

News Release

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S&P Global Ghana PMI[®]

Business conditions deteriorate sharply in August

Key findings

Output and new orders fall at sharp and accelerated pace

Vendor performance improves to greatest extent in survey history

Record rate of output price inflation

Business conditions in Ghana's private sector deteriorated sharply in August as price pressures continued and weighed on demand. Output and new orders fell at sharp and accelerated rates while headcounts were cut for the second month in a row. Subsequently, firms moderated their output expectations for the year ahead. At the same time, vendor performance improved to the greatest extent in the survey's history.

On the price front, overall input price inflation quickened to a near eight-year high amid unfavourable dollar-cedi exchange rate movements and rising fuel costs. In turn, output prices increased at the sharpest pace on record.

The S&P Global Ghana Purchasing Managers' Index™ (PMI[®]) posted below the neutral value of 50.0 for the seventh month in succession indicating a deterioration in business conditions. At 45.9 in August, down from 48.8 in July, the latest decline quickened from that seen in the previous survey period to the sharpest in 28 months.

Output fell for the eighth month in succession in August, with the rate of decline quickening to the fastest in three months. Firms blamed the fall on the weak demand environment.

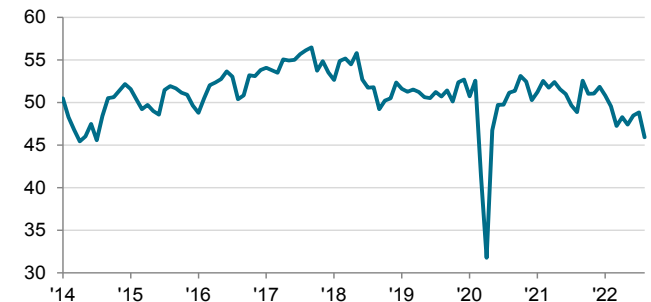
A similar trend was seen with regards to new orders, which declined for the sixth month running and at an accelerated pace. In fact, new orders fell at the fourth-quickest rate in the survey's history.

Weak consumer demand fed through to hiring decisions with Ghanaian firms cutting their headcounts for the second month running in August. The rate of decline was quicker than that seen in the previous survey period but modest overall.

Sustained reductions in output and new orders led to spare capacity at Ghanaian firms. Outstanding business has now fallen in each month since the start of the year, with the rate of decline the quickest since March. Firms indicated that

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sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 12-26 August 2022.

Comment

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

"August PMI data for Ghana signalled another deterioration in business conditions as price pressures intensified and led to subdued demand conditions. Output and new orders fell at sharp and accelerated rates which in turn led firms to cut their staffing levels for the second month running."

"The largest threat to the Ghanaian economy is no doubt sharply rising prices which have remained high over the last year-and-a-half. Inflation hit 31.7% in July, with rates expected to remain elevated for at least the duration of the year. In a bid to combat inflation, The bank of Ghana raised interest rates once again, a tactic adopted by many central banks across the globe during the third quarter. Interest rates now stand at 22% in Ghana."

"Firms registered a moderation in sentiment in August but hope that difficulties start to ease sooner rather than later."

PMI[®]

by S&P Global

they had sufficient capacity to work through their existing orders.

Vendors sped-up their deliveries midway through the third quarter. In fact, lead times shortened to the greatest extent in the survey's history. There were also reports that suppliers sought to improve customer satisfaction.

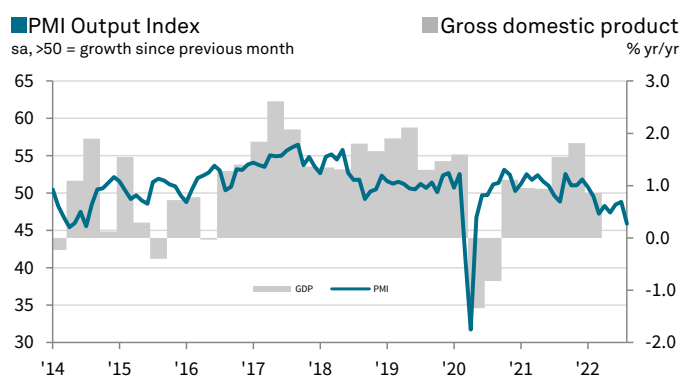
Subdued demand conditions led Ghanaian firms to cut back on their buying activity in August. Quantity of purchases fell for the fourth month in a row, albeit only modestly.

Ghanaian firms also reduced their inventories in August, a trend observed in each of the last nine months. Moreover, the rate of destocking was the quickest for 20 months and greater than the average seen for 2022 so far.

Overall input price inflation quickened to a near eight-year high in August amid higher purchase and staff costs. Firms indicated that rising fuel prices and unfavourable exchange movements exerted upward pressures on costs.

With input costs increasing, firms chose to pass the burden on to clients. In fact, output price inflation quickened to the highest since the series began in January 2014. Unfavourable cedi-dollar exchange rate movements were overwhelmingly linked to the increase.

Sentiment regarding output in the year ahead remained positive, but eased to a five-month low. The degree of optimism was weaker than the long-run series average amid concerns over the economy, interest rate hikes and high inflation.



Sources: S&P Global, Ghana Statistical Service.

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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