BANK OF ISRAEL
Office of the Spokesperson and Economic Information

January 20, 2026

Press Release

The Expected Rate of Inflation Derived from Various Sources

(Periodic average, percent)

Date	**Calculated from capital market[1]**						**Average of the inflation forecasts for the 12 months ahead[4]**	**One-year inflation expectations derived from internal interest rates[5]**	**One-year expectations derived from inflation contracts[7]**
	For the first year	**For the second year (forward)**	**For the third year (forward)**	**For years 3–5 (forward)[2]**	**For five years**	**For years 5–10 (forward)[3]**			
Annual data:									
2021	1.9	2.1	2.1	2.0	2.0	2.0	1.2	1.3	1.8
2022	3.1	3.0	2.8	2.5	2.8	2.3	2.8	2.8	3.0
2023	2.8	2.6	2.5	2.5	2.6	2.7	2.8	2.8	2.9
2024	2.8	2.4	2.5	2.5	2.6	2.7	2.9	2.8	2.8
2025	1.8	2.0	2.1	2.1	2.0	2.4	2.3	2.1	2.0
Monthly data:									
2025									
January	2.1	2.3	2.4	2.3	2.3	2.5	2.7	2.6	2.6
February	2.0	2.1	2.3	2.4	2.2	2.4	2.6	2.6	2.5
March	2.0	2.0	2.3	2.3	2.2	2.4	2.4	2.3	2.0
April	1.7	1.8	2.1	2.1	2.0	2.3	2.4	2.2	2.1
May	1.9	1.9	2.1	2.1	2.0	2.3	2.4	2.0	2.0
June	1.9	1.9	2.0	2.1	2.0	2.3	2.4	2.0	2.0
July	1.6	1.8	2.1	2.1	2.0	2.5	2.3	1.9	1.9
August	1.6	2.0	2.1	2.1	2.0	2.4	2.3	1.9	2.0
September	1.8	1.9	2.0	2.0	2.0	2.3	2.2	2.0	2.0
October	1.7	2.0	2.1	2.1	2.0	2.3	2.1	1.9	1.8
November	1.6	2.0	2.0	2.0	1.9	2.4	2.0	1.8	1.7
December	1.4	2.1	2.1	2.0	1.9	2.3	2.0	1.7	1.6
Current data[6]	1.4	2.1	2.0	2.0	1.9	2.3	1.9	1.7	1.6

1 Inflation expectations derived from the capital market are defined as the ratio between the yields on unindexed government bonds and the yields on CPI-indexed government bonds (breakeven inflation). They include an inflation-risk premium component and various biases deriving from the differences in taxation and liquidity between different types of bonds: https://www.boi.org.il/boi_files/Statistics/Inflation_expectations_e.docx

Inflation expectations derived from the capital market include a premium component as well as various biases deriving from differences in taxation, liquidity, or market depth. In our assessment, in January 2024 the biases in expectations over a 1-year horizon are greater than usual.

Forward expectations are the expectations for the inflation rate over a future period. The forward rates—exp(j,k)—are derived from the breakeven inflation for j years and k years. That is:

$$\exp(\mathrm{j,k}) \quad = \left(\frac{(1+\exp(k))^{k}}{(1+\exp(\mathrm{j}))^{\mathrm{j}}}\right)^{1/(k-j)} - 1$$

Where exp(j,k) is the forward expectations for inflation from the end of year j to the end of year k. For example, exp(3,5) is the expected rate of inflation from the end of the third year to the end of the fifth year. Exp(k) is the inflation expectation for k years—for example, for 5 years. All expectations data are presented in annual terms.

[2] Forward expectations for full years, from the end of the third year to the end of the fifth year.

[3] Forward expectations for full years, from the end of the fifth year to the end of the tenth year.

[4] The simple arithmetic mean of the inflation forecasts of commercial banks and economic consulting companies that provide their forecasts to the Bank of Israel on a regular basis.

[5] Expectations derived from the internal interest rates of the five large banks, calculated as the ratio between unindexed interest rates and CPI-indexed interest rates. The internal interest rate is calculated for each bank as the average of its marginal price for raising funds (deposits) and its marginal price for allocating uses (credit).

[6] For expectations derived from the capital market, expectations based on internal interest rates and expectations derived from inflation contracts —average for the CPI month (from the previous CPI reading through the most recent figure prior to the publication of the current CPI); forecasts—the average of forecasts which were revised after the CPI was published.

[7] One-year expectations derived from inflation contracts—based on the average of market quotes.