



AGI
Association of
Ghana Industries



THE AGI BUSINESS BAROMETER

4TH QUARTER 2024

SUMMARY REPORT

BUSINESS CONFIDENCE SURGES IN Q4 2024

The business confidence index continued its growth trajectory as it ended 2024 at 100.9, an increase of 9% from the Q3 index. The surge comes from improved business confidence largely on account of high optimism about future economic conditions, euphoria around the Christmas festivity and the relatively stable currency.

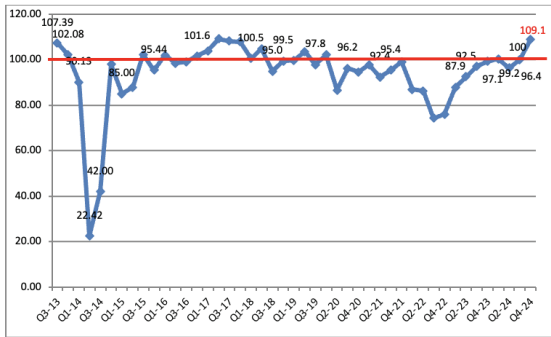
In many cases, governments ramp up spending on infrastructure projects and social programs ahead of elections to gain voter support. This pre-election spending stimulated short-term economic activity, boosting sectors like retail, and services industries, contributing to the surge in business confidence.

Figures from the Central Bank during the period also showed an appreciation of the cedi by 8% against the US Dollar, 10% on the British pound and 11% on the Euro. These positive indicators improved sentiments amongst the business community and contributed to the rise in business confidence 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



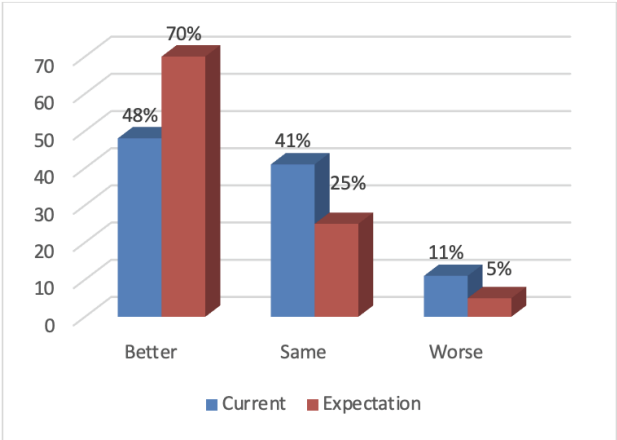
Source: Field data

Figure 1 shows the confidence indices captured over the last eleven years. Improved business confidence propelled the index to cross the baseline for the first time since the first quarter of 2024 when it rose marginally above the baseline.

Overall Perception of Business Performance

The overall business performance for Q4 is presented in Figure 2 below. Business sentiments improved as companies experienced stability amid positive business prospects.

Fig. 2 Overall Business Performance for Q4, 2024



Source: Field data

The Ministry of Tourism's 2024 "December in GH" initiative also boosted Ghana's economy by attracting many visitors during the festive season. This contributed significantly to the tourism value chain and ecosystem, positively impacting various sectors, especially for SMEs. The number of Business executives who recounted improved business performance increased significantly from 30% in Q3 to 48% in Q4. Meanwhile, the number of respondents who did not experience any improvement in their business performance metric declined from 70% in Q3 to 52% in Q4. Similarly, the number of business executives who were optimistic about a better business performance in the ensuing quarter witnessed a surge of over 17%. This optimism could be attributed to the high expectations of a new government and the prospects that come with a new year. Nevertheless, an aggregate of 30% of business executives were not optimistic about the business outlook for Q1 2025.

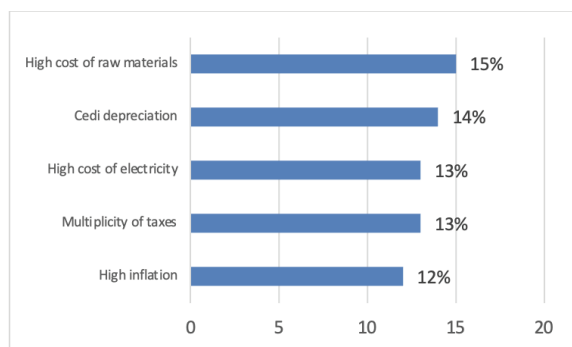
Overall Challenges

Businesses across key sectors remained cautiously optimistic despite mounting operational challenges. While some indus-

tries benefited from increased activity due to seasonal demand, particularly in tourism, retail, and services, structural economic pressures continued to weigh on overall business performance. 15% of respondents, across mainly manufacturing and construction, reported the high cost of raw materials as their major challenge in Q4, largely driven by supply chain disruptions and the high exchange rate. 14% of respondents reported cedi depreciation as their second challenge. Even though the US Dollar dropped from 15.99 to 14.78 and the British pound also dropped from 20.86 to 18.69, during the period under review, the high exchange rate exacerbated the cost of imports and contributed to price instability.

13% of respondents rated both the high cost of electricity and multiplicity of taxes as a major challenge to their businesses. The business community over the years has raised concerns over the cumulative burden of various taxes and levies, including VAT and excise duties. Many SMEs, in particular, find the tax regime complex and costly to comply with and also reduces their competitiveness.

Fig. 3 Overall challenges (Top 5 major challenges)



Source: Field data

Lastly, high inflation remained a critical challenge that significantly impacted businesses in quarter four. Headline inflation remained elevated, as it increased from 22.1 in October to 23.8 in December. This possibly eroded consumer purchasing power and dampened demand in several sectors. The unpredictability of input and consumer prices also made planning and forecasting difficult for businesses.

Challenges by Sector

Table 1: Challenges by Sector

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

Source: Field data

The Manufacturing sector was saddled with high cost of raw materials mainly as a result of the high exchange rate, as many manufacturers import a large share of their raw materials. Thus, the sector prioritized the depreciated cedi as their major challenge followed by the high cost of raw materials and high cost of electricity which itself is a derivative of the exchange rate. The Service sector reported high cost of electricity, multiplicity of taxes and high cost of raw materials as their three major challenges respectively.

The Construction sector mentioned multiplicity of taxes as their top challenge in the quarter. They also revealed high cost of raw materials and cedi depreciation as their second and their challenges during the period under review.

Challenges by Size of Business

Even though the Business confidence rose, the nature of challenges faced by the various sizes of businesses were similar to that of Q3. For Small-sized businesses, the high cost of raw materials, the high cost of electricity, and the multiplicity of taxes were revealed as their first three challenges. These challenges significantly impacted on their profitability, operational efficiency, and ability to grow.

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	Cedi depreciation	Multiplicity of taxes	High cost of electricity
Large/African Giants	Multiplicity of taxes	Cedi depreciation	Influx of imports

Source: Field data

Medium-sized businesses ranked cedi depreciation, multiplicity of taxes and high cost of utilities as first, second and third challenges respectively, as their major challenges in the period under review.

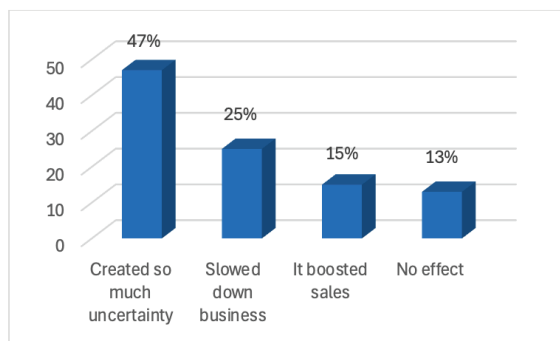
Challenges such as the multiplicity of taxes, cedi depreciation and influx of imports affected the competitiveness of businesses of Large/ African giants.

Despite these challenges, businesses remain resilient. Many continue to adopt coping strategies such as diversifying supply sources, digitalizing operations, and lobbying for policy reforms. However, AGI has called for urgent government intervention to stabilize the macroeconomic environment, rationalize taxes, and support local production to sustain business confidence.

Impact of National Election on Businesses.

The 2024 pre-elections events triggered blips of uncertainties to the business community. While some businesses cashed in on the many political activities, others were hit by the pockets of political disturbance around the time. However, the election outcome contributed to a cautiously optimistic business sentiment. While existing economic challenges remained, the prospect of policy reforms and a focus on economic stabilization under the new administration gave businesses hope for improved conditions in the future. For the majority representing 47% of business executives, the events in the build up to the elections created so much uncertainty amongst the business community. 25% of business executives opined that their business activities stalled.

Fig. 4 Impact of National Elections on Businesses



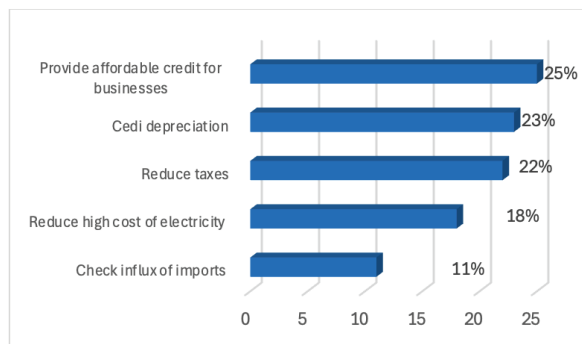
Source: Field data

While 15% of the respondents revealed that there was a boost in sales during the pre-election period, some 13% of respondents reported that the election period had no impact on their business.

Key concerns new Government should address

The peaceful conduct of the elections and the clear mandate received by the new administration helped bolster investor confidence. The anticipation of reforms in key sectors suggested a more favorable business climate, encouraging both domestic and foreign investment. Despite the successful political transition, businesses continued to face challenges. In this regard, business executives were asked to identify key challenges they expect the new government to address. 25% of the respondents expect the new government to provide affordable credit for their business. 23% want the government to address the cedi deprivation challenges. 22% also expect the government to reduce taxes. While 18% of the respondents expect Government to address the high cost of electricity, the remaining 11% of respondents expect the new government to check influx of imports that compete unfairly with local businesses.

Fig. 5 Key concerns new Government should address



Source: Field data