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Tengri Partners Kazakhstan Services PMI™

Including Tengri Partners Kazakhstan Composite PMI™

Renewed growth in business activity, albeit only fractionally

Key findings

Activity expands after falling in September

Increase in incoming new business moderates

Price pressures soften

Data were collected 12-26 October 2022.

The latest PMI™ survey data from Tengri Partners covering the Kazakh services economy signalled an expansion in business activity during October. While this was an improvement from the contraction noted in the preceding survey period, the pace of growth was fractional overall.

Nonetheless, improved demand continued to be signalled, resulting in a seventh consecutive upturn in new orders. Furthermore, optimism regarding the year-ahead outlook improved amid hopes that demand will continue to expand.

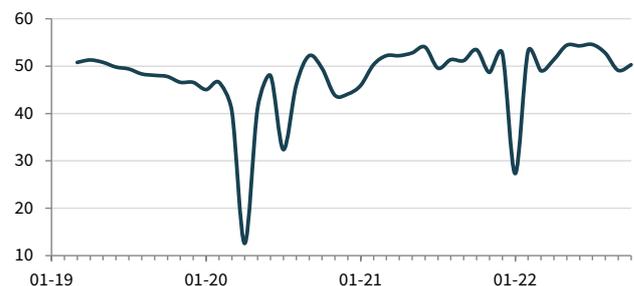
October data also revealed price pressures moderating. While inflationary pressures remained elevated, input cost and output price inflation were at eight- and three-month lows, respectively.

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 posted 50.3 in October, up from 49.1 in September, reverting above the neutral 50.0 threshold after a brief stint in contraction territory. Activity levels have increased in six of the last seven survey periods. That said, the latest reading signalled only marginal expansion across the service sector.

While in its seventh month of continuous expansion, growth in new orders moderated during October for the second month running. Though firms reported improved demand conditions, not all companies benefited in part due to price hikes which

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



Sources: Tengri Partners, S&P Global.

dissuaded customers facing monetary constraints.

Furthermore, after two straight months of job increases, service firms reduced payroll numbers and at the quickest pace since March. A softer upturn in incoming new business was reportedly a key factor leading to a reluctance among companies to take on additional staff.

Turning our attention to prices, latest data pointed to the upward pressure on prices easing. Average cost burdens, while rising at a marked rate again, increased at the slowest pace in eight months. Similarly, Kazakh service firms also raised their charges at a slower pace. The respective seasonally adjusted index hit a three-month low. That said, inflationary pressures remain elevated and stronger than the historical series average for both input prices and output charges.

Finally, in line with improving business activity, firms raised their business expectations towards the coming 12 months during October. Optimism picked up from September's six-month low, but was still among the weakest in 2022 so far. Firms were hopeful that greater client demand across the service sector will encourage further growth in activity.

Tengri Partners Kazakhstan Composite PMI™

Downturn across the Kazakh private sector eases

The Kazakhstan Composite PMI Output Index* printed 49.8 in October, up from 48.5 in September. While posting below the 50.0 no-change threshold for the second consecutive month, the latest reading signalled only a fractional contraction overall. The downturn was led by back-to-back falls in manufacturing output. However, service providers reported renewed growth in business activity, after a mild reduction in the preceding survey period.

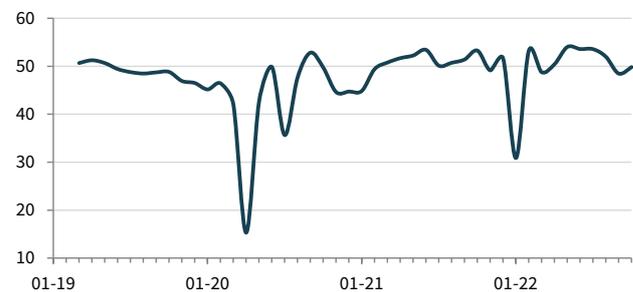
New business received across Kazakhstan's private sector rose during October. The rate of growth quickened marginally on the month as a softer contraction across good producers helped boost the index. That said, employment levels across the Kazakh private sector fell, marking the first month of contraction since June. This partially reflected the downturn in private sector output.

Turning to prices, inflation rates moderated across both the two sub-sectors, resulting in the softest inclines in average cost burdens and output charges in eight months.

Overall, Kazakh private sector firms remained strongly optimistic regarding the 12-month outlook. That said, while the degree of confidence strengthened from September, it was still among the lowest recorded this year thus far.

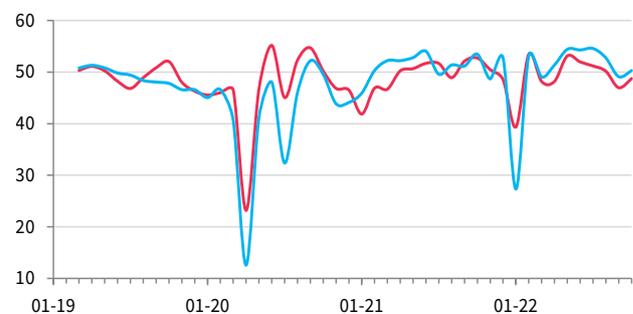
**Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Kazakhstan Composite Output Index is a weighted average of the Kazakhstan Manufacturing Output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

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

"The final quarter of the year started with a renewed improvement in business acridity, according to the latest PMI data. This was partially due to students, tourists and migrants coming from Russia.

"However, expansion was only fractional. Inflationary pressures continued to hamper growth via impacting client activity, despite rates softening during the recent months.

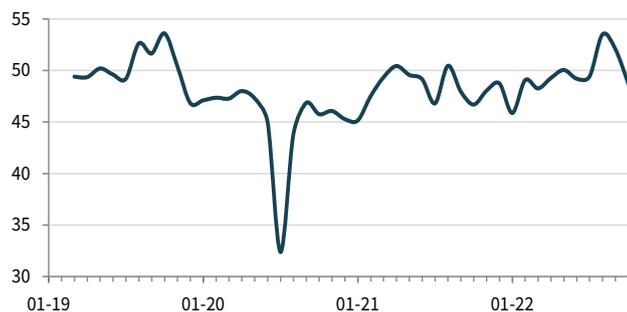
"Moreover, after two successive months of growth in employment,

panel members reduced staff amid a more subdued expansion of new orders.

"Business confidence improved during the month, but ongoing sanctions placed against Russia and Belarus, political uncertainty across the region and inflationary pressures will likely continue to restrain growth."

Services Employment Index

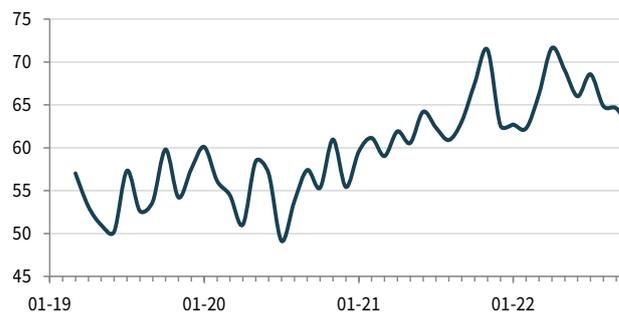
sa, >50 = growth since previous month



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

October data were collected 12-26 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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