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Tengri Partners Kazakhstan Services PMI™

Including Tengri Partners Kazakhstan Composite PMI™

Business activity declines at softest rate since September 2019

Key findings

Business activity falls only marginally amid slower drop in new business

Sentiment picks up to four-month high

Jobs cut at quickest rate on record

Data were collected 12-25 June 2020.

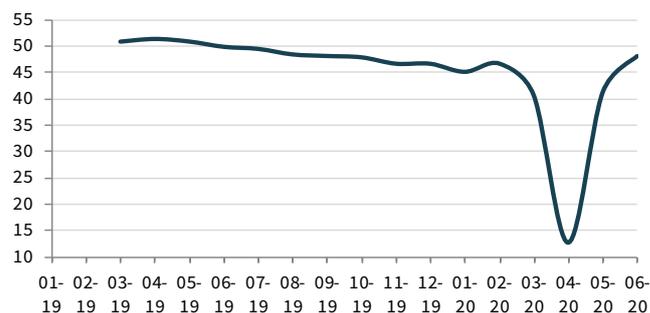
The latest PMI™ survey data from Tengri Partners covering the Kazakh services economy highlighted a further drop of business activity during June, although the rate of contraction eased and was the slowest since September 2019. Central to the softer downturn was a slower reduction in incoming new business, with the latest fall only slight overall. Encouragingly, sentiment with regards to activity over the year ahead climbed to a four-month high, amid reports of increased confidence in a post-pandemic recovery.

Firms cut jobs again in June, although a higher number of voluntary leavers was frequently mentioned alongside redundancies and lay-offs. The rate of job shedding was the quickest on record, nonetheless.

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 registered 48.0 in June, rising from 41.1 in May to signal a thirteenth successive monthly contraction in business activity in the Kazakh services sector. Panellists linked the downturn to weak demand conditions and company closures. That said, the rate of decline was the softest for nine months and only marginal overall, with some firms reporting that looser quarantine measures had allowed companies to resume operations.

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



Sources: Tengri Partners, IHS Markit.

Central to the easing downturn was a softer reduction in incoming new business. Order book volumes fell for a ninth consecutive month, amid reports of muted client demand. The rate of reduction eased considerably, however, with the latest decline the slowest in the aforementioned sequence only slight overall.

At the same time, the 12-month outlook for activity improved further, with the level of positive sentiment the highest since February. Anecdotal evidence linked optimism to the loosening of restrictions implemented to tackle the pandemic, as well as hopes of improved demand and a global economic recovery.

Nonetheless, with demand conditions weak, Kazakh services firms reduced their staff numbers again in June. Moreover, the rate of job shedding was the quickest recorded in the 16-month series history and solid overall.

On the price front, cost burdens rose further, as has been the case in each month since the survey began in March 2019. The rate of cost inflation was sharp, despite easing slightly. Concurrently, services firms reported unchanged average selling prices in June, following a slight increase in the previous survey period.

Tengri Partners Kazakhstan Composite PMI™

Private sector output broadly stable in June

Kazakh private sector firms recorded broadly unchanged output during June, following 12 successive monthly contractions.

The Kazakhstan Composite PMI Output Index* posted 49.9 in June, rising from 42.5 in May, to signal broadly unchanged levels of output on the month. The broad stabilisation was driven by the manufacturing sector which registered a strong expansion, with services firms recording a further, albeit softer, decline. Incoming new business rose for the first time in nine months and marginally overall, with goods producers driving the uptick.

Nonetheless, firms continued to reduce workforce numbers in June, with the rate of job shedding sharp overall and the quickest in the 16-month series history.

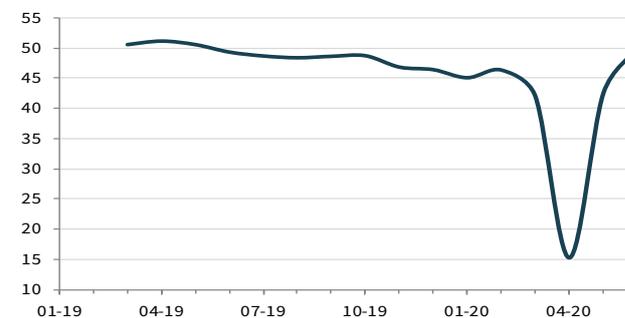
On the price front, cost burdens rose further, with the rate of inflation marked overall, despite easing from May. At the same time, average selling prices increased, albeit only marginally following unchanged output charges at service providers.

The 12-month outlook for output remained positive, with sentiment the highest since February and elevated in the context of historical data.

**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

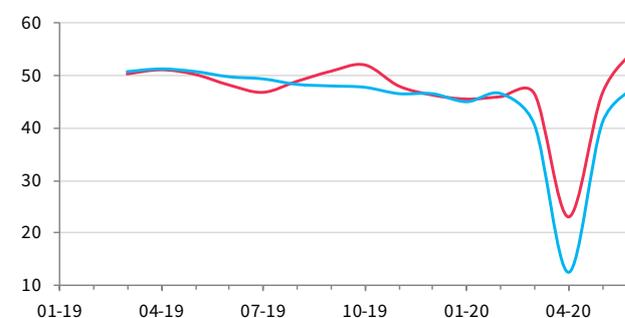
sa, >50 = growth since previous month



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:

"Business activity in the Kazakh services sector continued to contract in June amid a further reduction in new business. That said, the fall in output was the softest since September 2019 and only marginal overall, while order book volumes declined at the softest pace in the current nine-month sequence of reduction.

"Encouragingly, the 12-month outlook for activity improved, with sentiment the highest for four months.

"With demand conditions remaining subdued, however, service providers continued to reduce staff numbers, with the rate of job shedding the quickest on record.

"Meanwhile, at the composite level, private sector output was broadly stable on the month. Incoming new business rose for the first time in nine months during June and marginally, although the uptick was driven entirely by the manufacturing sector, with services firms struggling to revive demand following a severe downturn and ongoing virus-related restrictions which have hampered operations."

Services Employment Index

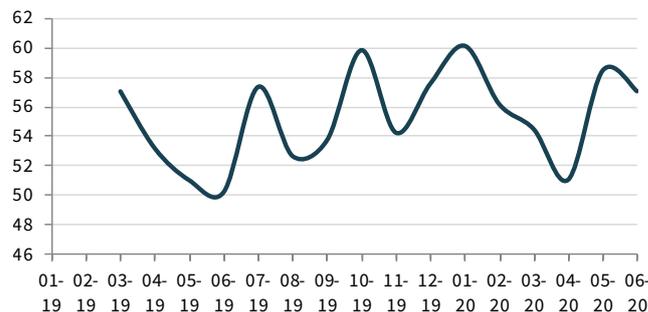
sa, >50 = growth since previous month



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

June data were collected 12-25 June 2020.

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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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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