

IHS Markit Ghana PMI®

Solid rise in output at start of 2021

Key findings

Further increases in output and new orders

Overall input prices rise at sharpest pace since June 2015

Employment growth sustained

Data were collected 12-27 January 2021

The opening month of 2021 proved positive for Ghana's private sector, with further expansions in output, new orders and employment recorded. Companies remained hopeful that business activity would continue to rise over the coming year. Inflationary pressures built, however, with both input costs and output prices increasing at sharper rates than in December.

The headline seasonally adjusted Ghana PMI® rose to 51.2 in January, up from 50.3 in December and signalling a sixth successive improvement in the health of the private sector in as many months.

January data pointed to a solid increase in business activity, and one that was more marked than in the previous month. Rising new orders and the reopening of schools following a nine-month shutdown due to the coronavirus disease 2019 (COVID-19) pandemic were reportedly behind the improvement in activity.

New orders were also supported by the reopening of schools. New business expanded for the eighth consecutive month, albeit at a modest pace as some firms indicated that customers were struggling to fund new orders.

Price rises exacerbated these customer issues and made new business harder to secure in some cases. Ghanaian firms increased their charges for the ninth month running, and to the greatest extent since November 2018.

The rise in selling prices was in response to higher input costs, which increased at the fastest pace since June 2015 amid sharper rises in both purchase prices and staff costs. Purchase costs rose at the steepest pace in almost two years, due to a range of factors including higher prices for raw materials, freight and fuel as well as currency weakness. Staff costs, meanwhile,

continued...

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:

"Ghana's private sector started 2021 on the front foot, with latest PMI data pointing to a pick-up in growth during January. The recent rise in COVID-19 case numbers, however, throws the sustainability of the current upturn into doubt. February PMI data will show how this renewed wave of infections impacts the private sector economy. One further headwind is rising inflationary pressures, with firms increasing their selling prices at the quickest pace in just over two years in response to sharply higher cost burdens."

increased at the fastest pace in just over two-and-a-half years.

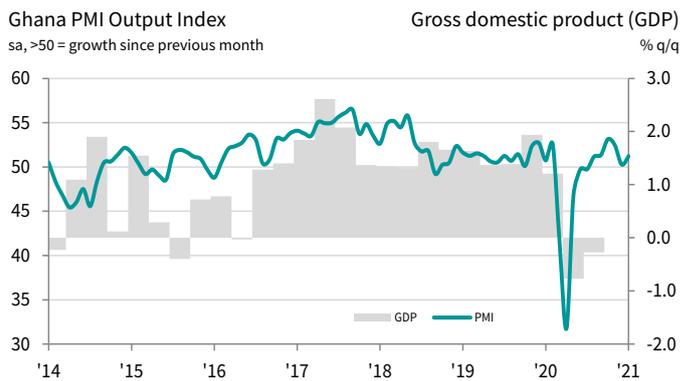
The increase in raw material costs was often linked to supply shortages, which also resulted in a slight lengthening of suppliers' delivery times.

Challenges sourcing items contributed to a second successive monthly fall in stocks of purchases, as did a slower rise in purchasing activity. In fact, input buying increased at the weakest pace in six months as price rises and sustained purchasing in previous months discouraged some firms from their procurement plans.

Backlogs of work increased for the sixth successive month in January, with issues around cash flow and raw material supplies reportedly contributing to delays in the completion of orders.

Rising workloads encouraged companies to fill vacancies at the start of the year. Employment continued to increase steadily, extending the current sequence of job creation to six months.

Companies remained hopeful that business activity will rise over the coming year. Sentiment was broadly in line with that seen in December, with more than three-quarters of respondents expecting growth 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

January data were collected 12-27 January 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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