Monetary Policy Press Briefing

Bank of Israel

Dr. Karnit Flug,

Governor of the Bank of Israel

September 26, 2016

Press Briefing: September 26, 2016

Since the last briefing:

- ❖ Continued uncertainty in the global economy
- ❖ Improvement in growth data for Israel
- ❖ The inflation environment remains very low

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- The CPI for August surprised to the downside
- The rise in wages is still not generating inflation due to the decline that there was in production expenses
- The return of the inflation rate to the target will take longer than we expected in the past
- Long-term expectations are anchored around the midpoint of the target range

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- Second-quarter growth, including exports, was adequate
- Should exports continue to recover, the economy will benefit from healthier growth
- Indicators point to continued growth in the third quarter
- Labor market strength is consistent with the high growth rate

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- Continued slowdown in the global economy, risks to continued growth of world trade
- Major central banks continue to adopt very accommodative monetary policy
- The Bank of Israel is always examining the effects of policy abroad on the policy required in Israel

- The appreciation in the effective exchange rate was renewed
- The Bank of Israel's policy in the foreign exchange market is moderating appreciation forces and is supporting the recovery of exports

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- Stability in home prices, although it cannot be determined that there has been a change in trend
- A high level of building starts; a worrying decline in building completions
- A rise in mortgage interest rates resulting from increased risks in the market should act to reduce demand.

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Research Department staff forecast:

- Upward revision of the growth forecast: 2.8 percent in 2016, 3 percent in 2017
- The interest rate path is similar to that in the previous forecast
- Inflation is expected to only enter the target range in about a year.

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- The Monetary Committee continues to assess that policy will remain accommodative for a considerable time, and foreign exchange purchases will continue to the extent necessary.
- Current policy is in line with the state of the economy
- The reduction in frequency of interest rate decisions will allow deeper analysis of economic developments

Happy New Year!