



Central Bank of Jordan

Recent Monetary & Economic Developments in Jordan

**Research Dept / Monthly Report
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Central Bank of Jordan

Tel: (962 6) 4630301

Fax: (962 6) 4638889 / 4639730

P.O. Box 37Amman11118Jordan

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

E-mail 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

- | | | |
|----------------------------|---|---|
| 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 half of 2017, real GDP at market prices, grew by 2.1 percent. Thus, maintaining the same growth rate during the same period of 2016. The general price level, measured by the percentage change in the Consumer Price Index (CPI) increased during the first eight months of 2017 by 3.3 percent, compared to a contraction of 1.2 percent during the same period of 2016. Furthermore, the unemployment rate during the first quarter of 2017 amounted of 18.2 percent.

□ Monetary and Financial Sector

- The CBJ's gross foreign reserves (including gold and SDRs) amounted to US\$ 12,737.9 million at the end of September 2017. This level of reserves covers around 7.2 months of the kingdom's imports of goods and services.
- Domestic liquidity amounted to JD 32,618.9 million at the end of September 2017, compared to JD 32,876.2 million at the end of 2016.
- The outstanding balance of credit facilities extended by licensed banks amounted to JD 24,403.2 million at the end of September 2017, compared to JD 22,905.8 at the end of 2016.
- Total deposits at licensed banks amounted to JD 32,748.2 million at the end of September 2017, compared to JD 32,900.0 million at the end of 2016.
- The Share Price Index (SPI) weighted by the market capitalization of free float shares at Amman Stock Exchange (ASE) reached 2,121.5 points at the end of September 2017, compared to JD 2,170.3 million at the end of 2016.

- **Public Finance:** The general budget, including foreign grants, recorded a fiscal deficit in the amount of JD 648.6 million (3.5 percent of GDP) during the first eight months of 2017 compared to a fiscal deficit in the amount of JD 372.0 million (2.1 percent of GDP) during the same period in 2016. Gross outstanding domestic public debt (budgetary and own-budget) increased by JD 387.5 million at the end of August 2017 compared to its level at the end of 2016, standing at JD 16,181.2 million (56.9 percent of GDP). Outstanding external public debt (budget and guaranteed) increased by JD 540.6 million at the end of August 2017 compared to its level at the end of 2016 to reach JD 10,839.6 million (38.1 percent of GDP). Accordingly, gross public debt (domestic and external) stood at 95.0 percent of GDP at the end of August 2017 compared to 95.1 percent of GDP at the end of 2016.
- **External Sector:** Total merchandize exports (domestic exports *plus* re-exports) decreased by 2.6 percent in the first eight months of 2017 to reach JD 3,449.7 million. Meanwhile, merchandize imports increased by 5.4 percent to reach JD 9,531.9 million. As a result, the trade balance deficit increased by 10.5 percent compared to the same period in 2016, to reach JD 6,082.2 million. The preliminary data for the first three quarters of 2017 showed an increase in travel receipts and payments by 12.1 percent and 8.1 percent respectively, compared to the same period of 2016. Moreover, total workers' remittances receipts increased by 0.7 percent during the first three quarters of 2017 compared to the same period in 2016. The preliminary data for the balance of payments during the first half of 2017 displayed a slight increase in the current account deficit to reach JD 1,715.9 million (12.9 percent of GDP) down from JD 1,691.4 million (13.2 percent of GDP) during the first half of 2016. Meanwhile, the current account deficit excluding grants decreased to reach 14.2 percent of GDP compared with 15.0 percent of GDP during the first half of 2016. Moreover, net direct investment recorded an inflow of JD 782.6 million during the first half of 2017 compared to a net inflow of JD 604.9 million during the same period in 2016. Furthermore, the international investment position (IIP) registered a net obligation to abroad in the amount of JD 28,040.3 million at end of the first half of 2017 up form JD 26,833.2 million at the end of 2016.

First: Monetary and Financial Sector

□ Summary

- The CBJ's gross foreign reserves (including gold and SDRs) amounted to US\$ 12,737.9 million at the end of September 2017. This level of reserves covers around 7.2 months of the kingdom's imports of goods and services.
- Domestic liquidity amounted to JD 32,618.9 million at the end of September 2017, compared to JD 32,876.2 million at the end of 2016.
- The outstanding balance of credit facilities extended by licensed banks amounted to JD 24,403.2 million at the end of September 2017, compared to JD 22,905.8 million at the end of 2016.
- Total deposits at licensed banks amounted to JD 32,748.2 million at the end of September 2017, compared to JD 32,900.0 million at the end of 2016.
- The interest rates on all types of credit facilities extended by the licensed banks increased at the end of September 2017, compared to the end of 2016, except the interest rate on the discounted bills and bonds. While the interest rates on deposits showed a mixed performance at the end of September 2017, compared to the end of 2016.

- The Share Price Index (SPI) weighted by market capitalization of free float shares at Amman Stock Exchange (ASE) reached 2,121.5 points at the end of September 2017, compared to 2,170.3 points at the end of 2016. Moreover, the market capitalization reached JD 16,904.5 million at the end of September 2017, compared to JD 17,339.4 million at the end of 2016.

Main Monetary Indicators

JD Million, and Percentage Change Relative to the Previous Year

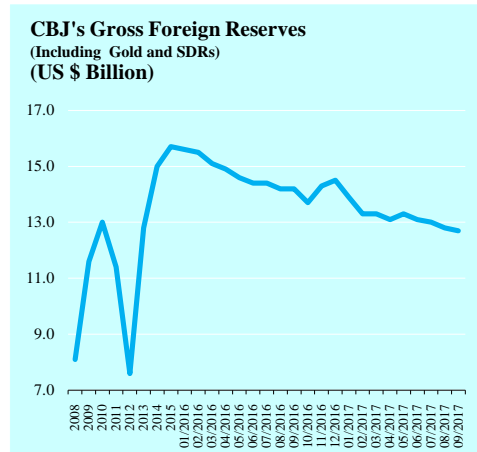
2016		End of September	
		2016	2017
US\$ 14,499.9	CBJ's Foreign Reserves*	US\$ 14,190.0	US\$ 12,737.9
-7.6%		-9.6%	-12.2%
32,876.2	Money Supply (M2)	32,718.9	32,618.9
4.0%		3.5%	-0.8%
22,905.8	Credit Facilities, of which:	22,448.3	24,403.2
8.5%		6.4%	6.5%
19,901.4	Private Sector (Resident)	19,463.0	21,447.4
10.0%		7.5%	7.8%
32,900.0	Total Deposits, of which:	33,291.7	32,748.2
0.9%		2.1%	-0.5%
25,968.2	In JD	26,418.2	25,495.4
-0.2%		1.6%	-1.8%
6,931.8	In Foreign Currencies	6,873.5	7,252.8
5.3%		4.4%	4.6%
26,952.9	Deposits of Private Sector (Resident), of which:	26,510.0	26,682.4
4.5%		2.8%	-1.0%
21,572.9	In JD	21,631.9	21,334.5
1.9%		2.2%	-1.1%
5,380.0	In Foreign Currencies	4,878.1	5,347.9
16.0%		5.2%	-0.6%

* 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\$ 12,737.9 million at the end of September 2017. This level of reserves covers around 7.2 months of the kingdom's imports of goods and services.



□ Domestic Liquidity (M2)

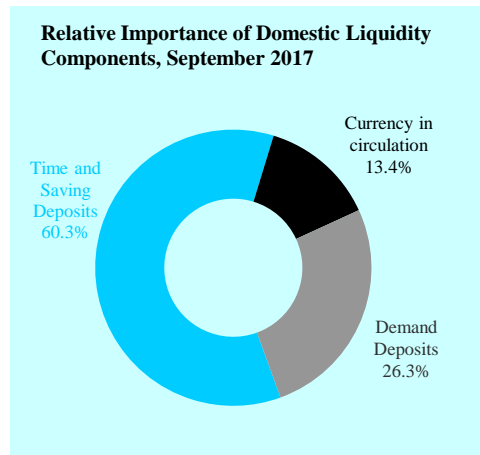
■ Domestic liquidity amounted to JD 32.6 billion at the end of September 2017, compared to JD 32.9 billion at the end of 2016.

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

● Components of Domestic Liquidity

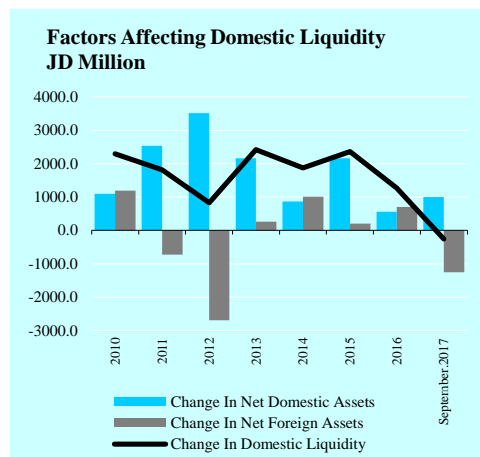
- Total liquidity deposits amounted to JD 28.2 billion at the end of September 2017, compared to JD 28.4 billion at the end of September 2016, and JD 28.7 billion at the end of 2016.

- Currency in circulation amounted to JD 4.4 billion at the end of September 2017, compared to JD 4.3 billion at the end of September 2016, and JD 4.2 billion at the end of 2016.



• **Factors Affecting Domestic Liquidity**

- Net domestic assets of the banking system amounted to JD 25.0 billion at the end of September 2017, compared to



JD 25.1 billion at the end of September 2016, and JD 24.0 billion at the end of 2016.

- Net foreign assets of the banking system amounted to JD 7.6 billion at the end of September 2017, which is almost the same balance registered at the end of September 2016, and compared to JD 8.8 billion at the end of 2016. The net foreign assets at the CBJ amounted to JD 9.0 billion at the end of September 2017.

Factors Affecting Domestic Liquidity (M2) JD Million

		End of September	
2016		2016	2017
8,845.4	Foreign Assets (Net)	7,611.8	7,590.1
9,831.5	CBJ	9,403.5	8,962.9
-986.1	Licensed Banks	-1,791.7	-1,372.8
24,030.8	Domestic Assets (Net)	25,107.0	25,028.8
-5,194.1	CBJ, of which:	-4,624.8	-4,102.4
1,043.1	Claims on Public Sector (Net)	1,366.6	1,120.8
-6,260.1	Other Items (Net*)	-6,014.1	-5,246.1
29,225.0	Licensed Banks	29,731.8	29,131.2
9,955.9	Claims on Public Sector (Net)	10,816.6	9,929.0
20,567.4	Claims on Private Sector	20,126.3	22,178.6
-1,298.3	Other Items (Net)	-1,211.1	-2,976.3
32,876.2	Money Supply (M2)	32,718.9	32,618.9
4,181.3	Currency in Circulation	4,315.8	4,383.8
28,694.9	Total Deposits, of which:	28,403.1	28,235.1
5,418.9	In Foreign Currencies	4,933.5	5,387.3

* 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

The interest rates on monetary policy instruments at the end of September 2017 were as follows:

- The CBJ main interest Rate: 3.75 percent.
- Re-Discount Rate: 4.75 percent.
- Interest Rate on Overnight Repurchase Agreements: 4.50 percent
- Weekly/ Monthly Repurchase Agreements: 3.75 percent.
- Overnight Deposit Window Rate: 2.75 percent.
- The interest rate on weekly certificates of deposit: 3.75 percent.

Interest Rates on Monetary Policy Instruments, percentage points

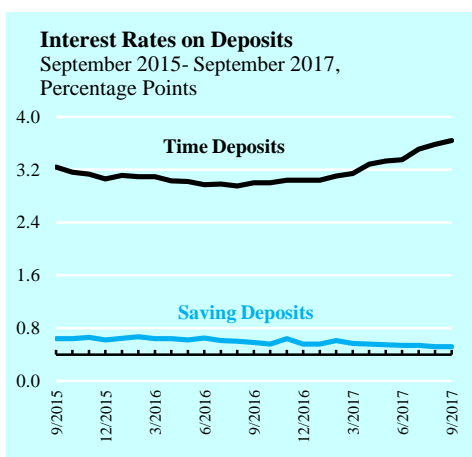
2016		September	
		2016	2017
3.75	Re-discount Rate	3.75	4.75
3.50	Repurchase Agreements Rate (overnight)	3.50	4.50
1.75	Overnight Deposit Window Rate	1.50	2.75
2.75	Repurchase Agreements rate (one week)	2.50	3.75
2.75	Repurchase Agreements rate (one month)	2.50	3.75
2.50	Certificates of Deposits (one week)	2.25	3.75

Source: Central Bank of Jordan / Monthly Statistical Bulletin.

Interest Rates in the Banking Sector

Interest Rates on Deposits

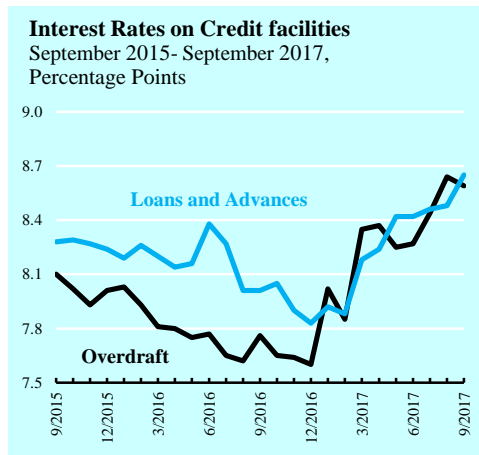
Time Deposits: The weighted average interest rate on time deposits increased by 6 basis points at the end of September 2017, compared to its level in the previous month, to stand at 3.64 percent. This rate is higher by 60 basis points than its level at the end of 2016.



- **Saving Deposits:** The weighted average interest rate on saving deposits at the end of September 2017 maintained at the same level registered in the previous month at 0.52 percent. This rate is lower by 4 basis points than its level at the end of 2016.
- **Demand Deposits:** The weighted average interest rate on demand deposits increased by one basis point at the end of September 2017, compared to its level registered in the previous month, to stand at 0.26 percent. Thus maintaining its level at the end of 2016.

◆ **Interest Rates on Credit Facilities**

- **Overdraft Accounts:** The weighted average interest rate on overdraft accounts decreased by 5 basis points at the end of September 2017, compared to its level in the previous month, to stand at 8.59 percent. This rate is



- higher by 99 basis points than its level registered at the end of 2016.
- **Discounted Bills and Bonds:** The weighted average interest rate on “discounted bills and bonds” decreased by 7 basis points at the end of September 2017, compared to its level in the previous month, to stand at 9.70 percent. This rate is lower by 72 basis points than its level at the end of 2016.

- **Loans and Advances:**
The weighted average interest rate on “loans and advances” increased by 17 basis points at the end of September 2017, compared to its level registered in the previous month, to stand at 8.65 percent. This rate is higher by 82 basis points than its level registered at the end of 2016.

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

		September		Change Relative to the Preceding Year
2016		2016	2017	Basis Points
Deposits				
0.26	Demand	0.24	0.26	0
0.56	Saving	0.58	0.52	-4
3.04	Time	3.00	3.64	60
Credit Facilities				
10.42	Discounted Bills and Bonds	10.63	9.70	-72
7.83	Loans and Advances	7.99	8.65	82
7.60	Overdraft	7.76	8.59	99
8.37	Prime Lending Rate	8.39	8.75	38

Source: Central Bank of Jordan / Monthly Statistical Bulletin.

- The prime lending rate stood at 8.75 percent at the end of September 2017. Thus maintaining its level registered at the previous month, and higher by 38 basis points than its level registered at the end of 2016 .

□ Credit Facilities Extended by Licensed Banks

- Total credit facilities extended by licensed banks increased by JD 1,497.4 million, or 6.5 percent, at the end of September 2017, compared to its level at the end of 2016, against an increase of JD 1,344.8 million, or 6.4 percent, during the same period in 2016.
- In terms of borrowers, the credit facilities at the end of September 2017 had shown an increase in credit extended to the private sector (resident) by JD 1,546.0 million, or 7.8 percent, and the private

sector (Non-resident) by JD 10.1 million, or 2.1 percent. Meanwhile, the credit facilities extended to the central government and the public institutions decreased by JD 52.8 million, or 2.5 percent, JD 9.1 million, or 2.5 percent, respectively, compared to their levels at the end of 2016.

□ Deposits at Licensed Banks

- Total deposits at licensed banks stood at JD 32,748.2 million at the end of September 2017, decreasing by JD 151.8 million, or 0.5 percent, compared to its level at the end of 2016, against an increase of JD 693.2 million, or 2.1 percent, during the same period in 2016. This decrease due to the reclassification process of banks subsidiaries deposits were reclassified from customer deposits to bank deposits.
- The currency composition of deposits at the end of September 2017 revealed that the JD deposits amounted to JD 25.5 billion, and the deposit in foreign currency amounted to JD 7.3 billion, compared to JD 26.4 billion of JD deposits and JD 6.9 billion of deposits in foreign currency during the same period in 2016. As for the end of 2016, the JD deposits amounted to JD 26.0 billion and the deposits in foreign currency amounted to JD 6.9 billion.

□ Amman Stock Exchange (ASE)

The main indicators of ASE showed a mixed performance during September 2017 compared to 2016. This can be demonstrated as follows:

■ **Trading Volume**

Trading volume at ASE totaled JD 86.2 million at the end of September 2017, down by JD 53.9 million, or 38.5 percent, compared to its level in the previous month, against a decrease of JD 33.1 million, or 19.2 percent, during the same month in 2016. As for the first nine months of 2017, the trading volume increased by JD 955.8 million, compared to the same period in 2016, to reach JD 2,578.3 million. This increase in trading volume was mainly due to the Arab Bank deal.

■ **Traded Shares**

The number of traded shares in September 2017 totaled 85.1 million shares, decreased by 34.1 million shares, or 28.6 percent, compared to its level in the previous month, against a decrease by 21.3 million shares, or 13.8 percent, during the same month in 2016. As for the first nine months of 2017, the number of traded shares amounted to 1,409.7 million shares, compared to 1,459.5 million shares traded during the same period in 2016.

■ **Share Price Index (SPI)**

The SPI weighted by market capitalization of free float shares at ASE decreased by 35.7 points, or 1.7 percent, at the end of

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

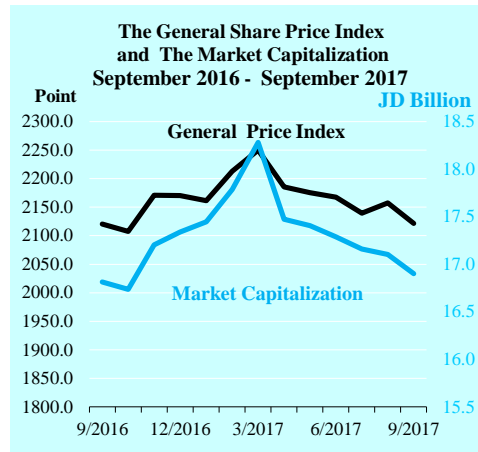
		September	
2016		2016	2017
2,170.3	General Index	2,120.5	2,121.5
2,933.2	Financial Sector	2,884.3	2,877.5
2,093.0	Industrial Sector	1,924.9	2,115.6
1,604.7	Services Sector	1,620.2	1,502.6

Source: Amman Stock Exchange.

September 2017, compared to its level in the previous month to stand at 2,121.5 points, against an increase of 43.6 points, or 2.1 percent, during the same month in 2016. Furthermore, by the end of September 2017, the SPI decreased by 48.8 points, or 2.2 percent, against a decrease of 15.9 points, or 0.7 percent, during the same period in 2016. The aforementioned decrease was an outcome of the decrease in the SPI of the services sector by 102.1 points, or 6.4 percent, and the financial sector by 55.7 points, or 1.9 percent, and an increase in the industrial sector by 22.6 points, or 1.1 percent, compared to their levels at the end of 2016.

■ **Market Capitalization**

The ASE's market capitalization totaled JD 16.9 billion at the end of September 2017, decreasing by JD 197.8 million, or 1.2 percent, compared to its level in the previous month, against an increase of JD



145.3 million, or 0.9 percent, during the same month in 2016. As for the first nine months of 2017, the market capitalization decreased by JD 434.9 million, or 2.5 percent, compared to a decrease of JD 1,171.0 million or 6.5 percent, during the same period in 2016.

■ Non - Jordanian Net Investment

Non-Jordanian net investment at ASE recorded an outflow amounting to JD 1.1 million in September 2017, compared to an outflow of JD 21.0 million during the same month in 2016. The value of shares acquired by non-Jordanian in September 2017 amounted to JD 11.7 million, while their selling amounted to JD 12.8 million. As for the first nine

months of 2017, non-Jordanian net investment recorded an outflow amounted JD 339.9 million, compared to an inflow of JD 119.9 million, during the same period in 2016.

Main Amman Stock Exchange Trading Indicators, JD Million

		September	
2016		2016	2017
2,329.5	Value Traded	138.7	86.2
9.5	Average Daily Trading	9.2	5.1
17,339.4	Market Capitalization	16,813.7	16,904.5
1,836.7	No. of Traded Shares (million)	133.0	85.1
237.1	Net Investment of Non-Jordanian	-21.0	-1.1
666.5	Non-Jordanian Buying	15.7	11.7
429.4	Non-Jordanian Selling	36.7	12.8

Source: Amman Stock Exchange.

Second: Output, Prices and Employment

□ Summary

- Gross Domestic Product (GDP), at constant market prices, grew by 2.0 percent during the second quarter of 2017, against 1.9 percent during the same quarter of 2016. At current market prices, GDP grew by 3.4 percent during the second quarter of 2017, compared to 3.2 percent during the same quarter of 2016.
- Accordingly, the real GDP grew by 2.1 percent during the first half of 2017. Thus, maintaining the same growth rate during the same period of 2016. At current market prices, GDP grew by 3.6 percent during the first half of 2017, compared to 3.5 percent during the same period in 2016.
- The general price level measured by the percentage change in the CPI increased during the first three quarters of 2017 by 3.3 percent, against a contraction of 1.1 percent during the same period of 2016.
- The unemployment rate during the Second quarter of 2017 amounted of 18.0 percent (13.4 percent for males and 33.9 percent for females), The highest unemployment rate among youth reached 38.7 percent for the categories of 20-24 years old, and 26.1 percent for those between 25-29 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 2.1 percent during the first half of 2017, maintaining the same level of growth rate recorded during the corresponding period of 2016. When excluding “net taxes on products”, which grew by 0.8 percent, GDP at constant basic prices grew by 2.3 percent during the first half of 2017, Maintaining the same growth rate recorded during the corresponding period of 2016.

**Quarterly Growth Rates of GDP at Market Prices
2015 - 2017**

	Q1	Q2	Q3	Q4	Percentages Year
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	2.0	2.0
GDP at Current Market Prices	3.8	3.2	2.6	2.7	3.0
2017					
GDP at Constant Market Prices	2.2	2.0	-	-	-
GDP at Current Market Prices	3.9	3.4	-	-	-

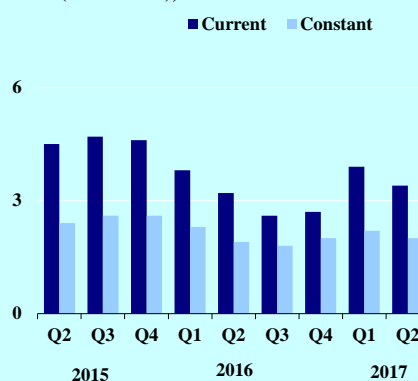
Source: Department of Statistics.

At current market prices, GDP grew by 3.6 percent during the first half of 2017, compared to 3.5 percent during the same half of 2016. This increase in nominal growth is mainly attributed to the increase in the general price level, measured by the GDP deflator, which grew by 1.5 percent, compared to 1.3 percent during the first half of 2017.

The main sectors contributed to the real economic growth during the first half of 2017 were; “finance and insurance services” (0.5 percentage point), “mining and quarrying” (0.3 percentage point), “transport, storage and communications” (0.3 percentage point), manufacturing (0.2 percentage point), and agriculture (0.2 percentage point). These sectors collectively accounted for 71.4 percent of real GDP growth during the first half of 2017.

The economic sectors displayed a divergent performance during the first half of 2017. Some sectors recorded accelerated growth, such as “mining and quarrying”, Manufacturing, and “restaurant and hotels”. Meanwhile, “agriculture”, “transport, storage and communications” and “wholesale and retail” experienced slowdown. On the other hand, “construction” sector showed contraction in its performance.

Quarterly Growth Rates of GDP at Market Prices (2015- 2017), %



Gross Domestic Product At Constant Market Prices, Percentages

Sectors	Relative change First half		Contribution First half	
	2016	2017	2016	2017
GDP At Constant Market Prices	2.1	2.1	2.1	2.1
Agriculture, Hunting, Forestry, And Fishing	6.6	5.9	0.2	0.2
Mining And Quarrying	-17.9	23.8	-0.3	0.3
Manufacturing	0.8	1.1	0.1	0.2
Electricity And Water	14.1	2.9	0.3	0.1
Construction	1.7	-0.4	0.1	-
Wholesale And Retail Trade	1.5	1.4	0.1	0.1
Restaurant And Hotels	-1.2	1.0	-	-
Transport, Storage & Communications	3.3	1.8	0.5	0.3
Finance And Insurance Services	5.3	4.3	0.5	0.5
Real Estate	2.2	2.2	0.2	0.2
Community, Social And Personal Services	3.5	4.0	0.2	0.2
Producers Of Government Services	1.4	1.2	0.2	0.1
Producers Of Private Non-Profit Services To	4.1	4.4	-	-
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; “mining and quarrying production quantity index” (17.6 percent), “licensed areas for buildings” (9.6 percent), and “number of departures” (7.2 percent). However, other indicators showed a contraction, particularly; “value traded at the real estate market” (15.0 percent) and “manufacturing production quantity index” (4.2 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	-6.5	January-August	9.6
-8.7	-1.5	Manufacturing production quantity index	-2.2		-4.2
-0.5	-16.2	Food products and beverages	-10.7		-5.9
45.9	-7.3	Tobacco products	-0.4		-16.9
-1.7	-13.3	Refined petroleum products	-23.2		-3.3
63.8	95.0	Wearing apparel	73.1		6.6
3.4	-11.6	Non-metallic mineral products	-6.0		-3.5
-10.8	-2.9	Chemical products	-4.1		-12.7
0.8	-9.1	“Mining and quarrying” production quantity index	-12.6		17.6
-38.3	-5.3	Extraction of crude petroleum and natural gas	-8.6		-13.5
17.6	-9.1	Other mining and quarrying	-12.6		18.0
-7.9	2.1	Number of passengers through Royal Jordanian	3.2		5.3
-0.7	-21.2	Cargo through Royal Jordanian	-17.9		3.8
-7.4	0.5	Number of departures	0.2		January-September
-2.0	-7.2	Value traded at the real estate market	-3.4	-15.0	

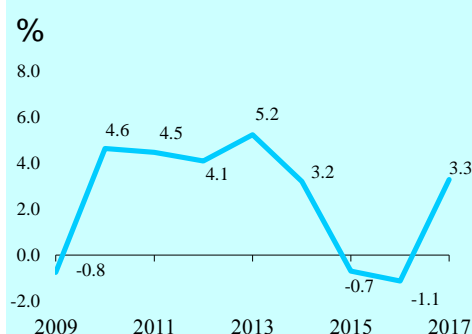
* : Computed based on the data from Department of Statistics, Department of land and survey, and Royal Jordanian.

Prices

The general price level, measured by the percentage change in CPI, increased by 3.3 percent during the first three quarters of 2017, compared to a contraction of 1.1 percent during the same period of 2016. 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 the cancellation of tax exemptions on many goods and services and raising of taxes and fees on a number of other goods and services. Hereby, the main groups that witnessed an increased in their prices during the first three quarters of 2017:

- Transportation prices increased by 13.5 percent compared to a contraction by 6.5 percent during the same period of 2016, affected by the government's decision to raise public transport fares by 10 percent from the

Inflation Rate during the first three quarters of the years (2009-2017)



Inflation Rate during the first three quarters of the years 2016 - 2017

Expenditure Groups	Relative Imp.	Relative change		Contribution	
		Jan-Sep.		Jan-Sep.	
		2016	2017	2016	2017
All Items	100.00	-1.1	3.3	-1.1	3.3
1) Food and non-Alcoholic Beverages, of which:	33.36	-3.0	-0.8	-1.0	-0.3
Food	30.51	-3.3	-1.0	-1.0	-0.3
Meat and Poultry	8.24	-9.4	-6.6	-0.8	-0.5
Dairy Products and Eggs	4.23	-2.0	0.0	-0.1	0.0
Vegetables and Legumes Dry and Canned	3.89	-2.7	5.1	-0.1	0.2
Fruits and Nuts	2.73	-2.8	-3.3	-0.1	-0.1
Oils and Fats	1.92	2.7	3.2	0.0	0.1
2) Alcohol and Tobacco and Cigarettes	4.43	2.7	8.2	0.1	0.4
3) Clothing and footwear	3.55	2.3	-2.2	0.1	-0.1
4) Housing, of which:	21.92	0.8	2.8	0.2	0.6
Rents	15.57	2.7	2.4	0.5	0.4
Fuels and Lighting	4.85	-6.2	2.8	-0.3	0.1
5) Household Furnishings and Equipment	4.19	0.9	1.5	0.0	0.1
6) Health	2.21	2.3	8.5	0.1	0.2
7) Transportation	13.58	-6.5	13.5	-0.9	1.7
8) Communication	3.50	-0.3	1.7	0.0	0.0
9) Culture and Recreation	2.27	4.1	8.8	0.1	0.2
10) Education	5.41	1.3	3.4	0.1	0.2
11) Restaurants and Hotels	1.83	1.4	0.1	0.0	0.0
12) Other Goods and Services	3.75	1.3	6.9	0.0	0.3

Source: Department of Statistics.

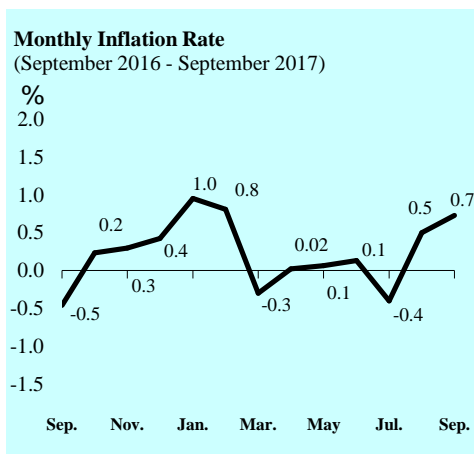
beginning of January 2017. In addition to impose a lump-sum tax of 30 fils per liter of gasoline 90, and 70 fils per liter of gasoline 95, from the beginning of February 2017.

- Housing prices increased by 2.8 percent compared to a rise of 0.8 percent during the same period of 2016. This increase was attributed (partially) to an increase in the prices of “fuels and lighting” by 2.8 percent compared to a contraction by 6.2 percent during the same period of 2016.
- “Alcohol, tobacco, and cigarettes” prices increased by 8.2 percent compared to a rise of 2.7 percent during the same period of 2016, as a result of the government's decision to raise the tax on cigarettes offered for domestic consumption in varying amounts.
- “Vegetables and legumes dry and canned” increased by 5.1 percent compared to a contraction by 2.7 percent during the same period of 2016.

The above groups have collectively raised inflation rate during the first three quarters of 2017 by 2.9 percentage points, compared to a negative contribution of 0.7 percentage point during the same period of 2016.

In contrast, prices of other groups and items showed varied contractions, mainly; “meat and poultry” (6.6 percent), and “clothing and footwear” (2.2 percent).

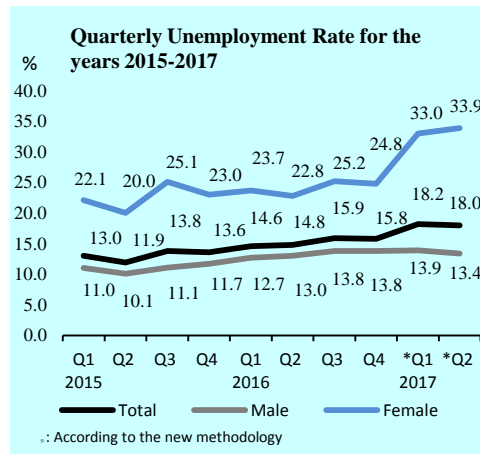
In September 2017, the CPI witnessed an increase compared to August 2017 by 0.7 percent. This was due to the increase in prices of some groups and items, mainly; “Vegetables and legumes dry and canned” (7.0 percent), and Transportation (3.7 percent), and the decrease in prices of other items such as, “Meat and Poultry” (3.5 percent), and “Clothing and Footwear” (0.2 percent).



□ Labor Market

The Department of Statistics has developed the methodology of the labor force survey since the first quarter of 2017*, to cope with the new recommendations issued by the International Labour Organization (ILO), of which; excluding the un-paid workers from the “employed persons” definition, noting that they used to be considered in the previous methodology as employed ones. In addition, the sample size has been extended to 16 thousand households instead of 13 thousand households, based on the results of Jordan's Population Census-2015. Hereby, the prominent indicators of the labor Market during the Second quarter of 2017, according to the new methodology:

- The unemployment rate was 18.0 percent (13.4 percent for males, and 33.9 percent for females).
- The highest unemployment rates were between the two age categories (20-24) years and (25-29) years, by (38.7 percent) and (26.1 percent), respectively.
- The refined economic participation rate (the labor force attributed to the population 15 years and above), was 38.8 percent (59.4 percent for males, and 17.7 percent for females).
- The employed percent among the population (15 years and above) was 31.8 percent.



* The data before the first quarter of 2017 is not available, according to the new methodology

Third: Public Finance

□ Summary:

- The general budget, including foreign grants, recorded a fiscal deficit in the amount of JD 648.6 million (3.5 percent of GDP) during the first eight months of 2017, comparing to a fiscal deficit in the amount of JD 372.0 million (2.1 percent of GDP) during the same period in 2016. When excluding foreign grants (JD 158.8 million), the general budget deficit widens to reach JD 807.4 million (4.4 percent of GDP) compared to a deficit in the amount of JD 653.3 million (3.7 percent of GDP) during the same period in 2016.
- Gross outstanding domestic public debt (budgetary and own-budget) increased by JD 387.5 million at the end of August 2017 compared to its level at the end of 2016, to reach JD 16,181.2 million (56.9 percent of GDP).
- Outstanding external public debt (budget and guaranteed) went up by JD 540.6 million at the end of August 2017, compared to its level at the end of 2016, to stand at JD 10,839.6 million (38.1 percent of GDP).

- As a result, gross outstanding public debt (domestic and external) rose to JD 27,020.8 million (95.0 percent of GDP) at the end of August 2017 compared to JD 26,092.7 million (95.1 percent of GDP) at the end of 2016.
 - Central government banks deposits decreased by JD 537.2 million at the end of August 2017 compared to the end of 2016 to reach JD 1,476.1 million.
 - Accordingly, net outstanding domestic public debt rose by JD 924.7 million to reach JD 14,705.1 million (51.7 percent of GDP) at the end of August 2017. Moreover, net outstanding public debt increased by JD 1,465.3 million to reach JD 25,544.7 million (89.8 percent of GDP).
- **The performance of the general budget during the first eight months of 2017 compared to the same period in 2016:**

■ **Public Revenues**

Public revenues (domestic revenues *plus* foreign grants) decreased by JD 31.8 million, or 5.5 percent, in August 2017 compared to the same month of 2016 to reach JD 545.0 million. As for the first eight months of 2017, public revenues went down by JD 41.9 million, or 0.9 percent, compared to the same period in 2016 to stand at JD 4,645.6 million. This came as an outcome of the decrease in foreign grants by JD 122.5 million, and the increase in domestic revenues by JD 80.6 million.

Main Government Budget indicators during the first eight months of 2017

(JD Million and Percentages)

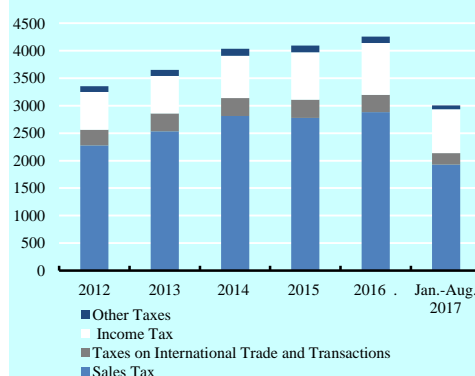
	Aug.		Growth Rate	Jan. – Aug.		Growth Rate
	2016	2017		2016	2017	
Total Revenues and Grants	576.8	545.0	-5.5	4,687.5	4,645.6	-0.9
Domestic Revenues, of which:	544.2	520.3	-4.4	4,406.2	4,486.8	1.8
Tax Revenues, of which:	341.0	344.6	1.1	3,015.5	3,005.4	-0.3
General Sales Tax	262.5	274.2	4.5	1,896.2	1,927.9	1.7
Other Revenues	202.0	174.7	-13.5	1,379.9	1,473.8	6.8
Foreign Grants	32.6	24.7	-24.2	281.3	158.8	-43.5
Total Expenditures, of which:	632.0	653.7	3.4	5,059.5	5,294.1	4.6
Capital Expenditures	66.2	63.9	-3.5	552.8	604.6	9.4
Overall Deficit/ Surplus (Including Grants)	-55.2	-108.7	-	-372.0	-648.6	-
Overall Deficit/ Surplus (Including Grants) as a percent of GDP	-	-	-	2.1	3.5	-

Source: Ministry of Finance/ General Government Finance Bulletin.

◆ Domestic Revenues

Domestic revenues witnessed an increase of JD 80.6 million, or 1.8 percent, during the first eight months of 2017 compared to the same period in 2016, to reach JD 4,486.8 million. This increase was an outcome of the rise in the proceeds of “other revenues” by JD 93.9 million, and the drop in “tax revenues” and

“pension contributions” by JD 10.1 million and JD 3.2 million, respectively. Despite the rise in domestic revenues, the coverage ratio (measured by the ratio of domestic revenues to current expenditures) decline to 95.7 percent against 97.8 percent during the first eight months in the preceding year.

Tax Revenue Structure
(2012-2016) and the first eight months of 2017, JD Million

- **Tax Revenues**

Tax revenues decreased by JD 10.1 million, or 0.3 percent, during the first eight months of 2017 compared to the same period in 2016, to reach JD 3,005.4 million (67.0 percent of domestic revenues). Following are the main developments in tax revenues items:

- A decline in the proceeds of **income and profit taxes** by JD 35.8 million, or 4.3 percent, to reach JD 794.1 million (accounting for 26.4 percent of total tax revenues). This decline was mainly an outcome of the decrease in the proceeds of income tax from companies and projects by JD 33.2 million due to the low performance of the companies, as the profits of companies listed in Amman Stock Exchange (ASE) have declined during the first quarter of the current year by 15.5 percent. Moreover, the decrease in the proceeds of Income tax from individuals by JD 2.6 million. Accordingly, income tax from companies and projects accounted for 82.2 percent of total taxes on income and profits, amounting to JD 652.5 million. It is worth mention that the government's fiscal reforms mainly focused on taxes on goods rather than taxes on income.
- A decrease in the proceeds of **taxes on financial transactions (real-estate tax)** by JD 7.5 million, or 9.5 percent, to reach JD 71.4 million (accounting for 2.4 percent of total tax revenues).
- An increase in the proceeds of **general sales tax on goods and services** by JD 31.7 million, or 1.7 percent, to reach JD 1,927.9 million (accounting for 64.1 percent of total tax revenues). This result was an outcome of the increase in the proceeds of sales tax on domestic goods and on commercial sector by JD 40.3 million and JD 31.7 million, respectively, and the decrease in the proceeds of sales tax on services and on imported goods by JD 24.7 million and JD 15.6 million, respectively.

- An increase in the proceeds of **taxes on international trade and transactions** (including customs duties and fees) by JD 1.5 million or 0.7 percent, to reach JD 212.0 million (accounting for 7.1 percent of total tax revenues).

- **Non-Tax Revenues**

- “Other revenues” increased by JD 93.9 million, or 6.8 percent, during the first eight months of 2017 to reach JD 1,473.8 million. This increase was chiefly due to the following:
 - ❖ An increase in miscellaneous revenues by JD 72.7 million to stand at JD 641.6 million.
 - ❖ An increase in revenues from selling goods and services by JD 44.3 million to reach JD 614.3 million.
 - ❖ A decrease in property income by JD 23.0 million to stand at JD 218.0 million (of which financial surplus of independent government units amounted to JD 194.6 million against JD 220.8 million during the same period in 2016).
- Pension contributions witnessed a decrease of JD 3.2 million, or 29.6 percent, during the first eight months of 2017 compared to the same period in the previous year, standing at JD 7.6 million.

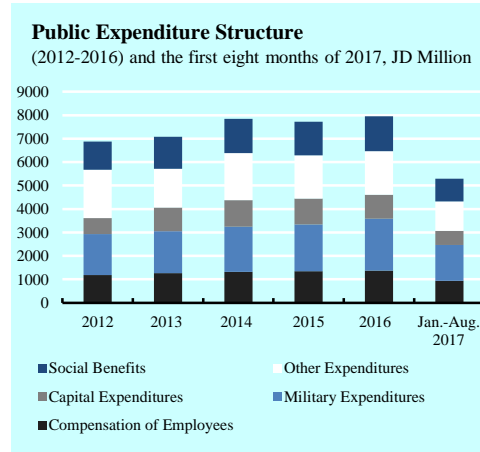
- ◆ **Foreign Grants**

Foreign grants decreased by JD 122.5 million, or 43.5 percent, during the first eight months of 2017, standing at JD 158.8 million compared to JD 281.3 million during the same period in 2016.

Public Expenditures

Public expenditures witnessed an increase of JD 21.7 million, or 3.4 percent, in August 2017 compared to the same month in 2016 to stand at JD 653.7 million. Moreover, public expenditures increased by JD 234.7 million, or 4.6 percent, during the first eight months of 2017, to stand at JD 5,294.2 million. This increase

was a result of the rise in current expenditures and capital expenditures by JD 182.9 million and JD 51.8 million, respectively.



Current Expenditures

Current expenditures went up by JD 182.9 million, or 4.1 percent, during the first eight months of 2017 to reach JD 4,689.6 million. This increase was chiefly due to the following:

- An increase in military expenditures by JD 118.2 million to total JD 1,530.5 million, accounting for 32.6 percent of total current expenditures (28.9 percent of total public expenditures).
- A rise in the compensation of civil sector's employees (wages, salaries and social security contributions) by JD 26.5 million to reach JD 929.4 million, accounting for 19.8 percent of total current expenditures (17.6 percent of total public expenditures).
- An increase in interest payments (commitment basis) by JD 13.7 million to stand at JD 566.6 million, accounting for 12.1 percent of total current expenditures.
- An increase in the subsidies by JD 27.1 million to stand at JD 177.4 million, accounting for 3.8 percent of total current expenditures.

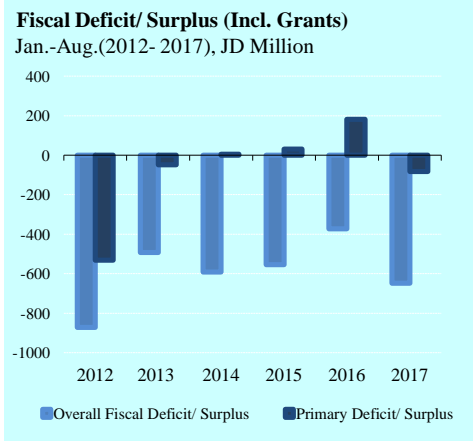
- A drop in social benefits by JD 3.0 million to stand at JD 967.8 million, accounting for 20.6 percent of total current expenditures.
- A decrease in the purchases of goods and services by JD 41.1 million to reach JD 219.0 million, accounting for 4.7 percent of total current expenditures.

◆ **Capital Expenditures**

Capital expenditures increased by JD 51.8 million, or 9.4 percent, during the first eight months of 2017 compared to the same period in 2016, to reach JD 604.6 million.

■ **General Budget Deficit/ Surplus**

- ◆ The general budget, including foreign grants, displayed a fiscal deficit amounted to JD 648.6 million during the first eight months of 2017, increase by JD 276.6 million compared to its level during the same period in 2016. And the fiscal deficit is close to its level estimated in General Budget Law of

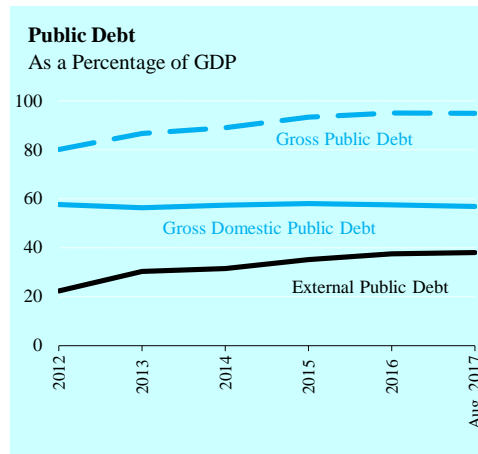
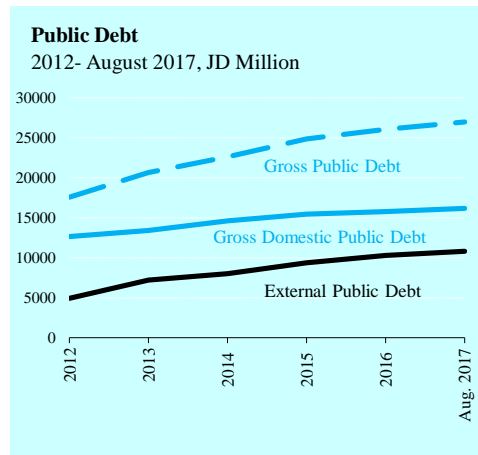


of the whole year, amounted to JD 693.5 million. As a percent of GDP, budget deficit reached 3.5 percent during the first eight months of 2017, compared to 2.1 percent during the corresponding period of the previous year.

- ◆ When foreign grants were excluded, the general budget deficit widened to JD 807.4 million (4.4 percent of GDP) during the first eight months of 2017, against a fiscal deficit of JD 653.3 million (3.7 percent of GDP) in the same period in 2016.
- ◆ The general budget recorded a primary deficit (total domestic revenues *minus* total public expenditures excluding interest payments on public debt) in the amount of JD 240.8 million (1.3 percent of GDP) during the first eight months of 2017, against a primary deficit of JD 100.4 million (0.6 percent of GDP) during the same period in 2016.

Public Debt

Gross outstanding domestic public debt increased by JD 387.5 million at the end of August 2017 compared to its level at the end of 2016 to total JD 16,181.2 million (56.9 percent of GDP). This increase was a result of the rise in total domestic public debt of the general budget by JD 202.0 million, and the increase in the total domestic public debt of own-budget agencies by JD 185.5 million compared to their levels at the end of 2016, standing at JD 13,376.8 million and JD 2,804.4 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 August of this year by JD 260.9 million compared to the level achieved at the end of 2016 to reach JD 12,983.9 million. Meanwhile, the outstanding balance of loans and advances provided by the CBJ to the central government declined by JD 40.0 million compared to its level achieved at the end of 2016, to reach JD 391.7 million. Moreover, the rise of the domestic public debt of own-budget agencies was driven by the increase in loans and



advances extended to these institutions by JD 160.5 million compared to their level at the end of 2016, to reach JD 2,246.9 million, and the rise in the independent institutions' bonds by JD 25.0 million compared to their level at the end of 2016, to reach JD 557.5 million.

- Regarding the balance of the external public debt (budget and guaranteed) at the end of August 2017, it went up by JD 540.6 million compared to its level at the end of 2016 to reach JD 10,839.6 million (38.1 percent of GDP). It is worth mentioning that the balance of the external debt denominated in the U.S. dollar accounted for almost two thirds of the total external debt, while external debt in SDR accounted for 10.8 percent. The debt in Kuwaiti Dinar and Japanese Yen each accounted for 6.3 percent, whereas the debt in Euro accounted for 6.9 percent of the external public debt.
- In light of the abovementioned developments, gross public debt (domestic and external) increased by JD 928.1 million at the end of August 2017 compared to its level at the end of 2016 to stand at JD 27,020.8 million (95.0 percent of GDP), against JD 26,092.7 million (95.1 percent of GDP) at the end of 2016.
- On the other hand, government deposits with the banking system declined by JD 537.2 million at the end of August of this year compared to the end of 2016 to reach JD 1,476.1 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) rose by JD 924.7 million at the end of August 2017 to reach JD 14,705.1 million (51.7 percent of GDP). Furthermore, net public debt increased by JD 1,465.3 million at the end of August of this year to stand at JD 25,544.7 million, accounting for 89.8 percent of GDP compared to 87.7 percent of GDP at the end of 2016.

- External debt service (budget and guaranteed) decreased by JD 580.5 million during the first eight months of 2017 compared to the same period in 2016 to reach JD 763.3 million (including principal payments of JD 570.7 million and interest of JD 192.6 million).

□ Fiscal and Price Measures

- The Oil Derivatives Pricing Committee decided to raise the prices of some types of oil derivatives, as follows:

Development of Oil Derivatives Price

	Unit	2017		Percentage Change
		October	November	
Unleaded Gasoline 90	Fils/Liter	690	690	0.0
Unleaded Gasoline 95	Fils/Liter	910	910	0.0
Unleaded Gasoline 98	Fils/Liter	1,060	1,060	0.0
Gas Oil (Diesel)	Fils/Liter	520	520	0.0
Kerosene	Fils/Liter	520	520	0.0
Liquid Gas (12.5kg)	JD/Cylinder	7.0	7.0	0.0
Fuel oil for industry	JD/Ton	355.9	361.8	1.7
Fuel for airplanes (local companies)	Fils/Liter	390	391	0.3
Fuel for airplanes (foreign companies)	Fils/Liter	395	396	0.3
Fuel for unplanned flights	Fils/Liter	410	411	0.2
Asphalt	JD/Ton	345.8	351.6	1.7

Source: Jordan Petroleum Refinery Company (1/11/2017).

- 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 5 piasters per liter on unleaded gasoline 90 (January 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 percent.
 - 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 percent.

- 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).
- The Cabinet decided to impose a special tax on imported cigarettes, with locally-produced alternatives, in the Aqaba Special Economic Zone (ASEZ) at a minimum rate exceeds 15 percent of the special tax levied on the local alternatives. The minimum selling price of the imported cigarettes should exceed 15 percent of the selling price of other locally-produced alternatives (April 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 a grant agreement with the Canadian government in the amount of USD 7.6 million to support the Ministry of Education plan "To speed up Syrian students access to formal education", as has been agreed at the London Donor Conference (February 2017).
- Signing a grant agreement with the Japanese government in the amount of USD 4.5 million to finance the purchase of advanced machines and security equipment for 5 Jordanian border centers in the aim of enhancing their security conditions. (March 2017).
- Signing a memorandum of understanding (MoU) with the Italian government. The MoU includes the Italian assistance program, within the framework of Italian commitments during the London Conference to support Jordan, in the amount of EUR 168.8 million for the period (2017-2019); aiming at supporting the general budget and financing development projects in a number of vital sectors (March 2017).
- Signing a grant, protocol agreement with the UNICEF in the amount of JD 1,174.0 million to support the National Aid Fund in financing its studies and strengthening its institutional capacity building (March 2017).
- Signing a grant agreement with the German Reconstruction Bank of EUR 44.0 million to finance the second phase of the energy supply project for host communities for Syrian refugees (March 2017).

- Singing two grant agreements in the amount of EUR 1.7 million provided by the European Investment Bank (EIB) distributed as follows (May 2017):
 - A grant agreement in the amount of EUR 714.0 thousand to provide technical assistance to finance a feasibility study of a project for an industrial waste water treatment plant in Zarqa through a public private partnership framework.
 - A grant agreement in the amount of EUR 1.0 million to implement additional activities and studies to operate the first phase of the Red Sea – Dead Sea water conveyance project.
- Signing an additional grant agreement provided by the Japanese government through the Japanese International Cooperation Agency (JICA), in the amount of USD 21.6 million to support the second phase of the project aiming at improving the efficiency of the water sector in the northern governorates hosting Syrian refugees (May 2017).
- Signing a soft loan agreement and a grant agreement in the amount of USD 52.8 million provided by the World Bank (WB). The first agreement amounted to USD 50.0 million (of which USD 36.1 million in the form of a concessional loan, and an amount of USD 13.9 million as a grant aimed at supporting the public budget in the emergency health project. The second agreement will be allocated to fund a project to provide integrated social services for the most affected youth. The grant amounts to USD 2.8 million provided through the Japan Social Development Fund (JSDF) with the WB's management (June 2017).
- signing several project agreements provided by the German government in the amount of EUR 107.5 million, as follows (July 2017):
 - A frame agreement for financial cooperation with Germany for the year 2016 as a part of Germany's commitments to Jordan according to the outcome of the London conference.

- A grant agreement in the amount of EUR 19 million, to finance the first phase of school construction program.
 - Two grant agreements in the amount of EUR 32 million and EUR 8 million, to finance water and wastewater systems for host communities for Syrian refugees (fifth and sixth phase)
 - A grant agreement to finance project " climate protection in wastewater sector" in the amount of EUR 3 million, and another grant in the amount of EUR 350 thousand to finance the consultancy expenses for the preparatory phase of the project.
 - A grant agreement in the amount of EUR 700 thousand to finance the services of Experts in order to study the various aspects of the use of renewable energy in the water sector.
 - A grant agreement to finance salaries of teachers and employees in the Ministry of Education in the amount of EUR 20 million, to support the access of Syrian refugee to formal education for the year(2017/2018).
 - A loan agreement in the amount of EUR 24 million, to finance the second phase of the energy efficiency project in the water sector.
- Signing a loan agreement with the Arab Fund for Economic and Social Development (AFESD) in the amount of KWD 14 million (equivalent to USD 46.3 million), in order to contribute to the financing of the Salt Ring Road project (August 2017).
 - Signing a soft loan (Ijara) and a grant agreements in the total amount of USD 100 million with the Islamic Development Bank (IDB), of which an amount of USD 79 million will be extended as a soft loan (Ijara), while the remaining amount of USD 21 million will be provided in the form of a grant, as a contribution to finance the Emergency Health Project as a sectoral support for the general budget (August 2017).
 - Signing a soft loan agreement with the World Bank in the amount of USD 50 million to support the establishment of the Innovative Startups Fund (August 2017).
 - Signing a grant agreement with the Saudi Fund for Development (SFD) in the amount of USD 60 million to implement traffic intersections in Amman, as part of Saudi Arabia's contribution to the Gulf Cooperation Council (GCC) grant (September 2017).

Fourth: External Sector

□ Summary

- **Total merchandize exports** (domestic exports *plus* re-exports) decreased by 17.4 percent in August 2017 compared to the same month of 2016 to reach JD 490.1 million. As for the first eight months of 2017, total merchandize exports decreased by 2.6 percent compared to the same period in 2016 to reach JD 3,449.7 million.
- **Merchandize imports** decreased by 3.3 percent in August 2017 compared to the same month of 2016 to reach JD 1,224.4 million. As for the first eight months of 2017, total merchandize imports increased by 5.4 percent compared to the same period of 2016 to reach JD 9,531.9 million.
- **Consequently**, the trade balance deficit (total exports minus imports) increased by 9.2 percent in August 2017 compared to the same month of 2016; standing at JD 734.3 million. As for the first eight months of 2017, trade balance deficit increased by 10.5 percent compared to the same period of 2016 to reach JD 6,082.2 million.
- **Travel receipts** increased in September 2017 compared to the same month of 2016 by 7.0 percent to reach JD 322.4 million. As for the first three quarters of 2017; travel receipt increased by 12.1 percent to reach JD 2,476.8 million, compared the same period in 2016. Meanwhile, Travel payments decreased in September 2017 compared to the same month of 2016 by 1.4 percent to reach JD 83.8 million. As for the first three quarters of 2017 travel payments increased by 8.1 percent, to reach JD 785.1 million compared the same period in 2016.
- **Total workers' remittances receipts** decreased by 3.2 percent in September 2017 compared to the same month of 2016 to reach JD 210.1 million. Meanwhile, the first three quarters of 2017 witnessed an increase in total workers remittances receipts by 0.7 percent compared to same period of 2016, to reach JD 1,978.1 million.
- **The current account of the balance of payments** (including grants) registered a slight increase in the deficit to reach JD 1,715.9 million (12.9 percent of GDP) during the first half of 2017 compared to a deficit of JD 1,691.4 million (13.2 percent of GDP) during the first half of 2016. Meanwhile, the current account deficit excluding grants narrowed to reach 14.2 percent of GDP compared with 15.0 percent of GDP during the first half of 2016.

- **Net direct investment** recorded an inflow of JD 782.6 million during the first half of 2017, compared to JD 604.9 million during the same period of 2016.
- **International investment position (IIP)** displayed a net obligation to abroad of JD 28,040.3 million at the end of the first half of 2017; compared to JD 26,833.2 million at the end of 2016.

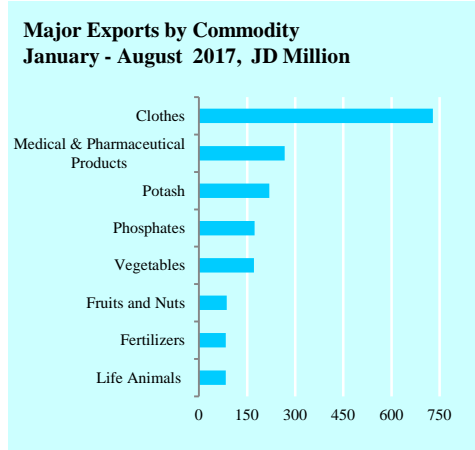
□ External Trade

- As a result of the decrease in domestic exports by JD 19.6 million, and the increase in imports by JD 484.1 million during the first eight months of 2017, the volume of external trade (domestic exports *plus* imports) increased by JD 464.5 million to stand at JD 12,441.9 million compared to the same period of 2016.

Jordan's Major Trading Partners JD Million				Main External Trade Indicators JD Million				
January-August				January- August				
	2016	2017	Percentage Change		Percentage Change 2016/2015	2017	Percentage Change 2017/2016	
Exports				External Trade	11,977.4	-7.6	12,441.9	3.9
USA	706.8	744.4	5.3	Total Exports	3,541.5	-3.8	3,449.7	-2.6
Saudi Arabia	465.4	376.2	-19.2	Domestic Exports	2,929.6	-7.5	2,910.0	-0.7
India	232.4	235.1	1.2	Re-exports	611.9	18.6	539.7	-11.8
Iraq	212.4	215.3	1.4	Imports	9,047.8	-7.6	9,531.9	5.4
Kuwait	163.8	161.6	-1.3	Trade Balance	-5,506.4	-9.9	-6,082.2	10.5
UAE	147.3	124.9	-15.2	Source: Department of Statistics.				
Qatar	83.9	80.4	-4.2					
Imports								
China	1,270.5	1,354.6	6.6					
Saudi Arabia	1,033.2	1,152.8	11.6					
USA	610.2	1,000.7	64.0					
UAE	360.6	495.7	37.5					
Germany	400.3	403.6	0.8					
Italy	424.4	371.9	-12.4					
Turkey	326.0	333.4	2.3					
Source: Department of Statistics.								

■ Merchandize Exports:

Total merchandize exports decreased by 2.6 percent during the first eight months of 2017, to record JD 3,449.7 million. This reduction resulted from a decrease in domestic exports by JD 19.6 million, or 0.7 percent to reach JD 2,910.0 million and the decrease in re-exports by JD 72.2 million, or 11.8 percent to reach JD 539.7 million.



◆ The developments of domestic exports during the first eight months of 2017 compared with the same period in 2016 reveals the following:

- Exports of **phosphates** decreased by JD 41.9 million, or 19.4 percent, to register JD 173.6 million. This was a result of the increase in exported quantities by 1.1 percent and the decrease in prices by 20.3 percent. It is worth noting that the Indian and Indonesian markets were the main destinations for phosphates exports, accounting for 86.6 percent.
- Exports of **vegetables** decreased by JD 36.0 million, or 17.4 percent, to reach JD 170.9 million. The markets of Kuwait, Saudi Arabia, the UAE and Qatar the accounted for 71.0 percent of these exports.

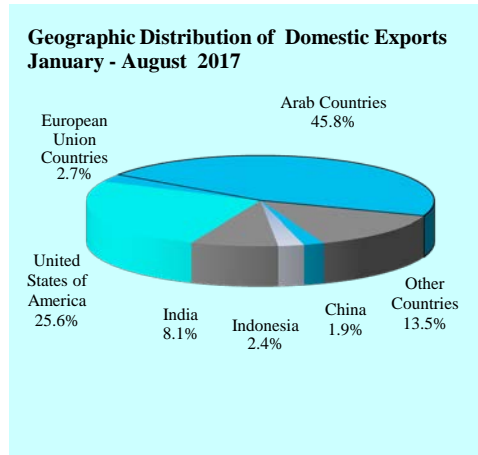
- Exports of **Medical & pharmaceutical products** decreased by JD 27.5 million, or 9.4 percent, to reach JD 266.6 million. Saudi Arabia, Iraq, Algeria and Sudan were the main destination markets; accounting for 58.3 percent of these exports.
- Exports of **fertilizers** decreased by JD 12.3 million, or 12.8 percent, to reach JD 83.7 million. Turkey, Iraq and India were the main destination markets for these exports, accounting for 79.3 percent .
- Exports of **potash** increased by JD 45.5 million, or 26.2 percent, to stand at JD 219.0 million. The Indian, Chinese, Indonesian and Malaysian markets accounted for 71.8 percent of these exports.

Major Domestic Exports by Commodity, JD Million
January-August 2016-2017

	2016	2017	Percentage Change
Domestic Exports	2,929.6	2,910.0	-0.7
Clothes	682.3	728.8	6.8
USA	609.6	648.5	6.4
Medical & Pharmaceutical Products	294.1	266.6	-9.4
Saudi Arabia	65.0	67.6	4.0
Iraq	33.8	34.4	1.8
Algeria	44.8	29.9	-33.3
Sudan	23.2	23.5	1.3
Potash	173.5	219.0	26.2
India	48.1	60.3	25.4
China	25.7	49.6	93.0
Indonesia	16.3	26.6	63.2
Malaysia	35.2	20.8	-40.9
Phosphates	215.5	173.6	-19.4
India	135.6	106.2	-21.7
Indonesia	36.2	44.1	21.8
Vegetables	206.9	170.9	-17.4
Saudi Arabia	44.1	43.5	-1.4
UAE	46.8	32.5	-30.6
Kuwait	41.6	30.1	-27.6
Qatar	27.7	15.2	-45.1
Fruits and Nuts	93.7	86.3	-7.9
Kuwait	33.1	29.4	-11.2
Saudi Arabia	27.1	25.4	-6.3
UAE	11.0	6.9	-37.3
Fertilizers	96.0	83.7	-12.8
Turkey	26.9	25.6	-4.8
Iraq	23.7	21.6	-8.9
India	28.9	19.2	-33.6
Life Animals	80.2	83.5	4.1
Kuwait	6.0	38.9	548.3
Qatar	18.9	23.9	26.5
Saudi Arabia	53.3	15.2	-71.5

Source: Department of Statistics.

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

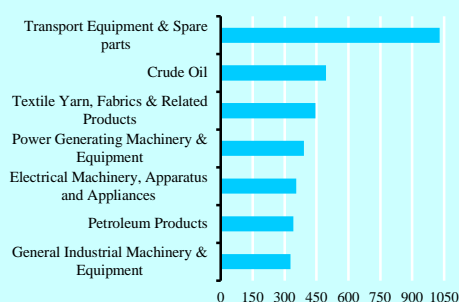


potash, phosphates, vegetables, “fruits and nuts”, fertilizers and “Life Animals” topped the list of domestic exports during the first eight months of 2017; accounting for 62.3 percent, compared with 62.9 percent during the same period in 2016. Meanwhile, the geographical distribution of domestic exports indicates that the USA, Saudi Arabia, India, Iraq, Kuwait, the UAE, and Qatar were the main destination markets during the first eight months of 2017; accounting for 66.6 percent, compared with 68.7 percent during the same period of 2016.

■ **Merchandise Imports:**

Merchandise imports increased by 5.4 percent to reach JD 9,531.9 million during the first eight months of 2017, compared to a decrease by 7.6 percent during the same period of 2016.

Major Imports by Commodity
January - August 2017, JD Million



◆ **The developments of imports during the first eight months of 2017 compared with the same period of 2016 reveals the following:**

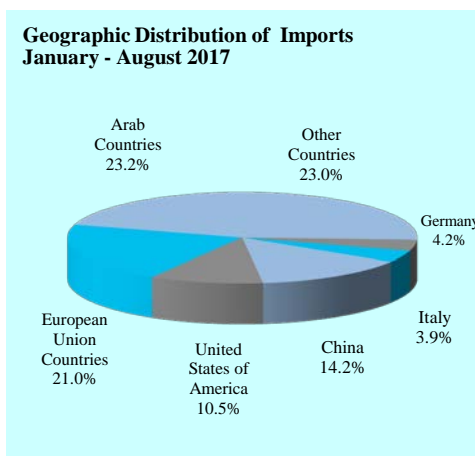
- **Power generating machinery and equipment** imports increased by JD 270.2 million or 255.0 percent to reach JD 390.3 million. The USA, China, and the UK were the main origin markets, accounting for 82.2 percent of these imports.
- **Crude oil** imports increased by JD 143.2 million, or 40.8 percent, to reach JD 494.3 million. This increase was mainly outcome of an increase in prices and quantities by 33.1 percent and 5.8 percent, respectively, compared with the same period of 2016. Noting that crude oil imports came from the Saudi Arabia market.
- **General industrial machinery and equipment** imports increased by JD 81.2 million or 33.0 percent to reach JD 327.0 million. China, France, and Italy were the main origin markets accounting for 54.8 percent of these imports.

- Transport equipment & spare parts** imports increased by JD 64.1 million or 6.6 percent to reach JD 1,028.4 million. The USA, Japan, and South Korea were the main origin markets, accounting for 57.9 percent of these imports.
- Textile yarn, fabrics & related products** imports increased by JD 33.3 million or 8.1 percent to reach JD 444.3 million. The China, Taiwan and Turkey were the main origin markets, accounting for 78.3 percent of these imports.

Major Imports by Commodity, JD Million January-August 2016-2017			
	2016	2017	Percentage Change
Total Imports	9,047.8	9,531.9	5.4
Transport Equipment & Spare Parts	964.3	1,028.4	6.6
USA	164.4	235.7	43.4
Japan	201.3	184.8	-8.2
South Korea	203.2	175.3	-13.7
Crude Oil	351.1	494.3	40.8
Saudi Arabia	351.1	494.3	40.8
Textile Yarn, Fabrics and Related Products	411.0	444.3	8.1
China	157.1	162.9	3.7
Taiwan	128.5	139.4	8.5
Turkey	42.1	45.8	8.8
Power generating Machinery & equipment	120.1	390.3	225.0
USA	41.9	266.7	536.5
China	11.9	32.9	176.5
UK	5.5	21.3	287.3
Electrical Machinery Apparatus and Appliances	333.3	354.7	6.4
China	91.6	157.6	72.1
Turkey	27.3	33.1	21.2
Italy	29.2	27.8	-4.8
Petroleum Products	424.4	340.8	-19.7
Saudi Arabia	127.9	80.5	-37.1
Italy	86.8	62.3	-28.2
UAE	57.2	53.6	-6.3
General Industrial Machinery & equipment	245.8	327.0	33.0
China	71.1	94.7	33.2
France	10.0	48.1	381.0
Italy	38.5	36.5	-5.2

Source: Department of Statistics.

- Consequently, the commodity composition of imports indicates that “transport equipment and spare part”, “crude oil”, “textile yarn, fabrics and related products”, “power generating machinery and equipment”, “electrical machinery apparatus and appliances”, “petroleum products” and “general industrial machinery and equipment”, topped the list of imports during the first eight months of 2017, accounting for 35.5 percent; compared to 31.5 percent during the same period of 2016. Meanwhile, the geographical distribution of imports indicates that China, Saudi Arabia, the USA, the UAE, Germany, Italy and Turkey were the main source markets during the eight months of 2017; accounting for 53.6 percent of imports, compared to 48.9 percent during the same period in 2016.



■ Re-Exports

The value of re-exported goods during August 2017 decreased by JD 76.4 million, or 56.7 percent, compared to the same month of 2016, to register JD 58.4 million. As for the first eight months of 2017, the value of re-exported goods decreased by JD 72.2 million, or 11.8 percent compared to the same period of 2016, to reach JD 539.7 million.

■ Trade Balance

The trade balance deficit increased by JD 61.8 million, or 9.2 percent, in August 2017 compared to the same month of 2016, to register JD 734.3 million. As for the first eight months of 2017, the trade balance deficit increased by JD 575.9 million, or 10.5 percent, to register JD 6,082.2 million, compared to the same period of 2016.

□ Total Workers' Remittances Receipts

Total workers' remittances receipts decreased by 3.2 percent in September 2017 compared to the same month of 2016, to register JD 210.1 million. As for the first three quarters of 2017 total workers' remittances receipts increased by 0.7 percent compared to the same period of 2016 to reach JD 1,978.1 million.

□ Travel

■ Receipts

Travel receipts increased by JD 21.2 million, or 7.0 percent, in September 2017 compared to the same month of 2016, to register JD 322.4 million. As for the first three quarters of 2017, travel receipts increased by 267.2 million or 12.1 percent compared to the same period of 2016, to stand at JD 2,476.8 million.

■ Payments

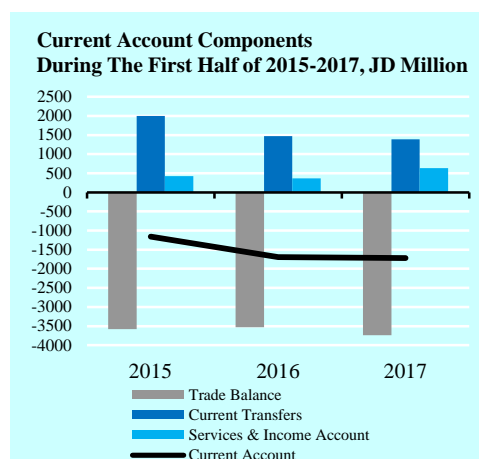
Travel payments decreased by JD 1.2 million, or 1.4 percent, in September 2017 compared to the same month of 2016, to stand at JD 83.8 million. As for the first three quarters of 2017, travel payments increased by 59.1 million or 8.1 percent compared to the same period of 2016, to stand at JD 785.1 million.

□ Balance of Payments

The preliminary data for the balance of payments during the first half of 2017 compared to the same period in 2016 reveals the following:

- The current account recorded a deficit of JD 1,715.9 million (12.9 percent of GDP) in the first half of 2017 compared to a deficit of JD 1,691.4 million (13.2 percent of GDP) during the first half of 2016. Meanwhile, the current account deficit excluding grants narrowed to reach JD 1,887.8 million (14.2 percent of GDP) compared to JD 1,921.4 million (15.0 percent of GDP) during the first half of 2016. This was an outcome of the following developments:

- ◆ An increase in the deficit of trade balance during the first half of 2017 by JD 209.5 million, or 5.9 percent, to reach JD 3,738.9 million compared to JD 3,529.4 million during the first half of 2016.



- ◆ An increase in the surplus of the services account compared to the first half of 2016 by JD 223.3 million, to reach JD 611.9 million.
- ◆ Income account recorded a surplus of JD 22.3 million compared to a deficit of JD 22.5 million during the first half of 2016. This was mainly due to the decrease in deficit of the investment income (net) by JD 47.0 million, and decrease in the surplus of workers' remittances (net) by JD 2.2 million.
- ◆ A decrease in the surplus of net current transfers by JD 83.1 million; to reach JD 1,388.8 million, as a result of the decrease in net transfers of the public sector (foreign grants) during the first half of 2017 by JD 57.9 million to reach JD 171.8 million, and the decrease in the net transfers of other sectors by JD 25.2 million to reach JD 1,217.0 million.

- The capital and financial account registered a net inflow of JD 1,380.0 million during the first half of 2017, compared to a net inflow of JD 1,682.2 million during the same period of 2016. This can be attributed to the following:
 - ◆ Direct investment recorded a net inflow of JD 782.6 million compared to an inflow of JD 604.9 million during the first half of 2016.
 - ◆ Portfolio investment recorded a net inflow of JD 21.3 million compared to a net inflow of JD 1.3 million during the first half of 2016.
 - ◆ Other investment registered a net outflow of JD 373.4 million compared to a net inflow of JD 73.1 million during the first half of 2016.
 - ◆ A decrease in the reserve assets of the CBJ by JD 927.5 million, compared to decrease of JD 981.9 million during the first half of 2016.

□ 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 28,040.3 million at the end of the first half of 2017 compared to JD 26,833.2 million at the end of 2016. 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 (residing) in the Kingdom by JD 703.1 million at the end of the first half of 2017 compared to the end of 2016 to reach JD 17,877.9 million. This was mainly due to the decrease in the CBJ's reserve assets by JD 900.3 million, and the increase in the deposits of the banking sector by JD 201.4 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 504.0 million at the end of the first half of 2017 compared to the end of 2016; to reach JD 45,918.2 million, due to the following developments:
 - ◆ An increase in the stock of direct investment in the kingdom by JD 865.2 million to stand at JD 23,690.6 million.
 - ◆ An increase in the deposits of non-residents at the banking sector by JD 185.7 million to reach JD 7,372.8 million.
 - ◆ A decrease in trade credits extended to residents by JD 142.7 million to reach JD 675.8 million.
 - ◆ A decrease in the stock of portfolio investment in the kingdom by JD 297.7 million to stand at JD 7,267.5 million.