

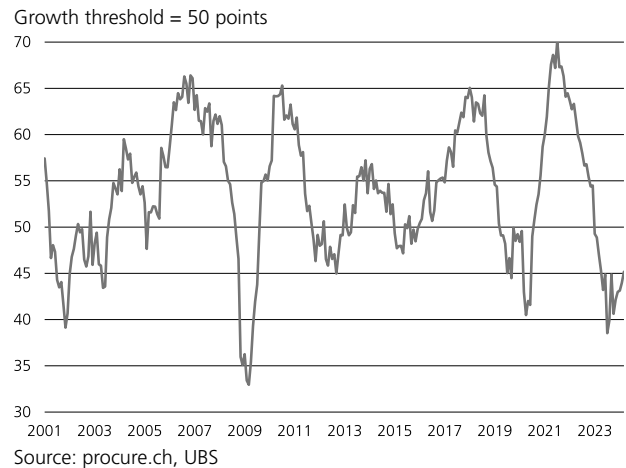
# PMI Switzerland: Setback in services

## Swiss economy

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

- The procure.ch Purchasing Managers' Index (PMI) climbed from 44.0 points to 45.2 points in March. Although this is the highest level since April 2023, the PMI remains below the growth threshold of 50 points, still indicating that the manufacturing sector is shrinking.
- The PMI was supported by a less pessimistic assessment of the output and the backlog of orders.
- The services PMI stood at 47.6 points in March and thus lost 5.4 points compared to February. The index is no longer pointing toward growth in the services sector for the first time since the summer of 2023. The setback for the services PMI is spread across all subcomponents

Fig. 1: Slight improvement in the manufacturing PMI



## PMI (manufacturing)

**Index level in March: 45.2 points (February: 44.0)**

- Month-on-month change: +1.2 index points
- Year-on-year change: -1.8 index points

The procure.ch Purchasing Managers' Index (PMI) came in at 45.2 points in March, improving month-over-month by 1.2 points. However, the indicator remained under the growth threshold of 50 points, indicating a persistent recession in the manufacturing sector.

Some subcomponents climbed markedly in March. The index for both output and backlog of orders improved significantly and made a substantial contribution to the increase of the overall index. Employment may have also benefited from the upswing in production.

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



At 48.5 points, the components still suggests a pullback in employment. However, the decline has slowed compared to February when the index fell to 45.8.

January saw a significant increase in the suppliers' delivery times subcomponent. The Houthi rebels in Yemen are threatening shipping in the Red Sea, the most important transport route for goods between Europe and Asia, which led to higher freight costs and delays. However, this component is lower in March, and the purchasing prices component has declined significantly too. The situation in the Middle East has not moderated yet, but any impact on Swiss manufacturing has been limited so far.

The delivery times component has a positive impact on the PMI. Higher delivery times are usually a sign of higher manufacturing activity while a decline in this subcomponent is a sign of a slowdown in manufacturing. However, we caution against reading too much into this. The decline in delivery times could be related to the disruption of supply chains by the Houthi rebels being less severe than feared. Stocks of finished goods declined as well in March, thereby taking a step toward normalizing inventories, which is necessary for production to rebound. The decline of the two indicators could in fact mean a medium-term improvement in manufacturing output.

### 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	27	46	28	49.3	0.4	47.1	2.2
Backlog of orders	27	40	33	46.6	3.3	44.6	3.5
Quantity of purchases	24	42	35	44.4	0.8	40.7	0.2
Purchase prices	10	71	20	44.9	-2.2	41.5	-4.6
Suppliers' delivery times	7	78	15	45.9	0.5	42.5	-2.5
Stocks of purchases	17	50	34	41.6	-4.5	39.5	-5.4
Stocks of finished goods	18	57	24	46.9	-4.1	44.8	-6.5
Employment	13	73	14	49.3	3.3	48.5	2.7

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: "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	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
	Mar.	47.2	45.2

Source: Procure.ch, UBS  
s: seasonally adjusted

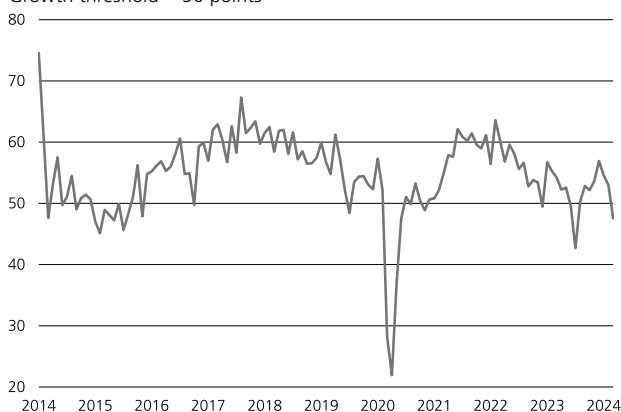
## PMI (services)

**Index level in March: 47.6 points (February: 53.0)**

- Month-on-month change: -5.4 index points
- Year-on-year change: -6.7 index points

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

Growth threshold = 50 points



Source: procure.ch, UBS

The services PMI suffered a serious setback in March and plunged below the growth threshold of 50. All components contributed to this decline. This pullback could signal that manufacturing weakness is now spilling over into the services sector. However, it may also be an outlier. In December 2022 and July 2023, the services PMI plummeted, but that softness did not carry on into the following months and was therefore considered an outlier. The next few months will provide clarity on the matter.

The persistently solid labor market argues against a sharp deterioration in sentiment in the services sector. The employment sub-index did fall slightly in March, but remained well above the growth threshold at 51.9. The services sector is responsible for roughly 80% of jobs in Switzerland. Consumption has been supported by a robust labor market in recent quarters. Thanks to a solid employment outlook, this support for the services PMI is likely to continue.

The Swiss economy has painted a picture of a two-fold economy in recent quarters: a solid consumption and service sector and weak foreign demand. The March PMI dilutes this picture, partly due to an improvement in industry, but mainly because of the slump in the services sector.

## PMI (services) subindices

	higher	same	lower	Index	+/-	Index	+/-
	(%)	(%)	(%)		(s)	(s)	(s)
Business activity	27	56	17	54.7	-0.7	50.2	-5.8
New orders	21	57	22	49.4	-4.9	45.5	-8.4
Backlog of orders	18	58	24	47.0	-5.2	44.1	-6.1
Purchase prices	16	73	11	52.5	-2.9	51.9	-3.5
Sale prices	12	81	7	52.4	4.0	51.6	3.5
Employment	11	79	11	50.0	-0.5	51.9	-0.3

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.

procure.ch, UBS

s: seasonally adjusted

## Evolution of the PMI (services)

		PMI	PMI (s)
2022	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
	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
	Mar.	50.1	47.6

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	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
	Mar.	45.2	47.1	44.6	40.7	41.5	42.5	39.5	44.8	48.5

Source: procure.ch, UBS

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

		PMI	Business activity	New orders	Backlog of orders	Purchase prices	Sale prices	Employment
2022	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
	Mar.	47.6	50.2	45.5	44.1	51.9	51.6	51.9

Source: procure.ch, UBS

## Appendix

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