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Tengri Partners Kazakhstan Manufacturing PMI™

Business conditions deteriorate amid state of emergency

Key findings

Output and new orders fall sharply

Unmatched rise in backlogs mirrors record decline in employment

Slowdown in input cost inflation

Data were collected 12-25 January 2022.

The imposition of a state of emergency in Kazakhstan in early-January had a negative impact on the manufacturing sector at the start of the year, according to the latest PMI™ survey data from Tengri Partners and IHS Markit. Company closures, restrictions of sales of certain items and movement restrictions all contributed to sharp reductions in output and new orders, while employment decreased at the sharpest pace since the survey began in March 2019.

On the price front, the rate of input cost inflation eased to a 22-month low, but firms raised their own selling prices at the same pace as in December.

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.

The headline PMI dropped sharply to 43.8 in January from 48.9 in December. The latest figure signalled a marked deterioration in the health of the sector, and one that was the strongest since April 2020 at the time of the outbreak of the COVID-19 pandemic.

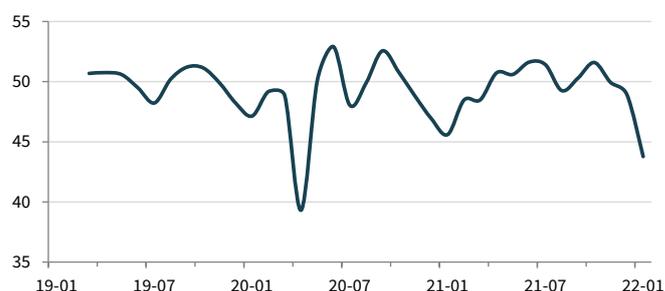
The impacts of the state of emergency were seen across a number of the survey indices during January. New orders fell at the fastest pace in 21 months as material shortages added to the disruption caused by the state of emergency, with output also down to the greatest extent since April 2020.

Falling output led stocks of finished goods to decrease for the first time in four months, although a lack of shipments to clients over the month meant that the reduction was only marginal.

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Tengri Partners Kazakhstan Manufacturing PMI™

sa, >50 = improvement since previous month



Sources: Tengri Partners, IHS Markit.

Comment

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

"The state of emergency in the first half of January clearly had a big impact on the ability of manufacturers to operate and led to a particularly difficult month in terms of securing new orders from customers, being able to maintain production and securing materials from suppliers."

"With the state of emergency having come to an end, firms will be hoping for an improvement in conditions in February and beyond. In line with this, confidence around the outlook for production hit a seven-month high."

The state of emergency, some workers being on unpaid leave and others leaving for better paid jobs elsewhere led to a record reduction in staffing levels during January. Around one-in-five respondents indicated that their workforce numbers had fallen over the month.

Purchasing activity was also down sharply, while stocks of purchases decreased at the fastest pace in the near three-year survey history.

Efforts to secure inputs were impacted by delays in supplier deliveries, with lead times lengthening to the greatest extent since May 2020. As well as the state of emergency, companies also linked delays to logistics issues at the border with China.

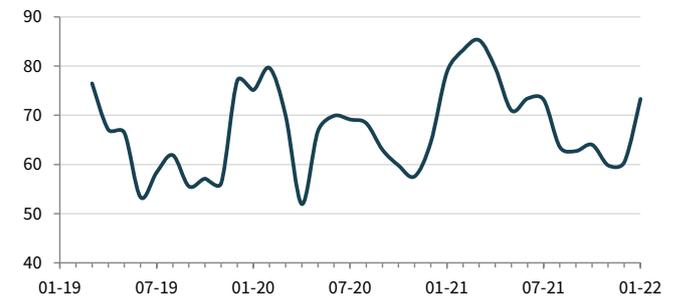
A combination of difficulties securing materials and issues with production due to the state of emergency led to a record rise in backlogs of work.

Although input costs continued to increase sharply during January, the rate of inflation eased for the second month running and was the weakest in 22 months. Where input prices did rise, panellists linked this to higher charges by suppliers. The passing on of increasing cost burdens to customers continued at the start of the year, with the rate of selling price inflation unchanged from that seen in December.

Despite the challenges faced by firms in January, respondents were generally optimistic that output will increase over the coming year. In fact, sentiment was the highest since June last year. That said, a number of manufacturers highlighted the difficulty of making predictions at present.

Kazakhstan Manufacturing PMI Future Output Index

>50 = growth expected over next 12 months



Sources: Tengri Partners, IHS Markit.

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Survey methodology

The Tengri Partners Kazakhstan Manufacturing PMI™ is compiled by IHS Markit 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

January data were collected 12-25 January 2022.

Data collection began in March 2019.

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About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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About PMI

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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