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Tengri Partners Kazakhstan Services PMI™

Including Tengri Partners Kazakhstan Composite PMI™

Service sector records faster expansion in output in October

Key findings

Business activity rises at near-record pace amid quicker uplift in new work

Rates of inflation hit fresh series peaks

Employment declines at strongest rate since January

Data were collected 12-26 October 2021.

The Kazakh service sector registered a quicker expansion during October, according to the latest PMI™ survey data from Tengri Partners covering the Kazakh services economy. Business activity rose at a near-record pace amid the fastest upturn in new business for four months, with panellists partly linking improved client demand to the easing of quarantine measures. At the same time, inflationary pressures intensified, with rates of inflation hitting fresh series peaks.

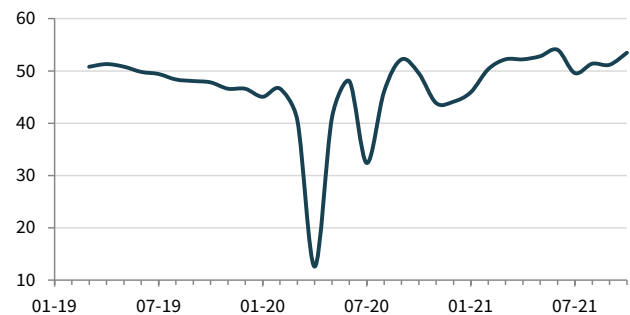
Despite the quicker upturn in activity, employment declined at the strongest rate since January, with companies reporting further difficulties replenishing staffing levels.

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 rose from 51.2 in September to 53.5 in October, to signal a third straight monthly expansion in services output. Moreover, the latest reading was only just below June's survey high of 54.0 and indicated the second-strongest upturn registered since the survey began in March 2019.

Driving the quicker expansion in October was a further increase in new business to Kazakh service providers. Anecdotal evidence attributed the latest rise to improved client demand and an uplift in the number of new contracts. The rate of growth was

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



Sources: Tengri Partners, IHS Markit.

the quickest in the current three-month sequence of expansion and sharp overall.

Despite greater production requirements, October data pointed to a further fall in services employment. Panellists reported continued difficulties sourcing staff and noted that some employees were leaving in search of higher wages. The rate of job shedding was the fastest since January and solid.

October data also highlighted severe inflationary pressures in the Kazakh services economy. Average input prices rose at an unprecedented pace amid reports of greater fuel, utility and staff costs, as well as difficulties sourcing materials.

Subsequently, average charges levied by Kazakh service providers increased further, extending the current sequence that began in November 2020. Respondents linked the latest rise to the pass-through of higher costs to clients. Moreover, the rate of charge inflation was the fastest on record.

Meanwhile, services firms maintained an optimistic outlook towards activity over the next 12 months in October, with sentiment ticking up slightly on the month. Confidence was linked to improved demand conditions, the easing of quarantine restrictions and hopes of an economic recovery.

That said, the Future Activity Index remained below its long-run average in October, with sentiment suppressed by concerns surrounding inflationary pressures and whether stronger client demand can be sustained.

Tengri Partners Kazakhstan Composite PMI™

Output growth accelerates to near-record pace in October

The Kazakhstan Composite PMI Output Index* rose from 51.4 in September to 53.3 in October, to signal an eighth successive monthly expansion in private sector output and one that was only just slower than June's survey peak.

At the sector level, services activity rose at a quicker pace than manufacturing, although growth of factory output was the strongest since September 2020.

Inflows of new business to Kazakh private sector firms also rose at a faster pace in October. The latest increase was the quickest since June and solid overall, with both goods producers and services firms registering faster expansions.

Nonetheless, sustained difficulties finding staff led to another reduction in private sector employment during October. Moreover, the rate of job shedding was the quickest since January and solid.

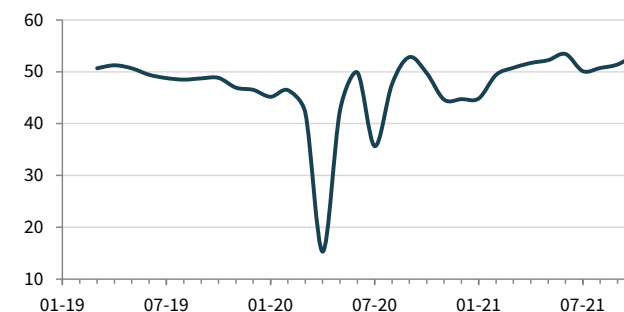
Turning to prices, inflationary pressures continued to intensify in October. Cost burdens rose at the steepest rate on record, with firms raising their own charges sharply in response.

Finally, business confidence ticked up slightly during the opening month of the fourth quarter. That said, the level of sentiment was still weak in the context of historical data.

**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

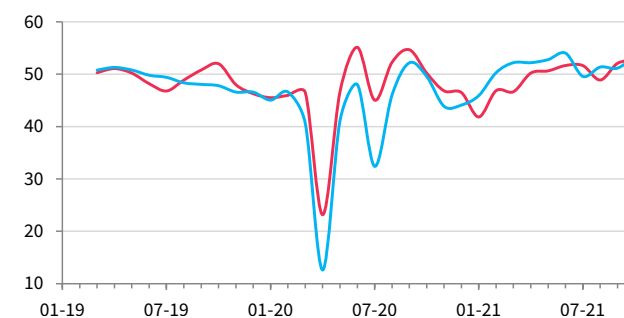
sa, >50 = growth since previous month



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:

"October data pointed to an improved performance for the Kazakh service sector. Business activity rose further, with the rate of growth accelerating and running only just below June's survey record as inflows of new business increased at a quicker pace. As a result, business confidence was sustained amid forecasts of improved demand conditions and a continuous economic recovery.

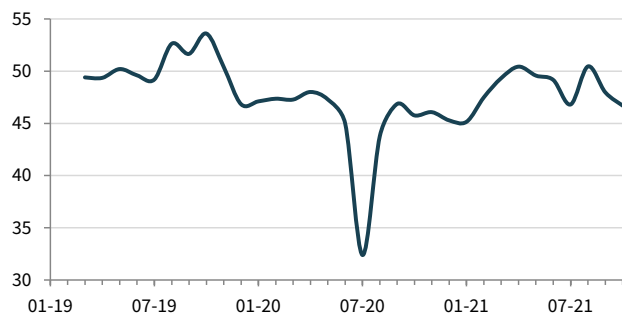
"Headwinds came primarily from inflationary pressures, as services firms recorded the fastest rates of inflation on record for both input costs and average charges. Rising fuel prices, material shortages, and energy costs were all attributed to

the latest rise in prices. At the same time, firms noted further difficulties sourcing staff as well as a continued turnover in search of greater wages. As a result, employment declined at the steepest rate since the start of the year.

"The stronger upturn in services activity combined with the fastest expansion of factory production since September 2020 boosted private sector growth to a near-record rate in October. As such, the Kazakh economy continues to rebound, and although price pressures remain cause for concern, the data suggest that they are not holding the private sector back to a substantial extent as we enter the fourth quarter of the year."

Services Employment Index

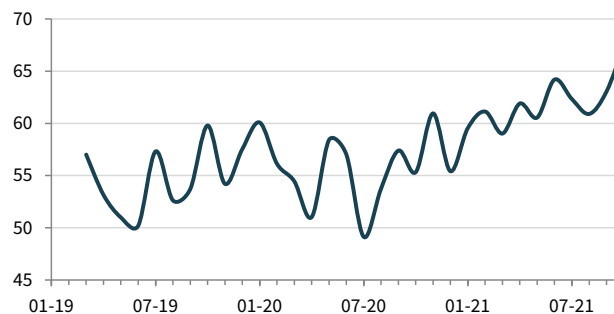
sa, >50 = growth since previous month



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.

Survey dates and history

October data were collected 12-26 October 2021.

Data collection began in March 2019.

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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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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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