



## How COVID-19 is affecting firms in Ghana

### Results from the Business Tracker Survey

### IMPACT OF COVID-19 PANDEMIC ON GHANAIAN FIRMS

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 Ghana Business Tracker 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 survey interviewed 4311 firms and was conducted between May 26 and June 17, 2020.



### KEY FINDINGS

#### Firm closings:



**35.7%** closed during the partial lockdown

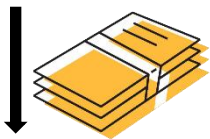


**16.1%** still closed after the easing of the lockdown



**24%** of accommodation and food sector (had to close)

#### Employment:



**46.1** percent of business establishments reported that they reduced wages for **25.7%** of the workforce



An estimated 770,124 workers



**4.0%** of firms indicate that they have laid off workers, corresponding to **1.4%** percent of the workforce



An estimated 41,952 workers

## Digital solutions:



More than a third of firms **37.5%** started or increased their use of mobile money



About a tenth of firms **9.0%** started or increased their use of internet to do business.

## Government intervention:



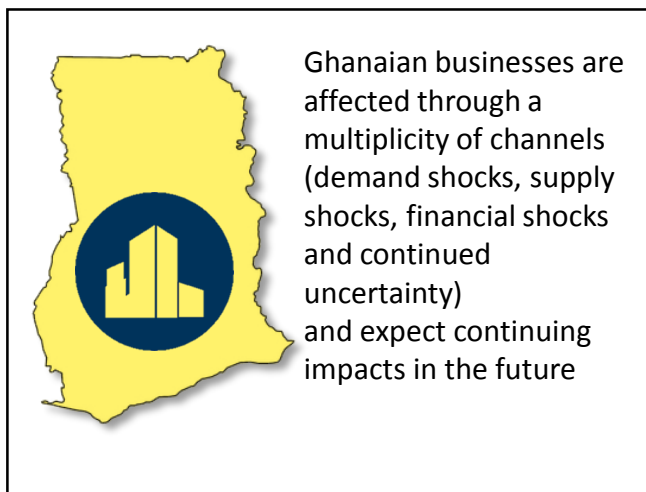
Only **3.5%** of firms received government assistance, with “not being aware” of government programs indicated as the most common reason

## Business confidence:

Firms report substantial uncertainty in future sales and employment, with average expectations of declines of **24%** of sales and **15%** of employment in the worst-case scenario.



## Findings:

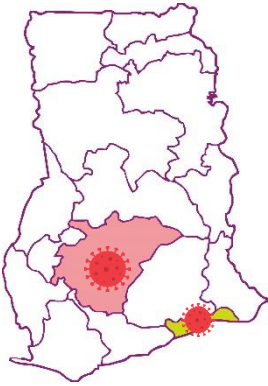


In the short-run, policies that support firms in managing financial shocks can be expected to be beneficial, including increasing awareness of current schemes. In the longer term, policies that increase customer and business confidence, help re-establish broken supply channels and assist firms adjusting to the new reality (e.g., by leveraging digital technologies) can be expected to help businesses recover from the shock.

## About this survey

To better understand the impacts of COVID-19 on the private sector, the Ghana Statistical Service (GSS), in collaboration with UNDP and the World Bank, interviewed 4311 business establishments and household firms. These firms were sampled from the 2013 Integrated Business Establishment Survey (IBES) and the 2017 Ghana Living Standard Survey (GLSS), supplemented with listings of SMEs provided by the National Board for Small Scale Industries (NBSSI) to ensure inclusion of recently founded firms. The sample is nationally representative (see also Box 1 for a description of the methodology).

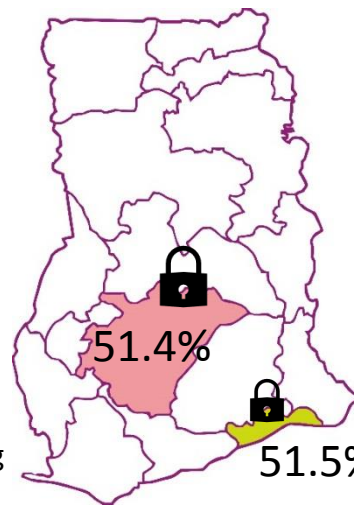
## Impact on firms



Following the global spread of COVID-19 and the arrival of the first cases in Ghana, a partial lockdown was introduced restricting economic activities in Greater Accra and Greater Kumasi. The partial lockdown forced many businesses to close, while even those firms not affected by the lockdown measures found themselves with fewer customers and orders. Firms also had increased difficulties in sourcing inputs and found it difficult to cover revenue shortfalls.

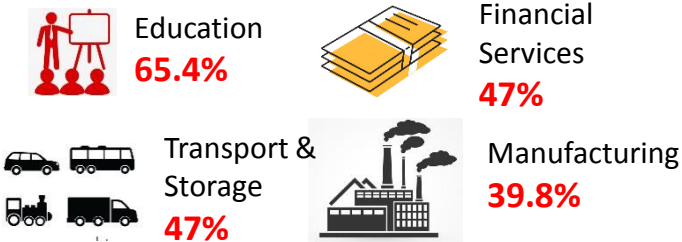
### LOCKDOWN EFFECTS

During Ghana's partial lockdown, 35.7% of business establishments and 24.3% of household firms reported being closed (Figure 1).



Firms in the partial lockdown areas report the highest levels of closures during that period

The sectors with the highest levels of closures during the partial lockdown



### LOCKDOWN EFFECTS

Even after the lifting of the lockdown measures, **16.2%** of business establishments and **14.6%** of household firms were still closed at the time of the survey.



### DEMAND SHOCKS

#### OPEN BUSINESSES

**91.4%** of business establishments and **95.7%** of household firms reported that sales in April decreased compared to the same month last year.



Firms in the trade **93.7%** and manufacturing **92.7%** were largely affected. The average decrease in sales was 60.6%. This corresponds to an estimated 115.2 million Ghana Cedis.

Exporting firms have been similarly hit.



**67.7%** of exporting firms experienced a decline in exports



**96.1%** of them report a decline in overall sales.

**51.4%** report difficulties in sourcing inputs.

**Most affected sectors:**



Accommodation and food



**58.9%**



Wholesale and retail trade sectors **53.7%**

### Firms Reporting Difficulties

Unavailability of Products

**84.6%**



### Firms relying on imports

Difficulties finding supplies



**75.1 %**

Increase in costs

**42.3%**



Decrease in imports



**85.4%**

### Firms facing declining sales

Deterioration of cash flow

**75.6 %**

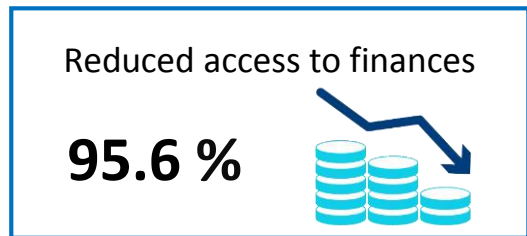
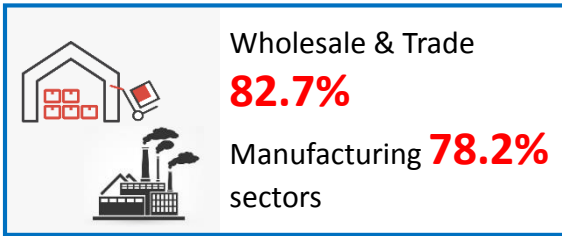


Reduced access to finances

**25.4 %**



## Firms with Cash flow problems



### Tightening terms of loans by financial institutions

Firms with a loan or credit line **16.5%**

Financial institutions with tightened terms of the loans **16.0%**.

## Responses by firms

The decline in sales have 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. Furthermore, some businesses have started to adjust their business models by relying more on digital solutions, such as mobile money and the internet for sales.

**46.1%** of business establishments with reduced wages for **25.7%** of the total workforce, translating into wage reduction for estimated 770,124 workers.



### Lay offs

**4%** laid off workers corresponding to 1.4 percent of the workforce (an estimated 41,952 employees).



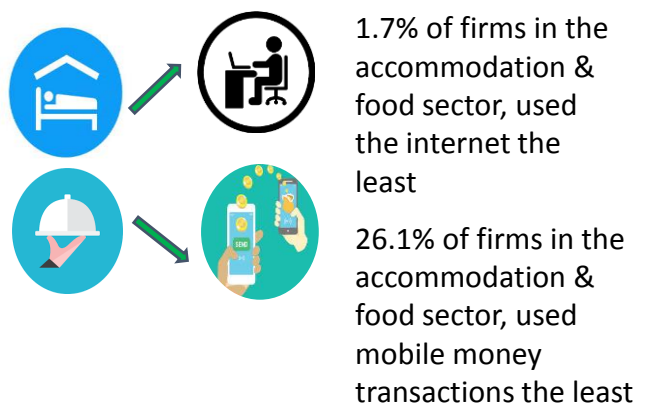
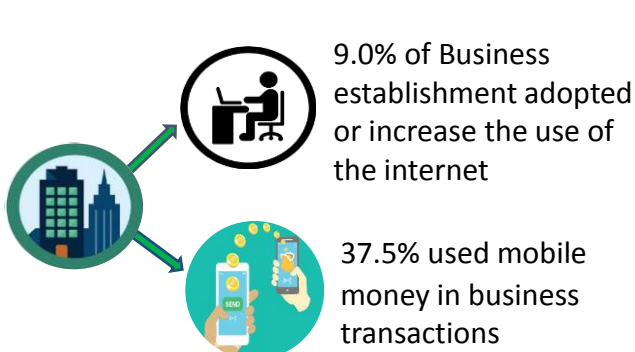
**35.9%** of business establishments with reduced working hours worked for 23.2% of the total workforce (an estimated 695,209 workers).

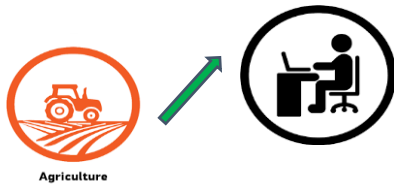


Accommodation and food sectors With highest levels of layoffs.

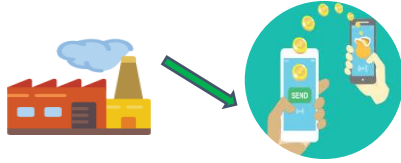


## Use Of Digital Solution





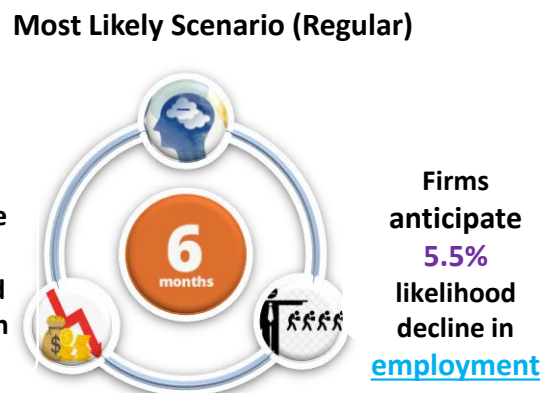
13.5% of firms in agriculture and industry used relatively more of the internet



42.0% of firms in agriculture and industry used relatively more mobile money in business transactions

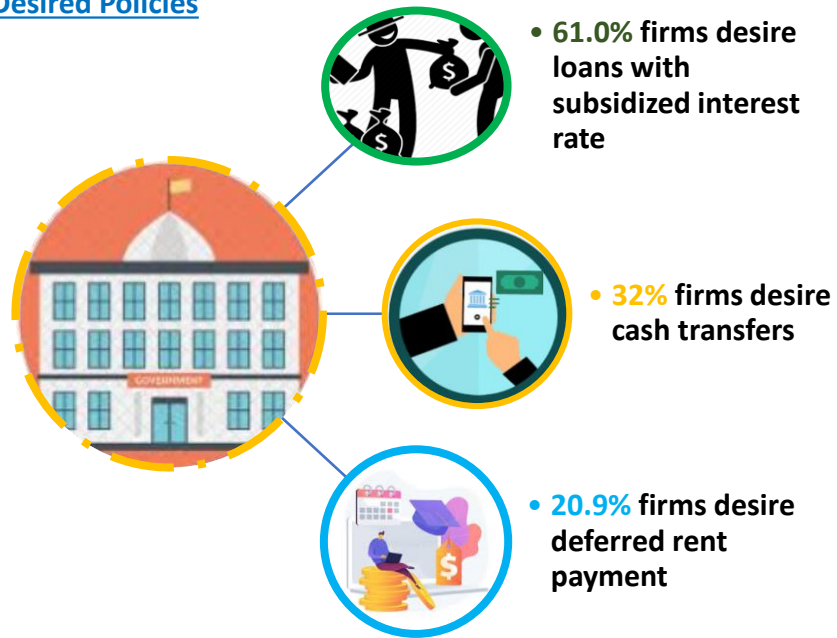
## Outlook

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 also what a more pessimistic and optimistic scenario could look like. The results show a high degree of uncertainty in the expectations of firms. 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.



# Policies

## Desired Policies



## Supports Received

