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Tengri Partners Kazakhstan Services PMI™

Including Tengri Partners Kazakhstan Composite PMI™

Service sector rebounds in August

Key findings

Headline Business Activity Index moves back to growth territory at 51.4

Renewed upturn in inflows of new work

Firms take on additional staff for first time since April

Data were collected 12-25 August 2021.

The latest PMI™ survey data from Tengri Partners covering the Kazakh services economy highlighted a renewed expansion in Kazakh services output during August.

Client demand improved amid reports of looser lockdown measures, with inflows of new work rising solidly. As a result, companies increased their staffing levels for the first time since April.

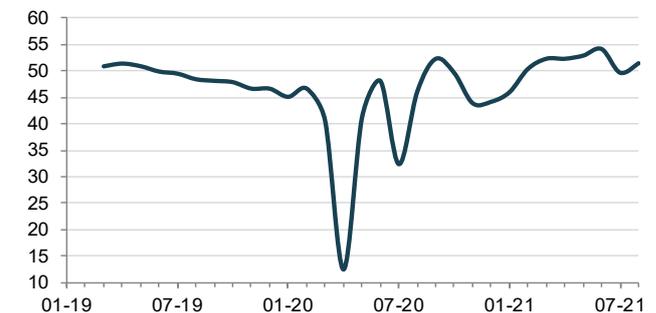
The headline figure is the Business Activity Index. This is calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The index varies between 0 and 100, with a reading above 50 indicating an increase and below 50 a decrease. The index is adjusted for seasonal variation.

The seasonally adjusted Business Activity Index rose from 49.6 in July to 51.4 during August, above the 50.0 mark which separates expansion from contraction. This signalled an expansion in service sector output for the sixth time in seven months, but one that was marginal overall.

Central to the fresh rebound during August was a renewed upturn in client demand. Inflows of new work rose solidly, following a slight fall in the previous survey period, with panellists reporting that client demand had improved amid the easing of quarantine restrictions.

Subsequently, Kazakh services firms took on additional staff during August, with the respective seasonally adjusted Employment Index posting above the 50.0 mark for the first time

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



Sources: Tengri Partners, IHS Markit.

since April. Anecdotal evidence attributed the rise in workforce numbers, which was marginal, to greater activity requirements.

Service providers also signalled optimistic expectations towards activity over the next year in August. Confidence was linked through anecdotal evidence to hopes of the release of pent-up demand and looser lockdown restrictions as well as expectations of a strong economic recovery. That said, sentiment moderated for the fourth month in a row and was the weakest since November 2020.

August data also highlighted sustained inflationary pressures. Costs faced by Kazakh services firms rose further, extending the current sequence of input price inflation to over a year. Greater labour, material and procurement costs were all attributed by respondents to the latest rise. The rate of increase slowed further, but was still rapid overall.

In response to greater cost burdens, companies again raised their average charges during August, with panellists noting attempts to maintain profit margins by passing greater costs through to clients where possible. That said, the rate of charge inflation slowed noticeably since July to the weakest since last December and was only mild overall.

Tengri Partners Kazakhstan Composite PMI™

Private sector growth accelerates in August

The Kazakh private sector remained on a growth footing during August, with the Kazakhstan Composite PMI Output Index* posting above the neutral 50.0 value for the sixth month running. Moreover, the index rose from 50.1 in July to 50.7 in August to signal a quicker expansion in output, albeit one that was still mild overall.

At the sector level, a rebound in services activity compared with the first decline in factory production since March.

August data also highlighted a further rise in inflows of new work to Kazakh private sector companies, extending the current sequence of expansion to seven months. The rate of increase quickened to a moderate pace.

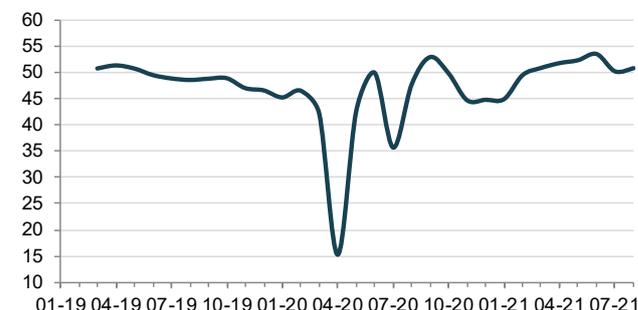
Subsequently, firms registered broadly stable staffing levels in August, following a three-month sequence of decline.

On the price front, inflationary pressures eased in August. Cost burdens increased at the slowest pace since March, although still markedly, while private sector firms raised their average charges to the smallest degree for eight months.

Looking ahead, private sector firms remained upbeat towards output over the next year. That said, sentiment moderated to the lowest since last November and was historically subdued.

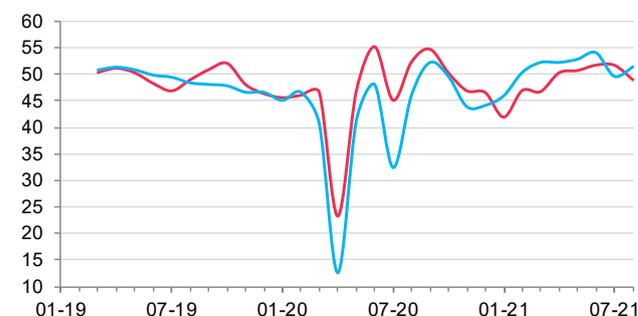
*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Kazakhstan Composite Output Index is a weighted average of the Kazakhstan Manufacturing Output Index and the Kazakhstan Services Business Activity Index.

Tengri Partners Kazakhstan Composite PMI Output Index
sa, >50 = growth since previous month



Sources: Tengri Partners, IHS Markit.

Tengri Partners Kazakhstan Manufacturing PMI Output Index
Tengri Partners Kazakhstan Services PMI 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:

"Latest PMI data pointed to a fresh rebound in Kazakh service sector activity during August and a renewed upturn in client demand.

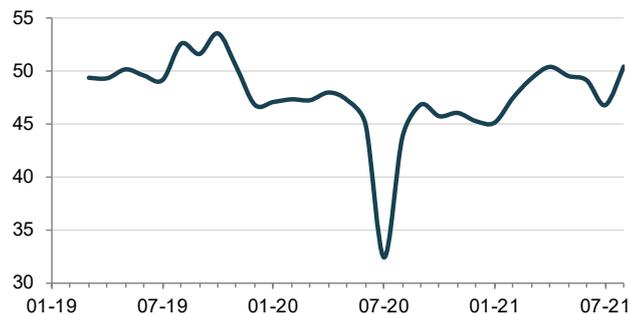
"As a result, employment rose for the first time in three months and for only the second time since December 2019.

"At the composite level, the fresh expansion in services resulted in an accelerated pace of private sector output growth. The rate of increase was still only mild, however, as manufacturing output declined for the first time since March.

"Although sentiment moderated further, private sector firms still maintained an optimistic outlook towards output over the next year, with companies' hopeful of a solid economic recovery following the easing of COVID-19 quarantine measures."

Services Employment Index

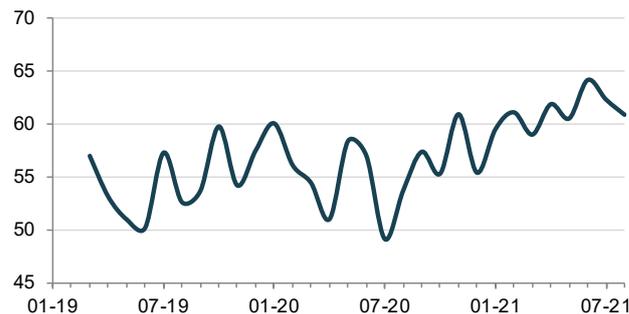
sa, >50 = growth since previous month



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

August data were collected 12-25 August 2021.

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.

ihsmarkit.com/products/pmi.html