



BANK OF ISRAEL

Office of the Spokesperson and Economic Information

April 13, 2026

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

The discussions took place on March 29, 2026 and March 30, 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 March 30, 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, inflation expectations, and energy prices; developments in the financial markets and in the foreign exchange market, the Research Department's forecast, 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 since the beginning of Operation Roaring Lion, particularly regarding the duration and intensity of the fighting, and how it is concluded. Since the previous interest rate decision, there has been an increase in the inflation environment, mainly due to a marked increase in global energy prices. The response of financial variables, including the risk premium, exchange rate, and equity prices has been relatively moderate so far. Since the past interest rate decision, the shekel has weakened against the dollar and strengthened against the euro. The labor market remains tight and the labor supply constraint continues to be the dominant limitation in the economy.

The Committee discussed the inflation environment. The CPI for February increased by 0.2 percent, and the inflation rate over the past 12 months increased slightly, to 2.0 percent. The February CPI does not yet reflect the economic developments, particularly the increase in energy prices, that began with the outbreak of the operation. These will be reflected in the coming months. Net of energy and fruit and vegetables, the year over year inflation rate is 2.2 percent. The annual rate of increase among nontradable components increased to 3.1 percent, compared with 2.9 percent in the previous month. The inflation rate among tradable components increased to negative 0.1 percent. Due to Operation Roaring Lion and the increase in global oil prices, forecasters increased the forecast for the annual inflation rate for the coming months, by approximately 0.5 percent. This increase is relatively low compared to other countries, among other things in view of lower exposure of inflation in Israel to energy price worldwide. The 1-year inflation expectations from the various sources increased to around the midpoint of the target range. Expectations for the second year onward increased slightly as well but remain around the midpoint of the target. The Committee's assessment is that there are increased risks of a renewed increase in inflation—geopolitical developments and their impact on economic activity and on energy prices, increased demand alongside supply constraints, and fiscal developments.

The Committee discussed developments in the foreign exchange market and financial markets. Since the previous monetary policy decision, the shekel weakened by 0.8 percent against the dollar and strengthened by 1.4 percent against the euro. During

the reviewed period, domestic equity indices declined, but moderately compared to the global trend. Israel's risk premium, as measured by CDS spreads and by dollar spreads against US government bonds, increased slightly. In January 2026, business credit continued to grow rapidly, led by bank credit, and consumer credit to households continued to grow at a rapid pace from all sources. The rate of arrears in all activity segments remains at a low level. Based on data from the Business Tendency Survey, credit constraints—bank and nonbank—are at a low level in February in all business types and all industries.

The Committee discussed the Research Department's updated forecast. The forecast was formulated under the assumption that Operation Roaring Lion and the fighting in Lebanon will conclude toward the end of April, and that the direct economic impact of the operation will persist for as long as the hostilities continue. The forecast is characterized by an exceptionally high level of uncertainty, both regarding the duration of the fighting and regarding the magnitude of geopolitical risks, which are expected to be reflected—among other factors—in the risk premium, the exchange rate, energy prices, and their implications for overall economic activity. According to the Research Department's assessment under this scenario, GDP is expected to grow by 3.8 percent in 2026 and by 5.5 percent in 2027, compared to 5.2 percent in 2026 and 4.3 percent in 2027 under the January forecast. In 2026 and 2027, the broad unemployment rate among the prime working-age population (25–64) is expected to average 4.5 percent and 3.4 percent, respectively. The inflation rate is projected to be 2.2 percent in 2026 and 1.8 percent in 2027. The average interest rate in the first quarter of 2027 is expected to be 3.75 percent or 3.5 percent. The Department's assessment is that the government budget deficit is expected to total 5.3 percent of GDP in 2026 and 4.4 percent in 2027, while the debt to GDP ratio is projected to stand at approximately 70.5 percent at the end of 2026 and 70.5 percent in 2027.

The Committee discussed labor market developments. The ratio of job vacancies to unemployed persons remained high, and the job vacancy rate remained stable, at 4.5 percent in February. In January, the broad unemployment rate among the prime working-age population (25–64) was 3 percent, with a moderate increase in the share of those absent due to military reserve service compared with December. Wage growth in the business sector resumed its upward trend and remains elevated, standing at approximately 4.7 percent in November–January compared with the corresponding period a year earlier.

The Committee discussed the various indicators of economic activity, which reflect the impacts of the operation on activity. Credit card expenditure data in current prices indicate, similar to Operation Rising Lion, a sharp 20 percent decline in activity with the outbreak of Operation Roaring Lion. The data show a partial recovery after the first 2 weeks of the operation, and they remain lower than their pre-war level. A flash survey by the Central Bureau of Statistics, conducted after the beginning of Operation Roaring Lion, indicates adverse impact factors that are similar to Rising Lion: Most

businesses note that the negative impact on activity derives to a great extent from the absence of workers and the closure of educational institutions. The Consumer Confidence Index in February remained stable and is at a high level compared to the period before October 7, 2023. The capital raised in the high tech sector in the first quarter declined compared to previous quarters.

The Committee discussed National Accounts data for the fourth quarter of 2025. In the fourth quarter of 2025, there was a surplus in the goods and services account of the balance of payments, against the background of an increase in the export of goods and services. In February, there was a decline in goods exports and the increase in imports continued. The increase in imports was driven by an increase in capital goods imports, alongside a moderate increase in raw material imports.

The Committee discussed housing market developments. In December-January there was a slight decline of 0.1 percent in home prices, after 2 consecutive monthly increases in the index, for a cumulative 1.4 percent. The year over year rate of change in home prices was -0.9 percent. In 2025, building starts totaled about 80,000 housing units, an increase of about 15 percent compared to 2024, while in the fourth quarter there was an increase of 9 percent. Building completions increased in 2025 by about 10 percent compared with 2024, and remained stable in the fourth quarter. The housing component in the CPI again increased in the reviewed period, and in the February CPI it increased to an annual rate of 4.2 percent. The annual rate of increase in leases with a change in tenant remained relatively high, at 5.8 percent in February.

The Committee discussed the development of the state budget. The cumulative deficit in the state budget in the past 12 months was 4.7 percent of GDP in February. The government's revenues from direct taxes in February (fixed prices net of legislative changes and one-off revenues) remain above the long-term trend line. The government raised the deficit target in the 2026 budget, which was approved by the Knesset, to 4.9 percent of GDP due to a revision in the budget framework after the beginning of Operation Roaring Lion.

The Committee discussed global economic developments. As reflected in markets and announcements by central banks, there is high uncertainty with regard to the expected impacts of the fighting with Iran. The forecasts for the impact of the hostilities on the decline in growth and the increase in inflation depend on the extent of the adverse impact on infrastructures, duration of the war, and the negative impact on supply chains. In view of the fighting, the price of a barrel of Brent crude oil increased sharply and volatily, ending the reviewed period at approximately \$113 (an increase of about 60 percent), and the price of natural gas in Europe increased to EUR/MWh 55 (an increase of about 70 percent). Futures contracts indicate that markets assess that energy prices are expected to decline to \$84 for a barrel of Brent

crude oil by the end of 2026. In the period reviewed, major central banks in advanced economies kept the interest rate unchanged. The uncertainty and the fighting with Iran led to an increase in inflation expectations and in the interest rate path of many central banks as priced in to the market.

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, May 25, 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:

Ms. Inbar Bahat, Research Department

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

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