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Tengri Partners Kazakhstan Services PMI™

Including Tengri Partners Kazakhstan Composite PMI™

Record rise in new business at Kazakh services firms

Key findings

New business growth strongest on record

Fresh fall in employment in May

Confidence softens further

Data were collected 12-25 May 2023.

The latest survey data from Tengri Partners highlighted a solid expansion in business activity across the Kazakh service sector. The upturn stemmed from improved demand conditions which also supported a sharp rise in new business. In fact, growth in new work was the fastest recorded since the survey began.

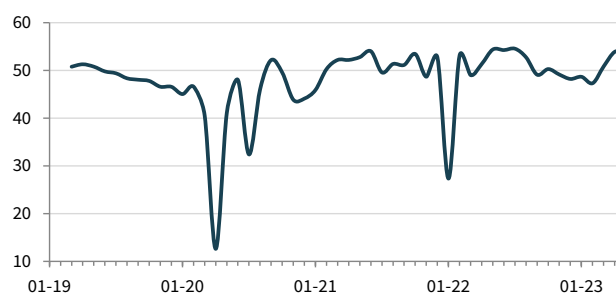
Nonetheless, services firms recorded a fresh decline in employment in May. Businesses struggled to raise payroll numbers, with many firms blaming resignations. Moreover, confidence was the weakest since April 2020 amid concerns around prices and logistics.

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.

At 53.8 in May, the seasonally adjusted Business Activity Index posted close to April's reading of 53.9. The headline index was therefore above the neutral 50.0 mark for the third successive month. Moreover, the latest increase was the second-fastest since July last year. Central to the increase in activity in May was the ability of firms to secure new customers amid improving demand conditions.

Further affirming the positive performance of the Kazakh service sector was a rapid rise in incoming new business received during May. The rate of expansion quickened for the third consecutive month to the fastest recorded in the series history. According to anecdotal evidence, strong demand trends supported the latest uptick, with firms also reaping the benefits from increased

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



Sources: Tengri Partners, S&P Global.

advertising which helped them to secure new contracts.

Despite the strong gains made midway through the second quarter, service providers in Kazakhstan registered a renewed contraction in employment, with a fall now recorded in five of the last six survey periods. Respondents noted difficulty in retaining workers. Nonetheless, the rate of reduction in staffing levels was fractional overall amid reports of growing business activity feeding through to increased hiring at some firms.

In terms of prices, cost burdens continued to rise across Kazakhstan's service sector in May, thereby stretching the current run of inflation to 34 months. Moreover, the rate of growth quickened on the month to the fastest since February. Companies noted that higher labour, material, and energy costs added to cost burdens. As a result, charges for the provision of services also rose at an accelerated pace in May. However, despite the latest reheating of price pressures, the rates of both input price and output charge inflation remained below those seen through much of 2022.

Looking ahead, confidence levels were historically muted across the sector. Optimism dropped for the fourth straight month to a 37-month low in May. Although panellists continued to predict rises in activity over the coming year, concerns around price pressures and logistics acted to subdue confidence.

Tengri Partners Kazakhstan Composite PMI™

Solid growth in Kazakh private sector activity

The Kazakhstan Composite PMI* indicated a third consecutive month of expansion in business activity across its private sector during May. However, at 53.2, down fractionally from April's 53.3, the rate of growth was slightly weaker as both monitored sectors saw softer increases in output.

New business grew sharply, although the rate of increase eased marginally here as well, primarily due to a slowdown across goods producers. Nonetheless, services firms registered the strongest growth in the survey's history, resulting in the overall expansion in new work measuring the joint-second fastest on record.

Strong growth of new orders led private sector employment to expand for the first time in six months. That said, the upturn was only fractional and solely driven by a modest rise in manufacturing employment, while service providers registered a fresh fall in May.

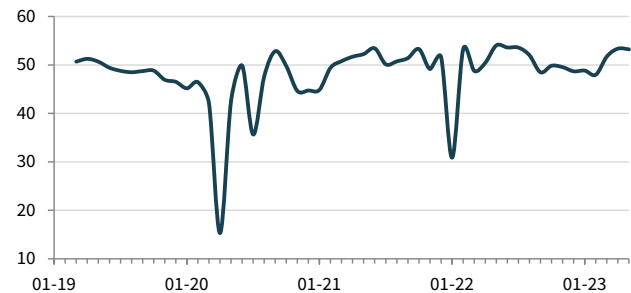
May data also signalled a reheating of price pressures. Nonetheless, the rates of increase for both input costs and output charges were softer than those recorded historically.

Looking ahead, firms remained cautious as the data highlighted a fourth successive month of weakening confidence levels. Moreover, the degree of optimism was at a 19-month low and below the series average.

**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

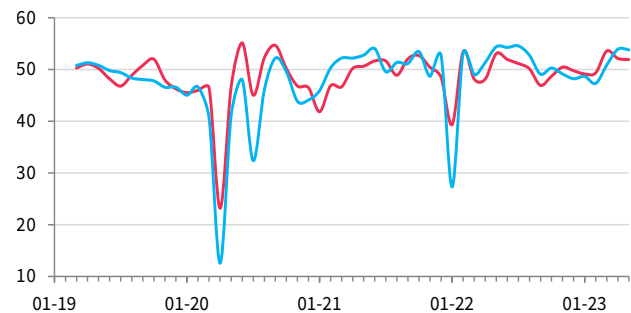
sa, >50 = growth since previous month



Sources: Tengri Partners, S&P Global.

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.

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

"The latest PMI data for Kazakhstan's service sector signalled a further improvement as underlying demand trends supported strong upturns in new business and activity. In fact, growth in new work was the fastest recorded in the survey to-date. That said, firms remained cautious. While some companies raised staffing levels, this was not enough to prevent a renewed fall in employment as many more struggled to retain workers amid frequent reports of resignations. Additionally, price pressures

also intensified during the latest survey period. Higher prices emanating from suppliers and increased costs for labour, material and energy translated into higher service charges.

"Looking ahead, sentiment across the sector was muted. Confidence across Kazakh services firms slipped for the fourth consecutive month to the lowest since April 2020. Firms remain wary of prices and logistical issues impacting near-term growth."

Services Employment Index

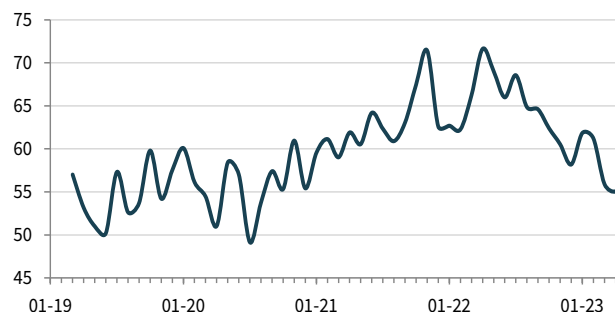
sa, >50 = growth since previous month



Sources: Tengri Partners, S&P Global.

Services Input Prices Index

sa, >50 = inflation since previous month



Sources: Tengri Partners, S&P Global.

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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

May data were collected 12-25 May 2023.

Data collection began in March 2019.

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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.