CENTRAL STATISTICAL AGENCY

BUSINESS
STATISTICS

Report on

The 2nd Quarter of the 2008 E.F.Y

Manufacturing Business Survey

ADDIS ABABA
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I. Introduction

One of the major uses of industrial statistics is to support the compilation of annual national account. Even when annual industrial and other economic surveys are conducted, the information collected through them become available only sometime after the end of the reference period. For effective management of the economy as well as policy formulation it is necessary to have information available as early as possible in make use of short term indicators for measurement of changes in the level of the economic activities of the country.

In line with this, the current short term business survey is carried out to obtain data which could be used to monitor the current business situation and forecast short term developments and turning points of the business cycle. The range of information and/or indicators covered in this survey goes beyond variables that can easily be captured by conventional quantitative methods like 'qualitative information' of capacity utilization, production bottlenecks, and plans and expectations for immediate future and the mangers view on overall current economic situation of the country.

Hence, the Central Statistical Agency (CSA) as the body charged with collecting and compiling accurate and up to date Statistical information on almost all socio-economic aspects of the country. Thus, CSA has carried out this quarterly survey in line with its mandates after a hiatus of almost a year, by incorporating suggestions given by major users of this report. This business survey could play a significant role in meeting the needs of short term statistics in order to monitor the economic development of the country in quarterly basis.

Short term business statistics like all business statistics faces the opposing forces of the need for data on one hand and the cost of burden of providing data on the other. In fact the production of such statistics can be considered as bridging the gap between information users and information held by the respondents. The current business survey can be defined as a business cycle analysis of interrelated developments. This kind of survey tries to capture judgments on past, current and future economic developments.

Consequently, there are many users of short term statistics with many different motivations for using the data, the analysis performed generally fall in to one of the two types:

- Comparison between two different point in time, of one or several parts of the business population, and
- Comparison within one reference period of two or more different sub populations.

With this framework, these kinds of business survey play a vital role in answering the following types of questions:

- Which phase of the economic cycle are we in at present?
- What will be the probable development in near future?
- Are we currently in the continuation of the moment already started (upward or downward) or,
- Is it possible that are we in a break in relation to this moment, i.e. turning or reversal point?

Hence, to meet the demands of such kind of statistics, CSA has made a rebasing to keep up with the development and accordingly to come up with an accurate, reliable and timely information about the business activities of manufacturing industries.

II. **Objectives of the Survey**

This quarterly business survey aims to provide statistical information necessary to improve the competitiveness and performance of the business community in the country and also to provide information on a wide range of economic activity that are increasingly becoming important for economic analysis.

The main objectives of this quarterly business survey are:

- To produce and compile up-to-date, reliable, and comparable information on the activity, competitiveness and performance of manufacturing industries,
- To assist in economic analysis and forecast the future trend of the business sector,

- To be used in compiling the various components of quarterly national accounts, which are in turn needed in the calculation of GDP, and
- To show the cyclical movement of the sector in terms of major indicators.

Therefore, conducting the current business survey on dynamic economic sectors like manufacturing industries is an accepted way of availing basic business information to depict the general trend on interrelated developments of the economy. Moreover, it could be a base for examining the nature of the sequence of evolution and future expectations in order to ensure that adequate decisions can be made on time.

Structure of this report

Section III provides an overview of the survey methodology. Section IV presents the background on training of field staffs. Section V states the concept and definition of terms. Section VI describes about data entry, editing, cleaning and tabulation of the results. Section VII explores the major findings of the survey. Finally, Appendix I, describes the estimation procedure we followed.

III. SURVEY METHODOLOGY

III. a. Scope and Coverage

The Quarterly Manufacturing Business Sample Survey was conducted covering only those establishments producing their goods using power driven machines having 10 and above workforce in both public and private owned manufacturing industries found in the country.

III.b. Sampling Frame

The list of basic values of each and every establishment was obtained or constructed from the 2008/09 Large and Medium Scale Manufacturing Industries Census and was used as a frame for conducting this Quarterly Manufacturing Business Sample Survey.

III.c. Sample Design

A single stage stratified sample design has been implemented to select sample establishments. In order to do so, each of the establishment under consideration was grouped into a four-digit level of International Standard Industrial Classification (ISIC rev 3.1) and considered as stratum. However, the total number of the four-digit level ISICs was found to be too many and the contribution of some of the ISIC's to the total basic value was also very low. Hence, a cut-off strategy was adopted for considering those ISIC's having a contribution of 0.6 percent (threshold value) and above to the overall basic value. Therefore, a total of 33 out of 49 ISICs were finally taken into consideration but the contributions of those below the threshold value is distributed to their related ISIC's in order to limit bias of the final estimate. Fifteen domains of estimates (reporting levels) are then constructed from the 33 ISICs and major findings of the survey are reported for them. Taking into account resource constraints and the production structure of the manufacturing sector, 310 sample establishments were initially decided to be sufficient to conduct the survey. The spread of basic values across the four-digit ISICs as observed from the frame was, however, uneven. Therefore, a power allocation (with a power of ½), have been employed to distribute the 310 sample establishments among the 33 ISICs since it increases the precision of small strata by slightly decreasing the precision of large strata.

However, it was found that the basic values are not good measure of size in reflecting the current structure and growth of the manufacturing sector. The reasons for this are, one the weighting structure based on basic values are too old enough to reflect the current dynamic economic performance of the sector. Second the basic values reported are not that much reliable enough to differentiate the big and small establishments so that estimates based of the basic values are not reflecting the reality, i.e. some domains are underestimated and others are overestimated, so that the need arise to change the weighting structure based on employment size are relatively more stable over time and that can reflect the right situation of manufacturing sector. Therefore, in this 4th quarter and onward estimates are grossed up by employment size to infer about the population parameters.

A systematic sampling with probability proportional to size (PPS) selection procedure were employed, measure of size being basic value obtained from the frame, was used in order to select

sample establishments from each of the 33 ISIC. In fact for the selection purpose basic value are already employed but PPS ensure the selection of big establishments so that using employment size instead of basic value does not distort their representation on the selected establishments rather than reflecting the current situation. See the following figure of already sampled establishment's representation when employment size was used instead of the basic value.

	10-19	20-99	100-499	500+
population	873	709	218	46
SAMPLE	79	113	91	28
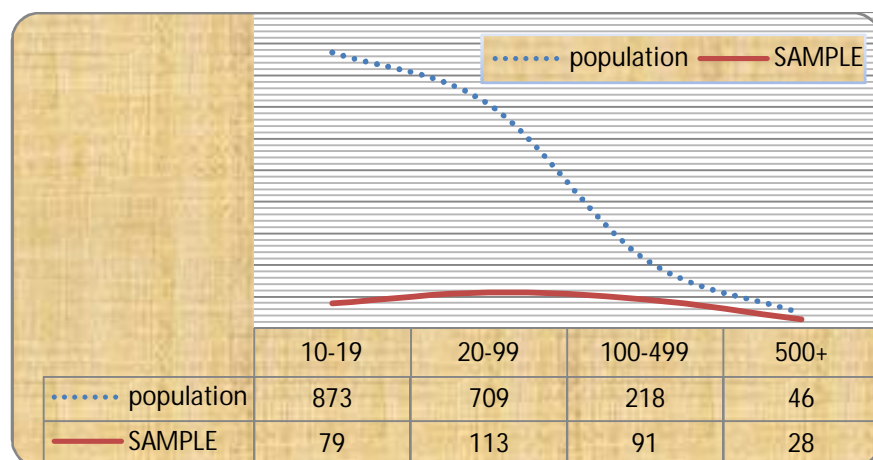
As regards to the ultimate coverage, the survey was not carried out for 14 establishments out of the sampled 310 establishments; it is because of non-response and closed establishment while the survey is conducted. As a result, the survey succeeded to cover 296 (95.5 percent) establishments throughout the country.

Estimation procedures of totals, ratios and sampling error are given in Appendix I.

IV. Training of Field Staff and Data Collection

The training was conducted in one phase by two senior staff members of the Business Statistics Directorate and experienced branch statistical office staffs took part in establishment surveys training exercise. Enumerator's manual was prepared for the survey to introduce them with the detailed explanations of the basic concepts and how to handle each and every part of the questionnaire.

V. Concepts and Definitions

Manufacturing: - is defined here according to International Standard Industrial Classification (ISIC Rev. 3) as "the physical or chemical transformation of materials or components into new products, whether the work is performed by power-driven machines or by hand, whether it is done in a factory or the worker's home, and whether the products are sold at wholesale or retail. The assembly of the component parts of manufactured products is also considered as manufacturing activities."

An Establishment: - is defined as the whole of the premises under the same ownership or management at a particular address. (E.g. a bakery, sawmill, etc.).

Permanent Workers: - these are employees, (based on the agreement between the workers and employers) engaged to work in the factory for long period of time. These workers are usually found regularly on the payroll of the establishment. Basically, this category consists of production, administrative and technical employees. According to this definition, unpaid family workers, active partners and working proprietors are excluded.

Seasonal and Temporary Workers: - these include workers who are employed for a whole or part of the year with the agreement that they work for short period of time. These workers are not regularly on the payroll of the establishment.

Revenue from Sales: - represents the total sales value of all products and by-products during the reference period valued at market price.

Raw Materials: - include all raw and auxiliary materials, parts and containers which are consumed during the reference period. The value of local raw materials is the value of locally produced raw materials and is the cost incurring the factory, which includes the purchasing price, transport charges, taxes and other incidental costs. The value of imported raw materials is the value of raw materials produced in other countries and obtained directly or from local market

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New Capital Expenditure: - is the cost of new or used capital equipment bought during the reference period by the existing establishments.

Survey Period: Based on the Ethiopian Fiscal Year, this periods are defined as follows:-
- *First Quarter* – July 8 – October 10
- *Second Quarter* – October 11 – January 8
- *Third Quarter* – January 9 – April 8
- *Fourth Quarter* - April 9 – July 7

VI. Data Processing

Editing, Coding and Verification

A number of quality control steps were taken to ensure the data quality. Instruction manuals on editing were given to personnel involved in the editing process. Briefings on the subject along with the editing manual were put to use, to edit and code the data collected. Finally, the edited and coded questionnaires were checked and verified by another group of professionals.

Data Entry, Cleaning and Tabulation

The data were entered and verified on personal computers using CSPro software. Four CSA data entry staff participated in this purpose for one day, with close supervision of one programmer. Then, the data entered were cleaned using a personal computer in combination with manual editing for some serious errors. Finally, the tabulation of the results was processed using the same software by two programmers from business statistics directorate.

VII. Summary of Survey Findings

Employment

A more compressive measure of the total size of employment in industries is the number of persons engaged at a particular time, which in turn is an important indicator for measuring performance of industries. Survey results in Table 1 below publicize that, in 2nd quarter of 2008 E.F.Y., a total of 224,539 workers were engaged in the manufacturing industry, of which 180,072 (80.20 percent) were permanent while the remaining 44,659 (19.80 percent) persons were seasonal or temporary employees. Among the industrial groupings, manufacturing of food products were the major employers like in the previous quarters, were by, they employed around 23.64 percent of the total work force in the sector followed by manufacture of wearing apparel, except fur apparel which took in around 17.93 percent. On the other hand, Manufacture of tobacco products establishment contributed 0.49 percent of the total employment, which contains the smallest number of employees.

Table1: Number of Persons Engaged by Major Industrial Groups, 2nd Quarter 2008 E.F.Y (2015/16)

Major Industrial Groupings	Number of Estab.	Permanent	Contract	Total
Manufacture of food products	828	40,277	12,794	53,071
Manufacture of beverage	44	11,644	1,109	12,753
Manufacture of tobacco products	1	963	135	1,098
Manufacture of textiles	46	18,105	1,728	19,833
Manufacture of wearing apparel, except fur apparel	192	39,071	1,129	40,200
Tanning and dressing of leather, manufacture of footwear, luggage and hand bags	126	12,224	3,822	16,046
Manufacture of wood and products of cork, except furniture	-	-	-	-
Manufacture of paper and paper products.	139	8,836	1,844	10,487
Manufacture of chemicals and chemical products	102	8,659	4,667	13,326
Manufacture of rubber products	134	16,322	1,869	18,191
Manufacture of other non-metallic products	523	8,661	10,825	19,486
Manufacture of basic iron and steel	65	1,624	25	1,649
Manufacture of fabricated metal products except machinery and equipment	71	3,438	1,222	4,660
Manufacture of motor vehicles, trailers and semi-trailers	10	2,709	2,052	4,761
Manufacture of furniture	188	7,542	1,438	8,980
Total	2,471	180,072	44,659	224,539

As a follow-up question about the employment situation, respondents were asked about their expectation on the number of employees in the next quarter. As presented in Table 2 below,420 establishments responded that they would expect a change (upward or downward) in the number of the work force due to different reasons. Out of these establishments, 9.53 percent of them expect that the number of employees will decrease in the next quarter. But 2,052 (83.01% frome the total of 2,472 establishments responded that they expect no changes of the work force in the next quarter.

Table 2: Number of Establishments by Reason for Change in the Number of Persons Engaged in The Next Quarter (expectation of the 3rd quarter 2008 E.C labor force).

Major Industrial Groupings	Size of employees in the next quarter compared to the current one		
	It will increase	It will decrease	It will be the same
Manufacture of food products	86	91	652
Manufacture of beverage	7	6	31
Manufacture of tobacco products	1	-	-
Manufacture of textiles	3	24	19
Manufacture of wearing apparel, except fur apparel	-	-	192
Tanning and dressing of leather, manufacture of footwear, luggage and hand bags	13	9	105
Manufacture of wood and of products and cork, except furniture	-	-	-
Manufacture of paper & paper products.	2	3	135
Manufacture of chemicals and chemical products	16	4	81
Manufacture of rubber products	50	4	81
Manufacture of other non-metallic products	1	44	479
Manufacture of basic iron and steel	-	-	65
Manufacture of fabricated metal products except machinery and equipment	6	15	50
Manufacture of motor vehicles, trailers and semi-trailers	-	2	8
Manufacture of furniture	-	34	154
Total of Manufacturing	184	236	2,052
Total %	7.44	9.53	83.02

While 7.44 percent of them forecasted that the number of employees will be increase in the next quarter.

Value of Production

The value of production is regarded as one of the important variables for measuring economic activity & development of industrial production. In this quarter manufacturing industries contributes a total value of production amounting to 27.50 billion birr. Among the industries, the largest share of production value is contributed by manufacturing of food products accompanied by Manufacture beverage and Manufacture of chemicals & chemical products , contributing 24.35, 18.02% and 16.78% of the total value, respectively. The smallest values of production were registered by manufacture of furniture products which is 1.28% of the total as shown below in Table 3.

Table3: Total Value of production by Major Industrial Group, 2nd Quarter 2008 E.F.Y (2015/16)

in 000'birr

Major Industrial Groupings	Value of Production	Percentage
Manufacture of food products	6,697,240	24.35
Manufacture of beverage	4,957,296	18.02
Manufacture of tobacco products	412,934	1.50
Manufacture of textiles	1,109,465	4.03
Manufacture of wearing apparel ,except fur apparel	801,896	2.92
Tanning and dressing of leather, manufacture of footwear, luggage and hand bags	591,107	2.15
Manufacture of wood and of products and cork, except furniture	-	-
Manufacture of paper & paper products.	945,861	3.44
Manufacture of chemicals and chemical products	4,616,025	16.78
Manufacture of rubber products	2,735,014	9.94
Manufacture of other non-metallic products	1,230,163	4.47
Manufacture of basic iron and steel	654,067	2.38
Manufacture of fabricated metal products except machinery and equipment	650,484	2.37
Manufacture of motor vehicles, trailers and semi-trailers	1,749,810	6.36
Manufacture of furniture	352,125	1.28
Total	**27,503,488**	**100.00**

Revenue Generation and Prospects

A total of 29.00 billion birr was earned as revenue in the manufacturing sector during the 2nd quarter of 2008 E.F.Y, of which 96.05 percent was generated from local sales while the remaining 3.98 percent was generated from exports. Manufacture of food product, Manufacturers of beverage and Manufacture of rubber products contributed the largest share of the total revenue generated during the quarter, amounting to 36.34, 15.42 and 11.99 percent of the total revenue, respectively, on the other hand, manufacture of basic iron & steel product industries' revenue were the lowest, amounting only 1.15 percent of the total. Most of the establishments supplied their products to local markets as shown in table4.

Manufacturing industries of textiles has earned about 46.33 percent of the total export revenue of the large and medium scale manufacturing industries. This trend indicates that the export performance of Ethiopian manufacturing industries is still very low and relies on few industries. This situation calls for prompt action concerned bodies and stakeholders to promote and enhance the performance and competence of manufacturing industries both locally and internationally.

On the other hand, a total of 27.62 billion birr was spent as cost of production in manufacturing industries in this quarter. This is equal to 95.23 percent of their revenue. Relative to revenue from sales, the high expense for production related activities were registered in these quarter. Manufacture of rubber products and food product amounting to 12.20 and 4.84 billion birr out of the total expense, respectively.

Table 4: Revenue from Sales, Stock and expenses by Major Industrial Group 2nd quarter 2008 E.F.Y (2015/16)   in 000' Birr

Major Industrial Groupings	Revenue from sales						Stock	Expenses
	Local	%	Export	%	Total	%		
Manufacture of food products	10,523,264	99.84	16,564	0.16	10,539,829	100.0	595,354	4,841,758
Manufacture of beverage	4,472,485	100.0	84	-	4,472,569	100.0	255,802	2,033,948
Manufacture of tobacco products	426,496	90.96	42,411	9.04	468,907	100.0	70,782	152,726
Manufacture of textiles	746,453	58.24	535,252	41.76	1,281,705	100.0	245,697	736,554
Manufacture of wearing apparel, except fur apparel	462,009	63.77	262,505	36.23	724,513	100.0	193,013	369,727
Tanning and dressing of leather, manufacture of footwear, luggage and hand bags	463,173	62.49	277,982	37.51	741,155	100.0	135,266	540,403
Manufacture of wood and of products and cork, except furniture	-	-	-	-	-	-	-	-
Manufacture of paper & paper products.	1,032,080	100.0	-	-	1,013,050	100.0	247,842	1,026,022
Manufacture of chemicals and chemical products	2,958,843	99.31	20,505	0.69	2,979,349	100.0	696,210	2,612,407
Manufacture of rubber products	3,477,085	100	-	-	3,477,085	100.0	480,289	12,203,622
Manufacture of other non-metallic products	1,139,189	100	-	-	1,144,505	100.0	116,807	1,325,583
Manufacture of basic iron and steel	568,993	100	-	-	568,993	100.0	86,080	463,628
Manufacture of fabricated metal products except machinery and equipment	662,080	100.0	-	-	665,643	100.0	114,992	374,443
Manufacture of motor vehicles, trailers and semi-trailers	593,614	100	-	-	593,614	100.0	4,958,473	729,327
Manufacture of furniture	332,413	100	-	-	333,391	100.0	99,360	211,955
Total	27,858,178	96.05	1,155,303	3.98	29,004,310	100.0	8,295,967	27,622,103

Despite this fact, the surveyed manufacturing establishments were also asked about the likely direction of their sales revenue for the coming quarter. Among the establishments who responded to this question 940 of them (41.54 percent) would expect a future change in their total revenue due to a growing local demand for their products. On the other hand 653 respondents (28.86 percent) and 236 respondents (10.43 percent) expect a decline in their total revenue due to decrease in demand locality and shortage of or high price of imput as depicted in the table 5 below.

Table 5: Distribution of major industrial group by major reasons for change in total sales revenue,2nd   quarter 2008E.F.Y(2015/16)

Major Industrial Groupings	Increase demand locally	Decrease demand locally	Increase in international demand	Decrease in international demand	Unable to compete locally	Shortage of or high price of inputs	Unable to compete with imported products	Shortage of foreign exchange	Others	Total
Manufacture of food products	347	239	-	-	-	87	-	19	59	750
Manufacture of beverage	13	23	-	-	2	1	-	-	4	42
Manufacture of tobacco products	-	-	-	-	-	-	-	-	1	1
Manufacture of textiles	15	-	2	5	-	23	-	-	1	46
Manufacture of wearing apparel, except fur apparel	73	-	48	-	-	71	-	-	-	191
Tanning and dressing of leather manufacture of footwear, luggage and hand bags	59	2	2	12	-	25	-	-	2	101
Manufacture of wood and of products and cork, except furniture	-	-	-	-	-	-	-	-	-	-
Manufacture of paper & paper products.	92	10	-	-	-	1	-	15	1	118
Manufacture of chemicals and chemical products	22	3	-	-	-	-	-	6	32	63
Manufacture of rubber products	85	16	-	-	-	1	-	14	4	133
Manufacture of other non-metallic products	103	28	-	-	-	2	-	-	76	523
Manufacture of basic iron and steel	37	254	88	-	-	-	-	5	-	59
Manufacture of fabricated metal products except machinery and equipment	44	16	-	-	-	9	-	-	-	71
Manufacture of motor vehicles, trailers and semi-trailers	3	7	-	-	-	-	-	7	-	10
Manufacture of furniture	47	54	-	-	-	15	5	-	34	155
Total	940	653	139	17	2	236	5	59	213	2,263

As compared to the previous year quarter, the number of establishments which would expect a change in their revenue in the next quarter due to a increase in demand for their products has decrease significantly. And the numbers of establishment which expect a change there revenue in the next quarter due to decrease demand locally decrease slightly as compared to the previous quarter.

Raw Materials

The majority of the Ethiopian manufacturing industries are known for high dependency on imported raw materials in their production activities and this urges for one to ask the reason for such a huge dependence. Out of the total respondent establishments for this particular question, 967 establishments, which constituting 65.51 percent, reported that unavailability of raw materials locally is the major for relying on imported raw materials, as shown in Table 6 below. Lack of sufficient local supply was reported as major reason by 431 establishments (29.30 percent). 46 establishments (3% of the total establishment) reported unreliable about the quality of locally available raw materials. Whereas 29 establishments (2 percent) was mentioned as the reason of the total for relying on imported raw materials due to locale suppliers are not reliable.

In general, the results indicate that the raw material demand by local manufacturing industries couldn't be satisfied from domestic sources due to various reasons mentioned above and these calls for the government and stakeholders to look into the issue in order to reduce the outflow of the scare foreign currency.

Compare to previous quarter the number of establishments which reported 'Not available locally' as a major reason for not using locally produced raw materials have shown as decrease by 92 establishments in this quarter, where as there are 3 establishment which report ' others reason in the quarter under review.

Table 6: Distribution of Establishments by Reason for Dependency on imported Raw Materials,2nd Quarter 2008 E.F.Y(2015/16)

Major industrial Groupings	Lack of available supply in the local market	%	The raw material is not found locally	%	Local suppliers are not reliable	%	The quality of locally available raw materials is not reliable	%	others	%	Total
	Major reasons for consuming imported raw materials										
Manufacture of food products	107	19	423	76	20	4	-	-	3	1	554
Manufacture of beverage	10	25	32	75	-	-	-	-	-	-	42
Manufacture of tobacco products	1	100	-	-	-	-	-	-	-	-	1
Manufacture of textiles	12	55	10	45	-	-	-	-	-	-	22
Manufacture of wearing apparel, except fur apparel	96	57	72	43	-	-	-	-	-	-	167
Tanning and dressing of leather, manufacture of footwear, luggage and hand bags	39	47	44	53	-	-	-	-	-	-	83
Manufacture of wood and of products and cork, except furniture	-	-	-	-	-	-	-	-	-	-	-
Manufacture of paper & paper products.	26	18	101	72	-	-	13	10	-	-	139
Manufacture of chemicals and chemical products	15	19	62	79	2	2	-	-	-	-	78
Manufacture of rubber products	62	51	61	49	-	-	-	-	-	-	123
Manufacture of other non-metallic products	-	-	2	100	-	-	-	-	-	-	2
Manufacture of basic iron and steel	13	19	46	70	7	10	-	-	-	-	65
Manufacture of fabricated metal products except machinery and equipment	6	11	52	89	-	-	-	-	-	-	58
Manufacture of motor vehicles, trailers and semi-trailers	1	15	6	85	-	-	-	-	-	-	7
Manufacture of furniture	44	33	58	43	-	-	32	24	-	-	134
Total	**431**	**29**	**967**	**66**	**29**	**2**	**46**	**3**	**3**	**1**	**1,476**

New Capital Expenditure

New capital formation by the existing establishments in the quarter amounted to birr around 1 billion birr in these quarter. Of this amount, the share of manufacturing of beverage and chemicals & chemical products was 466.63 million birr (46.58 percent) and 266.42 million (26.29 percent) respectively (see Table 7 below). The establishments have been investing their capital for acquisition of various fixed assets in the quarter, of which, around birr 130.80 million (13.06 percent) of the total new capital expenditure was spent on others, while birr 519.33 million birr (51.84 percent) and 169.53 million (16.92 percent) of the total capital expenditure was spent for machinery & equipments and building respectively.Total new capital expenditure in the sector has decreased by birr 163.61 million birr (14 percent) as compared to the previous quarter. Regarding industrial groupings high investment in fixed capital was registered in manufacture of beverage and chemicals & chemical products for building and Machinery & Equipment.

Table 7: Value of New Capital Expenditure on Fixed Assets for major industrial groupings.

Major Industrial Groupings	Building	Machinery & Equipment	Vehicles	Others	Total
Manufacture of food products	41,826,216	27,675,159	41,508,282	4,932,793	115,942,450
Manufacture of beverage	96,825,377	243,353,654	116,662,747	9,787,489	466,629,237
Manufacture of tobacco products	-	-	-	4,867	4,867
Manufacture of textiles	-	1,468,398	191,140	480,138	2,139,944
Manufacture of wearing apparel, except fur apparel	-	7,943,576	-	2,240,440	10,184,016
Tanning and dressing of leather, manufacture of footwear, luggage and hand bags	-	4,955,596	-	11,439,119	16,394,715
Manufacture of wood and of products and cork, except furniture	-	-	-	-	-
Manufacture of paper & paper products.	4,922,427	6,126,322	1,751,772	3,615,945	16,416,465
Manufacture of chemicals and chemical products	2,575,197	161,056,116	7,453,678	95,338,994	266,423,984
Manufacture of rubber products	13,575,581	24,834,144	-	1,219,491	39,629,216
Manufacture of other non-metallic products	186,383	4,124,398	2,102,041	107,436	6,520,258
Manufacture of basic iron and steel	-	-	3,463,288	61,377	3,524,665
Manufacture of fabricated metal products except machinery and equipment	9,623,315	13,701,528	8,942,227	808,125	33,075,195
Manufacture of motor vehicles, trailers and semi-trailers	-	-	-	-	-
Manufacture of furniture	-	24,087,241	117,780	764,959	24,969,979
Total	**169,534,496**	**519,326,130**	**182,192,956**	**130,801,172**	**1,001,854,992**

Capacity Utilization

In almost all short-term business surveys, capacity utilization is considered as an important variable in studying the efficiency and performance of manufacturing industries overtime. For this reason, two questions were forwarded to the respondents during the survey: the first, regarding the existing level of capacity utilization by the establishments whereas the second question was about the reasons for operating under their full capacity. As shown in Table 8 below, during the quarter, only 53.66 percent of the capacity of the manufacturing industries was being utilized. A relatively high degree of capacity utilization was observed in the manufacture of motor vehicles, trailers & semi-trailers and manufacture of tobacco product amounting to 76.06 and 76.00 percent respectively, while low level of capacity utilization was observed in manufacturing of textiles and manufacture of other non-metallic products contributing 22.41 and 44.59 percent respectively.

Table 8: Distribution of Establishments by Percentage of Capacity Utilization

Major Industrial Groupings	Number of establishments by Capacity utilization range				Average
	25 % and below	26 to 50 %	51 to 75 %	76 to 100 %	
Manufacture of food products	101	171	207	290	**55.41**
Manufacture of beverage	17	2	12	10	**47.49**
Manufacture of tobacco products	-	-	-	1	**76.00**
Manufacture of textiles	28	8	7	-	**22.41**
Manufacture of wearing apparel, except fur apparel	-	-	168	24	**63.15**
Tanning and dressing of leather, manufacture of footwear, luggage and hand bags	25	34	49	18	**53.68**
Manufacture of wood and of products and cork, except furniture	-	-	-	-	**-**
Manufacture of paper & paper products.	13	-	48	73	**71.23**
Manufacture of chemicals and chemical products	-	47	16	15	**40.87**
Manufacture of rubber products	1	21	43	68	**74.63**
Manufacture of other non-metallic products	73	276	141	33	**44.59**
Manufacture of basic iron and steel	5	23	37	-	**59.60**
Manufacture of fabricated metal products except machinery and equipment	3	37	24	6	**54.83**
Manufacture of motor vehicles, trailers and semi-trailers	-	-	7	3	**76.06**
Manufacture of furniture	84	35	28	42	**45.62**
Total	**350**	**657**	**788**	**584**	**53.66**

As shown in Table 8 among the total manufacturing establishments included in this survey, 14.71 percent of them were operating below or equal to 25 percent of their capacity, while around 27.62 percent of the establishments have been operating between 26 to 50 percent of their full capacity during the survey period. Most of the establishments (33.12 percent) have been utilizing between 51 to 75 percent of their full capacity, whereas 24.55 percent of them were operating above 75 percent. In general, the survey results indicate Ethiopian manufacturing industries are operating at a medium level of capacity.

The average level of capacity utilization in the survey quarter has shown slightly decrease compared to the previous quarters. On the other hand, the number of establishments which operated between 25 & below percent of their full capacity has shown slightly decreased in this quarter as compared to the previous quarter.

The low level of capacity utilization in the sector would compel one to ask "what was behind this weak level of capacity utilization?" The responses obtained are presented in Table 9, which revealed 34 percent of them reported lack of demand/market as the first major reason for not operating at their full capacity. On the other hand 34 percent of them reported also shortage of electricity & water supply as the second major reason for not operating at their full capacity.

Table 9: Number of Establishments by reason for not working at full capacity

	Year of Commencement					
	Less than 3 years	3 to 5 years	6 to 8 years	Above 8 years	Total	%
First Major reason for not working at full capacity						
Shortage of raw materials	88	68	56	395	**607**	**27**
Shortage of spare parts	10	-	-	51	**61**	**3**
Shortage of foreign exchange	9	1	-	88	**98**	**4**
Lack of demand/market	125	12	135	500	**772**	**34**
Shortage of working capital	2	-	31	89	**122**	**5**
Shortage of electricity and water supply	112	-	13	312	**437**	**19**
Repeated breakage of machinery	10	-	2	38	**50**	**2**
Lack of skilled man power	1	-	-	5	**6**	**0**
Government rules and regulations	-	-	72	-	**72**	**3**
Others	-	-	-	50	**50**	**2**
Total	357	**81**	**309**	**1,529**	**2,276**	**100**
Second Major reason for not working at full capacity						
Shortage of raw materials	43	2	10	206	261	**12**
Shortage of spare parts	4	-	-	83	87	**4**
Shortage of foreign exchange	34	-	-	156	**190**	**9**
Lack of demand/market	22	68	33	150	**272**	**12**
Shortage of working capital	19	-	42	79	**140**	**56**
Shortage of electricity and water supply	160	-	111	471	**743**	**34**
Repeated breakage of machinery	66	-	-	176	**242**	**11**
Lack of skilled man power	-	-	-	28	**28**	**1**
Government rules and regulations	-	-	-	53	**53**	**2**
Others	1	-	99	81	**181**	**8**
Total	**349**	**70**	**296**	**1,482**	**2,197**	**100**
Third Major reason for not working at full capacity						
Shortage of raw materials	16	68	-	157	**240**	**14**
Shortage of spare parts	43	-	-	114	**157**	**9**
Shortage of foreign exchange	18	-	-	71	**90**	**5**
Lack of demand/market	9	1	75	125	**211**	**13**
Shortage of working capital	2	-	2	40	**44**	**3**
Shortage of electricity and water supply	23	-	33	223	**281**	**17**
Repeated breakage of machinery	27	-	10	146	**182**	**11**
Lack of skilled man power	22	-	27	60	**108**	**7**
Government rules and regulations	-	-	2	172	**173**	**10**
Others	50	-	39	95	**184**	**11**
Total	**209**	**70**	**187**	**1,203**	**1,669**	**100**

The number of establishments which reported ''shortage of raw materials '' as a major reason has 607 establishment, Whereas there are 72 establishment reported government rules and regulation as a major problem for not operating at their full capacity in these quarter. And in the 2nd and 3rd major reason for not working at full capacity because of government rules and regulation shares 2 and 10 percent respectively .In general, compare to the previous quarter there is influence of government rules and regulations for not working at full capacity in the 1st major reason in this quarter.

APPENDIX

Estimation procedures of total, ratio and sampling errors

To estimate the required variables by reporting levels (domains), the following formulas were used.

1. Estimate of domain total $\hat{Y}_h$ is given by:

$$\hat{Y}_h = \sum_{i=1}^{n_h} W_{hi}\, y_{hi} \quad \text{--------------------} \quad (1)$$

     Where;

$$W_{hi} = \frac{M_h}{n_h M_{hi}} \quad \text{Is the basic sampling weight}$$

$M_h =$ Sum of basic values of establishments in stratum h obtained from the sampling frame.

$M_{hi} =$ Basic value of the ith establishment in stratum h obtained from the sampling frame.

$n_h =$ Number of successfully covered sample establishments in stratum h.

$y_{hi} =$ The observed value of a characteristic y for manufacturing industry i in stratum h.

Note:

- Estimate of total manufacturing characteristic, $\hat{Y}$ is obtained by summing up stratum/domain total estimates.

$$\hat{Y} = \sum_{h=1} \hat{Y}_h \text{ -------------------------------------(2)}$$

- During the time of sample selection establishments having a basic value higher than the sampling interval were selected with certainty (with a probability of 1). Hence, the basic sampling weight of those establishments was taken to be 1.

3. Sampling variance of the estimates:

Sampling variance of estimate of stratum total are given by the following formulas:

The variance of domain or reporting total estimate is:

$$V(\hat{Y}_h) = \frac{n_h}{n_h - 1} \left[\sum_{i=1}^{n_h} \left(\hat{Y}_{hi} - \frac{\hat{Y}_h}{n_h} \right)^2 \right] \text{ -------------------------------------} \quad (3)$$

Where,

$$\hat{Y}_{hi} = W_{hi} y_{hi}$$

Other notations are as defined above.

$$V(\hat{Y}) = \sum_h V(\hat{Y}_h) \text{ --} \quad (4)$$

$$SE(\hat{Y}_h) = \sqrt{Var(\hat{Y}_h)} \text{ ---} \quad (5)$$

4. Coefficient of variation and confidence interval

The following formulas were used to calculate coefficient of variation and confidence interval of the domain (reporting level) total.

The coefficient of variation (CV) of domain total in percentage is:

$$CV(\hat{Y}_h) = \frac{SE(\hat{Y}_h)}{\hat{Y}_h} x 100 \text{ --} \quad (6)$$

And

A 95 % confidence interval (CI) of domain total is:

$$\hat{Y}_h \pm 1.96 \, x \, SE(\hat{Y}_h) \text{ --- (7)}$$

5. Ratio estimates:

$$\hat{R}_h = \frac{\hat{Y}_h}{\hat{X}_h} \, and \, \hat{R} = \frac{\hat{Y}}{\hat{X}} \text{ -- (8)}$$

Where, the numerator and the denominator are estimates of domain totals of characteristic y and x, respectively.

$$Var(\hat{R}_h) = \frac{1}{\hat{X}_h^2} \left[Var(\hat{Y}_h) + \hat{R}_h^2 \, Var(\hat{X}_h) - 2\hat{R}_h \, Cov(\hat{Y}_h, \hat{X}_h) \right]$$

In which

$$Cov(\hat{Y}_h, \hat{X}_h) = \frac{n_h}{n_h - 1} \left[\sum_{i=1}^{n_h} \left(\hat{Y}_{hi} - \frac{\hat{Y}_h}{n_h} \right) \left(\hat{X}_{hi} - \frac{\hat{X}_h}{n_h} \right) \right]$$

Where,

$$\hat{X}_{hi} = W_{hi} X_{hi}$$

Other notations are as defined above.

Estimates of standard error, coefficient of variation and confidence interval for the ratio estimate can be calculated by adopting formulas 5, 6 and 7.