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IHS Markit Ghana PMI®

Signs of stabilisation in Ghana's private sector

Key findings

Rates of decline in output and new orders slow sharply

Employment continues to fall markedly

Marginal increase in prices charged

Data were collected 12-27 May 2020.

The Ghanaian private sector moved towards stabilisation in May as a loosening of coronavirus disease 2019 (COVID-19) lockdown measures resulted in much softer reductions in output and new orders than the unprecedented declines recorded in April. Business confidence also picked up. The rate of job cuts remained marked, however, amid reports of spare capacity and the implementation of social distancing rules.

The headline seasonally adjusted Ghana PMI® rose by 15 index points in May, registering 46.7 from the record low of 31.7 posted in April. Although still signalling a solid deterioration in business conditions, the latest reading pointed to the weakest decline in three months.

Business activity in Ghana's private sector decreased for the third month running in May, although the rate of contraction slowed substantially from that seen in April as some firms restarted operations following a loosening of COVID-19 lockdown measures.

A similar trend was seen with regards to new orders. Where a decline in new business was recorded, panellists reported an ongoing reluctance among customers to spend due to worries around the pandemic.

Continued falls in new orders resulted in spare capacity, with backlogs of work decreasing sharply for the third consecutive month.

Marked job cuts were recorded in May, with the pace of reduction only slightly softer than that seen in April. Some panellists reported that social distancing rules meant that they had to reduce their staff numbers. Job cuts and shorter working hours contributed to a further decrease in staff costs.

Companies reduced their purchasing activity again, with some

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:

"While still signalling a private sector in decline, the May PMI data for Ghana provide cause for encouragement. Rates of contraction in output and new orders eased markedly following the loosening of lockdown restrictions, with both nearing stabilisation. The picture around employment was something of a concern, with some panellists reporting that the implementation of social distancing rules meant that they had to reduce workforce numbers. This could potentially delay any return to net hiring even if new order volumes improve.

"The data raise hopes that a return to growth in the economy may even be seen in June, while companies themselves are at their most optimistic for a year-and-a-half."

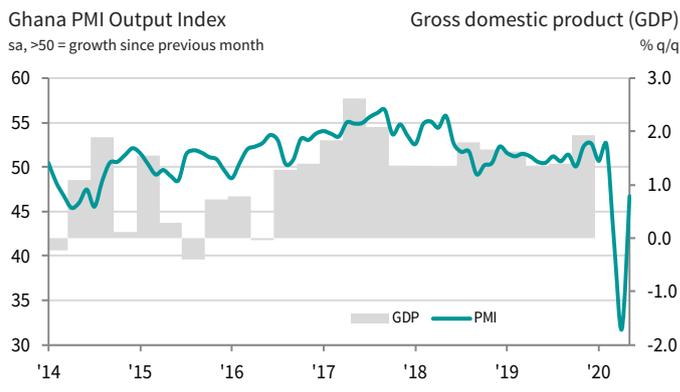
respondents signalling that current inventory holdings were sufficient to support activity. Stocks of purchases also decreased at a marked, but slower pace.

Suppliers' delivery times lengthened for the third month running. That said, the rate of deterioration in vendor performance was only modest as an easing of lockdown restrictions and lack of traffic on roads helped some suppliers to speed up deliveries. Where lead times lengthened, this was generally attributed to material shortages.

Shortages of materials were also a factor behind some companies seeing a rise in purchase costs during May. On the other hand, lower demand for inputs put downward pressure on supplier prices. Overall, purchase costs were unchanged from April.

A marginal increase in output prices was signalled, thereby ending a three-month sequence of falling charges. Where a rise was recorded, panellists linked this to higher costs for some purchases. The rate of inflation was only marginal, however, amid discounts offered by some companies to attract customers.

Finally, business confidence rebounded and was the highest since November 2018 amid hopes that economic conditions will return to normal once the COVID-19 pandemic subsides.



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

May data were collected 12-27 May 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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