

Embargoed until 1200 ALMT (0600 UTC) 05 December 2023

# Tengri Partners Kazakhstan Services PMI<sup>®</sup>

Including Tengri Partners Kazakhstan Composite PMI<sup>®</sup>

## November sees a fresh contraction in services activity and new business

### Key findings

Business activity falls for the first time in nine months...

...amid fresh reduction in new orders

Strongest drop in employment since February

Data were collected 09-27 November 2023.

According to the latest PMI<sup>®</sup> data by Tengri Partners, Kazakh service providers recorded fresh contractions in services activity and new business in November, as underlying demand trends faded. The subdued demand environment resulted in a further fall in employment. Moreover, job shedding was the most marked in nine months.

However, a bright spot for the sector was slower increases in input prices and output charges in the penultimate month of 2023. Moreover, confidence levels remained elevated, with optimism the strongest in 16 months.

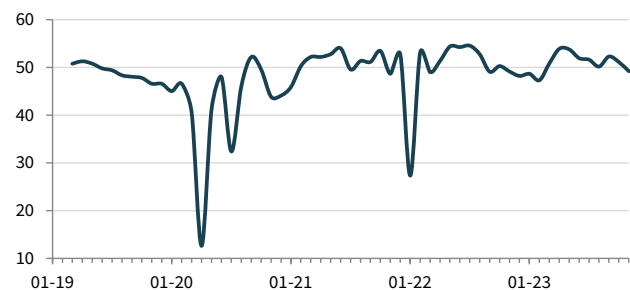
The headline figure from the survey is the Business Activity Index. This is calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The index varies between 0 and 100, with a reading above 50 indicating an increase and below 50 a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

At 49.2, down from 51.1 in October, the seasonally adjusted Business Activity Index posted below the crucial 50.0 threshold to signal a fresh reduction in business activity during November. Moreover, the latest contraction ended an eight-month period of expansion. According to anecdotal evidence, the reduction was linked to weaker demand conditions and fewer customers.

New orders placed with services firms also fell midway through the fourth quarter. While the contraction was fractional overall, it thereby ended a period of growth which began in January.

The falls in business activity and new orders meant that firms reduced their workforce numbers in November. The latest round of job shedding extended the current run of contraction

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



Sources: Tengri Partners, S&P Global PMI.

to a fourth successive month. Moreover, the latest downturn was solid overall and the strongest since February.

However, in some good news, price pressures continued to subside in November. Though services companies across Kazakhstan noted a sharp rise in input costs, largely as a result of higher prices from suppliers and the depreciation of the tenge against the Russian ruble, the rate of inflation eased to a seven-month low and was below its long-run average.

Firms in turn also raised their selling prices at the weakest pace since April. The rate of output charge inflation was modest overall. Companies also noted that greater market competition and falling client demand limited the pace of selling price inflation.

Lastly, despite the renewed falls in output and new orders, business confidence regarding the 12-month outlook for services activity improved slightly on the month to the greatest since July 2022. Firms were hopeful that demand trends will improve in the coming year and support sales.

## Tengri Partners Kazakhstan Composite PMI®

### Fresh contraction in private sector output

The Kazakhstan Composite PMI\* fell below the neutral 50.0 mark to 48.9 in November, from 50.4 in October, signalling the first contraction in private sector output since February. The downturn stemmed from a stronger decline in manufacturing output which was accompanied by a renewed, albeit slight reduction in services business activity.

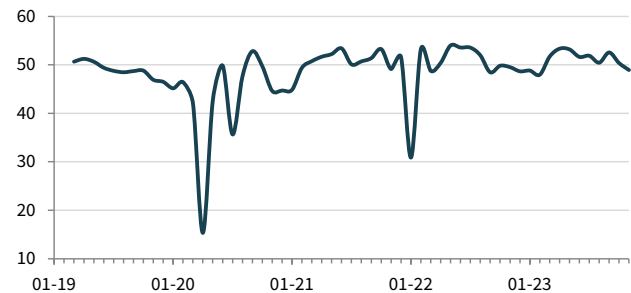
New business received by private sector companies fell for the first time in over one-and-a-half years. Manufacturing firms led the decline, which was sharp and the strongest seen since March 2022. Meanwhile, services firms reported only a fractional fall in new business. However, it was the first observed in the year-to-date.

With business requirements falling, private sector companies reduced their staffing levels at a pace that was the most marked since early-2022. Manufacturing companies joined their services counterparts in paring back their workforce numbers.

However, price pressures softened and remained historically muted in the penultimate month of 2023. The rate of input price inflation was the weakest since April. Meanwhile, selling prices were raised modestly, and at the softest pace in three months.

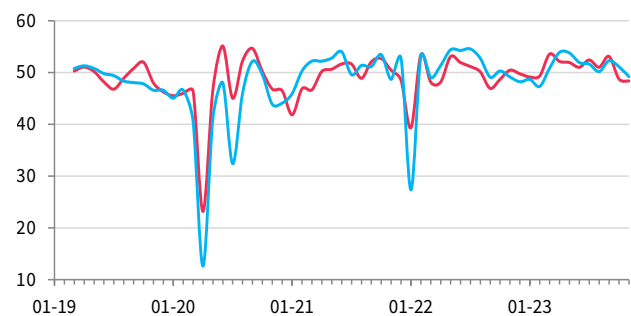
*\*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Kazakhstan Composite Output Index is a weighted average of the Kazakhstan Manufacturing Output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

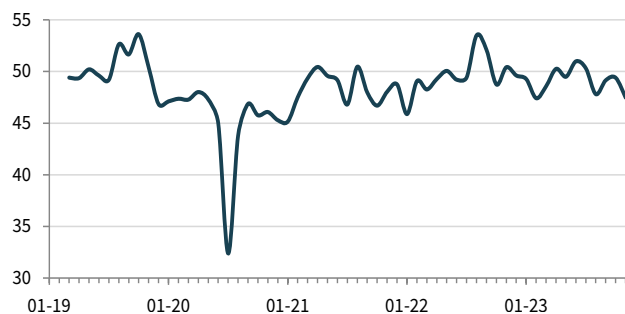
Anuar Ushbayev, Managing Partner and Chief Investment Officer at Tengri Partners said:

*"The Kazakh services sector saw demand trends weaken midway through the final quarter. As a result, firms recorded a fresh contraction in new business, which fed through to a decline in services activity. That said, in both the cases, the rates of contraction were modest overall. In part reflective of the renewed falls in activity and new orders, job shedding became more prominent during November as firms cut their staffing levels at the strongest pace since February.*

*"Despite the lapse in demand, firms retained their positive attitude regarding the 12-month outlook for activity, which remained historically elevated and strengthened in November. Moreover, inflationary pressures continued to retreat."*

### Services Employment Index

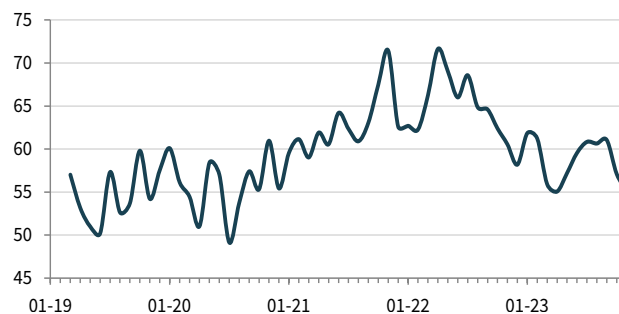
sa, >50 = growth since previous month



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<sup>®</sup> 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](mailto:economics@spglobal.com).

### Survey dates and history

November data were collected 09-27 November 2023.

Data collection began in March 2019.

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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.

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