



Publications

## Remarks by Bank of Israel Deputy Governor Andrew Abir on “Monetary Policy in the Shadow of the COVID crisis” at the Leader Capital Markets conference

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Monetary Committee Publications

Bank of Israel Deputy Governor Andrew Abir delivered a presentation today at the Leader Capital Markets Conference regarding the state of the Israeli economy and the policy measures adopted by the Bank of Israel during the COVID crisis. His presentation focused on the new monetary measures set out by the Monetary Committee last week.

Speeches and Presentations

About the Spokesperson's Office

He also discussed the importance of the government's use of the tools it has to deal with the economic crisis—including passage of the 2021 budget.

Legislation and Regulations

The Deputy Governor broadly outlined the monetary policy and other measures being taken by the Bank of Israel in the financial markets, including the Bank's policy regarding the exchange rate and its intervention in the foreign exchange market as necessary. The policy measures have focused on the need to stabilize the financial market and enable their proper operation, making sure that the economy does not go into a credit crunch, and that the financial system will be able to continue supply the economy's credit needs. Abir noted that we can clearly see the effects of the Bank's measures in real time, for instance on government and corporate bond yields and issuance activity.

The Deputy Governor expanded on the measures taken by the Monetary Committee in its most recent decision, and said that in order to ensure that the policy's objectives continue to be realized, the Monetary Committee announced two additional measures:

- **Increasing the government bond purchase program in the secondary market by NIS 35 billion.** This program has been playing an important role in stabilizing the financial markets since the outbreak of the crisis, and it supports easy terms of credit for all borrowers in the economy. In view of the continuation of the healthcare crisis in Israel and abroad, and its continued ramifications on the economic situation, the Monetary Committee believed that it is correct to expand the volume of the program to make sure that the economy's credit needs continue to be met in an easy interest rate environment along the entire curve, and that monetary policy provides the necessary support for real activity and inflation at this time.
- **Another layer in the program to ease the terms of credit for small and micro businesses.** Since the crisis has dealt a particularly harsh blow to small and micro businesses, the Committee saw a particular need to ensure easy terms of credit for such businesses. The Committee therefore decided on an additional layer of the program to provide credit to banks against loans to small businesses. Within this framework, the Bank of Israel will provide the banking system with loans at a fixed interest rate of -0.1 percent, **only** against loans that the banks will provide to small and micro businesses that will not exceed prime +1.3 percent. The program will total up to NIS 10 billion, and will be operate until the end of June 2021.



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