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The Bank of Israel will purchase government bonds totaling NIS 50 billion, in order to ease credit conditions and support economic activity

23/03/2020

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In recent weeks, the economic conditions in the Israeli economy have worsened significantly, in view of the spread of the coronavirus and the measures taken to prevent it. Economic activity has been seriously disrupted, and volatility in the financial markets has increased. In view of this, the Monetary Committee has decided to launch a government bond purchasing program in the secondary market totaling NIS 50 billion, with the aim of easing credit conditions in the economy and supporting economic activity and financial stability.

The Bank of Israel interest rate has for a long time been at low levels, which makes financial conditions easier for the business sector and households. The bond purchases will enable the Bank of Israel to influence bond yields in the market along the entire unindexed and indexed curves, and to lower the costs of longer-term credit for firms and households, as a complementary tool to the short-term interest rate policy. The additional monetary support is particularly important at a time when many businesses and households are encountering liquidity difficulties due to the serious crisis that is negatively impacting their income.

In addition, the bond purchasing program will enable the Bank of Israel to moderate serious volatility in bond yields that is caused by the lack of liquidity in the financial markets, and to work toward stabilizing the markets.

In parallel to the bond purchasing program, the Bank of Israel will continue to give financial entities access to repo transactions with it while using government bonds as collateral, as the Bank [announced on March 15, 2020](#), and will also continue the swap tenders program in the shekel-dollar market, as it [announced on March 18, 2020](#).



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