



# Business Barometer

Issue 72

July – September 2024



**Performance Evaluation during the period July – September 2024  
and Outlook for the period October – December 2024  
from the Business Community's point of view**

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Issue 72

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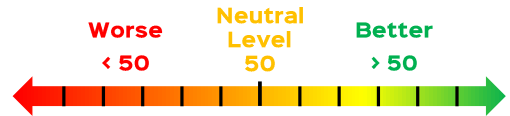


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## Executive Summary

This report presents a periodic assessment by the Egyptian Center for Economic Studies (ECES) on a sample of 120 private sector firms, covering various sectors and sizes. It reflects the views of the business community regarding developments across a set of variables, specifically: production, domestic sales and exports, commodity inventory, capacity utilization, prices, wages, employment, and investment, during the July-September 2024 period, and their forecasts for October-December 2024. It also conducts a comparison against the results of the previous quarter (April-June 2024) and the corresponding quarter (July-September 2023). The following is a brief overview of the key findings of the report for the quarter under review (July-September 2024), focusing on the results of the overall Business Barometer index<sup>1</sup> and a brief overview of the most important developments in the macroeconomy.

### ***Evaluating performance and exploring the outlook based on the overall index***



The Business Performance Index (BPI) increased during the quarter under study, with performance varying across sectors and between different sizes of firms.

- Higher BPI for large firms, with continued decline for small and medium-sized firms, albeit better than the previous quarter.
- The BPI for most service sectors increased, while the index for the manufacturing and construction sectors continued to decline.
- Exchange rate and tax system challenges have eased, but continued inflation and rising energy and water costs remain the most significant challenges facing the business community during the quarter under study.

Firms expect most indicators to remain stable in the next quarter.

The Business Performance Index for the quarter under review (July-September 2024) rose by one point from the neutral level, achieving higher values than the previous and corresponding quarters, reflecting an increase in most sub-indices for all firms, specifically production, domestic sales, exports, and capacity utilization.

The BPI for large firms exceeded the neutral level by 4 points during the quarter under review, recording better higher than the previous and corresponding quarters, driven mainly by increased exports. The BPI for small and medium-sized firms continued to decline during the quarter under review, recording values below the neutral level by one point, albeit 4 points better than the previous quarter and one point higher than the corresponding quarter.

The BPI increased for most service sectors, especially tourism, transportation, communications, and financial intermediation services, all of which recorded values above the neutral level. The financial intermediation services sector achieved the highest index values among all sectors, exceeding the neutral level by 17 points, which indicates an increase in trading volumes and the flow of foreign investments into the securities portfolio in Egypt. The manufacturing and construction sectors continued to decline, with the BPI for both sectors recording values below the neutral level during the quarter under study. This performance reflects the continued suffering of the manufacturing sector from many challenges, most notably higher production costs, especially following repeated increases in energy and water prices, global shipping disruptions due to disruption of navigation in the Red Sea, and the

<sup>1</sup>Data were collected during the period from early October to mid-November 2024.

higher financing costs due to higher interest rates, in addition to stagnant demand because of lower purchasing power. **The construction sector** recorded the lowest index values compared to the other sectors, recording a value below the neutral level by 9 points and less than the previous and corresponding quarters. The sample of firms attributed this performance to market stagnation, rising costs, and exaggerated fees of government services, especially licenses.

**The challenges of the exchange rate and the tax system eased**, while the challenges associated with high inflation continued to top the list of constraints for **all firms** during the current quarter; due to its negative impact on the business community both on the supply and demand sides, continued demands by labor for wage increases, and lack of liquidity for investment. **The higher costs of energy and water** come in second place, as the continuous rise in energy prices increases production costs, especially for energy-intensive activities and production activities in general, which represents an additional burden on firms. **The unpredictability of economic policy directions** comes in third, as the business community cannot formulate future plans in the absence of a long-term economic vision, especially with regard to investment and debt. This unpredictability is the most serious constraint facing the financial intermediation sector, while difficulty in dealing with government agencies is one of the most serious constraints facing the telecommunications sector.

Therefore, the sample of firms agreed that curbing high inflation rates is the top priority that should receive attention, followed by the need to revisit **energy and water prices**, since they have been rising at close intervals, causing costs to rise frequently, followed by continued efforts to improve the **tax system**, especially preventing double taxation, halting the retrospective inspection of previous years, and facilitating tax refunds.

Firms expect most indicators (production, domestic sales, exports, and capacity utilization) to remain stable with no significant improvement in performance over the next quarter. The outlook index for the quarter October-December 2024 recorded values that are close to the neutral level, two points lower than the previous quarter, but three points better than the corresponding quarter.

### Key Macroeconomic Developments

**Globally:** Global growth stabilized at rates below historical levels, with average inflation declining as a result of the easing of shocks and the tightening of monetary policy. However, the risks and challenges expected to face the global economy in the coming years are heightening.

**Locally:** Economic growth declined in 2023/2024 driven by the contraction of Suez Canal activity as a result of the repercussions of geopolitical tensions as well as the decline in oil exports, and cautious expectations regarding the continuation of the downward trajectory of inflation.

The investments of Ras El-Hekma, the IMF loan, and the temporary return of investment flows in securities have improved net foreign exchange reserves and the overall performance of the balance of payments. However, the sustainability and resilience of reserves depend on the recovery of economic sectors, especially the manufacturing industry, which requires undertaking the necessary structural and institutional reforms.

## 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.

### 1. Production and Sales Indicators



### 2. Prices and Costs Indicators



### 3. Investment and Employment Indicators

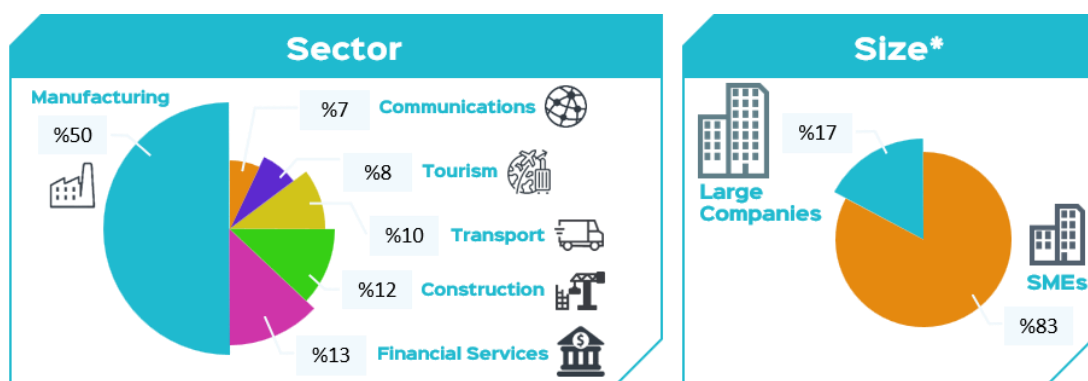


The significance of this issue of the Business Barometer increases in light of the challenges the business community has faced since early 2020, starting with the COVID-19 pandemic, followed by a recovery accompanied by many challenges in 2021, the Russian-Ukrainian war in early 2022, and most recently, the war in Gaza and geopolitical unrest in the Red Sea since October 2023, which has exacerbated these challenges. Therefore, it is important to track the impact of these developments.

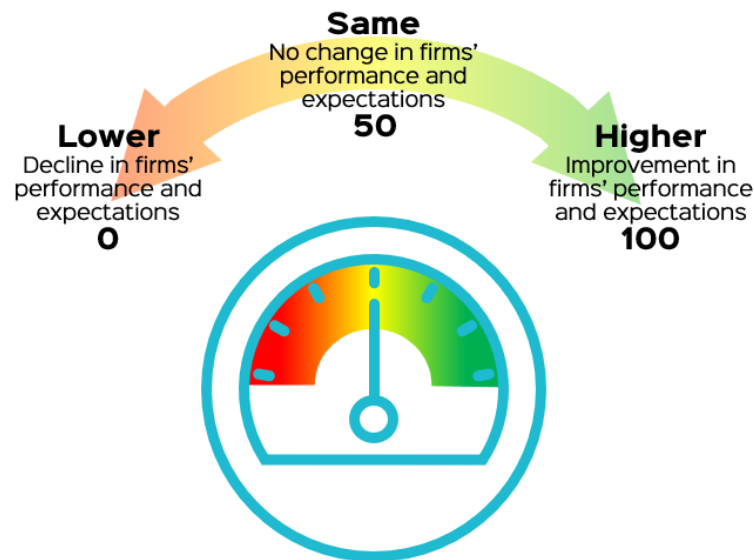
This report presents an evaluation of the sample firms' performance during the quarter (April-June 2024) and their expectations for the quarter (July-September 2024).

The report begins with an overview of the macroeconomy at both the global and local levels, then moves to the performance evaluation and expectations results at the level of the overall index. It then shifts to the constraints faced by the business community during the study period and the priorities for improving the business climate from the sample firms' perspective. Finally, the report concludes with an evaluation of performance and expectations at the level of the sub-indices.

The Business Barometer is built based on the results of a periodic survey conducted by the center every three months on a fixed sample of 120 private sector firms distributed as follows:



- The analysis evaluates the performance of the sample firms during the study period and their expectations for the next quarter, compared to the results of the previous quarter and the corresponding quarter of the previous year.
- Performance and expectations are evaluated on two levels: the overall index results and the sub-indices' results.
- The Business Barometer Index represents a simple average of a set of sub-indices for the variables mentioned in the questionnaire. The overall index takes values greater than, less 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.”

### Regarding the constraints and priorities for improving the business climate:

Firms evaluate the severity of each constraint, with the rating ranging from zero (not impactful) to four (highly impactful). Firms are allowed to choose more than one constraint. Regarding the priorities for improving the business climate, firms rate the priorities, with the rating for each axis ranging from zero (not important) to four (high priority). Firms are allowed to choose more than one axis as a priority for improving the business climate.

Next, a weighted average is calculated based on the number of firms and their evaluation of the constraint/priority across the entire sample.

All averages for constraints/priorities are re-evaluated to range between zero and one, followed by normalization of the new averages for all constraints/priorities. This allows for ranking the constraints/priorities in descending order according to their severity, with 100% being the most severe constraint and the highest priority.



## Macroeconomic Overview

**Globally**, the IMF expects global growth to stabilize at 3.1% per year over the next five years, an improvement over levels recorded since the pandemic, but still lower than pre-pandemic growth rates. Growth forecasts for different economies vary; while growth in the United States is expected to stabilize at 1.8% in 2025, driven by improved consumption. Growth forecasts for India and China are higher, driven by increased demand for semiconductors and electronics, and massive government investments in artificial intelligence. Growth forecasts for European countries and developing economies are lower, especially with the ongoing wars and geopolitical tensions in the Middle East, domestic unrest, and extreme weather events in some African countries (IMF 2024).<sup>2</sup>

Global headline inflation is expected to decline from an annual average of 6.8% in 2023 to 5.9% in 2024 and then 3.5% by end of 2025, as the shocks that pushed inflation to unprecedented levels ease along with monetary policy tightening, leading to inflation rates in some advanced economies falling back to their targets and hence cutting interest rates. However, despite the expected decline, there are upside global risks that may prevent central banks from easing monetary policy due to growing uncertainty for several reasons, most notably continuing geopolitical tensions, slow growth in China as a result of the contraction of the real estate sector, and the worsening debt situation in many developing economies, which may lead to a significant outflow of foreign capital, in addition to the continued rise in services' prices to double their pre-pandemic levels. Although the interest rate cuts in the United States will slightly ease the pressure on developing economies, global interest rates are expected to remain at 4%, on average, during 2025-26, which is double the average in 2000-2019 (IMF 2024).

The Global Composite Purchasing Managers' Index (PMI) recorded 52.3 points in Q3 2024, a slight decline of about 0.7 points from the previous quarter, although higher than the corresponding quarter by about 1.4 points. The improvement in the composite index is still driven by improvement in the service sector index, which posted about 53.3 points, a growth of 2.5 points from the previous quarter, and 1.9 points from the corresponding quarter, while the index for the manufacturing sector recorded 49.4 points during the quarter under study, an improvement of about 0.6 points compared to the previous and corresponding quarters.<sup>3</sup>

**The following section includes the most important developments and published data for key macro indicators of the Egyptian economy up to the date of publication of this report.**

According to estimates by the Ministry of Planning and Economic Development, the GDP growth rate recorded about 2.4% during fiscal year (FY) 2023/2024, a decline of about 37% compared to the previous fiscal year, which mainly reflects a contraction in the Suez Canal's activity by about 30%, as well as the repercussions of the conflict and geopolitical tensions in the region, in addition to a decline in the output of the extraction and refining sector by about 4.75%, which reflects a decline in the production and exports of petroleum products and a decrease in foreign investments directed to the sector during the year.

Despite this decline in the annual growth rate of GDP during FY 2023/2024, growth has begun to recover, recording 2.4% during the fourth quarter of the same fiscal year, up by about 8% from the previous quarter, although less than the corresponding quarter by about 17%. There are also signs of recovery in the growth of non-oil manufacturing output, which recorded positive growth for the first time since the first quarter of the previous fiscal year, recording about 4.7% during the fourth quarter of FY 2023/2024.<sup>4</sup>

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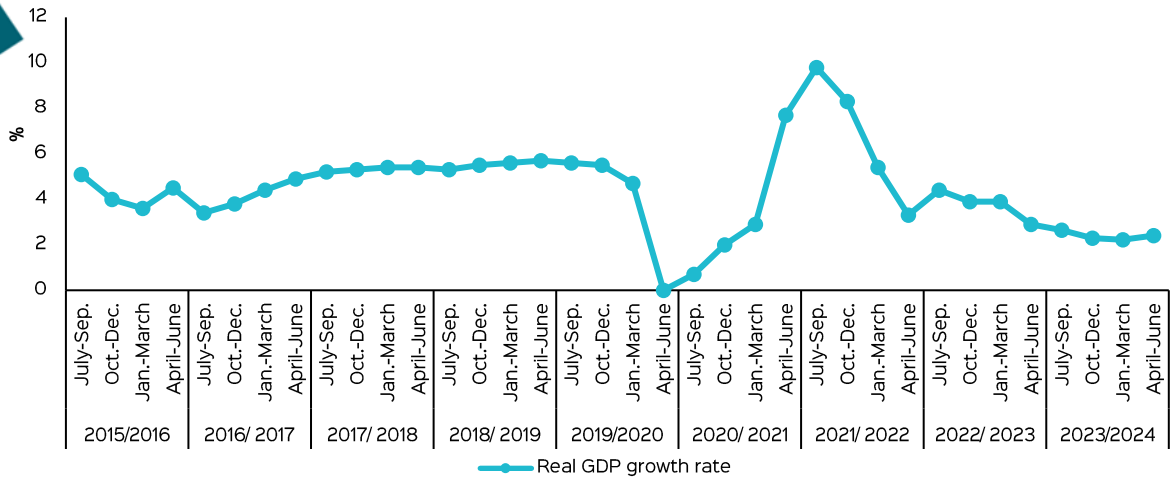
<sup>2</sup> IMF. 2024. World Economic Outlook, October.

<sup>3</sup> <https://www.spglobal.com/marketintelligence/en/mi/research-analysis/global-economic-expansion-gains-momentum-in-march-Apr24.html>.

<sup>4</sup> Ministry of Planning. 2024. Egypt's GDP Developments for the fourth quarter and FY 2023/2024.



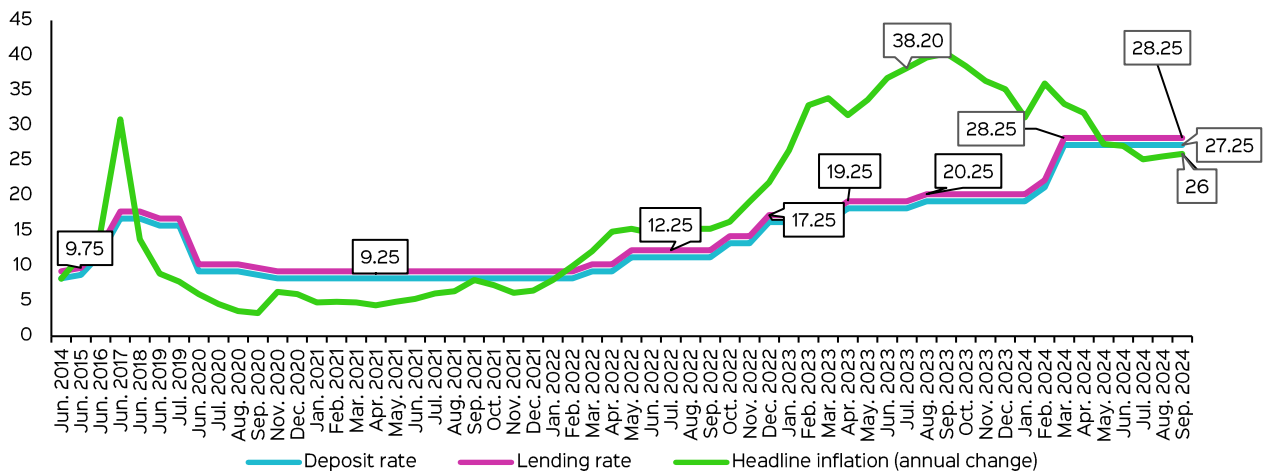
**Figure 1: Real GDP Growth (2015/2016 – Q3 2023/2024)**



Source: Ministry of Planning and Economic Development

- Annual headline inflation continued to decline, recording 25.6 during the quarter under study, a decline of about 24% from the previous and corresponding quarters. This decline was driven by the lower food inflation and dissipation of the base effect, while the rise in administered non-food prices, such as gas and pharmaceutical prices is still the driver behind the consistently high levels of headline and core inflation (CAPMAS 2024).<sup>5</sup>
- In light of the improvement in inflation expectations, and the continued downward path of inflation until the end of 2024, the Monetary Policy Committee of the Central Bank of Egypt decided in its meetings in October and November to keep the key interest rates unchanged, maintaining the overnight deposit and lending rates and the Central Bank’s main operation rate at 27.25%, 28.25% and 27.75%, respectively. It also decided to keep the credit and discount rate at 27.75%, reflecting global and local developments and expectations.<sup>6</sup>

**Figure 2: Inflation and Key Interest Rates**



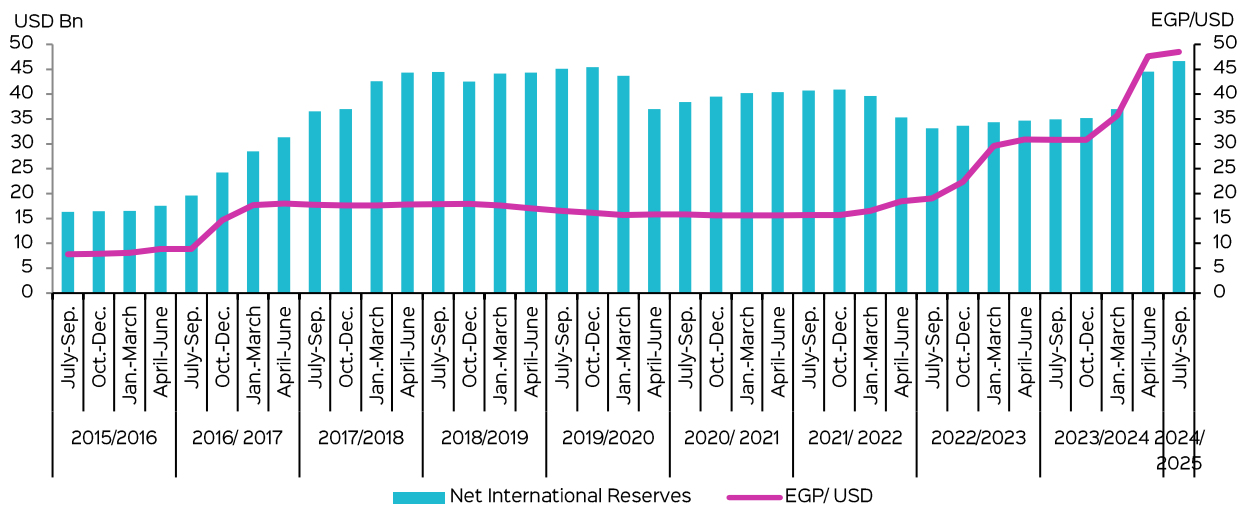
Sources: Central Bank of Egypt, Monthly Statistical Bulletin; Press release on the exceptional meeting of the Monetary Policy Committee on March 6, 2024; CAPMAS, Monthly Bulletin of Consumer Price Indices, various issues.

<sup>5</sup> Central Agency for Public Mobilization and Statistics, 2024, Monthly Bulletin of Consumer Price Indices, various issues.  
<sup>6</sup> Central Bank of Egypt. 2024. Monetary Policy Committee Press Releases of October 17, 2024 & November 21, 2024.

### On the external transactions front:

- The balance of payments during FY 2023/2024 recorded an overall surplus amounting to about \$9.7 billion, concentrated in the second half of the fiscal year, compared to a deficit of \$0.8 billion in the previous fiscal year. The Ras Al-Hekma deal and reform measures introduced by the Central Bank of Egypt to unify and liberalize the exchange rate and raise interest rates in March 2024 reflected positively on the capital and financial account. The account registered a net inflow of about \$29.9 billion during FY 2023/2024 compared to \$9 billion during the previous fiscal year, reflecting an increase in net foreign direct investment recording \$46.1 billion, and portfolio investments turning into a net inflow of \$14.5 billion after recording a decline of about \$3.7 billion in the previous fiscal year. The deficit in the current account escalated, reaching about \$20.8 billion as a result of a decline in oil exports by about \$8 billion and a decrease in Suez Canal revenue by about \$2.2 billion (Central Bank of Egypt 2024).<sup>7</sup>
- Egypt's external debt decreased by about \$7.7 billion from the previous quarter to record \$152.9 billion by end of June 2024. Net foreign assets in the banking system also increased for the sixth month in a row to reach \$10.31 billion in September 2024 compared to \$9.72 billion in August 2024, following a period of negative net foreign assets from February 2022 to April 2024 (Central Bank of Egypt 2024).<sup>8</sup>
- Egypt's net international reserves rose to \$46.94 billion by end of October 2024, compared to \$46.74 billion in September 2024. As a result, the average net reserves rose during the July-September 2024 quarter by approximately 5% compared to the previous quarter, and by about 34% compared to the corresponding quarter. The Egyptian pound lost about 2% of its value during July-September 2024 compared to the previous quarter, and about 57% of its value compared to the corresponding quarter, reflecting the measures implemented by the Central Bank in March 2024 (Figure 3).

**Figure 3: Net International Reserves and Exchange Rate**



Sources: Central Bank of Egypt, Monthly Statistical Bulletin, various issues; Ministry of Finance, Monthly Financial Report, various issues.

<sup>7</sup> Central Bank of Egypt, 2024, Monthly Statistical Bulletin, various issues.

<sup>8</sup> Ibid.



### In terms of public finances

- Overall budget deficit as a percentage of GDP decreased during July-September 2024/2025 to 2.12% compared to 3.26% in the corresponding period of the previous year. This is attributed to growth of revenues by about 45% (recording EGP 470 billion during the period July-September 2024/2025, an increase of about EGP 135 billion compared to the corresponding period of 2023/2024), while expenditures grew by about 4.7% only, <sup>9</sup> in light of the compliance with reducing public investments below the ceiling of EGP 1 trillion during FY 2024/2025.
- The percentage of the total debt of the state budgetary agencies to gross domestic product decreased from 96% in June 2023 to about 89.6% in June 2024. Despite this decline it is still high, and represents one of the biggest challenges facing the Egyptian economy now.

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<sup>9</sup> Ministry of Finance, 2024, Monthly Financial Report, October, 2024.



# Business Barometer Index (BBI)

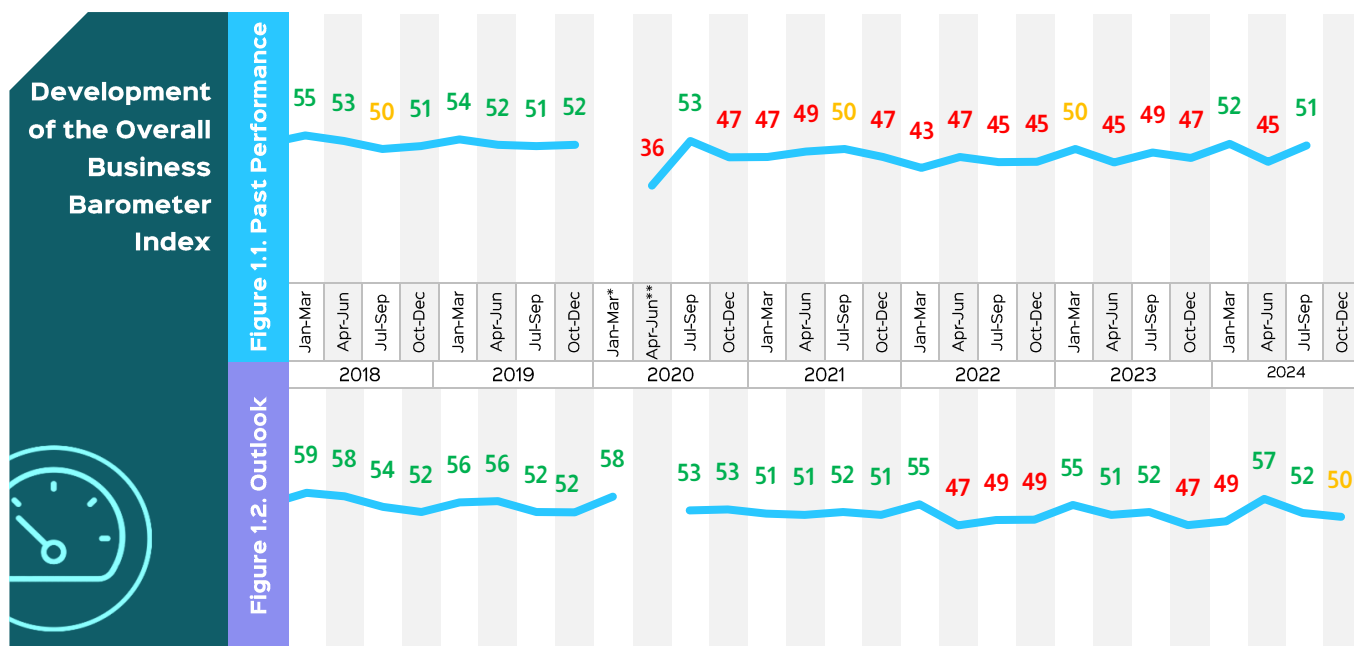
## I. Past performance evaluation and outlook according to the overall Business Barometer Index

The Business Barometer Index (BBI) increased during the quarter under study, with performance varying across sectors and different sizes of firms

### 1.1. Development of the overall index

The BBI for the quarter under study (July-September 2024) rose by one point above the neutral level, posting higher values than the previous and corresponding quarters. This performance reflects the increase in most indicators, specifically production, domestic sales, exports, and production capacity utilization for all firms (Figure 1-1).

The performance outlook index for the quarter October-December 2024 also recorded values at the neutral level, two points lower than the previous quarter but 3 points higher than the corresponding quarter, reflecting firms' expectations of stable performance for most indicators (production, domestic sales, exports and capacity utilization) during the quarter under study with no noticeable improvement in performance expectations for the next quarter (Figure 1-2).



Source: Survey results.

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

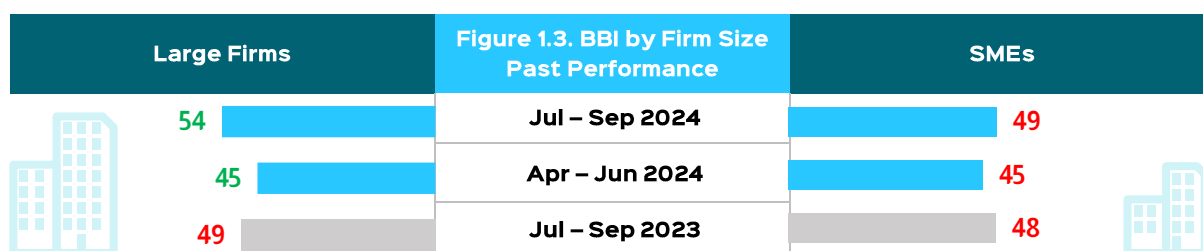
\*\* Data for April-June 2020 are unavailable due to the pandemic-related lockdown

### 1.2. Index according to firm size

There is a clear divergence in performance indicators between large & small and medium-sized firms; the BBI for large firms exceeded the neutral level by 4 points during the quarter under study, recording better values than the previous and corresponding quarters, reflecting a significant improvement in the production, domestic sales and export indicators of these firms during the quarter under study.

Meanwhile, the index for small and medium-sized firms is still one point below the neutral level, albeit 4 points better than the previous quarter, reflecting the starting recovery in production and sales indicators. The export index still shows a decline (Figure 1-3).

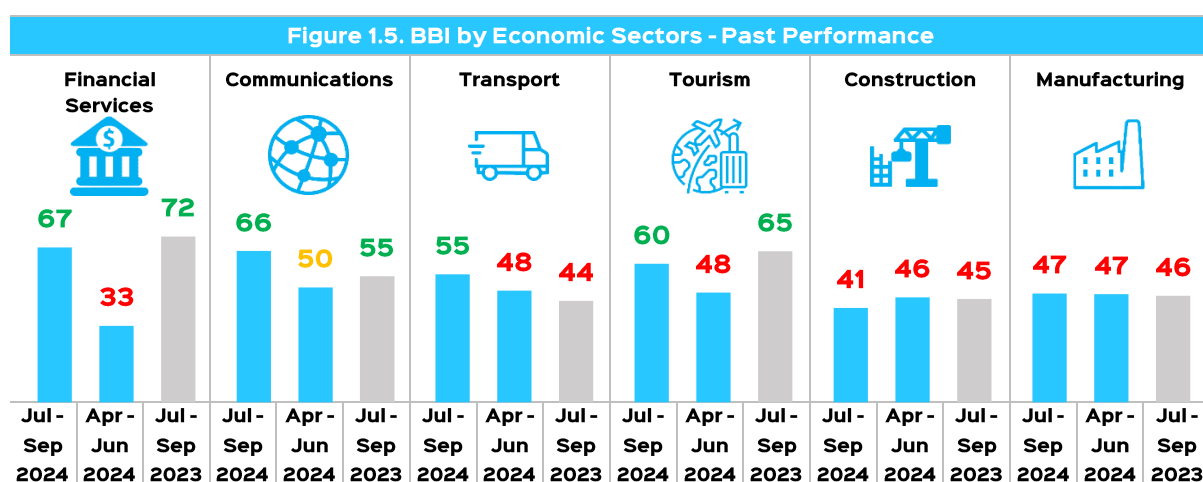
As for the outlook index, while the values of **large firms** exceeded the neutral level by one point and were lower than the previous quarter by one point and better than the corresponding quarter by five points, small and medium-sized firms recorded values below the neutral level by one point and lower than the previous quarter by 3 points, but better than the corresponding quarter by one point (Figure 1-4).



Source: Survey results.

### 1.3. Index according to economic sector

Compared to the previous and corresponding quarters, the BBI for **most service sectors** rose above the neutral level, while the **manufacturing and construction sectors** continued to deteriorate, recording values below the neutral level during the quarter under study (Figure 1-5).



Source: Survey results.

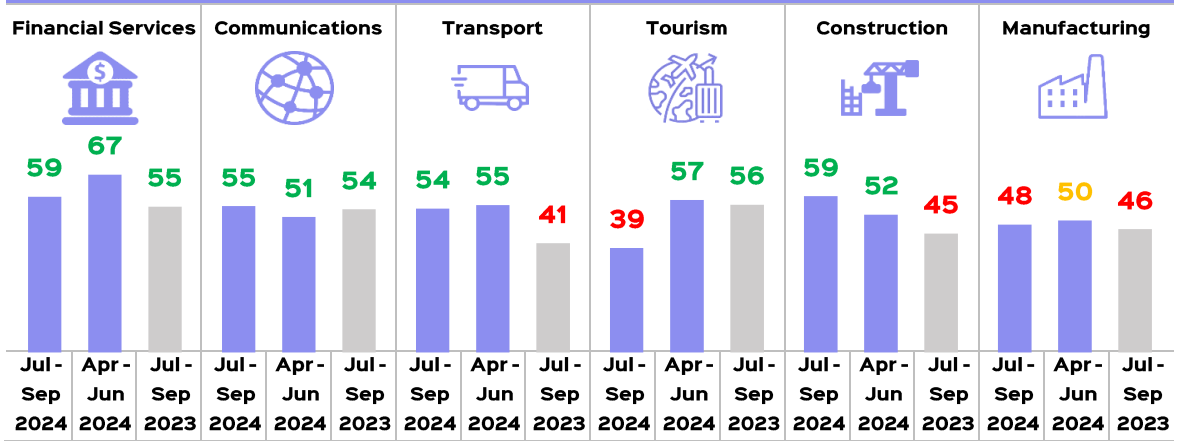
**The following is an analysis of the performance of economic sectors during the quarter under study according to the views of the sample of firms, and compared to performance during the previous and corresponding quarters:**

- **The manufacturing sector** posted values below the neutral level by 3 points, but the same as the previous quarter, and one point higher than the corresponding quarter, reflecting the sector's continued struggles since the Pandemic in 2020, and the continued deterioration of production, exports, domestic sales and capacity utilization indicators. The sector is still suffering from problems on both the supply and demand sides. On the one hand, inflation has led to a decline in both purchasing power and demand. On the other hand, production costs continued to rise for several reasons, most notably higher energy and water prices, in addition to the disruption of the supply of imported raw materials due to tensions in the Red Sea and global shipping disruptions, as well as higher interest rates, lack of financing, and a deficit in working capital, especially after discontinuation of the Central Bank's initiatives to support industry.
- **The construction sector** witnessed the sharpest decline, recording values below the neutral level by 9 points during the quarter under study and lower than the previous and corresponding quarters. This is attributed to market stagnation and a significant decline in production and sales indicators, due to high costs and weak liquidity in the market. The sector also continues to suffer from difficult licensing procedures, high fees for obtaining licenses, in addition to the new requirements in the Unified Building Law, and slow implementation of the new reconciliation law.
- **The tourism sector** recorded values 10 points above the neutral level; 12 points higher than the previous quarter, but 5 points lower than the corresponding quarter. This may be attributed to the increase in domestic tourism during the summer and holiday season, increase in occupancy rates in hotels and tourist resorts, the increase in demand for flight reservations during the period, and the increase in foreign tourism due to the Umrah season.
- **The transport sector** recorded values 5 points above the neutral level, performing better than the previous and corresponding quarters. This improvement is mainly due to the increase in the final product price index and increased tourism, on which the sector's activity depends greatly. This period also witnessed a breakthrough in currency availability and the obtaining of Form 4, which now takes less time compared to previous periods, and thus expediting the import process.
- The BBI for the **telecommunications sector** exceeded the neutral level by 16 points, and recorded better performance than in the previous and corresponding quarters, due to the increase in demand for IT products, expansion of infrastructure, increase in the number of new housing units, higher demand for internet and landline services, and the continuation of the Haya Kareema (decent life) initiative and the availability of new opportunities, whether through government tenders or the opening of new markets in several African countries.
- The best expectations for the current quarter were reported by **the financial intermediation sector**, which recorded values higher than the neutral level by 17 points and better than the previous quarter by 34 points, although lower than the corresponding quarter by 5 points. This is due to the increase in the purchase of Egyptian stocks by foreign investors, which reflects the positive impact of reform policies related to the exchange rate since last March and the improvement of Egypt's credit rating from B minus to B.

### On the outlook side:

- The construction, transportation, communications, and financial intermediation sectors exceeded the neutral level, while the manufacturing and tourism sectors came below the neutral level. The lowest expectations across all sectors were reported by the tourism sector.
- Expectations of no improvement for the **manufacturing sector**, as the sector's outlook index recorded values lower than the neutral level and the previous quarter by two points, albeit exceeding the corresponding quarter by two points. This is due to stable expectations for all indicators –except for the input prices index, which is witnessing an increase—reflecting expectations of no improvement, especially with regard to imported raw materials. Therefore, most of the sector continues at the same production rates, in addition to the weak domestic market with the rise in inflation, and weak external market with the decline in the competitiveness of Egyptian products due to the high costs of production compared to regional competitors.
- The outlook for the construction sector for the next quarter exceeded the neutral level by 9 points, a better performance than the previous and corresponding quarters. This is due to the actual start of implementing the reconciliation law and facilitating the issuance of licenses, hence the expectations of increased production and sales, and the availability of opportunities for firms in government tenders.
- The least optimistic outlook for the next quarter was for the **tourism sector**, as the sector's outlook Index recorded values below the neutral level by 11 points as well as lower than the previous and corresponding quarters. This decline in performance is due to expectations of a decline in foreign tourism as a result of current geopolitical events, in addition to a decline in domestic tourism with the start of the school season and the end of holidays.
- The outlook of the **transportation sector** for the next quarter was optimistic, as it recorded values higher than the neutral level by 4 points, and lower than the previous quarter by one point, but higher than the corresponding quarter by 13 points, due to an expected seasonal increase in citrus exports and the continued customs clearance of imports with the availability of foreign currency.
- The **telecom sector's** outlook was 5 points higher than neutral, 4 points higher than the previous quarter, and 1 point higher than the corresponding quarter. This is due to expectations of all sub-indicators remaining stable during the next quarter, continued demand for the sector's products, implementation of the e-invoicing system, and continuation of the Haya Kareema (decent life) initiative.
- The best outlook was reported by the **financial intermediation sector**, as the index exceeded the neutral level by 9 points, albeit 8 points lower than the previous quarter and 4 points better than the corresponding quarter. This is due to foreign investors acquiring shares in local firms during the previous quarter, and thus expectations of higher trading rates during the next quarter and the entry of new investors with growing confidence in the Egyptian market, especially after raising Egypt's credit rating (future outlook) (Figure 1-6).

Figure 1.6. BBI by Economic Sectors - Outlook



Source: Survey results.



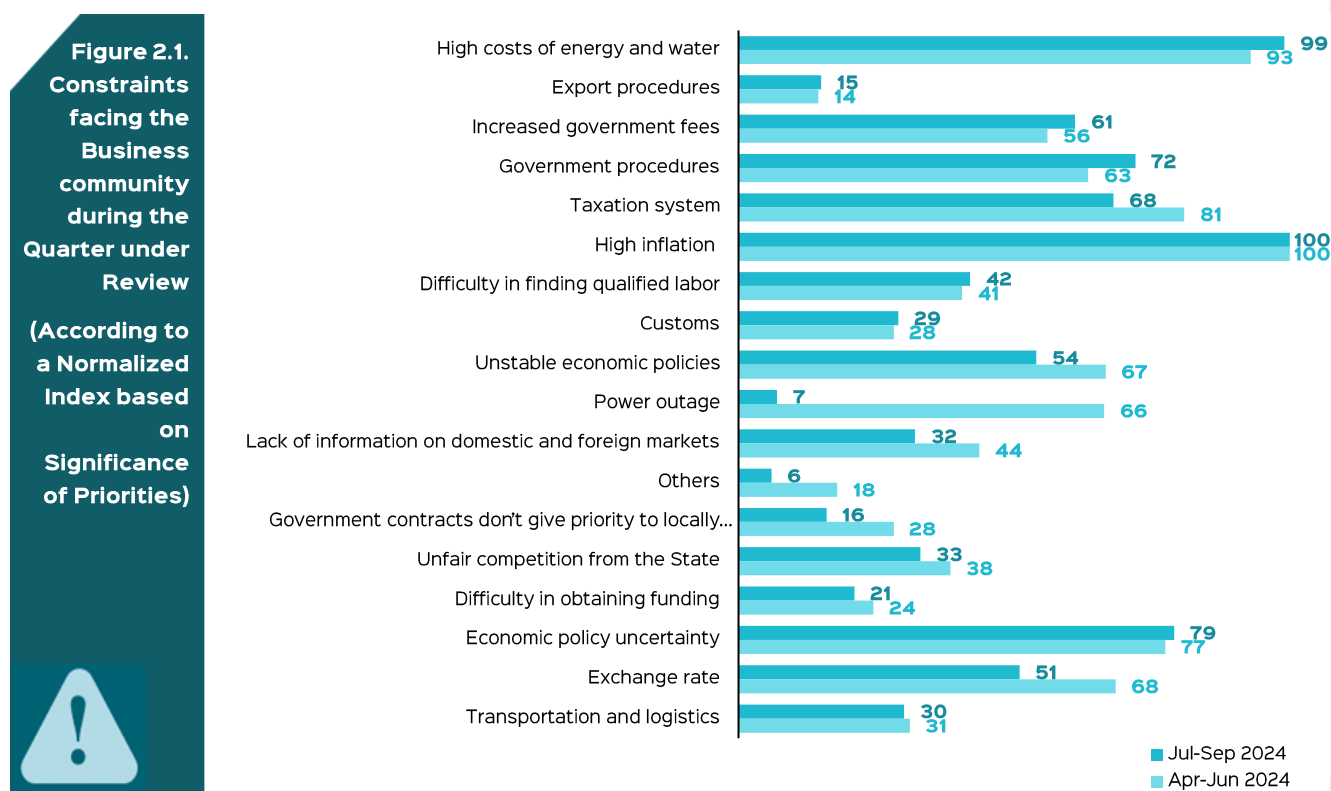
## II. Constraints facing the business community during the quarter under study, and priorities for improving the business climate from the point of view of the sample of firms



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

**Continued high inflation, frequent increases in the prices of energy and water, and unpredictability about future economic policy directions were the most serious constraints that faced all firms during the quarter under study.**

Figure 2-1 shows the main constraints that faced the business community during the quarter under study (July-September 2024), ranked in descending order of severity from the perspective of the sample of firms.



Source: Survey Results.

Note: Some indicators were newly introduced starting from the study quarter.

The numbers refer to the percentage of firms that identified specific obstacles, and firms could select more than one obstacle.

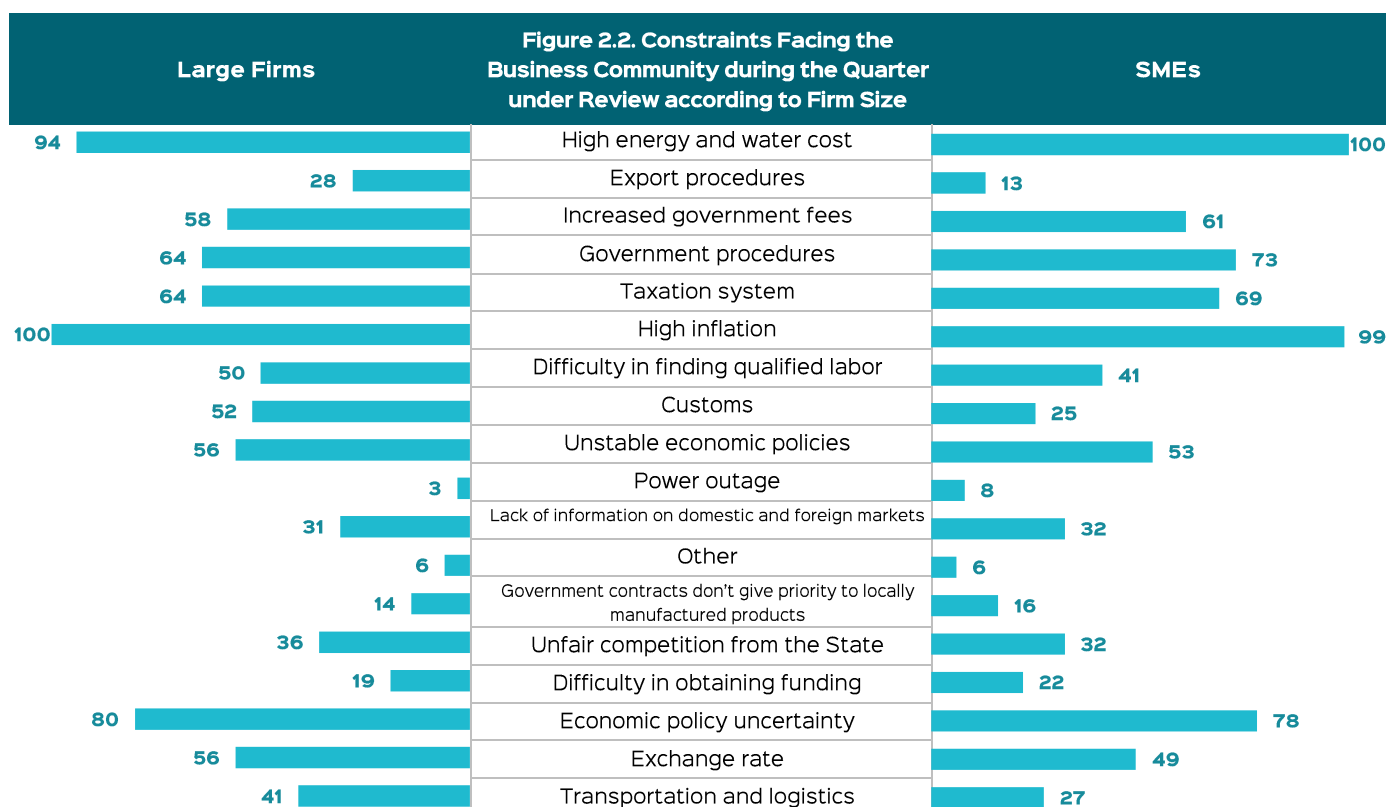
Challenges related to **high inflation** continued to top the list of constraints for all firms during the current quarter, due to the negative impact on the business community on both the supply and demand sides, continuous demands by labor for higher wages, and the lack of liquidity for investment. The **high costs of energy and water** come in second place, as the continuous rise in energy prices leads to higher production costs, especially for energy-intensive activities and production activities in general, which represents an additional burden on firms. The **unpredictability of future economic policy directions** comes in third place, as the business community cannot build future plans in the absence of a long-term economic vision, especially with regard to investment and debt. The **challenges of dealing with government agencies** come in fourth

place, as they negatively affect the business community due to slow procedures and routine, and employees dealing with the large number of officials in all government agencies, resulting in the imposition of informal payments. The **tax system** comes in fifth place due to the multiplicity of tax bases and retroactive tax audits for previous years, as well as imposing tax fines before resolving disputes and issuing court rulings due to the delay in inspection and the lengthy dispute period. The business community agreed that there were irregularities by tax officers.

### 2.1.1. Constraints according to firm size

High inflation topped the list of constraints for large firms, followed by high energy and water costs, while **high energy and water costs and inflation** were among the key constraints for small and medium-sized firms.

Figure 2-2 shows the main constraints faced by both large and small and medium-sized firms during the quarter under study (July-September 2024), ranked in descending order of severity from the perspective of the sample of firms.

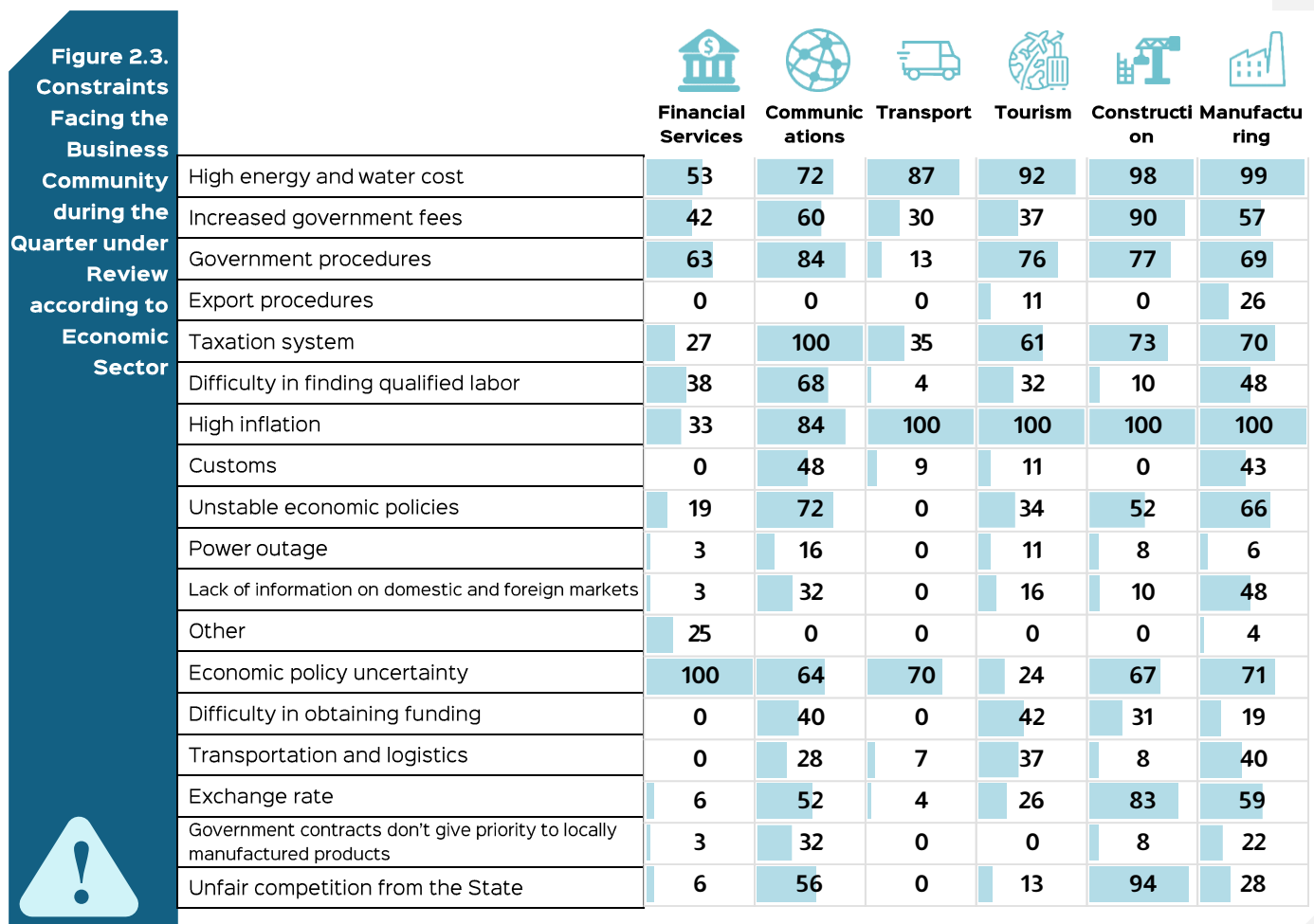


Source: Survey Results.

Note: Some indicators were newly introduced starting from the study quarter.

### 2-1-2 Constraints According to Economic Sectors

Constraints vary across economic sectors, with **inflation** standing as the most severe constraint facing the **manufacturing, tourism, construction, and transportation** sectors. Higher cost of government services was the most significant constraint for the **construction sector**, while challenges related to the **unpredictability of future economic policy directions** were the most significant constraint that faced the **financial intermediation sector**. **Tax system** problems were the most severe constraint for the **telecommunications sector**, followed by procedures for dealing with government agencies (Figure 2-3).



Source: Survey Results.

Note: Some indicators were newly introduced starting from the study quarter.

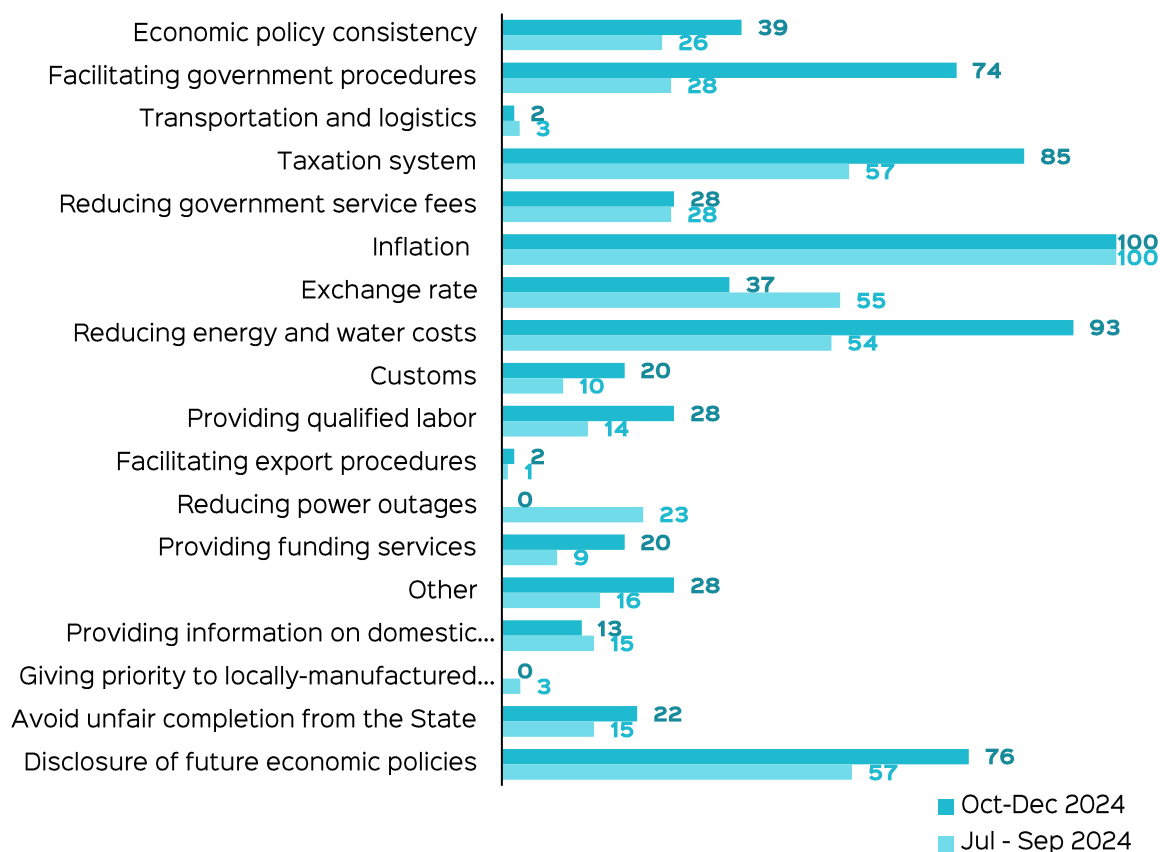
## 2-2 Priorities for improving the business environment in Egypt (according to the surveyed firms)



**Priorities from the perspective of firms: Curbing inflation, reconsidering the increase in energy and water prices, continuing efforts to solve the problems of the tax system, and further streamlining of government procedures.**

Curbing inflation remains at the top of priorities that the sample of firms saw as necessary due to its negative impact on all sectors, followed by the need to reconsider energy and water prices because of their recurrent increases at close intervals (at least twice a year), which causes an increase in costs and a decline in business volume, followed by the need to continue solving the problems of the tax system, prevent double taxation, and halt the retroactive tax inspections for previous years (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.

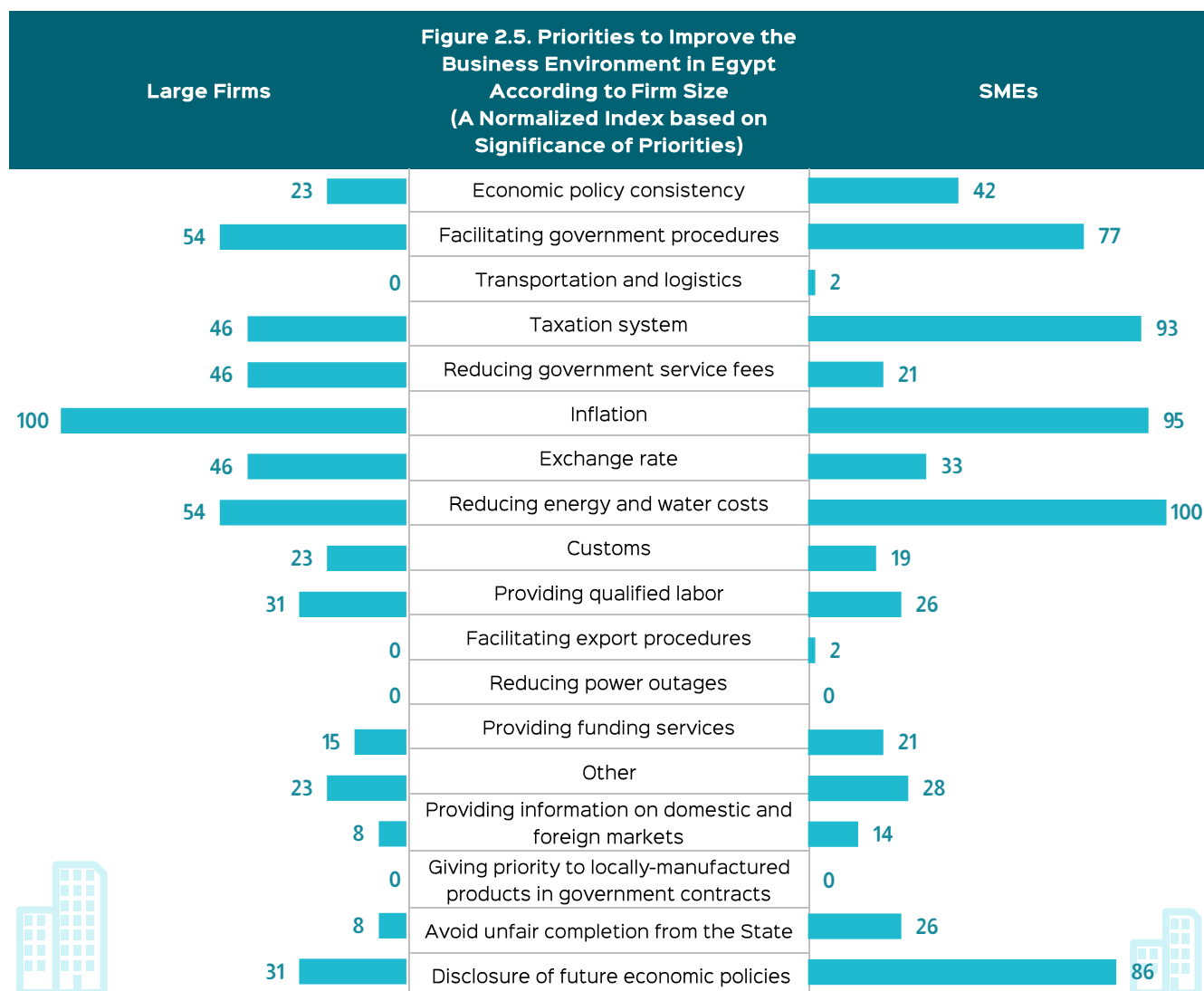
Note: Some indicators were newly introduced starting from the study quarter.

### 2.2.1. Priorities according to Firm Size

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

Curbing inflation is a top priority for large firms, followed by streamlining government procedures and reducing energy and water prices.

Reducing energy and water prices topped the priorities for small and medium-sized firms, followed by curbing inflation, improving the performance of the tax system, and then enhancing disclosure regarding future economic policies (Figure 2-5).

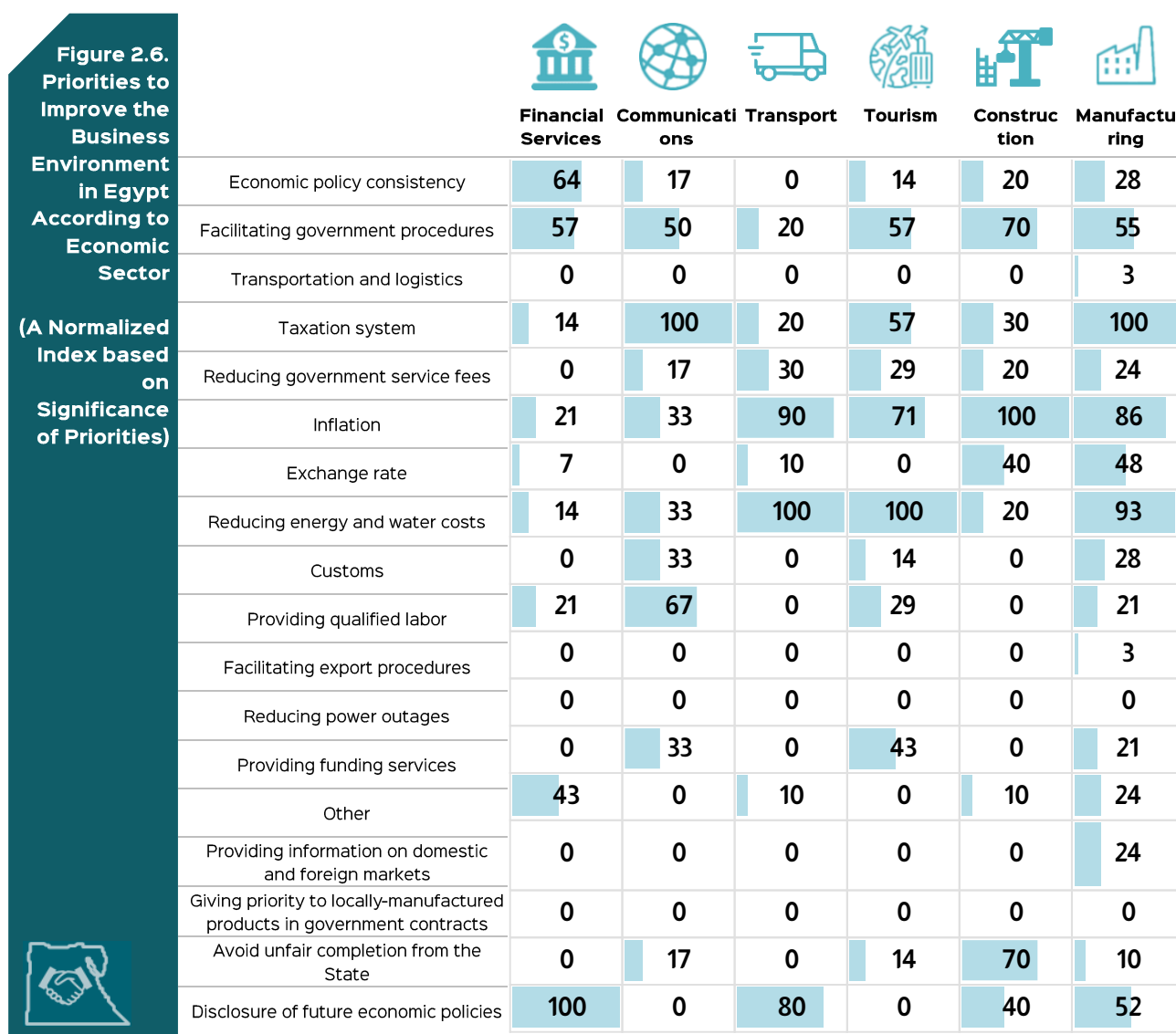


Source: Survey Results.

Note: Some indicators were newly introduced starting from the study quarter.

## 2.2.2. Priorities according to Economic Sectors

The manufacturing and communications sectors agreed on the need to improve the performance of the tax system. Reducing energy and water prices was the top priority for the transportation and tourism sectors, while curbing inflation was the top priority for the construction sector. Enhancing disclosure regarding future economic policy directions was a priority for the financial intermediation sector (Figure 2-6).



Source: Survey results.

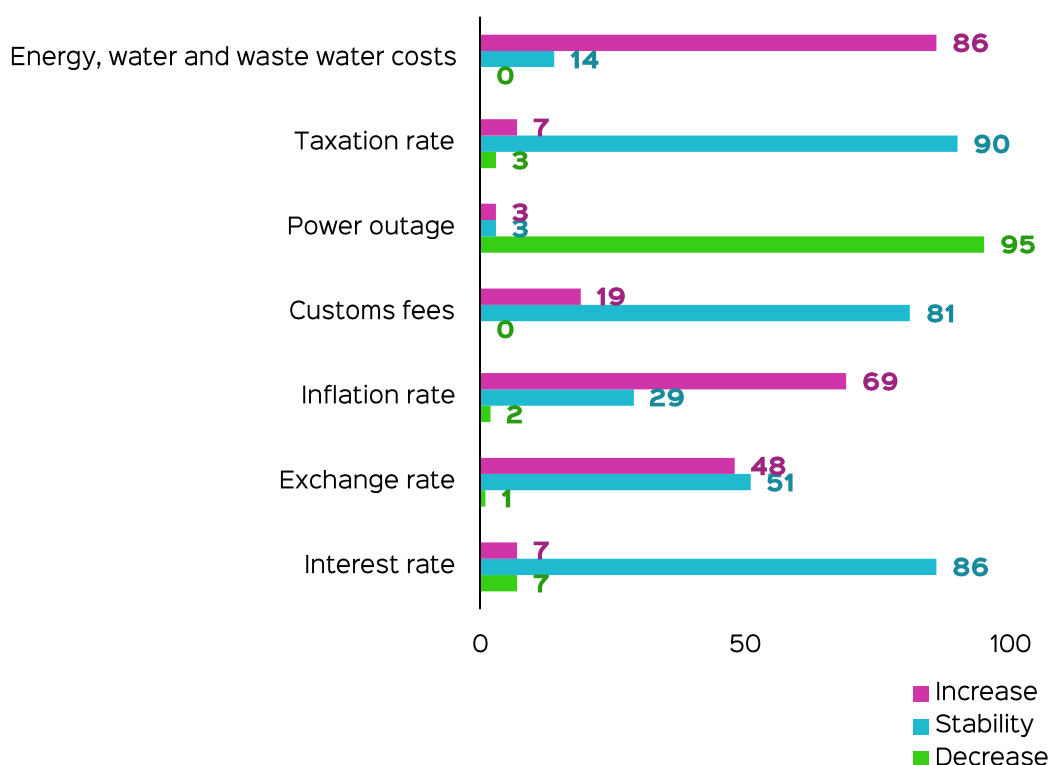
# The business community's expectations of improvements based on its perception of the Government's current directions



## Expectations of a rise in inflation due to higher energy and water prices and a decrease in the duration of power outages

The majority of firms (86%) expect an increase in energy, water and sewage prices, while 95% expect a decrease in the duration of power outages, and 69% expect a rise in inflation. The remaining variables remained mostly stable (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.

Note: Some indicators were newly introduced starting from the current quarter.

### III. Performance evaluation and outlook according to sub-indices

#### 3.1. Performance evaluation

#### Higher than neutral values for most performance evaluation indicators for all firms during the quarter under study

All performance indicators for **large firms** increased significantly during the quarter under study, as they all recorded values above the neutral level and the previous and corresponding quarters, while the **commodity inventory** index recorded values below the neutral level and the corresponding quarter by 4 points and above the previous quarter by 2 points.

Small and medium-sized firms witnessed an improvement in the **production and capacity utilization** indices during the quarter under study, as both indices recorded values higher than the neutral level by two points, better than the previous quarter by 9 points and similar to the corresponding quarter. While the **domestic sales** index recorded the same values as the corresponding quarter and the neutral level, although higher than the previous quarter by 10 points. The **exports** index, however, recorded values lower than the neutral level by 3 points, similar values to the previous quarter, and 7 points lower than the corresponding quarter. The **commodity inventory** index declined from the neutral level by 7 points, albeit higher than the previous and corresponding quarters.



Source: Survey results.

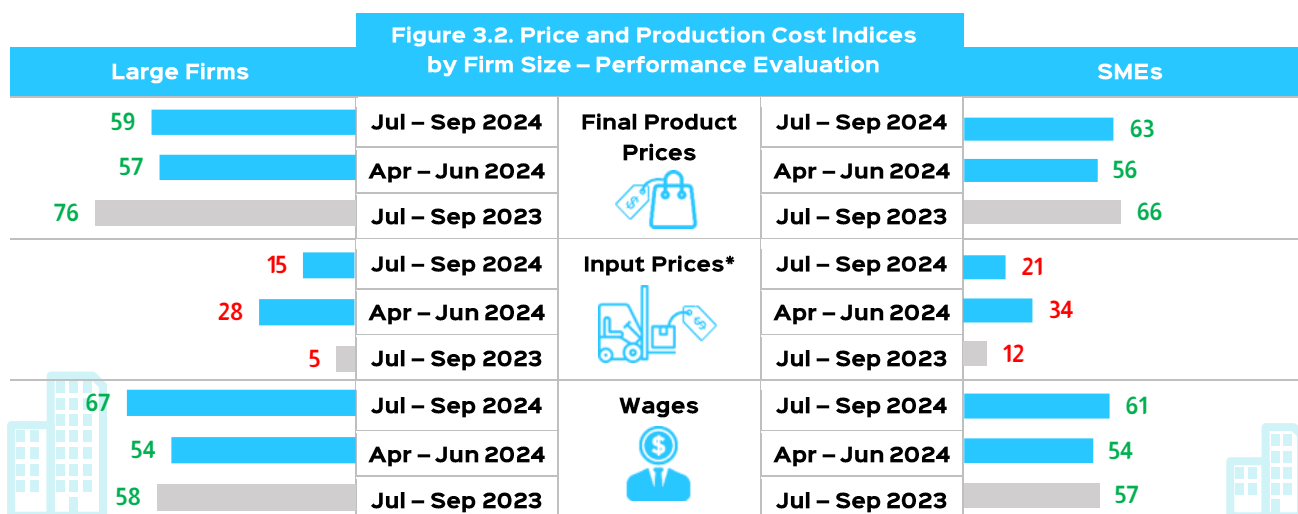
\* The index for inventory is inverted to indicate the negative impact of its increase on businesses. Hence, a higher inventory index indicates lower inventory and vice versa.



## Higher final product and wage indices above neutral level for all firms

The final product price index exceeded the neutral level, recording higher values than the previous quarter, driven by higher input prices and increased energy and water prices, as well as a higher wage index.

However, compared to the corresponding quarter, the final product price index decreased, reflecting a slower rate of increase in the input price index, while the wage index recorded higher values than the corresponding quarter for all firms (Figure 3-2).

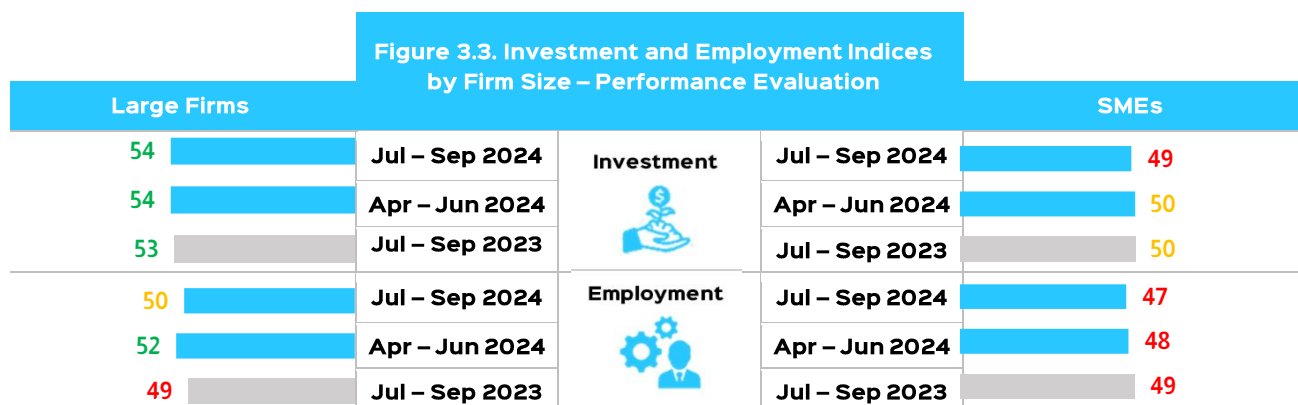


Source: Survey results.

\* 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.

## The investment index for large firms remained stable, while the employment index for all firms declined compared to the previous quarter

- For large firms, the investment index during the quarter under study recorded values higher than the neutral level and the corresponding quarter (due to stable performance rather than improvement). Meanwhile, the employment index recorded a neutral value, although lower than the previous quarter by two points and higher than the corresponding quarter by one point.
- For small and medium-sized firms, the investment index posted values below the neutral level and the previous and corresponding quarters by one point. The employment index also fell below the neutral level and the previous and corresponding quarters (Figure 3-3).



Source: Survey results.

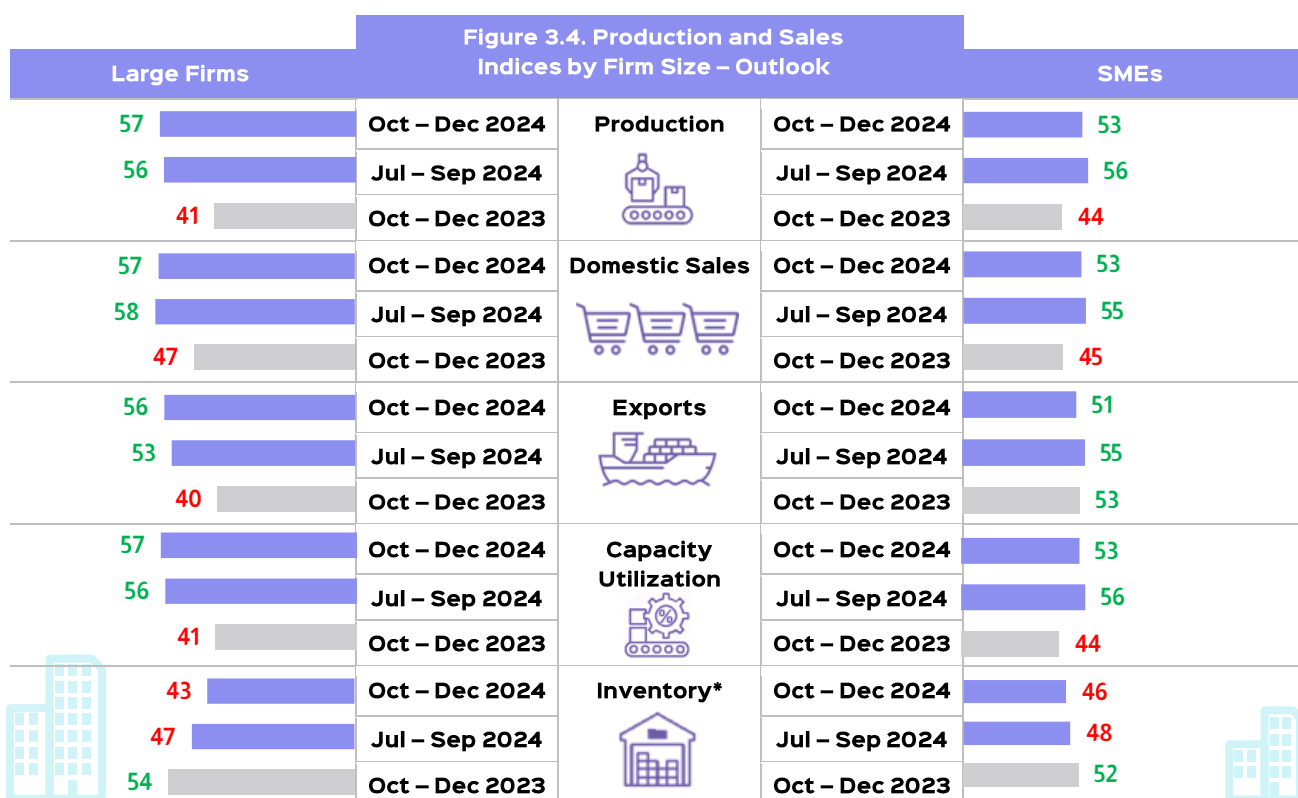
### 3.2. Performance Expectations

#### Expected stable performance for all firms during the upcoming quarter

All firms expect higher values than neutral for production, domestic sales, exports and capacity utilization during October-December 2024, while the forecast for commodity inventory was below the neutral level as well as the previous and corresponding quarters.

The outlook index for large firms regarding production, exports and capacity utilization recorded values higher than the previous and corresponding quarters. The domestic sales index was one point lower than the previous quarter, albeit 10 points higher than the corresponding quarter.

The expectations of small and medium-sized firms regarding production, domestic sales and capacity utilization were lower than the previous quarter and higher than the corresponding quarter, while expectations for exports were lower than the previous and corresponding quarters (Figure 3-4).



Source: Survey results.

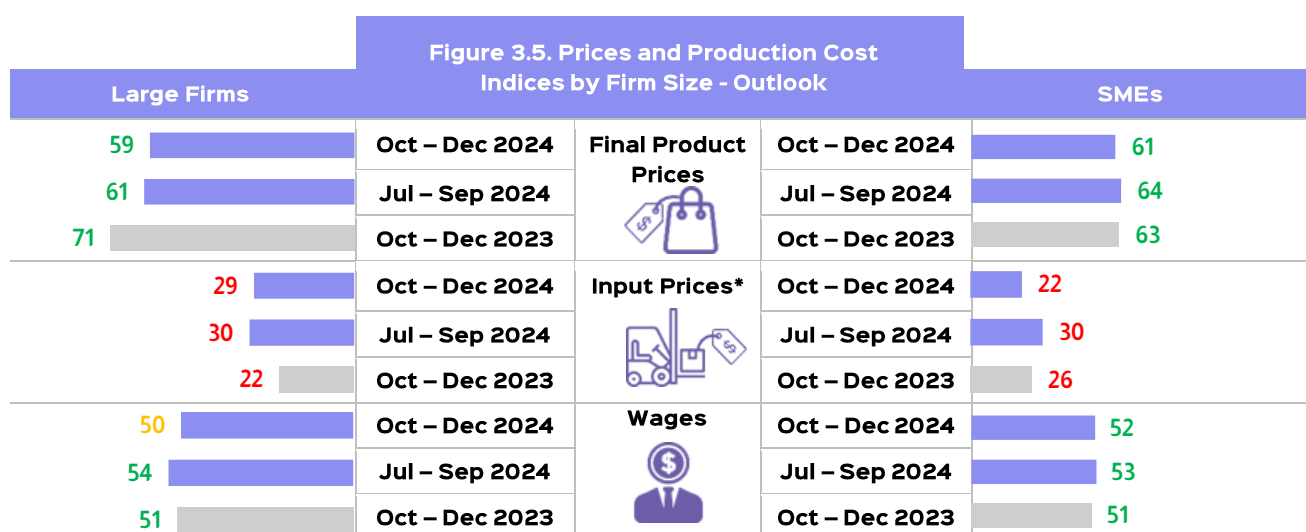
\* The index for inventory is inverted to indicate the negative impact of its increase on businesses. Hence, a higher inventory index indicates lower inventory and vice versa.

#### All firms expect final product prices to exceed the neutral level but with lower values than the previous and corresponding quarters

Large firms expect input prices to rise as the outlook index recorded values below the neutral level, as well as below the previous quarter, but above the corresponding quarter by 7 points. Expectations for the wage index came at the neutral level and below the previous and corresponding quarters.

Small and medium-sized firms expect the input price index to fall below the neutral level and the previous and corresponding quarters, given expectations of higher input prices, and the wage index rising above

the neutral level and the corresponding quarter, albeit with values that are one point lower than the previous quarter (Figure 3-5).



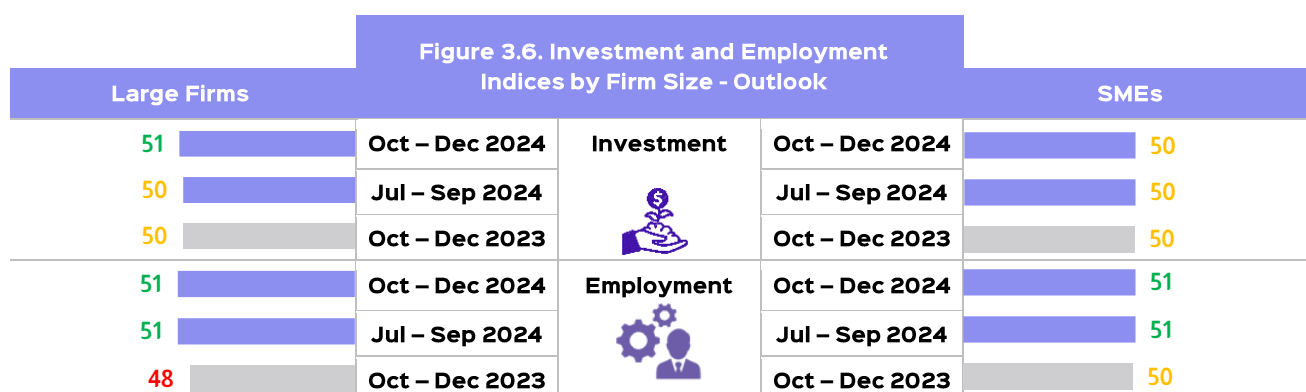
Source: Survey results.

\* 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.

### The employment index for all firms is expected to remain stable at the values of the previous quarter

Large firms expect the investment index to exceed the neutral level and the previous and corresponding quarters by one point. The employment index is expected to be remain stable with values similar to the previous quarter, exceeding the neutral level by one point and higher than the corresponding quarter by 3 points.

Small and medium-sized firms expect the investment index to remain at the neutral level with the same values as the previous and corresponding quarters. They also expect the employment index to rise slightly by one point above the neutral level and the corresponding quarter (Figure 3-6).



Source: Survey results.

# Tables Index

**Table A1: Survey Results: Summary of all firms' performance evaluation at the sectoral level (July - August - September 20242024)<sup>1</sup>**

Indicator	Manufacturing			Construction			Tourism			Transportation			Communications			Financial Services									
	Percentage	Index <sup>2</sup>	Index <sup>2</sup>	Percentage	Index <sup>2</sup>	Index <sup>2</sup>	Percentage	Index <sup>2</sup>	Index <sup>2</sup>	Percentage	Index <sup>2</sup>	Index <sup>2</sup>	Percentage	Index <sup>2</sup>	Index <sup>2</sup>	Percentage	Index <sup>2</sup>								
	Higher	Low	47	Higher	Low	41	Higher	Low	60	Higher	Low	55	Higher	Low	66	Higher	Low	67							
<b>Economic activity</b>																									
<b>Production</b>	25	43	32	48	0	43	57	30	70	30	0	77	50	0	50	75	13	13	78	88	13	0	89		
<b>Domestic sales</b>	25	27	47	42	0	43	57	30	70	30	0	77	50	0	50	75	13	13	78	88	13	0	89		
<b>Exports</b>	28	38	34	48	-	-	-	-	-	-	-	-	-	-	-	67	33	0	75	-	-	-	-		
<b>Inventory</b>	39	39	22	44	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>Capacity utilization</b>	25	43	32	48	0	43	57	30	70	30	0	77	50	0	50	75	13	13	78	88	13	0	89		
<b>Prices</b>																									
<b>Final product prices</b>	48	42	10	64	86	14	0	88	0	100	0	86	13	63	25	46	0	100	0	100	0	100	0	50	
<b>Intermediate product prices</b>	73	22	5	22	100	0	0	0	71	29	0	22	-	-	57	43	0	30	-	-	-	-	-		
<b>Wage level</b>	45	55	0	65	29	71	0	58	60	40	0	71	8	92	0	52	88	13	0	89	13	88	0	53	
<b>Primary inputs</b>																									
<b>Investment</b>	0	90	10	47	0	100	0	50	0	100	0	50	0	100	0	50	50	0	67	0	100	0	100	0	50
<b>Employment</b>	3	80	17	46	0	71	29	42	20	80	0	56	0	100	0	50	0	100	0	50	0	100	0	50	

**Table A2: Survey Results: Summary of all firms' outlook at the sectoral level (October - November - December 2024)<sup>1</sup>**

Indicator	Manufacturing			Construction			Tourism			Transportation			Communications			Financial Services								
	Percentage	Index <sup>2</sup>	Index <sup>2</sup>	Percentage	Index <sup>2</sup>	Index <sup>2</sup>	Percentage	Index <sup>2</sup>	Index <sup>2</sup>	Percentage	Index <sup>2</sup>	Index <sup>2</sup>	Percentage	Index <sup>2</sup>	Index <sup>2</sup>	Percentage	Index <sup>2</sup>							
	Higher	Low	48	Higher	Low	59	Higher	Low	39	Higher	Low	54	Higher	Low	55	Higher	Low	59						
<b>Economic activity</b>																								
<b>Production</b>	22	53	25	49	64	36	0	74	10	20	70	25	50	17	33	57	38	63	0	62	63	25	13	70
<b>Domestic sales</b>	22	47	31	47	64	36	0	74	10	20	70	25	50	17	33	57	38	63	0	62	63	25	13	70
<b>Exports</b>	17	69	14	51	-	-	-	-	-	-	-	-	-	-	-	67	33	0	75	-	-	-	-	-
<b>Inventory</b>	30	52	17	46	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Capacity utilization</b>	22	53	25	49	64	36	0	74	10	20	70	25	50	17	33	57	38	63	0	62	63	25	13	70
<b>Prices</b>																								
<b>Final product prices</b>	47	50	3	64	43	57	0	64	60	40	0	71	25	75	0	57	13	88	0	53	0	100	0	50
<b>Intermediate product prices</b>	73	23	3	22	50	50	0	33	86	14	0	13	-	-	71	29	0	22	-	-	-	-	-	
<b>Wage level</b>	7	93	0	52	7	93	0	52	20	80	0	56	0	100	0	50	13	88	0	53	0	100	0	50
<b>Primary inputs</b>																								
<b>Investment</b>	3	95	2	50	0	100	0	50	0	100	0	50	0	100	0	50	13	88	0	53	0	100	0	50
<b>Employment</b>	5	93	2	51	7	86	7	50	0	100	0	50	0	100	0	50	13	88	0	53	0	100	0	50

<sup>1</sup> Numbers represent percent of total responses. Higher, same, and lower may not add up to 100 due to rounding.  
<sup>2</sup> Equal to the simple average of the variables' 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)**  
(July - August - September 2024)<sup>1</sup>

Variable	SMEs				Large Firms			
	Percentage			Index <sup>2</sup>	Percentage			Index <sup>2</sup>
	Higher	Same	Low	49	Higher	Same	Low	54
<b>Economic activity</b>								
Production	38	31	32	<b>52</b>	50	36	14	<b>63</b>
Domestic sales	39	23	39	<b>50</b>	56	28	17	<b>65</b>
Exports	27	36	36	<b>47</b>	40	40	20	<b>57</b>
Inventory	41	38	22	<b>43</b>	33	44	22	<b>46</b>
Capacity utilization	38	31	32	<b>52</b>	50	36	14	<b>63</b>
<b>Prices</b>								
Final product prices	46	46	8	<b>63</b>	32	68	0	<b>59</b>
Intermediate product prices	75	21	4	<b>21</b>	82	18	0	<b>15</b>
Wage level	37	63	0	<b>61</b>	50	50	0	<b>67</b>
<b>Primary inputs</b>								
Investment	1	93	6	<b>49</b>	14	86	0	<b>54</b>
Employment	3	84	13	<b>47</b>	5	91	5	<b>50</b>

**Table A4: Survey Results: Summary of all firms' outlook (by size)**  
(October - November - December 2024)<sup>1</sup>

Variable	SMEs				Large Firms			
	Percentage			Index <sup>2</sup>	Percentage			Index <sup>2</sup>
	Higher	Same	Low	49	Higher	Same	Low	51
<b>Economic activity</b>								
Production	36	38	27	<b>53</b>	32	59	9	<b>57</b>
Domestic sales	37	34	29	<b>53</b>	33	56	11	<b>57</b>
Exports	23	59	18	<b>51</b>	20	80	0	<b>56</b>
Inventory	30	51	19	<b>46</b>	33	56	11	<b>43</b>
Capacity utilization	36	38	27	<b>53</b>	32	59	9	<b>57</b>
<b>Prices</b>								
Final product prices	38	60	2	<b>61</b>	32	68	0	<b>59</b>
Intermediate product prices	73	24	3	<b>22</b>	59	41	0	<b>29</b>
Wage level	8	92	0	<b>52</b>	0	100	0	<b>50</b>
<b>Primary inputs</b>								
Investment	2	97	1	<b>50</b>	5	95	0	<b>51</b>
Employment	3	96	1	<b>51</b>	9	86	5	<b>51</b>

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

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