

## IX MANUFACTURING

### 9.1 Basic Performance Indicators of Manufacturing Sector

By the end of the fourth quarter of 2008/09, the total number of manufacturing firms stood at 910 as in the preceding quarter and same period of last year. Total employment in the sector went down to 84,502 or by 7.9 percent compared to last year same period due to the declines both in permanent and casual jobs by 6.7 and 13.4 percent, respectively.

Permanent employment made up 83.1 percent of the total employment in the sector.

Food, textile and beverage industries were the three major sub-sectors absorbing 19.5, 14.2 and 12.6 percent work force of the manufacturing sector, 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 Sector (2007/08-2008/09)**

Quarters	Number of Firms	Employment					Revenue From Sales (In Millions of Birr)		
		Permanent	Temporary	Total	Proportions (%)		Local	Export	Total
		D	E	F	[D/F]	[E/F]			
<b>2007/08 QIV (A)</b>	910	75,316	16,456	91,772	82.1	17.9	4,996	226	5,222
<b>2008/09 QIII (B)</b>	910	72,082	15,624	87,706	82.2	17.8	4,347	108	4,455
<b>2008/09 QIV (C)</b>	910	70,258	14,244	84,502	83.1	16.9	5,058	119	5,177
Percentage Changes									
<b>[C/A]</b>	-	(6.7)	(13.4)	(7.9)			1.2	(47.6)	(0.87)
<b>[C/B]</b>	-	(2.5)	(8.8)	(3.7)			16.4	9.6	16.2

Source: Central Statistical Agency (CSA)

At the same time, a total of Birr 5.2 billion sales revenue was generated during the period from the manufacturing sector, showing annual decline of 0.9 percent.

Revenue generated from the export of manufactured goods amounted to Birr

119 million or 47.6 percent lower than last year.

Correspondingly, food products and beverages constituted 19.8 and 23.5 percent share in revenue generation. About 97.7 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, about 43 percent of the manufacturing firms complained about the unavailability of local inputs (Table 9.2). Some 10.3 percent of the firms reported that the quality of locally available inputs was

not dependable; 45.4 percent said that the locally available raw materials were insufficient and 1.2 percent expressed about the unreliable supply of local inputs.

**Table 9.2 Percentage of Firms by Reasons for Using Imported Raw Materials**

Quarters	Reason					Total
	Lack of Sufficient Local Supply	Not Available Locally	Local Supply Unreliable	Quality of Locally Available Raw Materials Unreliable	Other Reasons	
2007-08 QIV	26.5	54.4	1.3	17.8	-	100
2008-09 QIII	20.2	49.3	1.3	28.8	0.4	100
2008-09 QIV	45.4	43.0	1.2	10.3	-	99.5

Source: CSA

According to Table 9.3, the average capacity utilization of the firms was only 48.8 percent suggesting that 51.2 percent of the total capacity remained idle. Capacity utilization went down by 7.0 percentage points vis-à-vis same quarter of 2007/08.

Relatively better average capacity utilization was observed in the manufacturing of wood and wood products (73.2%), motor vehicles and tailors (71%), and paper and paper products (68%). The lowest capacity utilization was witnessed in the

manufacturing of textiles (35%) and furniture (34 %).

There were various reasons for the capacity underutilization in the manufacturing sector. As Table 9.3 depicts, shortage of water and electric power (80.5%) was mentioned as the major trouble for the quarter's performance. Lack of raw materials (5.3%), shortage of working capital (4.5%) and dearth of demand\market (2.0%) were among the other hindrances observed in the sector.

**Table-9.3 Percentage Distribution of Companies by Reason for Not Working at Full Capacity**

Reasons for not working at full capacity	2007/08	2008/09	2008/09
	Qrt.IV	Qrt.III	Qrt.IV
Shortage of raw materials	22.4	3.8	5.3
Shortage of spare parts	0.59	2.8	0.8
Shortage of foreign exchange	2.16	2.0	1.1
Lack of demand/ market	26.33	47.0	2.0
Shortage of working capital	4.91	15.5	4.5
Problem related to water & electricity	29.27	21.1	80.5
Repeated breakage of machinery	1.96	4.5	0.6
Problem related to workers	-	-	-
Lack of skilled manpower	-	-	-
Govt. rules and regulations	-	1.3	1.3
Others	12.38	2.0	5.3
Total	100	100	100
Average Capacity Utilization (in %)	55.7	50.4	48.8

Source: CSA

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