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Tengri Partners Kazakhstan Manufacturing PMI™

Sharp and accelerated fall in new orders

Key findings

New business down markedly, while output returns to contraction

Rates of inflation accelerate amid currency depreciation

Record drop in stocks of purchases as supply conditions deteriorate

Data were collected 09-24 March 2022.

The latest PMI™ survey data from Tengri Partners and S&P Global highlighted some of the impacts of the war in Ukraine on the Kazakh manufacturing sector. Output and new orders fell, while a depreciation of the tenge exacerbated inflationary pressures. There were also impacts on supply, with the availability of materials and vendor delivery times affected by the imposition of sanctions on Russia. Subsequently, stocks of purchases fell at the fastest pace 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.

After signalling stability of the sector in February, the headline PMI returned to contraction territory in March. At 46.8 (down from 50.1), the reading signalled a solid deterioration in business conditions that was the fourth in the past five months.

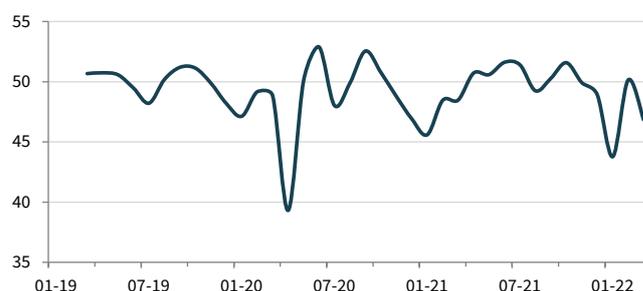
Central to the decline in the health of the sector in March were the impacts of the Russian invasion of Ukraine. The war reportedly caused a reduction in customer demand, with some firms also linking lower new orders to price rises. The decline in new business was substantial and broadly in line with that seen in January when a state of emergency was introduced in Kazakhstan.

The geopolitical situation also reportedly impacted output, which decreased in March after having expanded in February. Currency weakness and raw material shortages were also factors behind the fall in production.

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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 Kazakhstan manufacturing sector has entered a new challenging period as the war in Ukraine impacts customer demand, the ability of firms to secure inputs and exacerbates cost pressures."

"While manufacturers were still largely confident in the year-ahead outlook in March, this was based on hopes that the geopolitical and economic situations will improve soon, something around which there is a great deal of uncertainty."

Employment decreased for the ninth month running, with some firms reducing staffing levels due to unstable new order inflows. Meanwhile, there were continued reports of workers leaving for higher pay elsewhere.

Currency depreciation was the main factor leading to much stronger increases in input costs and output prices during March. Input prices rose at the fastest pace in four months, while charge inflation hit an eight-month high.

As well as the increasing cost of inputs, firms also faced deteriorating availability in March, in some cases caused by the imposition of sanctions on Russia following the invasion of Ukraine. Logistical issues with goods from China also contributed to a marked lengthening of suppliers' delivery times.

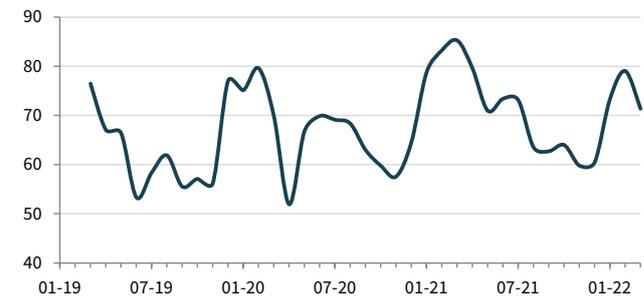
Shortages of materials and logistics issues contributed to a further build-up of backlogs of work, although the latest rise was only slight and the weakest in the current five-month sequence of accumulation.

With new inputs difficult to secure, manufacturers used existing holdings of materials to support production. As a result, stocks of purchases decreased sharply, and to the greatest extent on record. Similarly, stocks of finished goods also decreased at a faster pace at the end of the first quarter.

Despite the challenges faced by firms in March, hopes that the geopolitical and economic situations will improve supported optimism that output will rise over the coming year. That said, confidence dropped to a three-month low and a number of respondents indicated that the outlook was highly uncertain.

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 09-24 March 2022.

Data collection began in March 2019.

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