



Press Release

September 19, 2024

The Open Market Operations Committee decides to cut interest rates on the monetary policy instruments by 50 basis points

The Open Market Operations Committee at the Central Bank of Jordan (CBJ) held its sixth meeting this year, where it decided to reduce interest rates on all monetary policy instruments by 50 basis points as of Sunday, September 22, 2024. This decision comes after the end of the monetary tightening cycle conducted by the CBJ since the end of March 2022, similarly to other central banks in the region and worldwide, with the aim of maintaining monetary stability, especially the attractiveness of the Jordanian dinar against other currencies, and containing the inflationary pressures that accompanied the recovery phase from the repercussions of the COVID-19 pandemic. The committee confirmed that the decision to lower interest rates came in light of the monetary policy achieving its set objectives, as reflected in the monetary indicators, the most prominent of which is maintaining the strength of the dinar, supported by the rise in foreign reserves at the CBJ from USD 18 billion in March 2022 to an unprecedented level of USD 20 billion at the end of August 2024, which is sufficient to cover the Kingdom's imports of goods and services for a period of 8.7 months, as well as, the decrease in the dollarization rate from 19.4 percent in March 2022 to 18.5 percent at the end of July 2024, in addition to the inflation rate declining from its peak during the inflationary wave, which reached 5.4 percent, on an annual basis, in September 2022 to 1.9 percent in August 2024. Despite raising interest rates over the past two years, banks' interest rate margin (measured by the difference between the interest rate on loans and advances and the interest rate on term deposits) declined by about 114 basis points until the end of July 2024, reaching 2.24 percent, which is the lowest in nearly three decades, and reflects the operational efficiency of banks.

During the meeting, the committee reviewed several indicators that confirm the soundness of the banking and economic conditions, as deposits with banks increased by around JD 2.9 billion at the end of July 2024, with a growth rate of 6.8 percent on an annual basis, to reach JD 45.7 billion, while credit facilities extended by banks increased by around JD 1.2 billion, with a growth rate of 3.5 percent on an annual basis, to reach JD 34.6 billion. The latest financial soundness indicators, as they were

during the first half of the current year, confirm the safety and soundness of the Jordanian banking sector, as it enjoys a high level of capital reaching 17.6 percent, which is among the highest rates in the region, and maintaining comfortable levels of legal liquidity of 138.8 percent, exceeding the CBJ's minimum requirement of 100 percent. Meanwhile, the non-performing loans ratio reached 5.6 percent at the end of the first half of 2024.

On the other hand, various economic indicators showed the resilience of the national economy and its ability to cope with the shocks and conditions that the region is going through, supported by the financial and economic reform efforts and the flexibility of the implemented economic policies, which enhanced the confidence of investors, international financial institutions and credit rating agencies in the national economy. Workers' remittances increased during the first seven months of 2024 by 3.6 percent to reach USD 2.05 billion. Tourism income achieved around USD 5 billion during the first eight months of 2024, with a limited decrease of 3.7 percent compared to the same period last year, despite the state of instability in the region. The quantities of national exports also increased by 5.4 percent during the first half of 2024, but the decline in the prices of many commodities globally led to a decline in the value of total exports by 1 percent to reach USD 6.3 billion. However, the trade balance deficit decreased by 2.3 percent due to a greater decline in the value of imports than in the value of total exports. Furthermore, the national economy recorded a growth by 2.0 percent in the first quarter of the current year, while the economic growth rate for the whole year is expected to reach around 2.4 percent.

The CBJ affirms its continued commitment to monitoring economic and financial developments locally, regionally and globally, and taking appropriate measures to ensure maintaining the monetary and financial stability in the Kingdom, and creating an economic and banking environment that contributes to enhancing the economic growth.

The Central Bank of Jordan