

IHS MARKIT GHANA PMI®

Business conditions deteriorate for first time in 32 months

KEY FINDINGS

PMI posts below 50.0 in September

Output and new orders decrease

Employment continues to rise

Companies in Ghana recorded a deterioration in business conditions at the end of the third quarter of the year as both output and new orders decreased in September. On a more positive note, employment continued to rise.

Meanwhile, the rate of purchase price inflation accelerated amid currency weakness and higher fuel costs. As a result, output prices were raised to a greater extent.

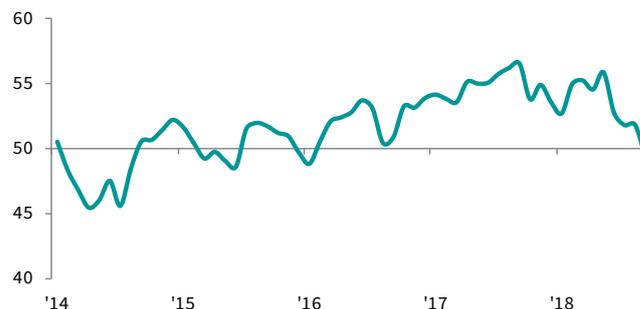
The headline PMI dropped below the 50.0 no-change mark in September, registering 49.2. This was down from 51.8 in August and signalled the first deterioration in business conditions since January 2016. The decline in the health of the private sector was only modest, however.

Deteriorating business conditions were largely reflective of reductions in both output and new orders. Output decreased at a solid pace during September, ending a 23-month period of growth. Moreover, the fall in activity was solid, and the most marked since June 2015. Where output decreased, panellists mentioned lower new orders and weakness of the Ghanaian cedi against the US dollar.

The modest decline in new business recorded in September was the first in 32 months. Some panellists reported that higher prices had deterred customers.

The rate at which companies increased their output prices quickened to a seven-month high, but remained relatively modest as panellists reported efforts to attract clients. Where a rise in charges was recorded, this was mainly in response to higher input costs.

PMI
sa, >50 = improvement since previous month



Overall input prices rose sharply in September, largely reflecting a steep and accelerated rise in purchase costs. The latest increase in purchase costs was the strongest since April 2017 and was largely due to currency weakness, but also higher fuel prices. Staff costs, meanwhile, rose marginally and at the slowest pace in over two years.

Despite lower new orders, companies in Ghana increased their staffing levels. Moreover, the rate of job creation quickened in September. Some panellists mentioned having filled vacant positions during the month.

Backlogs of work increased for the third month running, albeit at a marginal pace that was the slowest in the current sequence of expansion.

The rate of growth in purchasing activity eased for the second month running in September and was the weakest in over two-and-a-half years. Similarly, stocks of purchases increased at a reduced pace.

Efforts to provide a good service meant that suppliers improved their delivery times, albeit modestly. Lead times have shortened continuously throughout 2018 so far.

Finally, business confidence dipped to a 22-month low. That said, on balance firms continued to predict a rise in output over the coming year amid hopes that business conditions will improve.

COMMENT

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

“Declines in output and new orders in September end a successful period in the Ghanaian economy, and as has been the case in the past are closely linked to currency weakness. Companies reported stronger purchase cost inflation and raised their own charges accordingly, thereby deterring some customers. Given the recent good performance of the economy IHS Markit forecasts GDP growth of 8.9% in 2018, but should September's data be the start of a downturn there are downside risks to this outlook.”

CONTACT

IHS Markit

Andrew Harker
Associate Director
T: +44-1491-461-016
andrew.harker@ihsmarkit.com

Joanna Vickers
Corporate Communications
T: +44-207-260-2234
joanna.vickers@ihsmarkit.com

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.

September 2018 data were collected 12-26 September 2018.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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About PMI

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.