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The Egyptian Center
for Economic Studies

Business Barometer

Issue 68 July - September 2023

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

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Business Barometer

Issue 68 **July – September 2023**

Contents

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Executive Summary

This edition of Business Barometer offers a periodic evaluation carried out by the Egyptian Center for Economic Studies (ECES) of a sample of 120 private sector firms covering various sectors and sizes, and reflects the opinion of the business community regarding developments across a set of variables, specifically: Production, domestic sales and exports, commodity stocks, level of capacity utilization, prices, wages, employment, and investment, during the quarter July–September 2023 and their outlook for the quarter October–December 2023. A comparison of the results is also drawn with the previous quarter (April–June 2023) and the corresponding quarter (July–September 2022). Below is a brief review of the key findings of the survey for the quarter under study (July–September 2023), with a focus on the most important developments with regard to the macroeconomy and results of the overall business barometer index [1]

<u>Macroeconomic Overview</u>

Globally, IMF projections for the growth of the global economy remained within the range of 3% for 2023 and 2.9% for 2024—a decline of about 14% from the 2022 growth rate, and less than the 3.8% historical average for the period 2000–2019.[2] This slowdown is associated with continued risks from many global developments, such as the geopolitical events around the world, fears of the real estate sector crisis in China worsening and its potential spread to other countries, and continued reduction of oil supplies from OPEC countries, in addition to repercussions of tight monetary policies on developing economies that reached a state of critical indebtedness, with varying repercussions.

The IMF estimates also indicate that tight monetary policies, supported by a decline in international prices of primary commodities, have led to a decline in global inflation to 6.9% by end of 2023 and to 5.8% in 2024, following a period of inflation around the world that reached its highest levels in decades in 2022, recording 8.7%. But despite the decline in inflation, inflationary expectations are still higher than targeted in the near term due to fears of political, geographical, and climatic shocks that may exacerbate food and energy prices.

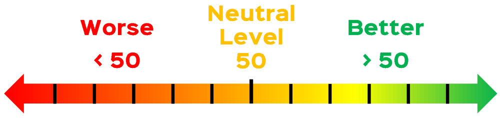
Domestically, the latest data from the Ministry of Planning and Economic Development (MPED) reduced the annual growth rate to 3.8% during FY 2022/2023, compared to about 6.6% in FY 2021/2022, while the World Bank projects growth of the Egyptian economy by about 3.7 in FY 2023/2024. The lower expected growth rates reflect structural imbalances at the macroeconomic level and their exacerbation as a result of successive global crises, weak economic activity due to the high costs of currency depreciation, exchange rate restrictions, import difficulties, inflation, domestic supply restrictions, and high interest on loans.

The relative decline in the prices of grains, bread, fruit, and vegetables lowered inflation to 38.3% in October 2023 compared to about 40.3% in September 2023, but it is still higher than historical levels.

Both Standard & Poor's and Fitch marked down Egypt's credit rating from B3 to Caa1 and from B to B- respectively, while maintaining a stable outlook, attributing this to the risks of a high debt burden in light of the ongoing shortage of foreign currency, the variance of their official rates from parallel market rates, high financing needs, and the increasing risks of external financing.

[1] The survey was conducted during 1 October–15 November 2023.
[2] IMF. 2023. World Economic Outlook. IMF, October.

Performance evaluation and expectations according to the overall index



<u>Performance evaluation:</u> the Business Barometer Index (BBI) continued its decline through the past 3 years. The period under study (July–September 2023) witnessed a decline in the business performance index by one point below the neutral level, albeit a slight improvement compared to the previous and corresponding quarters. Current performance reflects the pressures facing the business community as a result of high production costs, the weak value of the Egyptian pound, instability of the exchange rate, difficulty in providing supplies, especially imported ones, and weak domestic demand due to unprecedented rising inflation levels, in addition to the unfavorable conditions globally, regionally and domestically.

<u>Expectations:</u> The performance expectations index during October–December 2023 recorded a decrease of 3 points below the neutral level and lower than the previous and corresponding quarters, as firms expected continued difficulties due to shortage of raw materials and their increasing prices, instability of exchange rates, and escalation of political events at the regional level (war on Gaza), with expectations of a decline in firms' performance.

This resulted in expectations of a decline in the sub-indices of production, sales, capacity utilization, and exports, with continued cost pressures and no tangible increase in investment and employment.

Constraints facing the business community during the quarter under study

Exchange rate variability topped the list of constraints for all firms during the current quarter due to the suffering of the business community as a result of the lack of foreign currency needed to finance the imports, the rise in the exchange rate of the US dollar vis-a-vis the Egyptian pound and subsequent rise in the prices of most goods and services, in addition to exchange rate distortion due to the existence of more than one rate in the market and lack of exchange rate policy predictability, and thus inability to estimate product prices for forward contracts and disruptions in the availability of foreign currency needed for import. This is followed in second place by **high inflation** due to its repercussions on the supply and demand sides. On the one hand, high inflation caused a decline in demand for products, and on the other, it led to an increase in production costs, and thus a decline in supply, a decrease in business volume, and a shortage of liquidity for investment. **High production costs** ranked third as a result of an increase in the prices of production inputs, especially imported ones, in addition to higher shipping tariffs, disruption of global supply chains, shortage of raw materials and an increase in their prices, resulting in an inability to compete in foreign markets and weak sales in local markets. This is followed by **weak purchasing power** resulting from inflation, **then procedures for dealing with government agencies, delayed procedures**, and **problems related to the tax regime**, such as high tax rates, multiple tax bases, previous years' tax inspections, and double taxation.

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

In addition to the need to resolve all problems related to the exchange rate, addressing inflation is one of the top priorities that the sample of firms consider necessary, because of its negative impact on all sectors, followed by **improving investment policies** and **digital transformation** that affect the economy in general, with the need to engage the business community in making decisions that improve investment. Next comes **facilitating government procedures**, linking together different government agencies, eliminating bureaucracy, and reducing time and effort. Improving the **tax system** and reducing the number of tax bases remain a priority that can be a tool in improving the 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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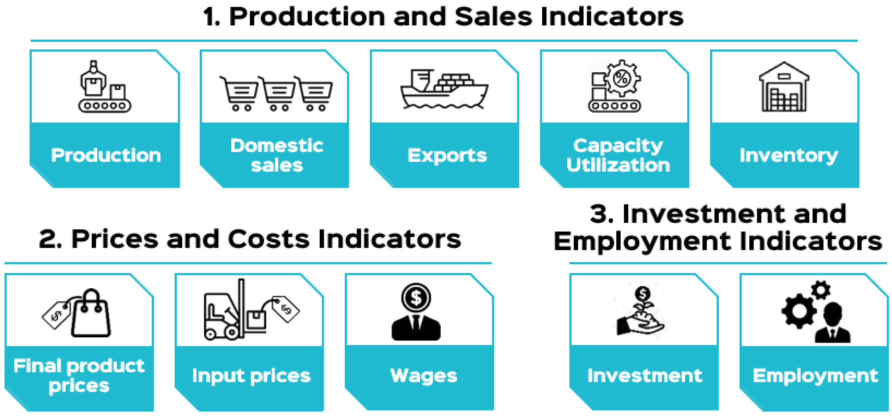
Report Details

Business Barometer 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.

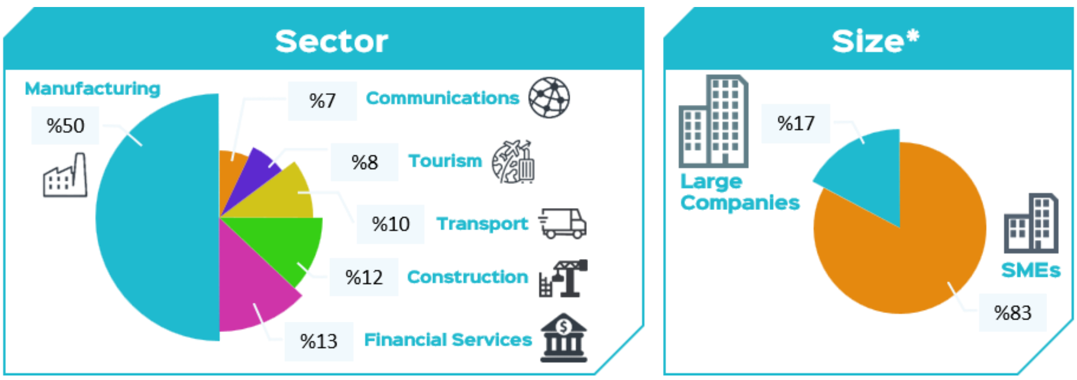


The importance of this issue of the BB is further magnified by the challenges that the business community has been facing since the beginning of 2020 as a result of the COVID-19 pandemic. Therefore, it is important to track the impact of the pandemic on the business community, especially in light of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

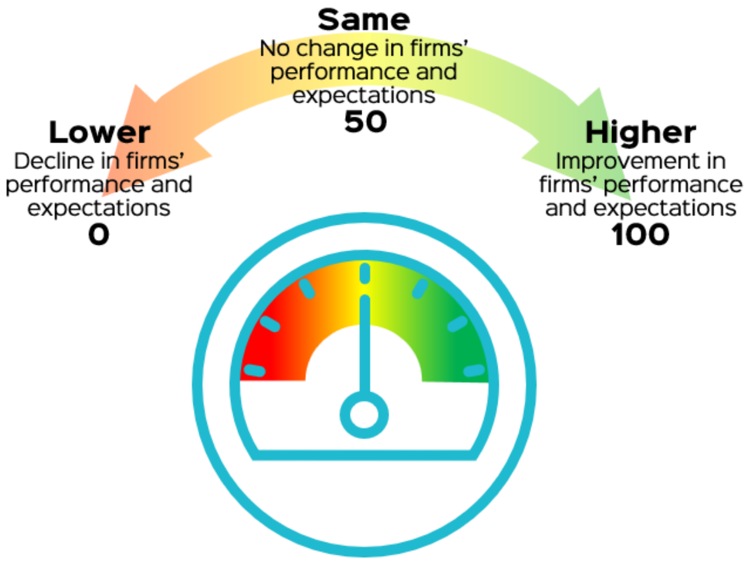
The report begins with an overview of the macroeconomy at the global and domestic levels, then presents the results of performance assessment and outlook at the overall index level. It then moves on to the constraints faced by the business community during the quarter under study, and the priorities 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:



* According to CBE definition issued on March 5, 2017

- 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

Slow and unbalanced recovery and ongoing risks

IMF projections for the growth of the global economy are still in the range of 3% for 2023 and 2.9% for 2024—a decline of about 14% from the 2022 growth rate. This rate is still lower than the 3.8% historical average for the period 2000–2019[3] (IMF 2023).

Developed economies are expected to witness a slowdown in economic activity to 1.5% in 2023 and 1.4% in 2024—a decline of about 42% from that of 2022, due to weak expected growth in the euro area to less than half compared to 2022 and repercussions of tightening policies in the US. Emerging economies, however, are expected to grow by about 4% during 2023 and 2024—a decline of 0.1% from 2022[4] (IMF, 2023).

Risks are still looming over the global economy. Most importantly, the geopolitical developments around the world, worsening real estate sector crisis in China and fears of its potential spread to other countries, continued reduction of oil supplies from OPEC+ countries, and repercussions of tight monetary policies, especially on developing economies that reached a state of critical indebtedness, with various repercussions between countries.

Inflation is expected to continue to decline to 6.9% by end of 2023 and then to 5.8% in 2024, after reaching its highest levels in 2022 around the world, recording 8.7%. This decline is due to tight monetary policies, driven by a decline in international prices of primary commodities compared to last year. Despite the decline in inflation, inflationary expectations are still higher than targeted in the near term, due to fears of political, geographical and climatic shocks that may exacerbate food and energy prices (IMF 2023).

The J. P. Morgan Global PMI Composite Output Index stabilized in October at the neutral level, recording 50 points—a decline of about 0.5 points compared to September. This decline is mainly due to the weak performance of the global manufacturing sector compared to the service sector, as production declined for the fifth month in a row due to weak demand growth as a result of tight monetary policies. The deterioration of manufacturing was also compounded by the slowdown in the growth rate of world trade. However, the service sector grew, albeit at a slow rate due to weak demand as well (HS Markit 2023).[5]

The Egyptian economy

The World Bank expects the Egyptian economy to grow by about 4.2% in 2023, declining to about 3.7% in FY 2024 and 4.0% in 2025 compared to 6.6% in 2022. The bank attributed the low expected growth rates to structural imbalances at the macroeconomic level and their exacerbation as a result of successive global crises, weak economic activity due to high costs as a result of depreciation of the local currency, exchange rate restrictions, import difficulties, inflation, local supply restrictions, and high interest on loans (World Bank 2023).[6]

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[3] IMF. 2023. World Economic Outlook. IMF, October.
[4] Ibid.
[5] S&P Global Market Intelligence. 2023. J. P. Morgan Monthly PMI, November. At: PMI Monthly Bulletin (ihsmarkit.com).
[6] World Bank. 2023 Macro Poverty Outlook

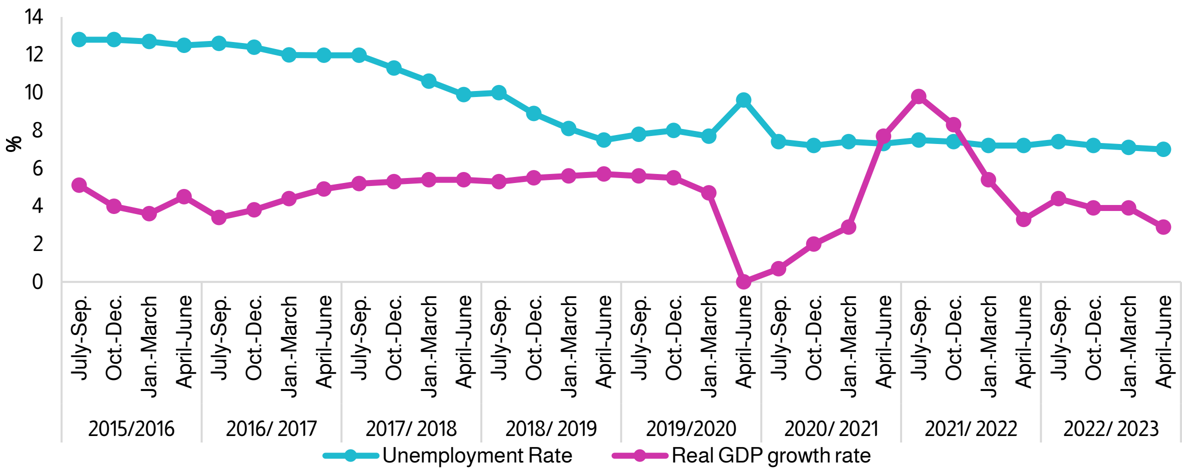
In mid-October 2023, Standard & Poor's lowered Egypt's credit rating from B3 to Caa1, with a stable future outlook. The agency based this on the deterioration of Egypt's debt sustainability in light of the ongoing shortage of foreign currencies and the difference in their official rate from the parallel market rates. Fitch Ratings followed suit in early November, lowering Egypt's credit rating from B to B- with a stable outlook amid record inflation and severe currency shortages as a result of rising financing needs and increasing external financing risks.[7]

Egypt's non-oil private sector has been experiencing a contraction for more than two years; the PMI fell to its lowest level in five months, recording 47.9 points in October—a decline of about 1.7% compared to the previous month. The decline is due to lower domestic and foreign demand as a result of high inflation, and consequently a contraction in production and sales, coupled at the same time with higher production costs, difficulties in importing, and delays in delivery times. The decline in production and sales led to a decline in the procurement activity of firms, which was reflected in a decline in inventory as well as employment levels.[8] (S&P Global. 2023

The following part includes the most important developments and published data for key economic indicators until the date of publication of this report.

Based on the estimates available by the Ministry of Planning and Economic Development, the growth rate during the last quarter (April-June) of FY 2022/2023 decreased to 2.9%, and thus the annual growth rate for the current fiscal year recorded 3.8% compared to about 6.6% in FY 2021/2022. The unemployment rate also recorded about 7% during the last quarter of FY 2022/2023, a decrease of 0.1% from the previous quarter.

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.

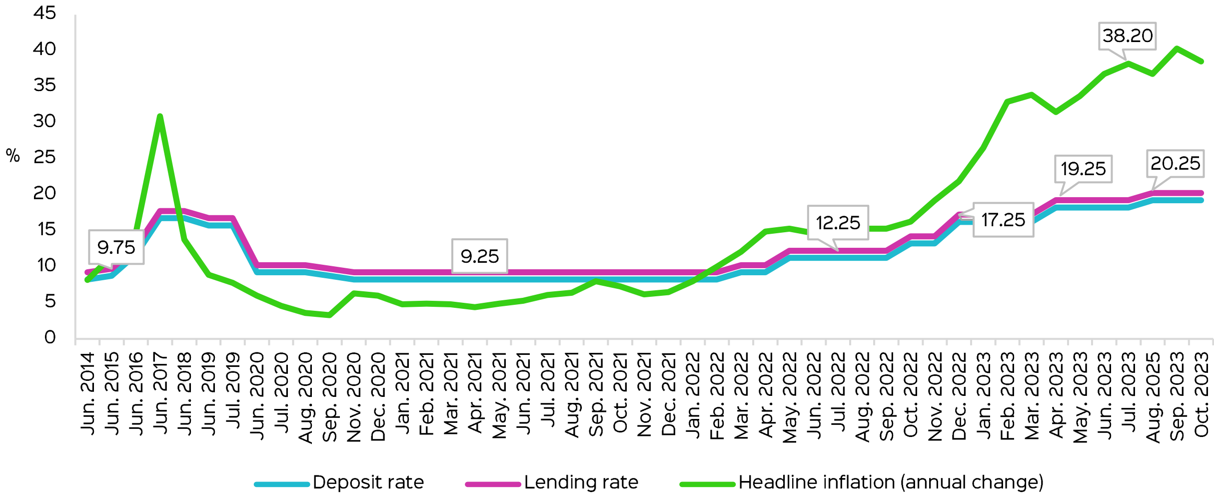
- The headline inflation rate continued to rise, recording about 40.3% in September 2023, compared to 15.3% in September 2022, then it declined slightly in October 2023 to 38.3% as a result of relatively lower prices of grains, bread, fruit, and vegetables than in previous months. The weak

[7] Fitch rating, November 2023, available at https://www.fitchratings.com/research/sovereigns/fitch-downgrades-egypt-to-b-outlook-stable-03-11-2023
[8] S&P Global. 2023 Purchasing Managers' Index (PMI)

value of the local currency, foreign currency shortages, and delays in the release of imports remain the main factors behind inflation rates remaining above their target levels (CAPMAS 2023)[9].

- The Monetary Policy Committee of the Central Bank of Egypt decided at its meeting on Thursday, November 2, 2023, to maintain the overnight deposit and lending rates and the Central Bank's main operation rate at 19.25%, 20.25% and 19.75%, respectively. The credit and discount rate were kept at 19.75%.[10]

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.

- **On the public finance side,** the overall deficit in the state's general budget rose as a percentage of GDP during July–September 2023/2024 to 3.2% compared to 1.4% in the corresponding period of the previous year. This is due to the growth in expenses by about 92% (EGP 590,725 billion in July–September 2023/2024 compared to EGP 307,413 billion in the corresponding period of 2022/2023), while revenues grew by only about 28%[11].
- **Regarding external transactions:** During FY 2022/2023, the balance of payments recorded a total surplus of $882.4 million, compared to a total deficit of about $10.5 billion in the previous fiscal year (2021/2022). Below are more details about developments in the most important items in the balance of payments:

    1) **Current account:** The current account deficit declined by about 71.5% compared to the previous fiscal year to record $4.7 billion in FY 2022/2023. This is attributed to the following:

        - The trade deficit declined by about 28.2% to $31.2 billion, due to a decline in the non–oil trade balance deficit by about $16.2 billion (34.0%) to record $31.6 billion, as a result of a decrease in non–oil imports by about 22.2% to $57.4 billion from their value during

[9] Central Agency for Public Mobilization and Statistics (CAPMAS), 2023, *Monthly bulletin of the Consumer Price Index*, various issues.
[10] Central Bank of Egypt, 2023. *MPC press release. November 2, 2023.*
[11] Ministry of Finance, 2023, *Monthly financial report*, August.

the corresponding period of the previous fiscal year, while non-oil exports recorded $25.8 billion.

- Tourism revenues improved by 26.8% to $13.6 billion in FY 2022/2023, compared to $10.7 billion during the previous fiscal year (2021/2022) due to the increase in the number of tourist nights and the number of tourist arrivals.
- Suez Canal traffic revenues increased by 25.2% to about $8.8 billion (compared to about $7.0 billion), which contributed to an increase in transport receipts by 43.8% to $14.0 billion (compared to about $9.7 billion).

The improvement in the current account was limited by the following:

- The surplus in the petroleum trade balance decreased by 90.1%, recording about $410.0 million (compared to $4.4 billion) due to a decrease in petroleum exports by $4.2 billion and a decrease in petroleum imports by $138.1 million.
- Remittances from Egyptians working abroad decreased by 30.8% to about $22 billion only.
- The investment income deficit increased by 9.9% to about $17.3 billion

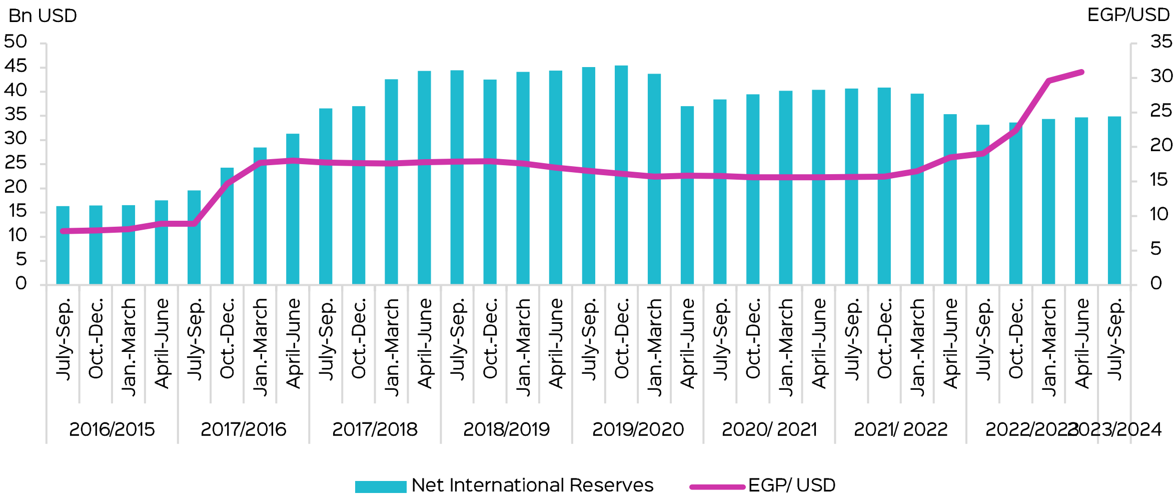
2) Capital and financial account: A net inflow of about $8.9 billion was recorded during FY 2022/2023 (compared to about $11.8 billion) as a result of the following developments:

- The CBE's obligations recorded a net inflow of about $6.7 billion (compared to about $21.6 billion)
- Net foreign assets of banks declined by $1.4 billion (inflow), compared to a decline of $7.6 billion in the corresponding period.
- The net outflow from investments in Egypt's securities portfolio declined to about $3.8 billion (from $21.0 billion).
- The net inflow of foreign direct investment increased, recording about $10.0 billion, compared to about $8.9 billion during FY 2022/2023. Incoming foreign direct investments in non-petroleum sectors recorded a net inflow of about $11.0 billion (compared to $11.6 billion) due to an increase in both net inward investments to establish new firms or increases in the capital of existing firms, and net retained earnings. The net inflow of foreign direct investments increased. Inward transfers in the petroleum sector reached about $5.6 billion (compared to $4.7 billion), while transfers abroad declined to $6.6 billion (compared to $7.3 billion). There was an improvement in the net outflow to $982.5 million (compared to $2.6 billion).
- Egypt's external debt stock amounted to about $164.7 billion at end of June 2023, an increase of 6.2% from its value in June 2022. This increase came as a result of the increase in the net usage of loans and credit facilities by about $8.9 billion, while the decline in the exchange rates of most borrowed currencies against the US dollar did not affect the decrease in the debt balance except by about $147.9 million. As for the burden of external debt service, it amounted to about $25.4 billion during FY 2022/2023 (the installments paid were about $18.4 billion, and the interest paid was

about $7.0 billion). The percentage of external debt stock to gross domestic product was about 40.3% at end of June 2023.[12].

- Net international reserves increased by about $132 million, reaching about $35.10 billion at end of October 2023, compared to about $34.97 billion at end of September 2023. Meanwhile, the exchange rate of the Egyptian pound continued to deteriorate against the US dollar, recording EGP 30.842 from June to September 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] Egyptian Central Bank, *Monthly statistical bulletin*, September 2023.
[13] Central Bank of Egypt, net international reserves reach 35,101.8 million US dollars at the end of October 2023

Business Barometer Index (BBI)

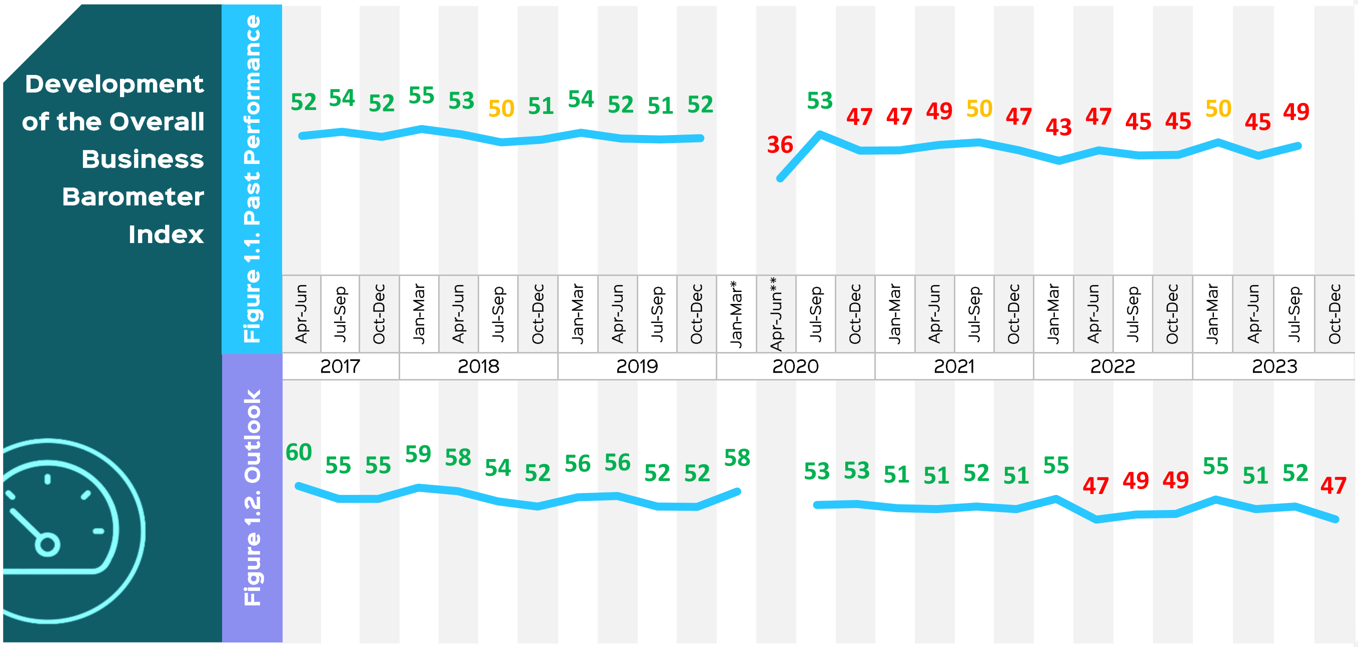
I. Past Performance Evaluation and Outlook According to the Overall Index

The Business Barometer index declined less severely during the quarter under study against the previous quarter, with performance and expectations varying across sectors

1.1. Development of the overall index

The BBI continued its decline, throughout almost three years. The period under study (July–September 2023) witnessed a continued decline in the business performance index, posting a decrease of one point from the neutral level. However, it witnessed a slight improvement compared to the previous and corresponding quarters, registering values higher by 4 points. The current performance reflects the pressures facing the business community as a result of high production costs, weak value of the Egyptian pound, variability of the exchange rate, difficulty of obtaining supplies, and weak domestic demand as a result of rising inflation to unprecedented levels, in addition to the unfavorable conditions globally, regionally, and domestically.

Although this performance is modest, it is considered an improvement over the previous two quarters, especially for production, level of capacity utilization and exports, while the domestic sales index remained at a neutral level and inventory declined slightly (Figure 1–1).



Source: Survey 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.

The performance expectations index during October–December (2023) recorded a decrease of 3 points below the neutral level and below the previous and corresponding quarters, as firms expected continued difficulties due to shortage of raw materials and their higher prices, and instability of exchange rates, not to mention escalation of political events regionally (war in Gaza) and expectations of a decline in corporate performance. This resulted in expectations of a decline in all sub-indices: production, domestic sales, capacity utilization and exports, with continued cost pressures and no tangible increase in investment and employment (Figure 1-2).

1.2. Index according to firm size

There is no clear variance in the performance index between **large firms, and small and medium-sized (SMEs) enterprises,** as all firms posted values less than the neutral level, albeit better than the previous and corresponding quarters.

In the quarter under review, all firms recorded values higher than the previous and corresponding quarters, with **large firms** recording values higher than the previous quarter by 4 points and the corresponding quarter by 5 points. The **SMEs** index recorded values higher than the previous quarter by 3 points and the corresponding quarter by 2 points, confirming the continued difficulties facing firms of all types (Figure 1-3).

Large Firms	Figure 1.3. BBI by Firm Size Past Performance	SMEs
49	Jul – Sep 2023	48
45	Apr – Jun 2023	45
44	Jul – Sep 2022	46

Source: Survey results.

As for the outlook index, all firms posted values less than the neutral level. **Large firms**, however, were more pessimistic, as their index recorded 4 points lower than the neutral level, which is lower than the previous and corresponding quarters, while **small and medium-sized firms** recorded a decline from the neutral level by two points, which is similar to the corresponding quarter, and lower by 3 points than the previous quarter. (Figure 1-4).

Large Firms	Figure 1.4. BBI by Firm Size Outlook	SMEs
46	Oct – Dec 2023	48
52	Jul – Sep 2023	51
50	Oct – Dec 2022	48

Source: Survey results.

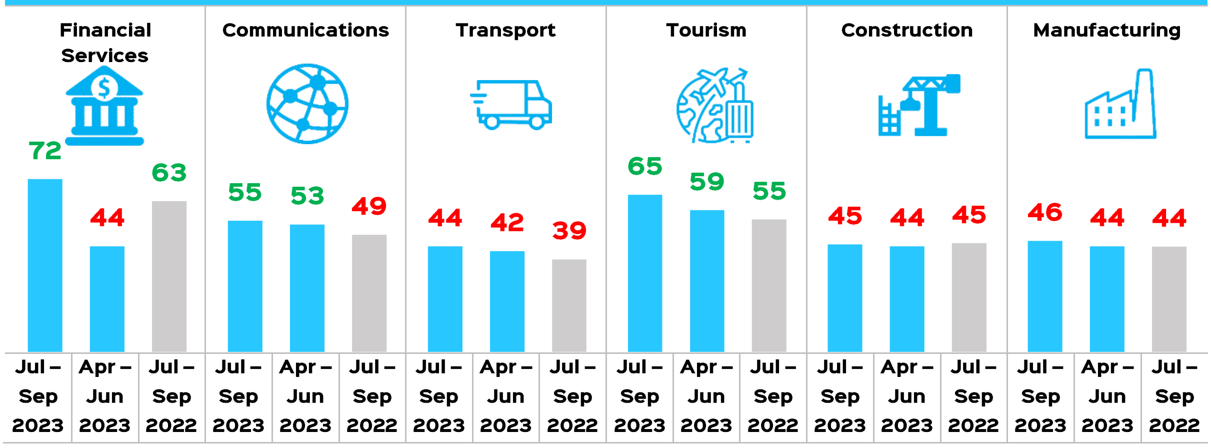
1.3. Index according to economic sector

The performance of some economic sectors deteriorated during the quarter under study, especially, **manufacturing, construction** and **transportation,** with all recording values below the neutral level, while **communications, tourism and financial services** sectors posted values higher than the neutral level (Figure 1-5).

The following is a performance analysis of economic sectors during the quarter under study according to the opinions of the sample of firms, and compared to the performance in the previous and corresponding quarters:

- The **manufacturing** sector registered values 4 points below the neutral level—a performance higher than the previous and corresponding quarters by 2 points. The sector's continued deterioration is due to several factors, including, shortage of raw materials and their rising prices, higher product prices due to high inflation and weak exports due to clients resorting to other markets because of Egyptian firms' lack of adherence to specified delivery dates, in addition to deficit in working capital due to the delay in disbursing export subsidies and multiplicity of tax bases, and problems faced in exporting under the newly instituted ACI system.
- The performance index for the **construction sector** decreased by 5 points below the neutral level during the quarter under study, albeit higher than the previous quarter by one point and similar to the corresponding quarter. This performance deterioration is due to weak market liquidity, higher prices of imported raw materials, pricing difficulties, and lower demand. The sector also continues to suffer from difficult licensing procedures, in addition to new requirements in the Unified Building Law, higher tax burdens, and intense competition between the private sector and sovereign entities in the sector.

Figure 1.5. BBI by Economic Sectors - Past Performance



Source: Survey results.

- **The transport sector** reported the most severe deterioration, recording 6 points lower than the neutral level, albeit higher than the previous and corresponding quarters. This decline is due to the weak imports and exports on which transport and shipping firms depend, not to mention the modest performance of most sectors to which the sector is linked.
- The **tourism** sector witnessed an improvement, with the index exceeding the neutral level by 15 points— better performance than the previous and corresponding quarters due to the increase in the number of tourist arrivals during the relevant period, increased domestic flights, and injecting new investments in the sector and the construction of many hotels in new cities coupled with good marketing from the Chamber of Tourism.
- The performance index for **telecommunications** exceeded the neutral level by 5 points during the quarter under study, which is better performance than the previous and corresponding quarters. The reason is the increase in demand for information technology services and modern applications, continuation of the 'Decent Life' [Haya Kareema] initiative and expansion on developing and renewing

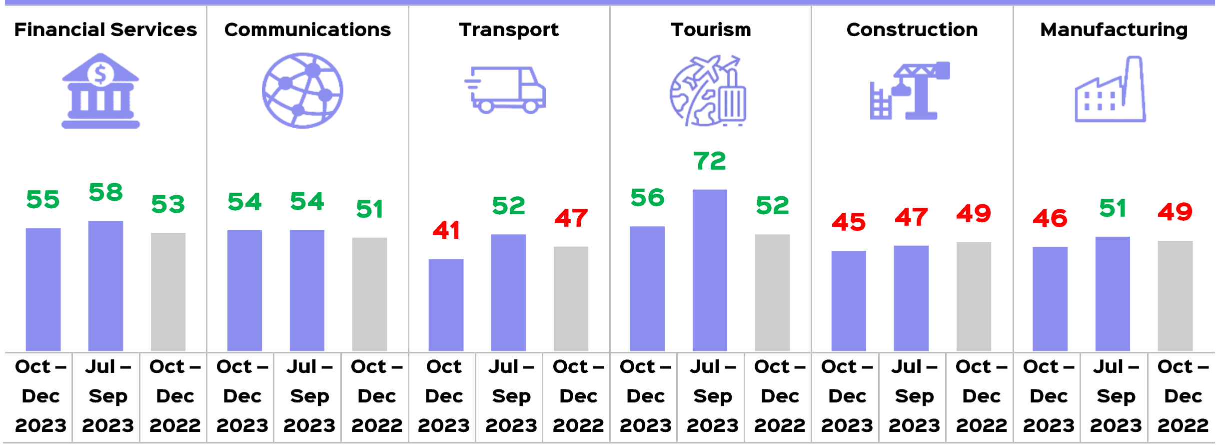
networks, in addition to new contracts for firms, opening of new markets abroad for information technology firms, and availability of large quantities of raw materials before the import problem.

- The **financial services** sector recorded the highest value for the performance index during the quarter under study—an increase from the neutral level by 22 points and higher than the previous and corresponding quarters. This is due to active share trading due to high profitability, especially in light of the weak local currency and continued inflationary pressures.

The outlook index was no different, with expectations in **manufacturing, construction, and transportation industries** below the neutral level, while **financial services, tourism** and **communications** were situated above the threshold.

- **Manufacturing** expectations were lower than the previous and corresponding quarters, which is due to the lack of signs of improvement, especially with regard to the availability of the foreign exchange required for imports. Therefore, the sector is expected to continue at the same production rates until raw materials are available. In addition, there are expectations of continued weak demand in the domestic market in light of high inflation, and weak external market demand with higher prices compared to similar markets, in addition to escalation of political tensions in the region, with an expected negative impact on the economy in general.
- The **construction** sector's expectations were 5 points below the neutral level, and lower than the previous and corresponding quarters, as a result of the government's slow decision-making for improving sectoral performance, such as promulgating the new reconciliation law, in addition to stagnant demand, weak liquidity, higher prices of imported raw materials, and obstacles related to building permits and height restrictions.
- The best expectations came from the **tourism** sector, with recorded values exceeding the neutral level by 6 points, and 16 points lower than the previous quarter, and better than the corresponding level by 4 points. This may be attributed to expectations of an improvement in tourism marketing, coinciding with the approaching new year holidays.
- Expectations regarding the performance of the **telecommunications** sector during the next quarter were 4 points higher than neutral, similar to the previous quarter and 3 points higher than the corresponding quarter, as new contracts are anticipated to develop firms' programs, the state's resort to digital transformation and e-invoicing, and beginning of the school year, which increases demand for security and protection programs for data and information technology.
- The lowest expectations for the next quarter came from the **transportation** sector, which recorded values 9 points lower than the neutral level and lower than the previous and corresponding quarters. This is due to the expected negative impact of current political events and their disruption of supply chains in the region, not to mention the difficulties facing investors in securing foreign currency to obtain production requirements, weak activity in the construction sector, in addition to geopolitical turmoil that has a negative impact on global trade in general.
- The **financial services** sector's expectations regarding performance during the next quarter were optimistic, with values exceeding the neutral level by 5 points, 3 points lower than the previous quarter, and higher than the corresponding by 2 points, in light of future investment opportunities that are expected in the context of the government IPO program. In addition, there are expectations of continued investment in stocks as a safe haven in light of the rise in inflation, weak local currency, and expectations of an increase in the exchange rate (Figure 1-6).

Figure 1.6. BBI by Economic Sectors - Outlook



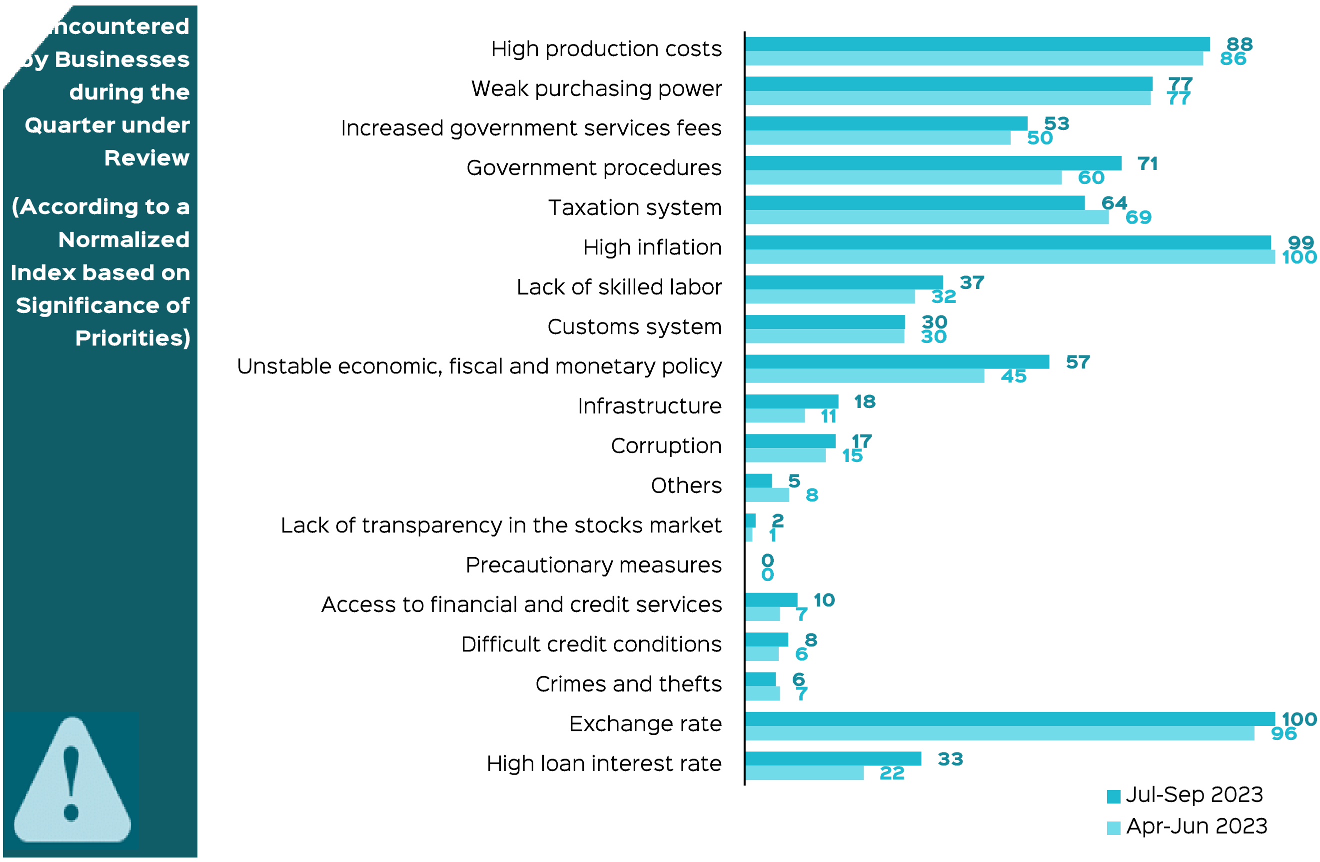
Source: Survey results.

II. Constraints Facing the Business Community During the Quarter Under Study, and Priorities for Improving the Business Climate from the Point of View of the Sample of Firms

2.1. Constraints faced by the business community during the quarter under study

All firms agree that variability of the exchange rate, high inflation, and high production costs represent the biggest constraints during the quarter under study.

Figure 2–1 shows the main constraints facing the business community during the quarter under study (July–September 2023), ranked in a descending order of severity from the point of view of the sample of firms.



Source: Survey results.

Problems related to exchange rate variability topped the list of constraints for all firms during the current quarter due to its negative impact on the business community in terms of the rising prices of most goods and services, in addition to exchange rate distortion due to the existence of more than one rate in the market and lack of clarity in the exchange rate policy, and thus the inability to estimate product prices for forward contracts and disruption in the availability of foreign currency needed for import. This is followed in second place by **high inflation**, due to its repercussions on the supply and demand sides. On the one hand, high inflation caused a decline in demand for products, and on the other hand, it led to higher production costs, and thus a decline in supply, a decrease in business volume, and a lack of liquidity for investment. The **high production costs** ranked third due to the increase in the prices of production inputs, especially imported ones, in addition to the rise in shipping tariffs, disruption of global supply chains, shortage of raw materials and their higher prices, resulting in the inability to compete in foreign markets and weak sales in local markets. Then comes **weak purchasing power** due to inflation, followed by **procedures for dealing with government agencies, delayed and lengthy procedures, problems related to the tax regime such as high tax rates, multiple tax bases, tax inspection of previous years, and double taxation.**

Comparing the constraints faced by firms during the quarter under study with the previous quarter, it is clear that the suffering of the business community has become more intense, especially due to confusion of economic, financial and monetary policies and the higher interest rates.

2.1.1. Constraints according to size of firms

There is variation in the arrangement of constraints between firms of different sizes, with the **high exchange rate** topping the list of constraints for **SMEs**, followed by the challenges related to **high inflation** in second place, then **higher production costs** in third place, and finally **weak purchasing power** in fourth place.

For large firms, **higher inflation** topped the list of constraints, followed by **high production costs** in second place then the **rising exchange rate** in third place, and finally **weak purchasing power** in fourth place.

Figure 2–2 shows the main constraints faced by large, and small and medium-sized firms during the quarter under study (July–September 2023), ranked in a descending order of severity from the point of view of firms.

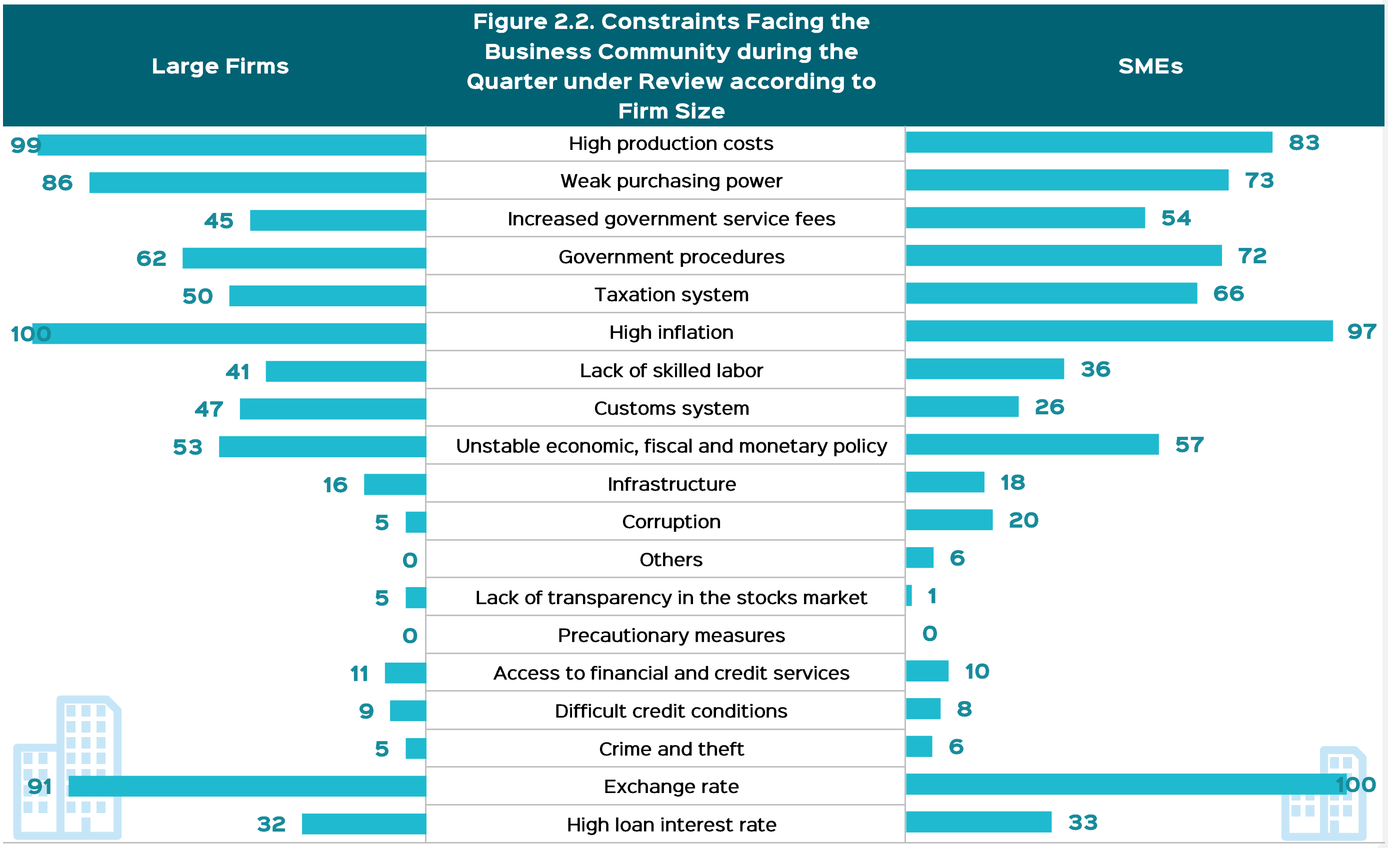


Figure 2.2. Constraints Facing the Business Community during the Quarter under Review according to Firm Size

Source: Survey results.

2.1.2. Constraints according to economic sectors

There is variation in the constraints facing economic sectors, with exchange rate variability being the biggest constraint facing the construction and transportation sectors, while high inflation was the biggest constraint facing the manufacturing and communications sectors, and conflicting economic, financial, and monetary policies were the biggest constraints facing the financial services sector. The rise in interest rates on loans was the biggest constraint to the tourism sector (Figure 2-3).

acing the Business Community during the Quarter under Review according to Economic Sector

	Financial Services	Communi-cations	Transport	Tourism	Construction	Manufacturing
High production costs	0	81	20	88	92	97
Increased government service fees	0	88	20	58	58	51
Government procedures	77	88	23	53	58	66
Weak purchasing power	0	56	23	58	94	87
Taxation system	53	88	30	80	44	56
Lack of skilled labor	11	78	2	33	16	41
High inflation	0	100	89	95	92	100
Customs system	0	69	14	30	6	32
Unstable economic, fiscal and monetary policy	100	56	55	18	18	51
Corruption	6	50	2	0	12	18
Infrastructure	15	9	7	0	28	18
Precautionary measures	0	0	0	0	0	0
Others	26	13	9	0	0	0
Crime and theft	0	0	0	0	12	7
Access to financial and credit services	0	47	7	0	0	9
Difficult credit conditions	0	50	0	3	0	6
Exchange rate	40	78	100	93	100	93
High loan interest rate	0	91	7	100	0	25
Lack of transparency in the stocks market	17	0	0	0	0	0

Source: Survey results.

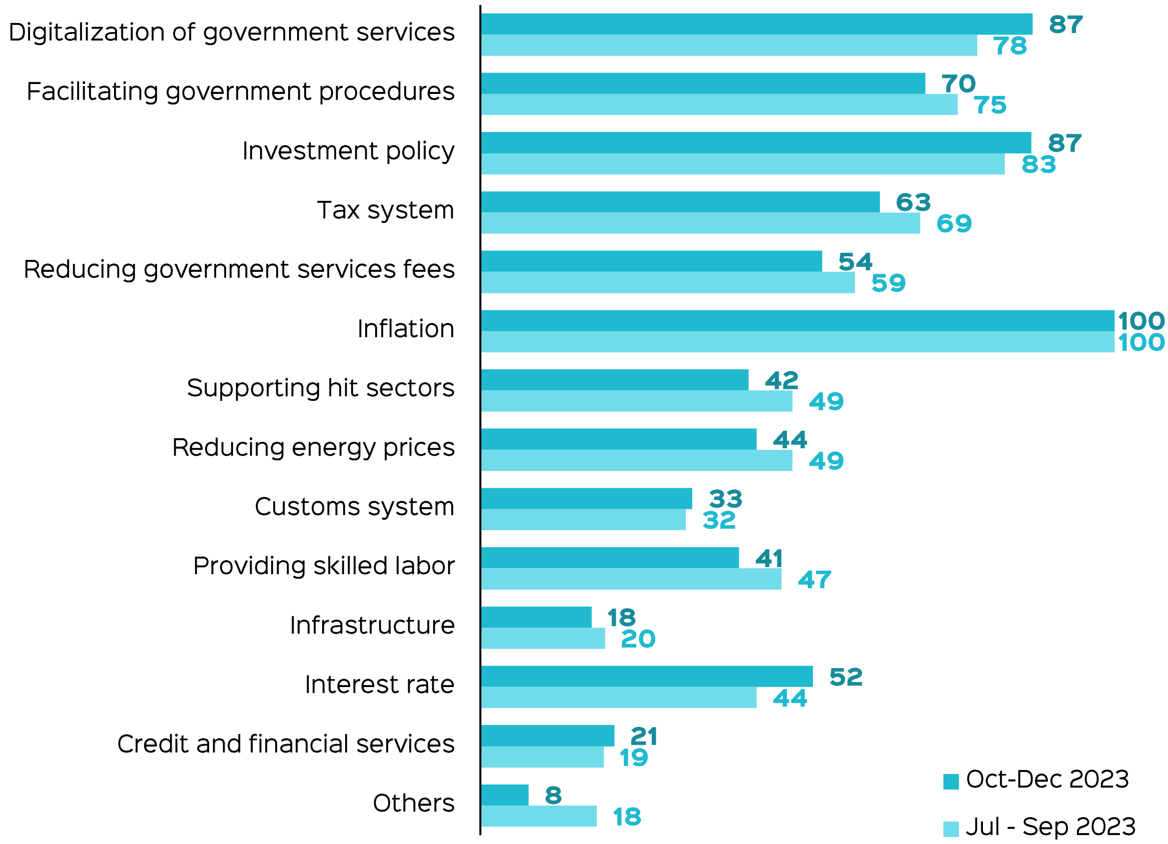
2-2 Priorities for Improving the Business Climate in Egypt (According to the Opinions of the Sample of Firms)

***Key priorities*: Reducing inflation resulting from exchange rate problems, improving investment policies, digital transformation of government services, as well as facilitating government procedures.**

In addition to the need to resolve problems related to the exchange rate, addressing **high inflation** continues to top the list of priorities the sample of firms consider necessary due to its negative impact on all sectors, followed by **improving investment policies** and **digital transformation** that affect the economy in general, with the need to engage representatives of the business community in making decisions that improve investment. This is followed by **facilitating government procedures, linking different government agencies together, eliminating bureaucracy,** and **reducing time and effort.** Calls to improve the **tax regime** and **reduce the number of tax bases** continue to be a priority for 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)



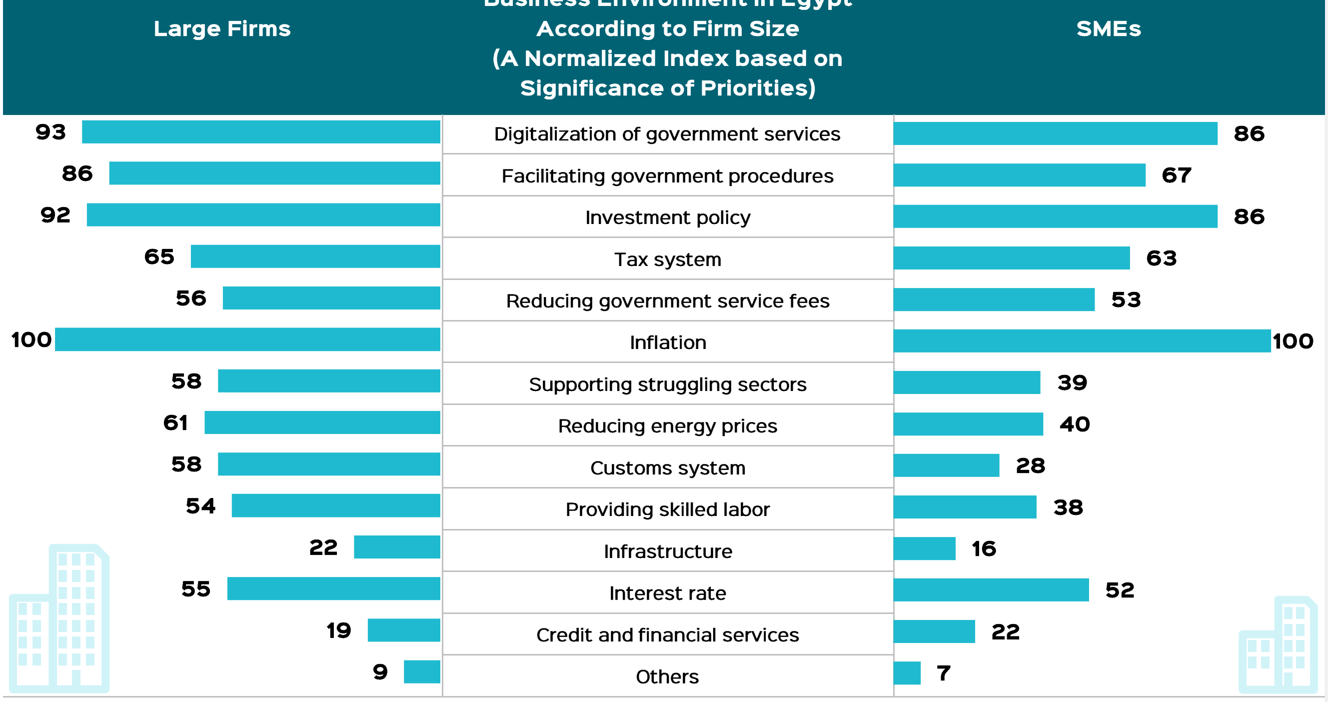
Source: Survey results.

2.2.1. Priorities according to Firm Size

Comparing priorities according to the size of firms shows the following:

There is no discrepancy in priorities; **all firms** agree that finding solutions to the **high inflation rates** should be a priority to improve the business climate. Improving **digital transformation** comes next in priority, then **investment policies** in third place, **facilitating government procedures** in fourth place, and finally 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 are no significant differences across economic sectors in the priorities that should be focused on. **Addressing high inflation rates** topped priorities for **manufacturing, construction, building, transportation and financial services,** while **digital transformation** was a priority for **financial services, tourism** and **communications,** with **facilitating government procedures** being an additional priority for **telecommunications**.

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	Construction	Manufacturing
Digitalization of government services	100	100	67	100	73	86
Streamlining government procedures	42	100	31	75	78	78
Investment policy	100	88	67	45	98	91
Tax system	80	88	25	80	42	64
Reducing government service fees	9	78	35	53	67	63
Inflation	100	97	100	95	100	100
Supporting struggling sectors	0	38	17	18	82	54
Reducing energy prices	11	34	33	13	78	52
Customs system	0	63	13	60	5	44
Providing skilled labor	11	81	8	43	33	51
Infrastructure	0	22	15	0	25	23
Interest rate	41	56	31	68	69	52
Credit and financial services	13	59	33	3	5	22
Others	25	13	0	0	0	7

Source: Survey results.

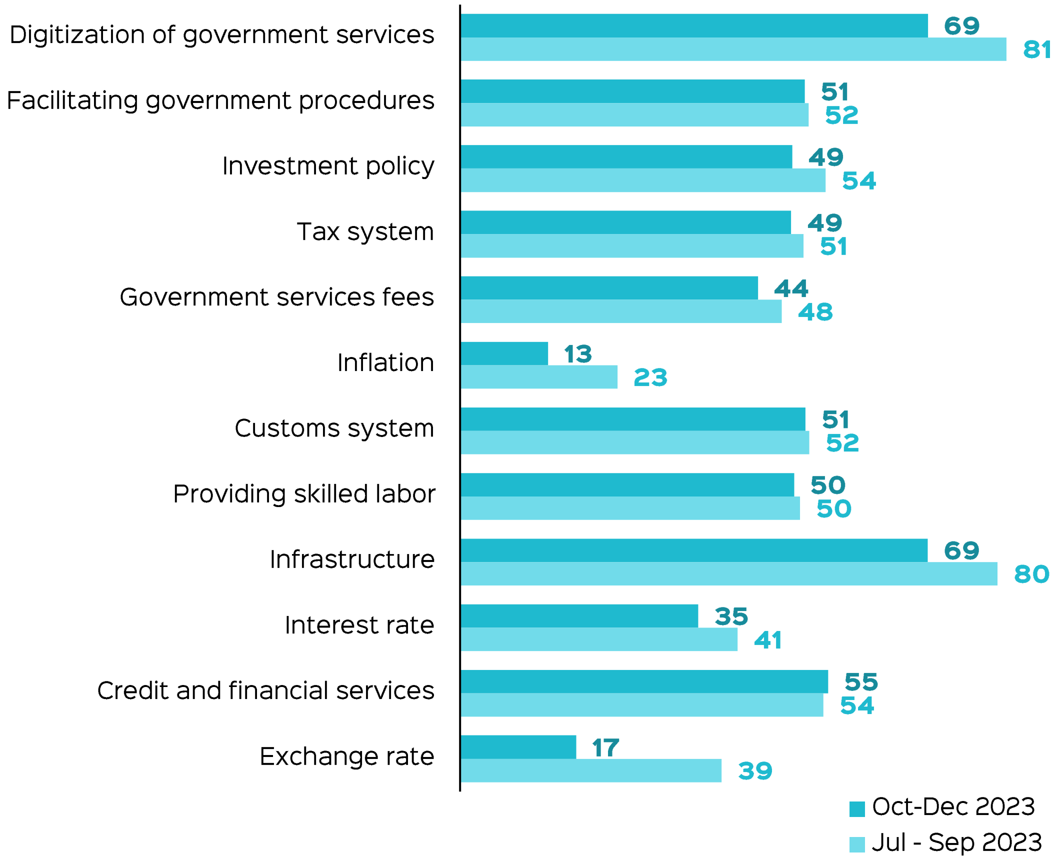
Business Community's Expectations of Improvements Based on its Views of the Government's Current Strategies

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

Infrastructure and digital transformation remain on the list of expected improvements during the next quarter, albeit to a lower extent compared to the previous quarter. This can be explained by the fact that political events at the regional level and the forthcoming presidential elections may slow down progress on these two issues (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 Expectations According to Sub–Indices

3.1. Performance evaluation

The majority of performance evaluation indices for all firms rose above the neutral level during the quarter under study.

All firms reported that performance indices for **production and capacity utilization** were higher than the neutral level and both the previous and corresponding quarters. The **domestic sales index** registered values at the neutral level and higher than the previous and corresponding quarters. According to the **commodity inventory index, large firms** reported values at the neutral level and lower than the previous and corresponding quarters, while **SMEs** reported values 8 points lower than the neutral level, and also lower than the previous and corresponding quarters.

As for the export index, **SMEs** reported values higher than the neutral level by 4 points and higher than the previous and corresponding quarters, while **large firms** reported values that are 3 points below the neutral level and the previous quarter, but 5 points higher than the corresponding quarter.

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

Large Firms	Period	Indicator	Period	SMEs
52	Jul – Sep 2023	Production	Jul – Sep 2023	52
31	Apr - Jun 2023		Apr - Jun 2023	41
41	Jul – Sep 2022		Jul – Sep 2022	46
50	Jul – Sep 2023	Domestic Sales	Jul – Sep 2023	50
27	Apr - Jun 2023		Apr - Jun 2023	38
31	Jul – Sep 2022		Jul – Sep 2022	43
47	Jul – Sep 2023	Exports	Jul – Sep 2023	54
50	Apr - Jun 2023		Apr - Jun 2023	44
42	Jul – Sep 2022		Jul – Sep 2022	48
52	Jul – Sep 2023	Capacity Utilization	Jul – Sep 2023	52
36	Apr - Jun 2023		Apr - Jun 2023	41
46	Jul – Sep 2022		Jul – Sep 2022	49
50	Jul – Sep 2023	Inventory*	Jul – Sep 2023	42
54	Apr - Jun 2023		Apr - Jun 2023	55
56	Jul – Sep 2022		Jul – Sep 2022	47

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 and wage indices continue to record higher levels than neutral for all firms

With regards to **large firms,** the **final product prices and wages indices** recorded similar values to the previous quarter, but higher values than the corresponding quarter, driven by the rise in basic input prices, while **input prices** recorded lower values than in the previous and corresponding quarters.

SMEs recorded lower values in the **final product prices index** than in the previous and corresponding quarters, but reported higher values by 4 points in the **input price index** compared to the previous and corresponding quarters, and higher values in the **wage index** than in the previous and corresponding quarters.

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

Large Firms	Period	Indicator	Period	SMEs
76	Jul – Sep 2023	Final Product Prices	Jul – Sep 2023	66
76	Apr - Jun 2023		Apr - Jun 2023	67
67	Jul – Sep 2022		Jul – Sep 2022	68
5	Jul – Sep 2023	Input Prices*	Jul – Sep 2023	12
14	Apr - Jun 2023		Apr - Jun 2023	8
6	Jul – Sep 2022		Jul – Sep 2022	8
58	Jul – Sep 2023	Wages	Jul – Sep 2023	57
58	Apr - Jun 2023		Apr - Jun 2023	56
54	Jul – Sep 2022		Jul – Sep 2022	54

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.

Slight improvement in the investment index for all firms

- Results for **large firms** showed a slight increase in the performance of the **investment index**, posting values 3 points higher than the neutral level and higher than in the previous and corresponding quarters, while the **employment index** remained unchanged from the previous and the corresponding quarters (one point lower than neutral).
- For **SMEs,** results show a stable **investment index** at the neutral level—a performance that is higher by one point than in the previous and corresponding quarters. **The employment index** remains stable in the current quarter below the neutral level by one point, similar to the previous quarter, but higher than the corresponding quarter by one point (Figure 3–3).

Figure 3.3. Investment and Employment Indices by Firm Size – Performance Evaluation

Large Firms	Period	Indicator	Period	SMEs
53	Jul – Sep 2023	Investment	Jul – Sep 2023	50
52	Apr - Jun 2023		Apr - Jun 2023	49
51	Jul – Sep 2022		Jul – Sep 2022	49
49	Jul – Sep 2023	Employment	Jul – Sep 2023	49
49	Apr - Jun 2023		Apr - Jun 2023	49
49	Jul – Sep 2022		Jul – Sep 2022	48

Source: Survey results.

3.2. Performance expectations

Expectations for all firms during the coming quarter are below the neutral level for production, domestic sales and capacity utilization, and exceed the neutral level for the commodity inventory index.

All firms were unoptimistic about **production, domestic sales and capacity utilization** during October–December (2023), as index values were lower than the neutral level than the previous and corresponding quarters, while expectations for **commodity inventory** were higher than the neutral level and the previous and corresponding quarters. For **exports, large firms** reported values 10 points lower than the neutral level and the previous quarter and 12 points lower than the corresponding quarter, while **SMEs** reported values exceeding the neutral level by 3 points, although two points lower than in the previous quarter, but higher by one point than in the corresponding quarter (Figure 3–4).

Figure 3.4. Production and Sales Indices by Firm Size - Outlook

Large Firms				SMEs
41	Oct – Dec 2023	Production	Oct – Dec 2023	44
61	Jul – Sep 2023		Jul – Sep 2023	57
59	Oct – Dec 2022		Oct – Dec 2022	50
47	Oct – Dec 2023	Domestic Sales	Oct – Dec 2023	45
57	Jul – Sep 2023		Jul – Sep 2023	57
48	Oct – Dec 2022		Oct – Dec 2022	49
40	Oct – Dec 2023	Exports	Oct – Dec 2023	53
50	Jul – Sep 2023		Jul – Sep 2023	55
52	Oct – Dec 2022		Oct – Dec 2022	52
41	Oct – Dec 2023	Capacity Utilization	Oct – Dec 2023	44
61	Jul – Sep 2023		Jul – Sep 2023	56
54	Oct – Dec 2022		Oct – Dec 2022	49
54	Oct – Dec 2023	Inventory*	Oct – Dec 2023	52
42	Jul – Sep 2023		Jul – Sep 2023	46
47	Oct – Dec 2022		Oct – Dec 2022	51

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 final products' prices to continue to rise at values higher than the neutral level, driven by an increase in input prices in the coming period

The expectations index for **large firms** recorded an increase in the final product prices index, to exceed the neutral level and the previous and corresponding quarters, while the **input price index** declined compared to the previous quarter by 10 points, albeit higher than the corresponding quarter by 7 points—indicating continued difficulties faced in securing hard currency needed for imports. The **wage index** increased by one point compared to the previous quarter, but less than in the corresponding quarter by 3 points.

The expectations index for **SMEs** reported an increase in the **final product prices index,** exceeding the previous quarter by 4 points, but similar to the corresponding quarter. It recorded a decrease by 8 points in the **input prices index** compared to the previous quarter, albeit higher than the corresponding by 3 points. Results also showed that the **wage index** will remain stable from the previous quarter, achieving values that are one point higher than the neutral level and the corresponding quarter (Figure 3–5).

Figure 3.5. Prices and Production Cost Indices by Firm Size - Outlook

Large Firms				SMEs
71	Oct – Dec 2023	Final Product Prices	Oct – Dec 2023	63
62	Jul – Sep 2023		Jul – Sep 2023	59
67	Oct – Dec 2022		Oct – Dec 2022	63
22	Oct – Dec 2023	Input Prices*	Oct – Dec 2023	26
32	Jul – Sep 2023		Jul – Sep 2023	34
15	Oct – Dec 2022		Oct – Dec 2022	23
51	Oct – Dec 2023	Wages	Oct – Dec 2023	51
50	Jul – Sep 2023		Jul – Sep 2023	51
54	Oct – Dec 2022		Oct – Dec 2022	50

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 a stable investment index, a decrease in the employment index for large firms, and a slight decrease in employment for SMEs

Large firms expect a stable **investment index** compared to the previous quarter and less than the corresponding quarter by one point. The **employment index** declined below the neutral level by two points and compared to the previous and corresponding quarters, while **SMEs expect** a stable **investment index** at the neutral level and one point higher than the previous and corresponding quarters. They also expect the **employment index** to remain stable at the neutral level and one point lower than the previous quarter, albeit one point higher than the corresponding quarter (Figure 3–6).

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

Large Firms				SMEs
50	Oct – Dec 2023	Final Product Prices	Oct – Dec 2023	50
50	Jul – Sep 2023		Jul – Sep 2023	49
51	Oct – Dec 2022		Oct – Dec 2022	49
48	Oct – Dec 2023	Input Prices*	Oct – Dec 2023	50
50	Jul – Sep 2023		Jul – Sep 2023	51
52	Oct – Dec 2022		Oct – Dec 2022	49

Source: Survey results.

Tables Index

Table A1: Survey Results: Summary of all firms' performance evaluation at the sectoral level (July – August – September 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	46	Higher	Same	Low	45	Higher	Same	Low	65	Higher	Same	Low	44	Higher	Same	Low	55	Higher	Same	Low	72
Economic activity																								
Production	28	20	52	**40**	14	43	43	**40**	90	10	0	**91**	25	8	67	**31**	38	63	0	**62**	100	0	0	**100**
Domestic sales	26	16	58	**36**	14	43	43	**40**	89	11	0	**90**	25	8	67	**31**	38	63	0	**62**	100	0	0	**100**
Exports	33	27	40	**47**	—	—	—	—	100	0	0	**100**	—	—	—	—	50	50	0	**67**	—	—	—	—
Inventory	30	42	28	**49**	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Capacity utilization	28	20	52	**40**	14	43	43	**40**	90	10	0	**91**	25	8	67	**31**	38	63	0	**62**	100	0	0	**100**
Prices																								
Final product prices	73	23	3	**78**	64	36	0	**74**	50	40	10	**64**	42	58	0	**63**	13	88	0	**53**	0	100	0	**50**
Intermediate product prices	90	10	0	**9**	86	14	0	**13**	100	0	0	**0**	—	—	—	—	67	33	0	**25**	—	—	—	—
Wage level	40	58	2	**62**	14	86	0	**54**	10	90	0	**53**	17	83	0	**55**	0	100	0	**50**	13	88	0	**53**
Primary inputs																								
Investment	8	82	10	**50**	0	100	0	**50**	0	100	0	**50**	0	100	0	**50**	38	50	13	**58**	0	100	0	**50**
Employment	10	77	13	**49**	7	79	14	**48**	0	100	0	**50**	0	92	8	**48**	13	88	0	**53**	0	100	0	**50**

Table A2: Survey Results: Summary of all firms' outlook at the sectoral level (October – November - December 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	46	Higher	Same	Low	45	Higher	Same	Low	56	Higher	Same	Low	41	Higher	Same	Low	54	Higher	Same	Low	55
Economic activity																								
Production	13	47	40	**41**	0	57	43	**36**	0	100	0	**50**	8	25	67	**27**	25	75	0	**57**	56	13	31	**61**
Domestic sales	21	40	39	**44**	0	57	43	**36**	0	100	0	**50**	8	25	67	**27**	25	75	0	**57**	56	13	31	**61**
Exports	17	50	33	**44**	—	—	—	—	100	0	0	**100**	—	—	—	—	50	50	0	**67**	—	—	—	—
Inventory	18	62	20	**51**	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Capacity utilization	15	45	40	**41**	0	57	43	**36**	0	100	0	**50**	8	25	67	**27**	13	88	0	**53**	56	13	31	**61**
Prices																								
Final product prices	65	35	0	**74**	79	21	0	**82**	0	100	0	**50**	25	75	0	**57**	0	100	0	**50**	0	100	0	**50**
Intermediate product prices	77	23	0	**19**	86	14	0	**13**	0	100	0	**50**	—	—	—	—	0	100	0	**50**	—	—	—	—
Wage level	5	93	2	**51**	14	86	0	**54**	0	100	0	**50**	0	100	0	**50**	0	100	0	**50**	0	100	0	**50**
Primary inputs																								
Investment	3	93	3	**50**	0	100	0	**50**	0	100	0	**50**	0	100	0	**50**	0	100	0	**50**	0	100	0	**50**
Employment	5	85	10	**49**	0	100	0	**50**	0	100	0	**50**	0	100	0	**50**	0	100	0	**50**	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) (July – August – September 2023)[1]

Variable	SMEs				Large Firms			
	Percentage			Index [2]	Percentage			Index [2]
	Higher	Same	Low	48	Higher	Same	Low	49
Economic activity								
Production	43	18	39	**52**	36	32	32	**52**
Domestic sales	41	17	41	**50**	36	27	36	**50**
Exports	43	24	33	**54**	29	36	36	**47**
Inventory	44	33	24	**42**	29	43	29	**50**
Capacity utilization	43	18	39	**52**	36	32	32	**52**
Prices								
Final product prices	50	47	3	**66**	68	32	0	**76**
Intermediate product prices	87	13	0	**12**	94	6	0	**5**
Wage level	26	73	1	**57**	27	73	0	**58**
Primary inputs								
Investment	4	91	5	**50**	18	73	9	**53**
Employment	8	82	10	**49**	0	95	5	**49**

Table A4: Survey Results: Summary of all firms' outlook (by size) (October – November – December 2023)[1]

Variable	SMEs				Large Firms			
	Percentage			Index [2]	Percentage			Index [2]
	Higher	Same	Low	48	Higher	Same	Low	46
Economic activity								
Production	18	46	36	**44**	9	55	36	**41**
Domestic sales	19	46	35	**45**	27	36	36	**47**
Exports	29	52	19	**53**	14	43	43	**40**
Inventory	18	57	25	**52**	10	67	24	**54**
Capacity utilization	18	46	36	**44**	9	55	36	**41**
Prices								
Final product prices	41	59	0	**63**	59	41	0	**71**
Intermediate product prices	65	35	0	**26**	72	28	0	**22**
Wage level	4	95	1	**51**	5	95	0	**51**
Primary inputs								
Investment	2	96	2	**50**	0	100	0	**50**
Employment	3	93	4	**50**	0	91	9	**48**

1 Numbers represent percentage 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.