

News Release

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S&P Global Ghana PMI[®]

Output continues to rise, but inflationary pressures intensify

Key findings

Solid expansion in output

Selling prices rise at fastest pace since December 2022

Business confidence drops markedly

May data signalled that the private sector in Ghana remained in expansion mode midway through the second quarter as output, new orders and employment all continued to rise. There were further signs of inflationary pressures building, however, as currency depreciation caused rapid increases in both input costs and output prices. Meanwhile, business confidence dropped to the lowest for a year-and-a-half.

The S&P Global Ghana Purchasing Managers' Index™ (PMI[®]) posted 51.6 in May, up from 51.3 in April and above the 50.0 no-change mark for the fourth consecutive month. The latest figure pointed to a modest monthly improvement in the health of the private sector, but one that was the most pronounced in 2024 so far.

Improving demand was evident in the private sector in May, with firms able to make more products available to take advantage of this and secure greater new business. New orders increased for the fourth consecutive month and at a solid pace, albeit one that was slightly slower than that seen in April.

Similarly, output increased at a solid but softer pace midway through the second quarter. Activity rose for the third consecutive month.

Despite the generally positive picture for demand, latest data signalled a further intensification of inflationary pressures amid a depreciation of the cedi against the US dollar.

The rate of purchase cost inflation accelerated markedly and was the sharpest since November 2022. Staff costs also increased at a faster pace as firms helped their workers deal with higher living costs.

In line with the picture for purchase prices, companies raised their charges at a much faster pace in May, with the rate of inflation the steepest for just under a year-and-a-half. Close to 30% of respondents signalled an increase in selling prices during the month.

S&P Global Ghana PMI

sa, >50 = improvement since previous month



Source: S&P Global PMI.
Data were collected 10-29 May 2024.

Comment

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

"Ghana's private sector finds itself at something of a crossroads as we approach the middle of the year. While customer demand is still improving, feeding through to expansions in output and new orders, inflationary pressures ramped up in May and were the most elevated for a year-and-a-half as a depreciation of the cedi pushed up costs.

"The worry is that the steep increases in prices are going to limit demand in the months ahead. In fact, companies share these concerns as shown by business sentiment dropping to the lowest since November 2022. Future PMI releases will be key to illustrating whether the economy can weather the inflationary storm or whether growth will wither."

PMI[®]

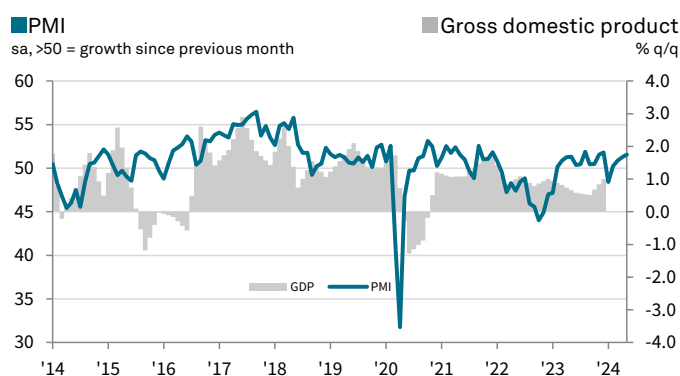
by S&P Global

Concerns regarding the impact of currency weakness on business activity led to a marked drop in sentiment, with confidence falling to the lowest since November 2022. Companies remained optimistic overall that output will increase over the coming year, however, amid hopes for more stable prices and an improvement in economic conditions.

With new orders continuing to rise, companies took on extra staff for the fourth month running in May. The pace of job creation was only slight, however, and broadly in line with that seen in April. Rising employment and a softer pace of new order growth helped firms to keep on top of workloads and reduce backlogs of work. Outstanding business was down solidly, albeit to the least extent since January.

Improving demand led companies to expand their purchasing activity and stocks of inputs, with efforts to get ahead of future price increases also leading to purchasing in some cases. The solid rise in input buying was the most marked in 2024 so far.

Although suppliers' delivery times continued to shorten midway through the second quarter, the rate of improvement in vendor performance was the least pronounced since August 2021 as high prices and power outages acted to impact deliveries in some cases.



Sources: S&P Global PMI, Ghana Statistical Service via S&P Global Market Intelligence.

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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@spglobal.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. www.spglobal.com/marketintelligence/en/mi/products/pmi