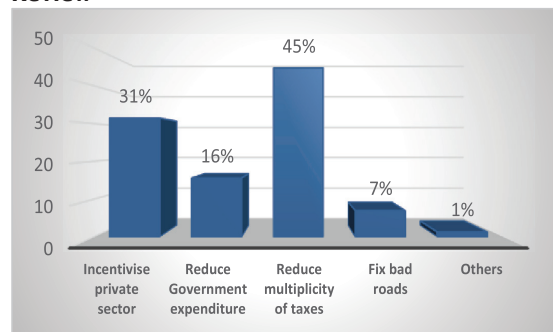


Fig. 5 Concerns about the Mid-year Budget Review



Source: Field data

AGI
Association of
Ghana Industries
UPCOMING EVENTS

SEPTEMBER 2023

- AGI-GISE Summit and Exhibitions

NOVEMBER 2023

- AGI National Annual General Meeting
- 12th AGI Ghana Industry & Quality Awards

THANKS TO OUR RESPONDENTS FOR THEIR KIND COOPERATION

42 Dr. Isert, near Swiss Spirit Hotel & Suites Alisa. | Digital address: GA 014-5066 | Tel: 030 225 1266/ 030 298 6730



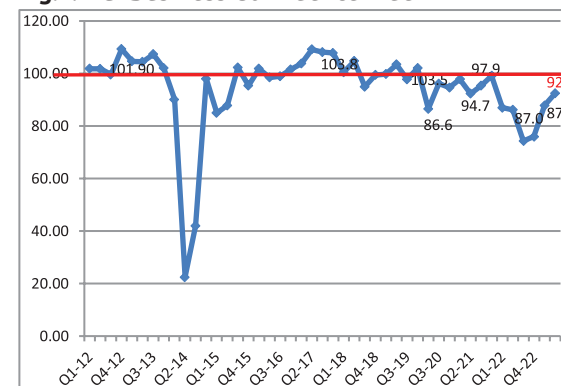
BUSINESS CONFIDENCE RISES IN Q2 2023

The business confidence index continued to rise in 2023. Q2 recorded an index of 92.5 representing a 5.2% increment over the Q1 index. The local currency garnered relative stability amid positive sentiments on developments in the economy. The Ghana cedi appreciated by 0.6 percent, in April. This marginal recovery was supported by the successful conclusion of the DDEP and the progress made with Ghana's external debt restructuring. The relatively stable exchange rate and declining international crude oil prices suppressed petroleum price hikes. These positive indicators improved sentiments amongst the business community and possibly contributed to the rise in business confidence during the period.

THE AGI BB INDICATOR (BBI)

The Business Barometer Indicator (BBI) is an AGI proprietary tool that measures the level of confidence in the business environment and predicts short-term business trends.

Fig.1. AGI Business Confidence Index



Source: Field data

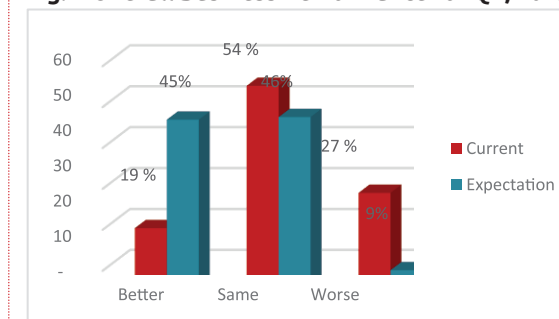
Figure 1 shows the confidence indices captured over the last eleven years. The index, since Q4 2022, has consistently experienced steady improvement in business sentiments. This

signifies a positive outlook for Ghana's economic recovery.

OVERALL PERCEPTION OF BUSINESS PERFORMANCE

The Overall business performance for Q2 is presented in Figure 2 below. Business sentiments improved as companies experienced stability amid positive business prospects.

Fig. 2 Overall Business Performance for Q2, 2023



Source: Field data

Businesses experienced relative stability during the later part of Q1 coupled with the decline in non-food inflation from 34.6 percent in May to 33.4 percent in June. These phenomena enhanced business confidence during the period. Thus, the number of businesses that experienced better business performance increased by 300 basis points to 19 percent in Q2. The number of businesses that said their business performance had stalled or worsened also declined by 300 basis points.

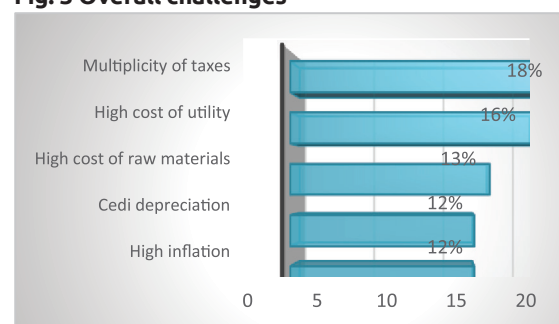
Furthermore, businesses that expected to experience better business performance in the ensuing quarter increased by 27% to 45% in Q2 signaling positive business confidence as reflected in the index. Likewise, the number of businesses that were pessimistic about their short-term business performance also declined from 82% in Q1 to 55% in Q2.

OVERALL CHALLENGES

The impact of the newly enacted tax laws left individuals and businesses placing the multiplicity of taxes as their major challenge in the quarter. The Excise Duty Amendment Bill 2022 increased the tax rate on specific goods, such as tobacco, alcoholic beverages, and fruit juices. Similarly, the Growth and Sustainability levy imposed a levy on profit before tax, while the Income Tax Amendment Bill 2022 affected individual taxpayers, including business owners.

The Public Utilities Regulatory Commission (PURC) concluded its quarterly Tariff Review for the second quarter of 2023 as part of its regulatory mandate. The review resulted in the Commission approving another tariff increment for natural gas and electricity. This adjustment pushed high cost of utilities to become the second major challenge for businesses. 13 % of respondents mentioned the high cost of raw materials as their major challenge in Q2. The foreign exchange market remained relatively stable for the first six months of the year. This is supported by positive market sentiments derived from the IMF disbursement of the first tranche of US\$600 million. The Ghana cedi has remained generally stable since Q1 with a cumulative depreciation of 1.8 percent between February and June 2023. Therefore, the current exchange rate posed a big challenge for some businesses as 12% of respondents stated the cedi depreciation as their fourth business challenge. The relatively stable inflation experienced during the quarter eased the impact on businesses, thus dropping from the third major challenge facing businesses, to the fifth during the period under review.

Fig. 3 Overall challenges



Source: Field data

The recently passed tax bills, particularly the Excise Duty and Excise Tax Stamp (Amendment) Bill, 2022 and the Growth and Sustainability Levy Bill, 2022, were predicted to have a significant impact on both businesses and consumers as they could lead to an increase in the cost of production, higher prices, and an increase in the tax liability of individuals.

CHALLENGES BY SECTOR

Table 1: Challenges by Sector

Sector	1st	2nd	3rd
Manufacturing	Multiplicity of taxes	High cost of utility	High cost of raw material
Service	Multiplicity of taxes	High cost of utility	High inflation
Construction	Multiplicity of taxes	High cost of utility	High cost of raw material

Source: Field data

The impact of these taxes was felt across all sectors of the economy. The Manufacturing, Service and Construction sectors felt the multiplicity of taxes as the top challenge for the second quarter.

Similarly, the increment of 18.36% in average end-user tariff for electricity during the second quarter tariff adjustment impacted businesses in all sectors and came up as the second challenge for the period, while the high cost of raw materials remained the third challenge for Manufacturers and Contractors, the high inflation emerged as the third challenge of the Service sector.

CHALLENGES BY SIZE

Challenges experienced by the size of the business are consistent with overall business challenges during the period. Small businesses prioritized the high cost of utility as their major concern. The multiplicity of taxes and cedi depreciation came up as the second and third challenges respectively.

Table 2: Challenges by Size

Size	1st	2nd	3rd
Small	High cost of utility	Multiplicity of taxes	Cedi depreciation
Medium	Multiplicity of taxes	High cost of utility	High cost of raw material
Large/African Giants	Multiplicity of taxes	High cost of utility	High inflation

Source: Field data

The multiplicity of taxes again took a heavy toll on Medium and Large-sized businesses as well. For many of them, the administrative cost involved in the recalibration of their systems and the short notice for compliance with the new revenue measures brought its own setbacks.

Thus, these categories of businesses reported the multiplicity of taxes as their major challenge.

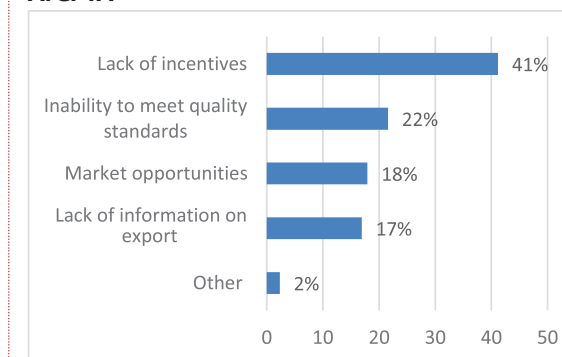
Another challenge that runs through both the sector and size of companies is the cost of utility. This was ranked as the second challenge for medium and large-sized businesses. The high cost of materials and high inflation were ranked third for medium and large-sized businesses respectively.

THE BARRIER TO LOCAL BUSINESS PARTICIPATION UNDER AFCFTA

While the AfCFTA holds the potential for significant economic benefits for businesses, there are several barriers to the participation of local businesses that need to be addressed to achieve success.

A good majority, representing 41% of respondents said the lack of incentives by the Government is a key barrier for local businesses to efficiently compete within the trade block. 22% of respondents mentioned the inability to meet quality standards as a barrier to their business. While 18% of respondents required market opportunities, 17% of them mentioned the lack of export information as the barrier to trade under AfCFTA.

Fig. 4 Barrier to local business trading under AfCFTA



Source: Field data

CONCERNS ABOUT THE MID-YEAR BUDGET REVIEW

Government presents the Mid-year Fiscal Policy review as set by the Public Financial Management Act, 2016 (Act 921) in July. This year's presentation sought to provide an update on the implementation of the 2023 Budget, with insights into the economic and fiscal performance for the first half of the year and also highlight policies implemented to stabilize the economy, promote growth and provide social protection for the vulnerable as outlined in the IMF-supported Post COVID-19 Programme for Economic Growth (PC-PEG).

In this regard, the business community had mixed expectations on challenges they expected the Government to address in the mid-year review. 45% of respondents said they expect Government to reduce the number of taxes imposed on businesses as the taxes were making businesses uncompetitive. 31% of respondents expect Government to incentivize the private sector to sustain businesses. 16% of respondents expect Government to reduce its expenditure to reduce its budget deficit. While 7% expect the Government to fix the bad roads, a 1% minority expect the government to help the private sector survive.