

**1ST QUARTER 2011**

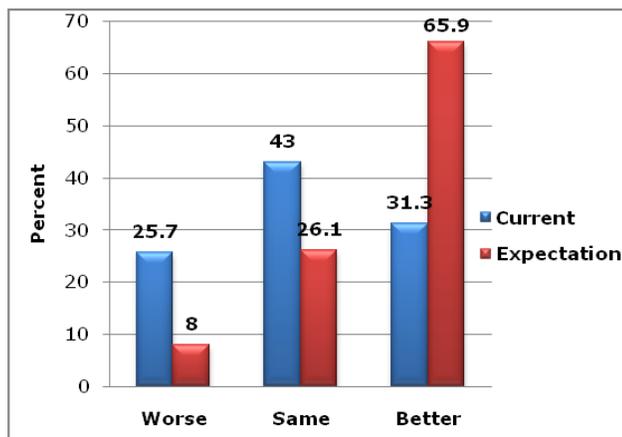
**SUMMARY REPORT**

**INDUSTRY LAMENTS OVER HIGH COST OF RAW MATERIALS AND HIGH LEVEL OF TAXATION**

Escalating raw material prices and rising level of taxes were ranked first and second respectively, as the main obstacles to expansion of businesses operating in Ghana. This development coupled with high cost of credit and exorbitant electricity prices lead to regular price increases of goods produced in Ghana. This disturbing situation needs to be addressed immediately, to prevent loss of market share of local businesses to foreign companies through increase in imported goods.

**OVERALL PERCEPTION OF BUSINESS PERFORMANCE**

The business community is highly optimistic of better business performance in the second quarter of 2011, according to the AGI First Quarter Business Barometer. Over 65% of the CEOs interviewed are confident that businesses will perform better in the second quarter of 2011 (see Fig. 1 below) compared with that of second quarter of that same year. The respondents attributed their hopefulness in better business performance to expected improved market, increase in productivity of their workforce and increase in purchasing power of Ghanaians.

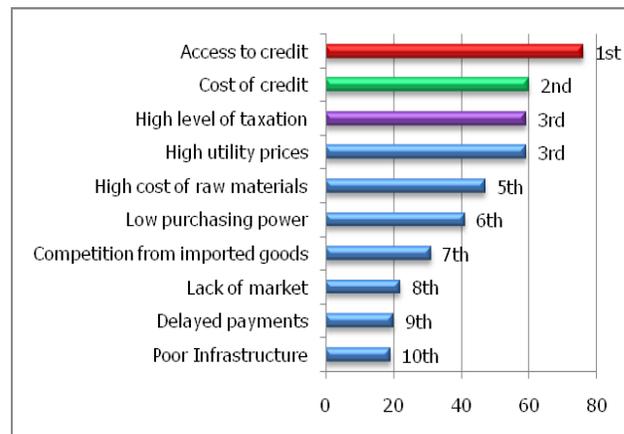


**Fig. 1 Overall Business Performance for Q2 2011**

Whilst about 26% of the business operators interviewed are indifferent between performance of business between Q1 and Q2 of 2011, only 9% are of the view that expected business performance in Q2 (2011) will be worse compare to Q1 (2011). Expected adverse Government policies, increase in utility prices and fall in purchasing power of customers are the reasons why 9% of the interviewees are pessimistic in Q2 (2011).

**OVERALL MAJOR CHALLENGES**

The survey identified high cost of raw materials, high level of taxation and access to credit as the top three constraints hindering the growth of businesses operating in Ghana. For the first term since the commencement of the AGI BB, cost of credit did not feature in the top three of challenges facing businesses in the country. This is not because lending rates in Ghana have dropped significantly (as average lending rate of commercial banks still hover around 30%). A probable reason could be respondents have given up on this challenge because the challenge is not being addressed, in spite of featuring in the top three over the last six quarters.



**Fig.2 Overall Challenges for Q2 2011**

Competition from imported goods, lack of finance and delayed payments were ranked 8<sup>th</sup>, 9<sup>th</sup> and 10<sup>th</sup> respectively.

**CHALLENGES BY SECTOR**

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

## 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           | Access to Credit    | Acc High Cost of Raw Materials | High Level of Taxation          |
| Large          | High Utility Prices | High Cost of Raw Materials     | Competition from Imported Goods |
| African Giants | High Utility Prices | High Level of Taxation         | Depreciation of the Cedi        |

## COMPARISON: Q1 2011 and Q4 2010

Figures 3 and 4 below give a comparison of business performance in Q4 (2010) and Q1 (2011).

### CURRENT BUSINESS PERFORMANCE

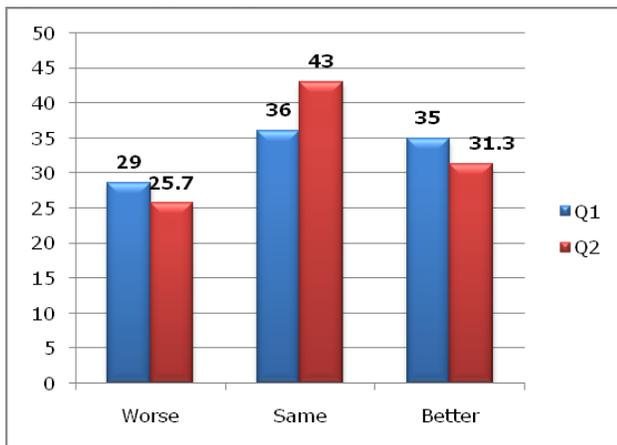


Fig. 3 Current Business Performance

Figure 3 shows that, a greater percent of respondents (35%) said their current business performance (i.e. Q1: 2011) is better than that of the previous quarter compared to 31% in Q4 of 2010 who confirmed their current business performance is an improvement over Q3 of 2010.

### EXPECTED BUSINESS PERFORMANCE

Whilst over 65% of the CEOs interviewed expect their Q2 (2011) business performance to improve compare to Q1 (2011), only 58% of the respondents expected their Q4 (2010) to be better than that of Q3 (2010).

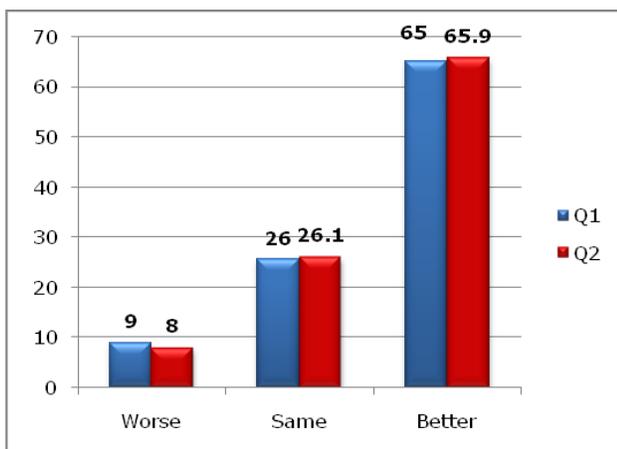


Fig. 4 Expected Business Performance

## CHALLENGES

High cost of raw materials moved from 3<sup>rd</sup> position in Q4 (2010) to 1<sup>st</sup> position in Q1 (2011), whilst access to credit dropped from 1<sup>st</sup> in Q4 (2010) to 3<sup>rd</sup> in Q1 (2011). The biggest movers were high level of taxation (from 8<sup>th</sup> position in Q4 of 2010 to 2<sup>nd</sup> position in Q1 of 2011) and cost of credit (from 2<sup>nd</sup> position in Q4 of 2010 to 6<sup>th</sup> position in Q1 of 2011).

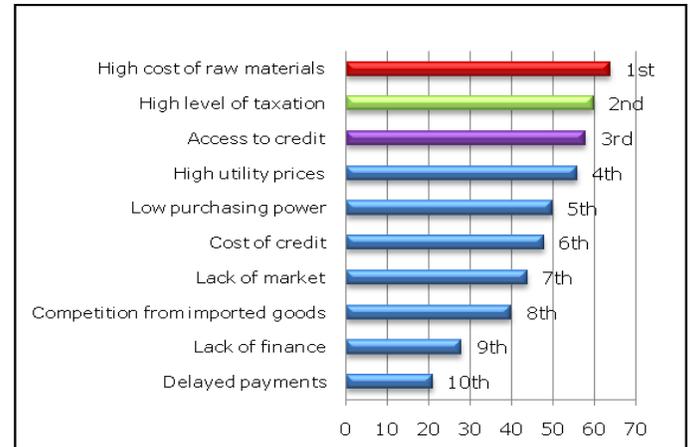


Fig. 5 Major Challenges for Q1 2011

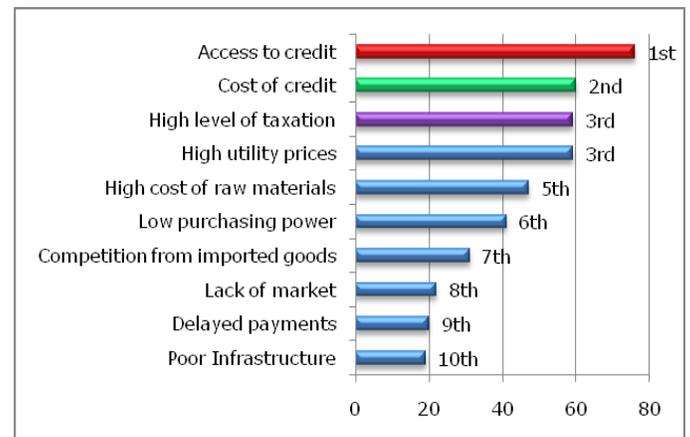


Fig. 6 Major Challenges for Q2 2011

Delayed payments swapped the 10<sup>th</sup> position (from 7<sup>th</sup> in Q4 of 2010) with lack of market which was ranked 7<sup>th</sup> in Q1 of 2011 (from 10<sup>th</sup> in Q4 of 2010).

## THE AGI BB INDICATOR (BBI)

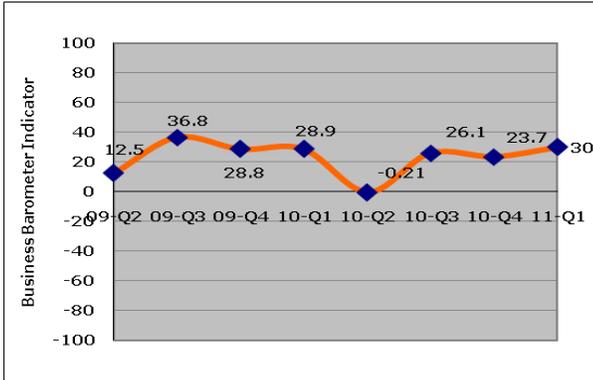
The AGI BBI measures the level of confidence in the business environment and predicts short-term business trend. It simply expresses the state of the business climate in one number, ranging between +100 and -100. It is calculated out of "current" business mood and "expectations" for the future.

Q1 of 2011 recorded a positive indicator of 30 which indicates an increase in business expectation over Q4 of Q2010 (which recorded an indicator of 23.7). This means the CEOs interviewed were more confident in the business environment in Q1 of 2011 than Q4 of 2010.

**THE AGI BUSINESS BAROMETER**

**1ST QUARTER 2011**

**SUMMARY REPORT**



**Fig. 7 AGI BBI**