

IHS MARKIT GHANA PMI®

Marginal rise in output during August

KEY FINDINGS

Softer rises in both output and new orders

Rate of job creation remains solid

Muted inflationary pressures

Business conditions in Ghana's private sector continued to improve modestly in August. Softer increases in output and new orders were recorded, but employment and purchasing activity continued to rise solidly. Inflationary pressures also remained muted, with below-average increases in both overall input prices and output charges.

The headline seasonally adjusted PMI® dipped to 50.7 in August, just above the 50.0 no-change mark and thereby pointing to a marginal improvement in operating conditions. The reading was down from 51.2 in July. That said, the health of the private sector has now strengthened in 11 consecutive months.

Rates of expansion in both output and new orders softened in August. New business increased at a modest pace, with growth often supported by customer recommendations. Anecdotal evidence suggested that funding issues at customers had limited the pace of expansion.

Business activity rose marginally, and at the slowest pace in three months amid reports of demand softening.

Companies continued to raise their staffing levels at a solid pace, extending the current sequence of job creation to three years. Respondents linked higher employment to increasing workloads and the filling of vacancies. Despite rising capacity, backlogs of work continued to accumulate. Although modest, the latest rise in outstanding business was the fastest in three months.

Purchasing activity increased in response to new order growth, and at a solid pace. Stocks of purchases were little-

PMI

sa, >50 = improvement since previous month



changed, however, amid some reports that companies were reluctant to hold inventories amid softening demand. Where stocks of purchases did rise, panellists linked this to expected increases in demand in coming months.

Suppliers' delivery times were also broadly stable in August. Competition among vendors led to shorter lead times in some cases, but in others product shortages resulted in delays.

The rate of purchase price inflation slowed to a 26-month low, and was well below the series average. Where purchase costs did rise, this was linked to higher fuel costs and currency weakness.

Meanwhile, staff costs continued to rise only modestly despite the rate of inflation picking up amid hiring activity and efforts to motivate existing staff.

Although some panellists passed on higher input costs to customers, the vast majority of firms (94%) left their selling prices unchanged in August. As a result, the pace of output price inflation remained muted.

Hopes of an improvement in business conditions supported optimism of a rise in output over the coming year. That said, sentiment dipped from July and was the second-weakest in 33 months.

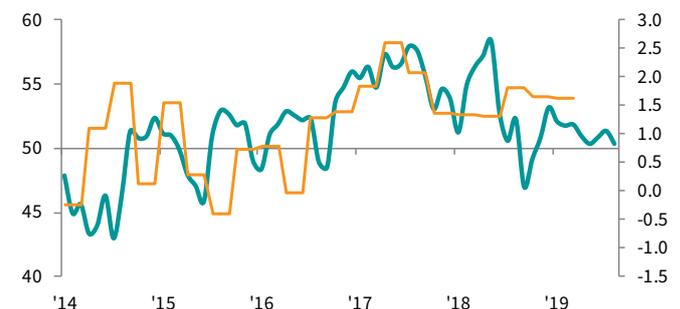
COMMENT

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

"It was disappointing to see output growth in Ghana take a step back in August and fail to continue to build momentum. The apparent difficulties of customers to secure sufficient funds to commit to new orders appears to be holding the private sector back. This is despite a relative lack of inflationary pressure at present."

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.

August 2019 data were collected 12-28 August 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](https://www.ihsmarkit.com/products/pmi.html).