

IHS MARKIT GHANA PMI®

New orders stabilise in October

KEY FINDINGS

New orders broadly unchanged

Output continues to fall

Sharpest rise in charges in 2018 so far

Business conditions in the Ghanaian private sector economy stabilised in October following a first deterioration in 32 months during September. Output continued to fall at the start of the fourth quarter, albeit at a reduced pace, while new orders were broadly unchanged. Companies increased their staffing levels and purchasing activity modestly.

Inflationary pressures continued to build. Overall input prices increased at the sharpest pace in 19 months amid a steep and accelerated rise in purchase costs. The passing on of higher input prices to customers led to a marked pace of output charge inflation, which quickened to a ten-month high.

The headline seasonally adjusted PMI posted 50.2 in October, thereby signalling a fractional monthly improvement in the health of the Ghanaian private sector. This followed a reading of 49.2 in September when the PMI dropped below the 50.0 no-change mark for the first time in 32 months.

Business activity continued to fall in October, the second successive month in which a decline has been recorded. The pace of reduction was slight and weaker than seen in September. Where output decreased, panellists indicated that this was due to a lack of new orders.

After having fallen in the previous month, new orders were broadly unchanged during October amid some signs of improving customer demand.

Backlogs of work increased for the fourth month running as capacity pressures remained despite recent demand weakness.

PMI

sa, >50 = improvement since previous month



Companies responded by increasing their staffing levels again, extending the current sequence of job creation to 26 months.

A rise in purchasing activity was also recorded, with stocks of inputs continuing to accumulate as firms built inventories in order to support activity. Meanwhile, suppliers' delivery times improved modestly, with anecdotal evidence suggesting that they had sufficient stocks to satisfy demand for inputs.

The rate of overall input cost inflation quickened to a 19-month high in October, largely due to a sharp rise in purchase prices. Costs for purchased items increased at the fastest pace since March 2017, with respondents mainly linking higher prices to currency weakness. Meanwhile, staff costs were up modestly over the month, and to a much lesser extent than purchase prices.

Reflective of higher cost burdens, companies in Ghana raised their output prices. Moreover, the rate of inflation was marked, having accelerated for the third month in a row to the fastest in the year-to-date.

Business confidence eased for the sixth consecutive month in October and was the lowest since November 2016. That said, companies remained generally optimistic that output will increase over the coming 12 months amid hopes that economic conditions will improve.

COMMENT

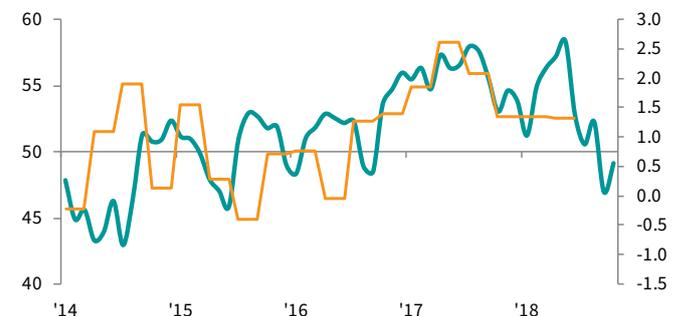
Andrew Harker, Associate Director at IHS Markit, which compiles the Ghana PMI survey, commented:

“In one sense, the stabilisation of the Ghanaian private sector in October is a welcome sign, as it suggests that the economy may be simply going through a soft patch rather than a more prolonged downturn. Demand conditions are clearly less buoyant than earlier in 2018, however.

“The build-up of inflationary pressures is a cause for concern given the impact strong price rises have had on the economy in previous years. That said, rates of both input cost and output price inflation are still well short of the records seen in 2014, and firms will hope that this remains the case going forward.”

Output Index

sa, >50 = growth since previous month



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.

October 2018 data were collected 12-29 October 2018.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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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. To learn more go to ihsmarkit.com/products/pmi.html.