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Tengri Partners Kazakhstan Manufacturing PMI™

Manufacturing sector returns to growth in April

Key findings

Output rises slightly amid renewed upturn in new orders

Business confidence remains historically elevated

Costs rise at fastest pace on record due to supply delays

Data were collected 12-23 April 2021.

The Kazakh manufacturing sector returned to growth during April, according to PMI™ survey data from Tengri Partners and IHS Markit. Output rose for the first time in six months and slightly, amid the fastest upturn in new work since last September. Subsequently, firms remained confident with regards to the year-ahead outlook for output.

Supply chain disruptions continued into April, although the extent of delays eased. Nonetheless, shortages, greater raw material costs and unfavourable exchange rates were attributed by panellists to a record rise in cost burdens.

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.

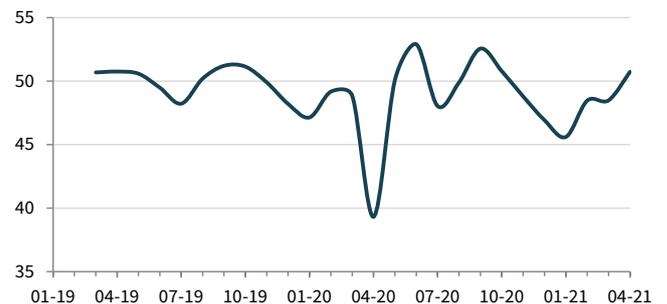
The PMI registered above the neutral 50.0 mark for the first time since October 2020 during April. At 50.7, the latest reading signalled a marginal improvement in the health of the manufacturing sector.

Contributing to the renewed upturn in the sector was the first expansion of output for six months. The rate of growth was only slight, however.

Inflows of new work showed a more convincing revival, however. The seasonally adjusted New Orders Index posted well above the 50.0 mark to signal the fastest increase in order book volumes since last September and one that was moderate overall. According to panellists, improved client demand and the signing of new contracts drove the rise.

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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 manufacturing sector saw a return to growth during April, with the headline PMI rising above the crucial 50.0 mark for the first time since last October and signalling a marginal improvement in the health of the sector. Central to the upturn was the first rise in output for six months, although only slight, and the quickest expansion in new orders since last September. Panellists attributed growth to improved client demand and signing new contracts.

"Supply chain issues were sustained into April, however, with shortages, greater raw material costs and unfavourable exchange rates subsequently linked through anecdotal evidence to another round of input price inflation, with the latest rise in costs the steepest on record.

"Nonetheless, firms remained optimistic of higher output in 12 months' time. Sentiment moderated from March's record, but was still historically elevated, with confidence buoyed by improved demand and hopes of a strong economic recovery."

At the same time, Kazakh goods producers remained optimistic with regards to output over the next year. Business confidence moderated from March's record high, but nonetheless remained historically elevated in April. Anecdotal evidence linked optimism to improved client demand and hopes of a robust economic recovery.

Meanwhile, supply delays continued to impact Kazakh goods producers. Vendor performance deteriorated for the seventeenth month running, amid reports of material shortages and logistical issues due to lockdown measures. That said, delays were the least marked in the aforementioned sequence.

April data also highlighted a further rise in cost burdens, with the rate of input price inflation at its steepest in the short series history. According to panellists, shortages, greater raw material costs and unfavourable exchange rates were the primary drivers of the latest increase. As a result, manufacturers upped their average charges sharply, and at a quicker pace.

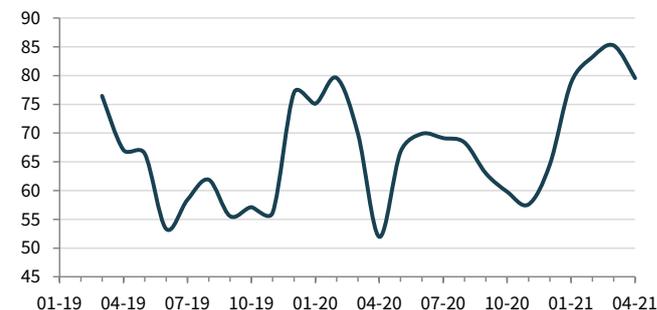
In line with greater output requirements, firms expanded their buying activity for the first time since last October during April. The rate of increase was solid overall.

Pre-production inventories fell further, however, with anecdotal evidence noting that stocks were being used in production. That said, the rate of decrease was the slowest since last September.

Meanwhile, capacity pressures remained weak in April, as evidenced by a further moderate fall in backlogs of work. As a result, firms sought to trim their staffing levels. That said, the latest fall was among the slowest in the current seven-month sequence of decline and only marginal overall.

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

March data were collected 12-23 April 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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