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DEVELOPMENTS IN THE INDUSTRIAL SECTOR DURING THE SECOND QUARTER OF 1989

Aggregate industrial output improved during the second quarter of the year in spite of the problems of high production costs and liquidity constraints. The index of industrial production at 225.6 (1972 = 100) increased by 6.7 and 3.6 per cent over its levels in the corresponding quarter of 1988 and the first quarter of 1989, respectively (see table 1). Compared with its level in the corresponding quarter of 1988, the rise in industrial output was accounted for by the respective increases of 20.6 and 2.4 per cent in mining and manufacturing output which outweighed the decline of 2.8 per cent in electricity consumed. As against this, the three components, manufacturing, electricity and mining increased by 1.1, 3.2 and 10.5 per cent from their respective levels in the first quarter of 1989.

MANUFACTURING

Manufacturing output improved during the quarter. This was reflected in the index of manufacturing production which at 483.4 (1972 = 100) increased by 2.4 and 1.1 per cent over its levels in the second quarter of 1988 and the first quarter of 1989, respectively (see table 2). The improvement was due to moderate successes in sourcing some raw material inputs locally. In accordance with the philosophy of the Structural Adjustment Programme (SAP), some enterprises using locally based inputs made significant improvement in the utilisation of plant capacities. Some others with high import dependence remained incapable of operating up to one-fifth of the installed plant capacities, year in year out since the introduction of the SAP. On the other hand, some enterprises recorded wide fluctuations in capacity utilisation rates in consonance with the ebb and flow of imported inputs. Working capital constraints impaired the ability of such enterprises to procure foreign exchange for needed inputs. Thus performance in the manufacturing sector continued to be characterised by high capacity utilisation rates in some enterprises and very low or widely fluctuating rates in some others.

These developments in the manufacturing sub-sector were further confirmed in a nation-wide survey of 472 manufacturing establishments conducted by the Central Bank of Nigeria in which a response rate of 57.8 per cent was achieved. According to the survey, overall average capacity utilisation rate was 41.5 per cent compared with 40.1 per cent achieved in the corresponding period of 1988 and in the first quarter of 1989, respectively. In the period, relatively high capacity utilisation rates were operated in the sub-groups of other chemical and petroleum products (79%) beer and stout (77.3%), drugs and medicine (63%), textiles (59%), soft drinks (56.4%), tyres and tubes (51.5%), leather products (50%), plastic products (45.8%) and fabricated metal products (44.0%). The sub-groups that operated low capacity utilisation rates included soap and perfumes (38.1%), radio, T.V. and communications equipment (34.8%), bakery products (30%), sugar confectionary (28.1%), meat and dairy products (18%), knitting carpets and rugs (16%) and auto assembly (9.3%). About 53 per cent of the respon-

dents increased their output during the period compared with 40 per cent in the corresponding period of 1988.

The value of production rose by 16.7 and 15.2 per cent over its respective levels in the first quarter of 1989 and the second quarter of 1988. High production costs arising from high cost of imported and local inputs as well as high maintenance costs accounted mainly for the increase. The value of total raw materials used increased by 24 per cent over its level in the first quarter of 1988 and by 40 per cent over its level in the first quarter of 1989. The value of imported raw materials increased by 27.2 per cent while the value of locally sourced raw materials increased by 51.4 per cent over their levels in the preceding quarter. For the respondents, depreciation allowances increased by 45 per cent while salaries and wages increased by 23.5 per cent during the quarter. Value added increased by 56 per cent with beer and stout, textiles and soap and perfumes accounting for the bulk of the increase in total value added.

Largely as a result of the high prices of goods sold, turnover for the respondent firms increased by 74 per cent. Aggregate investment expenditure also rose by 36.5 per cent. Expenditure on spare parts and new machinery increased by 24 and 7 per cent, respectively. Company's own funds continued to account for the bulk (79%) of fund used due to the relatively high cost of credit. Company's fund increased by 27.3 per cent over its level in the preceding quarter of 1988.

Aggregate employment for the respondent firms increased by 4.1 per cent, a reflection of the improved performance in some enterprises.

A total of 72 per cent of the respondent firms viewed business prospects in the third and fourth quarters of the year as uncertain, while 5 per cent of the respondents anticipated a rather grim situation. Inability to substantially improve on average capacity utilisation rate was due to numerous but inter-related factors such as weak consumer demand, high production costs, arising from continued depreciation of the currency, high interest rates, financial constraints and the consequent inability to replace old machinery or procure spare parts for maintenance purposes due to foreign exchange shortage.

MINING

Performance in the mining sub-sector improved substantially during the quarter. This was reflected in the index of mining production which at 89.1 (1972 = 100) increased appreciably by 20.6 and 10.5 per cent over its levels in the second quarter of 1988 and in the first quarter of 1989, respectively. The major components of mining output—crude petroleum and solid minerals increased during the quarter. Crude petroleum output increased by 15.5 and 10.9 per cent over its respective levels in the corresponding period of 1988 and in the first quarter of 1989. Solid mineral production also increased by 52.3 and 9.6 per cent over its levels in the second quarter of 1988 and in the first quarter of 1989, respectively (see table 3). The increase was attribut-

ed to the sharp rise of 404.0 and 58.0 per cent in the production of cassiterite and limestone, while the production of marble and coal fell significantly by 76.2 and 20.4, respectively. The spurt in cassiterite production could be due to the imposition of life jail on smugglers during the 1989 budget. Towards the end of 1988, the price of tin rose to £4,300.00 (or ₦30,000.00) per tonne and could have resulted in increased production channelled through official sources.

The mining of solid minerals in general, continued to be seriously handicapped by poor access to mining sites, use of obsolete machinery and inadequacy of funds to replace or repair machinery and equipment. In addition, the remuneration to solid mineral miners was poor vis-a-vis prevailing salaries and wages in the crude oil sub-sector.

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QUARTERLY INDEX OF INDUSTRIAL PRODUCTION

Table 1

Industry	2nd ¹ Qtr. 1988 (1)	1st ² Qtr. 1989 (2)	2nd ² Qtr. 1989 (3)	Percentage Change Between	
				1 & 3	2 & 3
Manufacturing	471.9	478.0	483.4	2.4	1.1
Mining	73.9	80.6	89.1	20.6	10.5
Electricity	533.0	502.0	518.0	-2.8	3.2
Total for all Sectors	211.5	217.7	225.6	6.7	3.6

1 = Revised

2 = Provisional

Sources: Derived from data obtained from CBN surveys, Federal Office of Statistics (FOS) Federal Ministry of Mines and Power, Nigerian National Petroleum Corporation (N.N.P.C.) and National Electric Power Authority (N.E.P.A.).

INDEX OF MANUFACTURING PRODUCTION
(Base Quarterly Average 1972 = 100)

Table 2

Year	Sugar Confectionery	Soft Drinks	Beer & Stout	Cotton Textiles	Synthetic Fabrics	Foot-wear	Paints	Refined Petroleum	Cement	Roofing Sheets	Vehicle Assembly	Soap & Detergents	Radio & T.V.	Total
1984	47.2	921.6	419.4	103.9	639.4	51.3	243.1	251.7	60.9	113.2	689.3	171.0	334.1	280.8
1985	42.2	785.4	489.3	110.0	340.2	41.8	177.2	358.8	303.8	285.1	1,344.1	178.3	367.6	336.6
1986	30.5	559.4	617.4	44.0	666.8	32.7	140.1	201.0	328.5	525.9	629.0	181.4	181.4	323.5
1987 ¹	57.7	1,005.6	406.9	140.1	3,828.9	23.2	157.9	296.1	279.6	155.8	362.6	498.7	81.6	432.3
1988 ²	38.1	1,045.1	544.4	141.9	4,386.5	24.5	165.3	364.5	336.1	172.2	243.1	483.1	25.9	479.9
1989	27.9	1,283.1	437.7	146.8	4,366.8	14.6	218.7	365.9	299.3	142.3	162.5	476.0	25.8	480.7
1987 ¹														
1st Quarter	46.8	1,054.3	366.7	128.1	3,718.6	22.7	160.0	241.0	272.3	181.0	350.4	513.3	112.5	405.8
2nd Quarter	56.6	1,055.5	372.1	152.9	3,839.3	24.3	157.4	248.1	286.4	148.8	332.9	540.4	69.7	419.8
3rd Quarter	64.6	927.3	383.6	131.5	3,755.5	22.5	155.5	333.1	281.7	145.2	405.8	446.8	71.0	426.3
4th Quarter	62.9	985.4	505.0	147.7	4,002.1	23.2	158.7	362.0	278.1	148.2	361.1	494.5	73.3	477.2
1988 ²														
1st Quarter	39.8	1,214.1	410.2	146.4	4,442.0	18.3	214.1	338.4	307.3	140.5	184.4	478.3	26.8	474.0
2nd Quarter	38.5	940.5	435.7	145.4	4,291.6	14.3	147.9	393.4	307.9	144.6	256.0	487.0	24.8	471.9
3rd Quarter	36.6	981.9	627.2	145.8	4,524.4	34.5	162.7	333.1	361.9	192.5	267.0	480.3	26.5	485.4
4th Quarter	37.5	1,043.7	704.6	130.0	4,288.0	30.9	136.5	393.4	367.3	211.2	264.8	486.7	25.4	488.1
1989 ³														
1st Quarter	25.2	1,495.8	414.2	145.2	4,442.0	14.4	288.0	338.4	296.0	133.2	129.0	462.5	26.8	478.0
2nd Quarter	30.6	1,070.3	461.1	148.4	4,291.6	14.7	149.4	393.4	302.6	151.4	196.0	489.4	24.8	483.4

1 Revised

2 Provisional

3 Estimates

Source: Data derived from CBN Surveys and Federal Office of Statistics (FOS).

Table 3

PRINCIPAL SOLID MINERALS PRODUCTION (TONNES)

MINERALS	2nd Qtr. 1988 (1)	1st Qtr. 1989 (2)	2nd Qtr. 1989 (3)	Percentage Change Between	
				1 & 3	2 & 3
Cassiterite	15.0	107.8	75.6	404.0	-29.3
Columbite	-	16.1	14.3	-	-12.8
Coal	23,670.2	19,414.4	18,851.6	-20.4	- 2.9
Limestone	320,030.0	458,493.0	505,725.0	58.0	10.3
Marble	902.0	687.1	215.0	-76.2	-68.7
	344,617.2	478,718.3	524,881.5	52.3	9.6

Source: Ministry of Mines, Power & Steel.

CRUDE OIL PRODUCTION
'000 Barrels

Table 4

1988 ¹	
1st Quarter	125,062
2nd Quarter	129,944
3rd Quarter	135,658
4th Quarter	144,937
1989 ²	<i>Million Barrels</i>
1st Quarter	135.164
2nd Quarter	150.000 + 10.9%

	2nd Qtr. 1988 (1)	1st Qtr. 1989 (2)	2nd Qtr. 1989 (3)	1 & 3	2 & 3
Crude Petroleum Production	129.9	135.2	150	+15.5	+10.9%

¹ Revised

² CBN Estimates

Source: NNPC and Petroleum Producing Companies.