How COVID-19 is affecting firms in Ghana

Results from the Business Tracker Survey – Wave 2

The shock caused by the COVID-19 pandemic has had considerable impacts on Ghanaian firms. Collaborating with the United Nations Development Programme (UNDP) and the World Bank, the Ghana Statistical Service's Business Tracker Survey aims at providing critical information to help the Government of Ghana, development partners and other organizations monitor the effects of the pandemic on businesses. The second round (a panel survey) was conducted between August 15 - September 10, 2020, following up on the first round conducted between May 26 - June 17, 2020. A total of 3,658 firms were interviewed as part of the second-round survey. Key findings are:

- **Firm closings:** In the second round of the survey (August/September), 8 percent of firms reported that they were closed, much lower than the 36 percent during the partial lockdown in March/April and the 16 percent in May/June. Firms in transport (12 percent) and accommodation and food (12 percent) continue to be the most affected at the time of the second round, together with educational establishments (30 percent).
- **Employment:** In the second round, 28 percent of business establishments reported reducing wages in August/September (corresponding to 10 percent of the workforce, an estimated 297,088 workers). This is an improvement compared to the first round in May/June, when 46 percent of business establishments reported that they reduced wages, covering 26 percent of the workforce (an estimated 770,124 workers). About 1 percent of business establishments indicated that they laid off workers, corresponding to 0.4 percent of the workforce (an estimated 11,986 workers) in August/September, compared to 4 percent of firms and 1 percent of workers in May/June (an estimated 41,952 workers).
- **Digital solutions:** In August/September, about 50 percent of firms reported that they started or increased the use of mobile money, up from 38 percent in May/June. The share of firms that have started to use or increased use of internet was down slightly from 9 percent to 8 percent in August/September.
- **Government intervention:** The number of firms that reported receiving government support almost tripled in the second round compared to the first survey round (9 percent against 3 percent). Lack of awareness remains the most common reason for not receiving support, with 30 percent of firms who did not receive support indicating this during the second survey. This is nevertheless lower than in the first wave (35 percent).
- **Business confidence:** In August/September, average expectations in firms' sales and employment in the worse-case scenario improved significantly compared to May/June (i.e. 24 percent to 2 percent for sales and 15 percent to 7 percent for employment, respectively).
- **AfCFTA:** In January 2021, trading is expected to start under the African Continental Free Trade Area (AfCFTA). The second round of the survey asked businesses about their knowledge and perspectives of the AfCFTA. A quarter of firms (26.2 percent) report that they are aware, and after receiving an explanation, three-quarter of firms (75.6 percent) believe that AfCFTA can help transform their businesses. Large firms see more benefits than smaller firms and are also more aware. Large firms report that removal of policy and regulatory bottlenecks would be important in terms of support, while small firms would like to see lower costs of credit.

The findings indicate that there have been some improvements, but that Ghanaian businesses continue to be affected by the pandemic through a variety of channels and expect continuing impacts in the future. In the short-run, policies that support firms in managing financial shocks will likely be beneficial, including increasing awareness of current schemes. In the longer term, policies that (i) increase customer and business confidence, (ii) help re-establish broken supply channels and (iii) assist firms adjusting to the new reality (e.g., by leveraging digital technologies) can be expected to help businesses recover from the shock.

About this survey

The second-round of the COVID-19 Business Tracker Survey (BTS) re-interviewed firms from the first wave of the survey. The BTS was conducted by the Ghana Statistical Service (GSS), in collaboration with UNDP and the World Bank, to better understand the impact of COVID-19 on the private sector. A total of 3,658 business establishments and household firms were interviewed in the second round, lower than the original 4,311 firms sampled in the first round due to attrition. The original sample in the first round was drawn from the 2013 Integrated Business Establishment Survey (IBES), the 2017 Ghana Living Standard Survey (GLSS), and supplemented with listings of SMEs provided by the National Board for Small Scale Industries (NBSSI) to ensure inclusion of recently established firms. The sample is nationally representative (see also Box 1 for a description of the methodology).

Impact on firms

Even though businesses reported improvements compared to the first-round survey and more businesses have re-opened, firms nevertheless continue to report declines in sales, difficulties in sourcing inputs and finding financial resources to cover revenue shortfalls.

FIRM CLOSINGS With partial lockdown measures being lifted, more firms have now re-opened. While at the time of Ghana's partial lockdown in March/April, 36 percent of business establishments (Figure 1) and 24 percent of household firms reported being closed (Figure 2), during the second-round these shares had decreased to 8.7 percent of business establishments and 8.3 percent of household firms. In August/September, 86 percent of business establishments and 90 percent of household establishments were fully open again.

In the second round, firm closures fell in all sectors as shown in Figure 3. During the partial lockdown, the sectors with the highest level of closures were education (65 percent), financial services (47 percent), transport and storage (46 percent) and manufacturing (40 percent). Compared to May/June, education has reduced from 63 percent to 30 percent. Transportation/storage and accommodation/food services have also reduced significantly from 34 percent and 24 percent to 13 percent and 12 percent respectively.

Figure 1. Operating status of business establishments
in percent of firms

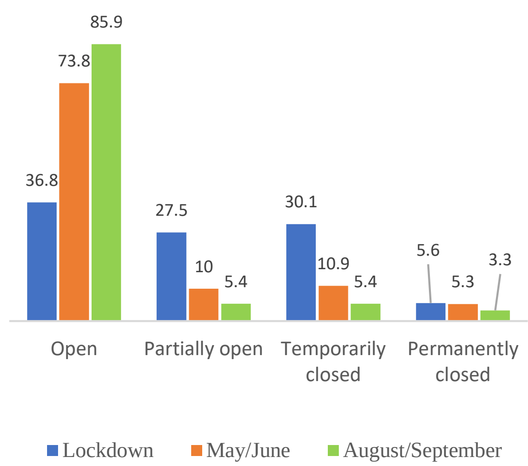


Figure 2. Operating status of household firms
in percent of firms

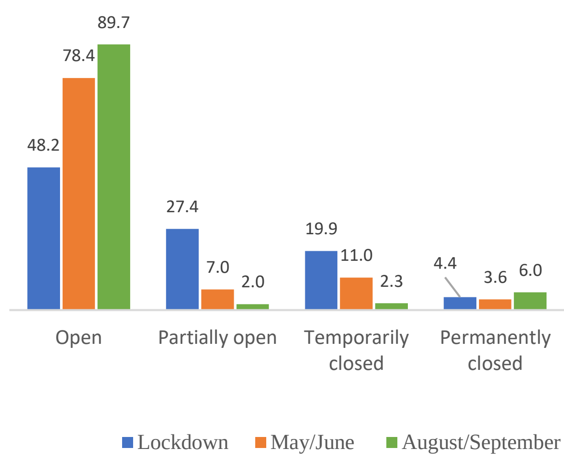
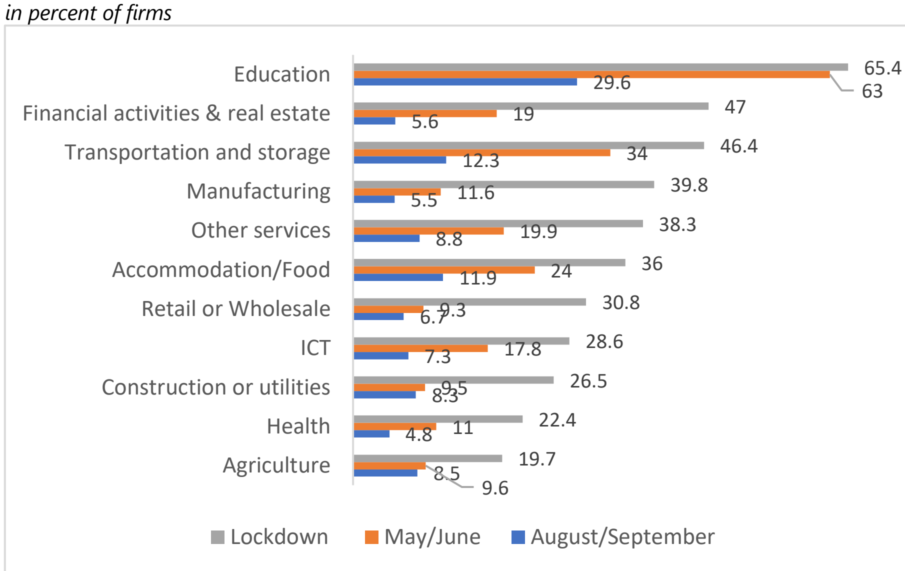


Figure 3: Closures by sector (temporary or permanent closures)
in percent of firms



DEMAND SHOCKS

Sales improved modestly compared to May/June. In the first round, of the businesses that were open, 91 percent of business establishments and 96 percent of household firms reported that sales decreased compared to the same month last year. In the second-round survey, 80 of business establishments and 73 percent of household firms reported that sales were below the value of the same month last year.

During the first round, the average decrease in sales was 61 percent, corresponding to an estimated 115.2 million Ghana Cedis. In August/September, the average decrease was 51.5 percent, corresponding to an estimated 85.5 million Ghana Cedis. This is an improvement compared to May/June.

Exporting firms saw a slight improvement in the amount they exported, but not in overall sales (indicating a decline in their domestic sales). In August/September, 23 percent of exporting firms experienced a decline in exports, against 68 percent in May/June. In terms of sales, in August/September, 66.3 percent saw a decline compared to the same period last year, as compared to 96.1 percent of firms in May/June (Table 1).

Figure 4: Increase in sales
in percent of firms

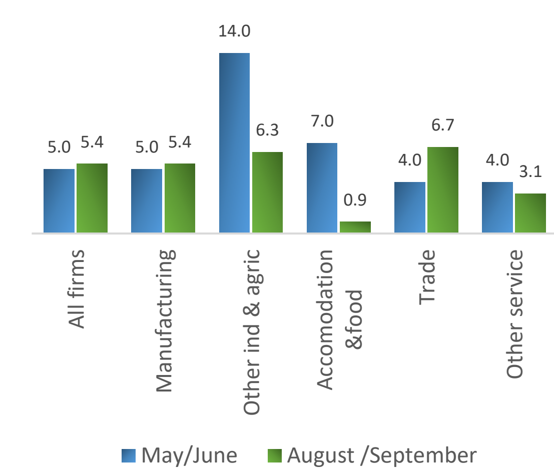
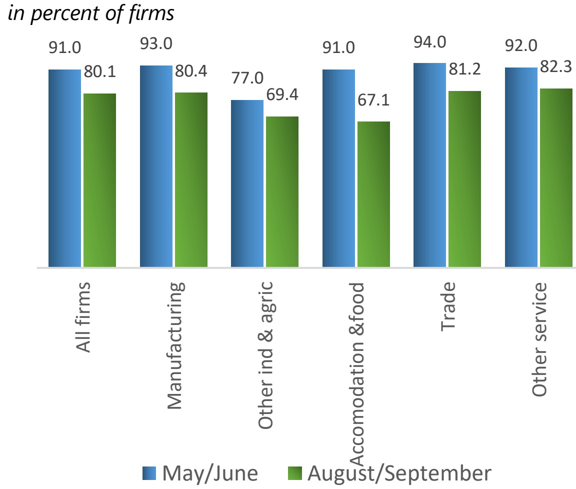


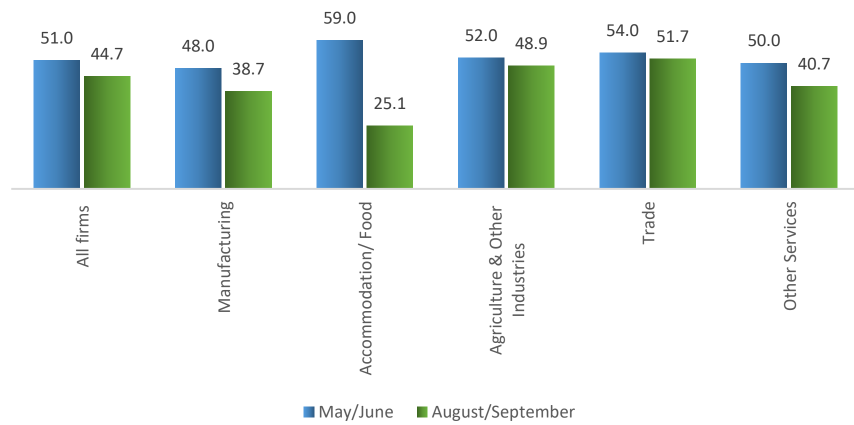
Figure 5: Decrease in sales
in percent of firms



SUPPLY SHOCKS

About 45 percent of business establishments report difficulties in sourcing inputs in August/September representing a decline of 6 percent to that of May/June (51 percent). The most affected sectors were the trade sector (52 percent) and the other industry and agriculture sectors (49 percent). Of the firms reporting difficulties in sourcing inputs, 67 percent of firms report that this was due to products not being available in August/September compared to 85 percent in May/June. For household firms and young small and medium enterprises (SMEs) the share of firms reporting difficulties in sourcing supplies increased (see Table 1).

Figure 6: Difficulty in finding inputs for business establishments
in percent of business establishments



The number of firms that report that costs have increased declined from 53 percent in May/June to 42 percent in August/September. The difficulties in finding supplies by firms relying on import decreased by 12 percentage points in August/September (64 percent) compared to 75 percent recorded in May/June. Also, the reduction in imports reported by importing firms improved from 85 percent in May/June to 33 percent in August/September.

FINANCIAL SHOCKS

Faced with declining sales while still having to meet other obligations (such as the wage bill and debt servicing), 76 percent of business establishments reported a deterioration in their cash flow during the first round. In the second round, this was 70 percent – still high and indicative of continuing weakness. Household firms reporting cash flow problems increased from 68 to 71 percent. Firms across all sectors report significant issues with cash flow, with other services (77 percent), and agriculture and other industries (74 percent) being the most affected. About 73 percent of exporting firms report cash flow problems compared to 96 percent of exporting firms in the first-round survey (Table 1).

Businesses and household firms are having divergent experiences in accessing finance. The share of business establishments reporting difficulties accessing finance has decreased, but the share of household establishments reporting difficulties with cash flow increased. 14 percent of business enterprises and 22 percent of household firms reporting decreased access to finance in August/September compared to 25 percent and 29 percent respectively in wave 1.

Figure 7: Firms reporting decreased access to finance
in percent of firms

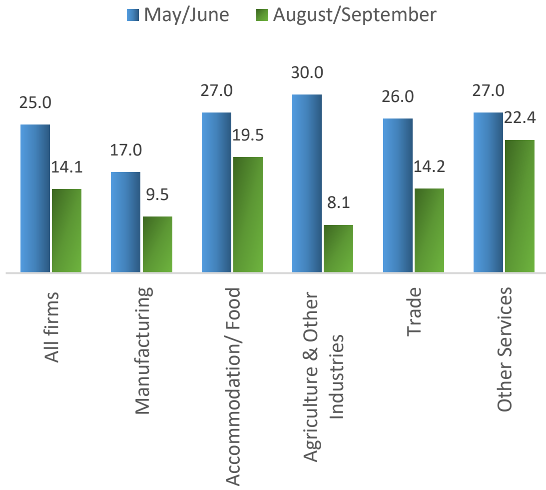


Figure 8: Firms reporting cashflow problems
in percent of firms

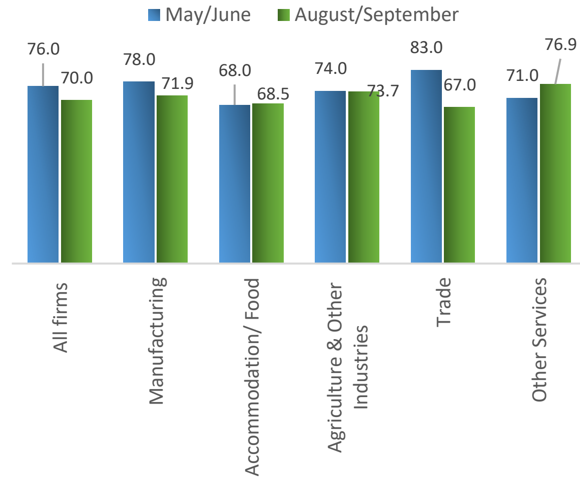


Table 1: Channels through which firms are affected
in percent of firms

	Facing decrease in sales		Average decrease in sales		Facing difficulties in finding inputs		Reporting cash flow problems		Facing decreased access to finance	
	Wave 1	Wave2	Wave 1	Wave2	Wave 1	Wave2	Wave 1	Wave2	Wave 1	Wave2
Business establishments*	91.4	80.1	60.6	51.5	51.4	44.7	75.6	70.0	25.4	14.4
Household firms	95.7	73.1	66.2	51.9	51.2	66.3	68.1	70.5	29.3	21.8
Young SMEs**	89.9	78.3	67.1	56.7	48.4	62.6	72.1	79.5	24.7	22.9
Sector										
Manufacturing	92.7	80.4	65.3	55.0	47.6	39.0	78.2	71.9	17.2	9.7
Agric & Other Industries	77.2	69.5	43.8	54.3	52.2	48.9	73.9	74.2	29.6	8.5
Trade	93.7	81.2	56.6	48.4	53.7	51.7	82.7	67.0	26.2	14.2
Accommodation / Food	91.0	67.1	56.7	55.5	58.9	25.1	67.8	68.5	26.9	19.5
Other Services	91.9	82.3	65.3	54.3	49.7	40.7	71.4	76.9	27.1	22.3
Size										
Micro (1-5)	92.2	80.6	60.9	51.4	51.1	43.9	75.2	70.2	24.7	14.4
Small (6-30)	89.7	79.4	60.8	52.1	52.3	46.6	77.8	69.0	26.6	12.8
Medium (31-100)	89.9	76.3	62.1	50.6	53.7	49.7	69.6	79.0	34.6	33.8
Large (100+)	45.1	52.5	16.0	12.7	42.7	53.9	47	53.9	21.9	2.1
Age of Firms										
Young (0-4)	86.5	75.2	52.0	57.3	58.0	38.4	73.5	73.2	27.1	24.3
Maturing (5-14)	91.2	77.7	60.9	50.5	51.9	46.7	75	69.4	23.9	12.9
Established (15+)	92.8	84.6	62.1	51.7	49.2	43.5	76.9	70.3	27	14.7
Other groups										
Informal firms	90.0	77.4	59.2	51.2	51.5	45.6	78.3	70.8	23.9	11.5
Exporters	96.1	66.3	68.5	64.5	46.5	52.7	95.9	73.3	11.9	6.6

* Based on the 2013 IBES sample. ** Based on SMEs from NBSSI client lists founded after 2013.

Responses by firms

The decline in sales have continued implications for employment and the operating model of firms. The COVID-19 shocks forced many firms to reduce costs by reducing staff hours, cutting wages, and in some cases laying off workers. This pattern continued during the second round, even though some improvements can be seen. Furthermore, more firms are using mobile money for sales, while the use of other digital solutions reduced.

IMPACT ON JOBS

About 28 percent of business establishments report to have reduced wages for 10 percent of the total workforce in August/September which translates to wage reduction for estimated 297,088 workers. This compares to 770,124 workers (46 percent) in May/June who had their wage reduced. Also, 20 percent of business establishments reduced the hours worked for 8 percent of the total workforce translating into estimated number of 230,361 workers in August/September, an improvement over the May/June figure of 297,088 workers (Table 2).

The number of business establishments that laid off workers decreased by 3 percentage points over the May/June rate of 4 percent, reporting 1 percent in August/September. This corresponds to 0.4 percent of the workforce with an estimated 11,986 employees compared to 41,952 workers in May/June. The other industry and agriculture sectors saw the highest levels of layoffs (Table 2). Household firms were less likely to lay off workers (1 percent of firms), even though 40 percent of firms reduced wages and 14 percent of firms reduced the number of hours.

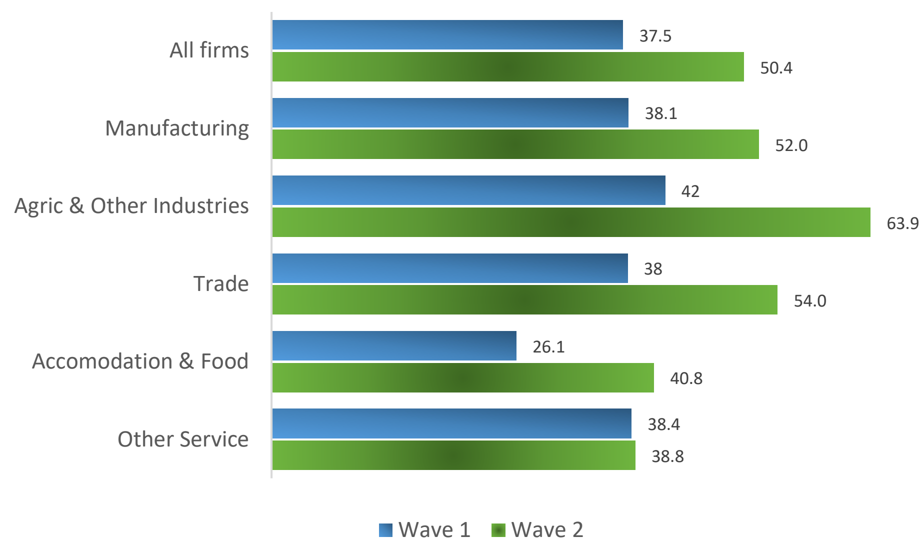
Table 2. Employment responses

	Laid off workers				**Granted leave of absence**				**Reduced hours worked**				**Reduced wages**			
	Percent Firms		Percent workers		Percent Firms		Percent workers		Percent Firms		Percent workers		Percent Firms		Percent workers	
	Wave 1	**Wave 2**	**Wave 1**	**Wave 2**	**Wave 1**	**Wave 2**	**Wave 1**	**Wave 2**	**Wave 1**	**Wave 2**	**Wave 1**	**Wave 2**	**Wave 1**	**Wave 2**	**Wave 1**	**Wave 2**
Business establishments	4.0	0.9	1.4	0.4	19.1	3.8	15.9	2.0	35.9	19.6	23.2	7.7	46.1	27.5	25.7	9.8
Household firms	3.3	0.7	1.6	0.5	17.4	0.6	8.5	0.3	27.1	13.9	11.6	4.0	40.0	21.4	22.8	9.5
Young SMEs**	0.0	2.4	0	0.4	30.5	11.8	26.9	1.9	28.8	14.4	23	8.6	35.6	24.1	23.0	14.0
Sector																
Manufacturing	4.3	1.9	1.0	0.4	23.0	5.8	10	1.8	37.4	23.1	20.7	6.9	54.5	28.3	14.8	7.5
Agric & Other Industries	5.7	1.3	1.0	1.1	29.5	10.5	12.2	3.5	30.6	18.2	9.3	9.7	39.7	28.4	11.7	17.5
Trade	2.3	2.5	1.2	0.5	13.1	2.8	15.2	1.6	30.2	23.6	26.7	8.7	40.5	39.4	28.0	12.0
Accommodation / Food	6.7	0.5	5.0	0.3	22.6	4.1	19.5	5.1	23.1	21.7	23.2	7.8	33.8	32.1	30.5	15.0
Other Services	4.4	0.5	1.3	0.2	19.2	2.7	20.6	1.5	42.5	17	29.2	7.6	50.1	25.0	36.3	8.4
Size																
Micro (1-5)	2.3	0.6	1.4	0.6	13.3	2.5	10.9	2.0	34.6	19.9	27.7	11.1	46.3	27.4	35.0	17.1
Small (6-30)	8.9	1.7	2.4	0.6	31.5	7.6	17.7	3.1	37.7	17.5	23.8	11.7	44.8	27.3	25.5	14.6
Medium (31-100)	2.8	1.9	0.5	0.4	44.9	3.9	30.5	2.9	50.6	28.0	31	10.6	58.1	32.8	42.5	12.3
Large (100+)	3.6	2.0	0.4	0.2	26.8	0.9	4.8	0.4	29.3	25.6	11	0.8	11.5	12.9	2.5	0.9
Age of firms																
Young (0-4)	10.2	1.1	2.9	0.6	23.1	4.4	44.1	3.0	37.3	16.4	42.4	6.7	48.6	28.3	45.4	9.3
Maturing (5-14)	3.8	0.6	1.7	0.4	17.1	3	14.5	3.3	36.3	19.5	19	7.7	44.8	25.4	23.2	12.1
Established (15+)	2.8	1.4	0.9	0.4	20.8	4.8	13.8	1.2	35.0	20.3	24.3	7.8	47.1	30.5	25.4	8.6
Other groups																
Informal	2.9	1.1	1.7	0.7	16.8	2.4	20.1	1.0	38.0	20.8	27.7	8.5	45.5	27.2	30.3	12.2
Exporter	2.8	5.9	0.3	0.4	14.1	3.4	3.7	1.2	17.9	36.5	3.8	1.5	66.4	14.8	5.4	2.2

USE OF DIGITAL SOLUTIONS

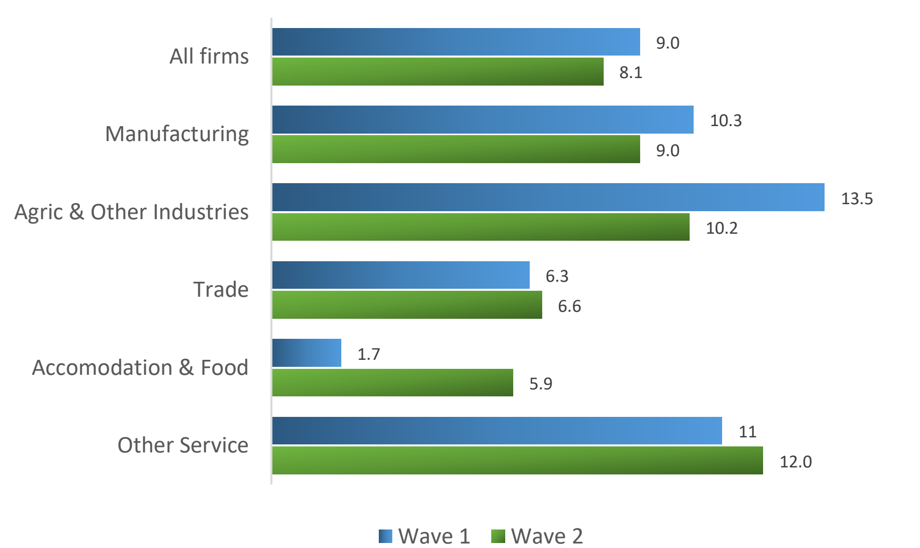
The use of mobile money by businesses has increased. About 50 percent of firms report using mobile money in the second-round survey, compared to 38 percent in the first round. Firms within agriculture and other industries sector are among the highest users of mobile money for sales (64 percent), followed by trade (54 percent) and manufacturing (52 percent). In most sectors, the use of mobile money increased substantially, except for other services (which only increased from 38 percent to 39 percent).

Figure 9: Mobile money usage for sales
In percent of firms



The share of business establishments that have adopted or increased the use of internet for sales fell marginally from 9 percent to 8 percent. There was a 3-percentage point reduction in the use of internet by firms within agriculture and other industries between May/June and August/September. Firms in the accommodation and food sector increased their use of internet for sales, from 2 percent to 6 percent, even though the use of internet remains low compared to other sectors.

Figure 10: Internet usage for sales
in percent of firms



Outlook

Even though lockdown measures have been relaxed, firms continue to report uncertainty. The survey asked firms for their expectations of what they considered most likely, and what a more pessimistic and optimistic scenario could look like. The results show a continued high degree of uncertainty in the expectations of firms, with some move towards a more positive outlook. Uncertainty is an important additional channel affecting firms during the pandemic and as the economy re-opens, this could result in a lower desire for risk and investments.

EXPECTATIONS

Depending upon their outlook, firm's perceptions of sales and employment changes between negative and positive. In the most pessimistic scenario, firms anticipated a decline in demand of 24 percent in May/June but instead realized a significant improvement in August/September (2 percent). There was 8 percent anticipated decline in employment of over the next 6 months, compared to the same time period last year in the second-round survey while in the first-round survey, this anticipated decline stood at 14 percent.

Firms outlook on sales and employment improved under the most likely scenario, between the two rounds. While firms held the view in May/June that sales and employment would fall (by -1 percent and -6 percent, respectively over a six month period), compared to the same time period last year, expectations for the most likely scenario improved in August/September to 14 percent and 2 percent respectively.

The most optimistic scenario expected by firms did not change much in terms of sales but improved in terms of employment. Expectations about sales marginally dropped from 25 percent in May/June to 23 percent in August/September. Expectations about employment saw a rise from 4 percent to 9 percent between May/June and August/September (Figures 11 and 12).

Figure 11: Expectations about sales in the three scenarios
in percent expected change in sales compared to same period last year

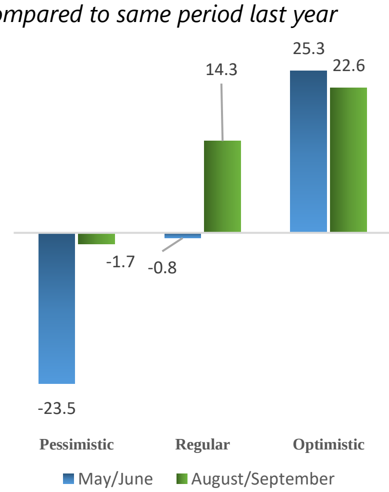
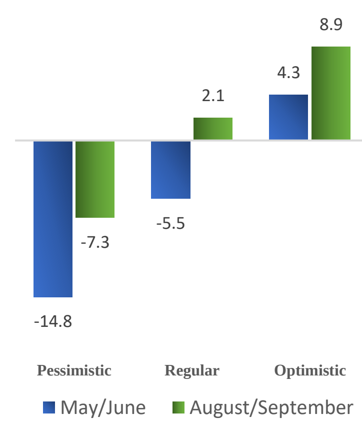


Figure 12: Expectations about employment in the three scenarios
in percent expected change in employme compared to same period last year



Policies

The results of the survey suggest that policies are needed to support firms both in the short- and medium-terms. The continued decrease in demand as well as difficulties in financing cash shortfalls put many firms in a difficult position. Firms continue to report that measures at improving liquidity (subsidized interest rates, cash transfers and deferral of payments) are the most desired policies. The share of firms having received support almost tripled in the second round compared to the first round, with currently 9 percent of firms (up from 3 percent during the first-round survey) reporting that they have received government support.[1] Many firms continue to indicate that they were not aware of support programs, suggesting the need for increased awareness and clarity on the guidelines and requirements of current programs.

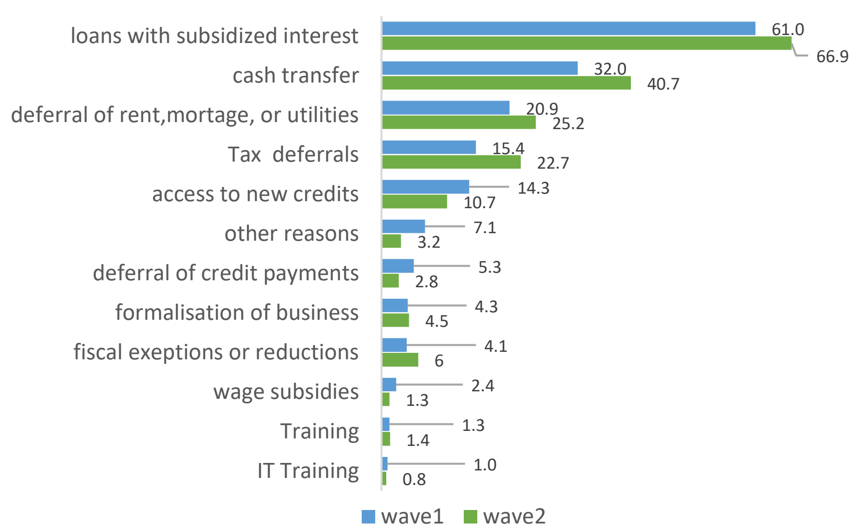
In the medium and longer term, efforts should be concentrated on (1) re-establishing channels that were adversely affected during the pandemic and (2) helping firms adjust to the "new normal" by improving firm capabilities to boost productivity. The results of the survey indicate that firms are affected by multiple channels at the same time. Re-establishing supply channels, access to finance and access to foreign markets to boost demand will be crucial for firms to regain productivity.

Policies can support the private sector in the recovery stage in several ways. Three avenues include providing credit guarantee schemes for those accessing finance, assisting with input procurement, and facilitating trade. In addition, policies can help firms adjusting to the "new" normal by providing support to increase productivity through business development services, worker and manager training and grant schemes to facilitate technological upgrading, including using digital technologies. Helping businesses adopt best practices can be expected to increase their productivity and resilience to future challenges.

DESIRED POLICIES

The top three policies that firms desire in the second-round survey include loans with subsidized interest rates (67 percent), cash transfer (41 percent), and deferral of rent payment (25 percent). In the first-round survey, these were also the most desired policies at respectively 61 percent, 32 percent and 15 percent. Firms that desire access to new credit decreased from 14 percent to 11 percent while those desiring wage subsidies also decreased from 2 percent to 1 percent between the two surveys (Figures 13).

Figure 13: Desired policies
in percent of firms

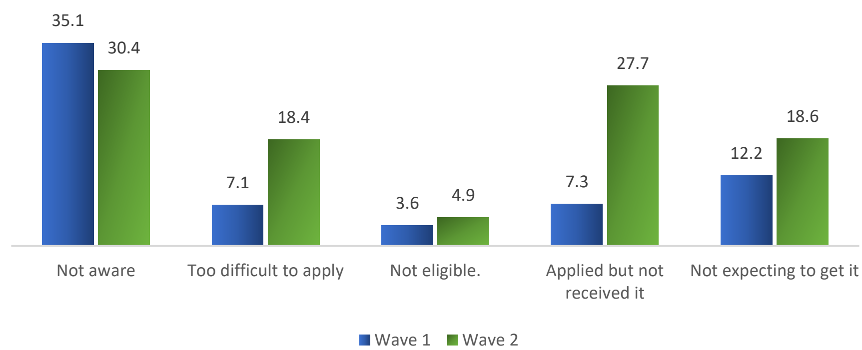


[1] The first-round survey was conducted during the initial stages of the launch of the government's Coronavirus Alleviation Programme (CAP), meaning that many eligible firms at the time of the interview had not been able to apply yet. During the second-round survey, conducted in August/September, applications had opened, and disbursements had started.

SUPPORT RECEIVED

The share of firms reporting that they received support trippled, from 3 percent in the first wave to 9 percent in the second wave. Awareness improved but remains the key reason why firms did not obtain support. During the first-round survey, a lack of awareness (35 percent) is the predominant reason that firms indicate why they do not get support from government. In the second-round survey, this percentage was 30 percent. About a quarter of firms (28 percent) that have not received support indicate that they have applied but did not receive the funding yet. 19 percent of firms without support indicate that they did not apply because they thought they would not get it. Firms that indicated it was too difficult to apply, increased from 7 percent to 18 percent between the two waves (Figures 14 and 15).

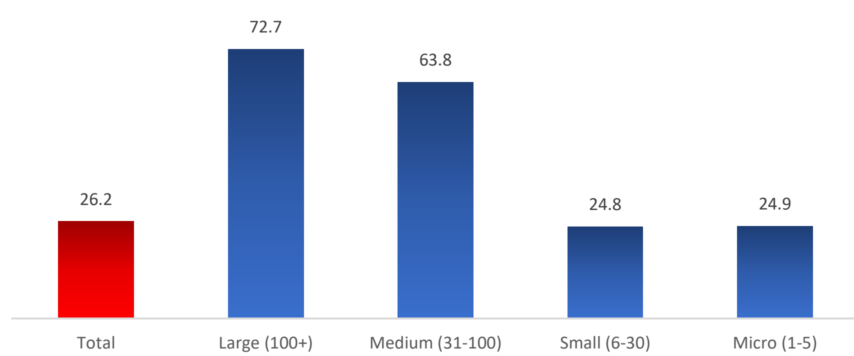
Figure 14: Reasons given for not getting support
percent firms reporting not having received support



AFRICAN CONTINENTAL FREE TRADE AREA (AfCFTA)

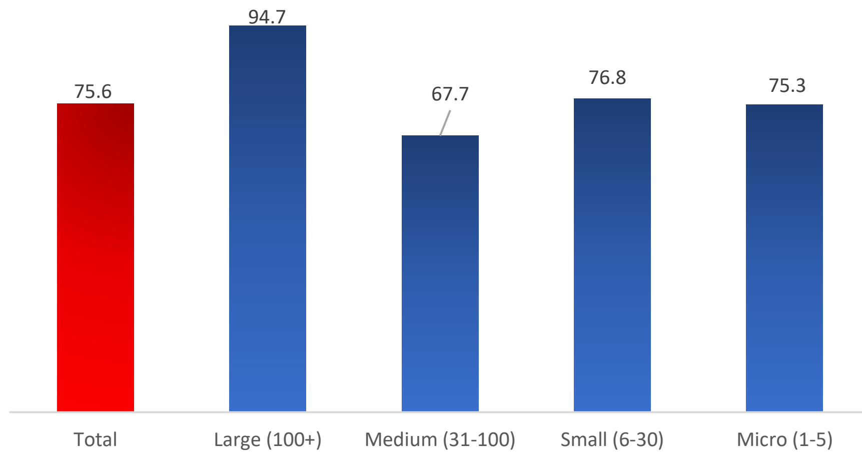
Wave 2 of the Business Tracker asked additional questions on the African Continental Free Trade Area (AfCFTA), which is expected to start on 1 January 2021. Firms were asked whether they are aware of the agreement on the African Continental Free Trade Area (AfCFTA). Only 26.2 percent are aware nationwide, with 24.9 percent and 24.8 percent among micro and small firms respectively. The awareness is more for medium and large firms at 63.8 percent and 72.7 percent respectively (Figures 15 and 16).

Figure 15: Firm's awareness of the African Intercontinental Free Trade Area (AfCFTA)
in percent of all firms



Even though awareness was low, about 76 percent of firms believe the implementation of AfCFTA will bring transformation to their business especially for the large firms (94.7 percent).

Figure 16: Firms believe AfCFTA will transform their business
in percent of firms



When asked what support would be the most useful in making their firms to sell goods/services across the continent, there were big differences for small and large firms. Small firms point to reduced cost of credit, increased information on business opportunities, and removing policy and regulatory bottlenecks. Large firms on the other hand point to removing policy and regulatory bottlenecks, digitization and business advisory services. The medium-size firms point to increased information on business opportunities, reduced cost of credit and removal of policy and regulatory bottlenecks.

Box 1: Methodology of the Business Tracker Survey

These results presented in this note are from the COVID-19 Business Tracker Survey, conducted by the Ghana Statistical Service, with support from the UNDP and the World Bank. The Business Tracker Survey is part of the global Business Pulse Survey (BPS) initiative of the World Bank, surveying the impact of COVID-19 on the private sector in more than 50 countries.

For the Ghana survey, 4311 firms were interviewed during the first round, of which 3658 were re-interviewed during the second round. The primary sources for the sample are the Integrated Business Establishment Survey (IBES) conducted in 2013 and the GLSS conducted in 2017. To cover firms founded after 2013, an additional group of young Micro, Small, and Medium Establishments (MSMEs) were sampled from client lists of the National Board for Small Scale Industries (NBSSI). Firms were stratified by firm size, sector and region to ensure representativeness in these categories. The survey includes both formal (registered) and informal (unregistered) firms.

This note was prepared by GSS with support from the United Nations Development Program (UNDP) and the World Bank.