

News Release

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S&P Global Ghana PMI[®]

Business confidence improves amid signs of downturn easing

Key findings

Optimism hits one-year high

Softer falls in output and new orders

Charge inflation slows sharply

Business conditions remained challenging in the Ghanaian private sector during January, although there were further signs that the worst of the current downturn has passed. Inflationary pressures continued to affect the ability of firms to secure new business and raise activity, leading to further declines. Rates of contraction moderated again, however, helped by softer inflation of input costs and output prices.

These tentative signs of improvement prompted a further pick-up in business confidence, while employment increased slightly.

The S&P Global Ghana Purchasing Managers' Index[™] (PMI[®]) remained below the 50.0 no-change mark in January, posting 47.2 from 47.0 in December. Business conditions have now deteriorated on a monthly basis throughout the past year. The latest decline was solid, albeit the least pronounced since July last year.

New business decreased solidly in January, with customers reportedly finding it difficult to fund purchases. That said, the fall in new business was the softest in six months.

Similarly, business activity declined at a weaker pace at the start of the year, albeit one that was still marked nonetheless amid continued price pressures.

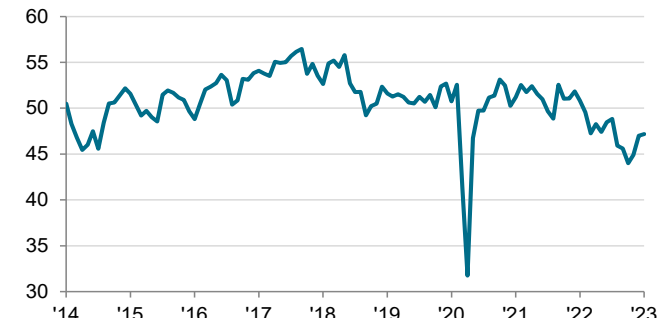
Overall input costs rose sharply, but the rate of inflation eased to a six-month low as purchase prices increased at a pace that was much weaker than seen in December last year. Some companies saw price pressures weaken due to the improved position of the cedi against the US dollar relative to that seen towards the end of last year. However, a renewed depreciation in the currency during January was the main factor behind higher purchase costs.

Staff costs continued to rise at a solid pace as companies responded to higher living costs by increasing their employees' pay.

In line with the picture for purchase prices, the rate of

S&P Global Ghana PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 12-27 January 2023.

Comment

Andrew Harker, Economics Director at S&P Global Market Intelligence, said:

"While times remained tough for firms in Ghana at the start of the year as price pressures continued to limit demand, there were further tentative signs that the worst of the current downturn has passed. Rates of purchase cost and selling price inflation moderated further, leading to softer declines in output and new orders.

"These improvements, and hopes that firms will face a more normal business environment over the coming year, led confidence to hit a one-year high. While there are likely to be further turbulent times ahead, a sign of the positive sentiment was that companies expanded their staffing levels despite current workloads continuing to fall."

PMI[®]

by S&P Global

charge inflation slowed markedly at the start of the year and was well below November's survey peak. In fact, the rise in charges was the slowest since December 2021.

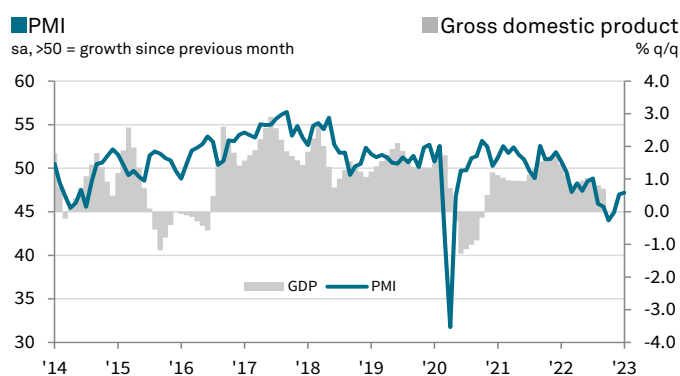
Hopes that the situation regarding exchange rates and inflation will improve, helping a return to more normal business conditions, supported growing confidence in the year ahead outlook for business activity. Optimism hit a one-year high as 81% of panellists predicted an expansion in output.

With confidence up, companies made efforts to fill staffing vacancies and raised employment for the second month running. The rate of job creation was slight, but faster than seen in December.

Part of the increase in employment was in order to prevent a build-up in backlogs of work. Companies were successful in this regard, but outstanding business decreased at the softest pace in seven months.

With demand remaining weak, companies lowered their purchasing activity again in January, albeit at a modest pace that was the softest in six months. Meanwhile, stocks of purchases fell solidly as firms reported a reluctance to hold inventories.

Finally, suppliers' delivery times continued to shorten, extending the current sequence of improving vendor performance to a year-and-a-half. Panellists reported strong competition among suppliers supporting improvements in lead times.



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Survey methodology

The S&P Global Ghana PMI™ is compiled by S&P Global 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. Data were first collected January 2014.

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.

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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. ihsmarkit.com/products/pmi.html