

February 19, 2020

The PMI declined in January 2020

The Bank Hapoalim and the Israeli Purchasing and Logistics Managers Association's Purchasing Managers Index (PMI) declined by 1.7 points in January to a level of 50.1 points. This decline is due to a drop in the export orders and part of the inventory components. On the other hand, the domestic orders component increased and the employment component is reflecting expansion in activity.

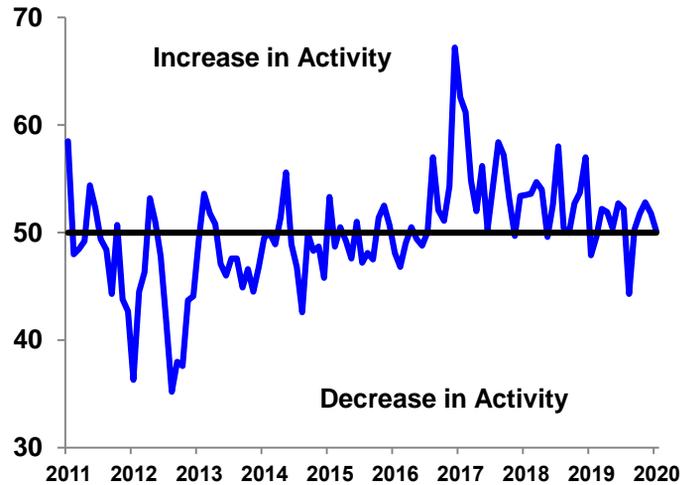
The Global Purchasing Managers Index published by JPMorgan, increased by 0.3 points in January to 50.4 points. In the US, the ISM index shifted this month to reflect expansion for the first time in five months. The PMI in Europe increased to 47.9 points, but has reflected contraction for the past year. In Great Britain the PMI reached 50 points, following eight months of contraction. In China, the PMI declined slightly to 51.1 points.

Bank Hapoalim economists: The year opened up with rather positive indicators regarding global manufacturing, and improving optimism among purchasing managers in the world, the result of the China-US trade deal, and the expected orderly withdrawal of Great Britain from the EU. This data is relevant up until the coronavirus. Global PMI's still do not reflect the negative expectations due to the spreading virus. In the last week of January, workers in China were on New Year's vacation, and until now the severity of the pandemic is still not clear. The global production chain will be hurt due to the lack of IP activity in many Chinese cities, and we assume that next month it will become clearer the impact of the coronavirus on global manufacturing.

The PMI in Israel declined in January to a level separating contraction and expansion in manufacturing activity. The main factors contributing to this decline were the export orders and inventory components. The level of the PMI in Israel resembles that of the average global PMI. Trade data in January reflect a downward trend, declining 8.4% saar in the past three months.

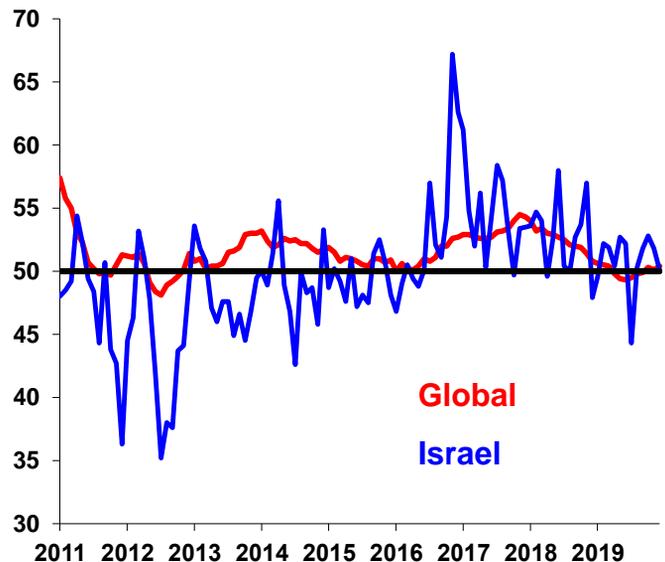
Israel's PMI

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Source: Bank Hapoalim & IPLMA

Global and Israel's PMI



Source: Bank Hapoalim & IPLMA

January Data (seasonally adjusted)

| Index | January 2020 | December 2019 | Percent Point Change | Trend | Trend (Months) |
|-----------------------------------|--------------|---------------|----------------------|-------------|----------------|
| PMI | 50.1 | 51.8 | -1.7 | Growing | 5 |
| Trend | 50.5 | 52.0 | -1.5 | Growing | 41 |
| New Orders - Domestic | 54.8 | 53.7 | 1.1 | Growing | 5 |
| New Orders-Exports | 44.7 | 49.1 | -4.4 | Contracting | 2 |
| Production | 56.1 | 56.1 | 0.0 | Growing | 16 |
| Employment | 53.7 | 49.4 | 4.3 | Growing | 1 |
| Raw-Materials Prices | 46.5 | 42.9 | 3.6 | Contracting | 7 |
| Inventory – Finished Goods | 47.7 | 51.0 | -3.3 | Decreasing | 1 |
| Inventory - Raw-Materials | 53.9 | 55.6 | -1.7 | Increasing | 2 |
| Inventory Accrual Purchases | 44.7 | 48.0 | -3.3 | Decreasing | 2 |
| Supplier Delivery Time - Imports | 38.8 | 47.7 | -8.9 | Decreasing | 7 |
| Supplier Delivery Time - Domestic | 47.1 | 51.2 | -4.1 | Decreasing | 1 |

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.