CZI

Enterprise Leadership Service

2024 CZI
MANUFACTURING SECTOR
SURVEY REPORT

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About the CZI Annual Manufacturing sector survey

The Confederation of Zimbabwe Industries (CZI) Manufacturing Sector Survey is recognised among Zimbabwe's leading analysis of the state of the sector and factors affecting manufacturing sector operations and growth. The manufacturing sector is an important sector in the economy as it drives industrialisation and has one of the key economic and employment multipliers. Insights on the state of the manufacturing sector can help feed into the policy discourse on repositioning the Zimbabwe manufacturing sector as a growth driver.

Conducted annually, the surveys are designed to ensure that the right information about the state of the manufacturing sector is conveyed to all stakeholders for evidence informed decision and policy making. It is on this basis that the CZI Annual Manufacturing Sector Survey has become a major reference and most quoted state of the sector report for policy makers, stakeholders, academia, media, development partners and business.

The survey is produced by CZI Industrial and Economic Research. The first publication was in 2009, with continuous improvement in quality and coverage in the volumes.

Acknowledgements

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Survey Methodology

1.1 Sample size

In 2021, the number of all manufacturing sector factories in Zimbabwe that were registered in terms of the Factories and Works Act [Chapter 14:08] with at least 10 employees[1] was estimated at about 4,552. While there could have been some changes with some firms exiting the market and others entering between 2021 and 2025, it is assumed that 4,552 is still the relevant targeted population. With 4,552 as the targeted population and assuming a small margin of error of only 5%, a sample size that is representative at the 95% confidence interval would be 355. Thus, CZI targeted a sample size of about 355 manufacturing sector firms as a representative sample.

After data cleaning, this report is based on a sample of 402 manufacturing sector firms, which is above the targeted responses. This sample size of 402 is representative of the targeted population at 96% confidence interval, hence there is every reason to believe that it represents the true population.

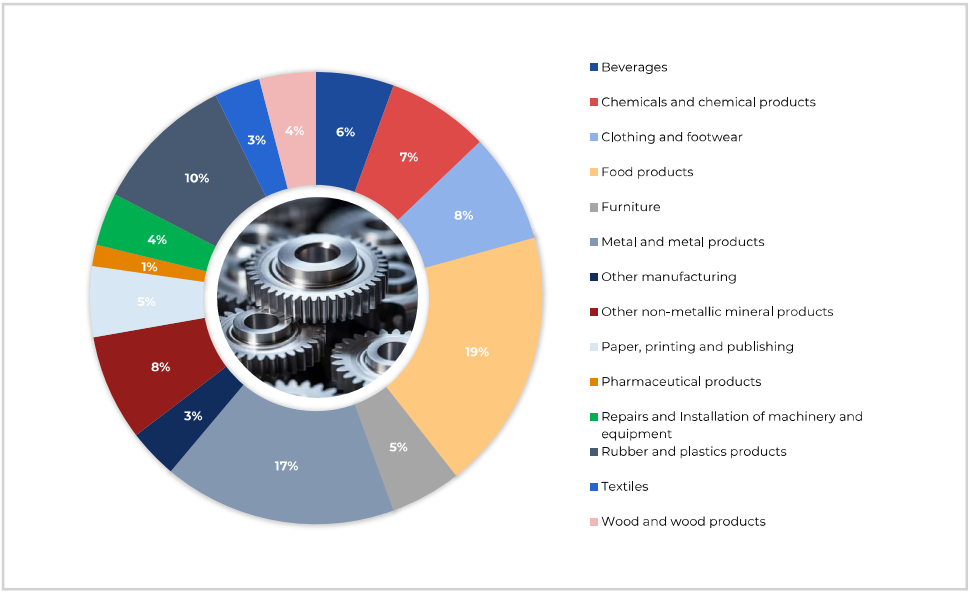
This a sector-wide survey and not a CZI member survey. About 4% of the sample are firms that are listed on the Zimbabwe Stock Exchange, representing about 59% of all listed manufacturing sector firms.

402 Is the sample size. This is nationally representative of all the estimated number of manufacturing firms in Zimbabwe at **96%** Confidence Interval.

1.2 Subsector representation

Based on the main products that the manufacturers produce, the players were classified into various subsectors in line with the International Standard Industrial Classification of All Economic Activities (ISIC) as revised in 2022 (Rev. 5). The distribution of the firms across the sectors shows that there was a very wide coverage of the manufacturing sector, with the food and the metals subsectors dominating at about 19% and 17% respectively (Figure 1). CZI also believes that this sample subsector distribution is in line with the actual population.

Figure 1: All segments of the manufacturing sector is represented in the sample



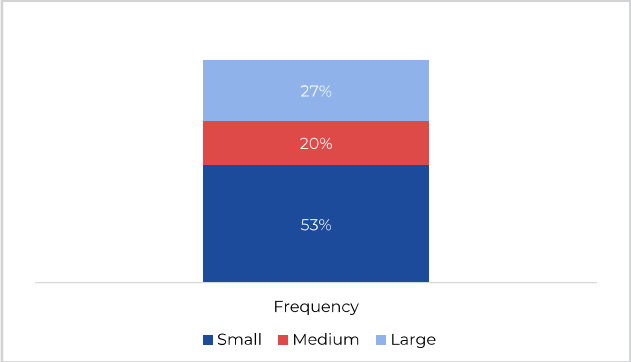
Source: Interview results

1 The total list had about 13,503 registered factories. However, a number of registered factories listed would actually belong to one manufacturing entity (for example Delta Beverages and Dairiboard have several registered factories across the country) while many were simply one-man factories, operating largely as informal sector players. A cut-off point of 10 employees was adopted to eliminate informal sector players from the sample.

1.3 Sample by size

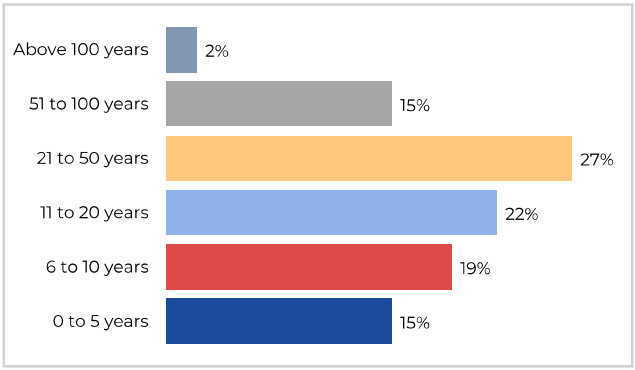
For the manufacturing sector, the Small and Medium Enterprises Act [Chapter 24:12] classifies enterprises into small if their annual turnover is less than US$500,000 per annum. If the turnover is between US$500,000 and US$1 million, the firm is classified as medium and if the turnover is above US$1 million, the firm is classified as large. Small scale manufacturing firms constitute the bulk of the sample at about 53%, which is line with the general characteristics of the economy dominated by small scale firms. However, large and medium sized firms are still significantly represented in the sample (Figure 2).

Figure 2: The small-scale firms constitute the majority



It is also expected that firms adopt different coping mechanisms based on their level of experience in operating in the Zimbabwe economy. A look at the sample in terms of experience (Figure 3) shows that all the major categories are fairly represented, although only 2% have been in business for more than 100 years. About 34% of the firms have been in business for 10 years and below, which is well below the 53% share of small-scale firms in the sample. This means that there are many manufacturing sector firms that are experienced in the Zimbabwe environment but are still small-scale manufacturers.

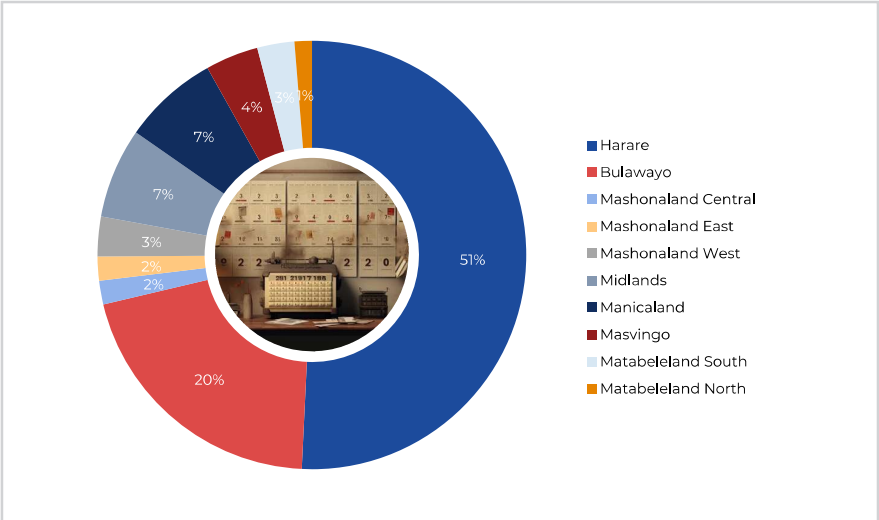
Figure 3: About 50% of the sample has been operating for between 11 and 50 years



1.4 Sample by geographic distribution

Efforts were also made to ensure that manufacturing sector firms in all the 10 provinces of the country were captured by the sample. However, the bulk of the firms are subsidiaries of firms located in Harare and were already covered in responses from their head offices. In addition, most of the manufacturing sector firms in some provinces are very small-scale players who could not meet the criterion of having at least 10 employees. As a result, the sample distribution is such that Harare constitutes the bulk of the manufacturing sector firms at about 51% of the sample. Bulawayo is second at 20% of the sample, followed by Midlands and Manicaland with 7% each.

Figure 4: Firms that have been operating for 11-50 years constitute 50% of the sample



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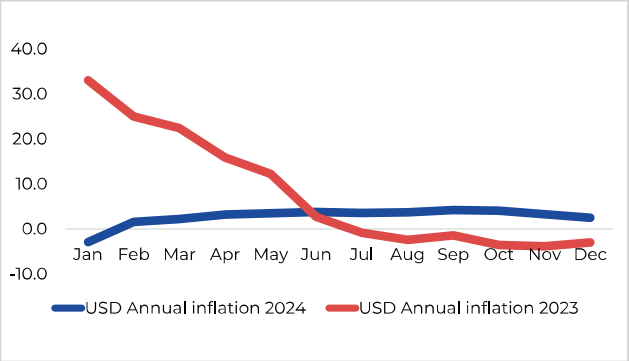
The 2024 macroeconomic environment and expected impact on business

2.1 Business performance expected to respond to inflation

In 2024 average USD month on month inflation was 0.2%, which was higher than the average of -0.2% recorded in 2023. However, average USD annual inflation for the year 2024 was 2.7%, way below the 8% average experienced in 2023. Comparing 2024 and 2023 shows that in the first half of the year inflation was more pronounced in 2023 compared to the same period in 2024. In the second half of the year USD annual inflation was more pronounced in 2024 compared to the same period in 2023. However, annual inflation was more stable in 2024 than 2023 (Figure 5). This means that in USD terms, inflation was generally under control in 2024 compared to 2023.

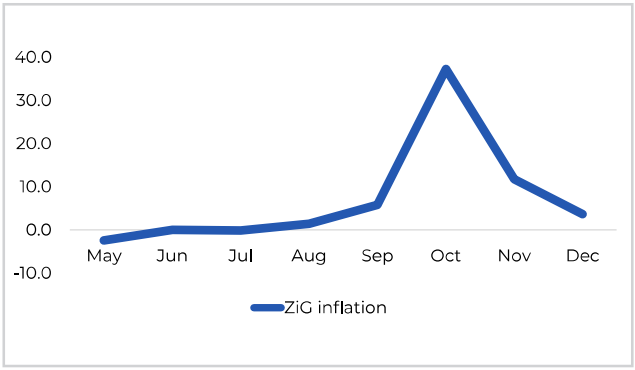
Figure 5: Single digit USD annual inflation was experienced the whole of 2024



Source: ZIMSTAT

On the local currency front, the introduction of ZiG in April 2024 stabilized local currency inflation in the second quarter of 2024. However, inflation started to increase again in the fourth quarter of 2024, reaching a peak of 37.2% in October 2024, which was only about 13 percentage points way from hyperinflation level (Figure 6). The jump in inflation was caused by the devaluation of ZiG in September 2024, as inflation generally mirrors the exchange rate movements. In the months of November and December 2024, there was an acute shortage of the local currency. This helped to curb the runaway inflation which was threatening to prematurely end the life of the new currency. In December 2024, ZiG inflation rate was 3.7%, a 33.6 percentage point decline from the October peak of 37.2%.

Figure 6: ZiG inflation peaked in October 2024 but was under control by year end



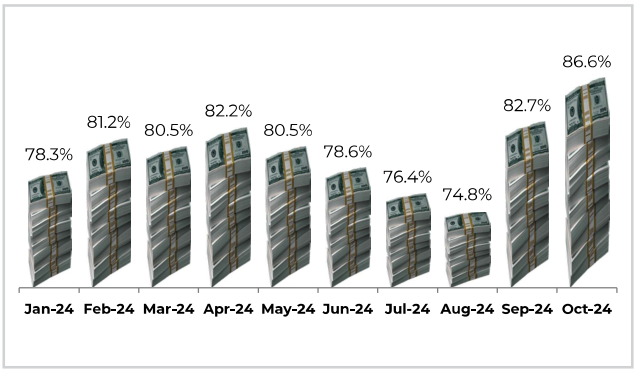
Source: ZIMSTAT

This means that relative to 2023, despite the early signs of running out of control, inflation was still better managed in 2024. This could have helped enhance some positive outlook for manufacturers.

2.2 Currency stability also had a role in influencing performance

Zimbabwe uses a multi-currency system, which is expected to continue until 2030. However, despite being closer to 2030, the year 2024 saw an increase in the level of dollarisation, as reflected by the share of the USD in overall money supply. Foreign currency deposits as a percentage of total money supply (M3) had increased to about 87% by October 2024 (Figure 7). The introduction of the new currency in April 2024, reduced the USD dependency for a few months, which could not be sustained as the new currency started to lose value.

Figure 7: The USD is now the dominant form of money supply in Zimbabwe

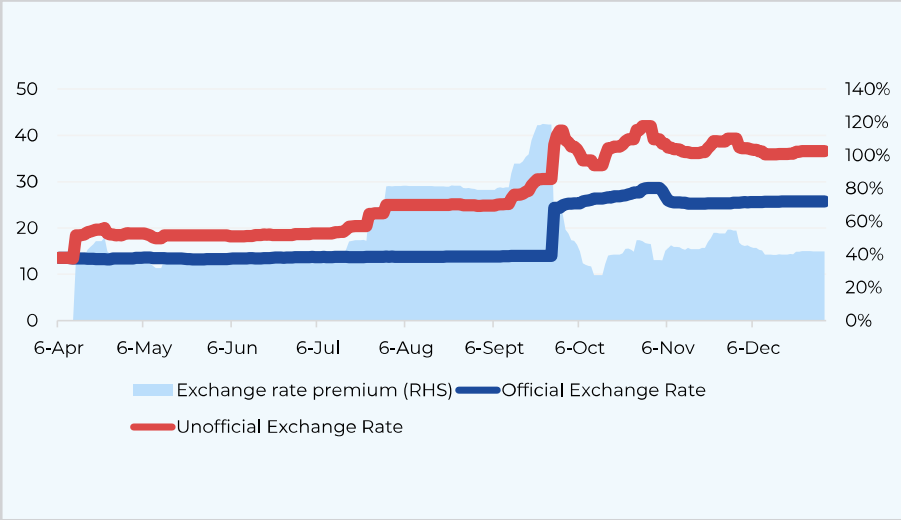


Source: RBZ

However, the net impact of entrenched dollarisation on the manufacturing sector is not straightforward. On one hand, it worsens manufacturing sector competitiveness as the stronger currency makes Zimbabwe firms less competitive compared to neighbouring countries. However, the abundant USD from diaspora remittances makes it easy for manufacturing sector firms to get USD through domestic sales, which cushions them against exchange rate losses from selling in ZiG. This local orientation to get USD represents a lost opportunity as exports are not only a means to generate foreign currency but also a strategy to penetrate markets and utilise excess capacity. This means that export orientation can be a strategy to reduces unit production costs due to economies of scale.

After the introduction of the new currency ZiG, there was relative stability on the exchange rate for 3 months. In the third quarter of 2024, ZiG started losing value at the parallel market, which also resulted in inflationary pressures. The exchange rate premium between the official exchange rate and the parallel market rate was widening and it was approximately 119% on the 26th of September 2024 (Figure 8). The Reserve Bank of Zimbabwe responded by devaluing ZiG on the 27th of September 2024 from 13.99 per US dollar to 24.39 per US dollar. Overnight, ZiG lost approximately 43% of its value and many companies and individuals suffered losses. However, the move helped narrow down the parallel market premium. By end of December, the premium had narrowed down but was still high at about 40%.

Figure 8: Exchange rate premium skyrocketed in the third quarter of 2024



Source: CZI compilation

Thus, exchange rate instability continued to threaten the viability of the manufacturing sector.

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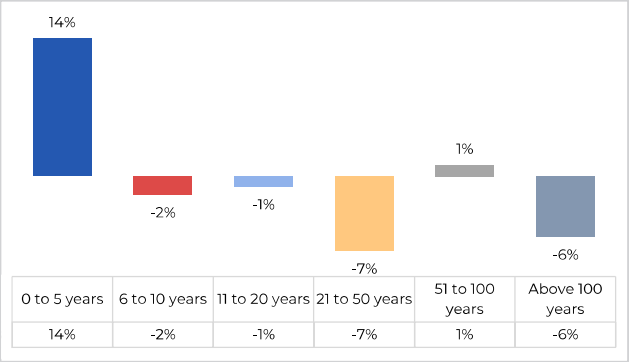
Performance Indicators

3.1 Output

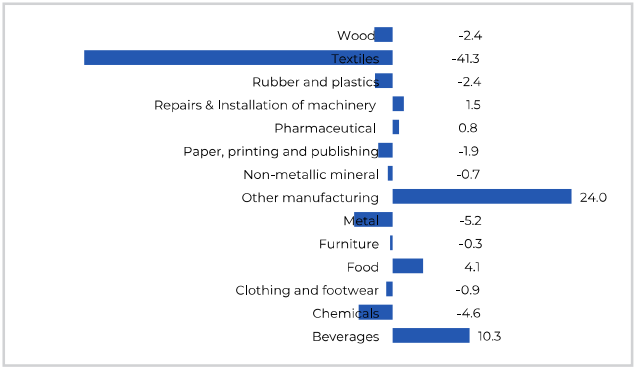
On average, output for all the manufacturing sector firms decreased by only about 0.5% in 2024 compared to 2023. This generally underlines that the macroeconomic and the general business environment in 2024 did not cause a significant decline in the ability to manufacture products. However, a further look across the firms reveals that it is only those manufacturing sector firms that are recent entrants that managed to register a significant growth in output in 2024 compared to 2023 (Figure 9). Firms that have been in the manufacturing industry for a period up to five years registered a significant jump in output in 2024 by about 14%, at a time when those that have been operating for more than 100 years registered a decline in output of about 6%. The recent entrants are natives of the current operating environment and may have business models that are adapted to the cycles of instability.

Figure 9: New firms recorded the highest increase in output in 2024



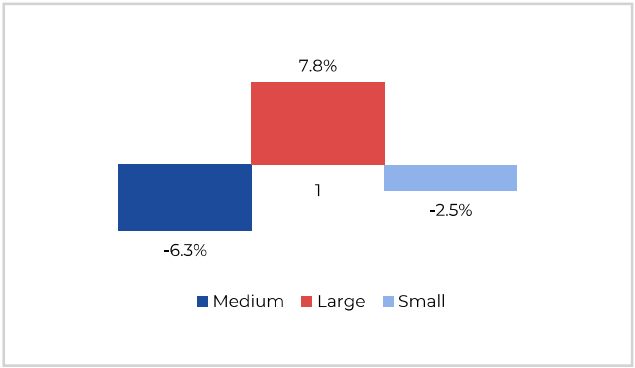
A look at the breakdown by subsectors shows that firms falling under the category "other manufacturing" registered the largest increase in output of about 24% in 2024 compared to 2023. However, most notable is the beverages and food subsectors, where firms registered an increase of about 10% and 4% respectively in output in 2023 compared to 2024 (Figure 10). The rest of the sectors, however, registered a decline, with the textiles subsector (which includes ginners) being the most severely affected by the El Nino induced drought, which saw cotton production being at its lowest level in more than two decades. The chemicals and metals subsectors of the manufacturing sector also registered significant decreases in output of about 5% in 2024.

Figure 10: Change in output in 2024 compared to 2023 by subsector



A comparison by scale shows that only large firms registered an increase in output in 2024 compared to 2023. Large firms registered an increase in output of about 8% compared to 2023, while both small and medium scale manufacturing sector firms registered a decrease in output of about 3% and 6% respectively (Figure 11). Large firms, with their ability to leverage on scale, were able to withstand any shocks in 2024 and leveraged on the stability to expand output. Given that recent entries were observed to have registered positive output growth, this means that largely it is the large recent entrants that managed to grow output rather than small recent entrants.

Figure 11: Only large-scale firms registered an increase in output

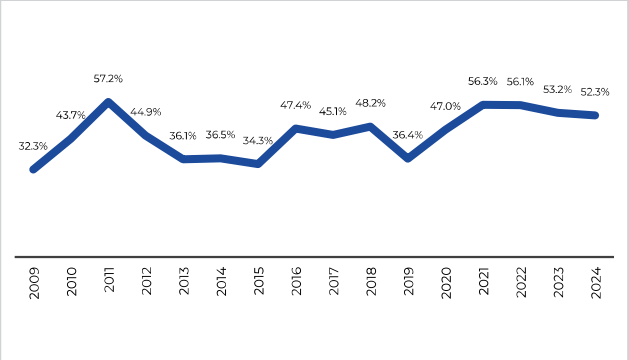


3.2 Capacity utilisation

Capacity utilisation generally is a measure of whether existing plants are being optimally utilised. The indicator is useful for investors, as it signals whether there is still space for more players in the industry. If existing plants are not fully utilised, this means that an increase in demand would be met by existing players and investment into the industry might not be worthwhile. Capacity utilisation is constructed as the ratio of actual manufacturing output to potential full capacity output.

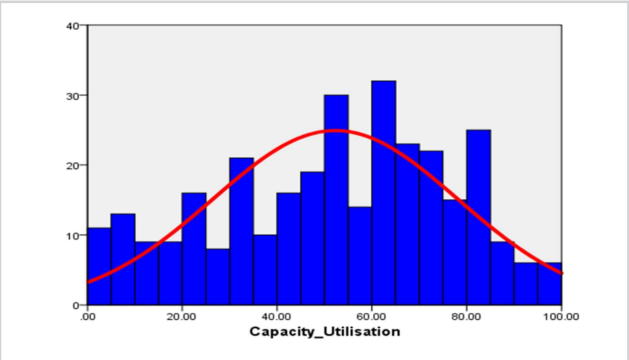
In 2023, capacity utilization for the manufacturing sector was 53.2%. Given the marginal decrease in manufacturing sector output, capacity utilization took a 0.9 percentage point decrease in 2024 to 52.3% (Figure 12). The marginal decrease in capacity utilization generally shows that equipment that is idle is increasing as close to half of the existing plants are currently idle.

Figure 12: Capacity utilisation declined by 0.9 percentage points in 2024



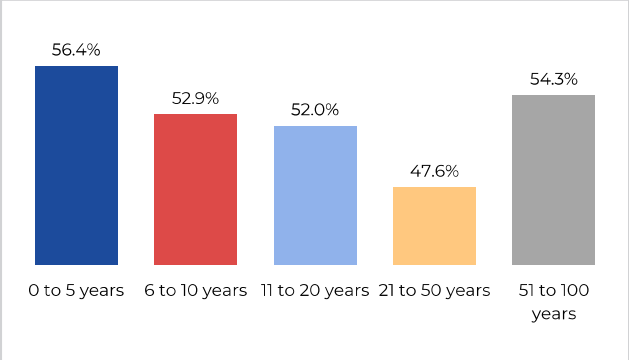
A further assessment of capacity utilization across the firms reflects that while on average close to 50% of the equipment is idle, there are some firms which are operating at both extremes. About 16% of the manufacturing sector firms have capacity utilization of at most 20%. On the other hand, 13% of the manufacturing sector firms have capacity utilization in excess of 80%. Only 3% of the manufacturing sector firms had capacity utilization levels of about 100%. A simple plot of a histogram with a normal distribution curve reflecting the distribution of manufacturing sector firms' capacity utilization confirms the spread across both extremes (Figure 13).

Figure 13 : Histogram of the distribution of capacity utilisation



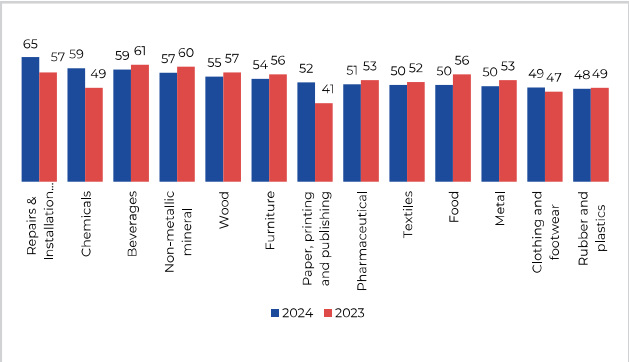
A further disaggregation of capacity utilisation by age shows that firms that are recent entrants had a better capacity utilisation than those that have been longer in the business (Figure 14). This is consistent with the trend on output produced, which generally had this category of firms among those with an increase in output.

Figure 14 : Recent entrants had higher capacity utilisation



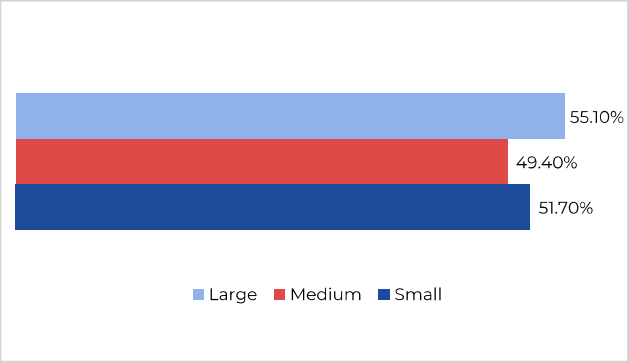
Capacity utilization across the various manufacturing subsectors shows that only those focusing on repairs and installations managed to utilize more than 60% of their potential. However, there are only three subsectors that are utilizing less than 50% of their investment potential (Figure 15). Comparing with 2023, it can be established that only four subsectors (repairs and installation, chemicals, paper &printing, and wearing apparel) managed to increase their capacity utilization levels in 2024 compared to 2023.

Figure 15: Capacity utilisation by subsector, 2023 and 2024



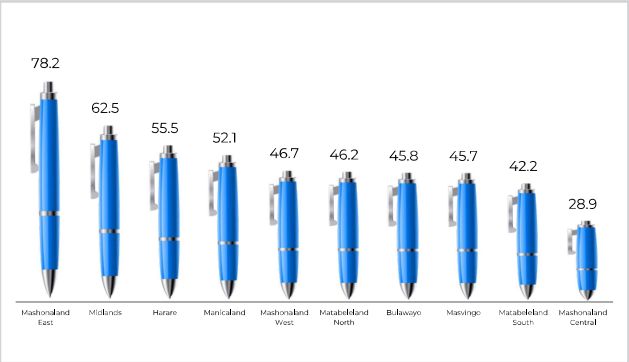
The distribution of capacity utilization trends by scale shows that large scale firms have the largest capacity utilization at about 55%. Small scale firms, however, have a ??capacity utilization trend than medium scale firms. In previous surveys, small scale firms tended to have the lowest capacity utilization level. The use of revenue as a basis for classifying scale instead of using the number of employees has generally implied that some of the firms that used to be classified as medium scale or small scale have now crossed over to the other category. This implies that there are some small-scale firms that have managed to cope better with the operating environment in terms of utilisation of their capacity than medium sized firms.

Figure 16: Medium sized firms had lowest capacity utilisation



In terms of distribution by province, firms in Mashonaland East had the highest capacity utilization at about 78%, which is more than two time the capacity utilization levels for firms in Matabeleland South and Mashonaland Central provinces (Figure 17). Harare is only third in terms of capacity utilization despite having the bulk of firms, while Bulawayo is seventh despite having the second largest number of firms.

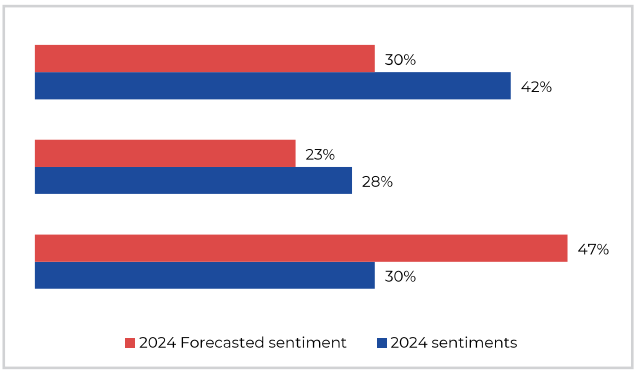
Figure 17: Mashonaland Central had the lowest capacity utilisation (%)



3.2 Sentiments on 2024 performance of subsector as a whole

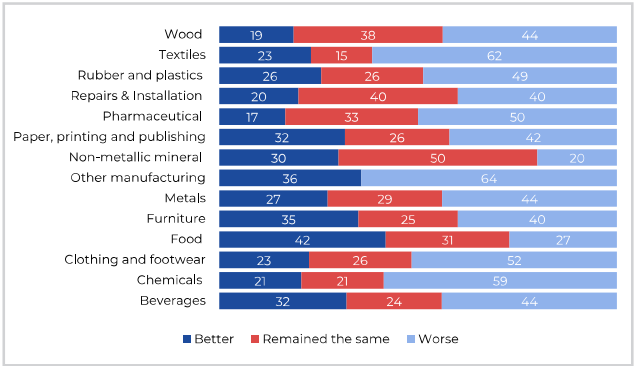
Comparing the findings from the current survey with the previous survey reveals that the optimism that the manufacturing sector had with respect to their subsector performance was not realized in 2024. About 47% of the manufacturing sector had indicated that 2024 would be better compared to 2023 (Figure 18). However, only 30% of the manufacturing sector now believes that 2023 was better. Only 30% of the manufacturing sector had forecast that 2024 would be worse than 2023 for their subsector. However, this has since risen to 42%. This shows that the manufacturing sector generally has more confidence that the policy makers would make the environment better.

Figure 18: Subsector performance in 2024 versus original forecast



A disaggregation by subsector shows that only the food and furniture subsectors had a higher percentage of firms that felt that 2024 was better compared to 2023 for the sector compared to those who either felt that the performance had worsened or remained the same. However, subsectors such as textiles, chemicals, clothing & footwear, and the pharmaceutical had most of the respondents indicating that the performance for the subsector had worsened in 2024 compared to 2023 (Figure 19). The non-metallic minerals subsector was the only one where the majority felt that the performance in 2024 was the same as the case in 2023. The findings generally underline that while there was an overall decline in output and capacity utilization, there are some sources of optimism in some subsectors.

Figure 19: Sentiments on 2024 subsector performance compared to 2023 (%)



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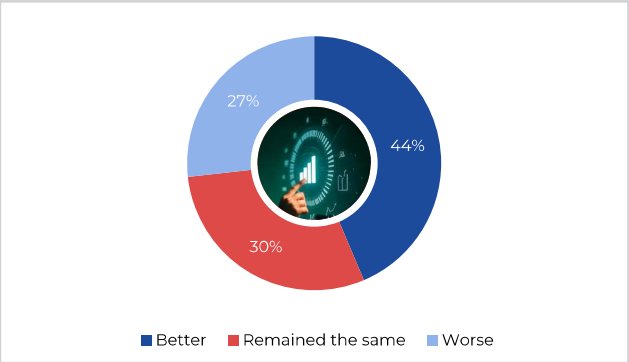
Perceptions and Forecasts

4.1 Subsector performance perception

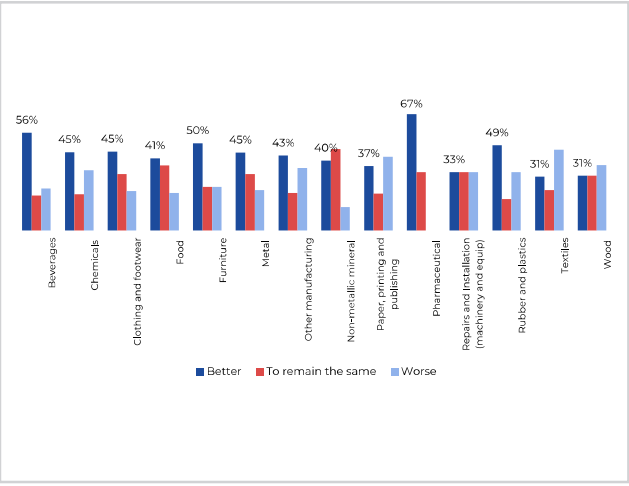
Generally, there is an observable feeling of optimism regarding the perceptions of manufacturing sector firms with regards to their subsectors in 2025. Only just over a quarter (27%) believe that 2025 will be worse compared to 2024, with those believing that 2025 constituting the highest percentage at 44% (Figure 20). This generally underlines that manufacturing sector firms were looking forward to 2025 with an optimistic attitude.

Figure 20: About 44% of the firms expect sub-sector performance to be better in 2025



Analysis by subsector reveals that the pharmaceutical subsector was the most optimistic with 67% convinced that their performance will be better in 2025 as compared to 2024 (Figure 21). Further analysis reveals that this sector made new investments and upgraded their technology, which explains their optimism. The beverages (56%) and furniture (50%) subsectors are also optimistic about their performance in 2025. On the other hand, the wood and textile subsectors stand out as the less optimistic subsectors, with those perceiving that 2025 will be worse being more than those believing otherwise.

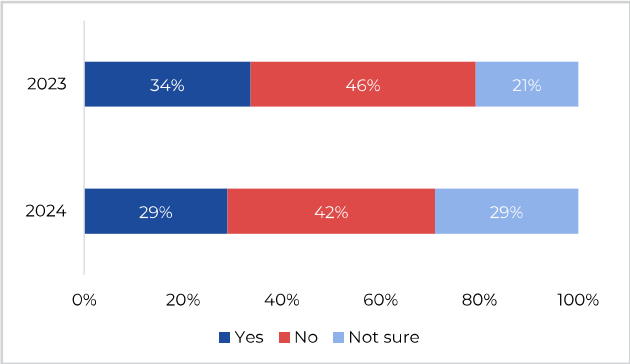
Figure 21: Perceptions about 2025 prospects by subsector



4.2 AfCFTA competitiveness perception

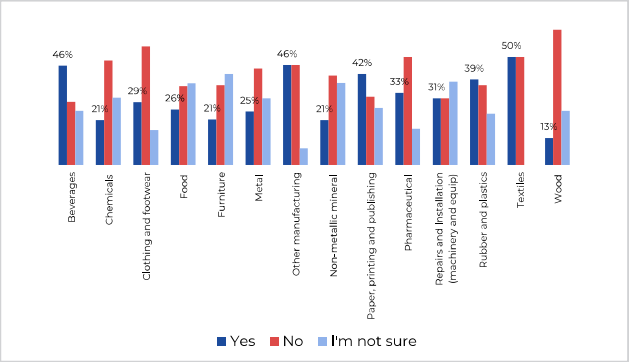
The Agreement establishing the African Continental Free Trade Area (AfCFTA) was signed in Kigali Rwanda on the 21st of March 2018 by the heads of summit and is already in force. Zimbabwe was the 23rd country to deposit its instrument of ratification on the 24th of May 2019. To date, 54 countries have signed the agreement and 2024 was to be the year when Zimbabwe was expected to start applying the terms of the Agreement. Therefore, manufactures are now expected to be ready to trade under the AfCFTA. However, the survey revealed that only 29% of the manufacturing subsectors believe that they are adequately equipped to compete in the AfCFTA. A larger proportion (42%) of firms highlighted that they are not ready to compete in AfCFTA (Figure 22). This implies that there is general fear among the manufacturing sector firms of the AfCFTA, at a time when it is expected that they would also be expecting to reap some benefits from the Agreement.

Figure 22: A larger proportion (42%) of manufacturers are not ready for the AfCFTA



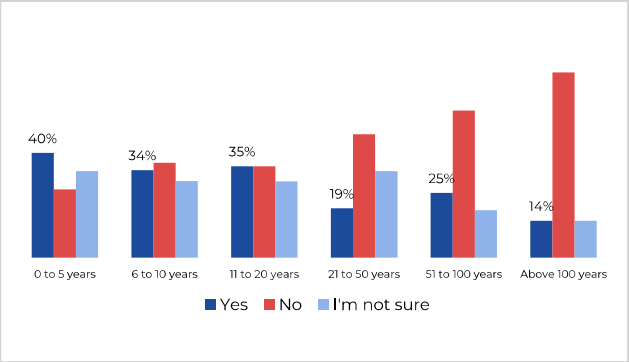
A disaggregation across subsectors, however, shows that there are some subsectors where those firms believing that they can compete in the AfCFTA are more than those who believe that they are not ready. This is true with respect to the textiles, beverages, paper & printing, and the rubber & plastics subsector, with the textiles subsector standing out as the only one where the optimistic ones are in the majority (Figure 23). The wood subsector stands out as not positioned to compete in the AfCFTA, with the chemicals and furniture subsectors also registering some fear of the AfCFTA.

Figure 23: Readiness for the AfCFTA by subsector



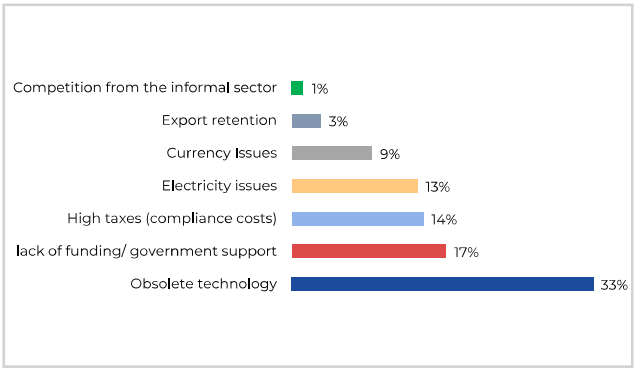
Analysis by experience shows that new entrant firms have a larger proportion (40%) of firms that believe they are adequately equipped to compete in the AfCFTA (Figure 24). The proportion of firms believing that they are not ready for the AfCFTA increases with experience, demonstrating that new entry firms might be better invested in the latest technology and are prepared to face global competition. A further assessment reflects this difference in sentiments about readiness is not significantly informed by current export abilities. On average, about 79% of those that say they are ready to compete in the AfCFTA are currently not exporting any output. Such firms could be interested mainly in importing from the AfCFTA or they are just not export oriented even though they have the capacity to export.

Figure 24: Readiness to compete in the AfCFTA by experience in Zimbabwe market



There are several reasons identified as inhibiting factors for Zimbabwe firms to adequately compete in the AfCFTA. About 85% of those that are not ready to compete attribute this to high cost of production, which compromises competitiveness. This high cost of production arises from several sources, which include high compliance costs, obsolete technology, lack of funding, currency instability and electricity costs and availability (Figure 25).

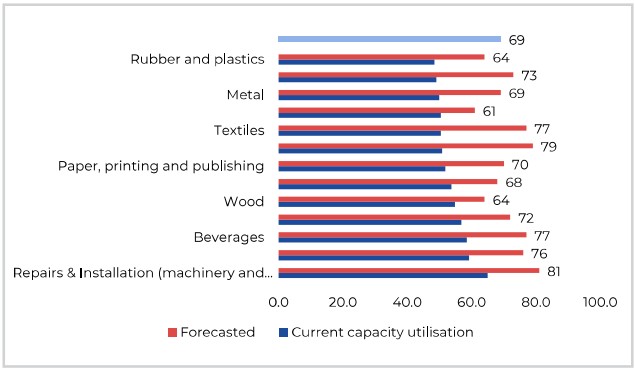
Figure 25: Major impediments to AfCFTA competitiveness



4.3 Capacity utilization forecast

Given that the manufacturing sub-sector firms are generally more optimistic about 2025, they expect that capacity utilisation will increase. On average, the manufacturing sector firms estimate that their capacity utilisation for 2025 will increase to 69% in 2025, which is about 17 percentage points increase from the current level (Figure 26). Although this is based on their expected production levels, it is highly optimistic and highly dependent on the environment being remarkably better than 2024 to be achieved. A disaggregation by subsectors show that all the subsectors expect substantial rise in their output, which would increase capacity utilisation greatly. If the current wave of stability that characterised the first quarter of 2025 is sustained throughout the year, the optimism could find merit.

Figure 26: All subsectors expect higher capacity utilization levels for 2025 (%)

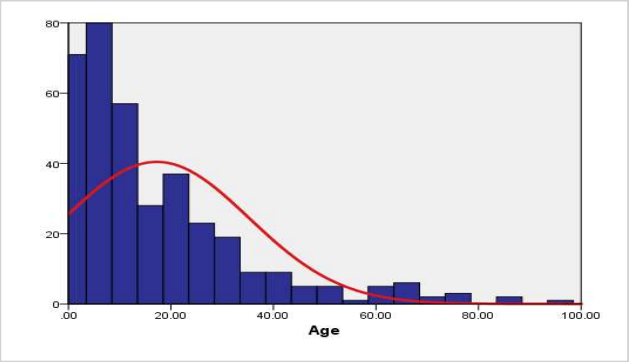


--- 5 ---
Technology upgrading and advancement

5.1 Age of current equipment

The survey results established that the manufacturing sector in Zimbabwe is characterized by firms using both new and old plants for their manufacturing processes. This could explain the different levels of output performance. However, a simple histogram plot with normal distribution curve shows that the distribution of the plant ages is negatively skewed, demonstrating that there are more new plants than old (Figure 27).

Figure 27: The distribution of manufacturing sector plants age (years)

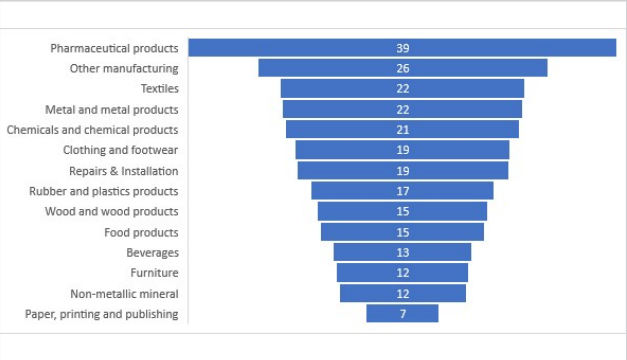


The main findings with respect to the age of manufacturing sector plants are that:

- The average age of plants in the manufacturing sector is about 17 years. This means that there have been attempts by the manufacturing sector to ensure that they upgrade their equipment.
- Close to half (49%) of the manufacturing sector commissioned plants within the past 10 years. This is also a positive development as it is expected that close to 50% of the plants are modern plants.
- About 6% of the manufacturing sector firms have plants that are more than 50 years old. This is a concern as such firms are likely to find it difficult to compete with latest technologies.

A disaggregation by subsector shows that the pharmaceutical subsector with an average age of plants of 39 years has the oldest equipment (Figure 28). The textiles and metal subsectors also have fairly old equipment. However, the printing and publishing has fairly new equipment with an average age of only 7 years.

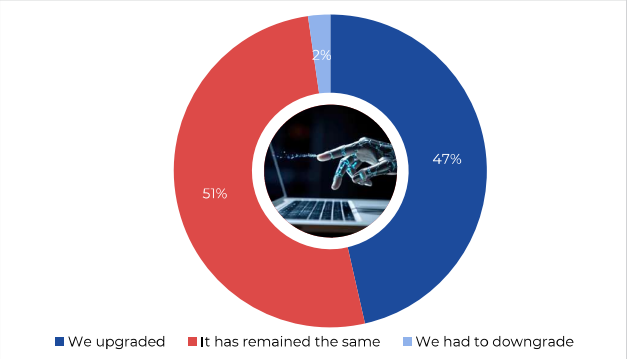
Figure 28: Pharmaceutical subsector has the highest average age of 39 years



5.2 Technology upgrading

Given that a lot of firms have old plants, the survey also sought to establish whether they had upgraded the technology in use at the firms over the past five years. The status of technology used remained the same for almost 51% firms while about 47% of the manufacturing firms upgraded their technology over the past five years (Figure 29). However, about 2% of the firms had to downgrade, which means that they reverted to the old technology.

Figure 29: Status of technology upgrading over the past five years



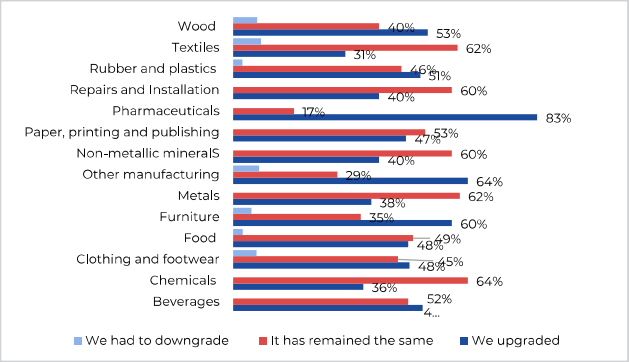
A further analysis reveals that those that have been upgrading their technology are largely those with new plants. This could be since old plants might not be compatible with the latest technologies. Those that had to downgrade use plants whose average age is 27 years, while those that upgraded use plants that are about 17 years (Table 1). Thus, technology uptake can be dependent on the age of the plants.

Table 1: Status of technology upgrade over past five years

	Average age of plants
We upgraded	16
It has remained the same	17
We had to downgrade (Returning to previous technology and discarding new one)	27

However, a look at subsector disaggregation shows that this is not always the case. Across all sectors, technology used remained the same for almost half of the firms except for the firms in the pharmaceuticals sector, where the majority (83%) upgraded (Figure 30). The pharmaceutical sector happens to be the sector with the largest average plant age. However, the textile subsector, which has the second largest average plant age, largely has not upgraded over the past five years. Technology downgrading is observed in a number of subsectors, including textiles, wood, and clothing & footwear.

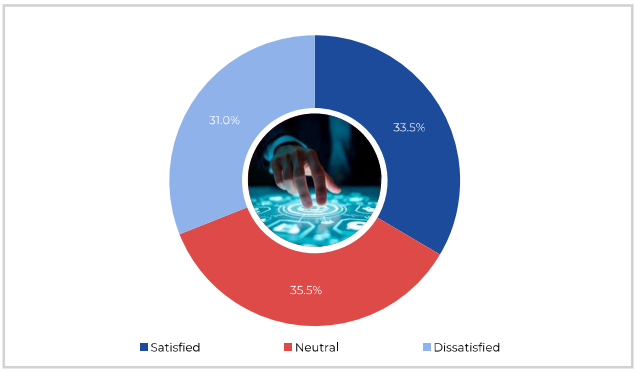
Figure 30: Technology upgrading over the past five years by subsector.



5.2 Level of satisfaction with current state of technology

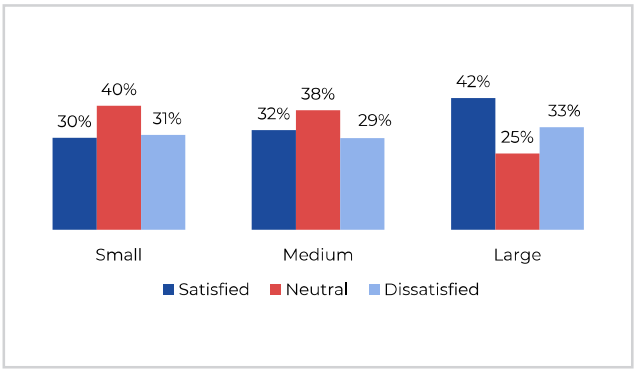
The survey also sought to assess whether the lack of technology upgrading by the manufacturing sector is due to satisfaction with the current level of technology or is due to difficulties in upgrading. Only a third of the manufacturing firms are satisfied with the type of technology, although only 31% is not satisfied and the remainder (36%) is neutral (Figure 31). This shows that the decision not to upgrade technology over the past five years is not necessarily due to concerns on capacities and capabilities as the need is not largely felt across the manufacturing sector firms.

Figure 31: Satisfaction of the manufacturing firms with their technology



The survey results show that the level of satisfaction with the technology used varies with the size of a firm. Larger firms have a higher proportion (42%) of firms that are satisfied with the level of technology followed by medium scale firms (32%) and, small scale firms (30%) (Figure 32). However, dissatisfaction with the technology in use does not follow the same pattern, as there are also more large-scale firms that are dissatisfied than small scale firms. This is largely because small scale firms and medium sized firms have a higher proportion of firms being neutral with respect to the status of technology that they use.

Figure 32: Level of satisfaction with current technology by size



Given that the level of satisfaction with technology used by manufacturing firms is very low at 34%, reasons for lack of satisfaction were explored. Some of the reasons that were cited include:

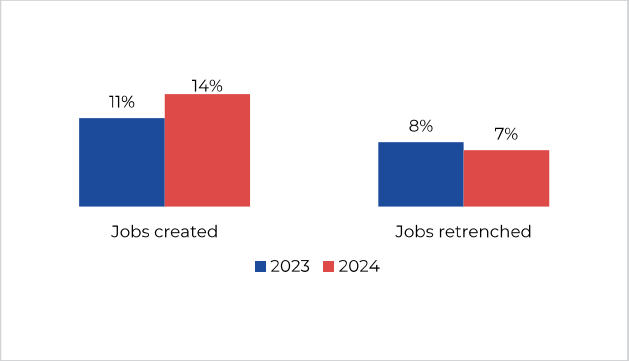
- Machinery lacking automation in processing and manual methods still being used which are slow.
- Lack of funding to upgrade since it is costly to do so.
- Lack of capacity to upgrade their technology because some of the advanced machinery need skilled labour and require large space to operate.
- The required advanced technology is high power consuming and cannot be sustained with the current high electricity charges.
- The machinery being used now being outdated and lacks compatibility with the latest technology.

--- 6 ---
Employment Creation

6.1 Job creation still visible despite the challenging business environment

In 2024, new permanent jobs created as a percentage of total employment was very significant at about 14%, which is higher than the average job retrenchment ratio of 7% (Figure 33). Despite output remaining more or less constant, employment creation ratio increased by 3 percentage points in 2024 from 11% in 2023. Retrenchment levels also marginally declined from 8% in 2023 to 7% in 2024.

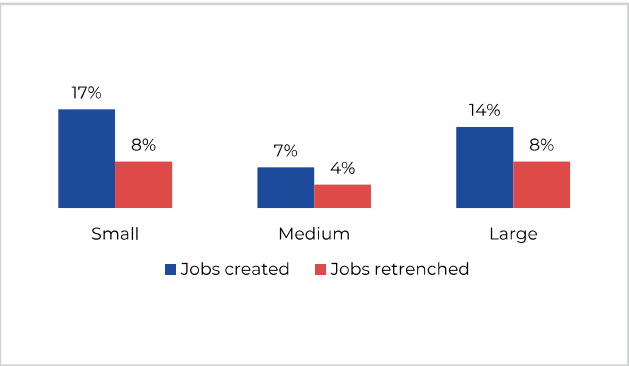
Figure 33: Job creation and retrenchment ratios, 2023 and 2024



A look at job creation by size shows that small scale firms had a higher new permanent jobs creation as a percentage of total employment at about 17%, while medium sized firms only created 7% (Figure 34). Small scale firms retrenched about 8% of total permanent employees, which is comparable to large scale firms. This means that small scale firms had the highest net job creation ratio.

Small firms seem to show a higher level of dynamism with a 17% employment creation rate and an 8% retrenchment rate. This could reflect their greater ability in responding to market conditions but also their vulnerability to fluctuations or challenges.

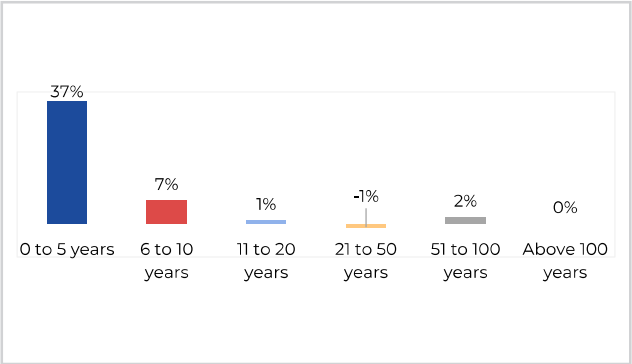
Figure 34: Job creation and retention by size



By looking at net employment by age, it is quite apparent that younger companies had a higher positive net employment compared to older firms (Figure 35). Companies aged 21 to 50 years retrenched employees more than they hired, which might be a sign the companies are struggling or are restructuring their businesses to cope with the evolving business environment.

Younger companies might exhibit higher net employment gains as they are often in growth phases. On the other hand, older firms might face challenges such as high fixed cost which could lead to higher retrenchments as they restructure to stay competitive.

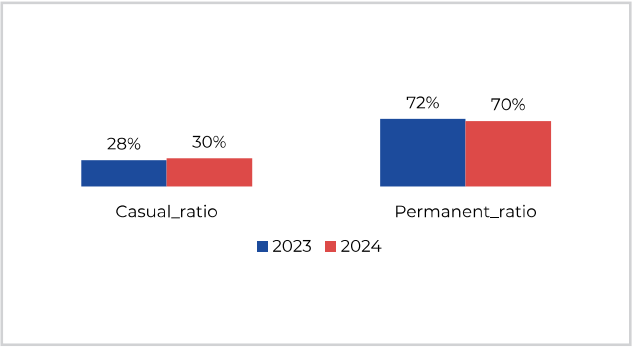
Figure 35: Net employment creation by experience



6.2 Casualization of formal employment on the rise

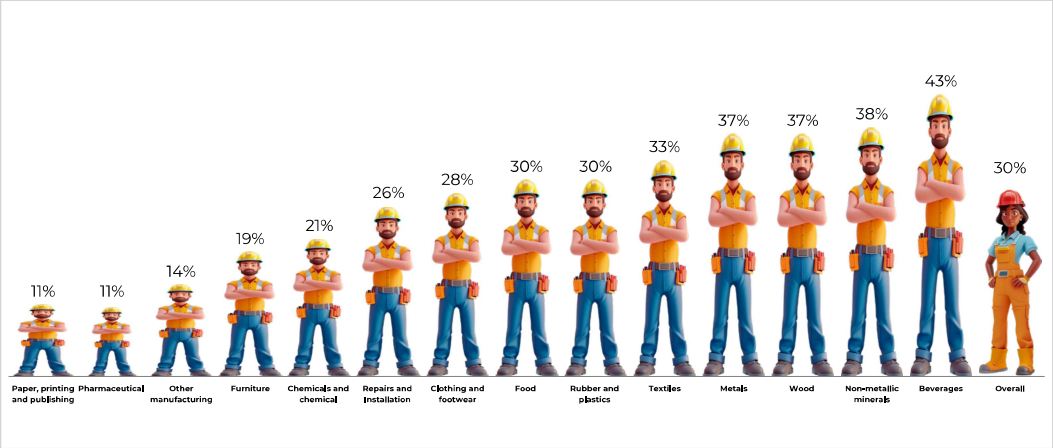
In 2023 the casualization rate was 28% and it increased to 30% in 2024 (Figure 36). A casualisation rate of 30% in 2024 indicates that, while a significant portion of workers face less job security through contract or temporary positions, the majority (70%) have the stability of permanent roles. This is still a positive indicator for overall workforce security in Zimbabwe's formal employment sector despite the increase in casualisation rate.

Figure 36: In 2024 casual workers constituted 30% of the workforce



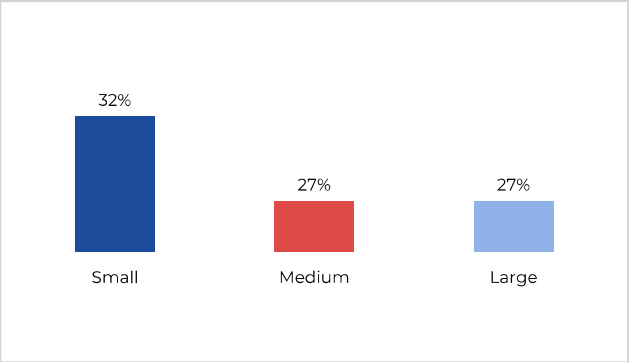
A closer look at the rate of casualisation by sector shows that the beverages sector has the highest level of workers on contract basis (43%) (Figure 37). The graph shows that level of casualisation varies with each subsector.

Figure 37: Contract workers (percentage of total employment) by sector



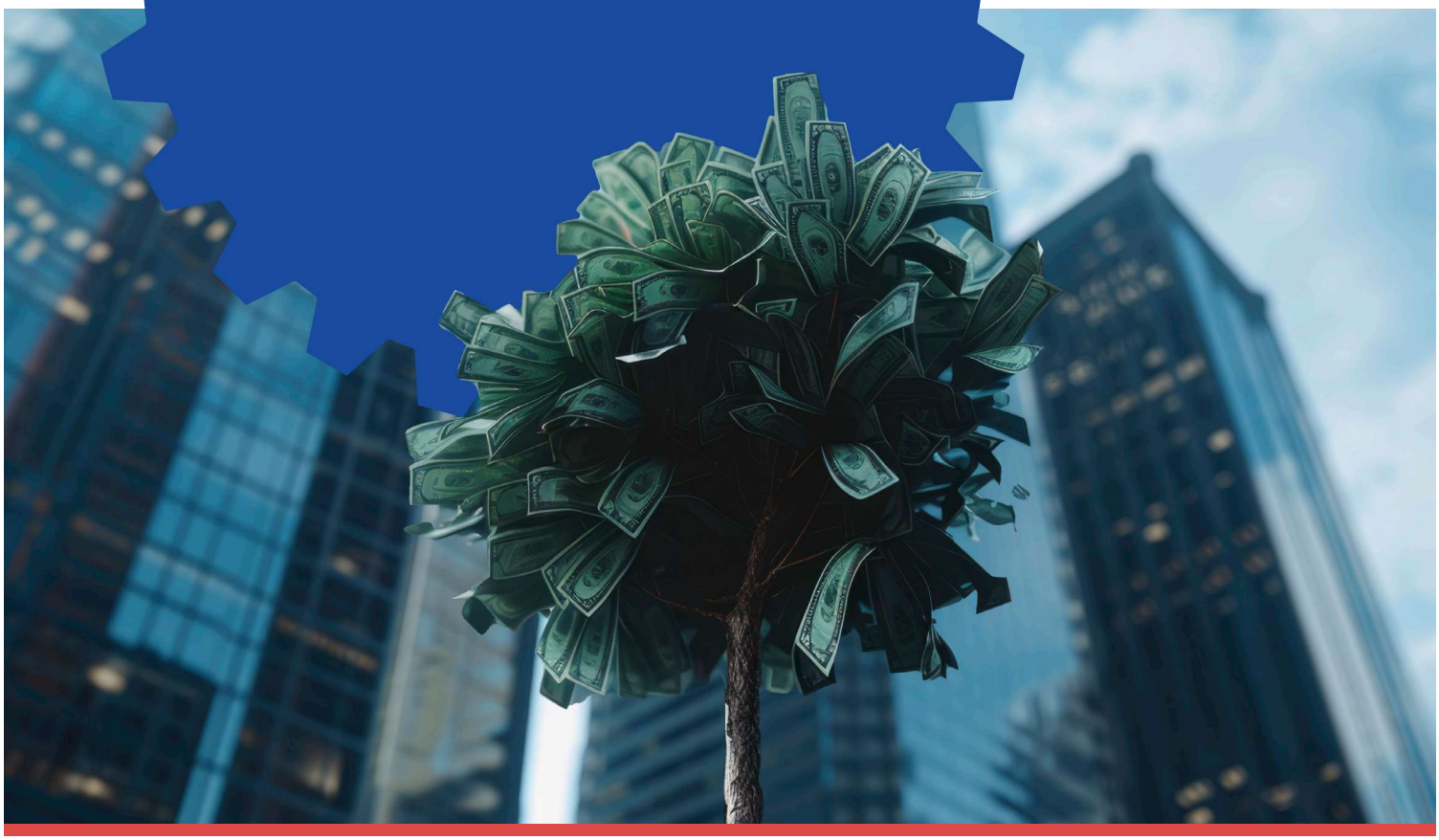
Despite coming up as the highest employment generator, a look at the rate of casualisation by size shows that the level of casualisation is more pronounced in small companies. This shows that the growth in employment for the sector, which is driven more by the small-scale players, is largely without job security (Figure 38).

Figure 38: Rate of casualization more pronounced in small companies



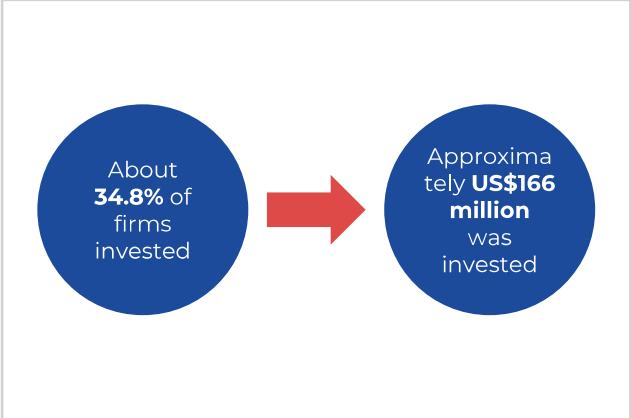
Smaller companies might lean more heavily on casual labour due to limited resources, need for flexibility in managing costs, or less predictable revenue streams. For small businesses, casualisation might offer a way to adapt quickly to changing demands without the long-term commitments associated with permanent employment.

--- 7 ---
Investment and Re-tooling



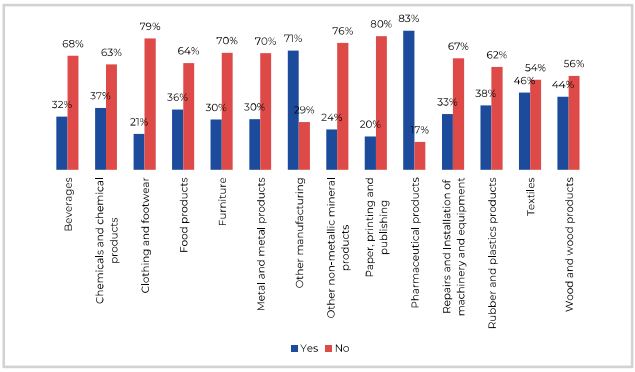
In general, about 65% of firms in the Zimbabwe manufacturing industry did not undertake new investments in 2024. However, about 34.8% of firms, investing approximately US$166 million into machinery and assets, is also significant and indicates momentum towards retooling (Figure 39). Increased USD sales likely played a major part in enabling these firms to make such investments.

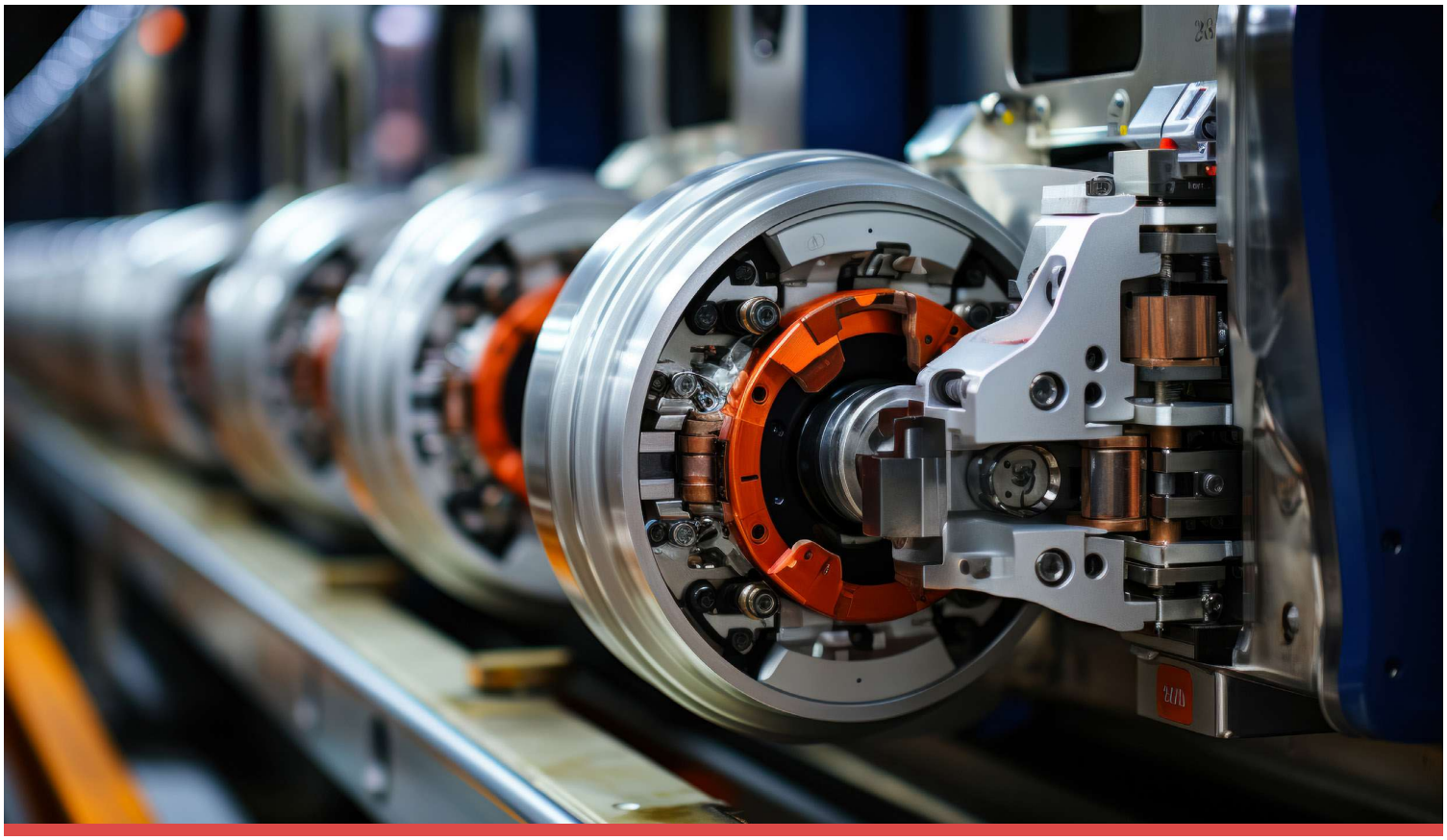
Figure 39: Significant investments were carried out in 2024



It is notable how the pharmaceutical sector led the way, with 83% of companies making new investments. This is consistent with the earlier findings where the sector led in terms of technology upgrading. However, the majority of firms in other sectors refrained from investing in the 2024 (Figure 40). This divergence could be influenced by the ability to attract USD sales in these sectors and differing levels of readiness for technological upgrades.

Figure 40: Investment decisions distribution by sector



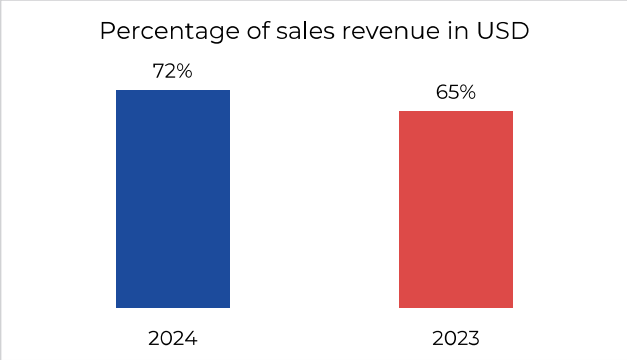


--- 8 ---
Foreign Currency Access

8.1 Percentage of sales revenue in USD

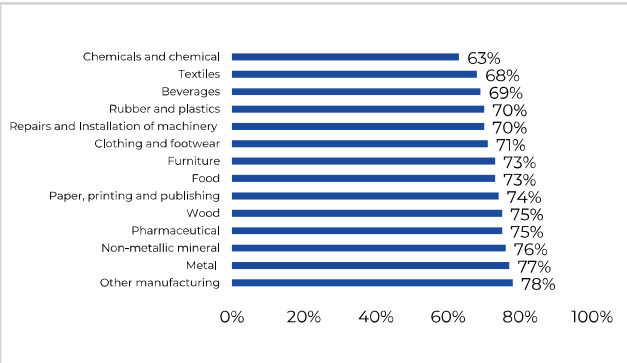
Manufacturing firms generated revenue in USD more than ZiG in 2024. USD revenue in 2024 constituted about 72% to total revenue, which was an increase from an average of 65% in 2023 (Figure 41). This indicates a growing trend of dollarisation in Zimbabwe, at a time when the policy position is that the country should be embarking on a dedollarisation journey. This means that policy incentives for dedollarisation are needed as a matter of urgency, as the natural traction appears to be a drift towards full dollarization.

Figure 41: Dollarisation of revenue increasing



A sectorial analysis highlights that chemical (63%), textiles (68%), and beverages (69%) have the lower than the average of 73%, indicating that it is fairly easier to use ZiG for these products (Figure 42). However, metals, non-metallic mineral (e.g cement) and pharmaceuticals have high dollarization levels.

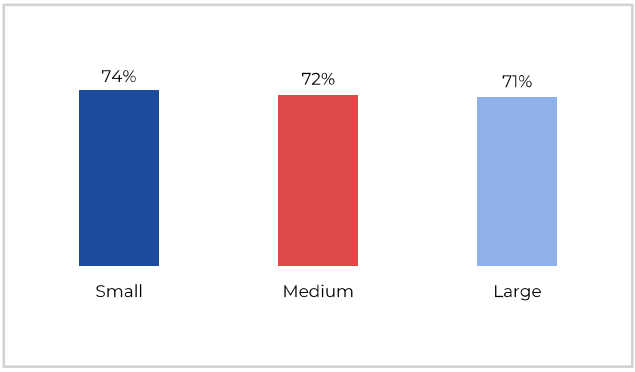
Figure 42: The percentage of sales revenue in USD by sector



Source: Survey results

A look at the distribution by size reveals that small-scale firms are more dollarized than large firms, although all the three categories are very close to the overall average (Figure 43). Small-scale manufacturing firms invoiced 74% of their sales in USD, which is only about three percentage points higher than the large firms. This shows that across all the categories the need and ability to attract USD is high, reflecting broader economic conditions and exchange rate dynamics.

Figure 43: Small scale players received more invoices in USD for the year 2024

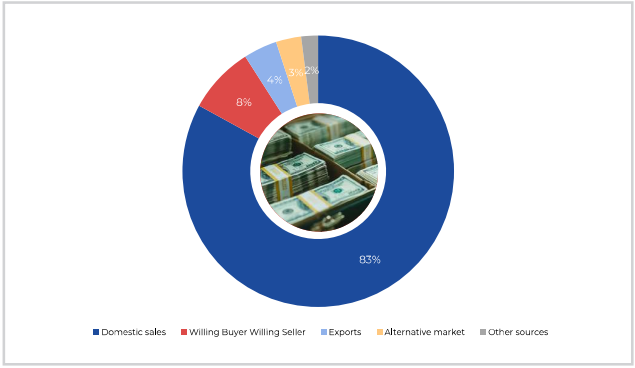


Source: Survey results

8.2 Access to foreign currency

Out of all the foreign currency that the manufacturing sector obtained in 2024, about 83% was from domestic sales (Figure 44). This was also an increase from 76% that was registered in 2023. Banks, through the willing buyer willing seller platform only accounted for 8% of manufacturing sector firms' requirements. The parallel market is still visible as a source of foreign currency for formal sector firms, although its share shrunk significantly from 7% in 2023 to only about 3% in 2024. This also shows that relative to 2023, parallel market activities were low, which can be attributed to both the more stringent measures as well as tighter monetary policy in 2024 than 2023. Exports, which ideally should be a major forex earner, contributed only 5%. This underlines that exporting remains an activity for only a few in the manufacturing sector. Reluctance to export can both be a response to the exchange rate distortions as well as lack of competitiveness in the global market.

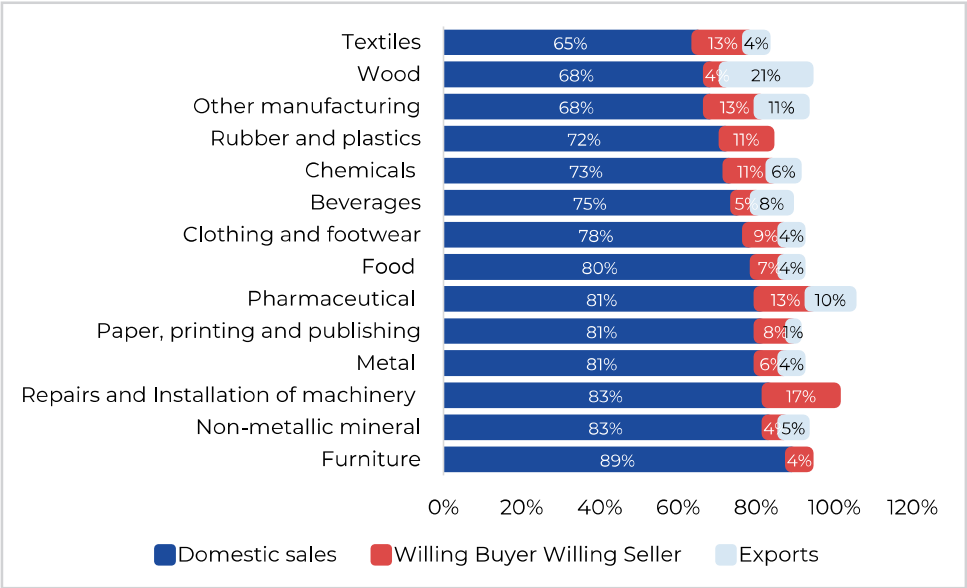
Figure 44: Domestic sales account for about 83% of all foreign currency used in 2024



Source: Survey results

The reliance on local sales for foreign currency is apparent across all the manufacturing subsectors. The furniture (89%), non-metallic mineral products (83%) and repairs and installation of machinery (83%) subsectors stand out in terms of reliance on local sales for foreign currency (Figure 45). The wood subsector leads in terms of reliance on exports by sourcing about 21% of foreign currency from exports.

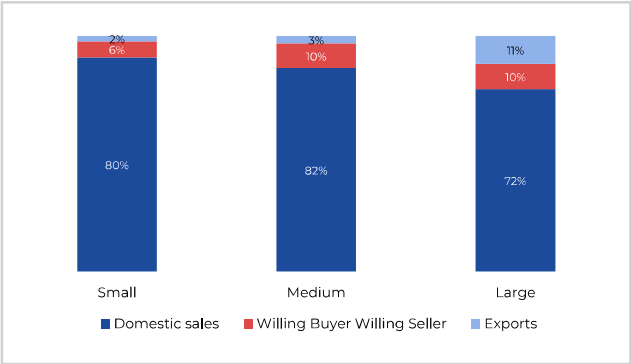
Figure 45: Foreign currency sources by subsector



Source: Survey results

A distribution by size shows that there is a variation between large and small-scale firms in terms of sources of foreign currency. While exports are negligible to account for only 2% as foreign currency, they are quite a significant source for large firms at 11% (Figure 46).

Figure 46: Foreign currency sources by size



Source: Survey results

The distribution by province shows that geographical location plays a role in the source of foreign currency dependence. Foreign currency from domestic sales were highest in Bulawayo (85%), Midlands, and Masvingo (83%), while Mashonaland Central recorded the lowest at 53% (Figure 47). Reliance on the banking platform is highest in the Mashonaland Central province at 30%. Reliance on exports is highest in Manicaland, where 24% of foreign currency is from exports.

Figure 47: Foreign currency sources by location (province)

Source: Survey results

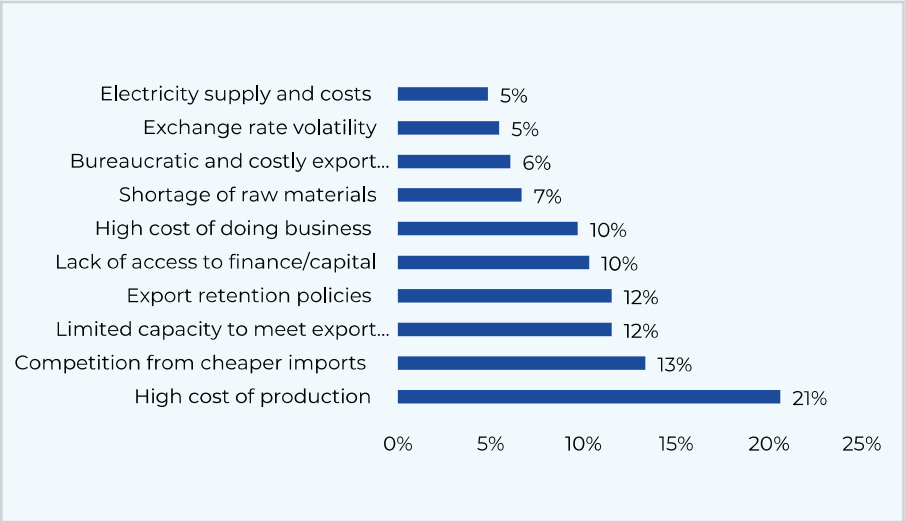
--- 9 ---
Export Orientation and Reasons

Production decisions by the manufacturing sector are largely influenced by local market demand conditions, as demonstrated by very low percentages of foreign currency from exports. Only about 5% of all the output from the manufacturing sector is destined for the export market.

The survey identifies several critical barriers that impact competitiveness of the manufacturing sector in the global markets. The barrier that was mentioned mostly by respondents include the high cost of production (21%), driven by factors such as expensive electricity, costly raw materials, outdated machinery, and high labour costs. Additionally, businesses face intense competition from cheaper imports, limiting the appeal of local products this was mentioned about 13% of the times. Limited capacity to meet export demand (12%) and the strict export retention policies (12%), which force businesses to convert a portion of their earnings into local currency at controlled rates, were also among the top 10 reasons that were mentioned frequently. (Figure 48).

These challenges are rooted in a complex mix of structural, financial, and regulatory constraints. Zimbabwean businesses struggle with access to finance, as limited capital hampers their ability to scale production and meet both local and export demands. The retention policy on export proceeds worsens liquidity, while the volatility of exchange rates and excessive government regulation destabilize the macroeconomic environment, making businesses less competitive against imports. Moreover, lengthy bureaucratic processes, high licensing fees, and stringent export permit requirements, which vary by sector, create additional hurdles for businesses. These factors collectively hinder Zimbabwean firms from competing in international markets, where cheaper and more efficient alternatives from other countries dominate.

Figure 48: The top 10 most mentioned challenges by firms as barriers to export



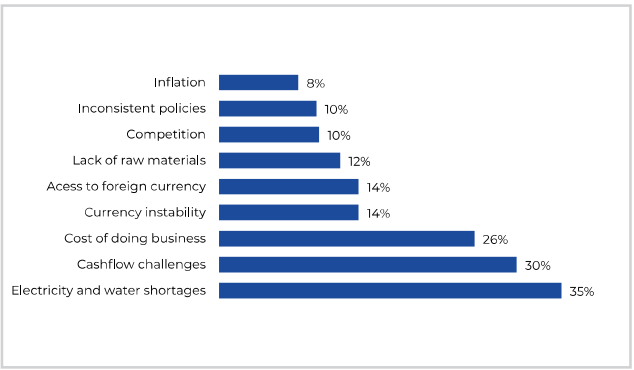
--- 10 ---
Regulatory Environment

10.1 Regulatory pain points

The survey results generally reflect that the manufacturing sector firms need to adopt survival strategies to this complex business environment characterised by high inflation, exchange rate volatility and highly regulated. Business highlighted some of the 2024 pain points that prevented them from realising their full potential. The most cited pain point by the manufacturing sector firms (35% of the firms) is electricity shortages and charges which disturbed the production processes and increased cost of production from alternative sources (Figure 49). About 30% of the manufacturing firms were also affected by cashflow and working capital challenges, which hamstrung their ability to restock and retool.

Compliance with regulatory requirements also stood out as a major constraint to business competitiveness, with about a quarter (26%) identifying this as a constraint. Currency instability (14%), access to foreign currency (14%), inconsistent policies (10%), and inflation (8%) were also mentioned as factors that hindered manufacturing firms to realise their potential in 2024.

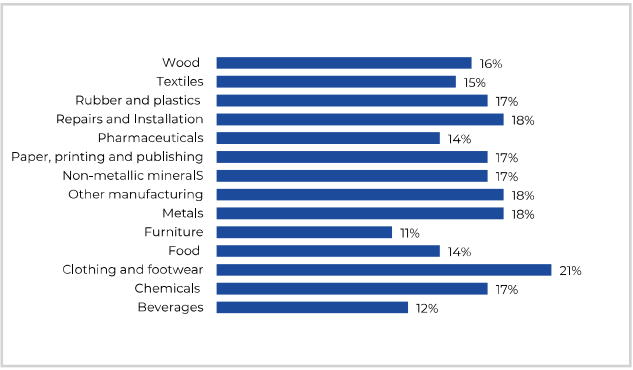
Figure 49: Main pain points for manufacturing firms in 2024



10.2 Cost of compliance

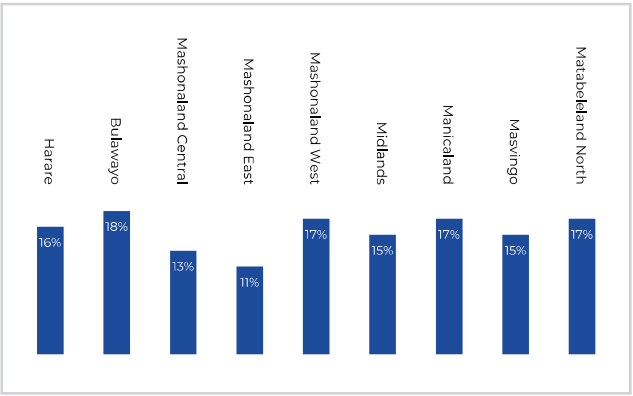
On average, compliance costs as a percentage of total overheads were about 16% in 2024, taking a slight knock from 18% recorded in 2023. The decrease can be attributed to reduction in fines and penalties as firms sought ways to avoid some of the regulatory costs. A sectorial distribution of the firms shows that furniture (11%) and beverages (12%) sectors have the least cost of compliance as compared to other sectors. The clothing and footwear sector is the highest burdened sector with an average compliance cost of 21% as a percentage of total overheads (Figure 50).

Figure 50: Cost of compliance (percentage of total overheads) by subsector



A disaggregation by location shows that manufacturing firms in Bulawayo provinces have the highest compliance cost (18%) as a percentage of total overheads while Mashonaland West (11%) and Mashonaland Central (13%) have the least cost of compliance (Figure 51).

Figure 51: Cost of compliance by the manufacturing sector by location



In addition to the high cost of compliance, the manufacturing firms also cited some challenges with the business environment which affect their operations. The Forest Commission permit of US$ 100 per truck for players in the timber industry was mentioned as a concern, together with high local authority charges and the Agriculture Marketing Authority (AMA) Livestock Levy, which was argued as an unnecessary duplication. Further, the policy on emissions caused by generators and fines by EMA especially on generators has negatively affected business as these are measures put in place to augment for power shortages. The continuous additional requirements on short notice by ZIMRA for fiscal machines is an added cost to businesses. Due dates for PAYE and VAT are also set too close affecting working capital.

The proliferation of informal businesses that are not tax compliant has negatively resulted in a significant decline on demand. This has created an uneven regulatory playing field between formal and informal businesses.

--- 11 ---
Conclusion: Key policy priorities for the manufacturing sector

The 2024 Manufacturing sector survey generally shows that the manufacturing sector did not improve in 2024 compared to 2023, as reflected by the key economic indicators. However, there are some signs of resilience with some firm specific copying mechanisms being apparent. By looking at capacity utilization trends, the manufacturing sector has almost reached a plateau in terms of performance over the past three years. This could indicate that this current position is the best that the sector can reach under the current operating environment. The upward momentum that had been registered since 2019 has fizzled out, and if nothing is done, the risk of going back to the low levels of about a decade ago becomes higher. This means that the manufacturing sector has basically done the best that it can and is not expected to recover on its own unless some interventions are done at policy level.

Key hindrances to improved performance have basically remained the same over the past five years. These include:

- Limited access to utilities accompanied by high charges.
- High costs of regulation.
- Old plants and equipment.
- Lack of access to finance to retool.
- Macroeconomic instability (exchange rate and inflation).
- Limited foreign currency availability.
- Unpredictable policy environment.

These factors reduce competitiveness, resulting in underutilized manufacturing capacity. Underutilized capacity in turn makes it difficult for the firms to produce at minimum costs due to absence of economies of scale, further compromising competitiveness. The year 2025 looks promising in that macroeconomic instability appears to be under control. With the need to reduce to cost of regulation being a policy priority, it is hoped that an improvement in manufacturing sector performance could be registered in 2025 if policies are developed fast enough to address these perennial challenges.