

Embargoed until 1200 ALMT (0600 UTC) 08 January 2021

Tengri Partners Kazakhstan Services PMI™

Including Tengri Partners Kazakhstan Composite PMI™

Kazakh service sector remains mired in a downturn

Key findings

Services output declines sharply again, with downturn easing only slightly

New business falls at quickest pace since July

Firms record further cuts to staff numbers

Data were collected 04-18 December 2020.

The Kazakh service sector continued to be plagued by negative impacts stemming from coronavirus disease 2019 (COVID-19) pandemic at the close of the year, according to the latest PMI™ survey data from Tengri Partners covering the Kazakh services economy.

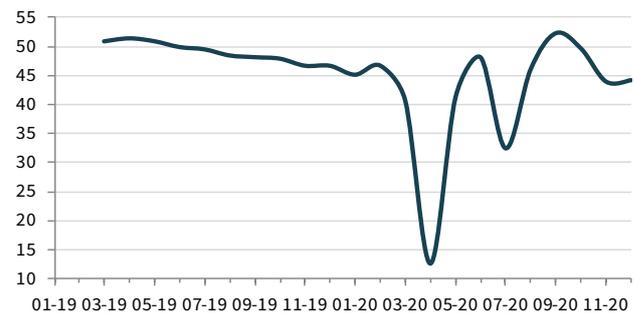
Services output declined sharply again, with the rate of contraction barely easing, while inflows of new work declined at the sharpest pace since July. Subsequently, staff numbers fell further in December. The rate of job shedding was the fastest since August and steep overall.

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 posted 44.1 in December, ticking up slightly from 43.9 in November, but nonetheless indicative a further sharp drop in Kazakh service sector output. Panellists linked the latest reduction to ongoing COVID-19 related measures.

December data also highlighted a back-to-back fall in new order inflows at Kazakh service providers. Moreover, the respective seasonally adjusted index fell further below the crucial 50.0 neutral mark and signalled the steepest rate of decline since July, amid reports of weak client demand

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



Sources: Tengri Partners, IHS Markit.

Meanwhile, services firms made further cuts to their workforce numbers during December, extending the current sequence of falling employment to over a year. The rate of job shedding was the quickest since August, with panellists mainly attributing the reduction to the non-replacement of staff who left voluntarily.

Turning to prices, cost burdens rose for the fifth month running. According to respondents, greater utility and staff costs were the main drivers of inflation in December. The rate of increase eased from November's record, and was broadly in line with the series average.

Average charges levied by Kazakh services firms also rose during December, amid reports that companies were passing greater costs through to clients where possible. The rate of charge inflation was unchanged from November and only slight, however.

Looking ahead, firms recorded the highest level of confidence regarding activity over the coming 12 months since August, with the respective Future Activity Index up sharply from November's reading. Anecdotal evidence attributed optimism to hopes of improved demand once restrictions were loosened and the launch of new products.

Tengri Partners Kazakhstan Composite PMI™

Private sector downturn continues into December

The Kazakhstan Composite PMI Output Index* registered 44.7 in December, little changed from 44.6 in November, to signal a third successive contraction in private sector output and one that was sharp overall. At the sector level the downturn was broad-based and led by service providers.

December data also highlighted a back-to-back reduction in new orders across the Kazakh private sector, with the rate of reduction the quickest since July.

Subsequently, companies continued to cut their staff numbers during December. The rate of job shedding was the quickest for four months and solid.

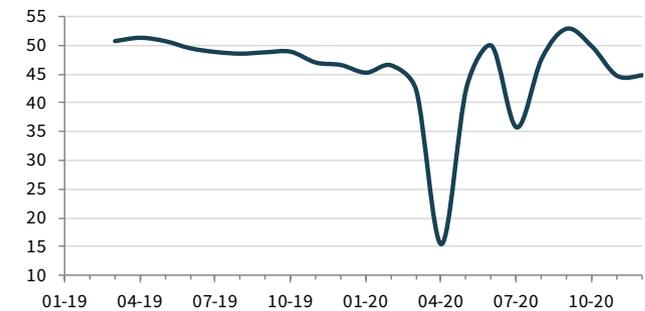
Turning to prices, firms registered another increase in average cost burdens. The rate of inflation did ease from November's record, but was still marked. In response, average charges at private sector firms rose for the third straight month, albeit only marginally overall.

On a more positive note, the year-ahead outlook for output strengthened noticeably during December. The level of positive sentiment was the second-highest since February and indicative of a robust degree of confidence among private sector firms.

*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 Output Index

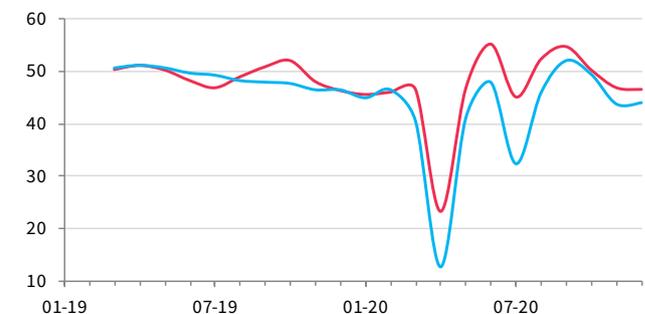
sa, >50 = growth since previous month



Sources: Tengri Partners, IHS Markit.

Manufacturing Output Index
Services Business Activity Index

sa, >50 = growth 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 services sector remained challenging in December. Business activity declined sharply again while the latest drop in new business was the quickest since July amid reports that COVID-19 related measures had stifled client demand. As a result, firms recorded a further fall in staff numbers at the end of the fourth quarter.

"Despite the ongoing downturn, service providers recorded the strongest degree of confidence regarding activity over the next 12 months since August, as firms remain optimistic of a swift

recovery once quarantine restrictions are lifted."

Services Employment Index

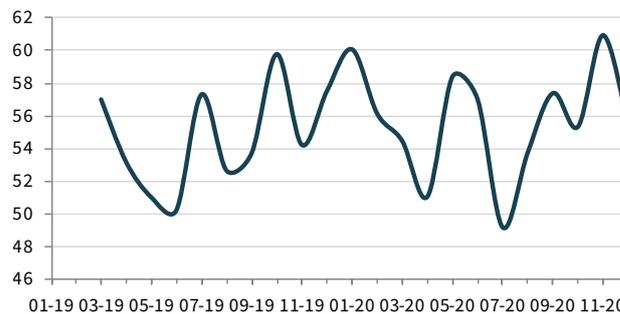
sa, >50 = growth since previous month



Sources: Tengri Partners, IHS Markit.

Services Input Prices Index

sa, >50 = inflation since previous month



Sources: Tengri Partners, IHS Markit.

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Survey methodology

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

December data were collected 04-18 December 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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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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