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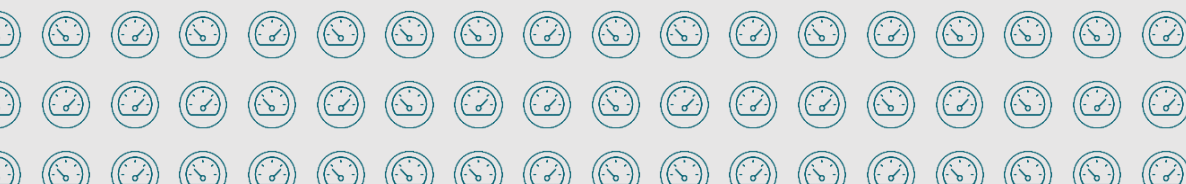
# Business Barometer

Issue #60

July-September 2021



## Businesses Evaluation and Outlook





## The Egyptian Center for Economic Studies

The Egyptian Center for Economic Studies (ECES) is an independent, non-profit think tank that conducts specialized economic research, drawing on international experience and constructive discussions among various stakeholders. ECES's main objective is to propose sound economic policies, and institutional and legislative reforms that contribute to sustainable development in Egypt, all on the basis of combined economic efficiency and social justice.



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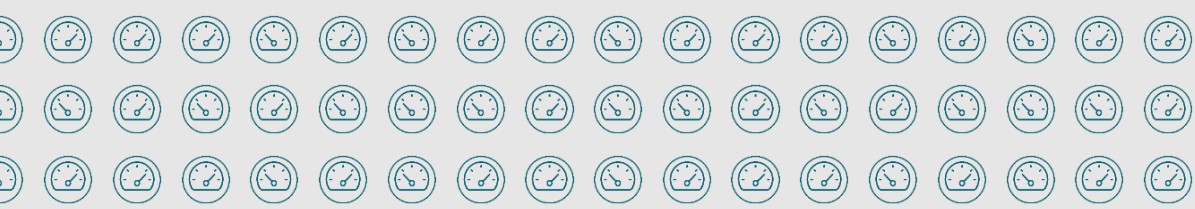
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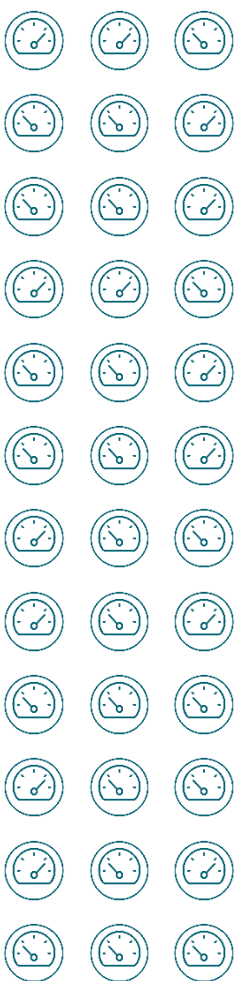
# Business Barometer

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# Report Details

## Business Barometer: Methodology

To complement its efforts in providing integrated information that reflect the developments witnessed by the Egyptian economy in general and the business community in particular, the Egyptian Center for Economic Studies (ECES) has been issuing its Business Barometer (BB) since 1998. The BB provides a quarterly evaluation of the performance of a sample of private firms covering various sectors and sizes. This assessment reflects the opinion of the business community regarding developments in a set of variables during the quarter under review, and sheds light on its outlook for the developments of the same set of variables in the next quarter.

### 1. Production and Sales Indicators



### 2. Prices and Costs Indicators



### 3. Investment and Employment Indicators

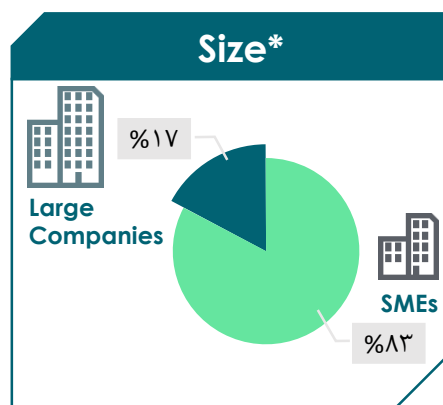
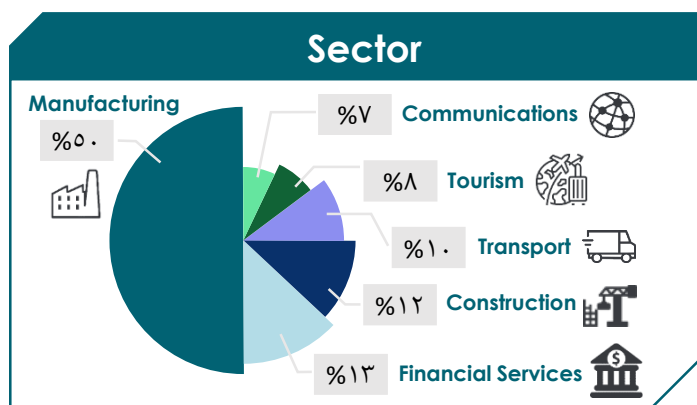


The importance of this issue of the BB is further fortified by the challenges the business community has been facing since the beginning of 2020 as a result of the COVID-19 pandemic. Therefore, it is important to track the impact of the pandemic on the business community, especially in light of the measures taken by the government to counter its impact.

This report offers an assessment of the performance of the firm sample during the quarter (July - September 2021) and its outlook for the quarter (October - December 2021).

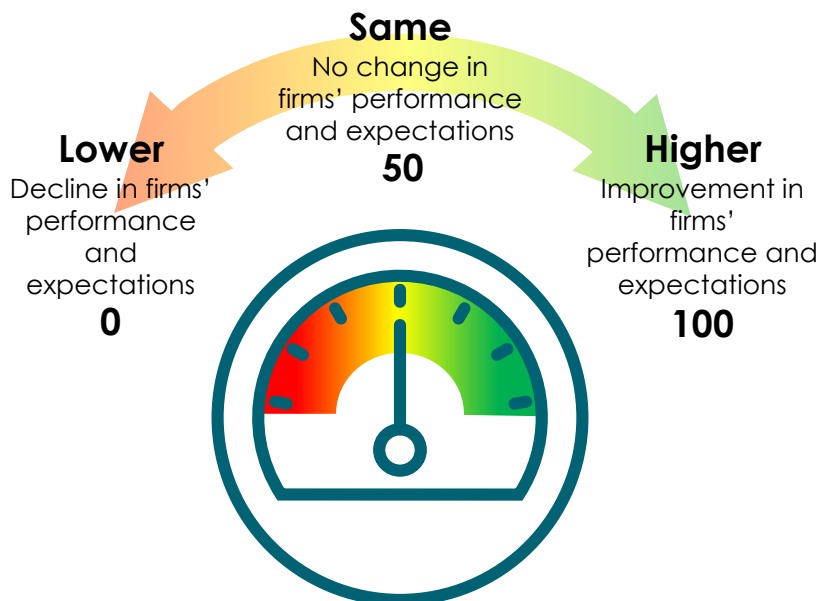
The report begins with an overview of the macroeconomy at the global and domestic levels, then presents the results of performance assessment and outlook at the overall index level. It then moves on to the constraints faced by the business community during the quarter under study, and the priorities suggested for improving the business climate from the point of view of the sample at hand. Finally, the report concludes with an assessment of performance and outlook at the level of sub-indices.

The BB is built on the results of a quarterly survey conducted by the ECES for a stable sample of 121 private firms distributed as follows:



\* According to CBE definition issued on March 5, 2017

- The analysis evaluates the performance of the firm sample during the quarter under study and its outlook for the next quarter, comparing them both with the results of the previous quarter, and those of the corresponding quarter of the previous year.
- Performance and outlook are evaluated at two levels: Results of the overall index and results of the sub-indices.
- The Business Barometer Index (BBI) represents a simple average of the set of sub-indices of the variables mentioned in the questionnaire. It takes values greater than, less than, or equal to the neutral level (50 points).



The index is calculated for each variable using this equation:

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

where I is the share of firms reporting an increase and S the share of firms reporting "same."

The index is designed to have a maximum of 100 points 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. The index ranges between 0 and 100, with the higher index reflecting a better business environment and vice versa. It is worth noting that the index is inverted for both the inventory and input prices; as increases in these two variables reflect an adverse business environment for firms.

#### **Business Constraints, and Priorities for Improving the Business Environment:**

Firms assess the severity of each constraint with a rating that ranges from 0 (non-significant constraint), to 4 (highly significant constraint). They are allowed to cite more than one constraint. With regards to priorities for improving the business environment, the evaluation of each pillar ranges from 0 (not a priority) to 4 (high priority). Firms are allowed to name more than one pillar as priority to improve the business environment.

This is followed by calculating a weighted average of the number of firms and their evaluation of the constraint/priority at the whole sample level.

The averages of all constraints/priorities are re-evaluated to range between zero and 1, and are then normalized using new values of the averages of all constraints/priorities so that the constraints /priorities can be arranged in descending order of severity, with 100 percent being the most severe constraint and highest priority.

# Executive Summary

The BB presents the results of a periodic assessment survey carried out by the ECES of a sample of 121 private firms representing various sectors and sizes. The assessment reflects the opinion of the business community regarding developments in a set of variables, namely; production, domestic sales, exports, inventory, capacity utilization, prices, wages, employment, and investment during (July - September 2021), and their outlook for (October - December 2021)<sup>1</sup>. The results are compared against both the previous quarter (April - June 2021) and the corresponding quarter (July - September 2020).

The following is a brief overview of the most important findings of the report for the quarter under study (July - September 2021):

## I. Evaluating past performance and outlook according to the overall index

### **Stable business performance index during the quarter under review, and expectations of a slight improvement in performance during the next quarter, with varying performance results and expectations according to firm size and sectors**

- During the quarter under study, the business community faced many challenges, most notably: Stagnant markets and a drastic rise in the prices of inputs and shipping costs as a result of global supply chain disruptions. These challenges were reflected in a stable value of the business performance index at the neutral level, scoring 50 points during the quarter under study (July - September 2021). Although the performance of the business community remained stable during the quarter under study, it constituted a slight improvement compared to the previous quarter, and a modest performance compared to the corresponding quarter.
- The outlook index for the quarter (October-December 2021) was one point higher than the neutral level, but lower than the previous quarter as well as the corresponding quarter. This may reflect high uncertainty in general regarding both the challenges facing the global economy and developments of the virus on the one hand, and recovery of domestic demand as well as adopting radical solutions to the challenges facing the business environment locally on the other hand.

### **At the level of firm sizes:**

- The performance index for small and medium-sized enterprises (SMES) in the quarter under study was four points below the neutral level, which is a lower performance than its counterpart in the previous and corresponding quarters. The BBI value for large firms exceeded the neutral level by three points, which is a higher performance than in the previous quarter but less than the corresponding quarter.
- The discrepancy among the index values of firms according to their sizes reflects the varying capabilities of firms in facing global and local challenges, with small and medium-sized firms suffering more from the recession and the sharp rise in production and shipping costs. The performance of large firms, however, has improved as a result of the relative recovery in external demand with the return of economic activity and signs of recovery from the pandemic, in addition to the ability of large firms to adapt to the crisis, modify their methods of operation, and develop plans to sustain their business over the near term.
- The previous challenges were reflected on the outlook of small and medium-sized firms, which expressed a lack of optimism about improvement in performance during the next quarter. The outlook index fell by two points from the neutral level, down from the previous and corresponding quarters. On the other hand, the outlook of large firms was optimistic about improvement of performance during the next quarter, which can be attributed to expectations of the end of the global inflationary wave, containment of the virus, and recovery of demand in the near future; in addition to the ability of these firms to deal flexibly with the crisis, which has enabled them to continue their operations.

<sup>1</sup> The survey was conducted during October 2021.

## At the level of economic sectors, the following can be noted:

All sectors witnessed a continued decline in performance during the quarter under study, with all recorded values of the index below the neutral level, except for the transportation sector, which recorded a higher performance than neutral; and the communications sector, the performance of which was neutral. The construction sector recorded the largest decline in performance at the sectoral level.

The following is an analysis of the performance of economic sectors, according to the opinions of the firm sample regarding the quarter under study, and compared to the performance in the previous and corresponding quarters:

- The performance of the **manufacturing sector** declined significantly compared to the corresponding quarter. One of the most important reasons for the decline is the sharp rise in the prices of raw materials and production requirements, the disruption of global supply chains, slow container traffic, and delays in delivery times; in addition to difficulties in applying the ACI system, leading to a slowdown in imports, delayed delivery times, and an exaggerated increase in sea freight rates. Weak purchasing power in the market has also reduced demand.
- **The construction sector** recorded the largest decline in performance at the sectoral level, which is lower compared to the previous quarter, and similar to the corresponding quarter. This reflects the continuing challenges facing this sector such as decline in demand, lack of liquidity in the market, and application of new requirements in construction; in addition to other developments such as the significant increase in the prices of building materials, as well as complexity of licensing procedures, their high costs, and the increase in the tax burden on the sector.
- The performance of the **tourism sector** was lower than neutral, although it has improved in comparison to the previous and corresponding quarters. This indicates a gradual recovery in the sector, which is linked to the return of domestic tourism and the rise in occupancy rates, as well as improvement of foreign tourism after the resumption of flights to some countries. However, the sector is still suffering from repercussions of the pandemic and the continued suspension of Hajj and Umrah.
- The **telecommunications sector** recorded a neutral performance, which is lower than the previous and corresponding quarters. Despite high demand for the sector's services and products, and the presence of new contracts from Gulf countries for software systems, the lack of improvement in the sector's performance during the quarter under study is due to several reasons, most importantly: Poor liqui with customers and consequently slow collection of dues by firms, lack of sufficient funding for network operation and maintenance, and low firm liquidity, which makes them abstain from investing in large projects. Finally, there are problems in implementing the digitalization initiative in many government agencies.
- There was noticeable improvement in the performance of the **transportation sector** compared to the previous quarter, after a sharp decline in the corresponding quarter. This improvement could be due to relative recovery in internal transport, global trade and international navigation with the return of economic activity, relative recovery from the pandemic, and returning demand.
- The performance of the **financial services sector** declined by one point from the neutral level, compared to stable performance during the previous quarter, and better performance in the corresponding quarter. This decrease is due to news of the imposition of a capital gains tax, despite the government's new E-finance IPO, in addition to some practices that have shaken investor confidence in the transparency of the financial market including, for example, changing rules of trading as well as canceling trading on certain stocks without giving reasons.



**As for outlook, expectations for the next quarter came lower than neutral for all sectors except for the telecommunications and manufacturing sectors, the expectations of which were better than the previous quarter, but still lower than the corresponding quarter.**

- The **telecommunications sector** led all sectors in terms of the business community's optimism regarding improved performance during the next quarter. This reflects the high demand for the sector's services and products in general, in addition to the government's seriousness about digitalization and actually beginning the automation of the tax and customs systems. However, it is noted that this optimism is less than its counterpart during the previous and corresponding quarters, reflecting expectations of continued challenges facing firms in this sector.
- The **transportation sector** is the most pessimistic sector regarding improved performance during the next quarter. This pessimism relates to global challenges linked to non-resumption of global freight traffic, high prices of supplies and energy, environmental controls related to container specifications, fears of a decrease in imports due to the actual application of the ACI system, exit of some shipping firms from the market, and importers being unable to register, in addition to problems in implementation and the system as a whole.

## **II. Constraints that faced the business sector during the quarter under review, and priorities for improving the business environment from the point of view of the firm sample**

**During the quarter under study, firms of all sizes continued to agree that "high production costs" were the biggest constraint they faced, followed by weak purchasing power, higher government fees and burdensome procedures, and challenges related to the tax system.**

The results also showed other obstacles that faced the business community during the quarter under study, including sudden decisions by government agencies, lack of sufficient time for implementation, as well as delays in disbursement of value-added tax refunds and export subsidies while firms suffer from tight liquidity.

### **The constraints facing firms varied according to firm size and economic sector**

- **At the level of firm sizes:** Procedures for dealing with government agencies continued to lead the list of obstacles facing **large firms**, followed by the rise in production costs, then increased fees on government services, and firms facing difficulty with the tax system. Meanwhile, **small and medium firms** continued to suffer from high production costs as the main obstacle during the current quarter, for reasons previously addressed, followed by weak purchasing power and a decline in demand as a result of unemployment and a decline in real incomes due to the increase in burdens on consumers, and finally challenges related to the increase in fees on government services and procedures for dealing with government agencies.
- **At the level of economic sectors:** There are discrepancies among the obstacles reported at the level of economic sectors, where high production and operating costs came as the biggest obstacle for the manufacturing, construction and transportation sectors, while dealing with government agencies came as the biggest obstacle for both the tourism and communications sectors. The tax system was the biggest obstacle for the financial services sector, followed by unpredictable economic policies.

### **Priorities to improve the business climate in Egypt:**

**The most important priorities to focus on: Improving the mechanisms of digitalization of government services, facilitating government procedures, improving investment policies, and reducing tax burdens. Priorities varied according to the sizes of firms and economic sectors, as follows:**



**At the level of firm sizes, large firms** believe that improving the mechanisms of digitalization of government services and the subsequent facilitation of government procedures, then improving investment policies and facilitating government procedures, should be on the list of priorities to improve the business climate. **Small and medium-sized firms** agree with large firms on the importance of improving digitalization mechanisms and the accompanying facilitation of government procedures; in addition to the need to solve their problems with the tax system, reduce fees for government services, and address inflation-related challenges as the most important priorities for improving the business climate. They also added other priorities, such as opening export markets, providing the necessary support for competition in foreign markets, and setting new policies to attract investors.

**At the level of economic sectors,** priorities varied, as improving the mechanisms of digitalization of government services came at the top of the priorities of the manufacturing industries, tourism, transportation and communications sectors, while facilitating government procedures was one of the most important priorities of the construction sector. Tax reduction was the largest priority for the financial services sector.

**In light of government projects and current trends, most firms expect continued improvement in infrastructure due to the various projects implemented by the state in this field, followed by the digitalization of government services as a result of the various efforts announced in this endeavor.**

### **III. Evaluating performance and expectations at the level of sub-indices**

- **Regarding performance evaluation,** all indicators for large firms recorded higher values than neutral, while the values of indicators for small and medium firms varied. The final product price index increased for all firms as a result of the rise in input prices and wages, and the investment and employment indices for small and medium-sized firms continued to decline, but improved for large firms.
- **As for outlook,** while large firms expect economic activity indicators to rise, small and medium firms expect most indicators to decline from the neutral level during the next quarter. All firms expect a continued rise in input prices and wages, which will reflect in a rise in the prices of final products. Finally, all firms expect the employment index to remain neutral, with a slight increase in the investment index for small and medium-sized firms from the neutral level and stability for large firms.



# Macro Overview

This section provides an overview of key developments in the global economy, as well as the performance of key macroeconomic indicators in Egypt according to the latest available data at the time of writing this report.

## **Slight decline in global recovery expectations and accelerated increases in inflation**

The International Monetary Fund slightly lowered its forecast for global economic growth for 2021, projecting in October 2021 that the global GDP growth rate would reach 5.9 percent, down by 0.1 percent from its projection last July. The Fund's slight reduction of its projection came after the decline in its forecast for the growth of advanced economies from 5.6 percent last July to about 5.2 percent during October 2021, reflecting the impact of global supply chain disruption and shortage of raw materials. This resulted in the suspension of some production lines, in addition to reducing growth expectations in low-income developing countries due to their continued suffering from the COVID-19 variants, poor vaccination rates, and the fragility of their health systems (IMF 2021).<sup>2</sup>

The global economy is still facing accelerating waves of inflation as a result of significant increases in the prices of energy, raw materials, and shipping costs during the third quarter of 2021. Energy prices rose by about 16 percent compared to the previous quarter, and the rises in the prices of natural gas and coal were higher than those of crude oil. The rise in energy prices led to a rise in fertilizer prices, while unfavorable weather led to an increase in the average food price index issued by the Food and Agriculture Organization for the month of September 2021 by 30.2 points compared to its counterpart September 2020 (FAO 2021).<sup>3</sup>

The high global inflation rate reflects persistence of imbalances on the demand and supply sides, as advanced and emerging economies witnessed increases in the rate of demand after the recovery, and easing of precautionary measures that exceeded the growth rate of the supply side, which declined during the spread of the pandemic and subsequent lockdowns, in addition to previous disturbances mainly as a result of environmental factors (WB 2021).<sup>4</sup>

Uncertainty still limits the ability to foresee the end of the inflationary wave and return of supply chains to pre-pandemic levels, but it is certain that the rise in energy and commodity prices will have prolonged negative effects on growth rates and economic activity, especially in energy importing countries and/or those that face food security challenges.

Locally, similar to the previous issue of the Business Barometer, the Egyptian business community has been affected by disruptions in global supply chains, as it suffered from high production costs, shipping prices, and delayed delivery times. It is certain that the significant increases in the prices of energy, raw materials and freight costs will take their toll on Egyptian producers over the coming few months, especially as the proportion of intermediate goods and raw materials reached about 35 percent and 14 percent, on average, of total Egyptian imports during the last ten years.<sup>5</sup>

Regarding macro indicators, the Ministry of Planning and Economic Development did not change its forecasts for economic growth, with expectations that the GDP growth rate will rise in the fourth quarter of FY 2020/2021 to 7.7 percent. Thus, the average annual growth rate will be in the range of 3.3 percent for 2020/2021 compared to 3.6 percent in the previous fiscal year.

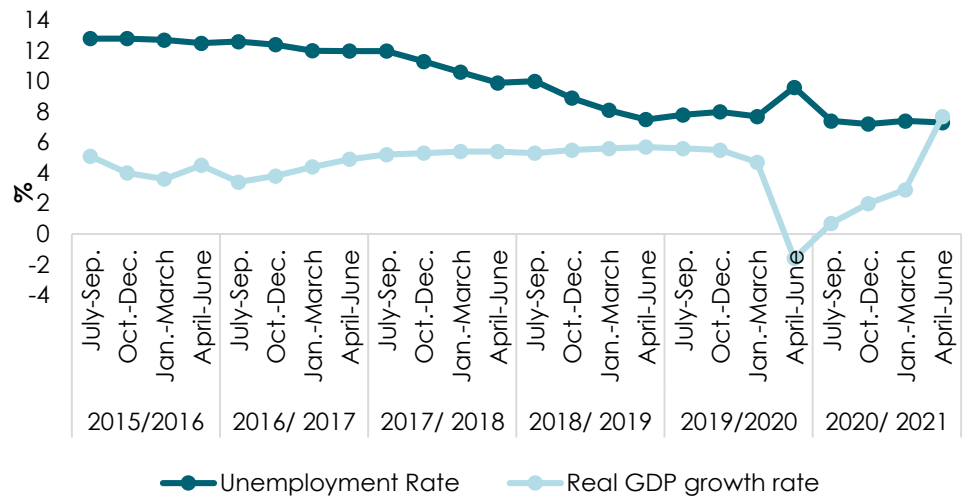
2 International Monetary Fund. 2021. World Economic Outlook: Recovery during a Pandemic. October, IMF.

3 Food and Agriculture Organization (FAO). 2021. Food Price Index, World Food Situation. Food and Agriculture Organization (FAO).

4 World Bank (WB). 2021. Commodity Market Outlook. October, WB.

5 Calculations of the Egyptian Center for Economic Studies based on foreign trade data issued by the Central Bank of Egypt, Monthly Statistical Bulletin, various issues.

**Figure 1.**  
Real GDP  
Growth and  
Unemployment

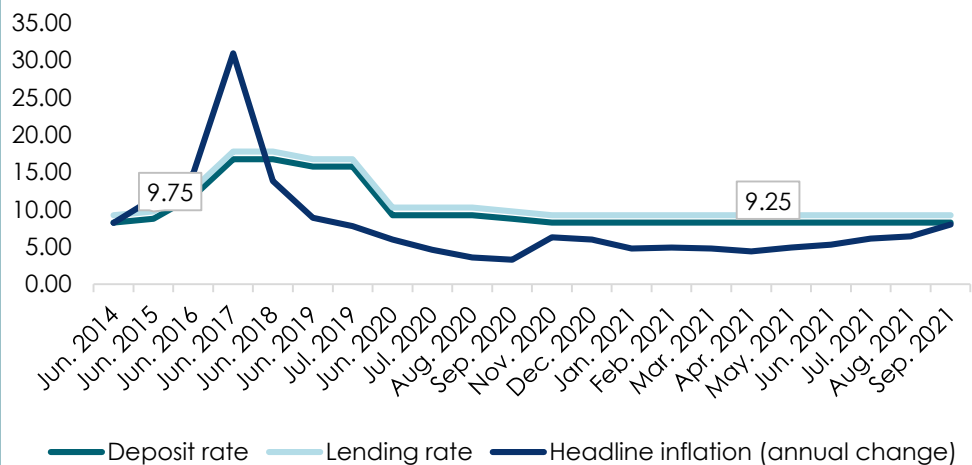


Source: Central Agency for Public Mobilization and Statistics, Quarterly Labor Force Survey, Sept. 2021; Central Bank of Egypt, Monthly Statistical Bulletin, Sept. 2021; Ministry of Planning and Economic Development

Annual inflation rose during September 2021 to 8 percent, compared to 6.4 percent in the previous month and 3.3 percent in September 2020, reflecting the rise in consumer price indices for the food and drink spending group as a result of the increase in vegetable prices (Central Agency for Public Mobilization and Statistics 2021).<sup>6</sup>

The Monetary Policy Committee of the Central Bank believes that the inflation rate is still consistent with the target rate (7 percent) during the year 2021/22, so it decided to maintain the rates of return on deposit and overnight lending, and the credit and discount rate at 8.25 percent, 9.25 percent, and 8.75 percent respectively (Figure 2) (Central Bank of Egypt 2021).<sup>7</sup>

**Figure 2.**  
Inflation  
and Policy  
Rates



Source: Central Bank of Egypt, Monthly Statistical Bulletin, various issues; and the Central Agency for Public Mobilization and Statistics, Monthly Consumer Price Bulletin, various issues.

6 Central Agency for Public Mobilization and Statistics, Consumer Price Index Monthly Bulletin, September 2021.  
7 Central Bank of Egypt, Monetary Policy Committee statement on September 16, 2021.

**Externally**, the balance of payments during FY 2020/2021 achieved a total surplus of about \$1.9 billion, compared to a deficit of about \$8.6 billion during the previous fiscal year. This surplus is mainly due to the capital and financial account achieving a net inflow of about \$23.4 billion during FY 2020/21, compared to \$5.4 billion in the previous fiscal year, and at the same time, the current account deficit increased by 64 percent to reach about \$18.4 billion during the year 2020/2021.

*The following is a brief explanation of the most important developments in the main components of the balance of payments:*

### 1) Current Account:

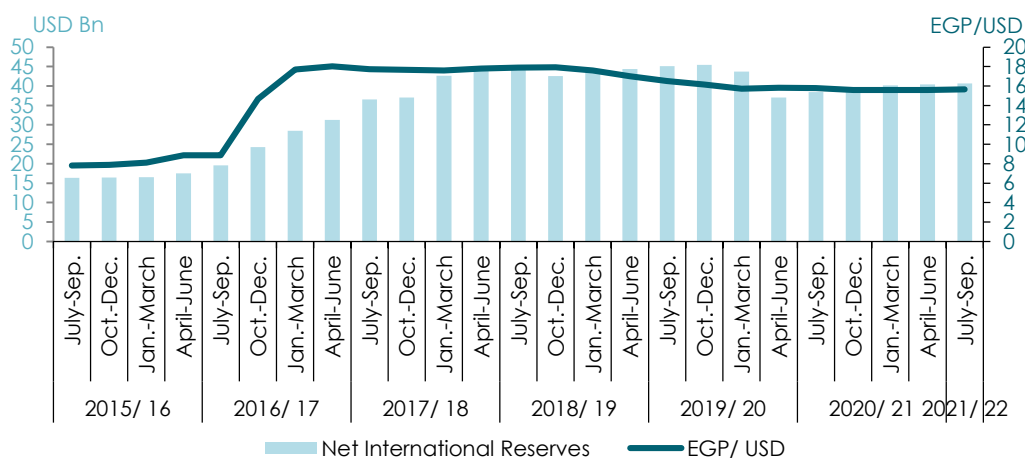
- The surplus in the service balance decreased by 42.9 percent to about \$5.1 billion during FY 2020/2021, compared to \$9 billion mainly as a result of the decline in tourism revenues by 50.7 percent, and in transport receipts by 4.5 percent.
- The non-oil trade balance deficit increased by 16.7 percent to record about \$42.1 billion during FY 2020/2021, as a result of an increase in non-oil imports by about 15 percent compared to their value during the previous fiscal year, while non-oil exports increased by about 12 percent compared to the previous fiscal year to record \$20 billion during the fiscal year 2020/2021.
- The current account deficit was limited by a 13.2 percent increase in remittances from Egyptians working abroad to record about \$31.4 billion during FY 2020/2021, in addition to an improvement in the petroleum trade balance deficit as a result of an increase in petroleum exports by 1 percent compared to the past year to record \$8.6 billion during FY 2020/2021, and a decline in petroleum imports by 3 percent from their value during the past year, to record about \$8.6 billion in FY 2020/2021.

### 2) Capital and Financial Account:

- Portfolio investments turned into a net inflow of about \$18.7 billion during FY 2020/2021, compared to a net outflow of about \$7.3 billion in the previous fiscal year.
- Net foreign direct investment in Egypt decreased by 31 percent from its value in the previous fiscal year, to reach \$5.2 billion during FY 2020/2021.

The pandemic still negatively affects some sources of foreign exchange, especially tourism revenues and net foreign direct investment. However, the relative stability of Egypt's total sources of foreign exchange, especially remittances from workers abroad, led to an increase in net foreign reserves to be in the range of \$40.7 billion during the period (July-September 2021), an increase of 1 percent compared to the previous quarter and 5 percent compared to the corresponding quarter of the previous fiscal year. The rise in foreign exchange earnings contributed to a stable exchange rate against the dollar, to be fixed at 15.6 EGP/dollars since July 2020, but it declined slightly to record 15.7 EGP/dollars during the months of August and September 2021 (Figure 3).

**Figure 3.**  
Net International Reserves and Exchange Rate

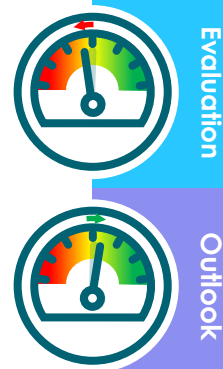


Source: Central Bank of Egypt, Monthly Statistical Bulletin, various issues.

11 Central Bank of Egypt, Monetary Policy Committee statement on December 16, 2021.

# Business Barometer Index

## I. Past Performance and Outlook per the Overall Business Barometer Index



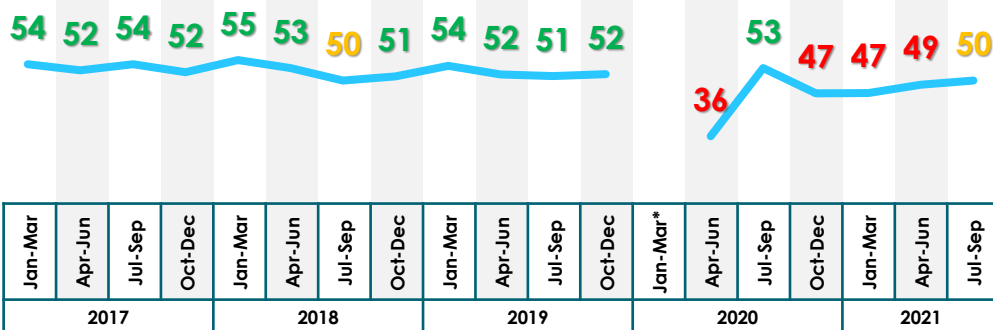
Stable business performance index during the quarter under study, and expectations of a slight improvement in performance during the next quarter, with varying performance and expectations at the level of the sizes of firms and sectors.

### 1-1 Overall Index

The business community is suffering a state of frustration as a result of the recession and the sharp rise in the prices of production inputs and freight costs due to disruption in global supply chains. The Business Performance Index scored 50 points during the quarter under study (July-September 2021). Despite the stable performance of the business community, it is one point better than the previous quarter and three points less than the corresponding quarter (Figure 1.1).

### Development of the Overall Business Barometer Index

Figure 1.1. Past Performance

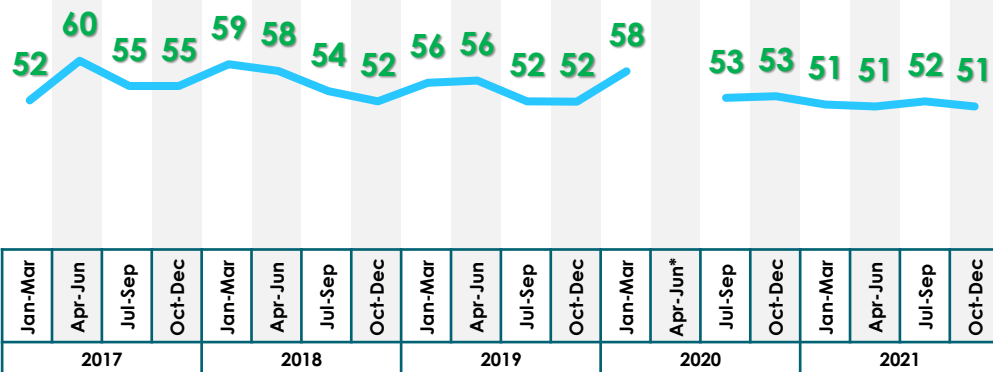


Source: Survey results.  
\* Data for January-March 2020 are unavailable due to the pandemic lockdown.

Despite uncertainty regarding the state of economic stagnation and the problems associated with high production and shipping costs during the next quarter, this has not prevented the business community from expressing slightly higher expectations than neutral for the quarter (October-December 2021), albeit lower than the previous and corresponding quarters. This reflects the high level of uncertainty, in general, about the challenges facing the global economy, mutation of the virus, recovery of domestic demand, and adoption of radical solutions to the challenges of the local business environment.

### Development of the Overall Business Barometer Index

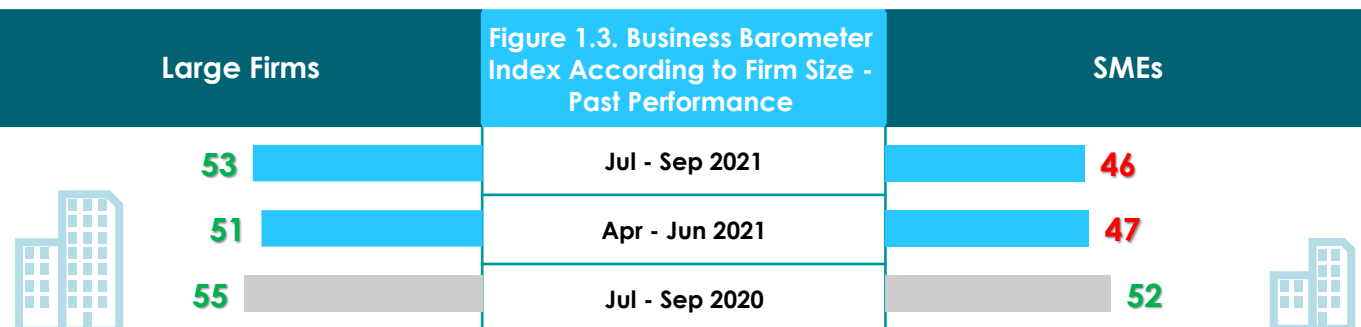
Figure 1.2. Outlook



Source: Survey results.  
\* Data for (April-June 2020) are unavailable due to the pandemic lockdown.

## 1-2 The Index According to Firm Sizes

The business performance index of small and medium-sized firms scored 46 points during the quarter under study (July-September 2021), which is four points lower than the neutral level, one point lower than the previous quarter, and six points less than the corresponding quarter. This reflects the inability of firms to bear the burden of the exorbitantly high costs of production and shipping, in addition to their weak ability to adapt to the crisis and the resulting recession. The value of the business performance index for large firms during the quarter under study remained higher than neutral, which is higher than in the previous quarter, and two points less than the corresponding quarter. This reflects improvement in the performance of large firms and the relative recovery in external demand with the return of economic activity and signs of relative recovery from the pandemic. This performance reflects the ability of large firms to adapt to the crisis, adjust their operating methods and develop sustainable plans (Figure 1.3).



Source: Survey results.

The expectations of **small and medium-sized firms** for the next quarter were not optimistic, as the outlook index recorded a decrease of two points from the neutral level, and a decline from its value in the previous and corresponding quarters. This confirms the current suffering of these firms from recession, high production costs, and their lack of optimism about impending solutions. This highlights the need to develop a strategy to support small and medium enterprises at all stages of the production process. On the other hand, the outlook of large firms about the next quarter were optimistic, as their outlook index increased from the neutral level to 54 points, which is higher than the previous quarter by two points and less optimistic than the corresponding quarter by one point. This optimism is attributed to expectations of the end of the global inflationary wave, containment of the virus, and the recovery of demand in the near future, in addition to the ability of large firms to deal flexibly with the crisis to sustain their operations (Figure 1.4).

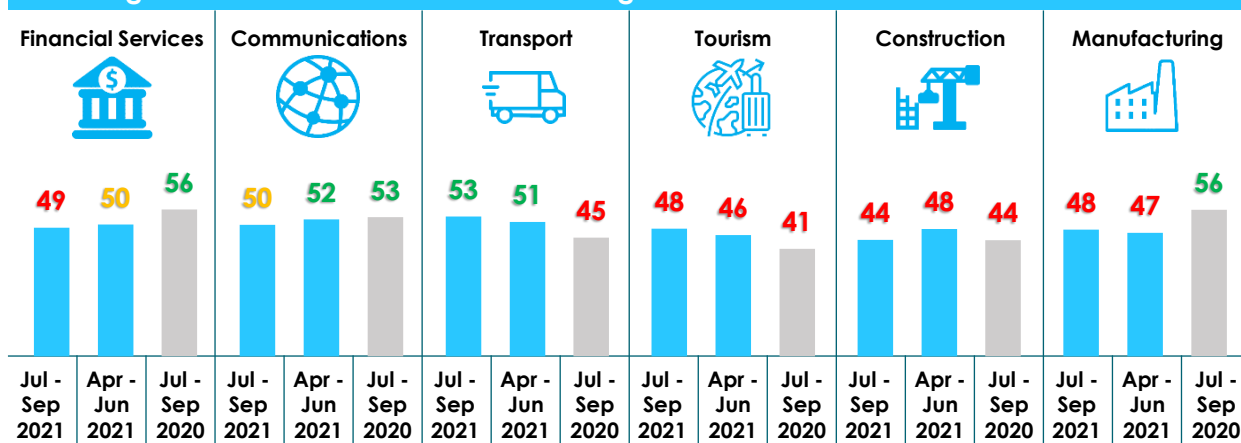


Source: Survey results.

### 1-3 The Index According to Economic Sectors

All sectors witnessed a continued decline in performance during the quarter under study; with all recording values below neutral, with the exception of the transportation sector, which recorded higher performance than neutral, and the communications sector, the performance of which was neutral (Figure 1.5).

Figure 1.5. Business Barometer According to Economic Sectors Past Performance:



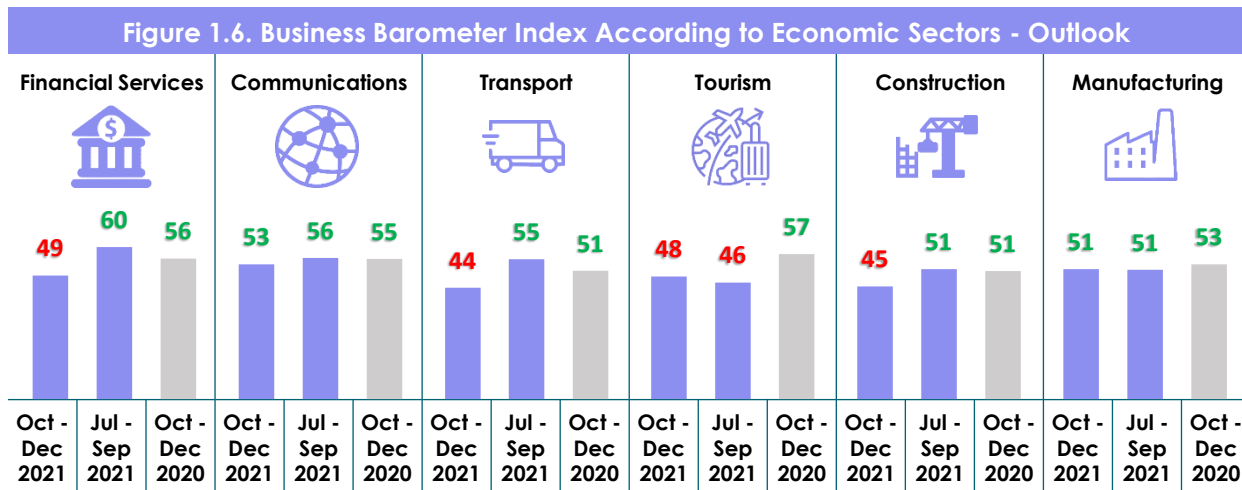
Source: Survey results.

The following is an analysis of the performance of economic sectors according to the opinions of the sample during the quarter under study:

- The performance of the **manufacturing** sector declined significantly during the quarter under study compared to its performance during the corresponding quarter, albeit it is one point better than the previous quarter. The severe rise in the prices of raw materials and production inputs, disruption in global supply chains, low container traffic, and the delay in delivery times, as well as difficulties in applying the ACI pre-registration system for shipments led to a slowdown in imports and delayed delivery times, as well as an exaggerated increase in sea freight rates. Add to the above the weak purchasing power in the market and low demand.
- The **construction sector** witnessed the largest decline in performance, which is less than in the previous quarter, and similar to the corresponding quarter. This reflects the continued challenges facing this sector from the previous year in addition to other developments, most importantly the significant increase in the prices of building materials, complexity of licensing procedures and their high costs, in addition to new requirements in the Unified Building Law, increase in tax burdens on the sector, as well as the decline in market demand and tight firm liquidity.
- The performance of the **tourism sector** continued to decline, as the index value is still less than 50 points. However, the sector's performance is better than during the previous and corresponding quarters, indicating a gradual recovery in the sector linked to the revival of domestic tourism and rise in occupancy rates, and the improvement of foreign tourism after the resumption of flights to some countries. However, the sector is still suffering from the repercussions of the pandemic and the continued suspension of Hajj and Umrah.
- The **telecommunications sector** remained stable, although less than in the previous and corresponding quarters, despite higher demand for services and products of the sector, and new contracts won from the Gulf countries regarding software systems. However, the sector suffers from poor customer liquidity, and therefore slow collection of dues by firms, lack of sufficient funding for the operation and maintenance of networks, and tight firm liquidity, which makes firms abstain from investing in huge projects. Other factors include the high prices of imported supplies, and problems in implementing digitalization in many government agencies.
- The **transportation sector** witnessed a noticeable improvement in performance compared to the previous quarter, after a sharp decline in the corresponding quarter. The improvement is due to relative recovery in internal transport, global trade and international navigation with the return of economic activity, recovery from the pandemic and returning demand.
- The **financial services sector** witnessed a decline of one point from the neutral level during the quarter under study, compared to stable performance during the previous quarter, and a noticeable improvement in the corresponding quarter. This decline is due to news of levying a capital gains tax, despite the new government E-finance IPO. Other factors include certain practices that have shaken the confidence of investors in the transparency of the money market, such as changing rules of trading as well as canceling trading on certain shares without giving reasons.



Expectations for the next quarter were lower than the neutral level for all sectors except for the telecommunications and manufacturing sectors, where expectations were better than in the previous quarter, but still less than in the corresponding quarter, as shown in Figure (1.6).



Source: Survey results.

Below is an analysis of the outlook of economic sectors for the next quarter and comparison with the previous and corresponding quarters:

- The **telecommunications sector** led all sectors in terms of the business community's optimism about improved performance during the next quarter, which reflects high demand for the sector's services and products in general, in addition to the government's seriousness about digitalization and the actual start of automating the tax and customs system. However, this optimism is less than in the previous and corresponding quarters, which reflects firms' expectations that the challenges they currently face will continue.
- The **manufacturing sector** comes next in terms of optimism concerning performance, although these expectations are the same as those of the previous quarter and less than those in the corresponding quarter. Positive expectations are linked to the fact that the global inflationary wave is temporary, the improving ability to control the virus, and gradual recovery in demand at the external and domestic levels.
- The **transportation sector** is the most pessimistic regarding improvement of performance during the next quarter. This pessimism relates to global challenges regarding the non-return of global freight to normal levels, high prices of inputs and energy, environmental controls related to container specifications, in addition to fears of a decrease in imports due to the actual application of the ACI system, the exit of some shipping firms from the market, the inability of some importers to register, in addition to problems in implementation and the system as a whole.
- The pessimism of the **construction sector** continued after a slight optimism during the previous and corresponding quarters due to expectations of continued recession, high production costs and tight firm and customer liquidity.
- The pessimism of the **tourism sector** continued, even though its outlook index is better than that of the previous quarter. This relates to pandemic developments such as new waves and strains, in addition to the new conditions restricting travel, movement of individuals, and the services they receive in many countries according to precautionary measures and efforts to control the spread of the virus.
- The expectations of **financial services** firms were lower than in the previous and corresponding quarters as a result of news of levying a capital gains tax to be applied beginning of 2022, which will reflect on investment decisions in the Egyptian Stock Exchange. There is also a lack of optimism regarding the performance of the capital market and oversight and transparency of trading rules.

## II. Obstacles that faced the business community in the quarter under study, and priorities for improving the business environment from the point of view of the firm sample



**Firms of all sizes continued to agree on high production costs as the biggest obstacle they face, followed by weak purchasing power, increase in government service and procedure fees, and challenges related to the tax system during the quarter under study (severity of the constraints facing firms varied according to size and economic sector).**

### **The main obstacles faced by the business community as a whole**

Figure 2.1 shows the main obstacles that faced the business community as a whole during the quarter under study (July - September 2021), arranged in descending order of severity from the point of view of the sample of firms.

The rise in production costs continued to lead the list of obstacles for all firms during the current and previous quarters, as a result of the substantial increase in the prices of production inputs - especially imported ones - high prices of sea freight, disruption of global supply chains, shortage of raw materials and the increase in their prices, in addition to the repeated hikes in energy and transportation prices, followed by weak purchasing power, which reflected in low level of domestic demand with the rise in prices. Then comes the increase in fees for government services - without being matched by an improvement in services - as the third largest obstacle facing the business community, including customs duties, road and bridge tolls, and licensing and registration fees. In the fourth place comes bureaucracy in dealing with government agencies, both in terms of complexity and slow procedures; especially those related to import, export and licensing, the lack of linkage between government agencies and the absence of a one-stop-shop for investment in the tourism sector.

The challenges related to the tax system was the fifth biggest obstacle faced by all sizes of firms, due to the multiplicity of tax bases, arbitrary assessments and unregulated inspection methods that differ from one employee to another, as well as delay in tax refunds, difficulty of all sectors' compliance with the electronic invoice, and levying of capital tax fees without declaring their application mechanisms.

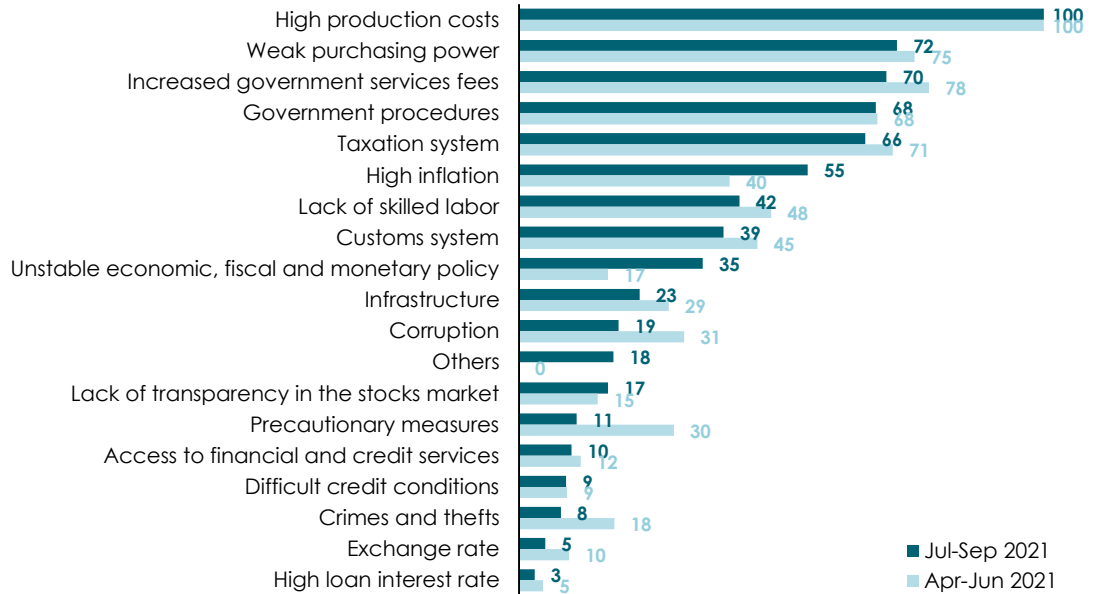
The results also showed other constraints faced by the business community during the quarter under study, including the sudden decisions of government agencies and lack of a sufficient period for implementation, as well as delay in the disbursement of value-added tax refunds and export subsidies at a time firms are suffering from tight liquidity.

By comparing the constraints that firms faced during the quarter under study with their counterparts during the previous quarter, it is clear that the business community suffered more from high inflation, followed by conflicting economic policies and lack of transparency in the stock market. However, their suffering decreased slightly with regard to weak purchasing power, fees on government services, and challenges related to the tax and customs system. Firms' hindrance remained the same with regard to high production costs or dealing with government agencies.

### **The main obstacles faced by the business community according to the size of the firms**

Severity of the obstacles varied with different sizes of firms. Dealing with government agencies continued to lead the list of obstacles for large firms, followed by rise in production costs, then increased fees on government services and difficulties with the tax system. Small and medium-sized firms continued to suffer from high production costs as the main obstacle during the current quarter for reasons previously addressed, followed by weak purchasing power and a decline in demand as a result of unemployment and decline in real income due to increased burdens on consumers, then challenges related to the increase in fees on government services and dealing with government agencies.

**Figure 2.1. Constraints Facing the Business Community during the Quarter under Review (Normalized Index of Severity)**

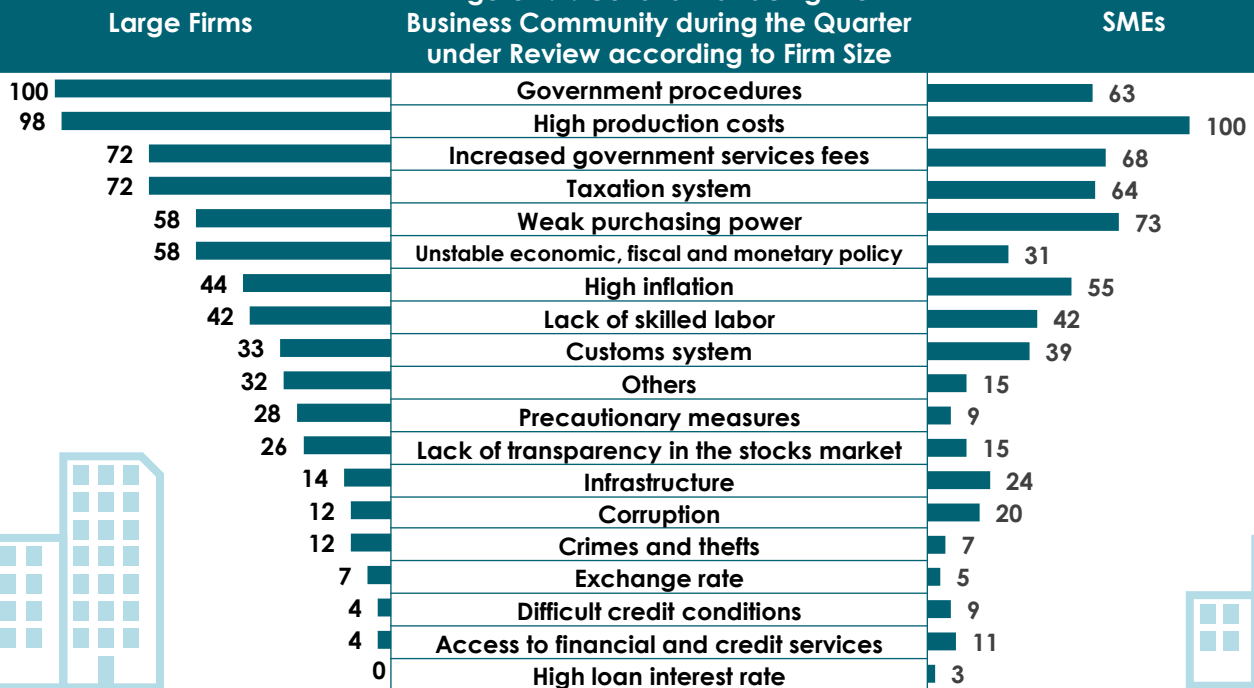


Source: Survey results.

The results also showed other obstacles faced by small and medium-sized firms during the current quarter, including inability of small firms to market abroad, non-timely payment by counterparties, and difficulty of adhering to the new system of shipments (ACI). The results also showed other obstacles faced by large firms, including sudden government decisions and speed of implementation, and government's failure to adopt projects that serve multiple production sectors such as packaging.

Figure 2.2. shows the main obstacles that large, small and medium firms faced (according to size) during the quarter under study (July - September 2021), arranged in a descending order of severity from the point of view of the sample of firms.

**Figure 2.2. Constraints Facing the Business Community during the Quarter under Review according to Firm Size**



Source: Survey results.







By comparing the ranking of the constraints facing the different sizes of firms during the current quarter compared to the previous quarter, it is clear that the adversity of small and medium-sized firms increased from the rise in inflation, with their suffering decreasing slightly from the rest of the constraints. Their impediment from high costs of production remained stable. The hindrance of large firms from dealing with government agencies remained stable, but their difficulty increased from the rise in production costs and conflicting economic policies, while their encumbrance slightly decreased from the rest of the constraints.

### The main obstacles faced by the business community according to economic sectors

There is discrepancy in the ranking of constraints at the level of the economic sectors, with the high production and operating costs being the biggest obstacle facing the manufacturing, construction and transportation sectors. Dealing with government agencies came as the biggest obstacle for both the tourism and communications sectors. The tax system came as the biggest obstacle to the financial services sector, followed by conflicting economic policies.

Firms in the manufacturing and construction sectors suffered from a wide range of obstacles, while tourism, transport and communications firms faced a limited set of obstacles. Specifically, the transportation sector has been constrained by weak purchasing power, while the tourism sector suffered from high fees on government services, followed by weak purchasing power. The telecommunications sector suffered from high government fees and the tax system in that order.

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

	 Financial Services	 Communi- cations	 Transport	 Tourism	 Construc- tion	 Manufac- turing
High production costs	40	55	100	43	100	100
Increased government services fees	10	91	25	86	96	83
Government procedures	25	100	25	100	73	80
Weak purchasing power	27	9	71	64	90	74
Taxation system	100	64	6	14	69	71
Lack of skilled labor	13	45	6	29	33	61
High inflation	27	45	35	57	83	53
Customs system	-	36	40	0	15	38
Unstable economic, fiscal and monetary policy	98	45	6	43	6	29
Corruption	0	0	5	14	38	24
Infrastructure	17	45	31	0	25	19
Precautionary measures	0	0	3	21	8	17
Others	23	28	20	50	-	13
Crimes and thefts	0	0	0	0	23	9
Access to financial and credit services	-	27	40	0	8	7
Difficult credit conditions	-	9	40	0	6	7
Exchange rate	0	9	0	0	10	7
High loan interest rate	-	0	0	7	4	1
Lack of transparency in the stocks market	71	0	0	0	0	0

Source: Survey results.

# Priorities to Improve the Business Environment in Egypt (According to Views of the Firm Sample)

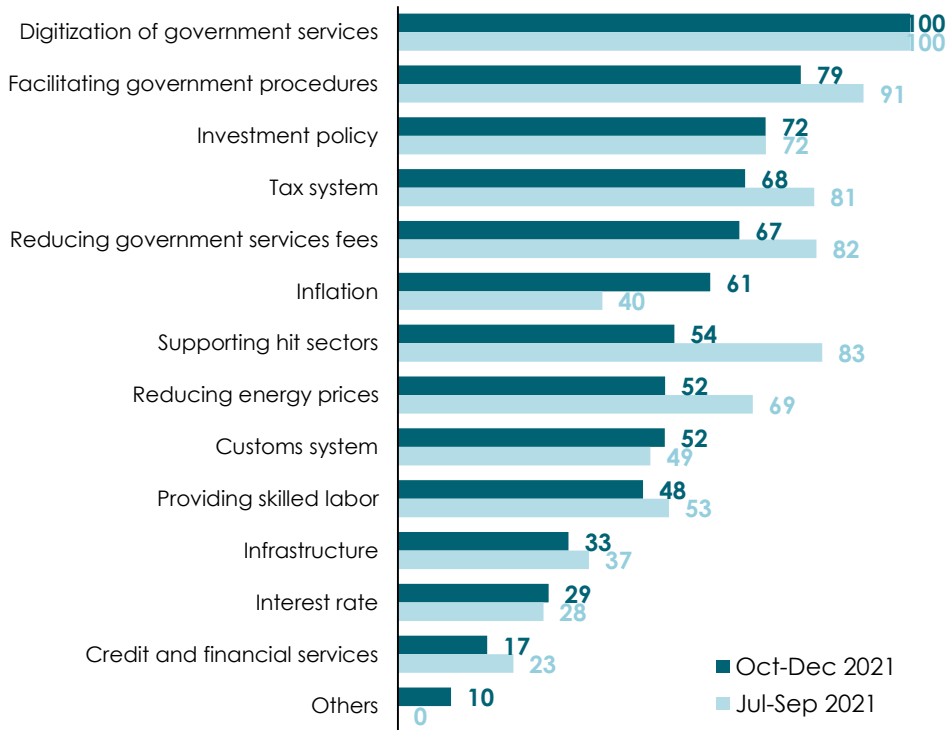


The most important priorities that must be focused on: Improving the mechanisms of digitalization of government services, facilitating government procedures, improving investment policies, and reducing tax burdens. Priorities varied with sizes of firms and economic sectors.

*Priorities from the perspective of the business community as a whole*

Consensus among the sample of firms signified that the speed and improvement of the mechanisms of digitalization of government services are among the top priorities for improving the business climate in Egypt, along with facilitation of government procedures. Improving digitalization mechanisms requires setting a clear time-table, linking government agencies with each other, improving infrastructure, strengthening networks, and training workers and users on the new system. This is followed by improving investment policies through setting flexible and formal policies through which decisions are made on the basis of a scientific study of their repercussions on investment before their issuance. The development of the administrative apparatus is also a prerequisite for attracting investment, followed by improving the tax system, facilitating and organizing inspection procedures, canceling arbitrary assessment, and reducing tax burdens; especially for small enterprises, in light of weak recovery from the repercussions of the pandemic. It is also important to study the direct and indirect cost and return from any tax increase, taking into account the opportunity cost of the capital gains tax, to reduce fees on government services, especially registration and licenses fees, and to improve service provision (Figure 2.4).

**Figure 2.4.** Priorities to Improve the Business Environment in Egypt (According to a Normalized Index based on Significance of Priorities)



Source: Survey results.



By comparing priorities for improving the business climate in the current and next quarters, it is clear that new priorities have emerged that the business community considers necessary to address. Specifically, these include facing the challenges related to inflation as well as the customs system, albeit the problem is partially linked to the global factors previously mentioned, such as shortage of raw materials and their high prices, disruption of supply chains, and high freight costs. However, the problem is also partially explained by local factors such as additional burdens on the business community, including high fees on government services, high utility, energy and tax prices, and slow customs clearance procedures.

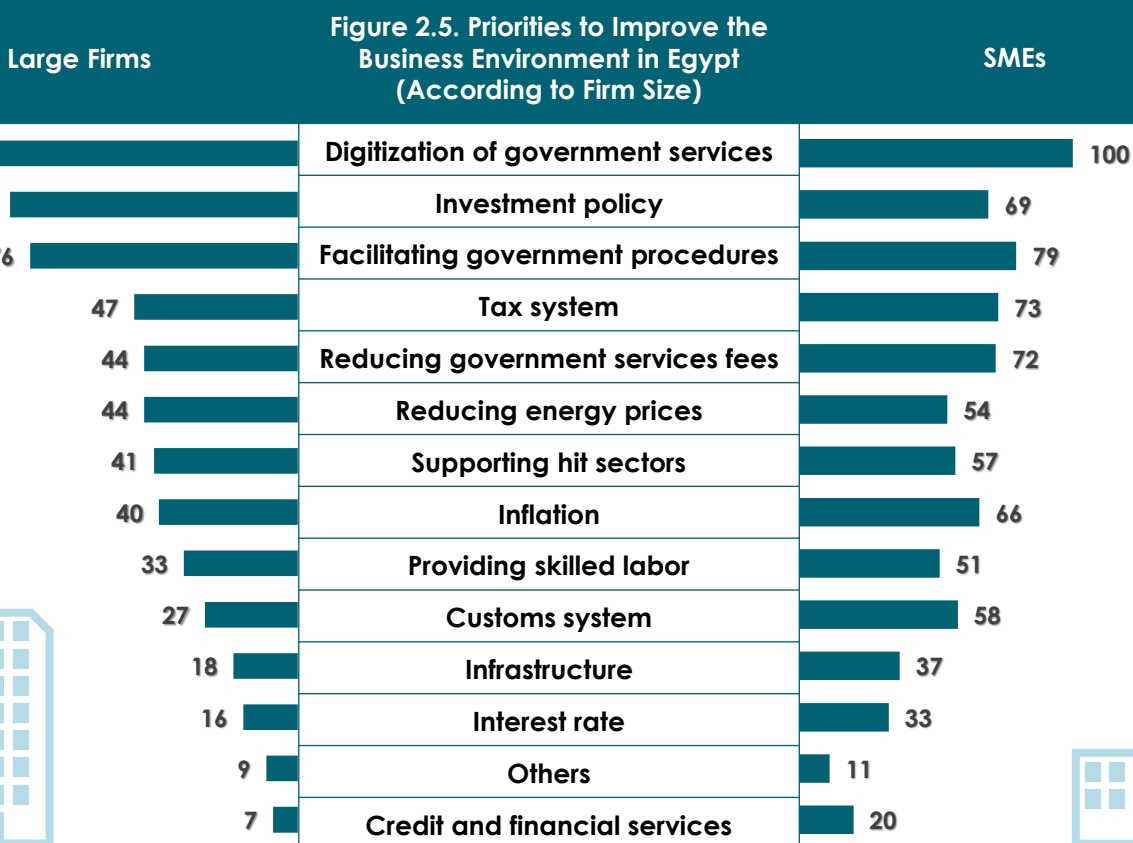
Comparing priorities according to the size of the firms, the following can be noted:

- Large firms believe that improving the mechanisms of digitalization of government services and subsequent facilitation of government procedures, then improving investment policies and facilitating government procedures, should be on the list of priorities to improve the business climate.

Other priorities include formulating policies to increase the percentage of local content.

- Small and medium firms agree with large ones on the importance of improving digitalization mechanisms and the accompanying facilitation of government procedures, in addition to the need to solve their problems with the tax system, reduce fees on government services, and address inflation-related challenges as the most important priorities for improving the business climate (Figure 2.5).

Other priorities include opening export markets, providing the necessary support for them to compete in the foreign market, and adopting new policies to attract investors.



Source: Survey results.

### Priorities from the perspective of the business community according to economic sectors







Priorities varied at the level of economic sectors. Improving the mechanisms of digitalization of government services came as a top priority for the manufacturing, tourism, transport, and communications sectors. Facilitating government procedures was one of the most important priorities for the construction sector. Tax cuts were the biggest priority for the financial services sector.

Given the number and diversity of obstacles facing the manufacturing and construction sectors, they have identified a wide range of priorities that should be addressed over the coming period. The two sectors agreed on the importance of efforts to improve investment policies, reduce fees on government services, improve the tax system, and tackle domestic inflation.

The construction and tourism sectors also agreed on the need to continue supporting the sectors affected by the COVID-19 pandemic as long as the crisis continues.

As for the transportation sector, it focused primarily on the need to reform the customs system.

**Figure 2.6.**  
Priorities to Improve the Business Environment in Egypt (According to Firm Size)

	 Financial Services	 Communications	 Transport	 Tourism	 Construction	 Manufacturing
Digitization of government services	85	100	100	100	98	100
Facilitating government procedures	22	88	47	85	100	90
Investment policy	69	74	11	38	92	82
Tax system	22	46	47	55	98	78
Reducing government services fees	100	46	8	13	83	77
Inflation	51	21	63	8	96	68
Supporting hit sectors	15	46	12	15	58	67
Reducing energy prices	22	17	35	30	75	65
Customs system	16	42	3	73	92	60
Providing skilled labor	-	34	75	0	51	50
Infrastructure	22	13	0	0	60	37
Interest rate	13	38	56	0	77	28
Credit and financial services	0	13	5	0	40	23
Others	22	-	28	10	-	7

Source: Survey results.



# Outlook of the Business Community toward Aspects of Improvement, based on their View of Current Orientation of Government

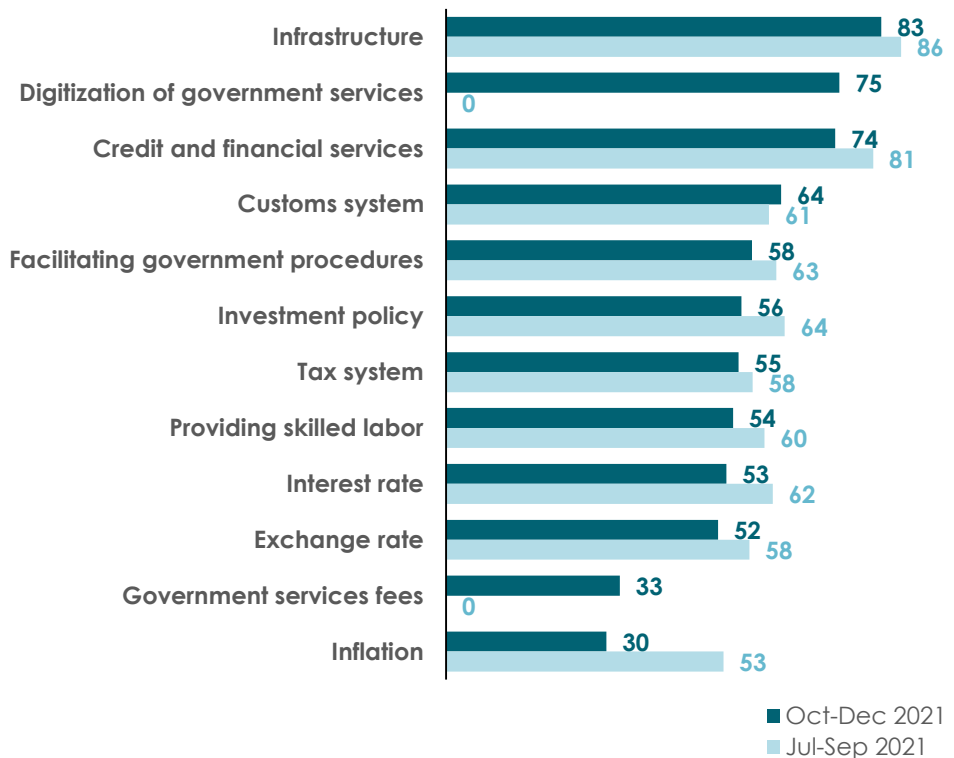


**Expectations of improvement in infrastructure, digitalization, financial and credit services, and the customs regime**

In light of current government projects and trends, most firms expect continued improvement in infrastructure due to the various projects underway in this field, followed by digitalization of government services as a result of the various efforts announced in this regard (Figure 2.7).

Improvement in performance is expected in the rest of the areas, but to a lesser extent compared to the previous quarter, with the exception of the customs regime, where expectations of improvement increased from the previous quarter. This reflects efforts to develop ports and procedures for automating the system despite the challenges facing the implementation of the ACI system.

**Figure 2.7.**  
Expectations of the Business Community of Improvement based on their view of the current direction of the government (According to the Business Barometer Methodology)



Source: Survey results.





# III. Past Performance and Outlook at the level of Sub-Indices

## 3-1 Past Performance

### Improvement in all performance evaluation indicators for large firms and mixed indicators for small and medium firms

The indices of domestic sales and exports achieved good performance for large firms during the quarter under study, which was reflected in the indices of production and capacity utilization. There was a noticeable decrease in inventory as a result of gradual opening of local and foreign markets, as well as expansion on vaccination campaigns against the pandemic, which led to a rise in the exports index to be the highest among all indices.

By comparing the performance evaluation for the current quarter versus the previous quarter, it is clear that the performance of the indices of exports, production and inventory has improved, while the capacity utilization index declined. The domestic sales index remained stable from the previous quarter, which indicates that the return of external demand and the increase in exports were met by drawing down inventory rather than increasing capacity utilization.

By comparing performance evaluation with the corresponding quarter, it is clear that the export index has improved, while production, domestic sales and capacity utilization declined, which led to an increase in commodity inventory. The aforementioned reflects the lack of recovery in demand.

The performance of small and medium-sized firms was modest compared to the performance of large firms. The results showed a very slight increase in the production index as a result of the severe shortage in production inputs. This was reflected in a decline in the capacity utilization index and the domestic sales index, which was neutral, and a decrease in inventory (Figure 3.1).

Comparing performance in the current quarter with the previous quarter, it is clear that the export index improved - albeit still modest - yet better than the performance in the previous quarter, while the indices of production, domestic sales and capacity utilization declined. The largest decline was reported in the capacity utilization index.



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

Large Firms	Figure 3.1. Production and Sales Indices According to Firm Size - Past Performance			SMEs
67	Jul-Sep 2021	Production 	Jul-Sep 2021	51
61	Apr-Jun 2021		Apr-Jun 2021	52
70	Jul-Sep 2020		Jul-Sep 2020	65
63	Jul-Sep 2021	Domestic Sales 	Jul-Sep 2021	50
63	Apr-Jun 2021		Apr-Jun 2021	51
70	Jul-Sep 2020		Jul-Sep 2020	64
75	Jul-Sep 2021	Exports 	Jul-Sep 2021	46
42	Apr-Jun 2021		Apr-Jun 2021	40
65	Jul-Sep 2020		Jul-Sep 2020	58
51	Jul-Sep 2021	Capacity Utilization 	Jul-Sep 2021	47
57	Apr-Jun 2021		Apr-Jun 2021	50
56	Jul-Sep 2020		Jul-Sep 2020	50
44	Jul-Sep 2021	Inventory* 	Jul-Sep 2021	55
32	Apr-Jun 2021		Apr-Jun 2021	43
47	Jul-Sep 2020		Jul-Sep 2020	47

Source: Survey results.

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

By comparing performance in the current quarter with the corresponding quarter, it is clear that the commodity inventory index improved, while the indices of production, domestic sales, exports and capacity utilization declined. This indicates that meeting limited demand both locally and abroad was done through drawing down inventory.






**An exorbitant rise in input prices and a slight increase in the wage index, which reflected in a significant increase in the prices of final products at the level of all sizes of firms**

The results of the performance evaluation showed a drastic rise in the prices of inputs for all firms as a result of the continuation and even exacerbation of its driving factors locally and globally. Globally, raw material prices witnessed a notable increase during the quarter under study, as did freight and transportation fees, due to disruption of global supply chains, slow container traffic and delays in delivery times. Locally, firms were faced with slow customs clearance procedures, high prices of freight services, and increased operating costs in general due to high fuel and transportation prices. The results also showed a slight increase in the wage index as a result of all firms being obligated to grant incentives and commissions during this period to maintain workers. All of the above was reflected in a notable rise in the final product price index for all firms. The rise in the final product price index was greater for large firms (15 points) than for small and medium firms (8 points) compared to the neutral level (Figure 3.2).

The indices of input prices and final product prices for all firms of all sizes during the current quarter exceeded their counterparts in the previous and corresponding quarters.

Although the rise in input prices represents a clear challenge faced by all firms, the suffering of small and medium-sized firms was greater in the absence of pooled procurement mechanisms, low liquidity and consequently high costs incurred.

**Figure 3.2. Indices of Prices and Production Costs by Firm Size – Past Performance**

Large Firms	Figure 3.2. Indices of Prices and Production Costs by Firm Size – Past Performance			SMEs
 65 56 50	Jul-Sep 2021	<b>Final Product Prices</b> 	Jul-Sep 2021	58
	Apr-Jun 2021		Apr-Jun 2021	56
	Jul-Sep 2020		Jul-Sep 2020	49
 7 33 39	Jul-Sep 2021	<b>Input Prices**</b> 	Jul-Sep 2021	6
	Apr-Jun 2021		Apr-Jun 2021	23
	Jul-Sep 2020		Jul-Sep 2020	32
 51 62 50	Jul-Sep 2021	<b>Wages</b> 	Jul-Sep 2021	51
	Apr-Jun 2021		Apr-Jun 2021	56
	Jul-Sep 2020		Jul-Sep 2020	53

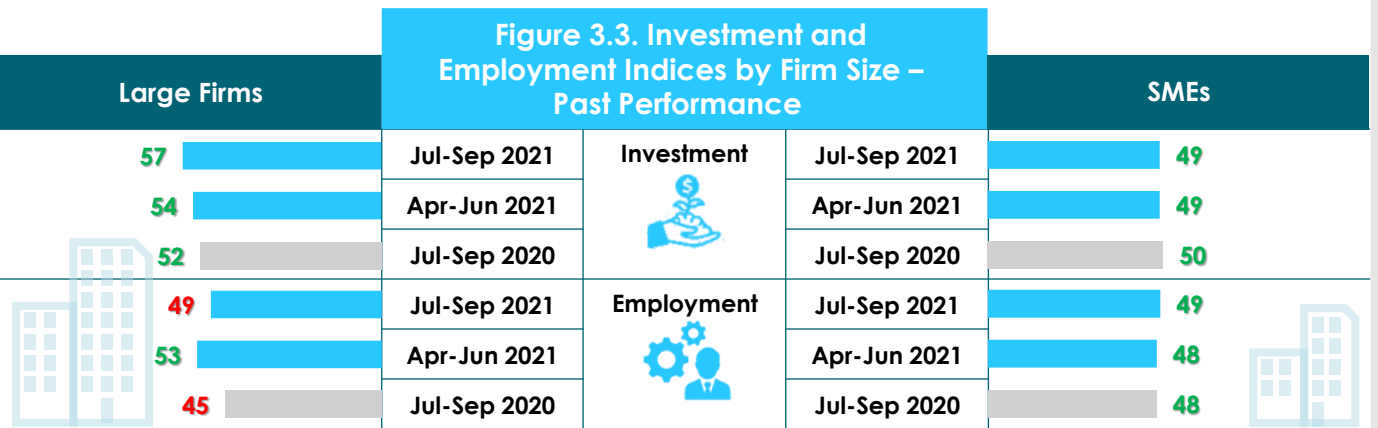
Source: Survey results.

\* The index for inputs is inverted to indicate the negative impact of price increases on the overall index. Hence, a lower index indicates higher prices and vice versa.

**The investment and employment indices for small and medium-sized firms continued to decline, while the investment index for large firms improved**

Despite government efforts to improve the business environment and support all firms:

- The investment and employment indices of small firms continued to decline during the current and previous quarters, while the results for large firms showed continued improvement in the investment index during the current and previous quarters. A slight decrease in the employment index was reported during the current quarter compared to the previous quarter, but is better than its counterpart in corresponding quarter. This indicates the ability of large firms to benefit from the measures taken by the state to improve the investment climate; however, these investments were not matched by an increase in the employment index.
- As for small and medium-sized firms, it is necessary to review the initiatives and incentives announced by the state for small enterprises, and speed up intervention to solve their current problems such as high government fees, in addition to reviewing the roles of the various agencies entrusted with providing technical support to these enterprises, and solving their problems such as high production costs and marketing problems (Figure 3.3).



Source: Survey results.

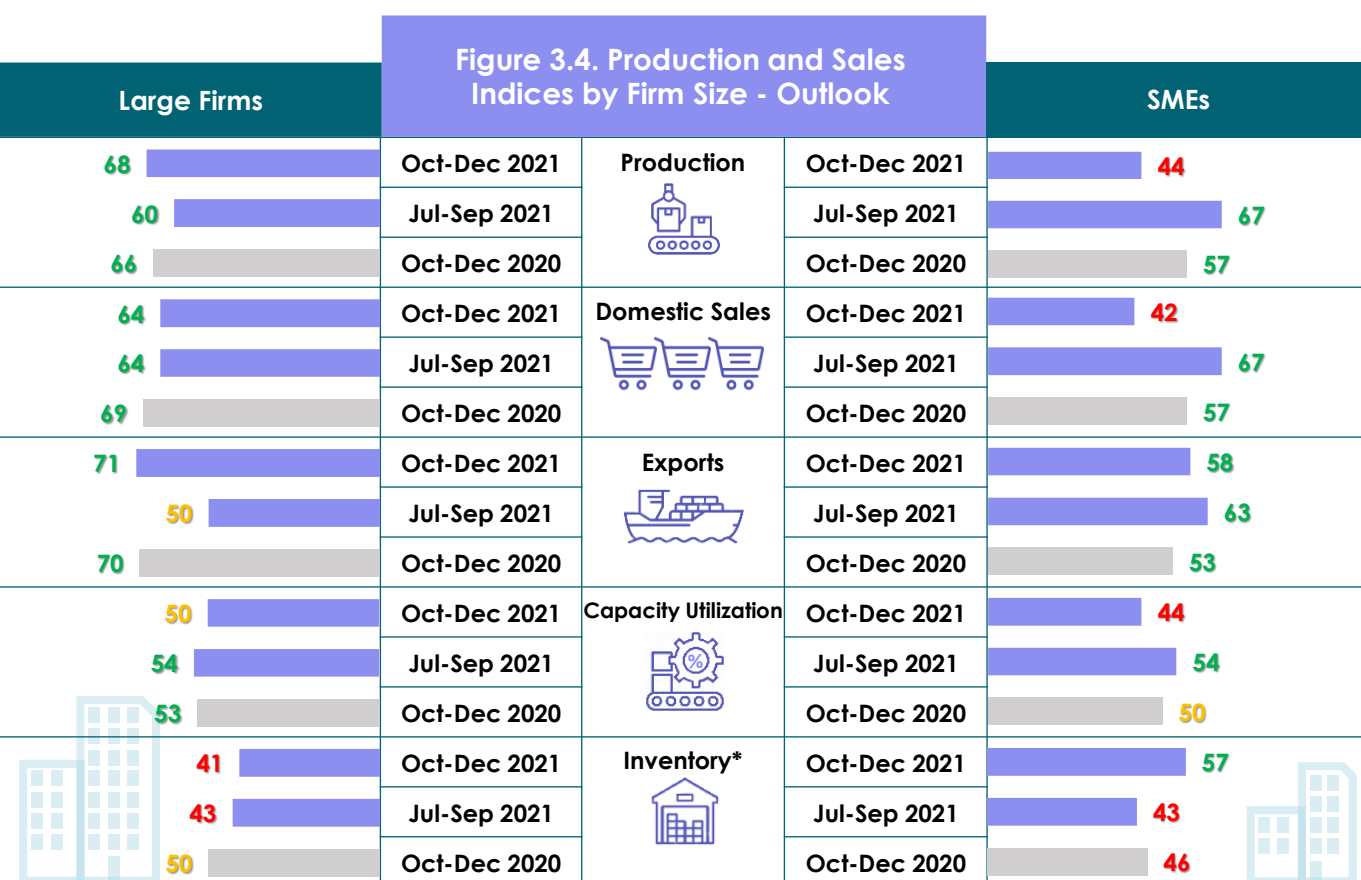
## 2-3 Performance Outlook

### Expected improvement in most indicators of economic activity for all firms during the coming quarter

Large firms expect an improvement in most indices of economic activity during the next quarter, (October-December 2021), with the exception of capacity utilization index, which is expected to remain stable during the coming quarter. These are more optimistic expectations compared to the previous quarter, which may be attributed to expectations of recovery in the global economy (Figure 3.4).

By comparing expectations for the next quarter with those reported in the previous quarter for **large firms**, it is clear that optimism has increased regarding improvement in the indices of production, exports, and commodity inventory during the current quarter compared to the previous one. Expectations about domestic sales remained stable, while expectations of capacity utilization index declined. Compared to the corresponding quarter, expectations were more optimistic about production and exports and less optimistic about domestic sales and capacity utilization.

The expectations of **small and medium-sized firms** for the next quarter were not optimistic about most economic activity indices except for exports, which are expected to witness an improvement. Comparing expectations for the next quarter with those reported in the previous quarter, we find that they are less optimistic about production, sales, exports and capacity utilization. Compared with the corresponding quarter, we find they are less optimistic about production, domestic sales and capacity utilization, but more optimistic about exports and commodity inventory.



Source: Survey results.

\* The inventory index is inverted to reflect the negative impact of rising inventory on businesses. In other words, a higher index indicates lower inventory and vice versa.

**Expectations that input price and wage indices will continue to rise above the neutral level, which will reflect in a rise of the final product price index**

All firms expect continuation in the rise of input prices and production costs, as a result of firm expectations of a continued rise in the prices of production and employment, including a rise in the prices of raw materials. The business community also expects an increase in fees for government services, including customs duties, an increase in the prices of packaging materials, an increase in freight and transport prices, in addition to uncertainty about supply chains in the near term. The results also showed expectations of an increase in the wage index for all firms. Consequently, rises in the input and wage indices are reflected in a rise in the final product price index for all firms during the next quarter (Figure 3.5).

As for prices of final products and wages, expectations for the next quarter were higher than in the corresponding quarter for all firms.

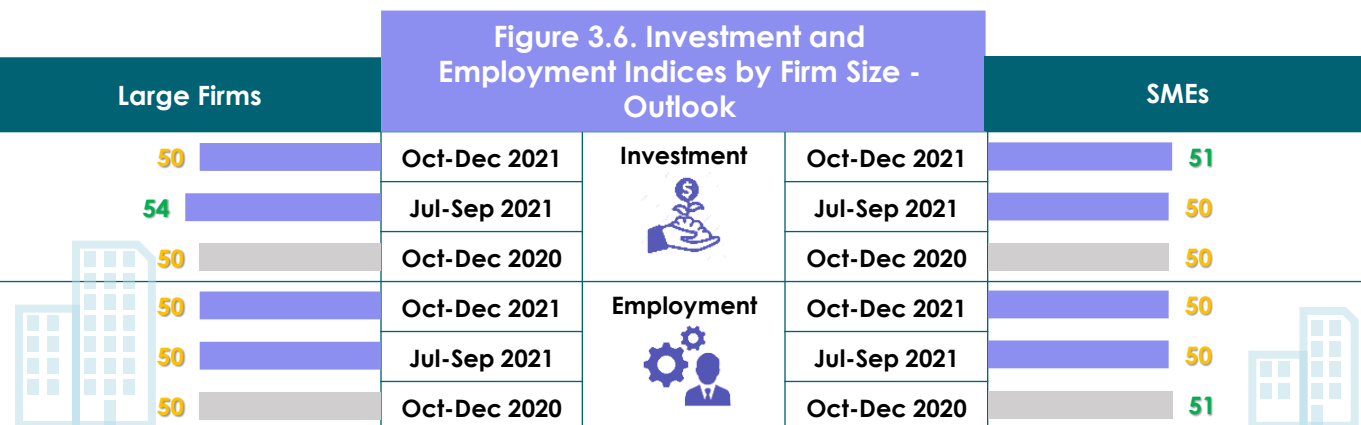


Source: Survey results.

\*\* The index for input prices is inverted to indicate the negative effect of the increase in input prices on the overall index. Hence, a lower value of this index indicates higher input prices.

Large firms expect the investment index to remain neutral during the next quarter, which is less optimistic compared to the previous quarter and similar to the corresponding quarter. However, results showed expectations of a slight improvement in the investment index for small and medium enterprises during the next quarter (October - December 2021), recording 51 points, which is one point higher than in the previous and corresponding quarters, perhaps reflecting the modest index expected for investment as reported by all firms.

Expectations of all firms for the employment index were neutral, indicating the inability of the business community to generate new job opportunities, especially in light of the current recession and high production costs. Hence, it is important to revisit government service fees and the prices of energy, and to address tax challenges to reduce burdens on the business community, and help retain current employment. It is also important to incentivize firms to increase employment levels by reviewing the labor law and their insurance payments, as well as other challenges that limit the ability of firms to create employment opportunities (Figure 3.6).



Source: Survey results.

# Tables Index

**Table A1: Survey Results: Summary of all firms evaluation at the sectoral level (July-August-September 2021)<sup>1</sup>**

Indicator	Manufacturing			Construction			Tourism			Transportation			Communications			Financial Services						
	Higher	Same	Low	Higher	Same	Low	Higher	Same	Low	Higher	Same	Low	Higher	Same	Low	Higher	Same	Low				
<b>Economic activity</b>	<b>INDEX 48</b>			<b>INDEX 44</b>			<b>INDEX 48</b>			<b>INDEX 53</b>			<b>INDEX 50</b>			<b>INDEX 49</b>						
Production	35	32	33	29	29	43	20	20	20	67	75	25	0	80	50	13	38	56	13	63	25	46
Domestic sales	31	35	33	29	21	50	41	56	22	64	75	25	0	80	50	13	38	56	13	63	25	46
Exports	28	41	31	---	---	---	100	0	0	100	0	100	0	50	60	40	0	71	---	---	---	---
Inventory	18	41	41	58	31	23	46	0	40	40	8	92	0	48	63	0	38	38	6	75	19	54
Capacity utilization	7	75	18	47	0	86	14	46	0	50	67	33	0	75	25	50	25	50	0	75	25	43
<b>Prices</b>	<b>INDEX 48</b>			<b>INDEX 44</b>			<b>INDEX 48</b>			<b>INDEX 53</b>			<b>INDEX 50</b>			<b>INDEX 49</b>						
Final product prices	55	43	2	69	29	64	7	57	20	50	30	47	0	50	25	50	25	50	0	100	0	50
mediate product prices	95	5	0	5	93	7	0	7	100	0	0	100	0	0	50	50	0	33	---	---	---	---
Wage level	8	92	0	52	0	100	0	50	0	100	0	100	0	50	0	100	0	50	0	100	0	50
<b>Primary inputs</b>	<b>INDEX 48</b>			<b>INDEX 44</b>			<b>INDEX 48</b>			<b>INDEX 53</b>			<b>INDEX 50</b>			<b>INDEX 49</b>						
Investment	13	83	3	53	0	93	7	48	10	50	40	40	0	50	25	50	25	50	0	100	0	50
Employment	7	83	10	49	14	64	21	48	0	80	20	44	0	48	13	63	25	46	6	94	0	52

**Table A2: Survey Results: Summary of all firms expectations at the sectoral level (October-November-December 2021)<sup>1</sup>**

Indicator	Manufacturing			Construction			Tourism			Transportation			Communications			Financial Services								
	Higher	Same	Low	Higher	Same	Low	Higher	Same	Low	Higher	Same	Low	Higher	Same	Low	Higher	Same	Low						
<b>Economic activity</b>	<b>INDEX 51</b>			<b>INDEX 45</b>			<b>INDEX 48</b>			<b>INDEX 44</b>			<b>INDEX 53</b>			<b>INDEX 49</b>								
Production	38	37	25	55	14	50	36	43	40	20	57	0	25	75	20	38	50	13	58	31	0	69	31	
Domestic sales	29	44	27	51	14	50	36	43	33	44	22	54	0	17	83	14	38	50	13	58	33	0	67	33
Exports	45	41	14	61	---	---	---	---	50	50	0	67	33	67	0	60	40	60	0	63	---	---	---	
Inventory	9	72	19	53	8	62	31	57	40	50	10	40	0	42	58	71	13	75	13	50	38	13	50	
Capacity utilization	5	82	13	48	0	93	7	48	0	90	10	47	0	33	67	25	13	75	13	50	31	6	63	
<b>Prices</b>	<b>INDEX 51</b>			<b>INDEX 45</b>			<b>INDEX 48</b>			<b>INDEX 44</b>			<b>INDEX 53</b>			<b>INDEX 49</b>								
Final product prices	47	52	2	65	43	57	0	64	0	100	0	50	0	100	0	50	0	100	0	50	0	100	0	50
mediate product prices	58	42	0	29	100	0	0	0	33	67	0	40	0	100	0	50	0	100	0	50	---	---	---	
Wage level	5	95	0	51	0	93	7	48	0	100	0	50	0	100	0	50	13	88	0	53	0	100	0	50
<b>Primary inputs</b>	<b>INDEX 51</b>			<b>INDEX 45</b>			<b>INDEX 48</b>			<b>INDEX 44</b>			<b>INDEX 53</b>			<b>INDEX 49</b>								
Investment	3	95	2	50	7	93	0	52	0	100	0	50	0	100	0	50	0	100	0	50	0	100	0	50
Employment	3	95	2	50	0	86	14	46	0	100	0	50	0	100	0	50	0	100	0	50	0	100	0	50

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

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

# Tables Index

**Table A3: Survey Results: Summary of all firms past performance (by size) (July-August-September 2021)<sup>1</sup>**

Variable	SMEs				Large Firms			
	Percentage			Index <sup>2</sup> <b>46</b>	Percentage			Index <sup>2</sup> <b>53</b>
	Higher	Same	Low		Higher	Same	Low	
<b>Economic activity</b>								
Production	34	33	32	<b>51</b>	57	29	14	<b>67</b>
Domestic sales	34	34	33	<b>50</b>	50	33	17	<b>63</b>
Exports	13	61	26	<b>46</b>	69	23	8	<b>75</b>
Inventory	21	44	35	<b>55</b>	39	39	22	<b>44</b>
Capacity utilization	10	69	21	<b>47</b>	19	67	14	<b>51</b>
<b>Prices</b>								
Final product prices	31	63	6	<b>58</b>	48	48	5	<b>65</b>
Intermediate product prices	94	6	0	<b>6</b>	93	7	0	<b>7</b>
Wage level	4	96	0	<b>51</b>	5	95	0	<b>51</b>
<b>Primary inputs</b>								
Investment	5	87	8	<b>49</b>	29	67	5	<b>57</b>
Employment	8	79	13	<b>49</b>	0	95	5	<b>49</b>

**Table A4: Survey Results: Summary of all firms expectations (by size) (October-November-December 2021)<sup>1</sup>**

Variable	SMEs				Large Firms			
	Percentage			Index <sup>2</sup> <b>48</b>	Percentage			Index <sup>2</sup> <b>54</b>
	Higher	Same	Low		Higher	Same	Low	
<b>Economic activity</b>								
Production	25	33	41	<b>44</b>	57	33	10	<b>68</b>
Domestic sales	22	34	44	<b>42</b>	47	47	6	<b>64</b>
Exports	36	52	12	<b>58</b>	58	42	0	<b>71</b>
Inventory	12	55	33	<b>57</b>	33	61	6	<b>41</b>
Capacity utilization	7	66	27	<b>44</b>	10	81	10	<b>50</b>
<b>Prices</b>								
Final product prices	29	70	1	<b>58</b>	24	76	0	<b>57</b>
Intermediate product prices	67	33	0	<b>25</b>	43	57	0	<b>36</b>
Wage level	3	96	1	<b>51</b>	5	95	0	<b>51</b>
<b>Primary inputs</b>								
Investment	3	96	1	<b>51</b>	0	100	0	<b>50</b>
Employment	2	95	3	<b>50</b>	0	100	0	<b>50</b>

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.