REVIEW OF BUSINESS ACTIVITIES IN NIGERIA IN 1981

This report contains an analysis of data compiled from the completed questionnaires received from Central Bank of Nigeria survey of business activities in 1981. A total of 660 companies was contacted. These included 408 manufacturing, 16 building and construction, 129 trading and 107 services enterprises. Of the total 660 companies contacted only 167 or 25.3 per cent responded. (See Table below)

As a result of this extremely poor response, the analysis which is based on data from the responding companies only should be regarded as merely indicative of performance by the business enterprises. The percentage movements in the selected indicators reported here should be treated with great caution.

Analysis of Response

Activities	No. of Companies Contacted	No. of Companies that Responded	No. of Companies that did not respond
Manufacturing	408	96	312
Trading	129	41	83
Services	107	24	78
Building and Construction	16	6	10
Total	660	167	483

AN OVERVIEW OF BUSINESS PERFORMANCE

Data compiled from the responding establishments indicate that there was remarkable increase in business activities during 1981. In the manufacturing sector, the reporting companies' value of production rose by 29 per cent, while the 41 respondents in the trading sector recorded an increase of 24 per cent in total sales. The value of work done by the reporting construction companies also increased by 57 per cent while the services sector, comprising hotels and insurance companies, recorded a 13 per cent increase in gross income.

Investment expenditures of the manufacturing industries rose by 35.1 per cent while in the construction and trading subsectors they increased by 13.3 and 14.2 per cent, respectively. However, the services subsector investment showed a decline. Investment in new equipment, machinery, residential and office buildings accounted for the increase.

The manufacturing subsector obtained 56.5 per cent of its investment funds from local banks while internal sources of funds accounted for about 34 per cent. The trading subsector financed about 76 per cent of its investment from company's own funds while it borrowed only 11.2 per cent from local banks. Increase in equity capital made up the bulk of the remaining 13 per cent. Internal sources accounted for 22 per cent and 77.8 per cent of investment funds for the construction and services subsectors respectively. Other sources of funds for investment in these subsectors included foreign and domestic bank loans which financed 29 and 21.7 per cent of investment expenditures in the construction and services subsectors, respectively.

The manufacturing subsector continued its dependence on imported raw materials in its production activities during 1981. The value of imported raw materials in the subsector in that year increased by 14.3 per cent and accounted for 80 per cent of total cost of raw materials utilised.

With the exception of the services and construction subsectors which recorded a marginal increase of 1 per cent each in labour employment, all subsectors of the business community registered a decline in the number of people employed in 1981.

The majority of responding companies described the business outlook for 1982 as uncertain. The manufacturing enterprises were concerned about inadequacy of infrastructural facilities and smuggling which, they claimed, was adversely affecting their performance. They feared that the re-introduction of pre-shipment inspection of raw materials might delay their production schedule, while the imposition of a higher minimum wage during the year has increased their cost of production and render their products less competitive with imported counterparts. Manufacturing firms also complained that they were subject to price control while the retailers of their products were free to sell at free market prices. The trading companies complained of difficulties in getting licences for importation of goods whereas smugglers were finding it easy to circumvent the laws. The insurance companies expressed concern over the increased level of government participation in their business and the rising level of claims from vehicles and fire accident insurers.

Manufacturing

The survey shows that the responding manufacturers had an increase of 29 per cent in the value of their production in 1981. This was traceable largely to increased production of industrial gases, paints and allied products, soaps and detergents, beverages, soft drinks, beer and stout and flour. Production however, declined, for those industries producing sugar confectionery, vegetable oils, assorted types of textiles, and pharmaceuticals.

The number of people employed by the manufacturers covered by available data, declined by 1.5 per cent, with the number of Nigerians falling by 1.7 per cent and non-Nigerians rising by 14 per cent. The decline in the number of Nigerian employees was concentrated in the category of technicians and operatives while increases were recorded in the employment of professional, administrative, managerial and clerical personnel. Foreign technicians and operatives which rose by 50 per cent, accounted for the bulk of the increase in foreign employees in the manufacturing industries.

The working capital employed by the manufacturing subsector in 1981 rose by 15 per cent above its level in 1980. The increase in funds was contributed from three major sources; 44 per cent represent loans from domestic banks, 27 per cent from internal funds, and 27 per cent from unrepatriated profits and foreign capital inflow.

Trading

An appreciable increase in the level of trading activities in 1981 was indicated by the reporting companies. Net sales of the trading enterprises rose by 23.5 per cent over the level in 1980. This was made up of 22.3 and 26.4 per cent increases in wholesale/retail and wholesale trading, respectively. The total value of traded goods was 27.1 per cent higher than in 1980. Capital investment expenditures, which were financed largely from internally generated funds, increased by 14.2 per cent. While suppliers' credit from abroad increased by 11.9 per cent, credit from local banks declined by 2 per cent.

About 35 per cent of the responding trading companies were of the opinion that business outlook for 1982 was bright but 55 per cent of the responding firms felt that outlook was uncertain. The remaining 10 per cent were, however, pessimistic.

There were complaints about the activities of smugglers who directly compete with the established trading companies. It was claimed that delays or outright non-granting of import licences and approval of Form M was restraining legal trade, whereas smugglers were able to flood the market with imported goods. The wholesale trading companies were concerned that price control regulations affect their activities and turnover whereas it has not been possible to extend the same control effectively to retailers who are more numerous and dispersed.

Building and Construction

Data derived from the survey indicate that activities increased in the building and construction subsector in 1981. The value of work done by the responding firms rose by 55.6 per cent, while new contracts secured increased by 105 per cent. Construction of schools, office accommodation and hospitals together accounted for 23.5 per cent of the work done in 1981. The output of residential construction rose by 84.6 per cent and accounted for 47.1 per cent of the value of total work done in 1981. In 1980, construction of residential buildings represented 39.6 per cent of the value of work done. The value of factories, shops and hotels constructed in 1981 rose by 49.2 per cent, bringing their share in total work done from 18.8 per cent in 1980 to 27.7 per cent in 1981.

In spite of the improved performance of the building and construction subsector, there was a general feeling of pessimism about business outlook for 1982. Only about 33 per cent of the responding companies in the sector were of the view that business climate was bright. More than half of the companies viewed outlook as uncertain while about 16 per cent were convinced that business outlook was gloomy. There was complaint about the large dependence of the subsector on government activities. Many of the clients of the responding companies were unable to honour payments for work done although construction companies had already met their obligations to staff and suppliers of materials. There was a general outcry against rapid price inflation which reportedly made the fulfilment of settled contracts difficult.

Services

The results of the survey showed that the performance of the services subsector (i.e. hotel and insurance companies) in 1981 improved on the level attained in the preceding year. The total income earned by the services subsector increased by 13.2 per cent. The total income earned by hotel companies increased by 11.2 per cent while insurance companies increased their income by 13.4 per cent. Investment expenditures in the subsector declined by 20.3 per cent, reflecting largely the cut-back in new investment on residential buildings, vehicles, machinery and equipment. Capital investment expenditure in the hotel industry declined by 5.3 per cent while that of the insurance companies fell by 20.6 per cent. The increased activities of the subsector were financed largely from companies' own funds and bank credit obtained locally.

There was a general air of optimism in the hotel industry during 1981. About 90 per cent of the respondents expected a bright business outlook for 1982. About 54 per cent of the insurance companies responding to the survey believed that performance would be better in 1982. Many insurance companies expressed concern about increased government participation in the industry and complained about labour unrest which very often result in higher wage settlements.

The hoteliers complained of inadequate funds for expansion and the insufficient supplies of water and power which exert adverse influences on the quality of their services. They expressed the hope that government would assist in ensuring regular supply of infrastructural services. This, they claimed, would not only result in a reduction in their costs of operation as they would no longer have to invest in these facilities, but would also improve business climate in general.