

Embargoed until 1200 ALMT (0600 UTC) 05 December 2022

Tengri Partners Kazakhstan Services PMI™

Including Tengri Partners Kazakhstan Composite PMI™

Activity declines across Kazakh service sector as demand wanes

Key findings

Renewed contraction in business activity in November

Incoming new business falls for the first time since March

Upward pressure on prices continues to ease

Data were collected 11-25 November 2022.

The latest PMI™ survey data from Tengri Partners covering the Kazakh services economy signalled a renewed downturn in business activity during November. The drop in output was in line with a first fall in new orders in eight months as demand waned.

However, the softening of demand helped ease inflationary pressures. Service sector expenses increased at the slowest pace since March 2021, while the rate of charge inflation moderated for the third month running.

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.

The seasonally adjusted Business Activity Index dropped below the 50.0 no-change mark that separates growth from contraction. At 49.1 in November, down from 50.3 in October, business activity across the service sector in Kazakhstan has contracted twice in the past three months. That said, the rate of decrease midway through the final quarter was mild overall.

Reflecting a drop in client demand, a marginal fall in new business at Kazakh firms was also registered during November, marking the first month of reduction since March.

However, the fractional downturns in activity and new business did not impede payroll numbers. Following a slide in workforce numbers during October, staffing levels across Kazakhstan's service providers rebounded during the latest survey period.

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



Sources: Tengri Partners, S&P Global.

Expansions have now registered in three of the last four months.

Turning to prices, Kazakh service firms continued to experience sharp upward pressure on their input costs. Higher food, energy and raw material prices, amid widespread reports of suppliers raising their charges, resulted in price inflation entering its twenty-eighth consecutive month. In addition, unfavourable exchange rates added to inflationary pressure. That said, while the latest increases in prices remained sharp, price inflation softened to a 20-month low.

Service sector companies across Kazakhstan continued to raise their charges during November. However, charges rose at a more modest pace than input costs, with the latest upturn in service charges easing from the preceding month, to the softest since July.

Meanwhile, business confidence weakened from October. Inflation, global economic uncertainty and a drop in demand weighed on expectations. Nonetheless, companies remained optimistic overall, with more than 43% of panellists hopeful of growth in business activity in the coming 12 months, compared to the 7% that were downbeat. Respondents hope to see demand improve over the coming year, thereby supporting output growth.

Tengri Partners Kazakhstan Composite PMI™

Contraction across Kazakh private enters third month

The Kazakh private sector economy reported a third consecutive month of deterioration in November, led by a renewed downturn across the service sector, while goods producers reported growth for the first time in three months. The Composite PMI Output Index* fell to 49.5 in November from 49.8 in October. The rate of reduction quickened on the month but was still mild overall.

Growth in incoming new business stalled during November, thereby ending a six-month run of growth. Nonetheless, private sector companies across Kazakhstan expanded their workforce numbers. Excluding the slide in employment during October, private sector staffing levels have grown continuously since July, with manufacturing firms reporting a slightly quicker upturn in payroll numbers during the latest survey period.

Both input price and output charge inflation softened to a nine-month low but remained historically elevated. The outlook for the coming 12 months edged up to a three-month high, largely as a result of sentiment strengthening at goods producers.

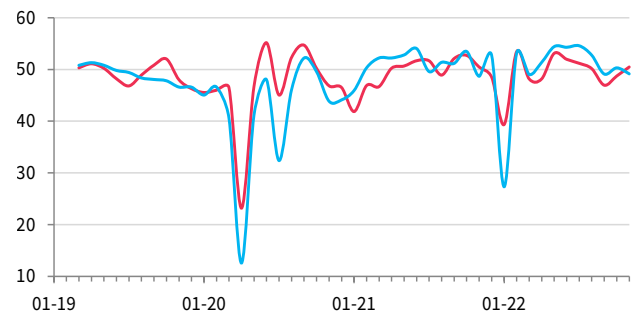
*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Kazakhstan Composite Output Index is a weighted average of the Kazakhstan Manufacturing Output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

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

"The latest PMI data signalled a contraction across the Kazakh service sector during November, as anecdotal evidence reported a loss in demand hampering growth. That said, the latest contraction in business activity was only mild.

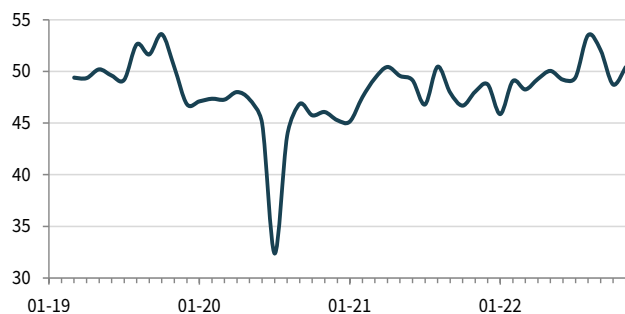
"While the drop in demand helped ease inflationary pressures, the ongoing supply-side challenges, global inflation and economic uncertainty continued to exert upward pressure on prices, which in turn weighed on the outlook. Nonetheless,

sentiment regarding the 12-month outlook remained optimistic.

"The service sector remains highly sensitive to the ongoing challenges mentioned. As a result, we could potentially continue to see fluctuations in activity as we progress through the final quarter."

Services Employment Index

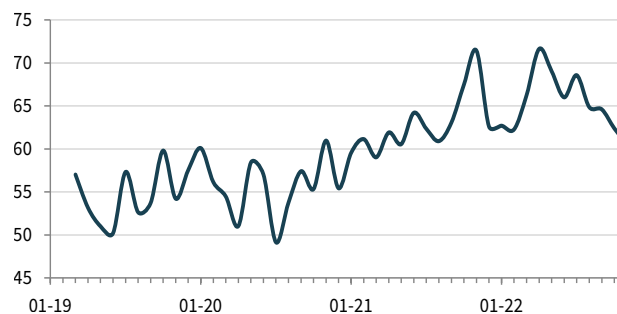
sa, >50 = growth since previous month



Sources: Tengri Partners, S&P Global.

Services Input Prices Index

sa, >50 = inflation since previous month



Sources: Tengri Partners, S&P Global.

Contact

Ilias Tsakalidis
Press Enquiries
Tengri Partners
i.tsakalidis@tengripartners.com

Maxim Kryuchkov
Tengri Partners
m.kryuchkov@tengripartners.com

Maryam Baluch
Economist
S&P Global Market Intelligence
T: +44-13-4432-7213
maryam.baluch@spglobal.com

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
T: +44 (0) 7967 447030
sabrina.mayeen@spglobal.com

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

November data were collected 11-25 November 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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