

Swiss Economics

Job growth hesitant despite booming recovery

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July 2021 saw the procure.ch Purchasing Managers' Index (PMI) for manufacturing industry hit its highest level since records began in 1995. The previous record, which was set in May this year, was surpassed by a small margin. While the labour market situation is now picking up, with around one-third of businesses adding staff, the recovery is relatively subdued. Scarcity remains, with prices rising on a widespread basis.

In contrast, the service sector, which is more focused on domestic consumption, lost some momentum in July. That said, the services PMI is still well above the growth threshold and is therefore pointing towards a recovery for the sixth month in succession. One-fifth of services companies are growing their workforce, with just 6% cutting jobs.

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A joint project with the Professional Association for Procurement and Supply Management:



PMI (manufacturing)

July's procure.ch Purchasing Managers' Index (PMI) for manufacturing industry climbed by 4.3 points. The current reading of 71.1 points is the highest since records began in January 1995 (see figure 1). The previous record, which was set in May this year, has therefore already been beaten. This positive trend is thanks to a marked increase in output. The output subindex has also hit a fresh record high of 72.9 points having climbed by 8.8 points. Specifically, 45% of businesses stated that they produced more than in the prior month, while just 14% recorded a fall in output.

Figure 1: Manufacturing PMI at fresh record high

Growth threshold = 50



Source: procure.ch, Credit Suisse

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There was also an improvement in the order backlog subindex, which suggests a brisk level of output in the near future. Furthermore, businesses have been making broad-based purchases, with purchase volumes rising and additions being made to purchase inventories overall. Accordingly, the “quantity of purchases” and “stocks of purchases” subindices came in at the high levels of 75.8 and 56.5. The purchasing situation remains challenging: we are seeing exceptionally broad-based increases in both suppliers’ delivery times and purchase prices, with more than 80% of the businesses responding to the survey reporting rises in these metrics. Meanwhile, finished goods inventories have contracted, which is considered an indication that demand is outstripping output.

Index level in July: 71.1 points (June: 66.7)

- Month-on-month change: +4.3 points (after rounding)
- Year-on-year change: +21.4 index points

Comparatively muted expansion of capacity

Given the high level of capacity utilisation and the good prospects – at least for the near future – capacity is certainly being expanded. Almost one-third of manufacturing businesses are adding jobs, while just 4% are laying staff off. While the “employment” subindex resulting from the question about the labour market is above the growth threshold for the seventh consecutive month at 61.2, it exceeds its historical average far less than most of the other subindices. The recovery on the labour market appears to be progressing at a slightly more leisurely pace than the economic bounceback and acute scarcity in some areas would suggest.

PMI (manufacturing) subindices

	higher	same	lower	Index	+/-	Index	+/-
	(%)	(%)	(%)	(s)	(s)	(s)	(s)
Output	45	41	14	65.6	-2.7	72.9	8.8
Backlog of orders	53	41	6	73.2	4.1	72.5	3.3
Quantity of purchases	51	39	10	70.5	1.7	75.8	8.1
Purchase prices	82	16	2	90.2	-1.7	93.0	-2.7
Suppliers' delivery times	83	17	0	91.7	2.7	88.1	1.6
Stocks of purchases	30	54	16	57.1	0.0	56.5	2.1
Stocks of finished goods	19	58	23	48.0	4.3	45.8	4.8
Employment	28	68	4	62.2	2.9	61.2	3.5

The table summarises the results of the latest survey. For each subindex, the table shows the percentage of each response which is “higher than”, the “same as” or “lower than” the previous month. The current level of the index is also indicated. The level of each subindex is the sum of the percentage of “higher” responses plus half of the percentage of “same” responses. The PMI is the weighted average (weights in brackets) of the following subindices: “output” (0.25), “backlog of orders” (0.30), “suppliers’ delivery times” (0.15), “stocks of purchases” (0.10) and “employment” (0.20). If the PMI or a subindex is above the 50 mark this indicates growth, while an index below 50 indicates contraction.

Source: procure.ch, Credit Suisse

Purchasing managers’ index (PMI) survey

The procure.ch Purchasing Managers’ Index (PMI) is a collaborative undertaking of the Swiss Trade Association for Purchasing and Supply Management procure.ch and Credit Suisse. It is based on a monthly survey of procure.ch members. The survey and its evaluation are undertaken in accordance with the guidelines of the International Federation of Purchasing and Supply Management, which have been tried and tested in the United States for decades. The association procure.ch carries out the survey while Credit Suisse evaluates and publishes the results.

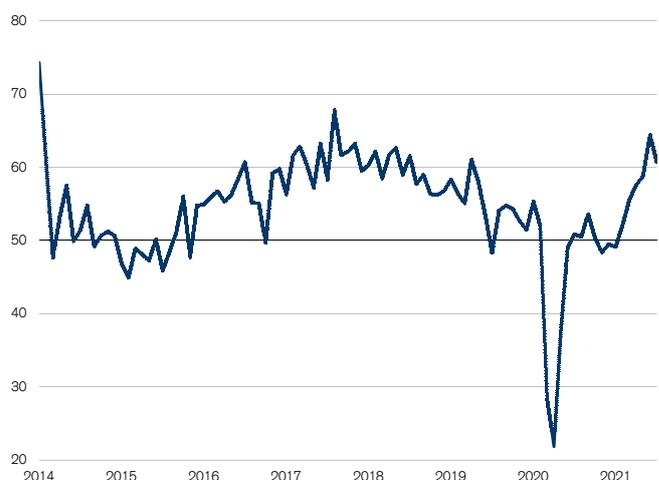
Evolution of the PMI (manufacturing)

		PMI	PMI (s)
2020	Feb.	52.0	49.2
	Mar.	44.7	43.5
	April	42.1	41.2
	May	41.9	42.5
	June	42.7	41.4
	July	48.9	49.6
	Aug.	48.7	51.0
	Sep.	51.2	52.8
	Oct.	52.3	52.9
	Nov.	55.7	54.5
	Dec.	56.0	57.3
	2021	Jan.	58.9
Feb.		64.9	61.3
Mar.		68.0	66.3
April		70.5	69.5
May		68.4	69.9
June		68.7	66.7
July		70.3	71.1

Source: Credit Suisse, procure.ch

PMI (services)

Figure 2: Slight decline in the service PMI
Growth threshold = 50



Source: procure.ch, Credit Suisse

The pace of recovery in the service sector has slowed moderately in July. The service PMI has failed to maintain the strong momentum of June, when it reached its third-highest level since the poll was launched in January 2014. However, the July reading of 60.8 still points to a widespread recovery in the service sector, which has a greater focus on domestic consumption. The recovery has now been ongoing for a year and is likely to continue in the near future thanks to the easing of coronavirus restrictions.

Subdued workforce expansion

The modest drop in momentum is attributable to the slightly lower levels of all subindices. Business activity, for example – the counterpart to output in the manufacturing sector – has picked up a little less broadly than in the prior month, while the same applies to the backlog of orders and new orders subindices. However, all three subindices remain clearly above the growth threshold, which bodes well for a solid trend going forward. The labour market situation has also improved, although the pick-up has been less widespread compared to June and the situation in the manufacturing sector. One-fifth of service providers are expanding their workforce, while 6% are cutting jobs. For the fourth consecutive month, the resultant “employment” subindex remains above – or in the case of April, on – the growth threshold, although at 54.2 points, it exceeds this level by a relatively small amount.

Broad-based rise in prices

As in manufacturing industry, prices are rising on a broad scale in the service sector. Around two-thirds of the companies surveyed face climbing purchase prices. This is a significantly lower proportion than in the manufacturing sector and slightly down on the prior-month level. Only 43% of service providers can raise their selling prices, which indicates comparatively limited pricing power. At the same time, only 3% have had to reduce their sale prices.

Index level in July: 60.8 points (June: 64.4)

- Month-on-month change: –3.7 points (after rounding)
- Year-on-year change: +9.9 index points

Evolution of the PMI (services)

		PMI	PMI (s)
2020	Feb.	52.4	52.0
	Mar.	29.2	28.4
	April	22.1	21.8
	May	37.2	37.4
	June	48.1	49.0
	July	46.3	50.9
	Aug.	47.6	50.5
	Sep.	55.6	53.6
	Oct.	51.9	50.3
	Nov.	52.4	48.4
	Dec.	48.1	49.5
	2021	Jan.	47.5
Feb.		52.4	52.0
Mar.		58.0	55.5
April		58.8	57.6
May		58.4	58.8
June		63.2	64.4
July		55.5	60.8

Source: Credit Suisse, procure.ch

PMI (services) subindices

	higher (%)	same (%)	lower (%)	Index	+/-	Index (s)	+/- (s)
Business activity	29	49	22	53.8	-13.9	63.8	-2.6
New orders	32	47	21	55.8	-8.5	59.8	-5.3
Backlog of orders	31	51	18	56.5	-7.2	63.4	-4.2
Purchase prices	69	28	3	83.3	0.2	85.6	-2.3
Sale prices	43	54	3	70.4	1.5	72.4	-0.9
Employment	18	76	6	55.8	0.5	54.2	-2.1

The table summarises the results of the latest survey. For each subindex, the table shows the percentage of each response which is “higher than”, the “same as” or “lower than” the previous month. The current level of the index is also indicated. The level of each subindex is the sum of the percentage of “higher” responses plus half of the percentage of “same” responses. The PMI is the weighted average (weights in brackets) of the following subindices: “business activity” (0.25), “new orders” (0.25), “backlog of orders” (0.30) and “employment” (0.20). If the PMI or a subindex is above the 50 mark this indicates growth, while an index below 50 indicates contraction.

Source: procure.ch, Credit Suisse

(28/07/2021)

PMI (manufacturing) and subindices (seasonally adjusted)

		PMI	Output	Backlog of orders	Quantity of purchases	Purchase prices	Suppliers' delivery times	Stocks of purchases	Stocks of finished goods	Employment
2020	Feb.	49.2	48.9	46.3	40.2	46.0	54.4	48.9	49.4	50.4
	Mar.	43.5	34.5	33.8	38.5	46.8	74.3	52.0	48.2	42.1
	April	41.2	29.0	33.8	36.5	46.1	70.9	50.0	49.1	40.8
	May	42.5	39.1	36.4	33.9	47.0	55.9	48.6	54.5	42.6
	June	41.4	38.4	38.0	37.0	47.4	49.6	50.5	48.7	39.4
	July	49.6	55.1	47.2	49.1	50.0	52.3	46.4	44.7	46.1
	Aug.	51.0	55.9	50.5	47.0	49.5	52.5	49.2	47.9	45.7
	Sep.	52.8	56.6	52.8	45.8	50.6	55.7	50.6	46.3	47.1
	Oct.	52.9	56.8	53.0	49.6	50.4	60.8	47.0	45.3	45.0
	Nov.	54.5	56.5	56.7	49.2	55.9	63.1	42.7	42.0	47.9
	Dec.	57.3	59.2	56.7	58.0	60.2	67.5	50.1	51.7	51.8
	2021	Jan.	59.4	60.3	58.2	58.8	65.6	77.7	48.1	46.1
Feb.		61.3	62.5	63.3	61.3	71.9	75.5	48.2	42.8	52.5
Mar.		66.3	66.5	70.2	70.3	83.2	85.7	49.2	45.2	54.4
April		69.5	71.3	76.4	72.6	83.6	85.8	49.6	42.0	54.5
May		69.9	65.6	78.8	72.5	91.9	89.0	52.3	46.4	56.2
June		66.7	64.1	69.2	67.7	95.7	86.5	54.5	41.0	57.7
July		71.1	72.9	72.5	75.8	93.0	88.1	56.5	45.8	61.2

Source: procure.ch, Credit Suisse

PMI (services) and subindices (seasonally adjusted)

		PMI	Business activity	New orders	Backlog of orders	Purchase prices	Sale prices	Employment
2020	Feb.	52.0	54.0	49.5	51.8	46.5	46.5	52.9
	Mar.	28.4	21.9	23.4	25.9	54.7	44.8	46.3
	April	21.8	18.1	15.5	16.9	51.4	46.2	41.8
	May	37.4	42.8	38.6	32.4	47.3	40.6	36.8
	June	49.0	54.2	52.4	47.3	50.3	44.7	40.8
	July	50.9	60.9	47.7	49.9	49.9	45.3	43.9
	Aug.	50.5	57.2	51.6	48.4	53.6	47.6	43.9
	Sep.	53.6	59.0	58.3	51.1	53.4	47.1	45.0
	Oct.	50.3	54.3	51.7	49.0	52.7	45.1	45.5
	Nov.	48.4	51.4	48.9	46.3	55.5	46.8	47.1
	Dec.	49.5	53.9	49.8	46.8	60.5	52.3	47.8
	2021	Jan.	49.1	51.1	50.4	48.4	61.1	52.9
Feb.		52.0	53.3	54.6	53.4	63.4	53.4	45.2
Mar.		55.5	56.9	60.2	56.7	73.5	65.3	46.2
April		57.6	62.9	61.8	54.9	75.3	66.1	50.0
May		58.8	64.0	59.5	57.9	85.1	68.5	52.5
June		64.4	66.4	65.1	67.6	87.8	73.3	56.3
July		60.8	63.8	59.8	63.4	85.6	72.4	54.2

Source: procure.ch, Credit Suisse

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