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Tengri Partners Kazakhstan Services PMI™

Including Tengri Partners Kazakhstan Composite PMI™

Employment rises solidly amid record rise in orders

Key findings

Growth in business activity slowest since April

New orders rise at record-high rate for the second month running

Workforce numbers expand solidly

Data were collected 12-25 August 2022.

The Kazakh service sector recorded a fifth successive month of expansion during August, as per the latest PMI™ survey data from Tengri Partners. While growth in business activity was solid, the rate of expansion eased from July and was the second-slowest in the aforementioned sequence.

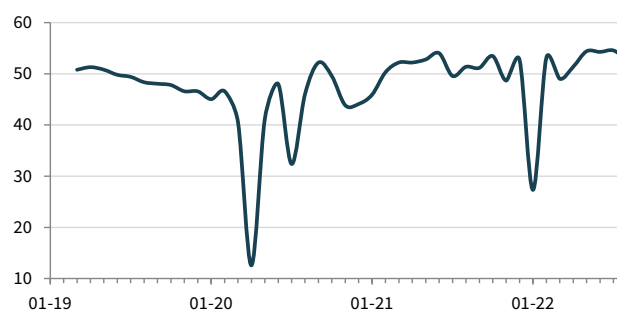
In contrast to a slower upturn in activity, new order growth measured the highest since the survey began in March 2019, suggesting that the service sector will continue to expand in the coming months. Moreover, firms raised employment for the first time in three months, and at a solid pace. Companies remained positive with regards to the year-ahead outlook for activity midway through the third quarter.

The headline figure from the survey is the Business Activity Index. This is calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The index varies between 0 and 100, with a reading above 50 indicating an increase and below 50 a decrease. The index is adjusted for seasonal variation.

At 52.7 in August, down from July's series high of 54.6, the seasonally adjusted Business Activity Index remained firmly in expansion territory for the fifth month running. Though the latest reading signalled the softest improvement in four months, it indicated a solid pace of growth overall.

Additionally, new business placed at service firms grew strongly during August. The rate of expansion quickened from July, registering the fastest rate on record for the second month running. As per anecdotal evidence, greater client activity was attributed to the latest uptick.

Tengri Partners Kazakhstan Services PMI Business Activity Index
sa, >50 = growth since previous month



Sources: Tengri Partners, S&P Global.

Furthermore, rising business requirements meant that firms raised payroll numbers for the first time in three months. Moreover, the rate of job creation measured the second-fastest in the three-and-a-half-year survey history, just behind that posted in October 2019.

In terms of prices, inflationary pressures remained elevated during August. That said, the latest survey data signalled the weakest incline in input prices since February. According to the surveyed businesses, increasing labour and raw material prices continued to exert upward pressures on service sector expenses.

Amid sharp rises in costs, the latest survey period showed that companies remained able to increase their charges to help alleviate the squeeze on margins. The rate of output price inflation quickened from the five-month low observed in July and was the strongest since May. Moreover, the respective seasonally adjusted index recorded the fifth highest on record.

Lastly, the 12-month outlook remained highly optimistic. Confidence stemmed from hopes of improvements in demand and new client wins. Although the degree of confidence softened from July, it remained strong in the context of historical data.

Tengri Partners Kazakhstan Composite PMI™

Growth in Kazakh private sector output is slowest in four months

At 52.0 in August, down from 53.6 in July, the Kazakhstan Composite PMI Output Index* signalled a modest expansion in private sector output, and one that was the softest since May. At the sub-sector level, slower upturns were seen across both manufacturing and service firms, the former seeing growth almost stall during August.

A loss in growth momentum for new orders was also noted in August. The respective seasonally adjusted index posted lower due to slower growth in new orders recorded at goods producers. However, the rate of growth at service firms hit a record high for the second successive month meaning that overall new business continued to rise sharply.

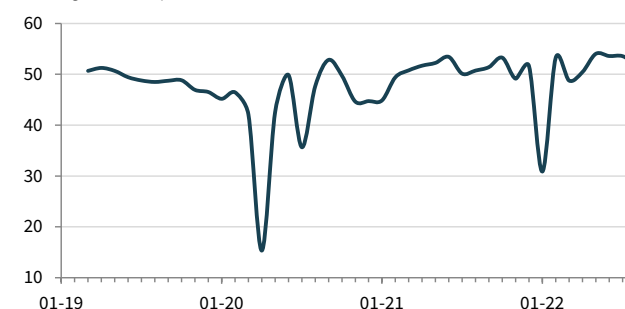
Despite softer growth, ongoing expansions in private sector activity and new orders allowed firms to raise employment for the second month running in August. Moreover, the pace of job creation measured the fastest in three-and-a-half years of data collection so far.

Furthermore, inflationary pressures eased during August, with softer rates of increase recorded for both input and output price inflation. However, the latest upticks continued to indicate sharp inclines.

The Kazakh private sector was highly optimistic during August. While the degree of optimism slipped from July, it continued to

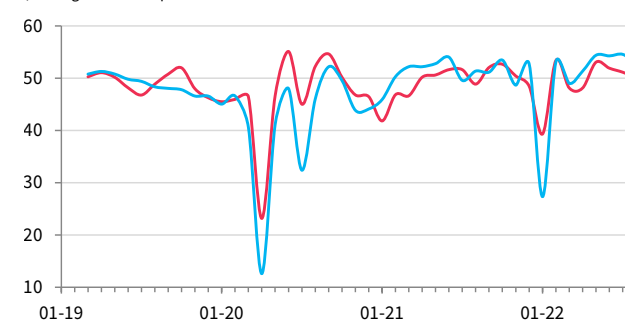
*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Kazakhstan Composite Output Index is a weighted average of the Kazakhstan Manufacturing Output Index and the Kazakhstan Services Business Activity Index.

Tengri Partners Kazakhstan Composite PMI Output Index
sa, >50 = growth since previous month



Sources: Tengri Partners, S&P Global.

Tengri Partners Kazakhstan Manufacturing PMI Output Index
Tengri Partners Kazakhstan Services PMI Business Activity Index
sa, >50 = growth since previous month



Sources: Tengri Partners, S&P Global.

Comment

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

"Despite the ongoing geopolitical uncertainty, August PMI data signalled yet another modest expansion in business activity across the Kazakh service sector, thereby extending the current run of increase to five months. Moreover, growth in new incoming business registered the fastest on record for the second consecutive month.

"Improving demand conditions also meant that firms were able to raise their workforce numbers during August, overturning the two months of contraction seen in June and July.

"However, challenges to growth remain constant. Ongoing geopolitical worries and persistently high inflation rates continue to weigh on future prospects."

Services Employment Index

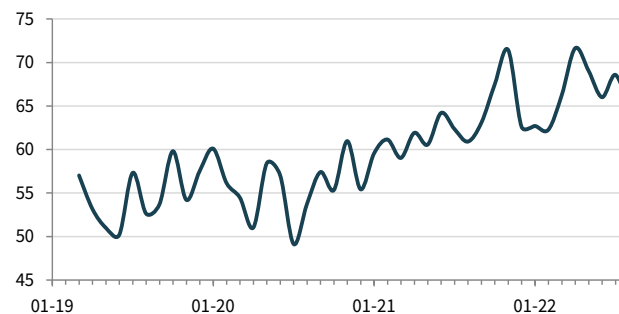
sa, >50 = growth since previous month



Sources: Tengri Partners, S&P Global.

Services Input Prices Index

sa, >50 = inflation since previous month



Sources: Tengri Partners, S&P Global.

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Survey methodology

The Tengri Partners Kazakhstan Services PMI™ is compiled by S&P Global from responses to questionnaires sent to a panel of around 250 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services. 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 Services Business Activity Index. This is a diffusion index calculated from a question that asks for changes in the volume of business activity compared with one month previously. The Services Business Activity Index is comparable to the Manufacturing Output Index. It may be referred to as the 'Services PMI' but is not comparable with the headline manufacturing PMI figure.

The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index may be referred to as the 'Composite PMI' but is not comparable with the headline manufacturing PMI figure.

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

August data were collected 12-25 August 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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