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Tengri Partners Kazakhstan Services PMI™

Including Tengri Partners Kazakhstan Composite PMI™

Business activity declines in November

Key findings

Business Activity Index falls below neutral 50.0 level to 48.7 in November

Inflows of new work decrease for first time since July

Rate of cost inflation hits fresh survey record

Data were collected 12-25 November 2021.

The Kazakh service sector slipped back into decline during November, according to the latest PMI™ survey data from Tengri Partners covering the Kazakh services economy. Business activity fell marginally, amid the first reduction in new work since July, although the rate of decline in new business was only slight. Meanwhile, cost pressures intensified, with input price inflation hitting a fresh series record for the second month running.

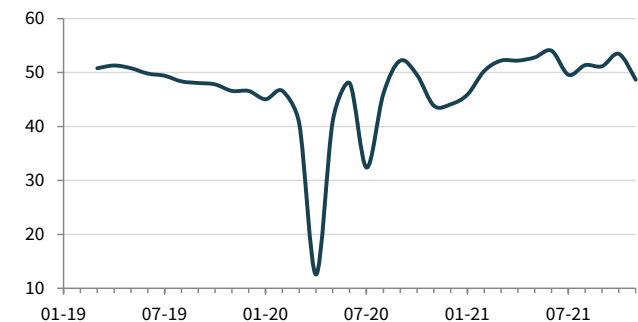
The headline figure is the Business Activity Index. This is calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The index varies between 0 and 100, with a reading above 50 indicating an increase and below 50 a decrease. The index is adjusted for seasonal variation.

The seasonally adjusted Business Activity Index fell from 53.5 in October to 48.7 in November. This signalled the first contraction in services output for four months, though one that was marginal overall.

The average reading for the headline index across the fourth quarter so far (51.1) nonetheless remains higher than that in the third quarter (50.7), although still below the record high seen in the second quarter of 2021 (53.0).

Meanwhile, inflows of new work decreased for the first time since July during November, amid reports of weak client demand, in part due to the pandemic. The rate of reduction in new business was only slight overall, however.

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



Sources: Tengri Partners, IHS Markit.

November data also pointed to a sustained reduction in staffing levels at Kazakh services firms. Panellists attributed the latest fall in employment to difficulties finding and retaining staff, in part due to many employees leaving in search of higher wages amid rising living costs. The rate of job shedding eased on the month, but was still solid overall.

At the same time, inflationary pressures remained severe. Input costs rose further, with greater utility and energy costs mentioned in particular by panellists. Moreover, the rate of increase in costs hit a survey record for the second month in a row and was rapid overall.

Kazakh services firms continued to pass greater costs through to clients where possible in November in efforts to maintain margins. Average charges rose for the thirteenth time in as many months, with the rate of inflation easing only slightly from October's series peak and remaining sharp overall.

Looking ahead, business confidence improved noticeably during November. The Future Activity Index climbed to a four-month high and signalled a historically elevated level of optimism towards business activity over the next year. Hopes of an economic rebound and the loosening of quarantine restrictions were cited in anecdotal evidence as reasons to be confident.

Tengri Partners Kazakhstan Composite PMI™

Kazakh private sector slips into contraction in November

The Kazakhstan Composite PMI Output Index* fell sharply from 53.3 in October to 49.1 in November, signalling the first contraction in private sector output since February but one that was marginal.

The decline was driven primarily by the service sector, which recorded a moderate reduction in business activity in November that ended a three-month sequence of growth. Meanwhile, manufacturing output increased only fractionally.

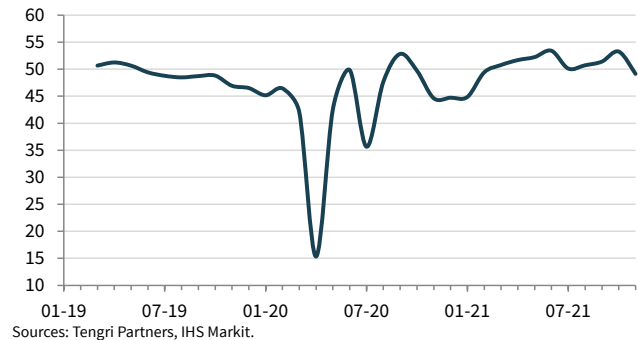
November data also pointed to the first reduction in new business at Kazakh private sector firms since January. The rate of decrease was only fractional overall, as a slight fall in services new work compared with broadly stable order book volumes at manufacturers.

At the same time, private sector firms continued to trim jobs in November, extending the current sequence of falling employment to seven months. The rate of decrease was the slowest for three months but nonetheless solid.

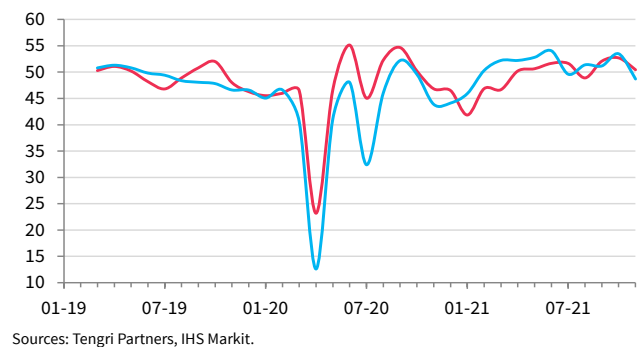
Turning to prices, inflationary pressures mounted further in November. The aggregate rate of input cost inflation hit a survey record for the second month running, with firms raising their average charges sharply in response.

**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



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



Comment

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

"November data highlighted a sharp turnaround in the performance of the service sector, with both business activity and inflows of new work declining for the first time since July amid reports of weaker demand conditions. That said, the rates of contraction were only mild overall. Firms continued to struggle to recruit and retain staff, with many employees seeking higher wages elsewhere. Subsequently, services employment declined further.

"The renewed fall in services output corresponded with broadly stagnant factory production. As a result, aggregate output fell in November, ending an eight-month sequence of growth,

with new orders also declining midway through the fourth quarter. Inflationary pressures also remained a key concern in November, with cost burdens facing Kazakh companies increasing at a survey record pace for the second month in a row, and firms raising their own charges sharply amid efforts to maintain margins.

"Nonetheless, Kazakh firms remain upbeat with regards to activity over the next year, with hopes of a quick economic rebound and improved demand conditions driving optimism."

Services Employment Index

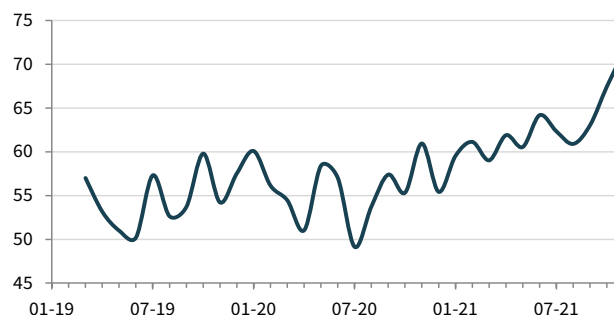
sa, >50 = growth since previous month



Sources: Tengri Partners, IHS Markit.

Services Input Prices Index

sa, >50 = inflation since previous month



Sources: Tengri Partners, IHS Markit.

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Survey methodology

The Tengri Partners Kazakhstan Services PMI™ is compiled by IHS Markit 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

November data were collected 12-25 November 2021.

Data collection began in March 2019.

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About Tengri Partners

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.

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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About PMI

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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