

**BANK OF ISRAEL**

Office of the Spokesperson and Economic Information

November 9, 2020

**Opening remarks by the Governor at JEDG**

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U.S. Secretary of the Treasury **Steven Mnuchin,**

Israel's Minister of Finance **Israel Katz,**

U.S. Ambassador to Israel **David Friedman,**

Israel's Ambassador to the U.S. **Ron Dermer**

Honorable Guests

Good morning to our American colleagues.

I am very happy to have the opportunity to participate in this year's JEDG meeting. The schedule is very full and interesting, and I am sure it will be productive for all the participants. Holding the meetings at this point in time is important, in my view, from two perspectives: First, business continuity—it is important that we are continuing the work and are succeeding in holding the meetings despite the pandemic. Second, we are seeing a new era of technological innovation and acceleration brought about by the coronavirus.

The world economy is going through extensive and noisy changes. To continue to function in the changing economic environment, we have to speak, think, and breathe innovation— including in technology, finance, and research. To do this best, we must initiate collaborations, precisely like our meeting today, that assist in fostering strategic alliances connections, exchanging ideas, and promoting joint initiatives.

The coronavirus found the Israeli economy in a good state (slide 1), and in particular—we benefited from a low debt to GDP ratio and fiscal credibility that was achieved over many years. This enabled the government to increase government expenditure by unprecedented amounts within a framework of providing economic and health response to the crisis. The ramifications of the crisis have already led to a sharp increase in the deficit, which is still expected to increase, and with it also the debt to GDP ratio. Having said that, in international comparison, we are basically in the middle of the distribution relative to advanced economies (slide 2). The crisis is likely to continue to require managing support and risk management on both the health and economic fronts.

It is important to remember that the effects of the crisis are not uniform across various industries, and the negative impact is concentrated in industries that are directly impacted by the limitations on activity and by social distancing requirements—in particular restaurants, tourism, culture, and entertainment industries. This feature of the crisis emphasizes the important role of fiscal policy. It is important to take policy steps that will allow the return of as many people as possible to employment.

During the crisis, the Bank of Israel has implemented a variety of policy tools – monetary and financial, some of them for the first time ever in Israel’s history, and some at scopes more than triple those implemented in 2008 (slide 3). The Bank of Israel took rapid steps to stabilize financial markets, reduce the cost of credit, and insure stability in the economy by carrying out repo and swap FX transactions to improve the level of liquidity in the markets. To ensure convenient interest rates and credit conditions in the economy, the Bank of Israel reduced the interest rate to 0.1 percent, purchases unprecedented quantities of government bonds through its QE program and for the first time, purchased corporate bonds. In addition, The Bank of Israel extended monetary loans to the financial system at low rates so that it, in turn, would extend credit to small businesses.

Our forecasts for growth over the next year and half depend of course on the development of the pandemic (slide 4). At its core, Israel’s economy has a vibrant workforce and technological engines that support growth.

Looking to the future, the government needs to manage priorities and initiate steps that will make it possible to invest in growth drivers and that will improve productivity over the medium and long term, while in parallel planning the path of the economy’s return to a sustainable fiscal policy in the years after the crisis.

I wish you all a productive day and look forward to hearing the outcomes of what I am sure will be fruitful discussions.

Thank you.