



Central Bank of Jordan

Recent Monetary & Economic Developments in Jordan

**Research Dept / Monthly Report
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Central Bank of Jordan

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OUR VISION

To continue maintaining monetary and financial stability and thereby contributing to the achievement of economic and social growth in the kingdom.

OUR MISSION

Maintaining monetary stability represented in maintaining the stability of the Jordanian Dinar exchange rate and the general prices level. And contributing to providing an investment environment that is both attractive and motivating for the economic and social development through providing a convenient interest rate structure and implementing macro and micro prudential supervision policies that maintain financial and banking stability. In addition to providing safe and efficient national payments systems, promoting financial inclusion, and protecting the financial customer. To this end, the Central Bank of Jordan employs optimally its human, material, financial, technical and knowledge resources.

OUR VALUES

- | | | |
|----------------------------|---|---|
| Loyalty | : | Commitment, responsibility, and dedication to the institution, its staff and clients. |
| Integrity | : | Dealing with the highest standards of professionalism and credibility to ensure equality and equal opportunities to all partners, clients, and workers. |
| Excellence | : | To make a difference in the quality of services provided in accordance with international standards and practices. |
| Continuous Learning | : | Aspiring to continuously improve professional and academic levels in accordance with international best practices. |
| Involvement | : | Working together, on all levels, in a team spirit to achieve our national and organizational goals with high efficiency. |
| Transparency | : | Disclosing information and knowledge, and simplifying and clarifying procedures and regulations in accordance with professional standards and pertinent rules |

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Executive Summary

□ Output, Prices and Employment

During the first quarter of 2018, real GDP at market prices, grew by 1.9 percent, compared to a growth rate of 2.2 percent during the same period in 2017. The general price level, measured by the percentage change in the Consumer Price Index (CPI) increased during the first half of 2018 by 4.3 percent, compared to a rise of 3.7 percent in the same period of 2017. Furthermore, the unemployment rate increased during the first quarter of 2018 to stand at 18.4 percent compared to 18.2 percent during the same quarter of 2017.

□ Monetary and Financial Sector

- The CBJ's gross foreign reserves (including gold and SDRs) amounted to US\$ 12,920.7 million at the end of June 2018. This level of reserves covers around 7.1 months of the kingdom's imports of goods and services.
- Domestic liquidity amounted to JD 33,566.6 million at the end of June 2018, compared to JD 32,957.6 million at the end of 2017.
- The outstanding balance of credit facilities extended by licensed banks amounted to JD 25,810.7 million at the end of June 2018, compared to JD 24,736.8 million at the end of 2017.
- Total deposits at licensed banks amounted to JD 33,750.3 million at the end of June 2018, compared to JD 33,197.7 million at the end of 2017.
- The Share Price Index (SPI) weighted by the market capitalization of free float shares at Amman Stock Exchange (ASE) reached 2,070.4 points at the end of June 2018, compared to JD 2,126.8 points at the end of 2017.

- **Public Finance:** The general budget, including foreign grants, recorded a fiscal deficit in the amount of JD 435.1 million (3.7 percent of GDP) in the first five months of 2018, compared to a fiscal deficit of JD 326.2 million (2.8 percent of GDP) in the same period of 2017. Gross outstanding domestic public debt (budgetary and own-budget) increased by JD 738.8 million at the end of May 2018 compared to its level at the end of 2017, standing at JD 16,140.9 million (55.7 percent of GDP). However, outstanding external public debt (budget and guaranteed) went down by JD 257.1 million at the end of May 2018, compared to its level at the end of 2017, to reach JD 11,610.1 million (40.1 percent of GDP). Accordingly, gross public debt (domestic and external) stood at 95.8 percent of GDP at the end of May 2018, compared to 95.9 percent of GDP at the end of 2017.
- **External Sector:** Total merchandise exports (domestic exports *plus* re-exports) increased by 1.7 percent during the first five months of 2018 to reach JD 2,110.6 million. Meanwhile, merchandise imports decreased by 3.5 percent to reach JD 5,749.8 million. As a result, the trade balance deficit decreased by 6.2 percent compared to the same period of 2017, to reach JD 3,639.2 million. The preliminary data for the first half of 2018 showed an increase in travel receipts by 12.3 percent and a decrease in travel payments by 6.2 percent compared to the same period of 2017. Moreover, total workers' remittances receipts decreased by 1.0 percent in the first half of 2018 compared to the same period of 2017. The preliminary data for the balance of payments during the first quarter of 2018 displayed a deficit in the current account amounted to JD 654.0 million (9.7 percent of GDP) compared to a deficit of JD 767.7 million (11.8 percent of GDP) during the first quarter of 2017. Meanwhile, the current account deficit excluding grants decreased to reach 10.9 percent of GDP compared with 13.2 percent of GDP during the first quarter of 2017. Moreover, net direct investment recorded a net inflow of JD 201.5 million during the first quarter of 2018 compared to a net inflow of JD 436.8 million during the first quarter of 2017. Furthermore, the international investment position (IIP) registered a net obligation to abroad in the amount of JD 30,607.4 million at end of the first quarter of 2018 up from JD 29,350.5 million at the end of 2017.

First: Monetary and Financial Sector

□ Summary

- The CBJ's gross foreign reserves (including gold and SDRs) amounted to US\$ 12,920.7 million at the end of June 2018. This level of reserves covers around 7.1 months of the kingdom's imports of goods and services.
- Domestic liquidity amounted to JD 33,566.6 million at the end of June 2018, compared to JD 32,957.6 million at the end of 2017.
- The outstanding balance of credit facilities extended by licensed banks amounted to JD 25,810.7 million at the end of June 2018, compared to JD 24,736.8 million at the end of 2017.
- Total deposits at licensed banks amounted to JD 33,750.3 million at the end of June 2018, compared to JD 33,197.7 million at the end of 2017.
- The interest rates on all types of deposits held by the licensed banks had increased at the end of June 2018, compared to their levels at the end of 2017. While the interest rates on all types of credit facilities extended by the licensed banks had decreased at the end of June 2018, compared to their levels at the end of 2017.

- The Share Price Index (SPI) weighted by market capitalization of free float shares at Amman Stock Exchange (ASE) reached 2,070.4 points at the end of June 2018, compared to 2,126.8 points at the end of 2017. Moreover, the market capitalization reached JD 17,195.9 million at the end of June 2018, compared to JD 16,962.6 million at the end of 2017.

Main Monetary Indicators

JD Million, and Percentage Change Relative to the Previous Year

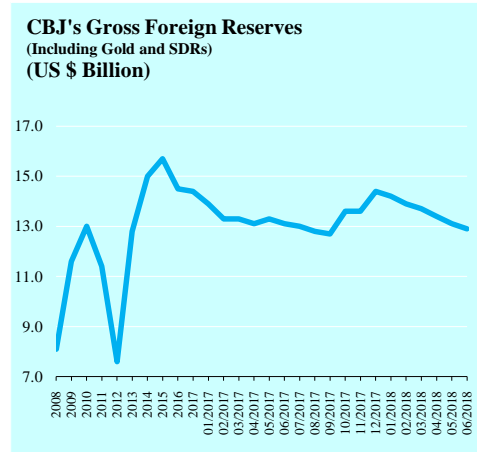
		End of June	
2017		2017	2018
US\$ 14,391.8	CBJ's Foreign Reserves*	US\$ 13,105.4	US\$ 12,920.7
-0.7%		-9.6%	-10.2%
32,957.6	Money Supply (M2)	32,880.7	33,566.6
0.2%		0.01%	1.8%
24,736.8	Credit Facilities, of which:	24,053.1	25,810.7
8.0%		5.0%	4.3%
21,747.1	Private Sector (Resident)	20,947.8	22,647.5
9.3%		5.3%	4.1%
33,197.7	Total Deposits, of which:	32,785.8	33,750.3
0.9%		-0.3%	1.7%
25,642.2	In JD	25,461.8	25,786.4
-1.3%		-2.0%	0.6%
7,555.5	In Foreign Currencies	7,324.0	7,963.9
9.0%		5.7%	5.4%
26,916.3	Deposits of Private Sector (Resident), of which:	26,527.2	27,067.1
-0.1%		-1.6%	0.6%
21,258.2	In JD	21,043.1	21,112.7
-1.5%		-2.5%	-0.7%
5,658.1	In Foreign Currencies	5,484.1	5,954.4
5.2%		1.9%	5.2%

* Including gold reserves and special drawing rights.

Source: Central Bank of Jordan / Monthly Statistical Bulletin.

□ CBJ's Foreign Reserves

The CBJ's gross foreign reserves (including gold and SDRs) amounted to US\$ 12,920.7 million at the end of June 2018. This level of reserves covers around 7.1 months of the kingdom's imports of goods and services.



□ Domestic Liquidity (M2)

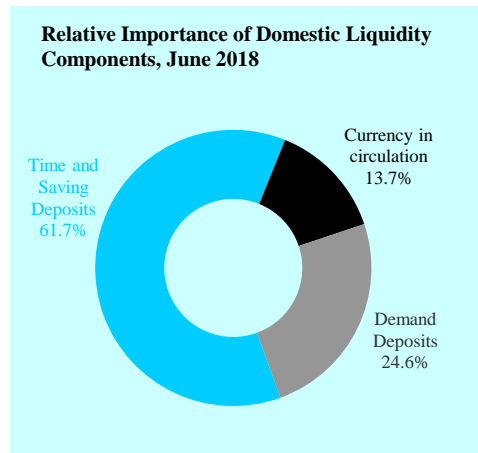
- Domestic liquidity amounted to JD 33.6 billion at the end of June 2018, compared to JD 33.0 billion at the end of 2017.

◆ **Developments in the components and the factors affecting domestic liquidity at the end of June 2018, compared to their levels at the end of 2017, reveal the following:**

- **Components of Domestic Liquidity**

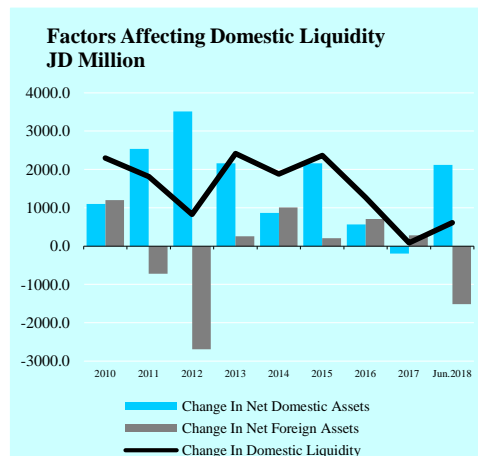
- Total liquidity deposits amounted to JD 29.0 billion at the end of June 2018, compared to JD 28.4 billion at the end of June 2017, and JD 28.6 billion at the end of 2017.

- Currency in circulation amounted to JD 4.6 billion at the end of June 2018, compared to JD 4.5 billion at the end of June 2017, and JD 4.3 billion at the end of 2017.



• **Factors Affecting Domestic Liquidity**

- Net domestic assets of the banking system amounted to JD 26.0 billion at the end of June 2018, compared to JD 24.8 billion at the end of June 2017, and JD 23.8 billion at the end of 2017.



- Net foreign assets of the banking system amounted to JD 7.6 billion at the end of June 2018, compared to JD 8.1 billion at the end of June 2017, and JD 9.1 billion at the end of 2017. The net foreign assets of the CBJ amounted to JD 9.4 billion at the end of June 2018.

Factors Affecting Domestic Liquidity (M2) JD Million

2017		End of June	
		2017	2018
9,122.6	Foreign Assets (Net)	8,105.4	7,611.5
10,260.0	CBJ	9,090.7	9,426.0
-1,137.4	Licensed Banks	-985.3	-1,814.5
23,835.0	Domestic Assets (Net)	24,775.3	25,955.1
-5,398.5	CBJ, of which:	-3,979.5	-4,322.8
653.1	Claims on Public Sector (Net)	1,219.5	1,037.4
-6,074.5	Other Items (Net*)	-5,222.1	-5,383.2
29,233.6	Licensed Banks	28,754.8	30,277.8
9,336.7	Claims on Public Sector (Net)	9,952.9	9,768.5
22,502.9	Claims on Private Sector	21,714.2	23,385.8
-2,606.0	Other Items (Net)	-2,912.3	-2,876.5
32,957.6	Money Supply (M2)	32,880.7	33,566.6
4,326.5	Currency in Circulation	4,514.6	4,609.8
28,631.1	Total Deposits, of which:	28,366.1	28,956.8
5,696.5	In Foreign Currencies	5,527.6	6,007.9

* This item includes Certificates of Deposit in Jordanian Dinar.
Source: Central Bank of Jordan / Monthly Statistical Bulletin.

□ Interest Rates Structure

■ Interest Rates on Monetary Policy Instruments

◆ On June 19th, 2018, CBJ raised the overnight deposit window rate by 25 basis points, while kept the interest rates on the other monetary policy instruments unchanged, to become as follows:

- The CBJ main interest rate: 4.25 percent.
- Re-Discount Rate: 5.25 percent.
- Interest Rate on Overnight Repurchase Agreements: 5.00 percent.
- Overnight Deposit Window Rate: 3.50 percent.
- Weekly/ Monthly Repurchase Agreements: 4.25 percent.
- The interest rate on weekly certificates of deposits: 4.25 percent.

This decision aims to strengthening monetary and financial stability in the kingdom and increasing the attractiveness of the instruments issued in Dinars against other currencies by maintaining the structure of domestic interest rates consistent with the global and regional interest rates.

Interest Rates on Monetary Policy Instruments, percentage points			
		June	
2017		2017	2018
4.00	CBJ main rate	3.75	4.25
5.00	Re-discount Rate	4.75	5.25
4.75	Repurchase Agreements Rate (overnight)	4.50	5.00
3.00	Overnight Deposit Window Rate	2.75	3.50
4.00	Repurchase Agreements rate (one week and one month)	3.75	4.25
4.00	Certificates of Deposits (one week)	3.50	4.25

Source: Central Bank of Jordan / Monthly Statistical Bulletin.

■ Interest Rates in the Banking Sector

◆ Interest Rates on Deposits

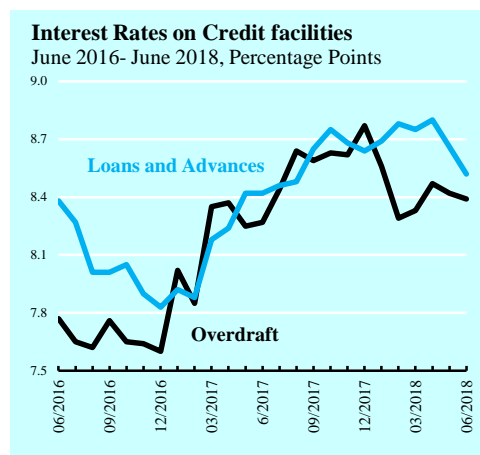
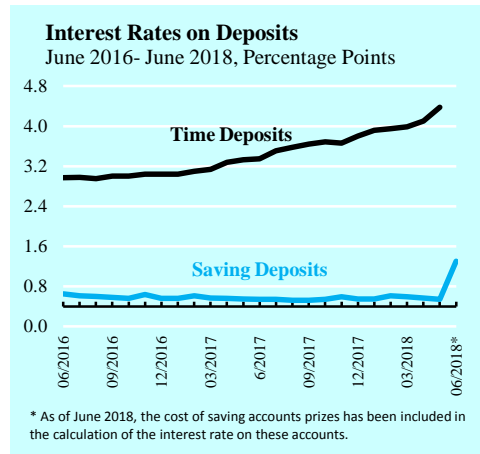
- Time Deposits: The weighted average interest rate on time deposits increased by 10 basis points at the end of June 2018, compared to its level in the previous month, to stand at 4.48 percent. This rate is higher by 68 basis points than its level at the end of 2017.

- Saving Deposits: The weighted average interest rate on saving deposits at the end of June 2018 increased by 76 basis points, compared to its level registered in the previous month, to stand at 1.30 percent. This increase is due to adding the cost of saving accounts' prizes to the calculation of the interest rate beginning from June 2018. This rate is higher by 75 basis points than its level registered at the end of 2017.

- Demand Deposits: The weighted average interest rate on demand deposits increased by two basis points at the end of June 2018, compared to its level registered in the previous month, to stand at 0.42 percent. This rate is higher by 8 basis points than its level registered at the end of 2017.

◆ Interest Rates on Credit Facilities

- Overdraft Accounts: The weighted average interest rate on overdraft accounts decreased by 3 basis points at the end of June 2018, compared to its level registered in the previous month, to stand at 8.39 percent. This rate is lower by 38 basis points than its level registered at the end of 2017.



- Discounted Bills and Bonds: The weighted average interest rate on “discounted bills and bonds” decreased by two basis points at the end of June 2018, compared to its level registered in the previous month, to stand at 10.03 percent. This rate is lower by 20 basis points than its level registered at the end of 2017.

Interest Rates on Deposits and Credit Facilities at Licensed Banks, percentage points

		June		Change Relative to the Preceding Year Basis Points
2017		2017	2018	
Deposits				
0.34	Demand	0.25	0.42	8
0.55	Saving	0.54	1.30	75
3.80	Time	3.35	4.48	68
Credit Facilities				
10.23	Discounted Bills and Bonds	9.72	10.03	-20
8.64	Loans and Advances	8.42	8.52	-12
8.77	Overdraft	8.27	8.39	-38
8.83	Prime Lending Rate	8.63	9.41	58

Source: Central Bank of Jordan / Monthly Statistical Bulletin.

- Loans and Advances: The weighted average interest rate on “loans and advances” decreased by 14 basis points at the end of June 2018, compared to its level registered in the previous month, to stand at 8.52 percent. This rate is lower by 12 basis points than its level registered at the end of 2017.
- The prime lending rate stood at 9.41 percent at the end of June 2018, which is higher by 5 basis points than its level registered in the previous month. This rate is higher by 58 basis points than its level registered at the end of 2017.

□ Credit Facilities Extended by Licensed Banks

- Total credit facilities extended by licensed banks increased by JD 1,073.9 million, or 4.3 percent, at the end of June 2018, compared to its level at the end of 2017, against an increase of JD 1,147.3 million, or 5.0 percent, during the same period in 2017.

- In terms of borrowers, the credit facilities during the end of June 2018 had shown an increase in credit extended to the private sector (resident) by JD 900.4 million, or 4.1 percent, the private sector (non-resident) by JD 93.5 million, or 18.7 percent, the public institutions by JD 52.8 million, or 14.8 percent, the central government by JD 24.9 million, or 1.2 percent, the financial institutions by JD 2.3 million, or 13.5 percent, compared to their levels at the end of 2017

□ Deposits at Licensed Banks

- Total deposits at licensed banks stood at JD 33,750.3 million at the end of June 2018, increasing by JD 552.6 million, or 1.7 percent, compared to its level at the end of 2017, against a decrease of JD 114.2 million, or 0.3 percent, during the same period in 2017.
- The currency composition of deposits at the end of June 2018, revealed that the JD deposits amounted to JD 25.8 billion, and the deposits in foreign currency amounted to JD 8.0 billion, compared to JD 25.5 billion of JD deposits, and JD 7.3 billion of deposits in foreign currency at the end of the same month in 2017. As for the end of 2017, the JD Deposits amounted to JD 25.6 billion, and deposits in foreign currency amounted to JD 7.6 billion at the end of 2017.

□ Amman Stock Exchange (ASE)

The main indicators of ASE showed a mixed performance during the first half of 2018, compared to 2017. This can be demonstrated as follows:

■ **Trading Volume**

Trading volume at ASE totaled JD 74.9 million in June 2018, decreased by JD 132.6 million, or 63.9 percent, compared to its level registered in the previous month, against a decreased of JD 24.3 million or 15.0 percent during the same month in 2017. As for the first half of 2018, the trading volume decreased by JD 1,391.5 million, compared to the same period in 2017, to reach JD 781.1 million.

■ **Traded Shares**

The number of traded shares in June 2018 totaled 60.4 million shares, decreased by 59.8 million shares, or 49.8 percent, compared to its level registered in the previous month, against a decrease by 39.8 million shares during the same month in 2017. As for the first half of 2018, the number traded shares amounted to 604.0 million shares, compared to 1,056.6 million shares traded during the same period in 2017.

■ **Share Price Index (SPI)**

The SPI weighted by market capitalization of free float shares at ASE decreased by 25.6 points, or 1.2 percent, at the end of June 2018, compared to its level registered in the previous month, to stand at 2,070.4

points, against a decrease of 7.8 points, or 0.4 percent, during the same month in 2017. Furthermore, the SPI decreased by 56.3 points, or 2.6 percent, at the end of the first half of 2018, compared to its level at the end of 2017, against a decrease of 2.9 points, or 0.1 percent during the same period in 2017. The aforementioned decrease was an outcome of the decrease in the SPI of the industrial sector by 112.9 points, or 5.1 percent, the services sector by 55.2 points, or 3.8 percent, and the financial sector by 53.6 points, or 1.9 percent, compared to their levels at the end of 2017.

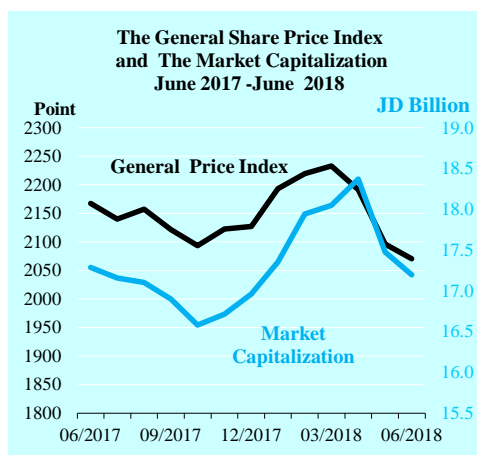
Share Price Index Weighted by Market Capitalization of Free Float Shares, by Sectors

		June	
2017		2017	2018
2,126.8	General Index	2,167.4	2,070.4
2,881.5	Financial Sector	2,932.3	2,827.8
2,229.5	Industrial Sector	2,141.2	2,116.6
1,449.7	Services Sector	1,556.2	1,394.5

Source: Amman Stock Exchange.

■ Market Capitalization

The ASE's market capitalization totaled JD 17.2 billion at the end of June 2018, decreasing by JD 279.7 million, or 1.6 percent, compared to its level registered in the previous month, against a decrease of JD 117.8 million, or 0.7 percent, during the same month in 2017. As for the first half of 2018, the market capitalization increased by JD 233.3 million, or 1.4 percent, compared to a decrease of JD 52.5 million, or 0.3 percent, during the same period in 2017.



■ Non - Jordanian Net Investment

Non-Jordanian net investment at ASE recorded an outflow amounting to JD 1.7 million in June 2018, compared to an inflow of JD 48.9 million during the same month in 2017. The value of shares buying by non-Jordanian in June 2018 amounted to JD 11.6 million, while their selling amounted to JD 13.2 million. As for the first half of 2018, non-Jordanian net investment recorded an outflow of JD 13.7 million, compared to an outflow of JD 357.7 million, during the same period in 2017.

Main Amman Stock Exchange Trading Indicators, JD Million

2017		June	
		2017	2018
2,926.2	Value Traded	138.0	74.9
11.8	Average Daily Trading	8.1	4.2
16,962.6	Market Capitalization	17,286.9	17,195.9
1,716.7	No. of Traded Shares (million)	97.9	60.4
-334.3	Net Investment of Non-Jordanian	48.9	-1.7
995.0	Non-Jordanian Buying	61.0	11.6
1,329.2	Non-Jordanian Selling	12.1	13.2

Source: Amman Stock Exchange.

Second: Output, Prices and Employment

□ Summary

- Gross Domestic Product (GDP), at constant market prices, grew by 1.9 percent during the first quarter of 2018, against 2.2 percent during the same quarter of 2017. At current market prices, GDP grew by 3.9 percent during the first quarter of 2018, maintaining the same growth rate achieved during the same period of 2017.
- The general price level, measured by the percentage change in the CPI, increased during the first half of 2018 by 4.3 percent, compared to a rise of 3.7 percent during the same period of 2017.
- The unemployment rate increased during the first quarter of 2018 to stand at 18.4 percent (16.0 percent for males and 27.8 percent for females), compared to 18.2 percent (14.0 percent for males and 33.0 percent for females) during the same quarter of 2017. The highest unemployment rate among youth reached 47.7 percent for the categories of 15-19 years old, and 37.6 percent for those between 20-24 years.

□ Developments of GDP

- Despite continuing of the political and social unrest in the region, particularly in Syria and Iraq, that have strongly affected the performance of many key economic sectors; the real GDP grew by 1.9 percent during the first quarter of 2018, compared to a growth rate of 2.2 percent during same period of 2017. When excluding “net taxes on products”, which grew by 1.4 percent, GDP at constant basic prices grew by 2.0 percent during the first quarter of 2018, compared to 2.3 percent during the same period of 2017.

**Quarterly Growth Rates of GDP at Market Prices
2016 - 2018**

	Q1	Q2	Q3	Q4	Percentages Year
2016					
GDP at Constant Market Prices	2.3	1.9	1.8	2.0	2.0
GDP at Current Market Prices	3.8	3.2	2.6	2.7	3.0
2017					
GDP at Constant Market Prices	2.2	2.0	1.9	1.8	2.0
GDP at Current Market Prices	3.9	3.4	3.8	3.6	3.7
2018					
GDP at Constant Market Prices	1.9	-	-	-	-
GDP at Current Market Prices	3.9	-	-	-	-

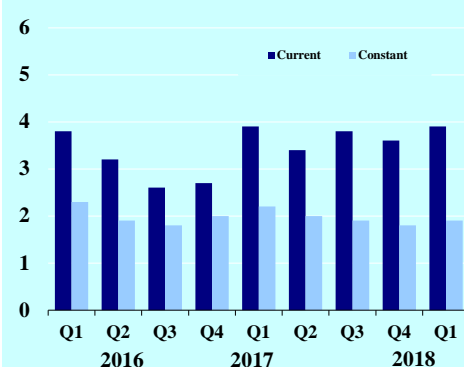
Source: Department of Statistics.

At current market prices, GDP grew by 3.9 percent during the first quarter of 2018, maintaining the same growth rate achieved during the same period of 2017. This increase in nominal growth is mainly attributed to the increase in the general price level, measured by the GDP deflator, which grew by 1.9 percent, compared to 1.7 percent during the first quarter of 2017.

The main sectors contributed to the real economic growth during the first quarter of 2018; “finance and insurance services” (0.4 percentage point), “transport, storage and communications” (0.4 percentage point), “wholesale and retail trade” (0.2 percentage point), “real estate” (0.2 percentage point) and “community, social and personal services” (0.2 percentage point). These sectors collectively accounted for 73.7 percent of real GDP growth during the first quarter of 2018.

The economic sectors displayed a divergent performance during the first quarter of 2018. Some sectors recorded accelerated growth, such as “transport, storage and communications”, “community, social and personal services”. Meanwhile, “Mining and quarrying”, “Finance and Insurance Services”, Manufacturing, Agriculture “electricity and water”, “Wholesale and Retail trade”, “Restaurant and Hotels”, and “Producers of Government Services” experienced a slowdown, on the other hand construction sector showed a contraction in its performance.

Quarterly Growth Rates of GDP at Market Prices (2016- 2018), %



GDP At Constant Market Prices, Percentages

Sectors	Relative change		Contribution	
	First quarter 2017	2018	First quarter 2017	2018
GDP At Constant Market Prices	2.2	1.9	2.2	1.9
Agriculture, Hunting, Forestry, And Fishing	8.2	3.5	0.3	0.1
Mining And Quarrying	14.7	2.9	0.2	-
Manufacturing	1.3	0.5	0.2	0.1
Electricity And Water	4.3	2.5	-	-
Construction	-1.5	-0.6	-0.1	-
Wholesale And Retail Trade	1.9	1.6	0.2	0.2
Restaurant And Hotels	1.6	1.5	-	-
Transport, Storage And Communications	1.5	2.9	0.2	0.4
Finance And Insurance Services	4.3	3.6	0.5	0.4
Real Estate	2.2	2.2	0.2	0.2
Social And Personal	3.9	4.1	0.2	0.2
Producers of Government Services	1.1	1.0	0.1	0.1
Producers of Private Non-Profit	4.3	3.0	-	-
Domestic Services of Households	0.1	0.1	-	-

Source : Department of Statistics.
 - : Less than 0.1 percentage point.

□ Microeconomic Indicators

The microeconomic indicators displayed a divergent performance during the available period of 2018. Some indicators recorded a notable growth, such as; “cargo through Royal Jordanian” (11.7 percent), “number of passengers through Royal Jordanian” (6.2 percent) and “mining and quarrying production quantity index” (1.4 percent). However, other indicators showed a contraction, particularly; “value traded at the real estate market” (10.7 percent) and “Manufacturing production quantity index” (7.6 percent). The following table displays the performance of the main sectoral indicators during the available period of 2018 compared to the same period of 2017.

Main Sectoral Indicators*				
Percentage Points				
2017	Item	2017	Available period	2018
4.5	Licensed areas for buildings	13.9	Jan. –May	-1.4
-2.4	Manufacturing production quantity index	-4.3		-7.6
-4.9	Food products and beverages	-9.3		-25.3
-3.1	Tobacco products	-24.1		4.8
-7.3	Refined petroleum products	2.8		-21.9
-6.3	Wearing apparel	11.0		-19.5
1.9	Non-metallic mineral products	-3.8		6.4
0.3	Chemical products	-1.2		42.2
13.4	“Mining and quarrying” production quantity index	27.4		1.4
-13.8	Extraction of crude petroleum and natural gas	-15.6		-4.9
13.6	Other mining and quarrying	27.9	1.5	
-14.1	Value traded at the real estate market	-8.4	Jan. –Jun.	-10.7
7.3	Number of departures	8.6		4.7
6.9	Number of passengers through Royal Jordanian	5.0		6.2
8.4	Cargo through Royal Jordanian	-2.7		11.7

* : Computed based on the data from Department of Statistics, Department of land and survey, and Royal Jordanian.

Prices

The general price level, measured by the percentage change in CPI, increased by 4.3 percent during the first half of 2018, compared to a rise of 3.7 percent during the same period of 2017. This came as a result of the increase in the prices of oil in the global markets and its impact on domestic prices, in addition to a set of government measures that included liberalizing the prices of bread and raising sales tax to become 10 percent on exempted sales and subordinated from sales tax (zero and 4 percent). Hereby, the main groups and items that witnessed an increase in their prices during the first half of 2018:

- “Cereals and products” prices increased by 19.0 percent compared to a contraction by 0.2 percent during the same period of 2017, as a result of the government’s decision to liberalize the prices of bread and the shift from goods subsidies to direct cash subsidies for the eligible households.

Inflation rate during the first half of the years (2010-2018)



Inflation rate during the first half of the years 2017 – 2018

Expenditure Groups	Relative Imp.	Relative change		Contribution	
		Jan-Jun 2017	Jan-Jun 2018	2017	2018
All Items	100.00	3.7	4.3	3.7	4.3
1) Food and non-Alcoholic Beverages	33.4	-0.2	2.6	0.0	0.8
Food	30.5	-0.3	2.6	-0.1	0.7
Cereals and Products	5.0	-0.2	19.0	0.0	0.8
Meat and Poultry	8.2	-7.0	2.4	-0.6	0.2
Dairy Products and Eggs	4.2	-0.4	-0.3	0.0	0.0
Oil and Fats	1.9	3.2	5.0	0.1	0.1
Fruits and Nuts	2.7	-4.0	1.0	-0.1	0.0
Vegetables and Legumes Dry and Canned	3.9	14.2	-9.4	0.5	-0.4
2) Alcohol and Tobacco and Cigarettes	4.4	9.1	15.4	0.4	0.7
3) Clothing and footwear	3.5	-2.5	-1.6	-0.1	-0.1
4) Housing	21.9	2.8	3.4	0.6	0.8
Rents	15.6	2.2	2.8	0.4	0.5
Fuels and Lighting	4.8	3.5	6.6	0.2	0.3
5) Household Furnishings and Equipment	4.2	1.4	2.0	0.1	0.1
6) Health	2.2	9.2	6.6	0.2	0.2
7) Transportation	13.6	14.3	9.9	1.8	1.4
8) Communication	3.5	1.6	0.3	0.0	0.0
9) Culture and Recreation	2.3	9.6	2.2	0.2	0.1
10) Education	5.4	3.6	2.4	0.2	0.1
11) Restaurants and Hotels	1.8	0.2	6.7	0.0	0.1
12) Other Goods and Services	3.7	6.9	2.5	0.3	0.1

Source: Department of Statistics.

- “Tobacco and cigarettes” prices increased significantly by 15.5 percent compared to a rise of 9.2 percent during the first half of 2017, as a result of the government's decision to raise the tax on cigarettes by 20 piasters for each pack of cigarettes offered for domestic consumption.
- Housing prices increased by 3.4 percent compared to a rise of 2.8 percent during the first half of 2017. This increase was mainly attributed to an increase in the prices of rents item by 2.8 percent compared to a rise by 2.2 percent during the first half of 2017 and increase in the prices of “fuels and lighting” item by 6.6 percent compared to an increase of 3.5 percent.
- Transportation prices increased by 9.9 percent compared to an increase by 14.3 percent, during the first half of 2017. This increase was attributed to the government’s decision to raise public transport fees by (10 percent) as of February 2018.

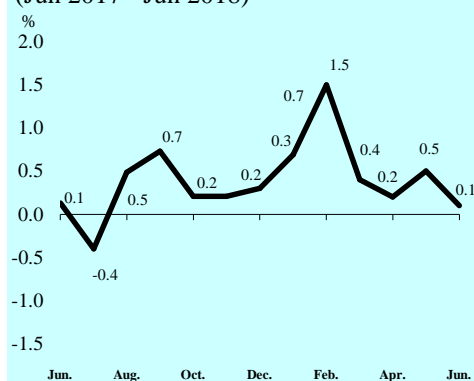
The above groups and items have collectively raised inflation rate during the first half of 2018 by 3.7 percentage points, compared to a contribution of 2.8 percentage points during the same period of 2017.

In contrast, prices of other groups and items showed varied contractions, mainly; “vegetables and legumes dry and canned” (9.4 percent), “clothing and footwear” (1.6 percent).

In June 2018, the CPI witnessed an increase compared to May 2018 by 0.1 percent. This was due to the increase in the prices of some groups and items, mainly; “clothing and footwear” (2.0 percent), “Rents” (1.3 percent), and the decrease “vegetables and legumes dry and canned” (3.2 percent) and “meat and poultry” (1.8 percent).

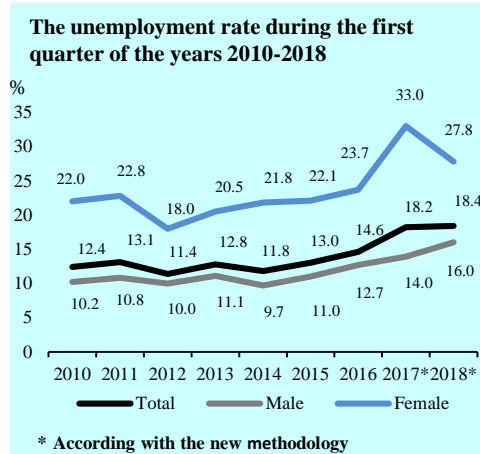
Monthly Inflation Rate

(Jun 2017 - Jun 2018)



□ Labor Market

- The unemployment rate reached 18.4 percent (16.0 percent for males, and 27.8 percent for females) during the first quarter of 2018, compared to 18.2 percent (14.0 percent for males and 33.0 percent for females) during the same quarter of 2017.



- The unemployment among youth remains high at 47.7 percent for the categories of 15-19 years old and 37.6 percent for those between 20-24 years.
- The unemployment rate among academic degree holders (Bachelor and higher) reached 24.1 percent during the first quarter of 2018, compared to 16.5 percent among non-academic degree holders (less than secondary).
- The refined economic participation rate (the ratio of the labor force to the population of 15 years and over), was 36.5 percent (57.4 percent for males, and 15.2 percent for females), compared to 40.6 percent (63.2 percent for males and 18.3 percent for females) during the same quarter of 2017.
- The employment rate among population (15 years and older) reached 29.8 percent compared to 32.2 percent during the same quarter of 2017. The employees in the sector of “public administration, defense, and social security” accounted for 26.5 of the total employed, followed by employees in the “wholesale and retail trade” (15.1 percent), education (12.8 percent), and manufacturing (9.6 percent).

Third: Public Finance

□ Summary:

- The general budget, including foreign grants, recorded a fiscal deficit in the amount of JD 435.1 million (3.7 percent of GDP) in the first five months of 2018, comparing to a fiscal deficit of JD 326.2 million (2.8 percent of GDP) during the same period in 2017. When excluding foreign grants (JD 77.9 million), the general budget deficit widens to reach JD 513.0 million (4.4 percent of GDP), compared to a deficit of JD 424.7 million (3.6 percent of GDP) during the same period in 2017.
- Gross outstanding domestic public debt (budgetary and own-budget) increased by JD 738.8 million at the end of May 2018, compared to its level at the end of 2017, to reach JD 16,140.9 million (55.7 percent of GDP).
- Outstanding external public debt (budget and guaranteed) went down by JD 257.1 million at the end of May 2018, compared to its level at the end of 2017, to stand at JD 11,610.1 million (40.1 percent of GDP).

- As a result, gross outstanding public debt (domestic and external) rose by JD 481.7 million to reach JD 27,751.0 million (95.8 percent of GDP) at the end of May 2018, compared to JD 27,269.3 million (95.9 percent of GDP) at the end of 2017.
 - Central government banks deposits decreased by JD 352.7 million at the end of May 2018, compared to the end of 2017, to reach JD 1,480.8 million.
 - Accordingly, net outstanding domestic public debt increased by JD 1,091.6 million to reach JD 14,660.2 million (50.6 percent of GDP) at the end of May 2018. Moreover, net outstanding public debt increased by JD 834.5 million to reach JD 26,270.3 million (90.7 percent of GDP).
- **The performance of the general budget during the first five months of 2018 compared to the same period of 2017:**

■ **Public Revenues**

Public revenues (domestic revenues *plus* foreign grants) went down by JD 37.2 million, or 6.4 percent, in May 2018 compared to the same month in 2017, to stand at JD 546.8 million. As for the first five months of 2018, public revenues went up by JD 60.4 million, or 2.0 percent, compared to the same period in 2017 to stand at JD 3,010.5 million. This came as a result of the increase in domestic revenues by JD 81.0 million, and the decrease in foreign grants by JD 20.6 million.

Main Government Budget indicators during the first five months of 2018:

(JD Million and Percentages)

	May		Growth Rate	Jan. – May		Growth Rate
	2017	2018		2017	2018	
Total Revenues and Grants	584.0	546.8	-6.4	2,950.1	3,010.5	2.0
Domestic Revenues, of which:	570.5	543.0	-4.8	2,851.6	2,932.6	2.8
Tax Revenues, of which:	372.7	353.1	-5.3	1,966.1	1,977.2	0.6
General Sales Tax	274.9	276.8	0.7	1,186.1	1,230.4	3.7
Other Revenues	196.8	189.0	-4.0	880.8	951.2	8.0
Foreign Grants	13.5	3.8	-71.9	98.5	77.9	-20.9
Total Expenditures, of which:	763.5	604.1	-20.9	3,276.3	3,445.6	5.2
Capital Expenditures	97.6	50.0	-48.8	356.1	294.8	-17.2
Overall Deficit/ Surplus (Including Grants)	-179.5	-57.3	-	-326.2	-435.1	-
Overall Deficit/ Surplus (Including Grants) as a percent of GDP	-	-	-	-2.8	-3.7	-

Source: Ministry of Finance/ General Government Finance Bulletin.

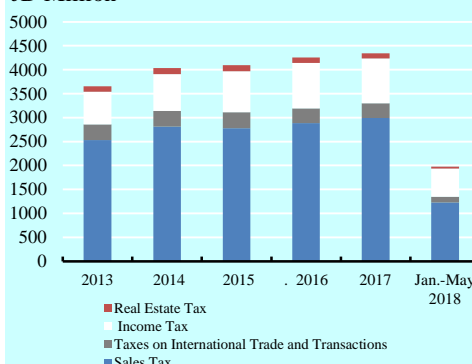
◆ **Domestic Revenues**

Domestic revenues witnessed an increase of JD 81.0 million, or 2.8 percent, in the first five months of 2018 compared to the same period of 2017, to reach JD 2,932.6 million. This increase was an outcome of

the rise in the proceeds of “other revenues” and “tax revenues” by JD 70.4 million and JD 11.1 million, respectively, and the drop in pension contributions by JD 0.5 million.

Tax Revenue Structure

(2013-2017) and the first five months of 2018, JD Million

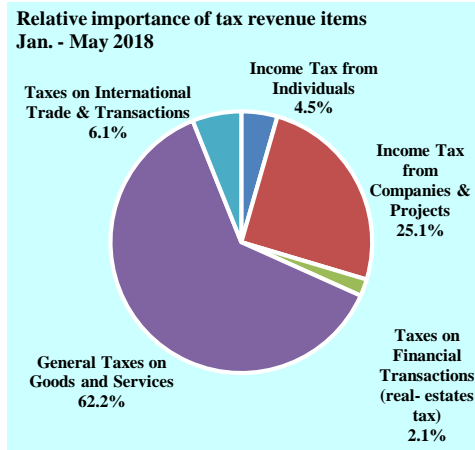


- **Tax Revenues**

Tax revenues increased by JD 11.1 million, or 0.6 percent, during the first five months of 2018 compared to the same period of 2017, to reach JD 1,977.2 million (67.4 percent of domestic revenues). Following are the main developments in tax revenue items:

- An increase in the proceeds of **general sales tax on goods and services** by JD 44.3 million, or 3.7 percent, to reach JD 1,230.4 million (accounting for 62.2 percent of total tax revenues). This result was driven by the increase in the proceeds of sales tax on domestic goods by JD 38.7 million, on commercial sector by JD 24.5 million, and on services by JD 19.9 million. However, the proceeds of sales tax on imported goods were down by JD 38.9 million.
- A decline in the proceeds of **income and profit taxes** by JD 16.8 million, or 2.8 percent, to reach JD 585.4 million (accounting for 29.6 percent of total tax revenues). This decline was a result of the decrease in the proceeds of both income tax from individuals by JD 8.6 million, or 8.9 percent, and from “companies and projects” by JD 8.2 million, or 1.6 percent. Accordingly, income tax from companies and projects accounted for 85.0 percent of total proceeds of income and profits taxes, amounting to JD 497.3 million.

- A decrease in the proceeds of **taxes on international trade and transactions** (including customs duties and fees) by JD 12.0 million, or 9.1 percent, to reach JD 119.8 million.



- A decrease in the proceeds of **taxes on financial transactions (real-estates tax)** by JD 4.4 million, or 9.6 percent, to reach JD 41.6 million.

● Non-Tax Revenues

- “Other revenues” increased by JD 70.4 million, or 8.0 percent, in the first five months of 2018 to reach JD 951.2 million. This increase was chiefly due to the following:
 - An increase in miscellaneous revenues by JD 53.1 million to stand at JD 426.5 million.
 - An increase in the property income by JD 16.0 million to stand at JD 124.5 million (of which financial surplus of independent government units amounted to JD 114.4 million against JD 91.9 million in the same period of 2017).
 - An increase in revenues from selling goods and services by JD 1.3 million to reach JD 400.2 million.
- Pension contributions witnessed a decrease of JD 0.5 million, or 10.6 percent, in the first five months of 2018 compared to same period of 2017, standing at JD 4.2 million.

◆ Foreign Grants

Foreign grants decreased by JD 20.6 million, or 20.9 percent, in the first five months of 2018, standing at JD 77.9 million compared to JD 98.5 million in the same period of 2017.

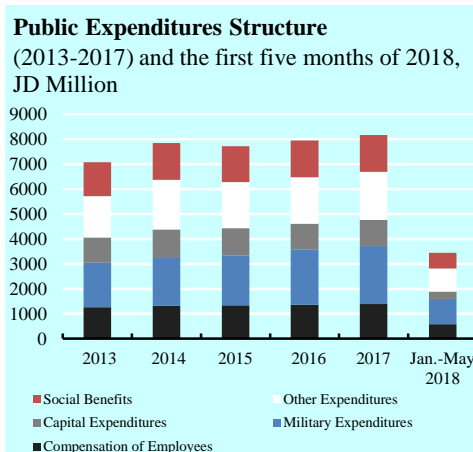
■ Public Expenditures

Public expenditures decreased by JD 159.4 million, or 20.9 percent, in May 2018 compared to the same month in 2017, to stand at JD 604.1 million. However, public expenditures increased by JD 169.3 million, or 5.2 percent, during the first five months of 2018 to stand at JD 3,445.6 million. This increase

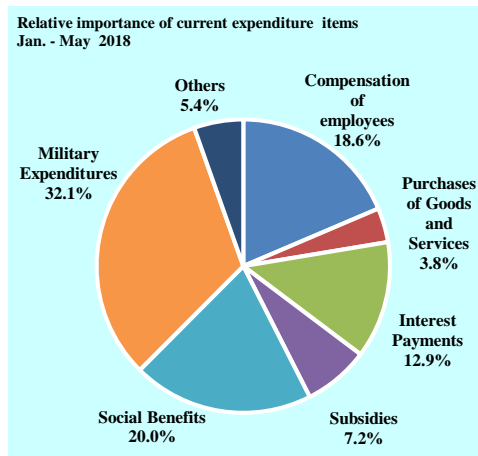
was an outcome of the rise in current expenditures by 7.9 percent, and the decrease in capital expenditures by 17.2 percent.

◆ Current Expenditures

Current expenditures went up by JD 230.6 million, or 7.9 percent, in the first five months of 2018 to reach JD 3,150.8 million (91.4 percent of public expenditures). Because of the growth rate of current expenditure is higher than that of domestic revenues, the coverage ratio (measured by the ratio of domestic revenues to current expenditures) decreased to 93.1, against 97.7 percent in the same period of 2017. The increase in current expenditures is due to the rise in most of its components. On follow:



- An increase in subsidies by JD 125.1 million to stand at JD 228.4 million.
- A rise in interest payments (commitment basis) by JD 81.4 million to stand at JD 406.3 million.
- An increase in military expenditures by JD 68.6 million to total JD 1,011.2 million.
- An increase in social benefits by JD 24.2 million to stand at JD 628.7 million.
- A rise in the compensation of civil sector's employees (wages, salaries and social security contributions) by JD 12.9 million to reach JD 585.7 million.
- However, the purchases of goods and services decreased by JD 24.8 million to reach JD 119.3 million.

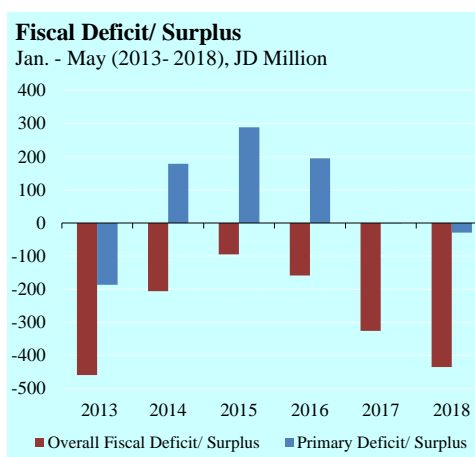


◆ Capital Expenditures

Capital expenditures decreased by JD 61.3 million, or 17.2 percent, during the first five months of 2018 compared to the same period of 2017, to reach JD 294.8 million.

■ General Budget Deficit/ Surplus

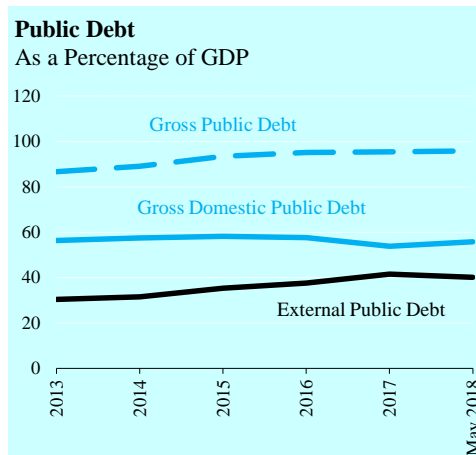
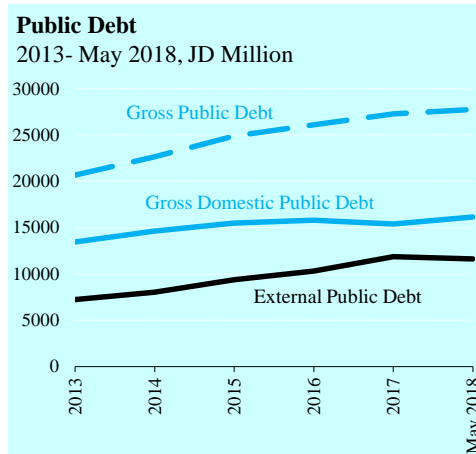
◆ The general budget, including foreign grants, registered an overall fiscal deficit of JD 435.1 million during the first five months of 2018, an increase of JD 108.9 million, compared to a fiscal deficit of JD 326.2 million during the same period of 2017. As a percent of GDP, the budget deficit reached 3.7 percent compared to 2.8 percent in the same period of 2017.



- ◆ When foreign grants are excluded, the general budget deficit widened to reach JD 513.0 million (4.4 percent of GDP) during the first five months of 2018, compared to a fiscal deficit of JD 424.7 million (3.6 percent of GDP) in the same period of 2017.
- ◆ The general budget recorded a primary deficit (domestic revenues *minus* total public expenditures excluding interest payments on public debt) in the amount of JD 106.7 million during the first five months of 2018, against a primary deficit of JD 99.8 million in the same period of 2017. Despite this rise, the primary deficit maintained the same percentage of GDP achieved during the corresponding period in 2017, amounting to 0.9 percent.

Public Debt

Gross outstanding domestic public debt increased by JD 738.8 million, at the end of May 2018 compared to its level at the end of 2017, to total JD 16,140.9 million (55.7 percent of GDP comparing to 54.2 percent of GDP at the end of last year). This increase was an outcome of the rise in the total domestic public debt of the general budget by JD 724.0 million, and the increase in the total domestic public debt of own-budget agencies by JD 14.8 million compared to their levels at the end of 2017, standing at JD 13,270.8 million and JD 2,870.1 million, respectively. The increase in the budgetary domestic public debt was mainly attributed to the rise in the balance of treasury bills and bonds at the end of May 2018 by JD 759.3 million, compared to the level achieved at the end of 2017 to reach JD 12,953.2 million. Whereas the outstanding balance of loans and advances provided by the CBJ to the central government decreased by JD 40.0 million, compared to the achieved at the end of 2017, to reach JD 311.7 million. Moreover, the rise in the domestic public debt of own-budget agencies was driven by the



increase in loans and advances extended to these institutions by JD 14.8 million compared to their level at the end of 2017, to reach JD 2,212.6 million, whereas the independent institutions' bonds maintained their level achieved at the end of 2017, amounting to JD 657.5 million.

- The balance of the external public debt (budget and guaranteed) went down by JD 257.1 million at the end of May 2018, compared to its level at the end of 2017, to reach JD 11,610.1 million (40.1 percent of GDP compared to 41.7 percent of GDP at the end of 2017). It is worth mentioning that the balance of the external public debt denominated in the U.S. dollar accounted for 68.8 percent of the total external debt, and the debt in Euro accounted for 8.6 percent. However, the SDR accounted for 7.8 percent, Japanese Yen (6.7 percent), and Kuwaiti Dinar (5.8 percent).
- In light of the above-mentioned developments, gross public debt (domestic and external) increased by JD 481.7 million at the end of May 2018, to stand at JD 27,751.0 million (95.8 percent of GDP), compared to JD 27,269.3 million (95.9 percent of GDP) at the end of 2017.
- On the other hand, government deposits with the banking system declined by JD 352.7 million at the end of May 2018, compared to the end of 2017, to reach JD 1,480.8 million.
- Thus, net domestic public debt of the central government (the total balance of the domestic public debt of the central government *minus* government deposits with the banking system) increased by JD 1,091.6 million at the end of May 2018 to reach JD 14,660.2 million (50.6 percent of GDP compared to 47.7 percent of GDP at the end of 2017). Whereas, net public debt increased by JD 834.5 million at the end of May 2018 to stand at JD 26,270.3 million, accounting for 90.7 percent of GDP compared to 89.4 percent of GDP at the end of 2017.

- External debt service (budget and guaranteed) increased by JD 106.9 million during the first five months of 2018, compared to same period of 2017, to reach JD 540.2 million (including principal payments of JD 385.0 million and interest of JD 155.2 million).

□ Fiscal and Price Measures of 2018

◆ August

- The Oil Derivatives Pricing Committee decided to raise the prices of several oil derivatives, and maintain the prices of all type of fuel for air planes as well as liquid gas cylinder for households unchanged, as follows:

Development of Oil Derivatives Price

	Unit	2018		Percentage Change
		July	August	
Unleaded Gasoline 90	Fils/Liter	815	825	1.2
Unleaded Gasoline 95	Fils/Liter	1,050	1,060	1.0
Unleaded Gasoline 98	Fils/Liter	1,200	1,210	0.8
Gas Oil (Diesel)	Fils/Liter	615	625	1.6
Kerosene	Fils/Liter	615	625	1.6
Liquid Gas (12.5kg)	JD/Cylinder	7.0	7.0	0.0
Fuel oil (1%)	JD/Ton	440.2	448.2	1.8
Fuel for airplanes (local companies)	Fils/Liter	479	479	0.0
Fuel for airplanes (foreign companies)	Fils/Liter	484	484	0.0
Fuel for unplanned flights	Fils/Liter	499	499	0.0
Asphalt	JD/Ton	434.8	443	1.9

Source: Jordan Petroleum Refinery Company (1/8/2018).

◆ July

- The cabinet decided to decrease the special tax on hybrid vehicles with 2500cc engines and less, as follows:
 - Reduce the special tax on hybrid vehicles, to become:
 - 30 percent starting from 1/7/2018 to 31/12/2018.
 - 35 percent starting from 1/1/2019 to 31/12/2019.
 - 40 percent starting from 1/1/2020 to 31/12/2020.
 - 45 percent starting from 1/1/2021 to 31/12/2021.
 - Reduce the special tax of scrapping old fuel-run cars and exchanging them for hybrid vehicles, to become as follows:
 - 12.5 percent starting from 1/7/2018 to 31/12/2018.
 - 20 percent starting from 1/1/2019 to 31/12/2019.
 - 25 percent starting from 1/1/2020 to 31/12/2020.
 - 30 percent starting from 1/1/2021 to 31/12/2021.
 - Amend the special tax imposed for each car ride imported by weight, as follows:
 - JD 350 for each car less than 1000 Kg.
 - JD 500 for each car higher than 1000 Kg to 1250 Kg.
 - JD 1000 for each car higher than 1250Kg to 1500Kg.
 - JD 1500 for each car higher than 1500Kg.
- The Energy and Minerals Regulatory Commission decided to adjust fuel price bands item, which is included in the electricity bill, to become 24 fils instead of 17 fils, starting in July, while continuing to exempt families consuming less than 300 kilowatts per month.
- The cabinet decided to implement the decision, which was taken in February 2017, on the Prime Minister and Ministers, starting from July 1, 2018, until the end of this year. The previous decision include the deduction of 10 percent of any monthly salaries exceeding JD 2,000 for all public sector employees.

◆ June

- The cabinet decided to withdraw the draft law amending the income Tax Law No 34 for the year 2014. The decision comes in line with the Royal directives contained in the letter of Designation, which stressed the need for a comprehensive review of the tax system and the tax burden in an integrated manner.
- Issuance of Royal Decree to freeze the price hikes on fuel derivatives and the charges on oil prices item in the electricity bill for month of June, and to maintain the prices as they were in May, in order to alleviate the economic burdens on citizens during the holy month of Ramadan.

◆ May

- The Energy and Minerals Regulatory Commission decided to adjust fuel price bands item, which is included in the electricity bill, to become 17 fils instead of 15 fils, starting in May, while continuing to exempt families consuming less than 300 kilowatts per month.
- The government, in a cabinet meeting approved a draft law amending the Income Tax Law No. 34 of 2014. The new law aims at addressing avoidance, tax evasion, improving tax administration and expanding the tax base.

◆ April

- The Energy and Minerals Regulatory Commission decided to raise fuel price bands item, included in the electric bill, to become 15 fils instead of 14 fils, starting in April, while continuing to exempt the household slide that consumes less than 300 kilowatts per month.
- The Cabinet decided to reduce the customs tariff on A4 writing and printing paper, to become 5 percent instead of 10 percent.

◆ March

- The Energy and Minerals Regulatory Commission decided to amend fuel price bands item, included in the electric bill, to become 14 files instead of 12 files, starting in March, while continuing to exempt the household that consumes less than 300 kilowatt per month.
- The Cabinet decided to exempt the jewelry such as gold, silver and others from goods and services tax, instead to impose a 5 percent.

◆ February

- The Director General of Land Transport Regulatory Commission (LTRC) decided to raise the public transport fares by 10 percent as of 7/2/2018. The decision covers medium and large public buses and all taxis.
- The Energy and Minerals Regulatory Commission decided to amend fuel price bands item, included in the electric bill, to become 12 files instead of 4 files, starting in February, while continuing to exempt the household that consumes less than 300 kilowatt per month.
- The Cabinet decided to impose a zero rate sales tax on books, newspapers, periodicals, children's picture books, drawing and coloring books.

◆ January

- The cabinet adopted a bundle of fiscal measures, including the following:
 - Determine the price of flour by JD 222 per ton, and prices of bread in bakeries, as follows:
 - JD 0.40 for small pita bread per kilogram.
 - JD 0.32 for large pita bread per kilogram.
 - JD 0.35 for arabic bread (Mashrouh) per kilogram.
 - Raise sales tax to become 10 percent on exempted sales and subordinated from sales tax (zero and 4 per cent). The taxes on essential commodities remained unchanged.
 - Impose an excise tax 20 piasters has been added on cigarette packets.

- Cancel the exemption on hybrid cars, which the government began to apply in 2012, to become the special tax on hybrids 55 percent instead of 25 percent if the hybrid vehicle is purchased without removing an old vehicle. If an old vehicle is written off and replaced with a hybrid, the tax rate will be 40 percent instead of 12.5 percent.
- Impose fees for each car ride are imported by weight, as follows:
 - JD 500 for each car less than 1000 Kg.
 - JD 750 for each car higher than 1000 Kg to 1250 Kg.
 - JD 1000 for each car higher than 1250Kg to 1500Kg.
 - JD 1500 for each car higher than 1500Kg.
- Raising the special tax on gasoline 95 & 98 to become 30 percent.
- Raising the special tax on soft drinks to become 20 percent.
- decreasing fee for the ownership transfer of any vehicle from one person to another for both individuals and corporate (except public, agricultural and construction vehicles), as follows:

Engine category CC	Vehicles aged 10 years or less		Vehicles older than 10 years	
	Previous Fees	Current Fees	Previous Fees	Current Fees
Less than 1500	50	40	40	30
Higher than 1500 to 2000	100	80	80	60
Higher than 2000	400	200	120	100

□ Grants, Loans and Other Agreements

- Signing two grant agreements worth EUR 20 million to support economic growth and partnerships. The first grant agreement will be allocated for the “Trade-for-Development” project to enhance inclusive economic growth in the Kingdom, in the amount of EUR 10 million. The second grant, which has the same amount, will be used to finance the project “Support the Implementation of the Partnership Priorities in Jordan” (March 2018).

Fourth: External Sector

□ Summary

- **Total merchandize exports** (domestic exports *plus* re-exports) increased by 0.4 percent in May 2018 compared to the same month of 2017 to reach JD 447.6 million. As for the first five months of 2018, total merchandize exports increased by 1.7 percent compared with the same period of 2017 to reach JD 2,110.6 million.
- **Merchandize imports** decreased by 7.2 percent in May 2018 compared to the same month of 2017 to reach JD 1,159.1 million. As for the first five months of 2018, merchandize imports decreased by 3.5 percent compared with the same period of 2017 to reach JD 5,749.8 million.
- **Consequently**, the trade balance deficit (total exports minus imports) decreased by 11.0 percent in May 2018 compared to the same month of 2017; standing at JD 711.5 million. As for the first five months of 2018, the trade balance deficit decreased by 6.2 percent compared to the same period of 2017 to reach JD 3,639.2 million.
- **Travel receipts** increased by 27.2 percent in June 2018 compared to the same month of 2017 to reach JD 276.1 million. As for the first half of 2018, travel receipts increased by 12.3 percent compared to the same period of 2017 to reach JD 1,712.6 million, while travel payments increased by 8.4 percent in June 2018 compared to the same month of 2017 to reach JD 112.0 million. As for the first half of 2018, travel payment decreased by 6.2 percent compared to the same period of 2017 to reach JD 482.1 million.
- **Total workers' remittances receipts** decreased by 10.5 percent in June 2018 compared to the same month of 2017 to reach JD 218.2 million. As for the first half of 2018, total workers' remittances receipts decreased by 1.0 percent compared to the same period of 2017 to reach JD 1,279.3 million.
- **The current account of the balance of payments** (including grants) registered a deficit amounted to JD 654.0 million (9.7 percent of GDP) during the first quarter of 2018 compared to a deficit of JD 767.7 million (11.8 percent of GDP) during the first quarter of 2017. Meanwhile, the current account deficit excluding grants decreased to reach 10.9 percent of GDP during the first quarter of 2018 compared with 13.2 percent of GDP during the first quarter of 2017.

- **Net direct investment** recorded an inflow of JD 201.5 million during the first of quarter of 2018, compared to JD 436.8 million during the first of quarter of 2017.
- **International investment position (IIP)** displayed a net obligation to abroad of JD 30,607.4 million at the end of the first quarter of 2018, compared to JD 29,350.5 million at the end of 2017.

□ External Trade

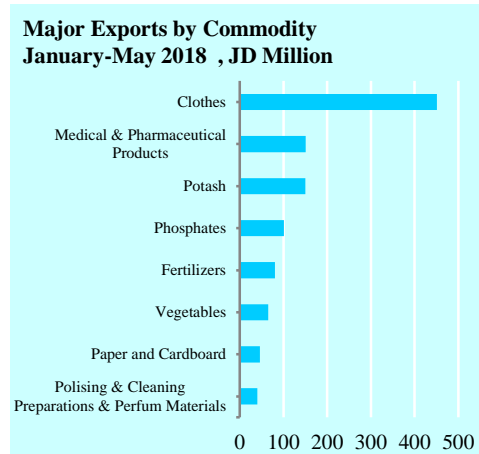
- As a result of the increase in domestic exports by JD 43.0 million and the decrease in imports by JD 206.4 million during the first five months of 2018, the volume of external trade (domestic exports *plus* imports) decreased by JD 163.4 million to stand at JD 7,501.7 million compared to the same period of 2017.

Jordan's Major Trading Partners JD Million				Main External Trade Indicators JD Million				
January-May				January-May				
	2017	2018	Percentage Change		2017	Percentage Change (%)	2018	Percentage Change (%)
Exports				External Trade	7,665.1	2.9	7,501.7	-2.1
USA	398.1	458.3	15.1	Total Exports	2,075.7	1.2	2,110.6	1.7
India	154.7	191.5	23.8	Domestic Exports	1,708.9	0.1	1,751.9	2.5
Saudi Arabia	224.6	184.9	-17.7	Re-exports	366.8	6.5	358.7	-2.2
Iraq	137.8	179.0	29.9	Imports	5,956.2	3.8	5,749.8	-3.5
UAE	80.2	59.0	-26.4	Trade Balance	-3,880.5	5.2	-3,639.2	-6.2
Kuwait	67.0	52.6	-21.5	Source: Department of Statistics.				
Palestine	41.4	43.6	5.3					
Imports								
Saudi Arabia	738.3	920.6	24.9					
China	808.3	789.3	-2.3					
USA	669.3	503.7	-24.7					
UAE	331.7	264.8	-20.2					
Germany	248.1	239.1	-3.6					
Turkey	215.0	222.8	3.6					
Italy	218.4	210.9	-3.5					
Source: Department of Statistics.								

■ Merchandize Exports:

Total merchandize exports increased by 1.7 percent during the first five months of 2018, to reach JD 2,110.6 million. This increase resulted from an increase in domestic exports by JD 43.0 million, or 2.5 percent to reach JD 1,751.9

million and a decrease in re-exports by JD 8.1 million, or 2.2 percent to reach JD 358.7 million.



◆ The developments of domestic exports during the first five months of 2018 compared with same period of 2017 reveals the following:

- Exports of **Clothes** increased by JD 63.1 million, or 16.3 percent, to stand at JD 451.1 million. The USA market accounted for 87.1 percent of these exports.
- Exports of **Fertilizers** increased by JD 26.1 million, or 48.2 percent, to reach JD 80.3 million. The markets of India, Iraq, and Vietnam accounted for 86.4 percent of these exports.
- Exports of **Potash** increased by JD 18.6 million, or 14.2 percent, to stand at JD 149.7 million. The Indian, Chinese, Malaysian, and Egyptian markets accounted for 65.9 percent of these exports.

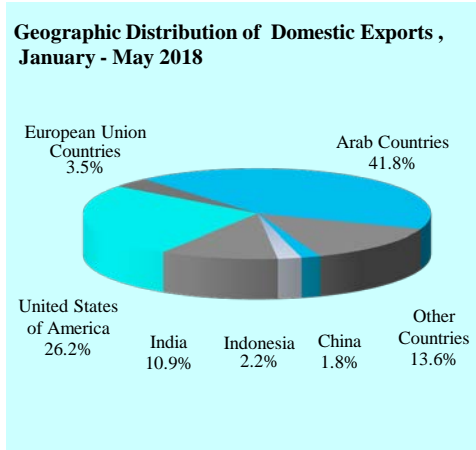
- Exports of **Polishing & Cleaning Preparations & Perfum Materials** increased by JD 3.4 million, or 9.2 percent, to reach JD 40.2 million. Iraq, Saudi Arabia and Qatar were the main destination markets; accounting for 81.3 percent of these exports.
- Exports of **Phosphates** decreased by JD 25.7 million or 20.3 percent to reach JD 100.9 million, this decrease was an outcome of the decrease in quantity by 26.3 percent and the decrease in prices by 8.2 percent. It is worth noting that India and Indonesia were the main markets for phosphate exports, accounting for 91.8 percent.
- Exports of **Vegetables** decreased by JD 24.1 million or 27.0 percent to stand at JD 65.1 million. Saudi Arabia, the UAE, Kuwait, and Bahrain, were the main destination markets for these export, accounting for 72.8 percent.

Major Domestic Exports by Commodity, JD Million
January-May, 2017-2018

	2017	2018	Percentage Change
Domestic Exports	1,708.9	1,751.9	2.5
Clothes	388.0	451.1	16.3
USA	339.2	393.0	15.9
Medical & Pharmaceutical Products	160.0	150.6	-5.9
Saudi Arabia	38.2	32.4	-15.2
Iraq	20.1	28.6	42.3
Algeria	18.2	16.2	-11.0
UAE	12.3	13.0	5.7
Potash	131.1	149.7	14.2
India	38.0	37.1	-2.4
China	32.2	27.0	-16.1
Malaysia	13.6	19.6	44.1
Egypt	11.6	15.0	29.3
Phosphates	126.6	100.9	-20.3
India	81.8	68.0	-16.9
Indonesia	29.2	24.6	-15.8
Fertilizers	54.2	80.3	48.2
India	10.8	51.9	380.6
Iraq	18.8	10.6	-43.6
Vietnam	0.0	6.9	-
Vegetables	89.2	65.1	-27.0
Saudi Arabia	19.3	16.2	-16.1
UAE	17.2	13.4	-22.1
Kuwait	14.0	11.2	-20.0
Bahrain	5.6	6.6	17.9
Paper and cardboard	46.2	46.1	-0.2
Saudi Arabia	22.1	18.4	-16.7
Iraq	9.8	10.5	7.1
Yemen	0.7	2.2	214.3
Polishing & Cleaning Preparations & Perfum Materials	36.8	40.2	9.2
Iraq	18.3	21.7	18.6
Saudi Arabia	7.6	10.0	31.6
Qatar	0.4	1.0	150.0

Source: Department of Statistics.

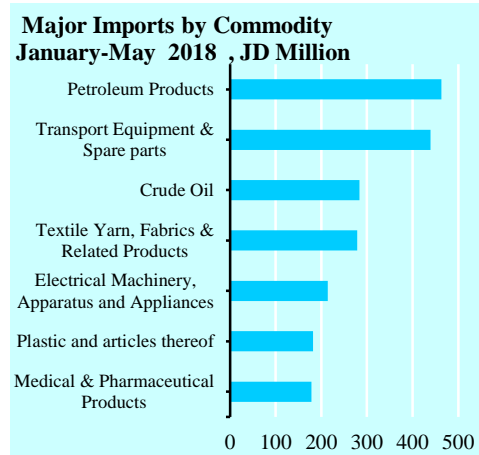
- Consequently, the commodity breakdown of domestic exports indicates that exports of clothes, “medical and pharmaceutical products”



potash, phosphates, fertilizers, vegetables, “paper and cardboard”, and “polishing and cleaning preparations and perfume materials” topped the list of domestic exports during the first five months of 2018; accounting for 61.9 percent, compared with 60.4 percent during the same period of 2017. Meanwhile, the geographical distribution of domestic exports indicates that the USA, India, Saudi Arabia, Iraq, the UAE, Kuwait and Palestine were the main destination markets during the first five months of 2018; accounting for 66.7 percent, compared with 64.6 percent during the same period of 2017.

■ **Merchandize Imports:**

Merchandize imports decreased by 3.5 percent to reach JD 5,749.8 million during the first five months of 2018, compared to an increase by 3.8 percent during the same period of 2017.



◆ **The developments of imports during the first five months of 2018 compared with the same period of 2017 reveals the following:**

- **Transport Equipment & Spare Parts** imports decreased by JD 163.5 million or 27.1 percent to reach JD 439.2 million. The USA, Germany and Japan were the main origin markets, accounting for 53.9 percent of these imports.
- **Crude Oil** imports decreased by JD 42.5 million, or 13.0 percent, to reach JD 283.5 million. This decrease was mainly due to decrease in imported quantities by 32.9 percent and an increase in prices by 29.6 percent, compared with the same period of 2017. Noting that crude oil imports came from Saudi Arabia.
- **Petroleum Products** import increased by JD 262.3 million or 130.8 percent to reach JD 462.8 million. Saudi Arabia, the UAE and India were the main markets, accounting for 80.6 percent of these import.

- **Plastic & Articles Thereof** imports increased by JD 19.0 million or 11.7 percent to stand at JD 181.7 million. Saudi Arabia, China and the UAE were the main markets, accounting for 67.5 percent of these imports.
- **Medical & Pharmacy Products** imports increased by JD 7.2 million or 4.2 percent to reach JD 178.3 million. Germany, the USA and France were the main origin markets accounting for 35.7 percent of these imports.
- **Textile Yarn, Fabrics, and Related products** imports increased by JD 5.2 million or 1.9 percent to reach JD 278.7 million. China, Taiwan and Turkey were the main origin markets, accounting for 77.1 percent of these imports.
- **Electrical Machinery, Apparatus and Appliances** imports increased by JD 1.8 million or 0.8 percent to reach JD 214.0 million. China, Turkey and Italy were the main origin markets accounting for 57.1 percent of these imports.

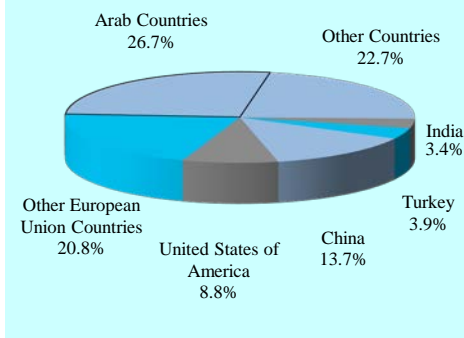
Major Imports by Commodity, JD Million
January- May 2017-2018

	2017	2018	Percentage Change
Total Imports	5,956.2	5,749.8	-3.5
Petroleum Products	200.5	462.8	130.8
Saudi Arabia	46.8	208.2	344.9
UAE	30.3	101.4	234.7
India	29.9	63.4	112.0
Transport Equipment & Spare Parts	602.7	439.2	-27.1
USA	133.4	101.5	-23.9
Germany	74.9	67.7	-9.6
Japan	106.2	67.6	-36.3
Crude Oil	326.0	283.5	-13.0
Saudi Arabia	326.0	283.5	-13.0
Textile Yarn, Fabrics and Related Products	273.5	278.7	1.9
China	101.7	112.8	10.9
Taiwan	83.9	80.1	-4.5
Turkey	27.4	21.9	-20.1
Electrical Machinery Apparatus and Appliances	212.2	214.0	0.8
China	91.1	84.7	-7.0
Turkey	22.7	23.6	4.0
Italy	20.8	14.0	-32.7
Plastic & Articles Thereof	162.7	181.7	11.7
Saudi Arabia	84.7	95.9	13.2
China	9.2	14.8	60.9
UAE	12.6	12.0	-4.8
Medical & Pharmaceutical Products	171.1	178.3	4.2
Germany	23.4	25.8	10.3
USA	20.3	21.0	3.4
France	14.7	16.9	15.0

Source: Department of Statistics.

- Consequently, the commodity composition of imports indicates that “petroleum products”, “transport equipment and spare part”, “crude oil”, “textile yarn,

**Geographic Distribution of Imports ,
January - May 2018**



fabrics and related products”, “electrical machinery apparatus and appliances”, “Plastic & articles thereof”, “medical and pharmaceutical products”, topped the list of imports during the first five months of 2018, accounting for 35.4 percent; compared to 33.9 percent during the same period of 2017. Meanwhile, the geographical distribution of imports indicates that Saudi Arabia, China, the USA, the UAE, Germany, Turkey, and Italy were the main source markets during the first five months of 2018; accounting for 54.8 percent of imports, compared to 54.2 percent during the same period of 2017.

■ Re-Exports

The value of re-exported goods in May 2018 increased by JD 8.3 million, or 13.6 percent, compared to the same month of 2017, to stand at JD 69.3 million. As for the first five months of 2018, the value of re-exported goods decreased by JD 8.1 million, or 2.2 percent compared to the same period of 2017 to reach JD 358.7 million.

■ Trade Balance

The trade balance deficit decreased by JD 87.5 million, or 11.0 percent in May 2018 compared to the same month of 2017, to reach JD 711.5 million. As for the first five months of 2018, trade balance deficit decreased by JD 241.3 million, or 6.2 percent, to register JD 3,639.2 million, compared to the same period of 2017.

□ Total Workers' Remittances Receipts

- Total workers' remittances receipts decreased by 10.5 percent in June 2018 compared to the same month of 2017, to register JD 218.2 million. As for the first half of 2018, total workers' remittances receipts decreased by 1.0 percent compared to the same period of 2017 to reach JD 1,279.3 million.

□ Travel

■ Receipts

Travel receipts increased by JD 59.1 million, or 27.2 percent, in June 2018 compared to the same month of 2017, to register JD 276.1 million. As for the first half of 2018, travel receipts increased by 12.3 percent compared to the same period of 2017 to reach JD 1,712.6 million.

■ Payments

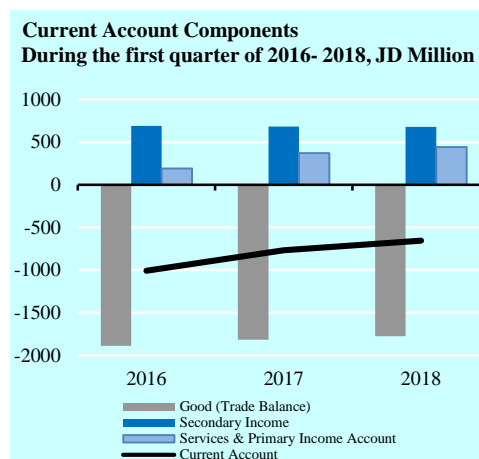
Travel payments increased by JD 8.7 million, or 8.4 percent, in June 2018 compared to the same month of 2017, to stand at JD 112.0 million. As for the first half of 2018, travel payment decreased by 6.2 percent compared to the same period of 2017 to reach JD 482.1 million.

□ Balance of Payments

The preliminary data for the balance of payments during the first of quarter of 2018 reveals the following:

- The current account recorded a deficit of JD 654.0 million (9.7 percent of GDP) compared to a deficit of JD 767.7 million (11.8 percent of GDP) during the first quarter of 2017. Meanwhile, the current account deficit excluding grants decreased to reach JD 737.6 million (10.9 percent of GDP) during the first quarter of 2018 compared to JD 859.0 million (13.2 percent of GDP) during the first quarter of 2017. This was an outcome of the following developments:

- ◆ A decrease in the goods balance deficit during the first quarter of 2018 by JD 44.0 million, or 2.4 percent, to reach JD 1,773.8 million compared to JD 1,817.8 million during the same period of 2017.



- ◆ An increase in the services account surplus compared to the first of quarter of 2017 by JD 62.3 million, to reach JD 359.4 million.
- ◆ An increase in the primary income account surplus by JD 9.5 million, to reach JD 81.6 million during the first of quarter of 2018 compared to the same period of 2017. This was mainly due to an increase in surplus of the investment income (net) by JD 11.2 million, and a decrease in the surplus of compensation of employees (net) by JD 1.7 million.
- ◆ A decrease in the secondary income surplus by JD 2.1 million to reach JD 678.8 million compared to JD 680.9 million during the first of quarter of 2017, this was outcome of the decrease in net transfers of the public sector (foreign grants) by JD 7.7 million to reach JD 83.6 million, and the increase in the net surplus transfers of other sectors by JD 5.6 million to reach JD 595.2 million.

- As for the capital and financial account, the capital account registered a net inflow of JD 13.8 million during the first quarter of 2018 compared to a net inflow of JD 6.0 million during the first quarter of 2017. Meanwhile, the financial account registered a net inflow of JD 795.9 million during the first quarter of 2018 compared to a net inflow of JD 1,054.0 million during the first quarter of 2017, this can be attributed to the following:
 - ◆ Direct investment recorded a net inflow of JD 201.5 million compared to a net inflow of JD 436.8 million during the first quarter of 2017.
 - ◆ Portfolio investment recorded a net inflow of JD 11.9 million compared to a net outflow of JD 416.9 million during the first quarter of 2017.
 - ◆ Other investment registered a net inflow of JD 36.8 million compared to a net inflow of JD 137.8 million during the first quarter of 2017.
 - ◆ A decrease in the reserve assets of the CBJ by JD 545.7 million, compared to a decrease of JD 896.3 million during the first quarter of 2017.

□ International Investment Position (IIP)

The IIP, which represents the Kingdom's net position (stock) of external financial assets and liabilities, displayed an obligation to abroad of JD 30,607.4 million at the end of the first quarter of 2018 compared to JD 29,350.5 million at the end of 2017. This was due to the following developments:

- A decrease in the position of external assets (the stock of claims, obligations and financial assets) for all economic sectors (residing) in the Kingdom by JD 776.5 million at the end of the first quarter of 2018 to reach JD 17,918.3 million. This was mainly due to the decrease in the currency and deposits of the banking sector abroad by JD 165.8 million and decrease in the CBJ's reserve assets by JD 532.7 million.

- An increase in the position of external liabilities (the stock of claims, obligations and financial assets) on all economic sectors residing in the Kingdom by JD 480.4 million at the end of the first quarter of 2018, to reach JD 48,525.7 million, this was due to the following developments:
 - ◆ An increase in the stock of direct investment in the kingdom by JD 186.8 million to stand at JD 24,504.6 million.
 - ◆ An increase in the stock of portfolio investment in the kingdom by JD 416.1 million to stand at JD 8,625.9 million.
 - ◆ An increase of government long term loans by JD 82.4 million to stand at JD 4,311.3 million.
 - ◆ A decrease in the trade credits which given to residents in the kingdom by 102.1 to stand of 730.6.
 - ◆ A decrease in the balance of the international monetary fund credit facilities by JD 69.2 million to reach JD 832.2 million.
 - ◆ A decrease in the deposits of non-residents at the banking sector by JD 65.7 million to stand at JD 7,507.4 million (decrease by JD 39.7 million for the CBJ and by 26.0 for the licensed banks).