News Release

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IHS MARKIT GHANA PMI®

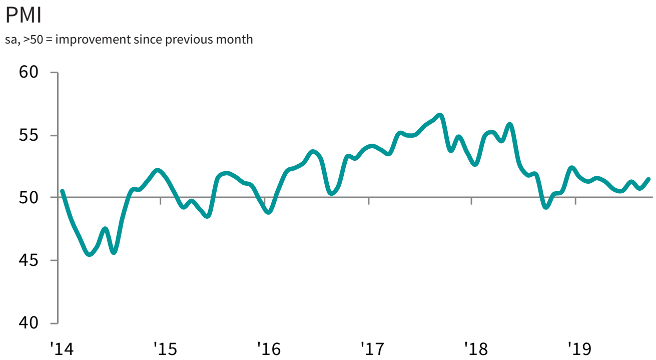
Output growth ticks up to eight-month high

KEY FINDINGS

Faster expansion of new orders

Solid rise in backlogs leads firms to take on additional staff

Overall input costs rise at fastest pace since April



A continued modest improvement in Ghanaian business conditions was seen during September, with growth ticking up from that seen in August. Faster rises in output and new orders were recorded, with capacity pressures showing signs of intensifying. Rates of expansion in employment and purchasing activity remained modest, however. On the price front, higher purchase costs drove a faster increase in overall input prices, while output prices rose slightly.

The headline seasonally adjusted Ghana PMI® ticked up to 51.4 in September from 50.7 in August. The reading signalled an improvement in business conditions for the twelfth successive month, with the rate of expansion the best since March.

Business activity rose at the fastest pace since the start of the year, extending the current sequence of growth to 11 months in the process. Signs of improvement in client demand reportedly led to higher new orders, which along with new product development helped to support the latest expansion of output.

New orders have now risen in each month throughout the past year. The latest increase was modest, but the fastest since April.

The expansion of new orders, finished products awaiting delivery and port delays all contributed to a solid increase in backlogs of work in September. The rate of accumulation quickened to an eight-month high, and was the second-fastest on record.

This build-up of outstanding business encouraged companies to expand their workforce numbers again at the end of the third quarter. The rate of job creation was broadly in line with that seen in the previous month. Employment has now increased in each of the past 37 months.

Companies in Ghana also increased their purchasing activity at a modest pace, leading to a third successive monthly accumulation of stocks of purchases. Meanwhile, suppliers' delivery times were unchanged, ending a four-month period of improvement.

The rate of overall input cost inflation accelerated, thanks to a sharper increase in purchase prices. Higher fuel prices were widely mentioned, while there were also reports of currency weakness contributing to higher cost burdens.

Staff costs rose slightly again. The passing on of higher input prices to customers resulted in a seventeenth successive monthly rise in output charges, with the rate of inflation ticking up to a four-month high. The latest increase was still relatively weak, however.

Companies remained confident regarding the 12-month outlook for activity during September, despite sentiment dipping from the previous month. A number of panellists indicated that they expect business conditions to improve, while predictions of higher new orders are also likely to support output growth.

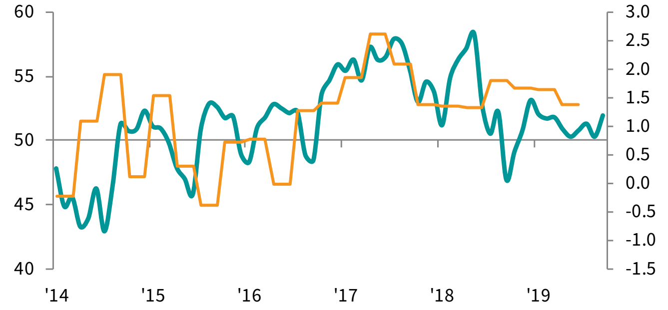
PMI® By IHS Markit

COMMENT

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

"The latest PMI data contain some signs of encouragement, with both output and new orders rising at sharper rates. Moreover, a solid accumulation of backlogs suggests that firms struggled to keep up with new work inflows, raising the possibility of further output growth in coming months.

"Nevertheless, current rates of expansion remain relatively muted, with PMI data across the third quarter as a whole suggesting a quarterly rise in GDP of between 1% and 1.5%."



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.

September 2019 data were collected 12-26 September 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.

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