

## IHS MARKIT GHANA PMI®

### Output returns to growth in November

#### KEY FINDINGS

First rise in business activity in three months

Rate of job creation at two-year low

Output prices rise at fastest pace since March 2017

Output in Ghana's private sector returned to growth in November as demand showed signs of improvement following a recent soft patch. Firms continued to increase their staffing levels, albeit at a reduced rate. Meanwhile, business confidence jumped to a seven-month high.

On a less positive note, strong cost inflation was recorded again, particularly for purchases. This led output prices to rise at the fastest pace since March 2017.

The headline seasonally adjusted PMI posted 50.5 in November, remaining just above the 50.0 no-change mark following a reading of 50.2 in October and thereby signalling a marginal improvement in the health of the Ghanaian private sector. Successive improvements in operating conditions followed a decline in September, but growth remains much softer than seen earlier in 2018.

Output returned to growth in November, ending a two-month sequence of contraction. The increase was only marginal, however, and weaker than the average for 2018 so far. Where activity increased, panellists linked this to signs of improving customer demand.

New business rose for the second month running, with the rate of expansion gathering pace but remaining modest. Backlogs of work also continued to increase, in some cases due to stock shortages.

Efforts to combat this were evident in a marked rise in purchasing activity, the strongest since May. Stocks of purchases rose only slightly, however, as inputs were often used to support increased activity. In fact, the latest

PMI

sa, >50 = improvement since previous month



accumulation of inventories was the least marked in 33 months.

As has been the case in each month since September 2016, companies in Ghana raised their staffing levels during November. That said, the rate of job creation slowed to a two-year low as a result of relatively weak new order receipts in recent months.

Marked inflationary pressures were again a feature of the survey in November. The rate of output price inflation quickened for the fourth successive month and was the sharpest since March 2017. Panellists reported that higher charges reflected the passing on of increased input costs.

Overall input prices continued to rise at a sharp pace, with inflation only slightly softer than October's 19-month high. Data suggested that purchase prices were the key driver of overall input cost inflation as staff costs rose only modestly. Where purchase prices increased, this was generally linked to cedi weakness against the US dollar and higher fuel costs.

Hopes that economic conditions will improve fuelled confidence among companies in Ghana that output will increase over the coming year. Moreover, sentiment rose sharply and was the highest in seven months. More than three-quarters of respondents expect activity to be higher than current levels in 12 months' time.

## COMMENT

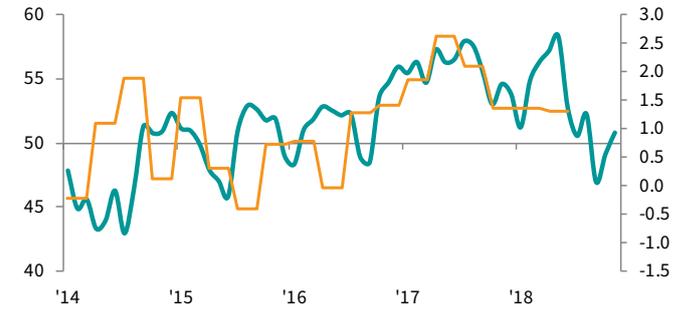
Andrew Harker, Associate Director at IHS Markit, which compiles the Ghana PMI survey, commented:

*"The Ghanaian economy continues to recover modestly from September's deterioration, seeing a return to growth of business activity in November. This suggests that GDP will remain in positive territory during the final quarter of the year. The recent softness of customer demand has impacted on hiring decisions, however, with companies increasing employment at the slowest pace for two years."*

*"Any recovery in demand won't be helped by stronger inflationary pressures. Prices charged increased to the greatest extent since March 2017, which could see annual CPI inflation heading back towards the 10% mark."*

## Output Index

sa, >50 = growth since previous month



Sources: IHS Markit, Ghana Statistical Service.

## CONTACT

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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.

November 2018 data were collected 12-28 November 2018.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto: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](http://ihsmarkit.com/products/pmi.html).