

Embargoed until 1200 ALMT (0600 UTC) 01 August 2022

Tengri Partners Kazakhstan Manufacturing PMI™

New orders rise sharply again in July

Key findings

Stronger customer demand leads to near-record increase in new business

Purchasing activity growth hits survey peak

Output growth slows, leading to use of inventories to help meet demand

Data were collected 12-22 July 2022.

The latest PMI™ survey data from Tengri Partners and S&P Global pointed to another marked improvement in customer demand in the Kazakh manufacturing sector at the start of the third quarter of the year. New orders rose at a near-record pace, while firms expanded employment and purchasing activity more quickly than in June.

The rate of output growth softened, however, amid ongoing supply-chain disruption due to sanctions placed on Russia, and sharply rising prices.

The headline Kazakhstan Manufacturing PMI is a composite single-figure measure of manufacturing performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 indicates overall improvement in the sector.

The headline PMI was above the 50.0 no-change mark for the third month running in July, but at 52.8 (down from 53.0) the reading signalled a slightly softer improvement in business conditions.

There were widespread reports of strengthening customer demand in the sector during the month, resulting in another marked increase in new orders. The rate of expansion was only slightly slower than the series record posted in June. New business has now risen in three successive months.

Manufacturers responded to greater new order volumes by expanding their workforce numbers and purchasing activity again in July.

Employment increased for the second month running, with

continued...

Tengri Partners Kazakhstan Manufacturing PMI™

sa, >50 = improvement since previous month



Sources: Tengri Partners, S&P Global.

Comment

Anuar Ushbayev, Managing Partner and Chief Investment Officer at Tengri Partners said:

"There was further good news for manufacturers in Kazakhstan in July as new order volumes continued to increase rapidly, feeding through to faster job creation and another record expansion of input buying.

"In fact, the main issue being faced by firms at present seems to be keeping up with demand as ongoing logistical difficulties and price pressures meant that output rose only modestly. In July, manufacturers were able to continue meeting demand through the use of warehouse inventories, but with some firms reportedly selling out of finished products, ramping up production over the month ahead will be key if they are to keep on top of workloads."

the rate of job creation the fastest since November 2019. Firms reported success in sourcing qualified staff and filling vacancies, although there were still some reports of workers resigning in search of higher pay elsewhere.

Meanwhile, the rate of growth in purchasing activity hit a new survey record for the second month running. Despite this ramping up of input buying, stocks of purchases decreased as items were used to support production.

Output increased for the third month running, in line with greater customer demand. That said, the rate of growth eased to the softest in the current sequence of expansion amid ongoing difficulties securing inputs and price rises.

Suppliers' delivery times continued to lengthen markedly, with the rate of deterioration unchanged since June. Delivery delays were again mainly linked to logistical difficulties caused by the sanctions imposed on Russia.

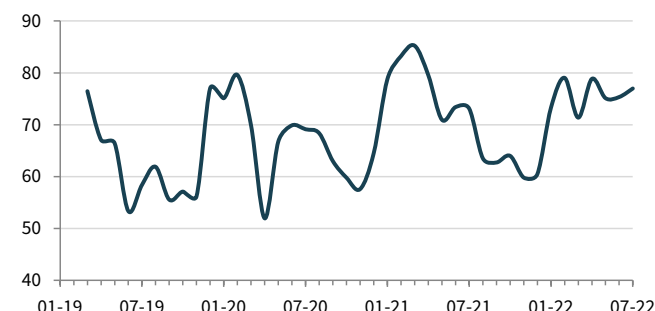
With growth of new orders outpacing that of production, firms dipped into inventories to help satisfy demand. As a result, stocks of finished goods decreased for the first time in three months, with some respondents indicating that they had now sold out of finished products. The depletion of stocks helped manufacturers to keep on top of workloads and reduce backlogs of work for the first time in nine months.

The rate of input cost inflation ticked higher in July, with unfavourable currency fluctuations exacerbating raw material price pressures. In turn, output prices also increased sharply as higher costs were passed on to customers.

Firms remained optimistic for the year ahead, hoping that further improvements in orders and stable economic conditions will help lead to output growth.

Kazakhstan Manufacturing PMI Future Output Index

>50 = growth expected over next 12 months



Sources: Tengri Partners, S&P Global.

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Survey methodology

The Tengri Partners Kazakhstan Manufacturing PMI™ is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 250 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

Survey dates and history

July data were collected 12-22 July 2022.

Data collection began in March 2019.

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Purchasing Managers' Index™ (PMI™) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

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