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Tengri Partners Kazakhstan Manufacturing PMI™

Operating conditions deteriorate at softest pace for three months

Key findings

Output and new orders decline at softer rates

Workforce numbers rise for first time since last November

Business confidence strengthens to survey record high

Operating conditions across the Kazakh manufacturing sector deteriorated for the fourth consecutive month during February, according to the latest PMI™ survey data from Tengri Partners and IHS Markit. The rate of contraction was the softest for three months, however, amid slower declines in production and new business. Meanwhile, workforce numbers rose for the first time since November last year, and firms output expectations strengthened to the highest level since data collection began in March 2019.

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 49.2 in February, up from 47.1 in January. Although signalling a fourth successive deterioration in the health of the Kazakh manufacturing sector, the latest reading pointed to a slower rate of decline. In fact, the fall was the softest since last November.

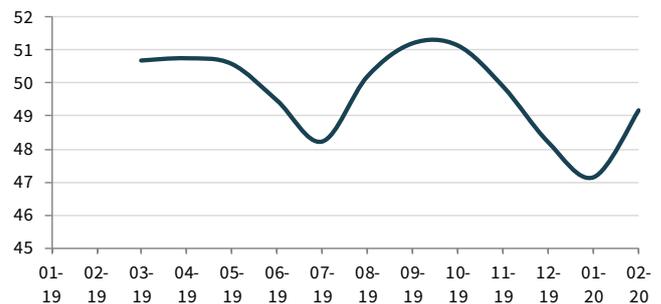
Central to the continued downturn were further reductions in both output and new orders. Production declined for the fourth month running and at a solid rate. Although the fall eased from January, it was faster than the series average.

Meanwhile, order book volumes fell for the third consecutive month, with panellists linking the latest decline to weak demand conditions amid lower client purchasing power. The contraction was the softest seen in the series short history, however, and only marginal.

Kazakh manufacturers increased workforce numbers for the first time since last November during February. However, the

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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:

"Although at present there are yet no signs of any resolute rebound in activity within the private non-oil manufacturing sector, we did observe a slower rate of decline across most components of the Manufacturing PMI. Continued rise in both input and output prices as well as upbeat business expectations may indicate that purchasing power is building, but that is to be further confirmed in the coming months."

rate of job creation was only fractional. Higher staffing levels and lower production requirements allowed firms to clear backlogs during February, extending the current sequence of decline to three months. Despite softening, the rate of backlog depletion remained sharp overall.

On the price front, cost burdens continued to increase during February, as has been the case in each month since data collection began in March 2019. Anecdotal evidence associated inflation with higher raw material costs, as well as unfavourable exchange rates. Albeit still sharp, the rise was the softest for three months.

Meanwhile, average selling prices rose at the fastest pace since October last year. Respondents commonly linked the increase to the pass through of higher input costs to clients. The rate of charge inflation was strong overall.

Concurrently, purchasing activity declined for the third month in a row, with panellists frequently attributing the fall to lower production requirements. Moreover, the reduction was solid overall and contrasted with the series average which points to a slight expansion. Nonetheless, suppliers' delivery times continued to lengthen during February, with firms citing logistical issues and shortages. Vendor performance deteriorated sharply overall.

February data signalled a further reduction in stocks of manufactured items. The rate of decline was the softest in the current three-month sequence of contraction, however.

Positively, firms remained confident that output would increase over the coming 12 months during February. The level of positive sentiment improved to the highest in the short series history, with anecdotal evidence linking confidence to expectations of an improvement in demand conditions.

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

February data were collected 12-21 February 2020.

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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