

## IHS Markit Ghana PMI®

### New orders fall for first time in just over a year

#### Key findings

Slower output growth amid drop in new orders

Employment continues to rise

Purchase price inflation at five-month high

Business conditions in Ghana's private sector were broadly unchanged in October, as heavy rains impacted operations. New orders decreased for the first time in just over a year, while growth of output softened. Meanwhile, companies continued to expand their staffing levels.

On the price front, higher transport fares and fuel costs contributed to a faster increase in purchase prices, with output charge inflation also accelerating.

The headline seasonally adjusted Ghana PMI® posted 50.1 in October, broadly in line with the 50.0 no-change mark. This was down from a reading of 51.4 in September. The PMI has now posted above 50.0 in 13 successive months.

The main drag on business conditions in October was a first reduction in new orders for 13 months. New business fell modestly, with panellists linking this to particularly heavy rainfall and financing issues at customers.

The weather situation also impacted business activity in October. Output continued to rise, but at a marginal pace that was weaker than seen in the previous month.

Despite new orders decreasing, companies again experienced a build-up of backlogs of work. Outstanding business increased solidly, extending the current sequence of accumulation to 16 months in the process.

Firms looked to address this build-up of backlogs by expanding workforce numbers. Employment increased for the thirty-eighth successive month, albeit only modestly.

Lower new orders fed through to a drop in purchasing activity in October, the first in 45 months. Inventories also decreased slightly, while product shortages reportedly led to a lengthening of suppliers' delivery times.

*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:

*"October proved to be a challenging month for Ghana's private sector, with output growth waning amid a fall in new orders. The extreme rainfall seen during the month clearly had a detrimental impact on operations, so firms will be hoping that the weather in November proves more conducive to growth and the fall in new orders in October will just have been a blip."*

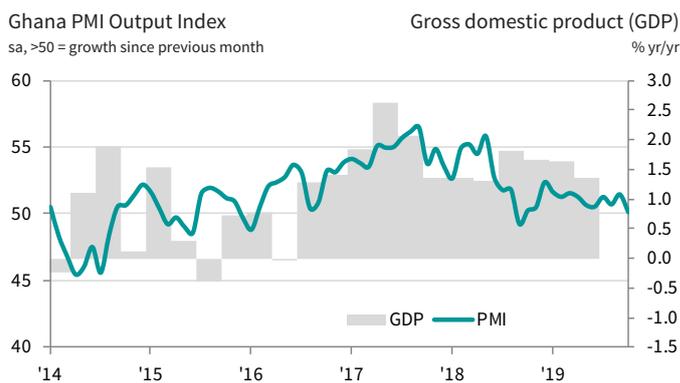
*"Meanwhile, higher fuel prices are also causing an issue on the inflation front, not only via firms having to pay more directly at the pump but also due to the knock-on impact on transport fares which were hiked in September."*

The rate of purchase price inflation accelerated to a five-month high. The latest increase was marked, but still softer than the series average. Panellists reported an increase in transport fares, as well as higher fuel costs.

Staff costs also rose, albeit to a lesser extent than purchase prices. Wages and salaries have now increased in each of the past eight months.

Companies responded to higher input costs by raising their output prices accordingly. Charges have increased continuously throughout the past year-and-a-half. The rate of inflation in October was modest, but quickened for the fourth month running to the fastest since May.

Hopes of improving business conditions in coming months, allied with new company strategies and investment plans, supported optimism among firms in Ghana that output will rise over the next 12 months. Around three-fifths of respondents were confident in the one-year outlook. That said, sentiment eased to a four-month low.



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](mailto:economics@ihsmarkit.com).

### Survey dates and history

October data were collected 11-29 October 2019.

Survey data were first collected in January 2014.

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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](https://ihsmarkit.com/products/pmi.html).