

IHS Markit Ghana PMI®

Sharpest rise in output since May 2018

Key findings

Marked increase in business activity

New order growth also accelerates

Business sentiment at 11-month high

Ghana's private sector ended 2019 on a positive note, with the strongest improvement in business conditions for a year-and-a-half. December saw accelerated growth in output and new orders, helping lead business confidence up to an 11-month high.

On the price front, rates of purchase price and staff cost inflation quickened, but the pace at which firms raised their selling prices remained modest.

The headline seasonally adjusted Ghana PMI® rose to 52.7 in December, up from 52.4 in November and signalling a further solid improvement in business conditions in the private sector. In fact, the latest improvement was the most marked for a year-and-a-half.

Business activity rose markedly during December, with the rate of expansion accelerating for the second month running to the fastest since May 2018.

Respondents often linked higher output to increases in new orders, which continued to recover from a slight fall in October.

Moreover, the rate of new order growth accelerated to a one-year high, which imparted further pressure on operating capacity. As a result, backlogs of work increased, and at the second-fastest pace in the six-year survey history, slower only than the rise in January 2019.

Rises in both new and outstanding business encouraged further job creation in the private sector. Employment rose for the fortieth consecutive month, and at a solid pace, albeit one that was softer than seen in November.

Improving client demand led firms to expand their purchasing activity in December. The rise was the second in as many months following a slight fall in October.

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Ghana PMI
sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, Andrew Harker, Associate Director at IHS Markit, said:

"Ghana's private sector saved the best till last in terms of performance during 2019, seeing solid new order growth and a marked expansion of business activity. This helped support a strong pick-up in confidence, with firms more optimistic regarding the future than at any time since the opening month of the year. Should these trends continue, 2020 could see an improvement on the generally muted growth seen across 2019."

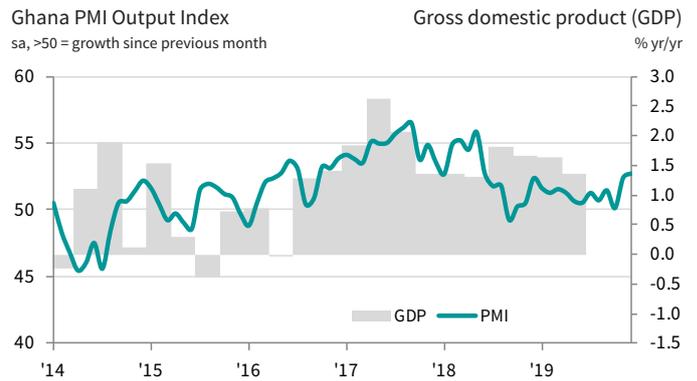
Despite the rise in purchasing activity, stocks of inputs ticked down as items were used to support output. Meanwhile, suppliers' delivery times shortened for the first time in four months.

Purchase costs rose at a marked pace at the end of 2019, with the rate of inflation the fastest since May. A number of respondents indicated that currency weakness had been the main factor leading to higher purchase prices.

Staff costs also rose at a sharper pace, with the rate of inflation the fastest for a year-and-a-half.

Higher input costs led Ghanaian companies to raise their selling prices in response. Charges were up modestly in December, albeit at a slightly slower pace than in November. Some panellists highlighted promotional offers and discounts to help attract customers.

Accelerated growth of output and new orders, and hopes of further improvements over the course of 2020, led to an increase in optimism among firms at the end of 2019. Sentiment was the strongest since the opening month of the year, with close to 70% of respondents predicting an expansion of business activity over the next 12 months.



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

December data were collected 05-19 December 2019.

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. To learn more go to ihsmarkit.com/products/pmi.html.