

IX. Manufacturing

9.1 Basic Performance Indicators of Manufacturing Sector

By the end of the first quarter of 2008/09, the total number of manufacturing firms remained 910, similar to the preceding quarter and same period last year.

On the other hand, the total work force of the sector reached 102,144 owing to the rise both in seasonal and permanent employment by 11.3 and 6.3 percent over the preceding quarter and same period of 2007/08, respectively.

Out of this, permanent employment accounted for 78.3 percent of the total workforce. Compared to the preceding quarter, the number of permanent

employment increased by 6.2 percent, and temporary employment by 34.7 percent.

As to the relative share of sub-sectors in the total employment, the food industry make up the lion's share of the manufacturing sector, absorbing about 32 percent of the total workforce, followed by textile which accounted for around 13 percent. On the contrary, tobacco-manufacturing firms were the least (only 0.7 percent) in terms of creating job opportunity.

Table 9.1 Performance Indicators of Manufacturing Sector

Quarters		Number of Firms	Employment					Revenue from Sales ('000 Birr)			Capacity Utilization (in %)	
			Permanent	Temporary	Total	Proportions (%)		Local	Export	Total		
			D	E	F	[D/F]	[E/F]					
2007/08	QI [A]	910	82,899	13,175	96,074	86.3	13.7	3,804,480	212,546	4,017,026	63.5	
	QIV [B]	910	75,316	16,456	91,772	82.1	17.9	4,995,651	226,323	5,221,974	55.7	
2008/09	QI [C]	910	79,973	22,171	102,144	78.3	21.7	5,007,966	250,908	5,258,874	53.5	
Percentage Changes											Change in percentage Points	
[C/A]	-	(3.5)	68.3	6.3				31.6	18.0	30.91		(10)
[C/B]	-	6.2	34.7	11.3				0.2	10.9	0.7		(2)

Source: - Central Statistical Agency (CSA)

According to Table 9.1, a total of Birr 5.3 billion sales revenue was generated during by the manufacturing sector. Showing a significant increase of 30.9 percent vis-à-vis same period of the previous year, despite 0.7 percent

marginal rise against the preceding quarter. About 95 percent of the revenue was derived from local sales. Local sales of beverages constituted the higher share of the revenues obtained from the manufacturing sector.

9.2 Developments in Capacity Utilization and Usage of Imported Raw Materials

During the review quarter, high dependency on imported raw materials was witnessed due to the unavailability

of raw materials in the local market (47 percent), quality problems (28.5 percent) and lack of sufficient local

supply (23.3 percent). Unreliability on the quality of locally available raw materials had been frequently reported during the review quarter than the preceding quarter and same quarter of

2007/08. However, many firms reported the locally un-availability of inputs as a reason for the quarterly dependence on imported raw materials (Table 9.2).

Table 9.2 Percentage of Establishments by Reasons for Using Imported Raw Materials

Quarters	Type of Reason					Total
	Lack of Sufficient Local Supply	Not Available Locally	Local Supply Unreliable	Quality of Locally Available Raw-materials Reliable	Other	
2007-08 QI	10.8	72.8	-	15.0	1.4	100
2007-08 QIV	26.5	54.4	1.3	17.8	-	100
2008-09 QI	23.3	47.0	1.3	28.5	-	100

Source:- CSA

Table 9.1 shows that the manufacturing firms utilized only 53.5 percent of the total capacity on average; implying that 46.5 percent of the total capacity remained idle. Capacity utilization decreased by 2 and 10 percentage points vis-à-vis the preceding quarter and same quarter of 2007/08.

Relatively better capacity utilization was observed in the manufacturing of paper and paper products (78.7 percent). While, low capacity utilization was witnessed in the furniture manufacturing industry (28.4 percent).

There were various reasons for the capacity under-utilization of the sector. Some of the include shortage of raw

materials, lack of demand/market and repeated breakage of machinery, among other (Table 9.3).

**Table 9.3 Percentage Distribution of Establishments
by Reason for not Working at Full Capacity**

Reasons for not working at full capacity	2007/08		2008/09
	Qrt.I	Qrt.IV	Qrt.I
Shortage of raw materials	14.5	22.4	54.7
Shortage of spare parts	0.3	0.59	0.2
Shortage of foreign exchange	-	2.16	0.4
Lack of demand/ market	36.5	26.33	17.7
Shortage of working capital	4.1	4.91	4.6
Problem with water & electricity	3.4	29.27	0.4
Repeated breakage of machinery	8.4	1.96	7.0
Problem with workers	-	-	-
Lack of skilled man-power	8.9	-	-
Gov't.rules and regulations	-	-	0.2
Others	23.9	12.38	14.7
Total	100	100	100

Source:- CSA

9.3 Micro and Small-Scale Enterprises

Micro and Small-Scale Enterprises Development Program is one of the programs developed under the Urban Development Package. The major objective of this program is creating and promoting micro and small-scale enterprises (MSEs) with the aim of reducing urban unemployment down to less than 20% by the end of 2009/10.

During the first quarter of 2008/09, 1,711 MSEs were created under Integrated Housing Development Program. These MSEs created job opportunities for 26,656 citizens both on permanent and casual bases.

Table: 9.4 Number of MSEs in Construction of Condominium Houses by Region during First Quarter of 2008/09

	Oromia	Amhara	SNNPR	Tigray	Harari	Dire Dawa	Grand Total
No. of MSEs	172	517	717	33	77	195	1,711
No of Total Employment	3,030	8,248	10,278	512.0	1,756	2,832	26,656

Source: Ministry of Works and Urban Development

In addition to these MSEs, there were 9,182 non-construction related MSEs established in five regions and Addis Ababa and Dire Dawa administrations during the review quarter. Besides, about

Birr 139.3 million was disbursed in loans to these MSEs from Micro Finance Institutions (MFIs). These non-construction sector MSEs created employment opportunities for 47,290 citizens in this quarter.

Table: 9.5 Number, Amount of Credit and Jobs Created through MSEs by Region

(Credit in Millions of Br)

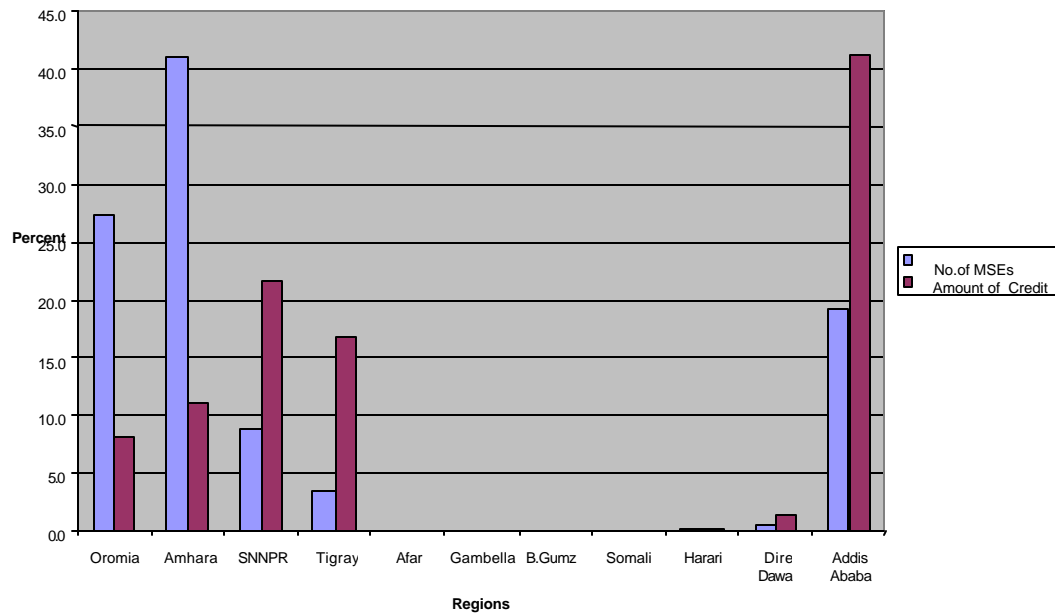
	Oromia	Amhara	SNNPR	Tigray	Harari	Dire Dawa	Addis Ababa	Grand total
No. of MSEs	2,521	3,770	795	304	7	34	1751	9,182
Amount of Credit (In Millions of Br)	11.29	15.26	30	23.3	0.23	1.79	57.45	139.32
No of Total Employment	6247	8,165	13076	5,035	844	1737	12186	47290
Percentage Share								
No.of MSEs	27.5	41.1	8.7	3.3	0.1	0.4	19.1	100.00
Amount of Credit	8.10	10.95	21.53	16.72	0.16	1.28	41.24	100.00
No of Total Employment	13.21	17.27	27.65	10.65	1.78	3.67	25.77	100.00

Source: Ministry of Works and Urban Development

As indicated in Table 9.5 and Fig 9.1, about 41.1 percent of the total MSEs were located in Amhara, followed by Oromia (27.5%), Addis Ababa (19.1 percent) and SNNPR (8.7 percent). Regarding the amount of credit

disbursed through MFIs, Addis Ababa accounted for 41.24 percent followed by SNNPR (21.5 percent), Tigray (16.7 percent), Amhara (10.9 percent) and Oromia (8.1 percent).

Fig IX.1 Regional Share of Number of MSEs and Amount of Credit during First Quarter of 2008/09



Source: Ministry of Works and Urban Development