

DEVELOPMENTS IN INDUSTRIAL SECTOR IN THE SECOND QUARTER OF 1990

The index of industrial production during the second quarter of 1990, which was 246.3 (1972 = 100) declined by 0.9 per cent when compared to its level in the second quarter of 1989 (See Table 1). This decline was attributed to a fall of 1.4 per cent in manufacturing production index, as the indices of production of the other sub-sectors viz: mining and electricity consumption, increased by 0.4 and 4.4 per cent, respectively. But when compared with the level of industrial production in the first quarter of 1990, the index went up by 0.8 per cent. This was accounted for by 2.8 and 0.2 per cent rise in manufacturing production and electricity consumption, respectively. Mining production declined by 4.4 per cent.

Manufacturing

At 537.3 (1972 = 100), the index of manufacturing production in the second quarter of 1990 dropped by 1.4 per cent when compared to its level in the corresponding period of 1989. Specifically, production fell in the sub-sectors of sugar confectionery (1.3 per cent), soft drinks (0.2 per cent), beer and stout (15 per cent), cotton textile (5 per cent), footwear (5.1 per cent), paints (5 per cent), and vehicle assembly (10 per cent) (See Table II). However output of the following sub-sectors grew: refined petroleum products (5 per cent), cement (8.8 per cent), roofing sheets (4 per cent), soap and detergents (3.3 per cent). It should be noted that sub-sectors that rely heavily on local inputs, except beer and stout, increased their production levels while the decline in output was recorded for sub-sectors that rely substantially on imported inputs.

The fall in aggregate manufacturing production could be explained by the deliberate cut back in output in response to weak demand, high cost of production and rising stock of unsold finished goods. Weakening demand was induced mainly by high product prices, declining real consumer incomes and increasing availability of cheap import substitutes. The rising production costs was traceable mainly to high interest and exchange rates, as well as high energy tariffs which existed during the quarter.

The slide in manufacturing production was confirmed by a nation-wide survey conducted by the Central Bank of Nigeria. The survey showed that capacity utilization rate in the manufacturing sector estimated at 36.8 per cent, fell by 3.3 and 0.4 per cent below its level in the comparable period of 1989 and the first quarter of 1990, respectively. Capacity utilisation rates were generally low as only three sub-sectors: basic industrial chemicals (55.9 per cent), knittings, carpets and rugs (55.3 per cent) and drugs and medicine (50.4 per cent) which accounted for about 5.4 per cent of the respondents operated up to 50 per cent. About 66.3 per cent operated in the range of 30 to 49 per cent of their installed capacities. They included the following sub-sectors: tyres and tubes (48.7 per cent), paper and paper products (48.4 per cent), bakery products (47.7 per cent), wood and cork products (46.7 per cent), leather products (45.6 per cent), other chemicals (45 per cent), textile (43.5 per cent) and plastic products (42.7 per cent). The other respondents – 28.3 per cent – operated below 30 per cent capacity utilization rate and they included motor assembly (17 per cent), soap and perfumes (20.6 per cent), vegetables and grains milling (22.6 per cent) meat and dairy products (23 per cent), basic metal industries (25 per cent), glass and glass products (25.2 per cent, radio, TV and communications equipment (26.9 per

cent) and sugar, cocoa confectionary (28.8 per cent). Consequent upon the reduced level of activity in the manufacturing sub-sector, 56.1 per cent of the respondents operated one shift system while 24.9 and 18.6 per cent operated two and three shifts systems, respectively.

As a result of weak demand, the inventory of finished goods of the respondents went up by 21.3 per cent. The inventory of raw materials was also affected. It increased by 17.3 per cent.

The value of production increased by 77.2 and 37.0 per cent when relative to its level in the comparable period of 1989 and the previous quarter, respectively. However, sales (turnover) went up by 19.8 per cent when compared to its level in the second quarter of 1989 and by 15.2 per cent in comparison to its level in the first quarter of 1990. The substantial increases in the value of production and turnover reflected hikes in products valuation and sales prices as real output and sales volumes actually declined in many sub-sectors.

Aggregate value of raw materials used went up by 21.6 per cent in relation to the comparable period of 1989 and 3.8 per cent above its level in the first quarter of 1990. Imported raw materials, which accounted for 49 per cent in value terms, of total raw materials used increased by 14.5 and 6.7 per cent over its level in the comparable periods. The value of locally sourced raw materials increased by 29.0 and 1.2 per cent when compared to the corresponding and preceding quarters. The proportion of locally sourced raw materials used was 46, 48.7 and 51 per cent in the second quarter of 1989, the first and second quarters of 1990, respectively.

Total cost of operations of the respondents increased by 32.6 per cent over its level in the second quarter of 1989. This was accounted for by increases of 8.0, 21.6, 21.7, 38.5 and 85.9 per cent recorded for depreciation, raw materials, wages and salaries, energy and "others", respectively. Despite the increase in cost, profit before tax rose by 89.2 per cent while profit after tax increased by 30.7 per cent. Also the employment level of the respondents increased by 0.7 per cent.

The continued instability and the rising cost of production associated with current interest and exchanges rates made many respondents (54 per cent) uncertain about the future business outlook especially for the remaining quarters of 1990 while 39 and 9 per cent predicted bright and gloomy outlooks respectively.

Mining

At 94.2 (1972 = 100), the index of mining production was 2.3 per cent higher than its level in the second quarter of 1989 (See Table 111). This was accounted for by a rise of 2.7 and 10.1 per cent in the production of crude petroleum and natural gas, respectively. The production of all solid minerals fell. Limestone production index dropped by 84.5 per cent, columbite 9.5 per cent and cassiterite 3.2 per cent. There was no production of coal during the quarter. The mining of solid minerals continued to be constrained by poor access to mining-sites and the use of obsolete machinery and equipment.

In relation to the previous quarter, the index of mining production fell by 0.6 per cent as the output of all the mining sub-sectors, except columbite, declined. The output of crude petroleum, gas cassiterite and limestone dropped by 0.4, 2.9, 37.3 and 84, 5 per cent, respectively.

Electricity Consumption

Electricity consumption increased by 4.4 per cent over its level in the comparable period of 1989. Compared with the performance in the previous quarter, the improvement was only 0.2 per cent (See Table 1).

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TABLE 1

INDEX OF INDUSTRIAL PRODUCTION (1972 = 100)

Sub-Sector	2nd Qtr. ¹ 1989 (1)	1st Qtr. ² 1990 (2)	2nd Qtr. 1990 (3)	Percentage Change Between	
				1 & 3	2 & 3
Manufacturing	545.0	522.4	537.3	-1.4	2.8
Mining	94.2	97.0	96.4	2.3	-0.6
Electricity Consumption	517.0	520.0	521.0	4.4	0.2
Total For Industry	248.4	244.4	246.3	-0.9	0.8

¹Revised

²Provisional

Source: Derived from data obtained from CBN surveys, FOS, Federal Ministry of Mines, Power & Steel, NNPC and NEPA

TABLE II

INDEX OF MANUFACTURING PRODUCTION (1972 = 100)

SUB-GROUPS	2nd Qtr. ¹ 1989 (1)	1st Qtr. ² 1990 (2)	2nd Qtr. ² 1990 (3)	Percentage Change Between	
				1 & 3	2 & 3
Sugar Confectionery	47.6	36.8	47.0	-1.3	27.7
Soft Drinks	1946.1	1856.3	1942.0	-0.2	4.6
Beer & Stout	482.5	491.1	410.2	-15.0	-16.5
Cotton Textiles	126.3	119.2	120.0	-5.0	0.7
Synthetic Fabrics	4569.9	4422.8	4569.4	0.0	3.3
Footwear	17.5	19.2	16.6	-5.1	-13.5
Paints	158.6	134.3	150.6	-5.0	12.1
Refined Petroleum Products	362.1	339.9	380.3	5.0	11.9
Cement	391.2	427.4	425.7	8.8	4.0
Roofing sheets	354.3	364.8	368.5	4.0	1.2
Vehicle Assembly	200.7	192.1	180.6	-10.0	-6.0
Radio TV & Comm.	21.2	22.3	22.7	7.1	1.8
Soap & Detergents	601.8	499.7	621.7	3.3	24.4
Total Manufacturing Indices	545.0	522.4	537.5	-1.4	2.8

¹Revised

²Provisional

Source: Derived from data obtained from CBN Surveys, FOS, Federal Ministry of Mines and Power, NNPC and NEPA.

TABLE III

INDEX OF PRINCIPAL MINERAL PRODUCTION
(1972 = 100)

Mineral	Weights	2nd Qtr 1989 (1)	1st Qtr 1990 (2)	2nd Qtr 1990 (3)	Percentage Change Between	
					1 & 3	2 & 3
Crude Petroleum	449.3	94.9	97.9	97.5	2.7	-0.4
Gas	0.2	8.9	10.1	9.8	10.1	-2.9
Cassiterite	3.4	3.3	5.1	3.2	-3.2	-37.3
Columbite	0.4	4.2	3.6	3.8	-9.5	5.6
Coal	0.6	25.0	25.0	-	-	-
Limestone	0.4	143.0	143.3	22.2	-84.6	-84.5
All Minerals	454.0	94.2	97.0	96.4	2.3	-0.6

TABLE IV

PRODUCTION OF PRINCIPAL SOLID MINERALS
(TONNES)

Mineral	2nd Qtr 1989 (1)	1st Qtr. 1990 (2)	2nd Qtr 1990 (3)	Percentage Change Between	
				1 & 3	2 & 3
Cassiterite (Tin Ore)	75.6	115.9	73.8	-2.3	-36.3
Columbite	14.3	12.3	13.0	-9.1	5.7
Coal	18851.6	21310.6	-	-	-
Limestone	505725	503265.6	78037	-84.6	-84.5
Marble	215	763	91	-57.7	-88.1

Source: Federal Ministry of Mines, Power and Steel, Nigerian Coal Corporation, Enugu