

Embargoed until 1200 ALMT (0600 UTC) 06 January 2023

Tengri Partners Kazakhstan Services PMI™

Including Tengri Partners Kazakhstan Composite PMI™

Sharpest reduction in service sector activity since January

Key findings

Downturn in activity quickest since January

Second month of contraction in new orders

Growth prospects lowest in 14 months

Data were collected 06-20 December 2022.

The latest PMI™ survey data from Tengri Partners covering the Kazakh services economy noted a further decline in service sector activity during December amid reports of weak demand conditions. New business received at services firms also contracted for the second month running, albeit only marginally.

Business expectations for the year ahead meanwhile dropped to the lowest since October 2021. The latest reading posted below the series average as market instability and competition fed into expectations.

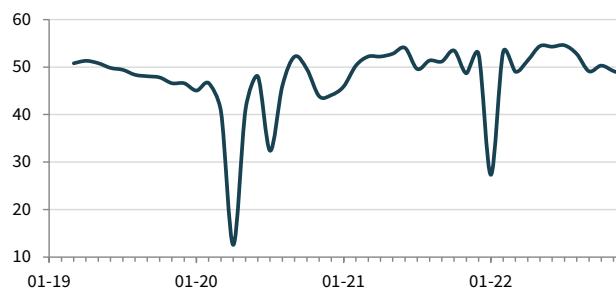
The headline figure from the survey is the Business Activity Index. This is calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The index varies between 0 and 100, with a reading above 50 indicating an increase and below 50 a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

The seasonally adjusted Business Activity Index posted an 11-month low of 48.2 in December, from 49.1 in November. Three of the last four survey periods have recorded contractions in services activity. That said, the rate of decrease was only mild overall.

New business placed at service sector firms also shrank during December. Adjusted for seasonality, the respective index has now posted below the crucial 50.0 mark for two consecutive months. While the decline was fractional overall, it meant that the year concluded on a relatively weak note especially since expansions in new business inflows were reported through most of 2022.

In line with falling business requirements, service sector firms

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



Sources: Tengri Partners, S&P Global.

across Kazakhstan reduced employment during December following a rise in November. Survey respondents noted that less work amounted to staff reductions. However, the rate of job cuts was only slight.

In terms of prices, service providers across the nation reported a moderation in input price inflation for the fifth consecutive month. The latest incline in average cost burdens was the softest in two years and weak in context of historical data. Nonetheless, wages, energy prices and shipping costs continued to exert upward pressure on cost burdens and meant that prices still rose sharply in December.

Service providers continued to pass on higher costs to clients. However, with input price inflation easing, average charges raised for services also increased at a softer pace, the weakest since February.

While the Kazakh service sector at times reported strong improvements in business activity during 2022, even posting a record-high pace of growth in July, the year ended with two consecutive months of contraction. Business confidence during these two months also weakened. The latest index reading signalled the lowest level of optimism in 14 months and printed below the survey average. That said, nearly a third of panellists were hopeful of expansions in activity over the coming year.

Tengri Partners Kazakhstan Composite PMI™

Downturn in activity across the Kazakh private sector deepens

The Kazakh private sector* remained in decline during December as the downturn in activity entered its fourth successive month. Services firms noted that the fall in activity quickened at the end of the year. While the decrease in output across manufacturing firms was softer, it came after a mild expansion during November.

For the second month running, incoming new business received across the Kazakh private sector remained unchanged, primarily because growth registered across manufacturers was offset by a decline in new orders received at services firms.

Latest survey data also pointed to a round of job shedding which was prominent across both the two sectors. A slide in workforce numbers has now been noted in two of the last three survey periods.

Easing demand did aid in bringing down price pressures. Input price inflation moderated for the third consecutive month to the softest in two years. Charges increased at the same pace as in November.

A lack of growth in new orders and declining private sector output led business confidence to weaken to a 12-month low. Nonetheless, the latest reading was in line with the series average, and indicated that firms were still largely optimistic of growth in activity in the year ahead.

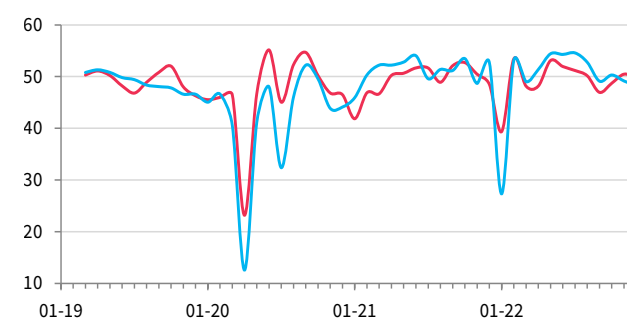
**Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Kazakhstan Composite Output Index is a weighted average of the Kazakhstan Manufacturing Output 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 survey data pointed to a second month of contraction in Kazakh service sector activity during December. Weak demand conditions were often behind the fall, and illustrated by a decline in new orders.

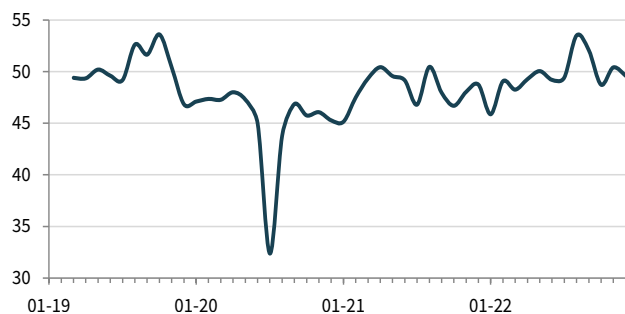
"Input price inflation softened for the fifth consecutive month during December, signalling the ongoing moderation in price pressures which have remained stubbornly high during the past year. As a result, softer inclines in average selling prices

were also reported during December.

"The year ended with business confidence across services firms further falling in December. Market instability and competition weighed on growth prospects for the year ahead."

Services Employment Index

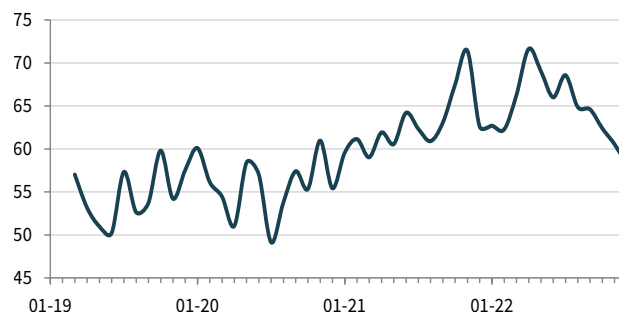
sa, >50 = growth since previous month



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

December data were collected 06-20 December 2022.

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.

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