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Tengri Partners Kazakhstan Manufacturing PMI™

Record rise in employment as production growth continues

Key findings

Higher production requirements support employment growth

New orders rise for ninth month running

Input costs increase at softest pace on record

Data were collected 12-24 July 2023.

The latest PMI™ survey data from Tengri Partners and S&P Global pointed to gathering growth momentum in the Kazakh manufacturing sector as the second half of the year got underway. Rates of expansion in output and new orders accelerated and firms increased employment at the sharpest pace in almost four-and-a-half years of data collection amid buoyant sentiment.

Efforts to secure new business were helped by a second successive month of selling price reductions, in turn linked to the least pronounced rise in input costs since the survey began.

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 headline PMI rose to 52.7 in July from 52.0 in June, thereby signalling a sixth successive monthly improvement in the health of the sector. Moreover, the solid strengthening of business conditions was the most marked for a year.

Manufacturing production was up for the fifth month in a row, with the rate of expansion the sharpest since March. According to respondents, output growth was reflective of stronger customer demand.

Improving client demand was also evident with regards to new orders, which increased for the ninth successive month in July. Like output, the pace of expansion quickened since June.

Firms were helped in their efforts to secure new orders by the

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Tengri Partners Kazakhstan Manufacturing PMI™
sa, >50 = improvement since previous month



Sources: Tengri Partners, S&P Global PMI.

Comment

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

"The Kazakh manufacturing sector moved up a gear at the start of the second half of the year. A relatively benign inflationary environment helped firms to secure greater inflows of new orders and thus extended the current run of expanding output."

"Firms were also bullish for the future, and accordingly raised their staffing levels to the greatest extent since the survey began in early-2019. Firms will be hoping that conditions in July are a sign of things to come for the rest of the year."

offer of discounts. Selling prices were lowered for the second month running, with the latest fall the fastest since the survey began in March 2019.

Manufacturers were given the space to cut output prices by a relatively muted pace of input cost inflation. Input prices increased at the softest pace on record amid reports of an alleviation of raw material prices and a stronger currency against the Russian rouble.

Successful recruitment drives in response to higher new orders meant that employment increased for the third month running. Moreover, the pace of job creation was the fastest in close to four-and-a-half years of data collection. Greater capacity helped firms to reduce backlogs of work, following a rise in the previous survey period.

As well as taking on additional staff, manufacturers also increased their purchasing activity. Stocks of inputs decreased for the first time in three months, however, as inputs were used in the production process.

Efforts to secure new inputs were hampered by logistical issues again in July, as suppliers' delivery times lengthened.

As well as a renewed fall in stocks of purchases, post-production inventories also declined in July as finished products were often shipped immediately to customers. Moreover, the decline in stocks of finished goods was the most marked since February 2021.

Plans to expand production further and hopes for an improvement in economic conditions supported growing optimism in the year-ahead outlook for production. Sentiment was the highest since March 2021 and second-strongest on record.

Kazakhstan Manufacturing PMI Future Output Index

>50 = growth expected over next 12 months



Sources: Tengri Partners, S&P Global PMI.

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Survey methodology

The Tengri Partners Kazakhstan Manufacturing PMI™ is compiled by S&P Global 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 12-24 July 2023.

Data collection began in March 2019.

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