

Schweizer Wirtschaft

# Slump in the economy slows

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May saw the procure.ch Purchasing Managers' Index (PMI) for manufacturing industry and the PMI for the services sector recover from their lows in the prior month – a sign that the easing of the lockdown is directly boosting the economy.

However, output and business activity are continuing to decline, and order books are thinning out. Nevertheless, one positive is that only around one-quarter of those surveyed reported a lower staff headcount.

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



## PMI (manufacturing)

The procure.ch Purchasing Managers' Index (PMI) was a little higher once again in May 2020 (see figure 1). But at 42.1 points, some two weeks after the second round of easing the lockdown in Switzerland (survey conducted from 20 to 26 May) the index is still below its level in March (43.7 points),

which was obtained in the survey conducted immediately after the lockdown began. Furthermore, the manufacturing PMI is still well below the growth threshold of 50 points.

**Figure 1: PMI up slightly**

Growth threshold = 50



Source: procure.ch, Credit Suisse

### Index level in May: 42.1 points (April: 40.7)

- Month-on-month change: 1.4 index points
- Year-on-year change: -6.9 index points

## Decline in production slowing

The "output" subindex was the biggest climber in May, rising by 10.9 points having dropped to a historic low in the prior month (see figure 2). Yet at 39.3 points, this subindex still suggests that output is decreasing on a widespread basis,

though the contraction is now weaker than the low marked during the financial crisis as 2008 ended and 2009 began. The drop in the backlog of orders is now also less pronounced versus both the previous month and the financial crisis, with the corresponding subindex climbing by 3.2 to its current level of 35 points.

**Figure 2: Production stabilising**

Growth threshold = 50



Source: procure.ch, Credit Suisse

**Unlike in the previous month, suppliers’ delivery times not lengthening on the whole...**

The “suppliers’ delivery times” subindex was down by 16 points in May. It therefore appears that in a departure from the preceding months, delivery times are no longer generally increasing. As longer delivery times normally point to higher capacity utilisation, an increase in the subindex tends to have a positive effect on the overall PMI due to its weighting of 20%. At present, however, delivery times are unlikely to have lengthened as a result of high capacity utilisation, but instead as a result of interruptions to the supply chain due to the measures taken to combat the spread of Covid-19. Even though it chopped more than two points off the increase in the overall PMI, in the current environment the fall in this subindex is therefore a positive sign.

**...but procurement remains difficult**

Meanwhile, at 56.8 points, the “suppliers’ delivery times” subindex suggests that supply bottlenecks remain widespread. In response to a related supplementary question, 85% of respondents reported a deterioration in the availability of domestic goods, while problems with imports from Germany were mentioned almost as frequently. At the same time, the situation in China and Italy seems to be improving slightly.

**Inventories little changed**

In light of the procurement problems, it is no surprise that stocks of semi-finished goods contracted in May. Conversely, stocks of finished goods increased, although the changes were relatively limited overall. Companies are managing their inventories and capacities well even in the current turbulent times.

**No further deterioration in the labour market**

The labour market situation remains gloomy, with the “employment” subindex hovering below the growth threshold at 42.4 points. However, the pace of staff cutbacks in the manufacturing sector is slower than during the financial crisis and at a comparable level to that seen after the franc shock of 2015. The most striking development is that staff reductions were lower in May than in April.

**Evolution of the PMI (manufacturing)**

		PMI	PMI (s)
2018	Dec.	54	56.6
2019	Jan.	53.7	53.9
	Feb.	57.1	54.3
	Mar.	52.1	50.7
	April	50.8	49.1
	May	48.6	49
	June	49.5	48.6
	July	45.1	45.2
	Aug.	44.7	47.4
	Sep.	43.4	44.9
	Oct.	49	48.9
	Nov.	48.8	48.5
	Dec.	47.1	48.8
2020	Jan.	47.6	47.8
	Feb.	52	49.5
	Mar.	44.7	43.7
	April	42.1	40.7
	May	41.9	42.1

Source: procure.ch, Credit Suisse

**PMI (manufacturing) subindices**

	higher (%)	same (%)	lower (%)	Index	+/-	Index (s)	+/- (s)
Output	22	32	46	38.3	8.5	39.3	10.9
Backlog of orders	22	24	54	33.8	0.7	35	3.2
Quantity of purchases	21	23	56	32.6	-4.5	32.6	-2.6
Purchase prices	11	74	14	48.3	0.2	46.8	1
Suppliers’ delivery times	10	62	27	58.3	-16.2	56.8	-16
Stocks of purchases	26	50	25	50.3	-3.3	47.8	-2.9
Stocks of finished goods	31	49	20	55.6	3.9	55.1	5.5
Employment	8	67	24	42	1.1	42.4	1.9

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**

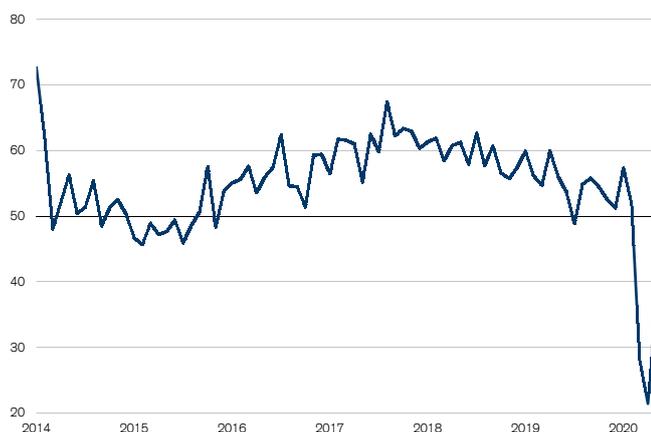
The procure.ch purchasing managers’ index (PMI) is a collaborative undertaking of the Swiss Trade Association for Purchasing and Supply Management procure.ch and Credit Suisse. It is based on a monthly survey of procure.ch members. The survey and its evaluation are undertaken in accordance with the

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.

## PMI (services)

**Figure 3: Movements in the PMI (services)**

Growth threshold = 50



Source: procure.ch, Credit Suisse

### Index level in May: 36.2 points (April: 21.4)

- Month-on-month change: 14.8 index points
- Year-on-year change: -19.8 index points

### Service sector hit harder

Compared to the manufacturing PMI, the PMI for the service sector has reacted more dramatically to the lockdown and subsequent easing measures. The service PMI climbed by 14.8 points in May, after slumping by 23.9 in March and shedding 6.6 points in April. That said, around two weeks after the second phase of easing, it remains well below the growth threshold at 36.2 points (see Figure 3).

### Only around half of the slump has been recouped...

The trends in the "business activity" and "new orders" subindices are particularly noticeable, with both gaining in excess of 20 points at the end of May after plunging by more than 30 during lockdown. As a result, both subindices still fall significantly short of their February levels – as only around half of the decline has been recouped – and remain below the growth threshold.

### ...and workforces are shrinking

Demand for personnel in the service sector is also receding at an accelerated pace. The corresponding subindex has shed 4.7 points to currently 36.1, its lowest level ever recorded since the service PMI was launched in early 2014.

### Evolution of the PMI (services)

		PMI	PMI (s)
2018	Dec.	55.8	57.5
2019	Jan.	55.9	59.9
	Feb.	56.7	56.2
	Mar.	57.8	54.7
	April	62.3	59.9
	May	57.5	56.1
	June	52.7	53.7
	July	44.2	48.9
	Aug.	50.8	54.9
	Sep.	56.3	55.8
	Oct.	56	54.5
	Nov.	57.6	52.6
	Dec.	50.1	51.3
2020	Jan.	53.6	57.3
	Feb.	52.4	51.9
	Mar.	29.2	28.1
	April	22.1	21.4
	May	37.2	36.2

Source: Credit Suisse, procure.ch

### PMI (services) subindices

	high- er (%)	same (%)	lower (%)	Index	+/-	Index	+/-
				(s)	(s)	(s)	(s)
Business activity	26	31	44	41.2	22.8	40.8	23.4
New orders	26	25	49	38.2	22.5	37.3	22.2
Backlog of orders	19	27	54	32.7	14.9	31.7	14.5
Purchase prices	14	66	20	47.1	-5.9	46.7	-5.6
Sale prices	6	68	26	40	-5.8	40.4	-5.9
Employment	0	75	25	37.5	-3.8	36.1	-4.7

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

(28/05/2020)

### PMI (manufacturing) and subindices (seasonally adjusted)

		PMI	Output	Backlog of orders	Quantity of purchases	Purchase prices	Suppliers' delivery times	Stocks of purchases	Stocks of fin- ished goods	Employment
2018	Dec.	56.6	58	53	53.8	59.2	60	57.9	51.5	56.9
2019	Jan.	53.9	54.9	53	49.6	54.9	52.4	51.6	48.9	56.3
	Feb.	54.3	54.9	53.3	49.3	54.8	53.7	51.4	52.1	57
	Mar.	50.7	50.1	50.7	47	52.1	49.3	50.2	49.2	52.8

	PMI	Output	Backlog of orders	Quantity of purchases	Purchase prices	Suppliers' delivery times	Stocks of purchases	Stocks of finished goods	Employment	
	April	49.1	49	46.3	46.8	49.5	48.8	51.1	51.3	52.9
	May	49	49.1	46.9	48.1	49.7	48.7	53.5	50.5	49.9
	June	48.6	49.7	45.5	43.6	47.1	47.4	51.4	50.5	51.4
	July	45.2	44.9	40.1	40.9	48.1	47.1	44	54	52.3
	Aug.	47.4	47.2	47.2	41.5	49	46.4	47.7	47.7	48.4
	Sep.	44.9	45.1	41.5	37.4	44.4	45.2	44.4	47.2	49.8
	Oct.	48.9	49.4	48.9	46.1	48.5	46.3	46.1	44.9	51.5
	Nov.	48.5	48.8	47.4	44.2	48.9	46.2	48.3	46	51.5
	Dec.	48.8	48.8	50.7	42.9	46.2	47.6	45.9	44.4	48.6
2020	Jan.	47.8	46.5	46.5	40.7	47.2	47.9	46.4	48.6	52.1
	Feb.	49.5	49.2	45.6	41.2	46.7	55.9	49.9	50.1	51
	Mar.	43.7	34.5	32.8	38.3	47.2	76.1	52.8	48.4	42.5
	April	40.7	28.4	31.8	35.2	45.8	72.8	50.7	49.6	40.5
	May	42.1	39.3	35	32.6	46.8	56.8	47.8	55.1	42.4

Source: procure.ch, Credit Suisse

### PMI (services) and subindices (seasonally adjusted)

	PMI	Business activity	New orders	Backlog of orders	Purchase prices	Sale prices	Employment	
2018	Dec.	57.5	61.5	56.6	58	54.2	54.4	52.7
2019	Jan.	59.9	60.4	65.2	61.4	58	55.6	50.4
	Feb.	56.2	62.7	56.4	54.2	57	54.3	50.6
	Mar.	54.7	55.9	56.6	53.5	56.7	52.7	52.9
	April	59.9	61.5	58.5	62.1	56	53.2	56.5
	May	56.1	58.3	59	54	51.5	51.9	52.9
	June	53.7	57.7	57.4	50.9	52.3	55.9	48.4
	July	48.9	54.6	50.3	44.9	50.8	46.2	46.1
	Aug.	54.9	58	56.6	53.4	50.7	49.5	51.2
	Sep.	55.8	59.9	57.2	53.7	50.7	50.8	51.9
	Oct.	54.5	56.3	56.5	51.7	49.2	49.2	53.9
	Nov.	52.6	56.9	53.6	50.2	48.2	49.7	49.5
	Dec.	51.3	55.3	51.9	48	47.7	47.2	50.3
2020	Jan.	57.3	59.5	60.3	54.4	49.3	48.2	55.4
	Feb.	51.9	53	48.9	52.5	46.6	46.7	53.6
	Mar.	28.1	22.4	22.2	25.6	55	44.3	46.2
	April	21.4	17.4	15.1	17.2	52.4	46.3	40.8
	May	36.2	40.8	37.3	31.7	46.7	40.4	36.1

Source: procure.ch, Credit Suisse

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