المركز المصرى للدراسات الإقتصادية
ECES
The Egyptian Center for Economic Studies

The Egyptian Center for Economic Studies

Business Barometer

July 2013

Issue No. 31

Performance and Expectations of the Egyptian Business Sector

The Egyptian Center for Economic Studies (ECES) is an independent, nonprofit research institute. It was founded by leading members of Egypt's private sector in 1992. The objective of the Center is to promote economic development in Egypt by assisting policy makers in developing appropriate policy reforms based on international experience. In pursuit of this objective, ECES conducts applied policy research and disseminates its findings through a select series of publications, lectures, conferences, and roundtable discussions.

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A Publication of
The Egyptian Center for Economic Studies

About the Business Barometer

In an attempt to provide timely information about the state of economic activity in Egypt, ECES published the first issue of the Industrial Barometer in 1998. The periodical reported the results of a biannual survey of 165 firms fully drawn from the industrial sector. However, to improve the depth of the report, the survey was expanded in the July 2000 issue to include 35 firms from the construction sector. This step converted the former Industrial Barometer into today's Business Barometer. The survey was further expanded in the July 2002 issue to include 10 firms from the tourism sector. In July 2006, the survey was expanded again to include a total of 320 firms (from 210). In July 2007, another 154 firms were added to the sample. These firms cover the transportation, communications and financial sectors. The new sample includes a total of 474 firms. Starting July 2011, the Business Barometer is based on a modified sample survey in terms of firm size, comprising 218 large firms, 57 medium firms and 199 small firms. Firm size is determined by the number of employees as per CAPMAS classification, with the number of employees in small firms ranging between 5-49; in medium firms between 50-99; and in large firms more than 100. Starting January 2013, the Business Barometer includes a business environment index aimed at summarizing the results of the survey and tracking changes over time. The index is calculated for large firms as well as SMEs, once for evaluation of performance and once for expectations.

This edition of the Business Barometer reports the results of a stratified sample of 474 public and private firms. The survey covers their assessment of economic growth and the results of their operations over the first half of 2013 in terms of production, sales, capacity utilization, inventories, prices, wages, employment and investments. It also summarizes their expectations for overall future economic performance as well as their own activities for the second half of 2013.

The interpretations and comments expressed in this survey are those of the ECES team, and do not necessarily reflect those of the ECES Board of Directors.

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Overview

This edition of the *Business Barometer* reflects the views of 474 firms regarding the overall performance of the economy and their own activities during the first half of 2013 (January-June 2013) as well as their expectations for the second half of 2013 (July-December 2013). The purpose is to assess economic activity amidst the political instability that has persisted since the January 25 Revolution and developments that occurred in the first half of 2013. However, it is important to note that this edition is based on survey data collected before the June 30 protests that led to the ouster of President Mohamed Morsi. A new technocratic government was appointed with a six-month timetable for amending the constitution and holding new parliamentary elections, to be followed by a new presidential election. Therefore, expectations for the second half of 2013 should be viewed with caution as they were elicited from respondents prior to these developments.

The surveyed firms cover manufacturing (50 percent), financial intermediation (13 percent), construction (12 percent), transportation (11 percent), tourism (8 percent), and communications (6 percent).The survey is conducted across a number of small, medium and large enterprises, specifically 42, 12 and 46 percent, respectively.

Economic growth

Egypt's real GDP[1] growth registered 2.2 percent in Q3 of fiscal year 2012/13 (henceforth FY13) compared to 5.2 percent in Q3 of FY12, which was exceptionally high due to a base effect. Average growth for the first nine months of FY13 registered 2.3 percent compared to 1.8 percent for the corresponding period of FY12. These rates are in line with post-revolution growth rates, but are much lower than the pre-revolution rates ranging from 5 to 7 percent. Indeed, economic growth continues to be undermined by persisting political turmoil, coupled with continued sluggish growth in Europe,[2] Egypt's main trading partner.

Consumption and net exports made the biggest contributions to growth in Q3 of FY13, while investment was the main laggard. Real consumption increased by 10.3 percent compared to the corresponding quarter in FY12. Data for Q3 of FY13 show a decline in both exports and imports. Net exports increased by 5.7 percent, due to stronger decline in imports than exports. Conversely, real investment decreased by 6.1 percent. Savings and investment rates, as a percent of GDP, stood at 6.1 and 14.8 in Q3 of FY13, respectively, which is below the level needed to support faster economic growth. Main sectoral contributors to economic growth in Q3 of FY13 were, in order of importance, tourism, construction, telecommunications, and real estate, which together formed 1.6 percentage points of the 2.2 growth rate in Q3.

Growth prospects are strongly linked to political developments.[3] Greater political stability would improve capital inflows, trade and tourism, supporting the economy to grow at an average of 3 percent in FY13. It is worth mentioning that the IMF cut its estimate for growth in FY13 to 2 percent in its April 2013 World Economic Outlook, down from the 3 percent initially predicted in October 2012.

Employment

Unemployment increased to 13.3 percent in June 2013, compared to 13 percent in December 2012, as a result of economic slowdown coupled with disruption in several labor-intensive economic activities such as construction and manufacturing. It is worth noting that

[1] Egypt's nominal GDP stood at EGP 423.6 billion in Q3 of FY13 and EGP 1.3 trillion in the first 9 months of FY13.
[2] Euro area growth is forecast to contract by 0.5 percent in 2013 (European Central Bank, July 2013).
[3] Due to continued political turbulence, international credit rating agencies have again downgraded Egypt's rating (for foreign and domestic long term debt) from B- to CCC+ (Standard & Poor's) and from B3 to Caa1 (Moody's), while Fitch's rating remained at B since last January.

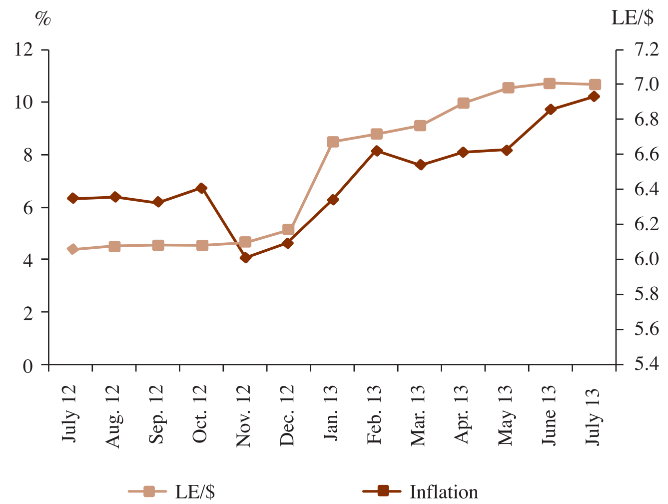
77 percent of the unemployed in Egypt are between the ages of 15 and 29. Unemployment among the youth aged 15-29 has reached 28.3 percent (21.3 percent among males and 49.7 percent among females). The main challenge is that more than 90 percent of the unemployed are holders of academic certificates. Unemployment reached 37.8 percent among young male graduates of tertiary and post tertiary education compared to 56.5 percent among young females. Unemployment among the illiterate youth was the lowest, registering 7.9 among males and 1.1 percent among females. The government originally targeted the creation of 700 thousand jobs during FY2013; however, with slow economic growth and political unrest, the target has been missed. Therefore, expectations for higher unemployment are still valid due to weak signs of economic recovery amid the political unrest.

Inflation

While inflation was contained at relatively moderate levels during 2012, it started to accelerate by the beginning of 2013, registering 10.3 percent by the end of July 2013, compared to 4.7 percent at the end of 2012, as food prices sharply picked up. The Central Bank of Egypt (CBE) has also cited bottlenecks in diesel fuel distribution as another factor that contributed to price hikes starting 2013. Depreciation of the Egyptian pound by more than 13 percent since December 2012 has increased the cost of the imported goods and pushed up inflation (Figure 1). With continued pressure on the pound, inflation will likely remain a mounting risk. This explains why the IMF revised upward its inflationary forecast for Egypt to 10.9 percent this year, the highest forecast since 2010.

In an attempt to curb rising inflation and shore up the weakening Egyptian pound, the CBE raised the overnight deposit and lending rates by 50 basis points to 9.75 percent and 10.75 percent, respectively, on March 21, 2013. The discount rate was also increased by 75 basis points to 10.25 percent. These increases are the first since November 2011. However, amid recent political developments, commercial banks have reduced interest rates by an average of 1 percent on Treasury bills in July 2013—the first time in four years—in an effort to activate the domestic economy. Subsequently, on August 1, the CBE decided to lower the overnight deposit and lending interest rates by 50 basis points to 9.25 percent and 10.25 percent respectively. Also, the discount rate was lowered to 9.75 percent.

Figure 1. Depreciation of the Egyptian Pound Has Driven Prices Higher Since Early 2013



Source: The Central Bank of Egypt, (www.cbe.org.eg).

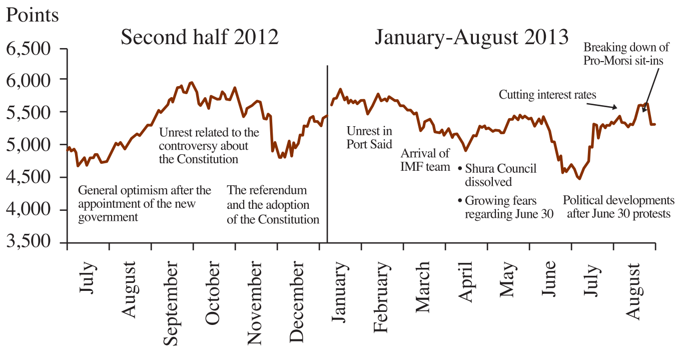
Stock market

Despite fluctuations in market performance during the period July 2012–August 2013, reflecting several political and economic events, the EGX30 remained relatively stable *on average*, registering 5,327 points in the second half of 2012 versus 5,331 points in the first half of 2013. The movement of the index in the second half of 2012 reflected the optimism that accompanied the presidential elections and the appointment of a new government—optimism which was later dispersed with the events surrounding the controversy over the draft constitution. The adoption of the constitution in late 2012 instilled some optimism that pushed the EGX temporarily higher. However, starting February 2013 several factors led to deteriorating market performance, including a series of nationwide protests, civil disobedience calls and strikes.

During the period March-May 2013, the stock market experienced several small declines followed by a major decline during 2-12 June 2013 due to a series of political and economic events. These include dissolving the Shura Council, the uproar associated with the construction of the Ethiopian dam and the announcement by equity index provider MSCI of the potential exclusion of Egypt from the MSCI Emerging Markets Index, in light of the foreign currency shortage in the domestic market. Moreover, growing fears from the June 30 anti-government protests drove the EGX30 down by 8 percent during the week 9-13 June. A fleeting revival was recorded post June 30, reflecting the general optimism that prevailed. Yet, on July 8, EGX30 declined by 189 points due the Republican Guard events. For the rest of the month, the market kept a stable trend with small fluctuations.

On August 1, the Central Bank decided to cut interest rates, which was well received by the stock market, generally making profits until August 13. On August 14 the government decided to break down Rabaa and Nahda sit-ins, which led to the eruption of nationwide turmoil. The stock market experienced significant losses during 14-19 August, with EGX30 closing at 5,329 points on August 19. The stock market was shut down on August 15.

Figure 2. EGX-30, July 2012-August 2013



Source: www.egx.com.eg.

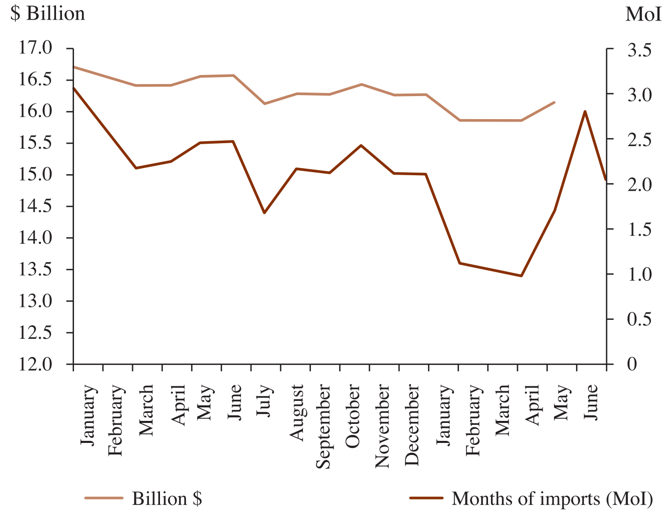
External sector

The balance of payments deficit narrowed from $11.2 billion in the first 9 months of FY12 (5.7 percent of GDP) to $2.1 billion in the first 9 months of FY13 (1.1 percent of GDP). This came on the back of a $4.3 billion surplus in the capital and financial account, compared to a $2.7 billion deficit in the previous period, coupled with a decline in the current account deficit from $7.1 billion to $3.9 billion. The improvement in the capital and financial account was due to a reduction in net portfolio outflows as foreigners' net sales of Egyptian T-bills decreased. In addition, net FDI increased from $1.2 billion to $1.4 billion over the same period due to a contraction in the net outflows of investment in the oil sector from $2.1 billion to $0.6 billion. Yet this improvement was partially offset by the drop in Greenfield investments from $2 billion to $1.7 billion.

The improvement in the current account was driven primarily by a $1 billion increase in worker remittances, coupled with a $1 billion increase in tourism revenues, while the trade deficit dropped by $0.7 billion due to the increase of petroleum exports along with stability of imports. Suez Canal revenues declined from $3.9 billion to $3.8 billion.

As shown in Figure 3, after net international reserves (NIR) had reached a low of $13.5 billion (2.7 months of imports) during January-March 2013 with the Paris Club debt payments and sluggish tourism in that period, they witnessed significant increases in April and May thanks to aid from Libya and Qatar. NIR rose by $3.9 billion in July 2013 to reach a total of $18.8 billion. More recently, three Gulf countries pledged $12 billion in aid. One quarter of the money is in the form of grants, while the remainder will be used to prop up the CBE's foreign reserves, which is likely to ease pressure on the pound.

Figure 3. Net International Reserves, January 2012 - June 2013



Source: The Central Bank of Egypt Monthly Bulletin.

Public finances

Due to sluggish economic growth and larger increase in public spending relative to revenues, Egypt's budget deficit has worsened over the past few months recording LE 205 billion—11.8 percent of GDP—during the first 11 months of the FY13.[4] The increase is estimated at 50 percent compared to the corresponding period in FY12 when it stood at LE 136.5 billion (8.8 percent of GDP). Therefore, the government would have to implement harsh reforms in order to reach the announced target deficit of 5-6 percent of GDP by FY16. Despite a number of price increases such as in 95-octane gas and natural gas in addition to the government's ongoing plan to introduce the smart card system to subsidized petroleum products, energy subsidies remain a heavy burden on the budget. Pressures on the budget will be all the more exacerbated by the government's surging expenses on public sector salaries, with the draft FY14 budget allocating a 20 percent increase in wage and salary expenditures.

Meanwhile, revenues increased during the period July-May FY13 by 4.5 percent, recording LE 271.3 billion, which was mainly attributed to the hike in tax revenues that increased on an annual basis by 14.1 percent. However, this increase in revenues was not significant compared to the surge in government spending, which increased on an annual basis by 19.6 percent, specifically on the three main components of budget expenditure: subsidies, wages and salaries, and interest payments, which together account for 80 percent of total government expenditures (increased during the period July-May FY13 by 21 percent).

Public debt remains at the forefront of Egypt's macroeconomic concerns. Domestic public debt recorded a stock of LE 1.5 trillion—82.2 percent of GDP—by the end of March 2013. The continuous issuance of Treasury bills and bonds to finance the budget deficit had pushed the debt to such high level. Therefore, the government has resorted recently to foreign debt issuance through a program aimed to issue medium-term notes to be used to finance part of the budget deficit in any given year. Meanwhile, foreign debt has lost its calm stance by jumping to $38.8 billion by end of March 2013 compared to $33.4 billion in March 2012. This hike is attributed to the $4 billion Qatari deposit at the CBE, which was part of the financial assistance pledged during Q2 of FY2013.

In short, significant efforts are needed to revive the economy. Main prerequisites include achieving political stability, stimulating investment along with introducing redistributive policies. Proactive policies should focus on the fiscal side to contain the growing deficit and debt. Efforts should also be made to prevent expected inflationary pressures and enhance Egypt's external position.

Responses of firms in this edition of *Business Barometer* generally reflect the deteriorating business climate during the first half of 2013 and their uncertainty about the second half of 2013.

The remainder of this edition of the *Business Barometer* presents the main findings of the survey under five

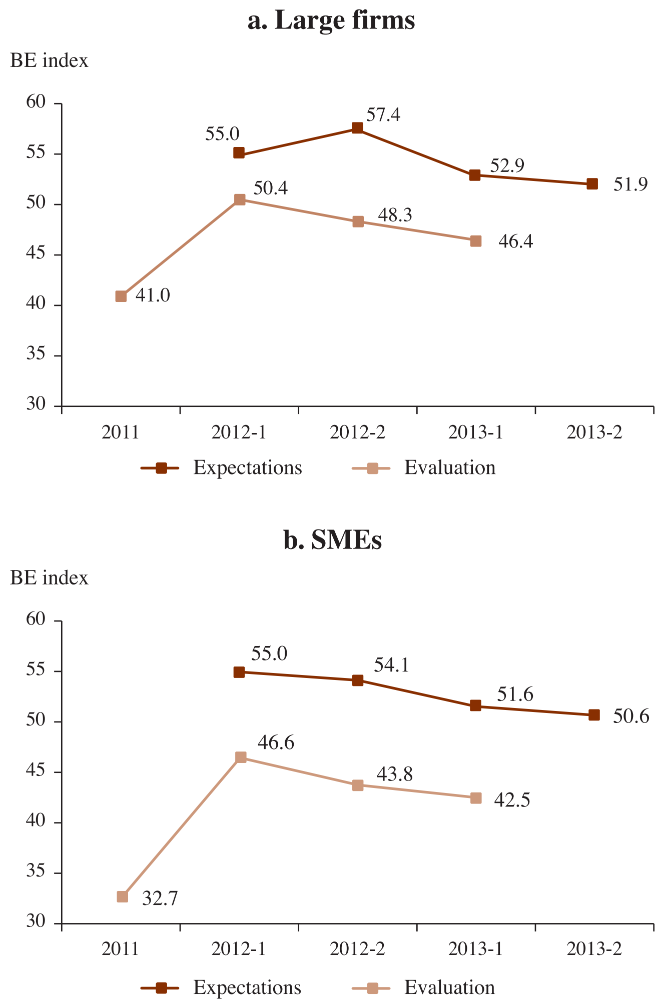
[4] The Minister of Finance recently announced that the overall budget deficit reached 14 percent of GDP on June 30, 2013 (Al Masry Al Youm, No. 3357, Friday 23 August 2013).

main headings: the Business Environment (BE) Index, the level of economic activity (overall growth, production, sales, capacity utilization and inventory), prices and wages, investment and employment and finally the constraints facing the surveyed firms.

The Business Environment Index

The BE index takes a value between 0 and 100. Increases in its value indicate a more favorable climate and vice-versa. Figure 4 displays the BE index for large firms and for SMEs separately.

Figure 4. The Business Environment Index



Source: Authors' calculations based on survey results.

The evaluation index has witnessed a slight decline for both large firms and SMEs, continuing its downward trend that started in the second half of 2012. As it will be shown from the detailed results of the survey, this is mainly due to higher input prices and lower investments as well as lower production and domestic sales, which were partially offset by higher exports, more capacity utilization and higher product prices, compared to the second half of 2012. The outlook of large firms as well as SMEs has worsened. Political turmoil, coupled with weak domestic demand and global slowdown, has resulted in a gloomy outlook that intensified with the calls for June 30 demonstrations.

The Level of Economic Activity

Figure 5 describes the trend for all economic activity variables, namely: perceptions of economic growth, production, domestic and international sales, capacity utilization and inventory. Panels *a* and *b* show the evaluation for the period January-June 2013 compared to July-December 2012, of large firms and SMEs, respectively. Panels *c* and *d* show the expectations of large firms and SMEs for July-December 2013 compared to their previous expectations for January-June 2013, which illustrates the evolution of their outlook.

Evaluation

A slight decline with improvement in some variables

Economic growth

Figures 5a and 5b reflect a modest general decline in economic growth, production and domestic sales indexes, along with a slight increase in international sales, capacity utilization and inventories indexes. Firms' perception of lower growth is in line with the drop in real annual GDP growth from 2.4 percent in the first half of FY13 to 2.2 percent in Q3 of FY13. Almost a half of large firms as well as SMEs perceived lower growth in the first half of 2013 compared to the second half of 2012. A comparison of Figures 5a and 5b shows that negative perceptions about growth are more pronounced among SMEs. Survey data show that they are also more pronounced in private firms than in public firms. Results are similar across sectors, although manufacturing and tourism firms reported relatively better perceptions of economic growth.

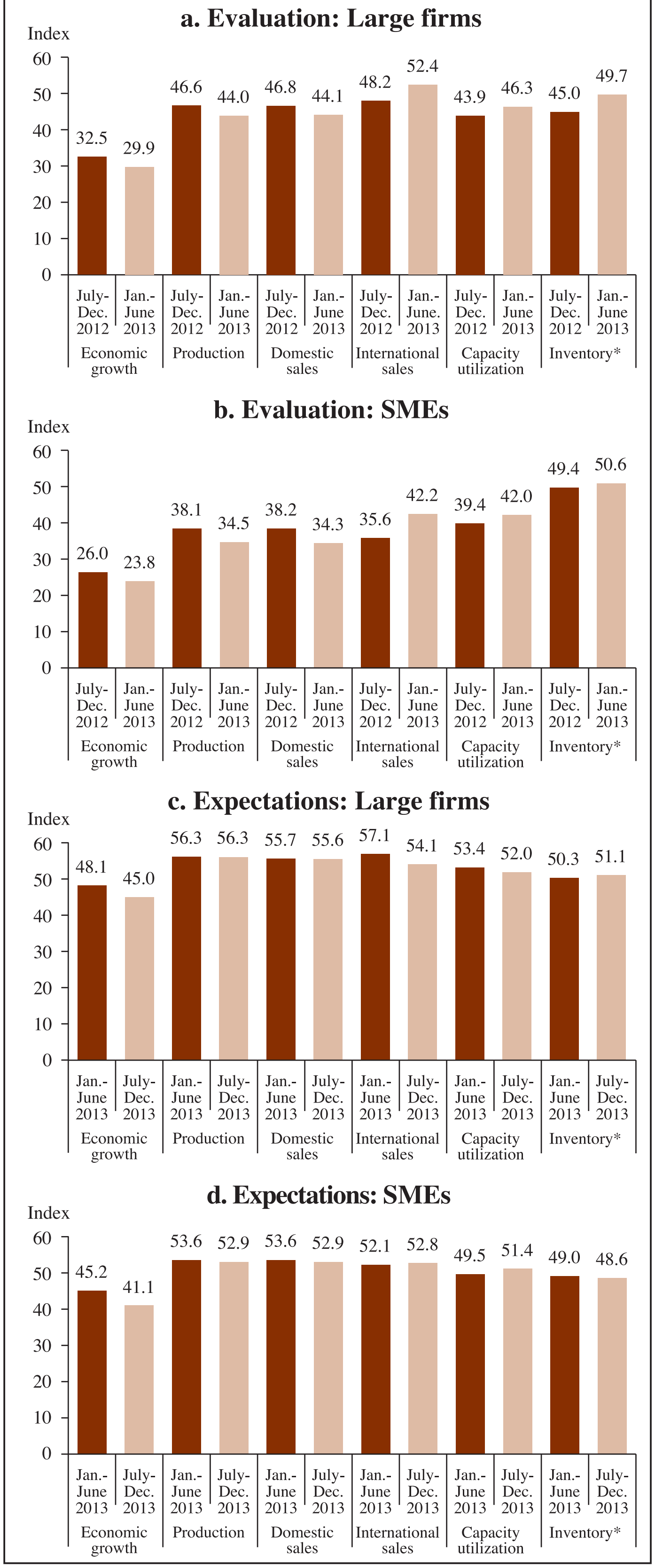
Production, domestic sales and international sales

In line with the growth index, production and domestic sales indexes declined by around 2.5 points for large firms and around 3.5 points for SMEs (Figure 5a and 5b). This slowdown is more pronounced in the private sector than in the public sector. Across activities, manufacturing fared relatively better than services. Financial intermediation reported less positive results. Within manufacturing, some industries reported higher-than-average results such as beverages and tobacco, glass and metal.

Figure 9 towards the end of this edition shows in detail the major constraints faced by businesses during the last six months, most importantly, political instability, security concerns, unstable economic policies, insufficient demand, deterioration of overall investment atmosphere and difficulty to interact with government agencies.

By contrast, international sales witnessed some improvement, which was more pronounced in SMEs where the index increased by around 7 points. These improvements originated from the food, textiles and pharmaceutical industries. Exports in the public sector fared better than in the private sector. Exporters stated political and economic instability as the primary constraint on their exports, followed by high intermediate input costs. It is noteworthy that exporters reported that 33 percent of their inputs on average are imported compared to 52 percent in the last edition of *Business Barometer*, implying that exporters are replacing foreign inputs with domestic ones due to the large depreciation of the pound. Indeed, 84 percent of exporters believe the exchange rate to have had a negative effect on their activities compared to 59 percent in the last survey.

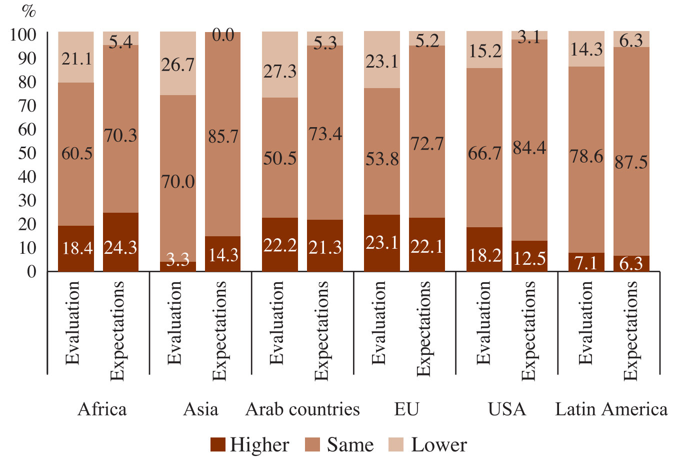
Figure 5. Economic Activity



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.

Figure 6 shows the variation of exports by destination. The majority of firms reported stable exports to different regions, with relatively more variation in exports to the EU and Arab countries. Growth in different economies has been relatively stable compared to the previous period resulting in stable external demand. Stability is expected to continue during the coming six months.

Figure 6. Geographic Distribution of International Sales



Source: Survey results.

Capacity utilization and inventory

Despite the drop in production, a slight improvement was observed in the *capacity utilization* and *inventory*[5] indexes, for both large firms and SMEs, reflecting the increase in exports that was larger than the drop in domestic sales. The largest share of firms reporting an increase in capacity utilization was in transportation and tourism. In line with exports, the improvement in capacity utilization and inventories was larger in the public sector than the private sector.

Expectations

A stable outlook for large firms and SMEs

Firms' economic outlook for the second half of 2013 is rather stable relative to their previous outlook, though there is a slight decline in their expectations for economic growth for both types of firms, and in exports for large firms. At the sectoral level, firms' outlook for economic activity is similar across sectors, with slightly less positive expectations in construction. In line with their evaluation, public firms have a better outlook than private ones.

When exporting firms were asked to what extent they expect the economic environment to help their exports during the next six months, the answers mostly leaned towards "it would help." This mainly came from SMEs.

This cautious outlook can be explained by the ongoing political turmoil, although attempts to curb currency depreciation and inflation have relatively maintained some stability in expectations.

Prices and Wages

Evaluation

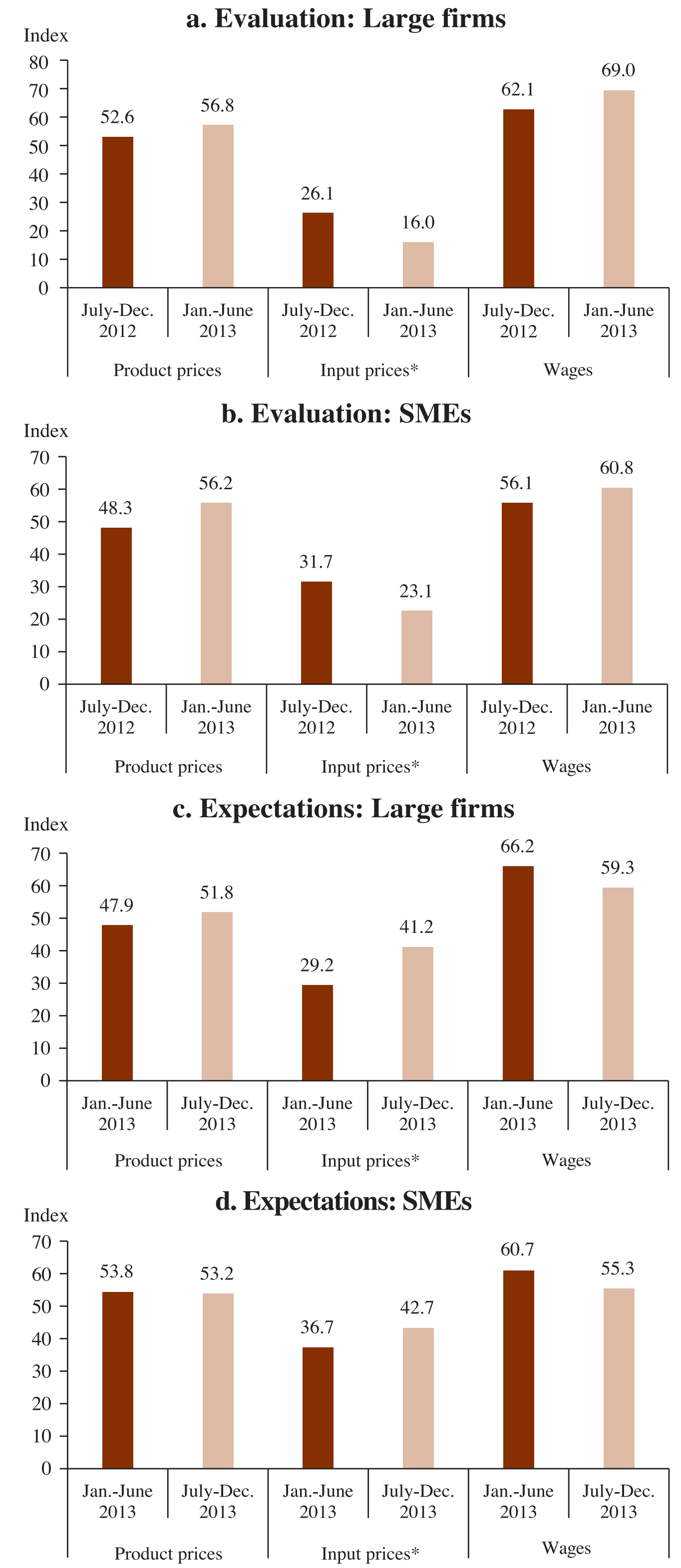
Surge in prices, more pronounced in input prices and higher wage level

Prices

Since January 2013, the general price level has been increasing. However, the increases in input prices were not fully reflected in prices of final products. Higher prices were more pronounced among large firms than SMEs. Several factors have led to increased production costs, including depreciation of the Egyptian pound, fuel shortages, political instability, and security concerns. The dramatic drop in the value of the Egyptian pound against the dollar has triggered inflationary pressures through the pass-through effect, and affected input prices and consequently firms' activities. That is why 84 percent of firms, especially those whose exports heavily depend on imported raw materials and semi-manufactured goods, reported that currency depreciation had negatively affected their activities.

[5] As mentioned under Figure 5, the inventory index is inversely related to inventories in order to reflect their negative impact on the overall business index.

Figure 7. Prices and Wages



Source: Survey results.
* The index for input prices is inverted to indicate the negative effect of the increase of input prices on businesses. Hence, a lower value of this index indicates higher input prices.

On the other hand, the relatively modest increases reported for output prices were in line with the slowdown in firms' economic activities and declining domestic sales. This forced firms to minimize output price increases in order to preserve sales.

The modest increase in output prices adversely affected the economic activity of most firms (92 percent of firms). However, weak tourism demand has resulted in a slight decline in prices during the period of study.[6]

Wages

Higher wages have been reported by all firms across sectors, with large firms reporting a higher increase. Wage level increases were more pronounced among private firms, reflecting the annual salary increases of January 2013.

Expectations

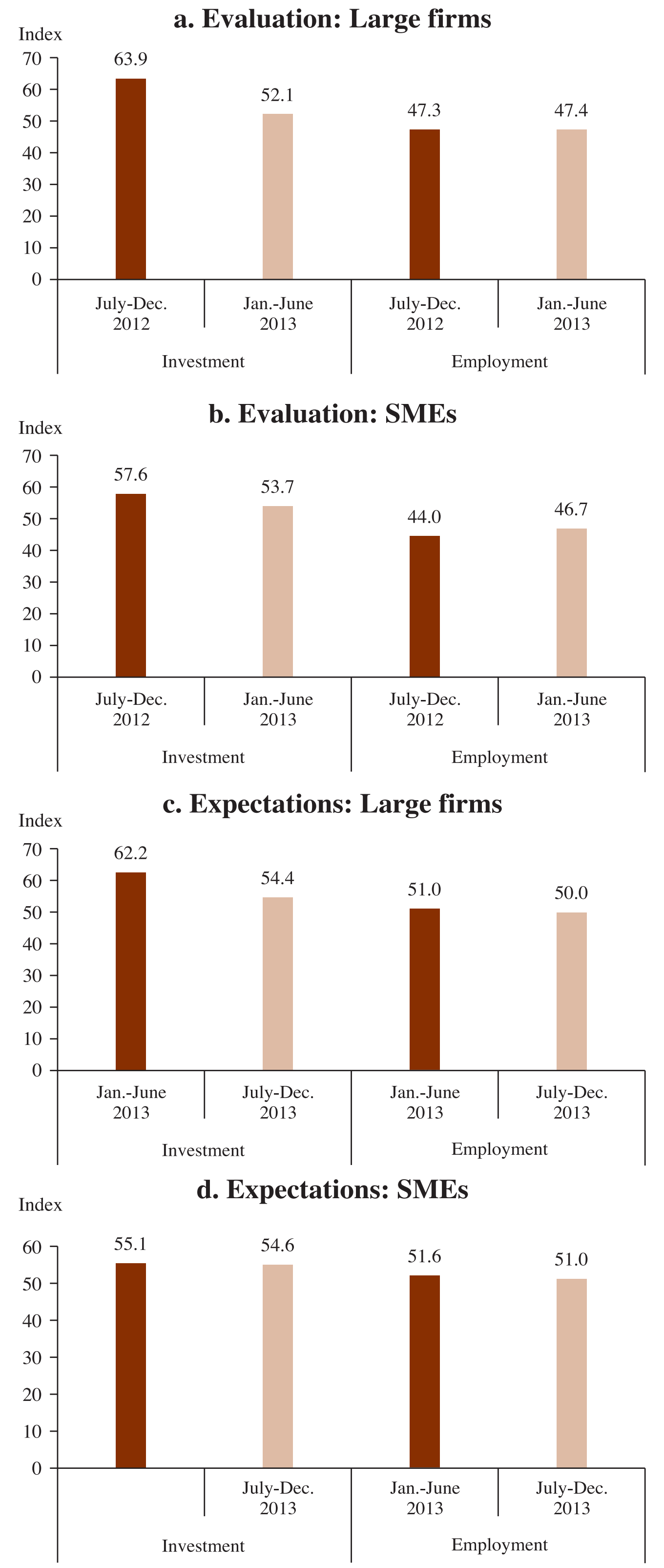
Stable prices and slight increases in wage level

Although inflationary pressures remain a risk due to continued political unrest and the delay of government reform plans, sectors expect stable output prices with the exception of transportation amid expectations of continued fuel shortages that will directly affect transportation prices. All firms expect stable output and input prices and a slowdown in production costs. Firms' stable expectations could be mainly attributed to the easing of imported inflation along with the slight improvement in the value of the Egyptian pound as international reserves increased to $16 billion prior to the June 30 protests. Firms, especially in the public sector, expect slight increases in the wage level with the new fiscal year starting July 2013. Expectations for wage level increases are generally lower compared to expectations in the previous survey.

[6] It is worth mentioning that tourism income has dropped to $70 per tourist night in March 2013 compared to $85 in March 2010 before the January 25 Revolution.

Investment and Employment

Figure 8. Investment and Employment



Source: Survey results.

Evaluation

Stable investment and employment with a meager increase among SMEs

All firms reported stable investment levels. Political instability and economic uncertainty forced investors to adopt a wait-and-see strategy and to delay their planned investment projects or put current ones on hold. This was in line with investment at the macro level during Q3 of 2013. Stable investment was more pronounced among private firms with 71 percent of them reporting no additional investment during the last six months. Lack of economic reforms as well as insufficient demand have deterred firms from carrying out their investment plans and constrained their production. These results were confirmed across sectors with a slight increase in investment in transportation.

Meanwhile, most firms, particularly in manufacturing and services, reported a slight increase in employment during the period January-June 2013, reflecting low economic activity, halted investments and soaring production costs, which may have caused firms to postpone new employment plans to minimize costs. Firms reported modest layoffs, especially among the technical workforce.

Expectations

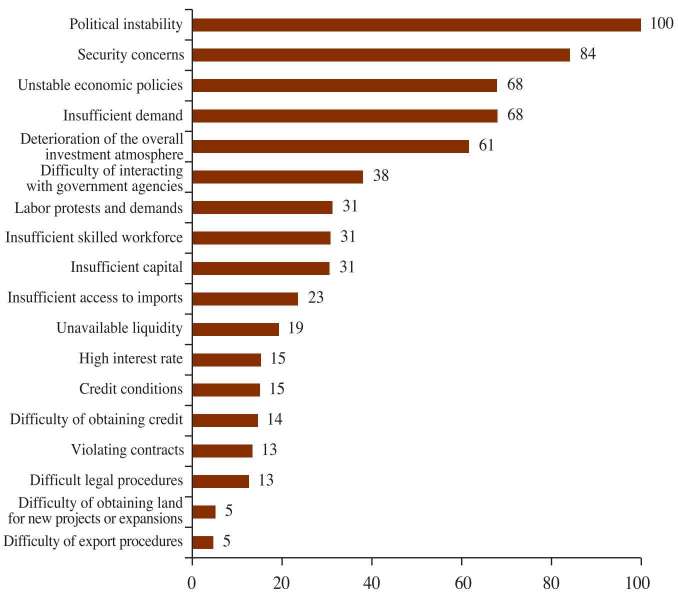
Stable investments and employment

Firms do not expect significant change in their investment and employment levels during the coming six months. Expectations are not much different from the outlook in the last survey or current performance. However, the decline in investment is more pronounced among large firms. In light of rampant political unrest, most firms do not expect a significant recovery in their domestic and international sales, and hence are less optimistic about their investment plans in the coming six months.

Business Constraints

Major constraints: political instability, security concerns, unstable economic policies and insufficient demand

Figure 9. Major Constraints Facing the Business Sector (Normalized index of severity)

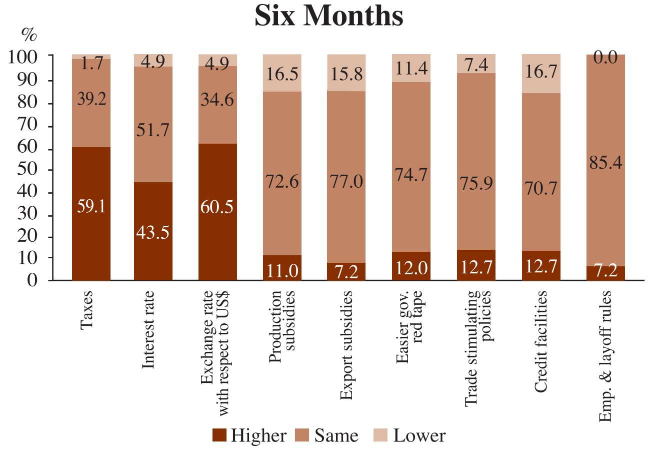


Source: Survey results.

Figure 9 shows the major constraints to doing business in descending order of severity as perceived by respondents. Political instability and security concerns continue to be the most significant impediments from July 2012 to July 2013. Unstable economic policies topped the list of obstacles to doing business during January-June due to a lack of a well-defined economic reform program. Insufficient demand continued to be a major constraint as a result of lingering insecurity and economic uncertainty.

As shown in Figure 10, the majority of surveyed firms are expecting higher taxes, especially firms in beverages and tobacco, rubber, fertilizers and metal industries. Further depreciation of the Egyptian pound is also expected. Higher interest rates are widely anticipated in light of the attempt to limit dollarization. Firms do not expect considerable change in production subsidies, trade, credit, and employment policies. In answer to a question about their primary request from the government in the coming six months, 21 percent of firms stressed the need for "restoring stability," compared to 40 percent in the last survey, while 13 percent demanded "increased production subsidies," 11 percent "decreased taxes" and 11 percent " changing the government."

Figure 10. Policy Expectations for the Coming Six Months



Source: Survey results.

Appendix: Methodology of the Index

The index aims at calculating a single figure for the responses of firms on each variable.

The index's equation is:

$$x = \frac{I+S}{100+S} \text{ x } 100 \text{ ,}$$

where I is the share of firms reporting an increase and S the share of firms reporting "same." The index is designed to have a maximum of 100 when all firms report an increase, a minimum of 0 when all firms report a decrease and a middle value of 50 when all firms report no change. Between 0 and 100, the index grows proportionally with larger shares of "increase," and inversely with larger shares of "decrease," while the change in "same" is given less effect by including it in the numerator and the denominator. A higher index thus reflects a better business climate and vice-versa. It is worth noting that the index is inverted for inventories and input prices as increases of these two variables reflect an adverse business climate for firms.

The Business Environment Index is a simple average of the variables' indexes, calculated once for large firms and once for SMEs, both for evaluations and expectations, rendering the index shown in Figure 4.

Table 1. Survey Results: Summary Evaluation for all Firms (July-December 2010 - January-June 2013)[1]

Indicator	July-Dec. 2010				Jan.-Dec. 2011				Jan.-June 2012				July-Dec. 2012				Jan.-June 2013			
	Higher	Same	Lower	Index[2]	Higher	Same	Lower	Index[2]	Higher	Same	Lower	Index[2]	Higher	Same	Lower	Index[2]	Higher	Same	Lower	Index[2]
Economic growth	28	49	24	**51.7**	2	8	90	**9.3**	16	40	44	**40.0**	12	24	64	**29.0**	9	24	46	**26.6**
Business activity																				
Production	37	43	20	**55.9**	10	18	72	**23.7**	20	49	31	**46.3**	23	33	44	**42.1**	16	37	47	**38.7**
Domestic sales	36	44	20	**55.6**	11	17	72	**23.9**	20	52	29	**47.4**	21	37	42	**42.3**	15	38	46	**38.4**
International sales	36	50	14	**57.3**	16	25	59	**32.8**	22	56	22	**50.0**	24	36	40	**44.1**	25	46	29	**48.6**
Inventory	20	63	18	**49.7**	27	52	22	**48.7**	18	72	9	**47.1**	22	66	12	**47.0**	14	71	15	**50.3**
Level of capacity utilization	24	61	15	**52.8**	11	43	46	**37.8**	7	74	19	**46.6**	7	59	34	**41.5**	7	66	27	**44.0**
Prices																				
Final product prices	24	69	8	**55.0**	16	65	19	**49.1**	8	80	12	**48.9**	13	74	13	**50.0**	29	62	9	**56.2**
Intermediate input prices	61	39	1	**28.8**	58	40	3	**30.7**	36	61	2	**39.1**	60	38	2	**29.0**	75	25	0	**20.0**
Wage level	35	64	1	**60.4**	54	37	9	**66.4**	44	52	4	**63.2**	31	67	2	**58.7**	47	51	3	**64.9**
Primary inputs																				
Investment	32	65	3	**58.8**	17	70	12	**51.2**	17	64	18	**49.4**	42	49	9	**61.1**	20	67	12	**52.1**
Employment	12	78	11	**50.6**	6	65	28	**43.0**	6	80	14	**47.8**	6	72	22	**45.3**	5	78	17	**46.6**

Table 2. Survey Results: Summary Expectations for all Firms (January-June 2011 - July-December 2013)[1]

Indicator	Jan.-June 2011				April-Dec. 2011				Jan.-June 2012				July-Dec. 2012				Jan.-June 2013				July-Dec. 2013			
	Higher	Same	Lower	Index[2]	Higher	Same	Lower	Index[2]	Higher	Same	Lower	Index[2]	Higher	Same	Lower	Index[2]	Higher	Same	Lower	Index[2]	Higher	Same	Lower	Index[2]
Economic growth	41	46	12	**59.6**	38	34	27	**53.7**	30	54	16	**54.5**	47	46	7	**63.7**	25	41	34	**46.8**	15	49	36	**43.0**
Business activity																								
Production	50	40	9	**64.3**	45	36	19	**59.6**	34	61	5	**59.0**	43	54	4	**63.0**	29	57	15	**54.8**	24	65	11	**53.9**
Domestic sales	49	43	8	**64.3**	44	37	19	**59.1**	33	61	6	**58.4**	39	58	3	**61.4**	27	59	13	**54.1**	24	65	11	**53.9**
International sales	45	43	12	**61.5**	32	52	16	**55.3**	30	65	4	**57.6**	31	63	6	**57.7**	32	53	15	**55.6**	20	73	7	**53.8**
Inventory	12	68	20	**52.4**	12	66	21	**52.4**	10	79	11	**50.3**	4	86	10	**51.6**	9	85	6	**49.2**	9	83	8	**49.7**
Level of capacity utilization	32	62	6	**58.0**	20	71	9	**53.2**	15	82	3	**53.3**	16	82	2	**53.8**	10	83	6	**50.8**	12	83	6	**51.9**
Prices																								
Final product prices	29	68	3	**57.7**	21	73	7	**54.3**	11	87	2	**52.4**	8	90	2	**51.6**	21	76	3	**55.1**	16	82	1	**53.8**
Intermediate input prices	47	50	2	**34.7**	33	64	3	**40.9**	27	71	2	**42.7**	11	87	2	**47.6**	49	49	2	**34.2**	31	68	1	**41.1**
Wage level	57	42	1	**69.7**	35	62	3	**59.9**	41	58	1	**62.7**	41	59	1	**62.9**	43	56	1	**63.5**	26	73	1	**57.2**
Primary inputs																								
Investment	40	58	2	**62.0**	21	68	11	**53.0**	18	82	0	**54.9**	23	74	3	**55.7**	34	63	3	**59.5**	17	82	1	**54.4**
Employment	14	80	6	**52.2**	9	86	5	**51.1**	9	87	4	**51.3**	8	91	1	**51.8**	10	84	6	**51.1**	5	92	3	**50.5**

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

Table 3. Survey Results: Summary of Business Sector Evaluation and Expectations[1]

Indicator	Manufacturing Sector								Construction Sector								Tourism Sector							
	Evaluation Jan.-June 2013				Expectations July-Dec. 2013				Evaluation Jan.-June 2013				Expectations July-Dec. 2013				Evaluation Jan.-June 2013				Expectations July-Dec. 2013			
	Sector's evaluation index:[2] 45.9				Sector's expectations index:[2] 52.4				Sector's evaluation index:[2] 40.3				Sector's expectations index:[2] 47.3				Sector's evaluation index:[2] 44.5				Sector's expectations index:[2] 52.0			
	Higher	Same	Lower	Index	Higher	Same	Lower	Index	Higher	Same	Lower	Index	Higher	Same	Lower	Index	Higher	Same	Lower	Index	Higher	Same	Lower	Index
Economic growth	11	26	47	**29.4**	19	49	32	**45.6**	11	15	49	**22.6**	13	33	55	**34.6**	10	35	33	**33.3**	15	55	30	**45.2**
Business activity																								
Production	19	36	46	**40.4**	26	65	9	**55.2**	16	38	45	**39.1**	20	51	29	**47.0**	20	35	45	**40.7**	33	60	8	**58.1**
Domestic sales	18	35	46	**39.3**	27	64	9	**55.5**	16	38	45	**39.1**	19	50	31	**46.0**	11	47	42	**39.5**	30	62	8	**56.8**
International sales	27	48	25	**50.7**	24	71	5	**55.6**	22	11	67	**29.7**	40	20	40	**50.0**	29	53	18	**53.6**	24	76	0	**56.8**
Inventory	15	70	15	**50.0**	9	82	9	**50.0**	6	72	22	**54.7**	6	94	0	**48.5**	0	100	0	**50.0**	0	100	0	**50.0**
Level of capacity utilization	12	63	26	**46.0**	14	80	6	**52.2**	6	50	44	**37.3**	19	69	13	**52.1**	3	83	15	**47.0**	15	83	3	**53.6**
Prices																								
Final product prices	41	54	5	**61.7**	20	78	1	**55.1**	27	67	5	**56.3**	36	62	2	**60.5**	18	60	23	**48.8**	5	95	0	**51.3**
Intermediate input prices	81	19	0	**16.0**	30	69	1	**41.4**	89	11	0	**9.9**	69	29	2	**24.0**	88	13	0	**11.5**	36	64	0	**39.0**
Wage level	55	45	0	**69.0**	30	69	1	**58.6**	38	60	2	**61.3**	27	71	2	**57.3**	50	50	0	**66.7**	33	68	0	**60.1**
Primary inputs																								
Investment	23	67	9	**53.9**	24	76	0	**56.8**	17	61	22	**48.4**	9	86	5	**51.1**	0	100	0	**50.0**	0	100	0	**50.0**
Employment	7	80	13	**48.3**	7	89	3	**50.8**	7	67	25	**44.3**	4	91	5	**49.7**	5	85	10	**48.6**	3	98	0	**51.0**

Indicator	Transportation								Communications								Financial Intermediaries							
	Evaluation Jan.-June 2013				Expectations July-Dec. 2013				Evaluation Jan.-June 2013				Expectations July-Dec. 2013				Evaluation Jan.-June 2013				Expectations July-Dec. 2013			
	Sector's evaluation index:[2] 42.5				Sector's expectations index:[2] 50.5				Sector's evaluation index:[2] 44.0				Sector's expectations index:[2] 49.7				Sector's evaluation index:[2] 41.1				Sector's expectations index:[2] 50.5			
	Higher	Same	Lower	Index	Higher	Same	Lower	Index	Higher	Same	Lower	Index	Higher	Same	Lower	Index	Higher	Same	Lower	Index	Higher	Same	Lower	Index
Economic growth	4	24	56	**22.6**	9	52	39	**40.1**	0	21	57	**17.4**	11	61	29	**44.7**	3	23	37	**21.1**	10	48	42	**39.2**
Business activity																								
Production	9	52	39	**40.1**	24	69	7	**55.0**	7	50	43	**38.0**	18	75	7	**53.1**	13	21	66	**28.1**	19	76	5	**54.0**
Domestic sales	10	58	32	**43.0**	24	72	4	**55.8**	7	50	43	**38.0**	18	75	7	**53.1**	15	21	65	**29.8**	19	76	5	**54.0**
International sales	10	57	33	**42.7**	5	86	10	**48.9**	29	43	29		0	100	0	**50.0**	36	27	36	**49.6**	15	85	0	**54.1**
Inventory	50	50	0	**33.3**	0	100	0	**50.0**	0	100	0	**50.0**	0	100	0	**50.0**	0	80	20	**55.6**	0	100	0	**50.0**
Level of capacity utilization	0	88	12	**46.8**	4	96	0	**51.0**	0	73	27	**42.2**	4	92	4	**50.0**	7	57	36	**40.8**	5	90	5	**50.0**
Prices																								
Final product prices	11	74	15	**48.9**	9	91	0	**52.4**	11	82	7	**51.1**	0	100	0	**50.0**	19	68	13	**51.8**	16	94	2	**51.0**
Intermediate input prices	60	40	0	**28.6**	13	87	0	**46.5**	54	46	0	**31.5**	22	78	0	**43.8**	54	44	2	**31.9**	20	80	0	**44.4**
Wage level	39	57	4	**61.1**	20	80	0	**55.6**	39	57	4	**61.1**	7	89	4	**50.8**	31	55	15	**55.5**	15	84	2	**53.8**
Primary inputs																								
Investment	14	86	0	**53.8**	0	100	0	**50.0**	50	50	0	**66.7**	0	100	0	**50.0**	25	50	25	**50.0**	20	80	0	**55.6**
Employment	0	89	11	**47.1**	0	100	0	**50.0**	4	71	25	**43.9**	4	96	0	51.0	3	66	31	**41.6**	3	92	5	**49.5**

[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' indexes. The index's method of calculation is provided in the appendix.