

IHS MARKIT GHANA PMI®

Output rises for sixth month running, albeit at reduced pace

KEY FINDINGS

Modest growth in output and new orders

Purchase cost inflation remains sharp

Sentiment improves to three-month high

The start of the second quarter of the year saw a continued improvement in business conditions in Ghana, although growth remained modest amid fragile demand and cost pressures. Hopes of a more stable exchange rate and improving business conditions helped business confidence improve to a three-month high.

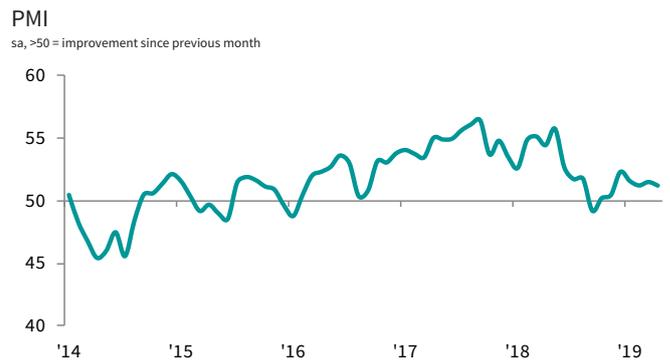
The headline seasonally adjusted PMI® posted 51.2 in April, down slightly from 51.5 in March but indicating a broadly similar picture to the readings so far in 2019. The PMI pointed to a modest improvement in business conditions. The health of Ghana's private sector has now strengthened in seven consecutive months.

There was further positive news with regard to new business, which has increased continuously since last October. The rate of growth quickened for the third month running in April, but remained modest overall. Those panellists that noted a rise in new orders mentioned stronger customer demand.

The increase in new orders fed through to a further expansion of business activity at the start of the second quarter. That said, the rate of growth eased to a marginal pace that was the softest since November 2018.

Confidence in the 12-month outlook for output strengthened to the highest since January. Respondents cited hopes that exchange rates would stabilise and business conditions improve, thereby helping lead to growth of activity.

The latest expansion in business activity was supported by a further increase in employment, extending the current sequence of job creation to 32 months. The pace at which



staffing levels rose was only slight, however.

Despite increased operating capacity, backlogs of work continued to rise in April. Panellists sometimes attributed an accumulation of outstanding business to issues with machinery.

Companies registered a further sharp rise in purchase prices, albeit at a rate that was softer than March's five-month high. Higher fuel costs and currency weakness were the main factors leading to purchase price rises, according to panellists. Meanwhile, staff costs increased marginally for the second month running.

Some firms were able to pass on higher cost burdens to customers, thereby leading to a twelfth consecutive monthly increase in output prices. Moreover, charges rose at a solid pace.

Although purchasing activity continued to expand in April, the rate of expansion slowed to a seven-month low as some respondents indicated that current stock holdings were sufficient. Inventories rose at a marginal pace that was little-changed from March.

Suppliers' delivery times lengthened for the second successive month in April, following a 14-month sequence of improving lead times up until February.

COMMENT

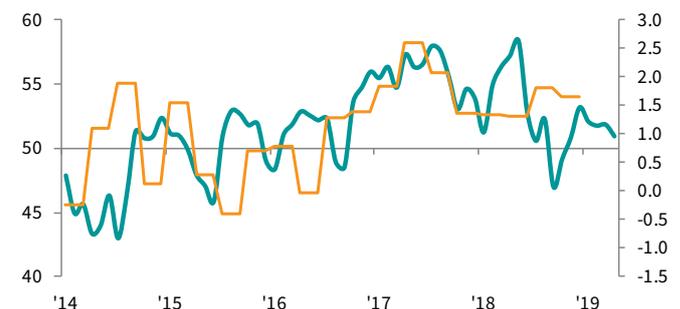
Andrew Harker, Associate Director at IHS Markit, which compiles the Ghana PMI survey, commented:

"The general picture of a modestly improving economy that has been seen through the early part of 2019 was recorded again in April, and expectations for the future picked up based on hopes that recent improvements will continue as the year progresses.

"Positive sentiment partly hinges on a stabilisation of the cedi exchange rate, however, the weakness of which continued to lead to cost inflation in April (along with higher fuel prices)."

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.

April 2019 data were collected 10-26 April 2019.

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

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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.