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Tengri Partners Kazakhstan Manufacturing PMI™

New orders rise for first time in six months

Key findings

Renewed expansions in output and new orders

Suppliers' delivery times lengthen sharply amid logistical issues

Inflationary pressures remain elevated

Data were collected 12-24 May 2022.

The latest PMI™ survey data from Tengri Partners and S&P Global signalled a return to growth in Kazakhstan's manufacturing sector during May, following a period of disruption caused by the outbreak of war in Ukraine and subsequent imposition of sanctions on Russia. Renewed increases in output and new orders were recorded, with purchasing activity raised accordingly and workforce numbers held broadly stable.

Inflationary pressures remained pronounced, however, and firms continued to suffer delivery delays due to logistical issues as a result of the sanctions placed on Russia.

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.

At 52.0 in May, up from 49.0 in April, the headline PMI signalled a renewed improvement in business conditions in the Kazakh manufacturing sector, thereby ending a two-month sequence of decline. The health of the sector improved modestly, but to the greatest extent since September 2020.

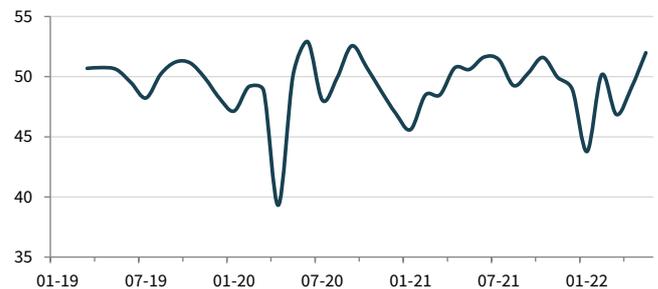
The improvement in operating conditions primarily reflected returns to growth of both new orders and production.

The increase in new business ended a five-month sequence of decline, and reflected the securing of new contracts and improving customer demand. Meanwhile, output rose for the first time in three months.

Higher output requirements and rising new orders led firms to

continued...

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 latest PMI data point to a revival in Kazakhstan's manufacturing sector after a challenging period following the outbreak of war in Ukraine.

"While issues around logistics continued to hamper efforts to secure inputs, the picture for demand was more positive as new orders returned to growth, feeding through to higher production.

"Operations are likely to remain tricky for some time, but should the supply-side headwinds start to ease then there is the potential for growth to be sustained."

expand their purchasing activity for the first time in six months. That said, stocks of purchases continued to fall markedly as inputs were used to support production.

Employment was broadly unchanged for the second month running in May. Some firms increased staffing levels in line with greater output requirements, but others reported difficulties recruiting specialist staff.

Suppliers' delivery times continued to lengthen substantially, largely due to logistical difficulties caused by the imposition of sanctions on Russia following the invasion of Ukraine. COVID-19 lockdowns in China also caused delivery delays, according to respondents. Lead times have lengthened continuously on a monthly basis throughout the past two-and-a-half years.

Delays receiving inputs led to a further accumulation of backlogs of work, the seventh in as many months.

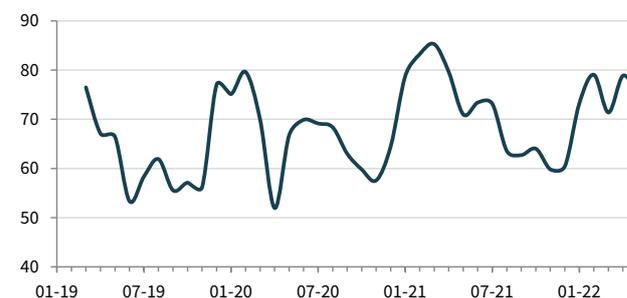
Input costs continued to rise sharply, and at one of the fastest rates in the 39 months of data collection so far. Panellists reported higher market prices for raw materials, increased supplier charges and exchange rate fluctuations. In turn, firms raised their own selling prices sharply, with the rate of inflation above the series average.

Firms were optimistic regarding the 12-month outlook for production amid hopes of more stable economic conditions and rising new orders.

Efforts to prepare for future sales, alongside the build-up of stocks in order to make bulk deliveries, resulted in a renewed rise in stocks of finished goods. Post-production inventories were up for the first time in five months, and at the sharpest pace on record.

Kazakhstan Manufacturing PMI Future Output Index

>50 = growth expected over next 12 months



Sources: Tengri Partners, S&P Global.

Contact

Ilias Tsakalidis
Press Enquiries
Tengri Partners
i.tsakalidis@tengripartners.com

Maxim Kryuchkov
Tengri Partners
m.kryuchkov@tengripartners.com

Andrew Harker
Economics Director
S&P Global Market Intelligence
T: +44-1491-461-016
andrew.harker@spglobal.com

Joanna Vickers
Corporate Communications
S&P Global
T: +44 207 260 2234
joanna.vickers@spglobal.com

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

May data were collected 12-24 May 2022.

Data collection began in March 2019.

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