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Tengri Partners Kazakhstan Manufacturing PMI™

Price and supply pressures lead to decline in business conditions

Key findings

Output and new orders down

Inflation accelerates, while supply constraints intensify

Staffing levels stabilise

Data were collected 11-22 April 2022.

The latest PMI™ survey data from Tengri Partners and S&P Global indicated that the Kazakh manufacturing sector remained in contraction territory at the start of the second quarter of the year, as severe price and supply problems continued. Output and new orders fell further, while input costs and output prices rose at sharper rates. On a more positive note, workforce numbers were broadly stable following a sustained period of falling staffing levels.

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.

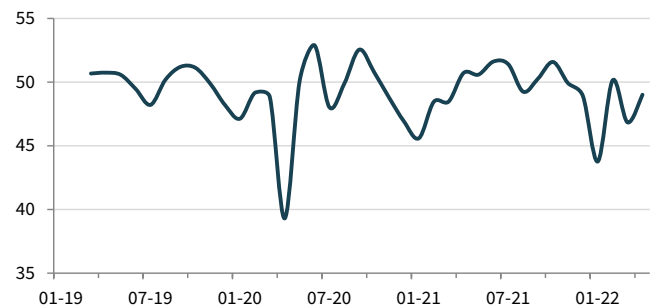
The headline PMI remained below the 50.0 no-change mark in April, posting 49.0 to signal a marginal deterioration in the health of the sector during the month. That said, the reading was up from March's 46.8, suggesting a softer decline in business conditions.

New orders decreased for the fifth successive month in April, linked to price rises and a lack of customers. The rate of decline eased markedly from the previous month, however, as some firms were reportedly able to secure new business.

Manufacturing production also decreased, the second month running in which this has been the case. Unstable raw material prices, supply shortages and sanctions imposed on Russian companies were all mentioned as having negatively impacted output. The modest reduction was broadly similar to that seen in the previous month.

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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:

"The twin pressures of rising prices and supply-chain constraints held back the Kazakh manufacturing sector in April. Rates of inflation neared record highs, while companies widely reported logistical issues sourcing goods from Russia."

"One key positive from the latest PMI data was a stabilisation of employment following a sustained period of decline. A number of firms reported having been able to fill vacant positions, hopefully a sign that the recent trend of workers resigning to look for opportunities elsewhere is coming to an end."

"That said, firms will need greater geopolitical stability to help improve domestic economic conditions and support returns to growth of output, sales and employment in order to bring the current downturn to an end."

Severe price pressures were again highlighted in April as the rate of input cost inflation accelerated to a five-month high. Currency fluctuations and higher prices for goods sourced from Russia were key contributors to rising raw material costs. In turn, manufacturers also increased their own selling prices at a faster pace, and one that was only slightly slower than the series record posted in February 2021.

Alongside rising prices, firms also signalled a further substantial lengthening of suppliers' delivery times. Vendor performance deteriorated to the greatest extent in three months, in a number of cases due to logistical difficulties importing goods from Russia due to the imposition of sanctions.

Difficulties securing materials, and a reluctance to purchase inputs unless strictly necessary, led to further declines in inventories of both purchases and finished goods as stocks were used to support production and help meet sales.

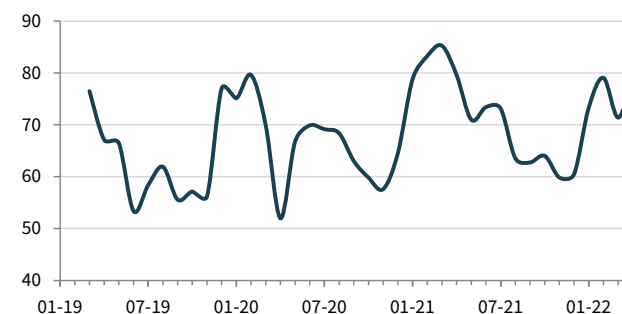
A lack of raw materials also led to a further accumulation of backlogs of work, the sixth in as many months.

The employment situation was more positive, however, as staffing levels stabilised following nine months of decline. Some respondents indicated that they had been able to fill vacant positions, although there were still some reports of resignations and staff reductions due to lower output requirements.

Business confidence recovered in April, after having fallen sharply in March. Hopes for improvements in both the economic and geopolitical situations supported optimism in the 12-month outlook for output, although firms continued to note a high degree of unpredictability.

Kazakhstan Manufacturing PMI Future Output Index

>50 = growth expected over next 12 months



Sources: Tengri Partners, S&P Global.

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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

April data were collected 11-22 April 2022.

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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