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Kazakhstan Manufacturing PMI®

Sharp cut in production as new orders continue to fall

Key findings

Output reduced to largest degree in almost two years

Third successive fall in new orders

Inflationary pressures soften

Data were collected 06-15 December 2023.

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

Sources: Tengri Partners, S&P Global PMI.

The latest PMI® survey data from Tengri Partners and S&P Global indicated that the Kazakhstan manufacturing sector remained in contraction mode at the end of 2023. Sustained reductions in new orders led firms to cut production to the largest degree in almost two years, with purchasing activity, employment and inventories all scaled back. Supplier delivery delays were the most pronounced for a year, but rates of inflation softened.

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.
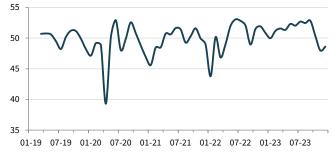
The headline PMI rose to 48.6 in December from 48.0 in November, but remained below the 50.0 no-change mark and thereby signalled a second successive monthly deterioration in business conditions for Kazakh manufacturers. Despite the declines at the end of the year, the average PMI reading in 2023 was the highest since the survey began in 2019 thanks to a period of solid growth through the middle part of the year.

December saw new orders fall for the third successive month amid a weakening demand climate. The latest reduction was softer than that seen in November, however.

This demand weakness fed through to a decline in production, the third in as many months. Moreover, the rate of contraction was marked and the sharpest since January 2022.

Some panellists also linked lower output to raw material shortages, with suppliers' delivery times lengthening to the greatest extent for a year amid logistical difficulties and poor

Comment

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

"After a positive performance during much of 2023, the Kazakhstan manufacturing sector ended the year on a negative note. Demand continued to suffer, leading firms to scale back production to the largest degree in almost two years. With confidence in the outlook also waning, the prospects for a quick rebound don't appear bright. Firms will therefore be hoping that a pick-up in demand starts to materialise in the early months of 2024 to get the sector back on track."

PMI®

by **S&P Global**

weather conditions.

Lower output requirements led manufacturers to scale back their operations, cutting employment, purchasing activity and inventories of both inputs and finished goods.

Input buying was reduced modestly, but at the fastest pace since March 2022. The fall in purchasing contributed to another solid decline in stocks of inputs. Stocks of finished goods also decreased as production contracted and products were dispatched immediately to clients.

The reduction in staffing levels was less pronounced, decreasing only fractionally in December as some firms took on additional workers.

Backlogs of work decreased for the fourth consecutive month, although the rate of depletion was the slowest in this sequence.

The rate of input cost inflation slowed to a three-month low, but remained marked amid reports of higher charges for logistics and raw materials.

Output prices also increased at a softer pace, but the passing on of higher raw material costs to customers meant that selling prices continued to rise slightly.

The end of 2023 saw a further easing of business confidence, with sentiment dropping to the lowest since September 2022. Optimism was reportedly dented by the current deteriorating demand climate. That said, positive expectations reflected plans to expand production and the imminent signing of new contracts.

Kazakhstan Manufacturing PMI Future Output Index
>50 = growth expected over next 12 months

Sources: Tengri Partners, S&P Global PMI.

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