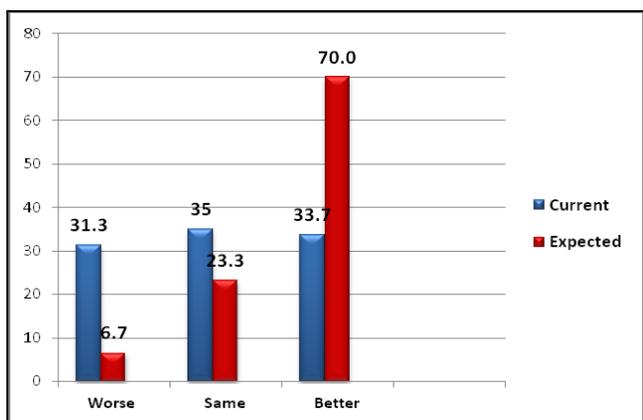


**POOR POWER SUPPLY AND TAXES ARE MAJOR CONSTRAINTS TO BUSINESS IN QUARTER TWO**

For the second quarter running, Poor Power Supply maintained top position among the challenges businesses faced in quarter two. High level of taxation also moved up to the top three challenges in Q2. The energy situation deserves continued attention as access to reliable power supply will open up new opportunities for economic activity, and industrial development. This summary report suggests that there is still a lot more to be done to improve the prospects for doing business, going forward. Industry expects Government to adopt a permanent and more sustainable power generation approach as well as rehabilitate and reinforce the transmission and distribution infrastructure to meet projected growth in power demand.

**OVERALL PERCEPTION OF BUSINESS PERFORMANCE**

Expectations of the business climate for Q3, 2013 improved, although the overall business confidence for Q2 dropped slightly, according to the survey. The business climate for Q2 was almost equally rated by the CEOs interviewed as figure 1 below indicates. About one in three was of the view that business performance in Q2 dropped compared to Q1 and the indicator for Q2 supports this assertion. Of the 70% majority who expect business performance to improve in Q3, almost 40% said the prospects for projects, purchasing power and market for goods and services give a glimmer of hope for Q3. The few Captains of Industry who felt business performance will worsen in Q3 cited Utility Prices and new Government’s policies as reasons.

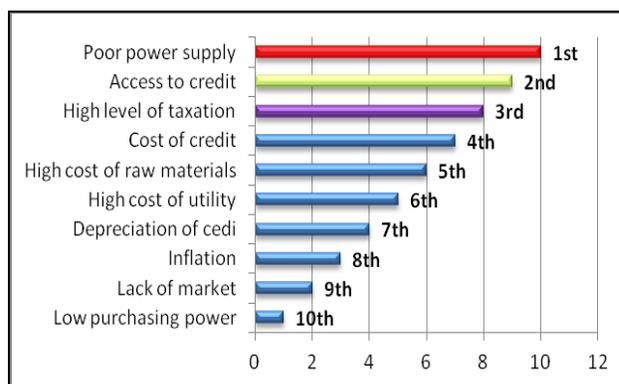


**Fig. 1 Overall Business Performance for Q2, 2013**

Even though the survey did not explore the likelihood of the election petition affecting the business climate, a cross section of the business community felt projects and investments will spring to life after the Supreme Court verdict.

**OVERALL MAJOR CHALLENGES**

Poor power supply, Access to Credit and High level of taxation emerged as the topmost challenges. High level of taxation gained more prominence in Q 2 than it did in Q1. It is likely that businesses took into account the fiscal policy measures as announced by Government while considering their major challenges. High cost of utility which did not feature in Q1 came up in Q2, possibly on account of the proposed major utility tariff review announced in June. Businesses did not see any improvement in access to credit between Q1 and Q2 as this maintained its second position. Inflation also retained its position in Q2, and it is not surprising that Purchasing Power did not experience any improvement as well between Q1 and Q2.



**Fig.2 Overall Challenges for Q2, 2013**

Depreciation of the cedi displaced Competition from imported goods which also ranked seventh in Q1. Consistent with concerns that business operators have been raising in the last quarter, the findings suggest that the challenges have not received the much needed attention.

**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	Poor power supply	High level of taxation
Large	Poor power supply	High Utility Prices	Depreciation of the cedi
African Giants	High cost of raw materials	Lack of raw materials	Access to credit

In terms of challenges, Q2 saw a trend much similar to Q1. High level of taxation displaced Cost of credit, as the third major concern for SMEs. SMEs constitute over 80% of businesses in Ghana, yet their number one difficulty of accessing credit through the various financing schemes does not seem to be addressed.

Except for the African Giants, Poor power supply was a major issue for the SMEs and the Large. The African Giants were saddled with the lack of raw materials and the fact that they had to import these at high costs. For Access to credit to feature as a challenge for the African Giants is an exception.

## CHALLENGES BY SECTOR

**Agriculture:** Access to credit, High cost of raw materials and Cost of credit emerged once again in the same order as the top 3 obstacles limiting the development of the sector. Not only are lending rates high but it is still difficult to access credit, according to the sector players. For the first time in the survey, the illegal mining operations ("Galamsey") of small-scale miners on arable lands were brought to the fore, an indication that the practice is becoming a threat to Agriculture.

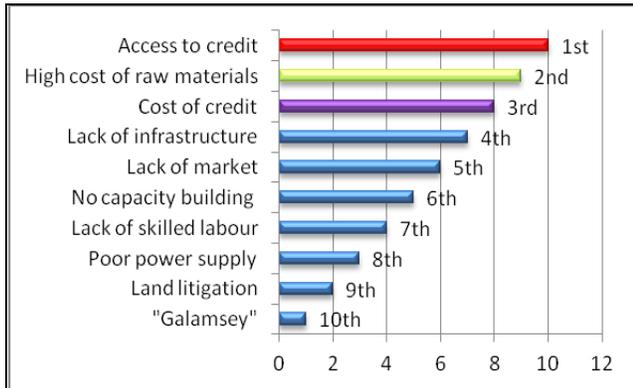


Fig.3 Challenges facing Agriculture sector

**Manufacturing:** Manufacturers identified Poor Supply of Power as the number one reason why their businesses did not do well. High level of taxation also stood out in Q2, as it moved up to second position from fourth in Q1. Manufacturers hold the view that, instead of Government imposing new taxes, creating a favourable business climate will enable them achieve high production targets that will earn significant revenue for Government. Inflation inched up, barely noticeable, from 10.9% to 11.4% between Q1 and Q2. But this was not so much of an issue to Manufacturers in Q2 as it was in Q1. Cost of raw materials moved up from the 9th position in Q1 to the 6th position in Q2. Manufacturers complained of duties and unapproved port charges having an impact on the cost of imported raw materials.

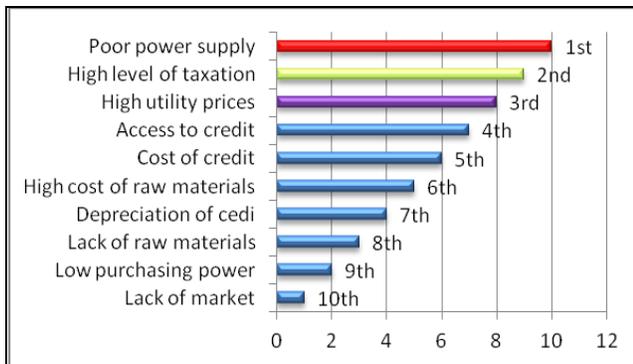


Fig.4 Challenges facing Manufacturing sector

**Service:** The Service sector came under pressure from Poor Power Supply and High level of taxation, and difficulty in accessing credit. Unlike Q1, high cost of utility featured as a major issue for the sector in Q2. The depreciation of the cedi was not as important as it was in Q1.

CEOs said they expect to see policies that inure to the benefit of the sector as the highest contributor to GDP.

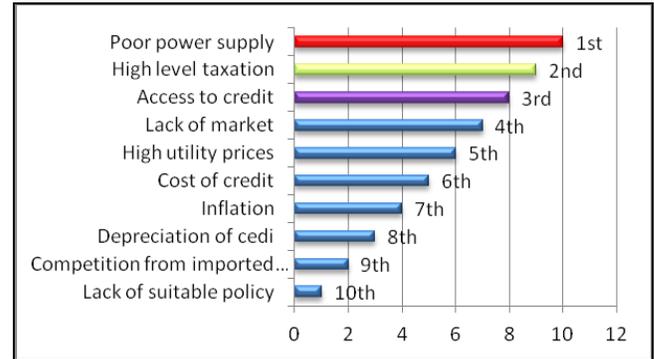


Fig.5 Challenges facing Service sector

**Construction:** The second quarter experienced limited business activity in the Construction sector due to the difficulty in accessing credit, delays in payments and the freeze on new contracts, according to the Contractors. They said the delay in payments is worsened by the fact that construction projects are on hold, and therefore uncertain as to how loans contracted can be repaid.

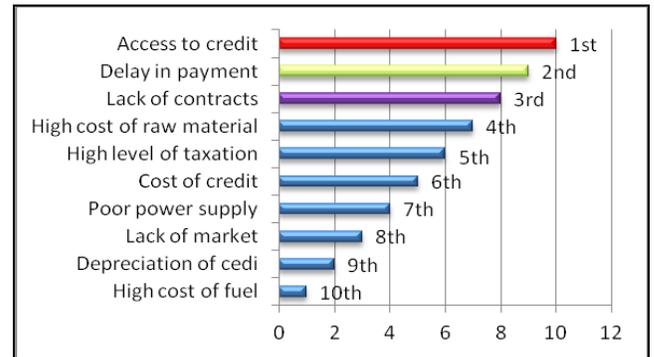


Fig.6 Challenges facing Construction sector

## THE AGI BB INDICATOR (BBI)

The BBI is an AGI proprietary tool that measures the level of confidence in the business environment and predicts short-term business trend. It simply expresses the state of the business climate numerically as a figure that ranges between +100 and -100. It is calculated out of "current" business mood and "expectations" for the future.

It can be seen from figure 7 below that business operators continue to lose confidence in the business climate as the overall indicator dropped from 32.6 in Q1 to 30.9 in Q2 of 2013. The Manufacturing sector recorded the least confidence in the business climate.

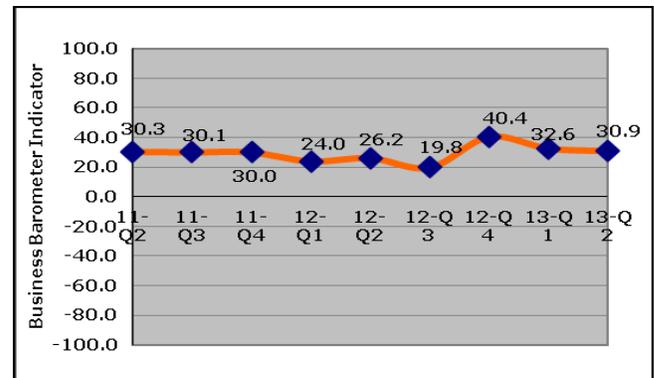


Fig. 7 AGI BBI