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Tengri Partners Kazakhstan Manufacturing PMI™

Manufacturing output falls further in December

Key findings

Headline PMI slips to eight-month low

Output declines sharply amid quickest fall in new orders since April

Firms continue to trim staff numbers

Data were collected 04-16 December 2020.

Conditions in the Kazakh manufacturing sector continued to deteriorate at the close of the final quarter of the year, according to PMI™ survey data from Tengri Partners and IHS Markit. Output fell for the second month in a row and sharply, amid the quickest reduction in order book volumes since April. Meanwhile, manufacturers made further cuts to their workforce numbers, with the latest reduction sharp and the fastest in the current three-month sequence of job shedding.

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 46.9 in December, down from 48.8 in November, and signalled the strongest deterioration in the health of the manufacturing sector since April.

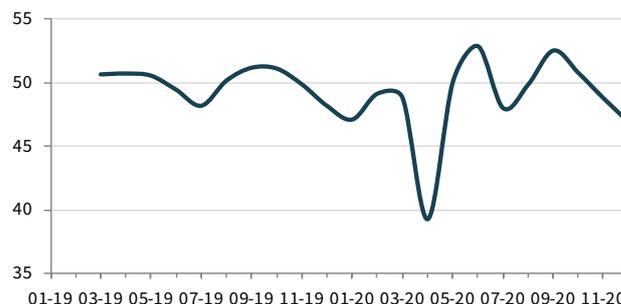
Further reductions in factory production and new orders drove the ongoing downturn. Output fell for the second month running and at a slightly accelerated pace, amid the sharpest drop in order book volumes for eight months. Panellists attributed the latest contractions in both output and new orders to weak client demand and coronavirus disease 2019 (COVID-19) related measures.

At the same time, staff numbers declined further in December, with the rate of job shedding the quickest in the current three-month sequence and sharp. According to respondents, the latest fall was driven primarily by the non-replacement of staff who left voluntarily, however.

Despite trimming staff numbers further, backlogs of work were broadly stable in December, with the respective seasonally

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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:

"December data highlighted a disappointing end to the year for Kazakh goods producers. Conditions in the sector deteriorated again, amid a further drop in output and the sharpest fall in new orders since the depths of the pandemic in April.

"Firms also registered another reduction in their workforce numbers, with the rate of job shedding the quickest for three months. That said, lower staff numbers were mainly attributed to the non-replacement of voluntary leavers.

"On a more positive note, the year ahead outlook for output strengthened to the highest since August, with hopes of a swift economic recovery and improved demand once restrictions are loosened noted by panellists as reasons to be confident."

adjusted index posting only just below the 50.0 mark following weak new order inflows.

Meanwhile, December data highlighted a back-to-back decline in buying activity, amid reports that weak sales had led companies to pare back on purchases. The rate of reduction quickened slightly on the month, but was still only marginal.

Nonetheless, vendor performance continued to deteriorate, extending the current sequence of delays to thirteen months. Anecdotal evidence cited ongoing transport disruptions and logical delays due to COVID-19. That said, the extent to which lead times lengthened was the least marked since January.

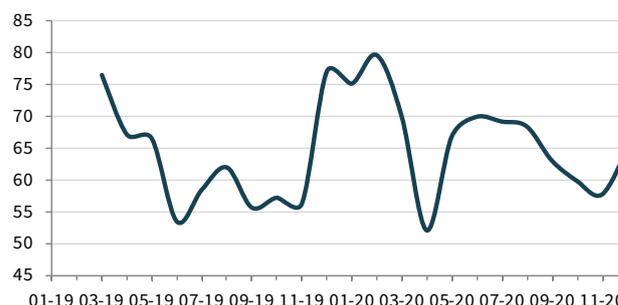
On the price front, input costs facing Kazakh manufacturers continued to increase during December. According to survey respondents, price hikes at suppliers (particularly in Russia), greater raw material costs, higher transport fees and unfavourable exchange rates were the main drivers of inflation. Although the slowest for three months, the latest increase was still marked overall.

As a result, average factory gate charges rose again, amid reports that firms were passing higher input costs through to clients where possible. The rate of charge inflation was also the slowest since September, but only moderate.

Finally, Kazakh manufacturers remained optimistic that output will rise over the next 12 months. The level of positive sentiment strengthened from November and was the highest since August. Panellists linked confidence to hopes of a timely economic recovery and improved demand conditions when quarantine restrictions are loosened.

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

December data were collected 04 - 16 December 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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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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