

9-1-1988

Developments in the manufacturing sector during the third quarter of 1988

Studies Division Sectoral

Follow this and additional works at: <https://dc.cbn.gov.ng/efr>

Recommended Citation

Sectoral Studies Division (1988). Developments in the manufacturing sector during the third quarter of 1988. CBN Economic and Financial Review, 26(3). 12 - 13.

This Article is brought to you for free and open access by CBN Institutional Repository. It has been accepted for inclusion in Economic and Financial Review by an authorized editor of CBN Institutional Repository. For more information, please contact dc@cbn.gov.ng.

DEVELOPMENTS IN THE MANUFACTURING SECTOR DURING THE THIRD QUARTER OF 1988

There was a modest improvement in the performance of the manufacturing sector during the third quarter, despite the continuing problems of high production costs arising from the weakening of the naira. Large scale enterprises were better able to cope with the problems in contrast with small scale enterprises (SSEs), 720 of which folded up during the period January 1987 through June 1988¹. In general, in line with the policy measures of the Structural Adjustment Programme, enterprises that sourced substantial proportion of their inputs locally improved on their production-cost profile and also on sales, due to the price competitiveness of the locally-made goods vis-a-vis imported ones.

From the Central Bank of Nigeria's nation-wide survey of 355 manufacturing establishments where a response rate of 56.4 per cent was achieved, average capacity utilisation rate was 39.5 per cent. This marked 1.5 and 1.0 per cent increases over the levels recorded in the third quarter of 1987 and the second quarter of 1988, respectively. The survey, which covered five zones nation-wide – Lagos, Ibadan, Enugu, Bauchi and Kano revealed that capacity utilisation rates were higher in the zones where more than fifty per cent of the respondents were medium or large scale enterprises than in those zones where small scale enterprises comprised the bulk of the respondents. Consequently, Ibadan, Lagos and Bauchi zones recorded relatively high capacity utilisation rates of 41.2, 41.3 and 49.2 per cent, respectively, compared with Enugu and Kano zones with average capacity utilisation rates of 38.4 and 27.6 per cent, respectively. Enterprises that relied less on imported inputs achieved higher capacity utilisation rates than those that depended largely on imported inputs. Specifically, the rates of performance were as follows: printing and publishing (70%), knitting, carpets and rugs (68.0%), drugs and medicine (56.5%), textiles (52.8%), beer and stout (52%), tyres and tubes (50.0%), leather (49.2%), miscellaneous food preparation (48.5%), basic industrial chemicals (46.9%), soft drinks (46%), soap and perfumes (44.9%), cement (42.3%) and plastic products (40.1%). Conversely, firms heavily reliant on imported inputs operated below 30 per cent of their installed capacities and included radio, TV and communications equipment (28.5%), auto assembly (22%), glass and glass products (18.8%), paints (19.3%) and structural metal products (18.3%). In growing response to the reform measures of the SAP, and contrary to what obtained in the preceding quarters, none of the sub-groups operated less than an average of 15 per cent of installed plant capacity. In the Lagos Area, none of the respondent firms operated less than 20 per cent of installed plant capacities.

1. Source: The Nigerian Association of Small-Scale Industrialists (NASSI) Report on SSEs, August 1988.

The value of production increased by 31.4 per cent over the level recorded in the preceding quarter. This was mainly

due to increases in the cost of raw materials. The increases applied to both locally sourced and imported raw materials. Locally sourced raw materials comprised 40.0 per cent of the value of total raw materials – an improvement of 10.0 per cent compared with the proportion utilised in the corresponding quarter of 1987.

The value of sales for the respondent firms increased by 53.6 and 29.7 per cent over the levels recorded in the third quarter of 1987 and in the second quarter of 1988, respectively. This was partly due to the high prices of goods sold and partly to the modest improvement in consumer demand.

There was a decline in the inventory of finished goods during the quarter in contrast to what obtained since the introduction of the Structural Adjustment Programme (SAP) when weak consumer demand induced a huge build-up of finished goods inventory. Due to better planning by producers and partly to improved consumer demand, finished goods inventory declined by 8.1 per cent over the level recorded in the preceding quarter.

Most of the respondents stepped-up purchases of spare parts during the quarter, in line with the newly-cultivated culture of maintenance of existing machinery and equipment. Compared with the preceding quarter, as well as the corresponding quarter of 1987, expenditure on spare parts increased by 44.1 and 7.8 per cent, respectively.

The major source of fund for the manufacturers continued to be internally generated funds which comprised 70 per cent of investment expenditure. Owing to the high cost of credit, manufacturers continued to minimise recourse to banking credit which comprised about 15 per cent of total sources of fund.

The employment situation did not improve. Total employment declined during the quarter by 6.4 per cent, compared with the preceding quarter. There were however sub-groups where the employment situation improved. These included beer and stout, soft drinks, textiles, knitting, carpet and rugs, plastic products, cement and paper manufacturing.

For the remaining quarter of 1988, 27.5 per cent of the respondents perceive a promising business outlook. The bulk of the firms (60.9%) were uncertain of future business prospects while 11.6 per cent anticipated very grim business situation especially with the rapid downside of the naira exchange rate. Most of the respondents urged that the government should

- (1) stabilise the naira exchange rate;
- (2) ease the liquidity strain, and
- (3) improve infrastructural facilities, particularly energy and water supply.

Industrial Studies Office,
Sectoral Studies Division,
Research Department.

AVERAGE INSTALLED-CAPACITY UTILIZED (%)

		(1)	(2)	(3)
	Code	3rd Qtr. 1987	2nd Qtr. 1988	3rd Qtr. 1988
Meat & Dairy Products	MA	36.0	35.5	37.0
Vegetable & Grain Mill	MB	20.3	31.3	25.5
Bakery Products	MC	13.5	20.0	25.0
Sugar Cocoa Confectionery	MD	39.0	32.7	34.5
Miscellaneous Food Prep.	ME	37.5	12.2	48.5
Beer & Stout	MF	50.5	50.6	52.7
Soft Drinks	MG	40.0	43.5	46.2
Textiles	MH	48.9	43.3	52.8
Knitting Carpets & Rugs	MJ	62.3	67.4	67.5
Leather Products	MK	48.0	54.8	49.2
Leather Footwear	ML	36.5	35.0	39.0
Wood & Cork Products	MN	52.9	42.1	38.4
Paper Manufacture & Products	MO	25.9	36.8	38.8
Printing & Publishing	MP	60.0	70.0	70.0
Basic Industrial Chemicals	MQ	43.7	45.0	46.9
Paints	MR	17.1	19.3	19.3
Drugs & Medicine	MS	58.1	39.5	56.5
Soap & Perfumes	MT	35.3	40.1	44.9
Other Chemicals & Pet. Products	MU	47.0	55.0	34.0
Tyres & Tubes	MV	53.0	48.7	50.0
Plastic Products	MW	40.2	39.8	40.1
Glass & Glass Products	MX	29.0	19.9	18.8
Cement & Cement Products	MY	36.6	41.9	42.3
Structural Metal Products	MAA	22.0	16.5	18.3
Fabricated Metal Products	MAB	33.2	24.7	30.2
Radio, TV. & Comm. Equipments	MAC	33.0	20.0	28.5
Motor Vehicle Assembly	MAD	17.5	15.8	22.0
AVERAGE		38.0	38.5	39.5