

ACCOMODATION AND FOOD SERVICES SECTOR

2010 – 2012



NATIONAL BUREAU OF STATISTICS

Jan 2015

REVIEW OF THE NIGERIAN ACCOMODATION AND FOOD SERVICES SECTOR

The services sector primarily engages in hosting services such as restaurants, hotels, bars, cruise lines and many other related businesses. Globally, the services sector is a multi-billion dollar sector, however, in Nigeria, the most economically active of the services' sector's development is found in accommodations and food services.

The origins of the modern Nigerian hotel industry dates back to 1942 with the opening of the Lagos Airport Hotel. The 1950s saw the opening of hotels such as the Bristol Hotel (1956) and the Federal Palace (where Nigeria's Declaration of Independence was signed) amongst others. More hotels opened across the nation in the 1960s and 1970s, including the Hotel Presidential in Port Harcourt in 1963, the Eko Holiday Inn (1976), the adjacent Eko Hotel in 1977, the Festac 77 Hotel in 1977 and the three Gateway Hotels in Abeokuta, Ijebu-Ode and Ota in 1979. Most were developed by the government, in the absence of capacity in the private sector of this newly independent country.

The oil boom of the 1980s brought high demand for hotel rooms, (see figure 1) after the oil-related boom, demand dropped considerably in the mid-1990s (see figure 1), as Nigeria's military government was isolated from the international community. The country's return to democratic rule in 1999 saw a resurgence in demand, as improved economic and political stability resulted in an improved business environment, and encouraged foreign and local investment in infrastructure, oil & gas and telecommunications, amongst other sectors. Beginning in 2001 (see figure 1), there was an influx of regional and international chains.

The Nigerian hotel industry was not significantly affected by the 2008/2009 global economic crisis (see figure 1). Regional and internationally branded hotels continued to open, primarily in Lagos but also in Abuja and Port Harcourt, three of the largest cities – the commercial, political and oil capitals, respectively.

Long before the discovery of oil and the consequent reliance on petrodollars by Nigeria as a major source of revenue, Nigeria was primarily an agrarian economy, with more than 80% of the population earning a living from and working in the agricultural and related industries. Most of the farmers during this period were mainly subsistence farmers, who normally brought any unwanted or

excess produce to the local market to sell; firstly to avoid wastages, and also to earn extra cash which they would then use to purchase household supplies. The local markets became a regular hang out for friends hence the need to snack on light snacks before going home to enjoy a home cooked meal, such light snacks were usually in the form of fried bean cakes, known as akara and also fried kneaded dough that is known as buns or puff-puff. This began the local fast food trade, at this time; the local fast-food trade was largely dominated and operated by women, who also recruited their young children and relatives into the trade. For the children, their job was primarily to hawk the wares, which are usually carried on their heads as they walked around the market squares or village. This new trade became lucrative and expanded to include local schools, government buildings, building sites and other such public places where there was a more regular and constant demand. Development brought education and educated youths migrated to the urban cities where there were job opportunities. This heralded the next stage of growth for the fast-food sector, with the setting up of what is known locally as “*mama-puf*” or “*bukkas*”.

During the 60s, 70s and the early 80s, the organized fast-food sector in Nigeria was predominantly controlled by the multinational companies. As Nigerians travelled, they also acquired western tastes. There was a craving for western standard of life especially amongst the Nigerian elite living in the big cities such as Lagos, Port Harcourt, Ibadan, and Enugu. On hand to satisfy such cravings were multinational companies such as Leventis, UTC, and Kingsway, which in the 80s and 90s, had supermarkets and snacks bars in the big cities. There were also independently owned fast-food restaurants or shops at this period, mainly targeting Nigerians who may consider the UTC Snacks, Leventis Stores, or Kingsway Stores a bit expensive.

The Nigerian fast-food industry entered another major phase in 1985, when the United African Company (UAC) launched the Mr. Biggs brand, Nigeria’s biggest fast-food franchise. With the advent of Mr. Biggs, the fast-food industry changed. Mr. Biggs was like a fast-food revolution, an idea that was long overdue. This began the boom in the fast food and restaurant industry, people began to view the industry as lucrative, and as the population grew so did the demand for more restaurants. Over the course of the last 13 years a tremendous amount of growth has happened in this industry leading to the rise of fast food restaurant chains, hotels and Nightlife covering a wide range of styles, presentations and quality, currently there are over 70 different indigenous fast-food franchises and countless number of restaurants in Nigeria.

However, regardless of the growth in this industry, and the great potential for contributing to Nigeria's economy, specifically in the area of job creation, the nation is yet to fully embrace the industry as a major economic player and a source of national income. Based on the rebased GDP figures, the accommodation & food services sub-sector contributed about 0.45% of the nation's total value of goods and services in 2010 and 2011 and 0.49% in 2012.

TABLE 1 ACCOMODATION & FOOD SERVICES SECTOR VALUE ADDED AT BASIC PRICES 2010-12 (MILLION)

	Value Added at Basic Prices	Share of GDP (%)
2010	245,760.58	0.45
2011	283,376.43	0.45
2012	353,222.80	0.49

The industry is a key beneficiary of surging domestic and foreign investments. The services sector market is booming in Nigeria and with that boom comes new found diversification in range, quality and classifications, yet there is much room for growth, diversification and standardization.

THE NIGERIAN ACCOMMODATION AND FOOD SERVICES SUB-SECTOR TODAY

The Accommodation and Food services prior to the rebasing were classified as 'Hotels and Restaurants' sector. Post rebasing, it was classified as a sub-sector under the services sector. The industry faces many challenges including instability in power supply, security, negative global publicity - challenges similar to the tourism sector in Nigeria.

Highlights:

- Higher percentage of Nigerian staff employed over the years,

- Income generated from accommodation ranks highest in its gross earnings/income,
- Restaurant items generate the highest value in cost of goods purchased,
- Generator fuel is the highest cost of all intermediate inputs in the industry,
- Wages and salaries is the highest form of employee compensation,
- More capital investments were made over the years as the closing inventory remained high,
- Suites/chalet for VIP were the highest types of accommodation built across the country,
- Number of lodger by beds occupied ranked high.

EMPLOYMENT SIZE

This sector is known for its contributions to the country's economy especially through job creation.

The total number of persons employed in 2010 was 342,794; it increased by 44,804 or 13.07% to 387,598 in 2011 but reduced by 13,090 or 3.38% to 374,508 in 2012.

In all three years, the Nigerian male dominated with 200,061 employed in 2010, which increased by 33,693 or 16.84% to 233,754 males employed in 2011, however, it declined by 26,482 or 11.33% to 207,272 employed in 2012.

There was a steadier increase in the Nigerian female category which ranked second highest with 111,201 employed in 2010, it increased by 9,555 or 8.59 to 120,756 in 2011 and increased by 7,898 or 6.54% to 128,654 Nigerian females employed in 2012.

Non-Nigerian male also recorded a steady growth pattern across the three years, 27,553 Non-Nigerian males were employed in 2010 which grew by 1,616 or 5.87% to 29,169 employed in 2011, it further grew by 5,292 or 18.14% to 34,461 non-Nigerian males employed in 2012.

Non-Nigerian female was the lowest number of persons employed in all three years, it recorded a total of 3,979 in 2010 which declined by 60 or 1.51% to 3,919 employed in 2011. The number however increased by 202 or 5.15% to 4,121 non-Nigerian females employed in 2012.

The total Nigerian male employed across the years averaged at 213,695.67, a 93,492 or 43.75% increase from the 120,203.67 total average recorded for the Nigerian female.

The total Non-Nigerian male employed averaged at 30,394.33, a 26,388 or 86.82% increase from the average total of Non-Nigerian female employed at 4,006.33.

In all the three years, the males dominated the employment size in both the Nigerian and Non-Nigerian categories, however, the Nigerian males ranked highest in all categories.

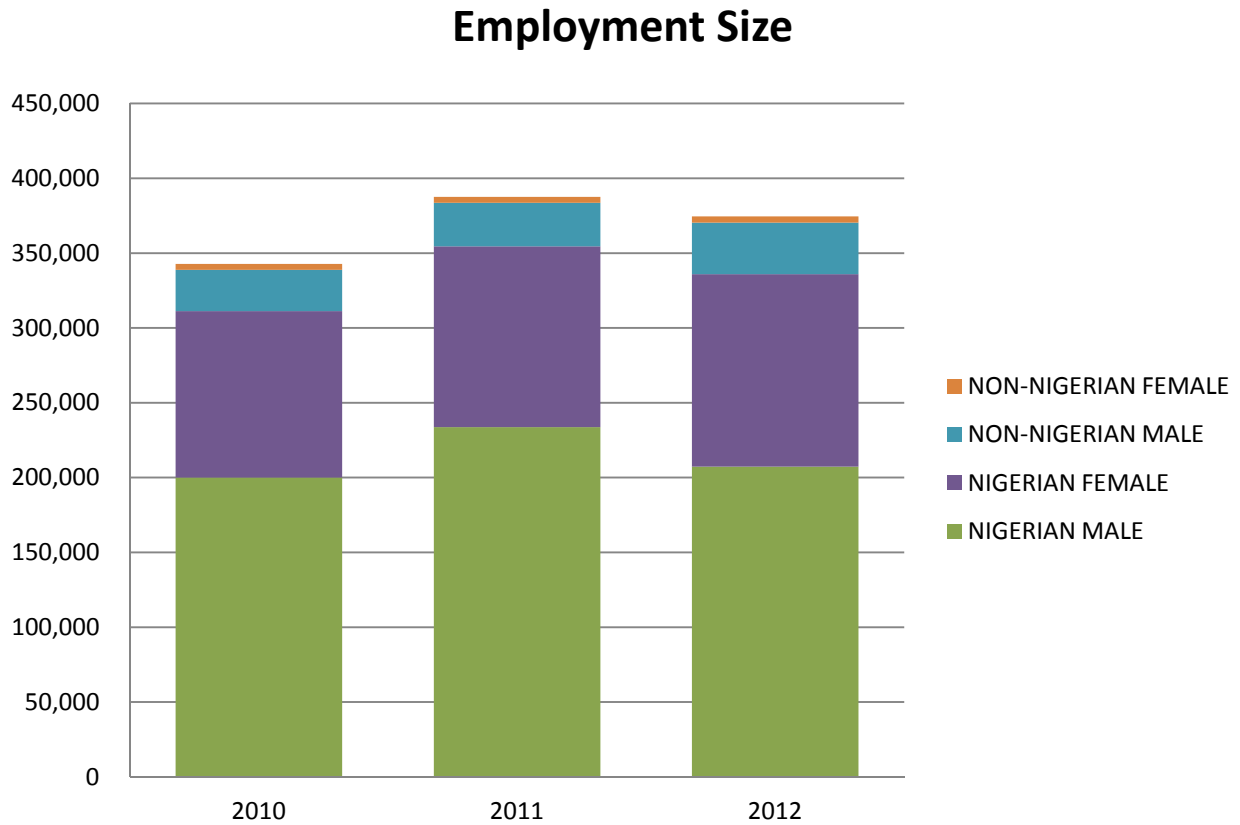


FIGURE 1 EMPLOYMENT SIZE, 2010-2012

GROSS EARNINGS/INCOME

Gross earnings for the accommodation sector in Nigeria totaled at N638,978.08 million in 2010, which increased by N44,888.41 million or 7.03% to N683,866.49 million in 2011 and by N46,238.21 million or 6.76% to reach N730,104.70 million in 2012.

Across the three years, the sector's gross earnings was dominated by income from accommodation which totaled at N343,040.23 million in 2010, grew by N7,843.63 million or 2.29% to reach a gross income of N350,883.86 million in 2011. In 2012, there was a higher level of growth of N35,179.47 million or 10.03% amounting to N386,063.33 million.

The second largest earnings was generated from income from bar (beverages) which totaled at N150,785.97 million in 2010, and increased by N68,588.37 million or 45.49% to N219,374.34 million in 2011. There was a decline of N42,782.19 million or 19.50% to N176,592.15 million in 2012.

The third largest contributor was income from restaurants services with a gross income of N64,188.05 million in 2010. 2011 saw a growth of N10,968.24 million or 17.09% to reach a total of N75,156.29 million, and further grew by N25,407.14 or 33.81% to total at N100,563.43 million in 2012.

The least contribution to the accommodation services was the income from camping ground, recreational vehicles and trailers totaling N914.86 million. Gross income grew by N352.56 million or 38.54% to N1,267.42 million in 2011 and further grew by N694.39 million or 54.79% to N1,961.81 million in 2012. Despite its steady increase, it remained the least contributor.

Gross Earnings/Income

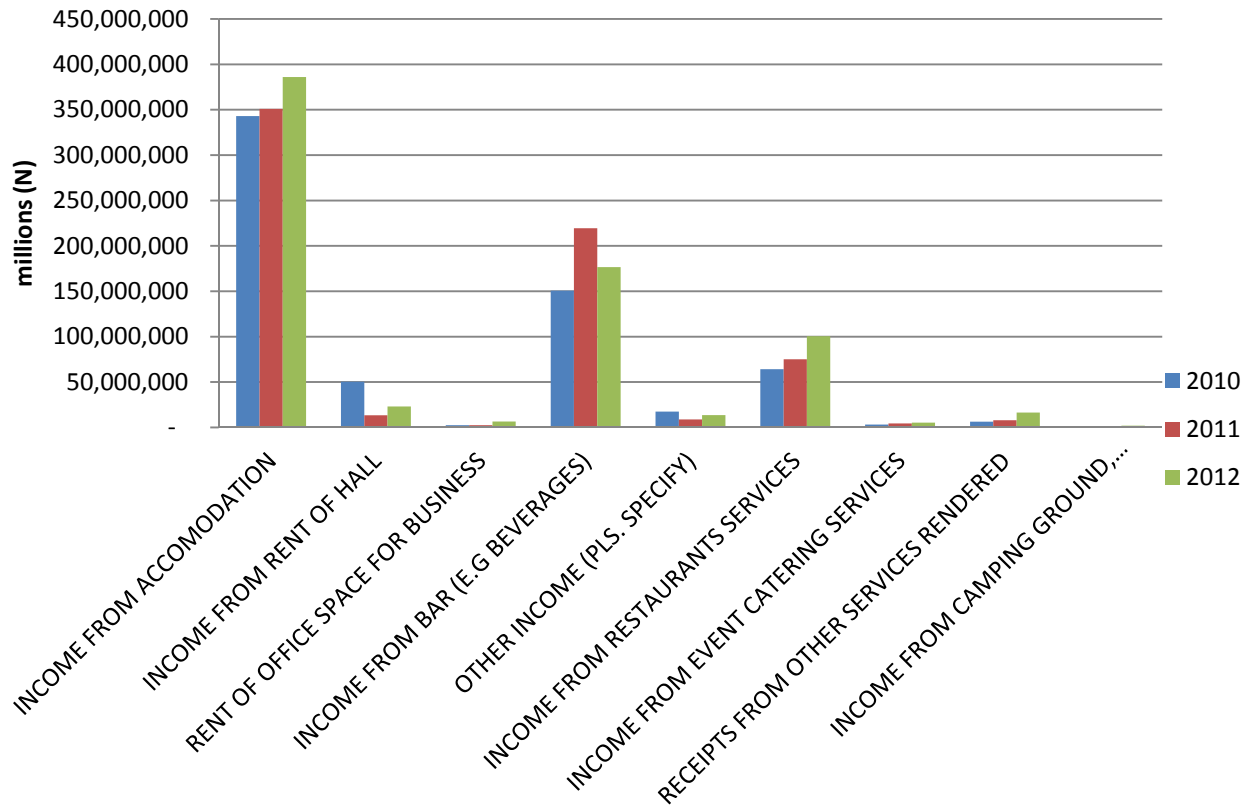


FIGURE 2 GROSS EARNINGS/INCOME, 2010-2012

TOTAL GOODS PURCHASED

The total cost of goods purchased for the sector was N33,280.56 million in 2010. This declined by 8.52% and 41.40% in the following years amounting to N30,444.64 million and N17,839.10 million in 2011 and 2012 respectively.

In 2010, the highest purchase made was for restaurant items, a total of N24,151.15 million. 2011, bar items drastically rose by 70% to N21,468.22 million from the N6,440.69 recorded in 2010, to become the highest purchase of the year. Despite a decline from the previous year, bar items remained the highest purchase made with N11,075.32 million in 2012. Restaurant items declined noticeably across the years from the N24,151.15 million recorded in 2010 to N5,579.52 million or 76.9% in 2011 and further down to N4,310.89 million or 22.74% in 2012.

Other purchases ranked lowest across the years.

TOTAL INPUT COST FOR ACCOMMODATION AND FOOD SERVICES

Total input cost for the accommodation services in Nigeria was N393,217.51 million in 2010, and grew by 1.85% to N400,490.06 million in 2011 but declined slightly by 5.89% to reach N376,881.90 million in 2012.

Across the years, the input cost was dominated by fuel used by generator (see figure 5) with a total of N131,120.63 million in 2010 which represents a 33.35% of the total input cost for that year. It however declined by N224.42 million or 0.17% to N130,896.21 million in 2011, a 67.32% of the total input cost for that year. A further decline of N40,362.42 million or 30.84% to reach N90,533.79 million in 2012, which was 75.98% of all inputs cost incurred. Despite having the largest input cost, it maintained a steady decline in all three years.

The second largest input was cost of repair and maintenance (see figure 5), which totaled at N62,274.49 million in 2010 and grew by N6,157.51 million or 9.89% to N68,432.00 million in 2011, the cost of repair and maintenance however declined by N26,453.49 million or 38.66% to N41,978.51 million in 2012.

The third largest input cost was rents on machinery and buildings (see figure 5), it recorded its highest cost in 2010 with N55,127.25 million of the total input cost but declined by N42,527.26 million or 77.12% to N12,599.99 million in 2011 and further declined by N288.69 million or 2.29% to N12,311.30 million in 2012.

The fourth largest input cost was PHCN bills, it totaled at N32,376.26 million in 2010 and grew by N21,435.91 million or 66.21% to N53,812.17 million in 2011, however, it declined by N5,954.11 or 11.06% to N47,858.06 million in 2012.

The fifth largest input cost was travel allowances paid to staff, this totaled at N15,238.84 million in 2010, it maintained a steady growth in the following years by N2,285.37 or 15.00% and by N36,173.03 million or 206.42% amounting to N17,524.21 million and N53,697.24 million in 2011 and 2012 respectively. A noticeable rise was between 2011 and 2012.

Across the other activities, there were steady levels of input cost growth and decline, however, there was a significant growth in cost of water and sewerage from N8,476.61 million in 2010 to N26,618.82 million in 2011, but declined to N11,073.57 million in 2012, still a 30.64% higher than the value for 2010. A significant decline was in the input cost of solar energy which went from N7,838.20 million in 2011 to N3,190.70 million in 2012. There was a great increase in input cost in other expenses and miscellaneous cost from 2011-2012.

Intermediate Input cost

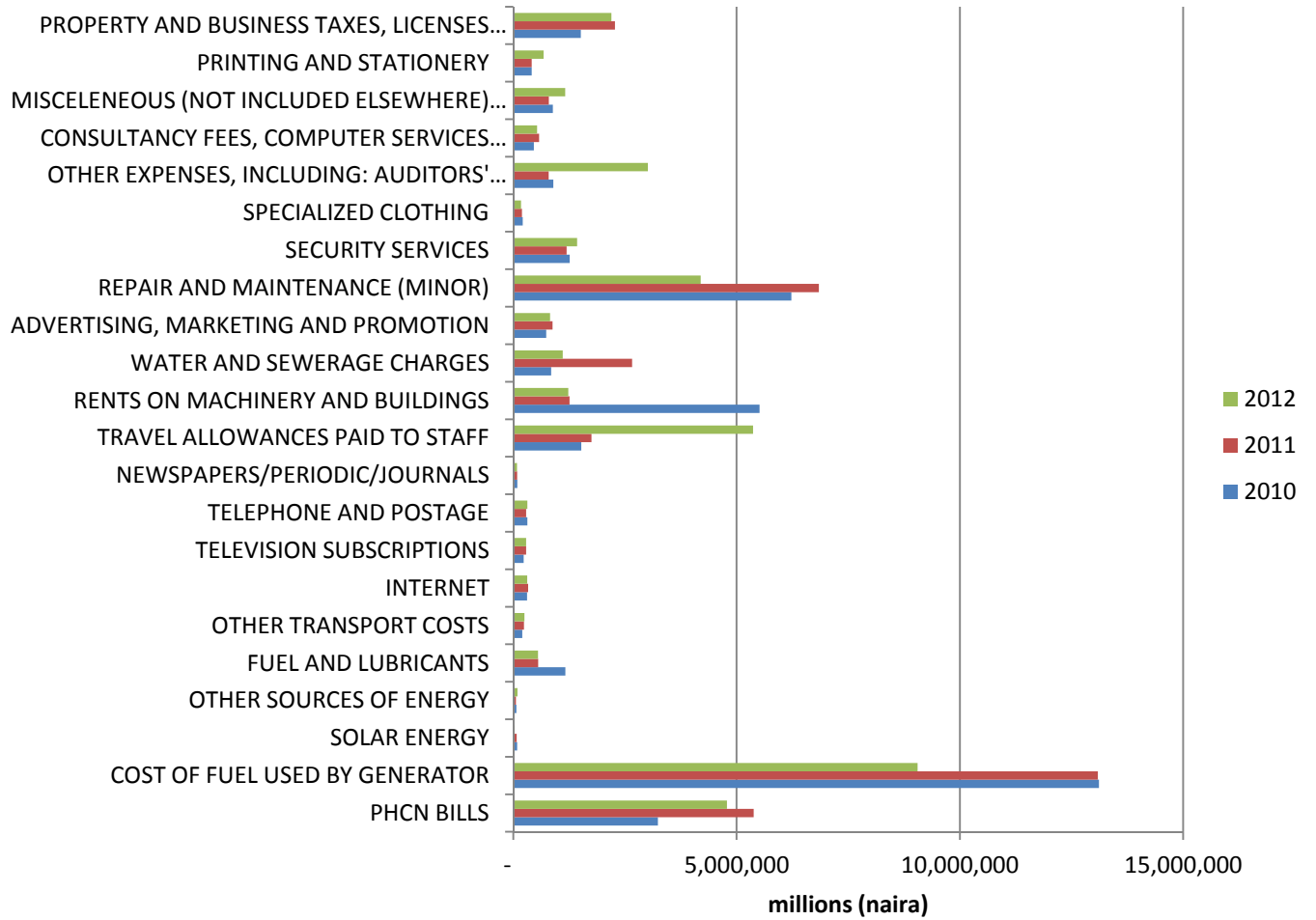


FIGURE 3 INTERMEDIATE INPUT COST, 2010-2012

EMPLOYEE COMPENSATION

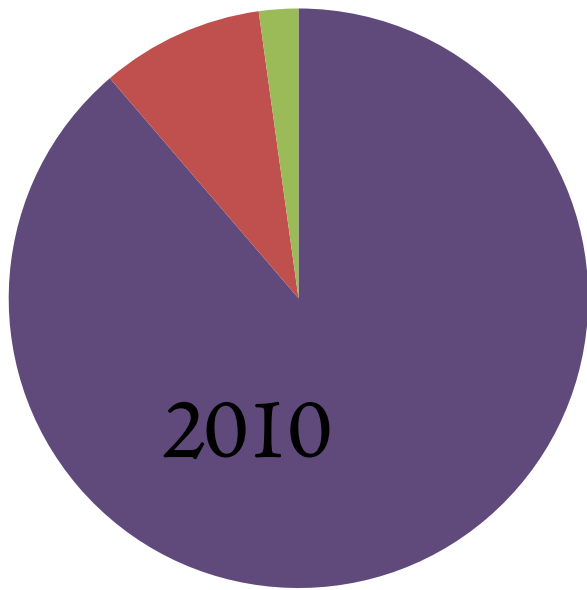
Employee compensation comprises of wages and salaries, other staff benefits and social security contributions. In 2010, employee compensation totaled at N64,215.92 million and declined by 7.98% to N59,088.51 million in 2011. It rose significantly by 40.42% to N82,973.91 million in 2012.

The highest form of employee compensation was staff wages and salaries which totaled at N56,973.83 million in 2010, 88.72% of the total employee compensation for that year, it dipped slightly in 2011 by N6,203.65 million or 10.89% to N50,770.18 million, 85.92% of the total for that year, but rose by N23,749.99 million or 46.78% to N74,520.17 million, 89.81% of the total employee compensation for the year.

The second highest form of employee compensation was other staff benefits which was N5,829.81 million in 2010, declined slightly by N123.01 million or 2.11% to reach a total of N5,706.80 million in 2011, however, it increased by N230.74 million or 4.04% to N5,937.54 million in 2012.

Social security contributions was the least form of employee compensation, in 2010 it totaled at N1,412.29 million, a 2.20% of the total for that year, and increased by N1,199.25 million or 84.92% to N2,611.54 million in 2011 and declined again by N95.34 million or 3.65% to N2,516.20 in 2012.

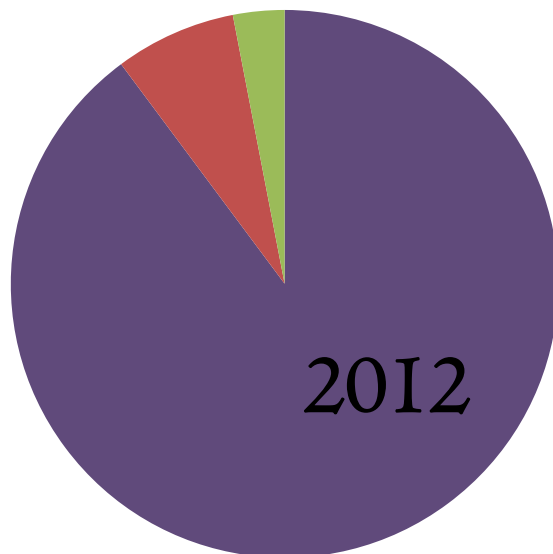
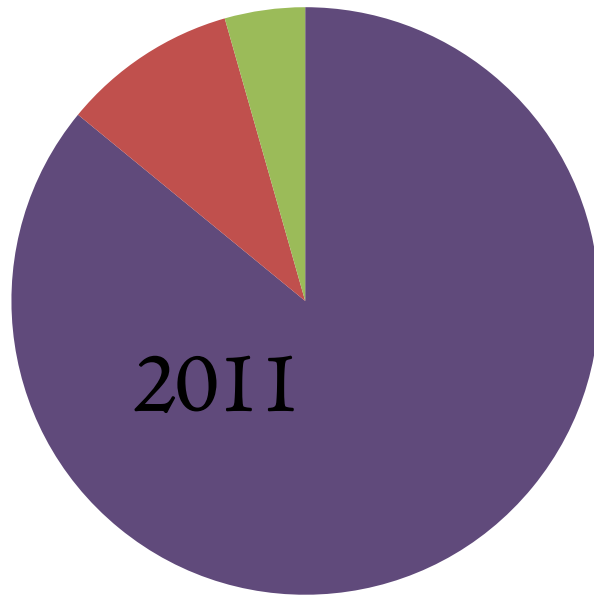
2012 showed the highest amount of employee compensation except in the social security contributions category which had 2011 as its highest.



■ STAFF WAGES AND SALARIES

■ OTHER STAFF BENEFITS

■ SOCIAL SECURITY CONTRIBUTIONS



GROSS CAPITAL FORMATION

The total Gross Capital Formation (GCF) for 2010 was N24,324.45 million, it increased by N4,417.47 million or 18.1% to N28,741.92 million in 2011 and further increased by N2,622.18 million or 9.12% to N34,364.10 million in 2012.

In all three years, GCF was dominated by non-residential buildings at 8,948.12 million, 10,412.58 million and 13,105.83 million in 2010, 2011 and 2012 respectively. In 2010 it made up 36.79% of the total, 36.23% and 41.79% of total GCF in 2011 and 2012 respectively. The second highest in 2010 was for the purchase of machinery and equipment, which made up N4,760.55 million or 19.57% of the total. In 2011, residential buildings was the second highest with N7,035.69 million or 24.48%. In 2012, residential building was again the second highest going up slightly by N1,975.04 or 28.07% to N9,010.73 million.

In 2010, residential buildings presented the third highest in cost incurred with N4,620.24 million or 18.99% of the total GCF for the year. The least costs incurred was for other building structures, which was N407.18 million or 1.67% for 2010. Other building structures was also the least for 2011 with N443.17, increasing by N35.98 million and in 2012 it went up by 139.78% to N1,062.62 million. In 2012, the least costs incurred under GCF was for the purchase of computers which was N771.93 million or 2.46% of the total for the year.

Gross Capital Formation 2010-2012 (millions)

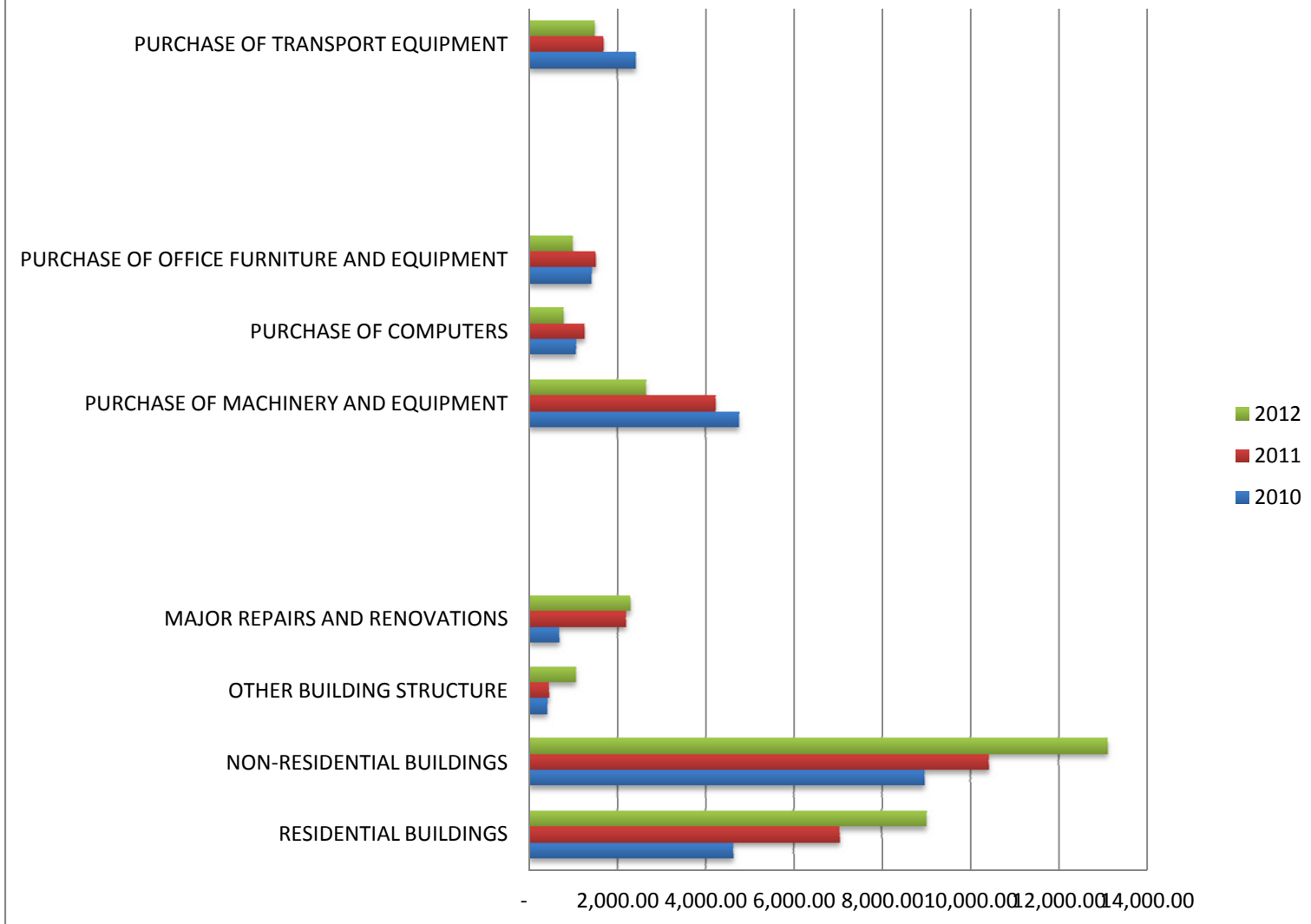


FIGURE 4 GORSS CAPITAL FORMATION, 2010-2012

INVENTORY AND DEPRECIATION

The opening stock of bar items valued at N2,144.55 million in 2010, it increased by N1,195.18 million or 55.73% to N3,339.73 million in 2011 and declined by N815.83 million or 24.43% to value at N2,523.90 million in 2012.

The opening stock of restaurant items valued at N2,681.64 million in 2010, declined by N453.79 million or 16.92% to N2,227.85 million in 2011, but grew by N1,055.13 million or 47.36% to N3,282.98 million in 2012.

Depreciation recorded N134,136.06 million in 2010, which declined by N8,201.41 million or 6.11% to N125,934.65 million in 2011. 2012 increased by N48,947.27 million or 38.87% to N174,881.92 million.

TYPES OF ACCOMMODATION

There was a steady growth in types of accommodation, in 2010 it totaled at 39,817, and increased by 7,276 rooms or 18.27% to 47,093 in 2011 and further increased by 1,707 rooms or 3.62% to 48,800 in 2012.

Suites/chalets for VIP guests was the largest number in all three years, with 15,298 chalets in 2010, which increased by 1,609 or 10.52% to 16,907 chalets in 2011 and increased by 2,394 or 14.10% to 19,291 chalets in 2012.

Second largest in all three years was double twin-bedded room/chalet, which recorded 11,446 chalets in 2010 and increased by 2,022 or 17.67% to 13,468 chalets in 2011 and further increased by 1,087 or 8.07% to 14,555 chalets in 2012.

Double room with one bed ranked third highest with 8,607 rooms in 2010, it grew by 3,057 or 35.52% to 11,664 rooms in 2011, despite being the third largest; it declined in 2012 by 1,329 or 11.39% to 10,355 rooms.

Single rooms was the least with 4,465 rooms in 2010, it increased by 588 or 13.17% to 5,053 rooms in 2011, it declined by 454 or 8.98% to 4,599 rooms in 2012.

There was a general increase in most across the three years except in double room with one bed and single room which experienced declines in 2012.

TABLE 2 TYPES OF ACCOMODATION, 2010-2012

TYPES OF ACCOMODATION	2010	2011	2012
SINGLE ROOM	4,465	5,053	4,599
DOUBLE ROOM WITH ONE BED	8,607	11,664	10,355
DOUBLE TWIN-BEDDED ROOM/CHARLET	11,446	13,468	14,555
SUITES/CHARLET FOR VIP	15,298	16,907	19,291
Total	39,817	47,093	48,800

TABLE 3 EMPLOYMENT SIZE BY GENDER AND NATIONALITY, 2010-2012

Employment Size	2010	2011	2012
NIGERIAN MALE	200,061	233,754	207,272
NIGERIAN FEMALE	111,201	120,756	128,654
NON-NIGERIAN MALE	27,553	29,169	34,461
NON-NIGERIAN FEMALE	3,979	3,919	4,121
Total	342,794	387,598	374,508

TABLE 4 GROSS EARNINGS/INCOME (MILLION), 2010-2012

Gross Earnings/Income

INCOME FROM ACCOMODATION	343,040.23	350,883.86	386,063.33
INCOME FROM RENT OF HALL	50,364.92	13,379.13	23,070.85
RENT OF OFFICE SPACE FOR BUSINESS	2,574.02	2,511.30	6,571.99
INCOME FROM BAR (E.G BEVERAGES)	150,785.97	219,374.34	176,592.15
OTHER INCOME (PLS. SPECIFY)	17,512.91	8,850.52	13,616.32
INCOME FROM RESTAURANTS SERVICES	64,188.05	75,156.29	100,563.43
INCOME FROM EVENT CATERING SERVICES	3,216.34	4,518.73	5,326.84
RECEIPTS FROM OTHER SERVICES RENDERED	6,380.76	7,924.91	16,337.98
INCOME FROM CAMPING GROUND, RECREATIONAL VEHICLES AND TRAILER	914.86	1,267.42	1,961.81
Total	638,978.08	683,866.49	730,104.70

TABLE 5 INTERMEDIATE COSTS (MILLION), 2010-2012

INPUT COST

PHCN BILLS	32,376.26	53,812.17	47,858.06
COST OF FUEL USED BY GENERATOR	131,120.63	130,896.21	90,533.79
SOLAR ENERGY	890.52	783.82	319.07
OTHER SOURCES OF ENERGY	687.95	596.77	934.19
FUEL AND LUBRICANTS	11,665.55	5,587.67	5,555.32
OTHER TRANSPORT COSTS	2,010.06	2,393.33	2,493.22
INTERNET	3,083.12	3,327.07	3,116.75
TELEVISION SUBSCRIPTIONS	2,336.29	2,895.48	2,874.57
TELEPHONE AND POSTAGE	3,162.96	2,878.60	3,160.99
	904.54	870.41	827.40
NEWSPAPERS/PERIODIC/JOURNALS			
TRAVEL ALLOWANCES PAID TO STAFF	15,238.84	17,524.21	53,697.24
RENTS ON MACHINERY AND BUILDINGS	55,127.25	12,599.99	12,311.30
WATER AND SEWERAGE CHARGES	8,476.61	26,618.82	11,073.57
ADVERTISING, MARKETING AND PROMOTION	7,390.40	8,809.56	8,228.91
REPAIR AND MAINTENANCE (MINOR)	62,274.49	68,432.00	41,978.51
SECURITY SERVICES	12,647.15	11,946.59	14,311.70
SPECIALIZED CLOTHING	2,132.18	1,937.23	1,730.18
OTHER EXPENSES, INCLUDING: AUDITORS' FEES PAYMENT TO NOMINAL	8,973.54	7,917.66	30,126.64
CONSULTANCY FEES, COMPUTER SERVICES AND INSURANCES PREMIUM	4,626.41	5,770.62	5,323.63
MISCELENEOUS (NOT INCLUDED ELSEWHERE) LEGAL	8,868.01	7,978.95	11,645.49

SERVICES/PROFFES

PRINTING AND STATIONERY	4,109.69	4,139.78	6,793.17
PROPERTY AND BUSINESS TAXES,	15,115.06	22,773.11	21,988.20
LICENSES AND PERMITS			
Total	393,217.51	400,490.06	376,881.90

TABLE 6 GROSS CAPITAL FORMATION, 2010-2012 (MILLION)

	2010	2011	2012
RESIDENTIAL BUILDINGS	4,620.24	7,035.69	9,010.73
NON-RESIDENTIAL BUILDINGS	8,948.12	10,412.58	13,105.83
OTHER BUILDING STRUCTURE	407.18	443.17	1,062.62
MAJOR REPAIRS AND RENOVATIONS	677.04	2,185.14	2,288.28
PURCHASE OF MACHINERY AND EQUIPMENT	4,760.55	4,223.07	2,650.96
PURCHASE OF COMPUTERS	1,065.93	1,256.57	771.93
PURCHASE OF OFFICE FURNITURE AND EQUIPMENT	1,418.64	1,504.72	993.89
PURCHASE OF TRANSPORT EQUIPMENT	2,426.76	1,680.98	1,479.86
TOTAL GROSS CAPITAL FORMATION	24,324.45	28,741.92	31,364.10