ECES
المركز المصري للدراسات الاقتصادية
The Egyptian Center for Economic Studies

Business Barometer

Issue 69 October - December 2023

Performance Evaluation during the period October - December 2023 and Outlook for the period January - March 2024 from the Business Community's point of view

Sponsored by

CIB
THE BANK TO TRUST

Business Barometer

Issue 69 October – December 2023

Contents

Executive Summary

This report presents the results of 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. The survey results reflect the opinion of the business community regarding developments in a set of variables, specifically: production, domestic sales and exports, commodity inventory, capacity utilization, prices, wages, employment, and investment during the quarter October–December 2023 and its outlook for the quarter January–March 2024, compared with the previous quarter (July–September 2023) and the corresponding quarter (October–December 2022). Below is a brief review of key survey results for the quarter under study (October–December 2023), focusing on key developments in the macroeconomy and results of the overall business barometer index.[1]

Macroeconomic Overview

Globally, according to the International Monetary Fund (IMF) World Economic Outlook published in January 2024, global growth is projected at 3.1 percent in 2024, which is the same as the previous year, and 3.2 percent in 2025. Global inflation is also expected to decline gradually from 6.8% in 2023 to 5.8% in 2024 and then to 4.4% in 2025, due to the decline in the prices of commodity, energy, and food from their peak in 2022, and growth of global trade by about 3.3% in 2024. This rate is below the historical average of 4.9%, which reflects slowing global economic activity, as well as the continued negative impact of increasing trade distortions and their geographical fragmentation.

Domestically, the growth rate dropped during Q1 (July–September) of FY 2023/2024 to 2.65%, which is a decline of about 9% from the previous quarter and about 40% from the corresponding quarter. The decline reflects the chronic challenges facing the Egyptian economy, most importantly the severe shortage of foreign exchange, depreciation of the Egyptian pound, and the unprecedentedly high inflation and government debt. Consequently, the government, seeking additional financing, engaged in intense negotiations with the IMF during the preparation of this issue of the Business Barometer.

The purchasing managers' index (PMI) for the non-oil private sector fell to 48.1 in January 2024, its lowest level since October 2023, from 48.5 in December.

The annual rate of headline inflation recorded about 31.2% in January 2024—a decline of about 11 percentage points compared to the previous month, albeit 18 percentage points higher than January 2023. The decline in inflation mainly reflects the decrease in vegetable prices compared to the previous month.

With the aim of reducing the escalating inflationary expectations, the Monetary Policy Committee (MPC) of the Central Bank of Egypt (CBE) decided on February 1, 2024 to raise the overnight deposit and lending rates and the main operation rate by 200 basis points, reaching 21.25%, 22.25% and 21.75%, respectively. **The CBE raised its interest rate on March 6 by a historical 600 basis points,**[2] and said it would allow the exchange rate to be determined by the market, reaching an average of EGP48/USD.

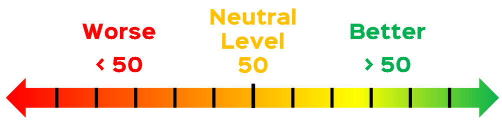
---

[1] The survey was conducted during the period January 2–February 8, 2024.

[2] Raising the interest rate may not be the best solution to curb inflation in the Egyptian case. For more details on this issue, please see ECES's latest issue of "Views on News" via this link: https://eces.org.eg/en/extraordinary-meeting-of-the-cbes-monetary-policy-committee/.

Hours from hiking the interest rate and allowing a flexible exchange rate, the Prime Minister announced signing an agreement with the IMF to extend a current $3 billion loan deal to $8 billion, as part of a financing package that may reach about $20 billion from multiple parties.

Performance evaluation and expectations according to the overall index



<u>Performance evaluation:</u> The Business Barometer Index (BBI) continued to decline, falling in the period under study (October–December 2023) by three points below the neutral level. It is two points lower than the previous quarter, albeit two points higher than the corresponding quarter. This reflects continued pressures facing the business community as a result of high production costs, unavailability of production inputs due to the shortage of foreign currency as well as the instability of the exchange rate. At the macro level, firms are suffering from declined domestic demand caused by weak purchasing power and continued inflation, and a decline in external demand due to unfavorable conditions both regionally and globally.

<u>Outlook:</u> The outlook index for the quarter January–March 2024 fell below the neutral level by one point. However, it is two points higher than the previous quarter, and six points lower than the corresponding quarter, which reflects firms' expectations of continued difficulties due to the shortage of raw materials and their higher prices, shortage of foreign currency, not to mention the geopolitical developments and the expected decline in corporate performance.

The most severe constraints facing the business community during the quarter under study:

The problems associated with high **inflation** jumped to the top of the list of constraints for all firms during the reviewed quarter due to their repercussions on both the supply and demand sides. Escalated inflation pulled down demand for products, and led to an increase in production costs, and thus a decline in supply, workers' continuous demands for wage increases, a decrease in the volume of business, and lack of liquidity for investment. In second place came the **challenges associated with the exchange rate,** due to their negative impact on the business community as a result of disruptions in the availability of the foreign currency needed for imports, the appreciating US dollar against the pound and subsequent rise in the prices of most goods and services, in addition to exchange rate distortions due to the presence of more than one rate in the market and lack of predictability in the exchange rate policy, and thus the inability to set product prices for forward contracts. **High production costs** came third, as the continuous rise in production costs leads to market instability, causing a decline in sales and losses for firms. In addition, the rise in sea freight tariffs, disruption of global supply chains, shortage of raw materials and increases in their prices result in the inability to compete in foreign markets, and weak sales in local markets. This is followed by **unstable economic, financial and monetary policies,** as evidenced by the contradictory decisions, lack of engagement with the private sector in policy formulation, absence of institutional reform, and absence of a long-term vision. **Weak purchasing power** came fifth, followed by the **tax system** in the sixth place as an obstacle to investment because of arbitrary assessments, and tax inspections of previous years. Finally came **dealing with government agencies** due to delayed and lengthy procedures.**Priorities for improving the business environment in Egypt from the point of view of the surveyed firms:**

Addressing the persistently high **inflation rates** remains one of the priorities for the surveyed firms due to its negative impact on all sectors. **Digital transformation mechanisms** follows as they improve the business environment. **improving investment policies is next,** along with the need to engage businessmen in making economic decisions and preventing sovereign entities from competing with the private sector. Finally comes **facilitating government procedures,** linking different government agencies together, eliminating bureaucracy, and reducing unnecessary time and effort in general. The need to improve the **tax system** and reduce the number of tax bases is a priority that can be a beneficial tool in improving the investment environment, along with **reducing government fees** 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.

ECES Board of Directors

Chairman: Omar Mohanna, Chairman of: Chubb Insurance Egypt; Prometeon Tyre Egypt Co. (Pirelli) & Coca-Cola HBC Egypt
Vice Chairman: Tarek Tawfik, Chairman, Cairo Poultry
Secretary General: Mohamed Kassem, Chairman, World Trading Co., Egypt
Treasurer: Alaa Hashim, Founder and Excutive Partner, TRANSCENDIUM

Ahmed Abou Ali, Partner, Hassouna & Abou Ali Law Offices
Ahmed Fikry Abdel Wahab, General Manager and CEO, EGA - Egyptian German Automotive
Aladdin Sabaa, Co-Founder, BPE Partners, Co.
Hisham El Khazindar, Co-Founder and Managing Director, Qalaa Holdings
Hussein Choucri, Chairman and Managing Director, HC Securities and Investment
Mohamed Zakaria Mohie El Din, Chairman and Managing Director, National Company for Chemical Industries – NASYDCO
Sherif ElKholy, Partner and Co-head of the Middle East & North Africa, Actis

ECES Honorary Chairpersons
Galal El Zorba, Chairman of Nile Holding Co.
Hazem Hassan, Chairman, KPMG Hazem Hassan Management Consultants

ECES Staff

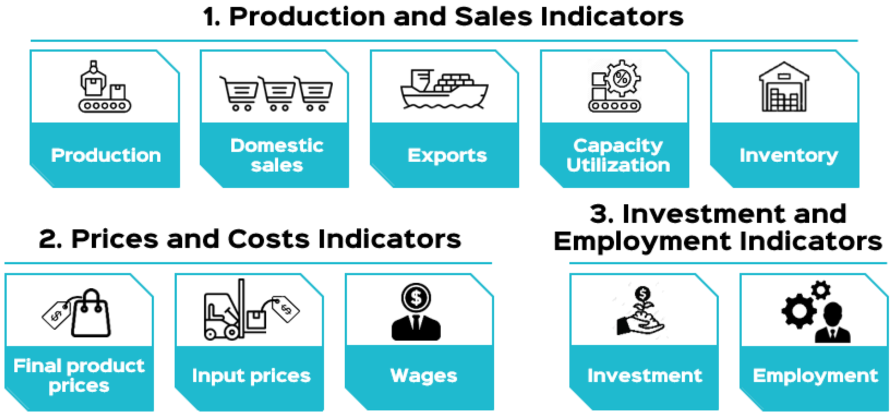
https://eces.org.eg/en/eces-team/

Abla Abdel-Latif, PhD, Executive Director and Director of Research
Sahar Aboud, PhD, Principal Economist
Rama Said, Senior Economist
Racha Seif El-Dine, Senior Economist
Ahmed Dawoud, Economist
Mohamed Hosny, Economist
Mohanad Mahdy, Economist
Marian Adel, Economist
Habiba Mohsen, Research Analyst
Sondos Samir, Research Analyst
Aya Saleh, Research Analyst
Israa Adel, Research Analyst
Ahmed Fathy, Field Researcher
Hossam Khater, Field Researcher
Mohamed Khater, Field Researcher
Mohamed Khater, Field Researcher
Yasser Selim, Managing Editor
Fatma Al-Zahraa Ali, Senior Editor/ Translator
Ebrahim El-Embaby, IT Senior Supervisor
Walied El-Torky, Digital Communication Manager
Mohamed Abdel-Hakam, Communication Specialist
Mohamed Leheta, Finance and Administration Manager
Miral Michel, Assistant to the Executive Director
Amani Medhat, Research and Executive Assistant
Mohamed Atef, Administrative Assistant
Hussein Mohamed, Support Staff
Omar Mowafy, Support Staff
Tarek Attia, Support Staff
Waleed Ibrahim, Support Staff
Amr Mohamed, Support Staff

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.

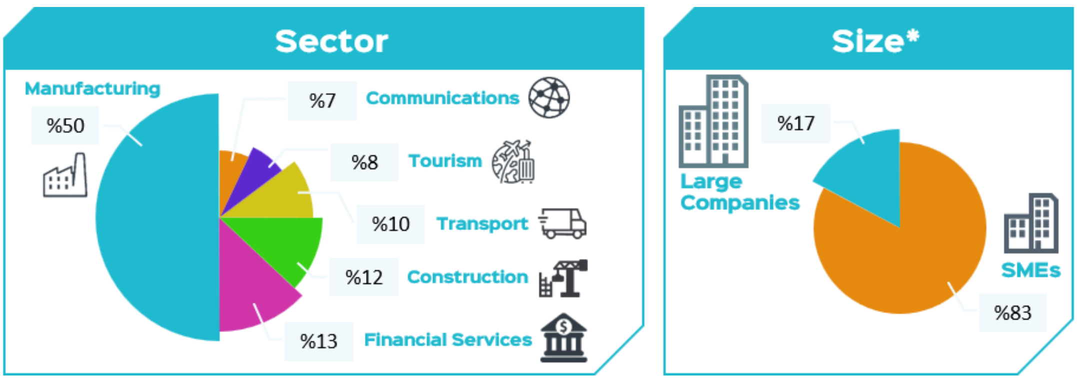


The importance of this issue of the BB is further magnified by the challenges that the business community has been facing since the beginning of 2020 as a result of the COVID-19 pandemic. Therefore, it is important to track the impact of the pandemic on the business community, especially in light of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

This issue of the business barometer offers an assessment of the performance of the sample at hand during the quarter (October-December 2023) and its outlook for the quarter (January-March 2024).

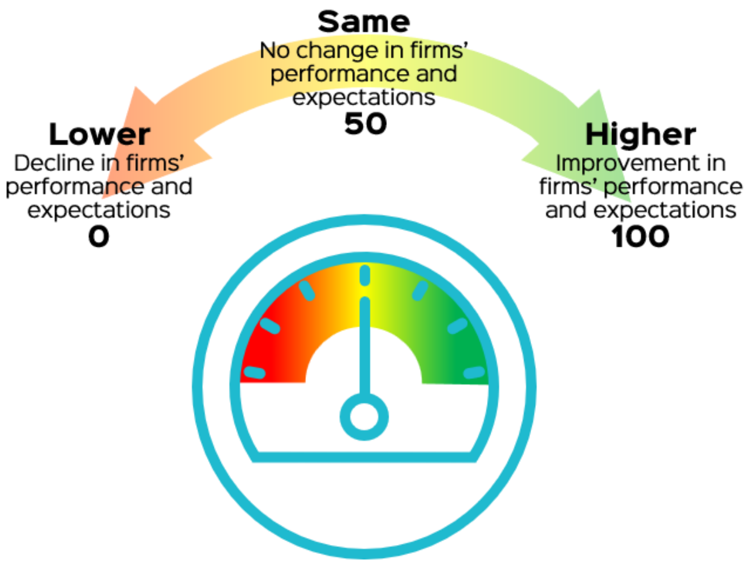
It begins with an overview of the macroeconomy at the global and domestic levels, then presents the results of performance assessment and outlook at the overall index level. It then moves on to the constraints faced by the business community during the quarter under study, and the priorities suggested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

Slight and gradual improvement and ongoing risks

In its World Economic Outlook published in January 2024, the IMF projected global economic growth to stabilize at 3.1% in 2024, the same rate as the previous year, and rise by one point to 3.2% in 2025.

Although the forecast for 2024-2025 is still below the historical 2000-2019 average of 3.8%, it is 0.2 percentage point higher than that in the October 2023 World Economic Outlook on account of greater-than-expected resilience in the United States and several large emerging market and developing economies, as well as fiscal support in China. Stable global economic growth at low levels reflects elevated central bank policy rates to fight inflation, a withdrawal of fiscal support amid high debt weighing on economic activity, and low underlying productivity growth.[3] Inflation is falling faster than expected in most regions, in the midst of unwinding supply-side issues and restrictive monetary policy.

Global growth varies across regions. The growth rate of advanced economies is projected to decline slightly to about 1.5% in 2024, down one point from 2023, and then rebound to 1.8% in 2025. These estimates reflect expectations of an increase in growth in the US compared to a decline in the Eurozone, while growth expectations in emerging and developing economies remain at 4.1% in 2024, and are projected to rise to 4.2% in 2025 (IMF 2024).

Global growth is still encircled by many risks, most importantly the sharp rise in commodity prices due to global geopolitical and climate shocks, the escalated conflict in Gaza, the Russia-Ukraine crisis, persistent headline inflation and the tightening of monetary policy it requires, and the faltering of China's economy with the decline in real estate investments (IMF 2024).[4]

Global headline inflation is expected to fall from an estimated 6.8 percent in 2023 (annual average) to 5.8 percent in 2024 and 4.4% in 2025 due to a decrease in commodity, energy, and food prices from their peak in 2022. In addition, global trade is expected to expand by 3.3% in 2024, well below the historical average of 4.9%, reflecting the slowdown in global economic activity, continued negative impact of increasing trade distortions and their geographical fragmentation, and the rise in new trade restrictions to nearly 3,000 in 2023.

The manufacturing purchasing managers' index stabilized at 50.0 points (neutral level) after a 16-month decline. This reflects improvement of two of the five PMI components, namely production and supplier delivery times, while the rest of the indicators continued declining. The rise in manufacturing production reflects the production of mainly consumer goods while production of intermediate or capital goods remained unchanged. Geographically, the rise in manufacturing production reflects rising production in China, India, and Brazil (among other countries), in contrast to a less severe decline in the US, Japan, and the Eurozone (Market IHS 2024).

[3] IMF. 2024. World Economic Outlook Update: Moderating Inflation and Steady Growth Open Path to Soft Landing, January, IMF.
[4] Ibid.

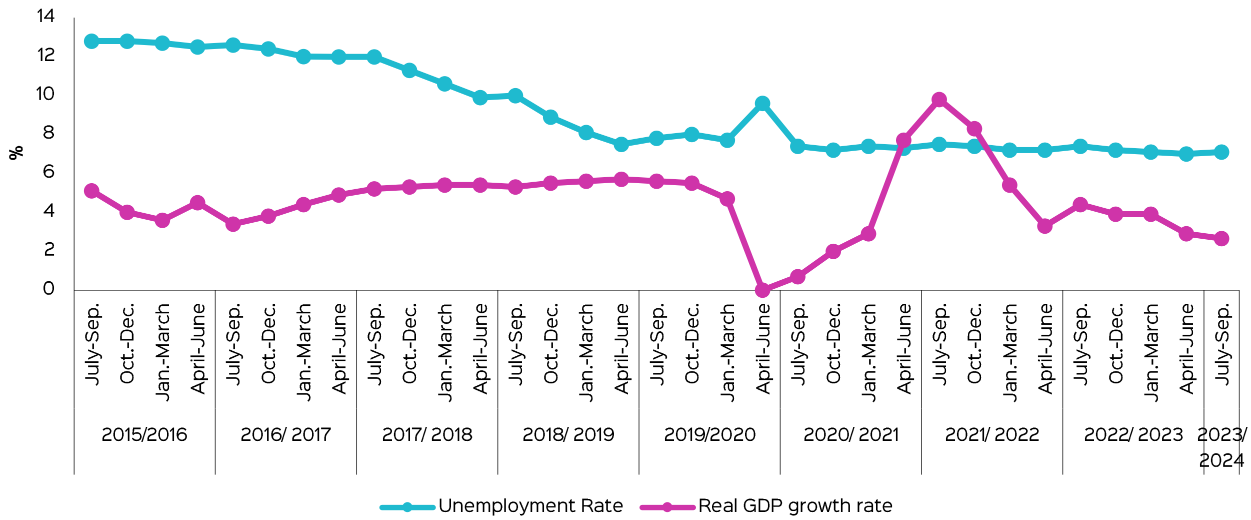
With respect to the Egyptian economy:

The IMF expects the Egyptian economy to grow by about 3% in FY 2024, compared to 3.8% in 2023 and 6.6% in 2022, attributing the low expected growth rates to the shortage of foreign currency and import constraints that hindered access to local production inputs and thus exports, in addition to the increasing risks to Suez Canal revenues and other sources of foreign currency caused by the Israeli attacks on Gaza (IMF 2024).[5]

The Egyptian non-oil private sector is still reeling from a three-year contraction, with the purchasing managers' index falling to its lowest level since October 2023, recording 48.1 points in January, a decline of about 0.4% from its level in the previous month. The decline is due to lower domestic and external demand as a result of escalated inflation and high production costs, and thus a contraction in manufacturing production and a decline in sales. The stagnant labor market coincided with Egyptian non-oil firms reducing their procurement activity in January, while inventory levels remained unchanged and the deadlines for sellers were only slightly longer compared to December (Global P&S 2024).[6]

The following section includes the most important developments and official data published for key economic indicators until the date of publishing this report, based on estimates by the Ministry of Planning and Economic Development. The growth rate decreased during Q1 FY 2023/2024 (July–September) to 2.65%, a decline of about 9% from the previous quarter and about 40% from the corresponding quarter. This decline reflects the chronic challenges facing the Egyptian economy, most importantly the severe shortage in foreign currency, depreciation of the pound, and the rise in inflation and government debt to unprecedented levels.

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

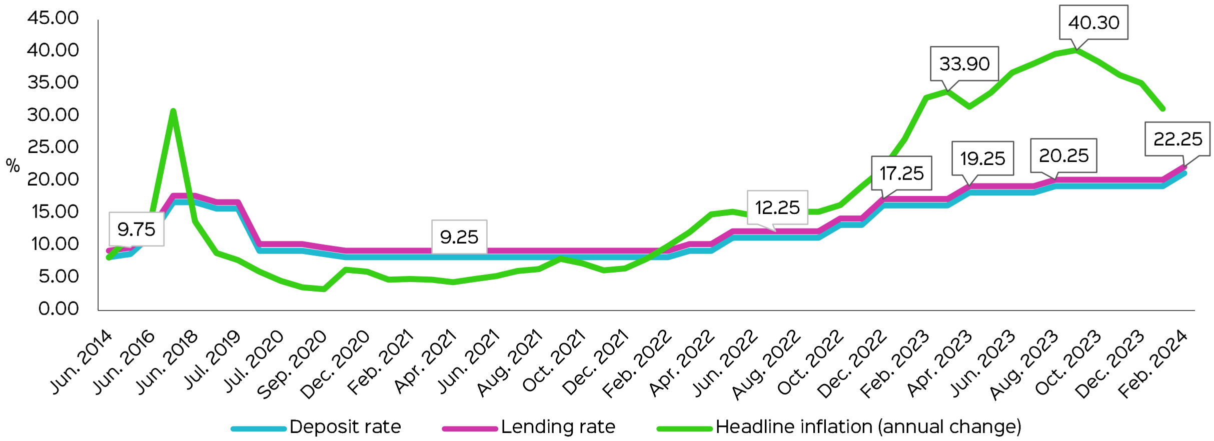


Sources: Ministry of Planning and Economic Development, Central Agency for Public Mobilization and Statistics (CAPMAS), Quarterly Labor Force Survey, various issues.

[5] IMF. 2024, Regional Economic Output Update: Middle East and Central Asia, January.
[6] S&P Global. 2024. Purchasing Managers' Index (PMI).

- Annual headline inflation recorded about 31.2% in January 2024, declining by about 11 percentage points from the previous month, albeit higher by about 18 percentage points than January 2023. The decline in inflation mainly reflects a decrease in vegetable prices compared to the previous month (CAPMAS 2024). [7]
- CBE Monetary Policy Committee decided at its meeting on February 1, 2024, to raise the overnight deposit and lending rates and the main operation rate by 200 basis points, reaching 21.25%, 22.25% and 21.75%, respectively. The aim was to reduce inflationary expectations and tighten monetary conditions to maintain a downward path for inflation amid the escalating risks surrounding inflationary expectations.[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 Bulletin of Consumer Price Index, various issues.

- On the fiscal side, the overall deficit in the state's general budget, as a percentage of GDP, has widened during the period July-November 2023/2024, to 5.51%, compared to 3.37% in the corresponding period of the previous fiscal year; due to about 56% growth in expenses against about 12% only increase in revenues.[9]
- In terms of foreign transactions, the balance of payments during Q1 FY 2023/2024 recorded an overall surplus of $229 million, compared to an overall surplus of about $523 million in the corresponding quarter of FY 2022/2023. Below are more details about developments in key items of the balance of payments:

  1) **Current account:** The current account deficit decreased by about 12% from its value in Q1 FY 2022/2023 to record $2.8 billion in Q1 FY 2023/2024. This is due to the following:

     - The trade deficit decreased by about 12.7% to $7.9 billion, due to improvement in deficit in the non-oil trade balance by about $2.4 billion (26.3%) to record $6.6 billion, as a result of a decrease in non-oil imports by about 12.5% compared to the corresponding period of the previous fiscal year, recording $13.3 billion, while non-oil exports recorded $6.7 billion.

[7] CAPMAS. 2024. Monthly Bulletin of the Consumer Price Index, various issues.
[8] CBE. 2024 Monetary Policy Committee press release, February 1, 2024.
[9] Ministry of Finance. Monthly Financial Report, January 2024.

- Tourism revenues has gained 9.3% to reach $4.5 billion in Q1 FY 2023/2024, compared to $4.1 billion in the corresponding quarter in FY 2022/2023 due to an increase in the number of tourist nights and the number of tourist arrivals.
- Receipts from traffic in the Suez Canal increased by 19.4% to about $2.4 billion (compared to about $2 billion), which contributed an increase in transportation revenues by 13.5% to $3.5 billion (compared to about $3 billion).

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

- Widened deficit in the petroleum trade balance to about $1.3 billion (compared to $106 million in the corresponding quarter of the previous year) due to a decrease in petroleum exports by $2.1 billion with a decrease in petroleum imports by $891 million.
- A 29.9% decrease in remittances from Egyptians working abroad, reaching approximately $4.5 billion.
- Widened deficit in investment income by 1.1% to about $4.6 billion.

2) The **capital and financial account** posted a net inflow of about $1.8 billion during Q1 FY 2023/2024 (compared to about $4.4 billion) as a result of the following developments:

- The change in CBE liabilities recorded a net inflow of about $2 billion (compared to about $652.4 million).
- The net foreign assets of banks declined by $731 million (outflow), compared to a decline of $691 million (inflow) in the corresponding period.
- The net outflow of investments in the securities portfolio in Egypt declined to about $523 million (from $2.2 billion).
- Net foreign direct investment (FDI) inflows declined to $2.3 billion from about $3.3 billion in Q1 FY 2023/2024. Net FDI inflows in non-petroleum sectors recorded about $2.6 billion (compared to $3.6 billion) due to increased net investment inflows either to establish new firms, in the capital of existing firms or the purchase of real estate. Net FDI inflows in the petroleum sector stabilized at about $1.4 billion, while outflows declined to $1.6 billion (compared to $1.7 billion). There is an improvement in net outflows to $247.8 million (compared to $320.5 million).
- Egypt's external debt recorded about $164.52 billion during Q1 FY 2023/2024—an increase of about 6.15% over the corresponding quarter of FY 2022/2023, according to CBE data.
- Net international reserves (NIR) recorded about $35.22 billion on average in October-December 2023, an improvement of 0.8% over the previous quarter and 5% over the corresponding quarter (October-December 2022.) The Egyptian currency also continued its deterioration against the US dollar, recording 30.842 EGP/USD on average during the reviewed period (October-December 2023), similar to the previous quarter but with an increase of about 38% compared to the corresponding quarter (October-December 2022) (Figure 3).[10]

[10] CBE news, December 2023.

Figure 3. Net International Reserves and Exchange Rate

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

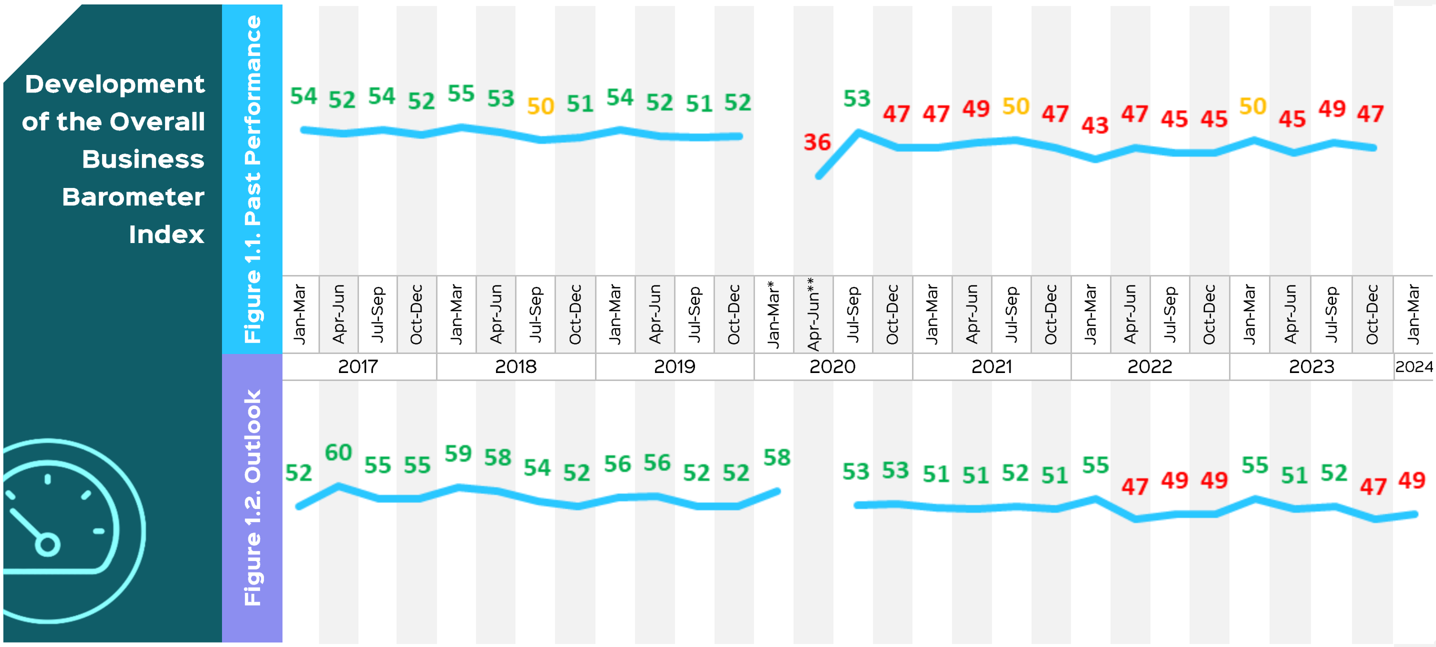
Business Barometer Index (BBI)

I. Past Performance Evaluation and Outlook according to the Overall BBI

The Business Barometer Index declined more significantly during the quarter under study compared to the previous quarter, with performance and outlook varying across sectors.

1.1. Development of the overall index

The BBI continued its decline during Q4 2023 (October—December 2023), recording three points below the neutral level, two points lower than the previous quarter, albeit two points higher than the corresponding quarter. This performance reflects the persistent pressures facing businesses caused by high production costs, unavailability of production requirements due to supply chain disruptions, shortage of foreign currency, and instability of the exchange rate. Overall, firms are suffering from declined domestic demand as a result of weak purchasing power with persistent inflation, and from a decline in external demand due to unfavorable regional and global conditions (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.

The outlook index for the period January–March 2024 dropped one point below the neutral level, but recorded two points higher than the previous quarter, and lower than the corresponding level by six points. This reflects firms' expectations of continued difficulties due to the shortage of raw materials, higher prices, and shortage of foreign currency, as well as the regional geopolitical events, with expectations of a decline in firms' performance (Figure 1.2).

1.2. Index according to firm size

There is no significant variation in the evaluation index between **large firms and, small and medium enterprises (SMEs).** The evaluation index for all firms declined below the neutral level, and was lower than the previous quarter, although higher than the corresponding quarter. This confirms the increasing difficulties facing firms of all sizes.

During the quarter under review, the evaluation index for **large firms** recorded three points below the neutral level and two points lower than the previous quarter, although two points higher than the corresponding quarter. The index for **SMEs** recorded four points below the neutral level, two points below the previous quarter, but one point higher than the corresponding quarter (Figure 1.3).

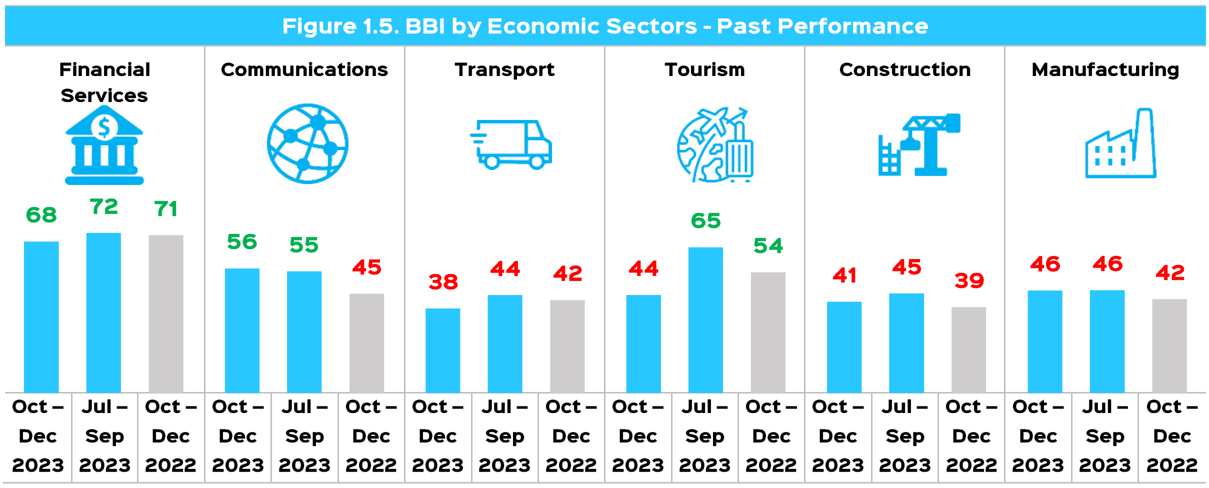
Source: Survey results.

As for the outlook index, all firms recorded values below the neutral level. **Large firms** recorded three points higher than the previous quarter, albeit seven points lower than the corresponding quarter. **SMEs** posted similar values to the previous quarter, albeit six points lower than the corresponding quarter (Figure 1.4).

Source: Survey results.

1.3. Index according to economic sector

The performance of most economic sectors deteriorated. Specifically, firms in **manufacturing, construction, tourism, and transport industries** recorded values below the neutral level, while the values of **communications and financial services** exceeded the neutral level (Figure 1.5).



Source: Survey results.

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

- The **manufacturing sector** posted values similar to the previous quarter and four points below the neutral level, although four points higher than the corresponding quarter. The continued deterioration in the sector's performance is due to several reasons, including: shortage of raw materials, high prices, weak exports due to global conditions, global shipping disruptions, high product prices, weak domestic sales because of weak purchasing power, in addition to the deficit in working capital due to delayed refunds of export support, and multiple tax bases.
- The performance index for the **construction sector** fell 9 points below the neutral level, with values four points lower than the previous quarter, but two points higher than the corresponding quarter. This performance deterioration is due to the significant increase in the prices of raw materials and their instability, and thus the inability to estimate prices, and weak liquidity in the market. The sector also continues to suffer from the difficult licensing procedures, in addition to new requirements under the Unified Building Law.
- **Tourism** performed six points below the neutral level and lower than the previous and corresponding quarters. This deterioration is due to current geopolitical events, worsening conditions in Gaza, weak demand for religious tourism due to depreciation of the pound, and the rise in internal and external tourism prices.
- **Firms in the transport sector** reported the most deteriorating performance, recording values 12 points below the neutral level and lower than the previous and corresponding quarters. This decline is due to weak imports and exports, whether due to shortage of foreign currency or global shipping disruptions, not to mention the modest performance of most sectors on-which the sector depends.
- The performance index for the **telecommunications sector** fared better compared to the previous and corresponding quarters, exceeding the neutral level by six points during the quarter under study. This can be explained by the increase in the demand for information technology services and modern applications, continuation of the "decent life" [Hayaa Kareema] initiative and expansion of networks, in addition to the new contracts for firms.
- **The financial services sector** recorded values 18 points higher than the neutral level, albeit lower than the previous and corresponding quarters. This is due to the higher trading activity, especially with the rise in inflation and depreciation of the pound, and investors' resorting to investing in stocks as a safe haven to preserve capital.

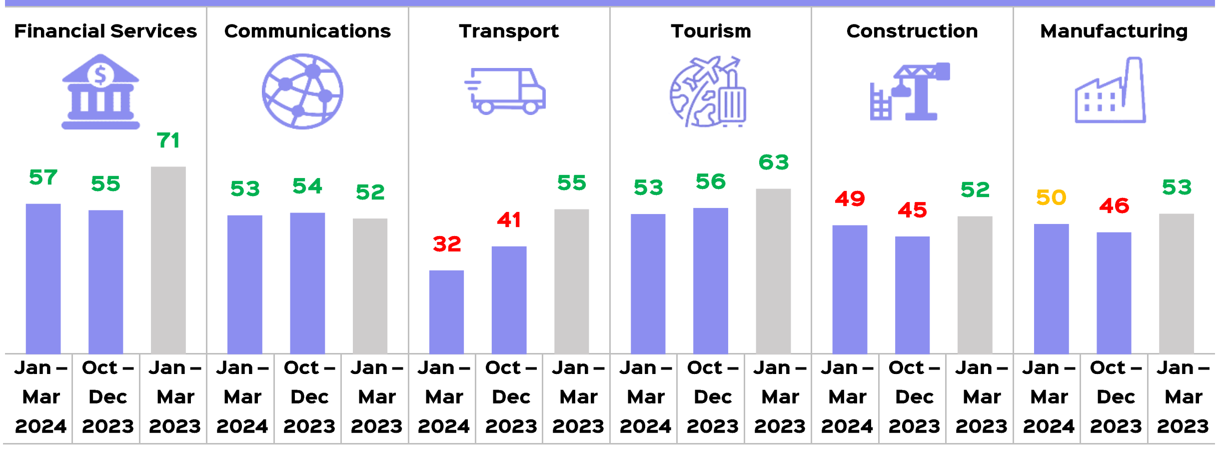
With respect to outlook, firms in **tourism, communications and financial services** reported higher-than-the neutral level values for the next quarter**,** while firms in **manufacturing reported values at the** neutral level. The outlook index for the **construction, building and transport sectors** posted values below the neutral level.

The following is an analysis of sectoral outlook during the next quarter, compared with the previous and corresponding quarters:

- **Manufacturing sector** outlook values are at the neutral level, albeit four points higher than the previous quarter, and three points lower than the corresponding quarter, which primarily reflects expectations of a continued decline. This is due to lack of signs that conditions will improve in the short run, especially with regard to the foreign currency needed for imports, hence the sector will continue at the same production rates until raw materials are duly made available. Additional factors include weak demand in the domestic market due to high inflation, and weak external demand due to higher prices compared to similar markets, not to mention the escalated geopolitical situation in the region and the disruption of global supply chains.

- Firms in the **construction sector** posted values one point below the neutral level, four points higher than the previous quarter, and three points lower than the corresponding quarter, as a result of the government's slow pace in making the decisions needed to improve the sector's performance, such as issuing the new reconciliation law. Additional factors include slow demand, weak liquidity, significant increase in raw material prices, inability to set prices, obstacles related to building permits and heights, and the intense competition between the private sector and the Engineering Authority of the Armed Forces.
- The outlook index for the **tourism sector** is three points higher than the neutral level, and lower than the previous and corresponding quarters. This may be due to expectations that the current situation of the tourism sector will remain unchanged with no improvement as a result of high inflation, depreciation of the pound, and decline in tourism of all types.
- Firms in the **telecommunications sector** for the next quarter reported positive outlook, posting values three points higher than the neutral level, one point lower than the previous quarter, and one point higher than the corresponding quarter, due to expectations of signing new contracts to develop company programs, and the state resorting to digital transformation and implementing the electronic invoice (e-invoice).
- The lowest outlook for the next quarter were reported by firms in the **transport sector,** which recorded values 18 points below the neutral level by and less than the previous and corresponding quarters. This is due to continued expectations of the negative impact of the current geopolitical events and their disruption of supply chains, and continued expected difficulty in procuring foreign currency needed for imports, not to mention the modest performance of the rest of the economic sectors on which the sector mainly depends.
- The best outlook values are reported by the **financial services sector,** recording values seven points higher than the neutral level, and two points higher than the previous quarter, albeit lower than the corresponding quarter by 14 points, in light of future investment opportunities through government IPOs. Investing in stocks has also become a safe haven with the rise in inflation and expected devaluation of the domestic currency (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 businesses during the quarter under study

There was consensus among firms that the rise in inflation and the challenges associated with the exchange rate, high production costs, and unstable economic, fiscal and monetary policies are the biggest constraints that faced firms 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.

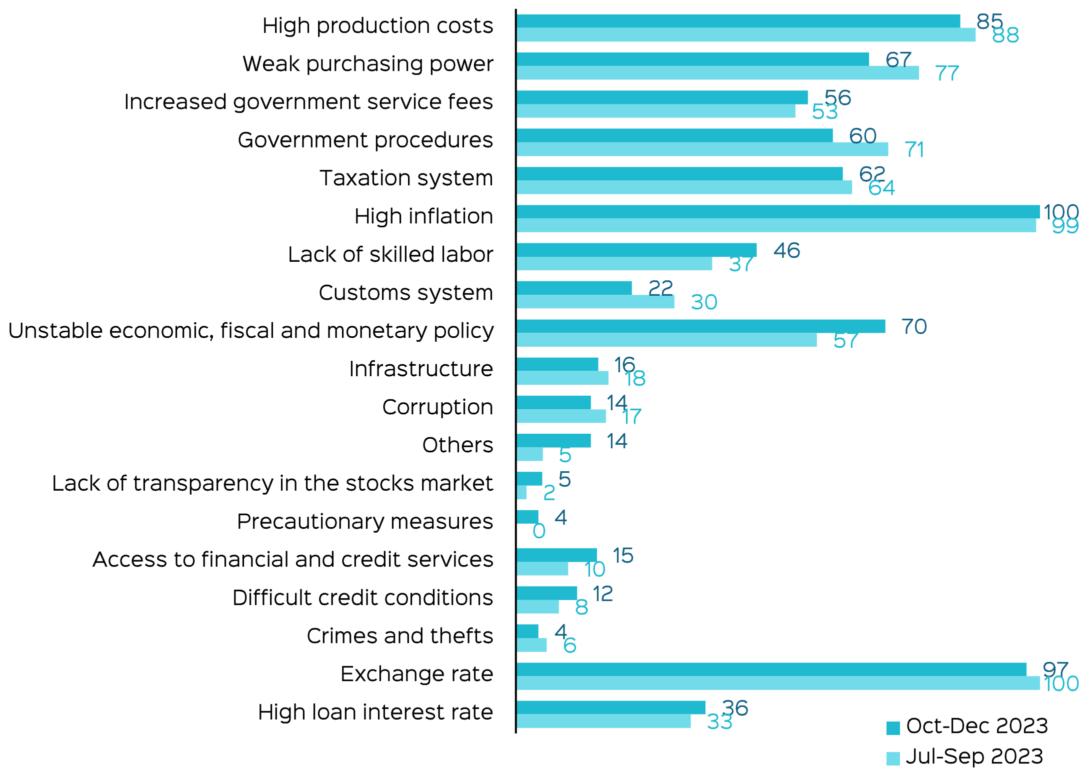


Figure 2.1. Constraints facing the Business community during the Quarter under Review

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

Source: Survey results.

The problems associated with high **inflation** topped the list of constraints for all firms during the current quarter due to their repercussions on both the supply and demand sides. Higher inflation caused a decline in demand for products, and an increase in production costs, and thus a decline in supply, continuous calls from workers for wage increases, a decrease in the volume of business, and lack of cash flow for investment. In the second place is the **challenges associated with the exchange rate** due to their impact on the business community as a result of shortage of the foreign currency needed for imports, the depreciation of the pound against the US Dollar, and the subsequent rise in the prices of most goods and services, in addition to distortions in the exchange rate regime due to multiple rates in the market and lack of predictability of the exchange rate policy, and thus the inability to estimate product prices for forward contracts. **High production costs** is in the third place, as the continuous rise in production costs led to unstable markets, a decline in sales, and losses for firms. Additional factors include the rise in sea freight rates, disruption of global supply chains, and shortage of raw materials and their higher prices, resulting in the inability to compete in foreign markets and weak sales in domestic markets. Unstable **economic, fiscal and monetary policies followed with** lack of engagement of the private sector in policy formulation, absence of institutional reform, and absence of a long-term vision. **Weak purchasing power** came in the fifth place followed by the **tax system** in the sixth place as an obstacle to investment, because of not properly comprehending the nature of business, arbitrary assessments, and tax inspections for previous years. Finally comes the difficulty of **dealing with government agencies,** and delayed and lengthy procedures.

Comparing the constraints faced by firms during the quarter under study with the previous quarter shows that the suffering of the business community has intensified because of **high inflation and the challenges related to the exchange rate.**

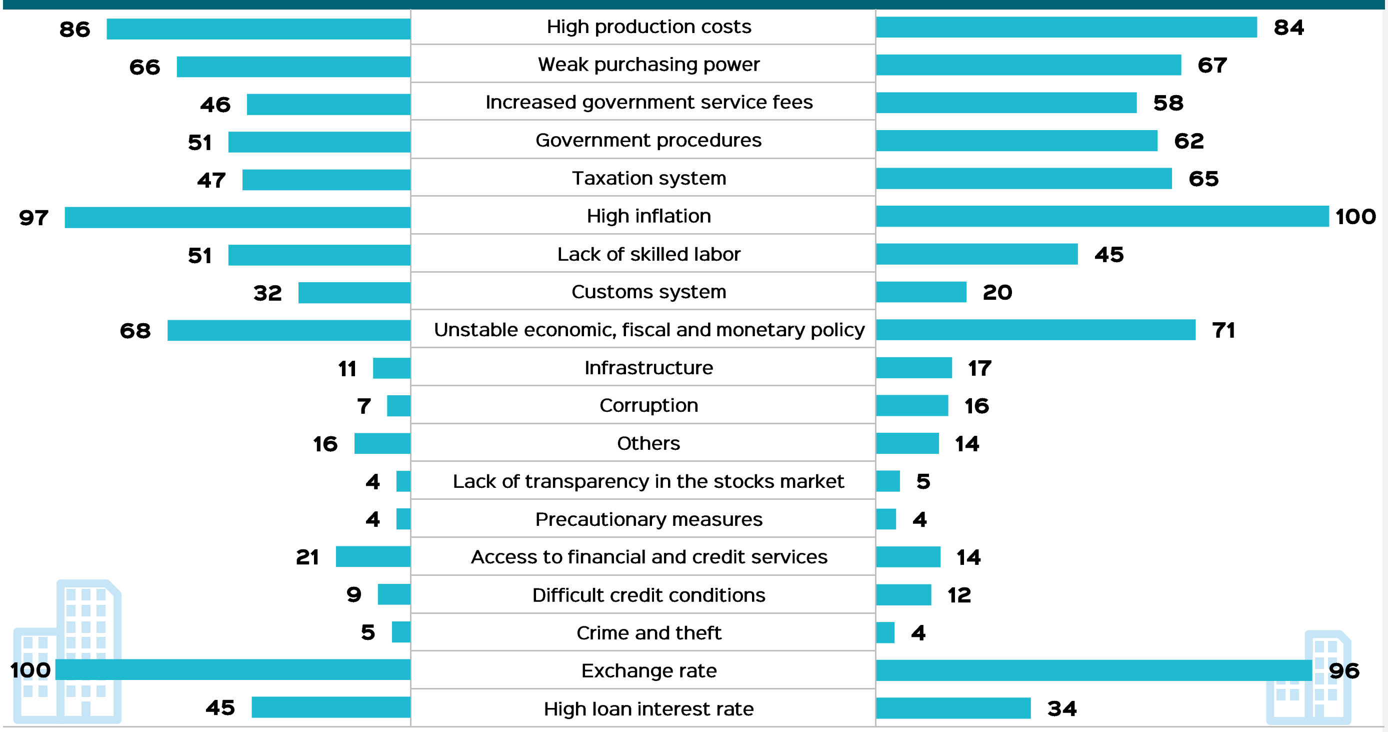
2.1.1. Constraints according to size of firms

The order of constraints varies across firms according to size. **High inflation** topped the list of constraints for **SMEs**, followed by the **challenges associated with the exchange rate** in the second place, and **higher production costs** in the third place. **Unstable economic, fiscal and monetary policies** came in the fourth place, followed by **weak purchasing** power in the fifth place.

The **challenges associated with the exchange rate** topped the list of constraints for **large firms**, followed by **high inflation** in the second place, and **high production** costs in the third place. **Unstable economic, fiscal and monetary policies** came in the fourth place, followed by **weak purchasing power in the fifth place.**

Figure 2.2 shows the main constraints faced by large firms and SMEs during the quarter under study (October–December 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. Constraints according to economic sectors

The order of constraints varies according to economic sectors, with **inflation** being the most severe constraint for **manufacturing industries, tourism and communications,** while the **challenges associated with the exchange rate** were the most severe constraint for the **construction and transport sectors,** and an additional constraint for the **telecommunications sector. Unstable economic, fiscal and monetary policies** were the most severe constraint for **financial services,** and an additional constraint for the **transport sector. High production costs** were an additional constraint for **manufacturing and communications industries** (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	Manufactu ring
High production costs	17	100	0	85	98	100
Increased government service fees	15	62	13	38	55	68
Government procedures	43	76	17	31	57	68
Weak purchasing power	11	76	0	74	88	77
Taxation system	91	79	25	33	57	58
Lack of skilled labor	13	79	0	46	29	56
High inflation	42	100	96	100	96	100
Customs system	0	31	8	13	7	31
Unstable economic, fiscal and monetary policy	100	62	100	21	23	68
Corruption	30	21	0	0	14	13
Infrastructure	21	14	0	0	21	17
Precautionary measures	9	34	0	0	0	1
Others	15	41	8	10	0	14
Crime and theft	11	7	0	0	11	2
Access to financial and credit services	15	59	6	28	4	10
Difficult credit conditions	9	48	0	23	0	9
Exchange rate	40	100	100	87	100	96
High loan interest rate	17	83	6	87	9	33
Lack of transparency in the stocks market	30	7	0	0	0	1

Source: Survey results.

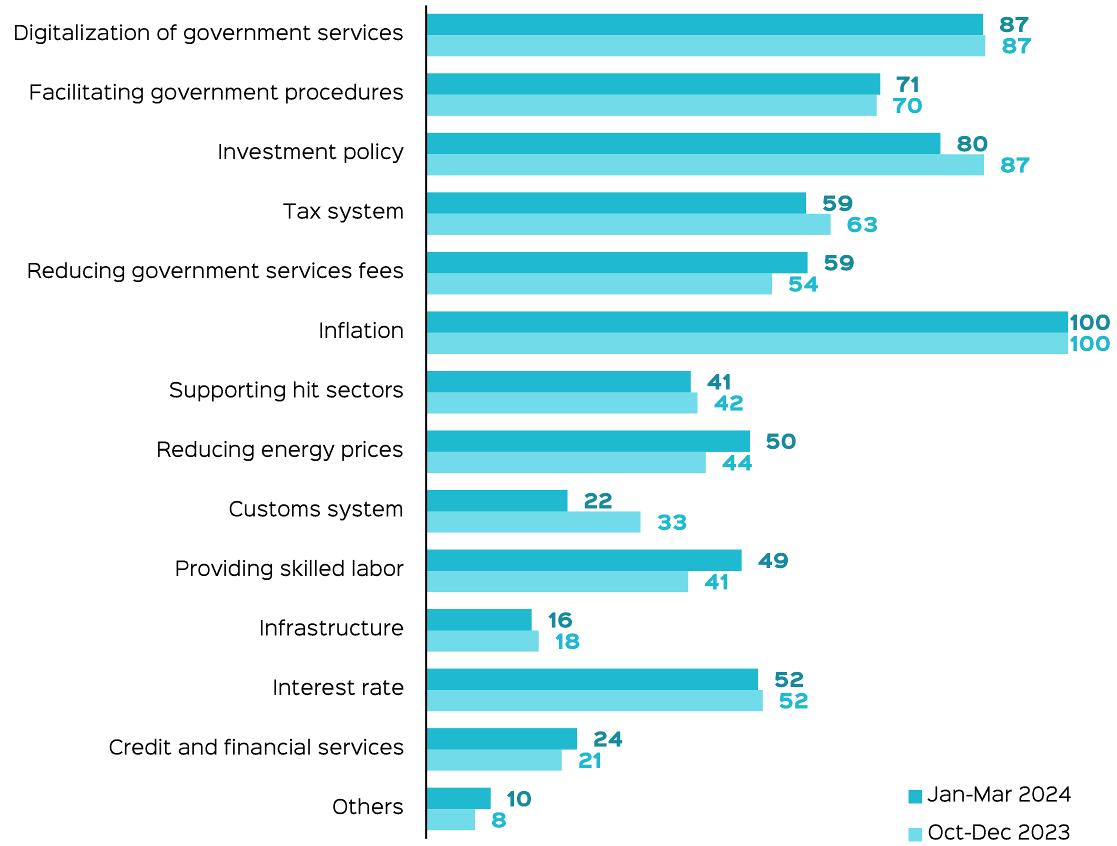
2-2 Priorities for improving the business environment in Egypt (according to the surveyed firms)

The most important priorities from the point of view of the surveyed firms: Containing high inflation, improving the mechanisms for digital transformation of government services, paying attention to investment policies, facilitating government procedures, and reducing the multiple tax bases and government fees.

Addressing **high inflation** continued as one of the top priorities that the surveyed firms deem necessary because of their negative impact on all sectors, followed by **digital transformation mechanisms** as they improve the business environment, **then improving investment policies,** along with the need to engage the business community in making economic decisions and preventing sovereign entities from competing with the private sector, **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 is a priority that can be instrumental in improving the investment climate, along with **reduced government fees** (Figure 2.4). Calls to improve the **taxation 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)



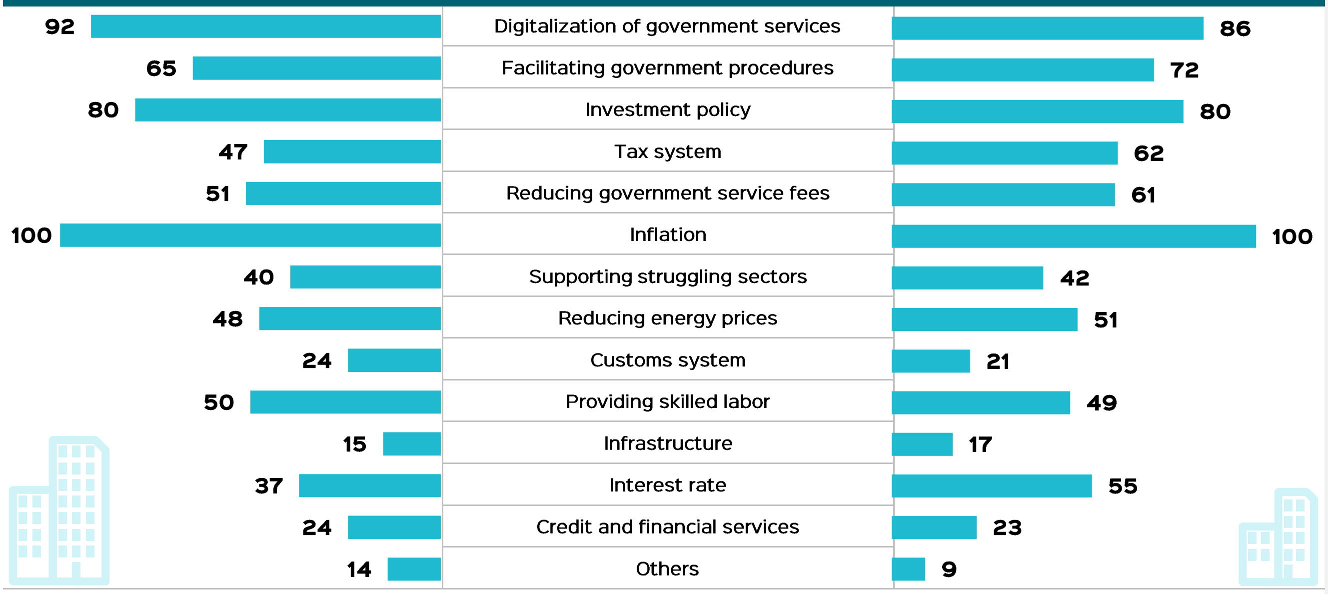
Source: Survey results.

2.2.1. Priorities according to Firm Size

Comparing priorities according to firm size shows the following:

The order of priorities does not vary among firms, as all firms see that **addressing high inflation** should be on top of the priority list to improve the business environment. **Digital transformation mechanisms** come in the second place, followed by **investment policies** in the third place, and **facilitating government procedures** in the fourth place. The rest of priorities varied, with the **tax system** coming in the fifth place for **SMEs. Reducing the fees charged on government services** comes as a fifth priority for **large firms** (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 variations among the different economic sectors in the priorities that should be addressed. **Finding solutions to high inflation** topped the list of priorities for **manufacturing, construction, tourism, transport, and communications. Improving investment policies** topped the list of priorities for **the financial services sector,** and is an additional priority for **the transport sector** (Figure 2.6).

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	Communications	Transport	Tourism	Construction	Financial Services
Digitalization of government services	94	90	92	95	71	85
Streamlining government procedures	24	90	17	69	93	86
Investment policy	100	57	100	41	89	77
Tax system	87	93	25	44	64	55
Reducing government service fees	24	70	17	62	65	74
Inflation	95	100	100	100	100	100
Supporting struggling sectors	17	60	0	51	84	42
Reducing energy prices	22	47	17	44	80	59
Customs system	5	43	0	10	7	33
Providing skilled labor	25	87	0	46	51	60
Infrastructure	22	17	0	0	20	20
Interest rate	60	47	8	38	82	53
Credit and financial services	17	43	17	26	33	21
Others	6	23	25	10	0	8

Source: Survey results.

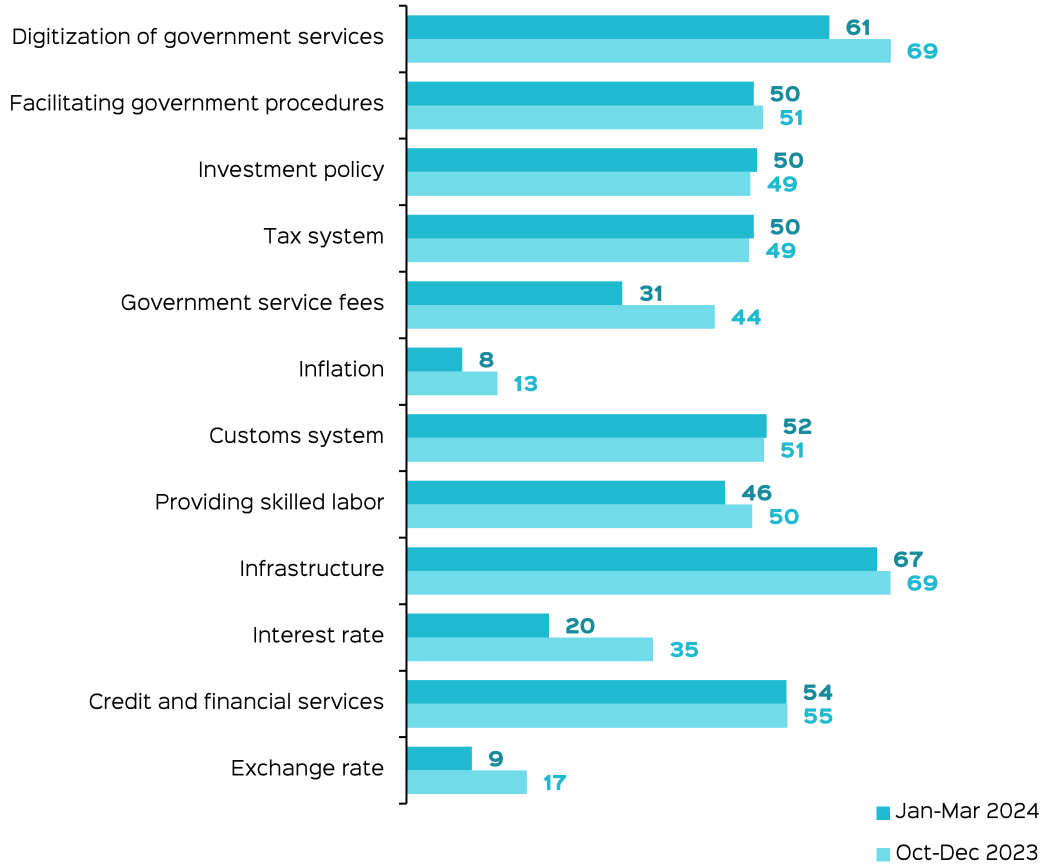
The business community's outlook regarding improvements based on firms' views of the government's current orientation

Expected improvement in infrastructure and digital transformation of government services during the next quarter

The majority of firms expect improvement in **infrastructure,** given the various projects implemented by the state in this area and the multiple efforts announced in this regard, then **improved digital transformation mechanisms,** followed by **better financial services,** and improvement in the **customs regime** (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 Sub-Indexes

3.1. Performance evaluation

The majority of performance evaluation indexes for all firms fell below the neutral level during the quarter under study

During the quarter under study and for all sizes of the sample of firms, performance indexes for **production, domestic sales and capacity utilization** recorded values below the neutral level and the previous quarter, while **commodity inventory** posted values greater than the neutral level and the previous quarter, albeit less than the corresponding quarter.

Production and domestic sales for SMEs posted higher values than the corresponding quarter, while **capacity utilization** recorded three points lower than the corresponding quarter. In the **production index, large firms** posted seven points higher than the corresponding quarter, while in **domestic sales and capacity utilization,** they recorded values less than the corresponding quarter.

As for the export index, SMEs reported six points below the neutral level and lower than the previous and corresponding quarters, while **large firms** reported values at the neutral level, and higher than the previous and corresponding quarters by only three points.

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

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 and wage indexes continue to rise above the neutral level for all firms

The index of final products and wages posted values above the neutral level for all firms. **For large firms,** the final products index recorded the same values as the previous quarter and greater than the corresponding quarter by three points, while the **wage and basic input indexes** reported higher values than the previous and corresponding quarters. **As for SMEs, the final products and wage indexes** posted higher values than the previous and corresponding quarter, while the **input index** posted lower values than the previous quarter, albeit better than the corresponding quarter by one point.

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

Large Firms	Period	Indicator	Period	SMEs
76	Oct – Dec 2023	Final Product Prices	Oct – Dec 2023	76
76	Jul – Sep 2023		Jul – Sep 2023	66
73	Oct – Dec 2022		Oct – Dec 2022	74
6	Oct – Dec 2023	Input Prices*	Oct – Dec 2023	1
5	Jul – Sep 2023		Jul – Sep 2023	12
0	Oct – Dec 2022		Oct – Dec 2022	0
63	Oct – Dec 2023	Wages	Oct – Dec 2023	58
58	Jul – Sep 2023		Jul – Sep 2023	57
51	Oct – Dec 2022		Oct – Dec 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.

A slight improvement in the employment index for large firms, and a stable index for SMEs

- Results for **large firms** showed a two-point decrease in the performance of the investment index compared to the previous quarter, posting values higher than the neutral level by one point and the corresponding quarter by two points, while the employment index exceeded the neutral level by one point and above the previous and corresponding quarters by two points.

  Results for **SMEs** showed a decrease in the investment index below the neutral level and the previous quarter by one point, albeit higher than the corresponding quarter by one point. The **employment** index **was similar** to the previous quarter and below the neutral level by one point, but one point higher than the corresponding quarter (Figure 3.3).

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

Large Firms	Period	Indicator	Period	SMEs
51	Oct – Dec 2023	Investment	Oct – Dec 2023	49
53	Jul – Sep 2023		Jul – Sep 2023	50
49	Oct – Dec 2022		Oct – Dec 2022	48
51	Oct – Dec 2023	Employment	Oct – Dec 2023	49
49	Jul – Sep 2023		Jul – Sep 2023	49
49	Oct – Dec 2022		Oct – Dec 2022	48

Source: Survey results.

3.2. Performance expectations

Expectations below the neutral level for production, domestic sales, and capacity utilization for all firms during the upcoming quarter

All firms reported unfavorable expectations for the quarter January–March 2024 regarding **production, domestic sales and capacity utilization**, recording values below the neutral level, and both the previous and corresponding quarters.

SMEs outlook index for **exports exceeded the** neutral level by one point, albeit still lower than the previous and corresponding quarters, while the outlook index for **commodity inventory** was two points below the neutral level, four points below the previous quarter, and one point higher than the corresponding quarter. As for **large firms**, the outlook index for **exports** posted a neutral reading, recording 10 points higher than the previous quarter and seven points lower than the corresponding quarter. The **commodity inventory** index reported values higher than the neutral level and both the preceding and corresponding quarters (Figure 3.4).

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

Large Firms	Period	Indicator	Period	SMEs
35	Jan – Mar 2024	Production	Jan – Mar 2024	42
41	Oct – Dec 2023		Oct – Dec 2023	44
61	Jan – Mar 2023		Jan – Mar 2023	55
32	Jan – Mar 2024	Domestic Sales	Jan – Mar 2024	41
47	Oct – Dec 2023		Oct – Dec 2023	45
56	Jan – Mar 2023		Jan – Mar 2023	53
50	Jan – Mar 2024	Exports	Jan – Mar 2024	51
40	Oct – Dec 2023		Oct – Dec 2023	53
57	Jan – Mar 2023		Jan – Mar 2023	67
35	Jan – Mar 2024	Capacity Utilization	Jan – Mar 2024	42
41	Oct – Dec 2023		Oct – Dec 2023	44
57	Jan – Mar 2023		Jan – Mar 2023	53
67	Jan – Mar 2024	Inventory*	Jan – Mar 2024	48
54	Oct – Dec 2023		Oct – Dec 2023	52
50	Jan – Mar 2023		Jan – Mar 2023	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.

All firms expect that the prices of final products will continue to rise at values higher than the neutral level, as well as both the previous and corresponding quarters, driven by expectations of higher wages during the next quarter and a decrease in the input index.

All firms expect higher prices of **final products,** with values exceeding the neutral level and both the previous and corresponding quarters, driven by the lower **input index** compared to the previous and corresponding quarters.

Expectations for **SMEs** posted a higher **wage index,** with values 26 points higher than the previous quarter and one point below the corresponding one. **Large firms** posted higher values in the wage index above the neutral level and both the previous and corresponding quarters (Figure 3.5).

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

Large Firms				SMEs
85	Jan – Mar 2024	Final Product Prices	Jan – Mar 2024	75
71	Oct – Dec 2023		Oct – Dec 2023	63
73	Jan – Mar 2023		Jan – Mar 2023	66
0	Jan – Mar 2024	Input Prices*	Jan – Mar 2024	6
22	Oct – Dec 2023		Oct – Dec 2023	26
20	Jan – Mar 2023		Jan – Mar 2023	20
85	Jan – Mar 2024	Wages	Jan – Mar 2024	77
51	Oct – Dec 2023		Oct – Dec 2023	51
81	Jan – Mar 2023		Jan – Mar 2023	78

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 for large firms and a slight increase therein for SMEs.

Large firms expect the **investment** index to stabilize at the neutral level, with values similar to the previous and corresponding quarters, and a rise in the employment index, which achieved values higher than the neutral level by one point, and than the previous and corresponding quarters, while **SMEs expect a stable employment index** at the neutral level similar to the previous and corresponding quarters. They also expect a slight increase in the investment index by one point above the neutral level and higher than the previous and corresponding quarters (Figure 3.6).

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

Large Firms				SMEs
50	Jan – Mar 2024	Investment	Jan – Mar 2024	51
50	Oct – Dec 2023		Oct – Dec 2023	50
50	Jan – Mar 2023		Jan – Mar 2023	49
51	Jan – Mar 2024	Employment	Jan – Mar 2024	50
48	Oct – Dec 2023		Oct – Dec 2023	50
49	Jan – Mar 2023		Jan – Mar 2023	50

Source: Survey results.

Tables Index

Table A1: Survey Results: Summary of all firms' performance evaluation at the sectoral level (October – November - December 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	41	Higher	Same	Low	44	Higher	Same	Low	38	Higher	Same	Low	56	Higher	Same	Low	68
Economic activity																								
Production	27	23	50	**41**	14	29	57	**33**	10	40	50	**36**	8	8	83	**15**	38	38	25	**55**	88	13	0	**89**
Domestic sales	22	19	59	**34**	14	21	64	**29**	10	50	40	**40**	8	8	83	**15**	38	38	25	**55**	88	13	0	**89**
Exports	32	21	46	**44**	—	—	—	—	0	50	50	**33**	—	—	—	—	40	40	20	**57**	—	—	—	—
Inventory	31	31	38	**53**	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Capacity utilization	27	23	50	**41**	14	29	57	**33**	10	40	50	**36**	8	8	83	**15**	38	38	25	**55**	88	13	0	**89**
Prices																								
Final product prices	85	15	0	**87**	79	21	0	**82**	90	10	0	**91**	42	58	0	**63**	75	25	0	**80**	0	100	0	**50**
Intermediate product prices	98	0	2	**2**	100	0	0	**0**	100	0	0	**0**	—	—	—	—	83	17	0	**14**	—	—	—	—
Wage level	33	67	0	**60**	14	86	0	**54**	40	60	0	**63**	17	83	0	**55**	75	25	0	**80**	19	81	0	**55**
Primary inputs																								
Investment	3	87	10	**48**	0	100	0	**50**	0	90	10	**47**	0	100	0	**50**	13	88	0	**53**	13	88	0	**53**
Employment	7	77	17	**47**	0	93	7	**48**	0	100	0	**50**	0	100	0	**50**	13	88	0	**53**	13	88	0	**53**

Table A2: Survey Results: Summary of all firms' outlook at the sectoral level (January – February - March 2024)[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	50	Higher	Same	Low	49	Higher	Same	Low	53	Higher	Same	Low	32	Higher	Same	Low	53	Higher	Same	Low	57
Economic activity																								
Production	17	45	38	**43**	7	57	36	**41**	30	40	30	**50**	0	0	100	**0**	38	13	50	**44**	44	13	44	**50**
Domestic sales	13	46	41	**41**	7	57	36	**41**	30	40	30	**50**	0	0	100	**0**	25	25	50	**40**	44	13	44	**50**
Exports	25	46	29	**49**	—	—	—	—	0	100	0	**50**	—	—	—	—	60	20	20	**67**	—	—	—	—
Inventory	23	48	29	**52**	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Capacity utilization	17	45	38	**43**	7	57	36	**41**	30	40	30	**50**	0	0	100	**0**	38	13	50	**44**	44	13	44	**50**
Prices																								
Final product prices	83	17	0	**86**	100	0	0	**100**	70	30	0	**77**	42	58	0	**63**	75	25	0	**80**	6	94	0	**52**
Intermediate product prices	95	3	2	**5**	100	0	0	**0**	80	20	0	**17**	—	—	—	—	100	0	0	**0**	—	—	—	—
Wage level	70	30	0	**77**	64	36	0	**74**	80	20	0	**83**	33	67	0	**60**	100	0	0	**100**	94	6	0	**94**
Primary inputs																								
Investment	3	97	0	**51**	0	100	0	**50**	10	90	0	**53**	0	100	0	**50**	13	75	13	**50**	13	88	0	**53**
Employment	7	88	5	**50**	0	86	14	**46**	0	100	0	**50**	0	100	0	**50**	13	75	13	**50**	6	94	0	**52**

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 Appendix

Table A3: Survey Results: Summary of all firms' past performance (by size) (October – November – December 2023)[1]

Variable	SMEs				Large Firms			
	Percentage			Index [2]	Percentage			Index [2]
	Higher	Same	Low	46	Higher	Same	Low	47
Economic activity								
Production	31	26	44	**45**	32	14	55	**40**
Domestic sales	30	22	48	**42**	24	19	57	**36**
Exports	28	28	44	**44**	40	20	40	**50**
Inventory	30	38	33	**51**	33	8	58	**62**
Capacity utilization	31	26	44	**45**	32	14	55	**40**
Prices								
Final product prices	68	32	0	**76**	68	32	0	**76**
Intermediate product prices	99	0	1	**1**	94	6	0	**6**
Wage level	29	71	0	**58**	41	59	0	**63**
Primary inputs								
Investment	3	91	6	**49**	9	86	5	**51**
Employment	4	87	9	**49**	14	77	9	**51**

Table A4: Survey Results: Summary of all firms' outlook (by size) (January – February - March 2024)[1]

Variable	SMEs				Large Firms			
	Percentage			Index [2]	Percentage			Index [2]
	Higher	Same	Low	48	Higher	Same	Low	49
Economic activity								
Production	19	39	42	**42**	23	18	59	**35**
Domestic sales	17	40	43	**41**	19	19	62	**32**
Exports	28	48	24	**51**	30	40	30	**50**
Inventory	25	55	20	**48**	17	25	58	**67**
Capacity utilization	19	39	42	**42**	23	18	59	**35**
Prices								
Final product prices	66	34	0	**75**	82	18	0	**85**
Intermediate product prices	94	4	1	**6**	100	0	0	**0**
Wage level	69	31	0	**77**	82	18	0	**85**
Primary inputs								
Investment	6	93	1	**51**	0	100	0	**50**
Employment	5	89	6	**50**	5	95	0	**51**

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.