

MANUFACTURING AND MINING SECTORS BUSINESS TENDENCY SURVEY: 2nd QUARTER 2022 REPORT



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Table of Contents

- 1 Introduction..... 1
- 2 Results..... 3
 - 2.1 Capacity utilization..... 3
 - 2.2 General business climate 3
 - 2.3 Production 5
 - 2.4 Employment 7
 - 2.5 Current level of local and export order books10
 - 2.6 Current stocks of finished goods and raw materials12
 - 2.7 Change in selling prices.....14
 - 2.8 Supplier delivery time16
 - 2.9 Manufacturing sector Purchasing Managers’ Index (PMI).....17
 - 2.10 Manufacturing Confidence Indicator18
 - 2.11 Current constraints19

List of Tables

Table 1.1: Summary of Manufacturing and Mining sectors Net balances iii

List of Figures

Figure 2.1: Capacity utilization in manufacturing and mining sectors 3

Figure 2.2: General business climate for manufacturing and mining sectors in comparison to the last three months 4

Figure 2.3: Balance of opinion for general business climate 5

Figure 2.4: Production level in comparison to past and next three months 6

Figure 2.5: Balance of opinion for changes in production level 7

Figure 2.6: Change in total employment for past and next three months 9

Figure 2.7: Balance of opinion for changes in total employment 10

Figure 2.8: Current level of local and export order books 11

Figure 2.9: Balances of opinion for Local and export order books 12

Figure 2.10: Current stock of finished goods and raw materials 13

Figure 2.11: Balances of opinion for stocks of finished goods and raw materials.. 14

Figure 2.12: Change in selling prices over the next three months 15

Figure 2.13: Balances of Opinion for selling prices 16

Figure 2.14: Supplier delivery time in the reference quarter 17

Figure 2.15: Balance of opinion for supplier delivery time 17

Figure 2.16: Purchasing Manager’s Index (PMI) and its sub-indices 18

Figure 2.17: Manufacturing Confidence Indicator 19

List of Acronyms

BTS	Business Tendency Survey
MCI	Manufacturing Confidence Index
PMI	Purchasing Managers’ Index
pp	Percentage points

Executive Summary

The 2022 second quarter Business Tendency Survey was undertaken with the objective of producing indicators for use in monitoring current business situation and short-term developments in the manufacturing and mining sectors. This was based on views of senior managers towards business conditions.

Variables from which opinions were sought included, general business climate, production level, total employment, current level of order books, current stocks of finished goods and raw materials, selling prices, supplier delivery time as well as constraints to production. Key indicators produced from the survey comprise Capacity Utilization, Purchasing Managers' Index (PMI), Manufacturing Confidence Index, and Balance of Opinion or Net Balance.

Purchasing Managers Index (PMI) is a measure of the prevailing direction of economic trends in manufacturing based on survey of supply chain managers across upstream and downstream activities. Balance of opinion is the difference between the proportion of positive responses and that of negative responses. Values of the indicator range from -100, when all responses are negative to +100, when all responses are positive. The second quarter 2022 balances of opinion for respective variables for both the manufacturing and mining sectors are summarized in Table 1.

Table 1.1: Summary of Manufacturing and Mining sectors Net balances

Variables	Manufacturing (percentage points)	Mining (percentage points)
Capacity Utilisation	-6	3
General business climate	-6	3
Production level <i>past 3 months</i>	-14	1
Production level <i>next 3 months</i>	26	44
Employment <i>past 3 months</i>	-4	1
Employment <i>next 3 months</i>	6	27
Local order books	-40	-20
Export order books	-53	-30
Finished goods	-41	-43
Raw materials	-40	-39
Selling prices	52	20
Supplier delivery time	-20	-14

Capacity utilization for the manufacturing sector during second quarter 2022 was 48 percent, same as reported in the first quarter. The Purchasing Managers' Index (PMI) for the sector stood at 30.3 points, representing a decrease from 35.0 points recorded in the first quarter. The index value signifies some contraction in the manufacturing sector during second quarter 2022, when compared to the first quarter.

The Manufacturing Confidence Indicator (MCI) for second quarter 2022 was 7 points up from 2 points recorded in the first quarter. This means that respondents had almost the same view towards the manufacturing sector business conditions as they had in the first quarter.

The three major constraints to production as cited by manufacturing sector respondents were shortage of raw materials, cash flow challenges and uncertainty of the economic environment. The same were also cited as major constraints in the first quarter.

The mining sector capacity utilization declined by 3 percentage points from 54 to 51. Cash flow difficulties, shortage of energy and lack of appropriate equipment were three major constraints raised by respondents in the mining sector for both the second quarter and the first quarter.

1 Introduction

This publication presents results of the Business Tendency Survey (BTS) conducted for the manufacturing and mining sectors covering the period April –June 2022. The survey was undertaken with the objective of producing indicators for use in monitoring current business situation and short-term developments in the sector. This was based on views of senior managers of manufacturing and mining companies towards business conditions.

Variables from which opinions were sought included general business climate, capacity utilization, production, employment, order books, inventories, selling prices, supplier delivery time as well as constraints to production. Key indicators produced from the survey comprise Capacity Utilization, Purchasing Managers' Index (PMI), Manufacturing Confidence Index and Balance of Opinion or Net Balance.

Purchasing Managers' Index (PMI) is a composite index, which summarizes economic activity in the manufacturing sector. The interpretation of the index is such that a value of above 50 signals expansion in the sector during the reference period, as below 50 implies deterioration and 50 means no difference.

Confidence indicators are compiled using an average of the balances of questions relating to production expectations, total order books and stocks of finished goods. A positive value of the indicator reflects optimism towards the business conditions while a negative value implies pessimism and zero implies same situation expected in the next reference period as was prevailing in the previous reference period.

Balance of opinion is the difference between the proportion of positive responses and that of negative responses. Values of the indicator range from -100, when all responses are negative to +100, when all responses are positive.

Methodological guidelines used in undertaking the survey were obtained from the United Nations Handbook on Economic Tendency Surveys as well as the Organization for Economic Co-operation and Development Handbook on Business Tendency Surveys.

2 Results

2.1 Capacity utilization

Capacity utilization for the manufacturing sector during second quarter 2022 was 48 percent, same as reported in the first quarter. The ‘Food Stuffs’ industry group recorded the highest capacity utilization value of 58 percent, as the ‘Transport’ group booked the least utilization value of 26 percent.

The mining sector capacity utilization declined by 3 percentage points from 54 to 51. (Figure 2.1)

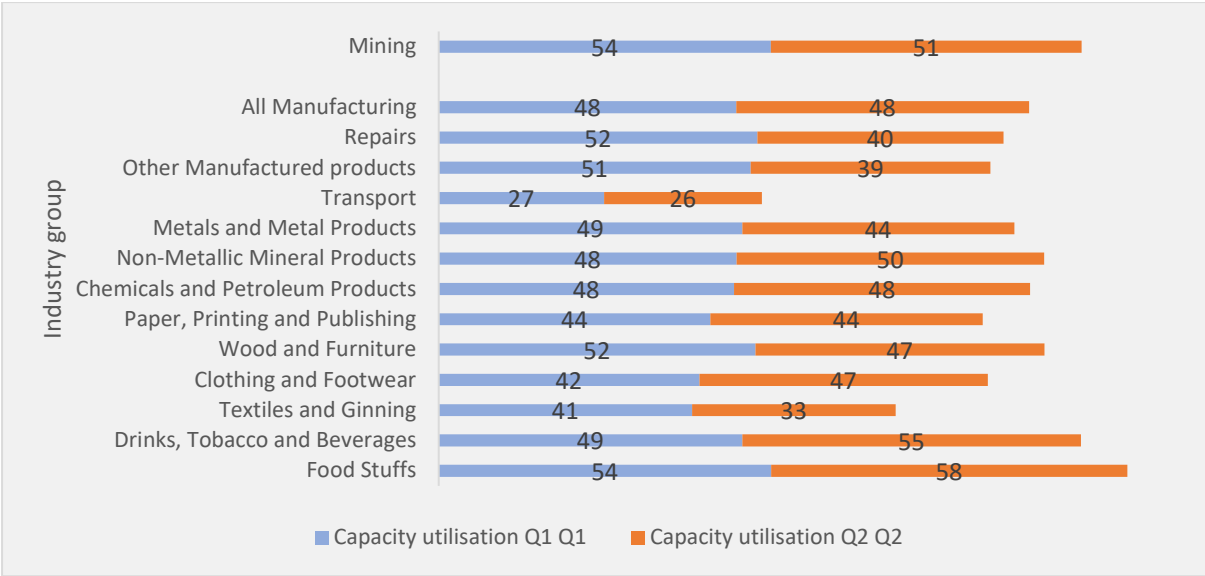


Figure 2.1: Capacity utilization in manufacturing and mining sectors

2.2 General business climate

Overall, 22 percent of the survey respondents in the manufacturing sector showed more optimism towards the general business climate in comparison to the previous three months. All respondents in the “Repairs” industry groups, expected the general business climate to remain the same as was in the previous quarter.

Respondents in the mining sector that showed optimism towards the general business climate constituted 21 percent. (Figure2.2)

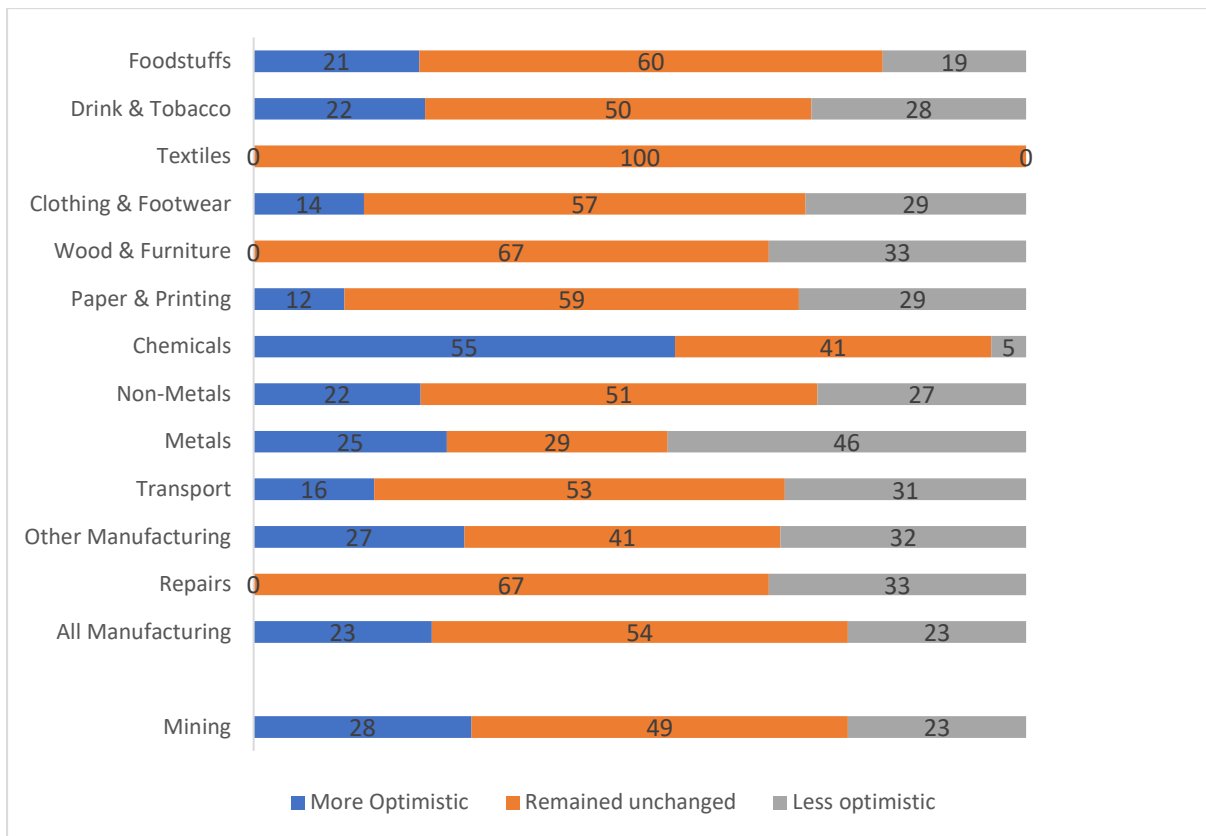


Figure 2.2: General business climate for manufacturing and mining sectors in comparison to the last three months

Manufacturing sector Balance of opinion (net balance) -6 percentage points (pp), down from first quarter value of 6pp. “Non-Metallic Mineral Products” industry group recorded a 72pp improvement in net balance from -22 percent in the first quarter to 50pp in the second quarter.

Net balance for the mining sector was 3pp up from -29pp recorded in the first quarter. (Figure 2.3)

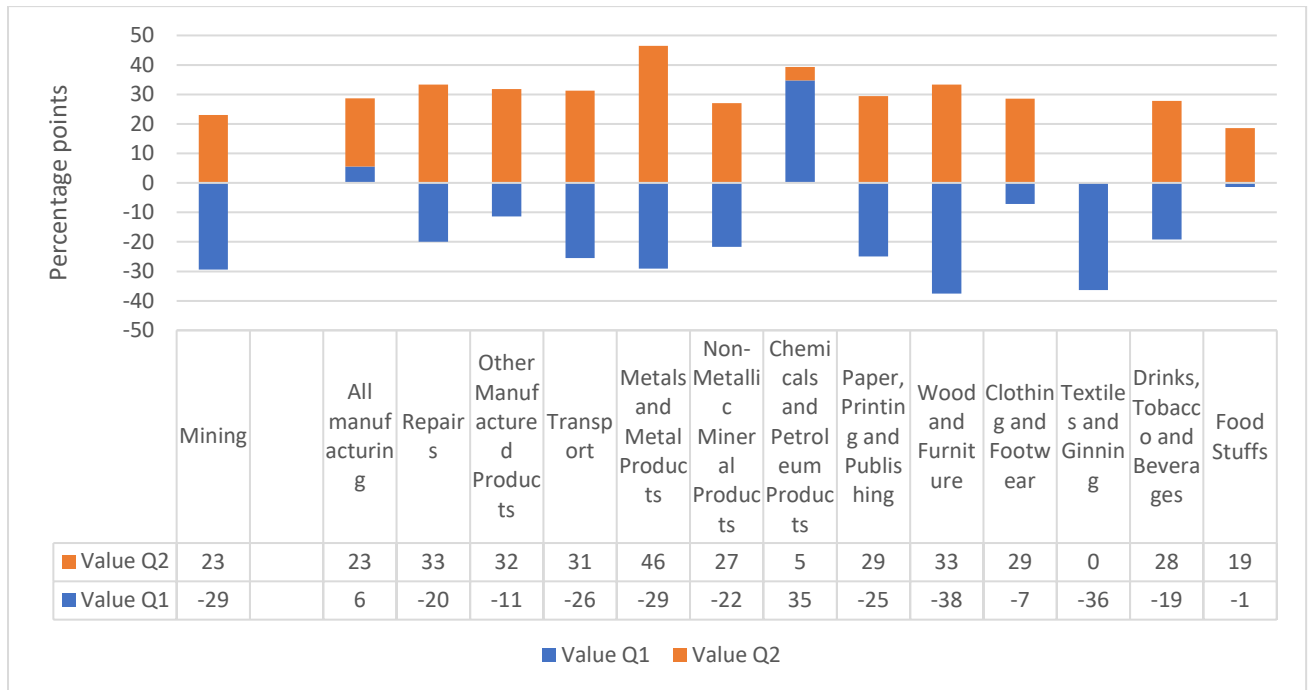


Figure 2.3: Balance of opinion for general business climate

2.3 Production

In Figure 2.4, the proportion of the surveyed manufacturers reporting an increase in production levels over the past 3 months was 14 percent. Major contributors to the positive balance were manufacturers in the ‘Metals and Metal Products’ industry group. Forty-two percent of the respondents were more optimism towards an increase in production levels in the next 3 months.

In the mining sector, 27 percent cited increased production over the past 3 months with 57 percent of the respondents expecting an increase in production level over the next 3 months.

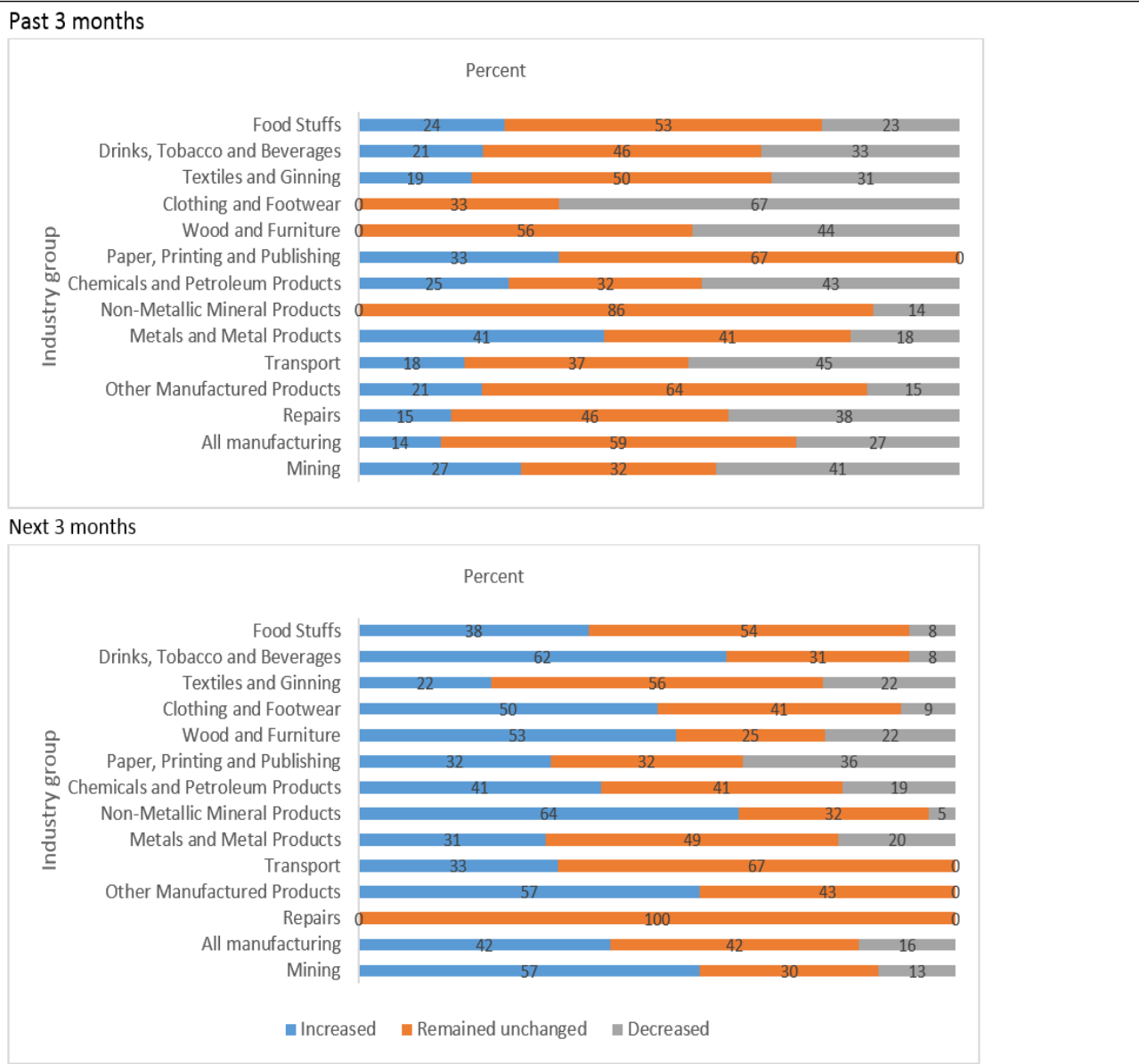


Figure 2.4: Production level in comparison to past and next three months

Overall balances of opinion for production level in relation to the past three months was -14pp for both the manufacturing and mining sectors. With reference to production in the next 3 months, manufacturing net balance was +26 up from +11 pp in the first quarter.

A net balance of 44pp (down from +50pp) was recorded for the mining sector in relation to production levels in the next 3 months of opinion. (Figure 2.5)



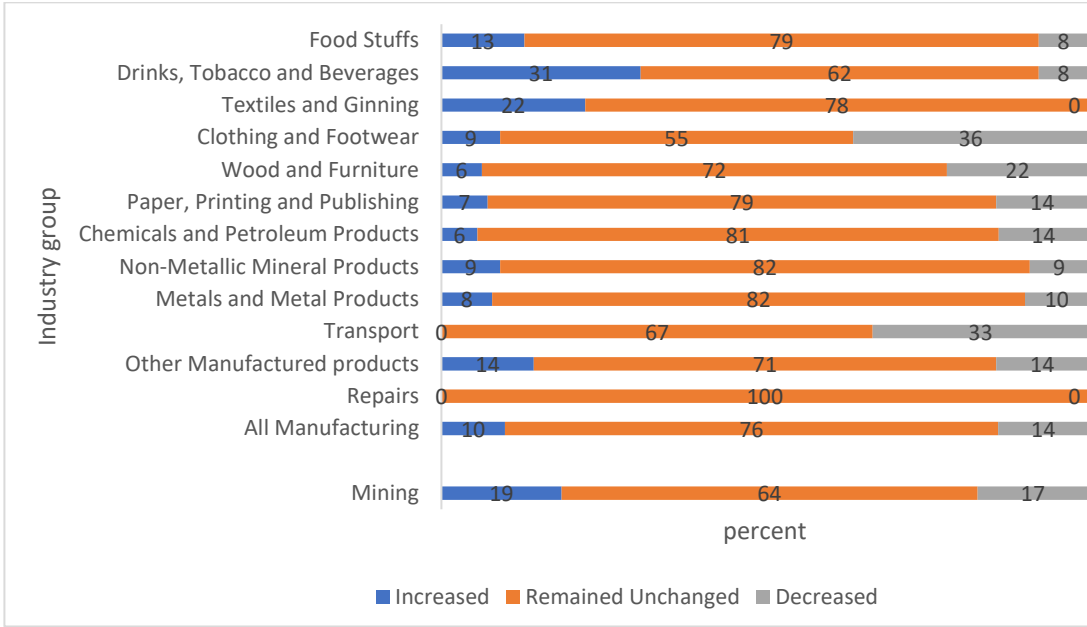
Figure 2.5: Balance of opinion for changes in production level

2.4 Employment

In Figure 2.6, ten percent of the manufacturing survey respondents viewed total employment in the past 3 months as having increased, while 76 percent remained neutral. Regarding total employment in the next 3 months, 9 percent of the respondents in the manufacturing and mining sectors respectively anticipated the variable to improve.

Nineteen percent of the respondents in the mining sector cited an increment in the employment level in the past 3 months. The same percentage anticipate an increase in employment in the next three months

Past 3 months



Next three months

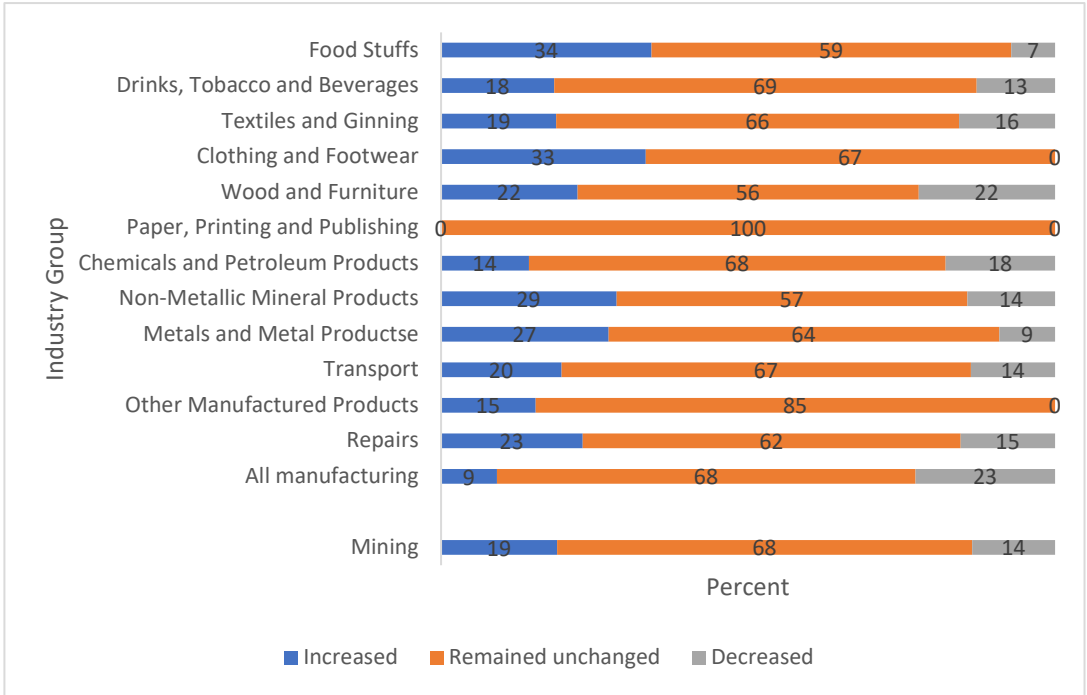
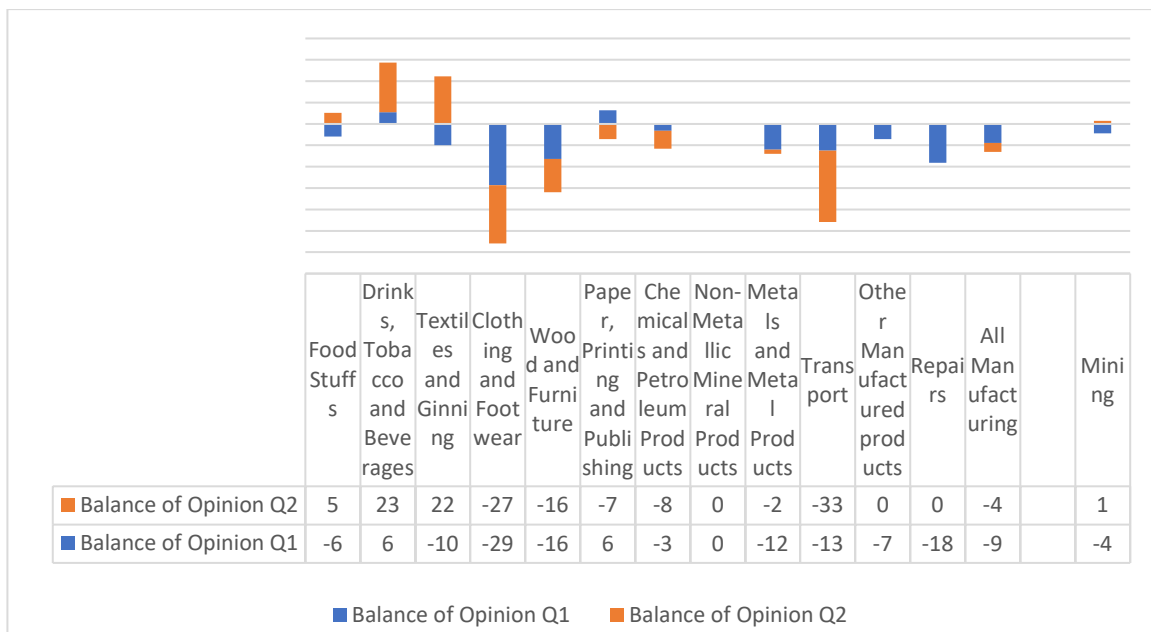


Figure 2.6: Change in total employment for past and next three months

As observed in Figure 2.7, manufacturing total employment balances of opinion were -4 pp in the past 3 months and +6 pp for the next three months, an improvement from the respective first quarter values of -9 and +1 percentage points.

The mining sector recorded balances of opinion values of 1pp (past 3 months) and 27pp (next 3 months), an improvement from first quarter values of -4pp (past 3 months) and +23pp (next 3 months).

Past 3 months



Next three months

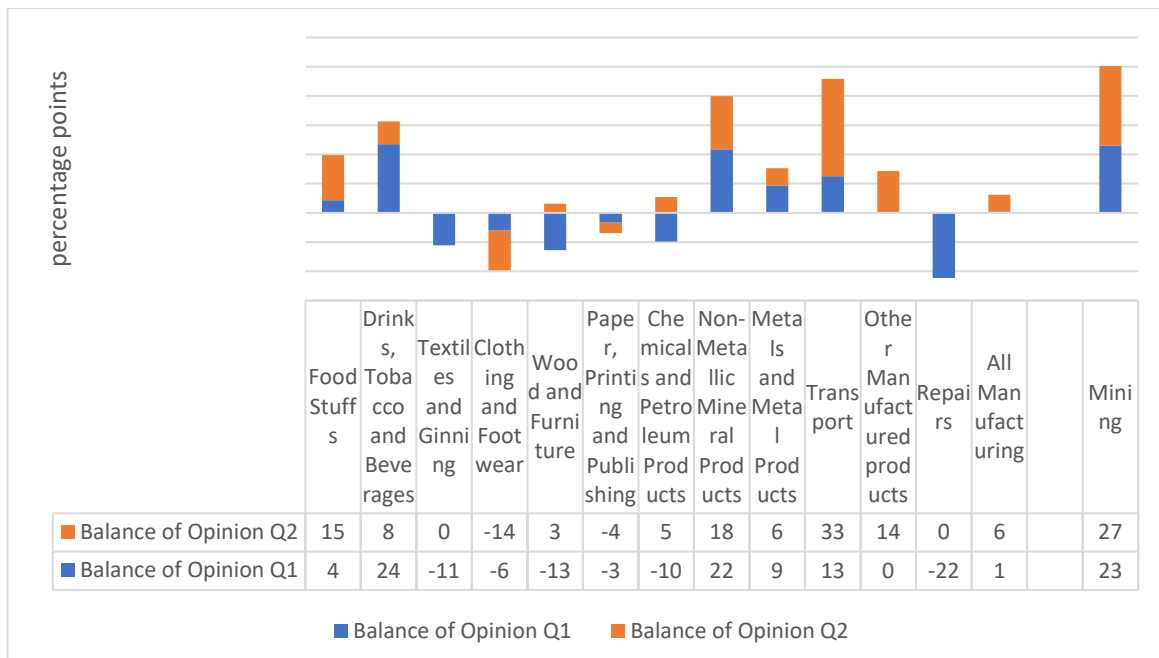


Figure 2.7: Balance of opinion for changes in total employment

2.5 Current level of local and export order books

Manufacturing respondents’ views towards current levels of local order books were such that only 3 percent viewed them as being above normal for the season during the second quarter, while 54 percent indicated that they were normal for the season. Current levels of export order books were regarded as above normal by 2 percent of the respondents.

Seven percent of the respondents in the mining reported the current level of local and export order books was above normal. (Figure 2.8)

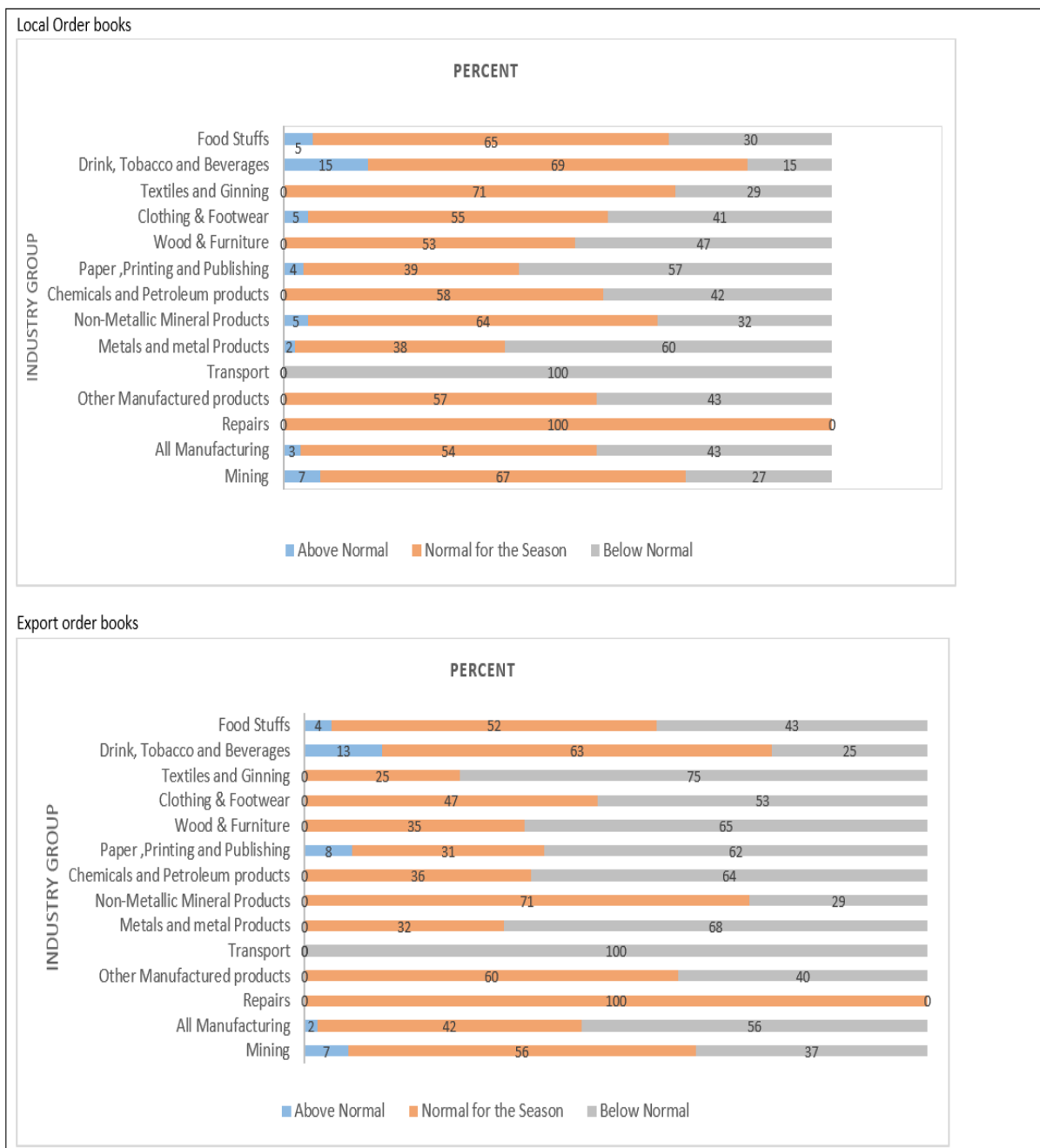


Figure 2.8: Current level of local and export order books

Figure 2.9 shows that manufacturing net balances for current level of local and export order books were -40pp and -53pp. Mining sector net balances with respect to local and export order books were -20pp and -30pp.

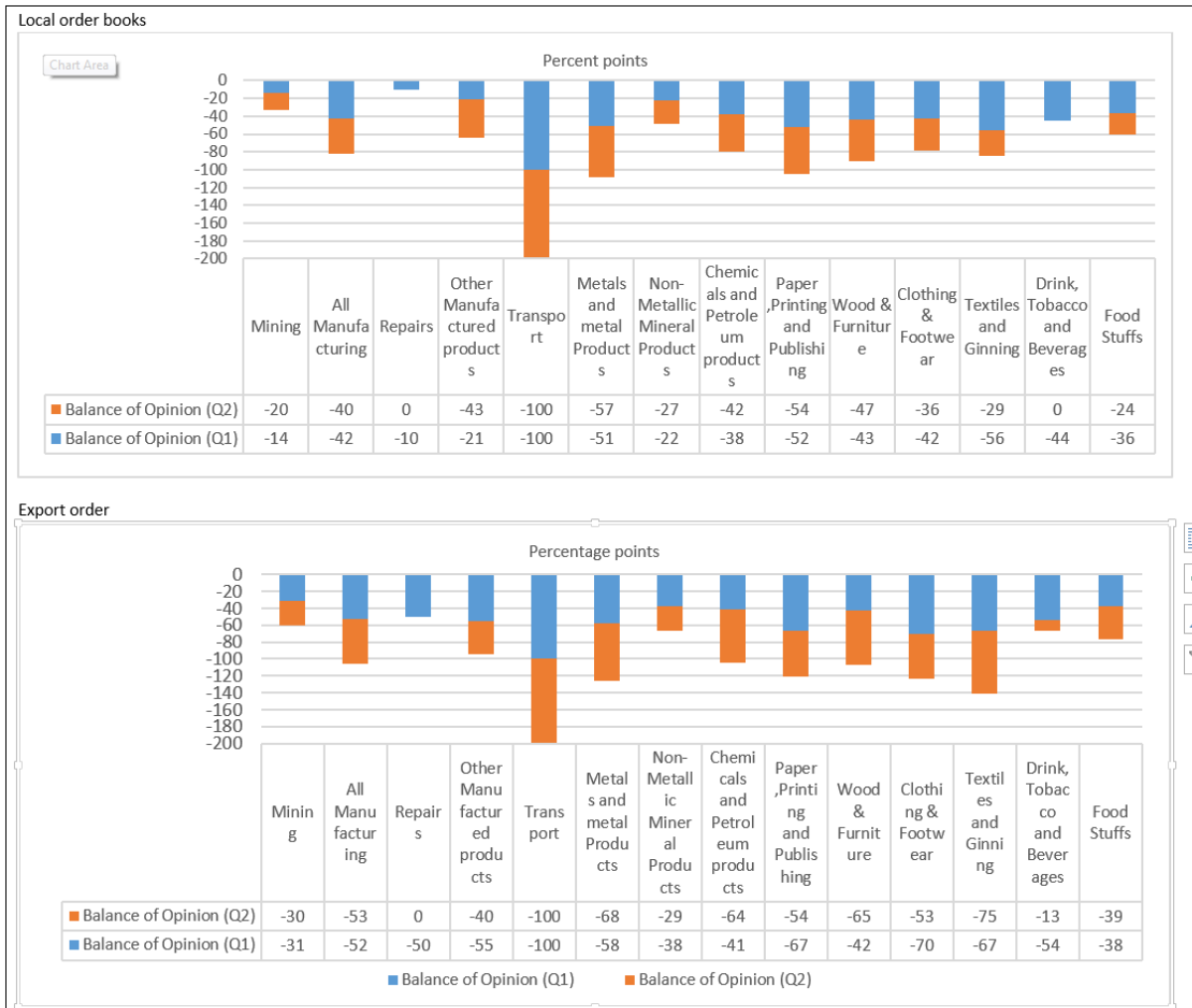


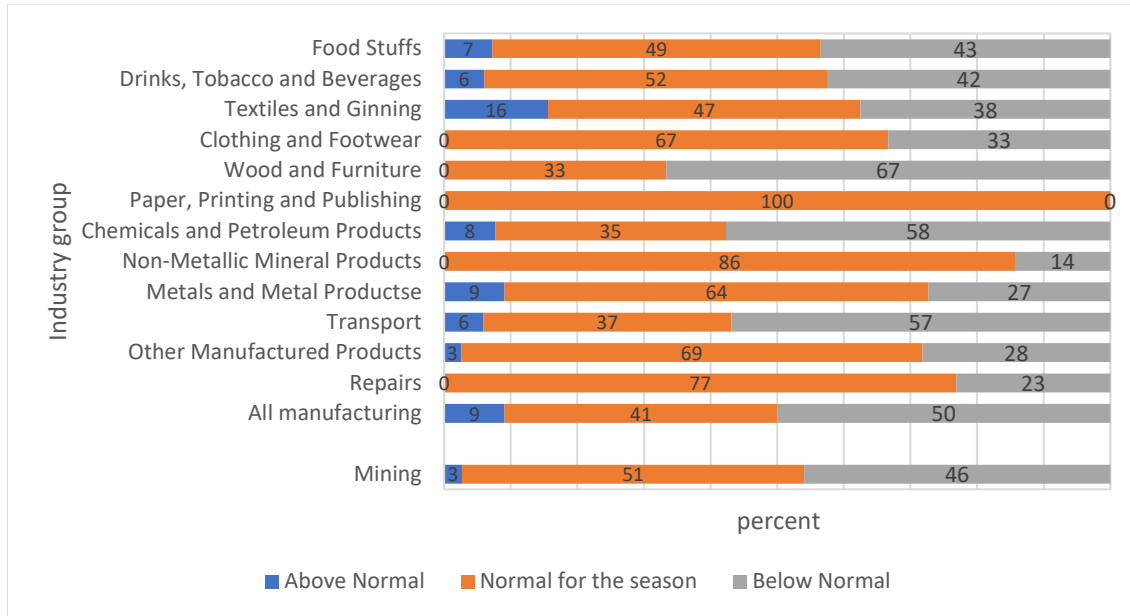
Figure 2.9: Balances of opinion for Local and export order books

2.6 Current stocks of finished goods and raw materials

In Figure 2.10, manufacturing sector respondents that considered their current stocks of finished goods and raw materials as being above normal for the season constituted 9 percent and 8 percent, respectively.

Three percent of respondents in the mining sector viewed their stock of finished goods to be above normal for the season. With regards to current stock raw materials, 53 percent cited it as normal for the season.

Finished goods



Raw materials

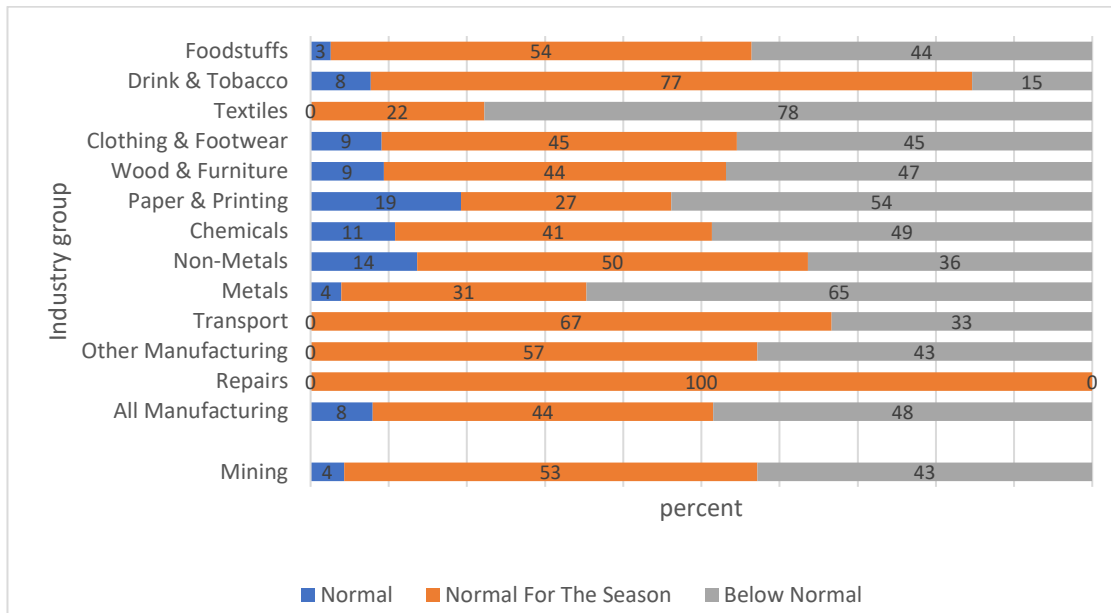
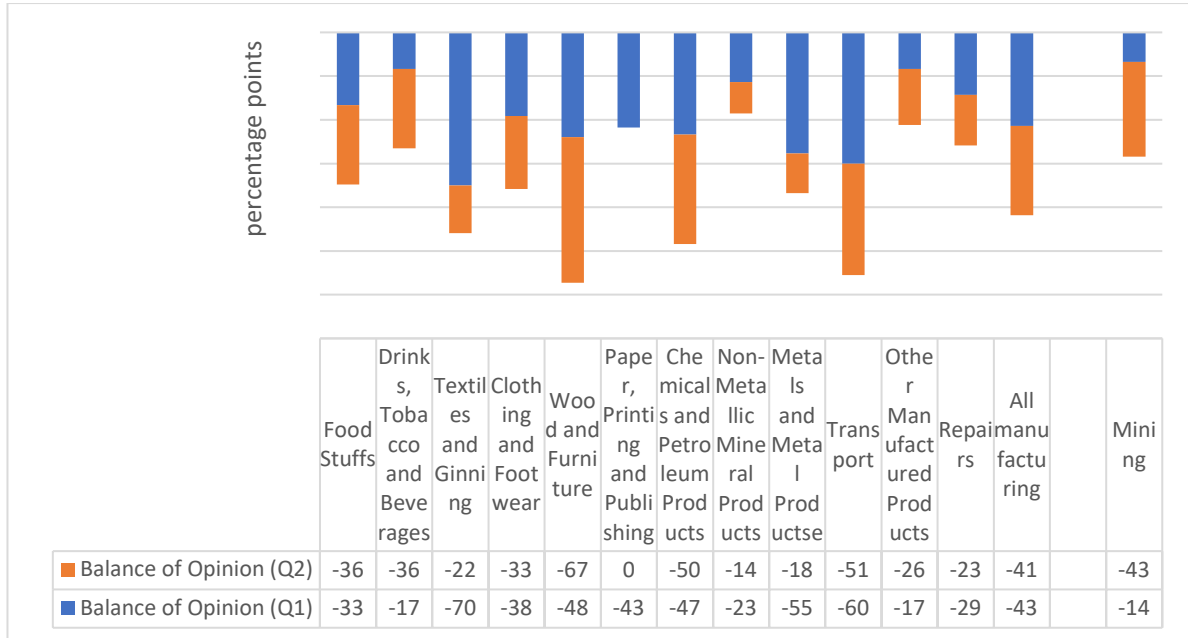


Figure 2.10: Current stock of finished goods and raw materials

Manufacturing net balance for current stock of finished goods moved upwards from -43 pp in the first quarter to -41 pp in the second quarter, while that of raw materials rose to -40pp from -43 pp in the first quarter.

Net balances of -43pp and -39pp were recorded in the mining sector with respect to finished goods and raw materials. (Figure 2.11)

Finished goods



Raw materials

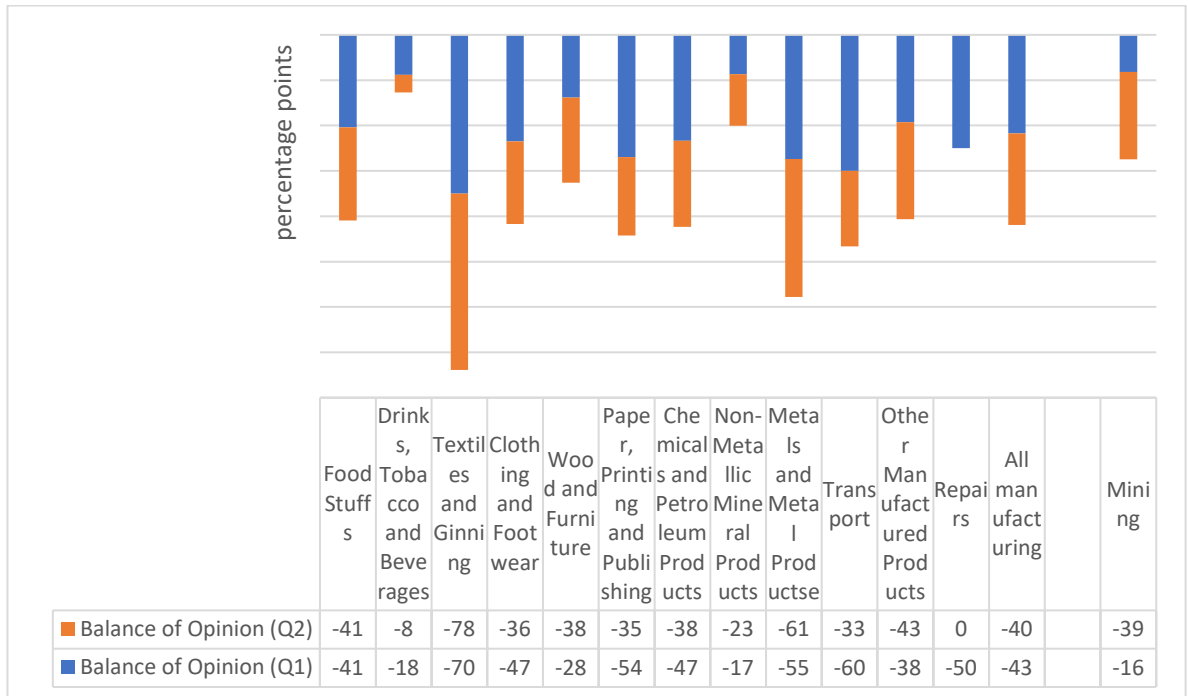


Figure 2.11: Balances of opinion for stocks of finished goods and raw materials

2.7 Change in selling prices

The outlook for changes in selling prices was such that 59 percent of the respondents in the manufacturing expected prices increases over the next three months.

Forty percent of respondents in the mining sector anticipated selling prices to increase (Figure 2.12)

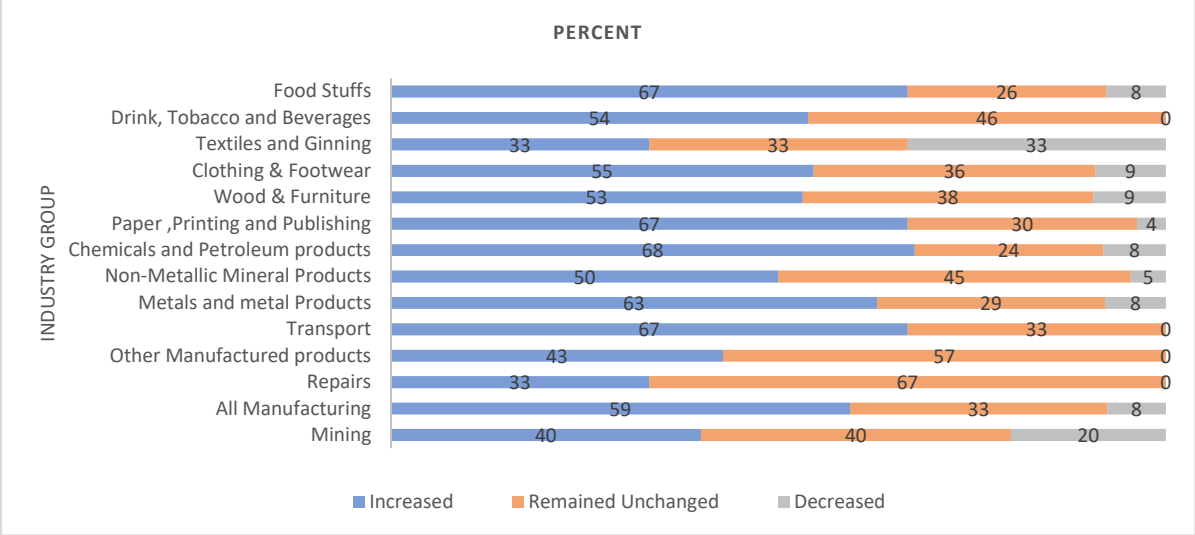


Figure 2.12: Change in selling prices over the next three months

The balance of opinion for selling prices expectation over the next three months in the manufacturing sector was +52 down from +58 percentage points recorded in the first quarter.

The net balance for anticipated selling prices in the mining sector was +20 pp down from +37pp recorded in the first quarter. (Figure 2.13)

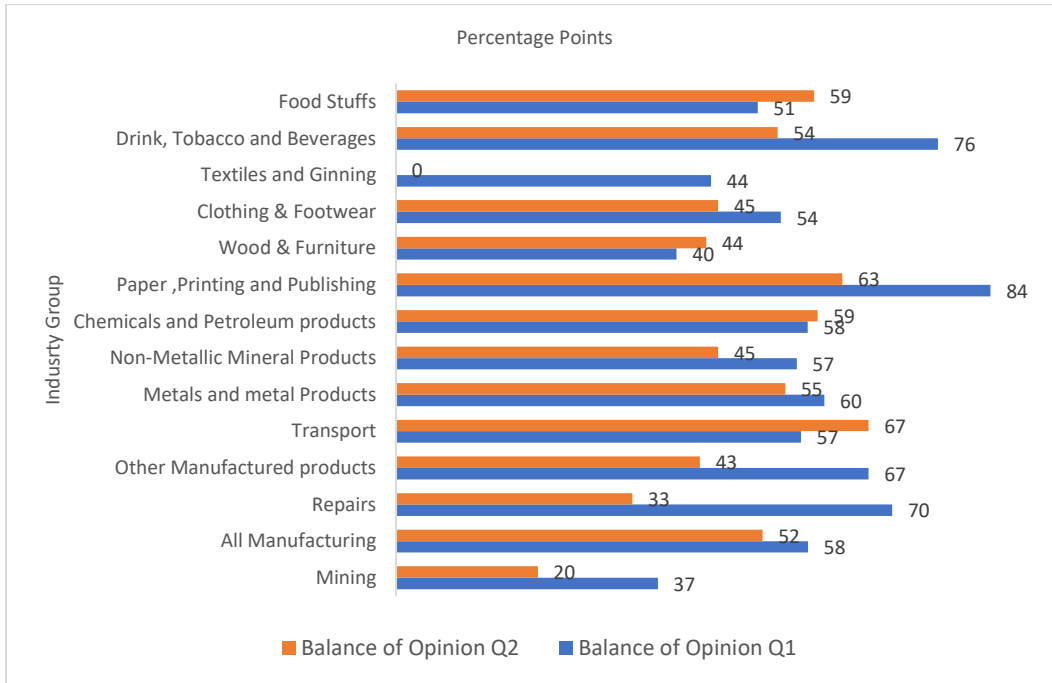


Figure 2.13: Balances of Opinion for selling prices

2.8 Supplier delivery time

In terms of supplier delivery time, 11 percent of the manufacturing sector respondents, reported an improvement in turn-around time whilst 30 percent indicated a decrease.

Twenty-nine percent of respondents in the mining sector, cited a decline in the supplier delivery time, 14 percent indicated an improvement.

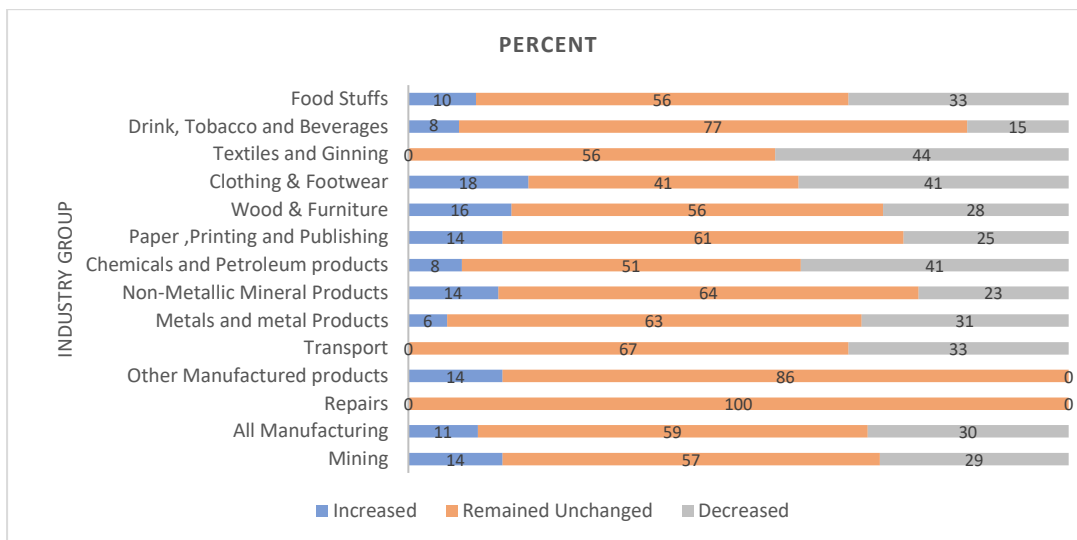


Figure 2.14: Supplier delivery time in the reference quarter

The second quarter balance of opinion for supplier delivery time in the manufacturing sector was -20pp an improvement from first quarter value of -29pp. The mining sector net balance for supplier delivery time was -14 pp, down from -12 pp in the first quarter (Figure 2.15)

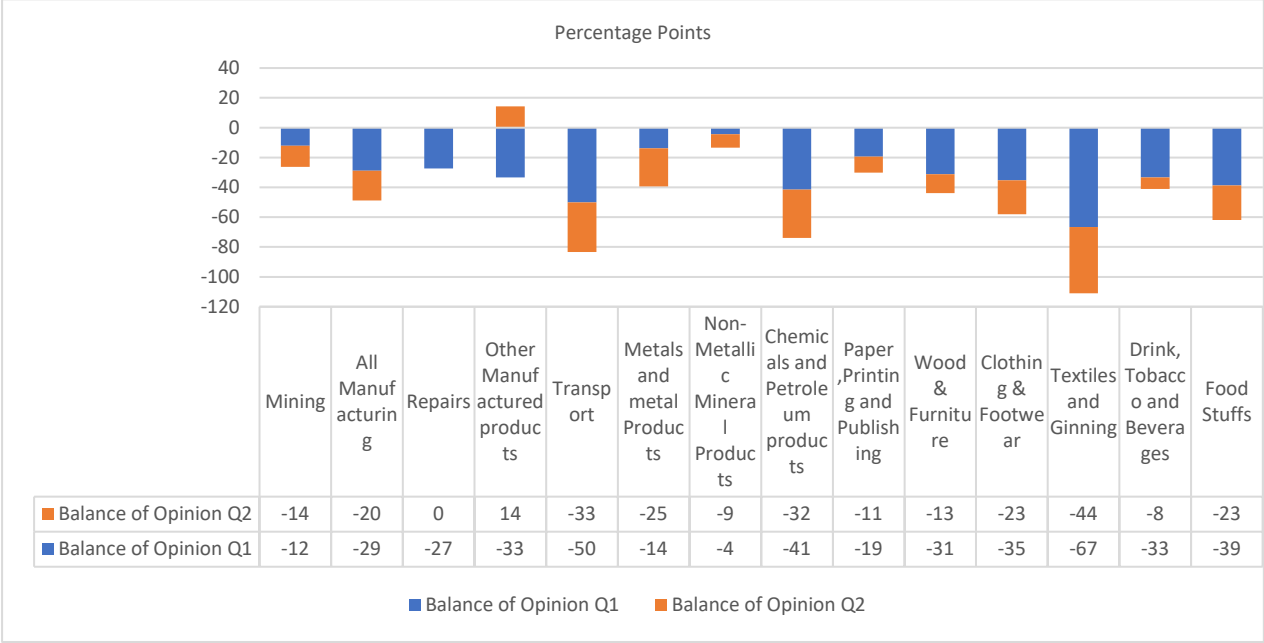


Figure 2.15: Balance of opinion for supplier delivery time

2.9 Manufacturing sector Purchasing Managers’ Index (PMI)

The second quarter Purchasing Managers’ Index for manufacturing was 30.3, 4.7points down from PMI value of 35 recorded in the first quarter. Values of the sub-indices constituting the PMI were 44.0 for production level (up from 39.5 in quarter 1), 10.0 for total employment (against first quarter value of 45.5), 26.5 for total order books (same as first quarter value), 30.0 for stocks of raw materials (gaining from 28.0 in first quarter) and 41.0 for supplier delivery time (an improvement from 35.5 in first quarter 1). (Figure 2.16)

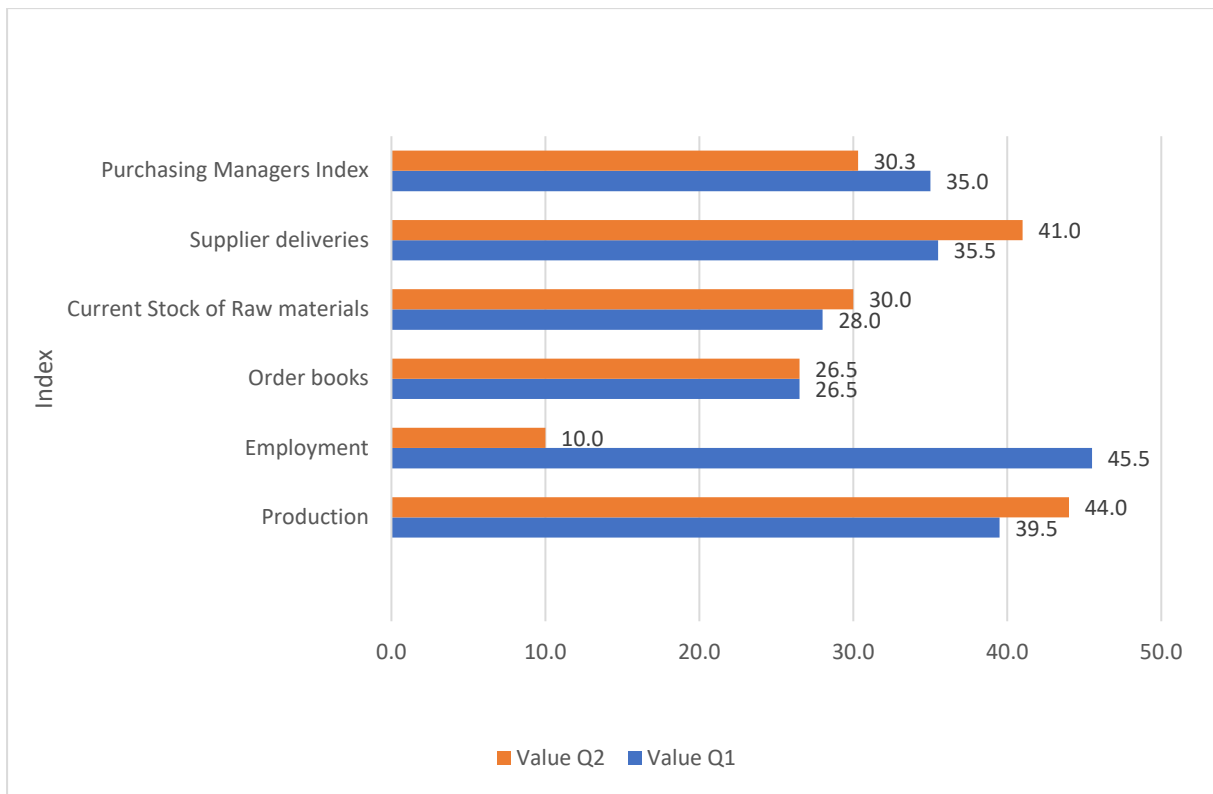


Figure 2.16: Purchasing Manager's Index (PMI) and its sub-indices

2.10 Manufacturing Confidence Indicator

The second quarter Manufacturing Confidence Indicator moved from +5 pp in the first quarter to +7 pp in the second quarter. There were also negative sentiments towards total order books and current stocks of finished goods, as reflected by their net balances of -47 pp and -41pp, respectively. (Figure 2.17)

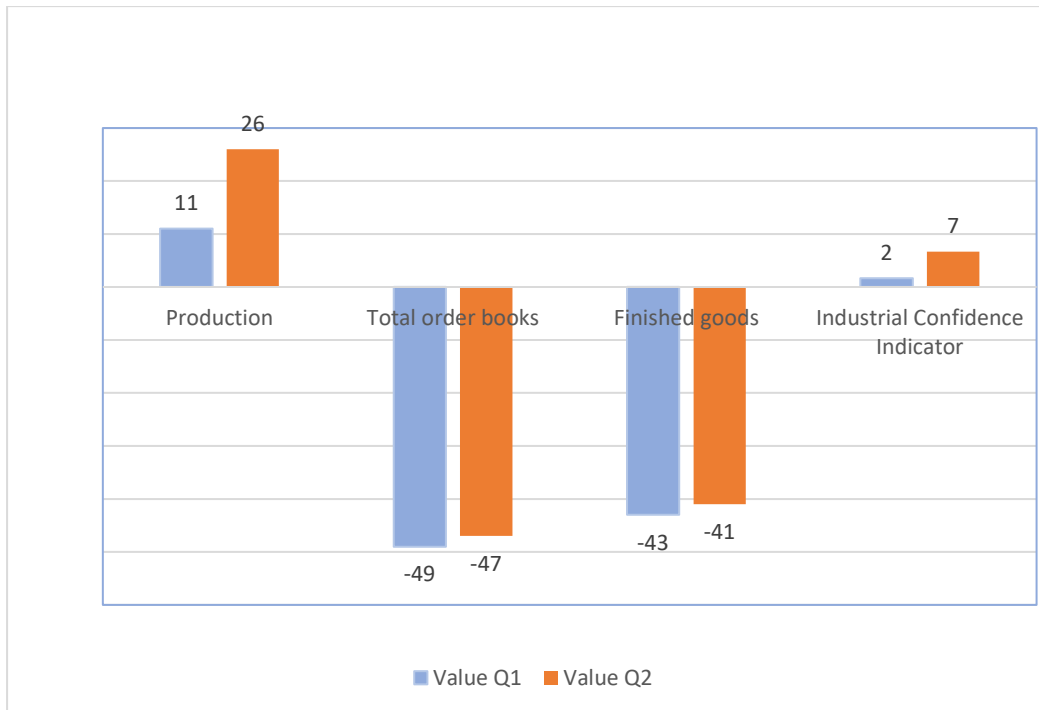


Figure 2.17: Manufacturing Confidence Indicator

2.11 Current constraints

Three major constraints to production as cited by manufacturing sector respondents, were shortage of raw materials, cash flow difficulties and uncertainty towards the economic environment. The same were also cited as major constraints in the first quarter.

Cash flow difficulties, shortage of power and lack of appropriate equipment were three major constraints raised by mining sector respondents in the second quarter as well as the first quarter.