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Tengri Partners Kazakhstan Manufacturing PMI™

Operating conditions deteriorate further amid weak demand

Key findings

Output falls at sharpest pace in ten-month series history

Moderate decline in order book volumes

First reduction in workforce numbers for five months

This report contains the first public release of data collected from the monthly survey of business conditions in the Kazakhstan manufacturing sector. The survey, produced by IHS Markit for Tengri Partners, has been conducted since March 2019 and is an early indicator of the economic health of the Kazakhstan manufacturing sector. The headline figure derived from the survey is the Tengri Partners Kazakhstan Manufacturing Purchasing Managers' Index™ (PMI™).

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.

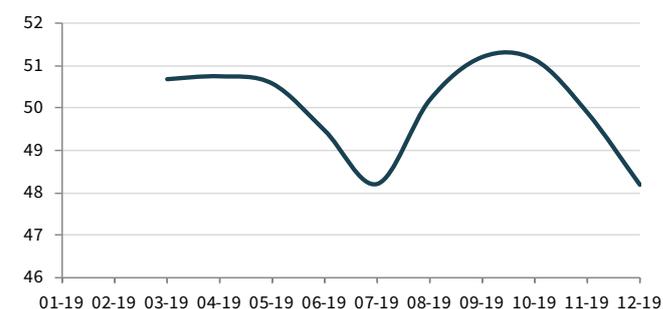
The latest headline PMI posted at 48.2 in December, down from 49.9 in November, to signal a deterioration in the health of the Kazakh manufacturing sector for the second month running. The rate of contraction quickened to the joint-fastest in the ten-month series history, despite being only modest overall.

Partly driving the downturn in December was a further fall in output across the Kazakh manufacturing sector, thereby extending the current sequence of contraction to two months. Survey respondents associated the reduction with weak client demand amid a fall in purchasing power among customers. Moreover, the rate of decline was solid and the fastest since data collection began in March 2019.

December data also indicated a reduction in new business placed at manufacturing firms in Kazakhstan for the first time since last July. Panellists linked the fall to weak client demand and increased competition. The rate of decline was moderate overall.

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Tengri Partners Kazakhstan Manufacturing PMI™
sa, >50 = improvement since previous month



Sources: Tengri Partners, IHS Markit.

Amid falling demand and lower production requirements, firms reduced their workforce numbers for the first time in five months during December. The rate of job shedding was only marginal, however.

Reflecting a reduction in pressure on capacity, Kazakh goods-producers recorded a fall in backlogs of work in December. Panellists attributed the decline to lower production requirements, allowing them to work through unfinished orders in a timely manner. Moreover, the rate of backlog depletion was solid and the fastest in the short series history.

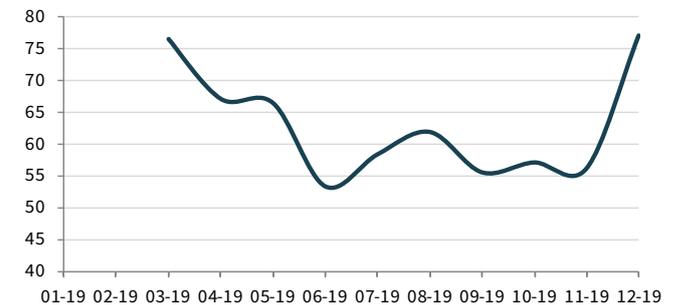
On the price front, cost burdens faced by Kazakh manufacturers continued to rise during December, as has been the case in each month since the series began in March 2019. Survey respondents linked the latest uptick to greater raw material costs, which partially stemmed from shortages at suppliers and unfavourable exchange rates. The rise was the fastest for four months and sharp overall. At the same time, average selling prices increased further, with anecdotal evidence linking greater charges to the partial pass-through of higher input costs to clients. The rate of charge inflation was the softest in the current six-month sequence of increase and only slight, however.

December data signalled a fall in input stocks, with the rate of decline accelerating to the quickest in the current four-month sequence of reduction. Meanwhile, stocks of manufactured items declined at a solid rate, with firms increasing their efforts to streamline stocks.

Finally, firms remained confident that output would rise over the coming year in December, with respondents linking optimism to hopes of improved demand conditions. The level of positive sentiment strengthened to the highest in the short series history.

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 05-31 December 2019.

Data collection began in March 2019.

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About Tengri Partners

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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. To learn more go to ihsmarkit.com/products/pmi.html.