

IHS Markit Ghana PMI®

New orders rise for thirteenth month running, but price increases restrict growth

Key findings

Softest rise in output in 2021 so far

Joint-fastest increase in charges since November 2018

Business sentiment at 14-month low

Data were collected 11-28 June 2021

The final month of the second quarter of 2021 saw further growth in Ghana's private sector, with output, new orders and employment all increasing in June. That said, rates of expansion eased as marked increases in prices restricted growth. Inflationary pressures were also behind a decline in sentiment regarding the 12-month outlook.

The headline seasonally adjusted Ghana PMI® ticked down to 51.0 in June from 51.5 in May. The reading signalled a slight improvement in business conditions, but one that was the weakest in the year-to-date. The health of the private sector has now strengthened in each of the past 11 months.

Continued improvements in customer demand resulted in ongoing increases in both business activity and new orders at Ghanaian companies during June. That said, there were some reports from panellists that price rises had made securing new work more difficult. As a result, output and new business rose only modestly, and in both cases at the slowest rates in six months.

Firms raised their selling prices at a marked pace, and one that was the joint-fastest in just over two-and-a-half years. Where charges increased, this was mainly due to the passing on of higher input costs to customers.

Purchase costs continued to increase sharply, although the rate of inflation softened slightly from that seen in May. Inflationary pressures came from a range of sources, according to respondents. Higher fuel costs were widely mentioned, while rises in freight and other transportation costs were signalled. Raw material shortages also contributed to higher prices.

Alongside rising purchase prices, staff costs also increased in June as firms helped their employees with higher living costs.

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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:

"Whilst the latest Ghana PMI seems to paint a positive picture of the performance of the private sector midway through the year, delving into the details suggests some developing headwinds. Sustained price rises have begun to test the strength of customer demand as increases in costs for fuel, materials and transportation are passed on to clients. There are also growing concerns among companies that price rises are going to restrict growth over the year ahead. Firms will therefore be hoping that price pressures start to ease so that the current sequence of growth can be sustained."

The modest rise in wages was the fastest in three months.

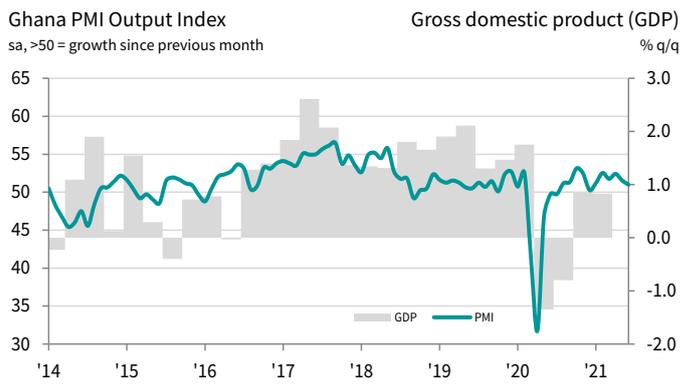
Concerns about cost pressures dampened optimism in the 12-month outlook for business activity, as sentiment dropped to a 14-month low. Nonetheless, firms remained optimistic overall amid hopes of improving economic conditions.

As has been the case in each of the past 11 months, companies in Ghana took on extra staff during June in response to higher workloads. That said, the rate of job creation was modest and the slowest since January.

A further marked accumulation of outstanding business was recorded amid delays in the receipt of raw materials and production issues.

Suppliers' delivery times lengthened fractionally, with delays caused by material shortages. The rate of deterioration in vendor performance was the least marked in 2021 so far.

Higher new orders encouraged firms to expand their purchasing activity, which increased for the eleventh month running. In line with the trends in output, new orders and employment, however, the rate of expansion in input buying softened. Despite increased purchasing, stocks of inputs decreased amid difficulties sourcing materials.



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

June data were collected 11-28 June 2021.

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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