

Embargoed until 1200 ALMT (0600 UTC) 01 October 2020

Tengri Partners Kazakhstan Manufacturing PMI™

Manufacturing conditions improve for first time since June

Key findings

Production and new orders rise further, with growth rates quickening

First increase in manufacturing employment since February

Output expectations moderate noticeably

Data were collected 11-23 September 2020.

Manufacturing conditions in Kazakhstan improved for the first time in three months during September, according to PMI™ survey data from Tengri Partners and IHS Markit. Accelerated rates of growth in both factory production and new orders drove the overall uptick, while firms signalled a renewed increase in workforce numbers. The 12-month outlook for output moderated and was the weakest since April, however, with some panellists citing concerns about the long-term economic impact of the coronavirus disease 2019 (COVID-19) pandemic.

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.

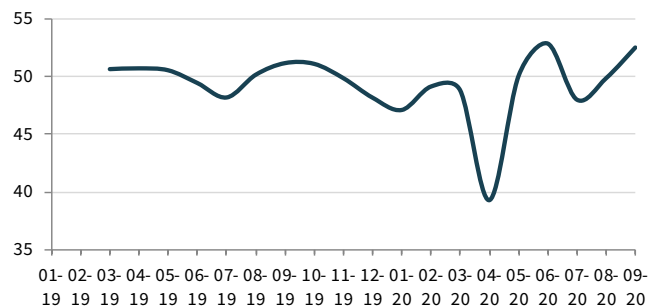
The PMI rose from 49.9 in August to 52.6 in September, surpassing the crucial 50.0 threshold and signalling an overall improvement in the health of the sector. Moreover, the latest figure was the second-highest on record, behind only June.

Increases in output and order book volumes were central to the overall improvement, alongside a renewed increase in staff numbers. Growth of both factory production and new orders continued for the second month and quickened from June, with respondents linking the latest increase in both indicators to improved demand conditions as a result of looser COVID-19 related restrictions.

Subsequently, Kazakh manufacturers expanded their workforces for the first time in seven months during September, with respondents noting that they were now filling vacancies as quarantine restrictions were loosened. The rate of job creation was only fractional, however.

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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:

"Operating conditions in the Kazakh manufacturing sector improved for the first time in three months during in September, with the headline figure among the highest on record.

"Looser quarantine restrictions and improved demand conditions resulted in further growth of output and new orders, with the rates of expansion quickening from August.

"Firms also took on additional staff for the first time since January, as hiring freezes were lifted and vacancies filled amid the reopening of factories.

"Looking ahead, the 12-month outlook for output moderated in September, but firms remain strongly optimistic that output will be higher over the coming year, as latest survey data give a solid indication the recovery is back underway."

Meanwhile, September data highlighted a renewed reduction in backlogs of work as capacity pressures eased. Anecdotal evidence linked the fall in outstanding work, which was moderate, to the reopening of factories and longer working hours following the easing of quarantine measures.

With production ramping up and demand conditions improving, firms increased their buying activity at the quickest pace for three months in September. Nonetheless, pre-production inventories fell amid reports that stocks were being used in production. That said, the rate of decline was the slowest in the current 13-month sequence of decline and only fractional. Meanwhile, stocks of finished goods declined again.

September data highlighted a further deterioration in vendor performance, with respondents frequently citing boarder closures and transport delays due to the pandemic.

On the price front, cost burdens facing Kazakh goods producers rose again, with higher prices at suppliers and unfavourable exchange rates the main drivers of the latest uptick, according to panellists. The rate of price inflation was unchanged on the month and sharp.

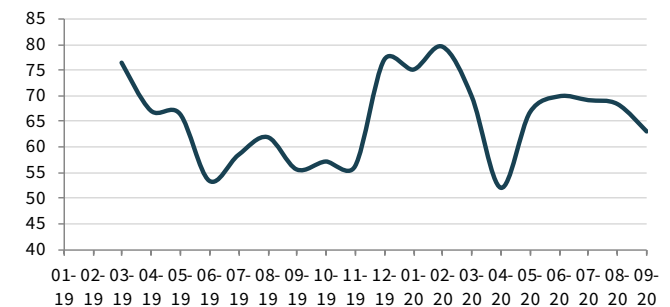
Greater costs were swiftly passed-through to clients where possible, however, as average charges rose for the fifteenth successive month. That said, the rate of increase eased from August and was only moderate.

Looking ahead, the 12-month outlook for output remained positive in September. Anecdotal evidence linked confidence to improved demand conditions and looser lockdown restrictions.

That said, sentiment moderated from August, with some respondents citing concerns about the medium- and long-term economic impact of the pandemic.

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

September data were collected 11-23 September 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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