

3-1987

Performance of the Manufacturing Sub-Sector during the First Quarter of 1987

Central Bank of Nigeria CBN
Central Bank of Nigeria

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



Part of the [Business Commons](#), and the [Economics Commons](#)

Recommended Citation

Central Bank of Nigeria (1987). Performance of the Manufacturing Sub-Sector during the First Quarter of 1987. CBN Economic and Financial Review. 25(1), 16.

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.

PERFORMANCE OF THE MANUFACTURING SUB-SECTOR DURING THE FIRST QUARTER OF 1987

This report presents the results obtained from an impressionistic survey conducted by the Central Bank of Nigeria to assess the performance of the manufacturing sub-sector during the first quarter of 1987. During the survey, 135 firms, covering 20 industrial sub-groups, were contacted and 48.8 per cent response rate was achieved.

The survey showed that although the supply of imported inputs increased significantly as a result of the introduction of the Second-tier Foreign Exchange Market (SFEM), performance in the manufacturing sub-sector during the first quarter of 1987 was adversely affected by high cost of production and general low demand for finished goods. Some of the respondents complained of inability of their products to compete with their imported counterparts in the local market as well as cash flow problems arising from the low demand for their products.

The survey indicated that capacity utilization averaged 35.6 per cent in the quarter, compared with 39.5 and 38.1 per cent in the corresponding periods of 1986 and 1985, respectively, and 36.2 per cent in the 4th quarter of 1986. Respondents from industrial groups such as vegetable oil, grain milling, and textile, leather products, paints and plastic products operated above 40 per cent of their respective installed plant capacities. However, some others such as electronics and sugar confectionery operated below 20 per cent. The motor assembly group was worst hit, operating at an average of 7 per cent. High inventory of finished goods resulting from low demand, forced manufacturers to cut down on production which, in turn, resulted in average low capacity utilization rates for the majority of the respondent firms. Consistent with this low capacity utilization, one shift system of operation was dominant. A proportion of 45.8 per cent of the respondents operated 1 shift system, while 33 and 20 per cent operated 2 shifts and 3 shifts system, respectively.

Compared to the fourth quarter of 1986, total sales fell by 20 per cent in contrast to an increase of 33 per cent in the first quarter of 1986. The low sales of the respondents was attributable to high product prices and the consequent low demand for the products.

About 70 per cent of the respondent firms recorded decreases in the value of sales, compared with 25 per cent in the first quarter of 1986.

The quantities of goods produced by 83 per cent of the respondents fell below their levels in the first quarters of 1986. However, some respondents from the textile, paints, paper products, soap and detergents, other chemicals and petroleum products reported increases in production during the review period.

About 78 per cent of the respondent firms complained of high cost of production which resulted in high prices of finished goods. The high prices, in turn, led to decline in demand for their products giving rise to inventory accumulation and associated cash flow problems. Reflecting the high cost of production, the values of output (at cost) rose by 215 and 270 per cent above their levels in the 4th and first quarters of 1986, respectively.

As a result of the relative ease in procuring imports under the SFEM, the value of total raw materials utilised in the review period increased by 75.7 and 50.6 per cent over the levels in the first quarters of 1986 and 1985, respectively. Imported raw materials during the quarter were also 88.5 per cent higher than the level in the 4th quarter of 1986. The value of imported raw materials constituted 57.9 per cent of the total raw materials used during the period. This reflected increases of 141.0 and 49.4 per cent over the levels in the fourth and first quarters of 1986, respectively. The balance of 42.1 per cent of the raw materials utilised during the quarter under review was sourced locally. Some firms in the beverages, tyres and tube, and leather product, claimed that their operations were hampered by inadequate supply of raw materials (such as cocoa, rubber and leather), most of which were being exported in greater quantities since the introduction of the SFEM.

Total employment in the first quarter of 1987 fell by 10.9 and 9.3 per cent, below the respective levels in the first quarters of 1985 and 1986. The highest decline in employment ranging between 19 per cent and 59 per cent occurred in the bakery products, carpets and rugs, tyres and tubes and motor assembly industrial sub-groups.

**INDUSTRIAL STUDIES OFFICE,
RESEARCH DEPARTMENT.**