



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 2018, real GDP at market prices, grew by 2.0 percent, compared to a growth rate of 2.2 percent during the same period of 2017. The general price level, measured by the percentage change in the Consumer Price Index (CPI) increased during the first eleven months of 2018 by 4.5 percent, compared to a rise of 3.3 percent during the same period of 2017. Furthermore, the unemployment rate increased during the third quarter of 2018 to stand at 18.6 percent compared to 18.5 percent during the same quarter of 2017.

□ Monetary and Financial Sector

- The CBJ's gross foreign reserves (including gold and SDRs) amounted to US\$ 12,844.7 million at the end of November 2018. This level of reserves covers around 7.0 months of the kingdom's imports of goods and services.
- Domestic liquidity amounted to JD 33,206.4 million at the end of November 2018, compared to JD 32,957.6 million at the end of 2017.
- The outstanding balance of credit facilities extended by licensed banks amounted to JD 26,187.0 million at the end of November 2018, compared to JD 24,736.8 million at the end of 2017.
- Total deposits at licensed banks amounted to JD 33,744.2 million at the end of November 2018, compared to JD 33,197.7 million at the end of 2017.
- The Share Price Index (SPI) weighted by the market capitalization of free float shares at Amman Stock Exchange (ASE) reached 1,863.1 points at the end of November 2018, compared to 2,126.8 points at the end of 2017.

- **Public Finance:** The general budget, including foreign grants, recorded a fiscal deficit in the amount of JD 860.4 million (3.5 percent of GDP) in the first ten months of 2018, compared to a fiscal deficit of JD 881.1 million (3.7 percent of GDP) in the same period of 2017. Gross outstanding domestic public debt (budgetary and own-budget) increased by JD 1,043.8 million at the end of October 2018 compared to its level at the end of 2017, standing at JD 16,445.9 million (54.8 percent of GDP). However, outstanding external public debt (budget and guaranteed) went up by JD 175.2 million at the end of October 2018, compared to its level at the end of 2017, to reach JD 12,042.4 million (40.2 percent of GDP). Accordingly, gross public debt (domestic and external) stood at 94.9 percent of GDP at the end of October 2018, compared to 94.3 percent of GDP at the end of 2017.
- **External Sector:** Total merchandize exports (domestic exports *plus* re-exports) increased by 3.7 percent during the first ten months of 2018 to reach JD 4,514.9 million. Meanwhile, merchandize imports decreased by 0.5 percent to reach JD 11,865.3 million. As a result, the trade balance deficit decreased by 3.0 percent compared to the same period of 2017, to reach JD 7,350.4 million. The preliminary data for the first eleven months of 2018 showed an increase in travel receipts by 13.0 percent and a decrease in travel payments by 0.5 percent compared to the same period of 2017. Moreover, total workers' remittances receipts decreased by 1.4 percent in the first eleven months of 2018 compared to the same period of 2017. The preliminary data for the balance of payments during the same period of 2018 displayed a deficit in the current account amounted to JD 1,971.2 million (9.0 percent of GDP) compared to a deficit of JD 2,376.0 million (11.2 percent of GDP) during the same period of 2017. Meanwhile, the current account deficit excluding grants decreased to reach 10.2 percent of GDP compared with 12.3 percent of GDP during the same period of 2017. Moreover, net direct investment recorded a net inflow of JD 538.9 million during the first three quarters of 2018 compared to a net inflow of JD 1,171.8 million during the same period of 2017. Furthermore, the international investment position (IIP) registered a net obligation to abroad in the amount of JD 31,654.0 million at end of the third quarter of 2018 up from JD 29,432.7 million at the end of 2017.

First: Monetary and Financial Sector

□ Summary

- The CBJ's gross foreign reserves (including gold and SDRs) amounted to US\$ 12,844.7 million at the end of November 2018. This level of reserves covers around 7.0 months of the kingdom's imports of goods and services.
- Domestic liquidity amounted to JD 33,206.4 million at the end of November 2018, compared to JD 32,957.6 million at the end of 2017.
- The outstanding balance of credit facilities extended by licensed banks amounted to JD 26,187.0 million at the end of November 2018, compared to JD 24,736.8 million at the end of 2017.
- Total deposits at licensed banks amounted to JD 33,744.2 million at the end of November 2018, compared to JD 33,197.7 million at the end of 2017.
- The interest rates on all types of credit facilities extended by the licensed banks had decreased at the end of November 2018, compared to their levels at the end of 2017. While the interest rates on all types of deposits held by the licensed banks had increased at the end of November 2018, except the interest rate on demand deposits, which had maintained at the same level, compared to their levels at the end of 2017.

- The Share Price Index (SPI) weighted by market capitalization of free float shares at Amman Stock Exchange (ASE) reached 1,863.1 points at the end of November 2018, compared to 2,126.8 points at the end of 2017. Moreover, the market capitalization reached JD 15,751.1 million at the end of November 2018, compared to JD 16,962.6 million at the end of 2017.

Main Monetary Indicators

JD Million, and Percentage Change Relative to the Previous Year

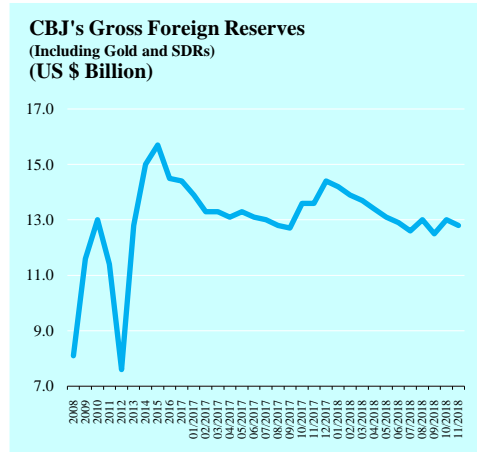
		End of November	
2017		2017	2018
US\$ 14,391.8	CBJ's Foreign Reserves*	US\$ 13,570.2	US\$ 12,844.7
-0.7%		-6.4%	-10.7%
32,957.6	Money Supply (M2)	32,957.5	33,206.4
0.2%		0.2%	0.8%
24,736.8	Credit Facilities, of which:	24,819.9	26,187.0
8.0%		8.4%	5.9%
21,747.1	Private Sector (Resident)	21,765.7	23,037.3
9.3%		9.4%	5.9%
33,197.7	Total Deposits, of which:	33,107.7	33,744.2
0.9%		0.6%	1.6%
25,642.2	In JD	25,736.6	25,568.8
-1.3%		-0.9%	-0.3%
7,555.5	In Foreign Currencies	7,371.1	8,175.4
9.0%		6.3%	8.2%
26,916.3	Deposits of Private Sector (Resident), of which:	26,890.2	26,979.5
-0.1%		-0.2%	0.2%
21,258.2	In JD	21,374.4	20,897.4
-1.5%		-0.9%	-1.7%
5,658.1	In Foreign Currencies	5,515.8	6,082.1
5.2%		2.5%	7.5%

* 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\$ 12,844.7 million at the end of November 2018. This level of reserves covers around 7.0 months of the kingdom's imports of goods and services.



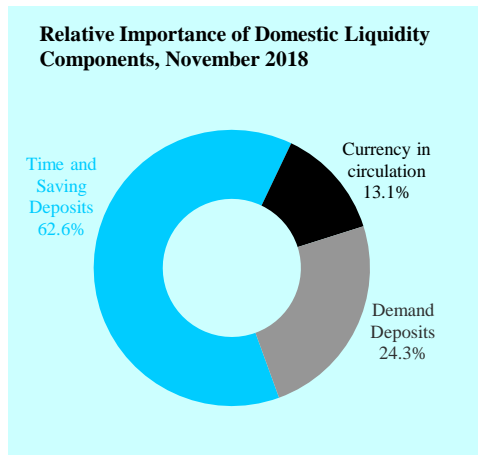
□ Domestic Liquidity (M2)

- Domestic liquidity amounted to JD 33.2 billion at the end of November 2018, compared to JD 33.0 billion at the end of 2017.
- ◆ **Developments in the components and the factors affecting domestic liquidity at the end of November 2018, compared to their levels at the end of 2017, reveal the following:**

- **Components of Domestic Liquidity**

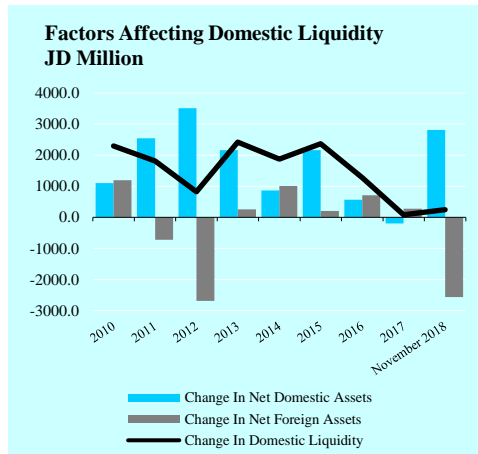
- Total liquidity deposits amounted to JD 28.9 billion at the end of November 2018, compared to JD 28.6 billion at the end of November 2017, and JD 28.6 billion at the end of 2017.

- Currency in circulation amounted to JD 4.3 billion at the end of November 2018, compared to JD 4.4 billion at the end of November 2017, and JD 4.3 billion at the end of 2017.



• **Factors Affecting Domestic Liquidity**

- Net domestic assets of the banking system amounted to JD 26.6 billion at the end of November 2018, compared to JD 24.8 billion at the end of November 2017, and JD 23.8 billion at the end of 2017.



- Net foreign assets of the banking system amounted to JD 6.6 billion at the end of November 2018, compared to JD 8.2 billion at the end of November 2017, and JD 9.1 billion at the end of 2017. The net foreign assets of the CBJ amounted to JD 8.7 billion at the end of November 2018.

Factors Affecting Domestic Liquidity (M2) JD Million

		End of November	
2017		2017	2018
9,122.6	Foreign Assets (Net)	8,191.0	6,563.1
10,260.0	CBJ	9,660.0	8,708.7
-1,137.4	Licensed Banks	-1,469.1	-2,145.7
23,835.0	Domestic Assets (Net)	24,766.6	26,643.3
-5,398.5	CBJ, of which:	-4,812.6	-3,887.5
653.1	Claims on Public Sector (Net)	1,026.6	753.3
-6,074.5	Other Items (Net*)	-5,862.2	-4,663.6
29,233.6	Licensed Banks	29,579.2	30,530.8
9,336.7	Claims on Public Sector (Net)	9,698.9	10,662.2
22,502.9	Claims on Private Sector	22,504.9	23,764.0
-2,606.0	Other Items (Net)	-2,624.6	-3,895.5
32,957.6	Money Supply (M2)	32,957.5	33,206.4
4,326.5	Currency in Circulation	4,365.8	4,330.5
28,631.1	Total Deposits, of which:	28,591.8	28,875.9
5,696.5	In Foreign Currencies	5,548.8	6,114.7

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

□ Interest Rates Structure

■ Interest Rates on Monetary Policy Instruments

◆ On December 24th, 2018, CBJ raised the interest rate on all monetary policy instruments by 25 basis points, to become as follows:

- The CBJ main interest rate: 4.75 percent.
- Re-Discount Rate: 5.75 percent.
- Interest Rate on Overnight Repurchase Agreements: 5.50 percent.
- Overnight Deposit Window Rate: 4.00 percent.
- Weekly/ Monthly Repurchase Agreements: 4.75 percent.
- The interest rate on weekly certificates of deposits: 4.75 percent.

Interest Rates on Monetary Policy Instruments, percentage points

2017		November	
		2017	2018
4.00	CBJ main rate	3.75	4.50
5.00	Re-discount Rate	4.75	5.50
4.75	Repurchase Agreements Rate (overnight)	4.50	5.25
3.00	Overnight Deposit Window Rate	2.75	3.75
4.00	Repurchase Agreements rate (one week and one month)	3.75	4.50
4.00	Certificates of Deposits (one week)	3.75	4.50

Source: Central Bank of Jordan / Monthly Statistical Bulletin.

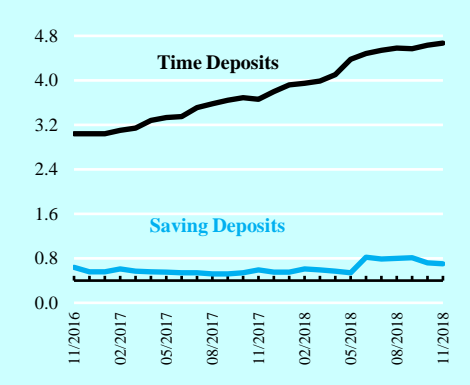
This decision comes in light of development of the interest rates in the regional and International market as well as Central Bank’s policy to sustain the monetary and financial stability, in addition to the attractiveness of the financial instruments denominated in Jordanian Dinar.

■ Interest Rates in the Banking Sector

◆ Interest Rates on Deposits

- Time Deposits: The weighted average interest rate on time deposits increased by 3 basis points at the end of November 2018, compared to its level in the previous month, to stand at 4.67 percent. This rate is higher by 86 basis points than its level at the end of 2017.

Interest Rates on Deposits
November 2016 - November 2018, Percentage Points

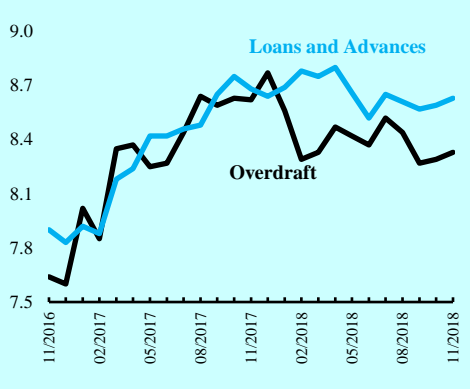


- Saving Deposits: The weighted average interest rate on saving deposits decreased by 2 basis points at the end of November 2018 compared to its level registered in the previous month to stand at 0.70 percent, this rate is higher by 15 basis points than its level registered at the end of 2017.
- Demand Deposits: The weighted average interest rate on demand deposits had kept at the same level registered in the previous month, to stand at 0.34 percent, which is the same level registered at the end of 2017.

◆ Interest Rates on Credit Facilities

- Overdraft Accounts: The weighted average interest rate on overdraft accounts increased by 4 basis points at the end of November 2018, compared to its level registered in the previous month, to stand at 8.33 percent. This rate is lower by 45 basis points than its level registered at the end of 2017.

Interest Rates on Credit facilities
November 2016- November 2018, Percentage Points



- Discounted Bills and Bonds: The weighted average interest rate on “discounted bills and bonds” increased by 22 basis points at the end of November 2018, compared to its level registered in the previous month, to stand at 9.98 percent. This rate is lower by 28 basis points than its level registered at the end of 2017.

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

2017		November		Change Relative to the Preceding Year Basis Points
		2017	2018	
Deposits				
0.34	Demand	0.27	0.34	0
0.55	Saving	0.53	0.70	15
3.80	Time	3.74	4.67	86
Credit Facilities				
10.23	Discounted Bills and Bonds	9.84	9.98	-28
8.64	Loans and Advances	8.68	8.63	-2
8.77	Overdraft	8.62	8.33	-45
8.83	Prime Lending Rate	8.78	9.51	68

Source: Central Bank of Jordan / Monthly Statistical Bulletin.

- Loans and Advances: The weighted average interest rate on “loans and advances” increased by 3 basis points at the end of November 2018, compared to its level registered in the previous month, to stand at 8.63 percent. This rate is lower by 2 basis points than its level registered at the end of 2017.
- The prime lending rate stood at 9.51 percent at the end of November 2018, increased by 8 basis points comparing to its level registered in the previous month. This rate is higher by 68 basis points than its level registered at the end of 2017.

□ Credit Facilities Extended by Licensed Banks

- Total credit facilities extended by licensed banks increased by JD 1,450.2 million, or 5.9 percent, at the end of November 2018, compared to its level at the end of 2017, against an increase of JD 1,914.1 million, or 8.4 percent, during the same period in 2017.

- In terms of borrowers, the credit facilities at the end of November 2018 had shown an increase in credit extended to the private sector (resident) by JD 1,290.2 million, or 5.9 percent, the private sector (non-resident) by JD 163.3 million, or 32.6 percent, the public institutions by JD 72.1 million, or 20.2 percent, while the credit extended to the central government decreased by JD 80.6 million, or 3.8 percent, compared to their levels at the end of 2017

□ Deposits at Licensed Banks

- Total deposits at licensed banks stood at JD 33,744.2 million at the end of November 2018, increasing by JD 546.5 million, or 1.6 percent, compared to its level at the end of 2017, against an increase of JD 207.7 million, or 0.6 percent, during the same period in 2017.
- The currency composition of deposits at the end of November 2018 revealed that the JD deposits amounted to JD 25.6 billion, and the deposits in foreign currency amounted to JD 8.2 billion, compared to JD 25.7 billion of JD deposits, and JD 7.4 billion of deposits in foreign currency at the end of the same month in 2017. As for the end of 2017, the JD Deposits amounted to JD 25.6 billion, and deposits in foreign currency amounted to JD 7.6 billion at the end of 2017.

□ Amman Stock Exchange (ASE)

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

■ **Trading Volume**

Trading volume at ASE totaled JD 101.0 million in November 2018, decreasing by JD 363.0 million, compared to its level registered in the previous month, against an increase of JD 2.5 million or 2.3 percent during the same month in 2017. As for the first eleven months of 2018, the trading volume decreased by JD 1,074.3 million, compared to the same period in 2017, to reach JD 1,727.2 million.

■ **Traded Shares**

The number of traded shares in November 2018 totaled 87.9 million shares, decreasing by 51.2 million shares, or 36.8 percent, compared to its level registered in the previous month, against an increase by 10.6 million shares, or 10.2 percent, during the same month in 2017. As for the first eleven months of 2018, the number of traded shares amounted to 1,058.6 million shares, compared to 1,607.3 million shares traded during the same period in 2017.

■ **Share Price Index (SPI)**

The SPI weighted by market capitalization of free float shares at ASE decreased by 95.6 points, or 4.9 percent, at the end of November 2018, compared to its level registered in the previous month, to stand at 1,863.1

points, against an increase of 29.3 points, or 1.4 percent, during the same month in 2017. Furthermore, the SPI decreased by 263.7 points, or 12.4 percent, at the end of the first eleven months of 2018, compared to its level at the end of 2017, against a decrease of 47.8 points, or 2.2 percent during the same period in 2017. The aforementioned decrease was an outcome of the decrease in the SPI of the industrial sector by 397.0 points, or 21.7 percent, the financial sector by 314.5 points, or 12.3 percent, and the services sector by 156.6 points, or 12.1 percent, compared to their levels at the end of 2017.

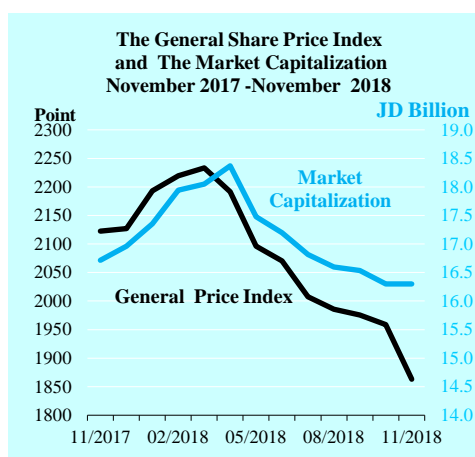
Share Price Index Weighted by Market Capitalization of Free Float Shares, by Sectors

		November	
2017		2017	2018
2,126.8	General Index	2,122.5	1,863.1
2,881.5	Financial Sector	2,871.8	2,567.0
2,229.5	Industrial Sector	2,184.3	1,832.6
1,449.7	Services Sector	1,465.6	1,293.0

Source: Amman Stock Exchange.

■ Market Capitalization

The ASE's market capitalization totaled JD 15.8 billion at the end of November 2018, decreasing by JD 577.1 million, or 3.5 percent, compared to its level registered in the previous month, against an increase of JD 134.3 million, or 1.4 percent, during the same month in 2017. As for the first eleven months of 2018, the market capitalization decreased by JD 1,211.4 million, or 7.1 percent, compared to a decrease of JD 625.1 million, or 3.6 percent, during the same period in 2017.



■ Non - Jordanian Net Investment

Non-Jordanian net investment at ASE recorded an outflow amounting to JD 3.3 million in November 2018, compared to an inflow of JD 10.9 million during the same month in 2017. The value of shares buying by non-Jordanian in November 2018 amounted to JD 22.8 million, while their selling amounted to JD 26.1 million. As for the first eleven months of 2018, non-Jordanian net investment recorded an inflow of JD 26.1 million, compared to an outflow of JD 331.4 million, during the same period in 2017.

Main Amman Stock Exchange Trading Indicators, JD Million

	2017	November	
		2017	2018
2,926.2	Value Traded	112.8	101.0
11.8	Average Daily Trading	5.4	5.0
16,962.6	Market Capitalization	16,714.3	15,751.1
1,716.7	No. of Traded Shares (million)	93.5	87.9
-334.3	Net Investment of Non-Jordanian	10.9	-3.3
995.0	Non-Jordanian Buying	21.9	22.8
1,329.2	Non-Jordanian Selling	11.0	26.1

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 third quarter of 2018, against 1.9 percent during the same period of 2017. At current market prices, GDP grew by 3.5 percent during the third quarter of 2018, compared to 4.0 percent during the same quarter of 2017.
- Accordingly, the real GDP grew by 2.0 percent during the first three quarters of 2018, against 2.2 percent during the same period of 2017. At current market prices, GDP grew by 3.8 percent during the first three quarters of 2018, compared to 3.9 percent growth during the same period of 2017.
- The general price level, measured by the percentage change in the CPI, increased during the first eleven months of 2018 by 4.5 percent, compared to a rise of 3.3 percent during the same period of 2017.
- The unemployment rate increased during the third quarter of 2018 to stand at 18.6 percent (16.3 percent for males and 27.1 percent for females), compared to 18.5 percent (15.4 percent for males and 30.0 percent for females) during the same quarter of 2017. The highest unemployment rate among youth reached 46.9 percent for the categories of 15-19 years old, and 37.7 percent for those between 20-24 years.

■ Developments of GDP

- Despite continuing of the political and social unrest in the region, particularly in Syria and Iraq, that have strongly affected the performance of many key economic sectors, the real GDP grew by 2.0 percent during the first three quarters of 2018, compared to a growth rate of 2.2 percent during same period of 2017. When excluding “net taxes on products”, which grew by 1.3 percent, GDP at constant basic prices grew by 2.1 percent during the first three quarters of 2018, compared to 2.3 percent during the same period of 2017.

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

	Q1	Q2	Q3	Q4	Percentages Year
2016					
GDP at Constant Market Prices	2.3	1.9	1.8	2.0	2.0
GDP at Current Market Prices	3.8	3.2	2.6	2.7	3.0
2017*					
GDP at Constant Market Prices	2.5	2.3	1.9	1.9	2.1
GDP at Current Market Prices	4.3	3.5	4.0	3.7	3.9
2018*					
GDP at Constant Market Prices	1.9	2.1	2.0	-	-
GDP at Current Market Prices	4.0	3.9	3.5	-	-

Source: Department of Statistics.

*: According to the new methodology.

At current market prices, GDP grew by 3.8 percent during the first three quarters of 2018, compared to 3.9 percent growth during the same period of 2017. This increase in nominal growth is mainly attributed to the increase in the general price level, measured by the GDP deflator, which grew by 1.8 percent during the first three quarters of 2018. It should be noted that the Department of Statistics prepared and published the quarterly estimated GDP for 2017 and the available period of 2018 according to a new methodology that included the transition to SNA 2008 national accounts system as well as the adjustment of the base year to become 2016 instead of 1994.

The main sectors that contributed to the real economic growth during the first three quarters of 2018; “real estate” (0.4 percentage point), “manufacturing” (0.3 percentage point), “finance and insurance services” (0.3 percentage point), “transport and communications” (0.3 percentage point), and “community, social and personal services” (0.2 percentage point). These sectors collectively accounted for 75.0 percent of real GDP growth during the first three quarters of 2018.

The economic sectors displayed a divergent performance during the first three quarters of 2018. Some sectors recorded growth, such as “transport, storage and communications”, “manufacturing, “producers of government services”, “community, social and personal services”. Meanwhile, “mining and quarrying”, agriculture, “electricity and water”, “finance and insurance services”, “restaurants and hotels”, “wholesale and retail trade”, experienced a slowdown. On the other hand, construction sector continued to witness a contraction in its performance.

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



GDP At Constant Market Prices *
Percentage

Sectors	Relative change Three quarters		Contribution Three quarters 2018
	2017	2018	
GDP At Constant Market Prices	2.2	2.0	2.0
Agriculture, Hunting, Forestry, And Fishing	5.0	3.2	0.2
Mining And Quarrying	16.5	2.0	-
Manufacturing	1.1	1.5	0.3
Electricity And Water	2.8	2.3	0.1
Construction	-0.1	-0.3	-
Wholesale And Retail Trade	1.5	1.3	0.1
Restaurant And Hotels	1.2	1.1	-
Transport, Storage And Communications	2.4	3.0	0.3
Finance And Insurance Services	4.0	3.6	0.3
Real Estate	2.6	2.6	0.4
Social And Personal	3.7	3.9	0.2
Producers of Government Services	0.9	1.1	0.1
Producers of Private Non-Profit	4.0	2.8	-
Domestic Services of Households	0.1	0.1	-

Source : Department of Statistics.
- : Less than 0.1 percentage point.
* : According to the new methodology.

□ Microeconomic Indicators

The microeconomic indicators displayed a divergent performance during the available period of 2018. Some indicators recorded a notable growth, such as; “cargo through Royal Jordanian” (13.4 percent), “number of passengers through Royal Jordanian” (3.8 percent) and “mining and quarrying production quantity index” (0.7 percent). However, other indicators showed a contraction, particularly; “value traded at the real estate market” (13.0 percent) and “Manufacturing production quantity index” (7.1 percent). The following table displays the performance of the main sectoral indicators during the available period of 2018 compared to the same period of 2017.

Main Sectoral Indicators*

Percentage Points				
2017	Item	2017	Available period	2018
4.5	Licensed areas for buildings	7.8	Jan. - Nov.	-15.8
-2.4	Manufacturing production quantity index	-2.5		-7.1
-4.9	Food products and beverages	-4.5		-15.1
-3.1	Tobacco products	-5.5		-5.3
-7.3	Refined petroleum products	-5.9		-16.7
-6.3	Wearing apparel	-3.1		-7.6
1.9	Non-metallic mineral products	-0.4		-3.9
0.3	Chemical products	-0.7		27.2
13.4	“Mining and quarrying” production quantity index	13.3		0.7
-13.8	Extraction of crude petroleum and natural gas	-13.2		-6.8
13.6	Other mining and quarrying	13.6		0.7
6.9	Number of passengers through Royal Jordanian	6.7		3.8
8.4	Cargo through Royal Jordanian	5.8		13.4
7.3	Number of departures	7.3	Jan. - Dec.	7.4
-14.1	Value traded at the real estate market	-14.0		-13.0

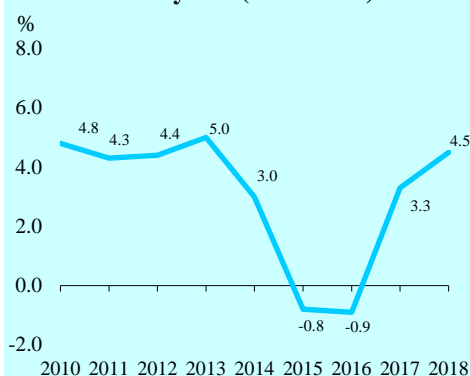
* : Computed based on the data from Department of Statistics, Department of land and survey, and Royal Jordanian.

Prices

The general price level, measured by the percentage change in CPI, increased by 4.5 percent during the first eleven months of 2018, compared to a rise of 3.3 percent during the same period of 2017. This came as a result of the increase in the prices of oil in the global markets and its impact on domestic prices, in addition to a set of government measures that included liberalizing the prices of bread and raising sales tax to become 10 percent on exempted sales and subordinated from sales tax (zero and 4 percent). Hereby, the main groups and items that witnessed an increase in their prices during the first eleven months of 2018:

- “Cereals and products” prices increased by 20.8 percent compared to a contraction by 0.2 percent during the same period of 2017, as a result of the government’s decision to liberalize the prices of bread and the shift from goods subsidies to direct cash subsidies for the eligible households.

Inflation Rate during the first eleven months of the years (2010-2018)



Inflation rate during the first eleven months of the years 2017 – 2018

Expenditure Groups	Relative Imp.	Relative change		Contribution	
		Jan-Nov		Jan-Nov	
		2017	2018	2017	2018
All Items	100.0	3.3	4.5	3.3	4.5
1) Food and non-Alcoholic Beverages	33.4	-0.5	3.1	-0.2	1.0
Food	30.5	-0.7	3.2	-0.2	0.9
Cereals and Products	5.0	-0.2	20.8	0.0	0.9
Meat and Poultry	8.2	-5.5	0.5	-0.4	0.0
	0.8	-0.4	1.5	0.0	0.0
Dairy Products and Eggs	4.2	0.2	1.0	0.0	0.0
Oil and Fats	1.9	3.3	4.6	0.1	0.1
Fruits and Nuts	2.7	-3.2	-0.2	-0.1	0.0
Vegetables and Legumes Dry and Canned	3.9	5.2	-3.2	0.2	-0.1
2) Alcohol and Tobacco and Cigarettes	4.4	8.0	14.7	0.4	0.7
3) Clothing and footwear	3.5	-2.3	-1.5	-0.1	-0.1
4) Housing	21.9	2.8	3.6	0.6	0.8
Rents	15.6	2.5	2.7	0.4	0.5
Fuels and Lighting	4.8	2.7	8.5	0.1	0.4
5) Household Furnishings and Equipment	4.2	1.6	1.8	0.1	0.1
6) Health	2.2	8.7	5.9	0.2	0.1
7) Transportation	13.6	13.0	10.4	1.7	1.5
8) Communication	3.5	1.8	0.2	0.1	0.0
9) Culture and Recreation	2.3	8.1	2.2	0.2	0.1
10) Education	5.4	3.0	2.7	0.2	0.2
11) Restaurants and Hotels	1.8	0.2	7.2	0.0	0.1
12) Other Goods and Services	3.7	6.5	1.9	0.3	0.1

Source: Department of Statistics.

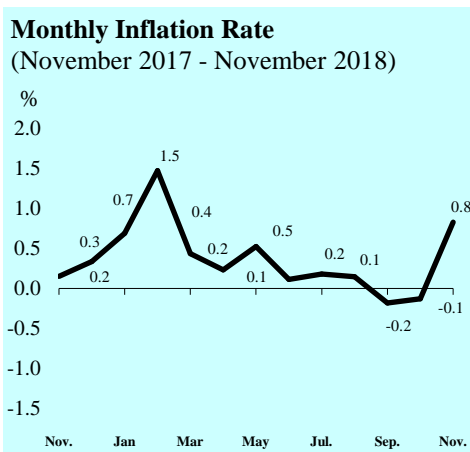
- “Tobacco and cigarettes” prices increased significantly by 14.8 percent compared to a rise of 8.0 percent during the first eleven months of 2017, as a result of the government's decision to raise the tax on cigarettes by 20 piasters for each pack of cigarettes offered for domestic consumption.
- Housing prices increased by 3.6 percent compared to a rise of 2.8 percent during the first eleven months of 2017. This increase was mainly attributed to an increase in the prices of rents item by 2.7 percent compared to a rise by 2.5 percent during the first eleven months of 2017 and increase in the prices of “fuels and lighting” item by 8.5 percent compared to an increase of 2.7 percent, due to the addition of the fuel price difference item to the electricity bill as of the beginning of this year.
- Transportation prices increased by 10.4 percent compared to an increase by 13.0 percent, during the first eleven months of 2017. This increase was attributed to the government’s decision to raise public transport fees by (10 percent) as of February 2018.

The above groups and items have collectively raised inflation rate during the first eleven months of 2018 by 3.9 percentage points, compared to a contribution of 2.5 percentage points during the same period of 2017.

In contrast, prices of other groups and items witnessed contractions, mainly; “vegetables and legumes dry and canned” (3.2 percent), “clothing”(1.7 percent).

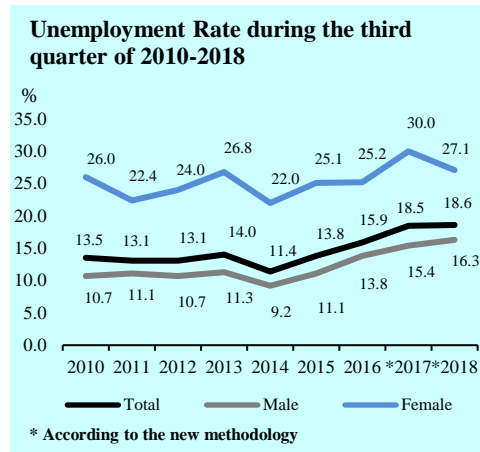
In November 2018, the CPI witnessed an increase compared to October 2018 by 0.8 percent. The increase was an outcome of the following:

- The increase of some groups and items; mainly, “meat and poultry” (2.6 percent), “oils and fats” (1.6 percent), “vegetables and legumes dry and canned” (14.4 percent),
- The decrease of some group and items, mainly; “fruits and nuts” (1.9 percent).



□ Labor Market

- The unemployment rate reached 18.6 percent (16.3 percent for males, and 27.1 percent for females) during the third quarter of 2018, compared to 18.5 percent (15.4 percent for males and 30.0 percent for females) during the same quarter of 2017.



- The unemployment among youth remains high at 46.9 percent for the categories of 15-19 years old and 37.7 percent for those between 20-24 years.
- The unemployment rate among academic degree holders (Bachelor and higher) reached 24.1 percent during the third quarter of 2018.
- The refined economic participation rate (the ratio of the labor force to the population of 15 years and over), was 36.8 percent (56.9 percent for males, and 15.8 percent for females), compared to 39.2 percent (60.7 percent for males and 17.1 percent for females) during the same quarter of 2017.
- The employment rate among population (15 years and older) reached 29.9 percent.

Third: Public Finance

□ Summary:

- The general budget, including foreign grants, recorded a fiscal deficit in the amount of JD 860.4 million (3.5 percent of GDP) in the first ten months of 2018, comparing to a fiscal deficit of JD 881.1 million (3.7 percent of GDP) during the same period in 2017. When excluding foreign grants (JD 263.3 million), the general budget deficit widens to reach JD 1,123.7 million (4.6 percent of GDP), compared to a deficit of JD 1,091.0 million (4.6 percent of GDP) during the same period in 2017.
- Gross outstanding domestic public debt (budgetary and own-budget) increased by JD 1,043.8 million at the end of October 2018, compared to its level at the end of 2017, to reach JD 16,445.9 million (54.8 percent of GDP).
- Outstanding external public debt (budget and guaranteed) went up by JD 175.2 million at the end of October 2018, compared to its level at the end of 2017, to stand at JD 12,042.4 million (40.2 percent of GDP).

- As a result, gross outstanding public debt (domestic and external) rose by JD 1,219.0 million to reach JD 28,488.3 million (94.9 percent of GDP) at the end of October 2018, compared to JD 27,269.3 million (94.3 percent of GDP) at the end of 2017.
- Central government banks deposits decreased by JD 441.8 million at the end of October 2018, compared to the end of 2017, to reach JD 1,391.7 million.
- Accordingly, net outstanding domestic public debt increased by JD 1,485.6 million to reach JD 15,054.2 million (50.2 percent of GDP) at the end of October 2018. Moreover, net outstanding public debt increased by JD 1,660.8 million to reach JD 27,096.6 million (90.4 percent of GDP).

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

■ **Public Revenues**

Public revenues (domestic revenues *plus* foreign grants) rise by JD 34.4 million, or 5.8 percent, in October 2018 compared to the same month in 2017, to stand at JD 623.7 million. As for the first ten months of 2018, public revenues went up by JD 224.1 million, or 3.9 percent, compared to the same period in 2017 to stand at JD 5,947.7 million. This came as a result of the increase in domestic revenues and foreign grants by JD 170.6 million, and JD 53.4 million, respectively.

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

(JD Million and Percentages)

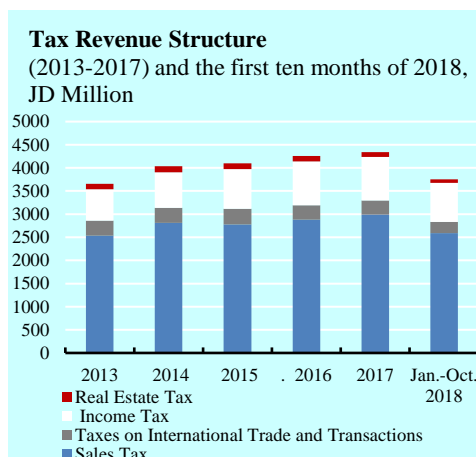
	October		Growth Rate	Jan. – Oct.		Growth Rate
	2017	2018		2017	2018	
Total Revenues and Grants	589.3	623.7	5.8	5,723.6	5,947.7	3.9
Domestic Revenues, of which:	544.2	559.9	2.9	5,513.7	5,684.3	3.1
Tax Revenues, of which:	327.4	350.6	7.1	3,661.9	3,755.1	2.5
General Sales Tax	258.1	284.6	10.3	2,461.1	2,590.3	5.2
Other Revenues	215.7	208.5	-3.3	1,842.2	1,920.5	4.3
Foreign Grants	45.1	63.8	41.5	209.9	263.3	25.4
Total Expenditures, of which:	743.9	699.7	-5.9	6,604.8	6,808.1	3.1
Capital Expenditures	98.5	66.3	-32.7	745.7	615.4	-17.5
Overall Deficit/ Surplus (Including Grants)	-154.6	-76.0	-	-881.1	-860.4	-
Overall Deficit/ Surplus (Including Grants) as a percent of GDP	-	-	-	-3.7	-3.5	-

Source: Ministry of Finance/ General Government Finance Bulletin.

◆ **Domestic Revenues**

Domestic revenues witnessed an increase of JD 170.6 million, or 3.1 percent, in the first ten months of 2018 compared to the same period of 2017, to reach JD 5,684.3 million. This increase was an outcome of the rise in the

proceeds of “tax revenues” and “other revenues” by JD 93.2 million and JD 78.3 million, respectively, and the drop in pension contributions by JD 0.9 million.

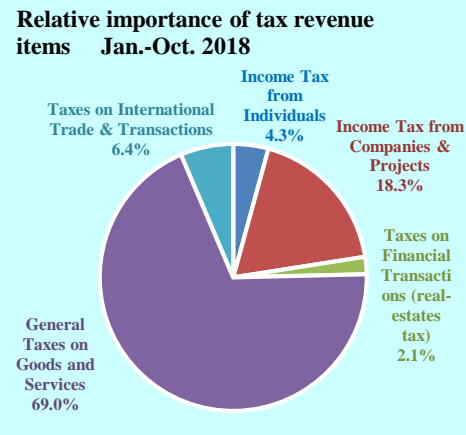


- **Tax Revenues**

Tax revenues increased by JD 93.2 million, or 2.5 percent, during the first ten months of 2018 compared to the same period of 2017, to reach JD 3,755.1 million (66.1 percent of domestic revenues). Following are the main developments in tax revenue items:

- An increase in the proceeds of **general sales tax on goods and services** by JD 129.2 million, or 5.2 percent, to reach JD 2,590.3 million (accounting for 69.0 percent of total tax revenues). This result was driven by the increase in the proceeds of sales tax on domestic goods by JD 81.0 million, on commercial sector by JD 54.5 million, and on services by JD 35.1 million. However, the proceeds of sales tax on imported goods were down by JD 41.4 million.
- A decline in the proceeds of **income and profit taxes** by JD 5.4 million, or 0.6 percent, to reach JD 846.0 million (accounting for 22.5 percent of total tax revenues). This decline was an outcome of the decrease in the proceeds of income tax from individuals by JD 5.6 million, or 3.4 percent, to reach JD 159.7 million, and the increase in the proceeds of “companies and projects” by JD 0.2 million, or 0.03 percent, income tax from companies and projects accounted for 81.1 percent of total proceeds of income and profits taxes, amounting to JD 686.3 million. It is worth mentioning that the net profits of public shareholding companies listed on the Amman Stock Exchange rose by 16.3 percent during the first three quarters of 2018 compared to the same period of 2017.

- A decrease in the proceeds of **taxes on international trade and transactions** (including customs duties and fees) by JD 18.9 million, or 7.3 percent, to reach JD 240.2 million.



- A decrease in the proceeds of **taxes on financial transactions (real-estates tax)** by JD 11.7 million, or 13.0 percent, to reach JD 78.6 million.

● Non-Tax Revenues

- “Other revenues” increased by JD 78.3 million, or 4.3 percent, in the first ten months of 2018 to reach JD 1,920.5 million. This increase was chiefly due to the following:
 - An increase in miscellaneous revenues by JD 113.1 million to stand at JD 937.6 million.
 - A decrease in revenues from selling goods and services by JD 10.2 million to reach JD 751.3 million.
 - A decrease in the property income by JD 24.7 million to stand at JD 231.5 million (of which financial surplus of independent government units amounted to JD 211.2 million against JD 227.0 million in the same period of 2017).
- Pension contributions witnessed a decrease of JD 0.9 million, in the first ten months of 2018 compared to same period of 2017, standing at JD 8.8 million.

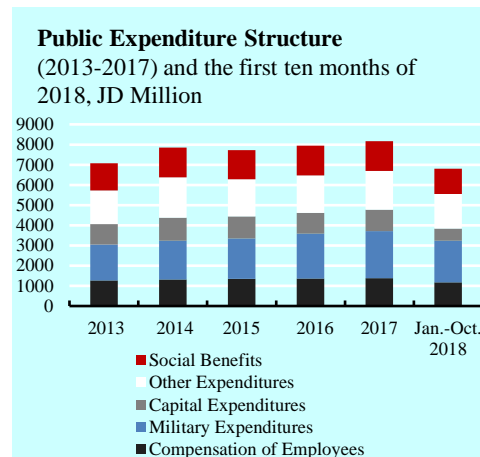
◆ Foreign Grants

Foreign grants increased by JD 53.4 million, or 25.4 percent, in the first ten months of 2018, standing at JD 263.3 million compared to JD 209.9 million in the same period of 2017.

■ Public Expenditures

Public expenditures decreased by JD 44.2 million, or 5.9 percent, in October 2018 compared to the same month in 2017, to stand at JD 699.7 million. However, public expenditures increased by JD 203.3 million, or 3.1 percent, during the first ten

months of 2018 to stand at JD 6,808.1 million. This increase was an outcome of the rise in current expenditures by 5.7 percent, and the decrease in capital expenditures by 17.5 percent.

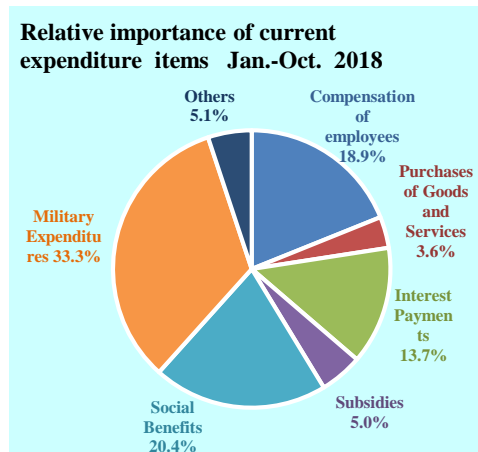


◆ Current Expenditures

Current expenditures went up by JD 333.6 million, or 5.7 percent, in the first ten months of 2018 to reach JD 6,192.7 million (91.0 percent of public expenditures). Because of the growth rate of current expenditure is higher than that of domestic revenues, the coverage ratio (measured by the ratio of domestic revenues to current expenditures) decreased to 91.8 percent, against 94.1 percent in the same period of 2017. The increase in current expenditures is due to the rise in most of its components, as follow:

- An increase in military expenditures by JD 141.6 million, to total JD 2,059.1 million.
- A rise in interest payments (commitment basis) by JD 128.0 million, to stand at JD 851.3 million.
- An increase in subsidies by JD 77.6 million, to stand at JD 309.6 million.
- An increase in pensions and compensation by JD 49.0 million, to stand at JD 1,103.4 million.

- A rise in the compensation of civil sector's employees (wages, salaries and social security contributions) by JD 17.4 million, to reach JD 1,170.9 million.



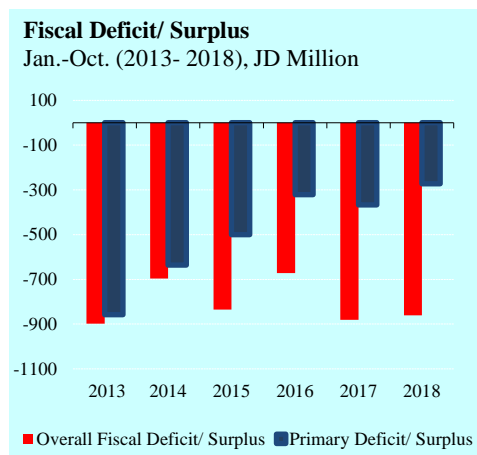
- However, the purchases of goods and services decreased by JD 50.7 million, to reach JD 225.8 million.

◆ **Capital Expenditures**

Capital expenditures decreased by JD 130.3 million, 17.5 percent, during the first ten months of 2018 compared to the same period of 2017, to reach JD 615.4 million.

■ General Budget Deficit/ Surplus

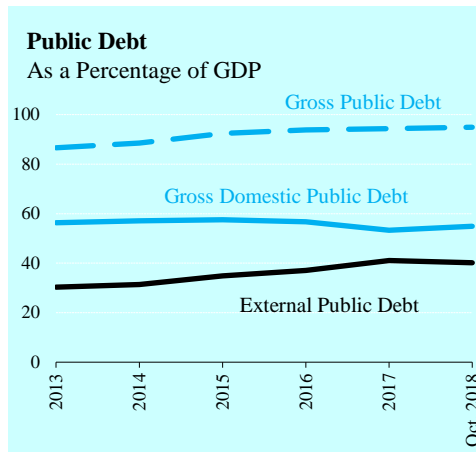
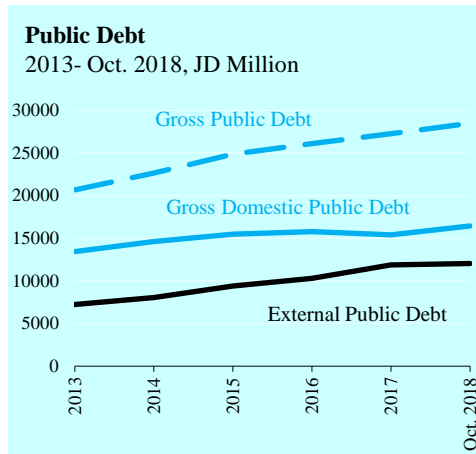
- ◆ The general budget, including foreign grants, registered an overall fiscal deficit of JD 860.4 million during the first ten months of 2018, a decrease of JD 20.7 million, compared to a fiscal deficit of JD 881.1 million during the same period of 2017. As a percent of GDP, the budget deficit reached 3.5 percent compared to 3.7 percent in the same period of 2017.
- ◆ When foreign grants are excluded, the general budget deficit widens to reach JD 1,123.7 million (4.6 percent of GDP) during the first ten months of 2018, compared to a fiscal deficit of JD 1,091.0 million (4.6 percent of GDP) in the same period of 2017.
- ◆ The general budget recorded a primary deficit (domestic revenues *minus* total public expenditures excluding interest payments on public debt) in the amount of JD 272.4 million (1.1 percent of GDP) during the first ten months of 2018, against a primary deficit of JD 367.7 million (1.5 percent of GDP) in the same period of 2017.
- ◆ When foreign grants are included, the general budget a primary deficit reached JD 9.1 million (0.04 percent of GDP), compared to a primary deficit of JD 157.9 million (0.7 percent of GDP) in the same period of 2017.



Public Debt

Gross outstanding domestic public debt increased by JD 1,043.8 million, at the end of October 2018 compared to its level at the end of 2017, to total JD 16,445.9 million (54.8 percent of GDP comparing to 53.3 percent of GDP at the end of last year). This increase was a result of the rise in the total domestic public debt of the general budget by JD 1,030.4 million, and the increase in the total domestic public debt of own-budget agencies by JD 13.3 million compared to their levels at the end of 2017, standing at JD 13,577.2 million and JD 2,868.6 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 October 2018 by JD 1,106.4 million, compared to the level achieved at the end of 2017 to reach JD 13,300.3 million. Whereas the outstanding balance of loans and advances provided by the CBJ to the central government decreased by JD 80.0 million, compared to the achieved at the end of 2017, to reach JD 271.7 million. Moreover, the rose in the



domestic public debt of own-budget agencies was driven by the increase in the loans and advances extended to these institutions by JD 60.3 million compared to their level at the end of 2017, to reach JD 2,258.1 million. whereas the independent institutions' bonds decrease by JD 47.0 million, compared to the achieved at the end of 2017, to reach JD 610.5 million.

- The balance of the external public debt (budget and guaranteed) went up by JD 175.2 million at the end of October 2018, compared to its level at the end of 2017, to reach JD 12,042.4 million (40.2 percent of GDP compared to 41.1 percent of GDP at the end of 2017). It is worth mentioning that the balance of the external public debt denominated in the U.S. dollar accounted for 72.3 percent of the total external debt, and the debt in Euro accounted for 8.0 percent. However, the SDR accounted for 6.2 percent, Japanese Yen (5.9 percent), and Kuwaiti Dinar (5.4 percent).
- In light of the above-mentioned developments, gross public debt (domestic and external) increased by JD 1,219.0 million at the end of October 2018, to stand at JD 28,488.3 million (94.9 percent of GDP), compared to JD 27,269.3 million (94.3 percent of GDP) at the end of 2017.
- On the other hand, government deposits with the banking system declined by JD 441.8 million at the end of October 2018, compared to the end of 2017, to reach JD 1,391.7 million.
- Thus, net domestic public debt of the central government (the total balance of the domestic public debt of the central government *minus* government deposits with the banking system) increased by JD 1,485.6 million at the end of October 2018 to reach JD 15,054.2 million (50.2 percent of GDP compared to 46.9 percent of GDP at the end of 2017). Whereas, net public debt increased by JD 1,660.8 million at the end of October 2018 to stand at JD 27,096.6 million, accounting for 90.4 percent of GDP compared to 88.0 percent of GDP at the end of 2017.

- External debt service (budget and guaranteed) increased by JD 52.6 million during the first ten months of 2018, compared to same period of 2017, to reach JD 1,035.6 million (including principal payments of JD 719.2 million and interest of JD 316.4 million).

□ Fiscal and Price Measures of 2019

◆ January

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

Development of Oil Derivatives Price

	Unit	2018	2019	Percentage Change
		December	January	
Unleaded Gasoline 90	Fils/Liter	750	695	-7.3
Unleaded Gasoline 95	Fils/Liter	965	905	-6.2
Unleaded Gasoline 98	Fils/Liter	1,115	1,055	-5.4
Gas Oil (Diesel)	Fils/Liter	605	560	-7.4
Kerosene	Fils/Liter	605	560	-7.4
Liquid Gas (12.5kg)	JD/Cylinder	7.0	7.0	0.0
Fuel oil (1%)	JD/Ton	446.5	386.3	-13.5
Fuel for airplanes (local companies)	Fils/Liter	465	415	-10.8
Fuel for airplanes (foreign companies)	Fils/Liter	470	420	-10.6
Fuel for unplanned flights	Fils/Liter	485	435	-10.3
Asphalt	JD/Ton	441.2	377.4	-14.5

Source: Jordan Petroleum Refinery Company (1/1/2019).

- The Energy and Minerals Regulatory Commission decided to reduce fuel price bands item, which is included in the electricity bill, to become 12 fils instead of 18 fils, starting in January 2019, while continuing to exempt families consuming less than 300 kilowatts per month.
- Cancel the exemptions on Electric car, to become subject to special tax 25 percent.
- The Cabinet decided to fix the price of "kerosene" for four months, starting from January 2019, and reduce it in the event of falling prices globally.
- In light of the decision of the Council of Ministers, which was taken in July 2018 rise the special tax on hybrid vehicles 5 point, to become 35 percent starting from 1/1/2019 to 31/12/2019.
- The Cabinet decided to slash the general sales tax on 61 commodities down to 4 per cent from 10 and 16 per cent. The list includes foodstuffs such as canned meat, fish, cheese, pasta, vegetables, fruit, table salt and tomato paste, in addition to pencils, among others, according to the statement.

□ **Fiscal and Price Measures of 2018**

◆ **December**

- The cabinet approved the income tax law for the year 2018, to be effective starting the first of January 2019.
- The Energy and Minerals Regulatory Commission decided to reduce fuel price bands item, which is included in the electricity bill, to become 18 fils instead of 22 fils, starting in December, while continuing to exempt families consuming less than 300 kilowatts per month.

◆ September

- The Cabinet amended the supplement of the General Sales Tax Law by exempting fresh food commodities (fruits and vegetables) from general sales tax, which was subject to sales tax of 10 percent, and reducing the sales tax rate to 4 percent instead of 10 percent on agricultural products. In addition, the Cabinet exempted agricultural production inputs from the general sales tax.
- The Cabinet approved a new version of the draft law that amends the Income Tax Law No. 34 of 2014 (the first version was withdrawn in June). The new version aims to reform tax system, stimulate economic growth; financial stability; development; job creation in the provinces, and realize social justice as well as equality in the distribution of tax burden, through increasing the progressivity of the tax rates, in addition to fighting tax evasion and assaulting on public money.
- The Energy and Minerals Regulatory Commission decided to reduce fuel price bands item, which is included in the electricity bill, to become 22 fils instead of 24 fils, starting in July, while continuing to exempt families consuming less than 300 kilowatts per month.

◆ July

- The cabinet decided to decrease the special tax on hybrid vehicles with 2500cc engines and less, as follows:
 - Reduce the special tax on hybrid vehicles, to become:
 - 30 percent starting from 1/7/2018 to 31/12/2018.
 - 35 percent starting from 1/1/2019 to 31/12/2019.
 - 40 percent starting from 1/1/2020 to 31/12/2020.
 - 45 percent starting from 1/1/2021 to 31/12/2021.

- Reduce the special tax of scrapping old fuel-run cars and exchanging them for hybrid vehicles, to become as follows:
 - 12.5 percent starting from 1/7/2018 to 31/12/2018.
 - 20 percent starting from 1/1/2019 to 31/12/2019.
 - 25 percent starting from 1/1/2020 to 31/12/2020.
 - 30 percent starting from 1/1/2021 to 31/12/2021.
- Amend the special tax imposed for each car ride imported by weight, as follows:
 - JD 350 for each car less than 1000 Kg.
 - JD 500 for each car higher than 1000 Kg to 1250 Kg.
 - JD 1000 for each car higher than 1250Kg to 1500Kg.
 - JD 1500 for each car higher than 1500Kg.
- The Energy and Minerals Regulatory Commission decided to adjust fuel price bands item, which is included in the electricity bill, to become 24 fils instead of 17 fils, starting in July, while continuing to exempt families consuming less than 300 kilowatts per month.
- The cabinet decided to implement the decision, which was taken in February 2017, on the Prime Minister and Ministers, starting from July 1, 2018, until the end of this year. The previous decision include the deduction of 10 percent of any monthly salaries exceeding JD 2,000 for all public sector employees.
- ◆ **June**
 - The cabinet decided to withdraw the draft law amending the income Tax Law No 34 for the year 2014. The decision comes in line with the Royal directives contained in the letter of Designation, which stressed the need for a comprehensive review of the tax system and the tax burden in an integrated manner.
 - Issuance of Royal Decree to freeze the price hikes on fuel derivatives and the charges on oil prices item in the electricity bill for month of June, and to maintain the prices as they were in May, in order to alleviate the economic burdens on citizens during the holy month of Ramadan.

◆ May

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

◆ April

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

◆ March

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

◆ February

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

◆ January

- The cabinet adopted a bundle of fiscal measures, including the following:
 - Determine the price of flour by JD 222 per ton, and prices of bread in bakeries, as follows:
 - JD 0.40 for small pita bread per kilogram.
 - JD 0.32 for large pita bread per kilogram.
 - JD 0.35 for arabic bread (Mashrouh) per kilogram.
 - Raise sales tax to become 10 percent on exempted sales and subordinated from sales tax (zero and 4 per cent). The taxes on essential commodities remained unchanged.
 - Impose an excise tax 20 piasters has been added on cigarette packets.
 - Cancel the exemption on hybrid cars, which the government began to apply in 2012, to become the special tax on hybrids 55 percent instead of 25 percent if the hybrid vehicle is purchased without removing an old vehicle. If an old vehicle is written off and replaced with a hybrid, the tax rate will be 40 percent instead of 12.5 percent.

- Impose fees for each car ride are imported by weight, as follows:
 - JD 500 for each car less than 1000 Kg.
 - JD 750 for each car higher than 1000 Kg to 1250 Kg.
 - JD 1000 for each car higher than 1250Kg to 1500Kg.
 - JD 1500 for each car higher than 1500Kg.
- Raising the special tax on gasoline 95 & 98 to become 30 percent.
- Raising the special tax on soft drinks to become 20 percent.
- decreasing fee for the ownership transfer of any vehicle from one person to another for both individuals and corporate (except public, agricultural and construction vehicles), as follows:

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

□ Grants, Loans and Other Agreements

◆ December

- Signing a grant agreement provided by the China in the amount of USD 11.5 million. to finance the supply of 10 sets of cargo and baggage X-ray scanners at the Jordanian border crossings.
- Signing a two soft loans agreements with the German Development Bank (KfW), in the amount of EUR 97 million, to finance two vital projects in the water sector.
- Signing an agreement with the Saudi Fund for Development (SFD) under which the latter would reschedule 19 loan repayments worth USD 114 million owed by the government over a period of 20 years, in addition to a 5-year grace period.

- Signing a grant agreement provided by the United States and Denmark in the amount of USD 14 million, to support the health sector to ease the financial strain on the Ministry of Health as a result of the influx of Syrian refugees into the Kingdom.
- Signing a grant agreement provided by the European union in the amount of EUR 6.5 million, to finance the project of developing Karamah border crossing with Iraq, aims at improving the security procedures and facilitating the movement of passengers and goods at the crossing.
- Signing a grant agreement provided by the European union in the amount of EUR 30.6 million, to build ten new schools in Jordan.

◆ November

- Signing a soft loans agreement provided by Japan government in the amount USD 300 million to three-year, of aimed at supporting economic stability, the business environment and job creation in the Kingdom.

◆ October

- Signing a soft loans agreement provided by German government in the amount of EUR 86 million, to support General Budget and Jordan's economic reforms, as a part of the minutes of the talks, including grants and soft loans in the amount of EUR 462.1 million, to finance development projects and grants to support Syrian refugees.
- Signing a grant agreement provided by the European Union in the amount of EUR 50 million, to support rule of law initiatives in Jordan.
- Signing agreements and memorandums of understanding between Jordan and the Kingdom of Saudi Arabia, United Arab Emirates, and Kuwait, as an outcome of the Mecca summit pledges held in

June 2018, to support Jordan to face its economic challenges resulting from the regional stability and its negative repercussions on the national economy, as well as maintain monetary stability. As follow by each country:

- **The Kingdom of Saudi Arabia**
 - A grant agreement in the amount USD 250 million for five years to finance development projects in the General Budget Law.
- **United Arab Emirates**
 - Submission of deposit in the Central Bank of Jordan worth USD 333.3 million.
 - A grant in the amount USD 250 million for five years to Support General Budget.
 - A development loan in the amount USD 50 million for development projects.
 - World Bank guarantees for Jordan to a maximum amount of USD 200 million.
- **Kuwait**
 - Submission of deposit in the Central Bank of Jordan worth USD 500 million on preferential terms.
 - A loan program in the amount USD 500 million for five years, of which USD 100 million yearly begin from 2019/2020, to finance development / capital projects in the General Budget.
 - Initial Rescheduling Agreement of Kuwait Fund debt on Jordan in the amount of USD 300.7 million. The agreement provides for the rescheduling of the Fund's debt on the Government of Jordan which was not settled by 31 Dec. 2018. The agreement concerns 17 loans with a total value of

KWD 91.1 million, which is approximately USD 300.7 million. The debt would be settled over 40 years with a grace period of 15 years at an interest rate of 1%.

◆ September

- Signing three financing agreements provided by the Garman government in the amount of EUR 115 million , to support the water and education sectors, of which by EUR 20 million within the new commitment Germany government for this year, and soft loan agreement in the amount of EUR 95 million under the Germany commitment in 2017.
- Signing a grant agreement provided by the Chinese government in the amount USD 31.5 million to finance the project of enlarging and rehabilitating the Sult- Ardah road.
- Signing a grant agreement provided by the U.S. Trade and Development Agency (USTDA) in the amount USD 900 thousand to develop the Smart City in Amman in cooperation with Greater Amman Municipality.

◆ March

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

Fourth: External Sector

□ Summary

- **Total merchandize exports** (domestic exports *plus* re-exports) increased by 1.7 percent in October 2018 compared to the same month of 2017 to reach JD 465.5 million. As for the first ten months of 2018, total merchandize exports increased by 3.7 percent compared with the same period of 2017 to reach JD 4,514.9 million.
- **Merchandize imports** decreased by 6.0 percent in October 2018 compared to the same month of 2017 to reach JD 1,240.5 million. As for the first ten months of 2018, merchandize imports decreased by 0.5 percent compared with the same period of 2017 to reach JD 11,865.3 million.
- **Consequently**, the trade balance deficit (total exports minus imports) decreased by 10.1 percent in October 2018 compared to the same month of 2017; standing at JD 775.0 million. As for the first ten months of 2018, the trade balance deficit decreased by 3.0 percent compared to the same period of 2017 to reach JD 7,350.4 million.
- **Travel receipts** increased by 17.7 percent in November 2018 compared to the same month of 2017 to reach JD 283.3 million. As for the first eleven months of 2018, travel receipts increased by 13.0 percent compared to the same period of 2017 to reach JD 3,454.9 million, while travel payments increased by 3.6 percent in November 2018 compared to the same month of 2017 to reach JD 61.1 million. As for the first eleven months of 2018, travel payment decreased by 0.5 percent compared to the same period of 2017 to reach JD 917.1 million.
- **Total workers' remittances receipts** decreased by 1.3 percent in November 2018 compared to the same month of 2017 to reach JD 203.7 million. As for the first eleven months of 2018, total workers' remittances receipts decreased by 1.4 percent compared to the same period of 2017 to reach JD 2,371.5 million.
- **The current account of the balance of payments** (including grants) registered a deficit amounted to JD 1,971.2 million (9.0 percent of GDP) during the first three quarters of 2018 compared to a deficit of JD 2,376.0 million (11.2 percent of GDP) during the same period of 2017. Meanwhile, the current account deficit excluding grants decreased to reach 10.2 percent of GDP during the first three quarters of 2018 compared with 12.3 percent of GDP during the same period of 2017.

- **Net direct investment** recorded an inflow of JD 538.9 million during the first three quarters of 2018, compared to JD 1,171.8 million during the same period of 2017.
- **International investment position (IIP)** displayed a net obligation to abroad of JD 31,654.0 million at the end of the third quarter of 2018, compared to JD 29,432.7 million at the end of 2017.

□ External Trade

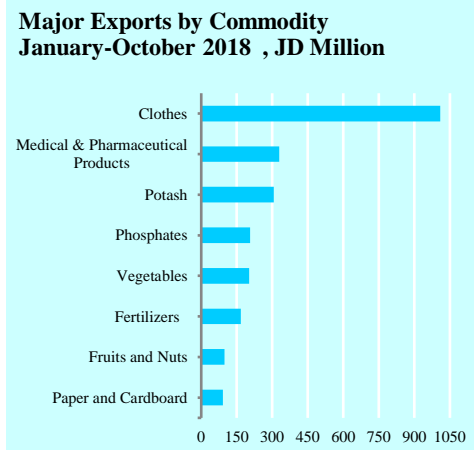
- As a result of the increase in domestic exports by JD 142.8 million and the decrease in imports by JD 65.5 million during the first ten months of 2018, the volume of external trade (domestic exports *plus* imports) increased by JD 77.3 million to stand at JD 15,683.9 million compared to the same period of 2017.

Jordan's Major Trading Partners JD Million				Main External Trade Indicators JD Million			
January- October				January- October			
	2017	2018	Percentage Change		2017	2018	Percentage Change
Exports							
USA	926.6	1,012.2	9.2	External Trade	15,606.6	15,683.9	0.5
Saudi Arabia	472.7	418.7	-11.4	Total Exports	4,353.9	4,514.9	3.7
India	314.1	389.1	23.9	Domestic Exports	3,675.8	3,818.6	3.9
Iraq	272.5	380.2	39.5	Re-exports	678.1	696.3	2.7
UAE	163.9	159.1	-2.9	Imports	11,930.8	11,865.3	-0.5
Kuwait	209.7	149.4	-28.8	Trade Balance	-7,576.9	-7,350.4	-3.0
Indonesia	82.1	82.3	0.2				
Imports							
Saudi Arabia	1,490.9	1,984.4	33.1				
China	1,681.0	1,640.5	-2.4				
USA	1,241.4	1,002.3	-19.3				
Germany	513.0	537.1	4.7				
UAE	582.7	513.3	-11.9				
Turkey	402.1	452.0	12.4				
Italy	499.2	379.5	-24.0				
Source: Department of Statistics.				Source: Department of Statistics.			

■ Merchandize Exports:

Total merchandize exports increased by 3.7 percent during the first ten months of 2018, to reach JD 4,514.9 million. This increase resulted from an increase in domestic exports by JD 142.8 million, or 3.9 percent to reach JD 3,818.6

million and an increase in re-exports by JD 18.2 million, or 2.7 percent to reach JD 696.3 million.



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

- Exports of **Clothes** increased by JD 104.4 million, or 11.5 percent, to stand at JD 1,009.3 million. The USA market accounted for 88.4 percent of these exports.
- Exports of **Fertilizers** increased by JD 68.2 million, or 69.2 percent, to reach JD 166.7 million. The markets of India, Turkey and Sudan accounted for 77.6 percent of these exports.
- Exports of **Potash** increased by JD 31.1 million, or 11.3 percent, to stand at JD 306.0 million. The markets of India, China, Egypt and Malaysia accounted for 64.2 percent of these exports.

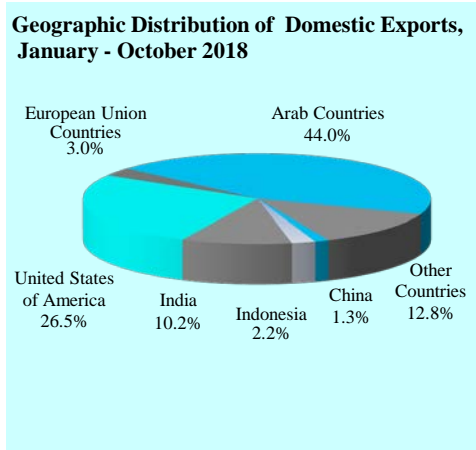
- Exports of **Vegetables** decreased by JD 36.4 million or 15.3 percent to stand at JD 201.7 million. Saudi Arabia, Kuwait and the UAE were the main destination markets for these export, accounting for 68.6 percent.
- Exports of **Phosphates** decreased by JD 17.6 million or 7.8 percent to reach JD 207.0 million, this decrease was an outcome of the decrease in quantities by 19.1 percent and the increase in prices by 14.0 percent. It is worth noting that India and Indonesia were the main markets for phosphate exports, accounting for 92.4 percent.
- Exports of **Medical & Pharmaceutical Products** decreased by JD 17.2 million, or 5.0 percent, to reach JD 329.5 million. Iraq, Saudi Arabia, Algeria and the UAE were the main destination markets; accounting for 58.8 percent of these exports.

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

	2017	2018	Percentage Change
Domestic Exports	3,675.8	3,818.6	3.9
Clothes	904.9	1,009.3	11.5
USA	805.4	891.9	10.7
Medical & Pharmaceutical Products	346.7	329.5	-5.0
Iraq	46.8	64.7	38.2
Saudi Arabia	89.5	63.8	-28.7
Algeria	38.2	37.9	-0.8
UAE	28.2	27.3	-3.2
Potash	274.9	306.0	11.3
India	79.5	83.8	5.4
China	74.0	43.1	-41.8
Egypt	25.9	36.2	39.8
Malaysia	21.6	33.5	55.1
Phosphates	224.6	207.0	-7.8
India	143.8	138.7	-3.5
Indonesia	54.7	52.5	-4.0
Vegetables	238.1	201.7	-15.3
Saudi Arabia	65.3	57.2	-12.4
Kuwait	45.8	45.8	0.0
UAE	46.0	35.4	-23.0
Fertilizers	98.5	166.7	69.2
India	23.6	82.7	250.4
Turkey	33.9	26.4	-22.1
Sudan	6.5	20.3	212.3
Fruits and Nuts	104.1	98.0	-5.9
Kuwait	33.7	29.3	-13.1
Saudi Arabia	28.4	26.5	-6.7
UAE	8.5	8.7	2.4
Paper and cardboard	93.0	91.4	-1.7
Saudi Arabia	43.7	33.1	-24.3
Iraq	19.3	24.6	27.5
Egypt	4.2	4.5	7.1

Source: Department of Statistics.

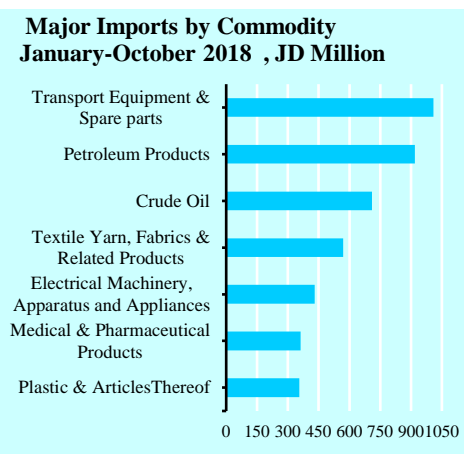
- Consequently, the commodity breakdown of domestic exports indicates that exports of clothes, “medical and pharmaceutical products”



potash, phosphates, vegetables, fertilizers, “Fruits and Nuts” and “paper and cardboard” topped the list of domestic exports during the first ten months of 2018; accounting for 63.1 percent, compared with 62.2 percent during the same period of 2017. Meanwhile, the geographical distribution of domestic exports indicates that the USA, Saudi Arabia, India, Iraq, the UAE, Kuwait and Indonesia were the main destination markets during the first ten months of 2018; accounting for 67.9 percent, compared with 66.4 percent during the same period of 2017.

■ **Merchandise Imports:**

Merchandise imports decreased by 0.5 percent to reach JD 11,865.3 million during the first ten months of 2018, compared to an increase by 5.9 percent during the same period of 2017.



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

- **Transport Equipment & Spare Parts** imports decreased by JD 282.6 million or 21.9 percent to reach JD 1,009.1 million. The USA, Germany and Japan were the main origin markets, accounting for 53.3 percent of these imports.
- **Electrical Machinery, Apparatus and Appliances** imports decreased by JD 12.0 million or 2.7 percent to reach JD 431.1 million. China, Turkey and Italy were the main origin markets accounting for 58.3 percent of these imports.
- **Petroleum Products** import increased by JD 444.4 million or 93.8 percent to reach JD 918.1 million. Saudi Arabia, the UAE and Latvia were the main markets, accounting for 76.3 percent of these imports.

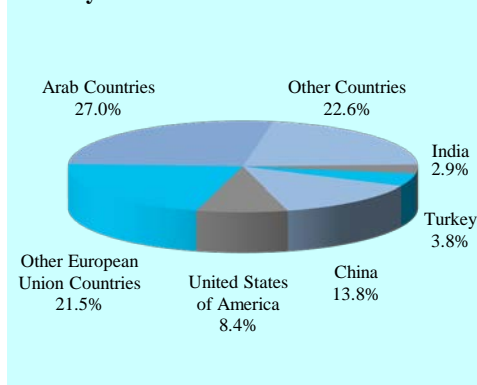
- **Crude Oil** imports increased by JD 62.1 million, or 9.6 percent, to reach JD 709.3 million. This increase was mainly outcome from a decrease in imported quantities by 22.0 percent and an increase in prices by 40.5 percent. Noting that crude oil imports came from Saudi Arabia.
- **Medical & Pharmaceutical Products** imports increased by JD 20.6 million or 6.0 percent to stand at JD 361.7 million. Germany, the USA and France were the main markets, accounting for 34.2 percent of these imports.
- **Plastic & Articles thereof** imports increased by JD 20.2 million or 6.0 percent to reach JD 356.4 million. Saudi Arabia, China and the UAE were the main origin markets accounting for 69.8 percent of these imports.

Major Imports by Commodity, JD Million			
January- October 2017-2018			
	2017	2018	Percentage Change
Total Imports	11,930.8	11,865.3	-0.5
Transport Equipment & Spare Parts	1,291.7	1,009.1	-21.9
USA	297.3	231.6	-22.1
Germany	154.2	156.9	1.8
Japan	235.5	149.6	-36.5
Petroleum Products	473.7	918.1	93.8
Saudi Arabia	113.8	403.4	254.5
UAE	66.8	158.6	137.4
Latvia	0.0	138.8	-
Crude Oil	647.2	709.3	9.6
Saudi Arabia	647.2	709.3	9.6
Textile Yarn, Fabrics and Related Products	559.2	568.8	1.7
China	211.9	249.1	17.6
Taiwan	173.5	142.5	-17.9
Turkey	55.2	52.5	-4.9
Electrical Machinery Apparatus and Appliances	443.1	431.1	-2.7
China	195.4	175.8	-10.0
Turkey	39.6	48.8	23.2
Italy	31.5	26.7	-15.2
Medical & Pharmaceutical Products	341.1	361.7	6.0
Germany	46.9	49.9	6.4
USA	38.9	41.9	7.7
France	38.9	32.0	-17.7
Plastic &Articles thereof	336.2	356.4	6.0
Saudi Arabia	175.4	194.3	10.8
China	21.1	30.1	42.7
UAE	25.1	24.5	-2.4

Source: Department of Statistics.

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

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



products”, “electrical machinery apparatus and appliances”, “medical and pharmaceutical products” and “Plastic Articles thereof”, topped the list of imports during the first ten months of 2018, accounting for 36.7 percent; compared to 34.3 percent during the same period of 2017. Meanwhile, the geographical distribution of imports indicates that Saudi Arabia, China, the USA, Germany, the UAE, Turkey, and Italy were the main source markets during the first ten months of 2018; accounting for 54.9 percent of imports, compared to 53.7 percent during the same period of 2017.

■ Re-Exports

The value of re-exported goods in October 2018 decreased by JD 15.2 million, or 19.6 percent, compared to the same month of 2017, to stand at JD 62.5 million. As for the first ten months of 2018, the value of re-exported goods increased by JD 18.2 million, or 2.7 percent compared to the same period of 2017 to reach JD 696.3 million.

■ Trade Balance

The trade balance deficit decreased by JD 87.2 million, or 10.1 percent in October 2018 compared to the same month of 2017, to reach JD 775.0 million. As for the first ten months of 2018, trade balance deficit decreased by JD 226.5 million, or 3.0 percent, to register JD 7,350.4 million, compared to the same period of 2017.

□ Total Workers' Remittances Receipts

■ Total workers' remittances receipts decreased by 1.3 percent in November 2018 compared to the same month of 2017, to register JD 203.7 million. As for the first eleven months of 2018, total workers' remittances receipts decreased by 1.4 percent compared to the same period of 2017 to reach JD 2,371.5 million.

□ Travel

■ Receipts

Travel receipts increased by JD 42.7 million, or 17.7 percent, in November 2018 compared to the same month of 2017, to register JD 283.3 million. As for the first eleven months of 2018, travel receipts increased by 13.0 percent compared to the same period of 2017 to reach JD 3,454.9 million.

■ Payments

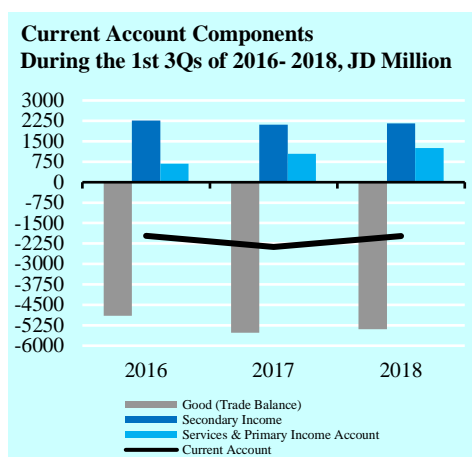
Travel payments increased by JD 2.1 million, or 3.6 percent, in November 2018 compared to the same month of 2017, to stand at JD 61.1 million. As for the first eleven months of 2018, travel payment decreased by 0.5 percent compared to the same period of 2017 to reach JD 917.1 million.

□ Balance of Payments

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

■ The current account recorded a deficit of JD 1,971.2 million (9.0 percent of GDP) compared to a deficit of JD 2,376.0 million (11.2 percent of GDP) during the first three quarters 2017. Meanwhile, the current account deficit excluding grants decreased to reach JD 2,249.4 million (10.2 percent of GDP) during the first three quarters of 2018 compared to JD 2,617.3 million (12.3 percent of GDP) during the first three quarters 2017. This was an outcome of the following developments:

- ◆ A decrease in the trade balance deficit during the first three quarters 2018 by JD 131.6 million, or 2.4 percent, to reach JD 5,394.0 million compared to JD 5,525.6 million during the same period of 2017.



- ◆ An increase in the services account surplus compared to the first three quarters of 2017 by JD 198.8 million, to reach JD 1,325.0 million.
- ◆ A decrease in the primary income account deficit by JD 20.6 million, to reach JD 65.0 million during the first three quarters of 2018 compared to a deficit of JD 85.6 million during the same period of 2017. This was mainly due to a decrease in deficit of the investment income (net) by JD 26.7 million, and a decrease in the surplus of “compensation of employees (net)” by JD 6.1 million.
- ◆ An increase in the secondary income surplus by JD 53.8 million to reach JD 2,162.8 million compared to JD 2,109.0 million during the first three quarters of 2017, this was outcome of the increase in net transfers of the public sector (foreign grants) by JD 36.9 million to reach JD 278.2 million, and the increase in the net surplus transfers of other sectors by JD 16.9 million to reach JD 1,884.6 million.

- As for the capital and financial account, the capital account registered a net inflow of JD 41.3 million during the first three quarters 2018 compared to a net inflow of JD 18.0 million during the first three quarters 2017. Meanwhile, the financial account registered a net inflow of JD 2,433.3 million during the first three quarters 2018 compared to a net inflow of JD 2,448.0 million during the same period of 2017, this can be attributed to the following:
 - ◆ Direct investment recorded a net inflow of JD 538.9 million compared to a net inflow of JD 1,171.8 million during the same period of 2017.
 - ◆ Portfolio investment recorded a net outflow of JD 77.7 million compared to a net inflow of JD 30.4 million during the same period of 2017.
 - ◆ Other investment registered a net inflow of JD 699.0 million compared to a net outflow of JD 7.2 million during the same period of 2017.
 - ◆ A decrease in the reserve assets of the CBJ by JD 1,273.1 million, compared to a decrease of JD 1,253.0 million during the same period of 2017.

□ International Investment Position (IIP)

The IIP, which represents the Kingdom's net position (stock) of external financial assets and liabilities, displayed an obligation to abroad of JD 31,654.0 million at the end of the third quarter of 2018 compared to JD 29,432.7 million at the end of 2017. This was due to the following developments:

- A decrease in the position of external assets (the stock of claims, obligations and financial assets) for all economic sectors (residing) in the Kingdom by JD 1,658.6 million at the end of the third quarter of 2018 to reach JD 17,036.4 million. This was mainly due to the decrease in the CBJ's reserve assets by JD 1,401.8 million and decrease in the currency and deposits of the banking sector abroad by JD 303.3 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 562.7 million at the end of the third quarter of 2018, to reach JD 48,690.4 million, this was due to the following developments:
 - ◆ An increase in the stock of direct investment in the kingdom by JD 523.7 million to stand at JD 24,841.5 million.
 - ◆ An increase in the deposits of non-residents at the banking sector by JD 365.1 million to stand at JD 7,938.2 million (increase by JD 294.5 million for the CBJ and increase by 70.6 for the licensed banks).
 - ◆ An increase of government long term loans by JD 134.6 million to stand at JD 4,363.5 million.
 - ◆ A decrease in the stock of portfolio investment in the kingdom by JD 351.8 million to stand at JD 7,858.0 million.
 - ◆ A decrease in the balance of the international monetary fund credit facilities by JD 257.4 million to reach JD 643.9 million.
 - ◆ A decrease in the short term trade credits which given to residents in the kingdom by 47.6 to stand of 785.1.