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

An estimated 770,124 workers
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:

Ghanaian businesses are affected through a multiplicity of channels (demand shocks, supply shocks, financial shocks and continued uncertainty) and expect continuing impacts in the future.

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

The sectors with the highest levels of closures during the partial lockdown:
- Education: 65.4%
- Financial Services: 47%
- Transport & Storage: 47%
- Manufacturing: 39.8%

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.

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%
- Increase in costs: 42.3%

Firms relying on imports

- Difficulties finding supplies: 75.1%
- 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

Wholesale & Trade
82.7%
Manufacturing
78.2%

Reduced access to finances
95.6%

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).

Use Of Digital Solution

9.0% of Business establishment adopted or increase the use of the internet

37.5% used mobile money in business transactions

1.7% of firms in the accommodation & food sector, used the internet the least

26.1% of firms in the accommodation & food sector, used mobile money transactions the least
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.

Pessimistic Scenario

Firms anticipate 23.5% likelihood decline in sales
Firms 15% likelihood decline in employment

Most Likely Scenario (Regular)

Firms anticipate 5.5% likelihood decline in sales
Firms 15% likelihood decline in employment
Policies

**Desired Policies**

- 61.0% firms desire loans with subsidized interest rate
- 32% firms desire cash transfers
- 20.9% firms desire deferred rent payment

**Supports Received**

- Only 3.5% received Government support
- 35.1% firms lack awareness of Government’s support
- 12.2% firms did not apply because they thought they would not be assisted