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Tengri Partners Kazakhstan Services PMI™

Including Tengri Partners Kazakhstan Composite PMI™

Strong growth in new business drives fresh rise in activity

Key findings

Business activity rises for the first time in five months

Strong growth in new business

Price pressures further abate

Data were collected 10-28 March 2023.

Service sector companies across Kazakhstan registered a return to growth as business activity rose for the first time in five months in March. Moreover, inflows of new business have now risen over the last three months, with growth in March registering the fastest since August 2022.

Additionally, pressures on prices further moderated during the latest survey period. Service sector expenses inclined at the slowest pace in 27 months, while output price inflation was the weakest in over a year.

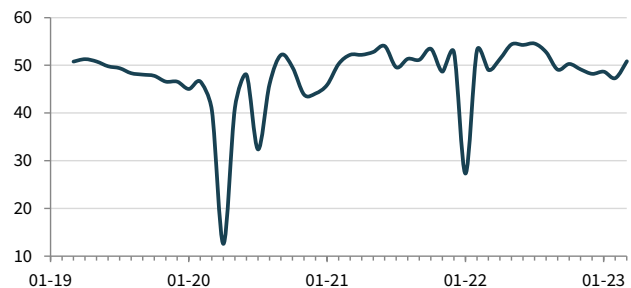
The headline figure from the survey is the Business Activity Index. This is calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The index varies between 0 and 100, with a reading above 50 indicating an increase and below 50 a decrease. The index is adjusted for seasonal variation.

The seasonally adjusted Business Activity Index rose from 47.3 in February to 50.9 in March. Above the neutral 50.0 threshold, the headline figure signalled mild growth overall but marked the first month of expansion since October last year.

The growth reported in new business over the first quarter was central to the renewed increase in business activity at Kazakh service firms during March. Moreover, new order growth quickened to the fastest in seven months and was strong in the context of historical data. According to anecdotal evidence, the latest upturn in new orders was linked to higher client demand and undertaking new projects.

That said, Kazakh services employment fell for the fourth successive month, reflecting both layoffs and resignations.

Tengri Partners Kazakhstan Services PMI Business Activity Index
sa, >50 = growth since previous month



Sources: Tengri Partners, S&P Global.

Nonetheless, mentions of new hires amid greater business requirements helped to slightly offset the downturn in employment and resulted in a slightly softer rate of job shedding than that seen in the preceding survey period.

In terms of prices, general price hikes, higher costs from suppliers and growth in salaries added to company expenses. As a result, service sector input costs rose for the thirty-second consecutive month in March. However, the rate of inflation was the slowest since December 2020, and weaker than the historical average.

Consequently, output price inflation also eased in March, with the latest uptick in prices charged for the provision of services the softest in 13 months.

Looking ahead, while service providers across Kazakhstan remained upbeat regarding the prospects for growth in business activity in the coming 12 months, optimism fell sharply for the second month running and was the lowest since October 2021. Those companies expecting activity to rise linked confidence to hopes of further growth in customer numbers and improving market conditions.

Tengri Partners Kazakhstan Composite PMI™

Fresh growth in Kazakh private sector output

The Kazakhstan Composite PMI* posted 51.7 in March, up from 48.0 in February and signalling a return to growth of private sector activity as the two monitored sub-sectors pulled out of a contraction in the latest survey period. Growth, however, was more centred at Kazakh manufacturers who saw output rise at the third-strongest rate on record. The upturn in business activity at service providers was comparatively more subdued.

Nonetheless, strong upticks in new work were recorded across both goods producers and service providers, resulting in the quickest expansion in new orders at the composite level for seven months.

Furthermore, inflationary pressures further moderated during the latest survey period. Input price and output charge inflation eased to the slowest in 31 and 27 months respectively.

That said, despite the overall strong performance of the Kazakh private sector, firms failed to raise workforce numbers for the fourth consecutive month. The latest round of job shedding was the fastest since January last year.

Moreover, sentiment across private sector companies dwindled. Historically subdued levels of optimism at service providers weighed on confidence at a composite level, with overall optimism at a three-month low.

**Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Kazakhstan Composite Output Index is a weighted average of the Kazakhstan Manufacturing Output Index and the Kazakhstan Services Business Activity Index.*

Tengri Partners Kazakhstan Composite PMI Output Index

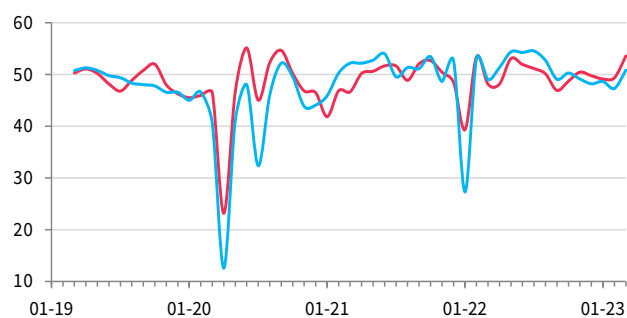
sa, >50 = growth since previous month



Sources: Tengri Partners, S&P Global.

Tengri Partners Kazakhstan Manufacturing PMI Output Index
Tengri Partners Kazakhstan Services PMI Business Activity Index

sa, >50 = growth since previous month



Sources: Tengri Partners, S&P Global.

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

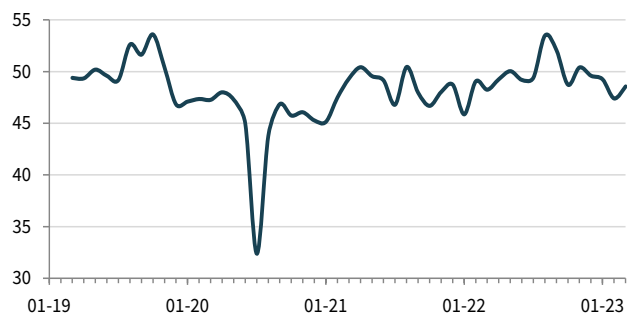
"As the first quarter concluded, a return to growth in business activity resulting from a stronger increase in new business inflows better situates the Kazakh service sector for the year ahead. Moreover, price pressures continued to subside, with the slowest increases noted in input costs and output charges in 27 and 13 months respectively.

"Despite the positive performance in March, service providers remained cautious as employment figures fell for the fourth

month running and the 12-month outlook was the weakest in 17 months and historically subdued."

Services Employment Index

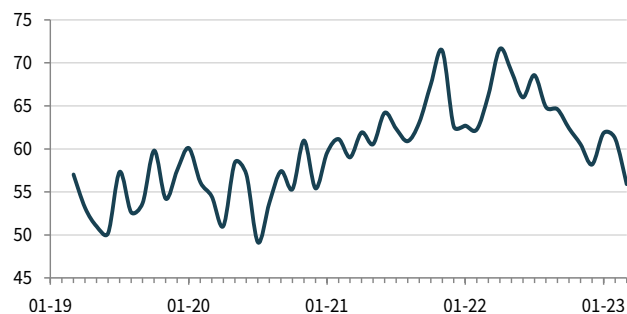
sa, >50 = growth since previous month



Sources: Tengri Partners, S&P Global.

Services Input Prices Index

sa, >50 = inflation since previous month



Sources: Tengri Partners, S&P Global.

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Survey methodology

The Tengri Partners 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.

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@ihsmarkit.com.

Survey dates and history

March data were collected 10-28 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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