

News Release

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S&P Global Kazakhstan Services PMI[®]

Fresh fall in Kazakh service sector activity

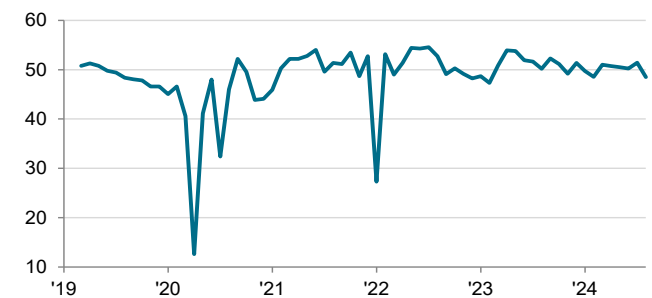
Key findings

Activity down for first time in six months

Demand trends deteriorate

Ongoing shallow downturn in employment

S&P Global Kazakhstan Services PMI Business Activity Index
sa, >50 = growth since previous month



Source: S&P Global PMI.
Data were collected 12-27 August 2024.

The Kazakh service sector saw a fall in business activity in August, according to the latest PMI[®] data by S&P Global. The modest downturn was recorded as firms struggled to increase their services offered amid a weakening demand environment. New business received at service firms registered a fresh decline, thereby ending a five-month sequence of growth.

The weaker demand trends in the sector meant that firms refrained from raising their staffing levels. Marginal contractions in employment have now been noted in the last three survey periods.

The headline figure 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 Kazakh service sector activity dipped back into contraction territory during August. The latest fall followed five consecutive months of growth, as the headline index slipped from 51.4 in July, to a six-month low of 48.5.

The drop in service sector activity across Kazakhstan in part highlighted a weakening demand environment, as new business received at companies registered a fresh, albeit fractional drop in August. Firms also commented on adverse weather conditions, a weak tenge against the US dollar and insufficient marketing and investment.

Despite the deteriorating performance of the service sector, the impact on employment was minimal overall. The rate of job shedding seen in the last three survey periods has remained broadly consistent and indicated only fractional

declines in staffing levels. Kazakh service providers commented that the latest downtick was driven by a lack of suitable candidates in the market, and retirements.

Turning to prices, the Kazakh service sector reported subdued inflationary pressures during August. While cost burdens and selling prices rose to the strongest extent in three months, the rates of increase remained below their respective historical averages, especially in the case for input prices. Nonetheless, a depreciating tenge, higher prices charged by suppliers and rising labour costs meant that firms continued to face growing expenses, which were then often relayed to customers.

Lastly, sentiment surrounding the 12-month outlook for service sector activity improved in August, as confidence at firms continued to rebuild after having weakened over much of the first half of the year. Expectations were at a three-month high, with Kazakh service providers hopeful that improving market conditions and plans for investment and marketing would fuel expansions in the year ahead.

PMI[®]

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Comment

Maryam Baluch, Economist at S&P Global Market Intelligence, said:

"The Kazakh service sector showed signs of weakness as the third quarter of the year progressed, as demand conditions deteriorated and firms struggled to raise their activity levels.

"However, if the fractional decline in new orders can be reversed in the coming months, it will help to support growth in activity through the remainder of the year. Moreover, price pressures remained at bay, despite creeping up again on the month. A subdued inflationary environment will also aid expansions. Lastly, Kazakh service providers felt more optimistic regarding the year ahead outlook for activity."

S&P Global Kazakhstan Composite PMI®

Kazakh private sector output stagnates in August

The Kazakhstan Composite PMI signalled no change in private sector output from the month before, as the respective seasonally adjusted index printed 50.0 in August, down from 51.5 in July. Sector data highlighted that the drop in the headline index was driven by a fresh contraction at service providers which cancelled out the solid output growth seen at manufacturers.

Growth in new business softened on the month, the upturn driven solely by a solid and accelerated rise at manufacturers. Meanwhile, service sector firms saw demand trends deteriorate for the first time since February.

The strong performance of the manufacturing sector fed through to a sharp rise in manufacturing employment. The upturn was strong enough to absorb the fractional decline seen at service providers. In fact, the overall rate of job creation was the most pronounced in two years.

Sentiment for the year ahead outlook for Kazakh private sector activity strengthened on the month. The respective index was broadly in line with the long-run average.

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Survey methodology

The S&P Global 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. Data collection began in March 2019.

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.

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