

Embargoed until 1200 ALMT (0600 UTC) 02 August 2021

Tengri Partners Kazakhstan Manufacturing PMI™

New order growth at 13-month high

Key findings

Accelerated rise in new orders

Production growth restricted by supply issues and lower employment

Backlogs of work increase at record pace

Data were collected 12-23 July 2021.

The latest PMI™ survey data from Tengri Partners and IHS Markit signalled ongoing improvements in output and new orders in the Kazakh manufacturing sector at the start of the third quarter of the year as demand strengthened. That said, firms had to contend with a number of operational issues which acted to restrict output growth. Staffing levels dipped amid reports of resignations, while there were further delays in the receipt of raw materials. As a result, backlogs of work increased at a record pace and input costs continued to rise sharply.

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 posted 51.4 in July, down marginally from 51.6 in June and signalling a further modest improvement in business conditions. The health of the sector has now improved in four successive months.

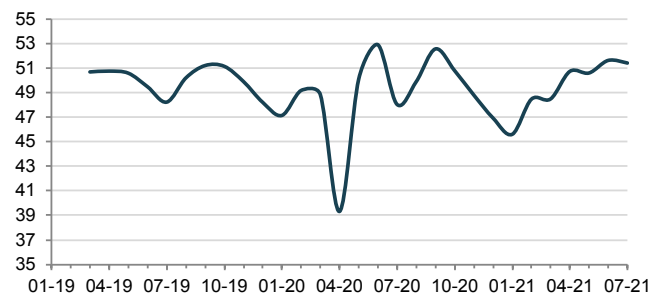
The signing of new contracts amid improving customer demand resulted in a solid increase in new orders during the month. Moreover, the rate of expansion was the sharpest since June 2020.

In turn, firms expanded output for the fourth month running. That said, the rate of growth was modest and little-changed from that seen in June amid some reports that shortages of raw materials had restricted the upturn.

The relatively modest pace of expansion in output meant that backlogs of work continued to build up. In fact, the rate of

continued...

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 latest Tengri Partners Kazakhstan Manufacturing PMI offers some good news mixed in with some areas of concern.

"First, the good news - firms are increasingly successful in their efforts to secure new business, with the rate of expansion the fastest in more than a year in July. And this is feeding through to higher output.

"However, the strength of output growth is being impeded by a number of factors, such as supply shortages and falling employment.

"Firms will be hoping that some of these hurdles dissipate in the months ahead, helping to unlock the potential for growth in the sector."

accumulation in outstanding business was the sharpest since the survey began in March 2019.

Further limiting the pace at which firms were able to expand production was a slight reduction in employment following a marginal increase in June. A number of respondents indicated that employees had resigned in search of higher wages.

The rate of input cost inflation remained elevated in July and was only just short of the record rates seen during the second quarter of the year. Higher charges from suppliers and unfavourable currency movements were reportedly the main factors leading to rises in input prices.

In response to increasing raw material costs, firms raised their own selling prices at a rapid pace.

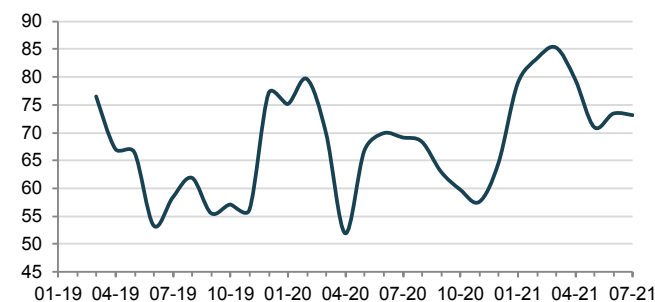
Manufacturers continued to increase their purchasing activity in response to higher new orders and production requirements. Input buying rose for the fourth month running, and at a solid pace. There were further delays in the receipt of purchased items, however, linked by firms to transportation issues and border delays. As a result, stocks of purchases were depleted for the twenty-third month running and at the sharpest pace since February.

On the other hand, stocks of finished goods ticked higher as firms prepared bulk orders for shipment.

Manufacturers remained strongly optimistic that production will rise over the coming year, with sentiment above the 29-month series average. Confidence in the outlook for new orders was central to optimism, while there were also hopes of a more stable business environment in the coming year.

Kazakhstan Manufacturing PMI 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

July data were collected 12-23 July 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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