

News Release

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S&P Global Kazakhstan Services PMI®

May sees sustained rises in services activity and new business

Key findings

Growth in new business and activity maintained

Fresh rise in employment

Cost burdens rise at weakest rate in almost four years

According to the latest PMI® survey data from S&P Global, Kazakhstan's service sector recorded a third consecutive monthly rise in business activity midway through the second quarter. Moreover, new business also rose for a third straight month and at a slightly stronger rate.

Service providers based in Kazakhstan also recorded a fresh, albeit fractional rise in employment. Workforce numbers rose for the first time since the start of the year, with businesses looking to onboard full-time workers.

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 seasonally adjusted Business Activity Index registered 50.5 in May, slightly down from 50.7 in April, signalling a third consecutive monthly expansion in service sector activity. That said, the latest upturn was the weakest in the current sequence of growth and marginal overall as poor weather conditions and financial challenges restricted some businesses.

Incoming new business expanded for a third consecutive month in May, as indicated by the respective seasonally adjusted index posting above the neutral 50.0 threshold. Unlike the picture seen for business activity, the rate of growth observed for new business quickened slightly on the month, thereby indicative of improving underlying demand trends. Surveyed businesses also commented on new contract wins.

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



Source: S&P Global PMI.
Data were collected 10-28 May 2024.

Ongoing expansions in service sector activity and incoming new business underpinned a rise in employment across the Kazakh service sector. Staffing levels were increased following a three-month sequence of job shedding. That said, the latest uptick in payroll numbers was fractional overall, as the vast majority of businesses (95%) recorded no change in employment since April.

Turning to prices, while service providers noted higher costs stemming from rising wages, material and utility prices, inflationary pressures further ebbed away from the highs seen following the COVID-19 pandemic. In fact, cost burdens rose only modestly, with the rate of inflation the slowest in the current run of increase which began in August 2020.

As a result, charges were also raised at a weaker rate, with the latest increase being the slowest in five months. There were also mentions of some businesses cutting back on charges amid a competitive sales environment.

Finally, service sector firms were generally optimistic regarding the year-ahead outlook. Firms were hopeful that the introduction of new products, as well as increasing client activity would support further gains in output. Nonetheless, the degree of confidence weakened to a 12-month low, and fell short of the survey average as financial worries weighed down positive sentiment.

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Comment

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

"The Kazakh services sector saw demand trends improve midway through the second quarter. As a result, firms registered a continued and sustained rise in new business, which fed through to a further expansion in services activity. That said, poor weather conditions and financial troubles meant that output rose only fractionally and at a moderated pace. Nonetheless, ongoing gains across the sector allowed some firms to raise their staffing levels. The upturn was only fractional as the vast majority of businesses left their workforce numbers unchanged, however.

"Looking ahead, confidence levels remained strong, with firms hopeful of further expansions in activity. However, concerns surrounding finances and budgets in part weighed down overall sentiment. Expectations were subsequently the weakest for a year."

S&P Global Kazakhstan Composite PMI®

Private sector output rises at strongest rate in eight months

At 51.3 in May, up from 50.6 in April, the Kazakhstan Composite PMI was the highest since last September. Both the underlying sectors - manufacturing and services - recorded an uptick in activity, with manufacturing output in fact rising at the strongest rate in eight months.

Incoming new business rose for the third successive month, and at a quicker pace.

Moreover, services firms accompanied their manufacturing counterparts by registering a fresh expansion in workforce numbers in May. As a result, private sector employment rose for the first time in four months, albeit only slightly.

Turning to prices, the rate of input price inflation further moderated to a near five-year low, while charges were raised at a slightly stronger, yet still modest rate.

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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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