



Central Bank of Jordan

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

**Research Dept / Monthly Report  
August, 2018**

**Central Bank of Jordan**

Tel: (962 6) 4630301

Fax: (962 6) 4638889 / 4639730

P.O. Box 37 Amman 11118 Jordan

Website: <http://www.cbj.gov.jo>

E-mail [redp@cbj.gov.jo](mailto:redp@cbj.gov.jo)



#### **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 |



## **Contents**

**Executive Summary**

**1**

**First**

**Monetary & Financial  
Sector**

**3**

**Second**

**Output, Prices and  
Employment**

**15**

**Third**

**Public Finance**

**23**

**Fourth**

**External Sector**

**39**



### 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 seven months of 2018 by 4.5 percent, compared to a rise of 3.4 percent in the same period of 2017. Furthermore, the unemployment rate increased during the second quarter of 2018 to stand at 18.7 percent compared to 18.0 percent during the same quarter of 2017.

#### □ Monetary and Financial Sector

- The CBJ's gross foreign reserves (including gold and SDRs) amounted to US\$ 12,579.0 million at the end of July 2018. This level of reserves covers around 6.9 months of the kingdom's imports of goods and services.
- Domestic liquidity amounted to JD 33,504.9 million at the end of July 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 25,794.3 million at the end of July 2018, compared to JD 24,736.8 million at the end of 2017.
- Total deposits at licensed banks amounted to JD 33,758.8 million at the end of July 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 2,007.8 points at the end of July 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 661.4 million (4.7 percent of GDP) in the first half of 2018, compared to a fiscal deficit of JD 302.0 million (2.2 percent of GDP) in the same period of 2017. Gross outstanding domestic public debt (budgetary and own-budget) increased by JD 968.6 million at the end of June 2018 compared to its level at the end of 2017, standing at JD 16,370.7 million (56.3 percent of GDP). However, outstanding external public debt (budget and guaranteed) went down by JD 307.5 million at the end of June 2018, compared to its level at the end of 2017, to reach JD 11,559.7 million (39.8 percent of GDP). Accordingly, gross public debt (domestic and external) stood at 96.1 percent of GDP at the end of June 2018, compared to 95.9 percent of GDP at the end of 2017.
- **External Sector:** Total merchandize exports (domestic exports *plus* re-exports) increased by 2.0 percent during the first half of 2018 to reach JD 2,549.7 million. Meanwhile, merchandize imports decreased by 2.5 percent to reach JD 6,851.9 million. As a result, the trade balance deficit decreased by 5.0 percent compared to the same period of 2017, to reach JD 4,302.2 million. The preliminary data for the first seven months of 2018 showed an increase in travel receipts by 13.7 percent and a decrease in travel payments by 2.7 percent compared to the same period of 2017. Moreover, total workers' remittances receipts decreased by 0.9 percent in the first seven months 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\$ 12,579.0 million at the end of July 2018. This level of reserves covers around 6.9 months of the kingdom's imports of goods and services.
- Domestic liquidity amounted to JD 33,504.9 million at the end of July 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 25,794.3 million at the end of July 2018, compared to JD 24,736.8 million at the end of 2017.
- Total deposits at licensed banks amounted to JD 33,758.8 million at the end of July 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 July 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 July 2018 except the interest rate on loans and advances which had increased, 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 2,007.8 points at the end of July 2018, compared to 2,126.8 points at the end of 2017. Moreover, the market capitalization reached JD 16,815.1 million at the end of July 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

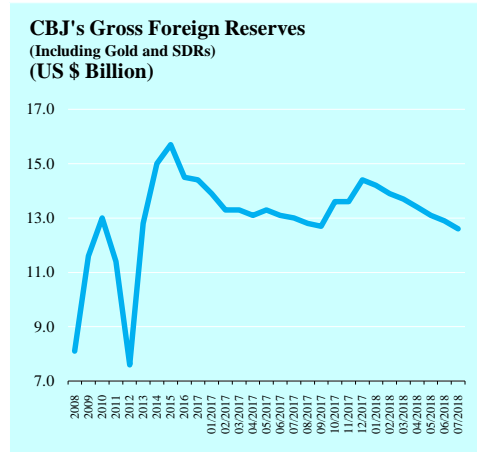
		End of July	
2017		2017	2018
US\$ 14,391.8	CBJ's Foreign Reserves*	US\$ 12,981.7	US\$ 12,579.0
-0.7%		-10.5%	-12.6%
32,957.6	Money Supply (M2)	32,700.3	33,504.9
0.2%		-0.5%	1.7%
24,736.8	Credit Facilities, of which:	24,085.7	25,794.3
8.0%		5.2%	4.3%
21,747.1	Private Sector (Resident)	21,064.5	22,622.1
9.3%		5.8%	4.0%
33,197.7	Total Deposits, of which:	32,810.6	33,758.8
0.9%		-0.3%	1.7%
25,642.2	In JD	25,564.3	25,704.5
-1.3%		-1.6%	0.2%
7,555.5	In Foreign Currencies	7,246.3	8,054.3
9.0%		4.5%	6.6%
26,916.3	Deposits of Private Sector (Resident), of which:	26,516.9	27,065.7
-0.1%		-1.6%	0.6%
21,258.2	In JD	21,145.9	21,059.2
-1.5%		-2.0%	-0.9%
5,658.1	In Foreign Currencies	5,371.0	6,006.5
5.2%		-0.2%	6.2%

\* 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\$ 12,579.0 million at the end of July 2018. This level of reserves covers around 6.9 months of the kingdom's imports of goods and services.



### □ Domestic Liquidity (M2)

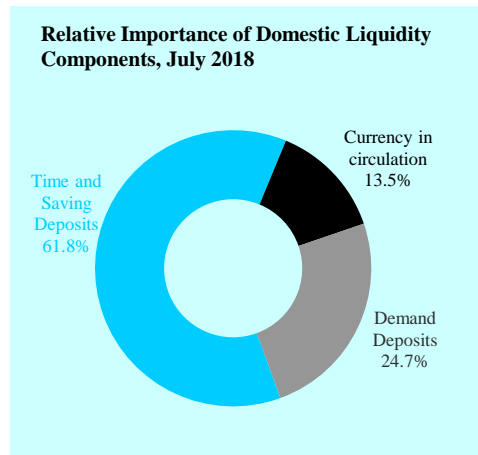
- Domestic liquidity amounted to JD 33.5 billion at the end of July 2018, compared to JD 33.0 billion at the end of 2017.

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

- **Components of Domestic Liquidity**

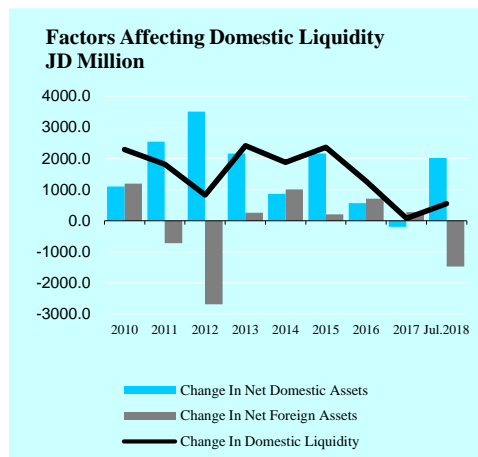
- Total liquidity deposits amounted to JD 29.0 billion at the end of July 2018, compared to JD 28.3 billion at the end of July 2017, and JD 28.6 billion at the end of 2017.

- Currency in circulation amounted to JD 4.5 billion at the end of July 2018, compared to JD 4.4 billion at the end of July 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 25.9 billion at the end of July 2018, compared to JD 24.9 billion at the end of July 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 July 2018, compared to JD 7.8 billion at the end of July 2017, and JD 9.1 billion at the end of 2017. The net foreign assets of the CBJ amounted to JD 9.2 billion at the end of July 2018.

#### Factors Affecting Domestic Liquidity (M2) JD Million

2017		End of July	
		2017	2018
<b>9,122.6</b>	<b>Foreign Assets (Net)</b>	<b>7,829.6</b>	<b>7,649.5</b>
10,260.0	CBJ	9,031.8	9,197.1
-1,137.4	Licensed Banks	-1,202.2	-1,547.6
<b>23,835.0</b>	<b>Domestic Assets (Net)</b>	<b>24,870.7</b>	<b>25,855.4</b>
-5,398.5	CBJ, of which:	-4,134.8	-4,173.0
653.1	Claims on Public Sector (Net)	1,290.3	816.1
-6,074.5	Other Items (Net*)	-5,448.0	-5,012.0
29,233.6	Licensed Banks	29,005.6	30,028.4
9,336.7	Claims on Public Sector (Net)	9,840.0	9,925.5
22,502.9	Claims on Private Sector	21,797.4	23,344.9
-2,606.0	Other Items (Net)	-2,632.0	-3,242.0
<b>32,957.6</b>	<b>Money Supply (M2)</b>	<b>32,700.3</b>	<b>33,504.9</b>
<b>4,326.5</b>	<b>Currency in Circulation</b>	<b>4,408.7</b>	<b>4,531.1</b>
<b>28,631.1</b>	<b>Total Deposits, of which:</b>	<b>28,291.6</b>	<b>28,973.8</b>
5,696.5	In Foreign Currencies	5,406.2	6,064.9

\* 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 19<sup>th</sup>, 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.

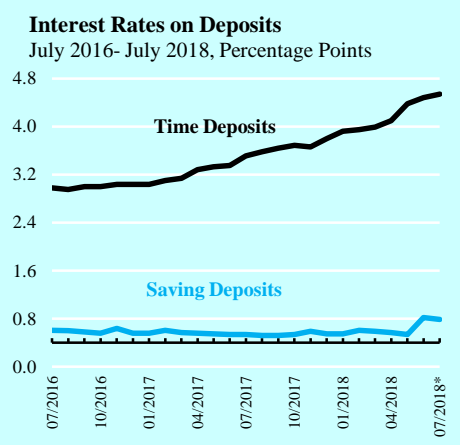
Interest Rates on Monetary Policy Instruments, percentage points			
		July	
2017		2017	2018
4.00	CBJ main rate	3.75	4.25
5.00	Re-discount Rate	4.75	5.25
4.75	Repurchase Agreements Rate (overnight)	4.50	5.00
3.00	Overnight Deposit Window Rate	2.75	3.50
4.00	Repurchase Agreements rate (one week and one month)	3.75	4.25
4.00	Certificates of Deposits (one week)	3.75	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 6 basis points at the end of July 2018, compared to its level in the previous month, to stand at 4.54 percent. This rate is higher by 74 basis points than its level at the end of 2017.

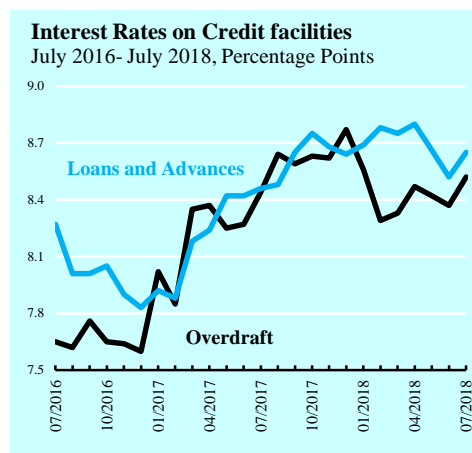


- Saving Deposits: The weighted average interest rate on saving deposits at the end of July 2018 decreased by 3 basis points, compared to its level registered in the previous month, to stand at 0.79 percent. This rate is higher by 24 basis points than its level registered at the end of 2017.

- Demand Deposits: The weighted average interest rate on demand deposits increased by two basis points at the end of July 2018, compared to its level registered in the previous month, to stand at 0.44 percent. This rate is higher by 10 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 increased by 15 basis points at the end of July 2018, compared to its level registered in the previous month, to stand at 8.52 percent. This rate is lower by 25 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” increased by 39 basis points at the end of July 2018, compared to its level registered in the previous month, to stand at 10.05 percent. This rate is lower by 18 basis points than its level registered at the end of 2017.

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

2017		July		Change Relative to the Preceding Year Basis Points
		2017	2018	
<b>Deposits</b>				
0.34	Demand	0.26	0.44	10
0.55	Saving	0.54	0.79	24
3.80	Time	3.51	4.54	74
<b>Credit Facilities</b>				
10.23	Discounted Bills and Bonds	10.21	10.05	-18
8.64	Loans and Advances	8.46	8.65	1
8.77	Overdraft	8.44	8.52	-25
8.83	Prime Lending Rate	8.74	9.44	61

Source: Central Bank of Jordan / Monthly Statistical Bulletin.

- Loans and Advances: The weighted average interest rate on “loans and advances” increased by 13 basis points at the end of July 2018, compared to its level registered in the previous month, to stand at 8.65 percent. This rate is higher by one basis point than its level registered at the end of 2017.
- The prime lending rate stood at 9.44 percent at the end of July 2018, which is higher by 3 basis points than its level registered in the previous month. This rate is higher by 61 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 1,057.5 million, or 4.3 percent, at the end of July 2018, compared to its level at the end of 2017, against an increase of JD 1,179.9 million, or 5.2 percent, during the same period in 2017.



- In terms of borrowers, the credit facilities at the end of July 2018 had shown an increase in credit extended to the private sector (resident) by JD 875.0 million, or 4.0 percent, the private sector (non-resident) by JD 101.9 million, or 20.4 percent, the public institutions by JD 43.6 million, or 12.2 percent, the central government by JD 31.5 million, or 1.5 percent, the financial institutions by JD 5.5 million, or 32.4 percent, compared to their levels at the end of 2017

#### □ Deposits at Licensed Banks

- Total deposits at licensed banks stood at JD 33,758.8 million at the end of July 2018, increasing by JD 561.1 million, or 1.7 percent, compared to its level at the end of 2017, against a decrease of JD 89.4 million, or 0.3 percent, during the same period in 2017.
- The currency composition of deposits at the end of July 2018 revealed that the JD deposits amounted to JD 25.7 billion, and the deposits in foreign currency amounted to JD 8.1 billion, compared to JD 25.6 billion of JD deposits, and JD 7.2 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 seven months of 2018, compared to 2017. This can be demonstrated as follows:

■ **Trading Volume**

Trading volume at ASE totaled JD 105.5 million in July 2018, increasing by JD 30.6 million, or 40.9 percent, compared to its level registered in the previous month, against an increase of JD 41.4 million or 30.0 percent during the same month in 2017. As for the first seven months of 2018, the trading volume decreased by JD 1,465.4 million, compared to the same period in 2017, to reach JD 886.6 million.

■ **Traded Shares**

The number of traded shares in July 2018 totaled 72.6 million shares, increasing by 12.3 million shares, or 20.3 percent, compared to its level registered in the previous month, against an increase by 50.8 million shares during the same month in 2017. As for the first seven months of 2018, the number traded shares amounted to 676.6 million shares, compared to 1,205.3 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 62.6 points, or 3 percent, at the end of June 2018, compared to its level registered in the previous month, to stand at 2,007.8

points, against a decrease of 27.6 points, or 1.3 percent, during the same month in 2017. Furthermore, the SPI decreased by 119.0 points, or 5.6 percent, at the end of the first seven months of 2018, compared to its level at the end of 2017, against a decrease of 30.5 points, or 1.4 percent during the same period in 2017. The aforementioned decrease was an outcome of the decrease in the SPI of the industrial sector by 203.9 points, or 9.1 percent, the financial sector by 117.2 points, or 4.1 percent, and the services sector by 103.0 points, or 7.1 percent, compared to their levels at the end of 2017.

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

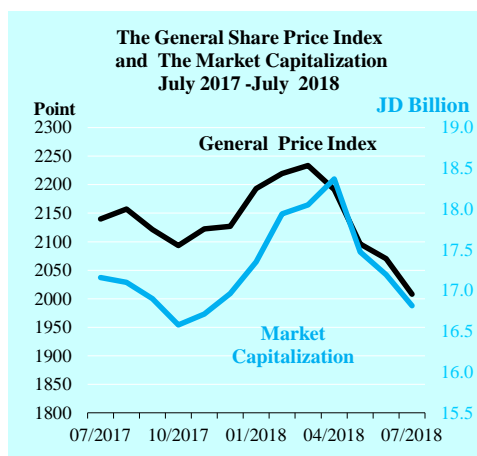
		July	
2017		2017	2018
2,126.8	<b>General Index</b>	2,139.8	2,007.8
2,881.5	Financial Sector	2,920.6	2,764.3
2,229.5	Industrial Sector	2,087.2	2,025.6
1,449.7	Services Sector	1,514.8	1,346.7

Source: Amman Stock Exchange.

### ■ Market Capitalization

The ASE's market capitalization totaled JD 16.8 billion at the end of July 2018, decreasing by JD 380.8 million, or 2.2 percent, compared to its level registered in the previous month, against a decrease of JD 127.6 million, or 0.7 percent, during the same month in 2017. As for the first seven months of 2018, the market capitalization

decreased by JD 147.5 million, or 0.9 percent, compared to a decrease of JD 180.1 million, or 1.0 percent, during the same period in 2017.



### ■ Non - Jordanian Net Investment

Non-Jordanian net investment at ASE recorded an inflow amounting to JD 30 million in July 2018, compared to an inflow of JD 13 million during the same month in 2017. The value of shares buying by non-Jordanian in July 2018 amounted to JD 39.9 million, while their selling amounted to JD 9.9 million. As for the first seven months of 2018, non-Jordanian net investment recorded an inflow of JD 16.3 million, compared to an outflow of JD 344.7 million, during the same period in 2017.

**Main Amman Stock Exchange Trading Indicators, JD Million**

2017		July	
		2017	2018
2,926.2	Value Traded	179.4	105.5
11.8	Average Daily Trading	8.2	4.6
16,962.6	Market Capitalization	17,159.3	16,815.1
1,716.7	No. of Traded Shares (million)	148.7	72.6
-334.3	Net Investment of Non-Jordanian	13.0	30.0
995.0	Non-Jordanian Buying	48.3	39.9
1,329.2	Non-Jordanian Selling	35.3	9.9

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 seven months of 2018 by 4.5 percent, compared to a rise of 3.4 percent during the same period of 2017.
- The unemployment rate increased during the second quarter of 2018 to stand at 18.7 percent (16.6 percent for males and 26.8 percent for females), compared to 18.0 percent (13.4 percent for males and 33.9 percent for females) during the same quarter of 2017. The highest unemployment rate among youth reached 42.1 percent for the categories of 15-19 years old, and 37.7 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
<b>2016</b>					
GDP at Constant Market Prices	2.3	1.9	1.8	2.0	<b>2.0</b>
GDP at Current Market Prices	3.8	3.2	2.6	2.7	<b>3.0</b>
<b>2017</b>					
GDP at Constant Market Prices	2.2	2.0	1.9	1.8	<b>2.0</b>
GDP at Current Market Prices	3.9	3.4	3.8	3.6	<b>3.7</b>
<b>2018</b>					
GDP at Constant Market Prices	1.9	-	-	-	-
GDP at Current Market Prices	3.9	-	-	-	-

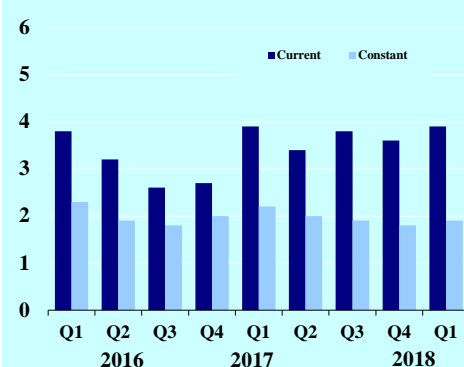
Source: Department of Statistics.

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
<b>GDP At Constant Market Prices</b>	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” (10.4 percent), “number of passengers through Royal Jordanian” (5.9 percent) and “mining and quarrying production quantity index” (1.8 percent). However, other indicators showed a contraction, particularly; “value traded at the real estate market” (12.9 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	12.2	Jan. –May	-6.3
-2.4	Manufacturing production quantity index	-4.6		-7.6
-4.9	Food products and beverages	-5.5		-23.9
-3.1	Tobacco products	-21.2		5.0
-7.3	Refined petroleum products	1.5		-19.6
-6.3	Wearing apparel	9.9		-18.2
1.9	Non-metallic mineral products	-2.4		1.0
0.3	Chemical products	-14.1		34.6
13.4	“Mining and quarrying” production quantity index	26.4		1.8
-13.8	Extraction of crude petroleum and natural gas	-13.5		-6.5
13.6	Other mining and quarrying	25.1	1.9	
7.3	Number of departures	8.1	Jan. –Jun.	6.0
6.9	Number of passengers through Royal Jordanian	4.2		5.9
8.4	Cargo through Royal Jordanian	1.1		10.4
-14.1	Value traded at the real estate market	-16.5	Jan. –Aug.	-12.9

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

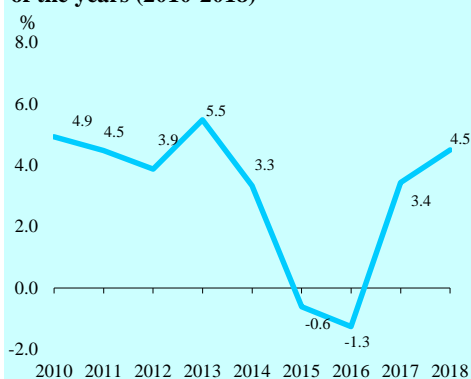


## Prices

The general price level, measured by the percentage change in CPI, increased by 4.5 percent during the first seven months of 2018, compared to a rise of 3.4 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 seven months of 2018:

- “Cereals and products” prices increased by 19.5 percent compared to a contraction by 0.3 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 seven months of the years (2010-2018)**



**Inflation rate during the first seven months of the years 2017 – 2018**

Expenditure Groups	Relative Imp.	Relative change		Contribution	
		Jan-Jul 2017	Jan-Jul 2018	Jan-Jul 2017	Jan-Jul 2018
All Items	100.00	3.4	4.5	3.4	4.5
1) Food and non-Alcoholic Beverages	33.36	-0.6	3.0	-0.2	0.9
Food	30.51	-0.8	3.0	-0.2	0.8
Cereals and Products	4.99	-0.3	19.5	0.0	0.8
Meat and Poultry	8.24	-6.7	1.7	-0.5	0.1
Dairy Products and Eggs	4.23	-0.4	0.1	0.0	0.0
Oil and Fats	1.92	3.3	4.9	0.1	0.1
Fruits and Nuts	2.73	-4.3	1.6	-0.1	0.0
Vegetables and Legumes Dry and Canned	3.89	9.0	-6.5	0.3	-0.2
2) Alcohol and Tobacco and Cigarettes	4.43	8.7	15.3	0.4	0.7
3) Clothing and footwear	3.55	-2.4	-1.7	-0.1	-0.1
4) Housing	21.92	2.7	3.5	0.6	0.8
Rents	15.57	2.3	2.8	0.4	0.5
Fuels and Lighting	4.85	3.1	7.3	0.1	0.3
5) Household Furnishings and Equipment	4.19	1.4	2.0	0.1	0.1
6) Health	2.21	9.0	6.7	0.2	0.2
7) Transportation	13.58	13.5	10.4	1.7	1.4
8) Communication	3.50	1.6	0.3	0.0	0.0
9) Culture and Recreation	2.27	9.3	2.2	0.2	0.1
10) Education	5.41	3.6	2.5	0.2	0.1
11) Restaurants and Hotels	1.83	0.3	6.9	0.0	0.1
12) Other Goods and Services	3.75	6.9	2.4	0.3	0.1

Source: Department of Statistics.

- “Tobacco and cigarettes” prices increased significantly by 15.4 percent compared to a rise of 8.7 percent during the first seven months 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 3.5 percent compared to a rise of 2.7 percent during the first seven months 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 2.3 percent during the first seven months of 2017 and increase in the prices of “fuels and lighting” item by 7.3 percent compared to an increase of 3.1 percent.
- Transportation prices increased by 10.4 percent compared to an increase by 13.5 percent, during the first seven months of 2017. This increase was attributed to the government’s decision to raise public transport fees by (10 percent) as of February 2018.

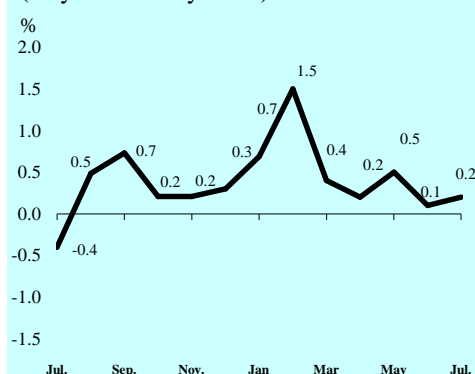
The above groups and items have collectively raised inflation rate during the first seven months of 2018 by 3.8 percentage points, compared to a contribution of 2.7 percentage points during the same period of 2017.

In contrast, prices of other groups and items showed varied contractions, mainly; “vegetables and legumes dry and canned” (6.5 percent), “clothing and footwear” (1.7 percent).

In July 2018, the CPI witnessed an increase compared to June 2018 by 0.2 percent. This was due to the increase in the prices of some groups and items, mainly; “vegetables and legumes dry and canned” (9.7 percent), “Fuels and lighting” (2.3 percent), and the decrease “meat and poultry” (3.9 percent), “clothing” (0.8 percent).

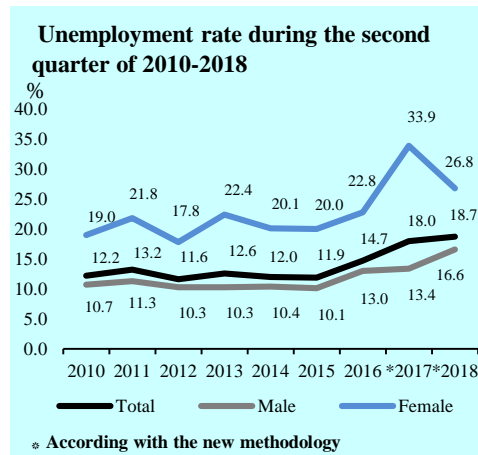
**Monthly Inflation Rate**

(July 2017 - July 2018)



### □ Labor Market

- The unemployment rate reached 18.7 percent (16.6 percent for males, and 26.8 percent for females) during the second quarter of 2018, compared to 18.0 percent (13.4 percent for males and 33.9 percent for females) during the same quarter of 2017.
- The unemployment among youth remains high at 42.1 percent for the categories of 15-19 years old and 37.7 percent for those between 20-24 years.
- The unemployment rate among academic degree holders (Bachelor and higher) reached 23.5 percent during the second quarter of 2018.
- The refined economic participation rate (the ratio of the labor force to the population of 15 years and over), was 35.7 percent (55.3 percent for males, and 15.3 percent for females), compared to 38.8 percent (59.4 percent for males and 17.7 percent for females) during the same quarter of 2017.
- The employment rate among population (15 years and older) reached 29.0 percent.





### Third: Public Finance

#### □ Summary:

- The general budget, including foreign grants, recorded a fiscal deficit in the amount of JD 661.4 million (4.7 percent of GDP) in the first half of 2018, comparing to a fiscal deficit of JD 302.0 million (2.2 percent of GDP) during the same period in 2017. When excluding foreign grants (JD 78.4 million), the general budget deficit widens to reach JD 739.8 million (5.2 percent of GDP), compared to a deficit of JD 420.2 million (3.0 percent of GDP) during the same period in 2017.
- Gross outstanding domestic public debt (budgetary and own-budget) increased by JD 968.6 million at the end of June 2018, compared to its level at the end of 2017, to reach JD 16,370.7 million (56.3 percent of GDP).
- Outstanding external public debt (budget and guaranteed) went down by JD 307.5 million at the end of June 2018, compared to its level at the end of 2017, to stand at JD 11,559.7 million (39.8 percent of GDP).

- As a result, gross outstanding public debt (domestic and external) rose by JD 661.1 million to reach JD 27,930.4 million (96.1 percent of GDP) at the end of June 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 467.3 million at the end of June 2018, compared to the end of 2017, to reach JD 1,366.2 million.
- Accordingly, net outstanding domestic public debt increased by JD 1,436.0 million to reach JD 15,004.6 million (51.6 percent of GDP) at the end of June 2018. Moreover, net outstanding public debt increased by JD 1,128.5 million to reach JD 26,564.3 million (91.4 percent of GDP).

□ **The performance of the general budget during the first half of 2018 compared to the same period of 2017:**

■ **Public Revenues**

Public revenues (domestic revenues *plus* foreign grants) went down by JD 69.7 million, or 14.0 percent, in June 2018 compared to the same month in 2017, to stand at JD 427.2 million. As for the first half of 2018, public revenues went down by JD 9.4 million, or 0.3 percent, compared to the same period in 2017 to stand at JD 3,437.6 million. This came as a result of the increase in domestic revenues by JD 30.4 million, and the decrease in foreign grants by JD 39.8 million.

**Main Government Budget indicators during the first half of 2018:**

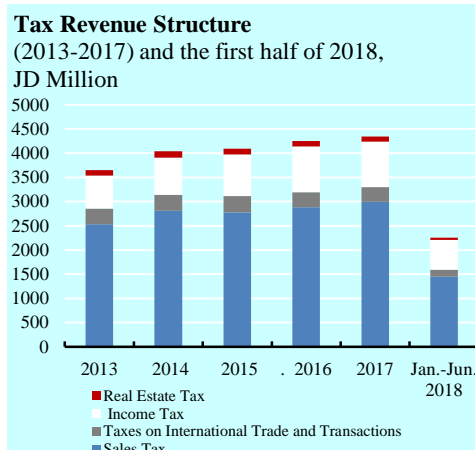
(JD Million and Percentages)

	June		Growth Rate	Jan. – June		Growth Rate
	2017	2018		2017	2018	
<b>Total Revenues and Grants</b>	<b>496.9</b>	<b>427.2</b>	<b>-14.0</b>	<b>3,447.0</b>	<b>3,437.6</b>	<b>-0.3</b>
Domestic Revenues, of which:	477.2	426.7	-10.6	3,328.8	3,359.2	0.9
Tax Revenues, of which:	281.8	276.3	-2.0	2,247.9	2,253.5	0.2
General Sales Tax	221.3	215.9	-2.4	1,407.4	1,446.3	2.8
Other Revenues	194.6	149.4	-23.2	1,075.4	1,100.6	2.3
Foreign Grants	19.7	0.5	-97.5	118.2	78.4	-33.7
<b>Total Expenditures, of which:</b>	<b>472.7</b>	<b>653.4</b>	<b>38.2</b>	<b>3,749.0</b>	<b>4,099.0</b>	<b>9.3</b>
Capital Expenditures	22.8	58.2	155.3	378.9	353.0	-6.8
<b>Overall Deficit/ Surplus (Including Grants)</b>	<b>24.2</b>	<b>-226.2</b>	<b>-</b>	<b>-302.0</b>	<b>-661.4</b>	<b>-</b>
<b>Overall Deficit/ Surplus (Including Grants) as a percent of GDP</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-2.2</b>	<b>-4.7</b>	<b>-</b>

Source: Ministry of Finance/ General Government Finance Bulletin.

◆ **Domestic Revenues**

Domestic revenues witnessed an increase of JD 30.4 million, or 0.9 percent, in the first half of 2018 compared to the same period of 2017, to reach JD 3,359.2 million. This increase was an outcome of the rise in the proceeds of “other revenues” and “tax revenues” by JD 25.2 million and JD 5.6 million, respectively, and the drop in pension contributions by JD 0.3 million.



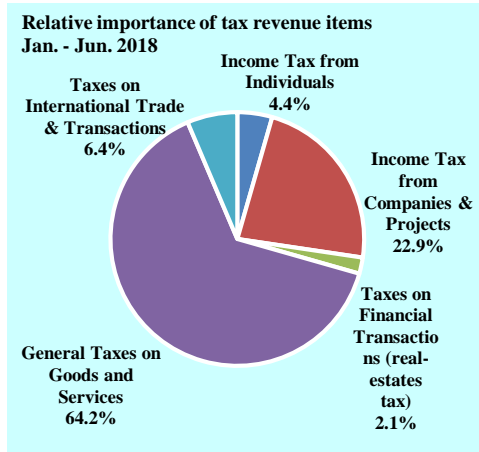
- **Tax Revenues**

Tax revenues increased by JD 5.6 million, or 0.2 percent, during the first half of 2018 compared to the same period of 2017, to reach JD 2,253.5 million (67.1 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 38.9 million, or 2.8 percent, to reach JD 1,446.3 million (accounting for 64.2 percent of total tax revenues). This result was driven by the increase in the proceeds of sales tax on domestic goods by JD 41.5 million, on commercial sector by JD 24.3 million, and on services by JD 13.2 million. However, the proceeds of sales tax on imported goods were down by JD 40.2 million.
- A decline in the proceeds of **income and profit taxes** by JD 18.9 million, or 3.0 percent, to reach JD 616.3 million (accounting for 27.3 percent of total tax revenues). This decline was a result of the decrease in the proceeds of both income tax from individuals by JD 12.9 million, or 11.4 percent, and from “companies and projects” by JD 6.0 million, or 1.1 percent. Accordingly, income tax from companies and projects accounted for 83.7 percent of total proceeds of income and profits taxes, amounting to JD 516.1 million.



- A decrease in the proceeds of **taxes on international trade and transactions** (including customs duties and fees) by JD 8.1 million, or 5.3 percent, to reach JD 144.4 million.



- A decrease in the proceeds of **taxes on financial transactions (real-estates tax)** by JD 6.3 million, or 11.9 percent, to reach JD 46.5 million.

#### ● Non-Tax Revenues

- “Other revenues” increased by JD 25.2 million, or 2.3 percent, in the first half of 2018 to reach JD 1,100.6 million. This increase was chiefly due to the following:
  - An increase in miscellaneous revenues by JD 49.3 million to stand at JD 513.7 million.
  - An increase in revenues from selling goods and services by JD 0.5 million to reach JD 456.0 million.
  - A decrease in the property income by JD 24.6 million to stand at JD 130.9 million (of which financial surplus of independent government units amounted to JD 119.6 million against JD 137.0 million in the same period of 2017).
- Pension contributions witnessed a decrease of JD 0.3 million, or 5.5 percent, in the first half of 2018 compared to same period of 2017, standing at JD 5.2 million.

### ◆ Foreign Grants

Foreign grants decreased by JD 39.8 million, or 33.7 percent, in the first half of 2018, standing at JD 78.4 million compared to JD 118.2 million in the same period of 2017.

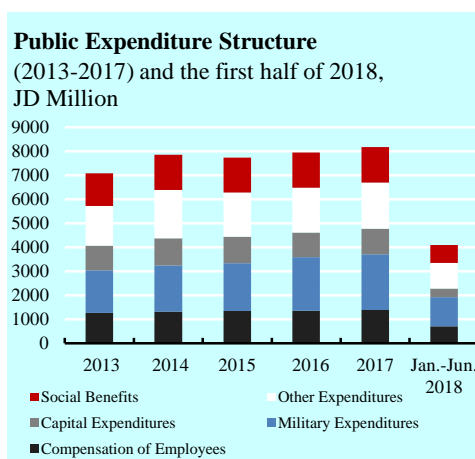
### ■ Public Expenditures

Public expenditures increased by JD 180.7 million, or 38.2 percent, in June 2018 compared to the same month in 2017, to stand at JD 653.4 million. However, public expenditures increased by JD 350.0 million, or 9.3 percent, during the first half of 2018 to stand at JD 4,099.0 million. This increase was an outcome

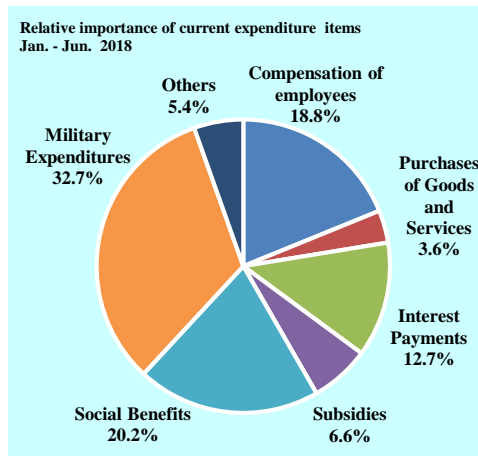
of the rise in current expenditures by 11.2 percent, and the decrease in capital expenditures by 6.8 percent.

### ◆ Current Expenditures

Current expenditures went up by JD 375.9 million, or 11.2 percent, in the first half of 2018 to reach JD 3,746.0 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 89.7, against 98.8 percent in the same period of 2017. The increase in current expenditures is due to the rise in most of its components, as follow:



- An increase in subsidies by JD 133.9 million to stand at JD 246.5 million.
- A rise in interest payments (commitment basis) by JD 82.4 million to stand at JD 475.2 million.
- An increase in military expenditures by JD 146.1 million to total JD 1,223.9 million.
- An increase in social benefits by JD 46.0 million to stand at JD 757.0 million.
- A rise in the compensation of civil sector's employees (wages, salaries and social security contributions) by JD 16.0 million to reach JD 706.0 million.
- However, the purchases of goods and services decreased by JD 21.6 million to reach JD 133.8 million.

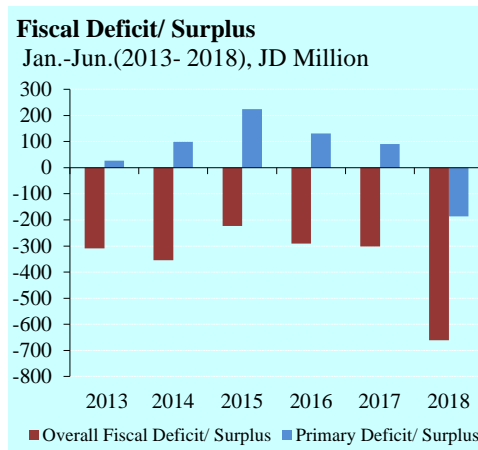


### ◆ Capital Expenditures

Capital expenditures decreased by JD 25.9 million, or 6.8 percent, during the first half of 2018 compared to the same period of 2017, to reach JD 353.0 million.

### ■ General Budget Deficit/ Surplus

- ◆ The general budget, including foreign grants, registered an overall fiscal deficit of JD 661.4 million during the first half of 2018, an increase of JD 359.4 million, compared to a fiscal deficit of JD 302.0 million during the same period of 2017. As a

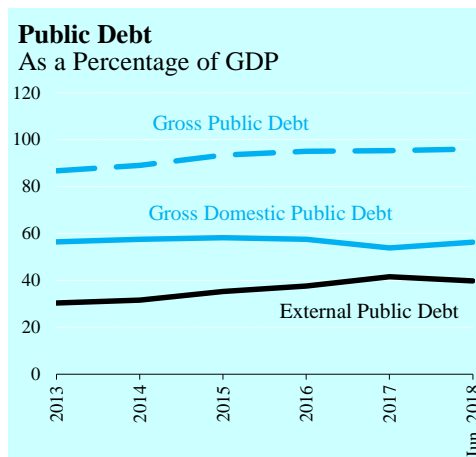
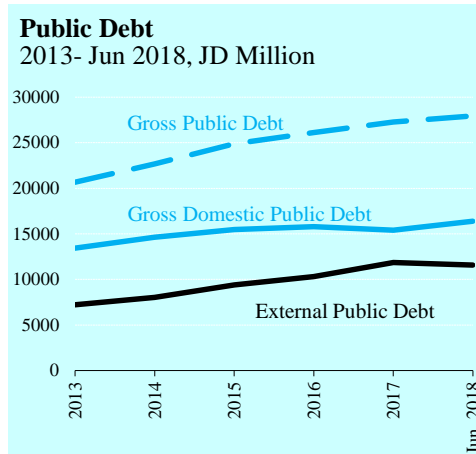


percent of GDP, the budget deficit reached 4.7 percent compared to 2.2 percent in the same period of 2017.

- ◆ When foreign grants are excluded, the general budget deficit widens to reach JD 739.8 million (5.2 percent of GDP) during the first half of 2018, compared to a fiscal deficit of JD 420.2 million (3.0 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 264.6 million (1.9 percent of GDP) during the first half of 2018, against a primary deficit of JD 27.4 million (0.2 percent of GDP) in the same period of 2017.

**Public Debt**

Gross outstanding domestic public debt increased by JD 968.6 million, at the end of June 2018 compared to its level at the end of 2017, to total JD 16,370.7 million (56.3 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 951.2 million, and the increase in the total domestic public debt of own-budget agencies by JD 17.4 million compared to their levels at the end of 2017, standing at JD 13,498.0 million and JD 2,872.7 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 June 2018 by JD 986.4 million, compared to the level achieved at the end of 2017 to reach JD 13,180.3 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 44.4 million compared to their level at the end of 2017, to reach JD 2,242.2 million, whereas the independent institutions' bonds decreased by JD 27.0 million. compared to the achieved at the end of 2017, to reach JD 630.5 million.

- The balance of the external public debt (budget and guaranteed) went down by JD 307.5 million at the end of June 2018, compared to its level at the end of 2017, to reach JD 11,559.7 million (39.8 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 69.0 percent of the total external debt, and the debt in Euro accounted for 8.5 percent. However, the SDR accounted for 7.8 percent, Japanese Yen (6.5 percent), and Kuwaiti Dinar (5.8 percent).
- In light of the above-mentioned developments, gross public debt (domestic and external) increased by JD 661.1 million at the end of June 2018, to stand at JD 27,930.4 million (96.1 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 467.3 million at the end of June 2018, compared to the end of 2017, to reach JD 1,366.2 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 1,436.0 million at the end of June 2018 to reach JD 15,004.6 million (51.6 percent of GDP compared to 47.7 percent of GDP at the end of 2017). Whereas, net public debt increased by JD 1,128.5 million at the end of June 2018 to stand at JD 26,564.3 million, accounting for 91.4 percent of GDP compared to 89.4 percent of GDP at the end of 2017.

- External debt service (budget and guaranteed) increased by JD 93.4 million during the first half of 2018, compared to same period of 2017, to reach JD 605.8 million (including principal payments of JD 421.6 million and interest of JD 184.2 million).

#### □ Fiscal and Price Measures of 2018

##### ◆ September

- The Oil Derivatives Pricing Committee decided to maintain the prices of major oil derivatives and liquid gas cylinder for households unchanged, and decrease the prices of all type of fuel for air planes as well as fuel oil (1%), as follows:

#### Development of Oil Derivatives Price

	Unit	2018		Percentage Change
		August	septembar	
Unleaded Gasoline 90	Fils/Liter	825	825	0.0
Unleaded Gasoline 95	Fils/Liter	1,060	1,060	0.0
Unleaded Gasoline 98	Fils/Liter	1,210	1,210	0.0
Gas Oil (Diesel)	Fils/Liter	625	625	0.0
Kerosene	Fils/Liter	625	625	0.0
Liquid Gas (12.5kg)	JD/Cylinder	7.0	7.0	0.0
Fuel oil (1%)	JD/Ton	448.2	442	-1.4
Fuel for airplanes (local companies)	Fils/Liter	479	477	-0.4
Fuel for airplanes (foreign companies)	Fils/Liter	484	482	-0.4
Fuel for unplanned flights	Fils/Liter	499	497	-0.4
Asphalt	JD/Ton	443	436.4	-1.5

Source: Jordan Petroleum Refinery Company (1/9/2018).

## ◆ 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 3.8 percent in June 2018 compared to the same month of 2017 to reach JD 439.0 million. As for the first half of 2018, total merchandize exports increased by 2.0 percent compared with the same period of 2017 to reach JD 2,549.7 million.
- **Merchandize imports** increased by 2.7 percent in June 2018 compared to the same month of 2017 to reach JD 1,102.0 million. As for the first half of 2018, merchandize imports decreased by 2.5 percent compared with the same period of 2017 to reach JD 6,851.9 million.
- **Consequently**, the trade balance deficit (total exports minus imports) increased by 2.0 percent in June 2018 compared to the same month of 2017; standing at JD 663.0 million. As for the first half of 2018, the trade balance deficit decreased by 5.0 percent compared to the same period of 2017 to reach JD 4,302.2 million.
- **Travel receipts** increased by 20.7 percent in July 2018 compared to the same month of 2017 to reach JD 365.5 million. As for the first seven months of 2018, travel receipts increased by 13.7 percent compared to the same period of 2017 to reach JD 2,078.1 million, while travel payments increased by 15.6 percent in July 2018 compared to the same month of 2017 to reach JD 113.3 million. As for the first seven months of 2018, travel payment decreased by 2.7 percent compared to the same period of 2017 to reach JD 595.4 million.
- **Total workers' remittances receipts** decreased by 0.6 percent in June 2018 compared to the same month of 2017 to reach JD 244.9 million. As for the first seven months of 2018, total workers' remittances receipts decreased by 0.9 percent compared to the same period of 2017 to reach JD 1,524.2 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

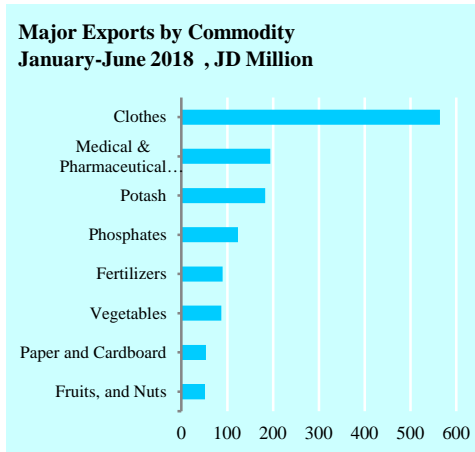
- As a result of the increase in domestic exports by JD 65.0 million and the decrease in imports by JD 177.1 million during the first half of 2018, the volume of external trade (domestic exports *plus* imports) decreased by JD 112.1 million to stand at JD 8,993.9 million compared to the same period of 2017.

Jordan's Major Trading Partners JD Million				Main External Trade Indicators JD Million			
	January- June		Percentage Change	January-June			
	2017	2018		2017	Percentage Change (%)	2018	Percentage Change (%)
<b>Exports</b>				External Trade			
USA	501.8	565.0	12.6	9,106.0	2.2	8,993.9	-1.2
India	200.9	235.6	17.3	Total Exports			
Saudi Arabia	271.5	226.6	-16.5	2,498.7	-0.3	2,549.7	2.0
Iraq	158.8	211.2	33.0	Domestic Exports			
UAE	95.3	74.8	-21.5	2,077.0	-1.3	2,142.0	3.1
Kuwait	91.0	72.8	-20.0	Re-exports			
Indonesia	47.5	51.7	8.8	421.7	4.8	407.7	-3.3
<b>Imports</b>				Imports			
Saudi Arabia	850.5	1,127.6	32.6	7,029.0	3.3	6,851.9	-2.5
China	970.7	940.2	-3.1	Trade Balance			
USA	786.6	649.4	-17.4	-4,530.3	5.4	-4,302.2	-5.0
UAE	380.1	343.6	-9.6	Source: Department of Statistics.			
Germany	290.3	288.9	-0.5				
Turkey	251.6	261.8	4.1				
Italy	265.0	237.5	-10.4				
Source: Department of Statistics.							

### ■ Merchandize Exports:

Total merchandize exports increased by 2.0 percent during the first half of 2018, to reach JD 2,549.7 million. This increase resulted from an increase in domestic exports by JD 65.0 million, or 3.1 percent to reach JD 2,142.0

million and a decrease in re-exports by JD 14.0 million, or 3.3 percent to reach JD 407.7 million.



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

- Exports of **Clothes** increased by JD 71.8 million, or 14.6 percent, to stand at JD 564.1 million. The USA market accounted for 86.9 percent of these exports.
- Exports of **Fertilizers** increased by JD 27.5 million, or 44.2 percent, to reach JD 89.7 million. The markets of India, Iraq, and Vietnam accounted for 86.4 percent of these exports.
- Exports of **Potash** increased by JD 26.3 million, or 16.8 percent, to stand at JD 182.8 million. The Indian, Chinese, Malaysia Indonesia markets accounted for 65.7 percent of these exports.

- Exports of **fruits and nuts** increased by JD 12.2 million, or 31.0 percent, to reach JD 51.5 million. Saudi Arabia, Kuwait and UAE were the main destination markets; accounting for 61.7 percent of these exports.
- Exports of **Vegetables** decreased by JD 29.4 million or 25.3 percent to stand at JD 86.7 million. Saudi Arabia, the UAE, Kuwait, and Bahrain, were the main destination markets for these export, accounting for 74.3 percent.
- Exports of **Phosphates** decreased by JD 26.3 million or 17.5 percent to reach JD 123.7 million, this decrease was an outcome of the decrease in quantity by 24.3 percent and the increase in prices by 8.9 percent. It is worth noting that India and Indonesia were the main markets for phosphate exports, accounting for 91.4 percent.

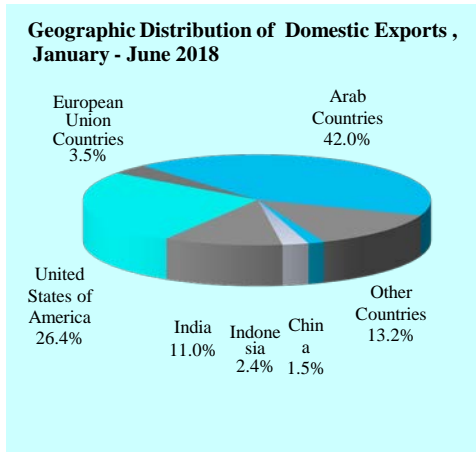
**Major Domestic Exports by Commodity, JD Million  
January-June, 2017-2018**

	2017	2018	Percentage Change
<b>Domestic Exports</b>	<b>2,077.0</b>	<b>2,142.0</b>	<b>3.1</b>
<b>Clothes</b>	<b>492.3</b>	<b>564.1</b>	<b>14.6</b>
USA	431.4	490.0	13.6
<b>Medical &amp; Pharmaceutical Products</b>	<b>201.8</b>	<b>193.9</b>	<b>-3.9</b>
Saudi Arabia	52.9	43.2	-18.3
Iraq	25.0	36.7	46.8
Algeria	23.5	18.5	-21.3
UAE	15.6	17.6	12.8
<b>Potash</b>	<b>156.5</b>	<b>182.8</b>	<b>16.8</b>
India	52.3	45.2	-13.6
China	32.6	27.0	-17.2
Malaysia	13.9	25.6	84.2
Indonesia	13.7	22.3	62.8
<b>Phosphates</b>	<b>150.0</b>	<b>123.7</b>	<b>-17.5</b>
India	97.1	84.7	-12.8
Indonesia	33.6	28.4	-15.5
<b>Fertilizers</b>	<b>62.2</b>	<b>89.7</b>	<b>44.2</b>
India	17.5	59.3	238.9
Iraq	18.9	11.3	-40.2
Vietnam	0	6.9	-
<b>Vegetables</b>	<b>116.1</b>	<b>86.7</b>	<b>-25.3</b>
Saudi Arabia	24.7	20.5	-17.0
UAE	22.4	17.4	-22.3
Kuwait	19.0	17.3	-8.9
Bahrain	8.1	9.2	13.6
<b>Paper and cardboard</b>	<b>54.1</b>	<b>53.4</b>	<b>-1.3</b>
Saudi Arabia	26.0	20.2	-22.3
Iraq	11.1	12.1	9.0
Egypt	3.0	2.9	-3.3
<b>Fruits, and Nuts</b>	<b>39.3</b>	<b>51.5</b>	<b>31.0</b>
Saudi Arabia	11.0	15.4	40.0
Kuwait	9.6	11.5	19.8
UAE	4.3	4.9	14.0

Source: Department of Statistics.



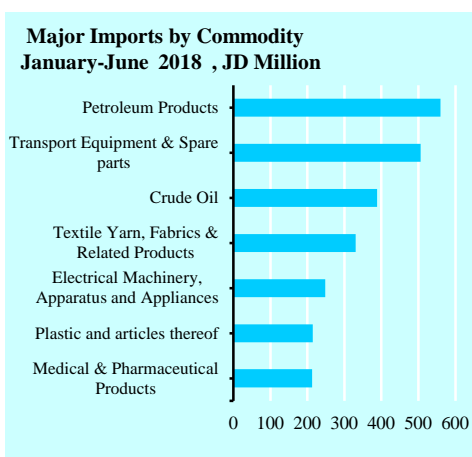
- Consequently, the commodity breakdown of domestic exports indicates that exports of clothes, “medical and pharmaceutical products”



potash, phosphates, fertilizers, vegetables, “paper and cardboard”, and “Fruits, and Nuts” topped the list of domestic exports during the first half of 2018; accounting for 62.8 percent, compared with 61.3 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 Indonesia were the main destination markets during the first half of 2018; accounting for 67.1 percent, compared with 65.8 percent during the same period of 2017.

■ **Merchandize Imports:**

Merchandize imports decreased by 2.5 percent to reach JD 6,851.9 million during the first half of 2018, compared to an increase by 3.3 percent during the same period of 2017.



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

- **Transport Equipment & Spare Parts** imports decreased by JD 199.3 million or 28.2 percent to reach JD 506.5 million. The USA, Germany and Japan were the main origin markets, accounting for 54.1 percent of these imports.
- **Electrical Machinery, Apparatus and Appliances** imports decreased by JD 15.6 million or 5.9 percent to reach JD 248.1 million. China, Turkey and Italy were the main origin markets accounting for 56.5 percent of these imports.
- **Petroleum Products** import increased by JD 287.9 million or 105.9 percent to reach JD 559.7 million. Saudi Arabia, the UAE and India were the main markets, accounting for 81.6 percent of these import.

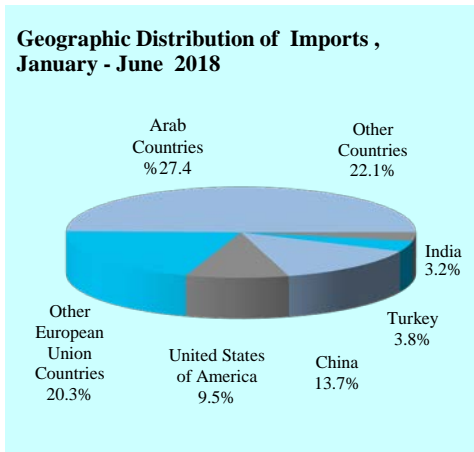
- **Crude Oil** imports increased by JD 30.7 million, or 8.6 percent, to reach JD 388.7 million. This increase was mainly due to decrease in imported quantities by 19.5 percent and an increase in prices by 34.9 percent, compared with the same period of 2017. Noting that crude oil imports came from Saudi Arabia.
- **Plastic & Articles Thereof** imports increased by JD 22.5 million or 11.7 percent to stand at JD 214.1 million. Saudi Arabia, China and the UAE were the main markets, accounting for 68.2 percent of these imports.
- **Medical & Pharmacy Products** imports increased by JD 9.6 million or 4.7 percent to reach JD 213.1 million. Germany, the USA and France were the main origin markets accounting for 35.1 percent of these imports.

**Major Imports by Commodity, JD Million**  
January- June 2017-2018

	2017	2018	Percentage Change
<b>Total Imports</b>	<b>7,029.0</b>	<b>6,851.9</b>	<b>-2.5</b>
<b>Petroleum Products</b>	<b>271.8</b>	<b>559.7</b>	<b>105.9</b>
Saudi Arabia	69.2	237.9	243.8
UAE	51.8	155.5	200.2
India	44.6	63.4	42.2
<b>Transport Equipment &amp; Spare Parts</b>	<b>705.8</b>	<b>506.5</b>	<b>-28.2</b>
USA	157.5	117.2	-25.6
Germany	86.3	82.8	-4.1
Japan	125.5	74.2	-40.9
<b>Crude Oil</b>	<b>358.0</b>	<b>388.7</b>	<b>8.6</b>
Saudi Arabia	358.0	388.7	8.6
<b>Textile Yarn, Fabrics and Related Products</b>	<b>324.1</b>	<b>330.3</b>	<b>1.9</b>
China	119.5	135.1	13.1
Taiwan	101.9	94.3	-7.5
Turkey	32.1	27.2	-15.3
<b>Electrical Machinery Apparatus and Appliances</b>	<b>263.7</b>	<b>248.1</b>	<b>-5.9</b>
China	121.9	94.6	-22.4
Turkey	25.0	29.1	16.4
Italy	22.3	16.5	-26.0
<b>Plastic &amp; Articles Thereof</b>	<b>191.6</b>	<b>214.1</b>	<b>11.7</b>
Saudi Arabia	98.1	112.9	15.1
China	11.7	19.1	63.2
UAE	15.2	14.1	-7.2
<b>Medical &amp; Pharmaceutical Products</b>	<b>203.5</b>	<b>213.1</b>	<b>4.7</b>
Germany	29.0	30.3	4.5
USA	22.5	24.5	8.9
France	20.0	20.1	0.5

Source: Department of Statistics.

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



fabrics and related products”, “electrical machinery apparatus and appliances”, “Plastic & articles thereof”, “medical and pharmaceutical products”, topped the list of imports during the first half of 2018, accounting for 35.9 percent; compared to 33.0 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 half of 2018; accounting for 56.2percent of imports, compared to 54.0 percent during the same period of 2017.

#### ■ Re-Exports

The value of re-exported goods in June 2018 decreased by JD 6.0 million, or 10.9 percent, compared to the same month of 2017, to stand at JD 49.0 million. As for the first half of 2018, the value of re-exported goods decreased by JD 14.0 million, or 3.3 percent compared to the same period of 2017 to reach JD 407.7 million.

### ■ Trade Balance

The trade balance deficit increased by JD 13.2 million, or 2.0 percent in June 2018 compared to the same month of 2017, to reach JD 663.0 million. As for the first half of 2018, trade balance deficit decreased by JD 228.1 million, or 5.0 percent, to register JD 4,302.2 million, compared to the same period of 2017.

### □ Total Workers' Remittances Receipts

■ Total workers' remittances receipts decreased by 0.6 percent in July 2018 compared to the same month of 2017, to register JD 244.9 million. As for the first seven months of 2018, total workers' remittances receipts decreased by 0.9 percent compared to the same period of 2017 to reach JD 1,524.2 million.

### □ Travel

#### ■ Receipts

Travel receipts increased by JD 62.8 million, or 20.7 percent, in July 2018 compared to the same month of 2017, to register JD 365.5 million. As for the first seven months of 2018, travel receipts increased by 13.7 percent compared to the same period of 2017 to reach JD 2,078.1 million.

#### ■ Payments

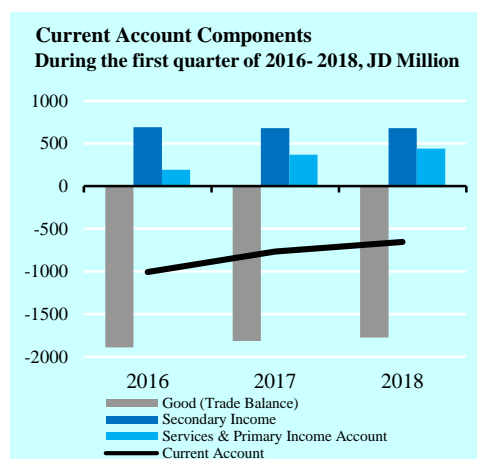
Travel payments increased by JD 15.3 million, or 15.6 percent, in July 2018 compared to the same month of 2017, to stand at JD 113.3 million. As for the first seven months of 2018, travel payment decreased by 2.7 percent compared to the same period of 2017 to reach JD 595.4 million.

### □ 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).