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Tengri Partners Kazakhstan Services PMI™

Including Tengri Partners Kazakhstan Composite PMI™

Business activity continues to rise in September

Key findings

Sustained, but slightly weaker, upturns in activity and new orders

Job trimming resumes

Rate of input price inflation nears survey record

Data were collected 13-27 September 2021.

The latest PMI™ survey data from Tengri Partners covering the Kazakh services economy highlighted a sustained expansion in services activity during September. The rate of expansion slowed slightly, and was marginal, amid a similar easing in growth of new orders. Nonetheless, service providers recorded a renewed fall in employment, with panellists reporting that staff were leaving in search of higher wages.

At the same time, inflationary pressures intensified, with input costs rising at the second-quickest pace on record and the rate of average charge inflation accelerating to a solid pace.

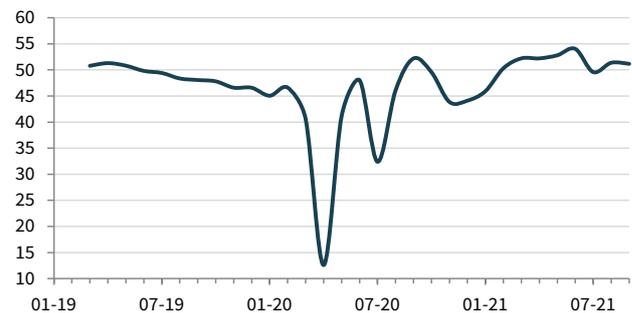
The headline figure is the Business Activity Index. This is calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The index varies between 0 and 100, with a reading above 50 indicating an increase and below 50 a decrease. The index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

The seasonally adjusted Business Activity Index posted 51.2 in September, signalling a second straight monthly expansion in Kazakh services output and one that was marginal. The latest reading was down slightly from 51.4 in August, however, indicating a slight moderation in growth momentum.

Across the third quarter as a whole, the average reading of 50.7 was much lower than that for the second quarter (53.0) but nonetheless in expansion territory.

September data also pointed to a further increase in inflows of new work to Kazakh services firms, amid reports of improved

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



Sources: Tengri Partners, IHS Markit.

client demand. The rate of expansion slowed on the month and was marginal overall.

Despite the sustained upturns in sales and business activity, companies recorded a fresh decline in employment during the closing month of the third quarter. Many employees had left in search of higher wages, with others on sick leave, according to panellists. The rate of job shedding was marginal, but slower than that in July.

At the same time, service providers registered more intense inflationary pressures. Average input costs increased again, with the rate of inflation the second-fastest on record, behind only June. Higher fuel, material, staff and property costs were all cited by respondents as drivers of the latest rise in cost burdens.

In response, companies again raised their average charges during September, stretching the current sequence of inflation to 11 months. The rate of increase was solid, and well above the series average.

Looking ahead, firms remained upbeat overall with regards to business activity over the coming year, with optimism attributed to hopes of a sustained economic rebound.

That said, the level of sentiment moderated for the seventh time in eight months and was the weakest since last October, with some companies concerned that demand conditions will not hold up over the next 12 months.

Tengri Partners Kazakhstan Composite PMI™

Fastest rise in private sector output for three months

The Kazakhstan Composite PMI Output Index* registered 51.4 in September, up from 50.7 in August. This signalled a seventh consecutive monthly expansion in private sector output, with the latest increase the fastest since June but marginal overall.

At the sector level, manufacturing returned to growth during the closing month of the third quarter, which combined with a back-to-back upturn in services activity led to the accelerated rate of expansion across the private sector.

Inflows of new work to Kazakh private sector firms continued to rise in September, extending the current sequence of growth to eight months. The rate of increase slowed from August and was marginal overall.

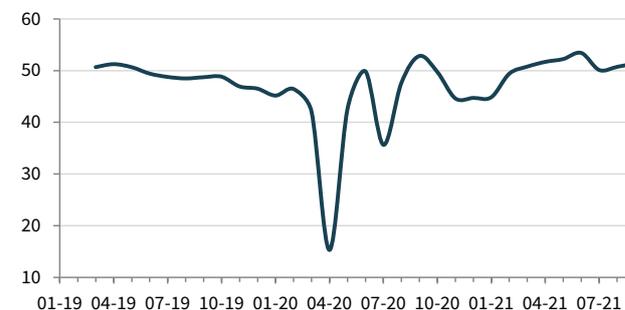
Nonetheless, Kazakh firms continued to trim their staffing levels in September. Job shedding continued for the fifth month running, with the pace of decline the joint-fastest since February and solid.

At the same time, inflationary pressures intensified. Cost burdens rose markedly, with companies raising their average charges to a greater degree as a result.

Looking ahead, business confidence moderated to a ten-month low and was subdued in the context of historical data.

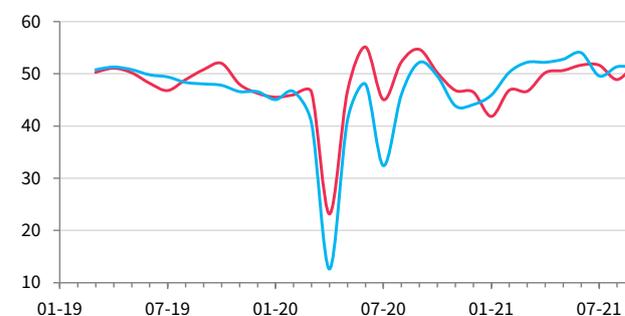
*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Kazakhstan Composite Output Index is a weighted average of the Kazakhstan Manufacturing Output 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 service sector saw a sustained expansion in business activity during September. The rate of expansion slowed slightly on the month, in part due to a similar easing of new business growth, but nonetheless remained marginal. At the same time, the latest data pointed to a fresh round of job trimming, following a slight rise in August, with firms reporting that some employees were leaving in search of higher wages, while others were on sick leave.

"Some pressure also came from input costs, with service providers registering a near record rate of inflation in September, amid reports of greater variable costs such as fuel,

utilities and staff.

"Nonetheless, the sustained upturn in the service sector was met with a renewed expansion in manufacturing production during the closing month of the third quarter. As a result, private sector output increased at the fastest pace for three months."

Services Employment Index

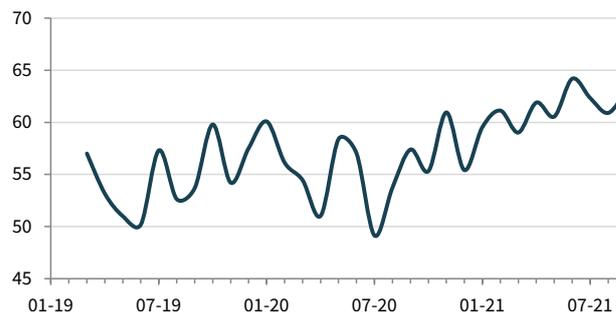
sa, >50 = growth since previous month



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

September data were collected 13-27 September 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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