

VIII. QUARTERLY MANUFACTURING SECTOR DEVELOPMENTS

8.1. Basic Performance Indicators of Manufacturing Sector

The total number of manufacturing firms at the end of the second quarter of 2007/08 remained at 910 similar to that of the previous quarters. On the other hand, the total work force of the sector reached 91,897 showing a marginal decrease of 4.3 percent and an increase of 2.2 percent over the preceding quarter and the same quarter of 2006/07, respectively. Permanent employees accounted for 83.6 percent and temporary employees for the balance. Compared to the preceding quarter, the number of permanent

employees declined by 7.3 while that of temporary rose 14.2 percent.

With respect to relative share of sub-sectors in the total employment of the sector, food industry took the lion's share employing around 22.6 percent of the total workforce in the sector followed by textile industries, which absorbed around 13.9 percent. On the contrary, tobacco-manufacturing firms were the least (0.8 percent) in terms of employment.

Table 8.1 Performance indicators of manufacturing sector¹

Quarter	Number of Firms	Persons Engaged			In Percentage		Revenue from sales ('000 Birr)			Capacity Utilization (%)
		Permanen	emporary	Total	[D/F]	[E/F]	Local	Export	Total	
		D	E	F						
2006/07 QII (A)	910	77,059	12,848	89,907	85.7	14.3	3,612,341	170,044	3,782,385	54.3
2007/08QI (B)	910	82,899	13,175	96,074	86.3	13.7	3,804,480	212,546	4,017,026	63.5
QII (C)	910	76,849	15,048	91,897	83.6	16.4	3,857,398	191,603	4,049,001	58.3
Percentage Changes										Change in percentage Points
[C/A]	-	(0.3)	17.1	2.2			6.8	12.7	7.05	4
[C/B]	-	(7.3)	14.2	(4.3)			1.4	(9.9)	0.8	(5)

Source: CSA

¹ Manufacturing industry here refers to medium and large scale ones that involve ten or more people and use power driven machines.

According to Central Statistical Agency's (CSA's) Quarterly Manufacturing Business Survey, during the quarter under review, a total of Birr 4.01 billion sales revenue was generated by the manufacturing sector, a slight, 0.8 percent increase compared to the level in the previous quarter. About 95.3 percent

of the revenue was generated from local sales and the balance from exports.

Non-metallic production establishments constituted the largest share (21.1 percent) in terms of total revenue with wearing apparel industries at 0.4 percent were the least contributors.

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 typical features of the manufacturing sector in Ethiopia. The main reasons for high dependency on imported raw materials

were unavailability of raw materials in the local market (57.5 percent), problems related to quality (30.2 percent) and lack of sufficient local supply (11.0 percent).

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

Quarter	Lack of sufficient supply locally	Not available locally	Type of Reason			Total
			Local supply is not reliable	Quality of locally available raw material is not reliable	Other reasons	
2006/07QII	29.1	56.8	9.2	5.0	-	100
2007/08QI	10.8	72.8	-	15.0	1.4	100
QII	11.0	57.5	1.3	30.2	-	100

Source: CSA

As indicated in Table 8.1, the manufacturing firms were utilizing only 58.3 percent of the total capacity. In other words, 41.7 percent of the total capacity remained unexploited. Compared to the previous quarter, capacity utilization dropped by 5 percent while annual increase was merely 7 percentage points.

Relatively better capacity utilization was witnessed in manufacturing of paper & paper products (78.6 percent). Low capacity utilization was observed in

manufacturing of other non metallic products (40.8percent).

The main reasons for the observed under capacity utilization rate differ from time to time. Nevertheless, lack of demand /market/ (57.8 percent) seems the main and more persistent reason followed by shortage of raw materials (around 14.6). Problem with water and electricity, working capital and repeated breakage of machinery were also hampering full capacity utilization.

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

Reasons for not working at full capacity	2006/07	2007/08	
	Qtr.II	Qtr. I	Qtr.II
Shortage of raw material	13.8	14.5	14.6
Shortage of spare parts	0.1	0.3	3.9
Shortage of foreign exchange	-	-	-
Lack of demand/ market	62.3	36.5	57.8
Shortage of working capital	1.3	4.1	5.1
Problem with water & electricity	13.9	3.4	6.3
Repeated breakage of machinery	4.1	8.4	5.3
Problem with workers	0.1	-	-
Lack of skilled man-power	-	8.9	-
Govt.rules and regulations	0.1	-	-
Others	4.3	23.9	6.9
Total	100	100	100

Source: CSA