

VIII. QUARTERLY MANUFACTURING SECTOR

DEVELOPMENTS

8.1. Basic Performance Indicators of the Manufacturing Sector

During the 4th quarter of 2006/07, the total number of manufacturing firms remained at 910. According to data obtained from Central Statistical Agency (CSA), the review quarter total number of employment of the manufacturing sector stood at 88,946, of which permanent employees accounted for 86.9 percent and temporary employees for the balance. Compared to the preceding quarter, the number of permanent employees declined by 2.4 percent while temporary employment increased by 3.4 percent. Compared to the same period of last year, however, permanent employees of the sector slightly increased by 0.1 percent while

temporary employees declined by 5.6 percent.

With respect to relative share of industrial sub-sectors in the total employment, food industry took the lion's share employing around 21.1 percent of the total workforce in the sector followed by textile industries, 13.6 percent. On the contrary, tobacco-manufacturing firms were the least in terms of creating employment opportunities as they offered job only for 774 persons, which accounted for approximately 0.9 percent of the total employment in the sector.

Table VIII.1: - Performance Indicators of the Manufacturing sector ¹

Quarter	Number of Firms	Persons Engaged			Revenue from sales ('000 Birr)			Capacity Utilization (%)
		Permanent	Temporary	Total	Local	Export	Total	
2005/06 QIV (A)	910	77,256	12,334	89,590	3,332,721	262,619	3,595,340	54.0
2006/07QIII (B)	910	79,192	11,268	90,460	3,470,836	150,816	3,621,652	54.5
QIV(C)	910	77,297	11,649	88,946	4,005,338	302,937	4,308,275	54.5
Percentage Changes								Change in percentage Points
[C/A]	-	0.1	(5.6)	(0.7)	20.2	15.4	19.83	
[C/B]	-	(2.4)	3.4	(1.7)	15.4	100.9	19.0	0

Source: CSA

During the quarter under review, Birr 4.3 billion sales revenue was earned by the manufacturing sector, which showed 19 percent and 19.8 percent increase compared to the level in the previous quarter and the same period of last year. About 93 percent of the revenue was generated from local sales while the remaining 7 percent was from exports.

According to CSA's Quarterly Manufacturing Business Survey, food industry and beverages contributed the largest share to total revenue during the quarter as they generated 16.7 and 14.1 percent of the total revenue, respectively. Wearing apparel industries were at the bottom of the list with revenue amounting only to 0.7 percent of the total.

¹ The manufacturing industry here refers to the medium and large scale where only ten or more persons are engaged and use power driven machines in the production process

8.2 Developments in Capacity Utilization and Usage of Imported Raw Materials

According to CSA's Quarterly Manufacturing Industry Business Survey, high dependency on imported raw materials and low level of capacity utilization have remained the typical features of the Ethiopian manufacturing sector.

As the survey result depicts, the main reasons for high dependency on imported raw materials were unavailability of raw materials in the local market (70.8 percent), lack of

sufficient local supply (16.3 percent), problems related to quality (10.6 percent) and other reasons (1.95 percent). The fact that demand for raw materials by local manufacturing industries could not be satisfied from domestic sources due to major reasons specified above calls for concrete measures towards encouraging the production of adequate and quality raw materials locally taking into account the principle of comparative advantage.

Table VIII.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	
2005/06 QIV (A)	16.8	81.7	0.2	1.4	-	100
2006/07 QIII (B)	10.9	64.3	-	9.8	15.0	100
QIV (C)	16.3	70.8	0.8	10.6	1.95	100

Source: CSA

As indicated in Table VIII.1, the manufacturing firms were utilizing merely 54.5 percent of the total capacity. In other words, 45.5 percent of the total capacity remained unexploited. No change in capacity utilization was observed in the fourth quarter of 2006/07 compared with the previous quarter, although it slightly improved by 0.5 percentage points over the same quarter of last year.

According to CSA's quarterly survey a relatively high degree of capacity utilization was observed in manufacturing of wood and wood products and cork (85.8 percent) while manufacturing of furniture exhibited low capacity utilization (40.7 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.

Moreover, problems related with water and electricity have been gaining relative significance in hampering production at full capacity.

Table VIII.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.IV	Qtr. III	Qtr.IV
Shortage of raw material	41.2	15.82	15.3
Shortage of spare parts	0.9	4.93	0.9
Shortage of foreign exchange	1.4	-	-
Lack of demand/ market	40.0	57.6	45.4
Shortage of working capital	6.4	4.18	5.9
Problem with water & electricity	4.0	12.24	16.3
Repeated breakage of machinery	2.6	2.69	3.3
Problem with workers	-	-	-
Lack of skilled man-power	2.1	-	-
Govt.rules and regulations	-	1.64	-
Others	1.4	0.9	13.0
Total	100	100	100

Source: CSA