المركز المصري للدراسات الاقتصادية
The Egyptian Center for Economic Studies

Business Barometer

Issue 74 January – March 2025

Performance Evaluation during the period January – March 2025
and Outlook for the period April – June 2025
from the Business Community's point of view

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Business Barometer

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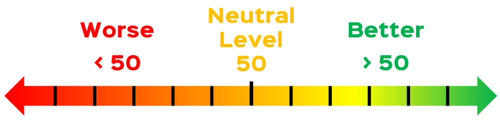
Contents

Executive Summary

This report presents a periodic assessment conducted by the Egyptian Center for Economic Studies of a sample of 120 private sector firms, covering various sectors and sizes. It reflects the business community's views regarding developments in a number of variables, specifically: Production, domestic sales, exports, commodity inventory, capacity utilization, prices, wages, employment, and investment during the quarter January-March 2025, and its forecast for the quarter April-June 2025, along with comparing the results with the previous quarter (October-December 2024) and the corresponding quarter (January-March 2024). Below is a brief overview of the key findings of the report for the quarter under review (January-March 2025).

Evaluating performance and exploring the outlook based on the overall index



- The Business Barometer Index (BBI) continued to exceed the neutral level during the quarter under study, with performance varying across sectors and between different sizes of firms.
- The expectations index is set to exceed the neutral level during the upcoming quarter, reflecting the stability of most sub-indices.

According to size:

- Higher BBI for all firms, driven by a higher wage index and improved production and sales indices.

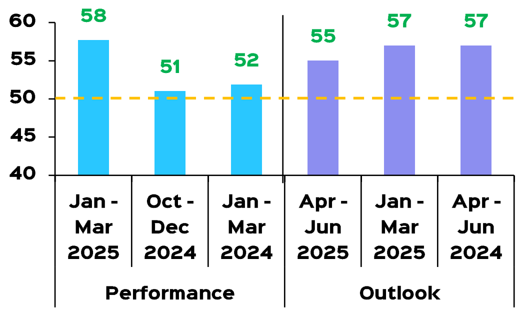
Sectorally:

- Higher BBI for all sectors during the quarter under study, with the manufacturing sector index beginning to recover after a four-year decline.

Challenges:

- Continued inflation and recurring increases in energy and water prices are the most prominent challenges facing all firms, along with the re-emergence of the challenges related to lack of qualified labor and exaggerated fees for government service.
- The manufacturing and telecommunications sectors are the most affected, and so are small and medium-sized enterprises.

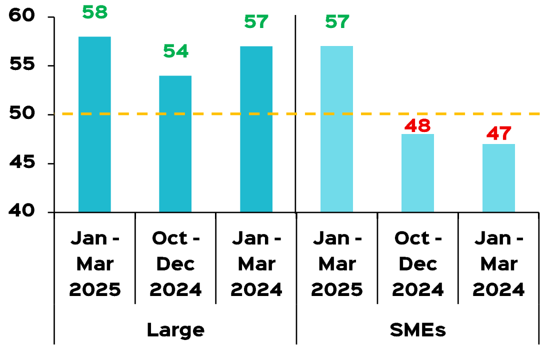
The Business Barometer Index during the quarter under study (January-March 2025) remained higher than the **neutral level**, achieving better values than the previous and corresponding quarters. This reflects the fact that most indices have exceeded the neutral level, especially the **wage index** in **all sectors, followed by improved production, domestic sales, and capacity utilization**, except construction, driven by a seasonal rebound in demand coinciding with the start of the holy month of Ramadan and the holidays.



The performance expectations index for the quarter April-June 2025 also recorded higher values than the **neutral level**, but less than the previous and corresponding quarters, in light of expected stable sub-indices **for all firms and sectors** with the exception of **construction, transportation, and financial services, whose indices are** expected to rise in the upcoming quarter.

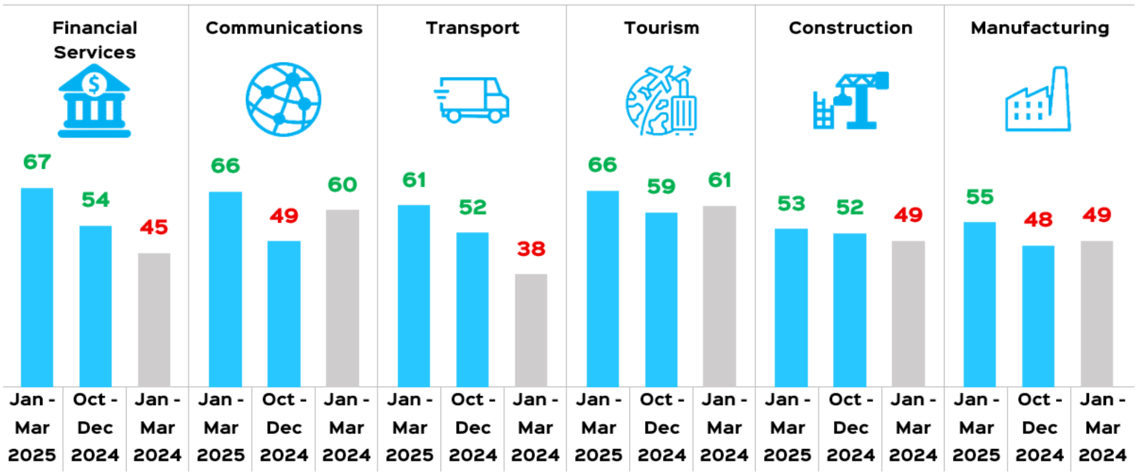
According to size:

The business performance index for large firms continued its upward trend, with their sub-indices exceeding the neutral level except for the export index.
The BBI for SMEs exhibited some recovery, with all its sub-indices rising above the neutral level during the quarter under study, including production, exports, domestic sales and wages. It recorded better values than the previous and corresponding quarters.



Sectorally:

The performance index rose for all sectors, with **financial services** posting the highest index values, while the **manufacturing industries** sector showing signs of recovery.



After a decline that lasted for four years, the **manufacturing industries** sector recorded higher values than the **neutral level**, and better values than the previous and corresponding quarters. This is due to the recovery in seasonal demand with the onset of the summer, Ramadan and Eid seasons, availability of liquidity for firms, in addition to the increase in exports and notable recovery of the **food industries** sector, and the return of automotive demand.

The **financial services** sector recorded values higher than the **neutral level** by 17 points, and better than the previous and corresponding quarters. This is due to the increase in trading volumes thanks to the stable monetary policies and higher market capitalization, in addition to the stability of Egypt's credit rating.

The BBI of **the construction sector** continued rising, reflecting stable sub-indices, higher wage index, and the beginning of demand recovery following the implementation of the new real estate reconciliation law.

Challenges and priorities from the business community's perspective:

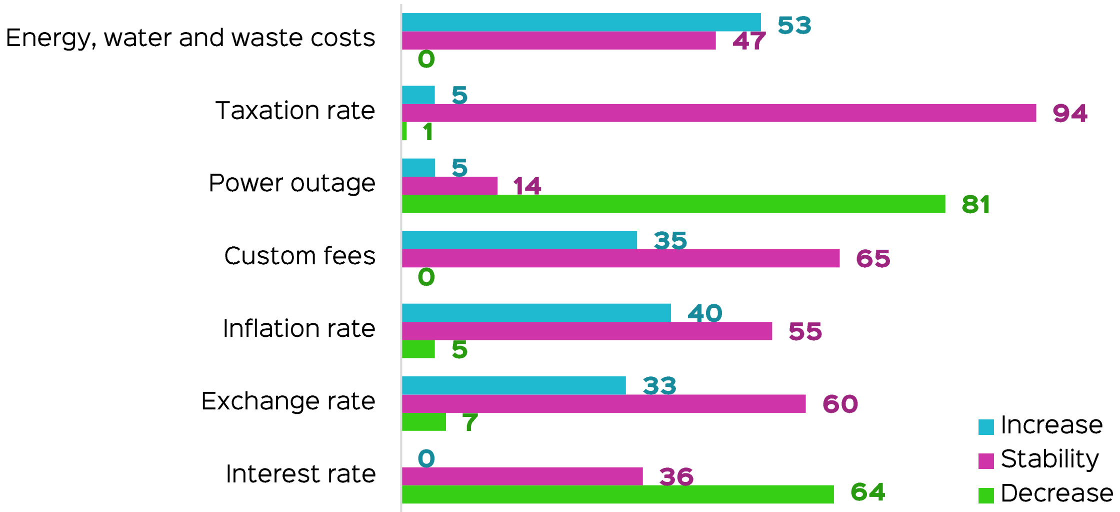
Continued high inflation, recurring increases in energy and water prices, and higher fees for government services were the biggest constraints that faced firms during the quarter under study.

The challenges associated with rising **inflation** topped the list of constraints for **all firms** due to its negative impact on the business community (on both the supply and demand sides), continuous demands by workers for higher wages, and the lack of liquidity for investment. This is followed by **rising energy and water costs**, which tops the list of constraints facing the **manufacturing, tourism and transportation industries.** Higher fees paid for government services jumped to third place, as the increase in fees and the policy disparities between governorates and border crossings regarding fees or logistical restrictions (such as transit permits) led to a continuous increase in operating costs for firms.

The **Manufacturing and communications industries** were the two sectors that faced the most challenges. Improving the performance of the **manufacturing industries** sector requires streamlining **dealing with government agencies**, and addressing the shortage **of qualified labor.** Likewise, in the case of **the telecommunications sector**, improving both the **tax system** and **dealing with government agencies**, as well as **revisiting fees,** the **availability of qualified labor**, and improving **transportation and logistics** are key for improving the sector's performance.

While **high inflation and energy and water costs** topped the list of constraints for **all firms,** SMEs faced more challenges compared to **large firms.**

Finding solutions to address inflation, revisiting energy and water prices, and disclosure of future economic policy directions topped the list of priorities for **all firms. Meanwhile**, the remaining priorities varied, with **economic policy consistency** coming at fourth place **for large firms**, while improving the **tax system** came at fourth place for **SMEs.**



<u>Key macroeconomic developments:</u>

- **Globally:** Following previous forecasts that the global economy would stabilize at a slow growth rate of around 3%, the trade war sparked by US trade policies since April 2025 and its subsequent repercussions have led to expectations of a slowdown in global growth and unprecedented levels of uncertainty, albeit these policies are temporarily paused.
- **Domestically:** The International Monetary Fund (IMF) approved a $2.5 billion disbursement, stressing the need to complete the structural and institutional reforms necessary to stimulate the private sector and improve transparency and governance.
- Before repercussions unraveled from the escalating trade war on the Egyptian economy, as well as regional geopolitical tensions, economic growth continued on an upward trajectory during the second quarter of the fiscal year 2024/2025, driven by improvement in the performance of the service sectors—excluding the Suez Canal—with non-petroleum manufacturing industries recording positive growth for the third consecutive quarter.

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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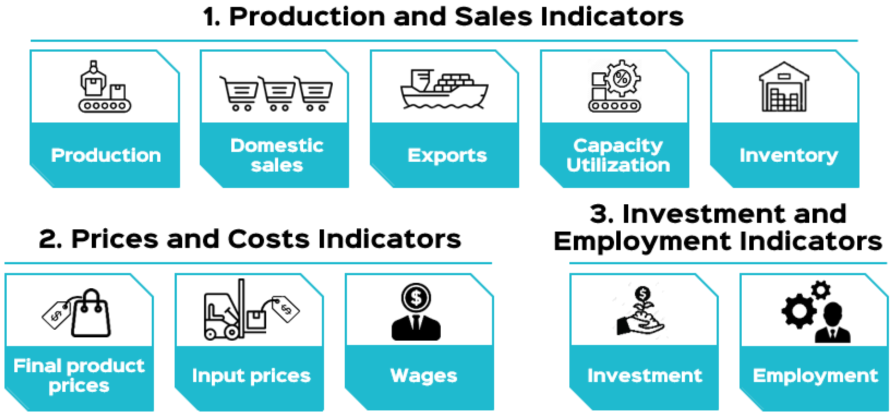
Report Details

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 development of the same set of variables in the next quarter.

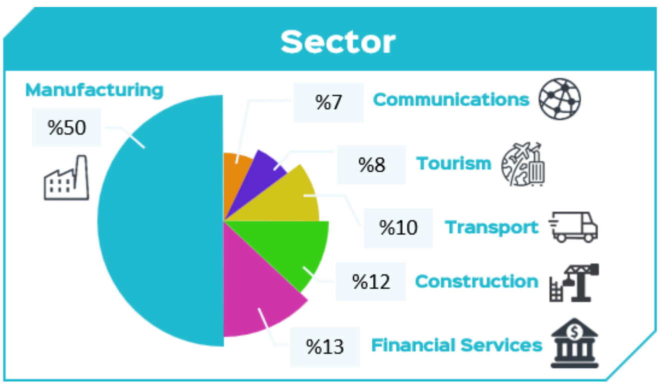


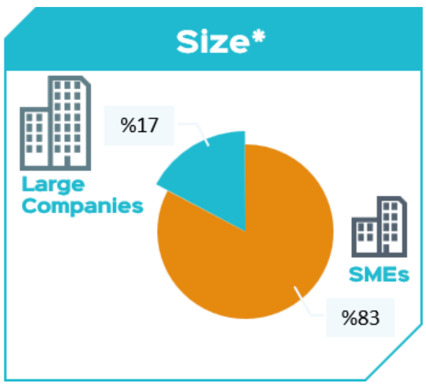
The significance of this issue of the Business Barometer increases in light of the challenges the business community has faced since early 2020, starting with the COVID-19 pandemic, followed by a recovery accompanied by many challenges in 2021, the Russian-Ukrainian war in early 2022, and most recently, 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).

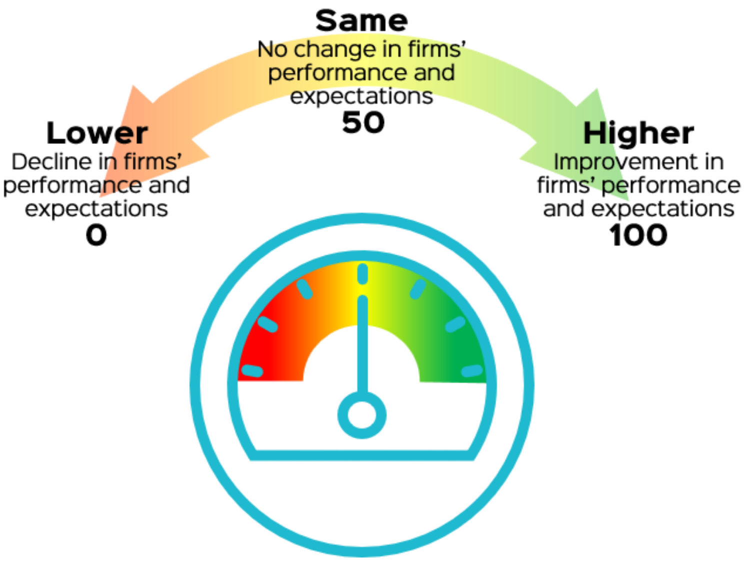
The report begins with an overview of the macroeconomy at both the global and local levels, it then presents the performance evaluation and expectations at the level of the overall index, followed by to the constraints faced by the business community during the study period, and the priorities for improving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

The Business Barometer is 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 escalating trade war is slowing global growth and driving uncertainty to unprecedented levels.

Following previous forecasts that the global economy would stabilize at a slow growth rate of around 3%, the trade war, sparked by US trade policies since April 2025 and its subsequent repercussions, has stoked expectations of a decline in global economic growth in the near term to a range of 2.3-2.8 percent in 2025. The World Trade Organization expects the risks of mutual protectionist policies will lead to a decline in global trade growth of about 1.5%. Despite pausing the implementation of US tariffs, uncertainty and risks remain at their highest levels, and thus regional growth forecasts are experiencing a decline, as growth in advanced economies is expected to slow to 1.4%, a decrease of 0.5 percentage point compared to the January 2025 estimate, as a result of expectations that US economic growth will decline to around 1.8%—a decrease of one percentage point. Growth in the eurozone is also expected to decline by about 0.2 of a percentage point to 0.8%. In emerging markets and developing economies, growth is expected to decline by about 0.4 of a percentage point to 3.7% in 2025, due to the expected negative impact on growth in Asian countries.

Global headline inflation is expected to decline, albeit at a slower rate, to around 4.3% in 2025. Some countries have seen inflation rates overshoot their targets. Domestic food price inflation remains moderately high, exceeding 5% in about 78.9% of low-income countries, 47.8% of lower-middle-income countries, 47% of upper-middle-income countries, and 17.9% of high-income countries.[1]

The Global Composite Purchasing Managers' Index (PMI) registered 52.1 in March 2025, reflecting an improvement in the service sector's performance, while manufacturing activity continues to slow due to the escalating trade war. Although the index exceeded the neutral level in the first quarter of 2025, it is lower than the previous quarter by 0.6 points and by 0.3 points compared to the corresponding quarter of the previous year (2024), reflecting the slowdown in new orders and lack of recovery in industrial production.[2]

Domestically: The International Monetary Fund (IMF) approved a $2.5 billion disbursement, stressing the need to complete the structural and institutional reforms necessary to stimulate the private sector and increase transparency and governance.

The International Monetary Fund completed its fourth review of Egypt's economic reform program in March 2025. It approved additional financing of $2.5 billion, emphasizing the need to commit to implementing the financial and structural reform agenda aimed at expanding private sector participation in the economy, boosting public revenues, and enhancing transparency and governance.

Before the escalating trade war's impact on the Egyptian economy unraveled, economic growth continued on an upward trajectory in the second quarter of fiscal year 2024/25, driven by improved performance in the service sectors, with the exception of the Suez Canal, while manufacturing industries recorded positive growth.

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

I. GDP Growth

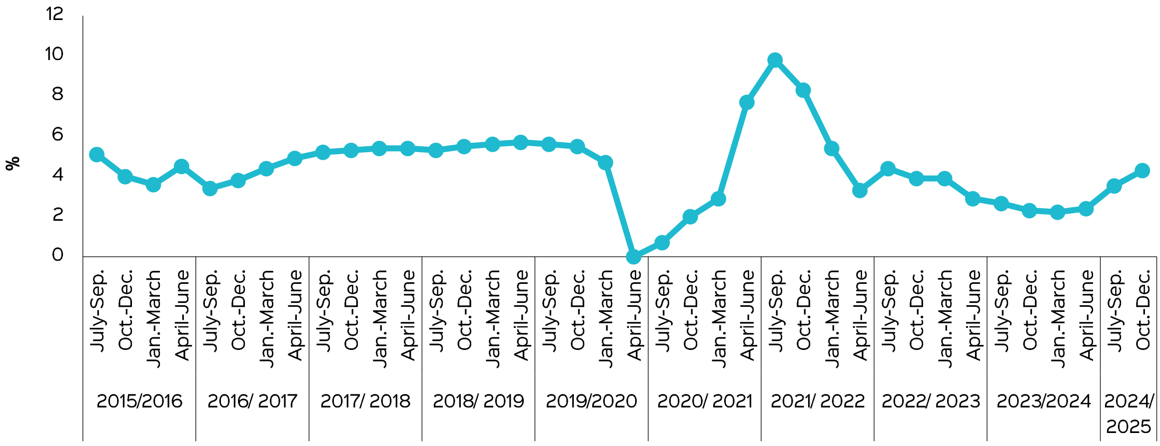
- GDP growth recorded around 4.3% in the second quarter of 2024/25 (October-December 2024), exceeding growth in the previous quarter and the same quarter of the previous fiscal year. This improvement is due to the continued favorable performance of most service sectors, with the exception of the Suez Canal, which is experiencing continued decline due to geopolitical tensions in the region.

[1] Food Security Update, World Bank, April 2025

[2] https://cdn.ihsmarkit.com/www/pdf/0425/PMI_monthly_bulletin_2504.pdf

This improvement was also aided by the non-petroleum manufacturing sector recording positive growth for the third consecutive quarter against negative growth for the same quarter of the previous fiscal year, coupled with an increase in private investment to over 50% of total investments implemented during the second quarter of 2024/2025, along with growth in commodity and service exports, resulting in a positive contribution of net exports to growth for the first time since Q1 2023/2024.[3]

Figure 1: Real GDP Growth (2015/2016 – Q2 2024/2025)

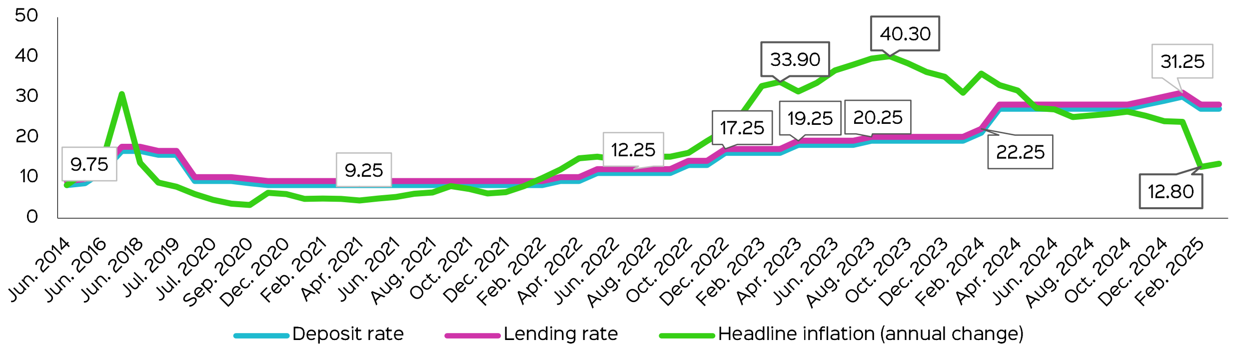


Source: Ministry of Planning and Economic Development

II. Inflation

- While annual headline inflation continued to decline, slowing from 26.5% in October 2024 to 12.8% in February 2025, it rose again in March 2025 to 13.6%, driven by a significant increase in consumer prices across all expenditure groups, especially transportation, health care, and beverages, compared to consumer prices in March 2024.[4]
- In light of anchored inflation expectations and to support inflation's downward trajectory, in the medium term, the Central Bank of Egypt's Monetary Policy Committee (MPC) decided in its last meeting of April 2025 to reduce its policy interest rates. The overnight deposit and lending rates, as well as the central bank's main operation rate, were reduced to 25%, 26%, and 25.5%, respectively. It also decided to reduce the credit and discount rate to 25.5%.[5]

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.

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[3] https://mped.gov.eg/adminpanel/sharedFiles/[GDP_Note_-_Q2_2024-25]_-_Arabic_version_-_March_2025_-_Final_v3_2fd.pdf

[4] https://www.cbe.org.eg/-/media/project/cbe/listing/publication/2025/march/inf_mar_2025-ar.pdf

[5] https://www.cbe.org.eg/ar/news-publications/news/2025/04/17/15/09/mpc-press-release-17-april-2025

III. Foreign transactions

- The balance of payments recorded an overall deficit of approximately $502.6 million during the first half of fiscal year 2024/2025, compared to a deficit of $409.6 million during the same period of the previous fiscal year. This deficit was exacerbated by the current account recording a deficit of $11.1 billion, compared to approximately $9.6 billion during the same period last year. This can be attributed to the trade deficit rising to $27.5 billion, and the services balance surplus declining by 21.2% to $7.2 billion, reflecting a 62.3% decline in Suez Canal revenues, reaching $1.8 billion, compared to approximately $4.8 billion during the same period last year, due to geopolitical tensions in the region.[6]

  This deficit was offset by an 80.7% increase in remittances from Egyptians working abroad, reaching approximately $17.1 billion compared to approximately $9.4 billion during the same period of the previous year, in addition to a 12.4% increase in revenue from the tourism sector, reaching $8.7 billion compared to approximately $7.8 billion.

  On the other hand, capital and financial transactions recorded a net inflow of approximately $7.9 billion, compared to approximately $8.4 billion during the same period of the previous year. Foreign direct investment recorded a net inflow of approximately $6 billion, and the deficit in the investment income balance declined by 17.2%, recording approximately $7.9 billion, compared to approximately $9.6 billion (Central Bank of Egypt, 2025).[7]

- **External debt:** Egypt's external debt reached approximately $155.2 billion in the first quarter of fiscal year 2024/25, representing a 2% increase compared to the previous quarter, although it represents a 6% decline compared to the corresponding quarter.

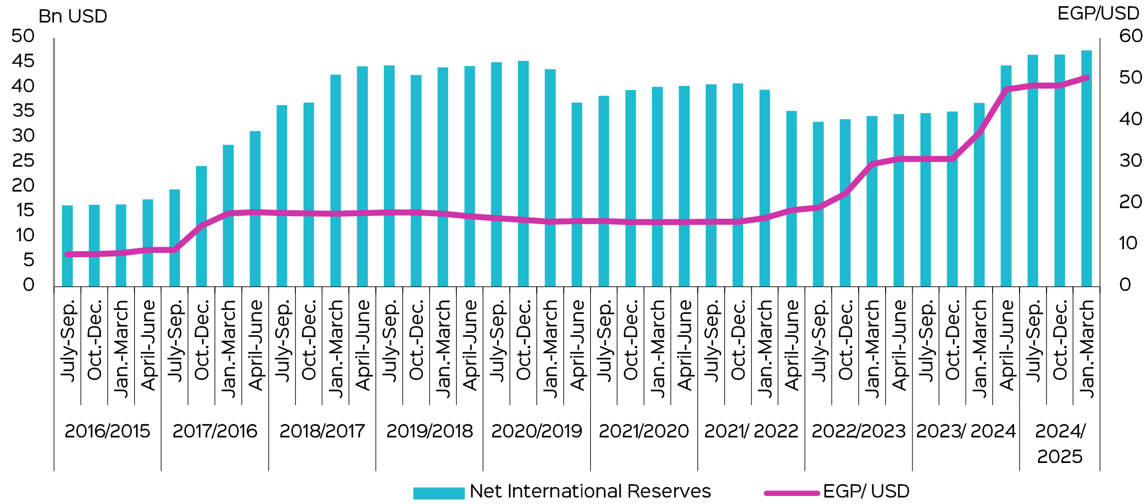
  Net foreign assets of the banking system continued to achieve positive values for the eighth consecutive month, reaching EGP 760 billion in March 2025, representing a growth of approximately 47% compared to their value in February 2025 and compared to EGP 200 billion in March 2024 (Central Bank of Egypt, 2024).

- **International reserves:** Egypt's net international reserves rose to $48,143.9 billion by the end of April 2025, compared to $47.265 billion by the end of January 2025. This increase was driven by higher export earnings, improved tourism performance, increased remittances from Egyptians working abroad, and the country's receipt of financing from several international financial institutions.[8]

The Egyptian pound lost 0.41% of its value against the dollar during January-March 2025 compared to the same quarter of last year (Figure 3).

[6] https://www.cbe.org.eg/ar/news-publications/news/2025/05/05/11/55/bop-first-half-2024-2025
[7] Ibid.
[8] https://www.cbe.org.eg/ar/news-publications/news/2025/05/06/09/47/net-international-reserves-at-the-end-of-april-2025

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.

IV. Public Finance

- The overall state budget deficit as a percentage of GDP decreased during July-February 2024/2025 to 5.1%, compared to 6.5% in the corresponding period of the previous year. This is due to a 32.8% growth in revenues compared to the same period of the previous fiscal year, reaching EGP 356.4 billion in July-February 2024/25, while expenditures grew by 15.8%, reaching EGP 2,308.6 billion during the same period, as a result of continued financial discipline.[9]

[9] https://assets.mof.gov.eg/files/0b345d70-23fb-11f0-acf4-23bc9f624644.pdf

Business Barometer Index (BBI)

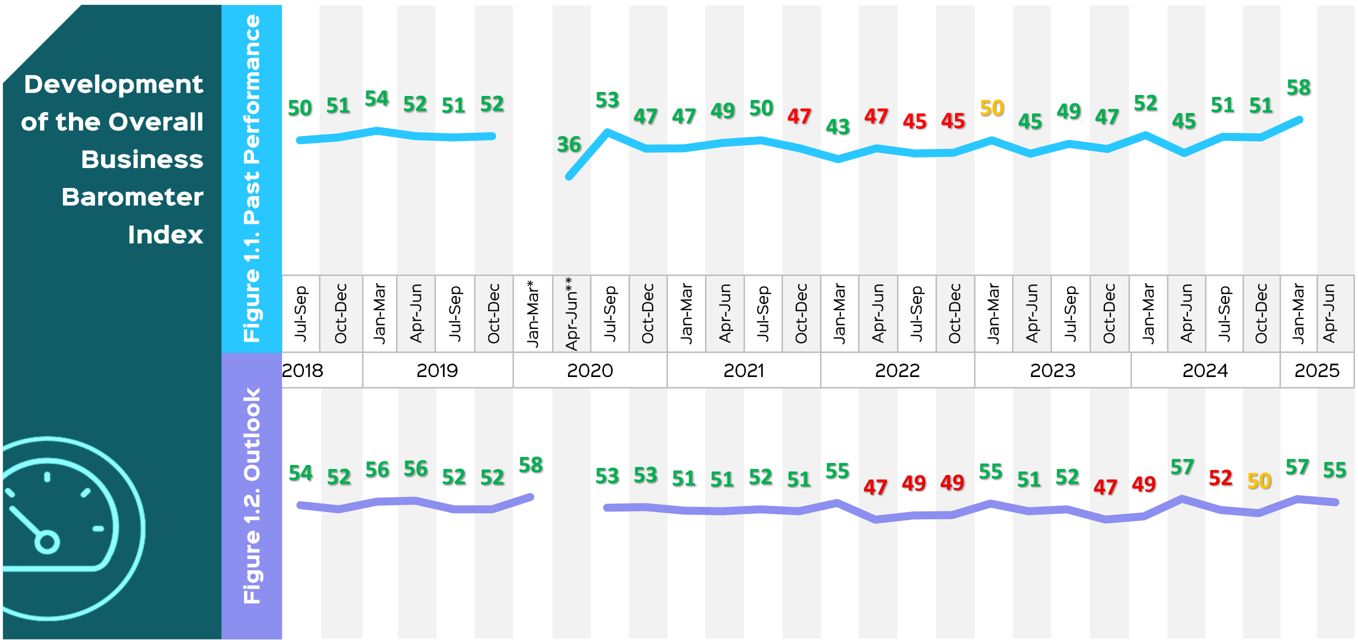
I. Performance evaluation and expectations according to the overall index

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

1-1 Overall index

The business performance index for the quarter under study (January-March 2025) continued to rise, exceeding the **neutral level** by 8 points, achieving better values than the previous and corresponding quarters. This performance reflects the fact that most indicators exceeded the neutral level, especially the wage index **for all sectors, followed by improved indices of production, domestic sales, and capacity utilization for all firms** and sectors, except for construction. This was driven by the recovery in seasonal demand coinciding with the start of the holy month of Ramadan and the holidays (Figure 1-1).

The performance expectations index for the quarter April-June 2025 also recorded higher values than the **neutral level** by 5 points, and less than the previous and corresponding quarters by 2 points. This is attributed to expectations of an increase in all sub-indices for **all firms and sectors above the neutral level, reflecting** the expected stability in most sub-indices except for **construction, transportation and financial services**, which are anticipated to witness an increase during the upcoming 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 The index according by firm size

The business performance index for **all firms exceeded** the neutral level during the quarter under study, recording better values than the previous and corresponding quarters. This reflects improvement in all sub-indices for all firms except for the exports index, which has seen improvement for **small and medium-sized enterprises**, but a decline for **large firms**. This increase is due to the improvement in the general business climate and some facilitations extended by the State regarding taxes, securing foreign currency, and the availability of containers (Figure 1-3).

Likewise, the expectations index exceeded the neutral level for **all firms**, recording values higher than the **neutral** level by 7 points for **large firms**. However, it is still 2 points lower than the previous and corresponding quarters. As for **small and medium-sized enterprises**, the expectations index recorded **higher values** than the **neutral level** by 4 points—similar to the values of the previous quarter, but one point lower than the corresponding quarter (Figure 1-4).

Large Firms	Figure 1.3. BBI by Firm Size Past Performance	SMEs
58	Jan – Mar 2025	57
54	Oct – Dec 2024	48
57	Jan – Mar 2024	47

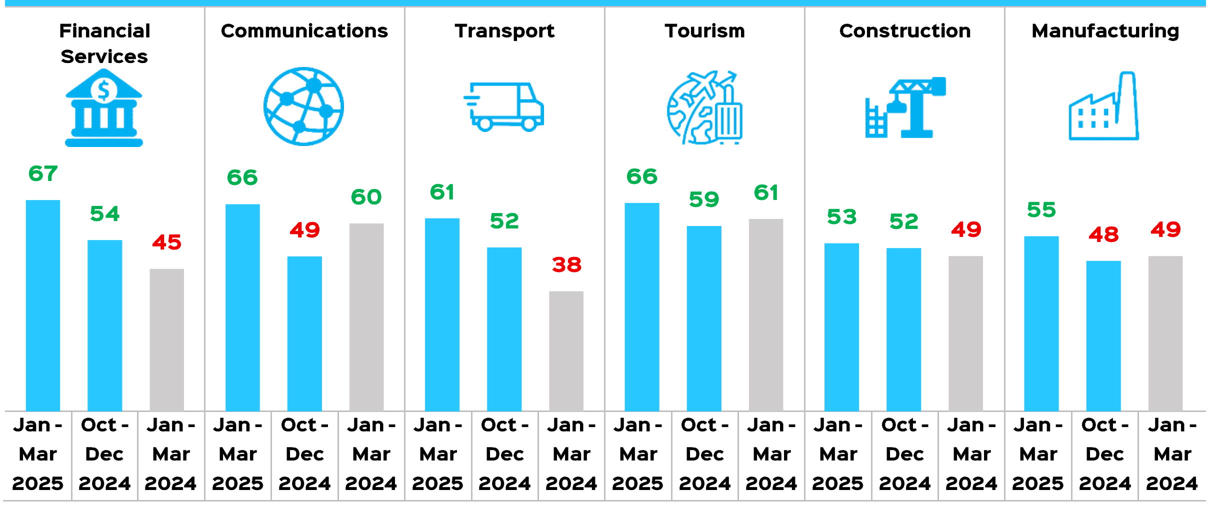
Large Firms	Figure 1.4. BBI by Firm Size Outlook	SMEs
59	Apr – Jun 2025	54
59	Jan – Mar 2025	54
57	Apr – Jun 2024	55

Source: Survey results.

1-3 The index according to economic sectors

Compared to the previous and corresponding quarters, performance indicators for all sectors rose above the neutral level, with the financial services sector recording the best performance during the quarter under study (Figure 1-5).

Figure 1.5. BBI by Economic Sectors - Past Performance



Source: Survey results.

The following is an analysis of the performance of the economic sectors during the quarter under study, based on the survey results, and compared to performance in the previous and corresponding quarters:

- Following a decline that lasted for four years, the manufacturing industries sector recorded higher values than **neutral** by 5 points and better than the previous and similar quarters. This is due to several reasons, including the recovery of seasonal demand with the onset of the summer season, the holy month of Ramadan and Eid, availability of liquidity for firms, as well as the increase in exports and the significant recovery of the food industries sector, along with returning demand for cars.
- **The construction and building** sector posted higher values than **neutral by** 3 points during the quarter under review, which are better values than the previous and corresponding quarters. This is attributed to the implementation of the new real estate reconciliation law and increased demand for properties in resorts and new cities, particularly during the summer. Furthermore, the government's infrastructure, road, and new city projects have played a significant role in the sector's recovery.
- The **tourism sector** registered higher values than the **neutral level** by 16 points compared to the previous and corresponding quarters. This may be attributed to increased domestic tourism currently with the arrival of summer, rise in occupancy rates in hotels and tourist villages, and higher demand for flights during this period, along with the rise in foreign tourism due to the Hajj and Umrah seasons.
- The **transport sector** posted higher values than the **neutral level** by 11 points, experiencing better performance than the previous and corresponding quarters. This improvement is attributed to increased import and export activity, as the period under study saw an increase in citrus exports and tourism activity. The recovery of all sectors also had a positive impact on the sector.
- The **telecommunications sector** reported higher values than the **neutral level** by 16 points—a better performance than the previous and corresponding quarters. This is attributed to higher demand for IT services as the country continues to expand its infrastructure and increased government tenders in this area.
- The best performance in the quarter under review was reported for the **financial services** sector, which exceeded the **neutral level** by 17 points, achieving better performance than both the previous and corresponding quarters. This is due to higher trading volumes, driven by stable monetary policies, a rise in market capitalization compared to the previous quarter, and Egypt's credit rating being maintained by several international agencies, which reflects a stable outlook for the market.

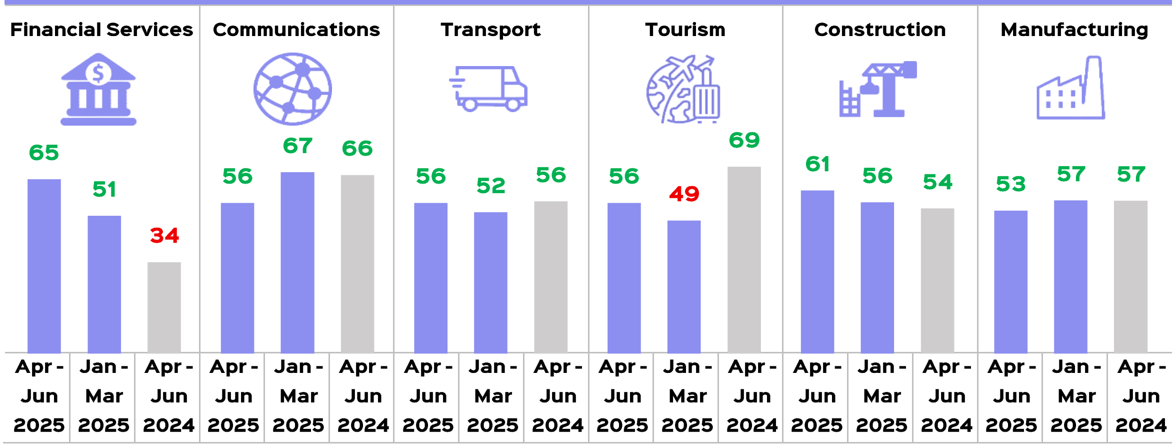
On the expectations side, **all sectors exceeded the neutral level**:

- The **manufacturing sector's expectations exceeded the neutral level** by 3 points, albeit less than the previous and corresponding quarters by 4 points, which is due to the stability of all sub-indices.
- Expectations for the upcoming quarter for the **construction sector exceeded the neutral level** by 11 points—a better performance than the previous and corresponding quarters. This is due to higher expectations indices for **production, sales** and **capacity utilization** during the next quarter. This is due to several factors, including the actual implementation of the real estate reconciliation law, decrease in interest rates, expected investment in the real estate sector, higher sales during the summer thanks to the vacations of workers abroad, and the government's infrastructure projects.
- Expectations for the **tourism sector** were optimistic, recording higher values than the **neutral level** by 6 points, 7 points better than the previous quarter, and 13 points lower than the corresponding quarter. This reflects the disparate performance among firms ranging from rising production, sales, and capacity utilization indices, and stability thereof, with the final product price index rising for all firms.

The increase is due to the demand for Hajj during this period and revitalization of tourism. It is also a period of frequent vacations and holidays, as well as the influx of tourist groups for training purposes, in addition to the activity of conference tourism.

- Expectations regarding performance of the **transport sector** were optimistic for the next quarter, recording similar values to the corresponding quarter—exceeding **neutral level** by 6 points—and 4 points better than the previous quarter. This is a result of expectations of continued sectoral improvement in production, sales, capacity utilization, and final product prices, driven by government plans to attract investments, especially after the expansion of dry ports and linking them to the new road network, streamlining transportation, and thus attracting new firms. The rise in the remaining sectors also played a key role in increasing sectoral activity.
- The **telecommunications sector** posted higher values than the **neutral level** by 6 points, albeit lower than the previous and corresponding quarters. The increase is primarily due to firms' expectations of stability compared to the previous quarter. Meanwhile, the higher demand is attributed to state expansion and its drive to develop infrastructure and facilities through national projects. It is also due to increased demand for IT products and the opening of foreign markets due to the quality of the sector.
- The expectations index for the **financial services sector** recorded the best performance among sectors, exceeding the **neutral level** by 15 points—better than the previous and corresponding quarters. This is mainly due to expectations that production and sales indices will continue on a moderate upward trend, supported by liquidity, lower interest rates, expectations of investors shifting from banks to the stock market, and a decline in annual inflation (Figure 1-6).

Figure 1.6. BBI by Economic Sectors - Outlook



Source: Survey results.

II. Constraints that faced the business community during the quarter under review, and priorities for improving the business environment from the perspective of the sample of firms

2-1 Constraints faced by the business community during the quarter under study

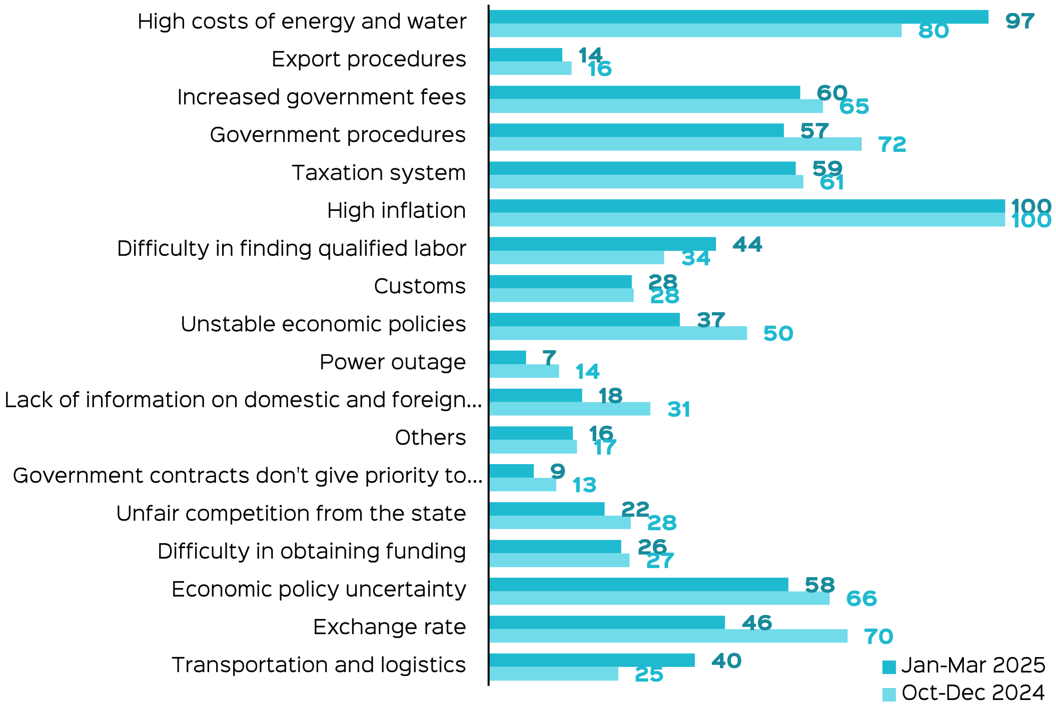
Continued high inflation, recurring increases in energy and water prices, and increased fees on government services topped the challenges that faced all firms during the quarter under study.

Figure 2-1 shows the main constraints facing the business community during the quarter under study (January–March 2025), ranked by their severity from the perspective of the sample of firms.

Challenges **associated with high inflation** continued to top the list of constraints facing all firms in the quarter under review, due to its negative impact on the business community on both the supply and demand sides, workers' continuous demands for higher wages, as well as the lack of cash flow for investment. **Higher energy and water costs** came in second place, as the continuous rise in energy and water prices leads to higher production costs, especially for energy- and water-intensive activities, and production activities in general—an additional burden on firms. **The higher fees for government services** came in third place; the higher fees and the disparity in policies among governorates and border crossings regarding fees or logistical restrictions (such as transit permits) led to instability in costs and operational processes, reducing profit margins among firms. The **tax system** ranked fourth due to multiple tax bases, arbitrary assessments, and tax audits of previous years.

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.

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.

Comparing the challenges faced during the quarter under review with those experienced in the previous quarter, it is clear that higher energy and water costs have become a severe constraint for firms of all sectors and sizes, while the challenges related to power outages and bias against local products in government contracts have declined.

2-1-1 Constraints according to the size of firms

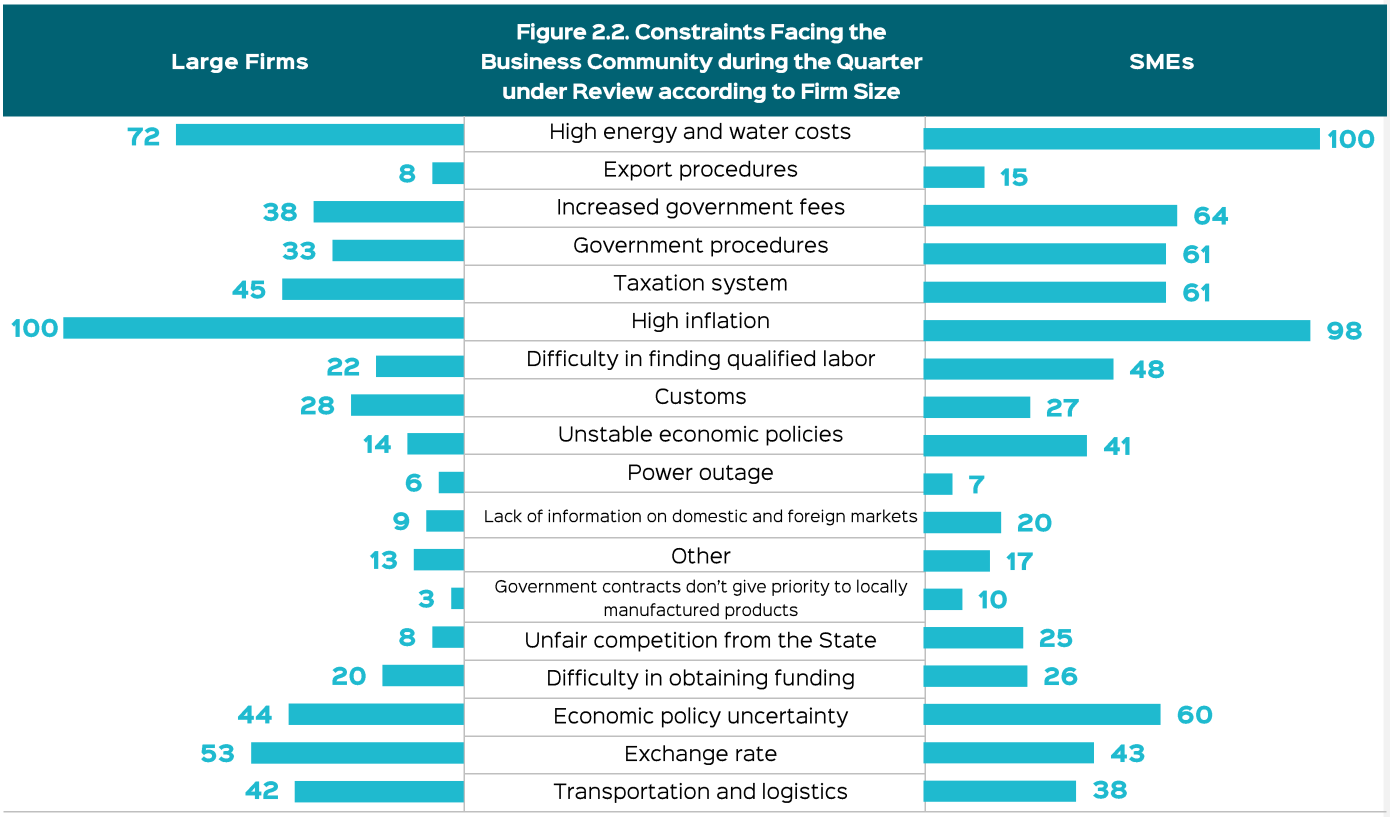
Although **high inflation and energy and water costs** topped the list of constraints for all firms, **small and medium-sized enterprises** in particular faced greater challenges in other dimensions.

High rates of **inflation** topped the list of constraints for **large firms**, followed by **high energy and water costs in** second place, then **exchange rate challenges** in third place followed by **tax system problems.**

High energy and water costs topped the list of constraints **for small and medium-sized enterprises**, followed by **high inflation rates** in second place, then high **fees on government services** in third place, followed by dealing with government agencies and tax system problems.

Figure 2-2 illustrates the main constrains faced by both large and small and medium-sized enterprises during the quarter under study (January-March 2025), ranked in a descending order of severity from the perspective 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.

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

2-1-2 Constraints according to economic sectors

The views of **economic sectors regarding the main constraints diverged. Higher energy and water costs** was the most severe constraint that faced **manufacturing, tourism, and transportation industries.** High inflation rates topped the list of constraints for **the construction sector,** and was an additional handicap for **the tourism sector. Tax system problems** topped the list of constraints facing **telecommunications** and **tourism,** while the challenges associated with **the uncertainty of future directions of economic policy** were the most severe constraints facing the **financial services** sector (Figure 2-3).

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

	Financial Services	Communications	Transport	Tourism	Construction	Manufacturing
High energy and water costs	31	96	100	100	63	100
Increased government fees	20	72	76	69	37	58
Government procedures	16	80	0	41	59	64
Export procedures	0	0	0	0	0	25
Taxation system	0	100	9	75	43	66
Difficulty in finding qualified labor	8	76	6	38	18	54
High inflation	43	96	70	100	100	98
Customs	0	44	48	9	4	32
Unstable economic policies	16	44	0	9	43	42
Power outage	0	0	0	0	6	11
Lack of information on domestic and foreign markets	0	32	6	0	8	24
Other	65	16	36	0	0	4
Economic policy uncertainty	100	60	64	6	31	49
Difficulty in obtaining funding	0	32	12	6	22	32
Transportation and logistics	0	64	6	59	8	49
Exchange rate	0	48	0	38	82	46
Government contracts don't give priority to locally manufactured products	0	16	0	0	4	12
Unfair competition from the State	0	56	0	9	47	18

Source: Survey Results.

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

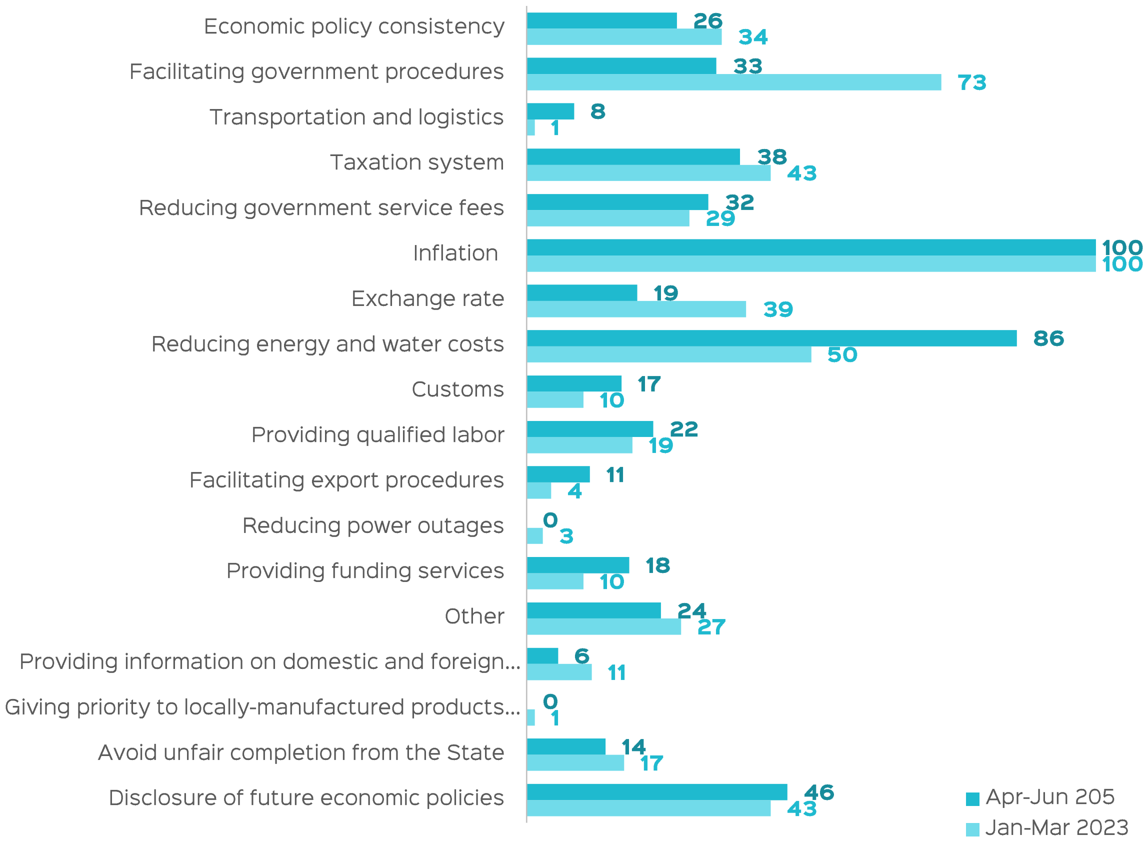
2-2 Priorities for improving the business climate in Egypt (according to the views of the sample of firms)

The most important priorities to focus on from a corporate perspective: Controlling inflation, revisiting energy and water prices, disclosing the directions of future economic policies, and continuing efforts to solve tax system problems, with the need to facilitate government procedures.

High inflation continued to top the list of priorities the sample of firms deem necessary to address due to its negative impact on all sectors, followed by revisiting **energy and water prices**, because of their increase at close intervals, up to at least twice a year, which causes an increase in costs and a decline in business volume, along with the need to **disclose future economic policy directions** to allow firms to build future plans for projects. This is followed by continuing to address **tax system** problems, preventing double taxation, stopping retroactive tax audits, and **facilitating government procedures** with the aim of economic growth (see 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.

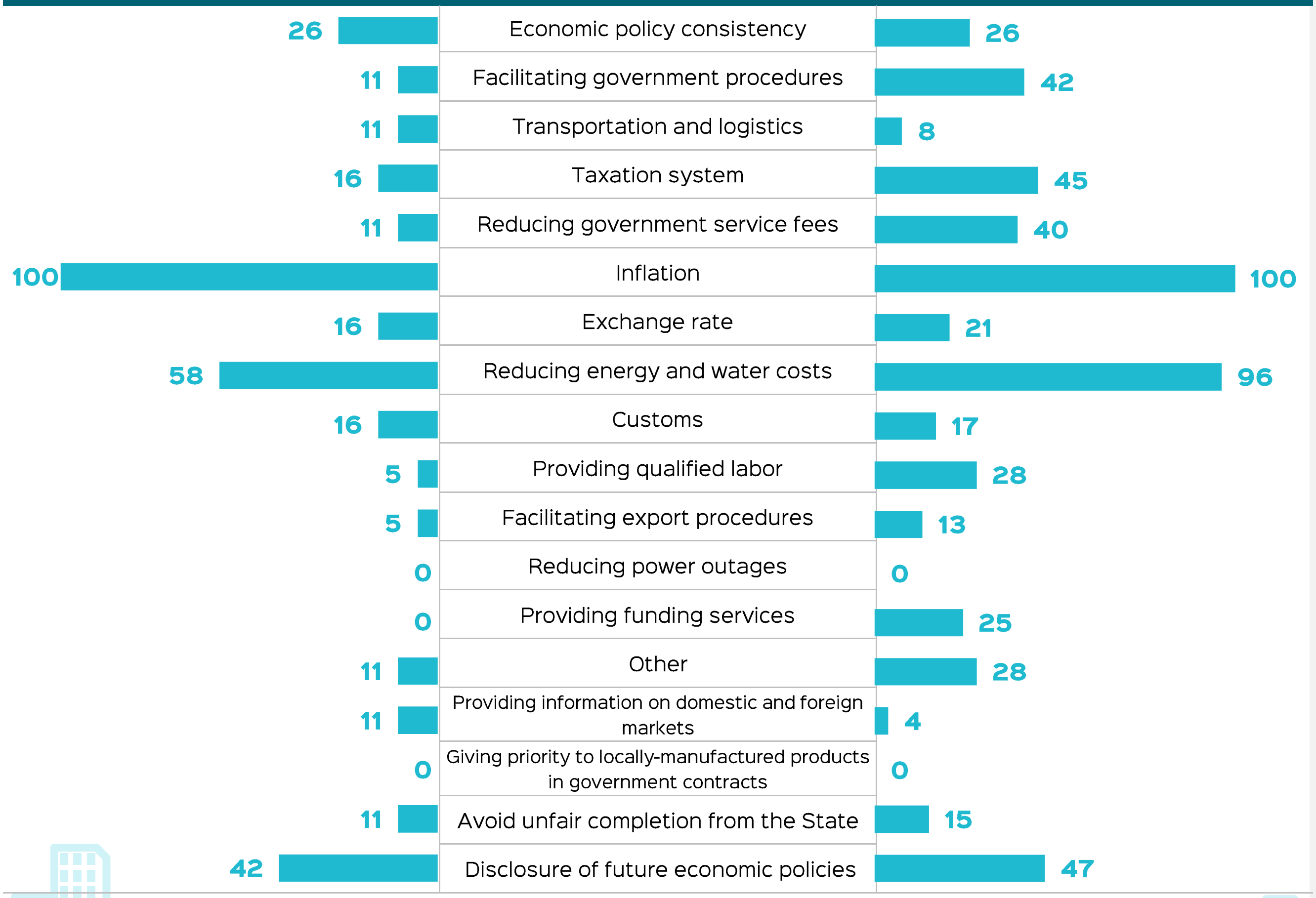
Note: Some indicators were newly introduced starting from the study quarter.

2-2-1 Priorities according to firm sizes

Comparing priorities according to firm sizes reveals the following:

Addressing **inflation** and **revisiting prices of energy and water, along with disclosure of future economic policy** directions represent priorities for **all firms.** The rest of the priorities varied, with **economic policy consistency** coming at fourth place for **large firms**, while improving the **tax system** ranking fourth for **small and medium-sized enterprises** (Figure 2-5).

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



Source: Survey Results.

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

2-2-2 Priorities according to economic sectors

The manufacturing, tourism, transportation, and communications sectors agreed that revisiting energy and water prices is a top priority. **Disclosure** of **future economic policy directions** represent priorities for the **financial services sector**, while addressing **inflation** is a top priority for the **construction sector. Increasing the pool of qualified labor** was a top priority for the **telecommunications sector**, followed by addressing tax **system problems** and providing **financing services** for the sector. Addressing tax system issues was also an additional priority for the tourism sector, while reducing fees on government services and improving the customs system topped the list of priorities for the transportation 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	Manufacturing
Economic policy consistency	50	0	0	0	36	21
Facilitating government procedures	14	25	0	29	45	37
Transportation and logistics	0	0	22	29	0	5
Taxation system	0	75	0	100	18	39
Reducing government service fees	21	25	67	29	9	26
Inflation	93	50	67	86	100	89
Exchange rate	0	25	22	0	36	18
Reducing energy and water costs	7	100	100	100	27	100
Customs	0	0	56	14	9	13
Providing qualified labor	0	100	0	29	9	24
Facilitating export procedures	0	0	0	0	0	21
Reducing power outages	0	0	0	0	0	0
Providing funding services	0	75	11	0	0	24
Other	50	25	11	0	18	16
Providing information on domestic and foreign markets	0	0	11	0	0	8
Giving priority to locally-manufactured products in government contracts	0	0	0	0	0	0
Avoid unfair completion from the State	7	50	0	14	45	3
Disclosure of future economic policies	100	50	33	0	27	29

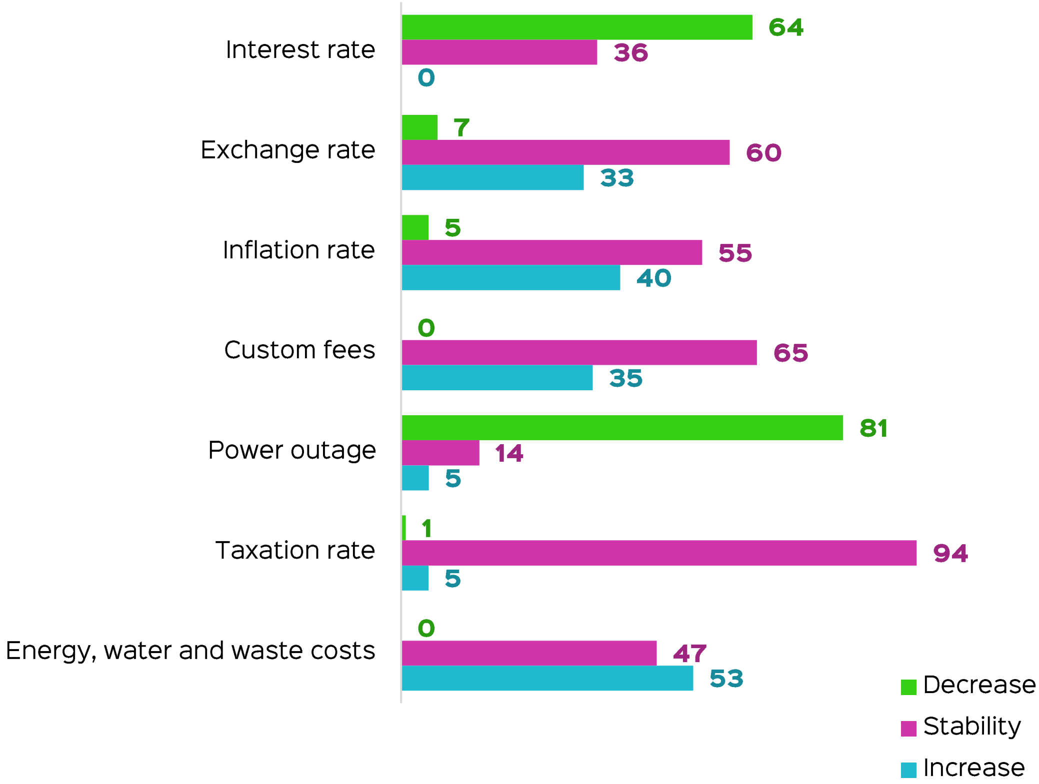
Source: Survey results.

Business community expectations based on its vision regarding the government's directions over the coming period.

Energy, water, and sewage fees are expected to rise, and the duration of power outages and interest rates are expected to decrease. As for the rest of the variables, they will remain 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 expectations according to sub-indices

3.1. Performance evaluation

Most performance indices for all firms increased during the quarter under study.

Most performance indices increased significantly for **large firms** during the quarter under study, **as production, domestic sales, capacity utilization and commodity inventory posted** higher values than the **neutral level**, and better than the previous and the corresponding quarters, except for **commodity inventory**, which recorded 19 points lower than the corresponding quarter. Meanwhile, the exports index recorded values less than **neutral level** by 10 points, and in comparison to the previous and corresponding quarters as well.

Likewise, **small and medium-sized enterprises** posted higher values than the **neutral level** in most indices, as **production, domestic sales, exports and capacity utilization exceeded both the neutral level**, and the values of the previous and corresponding quarters. As for the **commodity inventory** index, it declined below the **neutral level** by 3 points posting the same values as the corresponding quarter, although higher than the previous quarter by 2 points.

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

Large Firms				SMEs
65	Jan – Mar 2025	Production	Jan – Mar 2025	60
61	Oct – Dec 2024		Oct – Dec 2024	49
53	Jan – Mar 2024		Jan – Mar 2024	37
63	Jan – Mar 2025	Domestic Sales	Jan – Mar 2025	59
52	Oct – Dec 2024		Oct – Dec 2024	49
50	Jan – Mar 2024		Jan – Mar 2024	33
40	Jan – Mar 2025	Exports	Jan – Mar 2025	60
65	Oct – Dec 2024		Oct – Dec 2024	49
69	Jan – Mar 2024		Jan – Mar 2024	48
65	Jan – Mar 2025	Capacity Utilization	Jan – Mar 2025	60
61	Oct – Dec 2024		Oct – Dec 2024	49
53	Jan – Mar 2024		Jan – Mar 2024	37
64	Jan – Mar 2025	Inventory*	Jan – Mar 2025	47
53	Oct – Dec 2024		Oct – Dec 2024	45
83	Jan – Mar 2024		Jan – Mar 2024	47

Source: Survey results.

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

The wage index for all firms rose above the neutral level, and in camparison to both the previous and corresponding quarters as well.

Final product prices and wages exceeded the **neutral level** for **large firms**, posting higher values than the previous and corresponding quarters. In addition, the **input price index remained stable** at the previous quarter's level below the neutral level, although 17 points better than the corresponding quarter.

The **final product prices** index for **small and medium-sized enterprises** exceeded the neutral level by 7 points, albeit lower than the previous and corresponding quarters, driven by the higher **input price index** compared to the previous and corresponding quarters, but below the neutral level (Figure 3-2).

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

Large Firms				SMEs
66	Jan – Mar 2025	Final Product Prices	Jan – Mar 2025	57
62	Oct – Dec 2024		Oct – Dec 2024	62
65	Jan – Mar 2024		Jan – Mar 2024	65
23	Jan – Mar 2025	Input Prices*	Jan – Mar 2025	33
23	Oct – Dec 2024		Oct – Dec 2024	20
6	Jan – Mar 2024		Jan – Mar 2024	17
96	Jan – Mar 2025	Wages	Jan – Mar 2025	92
63	Oct – Dec 2024		Oct – Dec 2024	54
85	Jan – Mar 2024		Jan – Mar 2024	84

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 exceeded the neutral level for all firms.

- For large firms, the **investment Index** remained stable during the quarter under study at 2 points above the neutral level, although 4 points below the corresponding quarter. The employment index posted one point higher than the neutral level, two points below the previous quarter, and two points better than the corresponding quarter.
- With regards to **small and medium-sized enterprises, the Investment index** posted values higher than the **neutral level** and higher than the previous and corresponding quarters by one point, while the **employment index** recorded similar values to the corresponding quarter at the **neutral level**, and lower than the previous quarter by one point. (Figure 3-3).

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

Large Firms				SMEs
52	Jan – Mar 2025	Investment	Jan – Mar 2025	51
52	Oct – Dec 2024		Oct – Dec 2024	50
56	Jan – Mar 2024		Jan – Mar 2024	50
51	Jan – Mar 2025	Employment	Jan – Mar 2025	50
53	Oct – Dec 2024		Oct – Dec 2024	51
49	Jan – Mar 2024		Jan – Mar 2024	50

Source: Survey results.

3.2. Performance Expectations

Expectations of all firms regarding production, domestic sales and capacity utilization of production for the quarter April-June 2025 were higher than the neutral level.

Better than the previous and similar quarters. Meanwhile, expectations of large firms regarding exports fell below the previous and corresponding quarters, while the commodity inventory index remained at the neutral level, recording values similar to corresponding quarter albeit 10 points less than the previous quarter.

The expectations index **for SME exports** was higher than the **neutral level** by 8 points similar to the previous quarter, but 6 points lower than the corresponding quarter. Expectations for **commodity inventory** were higher than **the neutral level** by one point, but lower than the previous and corresponding quarters (Figure 3-4).

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

Large Firms				SMEs
73	Apr – Jun 2025	Production	Apr – Jun 2025	61
62	Jan – Mar 2025		Jan – Mar 2025	52
72	Apr – Jun 2024		Apr – Jun 2024	58
70	Apr – Jun 2025	Domestic Sales	Apr – Jun 2025	62
60	Jan – Mar 2025		Jan – Mar 2025	52
63	Apr – Jun 2024		Apr – Jun 2024	57
57	Apr – Jun 2025	Exports	Apr – Jun 2025	58
60	Jan – Mar 2025		Jan – Mar 2025	58
65	Apr – Jun 2024		Apr – Jun 2024	64
73	Apr – Jun 2025	Capacity Utilization	Apr – Jun 2025	61
62	Jan – Mar 2025		Jan – Mar 2025	52
72	Apr – Jun 2024		Apr – Jun 2024	58
50	Apr – Jun 2025	Inventory*	Apr – Jun 2025	51
60	Jan – Mar 2025		Jan – Mar 2025	54
50	Apr – Jun 2024		Apr – Jun 2024	55

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 and wages to rise above the neutral level.

All firms expect **the final product price index** to rise above the **neutral level,** as with the previous and corresponding quarters. **Large firms expect the input price index** to register values below the **neutral level and comparable** to the previous quarter, albeit 31 points lower than the corresponding quarter, while its expectations for the **wage index** declined below the previous and corresponding quarters.

Small and medium-sized enterprises expect the **input price index** to decline below the neutral level, and lower than the previous and corresponding quarters, while their expectations for the **wage index** are similar to the corresponding quarter, exceeding the **neutral level** by two points, albeit 32 points less than the previous quarter **(Figure 3-5).**

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

Large Firms				SMEs
66	Apr – Jun 2025	Final Product Prices	Apr – Jun 2025	70
59	Jan – Mar 2025		Jan – Mar 2025	61
47	Apr – Jun 2024		Apr – Jun 2024	42
27	Apr – Jun 2025	Input Prices*	Apr – Jun 2025	26
26	Jan – Mar 2025		Jan – Mar 2025	28
58	Apr – Jun 2024		Apr – Jun 2024	68
51	Apr – Jun 2025	Wages	Apr – Jun 2025	52
96	Jan – Mar 2025		Jan – Mar 2025	84
55	Apr – Jun 2024		Apr – Jun 2024	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.

All firms' expectations for the investment and employment indices were at the neutral level.

Large firms expect investment and employment indices to decline below the previous and corresponding quarters—posting values at the **neutral level.**

Small and medium-sized enterprises expect the **investment** index to remain stable at level of the previous two quarters **(neutral level), and anticipate a decline in the employment index below** the previous and corresponding quarters (Figure 3-6).

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

Large Firms				SMEs
50	Apr – Jun 2025	Investment	Apr – Jun 2025	50
51	Jan – Mar 2025		Jan – Mar 2025	50
52	Apr – Jun 2024		Apr – Jun 2024	50
50	Apr – Jun 2025	Employment	Apr – Jun 2025	50
58	Jan – Mar 2025		Jan – Mar 2025	53
51	Apr – Jun 2024		Apr – Jun 2024	51

Source: Survey results.

Tables Index

Table A1: Survey Results: Summary of all firms' performance evaluation at the sectoral level (January - February - March 2025)[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	55	Higher	Same	Low	53	Higher	Same	Low	66	Higher	Same	Low	61	Higher	Same	Low	66	Higher	Same	Low	67
Economic activity																								
Production	42	30	28	**55**	29	50	21	**52**	70	20	10	**75**	50	17	33	**57**	88	13	0	**89**	69	25	6	**75**
Domestic sales	40	26	33	**53**	29	50	21	**52**	70	20	10	**75**	50	17	33	**57**	75	13	13	**78**	69	25	6	**75**
Exports	40	28	32	**53**	—	—	—	—	—	—	—	—	—	—	—	—	50	50	0	**67**	—	—	—	—
Inventory	29	45	27	**49**	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Capacity utilization	42	30	28	**55**	29	50	21	**52**	70	20	10	**75**	50	17	33	**57**	88	13	0	**89**	69	25	6	**75**
Prices																								
Final product prices	35	60	5	**59**	71	29	0	**78**	30	70	0	**59**	17	83	0	**55**	13	88	0	**53**	0	100	0	**50**
Intermediate product prices	48	52	0	**34**	79	21	0	**18**	17	83	0	**45**	—	—	—	—	86	14	0	**13**	—	—	—	—
Wage level	95	5	0	**95**	64	36	0	**74**	90	10	0	**91**	100	0	0	**100**	100	0	0	**100**	94	6	0	**94**
Primary inputs																								
Investment	5	95	0	**51**	0	100	0	**50**	20	80	0	**56**	8	92	0	**52**	0	100	0	**50**	0	100	0	**50**
Employment	5	88	7	**50**	7	86	7	**50**	10	90	0	**53**	0	100	0	**50**	13	88	0	**53**	0	100	0	**50**

Table A2: Survey Results: Summary of all firms' outlook at the sectoral level (April - May - June 2025)[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	53	Higher	Same	Low	61	Higher	Same	Low	56	Higher	Same	Low	56	Higher	Same	Low	56	Higher	Same	Low	65
Economic activity																								
Production	32	60	8	**57**	71	29	0	**78**	50	50	0	**67**	42	25	33	**53**	25	75	0	**57**	81	19	0	**84**
Domestic sales	33	60	7	**58**	71	29	0	**78**	50	50	0	**67**	42	25	33	**53**	25	75	0	**57**	81	19	0	**84**
Exports	28	68	4	**57**	—	—	—	—	—	—	—	—	—	—	—	—	50	50	0	**67**	—	—	—	—
Inventory	10	76	14	**51**	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Capacity utilization	32	60	8	**57**	71	29	0	**78**	50	50	0	**67**	42	25	33	**53**	25	75	0	**57**	81	19	0	**84**
Prices																								
Final product prices	58	42	0	**71**	50	43	7	**65**	80	20	0	**83**	75	25	0	**80**	88	13	0	**89**	0	100	0	**50**
Intermediate product prices	63	37	0	**27**	64	29	7	**28**	83	17	0	**14**	—	—	—	—	71	29	0	**22**	—	—	—	—
Wage level	7	93	0	**52**	29	71	0	**58**	0	100	0	**50**	0	100	0	**50**	13	88	0	**53**	0	100	0	**50**
Primary inputs																								
Investment	2	98	0	**50**	0	100	0	**50**	0	100	0	**50**	0	100	0	**50**	0	100	0	**50**	0	100	0	**50**
Employment	2	97	2	**50**	0	100	0	**50**	0	100	0	**50**	0	100	0	**50**	0	100	0	**50**	0	100	0	**50**

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

Tables Appendix

Table A3: Survey Results: Summary of all firms' past performance (by size) (January - February - March 2025)[1]

Variable	SMEs				Large Firms			
	Percentage			Index [2]	Percentage			Index [2]
	Higher	Same	Low	57	Higher	Same	Low	58
Economic activity								
Production	48	31	21	**60**	59	18	23	**65**
Domestic sales	47	27	25	**59**	55	23	23	**63**
Exports	47	32	21	**60**	25	25	50	**40**
Inventory	32	46	22	**47**	13	38	50	**64**
Capacity utilization	48	31	21	**60**	59	18	23	**65**
Prices								
Final product prices	27	71	2	**57**	50	45	5	**66**
Intermediate product prices	50	50	0	**33**	71	29	0	**23**
Wage level	91	9	0	**92**	95	5	0	**96**
Primary inputs								
Investment	4	96	0	**51**	9	91	0	**52**
Employment	5	90	5	**50**	5	95	0	**51**

Table A4: Survey Results: Summary of all firms' outlook (by size) (April - May - June 2025)[1]

Variable	SMEs				Large Firms			
	Percentage			Index [2]	Percentage			Index [2]
	Higher	Same	Low	54	Higher	Same	Low	57
Economic activity								
Production	41	50	9	**61**	64	36	0	**73**
Domestic sales	43	49	7	**62**	59	36	5	**70**
Exports	32	63	5	**58**	25	75	0	**57**
Inventory	10	76	15	**51**	13	75	13	**50**
Capacity utilization	41	50	9	**61**	64	36	0	**73**
Prices								
Final product prices	56	44	0	**70**	50	45	5	**66**
Intermediate product prices	66	34	0	**26**	65	29	6	**27**
Wage level	8	92	0	**52**	5	95	0	**51**
Primary inputs								
Investment	1	99	0	**50**	0	100	0	**50**
Employment	1	98	1	**50**	0	100	0	**50**

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.