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Tengri Partners Kazakhstan Services PMI[®]

Including Tengri Partners Kazakhstan Composite PMI[®]

Sustained, albeit softer growth in business activity during October

Key findings

Continued growth in new orders and business activity...

...albeit with rates of expansion softer in October

Price pressures moderate

Data were collected 12-26 October 2023.

According to the latest PMI[®] data by Tengri Partners, a further expansion in business activity across Kazakhstan's service sector was recorded in October. The latest upturn was supported by sustained growth in new orders, as underlying demand trends improved and new client wins were reported. That said, the rate at which both business activity and new orders increased eased since September.

Price pressures also cooled on the month. Input prices increased at the weakest pace in six months, and the rate of output price inflation softened to a four-month low.

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.

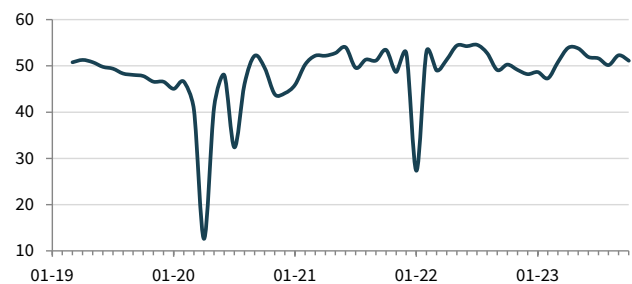
The seasonally adjusted Business Activity Index continued to post above the neutral 50.0 mark to signal an eighth consecutive monthly expansion in activity in October. That said, the rate of growth cooled on the month, with the headline index ticking down to 51.1 from 52.3 in September.

Nonetheless, the Kazakh service sector continued to make gains as we entered the final quarter of the year. A growing client base, improving demand conditions and new product launches were all in part said to have encouraged growth in new business inflows during October. Despite the upturn losing some momentum, the rate of increase was solid overall.

Turning to prices, cost burdens grew sharply in October. Firms

Tengri Partners Kazakhstan Services PMI Business Activity Index

sa, >50 = growth since previous month



Sources: Tengri Partners, S&P Global PMI.

noted that higher costs from suppliers pushed up business expenses. However, the rate of inflation softened to a six-month low and was weak in the context of historical data.

Service sector firms in Kazakhstan continued to share cost burdens with clients. As a result, average prices charged by firms have now risen on a monthly basis throughout the past three years. However, in line with easing cost pressures, the rate of output price inflation moderated to a four-month low and was modest overall.

Despite improving demand trends feeding through to rising business requirements, Kazakh services firms reported job shedding for the third consecutive month. The downturn largely reflected the difficulties services firms faced in retaining staff. The said, employment fell at only a marginal rate, and one which was the weakest in the aforementioned sequence.

Lastly, services firms remained optimistic that business activity will rise in the coming 12 months. Sentiment improved to a 15-month high in October, with around three-fifths of respondents anticipating growth. Firms were hopeful that continued improvements in demand, alongside new product launches and customer wins will support further growth in business activity.

Tengri Partners Kazakhstan Composite PMI®

Private sector growth wanes in October

October data signalled a loss of growth momentum in private sector output. At 50.4, down from 52.6 in September, the Kazakhstan Composite PMI* signalled only a fractional rise in output, which was also the weakest in the current eight-month sequence of growth. Pulling down the headline index was a renewed fall in manufacturing output and a slowdown in business activity expansion.

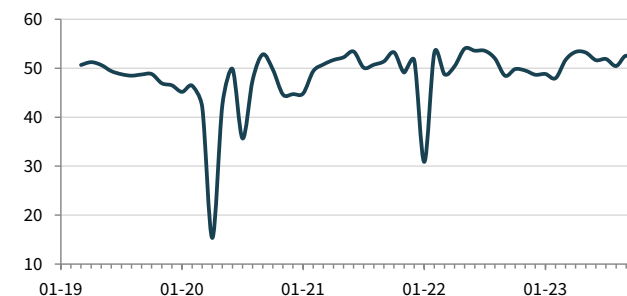
Similarly, new orders also rose at a moderated pace in October. The latest upturn was the least marked since February, with a fresh drop in factory orders in part contributing to the slowdown.

In terms of prices, both cost burdens and selling prices grew at historically subdued rates. The rate of input price inflation eased in October. Underlying data revealed price pressures intensified across goods producers, while weakening at service providers.

Looking ahead, businesses remained optimistic regarding growth in private sector output in the coming 12 months. Confidence strengthened to a three-month high, reflecting the uptick at Kazakh services firms.

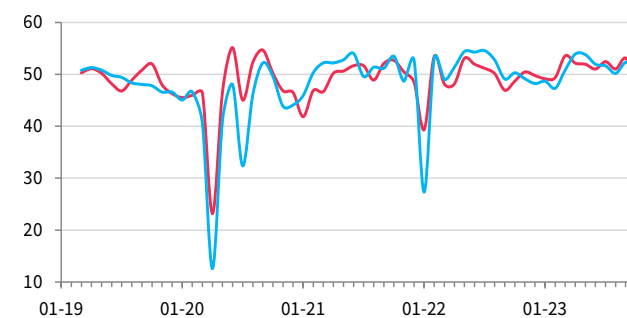
**Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Kazakhstan Composite Output Index is a weighted average of the Kazakhstan Manufacturing Output 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 PMI.

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 PMI.

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

"The start of the final quarter signalled sustained growth across Kazakhstan's service sector. Business activity and new orders grew for the eighth and tenth successive months respectively. Firms noted that improving underlying demand trends supported the latest upturn. That said, the data also revealed a loss of growth momentum, as in both the cases the rates of increase softened in October. Moreover, firms also struggled to maintain their staffing levels, with resignations reported widely

again. Despite the slight slowdown, firms remained optimistic, with confidence strengthening to a 15-month high."

Services Employment Index

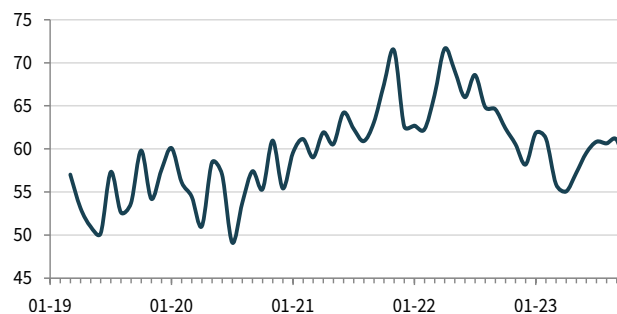
sa, >50 = growth since previous month



Sources: Tengri Partners, S&P Global PMI.

Services Input Prices Index

sa, >50 = inflation since previous month



Sources: Tengri Partners, S&P Global PMI.

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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@spglobal.com.

Survey dates and history

October data were collected 12-26 October 2023.

Data collection began in March 2019.

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