

June 17, 2020

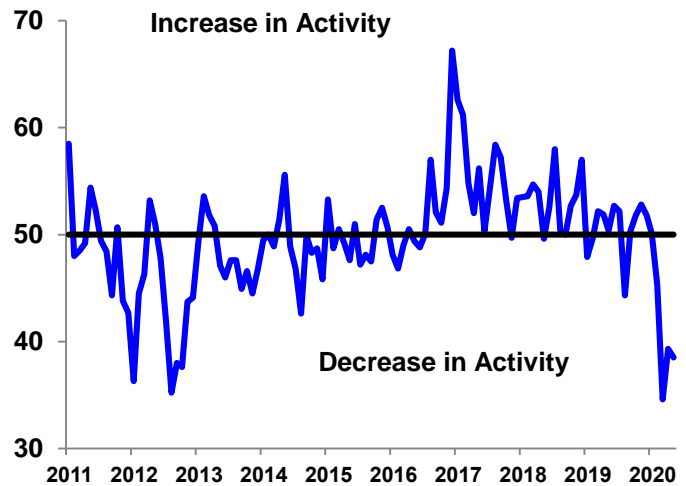
The PMI declines in May 2020

The Bank Hapoalim and the Israeli Purchasing and Logistics Managers Association's Purchasing Managers Index (PMI) declined 0.8 points in May to 38.5 points. For the past four months this index has been at a level indicating a contraction in industrial activity. This month all components of the index, except for finished product inventory, indicate a contraction in activity. The components that showed some improvement compared to April were the new orders for exports, production outputs, employment and delivery times for the domestic market.

The Global PMI, published by JPMorgan Bank, rose 2.8 points in May to 42.4 points, but has continued to show contraction in industrial activity for the past four months. The contraction in global production remains significant and is causing disruptions in industry and supply chains. China is the only country where the index indicated an increase in industrial activity: 50.7 points, thus returning to the level recorded before the Coronavirus crisis.

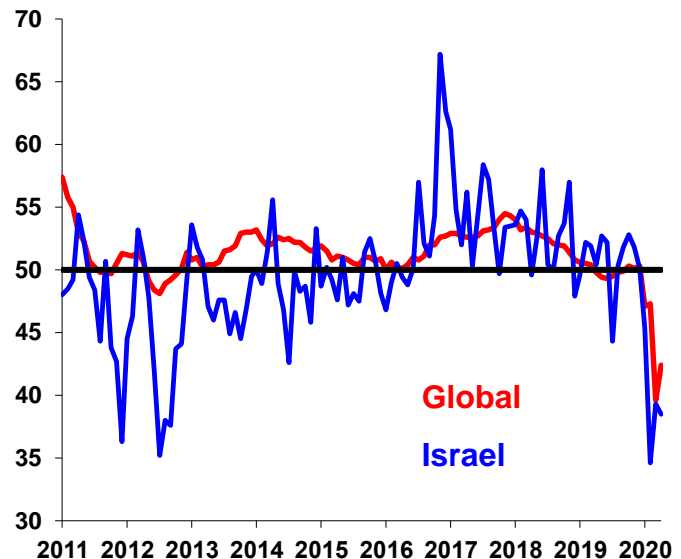
Bank Hapoalim economists: The level of the PMI in recent months indicates a crisis similar in magnitude to that of the global recession in 2008. Although most of the restrictions on activity have been removed, about 8 percent of workers in manufacturing still have not returned from furlough. Manufacturing exports rose in May, according to CBS data, but this from a very low in the previous two months. Compared to May last year, exports are still about 20% lower.

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



Source: Bank Hapoalim & IPLMA

Global and Israel's PMI



Source: Bank Hapoalim & IPLMA

May Data (seasonally adjusted)

Index	May 2020	April 2020	Percent Point Change	Trend	Trend (Months)
PMI	38.5	39.3	-0.8	Contracting	4
Trend				Contracting	
New Orders - Domestic	37.7	41.9	-4.2	Contracting	4
New Orders-Exports	37.4	37.1	0.3	Contracting	6
Production	41.5	40.6	0.9	Contracting	4
Employment	36.6	35.5	1.1	Contracting	4
Raw-Materials Prices	44.7	51.6	-6.9	Contracting	1
Inventory – Finished Goods	52.3	52.5	-0.2	Increasing	2
Inventory - Raw-Materials	45.9	55.3	-9.4	Decreasing	1
Inventory Accrual Purchases	42.4	45.7	-3.3	Decreasing	6
Supplier Delivery Time - Imports	25.8	25.4	0.4	Decreasing	11
Supplier Delivery Time - Domestic	34.3	29.8	4.5	Decreasing	5

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.