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Tengri Partners Kazakhstan Manufacturing PMI™

New orders rise for fourth month running, but at softer pace

Key findings

Output broadly unchanged as new order growth slows

Employment up for third month running

Severe supply-chain disruption continues

Data were collected 12-23 August 2022.

The latest PMI™ survey data from Tengri Partners and S&P Global signalled ongoing improvements in the Kazakh manufacturing sector amid a further expansion of new orders. That said, there were some signs of growth slowing and production was broadly unchanged.

Severe supply-chain disruption continued as a result of the sanctions placed on Russia, while currency weakness meant that input costs rose sharply again. In contrast, the rate of output price inflation softened as some firms offered discounts to encourage new orders.

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.

At 52.0 in August, the headline PMI posted above the 50.0 no-change mark for the fourth successive month to signal a further improvement in business conditions for Kazakh manufacturers. That said, the reading was down from 52.8 in July amid some loss of growth momentum during the month.

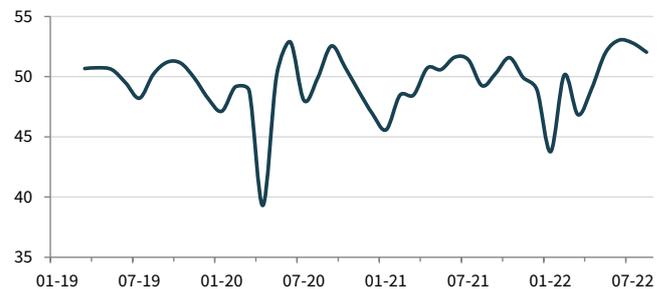
Central to the improvement in overall operating conditions was a fourth consecutive increase in new orders, although here too growth softened from the sharp pace seen in July. Where new business expanded, panellists mentioned improving demand and the securing of new customers.

The picture for output was less positive, however, with production broadly unchanged in August. While some firms continued to raise output in line with new order growth, others

continued...

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 it was good to see that manufacturers continued to secure greater new order volumes in August, there were some concerning aspects of the latest Kazakhstan manufacturing PMI survey. Production barely recorded any growth over the month, while severe supply-chain disruption and cost pressures due to exchange rate weakness continued."

"Overall though, we hope that the ongoing expansion of new orders and rising workforce numbers can lead to a more positive picture regarding production in the months ahead."

indicated a drop as the expansion in new business softened. There were also some reports that gas shortages had hampered production.

Rising new orders fed through to a third successive increase in employment, with greater capacity helping firms to keep on top of workloads.

Purchasing activity was also raised, but firms continued to face severe difficulties in securing purchased items due to the sanctions placed on Russia and the effect this has had on supply chains and logistics for Kazakh firms. In fact, suppliers' delivery times lengthened substantially in August, and at a rate only exceeded during the opening wave of the COVID-19 pandemic over the three-and-a-half years of data collection so far.

Meanwhile, input costs increased sharply and at a broadly similar pace to that seen in July. The main factor leading to higher input prices was currency weakness, with the Kazakh tenge losing ground against both the Russian rouble and the US dollar.

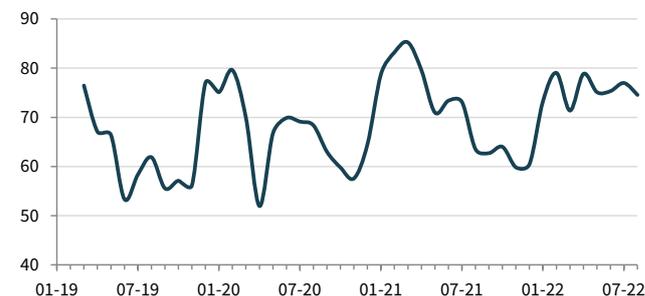
Despite the rate of input cost inflation remaining elevated, firms increased their own selling prices at a much softer pace during August. The rate of inflation was the weakest since February as some manufacturers offered discounts as part of attempts to boost sales.

Meanwhile, stocks of both purchases and finished goods decreased for the thirty-sixth and second successive months respectively.

Expected improvements in sales and production capacity meant that manufacturers remained confident that output would rise over the coming year. Sentiment dipped to a five-month low, but was still above the average since the survey began in March 2019.

Kazakhstan Manufacturing PMI Future Output Index

>50 = growth expected over next 12 months



Sources: Tengri Partners, S&P Global.

Contact

Ilias Tsakalidis
Press Enquiries
Tengri Partners
i.tsakalidis@tengripartners.com

Maxim Kryuchkov
Tengri Partners
m.kryuchkov@tengripartners.com

Andrew Harker
Economics Director
S&P Global Market Intelligence
T: +44-1491-461-016
andrew.harker@spglobal.com

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
T: +44 (0) 7967 447030
sabrina.mayeen@spglobal.com

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

August data were collected 12-23 August 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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