Sector Scoring by Jusan Analytics

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JUSAN ANALYTICS

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Jusan Analytics team has developed an additive scoring model to identify the key drivers of the industry. Scoring highlightes the most viable and efficient industry segments and gives a certain understanding of the problematic aspects of domestic production through the identification of outsider sectors.

Methodology

Industry subsectors are evaluated according to 10 unique criteria. The subsector is determined by the first two values of the Common Classifier of Economic Activity (CCEA) structure.

1. Each criterion is measured by a coefficient, that is calculated using the Bureau of National Statistics (BNS) data. We have used the average value of the period from 2018 to 2022 in the calculation to smooth out unnecessary fluctuations.

2. Each subsector criterion result is compared with the indicator of the corresponding sector. Then each subsector is assigned from 0 to 3 points:
- **3 points:** the subsector exceeded the maximum value of the corresponding sector from 2018 to 2020;
- **2 points**: the subsector exceeded the average value of the corresponding sector;
- **1 point:** the subsector did not exceed the average value of the corresponding sector;
- **0 points***: the subsector showed a negative result.

3. The assigned according to the criterion score is multipled by its share in the sector scoring. Each criterion has the same weight, since each of these criteria makes its own unique contribution to the development of production and the industrial sector as a whole.

4. The results for all criteria are summed up, and the subsector is assigned a total score – the higher the score, the higher the rank of the subsector in the corresponding sector.

* if there is no data on the coefficient 0 points are also assigned

Sector scoring criteria

Table 1: Sector scoring criteria

Criteria	Weight	Coefficient	Direction
Development trend	10.0%	Increase in nominal production	▲
Development visibility	10.0%	Subsector responce to the country's GDP change	▲
Investment activity	10.0%	Fixed capital expenditure growth	▲
Profitability	10.0%	Net profit margin	▲
Debt burden	10.0%	Leverage used in capital funding	▼
Competition with imports	10.0%	Import content in consumer demand	▼
Raw material import dependence	10.0%	Import content in the production process	▼
Operating efficiency	10.0%	Dedicated capacities utilization	▲
Cost inflation	10.0%	Price increase of manufacturing enterprises	▼
Export orientation	10.0%	Share of exports in consumer demand	▲

No. 1 Development trend

We have used the value of the average increase in nominal production to specify each subsector development trend. An increase in its volume can characterize the degree of development and industrial potential. The constant increase in the rate of output indicates the demand for the final product. Thus, the supply volume in a market economy and the rational behavior of economic agents always reflects demand. This is what gives an understanding of the presence of positive dynamics in the development of the industrial sector and can act as an indicator of the growth of the entire economy, its structure and prospects.

Metal ore mining has demonstrated the highest development trend in the primary sector. In 2020, the production volume amounted to 2,256.2 billion tenge, which is 18.2% more compared to the previous year. The main driver was copper ore output, the average increase in production of which was at the level of 22.7%. In 2020, the contribution in the subsector was 36.8%.
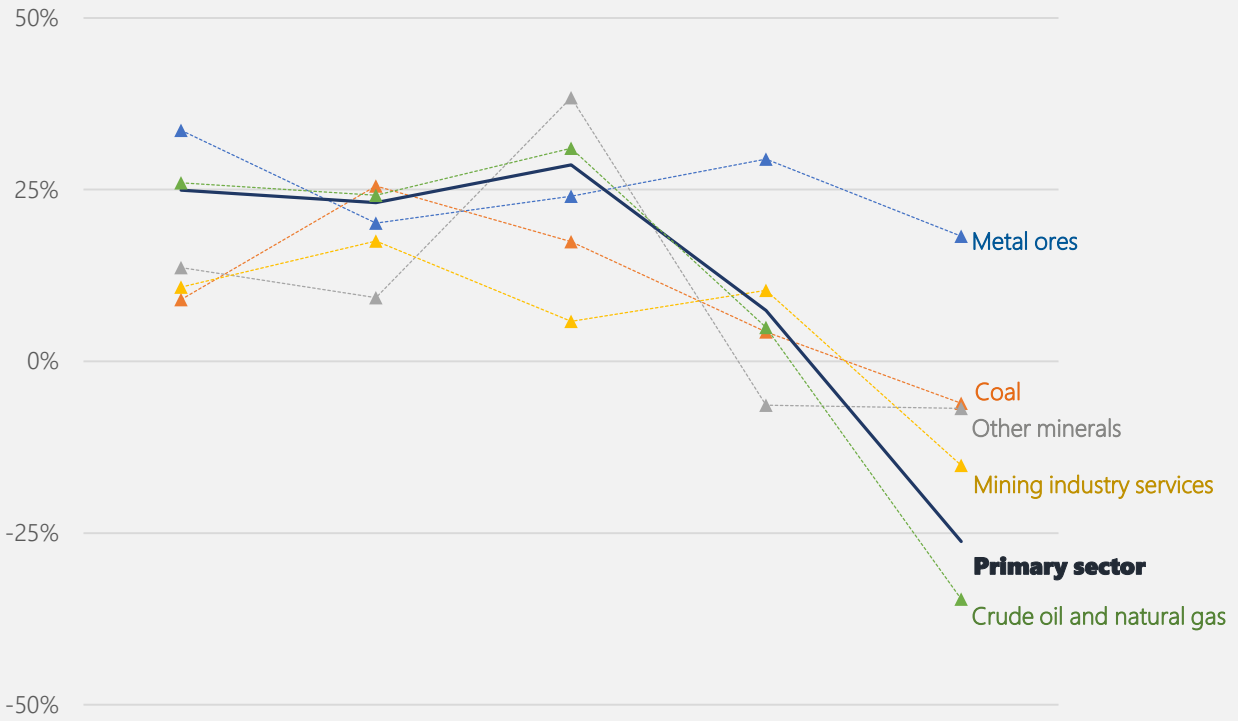
The production of other finished products is the leader in the secondary sector. The high growth was achieved due to the growth in the production of medical tools, devices and equipment. The average annual output of these goods for the period was 75.7%. The contribution in the subsector has reached 30.8%.
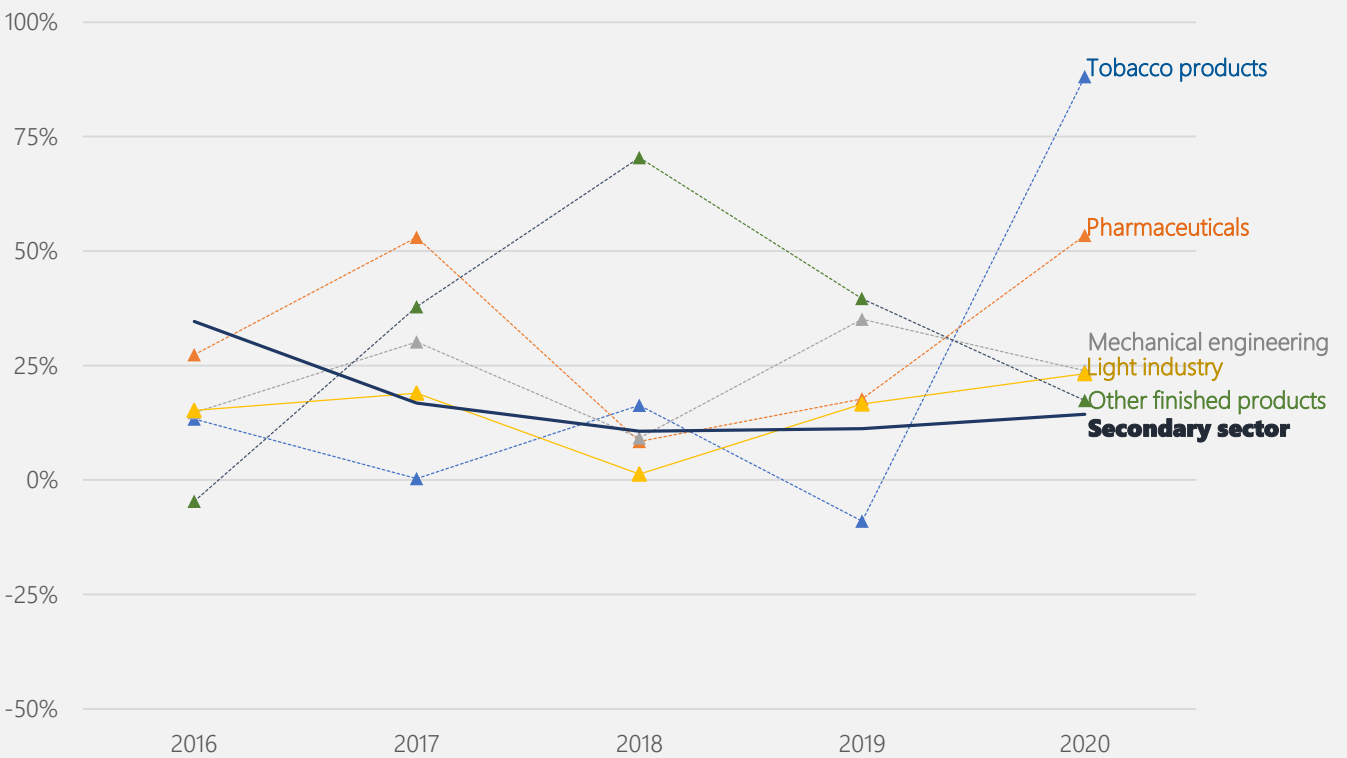
Table 2: Increase in nominal production, %

Subsector	Dynamics of growth			Average growth	Score
Metal ores				23.9	0.2
Other minerals				8.4	0.2
Coal				5.2	0.2
Crude oil and natural gas				0.5	0.1
Mining industry services				0.3	0.1
Mining sector				**3.3**	
Other finished products				42.5	0.3
Tobacco products				31.8	0.3
Pharmaceuticals				26.5	0.3
Mechanical engineering				22.7	0.3
Light industry				13.7	0.2
Other non-metallic mineral products				13.1	0.2
Chemical industry				13.0	0.2
Beverages				12.5	0.2
Metallurgical production				11.6	0.1
Food products				8.8	0.1
Furniture				8.2	0.1
Paper and paper products				7.9	0.1
Finished metal products				7.6	0.1
Wooden and cork products				7.2	0.1
Coke and refined petroleum products				6.3	0.1
Rubber and plastic products				4.8	0.1
Printing activity				0.9	0.1
Processing sector				**12.1**	

Source: BNS, Jusan Analytics calculations

Increase in nominal production, %
Primary sector

Metal ores

Coal

Other minerals

Mining industry services

Primary sector

Crude oil and natural gas

Secondary sector*

Tobacco products

Pharmaceuticals

Mechanical engineering
Light industry
Other finished products
Secondary sector

*Top 5 subsectors are shown.
Source: BNS, Jusan Analytics calculations

No. 2 Development visibility

The subsector development visibility consciousness serves as an assessment of the reaction to changes in economic-wide conditions. To calculate this criterion, we have used an estimate of the subsector output response degree to the change in the country's GDP (Beta coefficient). The Beta coefficient indicator implies a relationship between the in gross value added growth of the subsector and the country's GDP. The calculated coefficient reflects how much the output of the subsector with the growth of the economy will grow. A low Beta coefficient indicates the relative stability of the industry's development and a lower level of unforeseen risks that businesses may face. The high coefficient reflects the sensitive reaction of the sector to the economic growth. This may mean greater growth of the sector in the short-term good period, but in the long term and in case of deterioration of economic conditions, it will have a greater negative effect.

The subsector for metal ores extraction was the leader in the primary sector. In 2020, the volume of gross value added (GVA) reached 2,611.0 billion tenge, which amounted to 3.7% of the country's economy GDP. In the structure of the GVA subsector, the major share was occupied by wages. During the analyzed period, the average share of the component was 48.6% of the GVA volume.

The highest development visibility in the secondary sector was shown by the light industry. The average GVA growth was 11.4%, which is 0.3 p.p. less than the average GDP growth of the country. The main contribution was made by the production of textiles: in 2020, the share of its products amounted to 46.8% of the GVA volume of the subsector. The main component of the products also turned out to be wages. In 2020, the volume of the component amounted to 19.6 billion tenge.
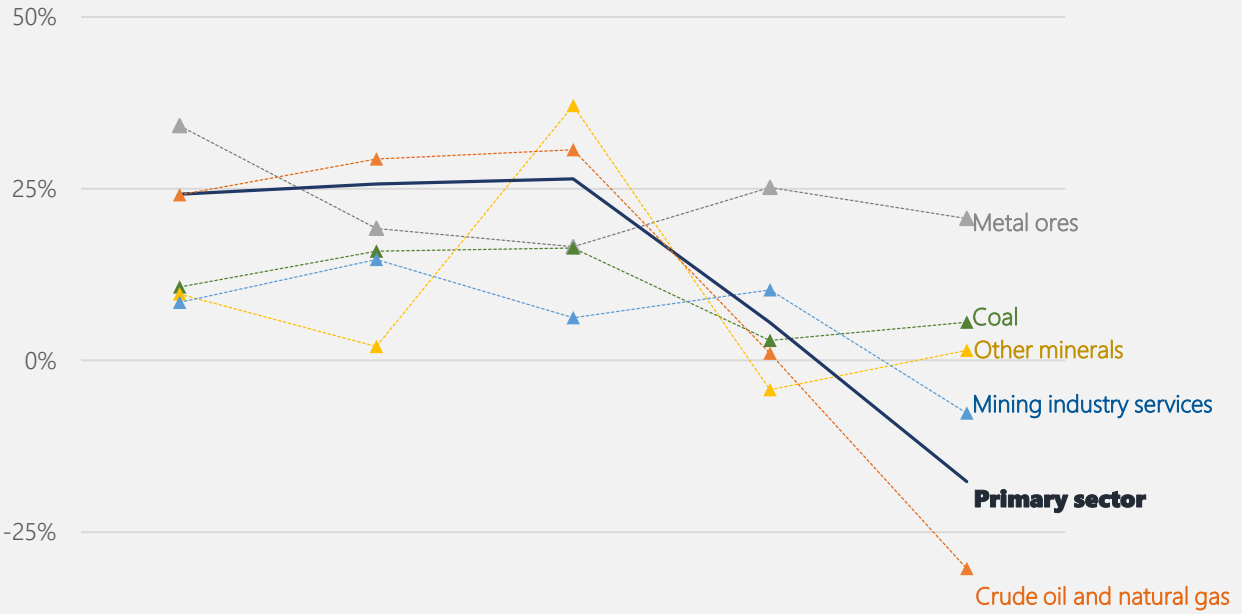
Table 3: Gross value added growth, %

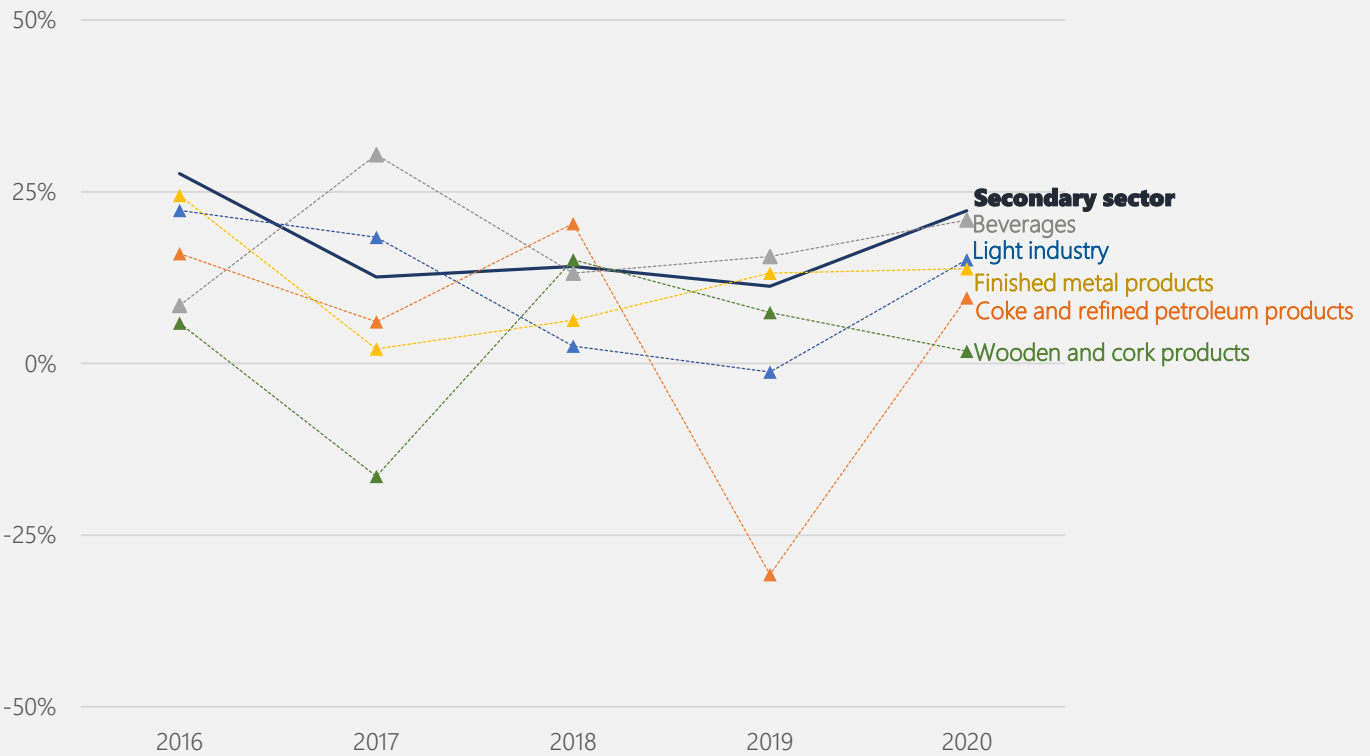| Subsector	Dynamics of growth	Average growth	Score
Metal ores		0.2	0.3
Other minerals		0.6	0.3
Coal		0.7	0.3
Mining industry services		1.4	0.2
Crude oil and natural gas		4.2	0.1
Mining sector		**3.1**	
Light industry		0.0	0.3
Coke and refined petroleum products		0.0	0.3
Beverages		0.2	0.3
Finished metal products		0.2	0.3
Wooden and cork products		0.2	0.3
Furniture		0.2	0.3
Metallurgical production		0.3	0.3
Other finished products		0.4	0.3
Rubber and plastic products		0.5	0.3
Chemical industry		0.7	0.3
Food		0.8	0.3
Pharmaceuticals		0.9	0.3
Paper and paper products		1.1	0.2
Other non-metallic mineral products		1.2	0.2
Printing activity		1.7	0.2
Mechanical engineering		2.1	0.1
Tobacco products		6.5	0.1
Processing sector		**0.4**	

Points are assigned according to the Beta coefficient value in this criterion, regardless of the corresponding sector indicator:
3 points: Beta coefficientт <= 1
2 points: 1 < Beta coefficient <= 2
1 point: Beta coefficient > 2

Source: BNS, Jusan Analytics calculations

GVA growth, %
Primary sector

Metal ores

Coal
Other minerals
Mining industry services

Primary sector

Crude oil and natural gas

Secondary sector

Secondary sector
Beverages
Light industry
Finished metal products
Coke and refined petroleum products
Wooden and cork products

2016   2017   2018   2019   2020

Source: BNS, Jusan Analytics calculations

No. 3 Investment activity

The investment activity of companies is one of the main indicators of confidence in future economic conditions and implies the availability of production capacity and opportunities for the further business expansion. As a coefficient we have used the increase in fixed capital expenditures. These investments reflect the amount of capital expenditures of the enterprises themselves. Since each subsector contains a certain level of capital intensity, we shifted the focus to the indicator growth relative to its base values. A high value of the increase indicates the possibility of obtaining additional benefits from an increase or qualitative improvement of fixed assets used in production. Without reference to the capital intensity standard level of the subsector, the received investment growth coefficient serves as an indicator of current investment activity and an indicator of business expectations for improvement or deterioration of economic conditions, factors of additional profit increase.

The extraction of other minerals has shown us the highest investment attractiveness in the primary sector. The average investment volume for the analyzed period was at the level of 30.7 billion tenge or 0.6% of the average value for the mining sector. The industry for the development of gravel and sand pits turned out to be the main driver of the subsector. The average weight was 59.4% of the subsector level.

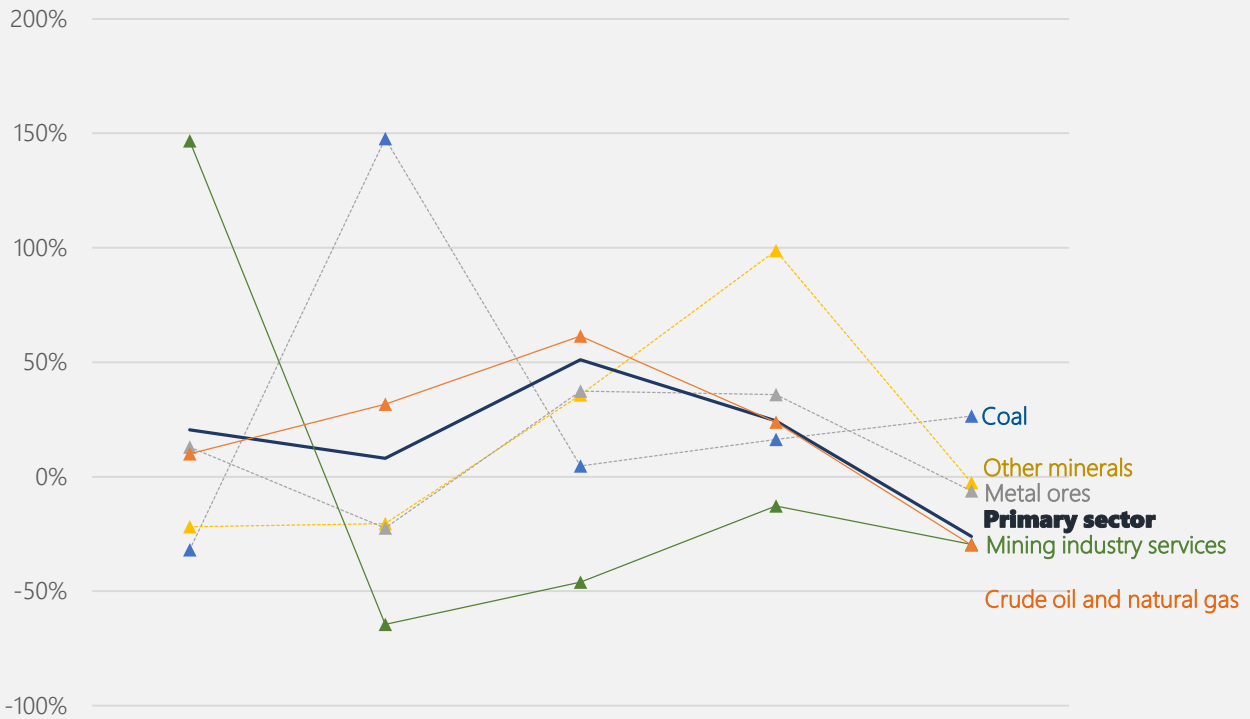**And in the secondary sector the most attractive is the production of other finished products.** The main investment volume accounted or the segment of medical, dental instruments and accessories production. In 2020, this market attracted 2.8 billion tenge of investments, which accounted for 60.2% of the subsector total inflow.

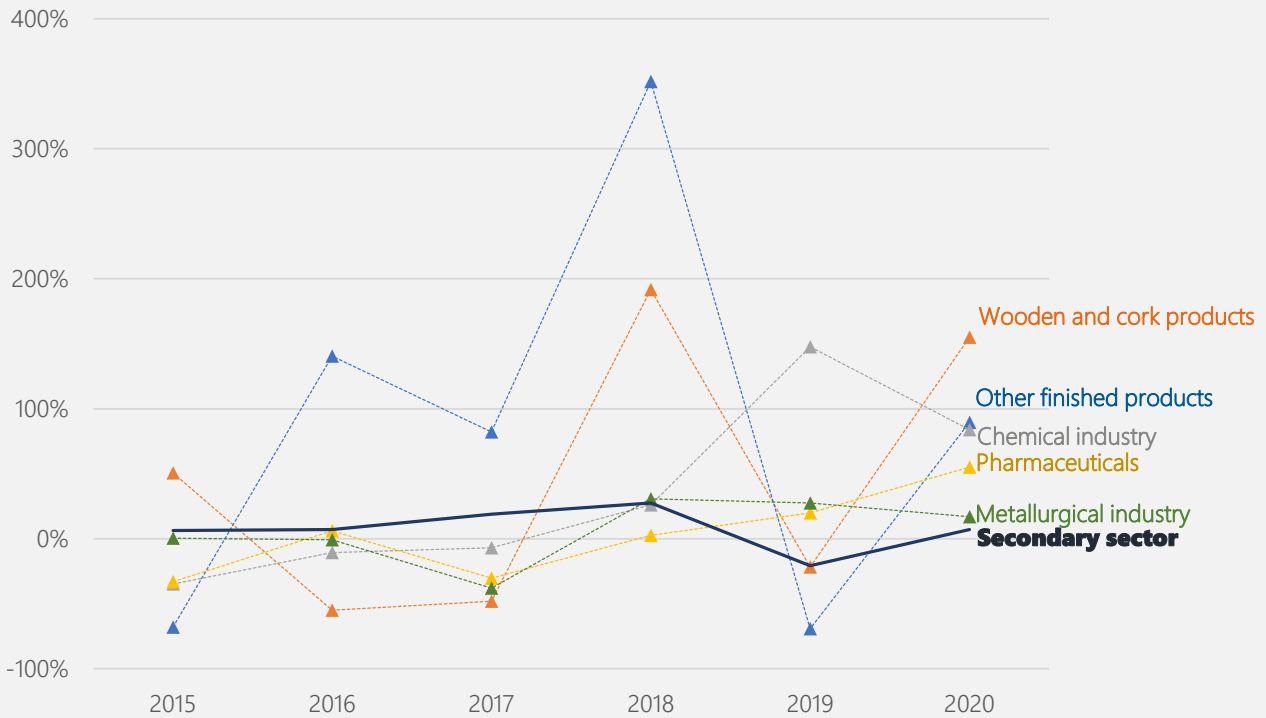Table 4: Fixed capital expenditure growth, %

Subsector	Dynamics of growth	Average growth	Score
Other minerals		43.9	0.2
Metal ores		22.3	0.2
Crude oil and natural gas		18.5	0.2
Coal		15.8	0.1
Mining industry services		-29.5	-
Mining sector		**16.5**	
Other finished products		124.0	0.3
Wooden and cork products		108.3	0.3
Chemical industry		85.8	0.3
Pharmaceuticals		26.0	0.2
Metallurgical production		25.1	0.2
Rubber and plastic products		19.9	0.2
Tobacco products		13.8	0.2
Mechanical engineering		13.4	0.2
Beverages		10.2	0.2
Light industry		9.5	0.2
Food		6.7	0.2
Other non-metallic mineral products		-3.1	-
Finished metal products		-3.8	-
Printing activity		-18.4	-
Furniture		-21.0	-
Paper and paper products		-26.3	-
Coke and refined petroleum products		-33.4	-
Processing sector		**4.6**	

Source: BNS, Jusan Analytics calculations

Fixed capital expenditure growth, %
Primary sector

Coal
Other minerals
Metal ores
Primary sector
Mining industry services
Crude oil and natural gas

Secondary sector

Wooden and cork products
Other finished products
Chemical industry
Pharmaceuticals
Metallurgical industry
Secondary sector

Source: BNS, Jusan Analytics calculations

No. 4 Profitability

The profitability criterion reflects the subsector attractiveness for production and business in general. As a profitability (coefficient) characteristic we have used the net profit margin: the ratio of net profit to income from the sale of goods and services. A high coefficient value implies that enterprises can use high income to increase current assets or reinvest it in production. The high net profit margin reflects the high efficiency of commercial activities of enterprises and the attractiveness of the subsector for current and new market participants.

The leader of the primary sector in terms of profitability is the extraction of metal ores. In 2020, net profit reached 967.2 billion tenge, which amounted to 30.4% of the total revenue from the sale of raw materials. The main driver in the analyzed period was the extraction of uranium and thorium ores.
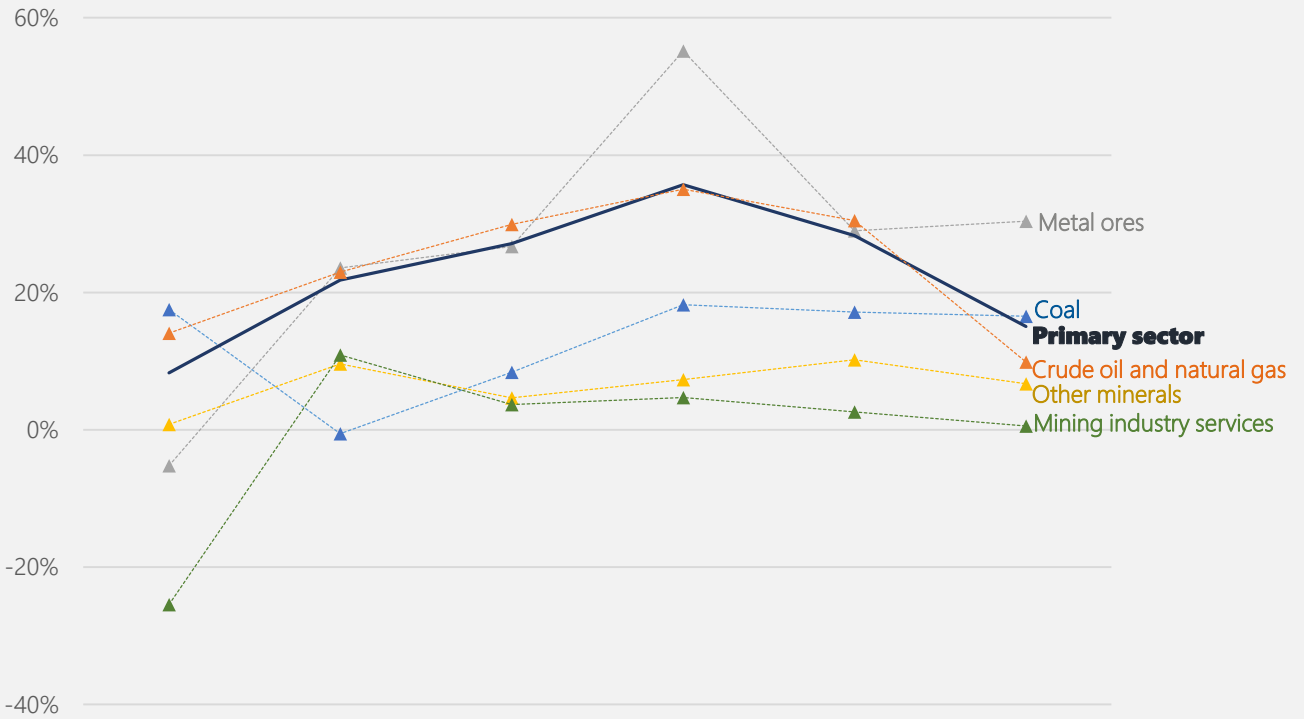
Pharmaceutical production has turned out to be the most profitable in the secondary sector. In 2020, the volume of net profit amounted to 41.9 billion tenge, which is 48.2% more than in the previous period. At the same time, the increase in sales amounted to 35.1%. The major driver of profitability was the production of basic pharmaceutical products. The share of this products amounted to 27.5% of sales in the subsector, which is 18.0 p.p. more than a year earlier.
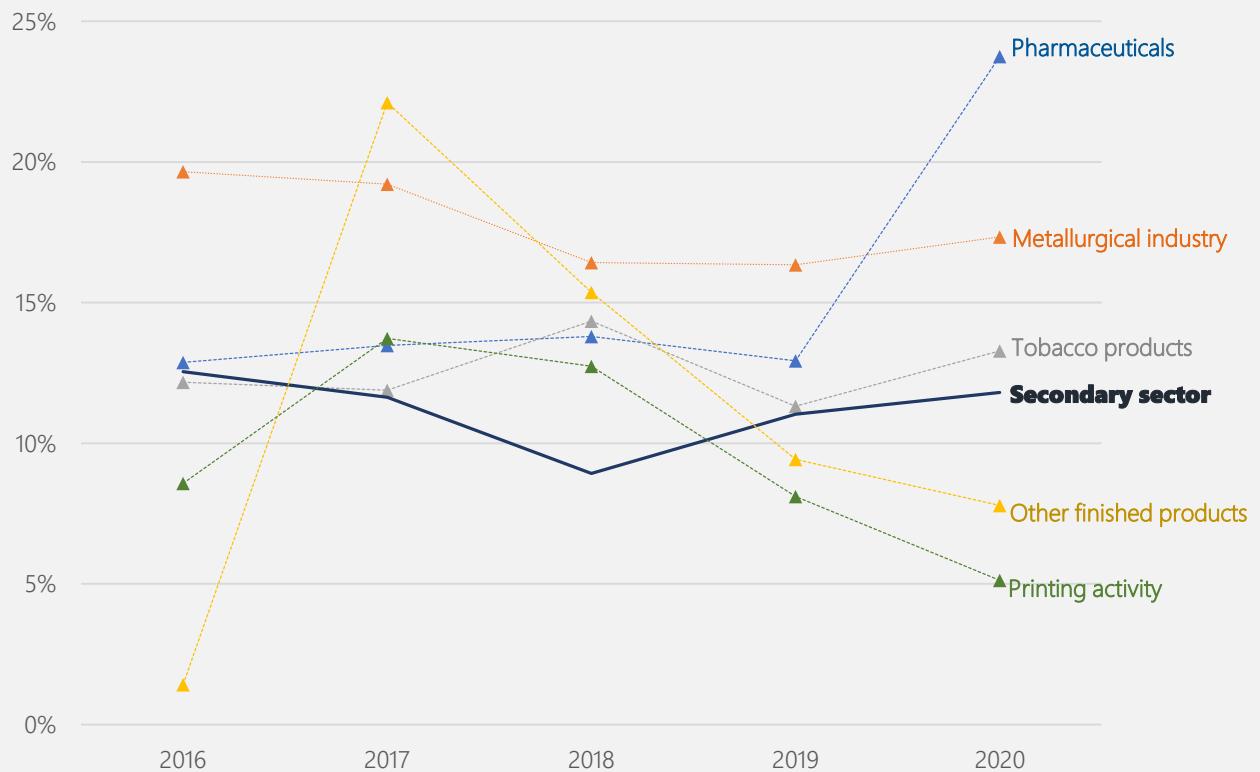
Table 5: Net profit margin, %

Subsector	Dynamics of growth			Average growth	Score
Metal ores				38.2	0.3
Crude oil and natural gas				25.1	0.1
Coal				17.3	0.1
Other minerals				8.1	0.1
Mining industry services				2.6	0.1
Mining sector				**26.3**	
Pharmaceuticals				16.8	0.3
Metallurgical production				16.7	0.3
Tobacco products				13.0	0.3
Other finished products				10.9	0.2
Printing activity				8.7	0.1
Paper and paper products				8.3	0.1
Finished metal products				6.3	0.1
Light industry				5.9	0.1
Chemical industry				5.9	0.1
Mechanical engineering				5.5	0.1
Wooden and cork products				5.5	0.1
Beverages				5.4	0.1
Rubber and plastic products				5.4	0.1
Furniture				4.9	0.1
Other non-metallic mineral products				4.7	0.1
Food				3.5	0.1
Coke and refined petroleum product				-1.6	-
Processing sector				**4.6**	

Source: BNS, Jusan Analytics calculations

Net profit margin, %
Primary sector

- Metal ores
- Coal
- **Primary sector**
- Crude oil and natural gas
- Other minerals
- Mining industry services

Secondary sector

- Pharmaceuticals
- Metallurgical industry
- Tobacco products
- **Secondary sector**
- Other finished products
- Printing activity

Source: BNS, Jusan Analytics calculations

No. 5 Debt burden

The debt burden criterion reflects the dependence of companies on leverages and also gives an consciousness of the financial stability of the relevant subsectors. The share of the leverages from the fixed capital was used as the coefficient. A low debt burden can be interpreted in different ways – on the one hand, enterprises may not see prospects for their expansion or do not have access to cheap leverages, and on the other hand, with the deterioration of the country's economic indicators, enterprises with a low debt burden are less susceptible to threats from negative changes in interest rates, financial sector crises, a decrease in the rate of issuance of credit resources.

For the puspose of the work we believe that the low debt burden level is a positive factor.

In the primary sector coal mining has shown the lowest level of the debt burden. The main driver was a hard coal mining market. The average share of the inflow of investments into this segment was 95.8% of the subsector level. At the same time, investments in fixed assets were financed from their own funds, with the exception of 2020. In this period, the share of borrowed funds was 0.3%.
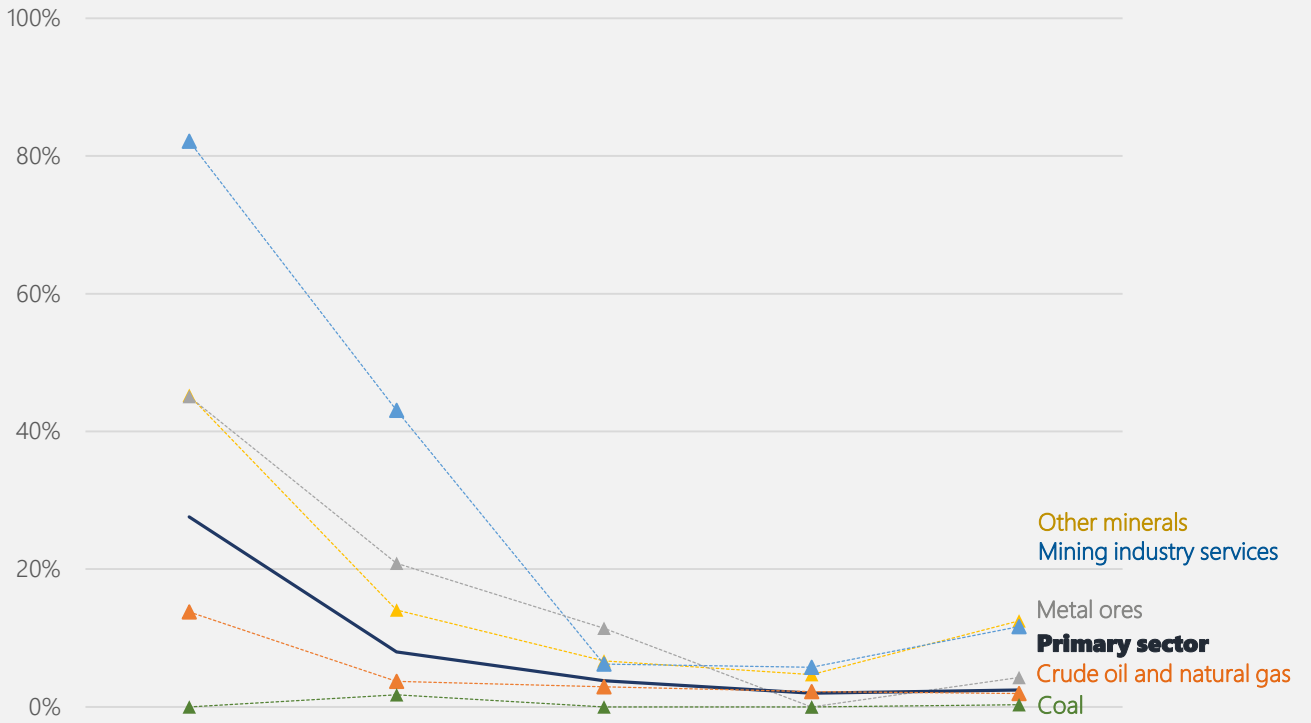
The leader in the secondary sector is the production of tobacco products. Enterprises had not used leverages to finance fixed assets. In 2020, investments in fixed assets amounted to 10.2 billion tenge, which is 14.4% more than in the previous period.

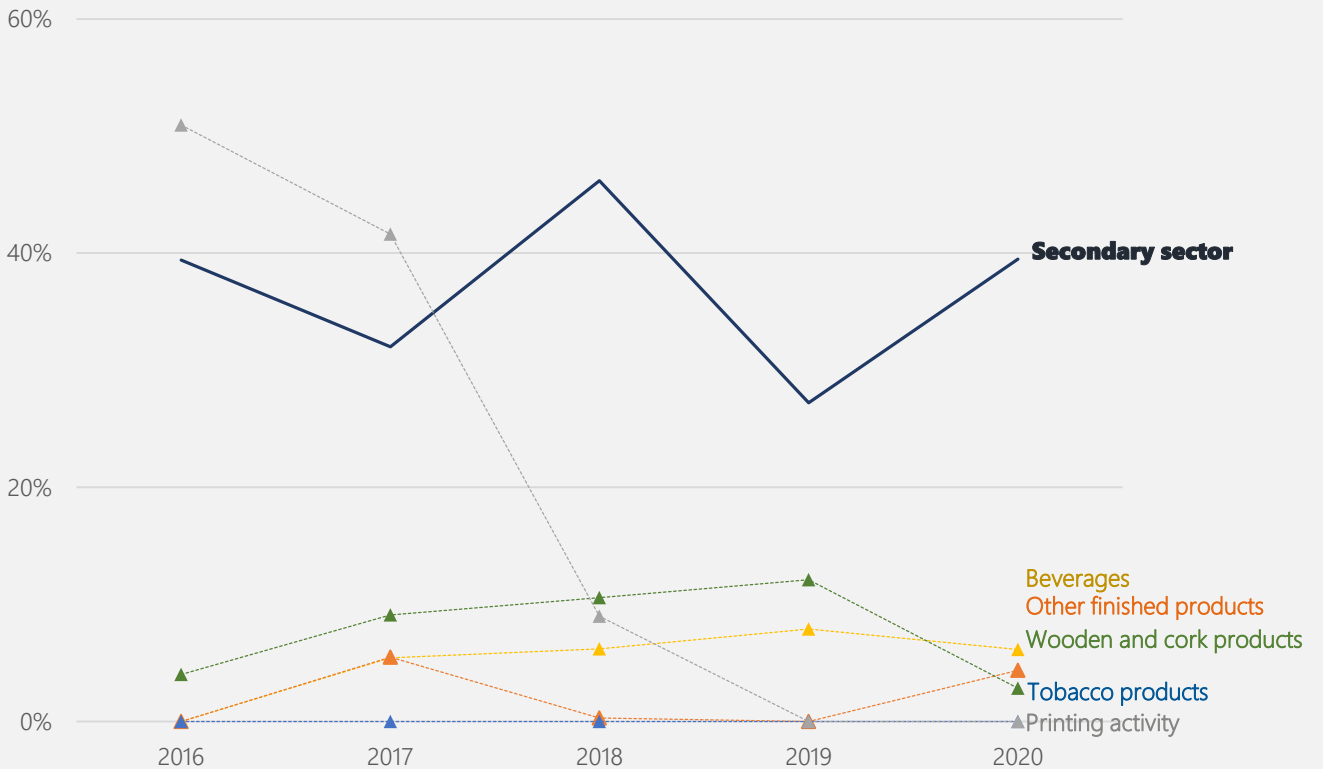Table: Leverage used in capital funding, %

Subsector	Dynamics of growth	Average growth	Score
Coal		0.1	0.3
Crude oil and natural gas		2.3	0.2
Metal ores		5.2	0.1
Mining industry services		7.9	0.1
Other minerals		7.9	0.1
Mining sector		**2.8**	
Tobacco products		0.0	0.3
Other finished products		1.6	0.3
Printing activity		3.0	0.3
Beverages		6.8	0.3
Wooden and cork products		8.5	0.3
Paper and paper products		8.9	0.3
Metallurgical production		10.3	0.3
Light industry		16.6	0.3
Furniture		17.3	0.3
Finished metal products		17.5	0.3
Pharmaceuticals		20.3	0.3
Mechanical engineering		22.7	0.3
Rubber and plastic products		23.3	0.3
Other non-metallic mineral products		33.1	0.2
Food		35.4	0.2
Chemical industry		42.8	0.1
Coke and refined petroleum products		59.5	0.1
Processing sector		**37.6**	

Source: BNS, Jusan Analytics calculations

Leverage used in capital funding, %
Primary sector

Other minerals
Mining industry services

Metal ores
Primary sector
Crude oil and natural gas
Coal

Secondary sector

Secondary sector

Beverages
Other finished products
Wooden and cork products
Tobacco products
Printing activity

Source: BNS, Jusan Analytics calculations

No. 6 Competition with imports

Competiton with imports reflects the competetiveness of local manufacturers in the domestic market, as well as the possibility of the further development of the market conditions of the entire industry. This criterion focuses on the choice of consumers in favor of domestic production. As a coefficient we have used the imported products content in the consumer demand. Low coefficient content reflects the satisfaction of consumer demand mainly with domestic products. This also indicates the high competitiveness of local manufacturers in comparison with foreign enterprises. The dominance of domestic products in demand indicates the degree of coverage of the domestic market, as well as the potential for expanding the production base.

In the primary sector the extraction of metal ores has shown the highest level of competition with imports. During the analyzed period the import of products was zero. This is due to the fact that products are primary goods and demand for them can mainly come from the secondary sector. In 2020, the share of raw materials imports amounted to 7.5%, which is 0.6 p.p. less than a year earlier.
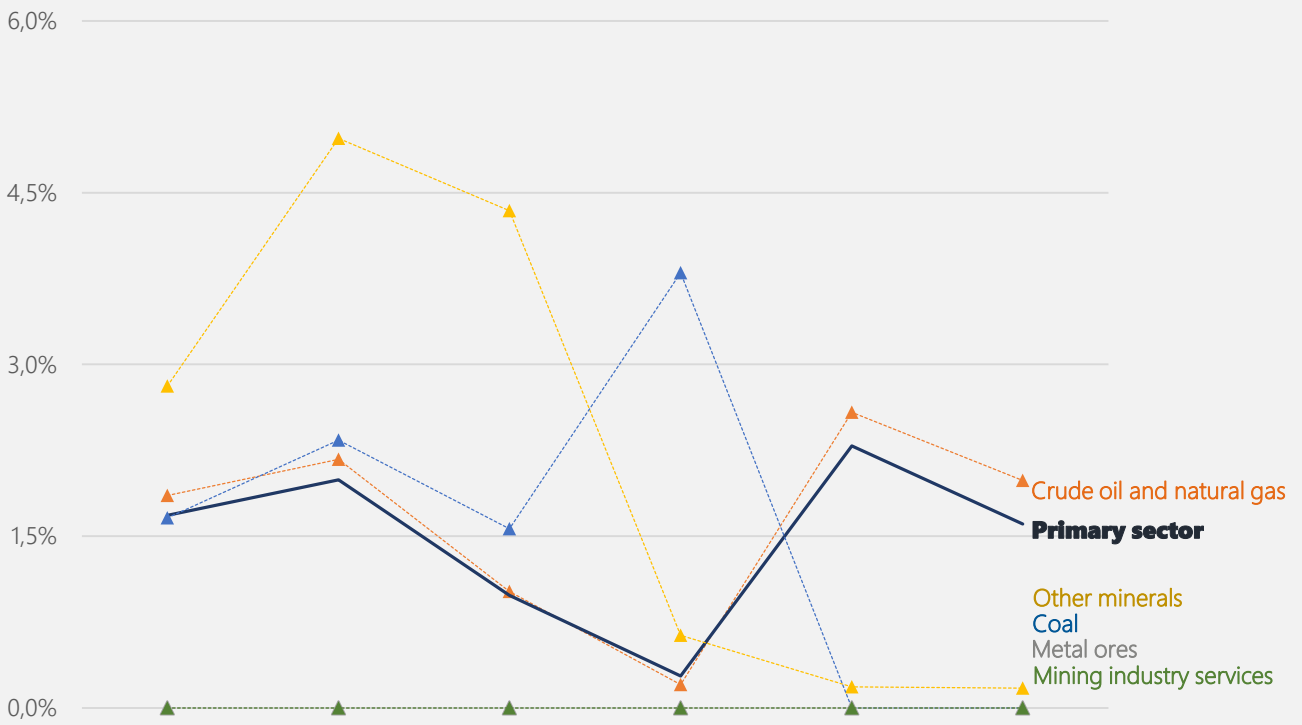
Printing activity has turned out to be the leader in the secondary sector. The final products were also used by sectors of the economy, where preference was given to the domestic products. In 2020, the share of imports was 1.6%, which is 0.2 p.p. more than in the previous period.

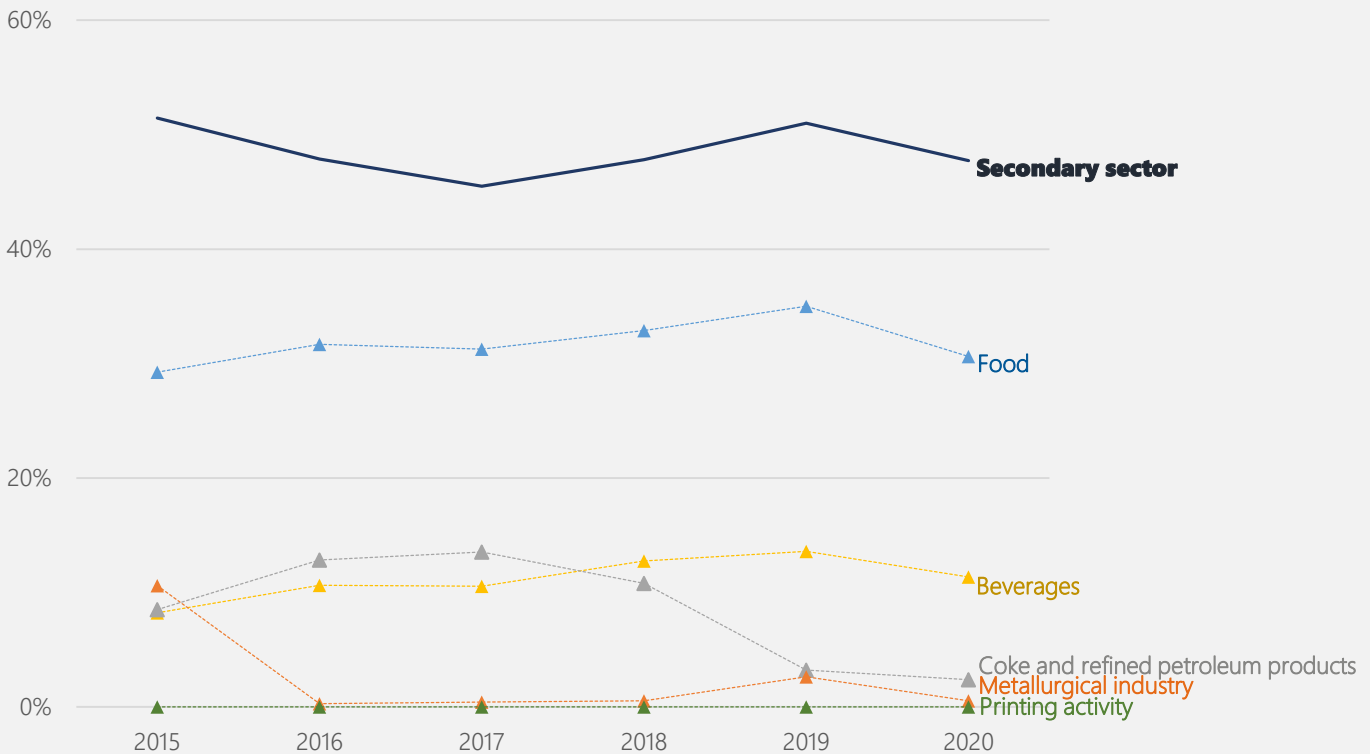Table 7: Import content in consumer demand, %

Subsector	Dynamics of growth	Average growth	Score
Metal ores		0.0	0.3
Mining industry services		0.0	0.3
Other minerals		0.3	0.2
Coal		1.3	0.2
Crude oil and natural gas		1.6	0.1
Mining sector		**1.4**	
Printing activity		0.0	0.3
Metallurgical production		1.2	0.3
Coke and refined petroleum products		5.5	0.3
Beverages		12.6	0.3
Food		32.8	0.3
Tobacco products		34.0	0.3
Other non-metallic mineral products		35.7	0.3
Chemical industry		47.5	0.3
Wooden and cork products		49.4	0.1
Furniture		71.7	0.1
Pharmaceuticals		72.5	0.1
Rubber and plastic products		73.2	0.1
Finished metal products		79.6	0.1
Mechanical engineering		85.2	0.1
Light industry		87.3	0.1
Paper and paper products		89.0	0.1
Other finished products		91.6	0.1
Processing sector		**48.9**	

Source: BNS, Jusan Analytics calculations

Import content in consumer demand, %
Primary sector

- Crude oil and natural gas
- Primary sector
- Other minerals
- Coal
- Metal ores
- Mining industry services

Secondary sector

- Secondary sector
- Food
- Beverages
- Coke and refined petroleum products
- Metallurgical industry
- Printing activity

Source: BNS, Jusan Analytics calculations

No. 7 Raw materials import dependence

Raw materials import dependence indicates potential risks of manufacturers during the interaction with foreign suppliers and external trade conditions. We have used the share of imports of goods and services in the production process to determine the import dependence of raw materials. Low coefficient indicator reflects the high preferences of local manufacturers to use domestic raw materials compared to foreign alternatives. Thus, domestic manufacturers using Kazakhstani raw materials in production are less susceptible to threats from external economic conditions, foreign suppliers and exchange rate policy. The main factor for them is the development of the domestic economy and the inflationary background. Accordingly, subsectors with a lower dependence level on imported raw materials, other things being equal, tend to more stable development and forecasting of future activities.

In the primary sector extraction of other mineral ores has shown the lowest import dependence on raw materials. In 2020, the share of imports amounted to 12.9%, which is 0.1 p.p. more than a year earlier. The main import turned out to be a general-purpose vehicle. The share of imports of these products in 2020 amounted to 20.9% of total imports.
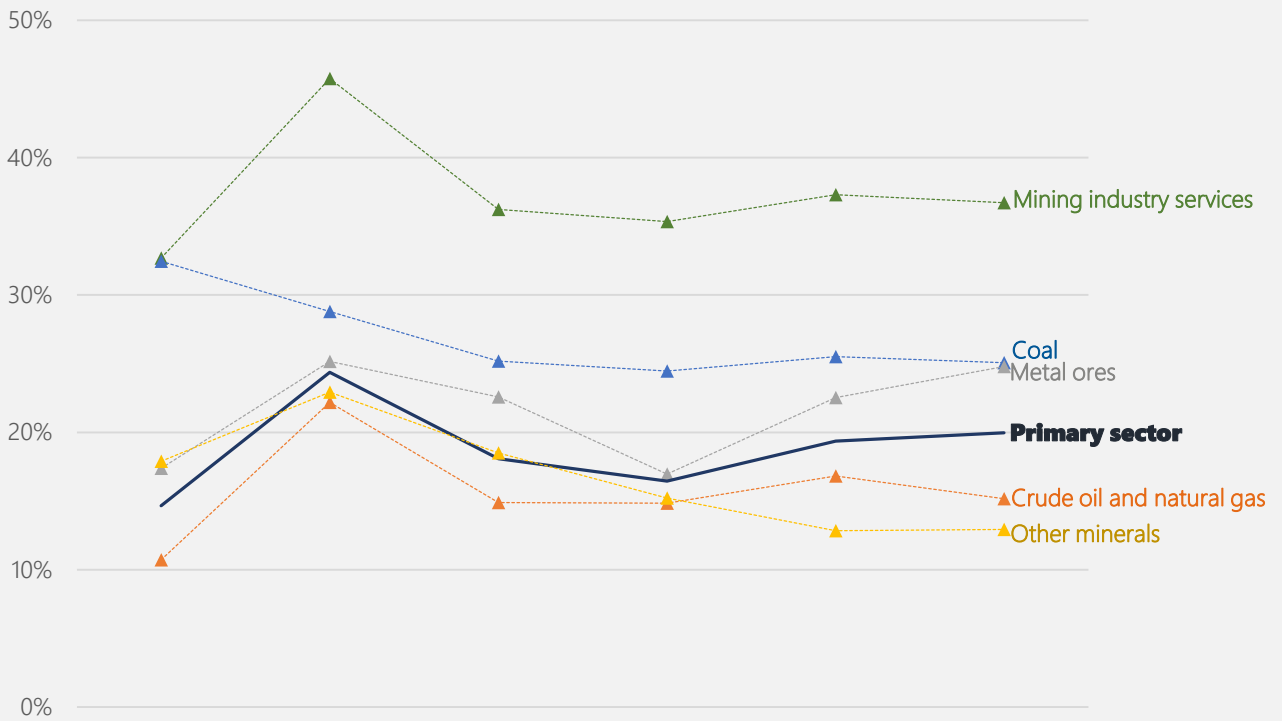
And chemical industry has turned out to be the leader in the secondary sector. The average share of imports of raw materials was formed at the level of 7.2%. The main products used by the manufacturers turned out to be metal ores. In 2020, the share of imports of these products amounted to 28.8% of total imports, which is 9.5 p.p. more than in the previous period.

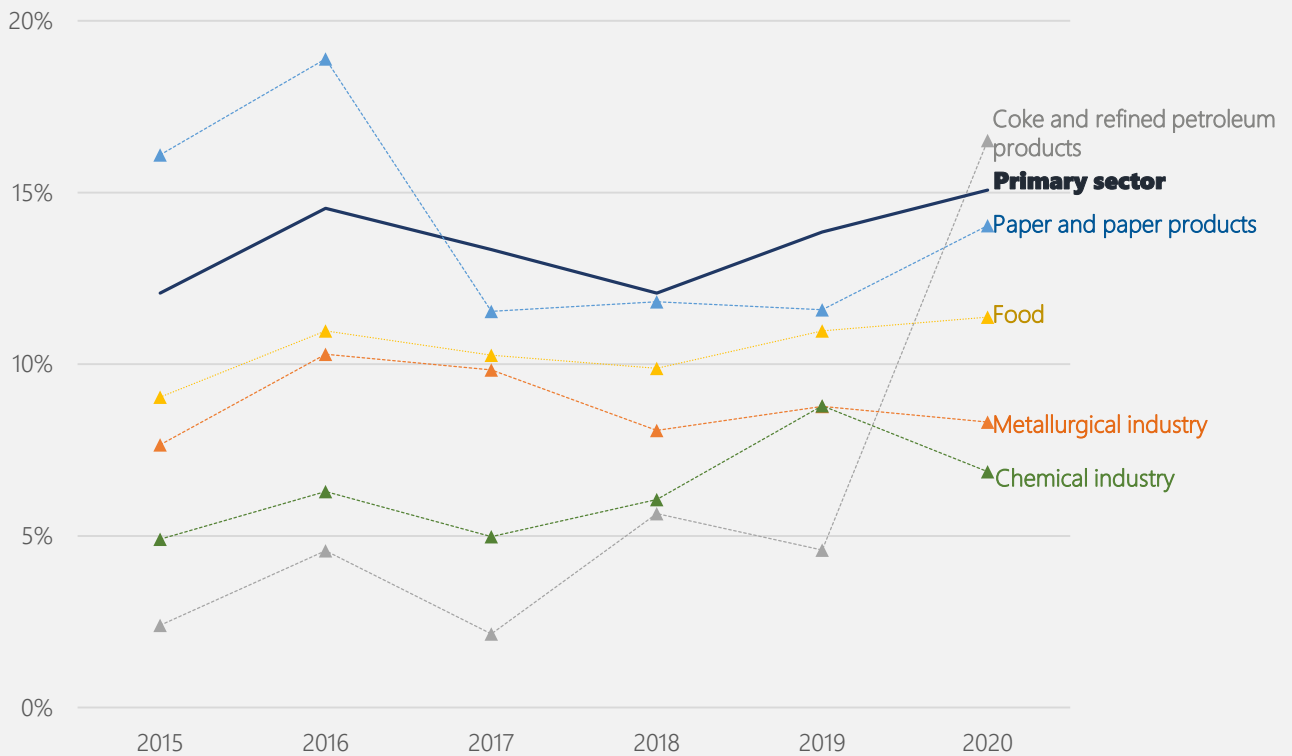Table 8: Import content in the production process , %

Subsector	Dynamics of growth			Average growth	Score
Other minerals				13.7	0.3
Crude oil and natural gas				15.6	0.3
Metal ores				21.4	0.1
Coal				25.0	0.1
Mining industry services				36.4	0.1
Mining sector				**18.6**	
Chemical industry				7.2	0.3
Metallurgical production				8.4	0.3
Coke and refined petroleum products				8.9	0.3
Food				10.7	0.3
Paper and paper products				12.5	0.2
Other non-metallic mineral products				14.7	0.1
Finished metal products				15.3	0.1
Mechanical engineering				19.7	0.1
Light industry				24.5	0.1
Other finished products				31.7	0.1
Beverages				38.0	0.1
Wooden and cork products				43.8	0.1
Rubber and plastic products				46.4	0.1
Pharmaceuticals				54.3	0.1
Printing activity				54.6	0.1
Tobacco products				58.9	0.1
Furniture				61.6	0.1
PRocessing sector				**13.7**	

Source: BNS, Jusan Analytics calculations

Import content in the production process, %
Primary sector

- Mining industry services
- Coal
- Metal ores
- **Primary sector**
- Crude oil and natural gas
- Other minerals

Secondary sector

- Coke and refined petroleum products
- **Primary sector**
- Paper and paper products
- Food
- Metallurgical industry
- Chemical industry

Source: BNS, Jusan Analytics calculations

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No. 8 Operating efficiency

Operating efficiency is an indicator of the utilization degree and utilization of available production capacities. As a coefficient we have taken the average share of the use of dedicated capacities: the ratio of actual output to average annual capacity. A high proportion of the use of the dedicated capacities implies a more efficient use of current production resources. At the same time, it creates opportunities to reduce subsequent costs in the production of an additional unit of final products. In the presence of high operational efficiency, manufacturers have the opportunity to expand their customer base by reducing the price of the final product. As a result, this can increase the overall indicators of the subsector development.

In the primary sector crude oil and natural gas production has shown the highest level of the operational efficiency. The driver of the subsector was the extraction of gas condensate. In 2020, the output reached 12,185.2 thousand tons. The average annual capacity utilization was 98.3%, which is 0.1 p.p. less compared to the previous period.

In secondary sector the production of coke and refined petroleum petroleum products has turned out to be the leader. The high operational efficiency of the subsector was achieved due to the production of petroleum and diesel fuel. The average output of these products amounted to 13,323.1 thousand tons and the level of average annual capacity utilization – 66.7%
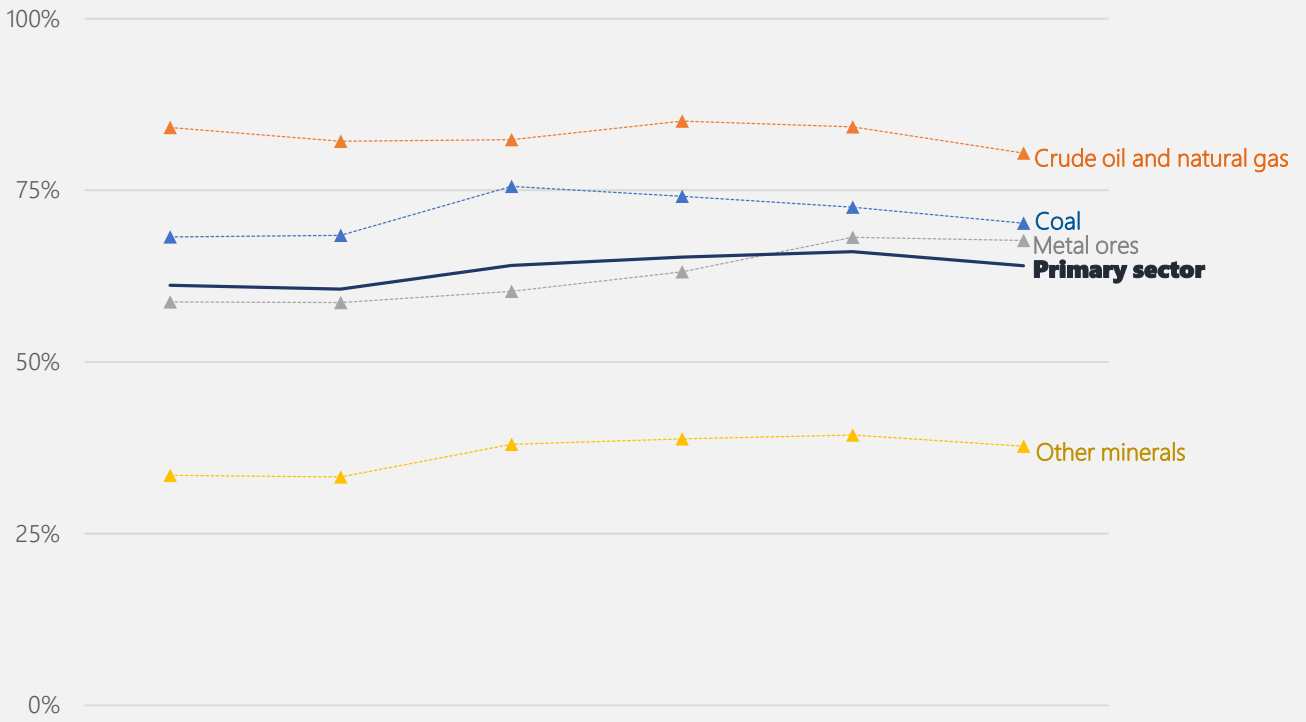
Table 9: Dedicated average annual capacity utilization, %

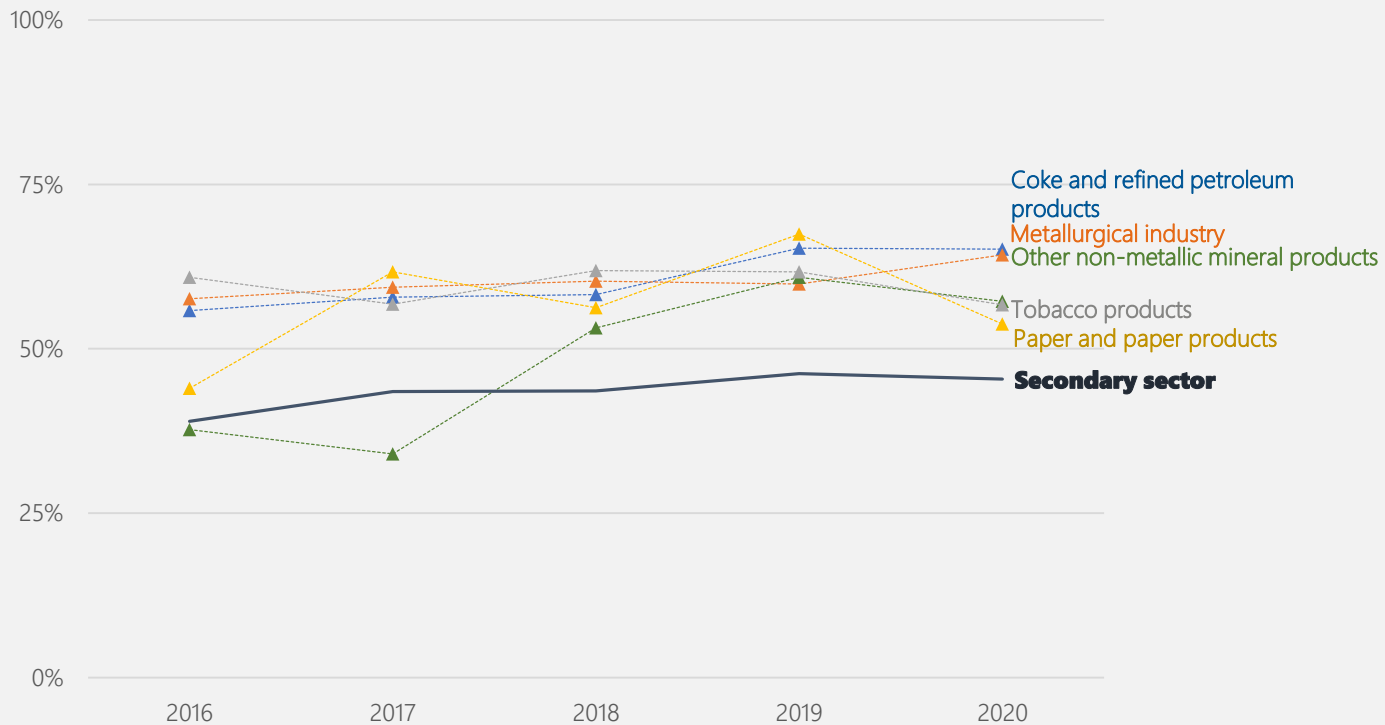| Subsector	Dynamics of growth			Average growth	Score
Crude oil and natural gas				83.2	0.3
Coal				72.3	0.3
Metal ores				66.3	0.3
Other minerals				38.6	0.1
Mining industry services				N/A*	-
Mining sector				**65.1**	
Coke and refined petroleum products				62.9	0.3
Metallurgical production				61.5	0.3
Tobacco products				60.1	0.3
Paper and paper products				59.1	0.3
Other non-metallic mineral products				57.1	0.3
Beverages				50.3	0.3
Food				45.0	0.1
Mechanical engineering				43.1	0.1
Chemical industry				39.4	0.1
Rubber and plastic products				37.5	0.1
Light industry				37.4	0.1
Pharmaceuticals				32.6	0.1
Finished metal products				30.9	0.1
Wooden and cork products				14.2	0.1
Printing activity				N/A	-
Furniture				N/A	-
Other finished products				N/A	-
Processing sector				**45.1**	

* Data are not available

Source: BNS, Jusan Analytics calculations

Dedicated average annual capacities utilization, %
Primary sector

Crude oil and natural gas
Coal
Metal ores
Primary sector
Other minerals

Secondary sector

Coke and refined petroleum products
Metallurgical industry
Other non-metallic mineral products
Tobacco products
Paper and paper products
Secondary sector

Source: BNS, Jusan Analytics calculations

No. 9 Cost inflation

Cost inflation is an indicator of the domestic manufacturers competitiveness in the domestic market. We have used the increase in prices of industrial products manufacturers to determine the cost inflation. This indicator characterizes the change in prices for finished products manufactured by industrial enterprises. Low level of price growth reflects the high ability of companies to manage their costs without transferring them to prices, or directly to a stable level of production costs. The low increase in prices of manufacturing enterprises characterizes the degree of competitiveness of domestic manufacturers relative to imported analogues. The overall growth of the indicator leads to a weakening of the competitiveness of domestic production and a future decline in demand for manufactured products within the country.

In the primary sector mining industry services has shown the lowest level of cost inflation. The main driver was the market for rendering services that contribute to the production of oil and natural gas. In 2020, the cost inflation of this market was 2.8%, which is 2.4 p.p. more than in the previous period.

In the secondary sector the light industry is the leader. The production of leather and related products has the lowest cost inflation rate in the subsector. Disinflation was experienced in this market in 2018 and 2019 in the amount of – 1.0% and -1.3%, respectively. In 2020, cost inflation was at the level of 0.2%.

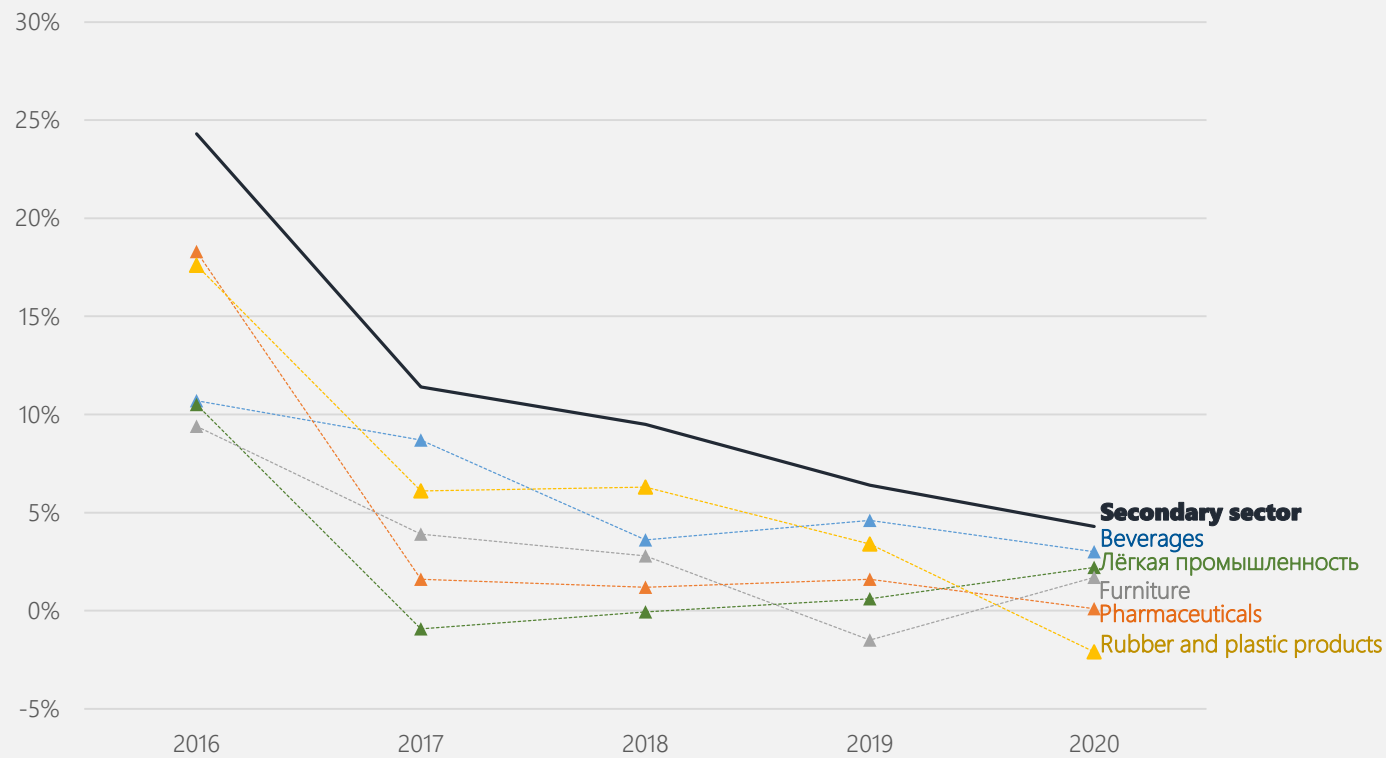Table 10: Increase in prices of industrial products manufacturers, %

Subsector	Dynamics of growth	Average growth	Score
Mining industry services		1.4	0.2
Crude oil and natural gas		4.9	0.2
Other minerals		5.8	0.2
Coal		8.9	0.1
Metal ores		9.5	0.1
Mining sector		**5.2**	
Light industry		0.9	0.3
Pharmaceuticals		1.0	0.3
Furniture		1.0	0.3
Rubber and plastic products		2.5	0.3
Beverages		3.7	0.3
Wooden and cork products		4.0	0.3
Printing activity		4.1	0.3
Other non-metallic mineral products		5.2	0.2
Finished metal products		5.3	0.2
Chemical industry		6.1	0.2
Metallurgical production		7.2	0.1
Coke and refined petroleum products		7.2	0.1
Mechanical engineering		7.6	0.1
Food		7.7	0.1
Paper and paper products		9.7	0.1
Tobacco products		11.5	0.1
Other finished products		N/A	-
Processing sector		**6.7**	

Source: BNS, Jusan Analytics calculations

Increase in prices of industrial products manufacturers, %
Primary sector

Metal ores
Mining industry services
Coal
Other minerals
Primary sector
Crude oil and natural gas

Secondary sector

Secondary sector
Beverages
Лёгкая промышленность
Furniture
Pharmaceuticals
Rubber and plastic products
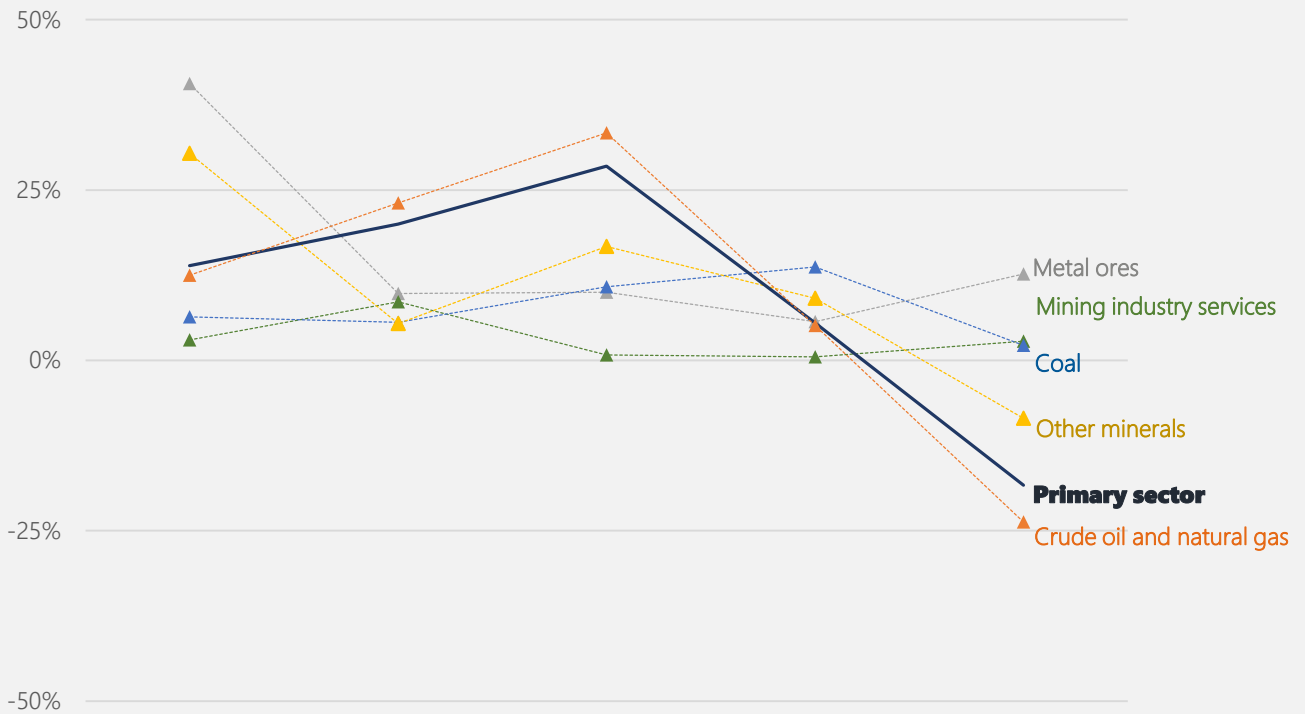
Source: BNS, Jusan Analytics calculations

No. 10 Export orientation

Export orientation demonstrates the volume of manufactured products sent to other countries through the foreign trade channels. As an estimation coefficient we have used share of exports in consumer demand. The high share of exports of manufactured final products of enterprises indicates a high demand for the domestic products by foreign consumers. A relatively high share of exports characterizes a high level of competitiveness of domestic produced goods in the foreign market. Export-oriented enterprises tend to diversify their business more effectively, thereby expanding the external customer base and hedging the business against an unforeseen decline in demand in the domestic market. A significant advantage of export-oriented companies is access to foreign exchange earnings, which provides additional profit and protects the companies from exchange rate fluctuations within the country.

In the primary sector mining industry services subsector is the leader. During the analyzed period, the average share of exports was 100%. In 2020, the volume of exports increased significantly to 2.2 billion tenge. For comparison, in 2018 and 2019, this indicator was 0.3 and 0.1 billion tenge, respectively.

In the seoondary sector the production of coke and refined petroleum products has shown the highest share of exports. The average share of exports in consumer demand has exceeded 100%. This is due to the fact that enterprises used a significant amount of inventory of material and current assets to cover external demand. The average share of stocks in exports was 36.7%.

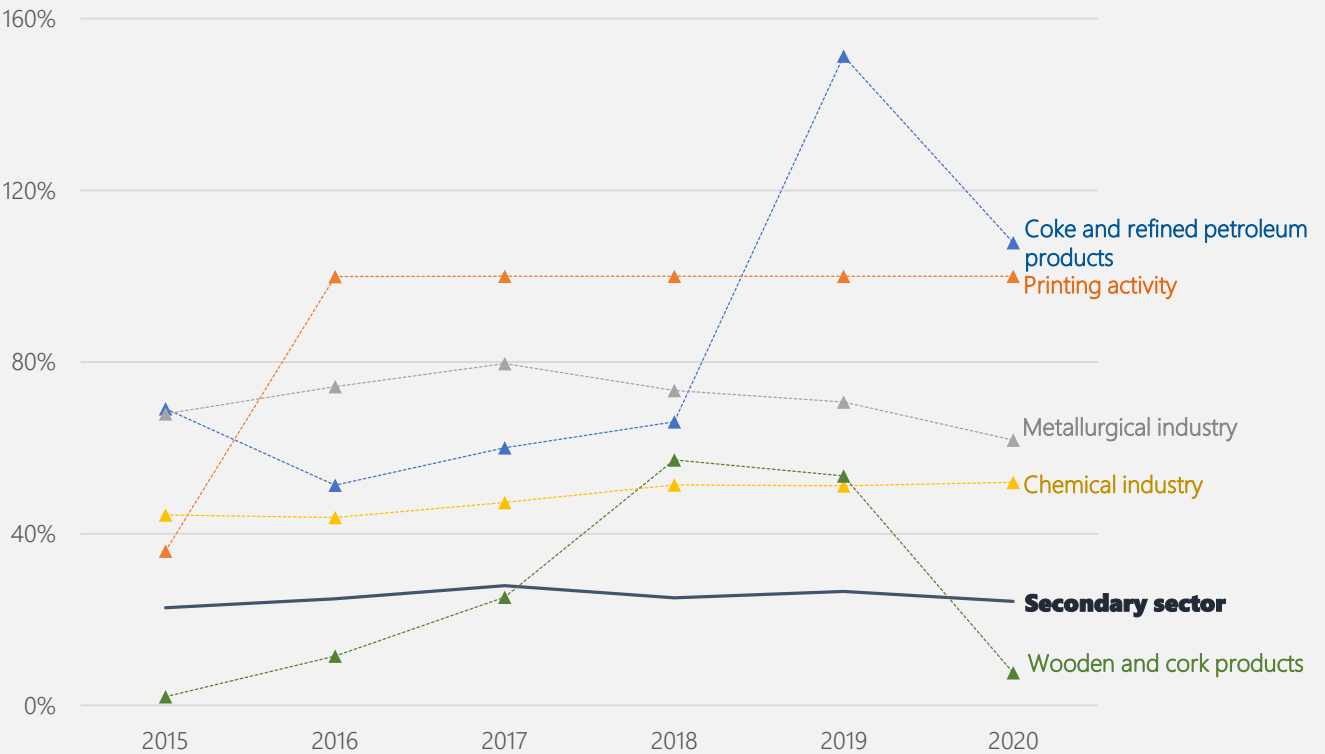Table 11: Share of exports in consumer demand, %

Subsector	Dynamics of growth			Average growth	Score
Mining industry services				100.0	0.2
Crude oil and natural gas				96.2	0.2
Metal ores				77.6	0.1
Other minerals				73.7	0.1
Coal				41.6	0.1
Mining sector				**92.6**	
Coke and refined petroleum products				108.4	0.3
Printing activity				100.0	0.3
Metallurgical production				68.6	0.3
Chemical industry				51.5	0.3
Wooden and cork products				39.4	0.3
Other non-metallic mineral products				35.3	0.3
Food				13.9	0.1
Paper and paper products				12.9	0.1
Rubber and plastic products				12.2	0.1
Other finished products				9.2	0.1
Tobacco products				8.1	0.1
Finished metal products				6.0	0.1
Mechanical engineering				5.5	0.1
Light industry				5.0	0.1
Pharmaceuticals				3.5	0.1
Beverages				2.3	0.1
Furniture				1.4	0.1
Processing sector				**25.3**	

Source: BNS, Jusan Analytics calculations

Share of exports in consumer demand, %
Primary sector

Crude oil and natural gas

Primary sector

Mining industry services

Metal ores

Other minerals

Coal

Secondary sector

Coke and refined petroleum products

Printing activity

Metallurgical industry

Chemical industry

Secondary sector

Wooden and cork products

Source: BNS, Jusan Analytics calculations

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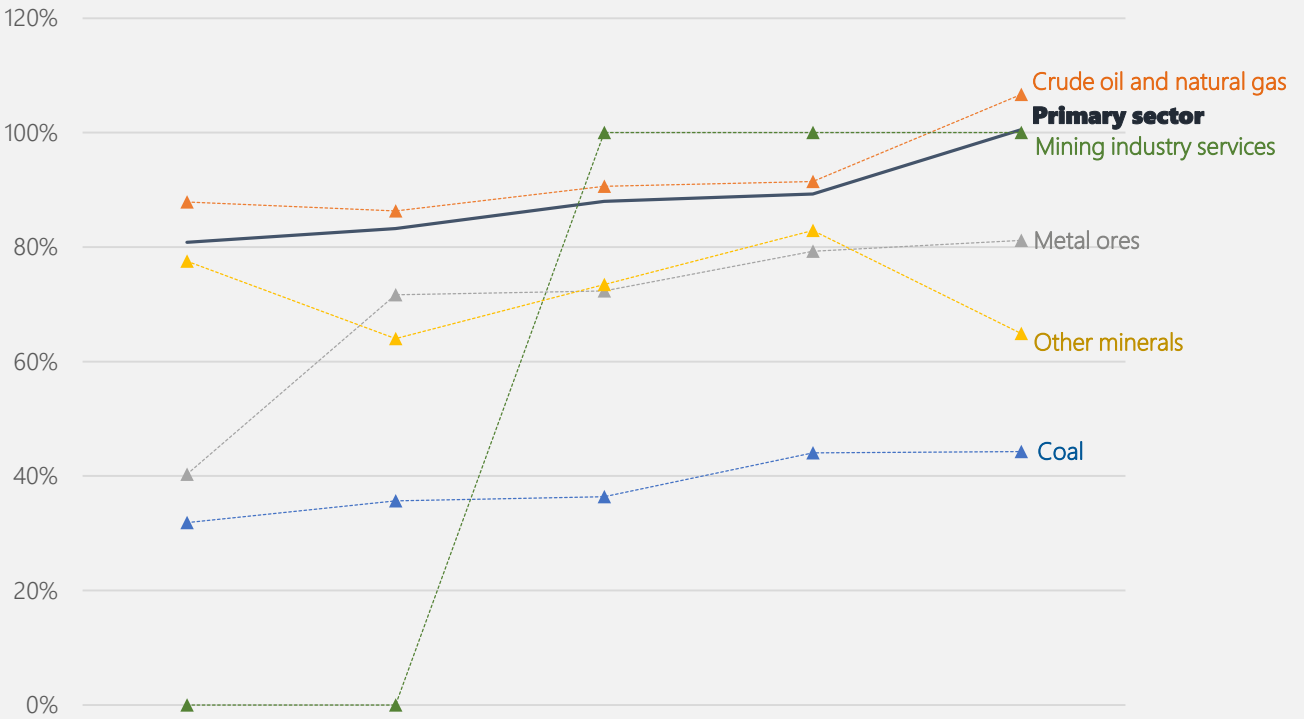
Main conclusions

Our scoring has revealed the key drivers of the industry. The most stable subsector in the primary sector was the extraction of metal ores: high indicators of development visibility, profitability, competition with imports and operational efficiency. In the secondary sector, was turned out that metallurgical production is the main driver: strengths were noted in terms of profitability, debt burden, competition with imports and operational efficiency. Further development of metal ore mining and metallurgical production will lead to an increase in the overall performance of the industrial sector.

Table 12: Sector scoring results

Subsector \ Criteria	Development trend	Development visibility	Investment activity	Profitability	Debt burden	Competition with imports	Raw material import dependence	Operating efficiency	Cost inflation	Export orientation	Total Score
Metal ores											2.0
Coal											1.8
Other minerals											1.8
Crude oil and natural gas											1.8
Mining industry services											1.3
Metallurgical production											2.5
Chemical industry											2.2
Beverages											2.2
Tobacco products											2.1
Pharmaceuticals											2.1
Wooden and cork products											2.0
Other non-metallic mineral products											1.9
Food											1.8
Light industry											1.8
Coke and refined petroleum products											1.8
Rubber and plastic products											1.7
Other finished products											1.7
Printing activity											1.7
Mechanical engineering											1.5
Paper and paper products											1.5
Furniture											1.4
Finished metal products											1.4

And we have also identified less stable subsectors of the industrial sector. The subsector for rendering services in the mining industry in the primary sector turned out to be an outsider, in the secondary sector – the subsector for the production of finished metal products. The stimulation of these subsectors will allow a multiple increase in the overall of the industrial sector output level and indicators of the industrial sector development as a whole.

Sector scoring by Jusan Analytics

The strongest sides of the subsectors

PRIMARY SECTOR

Coal
- √ Development visibility
- √ Debt burden
- √ Operating efficiency

Metal ores
- √ Development visibility
- √ Profitability
- √ Competition with imports
- √ Operating efficiency

Crude oil and natural gas
- √ Raw material import dependence
- √ Operating efficiency

Mining industry services
- √ Competition with imports

Other minerals
- √ Development visibility
- √ Raw material import dependence

SECONDARY SECTOR

Wooden and cork products
- √ Development visibility
- √ Investment activity
- √ Debt burden
- √ Cost inflation
- √ Export orientation

Tobacco products
- √ Development trend
- √ Profitability
- √ Debt burden
- √ Competition with imports
- √ Operating efficiency

Metallurgical production
- √ Development visibility
- √ Profitability
- √ Debt burden
- √ Competition with imports
- √ Raw material import dependence
- √ Operating efficiency
- √ Export orientation

Printing activity
- √ Debt burden
- √ Competition with imports
- √ Cost inflation
- √ Export orientation

Pharmaceuticals
- √ Development trend
- √ Development visibility
- √ Profitability
- √ Debt burden
- √ Cost inflation

Chemical industry
- √ Development visibility
- √ Investment activity
- √ Competition with imports
- √ Raw material import dependence
- √ Export orientation

Coke and refined petroleum products
- √ Development visibility
- √ Competition with imports
- √ Raw material import dependence
- √ Operating efficiency
- √ Export orientation

Other finished products
- √ Development trend
- √ Development visibility
- √ Investment activity
- √ Debt burden

Light industry
- √ Development visibility
- √ Debt burden
- √ Cost inflation

Furniture
- √ Development visibility
- √ Debt burden
- √ Cost inflation

Beverages
- √ Development visibility
- √ Debt burden
- √ Competition with imports
- √ Operating efficiency
- √ Cost inflation

Other non-metallic mineral products
- √ Competition with imports
- √ Operating efficiency
- √ Export orientation

Rubber and plastic products
- √ Development visibility
- √ Debt burden
- √ Cost inflation

Food
- √ Development visibility
- √ Competition with imports
- √ Raw material import dependence

Finished metal products
- √ Development visibility
- √ Debt burden

Paper and paper products
- √ Debt burden
- √ Operating efficiency

Mechanical engineering
- √ Development trend
- √ Debt burden

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