



Ghana Statistical Service
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News brief

How COVID-19 is affecting firms in Ghana

Business Tracker Survey 2020



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- The shocks caused by the COVID-19 pandemic is impacting Ghanaian firms in many potential ways. Collaborating with the United Nations Development Program (UNDP) and World Bank, the Ghana Business Tracker aims at providing critical information to help policy makers monitor the effects of the pandemic on businesses.
- Key findings are:
 - **Firm closings:** 36% of firms had to close during the partial lockdown, with 16 percent continuing to be closed. Firms in the manufacturing sector were most affected followed by trade, and other services, and accommodation and food sectors. Of the firms that remained open, 88% of firms experienced reduction in sales.
 - **Employment:** 38% of firms report that they reduced workers' wages (corresponding to 28% of employment in the private sector). 3.5% of firms report having laid off workers, corresponding to 2.3% of employment.
 - **Digital solutions:** Fewer than 10% of firms adopted digital solutions in doing business

Impact on firms

Following the global spread of COVID-19, Ghana introduced a partial lockdown restricting economic activities in Accra, Kumasi, and Tema. The partial lockdown forced many businesses to close, while those firms that kept operating found themselves with fewer customers and orders, had increased difficulties to source inputs and found it difficult to cover financial shortfalls.

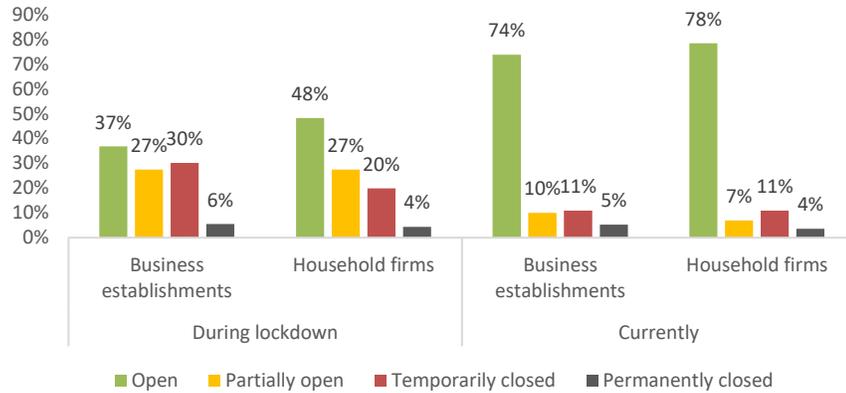


LOCKDOWN EFFECTS

During Ghana's partial lockdown, 35.7 percent of enterprises reported to be closed and 64.3 percent of enterprises were only partially open. Larger, informal and younger firms, as well as firms located in the household, were more likely to be open.

Since the lifting of the lockdown, businesses have started to re-open. Currently 73.8 percent of businesses are fully open. Nevertheless, 16.2 percent of firms continue to be closed.

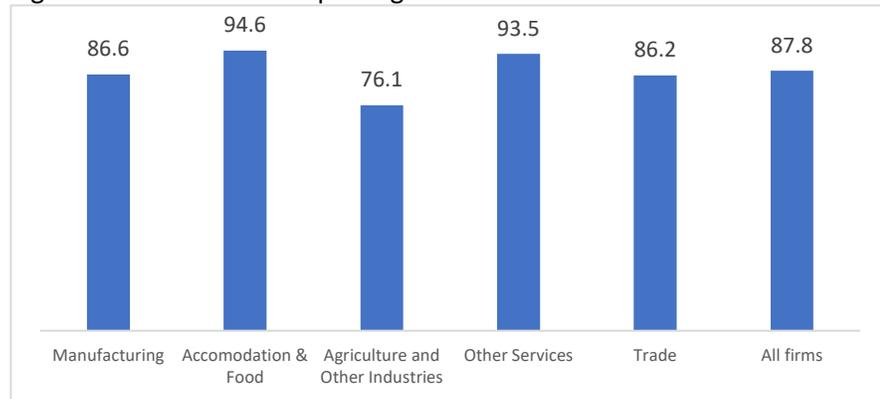
Figure 1: Operating status of firms



SALES EFFECTS

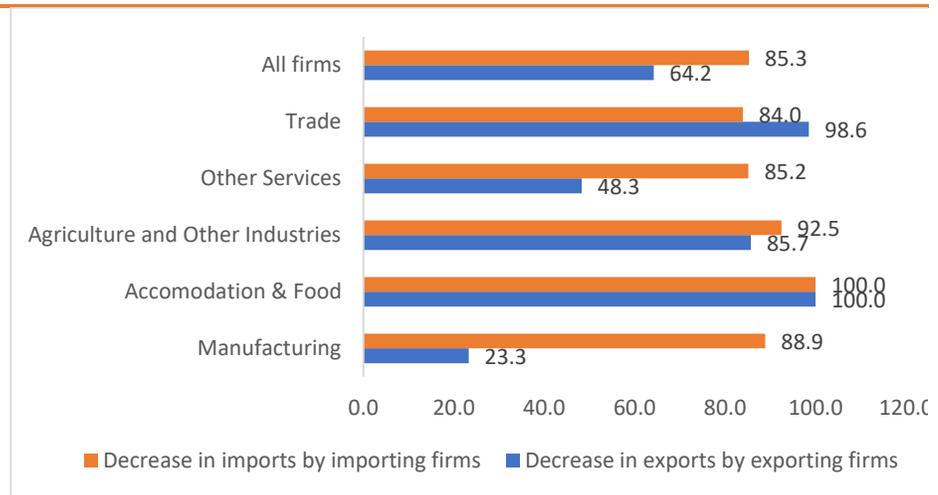
Of the businesses that are open, 87.8 percent of firms report that sales have decreased since partial lockdown. This accounts for an estimated Ghc 79,841,056. Firms in the accommodation and food sector (94.6%) and other services (93.5%) are largely affected.

Figure 2: Share of firms reporting decreases in sales



Exporting firms have been similarly hit. 64.2 percent of exporting firms experienced a decline in exports, while 85.3 percent of importers experienced a decline in their imports.

Figure 3: Impact on exports and imports



SUPPLY SHOCKS

More than half of firms (51.4 percent) report difficulties in sourcing inputs. The most affected sectors are manufacturing (48.4%) and accommodation and food services (40.1%). Of the firms reporting difficulties, 84.6 percent reports that this is due to products not being available, while 42.3 percent of firms with problems sourcing inputs report that the costs have increased. This is worse for firms relying on imports of inputs.



FINANCIAL SHOCKS

As a result of declining sales while still having to meet other obligations, 75.6 percent of firms report a deterioration in their cash flow and 25.4 percent of firms report increased difficulty in accessing finance. Firms in the manufacturing sector (77.2 percent), in trade (75.1 percent), micro firms (75.2 percent) and small firms (77.7 percent) are the most likely to report that they face cash flow issues. Medium-sized firms (34.6 percent) are the most likely to report decreases in the availability of finance.

Table1: Impacts on firms

		Share open during lockdown	Share currently fully open	Share facing decrease in demand	Share facing difficulties finding inputs	Share reporting cash flow problems	Share facing decreased access to finance
	All firms	36.8	73.8	75.7	51.4	75.6	25.4
Sector	Manufacturing	36.4	80.6	79.8	48.8	77.2	19.2
	Accommodation & Food	26.2	57.7	57.5	40.1	59.1	18.9
	Agric & Other industries	42.5	82.1	55.5	35.8	57.6	13.1
	Other services	20.2	49.0	59.9	40.7	56.4	25.5
	Trade	42.1	79.2	72.6	53.3	75.1	26.6
Size	Micro	35.5	71.6	74.8	51.1	75.2	24.7
	Small	42.0	82.6	78.5	52.4	77.7	26.7
	Medium	35.1	66.5	79.6	53.7	69.6	34.6
	Large	46.6	93.3	52.6	42.7	47.0	21.9
Age	Young firms	42.2	64.8	72.8	57.8	73.3	27.1
	Maturing	34.8	73.1	74.9	52.0	75.0	23.9
	Established	38.5	77.0	77.3	49.1	76.8	27.0

Responses by firms

These falls 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 letting staff go. Furthermore, businesses have started to adjust their business models by relying more on digital solutions and working from home.



IMPACT ON JOBS

Most firms have responded to the crisis by reducing the employee's wages. 38.3 percent of firms report to have reduced wages and 31.8 percent of firms report to have reduced working hours. This corresponds to 28.0 percent of the workforce facing wage reductions (an estimated 877,575 of workers) and 24.4 percent facing reductions in working hours.

Firms have been less likely to lay off workers. 2.3 percent of workers (72,087) lost their jobs due to the pandemic. While job loss was mostly observed among workers in the agriculture and other industries, workers in the service sector (excluding trade) mostly had their wages or hours of work reduced. The most affected workers were those working in young and medium firms.

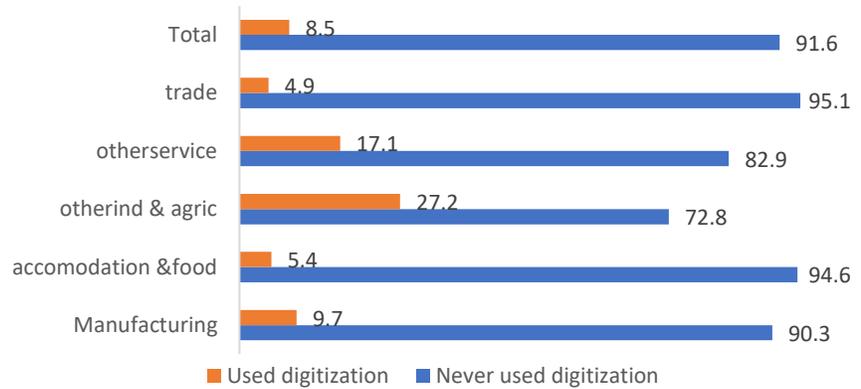
Table 2. Impacts on employment

		Firms laying off workers		Granted leave of absence		Reduced hours		Reduced wages	
		% firms	% workers	% firms	% workers	% firms	% workers	% firms	% workers
	All firms	3.5	2.3	10.0	6.3	31.8	24.4	38.3	28.0
Sector	Manufacturing	4.5	1.9	10.9	6.6	32.2	23.2	40.2	25.5
	Accommodation & Food	5.1	3.0	12.2	8.5	42.5	27.4	39.0	30.2
	Agric & Other industries	5.8	4.3	12.5	10.9	21.9	16.7	31.1	26.7
	Other services	4.3	3.0	18.0	7.0	47.6	29.2	53.9	32.9
	Trade	2.4	2.1	6.9	4.4	26.0	23.3	32.9	27.4
Size	Micro	2.3	1.4	7.6	6.1	34.6	27.7	46.3	27.7
	Small	8.8	2.4	22.1	11.2	37.5	23.7	44.7	23.7
	Medium	2.8	0.5	27.9	15.3	50.6	31.0	58.1	31.0
	Large	3.6	0.4	18.8	3.1	29.3	11.0	11.5	11.0
Age	Young firms	10.3	2.9	15.3	7.4	37.1	42.3	48.6	45.4
	Maturing	3.8	1.7	9.9	8.6	36.2	19.0	44.8	23.2
	Established	2.8	1.0	14.1	9.7	35.0	24.2	47.1	25.4



USE OF DIGITAL SOLUTIONS

8.5 percent of all firms either adopted or increased the use of digitization in doing business. Firms within other industries and agriculture sectors relatively used more of digital solutions (27.2%).



Support

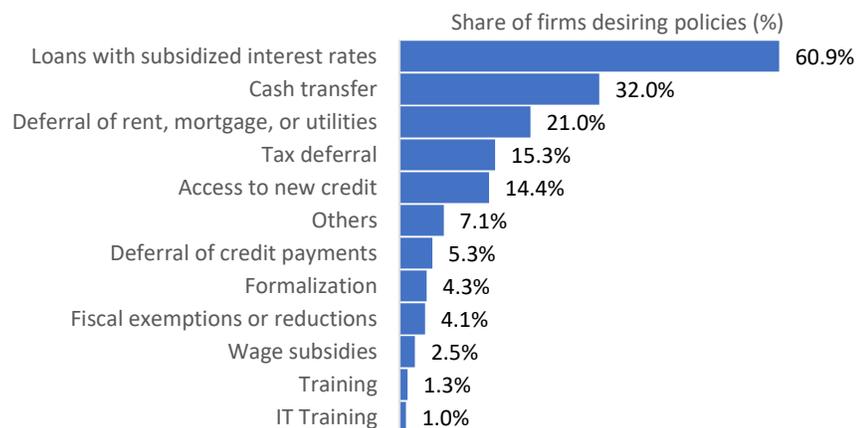
The decrease in demand as well as difficulties in financing cash shortfalls puts many firms in a difficult position. Firms report that policies helping them to bridge these liquidity need would benefit them. At the same time, much of the demand for governmental support has been not been met.



DESIRED POLICIES

The top three policies Ghanaian firms desire includes loans with subsidized interest rates (60.9%), cash transfer (32%) and deferral of rent payment (21%).

Figure 5: Desired policies (share of firms)

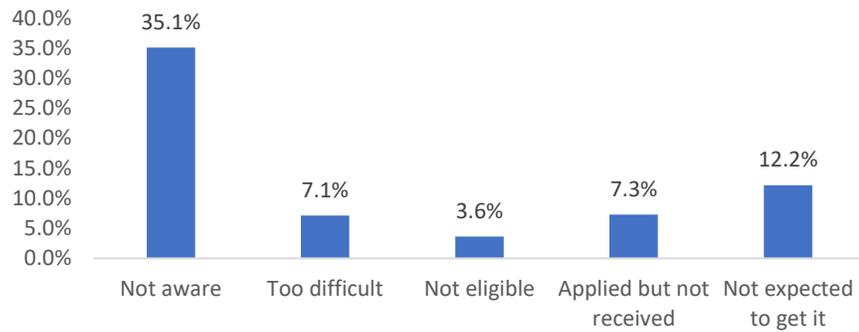


SUPPORT RECEIVED

3.2 percent of firms received some form of governmental support. Out of these 51.1 percent benefitted from deferral of rent while no firm reports having received support in terms of payment of wages.

The most common reason that firms give for not receiving support is that they were not aware (35.1 percent of firms not receiving support) and they did not expect to get it (12.2 percent). 7.3 percent indicates that they applied but did not receive support yet.

Figure 6: Reasons given for not getting support (as share of firms reporting not having received support)



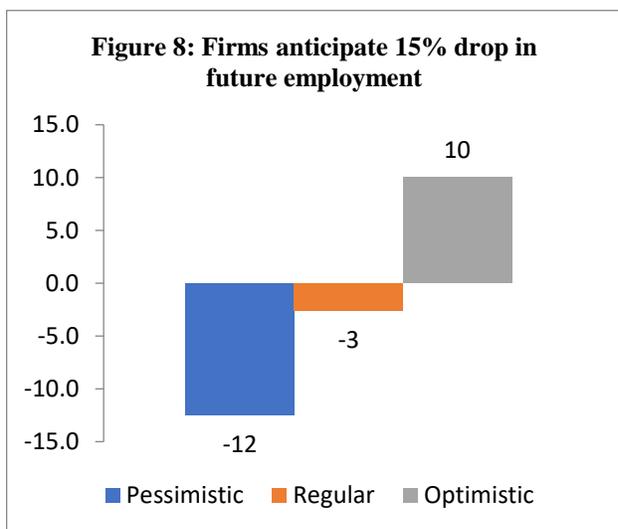
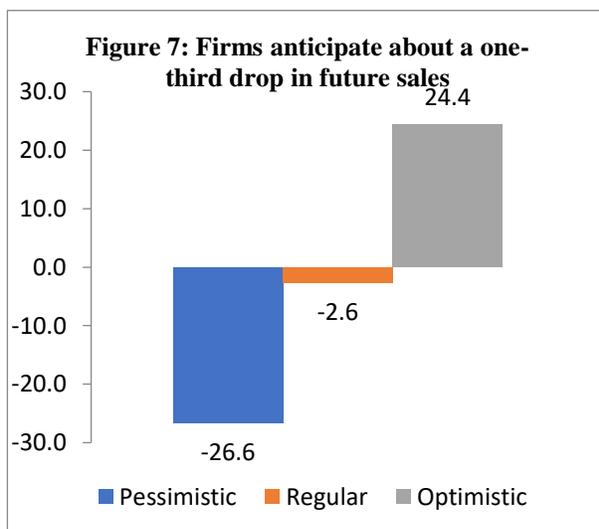
Outlook

Even though lockdown measures have been relaxed, firms continue to report continued uncertainty. The survey asked firms for their expectations of what they considered most likely, but also what a more pessimistic and optimistic scenario could look like. The results show a high degree of uncertainty in the expectations of the firm. Uncertainty is an important additional channel affecting firms, potentially resulting in a lower appetite for risk and lower investments.



EXPECTATIONS **Firms foresee a continued decline in sales as well as employment.** In the most likely scenario of firms, firms report that they anticipate on average a decline in sales of 29.2 percent and a decline in employment of 15 percent.

Firms report facing a large degree of uncertainty for how the future develops. The average most likely scenario reported by firms is a drop of 26.6 percent in demand, while the most optimistic scenario sees an increase of 24.4 percent in sales and 10 percent in employment.



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 Ghanaian 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 and partners, surveying the impact of COVID-19 on the private sector in more than 40 countries.

For the Ghanaian survey, 4311 firms were interviewed by phone. The primary sources for the sample are the Integrated Business Establishment Survey (IBES) conducted in 2013 and the GLSS conducted in 2016. To cover firms founded after 2013, an additional group of young 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. Further information on the sampling is provided in the appendix.

Appendix. Additional tables

Sampling Design

The survey adopted a two-stage stratified sampling with replacement. Non-household businesses were selected from the Integrated Business Establishment Survey (IBES), while household businesses were selected from the Ghana Living Standard Survey rounds-7 (GLSS-7). Since the IBES was conducted in 2014 and does not include firms founded after this date, additional young firms (mostly micro, small and medium firms) were sampled from the National Board for Small Scale Industries (NBSSI) Database. The need to examine the effects of the pandemic on household businesses, and newly borne businesses since the IBES was over 6-years old, spearheaded the need to include the GLSS-7 and the NBSSI database as other primary database sources for the sampling.

The stratification variables include the 16 regions, the size of firms categorized by micro, small, medium, and large-size firms, as well as sector classified into manufacturing, other industry and agricultural, wholesale and retail trade, food, and accommodation, and other services. These stratification variables were used to stratify the firms in the first stage. Subsequently, the firms were selected from each stratum using a simple random sampling method. The probabilities for the selection estimated, and the weights also estimated accordingly.

During the survey, firms were replaced if the within stratum non-response exceeded 50%, and all the replaced firms assumed the initial stratum weight. The final weights were adjusted to the population weight after the fieldwork was closed. The distribution of the initial and effective sample by regions are presented in the table below.

Table 1: Regional distribution of the sample, and their response rates

Region	Initial Sample		Replacement sample		Final Sample		Response rate
	Number of Firms	Percent	Number of Firms	Percent	Number of Firms	Percent	
Ahafo	180	3.2	67	1.6	103	2.4	41.7
Ashanti	611	10.8	491	11.6	522	12.1	47.4
Bono	202	3.6	163	3.8	154	3.6	42.2
Bono East	239	4.2	102	2.4	142	3.3	41.6
Central	404	7.1	342	8.1	403	9.3	54.0
Eastern	426	7.5	344	8.1	410	9.5	53.2
Greater Accra	1060	18.7	881	20.7	685	15.9	35.3
North East	161	2.8	61	1.4	66	1.5	29.7
Northern	330	5.8	327	7.7	294	6.8	44.7
Oti	206	3.6	103	2.4	95	2.2	30.7
Savannah	144	2.5	-	-	48	1.1	33.3
Upper East	330	5.8	292	6.9	228	5.3	36.7
Upper West	340	6.0	339	8.0	278	6.4	40.9
Volta	321	5.7	263	6.2	316	7.3	54.1
Western	432	7.6	362	8.5	370	8.6	46.6
Western North	289	5.1	111	2.6	197	4.6	49.3
Total	5,675	100	4248	100	4,311	100.0	43.4

Acknowledgements

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