

**ACCESS TO CREDIT AND COST OF CREDIT
CONTINUE TO TOP THE KEY CHALLENGES
LIMITING GROWTH OF BUSINESSES IN GHANA**

Access to credit overtakes cost of credit for the first time as the leading factor restricting the development of industry in Ghana. This development calls for immediate attention as funding of operations of businesses in the country is becoming more and more difficult. The June 2010 increases in prices of utility tariffs and petroleum products have resulted in increasing cost of production. Hence, there is urgent need to address difficulty in accessing credit as well as high cost of borrowing.

**OVERALL PERCEPTION OF BUSINESS
PERFORMANCE**

The 2010, fourth quarter of AGI Business Barometer, shows that Captains of Industries are quite optimistic that the business performance will improve in the first quarter of 2011. The optimism of CEOs is attributed to expected improvement in market, decrease in utility prices and increase in purchasing power of consumers in the first quarter of 2011.

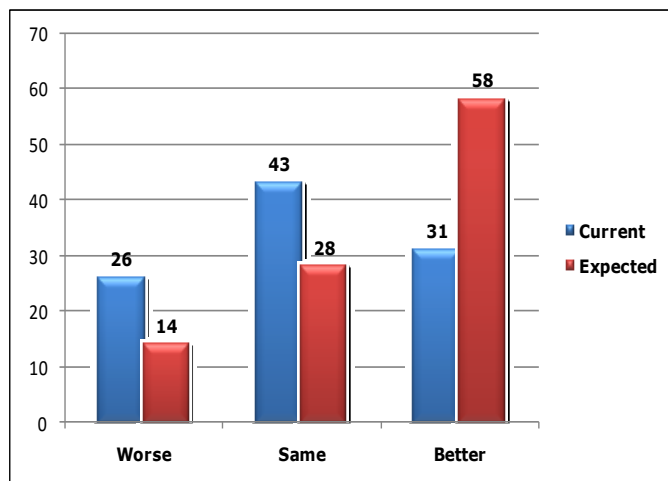


Fig. 1 Overall Business Performance for Q4 2010

Thirty-one percent (31%) of respondents however, are of the view that, their businesses performed better in quarter 4 (Q4) than quarter 3 (Q3) in 2010 (see Fig. 1, for detailed result). On the contrary, 26% of interviewees feel their businesses performed poorly in Q4 compared with that of Q3.

OVERALL MAJOR CHALLENGES

Access to credit, cost of credit and high cost of raw materials were identified as three critical factors impeding growth of businesses in the country. High utility prices dropped from third position in Q3 to fourth in Q4 and this may be due to the Government intervention which led to a fall in electricity prices in some categories of consumers.

Once again, inflation did not feature in the top 10 challenges, largely because of continuous decline of inflation.

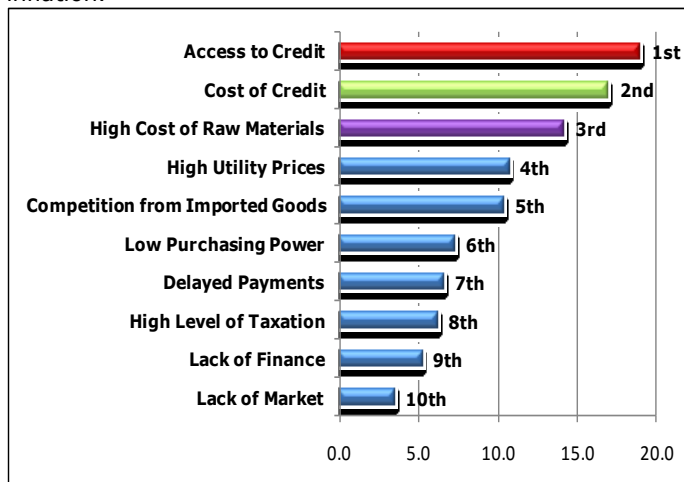


Fig.2 Overall Challenges for Q4 2010

Delayed payments moved three places upwards from 10th (Q3) to 7th (Q4) position, whilst lack of market moved two places downwards from 8th (Q3) to 10th (Q4).

CHALLENGES BY SECTOR

- ✓ **Manufacturing:** High utility prices, high cost of raw materials, and competition from imported goods are the 3 key challenges hindering growth of this sector.
- ✓ **Agriculture:** The top 3 factors limiting the development of the sector are access to credit, high cost of raw materials and cost of credit.
- ✓ **Service:** Cost of credit, access to credit and high level of taxation were ranked first, second and third, respectively, as the main obstacles confronting the sector.
- ✓ **Construction:** The sector identified access to credit, cost of credit and high cost of raw materials as the top 3 challenges restricting growth of the sector.

CHALLENGES BY SIZE

Table 1: Top 3 Challenges by Size

Size	Challenges		
	1 st	2 nd	3 rd
SMEs	Access to Credit	Cost of Credit	High Cost of Raw Materials
Large	Competition from Imported Goods	High Utility Prices	Cost of Credit
African Giants	High Utility Prices	Cost of Credit	High Cost of Raw Materials

COMPARISON: Q4 2010 and Q3 2010

Figures 3 and 4 below give a comparison of business performance in Q3 and Q4 of 2010.

CURRENT BUSINESS PERFORMANCE

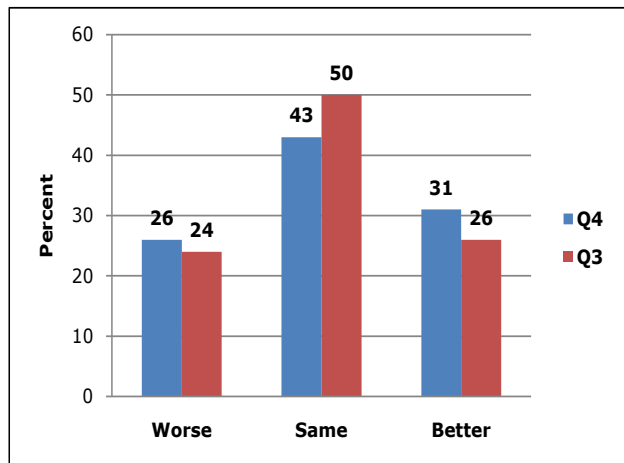


Fig. 3 Current Business Performance

Whilst about a third (31%) of CEOs interviewed in Q4 feel their businesses are better than Q3, only 26% of respondents in Q4 said business performance was better than that of Q3.

EXPECTED BUSINESS PERFORMANCE

More respondents (63%) in Q3 compared with 58% in Q4 were of the view that business will improve in the ensuing quarter. On the contrary, 14% of interviewees in Q4 anticipated that business will perform poorly than the previous quarter as against only 10% who feel same in Q3 (see Fig. 4 for detailed result).

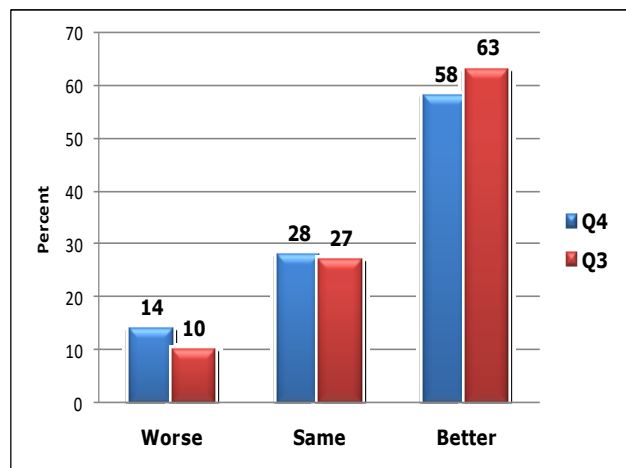


Fig. 4 Expected Business Performance

CHALLENGES

Again, Figures 5 and 6 present the ten major challenges confronting businesses operating in the country for Q3 and Q4, 2010 respectively.

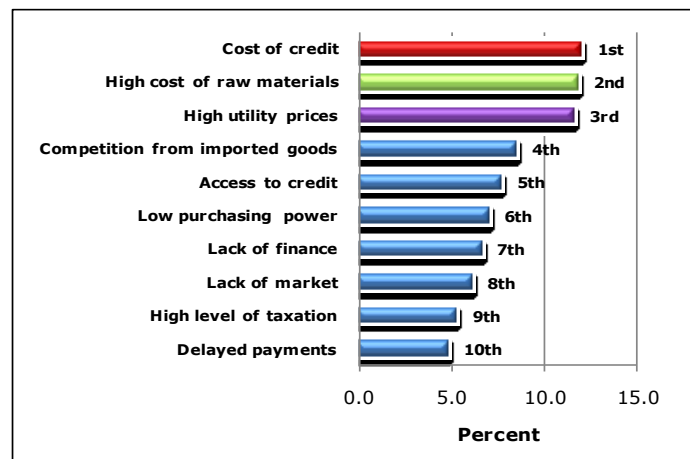


Fig. 5 Major Challenges for Q3 2010

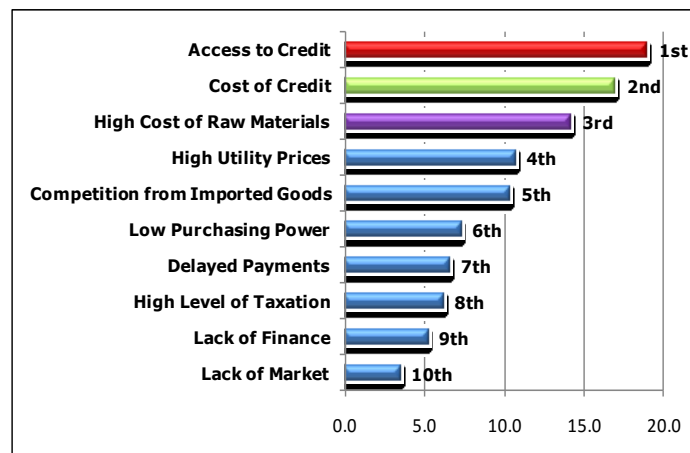


Fig. 6 Major Challenges for Q4 2010

Access to credit, the greatest mover leaped from fifth in Q3 to first in Q4, whilst low purchasing power maintained the 6th position in both quarters. Delayed payments also moved three places up from 10th in Q3 to 7th in Q4.

THE AGI BB INDICATOR (BBI)

The AGI BBI measures the level of confidence in the business environment and predicts short-term business trend. It simply expresses the state of the business climate in one number, ranging between +100 and -100. It is calculated out of "current" business mood and "expectations" for the future. Q4 recorded a positive indicator of 23.7 which indicates a drop in business expectation over Q3 (which recorded an indicator of 26.1). This means the CEOs interviewed were more confident in the business environment in Q3 than Q4.

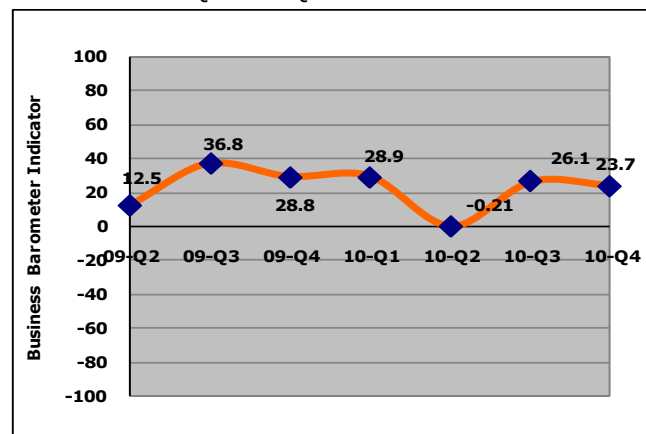


Fig. 7 AGI BBI