

## IHS Markit Ghana PMI®

# Output growth hits 29-month high in October

### Key findings

Marked expansions in output and new orders

Near-record increase in backlogs of work

Employment up only marginally

Data were collected 12-28 October 2020

The recovery across Ghana's private sector economy gathered momentum in October, with marked increases in both output and new orders as the coronavirus disease 2019 (COVID-19) pandemic remained relatively subdued. That said, employment rose only marginally, putting increased pressure on capacity.

The headline seasonally adjusted Ghana PMI® rose to 53.1 in October from 51.4 in September. The reading signalled a third successive monthly improvement in business conditions across the private sector. Moreover, the rate at which conditions strengthened in October was the greatest since May 2018.

Gaining control over the COVID-19 outbreak has been central to the return to growth in the private sector over recent months. Customer demand improved again in October, supporting a marked increase in new orders that was the fastest since June 2018.

The rise in new orders fed through to a third successive increase in business activity. Mirroring the picture for new orders, output expanded sharply.

Marked increases in workloads imparted pressure on operating capacity at companies in Ghana, as evidenced by the second-fastest accumulation of backlogs of work since the survey began.

The build-up of outstanding business partly reflected only a marginal increase in staffing levels. Although employment rose for the third month running, the rate of job creation slowed to the weakest in this sequence.

Firms did ramp up their purchasing activity, however, with the rate of expansion in input buying quickening to the fastest since January 2019.

Rising input buying helped lead to a marginal accumulation of  
*continued...*

Ghana PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

### Comment

Commenting on the latest survey results, Andrew Harker, Economics Director at IHS Markit, said:

*"The Ghanaian private sector is reaping the rewards of the COVID-19 pandemic being brought under control and was able to generate strong growth in October, according to latest PMI data. Sustaining the recovery into the future, however, depends on continued success in limiting the spread of the virus."*

*"The recovery in demand has yet to translate into meaningful employment growth, but a near-record accumulation of outstanding business suggests that firms will need to ramp up staffing levels in coming months to deal with rising workloads."*

stocks of purchases, the first in eight months.

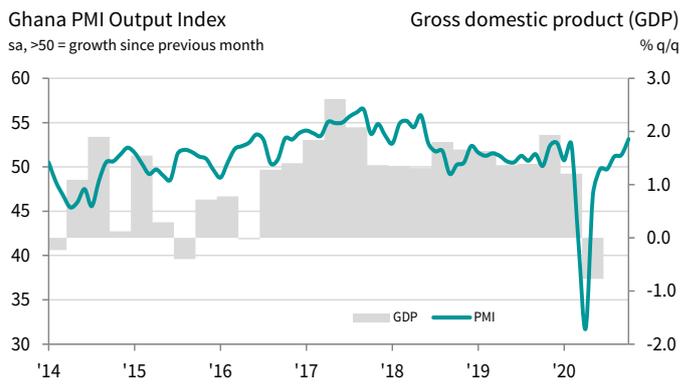
Suppliers' delivery times lengthened again in October, albeit only fractionally. Where delivery delays were recorded, panellists linked this to material shortages and reduced travel to prevent the spread of COVID-19.

Purchase prices increased markedly, with the rate of inflation ticking up from the previous month. Material shortages, higher costs related to importing items and currency weakness were all mentioned as factors leading to higher purchase prices.

Meanwhile, staff costs also rose, albeit to a lesser extent than purchase prices. Firms reportedly raised staff pay as part of efforts to motivate workers and reward hard work.

Output prices rose for the sixth month running as firms passed on higher input costs to their customers. The rate of charge inflation quickened to the joint-fastest since May 2019.

Hopes that the pandemic will continue to be suppressed and client demand will rise further were central to predictions that output will increase over the next 12 months. Exactly 81% of firms expect activity to expand, with less than 1% pessimistic regarding the outlook. As a result, sentiment was slightly higher than in September.



Sources: IHS Markit, Ghana Statistical Service.

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### Survey methodology

The IHS Markit Ghana PMI® is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 400 private sector companies. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. The sectors covered by the survey include agriculture, mining, manufacturing, construction, wholesale, retail and services.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

### Survey dates and history

October data were collected 12-28 October 2020.

Survey data were first collected in January 2014.

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### About PMI

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

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