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Tengri Partners Kazakhstan Services PMI™

Including Tengri Partners Kazakhstan Composite PMI™

Business activity contracts for seventh month running

Key findings

Service sector output falls at solid rate

Further reduction in order book volumes

Workforce numbers decline for first time since July

This report contains the first public release of data collected from the monthly survey of business conditions in the Kazakhstan service 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 service sector.

The Kazakhstan Services PMI is based on data compiled from replies to questionnaires sent to a panel of around 250 companies, covering consumer services (excluding retail), transport, information, communication, finance, insurance, real estate and business services.

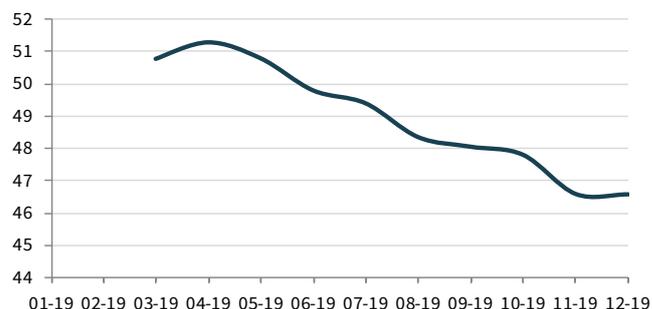
The headline figure is the Business Activity Index. This is calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The index varies between 0 and 100, with a reading above 50 indicating an increase and below 50 a decrease. The index is adjusted for seasonal variation.

The latest PMI™ survey data from Tengri Partners covering the Kazakh services economy highlighted a seventh consecutive fall in service sector output during December.

The seasonally adjusted Kazakhstan Business Activity Index posted 46.6 in December, unchanged from November, to signal the joint-quickest fall in service sector activity in the survey's ten-month history. Survey respondents associated the decline, which was solid overall, with lower order levels amid weak demand conditions.

December data highlighted a further reduction in new business, as signalled by the respective seasonally adjusted index posting

Tengri Partners Kazakhstan Services Business Activity Index
sa, >50 = growth since previous month



Sources: Tengri Partners, IHS Markit.

below the crucial 50.0 neutral mark, which separates expansion from contraction, for the third month in a row. Panellists linked the latest fall to weak client demand and increased competition. The rate of contraction eased from November and was only mild, however.

Meanwhile, Kazakh service providers recorded the first reduction in workforce numbers for five months in December, with the rate of job shedding solid overall. Anecdotal evidence linked the decline to redundancies amid lower order levels, as well as an increased number of voluntary leavers.

As has been the case in each month since the series began in March 2019, cost burdens faced by Kazakh service providers rose during December. Panellists linked the latest increase in input prices to higher fuel and wage costs, in addition to unfavourable exchange rates. Moreover, the rate of input price inflation quickened from November and was the second-fastest in the series ten-month history, softer only than last October.

Concurrently, average prices charged by Kazakh service providers rose during December, as has been the case in each month since data collection began in March 2019. Respondents associated the latest increase with the partial pass-through of higher input costs to clients. Albeit only mild overall, the rate of charge inflation was the quickest since September.

Finally, Kazakh services firms continued to signal positive expectations with regards to activity over the next 12 months. The level of positive sentiment strengthened to the highest since March, with firms linking optimism to hopes of improved demand conditions, alongside plans to expand into new markets.

Tengri Partners Kazakhstan Composite PMI™

Private sector activity falls at fastest rate in ten-month survey history

Private sector business activity declined for the seventh month running in December and at the fastest rate in the series ten-month history, amid a further reduction in order book volumes.

The Kazakhstan Composite PMI Output Index* posted 46.5 in December, down from 46.9 in November, to signal a solid contraction in business activity across the Kazakhstan private sector. At the sector level, the reduction in output was broad-based, although manufacturers registered a sharper rate of decline than service providers.

Incoming new business fell for the second month running, albeit at a slightly softer rate than in November and only marginally overall.

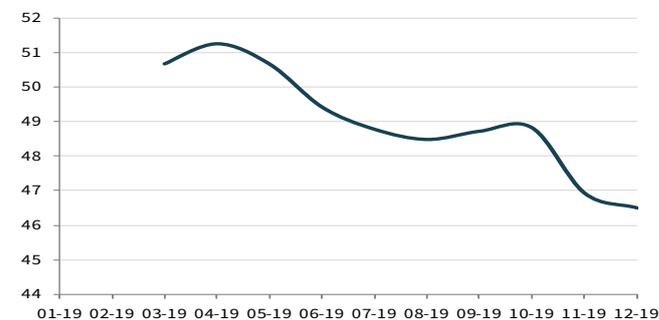
Input prices continued to increase, with inflation quickening from November. Average selling prices also rose in December, although the rate of increase was the softest since last June.

Meanwhile, workforce numbers declined for the first time in five months. The rate of job shedding was moderate overall.

*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Kazakhstan Composite Output Index is a weighted average of the Kazakhstan Manufacturing Output Index and the Kazakhstan Services Business Activity Index.

Tengri Partners Kazakhstan Composite Output Index

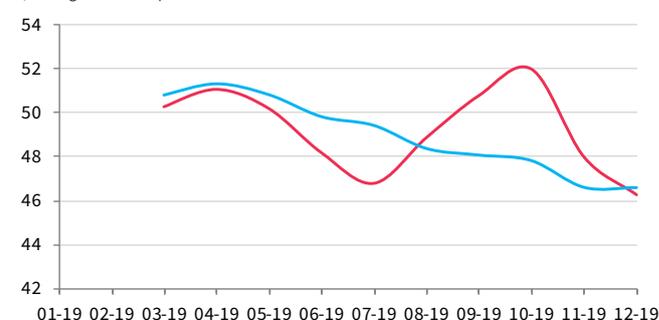
sa, >50 = growth since previous month



Sources: Tengri Partners, IHS Markit.

Manufacturing Output Index
Services Business Activity Index

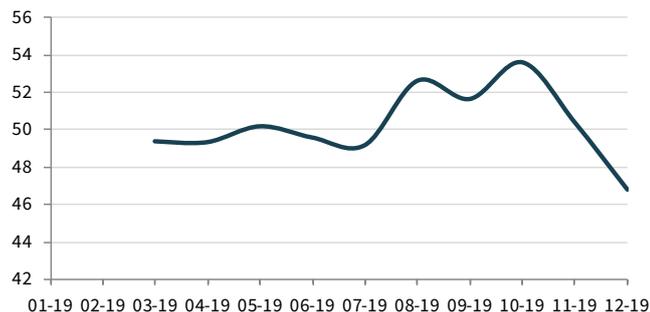
sa, >50 = growth since previous month



Sources: Tengri Partners, IHS Markit.

Services Employment Index

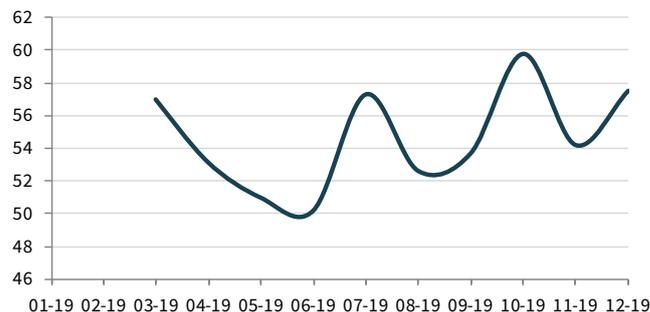
sa, >50 = growth since previous month



Sources: Tengri Partners, IHS Markit.

Services Input Prices Index

sa, >50 = inflation since previous month



Sources: Tengri Partners, IHS Markit.

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Survey methodology

The Tengri Partners Kazakhstan Services PMI® is compiled by IHS Markit from responses to questionnaires sent to a panel of around 250 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services. 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 Services Business Activity Index. This is a diffusion index calculated from a question that asks for changes in the volume of business activity compared with one month previously. The Services Business Activity Index is comparable to the Manufacturing Output Index. It may be referred to as the 'Services PMI' but is not comparable with the headline manufacturing PMI figure.

The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index may be referred to as the 'Composite PMI' but is not comparable with the headline manufacturing PMI figure.

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.