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IHS Markit Ghana PMI®

Ghana's private sector sees growth rebound in February

Key findings

Fastest rise in new orders for 14 months

Employment increases at sharper pace

First reduction in output prices since June 2017

February PMI data pointed to a rebound in growth in Ghana's private sector, following a slowdown at the start of the year. Solid increases in output and new orders were recorded, leading to the sharpest rise in employment in just over a year.

There were some signs of inflationary pressures easing during the month amid an improvement in the strength of the cedi against the US dollar. In fact, output prices decreased for the first time in over two-and-a-half years.

The headline seasonally adjusted Ghana PMI® rose to 52.6 in February, up from the reading of 50.7 in January and seeing growth return to a broadly similar pace to that seen at the end of 2019.

The launch of new products and successful marketing strategies contributed to an improved demand environment for firms in February. New orders increased at a solid pace, and one that was the sharpest since December 2018.

Output growth also recovered ground in February, with business activity up solidly. The aforementioned expansion in new orders, good quality services and an improved exchange rate were mentioned as factors leading output to rise.

The improvement in the cedi over the month helped lead to a softening of inflationary pressures. Purchase costs rose at the slowest pace since June 2017, with staff cost inflation remaining muted.

Moreover, companies lowered their output prices for the first time in 32 months and for only the third time since the survey began in January 2014. Respondents indicated that the decrease in charges was part of efforts to attract customers.

As has been the case throughout the past three-and-a-half years, companies raised their staffing levels in February, and at

continued...

Ghana PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

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

"After signs of a slowdown at the start of the year, the February PMI data provide reassurance that the economy has been able to maintain growth momentum. Higher workloads meant further good news for the labour market, with employment now having risen continuously for three-and-a-half years.

"One factor helping firms at present is a relative lack of inflationary pressures. With purchase costs rising at the slowest pace since mid-2017, firms were able to lower their selling prices for only the third time in more than six years of data collection."

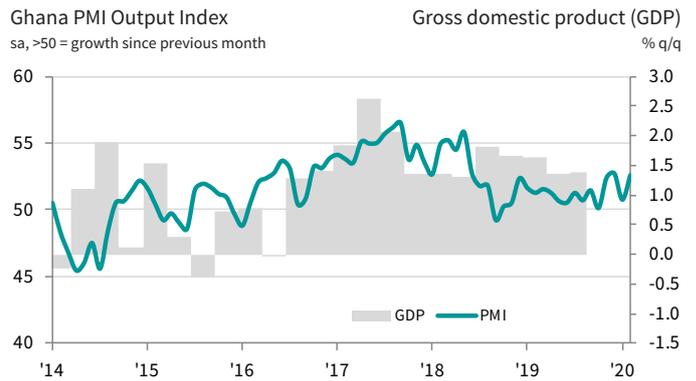
a solid pace that was the sharpest since January 2019.

Backlogs of work continued to rise, however, amid some reports of issues with the supply of materials. That said, the rate of accumulation eased to the softest in seven months.

Alongside rising staffing levels, firms also responded to greater workloads by expanding their purchasing activity. Input buying rose at a solid pace, with the rate of expansion quickening from that seen in the previous month to equal that recorded in December.

Inventories also increased, the first accumulation in stocks of purchases for three months. That said, the expansion was only marginal.

Further improvements in business conditions and new orders are predicted over the coming year, supporting confidence in the 12-month outlook for business activity. Optimism was the lowest in three months, but strong overall as around 65% of respondents forecast growth.



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.

Survey dates and history

February data were collected 12-26 February 2020.

Survey data were first collected in January 2014.

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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.

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