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Tengri Partners Kazakhstan Services PMI™

Including Tengri Partners Kazakhstan Composite PMI™

Growth in services activity at four-month high

Key findings

Business activity increases solidly, after coming close to stalling in August

Sharp and accelerated rise in new business

Continued drop in employment, albeit at a weaker

Data were collected 12-26 September 2023.

The Kazakh service sector ended the third quarter on a solid note. Both business activity and inflows of new work grew at rates stronger than those seen in August. However, a second successive monthly contraction was recorded for workforce numbers. That said, the downturn moderated over the course of the month.

Meanwhile, there was another sharp rise in cost burdens, which resulted in a quicker uptick in selling prices. Moreover, the rates of increase in both the cases remained historically elevated.

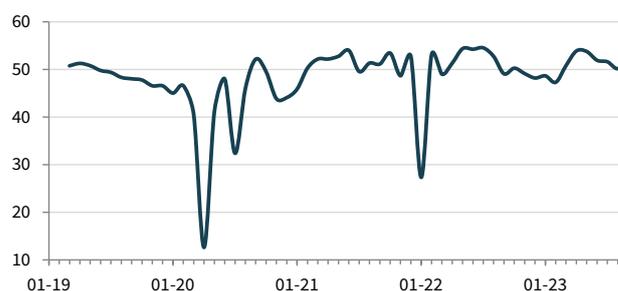
The headline figure from the survey is the Business Activity Index. This is calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The index varies between 0 and 100, with a reading above 50 indicating an increase and below 50 a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

The seasonally adjusted Business Activity Index improved from August's six-month low of 50.2 to 52.3 in September. The latest headline figure extended the current sequence of expansion to seven consecutive months. Moreover, business activity rose at a solid pace that was the fastest since May.

Central to the stronger increase in business activity across Kazakhstan's service sector was a sharp and accelerated rise in new business inflows. The latest uptick in new work was the strongest since the survey peak registered in May. According to panellists, new client wins and increased marketing supported the expansion.

That said, payroll numbers again contracted during the latest survey period. Service providers were unable to maintain their

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



Sources: Tengri Partners, S&P Global PMI.

staffing levels, with reports of voluntary leavers widespread across surveyed businesses, as well as a few firms laying-off staff. Nonetheless, the rate of job shedding eased on the month, as some companies expanded their workforce numbers as a result of the quicker expansions noted for both business activity and new business.

Service providers across Kazakhstan also faced rising business costs in September. Moreover, the rate of input price inflation intensified to a seven-month high. High raw material, supplier and fuel costs were blamed for the latest increase.

Similarly, prices charged for the provision of Kazakh services also rose at a quickened pace in September. The respective seasonally adjusted index was the highest since February and trended above the long-run average as companies passed higher input costs through to their customers.

Looking ahead, sentiment at services firms across Kazakhstan remained largely optimistic. While the degree of confidence edged down to a three-month low, it remained above the series average. More than half of panellists anticipated a rise in business activity, with confidence largely pinned on hopes of improved demand conditions in the coming 12 months.

Tengri Partners Kazakhstan Composite PMI™

Growth in private sector activity at four-month high

After easing to a six-month low of 50.5 in August, the Kazakhstan Composite PMI* increased to 52.6 in September to signal a solid expansion that was the fastest since May. Sector detail pointed to stronger increases in output across both goods producers and service providers.

Moreover, new business also rose at a strong and accelerated pace in September, and one that was the most pronounced in four months. While both the sectors reported an increase, demand for services expanded at a stronger rate than compared to August, while growth in factory orders eased to a seven-month low.

The strong uptick in business requirements fed through to a renewed, albeit slight expansion in employment. Job creation has now been noted in four of the last five survey periods. However, growth was limited to manufacturers, where employment rose for the fifth month running. Meanwhile, service providers signalled a second successive month of contraction.

In terms of prices, inflationary pressures picked up across the board in September. A sharp rise in cost burdens at manufacturers resulted in a first increase in charges for goods in four months. Looking ahead, Kazakhstan's private sector remained highly optimistic despite confidence easing to a four-month low.

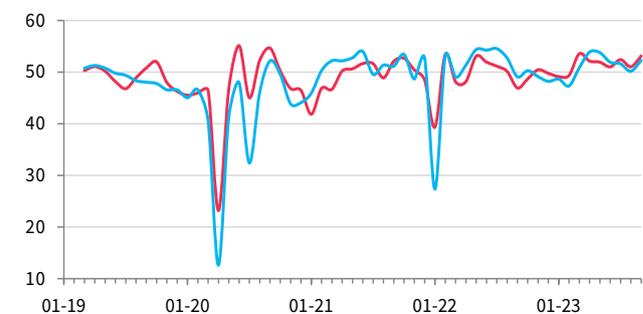
**Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Kazakhstan Composite Output Index is a weighted average of the Kazakhstan Manufacturing Output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

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 PMI.

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

"The Kazakh service sector revealed renewed growth momentum as the third quarter came to a close. Stronger upticks were recorded for both new business and activity. Moreover, increases in business requirements allowed some firms to raise their staffing levels, helping to soften the current downturn in employment.

"However, cost inflationary pressures were the strongest in seven months. Service providers continued to face increasing cost pressures, coming through in the form of higher prices for raw

materials, fuel and rising supplier charges. This in turn resulted in a quicker uptick in selling prices.

Going forward, inflation and the uncertain geopolitical environment will continue to act as headwinds to the sector. Nonetheless, demand has remained resilient, with firms anticipating improvement in the year ahead, thus supporting further expansions in services activity."

Services Employment Index

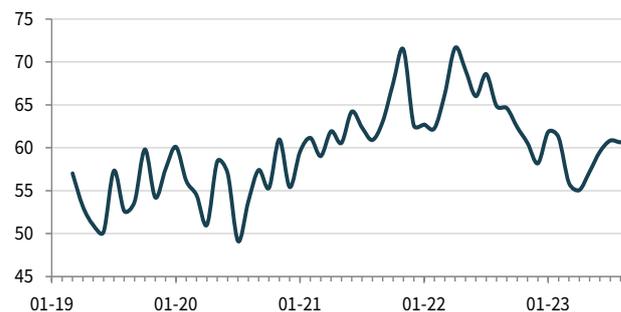
sa, >50 = growth since previous month



Sources: Tengri Partners, S&P Global PMI.

Services Input Prices Index

sa, >50 = inflation since previous month



Sources: Tengri Partners, S&P Global PMI.

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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@spglobal.com.

Survey dates and history

September data were collected 12-26 September 2023.

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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