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Purchasing Managers Indices (PMI) signal stable and steady manufacturing industry growth prospects in Hungary

According to the latest survey of the Hungarian Association of Logistics, Purchasing and Inventory Management (HALPIM), Purchasing Managers Index (PMI) in March – in view of seasonally adjusted data – was 55.7 points in Hungary. This figure is 1.6 percentage points higher than that of February and exceeds the average registered in March of the last three years (54.2 points).

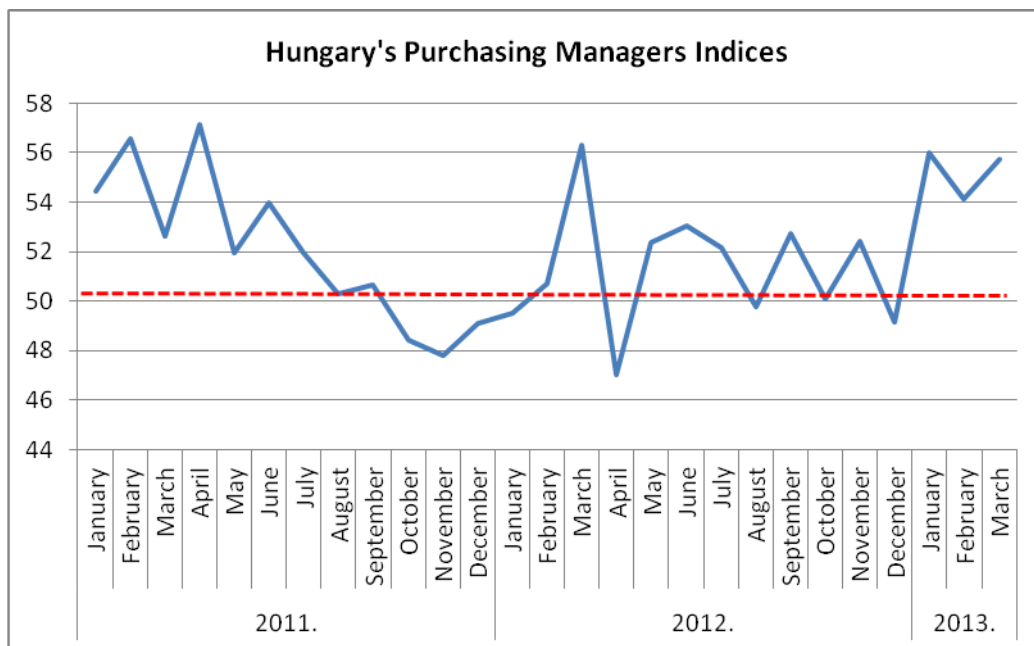
The study is conducted in accordance with the method of the United States' Institute for Supply Management (ISM); it is based on a monthly survey of executive managers in charge of purchasing at manufacturing enterprises. Respondents are asked to compare current business activity to that of the former month (by picking “better”, “worse” or “unchanged”) with regard to five fields: new orders, production volume, supplier deliveries, inventories and employment. For all these fields sub indices are calculated by summing up the percentage of respondents that reported better conditions and half of the percentage of respondents that reported unchanged conditions. . The final PMI figure is a weighted average of the five individual indices. **In light of international experiences, the study conducted among executive officers can accurately predict economic expansion or contraction, as most of the time enterprises first respond to market environment changes by altering purchases. A PMI above 50 points signals a sector's expansion, while the index below that level indicates recession.**

According to the latest release of HALPIM, **Hungarian PMI is well above 50 points for the third month in a row, and the indicator reached 55.7 points in March.** Although this figure is lower than the reading of 56.3 points registered in the corresponding period of the previous year, it has to be noted that after this exceptionally high figure in March last year there was a marked decrease in April and in the subsequent eight months PMI fluctuated between 49.1 and 53.1 points. **In each of the past three months, however, figures were above 54 points which signal a more stable and rapid expansion compared to past periods.**



MINISTRY
FOR NATIONAL ECONOMY

Among PMI components, all five sub indices showed growth in March. The index of production volume indicates growth, and the current value can be considered high from a historical perspective. The new orders index increased slightly less. It is a positive trend that supplier deliveries, gauging transit time, decreased in comparison to the previous month, and the index of inventories was also up. The latter figure, on the basis of data of the past fourteen years, can be regarded as above par. The indicator of employment has had numbers below 50 points only four times since January 2012, and expansion has been unbroken since January this year.

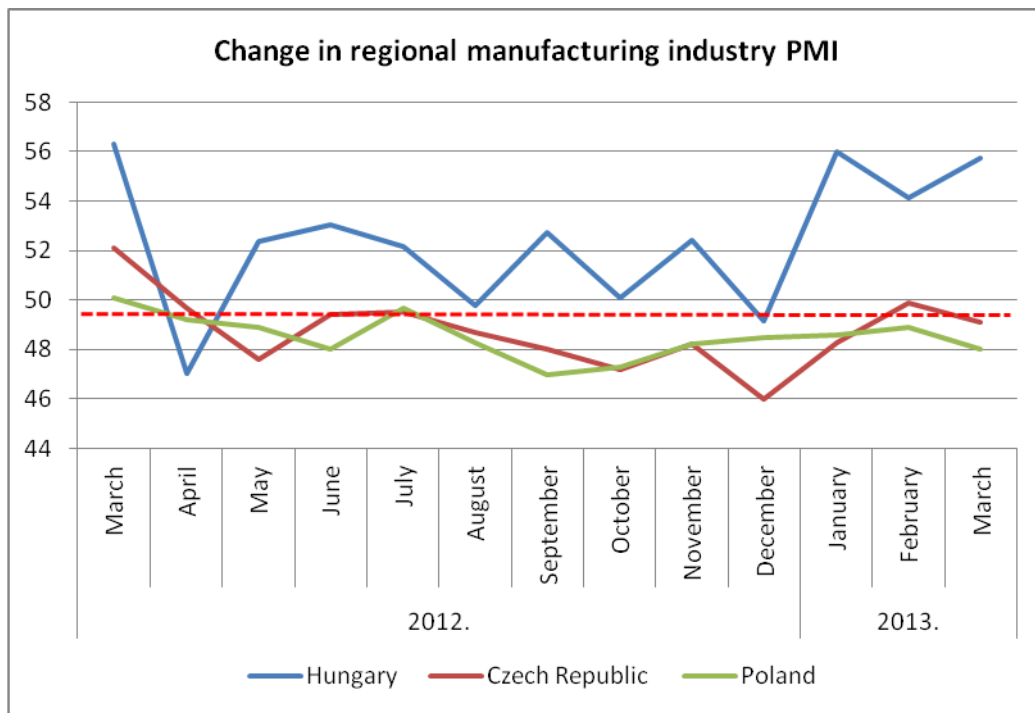


Source: HALPIM

In regional comparison, the positive Hungarian PMI trend is even more outstanding. HSBC and Markit Institution jointly publish a Purchasing Managers Index calculated by a method similar to Hungary's for **Poland** and the **Czech Republic** from among the Visegrád countries. **Since April last year PMIs for both countries have been below the 50-point mark.** In the third month of this year Poland's PMI was 48 points after a reading of 48.9 points in February which signal ever faster contraction of the sector. In the Czech Republic, PMI declined from 49.9 points in February to 49.1 points in March this year, which also shows an accelerated contraction of the Czech manufacturing industry.



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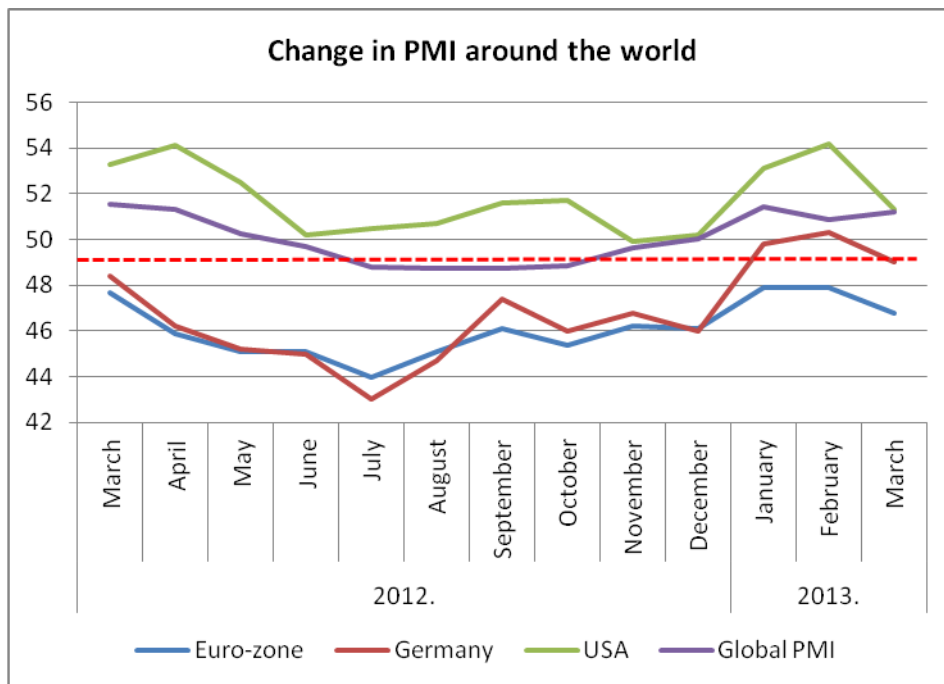


Source: HSBC/Markit, HALPIM

Figures of the Hungarian Purchasing Managers Index this year can be considered to be extremely positive, not only from a regional perspective, but also in relation to Europe or the entire world. The manufacturing industry of the euro-zone has contracted steadily over the course of last year; the March figure of 46.8 points indicates further decline. Germany's PMI – having reversed the trend of preceding months – had significantly higher values in the past three months compared to the index for the entire euro-zone; **in March, however, the German index slid from 50.3 points in February to below 50 points.** In the third month of this year the French PMI reached a three-month peak of 44.0 points, while the Italian indicator with 44.5 points had the lowest figure since August 2012.



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Source: Markit, ISM, JPMorgan

Contrary to the largest economies of the euro-zone, the PMI of the USA has been steadily and continuously indicating manufacturing sector expansion. With the exception of the November reading of 49.9 points, last year the indicator was above 50 points in each month. Although in March the index decreased from 54.2 points to 51.3 points, this reading still signals growth. The global PMI published by JPMorgan predicts with 50+ readings that the sector will expand world-wide. Consequently, it can be inferred that **Hungary's PMIs of the past three months have been consistent with global trends which are far more favourable than that of the euro-zone or the region.**