

# News Release

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## S&P Global Kazakhstan Services PMI<sup>®</sup>

### Freezing weather and weak demand trigger fresh downturn in new business

#### Key findings

New business falls for first time in three months

Downturn in output strongest for a year

Businesses register fresh cut to staffing levels

Kazakhstan's service sector saw a deeper downturn in business activity midway through the first quarter of the year. Reports of weak underlying demand trends and poor weather conditions were said to have driven the latest reduction. Additionally, inflows of new business fell for the first time in three months, and at the most pronounced rate in nearly two years.

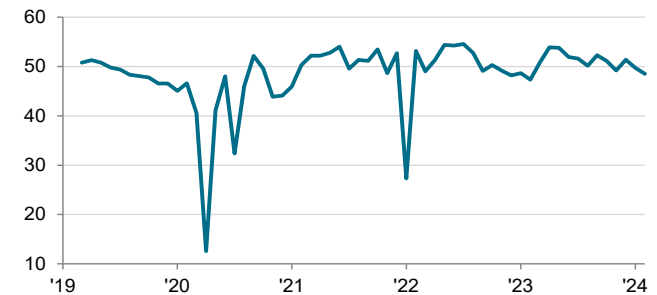
In terms of prices, cost burdens at Kazakhstan's service firms grew at a sharp and accelerated pace during February. On the other hand, the rate of charge inflation moderated from January's joint-record high.

The headline figure 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 moved further below the neutral 50.0 mark, with the latest reading of 48.5 in February down from 49.8 in January, signalling the strongest downturn in activity for a year.

The two-month sequence of expansion in new business came to an end during the latest survey period. Although only modest, the reduction in new business in February was the most pronounced in almost two years. Severe frosts across many parts of the country was a major factor contributing towards the latest declines in new orders and business activity, according to respondents. Surveyed businesses also mentioned deteriorating demand conditions.

S&P Global Kazakhstan Services PMI Business Activity Index  
sa, >50 = growth since previous month



Source: S&P Global PMI.  
Data were collected 12-26 Feb 2024.

Companies across Kazakhstan adjusted their workforce numbers downwards in line with falling business requirements. Following two consecutive months of modest growth, latest survey data revealed a fresh fall in staffing levels. The rate of job shedding was modest overall and in line with the average recorded over the five years of data collection.

February data highlighted a further intensification of cost burdens across service providers based in Kazakhstan. Input prices rose rapidly. The rate of growth accelerated for the third month running, thereby creeping back up above the long-run average and registering the strongest increase in prices since last September. According to respondents, rising prices from suppliers, utilities and labour all fed through to higher input costs.

Higher cost burdens drove service providers across Kazakhstan to raise their output prices in February. The rate of inflation here was sharp and historically elevated, albeit easing from January's joint-record high (equal with April 2022).

Despite recent shortfalls in demand and activity, business confidence across Kazakhstan's service sector regarding activity over the coming year remained robust. The degree of optimism strengthened to a two-year high amid hopes of improved demand conditions and planned expansions in activity.

PMI<sup>®</sup>

by S&P Global

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## Comment

Maryam Baluch, Economist at S&P Global Market Intelligence, said:

*"Conditions across Kazakhstan's service sector worsened midway through the opening quarter of the year. The recent freezing weather conditions across the country, alongside ongoing weakness in underlying demand trends prevented growth. That said, sentiment regarding The year ahead outlook remained strong, suggesting hopes that the current downturn will be reversed in the coming months. Additionally, the recent loosening of monetary policy by the National Bank of Kazakhstan could also help revive demand."*

## S&P Global Kazakhstan Composite PMI®

# Kazakh private sector contracts at strongest pace since January 2022

For the fourth consecutive month, Kazakh private sector activity fell during February. The Kazakhstan Composite PMI slipped to 47.7, from 49.7 in January, to signal a solid and accelerated fall in output. The latest downturn was the most pronounced since the start of 2022. Both the tracked sectors of the economy recorded sharper declines in output, with manufacturers leading the downturn.

A fresh fall in inflows of new business across service providers offset a renewed rise in orders at goods producers. As a result, following two months of growth, latest data signalled broadly no change in new business. In turn, firms adjusted their employment numbers. Employment fell for the first time in three months.

Nonetheless, firms maintained a positive outlook, with expectations for the year ahead improving to a two-year high.

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## Survey methodology

The S&P Global 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. Data collection began in March 2019.

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@spglobal.com](mailto:economics@spglobal.com).

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