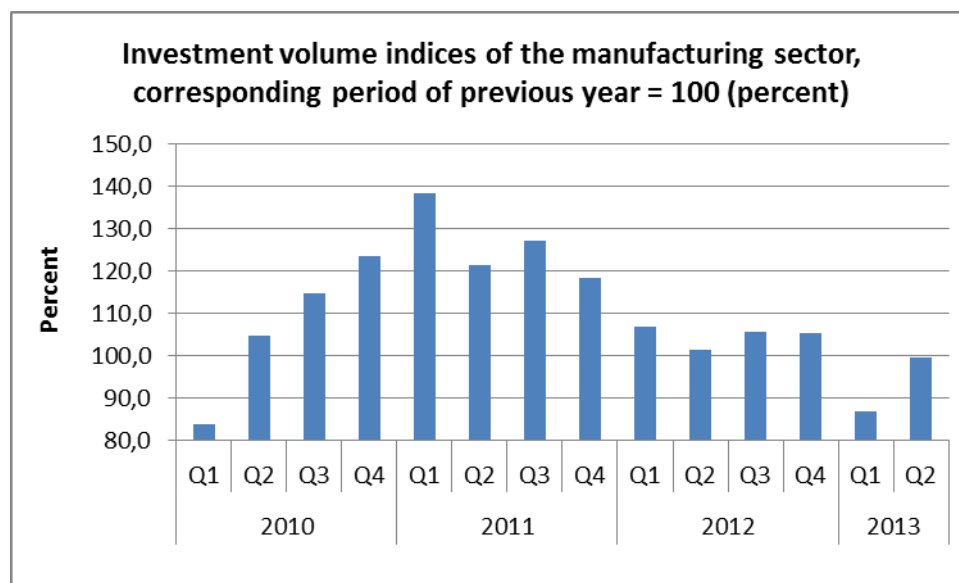




### *Investment data and manufacturing sector PMI signal recovery*

The latest data of the Hungarian Central Statistical Office (KSH) point to investment growth within the Hungarian economy, which was last seen before the onset of the crisis, in 2007. In comparison to the corresponding period of the previous year, expansion was 4.6 percent in Q1 2013, which exceeds even the figure of 2.6 percent registered in the fourth quarter of 2007.

Quarter-on-quarter – according to seasonally adjusted data – investment volume was practically unchanged (-0.1 percent). **Investment regarding construction as well as machinery and equipment was 5.8 percent and 2.4 percent higher, respectively, compared to the second quarter of 2012.**



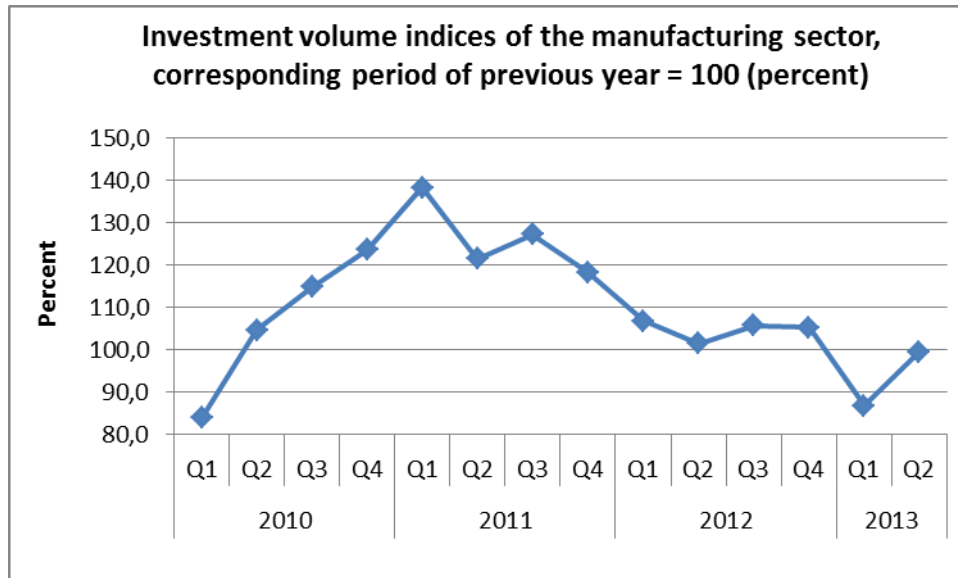
*Source: Hungarian Central Statistical Office (KSH)*

Investment within the manufacturing sector, which constitutes some one-third of total within the national economy, is almost on a par with the level recorded one year ago. **The volume of manufacturing sector investment was slightly down by 0.5 percent** after having fallen by 13.2 percent in the previous quarter. Within the sector, the decrease in investment was the consequence of last year's investment upswing, i.e. a high basis, with regard to the significant sectors of pharmaceuticals- and vehicle manufacturing. On the other hand, **growth was**



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recorded in the field of the manufacturing of rubber, plastics, non-metallic mineral products as well as machinery and equipment manufacturing.



*Source: Hungarian Central Statistical Office (KSH)*

As far as the sector of **transport and storage** is concerned, which constitute 14 percent of investments within the national economy, in the second quarter of 2013 **the volume of investment gained 13.2 percent compared to the level registered in the same period of the previous year.** The improvement was also attributable to the Government's measures aimed at supporting infrastructure development, among them mainly to the construction of minor roads, other road works and motorway construction, as well as to the purchasing of vehicles in this sector.

In April-June 2013, **the volume of investment was higher in altogether 11 national economic sectors compared to the second quarter of the previous year.** Among these, the most dynamic growth was registered in the hotel and catering sectors, in which the volume of investments jumped by 80.2 percent, due to hotel renovation and reconstruction activities. In comparison to the second quarter of 2012, **the 79.3 percent investment growth was also remarkable regarding water- and waste management,** thanks to water purifying and sewerage projects.

The positive investment figure was mainly attributable to the 27.9 percent increase of state-funded investment projects, which – however -- followed an extremely low basis recorded in the



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second quarter of 2012. **On the other hand, private sector investment – taking off from a higher basis -- gained 2.6 percent, which is the best year-on-year figure since the third quarter of 2011.**

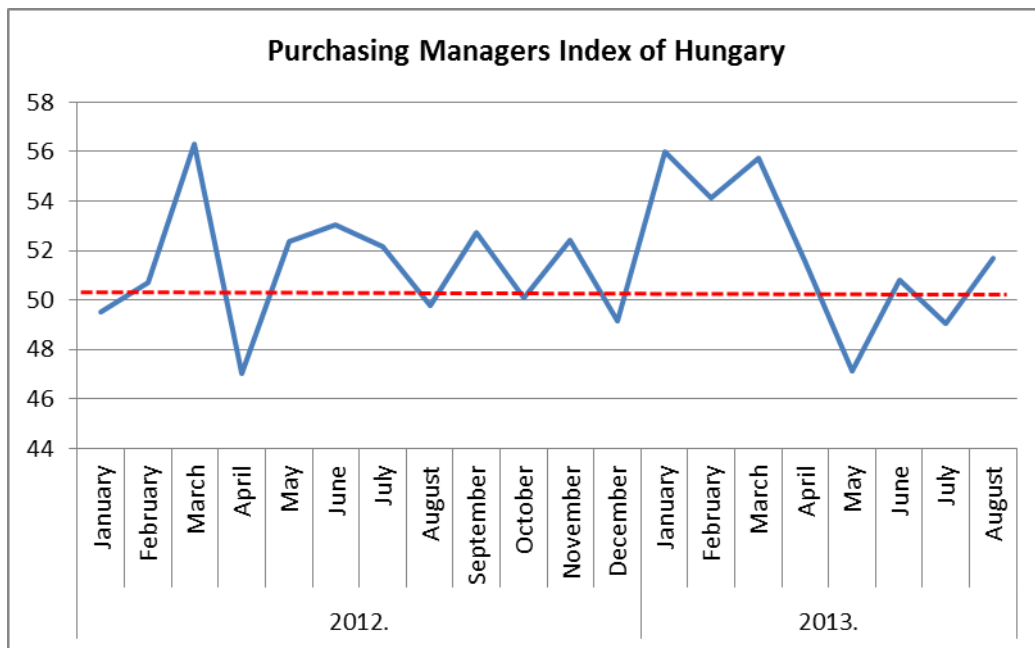
The improvement in August of the manufacturing sector's Purchasing Managers Index (PMI) published by the Hungarian Association of Logistics, Purchasing and Inventory Management (HALPIM) is thought to be signalling growth in the third and fourth quarters, as it is considered as a forward indicator that predicts future growth.

According to the latest publication of HALPIM, **the seasonally adjusted PMI for the manufacturing sector in August was 51.7 points, which is 2.7 points higher than the July figure of 49.0 points. Thus, the index is pointing to manufacturing sector expansion**, as it significantly exceeds the 50 point mark signalling stagnation (PMI readings above 50 points indicate expansion and those below that level show the contraction of the sector.)

The indicator, which is published at the beginning of every month, applies the methodology of the US's Institute for Supply Chain Management (ISM) to gauge manufacturing sector performance. The index has been a traditionally reliable early indicator of economic upturns and downturns, as the survey conducted among purchasing managers encapsulates the reaction of businesses to changes in market environment. The PMI is calculated as the average of five weighted indices and accordingly the composite PMI is made up by the variables of New orders, Output, Employment, Suppliers' delivery times and Stocks of purchases. The responses of businesses show the change compared to the level of the previous month.



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*Source: Hungarian Association for Logistics, Purchasing and Inventory Management (HALPIM)*

As far as the variables are concerned, although the **Output** index was down in comparison to the July figure, but it still shows that the volume of production increased for the third month in a row after negative growth in the month of May. The **New orders** index signals slight improvement; the current reading is the 11<sup>th</sup> best among the figures for August. The **Suppliers' delivery times** component was marginally higher in comparison to July, but the pace of growth slowed down. August data of the past years reveal that this year's figure is the third lowest following 2010 and 2011.

**Stocks purchased** were higher after a decrease was recorded in the previous month. This year's reading for August is definitely above average – the third best -- in light of respective figures of the past fourteen years. Finally, the **Employment** index had indicated improvement between January and April 2013, when the trend had been reversed and it turned downward in May-July. It has been a promising sign that according to the August figure this negative tendency is coming to an end and it is time for a U-turn.