

News Release

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
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Stanbic Bank Ghana PMI™

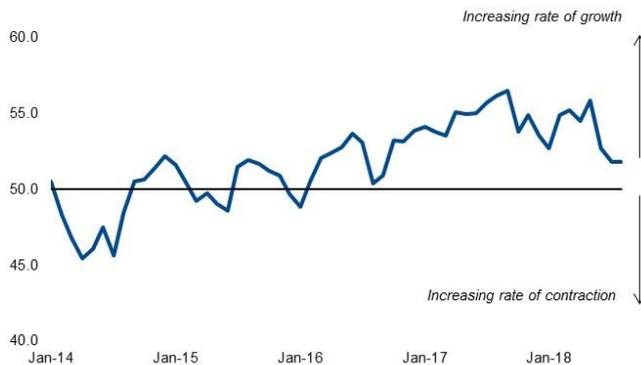
Business conditions improve modestly in August

Data collected August 13-29

- Headline PMI unchanged at 51.8
- Sharper rises in output and new orders, but employment growth eases
- Overall input price inflation at six-month high

Stanbic Bank Ghana PMI

sa, 50 = no change on previous month



Sources: Stanbic Bank, IHS Markit.

Business conditions in Ghana continued to improve during August. Sharper increases in output and new orders were recorded, although the rate of job creation eased. Weakness of the Ghanaian cedi against the US dollar pushed up purchase costs and companies raised their output prices accordingly, albeit at a relatively modest pace.

The headline figure derived from the survey is the Purchasing Managers' Index™ (PMI™). Readings above 50.0 signal an improvement in business conditions on the previous month, while readings below 50.0 show a deterioration.

Commenting on August's survey findings, Phumelele Mbiyo, Head of Africa Research at Standard Bank said:

"Although unchanged at 51.8 in August, the PMI indicates that the performance of the Ghanaian private sector is continuing to show robustness. However, compared to 2017 and earlier this year, the momentum seems to have decelerated somewhat. The PMI averaged 54.7 in 2017 and 54.3 in the first 6 months of this year. The pace of growth in output, new orders, stocks of purchases and employment have all decelerated meaningfully in that time. The acceleration in input costs suggests that the depreciation of the cedi, especially since May, will probably compound the pressure on prices. That said, consumer price inflation is still below 10% y/y, and will likely remain subdued over the remainder of the year. These indications that the pace of growth is decelerating will be worth watching in the coming months. After all, the central bank has become a bit more hawkish, not lowering the policy rate despite inflation being within the target range."

The main findings of the August survey were as follows:

The headline PMI registered 51.8 in August, unchanged from July and signalling a further modest improvement in the health of the private sector. Business conditions have now strengthened in each of the past 31 months.

Business activity increased modestly in August, with the rate of expansion recovering slightly from the 22-month low seen in July. Higher new orders and backlog clearance reportedly helped lead output to rise.

New order growth also ticked up, with client relationships, good quality products and advertising activity all reportedly behind the latest increase in new business.

Efforts to reduce backlogs were partly successful, with the rate of accumulation of outstanding business only marginal and weaker than in July. That said, material shortages and issues with machinery meant that backlogs continued to increase.

In contrast to faster increases in both output and new orders, employment rose at a weaker pace in August. The rate of job creation was slight and the slowest for a year-and-a-half.

Both input buying and stocks of purchases also grew at softer rates over the month. Those respondents that raised their holdings of purchased items linked this to anticipated growth of business activity in coming months.

Suppliers' delivery times continued to shorten during the month, extending the current sequence of improving vendor performance to eight months. Panellists generally attributed shorter lead times to competition among suppliers.

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The rate of overall input cost inflation quickened to a six-month high, with higher input prices largely reflecting inflation of purchase costs. In turn, panellists often mentioned weakness of the cedi against the US dollar as being behind the rise in purchase prices. There were also reports of higher fuel costs. Wages and salaries, meanwhile, increased at a slight pace that was the weakest since November 2016.

Companies responded to higher input costs by raising their output prices. Charges increased for the fourth month running, but at a modest pace amid competitive pressures.

-Ends-

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Note to Editors:

The Stanbic Bank Ghana Purchasing Managers' Index™ is based on data compiled from monthly replies to questionnaires sent to purchasing executives in approximately 400 private sector companies, which have been carefully selected to accurately represent the true structure of the Ghanaian economy, including agriculture, construction, industry, services and wholesale & retail. The panel is stratified by GDP and company workforce size. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the summary unadjusted and seasonally adjusted values. The unadjusted summary value is calculated as the sum of the positive responses plus a half of those responding 'the same'.

The Purchasing Managers' Index™ (PMI™) is a composite index based on five of the individual sub-components with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Suppliers' Delivery Times sub-component inverted so that it moves in a comparable direction.

The headline PMI and individual summary values for each question have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. A reading above 50 indicates an overall increase in that variable, below 50 an overall decrease. IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact economics@ihsmarkit.com.

About Stanbic Bank Ghana

Stanbic Bank Ghana is part of the Standard Bank Group, Africa's largest bank by assets.

Standard Bank Group reported total assets of about USD143 billion at 31 December 2016, while its market capitalisation was about USD 18 billion.

The group has direct, on-the-ground representation in 20 African countries. Standard Bank Group has over 1 200 branches and more than 8 800 ATMs in Africa, making it one of the largest banking networks on the continent. It provides global connections backed by deep insights into the countries where it operates.

Stanbic Bank Ghana provides the full spectrum of financial services. Its Corporate & Investment Banking division serves a wide range of requirements for banking, finance, trading, investment, risk management and advisory services. Corporate & Investment Banking delivers this comprehensive range of products and services relating to: investment banking; global markets; and global transactional products and services.

Stanbic Bank Ghana's personal & business banking unit offers banking and other financial services to individuals and small-to-medium enterprises. This unit serves the increasing need among Africa's small business and individual customers for banking products that can meet their shifting expectations and growing wealth.

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About PMI

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