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Tengri Partners Kazakhstan Manufacturing PMI™

Operating conditions deteriorate further in January

Key findings

Further and faster falls in output and new orders

Job shedding quickens to solid pace

Business confidence mellows, but remains robust

This report contains the latest analysis of monthly survey data showing business conditions of the Kazakhstan manufacturing sector. The survey, produced by IHS Markit for Tengri Partners, has been conducted since March 2019 and is an early indicator of the economic health of the Kazakhstan manufacturing sector. The headline figure derived from the survey is the Tengri Partners Kazakhstan Manufacturing Purchasing Managers' Index™ (PMI™).

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 latest headline PMI posted 47.1 in January, down from 48.2 in December, to signal the third successive deterioration in operating conditions across the Kazakh manufacturing sector. Moreover, the rate of contraction was the sharpest in the series' eleven-month history and solid overall.

Key to the deterioration in the health of the sector in January were further declines in production and order book volumes. Output contracted for the third month in a row, with the rate of decline the quickest in the short series history and sharp overall.

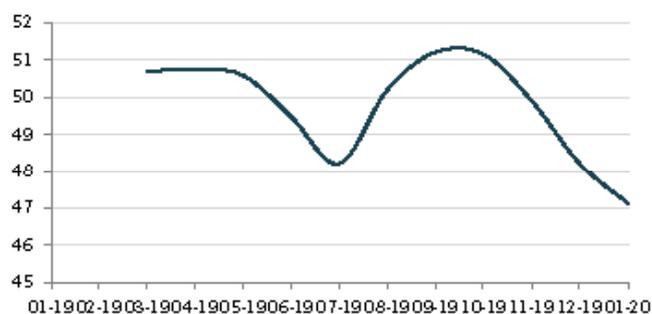
Meanwhile, the seasonally adjusted New Orders Index posted below the crucial 50.0 no-change mark for the second consecutive month, with the contraction quickening to a moderate rate. Anecdotal evidence linked the decline to weak demand conditions amid a reduction in client purchasing power, alongside increased competition.

Amid lower production requirements and softer demand, firms reduced their workforce numbers in January. The rate of job

continued...

Tengri Partners Kazakhstan Manufacturing PMI™

sa, >50 = improvement since previous month



Sources: Tengri Partners, IHS Markit.

Comment

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

“The private non-oil manufacturing sector continues to be negatively impacted by the evidently weak domestic demand, which also shows up in the third consecutive monthly decline of the Kazakhstan Manufacturing PMI index. Meanwhile, positive sentiment remains and while the companies are working through previously unfinished orders they still expect business conditions and contract wins to improve in the coming months.”

shedding gathered pace from December and was solid overall. Concurrently, confidence among Kazakh goods-producers regarding the year ahead outlook for output moderated slightly from December's recent high. That said, the level of positive sentiment remained among the highest in the series' eleven-month history and was robust overall. Panel members frequently linked optimism to hopes of an improvement in demand conditions and new contract wins.

On the price front, cost burdens faced by Kazakh manufacturers rose during January, as has been the case in each month since data collection began in March 2019. Survey respondents linked the latest uptick to greater fuel costs, higher prices at suppliers and unfavourable exchange rates. The rate of price inflation softened from December, but remained sharp overall.

Higher input costs were partially passed-through to clients during the latest survey period, as average prices charged by Kazakh goods producing firms rose further. The rate of increase was the second-slowest for six months, however.

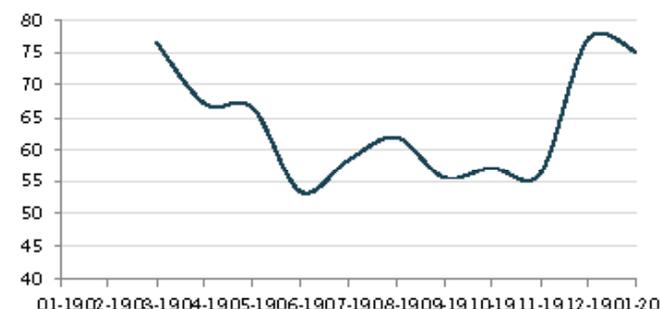
At the same time, purchasing activity declined for the second month in a row, with the fall quickening from December. Anecdotal evidence linked the reduction, which was solid, to lower production requirements amid weak demand.

Meanwhile, pre-production inventories fell at the fastest rate in the current five-month sequence of reduction and sharply overall. Holdings of manufactured items also declined, with the fall the fastest in the series' short history and marked.

Finally, vendor performance continued to deteriorate during the latest survey period, amid reports of logistical issues at suppliers. The extent to which lead times lengthened was only marginal and not as severe as in December.

Future Output Index

>50 = growth expected over next 12 months



Sources: Tengri Partners, IHS Markit.

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Survey methodology

The Tengri Partners Kazakhstan Manufacturing PMI™ is compiled by IHS Markit 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

January data were collected 13-24 January 2020.

Data collection began in March 2019.

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About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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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. To learn more go to ihsmarkit.com/products/pmi.html.