



**AGI**  
Association of  
Ghana Industries

# THE AGI BUSINESS BAROMETER

1ST QUARTER 2024

**SUMMARY REPORT**

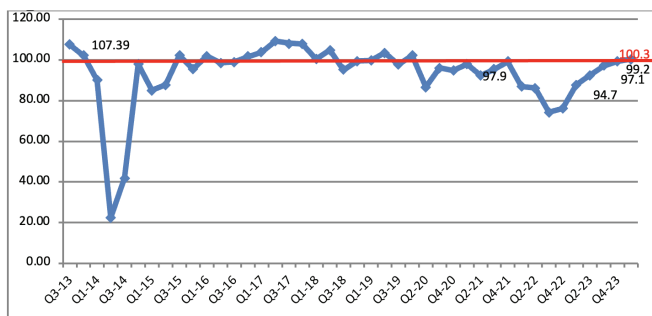
## BUSINESS CONFIDENCE RISES IN Q1 2024

Business confidence sentiments improved as firms indicated meeting their short-term target. Provisional data from the Ghana Statistical Service also indicated a trek in gross domestic product by economic activities from 3.8 in Q4 to 4.7 in Q1, 2024. Furthermore, the last three month-on-month readings of the consumer price index indicated consistent drops in inflation from 2.0 in January to 0.8 at the end of March. These positive reviews stimulated the marginal hike in business confidence index from 99.2 in the previous quarter to 100.3 in Q1.

### 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

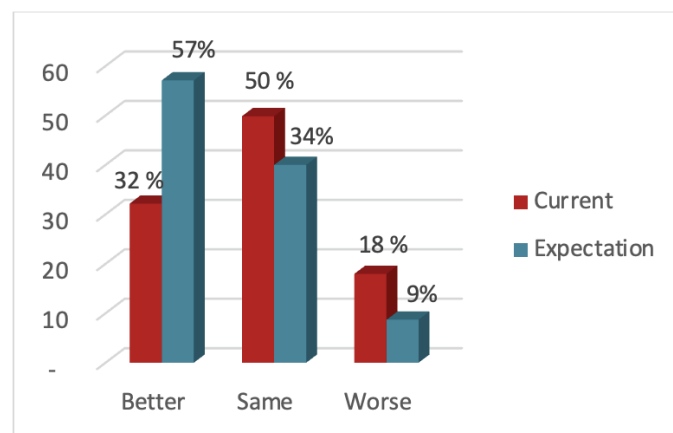
Figure 1 shows the confidence indices captured over the last eleven years. Since Q4 2022, the index has consistently assumed an upward trajectory depicting a gradual improvement in business sentiments post-COVID-19 and the Russian-Ukrain war. The index crossed the baseline marginally for the first time in quarter one of 2024 after it dropped in Q4 2021.

### 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.

Consumer demand soared amidst lowering inflationary pressure. The euphoria accompanying the beginning of a new year, also enhanced business performance during the period under review.

Fig. 2 Overall Business Performance for Q1, 2024



Source: Field data

Business executives who reported improved business performance increased by 2% to 32% in Q1. Business executives who stated no change in their performance remained the same, while the number of businesses that reported worsened business performance dropped by 2% to 18% in Q1. This reflected a positive business outlook, as indicated by the business confidence index. Furthermore, the business expectations for the ensuing quarter were met with mixed prospects as the number of business owners who predicted unfavorable business outcomes in Q2 rose by 3%. 34% of business owners think business performance will remain unchanged.

However, 57% of business owners were optimistic about an enhanced business performance in the next quarter.

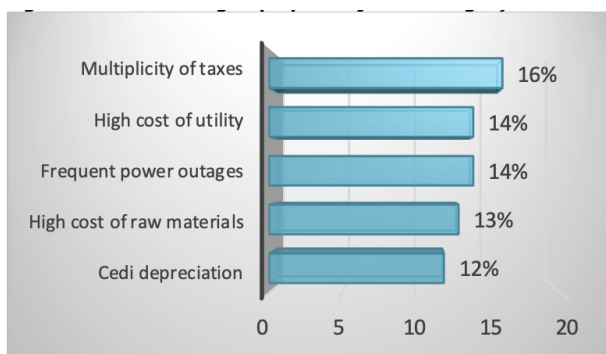
### Overall Challenges

The introduction of new taxes, to increase domestic revenue, by the Ministry of Finance in the 2024 National Budget, continues to impede the growth of the private sector. The taxes significantly impact businesses in several ways. These taxes not only raise the overall tax burden on businesses, leading to higher operating costs but also make it difficult for the private sector to compete with counterparts in countries with lesser tax burden. This is a great concern to businesses as the higher cost of doing business continues to lead to higher prices for goods and services, making local businesses less attractive to consumers. This complexity and burden of multiple tax regimes has motivated tax evasion and driven some businesses to operate informally. It is therefore not surprising that the challenge of multiplicity

of taxes has been ranked as the overall challenge of the private sector for two consecutive quarters.

The high cost of utility was reported as the second major challenge by 14% of the respondents. A new challenge that surfaced as the third major challenge during the quarter was the frequent power outages in some parts of the country. The power outages hurt the private sector, affecting various aspects of business operations. In some cases, businesses were forced to invest in alternative power sources such as generators and inverters to maintain operations during outages. This significantly raised their operational costs. The power outages also disrupted daily activities, leading to reduced productivity. Manufacturing processes, office work, and service delivery were all negatively affected, resulting in lost working hours and decreased output. The steady decline in headline inflation possibly contributed to the fall of the high cost of raw materials from its second position in the last quarter to its current fourth position. Cedi depreciation maintained its position as the fifth overall challenge of businesses in the quarter under review.

**Fig. 3 Overall challenges (Top 5 major challenges)**



**Source: Field data**

Although the exchange rates remain high, the relatively stable forex situation experienced during the period eased the impact on businesses, thus, cedi depreciation has maintained this position for three consecutive times.

## Challenges by Sector

**Table 1: Challenges by Sector**

Sector	1st	2nd	3rd
Manufacturing	Frequent power outages	Multiplicity of taxes	High cost of raw material
Service	High utility tariffs	Multiplicity of taxes	Frequent power outages
Construction	High cost of raw material	Multiplicity of taxes	Cedi depreciation

**Source: Field data**

The Manufacturing sector was hardest hit by the power outages. To Manufacturers, power outages lead to downtime and reduce production capacity. Thus the industry prioritized frequent power outages as the topmost challenge. The financial and administrative burden of multiple taxes stifles the ability of businesses in the sector to invest in innovation and expansion. Hence, it was rated as the second challenge of the sector. The high cost of raw materials dropped from the first position to the third in Q1, according to manufacturers.

The Service sector prioritized high utility tariffs, multiplicity of taxes and frequent power outages as its top three major challenges respectively. The Construction sector was saddled with the high cost of raw materials due to the high cost of imports. The effects of multiplicity of taxes and cedi depreciation also took its toll on the sector.

## Challenges by Size of Business

Challenges experienced by the different sizes of businesses were similar to those challenges experienced by sectors. Issues of Multiplicity of taxes, power outages and high cost of raw materials run through all sizes of companies. The multiplicity of taxes featured prominently in all sizes of businesses as Small and Large businesses indicated this as their major challenge. Other challenges reported by Small businesses were the frequent power outages and the high cost of raw materials respectively.

**Table 2: Challenges by Size of Business**

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

**Source: Field data**

Medium-sized businesses ranked the high cost of utility as their top challenge. The multiplicity of taxes and frequent power outages similarly featured prominently among Medium-sized businesses as respondents ranked them second and third respectively. Cedi depreciation was the second-ranked for obvious reasons. The power situation did not spare Large businesses of its disruptive effect.

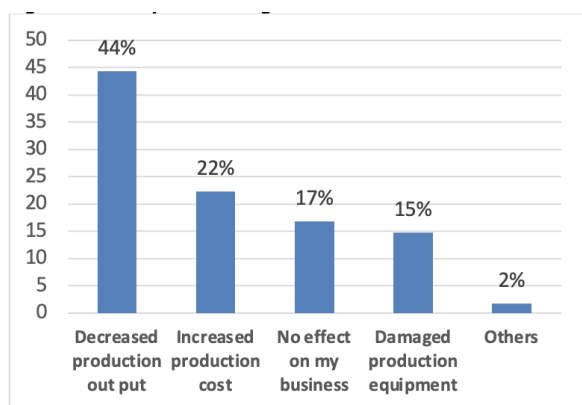
### Effect of power outages on business

The economic impact of power outages on businesses can be profound and multifaceted, affecting various aspects of the economy. Many companies rely heavily on electricity to power their operations, whether it's for machinery, office lighting, or digital systems. When the power goes out abruptly, business operations stall, resulting in loss of productivity, revenue, and customer satisfaction. In addition to the immediate impact on everyday operations, power disruptions have a rippling effect on overall growth.

Many businesses are obliged to invest in alternate energy sources such as generators, solar panels, or inverters, which can be expensive and increase operational costs.

During the period of the power outages, a significant 44% of business owners experienced a decrease in their production output.

Fig. 4 Effect of power outages on business



Source: Field data

22% of business owners suffered a hike in their operational costs as a result of investment in alternative power solutions. Interestingly, 17% of the respondents reported that the power outages did not affect their businesses, 15% of business owners reported that the power outages damaged their equipment. The remaining 2% of the respondents had other challenges with the frequent power outages.

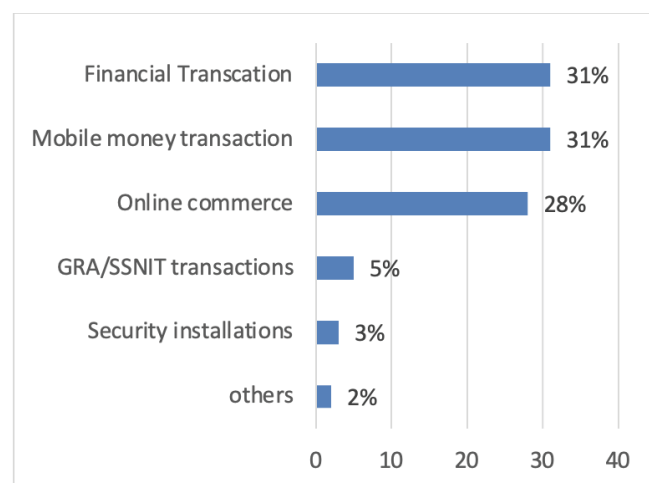
### Impact of undersea cable disruption on Business operation

The global data service industry has experienced tremendous growth over the past few decades, with the proliferation of Internet-connected devices and the increasing demand for fast and reliable data transmission.

Undersea cables therefore play a critical role in enabling this connectivity by carrying vast amounts of data across oceans to connect different regions of the world. When an undersea cable is disrupted, data service can be severely affected and lead to slow Internet speeds, dropped connections, and even complete loss of connectivity. This negative economic impacts of rare undersea cable disruptions as experienced by global economies, including Ghana is significant and wide-ranging. One of the most immediate consequences is the loss of productivity for businesses that rely on data services for their operations.

For an overwhelming 62% aggregate of respondents, the disruption of the undersea cable had a devastating impact on their financial operations. A significant 28% of business owners reported that their online commerce was negatively impacted. Other business activities affected by the undersea cable disruption, were GRA/SSNIT payment and security installations.

Fig. 5 Impact of Undersea cable disruption on business operations



Source: Field data

### Upcoming Events

- AGI Corporate Forum - August
- Ghana Industrial Summit - September
- AGI Awards Launch - August
- AGI Awards Night - November