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Tengri Partners Kazakhstan Services PMI™

Including Tengri Partners Kazakhstan Composite PMI™

Demand for Kazakh services rises solidly in April

Key findings

April sees quickest rise in activity since last July

New business growth joint-strongest on record

Sentiment at two-and-a-half year low

Data were collected 12-25 April 2023.

Business activity in the Kazakh service sector improved for the second consecutive month during April. Moreover, the rate of expansion quickened to the fastest since July 2022 on the back of new business growing at the joint-strongest rate since the survey began in March 2019. In turn, firms increased their staffing levels for the first time in five months.

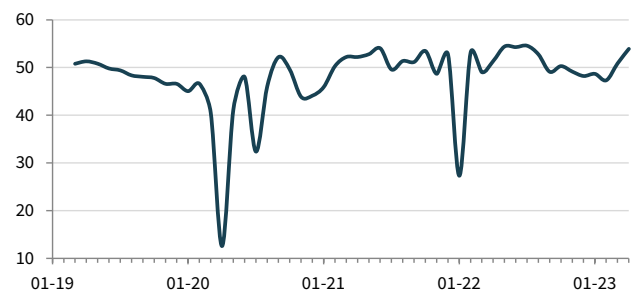
Despite these improvements at the start of the second quarter, Kazakh firms registered a further loss in confidence. The degree of optimism registered a 30-month low in April.

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 printed a nine-month high of 53.9 in April, up from 50.9 in March. The index signalled a solid expansion in activity, with the rate of growth quickening from the previous month. The latest rise was also marked when put into the context of the history of the series since data collection began just over four years ago.

Supporting the latest upturn in service sector activity was a sharp rise in new business. According to anecdotal evidence, improved demand conditions and the securing of new customers were behind the latest rise in sales. Moreover, the rate of expansion accelerated for the second successive month and was the joint-highest on record, equal with that seen in August 2022.

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



Sources: Tengri Partners, S&P Global.

The gains in new business seen across the Kazakh service sector led firms to expand their workforce numbers in April. While the rate of job creation was fractional overall, it marked the first uptick in payroll numbers since November last year. According to anecdotal evidence, a number of voluntary leavers had prevented a more marked expansion in employment during the month.

Turning to prices, service sector firms reported a sharp rise in expenses in April. The upturn was blamed on higher prices from suppliers, growth in wages and increased costs for energy. That said, the pace of input price inflation was the slowest since August 2020, the opening month of the current run of rising costs.

Despite further signs of cost inflation softening, service sector firms across Kazakhstan raised their charges at a slightly quicker pace than was the case in March. Firms were keen to share higher expenses with clients. Nonetheless, charge inflation was weaker than the average seen over the current 30-month sequence of rising selling prices.

Looking ahead, business sentiment at Kazakh service providers weakened further in April. The respective index was at a 30-month low. Concerns regarding future economic and demand conditions weighed on optimism. That said, 17% of panellists were upbeat with regards to the outlook for business activity in the coming 12 months, compared to 2% that were pessimistic.

Tengri Partners Kazakhstan Composite PMI™

Private sector activity growth at nine-month high

The Kazakhstan Composite PMI* signalled a second consecutive month of output expansion as the respective seasonally adjusted index rose to a nine-month high of 53.3 in April from 51.7 in March. Driving the upturn was an accelerated rise in business activity across Kazakh service providers and a modest, although slightly slower expansion in manufacturing output.

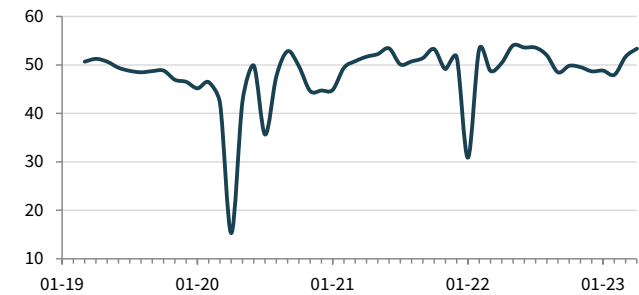
Central to the increase in private sector output was a sharp upturn in new business. A stronger expansion across service sector firms resulted in new work rising at a record rate at the composite level.

Private sector firms registered a further reduction in payroll numbers during April. That said, increasing business requirements helped soften the rate of job shedding to the weakest in the current five-month sequence of contraction, and one which was marginal overall. By sector, a slower contraction in manufacturing employment was noted in April, while services firms raised their workforce numbers for the first time in five months, albeit only fractionally.

Overall sentiment in the Kazakh private sector remained largely positive at the start of the second quarter. However, the level of confidence weakened to a 17-month low amid concerns around future economic and demand conditions.

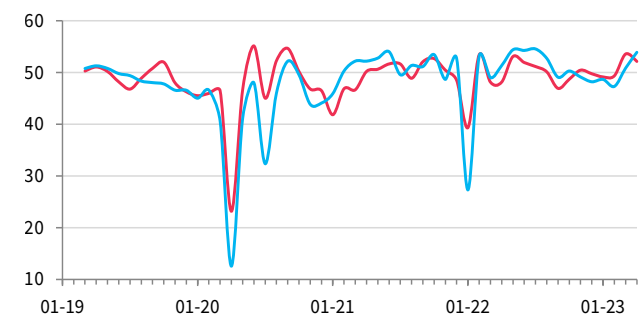
*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Kazakhstan Composite Output Index is a weighted average of the Kazakhstan Manufacturing Output 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:

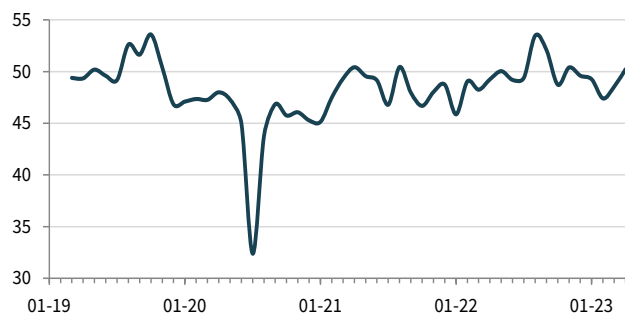
"The second quarter started on a solid footing for service providers in Kazakhstan. A rapid increase in incoming new business translated to the quickest rise in service sector activity for nine months. Furthermore, there were again signs that the stubbornly high inflation seen in recent years is moderating. In fact, cost burdens rose at the weakest pace since August 2020.

"However, Kazakh service firms erred on the side of caution,

as sentiment dipped to a 30-month low. Concerns regarding the future economic climate dampened the level of optimism within the sector."

Services Employment Index

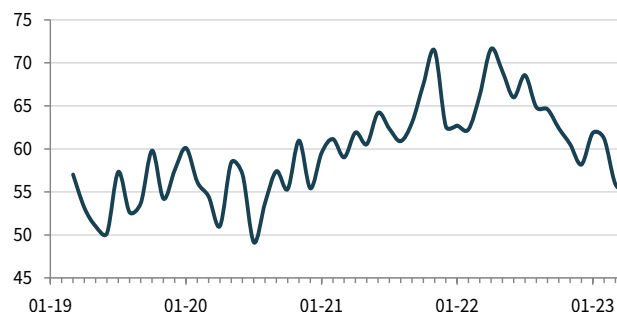
sa, >50 = growth since previous month



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

April data were collected 12-25 April 2023.

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.