



Central Bank of Jordan

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

**Research Dept / Monthly Report  
November, 2018**

**Central Bank of Jordan**

Tel: (962 6) 4630301

Fax: (962 6) 4638889 / 4639730

P.O. Box 37Amman11118Jordan

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

E-mail [redp@cbj.gov.jo](mailto:redp@cbj.gov.jo)



#### **OUR VISION**

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

#### **OUR MISSION**

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

#### **OUR VALUES**

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



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### Executive Summary

#### □ Output, Prices and Employment

During the first half of 2018, real GDP at market prices, grew by 2.1 percent, compared to a growth rate of 2.3 percent during the same period of 2017. The general price level, measured by the percentage change in the Consumer Price Index (CPI) increased during the first ten months of 2018 by 4.5 percent, compared to a rise of 3.3 percent in the same period of 2017. Furthermore, the unemployment rate increased during the third quarter of 2018 to stand at 18.6 percent compared to 18.5 percent during the same quarter of 2017.

#### □ Monetary and Financial Sector

- The CBJ's gross foreign reserves (including gold and SDRs) amounted to US\$ 12,952.5 million at the end of October 2018. This level of reserves covers around 7.1 months of the kingdom's imports of goods and services.
- Domestic liquidity amounted to JD 33,322.9 million at the end of October 2018, compared to JD 32,957.6 million at the end of 2017.
- The outstanding balance of credit facilities extended by licensed banks amounted to JD 25,972.8 million at the end of October 2018, compared to JD 24,736.8 million at the end of 2017.
- Total deposits at licensed banks amounted to JD 33,754.0 million at the end of October 2018, compared to JD 33,197.7 million at the end of 2017.
- The Share Price Index (SPI) weighted by the market capitalization of free float shares at Amman Stock Exchange (ASE) reached 1,958.7 points at the end of October 2018, compared to 2,126.8 points at the end of 2017.

- **Public Finance:** The general budget, including foreign grants, recorded a fiscal deficit in the amount of JD 784.5 million (3.6 percent of GDP) in the first three quarters of 2018, compared to a fiscal deficit of JD 726.5 million (3.4 percent of GDP) in the same period of 2017. Gross outstanding domestic public debt (budgetary and own-budget) increased by JD 1,360.0 million at the end of September 2018 compared to its level at the end of 2017, standing at JD 16,762.1 million (56.3 percent of GDP). However, outstanding external public debt (budget and guaranteed) went down by JD 213.2 million at the end of September 2018, compared to its level at the end of 2017, to reach JD 11,654.0 million (39.1 percent of GDP). Accordingly, gross public debt (domestic and external) stood at 95.4 percent of GDP at the end of September 2018, compared to 94.3 percent of GDP at the end of 2017.
- **External Sector:** Total merchandize exports (domestic exports *plus* re-exports) increased by 3.4 percent during the first three quarters of 2018 to reach JD 4,027.5 million. Meanwhile, merchandize imports increased by 0.3 percent to reach JD 10,642.0 million. As a result, the trade balance deficit decreased by 1.5 percent compared to the same period of 2017, to reach JD 6,614.5 million. The preliminary data for the first ten months of 2018 showed an increase in travel receipts by 12.6 percent and a decrease in travel payments by 0.8 percent compared to the same period of 2017. Moreover, total workers' remittances receipts decreased by 1.4 percent in the first three quarters of 2018 compared to the same period of 2017. The preliminary data for the balance of payments during the first half of 2018 displayed a deficit in the current account amounted to JD 1,456.9 million (10.4 percent of GDP) compared to a deficit of JD 1,724.5 million (12.8 percent of GDP) during the first half of 2017. Meanwhile, the current account deficit excluding grants decreased to reach 11.4 percent of GDP compared with 14.2 percent of GDP during the first half of 2017. Moreover, net direct investment recorded a net inflow of JD 381.6 million during the first half of 2018 compared to a net inflow of JD 875.0 million during the first half of 2017. Furthermore, the international investment position (IIP) registered a net obligation to abroad in the amount of JD 31,069.3 million at end of the first half of 2018 up from JD 29,350.3 million at the end of 2017.

## First: Monetary and Financial Sector

### □ Summary

- The CBJ's gross foreign reserves (including gold and SDRs) amounted to US\$ 12,952.5 million at the end of October 2018. This level of reserves covers around 7.1 months of the kingdom's imports of goods and services.
- Domestic liquidity amounted to JD 33,322.9 million at the end of October 2018, compared to JD 32,957.6 million at the end of 2017.
- The outstanding balance of credit facilities extended by licensed banks amounted to JD 25,972.8 million at the end of October 2018, compared to JD 24,736.8 million at the end of 2017.
- Total deposits at licensed banks amounted to JD 33,754.0 million at the end of October 2018, compared to JD 33,197.7 million at the end of 2017.
- The interest rates on all types of deposits held by the licensed banks had increased at the end of October 2018, except the interest rate on demand deposits, which had maintaining at the same level, compared to their levels at the end of 2017. While the interest rates on all types of credit facilities extended by the licensed banks had decreased at the end of October 2018, compared to their levels at the end of 2017.

- The Share Price Index (SPI) weighted by market capitalization of free float shares at Amman Stock Exchange (ASE) reached 1,958.7 points at the end of October 2018, compared to 2,126.8 points at the end of 2017. Moreover, the market capitalization reached JD 16,328.2 million at the end of October 2018, compared to JD 16,962.6 million at the end of 2017.

**Main Monetary Indicators**

JD Million, and Percentage Change Relative to the Previous Year

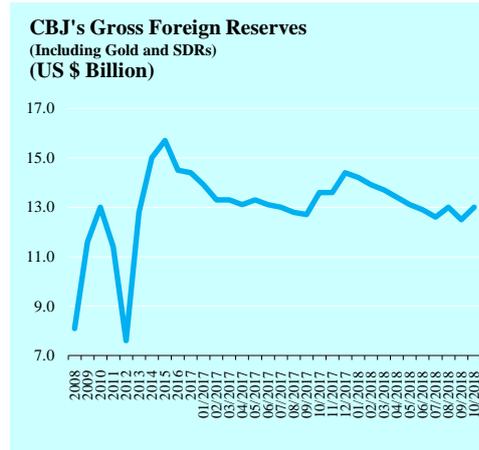
		End of October	
2017		2017	2018
US\$ 14,391.8	CBJ's Foreign Reserves*	US\$ 13,639.5	US\$ 12,952.5
-0.7%		-5.9%	-10.0%
32,957.6	Money Supply (M2)	32,805.5	33,322.9
0.2%		-0.2%	1.1%
24,736.8	Credit Facilities, of which:	24,583.6	25,972.8
8.0%		7.3%	5.0%
21,747.1	Private Sector (Resident)	21,550.1	22,895.6
9.3%		8.3%	5.3%
33,197.7	Total Deposits, of which:	32,930.0	33,754.0
0.9%		0.1%	1.7%
25,642.2	In JD	25,628.6	25,676.7
-1.3%		-1.3%	0.1%
7,555.5	In Foreign Currencies	7,301.4	8,077.3
9.0%		5.3%	6.9%
26,916.3	Deposits of Private Sector (Resident), of which:	26,840.1	26,999.8
-0.1%		-0.4%	0.3%
21,258.2	In JD	21,412.9	20,972.0
-1.5%		-0.7%	-1.3%
5,658.1	In Foreign Currencies	5,427.2	6,027.8
5.2%		0.9%	6.5%

\* Including gold reserves and special drawing rights.

Source: Central Bank of Jordan / Monthly Statistical Bulletin.

### □ CBJ's Foreign Reserves

The CBJ's gross foreign reserves (including gold and SDRs) amounted to US\$ 12,952.5 million at the end of October 2018. This level of reserves covers around 7.1 months of the kingdom's imports of goods and services.



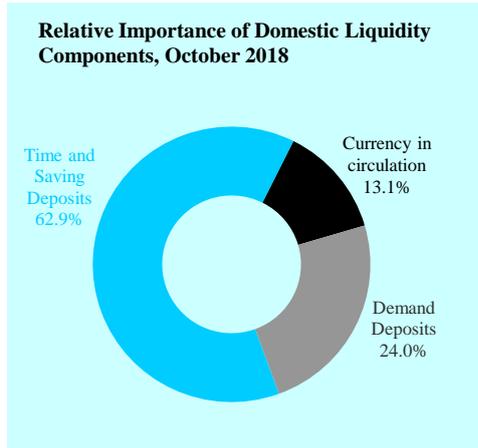
### □ Domestic Liquidity (M2)

- Domestic liquidity amounted to JD 33.3 billion at the end of October 2018, compared to JD 33.0 billion at the end of 2017.
- ◆ **Developments in the components and the factors affecting domestic liquidity at the end of October 2018, compared to their levels at the end of 2017, reveal the following:**

- **Components of Domestic Liquidity**

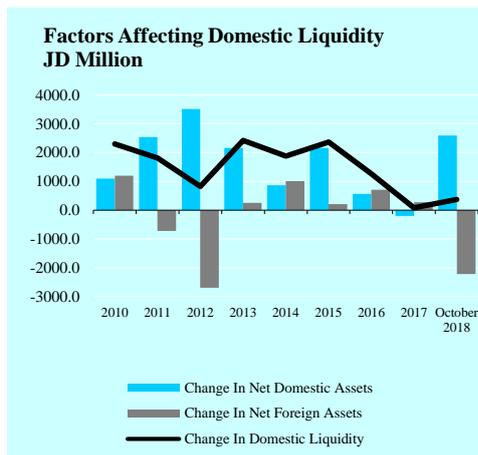
- Total liquidity deposits amounted to JD 29.0 billion at the end of October 2018, compared to JD 28.5 billion at the end of October 2017, and JD 28.6 billion at the end of 2017.

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



• **Factors Affecting Domestic Liquidity**

- Net domestic assets of the banking system amounted to JD 26.4 billion at the end of October 2018, compared to JD 24.5 billion at the end of October 2017, and JD 23.8 billion at the end of 2017.



- Net foreign assets of the banking system amounted to JD 6.9 billion at the end of October 2018, compared to JD 8.3 billion at the end of October 2017, and JD 9.1 billion at the end of 2017. The net foreign assets of the CBJ amounted to JD 9.0 billion at the end of October 2018.

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

2017		End of October	
		2017	2018
<b>9,122.6</b>	<b>Foreign Assets (Net)</b>	<b>8,276.9</b>	<b>6,901.8</b>
10,260.0	CBJ	9,680.5	8,954.6
-1,137.4	Licensed Banks	-1,403.6	-2,052.8
<b>23,835.0</b>	<b>Domestic Assets (Net)</b>	<b>24,528.6</b>	<b>26,421.1</b>
-5,398.5	CBJ, of which:	-4,878.5	-4,104.5
653.1	Claims on Public Sector (Net)	962.7	768.1
-6,074.5	Other Items (Net*)	-5,864.2	-4,895.5
29,233.6	Licensed Banks	29,407.0	30,525.6
9,336.7	Claims on Public Sector (Net)	9,706.4	10,551.3
22,502.9	Claims on Private Sector	22,276.5	23,620.4
-2,606.0	Other Items (Net)	-2,575.9	-3,646.1
<b>32,957.6</b>	<b>Money Supply (M2)</b>	<b>32,805.5</b>	<b>33,322.9</b>
<b>4,326.5</b>	<b>Currency in Circulation</b>	<b>4,328.1</b>	<b>4,354.7</b>
<b>28,631.1</b>	<b>Total Deposits, of which:</b>	<b>28,477.4</b>	<b>28,968.2</b>
5,696.5	In Foreign Currencies	5,469.0	6,066.7

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

□ Interest Rates Structure

■ Interest Rates on Monetary Policy Instruments

◆ On October 1<sup>st</sup>, 2018, CBJ raised the interest rate on all monetary policy instruments by 25 basis points, to become as follows:

- The CBJ main interest rate: 4.50 percent.
- Re-Discount Rate: 5.50 percent.
- Interest Rate on Overnight Repurchase Agreements: 5.25 percent.
- Overnight Deposit Window Rate: 3.75 percent.
- Weekly/ Monthly Repurchase Agreements: 4.50 percent.
- The interest rate on weekly certificates of deposits: 4.50 percent.

Interest Rates on Monetary Policy Instruments, percentage points			
2017		October	
		2017	2018
4.00	CBJ main rate	3.75	4.50
5.00	Re-discount Rate	4.75	5.50
4.75	Repurchase Agreements Rate (overnight)	4.50	5.25
3.00	Overnight Deposit Window Rate	2.75	3.75
4.00	Repurchase Agreements rate (one week and one month)	3.75	4.50
4.00	Certificates of Deposits (one week)	3.75	4.50

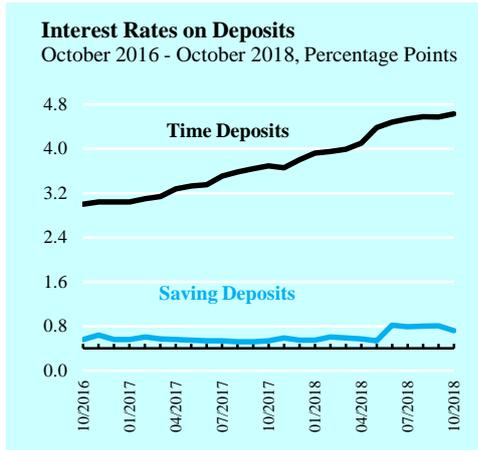
Source: Central Bank of Jordan / Monthly Statistical Bulletin.

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

■ Interest Rates in the Banking Sector

◆ Interest Rates on Deposits

• Time Deposits: The weighted average interest rate on time deposits increased by 6 basis points at the end of October 2018, compared to its level in the previous month, to stand at 4.63 percent. This rate is higher by 83 basis points than its level at the end of 2017.

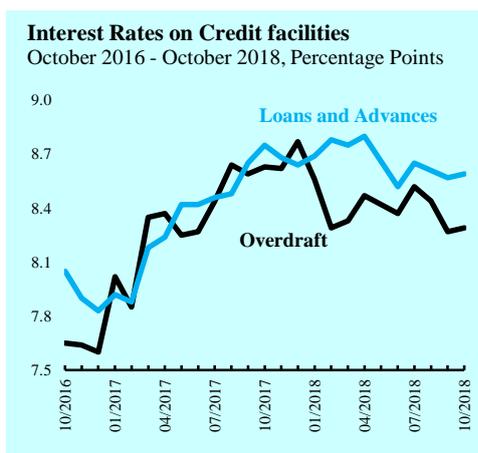


• Saving Deposits: The weighted average interest rate on saving deposits at the end of October 2018 maintaining at the same level registered in the previous month to stand at 0.72 percent, this rate is higher by 17 basis points than its level registered at the end of 2017.

• Demand Deposits: The weighted average interest rate on demand deposits decreased by 5 basis points at the end of October 2018, compared to its level registered in the previous month, to stand at 0.34 percent, which is the same level registered at the end of 2017.

◆ Interest Rates on Credit Facilities

• Overdraft Accounts: The weighted average interest rate on overdraft accounts increased by 2 basis points at the end of October 2018, compared to its level registered in the previous month, to stand at 8.29 percent. This rate is lower by 48 basis points than its level registered at the end of 2017.



- Discounted Bills and Bonds: The weighted average interest rate on “discounted bills and bonds” decreased by 4 basis points at the end of October 2018, compared to its level registered in the previous month, to stand at 9.63 percent. This rate is lower by 60 basis points than its level registered at the end of 2017.

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

		October		Change Relative to the Preceding Year
2017		2017	2018	Basis Points
<b>Deposits</b>				
0.34	Demand	0.27	0.34	0
0.55	Saving	0.54	0.72	17
3.80	Time	3.69	4.63	83
<b>Credit Facilities</b>				
10.23	Discounted Bills and Bonds	9.67	9.63	-60
8.64	Loans and Advances	8.75	8.59	-5
8.77	Overdraft	8.63	8.29	-48
8.83	Prime Lending Rate	8.78	9.43	60

Source: Central Bank of Jordan / Monthly Statistical Bulletin.

- Loans and Advances: The weighted average interest rate on “loans and advances” increased by 2 basis points at the end of October 2018, compared to its level registered in the previous month, to stand at 8.59 percent. This rate is lower by 5 basis points than its level registered at the end of 2017.
- The prime lending rate stood at 9.43 percent at the end of October 2018, decreased by 2 basis points comparing to its level registered in the previous month. This rate is higher by 60 basis points than its level registered at the end of 2017.

#### □ Credit Facilities Extended by Licensed Banks

- Total credit facilities extended by licensed banks increased by JD 1,236.0 million, or 5.0 percent, at the end of October 2018, compared to its level at the end of 2017, against an increase of JD 1,677.8 million, or 7.3 percent, during the same period in 2017.

- In terms of borrowers, the credit facilities at the end of October 2018 had shown an increase in credit extended to the private sector (resident) by JD 1,148.5 million, or 5.3 percent, the private sector (non-resident) by JD 126.6 million, or 25.3 percent, the public institutions by JD 57.6 million, or 16.1 percent, the financial institutions by JD 5.2 million, or 30.6 percent, while the credit extended to the central government decreased by JD 101.8 million, or 4.8 percent, compared to their levels at the end of 2017

#### □ Deposits at Licensed Banks

- Total deposits at licensed banks stood at JD 33,754.0 million at the end of October 2018, increasing by JD 556.3 million, or 1.7 percent, compared to its level at the end of 2017, against an increase of JD 30.0 million, or 0.1 percent, during the same period in 2017.
- The currency composition of deposits at the end of October 2018 revealed that the JD deposits amounted to JD 25.7 billion, and the deposits in foreign currency amounted to JD 8.1 billion, compared to JD 25.6 billion of JD deposits, and JD 7.3 billion of deposits in foreign currency at the end of the same month in 2017. As for the end of 2017, the JD Deposits amounted to JD 25.6 billion, and deposits in foreign currency amounted to JD 7.6 billion at the end of 2017.

#### □ Amman Stock Exchange (ASE)

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

■ **Trading Volume**

Trading volume at ASE totaled JD 464.0 million in October 2018, increasing by JD 380.0 million, compared to its level registered in the previous month, against an increase of JD 24.1 million or 28.0 percent during the same month in 2017. As for the first ten months of 2018, the trading volume decreased by JD 1,062.3 million, compared to the same period in 2017, to reach JD 1,626.3 million.

■ **Traded Shares**

The number of traded shares in October 2018 totaled 139.1 million shares, increasing by 58.4 million shares, or 72.3 percent, compared to its level registered in the previous month, against an increase by 19.0 million shares, or 22.3 percent, during the same month in 2017. As for the first ten months of 2018, the number of traded shares amounted to 970.7 million shares, compared to 1,513.8 million shares traded during the same period in 2017.

■ **Share Price Index (SPI)**

The SPI weighted by market capitalization of free float shares at ASE decreased by 17.0 points, or 0.9 percent, at the end of October 2018, compared to its level registered in the previous month, to stand at 1,958.7

points, against a decrease of 28.3 points, or 1.3 percent, during the same month in 2017. Furthermore, the SPI decreased by 168.1 points, or 7.9 percent, at the end of the first ten months of 2018, compared to its level at the end of 2017, against a decrease of 77.1 points, or 3.6 percent during the same period in 2017. The aforementioned decrease was an outcome of the decrease in the SPI of the financial sector by 226.5 points, or 7.9 percent, the industrial sector by 171.1 points, or 7.7 percent, and the services sector by 110.2 points, or 7.6 percent, compared to their levels at the end of 2017.

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

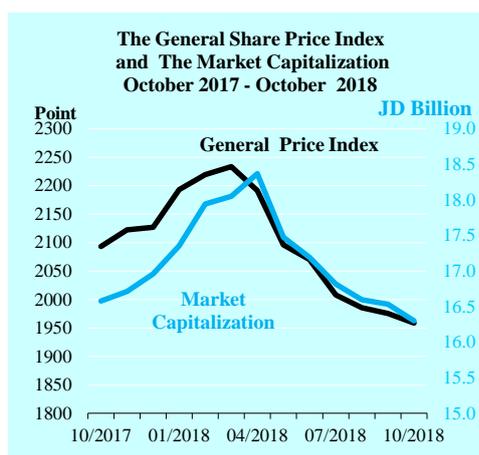
		October	
2017		2017	2018
2,126.8	<b>General Index</b>	2,093.2	1,958.7
2,881.5	Financial Sector	2,839.3	2,655.0
2,229.5	Industrial Sector	2,114.3	2,058.4
1,449.7	Services Sector	1,468.4	1,339.5

Source: Amman Stock Exchange.

### ■ Market Capitalization

The ASE's market capitalization totaled JD 16.3 billion at the end of October 2018, decreasing by JD 208.1 million, or 1.3 percent, compared to its level registered in the previous month, against a decrease of JD 324.5 million, or 1.9 percent, during the same month in 2017. As for the first ten months of 2018, the market capitalization decreased by JD

634.3 million, or 3.7 percent, compared to a decrease of JD 759.3 million, or 4.4 percent, during the same period in 2017.



### ■ Non - Jordanian Net Investment

Non-Jordanian net investment at ASE recorded an outflow amounting to JD 6.3 million in October 2018, compared to an outflow of JD 2.4 million during the same month in 2017. The value of shares buying by non-Jordanian in October 2018 amounted to JD 356.6 million, while their selling amounted to JD 363.0 million. As for the first ten months of 2018, non-Jordanian net investment recorded an inflow of JD 26.9 million, compared to an outflow of JD 342.3 million, during the same period in 2017.

#### Main Amman Stock Exchange Trading Indicators, JD Million

2017		October	
		2017	2018
2,926.2	Value Traded	110.3	464.0
11.8	Average Daily Trading	4.8	20.2
16,962.6	Market Capitalization	16,580.0	16,328.2
1,716.7	No. of Traded Shares (million)	104.1	139.1
-334.3	Net Investment of Non-Jordanian	-2.4	-6.3
995.0	Non-Jordanian Buying	7.8	356.6
1,329.2	Non-Jordanian Selling	10.2	363.0

Source: Amman Stock Exchange.



## Second: Output, Prices and Employment

### □ Summary

- Gross Domestic Product (GDP), at constant market prices, grew by 2.1 percent during the second quarter of 2018, against 2.3 percent during the same period of 2017. At current market prices, GDP grew by 3.9 percent during the second quarter of 2018, compared to 3.5 percent during the same quarter of 2017.
- Accordingly, the real GDP grew by 2.0 percent during the first half of 2018, against 2.4 percent during the same period of 2017. At current market prices, GDP grew by 3.9 percent during the first half of 2018. Thus maintaining the same growth rate during the same period in 2017.
- The general price level, measured by the percentage change in the CPI, increased during the first ten months of 2018 by 4.5 percent, compared to a rise of 3.3 percent during the same period of 2017.
- The unemployment rate increased during the third quarter of 2018 to stand at 18.6 percent (16.3 percent for males and 27.1 percent for females), compared to 18.5 percent (15.4 percent for males and 30.0 percent for females) during the same quarter of 2017. The highest unemployment rate among youth reached 46.9 percent for the categories of 15-19 years old, and 37.7 percent for those between 20-24 years.

### □ Developments of GDP

- Despite continuing of the political and social unrest in the region, particularly in Syria and Iraq, that have strongly affected the performance of many key economic sectors; the real GDP grew by 2.0 percent during the first half of 2018, compared to a growth rate of 2.4 percent during same period of 2017. When excluding “net taxes on products”, which grew by 1.2 percent, GDP at constant basic prices grew by 2.1 percent during the first half of 2018, compared to 2.6 percent during the same period of 2017.

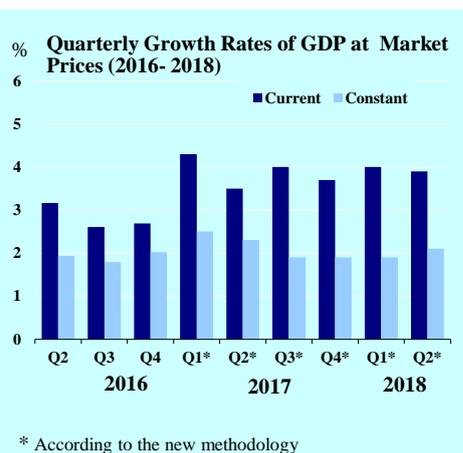
Quarterly Growth Rates of GDP at Market Prices 2016 - 2018					Percentages
	Q1	Q2	Q3	Q4	Year
<b>2016</b>					
GDP at Constant Market Prices	2.3	1.9	1.8	2.0	<b>2.0</b>
GDP at Current Market Prices	3.8	3.2	2.6	2.7	<b>3.0</b>
<b>2017*</b>					
GDP at Constant Market Prices	2.5	2.3	1.9	1.9	<b>2.1</b>
GDP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

Source: Department of Statistics.  
\*: According to the new methodology.

At current market prices, GDP grew by 3.9 percent during the first half of 2018, maintaining the same growth rate achieved during the same period of 2017. This increase in nominal growth is mainly attributed to the increase in the general price level, measured by the GDP deflator, which grew by 1.9 percent. It should be noted that the Department of Statistics prepared and published the quarterly estimated GDP for 2017 and the available period of 2018 according to a new methodology that included the transition to SNA 2008 national accounts system as well as the adjustment of the base year to become 2016 instead of 1994.

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

The economic sectors displayed a divergent performance during the first half of 2018. Some sectors recorded accelerated growth, such as “transport, storage and communications”, “community, social and personal services”, manufacturing, and “restaurants and hotels”. Meanwhile, agriculture, “mining and quarrying”, “electricity and water”, “wholesale and retail trade”, “producers of private non-profit” and “real estate” experienced a slowdown. On the other hand, construction sector showed a contraction in its performance.



**GDP At Constant Market Prices \***  
Percentage

Sectors	Relative change		Contribution
	First half 2017	2018	First half 2018
<b>GDP At Constant Market Prices</b>	2.4	2.0	2.0
Agriculture, Hunting, Forestry, And Fishing	5.6	3.4	0.2
Mining And Quarrying	24.5	1.9	-
Manufacturing	1.1	1.3	0.2
Electricity And Water	3.1	2.3	-
Construction	-0.5	-0.2	-
Wholesale And Retail Trade	1.4	1.2	0.1
Restaurant And Hotels	1.2	1.3	-
Transport, Storage And Communications	1.8	3.1	0.3
Finance And Insurance Services	4.3	3.9	0.3
Real Estate	2.7	2.6	0.4
Social And Personal	4.0	4.1	0.3
Producers of Government Services	1.2	1.2	0.2
Producers of Private Non-Profit	4.4	2.9	-
Domestic Services of Households	0.1	0.1	-

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

### □ Microeconomic Indicators

The microeconomic indicators displayed a divergent performance during the available period of 2018. Some indicators recorded a notable growth, such as; “cargo through Royal Jordanian” (13.6 percent), “number of passengers through Royal Jordanian” (4.1 percent) and “mining and quarrying production quantity index” (1.9 percent). However, other indicators showed a contraction, particularly; “value traded at the real estate market” (12.5 percent) and “Manufacturing production quantity index” (7.3 percent). The following table displays the performance of the main sectoral indicators during the available period of 2018 compared to the same period of 2017.

**Main Sectoral Indicators\***

Percentage Points				
2017	Item	2017	Available period	2018
4.5	Licensed areas for buildings	8.4	Jan. –Sep.	-10.6
-2.4	Manufacturing production quantity index	-3.3		-7.3
-4.9	Food products and beverages	-5.4		-17.9
-3.1	Tobacco products	-13.9		-0.7
-7.3	Refined petroleum products	-4.9		-17.3
-6.3	Wearing apparel	3.2		-12.0
1.9	Non-metallic mineral products	-2.0		-1.1
0.3	Chemical products	-9.9		34.4
13.4	“Mining and quarrying” production quantity index	16.2		1.9
-13.8	Extraction of crude petroleum and natural gas	-13.6		-5.1
13.6	Other mining and quarrying	16.5	2.0	
6.9	Number of passengers through Royal Jordanian	5.9	Jan. –Oct.	4.1
8.4	Cargo through Royal Jordanian	5.1		13.6
7.3	Number of departures	7.6		5.6
-14.1	Value traded at the real estate market	-14.1		-12.5

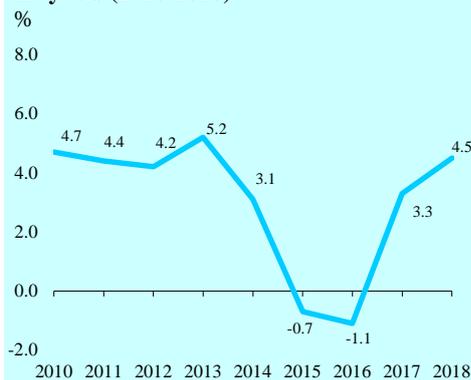
\* : Computed based on the data from Department of Statistics, Department of land and survey, and Royal Jordanian.

## Prices

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

- “Cereals and products” prices increased by 20.5 percent compared to a contraction by 0.2 percent during the same period of 2017, as a result of the government’s decision to liberalize the prices of bread and the shift from goods subsidies to direct cash subsidies for the eligible households.

**Inflation rate during the first ten months of the years (2010-2018)**



**Inflation rate during the first ten months of the years 2017 – 2018**

Expenditure Groups	Relative Imp.	Relative change		Contribution	
		Jan-Oct 2017	Jan-Oct 2018	Jan-Oct 2017	Jan-Oct 2018
All Items	100.0	3.3	4.5	3.3	4.5
1) Food and non-Alcoholic Beverages	33.4	-0.7	3.0	-0.2	0.9
Food	30.5	-0.9	3.0	-0.3	0.9
Cereals and Products	5.0	-0.2	20.5	0.0	0.8
Meat and Poultry	8.2	-6.2	0.9	-0.5	0.1
Dairy Products and Eggs	4.2	0.2	0.6	0.0	0.0
Oil and Fats	1.9	3.2	4.7	0.1	0.1
Fruits and Nuts	2.7	-3.3	-0.1	-0.1	0.0
Vegetables and Legumes Dry and Canned	3.9	4.8	-4.5	0.2	-0.2
2) Alcohol and Tobacco and Cigarettes	4.4	8.1	14.8	0.4	0.7
3) Clothing and footwear	3.5	-2.3	-1.5	-0.1	-0.1
4) Housing	21.9	2.8	3.6	0.6	0.8
Rents	15.6	2.5	2.7	0.4	0.5
Fuels and Lighting	4.8	2.8	8.4	0.1	0.4
5) Household Furnishings and Equipment	4.2	1.6	1.8	0.1	0.1
6) Health	2.2	8.8	6.4	0.2	0.2
7) Transportation	13.6	13.3	10.5	1.7	1.5
8) Communication	3.5	1.7	0.2	0.1	0.0
9) Culture and Recreation	2.3	8.7	2.3	0.2	0.1
10) Education	5.4	3.2	2.7	0.2	0.1
11) Restaurants and Hotels	1.8	0.1	7.1	0.0	0.1
12) Other Goods and Services	3.7	6.9	2.0	0.3	0.1

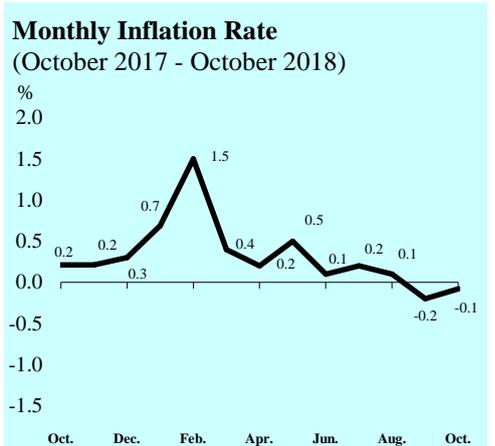
Source: Department of Statistics.

- “Tobacco and cigarettes” prices increased significantly by 14.9 percent compared to a rise of 8.1 percent during the first ten months of 2017, as a result of the government's decision to raise the tax on cigarettes by 20 piasters for each pack of cigarettes offered for domestic consumption.
- Housing prices increased by 3.6 percent compared to a rise of 2.8 percent during the first ten months of 2017. This increase was mainly attributed to an increase in the prices of rents item by 2.7 percent compared to a rise by 2.5 percent during the first ten months of 2017 and increase in the prices of “fuels and lighting” item by 8.4 percent compared to an increase of 2.8 percent, due to the addition of the fuel price difference item to the electricity bill as of the beginning of this year.
- Transportation prices increased by 10.5 percent compared to an increase by 13.3 percent, during the first ten months of 2017. This increase was attributed to the government’s decision to raise public transport fees by (10 percent) as of February 2018.

The above groups and items have collectively raised inflation rate during the first ten months of 2018 by 3.8 percentage points, compared to a contribution of 2.7 percentage points during the same period of 2017.

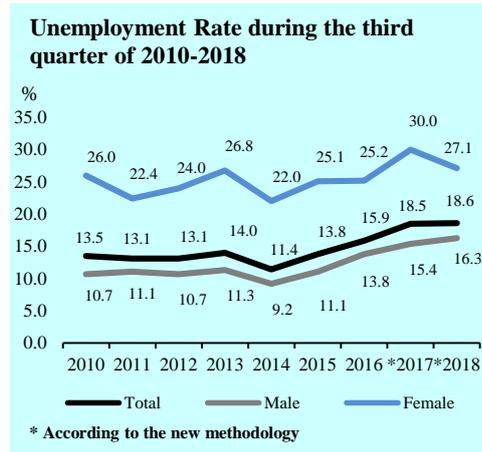
In contrast, prices of other groups and items showed varied contractions, mainly; “vegetables and legumes dry and canned” (4.5 percent), “clothing”(1.8 percent).

In October 2018, the CPI witnessed a decrease compared to September 2018 by 0.1 percent. This was due to the decrease in the prices of some groups and items, mainly; “meat and poultry” (4.4 percent), “clothing and footwear” (0.6 percent), and “fuels and lighting” (0.6 percent) and the increase “vegetables and legumes dry and canned” (0.4 percent) “fruits and nuts” (2.3 percent).



**□ Labor Market**

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



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



### Third: Public Finance

#### □ Summary:

- The general budget, including foreign grants, recorded a fiscal deficit in the amount of JD 784.5 million (3.6 percent of GDP) in the first three quarters of 2018, comparing to a fiscal deficit of JD 726.5 million (3.4 percent of GDP) during the same period in 2017. When excluding foreign grants (JD 199.5 million), the general budget deficit widens to reach JD 984.0 million (4.5 percent of GDP), compared to a deficit of JD 891.3 million (4.1 percent of GDP) during the same period in 2017.
- Gross outstanding domestic public debt (budgetary and own-budget) increased by JD 1,360.0 million at the end of September 2018, compared to its level at the end of 2017, to reach JD 16,762.1 million (56.3 percent of GDP).
- Outstanding external public debt (budget and guaranteed) went down by JD 213.2 million at the end of September 2018, compared to its level at the end of 2017, to stand at JD 11,654.0 million (39.1 percent of GDP).

- As a result, gross outstanding public debt (domestic and external) rose by JD 1,146.8 million to reach JD 28,416.1 million (95.4 percent of GDP) at the end of September 2018, compared to JD 27,269.3 million (94.3 percent of GDP) at the end of 2017.
  - Central government banks deposits decreased by JD 431.2 million at the end of September 2018, compared to the end of 2017, to reach JD 1,402.3 million.
  - Accordingly, net outstanding domestic public debt increased by JD 1,791.2 million to reach JD 15,359.8 million (51.6 percent of GDP) at the end of September 2018. Moreover, net outstanding public debt increased by JD 1,578.0 million to reach JD 27,013.8 million (90.7 percent of GDP).
- **The performance of the general budget during the first three quarters of 2018 compared to the same period of 2017:**

■ **Public Revenues**

Public revenues (domestic revenues *plus* foreign grants) rise by JD 112.0 million, or 22.9 percent, in September 2018 compared to the same month in 2017, to stand at JD 600.8 million. As for the first three quarters of 2018, public revenues went up by JD 189.6 million, or 3.7 percent, compared to the same period in 2017 to stand at JD 5,323.9 million. This came as a result of the increase in domestic revenues and foreign grants by JD 154.9 million, and JD 34.7 million, respectively.

**Main Government Budget indicators during the first three quarters of 2018:**

(JD Million and Percentages)

	September		Growth Rate	Jan. – Sep.		Growth Rate
	2017	2018		2017	2018	
<b>Total Revenues and Grants</b>	<b>488.8</b>	<b>600.8</b>	<b>22.9</b>	<b>5,134.3</b>	<b>5,323.9</b>	<b>3.7</b>
Domestic Revenues, of which:	482.8	592.0	22.6	4,969.5	5,124.4	3.1
Tax Revenues, of which:	329.1	369.3	12.2	3,334.5	3,404.5	2.1
General Sales Tax	275.2	303.8	10.4	2,203.0	2,305.7	4.7
Other Revenues	152.7	221.8	45.3	1,626.5	1,711.9	5.3
Foreign Grants	6.0	8.8	46.7	164.8	199.5	21.1
<b>Total Expenditures, of which:</b>	<b>566.8</b>	<b>602.9</b>	<b>6.4</b>	<b>5,860.8</b>	<b>6,108.4</b>	<b>4.2</b>
Capital Expenditures	42.6	44.3	4.0	647.2	549.1	-15.2
<b>Overall Deficit/ Surplus (Including Grants)</b>	<b>-78.0</b>	<b>-2.1</b>	<b>-</b>	<b>-726.5</b>	<b>-784.5</b>	<b>-</b>
<b>Overall Deficit/ Surplus (Including Grants) as a percent of GDP</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-3.4</b>	<b>-3.6</b>	<b>-</b>

Source: Ministry of Finance/ General Government Finance Bulletin.

◆ **Domestic Revenues**

Domestic revenues witnessed an increase of JD 154.9 million, or 3.1 percent, in the first three quarters of 2018 compared to the same period of 2017, to reach JD 5,124.4 million. This increase was an

outcome of the rise in the proceeds of “other revenues” and “tax revenues” by JD 85.4 million and JD 70.0 million, respectively, and the drop in pension contributions by JD 0.7 million.

**Tax Revenue Structure**

(2013-2017) and the first three quarters of 2018, JD Million

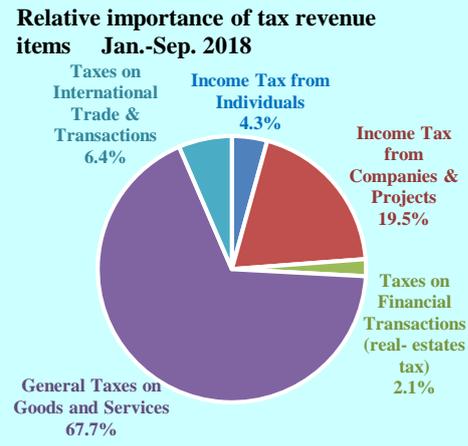


- **Tax Revenues**

Tax revenues increased by JD 70.0 million, or 2.1 percent, during the first three quarters of 2018 compared to the same period of 2017, to reach JD 3,404.5 million (66.4 percent of domestic revenues). Following are the main developments in tax revenue items:

- An increase in the proceeds of **general sales tax on goods and services** by JD 102.7 million, or 4.7 percent, to reach JD 2,305.7 million (accounting for 67.7 percent of total tax revenues). This result was driven by the increase in the proceeds of sales tax on domestic goods by JD 61.1 million, on commercial sector by JD 47.7 million, and on services by JD 27.9 million. However, the proceeds of sales tax on imported goods were down by JD 34.0 million.
- A decline in the proceeds of **income and profit taxes** by JD 9.2 million, or 1.1 percent, to reach JD 810.0 million (accounting for 23.8 percent of total tax revenues). This decline was an outcome of the decrease in the proceeds of income tax from individuals by JD 7.2 million, or 4.7 percent, to reach JD 144.9 million, and the decrease in the proceeds of “companies and projects” by JD 2.0 million, or 0.3 percent, income tax from companies and projects accounted for 82.1 percent of total proceeds of income and profits taxes, amounting to JD 665.1 million.

- A decrease in the proceeds of **taxes on international trade and transactions** (including customs duties and fees) by JD 13.5 million, or 5.8 percent, to reach JD 219.0 million.



- A decrease in the proceeds of **taxes on financial transactions (real-estates tax)** by JD 9.9 million, or 12.4 percent, to reach JD 69.9 million.

#### ● Non-Tax Revenues

- “Other revenues” increased by JD 85.4 million, or 5.3 percent, in the first three quarters of 2018 to reach JD 1,711.9 million. This increase was chiefly due to the following:
  - An increase in miscellaneous revenues by JD 95.7 million to stand at JD 816.7 million.
  - A decrease in revenues from selling goods and services by JD 10.2 million to reach JD 671.2 million.
  - A decrease in the property income by JD 0.1 million to stand at JD 224.0 million (of which financial surplus of independent government units amounted to JD 206.7 million against JD 197.3 million in the same period of 2017).
- Pension contributions witnessed a decrease of JD 0.7 million, or 8.1 percent, in the first three quarters of 2018 compared to same period of 2017, standing at JD 7.9 million.

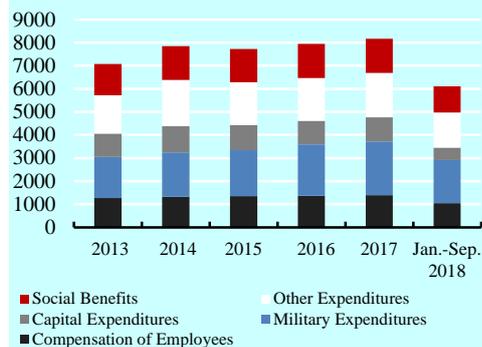
### ◆ Foreign Grants

Foreign grants increased by JD 34.7 million, or 21.1 percent, in the first three quarters of 2018, standing at JD 199.5 million compared to JD 164.8 million in the same period of 2017.

### ■ Public Expenditures

Public expenditures increased by JD 36.1 million, or 6.4 percent, in September 2018 compared to the same month in 2017, to stand at JD 602.9 million. However, public expenditures increased by JD 247.6 million, or 4.2 percent, during the first three quarters of 2018 to stand at JD 6,108.4 million. This increase was an outcome of the rise in current expenditures by 6.6 percent, and the decrease in capital expenditures by 15.2 percent.

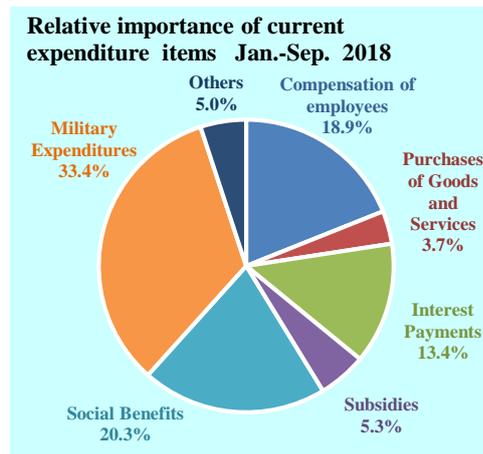
**Public Expenditure Structure**  
(2013-2017) and the first three quarters of 2018, JD Million



### ◆ Current Expenditures

Current expenditures went up by JD 345.6 million, or 6.6 percent, in the first three quarters of 2018 to reach JD 5,559.3 million (91.0 percent of public expenditures). Because of the growth rate of current expenditure is higher than that of domestic revenues, the coverage ratio (measured by the ratio of domestic revenues to current expenditures) decreased to 92.2 percent, against 95.3 percent in the same period of 2017. The increase in current expenditures is due to the rise in most of its components, as follow:

- An increase in military expenditures by JD 141.3 million, to total JD 1,855.0 million.
- A rise in interest payments (commitment basis) by JD 110.6 million, to stand at JD 745.6 million.
- An increase in subsidies by JD 97.1 million, to stand at JD 295.8 million.
- An increase in social benefits by JD 44.9 million, to stand at JD 1,129.8 million.
- A rise in the compensation of civil sector's employees (wages, salaries and social security contributions) by JD 11.1 million, to reach JD 1,051.4 million.
- However, the purchases of goods and services decreased by JD 27.3 million, to reach JD 202.7 million.

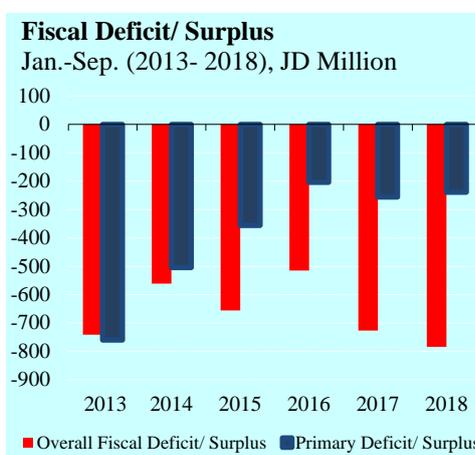


### ◆ Capital Expenditures

Capital expenditures decreased by JD 98.1 million, or 15.2 percent, during the first three quarters of 2018 compared to the same period of 2017, to reach JD 549.1 million.

### ■ General Budget Deficit/ Surplus

- ◆ The general budget, including foreign grants, registered an overall fiscal deficit of JD 784.5 million during the first three quarters of 2018, an increase of JD 58.0 million, compared to a fiscal deficit of JD 726.5 million during the same

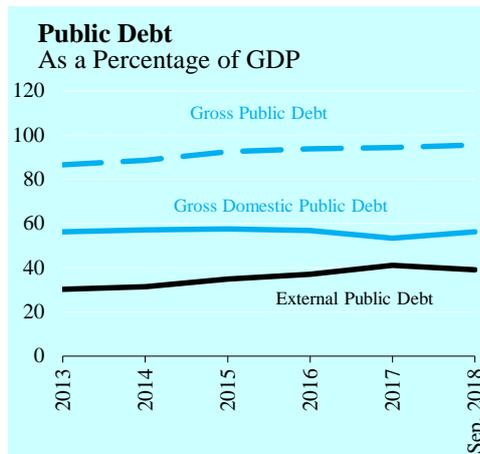
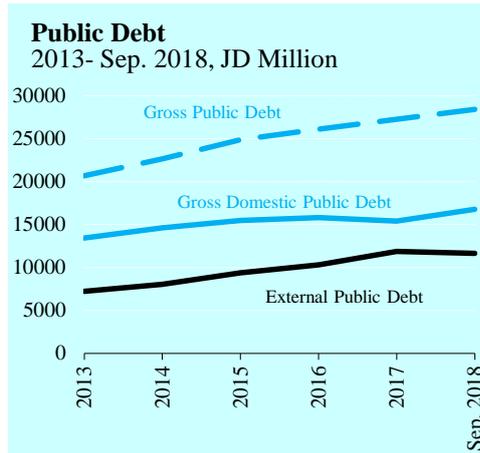


period of 2017. As a percent of GDP, the budget deficit reached 3.6 percent compared to 3.4 percent in the same period of 2017.

- ◆ When foreign grants are excluded, the general budget deficit widens to reach JD 984.0 million (4.5 percent of GDP) during the first three quarters of 2018, compared to a fiscal deficit of JD 891.3 million (4.1 percent of GDP) in the same period of 2017.
- ◆ The general budget recorded a primary deficit (domestic revenues *minus* total public expenditures excluding interest payments on public debt) in the amount of JD 238.4 million (1.1 percent of GDP) during the first three quarters of 2018, against a primary deficit of JD 256.3 million (1.2 percent of GDP) in the same period of 2017.

Public Debt

Gross outstanding domestic public debt increased by JD 1,360.0 million, at the end of September 2018 compared to its level at the end of 2017, to total JD 16,762.1 million (56.3 percent of GDP comparing to 53.3 percent of GDP at the end of last year). This increase was a result of the rise in the total domestic public debt of the general budget by JD 1,296.4 million, and the increase in the total domestic public debt of own-budget agencies by JD 64.6 million compared to their levels at the end of 2017, standing at JD 13,843.2 million and JD 2,919.9 million, respectively. The increase in the budgetary domestic public debt was mainly attributed to the rise in the balance of treasury bills and bonds at the end of September 2018 by JD 1,371.4 million, compared to the level achieved at the end of 2017 to reach JD 13,565.3 million. Whereas the outstanding balance of loans and advances provided by the CBJ to the central government decreased by JD 80.0 million, compared to the achieved at the end of 2017, to reach JD 271.7 million. Moreover, the rose in the



domestic public debt of own-budget agencies was driven by the increase in the loans and advances extended to these institutions by JD 111.6 million compared to their level at the end of 2017, to reach JD 2,309.4 million. whereas the independent institutions' bonds decrease by JD 47.0 million, compared to the achieved at the end of 2017, to reach JD 610.5 million.

- The balance of the external public debt (budget and guaranteed) went down by JD 213.2 million at the end of September 2018, compared to its level at the end of 2017, to reach JD 11,654.0 million (39.1 percent of GDP compared to 41.1 percent of GDP at the end of 2017). It is worth mentioning that the balance of the external public debt denominated in the U.S. dollar accounted for 70.5 percent of the total external debt, and the debt in Euro accounted for 8.4 percent. However, the SDR accounted for 6.9 percent, Japanese Yen (6.2 percent), and Kuwaiti Dinar (5.6 percent).
- In light of the above-mentioned developments, gross public debt (domestic and external) increased by JD 1,146.8 million at the end of September 2018, to stand at JD 28,416.1 million (95.4 percent of GDP), compared to JD 27,269.3 million (94.3 percent of GDP) at the end of 2017.
- On the other hand, government deposits with the banking system declined by JD 431.2 million at the end of September 2018, compared to the end of 2017, to reach JD 1,402.3 million.
- Thus, net domestic public debt of the central government (the total balance of the domestic public debt of the central government *minus* government deposits with the banking system) increased by JD 1,791.2 million at the end of September 2018 to reach JD 15,359.8 million (51.6 percent of GDP compared to 46.9 percent of GDP at the end of 2017). Whereas, net public debt increased by JD 1,578.0 million at the end of September 2018 to stand at JD 27,013.8 million, accounting for 90.7 percent of GDP compared to 88.0 percent of GDP at the end of 2017.

- External debt service (budget and guaranteed) increased by JD 64.9 million during the first three quarters of 2018, compared to same period of 2017, to reach JD 889.4 million (including principal payments of JD 620.0 million and interest of JD 269.4 million).

#### □ Fiscal and Price Measures of 2018

##### ◆ December

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

#### Development of Oil Derivatives Price

	Unit	2018		Percentage Change
		November	December	
Unleaded Gasoline 90	Fils/Liter	825	750	-9.1
Unleaded Gasoline 95	Fils/Liter	1,060	965	-9.0
Unleaded Gasoline 98	Fils/Liter	1,210	1,115	-7.9
Gas Oil (Diesel)	Fils/Liter	625	605	-3.2
Kerosene	Fils/Liter	625	605	-3.2
Liquid Gas (12.5kg)	JD/Cylinder	7.0	7.0	0.0
Fuel oil (1%)	JD/Ton	479.8	446.5	-6.9
Fuel for airplanes (local companies)	Fils/Liter	515	465	-9.7
Fuel for airplanes (foreign companies)	Fils/Liter	520	470	-9.6
Fuel for unplanned flights	Fils/Liter	535	485	-9.3
Asphalt	JD/Ton	476.5	441.2	-7.4

Source: Jordan Petroleum Refinery Company (1/12/2018).

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

**◆ September**

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

## ◆ July

- The cabinet decided to decrease the special tax on hybrid vehicles with 2500cc engines and less, as follows:
  - Reduce the special tax on hybrid vehicles, to become:
    - 30 percent starting from 1/7/2018 to 31/12/2018.
    - 35 percent starting from 1/1/2019 to 31/12/2019.
    - 40 percent starting from 1/1/2020 to 31/12/2020.
    - 45 percent starting from 1/1/2021 to 31/12/2021.
  - Reduce the special tax of scrapping old fuel-run cars and exchanging them for hybrid vehicles, to become as follows:
    - 12.5 percent starting from 1/7/2018 to 31/12/2018.
    - 20 percent starting from 1/1/2019 to 31/12/2019.
    - 25 percent starting from 1/1/2020 to 31/12/2020.
    - 30 percent starting from 1/1/2021 to 31/12/2021.
  - Amend the special tax imposed for each car ride are imported by weight, as follows:
    - JD 350 for each car less than 1000 Kg.
    - JD 500 for each car higher than 1000 Kg to 1250 Kg.
    - JD 1000 for each car higher than 1250Kg to 1500Kg.
    - JD 1500 for each car higher than 1500Kg.
- The Energy and Minerals Regulatory Commission decided to adjust fuel price bands item, which is included in the electricity bill, to become 24 fils instead of 17 fils, starting in July, while continuing to exempt families consuming less than 300 kilowatts per month.
- The cabinet decided to implement the decision, which was taken in February 2017, on the Prime Minister and Ministers, starting from July 1, 2018, until the end of this year. The previous decision include the deduction of 10 percent of any monthly salaries exceeding JD 2,000 for all public sector employees.

**◆ June**

- The cabinet decided to withdraw the draft law amending the income Tax Law No 34 for the year 2014. The decision comes in line with the Royal directives contained in the letter of Designation, which stressed the need for a comprehensive review of the tax system and the tax burden in an integrated manner.
- Issuance of Royal Decree to freeze the price hikes on fuel derivatives and the charges on oil prices item in the electricity bill for month of June, and to maintain the prices as they were in May, in order to alleviate the economic burdens on citizens during the holy month of Ramadan.

**◆ May**

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

**◆ April**

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

**◆ March**

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

**◆ February**

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

**◆ January**

- The cabinet adopted a bundle of fiscal measures, including the following:
  - Determine the price of flour by JD 222 per ton, and prices of bread in bakeries, as follows:
    - JD 0.40 for small pita bread per kilogram.
    - JD 0.32 for large pita bread per kilogram.
    - JD 0.35 for arabic bread (Mashrouh) per kilogram.
  - Raise sales tax to become 10 percent on exempted sales and subordinated from sales tax (zero and 4 per cent). The taxes on essential commodities remained unchanged.
  - Impose an excise tax 20 piasters has been added on cigarette packets.

- Cancel the exemption on hybrid cars, which the government began to apply in 2012, to become the special tax on hybrids 55 percent instead of 25 percent if the hybrid vehicle is purchased without removing an old vehicle. If an old vehicle is written off and replaced with a hybrid, the tax rate will be 40 percent instead of 12.5 percent.
- Impose fees for each car ride are imported by weight, as follows:
  - JD 500 for each car less than 1000 Kg.
  - JD 750 for each car higher than 1000 Kg to 1250 Kg.
  - JD 1000 for each car higher than 1250Kg to 1500Kg.
  - JD 1500 for each car higher than 1500Kg.
- Raising the special tax on gasoline 95 & 98 to become 30 percent.
- Raising the special tax on soft drinks to become 20 percent.
- decreasing fee for the ownership transfer of any vehicle from one person to another for both individuals and corporate (except public, agricultural and construction vehicles), as follows:

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

## □ Grants, Loans and Other Agreements

### ◆ December

- Signing a grant agreement provided by the European union in the amount of EUR 6.5 million, to finance the project of developing Karamah border crossing with Iraq, aims at improving the security procedures and facilitating the movement of passengers and goods at the crossing.
- Signing a grant agreement provided by the European union in the amount of EUR 30.6 million, to build ten new schools in Jordan.

**◆ November**

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

**◆ October**

- Signing a soft loans agreement provided by German government in the amount of EUR 86 million, to support General Budget and Jordan's economic reforms, as a part of the minutes of the talks, including grants and soft loans in the amount of EUR 462.1 million, to finance development projects and grants to support Syrian refugees.
- Signing a grant agreement provided by the European Union in the amount of EUR 50 million, to support rule of law initiatives in Jordan.
- Signing agreements and memorandums of understanding between Jordan and the Kingdom of Saudi Arabia, United Arab Emirates, and Kuwait, as an outcome of the Mecca summit pledges held in June 2018, to support Jordan to face its economic challenges resulting from the regional stability and its negative repercussions on the national economy, as well as maintain monetary stability. As follow by each country:
  - **The Kingdom of Saudi Arabia**
    - A grant agreement in the amount USD 250 million for five years to finance development projects in the General Budget Law.
  - **United Arab Emirates**
    - Submission of deposit in the Central Bank of Jordan worth USD 333.3 million.
    - A grant in the amount USD 250 million for five years to Support General Budget.
    - A development loan in the amount USD 50 million for development projects.
    - World Bank guarantees for Jordan to a maximum amount of USD 200 million.

- **Kuwait**

- Submission of deposit in the Central Bank of Jordan worth USD 500 million on preferential terms.
- A loan program in the amount USD 500 million for five years, of which USD 100 million yearly begin from 2019/2020, to finance development / capital projects in the General Budget.
- Initial Rescheduling Agreement of Kuwait Fund debt on Jordan in the amount of USD 300.7 million. The agreement provides for the rescheduling of the Fund's debt on the Government of Jordan which was not settled by 31 Dec. 2018. The agreement concerns 17 loans with a total value of KWD 91.1 million, which is approximately USD 300.7 million. The debt would be settled over 40 years with a grace period of 15 years at an interest rate of 1%.

- ◆ **September**

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

- ◆ **March**

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

#### Fourth: External Sector

##### □ Summary

- **Total merchandize exports** (domestic exports *plus* re-exports) increased by 7.2 percent in September 2018 compared to the same month of 2017 to reach JD 472.6 million. As for the first three quarters of 2018, total merchandize exports increased by 3.4 percent compared with the same period of 2017 to reach JD 4,027.5 million.
- **Merchandize imports** increased by 14.4 percent in September 2018 compared to the same month of 2017 to reach JD 1,227.9 million. As for the first three quarters of 2018, merchandize imports increased by 0.3 percent compared with the same period of 2017 to reach JD 10,642.0 million.
- **Consequently**, the trade balance deficit (total exports minus imports) increased by 19.5 percent in September 2018 compared to the same month of 2017; standing at JD 755.3 million. As for the first three quarters of 2018, the trade balance deficit decreased by 1.5 percent compared to the same period of 2017 to reach JD 6,614.5 million.
- **Travel receipts** increased by 15.0 percent in October 2018 compared to the same month of 2017 to reach JD 286.5 million. As for the first ten months of 2018, travel receipts increased by 12.6 percent compared to the same period of 2017 to reach JD 3,171.6 million, while travel payments increased by 8.7 percent in October 2018 compared to the same month of 2017 to reach JD 67.2 million. As for the first ten months of 2018, travel payment decreased by 0.8 percent compared to the same period of 2017 to reach JD 856.0 million.
- **Total workers' remittances receipts** decreased by 1.7 percent in October 2018 compared to the same month of 2017 to reach JD 217.4 million. As for the first ten months of 2018, total workers' remittances receipts decreased by 1.4 percent compared to the same period of 2017 to reach JD 1,950.4 million.
- **The current account of the balance of payments** (including grants) registered a deficit amounted to JD 1,456.9 million (10.4 percent of GDP) during the first half of 2018 compared to a deficit of JD 1,724.5 million (12.8 percent of GDP) during the first half of 2017. Meanwhile, the current account deficit excluding grants decreased to reach 11.4 percent of GDP during the first half of 2018 compared with 14.2 percent of GDP during the first half of 2017.

- **Net direct investment** recorded an inflow of JD 381.6 million during the first half of 2018, compared to JD 875.0 million during the first half of 2017.
- **International investment position (IIP)** displayed a net obligation to abroad of JD 31,069.3 million at the end of the first half of 2018, compared to JD 29,350.3 million at the end of 2017.

#### □ External Trade

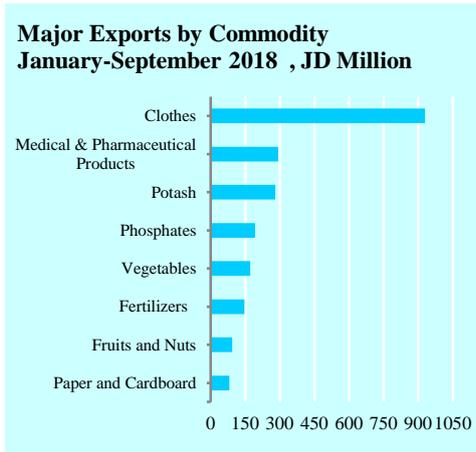
- As a result of the increase in domestic exports by JD 98.1 million and the increase in imports by JD 31.1 million during the first three quarters of 2018, the volume of external trade (domestic exports *plus* imports) increased by JD 129.2 million to stand at JD 14,035.8 million compared to the same period of 2017.

Jordan's Major Trading Partners JD Million				Main External Trade Indicators JD Million				
January- September				January- September				
	2017	2018	Percentage Change		2017	Percentage Change (%)	2018	Percentage Change (%)
<b>Exports</b>				External Trade	13,906.6	4.3	14,035.8	0.9
USA	839.0	928.7	10.7	Total Exports	3896.1	-2.7	4027.5	3.4
India	290.2	364.9	25.7	Domestic Exports	3295.7	0.1	3393.8	3.0
Saudi Arabia	425.9	356.7	-16.2	Re-exports	600.4	-15.5	633.7	5.5
Iraq	238.6	333.3	39.7	Imports	10610.9	5.7	10642.0	0.3
Kuwait	188.2	134.6	-28.5	Trade Balance	-6714.8	-11.2	-6614.5	-1.5
UAE	144.0	119.0	-17.4	Source: Department of Statistics.				
Indonesia	78.1	77.2	-1.2					
<b>Imports</b>								
Saudi Arabia	1301.7	1812.1	39.2					
China	1,508.5	1,451.8	-3.8					
USA	1130.7	920.3	-18.6					
Germany	462.5	477.0	3.1					
UAE	523.3	476.8	-8.9					
Turkey	360.7	397.6	10.2					
Italy	460.5	344.7	-25.1					
Source: Department of Statistics.								

### ■ Merchandize Exports:

Total merchandize exports increased by 3.4 percent during the first three quarters of 2018, to reach JD 4,027.5 million. This increase resulted from an increase in domestic exports by JD 98.1 million, or 3.0 percent to reach JD 3,393.8

million and an increase in re-exports by JD 33.3 million, or 5.5 percent to reach JD 633.7 million.



### ◆ The developments of domestic exports during the first three quarters of 2018 compared with same period of 2017 reveals the following:

- Exports of **Clothes** increased by JD 108.5 million, or 13.2 percent, to stand at JD 929.5 million. The USA market accounted for 88.5 percent of these exports.
- Exports of **Fertilizers** increased by JD 49.9 million, or 52.0 percent, to reach JD 145.8 million. The markets of India, Turkey and Iraq accounted for 83.3 percent of these exports.
- Exports of **Potash** increased by JD 33.9 million, or 13.8 percent, to stand at JD 279.9 million. The India, China, Malaysia and Egypt were the main markets accounted for 65.2 percent of these exports.

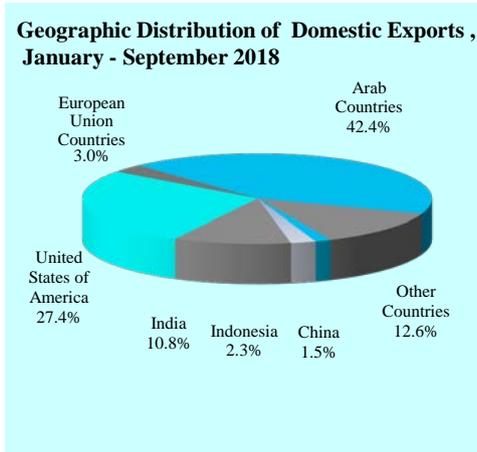
- Exports of **Vegetables** decreased by JD 34.8 million or 16.9 percent to stand at JD 171.7 million. Saudi Arabia, Kuwait and the UAE were the main destination markets for these export, accounting for 69.1 percent.
- Exports of **Medical & Pharmaceutical Products** decreased by JD 14.8 million, or 4.8 percent, to reach JD 292.4 million. Saudi Arabia, Iraq, Algeria and the UAE were the main destination markets; accounting for 58.9 percent of these exports.
- Exports of **Phosphates** decreased by JD 14.2 million or 6.9 percent to reach JD 192.3 million, this decrease was an outcome of the decrease in quantities by 18.5 percent and the increase in prices by 14.3 percent. It is worth noting that India and Indonesia were the main markets for phosphate exports, accounting for 91.8 percent.

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

	2017	2018	Percentage Change
<b>Domestic Exports</b>	<b>3295.7</b>	<b>3393.8</b>	<b>3.0</b>
<b>Clothes</b>	<b>821.0</b>	<b>929.5</b>	<b>13.2</b>
USA	733.9	822.8	12.1
<b>Medical &amp; Pharmaceutical Products</b>	<b>307.2</b>	<b>292.4</b>	<b>-4.8</b>
Saudi Arabia	81.1	59.7	-26.4
Iraq	39.2	54.9	40.1
Algeria	34.4	31.4	-8.7
UAE	24.6	26.3	6.9
<b>Potash</b>	<b>246.0</b>	<b>279.9</b>	<b>13.8</b>
India	75.2	77.0	2.4
China	58.1	43.1	-25.8
Malaysia	21.0	32.8	56.2
Egypt	21.7	29.6	36.4
<b>Phosphates</b>	<b>206.5</b>	<b>192.3</b>	<b>-6.9</b>
India	132.9	128.5	-3.3
Indonesia	51.0	48.0	-5.9
<b>Vegetables</b>	<b>206.5</b>	<b>171.7</b>	<b>-16.9</b>
Saudi Arabia	55.9	49.1	-12.2
Kuwait	89.1	37.9	-3.1
UAE	39.4	31.6	-19.8
<b>Fertilizers</b>	<b>95.9</b>	<b>145.8</b>	<b>52.0</b>
India	23.6	82.7	250.4
Turkey	33.9	26.4	-22.1
Iraq	19.2	12.4	-35.4
<b>Fruits and Nuts</b>	<b>98.7</b>	<b>93.6</b>	<b>-5.2</b>
Kuwait	33.1	28.8	-12.9
Saudi Arabia	27.5	26.1	-5.1
UAE	7.8	8.2	5.1
<b>Paper and cardboard</b>	<b>83.0</b>	<b>81.4</b>	<b>-1.9</b>
Saudi Arabia	38.8	29.5	-24.0
Iraq	17.4	21.2	21.8
Egypt	3.9	4.1	5.1

Source: Department of Statistics.

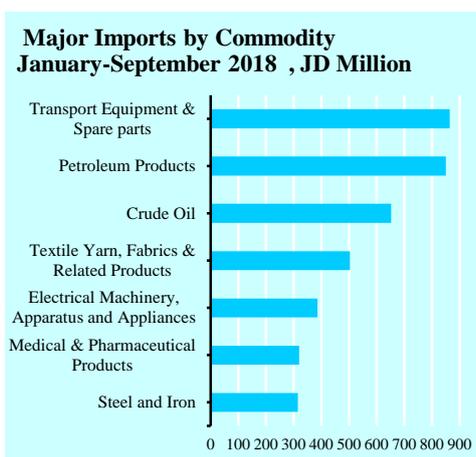
- Consequently, the commodity breakdown of domestic exports indicates that exports of clothes, “medical and pharmaceutical products”



potash, phosphates, vegetables, fertilizers, “Fruits and Nuts” and “paper and cardboard” topped the list of domestic exports during the first three quarters of 2018; accounting for 64.4 percent, compared with 62.7 percent during the same period of 2017. Meanwhile, the geographical distribution of domestic exports indicates that the USA, India, Saudi Arabia, Iraq, Kuwait, the UAE and Indonesia were the main destination markets during the first three quarters of 2018; accounting for 68.2 percent, compared with 66.9 percent during the same period of 2017.

■ **Merchandize Imports:**

Merchandize imports increased by 0.3 percent to reach JD 10,642.0 million during the first three quarters of 2018, compared to an increase by 5.7 percent during the same period of 2017.



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

- **Petroleum Products** import increased by JD 456.3 million or 115.6 percent to reach JD 851.1 million. Saudi Arabia, the UAE and Latvia were the main markets, accounting for 76.9 percent of these import.
- **Crude Oil** imports increased by JD 83.6 million, or 14.7 percent, to reach JD 652.8 million. This increase was mainly resulted from a decrease in imported quantities by 18.5 percent and an increase in prices by 40.7 percent, compared with the same period of 2017. Noting that crude oil imports came from Saudi Arabia.
- **Iron and steel** imports increased by JD 75.2 million or 31.3 percent to reach JD 315.6 million. Saudi Arabia, China and Ukraine were the main origin markets accounting for 63.1 percent of these imports.

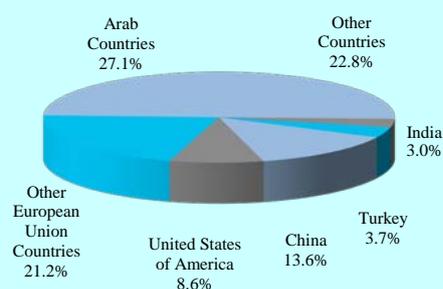
- Medical & Pharmaceutical Products** imports increased by JD 28.6 million or 9.8 percent to stand at JD 320.0 million. Germany, the USA and France were the main markets, accounting for 34.1 percent of these imports.
- Transport Equipment & Spare Parts** imports decreased by JD 284.0 million or 24.7 percent to reach JD 864.0 million. The USA, Germany and Japan were the main origin markets, accounting for 44.6 percent of these imports.
- Electrical Machinery, Apparatus and Appliances** imports decreased by JD 16.6 million or 4.1 percent to reach JD 385.7 million. China, Turkey and Italy were the main origin markets accounting for 58.2 percent of these imports.

Major Imports by Commodity, JD Million January- September 2017-2018			
	2017	2018	Percentage Change
<b>Total Imports</b>	<b>10,610.9</b>	<b>10,642.0</b>	<b>0.3</b>
<b>Transport Equipment &amp; Spare Parts</b>	<b>1,148.00</b>	<b>864.0</b>	<b>-24.7</b>
USA	266.7	199.1	-25.3
Germany	126.2	136.5	0.2
Japan	206.6	129.0	-37.5
<b>Petroleum Products</b>	<b>394.8</b>	<b>851.1</b>	<b>115.6</b>
Saudi Arabia	90.0	386.8	329.8
UAE	54.0	157.7	192.0
Latvija	0.0	109.8	-
<b>Crude Oil</b>	<b>569.2</b>	<b>652.8</b>	<b>14.7</b>
Saudi Arabia	569.2	652.8	14.7
<b>Textile Yarn, Fabrics and Related Products</b>	<b>497.0</b>	<b>503.7</b>	<b>1.3</b>
China	185.3	219.2	18.3
Taiwan	156.8	129.7	-17.3
Turkey	49.6	45.5	-8.3
<b>Electrical Machinery Apparatus and Appliances</b>	<b>402.3</b>	<b>385.7</b>	<b>-4.1</b>
China	179.1	156.6	-12.6
Turkey	36.5	42.6	16.7
Italy	29.8	25.3	-15.1
<b>Medical &amp; Pharmaceutical Products</b>	<b>291.4</b>	<b>320.0</b>	<b>9.8</b>
Germany	41.3	45.4	9.9
USA	31.1	35.6	14.5
France	29.5	28.2	-4.4
<b>Iron and steel</b>	<b>240.4</b>	<b>315.6</b>	<b>31.3</b>
Saudi Arabia	22.2	112.3	405.9
China	62.9	43.5	-30.8
Ukraine	33.7	43.2	28.2

Source: Department of Statistics.

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

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



products”, “electrical machinery apparatus and appliances”, “medical and pharmaceutical products” and “Iron and steel”, topped the list of imports during the first three quarters of 2018, accounting for 36.6 percent; compared to 33.4 percent during the same period of 2017. Meanwhile, the geographical distribution of imports indicates that Saudi Arabia, China, the USA, the UAE, Germany, Turkey, and Italy were the main source markets during the first three quarters of 2018; accounting for 55.2 percent of imports, compared to 54.2 percent during the same period of 2017.

#### ■ Re-Exports

The value of re-exported goods in September 2018 increased by JD 9.2 million, or 15.2 percent, compared to the same month of 2017, to stand at JD 69.8 million. As for the first three quarters of 2018, the value of re-exported goods increased by JD 33.3 million, or 5.5 percent compared to the same period of 2017 to reach JD 633.7 million.

### ■ Trade Balance

The trade balance deficit increased by JD 123.1 million, or 19.5 percent in September 2018 compared to the same month of 2017, to reach JD 755.3 million. As for the first three quarters of 2018, trade balance deficit decreased by JD 100.3 million, or 1.5 percent, to register JD 6,614.5 million, compared to the same period of 2017.

### □ Total Workers' Remittances Receipts

■ Total workers' remittances receipts decreased by 1.7 percent in October 2018 compared to the same month of 2017, to register JD 217.4 million. As for the first ten months of 2018, total workers' remittances receipts decreased by 1.4 percent compared to the same period of 2017 to reach JD 2,167.8 million.

### □ Travel

#### ■ Receipts

Travel receipts increased by JD 37.3 million, or 15.0 percent, in October 2018 compared to the same month of 2017, to register JD 286.4 million. As for the first ten months of 2018, travel receipts increased by 12.6 percent compared to the same period of 2017 to reach JD 3,171.6 million.

#### ■ Payments

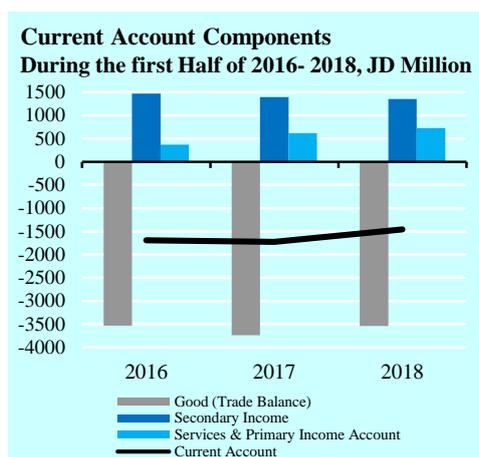
Travel payments increased by JD 5.4 million, or 8.7 percent, in October 2018 compared to the same month of 2017, to stand at JD 67.2 million. As for the first ten months of 2018, travel payment decreased by 0.8 percent compared to the same period of 2017 to reach JD 856.0 million.

### □ Balance of Payments

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

■ The current account recorded a deficit of JD 1,456.9 million (10.4 percent of GDP) compared to a deficit of JD 1,724.5 million (12.8 percent of GDP) during the first half of 2017. Meanwhile, the current account deficit excluding grants decreased to reach JD 1,590.8 million (11.4 percent of GDP) during the first half of 2018 compared to JD 1,902.3 million (14.2 percent of GDP) during the first half of 2017. This was an outcome of the following developments:

- ◆ A decrease in the goods balance deficit during the first half of 2018 by JD 201.1 million, or 5.4 percent, to reach JD 3,537.7 million compared to JD 3,738.8 million during the same period of 2017.



- ◆ An increase in the services account surplus compared to the first of half of 2017 by JD 105.2 million, to reach JD 702.0 million.
- ◆ An increase in the primary income account surplus by JD 3.3 million, to reach JD 26.0 million during the first of half of 2018 compared to a surplus of JD 22.7 million during the same period of 2017. This was mainly due to a decrease in deficit of the investment income (net) by JD 7.4 million, and a decrease in the surplus of compensation of employees (net) by JD 4.1 million.
- ◆ A decrease in the secondary income surplus by JD 42.0 million to reach JD 1,352.8 million compared to JD 1,394.8 million during the first of half of 2017, this was outcome of the decrease in net transfers of the public sector (foreign grants) by JD 43.9 million to reach JD 133.9 million, and the increase in the net surplus transfers of other sectors by JD 1.9 million to reach JD 1,218.9 million.

- As for the capital and financial account, the capital account registered a net inflow of JD 27.5 million during the first half of 2018 compared to a net inflow of JD 11.0 million during the first half of 2017. Meanwhile, the financial account registered a net inflow of JD 1,745.6 million during the first half of 2018 compared to a net inflow of JD 1,413.6 million during the first half of 2017, this can be attributed to the following:
  - ◆ Direct investment recorded a net inflow of JD 381.6 million compared to a net inflow of JD 875.0 million during the first half of 2017.
  - ◆ Portfolio investment recorded a net outflow of JD 98.1 million compared to a net outflow of JD 12.7 million during the first half of 2017.
  - ◆ Other investment registered a net inflow of JD 478.0 million compared to a net outflow of JD 376.2 million during the first half of 2017.
  - ◆ A decrease in the reserve assets of the CBJ by JD 984.1 million, compared to a decrease of JD 927.5 million during the first half of 2017.

#### □ International Investment Position (IIP)

The IIP, which represents the Kingdom's net position (stock) of external financial assets and liabilities, displayed an obligation to abroad of JD 31,069.3 million at the end of the first half of 2018 compared to JD 29,350.3 million at the end of 2017. This was due to the following developments:

- A decrease in the position of external assets (the stock of claims, obligations and financial assets) for all economic sectors (residing) in the Kingdom by JD 1,655.2 million at the end of the first half of 2018 to reach JD 17,039.8 million. This was mainly due to the decrease in the currency and deposits of the banking sector abroad by JD 643.7 million and decrease in the CBJ's reserve assets by JD 1,048.3 million.

- An increase in the position of external liabilities (the stock of claims, obligations and financial assets) on all economic sectors residing in the Kingdom by JD 63.8 million at the end of the first half of 2018, to reach JD 48,109.1 million, this was due to the following developments:
  - ◆ An increase in the stock of direct investment in the kingdom by JD 406.0 million to stand at JD 24,723.8 million.
  - ◆ A decrease in the balance of the international monetary fund credit facilities by JD 181.4 million to reach JD 720.0 million.
  - ◆ A decrease in the stock of portfolio investment in the kingdom by JD 82.1 million to stand at JD 8,127.7 million.
  - ◆ A decrease of government long term loans by JD 68.6 million to stand at JD 4,160.3 million.
  - ◆ A decrease in the trade credits which given to residents in the kingdom by 50.1 to stand of 782.6.
  - ◆ A decrease in the deposits of non-residents at the banking sector by JD 2.4 million to stand at JD 7,570.7 million (decrease by JD 39.3 million for the CBJ and increase by 36.9 for the licensed banks).