

March 18, 2020

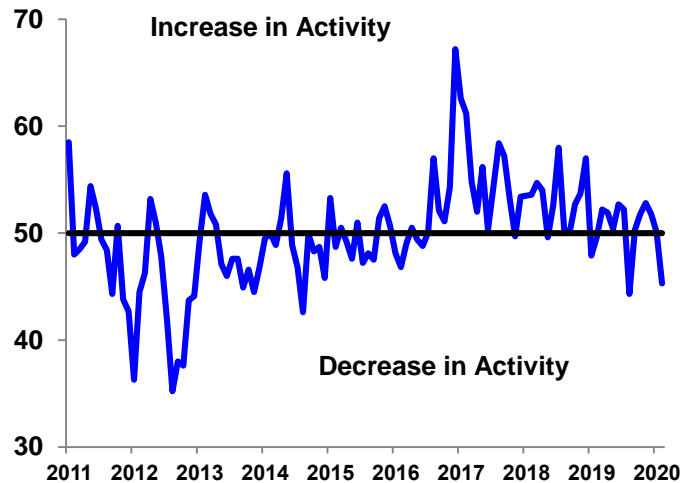
The PMI declined sharply in February 2020

The Bank Hapoalim and the Israeli Purchasing and Logistics Managers Association's Purchasing Managers Index (PMI) declined by 4.8 points in February to a level of 45.3 points reflecting contraction in activity. This month all components declined.

The Global Purchasing Managers Index published by JPMorgan, declined by 3.2 points in February to 47.2 points, reflecting contraction in activity. This is the lowest level since May of 2009. Global manufacturing contracted sharply during February, as the spreading of the coronavirus paralyzed production in China, which resulted in a disruption of the global production chain. In China, the PMI declined sharply to 40.3 from 51.1 in January. This is the lowest level since January 2004. In the US, two PMI are published and both are reflecting expansion – although at levels which are close to the breakeven between expansion and contraction. The PMI in Europe remained stable at 49.2 points and has reflected contraction for the past 13 months.

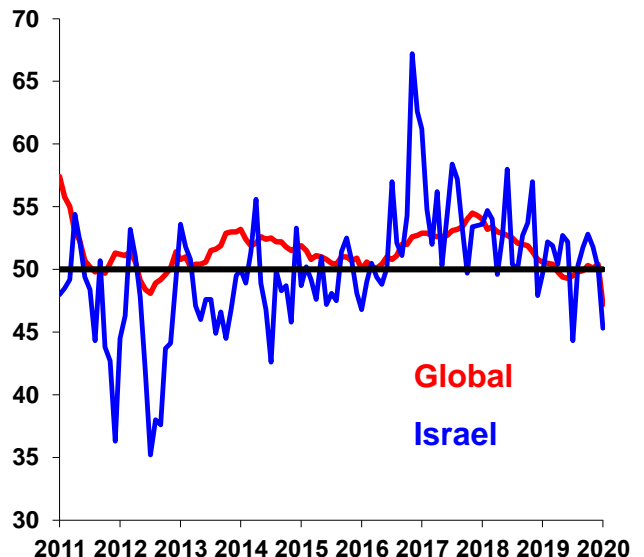
Bank Hapoalim economists: The dire situation globally and in Israel has resulted in a sharp contraction in the economy in general, and especially in manufacturing. February's print is of course before the near total shutdown of the economy in March and we expect a further sharp decline in the PMI this month. It is encouraging that factories in China are gradually returning to production. Hopefully the recession will be short-lived, and if so, the production capacity will not be damaged. If the shutdown is prolonged there is the fear that factories will suffer and will find it difficult to return to regular activity.

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



Source: Bank Hapoalim & IPLMA

Global and Israel's PMI



Source: Bank Hapoalim & IPLMA

February Data (seasonally adjusted)

Index	February 2020	January 2020	Percent Point Change	Trend	Trend (Months)
PMI	45.3	50.1	-4.8	Contracting	1
Trend	49.0	50.5	-1.5	Contracting	1
New Orders - Domestic	47.8	54.8	-7.0	Contracting	1
New Orders-Exports	46.5	44.7	1.8	Contracting	3
Production	45.2	56.1	-10.9	Contracting	1
Employment	39.2	53.7	-14.5	Contracting	1
Raw-Materials Prices	49.3	46.5	2.8	Contracting	8
Inventory – Finished Goods	41.1	47.7	-6.6	Decreasing	2
Inventory - Raw-Materials	48.8	53.9	-5.1	Decreasing	1
Inventory Accrual Purchases	45.1	44.7	0.4	Decreasing	3
Supplier Delivery Time - Imports	34.8	38.8	-4.0	Decreasing	8
Supplier Delivery Time - Domestic	45.9	47.1	-1.2	Decreasing	2

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.