

January 18, 2020

The PMI declined sharply in December 2020

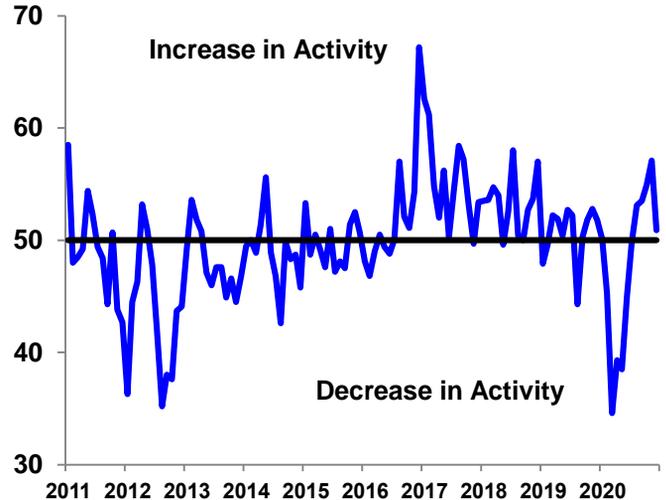
The Purchasing Managers Index of Bank Hapoalim and the Purchasing Managers Organization declined by 6.2 points in December to a level of 50.9 points.

The index fell sharply this month and is close to the level which separates expansion from contraction in activity. The export orders component fell by 12 points to a low of 44 points and again indicated a contraction in activity. The finished product inventory component decreased this month by 13.6 points and reached a low level of 38.7 points. Lower prints were also recorded in local orders, production outputs and employment components, but these still continue to indicate an expansion in activity.

The Global Purchasing Managers Index, published by JPMorgan Bank, remained unchanged in December at 53.8 points - the highest level since February 2018. The Purchasing Managers Index in the Eurozone rose to 55.2 points, and in the US the Markit Index rose to 57.1 Points - the highest level since September 2014. The ISM index rose to 60.7 points - the highest level since August 2018. The Caixin Purchasing Managers Index in China fell to 53.0 points from a record high of 54.9 points recorded in the previous month.

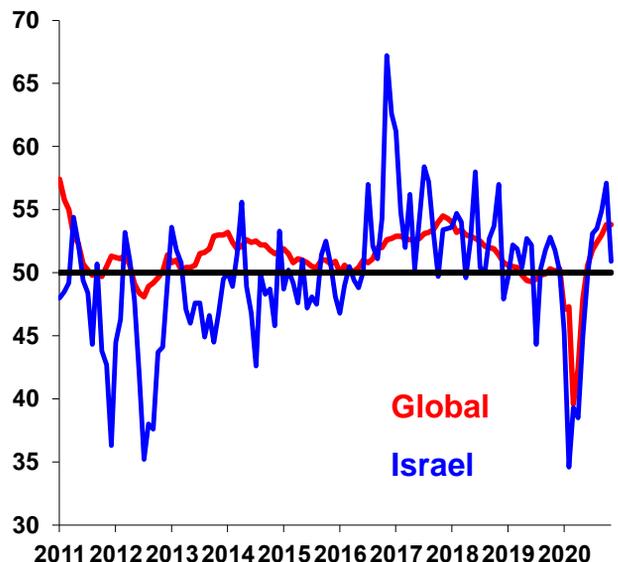
Bank Hapoalim economists: The decline in the December index is rather unusual in light of the upward trend recorded in most indices of purchasing managers in the world. It is possible that the decline in the Purchasing Managers Index was affected by the rise in infections globally and by the third closure in Israel. The export orders component may also have been affected by the sharp appreciation of the shekel and the spike in global shipment costs. Nevertheless, the current closure hardly limits industrial activity, and we see that so far, economic indicators in industry have been positive even relative to the pre-Corona period. The manufacturing production index in October was 5.6% higher than in the corresponding month last year, and foreign trade data for December indicated a continued upward trend in industrial exports.

Israel's PMI
50=unchanged, s.a.



Source: Bank Hapoalim & IPLMA

Global and Israel's PMI



December Data (seasonally adjusted)

Index	December 2020	November 2020	Percent Point Change	Trend	Trend (Months)
PMI	50.9	57.1	-6.2	Growing	5
Trend	53.7	56.9	-3.2	Growing	4
New Orders - Domestic	53.4	61.9	-8.5	Growing	4
New Orders-Exports	44.1	56.1	-12.0	Contracting	1
Production	57.6	51.7	-4.1	Growing	7
Employment	59.3	60.3	-1.0	Growing	5
Raw-Materials Prices	58.9	58.5	0.4	Increasing	5
Inventory – Finished Goods	38.7	52.3	-13.6	Decreasing	1
Inventory - Raw-Materials	51.0	57.5	-6.5	Increasing	3
Inventory Accrual Purchases	53.3	54.0	-0.7	Increasing	5
Supplier Delivery Time - Imports	31.4	32.1	-0.7	Decreasing	18
Supplier Delivery Time - Domestic	41.7	48.9	-7.2	Decreasing	12

Notes to the review and the PMI in Israel

The indices presented in this report are calculated by processing the replies obtained from a large number of purchasing managers of industrial companies in Israel. The questions refer to changes in ten areas compared with the previous month. The replies are qualitative, as follows: 1. High/Better; 2. Low/Worse; 3. Unchanged. A diffusion index, which measures the ratio of respondents expecting an improvement or no change, is calculated for six of the questions. The index calculation methodology matches the methodology used in calculating the PMI worldwide. The Israeli PMI is included in both the European and global PMI.

Great effort was made to avoid errors when gathering the information, processing it and preparing it for publication. Bank Hapoalim B.M. and the Israeli Purchasing and Logistics Managers Association are not responsible for mistakes that could occur, and any causative damage that could result from the use of erroneous data.