Operating conditions in the Kazakh manufacturing sector deteriorated in July, as the reintroduction of lockdown measures in some cities to curb the coronavirus disease 2019 (COVID-19) pandemic weighed on the performance of the sector, according to the latest PMI™ survey data from Tengri Partners and IHS Markit.

Following a record improvement in June, the headline figure slipped back into contraction territory amid renewed declines in both production and new orders. At the same time, firms continued to cut jobs, with employment dropping at the most marked rate on record.

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 fell from a record 52.9 in June to register 48.0 in July, and signalled a marginal deterioration in the health of the Kazakh manufacturing economy.

Central to the renewed downturn were contractions in both output and order book volumes. Factory production fell at the second-quickest rate on record, behind only April’s unprecedented decline. Although incoming new orders fell, the rate of decrease was only fractional overall. Panellists linked the reductions in both output and order book volumes to weak demand conditions resulting from the reintroduction of quarantine measures in some parts of the country to control the spread of the coronavirus pandemic.

Meanwhile, firms continued to reduce their staffing levels in July, with the reduction in employment the most marked since...
the survey’s inception in March 2019. The drop in workforce numbers was mainly reflective of an uncertain near-term outlook with regards to demand, with firms reporting further redundancies and a higher number of voluntary leavers.

Evidence of spare capacity remained as Kazakh goods producers continued to reduce backlogs in July thereby extending the current sequence of decline to eight months. The rate of backlog depletion was the slowest in the aforementioned sequence and only fractional, however.

On the prices front, input costs continued to rise, as has been the case in each month since the series began in March 2019. Greater raw material costs, higher prices at suppliers and unfavourable exchange rates were the main drivers of inflation according to panellists. The rate of increase was the slowest for four months, albeit still sharp.

Greater cost burdens were partially passed through to clients in July, with average selling prices increasing for the thirteenth successive month. That said, the rate of inflation was the slowest since January and only marginal.

July data highlighted a further, but softer, increase in purchasing activity. Respondents mentioned firms were rebuilding stock levels now operations have resumed. Meanwhile, pre-production inventories decreased for an eleventh successive month and at a solid rate, while firms also reported a renewed fall in stocks of finished goods.

Kazakh manufacturers remained confident with regards to output over the year ahead in July. Anecdotal evidence linked optimism to improved sales forecasts and hopes of an economic recovery. The level of positive sentiment remained historically strong, despite weakening slightly from June.

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 13-24 July 2020.
Data collection began in March 2019.

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