

IHS MARKIT GHANA PMI®

New orders rise for fifth month running

KEY FINDINGS

Sustained growth of new orders and business activity

Further job creation recorded

Marked rise in purchase prices, but staff costs fall

There were further signs of improvement in Ghana's private sector during February, with output and new orders continuing to rise and further job creation recorded. Higher purchase costs pushed up overall input prices, while wages and salaries decreased. Meanwhile, higher overall cost burdens resulted in a solid increase in selling prices.

The headline seasonally adjusted PMI posted 51.3 in February, down marginally from 51.6 in January but posting above the 50.0 no-change mark for the fifth month running. The latest reading signalled a modest improvement in business conditions in the Ghanaian private sector midway through the first quarter of 2019.

Recent signs of improvement in customer demand continued in February, leading to increases in both new orders and output. Those respondents that signalled growth of new business also mentioned the securing of new clients, while new products also helped to entice customers. New orders rose for the fifth month running, while the current period of expansion in private sector output was extended to four months. Rates of expansion were modest in both cases, however.

Higher new orders resulted in an eighth consecutive monthly accumulation of backlogs of work, albeit one that was softer than January's series record.

Efforts to keep on top of workloads led to a further expansion of private sector staffing levels. Employment rose only modestly in February, but job creation has now been recorded throughout the past two-and-a-half years.

PMI

sa, >50 = improvement since previous month



The rate of overall input price inflation held broadly steady again in February. Data pointed to a sharp monthly rise in purchase prices, linked by panellists to weakness of the Ghanaian cedi against the US dollar. In contrast, staff costs decreased fractionally, ending a 37-month sequence of inflation.

Companies responded to higher overall input costs by raising their selling prices, with the rate of inflation quickening to a three-month high. Charges have now increased in each of the past ten months.

Improving customer demand encouraged companies to increase both their purchasing activity and stocks of purchases in February. Some panellists also raised inventories due to positive expectations regarding future workloads. Meanwhile, suppliers reacted positively to company requirements, reducing their delivery times for the fourteenth consecutive month.

Predictions of higher new orders and stronger business conditions supported optimism that output will increase over the coming year. Sentiment remained strongly positive, despite dipping to a four-month low. Just over two-thirds of respondents expressed optimism in the outlook.

COMMENT

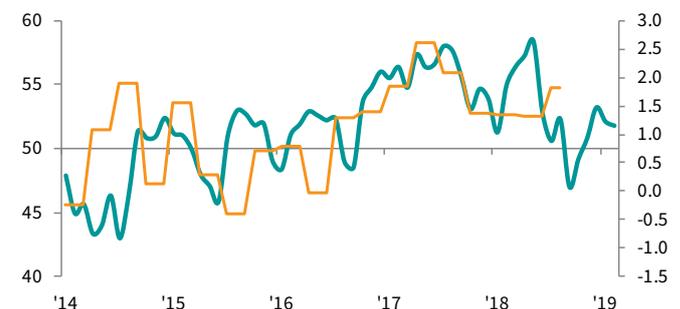
Andrew Harker, Associate Director at IHS Markit, which compiles the Ghana PMI survey, commented:

“The Ghanaian economy appears to be ticking along nicely in the opening part of 2019, with data for the first quarter so far pointing to quarterly GDP growth of over 1%. The recent interest rate cut by the Bank of Ghana should help to keep demand improving.

“Inflation has been broadly stable in recent months, but a depreciation in the cedi may start leading to cost pressures in the near future. There were some initial reports of this having been the case in the latest PMI survey.”

Output Index

sa, >50 = growth since previous month



Sources: IHS Markit, Ghana Statistical Service.

CONTACT

IHS Markit

Andrew Harker
Associate Director
T: +44-1491-461-016
andrew.harker@ihsmarkit.com

Joanna Vickers
Corporate Communications
T: +44-207-260-2234
joanna.vickers@ihsmarkit.com

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.

February 2019 data were collected 12-26 February 2019.

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

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