



Central Bank of Jordan

Recent Monetary & Economic Developments in Jordan

**Research Dept / Monthly Report
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Central Bank of Jordan

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OUR VISION

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

OUR MISSION

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

OUR VALUES

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

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Executive Summary

□ Output, Prices and Employment

During the first three quarters of 2016, real GDP at market prices, grew by 2.0 percent, against 2.3 percent during the same period of 2015. The Consumer Price Index increased during the first month of 2017 by 2.5 percent, compared to a contraction of 1.0 percent during the same month of 2016. Furthermore, the unemployment rate increased during 2016 to stand at 15.3 percent compared to 13.0 percent during 2015.

□ Monetary and Financial Sector

- The CBJ's total foreign reserves (Including Gold and SDRs) amounted to US\$ 13,936.0 at the end of January 2017. This level of reserves covers around 7.8 months of the kingdom's imports of goods and services.
- Domestic liquidity decreased by JD 271.2 million (0.8 percent) at the end of January 2017, compared to its level at the end of 2016, to stand at JD 32,605.0 million.
- The outstanding balance of credit facilities extended by licensed banks increased by JD 138.8 million (0.6 percent) at the end of January 2017, compared to its level at the end of 2016, to stand at JD 23,044.6 million.
- Total deposits at licensed banks increased by JD 116.1 million (0.4 percent) at the end of January 2017, compared to its level at the end of 2016, to stand at JD 33,016.1 million.
- The Share Price Index (SPI) weighted by the market capitalization of free float shares at Amman Stock Exchange (ASE) reached 2,161.5 points at the end of January 2017, decreasing by 8.8 points, or 0.4 percent, compared to its level in 2016.

- **Public Finance:** During the first eleven months of 2016, the general budget, including foreign grants, recorded a fiscal deficit in the amount of JD 803.3 million compared to a fiscal deficit in the amount of JD 1,025.6 million during the same period of 2015. Gross outstanding domestic debt (budgetary and own-budget) increased by JD 716.1 million at the end of November 2016, compared to its level at the end of 2015, to stand at JD 16,202.1 million (59.0 percent of GDP). Outstanding external public debt increased by JD 654.7 million at the end of November 2016 compared to its level at the end of 2015 to reach JD 10,045.0 million, (36.6 percent of GDP). Accordingly, the gross public debt (domestic and external) stood at 95.6 percent of GDP at the end of November 2016 compared to 93.4 percent of GDP at the end of 2015.
- **External Sector:** Total merchandize exports (domestic exports *plus* re-exports) decreased by 4.1 percent to reach JD 5,331.4 million. Similarly, merchandize imports decreased by 6.2 percent to reach JD 13,637.0 million during 2016. As a result, the trade balance deficit decreased by 7.5 percent compared to 2015, to reach JD 8,305.6 million. The preliminary data for 2017 showed an increase in travel receipts and travel payments by 12.2 percent and 7.2 percent, respectively, during January 2017 compared to the same month of 2016. Moreover, total workers' remittances receipts increased by 4.2 percent to reach JD 210.1 million in January 2017 compared to the same month of 2016. The balance of payments for the first three quarters of 2016 displayed a deficit in the current account amounting to JD 1,910.2 million (9.5 percent of GDP) down from JD 1,979.6 million (10.1 percent of GDP) during the same period of 2015. Meanwhile, the current account deficit excluding grants decreased to reach 11.3 percent of GDP compared with 11.9 percent of GDP during the first three quarters of 2015. Moreover, net direct investment recorded an inflow of JD 809.1 million during the first three quarters of 2016 compared to a net inflow of JD 808.2 million during the same period of 2015. Furthermore, the international investment position (IIP) registered a net obligation to abroad in an amount of JD 26,656.5 million at end of September 2016 up from JD 24,815.1 million at the end of 2015.

First: Monetary and Financial Sector

□ Summary

- The CBJ's total foreign reserves (Including Gold and SDRs) amounted to US\$ 13,936.0 million at the end of January 2017. This level of reserves covers around 7.8 months of the kingdom's imports of goods and services.
- Domestic liquidity decreased by JD 271.2 million (0.8 percent) at the end of January 2017, compared to its level in 2016, to total JD 32,605.0 million.
- The outstanding balance of credit facilities extended by licensed banks increased by JD 138.8 million (0.6 percent) at the end of January 2017, compared to its level in 2016, to reach JD 23,044.6 million.
- Total deposits at licensed banks increased by JD 116.1 million (0.4 percent) at the end of January 2017, compared to its level in 2016, to stand at JD 33,016.1 million.
- The interest rates on all types of credit facilities extended by licensed banks, except discounted bills & bonds, increased at the end of January 2017, compared to their levels at the end of 2016, while the interest rate on deposits at licensed banks maintained the same level registered at the end of 2016, except the demand deposits which increased compared to their levels at the end of 2016.

- The Share Price Index (SPI) weighted by market capitalization of free float shares at Amman Stock Exchange (ASE) reached 2,161.5 points at the end of January 2017, decreasing by 8.8 points (0.4 percent), compared to its level in 2016. Moreover, the market capitalization increased by JD 107.7 million (0.6 percent), compared to its registered level in 2016, to stand at JD 17,447.1 million.

Main Monetary Indicators

JD Million, and Percentage Change Relative to the Previous Year

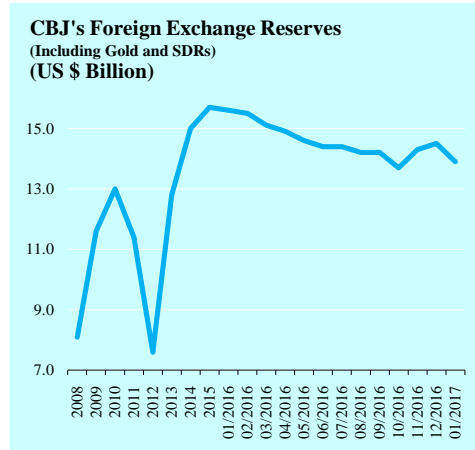
| | | End of January | |
|---------------|--|----------------|---------------|
| 2016 | | 2016 | 2017 |
| US\$ 14,499.9 | CBJ's Foreign Reserves* | US\$ 15,620.5 | US\$ 13,936.0 |
| -7.6% | | -0.5% | -3.9% |
| 32,876.2 | Money Supply (M2) | 31,565.4 | 32,605.0 |
| 4.0% | | -0.1% | -0.8% |
| 22,905.8 | Credit Facilities, of which: | 21,156.1 | 23,044.6 |
| 8.5% | | 0.2% | 0.6% |
| 19,901.4 | Private Sector (Resident) | 18,190.2 | 20,032.0 |
| 10.0% | | 0.5% | 0.7% |
| 32,900.0 | Total Deposits, of which: | 32,604.4 | 33,016.1 |
| 0.9% | | 0.02% | 0.4% |
| 25,968.2 | In JD | 26,035.6 | 25,623.3 |
| -0.2% | | 0.1% | -1.3% |
| 6,931.8 | In Foreign Currencies | 6,568.8 | 7,392.8 |
| 5.3% | | -0.2% | 6.7% |
| 26,952.9 | Deposits of Private Sector (Resident), of which: | 25,827.1 | 26,756.7 |
| 4.5% | | 0.1% | -0.7% |
| 21,572.9 | In JD | 21,215.9 | 21,272.3 |
| 1.9% | | 0.2% | -1.4% |
| 5,380.0 | In Foreign Currencies | 4,611.2 | 5,484.4 |
| 16.0% | | -0.5% | 1.9% |

* Including gold reserves and special drawing rights.

Source: Central Bank of Jordan / Monthly Statistical Bulletin.

□ CBJ's Foreign Currency Reserves

The CBJ's total foreign reserves (Including Gold and SDRs) amounted to US\$ 13,936.0 million at the end of January 2017. This level of reserves covers around 7.8 months of the kingdom's imports of goods and services.



□ Domestic Liquidity (M2)

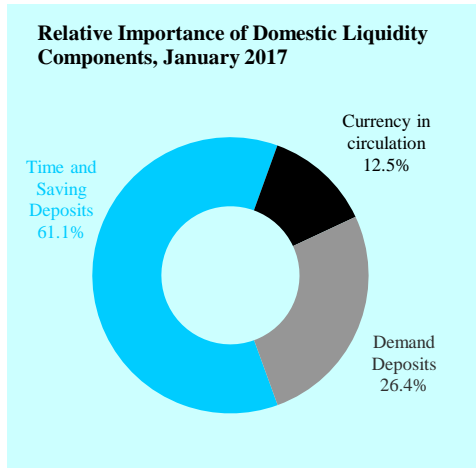
■ Domestic liquidity totaled JD 32,605.0 million at the end of January 2017, decreasing by JD 271.2 million, or 0.8 percent, compared to a decrease of JD 40.1 million, or 0.1 percent, during the same month in 2016.

◆ **Developments in the components and the factors affecting domestic liquidity at the end of January 2017 compared to their levels at the end of 2016, reveal the following:**

● **Components of Domestic Liquidity**

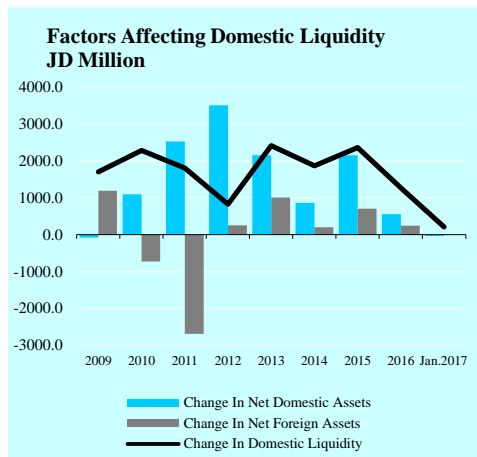
- Deposits decreased by JD 171.8 million, or 0.6 percent, at the end of January 2017, compared to their level at the end of 2016, to total JD 28,523.1 million, compared to an increase of JD 10.9 million, or 0.04 percent, during the same month in 2016.

- Currency in circulation decreased by JD 99.4 million, or 2.4 percent, at the end of January 2017, compared to its level at the end of 2016, to reach JD 4,081.9 million, against a decrease in the amount of JD 51.1 million, or 1.3 percent, during the same month in 2016.



• **Factors Affecting Domestic Liquidity**

- Net domestic assets of the banking system decreased by JD 26.9 million, or 0.1 percent, at the end of January 2017, compared to its level at the end of 2016, against an increase of JD 47.9 million, or 0.2 percent,



during the same month in 2016. This decrease was a result of the decrease in net domestic assets at the licensed banks by JD 391.3 million, or 1.3 percent, and the increase of net domestic assets at the CBJ by JD 364.3 million, or 7.0 percent.

- Net foreign assets of the banking system decreased by JD 244.3 million, or 2.8 percent, at the end of January 2017, compared to their level at the end of 2016, against a decrease in the amount in JD 88.0 million, or 1.1 percent, during the same month in 2016. This increase was a result of the increase in net foreign assets at the licensed banks by JD 191.3 million, or 19.4 percent, and the decrease of net foreign assets at the CBJ by JD 435.6 million, or 4.4 percent.

Factors Affecting Domestic Liquidity (M2) JD Million

| | | End of January | |
|-----------------|----------------------------------|-----------------|-----------------|
| 2016 | | 2016 | 2017 |
| 8,845.4 | Foreign Assets (Net) | 8,049.3 | 8,601.1 |
| 9,831.5 | CBJ | 10,151.7 | 9,395.9 |
| -986.1 | Licensed Banks | -2,102.4 | -794.8 |
| 24,030.8 | Domestic Assets (Net) | 23,516.1 | 24,003.9 |
| -5,194.1 | CBJ, of which: | -5,818.7 | -4,829.8 |
| 1,043.1 | Claims on Public Sector (Net) | 1,549.1 | 1,121.1 |
| -6,260.1 | Other Items (Net*) | -7,390.9 | -5,974.1 |
| 29,225.0 | Licensed Banks | 29,334.7 | 28,833.7 |
| 9,955.9 | Claims on Public Sector (Net) | 10,178.8 | 9,805.4 |
| 20,567.4 | Claims on Private Sector | 18,762.6 | 20,762.4 |
| -1,298.3 | Other Items (Net) | 393.3 | -1,734.1 |
| 32,876.2 | Money Supply (M2) | 31,565.4 | 32,605.0 |
| 4,181.3 | Currency in Circulation | 3,882.2 | 4,081.9 |
| 28,694.9 | Total Deposits, of which: | 27,683.2 | 28,523.1 |
| 5,418.9 | In Foreign Currencies | 4,676.3 | 5,536.6 |

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

□ Interest Rate Structure

■ Interest Rates on Monetary Policy Instruments

◆ On February 22nd, 2017, the CBJ increased the interest rates on the CBJ main rate and other Key monetary policy instruments by 50 basis points, to become as follows:

- The CBJ main interest Rate: 3.25 percent.
- Re-Discount Rate: 4.25 percent.
- Interest Rate on Overnight Repurchase Agreements: 4.00 percent.
- Overnight Deposit Window Rate: 2.25 percent.
- Weekly/ Monthly Repurchase Agreements: 3.25 percent.

- ◆ The interest rate margin on CDs was brought up from 2.50 – 2.75 percent to be 3.00 – 3.25 percent.
- ◆ This decision aims to ensure the competitiveness and attractiveness of Jordanian dinar as a saving instrument, as well as maintaining monetary and banking stability. The central bank will continue to take all necessary monetary and banking actions to achieve its monetary policy objectives, and its contribution in creating an attractive environment for local and foreign investment, and enable the national economy to achieve appropriate growth rates.

■ Interest Rates in the Banking Sector

◆ Interest Rates on Deposits

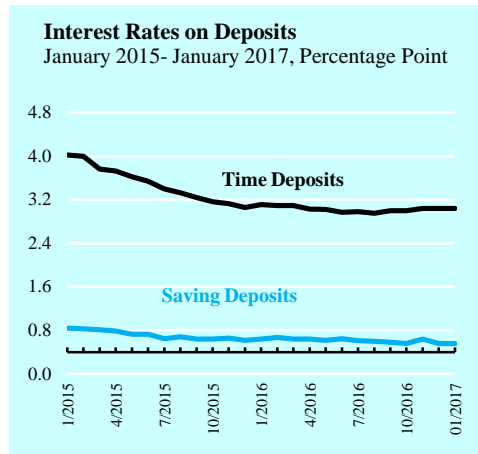
- Time Deposits: The weighted average interest rate on time deposits at the end of January 2017 maintained the same level registered at the end of December 2016 to stand at 3.04 percent.

Interest Rates on Monetary Policy Instruments, percentage points

| 2016 | | January | |
|------|--|---------|------|
| | | 2016 | 2017 |
| 3.75 | Re-discount Rate | 3.75 | 3.75 |
| 3.50 | Repurchase Agreements Rate (overnight) | 3.50 | 3.50 |
| 1.75 | Overnight Deposit Window Rate | 1.50 | 1.75 |
| 2.75 | Repurchase Agreements rate (one week) | 2.50 | 2.75 |
| 2.75 | Repurchase Agreements rate (one month) | 2.50 | 2.75 |
| 2.50 | Certificates of Deposits (one week) | 2.25 | 2.50 |

Source: Central Bank of Jordan / Monthly Statistical Bulletin.

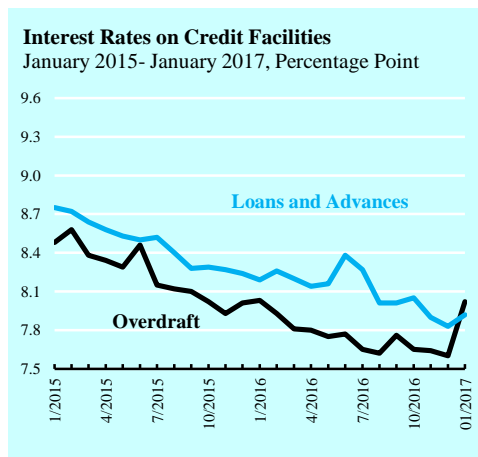
- **Saving Deposits:** The weighted average interest rate on saving deposits at the end of January 2017 maintained the same level registered at the end of December 2016 to stand at 0.56 percent.



- **Demand Deposits:** The weighted average interest rate on demand deposits at the end of January 2017 increased by 4 basis points compared to its level registered at the end of December 2016 to stand at 0.30 percent.

◆ **Interest Rates on Credit Facilities**

- **Overdraft Accounts:** The weighted average interest rate on overdraft accounts at the end of January 2017 increased by 42 basis points compared to its level at the end of December 2016 to stand at 8.02 percent.



- Discounted Bills and Bonds: The weighted average interest rate on “discounted bills and bonds” at the end of January 2017 decreased by 130 basis points compared to its level at the end of December 2016 to stand at 9.12 percent.

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

| 2016 | | January | | Change |
|--------------------------|----------------------------|---------|------|--------------------------------|
| | | 2016 | 2017 | Relative to the Preceding Year |
| Basis Points | | | | |
| Deposits | | | | |
| 0.26 | Demand | 0.31 | 0.30 | 4 |
| 0.56 | Saving | 0.64 | 0.56 | 0 |
| 3.04 | Time | 3.11 | 3.04 | 0 |
| Credit Facilities | | | | |
| 10.42 | Discounted Bills and Bonds | 8.59 | 9.12 | -130 |
| 7.83 | Loans and Advances | 8.19 | 7.92 | 9 |
| 7.60 | Overdraft | 8.03 | 8.02 | 42 |
| 8.37 | Prime Lending Rate | 8.37 | 8.38 | 1 |

Source: Central Bank of Jordan / Monthly Statistical Bulletin.

- Loans and Advances: The weighted average interest rate on “loans and advances” at the end of January 2017 increased by 9 basis points compared to its level at the end of December 2016 to stand at 7.92 percent.
- The prime lending rate stood at 8.38 percent at the end of January 2017, which is higher by 1 basis point than its level registered at the end of December 2016.
- As a result, the interest rate margin, which is the difference between interest rates on loans and advances and those on time deposits, reached 488 basis points at the end of January 2017, which is higher by 9 basis points than its level registered at the end of December 2016.

□ Credit Facilities Extended by Licensed Banks

- Total credit facilities extended by licensed banks increased by JD 138.8 million, or 0.6 percent at the end of January 2017, compared to its level at the end of 2016, against an increase of JD 52.6 million, or 0.2 percent, during the same month in 2016.

- In terms of borrowers, credit facilities at the end of January 2017 had shown an increase in credit extended to the private sector (resident) by 130.6 million, or 0.7 percent, the private sector (non-resident) by JD 12.3 million, or 2.6 percent, the central government by JD 0.8 million, or 0.04 percent. Meanwhile, credit facilities extended to public institution declined by JD 4.9 million, or 1.4 percent, compared to their levels at the end of 2016.

□ Deposits at Licensed Banks

- Total deposits at licensed banks stood at JD 33,016.1 million at the end of January 2017, increasing by JD 116.1 million, or 0.4 percent, compared to its level at the end of 2016, against an increase of JD 5.9 million, or 0.02 percent, during the same month in 2016.
- This increase was a result of the increase in the deposits of the private sector (non-resident) by JD 360.9 million, or 11.7 percent, and the non-banking financial institutions by JD 39.6 million, or 10.3 percent, and the decrease in the deposits of the private sector (resident) by JD 196.2 million, or 0.7 percent, and the public sector (central government plus public institutions) by JD 88.2 million, or 3.6 percent.
- The currency composition of deposits at the end of January 2017 revealed that “deposits in foreign currency” increased by JD 461.0 million, or 6.7 percent, while the JD deposits decreased by JD 344.9 million, or 1.3 percent, compared to their levels at the end of 2016.

□ Amman Stock Exchange (ASE)

Indicators of ASE displayed a mixed performance at the end of January 2017 compared to 2016. This can be demonstrated as follows:

■ Trading Volume

Trading volume at ASE totaled JD 443.4 million in January 2017, increased by JD 270.9 million, compared to its level in the previous month, against a decrease of JD 450.0 million, during the same month in 2016.

■ Traded Shares

The number of traded shares in January 2017 totaled 219.8 million shares, Increased by 104.1 million shares, compared to its level in the previous month, against a decrease by 18.0 million shares, or 7.8 percent, during the same month in 2016.

■ Share Price Index (SPI)

The SPI weighted by market capitalization of free float shares at ASE decreased by 8.8 points, or 0.4 percent, at the end of January 2017 compared to

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

| 2016 | | January | |
|---------|-------------------|---------|---------|
| | | 2016 | 2017 |
| 2,170.3 | General Index | 2,147.0 | 2,161.5 |
| 2,933.2 | Financial Sector | 2,943.9 | 2,973.1 |
| 2,093.0 | Industrial Sector | 1,820.3 | 1,999.7 |
| 1,604.7 | Services Sector | 1,719.6 | 1,595.0 |

Source: Amman Stock Exchange.

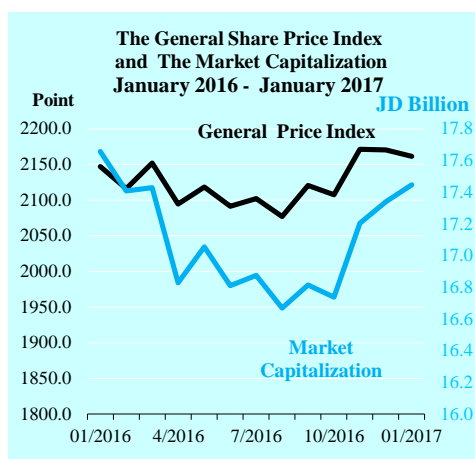
its level at the end of 2016 to stand at 2,161.5 points, against an increase of 10.7 points, or 0.5 percent, during the same month in 2016. The aforementioned decrease was an outcome of the decrease in the SPI of the industrial sector by 93.3 points, or 4.5 percent, and the services sector by 9.7 points, or 0.6 percent. Meanwhile, the SPI for the financial sector increased by 39.8 points, or 1.4 percent, compared to their levels at the end of 2016.

■ Market Capitalization

The ASE's market capitalization totaled JD 17.4 billion at the end of January 2017, increasing by JD 107.7 million, or 0.6 percent, compared to its level at the end of 2016, against a decrease of JD 328.2 million, or 1.8 percent, during the same month in 2016.

■ Non - Jordanian Net Investment

Non-Jordanian net investment at ASE recorded an outflow amounting to JD 11.5 million in January 2017, compared to an outflow of JD 4.3 million during the same month in 2016. The value of shares acquired by non-Jordanian in January 2017 amounted to JD 183.1 million, while their selling amounted to JD 194.6 million.



Main Amman Stock Exchange Trading Indicators, JD Million

| 2016 | | January | |
|----------|---------------------------------|----------|----------|
| | | 2016 | 2017 |
| 2,329.5 | Value Traded | 185.2 | 443.4 |
| 9.5 | Average Daily Trading | 8.8 | 20.2 |
| 17,339.4 | Market Capitalization | 17,656.5 | 17,447.1 |
| 1,836.7 | No. of Traded Shares (million) | 212.9 | 219.8 |
| 237.1 | Net Investment of Non-Jordanian | -4.3 | -11.5 |
| 666.5 | Non-Jordanian Buying | 25.4 | 183.1 |
| 429.4 | Non-Jordanian Selling | 29.8 | 194.6 |

Source: Amman Stock Exchange.

Second: Output, Prices and Employment

□ Summary

- Gross Domestic Product (GDP), at constant market prices, grew by 1.8 percent during the third quarter of 2016, against 2.6 percent during the same quarter of 2015. At current market prices, GDP grew by 2.6 percent during the third quarter of 2016, compared to 4.7 percent during the same quarter of 2015.
- Accordingly, GDP at constant market prices grew by 2.0 percent during the first three quarters of 2016, against 2.3 percent during the same period of 2015. At current market prices, GDP grew by 3.2 percent during the first three quarters of 2016, compared to 4.8 percent during the same period of 2015.
- The Consumer Price Index (CPI) increased during the first month of 2017 by 2.5 percent, against a contraction of 1.0 percent during the same month of 2016.
- The unemployment rate increased during 2016 to stand at 15.3 percent (13.3 percent for males and 24.1 percent for females), compared to 13.0 percent (11.0 percent for males and 22.5 percent for females) during 2015. The highest unemployment rate among youth reached 40.0 percent for the categories of 15-19 years old, and 34.5 percent for those between 20-24 years.

□ Developments of GDP

- Despite the deepening of the political and social unrest in the region, particularly; in Syria and Iraq, that have strongly influenced the performance of many economic sectors; the real GDP grew by 2.0 percent during the first three quarters of 2016 compared to 2.3 percent during the same period of 2015. When excluding “net taxes on products”, which grew by 1.1 percent, GDP at constant basic prices grew by 2.2 percent during the first three quarters of 2016, compared to 2.5 percent during the same period of 2015.

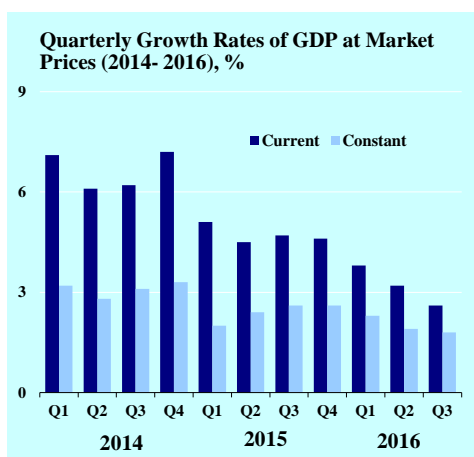
| Quarterly Growth Rates of GDP at Market Prices 2014 - 2016 | | | | | |
|---|-----|-----|-----|-----|---------------------|
| | Q 1 | Q2 | Q3 | Q4 | Percentages Year |
| 2014 | | | | | |
| GDP at Constant Market Prices | 3.2 | 2.8 | 3.1 | 3.3 | 3.1 |
| GDP at Current Market Prices | 7.1 | 6.1 | 6.2 | 7.2 | 6.6 |
| 2015 | | | | | |
| GDP at Constant Market Prices | 2.0 | 2.4 | 2.6 | 2.6 | 2.4 |
| GDP at Current Market Prices | 5.1 | 4.5 | 4.7 | 4.6 | 4.7 |
| 2016 | | | | | |
| GDP at Constant Market Prices | 2.3 | 1.9 | 1.8 | - | - |
| GDP at Current Market Prices | 3.8 | 3.2 | 2.6 | - | - |

Source: Department of Statistics.

At current market prices, GDP grew by 3.2 percent during the first three quarters of 2016, compared to 4.8 percent during the same period of 2015. This slowdown in nominal growth is mainly attributed to the slowdown in the general price level, measured by the GDP deflator, which grew by 1.1 percent compared to 2.4 percent during the first three quarters of 2015, as a reflection of the continuous decline of oil prices in the international market which contributed in reducing the inflationary pressures upon the national economy.

The main sectors contributed to the economic growth during the first three quarters of 2016 were; “finance and insurance services” (0.6 percentage point), “transports, storage and communications” (0.5 percentage point), agriculture (0.2 percentage point), “electricity and water” (0.2 percentage point). These sectors collectively accounted for 75 percent of real GDP growth during the first three quarters of 2016.

The economic sectors displayed a wide variation in their performance during the first three quarter of 2016. Some sectors recorded accelerated growth, such as “electricity and water”, “finance and insurance services” agriculture, “transport, storage and communications”, and construction. Meanwhile, manufacturing, and “wholesale and retail trade” experienced slowdown. On the other hand, “mining and quarrying”, and “restaurant and hotels” sector showed contraction in its performance.



Gross Domestic Product At Market Prices, Percentages

| Sectors | Relative change | | Contribution | |
|---|---------------------------|-------|---------------------------|------|
| | First three quarters 2015 | 2016 | First three quarters 2015 | 2016 |
| GDP At Market Prices | 2.3 | 2.0 | 2.3 | 2.0 |
| Agriculture, Hunting, Forestry, And Fishing | 0.7 | 5.3 | - | 0.2 |
| Mining And Quarrying | 16.8 | -14.7 | 0.2 | -0.2 |
| Manufacturing | 1.4 | 0.8 | 0.2 | 0.1 |
| Electricity And Water | 8.6 | 10.8 | 0.2 | 0.2 |
| Construction | -2.7 | 0.8 | -0.1 | - |
| Wholesale And Retail Trade | 1.4 | 1.3 | 0.1 | 0.1 |
| Restaurant And Hotels | -3.4 | -0.9 | - | - |
| Transport, Storage & Communications | 3.0 | 3.2 | 0.4 | 0.5 |
| Finance And Insurance Services | 5.5 | 5.6 | 0.5 | 0.6 |
| Real Estate | 2.2 | 2.2 | 0.2 | 0.2 |
| Community, Social And Personal Services | 4.1 | 3.6 | 0.2 | 0.2 |
| Producers Of Government Services | 2.4 | 1.2 | 0.3 | 0.1 |
| Producers Of Private Non-Profit Services To | 6.2 | 4.1 | - | - |
| Domestic Services Of Households | 0.1 | 0.1 | - | - |

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

□ Microeconomic Indicators

The microeconomic indicators displayed divergent performance. Some indicators recorded a notable growth, such as; “Number of departures” (3.3 percent) and “Licensed areas for buildings” (1.4 percent). However, other indicators showed a contraction, particularly; Cargo through Royal Jordanian (15.9 percent) and Value traded at the real estate market (5.0 percent). The following table displays the performance of the main sectoral indicators.

Main Sectoral Indicators*

Percentage Points

| 2015 | 2016 | Item | 2016 | Available period | 2017 | |
|-------|-------|--|------|--------------------|---------|-------|
| -12.5 | 1.4 | Licensed areas for buildings | - | | - | |
| -8.8 | -1.5 | Manufacturing production quantity index** | - | | - | |
| -0.5 | -16.2 | Food products and beverages | - | | - | |
| 45.9 | -7.3 | Tobacco products | - | | - | |
| -1.7 | -13.3 | Refined petroleum products | - | | - | |
| 63.8 | 95 | Wearing apparel | - | | - | |
| 3.4 | -11.6 | Non-metallic mineral products | - | | - | |
| -10.8 | -2.9 | Chemical products | - | | - | |
| 16.9 | -9.1 | “Mining and quarrying” production quantity index** | - | | - | |
| -38.3 | -5.3 | Extraction of crude petroleum and natural gas | - | | - | |
| 17.6 | -9.1 | Other mining and quarrying | - | | - | |
| -7.4 | 0.5 | Number of departures | -6.3 | | January | 3.3 |
| -7.9 | 2.1 | Number of passengers through Royal Jordanian | 1.0 | | | -3.0 |
| -0.7 | -21.2 | Cargo through Royal Jordanian | 4.9 | | | -15.9 |
| -2.0 | -7.2 | Value traded at the real estate market | 6.2 | January – February | -5.0 | |

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

** : - The methodology of computing the manufacturing and “mining and quarrying” production indices has been modified, and so far, there are no available data upon the monthly growth rates for 2015.

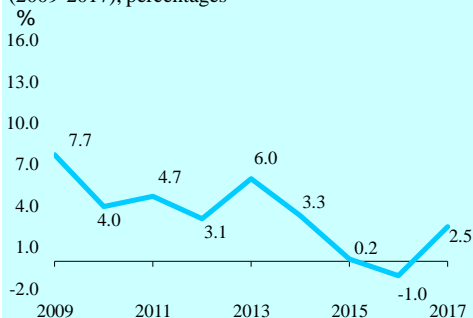
- Compared to the same month in the previous year.

Prices

The general price level, measured by the percentage change in the Consumer Price Index (CPI), increased by 2.5 percent during the first month of 2017, compared with a contraction of 1.0 percent during the same month of 2016. This came as a result of the increasing in the prices of food and oil in the global markets and its impact on domestic prices. The main groups and items that witnessed an increased in their prices are transportation (11.0 percent), “Health” (10.0 percent), and “Culture and Recreation” (11.1 percent). They collectively contributed in increasing the overall inflation rate by 1.9 percentage points.

Inflation Rate

Inflation Rate for the First month of the years (2009-2017), percentages



Inflation Rate during the first month of years 2016 - 2017

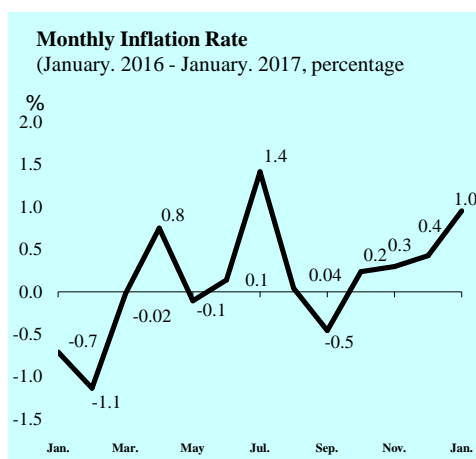
| Expenditure Groups | Relative Imp. | Relative change | | Contribution | |
|--|---------------|-----------------|--------------|--------------|--------------|
| | | January 2016 | January 2017 | January 2016 | January 2017 |
| All Items | 100.00 | -1.0 | 2.5 | -1.0 | 2.5 |
| 1) Food and non-Alcoholic Beverages, of which: | 33.36 | -2.4 | -1.4 | -0.8 | -0.5 |
| Meat and Poultry | 8.24 | -9.0 | -5.2 | -0.8 | -0.4 |
| Dairy Products and Eggs | 4.23 | -2.4 | 1.0 | -0.1 | 0.0 |
| Vegetables and Legumes Dry and Canned | 3.89 | 2.6 | 1.4 | 0.1 | 0.1 |
| Fruits and Nuts | 2.73 | -2.5 | -9.2 | -0.1 | -0.3 |
| Oils and Fats | 1.92 | 3.4 | 2.7 | 0.1 | 0.0 |
| 2) Alcohol and Tobacco and Cigarettes | 4.43 | 2.8 | 4.8 | 0.1 | 0.2 |
| 3) Clothing and footwear | 3.55 | 2.5 | -2.9 | 0.1 | -0.1 |
| 4) Housing, of which: | 21.92 | 0.3 | 2.6 | 0.1 | 0.6 |
| Rents | 15.57 | 3.2 | 2.1 | 0.5 | 0.4 |
| Fuels and Lighting | 4.85 | -10.0 | 3.0 | -0.5 | 0.1 |
| 5) Household Furnishings and Equipment | 4.19 | 1.2 | 1.2 | 0.1 | 0.0 |
| 6) Health | 2.21 | 0.4 | 10.0 | 0.0 | 0.2 |
| 7) Transportation | 13.58 | -6.0 | 11.0 | -0.8 | 1.4 |
| 8) Communication | 3.50 | -0.3 | 0.0 | 0.0 | 0.0 |
| 9) Culture and Recreation | 2.27 | 7.0 | 11.1 | 0.1 | 0.2 |
| 10) Education | 5.41 | 1.1 | 3.6 | 0.1 | 0.2 |
| 11) Restaurants and Hotels | 1.83 | 1.1 | -0.3 | 0.0 | 0.0 |
| 12) Other Goods and Services | 3.75 | -0.2 | 5.7 | 0.0 | 0.2 |

Source: Department of Statistics.

In contrast, prices of other groups and items showed varied decreases, mainly; “food and non-alcoholic beverages” (1.4 percent), clothing and footwear (2.9 percent).

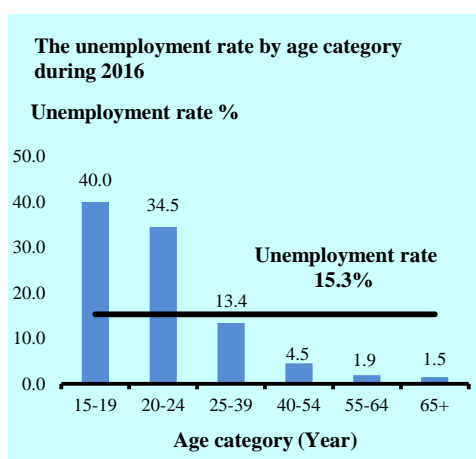
In January 2017, the CPI witnessed an increasing by 1.0 percent compared with December 2016. This was due to the

increase in the prices of some groups and items, mainly; “transportation” (4.2 percent), “Diary products and eggs” (5.3 percent), “Meat and Poultry” (3.3 percent), and the contraction in prices of other groups and items such as, clothing and footwear (2.4 percent), and “Fruits and Nuts” (1.8 percent).



■ Employment

- The unemployment rate increased during 2016 to reach 15.3 percent (13.3 percent for males and 24.1 percent for females), compared to 13.0 percent (11.0 percent for males and 22.5 percent for females) during 2015.



- The unemployment among youth reached 40.0 percent for the categories of 15-19 years old, and 34.5 percent for those between 20-24 years.

- The refined economic participation rate (the ratio of the labor force to the population of 15 years and over) during 2016 reached 36.0 percent (58.7 percent for males and 13.2 percent for females), compared to 36.7 percent (60.0 percent for males and 13.3 percent for females) during 2015.
- The employment rate among population of 15 years and older reached 30.5 percent during 2016, compared to 31.9 percent during 2015. The employees in the sector of “public administration, defense, and social security” accounted for 26.1 percent of the total employed, followed by employees in the “wholesale and retail trade” (15.4 percent), education (11.5 percent), and manufacturing (9.7 percent).

Third: Public Finance

□ Summary:

- The general budget, including foreign grants, recorded a fiscal deficit in the amount of JD 803.3 million during the first eleven months of 2016, comparing to a fiscal deficit in the amount of JD 1,025.6 million during the same period in 2015. When excluding foreign grants (JD 406.4 million), the general budget deficit reaches JD 1,209.7 million compared to a deficit in the amount of JD 1,474.0 million during the same period in 2015.
- Gross outstanding domestic public debt increased by JD 716.1 million at the end of November 2016 compared to its level at the end of 2015, to reach JD 16,202.1 million (59.0 percent of GDP).
- Outstanding external public debt (budgetary and guaranteed) went up by JD 654.7 million at the end of November 2016, compared to its level at the end of 2015, to stand at JD 10,045.2 million (36.6 percent of GDP).
- As a result, gross outstanding public debt (domestic and external) reached JD 26,247.3 million (95.6 percent of GDP) at the end of November 2016 compared to JD 24,876.5 million (93.4 percent of GDP) at the end of 2015.

□ The preliminary performance for the year 2016:

- The general budget, including foreign grants, recorded a fiscal deficit in the amount of JD 836.6 million (3.0 percent of GDP), comparing to a fiscal deficit in the amount of JD 926.5 million (3.5 percent of GDP) in 2015. The performance of budget deficit witnessed an improvement compared to 2015, as

estimating in the General Budget Law for the year 2016 (JD 906.7 million), as well as re-estimate (JD 1,097 million). Owing to a bundle of fiscal measures adopted in 2016 especially a prior action for the EFF program in the mid of 2016.

- Gross domestic public debt amounted to JD 15,793.7 million (57.4 percent of GDP), up by JD 308 million compared to its level at the end of 2015.
- Outstanding external public debt amounted to JD 10,299 million (37.5 percent of GDP), up by JD 909 million compared to its level at the end of 2015.
- As a result, gross outstanding public debt (domestic and external) reached JD 26,092.7 million (94.9 percent of GDP), up by JD 1,217 million (1.5 percentage points) compared to its level at the end of 2015. Which is less than re-estimate (JD 26.3 billion, or 95.1 percent of GDP).

□ **The performance of the general budget during the first eleven months of 2016 compared to the same period in the preceding year:**

■ **Public Revenues**

Public revenues (including foreign grants) increased by JD 101.3 million, or 22.9 percent, in November 2016 compared to the same month of 2015 to reach JD 542.9 million. As for the first eleven months of 2016, these revenues were up by JD 452.1 million, or 7.9 percent, compared to the same period in 2015 to stand at JD 6,187.3 million. This came as an outcome of the increase in domestic revenues by JD 494.1 million, and the decrease in foreign grants by JD 42.0 million.

Main Government Budget Indicators during the first eleven months of 2016:

(JD Million and Percentages)

| | November | | Growth Rate | Jan. –Nov. | | Growth Rate |
|--------------------------------------|---------------|---------------|-------------|-----------------|----------------|-------------|
| | 2015 | 2016 | | 2015 | 2016 | |
| Total Revenues and Grants | 441.6 | 542.9 | 22.9 | 5,735.2 | 6,187.3 | 7.9 |
| Domestic Revenues, of which: | 402.3 | 482.5 | 19.9 | 5,286.8 | 5,780.9 | 9.3 |
| Tax Revenues, of which: | 290.7 | 336.3 | 15.7 | 3,784.6 | 3,970.4 | 4.9 |
| General Sales Tax | 231.0 | 269.7 | 16.8 | 2,539.0 | 2,661.4 | 4.8 |
| Other Revenues | 110.1 | 145.2 | 31.9 | 1,485.6 | 1,796.5 | 20.9 |
| Foreign Grants | 39.3 | 60.4 | 53.7 | 448.4 | 406.4 | -9.4 |
| Total Expenditures, of which: | 632.5 | 674.6 | 6.7 | 6,760.8 | 6,990.6 | 3.4 |
| Capital Expenditures | 78.5 | 110.3 | 40.5 | 815.8 | 801.7 | -1.7 |
| Overall Deficit/ Surplus | -190.9 | -131.7 | - | -1,025.6 | -803.3 | - |

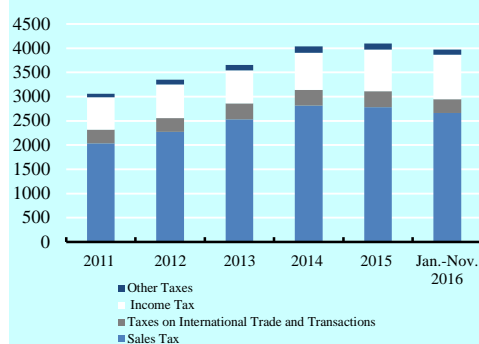
Source: Ministry of Finance/ General Government Finance Bulletin.

◆ Domestic Revenues

Domestic revenues witnessed an increase by JD 494.1 million, or 9.3 percent, during the first eleven months of 2016 compared to the same period in 2015, to reach JD 5,780.9 million. This increase was an outcome of the rise in the proceeds of “tax revenues”, and “other revenues”, by JD 185.8 million, JD 310.9 million, respectively, and the drop in pension contribution by JD 2.6 million.

Tax Revenue Structure

(2011-2015) and the first eleven months of 2016, JD Million.



- **Tax Revenues**

Tax revenues increased by JD 185.8 million, or 4.9 percent, during the first eleven months of 2016 compared to the same period in 2015, to reach JD 3,970.4 million (68.7 percent of domestic revenues). Following are the main developments in tax revenues items:

- An increase in the proceeds of “general sales tax on goods and services” by JD 122.4 million, or 4.8 percent, which reached JD 2,661.4 million (accounting for 67.0 percent of total tax revenues). This result was driven by the increase in the proceeds of “sales tax on commercial sector”, “sales tax on services”, “sales tax on domestic goods”, and “sales tax on imported goods” by JD 51.0 million, JD 47.2 million, JD 15.5 million, and JD 8.6 million, respectively.
- An increase in the proceeds of “income and profit taxes” by JD 87.2 million, or 10.5 percent, which reached JD 914.1 million (accounting for 23.0 percent of total tax revenues). This rise was an outcome of the increase in the proceeds of “income tax from companies and other projects” by JD 97.5 million, and decrease in the proceeds of “income tax from individuals” by JD 10.3 million. Accordingly, income tax from companies accounted for 80.3 percent of total taxes on income and profits to reach JD 733.7 million.

- A decrease in the proceeds of “taxes on international trade and transactions” (including customs duties and fees) by JD 18.6 million or 6.1 percent, to reach JD 287.9 million (accounting for 7.3 percent of total tax revenues).
- A decrease in real-estates tax (taxes on financial transactions) by JD 5.0 million, or 4.5 percent, to reach JD 107.0 million (accounting for 2.7 percent of total tax revenues).

- **Other Revenues (Non-Tax Revenues)**

“Other revenues” increased by JD 310.9 million, or 20.9 percent, during the first eleven months of 2016 to reach JD 1,796.5 million. This increase was chiefly due to:

- An increase in miscellaneous revenues by JD 346.5 million to stand at JD 731.5 million.
- An increase in “revenues from selling goods and services” by JD 7.8 million to reach JD 786.7 million.
- A drop in property income by JD 43.5 million to stand at JD 278.3 million (of which financial surplus of independent government units amounted to JD 257.7 million against JD 285.0 million during the same period in 2015).

- **Pension Contributions**

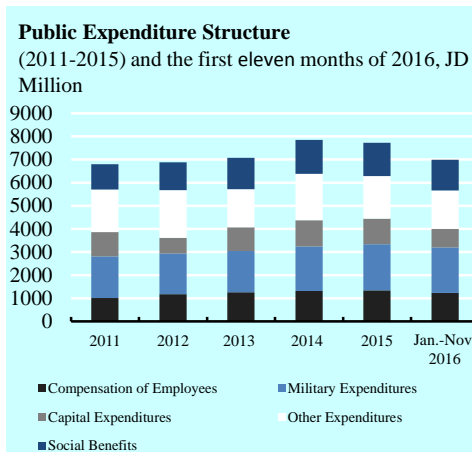
Pension contributions witnessed a decrease by JD 2.6 million, or 15.7 percent, during the first eleven months of 2016, standing at JD 14.0 million.

- ◆ **Foreign Grants**

Foreign grants decreased by JD 42.0 million, or 9.4 percent, during the first eleven months of 2016, standing at JD 406.4 million.

Public Expenditures

Public expenditures witnessed an increase by JD 42.1 million, or 6.7 percent, in November 2016 compared to the same month in 2015 to stand at JD 674.6 million. Moreover, public expenditures increased by JD 229.8 million, or 3.4 percent during the first eleven months of 2016 compared to the same period in 2015, to stand at JD 6,990.6 million. This increase was an outcome of the rise in current expenditures by JD 243.9 million, and the decline in capital expenditures by JD 14.1 million.



Current Expenditures

Current expenditures increased by JD 243.9 million, or 4.1 percent, during the first eleven months of 2016, to reach JD 6,188.9 million. This increase was chiefly due to:

- An increase in military expenditures by JD 140.3 million to total JD 1,962.3 million, accounting for 31.7 percent of total current expenditures.
- A rise in the “compensation of civil sector's employees” (wages, salaries and social security contributions) by JD 22.2 million to reach JD 1,239.6 million, accounting for 20.0 percent of total current expenditures.
- A rise in social benefit expenditures by JD 8.3 million to stand at JD 1,328.7 million, accounting for 21.5 percent of total current expenditures.
- An increase in “purchases of goods and services” by JD 67.3 million to stand at JD 371.7 million, accounting for 6.0 percent of total current expenditures.

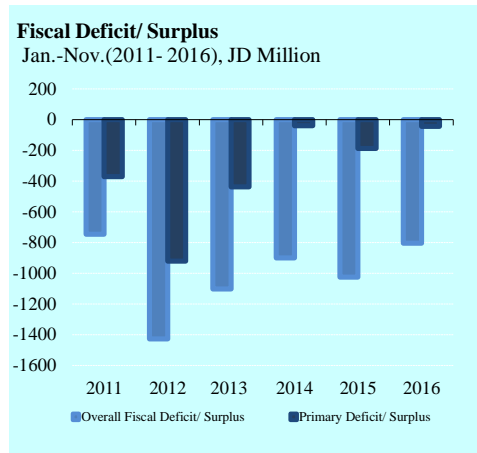
- An increase in goods subsidies by JD 5.9 million to stand at JD 113.2 million, accounting for 1.8 percent of total current expenditures.
- A drop in interest payments by JD 79.5 million to stand at JD 760.1 million, accounting for 12.3 percent of total current expenditures.

◆ **Capital Expenditures**

Capital expenditures decreased by JD 14.1 million, or 1.7 percent during the first eleven months of 2016 compared to the same period in 2015, to reach JD 801.7 million.

■ **General Budget Deficit/ Surplus**

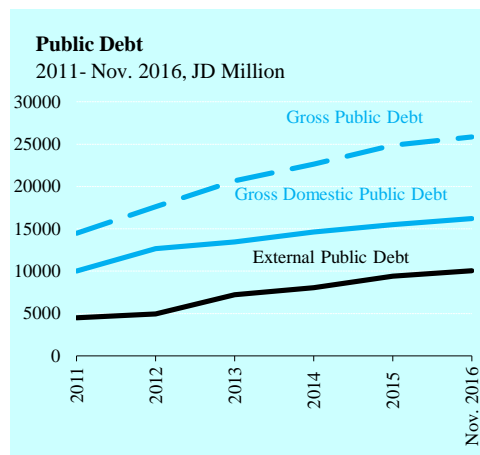
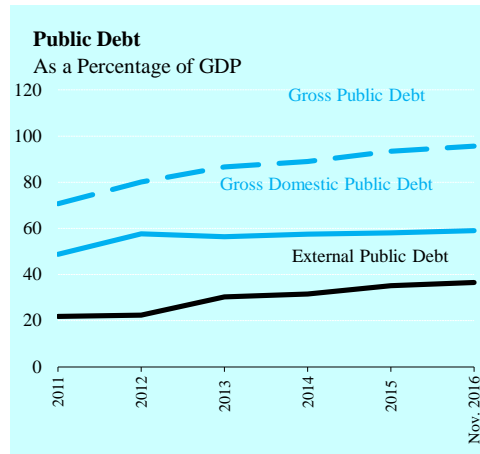
- ◆ The general budget, including grants, displayed a fiscal deficit amounted to JD 803.3 million during the first eleven months of 2016, against a fiscal deficit in the amount of JD 1,025.6 million during the same period in 2015.



- ◆ The general budget showed a primary deficit (after excluding interest payments on public debt from total expenditures) amounted to JD 43.2 million during the first eleven months of 2016, against a primary deficit of JD 186.0 million during the same period in 2015, if foreign grant was excluded, the general budget recorded a primary deficit in the amount of JD 449.6 million, during the first eleven months of 2016, against a primary deficit of JD 634.4 million during the same period in 2015.

Public Debt

Gross outstanding domestic public debt increased by JD 716.1 million at the end of November 2016 compared to its level at the end of 2015 to total JD 16,202.1 million, or 59.0 percent of GDP. This rise in gross outstanding domestic public debt was an outcome of the rise in gross budgetary government debt, on one hand, as “Treasury bills and bonds” increased by JD 789.0 million at the end of November 2016, compared to their level at the end of 2015, standing at JD 13,173.0 million, however, the outstanding balance of “loans and advances” extended by CBJ to the budgetary central government declined by JD 80.0 million to stand at JD 432.0 million. Moreover, gross domestic debt of own-budget agencies increased by JD 26.0 million to stand at JD 2,577.0 million, on the other. In this regard, loans and advances extended to these



agencies went up by JD 55.0 million to stand at JD 2,044.0 million, while own-budget agencies' bonds decreased by 30.0 million to stand at JD 533.0 million compared to its level at the end of 2015.

- Net outstanding domestic public debt (gross outstanding domestic public debt *minus* government deposits at the banking system) increased by JD 897.8 million at the end of November 2016 comparing to its level at the end of 2015 to total JD 14,354.8 million (52.3 percent of GDP).
- Outstanding balance of external public debt (budgetary and guaranteed) increased by JD 654.7 million at the end of November 2016 compared to its level at the end of 2015, amounting to JD 10,045.2 million (36.6 percent of GDP). This increase was driven by the issuance of sovereign Eurobonds in international markets in the amount of USD 1.0 billion in November 2016. The currency debt structure shows that external debt in US dollars accounted for 64.4 percent, while debt in Euros accounted for 6.2 percent. Furthermore, external debt in Japanese Yen and Kuwaiti Dinars accounted for 6.5 percent and 7.1 percent of the outstanding external public debt, respectively, while external debt in SDRs accounted for 13.2 percent.
- Gross public debt (domestic and external) increased by JD 1,370.8 million at the end of November 2016 compared to its level at the end of 2015 to stand at JD 26,247.3 million, (95.6 percent of GDP), against JD 24,876.5 million (93.4 percent of GDP) at the end of 2015.

- External debt service (budgetary and guaranteed) increased by JD 236.4 million during the first eleven months of 2016 to stand at JD 1,577.7 million, compared to same period of 2015. This rise was a result of domestic bonds in dollar amortization by JD 815.0 million (USD 1,150.0 million), during of February and August of this year.

□ Fiscal and Price Measures

- The cabinet decided to change some the prices of all types of oil derivatives, as follows:

Development of Oil Derivatives Price

| | Unit | 2017 | | Percentage Change |
|--|------------|----------|-------|-------------------|
| | | February | March | |
| Unleaded Gasoline 90 | Fils/Liter | 665 | 665 | 0.0 |
| Unleaded Gasoline 95 | Fils/Liter | 880 | 880 | 0.0 |
| Gas Oil (Diesel) | Fils/Liter | 480 | 480 | 0.0 |
| Kerosene | Fils/Liter | 480 | 480 | 0.0 |
| Liquid Gas (12.5kg) | JD/Unit | 7.0 | 7.0 | 0.0 |
| Fuel oil for industry | JD/Ton | 355.5 | 347.5 | -2.3 |
| Fuel for airplanes (local companies) | Fils/Liter | 378 | 383 | 1.3 |
| Fuel for airplanes (foreign companies) | Fils/Liter | 383 | 388 | 1.3 |
| Fuel for unplanned flights | Fils/Liter | 398 | 403 | 1.3 |
| Asphalt | JD/Ton | 345.3 | 337.4 | -2.3 |

Source: Jordan Petroleum Refinery Company (1/3/2017).

- Issuance of the amending by-law for driving licenses and vehicle registration and licensing fees for the year 2017, by imposing an additional 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: (January 2017).

| Engine category CC | Vehicles aged 10 years or less | Vehicles older than 10 years |
|--------------------------|--------------------------------|------------------------------|
| | | Fees in JD |
| Less than 1500 | 40 | 50 |
| Higher than 1500 to 2000 | 80 | 100 |
| Higher than 2000 to 3000 | 120 | 400 |
| Higher than 3000 to 4000 | 150 | 550 |
| Higher than 4000 | 200 | 700 |

- The cabinet decided to impose an excise tax in the amount of 3 piaster per liter on unleaded gasoline 90 (3 piasters at the beginning of February 2017 and two piaster at the beginning of March 2017), and 7 piaster per liter on unleaded gasoline 95, to be effective starting Feb. 2017.
- Issuance of the amending by-law for the year 2017 for the special tax by-law NO. (80) for the year 2000, as follows: (February 2017).
 - Raising the special tax on cigarettes for domestic consumption according to the recommended retail price.
 - Raising the special tax on prepaid and post-paid mobile and radio subscriptions to become 26%.
 - Imposing a special tax by JD 2.6 on mobile phone subscription service for each new SIM card sold starting from Feb.15, 2017.
 - Imposing a special tax on soft drinks by 10%.

- Issuance of the amending by-law for the year 2017 for the work permit fees for non-Jordanian workers NO. (67) for the year 2014, as follows: (February 2017).
 - Fulfilled JD 400 from the employer for a work permit or renewal in whole or any part of the year.
 - Fulfilled JD 175 from institutions and companies operating in the clothing industry and knitting sector which are registered in the Investment Commission.
 - Fulfilled JD 500 on home worker, gardener, chef, worker in private farm or similar.
 - Fulfilled JD 300 from the employer in all economic sectors and activities for each temporary work permit that does not exceed six months.
 - Fulfilled an additional fee of JD 100 from the employer for each work permit issuance or renewal for all economic sectors and activities, allocated to the Employment-Technical and Vocational Education and Training Fund (E-TVET Fund).
- Issuance of the amending by-law for the year 2017 of the allowance of customs duties for the imported exempted goods NO. (47) for the year 2014, to assure collecting allowances for any imported goods subject to custom duties fees of 5% of the value of those goods, so that this allowance shouldn't be less than JD 100 or exceed JD 10,000 (February 2017).
- The cabinet decided to **abolish** the previous decisions related to the general sales tax on goods and services, which included the following: (February 2017).
 - Reducing the general sales tax on rebar from 16% to 8%.
 - Reducing the general sales tax on internet subscription services at home, whether fixed or other from 16% to 8%.
 - Reducing the general sales tax on internet subscriptions services on landline phone from 16% to 8%.
 - Reduction and unification the general sales tax on internet services at 8%, regardless of the technology used or the beneficiary.

- The cabinet adopted a bundle of fiscal measures, including the following: (February 2017)
 - Deducting 10% of any monthly salaries exceeding JD 2,000 for all employees in the public sector, including the Prime Minister and Ministers, starting from Feb. 1st, 2017.
 - Increasing allocation to National Aid Fund by 10% and worth up to JD 10 million.
 - Amendment the passport renewal and issuance fees, whether expired or the remaining validity is less than 180 days, from JD 20 to JD 50.
 - Raising the minimum wage limit to become JD220, at the beginning of March.
- The cabinet decided to approve the amendment of the special sales tax instructions on tobacco, alcoholic beverages, spirits, and beer, in Aqaba Special Economic Zone (ASEZ) as mentioned in the decision of the Aqaba Special Economic Zone authority's council of commissioners (February 2017).

□ Grants, Loans and Other Agreements

- Signing an additional financing grant agreement extended by the World Bank, in the amount of USD 10.8 million, to support a project for "Syrian refugee host communities response to emergency services and enhance capability to adapt with social changes" (January 2017).
- Signing a grant agreement provided by the European Union (EU) in the amount of EUR 55 million, as a sectoral support through the general budget aiming at promoting private sector development, and adopting reforms in the field of business environment and investment climate. The EU provided an additional EUR 10 million to the original amount (EUR 45 million) to contribute in mitigating the repercussions of the Syria crisis, and honoring its commitments to the bilateral cooperation and the London donor conference (January 2017).

- Signing a grant agreement with the Kuwait Fund for Arab Economic Development in the amount of USD 14.1 million, to finance projects implemented by the Cities and Villages Development Bank (January 2017).
- Signing the US wheat grant agreement for the year 2017, in the amount of 100,000 tones as part of the food aid program implemented by the United States (February 2017).
- Signing on a grant agreement provided by the Canadian government in the amount of USD 7.6 million, as a support to the Ministry of Education plan "To speed up Syrian students access to the formal education", as has been agreed at the London donor conference (February 2017).
- Signing on a grant agreement provided by the Japanese government in the amount of USD 4.5 million, to afford advanced machines and security equipment for 5 border centers to enhance its security forces in Jordan. (March 2017).

Fourth: External Sector

□ Summary

- **Total merchandize exports** (domestic exports *plus* re-exports) increased by 0.6 percent in December 2016 compared to the same month of 2015 to reach JD 475.5 million. As for 2016, total merchandize exports decreased by 4.1 percent to reach JD 5,331.4 million compared to 2015.
- **Merchandize imports** increased by 4.0 percent in December 2016 compared to the same month of 2015 to reach JD 1,197.0 million. As for 2016, merchandize imports decreased by 6.2 percent to reach JD 13,637.0 million compared to 2015.
- **Consequently**, the trade balance deficit (total exports minus imports) increased by 6.4 percent in December 2016 compared to the same month of 2015; standing at JD 721.5 million. As for 2016, trade balance deficit decreased by 7.5 percent compared to 2015 to reach JD 8,305.6 million.
- **Travel receipts** increased by 12.2 percent in January 2017 compared to the same month of 2016 to reach JD 260.7 million, at the same time travel payments increased by 7.2 percent to reach JD 77.7 million, compared to the same month of 2016.
- **Total workers' remittances receipts** increased by 4.2 percent in January 2017 compared to the same month of 2016 to reach JD 210.1 million.
- **The current account of the balance of payments** registered a deficit of JD 1,910.2 million (9.5 percent of GDP) during the first three quarters of 2016 compared to a deficit of JD 1,979.6 million (10.1 percent of GDP) during the same period of 2015. Meanwhile, the current account deficit excluding grants went down to reach 11.3 percent of GDP compared with 11.9 percent of GDP during the first three quarters of 2015.
- **Net direct investment** recorded an inflow of JD 809.1 million during the first three quarters of 2016, up from JD 808.2 million during the same period of 2015.

- **International investment position (IIP)** displayed a net obligation to abroad of JD 26,656.5 million at end of September 2016; compared to JD 24,815.1 million at the end of 2015.

□ External Trade

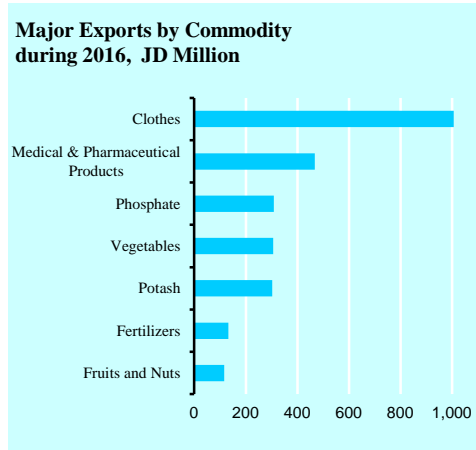
- As a result of the decrease in both domestic exports and imports by JD 428.3 million and JD 900.2 million, respectively, the volume of external trade (domestic exports *plus* imports) decreased by JD 1,328.5 million during 2016 to stand at JD 18,006.3 million compared to 2015.

| Jordan's Major Trading Partners JD Million | | | | Main External Trade Indicators JD Million | | | | |
|---|---------|---------|-------------------|--|----------|-----------------------------|----------|-----------------------------|
| | 2015 | 2016 | Percentage Change | | 2015 | Percentage Change 2015/2014 | 2016 | Percentage Change 2016/2015 |
| Exports | | | | External Trade | 19,334.8 | -9.8 | 18,006.3 | -6.9 |
| USA | 1,002.1 | 1,041.1 | 3.9 | Total Exports | 5,561.4 | -6.6 | 5,331.4 | -4.1 |
| Saudi Arabia | 787.3 | 646.3 | -17.9 | Domestic Exports | 4,797.6 | -7.1 | 4,369.3 | -8.9 |
| India | 418.1 | 347.2 | -17.0 | Re-exports | 763.8 | -3.3 | 962.1 | 26.0 |
| Iraq | 493.2 | 333.0 | -32.5 | Imports | 14,537.2 | -10.7 | 13,637.0 | -6.2 |
| UAE | 228.0 | 237.3 | 4.1 | Trade Balance | -8,975.8 | -13.1 | -8,305.6 | -7.5 |
| Kuwait | 210.5 | 231.0 | 9.7 | | | | | |
| Qatar | 109.9 | 119.6 | 8.8 | | | | | |
| Imports | | | | | | | | |
| China | 1,874.7 | 1,910.1 | 1.9 | | | | | |
| Saudi Arabia | 2,173.4 | 1,651.1 | -24.0 | | | | | |
| USA | 894.7 | 952.3 | 6.4 | | | | | |
| Germany | 670.3 | 625.7 | -6.7 | | | | | |
| UAE | 598.5 | 623.7 | 4.2 | | | | | |
| Italy | 571.5 | 593.4 | 3.8 | | | | | |
| Source: Department of Statistics. | | | | | | | | |

■ Merchandize Exports:

Total merchandize exports decreased by 4.1 percent during 2016, to record JD 5,331.4 million. This decrease resulted from a decline in domestic exports by JD 428.3 million, or 8.9

percent, to reach JD 4,369.3 million, and the increase in re-exports by 26.0 percent, to reach JD 962.1 million.



◆ The developments of domestic exports during 2016 compared to 2015 reveals the following:

- Exports of **Potash** decreased by JD 132.9 million, or 30.6 percent, to stand at JD 301.7 million. The Indian, Chinese and Malaysian markets accounted for 68.4 percent of these exports.
- Exports of **Vegetables** decreased by JD 93.8 million, or 23.5 percent, to reach JD 306.0 million. The UAE, Saudi Arabia and Kuwait were the main destination markets; accounting for 62.5 percent.

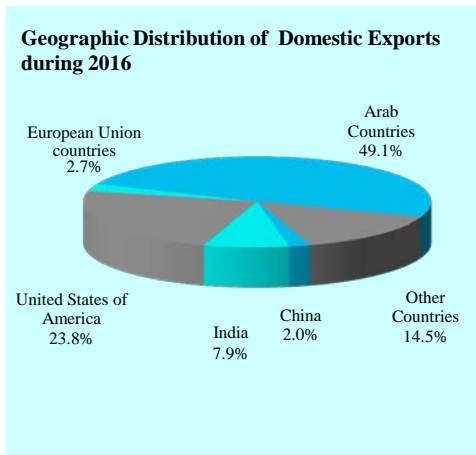
- Exports of **Phosphates** decreased by JD 63.2 million, or 17.0 percent, to register JD 308.4 million. This was a result of the decrease in both exported quantities and prices by 2.1 percent and 15.2 percent; respectively. It is worth noting that the Indian and Indonesian markets were the main destination for these exports, accounting for 84.1 percent.
- Exports of **Medical & Pharmaceutical Products** increased by JD 68.8 million, or 17.2 percent, to reach JD 467.7 million. The markets of Saudi Arabia, Algeria, Iraq, and the UAE accounted for 57.0 percent of these exports.

**Major Domestic Exports by Commodity, JD Million
2015-2016**

| | 2015 | 2016 | Percentage Change |
|--|----------------|----------------|-------------------|
| Domestic Exports | 4,797.6 | 4,369.3 | -8.9 |
| Clothes | 979.0 | 1,005.5 | 2.7 |
| USA | 879.3 | 895.8 | 1.9 |
| Medical & Pharmaceutical Products | 398.9 | 467.7 | 17.2 |
| Saudi Arabia | 95.4 | 112.0 | 17.4 |
| Algeria | 46.9 | 63.9 | 36.2 |
| Iraq | 31.6 | 56.5 | 78.8 |
| UAE | 31.0 | 34.3 | 10.6 |
| Phosphates | 371.6 | 308.4 | -17.0 |
| India | 248.5 | 196.2 | -21.0 |
| Indonesia | 57.4 | 63.1 | 9.9 |
| Vegetables | 399.8 | 306.0 | -23.5 |
| UAE | 77.4 | 68.2 | -11.9 |
| Saudi Arabia | 74.5 | 64.8 | -13.0 |
| Kuwait | 67.0 | 58.2 | -13.1 |
| Potash | 434.6 | 301.7 | -30.6 |
| India | 110.1 | 83.9 | -23.8 |
| China | 146.1 | 80.7 | -44.8 |
| Malaysia | 44.3 | 41.9 | -5.4 |
| Fertilizers | 151.5 | 132.5 | -12.5 |
| Turkey | 26.5 | 43.2 | 63.0 |
| Iraq | 31.9 | 35.3 | 10.7 |
| India | 45.1 | 30.3 | -32.8 |
| Fruits and Nuts | 141.4 | 116.7 | -17.5 |
| Kuwait | 42.2 | 41.1 | -2.6 |
| Saudi Arabia | 41.9 | 30.2 | -27.9 |
| UAE | 12.9 | 13.1 | 1.6 |

Source: Department of Statistics.

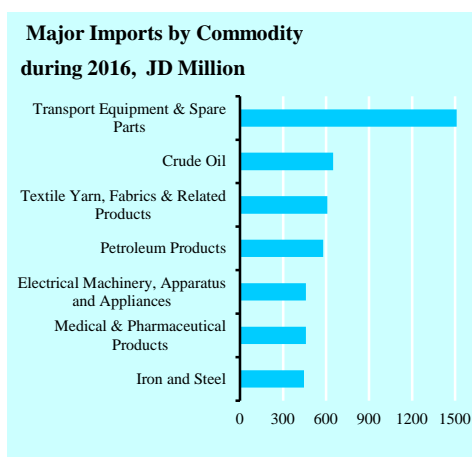
- Consequently, the commodity breakdown of domestic exports indicates that exports of clothes, “medical and



pharmaceutical products”, phosphates, vegetables, potash, fertilizers and “fruits and nuts” topped the list of domestic exports during 2016; accounting for 60.4 percent, compared with 60.0 percent during 2015. Meanwhile, the geographical distribution of domestic exports indicates that the USA, Saudi Arabia, India, Iraq, the UAE, Kuwait and Qatar were the main destination markets during 2016; accounting for 67.6 percent, compared with 67.7 percent during 2015.

■ **Merchandize Imports:**

Merchandize imports decreased by 6.2 percent to reach JD 13,637.0 million during 2016, compared to a decrease by 10.7 percent during 2015.



◆ **The developments of imports during 2016 compared with 2015 reveals the following:**

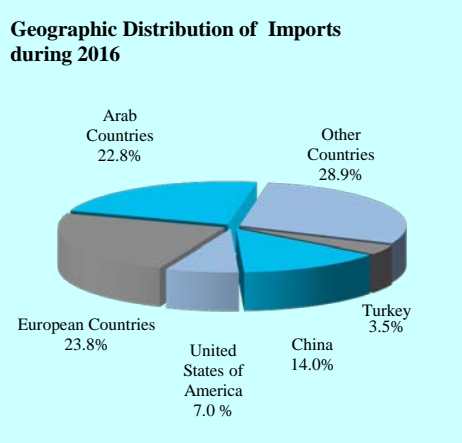
- **Petroleum Products** imports decreased by JD 405.5 million, or 41.2 percent, to reach JD 578.9 million. This decrease was mainly due to a decline in imported quantities and prices. The main source markets of these imports were Saudi Arabia, Italy, and the UAE; accounting for 65.5 percent.
- **Crude oil** imports decreased by JD 282.5 million, or 30.3 percent, to reach 648.6 million. This decrease was mainly due to a decline in prices and imported quantities by 17.8 percent and 15.2 percent, respectively. Noting that crude oil imports came from the Saudi market.

- Transport Equipment and Spare Parts** imports increased by JD 168.3 million or 12.5 percent to reach JD 1,513.6 million. Japan, South Korea and the USA were the main origin markets accounting for 59.4 percent.
- Medical and pharmaceutical products** imports increased by JD 38.4 million or 9.1 percent to reach JD 458.2 million. The markets of Germany, the USA and France accounted for 34.6 percent of these imports.

| Major Imports by Commodity, JD Million 2015-2016 | | | |
|---|-----------------|-----------------|------------------------------|
| | 2015 | 2016 | Percentage Change |
| Total Imports | 14,537.2 | 13,637.0 | -6.2 |
| Transport Equipment & Spare Parts | 1,345.3 | 1,513.6 | 12.5 |
| Japan | 288.8 | 313.8 | 8.7 |
| South Korea | 280.4 | 310.9 | 10.9 |
| USA | 216.8 | 274.1 | 26.4 |
| Crude oil | 931.1 | 648.6 | -30.3 |
| Saudi Arabia | 931.1 | 648.6 | -30.3 |
| Textile Yarn, Fabrics and Related Products | 599.5 | 609.7 | 1.7 |
| China | 226.1 | 238.3 | 5.4 |
| Taiwan | 200.1 | 187.8 | -6.1 |
| Turkey | 39.1 | 60.1 | 53.7 |
| Petroleum Products | 984.4 | 578.9 | -41.2 |
| Saudi Arabia | 299.0 | 157.6 | -47.3 |
| Italy | 98.0 | 114.4 | 16.7 |
| UAE | 26.7 | 107.0 | 300.7 |
| Electrical Machinery, Apparatus & Appliances | 446.4 | 459.0 | 2.8 |
| China | 136.3 | 127.7 | -6.3 |
| Turkey | 36.9 | 39.3 | 6.5 |
| Italy | 32.7 | 36.9 | 12.8 |
| Medical & pharmaceutical products | 419.8 | 458.2 | 9.1 |
| Germany | 53.0 | 58.1 | 9.6 |
| USA | 40.3 | 52.9 | 31.3 |
| France | 49.3 | 47.4 | -3.9 |
| Iron & Steel | 471.8 | 444.8 | -5.7 |
| China | 171.7 | 151.9 | -11.5 |
| Iran | 92.9 | 69.8 | -24.9 |
| Ukraine | 28.7 | 44.7 | 55.7 |

Source: Department of Statistics.

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



“electrical machinery apparatus and appliances”, “medical and pharmaceutical products” and “iron and steel” topped the list of imports during 2016, accounting for 34.6 percent; down from 35.8 percent during 2015. Meanwhile, the geographical distribution of imports indicates that China, Saudi Arabia, the USA, Germany, the UAE and Italy were the main source markets during 2016; accounting for 46.6 percent, compared to 46.7 percent during 2015.

■ Re-Exports

The value of re-exported goods increased by JD 198.3 million, or 26.0 percent during 2016 compared to 2015, to reach JD 962.1 million.

■ Trade Balance

The trade balance deficit during 2016 decreased by JD 670.21 million, or 7.5 percent, to register JD 8,305.6 million, compared to 2015.

□ Total Workers' Remittances Receipts

Total workers' remittances receipts increased by 4.2 percent in January 2017 compared to the same month of 2016, to register JD 210.1 million.

□ Travel

■ Receipts

Travel receipts increased by JD 28.4 million, or 12.2 percent, in January 2017 compared to the same month of 2016, to register JD 260.7 million.

■ Payments

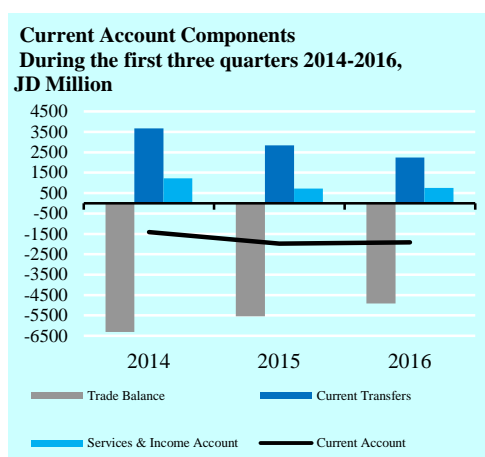
Travel payments increased by JD 5.2 million, or 7.2 percent, in January 2017 compared to the same month of 2016, to stand at JD 77.7 million.

□ Balance of Payments

The preliminary data for the balance of payments during the first three quarters of 2016 compared to the same period of 2015 reveals the following:

- The current account recorded a deficit of JD 1,910.2 million (9.5 percent of GDP) compared to a deficit of JD 1,979.6 million (10.1 percent of GDP) during the first three quarters of 2015. Meanwhile, the current account deficit excluding grants decreased to reach JD 2,274.0 million or 11.3 percent of GDP compared to JD 2,324.4 million or 11.9 percent of GDP during the first three quarters of 2015. This was an outcome of the following developments:

- ◆ A decrease in the trade balance deficit by JD 627.3 million, or 11.3 percent, to reach JD 4,909.4 million compared to JD 5,536.7 million during the first three quarters of 2015.



- ◆ A decrease in the surplus of the services account compared to the first three quarters of 2015 by JD 15.9 million to reach JD 877.6 million.
- ◆ The income account recorded a deficit of JD 125.6 million compared to a deficit of JD 177.7 million during the first three quarters of 2015. This was an outcome of the decrease in the deficit recorded in investment income (net) by JD 59.2 million to reach JD 292.6 million and the decrease in the surplus recorded in compensation of employees (net) by JD 7.1 million, to reach JD 167.0 million.
- ◆ A decrease in the surplus of net current transfers by JD 594.1 million; to reach JD 2,247.2 million, as a result of the increase in net transfers of the public sector (foreign grants) during the first three quarters of 2016 by JD 19.2 million, to reach JD 363.3 million, and the decrease in the net transfers of other sectors by JD 613.3 million to reach JD 1,883.9 million.

- The capital and financial account registered a net inflow of JD 1,658.8 million during the first three quarters of 2016, compared to a net inflow of JD 1,478.3 million during the same period of 2015. This can be attributed to the following:
 - ◆ Direct investment recorded a net inflow of JD 809.1 million compared to an inflow of JD 808.2 million during the first three quarters of 2015.
 - ◆ Portfolio investments recorded a net inflow of JD 27.7 million compared to a net inflow of JD 978.8 million during the first three quarters of 2015.
 - ◆ Other investments registered a net outflow of JD 434.3 million compared to a net inflow of JD 874.8 million during the first three quarters of 2015.
 - ◆ A decrease in the reserve assets of the CBJ by JD 1,201.3 million, compared to an increase of JD 1,244.5 million during the first three quarters of 2015.

□ 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 26,656.5 million at the end of September 2016 compared to JD 24,815.1 million at the end of 2015. This increase 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 (resident) in the Kingdom by JD 722.1 million to reach JD 17,935.9 million at the end of September 2016, compared to the end of 2015. The CBJ's reserve assets decreased by JD 1,003.4 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 1,119.3 million at the end of September 2016 compared to the end of 2015; to reach JD 44,592.3 million, this increase was due to the following developments:
 - ◆ An increase in the stock of direct investment in Jordan by JD 888.2 million to stand at JD 22,634.4 million.
 - ◆ An increase in the outstanding balance of general government long-term loans by JD 167.6 million, to reach JD 3,616.4 million.
 - ◆ An increase in trade credits extended to residents by JD 93.1 million to reach JD 651.8 million.