

Economic Recovery and Monetary Policy Recalibration

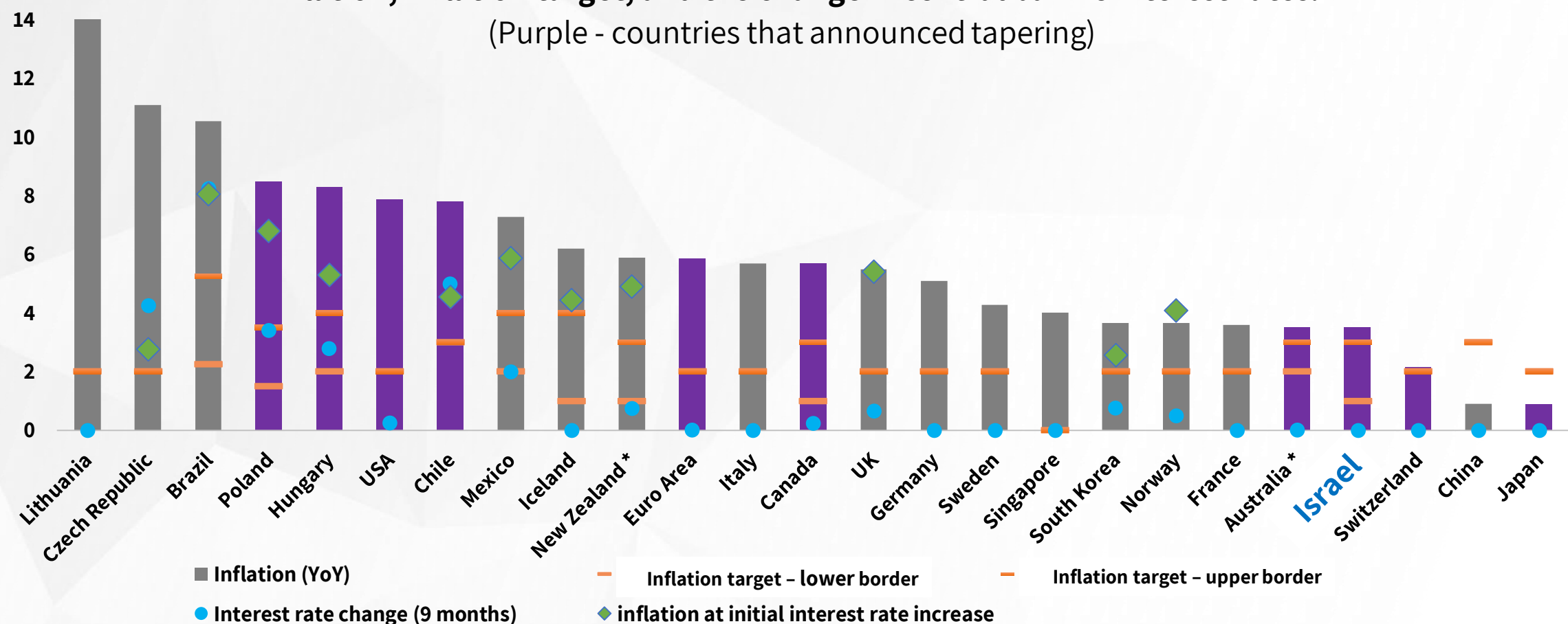
March 2022

Mr. Andrew Abir
Deputy Governor, Bank of Israel

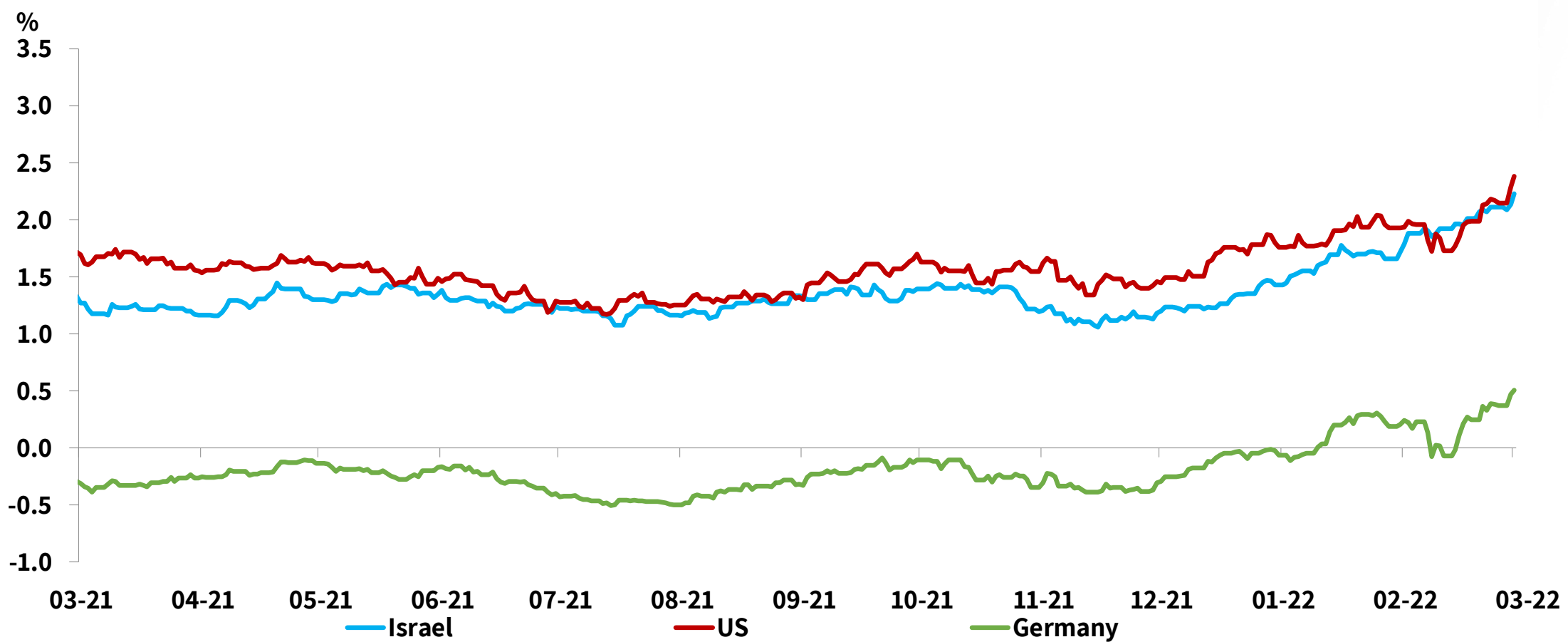
Interest rates have risen in countries when inflation is well above the target



Inflation, Inflation target, and the change in central bank's interest rates:
(Purple - countries that announced tapering)



Nominal Yields on 10-year Sovereign Bonds in Israel, US and Germany: March 2021–February 2022

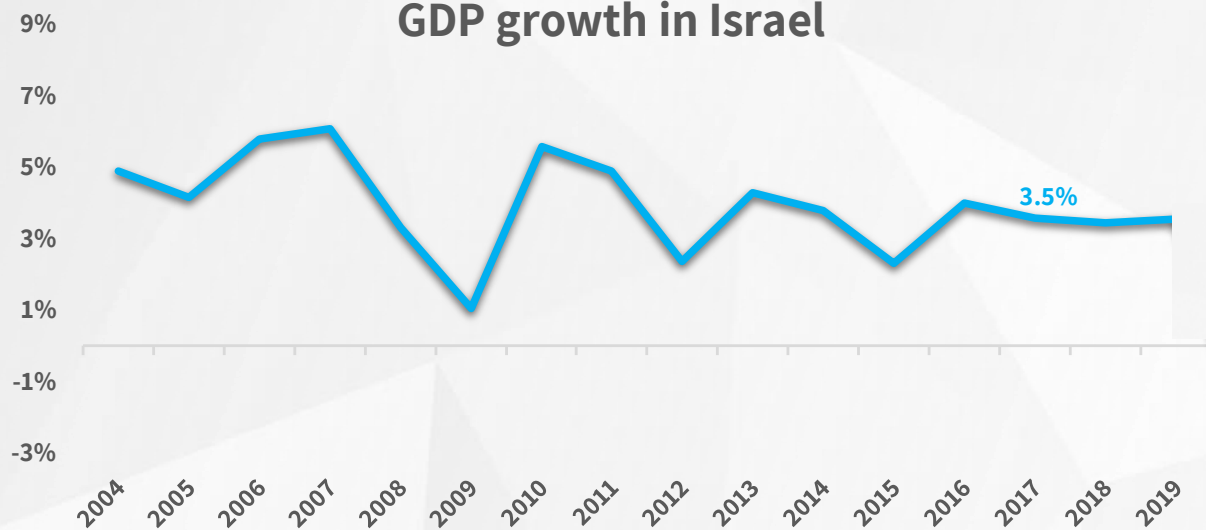


Source: Bank of Israel calculations on Bloomberg data.

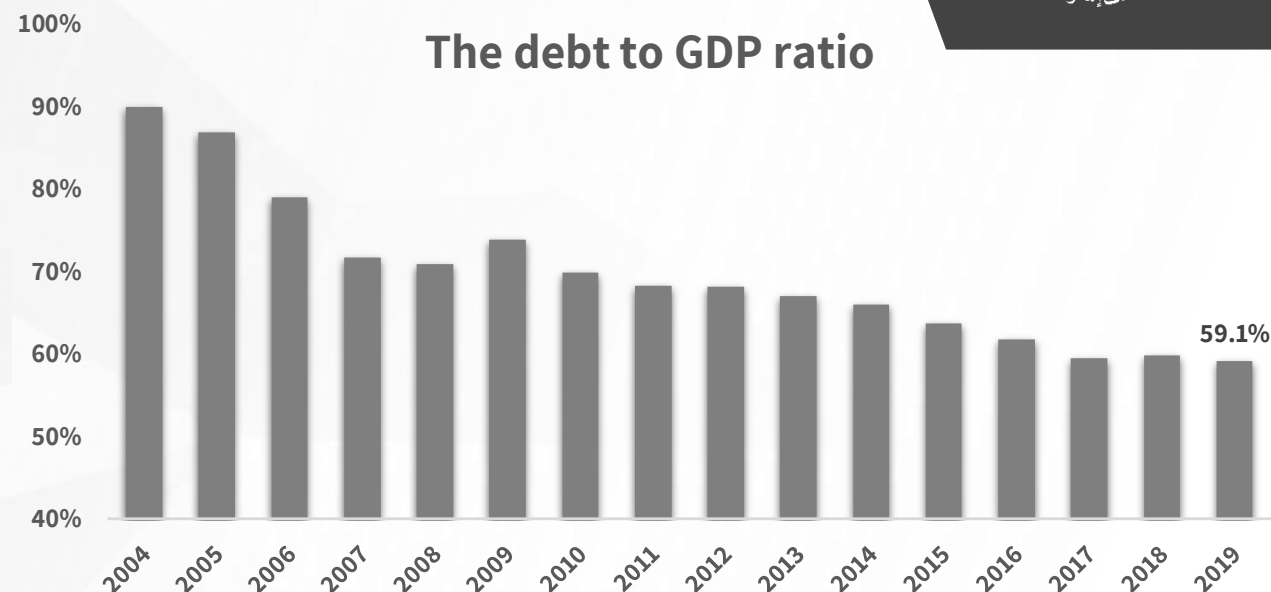
Israel's economy entered the crisis in good shape



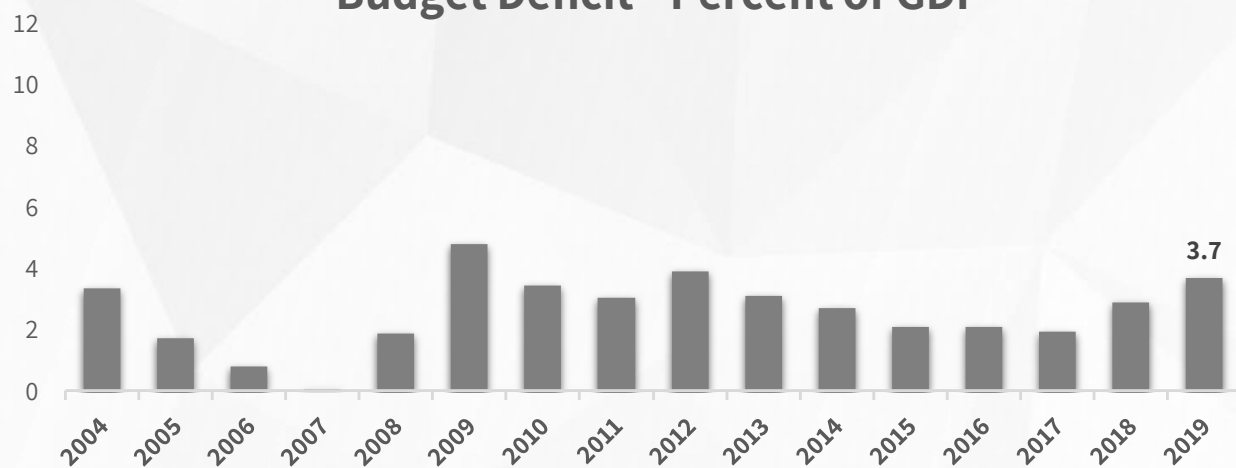
GDP growth in Israel



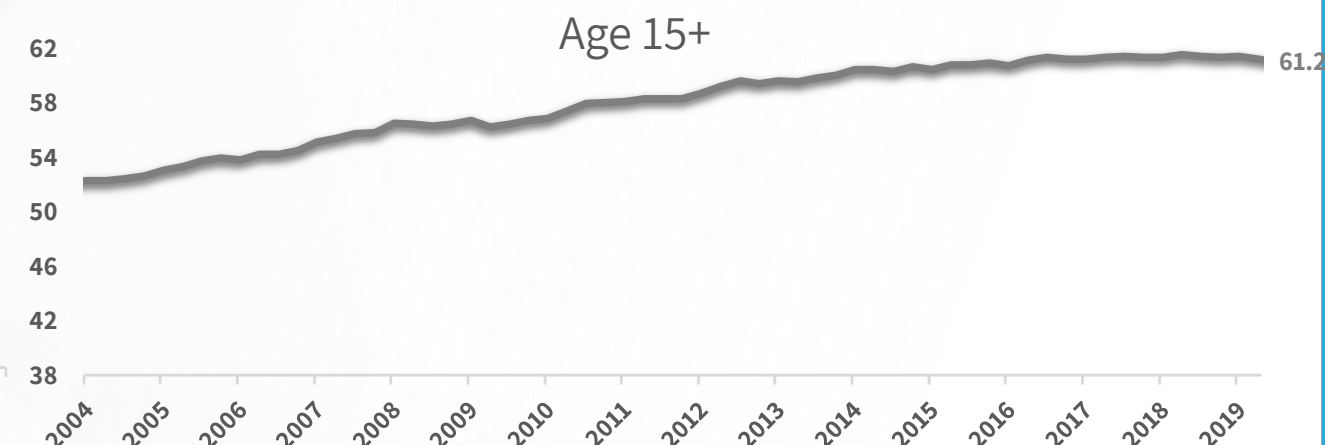
The debt to GDP ratio



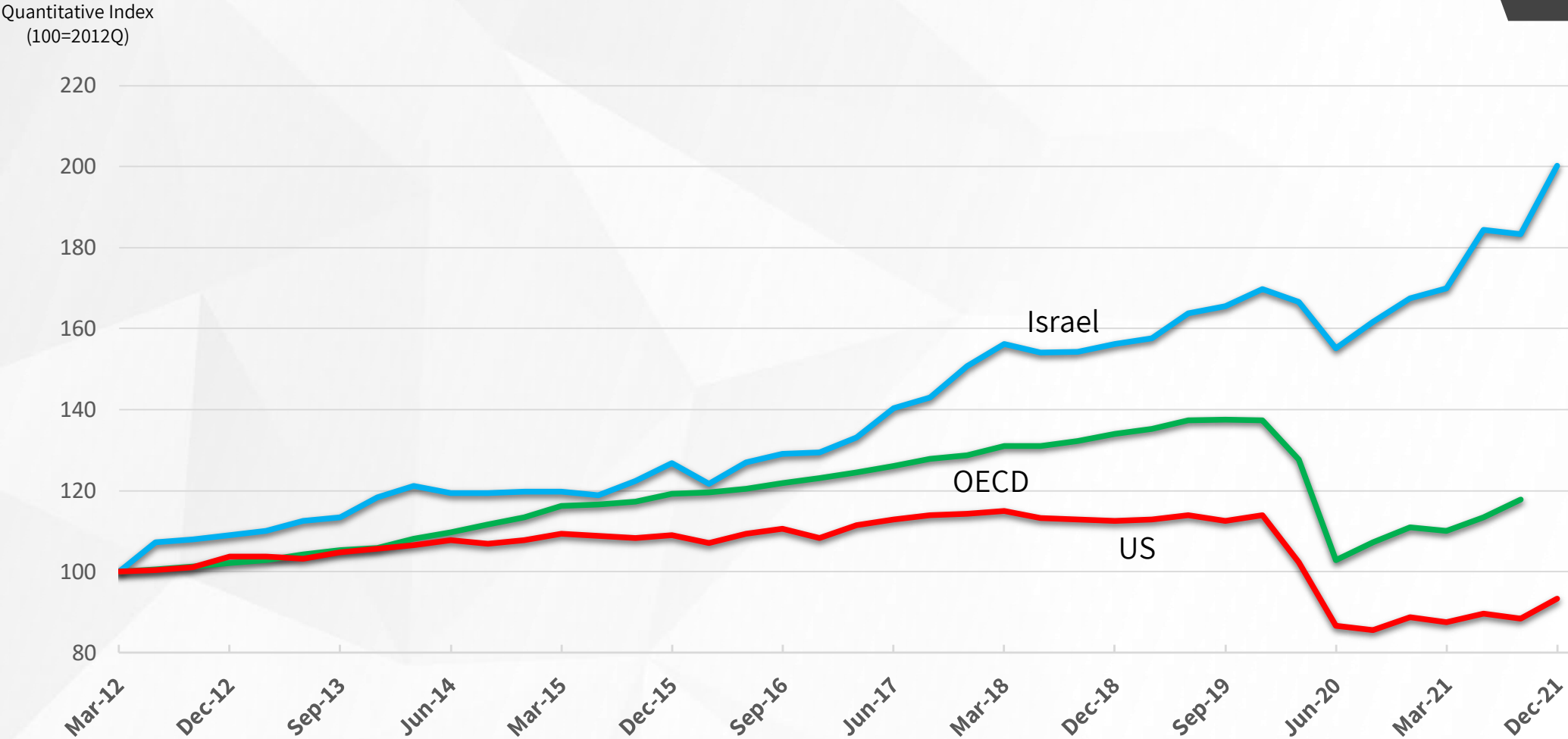
Budget Deficit - Percent of GDP



Employment rate



Exports of services compared to OECD and the US



SOURCE: Bank of Israel.

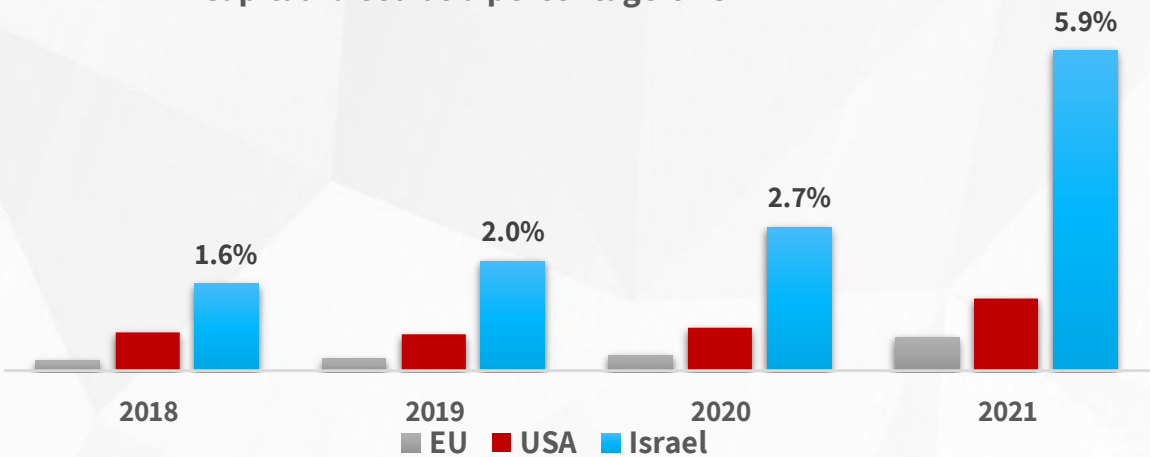
The high tech sector has a considerable significance to Israel's economy; record funds raised by high tech



Scope of fundraising by Israeli high-tech companies
\$ billion

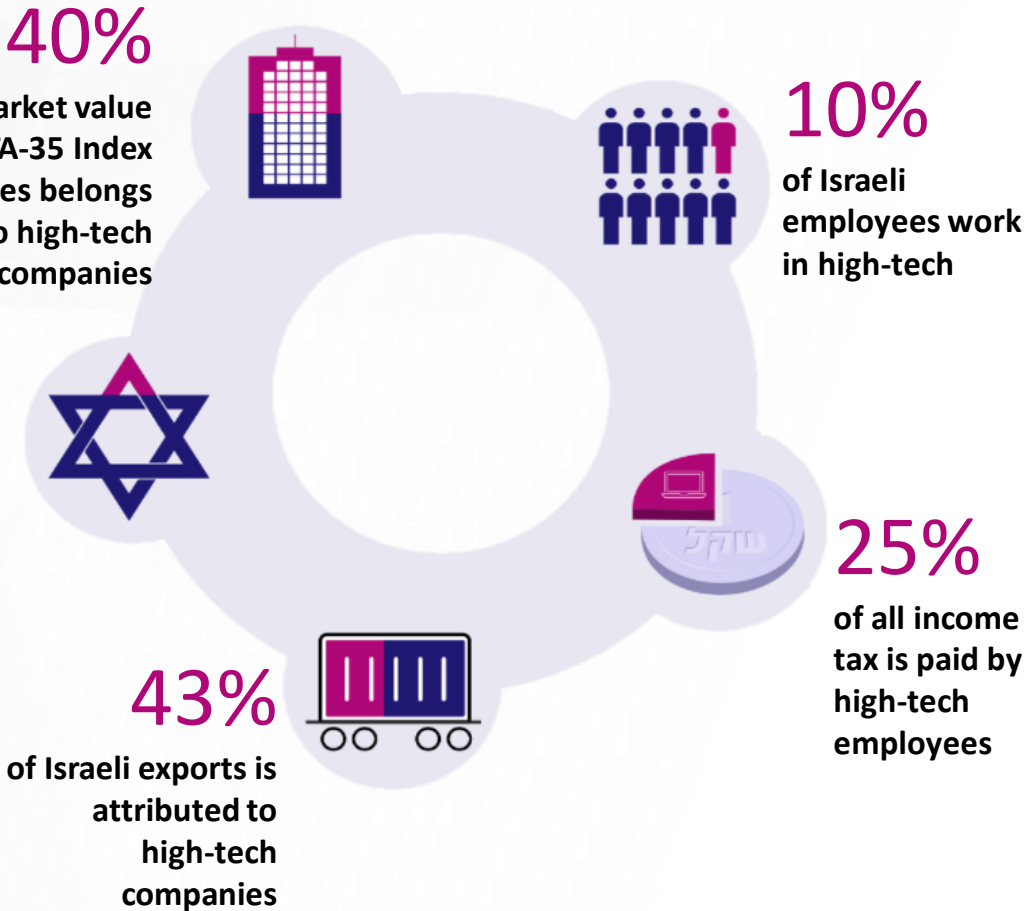


Capital raised as a percentage of GDP



40%
of the market value
of all TA-35 Index
companies belongs
to high-tech
companies

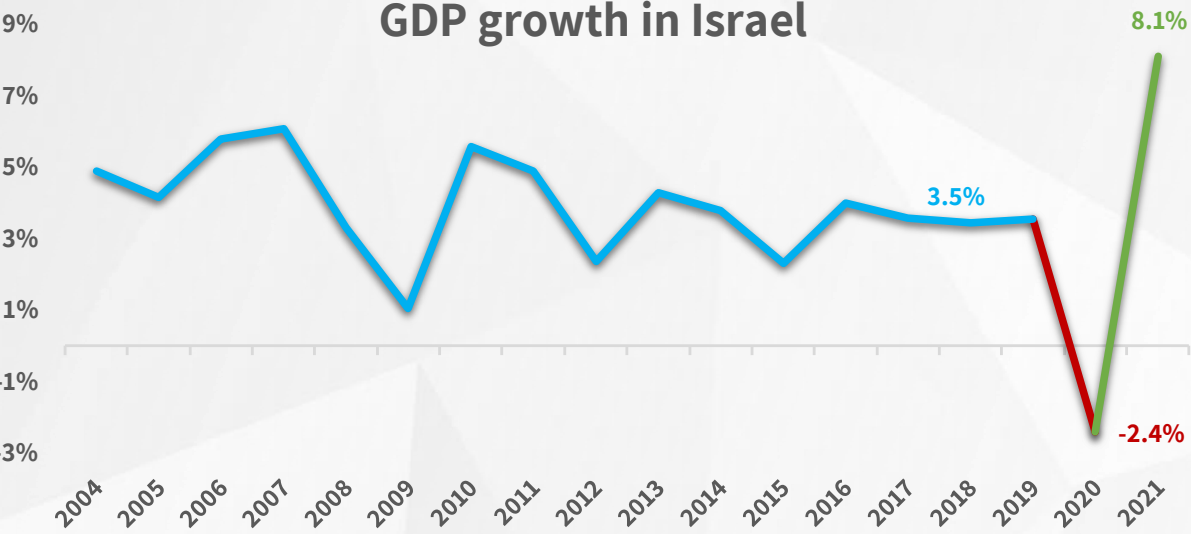
15%
of Israel's GDP
is created by
high-tech
companies



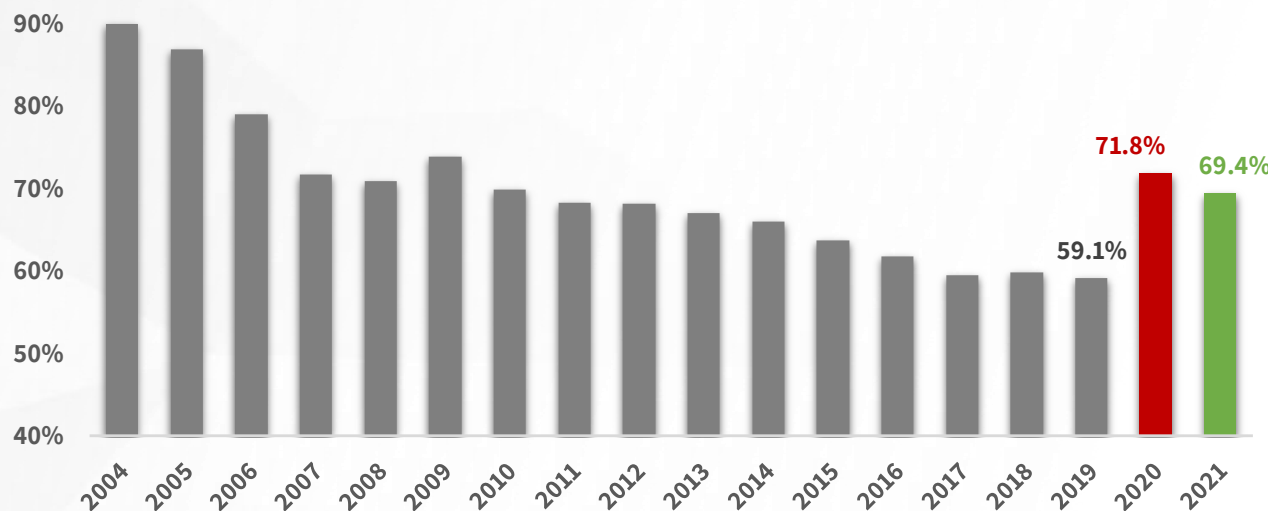
The pandemic caused considerable damage to the Israeli economy, but the most recent data shows remarkable recovery



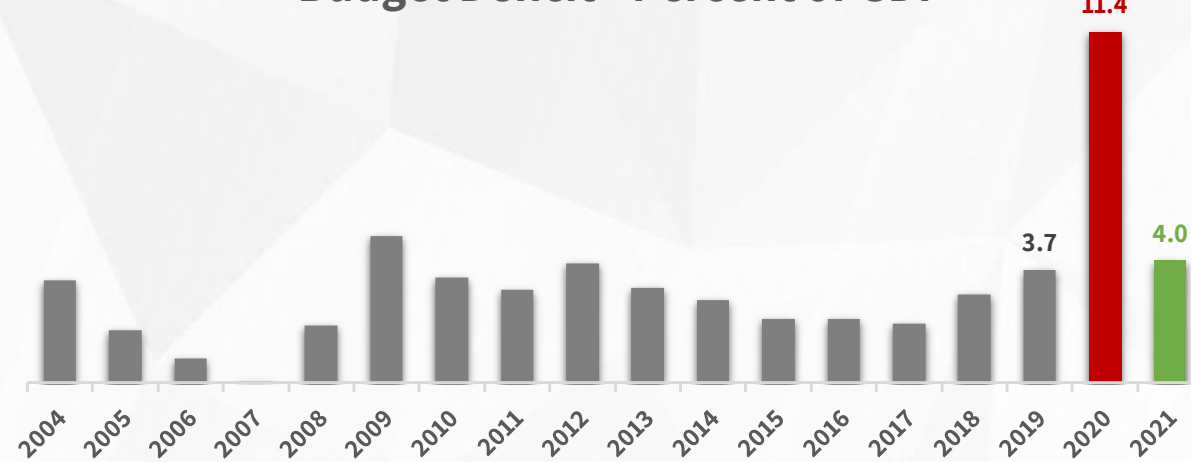
GDP growth in Israel



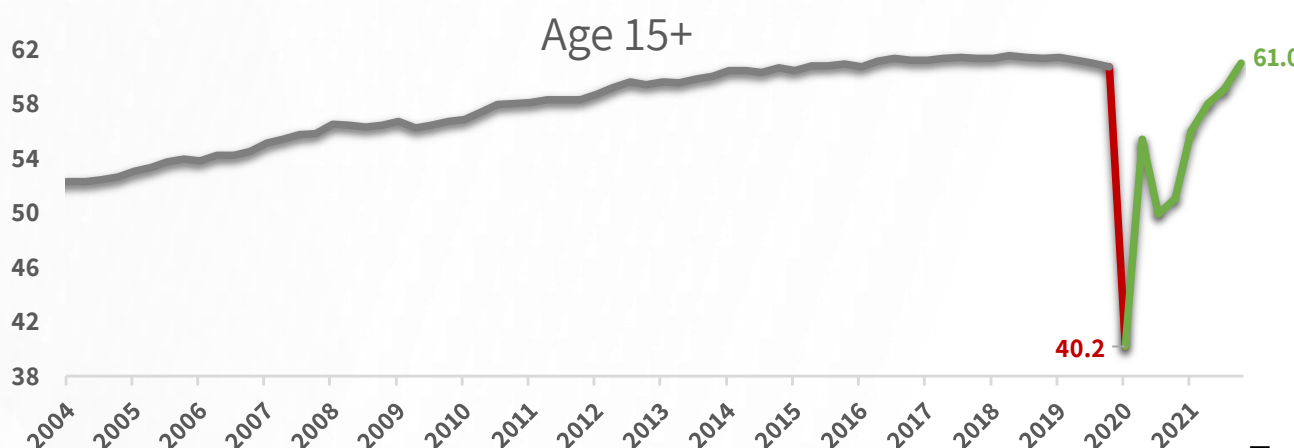
The debt to GDP ratio



Budget Deficit - Percent of GDP



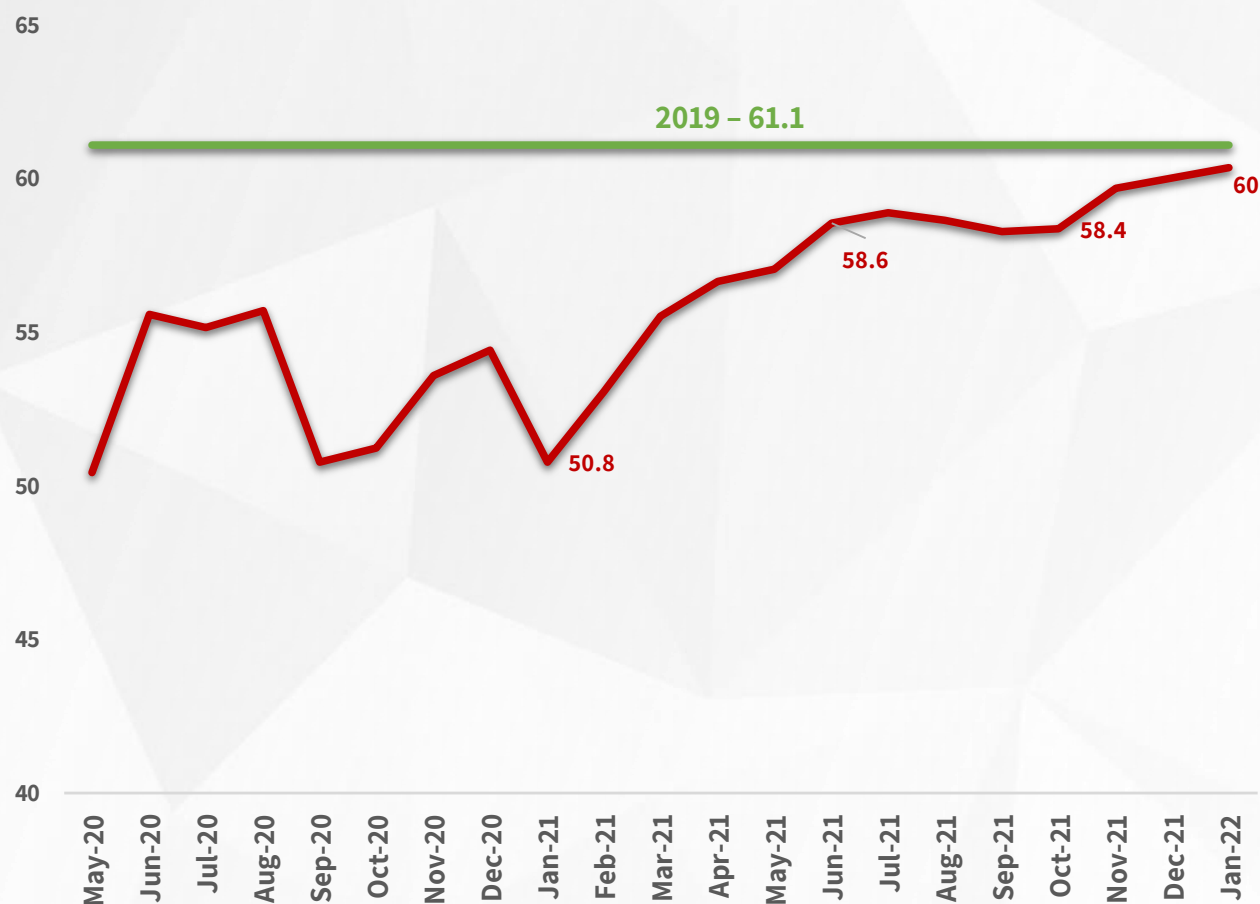
Employment rate



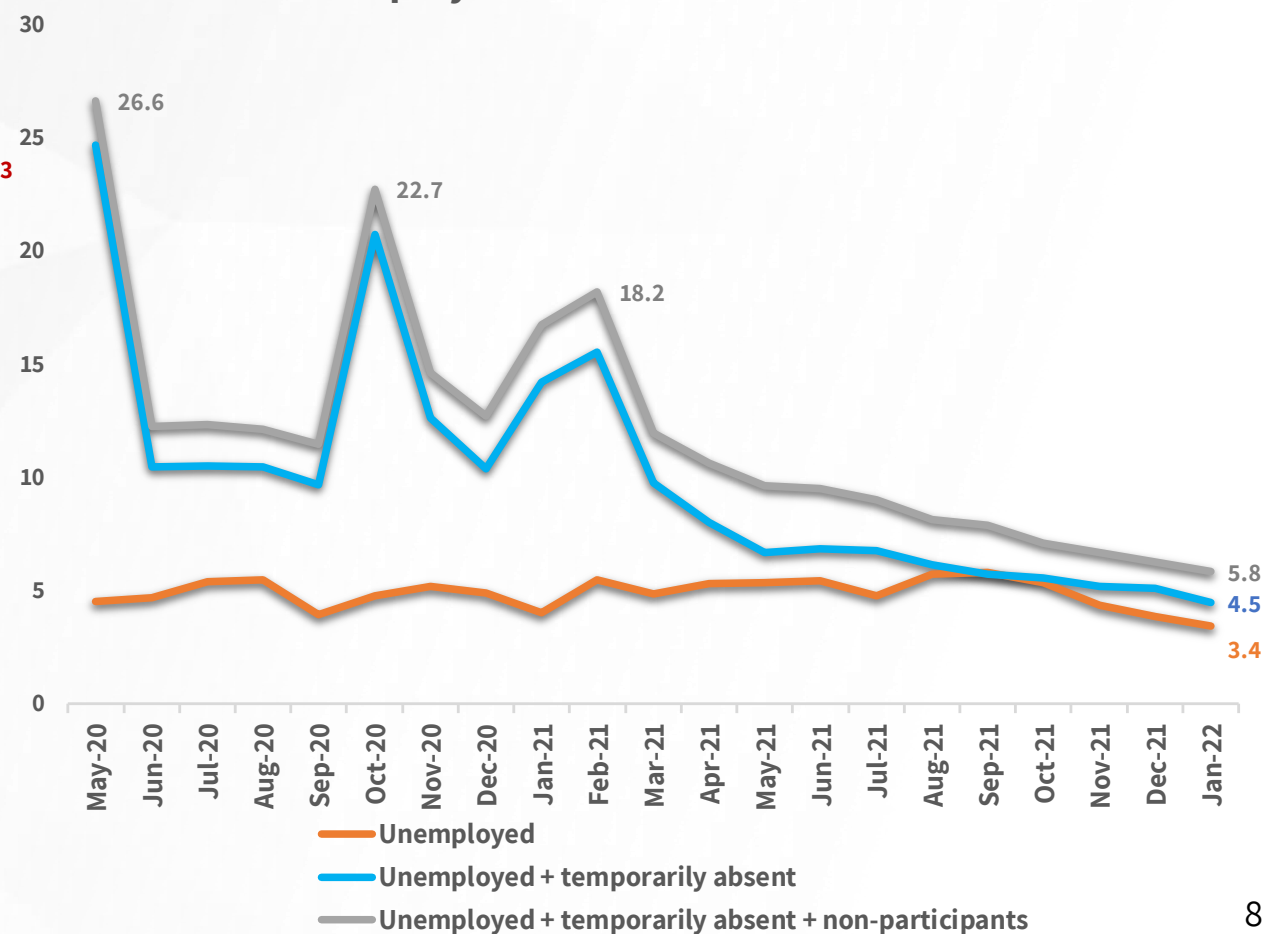
Labor market approaches its pre-pandemic levels



Employment rate



Unemployment rate in different terms

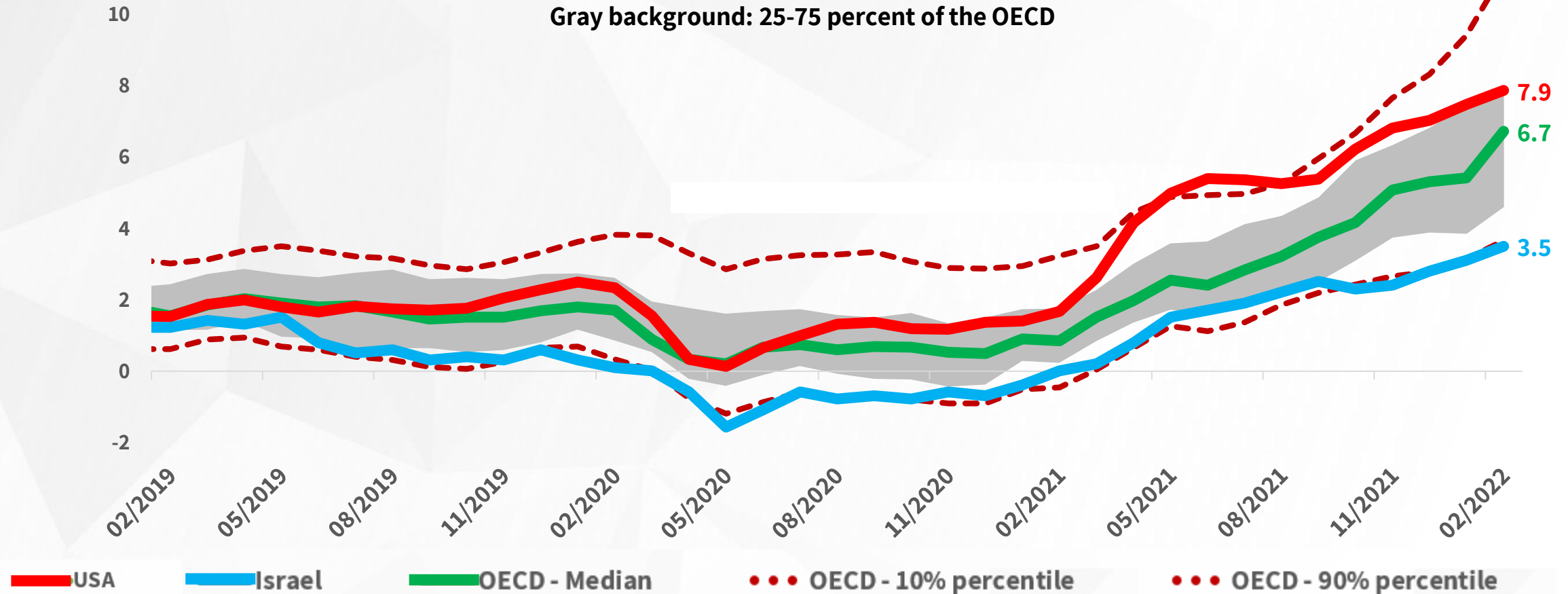


The inflation rate in Israel is among the lowest in OECD countries



Inflation in Israel and OECD

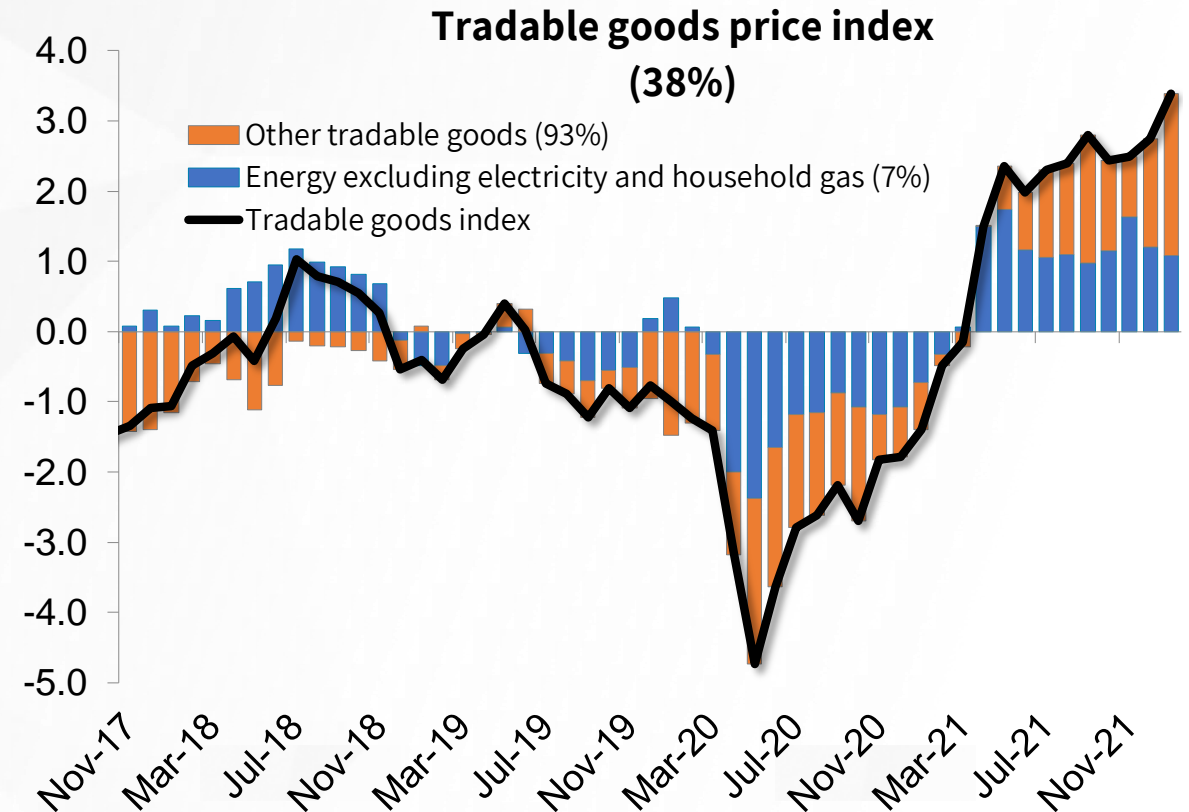
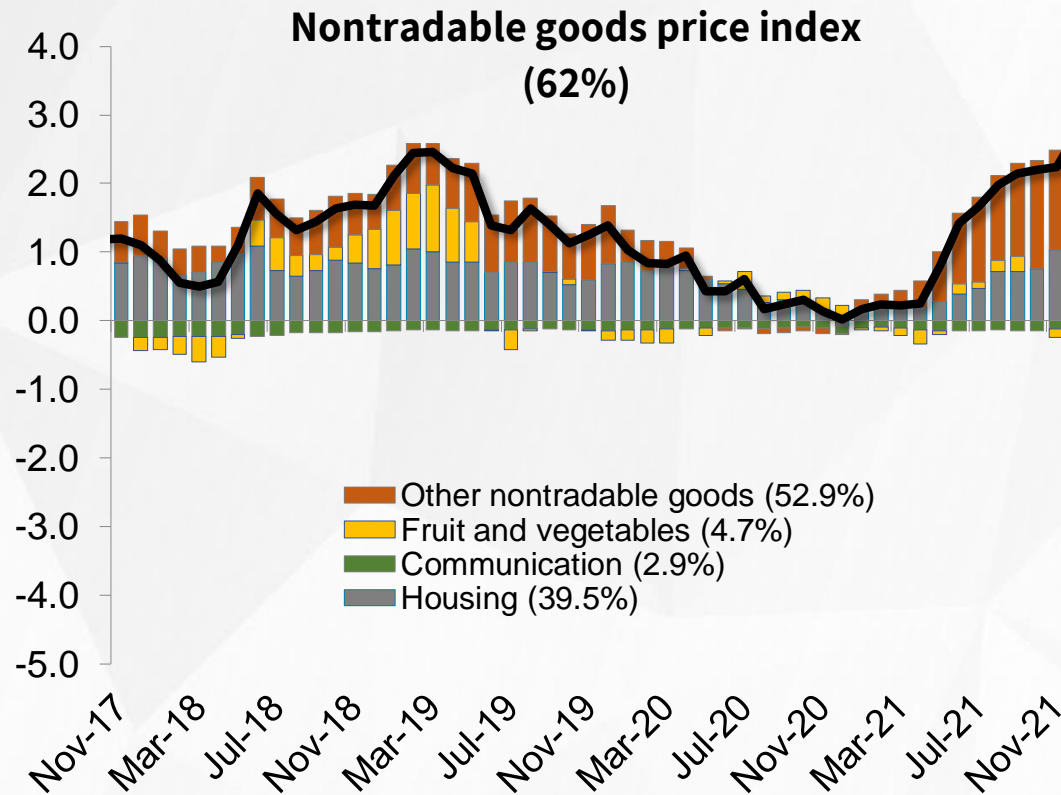
Gray background: 25-75 percent of the OECD



Price increases can be seen in both tradable and nontradable goods

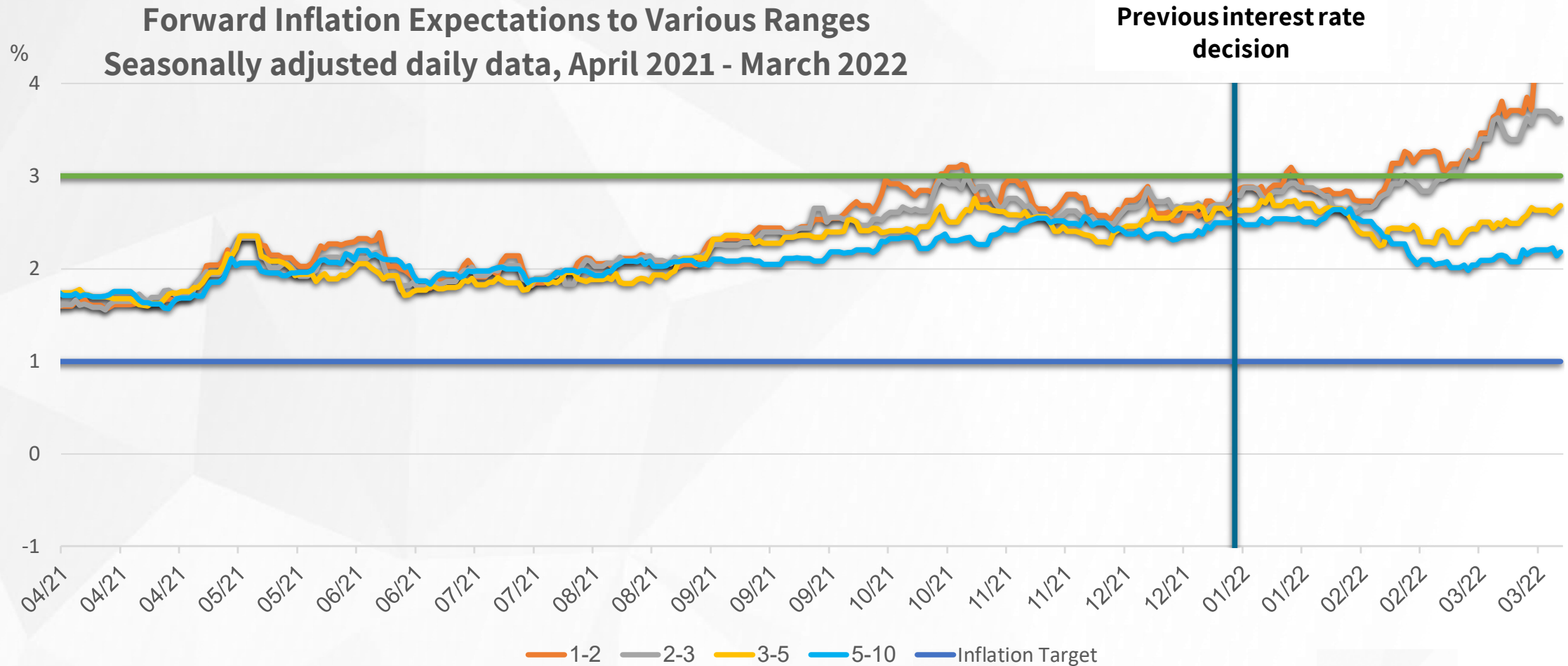


Figure 3: Contribution of the Main CPI Components to Annual Inflation
November 2017–January 2022



SOURCE: Based on Central Bureau of Statistics.

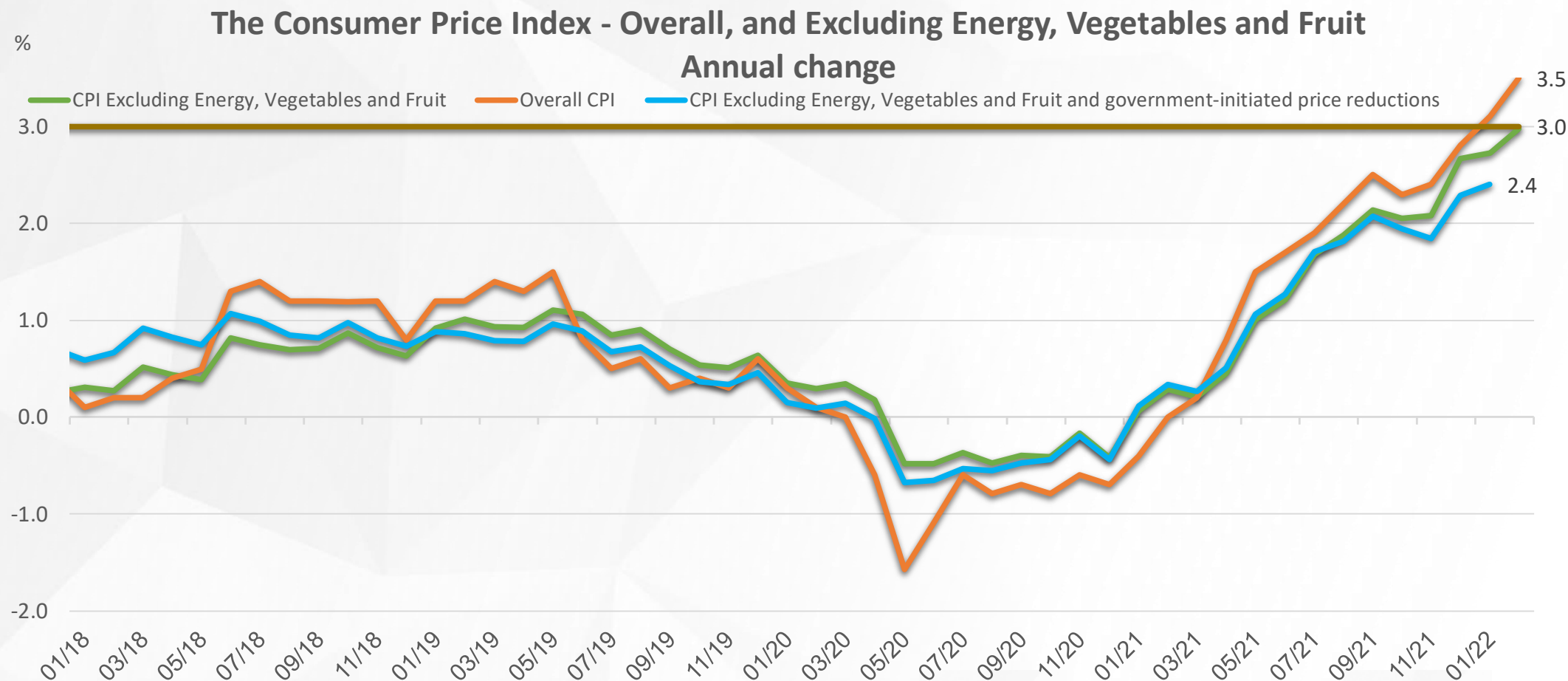
Inflation expectations for the medium and long terms are within the target range



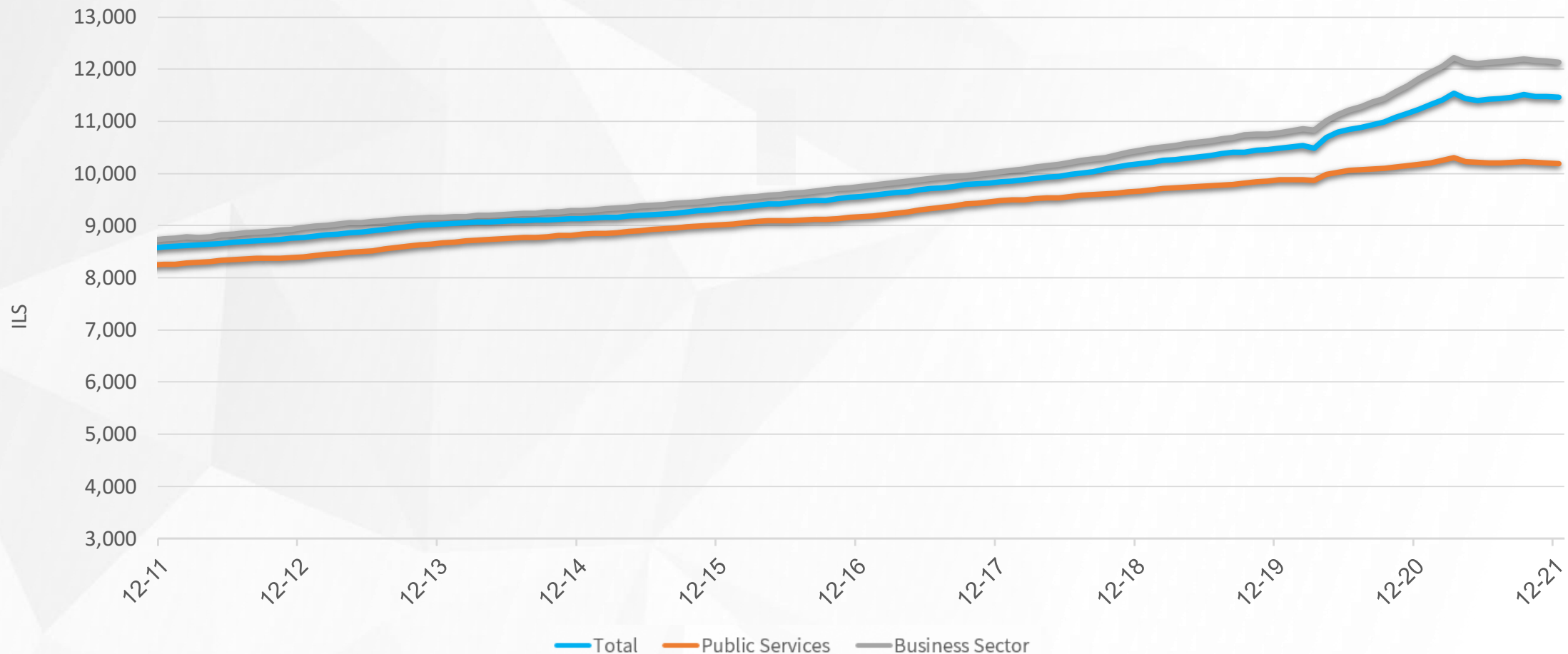
* For instance, 3-5 year expectations are the expected yearly inflation from the end of the 3rd year until the end of the 5th year.

SOURCE: Bank of Israel.

Core estimates of CPI are in the upper half of the target range



The nominal wage per employee* (December 2011-December 2021)



*Seasonally adjusted, 12-month moving average.

SOURCE: Based on Central Bureau of Statistics data.



Thank you