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Tengri Partners Kazakhstan Services PMI™

Including Tengri Partners Kazakhstan Composite PMI™

Services growth hits fresh series record in May

Key findings

Headline Business Activity Index highest on record at 52.8

Growth of new business eases only slightly from April's peak

Year ahead outlook for output remains elevated, despite moderating

Data were collected 12-25 May 2021.

The Kazakh services sector recorded another stellar performance during May, according to the latest PMI™ survey data from Tengri Partners covering the Kazakh services economy.

Business activity rose at a series record rate, amid a near record upturn in new work, with panellists citing improved client demand and the signing of new contracts. Meanwhile, business confidence remained robust, with sentiment historically elevated, despite moderating since April.

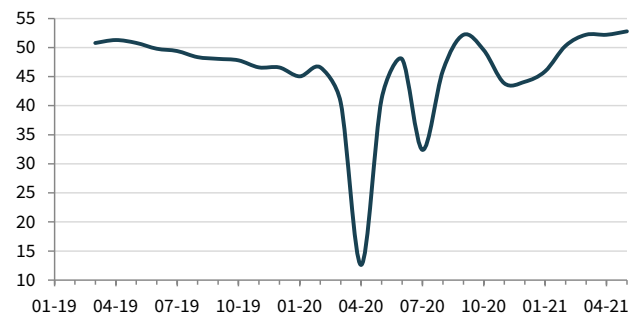
The headline figure is the Business Activity Index. This is calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The index varies between 0 and 100, with a reading above 50 indicating an increase and below 50 a decrease. The index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

The seasonally adjusted Business Activity Index rose from 52.2 in April to a fresh series record of 52.8 in May. This signalled a fourth straight monthly upturn in services output and one that was solid overall. Anecdotal evidence attributed the latest increase in activity to firmer client demand.

Central to the stronger overall expansion was a further rise in the level of new business during May. The respective seasonally adjusted index fell only slightly from April's recent high to signal the second-fastest upturn in the survey's history, and one that was sharp overall. Companies noted that client demand had improved, and several new contracts had been signed.

Further positive signs came from the survey's principal forward

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



Sources: Tengri Partners, IHS Markit.

looking indicator in May. The Future Activity Index remained well above the neutral 50.0 mark and was indicative of a robust level of confidence towards the year ahead at Kazakh services firms. Anecdotal evidence attributed optimism to hopes of an economic rebound and further improvements in client demand. The level of positive sentiment moderated since April, but remained historically elevated, nonetheless.

Meanwhile, cost burdens facing Kazakh services firms continued to increase in May, extending the current sequence of higher input prices to 10 months. Respondents attributed the latest round of cost inflation to greater fuel, utility, and material costs. Furthermore, the rate of increase in average input prices was still among the fastest on record and steep overall, despite easing from April's recent record.

In response to higher input prices, Kazakh service providers again increased their average charges midway through the second quarter. The rate of charge inflation was the quickest on record and sharp overall.

In spite of the sustained upturn in services activity during May, firms remained cautious around hiring. Services employment declined, following a slight uptick in April, although the rate of job shedding was only fractional overall.

Tengri Partners Kazakhstan Composite PMI™

Private sector activity rises at near record pace in May

The Kazakhstan Composite PMI Output Index* rose from 51.7 in April to 52.2 in May and signalled the second-quickest expansion of Kazakh private sector output since the survey began in March 2019, slower only than last September. Growth was broad based during May, but driven by services which saw a record rise in business activity.

Central to the stronger upturn was a fourth straight monthly rise in new business at Kazakh firms. The rate of increase slowed only slightly from April's record and was still sharp overall.

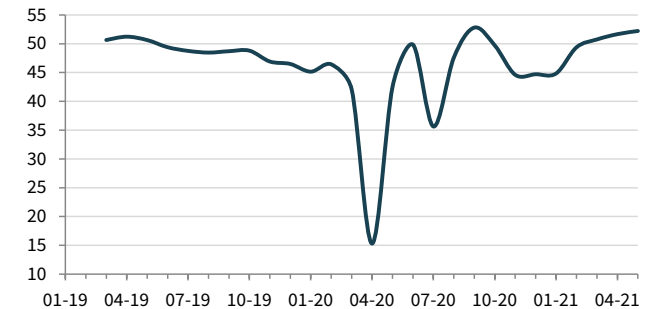
Inflationary pressures remained intense during May. Cost burdens rose steeply again, with the rate of input price inflation easing only slightly from April's recent peak. Subsequently, Kazakh private sector firms increased their average charges at the fastest pace in the series history.

May data also highlighted a renewed fall in staffing levels at Kazakh companies, following a slight uptick in April. The rate of job shedding was only mild overall, however.

Finally, firms remained strongly optimistic with regards to activity over the next year during May. The level of positive sentiment dipped to a five-month low, but was nonetheless historically elevated.

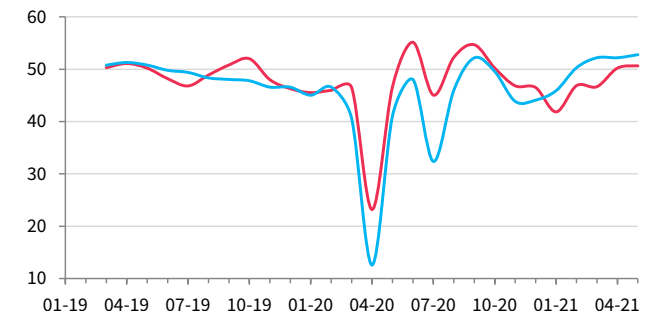
*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Kazakhstan Composite Output Index is a weighted average of the Kazakhstan Manufacturing Output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

Tengri Partners Kazakhstan Composite PMI Output Index
sa, >50 = growth since previous month



Sources: Tengri Partners, IHS Markit.

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



Sources: Tengri Partners, IHS Markit.

Comment

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

"The Kazakh services sector saw a further rebound midway through the second quarter, with the latest PMI data highlighting a survey record upturn in business activity and near record expansion in inflows of new work. Moreover, confidence towards output over the next year remained robust during May, with the level of positive sentiment still well above the series average despite moderating slightly on the month.

"The stellar services performance, combined with sustained manufacturing growth, lead to the second-quickest increase in Kazakh private sector output since data collection began in 2019. Client demand was strong at the composite level too,

with the increase in new orders the second-fastest on record. It is clear from the data that the economy is moving further into its recovery stage and has made up a good chunk of the ground lost during the COVID-19 crisis."

Services Employment Index

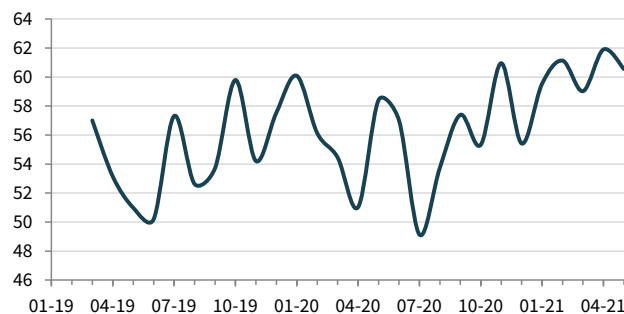
sa, >50 = growth since previous month



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

May data were collected 12-25 May 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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