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Tengri Partners Kazakhstan Manufacturing PMI™

Growth continues into May, but remains only mild

Key findings

Output and new orders rise at quicker rates during May

Near record inflationary pressures

Sentiment moderates, but remains historically elevated

Data were collected 12-21 May 2021.

The Kazakh manufacturing sector saw a sustained upturn in May, according to PMI™ survey data from Tengri Partners and IHS Markit. Both output and new orders saw quicker rates of growth on the month, although the expansions remained only mild overall. Meanwhile, price pressures remained severe, in part due to ongoing logistical issues and delivery delays, with the rate of cost inflation easing only slightly from April's record. Nonetheless, firms remained confident of higher output over the next year, but sentiment moderated noticeably.

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 was largely unchanged from April's reading of 50.7, posting 50.6 in May, and signalled a further improvement in the health of the sector, albeit one that was only marginal.

Back-to-back growth was also recorded for output and new orders in May, with the rates of expansion gathering pace on the month. Factory production increased only slightly overall, however, while for order book volumes, the latest upturn was more convincing and the strongest since last September.

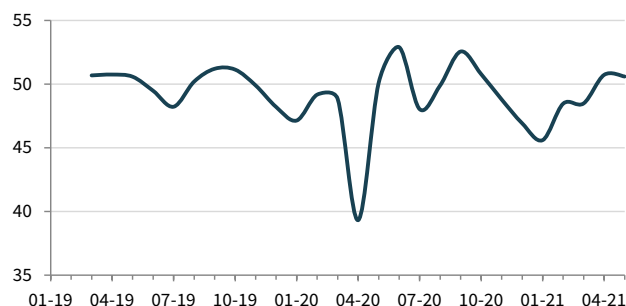
Nonetheless, the sustained rise in output requirements led firms to accelerate their purchasing activity during May. The rate of increase in buying operations was the fastest since June 2020 and sharp overall.

High demand for inputs placed further pressure on prices midway through the second quarter. Cost burdens facing

continued...

Tengri Partners Kazakhstan Manufacturing PMI™

sa, >50 = improvement since previous month



Sources: Tengri Partners, IHS Markit.

Comment

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

"May data showed that the manufacturing sector has continued on its recovery path midway through the second quarter of the year. Both output and new orders rose again, with their respective rates of growth quickening on the month.

"Price pressures remained a key feature too, with the latest rounds of both cost and output price inflation among the steepest on record, amid reports of material shortages and surging transport fees.

"Business confidence remained strong nonetheless with panellists confident of a strong recovery and further improvements in client demand. Although growth is yet to gather any significant thrust, the latest data highlight positive signs that the recovery is beginning to build momentum."

Kazakh goods producers continued to increase, with the rate of inflation easing only slightly from April's peak and remaining marked. Shortages, unfavourable exchange rates and price hikes at suppliers were the primary drivers of inflation in May, according to panellists.

In response to greater input costs, Kazakh goods producers again upped their factory gate charges during May. The rate of increase quickened for the third month running to the second-fastest on record, and was sharp. That said, the rate of output price inflation remained much slower than that for costs.

At the same time, average lead times for inputs lengthened, extending the current sequence of deteriorating vendor performance to 18 months. Delays were more severe than in April, but moderate.

Difficulties obtaining materials led to a further decrease in pre-production inventories in May, according to panellists. Stocks of purchases fell at the sharpest rate for three months. Subsequently, holdings of finished goods decreased, with some respondents noting that orders were being fulfilled from inventories where possible. The rate of decline was only fractional, however.

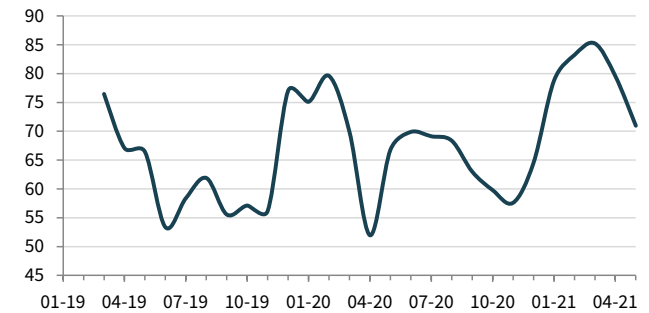
May data also highlighted the first increase in backlogs of work since August 2020, amid reports that shortages had meant some orders were unable to be completed.

Firms continued to trim their staffing levels nonetheless in May, with the rate of reduction the fastest for three months and moderate.

Looking-ahead, Kazakh goods producers remained optimistic of higher output over the next year. Sentiment moderated since April, but remained historically elevated.

Kazakhstan Manufacturing PMI 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

May data were collected 12-21 May 2021.

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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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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