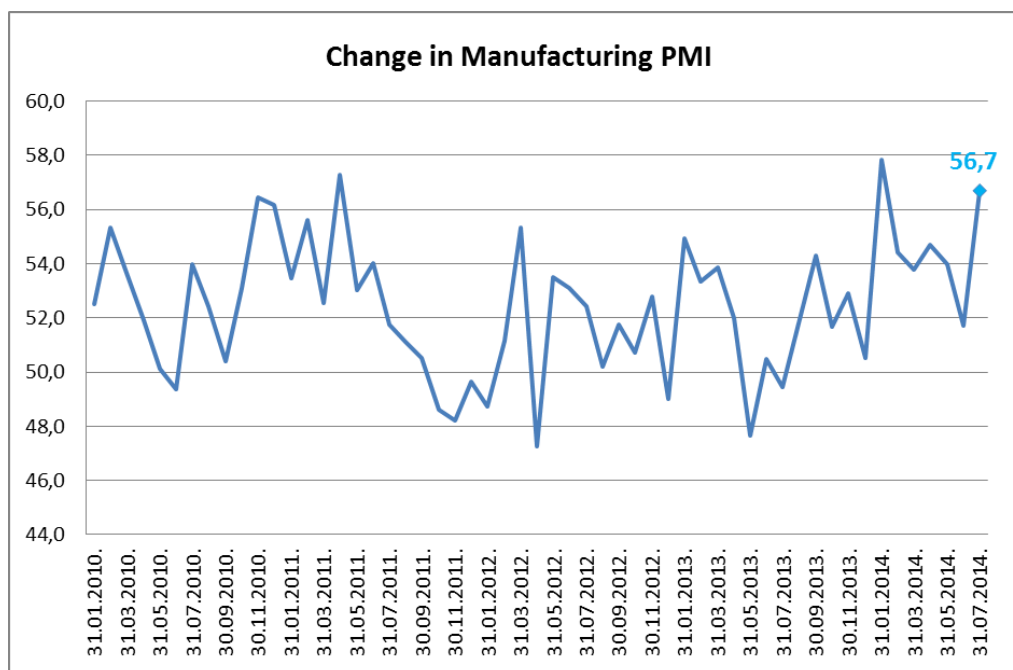




Manufacturing PMI signals ongoing dynamic growth in Hungary

The seasonally adjusted Purchasing Manager Index (PMI) increased to 56.7 points in July 2014, according to the report of the Hungarian Association of Logistics, Purchasing and Inventory Management (HALPIM). **This figure is the best in six months** and 5 percentage points higher than the reading of June 2014 (51.7 points). **This indicates that compared to June the majority of enterprises are more optimistic with regard to their activities.** This figure is the highest since the first month of 2014 when the indicator was predicting significant improvement in the outlook of the manufacturing sector. Hungarian PMI has been constantly above the 50-point mark since August last year which has been prognosticating the expansion of the manufacturing sector. The sector can be reasonably expected to continue to perform well, as – according to the latest preliminary data of the Hungarian Central Statistical Office (KSH) – **industrial sector output has accelerated and in June 2014 as output volume jumped by 11.3 percent year-on-year in Hungary.** This increase has been underpinned by both workday-adjusted and unadjusted data. Manufacturing output has been a pivotal element contributing to this achievement.



Source: Reuters

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: new orders - 0.3; production volume -0.25; employment -0.2 percent; supplier deliveries -0.15; inventories -0.1.

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.

The responses of the almost 100 Hungarian manufacturing enterprises, which have participated in the survey, show far more favourable processes than they did one month before. **The reading of 56.7 points in July is an excellent one:** compared to former July readings, this figure well exceeds the long-term July average of 51.9 points as well as the July average of the past three years (50.8 points). **In addition, the current figure is the second best in the past three years.**

PMI components, except for the purchasing/input price index, export index and delivery times, were all higher in comparison to June 2014. Output volume increased compared to June and -- following a one-month decrease -- the indicator is signalling output growth for nine months. The 59.2 point reading of the sub-index is also above average, as over the past 18 years there was only once a higher figure in July.

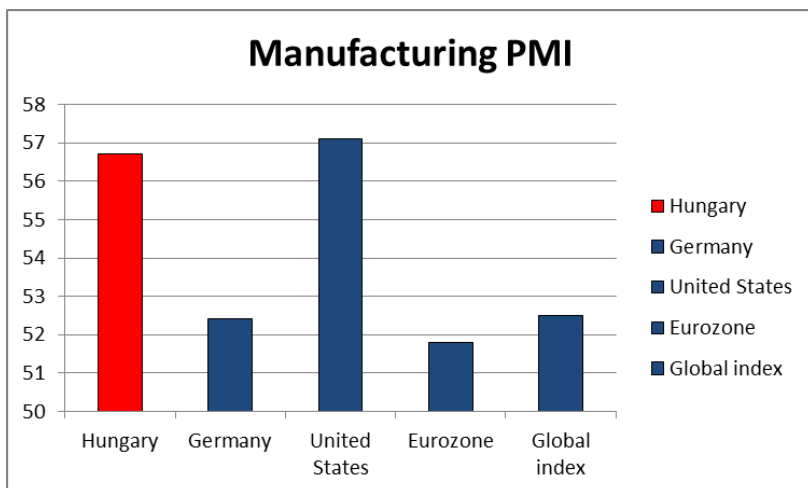
The new orders index also showed remarkable growth: the 62.5 point reading has been the second best July figure since 1995. Thus, the stock of new orders/ quantity of purchases well exceeds the long-term average and the three-year average. **/stocks of purchases have also picked up** following a one-month slump: **the figure of this July is slightly above average in light of data from the past eighteen years and it is the ninth best July reading.** This sub-index showed growth eight times in 2012 and nine times in 2013, while this year the indicator signalled expansion five times thus far. **The employment index** has been above the 50-point mark in almost each month since January 2014, and the favourable trend was only reversed in the month of May. The level of finished goods improved by more than 5 percentage points compared to the June reading which fell below 50 points. In addition, as far as **foreign market indicators** are concerned, although the export index was lower compared to June, it was still steadily above the 50-point mark. The import index improved to 55.6 points following an increase of some 5 percentage points and thus it is signalling further import growth.

In regional comparison, the Hungarian manufacturing PMI figure of 56.7 points is above the Czech or Polish readings. Among the Visegrád Countries, HSBC/Markit Institution publishes PMIs the methodology of which resembles that of Hungary with regard to Poland and the Czech Republic. In the seventh month of this year, **the Czech PMI was at 56.5 points, up by 0.8 percentage points compared to the June figure.** In Poland, manufacturing sector PMI deteriorated from 50.3 points in June to 49.4 points, signalling contraction of the sector.

The June reading of the Hungarian manufacturing PMI is remarkably good from a European as well as global aspect. **The manufacturing PMI of the eurozone is at a seven-month low of 51.8 points**, although the sector has been expanding for thirteen months. **Germany's PMI was among the indices that gave impetus to this indicator**, as it reached a three-month high of 52.4 points. However, the 47.8 point reading, a seven-month low, of the French manufacturing PMI was a heavy drag on the overall indicator. The largest expansion was registered in Ireland and Spain, while the worst slump was recorded – besides France – in the Greek manufacturing sector regarding which the index fell to a nine-month low of 48.7 points. Production volume, new orders and new export orders have been behind the expansion of the eurozone's manufacturing sector. **As the performance of the Hungarian manufacturing sector beats both the eurozone average and – within that – the best reading of 55.4 points registered in Ireland signals the robustness of this industry.**

Megjegyzés [SBJ1]: a júniusban elért mélypontján ragadt júliusban

In the United States of America, manufacturing sector PMI published by the Institution of Supply Management (ISM) increased from 55.3 percent in June to 57.1 percent in July, a three-year record high: it is the best figure since April 2011. It is also higher than analysts' prior expectations of 56 points. **The global manufacturing PMI published by JPMorgan was at 52.5 points in July**, down by 0.1 points compared to the reading of June. Global manufacturing PMI has been signalling expansion for the twentieth month in a row. In July 2014, the indicators of the Czech Republic, the USA, Taiwan, Great Britain, Ireland and Canada were mainly behind the growth of the global index. On the other hand, the weakest performers were Poland, South Korea, Brazil, Greece, Turkey and France, where the indicator showed a slow-down of the manufacturing sector.



Source: HSBC, Markit, J.P. Morgan, Ministry for National Economy (NGM)