




The Egyptian Center for Economic Studies



Business Barometer

July 2007

Issue No.19

*Performance and Expectations of the Egyptian Manufacturing,
Construction and Tourism Sectors*

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.

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**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. Detailed information about the sample and questionnaire can be found in the methodology section of the publication.

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, prices, wages, employment and investment over the first six months of 2007. It also summarizes their expectations for overall future economic performance as well as their own activities for the second half of 2007.

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.

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Overview

This edition of the *Business Barometer* reflects the views of 474 large firms regarding the overall performance of the economy as well as their own activities during the first six months of 2007 and their expectations for the second half of the year. The surveyed firms cover the manufacturing, construction, and tourism sectors, in addition to three new sectors surveyed for the first time, namely, transportation, communications and financial intermediation (for more details, see methodology).

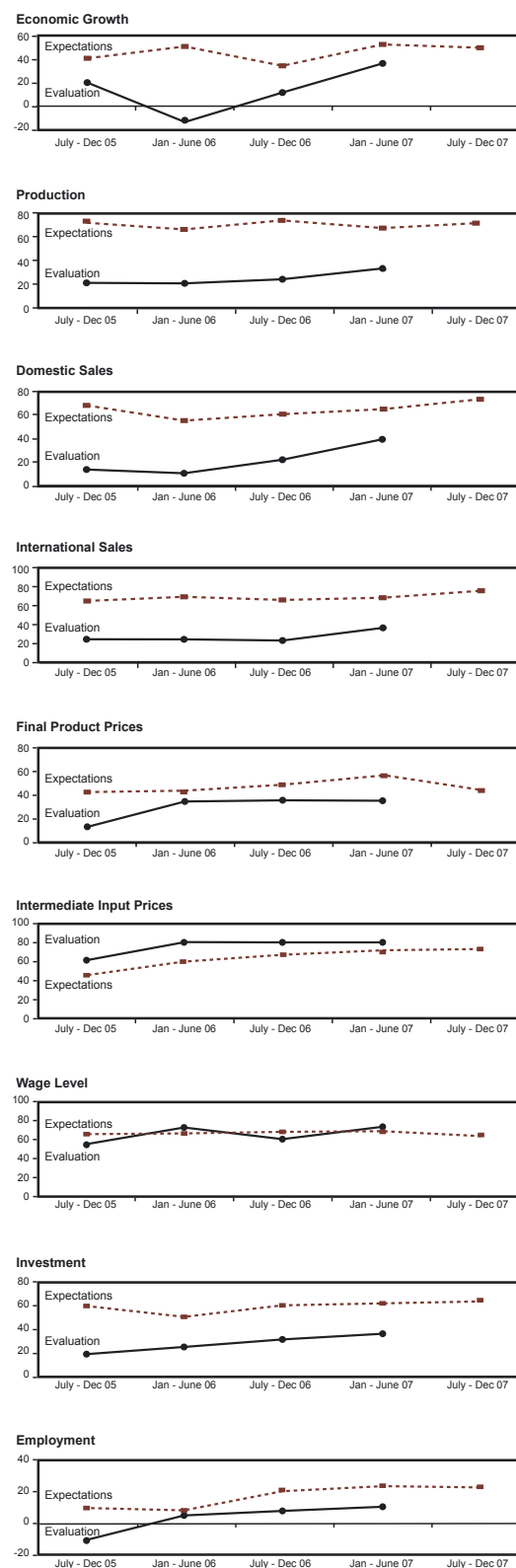
With respect to the past six months, the number of firms with positive perceptions about economic growth more than doubled compared to the previous survey (Figure 1). Regarding own activities, more firms reported higher production, domestic sales, exports and investment. Broadly, the most favorable views were reported by the financial, tourism, construction, manufacturing and communications sectors, in that order. Less favorable views were expressed by transportation firms.

For the next six months, respondents' expectations were mixed. While relatively fewer firms anticipate an increase in economic growth, compared to the previous survey, more firms are optimistic about their own production, and domestic and international sales. Banks and other financial firms reported the highest expectations for the overall economy as well as their own performance. This could be explained by the rigorous measures undertaken recently to reform the financial sector. Firms engaged in tourism, communications, and construction, followed by manufacturing reported predominantly positive views and expectations, while transportation firms were less certain about their own performance.

Firms' positive outlook regarding own performance reflects favorable developments witnessed over the past few years. However, these positive views might not hold for long, as firms expressed uncertainty about the sustainability of economic growth in the short-run. To reinforce firms' confidence in the economy, more rigorous and comprehensive reform measures are needed, especially at the institutional and regulatory levels. As will be explained later, the majority of firms have voiced concern about government regulations, legal procedures and insufficient skilled labor.

The remainder of this edition of the *Business Barometer* elaborates on the main findings of the survey under four main headings: the level of economic activity (overall growth, production, sales, and inventory and capacity utilization);

Figure 1. Trends in Business Survey Indicators, 2005-2007 (net balance)



Source: Survey results.

prices and wages; investment and employment; and finally, the constraints facing the surveyed firms.

The Level of Economic Activity

Higher economic growth with dampened expectations

The majority of respondents reported higher (51 percent) or stable (35 percent) economic growth during the first six months of 2007. Firms' perceptions of economic growth are consistent with recent improvements in the macroeconomy. According to the Ministry of Finance (MoF), real GDP growth rate increased to 6.9 percent during the first three quarters of 2006/07, compared to 6.7 percent in the corresponding quarters of 2005/06. Economic growth during the period July–March of FY 2006/07 was mainly led by investment spending, which increased by 37 percent; and to a much lesser extent by household and government spending, which rose by 3.5 percent and 3.3 percent respectively, during the same period. However, on average, relatively fewer firms compared to the previous survey expect economic growth to rise or to remain stable during the coming six months.

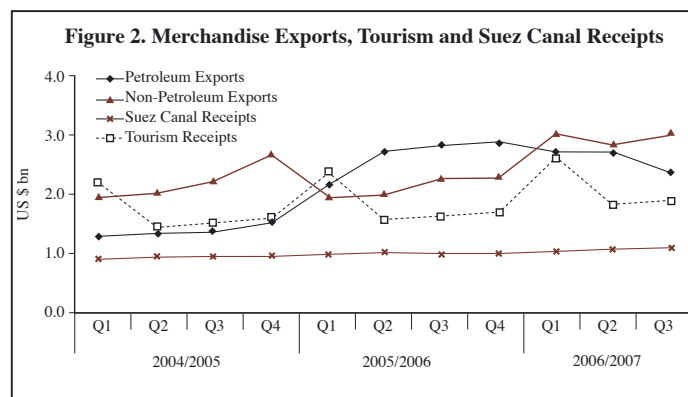
At the sectoral level, the real growth rate of the construction sector reached 16 percent during the first three quarters of 2006/07 compared to 13 percent during the corresponding quarters in 2005/06. The communications sector also witnessed a real growth rate of 14 percent—4 percentage points higher than the same period in the previous fiscal year. Suez Canal and tourism activity achieved remarkable growth during July–September 2006/07, recording 16 and 13 percent growth rates, respectively (MoF 2007). Manufacturing, financial intermediation and other sectors also witnessed a slight increase in growth during the first three quarters of 2006/07, while that of mining declined significantly during the same period. These figures are largely in line with the survey results for the manufacturing, construction and tourism sectors.¹

Regarding exports, preliminary balance of payments estimates for the first three quarters of 2006/07 demonstrated a 42 percent increase in non-petroleum exports, a slight decline in petroleum exports, and a 17 percent rise in services exports (Figure 2). Imports increased by 21 percent during the same period, reflecting rising domestic demand. In addition, the current account registered a surplus of US\$ 3.3 billion, a 74 percent growth over the corresponding period in 2005/06. Net foreign direct investment inflows reached

US\$ 9,045 million during the first three quarters of 2006/07, compared to US\$ 6,604 million in the corresponding three quarters of FY 2005/06.

Despite firms' conservative expectations about overall economic performance during the second half of 2007, high growth rates are more likely to continue, even beyond the next six months. According to *Business Monitor* and the *Economist Intelligence Unit (EIU)* forecasts, growth will likely be led by expansion in the construction, tourism, communications and financial sectors. In addition, FDI inflows are expected to increase through greenfield projects in these sectors, as well as in some manufacturing industries such as textiles and clothing. Prospective privatization of Banque du Caire as well as more public industrial firms will notably raise FDI inflows. Expansion of public spending is also anticipated due to government's commitment to implement the Presidential program, which includes several infrastructure projects, especially in the transportation and water and sanitation sectors. This may require an increase in public revenues to offset the negative impact of rising government spending on overall budget deficit. Banking sector reform, the use of privatization proceeds to pay off public sector loans and high liquidity are more likely to ease the pressure on credit availability to household and private business sectors.

However, business confidence about economic growth prospects is largely dampened by fiscal imbalances, and delayed regulatory, institutional and political reforms. More comprehensive and rigorous reforms in these areas are prerequisites for sustainable economic growth coupled with equitable income redistribution efforts.



Source: Central Bank of Egypt.

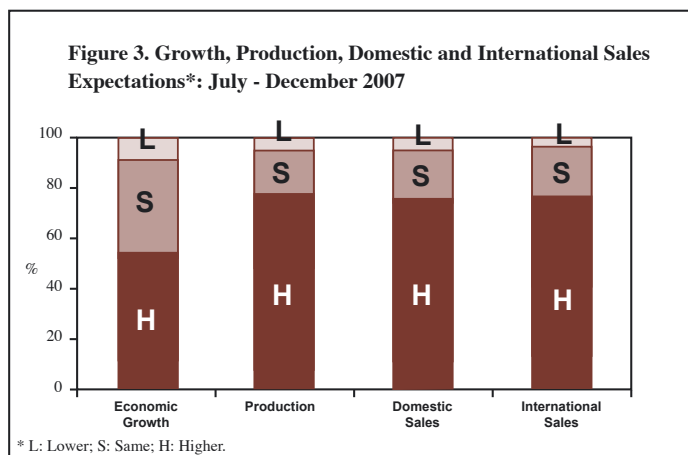
Note: Q1: July-September; Q2: October-December; Q3: January-March; Q4: April-June.

¹ Other sectors were included in the current survey for the first time, so similar comparison could not be conducted.

Production increased with improved expectations

The majority of respondents reported higher (52 percent) or stable (34 percent) production during the first six months of 2007. The most favorable views were reported by firms in the financial, construction and tourism sectors. The performance of manufacturing firms was about average, while that of communications and transportation firms was less than average. Within the manufacturing sector, relatively more firms in the wood and furniture, non-metal, paper, heavy industries, minerals and food industries reported an increase in production. Only plastic, clothing and leather industries reported a decline in production.

Expectations for the next six months are also positive, with 79 percent and 15 percent of firms expecting higher or similar levels of production, respectively. The highest expectations were reported by the financial, communications, tourism, construction and manufacturing sectors; the transportation sector was slightly less optimistic. Within the manufacturing sector, the most favorable expectations were reported by firms in the wood and furniture, paper, leather and non-metal industries.



Source: Survey results.

Domestic sales increased with favorable expectations

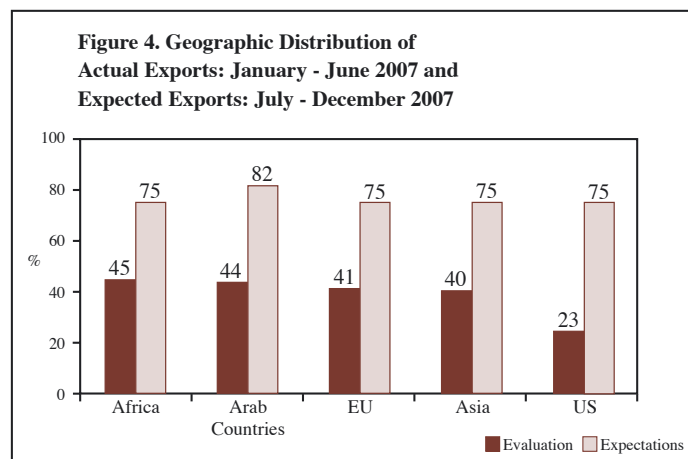
The majority of respondents reported higher (53 percent) or stable (31 percent) domestic sales during the first half of 2007. More firms in the financial, construction, and tourism sectors reported higher domestic sales with less manufacturing, communications and transportation firms reporting improvements in domestic sales. Within the

manufacturing sector, eleven out of the eighteen industries covered by the survey reported higher domestic sales. The leading firms were in the wood and furniture, pottery, paper and heavy industries. The recorded decline in domestic sales in the seven manufacturing industries was more pronounced in footwear, leather, non-metal and clothing industries.

Regarding expectations, most firms anticipate higher (78 percent) or stable (17 percent) domestic sales during the next six months. Relatively more firms were optimistic about domestic sales in the financial, tourism and construction sectors. Furthermore, most firms in manufacturing industries are expecting to raise sales.

International sales also increased with favorable expectations

The majority of firms reported higher (51 percent) or stable (37 percent) international sales during the last six months, with more firms compared to the previous survey reporting higher or stable sales. The most favorable views were reported by the financial, construction and tourism sectors. Within the manufacturing sector, more firms in the metal, non-metal, and chemical industries reported an increase in exports. Figure 4 shows that international sales targeted mainly African, Arab, EU and Asian countries. A lower share was exported to the US. These results are largely in line with CAPMAS data on exports, which revealed that during the period January–May 2007, Egypt’s exports to the EU and Asian countries represented 26.4 and 29.3 percent of total exports, respectively, while exports to the US were only 9.4 percent.



Source: Survey results.

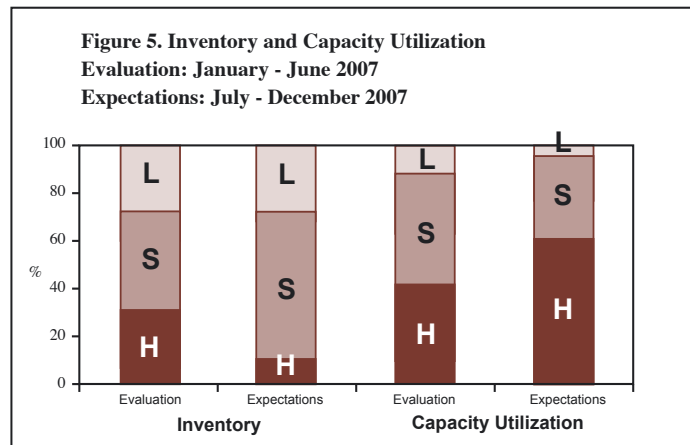
With respect to the second half of 2007, most firms anticipate higher (79 percent) or stable (18 percent) international sales. Firms intend to increase their exports to all countries, especially to Arab countries and the US. The expected increase in exports to the US could be explained by the growth rate of exports under the QIZ protocol, which reached 25 percent of total exports during January–June 2007 compared to July–December 2006. Within the manufacturing sector, the most optimistic views were reported by heavy industries, minerals, textiles, beverages and tobacco, means of transportation, food and metal products industries.

With respect to government export subsidy that firms received during the last six months, the majority of firms reported stable (52 percent) or higher (36 percent) levels of subsidy. Relatively more firms in the manufacturing sector reported higher levels of export subsidy compared to other sectors.

Firms increased inventories and capacity utilization

The majority of firms maintained (44 percent) or increased (30 percent) their inventory levels. In addition, most firms reported similar (46 percent) or higher (41 percent) levels of capacity utilization.

For the next six months, most firms intend to maintain (66 percent) or lower (26 percent) their inventories. Consequently, a sharp decline in inventories is expected compared to the previous survey. Moreover, the majority of respondents intend to increase (61 percent) or maintain (35 percent) their level of capacity utilization. This could be explained by firms intending to meet the expected increase in domestic and international sales by drawing down their inventories and raising their levels of capacity utilization.



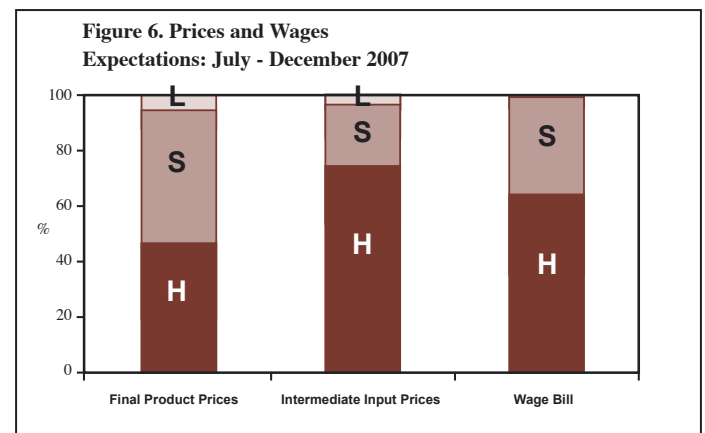
Source: Survey results.

Prices and Wages

Stable prices with mixed expectations

Firms’ views about output and intermediate input prices did not change significantly compared to the previous survey. The majority of firms reported stable (52 percent) or higher (40 percent) output prices. The percentage of firms reporting an increase in output prices is highest in the construction, tourism and manufacturing industries. The vast majority of firms reported higher (80 percent) or stable (18 percent) prices for intermediate inputs. Only firms in the manufacturing (2 percent) and transportation (1 percent) sectors reported lower intermediate input costs. The largest increase in the cost of intermediate inputs could be attributed to higher raw material prices compared to energy and maintenance costs.

For the second half of 2007, 96 percent of firms expect stable or higher output prices. However, fewer firms predict an increase in output prices (45 percent) compared to the previous survey (56 percent). In addition, firms anticipate higher (76 percent) or stable (23 percent) input prices. This trend has not changed much from the previous survey. Higher raw material prices as well as energy and maintenance costs are anticipated for the next six months. Only few firms in manufacturing (2 percent) and communications (7 percent) expect lower intermediate input prices.



Source: Survey results.

Rising wages with lower expectations

The majority of firms reported higher (76 percent) or stable (23 percent) nominal wages during the last six months. Relatively more firms in the manufacturing, tourism and construction sectors reported wage increases. Regarding the second half of 2007, fewer firms expect to increase (65 percent) wage levels, compared to the previous survey (70

percent). More firms in the financial and manufacturing sectors compared to other sectors intend to increase wages.

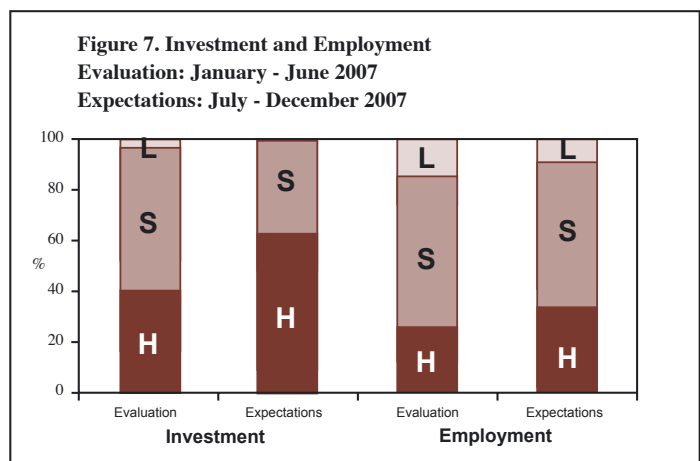
Investment and Employment

Higher investment and employment with similar expectations

The majority of firms reported stable (57 percent) or higher (40 percent) investment levels during the first six months of 2007. The bulk of investments was directed to machinery and equipment. Regarding the next six months, all firms project to increase (61 percent) or maintain (39 percent) the level of investment.

The majority of firms also reported higher (46 percent) or stable (48 percent) investment in research and development (R&D) during the last six months. More firms in the manufacturing and financial sectors invested in R&D activities compared to other sectors.

With respect to employment, firms reported stable (58 percent) or higher (27 percent) levels during the first half of 2007. The majority of these firms hired more blue-collar (30 percent) than white-collar workers (24 percent); and more temporary (54 percent) than permanent workers (49 percent). More firms in the financial, communications and manufacturing sectors reported employment expansion. For the next six months, 57 percent of respondents project to maintain their level of employment, while 33 percent intend to increase it. Relatively more firms in the financial, manufacturing and communications sectors also project employment expansion.

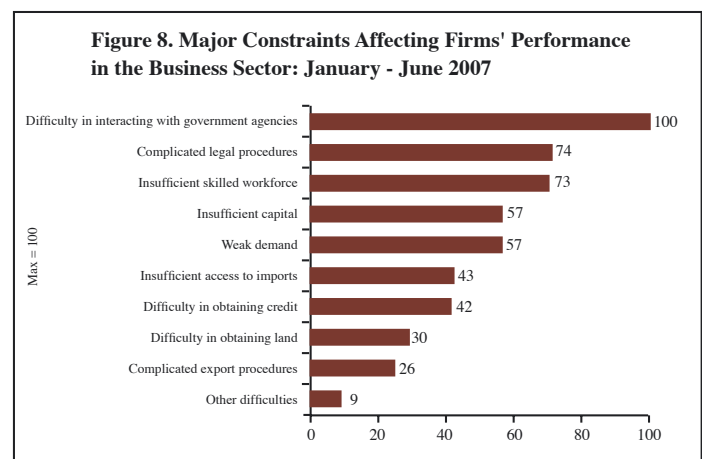


Source: Survey results.

Constraints

Major constraints: difficulty in dealing with government agencies and legal procedures; and insufficient skilled workers

The majority of firms expressed their concern about dealing with government agencies and legal procedures as well as insufficient skilled workers. Capital availability and weak demand were also reported as major constraints that affected firms' activities. Figure 8 illustrates constraints reported by firms as the major factors affecting their performance.



Source: Survey results.

Table 1. Survey Results: Summary of Business Sectors' Evaluations and Expectations¹

(%)

Indicator	Business						Manufacturing						Construction						Tourism						
	Evaluation		Expectations		Expectations		Evaluation		Expectations		Expectations		Evaluation		Expectations		Expectations		Evaluation		Expectations		Expectations		
	Jan. - June 2007		July - Dec. 2007		July - Dec. 2007		Jan. - June 2007		July - Dec. 2007		July - Dec. 2007		Jan. - June 2007		July - Dec. 2007		July - Dec. 2007		Jan. - June 2007		July - Dec. 2007		July - Dec. 2007		
	Higher	Lower	Higher	Lower	Higher	Lower	Higher	Lower	Higher	Lower	Higher	Lower	Higher	Lower	Higher	Lower	Higher	Lower	Higher	Lower	Higher	Lower	Higher	Lower	
Economic growth	51	35	14	37	54	39	7	47	44	40	16	28	56	28	16	40	57	36	7	50	55	33	12	43	
Business activity																									
Production	52	34	14	38	79	15	6	73	51	35	14	37	56	35	9	47	80	13	7	73	58	28	14	44	
Domestic sales	53	31	16	37	78	17	5	73	54	28	18	36	57	32	11	46	82	11	7	75	55	32	13	42	
International sales	51	37	12	39	79	18	3	76	47	40	13	34	61	29	10	51	78	22	0	78	54	35	11	43	
Inventory	30	44	26	4	8	66	26	-18	31	41	28	3	10	60	30	-20	24	49	27	-3	6	72	22	8	
Level of capacity utilization ³	41	46	13	28	61	35	4	57	38	48	14	24	38	48	14	24	62	34	4	58	41	51	8	33	
Prices																									
Final product prices	40	52	8	32	45	51	4	41	44	47	9	35	45	52	3	42	58	38	4	54	69	29	2	67	
Intermediate input prices	80	18	2	78	76	23	1	75	76	22	2	74	74	24	2	72	90	10	0	90	93	7	0	93	
Wage level	76	23	1	75	65	34	1	64	80	20	0	80	71	29	0	71	76	24	0	76	62	38	0	62	
Primary inputs																									
Investment	40	57	3	37	61	39	0	61	44	53	3	41	60	40	0	60	46	51	3	43	69	31	0	69	
Employment	27	58	15	12	33	57	10	23	26	56	18	8	34	52	14	20	22	54	24	-2	16	73	11	5	

Indicator	Transportation						Communications						Financial Intermediaries												
	Evaluation		Expectations		Expectations		Evaluation		Expectations		Expectations		Evaluation		Expectations		Expectations		Evaluation		Expectations				
	Jan. - June 2007		July - Dec. 2007		July - Dec. 2007		Jan. - June 2007		July - Dec. 2007		July - Dec. 2007		Jan. - June 2007		July - Dec. 2007		July - Dec. 2007		Jan. - June 2007		July - Dec. 2007				
	Higher	Lower	Higher	Lower	Higher	Lower	Higher	Lower	Higher	Lower	Higher	Lower	Higher	Lower	Higher	Lower	Higher	Lower	Higher	Lower	Higher	Lower			
Economic growth	54	30	16	38	57	39	4	53	39	47	14	25	69	25	6	63	67	31	2	65					
Business activity																									
Production	35	44	21	14	72	16	12	60	39	50	11	28	79	17	4	75	63	23	14	49	86	12	2	84	
Domestic sales	36	47	17	19	67	20	13	54	42	47	11	31	77	23	0	77	65	20	15	50	86	12	2	84	
International sales	43	39	18	25	74	18	8	66	30	42	28	2	49	48	3	46	88	12	0	88	96	2	2	94	
Inventory	9	55	36	-27	0	91	9	-9	20	70	10	10	11	78	11	0	67	33	0	67	0	75	25	-25	
Level of capacity utilization ³	48	38	14	34	63	32	5	58	39	53	8	31	54	31	15	39	50	39	11	39	53	42	5	48	
Prices																									
Final product prices	28	68	4	24	40	58	2	38	11	78	11	0	13	66	21	-8	25	65	10	15	41	56	3	38	
Intermediate input prices	84	15	1	83	77	23	0	77	63	37	0	63	46	47	7	39	77	23	0	77	85	15	0	85	
Wage level	71	27	2	69	46	50	4	42	52	48	0	52	46	54	0	46	71	29	0	71	72	26	2	70	
Primary inputs																									
Investment	15	84	1	14	42	58	0	42	33	67	0	33	59	41	0	59	49	46	5	44	85	15	0	85	
Employment	23	63	14	9	20	71	9	11	27	67	6	21	32	64	4	28	41	51	8	33	64	33	3	61	

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 2. Survey Results: Summary of Business Sector Evaluation ¹

(%)

Indicator	January - June 2004			July - December 2004			January - June 2005			July - December 2005			January - June 2006			July - December 2006			January - June 2007										
	Higher	Same	Lower	Higher	Same	Lower	Higher	Same	Lower	Higher	Same	Lower	Higher	Same	Lower	Higher	Same	Lower	Higher	Same	Lower								
Economic growth	21	30	49	-28	30	43	27	3	35	40	25	10	40	39	21	19	28	34	38	-10	36	43	21	15	51	35	14	37	
Business activity																													
Production	43	33	24	19	45	37	18	27	42	33	24	18	41	37	22	20	45	30	25	19	44	36	20	24	52	34	14	38	
Domestic sales	39	33	28	11	41	37	22	19	40	34	26	14	42	34	25	17	39	34	27	12	44	35	21	23	53	31	16	37	
International sales	50	29	21	29	49	28	23	26	45	32	23	22	46	29	25	21	46	28	26	19	45	31	24	21	51	37	12	39	
Inventory	19	46	35	-16	21	50	29	-8	29	40	31	-2	22	44	33	-11	25	46	29	-4	27	48	25	2	30	44	26	4	
Level of capacity utilization ³	27	47	26	1	35	45	20	15	33	42	25	8	32	48	20	12	25	48	28	-3	37	48	15	22	41	46	13	28	
Prices																													
Final product prices	56	36	8	48	52	40	8	44	34	49	18	16	30	55	15	16	41	51	8	32	41	51	8	33	40	52	8	32	
Intermediate input prices	98	2	0	98	88	7	5	83	74	16	10	64	70	21	10	60	81	17	3	78	81	17	3	78	80	18	2	78	
Wage level	56	39	5	51	58	40	2	56	62	33	4	58	57	42	1	56	72	25	3	70	62	38	1	61	76	23	1	75	
Primary inputs																													
Investment	25	51	24	1	34	55	11	23	37	53	10	27	30	61	9	21	38	51	11	27	42	49	9	33	40	57	3	37	
Employment	20	57	23	-3	25	49	26	-1	17	54	29	-12	19	57	25	-6	26	54	20	6	26	57	18	8	27	58	15	12	

Table 3. Survey Results: Summary of Business Sector Expectations ¹

(%)

Indicator	July-December 2004			January-June 2005			July-December 2005			January-June 2006			July-December 2006			January-June 2007			July-December 2007										
	Higher	Same	Lower	Higher	Same	Lower	Higher	Same	Lower	Higher	Same	Lower	Higher	Same	Lower	Higher	Same	Lower	Higher	Same	Lower								
Economic growth	41	34	25	16	49	33	18	31	53	34	13	40	56	36	7	49	48	37	14	34	58	35	7	51	54	39	7	47	
Business activity																													
Production	65	26	9	56	67	25	8	59	77	18	5	72	72	18	10	62	73	20	7	67	72	23	6	66	79	15	6	73	
Domestic sales	61	29	10	51	61	28	11	50	75	19	6	69	66	24	10	56	68	23	9	60	69	25	6	62	78	17	5	73	
International sales	65	20	15	50	67	22	11	56	72	21	7	65	74	21	4	70	74	19	7	68	71	26	3	68	79	18	3	76	
Inventory	18	44	38	-20	19	43	38	-19	15	55	30	-15	18	43	39	-21	26	45	29	-3	26	50	24	2	8	66	26	-18	
Level of capacity utilization ³	50	41	9	41	59	36	5	54	63	34	3	60	57	36	7	50	65	29	6	58	69	27	4	65	61	35	4	57	
Prices																													
Final product prices	38	52	10	28	51	39	10	41	44	49	7	37	43	51	6	37	50	46	4	45	56	38	5	51	45	51	4	41	
Intermediate input prices	66	20	14	52	71	22	7	64	57	31	12	45	64	32	4	59	70	27	4	66	75	22	3	72	76	23	1	75	
Wage level	57	40	3	54	67	31	2	65	68	31	1	67	65	35	0	65	68	32	1	67	70	30	1	69	65	34	1	64	
Primary inputs																													
Investment	46	54	0	46	52	48	0	52	59	41	0	59	51	49	0	51	59	41	0	59	61	39	0	60	61	39	0	61	
Employment	17	65	18	-1	22	58	20	2	24	61	15	9	22	63	15	8	33	55	12	21	35	53	11	24	33	57	10	23	

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.

Methodology

Due to the lack of timely real-side data on the Egyptian economy, in 1998 ECES created and conducted a biannual survey targeting the most important sectors affecting economic activity. Aside from providing useful information on business sector views about past performance, the survey also sheds light on the sector's expectations for future production, prices, employment, and investment. Starting this issue, the survey is to be based on a sample of large firms (in terms of activity levels) in the manufacturing, construction and tourism sectors, in addition to transportation, communications and financial sectors. It will continue to be conducted biannually in June and December.

In 1998, the survey was confined to the manufacturing sector. The decision to include the construction sector in 2000 was based on several observations. First, it was noticed that the government made a great effort to provide adequate infrastructure. This led to a significant increase in the construction sector's share in economic activity from 4.94 percent of GDP in FY 1989/1990 to 6 percent in FY 1998/1999. Furthermore, the sector absorbs virtually 8 percent of total employment in the Egyptian economy. The sector investment is rapidly expanding, with the private sector implementing over 80 percent of such investment.

In June 2002, ECES expanded the sample to include the tourism sector due to its relative importance as Egypt's largest foreign exchange earner. The contribution of this sector to GDP exceeds the average of 1.5 percent reported in national accounts. Estimates of tourism's direct and indirect impact on GDP reached 11 percent of GDP in 2000. The sampled firms cover the two main activities in the tourism sector, namely hotels and travel agencies.

In the July 2006 edition, the sample was revised to reflect the contribution of the manufacturing, construction and tourism sectors to GDP and the role of public and private enterprises in generating value added within each sector in accordance with the Ministry of Planning data for 2004/05. Also, the sample of firms was increased to 320 firms (from 210 firms) to allow a broader coverage of large businesses in the economy. Sectoral breakdown of the sample was as follows: 227 manufacturing firms, 50 construction firms and 43 tourism firms.

The structure of the manufacturing sector's sample was also revised to reflect the contribution of each industry to manufacturing value added and the importance of public versus private production within each industry based on

CAPMAS Annual Industrial Statistics 2004 (for the private sector) and 2003/04 (for the public sector). Manufacturing sub-sectors are: food; beverages and tobacco; spinning and weaving; ready-made clothes; wood and furniture; paper and its products; printing; shoes; leather and leather products; rubber products; chemicals and chemical-related products; non-metal mining products; basic metal products; and transportation equipment.

In the current issue (July 2007), the sample was further expanded to include an additional 154 firms covering three more sectors; namely transportation (57 firms), communications (28 firms) and financial intermediaries sectors (65 firms) and an additional 4 firms were added from the construction sector. The number of firms in each sector reflects its share in the 2005/06 GDP. These sectors were selected for their growing contribution in economic activity. In addition, the questionnaire was revised to include more details about firms' evaluation of the geographic distribution of exports, the prices of different intermediate inputs, namely raw materials, energy and maintenance costs, the type of investment: in machinery and equipment, land and buildings, and finally the type of employment, whether white or blue collar. Questions about firms' expectations regarding the geographic distribution of exports and the price of intermediate inputs, by type, were also added to the questionnaire. Three more questions were added to the questionnaire: firms' evaluation of research and development (R&D) spending, support received from the government (such as export subsidies) and sources of finance. The types of constraints that face firms' activities were expanded to include other constraints such as: dealing with government procedures, legal procedures, export procedures, land availability, credit cost and procedures.

The survey elicits responses of firms on current levels of activity in terms of production, sales in domestic and international markets, inventories, the level of capacity utilization, the prices of final products and of intermediate inputs, as well as wages, employment and investment. The survey also probes the changing nature of constraints on business, as well as assessment of overall economic growth (see attached questionnaire).

ECES would like to express its deep appreciation to all companies that participated in the completion of the questionnaires in due time, and would welcome any comments or suggestions for further improvement.

**Business Barometer**

(July 2007: Biannual Survey)

Respondent Name: Position:
 Enterprise Name:
 Nature of Activity: Specialization:
 Telephone Number:
 Sector: Public..... Private
 Year of Foundation: Number of Employees:
 Date of Interview: Surveyed Period: (January 2007 – June 2007)

1- During the past six months relative to the preceding six months:

%

- Was your production/volume of activity: Higher Normal Lower ____
- Was your sales volume/size of activity in the domestic market: Higher Normal Lower ____
- Was your sales volume/size of activity in the international market:
 - *European Union* Higher Normal Lower ____
 - *United States of America* Higher Normal Lower ____
 - *Arab Countries* Higher Normal Lower ____
 - *Asia (excluding Arab countries)* Higher Normal Lower ____
 - *Africa (excluding Arab countries)* Higher Normal Lower ____
- Did prices of your products/ projects: Rise Stay the same Fall ____
- Did prices of your inputs:
 - *Raw materials* Rise Stay the same Fall ____
 - *Energy* Rise Stay the same Fall ____
 - *Maintenance* Rise Stay the same Fall ____
- Did your wage level: Rise Stay the same Fall ____
- Did your inventories: Rise Stay the same Fall ____
- Was your capacity utilization: Approaching full capacity Normal Below ____
- Did your employment, from:
 - *White-collar:*
 - *Permanent* Rise Stay the same Fall ____
 - *Temporary* Rise Stay the same Fall ____
 - *Blue-collar:*
 - *Permanent* Rise Stay the same Fall ____
 - *Temporary* Rise Stay the same Fall ____
- Did your investment in:
 - *Land* Rise Stay the same Fall ____
 - *Buildings* Rise Stay the same Fall ____
 - *Machinery & Equipment* Rise Stay the same Fall ____
- Did your expenditure on R&D Rise Stay the same Fall ____
- Did the value of subsidies that your firm benefit from (if applicable)* Rise Stay the same Fall ____

2- What were your sales/size of activity in Egyptian pounds during: The year before the survey period:-----

The survey period: -----

3- In the past six months, did the economy grow: Faster At the same rate Slower

4- What are your company's main sources of finance from the following list, ranking your choices on a scale from 1 to 4 (1 for the lowest and 4 for the highest source):

	Source	Rank
1-	Own fund/business partner	
2-	Bank credit	
3-	Issuing bonds	
4-	Stock market (selling stocks)	

5- Is your production currently constrained: Yes No

If yes, please rank on a scale from 0 to 4 the following constraints to your production process, where 0 indicates not a constraint and 4 refers to severe constraints.

	0	1	2	3	4
- Insufficient demand					
- Insufficient capital					
- Insufficient access to imports					
- Insufficient skilled workforce					
- Complicated export procedures					
- Difficulty to obtain credit					
- High interest rate on loans					
- Difficulties related to terms of obtaining a bank credit					
- Difficulty to obtain land (for new projects or expansions)					
- Complicated legal procedures					
- Difficulty in interacting with government agencies					
- Other factors (please specify):-----					

6- In the next six months, do you expect:

%

- Your production/volume of activity to: Rise Stay the same Fall ___
- Your sales volume/size of activity in the domestic market to: Rise Stay the same Fall ___
- Your sales volume/size of activity in the international market to:
 - *European Union* Rise Stay the same Fall ___
 - *United States of America* Rise Stay the same Fall ___
 - *Arab countries* Rise Stay the same Fall ___
 - *Asia (excluding Arab countries)* Rise Stay the same Fall ___
 - *Africa (excluding Arab countries)* Rise Stay the same Fall ___
- Prices of your products/ projects to: Rise Stay the same Fall ___
- Prices of your inputs to:
 - *Raw Materials* Rise Stay the same Fall ___
 - *Energy* Rise Stay the same Fall ___
 - *Maintenance* Rise Stay the same Fall ___
- Wage level to: Rise Stay the same Fall ___

7- In the next six months, are you planning to:

- Increase your workforce Maintain it Decrease it
- Increase capital investment Maintain it % in case of increasing

8- In the next six months, do you expect:

- Your inventory to: Increase Stay the same Decrease
- Productive capacity utilization to: Increase Stay the same Decrease

9- In the next six months, do you expect the economy to grow

- Faster At the same rate Slower

* Like exporting subsidies, for example.