ECES
المركز المصري
للدراسات الاقتصادية
The Egyptian Center
for Economic Studies

Business Barometer

Issue 67 - 2023

Performance Evaluation during the period April – June 2023 and Outlook for the period July – September 2023 from the Business Community's point of view

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Business Barometer

Issue 67 April – June 2023

Contents

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Executive Summary

This edition of the Business Barometer presents a periodic evaluation carried out by the Egyptian Center for Economic Studies of a sample of 120 private sector firms covering various sectors and sizes. It reflects the views of the business community regarding developments across a set of variables, specifically production, domestic sales and exports, commodity inventory, level of capacity utilization, prices, wages, employment, and investment, during the quarter April - June 2023 and its outlook for the quarter July - September 2023, comparing the results with the previous quarter (January - March 2023) and the corresponding quarter (April - June 2022). Below is an overview of key survey results for the quarter under study (April - June 2023), focusing on the most important developments regarding the macroeconomy and results of the overall business barometer index.[1]

Macroeconomic Overview

Globally, in its report issued in July 2023 the IMF projected the global economy to grow by about 3% during the years 2023 and 2024, compared to 3.5% in 2022. Although this rate is still lower than the historical annual average of 3.8% during the period 2000-2019, it is an improvement of 0.2 points over its forecast in April 2023. This slight improvement reflects many factors, including resolving the debt ceiling crisis in the United States, and containing the turmoil in its financial sector, in addition to the recovery of supply chains and a decline in shipping costs and delivery times.

The IMF also expects global inflation to decline gradually from 8.7% in 2022 to 6.8% in 2023 and to 5.2% in 2024 due to the decline in commodity, energy, and food prices from their peak in 2022. This decline was contributed by the return of supply chains to their normal path and continued monetary policy tightening, but inflation remains higher than pre-pandemic levels.

Global growth remains beset by many risks resulting from expectations of continued high inflation rates that may push for further monetary tightening, which negatively affects economic activity, especially if further shocks occur, related to the Russian-Ukrainian crisis or climate change, in addition to expectations of a slowdown in economic recovery in China as a result of contraction in consumption and turmoil in the real estate sector. Finally, higher borrowing costs for emerging and developing economies increase the risk of debt distress (IMF 2023).[2]

Locally, inflation rates are still higher than targeted and the Central Bank of Egypt (CBE) has decided to continue adopting a contractionary monetary policy to counter expectations of continued inflationary pressures. It raised the overnight deposit and lending rates and the main operation rate by 100 basis points to reach 19.25%, 20.25% and 19.75%, respectively. The credit and discount rates were also raised by 100 basis points to reach 19.75%.

The business community was negatively affected by these policies and other constraints facing it at the local level, in addition to being affected by the slowdown in

[1] The survey was conducted during July 2 - August 6, 2023.
[2] International Monetary Fund (IMF), 2023. World Economic Outlook Update: Near-Term Resilience, Persistent Challenges. July, IMF.

the global economy, which was reflected in the continued decline of both the Purchasing Managers' Index and the Business Barometer Index.

The value of the Purchasing Managers' Index is still below 50 points (the neutral level), as the index recorded 49.1 in June 2023. This contraction is due to global factors related to the slowdown in the global economy and deterioration of global manufacturing conditions, given global and geopolitical crises along with uncertainty. At the local level, despite the relative improvement in production indicators of the non-oil private sector, the rise in production costs had a negative impact on exports and domestic sales, as well as a decline in export orders as a result of the decline in global demand. Firms also exercised caution regarding the expansion of employment (S&P Global 2023).[3]

Performance evaluation and outlook: The overall index

Performance evaluation: The business barometer index (BBI) continued its decline during the period under study (April - June 2023). It recorded a decrease of 5 points below the neutral level, which is lower than both the previous and the corresponding quarters. This reflects the ongoing challenges facing firms caused by the return of the problem of shortage of raw materials and imported production requirements due to unavailability of foreign currency and existence of multiple parallel-market rates following the temporary relief in the release of imports witnessed in the previous quarter. In addition, factories suffered from power outages and unavailability of fuel oil (mazot). Overall, firms are suffering from a decline in domestic demand as a result of weak purchasing power with continued inflation, in addition to a decline in external demand due to the inability to fulfill export obligations on time due to the failure to solve the problems of shortage of raw materials and production requirements, prompting clients of these firms to seek other export markets than the Egyptian market.

Outlook: The outlook index recorded values two points higher than the neutral level during the quarter July-September 2023 , which is higher than the previous and corresponding quarters. However this increase does not reflect expectations of improved business, but rather statistical factors. Most sectors expected the deteriorating performance to persist over the next quarter as a result of expectations of continued difficulties facing firms such as shortage of raw materials, their higher prices, and difficult competition.

Key constraints Encountered by businesses during the quarter under study:

According to all firms, inflation continued to top the list of constraints during the current quarter due to its impact on both the supply and demand sides. On the one hand, high inflation caused a decline in demand for products. On the other, it led to an increase in production costs, and thus a decline in supply and business volume, and a lack of liquidity for investment. Then comes the movement in the exchange rate, which was the reason behind the suffering of the business community as a result of the rise in the value of the US dollar against the Egyptian pound and the subsequent rise in the prices of most goods and services, in addition to the distortion of the exchange rate system due to the existence of more than one rate in the market and lack of predictability of the exchange rate policy and thus the inability to make estimates of product prices for future contracts. High production costs came next among the most important constraints. It

[3] S&P Global. 2023. Purchasing Managers Index (PMI).

led to an increase in the prices of production requirements, especially imported ones, in addition to an increase in sea freight rates, disruption of global supply chains, and shortage of raw materials as well as an increase in their prices, which resulted in inability to compete in foreign markets and weak sales in domestic markets. The list of constraints also includes weak purchasing power resulting from inflation, followed by the tax system represented by high tax rates and multiple tax bases for projects, followed by difficult procedures for dealing with government agencies, delayed and lengthy procedures, in addition to continuing challenges associated with increased government service fees without a comparable real improvement in service quality, including customs insurance fees, road and bridge tolls, licensing and registration fees, and fees for the Export Development Authority and the National Food Safety Authority and Industrial Security.

Key priorities for improving the business climate in Egypt from the point of view of the sample of firms:

Addressing high inflation rates continues to top the list of priorities due to its negative impact on all sectors, followed by improving investment policies that affect the economy in general, and the need to engage representatives of the business community in decision making, which will improve investment. Attention should also be paid to digital transformation mechanisms, which will result in improving the business climate, facilitating government procedures, linking different government agencies together, eliminating bureaucracy, and reducing time and effort. The need to improve the tax system and reduce the number of tax bases remains one of the priorities that can contribute to improved investment climate in general.

About ECES

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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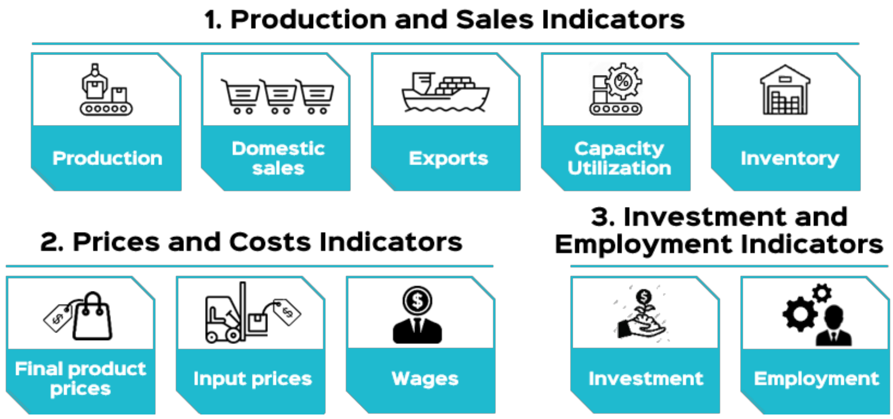
Report Details

Business Baromete Methodology

To complement its efforts in providing integrated information that reflects the developments witnessed by the Egyptian economy in general and the business community in particular, the Egyptian Center for Economic Studies (ECES) has been issuing its Business Barometer (BB) since 1998. The BB provides a quarterly assessment of the performance of a sample of private firms covering various sectors and sizes. This assessment reflects the opinion of the business community regarding developments across a set of variables during the quarter under review, and sheds light on its outlook for the developments of the same set of variables in the next quarter.

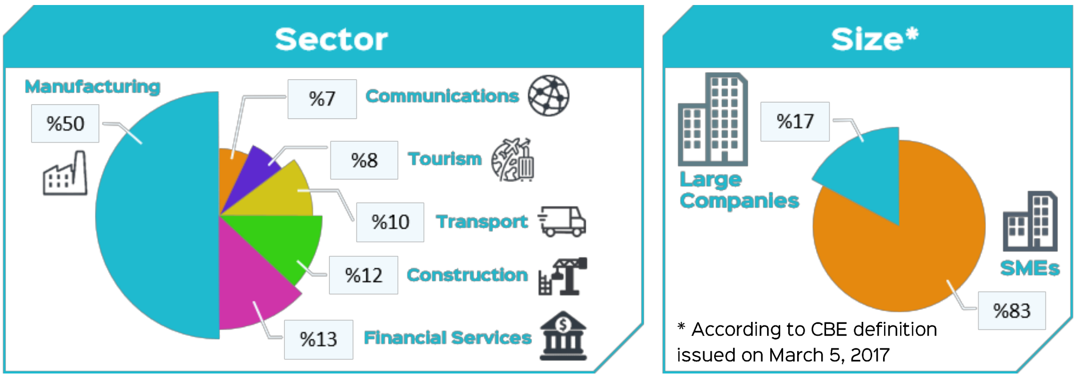


The importance of this issue of the BB is further magnified by the challenges that the business community has been facing since the beginning of 2020 as a result of the COVID-19 pandemic. Therefore, it is important to track the impact of the pandemic on the business community, especially in light of the measures taken by the government to counter its impact.

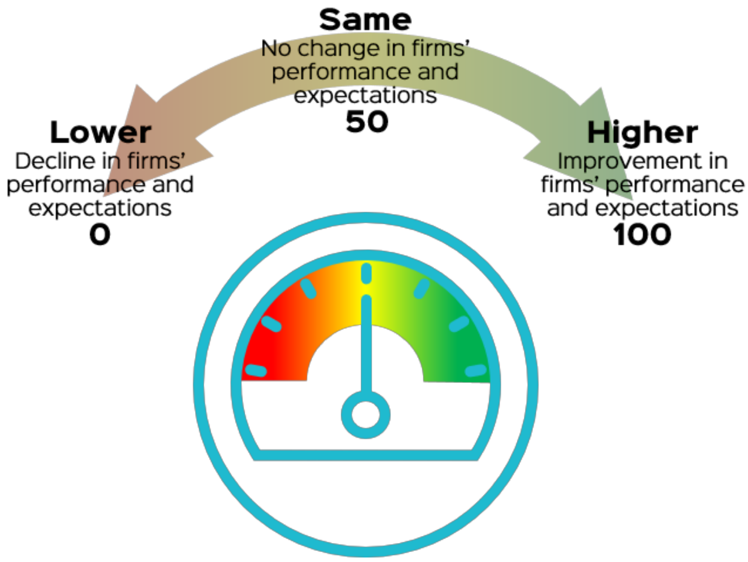
This report offers an assessment of the performance of the sample at hand during the quarter (October-December 2021) and its outlook for the quarter (January-March 2022).

The report begins with an overview of the macroeconomy at the global and domestic levels, then presents the results of performance assessment and outlook at the overall index level. It then moves on to the constraints faced by the business community during the quarter under study, and the priorities suggested for improving the business climate from the point of view of the sample at hand. Finally, the report concludes with an assessment of performance and outlook at the level of sub-indices.

The BB is built on the results of a quarterly survey conducted by the ECES for a stable sample of 120 private firms distributed as follows:



- The analysis evaluates the performance of the firm sample during the quarter under study and their outlook for the next quarter, comparing them both with the results of the previous quarter and those of the corresponding quarter of the previous year.
- Performance and outlook are evaluated at two levels: Results of the overall index and results of sub-indices.
- The BB overall index represents a simple average of the set of sub-indices of the variables mentioned in the questionnaire. It displays values greater than, lower than, or equal to the neutral level (50 points).



The index is calculated for each variable using this 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. The index ranges between 0 and 100, with the higher index reflecting a better business environment and vice versa. It is worth noting that the index is inverted for both inventories and input prices as increases in these two variables reflect an unfriendly business environment for firms.

Constraints and Priorities for Improving the Business Environment:

Firms assess the severity of each constraint with a rating that ranges from 0 (insignificant constraint), to 4 (highly significant constraint). The firm is allowed to cite more than one constraint. With regards to priorities for improving the business environment, the evaluation of each pillar ranges from 0 (not a priority) to 4 (high priority). Firms are allowed to name more than one pillar as priority to improve the business environment.

This is followed by calculating a weighted average of the number of firms and their evaluation of the constraint/priority at the whole sample level.

The averages of all constraints/priorities are re-evaluated to range between zero and 1 and then normalized using new values of the averages of all constraints/priorities so that the constraints /priorities can be arranged in descending order of severity, with 100 percent being the most severe constraint and highest priority

Macroeconomic Overview

This section gives an overview of the major developments witnessed by the global economy, as well as performance of the most important macroeconomic indicators in Egypt, according to the latest data available locally until the date of publication of this report.

Slight gradual improvement and ongoing risks

In its report issued in July 2023, the IMF projected the global economy to grow by about 3% during 2023 and 2024, compared to 3.5% in 2022. Although this rate is still lower than the historical annual average of 3.8% for the period 2000-2019, it represents an improvement of 0.2 points over its forecast in April 2023. This slight improvement reflects many variables, including resolving the debt ceiling crisis and containing the turmoil in the financial sector in the United States, in addition to the recovery of supply chains and a decline in shipping costs and delivery times to pre-pandemic levels.

Global growth has varied across regions and sectors. **At the regional level**, advanced economies remain the main driver of the growth decline, as their growth rate is expected to decline to about 1.5% in 2023 compared to 2.7% in 2022. This is due to the slowing growth in the United States and the Eurozone, while growth outlook in emerging and developing economies will stabilize around 4% during 2023 and 2024. **At the sectoral level**, the service sector supported the global economic growth achieved during 2023, while non-service sectors, including manufacturing are experiencing a state of weakness as a result of the decline in both consumption and investment, and the slowdown in global production and international trade (IMF 2023).

The Purchasing Manager's Index (PMI) fell in June to its lowest level since the beginning of 2023, recording 48.8 points, a decline of about 1.6% compared to May, as a result of a decline in all sub-indices, except for employment, which remained stable. Production levels declined worldwide except in ten counties, including seven Asian countries. India, Thailand, Russia and Indonesia were at the top of these countries (IHS Markit 2023).[4]

The IMF expects global inflation to gradually decline from 8.7% in 2022 to 6.8% in 2023 and then to 5.2% in 2024 due to a decline in commodity, energy, and food prices from their peak in 2022. The return of supply chains to their normal path and the continued tightening of monetary policy contributed to this decline, but inflation remains higher than pre-pandemic levels.

Global growth is still encircled by many risks resulting from expectations of continued high inflation, which may prompt the adoption of further monetary tightening; negatively affecting economic activity, especially if shocks occur, whether related to the Russian-Ukrainian crisis, or weather conditions, in addition to expectations of a slowdown in economic recovery in China as a result of contraction in consumption and the property crisis. Finally, higher borrowing costs for emerging and developing economies increase the risk of debt distress (IMF 2023).[5]

With respect to the Egyptian economy, the World Bank projected a slower growth of the Egyptian economy to around 4% during 2023 and 2024 before rising to 4.7% in 2025,

[4] IHS Markit. 2023. J. P. Morgan Global Manufacturing PMI, July, IHS Markit.
[5] IMF. 2023. World Economic Outlook Update: Near-Term Resilience, Persistent Challenges. July, IMF.

attributing this to the acute shortage of foreign currency and deterioration of the value of the local currency (World Bank 2023)[6].

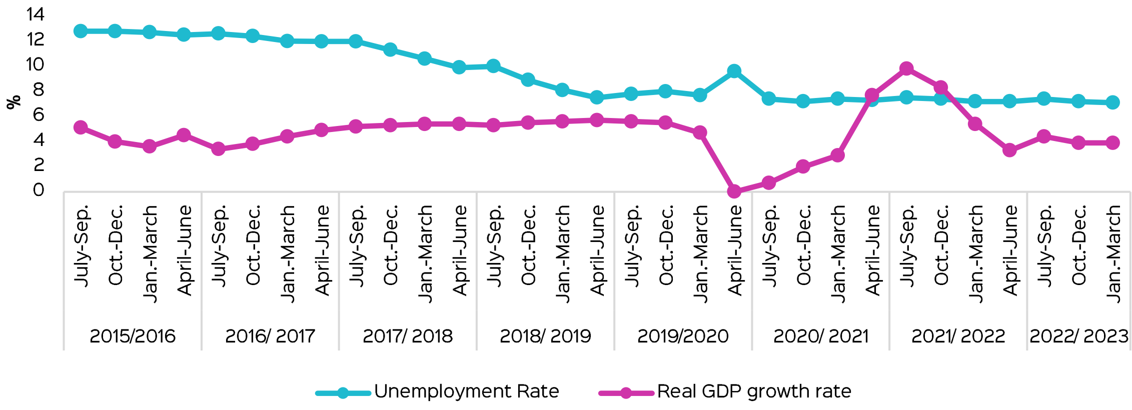
The contraction in the non-oil private sector in Egypt continued over the past two years, as the value of the Purchasing Managers' Index remains below 50 points (neutral level), recording 49.1 points in June 2023. This contraction is due to global reasons related to the slowdown in the global economy and deterioration of global manufacturing conditions, in light of global and geopolitical crises along with uncertainty. At the local level, firms exercised caution regarding the expansion of employment in anticipation of any additional developments that may affect their activity. The decline in export orders significantly affected the activity of Egyptian exporting firms during the month of June 2023, despite the relative improvement in production indicators of the non-oil private sector and rise in new orders. Despite continued stability of the exchange rate and the decline in cost pressures, some sectors witnessed an increase in prices, which negatively affected exports (S&P Global 2023).

The contraction in Egypt's non-oil private sector continued over the past two years, as evident by the PMI value, which remained below 50 points (neutral level), scoring 47.3 points in April 2023. This contraction is due to local and global factors. The former relates to the Central Bank of Egypt (CBE) raising the interest rate more than once to curb inflation, continued local supply chain disruptions with the escalation of prices and depreciation of the pound, and persistence of the problem of foreign currency shortage. The global factors are linked to the slowdown of the global economy and repercussions of the Russian-Ukrainian war (S&P Global 2023).[7]

The following section reviews the latest developments in macroeconomic indicators according to the latest data published up to the date of publication of this report.

- According to estimates by the Ministry of Planning and Economic Development, growth rate in January - March of FY 2022/2023 stabilized around 3.9%, thus the growth rate achieved during H1 of the current fiscal year is estimated at 4.2%. The unemployment rate recorded about 7.1% during Q3 of FY 2022/2023, a decrease of 0.1% from the previous quarter of the same year (Figure 1).

Figure 1. Real GDP Growth and Unemployment Rate during (2015/2016 – 2022/2023)

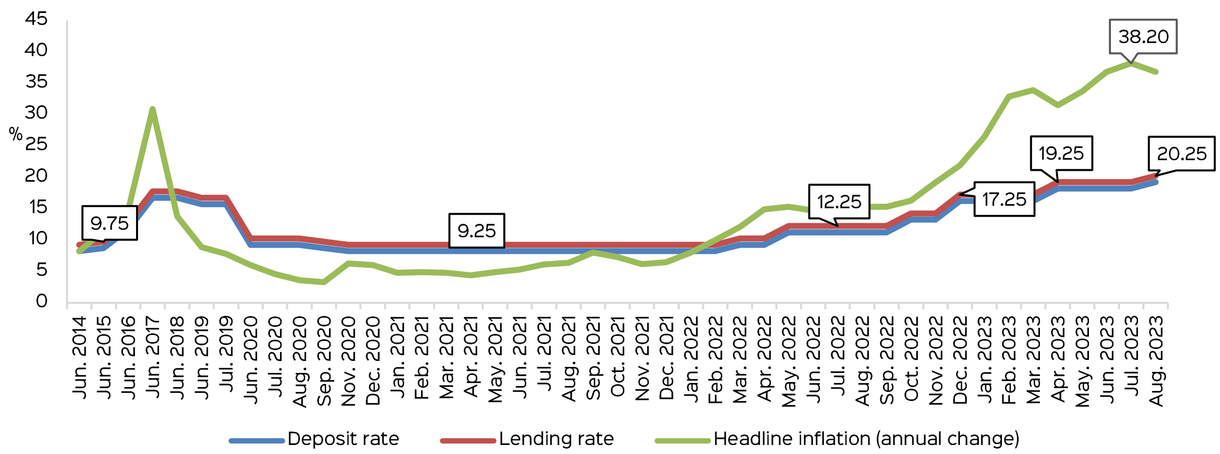


Sources: Ministry of Planning and Economic Development, Central Agency for Public Mobilization and Statistics (CAPMAS), Quarterly Labor Force Survey, various issues.

[6] World Bank Global Economic Prospects, June 2023.
[7] S&P Global. 2023. Purchasing Managers Index (PMI).

- Annual inflation rate has continued to rise since January 2022, reaching about 36.8% in June 2023, compared to 14.7% in June 2022. The adoption of a more flexible exchange rate and currency depreciation is one of the reasons behind the recent inflationary wave (Figure 2). The greatest upward pressure came from the prices of food, beverages, furniture, and household appliances, in addition to hotel and restaurant services (CAPMAS 2023).[8]

Figure 2. Inflation and Policy Rates



Sources: CBE, Monthly Statistical Bulletin, various issues; CBE Monetary Policy Press Release on October 27, 2022; CAPMAS, Monthly Consumer Price Bulletin, various issues.

- To avoid inflationary pressures and control inflation, the Monetary Policy Committee of the Central Bank of Egypt decided at its meeting on Thursday, August 3, 2023, to raise the overnight deposit and lending rates and the Central Bank's main operation rate by 100 basis points to 19.25%, 20.25% and 19.75%, respectively. The credit and discount rates were also raised by 100 basis points to reach 19.75%.[9]

- **On the fiscal side**, overall budget deficit as a percentage of GDP increased in the last quarter of FY 2022/2023 (April-June 2023) to 5.8%, compared to 5.17% in the corresponding quarter of the previous year. This deficit is due to the growth of expenditures by about 27.5%, while imports grew by only about 20%.[10]

- **In terms of foreign transactions:** In the last quarter of FY 2022/2023, the balance of payments recorded an overall surplus amounting to $281.9 million, compared to a total deficit of about $7.3 billion in the previous FY (2021/2022). Below are more details about developments in the most important items in the balance of payments:[11]

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[8] Central Agency for Public Mobilization and Statistics (CAPMAS). 2023, Monthly bulletin of the Consumer Price Index, June 2023, July issue.
[9] Central Bank of Egypt (CBE). 2023. MPC press release August 3, 2023.
[10] Ministry of Finance (MoF). 2023. Monthly Financial Report, June 2023.
[11] CBE press release on the performance of the balance of payments during the July/ March period of FY 2022/2023.

1) **Current Account:** The current account deficit declined by about 61.2% from its value in the previous fiscal year to record $5.3 billion during July 2022 - March 2023 of FY 2022/2023. This is due to the following:

- The trade deficit decreased by about $10 billion (29.8%) to $23.6 billion, due to a decline in the non-oil trade deficit by about $12.4 billion (32.9%) to $25.2 billion. This is a result of a decrease in non-oil imports by about 22% compared to their value during the corresponding period of the previous fiscal year, recording $44.5 billion, while non-oil exports recorded $19.3 billion.
- Tourism revenues increased by 25.7% to record $10.3 billion in the first 9 months of FY 2022/2023, compared to $8.2 billion in the same period of the previous fiscal year (2021/2022), due to the increase in the number of tourist nights, and number of tourist arrivals.
- Suez Canal revenue increased by 22.3% to record about $6.2 billion (compared to about $5.1 billion), which contributed to an increase in transport revenues by 41.4% to $9.9 billion (compared to about $7 billion).

The increase in the current account deficit has been offset by the following:

- The surplus in the petroleum trade balance decreased by 59.5%, recording about $1.7 billion (compared to $4.1 billion) due to a decrease in petroleum exports by $1.3 billion and an increase in petroleum imports by $1.2 billion.
- Remittances from Egyptians working abroad decreased by 26.1% to about $17.5 billion.
- The investment income deficit increased by 198% to about $13.5 billion.

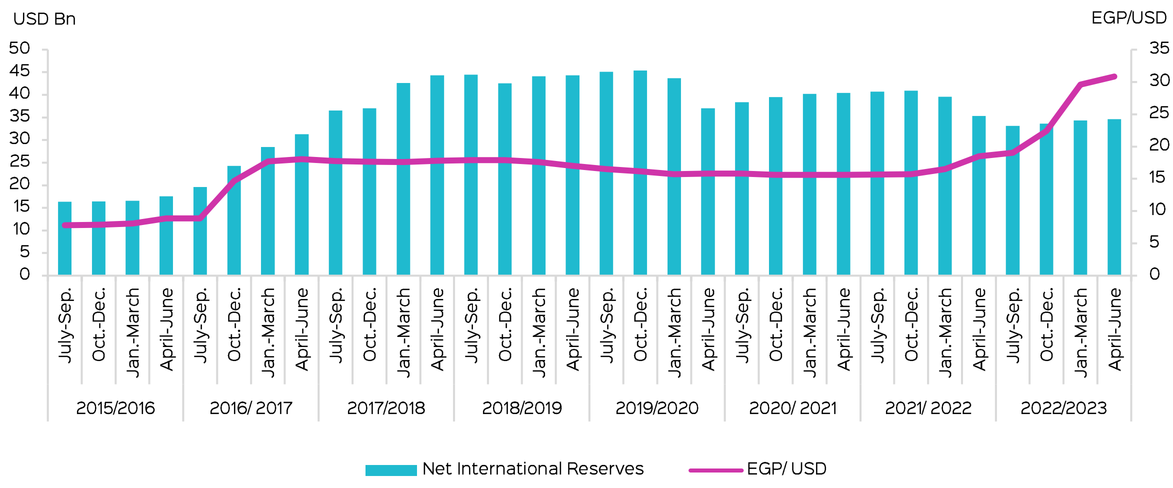
2) **Capital and Financial Account:** A net inflow of about $8.1 billion (compared to about $10.8 billion) was recorded as a result of the following developments:

- The Central Bank's obligations recorded a net inflow of about $3 billion (compared to about $16.4 billion).
- Net foreign assets of banks declined by $793.2 million (inflows), compared to a decline of $3.6 billion in the corresponding period.
- The net outflows of investments in Egypt's securities portfolio declined to about $3.4 billion (from $17.2 billion).

- The net inflows of foreign direct investment (FDI) increased, recording about $7.9 billion compared to about $7.3 billion in the period July 2022 - March 2023 of FY 2022/2023. Net FDI in non-petroleum sectors recorded about $8.9 billion (compared to $9 billion) due to an increase in both net incoming investments to establish new firms or increase the capital of existing ones, and net retained profits, while a decline was recorded in proceeds from the sale of firms and productive assets of non-residents and net investments received to purchase real estate by non-residents. Net FDI in the petroleum sector rose to about $4.2 billion (compared to $3.8 billion), while remittances declined to $5.1 billion (compared to $5.4 billion). Net outflows, on the other hand declined to $925 million (compared to $1.7 billion).

- Egypt's external debt stock amounted to about $162.9 billion at the end of December 2022, an increase of 12% from its value in December 2021 and an increase of 4.6% compared to June 2022. This increase was a result of the increase in the net usage of loans and facilities by about $7.2 billion, while the decline in the exchange rates of most borrowing currencies against the US dollar did not affect the decrease in the debt stock except by about $34.6 million. As for external debt service, it was about $11.9 billion during July-December 2022/2023 (installments paid were about $9.1 billion, while interest paid was about $2.8 billion). The ratio of the external debt stock to gross domestic product was about 35.5% at the end of December 2022.[12]
- Net foreign reserves increased by about $109 million, reaching about $34.66 million at the end of May 2023, compared to about $34.551 billion at the end of April 2023. The pound continued to deteriorate against the US dollar, recording EGP 30.839 pounds per dollar in May 2023[13] (Figure 3).

Figure 3. Net International Reserves and Exchange Rate



Sources: CBE, Monthly Statistical Bulletin, various issues; and the Ministry of Finance (MoF), Monthly Financial Report, various issues.

[12] CBE, Monthly Statistical Bulletin, May 2023.
[13] CBE news: Net international reserves reach $34,660.4 million at end of May 2023.

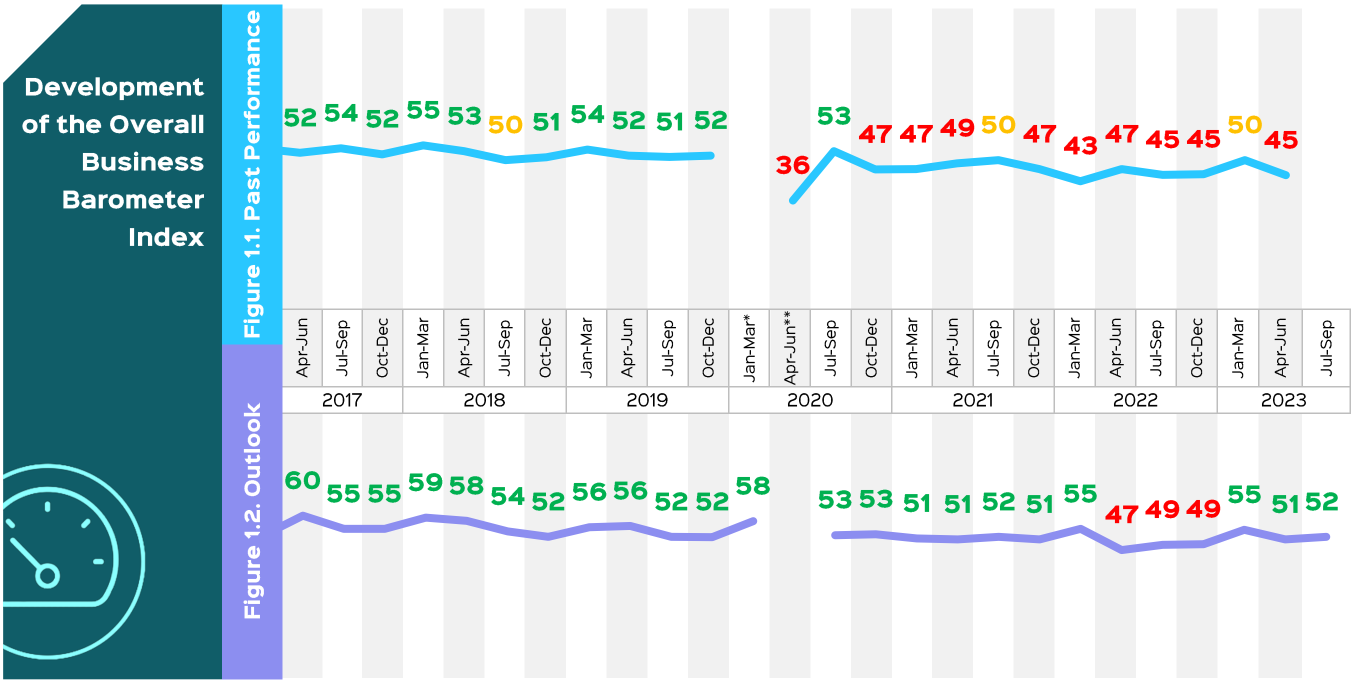
Business Barometer Index (BBI)

I. Past Performance and Outlook per the Overall Business Barometer Index

The BBI declined more severely during the quarter under study compared to the previous quarter, with divergent performance and expectations across sectors.

1.1. Changes in the Overall Index

The BBI continued its decline during the reviewed quarter (April - June 2023), recording a decrease of 5 points from the neutral level, which is a lower performance than its counterpart in the previous and corresponding quarters. This reflects the ongoing challenges facing firms as a result of the return of the problem of shortage of raw materials and imported production requirements, attributed to the unavailability of foreign currency and presence of multiple parallel market rates following a temporary relief in the previous quarter due to the release of imports. In addition, factories suffered from power outages and unavailability of diesel fuel (mazot). At the macro level, firms are suffering from declined domestic demand as a result of weak purchasing power with continued inflation, in addition to a decline in external demand due to their inability to fulfill export obligations on time caused by failure to solve the problems of shortage of raw materials and production requirements, which prompted their customers to search for other exporting markets (Figure 1-1).



Source: Survey results.

* Data for January-March 2020 are unavailable due to the pandemic-related lockdown.
** Data for April-June 2020 are unavailable due to the pandemic-related lockdown.

In July-September 2023, the outlook index recorded values two points above the neutral level and higher than both the previous and corresponding quarters. However, this increase does not reflect expectations of improved business, but is primarily due to statistical reasons, as firms expected continued difficulties from the shortage of raw materials, high prices, and difficult competition. This will be illustrated in detail from the sub-indicators (Figure 1.2).

1.2. The Index according to Firm Size

There is no obvious variation in performance evaluation and outlook between **large firms, and small and medium-sized firms (SMEs)**. The evaluation index for all firms recorded a decline of five points from the neutral level. The performance evaluation index of **large firms** in the current quarter is close to its counterpart in the previous and corresponding quarters. The evaluation index of **SMEs** registered the largest percentage of decline, decreasing at a steeper rate (8 points) than in the previous quarter, albeit no significant difference was registered from the corresponding quarter. This indicates that the rise in the index during the previous quarter represented a temporary relief for firms and difficulties soon reemerged (Figure 1-3).

Large Firms	Figure 1.3. BBI by Firm Size Past Performance	SMEs
45	Apr – Jun 2023	45
47	Jan – Mar 2023	53
47	Apr – Jun 2022	46

Source: Survey results.

As for the outlook index, all firms recorded values higher than the neutral level. **Large firms** registered similar values to the previous quarter and better than the corresponding quarter by four points. **SMEs,** however, posted higher values than both the previous and corresponding quarters (Figure 1.4).

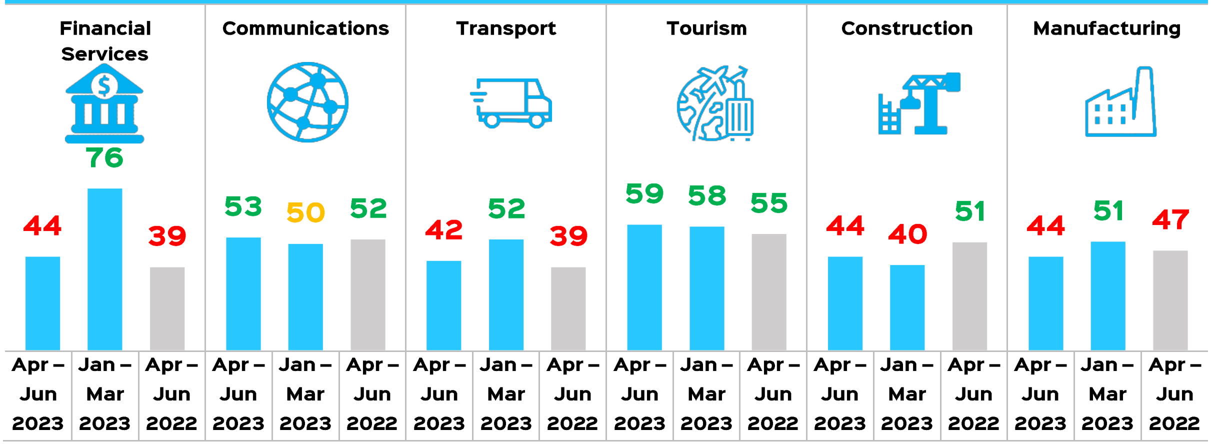
Large Firms	Figure 1.4. BBI by Firm Size Outlook	SMEs
52	Jul – Sep 2023	51
52	Apr – Jun 2023	50
48	Jul – Sep 2022	49

Source: Survey results.

1.3. The Index according to Economic Sectors

The performance of most economic sectors deteriorated, specifically **manufacturing, construction, transportation, and financial services, which** recorded values below the neutral level, while **communications and tourism** registered higher values than the neutral level (Figure 1.5).

Figure 1.5. BBI by Economic Sectors - Past Performance



Source: Survey results.

The following is an analysis of the performance of economic sectors during the quarter under study according to the views of the sample, and compared to the previous and corresponding quarters:

- The **manufacturing sector** posted values six points lower than the neutral level, which is lower than in the previous and corresponding quarters. Deterioration in the sector's performance is due to several factors, including shortage of raw materials and their higher prices, weak exports due to customers resorting to other markets since Egyptian firms do not adhere to specified delivery dates, higher prices of products compared to other markets, which weakened their external competitiveness; deficit in working capital due to delays in disbursing export subsidies and multiple tax bases.

- For the **construction sector**, the performance index decreased by 6 points below the neutral level during the quarter under study, but higher than the previous quarter by 4 points, and lower than the corresponding quarter by 7 points. This deterioration is due to weak market liquidity and the rise in prices of imported raw materials. The sector is still suffering from difficult licensing procedures, the new requirements in the Unified Building Law, and increased tax burdens.

- The **tourism sector** registered the highest value in the performance index in the quarter under study, exceeding the neutral level by 9 points—a better performance than the previous and corresponding quarters. This can be explained by the increase in the number of tourist arrivals during that period, inauguration of new museums, increased domestic flights, the Hajj season, the return of workers from abroad, and summer vacations.

- **Transportation** witnessed the most deterioration, recording values 8 points lower than the neutral level, 10 points lower than the previous performance, and 3 points better than the corresponding level. This decline is due to weak import and export process, on which transport and shipping firms depend, and the modest performance of most sectors.

- The **telecommunications sector's** performance index exceeded the neutral level by 3 points in the quarter under study—a better performance than in the previous and corresponding quarters. This can be attributed to the higher demand for information technology services and modern applications, the temporary customs release of goods and raw materials in the previous quarter, in addition to new contracts for firms.

- The **financial services sector** registered a decrease of 6 points from the neutral level and 32 points from the previous quarter, albeit better by 5 points than in the corresponding quarter. This is due to the large number of holidays during the period under study and the decrease in working hours, which reduced trading.

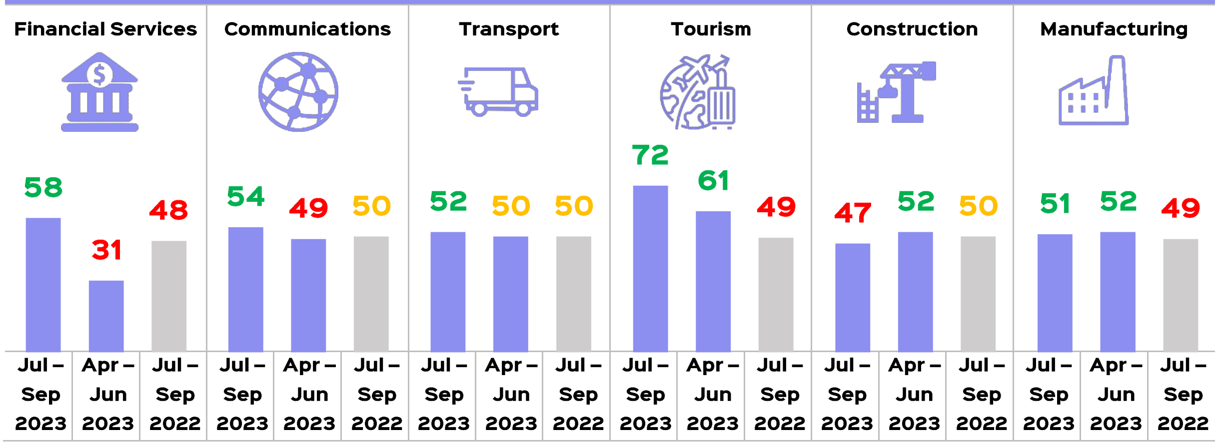
The outlook index for the upcoming quarter (July-September) exceeded the neutral level in **all sectors**, except for **construction, which registered** values below the neutral level.

The higher outlook index is a result of sectors mostly expecting current performance to remain stable during the next quarter, except for the tourism and financial services sectors, which expect improved performance.

The following is an analysis of sectoral outlook for the coming quarter compared with the previous and corresponding quarters:

- The outlook index of the **manufacturing sector** is lower than the previous quarter by one point and higher than the corresponding quarter by two points. This is due to the lack of indicators about any imminent improvement, especially with regards to availability of foreign currency necessary for imports. Therefore, the sector will continue the same production rates until raw materials are made available. In addition, weak demand in the domestic market continues given high inflation, and weak external market with higher prices compared to similar markets.
- The most pessimistic outlook for the next quarter were reported by firms in the **construction sector**, recording values 3 points below the neutral level and lower than the previous and corresponding quarters. This is explained by the government's slowness in taking decisions to improve the sector's performance, such as issuance of the new reconciliation law. This is in addition to stagnant demand, weak liquidity, increased prices of imported raw materials, constraints related to building permits and heights, and intense competition between the private sector and the Armed Forces Engineering Authority (Figure 1.6).

Figure 1.6. BBI by Economic Sectors - Outlook



Source: Survey results.

- Firms in the **tourism sector reported the most positive outlook**, recording values above the neutral level by 22 points, and higher than both the previous and corresponding quarters. This may be attributed to expected improvement in tourism marketing over the coming period through the Chamber of Tourism, and to the religious tourism season.
- The outlook index of the **telecommunications sector** is higher than the neutral level by 4 points, and higher than both the previous and corresponding quarters. This may be attributed to the expectations of signing new contracts to develop corporate programs, with the state shifting to digital transformation and e-invoicing, and the beginning of school year, which increases demand for security and data protection software and information technology.

- The outlook index of **the transportation sector** exceeded the neutral level by two points, recording higher values than the previous and corresponding quarters. This reflects the difficulty of forecasting under the current circumstances, in addition to several problems, including the decline in imports due to difficulties facing investors in securing foreign currency, weak activity in the construction sector, and the geopolitical turmoil that has had a negative impact on global trade.
- Firms in the **financial services sector** reported positive outlook for the next quarter, with index values exceeding the neutral level by 8 points, and better than the previous and corresponding quarters, in light of future investment opportunities through government IPOs. Also, investing in stocks has become a safe haven in light of high inflation.

II. Constraints Encountered by Businesses during the Reviewed Quarter, and Priorities for improving the Business Climate from the Point of View of the Sample of Firms

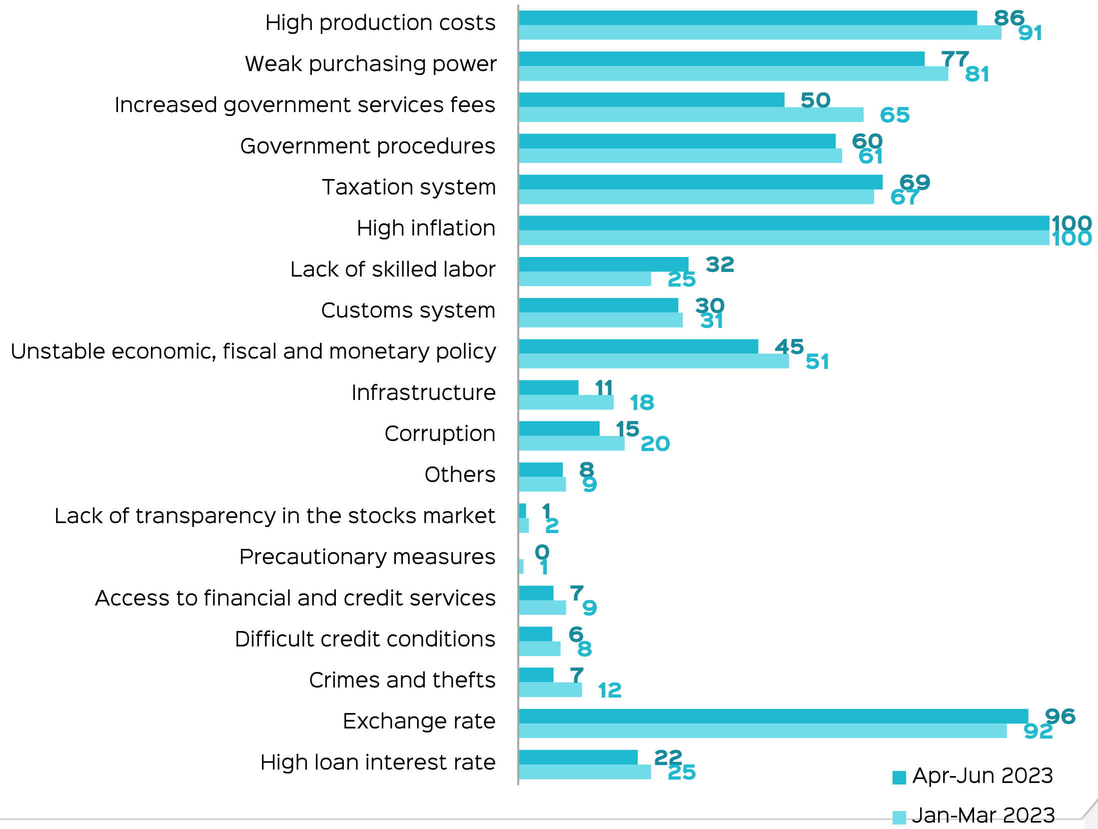
2.1. Constraints Facing the Business Community during the Quarter under Study

All firms reported high inflation, exchange rate instability, and higher production costs as the biggest constraints during the quarter under study.

Figure 2.1 shows the main constraints encountered by the business community during the quarter under study (April-June 2023), ranked in a descending order of severity from the point of view of the sample of firms.

Figure 2.1. Constraints Encountered by Businesses during the Quarter under Review

(According to a Normalized Index based on Significance of Priorities)



Source: Survey results.

Inflation remains on top of the list of constraints for all firms; due to its impact on both supply and demand. High inflation caused a decline in demand and pushed production costs higher, leading to a decline in supply, a decrease in business volume, and a lack of liquidity for investment. **Exchange rate instability** followed burdening the business community with currency depreciation against the dollar and the subsequent rise in the prices of most goods and services, the distortion of the exchange rate system due to the existence of multiple rates in the market, the lack of a predictable exchange rate policy, and thus the inability to make estimates of product prices for futures contracts. H**igh production costs come next,** pushing the prices of production inputs higher—especially imported ones—in addition to an increase in sea freight rates, disruption of global supply chains, shortage of raw materials and an increase in their prices, resulting in the inability of Egyptian firms to compete in foreign markets and their making weak sales in local markets. **Weak purchasing power** came in fourth place resulting from inflation, while the **tax system** followed due to higher tax rates and multiple tax bases. D**ifficult procedures for dealing with government agencies**, delays and lengthy procedures and the ongoing related challenges, **increasing government service fees** without being matched by real improvement in service quality—including customs insurance fees, road and bridge tolls, licensing and registration fees, and fees for the Export Development Authority, and the National Food Safety Authority and Industrial Security.

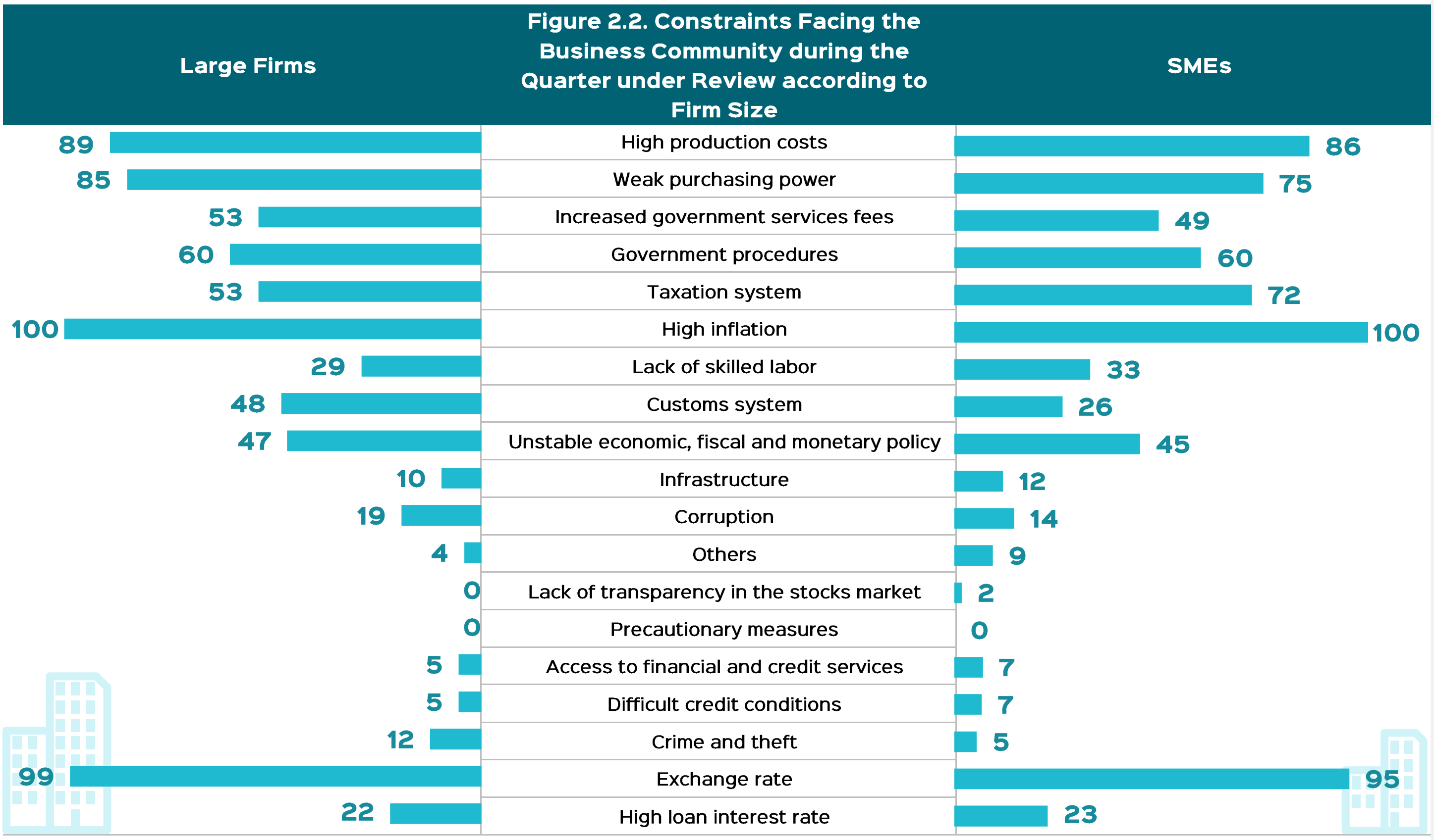
2.1.1. Constraints according to Firm Size

Compared to the previous quarter, the survey results show that the suffering of the business community has intensified due to the instability of the exchange rate, existence of multiple exchange rates, and the shortage of foreign currency.

There is no variation in the ranking of constraints between the various sizes of firms, with **high inflation** leading constraints, followed by challenges related to the exchange rate in the second place, **and higher production costs** in third place. **Weak purchasing power** ranked fourth, while the rest of the constraints varied among **large firms and SMEs.**

Figure 2.2 shows the main constraints encountered by large firms and SMEs in the quarter under study (April - June 2023), ranked in a descending order of severity from the point of view of the sample of firms.

Figure 2.2. Constraints Facing the Business Community during the Quarter under Review according to Firm Size



Source: Survey results.

2.1.2. Priorities for improving the Business Climate in Egypt (from the Point of View of the Sample of Firms)

There is no significant variation among constraints at the level of economic sectors, with **high inflation** being the most significant constraint facing the **manufacturing, construction, tourism, transportation, and communications sectors**, while **unpredictable economic policies and the tax system** led the constraints facing the **financial services sector**. Firms in the **construction sector** reported **exchange rate instability** as a major additional constraint they are facing (Figure 2.3).

Figure 2.3. Constraints Facing the Business Community during the Quarter under Review according to Economic Sector

	Financial Services	Communi-cations	Transport	Tourism	Construc-tion	Manufac-turing
High production costs	0	61	89	63	96	97
Increased government services fees	0	29	61	37	69	52
Government procedures	0	64	57	31	61	68
Weak purchasing power	0	50	89	57	94	82
Taxation system	100	64	61	66	57	51
Lack of skilled labor	0	43	11	9	13	46
High inflation	27	100	100	100	100	100
Customs system	0	21	37	6	7	41
Unstable economic, fiscal and monetary policy	100	25	4	11	15	44
Corruption	0	0	17	0	17	20
Infrastructure	0	0	24	0	17	12
Precautionary measures	0	0	0	0	0	0
Others	25	29	0	9	0	3
Crime and theft	0	0	15	0	4	8
Access to financial and credit services	0	25	0	0	0	9
Difficult credit conditions	0	29	0	0	0	8
Exchange rate	81	54	91	66	100	91
High loan interest rate	0	57	0	71	7	20
Lack of transparency in the stocks market	10	0	0	0	0	0

Source: Survey results.

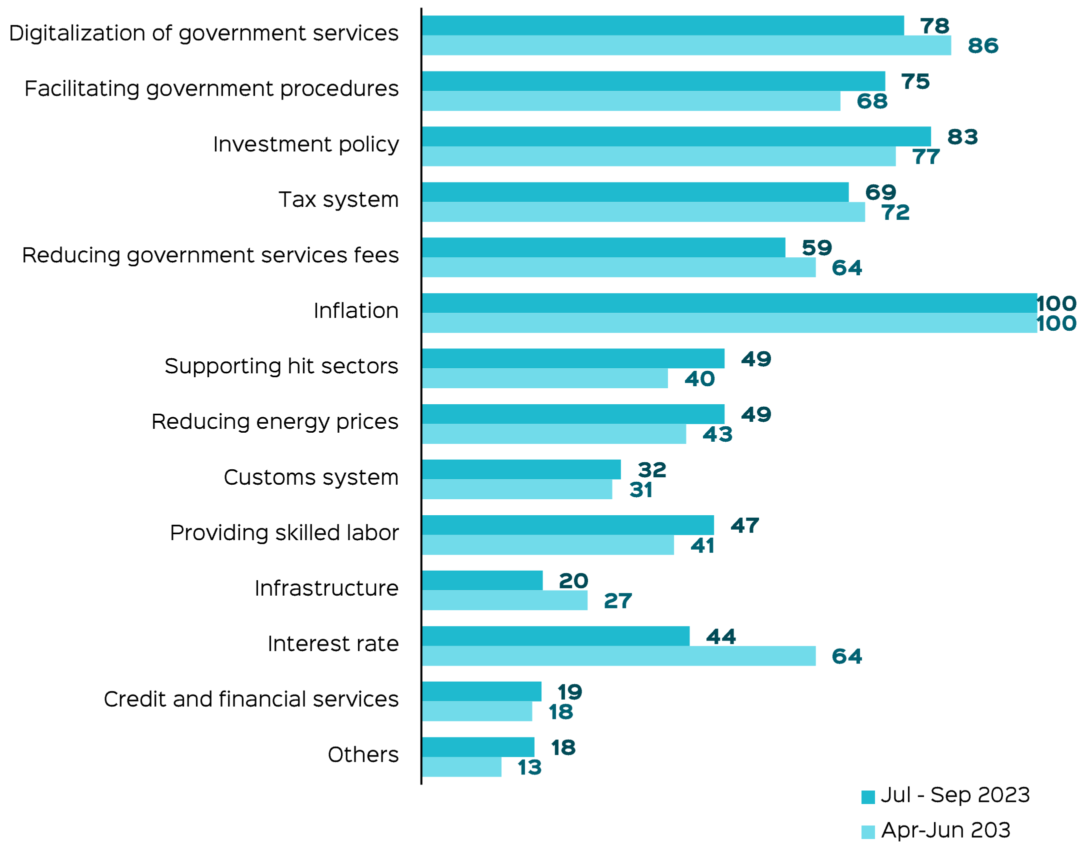
Priorities for improving the business climate in Egypt (According to the Point of View of the sample of firms)

Firms reported the following priorities as the most important to focus on: Reducing inflation, paying attention to investment policies, improving mechanisms for digital transformation of government services, as well as facilitating government procedures.

Addressing high **inflation** continued to top the list of priorities that the sample of firms consider necessary due to its negative impact on all sectors, followed by **improving investment policies** that affect the economy in general, with the need to engage representatives of the business community in making decisions that will improve investment. **Paying attention to digital transformation mechanisms** comes next, as it improves the business climate, followed by **facilitating government procedures**, linking different government agencies, eliminating bureaucracy, and reducing time and effort. Demands to improve the **tax system** and reduce the number of tax bases remain a priority that can be a tool in improving the investment climate in general (Figure 2.4).

Figure 2.4. Priorities to Improve the Business Environment in Egypt

(A Normalized Index based on Significance of Priorities)



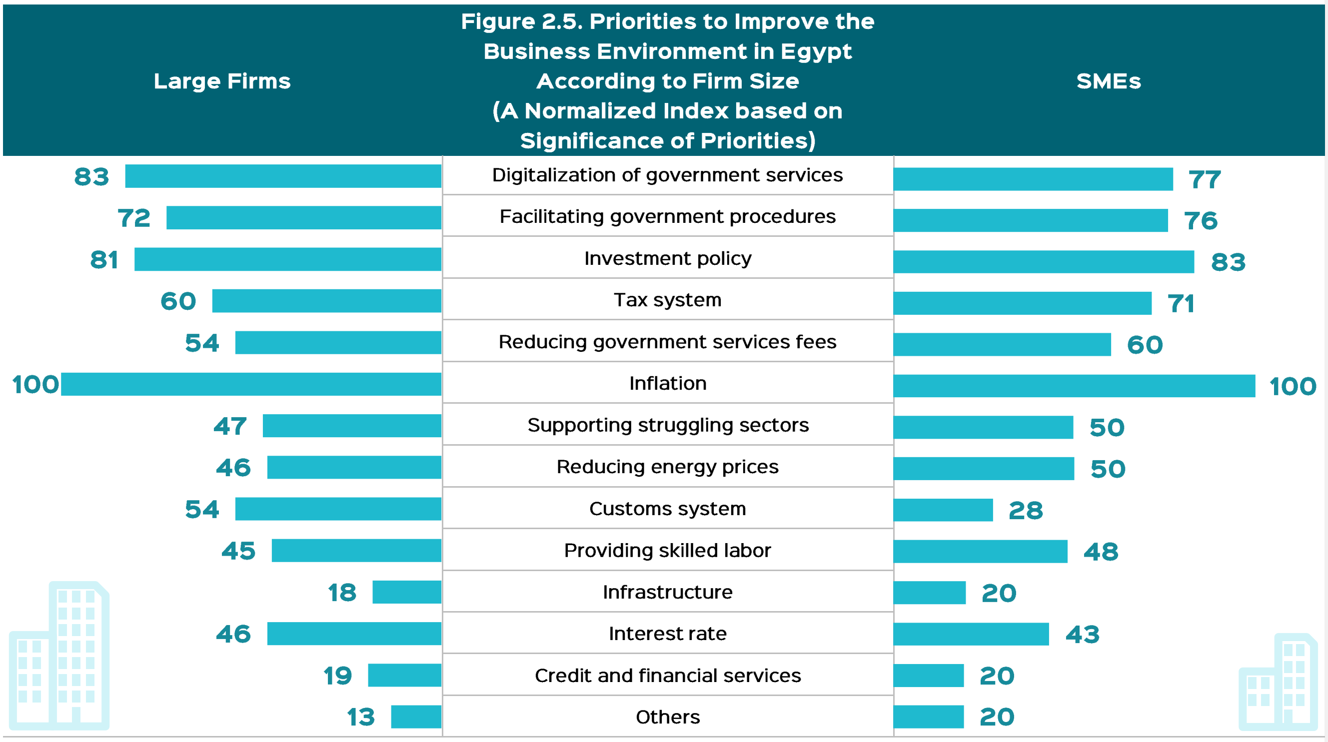
Source: Survey results.

2.2.1. Priorities according to Firm Size

Comparing priorities according to firm size:

- **All firms** agreed that finding solutions **to address high inflation rates** should be on the priority list to improve the business climate.
- **Large firms** see that **focusing on digital transformation mechanisms** is the second priority, followed by **investment policies in** third place, and **facilitating government procedures** in fourth place, and finally **the tax system** in fifth place.
- SMEs see that **investment policies** come in second place as a priority, followed by **focusing on digital transformation mechanisms** in third place, and **facilitating government procedures** in fourth place, with the **tax system** in fifth place (Figure 2.5).

Figure 2.5. Priorities to Improve the Business Environment in Egypt According to Firm Size (A Normalized Index based on Significance of Priorities)



Source: Survey results.

2.2.2. Priorities according to Economic Sectors

There is no variation across the different economic sectors regarding the priorities that should be addressed. **Finding solutions to address high inflation** was the top priority for all **economic sectors**, because of its significant impact on various sectors, while **investment policy** was an additional priority for the **financial services sector**.

Figure 2.6. Priorities to Improve the Business Environment in Egypt According to Economic Sector

(A Normalized Index based on Significance of Priorities)

	Financial Services	Communi-cations	Transport	Tourism	Construc-tion	Manufac-turing
Digitalization of government services	87	96	81	87	84	71
Streamlining government procedures	0	72	79	90	84	91
Investment policy	100	28	83	19	95	89
Tax system	98	68	71	71	73	60
Reducing government services fees	8	32	81	48	84	67
Inflation	100	100	100	100	100	100
Supporting struggling sectors	0	12	96	23	71	55
Reducing energy prices	0	8	90	19	70	58
Customs system	0	24	54	10	7	47
Providing skilled labor	0	52	71	16	55	57
Infrastructure	0	0	40	0	30	23
Interest rate	54	12	48	10	54	45
Credit and financial services	3	36	27	0	27	21
Others	63	60	0	10	0	11

Source: Survey results.

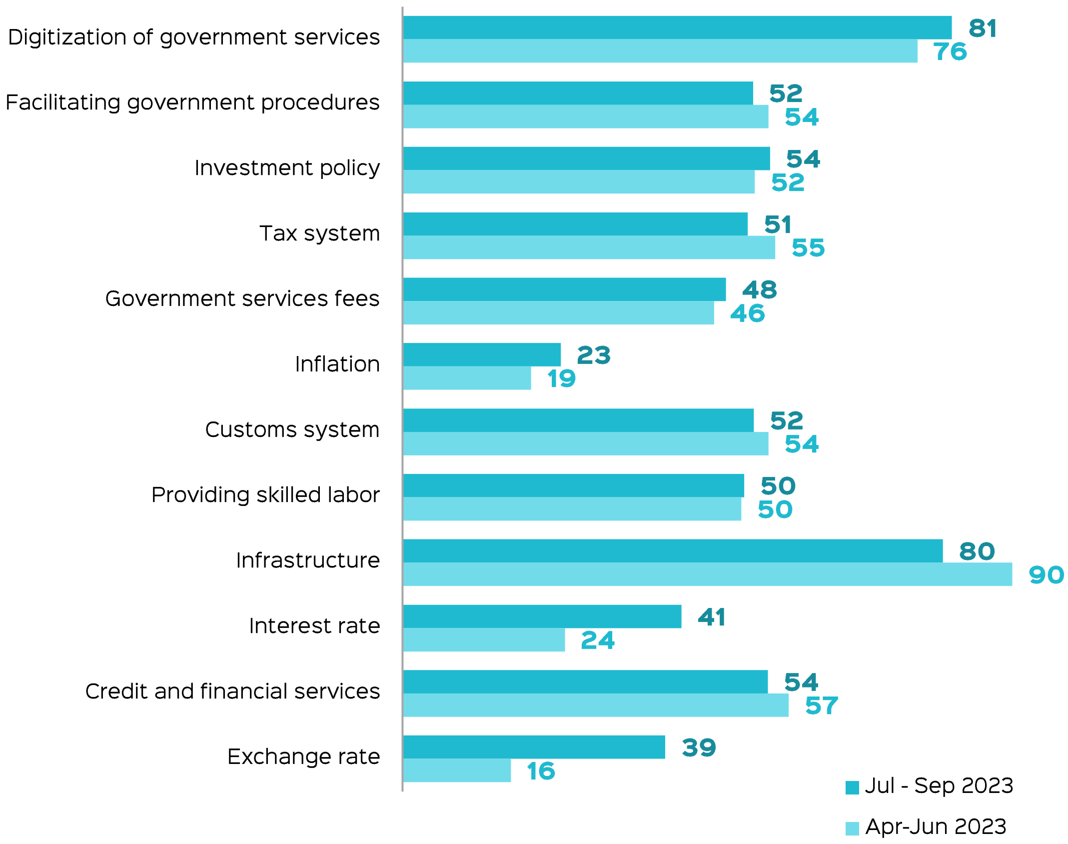
Business community's outlook for improvements based on the Government's current orientations

Expectations of improved digital transformation of government services and infrastructure during the next quarter

Firms' outlook for aspects of improvement over the next quarter is not different from the previous quarter. In light of the government's projects and current trends, the majority of firms expect improvement in **digital transformation of government services**, as a result of the multiple efforts announced in this regard, then **infrastructure** due to the various projects implemented by the state in this field, followed by **investment policies**, based on recent amendments to the Investment Law, **then** improved **financial and credit services**, followed by **facilitating government procedures** (Figure 2.7).

Figure 2.7. Outlook of the Business Community toward Aspects of Improvement, based on Current Government Orientation

(According to the same Methodology of the Business Barometer)



Source: Survey results.

III. Performance Evaluation and Outlook according to Subindices

3.1. Performance Evaluation

Most performance evaluation indices for all firms declined below the neutral level during the quarter under study

The performance indices for production, sales, exports, and capacity utilization recorded values lower than the neutral level during the quarter under study. The sales index witnessed the most decline, followed by capacity utilization. The decline in the indices of production, sales, and capacity utilization was more severe in large firms than in SMEs. The indices of **production, domestic sales and capacity utilization** in **large firms** posted values below the neutral level and lower than the previous and corresponding quarters, while the **inventory** index registered values 4 points above the neutral level but lower than the previous quarter and similar to the corresponding quarter.

With respect to the indices of **production, domestic sales and capacity utilization, SMEs** registered values below the neutral level and lower than the previous quarter, but better than the corresponding quarter, while the index of **inventory** posted values 5 points above the neutral level and 5 points higher than the previous quarter, but 3 points lower than the corresponding quarter.

As for the export index, **SMEs** registered values below the neutral level and lower than the previous and corresponding quarters, while **large firms** stayed neutral like the corresponding quarter but higher than the previous quarter.

Figure 3.1. Production and Sales Indices According to Firm Size - Performance Evaluation

Large Firms	Period	Indicator	Period	SMEs
31	Apr - Jun 2023	Production	Apr - Jun 2023	41
37	Jan - Mar 2023		Jan - Mar 2023	46
50	Apr - Jun 2022		Apr - Jun 2022	37
27	Apr - Jun 2023	Domestic Sales	Apr - Jun 2023	38
33	Jan - Mar 2023		Jan - Mar 2023	44
47	Apr - Jun 2022		Apr - Jun 2022	36
50	Apr - Jun 2023	Exports	Apr - Jun 2023	44
31	Jan - Mar 2023		Jan - Mar 2023	71
50	Apr - Jun 2022		Apr - Jun 2022	53
36	Apr - Jun 2023	Capacity Utilization	Apr - Jun 2023	41
37	Jan - Mar 2023		Jan - Mar 2023	46
45	Apr - Jun 2022		Apr - Jun 2022	39
54	Apr - Jun 2023	Inventory*	Apr - Jun 2023	55
55	Jan - Mar 2023		Jan - Mar 2023	50
54	Apr - Jun 2022		Apr - Jun 2022	58

Source: Survey results.

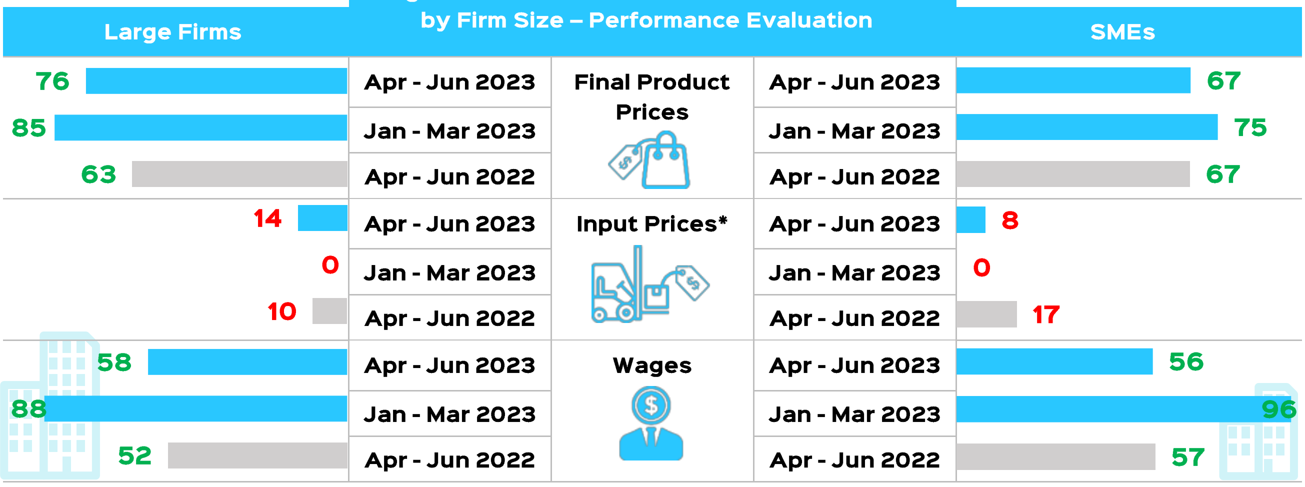
* The index for inventory is inverted to indicate the negative impact of its increase on businesses. Hence, a higher inventory index indicates lower inventory and vice versa.

The final product price index continues to be higher than the neutral level for all firms

The final product price index recorded values higher than the neutral level for all firms, driven by an increase in the wage index above the neutral level during the quarter under study. For **large firms**, the index recorded values lower than the previous quarter but higher than the corresponding quarter, while input prices achieved higher values than the previous and corresponding quarters. The wage index recorded values lower than the previous quarter and better than the corresponding quarter.

In the final products price index, **SMEs registered** lower values than the previous quarter, but similar to the corresponding quarter, while the input index achieved values higher than the previous quarter and lower than the corresponding quarter. The wage index achieved values lower than the previous and corresponding quarters.

Figure 3.2. Price and Production Cost Indices by Firm Size – Performance Evaluation



Source: Survey results.

* The index for inputs is inverted to indicate the negative impact of price increases on the overall index. Hence, a lower index indicates higher prices and vice versa.

A slight improvement in the investment index of large firms

- **Large firms reported** a slight increase in **investment. The** investment index posted values higher than the neutral level by two points and higher than the previous and corresponding quarters by one point, while the **employment** index remained unchanged from the previous quarter (below the neutral level by one point, although higher than the corresponding quarter by two points.
- **For SMEs**, the **investment** index remained stable below the neutral level by one point, similar to the previous quarter, and below the corresponding level by one point, while the **employment** index posted a decline by one point from the neutral level in the current quarter, albeit higher than the previous quarter by one point, posting the same values as the corresponding quarter.

The stable investment and employment indices for all firms for a period that lasted more than a full year indicates continued weakness of the Egyptian economy (Figure 3.3).

Large Firms		Figure 3.3. Investment and Employment Indices by Firm Size – Performance Evaluation		SMEs
52	Apr - Jun 2023	Investment	Apr - Jun 2023	49
51	Jan - Mar 2023		Jan - Mar 2023	49
51	Apr - Jun 2022		Apr - Jun 2022	50
49	Apr - Jun 2023	Employment	Apr - Jun 2023	49
49	Jan - Mar 2023		Jan - Mar 2023	48
47	Apr - Jun 2022		Apr - Jun 2022	49

Source: Survey results.

3.2. Outlook

The outlook index exceeded the neutral level for production, domestic sales, exports, and capacity utilization, and fell below the neutral level in inventory for all firms during the upcoming quarter

All firms reported positive outlook for **production, domestic sales and capacity utilization** during the quarter July-September 2023, with index values exceeding the neutral level and both the previous and corresponding quarters. However, the rise in indices does not reflect improved performance, but rather firms' expectations of stable conditions over the coming period. Meanwhile, the outlook index for inventory recorded values below the neutral level and lower than both the previous and corresponding quarters. **For exports**, the outlook index posted values lower than the previous quarter and higher than the corresponding quarter, which reflects the business community's views of the weak competitive position of Egyptian products in foreign markets, and customers' seeking alternative markets (Figure 3.4).

Large Firms		Figure 3.4. Production and Sales Indices by Firm Size - Outlook		SMEs
61	Jul – Sep 2023	Production	Jul – Sep 2023	57
54	Apr – Jun 2023		Apr – Jun 2023	47
53	Jul – Sep 2022		Jul – Sep 2022	52
57	Jul – Sep 2023	Domestic Sales	Jul – Sep 2023	57
56	Apr – Jun 2023		Apr – Jun 2023	48
50	Jul – Sep 2022		Jul – Sep 2022	50
50	Jul – Sep 2023	Exports	Jul – Sep 2023	55
56	Apr – Jun 2023		Apr – Jun 2023	59
48	Jul – Sep 2022		Jul – Sep 2022	49
61	Jul – Sep 2023	Capacity Utilization	Jul – Sep 2023	56
55	Apr – Jun 2023		Apr – Jun 2023	47
49	Jul – Sep 2022		Jul – Sep 2022	47
42	Jul – Sep 2023	Inventory*	Jul – Sep 2023	46
50	Apr – Jun 2023		Apr – Jun 2023	51
53	Jul – Sep 2022		Jul – Sep 2022	52

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.

All firms expect the prices of final products to continue their rise to levels higher than the neutral level, although sharply lower than the previous and corresponding quarters, driven by expectations of stable wages over the next quarter and stable input index.

For input prices, the outlook index of **large firms** declined by two points compared to the previous quarter, but was higher than the corresponding quarter by 21 points, indicating the difficulty of securing foreign currency for imports. The **wage index** registered 4 points higher than the previous quarter, but was similar to the corresponding quarter (at the neutral level).

The outlook index of **SMEs** registered an increase by 3 points in the **input prices** index compared to the previous and corresponding quarters. The results also showed expectations of an increase in the **wage index** by one point compared the previous quarter, and one-point lower than the corresponding quarter, in light of rising inflation and workers demanding higher wages (Figure 3.5).

Figure 3.5. Price and Production Costs Indices by Firm Size - Outlook

Large Firms				SMEs
62	Jul – Sep 2023	Final Product Prices	Jul – Sep 2023	59
65	Apr – Jun 2023		Apr – Jun 2023	62
67	Jul – Sep 2022		Jul – Sep 2022	60
32	Jul – Sep 2023	Input Prices*	Jul – Sep 2023	34
34	Apr – Jun 2023		Apr – Jun 2023	31
11	Jul – Sep 2022		Jul – Sep 2022	31
50	Jul – Sep 2023	Wages	Jul – Sep 2023	51
54	Apr – Jun 2023		Apr – Jun 2023	50
50	Jul – Sep 2022		Jul – Sep 2022	52

Source: Survey results.

* The index for inputs is inverted to indicate the negative impact of price increases on the overall index. Hence, a lower index indicates higher prices and vice versa.

Expectations of stable investment and employment indices for large firms and a slight decrease in investment for SMEs

Large firms expect the **investment and employment indices** to remain at the neutral level and at the same level as the previous and corresponding quarters, with the exception of **the employment index**, which posted values higher than the corresponding quarter by one point. **SMEs,** however, expect a stable **employment index** above the neutral level, similar values as the previous quarter, and two points higher than the corresponding quarter. They also expect a slight decline in the **investment** index by one point below the neutral level and the previous and corresponding quarters (Figure 3.6).

Figure 3.6. Investment and Employment Indices by Firm Size - Outlook

Large Firms				SMEs
50	Jul – Sep 2023	Investment	Jul – Sep 2023	49
50	Apr – Jun 2023		Apr – Jun 2023	50
50	Jul – Sep 2022		Jul – Sep 2022	50
50	Jul – Sep 2023	Employment	Jul – Sep 2023	51
50	Apr – Jun 2023		Apr – Jun 2023	51
49	Jul – Sep 2022		Jul – Sep 2022	49

Source: Survey results.

Tables

Table A1: Survey Results: Summary of all firms' performance evaluation at the sectoral level (April – May – June 2023)[1]

Indicator	Manufacturing				Construction				Tourism				Transportation				Communications				Financial Services			
	Percentage			Index[2]	Percentage			Index[2]	Percentage			Index[2]	Percentage			Index[2]	Percentage			Index[2]	Percentage			Index[2]
	Higher	Same	Low	44	Higher	Same	Low	44	Higher	Same	Low	59	Higher	Same	Low	42	Higher	Same	Low	53	Higher	Same	Low	44
Economic activity																								
Production	15	32	53	**35**	14	36	50	**37**	70	30	0	**77**	0	33	67	**25**	38	38	25	**55**	0	50	50	**33**
Domestic sales	15	24	61	**31**	14	29	57	**33**	50	50	0	**67**	0	33	67	**25**	38	38	25	**55**	0	50	50	**33**
Exports	13	43	43	**39**	—	—	—	—	100	0	0	**100**	—	—	—	—	50	50	0	**67**	—	—	—	—
Inventory	32	26	43	**54**	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Capacity utilization	17	32	52	**37**	14	36	50	**37**	70	30	0	**77**	0	33	67	**25**	50	25	25	**60**	0	50	50	**33**
Prices																								
Final product prices	78	22	0	**82**	64	36	0	**74**	30	70	0	**59**	50	50	0	**67**	0	100	0	**50**	0	100	0	**50**
Intermediate product prices	97	3	0	**3**	71	29	0	**22**	100	0	0	**0**	—	—	—	—	50	33	17	**38**	—	—	—	—
Wage level	32	68	0	**59**	21	79	0	**56**	10	90	0	**53**	0	100	0	**50**	13	88	0	**53**	25	75	0	**57**
Primary inputs																								
Investment	2	93	5	**49**	0	100	0	**50**	10	90	0	**53**	0	100	0	**50**	13	75	13	**50**	0	100	0	**50**
Employment	3	87	10	**48**	7	71	21	**46**	0	100	0	**50**	0	100	0	**50**	0	100	0	**50**	0	100	0	**50**

Table A2: Survey Results: Summary of all firms' outlook at the sectoral level (July – August – September 2023)[2]

Indicator	Manufacturing				Construction				Tourism				Transportation				Communications				Financial Services			
	Percentage			Index[2]	Percentage			Index[2]	Percentage			Index[2]	Percentage			Index[2]	Percentage			Index[2]	Percentage			Index[2]
	Higher	Same	Low	51	Higher	Same	Low	47	Higher	Same	Low	72	Higher	Same	Low	52	Higher	Same	Low	54	Higher	Same	Low	58
Economic activity																								
Production	27	63	10	**55**	0	79	21	**44**	100	0	0	**100**	8	92	0	**52**	50	38	13	**64**	63	25	13	**70**
Domestic sales	24	63	13	**53**	0	71	29	**42**	100	0	0	**100**	8	92	0	**52**	50	38	13	**64**	63	25	13	**70**
Exports	22	65	13	**53**	—	—	—	—	100	0	0	**100**	—	—	—	—	0	75	25	**43**	—	—	—	—
Inventory	11	72	17	**52**	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Capacity utilization	23	67	10	**54**	0	79	21	**44**	100	0	0	**100**	8	92	0	**52**	50	38	13	**64**	56	31	13	**67**
Prices																								
Final product prices	50	47	3	**66**	36	64	0	**61**	0	100	0	**50**	17	83	0	**55**	25	75	0	**57**	0	100	0	**50**
Intermediate product prices	63	32	5	**28**	43	57	0	**36**	0	100	0	**50**	—	—	—	—	0	100	0	**50**	—	—	—	—
Wage level	5	95	0	**51**	14	86	0	**54**	0	100	0	**50**	0	100	0	**50**	0	100	0	**50**	0	100	0	**50**
Primary inputs																								
Investment	0	98	2	**50**	0	93	7	**48**	0	100	0	**50**	0	100	0	**50**	0	100	0	**50**	0	100	0	**50**
Employment	7	93	0	**52**	0	93	7	**48**	0	100	0	**50**	0	100	0	**50**	0	88	13	**47**	0	100	0	**50**

1 Numbers represent percent of total responses. Higher, same and lower may not add up to 100 due to rounding.
2 Equal to the simple average of the variables' indices. The index's method of calculation is provided in the appendix.

Tables Index

Table A3: Survey Results: Summary of all firms' past performance (by size) (April – May – June 2023)[1]

Variable	SMEs				Large Firms			
	Percentage			Index [2]	Percentage			Index [2]
	Higher	Same	Low	45	Higher	Same	Low	45
Economic activity								
Production	19	36	45	**41**	9	32	59	**31**
Domestic sales	16	36	48	**38**	14	18	68	**27**
Exports	25	35	40	**44**	22	56	22	**50**
Inventory	23	40	37	**55**	25	40	35	**54**
Capacity utilization	19	36	45	**41**	18	27	55	**36**
Prices								
Final product prices	51	49	0	**67**	68	32	0	**76**
Intermediate product prices	91	7	1	**8**	83	17	0	**14**
Wage level	22	78	0	**56**	27	73	0	**58**
Primary inputs								
Investment	1	95	4	**49**	9	91	0	**52**
Employment	3	89	8	**49**	0	95	5	**49**

Table A4: Survey Results: Summary of all firms' outlook (by size) (July – August – September 2023)[1]

Variable	SMEs				Large Firms			
	Percentage			Index [2]	Percentage			Index [2]
	Higher	Same	Low	51	Higher	Same	Low	52
Economic activity								
Production	34	54	12	**57**	36	64	0	**61**
Domestic sales	34	53	13	**57**	32	59	9	**57**
Exports	30	55	15	**55**	11	78	11	**50**
Inventory	24	63	13	**46**	35	55	10	**42**
Capacity utilization	31	57	12	**56**	36	64	0	**61**
Prices								
Final product prices	31	68	1	**59**	41	55	5	**62**
Intermediate product prices	50	47	3	**34**	56	39	6	**32**
Wage level	5	95	0	**51**	0	100	0	**50**
Primary inputs								
Investment	0	98	2	**49**	0	100	0	**50**
Employment	3	96	1	**51**	5	91	5	**50**

1 Numbers represent percent of total responses. Higher, same and lower may not add up to 100 due to rounding.
2 Equal to the simple average of the variables' indices. The index's method of calculation is provided in the appendix.