



AGI
Association of
Ghana Industries



THE AGI BUSINESS BAROMETER

3RD QUARTER 2024

SUMMARY REPORT

BUSINESS CONFIDENCE INCREASES IN Q3 2024

Consumer confidence improved due to easing inflationary pressures and a relatively stable currency, which led to optimism about future economic conditions.

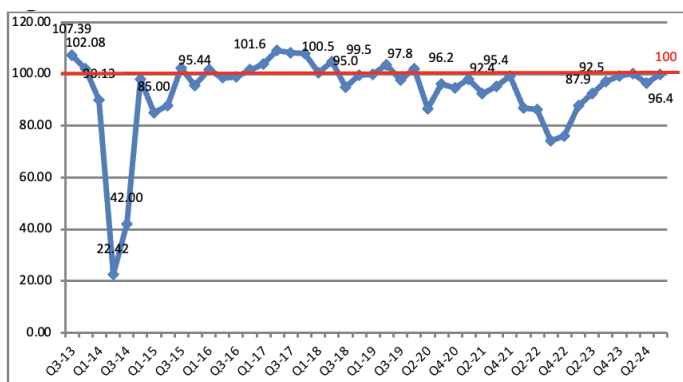
Provisional data from the Ghana Statistical Service for the second quarter of 2024 indicated a stronger growth outturn than expected. Real GDP grew by a significant 6.9 percent in the second quarter of 2024, compared with 2.5 percent in the corresponding quarter of 2023. After coming under pressure in the second quarter, the exchange rate experienced some stability in Q3. Headline inflation also dropped to 21.5 in September from the 22.8 recorded in June.

These indicators fueled the rise in the business confidence index during the period under review.

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



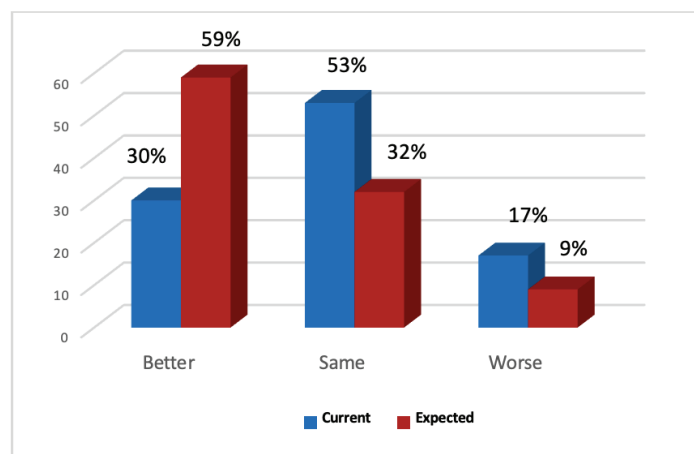
Source: Field data

Figure 1 shows the confidence indices captured over the last eleven years. The index crossed the baseline marginally for the first time in quarter one of 2024. However, this was short-lived as economic instability in the first half of the year caused a drop in the index in Q2. Nonetheless, improved business sentiments in Q3 propelled the index up marginally to 100.

Overall Perception of Business Performance

Figure 2 below presents the overall business performance for Q3. Business confidence improved as firms seemed to have met their short-term targets and expressed positive sentiments about company and industry prospects amidst improving macroeconomic conditions.

Fig. 2 Overall Business Performance for Q3, 2024



Source: Field data

The economy continues to recover, evidenced by the stronger than expected GDP outturn from the first through to the third quarter of the year. Growth in the second half of the year is also expected to trend in the same direction, supported by activities in the construction sector, and consumption of goods and services by households and firms.

During the period under review, 30% of business executives reported an improved business performance, as compared to 28% in Q2. The majority (59%) of business executives were optimistic about improved business performance in the ensuing quarter. The percentage of business executives who reported poor business performance decreased from 72% in Q2 to 70%.

Also, businesses were less pessimistic of the ensuing quarter than they were about Q2.

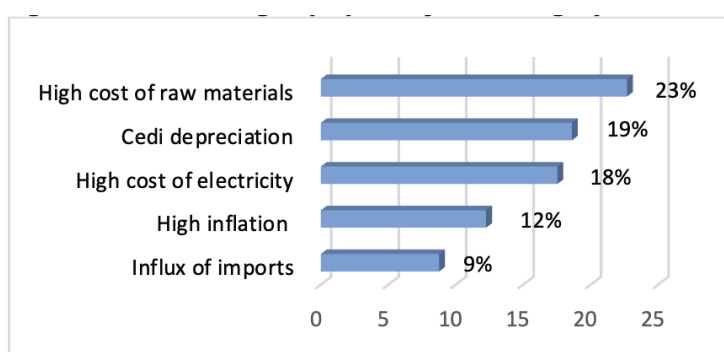
Overall Challenges

Businesses faced several significant challenges that affected their business operations in Q3. The rising cost of raw materials was a major hurdle for businesses, particularly those in manufacturing, during the period under review. The domestic supply of raw materials has always been insufficient to meet local demand, forcing businesses to rely on imports. The depreciation cedi coupled with persistent challenges in international logistics has led to increased shipping costs and delays, pushing up the price of imported raw materials and stirring major business challenges as reported by 23%. In the second half of the year, the Cedi witnessed a slower pace of depreciation of 7.1 percent. However, 19% of business executives still saw it as a threat to their business-

es. To businesses, the exchange rate volatility made it challenging to plan long-term, with fluctuating exchange rates eroding their financial stability and deterring expansion initiatives.

The high cost of electricity was rated by 18% of respondents as the third major challenge of the quarter. High electricity costs reduce competitiveness, particularly for small and medium-sized enterprises (SMEs) that lack the capital to invest in cost-saving technologies. Beyond the cost, intermittent electricity supply forced businesses to invest in alternative energy sources, such as generators, adding to operational expenses.

Fig. 3 Overall challenges (Top 5 major challenges)



Source: Field data

High inflation and the influx of imports emerged as two critical challenges that significantly impacted businesses in quarter three. Even though inflation dropped to 21.5 in September from 22.8 in June, 13% of respondents revealed that the high inflation eroded consumers' disposable income, leading to lower demand for goods and services. Local producers struggled to maintain market share as consumers turned to imported goods, which were sometimes perceived as more reliable or cost-effective. With reduced demand for local products, manufacturers operated below capacity, hindering competitiveness.

Challenges by Sector

Table 1: Challenges by Sector

Sector	1st	2nd	3rd
Manufacturing	High cost of raw materials	Cedi depreciation	High cost of utility
Service	High cost of utility	Multiplicity of taxes	High cost of raw materials
Construction	Multiplicity of taxes	High cost of utility	Cedi depreciation

Source: Field data

The challenges by sector are consistent with those of the overall challenges. For Manufacturers, high cost of raw materials, cedi depreciation and high cost of utility appeared prominently in their Q3 top challenges. Both global and domestic inflation contributed to higher input costs. Businesses that relied on imported raw materials were also hit with the challenge of cedi depreciation, import duties and fees.

The Service sector ranked high cost of utility, multiplicity of taxes and high cost of materials, respectively as their major challenge in Q3. Businesses struggling with these combined pressures often had to pass on the costs to consumers, contributing to inflation and reduced consumer purchasing power. The Construction sector faced similar challenges but prioritised multiplicity of taxes as their major concern.

Challenges by Size of Business

Small-sized businesses faced a challenging environment characterized by three key issues, the high cost of raw materials, the high cost of utilities, and the multiplicity of taxes. These challenges significantly impacted on their profitability, operational efficiency, and ability to grow. These challenges were interconnected, compounding the difficulties faced by small businesses.

Table 2: Challenges by Size of Business

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

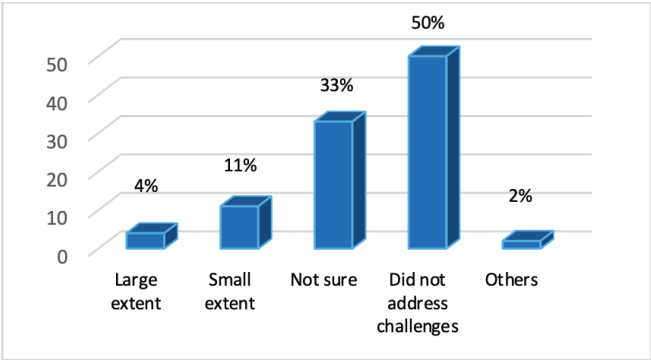
Source: Field data

Medium-sized businesses ranked cedi depreciation, high cost of raw materials, and high cost of utilities as first, second and third challenges respectively, as their major challenges in the period under review. These challenges significantly impacted their operations, profitability, and ability to scale. African Giants prioritized the high cost of raw materials. The rising cost of raw materials was a major hurdle for businesses, particularly those in manufacturing as the global supply chain disruptions and the cedi depreciation increased the cost of their inputs. Challenges such as the multiplicity of taxes and influx of imports also affected the competitiveness of businesses within the same category.

The extent to which mid-year budget review addressed business concerns

The 2024 mid-year national budget review served as a critical policy tool to address some of the business concerns halfway through the year. While it aimed to stabilize the macro-economic environment, its effectiveness in tackling key issues such as the high cost of raw materials, cedi depreciation, and high utility costs was met with mixed reactions.

Fig. 4 Extent to which the mid-year budget statement addressed business concerns



Source: Field data

Although an aggregate of 15% of the respondents appreciated some measures of the Government to stabilize the economy, the measures fell short of providing immediate relief for pressing issues such as cedi depreciation, high utility costs, and raw material expenses. 50% of business executives agreed that the mid-year budget statement did not address key business concerns. 33% were not sure how the mid-year budget would address business challenges. Even though some proposals showed promise, their impact depended heavily on effective implementation, which remains a significant challenge. Businesses called for more decisive, immediate interventions to stabilize the economy and create a supportive environment for growth

Impact of Illegal Mining on Business

Illegal mining, often referred to as “galamsey” in Ghana, has profound and far-reaching impacts on businesses across various sectors. While it generates short-term economic activity, the long-term consequences for formal businesses, the environment, and the economy are dire. When enquired about the impact on businesses, an overwhelming 63%

of respondents alluded to the negative impact of illegal mining, however, its impact was indirect. While 13% reported that it was compromising the quality of water for their business operations, 4% revealed that illegal mining is disrupting water supply to their factories. Another 7% stated that their products risk facing an export ban.

Fig. 5 Impact of Illegal Mining on Businesses

