

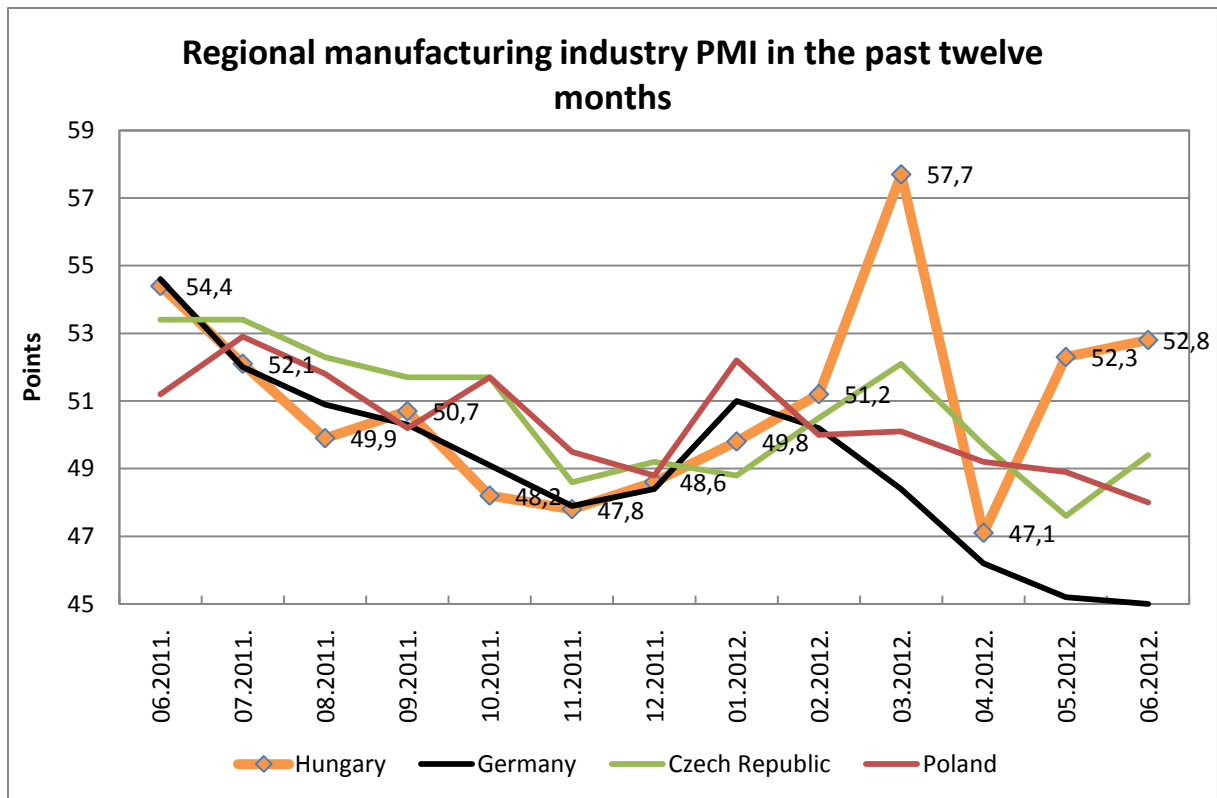
## **Purchasing Manager Index data for Hungary are outstandingly good in both regional and global comparison in June**

According to the latest release of the Hungarian Association of Logistics, Purchasing and Inventory Management, the seasonally adjusted Purchasing Manager Index (PMI) regarding Hungary in the month of June registered a remarkably impressive figure of **52.8 points**. This reading implies expansion of the manufacturing sector, as it is well above 50 points which indicates stagnation (a PMI reading above 50 points signals expansion of the sector and a figure below 50 points means contraction).

The indicator which is published on the 5<sup>th</sup> working day of each month applies the methodology utilized by the American Institute for Supply Chain Management (ISM) for defining a numerical value for manufacturing industry performance. **Traditionally the index is an early and reliable indicator of economic upswings and recessions as the survey carried out among purchasing managers summarizes in one indicator the reactions of companies to the impulses of market environment.** The PMI is calculated as the average of five individual indices of different weightings. The composite PMI is comprised of the **new orders, output, employment, supplier's delivery times and stocks of purchases** components. The replies of companies signal the change in comparison to the previous month.

Analyzing the components one can conclude that **output which is the second most significant factor changed favourably compared to the month of May, even if new orders declined slightly, this is the most favourable reading for June in the past couple of years.** Manufacturing industry employment, which is a sub index of significant weight in PMI, has been signaling expansion since January 2012 and thereby one of the growth engines of Hungary can increasingly boost employment. The component of stocks of purchases on the basis of the latest May data has also indicated above-average growth.

Although the figure of June 2012 cannot be considered as extremely high in comparison to data registered in this month, but it is obviously **one of the highest PMI figures of the last twelve months**. Only the readings of June 2011 and March 2012 were more favourable. In addition, if one compares data with global and regional trends, the result is highly impressive. The below chart shows the manufacturing PMI of the region:

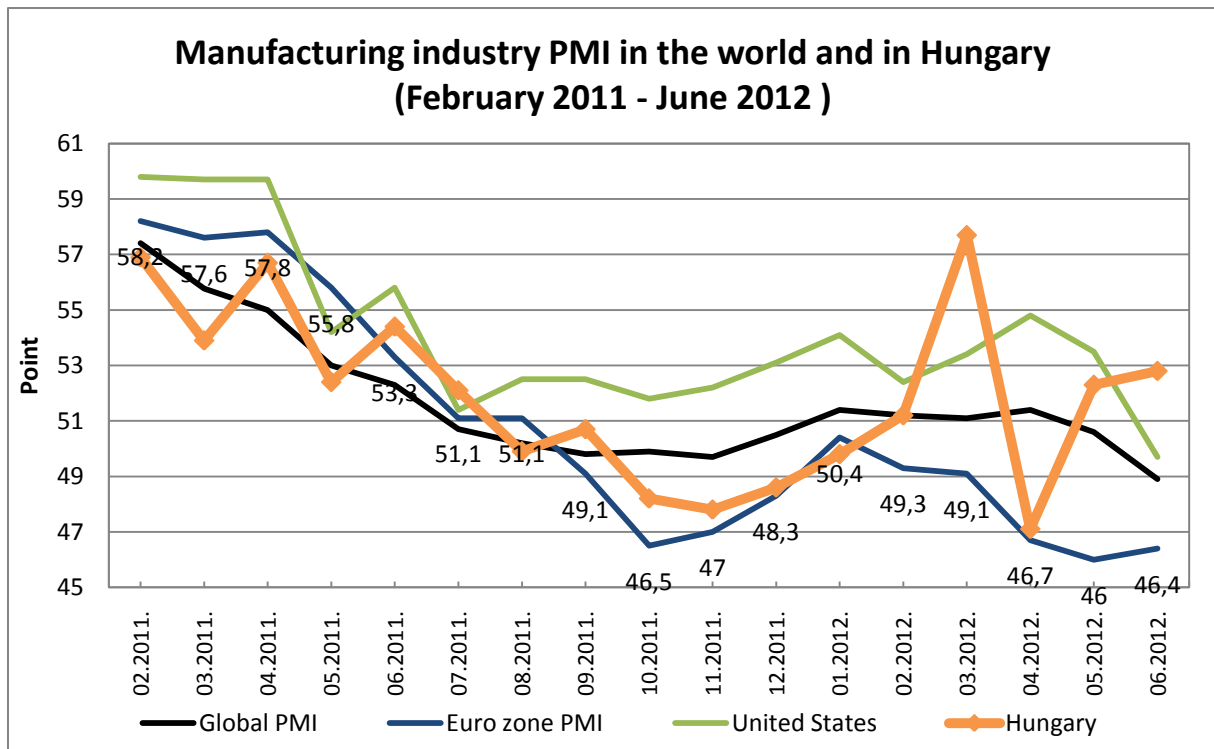


(Source: Bloomberg, Markit, HSBC, Ministry for National Economy)

It is clear that the **index which gauges the performance of the Hungarian manufacturing industry appears to be diverging in a positive direction from regional trends which have prevailed in the past twelve months**, and one of the key contributing factors could be the output increase at the Mercedes plant in Kecskemét. The preliminary industrial production data for May 2012 published recently by the Hungarian Central Statistical Office (KSH) have also made a favourable impression as the seasonally- and workday-adjusted volume of industrial production increased by 3.2 percent in the sector. It has been a further good signal that manufacturing PMI could improve by another 0.5 percentage points from May to June.

Taking a closer look at the PMI indicators of two of our immediate neighbours or even Germany on the chart, a negative trend becomes clear (especially obvious in the case of Germany). In contrast, examining the Hungarian PMI even if April data appear to be an outlier the average of the past half a year is more than 2.5 points higher than the six-month PMI average of the three other countries depicted.

Analyzing changes of the manufacturing PMI indices on a global scale, the result is the following:



(Source: Bloomberg, Markit, Ministry for National Economy)

In the chart the PMI figures of the euro zone are numerically presented: it is clear that with the exception of one period the manufacturing industry of the countries in the currency union have been contracting for the tenth month in a row and latest data also confirm a continuation of this negative trend. The American index – for the first time after a long period – slid below the threshold of 50 points in June with a reading of 49.7 points. In the past twelve months global PMI have been close to stagnation but one can observe a turn for the worse in that regard as well. **On the basis of the aforementioned facts one can interpret the latest PMI data for the Hungarian manufacturing industry as outstandingly impressive and significantly more positive than foreign market trends.**