

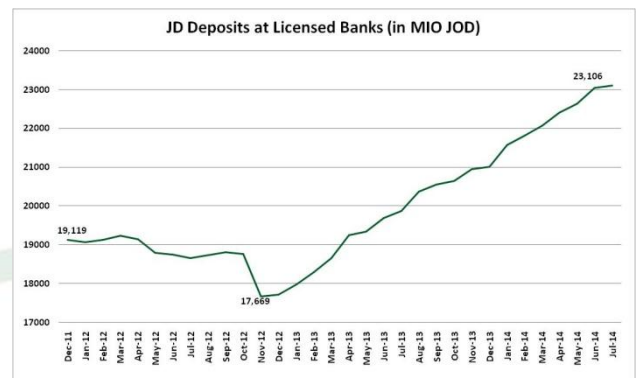
Flash Comment: JD deposits at banks up by 73 million JD in July 2014, weighted average interest rate drops 16 basis points

September 10, 2014

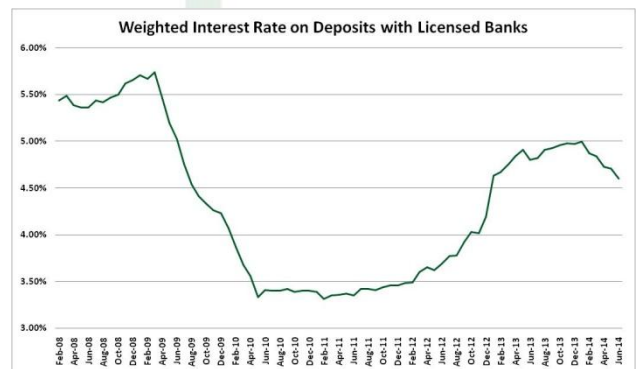
- In July of this year, JD deposits increased by 73 million JD to reach a total of 23.11 billion JD at licensed banks.
- The increase in JD deposits in July is significantly lower than the monthly average increase of 340 million JD registered during the first half of the year.
- Meanwhile, the weighted average interest rate on JD term deposits dropped by 16 basis points in July of this year to reach 4.44%.
- On the other hand, foreign currency deposits grew for the second consecutive month, up by approximately \$59 million over the same time period, reversing a downward trend that was evident since the beginning of 2014.

JD Deposits

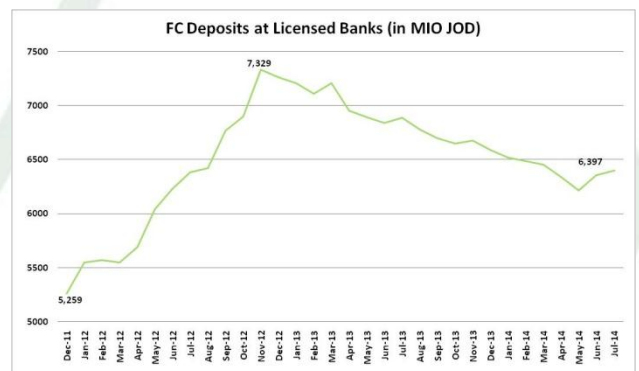
- Deposits grew by 73 million JD in July.
- So far, deposits have grown 2.10 billion JD in 2014 to reach 23.11 billion JD, growing at a slightly slower pace than the same time period in 2013. JOD Deposits grew by 3.30 billion JD in 2013.
- JD deposits growth in July was significantly lower than the average of 340 million JD registered during the first half of the year.
- The slowdown in the growth of JD deposits could indicate that the Jordanian government has finished utilizing proceedings from the Eurobonds to meet expenditures and that de-dollarization effect has slowed down.
- Deposits had dropped by 1.40 billion JD in 2012 due to a significant drop in FX reserves, which triggered a shift towards USD deposits and a drop in local liquidity levels.



Source: Central Bank of Jordan



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- However, prudent monetary policy rebuilt FX reserve buffers and local liquidity levels, which was reflected in an increase in JD deposits, and lower interest rates on JD instruments.
- The weighted average interest rate on JD term deposits at banks dropped by 16 basis points in July to reach 4.44%, down by 53 basis points so far in 2014.
- The weighted average interest rate is expected to continue its downward trend in the following months, as CBJ cut benchmark rates by 50 basis points late June 2014 while excess liquidity levels remain high.

Foreign Currency Deposits

- Deposits grew by \$59 million in July, up for the second consecutive month.
- Foreign currency deposits are currently around \$9.02 billion (6.40 billion JD).
- The rise in foreign currency deposits in July for the second consecutive month reverses a downward trend that was evident since the beginning of 2014.
- The reversal in the trend could support the IMF argument that de-dollarization process will start to normalize in 2014.
- Foreign currency deposits had increased by \$2.80 billion in 2012, but dropped by \$942 million in 2013, and by \$332 million so far in 2014, mainly due to a reversal trend towards JD deposits.

Monthly Change in deposits (million JD)

| Month | JD deposits | Foreign currency deposits |
|--------------|--------------------|----------------------------------|
| Dec-12 | 41.90 | -70.80 |
| Jan-13 | 262.60 | -52.90 |
| Feb-13 | 315.20 | -95.00 |
| Mar-13 | 363.50 | 95.70 |
| Apr-13 | 600.70 | -253.10 |
| May-13 | 80.90 | -62.40 |
| Jun-13 | 354.50 | -54.00 |
| Jul-13 | 174.40 | 51.00 |
| Aug-13 | 510.40 | -110.20 |
| Sep-13 | 180.30 | -81.50 |
| Oct-13 | 90.50 | -49.90 |
| Nov-13 | 296.10 | 27.30 |
| Dec-13 | 62.90 | -83.40 |
| Jan-14 | 567.20 | -69.70 |
| Feb-14 | 240.20 | -36.30 |
| Mar-14 | 259.40 | -29.60 |
| Apr-14 | 326.90 | -116.20 |
| May-14 | 233.00 | -125.20 |
| Jun-14 | 403.70 | 141.40 |
| Jul-14 | 72.50 | 41.90 |

Source: Central Bank of Jordan

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