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Tengri Partners Kazakhstan Manufacturing PMI™

Manufacturing conditions deteriorate in August

Key findings

PMI dips into contraction territory for first time since March

Renewed fall in output as order book volumes rise only fractionally

Employment declines at quicker pace despite record capacity pressures

Data were collected 12-23 August 2021.

The Kazakh manufacturing sector slipped back into contraction during August, according to the latest PMI™ survey data from Tengri Partners and IHS Markit. Manufacturing conditions deteriorated for the first time since March, as output declined amid slower order book growth, with some panellists reporting that quarantine measures had weighed heavily on demand. Meanwhile, employment declined at a quicker pace, amid reports that staff were resigning over pay or on sick leave, and as a result capacity pressures hit a fresh series record.

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 fell from 51.4 in July, below the 50.0 mark and posted 49.2 in August. This signalled the first deterioration in the health of the Kazakh goods producing sector since March and one that was mild overall. The greatest negative directional influences on the PMI came from the Output, Stocks of Purchases and Employment indices in August.

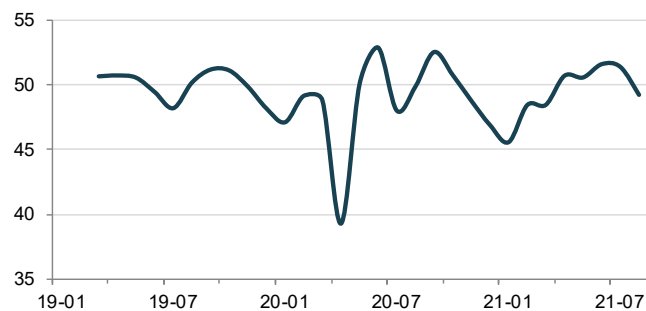
Factory production declined for the first time in five months, with respondents citing muted demand conditions and quarantine measures. Indeed, order book volumes rose only fractionally during August, the rate of growth easing noticeably from June's 13-month high. Where a decline was recorded, this was attributed to weak client demand.

Meanwhile, manufacturing employment declined again, as has been the case in all but two of the past 15 months. According

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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:

"August data pointed to a slight set-back across the manufacturing sector. Conditions deteriorated for the first time since March, but only slightly, as growth of new work eased to a fractional pace and factory production declined."

"Companies reported further staffing issues, as employment fell again amid reports that staff were leaving for other opportunities or on sick leave. As a result, capacity pressures mounted, with the rate of backlog accumulation hitting a fresh series record."

"Good news came from the PMI's price indices, which highlighted a further easing of inflationary pressures, in part due to a further easing of supply chain disruption."

"Nonetheless, firms remained confident of higher output in 12 months' time during August. Sentiment did moderate due to concerns around demand and quarantine measures, but goods producers still expect the rebound to resume as demand improves and the sector to move back towards a recovery over the next year."

to anecdotal evidence, some staff were leaving amid disputes over pay and in search of new opportunities, while others were unable to work due to illness. The rate of reduction in workforce numbers quickened but was moderate.

Subsequently, capacity pressures continued to build, with respondents noting that a lack of staff and logistical problems had led to a build-up of unfinished orders. Moreover, the rate of accumulation hit a series record for the third month running.

August data also highlighted a fresh reduction in purchasing activity at Kazakh goods producers. Respondents linked the fall, which was solid, to weaker production requirements.

Nonetheless, lead times for inputs continued to lengthen in August. Delays were the least widespread for four months, however.

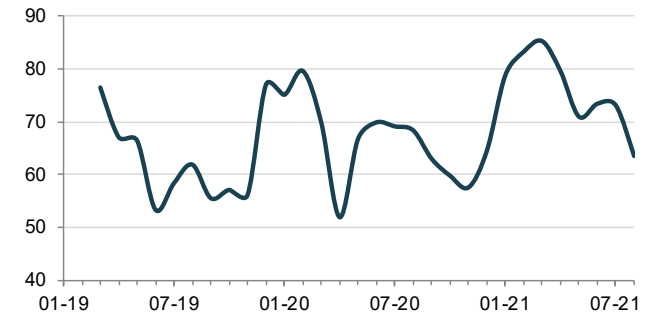
Pre-production inventories also declined in August, amid reports that stocks were being used in production. The rate of reduction was the quickest since February and sharp. Stocks of finished goods, meanwhile, declined for the first time in three months and moderately.

On the price front, cost burdens rose further in August, amid widespread reports of price hikes at suppliers. The rate of cost inflation was marked, albeit the slowest since December 2020. In response, manufactures continued to raise their output prices. The latest rise was the weakest for eight months, but sharp overall.

Finally, firms remained upbeat with regards to output over the next year in August. Sentiment fell to a nine-month low, however, with many respondents concerned about the impact of COVID-19.

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

August data were collected 12-23 August 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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