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Tengri Partners Kazakhstan Manufacturing PMI™

New order growth sustained but output takes a step back

Key findings

Production ticks down despite ongoing expansion in new business

Inventories used to help firms keep on top of workloads

Logistics issues continue, but supply disruption and cost inflation ease

Data were collected 06-16 December 2022.

The latest PMI™ survey data from Tengri Partners and S&P Global indicated that manufacturers in Kazakhstan were again able to expand their new business volumes in the final month of 2022, but production was unable to keep pace, ticking down slightly over the month. The sector was again beset by logistical issues, but there were signs of supply-chain disruption easing, with cost inflation also softening in December.

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 dropped to 50.8 in December from 51.9 in November to signal an easing in the rate of strengthening of business conditions in the manufacturing sector, to one that was only marginal and the softest in the current three-month sequence of improvement.

Helping to keep the headline index above the 50.0 no-change mark was a second successive month of new order growth amid some signs of demand strengthening. That said, the still fragile nature of market conditions meant that the pace of expansion was again only marginal.

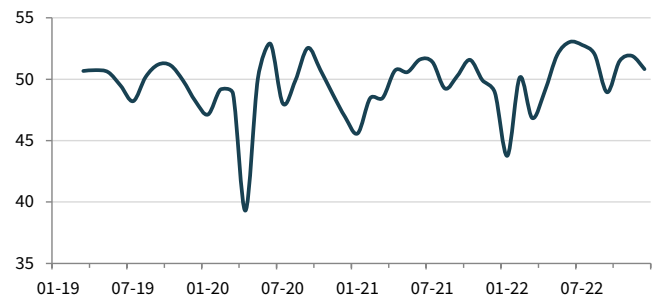
While new business continued to rise, production took a step back in December, falling fractionally following an increase in November. Some firms highlighted challenges increasing customer numbers amid financial pressures.

With output failing to keep pace with new orders, firms sometimes turned to inventories to help them fulfil requirements. As a

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Tengri Partners Kazakhstan Manufacturing PMI™

sa, >50 = improvement since previous month



Sources: Tengri Partners, S&P Global.

Comment

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

"December PMI data showed the Kazakh manufacturing sector ending 2022 on a positive note, with new business growth signalled for a second month running. Although production ticked down, this will hopefully prove to be just a temporary blip, especially if new orders continue to rise in the new year. Firms were confident that this will be the case."

"Also aiding the near-term outlook are signs of improvement in the supply-chain situation. Disruption to logistics has caused major problems to firms ever since the outbreak of the war in Ukraine, but the instances of supplier delays in December were the least pronounced since February. With cost inflation coming down sharply, there are hopes that 2023 will provide some easier conditions for firms to operate in."

result, stocks of finished goods decreased for the second month running.

The use of inventories meant that firms were generally able to keep on top of backlogs despite some pressure on capacity coming in the form of new order growth. Backlogs of work were therefore broadly unchanged.

Meanwhile, employment decreased for the first time in three months, albeit slightly.

In contrast, purchasing activity rose solidly, with the rate of expansion quickening to the fastest since July 2022. Those firms that purchased inputs continued to face delays at the end of the year, due largely to disruption to logistics caused by the sanctions placed on Russia but also reflecting delays in receiving goods from Mainland China due to COVID-19 restrictions. That said, the instance of delivery delays was the smallest since February 2022. Difficulties securing materials contributed to a reduction in stocks of purchases despite solid growth of input buying.

The rate of input cost inflation softened for the third month running to the weakest since November 2019, but continued rises in raw material costs meant that firms increased their own selling prices. In fact, the rate of output price inflation reached a three-month high.

Although business confidence eased from November's 20-month high, manufacturers remained strongly optimistic that output will increase over the coming year, with sentiment above the series average. Hopes for rises in output often stemmed from expected new order growth.

Kazakhstan Manufacturing PMI Future Output Index

>50 = growth expected over next 12 months



Sources: Tengri Partners, S&P Global.

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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

December data were collected 06-16 December 2022.

Data collection began in March 2019.

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