

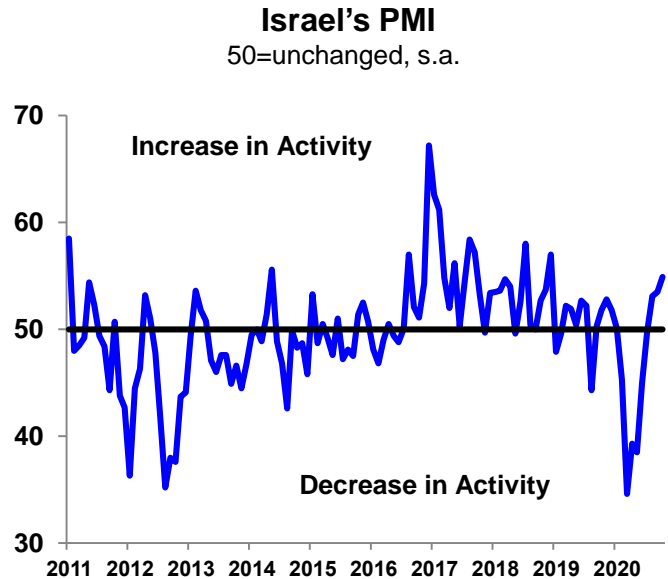
November 17, 2020

The PMI increases in October 2020

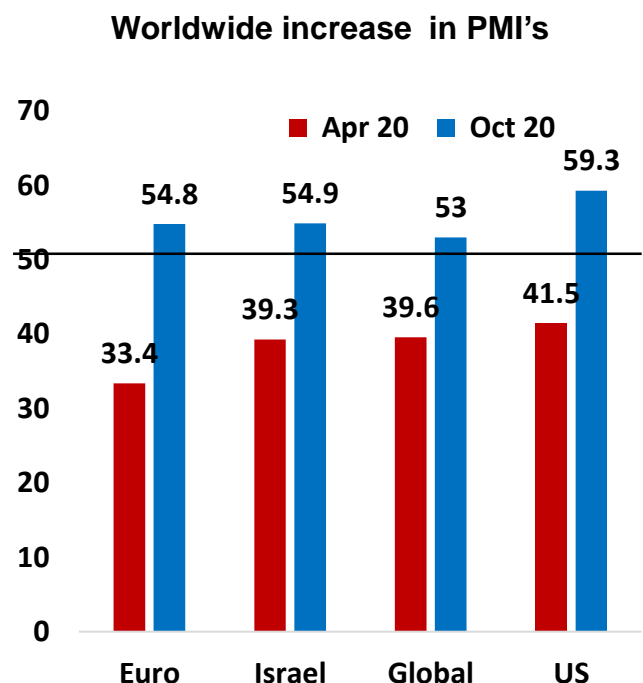
The Purchasing Managers Index of Bank Hapoalim and the Purchasing Managers' Organization rose by 1.4 points in October to a level of 54.9 points. This is the third month in a row that the index indicates an expansion in industrial activity. Most of the key components also indicated an expansion in activity this month, with the exception of the export orders component, which fell by 2.9 points this month and moved to indicate a contraction in activity.

The World Purchasing Managers' Index, published by JPMorgan Bank, rose 0.6 points in October to 53.0 points. This increase in October is the sharpest in the last two and a half years and this is the fourth month in a row that this index has indicated an expansion in industrial activity. The level of the index reflects an expectation of a change in activity, so the increase in recent months, measured relative to the low level of production in the quarantine months, is significant. The Purchasing Managers Index in the Eurozone rose to 54.8 points compared to 33.4 points in April and in the US the ISM index rose to 59.3 points from a low of 41.5 points in April.

Bank Hapoalim economists: Most of the PMI in the world currently point to expansion, against the background of the low starting point of the second quarter, and the recovery in demand in the third quarter. The corona crisis has not directly affecting the manufacturing sector, and surprisingly we are have even witnessed an upward trend in industrial exports during the crisis. The disparity in the economy is large, and this is reflected in the growth and employment data which was published by the CBS this week. While the economy grew at a sharp annual rate of 37.9% in the third quarter, and the GDP level is only 1.4% lower than the same quarter last year, in the second half of October unemployment remained relatively high at 18%.



Source: Bank Hapoalim & IPLMA



October Data (seasonally adjusted)

| Index | October 2020 | September 2020 | Percent Point Change | Trend | Trend (Months) |
|-----------------------------------|--------------|----------------|----------------------|-------------|----------------|
| PMI | 54.9 | 53.5 | 1.4 | Growing | 3 |
| Trend | 54.6 | 51.7 | 2.9 | Growing | 2 |
| New Orders - Domestic | 52.5 | 51.4 | 4.2 | Growing | 2 |
| New Orders-Exports | 48.2 | 51.1 | -2.9 | Contracting | 1 |
| Production | 66.0 | 60.8 | 5.2 | Growing | 5 |
| Employment | 57.3 | 52.6 | 4.7 | Growing | 3 |
| Raw-Materials Prices | 60.5 | 57.0 | 3.5 | Increasing | 3 |
| Inventory – Finished Goods | 49.8 | 59.9 | -10.1 | Decreasing | 1 |
| Inventory - Raw-Materials | 51.7 | 48.6 | 3.1 | Increasing | 1 |
| Inventory Accrual Purchases | 59.0 | 54.8 | 4.2 | Increasing | 3 |
| Supplier Delivery Time - Imports | 34.4 | 40.1 | -5.7 | Decreasing | 16 |
| Supplier Delivery Time - Domestic | 46.1 | 46.6 | -0.5 | Decreasing | 10 |

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.