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Tengri Partners Kazakhstan Services PMI™

Including Tengri Partners Kazakhstan Composite PMI™

Services downturn eases further in January

Key findings

Both business activity and new orders fall at slowest rate for three months

Employment declines solidly again

Sentiment highest on record amid hopes of looser virus restrictions

Data were collected 12-26 January 2021.

The downturn in business activity across the Kazakh services sector eased during the first month of 2021, according to the latest PMI™ survey data from Tengri Partners covering the Kazakh services economy. Both business activity and new work continued to decline in January, albeit at the slowest rates for three months. Meanwhile, firms made further cuts to their staffing levels, with the rate of job shedding little-changed on the month and solid overall.

Despite the further slump, companies registered the strongest expectations for the year-ahead outlook on record. According to anecdotal evidence, firms were hopeful of looser quarantine restrictions and a subsequent surge in client demand.

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 registered 45.9 in January, to signal the fourth successive monthly contraction in service sector output and one that was solid overall. Rising from 44.1 in December, however, the latest reading was indicative of the softest rate of decline since October 2020.

At the same time, inflows of new work to Kazakh service providers fell further, amid reports of muted client demand due to ongoing coronavirus disease 2019 (COVID-19) related quarantine measures. That said, the rate of reduction in new

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



Sources: Tengri Partners, IHS Markit.

work was the slowest in the current three-month sequence of decline and only marginal overall.

January data also highlighted another reduction in staffing levels in the Kazakh service sector. The respective seasonally adjusted Employment Index was little changed from December's reading and well below the crucial 50.0 mark to signal a solid fall overall. Respondents mainly attributed lower staff numbers to the non-replacement of employees who had left voluntarily.

Meanwhile, cost pressures intensified during January. Input prices rose at a much quicker rate than in December, with the increase marked overall. According to panellists, greater fuel and utilities costs, in addition to higher prices at suppliers, were the main drivers of input price inflation.

As a result, firms sought to alleviate pressure on margins by increasing their fees in January. Average charges levied by Kazakh services firms rose at the quickest rate in the series short history, and moderately overall.

Finally, the surveys principal forward looking indicator provided some positive signs during the first month of 2021, as firms registered improved expectations towards activity over the next year in spite of the persistent downturn. In fact, the level of positive sentiment was the strongest since data collection began in March 2019. Anecdotal evidence linked confidence to hopes of looser quarantine restrictions and a surge in client demand.

Tengri Partners Kazakhstan Composite PMI™

Further sharp contraction in private sector output

The Kazakhstan Composite PMI Output Index* registered 44.9 in January, little changed from December's reading of 44.7, to signal another sharp reduction in Kazakh private sector output at the start of 2021. At the sector level, the downturn was broad-based, although manufacturers saw output fall at the steepest pace since last April, while the reduction in services activity eased slightly.

Central to the ongoing downturn in the private sector was a third straight monthly reduction in inflows of new work, with the latest fall moderate overall, despite easing.

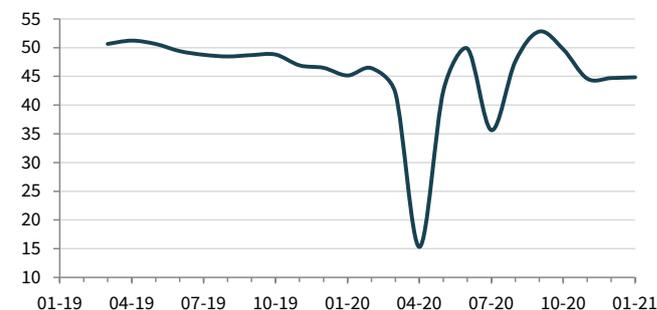
Meanwhile, firms cut staff numbers at an accelerated pace during January. The rate of job shedding was the sharpest for five months. Subsequently, backlogs of work at private sector firms rose for the second month running, with the increase the fastest in the series short history.

On the price front, input costs rose again. The rate of inflation was the quickest in the survey's 23-month history, amid a near record upturn in manufacturing cost burdens. As a result, companies upped their average charges sharply.

Despite the ongoing downturn, private sector firms reported the strongest degree of confidence regarding the outlook for output over the coming 12-months on record.

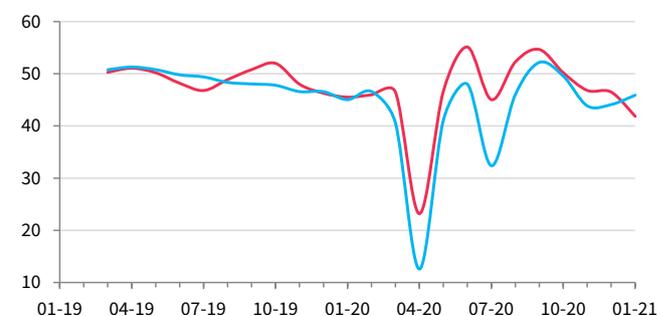
*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Kazakhstan Composite Output Index is a weighted average of the Kazakhstan Manufacturing Output Index and the Kazakhstan Services Business Activity Index.

Tengri Partners Kazakhstan Composite Output Index
sa, >50 = growth since previous month



Sources: Tengri Partners, IHS Markit.

Manufacturing Output Index
Services 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:

"The downturn in business conditions across the Kazakh services sector continued into 2021, as January data highlighted further falls in both business activity and new orders, attributed to the ongoing COVID-19 pandemic. That said, there was some positive news, as the rates of decline eased noticeably from December and were the slowest for three months.

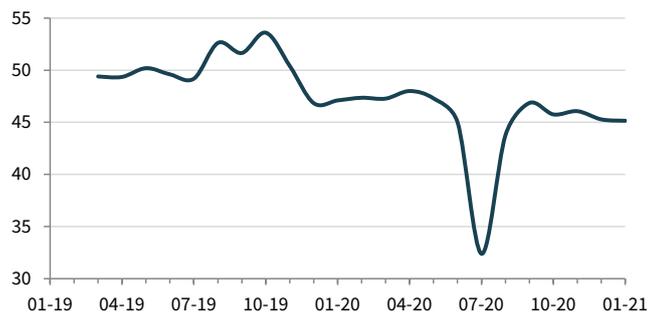
"Meanwhile, the outlook for services activity over the next 12 months brightened substantially at the start of 2021. Business confidence was the highest on record, with companies optimistic of a surge in demand once quarantine restrictions

are loosened.

"At the composite level, manufacturing saw a steeper drop in output than services in January, with the overall reduction in private sector activity remaining sharp. It is clear both sectors face further challenges in the coming months, but firms see a light at the end of the tunnel and are confident of a recovery during 2021."

Services Employment Index

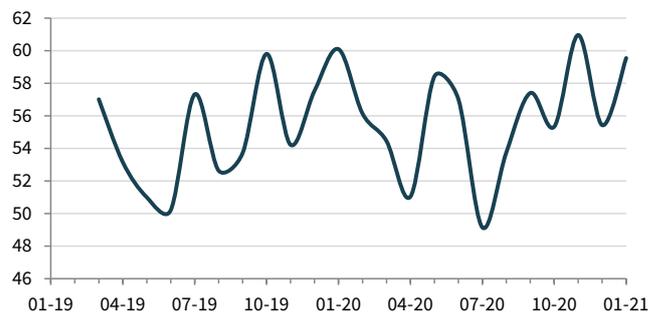
sa, >50 = growth since previous month



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

January data were collected 12-26 January 2021.

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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