



Central Bank of Jordan

Recent Monetary & Economic Developments in Jordan

**Research Dept / Monthly Report
June, 2017**

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 quarter of 2017, real GDP at market prices, grew by 2.2 percent, against 2.3 percent during the same quarter of 2016. The Consumer Price Index increased during the first five months of 2017 by 3.7 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\$ 13,277.3 million at the end of May 2017. This level of reserves covers around 7.5 months of the kingdom's imports of goods and services.
- Domestic liquidity amounted to JD 32,258.3 million at the end of May 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 23,768.5 million at the end of May 2017, compared to JD 22,905.8 at the end of 2016.
- Total deposits at licensed banks amounted to JD 32,481.5 million at the end of May 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 2,175.2 points at the end of May 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 146.6 million (1.7 percent of GDP) during the first four months of 2017 compared to a fiscal deficit in the amount of JD 22.0 million (0.3 percent of GDP) during the same period in 2016. Gross outstanding domestic public debt (budgetary and own-budget) decreased by JD 120.1 million at the end of April 2017 compared to its level at the end of 2016, standing at JD 15,673.6 million (56.2 percent of GDP). Outstanding external public debt (budget and guaranteed) increased by JD 275.8 million at the end of April 2017 compared to its level at the end of 2016 to reach JD 10,574.8 million (37.9 percent of GDP). Accordingly, gross public debt (domestic and external) stood at 94.1 percent of GDP at the end of April 2017 compared to 95.1 percent of GDP at the end of 2016.
- **External Sector:** Total merchandize exports (domestic exports *plus* re-exports) increased by 4.4 percent in the first four months of 2017 to reach JD 1,621.7 million. Meanwhile, merchandize imports increased by 3.1 percent to reach JD 4,701.8 million. As a result, the trade balance deficit increased by 2.4 percent compared to the same period in 2016, to reach JD 3,080.1 million. The preliminary data for the first five months of 2017 showed an increase in travel receipts and travel payments by 15.4 percent and 7.4 percent respectively, compared to the same period of 2016. Moreover, total workers' remittances receipts increased by 1.2 percent during the first five months of 2017 compared to the same period in 2016. The preliminary data for the balance of payments of the first quarter of 2017 displayed a decrease in the current account deficit to reach JD 788.2 million (12.1 percent of GDP) down from JD 1,026.5 million (16.4 percent of GDP) during the first quarter of 2016. Meanwhile, the current account deficit excluding grants decreased to reach 13.5 percent of GDP compared with 18.1 percent of GDP during the first quarter of 2016. Moreover, net direct investment recorded an inflow of JD 338.7 million during the first quarter of 2017 compared to a net inflow of JD 372.2 million during the same period in 2016. Furthermore, the international investment position (IIP) registered a net obligation to abroad in an amount of JD 27,732.7 million at end of the first quarter of 2017 up from JD 26,763.7 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\$ 13,277.3 million at the end of May 2017. This level of reserves covers around 7.5 months of the kingdom's imports of goods and services.
- Domestic liquidity amounted to JD 32,258.3 million at the end of May 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 23,768.5 million at the end of May 2017, compared to JD 22,905.8 million at the end of 2016.
- Total deposits at licensed banks amounted to JD 32,481.5 million at the end of May 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 had increased, except the interest rate on the discounted bills and bonds. While the interest rates on all types of deposits held by the licensed banks had decreased, except the interest rate on the time deposits, at the end of May 2017, compared to their levels at the end of 2016.

- The Share Price Index (SPI) weighted by market capitalization of free float shares at Amman Stock Exchange (ASE) reached 2,175.2 points at the end of the first five months of 2017, compared to 2,170.3 points at the end of 2016. Moreover, the market capitalization reached JD 17,404.7 million at the end of the first five months of 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

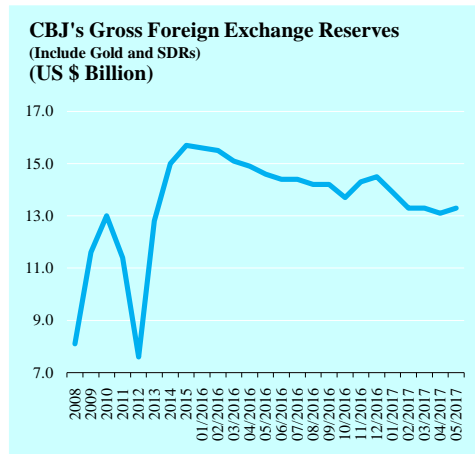
2016		End of May	
		2016	2017
US\$ 14,499.9	CBJ's Foreign Reserves*	US\$ 14,648.2	US\$ 13,277.3
-7.6%		-6.7%	-8.4%
32,876.2	Money Supply (M2)	31,996.9	32,258.3
4.0%		1.2%	-1.9%
22,905.8	Credit Facilities, of which:	21,881.2	23,768.5
8.5%		3.7%	3.8%
19,901.4	Private Sector (Resident)	18,873.2	20,714.2
10.0%		4.3%	4.1%
32,900.0	Total Deposits, of which:	32,849.5	32,481.5
0.9%		0.8%	-1.3%
25,968.2	In JD	26,183.7	25,262.1
-0.2%		0.7%	-2.7%
6,931.8	In Foreign Currencies	6,665.8	7,219.4
5.3%		1.2%	4.1%
26,952.9	Deposits of Private Sector (Resident), of which:	25,927.3	26,197.3
4.5%		0.5%	-2.8%
21,572.9	In JD	21,222.2	20,842.1
1.9%		0.3%	-3.4%
5,380.0	In Foreign Currencies	4,705.1	5,355.2
16.0%		1.5%	-0.5%

* 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\$ 13,277.3 million at the end of the first five months of 2017. This level of reserves covers around 7.5 months of the kingdom's imports of goods and services.



□ Domestic Liquidity (M2)

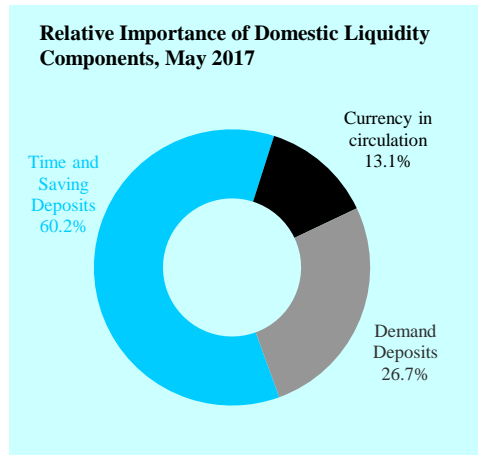
- Domestic liquidity amounted to JD 32.3 billion at the end of May 2017, compared to JD 32.9 billion at the end of 2016.

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

- **Components of Domestic Liquidity**

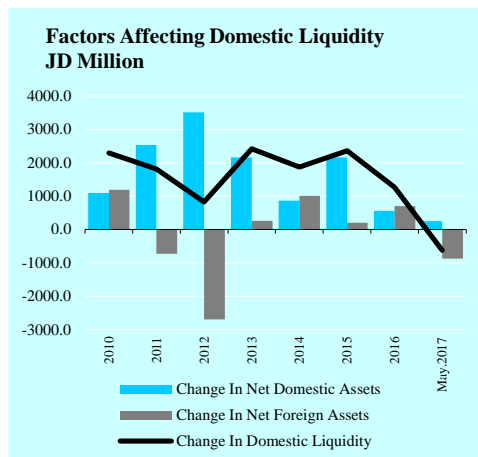
- Total deposits within the liquidity concept amounted to JD 28.0 billion at the end of May 2017, compared to JD 27.9 billion at the end of May 2016, and JD 28.7 billion at the end of 2016.

- Currency in circulation amounted to JD 4.2 billion at the end of May 2017, compared to JD 4.1 billion at the end of May 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 24.3 billion at the end of May 2017, compared



to JD 24.4 billion at the end of May 2016, and JD 24.0 billion at the end of 2016.

- Net foreign assets of the banking system amounted to JD 8.0 billion at the end of May 2017, compared to JD 7.6 billion at the end May 2016, and JD 8.8 billion at the end of 2016. The net foreign assets at the CBJ amounted to JD 9.2 billion at the end of May 2017.

Factors Affecting Domestic Liquidity (M2) JD Million

		End of May	
2016		2016	2017
8,845.4	Foreign Assets (Net)	7,560.3	7,972.5
9,831.5	CBJ	9,639.5	9,215.6
-986.1	Licensed Banks	-2,079.2	-1,243.1
24,030.8	Domestic Assets (Net)	24,436.6	24,285.8
-5,194.1	CBJ, of which:	-5,113.4	-4,514.6
1,043.1	Claims on Public Sector (Net)	1,590.5	954.5
-6,260.1	Other Items (Net*)	-6,726.9	-5,492.3
29,225.0	Licensed Banks	29,550.0	28,800.4
9,955.9	Claims on Public Sector (Net)	10,381.5	10,007.1
20,567.4	Claims on Private Sector	19,544.2	21,544.2
-1,298.3	Other Items (Net)	-375.7	-2,750.9
32,876.2	Money Supply (M2)	31,996.9	32,258.3
4,181.3	Currency in Circulation	4,073.6	4,233.3
28,694.9	Total Deposits, of which:	27,923.3	28,025.0
5,418.9	In Foreign Currencies	4,771.8	5,404.0

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

□ Interest Rate Structure

■ Interest Rates on Monetary Policy Instruments

◆ On June 18th, 2017, the CBJ increased the interest rates on the CBJ main rate and other key monetary policy instruments by 25 basis points, to become 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 margin on CDs was brought up from 3.25 – 3.50 percent to be 3.50 – 3.75 percent.
- ◆ This decision aims to maintain the objective of achieving monetary stability in the kingdom, and in light of rising interest rates in the global and regional financial markets.

■ Interest Rates in the Banking Sector

◆ Interest Rates on Deposits

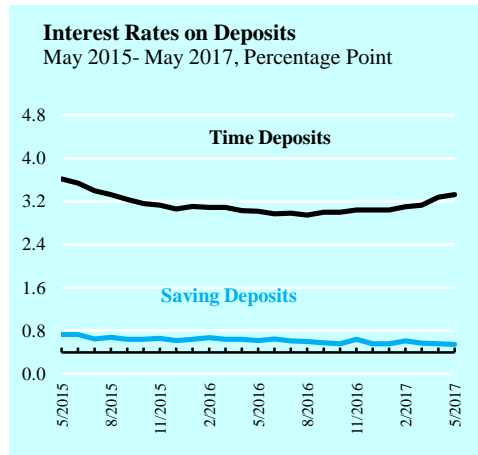
- Time Deposits: The weighted average interest rate on time deposits increased by 5 basis points at the end of May 2017, compared to its level in the previous month, to stand at 3.33 percent. This rate is higher by 29 basis points than its level at the end of 2016.

Interest Rates on Monetary Policy Instruments, percentage points

2016		May	
		2016	2017
3.75	Re-discount Rate	3.75	4.50
3.50	Repurchase Agreements Rate (overnight)	3.50	4.25
1.75	Overnight Deposit Window Rate	1.50	2.50
2.75	Repurchase Agreements rate (one week)	2.50	3.50
2.75	Repurchase Agreements rate (one month)	2.50	3.50
2.50	Certificates of Deposits (one week)	2.25	3.25

Source: Central Bank of Jordan / Monthly Statistical Bulletin.

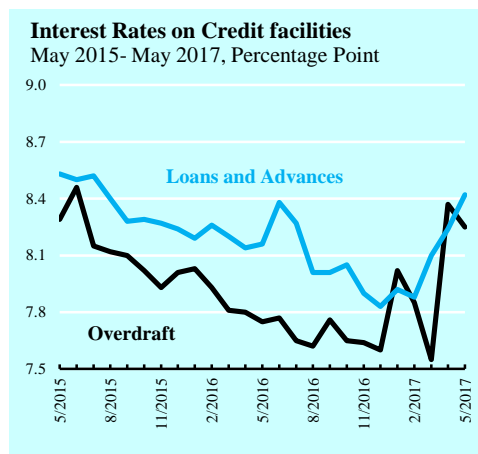
- **Saving Deposits:** The weighted average interest rate on saving deposits decreased by one basis point at the end of May 2017, compared to its level registered in the previous month, to stand at 0.55 percent. This rate is lower by one basis point than its level at the end of 2016.



- **Demand Deposits:** The weighted average interest rate on demand deposits decreased by two basis points at the end of May 2017, compared to its level registered in the previous month, to stand at 0.21 percent. This rate is lower by 5 basis points than its level registered at the end of 2016.

◆ **Interest Rates on Credit Facilities**

- **Overdraft Accounts:** The weighted average interest rate on overdraft accounts decreased by 12 basis points at May 2017 compared to its level in the previous month, to stand at 8.25 percent. This rate is higher by 65 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” increased by 30 basis points at the end of May 2017, compared to its level in the previous month, to stand at 9.47 percent. This rate is lower by 95 basis points than its level at the end of 2016.

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

	May		Change Relative to the Preceding Year Basis Points
	2016	2017	
Deposits			
0.26 Demand	0.28	0.21	-5
0.56 Saving	0.62	0.55	-1
3.04 Time	3.02	3.33	29
Credit Facilities			
10.42 Discounted Bills and Bonds	10.27	9.47	-95
7.83 Loans and Advances	8.16	8.42	59
7.60 Overdraft	7.75	8.25	65
8.37 Prime Lending Rate	8.39	8.59	22

Source: Central Bank of Jordan / Monthly Statistical Bulletin.

- Loans and Advances: The weighted average interest rate on “loans and advances” increased by 18 basis points at the end of May 2017, compared to its level registered in the previous month, to stand at 8.24 percent. This rate is higher by 59 basis points than its level registered at the end of 2016.
- The prime lending rate stood at 8.59 percent at the end of May 2017. This rate is the same level registered at the previous month, and higher by 22 basis points than its level registered at the end of 2016 .
- As a result, the interest rate margin, which is the difference between interest rates on loans and advances and those on time deposits, reached 509 basis points at the end of May 2017, which is higher by 30 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 862.7 million, or 3.8 percent, at the end of May 2017, compared to its level at the end of 2016, against an increase of JD 777.7 million, or 3.7 percent, during the same period in 2016.
- In terms of borrowers, the credit facilities at the end of May 2017 had shown an increase in credit extended to the private sector (resident) by 812.8 million, or 4.1 percent, the central government by JD 47.2 million, or 2.2 percent, and the credit facilities extended to public institutions by JD 1.3 million, or 0.4 percent, compared to their levels at the end of 2016.

□ Deposits at Licensed Banks

- Total deposits at licensed banks stood at JD 32,481.5 million at the end of May 2017, decreasing by JD 418.5 million, or 1.3 percent, compared to its level at the end of 2016, against an increase of JD 251.0 million, or 0.8 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 May 2017 revealed that the JD deposits amounted to JD 25.3 billion, and the deposit in foreign currency amounted to JD 7.2 billion, compared to JD 26.2 billion of JD deposits and JD 6.7 billion of deposits in foreign currency at the end of May 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 the first five months of 2017 compared to 2016. This can be demonstrated as follows:

■ **Trading Volume**

Trading volume at ASE totaled JD 162.3 million at the end of May 2017; down by JD 41.6 million, or 20.4 percent, compared to its level in the previous month, against an increase of JD 5.7 million, or 3.2 percent, during the same month in 2016. As for the first five months of 2017, the trading volume increased by JD 977.6 million, compared to the same period in 2016, to reach JD 2,034.6 million, this increase in trading volume was mainly due to Arab Bank deal.

■ **Traded Shares**

The number of traded shares in May 2017 totaled 137.7 million shares, decreased by 20.4 million shares, or 12.9 percent, compared to its level in the previous month, against a decrease by 15 million shares, or 9.4 percent, during the same month in 2016. As for the first five months of 2017, the number of traded shares amounted to 958.7 million shares, compared to 949.4 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 10.1 points, or 0.5 percent, at the end of May 2017, compared to its

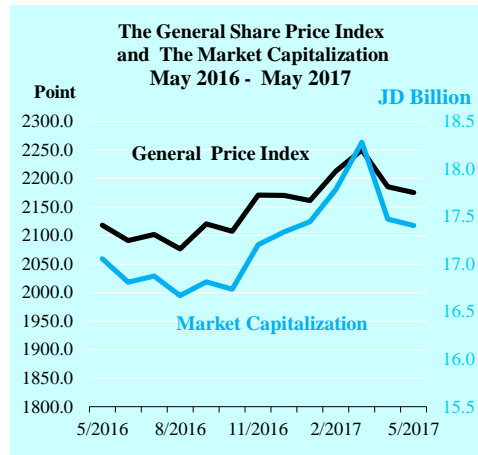
		May	
2016		2016	2017
2,170.3	General Index	2,118.4	2,175.2
2,933.2	Financial Sector	2,845.7	2,942.1
2,093.0	Industrial Sector	2,024.4	2,172.3
1,604.7	Services Sector	1,606.2	1,546.8

Source: Amman Stock Exchange.

level in the previous month to stand at 2,175.2 points, against an increase of 23.7 points, or 1.1 percent, during the same month in 2016. Furthermore, by the end of the first five months in 2017, the SPI increased by 5 points, or 0.2 percent, against a decrease of 17.9 points, or 0.8 percent, during the same period in 2016. The aforementioned increase was an outcome of the increase in the SPI of the Industrial sector by 79.3 points, or 3.8 percent, and the financial sector by 8.9 points, or 0.3 percent, and the decreased in SPI for the services sector by 57.9 points, or 3.6 percent, compared to their levels at the end of 2016.

■ **Market Capitalization**

The ASE's market capitalization totaled JD 17.4 billion at the end of May 2017, decreasing by JD 67.1 million, or 0.4 percent, compared to its level in the previous month, against an



increase of JD 227.7 million, or 1.4 percent, during the same month in 2016. As for the first five months of 2017, the market capitalization increased by JD 65.3 million, or 0.4 percent, compared to a decrease of JD 929 million or 5.2 percent, during the same period in 2016.

■ Non - Jordanian Net Investment

Non-Jordanian net investment at ASE recorded an outflow amounting to JD 8.0 million in May 2017, compared to an inflow of JD 14.9 million during the same month in 2016. The value of shares acquired by non-Jordanian in May 2017 amounted to JD 24.3 million, while their selling amounted to JD 32.3 million. As for the first five months of 2017, non-

Jordanian net investment recorded an outflow amounted JD 406.6 million, compared to an inflow of JD 144.5 million, during the same period in 2016.

Main Amman Stock Exchange Trading Indicators, JD Million

		May	
2016		2016	2017
2,329.5	Value Traded	183.3	162.3
9.5	Average Daily Trading	8.7	7.4
17,339.4	Market Capitalization	17,055.7	17,404.7
1,836.7	No. of Traded Shares (million)	144.7	137.7
237.1	Net Investment of Non-Jordanian	14.9	-8.0
666.5	Non-Jordanian Buying	42.1	24.3
429.4	Non-Jordanian Selling	27.1	32.3

Source: Amman Stock Exchange.

Second: Output, Prices and Employment

□ Summary

- Gross Domestic Product (GDP), at constant market prices, grew by 2.2 percent during the first quarter of 2017, against 2.3 percent during the same quarter of 2016. At current market prices, GDP grew by 3.9 percent during the first quarter of 2017, compared to 3.8 percent during the same quarter of 2016.
- The Consumer Price Index (CPI) increased during the first five months of 2017 by 3.7 percent, against a contraction of 1.2 percent during the same period of 2016.
- The unemployment rate during the first quarter of 2017 amounted of 18.2 percent (13.9 percent for males and 33.0 percent for females), The highest unemployment rate among youth reached 39.5 percent for the categories of 15-19 years old, and 35.4 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 influenced the performance of many economic sectors; the real GDP grew by 2.2 percent during the first quarter of 2017 compared to 2.3 percent during the same quarter of 2016. When excluding “net taxes on products”, which grew by 1.2 percent, GDP at constant basic prices grew by 2.3 percent during the first quarter of 2017, compared to 2.5 percent during the same quarter 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	-	-	-	-
GDP at Current Market Prices	3.9	-	-	-	-

Source: Department of Statistics.

At current market prices, GDP grew by 3.9 percent during the first quarter of 2017, compared to 3.8 percent during the same quarter 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 1.7 percent compared to 1.4 percent during the first quarter of 2017.

The main sectors contributed to the economic growth during the first quarter of 2017 were; “finance and insurance services” (0.5 percentage point), agriculture (0.3 percentage point), manufacturing (0.2 percentage point), “mining and quarrying” (0.2 percentage point), and “community social and personal services” (0.2 percentage point). These sectors collectively accounted for 64 percent of real GDP growth during the first quarter of 2017.

The economic sectors displayed a wide variation in their performance during the first quarter of 2017. Some sectors recorded accelerated growth, such as “mining and quarrying”, agriculture, “wholesale, and retail trade” and “community social and personal services”. Meanwhile, “electricity and water”, “transport, storage and communications” and “finance and insurance services” experienced slowdown. On the other hand, “construction” sector showed contraction in its performance.



Gross Domestic Product At Constant Market Prices, Percentages

Sectors	Relative change First quarter		Contribution First quarter	
	2016	2017	2016	2017
GDP At Constant Market Prices	2.3	2.2	2.3	2.2
Agriculture, Hunting, Forestry, And Fishing	6.4	8.2	0.2	0.3
Mining And Quarrying	-8.4	14.7	-0.1	0.2
Manufacturing	0.9	1.3	0.1	0.2
Electricity And Water	16.4	4.3	0.3	0.1
Construction	2.6	-1.5	0.1	-0.1
Wholesale And Retail Trade	1.7	1.9	0.2	0.2
Restaurant And Hotels	0.7	1.6	-	-
Transport, Storage & Communications	3.0	1.5	0.5	0.2
Finance And Insurance Services	5.1	4.3	0.5	0.5
Real Estate	2.2	2.2	0.2	0.2
Community, Social And Personal Services	3.1	3.9	0.1	0.2
Producers Of Government Services	1.3	1.1	0.2	0.1
Producers Of Private Non-Profit Services To	4.0	4.3	-	-
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” (31.6 percent), “licensed areas for buildings” (13.9 percent), and “number of departures” (9.0 percent). However, other indicators showed a contraction, particularly; cargo through Royal Jordanian (5.5 percent) and value traded at the real estate market (6.7 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	-1.7	January-April	13.9
-8.8	-1.5	Manufacturing production quantity index	-6.2		-3.2
-0.5	-16.2	Food products and beverages	1.3		-14.1
45.9	-7.3	Tobacco products	-1.4		-32.4
-1.7	-13.3	Refined petroleum products	-27.9		0.3
63.8	95.0	Wearing apparel	46.8		16.7
3.4	-11.6	Non-metallic mineral products	-1.5		-3.0
-10.8	-2.9	Chemical products	-27.7		11.4
16.9	-9.1	“Mining and quarrying” production quantity index	-16.0		31.6
-38.3	-5.3	Extraction of crude petroleum and natural gas	-5.6		-18.0
17.6	-9.1	Other mining and quarrying	-16.2	32.2	
-7.9	2.1	Number of passengers through Royal Jordanian	6.2	January – May	3.6
-0.7	-21.2	Cargo through Royal Jordanian	-10.2		-5.5
-7.4	0.5	Number of departures	-0.4		9.0
-2.0	-7.2	Value traded at the real estate market	-3.0		-6.7

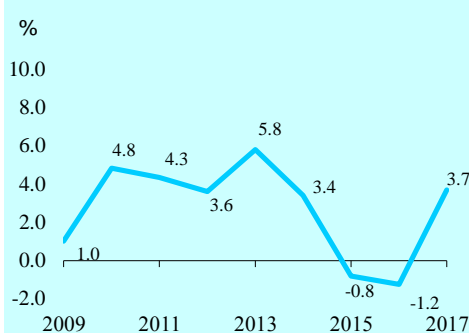
* : Computed based on the data from Department of Statistics, Department of land and survey, and Royal Jordanian.

Prices

The general price level, measured by the percentage change in the Consumer Price Index (CPI), increased by 3.7 percent during the first five months of 2017, compared with a contraction of 1.2 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 cancellation of tax exemptions on many goods and services and raising of taxes and fees on a number of other goods and services. The main groups that witnessed an increase in their prices are:

- Transportation prices increased by 15.0 percent compared to a contraction by 6.7 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 five months of the years (2009-2017)



Inflation Rate during the first five months of the years 2016 - 2017

Expenditure Groups	Relative Imp.	Relative change		Contribution	
		First five months 2016	First five months 2017	First five months 2016	First five months 2017
All Items	100.0	-1.2	3.7	-1.2	3.7
1) Food and non-Alcoholic Beverages, of which:	33.4	-3.0	-0.4	-1.0	-0.1
Food	30.5	-3.3	-0.5	-1.0	-0.2
Meat and Poultry	8.2	-7.6	-8.5	-0.6	-0.7
Dairy Products and Eggs	4.2	-2.0	-0.3	-0.1	0.0
Vegetables and Legumes Dry and Canned	4.2	-5.3	16.1	-0.2	0.6
Fruits and Nuts	2.7	-4.4	-5.1	-0.1	-0.2
Oils and Fats	1.9	2.6	3.0	0.0	0.1
2) Alcohol and Tobacco and Cigarettes	4.4	0.9	9.8	0.0	0.4
3) Clothing and footwear	3.5	3.5	-2.7	0.1	-0.1
4) Housing, of which:	21.9	0.8	2.7	0.2	0.6
Rents	15.6	3.2	2.1	0.5	0.4
Fuels and Lighting	4.8	-8.1	3.9	-0.4	0.2
5) Household Furnishings and Equipment	4.2	1.1	1.3	0.0	0.1
6) Health	2.2	1.1	9.6	0.0	0.2
7) Transportation	13.6	-6.7	15.0	-0.9	1.9
8) Communication	3.5	-0.3	1.5	0.0	0.0
9) Culture and Recreation	2.3	5.4	10.0	0.1	0.2
10) Education	5.4	1.1	3.6	0.1	0.2
11) Restaurants and Hotels	1.8	1.1	0.2	0.0	0.0
12) Other Goods and Services	3.7	0.6	6.9	0.0	0.3

Source: Department of Statistics.

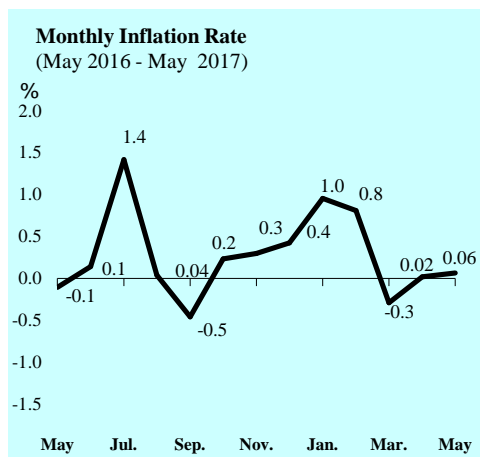
beginning of January 2017. In addition to impose a lump-sum tax of 30 fils per liter of gasoline 90, and 70 fils per liter of gasoline 95, from the beginning of February 2017.

- Housing prices increased by 2.7 percent compared with 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 3.9 percent compared to a contraction by 8.1 percent during the same period of 2016.
- “Alcohol, tobacco, and cigarettes” prices increased by 9.8 percent compared with a rise of 0.9 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 16.1 percent compared with a contraction by 5.3 percent during the same period of 2016.

The above groups and items have collectively raised inflation during the first five months of 2017 by 3.5 percentage points, compared with a negative contribution of 0.9 percentage point during the same period of 2016.

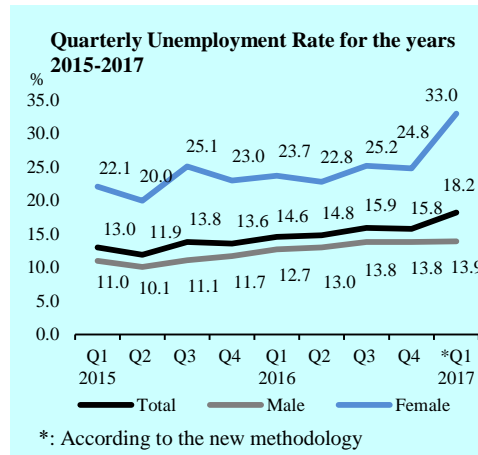
In contrast, prices of other groups and items showed varied contractions, mainly; “meat and poultry” (8.5 percent), and “clothing and footwear” (2.7 percent).

In May 2017, the CPI witnessed a stabilization compared with April 2017. This was due to the increase in prices of some groups and items, mainly; “Meat and Poultry” (3.6 percent), and “Fruits and Nuts” (2.3 percent), and the decrease in prices of other items such as, “Vegetables and legumes dry and canned” (8.9 percent), and “Dairy products and Eggs” (1.3 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 first quarter of 2017, according to the new methodology:



- The unemployment rate was 18.2 percent (13.9 percent for males, and 33.0 percent for females).
- The highest unemployment rates were between the two age categories (15-19) years and (20-24) years, by (39.5 percent) and (35.4 percent), respectively.
- The refined economic participation rate (the labor force attributed to the population 15 years and above), was 40.5 percent (63.0 percent for males, and 18.3 percent for females).
- The employed percent among the population (15 years and above) was 33.1 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 146.6 million (1.7 percent of GDP) during the first four months of 2017, comparing to a fiscal deficit in the amount of JD 22.0 million (0.3 percent of GDP) during the same period in 2016. When excluding foreign grants (JD 85.0 million), the general budget deficit widens to reach JD 231.6 million compared to a deficit in the amount of JD 174.2 million during the same period in 2016.
- Gross outstanding domestic public debt (budgetary and own-budget) decreased by JD 120.1 million at the end of April 2017 compared to its level at the end of 2016, to reach JD 15,673.6 million (56.2 percent of GDP).
- Outstanding external public debt (budget and guaranteed) went up by JD 275.8 million at the end of April 2017, compared to its level at the end of 2016, to stand at JD 10,574.8 million (37.9 percent of GDP).

- As a result, gross outstanding public debt (domestic and external) rose to JD 26,248.4 million (94.1 percent of GDP) at the end of April 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 248.2 million at the end of April 2017 compared to the end of 2016 to reach JD 1,765.1 million.
 - Accordingly, net outstanding domestic public debt rose by JD 128.1 million to reach JD 13,908.5 million. Moreover, net outstanding public debt increased by JD 403.9 million at the end of April 2017 to reach JD 24,483.3 million (87.8 percent of GDP).
- **The performance of the general budget during the first four months of 2017 compared to the same period in 2016:**

■ **Public Revenues**

Public revenues (including foreign grants) decreased by JD 35.4 million, or 4.2 percent, in April 2017 compared to the same month of 2016 to reach JD 803.3 million. As for the first four months of 2017, public revenues went down by JD 65.3 million, or 2.7 percent, compared to the same period in 2016 to stand at JD 2,366.1 million. This came as an outcome of the decrease in foreign grants by JD 67.2 million, and the increase in domestic revenues by JD 1.9 million.

Main Government Budget indicators during the first four months of 2017

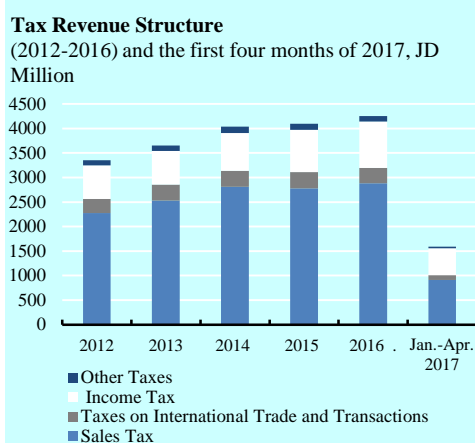
(JD Million and Percentages)

	April		Growth Rate	Jan. – Apr.		Growth Rate
	2016	2017		2016	2017	
Total Revenues and Grants	838.7	803.3	-4.2	2,431.4	2,366.1	-2.7
Domestic Revenues, of which:	816.9	768.3	-5.9	2,279.2	2,281.1	0.1
Tax Revenues, of which:	595.6	574.4	-3.6	1,638.1	1,593.4	-2.7
General Sales Tax	223.8	205.3	-8.3	912.5	911.2	-0.1
Other Revenues	220.1	192.9	-12.4	635.5	684.0	7.6
Foreign Grants	21.8	35.0	60.6	152.2	85.0	-44.2
Total Expenditures, of which:	686.4	758.0	10.4	2,453.4	2,512.7	2.4
Capital Expenditures	88.9	148.5	67.0	206.2	258.5	25.4
Overall Deficit/ Surplus (including grants)	152.3	45.3	-	-22.0	-146.6	-

Source: Ministry of Finance/ General Government Finance Bulletin.

◆ Domestic Revenues

Domestic revenues witnessed an increase of JD 1.9 million, or 0.1 percent, during the first four months of 2017 compared to the same period in 2016, to reach JD 2,281.1 million. This increase was an outcome of the rise in the proceeds of “other revenues”, by JD 48.5 million, and the drop of tax revenues and pension contributions by JD 44.7 million and JD 1.9 million, respectively.



- **Tax Revenues**

Tax revenues decreased by JD 44.7 million, or 2.7 percent, during the first four months of 2017 compared to the same period in 2016, to reach JD 1,593.4 million (69.9 percent of domestic revenues). Following are the main developments in tax revenues items:

- A decrease in the proceeds of **general sales tax on goods and services** by JD 1.3 million, or 0.1 percent, to reach JD 911.2 million (accounting for 57.2 percent of total tax revenues). This result was driven by the decrease in the proceeds of sales tax on services and on imported goods by JD 15.2 million and JD 9.9 million, respectively, and the increase in the proceeds of sales tax on commercial sector and on domestic goods by JD 20.1 million and JD 3.7 million, respectively.
- A decline in the proceeds of **income and profit taxes** by JD 40.3 million, or 6.9 percent, to reach JD 545.8 million (accounting for 34.2 percent of total tax revenues). This decline was mainly an outcome of the decrease in the proceeds of “income tax from companies and projects” and “income tax from individuals” by JD 38.5 million and JD 1.8 million, respectively. Accordingly, income tax from companies and projects accounted for 85.7 percent of total taxes on income and profits, amounting to JD 467.5 million.

- A decrease in the proceeds of taxes on **international trade and transactions** (including customs duties and fees) by JD 2.4 million or 2.3 percent, to reach JD 99.9 million (accounting for 6.3 percent of total tax revenues).
- A decrease in the proceeds of **taxes on financial transactions (real-estate tax)** by JD 0.7 million, or 1.9 percent, to reach JD 36.5 million (accounting for 2.3 percent of total tax revenues).

● Non-Tax Revenues

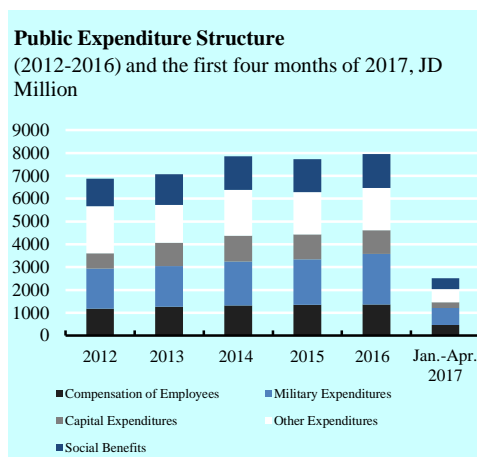
- “Other revenues” increased by JD 48.5 million, or 7.6 percent, during the first four months of 2017 to reach JD 684.0 million. This increase was chiefly due to:
 - ❖ An increase in miscellaneous revenues by JD 48.3 million to stand at JD 289.6 million.
 - ❖ An increase in revenues from selling goods and services by JD 25.6 million to reach JD 313.4 million.
 - ❖ A decrease in property income by JD 25.4 million to stand at JD 81.0 million (of which financial surplus of independent government units amounted to JD 66.4 million against JD 98.5 million during the same period in 2016).
- Pension contributions witnessed a decrease of JD 1.9 million, or 33.9 percent, during the first four months of 2017, standing at JD 3.7 million.

◆ Foreign Grants

Foreign grants decreased by JD 67.2 million, or 44.2 percent, during the first four months of 2017, standing at JD 85.0 million compared to JD 152.2 million during the same period in 2016.

Public Expenditures

Public expenditures witnessed an increase of JD 71.6 million, or 10.4 percent, in April 2017 compared to the same month in 2016 to stand at JD 758.0 million. Moreover, public expenditures increased by JD 59.3 million, or 2.4 percent during the first four months of 2017, to stand at JD 2,512.7 million. This increase was a result of the rise in current expenditures and capital expenditures by JD 7.0 million, and JD 52.3 million, respectively.



◆ Current Expenditures

Current expenditures went up by JD 7.0 million, or 0.3 percent, during the first four months of 2017 to reach JD 2,254.2 million. This increase was chiefly due to the following:

- An increase in military expenditures by JD 51.7 million to total JD 748.4 million, accounting for 33.2 percent of total current expenditures (29.8 percent of total public expenditures).
- A rise in the compensation of civil sector's employees (wages, salaries and social security contributions) by JD 16.9 million to reach JD 459.7 million, accounting for 20.4 percent of total current expenditures (18.3 percent of total public expenditures).
- A drop in social benefits by JD 11.2 million to stand at JD 479.0 million, accounting for 21.2 percent of total current expenditures.
- A decrease in interest payments (commitment basis) by JD 7.9 million to stand at JD 265.5 million, accounting for 11.8 percent of total current expenditures.

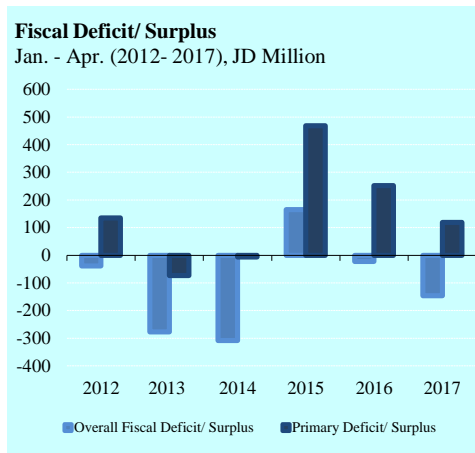
- A drop in the purchases of goods and services by JD 11.2 million to reach JD 112.8 million, accounting for 5.0 percent of total current expenditures.
- A decrease in the subsidies by JD 3.8 million to stand at JD 80.1 million, accounting for 3.6 percent of total current expenditures.

◆ **Capital Expenditures**

Capital expenditures increased by JD 52.3 million, or 25.4 percent during the first four months of 2017 compared to the same period in 2016, to reach JD 258.5 million.

■ **General Budget Deficit/ Surplus**

- ◆ The general budget, including foreign grants, displayed a fiscal deficit amounted to JD 146.6 million during the first four months of 2017, an increase of JD 124.6 million compared to its level during the same period in 2016. As a percent of GDP, budget deficit reached 1.7 percent compared to 0.3 percent during the corresponding period of the previous year.

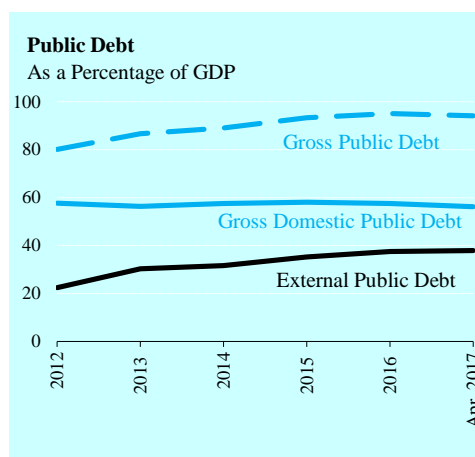
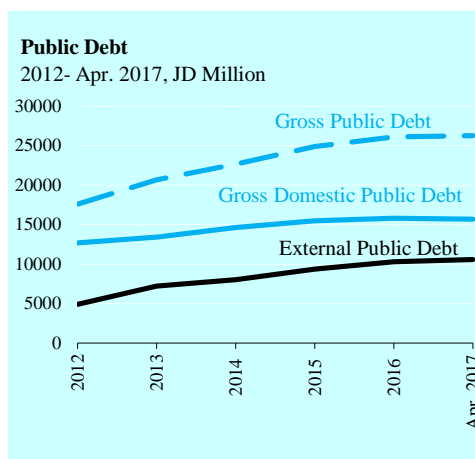


- ◆ When foreign grants were excluded, the general budget fiscal deficit widened to JD 231.6 million during the first four months of 2017, against a fiscal deficit of JD 174.2 million in the same period in 2016.
- ◆ The general budget recorded a primary surplus (total domestic revenues *minus* total public expenditures excluding interest payments on public debt) in the amount of JD 33.9 million during the first four months of 2017, against a primary surplus of JD 99.2 million during the same period in 2016.

Public Debt

Gross outstanding domestic public debt declined by JD 120.1 million at the end of April 2017 compared to its level at the end of 2016 to total JD 15,673.6 million (56.2 percent of GDP). This increase was the outcome of the drop in total domestic public debt of the general budget by JD 186.8 million, and the increase in the total domestic public debt of own-budget agencies by JD 66.7 million compared to their levels at the end of 2016, standing at JD 12,988.0 million and JD 2,685.6 million, respectively, at the end of April 2017. The decrease in the

budgetary domestic public debt was mainly attributed to the drop in the balance of treasury bills and bonds at the end of April of this year by JD 139.1 million compared to the level achieved at the end of 2016 to reach JD 12,583.9 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 their 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 66.7 million compared to their level at the end of 2016, to reach JD 2,153.1 million, whereas the independent institutions' bonds maintained their level achieved at the end of 2016, amounting to JD 532.5 million.

- Regarding the balance of the external public debt (budget and guaranteed) at the end of April 2017, it went up by JD 275.8 million compared to its level at the end of 2016 to reach JD 10,574.8 million (37.9 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 11.9 percent. The debt in Kuwaiti Dinar and Japanese Yen each accounted for 6.6 percent, whereas the debt in Euro constituted only 6.4 percent of the external public debt.
- In light of the abovementioned developments, gross public debt (domestic and external) increased by JD 155.7 million at the end of April 2017 compared to its level at the end of 2016 to stand at JD 26,248.4 million (94.1 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 248.2 million at the end of April of this year compared to its level at the end of 2016 to reach JD 1,765.1 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 128.1 million at the end of April 2017 to reach JD 13,908.5 million (49.9 percent of GDP). Furthermore, net public debt increased by JD 403.9 million at the end of April of this year to stand at JD 24,483.3 million, accounting for 87.8 percent of GDP compared to 87.7 percent of GDP at the end of 2016.

- External debt service (budget and guaranteed) decreased by JD 235.9 million during the first four months of 2017 compared to the same period in 2016 to reach JD 323.2 million (including principal payments of JD 254.8 million and interest of JD 68.4 million).

□ Fiscal and Price Measures

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

Development of Oil Derivatives Price

	Unit	2017		Percentage Change
		June	July	
Unleaded Gasoline 90	Fils/Liter	665	650	-2.3
Unleaded Gasoline 95	Fils/Liter	890	865	-2.8
Unleaded Gasoline 98		1,040	1,015	-2.4
Gas Oil (Diesel)	Fils/Liter	480	465	-3.1
Kerosene	Fils/Liter	480	465	-3.1
Liquid Gas (12.5kg)	JD/Unit	7.0	7.0	0.0
Fuel oil for industry	JD/Ton	335.6	328.6	-2.1
Fuel for airplanes (local companies)	Fils/Liter	353	337	-4.5
Fuel for airplanes (foreign companies)	Fils/Liter	358	342	-4.5
Fuel for unplanned flights	Fils/Liter	373	357	-4.3
Asphalt	JD/Ton	325.4	318.4	-2.2

Source: Jordan Petroleum Refinery Company (1/7/2017).

- 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 piaster 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).

- Signing 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).

Fourth: External Sector

□ Summary

- **Total merchandize exports** (domestic exports *plus* re-exports) decreased by 2.2 percent in April 2017 compared to the same month of 2016 to reach JD 382.4 million. As for the first four months in 2017, total merchandize exports increased by 4.4 percent compared to the same period of 2016 to reach JD 1,621.7 million.
- **Merchandize imports** increased by 12.3 percent in April 2017 compared to the same month of 2016 to reach JD 1,257.3 million. As for the first four months in 2017, total merchandize imports increased by 3.1 percent compared to the same period of 2016 to reach JD 4,701.8 million.
- **Consequently**, the trade balance deficit (total exports minus imports) increased by 20.1 percent in April 2017 compared to the same month of 2016; standing at JD 874.9 million. As for the first four months of 2017, trade balance deficit increased by 2.4 percent compared to the same period of 2016 to reach JD 3,080.1 million.
- **Travel receipts** increased in May 2017 compared to the same month of 2016 by 6.8 percent to reach JD 263.4 million, while **Travel payments** decreased by 4.8 percent to reach JD 70.9 million. As for the first five months in 2017; both travel receipt and travel payments increased by 15.4 percent and 7.4 percent, to reach JD 1,273.1 million and 396.0 million, compared the same period in 2016; respectively.
- **Total workers' remittances receipts** decreased by 3.3 percent in May 2017 compared to the same month of 2016 to reach JD 220.2 million. Meanwhile, the first five months of 2017 witnessed an increase in total workers remittances receipts increased by 1.2 percent compared to same period of 2016, to reach JD 1,048.2 million.
- **The current account of the balance of payments** registered a decrease in the deficit to reach JD 788.2 million (12.1 percent of GDP) during the first quarter of 2017 compared to a deficit of JD 1,026.5 million (16.4 percent of GDP) during the first quarter of 2016. Meanwhile, the current account deficit excluding grants narrowed to reach 13.5 percent of GDP compared with 18.1 percent of GDP during the first quarter of 2016.

- **Net direct investment** recorded an inflow of JD 338.7 million during the first quarter of 2017, down from JD 372.7 million during the first quarter of 2016.
- **International investment position (IIP)** displayed a net obligation to abroad of JD 27,732.7 million at the end of the first quarter of 2017; compared to JD 26,763.7 million at the end of 2016.

□ External Trade

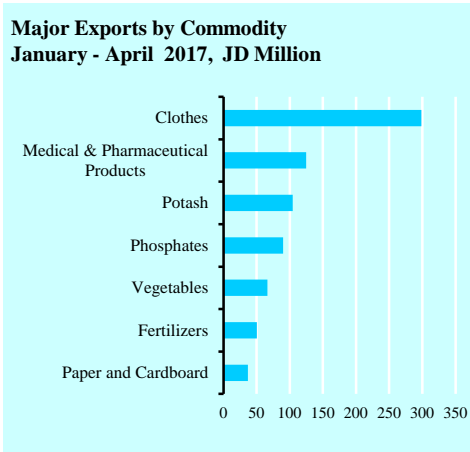
- As a result of the increase in domestic exports by JD 32.4 million, and the increase in imports by JD 140.8 million during the first four months of 2017, the volume of external trade (domestic exports *plus* imports) increased by JD 173.4 million to stand at JD 6,017.7 million compared to the same period of 2016.

Jordan's Major Trading Partners JD Million				Main External Trade Indicators JD Million				
January-April				January-April				
	2016	2017	Percentage Change		Percentage Change 2016/2015	2017	Percentage Change 2017/2016	
Exports				External Trade	5,844.5	-4.0	6,017.7	3.0
USA	288.9	310.1	7.4	Total Exports	1,553.7	-9.6	1,621.7	4.4
Saudi Arabia	213.6	169.3	-20.7	Domestic Exports	1,283.5	-11.9	1,315.9	2.5
Iraq	108.1	113.6	5.1	Re-exports	270.2	3.0	305.8	13.2
India	105.6	110.5	4.6	Imports	4,561.0	-1.5	4,701.8	3.1
UAE	60.8	64.1	5.4	Trade Balance	-3,007.3	3.3	-3,080.1	2.4
Kuwait	60.5	47.9	-20.8	Source: Department of Statistics.				
Qatar	31.1	40.5	30.6					
Imports								
China	608.3	610.7	0.4					
Saudi Arabia	574.2	561.3	-2.2					
USA	315.3	559.4	77.4					
UAE	155.5	280.7	80.5					
Germany	213.9	196.1	-8.3					
Turkey	164.6	166.2	1.0					
Italy	201.6	160.4	-20.5					
Source: Department of Statistics.								

■ Merchandize Exports:

Total merchandize exports increased by 4.4 percent during the first four months of 2017, to record JD 1,621.7 million. This increase came as a result of the increase in both domestic exports and re-exports by JD 32.4 million, (2.5 percent) and

JD 35.6 million (13.2 percent), to reach JD 1,315.9 million, and JD 305.8 million; respectively.



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

- Exports of **Potash** increased by JD 35.3 million, or 51.1 percent, to stand at JD 104.4 million. The Indian, Chinese, Indonesian and Egyptian markets accounted for 74.5 percent of these exports.
- Exports of **Fertilizers** increased by JD 11.5 million, or 29.7 percent, to reach JD 50.2 million. Iraq, Turkey and India were the main destination markets for these exports, accounting for 86.5 percent of fertilizers exports.
- Exports of **Vegetables** decreased by JD 8.3 million, or 11.1 percent, to reach JD 66.3 million. The UAE, Saudi Arabia and Qatar were the main destination markets; accounting for 51.6 percent of these exports.

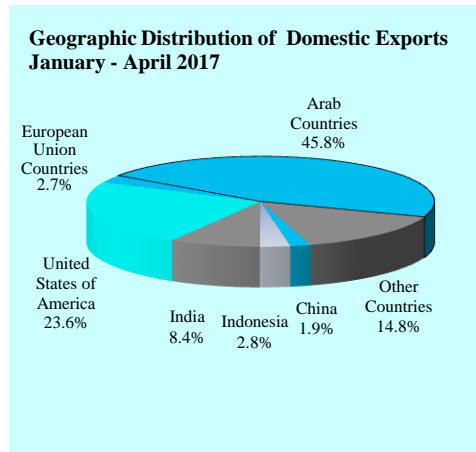
- Exports of **Medical & Pharmaceutical Products** decreased by JD 19.6 million, or 13.6 percent, to reach JD 124.8 million. The markets of Saudi Arabia, Algeria, Iraq and USA accounted for 55.4 percent of these exports.
- Exports of **Phosphates** decreased by JD 21.1 million, or 19.0 percent, to register JD 90.1 million. This was a result of the increase in exported quantities by 4.5 and the decrease in prices by 22.4 percent. It is worth noting that the Indian and Indonesian markets were the main destination for phosphates exports, accounting for 84.1 percent.

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

	2016	2017	Percentage Change
Domestic Exports	1,283.5	1,315.9	2.5
Clothes	271.9	298.7	9.8
USA	241.6	263.5	9.1
Medical & Pharmaceutical Products	144.4	124.8	-13.6
Saudi Arabia	34.2	28.8	-15.9
Algeria	19.0	14.5	-23.6
Iraq	17.5	13.9	-20.8
USA	6.8	11.9	76.0
Potash	69.1	104.4	51.1
India	23.3	32.4	39.0
China	0.0	23.0	-
Indonesia	6.3	12.8	101.6
Egypt	7.6	9.6	27.0
Phosphates	111.2	90.1	-19.0
India	69.3	51.9	-25.2
Indonesia	18.5	23.9	29.1
Vegetables	74.6	66.3	-11.1
UAE	14.6	12.2	-16.0
Saudi Arabia	12.9	11.3	-12.4
Qatar	9.6	10.7	11.0
Fertilizers	38.7	50.2	29.7
Iraq	12.2	21.1	73.6
Turkey	10.5	14.7	40.0
India	8.6	7.6	-12.0
Paper & Cardboard	39.4	36.9	-6.5
Saudi Arabia	18.8	17.0	-9.7
Iraq	11.0	7.8	-29.3
UAE	2.9	4.0	36.3

Source: Department of Statistics.

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

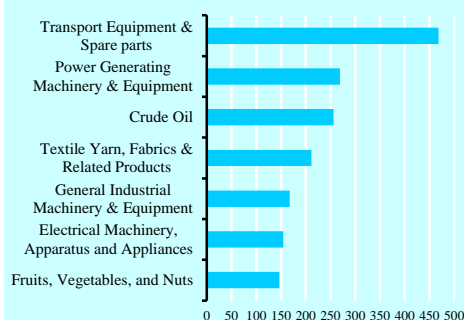


potash, phosphates, vegetables, fertilizers, and “paper and cardboard” topped the list of domestic exports during the first four months of 2017; accounting for 58.6 percent, compared with 58.4 percent during the same period in 2016. Meanwhile, the geographical distribution of domestic exports indicates that the USA, Saudi Arabia, Iraq, India, the UAE, Kuwait and Qatar were the main destination markets during the first four months of 2017; accounting for 65.0 percent, compared with 67.7 percent during the same period of 2016.

■ **Merchandise Imports:**

Merchandise imports increased by 3.1 percent to reach JD 4,701.8 million during the first four months of 2017, compared to a decrease by 1.5

Major Imports by Commodity
January - April 2017, JD Million



percent during the same period of 2016.

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

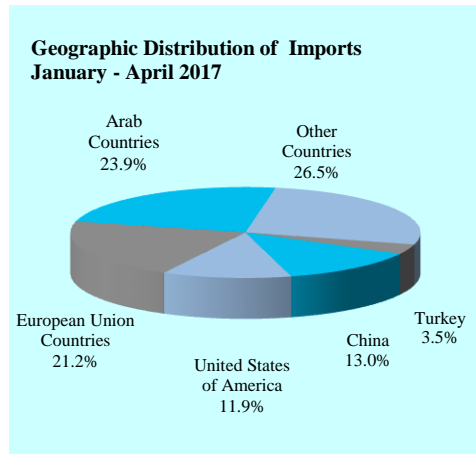
- **Power generating Machinery and equipment** Imports increased by JD 197.3 million or 275.6 percent to reach JD 268.9 million. The USA, the China, and the UK were the main origin markets, accounting for 90.0 percent of these imports.
- **Crude oil** imports increased by JD 94.7 million, or 58.7 percent, to reach 256.0 million. This increase was mainly as a result of an increase in prices by 62.4 percent and a decrease in imported quantities by 2.3 percent compared with the same period of 2016. Noting that crude oil imports came from the Saudi market.
- **General Industrial Machinery and Equipment** imports increased by JD 47.8 million or 39.8 percent to reach JD 167.8 million. France, China, and Italy were the main origin Markets accounting for 55.1 percent of these imports.

- Textile Yarn, Fabrics, Made up Articles & Related products** imports increased by JD 14.7 million or 7.5 percent to reach JD 211.4 million. China, Taiwan, and Turkey were the main origin markets accounting for 77.6 percent of these imports.
- Fruits, Vegetables and Nuts** imports increased by JD 9.0 million or 6.6 percent to reach JD 146.8 million. The Egypt, the USA and Italy were the main origin markets accounting for 39.6 percent of these imports.

Major Imports by Commodity, JD Million January-April 2016-2017			
	2016	2017	Percentage Change
Total Imports	4,561.0	4,701.8	3.1
Transport Equipment & Spare Parts	491.9	468.1	-4.8
USA	87.1	104.3	19.8
South Korea	106.8	85.2	-20.2
Japan	105.3	83.3	-20.9
Power generating Machinery & equipment	71.6	268.9	275.6
USA	21.7	202.8	-
China	9.0	20.8	131.1
UK	2.7	18.4	-
Crude Oil	161.3	256.0	58.7
Saudi Arabia	161.3	256.0	58.7
Textile Yarn, Fabrics and Related Products	196.7	211.4	7.5
China	73.8	77.8	5.3
Taiwan	62.9	65.7	4.6
Turkey	17.9	20.5	14.4
General Industrial Machinery & equipment	120.0	167.8	39.8
France	6.8	43.0	-
China	27.2	31.7	16.5
Italy	18.9	17.8	-5.6
Electrical Machinery Apparatus and Appliances	194.0	154.7	-20.2
China	51.2	61.3	19.7
Italy	20.3	17.7	-12.8
Turkey	14.2	17.2	21.1
Fruits, Vegetables & Nuts	137.8	146.8	6.6
Egypt	21.7	27.0	24.7
USA	12.2	18.6	52.8
Italy	14.7	12.5	-14.9

Source: Department of Statistics.

- Consequently, the commodity composition of imports indicates that “transport equipment”, “power generating machinery and equipment”, “crude oil”, “textile yarn, fabrics



and related products”, “general industrial machinery and equipment”, “electrical machinery apparatus and appliances”, “fruits, vegetables and nuts” topped the list of imports during the first four months of 2017, accounting for 35.6 percent; compared to 30.1 percent during the same period of 2016. Meanwhile, the geographical distribution of imports indicates that China, Saudi Arabia, the USA, the UAE, Germany, Turkey and Italy were the main source markets during the first four months of 2017; accounting for 53.9 percent, compared to 49.0 percent during the same period in 2016.

■ Re-Exports

The value of re-exported goods increased by JD 35.6 million, or 13.2 percent during the first four months of 2017 compared to the same period of 2016, to reach JD 305.8 million.

■ Trade Balance

The trade balance deficit increased by JD 72.8 million, or 2.4 percent during the first four months of 2017, to register JD 3,080.1 million, compared to the same period of 2016.

□ Total Workers' Remittances Receipts

Total workers' remittances receipts decreased by 3.3 percent in May 2017 compared to the same month of 2016, to register JD 220.2 million. As for the first five months of 2017 total workers' remittances receipts increased by 1.2 percent compared to the same period of 2016 to reach JD 1,048.2 million.

□ Travel

■ Receipts

Travel receipts increased by JD 16.8 million, or 6.8 percent, in May 2017 compared to the same month of 2016, to register JD 263.4 million. As for the first five months of 2017, travel receipts increased by 169.9 million or 15.4 percent compared to the same period of 2016, to stand at JD 1,273.1 million.

■ Payments

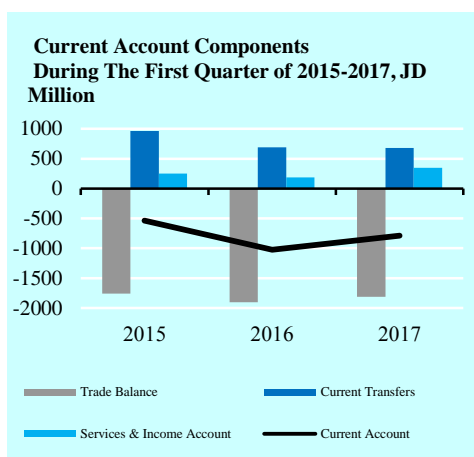
Travel payments decreased by JD 3.6 million, or 4.82 percent, in May 2017 compared to the same month of 2016, to stand at JD 70.9 million. As for the first five months of 2017, travel payments increased by 27.5 million or 7.4 percent compared to the same period of 2016, to stand at JD 396.0 million.

□ Balance of Payments

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

- The current account recorded a deficit of JD 788.2 million (12.1 percent of GDP) in the first quarter of 2017 compared to a deficit of JD 1,026.5 million (16.4 percent of GDP) during the first quarter of 2016. Meanwhile, the current account deficit excluding grants narrowed to reach JD 879.7 million (13.5 percent of GDP) compared to JD 1,128.9 million (18.1 percent of GDP) during the first quarter of 2016. This was an outcome of the following developments:

- ◆ A decrease in the trade balance during the first quarter of 2017 by JD 91.4 million, or 4.8 percent, to reach JD 1,814.9 million compared to JD 1,906.3 million during the first quarter of 2016.



- ◆ An increase in the surplus of the services account compared to the first quarter of 2016 by JD 154.1 million, to reach JD 284.2 million.
- ◆ Income account recorded a surplus of JD 61.5 million compared to a surplus of JD 58.2 million during the first quarter of 2016. This was mainly due to increase the surplus recorded in investment income (net) by JD 3.4 million.
- ◆ A decrease in the surplus of net current transfers by JD 10.5 million; to reach JD 681.0 million, as a result of the decrease in net transfers of the public sector (foreign grants) during the first quarter of 2017 by JD 10.8 million to reach JD 91.4 million, and the slight decrease in the net transfers of other sectors by JD 0.3 million to reach JD 589.6 million.

- The capital and financial account registered a net inflow of JD 980.6 million during the first quarter of 2017, compared to a net inflow of JD 994.3 million during the same period of 2016. This can be attributed to the following:
 - ◆ Direct investment recorded a net inflow of JD 338.7 million compared to an inflow of JD 372.2 million during the first quarter of 2016.
 - ◆ Portfolio investment recorded a net outflow of JD 379.7 million compared to a net outflow of JD 13.6 million during the first quarter of 2016.
 - ◆ Other investment registered a net inflow of JD 119.3 million compared to a net inflow of JD 98.1 million during the first quarter of 2016.
 - ◆ A decrease in the reserve assets of the CBJ by JD 896.3 million, compared to decrease of JD 526.6 million during the first quarter 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 27,732.7 million at the end of the first quarter of 2017 compared to JD 26,763.7 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 (resident) in the Kingdom by JD 966.3 million at the end of the first quarter of 2017 compared to the end of 2016 to reach JD 17,614.7 million. This was an mainly due to decrease in the CBJ's reserve assets by JD 808.5 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 2.7 million at the end of the first quarter of 2017 compared to the end of 2016; to reach JD 45,348.9 million, due to the following developments:
 - ◆ An increase in the stock of direct investment in Jordan by JD 317.1 million to stand at JD 23,142.5 million.
 - ◆ An increase in the deposits of non-residents at the banking system by JD 174.5 million to reach JD 7,361.6 million.
 - ◆ An increase in the outstanding balance of general government long-term loans by JD 22.7 million, to reach JD 3,835.8 million.
 - ◆ A decrease in the outstanding balance of the International Monetary Fund (IMF) credit facilities to Jordan by JD 71.5 million to reach JD 1,065.9 million.
 - ◆ A decrease in trade credits extended to residents by JD 102.9 million to reach JD 715.6 million.
 - ◆ A decrease in the stock of portfolio investment in Jordan by JD 327.7 million to stand at JD 7,168.0 million; mainly due to the Arab Bank's deal.