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Tengri Partners Kazakhstan Services PMI[®]

Including Tengri Partners Kazakhstan Composite PMI[®]

Subdued demand climate results in fresh decline in Kazakh business activity

Key findings

Growth in new orders only fractional

Renewed drop in business activity

Output charge inflation joint-fastest on record (level with April 2022)

Data were collected 11-26 January 2024.

According to the latest Tengri Partners PMI[®] data, Kazakhstan's service sector recorded a renewed decline in business activity in January. While the downturn was fractional overall, this was a shift from the expansion seen in December. Moreover, growth in inflows of new work broadly stalled as underlying demand trends faltered.

Nonetheless, firms maintained a positive outlook, with confidence levels historically strong. Moreover, businesses continued to commit to new hires, taking on additional full-time workers. The rate of job creation was broadly unchanged from the previous survey period.

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.

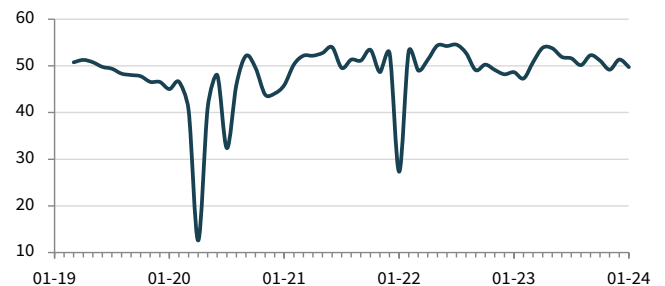
At 49.8 in January, down from 51.4 in December, the seasonally adjusted Business Activity Index signalled a fractional decline in business activity. Contractions in activity have now been recorded in two of the last three survey periods.

The drop in business activity was largely linked to a weaker rise in new business at the start of the year. Extending the current run of growth to a second consecutive month, the latest upturn in new orders was, however, fractional overall as some companies reported a fall in client demand.

Meanwhile, price pressures intensified during the latest survey period. Input costs rose at the sharpest pace in four

Tengri Partners Kazakhstan Services PMI Business Activity Index

sa, >50 = growth since previous month



Sources: Tengri Partners, S&P Global PMI.

months, amid reports of increased wages and supplier charges. Furthermore, after moderating to a recent low in December, the rate of output price inflation accelerated sharply to match the survey high observed in April 2022.

Despite the subdued demand environment in the service sector, employment was a relative bright spot. Kazakh service providers added to their staffing levels for the second successive month. The latest round of job creation was broadly unchanged from that seen in December.

While the slowdown in demand was in part reflected in sentiment levels ticking down to a four-month low, expectations remained historically strong. Growth in employment also suggested optimism across services firms regarding future activity levels. Companies were hopeful that demand will pick up in the coming months. Hopes of an influx of new customers and plans for increased marketing also underpinned positive expectations.

Tengri Partners Kazakhstan Composite PMI®

Kazakh private sector downturn softens

The Kazakh private sector moved closer to stabilisation in January, as the Kazakhstan Composite PMI* rose from 49.4 in December to 49.7, the highest in the current three-month spell of decline. Encouragingly, the downturn in manufacturing output softened notably. However, the new year brought a fresh, albeit fractional contraction in services activity.

The turn of the year also revealed some demand weakness. Growth in new work almost stalled, largely owing to a softer uptick across the service sector. Meanwhile, factory orders remained broadly unchanged.

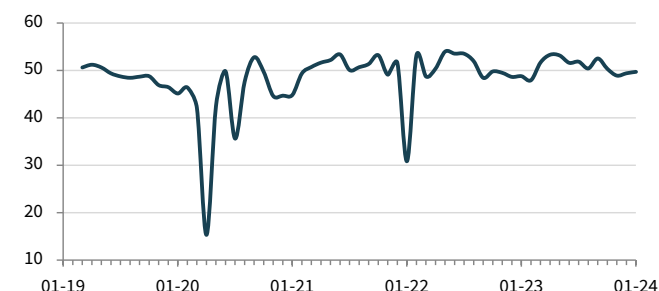
Inflationary pressures also intensified, with both the tracked sectors recording stronger rates of growth. Inflationary pressures were slightly stronger at service providers than at manufacturers.

Despite a generally muted performance, firms maintained a positive outlook, especially manufacturers where sentiment strengthened markedly. The optimistic outlook was also reflected in the labour market. Companies raised their employment levels for the second month running in January. Moreover, manufacturing employment increased for the first time since last October.

**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

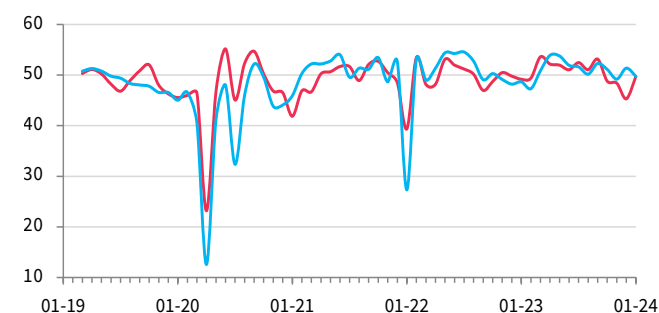
sa, >50 = growth since previous month



Sources: Tengri Partners, S&P Global PMI.

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 PMI.

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

"The start of the year revealed a subdued demand environment amid which firms struggled to raise their business activity. Inflationary pressures intensified, with Kazakh service companies increasing their charges at the joint-strongest rate on record (same level as in April 2022).

"However, in some positive news, firms again raised employment. Moreover, sentiment regarding the 12-month outlook remained historically strong. These data therefore suggest that companies

expect the sector to pick up in the months ahead."

Services Employment Index

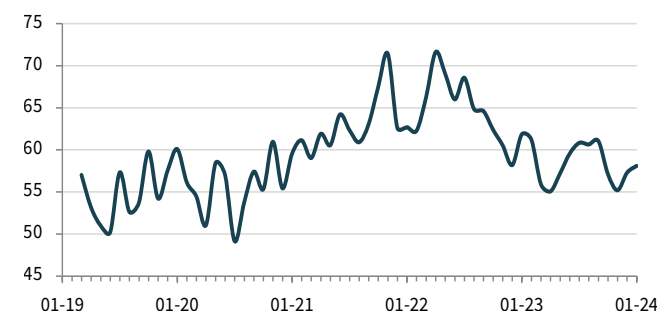
sa, >50 = growth since previous month



Sources: Tengri Partners, S&P Global PMI.

Services Input Prices Index

sa, >50 = inflation since previous month



Sources: Tengri Partners, S&P Global PMI.

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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@spglobal.com.

Survey dates and history

January data were collected 11-26 January 2024.

Data collection began in March 2019.

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