

Embargoed until 1200 ALMT (0600 UTC) 01 February 2023

Tengri Partners Kazakhstan Manufacturing PMI™

Business confidence at near two-year high at start of 2023

Key findings

Overall business conditions stable in January

Optimism among strongest on record amid confidence around new orders

Firms ramp up purchasing activity

Data were collected 12-24 January 2023.

Business conditions were stable in the Kazakhstan manufacturing sector at the start of 2023, according to the latest PMI™ survey data from Tengri Partners and S&P Global. New orders were up marginally, but output and employment ticked down.

There was strong confidence that new order growth would continue over the course of the year, supporting increases in production. This optimism prompted a ramping up of purchasing activity as part of preparations for future workloads. Meanwhile, there were some signs that logistical difficulties had started to ease.

The headline Kazakhstan Manufacturing PMI is a composite single-figure measure of manufacturing performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 indicates overall improvement in the sector.

The headline PMI posted at the 50.0 no-change mark in January, down from 50.8 in December. This signalled stable business conditions over the month, following a three-month sequence of improvement.

Manufacturing production decreased for the second month running in January, albeit slightly. According to respondents, the fact that new orders rose only marginally during the month meant that firms were reluctant to raise production.

Instead, firms looked to inventories to help meet order requirements. As a result, stocks of finished goods decreased for the third month running, and to a greater extent than in December. Manufacturers were also able to keep on top of

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Tengri Partners Kazakhstan Manufacturing PMI™

sa, >50 = improvement since previous month



Sources: Tengri Partners, S&P Global.

Comment

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

"While the January PMI data overall speak of a stable start to the year for manufacturers in Kazakhstan, there were a number of positive signs within the details of the survey that suggest growth will be achieved in the future.

"Business confidence jumped to the highest since early-2021 on expectations that new order growth will support rises in production. These expectations prompted firms to ramp up their purchasing activity to the joint-largest extent on record. With cost pressures and logistics issues less pronounced than on average during 2022, the coming year could also see a less challenging environment for firms to operate in. S&P Global Market Intelligence forecasts industrial production to rise 2.1% in 2023."

workloads and reduce outstanding business.

Although the rise in new orders was only marginal, growth has now been recorded in three consecutive months. Some panellists reported improvements in demand, but others mentioned issues around funding at clients.

Manufacturers were confident that new order growth will continue and support a rise in output over the coming year, with improvements in price and supply conditions for raw materials also supporting optimism. Business sentiment jumped and was the third-highest since the survey began in March 2019, behind only February and March 2021.

This optimism impacted purchasing decisions, with firms preparing for increased workloads by ramping up their input buying. In fact, the rise in purchasing was the joint-fastest on record, equal with that seen in July 2022. Stocks of purchases continued to fall, however, as delivery delays meant that purchased items had yet to be received.

Suppliers' delivery times lengthened solidly in January, but there were signs that the logistical issues that have plagued the sector since the outbreak of the war in Ukraine had started to ease. The latest instance of delivery delays was the least pronounced since February 2022.

Rising raw material costs led to a further marked increase in input prices. Although quickening from December, the rate of inflation was much softer than the average for 2022. Firms passed on higher input costs to clients, resulting in a further rise in output prices. In fact, the rate of charge inflation quickened to a four-month high.

Finally, employment decreased for the second month running, albeit modestly. Firms reported lowering staffing levels in line with reduced production volumes, but there were also mentions of employee resignations.

Survey methodology

The Tengri Partners Kazakhstan Manufacturing PMI™ is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 250 manufacturers. 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 Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

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

January data were collected 12-24 January 2023.

Data collection began in March 2019.

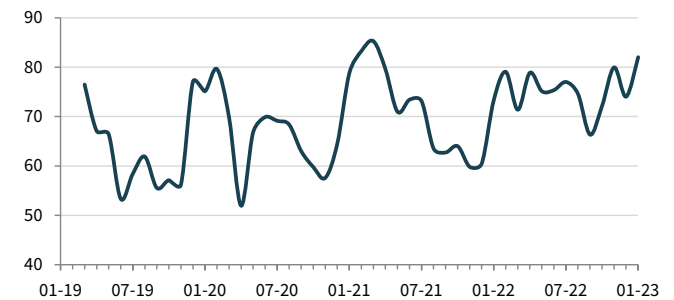
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Kazakhstan Manufacturing PMI Future Output Index

>50 = growth expected over next 12 months



Sources: Tengri Partners, S&P Global.

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ihsmarkit.com/products/pmi.html.