

Business Opinion

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IEA BUSINESS CONFIDENCE SURVEY

SUMMARY

The IEA Business Confidence Survey (BCS) is aimed at gauging the confidence of businesses and promoting evidence-based policies to enhance the business environment and performance. The survey seeks the views of Business Heads/Chief Executive Officers (CEOs) on the performance of their businesses; the business environment and obstacles to doing business; future expectations of businesses and the direction of leading indicators such as future capital expenditure, profit and employment. This edition of the IEA BCS interviewed 93 businesses from the three main sectors of the economy - agriculture, industry and services. The survey results suggest business performance worsened over the last six months period (between May and October, 2014). Further, the performance of firms in the non-financial sector was worse - when compared to financial sector firms. The poor performance led to a net loss in employment. In line with the poorer performance of the non-financial sector, the proportion of firms laying off workers was also higher.

Poor performance was due in part to a worsened business environment including macroeconomic instability. Unreliable electricity supply and exchange rate volatility emerged as major constraints to business growth. In spite of the poor performance, companies were optimistic about the future. This optimism was based on their expectation of some improvement in the business environment and a relatively stable macroeconomic environment. In fact the leading indicators, which reflect future business confidence and the health of an economy, were pointing in a positive direction. Overall, this seems to reflect the fact that Ghana's economy was emerging from a major economic crisis at the time of the interviews and businesses were more optimistic about the future. Drawing on the findings, this survey report concludes with a set of policy recommendations aimed at improving the business environment in Ghana.



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PREFACE

The Institute of Economic Affairs (IEA), Ghana's premier public policy Think Tank, is devoted to the promotion of good governance and sustainable economic development in Ghana and West Africa, using its research and advocacy. Over the last twenty-five years, the IEA has served as a centre for policy analysis, a forum for the exchange of ideas and a resource centre for public education. The IEA's research and persistent advocacy have influenced several policy processes in Ghana and beyond.

Four years ago, the Board of the IEA recommended the addition of a Survey Unit to support the research work of the IEA's two Centres, namely the Economic and the Governance Centres. The addition of the Survey Unit was to strengthen the conduct of empirical research for policy discussion and formulation.

The IEA's surveys over the last four years have focused largely on socio-economic and governance issues, including peoples' living conditions, government's performance in addressing the socio-economic problems, trust in public institutions and corruption. The surveys have enhanced public awareness of socio-economic and governance issues and informed debate on key challenges facing the country. Additionally, the reports produced from the Institute's surveys have provided concrete recommendations for consideration by policy makers.

In 2014, the Institute added a bi-annual Business Confidence Survey (BCS) to its survey work. The decision to conduct a BCS was in recognition of the role of the private sector as the key driver of the economy - the engine of growth. The IEA Business Confidence Survey is aimed at gauging the confidence of businesses and promoting evidence-based policies to enhance the business environment and performance. It seeks the views of Company Heads/Chief Executive Officers (CEOs) on the performance of their businesses, the business environment and obstacles to doing business, among others. This maiden BCS covered 93 firms in the three key industrial regions: Greater Accra, Ashanti and Western. The survey also covered firms in the three major sectors of the economy: agriculture, industry and services. The number of companies selected from each sector was based on the sector's contribution to the Gross Domestic Product (GDP).

Experience has shown that surveys of this type provide valuable information to the businesses surveyed, policy makers and analysts. Indeed, this remains a core objective of this survey - to provide data for monitoring the business climate and inform policy making that will advance the private sector in the Ghana.

We hope you find this report useful and look forward to receiving your feedback.

Thank you.

Mrs. Jean Mensa

Executive Director

The Institute of Economic Affairs

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1. INTRODUCTION AND BACKGROUND

The Institute of Economic Affairs (IEA), Ghana's premier public policy think tank, is devoted to the promotion of good governance and sustainable economic development in Ghana and Africa, using research and advocacy. Three years ago, the Institute added a Survey Unit to its two existing Centres: Economic and the Governance Centres. The addition of the Survey Unit is to strengthen the use of empirical evidence in the IEA's policy research. Further, this will ensure that policy recommendations emanating from the Institute's research and advocacy reflect the concerns and aspirations of Ghanaian households and businesses. The Institute's surveys over the last three (3) years, focused on socio-economic and governance issues, including peoples' living conditions, trust in public institutions and public officials, public safety and security, and corruption.

Recognising the critical role of the private sector as the key driver of the economy - the engine of growth - the Institute, late last year, added a bi-annual Business Confidence Survey (BCS) to its surveys. Business Confidence Surveys are carried out to collect information on business performance and outlook. The IEA conducted its maiden BCS in November 2014. The survey sought the views of Chief Executive Officers (CEO)/ business heads on the performance of their businesses, the business environment, obstacles to doing business, future expectations of businesses, and the directions of leading indicators.

Business Confidence surveys are generally carried out to solicit information on emerging and present competitive pressures, effects of various regulations, major constraints to growth, among others. In fact, business confidence surveys are particularly relevant to business owners themselves. This is because these surveys often indicate major turning points in the economy. In this regard, businesses are able to make informed decisions on their growth strategies and, also, modify existing strategies in response to changing conditions in the general economy. For example, action taken may be through more effective targeting of potential sources of revenue for growth as well as potential areas for investment.

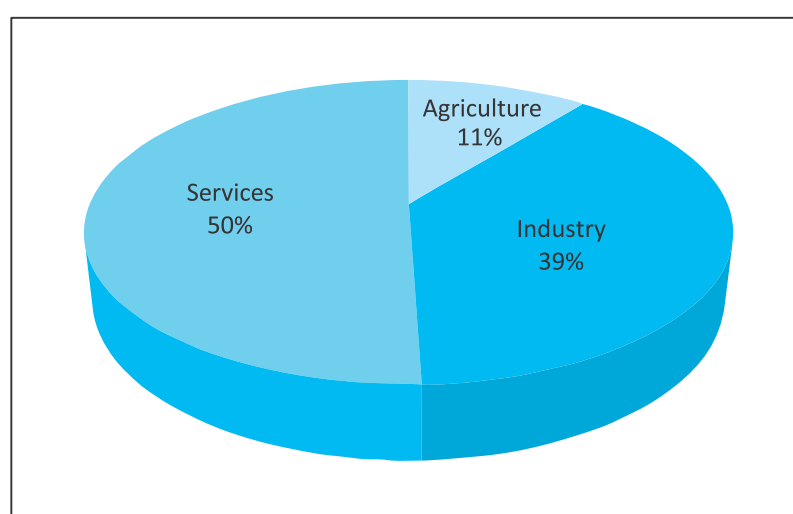
The IEA recognises that similar surveys are conducted by the Bank of Ghana (BoG) and Association of Ghana Industries (AGI). The BoG conducts its survey to inform the deliberations of the Monetary Policy Committee (MPC). The AGI publishes the Business Barometer report on the performance and expectations of its members.

While supplementing these existing surveys, the IEA's BCS is different in terms of the business and geographical coverage, publicity that it will be accorded and the follow-up advocacy to promote business-friendly policies. As an independent policy think tank, the IEA's BCS will complement the above surveys and provide a more independent perspective of the performance of businesses in the country.

2. SURVEY METHODOLOGY

The survey used a stratified sample. The sample covered the three major sectors of the economy: agriculture, industry and services. Out of the targeted one 100 companies, 93 companies were successfully interviewed. Using 2014 data, companies were selected from each sector according to the proportion of GDP arising from that sector. On this basis, services contributed the largest sample, followed by industry and agriculture. The share of the sample from each sector is shown in figure 1. Sampling within each sector was randomized using the list of companies registered with the relevant professional bodies.

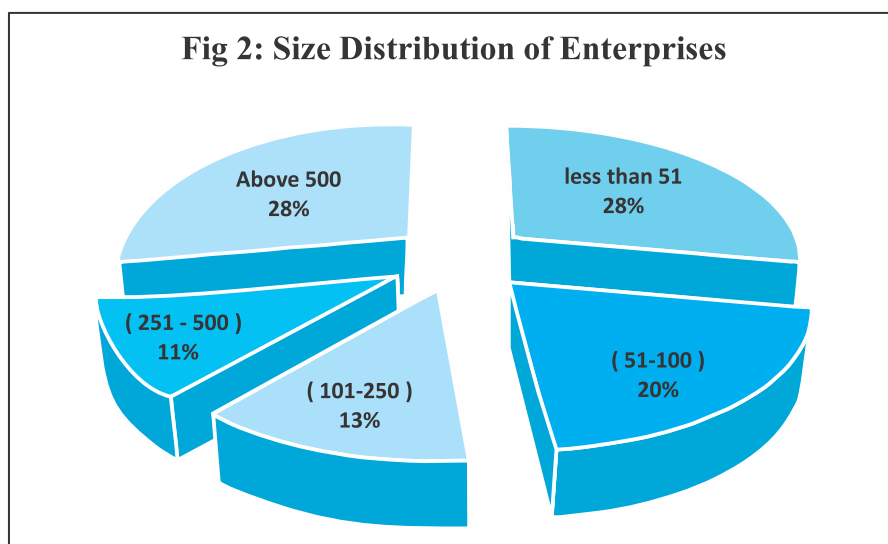
Fig 1: Sector Distribution of Sample



The survey covered firms in Greater Accra, Ashanti and Western regions. These three regions account for more than 70% of the output of all registered companies. The number of companies sampled from each region and by sector is provided in table 1 below.

Table 1: Sectoral Distribution of Enterprises by Region (%)				
Region	Agriculture	Industry	Services	Total
Greater Accra	5.38	27.96	43.01	76.34
Western	1.08	7.53	4.30	12.90
Ashanti	4.30	3.23	3.23	10.75
Total	10.75	38.71	50.54	100

The sample covered both small and large scale companies. The distribution of companies according to size is shown in figure 2. The BCS used the number of employees as the measure of size. This method is also applied by the Ghana Statistical Service (GSS). Other classifications include the value of fixed assets, plants and equipment, and volume of sales, which are measures not frequently used in Ghana.



It is worth noting that a field piloting exercise was conducted to assess the questionnaire, as well as train the interviewers. The piloting exercise was undertaken in one day - with twelve interviews conducted in Accra and Tema. This exercise was instructive as it highlighted difficulties with some proposed questions. Feedback from the exercise necessitated the restatement of some questions, as well as inclusion of additional questions. It also resulted in the revision of our original strategy of contacting companies. Letters addressed to Chief Executive Officers (CEO)/ business heads and Financial Managers/Controllers of selected companies were sent two weeks in advance. The piloting exercise led to an overall improvement in the quality of the questionnaire and the level of response.

2.1 Analysis

The SPSS software was used for data entry, processing and analysis. As the weight placed on responses remains crucial for result interpretation, the survey adopted the size weight in its data analysis. The analysis used the number of employees as the basis of size for each enterprise. Further, the number of the employees of businesses was used as a measure of relative importance of an enterprise. Businesses with employees within the range of '1-50' were assigned a weight of 1; '51-100', a weight of 2; '101-250', a weight of 3; '251-500', a weight of 4; and above 500, a weight of 5. This approach, which has been used in other studies to measure size, is a more reliable method when comparisons are to be made across different categories of enterprises. In the analysis, we desegregated between financial and non-financial sector enterprises. This was crucial in order to assess the relative performance and expectations of these two broad areas of business as they may not face the same range of constraints.

2.2 Quality Control

Several quality control measures were instituted before, during and after field work to safeguard the integrity of the data collected. Experienced field workers with a minimum of tertiary education were recruited as interviewers and supervisors. An in-depth training programme and field testing exercises were undertaken for supervisors and interviewers to prepare them for the actual field work.

Quality control measures such as effective supervision of the teams and reviewing questionnaires (after data collection to ensure accuracy and completeness) were also instituted during the field exercise. Where discrepancies were found, interviewers were made to track respondents concerned for clarification of the problem. With the above approach, a high degree of accuracy during the data collection process was assured.

At the data capture stage, data was coded, double-entered and validated before analysis was done. Overall, the above measures are known to maximize the validity of data collected, which ultimately enhances the quality of data available for analysis.

1. RESULTS OF SURVEY

3.1 Performance of Business

The performance of businesses is a major indicator of the health of an economy. Sluggish business performance could indicate increasing obstacles to growth, lack of confidence in the incentive environment, and/ or a presage to a recession - with adverse consequences for employment. On the other hand, a buoyant performance could indicate an upturn in the economy with positive consequences for employment and development. The survey analysis, therefore, started with an assessment of the performance of businesses.

The questionnaire attempted to obtain views on the performance of businesses over the six months period (May-October 2014) and their expectations in the next six months (December 2014- May 2015). The overall results show that the performance of the majority of firms interviewed had worsened over the six month period (May-October 2014) compared to the previous six months (November 2013 - April 2014). About 40.7% of the businesses interviewed indicated that their performance had worsened, whilst another 24.1% indicated that their performance remained the same. About a third of the businesses noted better performance (table 2).

When we disaggregate between the financial and the non-financial sector firms, the financial sector firms performed better. Indeed 82.9% of financial sector businesses indicated that their businesses had performed better compared to 18.5% of non-financial sector firms (table 2). Further, 53% of non-financial sector respondents indicated the performance of their businesses had worsened over the last six months compared to the previous six months whereas only 5.7% of financial sector firms indicated worse performance.

Table 2: Business Performance in the Last 6 months (May – October 2014) relative to the previous 6 months (November 2013 – April 2014)

Sector	Better	Same	Worse
Financial	82.9	11.4	5.7
Non-Financial	18.5	28.5	53.0
Total	35.19	24.07	40.74

The poorer performance of the non-financial sector seems to reflect the many obstacles facing that sector. The exchange rate depreciation and volatility, together with rising inflation prior to the interview, must have affected the non-financial sector much more adversely. As indicated in table 5, the majority of non-financial sector firms indicated that the business environment had worsened in the past six months. Indeed, the prices of imports, which are a major source of raw material, increased. As a result, 54% of enterprises reduced their imports. That said, one expects a symbiotic relationship between the financial and non-financial sectors implying that they should have a mutually beneficial relationship and, therefore, similar trends in performance. The fact that the financial sector markedly outperforms the non-financial sector seems to suggest that the former may be benefiting from artificially high incomes, in part emanating from the exceptionally high lending rates and spreads.

3.1.1 Poor Business Performance Negatively Affects Employment

As a result of the overall poor business performance, 34.1% of all the enterprises interviewed were laying off workers whilst 29.6% were engaging new staff on a net basis. The remaining 36.3% maintained their staff numbers. It can therefore be expected that on a net basis there was a loss of employment. The loss in employment was more pronounced in the non-financial sector with about 41.5% of firms decreasing staff numbers when compared to only 12.9% of financial sector companies (table 3).

Table 3: Employment (Staff Numbers) in the Last Six Months (May-October 2014)			
Sector	Increase	Maintain	Decrease
Financial	54.29	32.86	12.86
Non-Financial	21.00	37.50	41.50
Total	29.63	36.30	34.07

The decrease in employment by businesses will worsen the already high unemployment rate, particularly among the youth. High unemployment has dire economic and social consequences including increase in crime and social unrest, deteriorating standard of living of affected persons and low tax revenues. There is, therefore, the need for urgent policies to halt the increasing unemployment rate to avert the above mentioned consequences.

3.1.2 Businesses Optimistic about the Future in spite of Poor Performance

In spite of the poor performance in the six months period (May-October 2014), companies were optimistic about their future performance (table 4). An overall majority, 67.4% of companies predicted better performance in the next six months. Only 5.6% indicated their performance could worsen in the next six months. As one would expect from the performance so far, financial sector firms (80%) were more optimistic about future performance compared with non-financial sector firms (63.3%).

Table 4: Perception on Business Performance in the next 6 months (December 2014- May 2015)

Sector	Better	Same	Worse
Financial	80.0	11.4	8.6
Non-Financial	63.3	32.5	4.5
Total	67.4	27.0	5.6

This optimism was based on the expectation that the environment for doing business would improve over the next six months as shown in table 6. An improvement in the business environment implies a better macroeconomic environment (lower inflation and exchange rate) and fewer obstacles to doing business. Also, at the time of the interview, the country had emerged from a major economic crisis - particularly relating to the depreciation of the local currency - and there appeared to have been prospects of the energy crisis improving, as a result of official assurances. The possible Ghana-IMF programme could also be a source of optimism. The programme is expected to restore fiscal discipline and policy credibility.

3.2 Overall Assessment of Business Environment

3.2.1 Poor Performance Due in Part to Worsened Business Environment

Majority of firms interviewed indicated that the business environment for their operations had deteriorated over the six months period. This was much more pronounced for the non-financial sector where 56% indicated the environment had worsened compared to the financial sector enterprises where only 41% said the business environment had worsened. The generally poor business performance over the six months period (May - October 2014) can be explained by the poor business environment in the same period (table 2).

Table 5: Overall Assessment of the Business Environment in the Last 6 Months (May-October 2014) Compared to the Previous 6 Months (November 2013- April 2014)

Sector	Better (%)	Same (%)	Worse (%)
Financial	44.3	14.3	41.4
Non-Financial	16.0	28.0	56.0
Total	23.3	24.4	52.2

3.2.2 Optimism Based on Expected Improvement in Business Environment

However, as indicated in table 6 below, 53% of the respondents were confident that the business environment will improve in the next six months (December 2014- May 2015). Over a quarter of the respondents believed that there will be no substantial improvement in the business environment, while only about 15% expected the business environment to worsen over the next six months.

In terms of future optimism with respect to the business environment, there were no major differences between the financial and non-financial sectors. Slightly over 50% of firms in both the financial and non-financial sectors were optimistic of the future business environment. However, more financial sector firms were pessimistic, as about 33% expected the business environment to worsen.

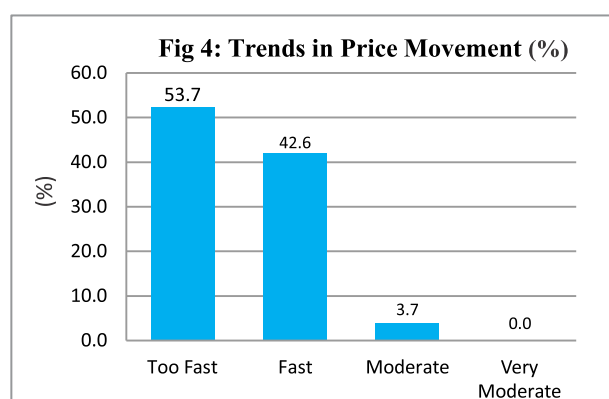
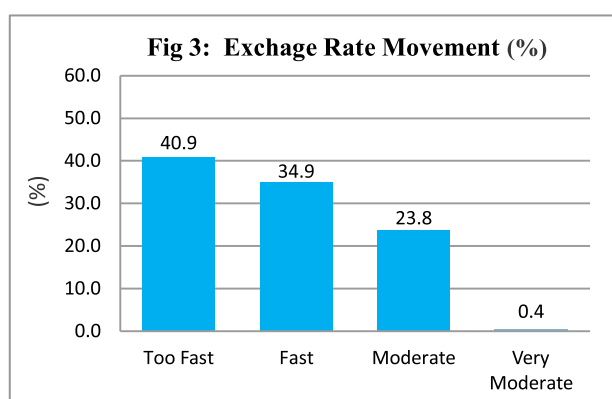
Table 6: Expectation on Business Environment in the next 6 months (December 2014 – May 2015)

Sector	Better (%)	Same (%)	Worse (%)
Financial	51.4	15.7	32.9
Non-Financial	53.3	37.6	9.1
Total	52.8	31.8	15.4

3.3 Macroeconomic Environment

3.3.1 Business Environment Characterised by Macroeconomic Instability

The macroeconomic environment, including the exchange rate and inflation, remain important for business growth. It generally determines certainty and predictability of the incentives for investment and business planning. During the last half of 2014, the Ghanaian economy experienced considerable instability resulting from inflation and the depreciating currency. This instability generated heated debate about the overall health of the economy. In fact, businesses and consumers all began to voice their frustrations with the high cost of doing business and the cost of living. In order to correctly assess this perception, businesses were asked about the depreciation of the cedi in the past six months. About 41% of the businesses in this sample indicated that the rate of depreciation was too rapid while 35% stated that the rate was rapid. Only about 24% indicated that the exchange rate movement was moderate (figure 3).



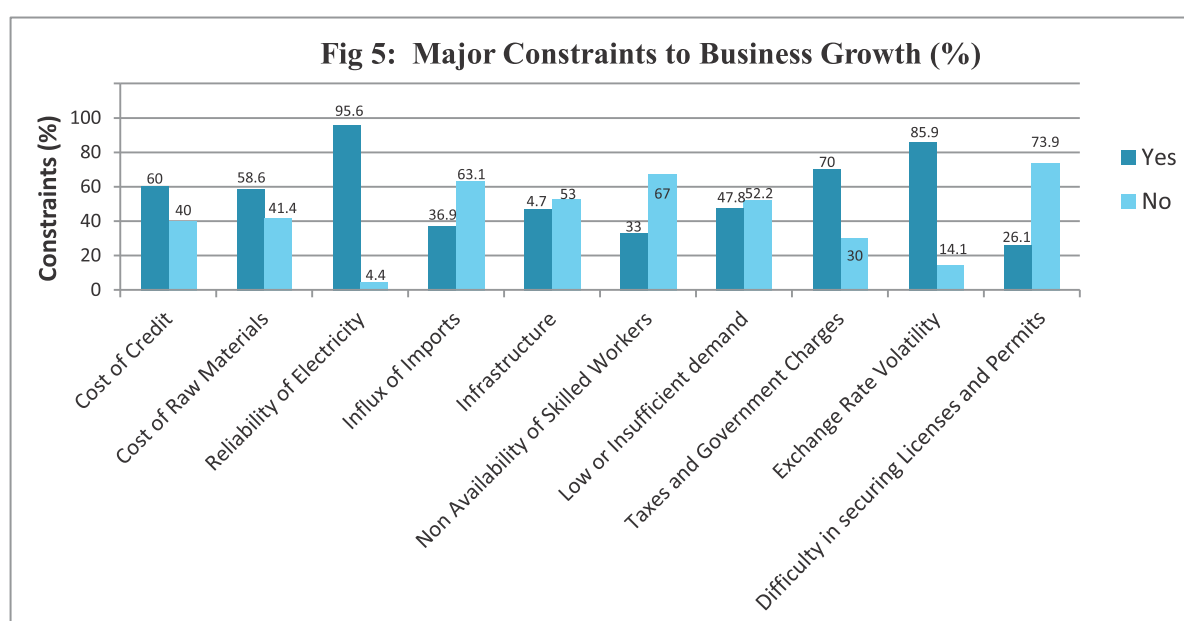
As shown in figure 4, when questioned about their perception on the trend of inflation, more than half (53.7%) of the respondents intimated that price movements were too fast; about 43% also stated that price movements in the country were fast. Only about 4% indicated the general price movements were moderate. Overall, majority of firms interviewed (96.3%) indicated that the trend of prices of goods and services in the country was either too fast or fast.

3.4 Constraints to Doing Business

3.4.1 Unreliable Electricity Supply and Exchange Rate Volatility Dominate Constraints to Business Performance

In order to accurately assess the needs of businesses, with the view to providing critical policy recommendations to enhance business growth, the survey asked respondents about constraints to their operations and production.

Figure 5 below shows the main challenges that were expressed by the firms in this survey.



From the graph, the top five challenges that hinder the growth of businesses in Ghana are dominated by reliability of electric power supply and exchange rate volatility. This, perhaps, partly explains the poorer performance of the non-financial sector, as electricity and exchange rate impact more on industry. According to the respondents, the top five challenges that hinder the growth of businesses in Ghana, ranked in order of importance are: reliability of electric power supply (95.6%), exchange rate volatility (85.9%), taxes and government charges (70.0%), cost of credit (60.0%) and cost of raw materials (58.6%). Other additional challenges include: low or insufficient demand (47.8%), infrastructure (4.7%) and influx of imports (36.9%).

The reliability of electric power supply is very important if businesses are to thrive. In recent times, the supply of power has been unstable and this seriously affects productivity and efficiency. In most cases, businesses have been compelled to find alternative sources of power which increases their cost of production and cost of doing business, thereby significantly affecting their profit levels. Unreliable supply of electricity also increases the cost of investment as companies try to provide their own sources of electricity. Estimates for other countries

suggest that businesses that generate their own electricity potentially increase investment cost by 35% for small scale enterprises and by 10% for large scale enterprises. Such increases in cost of investment render the country unattractive for both domestic and foreign investment.

To compound issues, the cedi experienced substantial depreciation against major currencies such as the U.S. dollar, British pound and the euro over the second and third quarters of 2014. This significantly affected many businesses, especially the industrial sector, which depends heavily on imported raw materials.

Respondents also cited taxes and government charges as constraints on the growth of their businesses. For example, businesses have recently raised serious concerns about the introduction of the 17.5% VAT on financial transactions. A 5% Fiscal Stability Levy is also still in place for selected businesses. Respondents from manufacturing and trading stated categorically that high taxes have very serious consequences for their businesses.

Cost of credit was also cited as one of the major challenges facing the growth of businesses in the country. The IEA's work on the cost of credit, AGI surveys and global competitive indices all point to the cost of credit as a major constraint to doing business in Ghana - and this reduces the country's competitiveness.

Some of the most commonly identified constraint on growth of business in Ghana does not feature as key constraints in our overall sample. Thus the lack of skilled labour, which had been thought of as a major constraint on enterprise development, does not appear to be a major constraint in the survey. About 67% of the firms indicated that availability of skilled labour was not a major constraint. For all economic sectors - agriculture, industry and services - almost 60% of the firms in each sector did not consider lack of skilled labour a major constraint. Most of the companies interviewed produce for the domestic market where the human capital content of the products may be low. Moreover, with the liberalization of tertiary education, skills involving the liberal arts and information technology are easily available.

Competition from imports is not regarded as a major constraint by industry (56.7%) and services (74.8%). For the agricultural sector, however, 79% of firms regard competition from imports as a major constraint. Outcry by farmers over rice and poultry imports shows how badly this constraint can be for agriculture.

For agriculture, another 79% consider the lack of demand as an obstacle to business growth whilst 56% of services consider lack of demand a serious constraint. Insufficient demand is not a major constraint for industry. Indeed, 67% of industrial enterprises interviewed do not consider low level of demand as an important constraint.

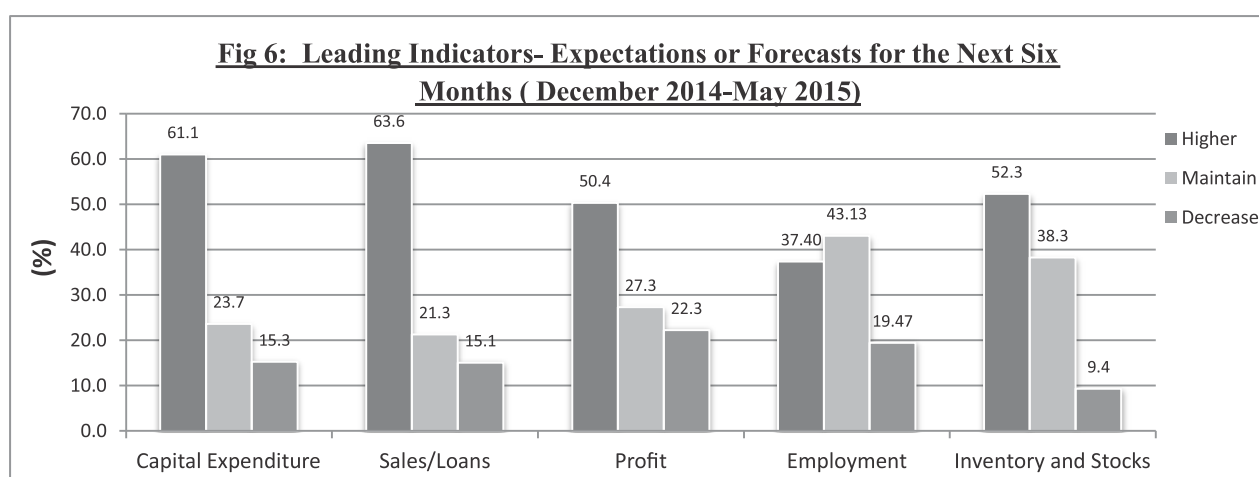
The survey findings suggest businesses did not identify difficulties in obtaining licenses and permits as a major constraint. About 74% of firms interviewed said obtaining licenses and permits were not constraints on the success of their business. This may be partly due to the fact that our sample consists of well-established firms who have already gone through all major license acquisition processes. It may also be due in part to the extensive reforms that Ghana has undertaken in the areas of regulations, processes for obtaining permits and licenses. The World

Bank *Cost of Doing Business Reports* rank Ghana highly in terms of the extent of reforms in the regulatory environment and the cost of doing business. For all sectors of the economy, agriculture (68.4%), industry (66.7%) and services (80.9%), difficulties in regulatory compliance, obtaining licenses and permits were not major constraints.

3.5 Outlook Based on Leading Indicators

3.5.1 Leading Indicators Forecast Upturn in Economy

“Leading indicators” are factors that signal the future direction or health of the economy. They include capital expenditure, sales, profits, employment, stocks and inventories. Companies' expectations with regards to these indicators in future periods are helpful in assessing how confident businesses are about their future performance as well as that of the economy as a whole.



With respect to capital expenditure, more than half (61.1%) of the respondents stated that their capital expenditure will be much higher than what was undertaken in the past (figure 6). This implies that the level of investment by companies will increase and it shows a positive outlook of businesses as these businesses will usually only undertake such expenditure when they anticipate favorable returns.

The responses were not strikingly different for businesses' forecast on sales. The general outlook was quite optimistic as over 63.6% of the respondents anticipated higher sales than recorded previously. Again, respondents who either intimated that their sales were going to remain the same or decrease were in the minority. About 21.3% said no change and 15.1% said sales would be lower.

Forecasts on profits for the next six months showed a similar pattern as the two indicators discussed above. About half of the respondents (50.4%) showed optimism in their level of profits for the next six months (December 2014- May 2015) whereas about 26% of businesses in this study stated that there would be no changes in their level of profits in the next six months. Only about 22.3% of the businesses in the sample were pessimistic, indicating that their profit levels were likely to reduce in the six months period noted above.

Table 7: Perception on Future Profit (December 2014- May 2015)			
Sector	Better (%)	Same (%)	Worse (%)
Financial	89.86	0.00	10.14
Non-Financial	35.83	37.43	26.74
Total	50.39	27.34	22.27

An interesting result, however, emerges when responses are disaggregated into financial and non-financial firms. While about 90% of the financial firms predicted higher profits, only 36% of the non-financial sector firms forecasted higher profits in ensuing six months. Also, significantly higher number of firms from the non-financial sector (63.7%) compared with the financial sector (10.1%) estimated either the same level of profits or a downward turn in the following six months (table 7).

In the overall sample, about 52.3% of the respondents projected higher stocks or inventory while 38.3% and 9.4% of the respondents predicted no changes and lower stocks or inventory respectively (figure 6).

Table 8: Forecast for Employment in the next six months (December 2014- May 2015)			
Sector	Better (%)	Same (%)	Worse (%)
Financial	61.43	28.57	10.00
Non-Financial	28.65	48.44	22.92
Total	37.40	43.13	19.47

3.5.2 *Employment to Stagnate in spite of Expected Upturn in Economy*

When it comes to employment, however, the story is slightly different. Given that businesses were optimistic about their future capital expenditure, sales, profits and inventory, one would expect that logically, their projections about employment would follow a similar pattern. The survey findings on employment forecasts show a rather interesting trend. The results suggest that although businesses are generally optimistic about the next six months, they are cautious about employing more people (table 8). About 37.4% of businesses predicted that they will increase employment compared to the forecasted increase in capital expenditure of 61.1%, sales of 63.6%, profits of 50.4%, and inventory of 52.3%.

In the non-financial sector, the expectation is even lower with only 29% of companies indicating they will increase employment and 23% expecting to decrease employment. Given the decline in the past six months (May-October 2014) in the non-financial sector, they may delay employment to ensure a more stable performance before engaging more labour.

In general, the apparent optimism projected by the leading indicators seems to be driven by the equally high optimism about the future business environment. Indeed, at the time of the

interviews for this survey, the severe exchange rate crisis had moderated and businesses were looking forward to a brighter future. However, the forecast stagnation of employment in the period December 2014 – May 2015 (as projected by businesses) suggests that unemployment will remain high in the next six months.

4 CONCLUSION AND POLICY RECOMMENDATIONS

4.1 Summary of Results

The main findings of this Business Confidence Survey are as follows:

1. The performance of firms interviewed worsened in the preceding six months, largely due to the adverse business environment. About 53% of the non-financial sector firms interviewed indicated that their performance deteriorated over the last six months (May-October 2014) compared with the previous six months (November 2013- April 2014). However, businesses were optimistic about their performance in the next six months period (December 2014- May 2015). This optimism appeared to emanate from the fact that at the time of the interview, the country had emerged from a major economic crisis - particularly relating to the cedi depreciation - and there appeared to have been prospects of the energy crisis improving, as a result of official assurances. The possible Ghana-IMF programme is also expected to restore fiscal discipline and policy credibility.
2. Financial sector firms seem to have performed better in the last six months than non-financial sector firms. Only 5.7% of financial sector firms experienced deterioration in performance over the last six months. This dichotomy appeared to emanate from the fact that these two sectors faced different sets of constraints, including those relating to energy and credit. Moreover, it suggests that the financial sector may be riding on unusually high returns, as a result of exceptionally high interest rates and spreads.
3. There was a net loss of employment in the past six months. In fact the myriad constraints facing businesses, particularly the energy crisis which precipitated layoffs, suggested net job losses were to be expected. In line with the poorer performance of the non-financial sector, the proportion of firms laying off workers was also higher in that sector. While 41.5% of firms in the non-financial sector were laying off workers, only 12.9% of firms in the financial sector were doing so.
4. The business environment has deteriorated in the last six months (May – October 2014). This is evident in the obstacles facing businesses such as unreliable electricity supply, high cost of credit, poor infrastructure, and an adverse macroeconomic environment, including high inflation and currency instability.
5. The “leading indicators,” including investment, sales, stocks/inventory and profits, which reflect future business confidence and the health of the economy, were pointing in the positive direction. Again, this seems to reflect the fact that Ghana had emerged from a major economic crisis at the time of the interviews and businesses were more optimistic about the future.

4.2 Policy Recommendations

Based on the above results, we make the following recommendations for the attention of policy makers:

1. There is a strong need to relieve businesses of the many constraints facing them as identified in the report. This is crucial to promote the private sector as the engine of growth.
2. Business respondents identified the unreliable electricity supply as the most important problem facing the private sector. Hence, there is a critical need to address the energy crisis as a matter of urgency since the situation is crippling businesses.
3. There is a need to ensure a stable macroeconomic environment to guarantee certainty in investment incentives and business planning. In this regard, sound public financial management is critical in creating a more conducive environment with respect to the cost of credit, exchange rate and inflation.
4. Serious interventions are needed to address the unemployment issue at the firm level. Whilst improving the business environment will help firms to re-engage workers, firm level incentives such as tax rewards for employment generation or expansion would be helpful.

The IEA Business Confidence Survey (2014) was prepared by the research team of The Institute, made up of Dr. Charles Jebuni, Director of Research; Dr. John K. Kwakye, Senior Economist; Dr. Michael Ofori-Mensah, Senior Research Fellow; Mr. Samuel Manu, Research Assistant and Mr. Evans Nelson-Dziwormu, Research Assistant.