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# Tengri Partners Kazakhstan Services PMI™

Including Tengri Partners Kazakhstan Composite PMI™

## Service sector downturn eases in May amid looser quarantine restrictions

### Key findings

Business activity and new orders fall at softer rates

Inflationary pressures intensify

Renewed optimism regarding output expectations

Data were collected 12-26 May 2020.

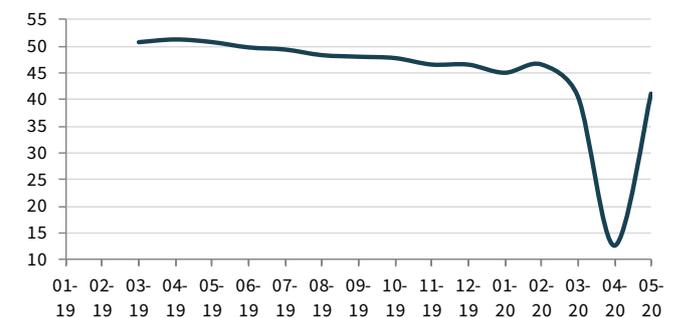
The latest PMI™ survey data from Tengri Partners covering the Kazakh services economy highlighted a further reduction in private sector activity during May amid the coronavirus disease 2019 (COVID-19) pandemic. The rate of decline eased notably from April's record as the virus-related state of emergency was lifted, although remained marked overall. Similarly, the pace of reduction in new business softened from April but was nonetheless among the quickest in the series history.

Meanwhile, inflationary pressures intensified, with input costs increasing at the quickest rate for four months. At the same time, average charges rose following a month of unchanged output prices.

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 41.1 in May, to signal a twelfth successive deterioration in Kazakh service sector activity. That was up from April's nadir of 12.6, but nonetheless continued to signal a marked deterioration in business activity across the services economy. Although quarantine restrictions have been loosened compared to April, they continued to place considerable limits on operations and many respondents noted that businesses remained temporarily closed.

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



Sources: Tengri Partners, IHS Markit.

Driving the overall downturn was a further reduction in incoming new business during May, with anecdotal evidence linking the fall to weak client demand as a result of the coronavirus pandemic. Despite the rate of contraction easing from April's record low, it was still much sharper than January's pre-coronavirus record as domestic and foreign customer demand remained subdued.

In line with weak demand conditions, firms continued to reduce staff numbers in May, extending the current sequence of decline to six months. Job shedding accelerated to a moderate rate and outpaced the long-run series average.

On the price front, inflationary pressures intensified in May. Cost burdens facing Kazakh service providers rose further, with the rate of inflation quickening the sharpest since January. Panellists linked the latest uptick to greater raw material costs, particularly for fuel and oil, higher prices at suppliers and unfavourable exchange rates.

Higher input prices were partially passed-through to clients, as average selling prices rose for the first time in three months, albeit only fractionally.

Firms' expectations with regards to activity over the coming 12 months returned to a positive footing during May. In fact, sentiment climbed to a three month-high, with anecdotal evidence linking optimism to hopes of improved demand conditions as a result of looser quarantine restrictions allowing business to reopen.

## Tengri Partners Kazakhstan Composite PMI™

### Further rapid fall in private sector output during May

Private sector business activity contracted for the twelfth month in a row during May as the COVID-19 pandemic continued.

The Kazakhstan Composite PMI Output Index\* registered 42.5 in May to signal a further rapid deterioration in Kazakh private sector activity. The index rose from April's nadir of 15.3, however, to signal a slower decline in output as parts of the economy began to reopen and restrictions were loosened.

A similar trend was seen for new business, which fell further during May. The rate of reduction eased from April's record, but remained marked as manufacturers and service providers indicated notable decreases in client demand. Subsequently, firms continued to cut staff numbers, as has been the case for each of the past 6 months. The rate of job shedding was unchanged from April and marginal overall.

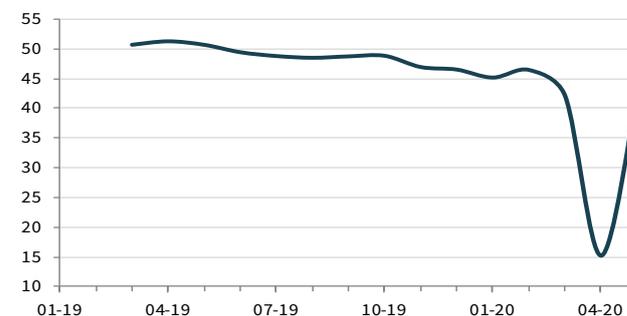
At the same time, private sector input prices rose at the fastest pace since March 2019, while the rate of charge inflation was the quickest for four months.

Finally, firms' output expectations improved from April's record low. The Future Output Index posted above the 50.0 no-change mark to signal confidence in an increase in activity over the coming year, and was the highest for three-months.

*\*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

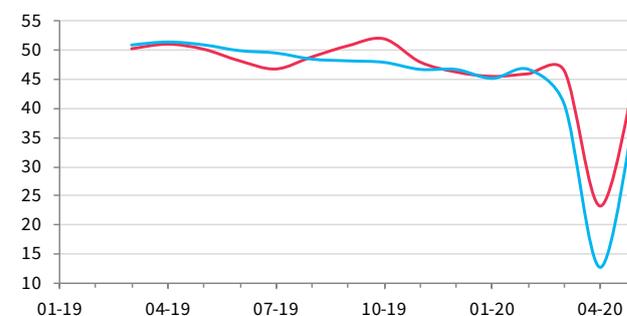
sa, >50 = growth since previous month



Sources: Tengri Partners, IHS Markit.

Manufacturing Output Index  
Services Business Activity Index

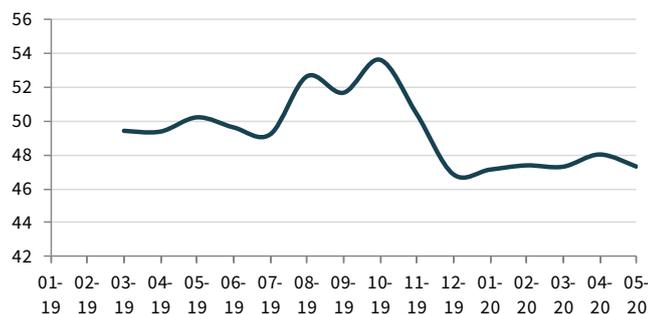
sa, >50 = growth since previous month



Sources: Tengri Partners, IHS Markit.

### Services Employment Index

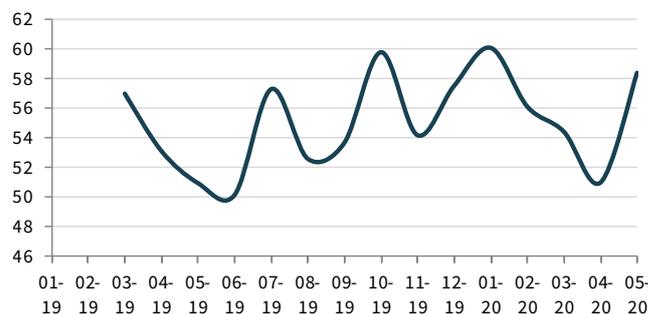
sa, >50 = growth since previous month



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](mailto:economics@ihsmarkit.com).

### Survey dates and history

May data were collected 12-26 May 2020.

Data collection began in March 2019.

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### About Tengri Partners

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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