



**AGI**  
Association of  
Ghana Industries



# THE AGI BUSINESS BAROMETER

2ND QUARTER 2024

**SUMMARY REPORT**

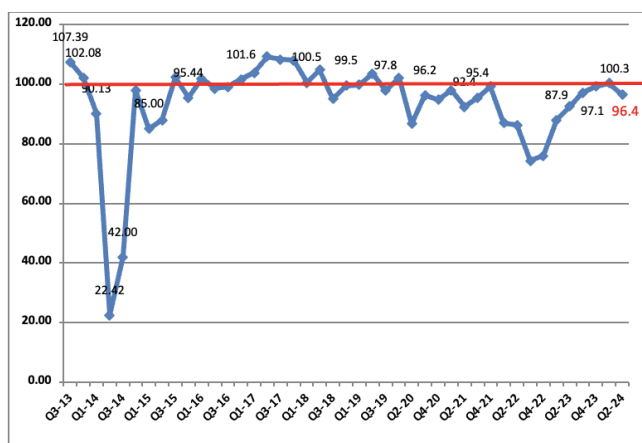
## BUSINESS CONFIDENCE DROPS IN Q2 2024

Business sentiments dipped by 3.9% to 96.4 in Q2. The drop in business confidence was driven by uncertainties regarding future economic conditions, concerns over exchange rate fluctuations and intermittent power outages significantly increased business operational costs. The month-on-month inflation of 3.2% between April and May, mainly driven by the non-food inflation through the exchange rate pass-through effects, significantly impacted business operations. These sentiments fueled the drop 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



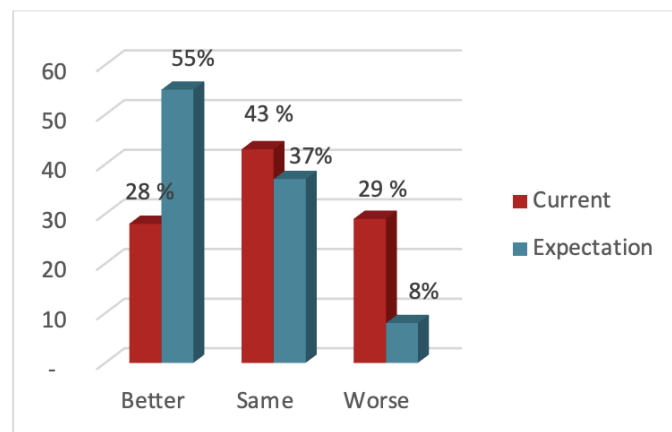
Source: Field data

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

### Overall Perception of Business Performance

The overall business performance for Q2 is presented in Figure 2 below. Business sentiments declined as companies experienced volatility in exchange rates.

Fig. 2 Overall Business Performance for Q2, 2024



Source: Field data

The Cedi came under some pressure, particularly in the forex bureaux market. This pressure in the foreign exchange market was driven by increased demand for imports and payments in the energy sector. These factors have influenced market sentiment, further intensified the pressures and sparked uncertainty among the business community. During the quarter, 28% of business executives reported an improved business performance, as compared to 32% in Q1 who experienced improved performance. An overwhelming 72% of business executives reported their business performance either remained the same or declined during the period.

Due to the instability in the forex market, business operators were measured in their expectations for the ensuing quarter. 55% of business executives were optimistic about improved business performance, compared to 57% in Q1. On the other hand, the number of pessimists grew from 43% in Q1 to 45% in Q2.

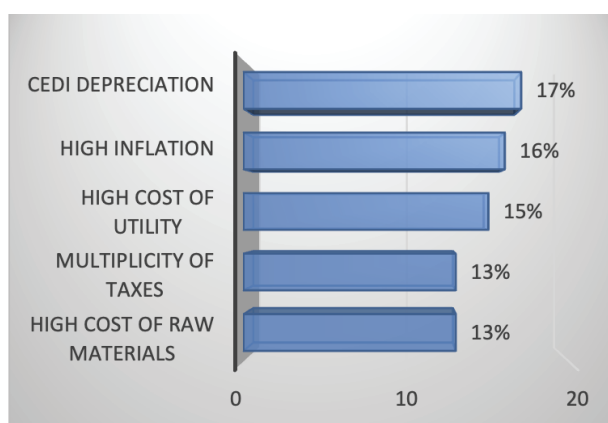
### Overall Challenges

On a year-to-date basis, the Ghana cedi depreciated by 14.6 percent against the US dollar as at 22nd May 2024. This phenomenon sparked anxiety amongst the business community making cedi depreciation the topmost business challenge within the period under review. As efforts to address this concern, the Central Bank introduced measures to improve market conduct and instill sanity in the market for foreign exchange. Some of the measures introduced included working with the Ghana Association of Banks to streamline documentation requirements for foreign payments to mini-

mize the incentives to resort to the informal markets, directly absorbing the foreign exchange needs of some corporate institutions and working with the Financial Intelligence Centre to sanitize the illegal foreign exchange market.

Inflation which declined to 23.1 percent in December 2023, moved up to 25.8 percent by the end of the first quarter of 2024. Even though food inflation declined to 26.8 percent in April 2024 from the high of 29.6 percent recorded in March 2024, non-food inflation increased to 23.5 percent from 22.6 percent over the same comparative period. The increase in non-food inflation mainly was a result of the depreciating cedi. Thus, high inflation became the second major challenge for businesses. This was followed by the high cost of utility.

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



*Source: Field data*

Although the mid-year budget did not introduce new taxes, many business executives are still concerned about the multiplicity of taxes eroding their efforts to navigate through the current economic turbulence, thus multiplicity of taxes remained a major challenge. The pass-through effect of the cedi depreciation reared its head as the cost of raw materials became increasingly high during the quarter.

## Challenges by Sector

*Table 1: Challenges by Sector*

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

*Source: Field data*

The challenges by sector are consistent with those of the overall challenges. The effect of cedi depreciation severely affected the sectors that are heavy on imports of input materials. Both the Manufacturing and Construction sectors ranked cedi depreciation as their topmost challenge, while the Service sector ranked the high cost of utility as their top challenge and had cedi depreciation as their second challenge.

The second and third challenges for Manufacturing were the high cost of utility and the multiplicity of taxes respectively.

While the multiplicity of taxes and high cost of utility turned up as the second and third challenges of the Construction sector, businesses in the Service sector reported high inflation as their third challenge.

## Challenges by Size of Business

Challenges experienced by the different sizes of businesses were similar to those challenges experienced by sectors. Small-sized businesses ranked the high cost of utility as their main challenge during quarter two. This was followed by cedi depreciation and high inflation respectively. Even though headline inflation declined in quarter two, from 29.6 in April to 22.8 end of June, month-on-month inflation peaked by 3.2% within the quarter.

*Table 2: Challenges by Size of Business*

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

*Source: Field data*

Medium-sized businesses ranked the multiplicity of tax challenges as their top priority in the first quarter. This was followed by cedi depreciation and high cost of utility respectively.

The cedi depreciation and multiplicity of taxes featured prominently among the Large/African Giants. Intermittent cuts in electricity supply remained a challenge for Large/African giants as it appeared as the third business challenge for this category of businesses.

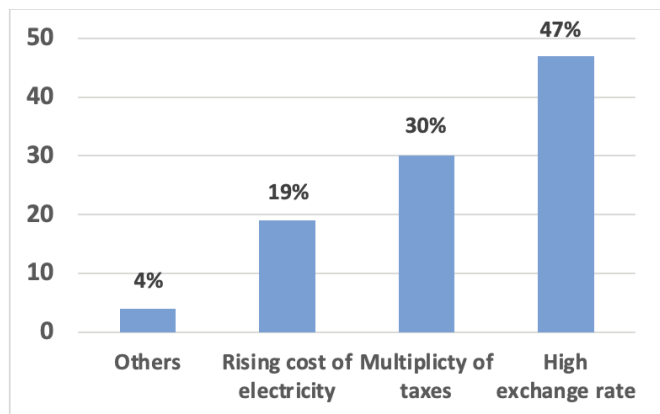
## Factors influencing the rising cost of goods/services

The cedi has faced considerable pressure, especially against major foreign currencies over the period under review. This has signifi-

cantly increased the cost of imports, including essential goods like fuel, food, and raw materials, which are key drivers of inflation. A good majority of respondents, representing 47%, reported the high exchange rate as the major cause of the rising cost of goods/services.

To deal with the high demand pressures on the foreign exchange market, the Central Bank has taken steps to enhance foreign exchange bureau monitoring to ensure compliance with their regulatory framework.

**Fig. 4 Factors influencing the rising cost of goods/ services**



Source: Field data

The issue of the multiplicity of taxes lingers on as 30% of the respondents attributed the rising cost of goods/services to the current tax regime, especially the computation of VAT and its cascading effect. AGI continues to engage the Ministry of Finance to re-introduce the old VAT system where businesses could claim back their input VAT.

High fuel prices and intermittent cuts in electricity supply led to increased production and operational costs for some businesses, which had to be passed on to consumers. The energy sector's heavy reliance on imports and rising global oil prices exacerbated the problem. According to 19% of respondents, this contributed to the rising cost of goods/services during Q2. While 4% of respondents attributed the rising cost of goods/services to other macroeconomic indicators.

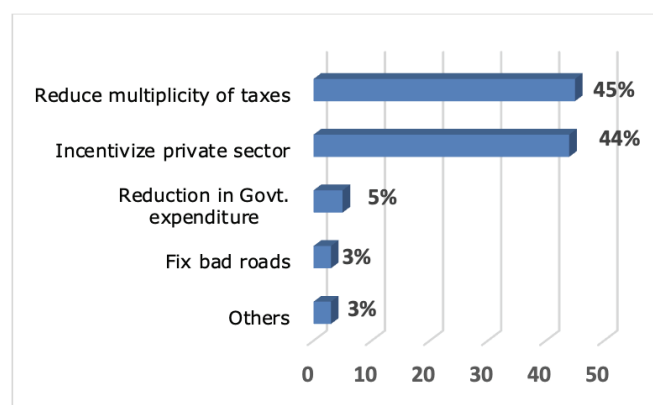
### Key concerns the 2024 mid-year budget should address

The 2024 mid-year Budget was presented amidst high expectations regarding how the government is navigating its path within the context of an IMF program, debt rescheduling

involving negotiations with commercial creditors, bondholders and bilateral creditors. Additionally, key stakeholders had high expectations for tax reliefs, a stable exchange rate, reduced inflation, and steps to create an enabling environment for the private sector to flourish.

The majority, representing 45% of business executives, expected the mid-year budget to address the multiple tax situation. 44% of the executives expected the government to incentivize the private sector to stimulate growth in the economy. While 5% of business executives expected the government to reduce its expenditure, a 3% minority expected the bad roads to be fixed.

**Fig. 5 Key concerns the 2024 mid-year budget Review should address**



Source: Field data

### Upcoming Event

- **AGI Awards Night - November**

