

Embargoed until 1200 ALMT (0600 UTC) 05 January 2022

Tengri Partners Kazakhstan Manufacturing PMI™

Output decreases for first time in four months

Key findings

Modest fall in production, while new orders also decline

Price pressures and supply constraints continue

Further reduction in employment

Data were collected 06-16 December 2021.

The latest PMI™ survey data from Tengri Partners and IHS Markit indicated that the Kazakh manufacturing sector endured a challenging end to 2021 amid supply shortages and price pressures. Output, new orders and employment all decreased in December.

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 headline PMI moved further below the 50.0 no-change mark in December, posting 48.9 down from 49.9 in November. The reading signalled a modest deterioration in the health of the sector, but the most marked since March.

Business conditions were hampered by reductions in both output and new orders during December, with declines recorded for the first time in four and nine months respectively.

Where new orders decreased, panellists linked this to a shortage of new clients and difficulties for customers to afford to commit to orders.

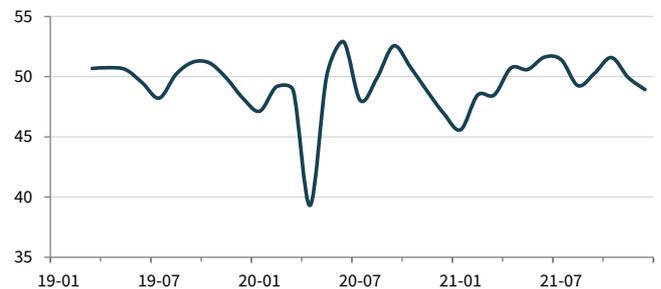
Price pressures were cited as a factor limiting demand amid further sharp increases in both input costs and output prices. Higher input prices reflected rising supplier charges, exchange rate fluctuations and increased costs for imported items.

The rise in input prices deterred manufacturers from purchasing additional inputs, with buying activity falling for the first time in three months.

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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:

"After battling a range of headwinds in recent months, the Kazakh manufacturing sector saw output and new orders decline at the end of the year amid the challenging economic environment."

"Among the pressures facing firms are inflation and supply shortages which are acting to suppress demand and limit production. Manufacturers also continued to struggle to hold onto staff in December. Firms will be hoping that the new year can bring a renewed stability and some improvements in the conditions they are facing to enable them to return to growth."

Meanwhile, the reduction in output in some cases reflected shortages of raw materials, both due to a drop in purchases and ongoing delays in the receipt of ordered items from vendors.

Suppliers' delivery times lengthened due to delays at the borders with China and Russia, as well as shortages of wagons for transportation and raw materials themselves.

Material shortages were a key factor leading to a second successive monthly rise in backlogs of work, with the rate of accumulation quickening to a four-month high. In some cases, firms used input inventories to support production, thereby resulting in a further decline in stocks of purchases.

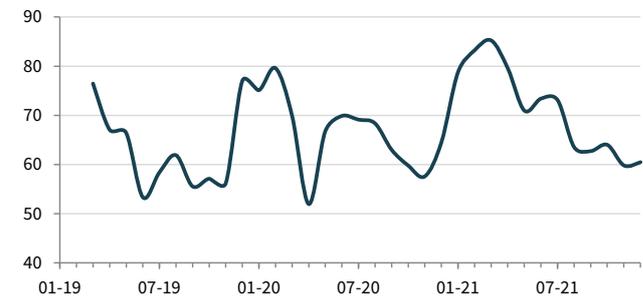
Employment decreased for the sixth month in a row, and to the greatest extent since February. Among the factors leading to the reduction were staff sickness, resignations in search of higher pay and difficulties sourcing suitable replacements.

Manufacturers signalled a third successive increase in stocks of finished goods, although the rate of accumulation moderated and was marginal. Where post-production inventories rose, firms linked this to products being held in warehouses rather than distributed to customers.

Business sentiment ticked up at the end of the year, with manufacturers hoping that the economic environment will be more stable over the course of 2022. That said, optimism remained relatively muted as a number of respondents highlighted difficulties in predicting the future path of output at present given the aforementioned challenges around inflation and economic conditions.

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

December data were collected 06-16 December 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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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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