

Swiss PMI

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Swiss Economics

Manufacturing loses steam – services on the up

- The procure.ch purchasing managers' index (PMI) for manufacturing slipped again in January from the previous month. However, it remains comfortably in expansion territory.
- The services PMI, however, climbed further at the start of the year. The healthy order book situation points to continued solid growth in the coming months.

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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) came in at 54.3 in January 2019, down from 57.5 in December (see Figure 1). When comparing with the previous month, it should be noted that the seasonal adjustment factors are recalculated at the start of the year, which is why the time series has been slightly revised.

Good order book and employment situation in spite of slowing growth

The PMI has fallen by 10.3 points since August 2018 but remains well above the growth/contraction threshold of 50 and only just below its long-term average of 55. Although conditions

in Swiss manufacturing seem to be weakening, as in the rest of the world, growth remains comparatively solid. The fact that order books remain reasonably full, implying robust output growth going forward, is also grounds for optimism. The order backlog sub-index was more or less unchanged in January compared with December, coming in at a solid 54.3.

Figure 1: Manufacturing PMI declining since summer 2018
Growth threshold = 50



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The employment situation also remains good. This sub-index fell by 0.7, but, at 56.2, remains well in expansion territory (see Figure 2).

Index level in January 2019: 54.3 (December [revised]: 57.5)

■ Month-on-month change: -3.2 points ↘

■ Year-on-year change: -10.3 points ↘

Figure 2: Manufacturing employment still growing

Growth threshold = 50



Source: procure.ch, Credit Suisse

Sub-indices present mixed picture

The suppliers' delivery times sub-index, which can be seen as an indicator of capacity utilization, fell sharply in January. At 52.3, it still points to good capacity utilization, although the latter is at its lowest for 2 1/2 years. The output sub-index also fell, reflecting a slower rate of output growth, but remains in the growth zone.

Evolution of the PMI (manufacturing)

		PMI	PMI (s)
2017	Aug.	57.9	61.4
	Sep.	60.6	62.1
	Oct.	61.1	61.9
	Nov.	64.6	64.6
2018	Dec.	61.3	65.2
	Jan.	63.9	64.6
	Feb.	67.1	65.1
	Mar.	63.5	61.4
	April	65.8	62.8
	May	62.7	62.8
	June	64.2	61.8
	July	62.2	61.7
	Aug.	60.9	64.6
	Sep.	58.3	59.9
	Oct.	57.1	57.8
	Nov.	57.7	57.7
2019	Dec.	54.0	57.5
	Jan.	53.7	54.3

Source: Credit Suisse, procure.ch

The inventory situation was somewhat mixed. Stocks of purchased goods rose despite an unchanged quantity of purchases, which suggests that production was unexpectedly weak. However, stocks of finished goods fell marginally, suggesting unexpectedly strong demand.

PMI (manufacturing) subindices

	higher (%)	same (%)	lower (%)	Index	+/-	Index (s)	+/- (s)
Output	35	39	27	54.2	-1.7	55.4	-4.4
Backlog of orders	35	42	24	55.5	4.2	54.3	-0.1
Quantity of purchases	28	43	29	49.7	0.3	49.5	-5.4
Purchase prices	26	60	14	55.8	-1.4	55.3	-4.8
Suppliers' delivery times	10	78	11	50.3	-8.6	52.3	-9.1
Stocks of purchases	25	51	24	50.3	0.6	51.2	-5.5
Stocks of finished goods	20	51	29	45.7	-1.4	47.8	-3.3
Employment	19	71	10	54.8	0.7	56.2	-0.7

The table shows the results of the current survey by subindex. For each subindex, it indicates the percentage of responses that were higher, the same or lower than in 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 (weighting in brackets) of the 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 joint project between the Association for Procurement and Supply Management procure.ch and Credit Suisse. It is based on a monthly survey of procure.ch members. The survey and its evaluation follow the guidelines of the International Federation of Purchasing and Supply Management, which have been successfully used in the USA for many decades. The association procure.ch carries out the survey, while Credit Suisse evaluates and publishes the results.

Services PMI

Index level in January 2019: 59.8 (December [revised]: 56.2)

■ Month-on-month change: +3.6 points

■ Year-on-year change: -1.2 points

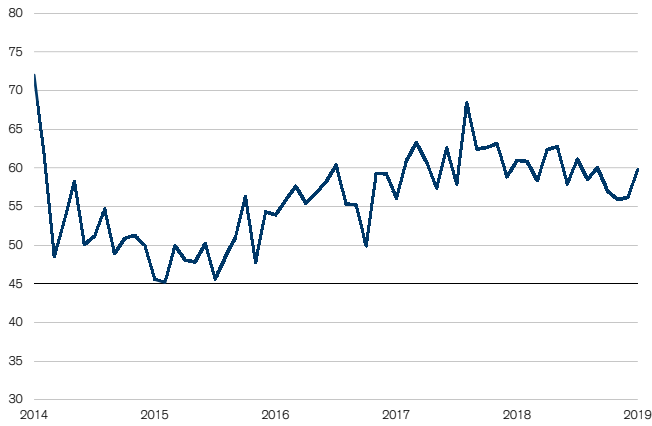
Improved outlook for services

The services PMI again closed above the growth threshold in January (see Figure 3). Adjusted for seasonal factors, it rose to 59.8. The services PMI tends to fluctuate strongly, so an individual monthly result should not be overinterpreted. Furthermore, the revision of the seasonal adjustment factors has a significantly bigger impact on the services PMI than on the manufacturing PMI. However, the outlook for the services sector still seems to be good. The downward trend of recent months has at least been interrupted. The services sector appears to have benefited

more from robust consumer spending in Switzerland as a result of the strong labor market than the manufacturing industry, which is more export-oriented.

Figure 3: Services PMI rebounds

Growth threshold = 50



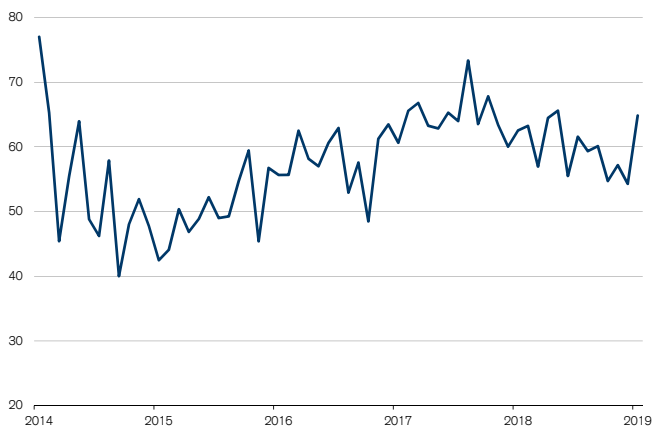
Source: procure.ch, Credit Suisse

Bulging order books

The new orders sub-index saw the biggest jump in January. It now reflects strong growth and is well above the average since the survey began five years ago (see Figure 4). Order backlogs grew more quickly than in recent months, pointing to strong business activity in the future. Business activity itself, i.e. effectively the equivalent of output in manufacturing, moved sideways at a high level. The only disappointing aspect was that the employment sub-index slid just below the growth/contraction threshold to 49.7.

Figure 4: Jump in new orders

Growth threshold = 50



Source: procure.ch, Credit Suisse

Evolution of the PMI (services)

		PMI	PMI (s)
2017	Aug.	62.2	68.4
	Sep.	62.2	62.4
	Oct.	64.5	62.7
	Nov.	70.8	63.2
2018	Dec.	59.0	58.9
	Jan.	57.1	61.0
	Feb.	62.1	60.8
	Mar.	62.1	58.4
	April	62.8	62.4
	May	62.0	62.8
	June	58.6	57.9
	July	56.0	61.1
	Aug.	53.7	58.5
	Sep.	59.9	60.0
	Oct.	58.3	57.0
	Nov.	62.2	55.9
2019	Dec.	55.8	56.2
	Jan.	55.9	59.8

Source: Credit Suisse, procure.ch

PMI (services) subindices

	higher (%)	same (%)	lower (%)	Index	+/-	Index (s)	+/- (s)
Business activity	36	43	21	57.4	-3.1	59.9	-0.6
New orders	33	53	14	59.9	6.2	64.8	10.5
Backlog of orders	31	51	18	56.5	-0.5	62.3	6.2
Purchase prices	32	59	10	61.0	7.3	57.8	3.0
Sale prices	23	69	8	57.7	2.0	54.7	0.8
Employment	10	77	13	48.2	-2.4	49.7	-3.8

The table shows the results of the current survey by subindex. For each subindex, it indicates the percentage of responses that were higher, the same or lower than in 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 (weighting in brackets) of the 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

(29/01/2019)

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
2017	Aug.	61.4	64.2	62.6	60.9	63.8	70.6	51.8	48.6	53.8
	Sep.	62.1	60.5	66.4	62.7	66.8	71.0	52.5	45.3	55.6
	Oct.	61.9	60.7	63.7	61.3	71.6	73.9	50.9	49.6	57.5
	Nov.	64.6	66.8	67.2	64.3	69.0	73.5	55.0	47.0	55.9
	Dec.	65.2	65.1	69.0	63.5	70.7	76.6	49.7	52.3	58.9
2018	Jan.	64.6	65.4	67.4	61.0	72.2	78.3	51.2	47.1	56.0
	Feb.	66.1	65.7	65.4	62.2	74.4	77.2	57.7	48.4	58.5
	Mar.	61.4	61.4	58.7	59.2	68.4	75.3	51.2	50.1	60.0
	April	62.8	63.2	59.7	58.4	71.0	77.2	53.9	50.0	60.5
	May	62.8	61.0	60.5	58.5	68.5	73.7	55.1	50.6	63.9
	June	61.8	61.1	60.9	58.0	71.0	71.8	54.5	48.8	60.4
	July	61.7	61.2	61.1	55.2	67.7	69.9	55.2	54.2	60.2
	Aug.	64.6	69.5	67.2	57.9	64.1	67.5	51.6	49.5	59.1
	Sep.	59.9	62.5	56.5	56.6	62.6	66.1	54.7	56.2	59.7
	Oct.	57.8	54.8	56.3	54.0	60.4	68.3	56.5	54.0	56.3
	Nov.	57.7	58.3	56.4	53.1	61.8	62.4	51.7	53.3	58.2
	Dec.	57.5	59.8	54.4	54.9	60.1	61.4	56.7	51.1	56.9
2019	Jan.	54.3	55.4	54.3	49.5	55.3	52.3	51.2	47.8	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
2017	Aug.	68.4	74.4	73.3	70.2	63.4	54.2	52.0
	Sep.	62.4	69.5	63.5	63.5	63.7	57.7	50.7
	Oct.	62.7	64.5	67.8	66.1	64.7	57.7	48.8
	Nov.	63.2	66.8	63.4	66.3	67.3	57.7	53.6
	Dec.	58.9	59.5	60.0	61.6	65.9	56.4	52.5
2018	Jan.	61.0	63.1	62.5	62.2	62.3	55.0	54.5
	Feb.	60.8	65.5	63.2	58.3	63.6	57.4	55.8
	Mar.	58.4	61.8	57.0	59.9	65.1	57.2	53.7
	April	62.4	63.0	64.5	64.4	66.6	55.1	55.9
	May	62.8	68.0	65.6	60.8	66.5	59.8	55.6
	June	57.9	61.0	55.5	58.5	70.8	56.4	56.3
	July	61.1	64.9	61.6	61.1	61.9	60.3	55.9
	Aug.	58.5	61.8	59.3	57.7	57.6	60.3	54.7
	Sep.	60.0	61.8	60.1	62.0	52.6	53.3	54.8
	Oct.	57.0	61.5	54.7	55.6	55.5	55.8	56.1
	Nov.	55.9	58.8	57.2	54.9	57.5	54.1	52.2
	Dec.	56.2	60.4	54.3	56.0	54.9	53.9	53.5
2019	Jan.	59.8	59.9	64.8	62.3	57.8	54.7	49.7

Source: procure.ch, Credit Suisse

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