

BUSINESS TENDENCY SURVEY

SERVICES SECTOR REPORT

1st Quarter 2023

**SERVICES SECTOR BUSINESS TENDENCY SURVEY:
1st QUARTER REPORT**

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List of Acronyms

| | |
|-----|-------------------------------|
| BTS | Business Tendency Survey |
| CCI | Construction Confidence Index |
| RCI | Retail Confidence Index |
| SCI | Services Confidence Index |
| pp | percentage points |

Executive Summary

This report presents results of the first quarter 2023 Business Tendency Survey (BTS) for enterprises engaged in service activities covering Wholesale and Retail Trade, Accommodation and Food Services, Finance and Insurance, Transport and Storage and Construction.

The sample size for the survey was 412 companies from which 52.0 percent responded. Key indicators derived from the survey comprise the balance of opinion or net balance, Wholesale and Retail Trade Confidence Index, Accommodation and Food Services Confidence Index Transport and Storage Confidence Index, Construction Confidence Index as well as the Financial and Insurance Confidence Index.

The results show that for first quarter 2023, the confidence indices were negative for all sectors except Finance and Insurance. Respondents in Accommodation and Food Services, Transport and Storage as well as Wholesale and Retail Trade sectors, cited competition in own sector as the main factor limiting their businesses' expansion. The Construction sector alluded to cost of raw materials while financial problems were cited as the main constraint by the Finance and Insurance sector.

1 Introduction

This report presents results of the first quarter 2023 Business Tendency Survey (BTS) for enterprises engaged in service activities. The survey is conducted with the objective of producing indicators for use in monitoring current business situation and short-term developments in Wholesale and Retail Trade, Accommodation and Food Services, Finance and Insurance, Transport and Storage as well as Construction sectors.

Information was collected on views of senior executives with respect to general business climate, financial situation, access to credit, technical capacity (construction sector only), employment, current stock level (wholesale and retail trade only), selling prices, volume of order books and main challenges faced. The sample size for the survey was 412 companies from which 52.0 percent responded. **(Table 1.1)**

Table 1.1: Sample size and response rates

| Sector | Number of companies | Response rate |
|---------------------------------|---------------------|---------------|
| Wholesale and Retail Trade | 175 | 49% |
| Accommodation and Food Services | 59 | 64% |
| Finance and Insurance | 57 | 48% |
| Transport and Storage | 62 | 53% |
| Construction sector | 59 | 49% |
| All sectors | 412 | 52% |

Key indicators derived from the survey comprise Wholesale and Retail Trade Confidence Index, Accommodation and Food Services Confidence Index, Transport and Storage Confidence Index, Construction Confidence Index as well as the Financial and Insurance Confidence Index.

Confidence indices are compiled using averages of the balances of opinion on questions relating to business situation, current level of order books, current stock level (wholesale and retail trade only), employment in next three months, and expectations towards the business situation in the next three months. Positive values of the indicator reflect optimism towards the business conditions while negative values imply pessimism and zero reflects no change.

Implementation of the survey is guided by 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 Survey Findings

2.1 Business Situation

For all sectors combined, **46.4** percent of the respondents viewed the business situation of their enterprises as being satisfactory during 1st Quarter 2023. Negative balances of opinion were observed across all sectors, ranging from **-48.3pp** in Wholesale and Trade to **-8.0pp** in Finance and Insurance. **(Figure 2.1)**

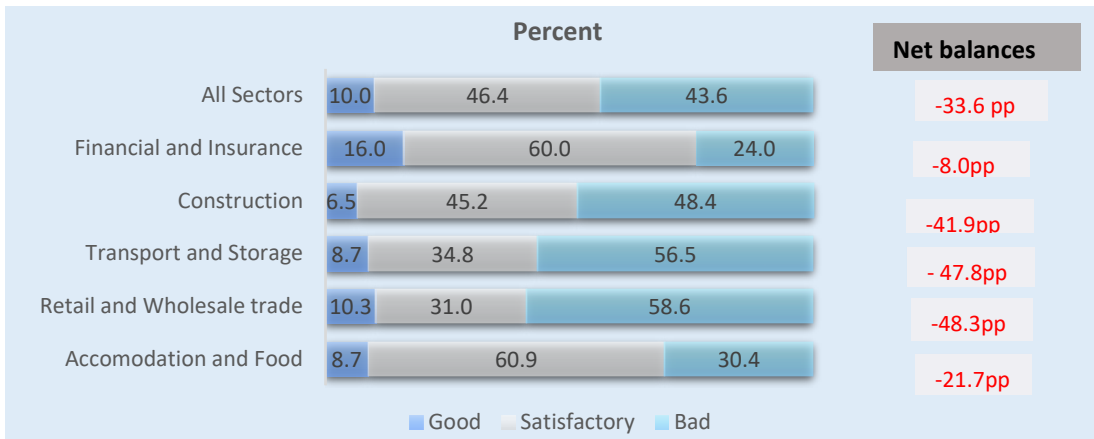


Figure 2.1: Perceptions towards current business situation, 1st Quarter 2023

2.2 Financial Situation

Respondents that viewed their enterprises' financial situation as being good during first quarter 2023, constituted **9.1** percent for all sectors combined. About fifty-nine percent of respondents in the Accommodation and Food Services sector viewed their financial situation as being satisfactory during the quarter. **(Figure 2.2)**



Figure 2.2: Views towards the current financial situation, 1st Quarter 2023

2.3 Level of stocks

Excluding normal seasonal variations, **28.7** percent of respondents in the Wholesale and Retail Trade sector, considered their companies' current levels of stock in volume terms, as having been normal for first quarter 2023. **(Figure 2.3)**

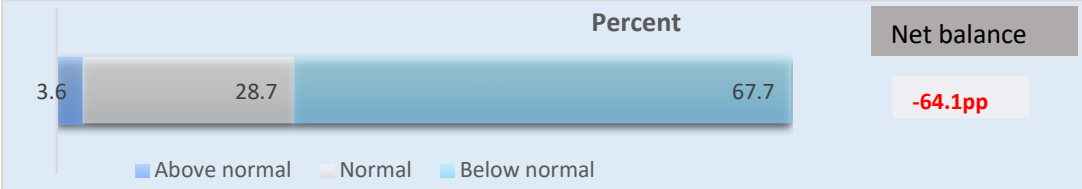


Figure 2.3: Opinion towards current level of stocks in volume terms, 1st Quarter 2023

2.4 Level of total order books

In the Construction sector, **50.8** percent of the respondents had the perception that total order books or production schedules for their companies', were below normal for the quarter. **(Figure 2.4).**

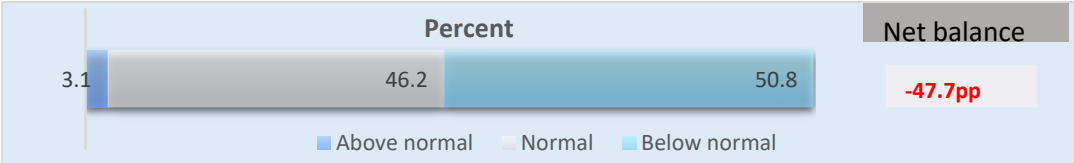


Figure 2.4: Opinion towards current total level of order books in the Construction sector, 1st Quarter 2023

2.5 Access to credit

Proportions of respondents who viewed access to credit by their enterprises as being difficult, ranged from **34.0** percent in Finance and Insurance to **79.5** percent in Transport and Storage. **(Figure 2.5)**

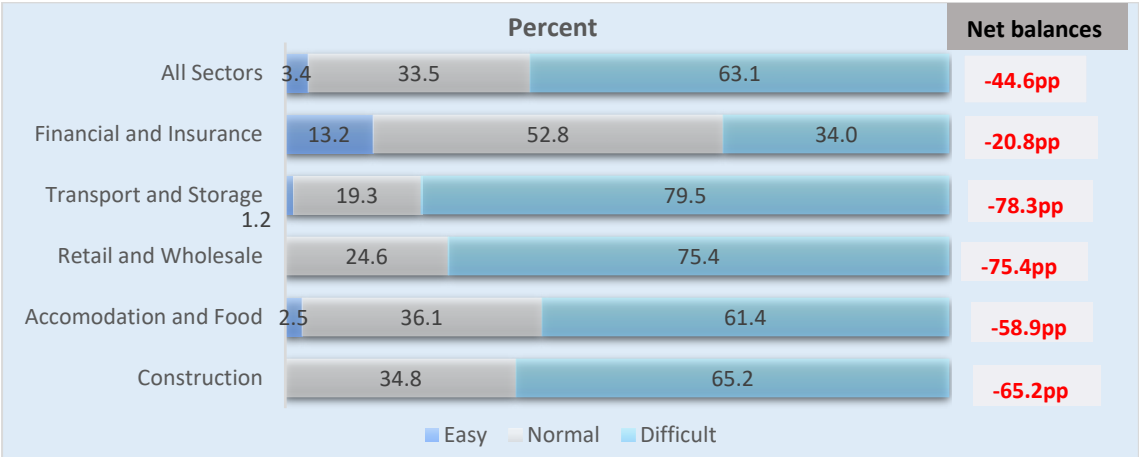


Figure 2.5: Perceptions towards access to credit, 1st Quarter 2023

2.6 Technical capacity in Construction sector

Among respondents in the construction sector, **56.7** percent viewed their technical capacity as sufficient when considering expected demand for the next twelve months. **(Figure 2.6)**

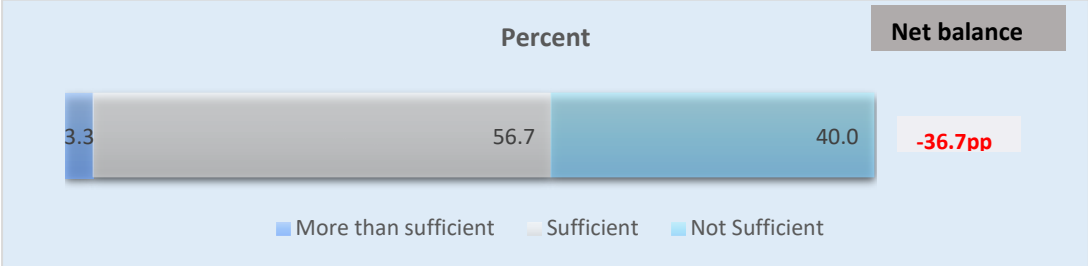


Figure 2.6: Views towards current technical capacity in Construction sector, 1st quarter 2023

2.7 Volume of demand

Excluding normal seasonal changes, **51.4** percent of respondents in Accommodation and Food Services sector, and **54.5** percent in Transport and Storage, were of the opinion that their enterprises’ volume of demand had decreased during the first quarter. **(Figure 2.7)**

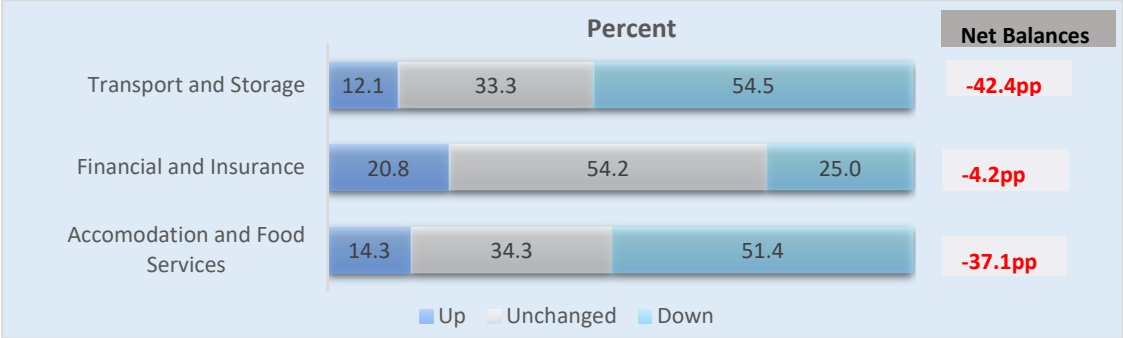


Figure 2.7: Opinion towards volume of demand during first quarter 2023

2.8 Volume of business activity in the construction sector

Respondents in the Construction sector with the perception that volume of business activity in their enterprises had gone down during the first quarter, comprised **54.4** percent. **(Figure 2.8)**

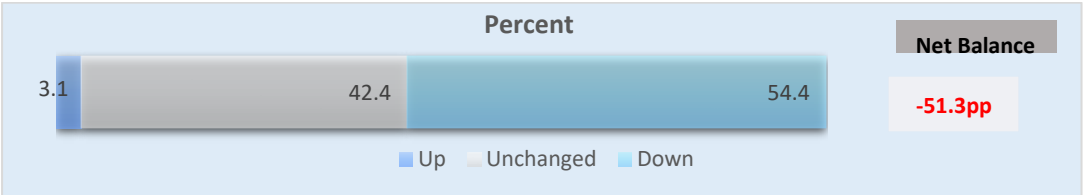


Figure 2.8: Perceptions towards volume of business activity in Construction sector, 1st quarter 2023

2.9 Employment

Proportions of respondents who viewed the number of persons employed by their companies as having remained unchanged during first quarter 2023, were above **fifty percent** in all sectors except Transportation and Storage where **54.9** percent reported a decline. **(Figure 2.9)**

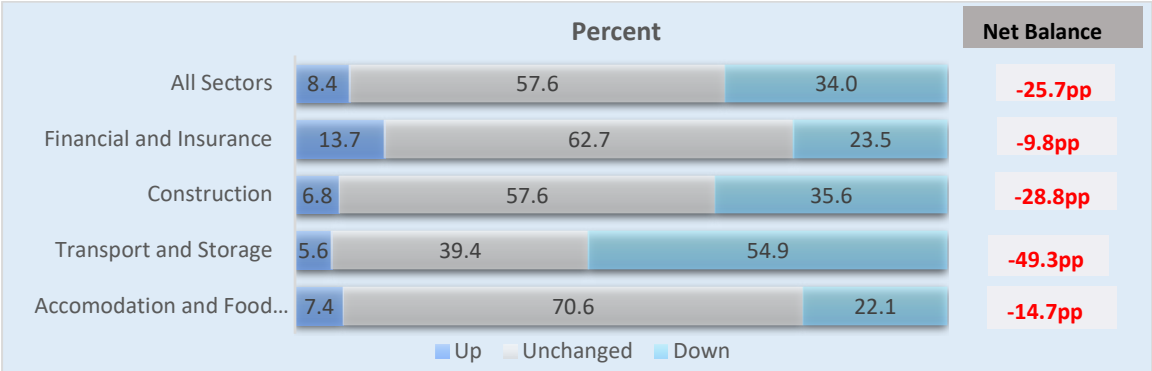


Figure 2.9: Opinion towards employment level during first quarter 2023

2.10 Average selling prices in Retail and Wholesale Trade

Respondents in the Wholesale and Retail Trade sector reporting an increase in average selling prices over first quarter 2023, constituted **14.3** percent. **(Figure 2.10)**

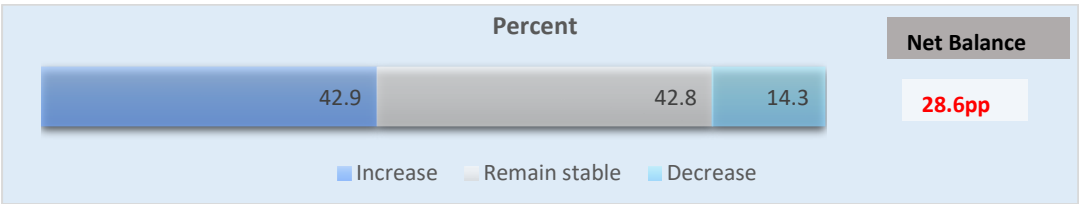


Figure 2.10: Views towards average selling prices during first quarter 2023

2.11 Competition in Wholesale and Retail Trade

Excluding normal seasonal changes, **46.1** percent of respondents in Wholesale and Retail Trade, regarded the level of competition in the sector during first quarter 2023 as having remained almost unchanged when compared to fourth quarter 2022. **(Figure 2.11)**

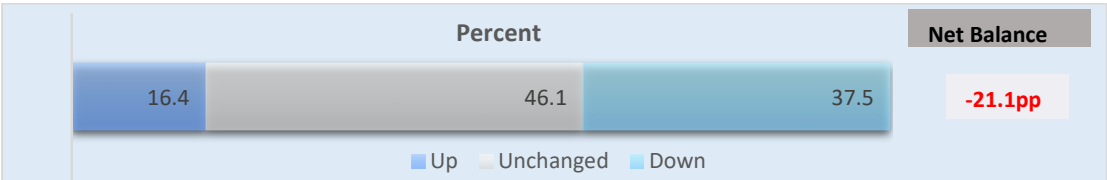


Figure 2.11: Competition in Wholesale and Retail trade sector, first quarter 2023

2.12 Expected Future Business Situation

Proportions of respondents expecting the business climate to improve during second quarter 2023, were less than **fifty percent** in all sectors ranging from **5.9** percent in Wholesale and Retail Trade sector to **46.2** percent in Finance and Insurance. **(Figure 2.12)**

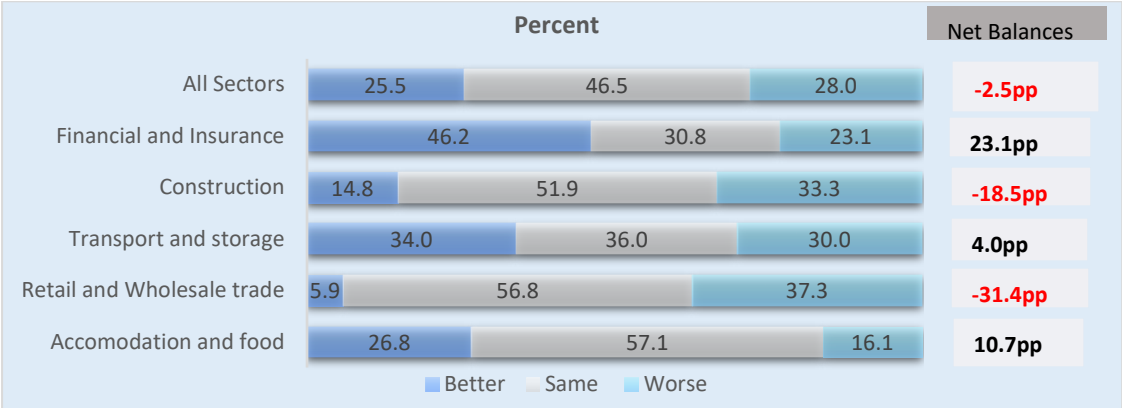


Figure 2.12: Opinion towards business situation during second quarter 2023

2.13 Expected employment level

Proportions of respondents anticipating the number of persons employed by their enterprises to increase were less than **twenty** percent in all five sectors. **(Figure 2.13)**

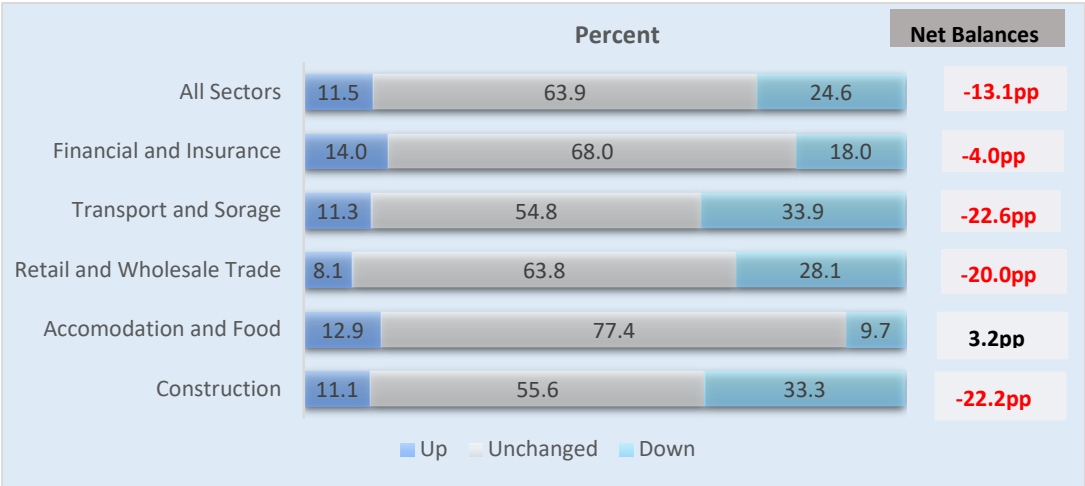


Figure 2.13: Views towards employment level during second quarter 2023

2.14 Expectations towards Volume of demand

About **thirty-four** percent of respondents in the Finance and Insurance sector, anticipated the volume of demand to increase during the second quarter. The balance of opinion with respect to this item was also positive for the sector **(26.8pp)**. **(Figure 2.14)**

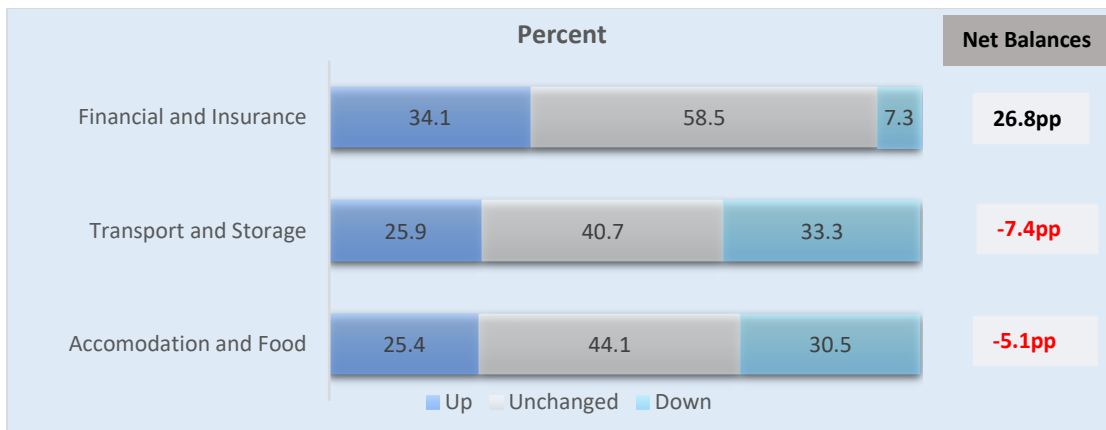


Figure 2.14: Sentiments towards volume of demand during second quarter 2023

2.15 Expectations towards orders placed with suppliers (Retail and Wholesale Sector)

For Wholesale and Retail Trade, **17.4** percent of the respondents anticipated an increase in orders placed with suppliers during the second quarter. **(Figure 2.15)**

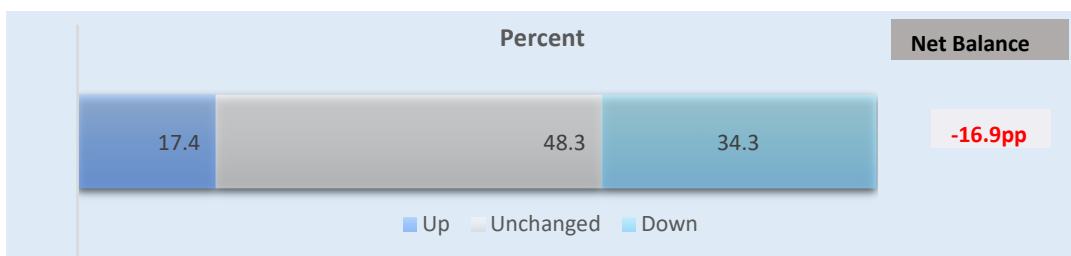


Figure 2.15: Expectations towards orders placed with suppliers during second quarter 2023

2.16 Expectations towards contracts in Construction Sector

Excluding normal seasonal changes, **72.0** percent of respondents in the Construction sector, expected the volume of orders or contracts for their enterprises to remain unchanged during second quarter 2023. **(Figure 2.16)**

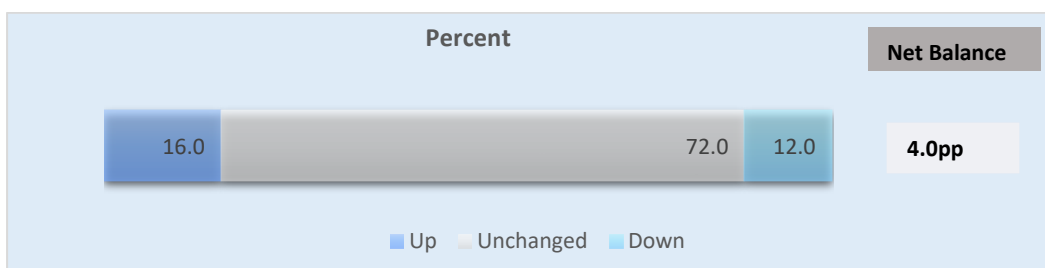


Figure 2.16: Sentiments towards volume of contracts during second quarter 2023

2.17 Confidence Indices¹

Confidence indices **were negative** for all sectors except Finance and Insurance, with Construction recording the lowest of -35.0. (Figure 2.17)

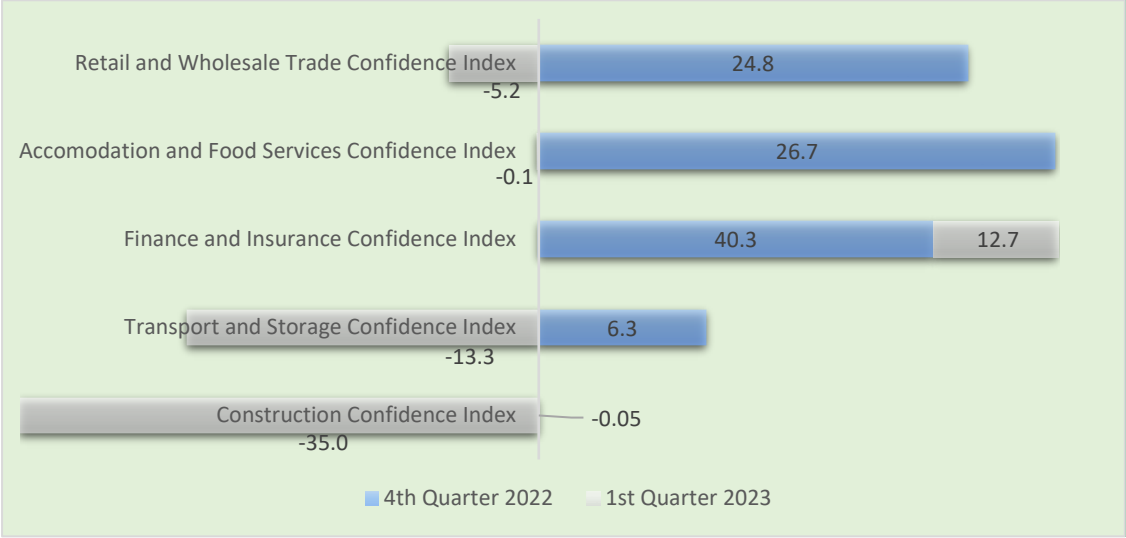


Figure 2.17: Confidence indices, 1st quarter 2023

2.18 Constraints to business expansion

The results show that for first quarter 2023, the confidence indices were negative for all sectors except Finance and Insurance. Respondents in Accommodation and Food Services, Transport and Storage as well as Wholesale and Retail Trade sectors, cited competition in own sector as the main factor limiting their businesses’ expansion. The Construction sector alluded to cost of raw materials while financial problems were cited as the main constraint by the Finance and Insurance sector.

¹ Confidence indices were compiled using average of the balances of opinion for questions relating to; present business situation, business situation in the next six months and the present level of stock (Wholesale and Retail Confidence index); the present level of total order books and employment in next three months (Construction confidence index); employment in next three months, present business situation and the business situation in the next three months (Other services Confidence indices. Positive values of the index reflect optimism towards the business situation while negative values imply pessimism. A value of zero implies same situation expected in the next quarter as prevailed in the previous quarter