

Embargoed until 1200 ALMT (0600 UTC) 03 April 2023

Tengri Partners Kazakhstan Manufacturing PMI™

Manufacturing output returns to growth

Key findings

Production increases for first time in four months

Marked and accelerated rise in new orders

Input cost inflation eases to 40-month low

Data were collected 10-24 March 2023.

The latest PMI™ survey data from Tengri Partners and S&P Global pointed to renewed growth of manufacturing production in Kazakhstan amid a sharper expansion in new orders. The rise in output was achieved despite employee resignations causing a reduction in staffing levels during the month. Meanwhile, both inflationary and supply-chain pressures eased.

The ramping up of production meant that firms ate into their stocks of inputs at a rapid rate, while inventories of finished goods were accumulated to the greatest extent on record.

The headline Kazakhstan Manufacturing PMI is a composite single-figure measure of manufacturing performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 indicates overall improvement in the sector.

The headline PMI ticked up to 51.6 in March from 51.2 in February, signalling a modest improvement in the health of the manufacturing sector, and one that was the sharpest since last November. Business conditions have now improved in five of the past six months.

One of the main positives from the latest survey was a renewed rise in production, the first in four months. Output rose solidly amid higher new orders and improving demand. Moreover, the rate of growth was the sharpest in two-and-a-half years, and third-fastest since the survey began in March 2019.

Prompting firms to raise output was a sustained and sharper expansion in new orders. New business increased for the fifth month running and to the greatest extent since July last year.

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Tengri Partners Kazakhstan Manufacturing PMI™

sa, >50 = improvement since previous month



Sources: Tengri Partners, S&P Global.

Comment

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

"The sustained expansions in new orders have now fed through to a solid increase in manufacturing production according to the latest Tengri Partners PMI data. This hopefully marks the beginning of a period of growth for firms who have struggled in the face of numerous headwinds in recent years."

"There were further signs of some of these headwinds easing in March. Input costs and output prices rose at the slowest rates for some time, while supply-chain disruption eased."

The ramping up of production caused fluctuations in inventory holdings. Stocks of purchases fell markedly as firms used inputs to support the rise in output. The depletion was the most pronounced in 11 months and came amid a softer expansion in purchasing activity.

On the other hand, the rise in output supplemented stocks of finished goods, which increased to the greatest extent on record.

Production growth also enabled manufacturers to bear down on backlogs of work, which decreased solidly following a slight increase in February.

Less positive in March was the picture on employment, which decreased for the fourth month running and at the sharpest pace since January 2022. Respondents mainly attributed the drop in staffing levels to voluntary resignations.

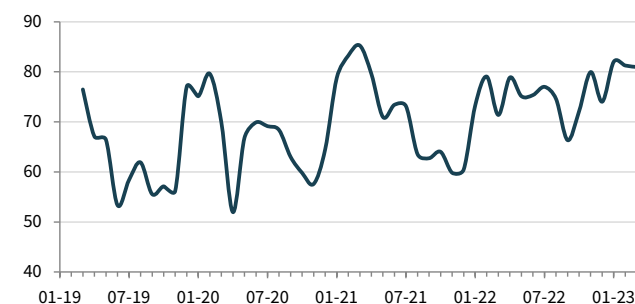
Input costs rose again in March, with firms highlighting increased raw material costs. That said, the rate of inflation softened to the weakest since November 2019, in some cases thanks to an improved exchange rate position against the Russian rouble. In turn, output prices rose at the slowest pace in 32 months.

Some signs of logistics improving meant that suppliers' delivery times lengthened to the joint-least extent in just over a year in March. Logistical difficulties were again the main factor leading to delivery delays, however.

Finally, hopes that the improving trends in output and new orders seen in March will be sustained in the months to come supported confidence in the year-ahead outlook for production. Optimism ticked down slightly for the second month running but was still above the series average.

Kazakhstan Manufacturing PMI Future Output Index

>50 = growth expected over next 12 months



Sources: Tengri Partners, S&P Global.

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Survey methodology

The Tengri Partners Kazakhstan Manufacturing PMI™ is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 250 manufacturers. 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 Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

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 10-24 March 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.

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