ECES
The Egyptian Center for Economic Studies
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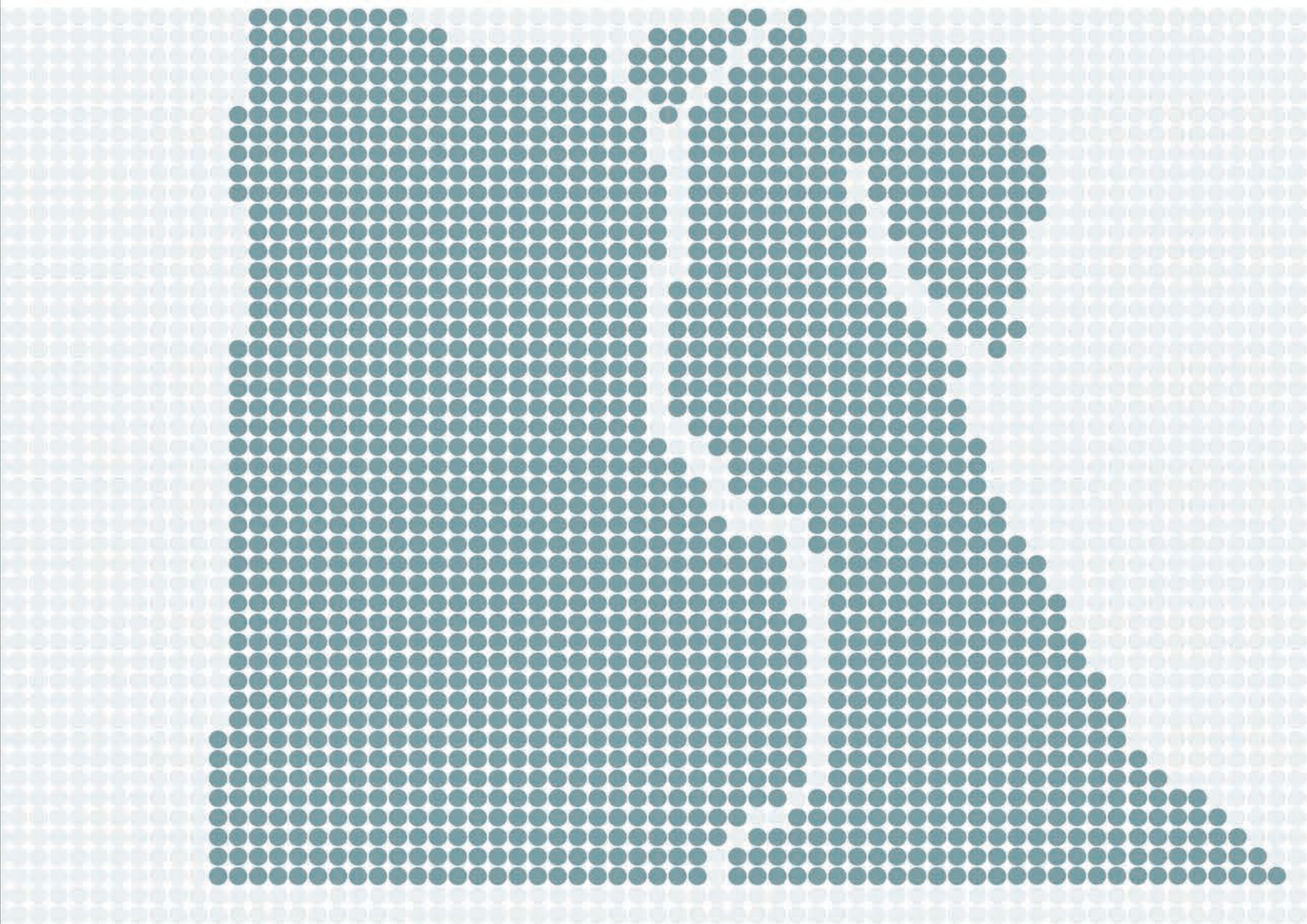
Business Barometer

Issue 33 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 first half of 2014 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 2014.

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Business Barometer

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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

ECES is pleased to issue the Business Barometer (BB) for the second half of 2014, which reports on the sentiment of the business community regarding the economic performance and business strategy during the first half and the outlook going forward. The survey of this BB carries special significance as it was conducted immediately after the presidential election and the formation of the new government.

For the first time since 2011, firms reported a positive sentiment and an expansionary outlook. The BB index registered an improvement in both past performance and outlook values. The overall positive sentiment is a testament of the significant improvement in both the political and security environments in Egypt over the past several months. It is noteworthy that the survey for this issue of the BB was conducted before implementation of the subsidy reform, which further deepened the confidence in the economic management of the new government.

The ranking of the business constraints, the required reforms, and the policy expectations reported by the business community in this issue are particularly meaningful as Egypt embarked on a bold reform program aimed at boosting investment and growth. The BB results offer valuable insight into what business considers as being the most pressing reform that when tackled would indeed boost growth. For the first time, electricity-related constraints to business jump to first place, followed by political instability. In fact, energy constraints emerge as an overwhelmingly important constraint.

We added two new sections in this BB. One looks at the needs of businesses, especially small and medium ones, for financial services. The second reports on the level of competition across sectors and the availability of local suppliers of inputs and services. Competition among firms and among suppliers is a strong driver of efficiency and productivity. Also, this edition features a special one-time section on corporate social responsibility as a tool to enhance social justice.

Looking forward, I am confident that the BB and other ECES research publications will contribute to sound policy making and help us navigate the delicate economic transition successfully.

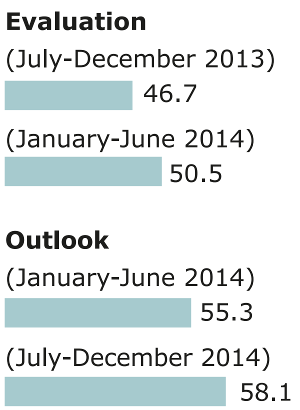
Omar Mohanna
Chairman

Introduction

This edition of *Business Barometer* (BB) presents the survey results of a stratified panel of 474 firms regarding their past and expected perceptions about the performance of the Egyptian economy and their own business strategies for the first half of 2014 (January-June 2014)[1] and the second half of 2014 (July-December 2014), respectively. The results of this survey are opportune as they provide the economic outlook as seen by business for the second half of 2014 as the political and security situations stabilize. Equally important, this issue also presents the past performance of business against the backdrop of the then ongoing election of a new president and formation of a new government.

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, required reforms, and policy expectations. In addition, new sections have been added to this issue which are: the business needs of financial services (especially SMEs), the level of competition across sectors and the availability of local suppliers. Also, a special one-time section on corporate social responsibility (CSR) has been included in this edition.

Business Barometer Index



Macro Brief and Outlook

Better economic growth during Q3FY13/14[2], but lower for the first nine months of FY13/14

Real GDP growth registered 2.5[3] percent in Q3FY13/14 (January-March 2014) compared to 2.2 percent in Q3FY12/13, driven by growth in construction, communications and manufacturing, though undermined by tourism's negative growth. Growth in Q3FY13/14 was driven by the increase in private and public consumption and investment, but was undermined by a drop in net exports.

Growth is expected to pick up in FY14/15, leveraged by prospects of new investments, fiscal reform, the stimulus packages and the continuing, though still fragile, recovery of the global economy (3.8 percent in 2015 according to the IMF estimates),[4] particularly in advanced economies. Consumption is expected to remain the main driver of growth.

Slight decline in unemployment, expected to continue in 1HFY14/15

After three years of high unemployment since 2011, the unemployment rate witnessed a slight decline for the first time to 13.3 percent in June 2014, down from 13.4 percent in March 2014. This decline can be explained by the increase in employment opportunities by 39 thousand jobs during this quarter, which might be a result of the government's stimulus packages. Unemployment is expected to continue decreasing, albeit at a slow pace during the coming period. The planned megaprojects that the government is about to implement in addition to the expected rebound in private investments would contribute to the decline in unemployment. This rebound is due to the positive sentiment thanks to the recent stimulus packages and the perceived improvement in the security situation, which gives positive signals to Egyptian and international investors.

[1] See "About the Business Barometer" earlier for a description of the survey panel.
[2] ECES uses FY July to June as a reference timeframe for the BB to correspond to the government budgetary cycle and economic data reporting.
[3] Ministry of Planning quarterly follow-up.
[4] International Monetary Fund, World Economic Outlook, July 2014.

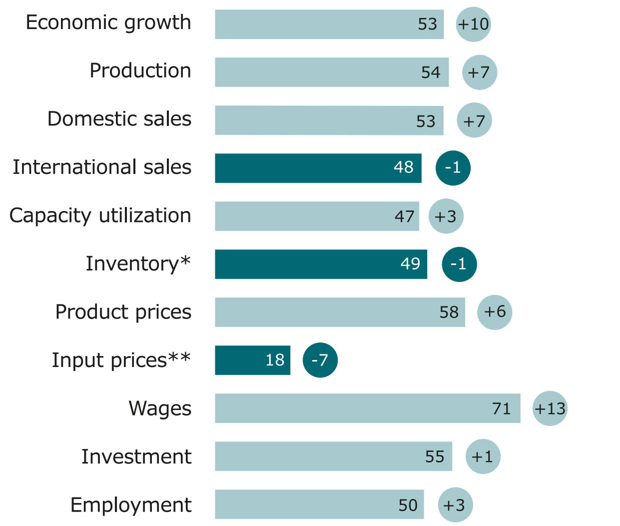
Main Takeaways

Firms' performance and outlook

- The "Business Barometer Index" witnessed an improvement in its past and outlook values (by 4 and 3 points, respectively), reflecting a more favorable business climate.
- Firms reported their first sentiment of economic growth since 2011.
- Significant increase in wages mitigated the negative impact of higher prices on domestic demand, thus preserving a modest increase in domestic sales. Firms in the service sector performed better than in manufacturing by 2 points. Manufacturing firms stabilized.
- Construction and tourism sectors witnessed the most significant rebound, with tourism rising from a lower base of 46 points in the previous BB.
- The overall performance of large firms was 3 points better than that of SMEs.
- Public firms increased their investments at the expense of decreasing employment. In contrast, private firms stabilized their investment level while increasing employment slightly.
- High expectations of economic growth. Positive outlook in production, sales and exports with expectations of higher prices in both output and inputs with decreased wages.
- Stable investment and employment outlook on average.
- Tourism leads the overall positive outlook. Manufacturing is stable.
- Power cut-offs, political instability and difficulty in obtaining energy were reported as the most serious business constraints.
- Majority of firms expect stable-to-higher trade, credit and taxes, and the majority expect lower production subsidies.

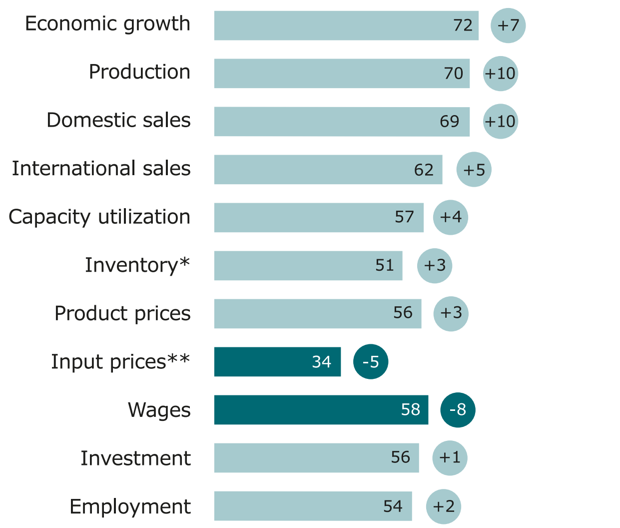
Firms Past Performance for the Period January-June 2014

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



Firms Outlook for the Period July-December 2014

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



Source: Authors' calculations based on 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.
** 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.

Double digit inflation is expected in 1HFY14/15

Inflation levels declined during the second half of FY13/14 (January-June 2014), owing to the decline in international food prices, falling from 11.4 percent in January 2014 to 8.2 percent by June 2014, but subsequently jumping to 11.04 percent in July 2014 and further to 11.49 percent in August. The recent increases in petroleum product prices introduced recently by the government have triggered this hike both directly and indirectly through increases of transportation and food prices.

After subsequent episodes of lowering the interest rate over the past year (2013), the CBE increased interest rates in July 2014 to curb inflationary expectations anticipated with the recent hikes in energy prices. It raised the interest rate by 100 basis points.

Inflation is expected to remain high during the first half of FY14/15 (July-December 2014), owing to forecasted second round effects. The Economist Intelligence Unit (EIU) has revised upward its forecasts for inflation for the year 2014 to 9.5-10 percent, EFG Hermes (12 percent), and IMF (10.1 percent).

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

The balance of payments deficit of $1.5 billion in Q3FY12/13 turned into a $0.2 billion surplus in Q3FY13/14—an improvement from -0.6 percent to 0.1 percent of GDP. Although the balance of goods and services deteriorated from a $5.5 billion deficit to a $8.6 billion deficit between these two quarters (Q3FY12/13 and Q3FY13/14), mainly due to increases in imports of goods, this increase in deficit was more than offset by the $5.5 billion official transfers from Gulf countries. Hence, the current account turned from a $0.8 billion deficit to a $0.5 billion surplus (0.2 percent of GDP). The capital and financial surplus increased from almost a zero balance in Q3FY12/13 to a $0.5 billion surplus in Q3FY13/14.

Net international reserves (NIR) continued to grow slowly from December 2013 through April 2014 but declined in May and June 2014—due to financing of basic goods, coupled with the payments of Paris Club debt installments—to reach $16.7 billion (3.4 months of imports).

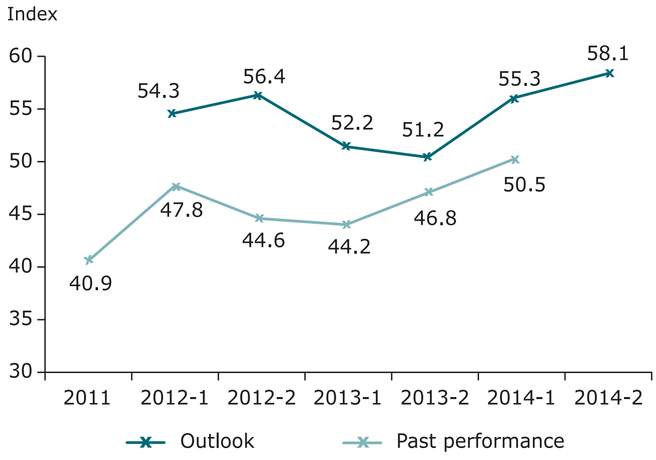
Easing of budget deficit is expected in the first half of FY2014/15

The government introduced fiscal consolidation measures to narrow the widening budget deficit. Preliminary budget deficit figures for the July-May of the FY13/14 indicate a deficit of 9.3 percent of GDP, compared to 11.7 percent during the same period in FY12/13. The government now targets a deficit of 10 percent of GDP for FY14/15. According to the adjusted new budget, the subsidy bill has been reduced by LE 41 billion as a result of the recent reform. The government is also on its way to introduce the new property tax and the value added tax laws. The latter is estimated to raise sales tax revenues by 130.8 percent from FY 2012/2013 to FY 2013/2014.[5] On the other hand, the new budget allocates more spending to social protection programs for the most vulnerable groups such as pension programs, health insurance, and improving the slum areas.

The Business Barometer Index[6]

The positive developments in the political road map and the favorable sentiment that prevailed following the presidential elections have affected business prospects as seen in the "Business Barometer Index" (BBI), which witnessed an increase of 4 points, reflecting more favorable business activities (Figure 1). The BBI also shows that the business outlook continues to be positive, reflecting business expectations of higher economic growth. The positive outlook applies to large firms and SMEs, but is more pronounced among the large ones.

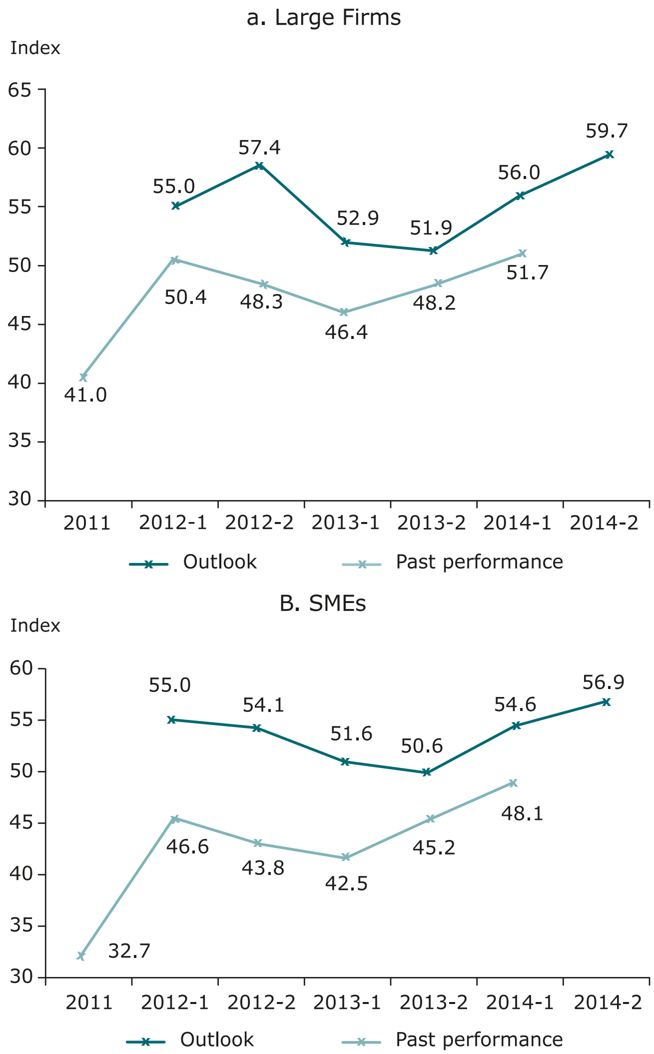
Figure 1. Overall Business Barometer Index



Source: Survey results.

[5] Helmy, Omneia. 2013. The Merits of a Value-Added Tax in Egypt. Presentation delivered at ECES on November 18, 2013.
[6] The Business Barometer Index (BBI) takes a value between 0 and 100. Increases in its value indicate a more favorable climate and vice versa.

Figure 2. The Business Barometer Index
(Large vs SMEs)



Source: Authors' calculations based on survey results.

Detailed Firms' Past Performance and Outlook

Firms' past performance

During January-June 2014, firms' performance was affected by a general sense of optimism amid the then-ongoing presidential elections. Having positive prospects for the economy's growth (first expansion perception since 2011), firms were encouraged to increase their production and raise their capacity utilization. Domestic sales increased, albeit modestly, affected by the hike in final product and input prices. However, the significant increase in wages has mitigated the impact of higher prices on domestic demand and sustained an increase in the consumption pattern, which helped preserve a considerable level of domestic sales. In other words, private consumption remains Egypt's main driver of growth. Despite a decline in their international sales (more about firms' reported export barriers later in this issue)—mitigated by domestic demand—firms continued their investment and employment plans but cautiously.

Firms in the construction and tourism sectors saw the most significant rebound during the period January-June 2014. It is obvious that firms in the service sector outperformed manufacturing firms, which stabilized. It is worth noting that manufacturing firms reported difficulty in obtaining energy as their top constraint, which might have affected their performance and their expansion plans significantly. The highest growth perceptions were reported by firms in the tourism, transportation, and finance sectors. Prices and wages witnessed an increase across all sectors. Investments remained relatively stable but increased in the transportation and finance sectors. Also, employment stabilized but increased significantly in the construction sector, expanding by 8 points.

The overall performance of large firms in January-June 2014 was slightly better than that of SMEs. Both preserved their production and domestic sales (more significant among large firms). However, owing to higher input prices, small firms saw a decline in their exports, while large ones maintained the level of their international sales. This has been reflected in increased inventory in SMEs, compared to a slight decrease thereof among large firms. Wages increased significantly among large firms and SMEs (16 and 11 points, respectively), while no considerable difference was detected among them concerning their investment and employment strategies.

There was no considerable difference between public and private firms in their economic growth perception, production and domestic sales. Public firms saw a significant decrease in their inventory, while private companies reported an increase thereof. Both reported a significant increase in final and input prices, in addition to a significant increase in wages in the private sector. Public firms increased their investments at the expense of decreasing employment, which might be the result of more capital intensive investments. To the contrary, private firms stabilized their investment level while increasing employment slightly.

Business' strategy going forward

Firms' expectations for the second half of 2014 are favorable in line with their positive performance over the last six months. With expectations of higher economic growth, firms plan to increase production to meet an expected increase in domestic sales, and, to a lesser extent, in exports. Overall, the best outlook was expressed by firms in tourism and finance, particularly due to the relative improvement in political stability and security. As an exception, manufacturing firms in the textile and fertilizer industries reported negative expectations[7] for economic growth and thus plan to reduce production and sales. Their negative outlook is partially due to their strong expectations of reduced energy and export subsidies by the government. Yet, manufacturers in other industries like clothing and heavy industries had a better outlook, which stabilized the manufacturing sector's outlook as a whole.

Firms reported plans to increase capacity utilization and decrease inventories. The expected growth in production will entail growth in investment and employment, though very modestly as firms plan to rely more on increasing capacity utilization and decreasing inventories. Nevertheless, input prices are expected to rise as a result of higher inflation and weakening Egyptian pound, which will entail an increase in product prices and might compel firms to decrease wages to cut expenses, especially after the large wage increase that occurred in the first half of 2014 (see appendix tables).

There are no significant differences in outlook between large firms and SMEs nor between state-owned firms and privately owned ones.

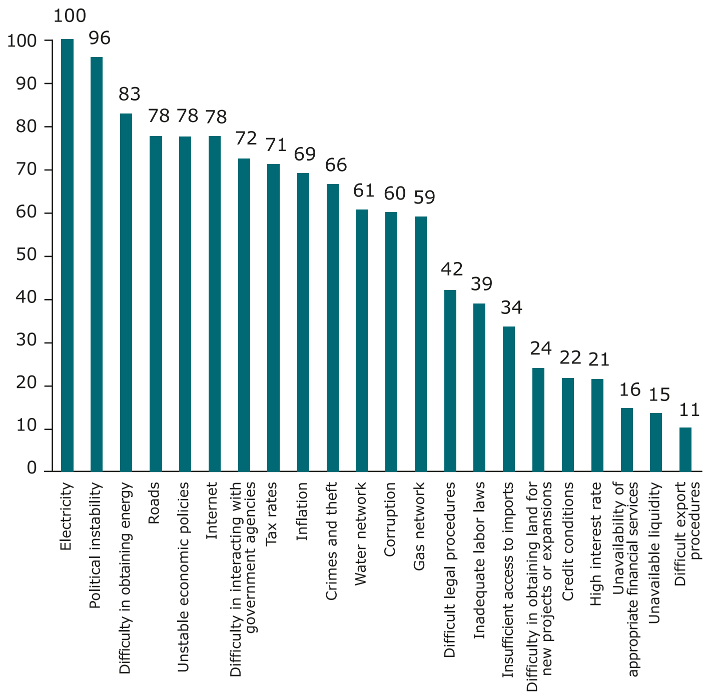
Business Constraints and Required Reforms

Major constraints: Power cut-offs, political instability, difficulty in obtaining energy and poor road infrastructure

Power outages, political instability, difficulty in obtaining energy, poor infrastructure of roads and unstable economic policies were reported in that order as the most serious business constraints (Figure 3).

Figure 3. Major Constraints Facing the Business Sector

(Normalized index of severity)



Source: Survey results.

Restoring security remains the top business need

In this BB issue, firms were asked to give their suggestions concerning resolving the above business constraints. Restoring security remains the top business need. In addition, businesses suggested exploring renewable sources of energy in place of fossil fuels as a way to solve the continuing power cut-offs and the difficulty in obtaining energy in general. A long-term plan for restructuring roads and water networks has been suggested, in addition to their regular maintenance. Also, firms highlighted that the government's long term reform plans should be consistent across different administrations. Finally, a dialogue between the government and investors was suggested to improve the business environment in general.

Strong competition is the most significant barrier to penetrating export markets

Firms were asked about the main constraints behind the difficulty to penetrate the international markets. Most of the firms reported fierce competition, difficult

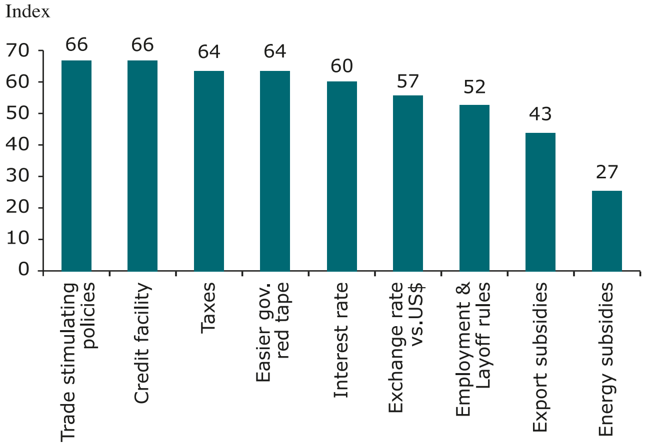
[7] These expectations are consistent with the recent reduction in subsidies and before the more recent increase in fertilizer prices.

export procedures, and high input prices as their main export constraints. For small firms, difficult export procedures topped their constraints, followed by high energy prices and the unavailability of high quality intermediate inputs in the local market (76 percent of their inputs is domestic).[8]

Policy Expectations

As shown in Figure 4, the policy expectations index shows that firms anticipate stable-to-higher trade stimulation policies,[9] credit facilities and taxes. In contrast, the majority of firms expect lower energy subsidies. Most of these expectations reflect the government's need to reduce the fiscal deficit.

Figure 4. Policy Expectations for the Coming Six Months



Source: Survey results.

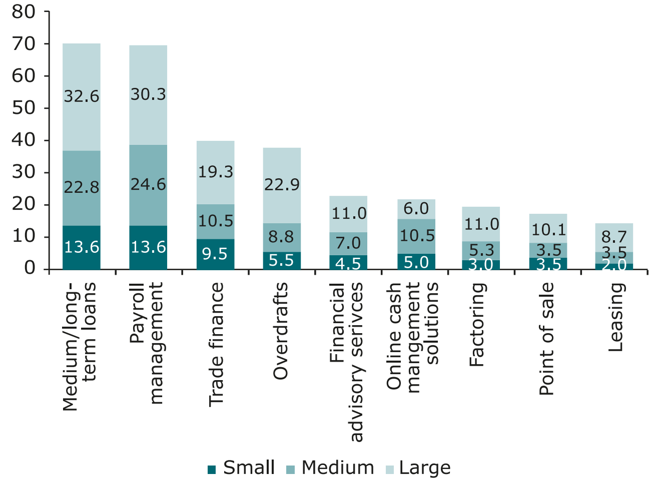
Business Demand for Financial Services

To gain a better understanding of Egyptian firms' sentiment towards the various financial services, especially among SMEs, the Business Barometer as of this edition includes a section on firms' needs of different financial services.

Results revealed that the majority of firms interact with banks (92 percent of surveyed firms and 82 percent of small ones). Firms' main interactions with banks relate mainly to deposits, current accounts and credit facilities. It is quite significant that credit facilities are 24 points less among SMEs.

The financial services most needed by firms are medium and long-term loans, payroll management and trade finance

Figure 5. What are the Financial Services Most Needed by Firms?



Source: Survey results.

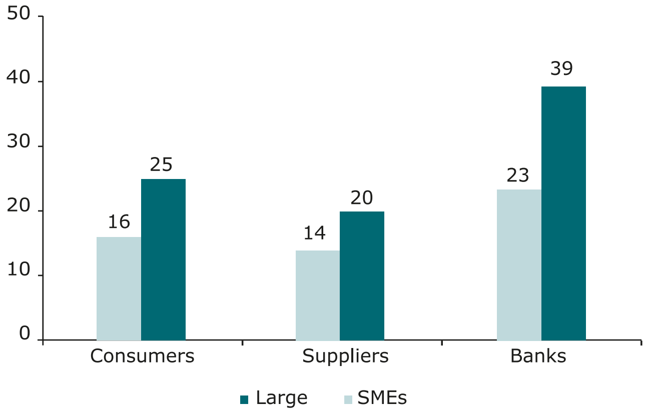
E-payments are not common in the business activity in Egypt, especially among SMEs

Firms were also asked whether or not they rely on e-payments in their transactions with banks, suppliers or consumers. Results show that the most common e-payments are with banks, while the least use of e-payments is with suppliers (only 20 percent of large firms and 14 percent for SMEs) (Figure 6a). The degree of reliance on e-payments is less significant for SMEs. Also, results show the percentage of firms that do not use e-payments or are not willing to use them in the near future (see Figure 6b). This points to Egypt's largely cash-based economy and underdeveloped financial markets, despite the fact that the Egyptian government has issued the e-signature law no. 15 in 2004, which introduced the concepts of electronic transactions and documents, and digital signatures. This weak desire could be attributed to firms not having sufficient information about the use and benefits of e-payments and see them as risky.

[8] The share of exporters in the sample is 34 percent.
[9] Trade stimulation policies include, among others, customs reform, removing import bans, and quota easing.

Figure 6. Electronic Payments (e-payments)

a. does your firm use e-payment in your transactions with consumers, suppliers or banks?*



b. if your firm does not use e-payment, are you willing to use it in the future?*

Source: Survey results.

* Numbers indicate the percentage of firms that responded affirmatively.

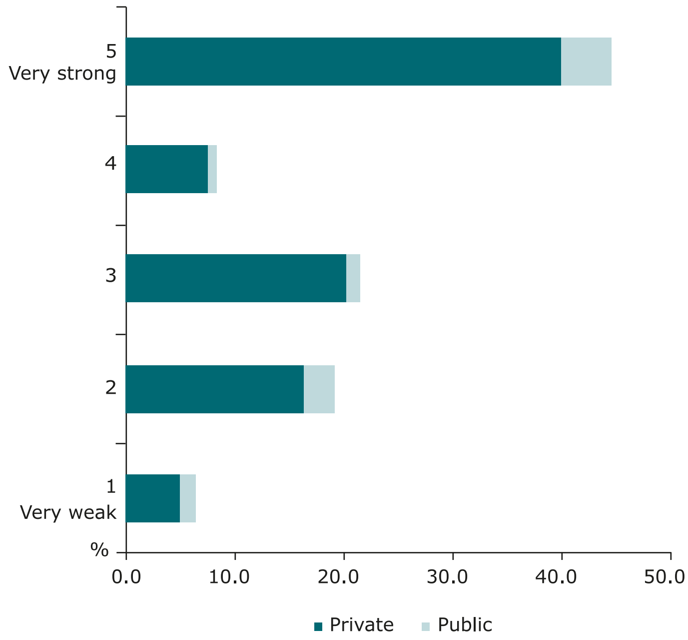
Competition and Local Suppliers

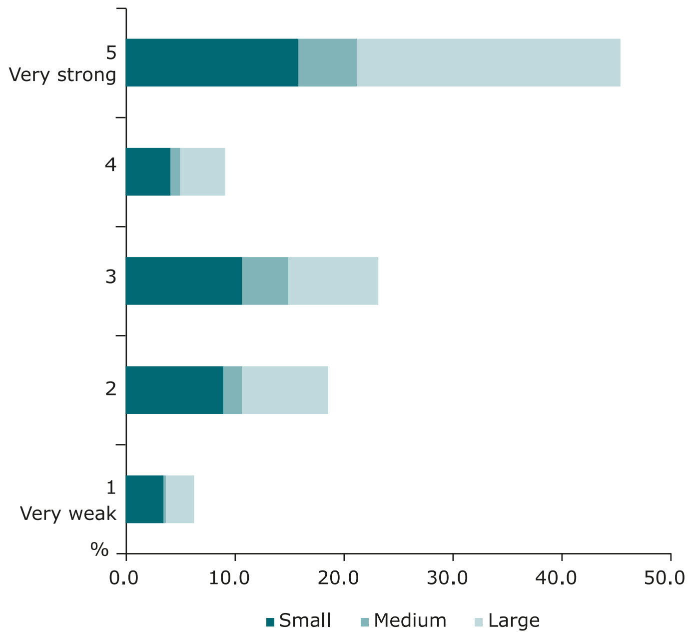
The intensity of competition is an important driver of firm productivity and efficiency. In order to shed more light on the behavior of firms and their business strategy, the Business Barometer will henceforth include a section on firms' perceptions of competition.

Figure 7 shows the percentage of firms with their corresponding reported degree of competition in their sector (with 1 being the weakest and 5 the strongest). More than half of the firms perceive competition in their sector to be strong and very strong. This was mainly reported by firms in food, textiles, fertilizers, construction, transportation services, telecommunications and financial services. The reason behind this result might be the slowdown of demand during the last 3 years, which made competition among producers more intense. Also, firms might be trying to convey their need for protection in light of their growing fears of subsidy removal. The main results for this response come from large firms and the private sector.

Competition perceptions across firm size are shown below. The largest share of firms that reported very strong competition in their sector comes from large firms and the largest share that reported median competition (score 3) comes from medium firms.

Figure 7. Degree of Competition

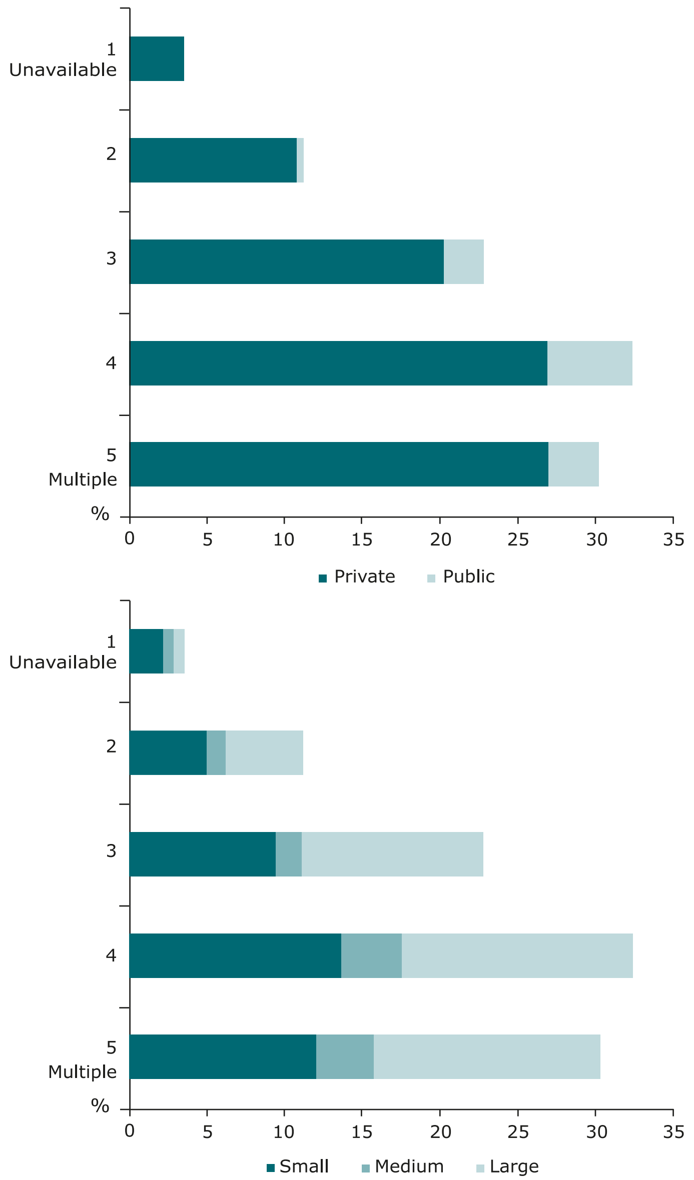




Source: Survey results.

Taking into account the importance of supplier availability for enhancing firm competitiveness, a new question (Figure 8) was added about the availability of local suppliers (1= unavailable, 5= multiple). The largest share of firms (around 65 percent) reported high availability (levels 4 and 5 of availability), from both large and small firms. These shares mostly come from the private sector.

Figure 8. Availability of Local Suppliers



Source: Survey results.

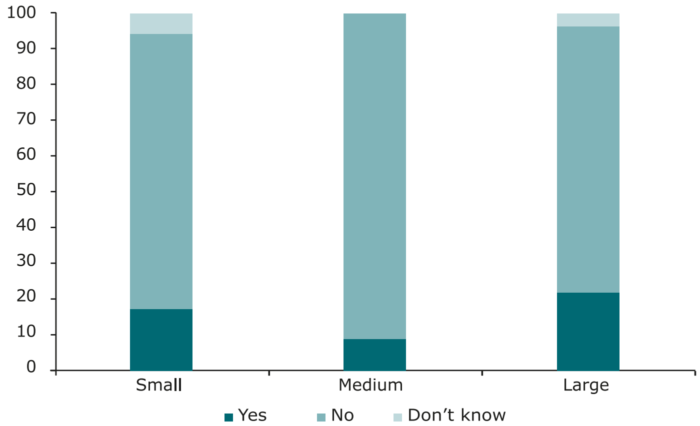
Corporate Social Responsibility (CSR)

When asked if they contribute to CSR, 40 percent of firms on average responded "yes". This share decreased to 25 percent in small firms and increased to 51 percent in large firms.

Of those reporting yes, 42 percent said their activity was sponsoring volunteer work and 27 percent extending grants for social purposes (reducing poverty, literacy programs, etc.).

When asked whether their contribution to CSR would increase their sales or capacity to compete, 78 percent believed it would not, implying that CSR prevalence is moderate and is primarily focused on charity (Figure 9).

Figure 9. Would Contribution to CSR Translate to Higher Sales and More Competitiveness?



Source: Survey results.

Appendix

Following an elaboration of the methodology used in calculating the index, this appendix will present tables that give a numerical 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:

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

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 1.

Table A1. Sectors' Past Performance (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	Overall Index
Manufacturing of which:[1]	+5	+3	+2	-3	-1	+4	+6	-3	+14	+1	+3	+3
Food processing	+1	+10	+11	-1	-6	+11	-2	+7	-6	-1	+5	+3
Textiles	+8	-1	+1	-2	+5	-	+13	-9	+19	-4	+3	+3
Fertilizers	+5	+1	+2	-6	-4	-8	+11	+4	+9	-1	+3	+3
Services of which:	+15	+11	+11	+2		+3	+5	-12	+12	+1	+4	+5
Construction	+13	+17	+15	+11		+2	+2	-11	+11	+1	+8	+7
Tourism	+31	+14	+15	+10		+2	+8	-16	+11	-22	+4	+6
Transportation	+15	+7	+9	+1		+2	+8	-8	+13	+4	-1	+5
Communications	+5	-1	-3	-3		+3	+6	-8	+15	+1	+4	+2
Financial intermediaries	+11	+14	+14	+7		+5	+3	-15	+13	+4	+4	+6

Source: Survey results.

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

Table A2. Sectors' Outlook (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	Overall Index
Manufacturing of which:[1]	+1	+4	+5	+1	+4	+2	+2	-4	-12	-2	-1	-
Food processing	-40	+8	+7	-	+10	-4	-1	+12	-8	-5	-6	-2
Textiles	-30	-38	-18	-10	-23	-19	-34	-26	-42	-9	-3	-23
Fertilizers	-59	-37	-20	-4	-23	-22	-35	-18	-46	-3	-1	-24
Services of which:	-39	+16	+16	+11		+5	+4	-7	-5	+4	+5	+1
Construction	+9	+8	+9	-10		+3	+2	-5	-6	+10	+8	+3
Tourism	+31	+35	+33	+32		+12	+10	-18	-3	+6	+7	+14
Transportation	+15	+9	+8	+6		+4	+3	-	-6	-	-	+4
Communications	-10	+9	+8	-29		-3	-6	-13	-3	-3	-	-5
Financial intermediaries	+19	+22	+22	+4		+8	+2	-13	-4	-	+8	+7

Source: Survey results.

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

+ - - = Same Blank=Not applicable

Table A3. Survey Results: Summary of Past Performance of all Firms (July-December 2012 - January-June 2014)[1]

Indicator	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]
Economic growth	12	24	64	**29.0**	9	24	46	**26.6**	23	36	41	**43.4**	36	36	28	**52.9**
Business activity																
Production	23	33	44	**42.1**	16	37	47	**38.7**	26	38	36	**46.7**	38	34	29	**53.7**
Domestic sales	21	37	42	**42.3**	15	38	46	**38.4**	26	38	36	**46.4**	37	34	29	**53.0**
International sales	24	36	40	**44.1**	25	46	29	**48.6**	21	55	25	**49.0**	27	40	33	**47.9**
Inventory	22	66	12	**47.0**	14	71	15	**50.3**	14	71	14	**49.7**	18	69	14	**49.1**
Level of capacity utilization	7	59	34	**41.5**	7	66	27	**44.0**	7	66	27	**44.0**	12	67	21	**47.3**
Prices																
Final product prices	13	74	13	**50.0**	29	62	9	**56.2**	18	72	10	**52.3**	30	66	4	**57.8**
Intermediate input prices	60	38	2	**29.0**	75	25	0	**20.0**	69	30	2	**24.6**	79	20	1	**17.5**
Wage level	31	67	2	**58.7**	47	51	3	**64.9**	30	67	3	**58.0**	59	40	1	**70.7**
Primary inputs																
Investment	42	49	9	**61.1**	20	67	12	**52.1**	16	82	2	**53.8**	19	80	1	**55.0**
Employment	6	72	22	**45.3**	5	78	17	**46.6**	6	76	18	**46.1**	14	72	14	**50.0**

Table A4. Survey Results: Summary of Outlook of all Firms (January-June 2013 - July-December 2014)[1]

Indicator	Jan.-June 2013				July-Dec. 2013				Jan.June 2014				July-Dec. 2014			
	Higher	Same	Lower	Index[2]	Higher	Same	Lower	Index[2]	Higher	Same	Lower	Index[2]	Higher	Same	Lower	Index[2]
Economic growth	25	41	34	**46.8**	15	49	36	**43.0**	51	42	8	**65.5**	65	25	9	**72.0**
Business activity																
Production	29	57	15	**54.8**	24	65	11	**53.9**	34	62	4	**59.3**	58	38	5	**69.6**
Domestic sales	27	59	13	**54.1**	24	65	11	**53.9**	33	64	4	**59.0**	58	37	5	**69.3**
International sales	32	53	15	**55.6**	20	73	7	**53.8**	26	72	2	**56.6**	42	53	5	**62.1**
Inventory	9	85	6	**49.2**	9	83	8	**49.7**	11	84	5	**48.4**	9	78	13	**51.1**
Level of capacity utilization	10	83	6	**50.8**	12	83	6	**51.9**	14	83	3	**53.0**	26	72	3	**57.0**
Prices																
Final product prices	21	76	3	**55.1**	16	82	1	**53.8**	14	85	1	**53.5**	24	74	2	**56.3**
Intermediate input prices	49	49	2	**34.2**	31	68	1	**41.1**	35	62	2	39.**5**	48	51	1	**34.4**
Wage level	43	56	1	**63.5**	26	73	1	**57.2**	49	51	1	**66.2**	28	72	0	**58.1**
Primary inputs																
Investment	34	63	3	**59.5**	17	82	1	**54.4**	18	82	0	**54.9**	20	80	0	**55.6**
Employment	10	84	6	**51.1**	5	92	3	**50.5**	11	86	3	**52.2**	19	76	4	**54.0**

[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.

Table A5. Survey Results: Summary of Business Sector Past Performance (January-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	50	Higher	Same	Lower	56	Higher	Same	Lower	51	Higher	Same	Lower	50	Higher	Same	Lower	47	Higher	Same	Lower	55
Economic growth	27	39	34	**47.5**	44	35	22	**59**	55	25	20	**64**	41	35	24	**56**	29	43	29	**50**	52	29	19	**63**
Business activity																								
Production	29	40	31	**49.3**	60	18	22	**66**	48	15	38	**55**	33	39	28	**52**	18	43	39	**43**	60	26	15	**68**
Domestic sales	27	40	33	**47.9**	59	19	22	**66**	47	19	33	**55**	35	41	24	**54**	14	46	39	**41**	60	26	15	**68**
International sales	25	40	35	**46.4**	67	33	0	**75**	47	16	37	**54**	24	48	29	**49**	0	75	25	**43**	0	100	0	**50**
Inventory	18	68	14	**48.8**	-	-	-	**-**	-	-	-	-	-	-	-	**-**	-	-	-	**-**	-	-	-	**-**
Level of capacity utilization	8	70	22	**45.9**	20	49	31	**46**	26	49	26	**50**	11	64	25	**46**	0	100	0	**50**	16	75	9	**52**
Prices																								
Final product prices	38	57	5	**61**	33	64	4	**59.1**	20	65	15	**52**	28	72	0	**58**	18	82	0	**55**	11	87	2	**52**
Intermediate input prices	75	23	2	**20**	87	13	0	**11.5**	92	8	0	**7**	77	23	0	**19**	75	25	0	**20**	73	27	0	**21**
Wage level	69	31	0	**76**	53	45	2	**67.6**	48	53	0	**66**	52	48	0	**68**	54	46	0	**68**	48	50	2	**65**
Primary inputs																								
Investment	19	81	0	**55**	25	69	6	**55.6**	12	88	0	**53**	16	84	0	**54**	4	96	0	**51**	29	71	0	**58**
Employment	13	74	13	**50**	20	62	18	**50.6**	13	75	13	**50**	13	61	26	**46**	4	86	11	**48**	16	76	8	**52**

Table A6. Survey Results: Summary of Business Sector Outlook (July-December 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	Higher	Same	Lower	61	Higher	Same	Lower	66	Higher	Same	Lower	58	Higher	Same	Lower	49	Higher	Same	Lower	61
Economic growth	60	29	12	**69**	73	18	9	**77**	88	13	0	**89**	65	28	7	**72.7**	39	50	11	**59.3**	79	15	6	**81.7**
Business activity																								
Production	51	43	6	**66**	64	33	4	**73**	83	18	0	**86**	50	43	7	**65.0**	39	57	4	**61.1**	74	23	3	**78.9**
Domestic sales	52	42	6	**66**	65	31	4	**73**	81	19	0	**84**	51	41	8	**65.2**	39	57	4	**61.1**	74	23	3	**78.9**
International sales	37	59	4	**60**	33	67	0	**60**	78	22	0	**82**	44	47	9	**61.9**	4	22	0	**21.3**	33	67	0	**59.9**
Inventory	10	74	16	**52**	-	-	-	**-**	-	-	-	**-**	-	-	-	**-**	-	-	-	**-**	-	-	-	**-**
Level of capacity utilization	24	74	3	**56**	40	55	5	61	38	63	0	**62**	19	80	2	**55.0**	4	93	4	**50.3**	27	71	2	**57.3**
Prices																								
Final product prices	25	73	2	**57**	27	69	4	**57**	35	65	0	**61**	17	79	3	**53.6**	11	64	0	**46**	16	82	2	**54**
Intermediate input prices	49	50	2	**35**	58	40	2	**30**	58	42	0	**30**	25	75	0	**42.9**	32	43	0	**30**	53	47	0	**32**
Wage level	28	72	0	**58**	29	69	2	**58**	30	70	0	**59**	20	80	0	**55.6**	25	75	0	**57**	34	66	0	**60**
Primary inputs																								
Investment	15	85	0	**54**	43	57	0	**64**	22	78	0	**56**	16	84	0	**54.3**	0	100	0	**50**	26	74	0	**57**
Employment	16	80	4	**53**	31	67	2	**59**	30	65	5	**58**	6	87	7	**49.7**	14	79	7	**52**	31	68	2	**59**

[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.