

News Release

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S&P Global Ghana PMI[®]

Downturn loses pace at end of 2022

Key findings

Softer falls in output and new orders

Sharp slowdown in inflation of purchase costs and output prices

Business sentiment jumps to eight-month high

Although Ghana's private sector remained in contraction territory at the end of 2022, there were signs of the downturn softening in the latest survey period. Inflationary pressures also moderated in December as currency appreciation began to alleviate price pressures, helping lead to a marked strengthening of business sentiment.

The S&P Global Ghana *Purchasing Managers' Index*[™] (PMI[®]) posted below the 50.0 no-change mark for the eleventh month running in December, signalling a sustained deterioration in the health of the private sector. At 47.0, the latest reading indicated a solid decline in business conditions, but rose from 44.9 in November and pointed to the least pronounced deterioration since July 2022.

Signs of the downturn losing pace were evident with regards to both business activity and new orders in December. Output was down for the twelfth month running, albeit to the least extent since August. Meanwhile, firms posted a tenth successive fall in new orders. In both cases, reductions were linked to the impact of price pressures on demand, with deteriorating economic conditions and financial difficulties at customers also mentioned. That said, there were some signs of conditions improving at the end of the year.

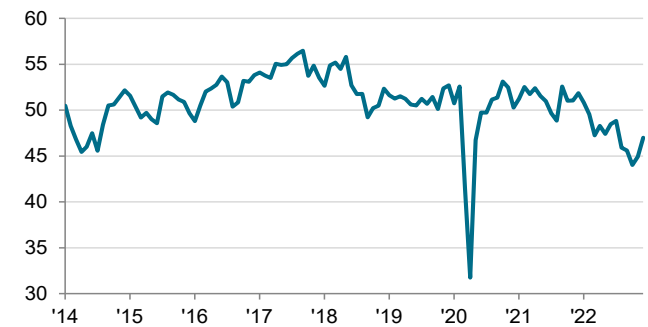
One of the sources of the tentative improvement was a softening of inflationary pressures. Although purchase costs continued to rise sharply, the rate of inflation slowed rapidly from that seen in November as a recent appreciation of the Ghanaian cedi against the US dollar reversed some of the upward pressure caused by currency weakness earlier in the year.

Similarly, the pace of output price inflation was also much weaker, coming down from the survey record posted in the previous survey period, but remaining above the series average.

With living costs remaining elevated, firms looked to help employees by raising pay, leading to a further solid increase

S&P Global Ghana PMI

sa, >50 = improvement since previous month



Source: S&P Global.

Data were collected 06-21 December 2022.

Comment

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

"Although business conditions remained challenging for companies in Ghana at the end of 2022, there were some tentative signs that the worst of the current downturn may have passed. A staff-level agreement with the IMF has helped the currency to appreciate, in turn softening inflation and providing some respite for firms in their efforts to secure new business. Hopes are now that these improvements can continue into 2023. S&P Global Market Intelligence is currently forecasting a rise in GDP of 3.5% in 2023, down from 4.6% in 2022."

PMI[®]

by S&P Global

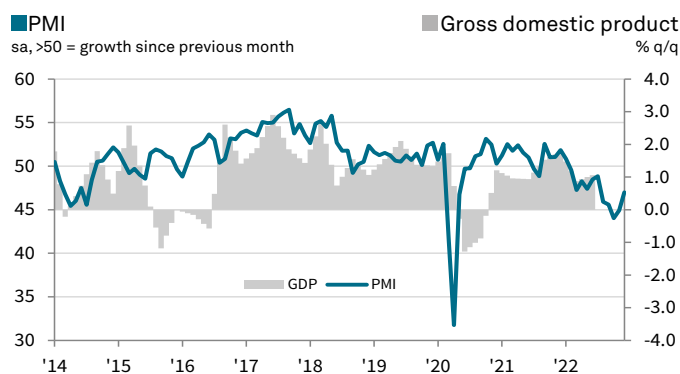
in staff costs.

Latest data signalled a stabilisation of employment as some companies looked to maintain capacity. That said, falling workloads and cost considerations led other firms to lower staffing levels further. Meanwhile, backlogs of work were down markedly again.

A combination of falling workloads and still high prices led companies to scale back both their purchasing activity and inventory holdings in the final month of the year. That said, in line with the picture for demand and activity, both input buying and stocks of purchases decreased to lesser extents than was the case in November.

Weak demand for inputs meant a continued lack of capacity pressure for suppliers, enabling them to shorten delivery times for the seventeenth consecutive month. The improvement in vendor performance was slightly less pronounced than that seen in November, however.

The aforementioned appreciation of the cedi against the US dollar boosted confidence among companies in December. Optimism rose sharply over the month and was the highest since April 2022. Moreover, confidence was above the average since the series began nine years ago. More than 75% of respondents expressed a positive outlook for output over the course of 2023, against just 4% that were pessimistic.



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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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

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