



Central Bank of Jordan

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

**Research Dept / Monthly Report  
December, 2014**

**Central Bank of Jordan**

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#### **OUR VISION**

To be one of the most capable central banks regionally and internationally in maintaining monetary stability and ensuring the soundness of the financial system thereby contributing to sustained economic growth in the Kingdom.

#### **OUR MISSION**

Ensuring monetary and financial stability by maintaining price stability, protecting the value of the Jordanian Dinar and through an interest rate structure consistent with the level of economic activity thereby contributing toward an attractive investment environment and a sound macroeconomic environment. Furthermore, the Central Bank of Jordan strives to ensure the safety and soundness of the banking system and the resilience of the national payments system. To this end, the Central Bank of Jordan adopts and implements effective monetary and financial policies and employs its human, technological, and financial resources in an optimal manner in order to effectively achieve its objectives.

#### **OUR VALUES**

- |                            |   |   |
|----------------------------|---|---|
| <b>Loyalty</b>             | : | Commitment and dedication to the institution, its staff and clients.  |
| <b>Integrity</b>           | : | Seeking to achieve our organizational goals honestly and objectively.   |
| <b>Excellence</b>          | : | Seeking to continuously improve our performance and deliver our services in accordance with international standards.                              |
| <b>Continuous Learning</b> | : | Aspiring to continuously improve practical and academic skills to maintain a level of excellence in accordance with international best practices. |
| <b>Teamwork</b>            | : | Working together, on all levels of management, to achieve our national and organizational goals with a collective spirit of commitment.           |
| <b>Transparency</b>        | : | Dissemination of information and knowledge, and the simplification of procedures and regulations in a comprehensible and professional manner.     |



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### Executive Summary

#### □ Output, Prices and Employment

- During the first three quarters of 2014, real GDP at market prices, grew by 3.0 percent, compared to 2.8 percent during the same period of 2013. Inflation, measured by the percentage change in the Consumer Price Index (CPI), declined to 3.0 percent during the first eleven months of 2014 compared to 5.8 percent during the same period of 2013. Furthermore, the unemployment rate during the third quarter of 2014 decreased to 11.4 percent compared to 14.0 percent during the same quarter of 2013.

#### □ Monetary and Financial Sector

- Foreign currency reserves at the Central Bank of Jordan (CBJ) increased by US\$ 2,146.0 million (17.9 percent) by the end of the first eleven months of 2014, compared to their level at the end of 2013, standing at US\$ 14,151.8 million. This level of reserves covers around 7.3 months of Jordan's imports of goods and services.
- Domestic liquidity grew by JD 1,852.5 million (6.8 percent) by the end of the first eleven months of 2014 compared to its level at the end of 2013, to stand at JD 29,215.9 million.
- The outstanding balance of credit facilities extended by licensed banks increased by JD 551.3 million (2.9 percent) during the first eleven months of 2014, compared to its level at the end of 2013, to stand at JD 19,491.0 million.
- Total deposits at licensed banks increased by JD 2,640.7 million (9.6 percent) by the end of the first eleven months of 2014, compared to its level at the end of 2013, totaling JD 30,233.9 million. This increase was a result of the increase in JD deposits by JD 2,877.0 million (13.7 percent) and the decrease in foreign currency deposits by JD 236.3 million (3.6 percent).
- The Share Price Index (SPI) weighted by the market capitalization of free float shares at the Amman Stock Exchange (ASE) reached 2,132.5 points by the end of the first eleven months of 2014, increasing by 66.7 points, or 3.2 percent, compared to its level at the end of 2013.

- **Public Finance:** During the first ten months of 2014, the general budget, including foreign grants, recorded a fiscal deficit in the amount of JD 696.0 million compared to a fiscal deficit in the amount of JD 897.5 million during the same period in 2013. Net outstanding domestic debt (budgetary and own-budget) increased by JD 722.0 million at the end of October 2014, compared to its level at the end of 2013, to stand at JD 12,584.0 million (49.2 percent of GDP). Outstanding external public debt increased by JD 652.9 million at the end of October 2014 compared to its level at the end of 2013 to reach JD 7,887.4 million, (30.8 percent of GDP). Accordingly, the net public debt (domestic and external) stood at 80.0 percent of GDP at the end of October 2014 which is the same level reached at the end of 2013.
- **External Sector:** Total merchandize exports (domestic exports *plus* re-exports) increased by 6.1 percent during the first ten months of 2014 to reach JD 4,953.2 million. Also, merchandize imports increased by 2.9 percent during the first ten months of 2014, totaling JD 13,427.6 million. As a result, the trade deficit increased by 1.1 percent compared to the same period in 2013, to reach JD 8,474.4 million. The preliminary data shows an increase in travel receipts and payments during the first eleven months of 2014 by 6.5 percent and 3.7 percent, respectively. Moreover total worker's remittances increased by 2.7 percent during the same period in 2014. The balance of payments during the first three quarters of 2014 displayed a deficit in the current account amounting to JD 1,391.3 million, (7.5 percent of GDP) down from JD 1,633.8 million (9.3 percent of GDP) during the first three quarters of 2013. Moreover, Net Direct Investment recorded an inflow of JD 975.5 million during the first three quarters of 2014 compared to a net inflow of JD 1,049.5 million during the first three quarters of 2013. Furthermore, the International Investment Position (IIP) registered a net obligation to abroad in the amount of JD 22,121.0 million at the end of September 2014 compared to JD 20,842.5 million at the end of December 2013.



## First: Monetary and Financial Sector

### □ Summary

- The foreign currency reserves at the CBJ increased by US\$ 2,146.0 million (17.9 percent) by the end of the first eleven months of 2014, compared to their level at the end of 2013, to stand at US\$ 14,151.8 million. This level of reserves covers around 7.3 months of the Kingdom's imports of goods and services.
- Domestic liquidity increased by JD 1,852.5 million (6.8 percent) by the end of the first eleven months of 2014, compared to its level at the end of 2013, to total JD 29,215.9 million.
- The outstanding balance of credit facilities extended by licensed banks increased by JD 551.3 million (2.9 percent) by the end of the first eleven months in 2014, compared to its level at the end of 2013 to reach JD 19,491.0 million.
- Total deposits at licensed banks increased by JD 2,640.7 million (9.6 percent) by the end of the first eleven months of 2014, compared to its level at the end of 2013, to reach JD 30,233.9 million.
- The interest rates on all types of credit facilities and deposits at licensed banks decreased by the end of the first eleven months of 2014, compared to their levels at the end of 2013, except the interest rates on demand deposits which had increased.

- The Share Price Index (SPI) weighted by market capitalization of free float shares at the Amman Stock Exchange (ASE) reached 2,132.5 points at the end of the first eleven months of 2014, increasing by 66.7 points (3.2 percent), compared to its level at the end of 2013. Moreover, the market capitalization decreased by JD 439.7 million (2.4 percent), compared to its registered level of 2013, to stand at JD 17.8 billion.

**Main Monetary Indicators**

JD Million, and Percentage Change Relative to the Previous Year

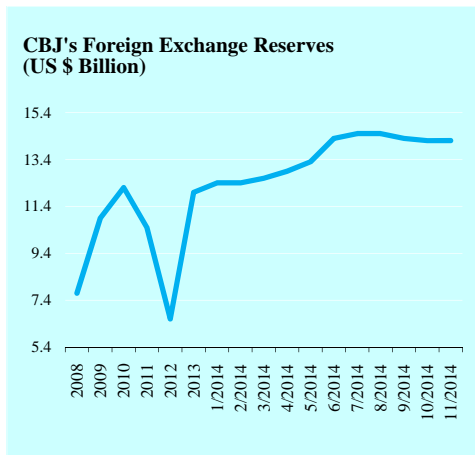
|               |  | End of November |               |
|---------------|--|-----------------|---------------|
| 2013          |  | 2013            | 2014          |
| US\$ 12,005.8 | CBJ's Foreign Currency Reserves*                 | US\$ 12,053.7   | US\$ 14,151.8 |
| 81.0%         |  | 81.7%           | 17.9%         |
| 27,363.4      | Money Supply (M2)                                | 27,406.5        | 29,215.9      |
| 9.7%          |  | 9.9%            | 6.8%          |
| 18,939.7      | Credit Facilities, of which:                     | 18,789.0        | 19,491.0      |
| 6.2%          |  | 5.4%            | 2.9%          |
| 16,569.1      | Private Sector (Resident)                        | 16,448.9        | 17,572.0      |
| 7.8%          |  | 7.0%            | 6.1%          |
| 27,593.2      | Total Deposits, of which:                        | 27,613.5        | 30,233.9      |
| 10.5%         |  | 10.6%           | 9.6%          |
| 21,003.0      | In JD  | 20,939.9        | 23,880.0      |
| 18.6%         |  | 18.2%           | 13.7%         |
| 6,590.2       | In Foreign Currencies                            | 6,673.6         | 6,353.9       |
| -9.2%         |  | -8.1%           | -3.6%         |
| 22,195.8      | Deposits of Private Sector (Resident), of which: | 22,199.6        | 24,036.8      |
| 8.9%          |  | 8.9%            | 8.3%          |
| 17,646.1      | In JD  | 17,563.4        | 19,552.8      |
| 17.0%         |  | 16.4%           | 10.8%         |
| 4,549.7       | In Foreign Currencies                            | 4,636.2         | 4,484.0       |
| -14.2%        |  | -12.6%          | -1.4%         |

\* Except gold reserves and special drawing rights.

Source: Central Bank of Jordan / Monthly Statistical Bulletin.

### □ CBJ's Foreign Currency Reserves

The CBJ's foreign currency reserves increased by US\$ 2,146.0 million (17.9 percent), at the end of the first eleven months of 2014, compared to their level at the end of 2013, to reach US\$ 14,151.8 million. This level of reserves covers around 7.3 months of the Kingdom's imports of goods and services.



### □ Domestic Liquidity (M2)

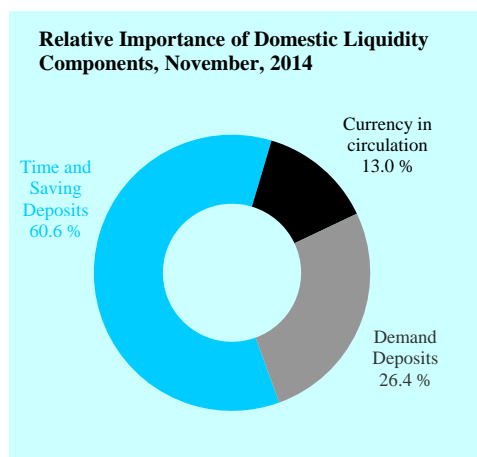
■ Domestic liquidity totaled JD 29,215.9 million at the end of the first eleven months of 2014, increasing by JD 1,852.5 million, or 6.8 percent, compared to an increase of JD 2,461.4 million, or 9.9 percent, during the same period in 2013.

◆ **Developments in both the components and the factors affecting domestic liquidity at the end of November 2014, reveal the following:**

#### ● Components of Domestic Liquidity

- Deposits increased by JD 1,658.5 million, or 7.0 percent, at the end of the first eleven months of 2014, compared to their level at the end of 2013, to total JD 25,415.3 million, compared with an increase amounting to JD 2,051.9 million, or 9.4 percent, during the same period in 2013.

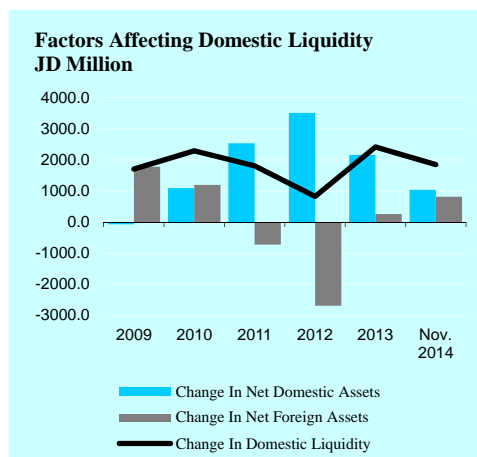
- Currency in circulation increased by JD 194.0 million, or 5.4 percent, at the end of the first eleven months of 2014, compared to its level at the end of 2013, to reach JD 3,800.6 million,



against an increase in the amount of JD 409.5 million, or 12.7 percent, during the same period in 2013.

• **Factors Affecting Domestic Liquidity**

- Net domestic assets of the banking system increased by JD 1,037.7 million, or 5.1 percent, by the end of the first eleven months of 2014, compared to its level at the end of 2013, against an increase of JD



2,109.4 million, or 11.5 percent, during the same period in 2013. This increase was an outcome of the increase in net domestic assets at the licensed banks by JD 2,204.8 million, or 8.8 percent, and its decrease at the CBJ by JD 1,166.8 million, or 25.8 percent.

- Net foreign assets of the banking system increased by JD 814.8 million, or 11.8 percent, during the first eleven months of 2014, compared to their level at the end of 2013, against an increase in the amount of JD 352.0 million, or 5.3 percent, during the same period in 2013. This increase was an outcome of the increase in net foreign assets at the CBJ by JD 1,408.0 million or 16.6 percent, and the decrease of net foreign assets at the licensed banks by JD 593.2 million, or 37.9 percent.

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

| 2013            |                                  | End of November |                 |
|-----------------|----------------------------------|-----------------|-----------------|
|                 |                                  | 2013            | 2014            |
| <b>6,923.4</b>  | <b>Foreign Assets (Net)</b>      | <b>7,017.5</b>  | <b>7,738.2</b>  |
| 8,487.4         | CBJ                              | 8,609.6         | 9,895.4         |
| -1,564.0        | Licensed Banks                   | -1,592.1        | -2,157.2        |
| <b>20,440.0</b> | <b>Domestic Assets (Net)</b>     | <b>20,389.0</b> | <b>21,477.7</b> |
| -4,528.6        | CBJ, of which:                   | -4,667.0        | -5,695.4        |
| 1,244.3         | Claims on Public Sector (Net)    | 886.6           | 1,578.6         |
| -5,793.5        | Other Items (Net*)               | -5,574.0        | -7,296.3        |
| 24,968.6        | Licensed Banks                   | 25,056.0        | 27,173.1        |
| 9,714.8         | Claims on Public Sector (Net)    | 9,943.2         | 9,398.7         |
| 17,201.9        | Claims on Private Sector         | 17,102.3        | 18,101.0        |
| -1,948.1        | Other Items (Net)                | -1,989.5        | -326.6          |
| <b>27,363.4</b> | <b>Money Supply (M2)</b>         | <b>27,406.5</b> | <b>29,215.9</b> |
| <b>3,606.6</b>  | <b>Currency in Circulation</b>   | <b>3,624.5</b>  | <b>3,800.6</b>  |
| <b>23,756.8</b> | <b>Total Deposits, of which:</b> | <b>23,782.0</b> | <b>25,415.3</b> |
| 4,635.2         | In Foreign Currencies            | 4,731.2         | 4,557.5         |

\* 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 25<sup>th</sup>, 2014, the CBJ lowered the interest rate on the overnight deposit window and the weekly/monthly repurchase agreements by 50 basis points, and maintained the interest rates on the other monetary policy instruments unchanged. Accordingly, the interest rates on monetary policy instruments become as follows:

|      |  | November |      |
|------|--|----------|------|
| 2013 |  | 2013     | 2014 |
| 4.50 | Re-discount Rate                       | 4.50     | 4.25 |
| 4.25 | Repurchase Agreements Rate (overnight) | 4.25     | 4.00 |
| 3.50 | Overnight Deposit Window Rate          | 3.50     | 2.75 |
| 3.75 | Repurchase Agreements rate (one week)  | 3.75     | 3.00 |
| 3.75 | Repurchase Agreements rate (one month) | 3.75     | 3.00 |

Source: Central Bank of Jordan / Monthly Statistical Bulletin.

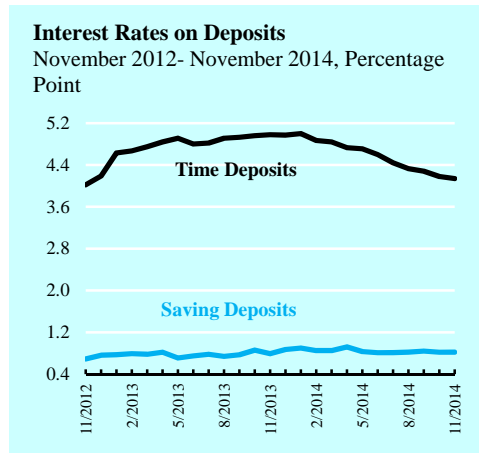
- Re-Discount Rate: 4.25 percent.
  - Interest Rate on Overnight Repurchase Agreements: 4.00 percent.
  - Overnight Deposit Window Rate: 2.75 percent.
  - Weekly/Monthly Repurchase Agreements: 3.00 percent.
- ◆ This decision attempts to stimulate economic growth through provision of credit for various economic sectors and promote investments.

■ Interest Rates in the Banking Sector

◆ Interest Rates on Deposits

- Time Deposits: The weighted average interest rate on time deposits at the end of November 2014 decreased by 4 basis points, compared to its level of the previous month to stand at 4.14 percent. This rate is lower by 83 basis points than its level at the end of 2013.

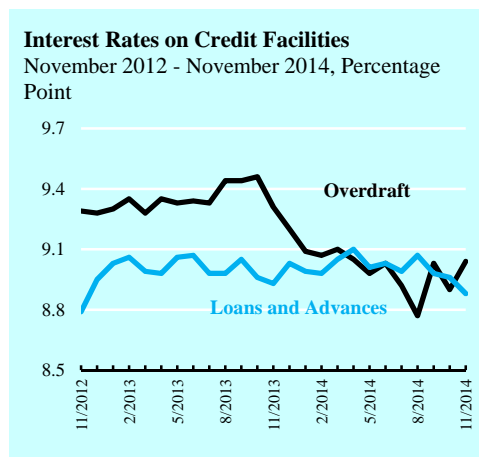
- **Saving Deposits:** The weighted average interest rate on saving deposits at the end of November 2014 maintained the same level registered in the previous month to stand at 0.82 percent. This rate is lower by 5 basis points compared to its level at the end of 2013.



- **Demand Deposits:** The weighted average interest rate on demand deposits at the end of November 2014 decreased by one basis point compared to its level of the previous month to stand at 0.42 percent. This rate is higher by 4 basis points than its level at the end of 2013.

◆ **Interest Rates on Credit Facilities**

- **Overdraft Accounts:** The weighted average interest rate on overdraft accounts at the end of November 2014 increased by 14 basis points compared to its level of the previous month to stand at 9.04 percent. This rate is lower by 16 basis points compared to its level at the end of 2013.



- Discounted Bills and Bonds: The weighted average interest rate on “discounted bills and bonds” at the end of November 2014, increased by 8 basis points compared with its level recorded in the previous month to reach 9.96 percent. This rate is lower by 17 basis points, compared to its level at the end of 2013.

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

|                          |                            | November |      | Change<br>Relative to<br>the Preceding<br>Year |
|--------------------------|----------------------------|----------|------|--|
| 2013                     |                            | 2013     | 2014 | Basis Points                                   |
| <b>Deposits</b>          |                            |          |      |  |
| 0.38                     | Demand                     | 0.36     | 0.42 | 4  |
| 0.87                     | Saving                     | 0.79     | 0.82 | -5   |
| 4.97                     | Time                       | 4.98     | 4.14 | -83  |
| <b>Credit Facilities</b> |                            |          |      |  |
| 10.13                    | Discounted Bills and Bonds | 9.31     | 9.96 | -17  |
| 9.03                     | Loans and Advances         | 8.93     | 8.88 | -15  |
| 9.20                     | Overdraft                  | 9.31     | 9.04 | -16  |
| 8.85                     | Prime Lending Rate         | 8.85     | 8.72 | -13  |

Source: Central Bank of Jordan / Monthly Statistical Bulletin.

- Loans and Advances: The weighted average interest rate on “loans and advances” decreased by 8 basis points at the end of November 2014, compared to its level of the previous month to stand at 8.88 percent, this rate is lower by 15 basis points than its level at the end of 2013.
- The Prime lending rate stood at 8.72 percent at the end of November 2014, 13 basis points lower than its level at the end of 2013.
- As a result, the interest rate margin, which is the difference between interest rates on loans and advances and those on time deposits, increased by 68 basis points at the end of November 2014, compared to its level at the end of 2013, to reach 474 basis points.

**□ Credit Facilities Extended by Licensed Banks**

- Total credit facilities extended by licensed banks increased by JD 551.3 million (2.9%) by the end of the first eleven months of 2014, compared to its level at the end of 2013, against an increase in the amount of JD 959.2 million, or 5.4 percent, during the same period in 2013.



- The classification of extended credit facilities, according to economic activity, by the end of the first eleven months of 2014 demonstrates an increase in the item "other"; which generally represents credit facilities extended to individuals by JD 406.9 million, or 9.8 percent, and those extended to the construction sector, and industrial sector by JD 401.6 million, or 9.8 percent and JD 111.7 million, or 4.2 percent, respectively. Meanwhile, the credit facilities extended to the general trade and public services and utilities sectors decreased by JD 293.3 million, or 7.4 percent, and JD 182.6 million, or 8.4 percent, respectively, compared to their levels at the end of 2013.
  - The classification of extended credit facilities, according to the borrower, at the end of November 2014 shows an increase in credit facilities extended to the private sector (resident) by JD 1,002.9 million, or 6.1 percent, and the public institutions by JD 38.7 million, or 12.1 percent and the non-banking financial institutions by JD 1.0 million or 10.3 percent. Meanwhile, the credit facilities extended to the private sector (non-resident) decreased by JD 333.6 million or 40.8 percent, while the central government credit facilities declined by JD 157.8 million or 12.9 percent, compared to their levels at the end of 2013.
- **Deposits at Licensed Banks**
- Total deposits at licensed banks stood at JD 30,233.9 million at the end of November 2014, increasing by JD 2,640.7 million, or 9.6 percent, compared to its level at the end of 2013, against an increase of JD 2,643.9 million, or 10.6 percent, during the same period in 2013.
  - The increase in total deposits at licensed banks during the first eleven months of 2014 was a result of the increase in the deposits of the private sector (resident) by JD 1,841.0 million, or 8.3

percent, the private sector (non-resident) by JD 384.9 million, or 12.4 percent, the public sector (central government plus public institutions) by JD 322.5 million, or 16.1 percent, and the non-banking financial institutions by JD 92.5 million, or 33.3 percent, and compared to their levels at the end of 2013.

- The developments in the currency structure of deposits at the end of November 2014 reveal that JD deposits increased by JD 2,877.0 million, or 13.7 percent, while “deposits in the foreign currency” decreased by JD 236.3 million, or 3.6 percent, compared to their levels at the end of 2013.

#### □ Amman Stock Exchange (ASE)

Indicators of the ASE displayed a mixed performance during the first eleven months of 2014 compared to 2013. This can be demonstrated as follows:

##### ■ Trading Volume

Trading volume at the ASE totaled JD 154.4 million in November 2014; up by JD 22.6 million, or 17.1 percent, compared to its level of the previous month, against an increase of JD 22.9 million, or 15.5 percent, during the same month in 2013. However, the trading volume totaled JD 1,992.7 million, during the first eleven months of 2014; down by JD 824.9 million, or 29.3 percent, compared to the same period in 2013.

##### ■ Traded Shares

The number of traded shares in November 2014 totaled 171.3 million shares; up by 14.3 million shares, or 9.1 percent, compared to its level of the previous month, against an increase amounting to 39.2 million shares, or 25.4 percent, during the same month in 2013. However, the number of traded shares during the first eleven months of 2014 totaled 2,016.0 million shares, compared to 2,526.8 million shares traded during the same period in 2013 down by 510.8 million shares, or 20.2 percent.

### ■ Share Price Index (SPI)

The SPI weighted by market capitalization of free float shares at ASE increased by 26.4 points, or 1.3 percent, at the end of November 2014 compared to its level at the end of the previous month, to stand at 2,132.5 points, against an increase in the amount of 53.3 points, or 2.7 percent, compared to the same month in 2013. Furthermore, during the first eleven months of 2014, the SPI increased by 66.7 points, or 3.2 percent compared to its level at the end of 2013, against an increase in the amount of 65.0 points, or 3.3 percent during the same period in 2013. The aforementioned increase was an outcome of the increase in the SPI for the financial sector by 197.3 points, or 7.3 percent, and the services sector by 79.5 points, or 4.8 percent, and the decrease in the SPI for the industrial sector by 179.3 points, or 9.1 percent respectively.

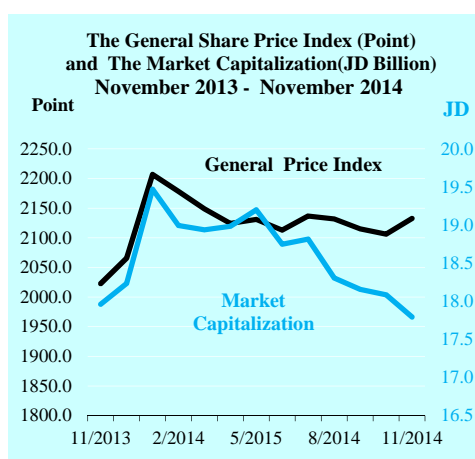
Share Price Index Weighted by Market Capitalization of Free Float Shares, by Sector

|         |                   | November |         |
|---------|-------------------|----------|---------|
| 2013    |                   | 2013     | 2014    |
| 2,065.8 | General Index     | 2,022.6  | 2,132.5 |
| 2,703.9 | Financial Sector  | 2,648.5  | 2,901.2 |
| 1,964.9 | Industrial Sector | 1,952.3  | 1,785.6 |
| 1,664.8 | Services Sector   | 1,607.8  | 1,744.3 |

Source: Amman Stock Exchange.

### ■ Market Capitalization

The ASE's market capitalization totaled JD 17.8 billion at the end of November 2014; a decrease of JD 291.1 million, or 1.6 percent, compared to its level at the end of the previous month, against an increase of JD 371.4 million



or 2.1 percent, during the same month in 2013. As for, the first eleven months of 2014, the market capitalization decreased by JD 439.7 million, or 2.4 percent, compared to a decrease of JD 1.2 billion, or 6.2 percent, during the same period in 2013.

#### ■ Non - Jordanian Net Investment

Non-Jordanian net investment at the ASE recorded an inflow amounting to JD 1.6 million in November 2014, compared to an inflow of JD 4.7 million during the same month in 2013; the value of shares acquired by non-Jordanian in November 2014 amounted to JD 25.7 million, while the value of shares sold by the same group amounted to JD 24.1 million. As for, the first

| <b>Main Amman Stock Exchange Trading Indicators, JD Million</b> |                                 |                 |                 |
|---|---------------------------------|-----------------|-----------------|
|   |                                 | <b>November</b> |                 |
| <b>2013</b>   |                                 | <b>2013</b>     | <b>2014</b>     |
| <b>3,027.3</b>  | Value Traded                    | <b>170.5</b>    | <b>154.4</b>    |
| <b>12.4</b>   | Average Daily Trading           | <b>9.0</b>      | <b>7.4</b>      |
| <b>18,233.5</b>   | Market Capitalization           | <b>17,960.4</b> | <b>17,793.8</b> |
| <b>2,705.8</b>  | No. of Traded Shares (million)  | <b>193.4</b>    | <b>171.3</b>    |
| <b>146.9</b>  | Net Investment of Non-Jordanian | <b>4.7</b>      | <b>1.6</b>      |
| <b>939.5</b>  | Non-Jordanian Buying            | <b>23.4</b>     | <b>25.7</b>     |
| <b>792.6</b>  | Non-Jordanian Selling           | <b>18.7</b>     | <b>24.1</b>     |

Source: Amman Stock Exchange.

eleven months of 2014, non-Jordanian net investment recorded an outflow amounted to JD 25.8 million, compared with an inflow of JD 135.0 million during the same period in 2013.

## Second: Output, Prices and Employment

### □ Summary

- Gross Domestic product (GDP) at constant market prices, grew by 3.1 percent, during the third quarter of 2014, compared to 2.8 percent during the same quarter of 2013. Moreover, GDP at current market prices, grew by 6.2 percent during the third quarter of 2014, compared to 8.0 percent during the same quarter of 2013.
- Accordingly, GDP at constant market prices, grew by 3.0 percent, during the first three quarters of 2014, compared to 2.8 percent during the same period of 2013. Moreover, GDP at current market prices, grew by 6.5 percent during the first three quarters of 2014, compared to 9.0 percent during the same period of 2013.
- The CPI inflation fell to 3.0 percent during the first eleven months of 2014, compared to 5.8 percent during the same period of 2013.
- The unemployment rate went down during the third quarter of 2014, to stand at 11.4 percent (9.2 percent for males and 22.0 percent for females), compared to 14.0 percent (11.3 percent for males and 26.8 percent for females) during the same quarter of 2013. The unemployment rate among academic degree holders (Bachelor Degree and higher) reached 17.9 percent.

### □ Developments of GDP

Despite the reflection of the repercussions of the Arab Spring and the unrest in the region, that still have their effects on the Jordanian economy, real GDP grew by 3.0 percent during the first three quarters of 2014, compared to 2.8 percent during the same period of 2013. When excluding “net taxes on products”, which grew by 2.8 percent, GDP at constant basic prices grew by 3.1 percent during the first three quarters of 2014, compared to 2.7 percent during the same period of 2013.

**Quarterly Growth Rates of GDP at Market Prices  
2013 - 2014**

|                               | Q 1 | Q2  | Q3  | Q4  | Percentages |
|-------------------------------|-----|-----|-----|-----|-------------|
|                               |     |     |     |     | Year        |
| <b>2013</b>                   |     |     |     |     |             |
| GDP at Constant Market Prices | 2.6 | 3.1 | 2.8 | 2.9 | <b>2.8</b>  |
| GDP at Current Market Prices  | 9.5 | 9.7 | 8.0 | 7.4 | <b>8.6</b>  |
| <b>2014</b>                   |     |     |     |     |             |
| GDP at Constant Market Prices | 3.2 | 2.8 | 3.1 | -   | -           |
| GDP at Current Market Prices  | 7.1 | 6.1 | 6.2 | -   | -           |

Source: Department of Statistics.

At current market prices, GDP grew by 6.5 percent during the first three quarters of 2014, compared to 9.0 percent during the same period of 2013. This decline in nominal growth is mainly attributed to a decelerated growth in the general price level, measured by the GDP deflator, which grew by 3.3 percent, compared to 6.0 percent during the first three quarters of 2013, as a reflection of the fading impact of the government's decision of liberalizing the prices of petroleum products on the national economy, and the decline in the producer price index of both the "mining and quarrying" and manufacturing.

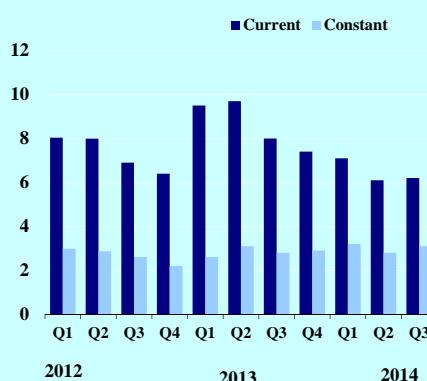
The main sectors contributed to the economic growth during the first three quarters of 2014 are "finance, insurance, real estate and business services" (0.5 percentage point), "wholesale and retail trade, restaurants and hotels" (0.5 percentage point), construction (0.4 percentage point), "transport, storage and communications" (0.3 percentage point), and manufacturing (0.3 percentage point). These sectors collectively accounted for 66.7 percent of real GDP growth during the above-mentioned period.

The developments of economic sectors during the first three quarters of 2014 showed that all sectors witnessed positive real growth at divergent rates; where some sectors witnessed an accelerated improvement in their performance; mainly “wholesale and retail trade, restaurants and hotels” which grew by 4.3 percent, “producers of government services” (1.9 percent), “mining and quarrying” (14.2 percent), “electricity and water” (4.3 percent) and agriculture (3.0 percent). While other sectors exhibited a slowdown in performance.

**Microeconomic Indicators**

- Industrial production quantity index grew by 1.5 percent during the first ten months of 2014 compared to a growth of 1.4 percent during the corresponding period of the previous year. This was attributed to the following:

Quarterly Growth Rates of GDP at Market Prices (2012- 2014), %



Growth Rate of GDP at Market Prices during the first three quarters of 2013-2014, Percentages

|  | 2013       | 2014       |
|--|------------|------------|
| Agriculture, Hunting, Forestry, And Fishing            | 1.0        | 3.0        |
| Mining And Quarrying                                   | -10.5      | 14.2       |
| Manufacturing  | 1.7        | 1.5        |
| Electricity And Water                                  | -0.6       | 4.3        |
| Construction   | 8.4        | 7.8        |
| Wholesale & Retail Trade, Restaurants & Hotels         | 3.6        | 4.3        |
| Transport, Storage & Communications                    | 4.0        | 1.8        |
| Finance, Insurance, Real Estate And Business Services  | 3.8        | 2.7        |
| Community, Social And Personal Services                | 5.9        | 5.0        |
| Producers Of Government Services                       | 1.3        | 1.9        |
| Producers Of Private Non-Profit Services To Households | 6.9        | 6.7        |
| Domestic Services Of Households                        | 0.1        | 0.1        |
| <b>Gross Domestic Product At Market Prices</b>         | <b>2.8</b> | <b>3.0</b> |

Source: Department of Statistics.

- “Mining and quarrying” production quantity index grew by 22.6 percent, against a decrease of 14.7 percent during the same period of 2013. This growth was mainly attributed to the increase of production quantity index for phosphate by 29.0 percent and potash by 18.4 percent.
- Electricity production quantity index grew by 5.0 percent, compared to a decrease of 6.7 percent during the same period of 2013; due to an increase in the demand of mining and quarrying industry sector.
- Manufacturing production quantity index declined by 0.4 percent, compared to a growth of 3.6 percent during the same period of 2013. This came as a result of a contraction in production of some of its components, mainly; “refined petroleum products” (5.5 percent) and “iron and steel” (4.6 percent), on one hand, and an increase of some items, mainly; “cement, lime and plaster” (10.2 percent) and “tobacco products” (7.1 percent), on the other.
- Quantities of exported and imported goods shipped through Aqaba port grew by 15.0 percent during the first ten months of 2014, compared to a decline in a same percentage during the corresponding period of the previous year.
- Number of passengers through Royal Jordanian declined by 1.9 percent during the first ten months of 2014, against a contraction of 2.5 percent during the same period of 2013.
- Cargo through Royal Jordanian contracted by 3.4 percent during the first ten months of 2014, compared to a decrease of 8.4 percent during the same period of 2013.
- Number of departures declined by 0.7 percent during the first eleven months of 2014, against a decline of 13.7 percent during the same period of 2013.
- Licensed areas for buildings grew by 9.0 percent during the first ten months of 2014, compared to a growth of 6.5 percent during the same period of 2013.



## Main Sectoral Indicators\*

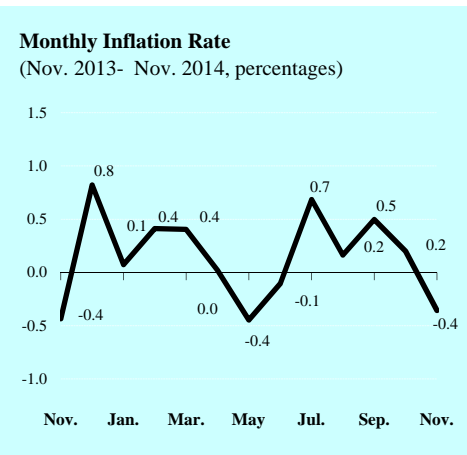
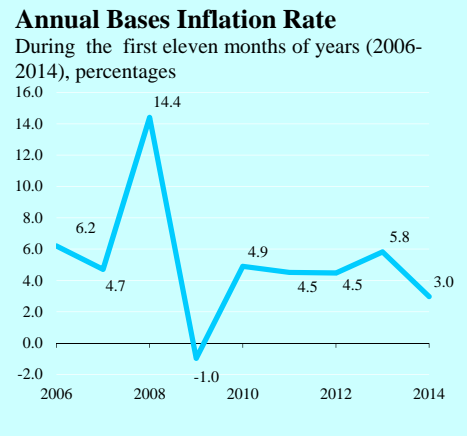
Percentage Points

| 2013  | Item  | 2013  | Available period   | 2014 |
|-------|---|-------|--------------------|------|
| 1.6   | <b>Industrial production quantity index</b>                                 | 1.4   | January - October  | 1.5  |
| 3.3   | <b>Manufacturing production quantity index</b>                              | 3.6   |                    | -0.4 |
| 5.0   | Food products and beverages   | 7.3   |                    | -3.1 |
| 29.8  | Tobacco products  | 26.5  |                    | 7.1  |
| -10.8 | Refined petroleum products  | -10.3 |                    | -5.5 |
| -17.7 | Cement, lime and plaster  | -19.1 |                    | 10.2 |
| -13.8 | Iron and steel  | -12.1 |                    | -4.6 |
| 14.2  | Chemical products   | 11.3  |                    | -4.0 |
| -11.5 | <b>“Mining and quarrying” production quantity index</b>                     | -14.7 |                    | 22.6 |
| -15.7 | Phosphate   | -14.5 |                    | 29.0 |
| -5.2  | Potash  | -13.8 |                    | 18.4 |
| -4.5  | <b>Electricity production quantity index</b>                                | -6.7  |                    | 5.0  |
| 8.4   | <b>Licensed areas for buildings</b>   | 6.5   |                    | 9.0  |
| -15.7 | <b>Quantities of exported and imported goods shipped through Aqaba port</b> | -15.0 |                    | 15.0 |
| -3.7  | <b>Number of passengers through Royal Jordanian</b>                         | -2.5  |                    | -1.9 |
| -9.5  | <b>Cargo through Royal Jordanian</b>  | -8.4  |                    | -3.4 |
| -13.5 | <b>Number of departures</b>   | -13.7 | January - November | -0.7 |

\* : Sources:  
- Department of Statistics.  
- Monthly Statistical Bulletin / Central Bank of Jordan.  
- Royal Jordanian.

Prices

Inflation, measured by the percentage change in the Consumer Price Index (CPI), for the first eleven months of 2014, declined at 3.0 percent, compared to 5.8 percent during the same period of 2013. This came as a result of the rise in the prices of some items, mainly; the increase of the prices of cigarettes, rents, and clothes. These items collectively contributed to the overall inflation rate by 1.9 percentage points, compared to 0.5 percentage point during the same period of 2013.



In November 2014, the CPI decreased by 0.4 percent compared with October 2014. This was due to the increase in prices of some items, mainly; fruits, “dairy products and eggs”, transportation, and “fuels and lighting”.

**Developments of the CPI basket during the first eleven months of 2014, compared to the same period of 2013:**

- ◆ “Food items” group, constitutes 36.6 percent of the CPI basket. The prices of this group increased by 1.9 percent compared to an increase of 3.7 percent during the same period of 2013. The contribution of this group to the overall inflation rate reached 0.7 percentage point. The increase in the prices of “food items” group was mainly driven by the increase in the prices of most of its components, particularly; cigarettes (13.9 percent), due to the government's decision of increasing tax on cigarettes (February 2014), in addition to “dry and canned legumes” (5.3 percent), and fruits (4.8 percent). In contrast, prices of vegetables and “oils and fats” declined by 1.5 percent and 0.4 percent, respectively.
- ◆ “Clothing and footwear” group has the least weight in the CPI basket (5.0 percent). The prices of this group increased by 10.0 percent compared to an increase of 5.6 percent during the same period of 2013. The group's contribution to the overall inflation rate reached 0.5 percentage point. The increase in the prices of this group was affected by the rise in the prices of clothes (10.1 percent) due to the government's decision of increasing tariff on imported clothing (mid-September 2013), in addition to the rise in the prices of footwear (9.6 percent).
- ◆ “Housing” expenses account for 26.8 percent of the CPI basket. The prices of housing increased by 3.7 percent compared to an

increase of 8.8 percent during the same period of 2013. Accordingly, it contributed to the overall inflation rate by 1.0 percentage points which was driven by the increase in the prices of rents by 7.0 percent, owing to the increase in the domestic demand as a result of the Syrian refugees influx. In addition, prices of other items showed varied increase ranges between 4.5 percent for “cleaning materials” and 0.02 percent for “garbage and water”.

- ◆ “Other goods and services” group accounts for 31.6 percent of the CPI basket. The prices of this group increased by 2.6 percent compared to 6.3 percent during the same period of 2013. Accordingly, this group contributed by 0.8 percentage point to the overall inflation rate. The increase in the prices of this group was driven by the increase in the prices of most of its components, mainly; “medical care” (7.0 percent), education (4.7 percent) and transportation (2.0 percent).

#### □ **Employment**

- ◆ The unemployment rate (the ratio of unemployed people to the labor force) decreased during the third quarter of 2014; to stand at 11.4 percent (9.2 percent for males and 22.0 percent for females), compared to 14.0 percent (11.3 percent for males and 26.8 percent for females) during the same quarter of 2013. Furthermore, the unemployment rate among academic degree holders (Bachelor Degree and higher) reached 17.9 percent.

- ◆ The refined economic participation rate (the ratio of the labor force to the population of 15 years and over) during the third quarter in 2014 reached 36.2 percent (59.6 percent for males and 12.5 percent for females), compared to 36.8 percent (59.7 percent for males and 13.1 percent for females) during the same quarter of 2013.
  
- ◆ The employment rate among population of 15 years and older reached 32.1 percent during the third quarter of 2014, compared to 31.6 percent during the same quarter of 2013. The employees in the sector of “public administration, defense, and social security” accounted for 26.5 percent of the total employed, followed by employees in the “wholesale and retail trade” sector 15.5 percent, and the remaining percent is distributed among other sectors.



### Third : Public Finance

#### □ Summary:

- The general budget, including foreign grants, recorded a fiscal deficit in the amount of JD 696.0 million during the first ten months of 2014, comparing to a fiscal deficit in the amount of JD 897.5 million, during the same period of 2013. When excluding foreign grants (JD 721.4 million), the general budget deficit reaches JD 1,417.4 million compared to a deficit in the amount of JD 1,447.8 million during the same period of 2013.
- Net outstanding domestic public debt increased by JD 722.0 million at the end of October 2014 compared to its level at the end of 2013, to reach JD 12,584.0 million (49.2 percent of GDP).
- Outstanding external public debt (budgetary and guaranteed) increased by JD 652.9 million at the end of October 2014, compared to its level at the end of 2013, to stand at JD 7,887.4 million (30.8 percent of GDP).
- As a result, net outstanding public debt (domestic and external) reached JD 20,471.4 million (80.0 percent of GDP) at the end of October 2014 compared to JD 19,096.5 million (80.0 percent of GDP) at the end of 2013.

#### □ The performance of the general budget during the first ten months of 2014 compared to the same period of the preceding year:

##### ■ Public Revenues

Public revenues (including foreign grants) increased by JD 97.1 million, or 25.1 percent, in October 2014 comparing to the same month of 2013 to reach JD 483.2 million. As for the first ten months of 2014, these revenues were up by JD 914.9 million, or 19.5 percent, compared to the same period of 2013 to stand at JD 5,599.6 million. This rise came as a result of the increase in domestic revenues by JD 743.8 million, as well as foreign grants by JD 171.1 million.

**Main Government Budget Indicators during the first ten months of 2014:**

(JD Million and Percentages)

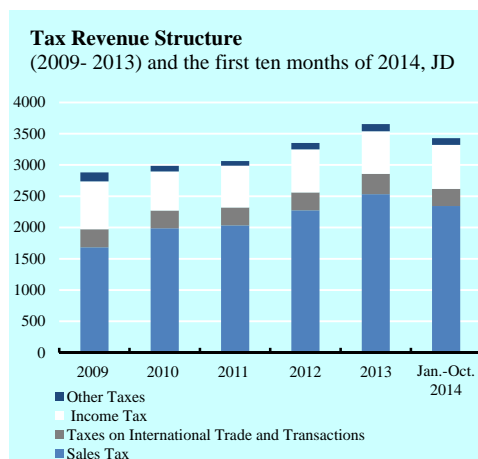
|                                      | Oct.          |               | Growth Rate | Jan. – Oct.    |                | Growth Rate |
|--------------------------------------|---------------|---------------|-------------|----------------|----------------|-------------|
|                                      | 2013          | 2014          |             | 2013           | 2014           |             |
| <b>Total Revenues and Grants</b>     | <b>386.1</b>  | <b>483.2</b>  | <b>25.1</b> | <b>4,684.7</b> | <b>5,599.6</b> | <b>19.5</b> |
| Domestic Revenues, of which:         | 372.9         | 395.9         | 6.2         | 4,134.4        | 4,878.2        | 18.0        |
| Tax Revenues, of which:              | 273.9         | 289.6         | 5.7         | 3,014.6        | 3,427.9        | 13.7        |
| General Sales Tax                    | 212.8         | 229.7         | 7.9         | 2,009.6        | 2,342.6        | 16.6        |
| Other Revenues                       | 97.3          | 104.7         | 7.6         | 1,101.4        | 1,433.4        | 30.1        |
| Foreign Grants                       | 13.2          | 87.3          | -           | 550.3          | 721.4          | 31.1        |
| <b>Total Expenditures, of which:</b> | <b>541.9</b>  | <b>618.1</b>  | <b>14.1</b> | <b>5,582.2</b> | <b>6,295.6</b> | <b>12.8</b> |
| Capital Expenditures                 | 72.1          | 77.5          | 7.5         | 605.7          | 761.9          | 25.8        |
| <b>Overall Deficit/ Surplus</b>      | <b>-155.8</b> | <b>-134.9</b> | <b>-</b>    | <b>-897.5</b>  | <b>-696.0</b>  | <b>-</b>    |

Source: Ministry of Finance/ General Government Finance Bulletin.

◆ **Domestic Revenues**

Domestic revenues increased by JD 743.8 million, or 18.0 percent, during the first ten months of 2014 compared to the same period of 2013, to reach JD 4,878.2 million. This increase was an outcome of the rise in the proceeds of “tax revenues” and “other revenues” by JD

413.3 million, and JD 332.0 million, respectively, and the drop in “pension contributions” by JD 1.5 million.





### ● Tax Revenues

Tax revenues increased by JD 413.3 million, or 13.7 percent, during the first ten months of 2014 compared to the same period of 2013, to reach JD 3,427.9 million (70.3 percent of domestic revenues). This increase was chiefly driven by the rise in the proceeds of the general sales tax on goods and services, in addition to income and profit taxes. Following are the main developments in tax revenues items:

- An increase in the proceeds of “general sales tax on goods and services” by JD 333.0 million, or 16.6 percent, which reached JD 2,342.6 million (accounting for 68.3 percent of total tax revenues). This result was driven by the increase in the proceeds of all general sales tax items. More specifically, the proceeds of “sales tax on commercial sector”, “sales tax on imported goods”, “sales tax on services”, and “sales tax on domestic goods” have increased by JD 229.7 million, JD 80.0 million, JD 18.0 million, and JD 5.3 million, respectively.
- An increase in the proceeds of “income and profit taxes” by JD 63.5 million, or 9.9 percent, which reached JD 701.8 million (accounting for 20.5 percent of total tax revenues). This rise was a result of the increase in the proceeds of “income tax from companies and other projects” by JD 45.7 million, and the rise in the proceeds of “income tax from individuals” by JD 17.8 million. Accordingly, income tax from companies accounted for 81.4 percent of total taxes on income and profits to reach JD 571.0 million (of which JD 275.6 million from banks and financial institutions).

- An increase in the proceeds of “taxes on international trade and transactions” (including customs duties and fees) by JD 3.5 million or 1.3 percent, to reach JD 275.4 million (accounting for 8.0 percent of total tax revenues).
- An increase in real-estates tax (taxes on financial transactions) by JD 13.3 million, or 14.0 percent, to reach JD 108.1 million (accounting for 3.2 percent of total tax revenues).

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

“Other revenues” increased by JD 332.0 million, or 30.1 percent, during the first ten months of 2014 to reach JD 1,433.4 million. This increase was chiefly due to:

- A rise in miscellaneous revenues by JD 272.3 million to stand at JD 451.0 million.
- An increase in “revenues from selling goods and services” by JD 68.1 million to reach JD 731.1 million.
- A decrease in property income by JD 8.4 million to stand at JD 251.3 million (of which financial surplus of independent government units amounted to JD 222.3 million).

- **Pension Contributions**

Pension contributions were down by JD 1.5 million during the first ten months of 2014, standing at JD 16.9 million.

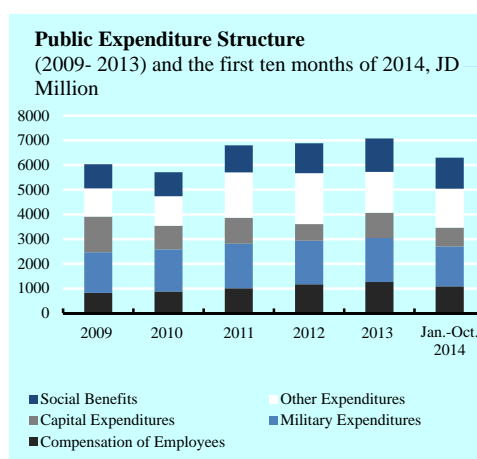
- ◆ **Foreign Grants**

Foreign grants increased by JD 171.1 million during the first ten months of 2014, standing at JD 721.4 million.

## Public Expenditures

Public expenditures witnessed an increase by JD 76.2 million, or 14.1 percent, in October 2014 compared to the same month in 2013 to stand at JD 618.1 million. Moreover, public expenditures increased by JD 713.4 million, or 12.8 percent during the first ten months of 2014, to stand at JD 6,295.6 million. This

increase was a result of the rise in both current expenditures and capital expenditures by 11.2 percent, and 25.8 percent, respectively.



## Current Expenditures

Current expenditures increased by JD 557.2 million, or 11.2 percent, during the first ten months of 2014, to reach JD 5,533.7 million. This result was driven by the increase in all current expenditures items. More specifically:

- An increase in military expenditures by JD 103.4 million to total JD 1,614.3 million, accounting for 29.2 percent of total current expenditures.
- An increase in social benefit expenditures by JD 115.3 million to stand at JD 1,253.7 million, accounting for 22.7 percent of total current expenditures.
- A rise in the “compensation of civil sector's employees” (wages, salaries and social security contributions) by JD 41.8 million to reach JD 1,088.7 million, accounting for 19.7 percent of total current expenditures.

- An increase in interest payments, on internal and external public debt, by JD 191.9 million to stand at JD 782.0 million, accounting for 14.1 percent of total current expenditures.
- An increase in “purchases of goods and services” by JD 74.0 million to stand at JD 276.4 million, accounting for 5.0 percent of total current expenditures.
- A rise in goods subsidies by JD 16.6 million to stand at JD 201.8 million, accounting for 3.6 percent of total current expenditures. It is worth mentioning that this item includes only food subsidies starting from 2013.

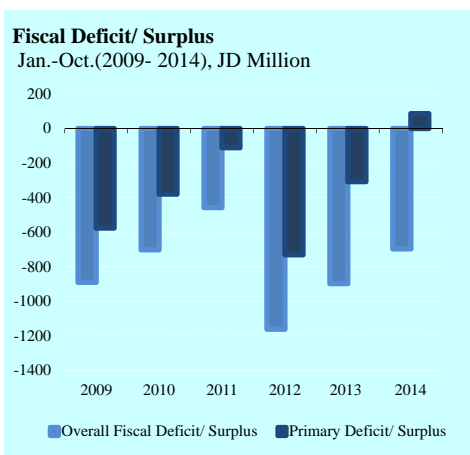
#### ◆ Capital Expenditures

Capital expenditures increased by JD 156.2 million, or 25.8 percent during the first ten months of 2014 compared to the same period of 2013, to reach JD 761.9 million.

#### ■ General Budget Deficit/ Surplus

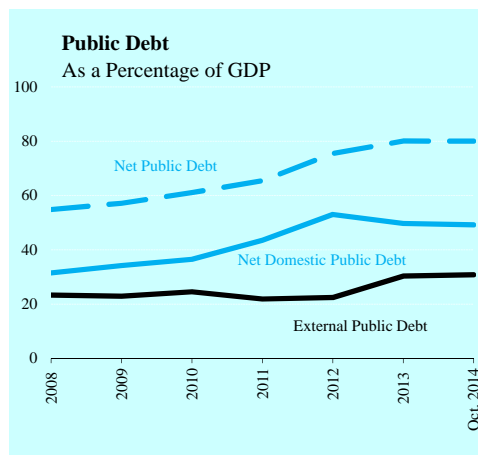
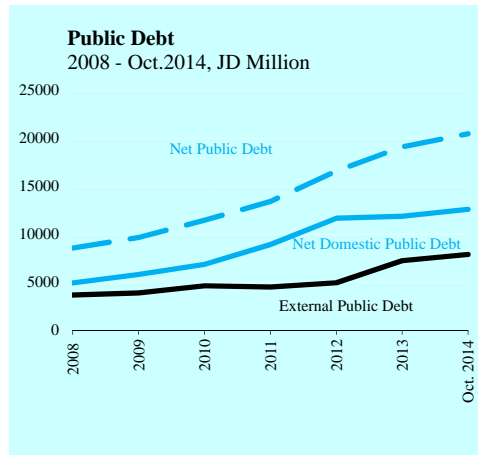
- ◆ The general budget, including grants, displayed a fiscal deficit amounted to JD 696.0 million during the first ten months of 2014, against a fiscal deficit in the amount of JD 897.5 million during the same period of 2013.

- ◆ The general budget showed a primary surplus (after excluding interest payments on public debt from total expenditures) amounted to JD 86.0 million during the first ten months of 2014, against a primary deficit of JD 307.4 million during the same period of 2013.



Public Debt

Net outstanding domestic public debt (gross outstanding domestic public debt minus government deposits at the banking system) increased by JD 722.0 million at the end of October 2014 comparing to its level at the end of 2013 to total JD 12,584.0 million, or 49.2 percent of GDP. This result was an outcome of the rise in gross outstanding domestic public debt by JD 931.0 million to reach JD 14,371.0 million, and the increase in the government deposits at the banking system by JD 210.0 million to reach JD 1,787.0 million. In details, the increase in the budgetary domestic public debt was mainly an outcome of the rise in “Treasury bills and bonds” in the amount of JD 1,323.0 million to reach JD 12,191.0 million at the end of October 2014, on one hand, and the drop in the outstanding balance of “loans and advances” extended by CBJ to the budgetary central government by JD 80.0 million to stand at JD 592.0 million, on the other. Meanwhile, own-budget agencies bonds decreased by JD 176.0 million to reach JD 693.0 million at the end of October 2014, and loans and advances extended to these agencies decreased by JD 128.0 million to stand at JD 886.0 million.



- Outstanding balance of external public debt (budgetary and guaranteed) increased by JD 652.9 million at the end of October 2014 compared to its level at the end of 2013, amounting to JD 7,887.4 million (30.8 percent of GDP). This increase was driven by receiving the fourth and the fifth tranches of the IMF loan under the Stand-By Arrangement (SBA) in the amount of JD 182.9 million (equivalent to US\$ 258 million) in April, in addition to the issuance of sovereign Eurobonds in the international markets in the amount of US\$ 1.0 billion in June. The currency debt structure shows that external debt in US dollars accounted for 57.8 percent, while debt in Euros accounted for 6.0 percent. Furthermore, external debt in Japanese Yen and Kuwaiti Dinars accounted for 8.2 percent and 11.1 percent of the outstanding external public debt, respectively, while external debt in SDRs accounted for 13.5 percent.
- Net public debt (domestic and external) increased by JD 1,374.9 million at the end of October 2014 compared to its level at the end of 2013 to stand at JD 20,471.4 million, (80.0 percent of GDP), against JD 19,096.5 million (80.0 percent of GDP) at the end of 2013.
- External debt service (budgetary and guaranteed) amounted to JD 726.2 million during the first ten months of 2014 (of which interest payments amounting to JD 163.7 million) compared to JD 427.5 million (of which interest payments amounting to JD 96.0 million) during the same period of 2013.

### □ Fiscal and Price Measures

- Reducing the prices of all types of oil derivatives noticeably, as follows:

**Development of Oil Derivatives Price**

|  | Unit       | 2014     | 2015    | Percentage Change |
|--|------------|----------|---------|-------------------|
|  |            | December | January |                   |
| Unleaded Gasoline 90                   | Fils/Liter | 690      | 590     | -14.5             |
| Unleaded Gasoline 95                   | Fils/Liter | 835      | 735     | -12.0             |
| Gas Oil (Diesel)                       | Fils/Liter | 545      | 460     | -15.6             |
| Kerosene                               | Fils/Liter | 545      | 460     | -15.6             |
| Liquid Gas (12.5kg)                    | JD/Unit    | 10       | 8.75    | -12.5             |
| Fuel oil for industry                  | JD/Ton     | 362.7    | 295     | -18.7             |
| Fuel for airplanes (local companies)   | Fils/Liter | 491      | 410     | -16.5             |
| Fuel for airplanes (foreign companies) | Fils/Liter | 496      | 415     | -16.3             |
| Fuel for unplanned flights             | Fils/Liter | 511      | 430     | -15.9             |
| Asphalt                                | JD/Ton     | 389.9    | 315.0   | -19.2             |

Source: Jordan Petroleum Refinery Company (1/1/2015).

- The cabinet approved the work permit fees for non-Jordanian workers by-law for 2014, to be effective from its issuance in the official Gazette (June 2014).
- Completion of the issuance of sovereign Eurobonds in the international markets on behalf of the Hashemite Kingdom of Jordan, in the amount of US\$ 1.0 billion. These bonds due after five years and carry a fixed annual interest rate of 1.945

percent. This issuance is the second one for the kingdom in the international markets, guaranteed by the U.S government (June 2014).

- The cabinet decided to reduce the general sales tax rate on micro-financing companies sales to become 3% starting from the year 2009 onwards. Provided that these companies are not allowed to deduct any taxes on their purchases, as of 20/7/2014 (July 2014).
- The cabinet approved the income tax law for the year 2014, to be effective starting from 1<sup>st</sup> January 2015 (January 2015).

#### □ Grants, Loans and Other Agreements

- Signing a memorandum of understanding (MoU) concerning EU financial assistance to Jordan for the years (2014 – 2017), providing grants ranging between EUR (312 – 382) million. Jordan and the EU also signed two grant agreements in the total amount of EUR 59.5 million, of which EUR 47.5 million for supporting Jordan's public finance management and public administration reforms, while the remaining EUR 12 million will go for supporting the implementation of the EU – Jordan Action plan of the European Neighborhood policy (October 2014).
- Signing an agreement with German Development Bank (KfW) in the amount of EUR 20 million in order to help the Kingdom cope with effects of climate change in the water sector, in addition to supporting services grant agreement in the amount of EUR 1.5 million (October 2014).



- Signing a grant agreement between the government of Jordan and the Japan International Cooperation Agency (JICA), under which the Japanese government will provide a grant aid amounting to Japanese Yen 2,238 million (equivalent to US\$ 20 million) for the assistance of the implementation of the project of rehabilitation and expansion of water networks in Balqa governorate, as part of the Japanese grants program for climate change and environment protection (November 2014).
- Signing an economic and technical cooperation agreement between the government of Jordan and the government of China under which the Chinese government will provide Jordan with a grant in the amount of Yuan 50 million (equivalent to US\$ 8.0 million) to finance certain development projects (to be agreed upon later) (December 2014).
- Signing a framework arrangements agreement with the South Korean government regarding the Korean aid (grants) program allocated for Jordan in 2014 in the total amount of US\$ 18 million, provided by the Korea International Cooperation Agency (KOICA), distributed as follows (December 2014):
  - US\$ 4.3 million provided for the Ministry of Health for building and equipping three comprehensive healthcare centers.
  - US\$ 5.2 million provided for the Ministry of Education for the establishment of deaf and hard of hearing service center.
  - US\$ 8.5 million provided for the general supplies department for the establishment of an e-procurement system.



#### Fourth: External Sector

##### □ Summary

- **Total merchandize exports** (domestic exports *plus* re-exports) decreased by 3.6 percent in October 2014 compared to the same month of 2013, to record JD 466.1 million. As for the first ten Months of 2014, total merchandize exports increased by 6.1 percent to reach JD 4,953.2 million.
- **Merchandize imports** decreased by 4.4 percent in October 2014 compared to the same month of 2013, to reach JD 1,300.6 million. As for the first ten months of 2014, merchandize imports increased by 2.9 percent to reach JD 13,427.6 million.
- Consequently, the trade balance deficit (total exports minus imports) decreased by 4.9 percent in October 2014 compared to the same month in 2013; standing at JD 834.5 million. As for the first ten months of 2014, the trade deficit increased by 1.1 percent to reach JD 8,474.4 million.
- **Travel receipts and Payments** increased during the first eleven months of 2014 compared to the same period of 2013 by JD 177.5 million and JD 26.9 million or 6.5 percent and 3.7 percent, respectively.
- **Total workers' remittances receipts** increased by 2.7 percent during the first eleven months of 2014 compared to the same period of 2013 to reach JD 2,432.7 million.
- **The current account of the balance of payments** registered a deficit of JD 1,391.3 million (7.5 percent of GDP) during the first three quarters of 2014 compared to a deficit of JD 1,633.8 million (9.3 percent of GDP) during the first three quarters of 2013.
- **Net direct investment** recorded an inflow of JD 975.5 million during the first three quarters of 2014, down from JD 1,049.5 million during the first three quarters of 2013.

- **International Investment Position (IIP)** displayed a net obligation to abroad of JD 22,121.0 million at the end of September 2014; an increase of JD 1,278.5 million compared to its level at the end of December 2013.

#### □ External Trade

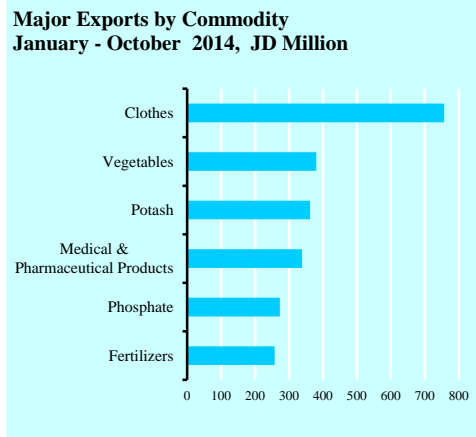
- As a result of the increase in domestic exports by JD 320.8 million and the increase in imports by JD 374.7 million during the first ten months of 2014, the volume of external trade (domestic exports *plus* imports) increased by JD 695.5 million to stand at JD 17,728.9 million.

| Jordan's Major Trading Partners<br>JD Million |         |         |                   | Main External Trade Indicators<br>JD Million |                             |      |                             |      |
|---|---------|---------|-------------------|--|-----------------------------|------|-----------------------------|------|
| January-October                               |         |         |                   | January- October                             |                             |      |                             |      |
|   | 2013    | 2014    | Percentage Change |  | Percentage Change 2013/2012 | 2014 | Percentage Change 2014/2013 |      |
| <b>Exports</b>                                |         |         |                   | External Trade                               | 17,033.4                    | 5.7  | 17,728.9                    | 4.1  |
| USA   | 705.3   | 779.1   | 10.5              | Total Exports                                | 4,666.9                     | -0.5 | 4,953.2                     | 6.1  |
| Iraq  | 721.9   | 704.3   | -2.4              | Domestic Exports                             | 3,980.5                     | 0.1  | 4,301.3                     | 8.1  |
| Saudi Arabia                                  | 547.8   | 592.2   | 8.1               | Re-exports                                   | 686.4                       | -3.4 | 651.9                       | -5.0 |
| India   | 298.9   | 383.7   | 28.4              | Imports                                      | 13,052.9                    | 7.6  | 13,427.6                    | 2.9  |
| UAE   | 157.5   | 163.5   | 3.8               | Trade Balance                                | -8,386.0                    | 12.7 | -8,474.4                    | 1.1  |
| Syria   | 73.7    | 122.0   | 65.5              | Source: Department of Statistics.            |                             |      |                             |      |
| China   | 72.0    | 115.6   | 60.6              |  |                             |      |                             |      |
| <b>Imports</b>                                |         |         |                   |  |                             |      |                             |      |
| Saudi Arabia                                  | 2,335.0 | 2,581.6 | 10.6              |  |                             |      |                             |      |
| China   | 1,355.6 | 1,398.3 | 3.1               |  |                             |      |                             |      |
| India   | 558.6   | 806.9   | 44.5              |  |                             |      |                             |      |
| USA   | 845.3   | 774.8   | -8.3              |  |                             |      |                             |      |
| UAE   | 452.9   | 699.5   | 54.4              |  |                             |      |                             |      |
| Germany                                       | 496.0   | 521.7   | 5.2               |  |                             |      |                             |      |
| Turkey  | 456.3   | 520.2   | 14.0              |  |                             |      |                             |      |
| South Korea                                   | 336.0   | 464.1   | 38.1              |  |                             |      |                             |      |
| Source: Department of Statistics.             |         |         |                   |  |                             |      |                             |      |

### ■ Merchandize Exports:

Total merchandize exports increased by 6.1 percent during the first ten months of 2014, compared to a decline of 0.5 percent during the same period in

2013, to record JD 4,953.2 million. This increase resulted from an increase in domestic exports by JD 320.8 million, or 8.1 percent, to reach JD 4,301.3 million, and a decline in re-exports by 5.0 percent, to reach JD 651.9 million.



### ◆ The developments of domestic exports during the first ten months of 2014 compared to the same period in 2013 reveal the following:

- Exports of **Fertilizers** increased by JD 95.3 million, or 58.6 percent, to reach JD 257.8 million, compared to a decrease of 27.3 percent during the same period in 2013. The Indian, Turkish and Ethiopian, Markets accounted for 63.6 percent of these exports.

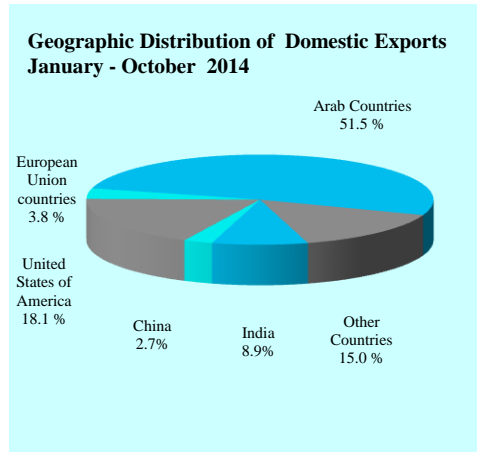
- Exports of **vegetables** increased by JD 81.2 million, or 27.1 percent, to total JD 380.3 million, compared to a decrease of 5.1 percent in the same period of 2013. The UAE, Iraqi, and the Saudi markets were the main destinations of these exports, accounting for 48.1 percent.
- Exports of **phosphate** increased by JD 42.7 million, or 18.5 percent, to register JD 273.0 million, compared to a decrease of 33.5 percent during the same period of 2013. This decrease was mainly due to an increase in exported quantities by 42.6 percent and a decline in the prices of phosphate by 16.9 percent. It is worth noting that the Indian market was the main destination for these exports, accounting for 67.7 percent of phosphates exports.

**Major Domestic Exports by Commodity, JD Million**  
January - October 2013, 2014

|  | 2013           | 2014           | Percentage Change |
|--|----------------|----------------|-------------------|
| <b>Domestic Exports</b>                      | <b>3,980.5</b> | <b>4,301.3</b> | <b>8.1</b>        |
| <b>Clothes</b>                               | <b>675.5</b>   | <b>757.0</b>   | <b>12.1</b>       |
| USA  | 626.4          | 688.3          | 9.9               |
| <b>Vegetables</b>                            | <b>299.1</b>   | <b>380.3</b>   | <b>27.1</b>       |
| UAE  | 51.2           | 67.1           | 31.1              |
| Iraq   | 45.1           | 59.8           | 32.6              |
| Saudi Arabia                                 | 48.1           | 56.1           | 16.6              |
| <b>Potash</b>                                | <b>365.4</b>   | <b>361.8</b>   | <b>-1.0</b>       |
| China  | 65.9           | 110.6          | 67.8              |
| India  | 72.2           | 96.2           | 33.2              |
| Malaysia                                     | 53.9           | 35.7           | -33.8             |
| <b>Medical &amp; Pharmaceutical Products</b> | <b>342.2</b>   | <b>338.6</b>   | <b>-1.1</b>       |
| Saudi Arabia                                 | 79.7           | 86.5           | 8.5               |
| Algeria                                      | 57.4           | 53.4           | -7.0              |
| Iraq   | 37.6           | 37.5           | -0.3              |
| Sudan  | 33.4           | 27.8           | -16.8             |
| <b>Phosphate</b>                             | <b>230.3</b>   | <b>273.0</b>   | <b>18.5</b>       |
| India  | 162.6          | 184.7          | 13.6              |
| Indonesia                                    | 28.9           | 45.5           | 57.4              |
| Bulgaria                                     | 11.9           | 7.6            | -36.1             |
| <b>Fertilizers</b>                           | <b>162.5</b>   | <b>257.8</b>   | <b>58.6</b>       |
| India  | 45.6           | 71.4           | 56.6              |
| Turkey                                       | 31.7           | 47.8           | 50.8              |
| Ethiopia                                     | 14.6           | 44.8           | 206.8             |

Source: Department of Statistics.

- Exports of **potash** decreased by JD 3.6 million, or 1.0 percent, to stand at JD 361.8 million, compared to a 13.1 percent decrease during the same period in 2013. The Chinese,

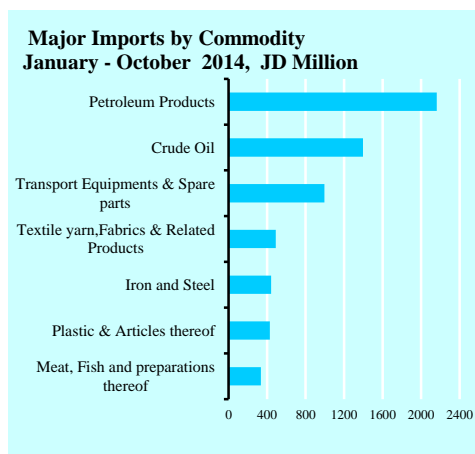


Indian, and Malaysian markets accounted for 67.0 percent of these exports.

- Consequently, the commodity breakdown of domestic exports indicates that exports of clothes, vegetables, potash, “medical and pharmaceutical products”, phosphate, and fertilizers stopped the list of domestic exports during the first ten months of 2014; accounting for 55.1 percent of domestic exports, up from 52.1 percent during the same period in 2013. Meanwhile, the geographical distribution of domestic exports indicates that the USA, Iraq, Saudi Arabia, India, the UAE, Syria and China, were the main destination markets for domestic exports during the first ten months of 2014; accounting for 66.5 percent of domestic exports, up from 64.7 percent during the same period in 2013.

### ■ Merchandize Imports:

Merchandize imports increased by 2.9 percent to reach JD 13,427.6 million during the first ten months quarters of 2014, compared to a similar increase of 7.6 percent during the same period of 2013.



### ◆ The developments of imports during the first ten months of 2014 compared with the same period of 2013 reveal the following:

- **Petroleum products** imports increased by JD 564.9 million, or 35.3 percent, to total JD 2,163.2 million compared to a decrease of 16.1 percent during the first ten months of 2013. This increase was mainly attributable to the repeated interruptions of Egyptian gas flows, used in electricity generation, which was substituted by fuel oil and diesel. The main source markets of these imports were the India, UAE, and Saudi Arabia.
- **Crude oil** imports decreased by JD 115.3 million, or 7.6 percent, to reach JD 1,396.3 million, compared to a decrease of JD 181.0 million, or 10.7 percent during the first ten months of 2013. This increase was attributed to the decline in prices by 0.5 percent and a decrease in quantities by 7.1 percent. It's worth noting that crude oil imports came from the Saudi market.



- Imports of **Transport equipment's and Spare Parts** increased by JD 195.8 million, or 24.5 percent, to reach JD 995.9 million compared to an increase of 12.4 percent during the first ten months of 2013. The USA, Japan and South Korea were the main markets for these imports; accounting for 63.1 percent.
- Consequently, the commodity composition of imports indicates that petroleum products, crude oil, "transport

**Major Imports by Commodity, JD Million**

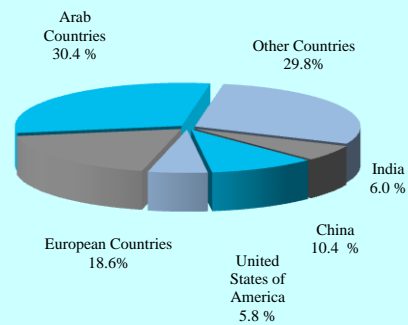
January – October 2013, 2014

|   | 2013            | 2014            | Percentage Change |
|---|-----------------|-----------------|-------------------|
| <b>Total Imports</b>                                | <b>13,052.9</b> | <b>13,427.6</b> | <b>2.9</b>        |
| <b>Petroleum Products</b>                           | <b>1,598.3</b>  | <b>2,163.2</b>  | <b>35.3</b>       |
| India   | 286.6           | 501.6           | 75.0              |
| UAE   | 77.4            | 311.9           | 303.0             |
| Saudi Arabia  | 165.7           | 257.2           | 55.2              |
| <b>Crude oil</b>                                    | <b>1,511.6</b>  | <b>1,396.3</b>  | <b>-7.6</b>       |
| Saudi Arabia  | 1,287.5         | 1,396.3         | 8.5               |
| <b>Transport Equipment's &amp; Spare Parts</b>      | <b>800.1</b>    | <b>995.9</b>    | <b>24.5</b>       |
| USA   | 172.7           | 223.2           | 29.2              |
| Japan   | 140.2           | 208.6           | 48.8              |
| South Korea   | 171.8           | 196.6           | 14.4              |
| <b>Textile Yarn, Fabrics &amp; Related Products</b> | <b>501.2</b>    | <b>490.3</b>    | <b>-2.2</b>       |
| China   | 194.6           | 204.1           | 4.9               |
| Taiwan  | 133.0           | 132.8           | -0.2              |
| Turkey  | 35.2            | 32.2            | -8.5              |
| <b>Iron &amp; Steel</b>                             | <b>470.9</b>    | <b>442.5</b>    | <b>-6.0</b>       |
| China   | 58.7            | 109.1           | 85.9              |
| Ukraine   | 109.8           | 93.8            | -14.6             |
| Saudi Arabia  | 42.4            | 40.1            | -5.4              |
| <b>Plastics</b>                                     | <b>404.6</b>    | <b>427.6</b>    | <b>5.7</b>        |
| Saudi Arabia  | 192.1           | 215.5           | 12.2              |
| China   | 33.2            | 27.2            | -18.1             |
| UAE   | 24.0            | 26.5            | 10.4              |
| <b>Meat, Fish and Preparations thereof</b>          | <b>341.0</b>    | <b>334.7</b>    | <b>-1.8</b>       |
| Brazil  | 93.4            | 84.3            | -9.7              |
| Australia   | 66.1            | 66.2            | 0.2               |
| India   | 31.4            | 33.9            | 8.0               |

Source: Department of Statistics.

equipment's and spare parts", "textile yarn, fabrics, made up articles and related products", "iron and steel", "plastic and articles thereof "and "meat, fish and preparations thereof

**Geographic Distribution of Imports  
January - October 2014**



"topped the list of imports during the first ten months of 2014, accounting for 46.5 percent of total imports; up from 43.1 percent during the same period in 2013. Meanwhile, the geographical distribution of imports indicates that the markets of Saudi Arabia, China, India, the USA, the UAE, Germany Turkey and South Korea were the main sources of imports during the first ten months of 2014; accounting for 57.8 percent of total imports, compared to 52.4 percent during the same period of 2013.

#### ■ Re-Exports

A decrease of JD 34.5 million, or 5.0 percent, was registered in the value of re-exported goods during the first ten months of 2014 compared to the same period of 2013, to reach JD 651.9 million.

### ■ Trade Balance

The trade balance deficit during the first ten months of 2014 increased by JD 88.4 million, or 1.1 percent, to register JD 8,474.4 million, compared to the same period of 2013.

### □ Total Workers' Remittances Receipts

Total workers' remittances receipts increased by JD 2.7 percent, during the first eleven months of 2014, compared to the same period in 2013 to register JD 2,432.7 million.

### □ Travel

#### ■ Receipts

Travel receipts increased by JD 177.5 million, or 6.5 percent, during the first eleven months of 2014, compared to the same period in 2013 to register JD 2,891.9million.

#### ■ Payments

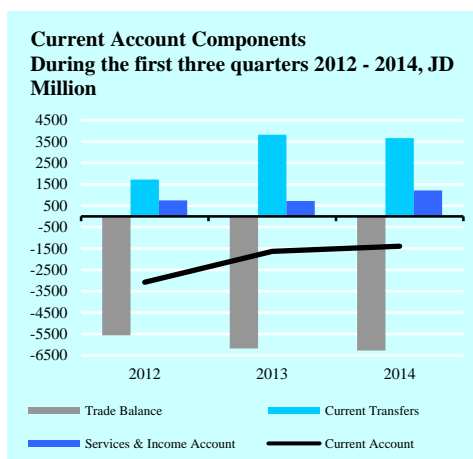
Travel payments increased by JD 26.9 million, or 3.7 percent, during the first eleven months of 2014, compared to the same period in 2013 to stand at JD 757.9 million.

### □ Balance of Payments

The preliminary data of the balance of payments for the **first three quarters of 2014** compared to the same period of 2013, reveals the following developments:

- The current account recorded a deficit of JD 1391.3 million (7.5 percent of GDP) compared to a deficit of JD 1,633.8 million (9.3 percent of GDP) during the first three quarters of 2013. This was an outcome of the following developments:

- ◆ An increase in the trade balance deficit during the first three quarters of 2014 by JD 97.8 million, 1.6 percent, to reach JD 6,273.8 million



compared to JD 6,176.0 million during the same period in 2013.

- ◆ An increase in the surplus of the services account by JD 509.7 million to reach JD 1,417.1 million.
- ◆ Income account recorded a deficit of JD 200.4 million compared to a deficit of JD 189.1 million during the first three quarters of 2013, as a result of a deficit of JD 369.6 million in investment income (net) and a surplus of JD 169.2 million in compensation of employees (net).
- ◆ A decrease in the surplus of net current transfers by JD 158.1 million; to reach JD 3,665.8 million, as a result of the decrease in net transfers of public sector (foreign grants) by JD 638.3

million, to reach JD 846.3 million, and the increase of the transfers of other sectors by 480.2 million to reach JD 2,819.5 million. It's worth mentioning that the workers' remittances receipts increased by 2.2 percent, during the first three quarters of 2014 to stand at JD 1,809.2 million.

- The capital and financial account in the first three quarters of 2014 registered a net inflow of JD 1,068.2 million, compared to a net inflow of JD 1133.1 million during the same period of 2013. This can be attributed to the following:
  - ◆ Direct investment recorded a net inflow of JD 975.5 million compared to a similar inflow of JD 1049.5 million during the same period of 2013.
  - ◆ Portfolio investments recorded a net inflow of JD 935.8 million compared to an inflow of JD 366.7 million during the same period of 2013.
  - ◆ Other investments registered a net inflow of JD 866.7 million compared to an inflow of JD 2,499.4 million during the same period of 2013.
  - ◆ An increase in the reserve assets of CBJ by JD 1,712.1 million, compared to an increase of JD 2,783.3 million during the same period of 2013.

**□ International Investment Position (IIP)**

The IIP, which represents the Kingdom's net position (stock) of external assets and liabilities, displayed an obligation to abroad of JD 22,121.0 million at the end of September 2014 compared to JD 20,842.5 million at the end of December 2013. This increase was due to the following developments:

- An increase in the position of external assets (the stock of claims, obligations and financial assets) for all economic sectors (resident) in the Kingdom by JD 1,091.1 million to reach JD 18,651.1 million at the end of September 2014 compared to the end of December 2013. This increase was a result of the rise in CBJ's reserves by 1,672.9 million, and the decrease in loans by banks to non-residents and banks' deposits abroad by JD 329.2 million and JD 234.6 million, respectively.
- 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 2,369.6 million at the end of September 2014 compared to the end of December 2013; standing at JD 40,772.1 million due to the following:
  - ◆ An increase in the stock of direct investment in Jordan by JD 1,166.8 million to stand at JD 20,147.9 million.
  - ◆ An increase in the stock of portfolio investments by JD 1,321.9 million to reach JD 6,003.4 million.
  - ◆ A decrease in the outstanding balance of loans on all economic sectors (resident) in the kingdom by JD 289.8 million to reach JD 5,162.7 million.
  - ◆ An increase in trade credits by JD 127.0 million, to stand at JD 832.9 million.
  - ◆ An increase in the deposits of non-residents at the banking system by JD 19.9 million. (an increase of JD 14.7 million at the CBJ, and an increase of JD 5.2 million at the licensed banks) to reach JD 8,246.1 million