

SUMMARY REPORT

**RE-EMERGENCE OF COST OF CREDIT AS THE
TOPMOST CHALLENGE FACING INDUSTRY**

For the fifth time of the last six AGI Business Barometer surveys, cost of credit has been identified as the topmost factor hindering the growth of businesses in Ghana. The persistence of high cost of credit in the country is a major concern to businesses operating in the country, considering the fact that key determinants of cost of credit such as inflation, Bank of Ghana's policy rate and T-bill rate have declined significantly over the last nine months.

**OVERALL PERCEPTION OF THE BUSINESS
ENVIRONMENT**

There is high optimism among CEOs that the business climate will improve in Q4 according to the AGI Business Barometer. The seasonal trend of the market booming in December and the recent downward review of the electricity tariffs largely account for this optimism.

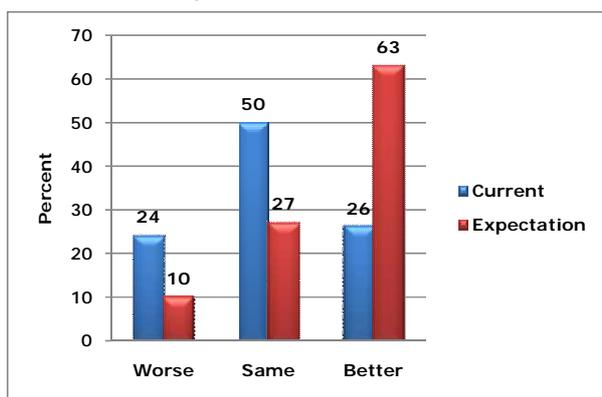


Fig. 1 Overall Business Performance for Q3 2010

However, the actual business climate remained unchanged in Q3. While 26% believe the business climate improved, 24% think it declined in the period under review.

However, a few of the CEO's (1 in 10) perceive a gloomy picture of Q4. They envisage that the interest rates charged by banks and the recent utility prices will worsen the climate in Q4.

OVERALL MAJOR CHALLENGES

High cost of credit, cost of raw materials and utility prices stood prominent as the top three challenges for businesses in Ghana. CEOs feel they are facing increased competition from foreign companies which moved up a step to 4th position in Q3. Delay in payment for contracts executed ranked 10th, yet important among the challenges.

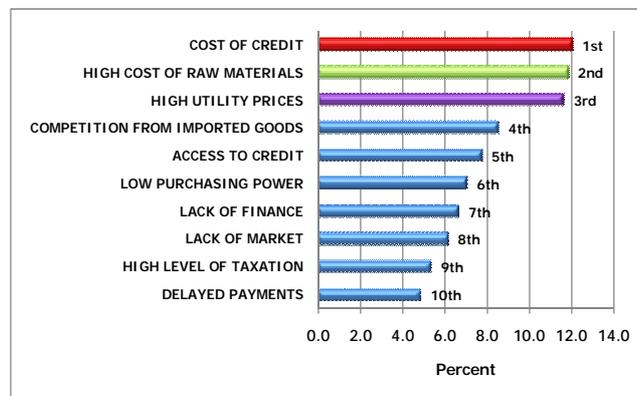


Fig. 2 Overall Major Challenges for Q3 2010

High cost of credit which ranked 2nd in Q2 now moved up to 1st in Q3. The impact of the upward adjustment of the tariffs continued to be felt among industry throughout Q3, with the medium and heavy voltage consumers bearing the bigger brunt. Thankfully, Government's intervention through AGI's negotiations with the PURC will enable businesses to now pay lower electricity tariffs.

CHALLENGES BY SECTOR

- ü **Manufacturing:** High utility prices, cost of raw materials, cost of credit remain the top 3 challenges stifling growth of the sector.
- ü **Agriculture:** Access to credit, cost of credit and high cost of raw materials emerged as key challenges facing the Agriculture sector in order of importance.
- ü **Service:** Low purchasing power, cost of credit and high cost of raw materials are the key challenges identified.
- ü **Construction:** Delays in payment, low purchasing power, access to credit are the challenges peculiar to this sector.

CHALLENGES BY SIZE

Cost of credit ranked first among challenges facing both SMEs and Large organizations but ranked third in the case of African Giants. The African Giants who constitute the very large firms felt the impact of the high utility prices most even though competition from imported goods was also key.

Table 1: Challenges by size

| Size | Challenges | | |
|----------------|---------------------|---------------------------------|---------------------------------|
| | 1 st | 2 nd | 3 rd |
| SMEs | Cost of credit | High cost of raw materials | High utility prices |
| Large | Cost of credit | High utility prices | Competition from imported goods |
| African Giants | High utility prices | Competition from imported goods | Cost of credit |

COMPARISON: Q3 2010 and Q2 2010

Figures 3 and 4 below feature a comparison of business performance in Q3 and Q2 of 2010.

ü Current business environment

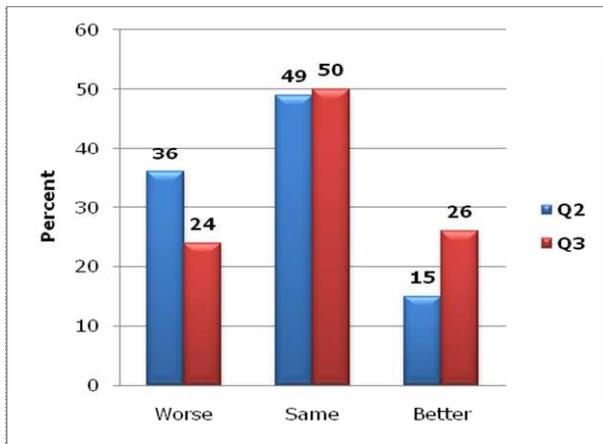


Fig. 3 Current Business Performance

By comparison, Q3 saw an improvement in business confidence level over Q2 as 11% more of the CEOs said business was better. About 50% were of the opinion that business performance in the two quarters is unchanged.

ü Expected business performance

In predicting the next quarter's business performance, CEOs were more optimistic (63%) of the business climate in quarter 3 than in quarter 2 (46%), possibly due to expectations met.

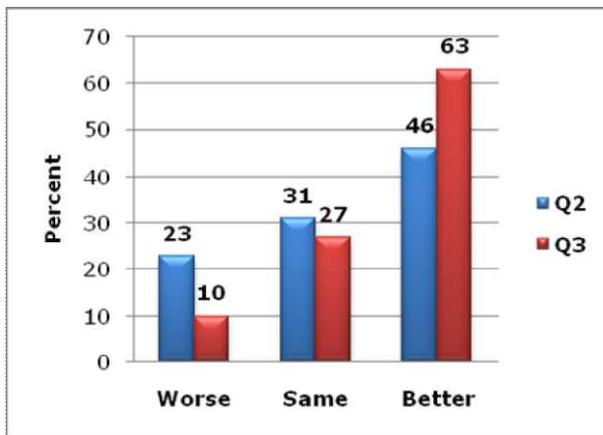


Fig. 4 Expected Business Performance

The 10% of CEOs who expected business performance to worsen in Q3 compares favourably with the 23% in Q2.

Twenty-seven percent (27%) of CEOs are of the view that, business performance will remain same in Q3. There were only marginal differences in the ratings for "Worse" and "Same" in the two quarters.

ü Challenges

Figures 5 and 6 present the ten major challenges facing businesses for Q2 and Q3, 2010 respectively.

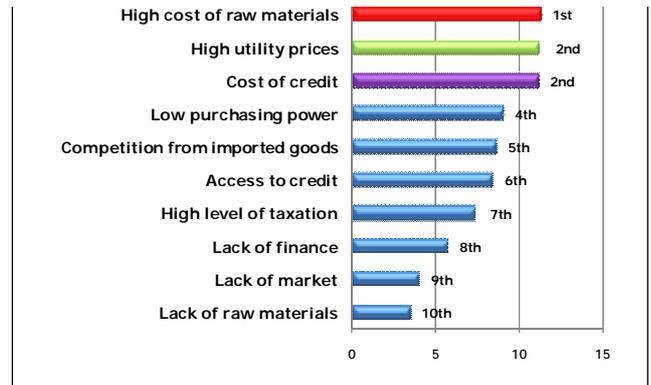


Fig. 5 Major Challenges for Q2 2010

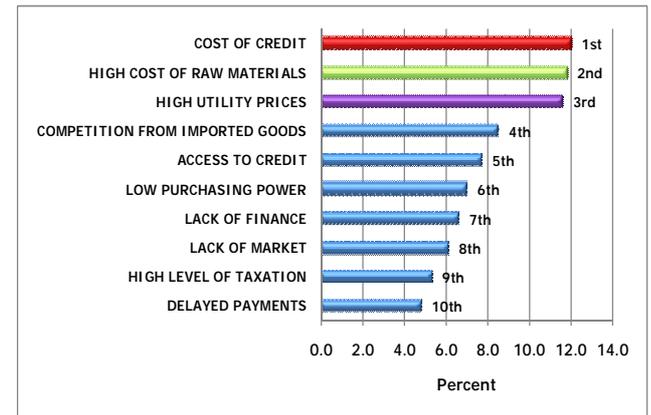


Fig. 6 Major Challenges for Q3 2010

"Competition from imported goods" was more of a priority in Q3 while "Access to credit" also moved a step up to rank 5th. Level of taxation while still a challenge to doing business in Ghana did not rank as high in Q3 as in Q2.

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. Q3 recorded a positive indicator of 14.9 which indicates an improved business climate over Q2. Contrarily to Q2 which registered an exceptional -0.21, Q3 presented a more confident view of the business climate in the opinion of CEOs.

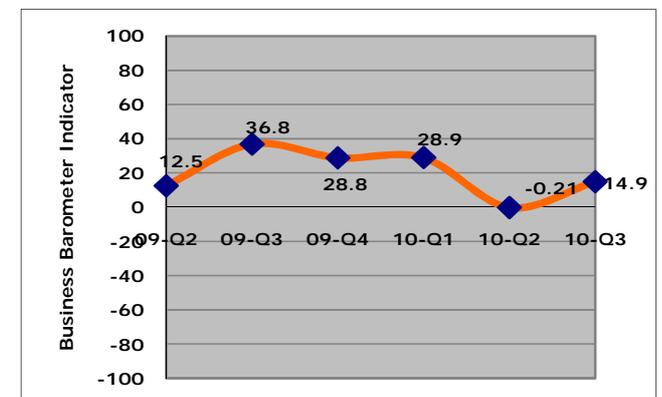


Fig. 7 AGI BBI