REAL SECTOR WATCH

94% of CEOs say ports are biggest impediment to industries

...95% want harmonisation of taxes

ODINAKA ANUDU
& GBEMI FAMINU

Ninety-four percent of chief executives of manufacturing companies across the country say congestion at the ports significantly affects productivity negatively, a 2019 second quarter CEOs Confidence Index shows.

In the survey, which was conducted by the Manufacturers Association of Nigeria (MAN), the CEOs complained that delays in clearing raw materials and machinery often result in high demurrages which increase production costs and slow down manufacturing operations.

The report taps inadequate space inside the ports, weak trade facilitation infrastructure, poor road network and the associated traffic gridlock as critical issues that require government attention.

A 2018 report by the Lagos Chamber of Commerce and Industry (LCCI) had supported the CEOs point. The report by the LCCI had disclosed that 5,000 trucks seek access to Apapa and Tin Can ports in Lagos every day even though they were originally meant to accommodate only 1,500 trucks.

The data utilised in the MAN's second quarter report was generated from the responses of over 400 CEOs of member-companies of MAN across the country as against 200 respondents engaged in the first quarter 2019.

Analyses of data collected focused principally on the positions of CEOs on macroeconomic and business operating environments as well as perception on the diffusion factors.

In the first quarter survey, 92 percent of CEOs said multiple taxation was their biggest impediment. But in the second quarter, the number rose to 95 percent.

"This is substantiated by the numerous taxes, levies, fees and other charges that manufacturers pay to agencies of the federal, state and local governments," the report says.

"Consequently, there is the need to streamline multiplicity of taxes and ensure that only approved taxes/levies/fees are charged," it says.

Moreover, 76 percent of CEOs disagreed that the rate at which commercial banks lend to manufacturers encourage productivity in the sector.

"This is evident in the double-digit cost of borrowing from the commercial banks, which obviously discourages investment," the report further says.

It calls for lower cost of borrowing to increase productivity in the manufacturing sector.

Access to credit remains a major problem, with lending rate to the manufacturing sector averaging 22.21 percent in 2018 and 22.84 percent in 2017, according to MAN.

Nigeria's benchmark interest rate is among the highest in Africa at 13.5 percent. Ethiopia's is 7 percent; Kenya is 9 percent; South Africa is 6.75 percent; Zambia is 10.25 percent, and Cameroon is 4.25 percent.

Similarly, Rwanda is 5 percent; Mauritius, 3.5 percent; Algeria is 8 percent, and Senegal is 4.5 percent.

Sixty-six percent of CEOs of manufacturing companies in the new survey disagreed that the volume of commercial banks loans to the sector encourages productivity in the sector.

"This obviously indicates that the current Central Bank policy aimed at increasing loan to the real sector of the economy to stimulate production is a step in the right direction and should therefore be conscientiously implemented and improved upon," the report states.

Furthermore, half of the respondents disagreed that government capital expenditure implementation encourages productivity in the sector.

The CEOs' perception rested principally on the delay in budget approvals, low implementation of budgetary provisions, award of contracts to foreign firms and dearth of basic infrastructure such as inefficient port infrastructure, inadequate electricity supply, deplorable road networks, and low patronage.

"This therefore confirms the need to review the infrastructure development plan to deliberately stimulate sustained productivity in the real sector," it adds.

The report shows that foreign exchange access is still a critical challenge for many manufacturers, as 46 percent disagreed that the rate at which the sector sources foreign exchange (forex) has improved.

While 36 percent agreed that there was more dollar access, 18 percent were not sure that forex has improved.

Out of those interviewed, only 21 percent agreed that patronage of Nigerian manufactured products has improved as a result of the implementation of Executive Order 003.