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Tengri Partners Kazakhstan Services PMI™

Including Tengri Partners Kazakhstan Composite PMI™

Downturn in service sector activity quickens in February

Key findings

Business Activity Index falls to a 13-month low

Growth in new work broadly stagnates

Expectations slip below the historical average

Data were collected 10-23 February 2023.

The latest PMI™ survey data from Tengri Partners covering the Kazakh service sector signalled a quicker contraction in business activity with the latest downturn extending the current run of decline to four consecutive months. Furthermore, following a renewed upturn in new orders during January, February data pointed to subdued demand and thus resulted in a near stabilisation of new work.

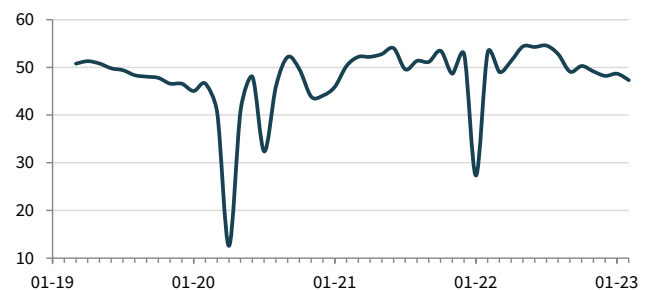
Furthermore, output expectations dipped from January's five-month high, with the index posting just below the historical average.

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 below the neutral 50.0 threshold for the fourth month running, with the latest reading falling from 48.7 in January to 47.3 in February. The data signalled a deepening service sector downturn as activity contracted at the quickest pace since January 2022. According to anecdotal evidence, the drop in activity was linked to the non-renewal of contracts, fewer clients and weakening demand.

While growth in new business extended to a second month, the latest upturn eased from January, coming to a near standstill in February and signalling a more subdued level of demand for services. The majority of panellists reported no change in new order volumes over the month.

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



Sources: Tengri Partners, S&P Global.

Looking at service sector employment, the accelerated drop in activity was reflected in the sharpest pace of job shedding in just over a year. Several respondents linked that latest drop in workforce numbers to voluntary leavers and layoffs.

As the first quarter progressed, cost pressures eased slightly after intensifying in January, but the rate of inflation remained stubbornly high. According to panellists, general price hikes and growing salaries drove the latest incline in services expenses. Additionally, output charges for Kazakh services rose at the joint-fastest pace in ten months, with companies sharply raising their prices to share cost burdens with clients.

Turning to the 12-month outlook, nearly a third of the respondents were hopeful of greater service sector activity for the year-ahead. However, sentiment did weaken notably from January and posted below the four-year series average indicating that panellists were relatively more guarded with regards to their future expectations.

Tengri Partners Kazakhstan Composite PMI™

Output down for sixth month running

The Kazakh private sector* reported a sixth successive month of decline in total activity as the seasonally adjusted index hit a 13-month low of 48.0 in February, down from 48.8 in January. The downturn was led by a quicker contraction in activity across the service sector, while manufacturing output fell at a marginal and softer pace.

New business received at Kazakh firms rose for the second consecutive month. However, the upturn was mild as a solid rise in factory orders was offset by a near stagnation in new business received at service providers. Moreover, private sector employment shrank during February. The pace of job shedding was the joint-fastest in 13 months. Again, it was the weakness in service sector that led the decline, which contrasted to the previous two survey periods.

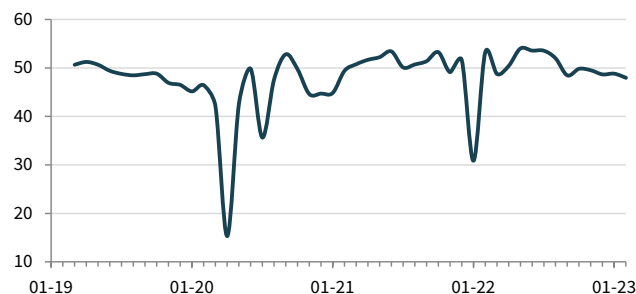
In terms of prices, the rates of both input price and output charge inflation were fractionally softer than in January and were weaker than their last year's respective averages.

Reflective of the deeper downturn at services firms, output expectations for services were less optimistic than compared to their manufacturing counterparts and brought the composite index down from January's six-month high. Nonetheless, sentiment remained historically strong.

**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

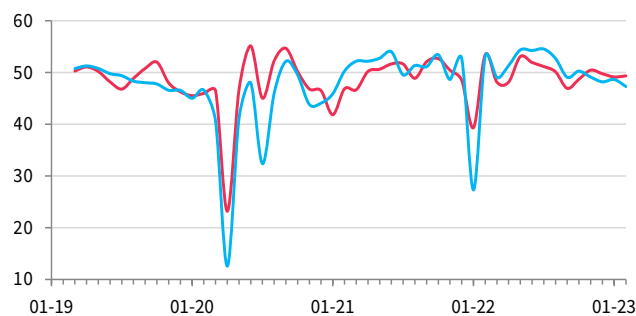
sa, >50 = growth since previous month



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.

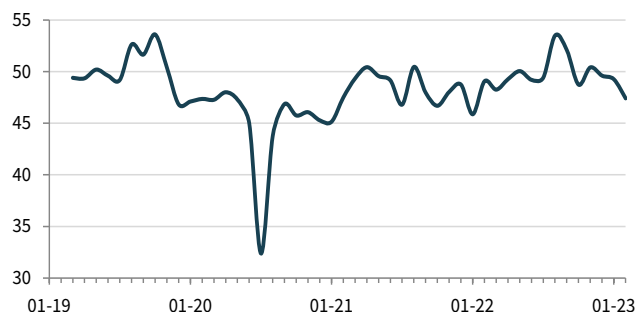
Anuar Ushbayev, Managing Partner and Chief Investment Officer at Tengri Partners said:

“February data signalled a deepening downturn across the service sector, with business activity contracting at the fastest pace since last January. Moreover, new order growth came to a near standstill, signalling muted demand conditions for Kazakh services. The overall loss in activity requirements resulted in a third successive round of job losses. However, there was some slight relief in the form of subsiding cost inflationary pressures, albeit only fractionally.

“Additionally, as the war in Ukraine reaches its one-year mark, it will be important as to how the geopolitical situation unfolds which will inevitably impact the Kazakh economy. With uncertainty still strong, it becomes difficult to gauge how the service sector will fare in the coming year, especially considering the weak performance recorded in the beginning two months of 2023.”

Services Employment Index

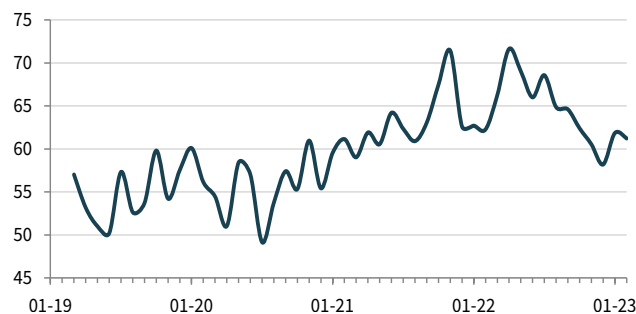
sa, >50 = growth since previous month



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

February data were collected 10-23 February 2023.

Data collection began in March 2019.

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Tengri Partners is a diversified Central Asia-based merchant banking group engaged in securities trading, capital markets, investment banking, investment management, commercial finance and principal investments.

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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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