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# Tengri Partners Kazakhstan Manufacturing PMI™

## Output contracts at softer rate in May as lockdown restrictions ease

### Key findings

Headline PMI indicates broadly stable manufacturing conditions

Softer falls in both output and new orders

Inflationary pressures remain strong

Data were collected 12-21 May 2020.

Operating conditions in the Kazakh manufacturing sector were broadly stable during May, following six months of consecutive decline, according to the latest PMI™ survey data from Tengri Partners and IHS Markit. Both output and new orders declined at softer rates than in April, amid reports that quarantine restrictions were being eased and companies reopening. Factory production fell at the slowest pace for six months, while the decline in order book volumes softened notably.

Meanwhile, inflationary pressure remained marked, with input prices rising at one of the quickest rates in the series 15-month history. At the same time, output charges rose at a solid pace.

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.

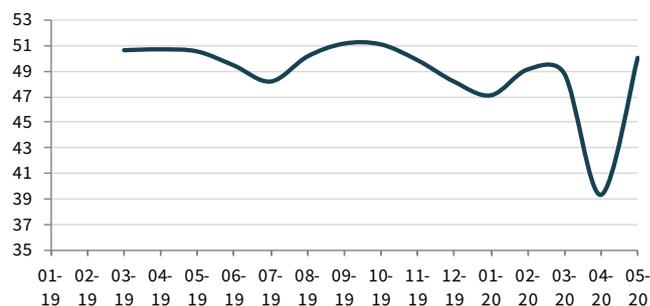
The PMI registered 50.1 in May, rising from April's recent low of 39.3, to signal a broad stabilisation in operating conditions at Kazakh manufacturers following six consecutive months of contraction.

Key to the improvement in the headline figure were softer rates of decline in both factory production and order book volumes. Output declined for the seventh month running, although the rate of decline was the softest in the aforementioned sequence. Respondents linked the decline to impacts stemming from the coronavirus disease 2019 (COVID-19) pandemic, although some firms noted that easing lockdown measures had allowed them to restart production.

Order book volumes also fell, as has been the case in each month since December 2019. Anecdotal evidence associated

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sa, >50 = improvement since previous month



Sources: Tengri Partners, IHS Markit.

the fall with muted client demand due to the global coronavirus crisis. That said, the rate of reduction softened from April and was only moderate overall.

On the price front, inflationary pressures remained strong during May. Cost burdens increased further, with the rate of inflation among the quickest on record. According to panellists, the increase was primarily driven by greater raw material costs, higher prices at suppliers and unfavourable exchange rates.

At the same time, average selling prices rose further in May, amid reports that higher input costs were being partially passed through to clients. The pace of increase was solid overall and faster than the series average.

Meanwhile, muted demand conditions led Kazakh goods producers to pare back on purchasing during May. Buying activity fell for the sixth month running, albeit only fractionally and at the softest rate in the aforementioned sequence.

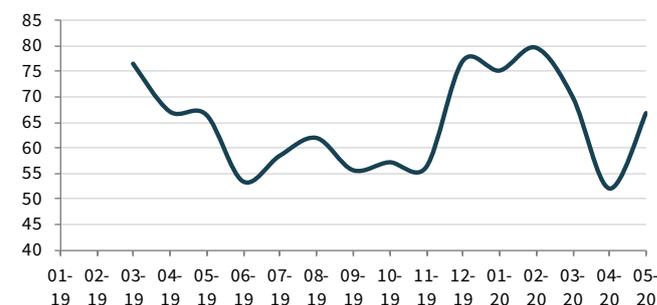
Subsequently, pre-production inventories fell, as has been the case in each month since September 2019. Despite easing from April's record low,, the rate of decline was solid overall and sharper than the series average.

Kazakh manufacturers recorded unchanged staffing levels during May, as signalled by the seasonally adjusted Employment Index posting at the crucial 50.0 no change mark. Meanwhile, the level of outstanding business declined further as lower production requirements allowed firms to direct resources to unfinished orders. The rate of backlog depletion was the second-softest on record and only marginal, however.

Firms' expectations with regards to output over the year ahead improved during May, with respondents linking optimism to easing lockdown measures and hopes of a global recovery.

### 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](mailto:economics@ihsmarkit.com).

### Survey dates and history

May data were collected 12-21 May 2020.

Data collection began in March 2019.

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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.

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