

## VIII. QUARTERLY MANUFACTURING SECTOR DEVELOPMENTS

### 8.1. Basic Performance Indicators of the Manufacturing Sector

As it has been the case for the last consecutive quarters, there was no change in the number of firms during the second quarter of 2006/07. The data obtained from the CSA revealed that a total of 89,907 people were engaged in the manufacturing industry, of which 77,059 (85.7 percent) workers were permanent and the remaining 12,848 (14.3 percent) seasonal or temporary employees. While the number of permanent employees showed a marginal decrease vis-à-vis the preceding quarter, the number of temporary employees remained the same.

Among the industrial groups, food manufacturing firms remained to be the major employer like in the previous quarters, employing around 20.3 percent of the total work force in the manufacturing sector followed by textile industries which absorbed around 15.3 percent. On the contrary, tobacco-manufacturing firms were the least in terms of creating employment opportunities as they offered job only for 776 persons, which accounted 0.9 percent of the total employment in the sector.

**Table 8.1: Performance Indicators of the Manufacturing Sector**

Quarter	Number of Firms	Persons Engaged			Revenue from sales ('000 Birr)			Capacity Utilization (%)
		Permanent	Temporary	Total	Local	Export	Total	
2005/06 QII (A)	910	78,390	12,379	90,769	3,071,857	190,648	3,262,505	59.4
2006/07 QI (B)	910	77,957	12,850	90,807	2,757,218	127,469	2,884,687	56.7
QII (C)	910	77,059	12,848	89,907	3,612,341	170,044	3,782,385	54.3
Percentage Changes								Change in percentage Points
[C/A]	-	(1.7)	3.8	(0.9)	17.6	(10.8)	15.93	(5)
[C/B]	-	(1.2)	(0.0)	(1.0)	31.0	33.4	31.1	(2)

Source: CSA

<sup>1</sup> The manufacturing industry here refers to the medium and large scale where only ten or more persons are engaged and use power driven machine in the production process.

During the quarter under review, a total of Birr 3.8 billion revenue was earned by the manufacturing sector, which was higher by 31 percent over the previous quarter. Close to 95.5 percent of the revenue was generated from local sales while the remaining 4.5 percent was generated from exports.

When compared with the previous quarter, revenue generated from local sale and export increased by 31 and 33.4 percent, respectively. Once again food manufacturing firms contributed the largest share (20.1 percent) to the revenue generation during the quarter.

## 8.2 Developments in Capacity Utilization and Usage of Imported Raw Materials

High dependency on imported raw materials and low level of capacity utilization have remained the distinguishing feature of the Ethiopian manufacturing sector.

local market (56.8 percent) and lack of sufficient local supply (29.1 percent). This calls for a concerted effort both by government and other stakeholders to seek ways and means of enhancing domestic production of manufacturing raw materials thus reducing the outflow of the scarce foreign currency.

As depicted in Table 8.2, the main reasons for high dependency on imported raw materials were unavailability of raw materials in the

Table 8.2: Percentage of establishments by reasons for using imported raw materials

Quarter	Type of Reason					Total
	Lack of sufficient supply locally	Not available locally	Local supply is not reliable	Quality of locally available raw material is not reliable	Other reasons	
2005/06QII	5.7	67.0	19.8	7.5	-	100
2006/07QI	13.1	76.2	0.3	8.9	1.5	100
QII	29.1	56.8	9.2	5.0		100

Source: CSA

Table 8.3: - Percentage distribution of establishments by reason for not working at full capacity

Reasons for not working at full capacity	2005/06	2006/07	
	Qtr.II	Qtr. I	Qtr.II
Shortage of raw material	13.9	42.6	13.8
Shortage of spare parts	0.0	0.3	0.1
Shortage of foreign exchange	0.0	-	-
Lack of demand/ market	63.9	25.2	62.3
Shortage of working capital	2.3	2.7	1.3
Problem with water & electricity	8.9	16.8	13.9
Repeated breakage of machinery	3.2	3.1	4.1
Problem with workers	0.1	0.3	0.1
Lack of skilled man-power	7.3	2.7	-
Govt.rules and regulations	0.0	0.2	0.1
Others	0.4	6.2	4.3
Total	100	100	100

Source: CSA

As indicated in Table 8.1, the manufacturing firms were utilizing only 54.3 percent of their production capacity. In other words, 45.7 percent of the total capacity remained unexploited. The review period capacity utilization rate was lower by 5 and 2 percentage points vis-à-vis both the previous quarter and the same period of last year, respectively. According to CSA's quarterly manufacturing business survey, a relatively high degree of capacity utilization was observed in manufacture of wood and wood products and cork (99.8 percent) while a low level of

capacity utilization was recorded in manufacture of furniture (26.93 percent).

The main reasons for the observed under capacity utilization rate differ from time to time. Nevertheless, shortage of raw materials and lack of demand /market/ seem to be the main and more persistent reasons for under capacity utilization. Close to 62 percent of manufacturing establishments reported "lack of market demand" as a major cause for not operating at their full capacity, while "problem with electricity and water" was quoted as a reason by 13.9 percent of the manufacturing firms.