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# Tengri Partners Kazakhstan Manufacturing PMI™

## Kazakh manufacturing rebound eases in October

### Key findings

Headline PMI dips to 50.8, amid near stalling of output growth

Expansion in order book volumes loses momentum, but remains marginal

Pandemic concerns weigh on business sentiment

Data were collected 12-23 October 2020.

The rebound in the Kazakh manufacturing sector eased noticeably during October, according to PMI™ survey data from Tengri Partners and IHS Markit. Conditions improved at a much-reduced pace amid a near stalling of output growth and a slower expansion in order book volumes.

Meanwhile, business sentiment was the weakest since April, with panellists citing concerns surrounding the coronavirus disease 2019 (COVID-19) pandemic.

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.

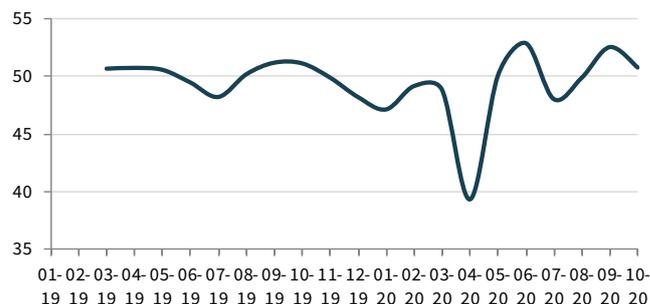
The PMI fell from 52.6 in September to just 50.8 in October, signalling a much slower improvement in manufacturing conditions, and one that was only marginal overall.

Weighing on the headline index in October was a near stagnation in output levels as well as a softer rise in order book volumes. The seasonally adjusted Output Index shed nearly five points on the month and registered only just above the 50.0 threshold, with companies in some sectors noting that quarantine restrictions had continued to hamper factory production.

New order inflows continued to rise, however, extending the current sequence of growth to three months. Panellists linked the latest uptick with an increase in the number of contracts for advance orders and improved client demand. The rate of expansion eased from September, but was still marginal nonetheless.

In line with a sustained improvement in demand conditions, Kazakh goods producers were optimistic overall with regards  
*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:*

*"Conditions in the Kazakh manufacturing sector continued to improve during October. The recovery lost some momentum, however, with output growth slowing to just a fractional pace.*

*"Nonetheless, order book volumes rose for the third month running and marginally, with panellists reporting that client demand had improved again.*

*"Subsequently, firms remained confident that output would rise over the coming 12 months. Sentiment dipped to a six-month low, however, with the coronavirus pandemic and sustainability of the recovery remaining a key concern among respondents.*

*"Overall, data show the recovery was sustained into October, but tougher restrictions may mean further momentum is lost temporarily whilst the pandemic is bought back under control."*

to their expectations for output over the year ahead. Sentiment moderated to a six-month low and was heavily subdued in the context of the series history, however, with some respondents citing concerns about the longevity of the pandemic and sustainability of the economic recovery.

Meanwhile, firms continued to increase their buying activity in October, with the latest rise the quickest since June and solid. Subsequently, lead times for inputs continued to lengthen moderately, although delays remained much less severe than during the depths of the pandemic in the spring.

Pre-production inventories declined again in October, amid reports that stocks were being used to supplement production. Moreover, the decline quickened to a modest pace. Holdings of manufactured items also fell at a quicker rate. According to respondents, post-production inventories were being used, where possible, to fulfil orders.

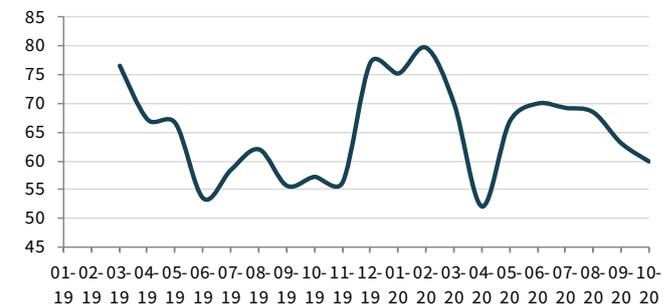
At the same time, October data highlighted a renewed dip in workforce numbers across the Kazakh manufacturing sector, albeit one that was only slight. Anecdotal evidence frequently cited the non-replacement of voluntary leavers. Firms continued to work through backlogs, however, with the rate of backlog depletion little-changed on the month and moderate.

On the price front, cost burdens facing Kazakh goods producers rose at the quickest rate since June and markedly overall. Panellists cited price hikes at suppliers, greater raw material costs and unfavourable exchange rates as the main drivers of inflation.

Higher costs were partially passed through to clients in October, as average selling prices rose for the sixteenth month running and solidly overall.

#### 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](mailto:economics@ihsmarkit.com).

#### Survey dates and history

October data were collected 12-23 October 2020.

Data collection began in March 2019.

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Tengri Partners is a diversified Central Asia-based merchant banking group engaged in securities trading, capital markets, investment banking, investment management, commercial finance and principal investments.

#### 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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#### About PMI

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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