

BANK OF ISRAEL

Office of the Spokesperson and Economic Information

March 9, 2026

Report on the Bank of Israel's discussions prior to deciding on the interest rate

The discussions took place on February 22, 2026 and February 23, 2026.

General

The Monetary Committee sets the interest rate in a process that includes two discussions—the first in a broad forum, and the second in a narrower one.

In the broad-forum discussion, the relevant background economic conditions are presented, including the real, monetary, and financial developments in Israel's economy and developments in the global economy. Participants in this discussion include the members of the Monetary Committee, senior representatives from the various departments of the Bank, and economists from the economic departments (Research and Markets), who prepare and present the material for discussion.

In the narrow forum—which consists of the Monetary Committee and a representative of the Markets Department—the Research and the Markets Departments present their views on the main considerations that are relevant to the setting of the monetary policy. An open discussion on monetary policy follows, which ends with a vote on the level of the interest rate. According to Section 18(c) of the Bank of Israel Law, 5770–2010, the decision on the interest rate is reached by majority vote of the members of the Monetary Committee who participate in the voting.

A summary view of the economic situation available at the time of the Committee's discussion is presented in the notice regarding the interest rate decision, which was published on February 23, 2026, and in the data file that accompanied the notice.

THE NARROW-FORUM DISCUSSION

The members of the Monetary Committee participating in the discussion decide on the appropriate rate of interest.

After the discussion, it was decided to keep the interest rate at a level of 4 percent. All members of the Monetary Committee supported the decision.

The discussion focused on the impact of the geopolitical environment on the economy, and on economic developments: inflation and inflation expectations; developments in the financial markets and in the foreign exchange market, the labor market, the level of economic activity, the housing market, fiscal developments, and global economic developments.

Main points of discussion

The Committee's discussions focused on an analysis of domestic and global economic processes. Geopolitical uncertainty increased again in recent days, in view of possible fighting in the region. Inflation continued to moderate and economic activity continued to expand. The labor market remained tight and the supply constraint is still substantial. Home prices rose again in the past two CPIs. Since the previous interest rate decision, the shekel has strengthened slightly against the dollar, similar to the global trend, and Israel's risk premium increased slightly. The Committee members emphasized that in an analysis of the balance of risks and in view of two consecutive reductions of the interest rate, the overall considerations do not justify an additional interest rate reduction at this time.

The Committee discussed the inflation environment. The CPI for December remained unchanged and for January it declined by 0.3 percent. The development of year over year inflation is in line with previous assessments: after the December CPI, the annual inflation rate increased, and after the January CPI it moderated to around the midpoint of the target range, at 1.8 percent. Net of energy and fruit and vegetables, the annual inflation rate was 1.9 percent in January. The inflation rate among nontradable items declined to 2.9 percent in annual terms, and among tradable items it declined sharply to -0.2 percent in the past twelve months. One-year inflation expectations from the various sources are, on average, slightly below the midpoint of the target while expectations for the second year and onward continued to be around the midpoint of the target range. In the Committee's assessment, there are several risks to a renewed increase in inflation: geopolitical developments and their impact on economic activity, an increase in demand alongside supply constraints, and fiscal developments,

The Committee discussed developments in the foreign exchange market and in financial markets. Since the previous interest rates decision, the shekel strengthened by 1.1 percent against the dollar and by 0.4 percent against the euro. Domestic equity indices continued to rise and were notably good compared to the rest of the world. Israel's risk premium, as measured by CDS spreads and dollar spreads vis-a-vis US government bonds, increased slightly in recent days due to the geopolitical developments. Business credit continues to expand at a very high pace, led by bank credit. Consumer credit to households continues to increase at a rapid pace from all sources. The rate of arrears in

all activity segments remains low. Data from the Business Tendency Survey for January show relatively high access to credit for small and large businesses.

The Committee discussed labor market developments. The ratio of number of job vacancies to the number of unemployed people remained high with the job vacancy rate stable at 4.6 percent in December and January. The broad unemployment rate among the prime working ages (25-64) remains low and stable and was 3.2 percent in December. The share of those temporarily absent from work due to military reserves service declined slightly in December to 0.4 percent. The employment rate and participation rate among the prime working ages (25-64) declined in December to levels similar to those before the ceasefire, and were 78.8 percent and 81.1 percent, respectively, after they increased by about half a percentage point in November. Business sector wages increased in September-November by a rapid rate of about 5.1 percent compared to the corresponding period of the previous year, a rate that is similar to the increase in August-October. Flash data show that the pace of increase among wages overall moderated in October-December, and the Committee members assess that it indicates the possibility of a similar moderation in the growth rate of business sector wages. The Committee members discussed that the most recent data since the past interest rate decision points to the labor market remaining tight and the supply constraint remaining substantial.

The Committee discussed various indicators of economic activity, which show continued expansion. Credit card expenditure data showed a slight increase in January relative to the average for the previous quarter, and hovered around the trend line. The aggregate balance in the Business Tendency Survey conducted by the Central Bureau of Statistics (seasonally adjusted) for January remained stable, but it is still lower than its prewar level. The Consumer Confidence Index continued to increase in January and is at a higher level compared to the prewar period. Fundraising in the high tech sector in the first quarter of the year remain high.

The Committee discussed National Accounts data for the fourth quarter of 2025. The quarterly growth rate was 4 percent, (in annual terms, seasonally adjusted), above the long term trend. The growth in fourth quarter GDP was impacted by a sharp increase of 25.6 percent in exports. Current consumption grew by 3.6 percent in annual terms, around the trend line, while public consumption excluding defense imports declined moderately. Business sector product grew by 7.1 percent (in annual terms, seasonally adjusted), and in parallel GDP growth data for the third quarter of 2025 was revised upward to 12.7 percent. For the year overall and in view of the revision in past data, GDP grew by 3.1 percent, slightly above previous assessments.

The Committee discussed housing market developments. After 8 months of declining prices, home prices rose again, increasing in October-November by 0.6 percent and

increasing in November-December by 0.8 percent, so that the annual rate of increase of home prices increased to 0.4 percent. The stock of unsold homes remains at a high level. The housing component in the CPI again increased, from a year over year growth rate of 3.3 percent in the November CPI to 3.8 percent in the January CPI. The annual rate of increase in the owner occupied housing services component (rents in new and renewing leases) increased from 2.6 percent in the November CPI to 3.8 percent in the January CPI. The annual rate of increase in leases with a change in tenant increased from 4.6 percent in December to 6 percent in January.

The Committee discussed the development of the state budget. The year of 2026 began with an interim budget, as the state budget has not yet been approved by the Knesset. The cumulative deficit in the state budget in the past 12 months increased to 4.9 percent of GDP in January. The government's revenues from direct taxes in this month (fixed prices net of legislative changes and one-off revenues) are at a high level compared to the long term trend.

The Committee discussed global economic developments. In the period reviewed, economic activity worldwide continued to expand with a moderating trend in inflation, though in several advanced economies the inflation rate remains above its target. World trade volume in goods increased sharply by 2.2 percent in November after a decline of 1.4 percent in October. However, the Committee members are of the view that there is uncertainty regarding the impact on world trade of the US Supreme Court decision regarding tariff policy. US GDP data for the fourth quarter surprised to the downside. The growth rate was 1.4 percent in the fourth quarter, in annual terms, compared to 4.4 percent in the third quarter of 2025. Part of the downward surprise is attributed to the US government shutdown during the fourth quarter, with the private consumption component showing resilience and the investment component showing a significant contribution to GDP. US employment reports for December and January indicated recovery in the scope of employed people, and a decline in the unemployment rate from 4.5 per cent in November to 4.3 percent in January. In the eurozone, according to the second reading, fourth quarter GDP grew by an annual pace of 1.3 percent in quarterly terms, and by a total of 1.5 percent in 2025, on average, compared to 2024. In China, GDP growth for the fourth quarter of 2025, in annual terms, was 5 percent. China's exports pushed the growth higher, while domestic demand was relatively weak. In the period reviewed, major central banks in advanced economies kept the interest rate unchanged. The Fed's interest rate path rose while the ECB path remained essentially unchanged.

All Monetary Committee members supported the decision to keep the interest rate unchanged at 4 percent.

The Monetary Committee's policy is focusing on price stability, support for economic activity, and stability of the markets. The interest rate path will be determined in accordance with the development of inflation, economic activity, geopolitical uncertainty, and fiscal developments.

The next monetary policy decision will be published on Monday, March 30, 2026.

The dates of interest rate decisions for 2026:

<https://www.boi.org.il/en/economic-roles/monetary-policy/interest-rate-announcement-dates-2024/>

Participants in the narrow-forum discussion:

Members of the Monetary Committee:

Prof. Amir Yaron, Governor of the Bank and Monetary Committee Chairperson

Mr. Andrew Abir, Deputy Governor

Dr. Adi Brender, Research Department Director

Prof. Ori Heffetz

Other participants in the narrow-forum discussion:

Dr. Golan Benita, Markets Department Director

Dr. Oded Cohen, Chief of Staff to the Governor

Ms. Nurit Felter, Director of the Communications, Public Affairs & Community Relations Department

Mr. Ofer Glicksohn, Research Department

Ms. Liat Indig, Deputy Spokesperson

Mr. Yehuda Lifshits, Governor's office

Dr. Ziv Naor, Bank of Israel Spokesperson

Ms. Dana Orfaig, Research Department

Ms. Nava Ostrov, Monetary Committee Secretariat