

## IHS Markit Ghana PMI®

### New orders decline for first time in 15 months

#### Key findings

New business falls amid strong price pressures

Output and employment down for second month running

Firms remain optimistic regarding year-ahead outlook

Data were collected 12-26 August 2021

New business dipped for the first time in 15 months during August, prompting reductions in output and employment. One factor hampering demand was inflationary pressures, which remained marked. There were some signs, however, that firms expect demand to pick up in the coming months, leading to a solid accumulation of inventories.

The headline seasonally adjusted Ghana PMI® moved further below the 50.0 no-change mark in August, posting 48.9 from 49.7 in July. The reading signalled a second successive deterioration in business conditions across the private sector, but one that was only modest overall.

New business declined in August, thereby ending a 14-month period of growth. Recent price rises were a factor behind the drop in new business, with some clients unable to afford to commit to projects. COVID-19 restrictions and heavy rainfall also contributed to lower new orders, according to respondents.

The aforementioned factors also resulted in a drop in business activity, the second in as many months. Furthermore, the rate of decline was solid and the fastest since May 2020.

In line with the picture for business activity, companies in Ghana lowered their staffing levels for the second month running. That said, the pace of job cuts softened and was only fractional.

Despite a reduction in workforce numbers, the drop in new orders meant that firms were able to work through backlogs in August. Outstanding business decreased for the first time in six months.

There were some signs of relief for those companies affected by steep price rises as rates of inflation softened from July. That said, overall input costs continued to rise sharply amid higher costs for both purchases and staff. Increased purchase prices

*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 PMI data show that the Ghanaian private sector is going through a soft-patch at present as demand is restricted by inflationary pressures in the economy. There are some reasons to believe, however, that growth can resume soon. Companies remained confident that their output will rise over the coming year, and some were even sufficiently encouraged to expand their inventory holdings in order to prepare for coming improvements in demand. For 2021 as a whole, IHS Markit is forecasting GDP growth of 4.0%."*

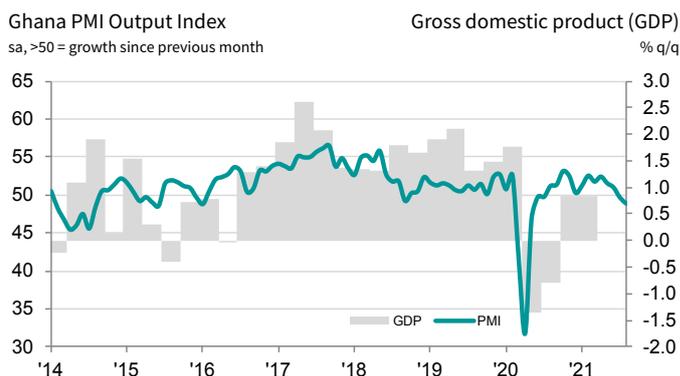
often reflected material shortages, higher transportation costs and currency weakness.

Selling prices continued to rise rapidly as higher costs were passed on to clients, despite the rate of inflation easing. The increase in charges remained steeper than the series average.

Despite signs of weakness in August, companies remained strongly optimistic that business activity will increase over the coming year. Hopes of improving business conditions and greater stability around prices were behind positive sentiment, although optimism eased from that seen in July.

Expectations of improvements in demand in the coming months encouraged some companies to expand their purchasing activity. Others, however, were either put off by high prices for inputs or had sufficient inventories. Therefore, input buying was broadly unchanged overall. Meanwhile, inventories increased solidly and at the fastest pace in just over three years.

Where inputs were purchased, companies benefited from a shortening of suppliers' delivery times for the first time in a year-and-a-half. Panellists indicated that vendors had often responded well to requests for faster deliveries.



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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

August data were collected 12-26 August 2021.

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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