

# News Release

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## S&P Global Ghana PMI<sup>®</sup>

### Business conditions deteriorate sharply in October

#### Key findings

Output and new orders fall at the quickest pace since April 2020

Solid and accelerated depletion in stocks of purchases

Near-record rate of output-charge inflation

October data revealed another substantial deterioration in business conditions in Ghana's private sector amid accelerated downturns in output, new orders, input inventories and employment. Panel comments alluded to severe implications of worsening cedi-dollar exchange rates which reportedly weighed on client demand. Subsequently, sentiment fell to the lowest for over two-and-a-half years with firms also indicating concern over the global macro economy.

Meanwhile, prices data signalled elevated rates of input cost inflation, with purchase expenses particularly high. That said, the rate of overall input price inflation moderated, which contrasted with an accelerated rise in selling prices. In fact, output charges increased at a near-record rate, surpassed only by that seen in August.

The S&P Global Ghana Purchasing Managers' Index<sup>™</sup> (PMI<sup>®</sup>) posted below the neutral value of 50.0 for the ninth month in a row (44.0 in October from 45.6 in September), signalling another deterioration in business conditions. The latest result was the third-weakest in the survey's history, surpassed only by that seen during the height of the pandemic in March and April 2020.

Central to the latest deterioration were accelerated falls in output and new orders. In fact, the rates of declines in both cases were the most pronounced since the initial phase of the pandemic (in March and April 2020), and the third-steepest in the survey's history. According to panel comments, clients were deterred from placing orders in light of high prices. Firms scaled back on their output levels in response to weaker demand.

Lower output requirements led firms to reduce their purchasing activity sharply with the rate of decline the quickest since April 2020. Pre-production inventory holdings were also cut amid growing pressures on firms' profits and weaker inflows of new work.

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sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 12-27 October 2022.

#### Comment

Shreeya Patel, Economist at S&P Global Market Intelligence, said:

"Latest PMI data for Ghana signalled another marked deterioration in business conditions at the start of the fourth quarter. Output and new orders fell sharply with the rates of decline among the quickest in the survey's history and surpassed only by those seen during the initial phase of the pandemic in March and April 2020. Consequently, firms grew less optimistic of their output expectations over the year-ahead and cut their headcounts solidly.

"Recent performance largely reflected the unfavourable cedi-dollar exchange rate movements which exerted upward pressure on costs and selling prices. The higher revisions to selling prices deterred customers from placing orders in October.

"The Ghanaian economy has struggled over the last year or so and latest data suggests the troubling trading conditions are set to persist. Recent currency weakness has pushed the economy deeper into contraction territory, with businesses showing increased concern over the current environment. For now, firms will hope that the currency recovers, and price pressures subside."

PMI<sup>®</sup>

by S&P Global

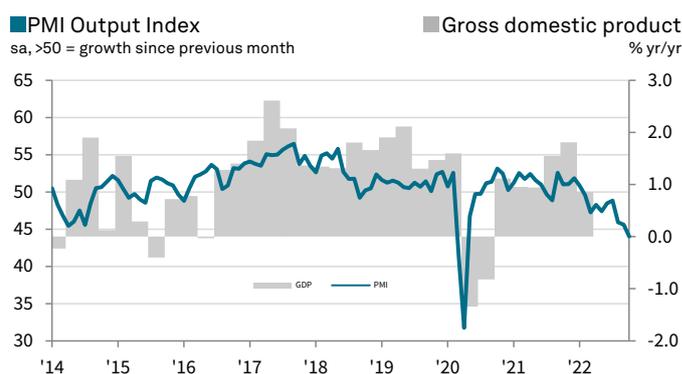
Ghanaian firms also reduced their headcounts during the month with the rate of decline solid and the quickest since June 2020. Recent pressures on costs led firms to scale back on workforces but firms also blamed a lack of new orders.

Outstanding business at Ghanaian private sector firms fell, signalling ten consecutive months of decline. Moreover, the rate of backlog depletion was sharp, and the quickest since March. Subdued demand conditions allowed firms to work through their incomplete work.

Vendor performance improved in October, signalling fifteenth successive months of improvement. That said, lead times shortened at the weakest rate since that seen at the start of the year.

Purchase costs continued to rise markedly, despite inflation softening to a three-month low. The rise was overwhelmingly linked to unfavourable cedi-dollar exchange rate movements. Despite moderating to a three-month low, the overall rate of input price inflation was substantial. In response, firms hiked their selling charges at the second-fastest rate in the survey's history, with the latest increase outpaced only by that seen in August.

Ghanaian businesses foresee an expansion in output by October 2023 with firms hopeful that market conditions would stabilise and price pressures would ease. That said, the degree of optimism was the weakest since the start of the COVID-19 pandemic in March 2020 amid concerns over currency weakness and the wider demand environment.



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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](mailto: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](https://ihsmarkit.com/products/pmi.html)