PMI Switzerland: Industrial recovery delayed

Swiss economy

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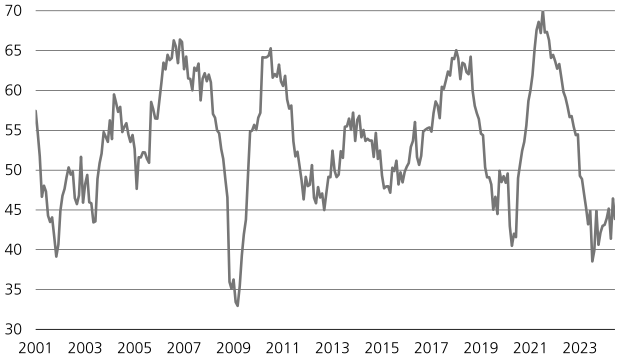
- The procure.ch Purchasing Managers' Index (PMI) fell from 46.4 to 43.9 points in June. The PMI has now remained below the growth threshold of 50 points for 18 months, indicating a challenging situation for the Swiss manufacturing sector.
- A slow reduction in stocks of finished goods and weak industrial PMIs in the Eurozone suggest a quick recovery is unlikely.
- The services PMI rose from 48.8 points in the previous month to 52.0 points, indicating moderate growth in the services sector.

Fig. 1: Industrial PMI falls back in June

Growth threshold = 50 points



Source: procure.ch, UBS

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

procure.ch

PMI (manufacturing)

Index level in June: 43.9 points (May: 46.4)

- Month-on-month change: -2.6 index points
- Year-on-year change: -1.0 index points

The procure.ch Purchasing Managers' Index (PMI) stands at 43.9 points in June, which is 2.6 points lower compared to the previous month. The index has now been below the growth threshold of 50 points for 18 consecutive months.

Only during the dot-com recession has the index remained below the growth threshold for a longer period. However, back then, the PMI mostly ranged between 45 and 50 points, while it has been below 45 points for 12 out of the last 18 months.

The weakness in the PMI is due to a significant decline in the production and order backlog components. In contrast, the subindex for delivery times has risen for the second consecutive month. However, since the index is still below 50 points, it continues to indicate a drop in delivery times, albeit at a slower pace.
The interpretation of this component is subject to uncertainty. An increase in delivery times can be a sign of strong demand, but this could also be the result of supply chain constraints and indicate lower production.

The stocks of purchases component fell to 36.6 points in June, one of the lowest values in the nearly 30-year history of the PMI. The last time purchasing inventories were at this level was during the Great Financial Crisis.

The stocks of finished good component in sales is only slightly below the long-term average at around 47 points and does not indicate that companies are strongly depleting their inventories. However, a significant reduction in inventories would create the potential for a recovery in production.

An important prerequisite for an acceleration of the manufacturing sector is a recovery in the Eurozone. However, the first estimate of the manufacturing PMI in the Eurozone for June shows that it has likely fallen to the lowest level in 2024.

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	24	45	31	46.2	-2.1	44.4	-4.8
Backlog of orders	25	36	39	43.2	-3.1	43.1	-4.6
Quantity of pur-chases	18	45	36	40.9	-1.5	40.6	-1.2
Purchase prices	14	73	13	50.8	-0.9	49.9	1.4
Suppliers' delivery times	8	80	13	47.3	-0.3	46.7	2.6
Stocks of pur-chases	11	54	34	38.5	-1.3	36.6	-2.3
Stocks of finished goods	19	59	22	48.5	-0.2	47.1	-0.7
Employment	11	73	16	47.3	1.0	46.0	-0.7

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)
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
	April	43.2	41.4
	May	46.3	46.4
	June	44.9	43.9

Source: procure.ch, UBS
s: seasonally adjusted

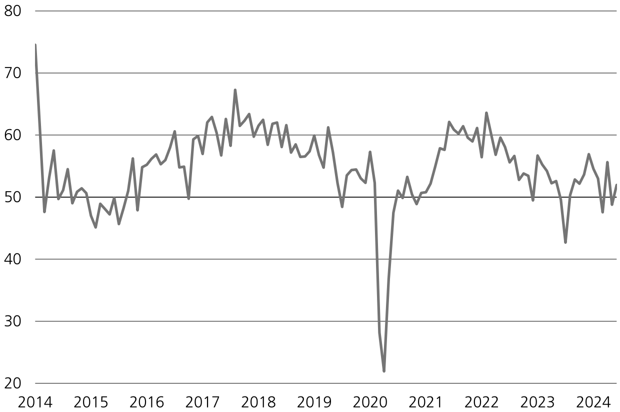
PMI (services)

Index level in June: 52.0 points (May: 48.8)

- Month-on-month change: +3.2 index points
- Year-on-year change: +2.4 index points

Fig. 2: Services PMI back above growth threshold

Growth threshold = 50 points



Source: procure.ch, UBS

The PMI for the services sector rose above the growth threshold again in June. It recorded 52.0 points, an improvement of 3.2 points compared to the previous month.

A look at the subcomponents presents a mixed picture. The order backlog component increased by 9 points, indicating a growing backlog of orders in the services sector once again. Business activity and employment have risen moderately. Meanwhile, the new orders component is almost three points lower than the previous month.

Due to high volatility, it is advisable not to judge the services sector solely based on the latest index value. Over the past three and over the past six months, the services PMI averaged around 52.0 points, indicating moderate growth in this sector.

In June, the employment component also rose above the 50-point mark, indicating growth. Since the majority of employees work in the services sector, a prolonged period with the employment component in the contraction zone would pose a risk to the overall economy.

PMI (services) subindices

	higher	same	lower	Index	+/–	Index	+/–
	(%)	(%)	(%)			(s)	(s)
Business activity	32	51	17	57.5	5.1	54.7	3.0
New orders	25	53	22	51.7	0.0	49.1	-2.6
Backlog of orders	24	56	20	52.3	7.0	53.0	8.7
Purchase prices	21	68	11	55.3	-5.8	54.7	-4.7
Sale prices	7	84	9	48.8	-1.8	49.5	-0.8
Employment	15	71	14	50.6	1.1	50.5	2.2

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)
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
	April	56.4	55.6
	May	49.5	48.8
	June	53.1	52.0

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
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
	April	41.4	39.1	40.3	36.5	49.2	40.2	43.1	47.7	45.9
	May	46.4	49.2	47.7	41.8	48.5	44.1	38.9	47.9	46.6
	June	43.9	44.4	43.1	40.6	49.9	46.7	36.6	47.1	46.0

Source: procure.ch, UBS

PMI (services) and subindices (seasonally adjusted)

		PMI	Business activity	New orders	Backlog of orders	Purchase prices	Sale prices	Employment
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
	April	55.6	55.1	55.5	56.7	56.9	49.3	54.9
	May	48.8	51.7	51.7	44.3	59.4	50.3	48.3
	June	52.0	54.7	49.1	53.0	54.7	49.5	50.5

Source: procure.ch, UBS

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