



Press Release

The Open Market Operations Committee at the CBJ decides to raise interest rates on all monetary policy instruments by 25 basis points

The Open Market Operations Committee at the Central Bank of Jordan (CBJ) held its second meeting in 2023. During the meeting, the committee discussed the performance of the national economy and the most recent monetary and banking developments in the Kingdom and their implications on the expected performance for the year 2023. The committee also discussed the global economic updates and the financial markets performance, as well as interest rate trends. Accordingly, and aiming at maintaining strong and solid foundations for monetary and banking stability in the Kingdom, and maintaining the attractiveness of the Jordanian dinar, the committee decided the following:

- 1) Raising interest rates on all monetary policy instruments of the CBJ by 25 basis points, as of Sunday 26/3/2023.
- 2) Fixing interest rates on loans granted by banks within the “CBJ’s Program for Refinancing Vital Economic Sectors” for the benefiting 10 sectors, amounting to JD 1.4 billion, at 1% interest rate for projects within Amman Governorate, and 0.5% for projects in the rest of the governorates. The Committee also decided to extend this program until March 2024, due to its importance in supporting the gradual recovery of the Jordanian economy, contribution to creating more jobs, and providing sufficient financing for targeted economic sectors on concessional lending terms.
- 3) Maintaining the interest rate on loans granted by banks through the “CBJ’s Program to Support SMEs, Professionals, Craftsmen, and Importers of basic Commodities” in the amount of JD 700 million, at its current level, which has a maximum interest rate of 2% for borrowers. The Program provides financing according to a fixed interest rate for a period of 54 months, including a grace period up to 12 months, noting that the committee has decided, in its previous meeting to extend the program until end of April 2023.

The committee's decisions also respond to the persistent inflationary pressures in light of the increase in the inflation rate in the Kingdom during 2022 to reach 4.2%, and standing at 4.0% during the first two months of the current year, driven by the rise in “headline inflation” to 4.3% during the same period.

The Committee confirms the solid performance of all monetary, banking and economic indicators in the Kingdom, as revealed by the latest available data, foremost of which are CBJ’s foreign reserves, which maintained their high level, amounting to USD 16.7 billion, sufficient to cover Jordan’s imports of goods and services for 7.3 months. Likewise, the deposits with banks recorded an annual growth of 6.1%, increasing by an amount of JD 2.4 billion, to reach JD 42.0 billion at the end of January 2023, in addition to the increase in credit facilities extended by banks by JD 2.7 billion, a growth of 8.9%, bringing its outstanding balance to JD 32.9 billion. In addition, the banking system’s solidity and resilience according to the latest “financial soundness indicators” confirmed its enjoyment of high capital adequacy, liquidity and profitability, and at the same time a decrease in non-performing loans, which was offset by an increase in the coverage ratio of provisions for them.

Tourism receipts exceeded its pre-pandemic level of JD 4.1 billion in 2022, continuing its strong performance during the first two months of 2023 recording a growth of 122.7% compared to the same period of 2022. National commodity exports also increased notably by 33.8% in 2022.

At the same time, CBJ’s preliminary estimations indicated that foreign direct investments inflows into the Kingdom increased by 83.0% in 2022 compared to 2021, to reach JD 1.1 billion, which is significantly higher than previous projections. In addition, remittances increased by 1.5% during 2022, and by 0.9% in January 2023. Consequently, real GDP grew by 2.7% during the first three quarters of 2022, compared to 2.2% for the same period of 2021. The national economy is expected to maintain the same high growth during the whole year 2022.

The CBJ affirms its close monitoring of all the received data, and the economic developments, locally, regionally and globally, and will take the necessary measures to enhance monetary, banking and financial stability in the Kingdom.

The Central Bank of Jordan

23 March 2023