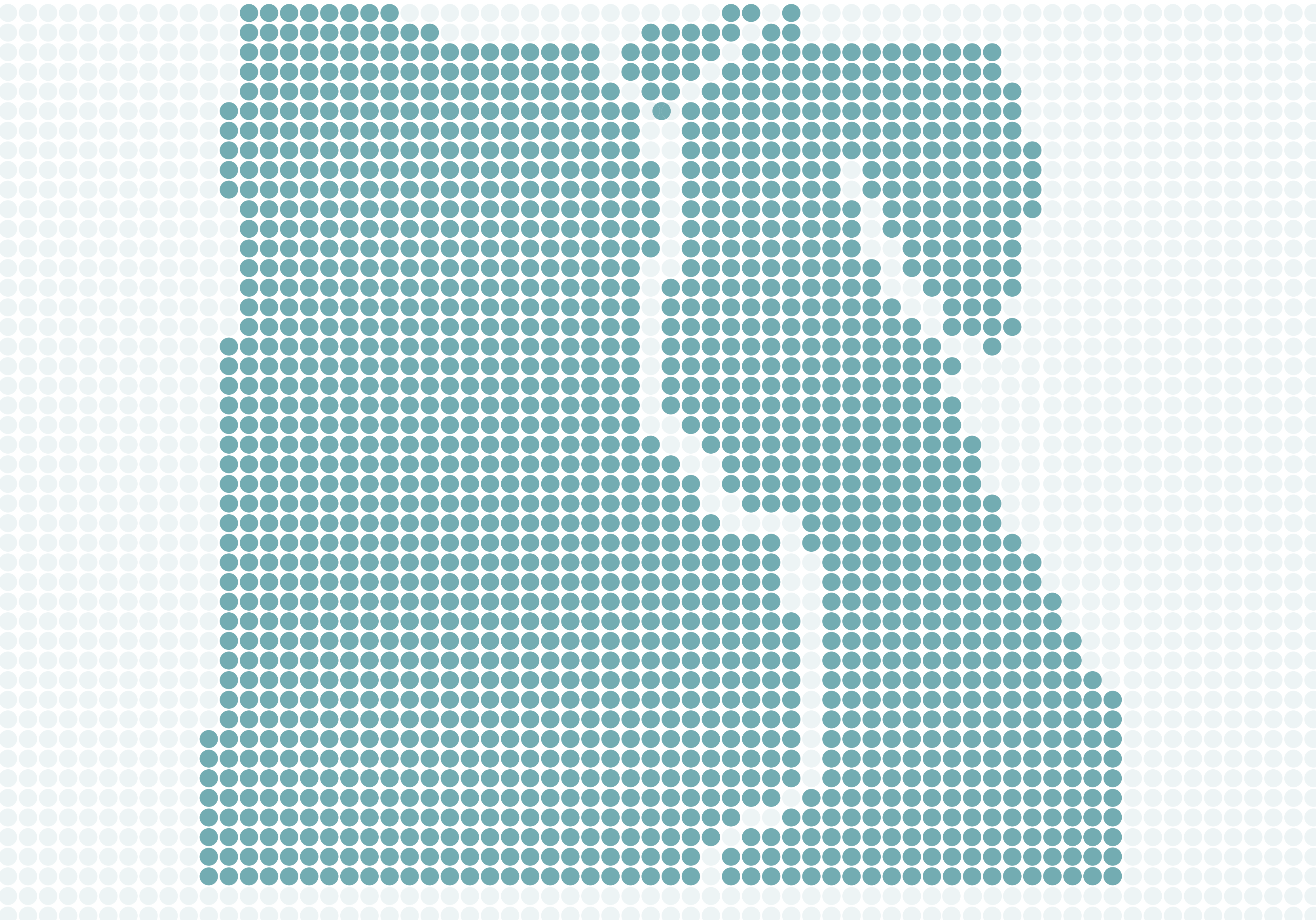
ECES
The Egyptian Center for Economic Studies
COMMITTED TO SHAPING EGYPT'S ECONOMIC FUTURE

Business Barometer

Issue 32 2014



Performance & Expectations of the Egyptian Business Sector

Committed to Shaping Egypt's Economic Future

The Egyptian Center for Economic Studies is an independent Egyptian think tank that promotes sound public and private policymaking through high quality, innovative research and informed public debate, committed to prosperity, social equity, open society and global integration.

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 an index aimed at summarizing the results of the survey and tracking business environment 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 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 (42, 12 and 46 percent, respectively). The survey covers their assessment of economic growth and the results of their operations over the second 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 first half of 2014.

ECES Team

Sherif El-Diwany, *Executive Director*
Omneia Helmy, *Director of Research*
Magda Awadallah, *Deputy Director for Finance and Administration*
Tarek El-Ghamrawy, *Economist*
Nadine Abdel Raouf, *Research Analyst*
Yasser Selim, *Managing Editor*
Fatema Ali, *Translator/Editor*

Layout & Production:
Alex Designs Graphics Center

For more information, please contact:
The Egyptian Center for Economic Studies
Nile City Towers, North Tower, 8th floor
Corniche El Nil, Cairo 11221, Egypt
Tel.: (20-2) 2461-9037-44 Fax: (20-2) 2461-9045
E-mail: eces@eces.org.eg
URL: www.eces.org.eg

Business Barometer

Issue No. 32 - 2014

A Publication of
The Egyptian Center for Economic Studies

Contents

List of Abbreviations

BB	Business Barometer
BBI	Business Barometer Index
FY	Fiscal Year
1HFY	First Half of Fiscal Year
2HFY	Second Half of Fiscal Year
Q1FY	First Quarter of Fiscal Year
Q2FY	Second Quarter of Fiscal Year

Foreword

The role of the business sector in Egypt's economy has been steadily taking on greater significance over the past three decades. As a result, firms' outlook on the economy and their expectations for investment, employment, prices and production influence the behavior of the market. Historically in Egypt, like in many other emerging economies, the behavior of the market was shaped almost exclusively by government. Now, things are changing. Market behavior is shaped equally by government expectations as well as by business' own market expectations. With this in mind, the ECES Business Barometer presents a measure of business economic outlook and expectations and as such offers a useful reading of the short-term likely behavior of business.

I am proud to highlight that over the years the BB proved to be a reliable tool in predicting economic growth. The introduction of this issue of the BB confirms the strong positive correlation between the BB Index and GDP growth since 2002. The drop in correlation in the first six months of 2011 captured the degree of uncertainty that overtook the market since the revolution in January up until the announcement of the road map in July 2013 when business confidence resurged significantly.

ECES is pleased to offer the Business Barometer to its members, policy makers and ECES Partners in Policy Shaping as a tool that can help improve business planning and increase the efficiency of policy making. I thank the ECES team that produced this issue of the BB: Sherif El Diwany, Executive Director; Dr. Omneia Helmy, Director of Research; Tarek El-Ghamrawy, Economist; Nadine Abdel Raouf, Research Analyst; Yasser Selim, Managing Editor and Fatema Al Zahraa Ali, Translator.

The ECES Board and engaged members are committed to shaping the future of Egypt's economy to deliver inclusive growth, social justice and opportunity for all. The BB is an important offering of ECES's value proposition, which we hope contributes to the efforts of all those who share our mission.

Omar Mohanna
Chairman

Introduction

This issue of *Business Barometer* (BB) presents the survey results of a stratified panel of 474 firms regarding their expectations and evaluation for the Egyptian economy and their own business strategies for the first half of 2014 (January-June 2014)[1] and the second half of 2013 (July-December 2013), respectively. The results of this survey are opportune as they provide the economic outlook as seen by business for the first half of 2014 as Egypt implements milestones of the roadmap (the constitutional referendum of January 2014 and the presidential and parliamentary elections) leading to the creation of a new government by the beginning of the fourth quarter of 2014. Equally important, this issue also presents the business' evaluation of Egypt's economic activity since announcing the roadmap to democracy in July 2013 and releasing the first fiscal stimulus package of LE 29.7 billion in October 2013.

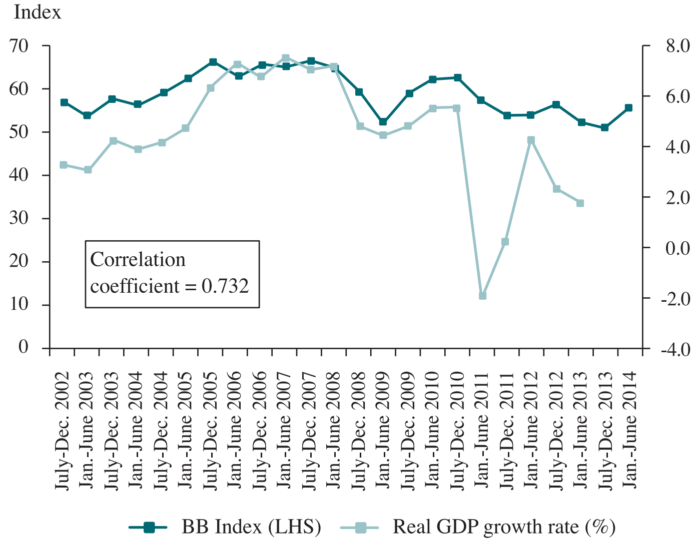
The BB also reports on three complementary views of business that are useful for public policy design to promote private investment: the ranking of business constraints, policy expectations and reform requirements.

It is important to highlight that the ECES BBI exhibits strong positive correlation with the GDP growth rates and with several important leading indicators like changes in wages, employment, input prices and the stock exchange. Figure 1 presents the correlation between the BBI results and real GDP growth over the period 2002-2012.[2]

Business Barometer Index for the whole sample

Evaluation (July-December 2013): 46.7
Expectations (January-June 2014): 55.3

Figure 1. Strong Correlation Between BBI Results and Real GDP Growth Rates, 2002-2012



Source: Survey results.

Main Takeaways

Firms' performance and outlook

- Given the exceptional political and security circumstances in Egypt, the BB optimistic outlook for 2HFY13/14 is based more on the positive sentiments generated by the road map, global economic recovery and the expected positive impact of the stimulus packages and less on market signals. While the BB Index shows a significant surge of optimism regarding the economic growth outlook for 2014, firms' business plans are showing signs of conservative expansion in employment and investment.
- Large firms are more bullish about business growth in the next six months, projecting increases in their investments, production and international sales. SMEs on the other hand are more cautious, with a relatively stable and positive outlook.
- Private businesses, especially in manufacturing, communications and financial intermediaries, are expecting an increase in their wage bills. The premise is that private sector workers are likely to continue

[1] See *About the Business Barometer* earlier for a description of the survey panel, and the *Appendix* for the index methodology.
[2] The BBI–previously the business environment index–was started in 2013, but for continuity purposes data for earlier years were computed using historical data.

demanding adjustments comparable to the government increase of the minimum wage for civil service and the public sector employees that came into effect as of January 2014.

- During 1HFY13/14, the BB shows that firms were compelled to reduce wages and employment to avoid business crisis as market demand shrunk requiring them to reduce their prices. New investment went into increasing production to generate revenues. As international sales stagnated, inventory levels increased. The demand in the domestic market was an important mitigating factor against the decline in exports, keeping firms in business and viable. Firms were able to reduce cost mainly due to the decline in input prices and stabilization of capacity utilization, hence defending their profit margins.

Sectors' performance and outlook

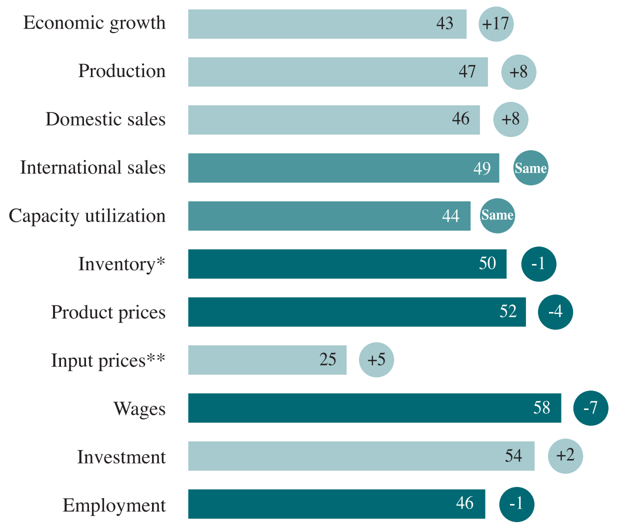
- The construction sector was the best performer in 1HFY13/14 and most optimistic sector with a positive outlook for all indicators.
- Exports declined significantly in food processing and textile firms with the depreciation of the pound due to high imported content.
- Investment increased significantly in the tourism sector to offset losses. In contrast, modest gains by the communications sector in the domestic market were offset by healthy growth in the exports.
- Employment recorded the highest increase in the financial intermediaries sector.
- Textile firms were the least optimistic about employment.

Constraints, policy expectations and reform requirements

- All BB firms cited political instability and security concerns as the most significant business constraints. Half of them indicated deterioration of the investment climate and unstable economic policies as important constraints to doing business.

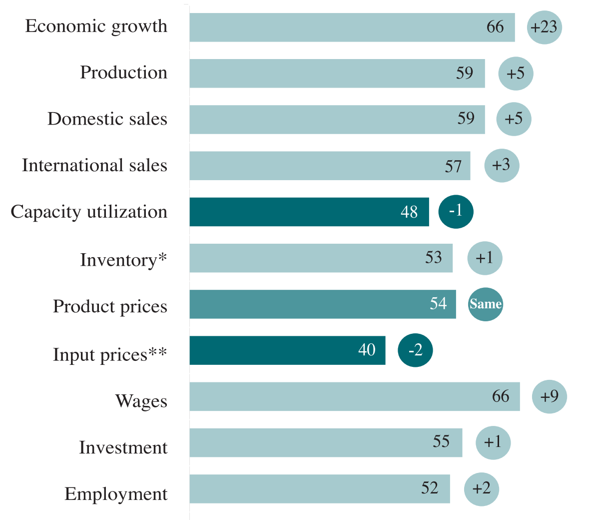
Firms' Evaluation for July-December 2013

(Circles denote change in index relative to the previous period)



Firms' Expectations for January-June 2014

(Circles denote change in index relative to the previous period)



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

- Businesses, especially in food processing, clothing and fertilizers sub-sectors, expect higher taxes, further depreciation of the pound, increased credit facilities and lower interest rates.
- Surveyed businesses cited restoring security, decreasing taxes, increasing production subsidies and modernizing economic legislations as the most important reform demands in the short term.

Macro Brief and Outlook

Modest economic growth during Q1FY13/14[3], but higher expectations for 2HFY13/14

Political uncertainty, a dip in natural gas sector output (-7.6 percent) and a slump in the tourism sector (-28.3 percent) kept Egypt's economic growth in check. Real GDP growth registered 1 percent in Q1FY13/14 compared to 2.6 percent in Q1FY12/13, the lowest quarterly rate of growth since Q2FY11/12. Growth in Q1FY13/14 was driven by the increase in private and public consumption, but was undermined by a drop in net exports and investment. Real consumption increased by 4.4 percent compared to the corresponding quarter in Q1FY12/13, while real net exports and real investment declined by 11.3 percent and 7.3 percent, respectively.

Growth is expected to pick up by June provided the security situation stabilizes. This positive outlook is leveraged by the passage of the new constitution in January 2014, paving the way for presidential and parliamentary elections, then the appointment of a new cabinet within the following six months. The impact of the fiscal stimulus packages and the positive but cautious outlook for the global economy are also favorable growth factors. Growth estimates for FY2013/14 range from 2 percent by the EIU,[4] 2.3 percent by the World Bank[5] to 3.5 percent by Egypt's Ministry of Finance,[6] while the IMF[7] estimate for the calendar year 2014 stands at 2.8 percent. Consumption is expected to remain the main driver of growth. ECES estimates that with the two stimulus packages GDP will grow in FY2014/15 by 3.91 percent.

High and rising unemployment rate

The slowdown in economic activity and the 1.8 percent decline in investment during FY12/13 pushed the unemployment rate higher to 13.4 percent in Q1FY13/14, its highest level since the 2011 Revolution. The youth (ages 15-29) accounted for 71 percent of total unemployment, while urban unemployment was 17.6 percent and rural 10.1 percent.

Through fiscal stimulus measures, the government plans to create 850,000 jobs annually between now and 2017, bringing down the unemployment rate to 9 percent over the medium term.[8] However, private sector investments, which constitute more than 60 percent of total investments, witnessed a 5 percent decline during the FY12/13, which pushed unemployment higher in Q1FY13/14.

Double digit inflation is expected to remain in 2HFY13/14

Due in large part to rising vegetable prices, year-on-year inflation rose to 13 percent in November 2013, the highest in the past four years. The annual increase in vegetable and fruit prices jumped from 21.6 percent in July 2013 to 28.3 percent in November 2013. After a short dip in December to 20.5 percent they resumed their upward trend in January 2014 to 24.5 percent. Despite the weekly pricing list for fruits and vegetables announced by the government, their prices picked up as a result of supply shortages during episodes of unrest. The steady increase in inflation could also be explained by the exchange rate pass-through and some easing of monetary policy, as the Central Bank of Egypt (CBE) lowered interest rates three times in the second half of 2013 to fight persistent downside risks to growth and reduce public debt service costs. In the course of the Q2FY13/14, domestic credit did in fact grow by 4.7 percent, driven by a 7.5 percent increase in government borrowing; crowding out business from credit, which dropped by -0.3 percent for private sector and -0.5 percent for the state-owned sector. Meanwhile, household credit grew by 2.7 percent.

[3] ECES uses FY July to June as a reference timeframe for the BB to correspond to the government budgetary cycle and economic data reporting.
[4] Economist Intelligence Unit, January 2014, Egypt's Country Report.
[5] World Bank, Global Economic Prospects, January 2014.
[6] Egyptian Ministry of Finance, Mid-Year Economic and Fiscal Review, H1FY14.
[7] International Monetary Fund, Regional Economic Outlook, November 2013.
[8] Ministry of Planning, Urgent Plan to Activate the Economy, issued in October 2013.

Although still significantly higher than in December 2012, annual inflation in December of 2013 slowed for the first time in four months to 11.7 percent, driven by lower prices of housing, food and utilities. Inflation is expected to remain high at about 10 percent in 2HFY13/14, due to higher food prices, expansionary policies and higher public sector wages.

Promising trend in balance of payments but need for additional external support is probable

The balance of payments deficit of $0.5 billion in Q1FY12/13 turned into a $3.7 billion surplus in Q1FY13/14, representing an improvement from -0.2 percent to 1.3 percent of GDP. This improvement came as a result of a $4 billion surplus in the capital and financial account compared to a $1.5 billion surplus in the previous period, coupled with an improvement in the current account from a $1.3 billion deficit to a $0.8 billion surplus. The improvement in the capital and financial account was due to a $1.5 billion increase in net portfolio investments, mainly as a result of a $1 billion subscription to Egyptian bonds by Qatar at the start of the Q3FY12/13. The current account surplus in Q1FY13/14 was driven by the $4.2 billion increase in official transfers from Saudi Arabia, the UAE and Kuwait, though undermined by a sharp decrease in tourism receipts and remittances.

Net international reserves (NIR) increased significantly in mid-2013 following the large official transfers from Gulf countries, reaching $18.7 billion at end-September 2013. However, they dipped to $17 billion in December 2013 as a result of returning the $500 million deposit to Qatar and the payment of a $1 billion to settle arrears owed to international oil companies for their sales of oil and gas to the Egyptian General Petroleum Corporation.

The current account is expected to turn into a deficit as a result of the likely slowdown of remittances, delayed recovery of tourism and imports pick up in tandem with economic growth. The deficit forecasts range from -1.6 percent of GDP in calendar year 2014 by the World Bank, to -0.9 percent of GDP for FY13/14 by the IMF.

Easing of budget deficit in the first half of FY13/14 but subsidy reform becomes critical

The first stimulus package issued on 23 October 2013, which accounted for 1.45 percent of GDP, helped keep the fiscal deficit at 4.4 percent of GDP during July-December 2013, compared with 5.2 percent in the corresponding period in 2012. The new package, worth around LE 33.9 billion ($4.3 billion), has been issued on 24 February 2014. The government will allocate LE 10 billions of the second fiscal stimulus package to finance an increase in the monthly minimum wage for public sector's workers from LE 700 to LE 1200, which became effective in January 2014. The remaining LE 20 billion will be directed to public investments.

Although Egypt's newly ratified constitution stipulates progressive income taxes, it stipulates that the state allocates at least 3 percent of Gross National Product (GNP) to health, 4 percent to basic education, 2 percent to higher education and 1 percent to scientific research, all of which must be put into effect by FY16/17, making it all the more difficult to ration public spending. Meeting the constitutional targets, the government would need to spend an estimated 28.7 percent of its total expenditures on social spending. As a percent of government spending, these targets are estimated at 8.6 percent for health, 11.4 percent for basic education and 5.7 percent for higher education. Those government spending targets are similar to the current allocation of 29 percent of its spending on subsidies (including 20.4 percent on energy and 5.5 percent on food). To meet the constitutional targets, the government is likely to push forward with subsidy reform by moving gradually away from goods subsidy to the more efficient cash transfers.

Public domestic debt as a percent of GDP decreased to 77.7 percent in September 2013 for the first time since 2011 compared to 87 percent of GDP in June 2013 as treasury bills' yield declined from 14.2 percent to 10.9 percent over the same period. IMF forecasts that Egypt's domestic debt will rise further in FY13/14 to reach 91.8 percent, while the Ministry of Finance forecasts it will come down to 74 percent in FY17/18.

The Business Barometer Index[9]

How are firms managing their business through a period of inflation, economic slowdown and difficult security conditions

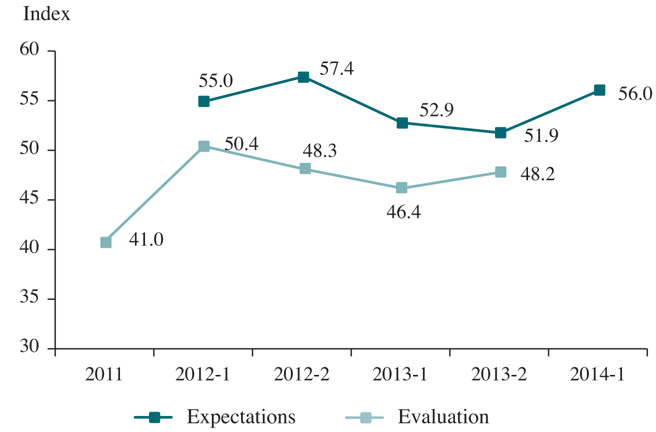
Firms' reported significantly better expectations for economic growth for the first six months of 2014, mainly reflecting firms' positive sentiment about new political developments and the road map. In part this positive outlook also draws from a better than expected performance of economic growth (albeit modest) for the previous 6 months (see Table A1 in the Appendix).

During 1HFY13/14, the BB shows that firms were compelled to reduce wages and employment to avoid business crisis as market demand shrunk requiring them to reduce their prices. New investment went into increasing production to generate revenues. As international sales stagnated, inventory levels increased (see Table A1 in the Appendix). The demand in the domestic market was an important mitigating factor against the decline in exports, keeping firms in business and viable. Cost reduction was possible mainly due to the decline in input costs and stabilization of capacity utilization, hence helping firms maintain their profit margins.

Firms in the construction, communications and financial intermediation sectors stand out in following the business strategy described. Of the three, construction and communications showed the best export performance in 1HFY13/14. In general, all sectors followed the same strategy with the exception of tourism, which stagnated. There are no noticeable differences in strategy between large firms and SMEs (see Figures 2a and 2b).

Figure 2. The Business Barometer Index

a. Large firms



b. SMEs

Source: Authors' calculations based on survey results.

Business' strategy going forward

Firms from most sectors are bullish about economic growth with a positive outlook for 2HFY13/14 except for food processing and, to a lesser extent, textiles. However, only firms in the construction and fertilizers manufacturing sectors reported plans to increase production, domestic sales and exports. While bullish about economic growth, the financial intermediation sector is more cautious about business expansion (see Table A2 in the Appendix).

Firms expect an upward adjustment in their wage bills and an increase in their input prices as a result of inflation (see Figure A2 in the Appendix). Their strategy for 2HFY13/14 is to increase domestic sales and exports by stabilizing their prices after having reduced them in

[9] The Business Barometer Index (BBI) takes a value between 0 and 100. Increases in its value indicate a more favorable climate and vice versa.

the 1HFY13/14. Investments will grow modestly to increase production and expand labor force, but capacity utilization will be stabilized and inventories will be drawn down.

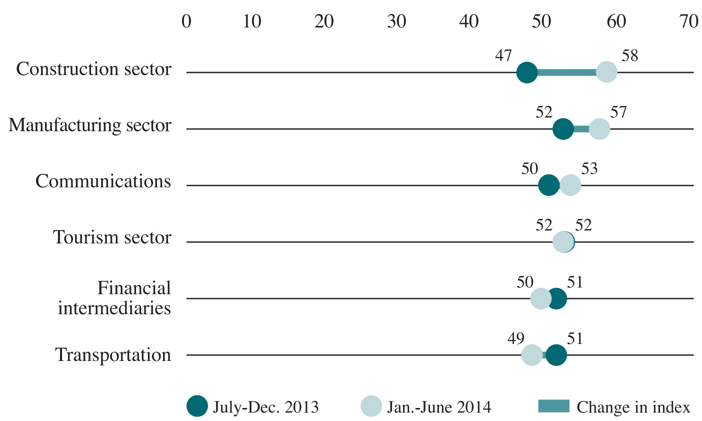
The textile sector stands out as the sector at risk. It is the least bullish sector about economic growth. Firms in this sector have modest expectations about growth in sales and exports despite expecting reduction of their prices and reporting alarmingly low investment and employment plans. They also projected significant reduction of capacity utilization and increased inventory (see Table A2).

There are no significant variations of outlook or strategy neither between large firms and SMEs nor between state-owned or privately owned ones (see Figure A1).

Figure 3. Sectoral Index

a. Evaluation

b. Expectations



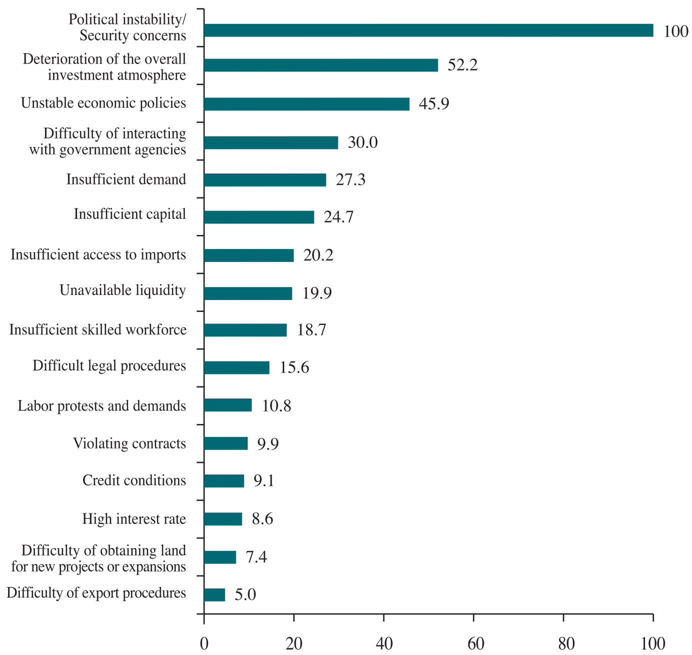
Source: Survey results.

Business Constraints

Major constraints: Political instability, security concerns, deterioration of the investment climate and unstable economic policies

Figure 4 shows the major constraints to doing business in descending order of severity as perceived by respondents. Political instability and security concerns remain by far the most severe business impediments, followed by deterioration of the overall investment climate and unstable economic policies.

Figure 4. Major Constraints Facing the Business Sector (Normalized index of severity)



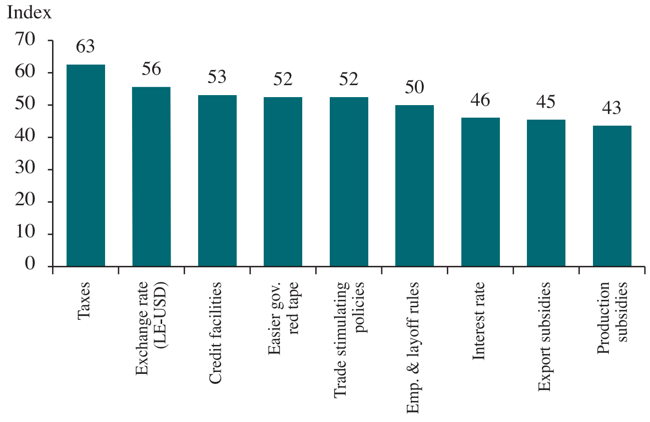
Source: Survey results.

Policy Expectations and Required Reforms

As shown in Figure 5, the majority of surveyed firms are expecting higher taxes, especially firms in the food, clothing and fertilizers sectors. Further depreciation of the pound is also expected. With recent cuts in interest rates, firms expect more credit facilities to become available.

When asked about their primary request from the government in the coming six months, restoring security came at the top of firms' demands, followed by decreasing taxes and increasing production subsidies. Surveyed firms also stressed the need for legislative reform. Tax and investment laws topped the list of required reforms, followed by labor, customs and social insurance laws.

Figure 5. Policy Expectations for the Coming Six Months



Source: Survey results.

Appendix

Following an elaboration of the methodology used in calculating the index, this appendix will present the tables and figures that give a numerical and graphical representation of survey results.

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:

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

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 Barometer 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 2.

Table A1. Sectors' Evaluation (Change in the Index Relative to the Previous Period)

Sector	Economic growth	Production	Domestic sales	International sales	Inventory	Capacity utilization	Final prices	Input prices	Wages	Investments	Employment
Manufacturing of which:[1]	+13	+6	+6	-1	Same	-4	-7	+8	-7	+1	-1
Food processing	+8	-1	-3	-20	-2	-14	-4	+11	+8	-4	+2
Textiles	+8	+9	+4	-16	-13	+8	-13	+8	-11	-8	-3
Fertilizers	+25	+4	+4	+14	-2	-6	-7	+3	-3	+3	-5
Services of which:	+21	+10	+10	+2	+2	+3	-2	+2	-6	+3	+1
Construction	+23	+10	+11	+34	-5	+7	+1	+13	-5	+6	-2
Tourism	Same	Same	+1	-9	NA[2]	+1	-5	+12	-12	+25	-3
Transportation	+18	+4.5	+2	+5	NA	+3	+1	-2	-6	-4	Same
Communications	+28	+6	+7	+46	NA	+5	-2	-3	-7	-17	+1
Financial intermediaries	+30	+26	+24	-7	NA	+6.3	-3	+5	-3	+5	+7

Source: Survey results.

[1] Food processing, textiles and fertilizers constitute 40 percent of the surveyed manufacturing sector.

[2] NA= Not applicable

Table A2. Sectors' Expectations (Change in the Index Relative to the Previous Period)

Sector	Economic growth	Production	Domestic sales	International sales	Inventory	Capacity utilization	Final prices	Input prices	Wages	Investments	Employment
Manufacturing of which:[1]	+22	+7	+6	+4	-2	+3	Same	-2	+11	-1	+3
Food processing	-17	Same	+1	+2	+1	-1	+2	+10	-7	-2	-4
Textiles	+5	+3	+3	+7	-19	-17	-16	+14	Same	-20	-30
Fertilizers	+45	+18	+16	+14	+3	+7	+8	+15	+12	+4	+7
Services of which:	+23	+3	+1	+2	+1	+1	-1	+1	+7	+2	+1
Construction	+34	+18	+18	+20	+2	+6	-6	+11	+7	+2	+1
Tourism	+13	-7	-6	-7	Same	-4	Same	+8	+2	Same	Same
Transportation	+17.5	+1	+1.1	+6.6	NA	-0.5	-1	-4	+6	+5	Same
Communications	+25	-1	Same	Same	Same	+2.9	+2	-1	+9	+3	+1
Financial intermediaries	+23.6	+3.2	+3.2	+1.5	NA	-0.5	+1	+1	+11	+2	+2

Source: Survey results.

[1] Food processing, textiles and fertilizers constitute 40 percent of the surveyed manufacturing sector.

[2] NA= Not applicable

+ - Same NA

Table A3. Survey Results: Summary Evaluation for all Firms (January-June 2012 : July-December 2013)[1]

Indicator	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]
Economic growth	16	40	44	**40.0**	12	24	64	**29.0**	9	24	46	**26.6**	23	36	41	**43.4**
Business activity																
Production	20	49	31	**46.3**	23	33	44	**42.1**	16	37	47	**38.7**	26	38	36	**46.7**
Domestic sales	20	52	29	**47.4**	21	37	42	**42.3**	15	38	46	**38.4**	26	38	36	**46.4**
International sales	22	56	22	**50.0**	24	36	40	**44.1**	25	46	29	**48.6**	21	55	25	**49**
Inventory	18	72	9	**47.1**	22	66	12	**47.0**	14	71	15	**50.3**	14	71	14	**49.7**
Level of capacity utilization	7	74	19	**46.6**	7	59	34	**41.5**	7	66	27	**44.0**	7	66	27	**44.0**
Prices																
Final product prices	8	80	12	**48.9**	13	74	13	**50.0**	29	62	9	**56.2**	18	72	10	**52.3**
Intermediate input prices	36	61	2	**39.1**	60	38	2	**29.0**	75	25	0	**20.0**	69	30	2	**24.6**
Wage level	44	52	4	**63.2**	31	67	2	**58.7**	47	51	3	**64.9**	30	67	3	**58**
Primary inputs																
Investment	17	64	18	**49.4**	42	49	9	**61.1**	20	67	12	**52.1**	16	82	2	**53.8**
Employment	6	80	14	**47.8**	6	72	22	**45.3**	5	78	17	**46.6**	6	76	18	**46.1**

Table A4. Survey Results: Summary Expectations for all Firms (January-June 2012 - January-June 2014)[1]

Indicator	Jan.-June 2012				July-Dec. 2012				Jan.-June 2013				July-Dec. 2013				Jan.-June 2014			
	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	30	54	16	**54.5**	47	46	7	**63.7**	25	41	34	**46.8**	15	49	36	**43.0**	51	42	8	**65.5**
Business activity																				
Production	34	61	5	**59.0**	43	54	4	**63.0**	29	57	15	**54.8**	24	65	11	**53.9**	34	62	4	**59.3**
Domestic sales	33	61	6	**58.4**	39	58	3	**61.4**	27	59	13	**54.1**	24	65	11	**53.9**	33	64	4	**59**
International sales	30	65	4	**57.6**	31	63	6	**57.7**	32	53	15	**55.6**	20	73	7	**53.8**	26	72	2	**56.6**
Inventory	10	79	11	**50.3**	4	86	10	**51.6**	9	85	6	**49.2**	9	83	8	**49.7**	11	84	5	**48.4**
Level of capacity utilization	15	82	3	**53.3**	16	82	2	**53.8**	10	83	6	**50.8**	12	83	6	**51.9**	14	83	3	**53.0**
Prices																				
Final product prices	11	87	2	**52.4**	8	90	2	**51.6**	21	76	3	**55.1**	16	82	1	**53.8**	14	85	1	**53.5**
Intermediate input prices	27	71	2	**42.7**	11	87	2	**47.6**	49	49	2	**34.2**	31	68	1	**41.1**	35	62	2	**39.5**
Wage level	41	58	1	**62.7**	41	59	1	**62.9**	43	56	1	**63.5**	26	73	1	**57.2**	49	51	1	**66.2**
Primary inputs																				
Investment	18	82	0	**54.9**	23	74	3	**55.7**	34	63	3	**59.5**	17	82	1	**54.4**	18	82	0	**54.9**
Employment	9	87	4	**51.3**	8	91	1	**51.8**	10	84	6	**51.1**	5	92	3	**50.5**	11	86	3	**52.2**

[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 A5. Survey Results: Summary of Business Sector Evaluation (July-Dec.2013)[1]

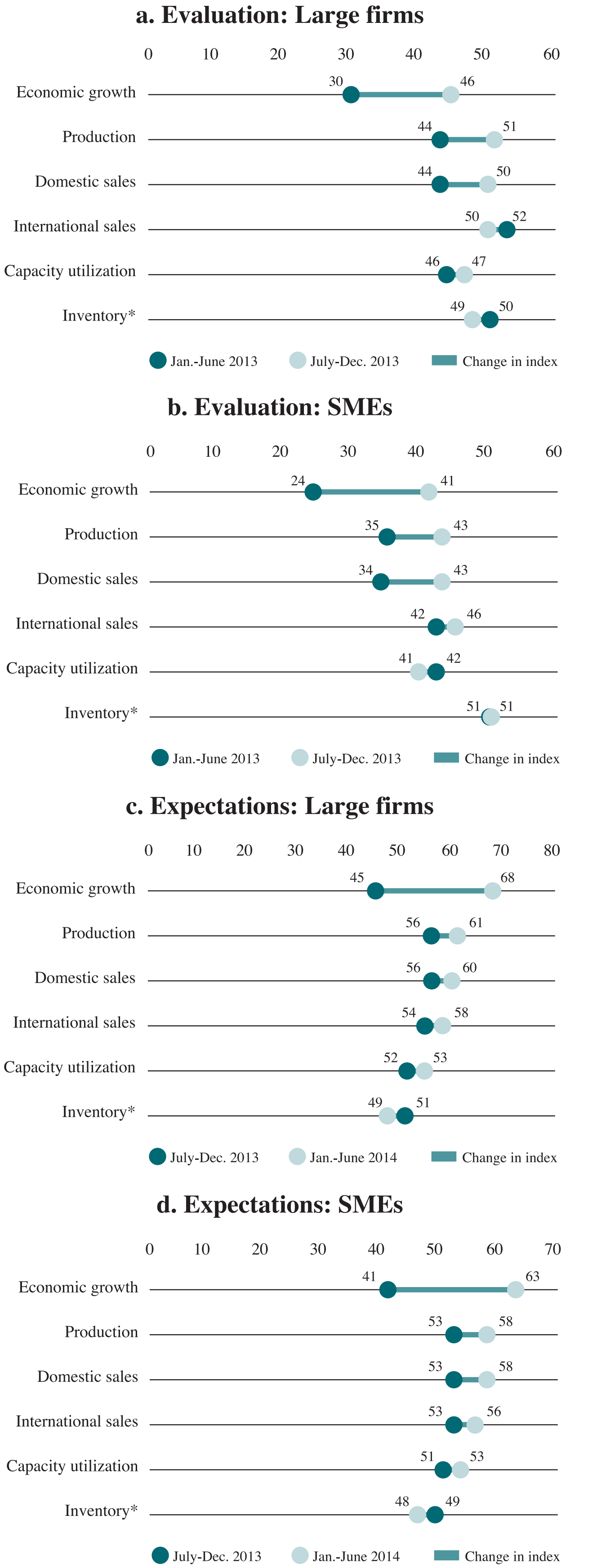
Indicator	Manufacturing Sector				Construction Sector				Tourism Sector				Transportation				Communications				Financial Intermediaries			
	Percentage			Index[2]	Percentage			Index[2]	Percentage			Index[2]	Percentage			Index[2]	Percentage			Index[2]	Percentage			Index[2]
	Higher	Same	Lower	47	Higher	Same	Lower	48.7	Higher	Same	Lower	46.4	Higher	Same	Lower	40.9	Higher	Same	Lower	45.7	Higher	Same	Lower	44.6
Economic growth	22	35	43	**42**	31	27	42	**46**	13	30	57	**33**	17	41	43	**41**	25	36	39	**45**	27	50	23	**51**
Business activity																								
Production	28	34	39	**46.3**	31	35	35	**48.9**	20	35	45	**40.7**	17	50	33	**44.7**	18	46	36	**43.8**	34	44	23	**54.2**
Domestic sales	27	34	39	**45.5**	33	35	33	**50.4**	20	35	45	**40.7**	17	51	32	**45.0**	19	46	35	**44.5**	34	44	23	**54.2**
International sales	24	50	26	**49.3**	50	38	13	**63.8**	17	50	33	**44.7**	8	76	16	**47.7**	22	44	33	**45.8**	0	75	25	**42.9**
Inventory	15	71	14	**49.7**	0	100	0	**50.0**	0	67	33	**60**	0	0	0	**0.0**	0	100	0	**50.0**	0	0	0	**0.0**
Level of capacity utilization	9	56	34	**41.7**	13	56	31	**44.2**	5	83	13	**48.1**	0	78	22	**43.8**	9	73	18	**47.4**	0	89	11	**47.1**
Prices																								
Final product prices	25	66	9	**54.8**	33	56	11	**57.1**	3	73	25	**43.9**	9	81	9	**49.7**	4	89	7	**49.2**	3	90	6	**48.9**
Intermediate input prices	70	27	3	**23.6**	71	29	0	**22.5**	69	31	0	**23.7**	64	36	0	**26.5**	61	39	0	**28.1**	42	58	0	**36.7**
Wage level	40	59	1	**62.3**	27	67	5	**56.3**	23	70	8	**54.7**	20	78	2	**55.1**	14	86	0	**53.8**	16	76	8	**52.3**
Primary inputs																								
Investment	17	82	2	**54.4**	20	76	4	**54.5**	67	33	0	**75.2**	0	100	0	**50.0**	0	100	0	**50.0**	17	83	0	**54.6**
Employment	7	77	16	**47.5**	7	62	31	**42.6**	3	80	18	**46.1**	4	81	15	**47.0**	7	68	25	**44.6**	6	81	13	**48.1**

Table A6. Survey Results: Summary of Business Sector Expectations (Jan.-June 2014)[1]

Indicator	Manufacturing Sector				Construction Sector				Tourism Sector				Transportation				Communications				Financial Intermediaries			
	Percentage			Index[2]	Percentage			Index[2]	Percentage			Index[2]	Percentage			Index[2]	Percentage			Index[2]	Percentage			Index[2]
	Higher	Same	Lower	57.0	Higher	Same	Lower	57.6	Higher	Same	Lower	51.9	Higher	Same	Lower	48.8	Higher	Same	Lower	53.4	Higher	Same	Lower	50.2
Economic growth	56	36	8	**67.6**	58	33	9	**68.4**	35	57	8	**58.6**	31	63	6	**57.7**	61	29	11	**69.8**	45	48	6	**62.8**
Business activity																								
Production	41	55	4	**61.9**	49	45	5	**64.8**	5	93	3	**50.8**	24	74	2	**56.3**	18	71	11	**52.0**	26	73	2	**57.2**
Domestic sales	39	57	4	**61.1**	47	47	5	**63.9**	5	93	3	**50.8**	25	74	2	**56.9**	19	73	8	**53.2**	26	73	2	**57.2**
International sales	34	64	1	**59.8**	57	43	0	**69.9**	0	100	0	**50.0**	20	80	0	**55.6**	11	78	11	**50.0**	20	80	0	**55.6**
Inventory	11	83	5	**48.1**	0	100	0	**50.0**	0	100	0	**50.0**	0	0	0	**0.0**	0	100	0	**50.0**	0	0	0	**0.0**
Level of capacity utilization	19	79	2	**54.7**	30	67	4	**58.1**	3	92	5	**49.5**	2	98	0	**50.5**	20	70	10	**52.9**	0	98	2	**49.5**
Prices																								
Final product prices	19	80	1	**55.0**	16	84	0	**54.3**	8	88	5	**51.1**	4	96	0	**51.0**	11	86	4	**52.2**	6	94	0	**51.5**
Intermediate input prices	38	59	3	**39.0**	47	51	2	**35.1**	11	89	0	**47**	25	75	0	**42.9**	29	68	4	**42.9**	17	83	0	**45.4**
Wage level	57	43	0	**69.9**	44	55	2	**63.9**	38	63	0	**62.0**	39	59	2	**61.6**	36	61	4	**60.2**	45	55	0	**64.5**
Primary inputs																								
Investment	21	79	0	**55.9**	13	87	0	**53.5**	0	100	0	**50.0**	17	83	0	**54.6**	10	90	0	**52.6**	25	75	0	**57.1**
Employment	16	82	3	**53.8**	11	82	7	**51.1**	3	98	0	**51.0**	2	96	2	**50.0**	14	79	7	**52.0**	6	92	2	**51.0**

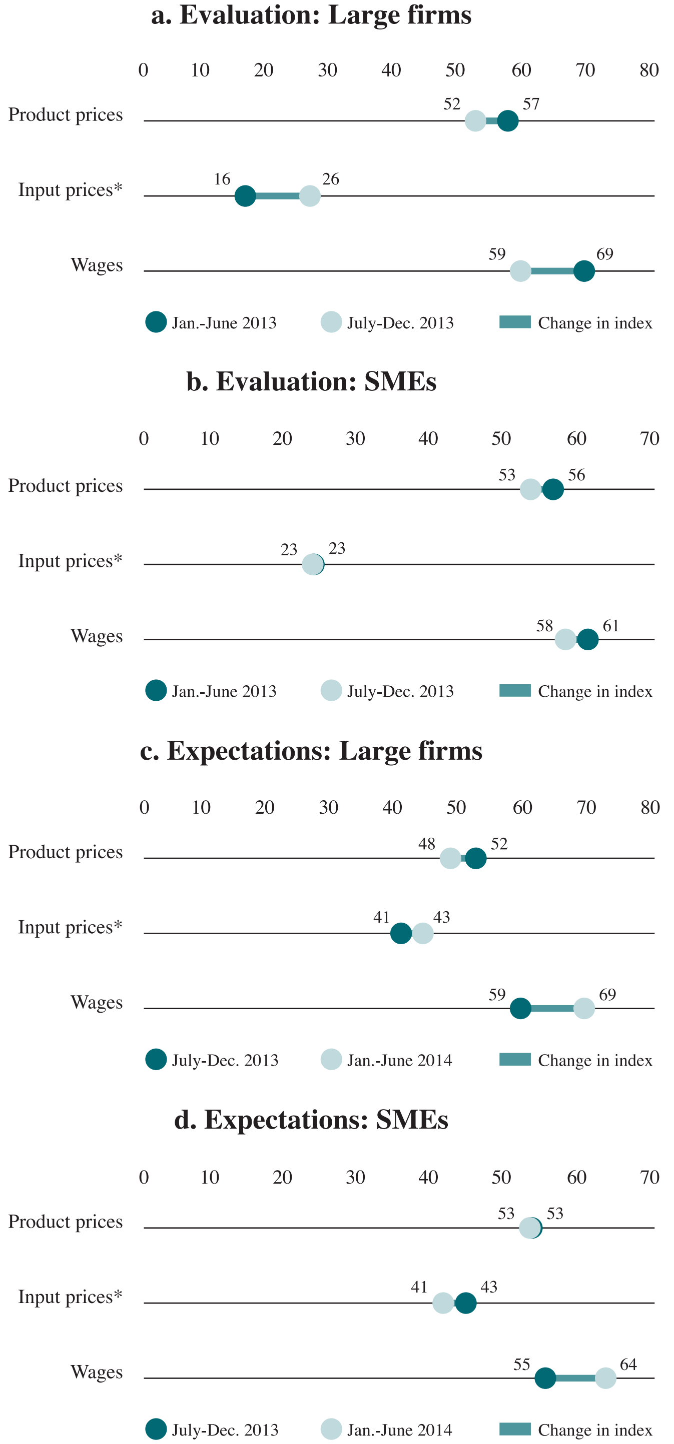
[1] Numbers represent percent of total responses. Higher, same and lower may not add up to 100 due to rounding.
[2] Equal to the simple average of the variables' indexes. The index's method of calculation is provided in the appendix.

Figure A1. 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.

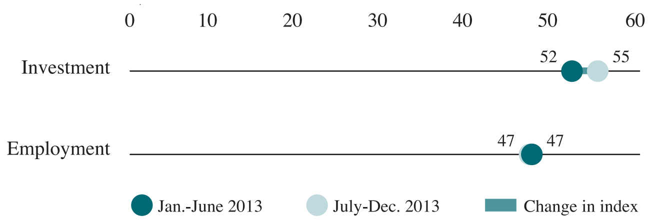
Figure A2. Prices and Wages



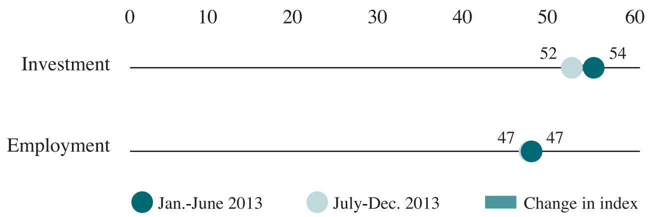
Source: Survey results.
* The index for input prices is inverted to indicate the negative impact of the increase of input prices on businesses. Hence, a lower value of this index indicates higher input prices.

Figure A3. Investment and Employment

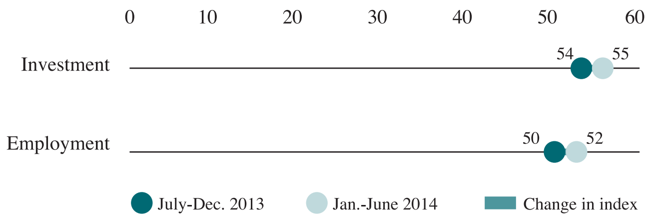
a. Evaluation: Large firms



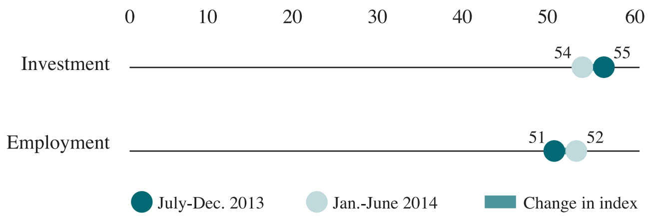
b. Evaluation: SMEs



c. Expectations: Large firms

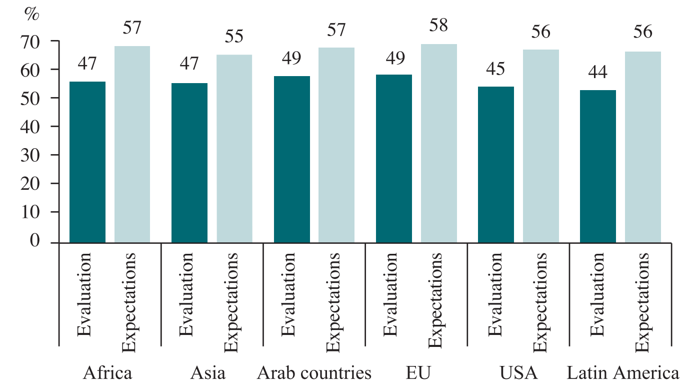


d. Expectations: SMEs



Source: Survey results.

Figure A4. Geographic Distribution of International Sales



Source: Survey results.