

## IHS Markit Ghana PMI®

### Output growth softens in January

#### Key findings

Slower rises in output and new orders

Rate of job creation at one-year high

Currency weakness leads to sharp purchase cost inflation

The Ghanaian private sector remained in expansion territory in the opening month of 2020, but rates of increase in output and new orders softened from the end of 2019. Recent growth of new work and related pressure on capacity resulted in the sharpest increase in employment for a year, however.

Meanwhile, the rate of purchase cost inflation accelerated due to currency weakness and output prices were raised accordingly.

The headline seasonally adjusted Ghana PMI® posted 50.7 in January, down from December's 18-month high of 52.7 but still signalling a modest improvement in business conditions in the private sector. Operating conditions have now strengthened in each of the past 16 months.

Companies were able to secure greater volumes of new orders again in January, thanks to an expanded client base and good recommendations. That said, the rate of expansion eased to the weakest in the current three-month sequence of growth and was only fractional.

The pace of increase in output also softened, after having hit a 19-month high in December.

Recent growth of new business led to further reports of pressure on capacity during January, with backlogs of work rising solidly again. In an effort to alleviate some of this pressure, companies took on extra staff. Moreover, the rate of job creation quickened to the sharpest since January 2019.

Companies continued to expand their purchasing activity, albeit at a modest pace that was the softest in the current three-month sequence of growth. The extent of the increase was insufficient to replenish inventories, which decreased for the second month running and at the sharpest pace for four years.

Overall input prices continued to rise at a sharp pace in January, *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:

"The Ghanaian economy ticked along at the start of the year. While rates of growth in output and new orders came off the boil, this was probably to be expected given the strong monthly performance seen in December. Pleasingly, the rate of job creation quickened as firms responded to the solid inflows of new work seen in recent months.

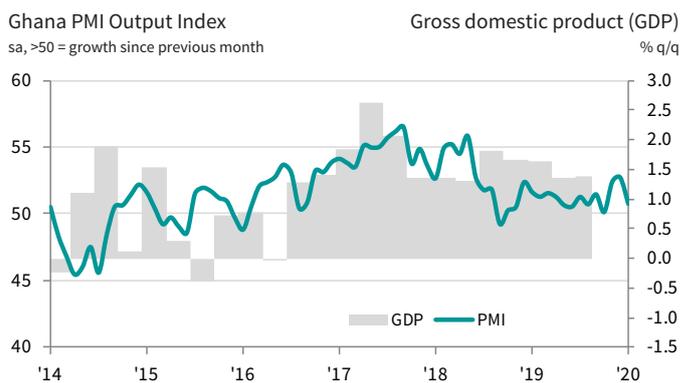
"Firms will be hoping that the economy can build on solid foundations and have a positive year. IHS Markit is forecasting GDP to rise by 5.9% during 2020."

although the rate of inflation softened. Underlying data suggested that this reflected a slightly slower increase in staff costs during the month.

In contrast, the rate of purchase price inflation accelerated and was the fastest since May 2019. According to respondents, weakness of the Ghanaian cedi against the US dollar had acted to push up the cost of imported items.

Companies responded to higher purchase prices by increasing their selling charges accordingly. Output prices have now risen in each of the past 21 months. The latest increase was the fastest for eight months.

Confidence in the 12-month outlook for business activity ticked up at the start of the year and was the highest since January 2019. The opening of new branches is expected to support growth over the next 12 months, with firms also predicting expanded new orders and greater customer numbers. Sentiment was higher than the average since the survey began in January 2014.



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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

January data were collected 13-29 January 2020.

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).