

May 16, 2011

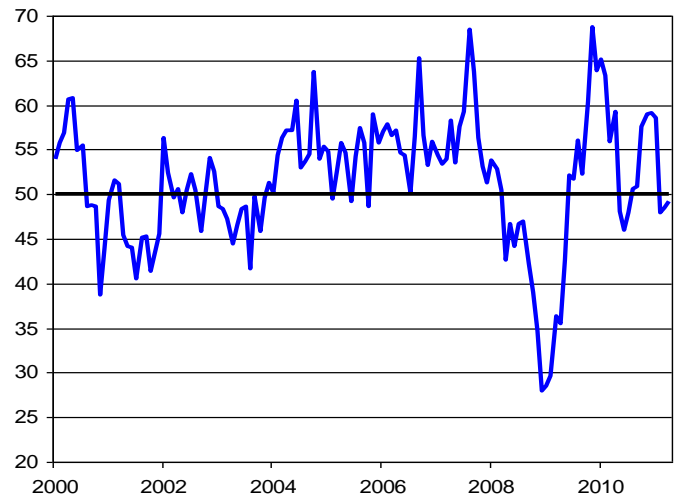
Israeli PMI in April 2011 shows contraction in manufacturing activity

The Bank Hapoalim and the Israeli Purchasing and Logistics Managers Association's Purchasing Managers Index (PMI) for April 2011 rose to a level of 49.2 points. This level of the index is indicative of a decline in activity (an index of less than 50 points) for the third consecutive month, although the downtrend in April was more moderate. A large 4.2 point decrease was recorded in the exports new-orders component, although the level of these orders remained above 50, which is consistent with an increase in exports. Although domestic new-orders increased slightly, the level of the index is still indicative of a contraction in this item. Raw materials prices continued to rise for the 17th consecutive month.

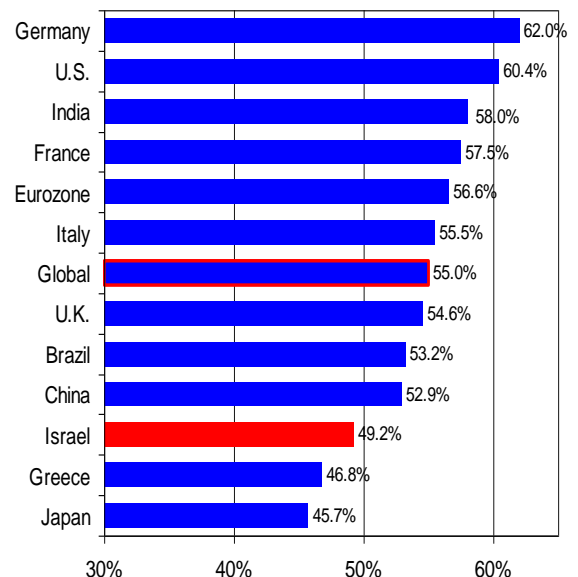
The Global Manufacturing Index published by JPMorgan fell in April for the second consecutive month, to a level of 55.0. The Global Index has been above a level of 50 for the past 22 months. The US and Euro indexes remained at high level of 60.4 and 58.0 respectively. In Germany and France, a higher level of activity than in the rest of the eurozone was recorded while the decline in activity in Greece continued. The Japanese PMI continued to reflect the serious downturn in industrial activity in that country, and fell to a level of 46.4.

Bank Hapoalim economists: For the third consecutive month, the index shows a contraction in industrial activity, although the level of the index was close to the 50 threshold. New domestic orders have been below a level of 50 points for the past three months. The majority of economic indicators recently published by the Central Bureau of Statistics, including those for domestic demand and investment, show a rapid expansion in activity. The slackness in the domestic demand component of the index may reflect purchasing managers' assessments of a downturn in this demand due to price increases. The employment component has been expanding for the past 21 months, meaning that purchasing managers expect the growth in demand for labor in the manufacturing sector to continue.

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



PMI – International comparison
April



April Data (seasonally adjusted)

Index	April 2011	March 2011	Percent Point Change	Trend	Trend (Months)
PMI	49.2	48.5	0.7	Decreasing	3
Trend	50.4	51.5	-1.1	Growing	7
New Orders - Domestic	48.1	47.0	1.1	Decreasing	3
New Orders-Exports	52.4	56.6	-4.2	Growing	7
Production	54.3	50.6	3.7	Growing	10
Employment	56.2	52.5	3.7	Growing	21
Raw-Materials Prices	81.3	81.0	0.3	Increasing	17
Inventory – Finished Goods	41.1	39.7	1.4	Decreasing	4
Inventory - Raw-Materials	47.2	37.5	9.7	Decreasing	2
Inventory Accrual Purchases	42.8	42.7	0.1	Decreasing	3
Supplier Delivery Time - Imports	32.6	31.2	1.4	Decreasing	20
Supplier Delivery Time - Domestic	42.7	38.6	4.1	Decreasing	20

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.