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ZIMBABWE

BUSINESS TENDENCY SURVEYS, JANUARY – APRIL 2010

This publication contains the results of a Business Tendency Survey (BTS) conducted for the period January ó April 2010. The last tri-annual publication related to the period January ó April 2007. The Medium Term Plan (MTP) for January 2010 ó December 2015 indicated that the manufacturing sector has been operating below capacity in all sub-sectors for more than a decade. Some of the policy objectives in the MTP are to raise capacity utilization in all sub-sectors and to promote utilization of available local raw materials in the production of goods. The main objective of the survey is to give a picture of capacity utilization for the manufacturing and mining industrial groups based on judgment of top management in that regard.

Methodology

The questions framed for the survey are qualitative rather than quantitative and hence, the statistics should be interpreted in that context.

Sampling Procedure

The register of establishments covered by the Census of Industrial Production (CIP) carried out annually by the ZIMSTAT was used as a sampling frame. Eleven manufacturing groups with mining taken as one group were used as the basis for weighting so that large firms had a higher chance of being included in the sample. At this level, a cut-off point of twenty employees was set and only firms with twenty employees and above were considered for inclusion in the sample since those with less than twenty employees have a small contribution to value added and hence would not significantly alter the results.

The Sample

Self-administered questionnaires were dispatched by enumerators to 230 firms included in the survey in June 2010. A total of 155 questionnaires were recovered. Follow ups on establishments that had not responded were still in progress by the time the results were analysed. This represented a response rate of 67% in terms of simple count of firms.

The Results

Table 1 below shows general business climate, investment and changes in capacity utilization.

Table 1: General business climate, investment and capacity utilization change classified by industrial group

Group	General Business Climate			Investment			Capacity Utilization change		
	Up	About same	Down	Up	About same	Down	Up	About same	Down
Food Stuffs	54	23	23	50	33	17	46	46	8
Drinks & Tobacco	27	64	9	55	36	9	27	73	0
Textiles	11	11	78	11	33	56	11	44	44
Leather & Footwear	29	14	57	29	0	71	14	29	57
Wood & Furniture	44	44	11	33	56	11	22	44	33
Paper & Printing	30	50	20	40	30	30	30	50	20
Chemicals	35	45	20	32	42	26	30	60	10
Non Metallic Minerals	33	56	11	44	33	22	33	44	22
Metals & Metal	21	38	42	17	63	21	17	46	38
Transport Equipment	33	17	50	17	50	33	17	67	17
Other Manufacturing	33	22	44	44	11	44	33	56	11
All Manufacturing	31	37	31	33	39	28	26	51	23
Mining	50	33	17	50	33	17	50	33	17

General business climate

In the reference period, January ó April 2010, groups with highest proportion of establishments more optimistic that the previous four months were õFood Stuffssö, 54% followed by õMiningö with 50%. On the other hand, the most pessimistic groups on the general business climate were õTextilessö, õLeather & Footwearö and õTransport & Equipmentö with 78%, 57% and 50% respectively.

Investment

õDrink & Tobaccoö, 55% followed by õFoodstuffssö and õMiningö with 50% apiece indicated an increase in investment compared to the previous period. õLeather & Footwearö had none showing an increase investment. While õTextilessö had shown pessimism on general business climate, the group indicated an increase in investment.

Changes in capacity utilization

Half the establishments in õMiningö had an increase in capacity utilization compared to the previous period while the rest had proportions less than 50%. õDrink & Tobaccoö had the largest proportion of 73% among those having no changes in capacity utilization.

Inventories

Table 2 on the next page shows results of inventories in the current period relative to the past four months (September ó December 2009) and next four months (May ó August 2010) respectively.

Stocks of raw materials

“Leather & Footwear” followed by “Foodstuffs” had high stocks of raw materials with 57% and 54% respectively and “Transport & Equipment” having none. Groups that 50% and above maintaining the same levels of raw materials were “Mining”, “Chemicals”, “Textiles” and “Transport Equipment”.

õMiningö had 50% anticipating to have increases in raw material stocks in the next four months. In the õTextilessö and õMetals & Metal Productssö groups, 63% followed by õWood & Furnitureö and õFoodstuffssö with 56% and 54% respectively expected to maintain the same levels of raw material stocks.

Stocks of work in progress

All groups had less than 50% of establishments having increases of work in progress inventories the least group being õTransport Equipmentö. The majority of groups, with õMiningö having 75% of establishments as the highest maintained the same levels of inventories. Half of establishments in õMiningö once again was the highest proportion expecting to have increases in work in progress. Almost all groups had more than 50% of establishments anticipating to have the same levels of work in progress except õLeather & Footwearö, õOther Manufacturingö, õTransport Equipmentö and õMetals & Metal Productssö with 29%, 33% each and 46% respectively.

Stocks of finished goods

All groups had less than half of the establishments having increase in stocks of finished goods the worst affected being õTransport Equipmentö and õMiningö with 0% each. What was observed for work in progress same applied to finished goods stocks.

Number of persons employed

Table 3 on the next page shows responses with regards to number persons employed.

None of the groups had 50% of establishments having an increase in number of persons employed compared to the past four months. The worst affected groups were "Wood & Furniture", "Paper & Printing" and "Mining" with 0% each. All groups said the numbers employed remained the same. A slight change in the increase in numbers employed was expected in the next four months with "Drink & Tobacco" having 36% being on the top of the list.

The majority of groups expressed to remain with same numbers employed with "Transport Equipment" having 83% as the highest and "Leather & Footwear" having the lowest proportion of 29%.

Table 2: Stocks of raw materials, work in progress and finished products classified by industrial group

Group	Raw material stocks						Work in progress						Finished goods					
	Past four months (%)			Next four months (%)			Past four months (%)			Past four months (%)			Past four months (%)			Past four months (%)		
	Up	About same	Down	Up	About same	Down	Up	About same	Down	Up	About same	Down	Up	About same	Down	Up	About same	Down
Food Stuffs	54	38	8	38	54	8	31	54	15	31	69	0	31	46	23	38	54	8
Drinks & Tobacco	40	40	20	44	22	33	30	60	10	11	67	22	27	45	27	40	40	20
Textiles	13	50	38	25	63	13	13	63	25	13	75	13	13	63	25	25	75	0
Leather & Footwear	57	0	43	29	14	57	43	14	43	14	29	57	43	14	43	29	29	43
Wood & Furniture	22	44	33	33	56	11	22	67	11	33	56	11	22	44	33	44	56	0
Paper & Printing	20	40	40	40	50	10	44	44	11	11	67	22	20	50	30	20	70	10
Chemicals	11	74	16	47	37	16	16	68	16	26	58	16	37	47	16	53	42	5
Non Metallic Minerals	22	33	44	44	44	11	22	33	44	33	56	11	22	33	44	38	50	13
Metals & Metal Products	8	46	46	21	63	17	13	38	50	29	46	25	17	38	46	29	42	29
Transport Equipment	0	50	50	17	33	50	0	50	50	33	33	33	0	50	50	17	50	33
Other Manufacturing	33	33	33	44	22	33	11	56	33	33	33	33	44	33	22	44	22	33
All Manufacturing	23	44	32	35	45	20	21	50	28	25	54	20	26	42	32	36	47	17
Mining	25	75	0	50	50	0	25	75	0	50	50	0	0	75	25	50	50	0

Table 3: Number of persons employed

Group		Food Stuffs	Drinks & Tobacco	Textiles	Leather & Footwear	Wood & Furniture	Paper & Printing	Chemicals	Non Metallic Minerals	Metals & Metal Products	Transport Equipment	Other Manufacturing	All Manufacturing	Mining
Past four months (%)	Up	23	36	22	43	0	0	22	33	5	20	25	19	0
	About same	62	55	56	14	44	70	72	44	41	60	63	54	80
	Down	15	9	22	43	56	30	6	22	55	20	13	27	20
Next four months (%)	Up	15	36	33	29	11	20	5	33	25	0	11	20	33
	About same	69	64	44	29	56	60	68	44	42	83	67	56	67
	Down	15	0	22	43	33	20	26	22	33	17	22	24	0

Table 4: Orders for Home Market and Export Market (Net % is percent answering “Up” minus percent answering “Down”)

Group		Food Stuffs	Drinks & Tobacco	Textiles	Leather & Footwear	Wood & Furniture	Paper & Printing	Chemicals	Non Metallic Minerals	Metals & Metal Products	Transport Equipment	Other Manu- facturing	All Manu- facturing	Mining	
Orders: Home Market (%)	Past Four months	Up	23	40	0	43	22	40	21	11	13	17	33	23	0
		About same	46	50	50	14	33	30	68	44	52	67	33	47	75
		Down	31	10	50	43	44	30	11	44	35	17	33	30	25
		Net %	-8	30	-50	0	-22	10	10	-33	-22	0	0	-7	-25
Orders: Home Market (%)	Next Four months	Up	46	30	50	14	22	40	47	44	30	50	22	37	50
		About same	46	60	25	14	56	40	42	44	57	33	44	45	50
		Down	8	10	25	71	22	20	11	11	13	17	33	19	0
		Net %	38	20	25	-57	0	20	36	33	17	33	-11	18	50
Orders: Export Market (%)	Past Four months	Up	0	0	38	33	17	0	20	14	16	0	0	14	33
		About same	22	60	50	17	0	83	40	57	32	33	43	38	67
		Down	78	40	13	50	83	17	40	29	53	67	57	47	0
		Net %	-78	-40	25	-17	-66	-17	-20	-15	-37	-67	-57	-33	33
Orders: Export Market (%)	Next Four months	Up	11	0	38	17	17	17	33	14	21	33	0	20	33
		About same	22	100	38	17	0	67	40	86	37	33	29	40	67
		Down	67	0	25	67	83	17	27	0	42	33	71	40	0
		Net %	-56	0	13	-50	-66	0	6	14	-21	0	-71	-20	33

Table 4 above shows orders for both home and export markets. Compared to the past four months, the groups that indicated low orders for the home market were Textiles, Non-metallic Minerals and mining with negatives balances of 50%, 33% and 25% respectively. All groups anticipated an increase in home market orders in the next period except for Leather & Footwear and Other Manufacturing that negative balances of 57% and 11% respectively.

The export market orders were even lower than the home market for almost all the groups with reference to the past 4 months except Mining and Textiles that positive balances of 33% and 25% respectively. The situation was expected to remain like that for the next four months. Other manufacturing with -71% followed by Wood & Furniture, -66% were the worst affected.

Deliveries for home and export markets are shown in Table 5 below. Mining and Paper & Printing with a positive net of 50% and 30% respectively indicated an increase in home market deliveries in the period under review. Compared to the next four months, the situation was anticipated to be worse as shown by negative net % of 67% for Foodstuffs, Transport Equipment and Other Manufacturing. A slight improvement was expected for the export market.

Prices at which home orders are booked are presented in Table 6. Compared to both the past and the next four months, prices were said to remain the same with groups such as Textiles, Transport Equipment and mining responding to that effect. The same pattern was found for the export market.

Table 5: Deliveries for Home Market and Export Market (Net % is percent answering “Up” minus percent answering “Down”)

		Group	Food Stuffs	Drinks & Tobacco	Textiles	Leather & Footwear	Wood & Furnitur e	Paper & Printing	Chemicals	Non Metallic Minerals	Metals & Metal Products	Transport Equipment	Other Manufacturing	All Manufacturing	Mining
Deliveries: Home Market	Past	Up	23	22	0	29	22	40	26	22	9	17	22	21	50
	Four months	About same	46	67	43	29	44	50	58	33	39	67	33	46	50
		Down	31	11	57	43	33	10	16	44	52	17	44	33	0
		Net %	-8	11	-57	-14	-11	30	10	-22	-43	0	-22	-12	50
	Next	Up	11	0	29	20	17	0	7	14	21	0	0	13	25
	Four months	About same	11	80	57	20	17	83	47	57	21	33	33	39	50
		Down	78	20	14	60	67	17	47	29	58	67	67	49	25
	Net %	-67	-20	15	-40	-50	-17	-40	-15	-37	-67	-67	-67	-36	0
Deliveries: Export Market	Past	Up	54	22	29	14	33	22	53	33	26	50	11	33	50
	Four months	About same	46	67	43	14	56	67	32	44	57	33	44	47	50
		Down	0	11	29	71	11	11	16	22	17	17	44	20	0
		Net %	54	11	0	-57	22	11	37	11	9	33	-33	13	50
	Next	Up	11	0	29	20	17	17	27	14	21	33	0	18	50
	Four months	About same	22	100	43	40	17	67	47	71	32	33	33	43	50
		Down	67	0	29	40	67	17	27	14	47	33	67	39	0
	Net %	-56	0	0	-20	-50	0	0	0	0	-26	0	-67	-21	50

Table 6: Prices at which home orders are booked (Net % is percent answering “Up” minus percent answering “Down”)

		Group	Food Stuffs	Drinks & Tobacco	Textiles	Leather & Footwear	Wood & Furniture	Paper & Printing	Chemicals	Non Metallic Minerals	Metals & Metal Products	Transport Equipment	Other Manufacturing	All Manufacturing	Mining
Prices at which home orders are booked	Past Four months	Up	25	10	13	14	22	30	6	13	17	0	13	15	0
		About same	17	70	63	71	56	50	67	88	65	100	50	61	75
		Down	58	20	25	14	22	20	28	0	17	0	38	24	25
		Net %	-33	-10	-12	0	0	10	-22	13	0	0	-25	-25	-9
	Next Four months	Up	0	30	0	14	22	22	11	13	9	0	13	12	0
		About same	50	70	100	71	67	44	72	75	70	100	50	69	100
		Down	50	0	0	14	11	33	17	13	22	0	38	19	0
		Net %	-50	30	0	0	11	-11	-6	0	-13	0	-25	-7	0
Prices at which home markets are booked	Past Four months	Up	25	0	13	0	17	0	15	14	11	0	17	12	0
		About same	38	80	63	80	33	83	62	86	42	67	17	56	100
		Down	38	20	25	20	50	17	23	0	47	33	67	33	0
		Net %	-13	-20	-12	-20	-33	-17	-8	14	-36	-33	-50	-21	0
	Next Four months	Up	0	0	0	0	0	0	15	0	5	0	14	5	0
		About same	38	100	100	80	50	83	62	100	47	100	29	65	100
		Down	63	0	0	20	50	17	23	0	47	0	57	30	0
		Net %	-63	0	0	-20	-50	-17	-8	0	-42	0	-43	-25	0

Table 7: Cost per unit of output and Profit margins (Net % is percent answering “Up” minus percent answering “Down”)

		Group	Food Stuffs	Drinks & Tobacco	Textiles	Leather & Footwear	Wood & Furnitur e	Paper & Printing	Chemicals	Non Metallic Minerals	Metals & Metal Products	Transport Equipment	Other Manufacturing	All Manufacturing	Mining
Cost per unit of output	Past Four months	Up	67	27	43	43	44	40	26	50	70	0	56	46	60
		About same	17	55	43	29	44	50	63	50	30	100	33	44	40
		Down	17	18	14	29	11	10	11	0	0	0	11	10	0
		Net %	50	9	29	14	33	30	15	50	70	0	45	36	60
	Next Four months	Up	42	45	33	43	67	22	33	13	48	0	44	38	0
		About same	33	45	67	43	33	56	50	50	48	100	33	48	60
		Down	25	9	0	14	0	22	17	38	4	0	22	14	40
	Net %	17	36	33	29	67	0	16	-25	44	0	22	24	-40	
Profit margins	Past Four months	Up	8	9	0	0	0	20	5	13	4	0	11	7	0
		About same	17	73	14	29	56	50	63	38	42	60	56	46	40
		Down	75	18	86	71	44	30	32	50	54	40	33	47	60
		Net %	-67	-9	-86	-71	-44	-10	-27	-37	-50	-40	-22	-40	-60
	Next Four months	Up	8	18	17	0	22	22	17	38	13	0	0	15	60
		About same	25	55	33	57	22	67	39	50	39	80	33	43	40
		Down	67	27	50	43	56	11	44	13	48	20	67	43	0
	Net %	-59	-9	-33	-43	-34	11	-27	25	-35	-20	-67	-28	60	

Table 7 shows the cost per unit of output and profit margins. Compared to the past four months, all groups had positive net% suggesting a high cost per unit of production. The groups most affected were “Metals & Metal Products”, “Mining”, “Foodstuffs”, and “Non Metallic Minerals” with positive balances of 70%, 60% and 50% apiece respectively.

In the next four months groups with negative balances, that is those expecting to have a reduction in the cost per unit of production were “Mining” with -40% followed by “Non-Metallic Minerals” with -25%.

All groups indicated they had lower profit margins compared to the previous period. The worst affected groups were “Other Manufacturing”, “Mining”

Table 8: Constraints

and “Foodstuffs” in that order. An improvement was anticipated in the next four months as “Mining”, “Non Metallic Minerals” and “Paper & Printing” changed to positive balances of 60%, 25% and 11% respectively.

Table 8 shows the most significant factors (constraints) preventing establishments from achieving full potential of their capacity.

On average, the major constraints faced by manufacturing were: cash flow difficulties, weak domestic market demand, breakdown of machinery and shortage of local raw materials in that order. Mining cited the following as major constraints: cash flow difficulties, breakdown of machinery, other and weak domestic market demand.

<i>Constraints</i>	<i>Food Stuffs</i>	<i>Drinks & Tobacco</i>	<i>Textiles</i>	<i>Leather & Footwear</i>	<i>Wood & Furnitur e</i>	<i>Paper & Printin g</i>	<i>Chemicals</i>	<i>Non Metallic Minerals</i>	<i>Metals & Metal Products</i>	<i>Transport Equipment</i>	<i>Other Manufactur ing</i>	<i>All Manufacturin g</i>	<i>Mining</i>
12.1 Shortage of Local raw materials	19	13	8	5	19	15	5	4	10	0	12	10	0
12.2 Shortage of imported raw materials	8	3	8	11	0	11	9	7	6	11	19	8	0
12.3 Weak domestic market demand	17	16	17	21	15	7	20	19	20	22	19	18	12
12.4 Weak export market demand	0	3	4	5	0	0	4	4	6	0	8	3	0
12.5 Heavy competition abroad	6	0	17	5	4	7	4	0	8	17	0	6	0
12.6 Breakdown of machinery	8	10	8	5	12	19	18	22	7	6	12	12	24
12.7 Shortage of machinery spare parts	3	6	0	0	12	4	4	15	4	0	0	4	0
12.8 Shortage of machine operators	0	0	0	0	0	0	0	0	0	0	0	0	0
12.9 Shortage of supervisory staff	0	3	0	0	0	0	0	0	0	0	0	0	6
12.10 Shortage of repair personnel	0	0	0	0	0	4	0	0	0	0	0	0	0
12.11 Shortage of skilled personnel	0	0	0	11	4	4	5	7	1	11	0	3	0
12.12 Cash flow difficulties	25	29	33	32	35	22	25	22	30	33	31	28	35
12.13 Labour disputes	0	6	0	0	0	0	4	0	3	0	0	2	0
12.14 Other	14	10	4	5	0	7	2	0	6	0	0	5	24
Total Percentages	100	100	100	100	100	100	100	100	100	100	100	100	100

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