

August 19, 2020

The PMI improves in July 2020

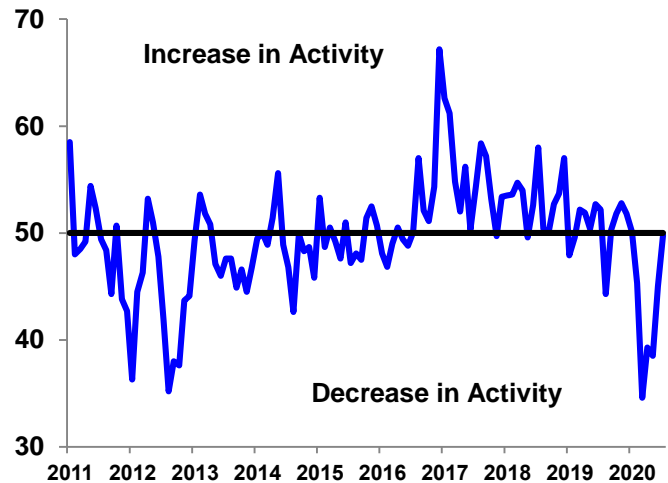
The Bank Hapoalim and the Israeli Purchasing and Logistics Managers Association's Purchasing Managers Index (PMI) increased by 4.8 points in July to a level of 49.8 points. The level of the index is close to the threshold separating contraction and expansion in activity. The key components of the index this month indicated an improvement in activity. The domestic orders component rose by 3.5 points to a level of 48.0 points, the export orders component rose by 10 points to a level of 48.6 points and the component of production output recorded an increase of 3.9 points to a level of 59.9 points this month.

The Global PMI, published by JPMorgan Bank, rose by 2.4 points to 50.3 points in July, indicating an expansion in industrial activity for the first time since January 2020. The Eurozone Purchasing Managers' Index rose to 51.8 points, indicating an expansion in industrial activity for the first time since January 2019. In the US, the Markit index rose to 50.9 points from 49.8 points last month. In Brazil there was a jump of 6.6 points and the index reached a level of 58.2 points, the highest level since the measurement began in February 2006. In China the index rose to a level of 52.8 points, the highest level since January 2011.

Bank Hapoalim economists: Global industrial activity continues to improve and this is reflected in the indices of purchasing managers around the world. Nevertheless, the recovery is in comparison to the low level of production that characterized the months of closure in most countries, and the level of production itself is still lower than that of before the epidemic for the most part. The manufacturing sector was much less affected relative to other industries. In the services sector, the recovery of activity is much more moderate.

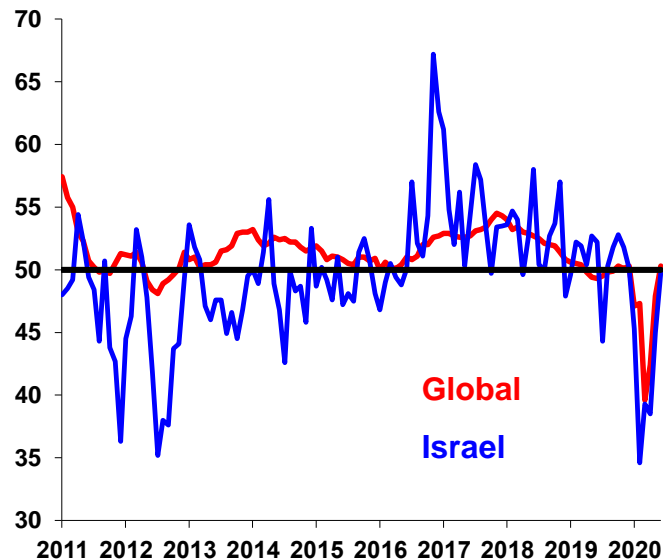
In Israel, too, we have witnessed an increase in industrial exports in May-July 2020 at an annual rate of 2.4%, after a contraction of 10.2% in February-April 2020. It is also apparent that the employment component in the MPI remains low, reflecting an expected decline in employment.

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



Source: Bank Hapoalim & IPLMA

Global and Israel's PMI



Source: Bank Hapoalim & IPLMA

July Data (seasonally adjusted)

Index	July 2020	June 2020	Percent Point Change	Trend	Trend (Months)
PMI	49.8	45.0	4.8	Contracting	6
Trend				Contracting	
New Orders - Domestic	48.0	44.5	3.5	Contracting	6
New Orders-Exports	48.6	38.6	10.0	Contracting	8
Production	59.9	56.0	3.9	Growing	2
Employment	41.7	43.6	-1.9	Contracting	6
Raw-Materials Prices	49.7	60.0	-10.3	Contracting	1
Inventory – Finished Goods	55.2	54.1	1.1	Increasing	4
Inventory - Raw-Materials	42.5	50.1	-7.6	Decreasing	1
Inventory Accrual Purchases	47.1	43.7	3.4	Decreasing	8
Supplier Delivery Time - Imports	35.8	35.1	0.7	Decreasing	13
Supplier Delivery Time - Domestic	42.8	36.8	6.0	Decreasing	7

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.