

Schweizer Wirtschaft

Recovery boom sending prices higher

Swiss PMI | 01/06/2021, 06:09, UTC

The procure.ch Purchasing Managers' Index (PMI) for manufacturing industry continued to climb in May, and its current reading marks a record since the data were first compiled in 1995. The bounceback in Swiss manufacturing is continuing at such speed that there are widespread signs of scarcity, which is even causing prices to rise. However, it remains the case that capacity is being expanded no more than sluggishly, and most companies are still hesitant about recruiting staff.

The service PMI, which is more focused on domestic consumption, is well below the manufacturing PMI. However, the rally had already picked up speed well before the Swiss Federal Council's latest moves to re-open the economy. Prices are also rising widely across the services sector. The fact that the rise in purchase prices is more broad-based than in sales prices suggests the upward pressure on prices at a local level is relatively modest.

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A joint project with the Association for Procurement and Supply Management



PMI (manufacturing)

May's procure.ch Purchasing Managers' Index (PMI) for manufacturing industry climbed by 0.4 points. The current reading of 69.9 points is the highest since records began in January 1995 (see figure 1). The records set in the prior month's "order backlog", "purchase prices" and "suppliers' delivery times" subindices have also already been beaten. Accordingly, the rally in Swiss industry is broad-based and should be maintained for the time being in light of the good order situation, even though output momentum has slowed down somewhat, with the corresponding subindex falling by 5.7 points from a high level.

Figure 1: Manufacturing PMI posts fresh record high

Growth threshold = 50



Source: procure.ch, Credit Suisse

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Index level in May: 69.9 points (April: 69.5)

Month-on-month change: +0.4 index points

Year-on-year change: +27.4 index points

Records following huge slump

Given the sharp slumps during the coronavirus pandemic, it would still be misleading to read too much into these record levels. However, the latest survey reflects the favourable demand situation in manufacturing industry across the world. This is of direct benefit to Swiss companies, which are highly export-oriented. Meanwhile, with services opening up again in most industrialised nations, the demand for goods looks likely to fade somewhat over the coming months as households will have access to other consumption options including meals out and holidays.

PMI (manufacturing) subindices

	higher (%)	same (%)	lower (%)	Index	+/-	Index (s)	+/- (s)
Output	41	46	13	64.2	-9.1	65.6	-5.7
Backlog of orders	58	30	12	73.1	-1.7	78.8	2.4
Quantity of purchases	51	37	11	69.8	-3.9	72.5	-0.1
Purchase prices	89	11	0	94.3	7.1	91.9	8.3
Suppliers' delivery times	86	14	0	92.9	2.7	89.0	3.2
Stocks of purchases	28	52	20	54.2	0.9	52.3	2.6
Stocks of finished goods	17	61	22	47.3	3.1	46.4	4.3
Employment	22	66	11	55.3	0.7	56.2	1.6

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

Despite widespread supply shortages...

Supply shortages, as reflected by longer delivery times and higher purchase prices, have evidently deteriorated again. Goods from overseas in particular have become more expensive due to higher transport costs, but there has also been a general rise in the price of commodities and electronics components. It appears that global supply is failing to keep pace with the bounceback in demand in these areas. In addition, stocks of finished goods have contracted overall despite the widespread rise in output, which suggests that demand is higher than companies had originally forecast.

...progress in restoring capacity is sluggish

Despite supply shortages and better capacity utilisation rates, the process of restoring capacity in Switzerland has been comparatively sluggish. While manufacturing businesses have added staff overall for the sixth month in succession, the pace

of workforce expansion remains relatively subdued, with the "employment" subindex remaining well below its highs at 56.2 points. Two-thirds of companies report that their headcount is unchanged. The restraint on the part of businesses may stem from a certain degree of scepticism as to how long the current bounceback will last.

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)

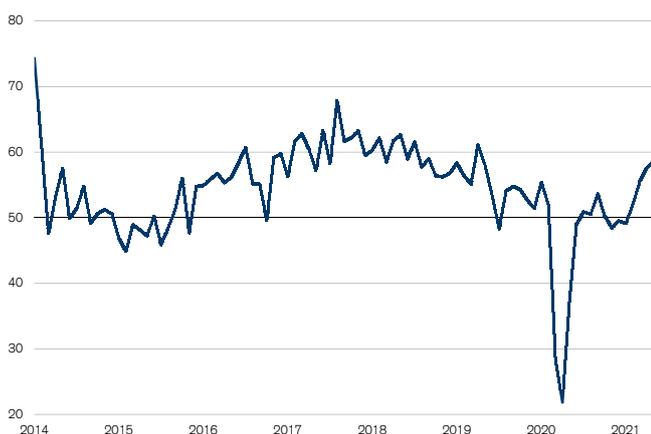
		PMI	PMI (s)
2019	Dec.	47.1	48.4
2020	Jan.	47.6	48.0
	Feb.	52.0	49.2
	Mar.	44.7	43.5
	April	42.1	41.2
	May	41.9	42.5
	June	42.7	41.4
	July	48.9	49.6
	Aug.	48.7	51.0
	Sep.	51.2	52.8
	Oct.	52.3	52.9
	Nov.	55.7	54.5
	Dec.	56.0	57.3
2021	Jan.	58.9	59.4
	Feb.	64.9	61.3
	Mar.	68.0	66.3
	April	70.5	69.5
	May	68.4	69.9

Source: Credit Suisse, procure.ch

PMI (services)

Figure 2: Service sector recovery is gathering pace

Growth threshold = 50



Source: procure.ch, Credit Suisse

Rounded correctly, the service PMI has climbed by 1.1 points in May and, at 58.8, is above the growth threshold for the fourth consecutive month (see figure 2). This signals that the bounceback in the service sector was gaining traction even before the Swiss Federal Council's latest moves to reopen the economy. However, the pace of recovery is far less broadly based than that in the manufacturing sector and the index remains significantly below its previous record levels (the time series dates back to early 2014).

Muted workforce expansion

Business activity, which is the counterpart to output in the manufacturing sector, has continued to improve in May, with the corresponding subindex climbing by 1.1 points to its current level of 64. The order backlog and new orders have also picked up on a broad scale, although the pace of growth in the latter has declined somewhat compared to the prior month. Headcount increased again in the reporting month for the first time in 15 months, with the "employment" subindex surpassing the growth threshold of 50 points at 52.5. This suggests that service companies are beginning to recruit staff again, albeit only tentatively for the time being.

Index level in May: 58.8 points (April: 57.6)

Month-on-month change: +1.1 points (after rounding)

Year-on-year change: +21.3 index points

As in the manufacturing industry, the service sector has witnessed a record surge in purchase prices across the board in May. At 85.1 points, the corresponding subindex has reached another new high. At the same time, sale prices have widely increased on a scale not seen since the survey was launched in early 2014. The corresponding subindex has also continued to move upwards in the reporting month. However, at 68.5 points, it remains substantially lower than the reading for purchase prices. The fact that sale prices are rising less widely than purchase prices points to modest upward pressure on prices at the local level.

PMI (services) subindices

	higher (%)	same (%)	lower (%)	Index	+/-	Index (s)	+/- (s)
Business activity	38	47	15	61.6	-2.2	64.0	1.1
New orders	36	46	18	58.9	-3.7	59.5	-2.2
Backlog of orders	33	51	16	58.5	0.8	57.9	3.0
Purchase prices	71	28	1	84.7	7.1	85.1	9.8
Sale prices	36	63	1	67.5	2.0	68.5	2.5
Employment	15	76	8	53.5	4.1	52.5	2.5

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 corresponds to the weighted average (weights in brackets) of the following subindices: "business activity" (0.25), "new orders" (0.25), "backlog of orders" (0.3) 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

Evolution of the PMI (services)

		PMI	PMI (s)
2019	Dec.	50.1	51.4
2020	Jan.	53.6	55.4
	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	49.1
	Feb.	52.4	52.0
	Mar.	58.0	55.5
	April	58.8	57.6
	May	58.4	58.8

Source: Credit Suisse, procure.ch

(27/05/2021)

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
2019	Dec.	48.4	48.4	50.6	41.3	46.1	47.3	44.3	44.8	48.2
2020	Jan.	48.0	46.9	46.4	39.8	46.3	49.0	46.8	48.4	51.6
	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

	PMI	Output	Backlog of orders	Quantity of purchases	Purchase prices	Suppliers' delivery times	Stocks of purchases	Stocks of finished goods	Employment	
	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	52.2
	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

Source: procure.ch, Credit Suisse

PMI (services) and subindices (seasonally adjusted)

	PMI	Business activity	New orders	Backlog of orders	Purchase prices	Sale prices	Employment	
2019	Dec.	51.4	55.9	51.6	49.2	47.3	47.2	49.0
2020	Jan.	55.4	59.7	55.2	52.3	48.3	47.5	54.7
	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	46.0
	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

Source: procure.ch, Credit Suisse

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Publisher

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