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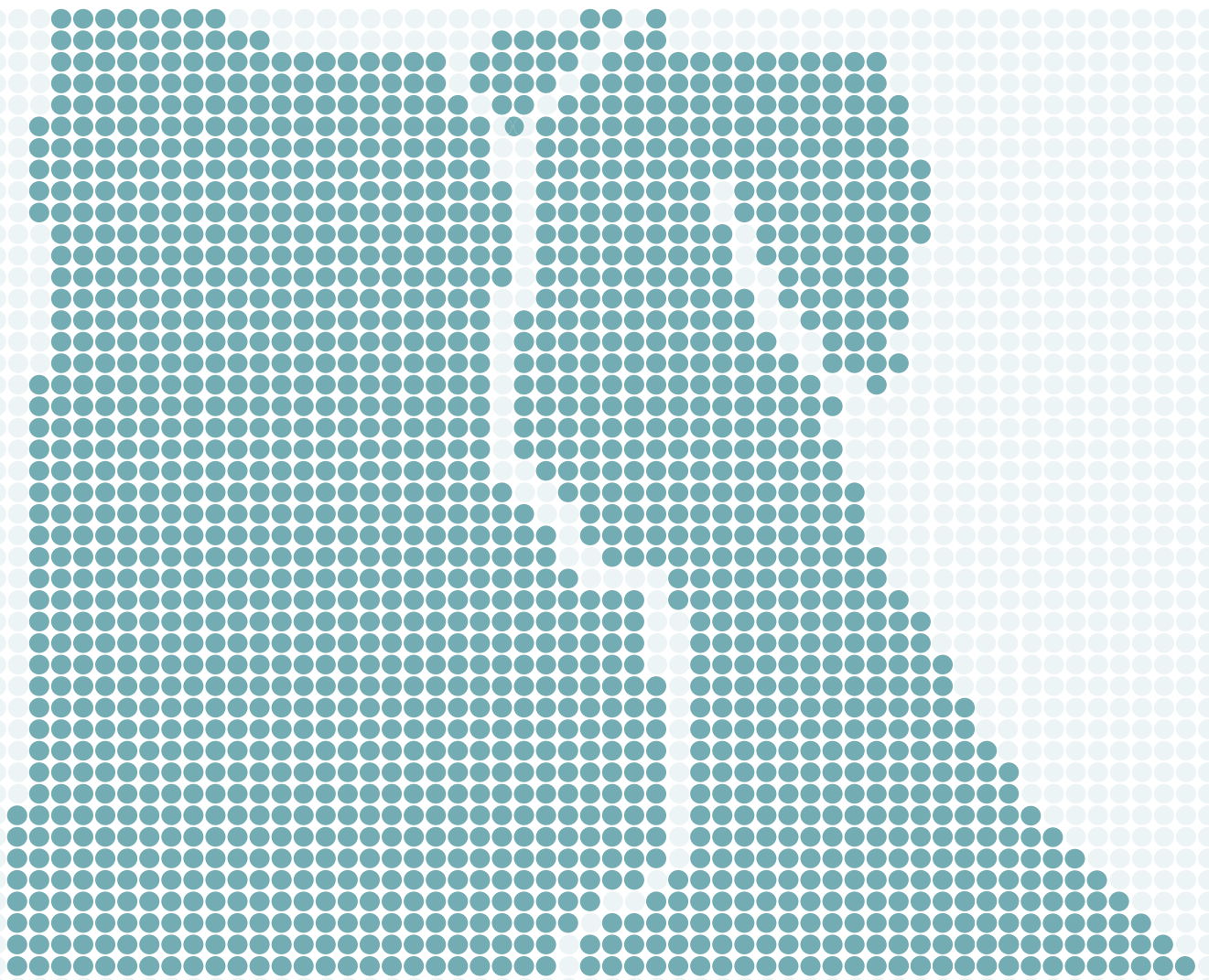
The Egyptian Center  
for Economic Studies

COMMITTED TO SHAPING EGYPT'S ECONOMIC FUTURE

# Business Barometer

Issue 36

2015



## 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. Starting with Issue No. 34, the Business Barometer reports quarterly results for the firm sample.

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 third quarter of FY2014/2015 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 last quarter of FY2014/2015.

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# ***Business Barometer***

**Issue No. 36 - 2015**

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## 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

## **Preface**

The Egyptian business community expressed an exceedingly positive outlook for economic growth in the second quarter of 2015, despite a notable slowdown in the first quarter. This highest ever outlook since 2007 came against a backdrop of two consecutive sovereign credit rating upgrades, an improvement of the level of international reserves and more prudent fiscal policy declared by the government for FY 2015/16.

In particular, the tourism sector reported a positive outlook, albeit this comes on the heels of firms' weak performance in the previous three quarters. With respect to government policies, firms anticipate enhancement of the business environment, motivated mainly by the revision of important investment legislations and the improved availability of credit. Perhaps the most significant signal from the business community reported in this issue of Business Barometer is its favorable evaluation of trade policies due to the recent anti-dumping measures.

The drive for civil service reform and combating of corruption are notable aspects of the government policies in the first quarter of 2015. The serious commitment to establishing a better investment environment was evident in its recent decision to suspend the capital gains tax for two years until the economy recovers. This decision has had an immediate positive impact on the stock market after an extended period of volatility, and shows clearly the government willingness to revise legislation in favor of boosting economic activity.

## Overview

This edition of *Business Barometer* (BB) presents the survey results of a stratified panel of 474 firms regarding their perceptions about the performance of the Egyptian economy and their own business for the third quarter of FY14/15 (January-March 2015) and their outlook for the fourth quarter of FY14/15 (April-June 2015), respectively. As reflected by the survey results, the business community is optimistic about the economy and expects a rebound of business activity in the fourth quarter of FY14/15. This rebound is most likely encouraged by the investment deals and the financial support from the Gulf States announced during the Egypt Economic Development Conference (EEDC) held in March 2015.

GDP growth reached 5.6 percent in the first half of FY14/15 compared to 1.2 percent in the first half of FY13/14, according to the Ministry of Planning. The pickup in growth is mainly due to continued strengthening of private consumption and higher public and private investments. Private consumption contributed 4.1 percent to real GDP growth, while total investment's contribution was 1.1 percent. Private investments accounted for 76 percent of total investments. The manufacturing and tourism sectors contributed two thirds of growth. With continued efforts from the government toward macroeconomic reforms and tightening the grip on budget deficit and public debt, Egyptian officials are targeting a 6 percent growth rate by FY2018/19 while the IMF foresees a steady rise to 5 percent over the medium term, creating more jobs and reducing unemployment. The Economist Intelligence Unit (EIU) has forecast a 4.9 percent GDP growth rate by FY18/19.

On the fiscal front, the period July-March of FY14/15 saw a widening deficit by almost 2 percentage points, registering 9.4 percent, compared to 7.3 percent of GDP over the same period in FY13/14. The increase in government spending during July-March offset the significant increase of tax revenues thanks mostly to tax reforms, including the increase

in the excise tax on tobacco in addition to better tax compliance. It is worth mentioning that the government expects the budget deficit to reach 10.5 percent of GDP by the end of FY14/15, 2 percentage points less than the previous year.<sup>1</sup> The government anticipates the fall in international oil prices would yield some net savings to the budget, in addition to the expected LE 41 billion savings as a result of the energy subsidy reform implemented in July 2014.

In an attempt to boost revenues through widening the tax base, the government has made several amendments to the income tax law, including the introduction of a capital gains tax. The new tax has weakened trading in the Egyptian stock exchange, as evident in the drop of the EGX30 benchmark index by 7 percent (708 points) over the period January-March 2015. Moreover, the issuance of the executive regulations of the law in April led to a further decline in the index as revealed by the significant sell-offs from traders who have repeatedly called for suspending the tax until the economy recovers and to maintain the competitiveness of EGX in relation to regional stock markets.<sup>2</sup> Also, the prolonged controversy on the method of calculating and collecting the capital gains tax has largely affected stock market performance. It is worth noting that the index has been mainly supported by Egyptian investors, accounting for around 84 percent of trading during January-March 2015.

## Business Barometer Index

### Evaluation

(October-December 2014)

 48.8

(January-March 2015)

 48.9

### Outlook

(January-March 2015)

 54.9

(April-June 2015)

 57.5

<sup>1</sup> Moody's upgraded Egypt's sovereign credit rating in April 2015 from Caa1 to B3, with a stable outlook, citing the government's ongoing commitment to fiscal consolidation as one of the main reasons for the upgrade. Also, Standard and Poor's raised Egypt's economic outlook from stable to positive in May, 2015.

<sup>2</sup> At the time of printing this edition, the government suspended the capital gains tax for two years.

Starting in 2015, inflation decelerated to 9.7 percent in January 2015 due to lower international commodity prices (fuel and non-fuel), which declined by 12 percent during the same month. However, inflation reaccelerated in February and March 2015, registering 10.6 percent and 11.5 percent, respectively. These surges were mainly due to the depreciation of the pound by 1.6 percent in January 2015 for the first time in 6 months, from 7.14 to 7.26. The intention was to narrow the gap between the unofficial and official exchange rates, with the latter reaching LE 7.63 in April 2015. Furthermore, the CBE has coupled the depreciation of the pound with other measures to curb the unofficial market. These measures included putting a cap on dollar deposits of individuals and companies (a maximum

of US\$10,000 per day and US\$50,000 per month) and widening the range within which banks can trade dollars to 10 piasters above or below the official rate, up from 3 piasters.

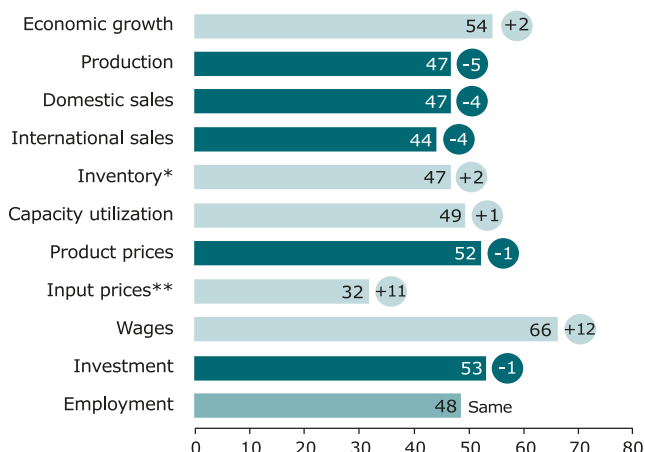
In addition, the CBE revived the interbank foreign currency market in March 2015 after a halt of over 2 years, in parallel with the regular FX auctions held three times a week. The CBE sold US\$420 million in the interbank market in March, US\$281 million in April, and US\$500 million in May to clear outstanding strategic goods. Moreover, the CBE decided to keep its main interest rates unchanged (lending and deposit rates) in April 2015, after a raise of 50 basis points in an attempt to contain the inflationary impact of energy price hikes in July

### Main Takeaways

- Despite their weak performance during the first quarter of FY14/15, firms' expectations for the period April-June 2015 are relatively high, as evidenced by the 2.6 points increase in the BB outlook index.
- Firms anticipate a significant rebound in economic growth, most likely encouraged by the outcome of the EEDC. This was reflected in a 47 points jump in their economic growth outlook index, the highest since 2007.
- The textile sector saw the highest recovery during January-March 2015, indicated by the 16 points improvement in their international sales index. Financial intermediaries reported a significant drop in their performance.
- Firms expect a steady increase in domestic sales, which they intend to realize through a decrease in their product pricing.
- Food, fertilizers and construction firms voiced the most positive expectations for the upcoming quarter, with an increase of 6 points in the food processing sector's outlook and 5 points for both the fertilizers and construction sectors.
- Tourism expectations increased mildly compared to the previous quarter, which could be due to a steady return of security and political stability.
- Firms anticipate trade stimulating policies, more credit facilities and easier government regulations for the period April-June 2015. They, however, reported high energy cost as a serious concern.

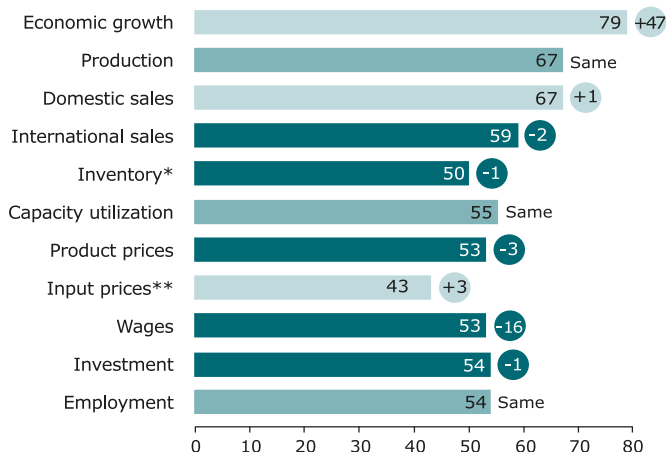
### Firms' Past Performance for the Period January-March 2015

(Circles denote the change in index relative to October-December 2014)



### Firms' Outlook for the Period April-June 2015

(Circles denote the change in index relative to January-March 2015)



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.



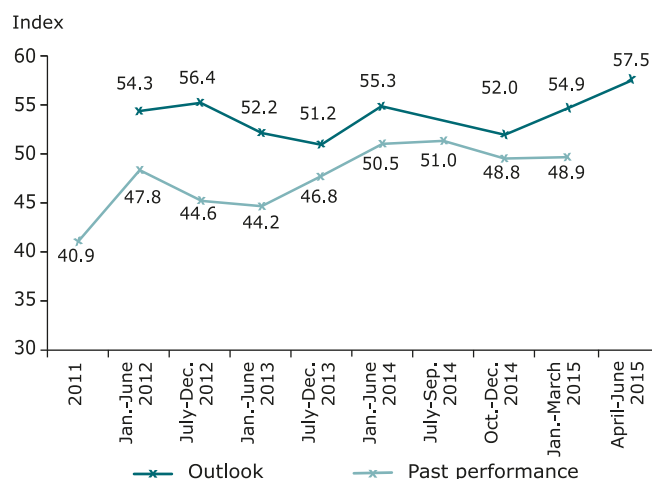
2014. Looking forward, the expected higher capital inflows following the EEDC will most likely offset the pound's depreciation.

The balance of payments (BOP) recorded an overall deficit of US\$1 billion during the first half of FY14/15, which represents around 0.3 percent of GDP. This is compared to an overall surplus of US\$2 billion during the corresponding period last year. The deterioration of the BOP is due mainly to the current account deficit of US\$4.3 billion (1.3 percent of GDP) during the first half of FY14/15 compared to a deficit of US\$0.9 billion (0.3 percent of GDP) during the corresponding period last year. The EIU expects the current account deficit to widen to 1.8 percent of GDP in 2019 if weak manufacturing and hydrocarbon exports persisted alongside declining foreign grants. However, remittance inflows are showing resilience and tourism receipts are rebounding, with positive implications for the deficit. The capital and financial account witnessed a lower net inflow of US\$0.9 billion (0.3 percent of GDP) during the first half of FY14/15 compared to a net inflow of US\$3.2 billion (1.1 percent of GDP) during the corresponding period last year. With regards to external debt and international reserves, the IMF Article IV consultation report on Egypt projects the former will remain low in the medium term at around 17 percent of GDP with international reserves building up to the equivalent of 3.5 months of imports in the medium term as well. International reserves stand at US\$20.5 billion as of end of April 2015.

### The Business Barometer Index (BBI)

According to the Business Barometer Index (BBI), overall business performance during January–March 2015 did not change from the previous quarter, with an index value below 50. A wait-and-see strategy dominated firms' performance during the quarter preceding the EEDC, resulting in weak overall activity. On the other hand, firms' outlook for the period April–June 2015 is relatively high, as evidenced by the 2.6 points increase in the BB outlook index. This is largely due to investment deals signed during the conference and the government's clear commitment to building on the success of the EEDC.

Figure 1. Overall Business Barometer Index



Source: Survey results.

### Past Performance of Businesses

Firms' assessment of economic growth saw a slight increase during the period January–March 2015, compared to the previous quarter, mainly among large firms. However, at the firm level, a decline in production has been reported, affected by prolonged stagnant domestic and international sales. Also, some firms reported difficulty in securing foreign currency, which affected their production level due to shortage in needed imported intermediate goods. Moreover, firms' capacity utilization remained almost similar to the last quarter, with a slight decrease in inventories.

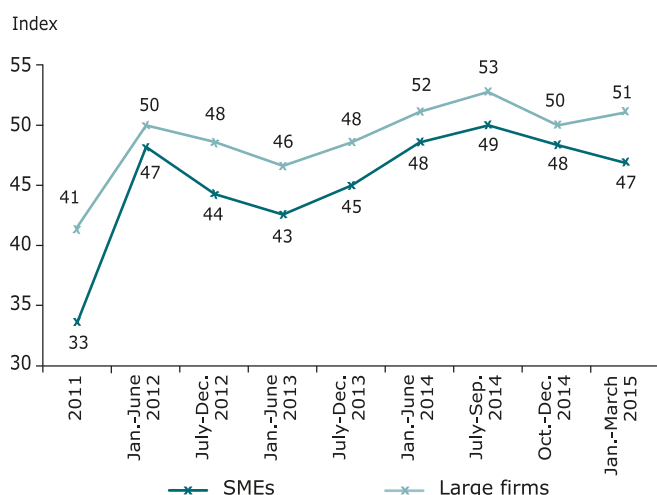
Input prices declined during the quarter under study, affected by the slowdown in international prices. This led to a slight easing in the product final prices, which also declined slightly by one point. On the other hand, wages saw a significant increase of 12 points, due to annual salary increases, which take effect in January of each year. Investment and employment levels were more or less kept unchanged, reflecting the slowdown in firms' overall performance and that most of the firms were anticipating the results of the EEDC in order to embark on new investments.

Sectorally, the textile sector saw the highest recovery during January–March 2015, indicated by the 16-point improvement in their international sales index. This indicates that the sector may have benefited from the recent depreciation of the pound towards increasing its export competitiveness. Also, the construction sector saw a rebound during the same



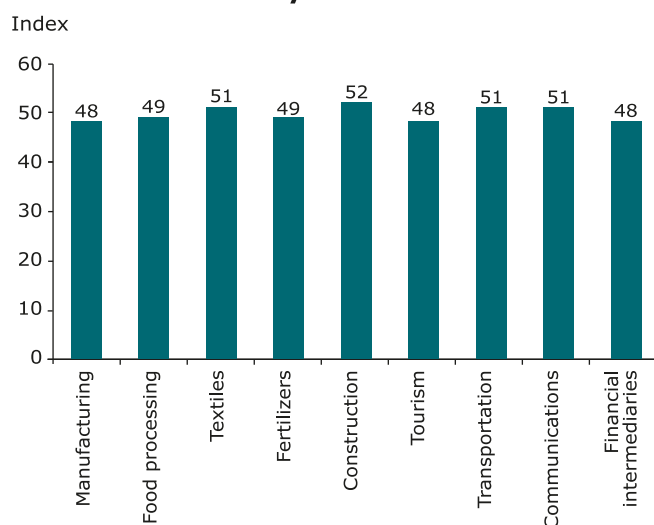
quarter, affected by increased capacity utilization as demand on low-cost housing for youth increased and infrastructure activities, such as new roads and bridges, intensified. Also, the decline in steel prices during January-March 2015 by 4 percent compared to the previous quarter may have encouraged more activity in the sector. On the other hand, financial intermediaries reported a drop in their performance as a result of volatility in the Egyptian Stock Exchange with the implementation of the capital gains tax. Other sectors reported stable performance during January-March 2015.

**Figure 2. Historical Trend in Firms' Past Performance**  
(Large vs. SMEs)



Source: Survey results.

**Figure 3. Sectors' Past Performance for the Period January-March 2015**



Source: Survey results.

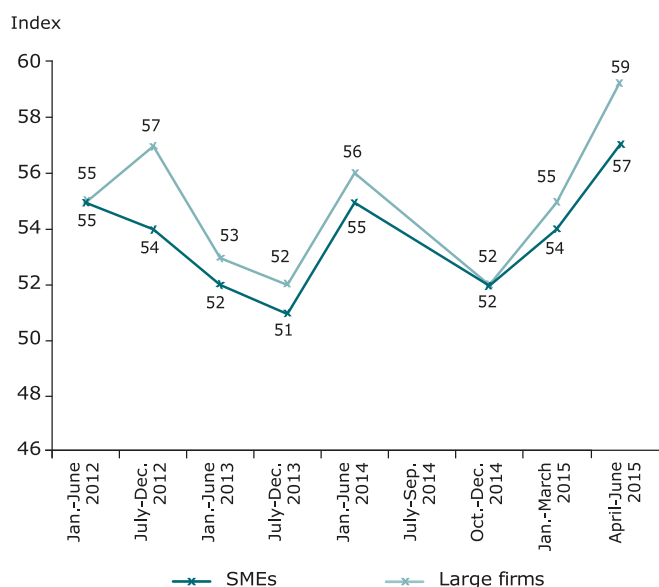
## Business Strategy Going Forward

Firms' outlook for the quarter April-June 2015 stayed generally the same as the previous one, except for economic growth and wages. Firms anticipate a significant rebound in economic growth following the successful EEDC. The announced investments boosted firms' outlook for economic growth by 47 points. That, coupled with a stable economic outlook, a recent upgrade in sovereign credit rating in April, and a continued adoption of macroeconomic reforms, was reflected on firms' optimism regarding economic growth. However, that level of optimism has not yet filtered down to the rest of the indicators.

Firms expect a decline of 16 points in the level of wages compared to the previous quarter. This could be due to firms' tendency to link changes in bonuses and incentives to changes in their level of sales. Firms expect a mild increase in domestic sales due to political and economic stability following the EEDC and new planned projects. Also, an expected slump in market activity and the CBE's decision for more capital controls have offset firms' positive outlook. International sales are also expected to decline by 2 points along with a mild increase in inventories. Despite a decrease in input prices, employment is expected to stay the same as the previous quarter.

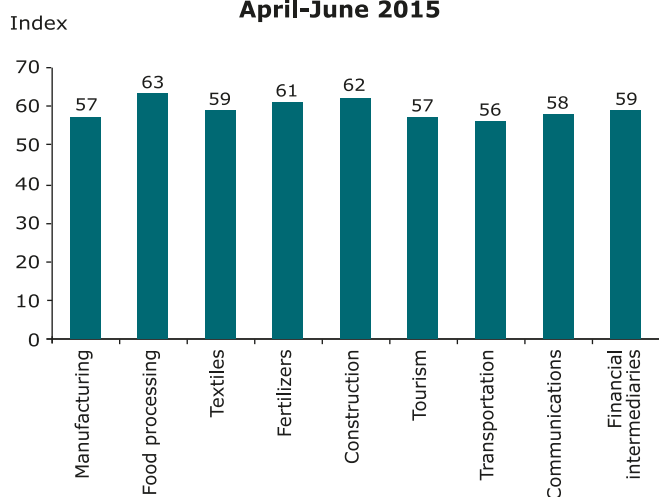
The outlook of SMEs is more or less similar to that of large firms despite lower expectations of SMEs for a better economic outcome. Outlook remained relatively close among sectors for the quarter April-June 2015 (same as last quarter). The food, fertilizers and construction sectors were more optimistic about their performance in the coming quarter, with an increase of 6 points in the food processing sector's outlook and 5 points for both the fertilizers and construction sectors. Tourism expectations increased mildly compared to previous quarter, which is due to a steady return of security and political stability. Financial intermediaries also expressed optimism for April-June 2015. The expected easing of capital controls as a result of more capital inflows after the EEDC may be a reason for this optimism.

**Figure 4. Historical Trend in Firms' Outlook (Large vs. SMEs)**



Source: Authors' calculations based on survey results.

**Figure 5. Sectors' Outlook for the Period April-June 2015**

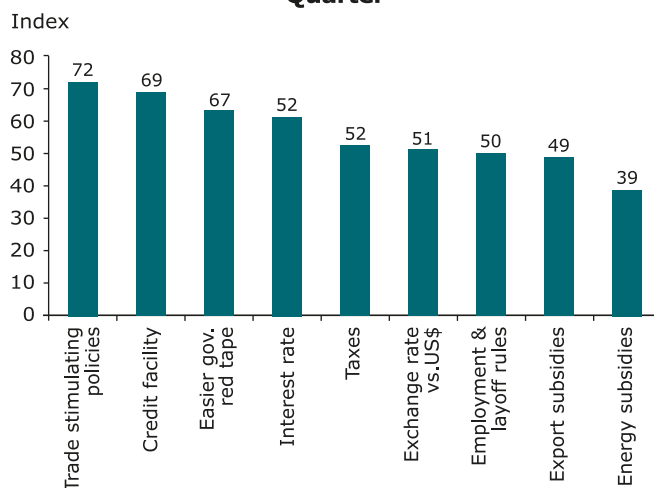


Source: Survey results.

## Policy Expectations

The majority of firms expect trade stimulating policies to be put into effect in the upcoming quarter along with more credit facilities. In conjunction with the newly issued investment law, firms expect easier government regulations towards a more friendly business environment. Firms however reported high energy cost as a serious concern.

**Figure 6. Policy Expectations for the Coming Quarter**



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:

$$X = \frac{I+S}{100+S} \times 100,$$

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 sales | Domestic sales | International sales | Inventory | Capacity utilization | Final prices | Input prices | Wages | Investments | Employment | Overall index |
|--|-----------------|------------------|----------------|---------------------|-----------|----------------------|--------------|--------------|-------|-------------|------------|---------------|
| <b>Manufacturing of which:<sup>1</sup></b> | +2 ●            | -4 ●             | -2 ●           | -4 ●                | +2 ●      | +1 ●                 | -2 ●         | -1 ●         | +14 ● | -1 ●        | -2 ●       | -             |
| Food processing                            | +10 ●           | -8 ●             | -              | -                   | +1 ●      | +5 ●                 | -3 ●         | -5 ●         | +10 ● | +2 ●        | -4 ●       | +1 ●          |
| Textiles                                   | +2 ●            | +15 ●            | +10 ●          | +16 ●               | +4 ●      | +12 ●                | -2 ●         | -2 ●         | +13 ● | -1 ●        | -3 ●       | +6 ●          |
| Fertilizers                                | +4 ●            | -2 ●             | -3 ●           | -10 ●               | +7 ●      | -5 ●                 | -1 ●         | -            | +10 ● | +1 ●        | -5 ●       | -             |
| <b>Services of which:</b>                  | +3 ●            | -6 ●             | -5 ●           | -3 ●                | -2 ●      | -2 ●                 | -2 ●         | -1 ●         | +12 ● | -           | +1 ●       | -             |
| Construction                               | +8 ●            | -                | -1 ●           | -5 ●                | +5 ●      | +5 ●                 | -3 ●         | +1 ●         | +11 ● | +4 ●        | -2 ●       | +2 ●          |
| Tourism                                    | -               | -3 ●             | +2 ●           | -10 ●               | +1 ●      | +1 ●                 | +1 ●         | -5 ●         | +12 ● | +1 ●        | -2 ●       | -             |
| Transportation                             | +2 ●            | -2 ●             | -1 ●           | +2 ●                | +1 ●      | +1 ●                 | -            | -1 ●         | +12 ● | -2 ●        | +3 ●       | +1 ●          |
| Communications                             | -               | -3 ●             | -3 ●           | -6 ●                | -3 ●      | -3 ●                 | -3 ●         | +3 ●         | +7 ●  | -1 ●        | +4 ●       | -             |
| Financial intermediaries                   | +1 ●            | -20 ●            | -21 ●          | +10 ●               | -6 ●      | -6 ●                 | -4 ●         | -3 ●         | +13 ● | -1 ●        | +1 ●       | -3 ●          |

Source: Survey results.

<sup>1</sup> 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 sales | Domestic sales | International sales | Inventory | Capacity utilization | Final prices | Input prices | Wages | Investments | Employment | Overall index |
|--|-----------------|------------------|----------------|---------------------|-----------|----------------------|--------------|--------------|-------|-------------|------------|---------------|
| <b>Manufacturing of which:<sup>1</sup></b> | +45 ●           | +1 ●             | +2 ●           | -3 ●                | -1 ●      | -                    | -3 ●         | +4 ●         | -18 ● | -3 ●        | -1 ●       | +2 ●          |
| Food processing                            | +60 ●           | +14 ●            | +16 ●          | +6 ●                | -10 ●     | +10 ●                | -            | -12 ●        | -14 ● | +1 ●        | +2 ●       | +7 ●          |
| Textiles                                   | +44 ●           | +2 ●             | +3 ●           | -10 ●               | +1 ●      | +1 ●                 | -5 ●         | +2 ●         | -12 ● | -2 ●        | -3 ●       | +2 ●          |
| Fertilizers                                | +53 ●           | -5 ●             | -1 ●           | +18 ●               | -5 ●      | +2 ●                 | +3 ●         | -2 ●         | -10 ● | -           | -2 ●       | +5 ●          |
| <b>Services of which:</b>                  | +51 ●           | -                | +1 ●           | -3 ●                | -1 ●      | -1 ●                 | -2 ●         | +3 ●         | -13 ● | -           | +1 ●       | +4 ●          |
| Construction                               | +58 ●           | +3 ●             | -              | +2 ●                | +2 ●      | +2 ●                 | -4 ●         | -            | -12 ● | +3 ●        | -          | +5 ●          |
| Tourism                                    | +49 ●           | +3 ●             | -2 ●           | -2 ●                | -2 ●      | -2 ●                 | -1 ●         | +5 ●         | -14 ● | -           | -          | +4 ●          |
| Transportation                             | +51 ●           | -5 ●             | -1 ●           | -2 ●                | -2 ●      | -2 ●                 | -2 ●         | +5 ●         | -16 ● | -1 ●        | +2 ●       | +3 ●          |
| Communications                             | +41 ●           | +10 ●            | +13 ●          | -13 ●               | -6 ●      | -6 ●                 | -4 ●         | -2 ●         | -10 ● | -4 ●        | +3 ●       | +3 ●          |
| Financial intermediaries                   | +52 ●           | -2 ●             | -2 ●           | -3 ●                | +1 ●      | +1 ●                 | -1 ●         | +4 ●         | -14 ● | +1 ●        | -3 ●       | +3 ●          |

Source: Survey results.

<sup>1</sup> 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 2013 - January-March 2015)<sup>1</sup>**

| Indicator                     | July-Dec. 2013 |      |       | Jan.-June 2014     |        |      | July-Sep. 2014 |                    |        | Oct.-Dec. 2014 |       |                    | Jan.-March 2015 |      |       |                    |    |    |    |           |
|-------------------------------|----------------|------|-------|--------------------|--------|------|----------------|--------------------|--------|----------------|-------|--------------------|-----------------|------|-------|--------------------|----|----|----|-----------|
|                               | Higher         | Same | Lower | Index <sup>2</sup> | Higher | Same | Lower          | Index <sup>2</sup> | Higher | Same           | Lower | Index <sup>2</sup> | Higher          | Same | Lower | Index <sup>2</sup> |    |    |    |           |
| <b>Economic growth</b>        | 23             | 36   | 41    | <b>43.4</b>        | 36     | 36   | 28             | <b>52.9</b>        | 42     | 44             | 15    | <b>60</b>          | 32              | 41   | 27    | <b>52</b>          | 34 | 43 | 23 | 54        |
| <b>Business activity</b>      |                |      |       |                    |        |      |                |                    |        |                |       |                    |                 |      |       |                    |    |    |    |           |
| Production                    | 26             | 38   | 36    | <b>46.7</b>        | 38     | 34   | 29             | <b>53.7</b>        | 33     | 48             | 19    | <b>55</b>          | 33              | 39   | 28    | <b>52</b>          | 26 | 39 | 35 | 47        |
| Domestic sales                | 26             | 38   | 36    | <b>46.4</b>        | 37     | 34   | 29             | <b>53.0</b>        | 32     | 50             | 18    | <b>55</b>          | 32              | 39   | 29    | <b>51</b>          | 25 | 42 | 33 | <b>47</b> |
| International sales           | 21             | 55   | 25    | <b>49.0</b>        | 27     | 40   | 33             | <b>47.9</b>        | 23     | 60             | 17    | <b>52</b>          | 26              | 41   | 34    | <b>48</b>          | 17 | 48 | 35 | <b>44</b> |
| Inventory                     | 14             | 71   | 14    | <b>49.7</b>        | 18     | 69   | 14             | <b>49.1</b>        | 17     | 70             | 13    | <b>49</b>          | 26              | 64   | 10    | <b>45</b>          | 18 | 74 | 8  | <b>47</b> |
| Level of capacity utilization | 7              | 66   | 27    | <b>44.0</b>        | 12     | 67   | 21             | <b>47.3</b>        | 13     | 75             | 12    | <b>50</b>          | 14              | 65   | 20    | <b>48</b>          | 11 | 73 | 16 | <b>49</b> |
| <b>Prices</b>                 |                |      |       |                    |        |      |                |                    |        |                |       |                    |                 |      |       |                    |    |    |    |           |
| Final product prices          | 18             | 72   | 10    | <b>52.3</b>        | 30     | 66   | 4              | <b>57.8</b>        | 22     | 74             | 5     | <b>55</b>          | 19              | 74   | 6     | <b>53</b>          | 14 | 80 | 6  | <b>52</b> |
| Intermediate input prices     | 69             | 30   | 2     | <b>24.6</b>        | 79     | 20   | 1              | <b>17.5</b>        | 72     | 26             | 2     | <b>22</b>          | 52              | 43   | 4     | <b>33</b>          | 54 | 44 | 2  | <b>32</b> |
| Wage level                    | 30             | 67   | 3     | <b>58.0</b>        | 59     | 40   | 1              | <b>70.7</b>        | 31     | 68             | 0     | <b>59</b>          | 14              | 85   | 1     | <b>54</b>          | 49 | 50 | 1  | <b>66</b> |
| <b>Primary inputs</b>         |                |      |       |                    |        |      |                |                    |        |                |       |                    |                 |      |       |                    |    |    |    |           |
| Investment                    | 16             | 82   | 2     | <b>53.8</b>        | 19     | 80   | 1              | <b>55.0</b>        | 9      | 90             | 1     | <b>52</b>          | 14              | 84   | 2     | <b>53</b>          | 12 | 86 | 2  | <b>53</b> |
| Employment                    | 6              | 76   | 18    | <b>46.1</b>        | 14     | 72   | 14             | <b>50.0</b>        | 8      | 83             | 9     | <b>50</b>          | 8               | 79   | 13    | <b>49</b>          | 5  | 84 | 11 | <b>48</b> |

**Table A4. Survey Results: Summary of Outlook of all Firms (January-June 2014 - April-June 2015)<sup>1</sup>**

| Indicator                     | Jan.-June 2014 |      |       | July-Dec. 2014     |        |      | Oct.-Dec. 2014 |                    |        | Jan.-March 2015 |       |                    | April-June 2015 |      |       |                    |    |    |    |           |
|-------------------------------|----------------|------|-------|--------------------|--------|------|----------------|--------------------|--------|-----------------|-------|--------------------|-----------------|------|-------|--------------------|----|----|----|-----------|
|                               | Higher         | Same | Lower | Index <sup>2</sup> | Higher | Same | Lower          | Index <sup>2</sup> | Higher | Same            | Lower | Index <sup>2</sup> | Higher          | Same | Lower | Index <sup>2</sup> |    |    |    |           |
| <b>Economic growth</b>        | 51             | 42   | 8     | <b>65.5</b>        | 65     | 25   | 9              | <b>72.0</b>        | 5      | 37              | 58    | <b>31</b>          | 9               | 32   | 59    | <b>31</b>          | 74 | 21 | 5  | <b>79</b> |
| <b>Business activity</b>      |                |      |       |                    |        |      |                |                    |        |                 |       |                    |                 |      |       |                    |    |    |    |           |
| Production                    | 34             | 62   | 4     | <b>59.3</b>        | 58     | 38   | 5              | <b>69.6</b>        | 47     | 47              | 6     | <b>64</b>          | 55              | 37   | 8     | <b>67</b>          | 55 | 38 | 7  | <b>67</b> |
| Domestic sales                | 33             | 64   | 4     | <b>59.0</b>        | 58     | 37   | 5              | <b>69.3</b>        | 46     | 48              | 6     | <b>64</b>          | 52              | 40   | 7     | <b>66</b>          | 54 | 40 | 6  | <b>67</b> |
| International sales           | 26             | 72   | 2     | <b>56.6</b>        | 42     | 53   | 5              | <b>62.1</b>        | 31     | 65              | 3     | <b>58</b>          | 40              | 54   | 6     | <b>61</b>          | 34 | 60 | 7  | <b>59</b> |
| Inventory                     | 11             | 84   | 5     | <b>48.4</b>        | 9      | 78   | 13             | <b>51.1</b>        | 11     | 76              | 13    | <b>51</b>          | 13              | 71   | 17    | <b>51</b>          | 10 | 80 | 10 | <b>50</b> |
| Level of capacity utilization | 14             | 83   | 3     | <b>53.0</b>        | 26     | 72   | 3              | <b>57.0</b>        | 18     | 78              | 3     | <b>54</b>          | 22              | 74   | 4     | <b>55</b>          | 18 | 81 | 1  | <b>55</b> |
| <b>Prices</b>                 |                |      |       |                    |        |      |                |                    |        |                 |       |                    |                 |      |       |                    |    |    |    |           |
| Final product prices          | 14             | 85   | 1     | <b>53.5</b>        | 24     | 74   | 2              | <b>56.3</b>        | 13     | 85              | 2     | <b>53</b>          | 21              | 77   | 2     | <b>55</b>          | 11 | 88 | 2  | <b>53</b> |
| Intermediate input prices     | 35             | 62   | 2     | <b>39.5</b>        | 48     | 51   | 1              | <b>34.4</b>        | 17     | 82              | 1     | <b>46</b>          | 36              | 61   | 3     | <b>40</b>          | 26 | 73 | 1  | <b>43</b> |
| Wage level                    | 49             | 51   | 1     | <b>66.2</b>        | 28     | 72   | 0              | <b>58.1</b>        | 5      | 94              | 1     | <b>51</b>          | 55              | 44   | 1     | <b>69</b>          | 12 | 88 | 0  | <b>53</b> |
| <b>Primary inputs</b>         |                |      |       |                    |        |      |                |                    |        |                 |       |                    |                 |      |       |                    |    |    |    |           |
| Investment                    | 18             | 82   | 0     | <b>54.9</b>        | 20     | 80   | 0              | <b>55.6</b>        | 7      | 93              | 0     | <b>52</b>          | 18              | 82   | 0     | <b>55</b>          | 14 | 85 | 1  | <b>54</b> |
| Employment                    | 11             | 86   | 3     | <b>52.2</b>        | 19     | 76   | 4              | <b>54.0</b>        | 12     | 85              | 3     | <b>52</b>          | 19              | 77   | 4     | <b>54</b>          | 17 | 80 | 3  | <b>54</b> |

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

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

**Table A5. Survey Results: Summary of Business Sector Past Performance (January-March 2015)<sup>1</sup>**

| Indicator                     | Manufacturing Sector            |                          |                          | Construction Sector             |                          |                          | Tourism Sector                  |                          |                          | Transportation                  |                          |                          | Communications                  |                          |                          | Financial Intermediaries        |                          |     |    |    |    |    |    |    |   |
|-------------------------------|---------------------------------|--------------------------|--------------------------|---------------------------------|--------------------------|--------------------------|---------------------------------|--------------------------|--------------------------|---------------------------------|--------------------------|--------------------------|---------------------------------|--------------------------|--------------------------|---------------------------------|--------------------------|-----|----|----|----|----|----|----|---|
|                               | Percentage<br>Higher Same Lower | Index <sup>2</sup><br>48 | Index <sup>2</sup><br>48 | Percentage<br>Higher Same Lower | Index <sup>2</sup><br>52 | Index <sup>2</sup><br>48 | Percentage<br>Higher Same Lower | Index <sup>2</sup><br>48 | Index <sup>2</sup><br>48 | Percentage<br>Higher Same Lower | Index <sup>2</sup><br>51 | Index <sup>2</sup><br>51 | Percentage<br>Higher Same Lower | Index <sup>2</sup><br>51 | Index <sup>2</sup><br>48 | Percentage<br>Higher Same Lower | Index <sup>2</sup><br>48 |     |    |    |    |    |    |    |   |
| <b>Economic growth</b>        | 29                              | 48                       | 23                       | 52                              | 42                       | 44                       | 15                              | 60                       | 33                       | 48                              | 20                       | 55                       | 35                              | 41                       | 24                       | 54                              | 36                       | 39  | 25 | 54 | 44 | 27 | 29 | 56 |   |
| <b>Business activity</b>      |                                 |                          |                          |                                 |                          |                          |                                 |                          |                          |                                 |                          |                          |                                 |                          |                          |                                 |                          |     |    |    |    |    |    |    |   |
| Production                    | 26                              | 36                       | 37                       | 46                              | 35                       | 45                       | 20                              | 55                       | 28                       | 30                              | 43                       | 45                       | 19                              | 70                       | 11                       | 52                              | 25                       | 54  | 21 | 51 | 23 | 19 | 58 | 35 |   |
| Domestic sales                | 26                              | 39                       | 35                       | 47                              | 33                       | 47                       | 20                              | 54                       | 22                       | 41                              | 38                       | 45                       | 17                              | 72                       | 11                       | 52                              | 25                       | 54  | 21 | 51 | 23 | 19 | 58 | 35 |   |
| International sales           | 13                              | 49                       | 37                       | 42                              | 0                        | 83                       | 17                              | 45                       | 21                       | 36                              | 43                       | 42                       | 23                              | 47                       | 30                       | 48                              | 0                        | 100 | 0  | 50 | 33 | 67 | 0  | 60 |   |
| Inventory                     | 22                              | 67                       | 11                       | 47                              | -                        | -                        | -                               | -                        | -                        | -                               | -                        | -                        | -                               | -                        | -                        | -                               | -                        | -   | -  | -  | -  | -  | -  | -  | - |
| Level of capacity utilization | 13                              | 66                       | 20                       | 48                              | 13                       | 84                       | 4                               | 53                       | 3                        | 88                              | 10                       | 48                       | 2                               | 94                       | 4                        | 49                              | 4                        | 96  | 0  | 51 | 16 | 53 | 31 | 45 |   |
| <b>Prices</b>                 |                                 |                          |                          |                                 |                          |                          |                                 |                          |                          |                                 |                          |                          |                                 |                          |                          |                                 |                          |     |    |    |    |    |    |    |   |
| Final product prices          | 17                              | 76                       | 7                        | 53                              | 11                       | 87                       | 2                               | 52                       | 13                       | 78                              | 10                       | 51                       | 13                              | 81                       | 6                        | 52                              | 14                       | 79  | 7  | 52 | 2  | 92 | 6  | 49 |   |
| Intermediate input prices     | 57                              | 39                       | 4                        | 31                              | 49                       | 51                       | 0                               | 34                       | 68                       | 33                              | 0                        | 25                       | 41                              | 56                       | 4                        | 38                              | 44                       | 56  | 0  | 36 | 53 | 47 | 0  | 32 |   |
| Wage level                    | 53                              | 46                       | 1                        | 68                              | 42                       | 58                       | 0                               | 63                       | 53                       | 48                              | 0                        | 68                       | 44                              | 54                       | 2                        | 64                              | 29                       | 68  | 4  | 58 | 48 | 50 | 2  | 65 |   |
| <b>Primary inputs</b>         |                                 |                          |                          |                                 |                          |                          |                                 |                          |                          |                                 |                          |                          |                                 |                          |                          |                                 |                          |     |    |    |    |    |    |    |   |
| Investment                    | 12                              | 85                       | 3                        | 52                              | 22                       | 78                       | 0                               | 56                       | 10                       | 88                              | 3                        | 52                       | 4                               | 94                       | 2                        | 51                              | 11                       | 89  | 0  | 53 | 13 | 87 | 0  | 53 |   |
| Employment                    | 3                               | 83                       | 13                       | 47                              | 5                        | 84                       | 11                              | 48                       | 5                        | 88                              | 8                        | 49                       | 7                               | 83                       | 9                        | 49                              | 11                       | 82  | 7  | 51 | 8  | 85 | 6  | 50 |   |

**Table A6. Survey Results: Summary of Business Sector Outlook (April-June 2015)<sup>1</sup>**

| Indicator                     | Manufacturing Sector            |                          |                          | Construction Sector             |                          |                          | Tourism Sector                  |                          |                          | Transportation                  |                          |                          | Communications                  |                          |                          | Financial Intermediaries        |                          |     |   |    |    |     |   |    |   |
|-------------------------------|---------------------------------|--------------------------|--------------------------|---------------------------------|--------------------------|--------------------------|---------------------------------|--------------------------|--------------------------|---------------------------------|--------------------------|--------------------------|---------------------------------|--------------------------|--------------------------|---------------------------------|--------------------------|-----|---|----|----|-----|---|----|---|
|                               | Percentage<br>Higher Same Lower | Index <sup>2</sup><br>57 | Index <sup>2</sup><br>57 | Percentage<br>Higher Same Lower | Index <sup>2</sup><br>62 | Index <sup>2</sup><br>57 | Percentage<br>Higher Same Lower | Index <sup>2</sup><br>57 | Index <sup>2</sup><br>57 | Percentage<br>Higher Same Lower | Index <sup>2</sup><br>56 | Index <sup>2</sup><br>56 | Percentage<br>Higher Same Lower | Index <sup>2</sup><br>58 | Index <sup>2</sup><br>59 | Percentage<br>Higher Same Lower | Index <sup>2</sup><br>59 |     |   |    |    |     |   |    |   |
| <b>Economic growth</b>        | 71                              | 23                       | 6                        | 76                              | 85                       | 13                       | 2                               | 87                       | 78                       | 18                              | 5                        | 81                       | 69                              | 28                       | 4                        | 76                              | 71                       | 25  | 4 | 77 | 81 | 15  | 5 | 83 |   |
| <b>Business activity</b>      |                                 |                          |                          |                                 |                          |                          |                                 |                          |                          |                                 |                          |                          |                                 |                          |                          |                                 |                          |     |   |    |    |     |   |    |   |
| Production                    | 54                              | 37                       | 8                        | 66                              | 71                       | 27                       | 2                               | 77                       | 50                       | 40                              | 10                       | 64                       | 33                              | 63                       | 4                        | 59                              | 64                       | 32  | 4 | 73 | 63 | 29  | 8 | 71 |   |
| Domestic sales                | 54                              | 39                       | 7                        | 67                              | 69                       | 29                       | 2                               | 76                       | 43                       | 51                              | 5                        | 62                       | 31                              | 65                       | 4                        | 58                              | 64                       | 32  | 4 | 73 | 63 | 29  | 8 | 71 |   |
| International sales           | 31                              | 64                       | 6                        | 58                              | 25                       | 75                       | 0                               | 57                       | 32                       | 61                              | 7                        | 58                       | 43                              | 48                       | 10                       | 61                              | 0                        | 100 | 0 | 50 | 25 | 75  | 0 | 57 |   |
| Inventory                     | 12                              | 75                       | 13                       | 50                              | -                        | -                        | -                               | -                        | -                        | -                               | -                        | -                        | -                               | -                        | -                        | -                               | -                        | -   | - | -  | -  | -   | - | -  | - |
| Level of capacity utilization | 25                              | 74                       | 1                        | 57                              | 29                       | 71                       | 0                               | 58                       | 3                        | 98                              | 0                        | 51                       | 9                               | 89                       | 2                        | 52                              | 0                        | 100 | 0 | 50 | 10 | 90  | 0 | 53 |   |
| <b>Prices</b>                 |                                 |                          |                          |                                 |                          |                          |                                 |                          |                          |                                 |                          |                          |                                 |                          |                          |                                 |                          |     |   |    |    |     |   |    |   |
| Final product prices          | 15                              | 83                       | 3                        | 54                              | 13                       | 87                       | 0                               | 53                       | 8                        | 90                              | 3                        | 52                       | 7                               | 93                       | 0                        | 52                              | 7                        | 89  | 4 | 51 | 0  | 100 | 0 | 50 |   |
| Intermediate input prices     | 29                              | 69                       | 3                        | 43                              | 38                       | 62                       | 0                               | 38                       | 23                       | 78                              | 0                        | 44                       | 22                              | 76                       | 2                        | 44                              | 36                       | 64  | 0 | 39 | 5  | 95  | 0 | 49 |   |
| Wage level                    | 13                              | 87                       | 0                        | 53                              | 11                       | 89                       | 0                               | 53                       | 8                        | 93                              | 0                        | 52                       | 13                              | 87                       | 0                        | 53                              | 25                       | 75  | 0 | 57 | 6  | 92  | 2 | 51 |   |
| <b>Primary inputs</b>         |                                 |                          |                          |                                 |                          |                          |                                 |                          |                          |                                 |                          |                          |                                 |                          |                          |                                 |                          |     |   |    |    |     |   |    |   |
| Investment                    | 12                              | 87                       | 1                        | 53                              | 35                       | 65                       | 0                               | 61                       | 13                       | 88                              | 0                        | 54                       | 13                              | 87                       | 0                        | 53                              | 11                       | 89  | 0 | 53 | 6  | 94  | 0 | 52 |   |
| Employment                    | 16                              | 81                       | 3                        | 54                              | 29                       | 71                       | 0                               | 58                       | 18                       | 83                              | 0                        | 55                       | 19                              | 78                       | 4                        | 54                              | 25                       | 75  | 0 | 57 | 8  | 85  | 6 | 50 |   |

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

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