

The Egyptian Center for Economic Studies



Business Barometer

July 2010

Issue No. 25

Performance and Expectations of the Egyptian Business Sector

The Egyptian Center for Economic Studies (ECES) is an independent, nonprofit research institute. It was founded by leading members of Egypt's private sector in 1992. The objective of the Center is to promote economic development in Egypt by assisting policy makers in developing appropriate policy reforms based on international experience. In pursuit of this objective, ECES conducts applied policy research and disseminates its findings through a select series of publications, lectures, conferences, and roundtable discussions.

For more information, please contact:

The Egyptian Center for Economic Studies
Nile City Towers, North Tower, 8th floor
Corniche El Nil, Cairo 11221, Egypt
Tel.: (20-2) 2461-9037-44 Fax: (20-2) 2461-9045
E-mail: eces@eces.org.eg
URL: www.eces.org.eg

ECES Board of Directors

Taher Samir Helmy, ECES Chairman, *Founding Partner, Helmy, Hamza & Partners (Baker & McKenzie International)*

Omar Mohanna, ECES Vice Chairman, *Chairman Suez Cement Group*

Hazem Hassan, ECES Secretary General, *Chairman, KPMG Hazem Hassan Management Consultants*

Mounir Abdel Nour, ECES Treasurer, *Chairman, Hero Nutritional Food Industries*

Galal El Zorba, *Chairman, Nile Holding Co.*

Moataz El-Alfi, *Chairman, Americana Group, Egypt*

Mohamed F. Khamis, *Chairman, Oriental Weavers Group*

Raed H. Yehia, *CEO, MAC Carpets*

Shafik Boghdady, *Chairman, Fresh Food Co.*

ECES Members

Abdel Aziz Hegazy, *Egypt's Former Prime Minister and Honorary Member*

Abdel Salam El Anwar, *Chairman & CEO, HSBC, Egypt*

Ahmed Bahgat, *Chairman, Bahgat Group*

Ahmed El Maghraby, *Minister of Housing, Utilities and Urban Development, Egypt*

Ahmed Ezz, *Chairman, Ezz Industries Group*

Alaa Arafa, *Chairman & CEO, Arafa Holding Company*

Aladdin Saba, *Chairman, Belton Financial Holding Co.*

Ayman Laz, *Chairman & Managing Director, ASKA Financial Consultants*

Gamal Mubarak, *Director, Bullion Company Limited*

Hamza El Kholy, *Chairman & CEO, First Arabian Development & Investment Co.*

Hassan Abdallah, *Vice Chairman & Managing Director, Arab African International Bank*

Hassan El-Khatib, *Managing Director, Carlyle Group*

Hesham Mekki, *President, BP Egypt*

Ibrahim El Moallem, *Chairman, Dar El Shourouk for Publishing and Printing*

Khaled Abu Bakr, *Managing Director, Arab Company for Energy (Taq)*

Mohamed El Erian, *Managing Director, Pacific Investment Management Company*

Mohamed L. Mansour, *Chairman, Mantrac & Mansour Motor Group, Egypt*

Mohamed Samir Abdel Razek, *Vice President, Near East Proctor & Gamble*

Mohamed Shafik Gabr, *Chairman & Managing Director, Artoc Group for Investment and Development*

Mohamed Taymour, *Chairman, Pharos Holding Co. for Financial Investments*

Nassef Sawiris, *CEO, Orascom Construction Industries*

Rachid Mohamed Rachid, *Minister of Trade and Industry, Egypt*

Yaseen Mansour, *President and CEO, El Mansour & El Maghraby for Investment & Development*

Yasser El Mallawany, *Chairman & CEO, EFG-Hermes Holding SAE*

ECES Management

Magda Kandil, *Executive Director and Director of Research*
Omneia Helmy, *Deputy Director of Research and Lead Economist*
Magda Awadallah, *Deputy Director for Finance and Administration*

Business Barometer

July 2010

Issue No. 25

**A Publication of
The Egyptian Center for Economic Studies**

About the Business Barometer

In an attempt to provide timely information about the state of economic activity in Egypt, ECES published the first issue of the Industrial Barometer in 1998. The periodical reported the results of a biannual survey of 165 firms fully drawn from the industrial sector. However, to improve the depth of the report, the survey was expanded in the July 2000 issue to include 35 firms from the construction sector. This step converted the former Industrial Barometer into today's Business Barometer. The survey was further expanded in the July 2002 issue to include 10 firms from the tourism sector. In July 2006, the survey was expanded again to include a total of 320 firms (from 210). In July 2007, another 154 firms were added to the sample. These firms cover the transportation, communications and financial sectors. The new sample includes a total of 474 firms. In addition, a few questions were added to the survey questionnaire regarding the geographic distribution of exports, employment categories, prices of different inputs and types of investments. Starting the January 2009 edition, the Business Barometer includes two indices designed to summarize firms' evaluation and expectations for several successive periods. For detailed information about the sample, questionnaire and calculating the BB indices, visit the ECES website (www.eces.org.eg).

This edition of the Business Barometer reports the results of a stratified sample of 474 public and private firms. The survey covers their assessment of economic growth and the results of their operations in terms of production, sales, inventories, capacity utilization, prices, wages, employment and investments over the first six months of 2010. It also summarizes their expectations for overall future economic performance as well as their own activities for the second half of 2010.

The interpretations and comments expressed in this survey are those of the ECES team, and do not necessarily reflect those of the ECES Board of Directors.

ECES Business Barometer Team

Magda Kandil, Executive Director and Director of Research

Tarek El-Ghamrawy, Economist

Ziad Amer, Research Analyst

Editorial:

Yasser Selim, Managing Editor

Fatima Ali, Translator/Editor

Survey conducted by:

Market Research & Development

M MARKET RESEARCH & DEVELOPMENT
MARKETEERS

Layout & Production:

GLOW

Overview

This edition of the *Business Barometer* (BB) reflects the views of 474 large firms regarding the overall performance of the economy and their own activities during the first half of 2010 (past performance), and their outlook for the second half of 2010 (future expectations). The surveyed firms cover manufacturing, construction, tourism, transportation, communications and financial intermediation.

Firms' views regarding the past six months were somewhat cautious due to persistent fears that the Greek crisis could escalate into a large-scale European crisis. This could well affect firm perceptions in Egypt due to strong trade relations with Europe; Italy and the UK are two major trading partners of Egypt, accounting for 14.8 and 5.5 percent of total Egyptian exports to the world, respectively. Also, the Greek crisis came at a time when the world recovery from the financial crisis was still in its early stages, increasing doubts concerning the pace and magnitude of the recovery.

According to the IMF, the world GDP growth rate for 2010 is projected to reach 4.6 percent compared to a contraction of 0.6 percent for 2009 and smaller growth of 3 percent for 2008. Egypt's real GDP growth in the third quarter of fiscal year (FY) 2009/10 registered 5.8 percent, much higher than the corresponding quarter of FY 2008/09 (4.3 percent) and also higher than the rates achieved in the last two quarters (4.6 percent and 5 percent, respectively), suggesting that firms' perceptions regarding economic growth may be too conservative. Average inflation continued to decline from 13.3 percent during the period January-March 2009 to 12.6 percent in the corresponding period of 2010.¹ The balance of payments registered \$0.5 billion in the third quarter of FY 2009/10 (January-march 2010) compared to \$0.6 billion in the previous quarter (October-December 2009), remaining in surplus after a deficit of \$1 billion in the third quarter of FY 2008/09 (January-March 2009). Yet the \$0.5 billion surplus in the third quarter of FY 2009/10 represents a significant decrease relative to the \$2 billion surplus in the first quarter (July-September 2009). This decrease can be attributed to a significant decline in the financial account (\$974 million) between the two quarters in line with an increase in capital outflows.

Table 1 (below) shows that the recovery is underway, yet with some persistent obstacles. Comparing the current account data for the third quarter of FY 2009/10 with the corresponding third quarter of FY 2008/09 reveals that non-petroleum exports increased by 11 percent, Suez Canal receipts by 15

percent, service receipts by 12.6 percent, service payments by 10.8 percent and non-petroleum imports by 18.8 percent. Comparing the third quarter in 2009/2010 with the average of the previous two quarters will lead to similar conclusions, with the exception of total service receipts and Suez Canal receipts, which actually decreased by 10.8 and 2.4 percent respectively—an observation consistent with the current Barometer findings that the service sectors (namely, tourism, communications and financial intermediation) were more negatively affected than the other sectors. Notwithstanding the significant increase (Y-o-Y) in energy—petroleum—prices in Q3 2009/10, energy exports declined (Y-o-Y) by 21 percent, reflecting a large decline in the volume of energy exports. Similarly, the decline in energy exports persisted despite a moderate increase in energy prices in Q3 2009/10 compared to average prices in the first and second quarters of 2009/10. Consistently, the current account seemed to be highly volatile over time, ranging between a deficit of \$1.5 billion in Q1 2009/2010, a surplus of \$197 million in Q2 and a deficit of \$1.3 billion in Q3. Similarly, financial flows were highly volatile at the macro and micro levels.²

Reflecting uncertainty about economic activity and outlook, firms' responses were mixed with regard to their own activities. While a large number of firms reported higher exports, input prices and wages, product prices and investment, a similar number of firms reported lower production, domestic sales and economic growth. Employment remained relatively stable in most firms.

Respondents' expectations for the upcoming six months slightly decreased relative to the previous survey, but they are still higher than the past performance. Among the eleven variables the Barometer measures, relatively more firms expected decreased economic growth, production and domestic sales for the remainder of the year.

At the sectoral level, construction firms expected the most positive results compared to other sectors, though the net balance of respondents about employment in this sector was negative.³ As mentioned earlier, the service sectors were the most affected by the financial or the Greek crises. The decline in the Business Barometer indices (Figure 1) is consistent with the above macroeconomic findings that the recovery is facing multiple obstacles.

The remainder of this edition of the *Business Barometer* presents the results of the estimated Business Barometer

¹ Data obtained from the Ministry of Finance.

² Data obtained from the Ministry of Finance.

³ Net balance represents the percentage of respondents indicating "higher" minus the percentage of respondents indicating "lower".

Table 1. The Current Account: Tracing the Recovery in Figures

Item	Q3 2008/2009 (Million \$)	Q1 2009/2010 (Million \$)	Q2 2009/2010 (Million \$)	Average Q1 & Q2 (Million \$)	Q3 2009/2010 (Million \$)	Y-o-Y growth rate* (percent)	Q-o-Q growth rate** (percent)
Petroleum exports	2607	2427	2559	2493	2063	-20.87	-17.25
Non-petroleum exports	3051	2963	3567	3265	3387	11.01	3.74
Petroleum imports	-1269	-1393	-803	-1098	-1067	-15.92	-2.82
Non-petroleum imports	-9255	-11238	-10012	-10625	-10991	18.76	3.44
Services receipts	4860	6272	5998	6135	5472	12.59	-10.81
Suez Canal	960	1107	1155	1131	1104	15.00	-2.39
Services payments	2702	2970	3016	2993	2994	10.81	0.03
Petroleum price***	40	65.5	70.6	68.1	72.4	81.0	6.3

Sources: The Ministry of Finance, *financial monthly*, June 2010; US Energy Information Administration.

* Y-o-Y: The growth rate between Q3 2009/2010 and Q3 2008/2009.

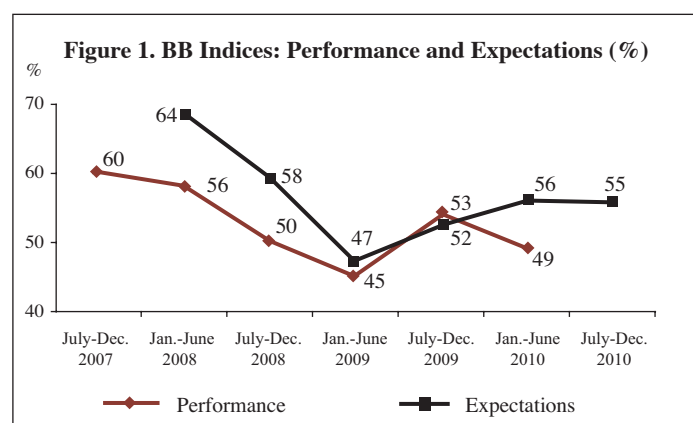
** Q-o-Q: The growth rate between Q3 2009/2010 and average of Q1 and Q2 2009/2010.

*** Quarterly average of weekly data for Egypt Suez blend spot price FOB (dollars per barrel).

indices and elaborates on the main findings of the survey under four main headings: the level of economic activity (overall growth, production, sales, inventory and capacity utilization); prices and wages; investment and employment; and finally the constraints facing the surveyed firms.

The Business Barometer Indices

Based on firms' responses, the Business Barometer indices (BBI) were computed using the principal component analysis method. Figure 1 portrays the two indices, one reflecting past performance while the other presenting expectations, for multiple consecutive periods.

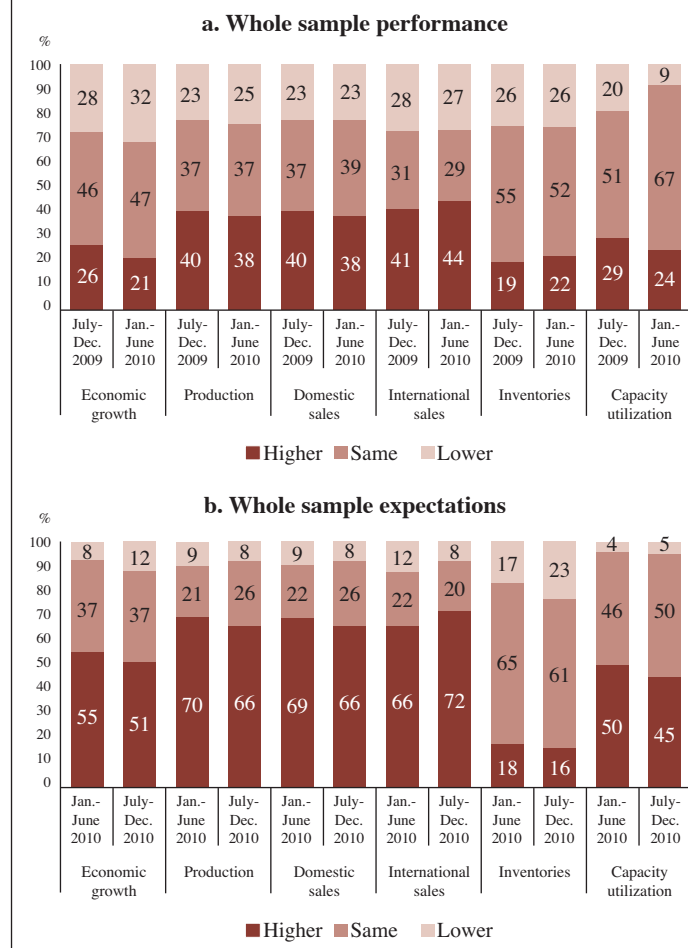


Source: Authors' calculations based on survey results.

As shown in Figure 1, the performance index has decreased compared to the previous period, reflecting firms' less positive experience with economic growth and own economic activity. The expectations index has also slightly decreased, albeit still higher than the performance index, reflecting a better outlook for the economy.

The Level of Economic Activity

Figure 2. Level of Economic Activity (Whole Sample Performance and Expectations)



Source: Survey results.⁴

⁴ Survey results are summarized in Tables 2 and 3.

Figure 2a compares firms' performance as reflected in economic activity variables between July-December 2009 and January-June 2010. It shows that the percentages of firms reporting increases, decreases or steady levels of economic activity variables are generally similar between the two periods. A slight decline is noted in these variables compared to the previous period,⁵ with the exception of international sales, which witnessed a slight improvement. Figure 2b portrays a similar expectation pattern between January-June 2010 and July-December 2010, where expectations have slightly declined for all variables with the exception of international sales and inventories.

Lower economic growth with lower expectations

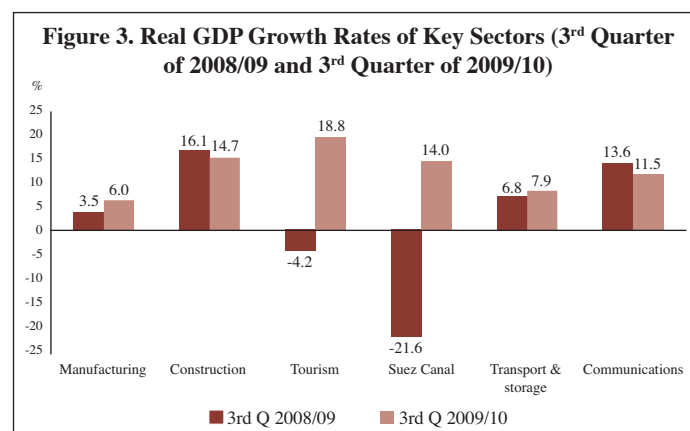
During the first six months of 2010, fewer firms reported more positive perceptions about economic growth compared to the last six months of 2009 (21 percent versus 26 percent of firms), while more firms perceived lower growth (32 percent versus 28 percent of firms). However, firms' perceptions about economic growth during January-June 2010 do not appear to be in line with actual real GDP growth rates for the period January-March 2010.⁶ Real GDP growth actually rose to 5.8 percent in the period January-March 2010 compared to an average of 4.8 percent in the period July-December 2009.⁷ Perceptions are less positive as the general sentiment in the previous survey that the global crisis has ended was curtailed by the Greek crisis and the fear of possible contagion risk.

Although firms' expectations are usually more positive than past performance (Figures 2a and 2b), growth expectations for the upcoming six months are slightly lower compared to the past six months (Figure 2b). In fact, 51 percent (12 percent) of the surveyed firms anticipate higher (lower) economic growth during the second half of 2010 compared to 55 percent (8 percent) for the first half.

At the sectoral level, communications, finance and tourism firms expressed relatively negative perceptions about overall economic growth, while construction and manufacturing firms were more positive (Table 3). However, compared to previous Barometer's sectoral results, the decline in growth perceptions is evident in manufacturing, construction and tourism, meaning that these sectors are the source of the decline in aggregate perceptions shown in Figure 2a. For the upcoming six months, firms' outlook for economic growth

is the most optimistic in construction, communications and manufacturing. Yet again, relative to the previous survey, deterioration in the growth outlook occurred in manufacturing, tourism, transportation and finance.

According to the Ministry of State for Economic Development (MOED) sectoral results—published only for the third quarter of FY 2009/2010—the negative growth registered in tourism and Suez Canal in the 3rd quarter of FY 2008/09 has turned into high positive growth in the 3rd quarter of 2009/10. Manufacturing and transport have witnessed increased growth, contrary to construction and communications, which reported lower growth (Figure 3).



Source: The Ministry of State for Economic Development.

Slightly lower production, domestic sales and capacity utilization, with similar expectations

Production and domestic sales showed slight declines and similar patterns in both performance and future expectations. With respect to performance, the percentage of firms reporting increases declined by 2 percent between the second half of 2009 and the first half of 2010. Expectations witnessed a similar trend, as firms reporting increases in these two variables decreased by 3-4 percent. As indicated in Table 3, the percentage of firms reporting decreased production and domestic sales was more pronounced in communications, transport and finance, which is consistent with their perceptions about economic growth. To the contrary, construction recorded a large positive net balance in those two variables. However, sectoral results indicate a decline in construction, communications and tourism with respect to the previous survey, showing that these sectors are a primary source of the decline at the aggregate level. However, expectations for production and domestic sales were the most optimistic in construction and manufacturing and the least optimistic in communications and tourism. Relative to the previous survey, expectations for these two variables

⁵Note that the increase in inventory is a negative sign.

⁶The latest quarter for which official growth rate data are available is January-March 2010.

⁷Data obtained from the Ministry of State for Economic Development (www.mop.gov.eg) 3rd quarter 2009-10 follow-up report.

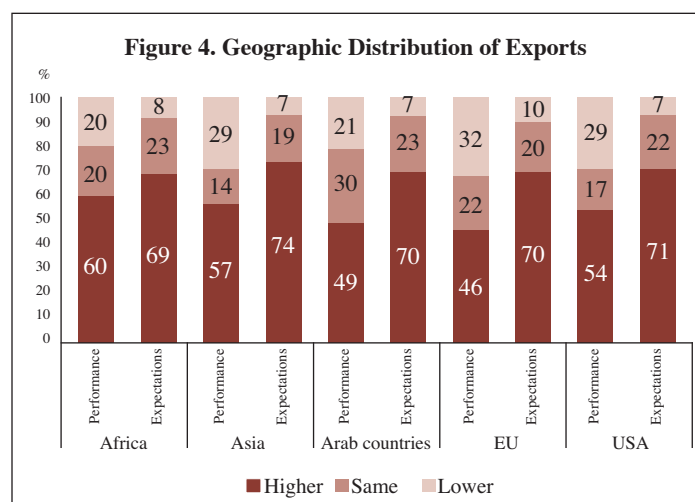
declined in manufacturing, construction, communications and financial intermediation.

Although with a different pattern, capacity utilization also showed a decline during January-June 2010 compared to July-December 2009 (Figure 2a), especially in the transportation sector. Similarly, fewer firms expected an increase in capacity utilization during July-December 2010.

Higher exports and increased inventories with mixed expectations

Unlike the previous variables, exports showed some improvement according to firms' reported performance and future expectations, especially in industries such as food, textiles and heavy industries (not shown in figure). At the sectoral level, exports improved in all sectors except tourism, with improved expectations for all sectors.

Figure 4 shows the geographic distribution of exports. The largest increases during the first half of 2010 were in Africa and Asia. Expectations are most positive for Asia, which still represents an underexploited opportunity for Egyptian exports. Large improvements in exports to the EU and the US are also expected.

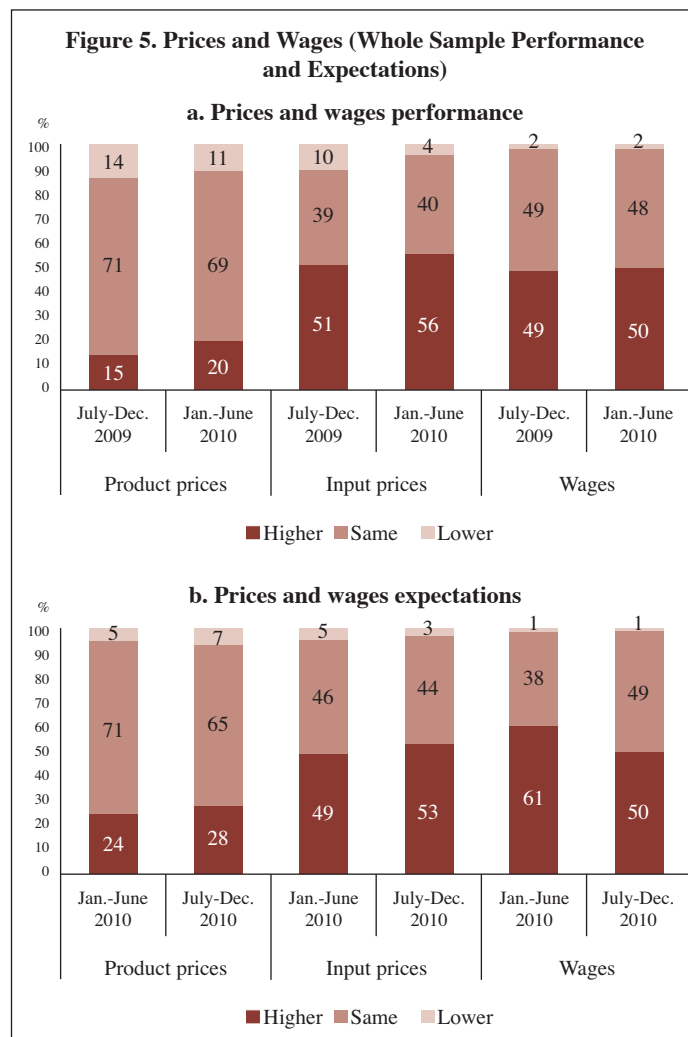


Source: Survey results.

Regarding inventories, the percentage of firms reporting an increase rose by 3 percentage points during the first half of 2010 (Figure 2a), reflecting the decrease in domestic sales, which perhaps was not offset by the increase in exports. Expectations for inventories are positive as more firms expect a pickup in sales and fewer firms expect a drop in sales (Figure 2b). At the sectoral level, the inventories' net balance was negative in manufacturing and construction (i.e., more firms reported a decrease than an increase in inventories). Other firms in the service sector do not usually provide data about inventories. In the manufacturing sector, many industries

registered negative inventory balances, such as textiles, paper, transportation equipment, metal industries and fertilizers.

Prices and Wages



Source: Survey results.

Higher product prices and similar expectations

As shown in Figure 5a, the upward trend in prices has persisted, with considerably more firms (from 15 to 20 percent) reporting higher prices relative to the previous period, while the percentage of firms reporting lower prices has decreased slightly (from 14 to 11 percent) confirming the tendency towards price increases. Such implications appear inconsistent with the latest inflationary trends during the first half of 2010. In fact, year-over-year monthly inflation decreased from 13.6 percent in January to 12.7 percent in February, then to 12.2 percent in March and 10.6 percent in May.⁸ Across all sectors, the percentage of firms reporting

⁸Data obtained from the Central Bank of Egypt (www.cbe.org.eg).

higher output prices went up relative to the previous survey, except in tourism where that percentage has decreased. Also the financial sector was slightly aligned towards a stable-to-decrease in prices for the first half of 2010 and the forthcoming six months. It is likely that fragile demand and uncertainty about the outlook contained inflationary pressures.

With respect to the coming six months, although the majority of firms expect prices to remain predominantly stable, there has been an increase in the percentage of firms expecting higher prices (Figure 5b). At the sectoral level, the majority of firms still expected stable prices. However, compared with the previous survey, there has been an increase in the percentage of firms expecting higher output prices over the next six months in each of the tourism, transportation, and communication sectors, reflecting a better demand outlook. The only exception is in the financial intermediation sector where firms expect lower prices for the remainder of 2010, which can be explained by lingering concerns of protracted spillover of the general global slowdown in this sector. More stable prices are expected in the construction sector.

Higher input prices, with similar expectations

Although the percentage of firms reporting stable prices increased slightly, more than half of the surveyed firms reported an increase in input prices during January-June 2010, with even fewer firms reporting a decrease therein relative to the previous period (from 10 to 4 percent) (Figure 5a). This represents a continuation of the trend observed in the previous survey. Similar results apply for expectations, albeit with the percentage of firms reporting stable prices decreasing from 46 to 44 (Figure 5b). The outlook remains similar to what firms expected in the previous survey.

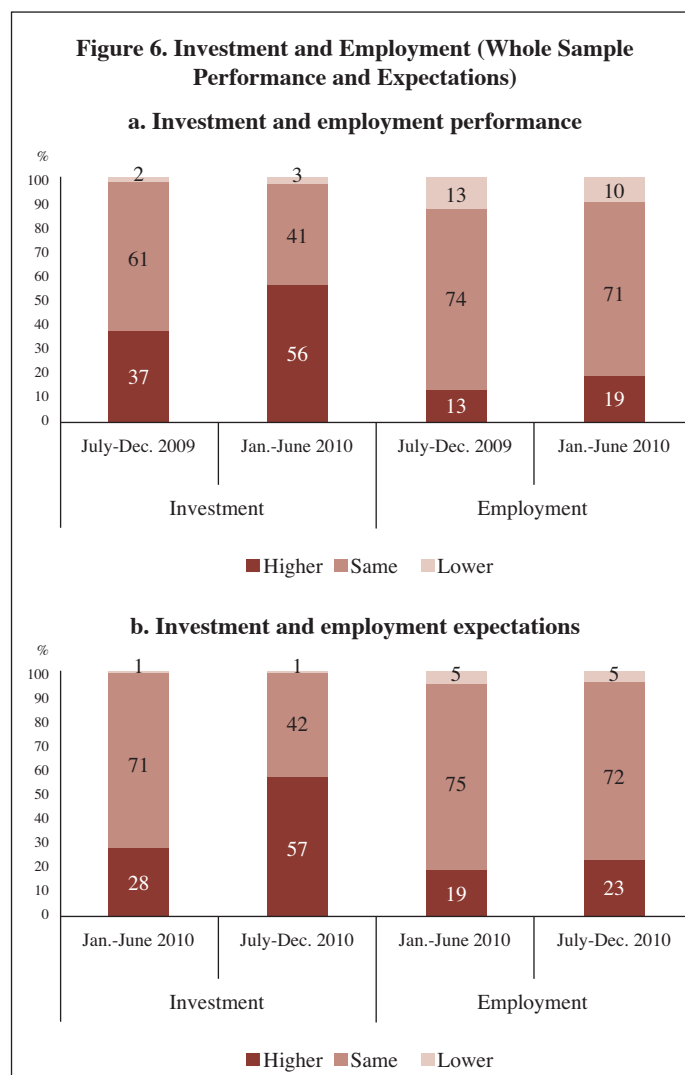
Compared to the previous period, more firms in the communications and construction sectors reported an increase in intermediate input prices with a similar increase in expectations. Generally, firms in the transportation sector are more aligned towards more stable prices as judged by performance and forward expectations. All firms in the financial sector reported lower input prices, compared to 80 percent reporting higher prices in the previous period.

Higher wages with similar expectations

Fifty percent of firms reported a wage increase, with a similar percentage expecting a wage increase in the upcoming six months. Relative to the previous period, fewer firms in the construction, tourism and communications sectors reported paying higher wages over the first half of 2010 with expectations of more stable wages in the second half. More

firms in the manufacturing and transportation sectors reported higher wages over the same period with expectations of stable wages in the remainder of 2010. Again, the financial sector was more inclined towards a stable-to-lower wages, reflecting more uncertainty about the sustainability of the recovery.

Investment and Employment



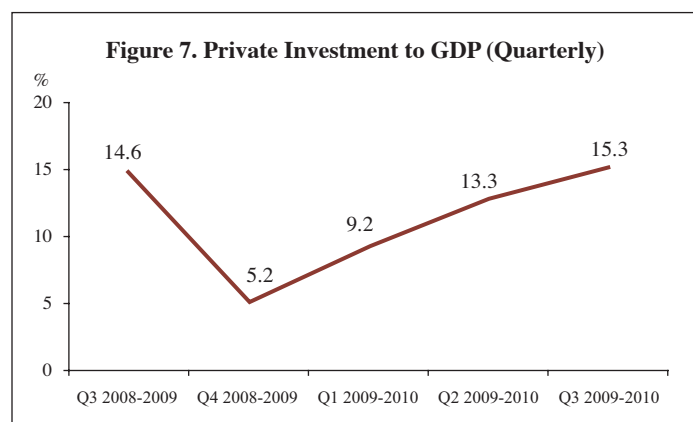
Source: Survey results.

Higher investment and stable employment, with similar expectations

Contrary to the previous period, the percentage of firms reporting an increase in investment rose considerably. As shown in Figure 6a, the share increased from 37 percent in July-December 2009 to 56 percent in January-June 2010, a sign of stronger recovery from the global financial crisis.

With regard to types of investment, firms reported that the largest investment was in machinery and equipment compared to investment in construction and buildings. The

increase in investment reported by firms during the first half of 2010 is in line with the increase in private investment reported by the Ministry of State for Economic Development in the third quarter of FY 2009/10 (Figure 7). After the decline in the percentage of private domestic investments to GDP to a trough of 5.2 percent at end of June 2009, it rebounded gradually to 9.2 by the end of September 2009, then to 13.3 percent by the end of December 2009 and 15.3 percent at end of March 2010.



Source: The Ministry of State for Economic Development.

At the sectoral level, the smallest percentage of firms reporting higher investment came from the tourism sector. The majority of firms in all other sectors also reported higher investment. Regarding expectations, 50 percent or more of firms in almost all sectors—except tourism—anticipate higher levels of investment, which is consistent with the upward trend in investment. As for the tourism sector, expectations for the second half are more favorable than those for the first half of 2010 with 44 percent expecting higher investment, which reinforces the stronger outlook for the remainder of the year.

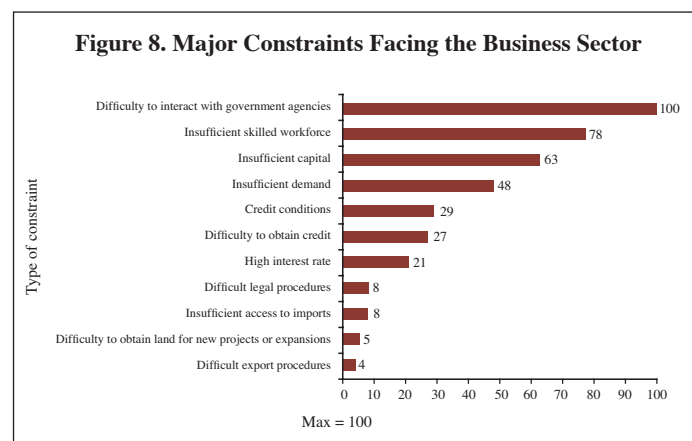
Regarding employment, more firms reported a steady increase therein—yet at a small pace—during January–June 2010 compared to the previous survey. A similar increase in expectations for the period of July–December 2010 was reported. Employment results at the sectoral level are homogeneous and consistent with the whole sample results (Table 3). The net balances of transportation, manufacturing and communications firms have bounced back from negative figures in the previous survey to 0, 6 and 10 percent respectively, reflecting early signs of recovery in their production and sales. Only the construction sector reported a decrease in the net balance of employment, contrary to previous expectations of increasing employment in this sector, reflecting a weak recovery in demand. All sectors expect stable-to-higher employment during the coming six months (Table 3), which bodes well for the prospects of reducing the unemployment rate.

Labor is disaggregated into administrative and technical workforce. Each type includes permanent and temporary workforce. Results for all these types are in line with the aggregate results shown in Figure 6, with the exception of temporary employment, where the percentage of firms reporting increases went up from 7.6 to 22.4 percent for administrative jobs, and from 19.4 to 25.4 percent for technical jobs. In addition, the number of firms reporting a decrease in temporary employment went up from 6.7 to 12.2 for administrative jobs with a similar trend in technical jobs. The increase in temporary employment came at the expense of a reduction in the number of firms reporting unchanged temporary employment.

Business Constraints

Major constraints: difficulty to interact with government agencies, insufficient skilled workforce, insufficient capital and weak demand

Figure 8 illustrates the constraints considered by firms as major factors adversely affecting their performance, ranked according to an index reflecting their degree of severity. In the current survey, the main obstacles in order of priority include: difficulty to interact with government agencies, insufficient skilled labor, insufficient capital and insufficient demand. The order of the constraints shown in the figure is mostly similar to that in the previous survey, except for the ‘difficulty to interact with government agencies’, which moved to the top of the constraints, reflecting growing discontent with bureaucracy. When firms are asked about the key skills that remain short in the labor market, they cited ‘skilled technical labor’ as the most needed skill. Clearly, education, privatization and structural reforms should be geared towards addressing these constraints going forward.



Source: Survey results.

Table 2. Survey Results: Summary of Whole Sample Performance (July-December 2007 to January-June 2010)¹ (%)

Indicator	July - December 2007			January - June 2008			July - December 2008			January - June 2009			July-December 2009			January-June 2010				
	Higher	Same	Lower	Higher	Same	Lower	Higher	Same	Lower	Higher	Same	Lower	Higher	Same	Lower	Higher	Same	Lower		
Economic growth	48	29	23	25	2	2	16	34	50	-34	13	32	55	-42	26	46	28	-2		
Business activity																				
Production	62	21	17	45	56	28	16	40	39	26	35	4	27	26	47	-19	40	37	23	17
Domestic sales	60	23	18	42	56	28	16	40	38	26	36	2	27	27	46	-20	40	37	23	17
International sales	64	18	18	46	57	26	17	40	34	26	40	-6	26	21	53	-28	41	31	28	13
Inventory	24	44	32	-8	23	58	19	4	29	51	20	9	25	49	26	-1	19	55	26	-7
Level of capacity utilization ³	51	40	9	42	42	46	12	30	33	45	22	11	27	40	33	-6	29	51	20	9
Prices																				
Final product prices	49	44	7	42	56	41	3	53	37	47	16	21	11	56	33	-23	15	71	14	1
Intermediate input prices	92	6	2	90	98	2	0	98	69	16	15	54	39	35	26	13	51	39	10	41
Wage level	63	35	2	61	82	18	0	82	61	36	3	58	43	52	5	38	49	49	2	47
Primary inputs																				
Investment	51	47	2	49	60	37	3	57	60	38	2	58	77	21	2	75	37	61	2	35
Employment	34	52	14	20	33	55	12	21	25	58	17	8	13	61	26	-12	13	74	13	0

Table 3. Survey Results: Summary of Whole Sample Expectations (January-June 2008 to July-December 2010)¹ (%)

Indicator	January - June 2008			July - December 2008			January - June 2009			July-December 2009			January-June 2010			July-December 2010				
	Higher	Same	Lower	Higher	Same	Lower	Higher	Same	Lower	Higher	Same	Lower	Higher	Same	Lower	Higher	Same	Lower		
Economic growth	54	34	12	42	26	55	19	7	17	38	45	-28	41	41	18	23	55	37	8	47
Business activity																				
Production	75	16	9	66	68	19	13	55	41	21	38	3	60	25	15	44	70	21	9	61
Domestic sales	73	18	9	64	66	22	12	54	42	22	36	6	59	25	16	43	69	22	9	60
International sales	75	17	8	67	71	19	10	61	39	19	42	-3	57	28	15	42	66	22	12	54
Inventory	20	50	30	-10	14	60	26	-12	18	61	21	-3	10	65	25	-14	18	65	17	1
Level of capacity utilization ³	68	28	4	64	37	56	7	30	31	53	16	15	42	51	7	34	50	46	4	46
Prices																				
Final product prices	62	34	4	58	68	30	2	66	20	55	25	-5	18	70	12	6	24	71	5	19
Intermediate input prices	88	10	2	86	94	6	0	94	29	40	31	-2	26	64	10	16	49	46	5	44
Wage level	68	32	0	68	67	33	0	67	45	50	5	40	51	47	2	50	61	38	1	60
Primary inputs																				
Investment	53	45	2	51	40	57	3	37	38	57	5	33	27	69	4	24	28	71	1	27
Employment	31	63	6	25	22	70	8	14	19	67	14	5	19	70	11	7	19	76	5	14

¹ Numbers represent percent of total responses. Higher, same and lower may not add up to 100 due to rounding.

² 'Net balance' represents the percentage of respondents indicating "higher" minus the percentage of respondents indicating "lower".

³ Higher = approaching full capacity; Same = normal capacity utilization; Lower = below capacity utilization.

Table 4. Survey Results: Summary of Business Sector's Performance and Expectations¹ (January-June 2010 to July-December 2010) (%)

Indicator	Manufacturing Sector						Construction Sector						Tourism Sector												
	Performance		Expectations		Performance		Expectations		Performance		Expectations		Performance		Expectations										
	Higher	Lower	Same	Net Balance ²	Higher	Lower	Same	Net Balance ²	Higher	Lower	Same	Net Balance ²	Higher	Lower	Same	Net Balance ²									
Economic growth	24	48	28	-4	52	39	9	43	27	57	16	11	70	27	4	66	14	47	40	-26	37	37	26	11	
Business activity																									
Production	42	37	21	21	69	26	5	64	46	45	9	37	75	21	4	71	35	33	30	5	60	23	16	44	
Domestic sales	40	39	20	20	68	27	5	63	46	45	9	37	75	21	4	71	40	30	30	10	61	19	19	42	
International sales	43	34	22	21	76	20	4	72	100	0	0	18	100	0	0	100	38	24	38	0	58	22	19	39	
Inventory	22	51	27	-5	16	61	22	-6	11	67	22	-11	20	50	30	-10	0	100	0	0	0	0	0	0	0
Level of capacity utilization ³	22	68	10	12	44	51	5	39	67	33	0	67	67	33	0	67	0	0	0	0	0	0	0	0	0
Prices																									
Final product prices	24	64	12	12	30	64	6	24	20	79	2	18	29	71	0	29	23	58	19	4	40	60	0	40	
Intermediate input prices	60	35	5	55	47	50	3	44	48	50	2	46	59	39	2	57	65	35	0	65	76	24	0	76	
Wage level	57	42	1	56	52	46	1	51	39	61	0	39	70	30	0	70	44	53	2	42	47	53	0	47	
Primary inputs																									
Investment	61	37	1	60	58	42	1	57	62	36	2	60	69	31	0	69	30	70	0	30	44	56	0	44	
Employment	16	73	10	6	19	77	4	15	13	82	5	8	18	82	0	18	26	65	9	17	23	72	5	18	
Indicator	Transportation						Communications						Financial Intermediaries												
	Performance		Expectations		Performance		Expectations		Performance		Expectations		Performance		Expectations										
	Higher	Lower	Same	Net Balance ²	Higher	Lower	Same	Net Balance ²	Higher	Lower	Same	Net Balance ²	Higher	Lower	Same	Net Balance ²									
Economic growth	16	48	36	-20	45	41	14	31	7	55	38	-31	62	31	7	55	22	29	49	-27	42	42	17	25	
Business activity																									
Production	32	34	34	-2	64	25	11	53	24	45	31	-7	48	38	14	34	34	31	35	-1	65	22	14	51	
Domestic sales	28	42	30	-2	63	23	14	49	24	45	31	-7	48	38	14	34	34	31	35	-1	65	22	14	51	
International sales	55	9	36	19	68	24	8	60	0	100	0	0	100	0	0	100	40	20	40	0	50	25	25	25	
Inventory	0	100	0	0	0	100	0	0	100	0	0	100	0	100	0	0	100	0	0	100	0	0	0	0	0
Level of capacity utilization ³	33	67	0	33	0	100	0	0	0	0	0	0	0	0	0	0	0	100	0	0	0	0	0	0	0
Prices																									
Final product prices	23	71	5	18	30	61	9	21	14	72	14	0	17	72	10	7	6	75	18	-12	12	71	17	-5	
Intermediate input prices	44	53	2	42	45	47	8	37	50	50	0	50	50	50	0	50	0	67	33	-33	0	0	0	0	
Wage level	41	57	2	39	48	52	0	48	41	59	0	41	41	55	3	38	49	45	6	43	32	63	5	27	
Primary inputs																									
Investment	50	39	11	39	50	50	0	50	56	44	0	56	71	29	0	71	57	36	7	50	53	44	3	50	
Employment	16	68	16	0	32	64	4	28	24	62	14	10	24	69	7	17	32	58	9	23	31	57	12	19	

¹ Numbers represent percent of total responses. Higher, same and lower may not add up to 100 due to rounding.

² 'Net balance' represents the percentage of respondents indicating "higher" minus the percentage of respondents indicating "lower".

³ Higher = approaching full capacity; Same = normal capacity utilization; Lower = below capacity utilization.

Table 5. Survey Results: Summary of Business Sector's Performance and Expectations¹ (July-December 2009 to January-June 2010) (%)

Indicator	Manufacturing Sector						Construction Sector						Tourism Sector												
	Performance		Expectations		Performance		Expectations		Performance		Expectations		Performance		Expectations										
	Higher	Lower	Same	Net Balance ²	Higher	Lower	Same	Net Balance ²	Higher	Lower	Same	Net Balance ²	Higher	Lower	Same	Net Balance ²									
Economic growth	30	39	31	-1	58	37	5	53	41	46	13	28	59	34	7	52	35	46	19	16	42	42	16	26	
Business activity																									
Production	37	39	24	13	72	22	6	66	64	27	9	55	82	16	2	80	60	24	16	44	56	25	19	37	
Domestic sales	36	40	24	12	70	24	6	64	64	27	9	55	82	16	2	80	56	25	19	37	53	26	21	32	
International sales	40	33	27	13	70	24	6	64	89	11	0	89	89	11	0	89	47	18	35	12	35	24	41	-6	
Inventory	18	56	26	-8	17	66	17	0	35	43	22	13	23	68	9	14	0	100	0	0	0	100	0	0	0
Level of capacity utilization ³	31	47	22	9	52	44	4	48	42	46	12	30	55	45	0	55	35	61	4	31	38	58	4	34	
Prices																									
Final product prices	16	67	17	-1	28	68	4	24	14	79	7	7	29	69	2	27	33	60	7	26	33	55	12	21	
Intermediate input prices	52	36	12	40	48	47	5	43	40	47	13	27	52	44	4	48	64	33	3	61	53	41	6	47	
Wage level	51	47	2	49	58	41	1	57	66	34	0	66	68	32	0	68	65	35	0	65	60	37	2	58	
Primary inputs																									
Investment	37	61	2	35	30	69	1	29	54	44	2	52	40	60	0	40	35	60	5	30	21	79	0	21	
Employment	8	77	15	-7	20	74	6	14	30	57	13	17	29	61	11	18	14	74	12	2	9	86	5	4	
Indicator	Transportation						Communications						Financial Intermediaries												
	Performance		Expectations		Performance		Expectations		Performance		Expectations		Performance		Expectations										
	Higher	Lower	Same	Net Balance ²	Higher	Lower	Same	Net Balance ²	Higher	Lower	Same	Net Balance ²	Higher	Lower	Same	Net Balance ²									
Economic growth	9	57	34	-25	54	35	11	43	10	45	45	-35	62	28	10	52	17	58	25	-8	45	47	8	37	
Business activity																									
Production	23	43	34	-11	63	16	21	42	38	38	24	14	62	31	7	55	32	39	29	3	71	15	14	57	
Domestic sales	25	42	33	-8	65	15	20	45	38	38	24	14	62	31	7	55	32	39	29	3	71	15	14	57	
International sales	7	46	47	-40	40	20	40	0	60	20	20	40	80	20	0	80	38	37	25	13	75	12	13	62	
Inventory	0	50	50	-50	50	0	50	0	0	0	0	0	100	0	0	100	0	0	0	0	0	0	0	0	0
Level of capacity utilization ³	17	59	24	-7	41	49	10	31	0	33	67	-67	0	100	0	0	8	77	15	-7	50	46	4	46	
Prices																									
Final product prices	11	75	14	-3	20	76	4	16	7	76	17	-10	3	80	17	-14	6	83	11	-5	17	81	2	15	
Intermediate input prices	52	43	5	47	43	57	0	43	14	86	0	14	14	72	14	0	80	20	0	80	80	20	0	80	
Wage level	23	75	2	21	66	30	4	62	17	80	3	14	66	34	0	66	51	44	5	46	57	41	2	55	
Primary inputs																									
Investment	23	77	0	23	21	79	0	21	13	74	13	0	13	81	6	7	42	58	0	42	21	79	0	21	
Employment	4	82	14	-10	16	82	2	14	10	66	24	-14	21	76	3	18	22	75	3	19	18	79	3	15	

¹ Numbers represent percent of total responses. Higher, same and lower may not add up to 100 due to rounding.

² «Net balance» represents the percentage of respondents indicating «higher» minus the percentage of respondents indicating «lower».

³ Higher = approaching full capacity; Same = normal capacity utilization; Lower = below capacity utilization.

