

IHS Markit Ghana PMI®

Employment rises in line with growth of new orders

Key findings

Job creation at five-month high amid solid rise in new orders

Activity continues to increase, but at reduced rate

Purchase price inflation ticks higher

Data were collected 12-27 October 2021

The start of the fourth quarter of the year saw Ghana's private sector remain in growth territory, with output and new orders each increasing for the second month running in October. Companies expanded their purchasing and employment levels accordingly, with increased capacity enabling firms to deplete backlogs of work.

On the price front, higher costs for fuel and freight alongside currency weakness led to a sharper increase in purchase prices, with firms raising their output charges accordingly.

The headline seasonally adjusted Ghana PMI® remained above the 50.0 no-change mark in October, registering 51.0 from 52.6 in September. The reading pointed to a second successive improvement in business conditions, albeit one that was less marked than that seen in September.

New orders increased for the second month running and at a solid pace. General improvements in demand and the launch of new products were reportedly behind the latest rise.

While new order growth remained solid, the pace of expansion in business activity slowed and was marginal. Some firms suggested that difficulties securing materials had restricted the overall increase in output.

Efforts to expand capacity and keep output growing in line with rising new orders resulted in further increases in both purchasing activity and staffing levels during October.

Employment rose for the second month running, and at the fastest pace since May. Meanwhile, the rate of expansion in purchasing activity was the sharpest since April.

Higher capacity enabled firms to keep on top of workloads, as shown by a third successive reduction in outstanding business. Moreover, the rate of depletion was the sharpest in almost a

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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:

"After returning to growth in September, Ghana's private sector maintained expansion into October and should be set for a positive end to the year. While output was constrained to some extent by difficulties sourcing materials, firms were able to compensate by expanding capacity through hiring workers and purchasing more inputs. Inflationary pressures remain a key headwind, however, with fuel and freight costs in particular a cause for concern."

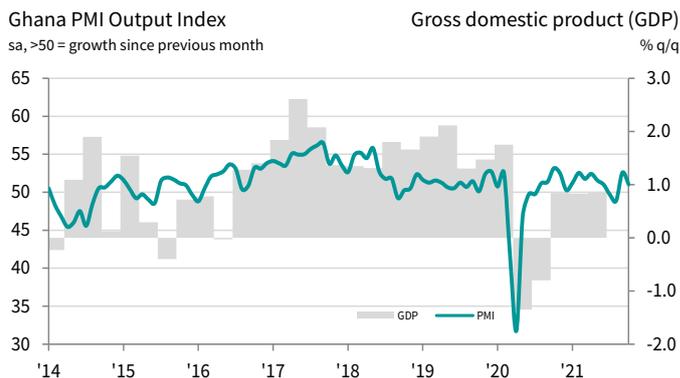
year-and-a-half.

Companies were able to receive their purchased items more quickly in October as suppliers responded well to requests for faster deliveries and companies paid for inputs promptly. In fact, the shortening of lead times was the most marked for seven-and-a-half years.

While some firms were able to expand their inventories, others indicated that material price rises deterred them from holding stocks of inputs. Overall, inventories decreased fractionally.

Higher input costs were again highlighted by the latest survey. Purchase prices rose sharply, with higher fuel costs, increased freight charges and currency weakness the main factors behind the rise. Staff costs were also up, albeit modestly. The passing on of higher input costs to customers resulted in a sharp increase in selling prices, the eighteenth in as many months.

Finally, expectations of further improvements in new orders and hopes of a lack of disruption from the COVID-19 pandemic meant that companies remained optimistic in the 12-month outlook for business activity. Approximately three-quarters of respondents predicted a rise in output, with sentiment improving to a three-month high.



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

October data were collected 12-27 October 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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