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Tengri Partners Kazakhstan Manufacturing PMI™

New order growth quickens to three-month high

Key findings

Sharper increases in output and new business

Employment continues to fall

Inflationary pressures strengthen amid difficulties sourcing inputs

Data were collected 12-22 October 2021.

Growth in the Kazakh manufacturing sector built momentum at the start of the fourth quarter, according to the latest PMI™ survey data from Tengri Partners and IHS Markit. Rates of expansion in both output and new orders accelerated from those seen in September. Firms continued to struggle to raise staffing levels, however, while inflationary pressures strengthened.

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.

At 51.6 in October, the headline PMI was up from 50.3 in September and signalled a second successive monthly improvement in business conditions. Moreover, the health of the sector strengthened to the greatest extent since June.

Central to the stronger growth momentum in October were faster expansions in both output and new orders. New business increased for the seventh successive month, and at a solid pace that was the fastest since July. Respondents indicated that an improving demand environment meant that they were better able to secure new contracts.

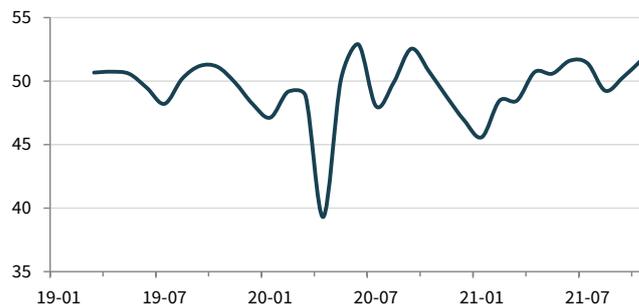
Manufacturers expanded their production volumes for the second month running in response, with the rate of growth quickening to a 13-month high.

Stronger growth of production enabled firms to work through outstanding business, with backlogs down for the first time in six months.

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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 PMI data for October shows that Kazakh firms were increasingly successful at securing new orders during the month, and pushed up production volumes accordingly. Moreover, confidence regarding future order inflows encouraged manufacturers to build stocks of finished goods at the strongest pace on record."

"Firms are still facing some headwinds, however. Difficulties replenishing staffing levels continued, while logistical issues in the securing of inputs sourced from abroad led to delivery delays and added to inflationary pressures. These factors could potentially limit the pace of expansion in the months ahead unless they begin to moderate soon."

The fall in work-in-hand was recorded in spite of further challenges building up workforce numbers. Employment decreased for the fourth month running and at a solid pace. Among the factors leading to lower staffing levels were sick leave, workers resigning in search of other opportunities elsewhere and difficulties finding suitable replacements.

Higher output requirements led firms to expand their purchasing activity for the first time in three months, albeit only marginally. Those manufacturers that purchased inputs over the month continued to experience delivery delays. In fact, lead times lengthened to the greatest extent since March. Respondents indicated that delivery delays were often linked to issues sourcing inputs from China and Russia.

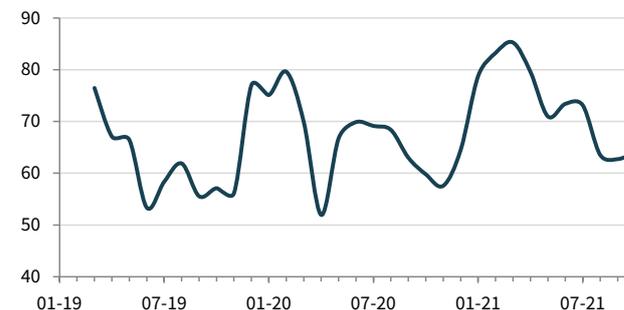
Input costs and output prices each rose at the sharpest rates in three months during October. Where input prices increased, panellists mentioned higher supplier charges, including for fuel, lubricants and metals. Higher costs for inputs from Russia were also reported. In turn, firms often passed on these higher cost burdens to their customers.

Stocks of purchases continued to fall, but finished goods inventories increased for the first time in three months as firms built warehouse inventories ahead of expected future orders. Moreover, the rise in post-production stocks was the most marked since the series began in March 2019.

Manufacturers were generally optimistic regarding the 12-month outlook for production. Sentiment ticked up to a three-month high, though remained slightly below the series average. Confidence was centred on hopes for a stable economic environment and building connections with clients.

Kazakhstan Manufacturing PMI 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

October data were collected 12-22 October 2021.

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.

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