

**SUMMARY REPORT**

**POOR POWER SUPPLY IS THE TOPMOST CONSTRAINT TO GROWTH OF BUSINESSES IN GHANA**

Energy is recognized as one of the key factors required for social, economic and more importantly industrial development. This is the reason why the revelation by the Third Quarter of AGI Business Barometer that Poor Power Supply is the topmost challenge facing business operators is worrying. According to the respondents, the combined effect of frequent power outages and regular power surges from July-September, 2012 has resulted in an increase in the unit cost of production.

The AGI considers interdependence of industry and energy as a necessity if the country is to attain upper middle income status in the next three years. It is against this back drop that, the Association is urging policymakers to accelerate the completion of the Ghana Gas Project to enable us process the country's gas resources to generate more power.

**OVERALL PERCEPTION OF BUSINESS PERFORMANCE**

There is a drop in expectation of the Business Community going into the final quarter of 2012. Whilst about 57% of the CEOs interviewed in the second quarter of 2012 (Q2 2012) said they expect the performance of the business environment to improve in quarter three (Q3 2012), only about 52% of the respondents interviewed in Q3 2012 feel same about quarter four.

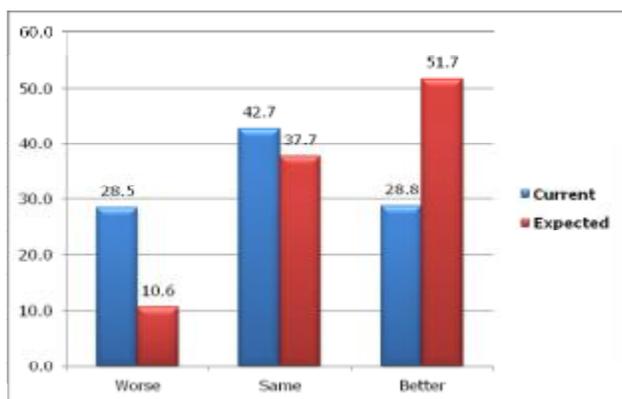


Fig. 1 Overall Business Performance for Q3 2012

The reasons assigned by the optimists are anticipated: improved market, increase in output of labour force, and availability of raw materials. However, those who expect their businesses to perform poorly in Q4 2012 compared to Q3 2012 based their assertion on expected: depreciation of the cedi, increase in inflation, and increase in the level of tax rate.

**OVERALL MAJOR CHALLENGES**

Poor power supply, depreciation of the cedi and high level of taxation were ranked first, second and third, respectively, as the top three obstacles restraining expansion of businesses in the country in the third quarter of 2012. The biggest mover between second and third quarters is poor power supply, moving from seventh in Q2 to first in Q3. This development could be attributed to the load shedding exercise embarked upon by the Electricity Company of Ghana over the last four months.



Fig.2 Overall Challenges for Q3 2012

Low access to credit and cost of credit featured at the fourth and fifth positions, respectively. At the tail end of the table are inflation, low purchasing power and competition from imported goods which were ranked eighth, ninth and tenth, respectively. It is worth noting that, this is the first time since the inception of the AGI Business Barometer Survey that, competition from imported goods is being ranked tenth. It is normally ranked at mid or upper end of the table. This show how realistic the AGI Business Barometer is, as it always identifies the most pressing challenges facing the business community. This is the reason why challenges such as poor power supply, depreciation of the cedi and inflation have displaced competition from imported goods from the upper end of the table.

**CHALLENGES BY SIZE**

Table 1: Top 3 Challenges by Size

Size	Challenges		
	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>
SMEs	High Level of Taxation	Poor Power Supply	Depreciation of the Cedi
Large	High Level of Taxation	Depreciation of the Cedi	Poor Purchasing Power
African Giants	Poor Power Supply	High Level of Taxation	Depreciation of the Cedi

## AGRICULTURE SECTOR

Figures 3, 4, 5 and 6 depict major challenges across sectors. Access to credit and high cost of raw materials maintained first and second positions, respectively, as the top two obstacles hindering the growth of the Agriculture sector operators. See Fig. 3 for detailed ranking of the top ten challenges for the sector.



Fig. 3 Challenges Facing the Agriculture Sector

## CONSTRUCTION SECTOR

Also, access to credit, delayed payment and unfair awards of contracts were identified as the top three challenges facing the Construction Sector. Lack of contracts which was ranked third in Q2 2012 dropped to the seventh position in Q3 2012, whilst low purchasing power (also ranked third in Q2 2012) did not feature in the top ten in Q3 2012. However, bureaucracy (which did not feature in Q2 2012) appeared in the top ten in Q3 2012.

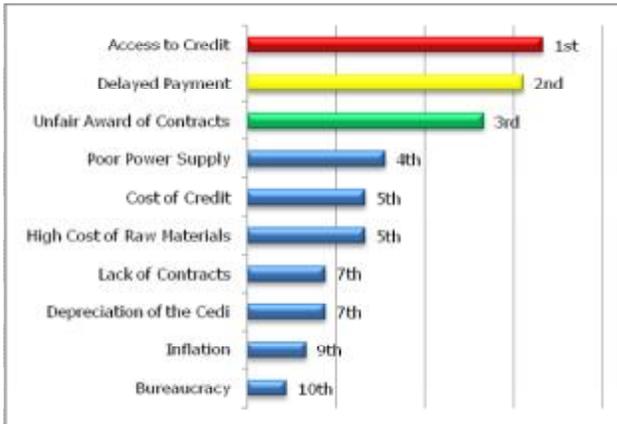


Fig. 4 Challenges Facing the Construction Sector

## MANUFACTURING SECTOR

Not surprisingly, the Manufacturing Sector singled out poor power supply as the most important factor increasing cost of operations of the sector. Depreciation of the cedi and high level of taxation were also ranked second and third, respectively. This development calls for an immediate solution as all the top three identified challenges facing the sector could have significant impact on cost of production and hence render local manufacturers less competitive in the last quarter of 2012.

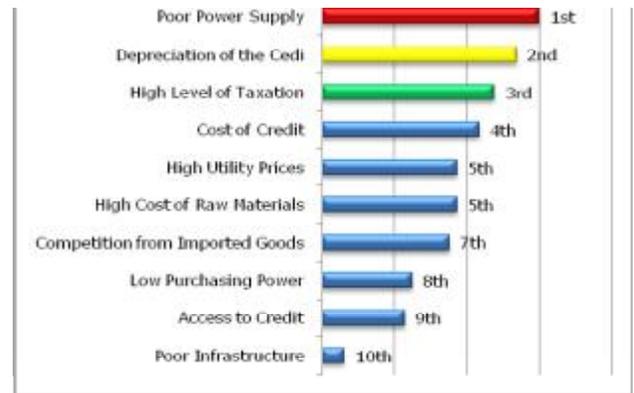


Fig. 5 Challenges Facing the Manufacturing Sector

## SERVICE SECTOR

Again, poor power supply, depreciation of the cedi and high level of taxation emerged as top three obstacles to the development of the Service Sector.



Fig. 6 Challenges Facing the Service Sector

## 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.

2012 Q3 recorded a positive indicator of 19.8 which indicates a drop in business expectation over 2012 Q2 (which recorded an indicator of 26.2). This is an indication that the confidence level of the business community in the business environment has gone down compared to quarter two of 2012.

Fig. 7 AGI BBI

