

## Key tendencies 2012-2022

**Firm performance:** Since 2017, there has been a considerable increase in firms suffering losses: over 50% of medium-sized firms experienced losses in 2022 compared to 30% in 2017. This was especially pronounced in Gaza and Maputo Provinces, and in particular for tailors and brick-makers. Food processors and carpenters stand out as exceptions with steady increase of both value added and gross profits in each reported year since 2015. Small firms are doing best, while medium and micro firms are struggling.

**Impact of COVID-19:** The drop in demand and the prevention measures implemented during the COVID-19 pandemic (e.g. lockdowns) had an undeniable negative impact on the manufacturing sector in Mozambique. The most common effects among all enterprises were the loss of clients and a smaller income, followed by dismissal of workers and the lack of payment to workers. Business closure was most common among textile (18.8%) and metal sectors (16.7%).

**Firm exit:** The average annual exit rate between 2012 and 2022 was 6.7%, which is significantly lower than in many other countries. This can be seen as a sign of resilience, but also as weak competition and lack of outside options. Maputo and Nampula Provinces show the highest exit rates (38% and 26%, respectively).

**Firm size:** The firms have shrunk in size over the past 10 years. In 2012, 66% of the interviewed firms were of micro size and this share had increased to 75% by 2022.

**Formality vs informality:** On average, Mozambican manufacturing firms have become more informal during the past 10 years. Even though there are now fewer firms that are fully informal, there are also fewer firms that fulfil all formality criteria. Evidence points to a lack of benefits from full formalisation.

**Administrative burden:** While the administrative burden for firms has reduced in terms of a decline in the number of inspections, the time spent in administrative tasks has not changed and has in fact increased for micro firms. A worrying trend has been the increase of the payment of direct and indirect bribes.

**Characteristics of firm owners and managers:** The level of education by owners and managers of manufacturing firms has increased in relation to 2012, as well as the levels of

risk propensity and of trust. This is because firm owners and managers with lower educational, risk propensity and trust levels were substituted by firm owners with higher educational, risk propensity and trust levels. The share of women among firm owners and managers has stagnated.

**Female-led businesses:** Medium-sized firms that are led by women have better performance than those led by men. This does not apply to smaller firms. Women who own or manage medium-sized enterprises have higher educational levels than their male counterparts, pointing to the possibility of the level of education being a factor for better performance.

**Workforce:** Over 2,500 jobs were lost during the period of 10 years. Salaries have stagnated, with some exceptions in the chemicals, mineral and metal industries, and the share of firms paying (at least) the minimum wage has reduced.

**Access to finance:** There is increasing demand for external finance among micro, small and medium-sized manufacturing firms in Mozambique, but 68% of the firms applying for finance have trouble in obtaining credit, a share which is among the highest in the African continent.

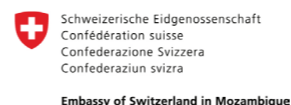
**Interfirm linkages:** Inter-firm linkages have become stronger, including across province borders. Exporting remains however more the exception than the norm.



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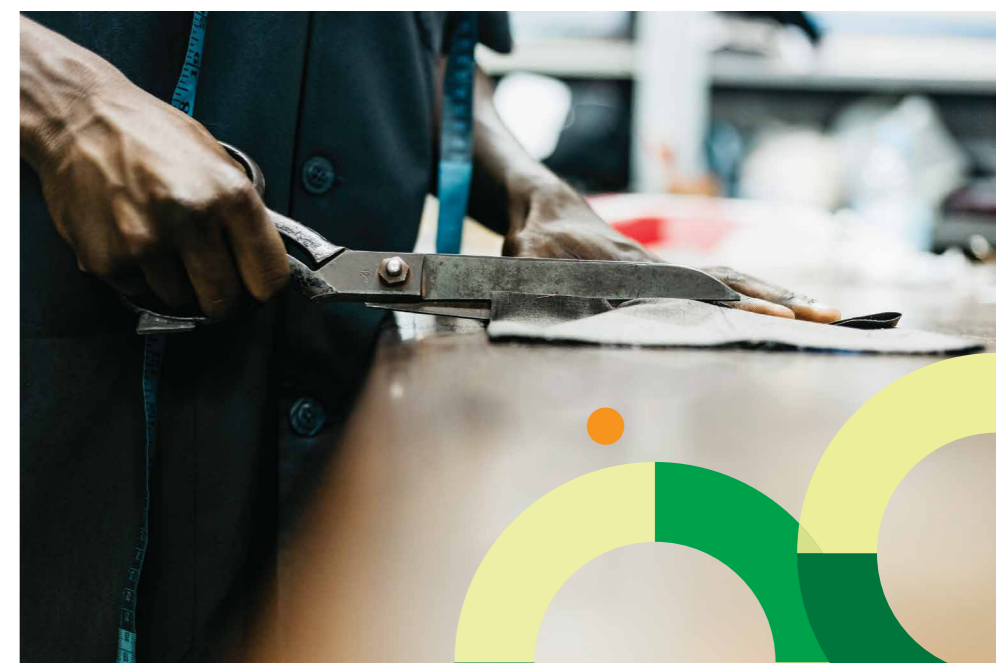


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# FACT SHEET

## Manufacturing firms in Mozambique

### Highlights from the 2022 Survey of Mozambican Manufacturing Firms



## Manufacturing sector - key for economic growth and structural change

A well-functioning manufacturing sector has the potential to transform an economy by generating high-quality and poverty-reducing employment, fuelling growth through enhanced productivity and innovation, and improving the opportunities for trade in the globally interconnected economy.

## Survey of Mozambican Manufacturing Firms 2022 (IIM 2022)

The IIM survey has been implemented three times: in 2012, 2017 and 2022. The main objective is to examine the development of micro, small and medium-sized enterprises (MSMEs) of the manufacturing sector over time. A key finding of the survey is that manufacturing MSMEs in Mozambique are surviving – but not thriving.

## About the IIM sample

The IIM 2022 was carried out in the main urban areas of seven provinces, covering those with the highest industrial activity: Maputo City, Maputo Province, Gaza, Sofala, Manica, Tete, and Nampula.

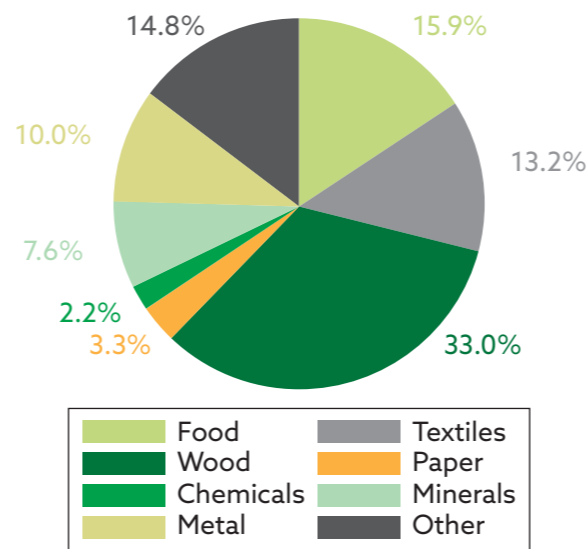
The formal firms to be interviewed were selected using a random sampling strategy using Mozambique's official enterprise census (CEMPRE) and the informal firms through an on-site identification strategy.

Out of 831 firms interviewed in 2012, 355 firms were found to be still in operation in 2022. Focusing on these firms, the survey provides a unique overview of the dynamics of the sector over time. An additional 120 firms were interviewed in the 2022 survey round to provide insights from newly established firms.

## Sub-sectors

The firms interviewed concentrate around a few basic industries, such as wood and furniture (carpenters; 33%), food-processing (mills and bakeries; 15.9%), textiles (tailors; 13.2%), metal (black smiths; 10%), and minerals (brick makers; 7.6%). Only very few enterprises carry out advanced technical manufacturing processes.

The structure of the manufacturing sector has not changed over time.



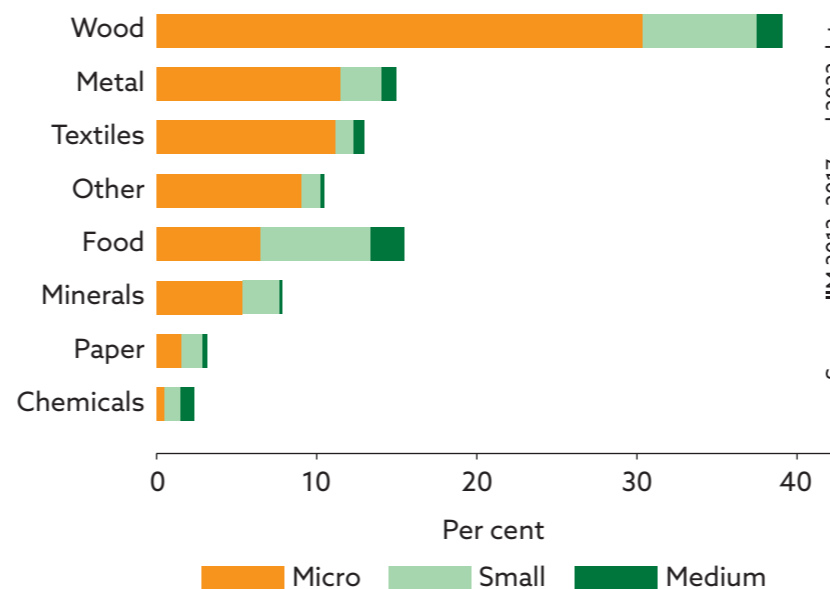
Source: IIM 2012, 2017 and 2022 data

Figure 1: Firm distribution by sector

## Firm size

Most of the firms interviewed are tiny: 75% of them are micro enterprises (<10 employees), slightly more than 20% are small (10-50 employees), and only around 5% are medium-sized (51-300 employees). Small and medium firms are concentrated in the Maputo Province and Maputo City (15% small, 6% medium). In most other provinces, less than 5% of the firms are small and fewer than 2% are medium-sized.

In terms of sub-sectors, food-processors have a relatively high share of small firms (48%) and in the chemicals sector, a majority of firms are small or medium-sized (25% and 37%, respectively).



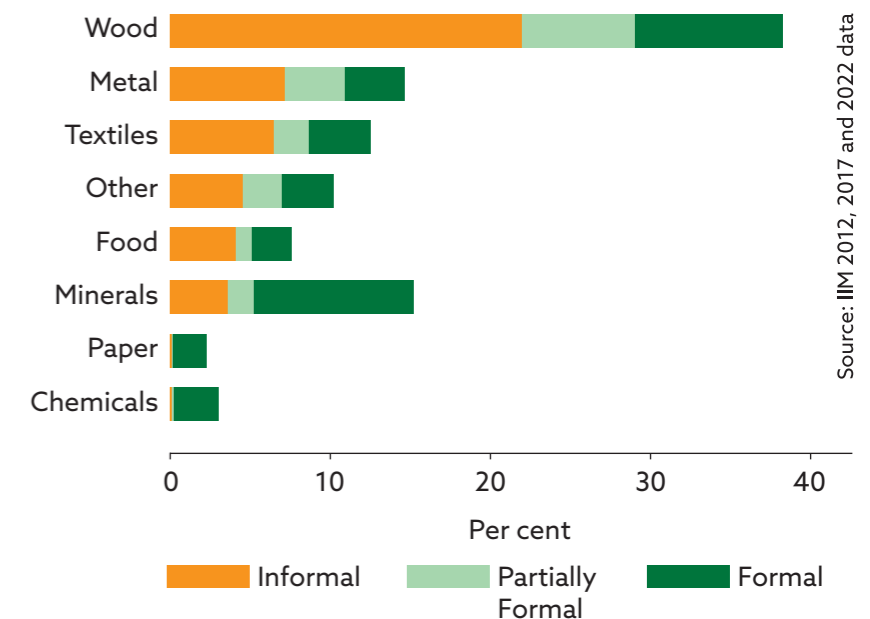
Source: IIM 2012, 2017 and 2022 data

Figure 2: Sector distribution by enterprise size

## Formalization

In Mozambique, firm formality can be described as a continuum spanning from full formality (registration with multiple government authorities) to full informality (no registration), with various levels of semi-formality in between. To simplify, the IIM survey uses three formality levels: informality (i), semi-formality (ii) and full formality (iii).

Chemicals and paper industries are the most formalized industries with over 90% of the firms being partially or fully formal. Food-processors follow with the percentage being 75%. In contrast, carpenters and tailors are the most informal sectors with over 50% of them being fully informal.



Source: IIM 2012, 2017 and 2022 data

Figure 3: Formality by sector

