

IHS MARKIT GHANA PMI®

New order growth eases in June

KEY FINDINGS

Slowest rise in new business for eight months

Modest increases in output and employment

Weakest overall cost inflation in survey's history

The private sector in Ghana moved closer to stagnation in June as the PMI ticked down for the third month running amid the slowest rise in new orders for eight months. New business, output and employment all continued to expand, however. Meanwhile, the rate of overall input cost inflation slowed to the weakest in the five-and-a-half year survey so far and output prices also rose at a slower pace.

The headline seasonally adjusted PMI® ticked down to 50.5 in June from 50.6 in May. Although posting above the 50.0 no-change mark for the ninth successive month, the PMI signalled only a marginal improvement in business conditions that was the softest since last November. The index has now dipped in three successive months.

Central to the drop in the headline index was a slowdown in the rate of new order growth. New business rose at the weakest pace since last October, with some panellists reporting a lack of funds among customers. Where new orders increased, respondents noted signs of improving demand.

Modest signs of improvement encouraged companies to expand their activity again in June, extending the current sequence of growth to eight months. The rate of growth remained marginal, but was slightly stronger than seen in May.

Reports of delays in the delivery of products resulted in a slight build-up of backlogs of work, the twelfth in as many months.

Meanwhile, greater output requirements contributed to a

PMI

sa, >50 = improvement since previous month



further increase in employment at the end of the second quarter. The rate of job creation was modest, and in line with the average across the quarter as a whole. Staffing levels have now risen in each of the past 34 months.

Softer inflationary pressures were recorded in June. Overall input prices increased at the slowest pace since the survey began in January 2014. Both purchase prices and staff costs rose at weaker rates. Purchase costs continued to increase solidly, however, often due to currency weakness.

The rate of output price inflation eased for the third month running. The modest increase in charges during June was the weakest since May 2018. Competitive pressures and efforts to attract customers reportedly limited the extent to which companies were able to pass on higher input costs.

Purchasing activity increased to the greatest extent in three months. Stocks of purchases decreased, however, partly due to difficulties in sourcing certain items. The fall was the first in almost three-and-a-half years.

Business confidence dropped to the lowest in 31 months during June. That said, companies remained optimistic that output will increase over coming year, often reflecting hopes of continued new order growth.

COMMENT

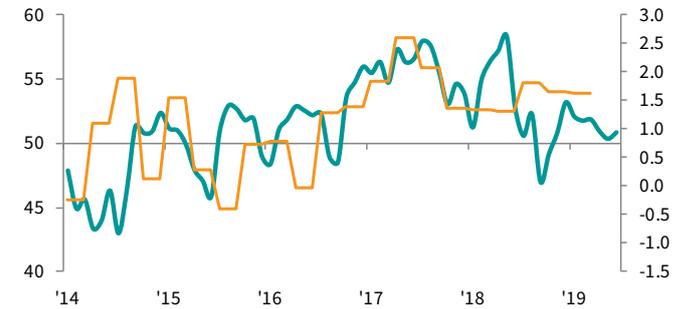
Andrew Harker, Associate Director at IHS Markit, which compiles the Ghana PMI survey, commented:

“The recent soft-patch in the Ghanaian private sector continued in June, with growth of new orders moderating. The data for the second quarter as a whole suggest that economic growth continued to soften.

“There was continued respite on the price front, however, with overall costs rising at the slowest pace in the survey's history. This at least reduces pressure on margins at a time when sales are often hard to come by.”

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.

June 2019 data were collected 12-26 June 2019.

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.