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Tengri Partners Kazakhstan Manufacturing PMI™

Manufacturing downturn lingers on into March

Key findings

Output continues to decline amid renewed contraction in new orders

Price pressures ease, but rates of inflation remain sharp overall

Business confidence hits fresh record high as firms eye end of pandemic

Data were collected 10-24 March 2021.

Manufacturing conditions in Kazakhstan continued to decline in March, according to PMI™ survey data from Tengri Partners and IHS Markit, as output fell sharply again amid a renewed contraction in new orders. Meanwhile, inflationary pressures remained sharp at the end of the first quarter, in part due to ongoing supply chain disruptions, although rates of inflation did slow slightly from February. Despite the sustained downturn in production, the 12-month outlook for output was the strongest since the survey began two years ago, with firms confident of a recovery once coronavirus disease 2019 (COVID-19) restrictions are loosened.

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.

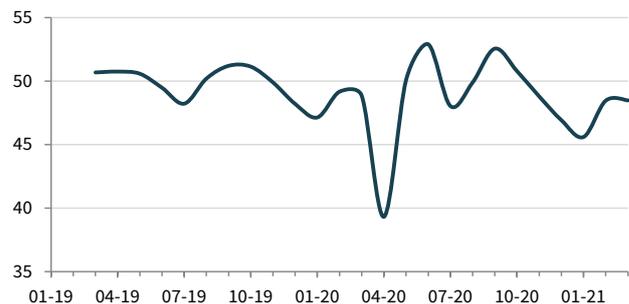
The PMI registered 48.5 in March, unchanged from February's reading, to signal a fifth straight monthly deterioration in the health of the sector and one that was moderate overall.

Contributing to the latest overall contraction was a further fall in output. Production declined for the fifth month running, amid reports of weak client demand, with the reduction accelerating to a sharp pace.

Meanwhile, the seasonally adjusted New Orders Index dipped back below the 50.0 mark during March to signal a renewed fall in order book volumes following a marginal upturn in February. According to panellists, demand conditions remained weak, due in part to lower purchasing power at clients. The rate of

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sa, >50 = improvement since previous month



contraction was moderate, although slower than that seen at the start of the year.

As a result, goods producers continued to pare back their purchasing activity. The latest fall in buying activity was the slowest since last December and only marginal, however.

At the same time, inflationary pressures eased, but remained intense overall. Cost burdens rose the slowest rate since last December, but nonetheless, at an elevated pace. Greater raw material costs and price hikes at suppliers were the main drivers of inflation, according to anecdotal evidence. In response goods producers increased their charges sharply.

Amid lower buying activity, pre-production inventories declined further in March, extending the current sequence of contraction to 19 months. That said, the rate of reduction was the weakest since September 2020.

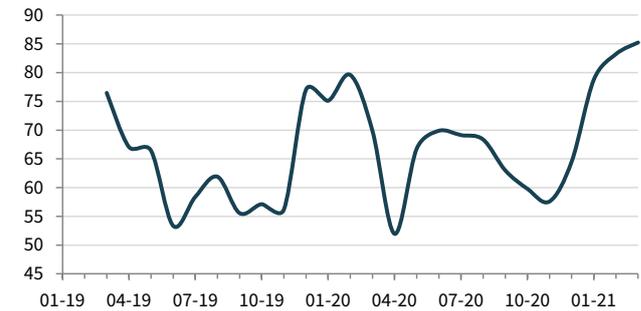
Stocks of finished goods rose during March, albeit only fractionally. According to panellists, weak demand had meant items were left in warehouses ready to be sold.

Meanwhile, there was further evidence of weak capacity pressures, as backlogs of work declined for the seventh month running and marginally. In response, manufacturers trimmed their staff numbers again in March. The rate of job shedding was the slowest since last November, however, with the latest fall attributed by panellists to the non-replacement of voluntary leavers.

Despite the ongoing downturn, Kazakh goods producers recorded the strongest outlook for output on record in March. Respondents linked confidence to hopes of a recovery and improved client demand once COVID-19 restrictions are loosened.

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

March data were collected 10-24 March 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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