

**BUSINESS TENDENCY SURVEY
SERVICES SECTOR
2nd Quarter 2023 REPORT**

**SERVICES SECTOR BUSINESS TENDENCY SURVEY:
2nd 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 second quarter 2023 Business Tendency Survey (BTS) for the services sector. The survey was conducted with the aim of producing indicators for use in monitoring the current business situation and short-term developments in Wholesale and Retail Trade, Accommodation and Food Services, Financial and Insurance Activities, Transport and Storage as well as Construction Industries.

Business Tendency Survey (BTS) for the services sector is conducted on a quarterly basis. The survey was conducted on 412 establishments from the aforementioned sectors, with 53 percent responding. 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 Activities Confidence Index.

Confidence indices for accommodation and food services, financial and insurance Activities, transport and storage sectors dropped in the second quarter as compared to the first quarter of 2023, indicating that respondents were pessimistic about the business situation. The Construction Confidence Index was **-29.4** in the second quarter of 2023, up from **-35.0** in first quarter 2022. The Retail Confidence Index was **-4.5** in the second quarter slightly up from **-5.2** in the first quarter 2023.

Respondents in the Accommodation and Food Services, Transport and Storage, Financial and Insurance Activities as well as the Wholesale and Retail Trade sector, cited “competition in own sector” as the major limiting factor for business expansion. Insufficient demand was cited as the main constraint affecting the expansion of business in the Construction sector.

1 Introduction

The report presents results of the second quarter 2023 Business Tendency Survey (BTS) for the services sector. The aim of the survey was to produce indicators for use in monitoring the current business situation and short-term developments in Wholesale and Retail Trade, Accommodation and Food Services, Financial and Insurance Activities, Transport and Storage as well as Construction sectors.

Business Tendency Survey (BTS) for the services sector is conducted on a quarterly basis. The sample size and response rates for the survey are as summarized in Table 1.1.

Sector	Number of Establishments	Response rate
Wholesale and Retail Trade	175	51%
Accommodation and Food Services	59	61%
Finance and Insurance	57	36%
Transport and Storage	62	54%
Construction sector	59	65%
All sectors	412	53%

The survey collected information on views of senior executives in the mentioned sectors pertaining to general business situation, financial situation, access to credit, technical capacity, employment, selling prices, volume of orders and main challenges experienced. 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 Activities Confidence Index.

Confidence indices are compiled using an average of the balances of opinion on questions relating to present business situation, current level of total order books, current level of stock, employment in next three months, and 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 in business situation.

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.

Implementation of the survey was 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

Across all sectors, **45.2** percent of the respondents viewed their establishments' current business situation as being satisfactory with reference to 2nd quarter 2023. Negative balances of opinion were observed across all sectors, ranging from **-47.6pp** in Wholesale and Retail trade to **-7.4pp** in financial and insurance Activities. (Figure 2.1)

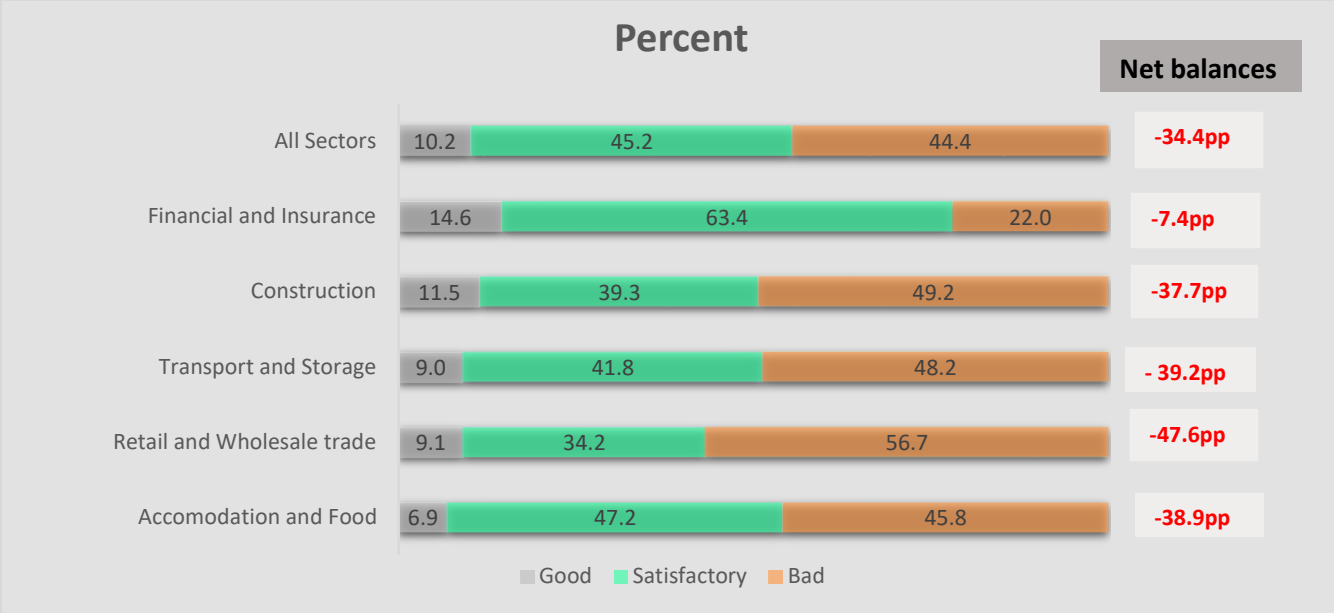


Figure 2.1: Opinion towards current business situation, 2nd Quarter 2023

2.2 Financial Situation

Respondents who considered their companies' current financial status to be good with regard to the second quarter of 2023 constituted a proportion of **9.2** percent across all industries. In Accommodation and food industry, **43.8** percent of respondents considered the financial situation of their establishments as satisfactory. (Figure 2.2)

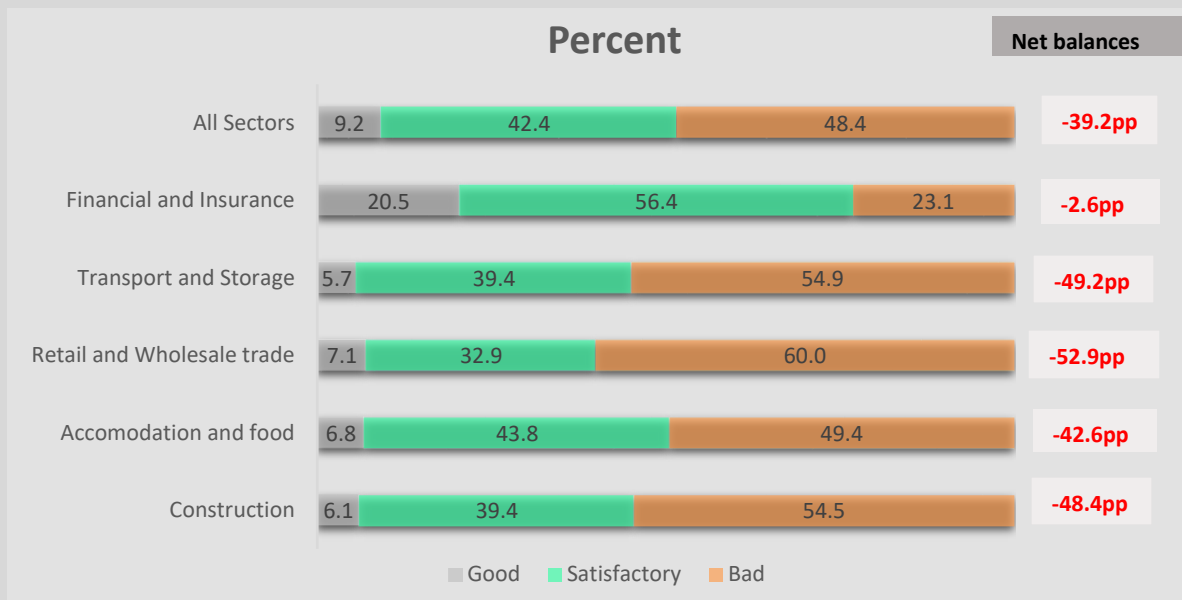


Figure 2.2: Opinion towards the current financial situation, 2nd Quarter 2023

2.3 Level of stocks

Excluding normal seasonal variations, **38.6** percent of respondents in the Wholesale and Retail Trade sector considered their companies' current stock levels to be normal during second quarter of 2023. (Figure 2.3)

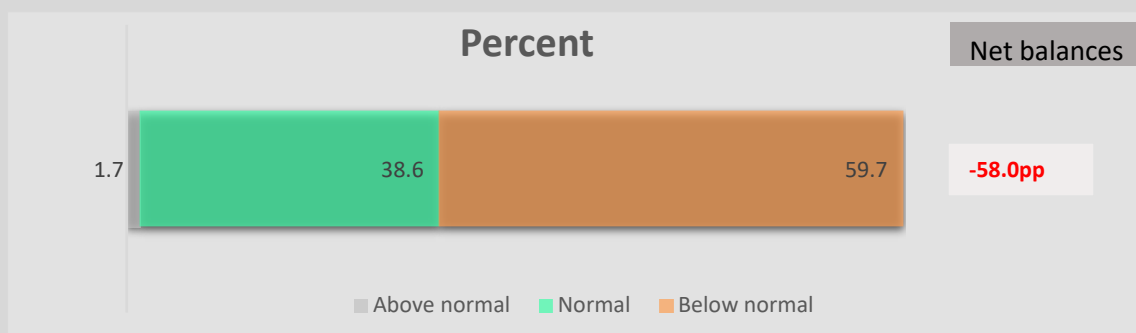


Figure 2.3: Opinion towards current level of stocks in volume terms, 2nd Quarter 2023

2.4 Level of total order books

In construction industry, **38.2** percent of establishments reported their overall order books as normal during 2nd quarter 2023. (Figure 2.4).

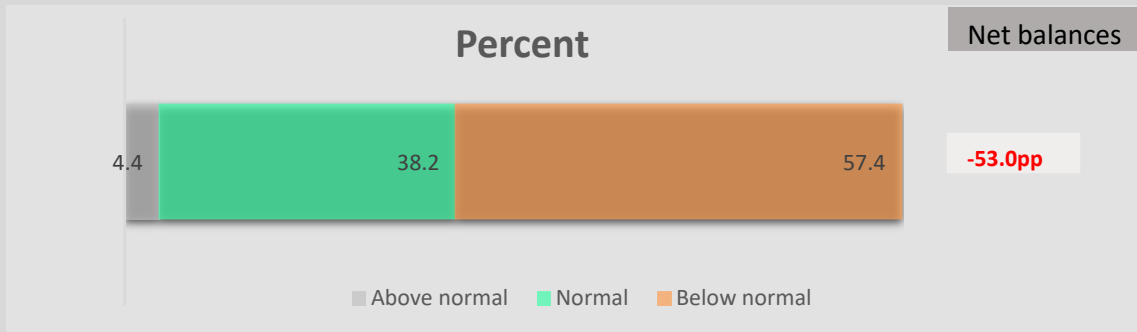


Figure 2.4: Opinion towards current total level of order books in the Construction sector, 2nd Quarter 2023

2.5 Access to credit

In 2nd quarter 2023, access to credit was difficult in all sectors except in finance and Insurance. (Figure 2.5)

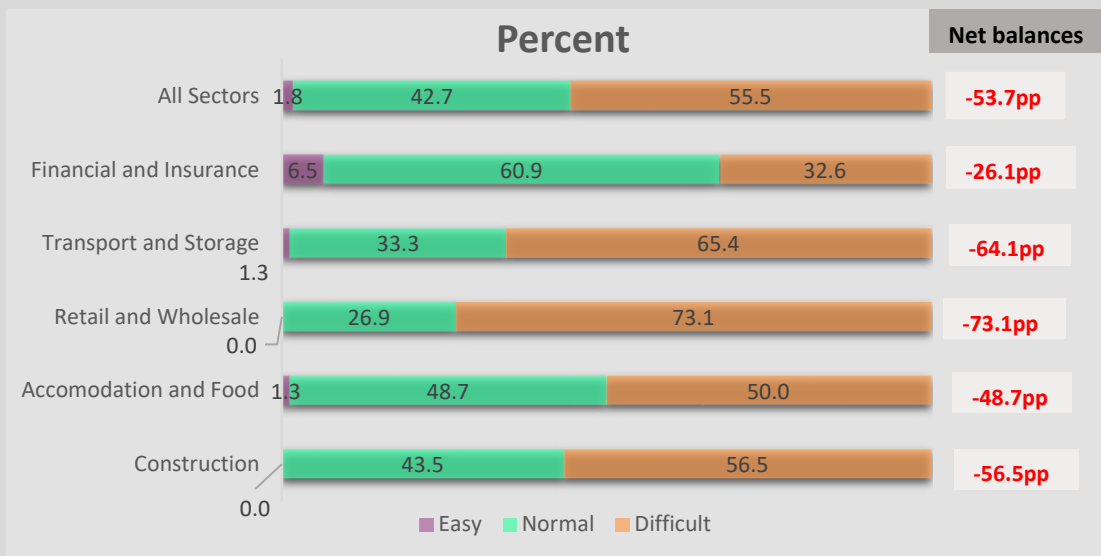


Figure 2.5: Opinion towards access to credit, 2nd Quarter 2023

2.6 Technical capacity in Construction sector

In construction sector, 51.5 percent of establishments regarded technical capacity as sufficient with respect to expected demand in the next twelve months. (Figure 2.6).

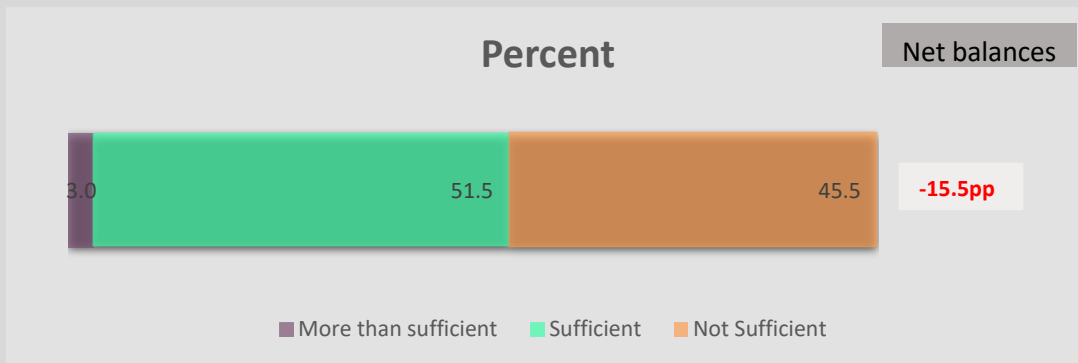


Figure 2.6: Opinion towards current technical capacity in Construction sector, 2nd quarter 2023

2.7 Volume of demand

Excluding normal seasonal changes, **51.6** percent of establishments in the Transport and Storage Services sector were of the view that their establishments' volume of demand had decreased during the period of April to June 2023. (Figure 2.7)

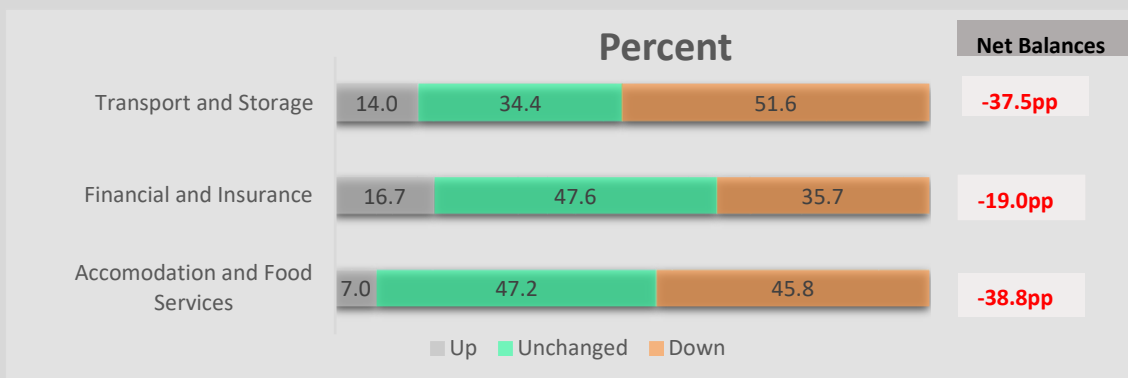


Figure 2.7: Volume of demand for the past three months of April to June 2023

2.8 Volume of business activity in the construction industry

In the construction industry, **54.5** percent of respondents reported that between April and June of 2023, business activity in their companies had decreased. (Figure 2.8)

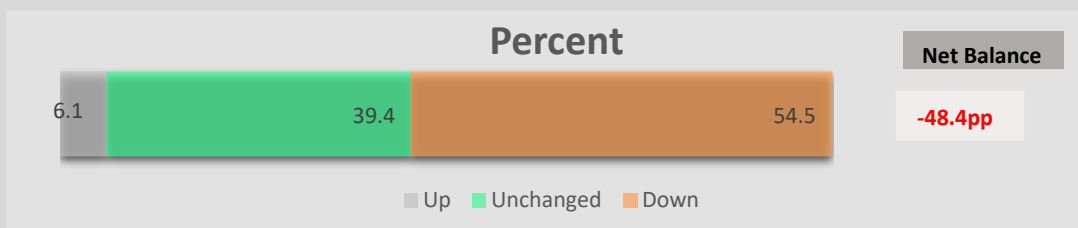


Figure 2.8: Volume of business activity for the past three months of April to June 2023

2.9 Number of people employed

Proportions of respondents who regarded the number of people employed by their establishments as having remained unchanged in the past three months of April to June 2023, were fifty percent and above in all other sectors except in construction sector. (Figure 2.9)

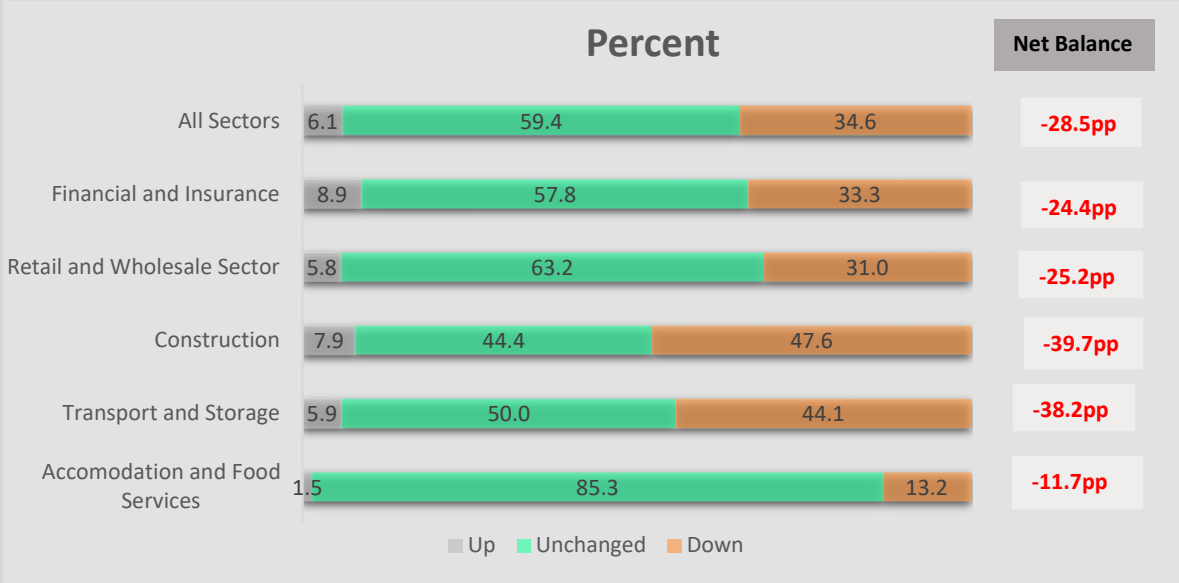


Figure 2.9: Changes in number of people employed in past three months of April to June 2023

2.10 Average selling price in the Wholesale and Retail Trade industry

In Wholesale and Retail Trade industry, 42.3 percent of respondents reported that the average selling prices remained constant from April to June 2023. (Figure 2.10)

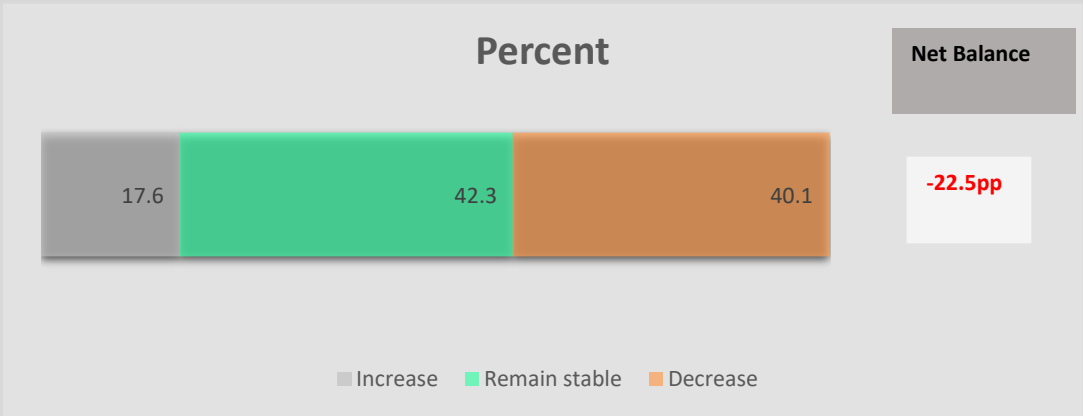


Figure 2.10: Average selling price in the past three months of April to June 2023

2.11 Competition in the Wholesale and Retail Trade sector

In Wholesale and Retail Trade sector, 45.8 percent of establishments' reported that competition had decreased during the period April to June 2023. (Figure 2.11)

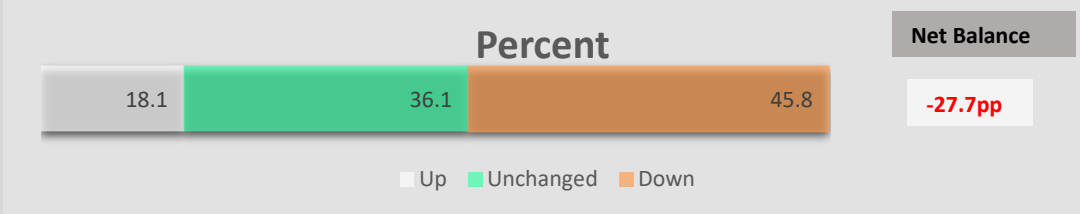


Figure 2.11: Competition in Wholesale and Retail trade sector, April to June 2023

2.12 Expected Future Business Situation

The proportion of establishments expecting the business situation to improve during the period July to September 2023 was **24.6** percent for all sectors. (Figure 2.12)

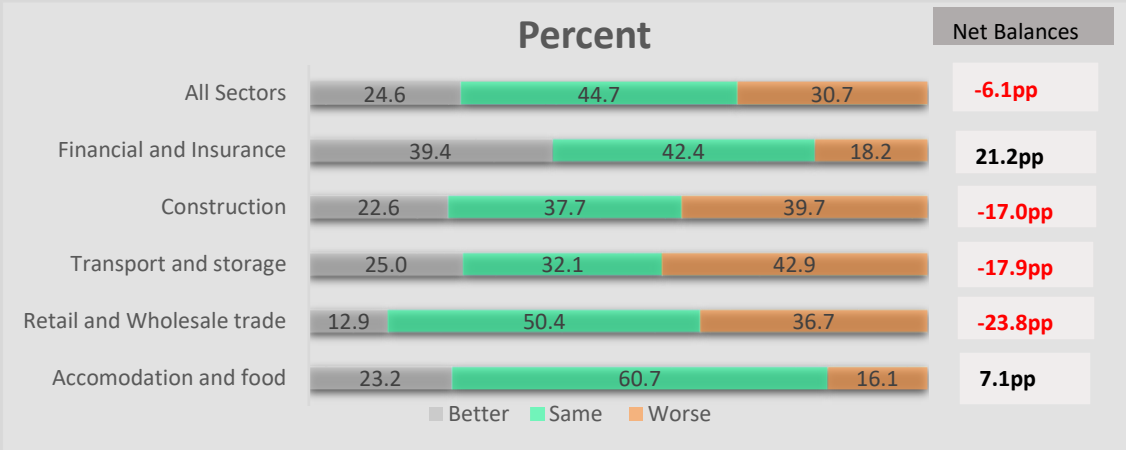


Figure 2.12: Opinion towards business situation during the period July to September 2023

2.13 Expected employment level

In Wholesale and Retail Trade Sector, **10.5** percent of establishments anticipated the number of their employees to increase during the period July to September 2023. (Figure 2.13)

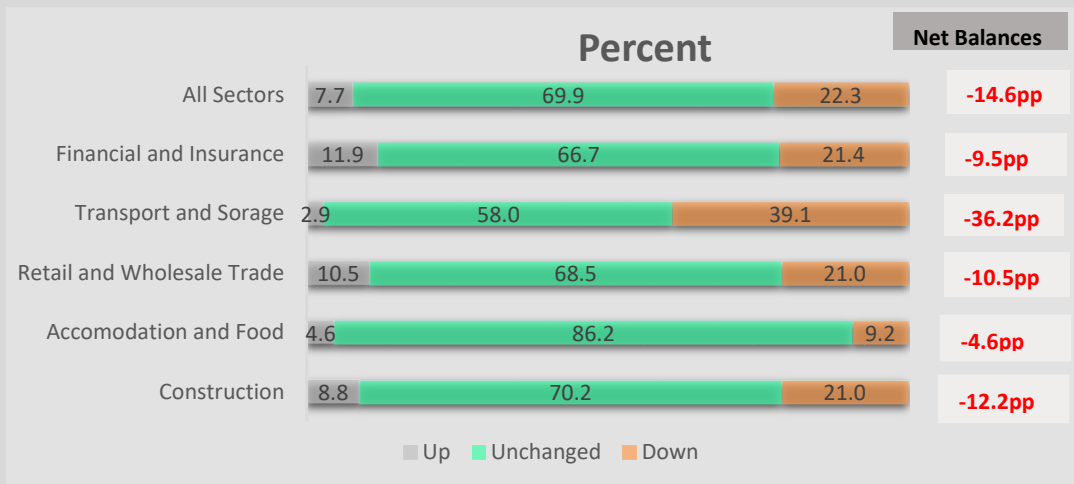


Figure 2.13: Expectations towards employment level during the period July to September 2023

2.14 Expectations towards Volume of demand

About **thirty percent** of respondents in the Financial and Insurance Activities sector, anticipated the volume of demand to go up during the period July to September 2023. Balances of opinion with respect to this item were negative for all sectors. (Figure 2.14)

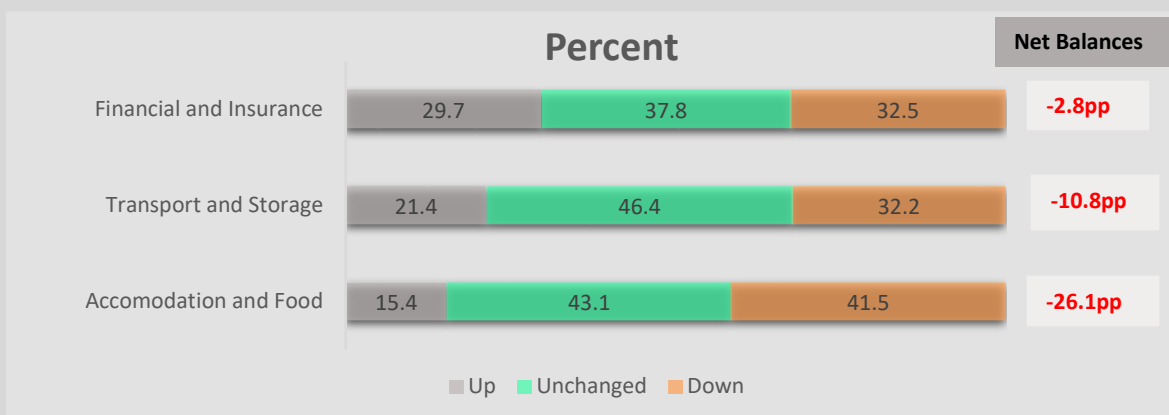


Figure 2.14: Expectations towards volume of demand during the period July to September 2023

2.15 Expectations towards orders placed by suppliers for Wholesale and Retail trade Sector

In Wholesale and Retail Trade sector, **42.3** percent of respondents anticipated the orders placed by suppliers during the period July to September 2023 to decrease (Figure 2.15).

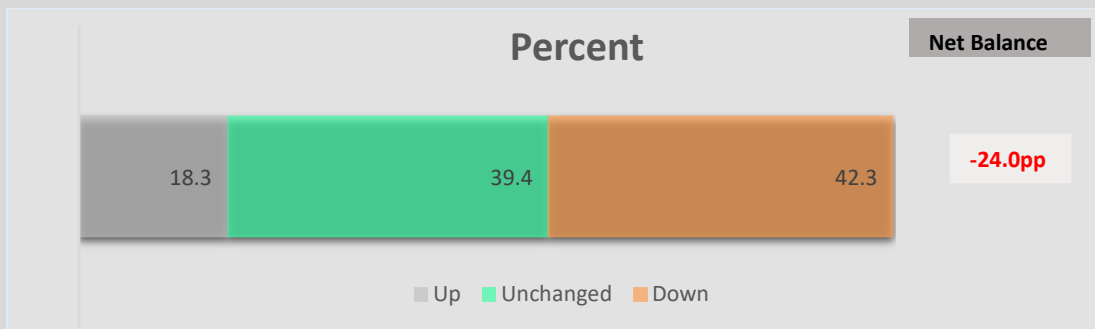


Figure 2.15: Expectations towards orders placed by suppliers during the period July-September 2023

2.16 Expectations towards contracts in the Construction Sector

Excluding normal seasonal changes, **62.5** percent of respondents in the Construction sector, expected volume of orders to remain unchanged during the period July to September 2023. (Figure 2.16)

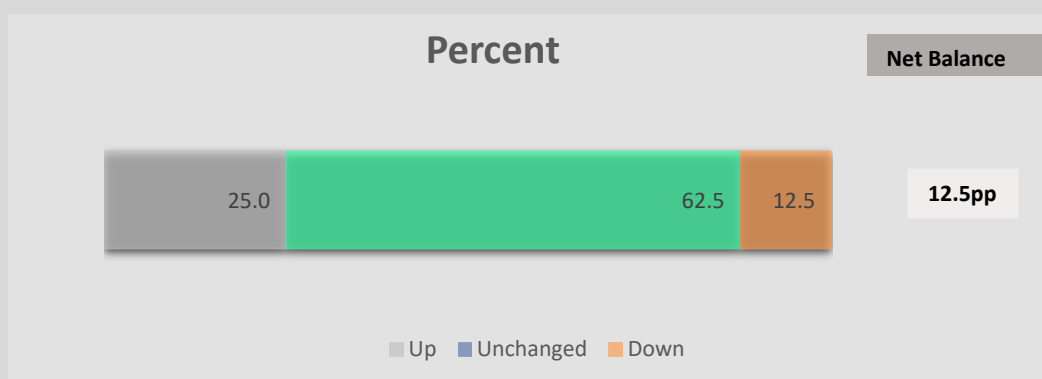


Figure 2.16: Sentiments towards volume of contracts during the period July to September 2023

2.17 Confidence Indices¹

The confidence Indices for Construction, Wholesale and Retail Trade improved in 2nd quarter 2023 as compared to 1st quarter 2023. (Figure 2.17)

¹ Confidence indices were compiled using average of the balances of opinion for questions relating to; present business situation, business situation in the next three 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

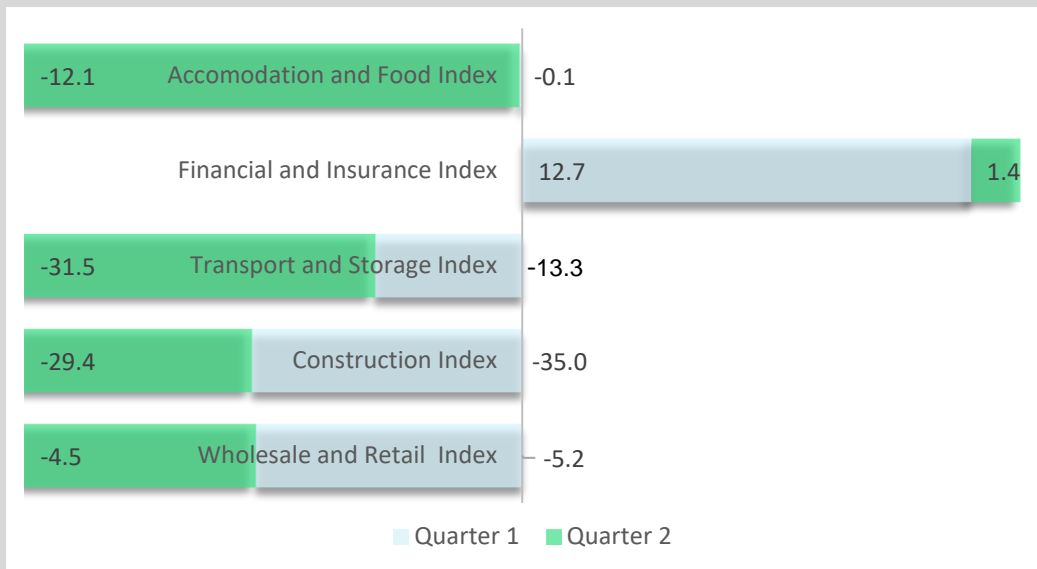


Figure 2.17: Confidence indices for the various sectors

2.18 Constraints to business expansion

Respondents in all surveyed sectors, except construction cited **competition** as the major limiting factor for business expansion. **Insufficient demand** was cited as the major constraint affecting expansion of business in Construction sector.