

IHS MARKIT GHANA PMI®

Weakest rise in business activity for seven months

KEY FINDINGS

New order growth slows amid signs of softer demand

Solid, but weaker, rise in output prices

Modest job creation recorded

Ghana's private sector companies saw growth soften again in May amid some reports of a slowing demand environment. A modest rise in new business coincided with marginal increases in both output and employment. On the price front, purchase cost inflation remained sharp, but softened further from March's recent high. In turn, output prices also increased at a slower pace.

The headline seasonally adjusted PMI® registered just above the 50.0 no-change mark in May. At 50.6, down from 51.2 in April, the index signalled only a slight improvement in business conditions in the Ghanaian private sector. In fact, the latest strengthening of operating conditions was the weakest since November last year.

New business increased for the eighth month running in May as good quality products reportedly helped firms to secure new work. That said, the rate of expansion was only slight as some panellists signalled challenging market conditions.

A slowdown in demand was also evident with regards to business activity, which increased at only a fractional pace. In fact, the rise in output was the weakest in the current seven-month sequence of expansion.

A marginal rise in employment was also signalled in May, with the rate of job creation slowing for the second month running. That said, staffing levels have now increased in each of the past 33 months.

Despite relatively subdued new order growth and an increase in operating capacity, companies in Ghana saw backlogs of work rise again midway through the second quarter. The rate

PMI

sa, >50 = improvement since previous month



of accumulation was modest, but faster than seen in April. Panellists indicated that issues with funding and power supply had contributed to the build-up of outstanding business.

The rate of purchase price inflation was sharp in May, despite slowing for the second month running from March's recent high. According to respondents, higher purchase costs reflected currency weakness and increased charges from suppliers. Staff costs, meanwhile, rose marginally for the third month running.

Companies increased their own output prices at a solid pace, although the rate of inflation slowed in line with the trend in input costs. Some panellists reported having offered discounts to help secure new work in a competitive marketplace.

Purchasing activity rose modestly in May, feeding through to an accumulation of stocks of purchases as suppliers achieved faster deliveries for the first time in three months.

Finally, business confidence ticked up for the second month running and was the highest since January. Stability of the cedi exchange rate and inflation are expected to support further new order growth, thereby leading to increased output. Sentiment was broadly in line with the survey average.

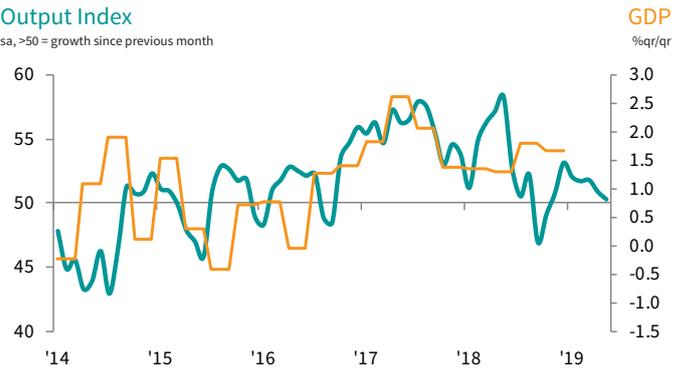
COMMENT

Andrew Harker, Associate Director at IHS Markit, which compiles the Ghana PMI survey, commented:

“Growth of the Ghanaian private sector took a step back in May, with signs of demand softening. Inflationary pressures continued to moderate, however, which should help to stimulate demand. This was reflected in a more confident outlook for firms, who will be hoping to see stronger inflows of new work as the year progresses.”

Output Index

sa, >50 = growth since previous month



Sources: IHS Markit, Ghana Statistical Service.

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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.

May 2019 data were collected 13-29 May 2019.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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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. To learn more go to ihsmarkit.com/products/pmi.html.