

Embargoed until 1200 ALMT (0600 UTC) 5 April 2021

# Tengri Partners Kazakhstan Services PMI™

Including Tengri Partners Kazakhstan Composite PMI™

## Services output rebounds at end of first quarter

### Key findings

Fastest upturns in business activity and new work on record

Inflationary pressures ease slightly

Business confidence remains historically elevated

Data were collected 10-26 March 2021.

The Kazakh services sector saw sustained growth at the end of the first quarter, according to the latest PMI™ survey data from Tengri Partners covering the Kazakh services economy. Service providers registered the fastest expansions in both new work and activity on record, amid reports of improved client demand and looser quarantine measures. As a result, companies remained upbeat towards the outlook for activity over the coming 12 months, with sentiment elevated in the context of the series history.

Meanwhile, inflationary pressures remained notable in March, with cost burdens rising sharply once again. The rate of inflation did slow on the month, however, but firms again upped their average charges in an effort to pass on price hikes.

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 seasonally adjusted Business Activity Index posted 52.2 in March, up from 50.3 in February and signalled a back-to-back upturn in Kazakh services output at the close of the first quarter. Moreover, the rate of expansion was the fastest seen since data collection began in March 2019.

Central to the accelerated pace of output growth was a sustained increase in the level of new business during March. Panellists attributed the latest rise to improved client demand. Moreover,

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



Sources: Tengri Partners, IHS Markit.

the expansion in inflows of new work was the sharpest on record.

March data also signalled ongoing inflationary pressures in the Kazakh services sector. Cost burdens rose steeply again, although the rate of inflation slowed since February. Greater raw material and utility costs, additional transport fees and greater spending on staff and administration were all cited as drivers behind the latest round of cost inflation.

As a result, firms again upped their average charges during March, extending the current sequence of rising output prices to five months. The rate of increase was moderate overall.

Despite a sustained improvement in client demand, Kazakh services firms continued to trim their staffing numbers during March. That said, the latest fall was attributed by respondents to the non-replacement of voluntary leavers, with the rate of job shedding only marginal and the weakest in the current 16-month sequence of falling employment.

Looking ahead, the outlook for activity over the coming year remained historically elevated. Anecdotal evidence linked optimism to hopes of further improvements to demand and looser quarantine restrictions. The Future Output Index dipped to a three-month low, but nonetheless pointed to a robust level of confidence among firms.

## Tengri Partners Kazakhstan Composite PMI™

### Private sector output rises for first time since last September

The Kazakhstan Composite PMI Output Index\* posted above the neutral 50.0 mark in March and signalled the first upturn in activity for six months. At 50.8, the headline figure was higher than 49.4 registered in February and indicative of a marginal rate of growth.

Central to the renewed expansion was a further rise in new work at Kazakh private sector firms in March. The rate of increase quickened on the month and was the second-strongest on record.

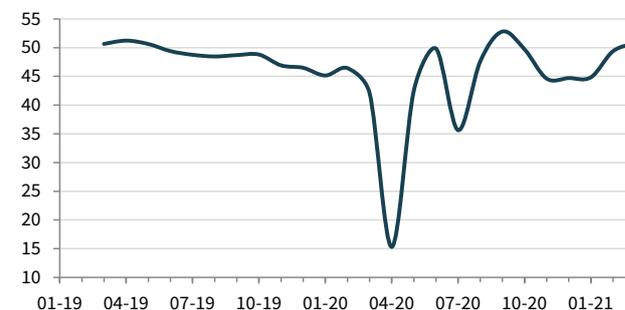
March data also pointed to further capacity pressures, as backlogs of work rose for the third time in the last four months and at a marginal pace. At the same time, firms trimmed their staffing levels at the slowest rate in the current 16-month sequence of lower employment, albeit only fractionally overall.

Turning to prices, cost burdens continued to increase steeply in March, although the rate of inflation was the slowest since December last year. As a result, firms upped their average charges again.

Kazakh companies also remained optimistic with regards to outlook over the coming year in March. Although the lowest for three months, the degree of confidence remained elevated in the context of the series history and robust overall.

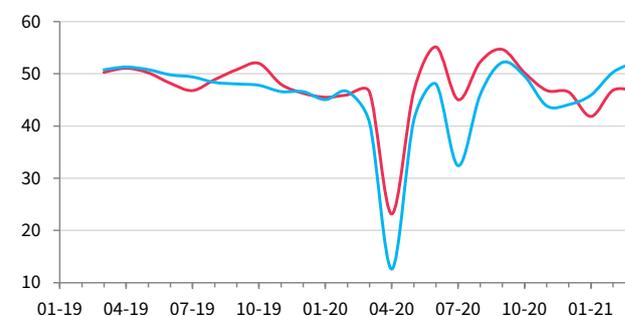
\*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Kazakhstan Composite Output Index is a weighted average of the Kazakhstan Manufacturing Output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

Tengri Partners Kazakhstan Composite PMI Output Index  
sa, >50 = growth since previous month



Sources: Tengri Partners, IHS Markit.

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



Sources: Tengri Partners, IHS Markit.

## Comment

Anuar Ushbayev, Managing Partner and Chief Investment Officer at Tengri Partners said:

"The end of the first quarter brought with it some good news for the Kazakh services sector. Business activity and new work increased at the quickest rate on record, with firms noting that client demand had improved amid looser restrictions. As a result, confidence regarding the coming year remained elevated, as service providers are hopeful of a sustained recovery.

"This contributed to the first upturn in private sector activity since last September, a clear sign that the economy is moving towards a recovery. Growth was only mild, however, as a sustained downturn in manufacturing held the expansion

back. Nonetheless, March data point to the start of a recovery, and indeed firms are hopeful of a solid rebound over the coming 12 months once restrictions are eased further."

### Services Employment Index

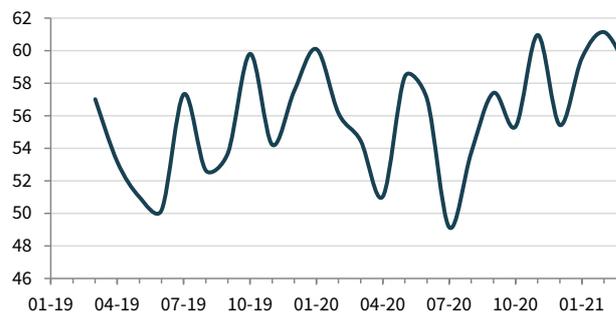
sa, >50 = growth since previous month



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](mailto:economics@ihsmarkit.com).

### Survey dates and history

March data were collected 10-26 March 2021.

Data collection began in March 2019.

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### About Tengri Partners

Tengri Partners is a diversified Central Asia-based merchant banking group engaged in securities trading, capital markets, investment banking, investment management, commercial finance and principal investments.

### 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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