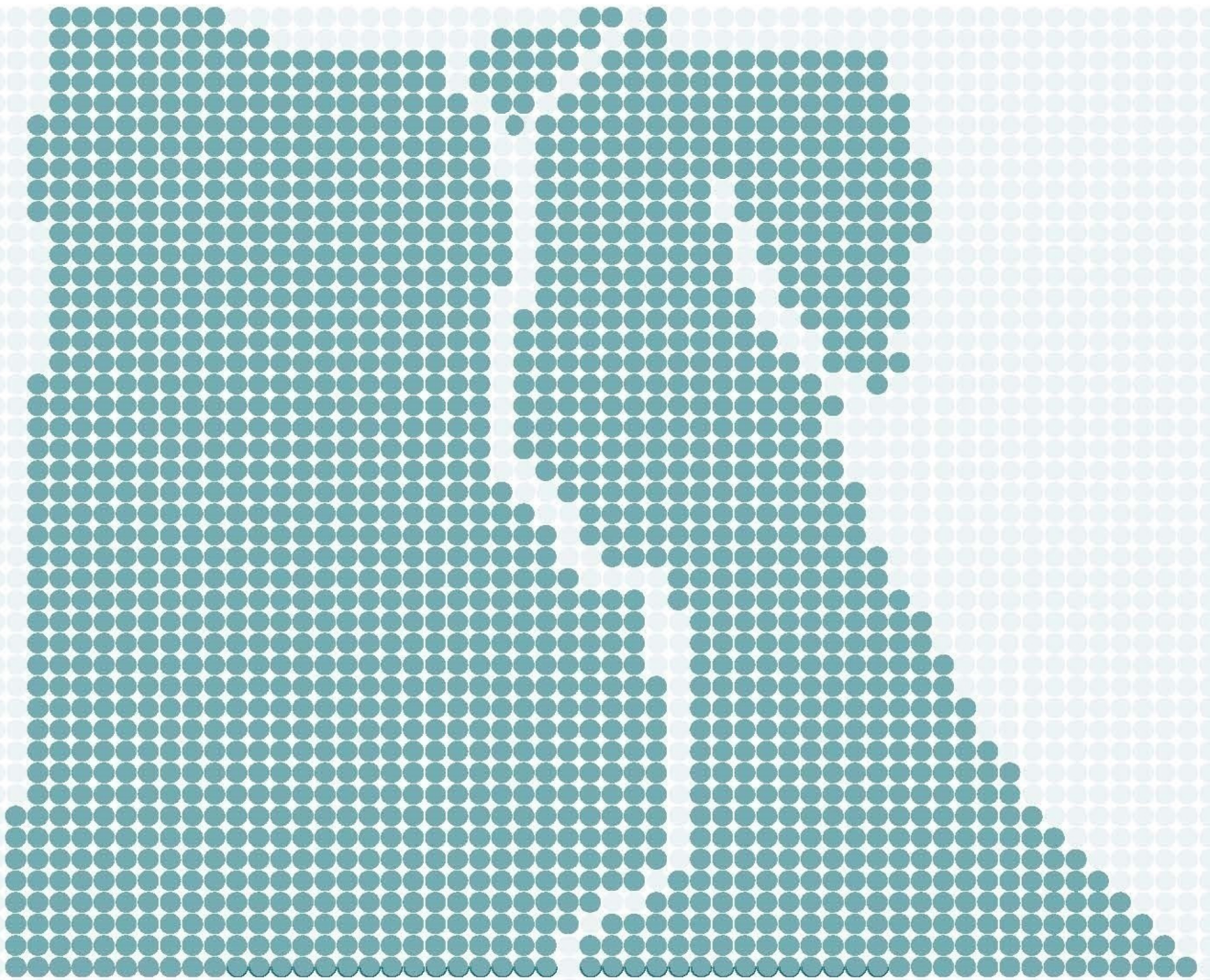


المركز المصري للدراسات الاقتصادية  
*The Egyptian Center for Economic Studies*

# Business Barometer

## Issue 50

## 2019



## Performance & Expectations of the Egyptian Business Sector

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The Egyptian Center for Economic Studies (ECES) is an independent, non-profit think tank that conducts specialized economic research, drawing on international experience and constructive discussions among various stakeholders. ECES's main objective is to propose sound economic policies, and institutional and legislative reforms that contribute to sustainable development in Egypt, all on the basis of combined economic efficiency and social justice.

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Economic efficiency and social justice are of core interest to ECES. Combined, they constitute the Center's strategic direction. ECES research and activities focus on studying past, present and future challenges facing the Egyptian economy, whether they are related to macroeconomic stability, microeconomic efficiency, or political economy aspects both on the internal and external dimensions. In its analysis, ECES is keen on adopting a comprehensive approach that encompasses legislative, institutional, policy and structural aspects of whatever problem or area addressed, not to mention implementation mechanisms. In all its activities, ECES relies on its competent team of in-house researchers, in addition to collaboration with external experts and like-minded think tanks as needed.

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# *Business Barometer*

Issue No. 50 – 2019

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## **About the Business Barometer**

The Egyptian Center for Economic Studies (ECES) publishes its Business Barometer (BB) survey periodically as part of its role in providing timely information about the developments of economic activity in Egypt based on an assessment of macroeconomic indicators produced by the relevant authorities. The survey covers an assessment by a sample of firms of economic growth and results of own operations in terms of production, domestic sales, exports, commodity inventories, capacity utilization, prices, wages, employment and investment during the quarter under review as well as their outlook for the same set of variables in the upcoming quarter.

ECES launched its first Business Barometer in 1998. The report analyzes the results of a sample survey of 121 private firms that cover manufacturing (50 percent), financial services (13 percent), construction (12 percent), transportation (10 percent), tourism (9 percent) and telecommunications (7 percent). The survey is conducted on a number of micro, small, medium and large firms as per the definition of the Central Bank of Egypt announced on March 5, 2017 (CBE).

This edition of BB provides an assessment of the performance of a sample of firms and results of their operations in the second quarter of FY 2018/2019 (October-December 2018). It also summarizes their expectations for overall economic performance as well as own activities for the third quarter of FY 2018/2019 (January-March 2019).

## Methodology

The BB Index is a simple average of the sub-indices of surveyed variables (production, domestic sales, exports, inventory, capacity utilization, prices, wages, employment and investments). The Index is calculated once for large firms and once for SMEs, both for evaluation and expectations.

| Index Value     | Index Definition  |
|-----------------|---|
| 50 points       | Same (no change in firms' performance and expectations)     |
| Above 50 points | Higher (improvement in firms' performance and expectations) |
| Below 50 points | Lower (decline in firms' performance and expectations)      |

The index is calculated for each variable using the following equation:

$$X = \frac{I+S}{100+S} \times 100$$

where  $I$  is the share of firms reporting an increase and  $S$  the share of firms reporting "same."

The index is designed to have a maximum of 100 points when all firms report an increase, a minimum of 0 when all firms report a decrease and a middle value of 50 when all firms report no change. Between 0 and 100, the index grows proportionally with larger shares of "increase," and inversely with larger shares of "decrease," while the change in "same" is neutralized by including it in the numerator and the denominator. A higher index thus reflects a better business climate and vice versa. It is worth noting that the index is inverted for inventories and input prices as increases of these two variables reflect an adverse business climate for firms.

## Overview

This section provides an overview of major developments in the second quarter of FY 2018/2019 (October – December 2018), as well as an assessment of the performance of major macro indicators (according to the latest available data).

This quarter witnessed many global and domestic developments, most importantly the decision of the Federal Reserve to raise the overnight lending rate to a range between 2.25 and 2.5 percent. This decision puts pressure on the monetary policy response in many developing economies, increases the cost of borrowing for highly indebted countries, and fuels the volatility of capital markets in emerging economies. In this context, the Egyptian government announced the postponement of the state privatization program (IPO) to 2019. This decision is due to the turmoil experienced by emerging markets in recent months.

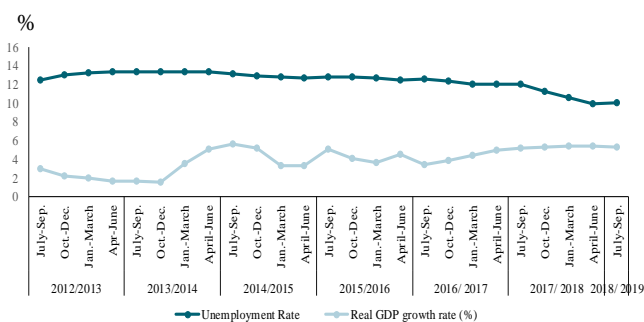
On the real side of the economy, GDP growth rate in October-December 2018 rose to 5.5 percent from 5.4 percent in the previous quarter and 5.3 percent in the corresponding quarter of FY 2017/2018 (Figure 1.1). According to data from the Ministry of Planning, Monitoring and Administrative Reform, 62 percent of GDP growth

during the October-December 2018/2019 is attributed to growth in four major sectors, namely, extractive industries (25 percent), construction (11 percent), trade (1 percent) and communications (8 percent).

Unemployment rose slightly to 10 percent in July-September of FY 2018/2019 from 9.9 percent in the previous quarter (Figure 1.1). This is due to the seasonal effect on job seekers and new graduates entering the labor market for the first time. The downward trend in unemployment during the last four quarters has been accompanied by a decline in the female participation rate. According to the latest available data, the number of employed women has declined by 570,000 in the period July-September 2018 compared to April-June 2018, which is recorded as withdrawal from the labor market (CAPMAS, November 2018).

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**Figure 1.1: Real GDP Growth and Unemployment**



Sources: Ministry of Planning, Monitoring and Administrative Reform; Central Agency for Public Mobilization and Statistics (CAPMAS).

Unemployment rose slightly in July-September of FY 2018/2019 to 10 percent from 9.9 percent in the previous quarter (Figure 1.1). This increase is due to the seasonal effect on job seekers and new graduates entering the labor market for the first time. The downward trend in unemployment during the last four quarters has been accompanied by a decline in the female participation rate. According to the latest

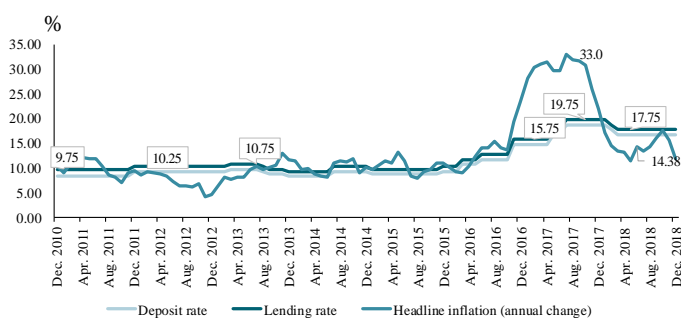


available data, there is a decline in the number of employed women by 570,000 in the period July-September 2018 compared to April-June 2018, which is recorded as withdrawal from the labor market (CAPMAS, November 2018).

With regard to the fiscal performance, data released by the Ministry of Finance (MoF) shows a decrease in the budget deficit during July-November 2018 to 3.1 percent of GDP compared to 3.7 percent in the same period last year. However, budget deficit is still under very high pressure caused by the high than projected domestic interest rates, which means heavy debt servicing burden on the current fiscal budget. The same applies to exchange rate risk and global oil price volatility.

On the monetary side, the CBE Monetary Policy Committee (MPC) decided in its latest meetings to keep its policy rates unchanged throughout the quarter (figure 1.2). The MPC referred in its release to the tightening global financial conditions and trade tensions, in addition to the domestic inflation rate.

**Figure 1.2: Inflation and the Policy Rate of Monetary Policy**

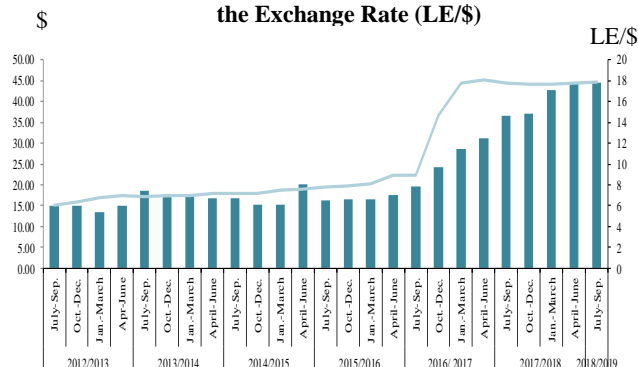


Sources: Central Bank of Egypt; Central Agency for Public Mobilization and Statistics (CAPMAS).

Inflation rate dropped in December 2018 to 11.97 percent, down from 15.7 percent and 17.7 percent in November and October 2018, respectively. Increased inflation in October was caused by an adverse supply shock in vegetables and fruits, which faded away over the following two months.

Another important decision taken by the CBE is the termination of the special repatriation mechanisms for new portfolio investments entering the market after 4th of December 2018. In the same vein, the Ministry of Finance raised the customs dollar exchange rate for non-essential and luxury goods, tying to the CBE's dollar exchange rate. These measures aim at mitigating the pressure of the emerging markets turmoil and capital flight. Deserves noting, the official exchange rate of the EGP against the USD has stabilized during the quarter under investigation, although net international reserves dropped by 2 billion USD by the end of December to reach 42 billion USD (Figure 1.3). This could be attributed to paying back debt obligations that were due.

**Figure 1.3: Net International Reserves and the Exchange Rate (LE/\$)**



Source: Central Bank of Egypt. :GP/ USD

## Business Barometer Index (BBI)

### Slightly higher business performance and expected improvement in the coming quarter

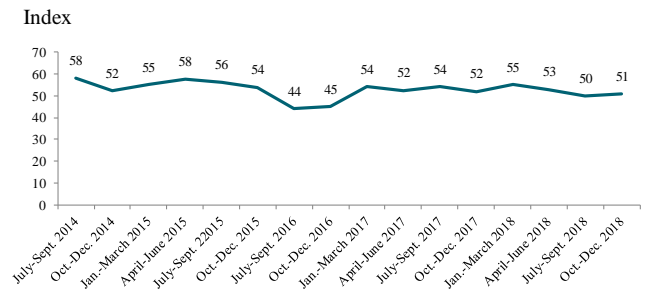
As per the survey results, the overall performance of businesses was slightly higher during the relevant quarter (October-December 2018), with the index reaching 51 points (Figure 2-1). Sample firms reported a positive outlook for the coming quarter (January-March 2019). The outlook index rose 4 points, reflecting to some extent business optimism and confidence in the economic reforms (Figure 2.2).

With respect to firm size, the survey results for the quarter under review (October-December 2018) indicate that large firms' performance index improved by three points compared to the previous quarter (July-September 2018.) The outlook index also continued its upward trend for January-March 2019, recording 57 points against 53 points in the previous quarter. This reflects the ability of large firms to adjust to economic reform measures as well as their optimism about the reform process in general (Figure 2.3).

Regarding performance evaluation of SMEs, the survey results show continued decline in performance during the quarter under review to 48 points. This could be ascribed to several domestic and global factors, such as more costly credit for SMEs, higher prices of raw materials and inputs, and higher labor cost. This emphasizes the need to provide SMEs with more support to enable them to continue in the face of the burdens they bear due to economic reforms. The results also showed that despite the poor performance of SMEs, this did not preclude their optimism about performance

improvement in the coming quarter, reflecting their confidence in receiving support from the State (Figure 2.4).

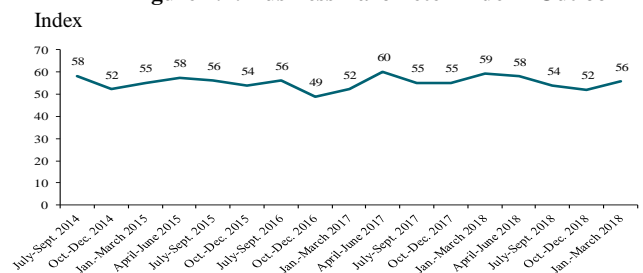
Figure 2.1: Business Barometer Index - Evaluation



Source: Survey results.

\* Data for the two quarters of January-March and April-June 2016 are unavailable.

Figure 2.2: Business Barometer Index - Outlook



Source: Survey results.

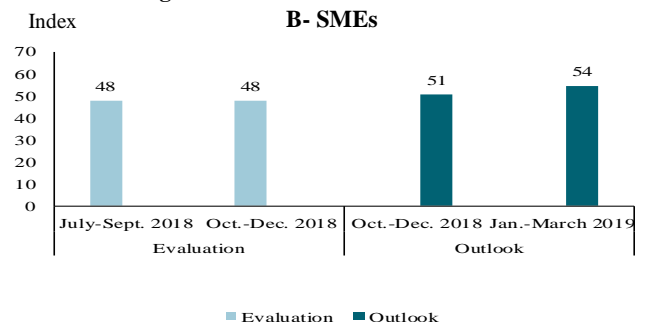
\* Data for the two quarters of April-June, and July-September 2016 are unavailable.

Figure 2.3: Business Barometer Index  
A- Large Firms



Source: Survey results.

Figure 2.4: Business Barometer Index  
B- SMEs



Source: Survey results.

## Past Performance of Businesses

### Most economic activity indicators improved for large firms but declined for SMEs

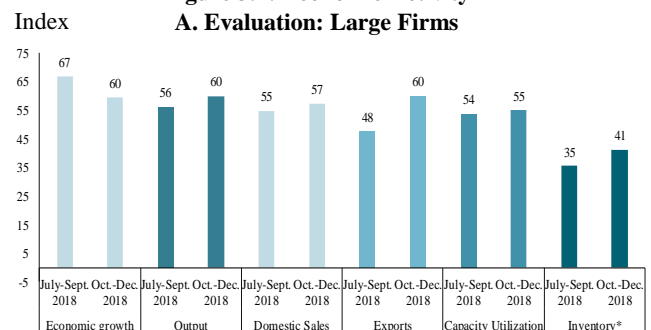
At the level of economic activity, **large firms** reported positive views for the quarter under review (October-December 2018) regarding economic growth, which reflected on both domestic sales and exports compared to the previous quarter. This helped sustain improvement in the production index, which recorded an increase of 4 points. Capacity utilization also increased by one point, while inventory declined by 6 points compared to the previous quarter (Figure 3.1).

**SMEs** performance evaluation results were weak in aggregate, with all below 50; they are also lower compared to large firms. SMEs reported lower domestic sales and exports in October-December 2018, driving production and capacity utilization indexes below 50, and stabilizing inventory for the surveyed firms. This emphasizes that SMEs face challenges related to the production process, and local and international marketing as well as to the reform measures (Figure 3.2).

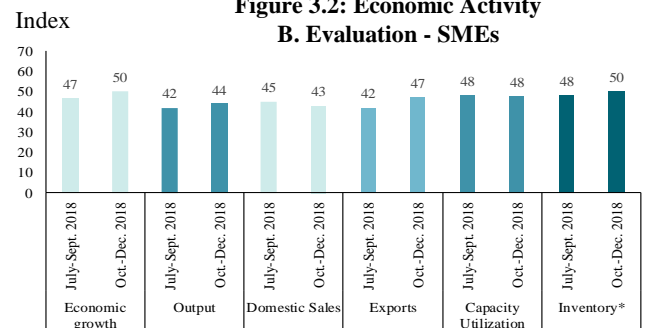
At the sectoral level, according to the views of the business community, the communications sector improved the most during the quarter under review (Table A1), which can be attributed to increased automation of government services such as taxes, real estate registration, and customs, increasing the volume of business in the market. Also, some firms turned to regional markets, such as the African markets. Results also showed some improvement in the tourism sector, thanks to political stability and increased security, as well as state-organized

campaigns in several countries to promote tourism. The transportation sector witnessed marginal improvement in performance due to increased business in the domestic market despite the notable increase in energy prices. The manufacturing and construction sectors witnessed steady performance. The results of the survey also showed that the food industry suffered more than the rest of the manufacturing sub-sectors due to some Arab countries imposing import bans on some foodstuffs. The financial services sector experienced a decline in performance due to the continued impact of the increase in stamp duty on trading on the Egyptian stock exchange from 1.25 per thousand to 1.5 per thousand as of June 2018, and the postponement of government placements in the stock exchange in the quarter under review.

**Figure 3.1: Economic Activity  
 A. Evaluation: Large Firms**



**Figure 3.2: Economic Activity  
 B. Evaluation - SMEs**



Source: Survey results.

\* The index for inventory is inverted to indicate the negative impact of its increase on businesses. Hence, a higher inventory index indicates lower inventory and vice versa.

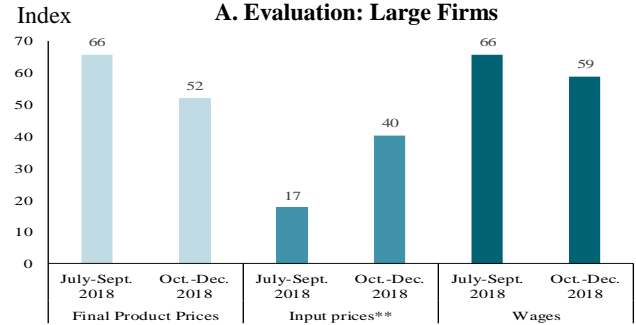
## Increased input and final product prices and higher wages

The past performance assessment of large firms and SMEs showed a continued rise in the prices of inputs during the quarter under review, albeit at a slower pace compared to the previous quarter, which led to a continued increase in the final product prices index (Figures 3.3 and 3.4).

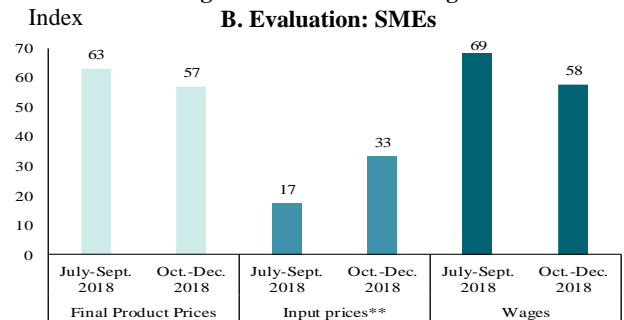
## Improved investment and employment

Survey results indicate an improvement in the investment index during the quarter under review for both large firms and SMEs. This can be attributed to business confidence in the reform efforts and measures taken by the Government to improve the investment climate such as amending the bankruptcy and capital market laws, and introducing a new law dedicated to SMEs. However, the index value for large firms was lower compared to the previous quarter, while remained unchanged for SMEs. Regarding employment, the results showed a steady index for large firms, albeit lower than in the previous quarter, but witnessed a decrease for SMEs in the 4<sup>th</sup> quarter compared to the previous quarter, which can be attributed to lower performance of these firms in general (Figures 3.5 and 3.6).

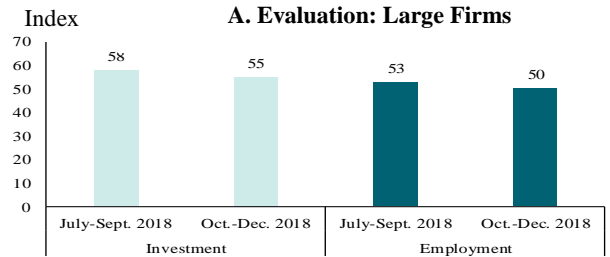
**Figure 3.3: Prices and Wages**  
**A. Evaluation: Large Firms**



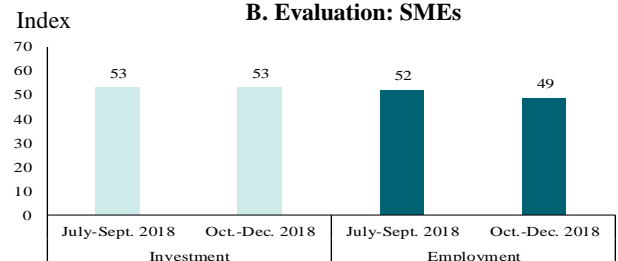
**Figure 3.4: Prices and Wages**  
**B. Evaluation: SMEs**



**Figure 3.5: Investment and Employment**  
**A. Evaluation: Large Firms**



**Figure 3.6: Investment and Employment**  
**B. Evaluation: SMEs**



Source: Survey results.

\*\* The input prices index is inverted to reflect the negative impact of rising input prices on the BBI. In other words, a lower index indicates higher input prices.

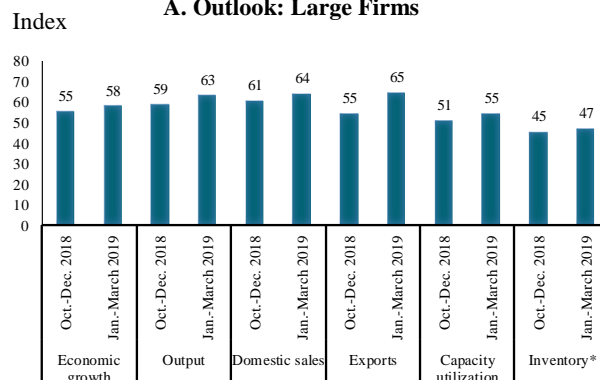
## Business Strategy Going Forward

### Expectations of improved economic activity for firms

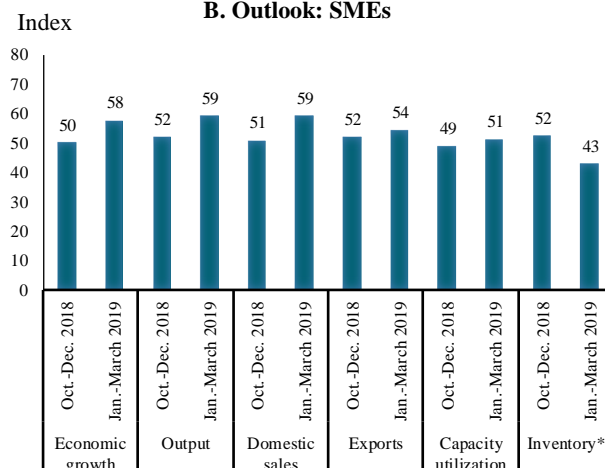
Expectations of an upward trend in economic growth for large firms in January-March 2019 reflected a rise in both domestic sales and export indexes. This reflected on the outlook for production and capacity utilization (Figure 4.1) The outlook for economic growth was also more optimistic than the previous quarter. SMEs expected a slight increase in all economic activity indicators, but at a slower pace than in the previous quarter (Figure 4.2).

At the sectoral level, the outlook for the coming quarter is generally positive for the communications sector, as a result of increased investments and consistent with plans to increase production, sales and exports (Table 2 in the Appendix). The results also showed positive views regarding tourism, followed by the manufacturing and transportation sectors in that order. The results showed positive expectations for the financial services sector, which some attributed to the Government announcement of planned placements in the stock market in the fourth quarter of 2019.

**Figure 4.1: Economic Activity  
 A. Outlook: Large Firms**



**Figure 4.2: Economic Activity  
 B. Outlook: SMEs**



Source: Survey results.

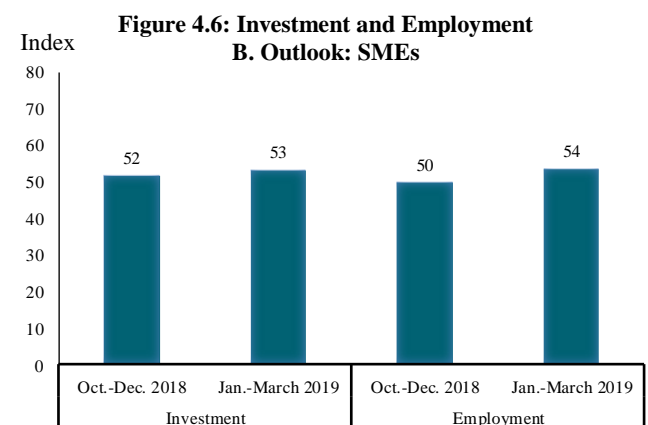
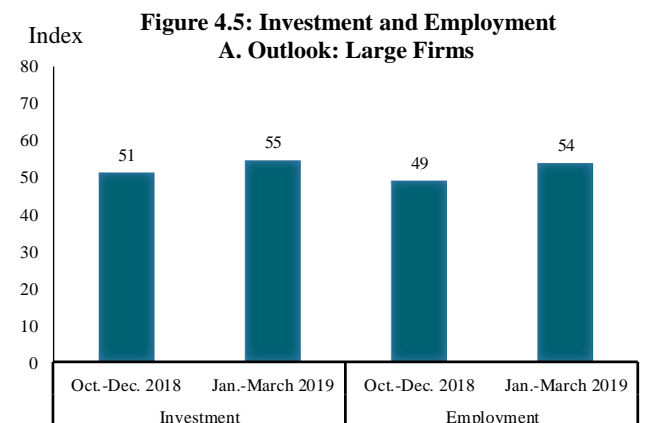
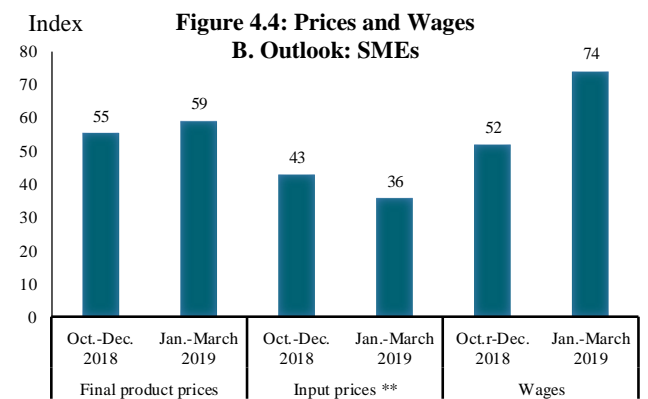
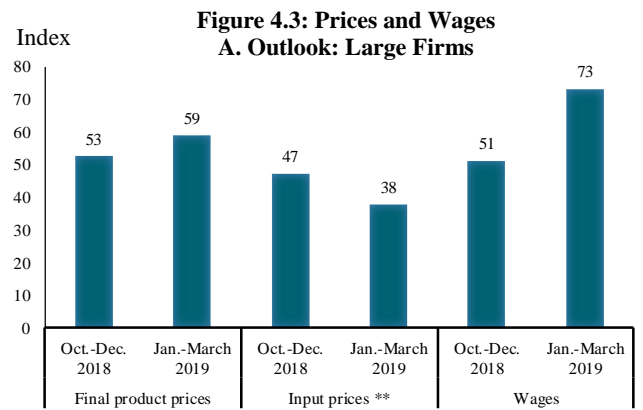
\* The inventory index is inverted to reflect the negative impact of rising inventory on businesses. In other words, a higher index indicates lower inventory and vice versa.

## Expectations of a rise in prices of final products and inputs and higher wages

The expectations of large firms and SMEs were similar for January-March 2019, with both expecting a continued increase in input and final product prices, which led to higher indexes for both variables compared to the previous quarter. All firms also expect a rise in wages in the coming quarter reflecting salary increases by most firms with the start of the new year 2019 (Figures 4.3 and 4.4).

## Investment and employment expectations

Most large firms and SMEs expect higher investment during January-March 2019, with both indexes recording increases of 4 points and one point respectively compared to the outlook for the current quarter. Both large firms and SMEs expect employment to increase compared to the previous quarter (Figures 4.5 and 4.6).



Source: Survey results.

\*\* The index for input prices is inverted to indicate the negative effect of the increase in input prices on businesses. Hence, a lower value of this index indicates higher input prices.

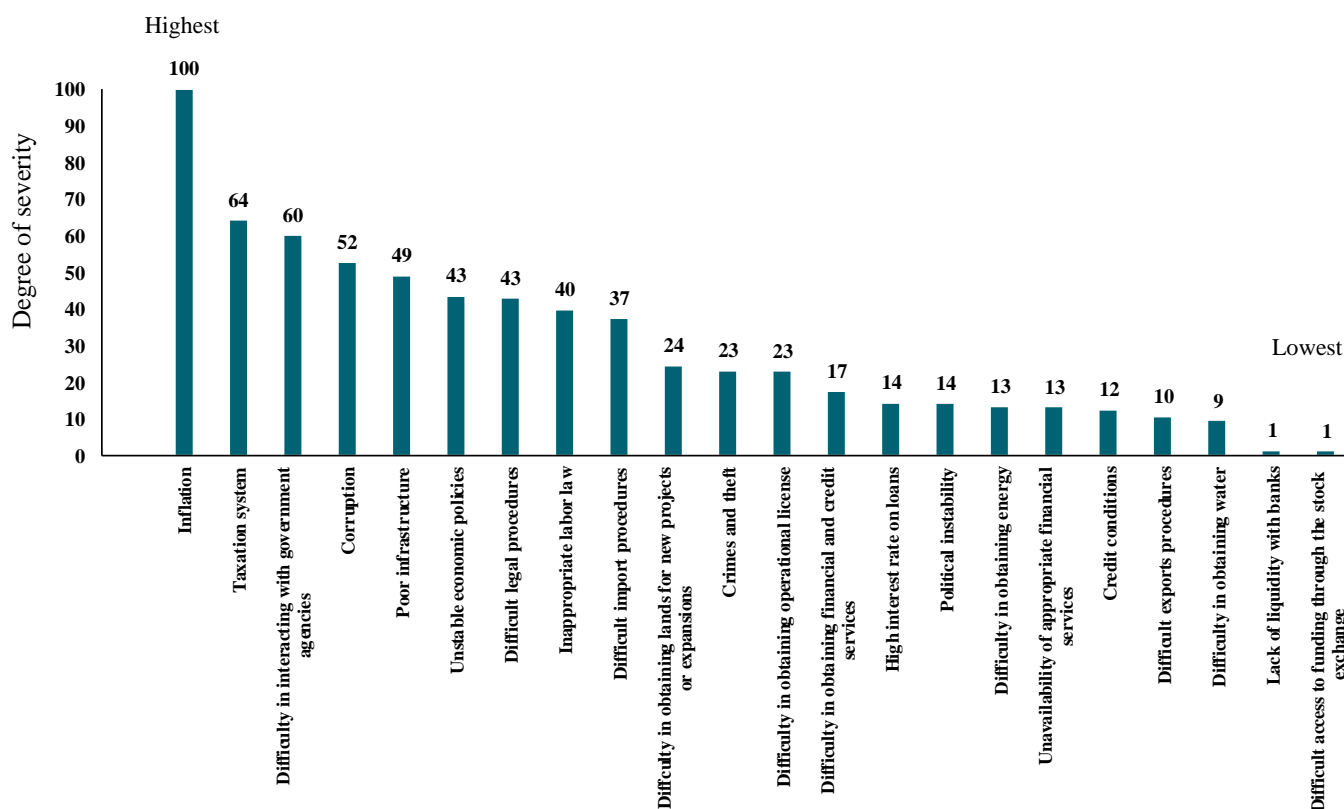
## Business Constraints

### Major constraints facing the business sector:

#### Major constraints: Inflationary pressures, tax regime, difficulty in dealing with government authorities, and corruption

Although inflationary pressures and the tax regime are the biggest obstacles, difficulty in dealing with government agencies and corruption remain among the biggest obstacles facing the performance of businesses in Egypt, emphasizing the need for the Government to adopt institutional reform as a major part of reforms, so that the positive effects of the reforms that have taken place are not eroded. Figure 5 shows the major constraints that faced businesses during the surveyed period, arranged in a descending order of severity.

**Figure 5: Major Constraints Facing the Business Sector  
 (Normalized Index of Severity)**



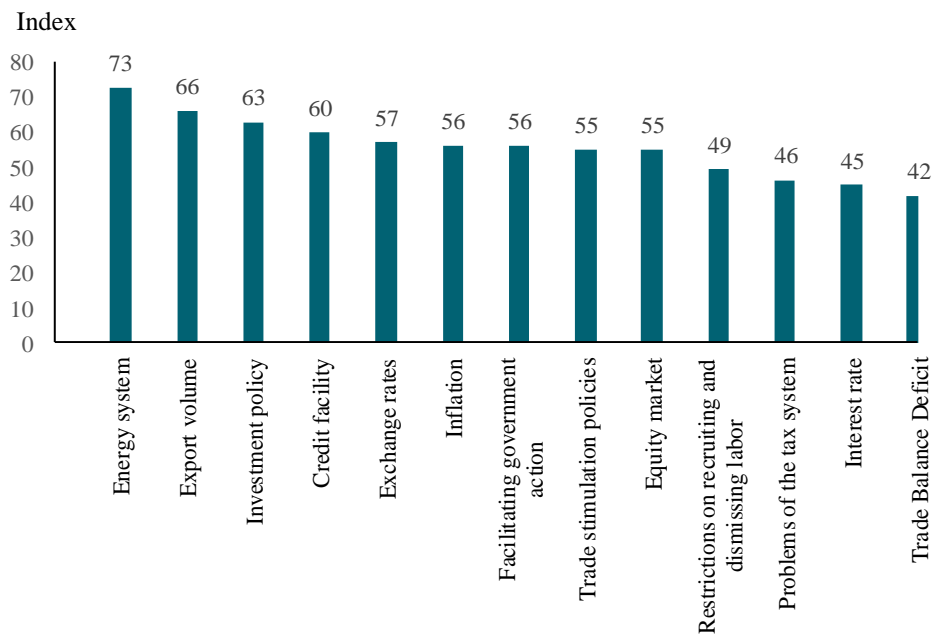
Source: Survey results.

## Policy Expectations

### Expected improvement in energy, exports, investment and credit facilities

According to Figure 6, most firms expect improvements in the energy system due to Government efforts in diversifying energy sources and ensuring their sustainability, increasing exports, and improving investment policies, which can be attributed to developing the new system of electronic establishment of companies, and the new executive regulations for free zones to avail a more conducive environment for increasing FDI. Some constraining credit procedures are expected to be streamlined.

**Figure 6: Policy Expectations**



Source: Survey results.



**Table A1. Survey Results: Summary of Business Sector Past Performance of all Firms (October-November-December 2018)<sup>1</sup>**

| Indicator                     | Manufacturing |      |       |                    | Construction |      |       |                    | Tourism    |      |       |                    | Transportation |      |       |                    | Communications |      |       |                    | Financial Intermediation |      |       |                    |
|-------------------------------|---------------|------|-------|--------------------|--------------|------|-------|--------------------|------------|------|-------|--------------------|----------------|------|-------|--------------------|----------------|------|-------|--------------------|--------------------------|------|-------|--------------------|
|                               | Percentage    |      |       | Index <sup>2</sup> | Percentage   |      |       | Index <sup>2</sup> | Percentage |      |       | Index <sup>2</sup> | Percentage     |      |       | Index <sup>2</sup> | Percentage     |      |       | Index <sup>2</sup> | Percentage               |      |       | Index <sup>2</sup> |
|                               | Higher        | Same | Lower | 50                 | Higher       | Same | Lower | 50                 | Higher     | Same | Lower | 51                 | Higher         | Same | Lower | 51                 | Higher         | Same | Lower | 56                 | Higher                   | Same | Lower | 47                 |
| <b>Economic growth</b>        | 24            | 55   | 21    | <b>51</b>          | 23           | 23   | 54    | <b>38</b>          | 40         | 60   | 0     | <b>63</b>          | 8              | 92   | 0     | <b>52</b>          | 63             | 38   | 0     | <b>73</b>          | 6                        | 50   | 44    | <b>38</b>          |
| <b>Business activity</b>      |               |      |       |                    |              |      |       |                    |            |      |       |                    |                |      |       |                    |                |      |       |                    |                          |      |       |                    |
| Production                    | 27            | 45   | 27    | <b>50</b>          | 23           | 15   | 62    | <b>33</b>          | 30         | 10   | 60    | <b>36</b>          | 50             | 17   | 33    | <b>57</b>          | 63             | 13   | 25    | <b>67</b>          | 25                       | 25   | 50    | <b>40</b>          |
| Domestic sales                | 28            | 38   | 34    | <b>48</b>          | 23           | 15   | 62    | <b>33</b>          | 30         | 10   | 60    | <b>36</b>          | 50             | 17   | 33    | <b>57</b>          | 63             | 13   | 25    | <b>67</b>          | 25                       | 25   | 50    | <b>40</b>          |
| Exports                       | 30            | 48   | 22    | <b>53</b>          | 100          | 0    | 0     | <b>100</b>         | -          | -    | -     | -                  | -              | -    | -     | -                  | 40             | 60   | 0     | <b>63</b>          | -                        | -    | -     | -                  |
| Inventory                     | 35            | 47   | 18    | <b>44</b>          | 27           | 36   | 36    | <b>53</b>          | 30         | 0    | 70    | <b>70</b>          | 50             | 25   | 25    | <b>40</b>          | 75             | 0    | 25    | <b>25</b>          | 19                       | 44   | 38    | <b>57</b>          |
| Level of capacity utilization | 11            | 75   | 13    | <b>50</b>          | 8            | 67   | 25    | <b>45</b>          | 0          | 90   | 10    | <b>47</b>          | 0              | 83   | 17    | <b>45</b>          | 38             | 63   | 0     | <b>62</b>          | 0                        | 100  | 0     | <b>50</b>          |
| <b>Prices</b>                 |               |      |       |                    |              |      |       |                    |            |      |       |                    |                |      |       |                    |                |      |       |                    |                          |      |       |                    |
| Final product prices          | 21            | 69   | 10    | <b>53</b>          | 31           | 69   | 0     | <b>59</b>          | 60         | 30   | 10    | <b>69</b>          | 42             | 58   | 0     | <b>63</b>          | 38             | 63   | 0     | <b>62</b>          | 0                        | 94   | 6     | <b>48</b>          |
| Intermediate input prices     | 42            | 57   | 2     | <b>37</b>          | 69           | 31   | 0     | <b>24</b>          | 25         | 75   | 0     | <b>43</b>          | 56             | 44   | 0     | <b>31</b>          | 43             | 57   | 0     | <b>36</b>          | 0                        | 100  | 0     | <b>50</b>          |
| Wage level                    | 34            | 66   | 0     | <b>60</b>          | 38           | 62   | 0     | <b>62</b>          | 10         | 90   | 0     | <b>53</b>          | 33             | 67   | 0     | <b>60</b>          | 25             | 75   | 0     | <b>57</b>          | 0                        | 100  | 0     | <b>50</b>          |
| <b>Primary inputs</b>         |               |      |       |                    |              |      |       |                    |            |      |       |                    |                |      |       |                    |                |      |       |                    |                          |      |       |                    |
| Investment                    | 18            | 81   | 2     | <b>54</b>          | 23           | 77   | 0     | <b>57</b>          | 0          | 100  | 0     | <b>50</b>          | 8              | 92   | 0     | <b>52</b>          | 13             | 88   | 0     | <b>53</b>          | 0                        | 100  | 0     | <b>50</b>          |
| Employment                    | 10            | 81   | 10    | <b>50</b>          | 8            | 69   | 23    | <b>45</b>          | 0          | 80   | 20    | <b>44</b>          | 8              | 92   | 0     | <b>52</b>          | 25             | 63   | 13    | <b>54</b>          | 0                        | 88   | 13    | <b>47</b>          |

**Table A2. Survey Results: Summary of Outlook of all firms (by Sector) (January, February, March 2019)<sup>1</sup>**

| Indicator                     | Manufacturing |      |       |                    | Construction |      |       |                    | Tourism    |      |       |                    | Transportation |      |       |                    | Communications |      |       |                    | Financial Intermediation |      |       |                    |
|-------------------------------|---------------|------|-------|--------------------|--------------|------|-------|--------------------|------------|------|-------|--------------------|----------------|------|-------|--------------------|----------------|------|-------|--------------------|--------------------------|------|-------|--------------------|
|                               | Percentage    |      |       | Index <sup>2</sup> | Percentage   |      |       | Index <sup>2</sup> | Percentage |      |       | Index <sup>2</sup> | Percentage     |      |       | Index <sup>2</sup> | Percentage     |      |       | Index <sup>2</sup> | Percentage               |      |       | Index <sup>2</sup> |
|                               | Higher        | Same | Lower | 55                 | Higher       | Same | Lower | 50                 | Higher     | Same | Lower | 57                 | Higher         | Same | Lower | 55                 | Higher         | Same | Lower | 65                 | Higher                   | Same | Lower | 52                 |
| <b>Economic growth</b>        | 29            | 61   | 10    | <b>56</b>          | 15           | 38   | 46    | <b>39</b>          | 50         | 50   | 0     | <b>67</b>          | 17             | 83   | 0     | <b>55</b>          | 63             | 38   | 0     | <b>73</b>          | 56                       | 44   | 0     | <b>70</b>          |
| <b>Business activity</b>      |               |      |       |                    |              |      |       |                    |            |      |       |                    |                |      |       |                    |                |      |       |                    |                          |      |       |                    |
| Production                    | 34            | 45   | 21    | <b>54</b>          | 31           | 38   | 31    | <b>50</b>          | 70         | 20   | 10    | <b>75</b>          | 42             | 42   | 17    | <b>59</b>          | 88             | 13   | 0     | <b>89</b>          | 63                       | 38   | 0     | <b>73</b>          |
| Domestic sales                | 34            | 44   | 21    | <b>55</b>          | 31           | 38   | 31    | <b>50</b>          | 70         | 20   | 10    | <b>75</b>          | 42             | 42   | 17    | <b>59</b>          | 88             | 13   | 0     | <b>89</b>          | 63                       | 38   | 0     | <b>73</b>          |
| Exports                       | 30            | 70   | 0     | <b>59</b>          | 0            | 100  | 0     | <b>50</b>          | -          | -    | -     | -                  | -              | -    | -     | -                  | 60             | 40   | 0     | <b>71</b>          | -                        | -    | -     | -                  |
| Inventory                     | 21            | 47   | 32    | <b>54</b>          | 36           | 45   | 18    | <b>44</b>          | 60         | 30   | 10    | <b>31</b>          | 50             | 33   | 17    | <b>38</b>          | 63             | 25   | 13    | <b>30</b>          | 50                       | 50   | 0     | <b>33</b>          |
| Level of capacity utilization | 16            | 82   | 2     | <b>54</b>          | 8            | 77   | 15    | <b>48</b>          | 0          | 100  | 0     | <b>50</b>          | 8              | 75   | 17    | <b>48</b>          | 25             | 75   | 0     | <b>57</b>          | 0                        | 100  | 0     | <b>50</b>          |
| <b>Prices</b>                 |               |      |       |                    |              |      |       |                    |            |      |       |                    |                |      |       |                    |                |      |       |                    |                          |      |       |                    |
| Final product prices          | 34            | 65   | 2     | <b>60</b>          | 33           | 67   | 0     | <b>60</b>          | 30         | 70   | 0     | <b>59</b>          | 33             | 67   | 0     | <b>60</b>          | 38             | 63   | 0     | <b>62</b>          | 13                       | 88   | 0     | <b>53</b>          |
| Intermediate input prices     | 38            | 62   | 0     | <b>38</b>          | 62           | 38   | 0     | <b>28</b>          | 20         | 80   | 0     | <b>44</b>          | 38             | 63   | 0     | <b>38</b>          | 57             | 43   | 0     | <b>30</b>          | 100                      | 0    | 0     | <b>0</b>           |
| Wage level                    | 65            | 35   | 0     | <b>74</b>          | 69           | 31   | 0     | <b>76</b>          | 40         | 60   | 0     | <b>63</b>          | 83             | 17   | 0     | <b>86</b>          | 75             | 25   | 0     | <b>80</b>          | 56                       | 44   | 0     | <b>70</b>          |
| <b>Primary inputs</b>         |               |      |       |                    |              |      |       |                    |            |      |       |                    |                |      |       |                    |                |      |       |                    |                          |      |       |                    |
| Investment                    | 13            | 87   | 0     | <b>53</b>          | 8            | 92   | 0     | <b>52</b>          | 0          | 100  | 0     | <b>50</b>          | 8              | 92   | 0     | <b>52</b>          | 63             | 38   | 0     | <b>73</b>          | 6                        | 94   | 0     | <b>52</b>          |
| Employment                    | 15            | 85   | 0     | <b>54</b>          | 15           | 85   | 0     | <b>54</b>          | 10         | 90   | 0     | <b>53</b>          | 8              | 92   | 0     | <b>52</b>          | 50             | 38   | 13    | <b>64</b>          | 0                        | 100  | 0     | <b>50</b>          |

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

<sup>2</sup>Equal to the simple average of the variables' indexes. The index's method of calculation is provided in the Methodology.

Table A3. Survey Results: Summary of Past Performance of all Firms (by size) (October-November-December 2018)<sup>1</sup>

| Indicator                     | SMEs       |      |       |                    | Large firms |      |       |                    |
|-------------------------------|------------|------|-------|--------------------|-------------|------|-------|--------------------|
|                               | Percentage |      |       | Index <sup>2</sup> | Percentage  |      |       | Index <sup>2</sup> |
|                               | Higher     | Same | Lower |                    | Higher      | Same | Lower |                    |
|                               |            |      |       | <b>48</b>          |             |      |       | <b>54</b>          |
| <b>Economic growth</b>        | 23         | 54   | 23    | <b>50</b>          | 43          | 40   | 17    | <b>60</b>          |
| <b>Business activity</b>      |            |      |       |                    |             |      |       |                    |
| Production                    | 26         | 31   | 43    | <b>44</b>          | 47          | 33   | 20    | <b>60</b>          |
| Domestic sales                | 26         | 30   | 44    | <b>43</b>          | 48          | 21   | 31    | <b>57</b>          |
| Exports                       | 23         | 46   | 31    | <b>47</b>          | 40          | 50   | 10    | <b>60</b>          |
| Inventory                     | 33         | 35   | 32    | <b>50</b>          | 44          | 36   | 20    | <b>41</b>          |
| Level of capacity utilization | 4          | 82   | 13    | <b>48</b>          | 23          | 70   | 7     | <b>55</b>          |
| <b>Prices</b>                 |            |      |       |                    |             |      |       |                    |
| Final product prices          | 27         | 68   | 4     | <b>57</b>          | 20          | 67   | 13    | <b>52</b>          |
| Intermediate input prices     | 51         | 48   | 1     | <b>33</b>          | 32          | 68   | 0     | <b>40</b>          |
| Wage level                    | 26         | 74   | 0     | <b>58</b>          | 30          | 70   | 0     | <b>59</b>          |
| <b>Primary inputs</b>         |            |      |       |                    |             |      |       |                    |
| Investment                    | 11         | 89   | 0     | <b>53</b>          | 20          | 77   | 3     | <b>55</b>          |
| Employment                    | 8          | 80   | 12    | <b>49</b>          | 10          | 80   | 10    | <b>50</b>          |

Table A4. Survey Results: Summary of Outlook of all Firms (by size) (January-February-March 2019)<sup>1</sup>

| Indicator                     | SMEs       |      |       |                    | Large firms |      |       |                    |
|-------------------------------|------------|------|-------|--------------------|-------------|------|-------|--------------------|
|                               | Percentage |      |       | Index <sup>2</sup> | Percentage  |      |       | Index <sup>2</sup> |
|                               | Higher     | Same | Lower |                    | Higher      | Same | Lower |                    |
|                               |            |      |       | <b>54</b>          |             |      |       | <b>57</b>          |
| <b>Economic growth</b>        | 35         | 53   | 12    | <b>58</b>          | 30          | 67   | 3     | <b>58</b>          |
| <b>Business activity</b>      |            |      |       |                    |             |      |       |                    |
| Production                    | 43         | 40   | 18    | <b>59</b>          | 50          | 37   | 13    | <b>63</b>          |
| Domestic sales                | 43         | 40   | 18    | <b>59</b>          | 52          | 34   | 14    | <b>64</b>          |
| Exports                       | 15         | 85   | 0     | <b>54</b>          | 45          | 55   | 0     | <b>65</b>          |
| Inventory                     | 39         | 42   | 19    | <b>43</b>          | 32          | 44   | 24    | <b>47</b>          |
| Level of capacity utilization | 10         | 85   | 5     | <b>51</b>          | 17          | 83   | 0     | <b>55</b>          |
| <b>Prices</b>                 |            |      |       |                    |             |      |       |                    |
| Final product prices          | 31         | 68   | 1     | <b>59</b>          | 30          | 70   | 0     | <b>59</b>          |
| Intermediate input prices     | 45         | 55   | 0     | <b>36</b>          | 39          | 61   | 0     | <b>38</b>          |
| Wage level                    | 65         | 35   | 0     | <b>74</b>          | 63          | 37   | 0     | <b>73</b>          |
| <b>Primary inputs</b>         |            |      |       |                    |             |      |       |                    |
| Investment                    | 12         | 88   | 0     | <b>53</b>          | 17          | 83   | 0     | <b>55</b>          |
| Employment                    | 13         | 87   | 0     | <b>54</b>          | 17          | 80   | 3     | <b>54</b>          |

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

<sup>2</sup>Equal to the simple average of the variables' indexes. The index's method of calculation is provided in the Methodology.