

BUSINESS CONFIDENCE REMAINS HIGH IN Q1 2025

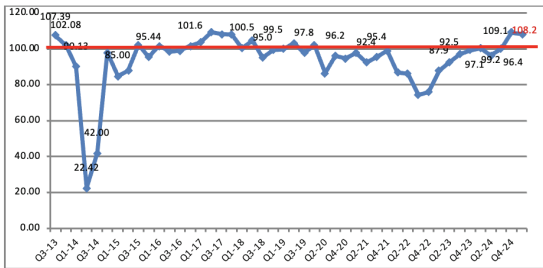
Business confidence remained high in Q1, despite a slip from 109.1 in Q4, 2024 to 108.2 in Q1 2025. Government's economic reforms including the 24hr policy are gaining traction, and the long-term outlook remains optimistic.

While many businesses remained cautiously positive about the trends observed in Q1, such subtle declines in key indicators suggest that businesses are adopting a more reserved outlook amid economic uncertainties. This development underscores the need for sustained reforms, disciplined fiscal measures to manage debt levels and clear monetary policy frameworks to maintain market trust. It will also require policy consistency, and responsive support to the real sector to fully translate reform benefits into stronger business sentiment in ensuing months.

The AGI BB Indicator (BBI)

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

Fig.1. AGI Business Confidence Index



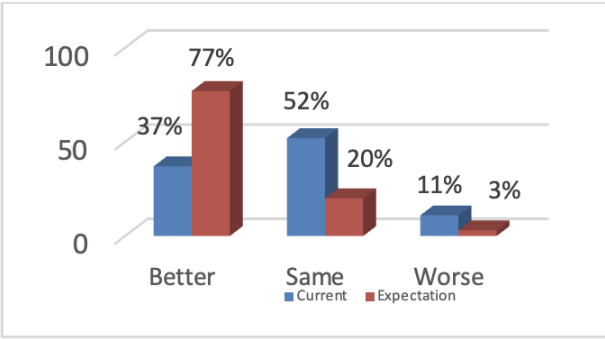
Source: Field data

Figure 1 shows the confidence indices captured over the last twelve years. Business confidence dropped marginally in Q1; however, the index still maintained its position above the baseline.

Overall Perception of Business Performance

The overall business performance for Q1 is presented in Figure 2 below. Business sentiments improved as companies experienced stability amid positive business prospects.

Fig. 2 Overall Business Performance for Q1, 2025



Source: Field data

Business sentiment during the first quarter of 2025 reflected a cautiously optimistic outlook, with actual performance relatively modest compared to expectations. While many firms experienced stable or moderate conditions, forward-looking confidence remains strong, indicating expectations of economic recovery and improved conditions.

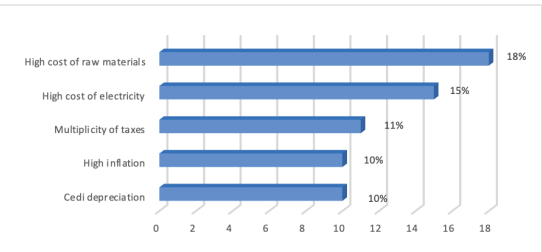
Data from the Q1 survey revealed that 37% of businesses reported that their performance had improved compared to the previous quarter. However, the majority of respondents, 52%, stated that conditions had remained unchanged, highlighting a period of sustained stability with limited growth momentum. 11% of businesses reported a worsening in performance, reflecting the persistence of sector-specific or macroeconomic challenges. Expectations for future business performance were markedly more positive. A significant 77% of respondents expect conditions to improve in subsequent quarters, signaling high confidence in the economic direction and anticipated policy outcomes. However, 20% expect business conditions to remain the same, while 3% foresee a decline in their performance. Overall, this reflects strong optimism, likely underpinned by expectations of political and policy stability post the 2024 general elections, anticipated public investment inflows, and improved macroeconomic management.

Overall Challenges

Cost pressures significantly constrained business operations during the first quarter of 2025. Data from the survey highlights the most pressing challenges affecting productivity, competitiveness, and overall business sentiment. The high cost of raw material remains the most reported challenge, reflecting global supply chain issues, import costs, and local logistical constraints. The percentage of respondents who stated the high cost of raw materials as a challenge rose from 15% in Q4 last year to 18% in Q1 2025. High utility tariffs continued to burden businesses, especially energy-intensive industries.

During the period under review, 15% of business owners reported that load management issues and the absence of affordable alternatives further compounded operational inefficiencies. 11% of respondents cited the tax burden, including VAT, levies related charges, as key operational hindrances. The lack of streamlined tax administration also contributed to compliance costs for formal businesses. The business community expected to see tax rationalization measures, especially that of the straight levy, in the national budget statement, but this was not the case in the first budget of the new administration. However, the Minister hinted that there will be a review in subsequent budgets. 10% of respondents reported the current inflation rate as a business constraint in Q1. The latest data released by the Ghana Statistical Service indicates that headline inflation eased marginally from 23.8 percent in December 2024 to 22.4 percent in March 2025, but still high for non-food inflation. This eroded purchasing power and raised operational costs for many businesses.

Fig. 3 Overall challenges (Top 5 major challenges)



Source: Field data

Cedi depreciation fell from being the second major challenge in Q4 last year to fifth position in Q1, as it witnessed stability during the period under review, aided by improved liquidity from remittance inflows and probably the Domestic Gold Purchase Programme.

Challenges by Sector

Table 1: Challenges by Sector

Sector	1st	2nd	3rd
Manufacturing	High cost of raw materials	High cost of electricity	Influx of imports
Service	High cost of electricity	High cost of raw materials	Multiplicity of taxes
Construction	High cost of raw materials	High cost of electricity	High cost of credit

Source: Field data

The high cost of raw materials and electricity were universal pain points across all sectors in Q1 2025.

The Manufacturing sector was saddled with high cost of raw materials, mainly as a result of high cost of freight and trade logistics. High cost of electricity was reported as the second business constraint during the quarter. Cheap imported goods, particularly from Asia, continued to undermine local production and market share, intensifying competition for many manufacturers. For many service-based businesses, such as ICT, hospitality, and retail, frequent power outages remained a major concern as it disrupted service delivery. The high cost of raw materials affected businesses involved in logistics, catering, and maintenance services, which depend on imported inputs. Administrative burdens and overlapping taxes were overwhelming for this sector.

Businesses in the Construction sector shared similar sentiments with other sectors, with an additional challenge of high cost of credit.

Challenges by Size of Business

Table 2: Challenges by Size of Business

Size	1st	2nd	3rd
Small	High cost of raw materials	High cost of electricity	Multiplicity of taxes
Medium	High cost of electricity	High cost of raw materials	Multiplicity of taxes
Large/African Giants	High cost of raw materials	High cost of electricity	Influx of imports

Source: Field data

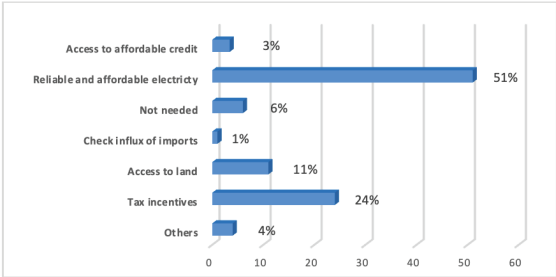
The data suggests that while all business sizes are affected by rising electricity and input costs, the third constraint varied. For Small and medium enterprises, the brunt of tax burdens necessitates tax policy simplification and tailored SME support. While large firms were increasingly challenged by import competition, calling for strategic trade and industrial policies to protect and promote local production becomes expedient.

Business participation in the Government's 24 HR Economy initiative.

More than half (51%) of the businesses surveyed identified reliable and affordable electricity as the most critical enabler. This reflects longstanding concerns about erratic supply and high energy costs, which pose major barriers to extending operations into off-peak hours or night shifts. A quarter of respondents indicated that targeted tax reliefs or incentives would motivate them to extend operational hours. These may include tax breaks on extended production time, energy consumption during

off-peak hours, or corporate tax reductions for shift-based work.

Fig. 4 Business participation in the Government's 24 HR Economy initiative



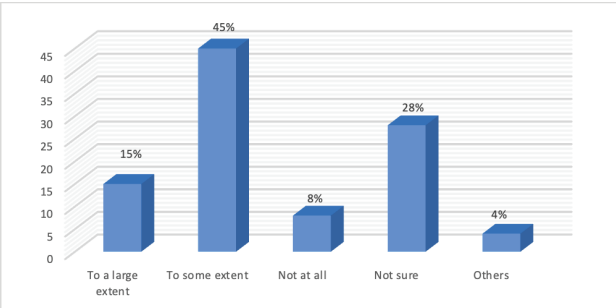
Source: Field data

11% of businesses, especially in manufacturing and agro-processing, highlighted access to industrial land as a necessary condition to expand operations to accommodate 24-hour shifts. Although only 3% emphasized access to affordable capital, access to finance remains a concern for a few businesses that may require capital investments (e.g., machinery, logistics, or security) to operate continuously. However, 6% of respondents said the policy was not needed.

To what extent did the National Budget meet your expectations

While 45% of businesses acknowledged some alignment between the national budget and their expectations, only 15% expressed strong satisfaction, and over one-third were either unsure or not satisfied. This suggests a need for improved stakeholder engagement, transparent implementation frameworks, and more targeted support for key sectors.

Fig. 5 To what extent did the National Budget meet your expectations

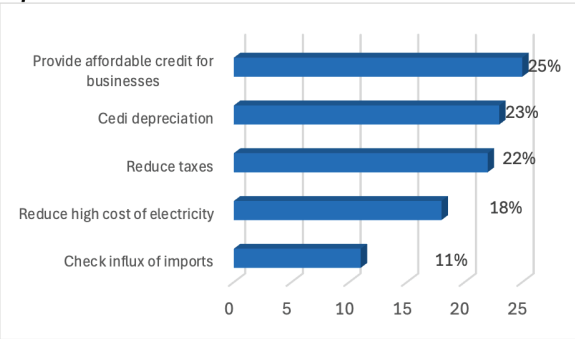


Source: Field data

What Government policies should be prioritized to improve the business climate?

Access to affordable financing is the lifeline of business growth, especially for SMEs. The current high interest rates and limited credit facilities hinder expansion, production, and competitiveness, thus, 25% of respondents prefer the government to prioritize this challenge. 23% of respondents expected the government to check the rampant cedi depreciation. A depreciating cedi raises the cost of imports, fuels inflation, and erodes business capital. It affects pricing, predictability, and investor confidence, thus the second priority area for many businesses. 22% of respondents suggested the Government should review and streamline the current tax regime. The current tax structure discourages business formalization, reduces margins, and impacts competitiveness, especially when coupled with frequent uncoordinated tax assessments.

Fig. 6: What Government policies should be prioritized to improve the business climate?



Source: Field data

Energy is a major input cost. Frequent tariff hikes and unreliable supply increase production costs and reduce productivity. Thus, 18% of respondents expect the Government to invest in cheaper renewable energy sources to make power more sustainable and affordable. Unregulated and subsidized imports (especially from Asia) undermine local industries and worsen the trade balance. 11% of respondents expect the Government to prioritize import substitution policies and local content promotion to support local businesses.

Upcoming Events

- GISE & BEST FORUM 2025
- AGI INDUSTRY & QUALITY AWARDS

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1ST QUARTER 2025

SUMMARY REPORT

THE AGI BUSINESS BAROMETER

