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Tengri Partners Kazakhstan Services PMI™

Including Tengri Partners Kazakhstan Composite PMI™

Service sector activity returns to growth amid increase in demand

Key findings

Business activity rebounds in April

New orders rise amid greater demand

Inflationary pressures hit fresh highst

Data were collected 11-26 April 2022.

The Kazakh service sector noted a modest rebound in business activity during April, as per the latest PMI™ survey data from Tengri Partners. Firms also noted a renewed increase in new business amid signs of a recovery in client demand, while business confidence strengthened. Although staffing levels continued to be scaled back, there were also signs of stabilisation in workforce numbers at the start of the second quarter as the rate of job shedding slowed to a marginal pace.

In terms of prices, inflationary pressures continued to intensify as both input cost and charge price inflation hit fresh series highs during April.

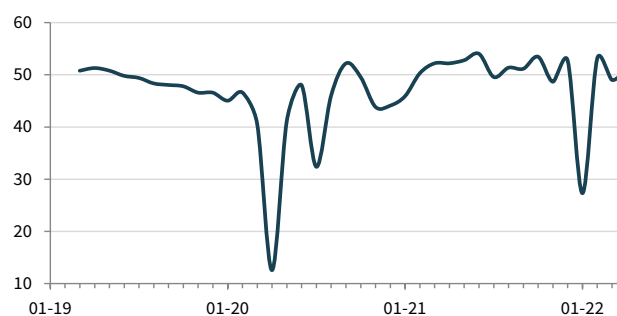
The headline figure from the survey is the Business Activity Index. This is calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The index varies between 0 and 100, with a reading above 50 indicating an increase and below 50 a decrease. The index is adjusted for seasonal variation.

The seasonally adjusted Business Activity Index increased from 49.0 in March to 51.4 in April, moving into expansion territory after having signalled a fall at the end of the first quarter. The reading signalled a modest expansion in the service sector and continued the fluctuating trend seen during 2022 so far.

In fact, both business activity and new orders have now expanded in three of the past five months. In line with the picture for output, new orders returned to growth in April. Firms noted fresh waves of renewed client demand from both new and existing customers.

Despite the service sector noting an improvement, job shedding

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



Sources: Tengri Partners, S&P Global.

continued in April, thereby extending the current sequence of reduction that began in September 2021. Several firms noted staff had resigned due to wage dissatisfaction, although reports of rising staff expenses were nonetheless mentioned by surveyed businesses. The rate of job losses decelerated on the month to the softest in the current run of contraction.

Inflationary pressures remained prevalent as both input costs and output prices rose at the sharpest rates since the survey began in March 2019 during April. Firms blamed increased input costs on higher labour, raw material and logistics expenses. The matter was further exacerbated due to the fluctuations in exchange rates in recent months.

As a result of higher input costs, April data indicated that Kazakh services firms again raised their average charges. Survey respondents passed through cost burdens onto clients in order to alleviate pressures on margins.

Overall, though business conditions remain unstable, business confidence improved from March's three-month low at the start of the second quarter. Firms remained expectant of a rise in business activity in the coming 12 months as they hoped for economic stabilisation, improving demand and the continued rollback of pandemic restrictions. Furthermore, the respective index posted above the historical average.

Tengri Partners Kazakhstan Composite PMI™

Upturn in service sector results in renewed output growth

The Kazakh private sector experienced a marginal increase in output as the seasonally adjusted Composite PMI Output Index* registered at 50.4 in April, up from 48.8 in March. The rebound was solely driven by a modest upturn in the service sector, while the manufacturing sector contracted for the second month running.

Services new orders also returned to growth. However, fluctuations in input prices, raw material scarcity and the sanctions imposed on Russia restrained the increase. The impact of these were more so felt across goods producers where new orders continued to fall. Overall new business was broadly unchanged in April.

Though output and new order trends diverged, both the two sub-sectors saw price pressures continuing to rise rapidly. The overall rate of input cost and output price inflation accelerated to record highs during April.

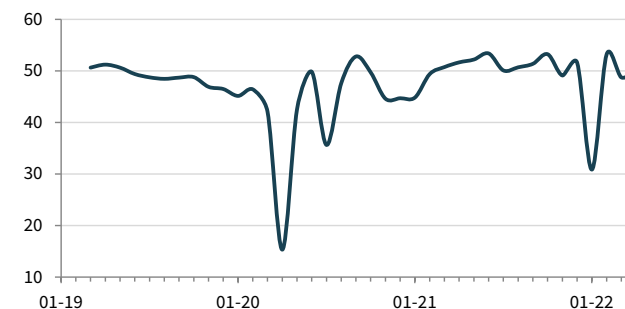
At the same time, the contraction in workforce numbers has now been ongoing for a year. However, the rate of job cuts eased to the softest in eight months and was fractional overall.

Despite setbacks due to the decline in the manufacturing sector, aggregate sentiment strengthened in April from the three-month low seen in March and indicated a strong level of optimism for the coming 12 months.

**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

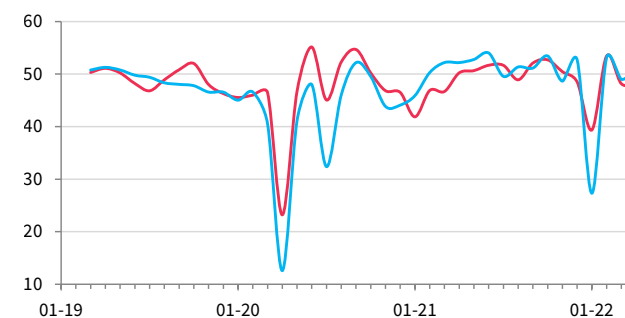
sa, >50 = growth since previous month



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.

Comment

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

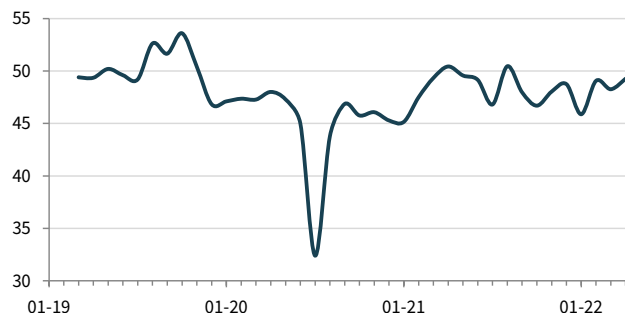
"The Kazakh service sector remains on the rocky road to recovery, as business activity fluctuates amid unstable economic conditions. The recent reading indicated a modest expansion in April with firms noting higher demand.

"However, as the sector struggles with inflationary pressures, the geopolitical tensions add to further volatility. The fallout from the Russia-Ukraine war has already impacted the country's economic growth and will be a major factor as the year progresses.

"That said, firms continued to remain hopeful for economic stabilisation boosting business activity in the coming 12 months."

Services Employment Index

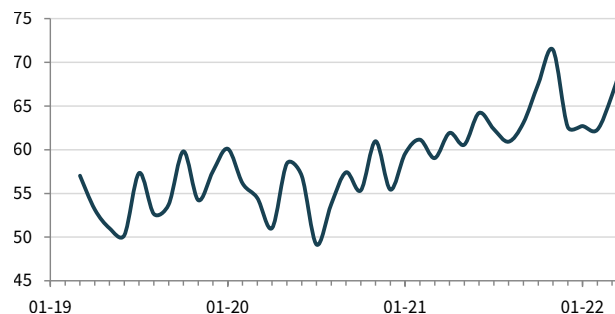
sa, >50 = growth since previous month



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

March data were collected 11-26 April 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.

ihsmarkit.com/products/pmi.html.