

Embargoed until 1200 ALMT (0600 UTC) 03 September 2020

Tengri Partners Kazakhstan Services PMI™

Including Tengri Partners Kazakhstan Composite PMI™

Business activity declines at softer rate in August

Key findings

New Business Index gains 14 points to post only just below 50.0 threshold

Softer, but still marked, drop in staff numbers

Business confidence strengthens to six-month high

Data were collected 12-25 August 2020.

The latest PMI™ survey data from Tengri Partners covering the Kazakh services economy highlighted a further reduction in service sector output during August, although the rate of decline softened noticeably from July. Order book volumes followed a similar trend, with the latest fall softening significantly from the previous survey period to only a marginal pace.

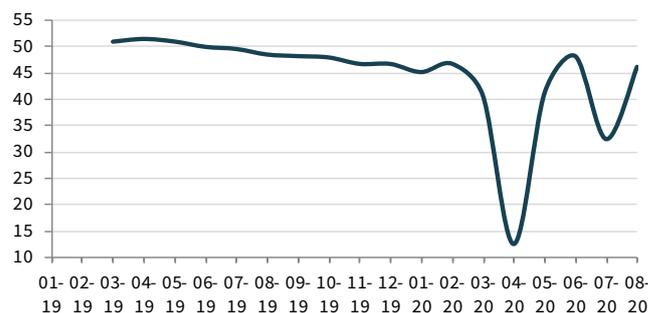
Service sector employment fell further, however. The rate of job shedding remained marked, despite easing. Nonetheless, firms were confident with regards to the year-ahead outlook for activity. The level of positive sentiment the highest since February.

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 46.0 in August to signal a fifteenth successive monthly contraction in Kazakh service sector output, with panellists linking the latest reduction with the temporary suspension of operations amid the ongoing coronavirus disease 2019 (COVID-19) pandemic. That said, rising from 32.4 in July, the latest figure was indicative of a significantly slower rate of decline, albeit one that was still solid.

Central to the easing rate of contraction in output was a softer fall in order book volumes during August. The seasonally adjusted

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



Sources: Tengri Partners, IHS Markit.

New Business Index gained 14 points on the month and neared stabilisation, registering only just below the 50.0 threshold and signalling a marginal rate of decline overall. Where a reduction was reported, panellists commonly mentioned weak client demand. Firms in some segments noted higher sales due to looser quarantine restrictions, however.

At the same time, Kazakh service providers continued to reduce their staff levels in August, thereby extending the current sequence of job shedding to nine months. Anecdotal evidence linked the fall to muted demand conditions, with respondents frequently reporting redundancies, lay offs and placing staff on unpaid leave. The rate of decline softened noticeable from July, but was still marked.

On the price front, Kazakh services firms signalled a renewed increase in input prices during August. Greater utility and staff costs, as well as unfavourable exchange rates were the primary drivers of cost inflation, according to panellists.

With demand conditions still muted, services firms again discounted their average charges in August. According to respondents, firms had reduced their selling prices as a result of intense competitive pressures. Moreover, the rate of decline was the quickest recorded since the series began in March 2019.

Tengri Partners Kazakhstan Composite PMI™

Private sector output falls at slower rate in August

Private sector output in Kazakhstan continued to decline during August, as has been the case in each month since June 2019. The Kazakhstan Composite PMI Output Index* rose from 35.6 to 47.6 in August, signalling a softer, but still moderate, reduction in private sector output.

A second consecutive fall in incoming new business was central to the overall reduction, although the latest contraction in order books was only slight, as demand conditions moved closer to stabilisation.

Nonetheless, private sector firms continued to make job cuts in August. The latest drop was marked overall, despite easing from July's recent record.

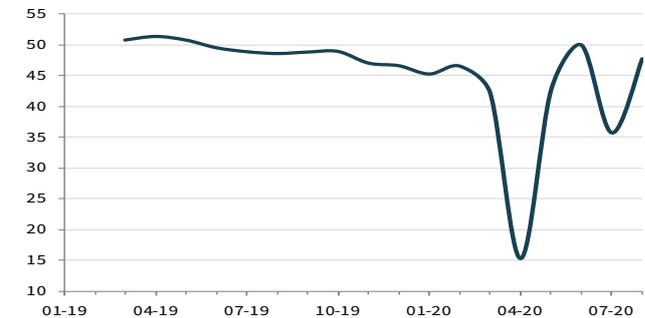
On the price front, input costs increased sharply, with the rate of cost inflation broadly in line with the series average. Amid intense competitive pressures, selling prices declined for the first time since data collection began in March 2019. That said, the reduction was only marginal.

Looking ahead, Kazakh private sector firms signalled a stronger degree of confidence with regards to the year ahead outlook for output in August. The level of positive sentiment was the highest since February.

*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

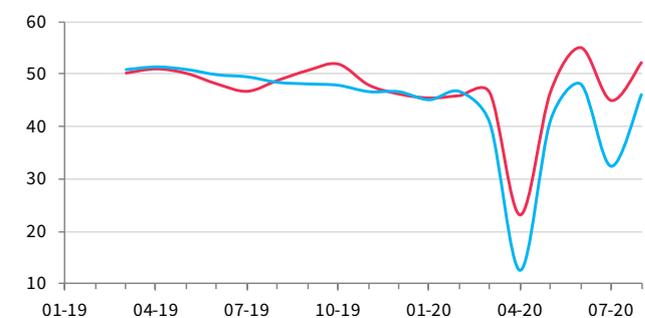
sa, >50 = growth since previous month



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 declined at a much slower rate in August. Similarly, the New Business Index gained a substantial 14 points on the month and neared stabilisation, signalling only a marginal reduction in new orders overall.

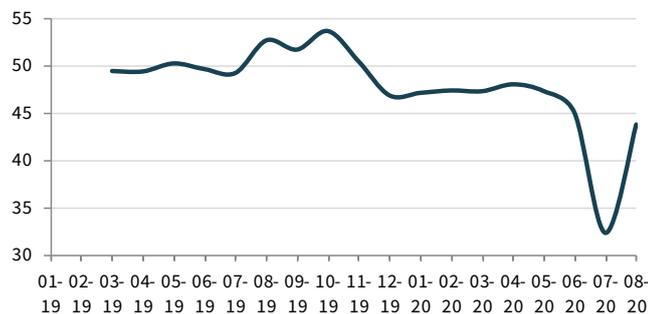
"Services firms continued to reduce their workforce numbers markedly, however, as sales remain relatively weak following the unprecedented drops in April and May.

"Encouragingly, Kazakh service providers signalled a higher degree of confidence with regards to the year-ahead outlook for activity during August. The level of positive sentiment was the highest since February and among the strongest on record, with respondents linking optimism to hopes of improved demand conditions and an economic recovery.

"Overall, the latest survey data still point to challenging conditions in the services sector. Although the rates of decline across key indicators such as output and new orders softened, we are yet to see any concrete signs of a recovery."

Services Employment Index

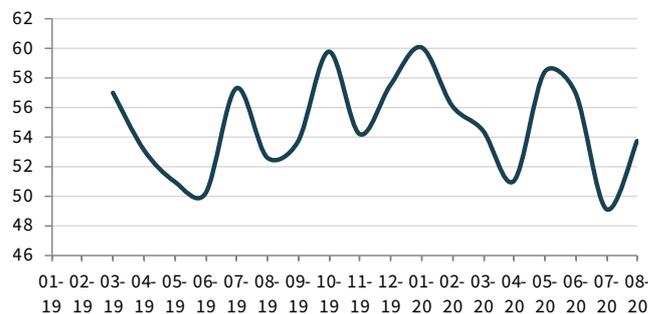
sa, >50 = growth since previous month



Sources: Tengri Partners, IHS Markit.

Services Input Prices Index

sa, >50 = inflation since previous month



Sources: Tengri Partners, IHS Markit.

Contact

Ilias Tsakalidis
 Press Enquiries
 Tengri Partners
i.tsakalidis@tengripartners.com

Maxim Kryuchkov
 Tengri Partners
m.kryuchkov@tengripartners.com

Lewis Cooper
 Economist
 IHS Markit
 T: +44-1491-461-019
lewis.cooper@ihsmarkit.com

Katherine Smith
 Public Relations
 IHS Markit
 T: +1-781-301-9311
katherine.smith@ihsmarkit.com

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 2020.

Data collection began in March 2019.

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI™ are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

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.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2020 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email katherine.smith@ihsmarkit.com. To read our privacy policy, click here.

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