

IX. MANUFACTURING

9.1 Basic Performance Indicators of Manufacturing Sector

By the end of the second quarter of 2008/09, the total number of manufacturing firms stood at 910, similar to that of the preceding quarter and same period last year.

On the other hand, the total work force of the sector went down by 13.6 and 4.0 percent to 88,236 compared to the preceding quarter and same period of 2007/08, respectively, due to the quarterly decline in both permanent and seasonal employment by 9.4 and 29.0 percent, respectively.

Permanent employment made up 82.1 percent of the total workforce; while the

remaining 17.9 percent went to seasonal employment.

On annual basis, permanent employment declined by 5.7 percent; while temporary employment was up by 4.7 percent.

Regarding job creation, food, textile and beverage industries absorbed 20, 15, and 11 percent of the total work force of the manufacturing sectors, respectively. Tobacco; motor vehicles, trailers and semi-trailers; wood and wood products, and cork, except furniture; and iron and steel products manufacturing industries took 0.8, 2.0, 2.1 and 1.6 percent, respectively of the total work force.

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 QII (A)	910	76,849	15,048	91,897	83.6	16.4	3,857,398	191,603	4,049,001	58.3
2008/09 QI (B)	910	79,973	22,171	102,144	78.3	21.7	5,007,966	250,908	5,258,874	53.5
2008/09 QII (C)	910	72,485	15,751	88,236	82.1	17.9	4,352,271	225,532	4,577,803	50.4
Percentage Changes										Change in percentage points
[C/A]	-	(5.7)	4.7	(4.0)			12.8	17.7	13.06	(8)
[C/B]	-	(9.4)	(29.0)	(13.6)			(13.1)	(10.1)	(13.0)	(3)

Source: Central Statistical Authority

During the period under review, Birr 4.6 billion sales revenue was generated by the manufacturing sector showing a 13 percent increase vis-à-vis the same period last year and 13 percent fall against the preceding quarter. About 95

percent of the revenue was derived from local sales reflecting the concentration of manufacturing products in the domestic market.

9.2 Developments in Capacity Utilization and Usage of Imported

Raw Materials

Manufacturing survey data revealed that 65.6 percent of the manufacturing firms complained about the shortage of local inputs. Of these, 18.3 percent reported

that the quality of locally available inputs was not reliable and 14.8 percent of them indicated lack of sufficient raw materials in the local market.

Table 9.2 Responses of Firms Regarding Usages of Imported Raw Materials

Quarters	Type of Reason					Total
	Lack of sufficient supply locally (in %)	Not available locally (in %)	Local supply is not reliable (in %)	Quality of locally available raw materials is not reliable (in %)	Other reasons (in %)	
2007-08 QII	11.0	57.5	1.3	30.2	-	100
2008-09 QI	23.3	47.0	1.3	28.5	-	100
2008-09 QII	14.8	65.6	1.4	18.3	-	100

Source: CSA

The average capacity utilization of the firms reached 50 percent down by 3 and 8 percentage points compared to the preceding quarter and same quarter of 2007/08 due to mainly lack of demand and working capital.

Relatively better capacity utilization was observed in the manufacturing of paper and paper products (77.4%); while lowest capacity utilization was witnessed in the furniture industry (30.6 %).

Table 9.3 Percentage Distribution of Establishments by Reasons for Not Working at Full Capacity

Reasons for not working at full capacity	2007/08	2008/09	
	Qrt.II	Qrt.I	Qrt.II
Shortage of raw materials	14.6	54.7	13.8
Shortage of spare parts	3.9	0.2	4.4
Shortage of foreign exchange	-	0.4	1.0
Lack of demand/ market	57.8	17.7	41.0
Shortage of working capital	5.1	4.6	20.0
Problem related with water & electricity	6.3	0.4	8.4
Repeated breakage of machinery	5.3	7.0	3.0
Problem with workers	-	-	-
Lack of skilled man power	-	-	-
Govt. rules and regulations	-	0.2	-
Others	6.9	14.7	8.4
Total	99.9	99.9	100

Source: CSA

Note: The manufacturing industry here refers to the medium and large-scale industries employing at least ten workers and use power driven machines

9.3 Micro and Small -Scale Enterprises

Micro and Small-Scale Enterprises Development Program is one 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 half of 2008/09, some

2,255 MSEs were created under the Integrated Housing Development Program.

These enterprises have created job opportunities for 71,403 citizens on both permanent and causal bases. The number of MSEs rose by 80 percent; however, job opportunities created for citizens dropped by 4.9 percent compared to last year.

Table: 9.3.1 Number of MSEs Engaged in Condominium Houses Construction and Job Creation Capacity during First Half of 2008/09

	2007/08	2008/09	Percentage Change
	First Half	First Half	
	A	B	B/A
Number of MSEs	1253	2,255	80.0
Total Employment	75,059	71,403	-4.9

Source: Ministry of Works and Urban Development

In addition, there were 36,824 non-construction related MSEs established in five regions and Addis Ababa administration during the first half of 2008/09.

About Birr 340.9 million was disbursed in loans to these MSEs from micro finance institutions. These MSEs have created job opportunities for 154,734 citizens during the review period.

Table: 9.3.2 Number, Amount of Credit and Jobs Created through MSEs by Region

(Credit in Millions of Br)

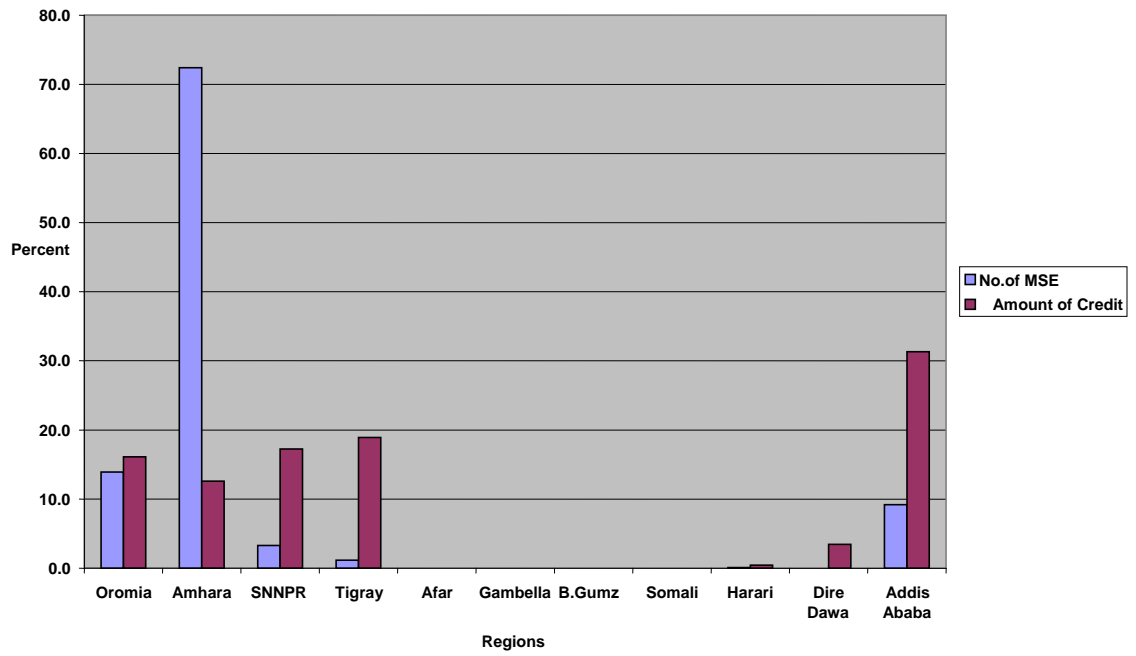
	Oromia	Amhara	SNNPR	Tigray	Harari	Dire Dawa	Addis Ababa	Total
Number of MSEs	5,121	26,664	1,210	423	28	—	3,378	36,824
Amount of Credit (In Millions of Br)	54.9	42.9	58.7	64.4	1.5	11.8	106.7	340.9
Total Employment	35,948	53,725	16,775	16,711	894	2,558	28,123	154,734
Percentage Share								
Number of MSEs	13.9	72.4	3.3	1.1	0.1	—	9.2	100
Amount of Credit	16.1	12.6	17.2	18.9	0.4	3.5	31.3	100
Total Employment	23.2	34.7	10.8	10.8	0.6	1.7	18.2	100

Source: Ministry of Works and Urban Development

As indicated in Table 9.3.2 and Fig. 9.3.1, about 72.4 percent of the total MSEs were created in Amhara, followed by Oromia (13.9%), Addis Ababa (9.2 percent) and SNNPR (3.3 percent).

Regarding the amount of credit disbursed through MFIs Addis Ababa accounted for 31.3 percent followed by Tigray (18.9 percent), SNNPR (17.2 percent) Oromia (16.1 percent), and Amhara (12.6 percent).

Fig IX.3.1: Regional Share in Number of MSEs and Amount of Credit during First Half of 2008/09



Source: Ministry of Works and Urban Development