

IX. MANUFACTURING

9.1 Basic Performance Indicators of Manufacturing Sector

By the end of the third quarter of 2008/09, the total number of manufacturing firms remained 910, similar to the preceding quarter and same period of last year. As Table 1 below illustrates, the total employment in the sector went down to 87,706 by 0.6 and 6.1 percent over the preceding quarter and same period of 2007/08, respectively. This is due to the decline both in permanent and casual jobs.

During the review quarter, permanent employment made up 82.2 percent of the total employment in the sector.

Compared to the same period of the preceding year, the number of permanent employment declined by 1.3 percent as casual employment declined by 23.3 percent.

Food, textile and beverage industries were the three major sub-sectors absorbing 20, 14.3 and 11.2 percent work force of the manufacturing sectors, respectively. However, tobacco, motor vehicles, wood products, iron and steel products industries were the least employers.

Table- 9.1 Total Employment and Revenue Generation of Manufacturing

Quarters	Number of Firms	Employment					Revenue from Sales ('000 Birr)		
		Permanent D	Temporary E	Total F	Proportions (%) [D/F]	[E/F]	Local	Export	Total
2007/08 QIII (A)	910	73,056	20,333	93,389	78.2	21.8	4,203,716	377,667	4,581,383
2008/09 QII (B)	910	72,485	15,751	88,236	82.1	17.9	4,352,271	225,532	4,577,803
2008/09 QIII (C)	910	72,082	15,624	87,706	82.2	17.8	4,346,903	108,196	4,455,099
Percentage Changes									
[C/A]	-	(1.3)	(23.2)	(6.1)			3.4	(71.4)	(2.76)
[C/B]	-	(0.6)	(0.8)	(0.6)			(0.1)	(52.0)	(2.7)

Sector during 2007/08-2008/09

Source: Central Statistical Agency (CSA)

As Table 9.1 depicts, a total of Birr 4.5 billion sales revenue was generated during the period from the manufacturing sector showing a decline of 2.76 percent vis-à-vis the same period of last year and 2.7 percent fall against the preceding quarter.

Revenue generated from the export of manufactured goods amounted to Birr

108.2 million which was 52 and 71 percent lower than the preceding quarter and same period of the previous year, respectively.

Food products and beverages constituted 20.3 and 22.7 percent share in revenue generated. About 97.6 percent of the total revenue was derived from local sales.

9.2 Developments in Capacity Utilization and Usage of Imported Raw

Materials

During the review quarter, 49.3 percent of the manufacturing firms complained about the shortage of local inputs (Table 9.2). Some 28.8 percent of the firms reported that the quality of locally

available inputs were not dependable; 20.2 percent of them also said that the locally available raw materials were insufficient and 1.3 percent expressed about the unreliable supply of local inputs.

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

Quarters	Reasons					Total
	Lack of sufficient local supply	Not available locally	Local supply unreliable	Quality of locally available raw materials unreliable	Other	
2007-08 QIII	16.4	81.1	2.4	0.2	-	100
2008-09 QII	14.8	65.6	1.4	18.3	-	100
2008-09 QIII	20.2	49.3	1.3	28.8	0.4	100

Source: CSA

According to Table 9.3, the average capacity utilization of the firms was only 50.4 percent of the total capacity; suggesting that one half of the total capacity remained idle.

Capacity utilization went down by 3 percentage points vis-à-vis same quarter of 2007/08.

There were various reasons for the capacity under-utilization of the manufacturing sector. As Table 9.3 indicates lack of demand/market (47%), shortage of water and electricity (21.1%)

Relatively better capacity utilization was observed in the manufacturing of rubber products (78%), tobacco products (70%), paper and paper products (68%); whereas

the lowest capacity utilization was witnessed in the wood and wood products industry (25 %).

and shortage of working capital (15.5%) were among the major hindrances observed in the sector during the review quarter.

Reasons for not working at full capacity	2007/08	2008/09	2008/09
	Qrt.III	Qrt.II	Qrt.III
Shortage of raw materials	32.6	13.8	3.8
Shortage of spare parts	2.4	4.4	2.8
Shortage of foreign exchange	-	1.0	2.0
Lack of demand/ market	36.6	41.0	47.0
Shortage of working capital	10.2	20.0	15.5
Problem related to water & electricity	6.9	8.4	21.1
Repeated breakage of machinery	4.3	3.0	4.5
Problem related to workers	0.3	-	-
Lack of skilled man-power	5.1	-	-
Government rules and regulations	-	-	1.3
Others	1.6	8.4	2.0
Total	100.0	100.0	100
Capacity Utilization (in %)	53.3	50.4	50.4

Source: CSA

Note: Manufacturing industry here refers to medium and large-scale industries that employ at least ten individuals and use power driven machines

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

9.3 Micro and Small-Scale Enterprises

Micro and Small-Scale Enterprises Development Program is one the programs developed under 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 percent by the end of 2009/10.

During the past nine months of 2008/09, 3,066 MSEs were established under the Integrated Housing Development Program. These enterprises have created job opportunities for 165,523 citizens on both permanent and causal bases.

Table: 9.3.1 Number of MSEs Engaged in Construction of Condominiums Houses and Job Opportunities Created during Nine Months of 2008/09

	Oromia	Amhara	SNNPR	Tigray	Harari	Dire Dawa	Addis Ababa	Grand Total
No. of MSEs	172	474	718	510	96	197	899	3,066
No. of Total Employment	3,030	17,740	10,278	7650.0	1,393	3,433	121,999	165,523

Source: Ministry of Works and Urban Development and Staff Compilation

9.3.1 MSEs and Credit Distribution by Region

In addition to the aforementioned MSEs, some 35,096 non-construction MSEs were established in five regions and Dire Dawa Administration during the last nine months of 2008/09.

About Birr 405.6 million was disbursed in loans to these MSEs from various micro finance institutions. These MSEs created job opportunities to 199,746 citizens in the first half of 2008/09.

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

(Credit in Millions of Br)

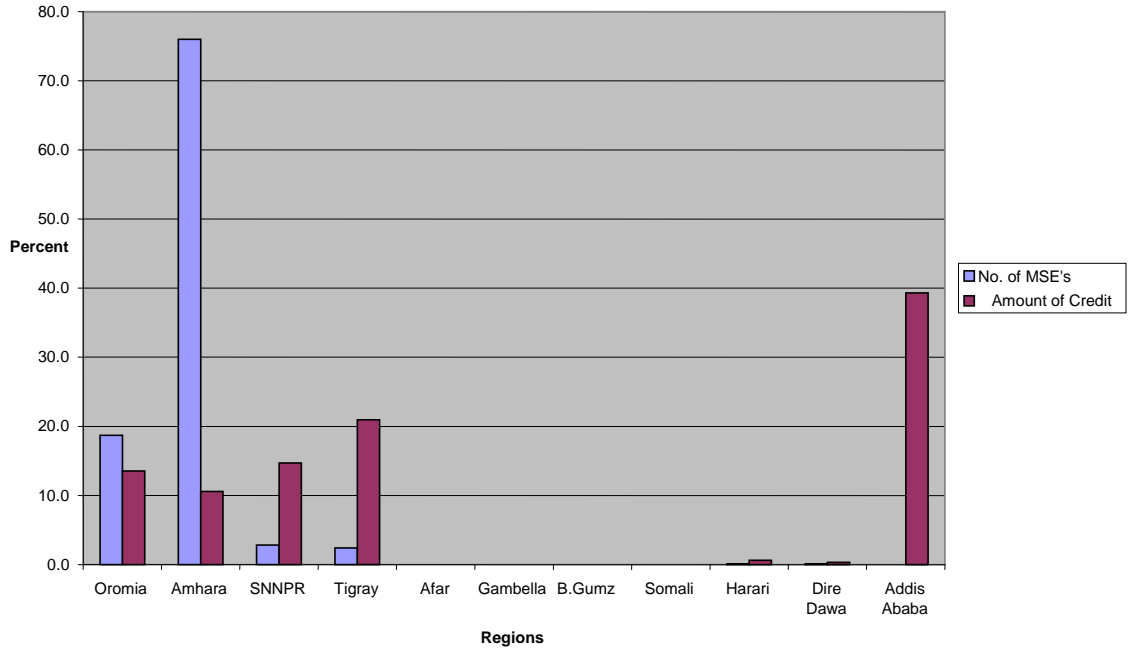
	Oromia	Amhara	SNNPR	Tigray	Harari	Dire Dawa	Addis Ababa	Total
No. of MSEs	6,558	26,664	979	827	34	34	NA	35,096
Amount of Credit (In Millions of Br)	54.9	42.9	59.6	85	2.48	1.3	159.4	405.58
No of Total Employment	94,456	53,725	11,097	31,458	2,640	6,070	NA	199,746
Percentage Share								
No.of MSEs	18.7	76	2.8	2.4	0.1	0.1	—	100
Amount of Credit	13.5	10.6	14.7	21	0.6	0.3	39.3	100
No of Total Employment	47.3	26.9	5.6	15.9	1.3	3	1.3	100

Source: Ministry of Works and Urban Development and Staff Compilation

As indicated in Table 1.5.2 and Fig 5.1 below, about 76 percent of the total MSEs were established in Amhara, followed by Oromia (18.7 percent) and SNNPR (2.8 percent). Regarding the

amount of credit disbursed, through MFIs, Addis Ababa accounted for 39.3 percent followed by Tigray (21 percent), SNNPR (14.7 percent) Oromia (13.5 percent) and Amhara (10.6 percent).

Fig IX.1: Regional Share of Number of MSEs and Amount of Credit during Nine Months of 2008/09



Source: Ministry of Works and Urban Development and Staff Compilation

