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Tengri Partners Kazakhstan Manufacturing PMI™

Operating conditions broadly stable in August

Key findings

Renewed increases in both output and new orders

Further marked drop in employment

Sentiment moderates, but remains historically strong

Data were collected 12-21 August 2020.

Manufacturing conditions in Kazakhstan were broadly stable in August, according to the latest PMI™ survey data from Tengri Partners and IHS Markit. Both factory production and new orders registered a return to growth territory, following declines in the previous survey period, with panellists noting that looser coronavirus disease 2019 (COVID-19) related restrictions had improved demand conditions.

Confidence with regards to output over the coming 12 months remained strong in August, despite sentiment moderating to a three-month low. Firms continued to reduce their staffing levels amid uncertainty about the speed of the economic recovery.. The rate of job shedding was unchanged from July and marked.

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 48.0 in July to 49.9 in August, signalling a broad stabilisation in operating conditions facing Kazakh goods producers.

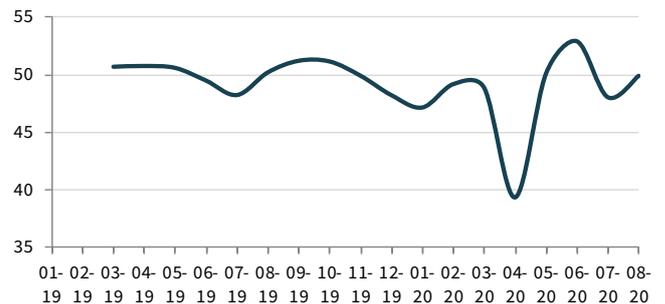
Driving the improvement in the headline figure were renewed increases in both production and new orders. The seasonally adjusted Output Index gained more than seven points on the month, and surpassed the 50.0 no-change mark, to signal a modest increase in factory production following a steep decline in July.

Despite order book volumes returning to growth territory during August, the rate of expansion was only marginal overall. Panellists linked increases in both output and new orders to improved demand conditions resulting from the loosening of

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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:

"August data highlighted a broad stabilisation of Kazakh manufacturing conditions, with renewed increases in both output and new orders central to the improvement in the headline index.

"Meanwhile, firms' output expectations remained historically strong, with hopes of an economic recovery and improved demand conditions amid looser quarantine restrictions frequently cited as reasons to be confident. Nonetheless, firms continued to cut their staff levels in August, a clear sign that despite improving, demand conditions are yet to be fully revived.

"Although a noticeable improvement on July's slump, data are yet to give a firm signal that the recovery is really underway, as growth momentum struggles to build."

quarantine restrictions.

Nonetheless, Kazakh goods producers reduced their staff numbers further, with frequent reports of redundancies, lay-offs and staff on unpaid leave. Moreover, the pace of reduction was unchanged from July and marked overall. Further job shedding increased capacity pressures, however, as backlogs of work rose for the first time since November 2019. Respondents also noted logistics problems with the delivery of raw materials as the cause of the increase in the level of outstanding business.

Furthermore, August data highlighted a further deterioration in vendor performance, with panellists citing ongoing transport problems, customs delays and quarantine measures as key contributing factors to delivery delays.

Meanwhile, purchasing activity increased amid improved client demand and higher production requirements. That said, the uptick was the softest in the current three-month sequence of growth. Pre-production inventories declined, however. Anecdotal evidence linked the fall, which was the fastest for three months, to the use of stocks in production. Stocks of finished goods also contracted again.

At the same time, input prices continued to rise, with greater raw material costs, unfavourable exchange rates and higher prices at suppliers driving the latest increase, according to panellists. The rate of price inflation was the softest since March, however. Average selling prices also rose, with the pace of charge inflation accelerating to a solid rate.

Finally, firms remained optimistic regarding output over the year ahead in August, with the level of positive sentiment historically strong, despite moderating. Respondents frequently linked confidence to hopes of strengthening demand conditions and a swift economic recovery.

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

August data were collected 12-21 August 2020.

Data collection began in March 2019.

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About IHS Markit

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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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