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Tengri Partners Kazakhstan Manufacturing PMI™

New orders near stabilisation in October

Key findings

New business broadly unchanged

Output falls amid severe supply-chain disruption

Renewed increases in employment and purchasing

Data were collected 12-24 October 2022.

The latest PMI™ survey data from Tengri Partners and S&P Global signalled signs of stabilisation in demand at the start of the final quarter of the year, while firms expanded their purchasing activity and employment levels as part of efforts to increase production. Despite this, output fell for the second month running amid further difficulties sourcing materials. In fact, suppliers' delivery times lengthened to the greatest extent since the opening wave of the COVID-19 pandemic.

Meanwhile, inflationary pressures remained marked, often reflecting currency weakness, but slowed sharply over the course of the month.

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 moved back above the 50.0 no-change mark in October, posting 51.5 up from 48.9 in September. Business conditions have now improved in five of the past six months.

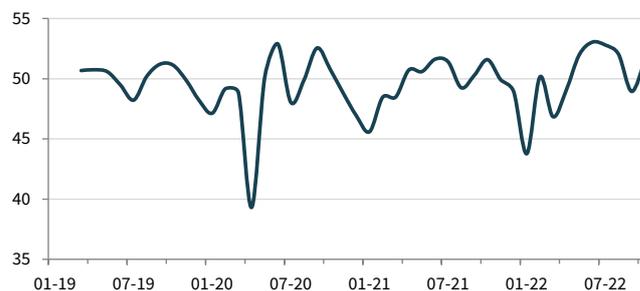
Latest data pointed to a broad stabilisation of new orders in October following a fall in the previous month. Some panellists reported an improvement in customer demand, but sustained market weakness prevented an outright expansion in new business.

Manufacturing production decreased for the second month running amid weak new order inflows and difficulties obtaining materials. That said, the decline in output in October was softer than that seen in September.

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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:

"There were some signs of recovery in the latest Kazakhstan manufacturing PMI data, with new orders broadly stable during October. Firms continued to be hindered by disruption to logistics caused by the sanctions placed on Russia, however, with supply-chain delays the most pronounced since the opening wave of the pandemic.

"Encouragingly, firms showed a willingness to invest in efforts to boost production, with both employment and purchasing activity expanding. Manufacturers will be hoping that these efforts bear fruit and drive a renewed increase in output before the end of the year."

Highlighting the problems for firms to get access to materials, suppliers' delivery times lengthened substantially over the month, and to the greatest extent since the opening wave of the COVID-19 pandemic in early-2020. Longer lead times continued to be primarily blamed on logistical difficulties caused by the sanctions placed on Russia, but there were also some reports of delays at the border with China.

With production limited to some extent by material shortages, backlogs of work increased for the first time in four months, representing a marked turnaround from the sharp reduction in outstanding business seen in September.

Efforts to expand production led to renewed increases in employment and purchasing activity. Stocks of purchases were also higher, the first accumulation since August 2019, amid higher input buying and lower production.

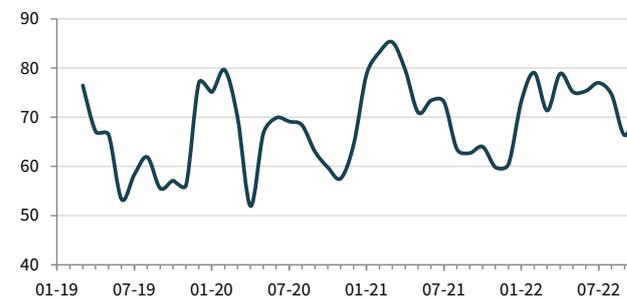
Stocks of finished goods also increased, often due to subdued new order volumes. The rise in post-production inventories was the first in four months.

The rate of input cost inflation slowed sharply in October and was the softest since February. The latest increase was still marked, however, amid reports of currency weakness and higher supplier charges. Similarly, the rate of output price inflation was much weaker at the start of the fourth quarter, easing to a 22-month low.

Business confidence improved in October and was above the series average. Those firms that predicted a rise in output over the coming year linked this to plans to develop production and hopes for expansions in new orders.

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

October data were collected 12-24 October 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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