

IHS Markit Ghana PMI®

Business conditions broadly stable in Ghana during July

Key findings

New orders rise, but companies continue to lower activity

Employment scaled back again, but at reduced pace

Purchase costs increase at fastest rate since January

Data were collected 13-29 July 2020

Business conditions in Ghana's private sector were broadly stable again in July, mirroring the picture seen in June. New orders picked up amid some signs of improving demand, but firms continued to lower output amid ongoing weakness caused by the coronavirus disease 2019 (COVID-19). A lack of pressure on capacity led to another reduction in staffing levels.

Purchase costs rose at a marked pace during the month, often reflecting higher fuel prices. In response, firms raised their selling prices for the third month running.

The headline seasonally adjusted Ghana PMI® posted 49.7 in July, unchanged from the reading in June and signalling stability of business conditions in the private sector for the second successive month.

New orders increased for the second month in a row during July amid some signs of improving demand. That said, the rate of expansion was modest and slower than recorded during June.

Despite the recent pick-up in new orders, the severity of the COVID-19 downturn meant that underlying demand remained weak at the start of the third quarter. As a result, companies continued to reduce their business activity, extending the current period of decline to five months. The latest fall was modest and broadly in line with that seen in the previous month.

Companies also continued to scale back employment, albeit to the least extent in the current five-month sequence of job shedding. Spare capacity remained evident, with backlogs of work falling at a marked pace during July.

The rate of overall input cost inflation was sharp in July, quickening to the fastest in the year-to-date amid a marked increase in purchase prices. Higher purchase costs were linked to a number of factors, most notably higher fuel prices. Also

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 Ghana's economy seems to have left the worst of the COVID-19 downturn behind for now, the latest PMI data point to a return to stability rather than any strong rebound in output. Caution remains evident with regards to business activity, purchasing and employment, although companies are increasingly hopeful that the coming year will see the situation improve.

"Stronger cost inflation will not help matters, with companies already under pressure. Higher fuel prices were widely reported to have contributed to increasing cost burdens during July."

contributing to increases in purchase costs were material shortages and currency weakness.

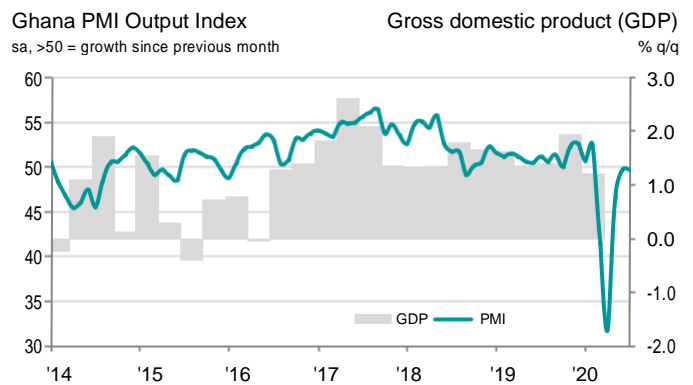
In contrast to the picture for purchase prices, staff costs continued to fall in line with reduced workforce numbers.

Higher purchase costs led companies to raise their own selling prices in July, the third month running in which this has been the case. The rate of inflation quickened, but remained relatively muted.

As well as contributing to rising purchase prices, material shortages were linked to a further lengthening of suppliers' delivery times. Border closures were also a factor behind longer lead times. That said, vendor performance deteriorated to a lesser extent than in June.

Fragile demand conditions led to a reluctance among firms in Ghana to hold inventories, thereby resulting in further reductions in both purchasing activity and stocks of purchases.

Hopes of a reduction in the prevalence of COVID-19 and return to more normal economic conditions led to optimism among companies regarding the 12-month outlook for activity. Moreover, sentiment strengthened to the highest since April 2018.



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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

July data were collected 13-29 July 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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