

DIFFICULTY IN ACCESSING CREDIT RE-EMERGES AS THE TOPMOST OBSTACLE TO GROWTH OF BUSINESSES IN THE COUNTRY

The re-emergence of difficulty in accessing credit as the topmost obstacle restricting growth of businesses in the country is worrying. The prevailing rigid requirements demanded by commercial banks in the country have resulted in low access to credit by the private sector. Consequently, most SMEs have resorted to non-banking financial institutions whose interest rates are very prohibitive. This development renders businesses operating in the country non-competitive.

The AGI believes the combined effect of difficulty in accessing credit and high interest rates on the private sector could be mitigated by Government giving tax incentives to commercial banks to entice them to allocate greater proportion of their credit portfolio at competitive rates to the private sector.

OVERALL PERCEPTION OF BUSINESS PERFORMANCE

Chief Executive Officers are highly optimistic of their performance going into 2013. The Fourth Quarter of the AGI Business Barometer revealed that about 67% (the highest in 2012) of the CEOs interviewed in 2012 Q4 expect their businesses to perform better in 2013 Q1, compared to that of 2012 Q4. The respondents attributed their optimism to an expected improved market; falling cost of raw materials; and an enhanced purchasing power.

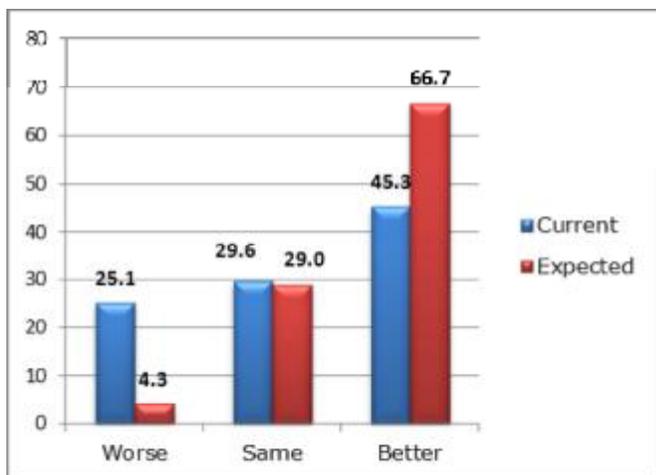


Fig. 1 Overall Business Performance for Q4 2012

On the contrary, only 4.3% of the CEOs interviewed were of the view that their businesses will perform poorer in 2013 Q1, compared to that of 2012 Q4. Their pessimism was based on an anticipated: increased cost of inputs; rising interest rates; and sustained inflation.

Interestingly, about 29% of respondents said the performance of their businesses in 2013 Q1 will

Q4. Their indifferent position was assigned to a probable unchanged: market condition; cost of raw materials; and depreciation of the cedi.

OVERALL MAJOR CHALLENGES

Access to Credit, poor power supply and high cost of raw materials were ranked first, second and third, respectively, as the topmost three challenges limiting the growth of businesses in the country. These three challenges, thus, businesses struggling to get funds to either start-up a business or expand; frequent power outages; persistence increases in input cost; and other challenges combine together to increase cost of production of industry. Therefore, hence every effort must be geared towards eliminating these challenges.

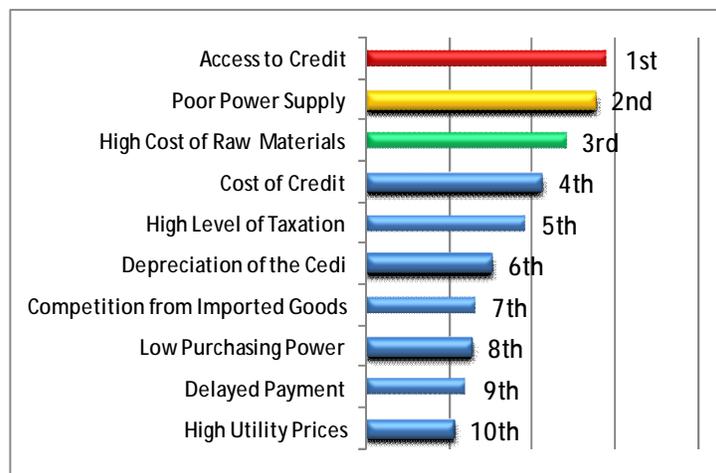


Fig. 2 Overall Major Challenges for Q4 2012

Figure 2, whilst access to credit moved from fourth position in 2012 Q3 to first in 2012 Q4, making it the best mover. However, depreciation of the cedi dropped from second in 2012 Q3 to 6th in 2012 Q4, making it greatest loser in the last quarter of 2012. This could be attributed to the stabilization of the cedi in the last quarter of 2012, confirming the fact that, the results of the AGI Business Barometers reflect the happenings within the economy. Delayed payment which did not feature in the overall major challenges of 2012 Q3 appeared in the top ten of 2012 Q4 result. Interestingly, for the first time in over eight quarters, high utility prices which was ranked tenth did not feature in the top five.

CHALLENGES BY SIZE

Table 1: Top 3 Challenges by Size

Size	Challenges		
	1 st	2 nd	3 rd
SMEs	Access to Credit	High Cost of Raw Materials	Poor Power Supply
Large	Poor Power Supply	High Level of Taxation	High Utility Prices
African Giants	Depreciation of the Cedi	High Level of Taxation	Poor Power Supply

according to the size of the enterprise. High cost of raw materials and poor power supply featured in the top three of all the categories. Remarkably, high level of taxation which was ranked fifth in the overall major challenges came second in both Large and African Giant categories. Similarly, high utility prices which was tenth in the overall major challenges was ranked third in the Large category.

CHALLENGES BY SECTOR

Figures 3, 4, 5 and 6 depict major challenges across sectors. Access to credit, high cost of raw materials and cost of credit maintained first, second and third positions, respectively, as the topmost challenges restricting growth of firms in the Agricultural Sector, according to Fig. 3. Lack of market which was ranked 7th in 2012 Q3 moved to 4th position in 2012 Q4. Competition from imported goods which did not feature in the top ten of 2012 Q3 was ranked 10th in the 2012 Q4 result.

AGRICULTURE

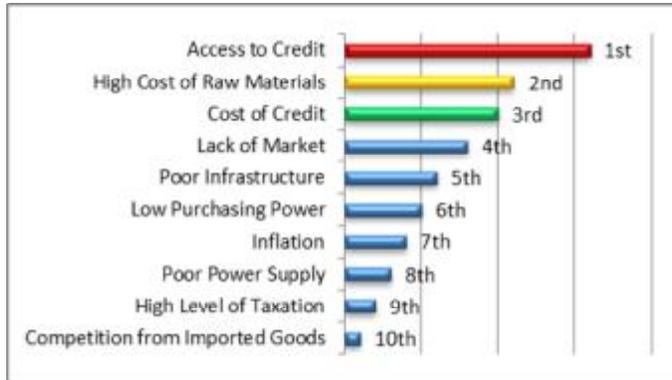


Fig. 3 Challenges Facing the Agriculture Sector

Delayed payment, lack of contracts and access to credit were ranked first, second and third, respectively, by the Construction Sector as the key factors rendering the operators noncompetitive. The appearance of delayed payment as the topmost challenge in the sector is disturbing since contractors may find it difficult to service their loans on time. This development could lead to increased cost of doing business as interest rates paid on their loans increase geometrically. Inflation and bureaucracy which featured in the 2012 Q3 did not appear in the 2012 Q4 result. See Fig. 4 for details.

CONSTRUCTION

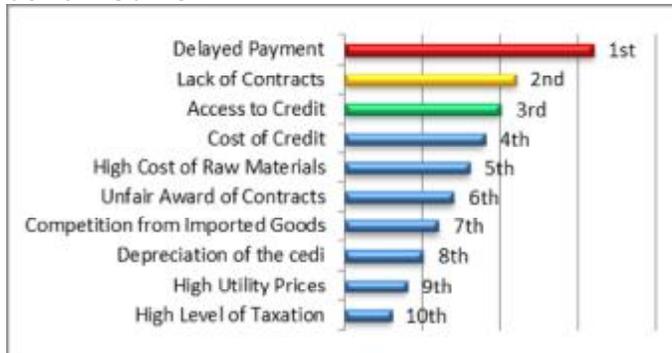


Fig. 4 Challenges Facing the Construction Sector

material

s and high level of taxation were also ranked second and third, respectively, by CEOs of the sector, whilst low purchasing power was ranked 10th. See Fig. 5 for detailed result.

MANUFACTURING



Fig. 5 Challenges Facing the Manufacturing Sector

Figure 6 shows high level of taxation, poor power supply and access to credit as the top three challenges confronting the Service Sector.

SERVICE



Fig. 6 Challenges Facing the Service Sector

THE AGI BBI 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 Q4 recorded a positive indicator of 40.4 which indicates a rise in business expectation over 2012 Q3 (which recorded an indicator of 19.8). This is an indication that the confidence level of the business community in the business environment has gone up compared to quarter three of 2012.

Fig. 7 AGI BBI

