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Tengri Partners Kazakhstan Manufacturing PMI™

Manufacturing downturn deepens in January

Key findings

Headline PMI dips to nine-month low at 45.6

Output and new orders drop at quickest rates since April 2020

Cost pressures intensify amid worsening supply chain disruption

Data were collected 12-22 January 2021.

The downturn in Kazakh manufacturing sector performance deepened at the start of 2021, according to PMI™ survey data from Tengri Partners and IHS Markit. Both output and new orders declined further in January, with the pace of contraction the most marked since the depths of coronavirus disease 2019 (COVID-19) related measures in April 2020.

Ongoing restrictions also continued to hinder supply chains, as average lead times for inputs lengthened to the greatest extent for eight months and markedly overall. Subsequently, cost burdens rose at a near survey-record pace, with inflation attributed by panellists to greater transport costs, material shortages and price hikes at suppliers.

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.

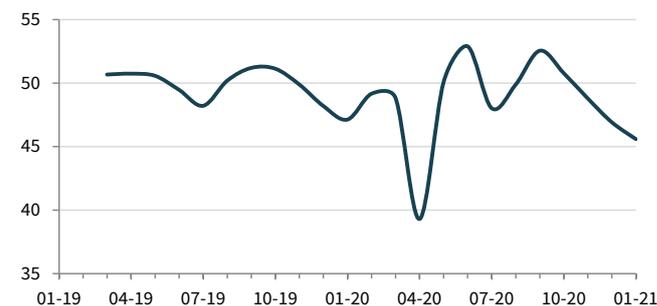
The PMI dipped to 45.6 in January, down from December's 46.9, and signalled the sharpest deterioration in the health of the manufacturing sector since last April.

Sustained falls in output and inflows of new work were central to the steeper deterioration in manufacturing conditions. Production decreased for the third straight month in January, with the rate of reduction the second-steepest on record, behind only April 2020.

The latest decline in new orders was also the quickest since last April, albeit slightly slower than that recorded for factory production. Panellists attributed both contractions to weak client demand.

At the same time, workforce numbers fell sharply in January.
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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:

"The Kazakh goods producing sector continued to struggle into 2021, with manufacturing conditions deteriorating at a steeper rate amid the quickest falls in output and new work since last April.

"Meanwhile, supply chains were under severe pressure due to ongoing COVID-19 restrictions, leading to the most marked lengthening of average lead times for eight months. Shortages of raw materials, as well as higher prices at suppliers and additional transportation costs resulted in the second-steepest increase in input prices on record.

"Manufacturers' business expectations for the next 12 months offered some encouragement in January. Survey respondents were the most upbeat since last February, with firms confident that client demand and the global pandemic situation will improve in 2021."

The rate of job shedding was the fastest in the current four-month sequence of decline.

Kazakh goods producers pared back their purchasing volumes during January. The rate of decrease was the quickest in the current three-month sequence, but only mild. Anecdotal evidence linked the fall to lower production requirements. Subsequently, stocks of purchases declined at the most marked pace for nine months.

Restrictions related to COVID-19 continued to impact supply chains in January. Average lead times for inputs lengthened to the greatest extent for eight months and at a much sharper pace than at the end of 2020.

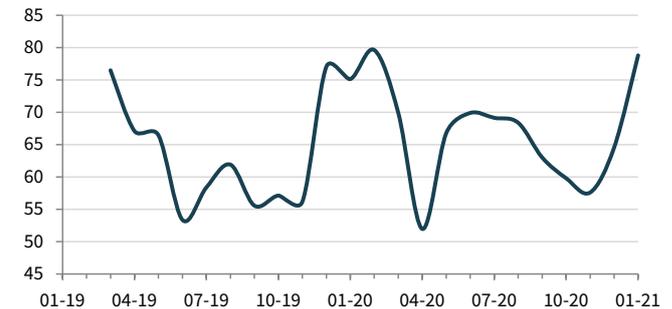
January data also highlighted a renewed fall in holdings of manufactured items, following a slight increase in December, amid reports that new orders were being fulfilled with inventories where possible. The rate of reduction was the fastest since last May and sharp overall.

On the price front, cost burdens rose at the second-quickest rate on record during January. Stock shortages, price hikes at suppliers and additional transport costs were cited as the main drivers of inflation. As a result, firms upped their factory gate charges at the quickest rate since data collection began in March 2019.

The year ahead outlook provided some positive news, however, as sentiment with regards to output over the coming 12 months rose to the highest since February 2020. Panellists linked confidence to hopes of rising demand and an improvement in the pandemic situation.

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

January data were collected 12-22 January 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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About PMI

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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