

Special Analysis

Changes in deposit interest rates and total deposits from June 2008 to June 2009.

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October 20, 2009

Implications

- People prefer the safety of an insured deposit even if it means a lower return
- This is a symptom of uncertainty about the stability of the economy, and its prospects for recovery

Purpose

The purpose of this analysis is to examine the variance in the national average interest rates paid for deposits, and the variance in the total deposit amount nationally from June 30, 2008 to June 30, 2009, which is the time the FDIC, publishes its annual Summary of Deposits update.

Analysis

- We examined the variance in the national average APY for deposits from June 30, 2008 to June 30, 2009.
- We examined the variance in the total national balance for deposits from June 30, 2008 to June 30, 2009.
- The statistical analysis in this report is based on a sample of 1,300 institutions as was determined by a-priori, two-tailed test. The t-Test was based on the following parameters: Alpha=0.05; Power=0.95; Effect size=0.20.

Findings

- The national average APY for deposits dropped from 2.80 in June of 2008 to 1.77 in June of 2009. A decrease of 1.03 basis points or 37% of its return value (Figure 1).
- The total national balance for deposits increased from \$6.22 trillion in June of 2008 to \$6.74 trillion in June of 2009. An increase of 8.4% or \$520 billion (Figure 2).

Figure1
 Decrease in the national average APY for deposits from June 2008 to June 2009

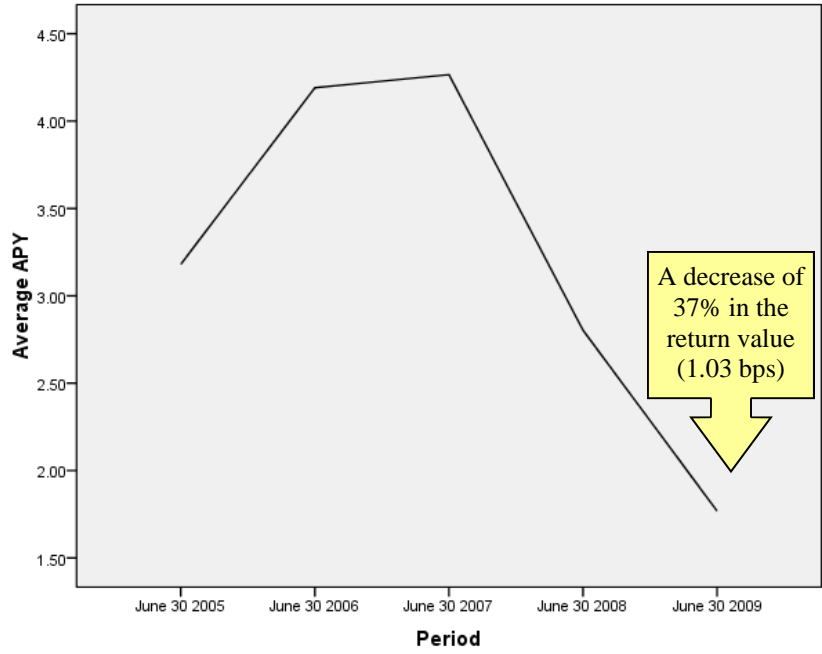
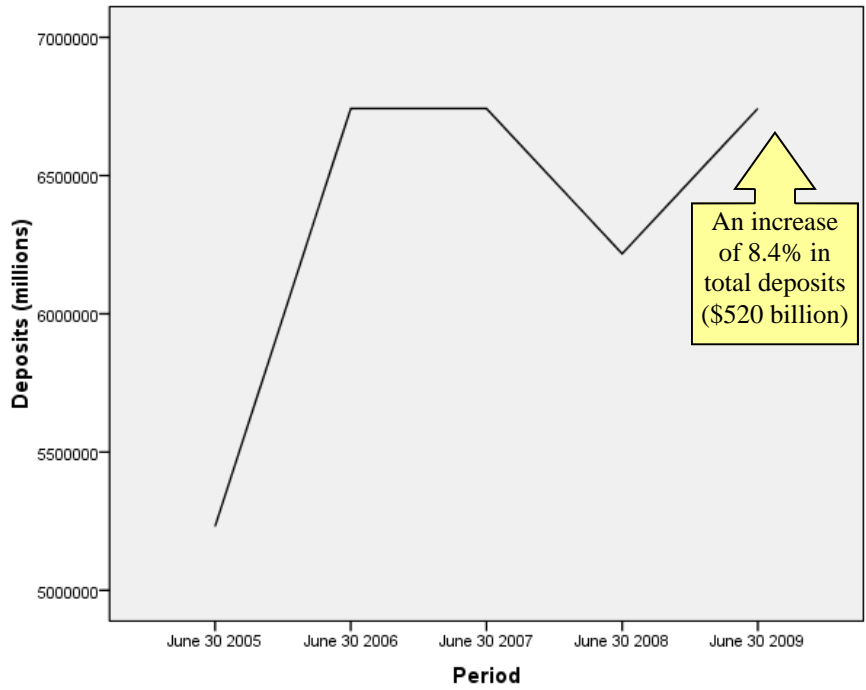


Figure2
 Increase in the total national deposits from June 2008 to June 2009



Source: FDIC Summary of Deposits, and Market Rates Insight.