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Tengri Partners Kazakhstan Services PMI™

Including Tengri Partners Kazakhstan Composite PMI™

Service sector activity down for the second month this year

Key findings

Business activity falls amid solid decline in new orders

Job losses gather pace in March

Charges levied by firms rise at joint-record pace

Data were collected 9-28 March 2022.

The Kazakh service sector registered a second contraction in activity in the latest three months in March, according to the latest PMI™ survey data from Tengri Partners covering the Kazakh services economy. The fall in business activity followed a return to growth in February. Similarly, new orders declined at a solid pace. Meanwhile, companies signalled a seventh successive reduction in workforce numbers.

The latest downturn in activity was accompanied by elevated inflation rates. Input prices rose at the third-quickest pace in just over three years of data collection, whilst output price inflation hit a joint-survey high.

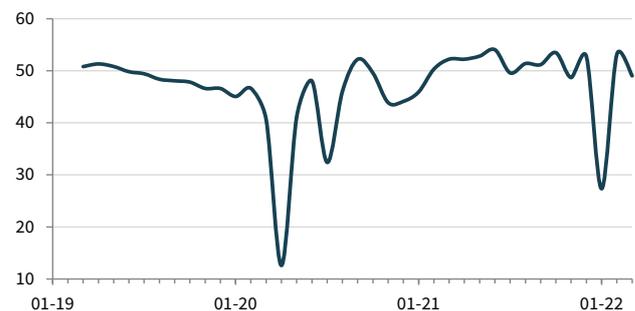
The headline figure is the Business Activity Index. This is calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The index varies between 0 and 100, with a reading above 50 indicating an increase and below 50 a decrease. The index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

The seasonally adjusted Business Activity Index dropped from 53.1 in February to 49.0 in March, indicating a contraction in output in the Kazakh service sector. However, the latest decline was not as sharp as the one registered in January when activity was severely impacted by the state of emergency, and only marginal overall.

The latest reduction in business activity was a reflection of the deteriorating geopolitical situation. Anecdotal evidence highlighted the war in Ukraine was a driving factor for reduced client demand, with new orders decreasing solidly in March.

The latest data also pointed to ongoing reductions in services

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



Sources: Tengri Partners, S&P Global.

employment, with the downturn gathering pace in March. Firms reported high staff turnover and a reluctance to resume hiring activity. Staffing levels have now fallen in each of the past seven months.

The Kazakh service sector experienced high levels of inflation during the latest survey period. Average input prices rose at a near-record pace as firms reported higher purchasing costs. Unfavourable exchange rate movements were primarily blamed for the general increase in input prices, with higher shipping costs also mentioned.

As a result, average charges were thus increased by service providers in Kazakhstan, extending the current sequence of inflation to 17 months. Moreover, the rate of inflation was the joint-fastest on record, equal with that seen in January.

The contraction of the service sector, and the growing challenges it faced in March, subsequently resulted in a deterioration in business sentiment. Confidence dropped sharply, having hit a new peak in February. That said, optimism was still above the series average amid hopes that a return to growth of new business would support increases in activity.

Tengri Partners Kazakhstan Composite PMI™

Slight fall in activity during March

Output across the Kazakh private sector returned to contraction in March. The Kazakhstan Composite PMI Output Index* dropped from 53.2 in February to 48.8 in March. The latest downturn was the second fastest since January 2021 (behind that seen in January this year) and was reflective of the reduction in new orders received across the Kazakh private sector.

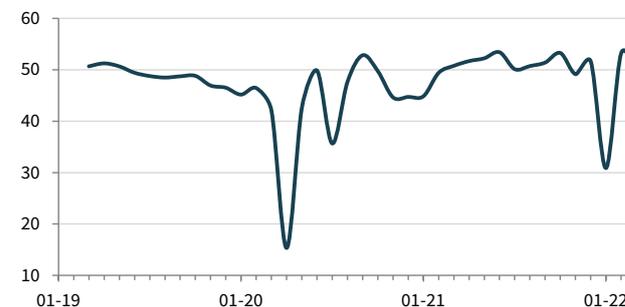
Output deteriorated across both the manufacturing and the service sectors. However, the rate of reduction in the former was slightly faster. Meanwhile, weak client demand resulted in a drop in aggregate new orders.

The impact of the war in Ukraine and currency weakness meant that input price inflation across the private sector reached a near-record high in March, whilst output price inflation did hit a new peak.

Lastly, business sentiment was downgraded to a three-month low in March, after having hit a record high in February. Lower levels of confidence were seen across both monitored sectors. That said, Kazakh private sector companies remained optimistic towards the year-ahead outlook for output.

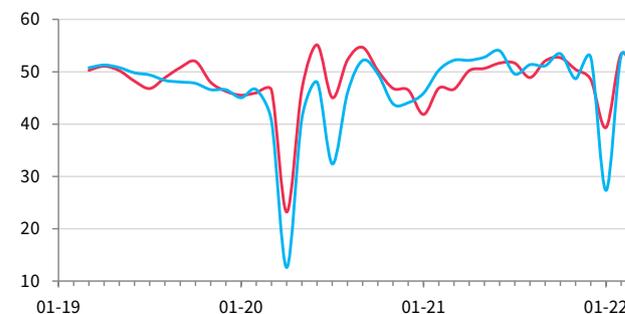
*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Kazakhstan Composite Output Index is a weighted average of the Kazakhstan Manufacturing Output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

Comment

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

"The bumpy start to the year for the Kazakh service sector resulted in another contraction in March. After signalling a solid recovery in February, the latest data revealed a fresh wave of challenges faced by service providers.

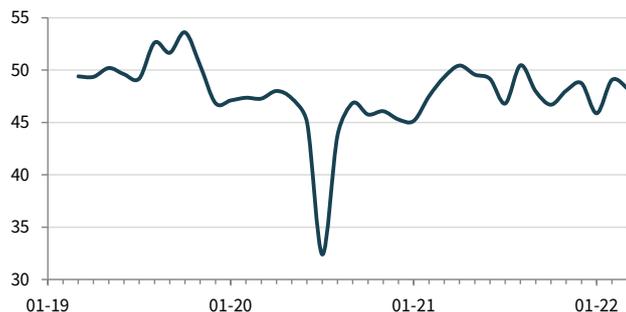
"Intensifying inflationary pressures and the Ukraine-Russia war burdened the sector, with reports of fragile demand leading to falls in new orders and business activity.

"Moreover, business confidence fell sharply in March from its series peak back in the previous survey period. Firms, however,

still remained expectant for growth in the coming year."

Services Employment Index

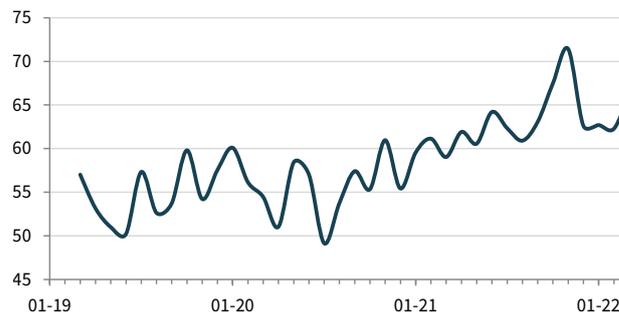
sa, >50 = growth since previous month



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

March data were collected 09-28 March 2022.

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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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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