

Nigerian Construction Sector

SUMMARY REPORT: 2010-2012



NATIONAL BUREAU OF STATISTICS
January 2015

Construction Data

The Construction data used in this report was obtained from the National Bureau of Statistics Survey of Establishments conducted in 2013. It covers the formal Construction establishments, which are defined as those, which are registered and have audited accounts. The Survey data presented in this report cover all Construction activities for example Construction of building, construction of Roads and Railways, Construction of other civil engineering project, Construction of utility project, Demolition and site preparation, etc.

SECTION ONE:

Background to the Nigerian Construction Sector

All over the world, the constructive industry is continually growing. This industry is mostly concerned with development of civil engineering works and heavy infrastructural provisions (roads, bridges, railways, etc.), residential and commercial real estate and their maintenance therein. Thus, the continual growth can be explained by the dynamisms of development and the need to accommodate social and demographic changes that happen over time. Factors such as migration and urbanization, a rising middle class with their demands for better living conditions (better houses, road networks) and societal needs for social infrastructure all combine to give the sector the oils for growth.

In Nigeria, organised construction began in the early 1940's with a few foreign companies. The 'oil boom' that followed about 10 years after Independence led to an upsurge in construction and demand for construction services, as the country at that period opened up to foreign and local investments and the obvious needs for infrastructure to drive economic growth. Foreign companies have dominated the industry since the 60's and 70's generating revenue for government and jobs for the citizenry. However, there have been down sides to this as these companies have been known to import resources and even skilled labour as opposed to using locally manufactured resources and promoting local content.

The construction sector has grown over the years, as a result of demands for real estate and housing and the provision of infrastructure to support an increasing population size, the need to

open up communities to foster inter-state and inter-regional trade and movement. This loosened up the market for construction and services within the industry, to include even local companies, albeit a few, especially in the construction of commercial and non-commercial real estate. Also, investors within the sector have increased, the biggest being the Federal Government of Nigeria as a huge chunk of capital formation goes into investments in real estate and infrastructures development. The level of Government interaction within the industry is majorly as regulators, purchasers and financiers. Public private partnership in this area is robust and fuelled by the inability of government to provide the necessary expertise and skills to execute projects. As a consequence, the industry has recorded an average growth rate of 18.08% between 2010 and 2012. Also, because of the labour intensiveness of construction and construction services, jobs have been created and there is still potential to expand, in order to accommodate the rising need for services in that sector

Other milestones from this include growth in other the sectors of the economy, such as manufacturing and services sectors that provide intermediate input for construction, also directly and indirectly affect construction and construction services. Businesses such as manufacturing; cement, metal, steel and wood works as well as other services sector record either profits or loss depending on the outcomes in the construction industry.

Although the Nigerian construction industry is still largely dominated by international firms, the local content bill for construction services which was passed in April 2014 is meant to give indigenous construction companies a level playing field as their international counterparts, as well as, making it easier for local businesses to thrive in the industry. We expect to see a rise in the number of local businesses under construction, more jobs created and continual

increase in the sector's contribution to GDP. The outcome of this bill can only be felt over time. But indeed, there are prospects for success.

Construction in the Nigerian Economy Today

The Nigerian economy has experienced a great change in terms of the volume of activities covered in all sectors of the economy as the post-rebasing data in the construction sector shows a much more optimistic picture, as more modern construction activities have been captured, and prices correctly deflated.

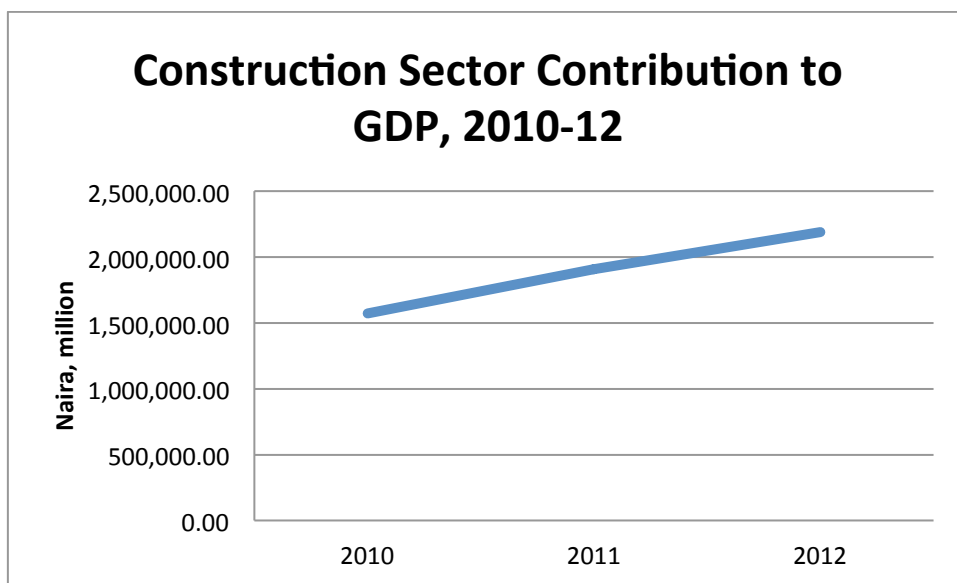


Figure 1 Construction Sector Contribution to GDP (Post-Rebasing) 2010-2012

The real GDP for the year 2010 was N54,612,264.18 million in which construction sector's share of 2.88% was N1,570,973.47million. The construction sector grew by 21.30% to reach N1,905,574.90 million in 2011. A slow down in growth rate of the construction sector by 14.86% resulted in the sector closing at N2,188,718.59 million in 2012, hence the share of construction to GDP that same year stood at 3.05%.

Part of the reason for the increase in the contribution of the construction sector to GDP is the better capturing of all the economic activities in the construction sector. Prior to rebasing, construction data was mainly sourced from construction of buildings and construction of roads and railways activities. Now, construction activity has been broken down into 11 different activities, bringing the total for the construction sector to 13.

SECTION TWO: Construction Sector Post Rebasing

Overview

- Nigerian males make up more than 90% of the construction workforce
- Construction materials make up 97% of intermediate inputs
- Wages and Salary is the most common form of employee compensation
- Total income in construction has risen steadily in the years under review

Employment Size: Total Employment Size

Table 1 Employment Size by Gender (Nigerian and Non Nigerian) 2010-2011

EMPLOYMENT SIZE	2010	2011	2012
NO. OF PERSONS ENGAGED (Nigerian Male)	5,861,845	6,065,033	6,327,377
NO. OF PERSONS ENGAGED (Nigerian Female)	398,403	396,602	420,779
NO. OF PERSONS ENGAGED(Non-Nigerian Male)	147,633	150,719	157,664
NO. OF PERSONS ENGAGED (Non-Nigerian Female)	7,202	8,488	7,716
TOTAL	6,415,082	6,620,842	6,913,536

The table above shows the total number of persons engaged in construction's formal sector in which 6,415,082 persons were engaged in 2010, The total number of persons increased by 3.21% or 205,760 to reach 6,620,842 in 2011 and it also increased by 4.42% or 292,694 to

reach 6,913,536 in 2012. The Nigerian male employee constitutes a very large portion of the total number of persons employed in the sector with a percentage share of 91.38% in 2010, 91.61% in 2011 and 91.52% in 2012. The Nigerian female employee stood at 398,403 in 2010, 396,602 in 2011 and 420,779 in 2012. While there was a steady increase in the number Nigerian male employees for all three years, the females saw a decline in their numbers by 0.45% between 2010 and 2011, but an increase by 6.10% for 2012

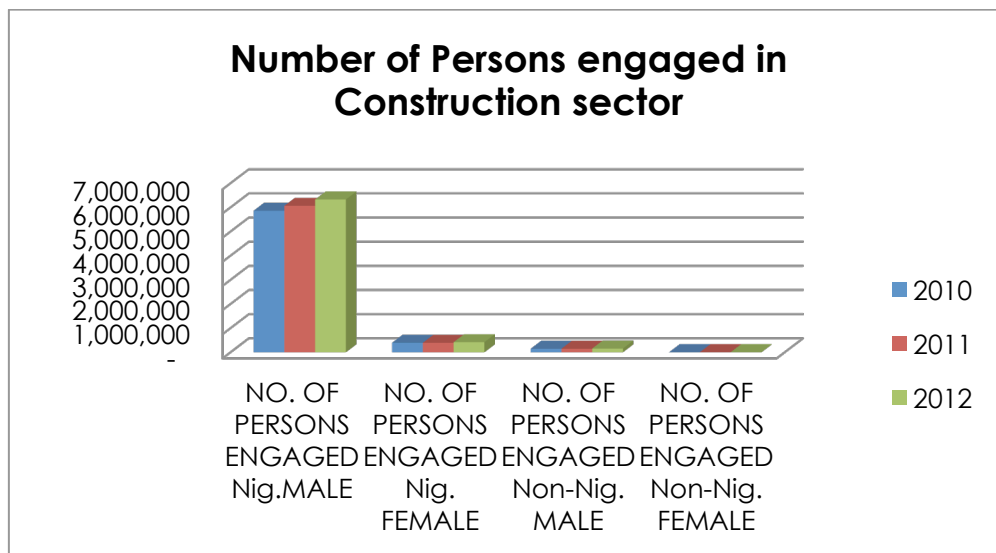


Figure 2: Number of persons engaged in construction Sector 2010-2012

Paid Employees

Table 2 Number of paid Employee by Gender 2010-2012

	2010	2011	2012
NO. OF PAID EMPLOYEES NIGERIAN MALE	5,746,620	5,953,151	4,560,413
NO. OF PAID EMPLOYEES NIGERIAN FEMALE	383,485	387,858	414,092
NO. OF PAID EMPLOYEES NON-NIGERIAN MALE	141,717	142,489	150,719

NO. OF PAID EMPLOYEES NON-NIGERIAN FEMALE	4,630	5,916	5,401
TOTAL	6,276,452	6,489,413	5,130,626

The total number of paid employees in the Construction sector for the year 2010 stood at 6,276,452, and increased by 3.40% or 212, 961 to reach 6,489,413 in 2011 but had a decline of 20.94% or 1,358,787 to reach 5,130,626 in 2012. The number of paid female employees in 2010 was 383,485 and it increased by 1.14 % or 4,373 to reach 387,858 in 2011 and had a further increase of 6.84 % or 26,234 to reach 414,092 in 2012.

Total number of paid female employees increased by 1.46% from 388,115 in 2010 to 393,773 in 2011. Growth slowed down with an increase of 6.53% or 25,720 to a total of 419,493 paid female employees in 2012 in the constructions sector.

Employment compensation

Table 3 Employment Compensation 2010-2012

	2010	2011	2012
EMPLOYEE COMPENSATION			
WAGES/SALARY ONLY	127,911.28	253,225.12	224,235.46
EMPLOYEE COMPENSATION			
OTHER PERSONNEL BENEFITS (EXCLUDING PER DIEM)	4,160.57	6,574.38	16,968.57
TOTAL	132,071.85	259,799.50	241,204.03

Total employee compensation, in the form of wages and salary and other personnel benefits (OPB) summed to N132, 071.85 million in 2010,

with an increase by 96.71% to reach N259,799.50 million in 2011. It fell by N18,595.47 million or 7.16% to close at N241,204.03 million in 2012.

Employee compensation (Wages and Salary only), constituted N127,911.28 million or a share of 96.85% of the total compensation in 2010. With a substantial increase by 97.97%, it went to N253,225.12 million in 2011, being 97.47% share of the total. In 2012, however, employee compensation (wages and salary only) decreased by N28,989.66 or 11.45% to N224,235.46 million.

Other personnel benefits, excluding per diems, also saw an increase between 2010 and 2011 by 58.02% taking it from N4,160.57 million to N6,574.38 million. However, unlike wages and salary it had a sharp increase between 2011 and 2012, by 15.81% or N10,394.19 million to reach N16,968.57 million.

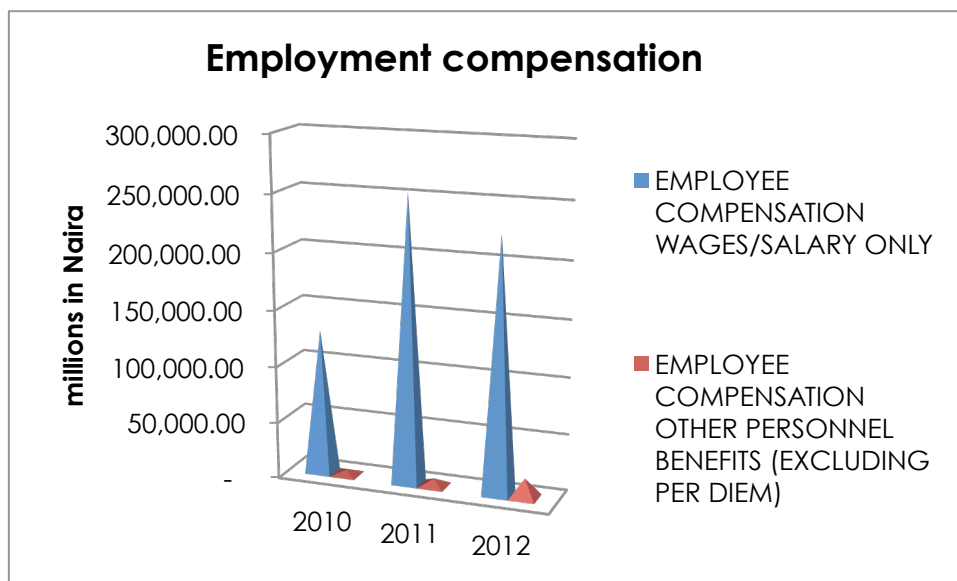


Figure 3 Employment Compensation 2010-2012

SECTION THREE

Intermediate Input

Table 4 Intermediate Input for Construction Sector (Naira, million)

	2010	2011	2012
Construction Materials			
Cement	154,411.70	178,458.12	231,398.41
Blocks	65,801.33	61,347.73	53,266.71
Meta/Iron Bars	596,312.79	706,411.87	778,632.24
Sand	519,012.35	651,362.34	700,294.15
Stone	94,522.12	194,503.86	244,647.96
Wood	308,416.40	368,658.76	416,315.51
Electric wires	43,928.34	53,687.88	61,846.48
Gravel	192,980.67	66,153.23	311,333.32
Roofing sheets	19,352.70	3,250.39	2,318.83
Other Construction Inputs	156,917.48	208,801.22	221,211.39
Fuel for Generator	19,214.27	3,236.27	2,588.30
Water Bills	17,763.60	25,117.72	24,470.69
Renting (machinery and equipment, building during construction work)	83.89	4.64	4.20
Expenses on Internet services/telephone/postage bills during construction	15,584.11	18,361.46	22,475.47

Minor repairs and maintenance	557.02	93.05	46.49
Expenses on working kits used during the construction	8,099.60	17,465.19	14,419.13
Medical expenses to staff during the construction	871.28	556.90	442.14
Per diem/travelling allowance	20.33	2.14	0.88
Expenses on replacement of spare parts used during the construction works	6.71	0.78	0.52
Consultancy Services	155.31	4.48	6.13
Stationery	3.86	4.57	4.75
TOTAL	2,214,015.85	2,557,482.61	3,085,723.68

The total amount spent on intermediate input increased by 15.51% or N343,466.76 million to reach N2,557,482.61million in 2011 and increased by 20.65% or N528,241.07 million to reach N3,085,723.68 million in 2012.

Construction materials had the greatest share of expenditure for all three years in intermediate input, making up 97.18%, 97.46% and 97.91% of total intermediate input for 2010, 2011 and 2012 respectively. Under this category and in the total, the greatest spend was on metal/iron bar which was N596,312.79 million in 2010, going up by 18.46% to N706,411.87 million in 2011 and by 10.22% to N778,632.24 million in 2012. The share of metal/iron to the total amount spent on

total intermediate input was 26.93% in 2010 and 27.62% and 25.23% in 2011 and 2012 respectively.

The second highest amount spent was on sand in which N519,012.35 million was spent in 2010, increasing by 25.50% to N651,362.34 million in 2011 and by 7.51% to N700,294.15 million in 2012. The third highest amount spent on intermediate input in the construction sector was for the purchasing of wood, which saw a 19.53% increase from N308,416.40 million to N368,658.76 million in 2011. There was a further increase of N47,656.75 million in 2012 to N416,315.51million.

Inventory of Raw Materials

Table 6 Value of Stock/Inventory of Raw Materials (Inputs)

Value of Stock/Inventory of Raw Materials (Inputs) at the end of each year (Naira million)

	2010	2011	2012
OPENING STOCK OF RAW MATERIALS	761,344.87	208,166.71	278,470.45
CLOSING STOCK OF RAW MATERIALS	208,166.71	278,470.45	611,097.53

In 2010, the opening stock of raw materials in the construction sector was valued at N761, 344.87 million. It declined by N553,178.16 million or 72.66% to reach an opening of N208,166,17 million in 2011. It increased by N70,303.74 million or 33.78% to N278,470.45 in 2012. By the close of 2012, it had increased by N332,672.08 million or 119.45% to reach N611,097.53 million.

Value of stock

Table 7 Value of stock/Inventory of work in progress

Value of stock/Inventory of work in progress at the end of each year (Naira million)

	2010	2011	2012
OPENING STOCK OF WORK - IN - PROGRESS	651,863.09	289,644.28	553,981.11
CLOSING S TOCK OF WORK - IN - PROGRESS	289,644.28	553,981.11	139,945.78

In 2010, the opening stock of work-in-progress in the sector was valued at N651,863.09 million. It declined by 55.57% or N362,218.82 million to N289,644.28 million in 2011 but increases by N264, 336.84 million in 2012 to N553,981.11 million.

Gross Capital Formation

Gross capital formation (GCF) saw a decline by 8.91% from N204,665.57 million in 2010 to N186,439.63 million in 2011. GCF in 2012, saw an even greater decline by N64,538.77 million to N121,900.86 million.

	2010	2011	2012
BUILDING			
Purchase or construction of residential building	1,994.95	3,465.26	4,137.30
Purchase or construction of non -residential building	2,258.78	2,824.89	3,353.06
Purchase or construction of other building structure	1,822.73	2,308.10	2,828.17
Major repairs and renovations	1,825.15	2,579.58	2,976.34
EQUIPMENT			
Purchase of machinery and equipment	190,227.59	168,769.17	103,327.66
Purchase of office furniture and equipment	718.07	1,381.98	911.60
TRANSPORT			
Purchase of transport equipment	5,818.31	5,110.66	4,366.72
TOTAL GROSS CAPITAL FORMATION			
	204,665.57	186,439.63	121,900.86

Table 5 Gross Capital Formation (Naira million)