

Embargoed until 0900 GMT (0900 UTC) 3 July 2020

IHS Markit Ghana PMI®

New orders rise for first time in four months

Key findings

Renewed growth in new business

Output nears stabilisation

Employment continues to fall

Data were collected 12-26 June 2020

New orders returned to growth in Ghana's private sector, helping business activity move closer to stabilisation amid an easing of restrictions to prevent the spread of coronavirus disease 2019 (COVID-19). That said, the severity of the declines in workloads during the worst of the downturn meant that spare capacity remained evident, leading to further job cuts and lower input buying.

On the price front, overall input costs rose for the first time in four months amid increasing purchase prices. Staff costs continued to fall, however. Higher raw material prices were sometimes passed on to customers, resulting in a second successive increase in charges.

The headline seasonally adjusted Ghana PMI® remained just below the 50.0 no-change mark in June, but at 49.7 was up from 46.7 in May and signalled only a fractional decline in the health of the private sector.

The move towards stabilisation was helped by a return to growth of new orders, which increased for the first time since February. Respondents indicated that a loosening of COVID-19 restrictions had been behind the expansion of new business.

While new orders increased, companies in Ghana continued to lower their business activity. That said, the rate of decline in output was only slight, and the slowest in the current four-month sequence of contraction. Where activity fell, panellists again linked this to the impact of the COVID-19 pandemic.

The increase in new orders in June came after severe declines during the worst of the recent downturn. As a result, spare capacity remained evident as backlogs of work decreased and firms lowered staffing levels. Employment was down for the fourth month running, and at a solid pace. Lower workforce

continued...

Ghana PMI
sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

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

"The gradual return to normality continued in Ghana during June, helping firms to secure a renewed expansion of new orders. The economy looks to be getting back on its feet, raising hopes that the third quarter will see a recovery in private sector activity.

"That said, the severity of the COVID-19 downturn has been such that it will take a sustained period of solid growth to recover fully. Spare capacity is still evident for now, leading to more bad news on the jobs front as workforce numbers were reduced for a fourth month running."

numbers resulted in a further decline in staff costs.

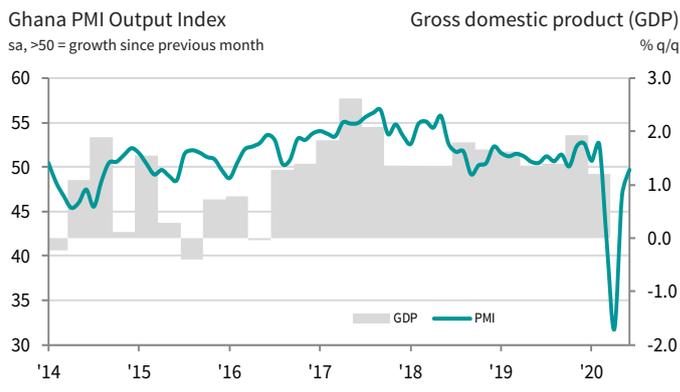
Purchasing activity also continued to decrease amid ongoing caution when making buying decisions. Meanwhile, stocks of purchases fell solidly.

Supply-chain disruption was signalled again at the end of the second quarter, with vendor lead times lengthening further. The latest instance of delivery delays was more marked than that seen in the previous month, with respondents noting the scarcity of some raw materials.

The short supply of materials was also a factor behind a rise in purchase costs as suppliers increased their prices. Some panellists highlighted border closures as having restricted their ability to import items. The rise in purchase prices was the first in four months.

Companies responded to higher raw material costs by raising their own selling prices. Charges were up for the second month running, but only marginally as some firms offered discounts to customers to try and secure sales.

Hopes of a continued gradual return to normality supported confidence among firms that output will increase over the coming year. Some firms indicated that a reopening of the border would help to boost activity. Optimism was only slightly lower than the 18-month high registered in May.



Sources: IHS Markit, Ghana Statistical Service.

Contact

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

Katherine Smith
 Public Relations
 IHS Markit
 T: +1 781 301 9311
katherine.smith@ihsmarkit.com

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

June data were collected 12-26 June 2020.

Survey data were first collected in January 2014.

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2020 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email katherine.smith@ihsmarkit.com. To read our privacy policy, click here.

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.

ihsmarkit.com/products/pmi.html