May 9, 2013

**Press Release**

**Bank of Israel Response to the Economic Plan Presented by the Minister of Finance**

The Governor of the Bank of Israel commented today on the economic plan for 2013–14 presented by Minister of Finance Yair Lapid. The Governor noted that although the plan is complicated and contains many measures—on the government expenditure side as well as on the government revenues side—it is a bold plan which, with all its steps taken together, is aimed at returning the budget framework to a responsible path. Such a path will prevent loss of control over the budget, and will eventually return the economy to a trend of reducing the debt to GDP ratio, and thus it is an important and responsible plan. With regard to the defense budget, the Governor noted that the decision regarding a cut in defense is the government’s. It is the government’s duty to ensure the safety of its citizens, but this must be done while maintaining the overall framework which was decided on by the government.

The Governor of the Bank of Israel, Professor Stanley Fischer, said, “As I said when I expressed my support for the decision to set the deficit for 2014 at 3 percent, this decision requires painful measures. Naturally, the general public primarily feels the negative impact that every household in Israel will experience as a result of the implementation of the plan. With that, it is important to remember, that we cannot meet the budgetary challenge facing us by focusing exclusively on one particular sector of the population. As the Minister of Finance said, the whole public will need to carry the burden. At the end, returning fiscal stability will strengthen the economy’s resilience to shocks, will help the economy fully utilize its growth potential, and will support the welfare of the entire public.”