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| **בנק ישראל**  דוברות והסברה כלכלית |  | ‏ירושלים כ"א באדר ב', תשפ"ב  24 במרץ 2022 |

הודעה לעיתונות:

**דברי המשנה לנגיד בנק ישראל, אנדרו אביר, בכנס בנושא מגמות חדשות במדיניות הפיסקלית והמוניטרית**

המשנה לנגיד, אנדרו אביר, נשא דברים בכנס מקוון של מכון אלרוב לחקר הנדל"ן בפקולטה לניהול ע"ש קולר באוניברסיטת תל אביב בשיתוףRutgers Center for Real Estate and The New Jersey-Israel Commission.

הכנס עסק בנושא מגמות חדשות במדיניות הפיסקלית והמוניטרית. דבריו המלאים בשפה האנגלית מצורפים להודעה זו, כמו גם המצגת אותה הציג.

**מצורפים גם עיקרי מסריו של המשנה לנגיד בשפה העברית:**

* הכלכלה הישראלית צלחה בצורה מרשימה את משבר הקורונה בהשוואה למדינות אחרות. זאת, בזכות לתנאים הכלכליים הטובים שהיו למשק הישראלי טרם המשבר ובזכות מגזר ההיי טק הישראלי שצמח במהירות.
* הביקוש המתחדש לשירותים ומוצרים, כחלק מהיציאה העולמית מהמשבר, נתקל בצוואר הבקבוק של ההיצע. זה הוביל, בין היתר, לעליית האינפלציה בעולם וגם בישראל. אם כי האינפלציה בישראל הייתה ועודנה נמוכה משמעותית מהאינפלציה במרבית מדינות ה-OECD.
* עם פרסום המדדים האחרונים האינפלציה בישראל עלתה מעל לטווח היעד של בנק ישראל. הציפיות לאינפלציה לשנה הקרובה ממרבית המקורות נמצאת בקצה העליון של היעד והציפיות לטווחים הבינוניים והארוכים נמצאות בתוך היעד.
* עם ההתאוששות מהמשבר בנקים מרכזיים ברחבי העולם החלו לצמצם את מידת ההרחבה המוניטרית שהנהיגו. בנק ישראל התחיל למעשה בצמצום מוניטרי כבר במהלך שנת 2021, עם הפסקה מדורגת של תכניות ההרחבה המיוחדות שהופעלו במהלך המשבר. לנוכח ההתפתחויות האחרונות של האינפלציה והעליה בציפיות תהליך הצמצום המוניטרי עשוי להיות מהיר יותר משחשבנו.
* המשבר באוקראינה מוסיף מורכבות בקביעת המדיניות המוניטרית, מאחר והוא יוצר זעזוע בצד ההיצע. הוא עלול לעכב את חזרת האינפלציה ליעד מעבר למה שהערכנו טרם פרוץ המשבר.

**הנאום במלואו, בנושא "Economic Recovery and Monetary Policy Recalibration":**

Monetary policy does not always attract much attention, and may only seem fascinating to central bankers and professional economic forecasters. However, there are times – particularly at turning points – when the wider public and media start to take closer interest. And this would appear to be one of those times.

As economies are recovering from the economic damage caused by the pandemic and inflation has increased worldwide, central banks have started a process of tightening monetary policy. Quantitative easing (QE) programs are being wound down or ceased completely and some central banks have started to raise interest rates. The degree to which each central bank is tightening policy is a reflection of the specific situation in their economy and the extent to which inflation is exceeding their target (slide 2). Yield curves around the world have reacted to the tightening of monetary policy and firms and households will face higher funding costs (slide 3). Obviously the tragic events unfolding in Ukraine and their impact on the world economy are introducing even more uncertainty into this process.

The Israeli economy managed to weather the economic effects of the pandemic relatively well for a number of reasons. First, the economy entered into the pandemic in a strong and robust condition (slide 4). The economy was close to full employment, the current account was in surplus and government debt had been brought down below 60% of GDP allowing ample fiscal space to respond to the crisis. Second, the fiscal and monetary authorities were quick to respond with a range of programs aimed at softening the economic effects of the pandemic, ensuring markets continued functioning and making sure there was no credit squeeze. Although interest rates were close to zero at the start of the pandemic, as monetary policy makers we still had a well-stocked tool box to respond to the economic challenges of the pandemic; We launched a wide variety of QE programs and also initiated a number of measures to keep credit flowing and help businesses and households through the crisis.

A further reason for the relatively strong recovery of the economy was the large hi-tech sector in Israel which grew rapidly throughout the period. Exports of services which are dominated by the hi-tech sector grew faster than in other OECD countries (slide 5) and there was a strong inflow of capital into the hi-tech sector (Slide 6). These factors, combined with the public health response of a wide and speedy vaccination program resulted in a much quicker recovery than expected to pre-crisis trend growth and to close to full employment (slides 7 and 8). This has been possible, in part, thanks to the adaptation of most parts of the economy to functioning alongside the pandemic.

Inflation has increased as the world has emerged from the pandemic and resurgent demand has met supply bottlenecks. Inflation in Israel, after having been below its target band of 1-3% for seven calendar years, has increased, ended 2021 at 2.8% and has now moved above the upper bound of the target range - 3.5 percent in the past 12 months. This is still well below the OECD average (slide 9). Both tradeable and non-tradeable inflation have risen (slide 10). Inflation expectations for the coming year from most sources have increased, and are at the upper boundary of the target range, although expectations for the medium and long terms are still within the band (slide 11).

As the economy recovered to its pre-crisis trend level and inflation came back into the range, the Bank of Israel began the process of reducing the crisis levels of monetary accommodation, starting with the cessation of all the QE programs by the end of 2021. As inflation in Israel has been much lower than the OECD average, the Bank of Israel has been able to be more patient than some other central banks with raising its interest rate. However, the Monetary Policy Committee’s February assessment was that in the coming months, conditions will allow for the start of a gradual process of raising the interest rate in line with the path of inflation and the pace of growth and employment.

Given the recent pick-up in actual inflation and the move in inflationary expectations, the process may be somewhat faster than we originally envisaged.

The impact of the Ukrainian crisis on commodity prices has exacerbated the rise in inflation and is likely to lead to a longer lag before inflation returns to the target band. As the weight of the contribution to inflation from commodity price increases becomes more significant, we may need to put more emphasis on looking at core inflation (with all the complications of determining what is the relevant definition of core inflation) and what happens to domestic wage increases (slides 12 and 13). In one example of core inflation – excluding energy and fruit and vegetables from the headline CPI – we are around 3% yoy.

An open discussion among central banks is how they should respond to supply side shocks to inflation. While price stability is the central bank's primary target, central banks are also mindful about real economic activity. When the economy is hit by a negative demand shock, both prices and activity call for an expansionary monetary policy. However, in a negative supply shock, like the one that the global economy is facing due to the crisis in Ukraine, a central bank has a dilemma - to what extent should it tighten policy to deal with the shock, as it may be not just leading to higher inflation but also dampening domestic demand? Moreover, uncertainty also comes into play, as you never really know how long the supply shock will last, and what will be its impact on both prices and activity. These are considerations that will impact the pace and duration of the process of interest rate normalization. These are clearly challenging times for monetary policy decision makers around the world.