

SUMMARY REPORT

POOR POWER SUPPLY IS THE TOPMOST CONSTRAINT TO PRIVATE SECTOR DEVELOPMENT IN GHANA

Poor Power Supply emerged as the leading obstacle restricting growth and start-up of businesses operating in Ghana, according to the AGI 2013 first quarter Business Barometer Survey result. The private sector is concerned about the continuous power cuts witnessed in the country over the last six months because it disrupts business operations. These disruptions lead to short fall in production and revenue loses to businesses which are unable to procure generators to continue operations. On the other hand, the power cuts lead to increased cost of doing business as companies which can afford invest in contingency plants/generators and fuel to undertake normal operations. Either way, regular power cuts as being experienced in the country limits industry's international competitiveness.

OVERALL PERCEPTION OF BUSINESS PERFORMANCE

There is a dip in business confidence in Ghana according to the AGI Q1 2013 Business Barometer Indicator, in spite of marginal increase in expectation of the Business Community. Whilst about 69.5% of the CEOs interviewed in the first quarter of 2013 (Q1 2013) expect the performance of their businesses to improve in quarter two (Q2 2013), about 67% of the captains of industry interviewed in Q4 2012 feel same about quarter one of 2013.

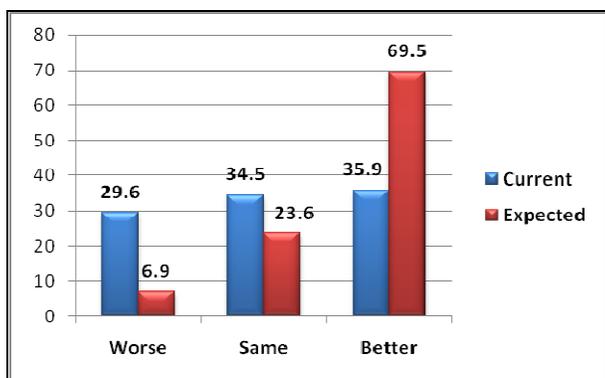


Fig. 1 Overall Business Performance for Q1 2013

An improved sale, efficiency of labour force, and availability of raw materials, are the reasons given by respondents who are hopeful in Q2 2013. On the other hand, 6.9% of the respondents who expect their businesses to perform worse in Q2 2013 compared to Q1 2013 based their decision on an anticipated: increase in interest rates, lack of both private sector and government projects. About 24% of the CEOs interviewed were indifferent in the performance of their businesses between Q1 2013 and Q2 2013 because they expect purchasing power of consumers, utility prices and strength of the cedi to remain unchanged in Q2 2013.

OVERALL MAJOR CHALLENGES

For the second time over the last three quarters, poor power supply is the topmost challenge restricting growth of businesses. This development could be attributed to the intense load shedding exercise embarked upon by the Electricity Company of Ghana in the first quarter of this year. The regular twin-challenge of difficulty in accessing credit and high cost of credit, as usual were ranked second and third, respectively, by respondents.

The largest mover between fourth quarter of 2012 and first quarter of 2013 is high cost of raw materials, which dropped from third in Q4 2012 to sixth in Q1 2013.

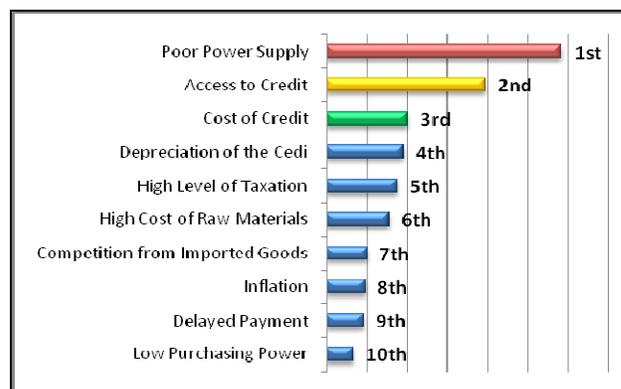


Fig.2 Overall Challenges for Q1 2013

It is worth noting that high utility prices did not feature in the overall major challenges for the first time since second quarter of 2010, when energy prices were increased over 90%. This confirms the believe that the AGI Business Barometer Survey measures the actual happenings within the real economy of this country, as utility prices have not been increased over a year now. Again, inflation which did not feature in the overall major challenges in Q4 2012, was ranked eighth in Q1 2013. This is consistent with the inflationary pressures witnessed in the first quarter of 2013, that is, 8.8%, 10.0% and 10.4% in January, February and March, respectively, all in 2013.

CHALLENGES BY SIZE

Table 1: Top 3 Challenges by Size

Size	Challenges		
	1 st	2 nd	3 rd
SMEs	Poor Power Supply	Access to Credit	Cost of Credit
Large	Poor Power Supply	Depreciation of the Cedi	Competition from Imported Goods
African Giants	Poor Power Supply	High Level of Taxation	Inflation

Table 1, illustrates the top three challenges facing firms according the size of enterprise. The table shows that, poor power supply was ranked first in all

the categories of sizes. Interestingly, inflation which was ranked eighth in overall top challenges was ranked third in the African Giants category.

AGRICULTURE SECTOR

Figures 3, 4, 5 and 6 depict major challenges across sectors. Access to credit, high cost of raw materials and cost of credit all maintained their first, second and third positions in the Agriculture Sector. The prominence of these challenges call for implementation of policies to address them. Whilst, depreciation of the cedi which featured in the top challenges of the Agriculture sector in Q1 2013 did not appear in that of Q4 2012, lack of market which was ranked fourth in Q4 2012 did not feature in Q1 2013 at all.

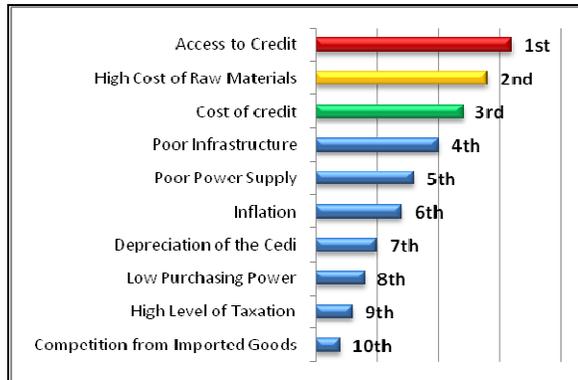


Fig. 3 Challenges Facing the Agriculture Sector

CONSTRUCTION SECTOR

Access to credit, delayed payment and cost of credit were identified as the top three obstacles limiting growth of players in the Construction Sector. Whilst, access to credit moved from third position in Q4 2012 to first in Q1 2013, delayed payment dropped from first to second over the same period. Lack of contracts the greatest mover, dropped from second position in Q4 2012 to sixth position in Q1 2013. Inflation which was ranked eighth in Q4 2012 was not ranked among the top ten in the sector.

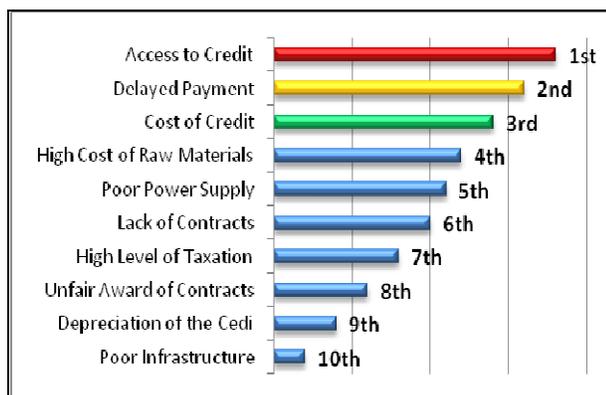


Fig. 4 Challenges Facing the Construction Sector

MANUFACTURING SECTOR

The operators of the sector interviewed revealed poor power supply, access to credit and depreciation of the cedi as the key obstacles restricting expansion of manufacturing business in Ghana. It is important for key stakeholders to work together to eliminate these challenges in order for the manufacturing sector to play its key role of job and wealth creation. Lack of raw materials which did not feature in the top ten of the sector in Q4 2012 was ranked tenth in Q1 2013,

whilst, low purchasing power (ranked 10th in Q4 2012) did not feature at all in Q1 2013.

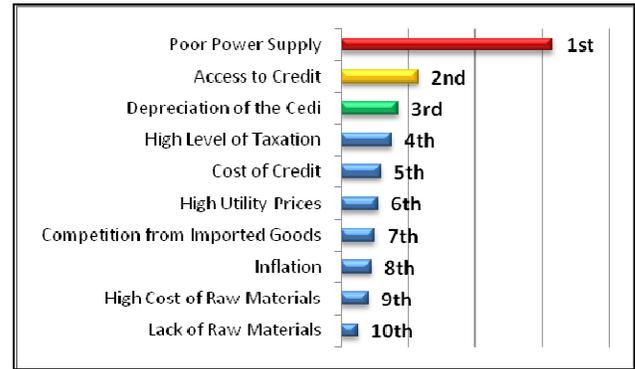


Fig. 5 Challenges Facing the Manufacturing Sector

SERVICE SECTOR

The Service Sector also ranked poor power supply, depreciation of the cedi and access to credit, first, second and third, respectively, as major obstacles hampering development of the sector.

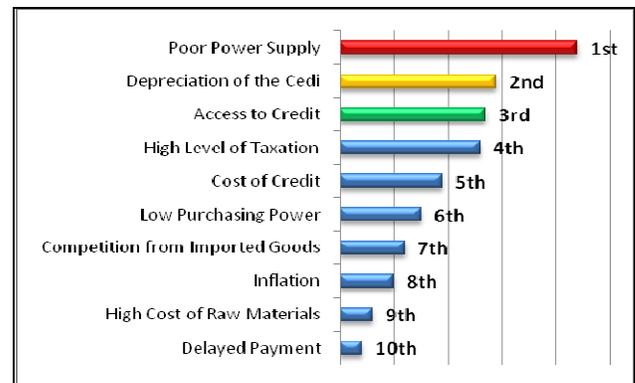


Fig. 6 Challenges Facing the Service Sector

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.

2013 Q1 recorded a positive indicator of 32.6 which indicates a drop in business expectation over that of 2012 Q4 (which recorded an indicator of 40.4). This is an indication that the confidence level of the business community in the business environment has gone down compared to quarter four of 2012.

Fig. 7 AGI BBI

