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IHS Markit Ghana PMI®

Private sector returns to growth in August

Key findings

Activity rises for first time in six months

Employment and purchasing activity also increase

Business confidence strengthens

Data were collected 12-26 August 2020

Ghana's private sector returned to growth in August as the recovery from the severe contractions seen earlier in the year continued. A further increase in new orders helped support a renewed expansion in business activity as demand improved following a gradual loosening of restrictions related to the coronavirus disease 2019 (COVID-19) pandemic. Employment and purchasing activity also moved higher during the month.

The headline seasonally adjusted Ghana PMI® rose to 51.2 in August from 49.7 in July. The reading was above the 50.0 no-change mark for the first time in six months and signalled a modest improvement in business conditions in the private sector.

Reports from panellists indicated that demand had gradually strengthened in recent months following the easing of lockdown restrictions. New orders increased for the third month running during August, although the rate of growth remained modest.

Higher new orders and less stringent restrictions on activity helped lead to a return to growth of output. Business activity increased for the first time in six months, and at a solid pace.

There were signs of building capacity pressures as backlogs of work increased for the first time in six months amid sustained growth of new orders. Rising workloads encouraged companies to take on additional staff. Employment increased marginally, thereby ending a five-month sequence of job cuts.

Companies also raised their purchasing activity for the first time in six months, often reflecting signs of improving customer demand. Stocks of purchases continued to fall, however, with some panellists reporting an ongoing reluctance to hold inventories.

Suppliers' delivery times were broadly unchanged midway

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:

"Latest PMI data suggests that Ghana's private sector is making steady progress on the road to recovery, with sustained new order growth in recent months now feeding through to support expansions in activity, employment and purchasing. There were even signs of capacity pressures returning, boding well for activity and employment in coming months. In fact, sentiment regarding activity improved to the highest in three-and-a-half years. The COVID-19 pandemic clearly remains a threat to the continuation of this month's positive trend, but all being well firms will hope to see growth momentum build over the rest of the year."

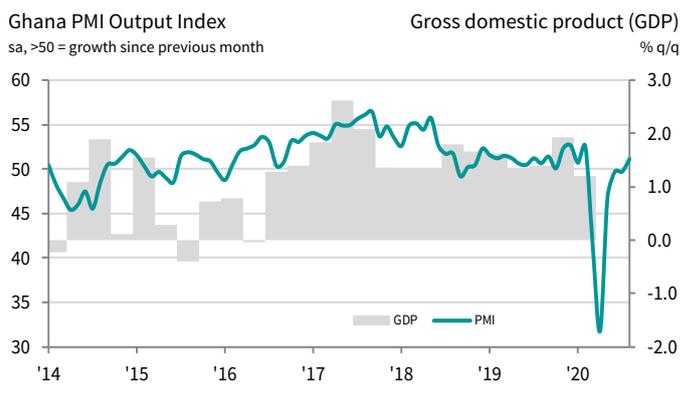
through the third quarter, following marked disruption to supply chains during the worst of the COVID-19 downturn. Ongoing material shortages led to longer delivery times at some companies, but increasing activity at suppliers meant that other firms were able to receive purchased items more quickly than in July.

Cost inflationary pressures continued to build in August. Overall input prices increased to the greatest extent in 22 months. The rate of inflation of purchase prices outpaced that seen for staff costs, although wages and salaries rose for the first time in six months.

Where purchase costs rose, panellists linked this to material shortages, exacerbated by border closures. Higher food and fuel prices were mentioned in particular.

Companies often looked to pass on higher input costs to their customers, resulting in a fourth successive increase in selling prices. That said, the rate of inflation remained muted.

Companies were strongly confident that business activity will rise over the coming year, with sentiment improving to a three-and-a-half year high. Optimism reflected signs of strengthening customer demand and hopes that this will continue in coming months.



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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

August data were collected 12-26 August 2020.

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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