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Tengri Partners Kazakhstan Manufacturing PMI™

Operating conditions improve at record pace in June

Key findings

Both output and new orders rise at record rates

Output expectations improve to three-month high

Renewed fall in workforce numbers

Data were collected 12-23 June 2020.

Manufacturing conditions in Kazakhstan improved for the second month running in June, and at the quickest pace on record, according to the latest PMI™ survey data from Tengri Partners and IHS Markit. Both production and order book volumes saw a renewed increase, with the rates of expansion the quickest in the 16-month series history. Meanwhile, the 12-month outlook for output improved further, with sentiment climbing to a three-month high. Nonetheless, workforce numbers declined, following no change in May, although the rate of job shedding was only marginal.

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 posted 52.9 in June, rising from 50.1 in May to signal a second successive increase in the health of the Kazakh manufacturing sector. Moreover, the latest figure was the highest recorded since the survey's inception in March 2019.

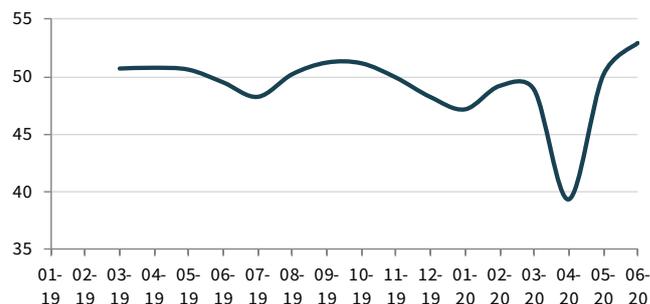
Contributing to the overall expansion were renewed increases in both output and new orders. Production rose for the first time in eight months, amid reports of improved client demand resulting from looser quarantine measures. Moreover, the uptick was the quickest in the series history and strong overall.

The renewed rise in order book volumes was solid, with the seasonally adjusted New Orders Index climbing 8.6 points to post well above the 50.0 neutral mark and signalling the fastest increase in order book volumes since the series began in March 2019. Panellists linked the uptick to improved client demand as a result of easing lockdown restrictions.

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sa, >50 = improvement since previous month



Sources: Tengri Partners, IHS Markit.

Comment

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

"The Kazakh manufacturing sector registered its strongest performance on record during June as quarantine restrictions were lifted. Both output and new orders increased, with the rates of expansion the quickest recorded in the 16-month series history.

"At the same time, firms' expectations with regards to output over the coming 12 months improved further and to a three-month high, amid reports of improved demand conditions and hopes of an economic recovery.

"Overall, June data indicated a strong performance at the end of the second quarter, but demand conditions need to remain strong for growth to continue, and to see a meaningful recovery from the severe shock dealt by the pandemic."

On a further positive note, firms' expectations with regards to output over the coming 12 months improved again in June, with sentiment climbing to a three-month high. Anecdotal evidence linked confidence to revived demand conditions and hopes of a quick return to pre-pandemic output levels.

At the same time, Kazakh manufacturers highlighted a renewed fall in workforce numbers during June, following no-change in the previous survey period. Respondents mentioned further staff lay-offs and redundancies, although the rate of job shedding was among the slowest on record and only marginal.

Nonetheless, spare capacity remained evident as the level of outstanding business declined further, extending the current sequence of reduction to seven months. The rate of backlog depletion was the quickest since March and solid.

Firms reported a renewed increase in buying activity during June, following six months of consecutive decline. Panellists associated the uptick with greater production requirements, with the rate of increase the quickest in the 16-month series history. Concurrently, supply chain disruptions continued to be widely reported, although the deterioration in vendor performance was the least severe for three months.

Meanwhile, pre-production inventories fell further, with companies reporting the continued use of stocks in production. The fall was the slowest since November last year, however.

Cost burdens continued to increase in June, with greater raw material costs, unfavourable exchange rates and higher prices at suppliers the main drivers of inflation according to panellists. The rate of cost inflation eased, but remained marked

Higher input costs were passed through to clients, as average selling prices rose at a solid rate.

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

June data were collected 12-23 June 2020.

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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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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