

Schweizer Wirtschaft

Manufacturing businesses purchasing as much as possible

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September saw the procure.ch Purchasing Managers' Index (PMI) for the manufacturing sector climb further from an already high level – the booming recovery in Swiss manufacturing is therefore continuing. However, the purchasing situation remains challenging against a backdrop of higher purchase prices and longer delivery times. Businesses are buying as much as possible and replenishing their purchase inventories. Meanwhile, falling inventories of finished goods are pointing to exceptionally strong demand.

The services PMI, which is more focused on domestic consumption, also rose in September. Services businesses too are facing higher purchase prices and are unable to pass these through to end customers in full.

Claude Maurer
Head of Swiss Economics

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



PMI (manufacturing)

September's procure.ch Purchasing Managers' Index (PMI) for manufacturing industry climbed by 0.4 points. At 68.1 points, the manufacturing PMI outstripped the record of 66.4 points for the period prior to the current rally, which was set in November 2006, for the sixth month in succession. That said, the September reading came in below the absolute record since the data were first compiled in 1995, which was set in July this year at a level of 71.1 points. These figures underline the exceptional scale of the current boom.

Figure 1: Manufacturing PMI rising

Growth threshold = 50



Source: procure.ch, Credit Suisse

Boom set to continue for the time being

Output has actually accelerated month-on-month, with the corresponding subindex rising by 1.4 points. At the same time, the backlog of orders remains at an elevated level,

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though not quite as high as it was in August (September: 67.7 points; August: 70.0 points). A high order backlog suggests that output is likely to be brisk in the near future. Accordingly, businesses are expanding capacity, with jobs being added for the tenth consecutive month.

Companies replenishing purchase inventories...

The purchasing situation at present is exceptionally challenging. We are seeing exceptionally broad-based increases in both suppliers' delivery times and purchase prices, with the lion's share of businesses responding to the survey still reporting increases in these metrics. The procurement uncertainties have prompted companies to make purchases on a broad scale. Accordingly, the "quantity of purchases" and "stocks of purchases" subindices are at high levels of 72.6 and 59.4.

... while finished goods inventories are depleting

While purchase inventories are being replenished, stocks of finished goods are in decline. At 45.1 points, the corresponding subindex is below the growth threshold of 50 points for the ninth consecutive month and 1 point down on the August level. Falling stocks of finished goods in tandem with brisk production are an indication of unexpectedly strong demand. Accordingly, it looks as though companies will actually be able to sell the higher stocks of intermediate goods they have purchased until further notice.

Index level in September: 68.1 points (August: 67.7)

Month-on-month change: +0.4 index points

Year-on-year change: +15.3 index points

Evolution of the PMI (manufacturing)

		PMI	PMI (s)	
2020	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	
June		68.7	66.7	
July		70.3	71.1	
Aug.		64.8	67.7	
Sep.		65.9	68.1	

Source: Credit Suisse, procure.ch

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 (manufacturing) subindices

	higher (%)	same (%)	lower (%)	Index	+/-	Index (s)	+/- (s)
Output	42	41	17	62.4	6.6	64.6	1.4
Backlog of orders	45	41	15	65.0	-2.1	67.7	-2.3
Quantity of purchases	51	37	12	69.4	5.9	72.6	1.9
Purchase prices	77	21	3	86.9	2.6	90.6	2.5
Suppliers' delivery times	69	28	3	83.1	-1.6	88.6	3.1
Stocks of purchases	33	50	18	57.4	2.3	59.4	4.8
Stocks of finished goods	16	58	26	45.4	0.1	45.1	-1.0
Employment	29	67	3	62.9	0.4	62.0	-1.1

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: "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

PMI (services)

The recovery in the service sector has accelerated in September for the second consecutive month in a continuation of the positive trend that has prevailed since February this year. Business activity – the counterpart to output in the manufacturing sector – rose on a slightly less widespread scale than in the prior month. However, broad-based growth in the order backlog and the number of new orders in September suggests that business activity should remain high in the months ahead. As a result, the bounceback in the service sector is likely to continue. As in manufacturing, businesses in the service sector are adding staff, with the corresponding subindex now well above the growth threshold at 58.4 points.

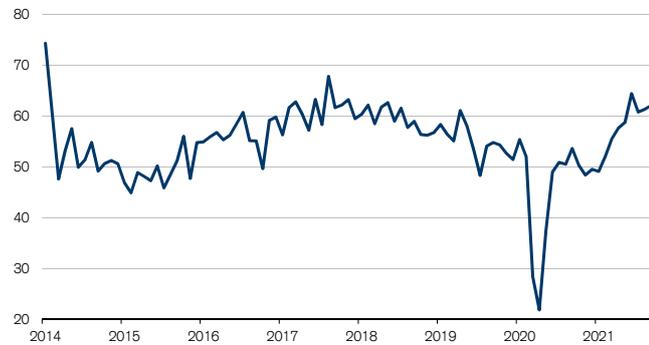
Rising purchase prices

In line with the trend in the manufacturing sector, purchase prices in the service sector have broadly picked up in September. At 83.7, the corresponding subindex for this month is somewhat lower than the previous high of 87.8 points that was reached in June, but is substantially above

the level of the "sale prices" subindex (65.6 points). The fact that the rise in sale prices is less broad-based than in purchase prices is a sign of only modest upward pressure on prices at a local level, or that companies are unable to pass on higher purchase prices to consumers in full.

Figure 2: Higher service PMI

Growth threshold = 50



Source: procure.ch, Credit Suisse

Evolution of the PMI (services)

		PMI	PMI (s)	
2020	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	

	PMI	PMI (s)
May	58.4	58.8
June	63.2	64.4
July	55.5	60.8
Aug.	57.9	61.3
Sep.	64.3	62.1

Source: Credit Suisse, procure.ch

Index level in September: 62.1 points (August: 61.3)

Month-on-month change: +0.8 index points

Year-on-year change: +8.5 index points

PMI (services) subindices

	higher (%)	same (%)	lower (%)	Index	+/-	Index (s)	+/- (s)
Business activity	39	51	10	64.9	4.3	62.2	-4.9
New orders	40	48	12	64.3	6.7	62.8	2.8
Backlog of orders	42	51	7	67.5	10.6	63.8	2.8
Purchase prices	68	31	1	83.5	1.3	83.7	0.9
Sale prices	37	59	4	66.7	-1.7	65.6	-2.6
Employment	21	75	4	58.9	2.7	58.4	2.4

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

(28/09/2021)

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	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	
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	
Aug.		67.7	63.2	70.0	70.7	88.1	85.5	54.6	46.0	63.1	
Sep.		68.1	64.6	67.7	72.6	90.6	88.6	59.4	45.1	62.0	

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	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	
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	
Aug.		61.3	67.1	60.1	61.0	82.8	68.1	56.0	
Sep.		62.1	62.2	62.8	63.8	83.7	65.6	58.4	

Source: procure.ch, Credit Suisse

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