

July 16, 2020

## The PMI improves in June 2020

The Bank Hapoalim and the Israeli Purchasing and Logistics Managers Association's Purchasing Managers Index (PMI) increased 6.5 points in June to 45.0 points. The index has been at a level, which indicates a contraction in industrial activity for the past five months. This month, all components of the index recorded an increase, and four of them even indicate an expansion in activity. The components that shifted this month to indicate an expansion in activity are: production outputs, raw material prices, and finished product inventory.

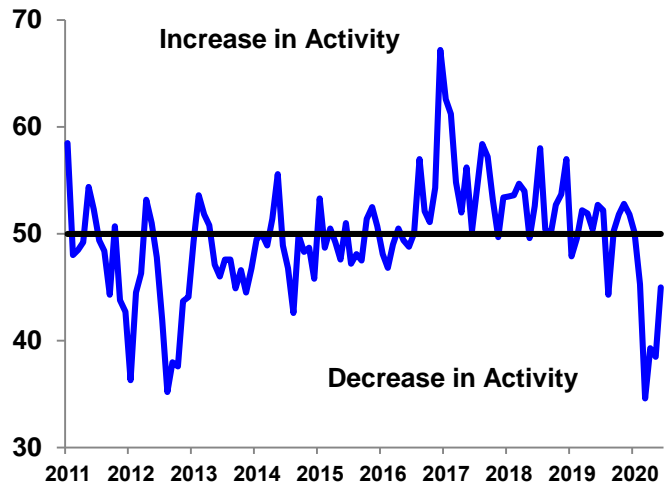
The Global Purchasing Managers' Index, published by JPMorgan Bank, rose 5.4 points in June to 47.8 points, but has continued to indicate a contraction in industrial activity for the past five months. In a number of countries, including France, the United Kingdom, China, Australia, and Turkey, an index higher than 50 points was recorded.

**Bank Hapoalim economists:** The opening up of the economy in Israel and around the world has resulted in an improvement in global PMI. At the same time, the relevant comparison is to the downturn of the lockdown months, and the level of industrial activity has not yet returned to that of the pre-Corona period. The damage to industry in the corona crisis is less compared to other sectors. Demand for a large portion of industrial products, such as food or pharmaceuticals, is relatively inelastic. At the same time, the decline in private consumption and investment in construction is expected to hurt some companies over time.

The CBS Business Survey during the Corona period shows that only 3.2% of industrial workers are on furlough, compared with 7.3% for the entire economy. 5.7% of industrial workers were fired compared to 7.6% in the economy as a whole.

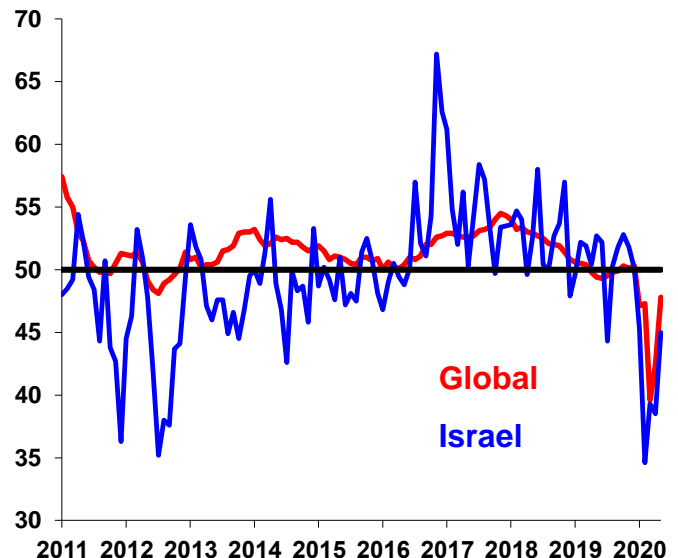
### Israel's PMI

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Source: Bank Hapoalim & IPLMA

### Global and Israel's PMI



Source: Bank Hapoalim & IPLMA

## June Data (seasonally adjusted)

Index	June 2020	May 2020	Percent Point Change	Trend	Trend (Months)
PMI	45.0	38.5	6.5	Contracting	5
Trend				Contracting	
New Orders - Domestic	44.5	37.7	6.8	Contracting	5
New Orders-Exports	38.6	37.4	1.2	Contracting	7
Production	56.0	41.5	14.5	Growing	1
Employment	43.6	36.6	7.0	Contracting	5
Raw-Materials Prices	60.0	44.7	15.3	Growing	1
Inventory – Finished Goods	54.1	52.3	1.8	Increasing	3
Inventory - Raw-Materials	50.1	45.9	4.2	Increasing	2
Inventory Accrual Purchases	43.7	42.4	1.3	Decreasing	7
Supplier Delivery Time - Imports	35.1	25.8	9.3	Decreasing	12
Supplier Delivery Time - Domestic	36.8	34.3	2.5	Decreasing	6

### 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.