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Tengri Partners Kazakhstan Services PMI™

Including Tengri Partners Kazakhstan Composite PMI™

Business activity growth fastest on record amid greater client demand

Key findings

Record rises in business activity and new orders

Confidence strengthens to five-month high

Cost inflation quickens from June

Data were collected 12-26 July 2022.

The Kazakh service sector signalled a solid expansion in business activity during July, as per the latest PMI™ survey data from Tengri Partners. Moreover, the pace of increase registered the fastest since the survey began in March 2019, and the same was true for growth in new business inflows. As per anecdotal evidence, strengthening customer demand and new contract wins boosted the figures for the latest survey period.

The gains experienced across the service sector were also reflected in the greater business sentiment recorded for this month, as confidence levels hit a five-month high.

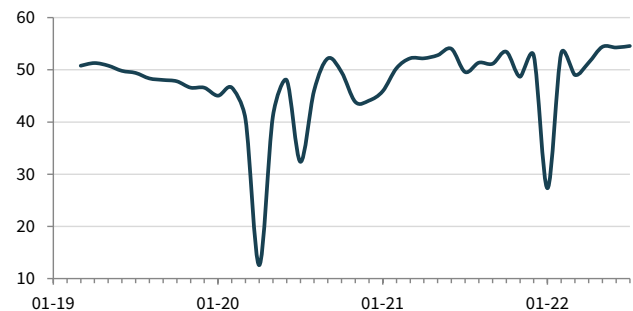
The headline figure from the survey is the Business Activity Index. This is calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The index varies between 0 and 100, with a reading above 50 indicating an increase and below 50 a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

The seasonally adjusted Business Activity Index increased fractionally from 54.3 in June to 54.6 in July, above the 50.0 no-change mark that separates growth from contraction for the fourth month running. The rate of increase was the fastest to-date (since March 2019) and strong overall.

Additionally, new business inflows also grew at the fastest rate in almost three-and-a-half years of data collection as firms benefited from greater domestic demand and new contracts.

Despite higher levels of business activity, service firms across Kazakhstan reported a further drop in headcount numbers. That said, the pace of reduction eased on the month and was mild overall. Some firms that noted lower staffing levels during

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



Sources: Tengri Partners, S&P Global.

July mentioned voluntary resignations in search of higher pay elsewhere.

Additionally, price pressures continued to increase. Average cost burdens rose at a quickened pace in July and the rate of input price inflation was sharp overall. The combination of unfavourable movements of the tenge in the market, the sanctions placed against Russia and general price hikes seen globally, drove the latest rise.

Despite the quicker upturn in input costs, service firms seemed reluctant to increase charges at a similar rate. In fact, July data signalled the softest increase in charges since February earlier this year with only 9% of our surveyed respondents raising their prices in line with higher input costs.

Looking ahead, the Kazakh service sector remained strongly optimistic with sentiment improving to the highest since February when confidence levels peaked. Around 63% of our panellists were hopeful for expansion in the coming 12 months. Moreover, optimism was at the third-highest level since the survey began. Anecdotal evidence pinned growth on expectations of economic stability and continued growth in client demand.

Tengri Partners Kazakhstan Composite PMI™

Private sector output growth remains solid in July

The Kazakhstan Composite PMI Output Index* remained unchanged from June, at 53.6, signalling a fourth successive monthly expansion in private sector output. While business activity across service firms increased at the quickest rate on record, goods producers reported the softest expansion in output in three months.

Inflows of new business also increased across private sector firms in Kazakhstan. The rates of growth across both the two sectors were strong, with the seasonally adjusted index for the service sector hitting a record high. Moreover, growing business requirements resulted in a rise in employment for the first time since April 2021. That said, the rate of job creation was only fractional, driven by the latest expansion in workforce numbers seen across manufacturing firms, while service providers signalled job shedding for the second month running.

In terms of prices, cost burdens rose quickly across the Kazakh private sector. The rate of input price inflation quickened on the month. That said, the charges levied by companies increased at the softest rate since February.

Improving business conditions and strengthening consumer demand resulted in a more upbeat outlook. Firms were highly optimistic of greater gains in output in the coming 12 months, as sentiment strengthened to a five-month high.

**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

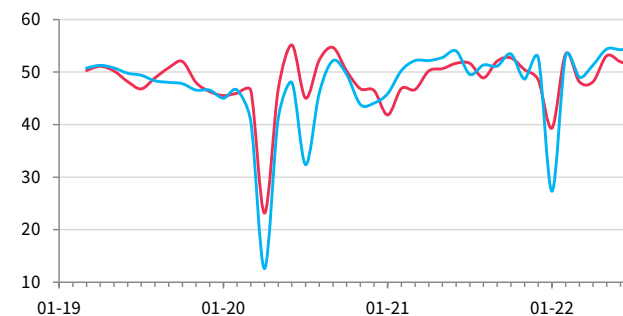
sa, >50 = growth since previous month



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 performed strongly during the latest survey period as the economy continues to open up. Strengthening customer demand and greater contract wins resulted in the fastest expansions in business activity and intakes of new orders on record.

"That said, the sanctions placed against Russia, and the rising inflationary pressures continue to act as a downside risk and could potentially restrict growth in the coming months. Additionally, the depreciation of the tenge further adds to the

risk.

"Nonetheless sustained growth has also helped boost confidence. Sentiment strengthened on the month as firms expected further expansions across the sector, with optimism the highest since February."

Services Employment Index

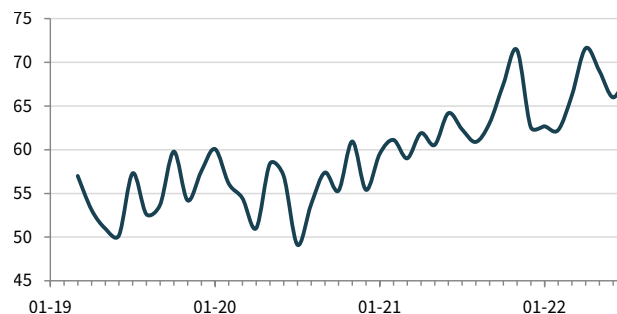
sa, >50 = growth since previous month



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

July data were collected 12-26 July 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