

# Emerging markets

## VAT rises cause spikes in business costs in Kazakhstan and Russia

A number of emerging economies have raised sales tax, or Value Added Tax (VAT), rates in recent months, and the monthly PMI surveys compiled by S&P Global are able to demonstrate the instant impact of these changes on business costs and inflation in the wider economy, as well as provide insights into any lasting effects of the tax hikes.

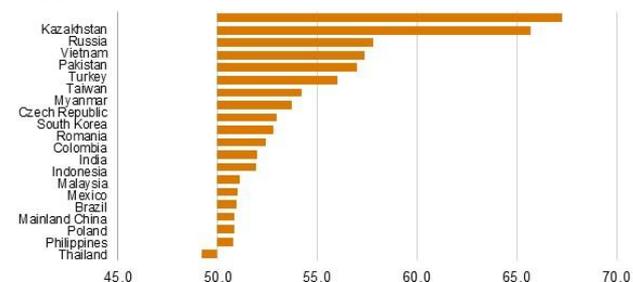
In particular, January saw VAT increases in Kazakhstan and Russia, following a similar rise in Romania during the second half of 2025. In all cases, PMI price indices spiked higher immediately as costs and selling charges increased sharply.

### Rates of inflation surge in Kazakhstan and Russia during January

PMI data for Kazakhstan and Russia pointed to steep accelerations in rates of input cost inflation during January. In Russia, the rise in input prices seen across the combined manufacturing and services sectors was the sharpest for a year, while in Kazakhstan inflation hit a 40-month high. In turn, higher costs were passed through to customers, and PMI data showed that selling prices rose at the sharpest pace since April 2022 in Russia, and the strongest rate since the survey began in March 2019 in Kazakhstan.

The increases in selling prices seen in Kazakhstan and Russia during January were much stronger than in any of the other emerging markets covered by PMI data.

**Emerging Markets manufacturing PMI output prices index in January, by economy**



Data compiled February 2026, with data up to January 2026. Sources: S&P Global PMI, Freedom Holding Corp., HBL, ISO, BCR, Davivienda, HSBC, RatingDog. © 2026 S&P Global.

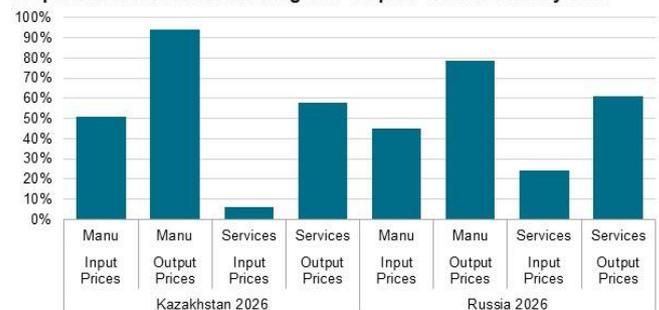
### Inflation overwhelmingly linked to VAT rises

Additional comments from the companies surveyed for the PMIs illustrate the causes of changes seen in the data, and the anecdotal evidence for January showed that recent VAT increases in Russia and Kazakhstan were central to the spikes in inflation seen at the start of 2026.

In Russia, the main rate of VAT increased to 22% from 20%, while in Kazakhstan the rise was from 12% to 16%. In both cases, the VAT registration thresholds were also reduced, meaning more companies are now liable for the tax.

Anecdotal evidence from the PMI surveys showed that the impact of the VAT rises was more pronounced at manufacturers than service providers. Just over half of those manufacturers in Kazakhstan that recorded a reason for input costs increasing mentioned VAT. This rose to 94% for output prices. In Russia, the respective proportions were 45% and 79%.

**Proportion of reasons mentioning VAT for price rises in January 2026**



Data compiled February 2026. Sources: S&P Global PMI, Freedom Holding Corp. © 2026 S&P Global.

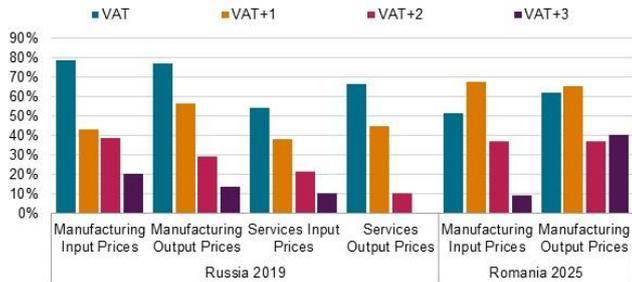
### Inflation spike should be short-lived

Given the coverage of PMI surveys around the world, we are able to use historical precedents to anticipate how the effects of the VAT rises in Russia and Kazakhstan will play out in the months ahead.

Russia previously increased VAT at the start of 2019, while more recently Romania raised VAT from 19% to 21% in

August 2025. In both cases, sizeable proportions of PMI survey respondents immediately linked rises in input costs and output prices to the hikes in VAT that took place. The impacts were generally short-lived, however, with many fewer firms citing VAT as a reason for higher costs and charges two or three months following the tax rise.

**Proportion of reasons mentioning VAT for price rises in months following the tax hike**



Data compiled February 2026. Sources: S&P Global PMI, BCR. © 2026 S&P Global.

Indeed, PMI data show that rates of inflation spiked higher in the month of VAT rises, before easing back to more normal levels in the subsequent months. It is likely, therefore, that the steep increases in prices seen in Kazakhstan and Russia during January will prove to be a temporary spike, with monthly inflation easing as the opening quarter of the year progresses.

**Manufacturing PMI Output Prices Index**



Data compiled February 2026 including PMI data up to January 2026. PMI (Purchasing Managers' Index) reading of 50 = no change on previous month. Sources: S&P Global PMI, Freedom Holding Corp., BCR. © 2026 S&P Global.

That said, the step change in prices caused by the tax hikes have the potential to limit customer demand, and so PMI data on new orders will need to be closely monitored in the months ahead.

Again, the historical PMI data can help us to predict what the impacts on demand may be by looking back to data for new orders in Russia and Romania. In both cases, demand initially held up for a month or two following the VAT hikes, before subsequently softening. Comments from PMI respondents at the time did not specifically mention VAT as causing reductions in new orders, but it is likely that the effects of higher prices acted to limit demand as contracts came up for renegotiation or companies were striving to secure new customers.

**PMI New Orders Index**

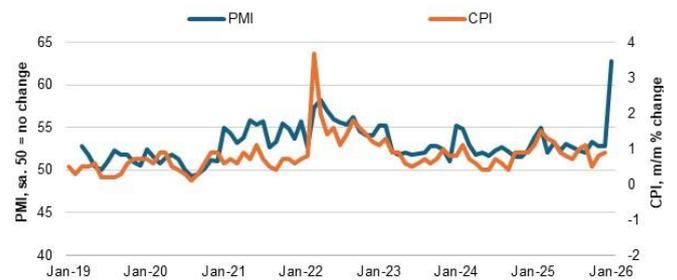


Data compiled February 2026 including PMI data up to January 2026. PMI (Purchasing Managers' Index) reading of 50 = no change on previous month. Sources: S&P Global PMI, BCR. © 2026 S&P Global.

**Appendix**

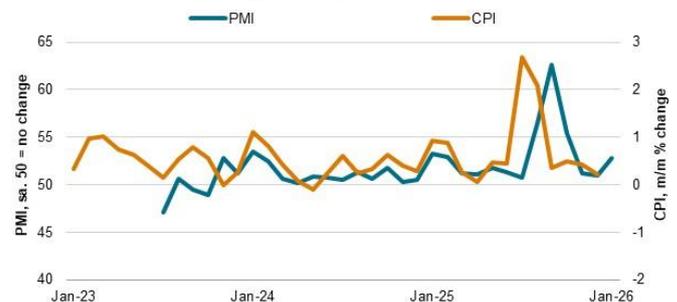
The below charts show how the respective PMI Output Prices indices track against monthly changes in consumer prices in Kazakhstan, Romania and Russia.

**Freedom Holding Corp. Kazakhstan Composite PMI Output Prices Index v CPI**



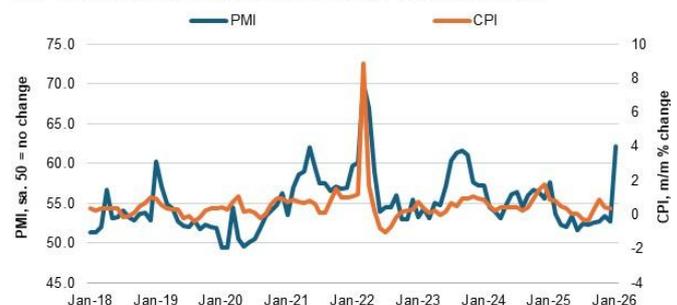
Data compiled February 2026 with PMI data up to January 2026. Sources: S&P Global PMI, Bureau of National Statistics of Kazakhstan via S&P Global Market Intelligence. © 2026 S&P Global.

**BCR Romania Manufacturing PMI Output Prices Index v CPI**



Data compiled February 2026 with PMI data up to January 2026. Sources: S&P Global PMI, National Institute of Statistics of Romania via S&P Global Market Intelligence. © 2026 S&P Global.

**S&P Global Russia Composite PMI Output Prices Index v CPI**



Data compiled February 2026 with PMI data up to January 2026. Sources: S&P Global PMI, Russian Federal State Statistics Service via S&P Global Market Intelligence. © 2026 S&P Global.

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- [PMI Frequently Asked Questions](#)
- [Background to the PMIs \(video\)](#)
- [Understanding the headline PMI and its various subindices](#)
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