

News Release

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S&P Global Kazakhstan Services PMI[®]

Business activity broadly stagnates in June

Key findings

Fractional uptick in service sector activity

Growth in new business also moderates

Renewed drop in employment

The latest PMI[®] survey data from S&P Global, pointed to a further moderation in business activity growth in Kazakhstan's service sector. The softer upturn reflected a slowdown in inflows of new business received at Kazakh service firms in June. Falling business requirements also resulted in a renewed drop in staffing levels, thereby reversing the growth seen in May.

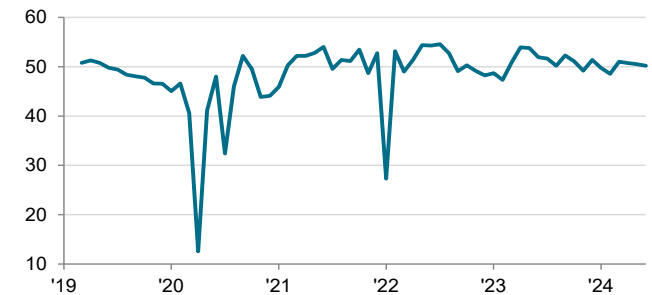
However, the slowdown in the sector was accompanied by a further cooling of inflationary pressures in June. Cost burdens rose only marginally. In turn, service firms were able to raise their charges at a reduced and modest rate.

The headline figure 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 barely managed to scrape above the neutral 50.0 mark in June, printing 50.2, down from 50.5 in May. The rate of growth has now eased for three straight months, with service sector output rising only fractionally at the end of the second quarter. In fact, the latest expansion was the weakest observed in the current four-month sequence of growth.

The rate at which activity grew matched that observed for new business. Kazakh service firms recorded only a marginal rise in new orders during June. The latest uptick was the weakest recorded in four months. According to anecdotal evidence, increased competition, flooding and funding issues were said to have pulled back growth momentum, largely cancelling out new client and contract wins.

S&P Global Kazakhstan Services PMI Business Activity Index
sa, >50 = growth since previous month



Source: S&P Global PMI.
Data were collected 12-25 June 2024.

Albeit only slightly, the slowdown in growth of business activity and new business resulted in a drop in workforce numbers during the latest survey period. Job shedding has now been noted in four of the last five survey periods.

While mentions of increased supplier charges and wages meant that cost burdens continued to rise at Kazakh service providers in June, cooling demand trends were reflected in easing price pressures. Input prices rose only marginally. In fact, the respective seasonally adjusted index was the third-lowest recorded since data collection began in March 2019.

The weaker uptick in input costs allowed service providers based in Kazakhstan to increase their own selling prices at a moderated pace. The rate of output charge inflation was the weakest since December 2023 and modest overall. There were also some reports of firms lowering their charges in order to promote sales.

While signalling overall positive sentiment, Kazakh service firms noted a further loss in confidence as the first half of the year concluded. Expectations towards the 12-month outlook for service sector activity were the weakest in just over a year and came in below the series average. While some firms hoped that demand trends would improve, in part aided by competitive pricing, concerns surrounding market competition hampered growth prospects.

PMI[®]

by S&P Global

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Comment

Maryam Baluch, Economist at S&P Global Market Intelligence, said:

"The first half of 2024 concluded with a notable slowdown in Kazakhstan's service sector. Activity and new business rose only fractionally, as mentions of increased competition and flooding restrained growth momentum. Employment also took a step back, following a brief and fractional rise in May.

"While the cooldown was accompanied by a further easing of inflationary pressures, some service providers believe that cuts to charges are required, especially if growth is to be achieved in the second-half of the year."

S&P Global Kazakhstan Composite PMI®

Private sector output growth moderates in June

The Kazakhstan Composite PMI ticked down to 50.8 in June, from May's eight-month high of 51.3, to signal a softer expansion in activity. Underlying data noted that the manufacturing sector continued to lead the upturn by recording a solid rise in output. Meanwhile, services activity increased only fractionally. In both cases, the rates of expansion eased.

The moderated rise in private sector output reflected a cooling in demand trends. New orders grew only marginally and at the softest pace in the current four-month sequence of increase.

Expectations for the 12-month outlook for activity also retreated further. Confidence levels were the weakest in just over a year.

Nonetheless, employment levels rose further in June. The rate of job creation quickened on the month, solely supported by a solid rise in manufacturing employment.

Contact

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

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Survey methodology

The S&P Global 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. Data collection began in March 2019.

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@spglobal.com.

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