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Tengri Partners Kazakhstan Services PMI™

Including Tengri Partners Kazakhstan Composite PMI™

Services output increases at record pace in September

Key findings

Business Activity Index climbs to record high of 52.2

Growth in order books the quickest on record

Further drop in staff numbers, although rate of job shedding eases

Data were collected 11-25 September 2020.

The latest PMI™ survey data from Tengri Partners covering the Kazakh services economy highlighted a return to growth during September, with both business activity and new orders increasing at the quickest rate on record. Nonetheless, Kazakh services firms made further cuts to their workforce numbers in September. The rate of job shedding was the softest since May, but still solid overall, with panellists mentioning the non-replacement of voluntary leavers, as well as redundancies and lay-offs.

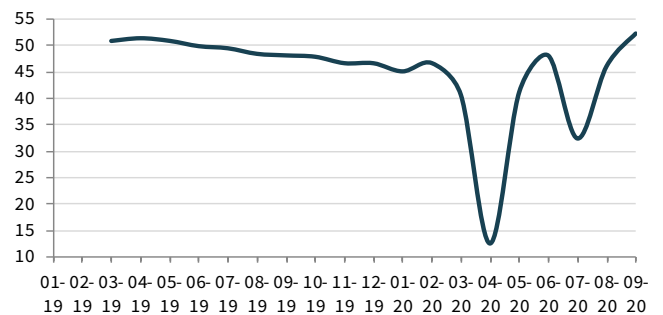
The headline figure is the Business Activity Index. This is calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The index varies between 0 and 100, with a reading above 50 indicating an increase and below 50 a decrease. The index is adjusted for seasonal variation.

Rising from 46.0 in August and surpassing the crucial 50.0 mark, the seasonally adjusted Business Activity Index registered 52.2 in September and signalled the quickest expansion in service sector output since data collection began in March 2019.

Central to growth was the first uptick in new business for 12-months, with the rate of increase also the fastest on record. According to panellists, looser quarantine restrictions had released pent-up demand and resulted in a surge in sales. That said, growth of both business activity and order book volumes was only modest overall.

Despite improvements in demand conditions, Kazakh service providers made further cuts to their staffing levels during

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



Sources: Tengri Partners, IHS Markit.

September. Anecdotal evidence linked the latest fall in employment to the non-replacement of leavers, although there were some mentions of redundancies and lay-offs. The rate of job shedding, albeit the slowest since May, was sharp.

Meanwhile, cost burdens increased for the second month in a row during September. The seasonally adjusted Input Prices Index registered well above the 50.0 threshold to signal the quickest rise in costs at Kazakh services firms since May. Greater utility costs and higher prices for office equipment were the main drivers of inflation, alongside unfavourable exchange rates, according to respondents.

That said, greater cost burdens were mostly absorbed by companies amid intense competitive pressures. Average charges levied by Kazakh service providers fell for the third month in a row, amid reports of discounting efforts in order to attract clients. The rate of decline eased from August, but was still marginal.

Looking ahead, services firms remained confident that business activity would rise from current levels by September 2021, with sentiment historically elevated. Anecdotal evidence linked optimism to improved demand conditions and looser quarantine restrictions.

The level of confidence among firms moderated noticeably from August, however, with some panellists concerned about the longevity of any recovery.

Tengri Partners Kazakhstan Composite PMI™

Private sector output expands at record pace in September

Rising from 47.6 in August and surpassing the 50.0 neutral threshold, the Kazakhstan Composite PMI Output Index* posted 52.8 in September to signal the first increase in Kazakh private sector output since May 2019. Moreover, the rate of expansion was the quickest in the survey's 19-month history.

At the sector level, the uptick was broad-based, although goods producers recorded a quicker increase in output than Kazakh services firms.

Central to growth in the private sector was the first increase in order book volumes since June, with the rate of expansion the fastest on record.

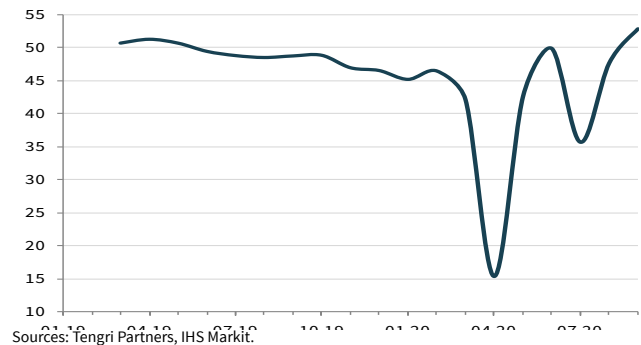
Meanwhile, capacity pressures weakened, with backlogs falling marginally. As a result, firms continued to reduce their staff numbers, although the rate of job shedding was the slowest since May.

September data also highlighted another increase in cost burdens facing private sector firms. The rate of inflation was the quickest for three months and marked. Higher costs were not passed onto clients, however, as average charges declined for the second month running.

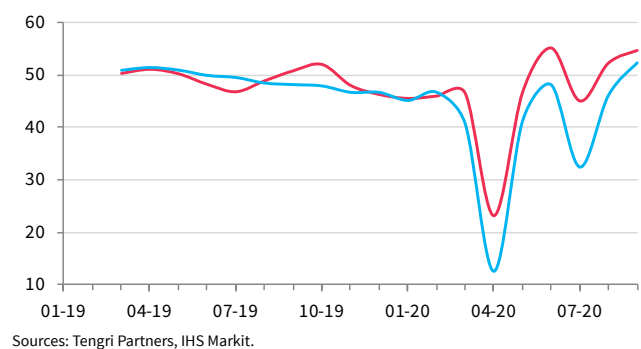
Looking ahead, sentiment moderated noticeably in September, but the Future Activity Index remained elevated in the context of historical data.

*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 Output Index
sa, >50 = growth since previous month



Manufacturing Output Index
Services Business Activity Index
sa, >50 = growth since previous month



Comment

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

"September data highlighted a vastly improved picture for the Kazakh services sector, with both business activity and new orders rising at the quickest pace on record as COVID-19 related restrictions were loosened and demand improved.

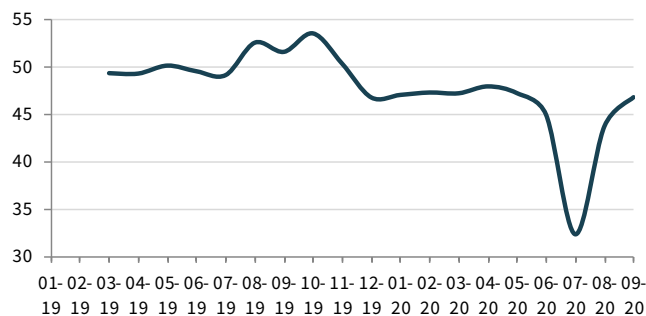
"Job cuts continued in September, although the latest decline was the slowest since May, with panellists primarily citing the non-replacement of voluntary leavers. The 12-month outlook for activity moderated, but remained strong in the context

of the series history. Overall, firms are confident that activity will increase over the coming year, with optimism linked to improved sales and looser quarantine measures.

"At the composite level, a further increase in factory production combined with the latest uptick in services activity resulted in a record rate of expansion in private sector output. As such, September PMI data provided some very encouraging signs for the Kazakh economy. If momentum is sustained going forward, moves towards an economic recovery will continue to be supported."

Services Employment Index

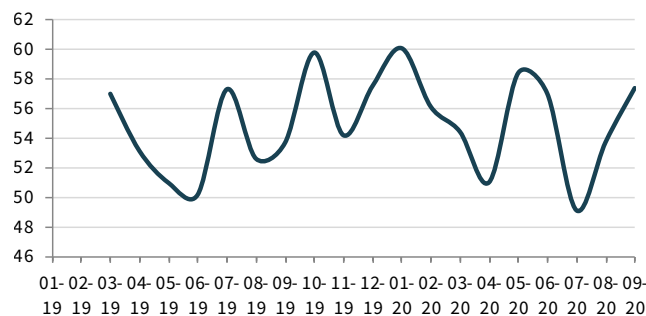
sa, >50 = growth since previous month



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

September data were collected 11-25 September 2020.

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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