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Tengri Partners Kazakhstan Services PMI[®]

Including Tengri Partners Kazakhstan Composite PMI[®]

Renewed rise in service sector activity in December

Key findings

Business activity rises in December, amid fresh growth in new business

Firms resume their hiring activity

Output charge inflation eases to 28-month low

Data were collected 06-19 December 2023.

Underlying demand conditions improved across the Kazakh services sector in December, according to the latest PMI[®] data by Tengri Partners. As a result, fresh expansions in business activity, new business, and employment were noted.

In terms of prices, December data revealed a sharp rise in cost burdens, with the rate of inflation ticking up to a three-month high. However, charges were raised only modestly, and at the weakest pace in 28 months. Firms noted that increased market competition drove some firms to offer discounts.

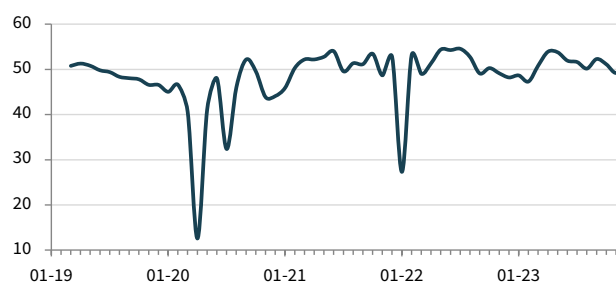
The headline figure from the survey is the Business Activity Index. This is calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The index varies between 0 and 100, with a reading above 50 indicating an increase and below 50 a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

At 51.4 in December, up from 49.2 in November, the seasonally adjusted Business Activity Index posted back above the neutral 50.0 mark to signal renewed growth in business activity across Kazakh services firms. Excluding the downturn seen in November, expansions in activity have now been recorded in each month since March.

The rise in activity stemmed from renewed growth in new business. Following the first fall in 11 months during November, service firms reported an increase in new orders during December. Moreover, the rate of expansion was solid overall amid reports of improved underlying demand trends.

With levels of business activity increasing, firms adjusted their employment levels accordingly. Hiring activity resumed in

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



Sources: Tengri Partners, S&P Global PMI.

December, with staffing levels rising for the first time in five months, and at a pace that was the most pronounced since September 2022. That said, the upturn was modest overall.

Cost pressures intensified in the closing month of 2023. According to panellists, it was largely higher costs for raw materials and labour that drove up input prices. Despite remaining below the series average, the rate of inflation quickened to a three-month high and was sharp overall.

While growing cost burdens fed through to higher selling prices, some firms offered discounts and promotions to help drive sales amid a competitive market. As a result, the rate of output price inflation moderated further in December and was the weakest in 28 months.

Looking ahead, business confidence across Kazakhstan's service sector remained heightened, despite easing slightly to a three-month low in December. More than half of panellists predicted growth in activity over the next 12 months, with expectations pinned on hopes of improved demand conditions and new contract wins.

Tengri Partners Kazakhstan Composite PMI®

Downturn in private sector output extends into December

The Kazakhstan Composite PMI* posted below the neutral 50.0 mark to signal a second consecutive monthly contraction in private sector output in December. However, up from 48.9 in November to 49.4, the PMI signalled only a shallow downturn. Differing trends were seen across the two monitored sectors. Renewed growth in service sector activity contrasted with a further decline in manufacturing production. In fact, the rate of decrease here was sharp and the strongest in nearly two years.

A fresh rise in new business was noted in December. The upturn reflected a rise in new business across the service sector, while the drag from the manufacturing sector eased as factory orders fell at a softer pace.

Following back-to-back falls, employment also rose during December. The upturn in employment was exclusively centred on fresh growth observed across the service sector. That said, staffing levels at manufacturers did come close to stabilising in December.

In terms of prices, inflationary pressures moderated in the closing month of 2023. Though cost burdens continued to rise sharply, charges only rose modestly, with some firms offering discounts and promotions to help drive sales. The rate of output price inflation eased to a three-year 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

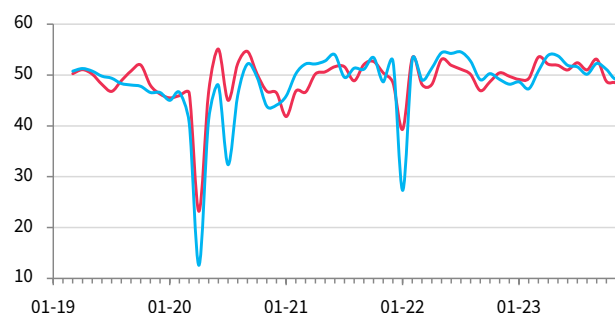
sa, >50 = growth since previous month



Sources: Tengri Partners, S&P Global PMI.

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 PMI.

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

"The Kazakh service sector ended 2023 on a positive note, with latest data revealing fresh expansions in activity, new business and employment. Moreover, despite cost burdens growing at an intensified pace, charges were raised at a relatively weaker rate. Competitive pricing will also help to generate more sales in the months ahead. Moreover, business confidence remained historically strong, despite easing slightly in December. Firms were hopeful that demand conditions will continue to improve in

the coming months and had plans of investment. Lastly, the visa-free travel between mainland China and Kazakhstan that came in effect in November, will also promote activity."

Services Employment Index

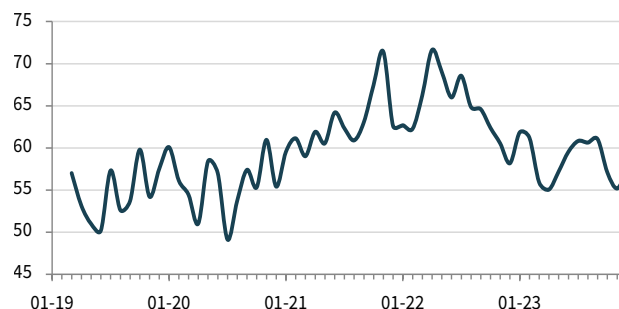
sa, >50 = growth since previous month



Sources: Tengri Partners, S&P Global PMI.

Services Input Prices Index

sa, >50 = inflation since previous month



Sources: Tengri Partners, S&P Global PMI.

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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@spglobal.com.

Survey dates and history

December data were collected 06-19 December 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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