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Interest Rate Pass-Through: The Case Of Jordan

Pass-Through (Prijenos) Kamatnih Stopa: Slučaj Jordana

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Abstract

The paper seeks to explore empirically the long-run relationship between short-term policy interest rate and deposit and lending rates in Jordan. Technically, we examine the speed of adjustment and pass-through from policy rate to deposit and lending rates. The empirical evidence of the Jordanian economy shows deposit and lending rates adjust primarily in response to the previous period's departure from the long-run equilibrium. Further, retail interest rates follow a symmetric movement for their deviations from the long-run equilibrium. Accordingly, the CBJ has the power to control the spread between deposit and lending rates. Furthermore, deposit rate adjusts larger

and faster than lending rate for a deviation from the long-run equilibrium. As a result, Jordan’s monetary policy action needs approximately 11 quarters to be effective.

Sažetak

Rad empirijski istražuje dugoročnu vezu između kratkoročnih ključnih kamatnih stopa i kamatnih stopa na depozite i kredite u Jordanu. Tehnički, ispitujemo brzinu pilagodbe i pass-through od ključne stope do kamatnih stopa na depozite i kredite. Empirijski dokazi jordanske ekonomije pokazuju da se kamatne stope na depozite i kredite prvenstveno usklađuju u odnosu na odmak od dugoročne stabilnosti u prethodnom periodu. Nadalje, kamatne stope na kredite i depozite slijede simetrična kretanja u svojim devijacijama od dugoročne stabilnosti. Shodno tome, Jordanska Centralna Banka ima moć kontrole razlike između kamatnih stopa na depozite i onih na kredite. Osim toga, kamatne stope na depozite se usklađuju šire i brže od kamatnih stopa na kredite radi devijacije od dugoročne stabilnosti. Zbog toga jordanska monetarna politika treba oko 11 kvartala da bi bila efikasna.

Key words:

Monetary policy | Central bank | Symmetric adjustment | Interest rate pass-through | Error correction model

Ključne riječi::

Monetarna politika | Centralna banka | Simetrično usklađivanje | Prijenos (passthrough) kamatnih stopa | Model korekcije greške

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