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Tengri Partners Kazakhstan Manufacturing PMI™

Slower rises in output and new orders as supply disruption bites

Key findings

New order growth at eight-month low

Supply-chain delays intensify, while employment falls again

Sharper increases in input costs and output prices

Data were collected 12-23 November 2021.

The latest PMI™ survey data from Tengri Partners and IHS Markit signalled that supply constraints impacted the Kazakh manufacturing sector in November. Output and new orders continued to rise, but at reduced rates. Meanwhile, inflationary pressures strengthened further and higher living costs led some staff members to leave for other opportunities elsewhere, resulting in another reduction in employment.

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 headline PMI posted 49.9 in November, signalling broadly stable business conditions. The reading was down from 51.6 in October and ended a two-month sequence of growth.

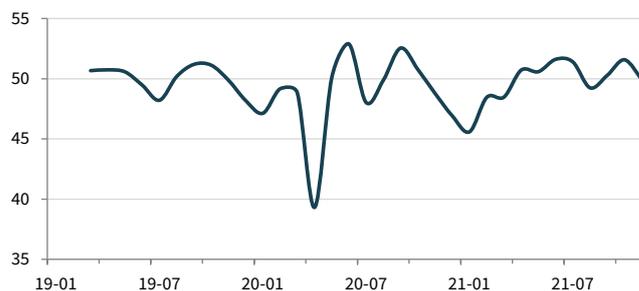
Both output and new orders continued to increase in November amid ongoing signs of improving customer demand. That said, in both cases rates of growth were only marginal and weaker than those seen in October. Anecdotal evidence suggested that material shortages had restricted the expansion in output.

Supply-chain issues were highlighted by a further lengthening of vendor lead times. In fact, the latest deterioration was the most marked since January. Longer delivery times reflected logistical issues, a lack of vehicles to transport goods and delays from China and Russia.

Material shortages and logistical issues caused a rise in backlogs of work, the sixth in the past seven months.

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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:

"Latest PMI data suggest that manufacturers in Kazakhstan have started to feel the strain from the various headwinds facing the sector, with material shortages, a lack of labour and price pressures all acting as negative influences at present. As such, business confidence dropped to a one-year low in November."

"Firms were still able to eke out growth of output and new orders, but will be hoping for an improvement in wider economic conditions if they are to sustain these improvements through to the end of the year."

Manufacturers were also faced with a sharp increase in costs for inputs, with the rate of inflation the third-fastest in almost three years of data collection so far. More than two-thirds of respondents signalled an increase in their input prices over the course of the month.

In response to higher cost burdens, firms increased their own selling prices accordingly. Charges were up sharply, and at the steepest pace since July.

Rising living costs influenced the decision making of employees, some of whom opted to move elsewhere in search of higher pay. As a result, employment decreased for the fifth month running and at a solid pace.

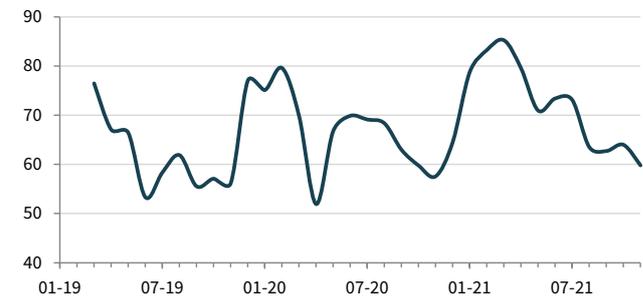
In order to support production, firms increased their purchasing activity in November, with the rise in input buying the fastest since May. Manufacturers also used inventories of purchased items in the production process, resulting in a twenty-seventh successive reduction in stock holdings.

A combination of delays in the shipment of products to customers and efforts to build inventories to support future orders led to an accumulation in stocks of finished goods. The rise was the second in as many months, with the rate of increase hitting a fresh series record again in November.

Hopes for more stable economic conditions over the coming year supported optimism in the 12-month outlook for production. That said, sentiment dropped to the lowest level for a year. Some firms expressed concerns around the sustainability of new order growth, while others were cautious due to price pressures.

Kazakhstan Manufacturing PMI 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

November data were collected 12-23 November 2021.

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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