



Central Bank of Jordan

# **Recent Monetary & Economic Developments in Jordan**

**Research Dept / Monthly Report  
August, 2020**

Classification level: Public

**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**

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

Classification level: Public

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### Executive Summary

#### □ Output, Prices and Employment

Real GDP at market prices grew by 1.3 percent during the first quarter of 2020, compared to a growth rate of 2.0 percent during the same quarter of 2019. The general price level, measured by the percentage change in the Consumer Price Index (CPI) increased during the first seven months of 2020 by 0.7 percent, compared to a rise of 0.9 percent during the same period of 2019. Furthermore, the unemployment rate increased during the second quarter of 2020 to stand at 23.0 percent, compared to 19.2 percent during the same quarter of 2019.

#### □ Monetary and Financial Sector

- The CBJ's gross foreign reserves (including gold and SDRs) amounted to US\$ 17,189.7 million\* at the end of July 2020. This level of reserves covers around 9.5 months of the Kingdom's imports of goods and services.
- Domestic liquidity amounted to JD 35,840.5 million at the end of July 2020, compared to JD 34,969.7 million at the end of 2019.
- The outstanding balance of credit facilities extended by licensed banks amounted to JD 28,546.6 million at the end of July 2020, compared to JD 27,082.2 million at the end of 2019.
- Total deposits at licensed banks amounted to JD 35,163.7 million at the end of July 2020, compared to JD 35,305.3 million at the end of 2019.
- The Share Price Index (SPI) weighted by market capitalization of free float shares at Amman Stock Exchange (ASE) reached 1,581.8 points at the end of July 2020, compared to 1,815.2 points at the end of 2019.

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\* The increase in Gross Official Reserves of Foreign Currencies was mainly due to the issuance of Eurobonds in the amount of \$ 1750 million in July 2020. While, an amount of \$ 1250 million of Eurobonds will be due in October 2020, in addition to domestic treasury bills in foreign currency amounting to \$ 400 million will be due in December 2020. The gross foreign reserves is expected to decline by \$ 1,650 million at the end of December 2020.

- **Public Finance:** The general budget, including foreign grants, recorded a fiscal deficit in the amount of JD 1,094.3 million (-8.6 percent of GDP) during the first five months of 2020, comparing to a fiscal deficit of JD 484.1 million (-3.7 percent of GDP) during the same period of 2019. Gross outstanding domestic public debt (budgetary and own-budget) increased by JD 1,538.0 million at the end of May 2020, compared to its level at the end of 2019, to reach JD 19,276.0 million (60.9 percent of GDP). However, outstanding external public debt (budget and guaranteed) went up by JD 402.1 million at the end of May 2020, compared to its level at the end of 2019, to stand at JD 12,740.3 million (40.3 percent of GDP). Accordingly, gross outstanding public debt (domestic and external) rose up to reach JD 32,016.3 million at the end of May 2020 (101.2 percent of GDP), compared to JD 30,076.2 million (95.2 percent of GDP) at the end of 2019.
- **External Sector:** Total merchandize exports (domestic exports *plus* re-exports) decreased by 7.3 percent during the first half of 2020 to reach JD 2,523.3 million. Meanwhile, merchandize imports decreased by 18.0 percent to reach JD 5,486.4 million. As a result, the trade balance deficit decreased by 25.4 percent compared to the same period of 2019, to reach JD 2,963.1 million. The preliminary data for the first seven months of 2020 showed a decrease in travel receipts by 63.7 percent and a decrease in travel payments by 67.1 percent compared to the same period of 2019. Moreover, total workers' remittances receipts decreased by 9.8 percent during the first seven months of 2020 compared to the same period of 2019. The preliminary data for the balance of payments during the first quarter of 2020 displayed a deficit in the current account amounted to JD 309.2 million (4.2 percent of GDP) compared to a deficit of JD 329.9 million (4.6 percent of GDP) during the first quarter of 2019. Meanwhile, the current account deficit excluding grants decreased to reach 5.2 percent of GDP compared with 5.8 percent of GDP during the first quarter of 2019. Moreover, net direct investment recorded a net inflow of JD 214.9 million during the first quarter of 2020 compared to a net inflow of JD 183.5 million during the first quarter of 2019. Furthermore, the international investment position (IIP) registered a net obligation to abroad in the amount of JD 32,701.1 million at the end of first quarter of 2020 down from JD 32,793.7 million at the end of 2019.



## First: Monetary and Financial Sector

### □ Summary

- The CBJ's gross foreign reserves (including gold and SDRs) amounted to US\$ 17,189.7 million at the end of July 2020. This level of reserves covers around 9.5 months of the Kingdom's imports of goods and services. (See page 1)
- Domestic liquidity amounted to JD 35,840.5 million at the end of July 2020, compared to JD 34,969.7 million at the end of 2019.
- The outstanding balance of credit facilities extended by licensed banks amounted to JD 28,546.6 million at the end of July 2020, compared to JD 27,082.2 million at the end of 2019.
- Total deposits at licensed banks amounted to JD 35,163.7 million at the end of July 2020, compared to JD 35,305.3 million at the end of 2019.
- During July 2020, both credit and deposit interest rates at licensed banks declined, compared to their levels at the end of 2019.

- The Share Price Index (SPI) weighted by market capitalization of free float shares at Amman Stock Exchange (ASE) reached 1,581.8 points at the end of July 2020, compared to 1,815.2 points at the end of 2019. Moreover, the market capitalization reached JD 12,329.8 million at the end of July 2020, compared to JD 14,914.8 million at the end of 2019.

**Main Monetary Indicators**

JD Million, and Percentage Change Relative to the Previous Year

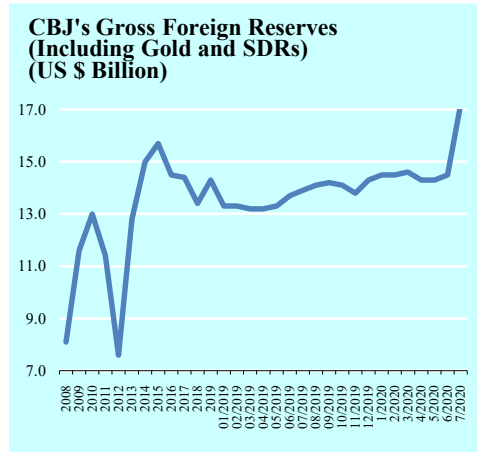
	2019	End of July	
		2019	2020
US\$ 14,329.3		US\$ 13,904.8	US\$ 17,189.7
7.0%	CBJ's Foreign Reserves*	3.8%	20.0%
34,969.7		34,321.4	35,840.5
4.8%	Money Supply (M2)	2.9%	2.5%
27,082.2		26,836.8	28,546.6
3.7%	Credit Facilities, of which:	2.8%	5.4%
23,998.6		23,787.4	25,365.3
4.3%	Private Sector (Resident)	3.4%	5.7%
35,305.3		34,577.3	35,163.7
4.3%	Total Deposits, of which:	2.2%	-0.4%
27,107.3		26,461.7	27,002.5
5.6%	In JD	3.1%	-0.4%
8,198.0		8,115.6	8,161.2
0.2%	In Foreign Currencies	-0.8%	-0.4%
28,292.1		27,664.4	28,065.4
5.0%	Deposits of Private Sector (Resident), of which:	2.7%	-0.8%
22,130.5		21,593.4	22,191.2
6.2%	In JD	3.6%	0.3%
6,161.6		6,071.0	5,874.2
1.0%	In Foreign Currencies	-0.4%	-4.7%

\* 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\$ 17,189.7 million at the end of July 2020. This level of reserves covers around 9.5 months of the Kingdom's imports of goods and services. (See page 1)



### □ Domestic Liquidity (M2)

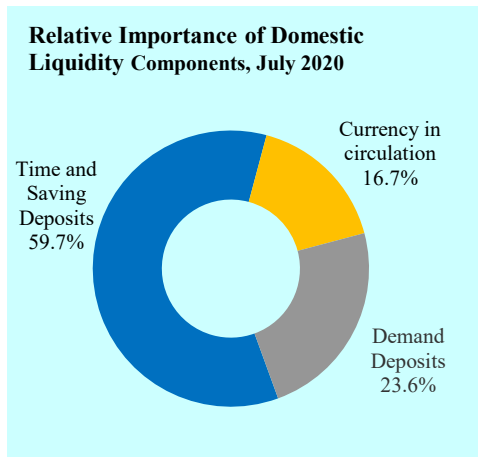
- Domestic liquidity amounted to JD 35.8 billion at the end of July 2020, compared to JD 35.0 billion at the end of 2019.

◆ **Developments in the components and the factors affecting domestic liquidity at the end of July 2020, compared to their levels at the end of 2019, reveal the following:**

- **Components of Domestic Liquidity**

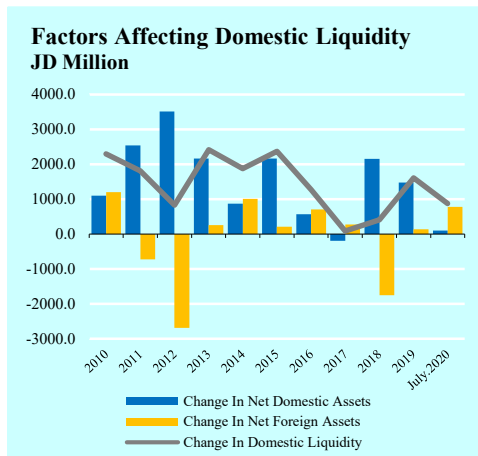
- Total liquidity deposits amounted to JD 29.9 billion at the end of July 2020, compared to JD 29.7 billion at the end of July 2019, and JD 30.3 billion at the end of 2019.

- Currency in circulation amounted to JD 6.0 billion at the end of July 2020, compared to JD 4.6 billion at the end of July 2019, and at the end of 2019.



• **Factors Affecting Domestic Liquidity**

- Net domestic assets of the banking system amounted to JD 27.6 billion at the end of July 2020, compared to JD 27.1 billion at the end of July 2019, and JD 27.5 billion at the end of 2019.



- Net foreign assets of the banking system amounted to JD 8.3 billion at the end of July 2020, compared to JD 7.2 billion at the end of July 2019, and JD 7.5 billion at the end of 2019. The net foreign assets of the CBJ amounted to JD 11.6 billion at the end of July 2020.

**Factors Affecting Domestic Liquidity (M2)**

JD Million

2019		End of July	
		2019	2020
<b>7,507.4</b>	<b>Foreign Assets (Net)</b>	<b>7,183.5</b>	<b>8,284.2</b>
9,974.8	CBJ	9,493.0	11,637.7
-2,467.4	Licensed Banks	-2,309.5	-3,353.5
<b>27,462.3</b>	<b>Domestic Assets (Net)</b>	<b>27,137.9</b>	<b>27,556.3</b>
-4,810.9	CBJ, of which:	-4,310.4	-4,944.3
570.3	Claims on Public Sector (Net)	524.8	-123.3
-5,404.1	Other Items (Net*)	-4,858.4	-4,844.0
32,273.1	Licensed Banks	31,448.3	32,500.6
11,335.3	Claims on Public Sector (Net)	10,949.7	11,943.3
24,742.8	Claims on Private Sector	24,475.4	26,070.9
-3,805.0	Other Items (Net)	-3,976.8	-5,513.5
<b>34,969.7</b>	<b>Money Supply (M2)</b>	<b>34,321.4</b>	<b>35,840.5</b>
<b>4,631.0</b>	<b>Currency in Circulation</b>	<b>4,634.0</b>	<b>5,987.4</b>
<b>30,338.7</b>	<b>Total Deposits, of which:</b>	<b>29,687.4</b>	<b>29,853.1</b>
6,237.6	In Foreign Currencies	6,151.5	5,936.3

\* 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 and CBJ's procedures

- ◆ The CBJ cut its monetary policy interest rates twice during March 2020. On March 5, the CBJ cut the interest rates on all its instruments by 50 basis points. Moreover, on March 17, the CBJ cut the overnight deposit window rate by 75 basis points, and by 100 basis points on the other policy rates, to become as follows:

- The CBJ main interest rate: 2.50 percent.
- Re-discount Rate: 3.50 percent.
- Interest Rate on Overnight Repurchase Agreements: 3.25 percent.
- Overnight Deposit Window Rate: 2.00 percent.
- Weekly/ Monthly Repurchase Agreements: 2.50 percent.
- The interest rate on weekly certificates of deposit: 2.50 percent.

The CBJ conducted a set of procedures aimed to contain the repercussions of the “emerging COVID-19 virus” impact on the national economy. Also, these measures aimed to reduce the financing costs to all economic sectors and to ensure the continuity of economic activity and recovery after the crisis:

#### Interest Rates on Monetary Policy Instruments, percentage points

2019		July	
		2019	2020
4.00	CBJ main rate	4.75	2.50
5.00	Re-discount Rate	5.75	3.50
4.75	Repurchase Agreements Rate (overnight)	5.50	3.25
3.25	Overnight Deposit Window Rate	4.00	2.00
4.00	Repurchase Agreements rate (one week and one month)	4.75	2.50
4.00	Certificates of Deposits (one week)	4.75	2.50

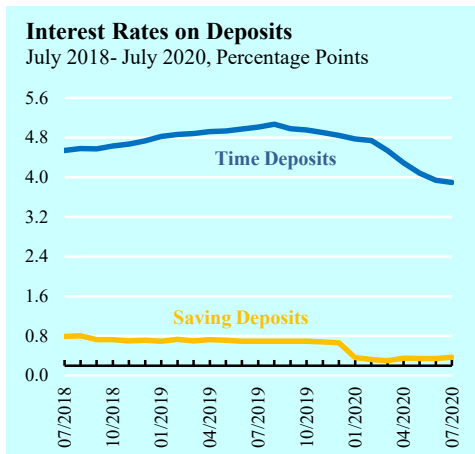
Source: Central Bank of Jordan / Monthly Statistical Bulletin.

- The CBJ has decided to cut the Required Reserve Ratio (RRR) on the deposits held by banks from 7% to 5%, which provides additional liquidity to banks in the amount of JD 550 million.
- The CBJ has also conducted repurchase agreements (REPO) with commercial banks by JD 850 million, with maturity up to one year.
- Moreover, the CBJ has introduced financing program to support SMEs companies, by a total amount of JD 500 million, and with a customer lending rate by 2%.

■ Interest Rates in the Banking Sector

◆ Interest Rates on Deposits

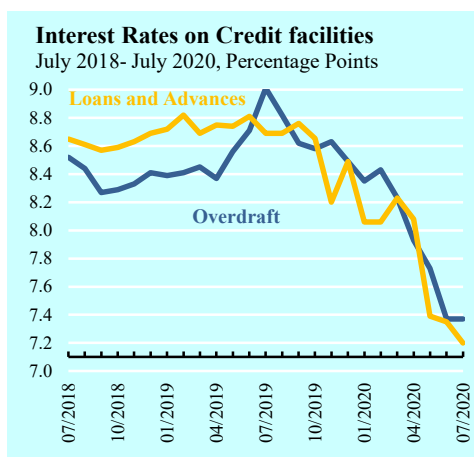
- Time Deposits: The weighted average interest rate on time deposits decreased by 5 basis points at the end of July 2020, compared to its level in the previous month, to stand at 3.89 percent. This rate is lower by 95 basis points than its level at the end of 2019.



- Saving Deposits: The weighted average interest rate on saving deposits increased by 3 basis points at the end of July 2020, compared to its level in the previous month, to stand at 0.37 percent. This rate is lower by 29 basis points than its level at the end of 2019.
- Demand Deposits: The weighted average interest rate on demand deposits decreased by two basis points at the end of July 2020, compared to its level in the previous month, to stand at 0.38 percent. This rate is lower by 6 basis points than its level at the end of 2019.

◆ Interest Rates on Credit Facilities

- **Overdraft Accounts:** The weighted average interest rate on overdraft accounts maintained its level recorded in the previous month at the end of July 2020 to stand at 7.37 percent. This rate is lower by 112 basis points than its level at the end of 2019.
- **Discounted Bills and Bonds:** The weighted average interest rate on “discounted bills and bonds” decreased by 51 basis points at the end of July 2020, compared to its level in the previous month, to stand at 8.73 percent. This rate is lower by 82 basis points than its level at the end of 2019.



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

		July		Change Relative to the Preceding Year Basis Points
		2019	2020	
<b>Deposits</b>				
0.44	Demand	0.48	0.38	-6
0.66	Saving	0.69	0.37	-29
4.84	Time	5.01	3.89	-95
<b>Credit Facilities</b>				
9.55	Discounted Bills and Bonds	8.13	8.73	-82
8.49	Loans and Advances	8.69	7.20	-129
8.49	Overdraft	9.01	7.37	-112
9.33	Prime Lending Rate	9.79	8.33	-100

Source: Central Bank of Jordan / Monthly Statistical Bulletin.



- **Loans and Advances:** The weighted average interest rate on “loans and advances” decreased by 15 basis points at the end of July 2020, compared to its level registered in the previous month, to stand at 7.20 percent. This rate is lower by 129 basis points than its level at the end of 2019.
- The prime lending rate stood at 8.33 percent at the end of July 2020, maintaining the same level registered in the previous month. This rate is lower by 100 basis points than its level at the end of 2019.

#### □ Credit Facilities Extended by Licensed Banks

- Total credit facilities extended by licensed banks increased by JD 1,464.4 million, or 5.4 percent, at the end of July 2020, against an increase by JD 725.0 million, or 2.8 percent, during the same period in 2019.
- In terms of borrower sectors, the credit facilities at the end of July 2020 had shown an increase in credit extended to the private sector (resident) by JD 1,366.7 million, or 5.7 percent, the non-banking financial institutions by JD 99.2 million, and public institutions by JD 62.5 million, or 12.5 percent. In contrast, the credit facilities extended to the private sector (non-resident) decreased by JD 64.0 million, or 9.5 percent, compared to their levels at the end of 2019.

#### □ Deposits at Licensed Banks

- Total deposits at licensed banks stood at JD 35.2 billion at the end of July 2020, compared to JD 34.6 billion recorded on July 2019 and JD 35.3 billion recorded at the end of 2019.

- The currency composition of deposits at the end of July 2020 revealed that the JD deposits amounted to JD 27.0 billion, and the deposits in foreign currencies amounted to JD 8.2 billion, compared to JD 26.5 billion of JD deposits, and JD 8.1 billion of deposits in foreign currency at the end of July 2019, and JD 27.1 billion of JD deposits, and JD 8.2 billion in deposit in foreign currency at the end 2019.

#### □ Amman Stock Exchange (ASE)<sup>(1)</sup>

The ASE main indicators showed a mixed performance at the end of July 2020, compare to its level recorded in June 2019. This can be demonstrated as follows:

##### ■ Trading Volume

Trading volume at ASE totaled JD 101.5 million in July 2020, compared to JD 149.7 million at the end of July 2019. As for the first seven months of 2020, the trading volume reached JD 517.1 million.

##### ■ Traded Shares

The number of traded shares in July 2020 totaled 115.8 million shares, compared to JD 154.5 million at the end of July 2019. As for the first seven months of 2020, the number of traded shares amounted to 519.2 million shares.

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<sup>(1)</sup> The trading at ASE has been suspended during the period 17/3/2020 to 9/5/2020, with the aim to protect investors and local companies from the repercussions of COVID-19.

### ■ Share Price Index (SPI)

The SPI weighted by market capitalization of free float shares at ASE in July 2020 reached 1,581.8 points, compared to 1,873.5 points at the end of July 2019. Furthermore, the SPI decreased by 233.4 points, or

12.9 percent, at the end of the first seven months of 2020, compared to its level at the end of 2019. The aforementioned decrease was an outcome of the decrease in the SPI of both the financial sector by 346.0 points, or 14.1 percent, and the services sector by 170.4 points, or 13.2 percent, and the industrial sector by 55.1 points, or 3.0 percent, compared to their levels at the end of 2019.

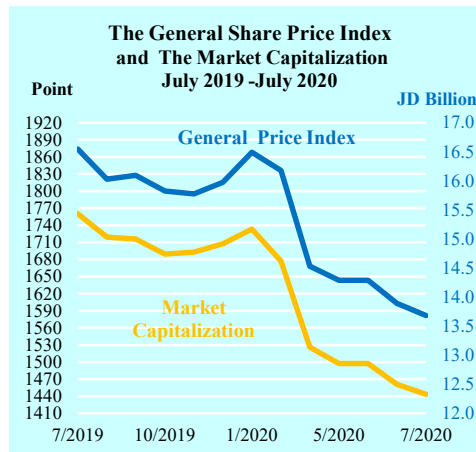
### ■ Market Capitalization

The ASE's market capitalization totaled JD 12.3 billion at the end of July 2020, compared to JD 15.4 billion at the end of July 2019. Moreover, the market capitalization decreased by JD 2,585.0 million, or 17.3 percent compared to its level at the end of 2019.

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

		July	
2019		2019	2020
1,815.2	General Index	1,873.5	1,581.8
2,450.0	Financial Sector	2,536.2	2,103.9
1,857.0	Industrial Sector	1,857.4	1,801.9
1,293.0	Services Sector	1,332.0	1,122.7

Source: Amman Stock Exchange.



### ■ Non - Jordanian Net Investment

Non - Jordanian net investment at ASE recorded an outflow amounted of JD 6.8 million in July 2020, compared to an outflow by JD 3.6 million during the same month in 2019. The value of shares buying by non-Jordanian in July 2020 amounted to JD 10.4 million, while their selling

amounted to JD 17.2 million. The Non-Jordanian net investment during the first seven months of 2020 recorded an outflow amounting to JD 57.8 million.

Main Amman Stock Exchange Trading Indicators, JD Million			
		July	
2019		2019	2020
1,585.4	Value Traded	149.7	101.5
6.4	Average Daily Trading	6.5	4.8
14,914.8	Market Capitalization	15,432.1	12,329.8
1,247.2	No. of Traded Shares (million)	154.5	115.8
114.1	Net Investment of Non-Jordanian	-3.6	-6.8
528.7	Non-Jordanian Buying	26.9	10.4
414.6	Non-Jordanian Selling	30.5	17.2

Source: Amman Stock Exchange.

## Second: Output, Prices and Employment

### ■ Summary

- Gross Domestic Product (GDP), at constant market prices, grew by 1.3 percent during the first quarter of 2020, compared to 2.0 percent during the same quarter of 2019. At current market prices, GDP grew by 3.0 percent during the first quarter of 2020, compared to 3.8 percent during the same quarter of 2019.
- The general price level, measured by the percentage change in the CPI, increased during the first seven months of 2020 by 0.7 percent, compared to a rise of 0.9 percent during the same period of 2019.
- The unemployment rate increased during the second quarter of 2020 to stand at 23.0 percent (21.5 percent for males and 28.6 percent for females), compared to 19.2 percent (17.1 percent for males and 27.2 percent for females) during the same quarter of 2019. The highest unemployment rate among youth reached 57.7 percent for the (15-19) years old category and 42.2 percent for the (20-24) years old category.

### ■ Developments of GDP

- Gross domestic product (GDP), at constant market prices witnessed a slowdown, growing by 1.3 percent, compared to 2.0 percent during the same quarter of 2019, affected by the repercussions of the Covid-19 crisis, which started to materialize in the middle of March 2020. When excluding “net taxes on products” (which witnessed a slowdown, growing by 0.8 percent during the first quarter of 2020 compared to 1.0 percent during the same quarter of 2019) GDP, at constant basic prices, grew by 1.4 percent during the first quarter of 2020, compared to 2.1 percent during the same quarter of 2019.

**Quarterly Growth Rates of GDP at Market Prices (2018 – 2020)**

Percentages

	Q1	Q2	Q3	Q4	Year
<b>2018</b>					
GDP at Constant Prices	1.9	2.1	1.9	1.8	<b>1.9</b>
GDP at Current Prices	3.9	3.8	3.5	3.6	<b>3.7</b>
<b>2019</b>					
GDP at Constant Prices	2.0	1.7	1.9	2.1	<b>2.0</b>
GDP at Current Prices	3.8	3.3	3.5	4.0	<b>3.7</b>
<b>2020</b>					
GDP at Constant Prices	1.3				
GDP at Current Prices	3.0				

Source: Department of Statistics.

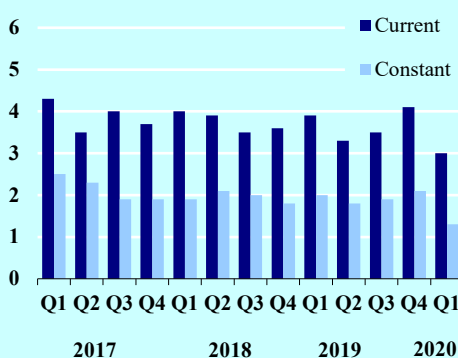
At current market prices, GDP grew by 3.0 percent during the first quarter of 2020, compared to 3.8 percent during the same quarter of 2019. This was in light of the growth of the general price level, measured by the GDP deflator, by 1.6 percent during the first quarter of 2020 compared to 1.8 percent during the same quarter of 2019.

The main sectors that contributed to the real economic growth during the first quarter of 2020 include: “producers of government services” (0.3 percentage point), “finance and insurance services” (0.2 percentage point), “social and personal services” (0.2 percentage point), “real estate” (0.2 percentage point), manufacturing (0.1 percentage point), and “agriculture” (0.1 percentage point). These sectors collectively accounted for 85.0 percent of “the real GDP growth rate during the first quarter of 2020.

Most of the economic sectors witnessed a slowdown in their performance during the first quarter of 2020. Most notably, “agriculture”, “manufacturing”, “transport, storage and communications”, “social and personal services”, and “wholesale and retail trade”. In contrast, the construction and “mining and quarrying” sectors witnessed a contraction in their performance.

It should be noted that the Department of Statistics (DOS) has conducted a comprehensive review of the GDP data for the years (2008-2019), in order to comply with latest international methodologies, most notably, the Input-Output tables which have been released recently by the DOS, based on the year 2016. As a result, there have been modifications to the GDP values for the years (2008-2019).

**Quarterly Growth Rates of GDP at Market Prices (2017- 2020), %**



**Main Sectors Contributed to Economic Growth at Constant Market Prices**

Sectors	Relative change		Contribution	
	Q1		Q1	
	2019	2020	2019	2020
<b>GDP at Constant Market Prices</b>	2.0	1.3	2.0	1.3
Agriculture	3.6	2.3	0.2	0.1
Mining And Quarrying	0.9	-1.1	-	-
Manufacturing	1.3	0.5	0.2	0.1
Electricity And Water	1.7	1.2	-	-
Construction	-0.5	-1.0	-	-
Wholesale And Retail Trade	1.1	0.9	0.1	0.1
Restaurant And Hotels	0.8	0.2	-	-
Transport, Storage And Communications	3.7	0.7	0.3	0.1
Finance And Insurance Services	3.3	3.1	0.2	0.2
Real Estate	2.7	1.9	0.3	0.2
Social And Personal Services	3.4	2.8	0.3	0.2
Producers of Government Services	1.4	2.0	0.2	0.3
Producers of Private Non-Profit	3.4	1.9	-	-
Domestic Services of Households	0.1	0.1	-	-

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

### Microeconomic Indicators

The microeconomic indicators of the available period displayed a divergent performance. Some indicators recorded a growth, such as; “Wearing apparel” (28.2 percent). However, other indicators showed a contraction, particularly; “Number of passengers through Royal Jordanian” (61.4 percent), “Number of departures” (66.1 percent) and “Value traded at the real estate market” (32.7 percent). The following table displays the performance of the main sectoral indicators during the available period of the year 2020;

#### Main Sectoral Indicators\*

Percentage Points					
2018	2019	Item	2019	Available period	2020
-21.5	-35.1	Licensed areas for buildings	-47.9	Jan.-Jun.	-36.9
-7.0	-1.2	Manufacturing production quantity index	1.1		-21.5
-12.7	-6.3	Food products and beverages	2.5		-16.2
-7.2	7.1	Tobacco products	-3.8		1.9
-16.9	3.1	Refined petroleum products	8.3		-14.8
-4.3	-6.5	Wearing apparel	4.1		28.2
-5.6	-9.0	Non-metallic mineral products	15.3		-38.5
27.7	15.2	Chemical products	15.8		5.3
0.5	5.4	“Mining and quarrying” production quantity index	4.3		-1.0
-6.2	2.9	Extraction of crude petroleum and natural gas	-6.8		68.7
0.6	5.5	Other mining and quarrying	4.4		-1.5
-7.8	13.8	Production of phosphate	6.6		-1.8
3.8	1.2	Number of passengers through Royal Jordanian	1.3		-61.4
10.6	-16.4	Cargo through Royal Jordanian	-11.6		-43.3
7.4	14.5	Number of departures	15.3	Jan.-Jul.	-66.1
-13.1	-12.0	Value traded at the real estate market	-20.7	Jan.-Aug.	-32.7

\* : Computed based on the data from Department of Statistics, Department of Land and Survey, and Royal Jordanian.

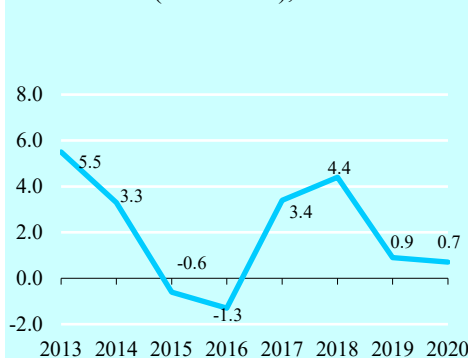


### Prices

The general price level, measured by the percentage change in CPI, increased by 0.7 percent during the first seven months of 2020, compared to a rise of 0.9 percent during the same period of 2019. The inflation rate during the first seven months of 2020 was an outcome of the following:

- The increase in the prices of some items and groups, notably:
  - “Fruits and nuts” prices increased by 6.5 percent, compared to a contraction of 3.5 percent during the first seven months of 2019.
  - “Dairy products and eggs” prices increased by 5.2 percent compared to a contraction of 3.0 percent during the first seven months of 2019.
  - “Meat and poultry” prices increased by 2.3 percent compared to a contraction of 1.6 percent during the first seven months of 2019.

**Inflation Rate during the First Seven Months of the Years (2013-2020), %**



**Inflation Rate during the First Seven Months of the Years 2019-2020**

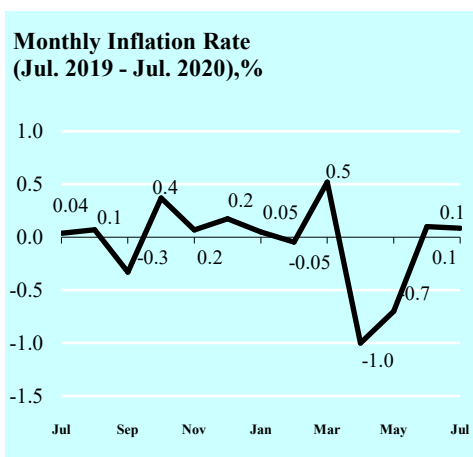
Expenditure Groups	Relative Imp.	Relative change		Contribution	
		2019	2020	2019	2020
All Items	100.0	0.9	0.7	0.9	0.7
1) Food and non-Alcoholic Beverages	26.52	0.7	2.7	0.2	0.7
Food	23.80	0.8	3.0	0.2	0.7
Cereals and Products	4.17	4.2	1.5	0.2	0.1
Meat and Poultry	4.69	-1.6	2.3	-0.1	0.1
Fish and Sea Product	0.41	-2.0	2.4	0.0	0.0
Dairy Products and Eggs	3.72	-3.0	5.2	-0.1	0.2
Oil and Fats	1.70	0.9	-0.9	0.0	-0.02
Fruits and Nuts	2.57	-3.5	6.5	-0.1	0.2
Vegetables and Legumes Dry and Canned	2.96	6.5	4.4	0.2	0.1
2) Alcohol and Tobacco and Cigarettes	4.37	-1.2	0.8	-0.1	0.0
Alcohol	0.01	0.4	0.4	0.0	0.0
Tobacco and Cigarettes	4.37	-1.2	0.8	-0.1	0.0
3) Clothing and footwear	4.12	-1.2	-0.6	-0.1	0.0
Clothing	3.41	-1.4	-0.8	0.0	0.0
Footwear	0.71	-0.3	0.5	0.0	0.0
4) Housing	23.78	1.7	-1.1	0.4	-0.3
Rents	17.54	2.2	0.4	0.4	0.1
Fuels and Lighting	4.69	-0.2	-6.8	0.0	-0.3
5) Household Furnishings and Equipment	4.94	0.8	0.9	0.0	0.0
6) Health	4.00	2.1	1.3	0.1	0.1
7) Transportation	15.98	0.6	-1.1	0.1	-0.2
8) Communication	2.83	0.0	0.0	0.0	0.0
9) Culture and Recreation	2.55	-2.8	2.2	-0.1	0.1
10) Education	4.35	3.5	2.8	0.2	0.1
11) Restaurants and Hotels	1.79	2.7	1.4	0.0	0.0
12) Other Goods and Services	4.77	1.0	2.1	0.0	0.1

Source: Department of Statistics.

The above groups and items collectively contributed to raising the inflation rate during the first seven months of 2020 by 0.5 percentage point, compared to a contraction of 0.3 percentage point during the same period of 2019.

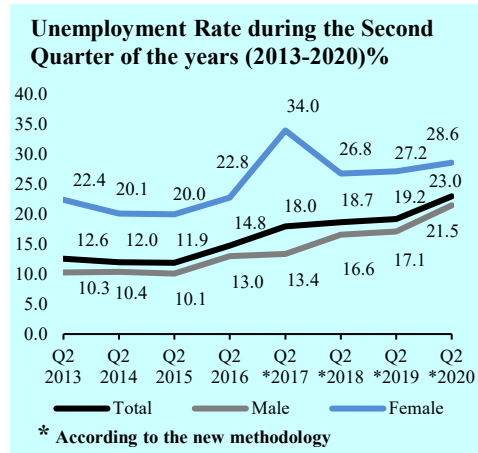
- The decrease in the prices of some items and groups, notably, “fuels and lighting” (6.8 percent) “transportation” (1.1 percent) in light of the decrease in the prices of oil and associated products and services in the international markets, and clothing (0.8 percent), affected by the demand and supply factors in domestic markets. These groups and items contributed to the decline in the inflation rate during the first seven months of 2020 by 0.5 percentage point, compared to a positive contribution of 0.1 percentage point during the same period of 2019.

In July 2020, the CPI witnessed an increase compared to the previous month (June 2020) by 0.1 percent. This was an outcome of the increase in the prices of some items and groups, mainly, transportation (2.1 percent) and “fuels and lighting” (2.1 percent), on the one hand, and the contraction in the prices of some items and groups, mainly, “vegetables and legumes dry and canned” (7.4 percent), “fruits and nuts” (3.3 percent) and clothing and footwear (1.2 percent) on the other.



□ Labor Market

■ The unemployment rate reached 23.0 percent (21.5 percent for males, and 28.6 percent for females) during the second quarter of 2020, compared to 19.2 percent (17.1 percent for males and 27.2 percent for females), during the same quarter of 2019.



- The unemployment rate among youth, during the second quarter of 2020, remains high at 57.7 percent for the category (15-19) years old, and 42.2 percent for the category (20-24) years old.
- The unemployment rate among academic degree holders (Bachelor and higher) reached 26.6 percent during the second quarter of 2020.
- The refined economic participation rate (the ratio of the labor force to the population of 15 years and over), was 34.1 percent (53.8 percent for males, and 14.1 percent for females), compared to 34.6 percent (53.9 percent for males and 14.5 percent for females) during the same quarter of 2019.
- The employment rate among population. (15 years and olders) reached 26.3 percent.



### Third: Public Finance

#### □ Summary:

- The general budget, including foreign grants, recorded a fiscal deficit in the amount of JD 1,094.3 million (-8.6 percent of GDP) during the first five months of 2020, comparing to a fiscal deficit of JD 484.1 million (-3.7 percent of GDP) during the same period of 2019. When excluding foreign grants (JD 113.5 million), the general budget deficit increases to JD 1,207.8 million (-9.4 percent of GDP), compared to a deficit of JD 574.6 million (-4.4 percent of GDP) in the same period of 2019.
- Gross outstanding domestic public debt (budgetary and own-budget) increased by JD 1,538.0 million at the end of May 2020, compared to its level at the end of 2019, to reach JD 19,276.0 million (60.9 percent of GDP).
- Outstanding external public debt (budget and guaranteed) went up by JD 402.1 million at the end of May 2020, compared to its level at the end of 2019, to stand at JD 12,740.3 million (40.3 percent of GDP).

- As a result, gross outstanding public debt (domestic and external) rose by JD 1,940.1 million to reach JD 32,016.3 million at the end of May 2020 (101.2 percent of GDP), compared to JD 30,076.2 million (95.2 percent of GDP) at the end of 2019.
  - Central government banks deposits increased by JD 232.5 million at the end of May 2020, compared to the end of 2019, to reach JD 1,510.6 million.
  - Accordingly, net outstanding domestic public debt increased by JD 1,305.5 million to reach JD 17,765.4 million (56.1 percent of GDP) at the end of May 2020. Moreover, net outstanding public debt increased by JD 1,707.6 million to reach JD 30,505.7 million (96.4 percent of GDP).
- **The performance of the general budget during the first five months of 2020 compared with the same period of 2019:**

■ **Public Revenues**

Public revenues (domestic revenues *plus* foreign grants) decreased by JD 234.3 million, or 42.4 percent, in May 2020 compared to the same month in 2019, to stand at JD 318.0 million. As for the first five months of 2020, public revenue went down by JD 782.2 million, or 25.1 percent, compared to the same period in 2019 to stand at JD 2,337.3 million. This came as an outcome of the decrease in domestic revenues by JD 805.2 million, and the increase in foreign grants by JD 23.0 million.

## Main Government Budget Indicators during the first five months of 2020:

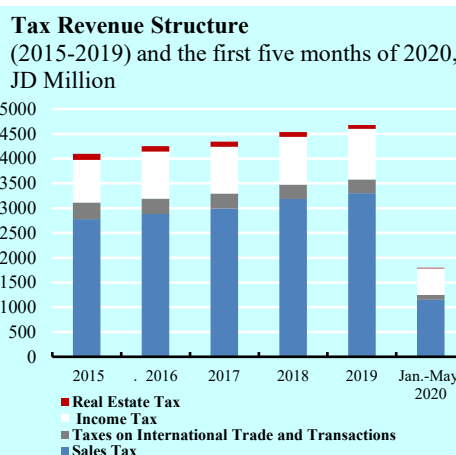
(JD Million and Percentages)

	May		Growth Rate	Jan.-May		Growth Rate
	2019	2020		2019	2020	
<b>Total Revenues and Grants</b>	<b>552.3</b>	<b>318.0</b>	<b>-42.4</b>	<b>3,119.5</b>	<b>2,337.3</b>	<b>-25.1</b>
Domestic Revenues, of which:	546.4	310.2	-43.2	3,029.0	2,223.8	-26.6
Tax Revenues, of which:	310.7	245.0	-21.1	1,911.3	1,795.0	-6.1
General Sales Tax	234.3	191.1	-18.4	1,132.4	1,149.7	1.5
Other Revenues	234.8	64.7	-72.4	1,114.0	425.9	-61.8
Foreign Grants	5.9	7.8	32.2	90.5	113.5	25.4
<b>Total Expenditures, of which:</b>	<b>732.3</b>	<b>718.7</b>	<b>-1.9</b>	<b>3,603.6</b>	<b>3,431.6</b>	<b>-4.8</b>
Current Expenditures	664.8	677.2	1.9	3,315.9	3,274.1	-1.3
Capital Expenditures	67.5	41.4	-38.7	287.7	157.5	-45.3
<b>Overall Deficit/ Surplus (Including Grants)</b>	<b>-180.0</b>	<b>-400.7</b>	<b>-</b>	<b>-484.1</b>	<b>-1,094.3</b>	<b>-</b>
<b>Overall Deficit/ Surplus (Including Grants) as a percent of GDP</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-3.7</b>	<b>-8.6</b>	<b>-</b>

Source: Ministry of Finance/ General Government Finance Bulletin.

## ◆ Domestic Revenues

Domestic revenues witnessed a decrease of JD 805.2 million, or 26.6 percent, in the first five months of 2020, compared to the same period of 2019, to reach JD 2,223.8 million. This decrease was a result of the drop in the proceeds of “other revenues”, and “tax revenues”, and “pension contributions” by JD 688.1 million, and JD 116.3 million, and JD 0.7 million, respectively. This is due to the closure imposed by the government on the public and private sectors to face the COVID-19 pandemic.



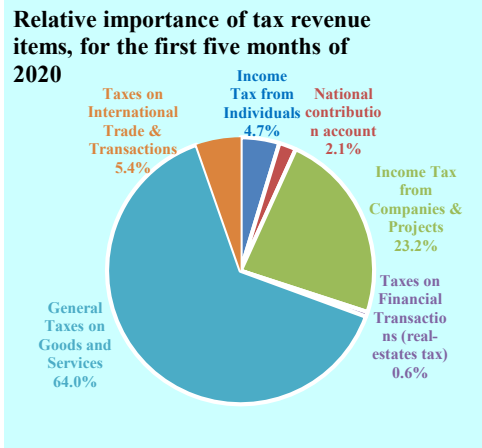
- **Tax Revenues**

Tax revenues decreased by JD 116.3 million, or 6.1 percent, during the first five months of 2020, compared to the same period of 2019, to reach JD 1,795.0 million (80.7 percent of domestic revenues). Following are the main developments in tax revenue items:

- A decrease in the proceeds of **income and profit taxes** by JD 93.1 million, or 14.7 percent, to reach JD 538.7 million, accounting for 30.0 percent of total tax revenues. This decrease was a result of the drop in the proceeds of income taxes on companies and projects by JD 98.5 million, or 19.1 percent, to account for 77.4 percent of total proceeds of income and profits taxes, amounting to JD 417.0 million. The proceeds of “income taxes on individuals” decreased by JD 31.8 million, or 27.4 percent, to reach JD 84.4 million. In addition, JD 37.3 million have been collected under the national contribution account item, which was included in the Amending Law of Income Tax Law.
- A decrease in the proceeds of **taxes on international trade and transactions** (including customs duties and fees) by JD 18.7 million, or 16.3 percent, to reach JD 96.2 million.
- A decrease in the proceeds of **taxes on financial transactions (real-estates tax)** by JD 21.9 million, or 67.8 percent, to reach JD 10.4 million.
- An increase in the proceeds of **general sales tax on goods and services** by JD 17.3 million, or 1.5 percent, to reach JD 1,149.7



million, accounting for 64.0 percent of total tax revenues. This result was driven by the increase in the proceeds of sales tax on domestic goods by JD 175.6 million. However, the proceeds of sales tax on services were down by JD 74.8 million, and on imported goods by JD 72.7 million, and on commercial sector by JD 10.9 million.



#### ● Non-Tax Revenues

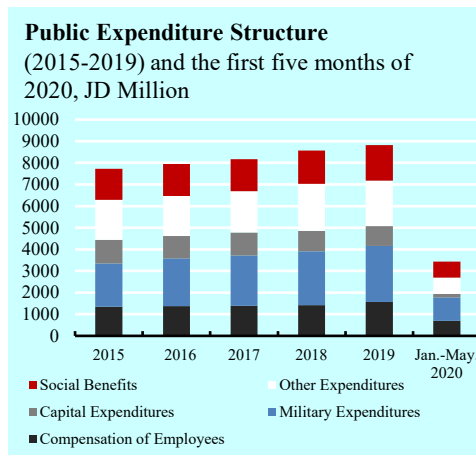
- “Other revenues” decreased by JD 688.1 million, or 61.8 percent, during the first five months of 2020 to reach JD 425.9 million. This decrease was chiefly due to the following:
  - A decrease in miscellaneous revenues by JD 393.2 million to stand at JD 136.8 million.
  - A decrease in revenues from selling goods and services by JD 170.9 million to reach JD 195.6 million.
  - A decrease in the property income by JD 124.0 million to stand at JD 93.5 million (of which financial surplus of independent government units amounted to JD 85.3 million against JD 201.5 million during the same period of 2019).
- Pension contributions decreased by JD 0.7 million, during the first five months of 2020, standing at JD 2.9 million.

### ◆ Foreign Grants

Foreign grants increased by JD 23.0 million, or 25.4 percent, in the first five months of 2020, standing at JD 113.5 million compared to JD 90.5 million during the same period of 2019.

### ■ Public Expenditures

Public expenditures decreased by JD 13.6 million, or 1.9 percent, in May 2020 compared to the same month in 2019, to stand at JD 718.7 million. This is due to government measures taken to rationalize expenditures in order to address the COVID-19 pandemic. As for the first five months of 2020, public



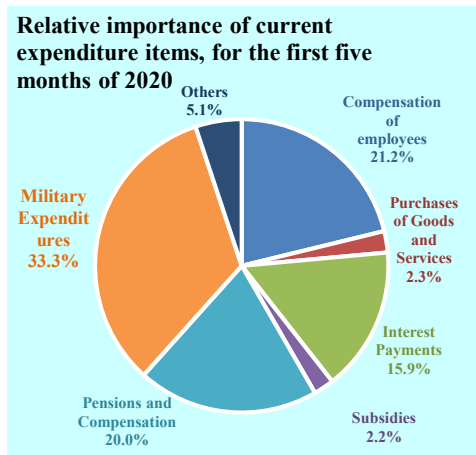
expenditures decreased by JD 172.0 million, or 4.8 percent, compared to the same period in 2019 to stand at JD 3,431.6 million. This decrease was a result of the drop in capital expenditures by 45.3 percent, and in current expenditures by 1.3 percent

### ◆ Current Expenditures

Current expenditures went down by JD 41.8 million, or 1.3 percent, in the first five months of 2020, to reach JD 3,274.1 million (95.4 percent of public expenditures). Because of the drop in current expenditures less than the drop of domestic revenues, the coverage ratio (measured by the ratio of domestic revenues to current expenditures) decreased by 23.4 percentage points, compared to its level in the same period of 2019, to reach to 67.9 percent compared to 91.3 percent during the same period of 2019. The decrease in current expenditures is due to the evolution of its components, as follow:

- A decrease in subsidies by JD 142.5 million, to stand at JD 73.8 million.
- A decrease in the purchases of goods and services by JD 41.0 million, to reach JD 77.0 million.
- An increase in pensions and compensation by JD 77.8 million, to stand at JD 653.6 million.

- An increase in interest payments (commitment basis) by JD 48.3 million, to stand at JD 519.9 million.



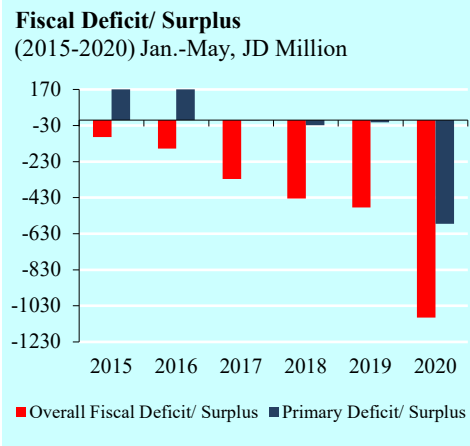
- An increase in the compensation of civil sector’s employees (wages, salaries and social security contributions) by JD 38.9 million, to reach JD 693.8 million.
- An increase in military expenditures by JD 30.4 million, to total JD 1,089.0 million.

◆ **Capital Expenditures**

Capital expenditures decreased by JD 130.2 million, or 45.3 percent, during the first five months of 2020 compared to the same period of 2019, to reach JD 157.5 million.

### ■ General Budget Deficit/ Surplus

- ◆ The overall fiscal deficit, including foreign grants, increased by JD 610.2 million, during the first five months of 2020, to reach JD 1,094.3 million (-8.6 percent of GDP), compared to a fiscal deficit of JD 484.1 million



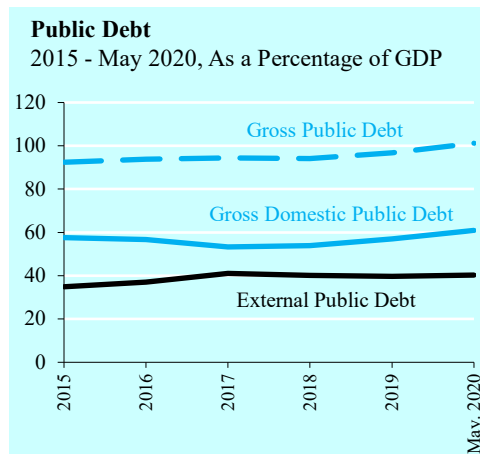
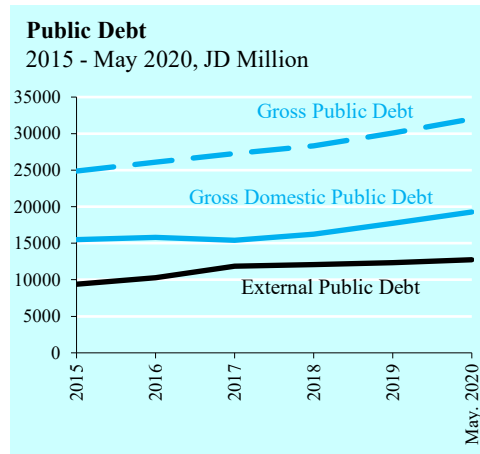
(-3.7 percent of GDP), in the same period of 2019. When foreign grants are excluded, the general budget deficit increases to reach JD 1,207.8 million (-9.4 percent of GDP), compared to a fiscal deficit of JD 574.6 million (-4.4 percent of GDP) in the same period of 2019.

- ◆ The primary deficit, excluding foreign grants, (domestic revenues *minus* total public expenditures excluding interest payments on public debt) increased by JD 584.9 million, to reach JD 687.9 million (-5.4 percent of GDP) during the first five months of 2020, against a primary deficit of JD 103.0 million (-0.8 percent of GDP) in the same period of 2019.
- ◆ When foreign grants are including, the primary deficit of the general budget reached JD 574.4 million (-4.5 percent of GDP), compared to a primary deficit of JD 12.5 million (-0.09 percent of GDP) in the same period of 2019.

Public Debt

Gross outstanding domestic public debt increased by JD 1,538.0 million, at the end of May 2020 compared to its level at the end of 2019, to stand at JD 19,276.0 million (60.9 percent of GDP compared to 56.1 percent of GDP at the end of 2019). This increase was a result of the rise in the domestic public debt of the general budget by JD 1,484.7 million, and the increase in the domestic public debt of own-budget agencies by JD 53.3 million, compared to their levels at the end of 2019, standing at JD 16,700.9 million and JD 2,575.1 million, respectively.

The increase in the budgetary domestic public debt was mainly attributed to the rise in the balance of treasury bills and bonds by JD 1,485.0 million, compared to its level at the end of 2019, to reach JD 16,425.3 million, and the stability of the outstanding balance of loans and advances provided by the CBJ to the central government at the level achieved at the end of 2019 at JD 271.7 million.



- The increase in the domestic public debt of own-budget agencies was driven by the increase in the loans and advances extended to these agencies by JD 53.3 million, compared to their level at the end of 2019, to reach JD 2,037.1 million, and the stability of their bonds at its 2019 level, amounting to JD 538.0 million.
- The balance of the external public debt (budget and guaranteed) went up by JD 402.1 million at the end of May 2020, compared to its level at the end of 2019, to reach JD 12,740.3 million (40.3 percent of GDP compared to 39.0 percent of GDP at the end of 2019). It is worth mentioning that the balance of the external public debt denominated in the U.S. Dollar accounted for 72.3 percent of the total external public debt, and the debt in Euro accounted for 9.6 percent. However, the accounted SDR for 6.1 percent, Japanese Yen (5.2 percent), Kuwaiti Dinar (4.7 percent).
- In light of the above-mentioned developments, gross public debt (domestic and external) increased by JD 1,940.1 million at the end of May 2020 to stand at JD 32,016.3 million (101.2 percent of GDP), compared to JD 30,076.2 million (95.2 percent of GDP) at the end of 2019.
- On the other hand, government deposits with the banking system increase by JD 232.5 million at the end of May 2020, compared to the end of 2019, to reach JD 1,510.6 million.
- Thus, net domestic public debt of the central government (the gross domestic public debt of the central government *minus* government deposits with the banking system) increased by JD 1,305.5 million at the end of May 2020, compared to its level at the end of 2019, to reach JD 17,765.4 million (56.1 percent of GDP compared to 52.1 percent of GDP at the end of 2019). Whereas, net public debt increased by JD 1,707.6 million to stand at JD 30,505.7 million, accounting for 96.4 percent of GDP compared to 91.1 percent of GDP at the end of 2019.
- External debt service (budget and guaranteed) decreased by JD 97.0 million during the first five months of 2020, compared to the same period of 2019, to reach JD 411.0 million (including principal payments of JD 231.4 million and interest of JD 179.6 million).

## □ Fiscal and Price Measures of 2020

### ◆ September

- The Oil Derivatives Pricing Committee decided to amend the prices of all oil derivatives, while maintaining liquid gas cylinder for households unchanged, as follows:

#### Development of Oil Derivatives Prices

	Unit	2020		Percentage Change
		August	September	
Unleaded Gasoline 90	655	655	675	3.1
Unleaded Gasoline 95	875	875	890	1.7
Unleaded Gasoline 98	1,025	1,025	1,040	1.5
Gas Oil (Diesel)	465	465	480	3.2
Kerosene	465	465	480	3.2
Liquid Gas (12.5kg)	7.0	7.0	7.0	0.0
Fuel oil (1%)	299.2	299.2	308.8	3.2
Fuel for airplanes (local companies)	295	295	293	0.7-
Fuel for airplanes (foreign companies)	300	300	298	0.7-
Fuel for unplanned flights	315	315	313	0.6-
Asphalt	294.1	294.1	303.7	3.3

Source: Jordan Petroleum Refinery Company (1/9/2020).

- The Energy and Minerals Regulatory Commission decided to maintain fuel price bands item at 0 fils, for September 2020.

### ◆ August

- The Energy and Minerals Regulatory Commission decided to maintain fuel price bands item at 0 fils, for August 2020.

## ◆ July

- The Energy and Minerals Regulatory Commission decided to maintain fuel price bands item at 0 fils, for July 2020.

## ◆ June

- The Energy and Minerals Regulatory Commission decided to maintain fuel price bands item at 0 fils, for June 2020.
- In continuation of the decisions taken by the Cabinet in order to mitigate the repercussions of the COVID-19 virus, the Cabinet decided the following:

- Reducing the general sales tax for hotels and tourist restaurants to 8 percent instead of 16 percent, with the exception of the Aqaba Special Economic Zone (so that it remains the same at 7 percent), and reducing the service tax by tourist restaurants and hotels to 5 percent instead of 10 percent, starting from 01/07/2020.
- Installment of the amounts due for income tax on the tourism sector for the year 2019 without fines or interest, according to an escalating payment schedule from July to December 2020.

## ◆ May

- The Energy and Minerals Regulatory Commission decided to maintain fuel price bands item at 0 fils, for May 2020.

## ◆ April

- The Energy and Minerals Regulatory Commission decided to determine fuel price bands item at 0 fils, starting in April 2020.
- In view of the exceptional circumstances that the Kingdom is going through due to the COVID-19 virus, and to support efforts to meet these conditions, the Cabinet has taken a set of decisions in order to alleviate the repercussions of the COVID-19 virus, as follows:



- Issue instructions that allow importers to withdraw goods before paying duties and taxes due in emergency situations.
- Suspend the increase in employees' salaries for public sector over the technical allowances, in addition to the increase in the salaries of officers and members of the Jordanian armed forces and the security services, and the amending teachers' rank system, starting from May 2020 until the end of 2020.
- Deduct part of the highest categories salaries as donations, starting from April 2020, as follows:
  - o Donate 40 percent of the monthly salary of the Prime Minister.
  - o Donate 30 percent of the monthly salary to each of the Minister's Excellencies, and those in their rank.
  - o Donate 30 percent of the monthly salary to all chairmen of the Boards of Commissioners, boards of bodies and authorities, and heads of official universities and those of their rank or salary.
  - o Donate 10 percent of the monthly salary of the second group of the higher category and those of their rank, members of the boards of any authority, the executive directors of any public official institution or public institution, general managers of government-owned companies or a government contributions management company, and faculty members in public universities.
  - o Donate 10 percent of the monthly salary to all employees working under comprehensive contracts for all bonuses whose monthly salaries exceed JD 2000.
- Halting several allowances and overtime bonuses for all employees covered by holiday announcements while working in the Defense Law, whose total salaries exceed JD 1300.

- Halting the allowances and the mobility allowance of government representatives on the boards of directors of companies to which they contribute or the company of government contributions management and its subsidiaries.
- Halting the thirteenth, fourteenth and fifteenth salaries in companies that are wholly owned by the government and the company of government contributions management and companies that have a percentage of 50 percent ownership by the government or the government contributions management company.
- Halting the monthly transportation allowances stipulated in the transportation system for all employees working in government ministries and departments or any council, authority, institution or public body affiliated with the government or in companies wholly owned by the government.
- Stopping the payment of monthly gasoline allocations for the vehicles of employees who use government vehicles.
- Withholding what you forgot 50 percent of the financial dues for users on the account of purchasing services or on the account of the reward or at the expense of any other items covered by holiday announcements while working in the Defense Law who do not receive pensions, and stopping the payment of dues for those who receive pensions.
- Halting appointments in all ministries, government departments, public official institutions, public institutions, authorities, authorities, and companies owned by the government, the Greater Amman Municipality and municipalities until the end of the year 2020.

**◆ March**

- The Energy and Minerals Regulatory Commission decided to maintain fuel price bands item at 10 fils, starting in March 2020, while continuing to exempt families consuming less than 300 kilowatts per month.

**◆ February**

- The Energy and Minerals Regulatory Commission decided to maintain fuel price bands item at 10 fils, starting in February 2020, while continuing to exempt families consuming less than 300 kilowatts per month.

**◆ January**

- The Energy and Minerals Regulatory Commission decided to maintain fuel price bands item at 10 fils, starting in January 2019, while continuing to exempt families consuming less than 300 kilowatts per month.
- The Cabinet decided to approve the revised instructions for the cost-of-living instructions for retirees for the year 2020, as follows:
  - Distracted to the military retired person shall from the rank of Lieutenant-Colonel and without an increase over his total pension by an amounts ranging from JD 25 to JD 30.
  - Distracted to the heirs of military retirees who retired or deceased on their job after 1/6/2010, by JD 20 distributed equally between heirs.
  - Distracted to the civil retired shall be paid an additional minimum of JD 10, and his retire must not be less than JD 300 on 1/1/2020.
  - This allowance is not paid to military retirees working in the government or in any council, authority, public institution, government-owned company, municipality, endowment department, or any other agency affiliated with it, nor are retired employees who are subsidiaries working in government agencies and official institutions.

- Based on the Cabinet decision in July 2018, concerning raising the special tax on hybrid vehicles annually by, the rate was raised by 5 percentage points to become 40 percent, starting from 1/1/2020 until 31/12/2020.
- The Cabinet decided to approve the revised instructions for the cost-of-living instructions for retirees for the year 1981, as follows:
  - Paying a bonus of no more than JD 100, a monthly subsidy, for each retired non-blind military needing someone who helps him to exercise his daily life, with a certificate from the Supreme Military Medical Committee.
  - Paying a bonus of no more than JD 220, a monthly subsidy, for each retired blind military who needs someone to help him in his daily life, with a certificate from the Supreme Military Medical Committee.
- The Cabinet decided to lower the general sales tax on 54 commodities to 2 percent, down from 4 percent, and lower the general sales tax on 22 commodities to 5 percent, down from 10 percent.

#### □ Grants, Loans and Other Agreements for 2020

##### ◆ August

- Signing a soft loan agreement with the Arab Fund for Economic and Social Development (AFESD) in the amount of KWD 30 million (USD 100 million), to finance and support government programmes to face the repercussions of the COVID-19 spread on the private sector.
- Signing Four agreement with the German Development Bank (KfW), as follow:
  - Additional European Union grant in the amount of EUR 6 million, provided by the Madad Fund to finance the second phase of an ongoing school construction programme.
  - Three additional financing agreements to water sector in the amount of EUR 2.2 million, includes grant for feasibility studies and a training component in the water sector.

- Signing a grant agreement provided by the World Bank in the amount of USD 8.8 million, to support Jordanian municipalities affected by the influx of Syrian refugees to scale-up their delivery of services and employment opportunities to Jordanians and Syrians. The grant will also contribute to offset the adverse impact of the COVID-19 pandemic on the delivery of municipal services in Jordan.

#### ◆ July

- Signing a grant agreement with the United States Agency for International Development (USAID) and the British International Development Agency (DFID) in the amount of USD 26 million, to support Jordanian families who were severely affected by the economic pressures resulting from the COVID-19 pandemic, through the National Aid Fund.
- Signing a grant agreement of with the Germany government in the amount of EUR 34 million, to fund the third and the forth phases of the School Construction Programme aims at upgrading the quality of primary education in Jordan.
- Signing a grant agreement of with the Japan government in the amount of Yen 400 million (USD 3.7 million), to support providing medical equipment, the public health system and strengthen the healthcare sector and fighting COVID-19, said Rabadi at a press conference.

#### ◆ May

- Signing the delivery and receipt certificate for the Chinese government to provide a consignment of preventive medical supplies for COVID-19 virus response of USD 0.75 million.
- Signing an additional grant agreement with the European Investment Bank in the amount of EUR 2.0 million, to support the Jordan Valley Water Resources Project. The grant is in the form of technical assistance from the bank's Economic Resilience Initiative (ERI).

- Signing a grant agreement with the King Abdullah bin Abdulaziz Islamic Relief Program, which is administered by the Islamic Development Bank, in the amount of USD 0.5 million, to provide medical supplies and equipment to the Ministry of Health as a COVID-19 virus response, by purchasing 12 artificial respirators and 50 beds for intensive care.
- Signing three development assistance agreements with the United States in the amount of USD 340.3 million. Within the framework of the US economic aid program to support Jordan in 2019.

**◆ May**

- Signing a grant agreement with the International Finance Corporation (IFC) worth USD 2.0 million to help promoting partnership projects between public and private sectors in the Kingdom in several sectors, such as transportation, water services, education, health care, and tourism.
- Signing a soft financing agreement with the Bank for Reconstruction and Development in the amount of USD 200 million to support the youth, technology and work project.

**◆ March**

- Signing a grant agreement with the United Nations High Commissioner for Refugees (UNHCR) in the amount of USD 2.48 million to support ministries and government institutions with providing services to Jordanian citizens and Syrian refugees, and to assist the government response to the COVID-19 pandemic.

## Fourth: External Sector

### □ Summary

- **Total merchandize exports** (domestic exports *plus* re-exports) increased by 0.9 percent in June 2020, compared to the same month of 2019 to reach JD 524.0 million. As for the first half of 2020, total merchandize exports decreased by 7.3 percent compared to the same period of 2019 to reach JD 2,523.3 million.
- **Merchandize imports** increased by 6.4 percent in June 2020, compared to the same month of 2019 to reach JD 1,033.0 million. As for the first half of 2020, Merchandize imports decreased by 18.0 percent compared to the same period of 2019 to reach JD 5,486.4 million.
- **Consequently**, the trade balance deficit (total exports minus imports) increased by 12.6 percent in June 2020 compared to the same month of 2019; standing at JD 509.0 million. As for the first half of 2020, the trade balance deficit decreased by 25.4 percent, compared to the same period of 2019 to reach JD 2,963.1 million.
- **Travel receipts** decreased by 63.7 percent during the first seven months of 2020, to register JD 818.9 million, compared to the same period of 2019. While, travel payments decreased by 67.1 percent during the first seven months of 2020, to register JD 204.8 million, compared to the same period of 2019.
- **Total workers' remittances receipts** decreased by 11.0 percent in July 2020 compared to the same month of 2019 to reach JD 212.6 million. As for the first seven months of 2020, total workers' remittances decreased by 9.8 percent, compared to the same period of 2019 to reach JD 1,384.1 million.
- **The current account of the balance of payments** (including grants) registered a deficit amounted to JD 309.2 million (4.2 percent of GDP) during the first quarter of 2020 compared to a deficit of JD 329.9 million (4.6 percent of GDP) during the same quarter of 2019. Meanwhile, the current account deficit excluding grants decreased to reach 5.2 percent of GDP during the first quarter of 2020, compared with 5.8 percent of GDP during the same quarter of 2019.

- **Net direct investment** recorded a net inflow of JD 214.9 million during the first quarter of 2020, compared to a net inflow of JD 183.5 million during the first quarter of 2019.
- **International investment position (IIP)** displayed a net obligation to abroad of JD 32,701.1 million at the end of the first quarter of 2020, compared to JD 32,793.7 million at the end of 2019.

#### □ External Trade

- As a result of the decrease in domestic exports by JD 81.0 million and the decrease in imports by JD 1,205.1 million during the first half of 2020, the volume of external trade (domestic exports *plus* imports) decreased by JD 1,286.1 million to stand at JD 7,698.0 million compared to the same period of 2019.

Jordan's Major Trading Partners JD Million				Main External Trade Indicators JD Million			
January- June				January- June			
	2019	2020	Percentage Change	2019	Percentage Change (%)	2020	Percentage Change (%)
<b>Exports</b>				<b>External Trade</b>			
USA	606.7	554.0	-8.7	8,984.1	-0.4	7,698.0	-14.3
Saudi Arabia	245.7	254.4	3.5	<b>Total Exports</b>			
India	239.5	237.8	-0.7	2,721.6	5.8	2,523.3	-7.3
Iraq	187.8	191.3	1.9	<b>Domestic Exports</b>			
UAE	61.3	94.5	54.2	2,292.6	5.9	2,211.6	-3.5
Kuwait	99.0	70.3	-29.0	<b>Re-exports</b>			
China	81.2	61.4	-24.4	429.0	5.2	311.7	-27.3
<b>Imports</b>				<b>Imports</b>			
China	1,034.0	830.7	-19.7	6,691.5	-2.5	5,486.4	-18.0
Saudi Arabia	1,128.2	773.2	-31.5	<b>Trade Balance</b>			
USA	607.9	454.2	-25.3	-3,969.9	-7.4	-2,963.1	-25.4
Germany	327.9	221.4	-32.5	Source: Department of Statistics.			
UAE	176.5	206.6	17.1				
Egypt	321.9	198.1	-38.5				
Turkey	185.5	180.9	-2.5				
Source: Department of Statistics.							

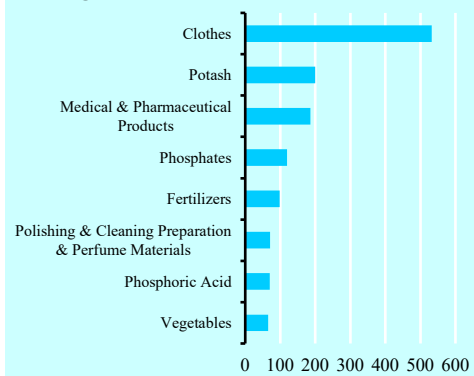


### ■ Merchandize Exports:

Total merchandize exports decreased by 7.3 percent during the first half of 2020, to reach JD 2,523.3 million. This decrease was a result of a decrease in domestic exports by JD 81.0

million, or 3.5 percent to reach JD 2,211.6 million and a decrease in re-exports by JD 117.3 million, or 27.3 percent to reach JD 311.7 million.

**Major Exports by Commodity  
During the first half of 2020, JD Million**



### ◆ The developments of domestic exports during the first half of 2020 compared with the same period of 2019 reveals the following:

- Exports of **clothes** decreased by JD 82.4 million or 13.4 percent to reach JD 532.0 million. It is worth noting that the USA market accounted for 87.9 percent of these exports.
- Exports of **Potash** decreased by JD 21.8 million, or 9.9 percent, to stand at JD 199.3 million. The markets of China, India and Malaysia accounted for 62.6 percent of these exports.
- Exports of “**Vegetables**” decreased by JD 14.8 million, or 18.5 percent, to reach JD 65.3 million. The markets of Saudi Arabia, Kuwait, the UAE and Bahrain accounted for 66.8 percent of these exports.

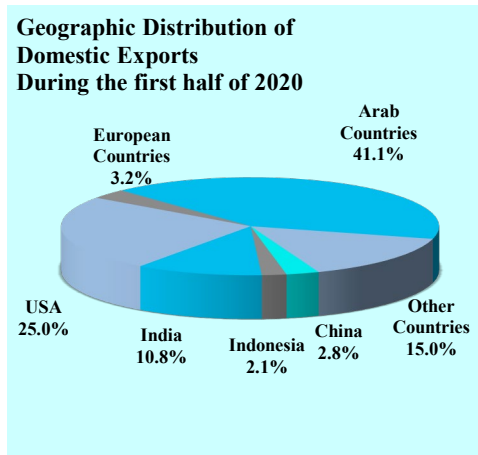
- Exports of “**Medical & Pharmaceutical Products**” decreased by JD 2.3 million, or 1.2 percent, to reach JD 186.3 million. Saudi Arabia, Iraq, the USA, and Algeria were the main destination markets; accounting for 65.2 percent of these exports.
- Exports of **Phosphoric Acid** increased by JD 16.8 million or 31.8 percent, to stand at JD 69.6 million. It is worth noting that India and Bangladesh accounted for 92.8 percent these exports.
- Exports of **Fertilizers** increased by JD 14.6 million or 17.5 percent to stand at JD 98.0 million. India, Bangladesh and Spain were the main destination markets for these exports, accounting for 72.8 percent.

**Major Domestic Exports by Commodity, JD Million**  
The first half, 2019-2020

	2019	2020	Percentage Change
<b>Domestic Exports</b>	<b>2,292.6</b>	<b>2,211.6</b>	<b>-3.5</b>
<b>Clothes</b>	<b>614.4</b>	<b>532.0</b>	<b>-13.4</b>
USA	547.1	467.5	-14.5
<b>Potash</b>	<b>221.1</b>	<b>199.3</b>	<b>-9.9</b>
China	76.8	56.2	-26.8
India	57.7	47.7	-17.3
Malaysia	15.5	20.9	34.8
<b>Medical &amp; Pharmaceutical Products</b>	<b>188.6</b>	<b>186.3</b>	<b>-1.2</b>
Saudi Arabia	45.5	48.0	5.5
Iraq	35.1	32.9	-6.3
USA	14.6	22.5	54.1
Algeria	20.7	18.0	-13.0
<b>Phosphates</b>	<b>116.9</b>	<b>119.1</b>	<b>1.9</b>
India	81.1	75.2	-7.3
Indonesia	27.7	33.8	22.0
<b>Fertilizers</b>	<b>83.4</b>	<b>98.0</b>	<b>17.5</b>
India	58.2	54.1	-7.0
Bangladesh	0.0	10.2	-
Spain	0.0	7.0	-
<b>Polishing &amp; Cleaning Preparation &amp; Perfume Materials</b>	<b>60.5</b>	<b>71.2</b>	<b>17.7</b>
Iraq	32.4	39.8	22.8
Saudi Arabia	13.2	11.5	-12.9
<b>Phosphoric Acid</b>	<b>52.8</b>	<b>69.6</b>	<b>31.8</b>
India	34.4	56.7	64.8
Bangladesh	2.9	7.9	172.4
<b>Vegetables</b>	<b>80.1</b>	<b>65.3</b>	<b>-18.5</b>
Saudi Arabia	19.2	13.4	-30.2
Kuwait	15.3	12.6	-17.6
UAE	13.0	9.9	-23.8
Bahrain	9.4	7.7	-18.1

Source: Department of Statistics.

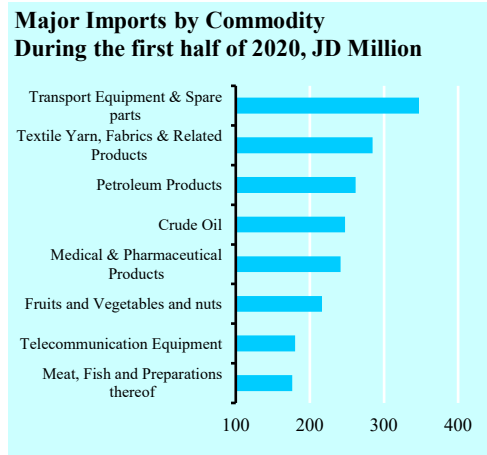
- Consequently, the commodity breakdown of domestic exports indicates that exports of Clothes, Potash, “Medical & Pharmaceutical



Products”, Phosphates, Fertilizers, “Polishing & Cleaning Preparation & Perfume Materials”, “Phosphoric Acid” and Vegetables topped the list of domestic exports during the first half of 2020; accounting for 60.6 percent, compared with 61.8percent during the same period of 2019 . Meanwhile, the geographical distribution of domestic exports indicates that the USA, Saudi Arabia, India, Iraq, the UAE, Kuwait, and China were the main destination markets during the first half of 2020; accounting for 66.2 percent, compared with 66.4 percent during the same period of 2019.

■ **Merchandise Imports:**

Merchandise imports decreased by 18.0 percent to reach JD 5,486.4 million during the first half of 2020, compared to a decrease by 2.5 percent during the same period of 2019.



◆ **The developments of imports during the first half of 2020 compared with the same period of 2019 reveals the following:**

- **Petroleum Products** imports decreased by JD 222.0 million or 45.9 percent to stand at JD 261.7 million. Saudi Arabia and the UAE were the main markets, accounting for 85.4 percent of these imports.
- **“Transport Equipment & Spare Parts”** imports decreased by JD 199.2 million or 36.5 percent to reach JD 347.1 million. South Korea, the USA, Japan and Germany were the main origin markets, accounting for 63.8 percent of these imports.
- **Crude oil** imports decreased by JD 134.5 million, or 35.2 percent, to reach JD 247.5 million. Saudi Arabia and Iraq, were the main origin markets accounting for 100.0 percent of these imports.

- “Textile Yarn, Fabrics and Related Products” imports decreased by JD 77.4 million or 21.4 percent to reach JD 284.8 million. China, Taiwan and Turkey were the main markets, accounting for 72.8 percent of these imports.

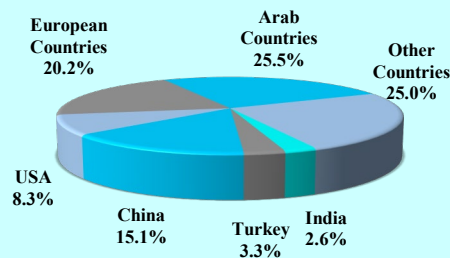
“Telecommunication equipment” imports decreased by JD 41.5 million or 18.7 percent to reach JD 180.0 million. China, Vietnam and India were the main markets accounting for 90.1 percent of these imports.
- “Medical & Pharmaceutical Products” imports increased by JD 44.2 million or 22.4 percent to reach JD 241.5 million. Germany, the USA and Switzerland were the main origin markets accounting for 33.3 percent of these imports.

Major Imports by Commodity, JD Million			
The first half, 2019-2020			
	2019	2020	Percentage Change
<b>Total Imports</b>	<b>6,691.5</b>	<b>5,486.4</b>	<b>-18.0</b>
<b>Transport Equipment &amp; Spare Parts</b>	<b>546.3</b>	<b>347.1</b>	<b>-36.5</b>
South Korea	72.7	62.2	-14.4
USA	133.8	58.0	-56.7
Japan	74.8	55.1	-26.3
Germany	83.3	46.0	-44.8
<b>Textile Yarn, Fabrics and Related Products</b>	<b>362.2</b>	<b>284.8</b>	<b>-21.4</b>
China	166.8	118.6	-28.9
Taiwan	85.6	64.3	-24.9
Turkey	24.7	24.5	-0.8
<b>Petroleum Products</b>	<b>483.7</b>	<b>261.7</b>	<b>-45.9</b>
Saudi Arabia	244.6	197.9	-19.1
UAE	2.9	25.5	779.3
<b>Crude Oil</b>	<b>382.0</b>	<b>247.5</b>	<b>-35.2</b>
Saudi Arabia	382.0	225.0	-41.1
Iraq	0.0	22.5	-
<b>Medical &amp; Pharmaceutical Products</b>	<b>197.3</b>	<b>241.5</b>	<b>22.4</b>
Germany	26.2	37.6	43.5
USA	20.2	24.3	20.3
Switzerland	9.1	18.6	104.4
<b>Vegetables &amp; fruits and nuts</b>	<b>188.4</b>	<b>216.2</b>	<b>14.8</b>
Egypt	31.1	40.0	28.6
USA	31.0	27.7	-10.6
Saudi Arabia	17.8	13.3	-25.3
<b>Telecommunication equipment</b>	<b>221.5</b>	<b>180.0</b>	<b>-18.7</b>
China	122.8	135.5	10.3
Vietnam	61.8	18.8	-69.6
India	16.7	7.9	-52.7
<b>Meat, Fish and preparations thereof</b>	<b>170.5</b>	<b>176.0</b>	<b>3.2</b>
Barazil	50.3	42.8	-14.9
Australia	27.2	24.3	-10.7
New Zealand	15.0	21.6	44.0

Source: Department of Statistics.

- Consequently, the commodity composition of imports indicates that “Transport Equipment and Spare Part”, “Textile Yarn, Fabrics and Related Products”, Petroleum Products, Crude Oil, “Medical & Pharmaceutical Products”, Vegetables and fruits and nuts”,

**Geographic Distribution of Imports During the first half of 2020**



“Telecommunication equipment” and “Meat, Fish and preparations thereof” topped the list of imports during the first half of 2020, accounting for 35.6 percent, compared with 38.1 percent during the same period of 2019. Meanwhile, the geographical distribution of imports indicates that China, Saudi Arabia, the USA, Germany, the UAE, Egypt and Turkey, were the main source markets during the first half of 2020; accounting for 52.2 percent of imports, compared to 56.5 percent during the same period of 2019.

#### ■ Re-Exports

The value of re-exported goods in June 2020 increased by JD 0.8 million, or 1.2 percent, compared to the same month of 2019, to stand at JD 65.2 million. As for the first half of 2020, re-exports decreased by JD 117.3 million, or 27.3 percent compared to the same period of 2019 to reach JD 311.7 million.

#### ■ Trade Balance

The trade balance deficit increased by JD 56.8 million, or 12.6 percent in June 2020 compared to the same month of 2019, to reach JD 509.0 million. As for the first half of 2020, the trade balance deficit decreased by JD 1,006.8 million, or 25.4 percent compared to the same period of 2019, to reach JD 2,963.1 million.

### □ Total Workers' Remittances Receipts

Total workers' remittances receipts decreased by 11.0 percent in July 2020 compared to the same month of 2019, to register JD 212.6 million. As for the first seven months of 2020, total workers' remittances decreased by JD 151.2 million or 9.8 percent, to register JD 1,384.1 million, compared to the same period of 2019.

### □ Travel

#### ■ Receipts

Travel receipts decreased by 63.7 percent during the first seven months of 2020, to register JD 818.9 million, compared to the same period of 2019.

#### ■ Payments

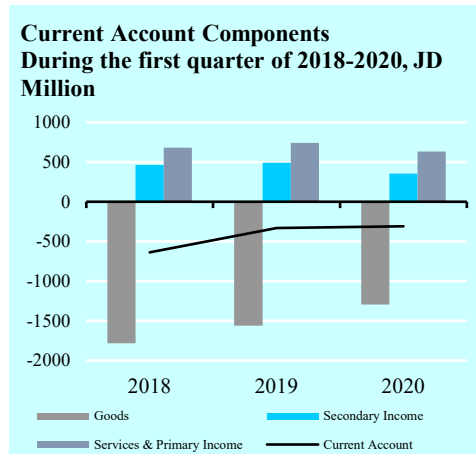
Travel payments decreased by 67.1 percent during the first seven months of 2020, to register JD 204.8 million, compared to the same period of 2019.

### □ Balance of Payments

The preliminary data for the balance of payments during the first quarter of 2020 reveals the following:

- The current account recorded a deficit of JD 309.2 million (4.2 percent of GDP) compared to a deficit of JD 329.9 million (4.6 percent of GDP) during the same quarter of 2019. Meanwhile, the current account deficit excluding grants decreased to reach JD 387.5 million (5.2 percent of GDP) compared to JD 419.2 million (5.8 percent of GDP) during the same quarter of 2019. This was an outcome of the following developments:

- ◆ A decrease in the goods balance deficit by JD 264.5 million, or 17.0 percent, to reach JD 1,295.0 million compared to JD 1,559.5 million during the same quarter of 2019.



- ◆ A decrease in the services account surplus 2018 by JD 80.2 million, to reach JD 348.8 million compared to the same quarter of 2019.
- ◆ A decrease in the primary income account surplus by JD 54.2 million, to reach JD 6.3 million compared to a surplus of JD 60.5 million during the same quarter of 2019. This was mainly due to increase in deficit of the investment income (net) by JD 43.9 million, and decrease in the surplus of “compensation of employees (net)” by JD 2.2 million to reach JD 50.2 million.
- ◆ A decrease in the secondary income surplus by JD 109.4 million to reach JD 630.7 million compared to JD 740.1 million the same quarter of 2019, this was a result of the decrease in net transfers of the public sector (foreign grants) by JD 11.0 million to reach JD 78.3 million, and the decrease in the net surplus transfer of other sectors transfers (net) by JD 98.4 million to reach JD 552.4 million.



- As for the capital and financial account during the first quarter of 2020, the capital account registered a net inflow of JD 14.0 million compared to a net inflow of JD 4.0 million during the same quarter of 2019. Meanwhile, the financial account registered a net inflow of JD 122.9 million during the first quarter of 2020 compared to a net inflow of JD 612.0 million during the same quarter of 2019, this could be attributed to the following:
  - ◆ Direct investment recorded a net inflow of JD 214.9 million compared to a net inflow of JD 183.5 million.
  - ◆ Portfolio investment recorded a net outflow of JD 42.1 million compared to a net outflow of JD 134.6 million.
  - ◆ Other investment registered a net inflow of JD 57.2 million compared to a net inflow of JD 379.9 million.
  - ◆ An increase in the reserve assets of the CBJ by JD 107.1 million, compared to a decrease of JD 183.2 million.

#### □ 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 32,701.1 million at the end of the first quarter of 2020 compared to JD 32,793.7 million at the end of 2019. This was due to the following developments:

- An increase in the position of external assets (the stock of claims, obligations and financial assets) for all economic sectors (residing) in the Kingdom by JD 219.7 million at the end of the first quarter of 2020 to reach JD 18,732.4 million. This was mainly due to the increase in the CBJ's reserve assets by JD 172.0 million and increase in the currency and deposits of the licensed banks abroad by JD 66.6 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 126.9 million at the end of the first quarter of 2020 to reach JD 51,433.5 million, this was due to the following developments:
  - ◆ An increase in the stock of direct investment in the kingdom by JD 127.1 million or 0.5 percent, to stand at JD 25,773.3 million.
  - ◆ An increase of government long term loans by JD 123.3 million or 2.3 percent, to stand at JD 5,374.5 million.
  - ◆ An increase of other sectors long term loans by JD 71.0 million or 3.4 percent, to stand at JD 2,168.4 million.
  - ◆ An increase in the balance of the international monetary fund credit facilities by JD 43.4 million or 12.1 percent, to reach JD 401.9 million.
  - ◆ A decrease in the deposits of non-residents at the banking sector by JD 178.7 million or 1.9 percent to stand at JD 9,082.4 million (decrease by JD 50.6 million for the licensed banks and decrease by JD 128.1 million for the CBJ).
  - ◆ A decrease in the stock of portfolio investment in the kingdom by JD 71.7 million or 1.0 percent, to stand at JD 7,090.2 million.
  - ◆ A decrease of trade credits to residents in the kingdom by JD 26.5 million or 3.3 percent, to stand at JD 779.1 million.