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Tengri Partners Kazakhstan Services PMI™

Including Tengri Partners Kazakhstan Composite PMI™

Business sentiment improves despite further slowdown in growth of activity

Key findings

Expansion in business activity cools to a four-month low

Prices pressures further intensify

Sentiment strengthens to an 11-month high

Data were collected 12-26 July 2023.

Kazakh service providers signalled a further expansion in business activity at the start of the third quarter according to the latest data from Tengri Partners. However, the latest reading pointed to a slowdown in the pace of increase. Moreover, growth in new business also weakened and was at a five-month low. In line with softening business requirements, job creation eased to near stagnation. Inflationary pressures picked up again in July, with the rate of increase in cost burdens the strongest since February.

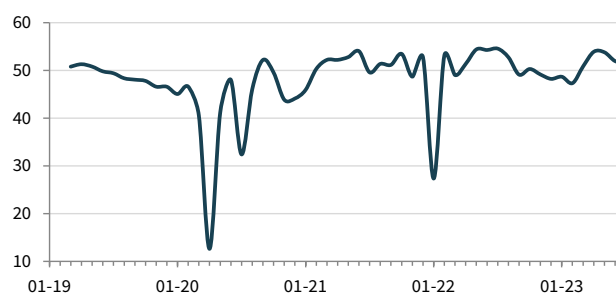
However, confidence levels further improved during the latest survey period. Optimism was the greatest in nearly a year.

The headline figure from the survey 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 continued to post above the crucial 50.0 mark to signal a fifth consecutive monthly expansion in Kazakh services activity during July. However, at 51.6 down from 51.9 in June, the index ticked down for the third consecutive month to signal the slowest expansion in activity since March.

The recent slowdown in growth of business activity in part resulted from a cooling in new business inflows, with the latest upturn the weakest in five months. Nonetheless, the rate of growth was solid overall and extended the current run of expansion that began at the start of the year.

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



Sources: Tengri Partners, S&P Global PMI.

With sustained increases in business requirements, Kazakhstan's service sector further raised their staffing levels in July. That said, the rate of growth eased over the course of the month, in part reflective of the softening underlying demand trends as well as panellists widely commenting on high staff turnover. Therefore, the latest round of job creation was only fractional.

In terms of inflation, cost burdens rose sharply during the latest survey period, with the rate of inflation now accelerating in each month since April's recent low. Surveyed businesses often noted that higher costs for utilities and materials drove the latest uptick in prices.

The recent intensification of cost burdens was also reflected in the average selling prices charged by service providers, whereby the rate of inflation quickened to a five-month high. Moreover, both input price and output charge inflation were stronger than the respective series averages.

Lastly, service providers across Kazakhstan remained highly confident for the outlook for business activity in the coming 12 months. In fact, business confidence ticked up to an 11-month high. Companies across the sector pinned their optimism on hopes of growth in market activity, additional clients and increased advertising.

Tengri Partners Kazakhstan Composite PMI™

Manufacturing sector supports faster rise in private sector activity

The Kazakhstan Composite PMI* posted 51.9 in July, up from 51.6 in June to signal a fifth successive monthly increase in Kazakh private sector activity. The quicker expansion was supported by an accelerated rise in manufacturing production. Meanwhile, services firms noted a slight cooling of growth, with business activity expanding at the weakest pace in four months. New orders also rose solidly at the composite level, albeit at the softest pace since February.

Workforce numbers were raised for the third consecutive month. While the rate of job creation was unchanged from June, a quicker expansion in manufacturing employment helped to sustain growth during July. Service providers recorded only a fractional upturn in staffing levels.

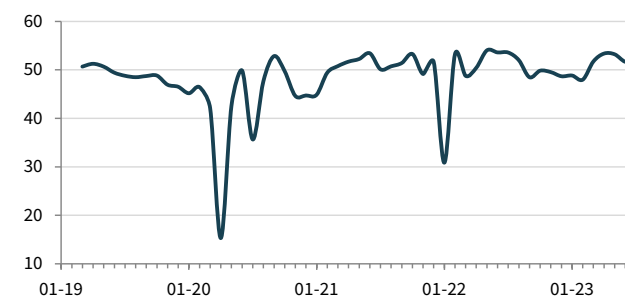
Price pressures remained elevated in July. Strong inflationary pressures largely stemmed from the renewed intensification of cost burdens in the services sector. Manufacturers on the other hand saw the weakest rise in input prices since the survey began in March 2019, resulting in firms discounting their selling prices for the second straight month.

Looking ahead, confidence levels improved to a 17-month high and were well above the historical average. Both goods producers and service providers signalled a rise in sentiment.

**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 PMI Output Index

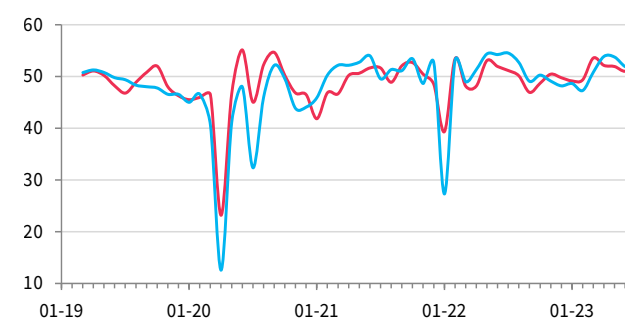
sa, >50 = growth since previous month



Sources: Tengri Partners, S&P Global PMI.

Tengri Partners Kazakhstan Manufacturing PMI Output Index
Tengri Partners Kazakhstan Services PMI Business Activity Index

sa, >50 = growth since previous month



Sources: Tengri Partners, S&P Global PMI.

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

"The start to the second half of the year signalled a further expansion across Kazakhstan's services sector, with growth noted across activity and new business. That said, there were signs of weakness, as the upturns in both activity and new business were the softest in four and five months respectively. Moreover, job creation also eased, highlighting the slowdown in new business, as well as difficulties in staff retention, as cited by firms.

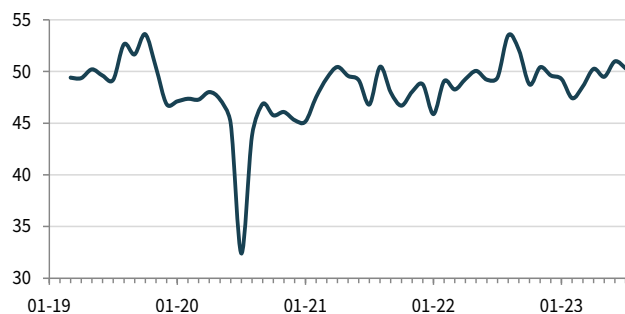
"Latest data also noted a further intensification of inflationary

pressures. The rates of inflation across both input prices and output charges were stronger than their respective historical averages. Moreover, the current trend highlights a reversal of the receding inflationary pressures seen in the opening part of the year.

"Nonetheless, service providers across the country remained highly optimistic, with confidence improving to an 11-month high. Hopes of future expansion in the market and improving demand underpinned high optimism levels."

Services Employment Index

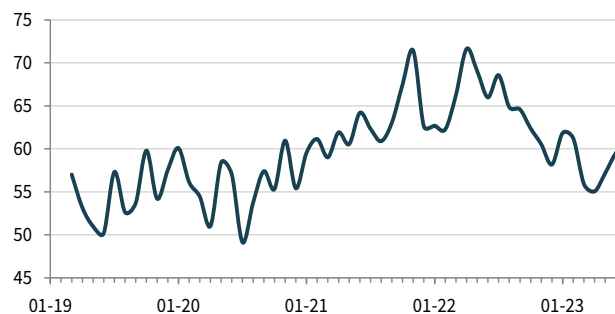
sa, >50 = growth since previous month



Sources: Tengri Partners, S&P Global PMI.

Services Input Prices Index

sa, >50 = inflation since previous month



Sources: Tengri Partners, S&P Global PMI.

Contact

Ilias Tsakalidis
Press Enquiries
Tengri Partners
i.tsakalidis@tengripartners.com

Maxim Kryuchkov
Tengri Partners
m.kryuchkov@tengripartners.com

Maryam Baluch
Economist
S&P Global Market Intelligence
T: +44-13-4432-7213
maryam.baluch@spglobal.com

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
T: +44 (0) 7967 447030
sabrina.mayeen@spglobal.com

Survey methodology

The Tengri Partners Kazakhstan Services PMI™ is compiled by S&P Global 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

July data were collected 12-26 July 2023.

Data collection began in March 2019.

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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.

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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.

ihsmarkit.com/products/pmi.html.