

PERFORMANCE OF THE MANUFACTURING SUB-SECTOR DURING THE FIRST QUARTER OF 1989

This report is a summary of the results obtained from a survey of the manufacturing sub-sector, conducted by the Central Bank of Nigeria. The survey covered 410 firms spanning 20 industry sub-groups, out of which 56 per cent responded.

The survey showed that the performance in the manufacturing sub-sector during the first quarter of 1989 improved in spite of the problems of shortage of spare parts to resuscitate ageing machineries, inadequate foreign exchange, as well as the high rate of naira depreciation which reduced imports of the essential inputs especially in the chemical, basic metal and assembled products group. Increased local sourcing of inputs in the agro-allied groups, though at high cost arising from intense competition among the end users, diversification of productions and adaptation of machineries, were responsible for the improved performance in the sub-sector.

The average rate of capacity utilization in all manufacturing group was 43.4 per cent in the first quarter of 1989. This represented an increase of 0.3 and 0.2 per cent above the levels in the first and fourth quarter of 1988, respectively. The industrial groups which recorded over 50 per cent capacity utilization were cement and cement products (61.6%), paper and paper products (59.3%), drugs and medicine (58%), vegetable oil and grain milling (57.7%), beer and stout (57.0%), soap and perfumes (56.5%), other chemicals and petroleum products (54.9%), miscellaneous food preparation (53.5%), glass and glass products (51.9%) and tyres and tubes (51.7%). The chemical based groups such as paints and plastics, which utilized some available local inputs, operated above 30 per cent, while basic and structural metal, fabricated metal, T.V. and communication equipment and motor vehicle assembly, constrained by scarcity of foreign exchange, under-utilized their capacities at 25.7, 24.2, 16.9 and 11.9 per cent, respectively.

Production volumes rose in the first quarter of 1989 above their respective levels in the first quarter of 1988 for such groups as vegetable oil and grain milling, textile, cement, paints, footwear, sugar confectionary, meat and dairy products and structural metal products. But relative to the fourth quarter of 1988, soap and detergent, textile, footwear, soft drinks, beer and stout, cement, tyres and tubes subgroups increased their production levels.

The value of production at ₦1,180.6 million in the first quarter of 1989, rose substantially by 68.1 and 28.0 per cent over the levels in the first and fourth quarters of 1988, respectively. The rise in the value of production reflected increases both in volume and cost of production. The value of production in sugar confectionary rose by 110.8 and 20.2 per cent in the first quarter of 1989 over the comparable levels in the first and fourth quarters of 1988. Also, the value of production in the structural metal product rose substantially by 144 and 7.1 per cent over the levels in the first and fourth quarters of 1988 respectively. Production costs at ₦882.2 million rose by 83.9 per cent over the level in the first quarter of 1988 compared with an increase of 6.8 per cent in the

fourth quarter of 1988. As a result of the high cost of inputs arising from high cost of foreign exchange and locally sourced raw materials, the value of raw materials used rose by 83.0 and 27.3 per cent over the levels in the first and fourth quarters of 1988.

The overall sales values for the respondents, at ₦1,493.6 million, increased by 27.9 and 24.6 per cent over the respective levels in the corresponding first and fourth quarters of 1988. The increases in sales stemmed largely from higher product prices and increased quantum of goods sold. About 83 per cent of the respondent firms recorded increases in their sales value. Notable among these groups were cement and cement products, beer and stout, meat and dairy products, textiles, vegetable and grain milling, footwear, structural metals and fabricated metals, paper manufactures and products, glass and glass products, and tyres and tubes. These are the areas where prices are rising fast.

Total investment expenditure by the respondents stood at ₦1,123 million and showed declines of 3.6 and 1.5 per cent below the levels in the first and fourth quarters of 1988, respectively. The decline was ascribed to reduced investment in machinery and equipment, spare parts and maintenance. Expenditure on spare parts was higher than in the first and fourth quarters of 1988. Investment in repairs and maintenance fell by 30.3 and 42.2 per cent below the comparable levels in the first and fourth quarters of 1988, respectively. Consistent with trends in recent times, internally generated funds accounted for about 70 per cent of total investment expenditure. Loans and advances from banks accounted for 11.7 per cent.

Total employment recorded by the respondents was 55,789 and marginally higher by 1.8 and 1.2 per cent than their respective levels in the first and fourth quarters of 1988. The sub-sectors that increased their employment levels were mainly those that operated relatively high capacity utilization rates. Increases occurred in textiles, tyres and tubes, paper and paper products, printing and publishing, and soft drinks, while the employment levels fell in the paints, cement, motor vehicle assembly, fabricated and structural metal product groups.

On the whole, an air of uncertainty prevailed in the sector during the period. More than 70 per cent of the respondents were skeptical about the prospects of business activities in the rest of 1989. Their biggest worries were: difficulties encountered in procurement of imported spare parts attributable to the scarcity of foreign exchange, high cost of production ascribed to high cost of raw materials, rising cost of credit and continued fall in the naira value. About 18 per cent of the respondents expressed optimism, while the remaining 10.3 per cent viewed the remaining quarters as gloomy. The positive outlook of the respondents that expressed optimism was attributed to improved sales in both the domestic and export markets.

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STOCK MARKET REPORT FOR THE FIRST QUARTER OF 1989

1. Transactions in the Nigerian Stock Exchange (NSE)

Transactions in the Nigerian Stock Exchange (NSE) picked up progressively in the first quarter of 1989 after the gloomy trading results of the fourth quarter of 1988. Total stocks traded rose from 14.9 million in 6558 deals in the fourth quarter of 1988 to 107.3 million in 7560 deals in the quarter under review. However in spite of this sign of recovery, transactions were still below the level in the corresponding quarter of 1988 when 149.3 million stocks were sold in 5048 deals. At ₦103.9 million, the value of stocks traded during the quarter increased more than five-folds over the level in the preceding quarter but declined by 28.0 per cent below the level in the first quarter of 1988. Increased transactions in Federal Government stocks and the Second-Tier Securities were responsible for the boost in trading activities at the Exchange during the period under review (see Table 1). The volume of Federal Government Development Stocks sold was 103.3 million, compared with 9.2 million stocks traded in the fourth quarter of 1988. However, the volume of stocks sold during the quarter was still less than its level in the corresponding quarter in 1988 by 24.6 per cent. In the Second-tier Securities Market (SSM) the volume of transaction rose by 10.3 per cent above the level in the preceding quarter to 37,859. This represented a sharp decline of 71.2 per cent below the level in the first quarter of 1988. During the period under review, trading in the industrial loans and preference stocks and equities also dropped sharply by 98.7 and 15.2 per cent respectively below the levels in the preceding quarter. Compared with the first quarter of 1988, transactions in these same sectors also fell drastically by 99.5 and 28.4 per cent respectively (see Tables 1 & 2).

2. Price Indices of Ordinary Shares

The all-sector share price index at 148.3 rose by 4.3 and 10.8 per cent respectively over the levels in the fourth and first quarters of 1988. Factors accounting for the increases

in the all-sector share price index included appreciable capital gains and high profit margins in the commercial, manufacturing and services sectors. At 129.7 the share price index of the Financial sector fell by 1.4 and 10.3 per cent below the levels in the preceding quarter and the corresponding period of 1988 respectively. The share price index of the manufacturing sector at 156.4, however recorded increases of 4.3 and 15.9 per cent above the respective levels in the fourth and first quarters of 1988. Other sectoral indices which increased during the same periods included commercial and services. While the increases in the share price index of the commercial sector over the levels in the preceding quarter and the corresponding quarter of 1988 were due to good trading results in the automobile and tyre, conglomerates, footwear, and the petroleum sub-sectors, those of the services sector were due to improved trading activities in the construction sub-sector (see tables 3 & 4, Chart and Appendix 1).

3. Other Price Developments

During the quarter under review, 58 companies recorded price gains of between 1 and 77 kobo as against price gains of between 1 and 39 kobo recorded for 49 companies in the preceding quarter. On the other hand, price drops of between 1 and 56 kobo were recorded for 14 companies compared with minimum and maximum price drops of 1 and 42 kobo recorded for 21 companies in the preceding quarter. Dividends ranging between 2 and 20 kobo per share were declared by 13 companies during the review quarter (see Appendices 1 & 2).

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**NIGERIAN STOCK EXCHANGE (NSE) TOTAL STOCKS TRADED
IN THE FIRST QUARTER OF 1989**

Table 1

STOCKS	1st Quarter 1988 (1)		4th Quarter 1988 (2)		1st Quarter 1989 (3)	
	No of shares Traded	No of Deals	No of Shares Traded	No of Deals	No of Shares Traded	No of Deals
Federal Government Stocks	137,070,000	20	9,173,640	19	103,337,600	34
Industrial Loans and Preference stocks	2,520,800	11	1,014,900	5	13,345	13
Second Tier Securities	131,400	42	34,313	56	37,859	96
Equity	5,502,785	4,970	4,641,418	6,478	3,938,198	7,417
TOTAL STOCKS	149,334,985	5,048	14,864,271	6,558	107,327,002	7,560
TOTAL VALUE	₦144,330,037.05		₦16,578,957.70		₦103,927,845.23	

**VOLUME OF EQUITY SHARES TRADED IN THE NIGERIAN STOCK
EXCHANGE IN THE FIRST QUARTER OF 1989**

Table 2

SECTOR	1st Quarter 1988	4th Quarter 1988	1st Quarter 1989
	(1)	(2)	(3)
Financial	267,500	202,749	95,025
Manufacturing	3,452,062	2,086,434	1,964,918
Commercial	1,651,648	2,096,482	1,390,536
Services	131,575	255,753	487,719
TOTAL	5,502,785	4,641,418	3,938,198
VALUE OF SHARES	₦5,926,236.97	₦5,193,717.51	₦4,537,315.47

**SUMMARY OF PRICE INDICES OF ORDINARY SHARES LISTED ON THE
NIGERIAN STOCK EXCHANGE FOR THE 1ST QUARTER 1989**

Table 3

SECTOR S	1st Quarter 1988 (1)	4th Quarter 1988 (2)	1st Quarter 1989 (3)	Percentage Change between	
				(1) & (3) (4)	(2) & (3) (5)
Financial	144.6	131.5	129.7	-10.3	-1.4
Manufacturing	135.0	150.0	156.4	15.9	4.3
Commercial	149.6	154.0	164.4	9.9	6.8
Services	86.8	90.4	91.1	5.0	0.8
All — Sectors	133.8	142.2	148.3	10.8	4.3

**PRICE INDICES OF ORDINARY SHARES LISTED ON THE NIGERIAN
STOCK EXCHANGE FOR 1ST QUARTER OF 1989
(DECEMBER 1984 = 100)**

Table 4

SECTORS/SUBSECTORS	1st Quarter 1988 (1)	4th Quarter 1988 (2)	1st Quarter 1989 (3)	Percentage Change Between	
				(1) & (3) (4)	(2) & (3) (5)
Financial	144.6	131.5	129.7	-10.3	-1.4
Manufacturing	135.0	150.0	156.4	15.9	4.3
Breweries	63.3	90.8	97.1	53.4	6.9
Building Materials	122.6	132.2	133.3	8.7	0.8
Chemicals & Paints	124.9	132.5	135.4	8.4	2.2
Soap & Toiletries	198.1	196.7	199.6	0.8	1.5
Food, Bev & Tobacco	115.4	136.8	142.6	23.6	4.2
Ind/Domestic Products	158.0	175.3	174.6	10.5	-0.4
Packaging	109.9	129.1	130.3	18.6	0.9
Pharmaceutical/An. Feeds	198.1	205.1	196.8	- 0.7	- 4.0
Textiles	242.2	265.5	279.3	15.3	5.2
Commercial	149.6	154.0	164.4	9.9	6.8
Automobile & Tyre	173.9	188.5	230.0	32.3	22.0
Commercial	170.4	168.1	174.0	2.1	3.5
Computer & Office Equipment	267.2	300.2	224.1	- 16.1	- 25.3
Conglomerates	137.7	141.5	152.3	10.6	7.6
Footwear	142.6	160.3	168.4	18.1	5.1
Machinery (mkt)	74.6	83.3	85.1	14.1	2.2
Petroleum (mkt)	166.0	165.1	185.9	12.0	12.6
Pharmaceutical (mktg)	108.5	95.4	103.3	- 4.8	8.3
Services	86.8	90.4	91.1	5.0	0.8
Construction	81.3	86.0	88.1	8.4	2.4
Publishing	112.4	110.5	104.4	-7.1	-5.5
All — Sectors	133.8	142.2	148.3	10.8	4.3

APPENDIX 1
SUMMARY OF EQUITY PRICE MOVEMENT IN THE NIGERIAN STOCK EXCHANGE
FIRST QUARTER, 1989

	PRICE GAINS	(KOB0)		PRICE DROPS	(KOB0)
	FINANCIAL			FINANCIAL	
1.	BFN	4	1.	UBA	3
2.	FBN	1	2.	UBN	11
	MANUFACTURING			MANUFACTURING	
3.	Golden Guinea	7	3.	Chemical & Allied	4
4.	Guinness	10	4.	P.Z. Industries	4
5.	Nigerian Breweries	26	5.	P.S. Mandrides	1
6.	Nig. Ropes	1	6.	Berec	2
7.	WAPCO	2	7.	Vita Foam	8
8.	Berger Paints	3	8.	Poly Products	1
9.	Hagemeyer	1	9.	Glaxo	13
10.	Int. Paints	3		COMMERCIAL	
11.	Nig. Hoechst	3	10.	Sterling Products	1
12.	Lever Brothers	19	11.	Wiggins Teape	56
13.	7-Up	16	12.	John Holt	15
14.	Cadbury	9		SERVICES	
15.	Christlieb	2	13.	Daily Times	2
16.	Flour Mills	4	14.	University Press	3
17.	Nig. Bottling Co	4			
18.	NTC	3			
19.	Tate & Lyle	14			
20.	Industrial Gases	4			
21.	Leventis Tech.	2			
22.	Nig. Enamelware	3			
23.	Vono	2			
24.	Metal Box	2			
25.	Van Leer	2			
26.	Beecham	1			
27.	Pfizer Products	1			
28.	Livestock Feeds	4			
29.	Afprint	9			
30.	Enpee	5			
31.	Nig. Textiles	6			
32.	United Nig. Textiles	14			
33.	Westex	1			
	COMMERCIAL				
34.	Dunlop	77			
35.	Intra Motors	3			
36.	Leventis Motors	12			
37.	R.T. Briscoe	6			
38.	J.L. Morrison	5			
39.	K. Chellarams	1			
40.	NCR	2			
41.	Thomas Wyatt	4			
42.	A.G. Leventis	10			
43.	CFAO	6			
44.	Incar	6			
45.	UACN	5			
46.	UTC	15			
47.	Lennards	1			
48.	Nig. Sewing Machine	1			
49.	African Petroleum	11			
50.	Agip	15			
51.	Mobil	3			
52.	Texaco	41			
53.	Total	7			
54.	Boots	10			
	SERVICES				
55.	Cappa & D'Alberto	1			
56.	G.Cappa	3			
57.	Julius Berger	3			
58.	Taylor Woodrow	27			

APPENDIX 2

DIVIDENDS DECLARED BY COMPANIES IN THE FIRST QUARTER OF 1989

1. Bentworth Finance Ltd:	—	5 kobo per share
2. UACN:	—	13.74 kobo per share
3. Dunlop:	—	15 kobo per share
4. Nigeria Textile Mills:	—	5 kobo per share
5. Lennards:	—	2 kobo per share
6. Berger Paints Ltd:	—	14 kobo per share and a scrip of 1 for 2
7. Guinness:	—	6 kobo per share
8. CAPL:	—	15 kobo per share
9. BATA Nig. Ltd:	—	12 kobo per share
10. Nig Enamelware Co:	—	3 kobo per share
11. Cadbury Nig. Ltd:	—	20 kobo per share
12. John Holt Ltd:	—	12 kobo per share and a scrip of 1 for 5
13. Nig. Hoechst:	—	15 kobo per share

SUMMARY OF PRICE INDICES OF ORDINARY SHARES LISTED ON THE NIGERIAN STOCK EXCHANGE

FIRST QUARTER 1987 — FIRST QUARTER 1989 (DEC 1984 = 100)

