

Swiss Economics

# Half of businesses are making changes to the supply chain

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**While the procure.ch Purchasing Managers' Index (PMI) for the manufacturing sector fell slightly in August, the booming recovery in Swiss manufacturing is continuing. The purchasing situation remains difficult. However, prices are no longer rising quite so broadly, and supply chains are not lengthening quite as much as they were in the previous month. The responses to our special question indicate that one in every two companies are making adjustments to their supply chain as a result of the coronavirus crisis. The focus here is on purchasing more from Switzerland and Europe.**

**The rally in the service sector, which is more focused on domestic consumption, was maintained in August. The service PMI is almost unchanged and remains well above the growth threshold. As in manufacturing, price rises have passed their peak.**

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Head of Swiss Economics

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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) for the manufacturing sector was down by 3.3 points in August and therefore failed to maintain the record level it had set in the prior month. That said, at 67.7 points the manufacturing PMI is still well above the growth threshold of 50 points, which means that the booming recovery in the Swiss industrial sector has not run out of steam yet. There are some signs of a slowdown in output, with the corresponding subindex down by 9.8 points. But at 63.2 points it remains at an above-average level. At the same time, the order backlog remains high, though this subindex has also dropped back from its record level. For their part, lower stocks of finished goods are still pointing to brisk demand.

**Figure 1: Manufacturing PMI down slightly**

Growth threshold = 50



Source: procure.ch, Credit Suisse

Meanwhile, prospects on the labour market have improved. The employment subindex actually closed higher than in July. However, job growth is still rather subdued compared to the bounceback in output. Just one-third of businesses are adding more staff on a net basis, while capacity utilisation is very high and the purchasing situation is challenging. Nevertheless, slightly fewer businesses are reporting longer delivery times and higher purchase prices, and the corresponding subindices have retreated slightly in August. Furthermore, purchase inventories have grown on the whole.

**Index level in August: 67.7 points (July: 71.1)**

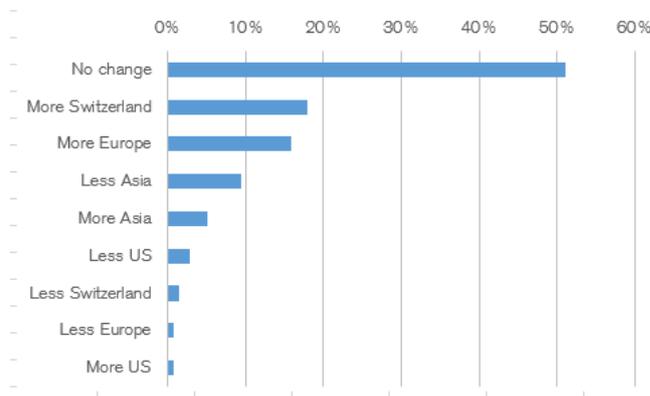
- Month-on-month change: -3.3 points (after rounding)
- Year-on-year change: +16.7 index points

**Those businesses that have made adjustments to their supply chains are purchasing more from Switzerland and Europe.**

In an additional poll, approximately one in every two companies indicated that they had already made changes to their supply chains due to the coronavirus crisis. This was the case for only one in every three firms when we last posed this question a year ago (in July 2020). The most commonly cited reasons for this trend continue to be increased purchases from domestic suppliers, followed by a shift to suppliers from Europe and a reduction in purchases from Asian suppliers (see figure 2). In general, companies have also been attempting to increase diversification in their supplier base. Only a handful of companies stated that they have been aiming for a more concentrated pool of suppliers. At the same time, many of the comments mentioned how stable relationships with suppliers are overall.

**Figure 2: Half of the companies have adapted their supply chains**

Changes to supply chains cited as a result of the coronavirus crisis



Source: procure.ch, Credit Suisse

**PMI (manufacturing) subindices**

	higher (%)	same (%)	lower (%)	Index	+/-	Index (s)	+/- (s)
Output	36	41	24	55.8	-9.8	63.2	-9.8
Backlog of orders	49	36	15	67.2	-6.1	70.0	-2.4
Quantity of purchases	39	48	12	63.5	-7.0	70.7	-5.1
Purchase prices	70	28	1	84.3	-5.9	88.1	-5.0
Suppliers' delivery times	71	28	1	84.7	-7.0	85.5	-2.6
Stocks of purchases	29	52	19	55.1	-2.0	54.6	-1.9
Stocks of finished goods	15	60	25	45.3	-2.8	46.0	0.2
Employment	29	68	4	62.5	0.3	63.1	2.0

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

## Evolution of the PMI (manufacturing)

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

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 (services)

The service PMI has barely changed in August, with a rise of 0.5 points. The reading of 61.3 points to a widespread recovery in the service sector, which has a greater focus on domestic consumption (see figure 3). The business activity subindex, which is the counterpart to output in the manufacturing sector, has improved again with an increase of 3.4 points in August. 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.

### Slowdown in price growth

Price growth in the service sector has also slowed somewhat, with the corresponding subindices declining for the second consecutive month after reaching record highs in June. Sale prices continued to rise less widely than purchase prices, which indicates that pricing power in the domestic market is relatively subdued. At the same time, the labour market situation has improved further. However, workforce expansion remains muted in comparison with the recovery in business activity and manufacturing.

### Adjustments to supply chains

In line with companies in the manufacturing sector, around half of Swiss service providers have made adjustments to their supply chains during the coronavirus crisis. Increased purchases in Switzerland and Europe, combined with generally greater diversification across suppliers, were the most noticeable changes in this sector too.

Figure 3: Stable service PMI

Growth threshold = 50



Source: procure.ch, Credit Suisse

### Index level in August: 61.3 points (July: 60.8)

- Month-on-month change: +0.5 index points
- Year-on-year change: +10.8 index points

## Evolution of the PMI (services)

		PMI	PMI (s)	
2020	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	
June		63.2	64.4	
July		55.5	60.8	
Aug.		57.9	61.3	

Source: Credit Suisse, procure.ch

## PMI (services) subindices

	higher	same	lower	Index	+/-	Index	+/-
	(%)	(%)	(%)			(s)	(s)
Business activity	36	49	15	60.6	6.8	67.1	3.4
New orders	34	47	19	57.6	1.8	60.1	0.3
Backlog of orders	32	49	19	56.9	0.4	61.0	-2.4
Purchase prices	65	35	0	82.3	-1.1	82.8	-2.8
Sale prices	38	61	1	68.4	-2.0	68.1	-4.2
Employment	19	75	6	56.2	0.5	56.0	1.8

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

(30/08/2021)

## 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	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	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	

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	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	
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	

Source: procure.ch, Credit Suisse

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