

# PMI Switzerland: Weakness in the industrial sector hits employment

## Swiss economy

Authors: Alessandro Bee, Economist, UBS Switzerland AG; Matteo Mosimann, Economist, UBS Switzerland AG

- The procure.ch Purchasing Managers' Index (PMI) climbed from 43.1 to 44.0 points in February, another indication that the manufacturing sector is shrinking, having remained below the growth threshold of 50 points since January 2023.
- The PMI was supported by a less pessimistic assessment of the output situation. The employment subcomponent disappointed, declining significantly in February.
- The services PMI stood at 53.0 points in February, losing 1.6 points compared to January. The indicator continues to show service sector growth, but the momentum is likely to have slowed substantially compared to the end of 2023.

## PMI (manufacturing)

**Index level in February: 44.0 points (January: 43.1)**

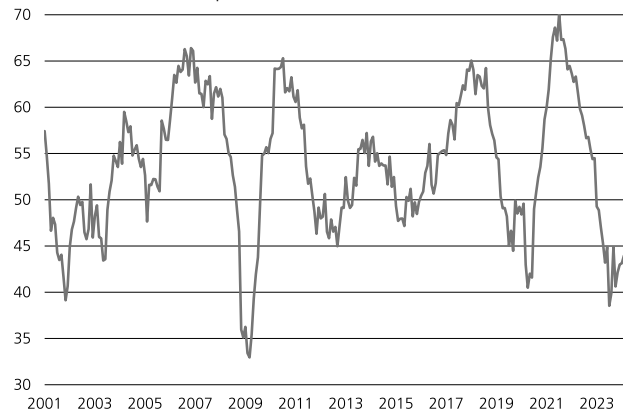
- Month-on-month change: +0.9 index points
- Year-on-year change: -4.9 index points

The procure.ch Purchasing Managers' Index (PMI) stood at 44.0 points in February, which was an improvement month-on-month (January: 43.1). However, the indicator remained below the growth threshold of 50 points. The PMI has now been in contraction for 14 months, which is longer than during the global financial crisis.

Out of the subcomponents flowing into the PMI, output reported the biggest jump. The index improved by 5.8 points, coming in at 44.9 in February. At 41.1 points, the order backlog stagnated at a low level.

Fig. 1: Slight improvement in the industrials PMI in February

Growth threshold = 50 points



Source: procure.ch, UBS

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



January saw a significant increase in the delivery deadlines subcomponent. The Houthi rebels in Yemen had threatened shipping in the Red Sea, the most important transport route for goods between Europe and Asia, which led to higher freight costs and delays. The situation did not worsen in February, and delivery deadlines even fell slightly. However, given the geopolitical conflict in the Middle East, it is still too early to see a clear positive shift.

The employment subcomponent fell significantly in February, falling to 45.8 points. The component indicates a drop in employment in the industrial sector after stagnating in the fourth quarter of last year, according to employment statistics published by the Federal Statistical Office, compared to seasonally adjusted figures quarter-on-quarter.

In the past, the forecast for employment has usually been more cautious than the forecast for output. Over the last two years, however, industrial companies have appeared more optimistic about employment. It is possible that they have been reluctant to reduce employment due to the shortage of labor. In February, the situation normalized again with a significant increase in output and a decrease in the employment component.

Reflecting a more cautious picture of the labor market, 17% of the industrial companies surveyed indicated they had parts of their workforce in short-term work in February. However, this value is far lower than it was during the pandemic. In April 2020, 40% indicated that they would fall back on short-term workers; in December 2020 it was still 25%.

### 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 UBS. 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 UBS evaluates and publishes the results.

### PMI (manufacturing) subindices

	higher	same	lower	Index	+/-	Index	+/-
	(%)	(%)	(%)			(s)	(s)
Output	25	49	27	48.9	11.3	44.9	5.8
Backlog of orders	26	34	40	43.3	2.4	41.1	0.3
Quantity of purchases	24	39	37	43.6	5.2	40.6	1.6
Purchase prices	12	70	18	47.1	-0.1	46.1	-0.9
Suppliers' delivery times	10	71	19	45.4	1.3	45.0	-0.9
Stocks of purchases	24	45	31	46.1	1.7	44.9	-1.0
Stocks of finished goods	26	50	24	51.1	3.5	51.3	0.3
Employment	9	74	17	46.1	-1.8	45.8	-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: "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, UBS  
s: seasonally adjusted

### Evolution of the PMI (manufacturing)

		PMI	PMI (s)
2022	Sep.	55.9	56.8
	Oct.	54.0	55.4
	Nov.	53.7	54.4
	Dec.	51.5	54.5
2023	Jan.	48.3	49.3
	Feb.	51.0	48.9
	Mar.	49.1	47.0
	April	47.2	45.3
	May	43.1	43.2
	June	46.0	44.9
	July	38.7	38.5
	Aug.	38.5	39.9
	Sep.	44.3	44.9
	Oct.	39.6	40.6
	Nov.	41.7	42.1
	Dec.	40.6	43.0
2024	Jan.	42.3	43.1
	Feb.	45.8	44.0

Source: procure.ch, UBS  
s: seasonally adjusted

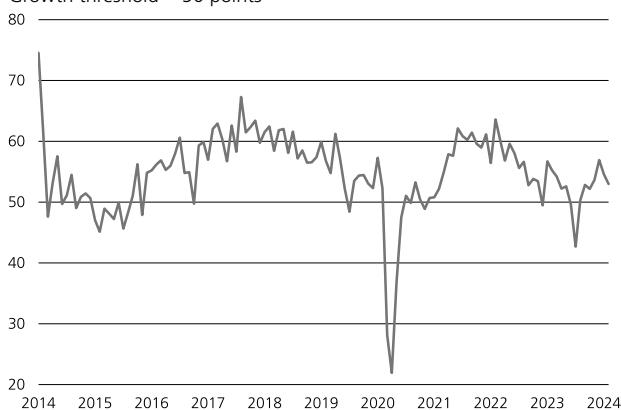
## PMI (services)

**Index level in February: 53.0 points (January: 54.6)**

- Month-on-month change: -1.6 index points
- Year-on-year change: -2.3 index points

**Fig. 2: The Services Sector PMI continues to lose momentum**

Growth threshold = 50 points



Source: procure.ch, UBS

At 53.0 points, the service PMI is indicative of growth. However, momentum has slowed significantly compared to previous months. The decline is attributable to the business activity and backlog of orders subcomponents, which contracted in February by 4.1 and 2.0 points respectively. The new orders and employment components hardly changed in February, which gave the services PMI some stability.

At 52.2 points, the employment component continues to indicate employment growth in the services sector and forms an important pillar for the Swiss economy.

In February, the PMI still paints a picture of a two-tier economy, even if in a watered-down form. In the industrial sector, the lean period carries on, while the services sector still finds itself on a growth trajectory. As the services sector is significantly larger than the industrial sector, both PMIs together likely indicate a slightly slower momentum in the economy as a whole.

## PMI (services) subindices

	higher	same	lower	Index	+/-	Index	+/-
	(%)	(%)	(%)			(s)	(s)
Business activity	29	53	18	55.4	0.1	56.0	-4.1
New orders	28	53	19	54.3	3.7	53.9	0.1
Backlog of orders	22	61	17	52.2	4.0	50.2	-2.0
Purchase prices	15	81	4	55.4	-5.5	55.4	-4.3
Sale prices	10	77	13	48.4	-1.6	48.2	-1.4
Employment	13	75	12	50.5	0.5	52.2	0.1

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: "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, UBS  
s: seasonally adjusted

## Evolution of the PMI (services)

		PMI	PMI (s)
2022	Sep.	55.2	52.8
	Oct.	55.3	53.8
	Nov.	56.6	53.4
	Dec.	46.6	49.5
2023	Jan.	52.9	56.7
	Feb.	55.5	55.3
	Mar.	57.2	54.2
	April	52.9	52.2
	May	53.4	52.6
	June	50.7	49.6
	July	39.2	42.7
	Aug.	48.6	50.3
2023	Sep.	55.3	52.8
	Oct.	53.6	52.2
	Nov.	56.8	53.6
	Dec.	53.4	56.9
2024	Jan.	50.9	54.6
	Feb.	53.2	53.0

Source: procure.ch, UBS  
s: seasonally adjusted

**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
2022	Sep.	56.8	54.1	54.8	51.5	80.0	57.3	64.8	55.9	58.8
	Oct.	55.4	52.9	51.7	52.3	70.2	55.3	65.6	57.4	59.3
	Nov.	54.4	53.5	48.4	46.4	69.9	52.4	63.3	56.7	61.6
	Dec.	54.5	53.0	50.6	49.5	69.5	50.3	62.9	56.3	61.1
2023	Jan.	49.3	49.1	43.3	43.6	62.2	44.9	55.0	52.8	59.0
	Feb.	48.9	49.4	46.4	36.6	56.3	42.8	54.3	58.6	53.9
	Mar.	47.0	50.2	40.8	38.5	43.9	37.1	52.4	51.9	57.0
	April	45.3	44.3	39.9	34.0	43.1	39.7	47.4	54.7	57.8
	May	43.2	41.4	39.0	33.0	44.3	35.1	54.8	53.6	52.0
	June	44.9	49.1	41.3	39.3	42.9	35.3	48.5	53.8	50.4
	July	38.5	37.0	31.4	24.7	38.4	33.9	50.1	48.1	48.8
	Aug.	39.9	39.1	33.5	31.6	39.7	37.5	48.0	50.1	48.3
	Sep.	44.9	48.5	42.3	33.9	43.4	37.2	43.5	51.9	50.6
	Oct.	40.6	40.4	35.2	33.3	46.2	37.9	44.2	50.2	49.3
	Nov.	42.1	46.6	38.1	33.2	48.5	37.6	42.3	49.0	46.0
	Dec.	43.0	43.6	39.8	35.9	42.0	37.7	46.7	45.5	49.2
2024	Jan.	43.1	39.1	40.8	38.9	47.0	45.9	45.9	51.0	48.2
	Feb.	44.0	44.9	41.1	40.6	46.1	45.0	44.9	51.3	45.8

Source: procure.ch, UBS

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

		PMI	Business activity	New orders	Backlog of orders	Purchase prices	Sale prices	Employment
2022	Sep.	52.8	54.6	51.8	51.7	73.7	62.4	53.5
	Oct.	53.8	57.0	50.8	54.1	75.7	64.4	53.2
	Nov.	53.4	56.0	50.9	52.9	75.7	61.1	54.2
	Dec.	49.5	54.5	46.1	45.9	71.8	60.1	52.8
2023	Jan.	56.7	62.8	56.9	52.8	73.9	55.5	54.6
	Feb.	55.3	57.4	54.0	53.5	72.0	57.3	56.7
	Mar.	54.2	58.0	52.1	52.5	61.8	51.9	54.6
	April	52.2	54.7	51.0	51.5	51.1	53.7	51.8
	May	52.6	52.4	50.6	52.5	50.5	48.5	55.5
	June	49.6	50.5	48.1	48.1	51.4	54.0	52.4
	July	42.7	46.4	40.1	36.9	48.1	43.5	49.9
	Aug.	50.3	51.7	49.0	49.9	53.8	48.8	50.7
	Sep.	52.8	57.2	53.2	48.3	61.0	53.4	53.7
	Oct.	52.2	55.8	52.5	51.0	57.7	50.4	49.1
	Nov.	53.6	55.0	56.4	52.4	54.8	51.1	50.3
	Dec.	56.9	57.2	61.6	55.2	60.0	50.5	53.3
2024	Jan.	54.6	60.2	53.8	52.2	59.7	49.5	52.1
	Feb.	53.0	56.0	53.9	50.2	55.4	48.2	52.2

Source: procure.ch, UBS

## Appendix

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