



CORONA VIRUS IMPACT SURVEY

May 2020

French, German and Ghanaian companies' response to the global crisis.

Executive Summary

The interviews were conducted in the middle of the pandemic (April 14 - 23, 2020), hence the responses can only give a first snapshot of companies' assessment of a crisis which is not over yet.

As it was to be expected, the overall mood of the businesses is gloomy:

1. Almost every company reports a negative impact on their balance sheet. Only the health care business/hospital equipment providers didn't feel the pain.
2. A reduction in demand is seen as the most important negative impact, followed by funding constraints (delays in payment/credit repayments). Supply chain interruptions did not (yet) seem to play a major role among companies' top concerns.



Delegation der Deutschen Wirtschaft
in Ghana
Delegation of German Industry and
Commerce in Ghana



3. Most companies do not expect a return of the overall economy “back to normal” by the fall of 2020 (Q3).
4. At least a third of all companies surveyed indicated they would need government support to recover or remain in business; job losses seem to be unavoidable, should the current situation prevail.
5. 2/3 of all companies will adjust, delay or cancel their investment decisions, particularly when it comes to machines, equipment and new facilities.

On a more positive note, the survey also came up with five optimistic messages:

1. In case the worldwide pandemic can be contained by fall 2020 (Q3), almost half of our companies expect a full recovery within six months, another quarter within a full year.
2. Most companies try to face the challenges by cutting costs first, before they are going to lay off parts of their work force; their commitment to Ghana and her people is untroubled and still high.
3. The mitigating measures as being introduced by the Ghanaian government in order to curb the negative impact of COVID-19 on the economy, seem to point into the right direction, however exceed the available resources by far. External support, like the disbursement of a loan by the IMF under the Rapid Credit facility program, therefore is much needed.
4. Whereas 2/3 of all companies surveyed at this point of time consider adjustments/cancellations of their planned investments, the remaining 1/3 did not yet take this option into consideration.
5. Looking beyond Corona, companies identified a range of possible outcomes that could lead to a positive impact on business and society, once the pandemic is over: Apart from an even faster adaption of digital/virtual solutions for the everyday business, companies also expressed their hope, that the world “after Corona” could be a more considered and attentive one, with a stronger focus on health care, well-being and acknowledgement of social relations. There will, no doubt, be a “world after Corona”, and if there’s one glimmer of hope, it should be the predicted change in attitude. The French and German companies’ responses to this survey, at least, seem to confirm this outcome.

Corona Virus Impact Survey: Some inconvenient questions, and how company responded

This survey was conducted by the Delegation of German Industry and Commerce in Ghana (AHK Ghana) and the Chamber of Commerce and Industry France Ghana (CCIFG). AHK Ghana is the official representation of German businesses in Ghana and francophone West Africa and is responsible for facilitating trade between Germany and these countries. CCIFG is a private association that supports the business development of French and Ghanaian companies by facilitating trade and financial exchanges between France and Ghana.

With some 70 German and 70 French companies operating in Ghana at the moment, providing for some 4,500 direct jobs (German: 1,500, French: 3,000), the two biggest economies in the EU are also heavily engaged in Ghana with a considerable impact on her labour force.

A total of 77 companies comprising members and affiliate companies of both AHK Ghana and CCIFG were interviewed for this survey. These companies are active within the German, French and Ghanaian business network. All interviews have been conducted from April 14 – 23, 2020; each interview took approximately 15 – 30 minutes of time.

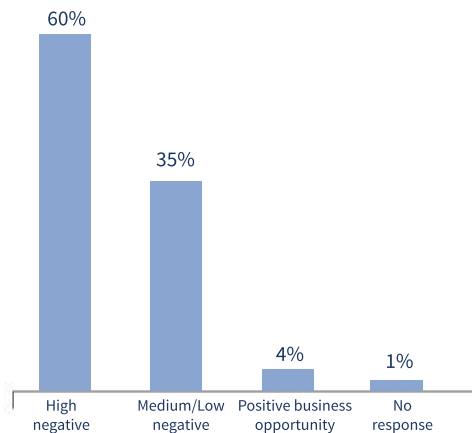
A breakdown of the sectors of the companies interviewed are:

Sector	Number of Companies	%
Chemicals	2	2.6
Commerce	8	10.4
Construction/Engineering	9	11.7
Financial and professional services	12	15.6
Food, Beverage, Agriculture	14	18.2
Hospitality/Tourism	5	6.5
Oil, Gas, Mining	5	6.5
Tech/IT/Communication	8	10.4
Transport/Logistics	8	10.4
Utilities (Water, Gas, Electricity)	6	7.8
TOTAL	77	100.0

Question 1: i) What is the most severe impact of the global Corona pandemic on your business right now?

49 companies, representing 60% of the businesses interviewed, reported a high impact of the corona virus pandemic on their business. The high impact ranges from reduction in demand of product/services to payment delays, facility closure etc. 35% representing 27 companies reported a medium/ low impact. 3 companies (representing 4% of the sample set) rather indicated positive business opportunities as the pandemic has resulted in the surge of demand of their products and services, while 1 company did not provide the overall impact of corona on their business.

Impact of corona virus pandemic on businesses (%)



Our revenue is severely impacted by low demand and the disruption of air and ocean freight carriers as a result of social distancing, lockdown and border restrictions.

-Transport and Logistics

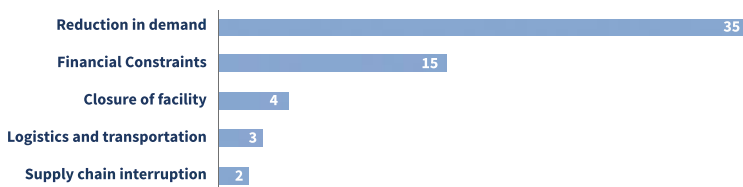
Breakdown of negative impacts

To better understand the overall grouping of the effects, the high and medium/low impacted companies' responses have been broken down and further explained below:

1. High negative impact

Production was the hardest hit sector as 35 companies stated as there was a reduction in demand from customers. Apart from demand, financial constraints like delays in payments and/or credit repayments were the next impacted since many of the customers have also had their businesses affected and so are unable to meet their financial demands. Interestingly enough, supply chain interruption didn't have too much of a negative impact. A few companies responded that the Port of Tema was still operational when the survey was conducted, and their goods could still be imported. One also has to take into account that Ghana's industry is not as much involved into international supply chains as compared to the economies in Europe or Asia.

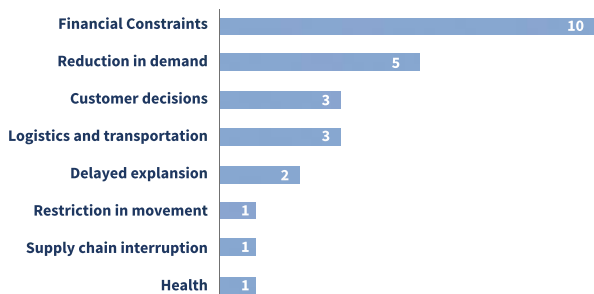
Breakdown of high negative impact (count)



2. Medium/ low negative impact

Among companies that were partially affected, the highest impacts were monetary based in the form of payment delays, rising costs due to scarcity in services and cash inflows to the companies followed by “Reduction in Demand”, while supply chain interruptions, restrictions in movement and the health considerations of employees had the least impact on business.

Breakdown of medium / low negative impact (count)



The highest impact on our business is the lockdown measures that prevent us from working even in skeletal mode. Market demand in April is estimated to be down by -70% and on average the impact on Q2 is estimated at -40% in demand. **-Construction and Engineering**

No impact; business is strong, demand for respirators and hospital equipment increases considerably. **-Construction and Engineering**

Payment delays by clients and fall in productivity by at least 50%.
-Financial and professional services

We had to close our restaurant and 19 persons are now unemployed. We have no visibility for the future. **-Hospitality/ Tourism**

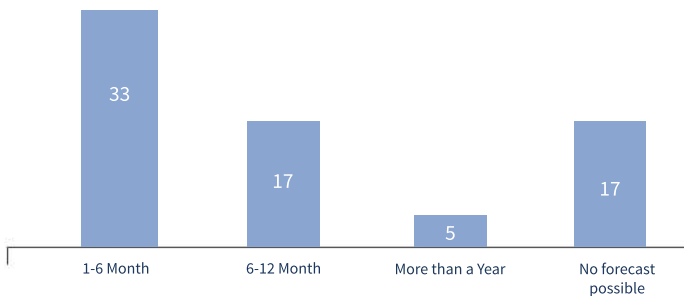


Question 2: Assuming business worldwide will be back to normal by Q3/2020: How long will your company / business need to fully recover?

The good news: Almost half of the interviewed companies are expecting a full recovery within six months, another quarter within a full year. However, here comes the bad news: Almost half of the companies mentioned that it is very difficult to make such predictions since it is unclear when business will be back to normal and how business will be affected in the long term. A quarter of all companies are unable to make forecasts even under the assumption that businesses are back to normal by Q3/2020.

The sectors that expect a quick recovery within six months are: Agriculture, Food and Beverage, Tech/IT/Communications, Oil/Gas/Mining and Utilities (Water, Gas, Electricity). On the other side, not one single company within the hospitality sector is expecting a recovery within six months. This outcome reflects the overall impression that COVID-19's most heavily affected business sectors are those that depend on free movement of people. The sectors where forecasts seem most difficult to make are: Commerce, Construction and Engineering as well as Transport and Logistics.

Time of recovery (count)

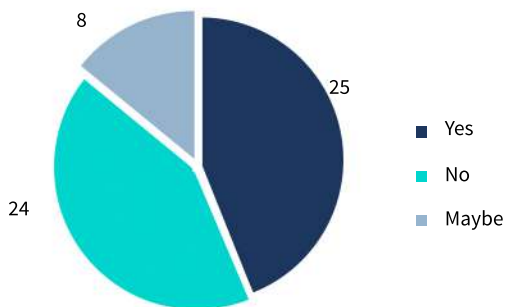


Do you foresee that your enterprise will be so heavily affected, that governmental support is needed in order to stay in business?

Two thirds of all companies interviewed have given a clear indication whether governmental support will be needed or not. 25 companies will need support, 24 companies will be able to stay in business and recover without support. This assessment might also reflect the private sector's (realistic) assumption about the supposed strength and possibilities of the Ghanaian government in the face of the global crisis.

8 companies are not yet able to determine whether they need support. However, most companies have answered that support would be highly appreciated. Many companies have raised the point that even if they themselves do not need support, their partner companies, suppliers, customers or even their sector in general will need support to survive the crisis.

Is governmental support needed? (number of companies)



Three main points:

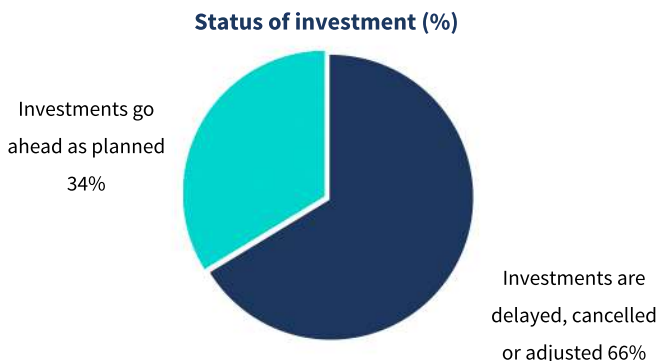
- Most companies do not expect for business to go back to normal this year and prepare for a long period of uncertainty. However, in case business goes back to normal by fall 2020, almost half of all companies expect to recover within half a year. Therefore, much depends on the further developments, which are mainly determined by the speed of recovery in Asia, Europe and North America.
- At least a third of all companies stated that they will need governmental support to recover or remain in business. They fear that a lack of governmental support will lead to job losses - a scenario which seems to be highly likely should the crisis continue for long.
- Governmental support is mainly expected in form of financial help such as loans or investments and in tax reductions or waivers. This reflects the mitigating measures that have been in place as Ghana's response to COVID-19, like reduction in the policy rate, granting a six-months moratorium on principal repayment for selected business and extension of due dates for filing tax returns. However, many companies fear that government resources are too limited to offer the support needed. Far-reaching tax measures that aim at stimulating the economy in the future seem to be mandatory.



- The earlier we stop the spread of coronavirus the earlier we can all reopen our businesses **-Financial and professional services**
- There will be a before & after coronavirus... A lot of businesses will collapse.” **-Commerce**

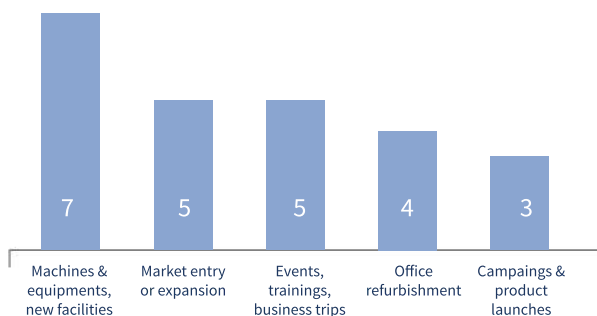
Question 3: Did you have to adjust or cancel planned investments?

The survey clearly shows that most companies must adjust or cancel their planned investment. Others have no changes planned (this includes companies that have not planned any investment in 2020).



The companies mainly mention machinery and equipment as well as new facilities that will be adjusted or cancelled. Investments for market entry or expansion and events, trainings and business trips follow. The refurbishment of offices, including furniture and IT is next on the list.

Types of investments that are delayed or cancelled in Ghana (count)



Three main points:

- 66% of the companies that were asked, will adjust, delay or cancel investments (however, 34% revealed that they will go ahead notwithstanding the pandemic).
- Most investments affected are machines, equipment and new facilities.
- The adjustment of investments does affect all sectors equally.



The difficulty is now, leading large technical projects by bringing together all the expertise on the same industrial site. **-Construction**

We are running out of cash. **-Agriculture**

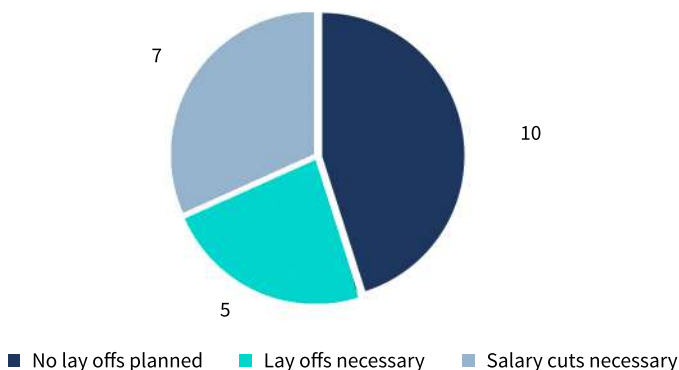


Question 4: Which immediate measure could be taken to save existing jobs?

10 companies have categorically excluded layoffs, while layoffs and/ or salary cuts are already planned for at least seven other companies.

The layoffs and salary cuts affect all sectors but less severe within Oil, Gas, Mining and the Tech/ IT sector. They are especially relevant for construction and hospitality.

Status of layoffs & salary cuts (count)

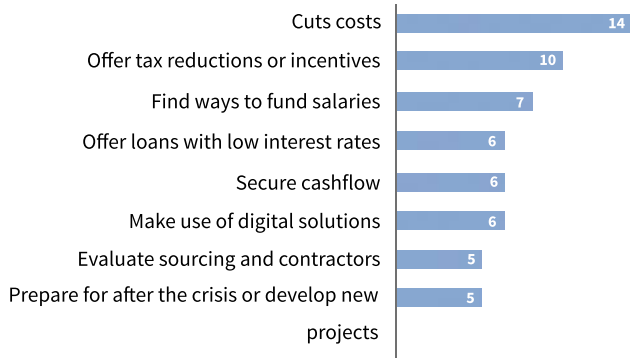


For most companies, savings are the way forward. Cutting costs through recruitment stops, encouraging employees to take paid leave, cancellation of bonuses and salary increases, revised payment terms with clients as well as investments and travels are among the most mentioned interventions. Especially the food & beverage industry is trying hard to avoid any layoffs at this point and makes huge efforts to cut costs. Many companies would appreciate the support of the government through tax incentives and charges, including import taxes and employer contributions to SSNIT and taxes to GRA, even if it is only a postponement of the payments.

Strategies to pay salaries and fund the overall business through loans are another measure, companies are taking to save existing jobs. Further possible reactions according to the survey: Securing the cashflow, for example by enforcing outstanding payments, stricter payment terms and supplier credits. Contractors and other suppliers are also on the list of company measures. Many contracts have been cancelled or are being renegotiated.

On a positive note, many companies try increasingly to use digital solutions for their work, both for their employees and for the interaction with customers. The crisis gives some companies also the opportunity to realign and to develop new projects.

Other measures to save existing jobs (count)



Three main points:

- Most companies are trying to improve their situation by cutting costs first instead of laying off workers.
- Reductions in taxes, loans and securing salaries are also highly relevant.
- Very few companies are already certain that they are facing layoffs.

A Government intervention is needed to save all existing jobs. - **Construction**

We need a government initiative to defer payments of PAYE and SSNIT to cushion the businesses. - **Commerce**

We don't want to lose anybody, so our focus is on cost. - **Transport and Logistics**

Question 5: Looking beyond COVID-19 pandemic, the world could be a different one:

What from your company's point of view could change for the better?

In other words: What are the opportunities arising from COVID-19?

Despite the difficult and unusual times being faced by businesses in Ghana, most of them remain optimistic and believe there will be good times after this pandemic. Many of them admitted that this pandemic got them to stop and re-assess their current working procedures and adjusted where necessary. One main pattern recognizable among most institutions is the need to work digitally or remotely in order to observe the social distancing required to overcome the spread of this disease.

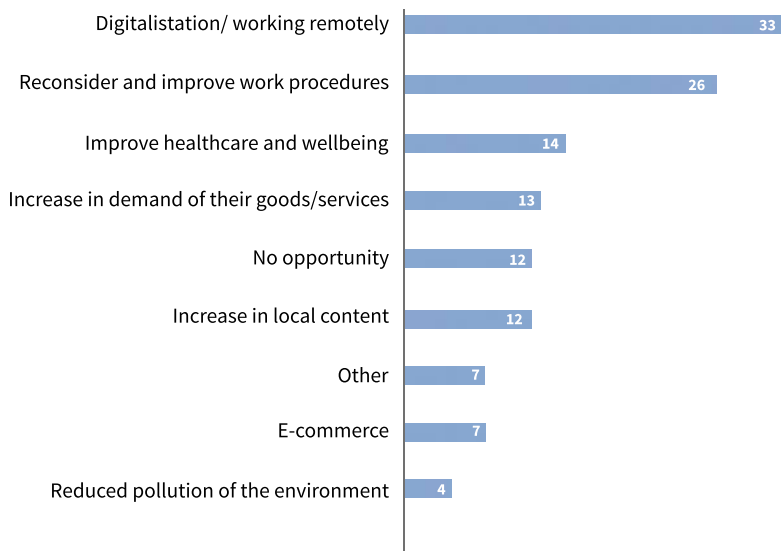
Many respondents expressed the need for individuals, institutions and governments to pay more attention to the health and well-being of themselves, staff and citizens. There is also the need for improved medical infrastructure throughout the country.

Some businesses also believe that this is a great opportunity for increase in the use of local content and reduce reliance on foreign products and services. German and French companies can capitalize on this and enter strong partnerships with local businesses for a more sustainable bi-lateral trade.

Top three opportunities identified:

- Faster adaption of digital/virtual solutions for companies' everyday business.
- Reconsider and improve current work procedures. Most mentioned amongst them include: Company Travel policies (reduce frequency of travels), efficient healthcare systems for staff, the ability and increase patronage of local goods and services.
- Stronger focus on health care and well-being; acknowledgement of social relations.

Opportunities from COVID-19 (count)



It is likely to change how frequent people may even want to travel.

-Travel Industry

We recently updated our internet connectivity and IT infrastructure for our staff and about 90% of staff are working remotely now. This is a nice game changer.

-Financial and professional services

This is a great opportunity for the reduction of "automatic" imports from overseas and focus more on local suppliers and regional industrial development plans.

-Oil, Gas, Mining



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