



Central Bank of Jordan

Recent Monetary & Economic Developments in Jordan

**Research Dept / Monthly Report
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Central Bank of Jordan

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OUR VISION

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

OUR MISSION

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

OUR VALUES

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

Contents

Executive Summary

1

First

**Monetary & Financial
Sector**

3

Second

**Output, Prices and
Employment**

15

Third

Public Finance

23

Fourth

External Sector

39

Executive Summary

□ Output, Prices and Employment

During the first three quarters of 2017, real GDP at market prices, grew by 2.0 percent. Thus, maintaining the same growth rate during the same period of 2016. The general price level, measured by the percentage change in the Consumer Price Index (CPI) increased during 2017 by 3.3 percent, compared to a contraction of 0.8 percent in 2016. Furthermore, the unemployment rate during the third quarter of 2017 amounted of 18.5 percent.

□ Monetary and Financial Sector

- The CBJ's gross foreign reserves (including gold and SDRs) amounted to US\$ 14,392.0 million at the end of 2017. This level of reserves covers around 8.1 months of the kingdom's imports of goods and services.
- Domestic liquidity amounted to JD 32,959.3 million at the end of 2017, compared to JD 32,876.2 million at the end of 2016.
- The outstanding balance of credit facilities extended by licensed banks amounted to JD 24,752.6 million at the end of 2017, compared to JD 22,905.8 million at the end of 2016.
- Total deposits at licensed banks amounted to JD 33,199.3 million at the end of 2017, compared to JD 32,900.0 million at the end of 2016.
- The Share Price Index (SPI) weighted by the market capitalization of free float shares at Amman Stock Exchange (ASE) reached 2,126.8 point at the end of 2017, compared to JD 2,170.3 point at the end of 2016.

- **Public Finance:** The general budget, including foreign grants, recorded a fiscal deficit in the amount of JD 910.0 million (3.5 percent of GDP) during the first eleven months of 2017 compared to a fiscal deficit in the amount of JD 803.1 million (3.2 percent of GDP) during the same period in 2016. Gross outstanding domestic public debt (budgetary and own-budget) decreased by JD 28.3 million at the end of November 2017 compared to its level at the end of 2016, standing at JD 15,765.4 million (55.1 percent of GDP). Outstanding external public debt (budget and guaranteed) increased by JD 1,154.4 million at the end of November 2017 compared to its level at the end of 2016 to reach JD 11,453.4 million (40.1 percent of GDP). Accordingly, gross public debt (domestic and external) stood at 95.2 percent of GDP at the end of November 2017 compared to 95.1 percent of GDP at the end of 2016.
- **External Sector:** Total merchandise exports (domestic exports *plus* re-exports) decreased by 1.3 percent in the first eleven months of 2017 to reach JD 4,796.2 million. Meanwhile, merchandise imports increased by 5.4 percent to reach JD 13,132.7 million. As a result, the trade balance deficit increased by 9.7 percent compared to the same period in 2016, to reach JD 8,336.5 million. The preliminary data of 2017 showed an increase in travel receipts and payments by 12.5 percent and 8.7 percent respectively, compared to the 2016. Moreover, total workers' remittances receipts increased by 0.3 percent during the 2017 compared to the 2016. The preliminary data for the balance of payments during the first three quarters of 2017 displayed a deficit in the current account accounted to JD 2,415.6 million (11.6 percent of GDP) compared to JD 1,967.4 million (9.8 percent of GDP) during the first three quarters of 2016. Meanwhile, the current account deficit excluding grants increased to reach 12.7 percent of GDP compared with 11.6 percent of GDP during the same period of 2016. Moreover, net direct investment recorded a net inflow of JD 1,017.3 million during the first three quarters of 2017 compared to a net inflow of JD 854.2 million during the same period in 2016. Furthermore, the international investment position (IIP) registered a net obligation to abroad in the amount of JD 29,110.0 million at end of the third quarter 2017 up from JD 26,843.2 million at the end of 2016.

First: Monetary and Financial Sector

□ Summary

- The CBJ's gross foreign reserves (including gold and SDRs) amounted to US\$ 14,392.0 million at the end of 2017. This level of reserves covers around 8.1 months of the kingdom's imports of goods and services.
- Domestic liquidity amounted to JD 32,959.3 million at the end of 2017, compared to JD 32,876.2 million at the end of 2016.
- The outstanding balance of credit facilities extended by licensed banks amounted to JD 24,752.6 million at the end of 2017, compared to JD 22,905.8 million at the end of 2016.
- Total deposits at licensed banks amounted to JD 33,199.3 million at the end of 2017, compared to JD 32,900.0 million at the end of 2016.
- The interest rates on all types of credit facilities extended by the licensed banks increased at the end of 2017, compared to the end of 2016, except the interest rate on the discounted bills and bonds. Moreover, the interest rates on all types of deposits increased, at the end of 2017, compared to the end of 2016, except the interest rate on saving deposits.

- The Share Price Index (SPI) weighted by market capitalization of free float shares at Amman Stock Exchange (ASE) reached 2,126.8 point at the end of 2017, compared to 2,170.3 point at the end of 2016. Moreover, the market capitalization reached JD 16,962.6 million at the end of 2017, compared to JD 17,339.4 million at the end of 2016.

Main Monetary Indicators

JD Million, and Percentage Change Relative to the Previous Year

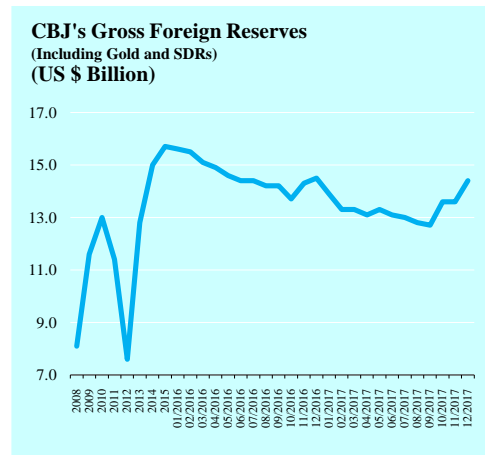
	End of December	
	2016	2017
CBJ's Foreign Reserves*	US\$ 14,499.9	US\$ 14,392.0
	-7.6%	-0.7%
Money Supply (M2)	32,876.2	32,959.3
	4.0%	0.3%
Credit Facilities, of which:	22,905.8	24,752.6
	8.5%	8.1%
Private Sector (Resident)	19,901.4	21,763.0
	10.0%	9.4%
Total Deposits, of which:	32,900.0	33,199.3
	0.9%	0.9%
In JD	25,968.2	25,643.8
	-0.2%	-1.2%
In Foreign Currencies	6,931.8	7,555.5
	5.3%	9.0%
Deposits of Private Sector (Resident), of which:	26,952.9	26,917.9
	4.5%	-0.1%
In JD	21,572.9	21,259.8
	1.9%	-1.5%
In Foreign Currencies	5,380.0	5,658.1
	16.0%	5.2%

* 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\$ 14,392.0 million at the end of 2017. This level of reserves covers around 8.1 months of the kingdom's imports of goods and services.



□ Domestic Liquidity (M2)

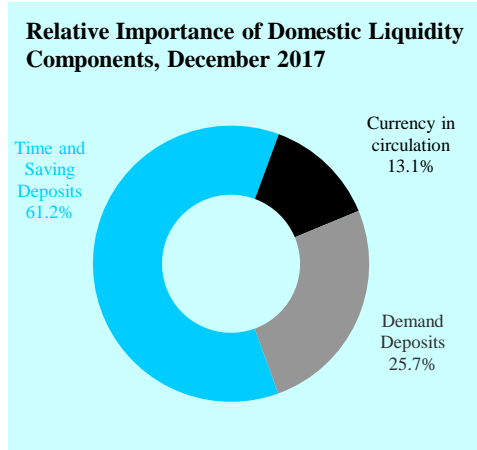
■ Domestic liquidity amounted to JD 33.0 billion at the end of 2017, compared to JD 32.9 billion at the end of 2016.

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

● Components of Domestic Liquidity

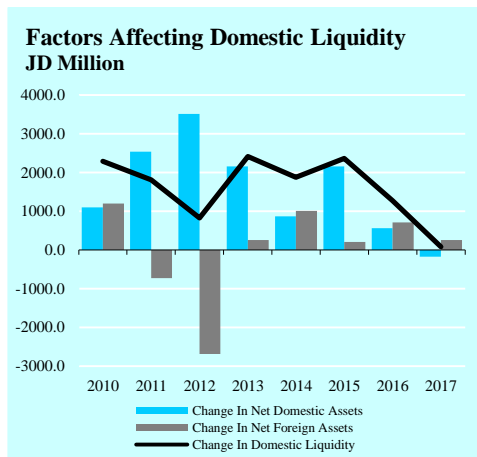
- Total liquidity deposits amounted to JD 28.6 billion at the end of 2017, compared to JD 28.7 billion at the end of 2016.

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



• **Factors Affecting Domestic Liquidity**

- Net domestic assets of the banking system amounted to JD 23.9 billion at the end of 2017, compared to JD 24.0 billion at the end of 2016.



- Net foreign assets of the banking system amounted to JD 9.1 billion at the end of 2017, compared to JD 8.8 billion at the end of 2016. The net foreign assets at the CBJ amounted to JD 10.3 billion at the end of 2017.

Factors Affecting Domestic Liquidity (M2) JD Million

	End of December	
	2016	2017
Foreign Assets (Net)	8,845.4	9,097.9
CBJ	9,831.5	10,260.1
Licensed Banks	-986.1	-1,162.2
Domestic Assets (Net)	24,030.8	23,861.4
CBJ, of which:	-5,194.1	-5,398.5
Claims on Public Sector (Net)	1,043.1	653.1
Other Items (Net*)	-6,260.1	-6,074.5
Licensed Banks	29,225.0	29,259.9
Claims on Public Sector (Net)	9,955.9	9,336.7
Claims on Private Sector	20,567.4	22,511.4
Other Items (Net)	-1,298.3	-2,588.2
Money Supply (M2)	32,876.2	32,959.3
Currency in Circulation	4,181.3	4,326.5
Total Deposits, of which:	28,694.9	28,632.8
In Foreign Currencies	5,418.9	5,696.5

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

□ Interest Rates Structure

■ Interest Rates on Monetary Instruments

◆ On December 17th, 2017, the CBJ raised the interest rates on monetary policy instruments by 25 basis points, to become as follows:

- The CBJ main interest rate: 4.00 percent.
- Re-Discount Rate: 5.00 percent.
- Interest Rate on Overnight Repurchase Agreements: 4.75 percent.
- Weekly/ Monthly Repurchase Agreements: 4.00 percent.
- Overnight Deposit Window Rate: 3.00 percent.
- The interest rate on weekly certificates of deposits: 4.00 percent.

This decision aims to enhance monetary and financial stability in Jordan, and to improve attractiveness of JD denominated instruments against instrument denominated in other currencies, through maintaining the structure of local interest rates levels consistent with global and regional interest rates.

■ Interest Rates in the Banking Sector

◆ Interest Rates on Deposits

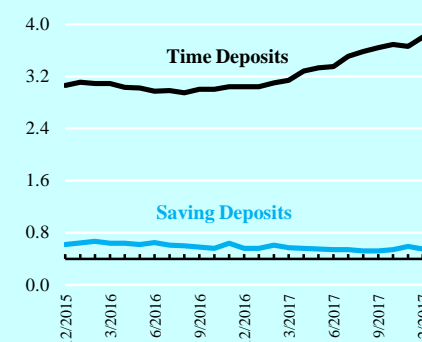
- Time Deposits: The weighted average interest rate on time deposits increased by 6 basis points at the end of December 2017, compared to its level in the previous month, to stand at 3.80 percent. This rate is higher by 76 basis point than its level at the end of 2016.

Interest Rates on Monetary Policy Instruments, percentage points

	December	
	2016	2017
Re-discount Rate	3.75	5.00
Repurchase Agreements Rate (overnight)	3.50	4.75
Overnight Deposit Window Rate	1.75	3.00
Repurchase Agreements rate (one week)	2.75	4.00
Repurchase Agreements rate (one month)	2.75	4.00
Certificates of Deposits (one week)	2.50	4.00

Source: Central Bank of Jordan / Monthly Statistical Bulletin.

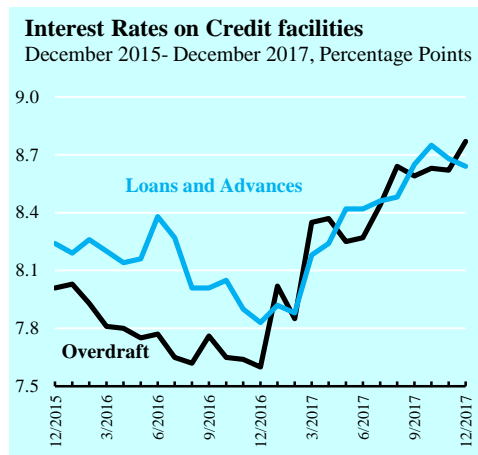
Interest Rates on Deposits
December 2015- December 2017, Percentage Points



- **Saving Deposits:** The weighted average interest rate on saving deposits increased by two basis points at the end of December 2017, compared to its level registered in the previous month to stand at 0.55 percent. This rate is lower by one basis point than its level at the end of 2016.
- **Demand Deposits:** The weighted average interest rate on demand deposits increased by 7 basis points at the end of 2017, compared to its level registered in the previous month to stand at 0.34 percent at the end of 2017. This rate is higher by 8 basis points than its level at the end of 2016.

◆ **Interest Rates on Credit Facilities**

- **Overdraft Accounts:** The weighted average interest rate on overdraft accounts increased by 15 basis point at the end of December 2017, compared to its level registered in the previous month, to stand at 8.77 percent. This rate is higher by 117 basis point than its level at the end of 2016.



- **Discounted Bills and Bonds:** The weighted average interest rate on “discounted bills and bonds” increased by 39 basis point at the end of December 2017, compared to its level in the previous month to stand at 10.23 percent. This rate is lower by 19 basis point than its level at the end of 2016.

- **Loans and Advances:** The weighted average interest rate on “loans and advances” decreased by 4 basis points at the end of December 2017, compared to its level registered in the previous month, to stand at 8.64 percent. This rate is higher by 81 basis point than its level at the end of 2016.

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

	December		Change Relative to the Preceding Year
	2016	2017	Basis Points
Deposits			
Demand	0.26	0.34	8
Saving	0.56	0.55	-1
Time	3.04	3.80	76
Credit Facilities			
Discounted Bills and Bonds	10.42	10.23	-19
Loans and Advances	7.83	8.64	81
Overdraft	7.60	8.77	117
Prime Lending Rate	8.37	8.83	46

Source: Central Bank of Jordan / Monthly Statistical Bulletin.

- The prime lending rate stood at 8.83 percent at the end of December 2017. This rate is higher by 5 basis points than its level registered in the previous month, and higher by 46 basis point than its level at the end of 2016 .

□ Credit Facilities Extended by Licensed Banks

- Total credit facilities extended by licensed banks increased by JD 1,846.8 million, or 8.1 percent, at the end of 2017, compared to its level at the end of 2016, against an increase of JD 1,802.3 million, or 8.5 percent, at the end of 2016.
- In terms of borrowers, the credit facilities at the end of 2017 had shown an increase in credit extended to the private sector (resident) by JD 1,861.6 million, or 9.4 percent, the private sector

(Non-resident) by JD 20.5 million, or 4.3 percent, and the financial institutions by JD 5.4 million, or 46.6 percent. Meanwhile, the credit facilities had shown a decrease in the credit extended to the central government by JD 40.1 million, or 1.9 percent, and the public institutions by JD 0.6 million, or 0.2 percent, compared to their levels at the end of 2016.

□ Deposits at Licensed Banks

- Total deposits at licensed banks stood at JD 33,199.3 million at the end of 2017, increasing by JD 299.3 million, or 0.9 percent, compared to an increase of JD 301.5 million, or 0.9 percent, at the end of 2016.
- The currency composition of deposits at the end of 2017 revealed that the JD deposits amounted to JD 25.6 billion, and the deposits in foreign currency amounted to JD 7.6 billion, compared to JD 26.0 billion of JD deposits, and JD 6.9 billion of deposits in foreign currency at the end of 2016.

□ Amman Stock Exchange (ASE)

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

■ **Trading Volume**

Trading volume at ASE totaled JD 124.7 million at the end of December 2017, up by JD 11.9 million, or 10.5 percent, compared to its level registered in the previous month, against a decrease of JD 185.8 million, during the same month in 2016. As for 2017, the trading volume increased by JD 596.7 million, or 25.6 percent, compared to the end of 2016, to reach JD 2,926.2 million. This increase in trading volume was mainly due to the Arab Bank deal.

■ **Traded Shares**

The number of traded shares in December 2017 totaled 109.4 million shares, increased by 15.9 million shares, or 17.0 percent, compared to its level registered in the previous month, against a decrease by 13.6 million shares, or 10.5 percent, during the same month in 2016. As for 2017, the number of traded shares amounted to 1,716.7 million shares, compared to 1,836.7 million shares traded during 2016.

■ **Share Price Index (SPI)**

The SPI weighted by market capitalization of free float shares at ASE increased by 4.3 points, or 0.2 percent, at the end of

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

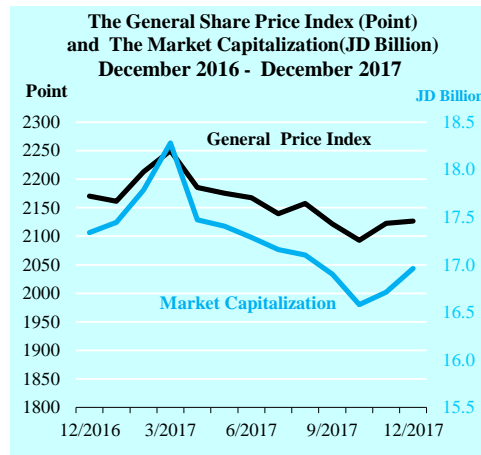
	December	
	2016	2017
General Index	2,170.3	2,126.8
Financial Sector	2,933.2	2,881.5
Industrial Sector	2,093.0	2,229.5
Services Sector	1,604.7	1,449.7

Source: Amman Stock Exchange.

December 2017, compared to its level registered in the previous month to stand at 2,126.8 points, against a decrease of 0.7 point, during the same month in 2016. Furthermore, by the end of 2017, the SPI decreased by 43.5 point, or 2.0 percent, against an increase of 34.0 point, or 1.6 percent, in 2016. The aforementioned decrease was an outcome of the decrease in the SPI of the services sector by 155.0 point, or 9.7 percent, and the financial sector by 51.7 point, or 1.8 percent, and an increased in the industrial sector by 136.5 point, or 6.5 percent, compared to their levels at the end of 2016.

■ **Market Capitalization**

The ASE's market capitalization totaled JD 17.0 billion at the end of December 2017, increasing by JD 248.3 million, or 1.5 percent, compared to its level registered in the previous month, against an increase of



JD 135.3 million, or 0.8 percent, during the same month in 2016. As for 2017, the market capitalization decreased by JD 376.8 million, or 2.2 percent, compared to a decrease of JD 645.3 million or 3.6 percent, in 2016.

■ Non - Jordanian Net Investment

Non-Jordanian net investment at ASE recorded an outflow amounting to JD 2.9 million in December 2017, compared to an inflow of JD 42.8 million during the same month in 2016. The value of shares buying by non-Jordanian in December 2017 amounted to JD 26.7 million, while their selling amounted to JD

29.6 million. As for 2017, non-Jordanian net investment recorded an outflow amounted JD 334.3 million, compared to an inflow of JD 237.1 million, in 2016.

Main Amman Stock Exchange Trading Indicators, JD Million

	December	
	2016	2017
Value Traded	172.5	124.7
Average Daily Trading	9.1	6.2
Market Capitalization	17,339.4	16,962.6
No. of Traded Shares (million)	115.7	109.4
Net Investment of Non-Jordanian	42.8	-2.9
Non-Jordanian Buying	62.2	26.7
Non-Jordanian Selling	19.4	29.6

Source: Amman Stock Exchange.

Second: Output, Prices and Employment

□ Summary

- Gross Domestic Product (GDP), at constant market prices, grew by 1.9 percent during the third quarter of 2017, against 1.8 percent during the same quarter of 2016. At current market prices, GDP grew by 3.8 percent during the third quarter of 2017, compared to 2.6 percent during the same quarter of 2016.
- Accordingly, the real GDP grew by 2.0 percent during the first three quarters of 2017. Thus, maintaining the same growth rate during the same period of 2016. At current market prices, GDP grew by 3.7 percent during the first three quarter of 2017, compared to 3.2 percent during the same period in 2016.
- The general price level measured by the percentage change in the CPI increased during 2017 by 3.3 percent, against a contraction of 0.8 percent in 2016.
- The unemployment rate during the third quarter of 2017 amounted of 18.5 percent (15.4 percent for males and 30.0 percent for females), The highest unemployment rate among youth reached 41.5 percent for the categories of 15-19 years old, and 38.2 percent for those between 20-24 years.

□ Developments of GDP

- Despite continuing of the political and social unrest in the region, particularly in Syria and Iraq, that have strongly affected the performance of many key economic sectors; the real GDP grew by 2.0 percent during the first three quarters of 2017, maintaining the same level of growth rate recorded during the corresponding period of 2016. When excluding “net taxes on products”, which grew by 1.2 percent, GDP at constant basic prices grew by 2.2 percent during the first three quarters of 2017, Maintaining the same growth rate recorded during the corresponding period of 2016.

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

	Q1	Q2	Q3	Q4	Percentages Year
2015					
GDP at Constant Market Prices	2.0	2.4	2.6	2.6	2.4
GDP at Current Market Prices	5.1	4.5	4.7	4.6	4.7
2016					
GDP at Constant Market Prices	2.3	1.9	1.8	2.0	2.0
GDP at Current Market Prices	3.8	3.2	2.6	2.7	3.0
2017					
GDP at Constant Market Prices	2.2	2.0	1.9	-	-
GDP at Current Market Prices	3.9	3.4	3.8	-	-

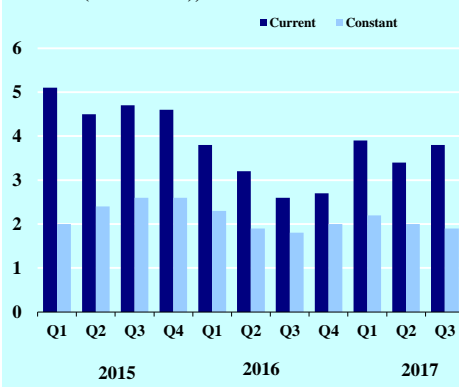
Source: Department of Statistics.

At current market prices, GDP grew by 3.7 percent during the first three quarters of 2017, compared to 3.2 percent during the same period of 2016. This increase in nominal growth is mainly attributed to the increase in the general price level, measured by the GDP deflator, which grew by 1.6 percent, compared to 1.1 percent during the first three quarters of 2016.

The main sectors contributed to the real economic growth during the first three quarter of 2017 were; “finance and insurance services” (0.4 percentage point), “transport, storage and communications” (0.4 percentage point), “mining and quarrying” (0.2 percentage point), manufacturing (0.2 percentage point), and agriculture (0.2 percentage point). These sectors collectively accounted for 70 percent of real GDP growth during the first three quarters of 2017.

The economic sectors displayed a divergent performance during the first three quarters of 2017. Some sectors recorded accelerated growth, such as “mining and quarrying”, Manufacturing, and “restaurant and hotels”. Meanwhile, “Finance and Insurance Services”, “transport, storage and communications”, Agriculture, “electricity and water” and Construction experienced a slowdown.

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



Gross Domestic Product At Constant Market Prices, Percentages

Sectors	Relative change		Contribution	
	First three quarters		First three quarters	
	2016	2017	2016	2017
GDP At Constant Market Prices	2.0	2.0	2.0	2.0
Agriculture, Hunting, Forestry, And Fishing	5.3	5.2	0.2	0.2
Mining And Quarrying	-14.7	15.8	-0.2	0.2
Manufacturing	0.8	1.1	0.1	0.2
Electricity And Water	10.8	2.6	0.2	0.1
Construction	0.8	0.1	-	-
Wholesale And Retail Trade	1.3	1.5	0.1	0.1
Restaurant And Hotels	-0.9	0.7	-	-
Transport, Storage & Communications	3.2	2.4	0.5	0.4
Finance And Insurance Services	5.6	4.0	0.6	0.4
Real Estate	2.2	2.2	0.2	0.2
Community, Social And Personal	3.6	3.6	0.2	0.2
Producers Of Government Services	1.2	0.9	0.1	0.1
Producers Of Private Non-Profit Services	4.1	4.1	-	-
Domestic Services Of Households	0.1	0.1	-	-

Source : Department of Statistics.
- :Less than 0.1 percentage point.

□ Microeconomic Indicators

The microeconomic indicators displayed divergent performance. Some indicators recorded a notable growth, such as; “mining and quarrying production quantity index” (13.3 percent), “licensed areas for buildings” (7.8 percent) and “number of departures” (7.3 percent). However, other indicators showed a contraction, particularly; “value traded at the real estate market” (14.1 percent) and “manufacturing production quantity index” (2.5 percent). The following table displays the performance of the main sectoral indicators.

Main Sectoral Indicators*

Percentage Points

2015	2016	Item	2016	Available period	2017
-12.5	1.4	Licensed areas for buildings	-4.9	January-November	7.8
-8.7	-1.5	Manufacturing production quantity index	-1.6		-2.5
-0.5	-16.2	Food products and beverages	-15.4		-4.6
45.9	-7.3	Tobacco products	-6.1		-5.5
-1.7	-13.3	Refined petroleum products	-15.2		-5.9
63.8	95.0	Wearing apparel	89.6		-2.8
3.4	-11.6	Non-metallic mineral products	-9.6		-0.4
-10.8	-2.9	Chemical products	-3.6		-0.7
0.8	-9.1	“Mining and quarrying” production quantity index	-9.1		13.3
-38.3	-5.3	Extraction of crude petroleum and natural gas	-5.2		-13.2
17.6	-9.1	Other mining and quarrying	-9.1	13.6	
-7.9	2.1	Number of passengers through Royal Jordanian	2.1	January-December	6.9
-0.7	-21.2	Cargo through Royal Jordanian	-21.2		8.4
-7.4	0.5	Number of departures	0.5		7.3
-2.0	-7.2	Value traded at the real estate market	-7.2		-14.1

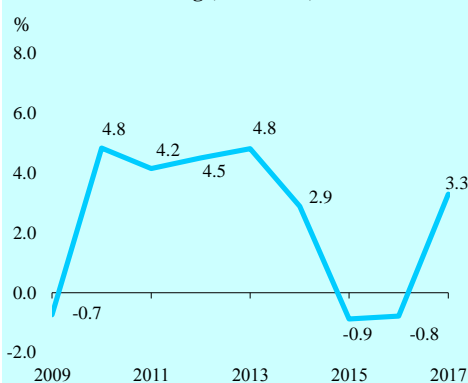
* : Computed based on the data from Department of Statistics, Department of land and survey, and Royal Jordanian.

Prices

The general price level, measured by the percentage change in CPI, increased by 3.3 percent during 2017, compared to a contraction of 0.8 percent in 2016. This came as a result of the increase in the prices of oil in the global markets and its impact on domestic prices, in addition to a set of government measures that included the cancellation of tax exemptions on many goods and services and raising of taxes and fees on a number of other goods and services. Hereby, the main groups that witnessed an increase in their prices during 2017:

- Transportation prices increased by 12.9 percent compared to a contraction by 3.9 percent in 2016, affected by the government's decision to raise public transport fares by 10 percent from the beginning of January 2017. In addition to impose a lump-sum tax of 30 fils per liter of gasoline 90, and 70 fils per liter of gasoline 95, from the beginning of February 2017.

Inflation Rate during (2009-2017)



Inflation Rate during (2016 – 2017)

Expenditure Groups	Relative Imp.	Relative change		Contribution	
		2016	2017	2016	2017
All Items	100	-0.8	3.3	-0.8	3.3
1) Food and non-Alcoholic Beverages, of which:	33.4	-3.5	-0.4	-1.1	-0.1
Food	30.5	-3.8	-0.6	-1.2	-0.2
Meat and Poultry	8.2	-10.2	-5.0	-0.9	-0.4
Dairy Products and Eggs	4.2	-2.6	-0.1	-0.1	0.0
Vegetables and Legumes Dry and Canned	3.9	-4.5	5.0	-0.2	0.2
Fruits and Nuts	2.7	-3.0	-3.3	-0.1	-0.1
Oils and Fats	1.9	2.5	3.5	0.0	0.1
2) Alcohol and Tobacco and Cigarettes	4.4	3.2	7.9	0.1	0.4
3) Clothing and footwear	3.5	1.5	-2.4	0.1	-0.1
4) Housing, of which:	21.9	1.2	2.8	0.3	0.6
Rents	15.6	2.6	2.5	0.4	0.4
Fuels and Lighting	4.8	-4.5	2.9	-0.2	0.1
5) Household Furnishings and Equipment	4.2	1.0	1.6	0.0	0.1
6) Health	2.2	3.8	8.5	0.1	0.2
7) Transportation	13.6	-3.9	12.9	-0.5	1.7
8) Communication	3.5	-0.2	1.8	0.0	0.1
9) Culture and Recreation	2.3	4.6	7.4	0.1	0.2
10) Education	5.4	1.9	2.9	0.1	0.2
11) Restaurants and Hotels	1.8	1.2	0.2	0.0	0.0
12) Other Goods and Services	3.7	2.2	6.3	0.1	0.2

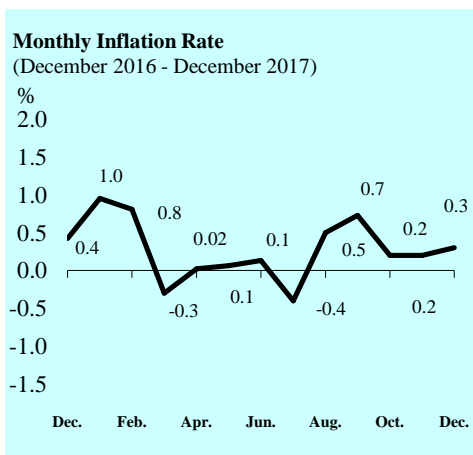
Source: Department of Statistics.

- Housing prices increased by 2.8 percent compared to a rise of 1.2 percent in 2016. This increase was attributed (partially) to an increase in the prices of “fuels and lighting” by 2.9 percent compared to a contraction by 4.5 percent in 2016.
- “Alcohol, tobacco, and cigarettes” prices increased by 7.9 percent compared to a rise of 3.2 percent in 2016, as a result of the government's decision to raise the tax on cigarettes offered for domestic consumption in varying amounts.
- “Vegetables and legumes dry and canned” increased by 5.0 percent compared to a contraction by 4.5 percent in 2016.

The above groups have collectively raised inflation rate during 2017 by 2.8 percentage points, compared to a negative contribution of 0.3 percentage point during 2016.

In contrast, prices of other groups and items showed varied contractions, mainly; “meat and poultry” (5.0 percent), “clothing and footwear” (2.4 percent), and “fruit and nuts” (3.3 percent).

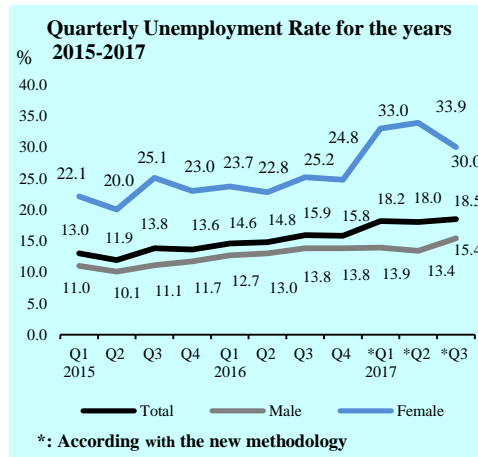
In December 2017, the CPI witnessed an increase compared to November 2017 by 0.3 percent. This was due to the increase in prices of some groups and items, mainly; Rents (1.3 percent), “Fuels and lighting” (3.2 percent), “Meats and Poultry” (3.9 percent), and Transportation (0.6 percent), and the decrease “fruit and nuts” (7.0 percent) “Dairy products and Eggs” (1.4 percent) and “Vegetables and Legumes Dry and Canned” (3.9 percent).



□ Labor Market

The Department of Statistics has developed the methodology of the labor force survey since the first quarter of 2017*, to cope with the new recommendations issued by the International Labour Organization (ILO), of which; excluding the un-paid workers from the “employed persons”

definition, noting that they used to be considered in the previous methodology as employed ones. In addition, the sample size has been extended to 16 thousand households instead of 13 thousand households, based on the results of Jordan's Population Census-2015. Hereby, the prominent indicators of the labor Market during the third quarter of 2017, according to the new methodology:



- The unemployment rate reached 18.5 percent (15.4 percent for males, and 30.0 percent for females). While, the unemployment rate among academic degree holders (Bachelor and higher) reached 23.2 percent.
- The highest unemployment rates were between the two age categories 15-19 years and 20-24 years, by (41.5 percent) and (38.2 percent), respectively.
- The refined economic participation rate (the labor force attributed to the population 15 years and above), was 39.2 percent (60.7 percent for males, and 17.0 percent for females).
- The employed percent among the population (15 years and above) was 31.9 percent.

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

Third: Public Finance

□ Summary:

- The general budget, including foreign grants, recorded a fiscal deficit in the amount of JD 910.0 million (3.5 percent of GDP) during the first eleven months of 2017, comparing to a fiscal deficit in the amount of JD 803.1 million (3.2 percent of GDP) during the same period in 2016. When excluding foreign grants (JD 240.0 million), the general budget deficit widens to reach JD 1,150.0 million (4.4 percent of GDP) compared to a deficit in the amount of JD 1,209.5 million (4.8 percent of GDP) during the same period in 2016.
- Gross outstanding domestic public debt (budgetary and own-budget) decreased by JD 28.3 million at the end of November 2017 compared to its level at the end of 2016, to reach JD 15,765.4 million (55.1 percent of GDP).
- Outstanding external public debt (budget and guaranteed) went up by JD 1,154.4 million at the end of November 2017, compared to its level at the end of 2016, to stand at JD 11,453.4 million (40.1 percent of GDP).

- As a result, gross outstanding public debt (domestic and external) rose to JD 27,218.8 million (95.2 percent of GDP) at the end of November 2017 compared to JD 26,092.7 million (95.1 percent of GDP) at the end of 2016.
 - Central government banks deposits decreased by JD 546.5 million at the end of November 2017 compared to the end of 2016 to reach JD 1,466.8 million.
 - Accordingly, net outstanding domestic public debt rose by JD 518.2 million to reach JD 14,298.6 million (50.0 percent of GDP) at the end of November 2017. Moreover, net outstanding public debt increased by JD 1,672.6 million to reach JD 25,752.0 million (90.1 percent of GDP).
- **The performance of the general budget during the first eleven months of 2017 compared to the same period in 2016:**

■ **Public Revenues**

Public revenues (domestic revenues *plus* foreign grants) increased by JD 80.7 million, or 14.9 percent, in November 2017 compared to the same month of 2016 to reach JD 623.6 million. As for the first eleven months of 2017, public revenues went up by JD 159.9 million, or 2.6 percent, compared to the same period in 2016 to stand at JD 6,347.2 million. This came as an outcome of the increase in domestic revenues by JD 326.3 million, and a decrease in foreign grants by JD 166.4 million.

Main Government Budget indicators during the first eleven months of 2017

(JD Million and Percentages)

	Nov.		Growth Rate	Jan. – Nov.		Growth Rate
	2016	2017		2016	2017	
Total Revenues and Grants	542.9	623.6	14.9	6,187.3	6,347.2	2.6
Domestic Revenues, of which:	482.5	593.5	23.0	5,780.9	6,107.2	5.6
Tax Revenues, of which:	336.3	349.6	4.0	3,970.4	4,011.5	1.0
General Sales Tax	269.7	271.6	0.7	2,661.4	2,732.7	2.7
Other Revenues	145.2	243.3	67.6	1,796.5	2,085.5	16.1
Foreign Grants	60.4	30.1	-50.2	406.4	240.0	-40.9
Total Expenditures, of which:	674.6	652.4	-3.3	6,990.4	7,257.2	3.8
Capital Expenditures	110.3	56.9	-48.4	801.6	802.6	0.1
Overall Deficit/ Surplus (Including Grants)	-131.7	-28.8	-	-803.1	-910.0	-
Overall Deficit/ Surplus (Including Grants) as a percent of GDP	-	-	-	-3.2	-3.5	-

Source: Ministry of Finance/ General Government Finance Bulletin.

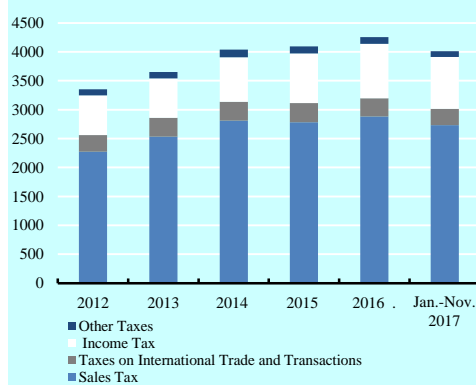
◆ Domestic Revenues

Domestic revenues witnessed an increase of JD 326.3 million, or 5.6 percent, during the first eleven months of 2017 compared to the same period in 2016, to reach JD 6,107.2 million. This increase was an outcome of the rise in the proceeds of “other revenues” and “tax revenues” by JD 289.0 million, and JD 41.1 million, respectively, and

the drop in pension contributions by JD 3.7 million. Despite the rise in domestic revenues, the coverage ratio (measured by the ratio of domestic revenues to current expenditures) witnessed a slight increase to reach 94.6 percent against 93.4 percent during the first eleven months in 2016.

Tax Revenue Structure

(2012-2016) and the first eleven months of 2017, JD Million



● Tax Revenues

Tax revenues increased by JD 41.1 million, or 1.0 percent, during the first eleven months of 2017 compared to the same period in 2016, to reach JD 4,011.5 million (65.7 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 71.3 million, or 2.7 percent, to reach JD 2,732.7 million (accounting for 68.1 percent of total tax revenues). This result was an outcome of the increase in the proceeds of sales tax on domestic goods and on commercial sector by JD 73.9 million and JD 44.6 million, respectively, and the decrease in the proceeds of sales tax on services and on imported goods by JD 38.2 million and JD 9.0 million, respectively.
- A decline in the proceeds of **income and profit taxes** by JD 15.9 million, or 1.7 percent, to reach JD 898.2 million (accounting for 22.4 percent of total tax revenues). This decline was mainly a result of the decrease in the proceeds of income tax from companies and projects by JD 17.2 million due to the weak performance of the companies, as the profits of companies listed in Amman Stock Exchange (ASE) have declined during the third quarter of the current year by 4.7 percent. Moreover, the proceeds of income tax from individuals increased by JD 1.3 million. Accordingly, income tax from companies and projects accounted for 79.8 percent of total proceeds of income and profits taxes, amounting to JD 716.5 million. It is worth mention that the government's fiscal reforms mainly focused on taxes on goods rather than taxes on income.

- A decrease in the proceeds of **taxes on international trade and transactions** (including customs duties and fees) by JD 6.7 million or 2.3 percent, to reach JD 281.2 million (accounting for 7.0 percent of total tax revenues).
- A decrease in the proceeds of **taxes on financial transactions (real-estate tax)** by JD 7.6 million, or 7.1 percent, to reach JD 99.4 million (accounting for 2.5 percent of total tax revenues).

● Non-Tax Revenues

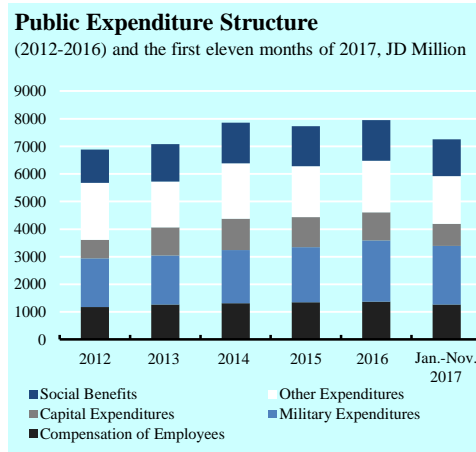
- “Other revenues” increased by JD 289.0 million, or 16.1 percent, during the first eleven months of 2017 to reach JD 2,085.5 million. This increase was chiefly due to the following:
 - An increase in miscellaneous revenues by JD 223.3 million to stand at JD 954.8 million.
 - An increase in revenues from selling goods and services by JD 59.4 million to reach JD 846.1 million.
 - An increase in property income by JD 6.3 million to stand at JD 284.6 million (of which financial surplus of independent government units amounted to JD 253.5 million against JD 257.7 million during the same period in 2016).
- Pension contributions witnessed a decrease of JD 3.7 million, or 26.4 percent, during the first eleven months of 2017 compared to the same period in the previous year, standing at JD 10.3 million.

◆ Foreign Grants

Foreign grants decreased by JD 166.4 million, or 40.9 percent, during the first eleven months of 2017, standing at JD 240.0 million compared to JD 406.4 million during the same period in 2016.

Public Expenditures

Public expenditures witnessed a decrease of JD 22.2 million, or 3.3 percent, in November 2017 compared to the same month in 2016 to stand at JD 652.4 million. Moreover, public expenditures increased by JD 266.8 million, or 3.8 percent, during the first eleven months of 2017, to stand at JD 7,257.2 million. This increase was a result of the rise in current expenditures and capital expenditures by JD 265.8 million and JD 1.0 million, respectively.



Current Expenditures

Current expenditures went up by JD 265.8 million, or 4.3 percent, during the first eleven months of 2017 to reach JD 6,454.6 million. This increase was chiefly due to the following:

- An increase in military expenditures by JD 162.5 million to total JD 2,124.8 million, accounting for 32.9 percent of total current expenditures (29.3 percent of total public expenditures).
- A rise in the compensation of civil sector's employees (wages, salaries and social security contributions) by JD 27.9 million to reach JD 1,267.5 million, accounting for 19.6 percent of total current expenditures (17.5 percent of total public expenditures).
- An increase in interest payments (commitment basis) by JD 21.4 million to stand at JD 781.5 million, accounting for 12.1 percent of total current expenditures.
- An increase in subsidies by JD 46.6 million to stand at JD 260.4 million, accounting for 4.0 percent of total current expenditures.

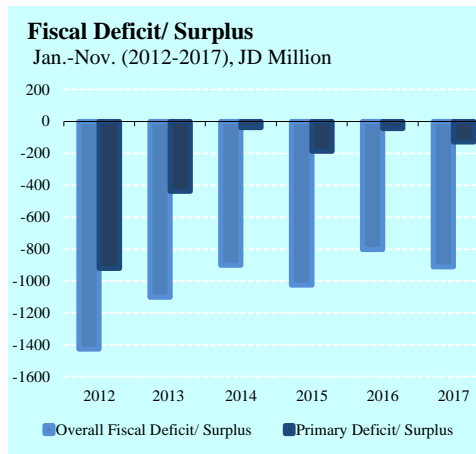
- An increase in social benefits by JD 10.7 million to stand at JD 1,339.3 million, accounting for 20.7 percent of total current expenditures.
- A decrease in the purchases of goods and services by JD 55.8 million to reach JD 315.9 million, accounting for 4.9 percent of total current expenditures.

◆ **Capital Expenditures**

Capital expenditures increased by JD 1.0 million, or 0.1 percent, during the first eleven months of 2017 compared to the same period in 2016, to reach JD 802.6 million.

■ **General Budget Deficit/ Surplus**

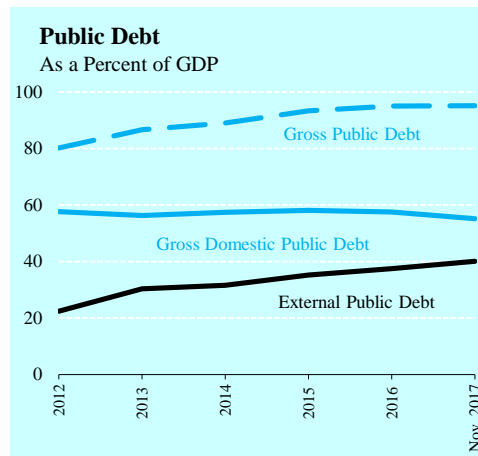
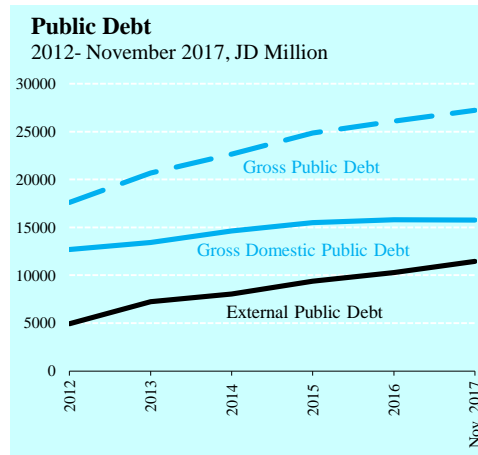
- ◆ The general budget, including foreign grants, displayed an overall fiscal deficit amounted to JD 910.0 million during the first eleven months of 2017, an increase of JD 106.9 million compared to its level during the same period in 2016. As a percent of GDP, the budget deficit reached 3.5 percent, compared to 3.2 percent during the corresponding period of 2016.



- ◆ When foreign grants were excluded, the general budget deficit widened to JD 1,150.0 million (4.4 percent of GDP) during the first eleven months of 2017, against a fiscal deficit of JD 1,209.5 million (4.8 percent of GDP) in the same period of 2016.
- ◆ The general budget recorded a primary deficit (domestic revenues *minus* total public expenditures excluding interest payments on public debt) in the amount of JD 368.5 million (1.4 percent of GDP) during the first eleven months of 2017, against a primary deficit of JD 449.4 million (1.8 percent of GDP) during the same period of 2016.

Public Debt

Gross outstanding domestic public debt decreased by JD 28.3 million at the end of November 2017 compared to its level at the end of 2016 to total JD 15,765.4 million (55.1 percent of GDP). This decrease was an outcome of the drop in total domestic public debt of the general budget by JD 203.0 million, and the increase in the total domestic public debt of own-budget agencies by JD 174.6 million compared to their levels at the end of 2016, standing at JD 12,971.8 million and JD 2,793.5 million, respectively. The decrease in the budgetary domestic public debt was mainly attributed to the drop in the balance of treasury bills and bonds at the end of November 2017 by JD 104.1 million compared to the level achieved at the end of 2016 to reach JD 12,618.9 million. Moreover, the outstanding balance of loans and advances provided by the CBJ to the central government declined by JD 80.0 million compared to its level achieved at the end of 2016, to reach JD 351.7 million. Moreover, the rise of the domestic public debt of own-budget agencies was driven by the increase in loans and advances extended to these institutions by JD 99.6



million compared to their level at the end of 2016, to reach JD 2,186.0 million, and the rise in the independent institutions' bonds by JD 75.0 million compared to their level at the end of 2016, to reach JD 607.5 million.

- Regarding the balance of the external public debt (budget and guaranteed) at the end of November 2017, it went up by JD 1,154.4 million compared to its level at the end of 2016 to reach JD 11,453.4 million (40.1 percent of GDP). This increase is attributed to the issuance of long-term Eurobonds in the international markets, in the amount of USD 1 billion (equivalent to JD 710 million) in October 2017. It is worth mentioning that the balance of the external debt denominated in the U.S. dollar accounted for 69.1 percent of the total external debt, and in the SDR accounted for 9.6 percent. However, the debt in Euro accounted for 7.3 percent of the external public debt, and in Kuwaiti Dinar and Japanese Yen 5.9 percent and 5.8 percent, respectively.
- In light of the abovementioned developments, gross public debt (domestic and external) increased by JD 1,126.1 million at the end of November 2017 compared to its level at the end of 2016 to stand at JD 27,218.8 million (95.2 percent of GDP), against JD 26,092.7 million (95.1 percent of GDP) at the end of 2016.
- On the other hand, government deposits with the banking system declined by JD 546.5 million at the end of November 2017 compared to the end of 2016 to reach JD 1,466.8 million.
- Thus, net domestic public debt of the central government (the total balance of the domestic public debt of the central government *minus* government deposits with the banking system) rose by JD 518.2 million at the end of November 2017 to reach JD 14,298.6 million (50.0 percent of GDP). Furthermore, net public debt increased by JD 1,672.6 million at the end of November 2017 to stand at JD 25,752.0 million, accounting for 90.1 percent of GDP compared to 87.7 percent of GDP at the end of 2016.

- External debt service (budget and guaranteed) decreased by JD 495.9 million during the first eleven months of 2017 compared to the same period in 2016 to reach JD 1,081.0 million (including principal payments of JD 821.4 million and interest of JD 259.6 million).

□ Fiscal and Price Measures of 2018

◆ February

- Raising the prices of all types of oil derivatives, while maintaining the prices of kerosene and liquid gas cylinder for households unchanged as follows:

Development of Oil Derivatives Price

	Unit	2018	2018	Percentage Change
		January	February	
Unleaded Gasoline 90	Fils/Liter	730	765	4.8
Unleaded Gasoline 95	Fils/Liter	955	1,000	4.7
Unleaded Gasoline 98	Fils/Liter	1,105	1,150	4.1
Gas Oil (Diesel)	Fils/Liter	550	565	2.7
Kerosene	Fils/Liter	520	520	0.0
Liquid Gas (12.5kg)	JD/Cylinder	7.0	7.0	0.0
Fuel oil for industry	JD/Ton	383.6	396.02	3.2
Fuel for airplanes (local companies)	Fils/Liter	424	449	5.9
Fuel for airplanes (foreign companies)	Fils/Liter	429	454	5.8
Fuel for unplanned flights	Fils/Liter	444	469	5.6
Asphalt	JD/Ton	378.5	390.9	3.3

Source: Jordan Petroleum Refinery Company (1/2/2018).

- 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 raise fuel price bands item, included in the electric bill, to become 12 fils instead of 4 fils, while continuing to exempt the household slide that consumes less than 300 kilowatt per month.

◆ 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 per on exempted sales And subordinated from sales tax (zero and 4 per cent). The taxes on essential commodities remained unchanged.
 - 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.
 - 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

- Signing an additional financing grant agreement extended by the World Bank, in the amount of USD 10.8 million, to support a project for "Syrian refugee host communities response to emergency services and enhance capability to adapt with social changes" (January 2017).
- Signing a grant agreement provided by the European Union (EU) in the amount of EUR 55 million, as a sectoral support through the general budget aiming at promoting private sector development, and adopting reforms in the field of business environment and investment climate. The EU provided an additional EUR 10 million to the original amount (EUR 45 million) to contribute in mitigating the repercussions of the Syria crisis, and honoring its commitments to the bilateral cooperation and the London donor conference (January 2017).
- Signing a grant agreement with the Kuwait Fund for Arab Economic Development in the amount of USD 14.1 million, to finance projects implemented by the Cities and Villages Development Bank (January 2017).
- Signing the US wheat grant agreement for the year 2017, in the amount of 100,000 tones as part of the food aid program implemented by the United States (February 2017).
- Signing a grant agreement with the Canadian government in the amount of USD 7.6 million to support the Ministry of Education plan "To speed up Syrian students access to formal education", as has been agreed at the London Donor Conference (February 2017).
- Signing a grant agreement with the Japanese government in the amount of USD 4.5 million to finance the purchase of advanced machines and security equipment for 5 Jordanian border centers in the aim of enhancing their security conditions. (March 2017).

- Signing a memorandum of understanding (MoU) with the Italian government. The MoU includes the Italian assistance program, within the framework of Italian commitments during the London Conference to support Jordan, in the amount of EUR 168.8 million for the period (2017-2019); aiming at supporting the general budget and financing development projects in a number of vital sectors (March 2017).
- Signing a grant, protocol agreement with the UNICEF in the amount of JD 1,174.0 million to support the National Aid Fund in financing its studies and strengthening its institutional capacity building (March 2017).
- Signing a grant agreement with the German Reconstruction Bank of EUR 44.0 million to finance the second phase of the energy supply project for host communities for Syrian refugees (March 2017).
- Signing two grant agreements in the amount of EUR 1.7 million provided by the European Investment Bank (EIB) distributed as follows (May 2017):
 - A grant agreement in the amount of EUR 714.0 thousand to provide technical assistance to finance a feasibility study of a project for an industrial waste water treatment plant in Zarqa through a public private partnership framework.
 - A grant agreement in the amount of EUR 1.0 million to implement additional activities and studies to operate the first phase of the Red Sea – Dead Sea water conveyance project.
- Signing an additional grant agreement provided by the Japanese government through the Japanese International Cooperation Agency (JICA), in the amount of USD 21.6 million to support the second phase of the project aiming at improving the efficiency of the water sector in the northern governorates hosting Syrian refugees (May 2017).
- Signing a soft loan agreement and a grant agreement in the amount of USD 52.8 million provided by the World Bank (WB). The first agreement amounted to USD 50.0 million (of which USD 36.1 million in the form of a concessional loan, and an

amount of USD 13.9 million as a grant aimed at supporting the public budget in the emergency health project. The second agreement will be allocated to fund a project to provide integrated social services for the most affected youth. The grant amounts to USD 2.8 million provided through the Japan Social Development Fund (JSDF) with the WB's management (June 2017).

- Signing several project agreements provided by the German government in the amount of EUR 107.5 million, as follows (July 2017):
 - A frame agreement for financial cooperation with Germany for the year 2016 as a part of Germany's commitments to Jordan according to the outcome of the London conference.
 - A grant agreement in the amount of EUR 19 million, to finance the first phase of school construction program.
 - Two grant agreements in the amount of EUR 32 million and EUR 8 million, to finance water and wastewater systems for host communities for Syrian refugees (fifth and sixth phase)
 - A grant agreement to finance project " climate protection in wastewater sector" in the amount of EUR 3 million, and another grant in the amount of EUR 350 thousand to finance the consultancy expenses for the preparatory phase of the project.
 - A grant agreement in the amount of EUR 700 thousand to finance the services of Experts in order to study the various aspects of the use of renewable energy in the water sector.
 - A grant agreement to finance salaries of teachers and employees in the Ministry of Education in the amount of EUR 20 million, to support the access of Syrian refugee to formal education for the year(2017/2018).
 - A loan agreement in the amount of EUR 24 million, to finance the second phase of the energy efficiency project in the water sector.
- Signing a loan agreement with the Arab Fund for Economic and Social Development (AFESD) in the amount of KWD 14 million (equivalent to USD 46.3 million), in order to contribute to the financing of the Salt Ring Road project (August 2017).

- Signing a soft loan (Ijara) and a grant agreements in the total amount of USD 100 million with the Islamic Development Bank (IDB), of which an amount of USD 79 million will be extended as a soft loan (Ijara), while the remaining amount of USD 21 million will be provided in the form of a grant, as a contribution to finance the Emergency Health Project as a sectoral support for the general budget (August 2017).
- Signing a soft loan agreement with the World Bank in the amount of USD 50 million to support the establishment of the Innovative Startups Fund (August 2017).
- Signing a grant agreement with the Saudi Fund for Development (SFD) in the amount of USD 60 million to implement traffic intersections in Amman, as part of Saudi Arabia's contribution to the Gulf Cooperation Council (GCC) grant (September 2017).
- Signing a concessional loan agreement with the European Union (EU) in the amount of EUR 200 million, and it will be transferred to the treasury in two installments, the first EUR 100 million is due before the end of 2017, and the second installment of EUR 100 million in 2018. The loan will be used to cover the financing gap through providing direct support to the treasury within the EU's tool for financial cooperation at the macro level (September 2017).
- Signing two memorandums of understanding (MoU) with the Republic of China, the first MoU covers the medium-term program of development, economic and technical cooperation for the years (2018-2020), aiming at strengthening the cooperation relations between the two countries in several fields of common concern. The second one for the tender and implementation of the expansion and rehabilitation of the Salt / Al-Arda road at an estimated cost of Yuan 210 million, equivalent to USD 31.6 million (October 2017).
- Signing a financing agreement (concessional loan and grant) with the International Fund for Agricultural Development (IFAD) in the amount of USD 12.8 million (of which USD 8.4 million a concessional loan and USD 4.4 million as a grant). The Fund will be used to finance the small-ruminant investment projects and combating poverty (November 2017).

- Signing an additional grant agreement with the German Development Bank (KfW) in the amount of EUR 10 million to finance the School Construction Programme, phase II (November 2017).
- Signing a grant agreement provided by the United Kingdom (UK) in the amount of GBP 94.5 million, as part of the assistance provided to Jordan to support economic opportunities and the education sector (December 2017).
- Signing a grant agreement provided by the United States (USA) in the amount of USD 475 million, under the Economic Support Fund (ESF) for Jordan (December 2017).
- Within the co-financing program of the German-French in the amount of EUR 300 million, to support Water Sector Reforms (DPL), the government signed two agreements with France and Germany, as follows: (December 2017).
 - A concessional loan agreement in the amount of EUR 150 million provided by the French Development Agency (AFD).
 - A concessional loan agreement in the amount of EUR 75 million provided by the German Reconstruction Bank (KfW), as a first payment of the bank's total contribution of EUR 150 million.
- Signing two agreements including a concessional loan and grant provided by the World Bank in the amount of USD 200 million, to support the general budget and education (December 2017).
- Signing two agreements with the European Union (EU); the first one in the amount of EUR 100 million to support implementing the National Solid Waste Management Strategy. The second agreement is an additional grant in the amount of EUR 20 million to support the Ministry of Education and Budget (December 2017).
- Signing a concessional loan agreement in the amount of EUR 25 million, and two grant agreements in the amount of EUR 8.2 million, provided by the European Bank for Reconstruction and Development (EBRD) to implement the sanitation services networks project in western Irbid (December 2017).

Fourth: External Sector

□ Summary

- **Total merchandize exports** (domestic exports *plus* re-exports) increased by 13.7 percent in November 2017 compared to the same month of 2016 to reach JD 445.0 million. As for the first eleven months of 2017, total merchandize exports decreased by 1.3 percent compared to the same period in 2016 to reach JD 4,796.2 million.
- **Merchandize imports** increased by 3.4 percent in November 2017 compared to the same month of 2016 to reach JD 1,231.0 million. As for the first eleven months of 2017, total merchandize imports increased by 5.4 percent compared to the same period of 2016 to reach JD 13,132.7 million.
- **Consequently**, the trade balance deficit (total exports minus imports) decreased by 1.7 percent in November 2017 compared to the same month of 2016; standing at JD 786.0 million. As for the first eleven months of 2017, trade balance deficit increased by 9.7 percent compared to the same period of 2016 to reach JD 8,336.5 million.
- **Travel receipts** increased in December 2017 compared to the same month of 2016 by 9.1 percent to reach JD 241.6 million. As for the 2017; travel receipt increased by 12.5 percent to reach JD 3,230.3 million, compared with 2016. Meanwhile, Travel payments increased in December 2017 compared to the same month of 2016 by 8.4 percent to reach JD 63.5 million. As for the 2017 travel payments increased by 8.7 percent, to reach JD 971.2 million compared with 2016.
- **Total workers' remittances receipts** increased by 3.8 percent in December 2017 compared to the same month of 2016 to reach JD 229.7 million. Meanwhile, during 2017 witnessed an increase in total workers remittances receipts by 0.3 percent compared to the 2016, to reach JD 2,635.4 million.
- **The current account of the balance of payments** (including grants) registered a deficit accounted to JD 2,415.6 million (11.6 percent of GDP) during the first three quarters of 2017 compared to a deficit of JD 1,967.4 million (9.8 percent of GDP) during the same period of 2016. Meanwhile, the current account deficit excluding grants increased to reach 12.7 percent of GDP compared with 11.6 percent of GDP during the same period of 2016.

- **Net direct investment** recorded an inflow of JD 1,017.3 million during the three quarters of 2017, compared to JD 854.2 million during the same period of 2016.
- **International investment position (IIP)** displayed a net obligation to abroad of JD 29,110.0 million at the end of the third quarter of 2017; compared to JD 26,843.2 million at the end of 2016.

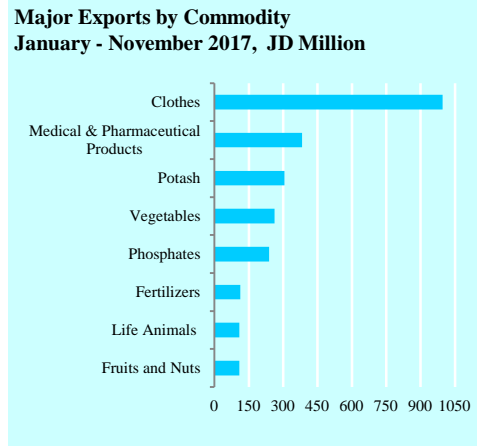
□ External Trade

- As a result of the increase in domestic exports by JD 61.4 million, and the increase in imports by JD 673.2 million during the first eleven months of 2017, the volume of external trade (domestic exports *plus* imports) increased by JD 734.6 million to stand at JD 17,16.4 million; compared to the same period of 2016.

Jordan's Major Trading Partners JD Million				Main External Trade Indicators JD Million				
January-December				January- December				
	2016	2017	Percentage Change		Percentage Change 2016/2015	2017	Percentage Change 2017/2016	
Exports				External Trade	16,441.8	-7.6	17,176.4	4.5
USA	945.9	1,012.2	7.0	Total Exports	4,861.6	4.5	4,796.2	-1.3
Saudi Arabia	594.7	517.2	-13.0	Domestic Exports	3,982.3	-9.5	4,043.7	1.5
India	310.9	337.0	8.4	Re-exports	879.3	27.6	752.5	-14.4
Iraq	299.9	316.7	5.6	Imports	12,459.5	-6.9	13,132.7	5.4
Kuwait	219.3	224.8	2.5	Trade Balance	-7,597.9	-8.4	-8,336.5	9.7
UAE	209.6	181.8	-13.3	Source: Department of Statistics.				
Qatar	110.1	105.6	-4.1					
Imports								
China	1,737.3	1,805.8	3.9					
Saudi Arabia	1,483.1	1,701.8	14.7					
USA	886.0	1,325.8	49.6					
UAE	529.2	635.4	20.1					
Germany	539.4	569.9	5.7					
Italy	558.7	527.7	-5.5					
Turkey	437.5	443.2	1.3					
Source: Department of Statistics.								

■ Merchandize Exports:

Total merchandize exports decreased by 1.3 percent during the first eleven months of 2017, to record JD 4,796.2 million. This was a result from an increase in domestic exports by JD 61.4 million, or 1.5 percent to reach JD 4,043.7 million and the decrease in re-exports by JD 126.8 million, or 14.4 percent to reach JD 752.5 million.



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

- Exports of **Clothes** increased by JD 85.0 million, or 9.3 percent, to stand at JD 996.3 million. The USA market accounted for 88.2 percent of these exports.
- Exports of **Potash** increased by JD 34.5 million, or 12.8 percent, to stand at JD 305.0 million. The Indian, Chinese, Egyptian and Indonesian markets accounted for 72.8 percent of these exports.
- Exports of **Live animals** increased by JD 15.2 million, or 16.2 percent, to reach JD 109.2 million. Kuwait, Qatar and Saudi Arabia were the main destination markets for these exports, accounting for 93.8 percent.
- Exports of **phosphates** decreased by JD 47.1 million, or 16.5 percent, to register JD 238.2 million. This was a result of the increase in exported quantities by 1.1 percent and the decrease in prices by 17.5 percent. It is worth noting that the Indian and Indonesian markets were the main destinations for phosphates exports, accounting for 86.1 percent.

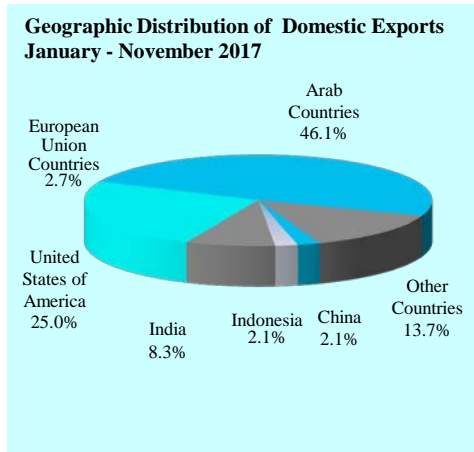
- Exports of **vegetables** decreased by JD 28.4 million, or 9.8 percent, to reach JD 262.3 million. The markets of Saudi Arabia, the UAE, Kuwait, and Oman accounted for 74.0 percent of these exports.
- Exports of **Medical & pharmaceutical products** decreased by JD 23.2 million, or 5.7 percent, to reach JD 382.6 million. Saudi Arabia, Iraq, Algeria and Sudan were the main destination markets; accounting for 59.5 percent of these exports.

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

	2016	2017	Percentage Change
Domestic Exports	3,982.3	4,043.7	1.5
Clothes	911.3	996.3	9.3
USA	814.7	879.1	7.9
Medical & Pharmaceutical Products	405.8	382.6	-5.7
Saudi Arabia	91.8	98.0	6.8
Iraq	48.0	53.0	10.4
Algeria	60.4	39.6	-34.4
Sudan	30.6	37.2	21.6
Potash	270.5	305.0	12.8
India	71.0	89.1	25.5
China	70.5	74.7	6.0
Egypt	19.8	29.4	48.5
Indonesia	17.2	28.8	67.4
Vegetables	290.7	262.3	-9.8
Saudi Arabia	63.8	69.8	9.4
UAE	64.5	53.1	-17.7
Kuwait	56.1	50.1	-10.7
Oman	15.4	21.0	36.4
Phosphates	285.3	238.2	-16.5
India	180.0	147.8	-17.9
Indonesia	56.6	57.3	1.2
Fertilizers	128.5	112.7	-12.3
Iraq	32.0	32.8	2.5
Turkey	44.9	32.1	-28.5
India	30.3	25.2	-16.8
Live Animals	94.0	109.2	16.2
Kuwait	9.6	63.2	558.3
Qatar	21.8	23.9	-9.6
Saudi Arabia	58.7	15.3	-73.9
Fruits and Nuts	114.3	107.9	-5.6
Kuwait	40.8	34.2	-16.2
Saudi Arabia	29.9	29.3	-2.0
Iraq	5.4	9.0	66.7

Source: Department of Statistics.

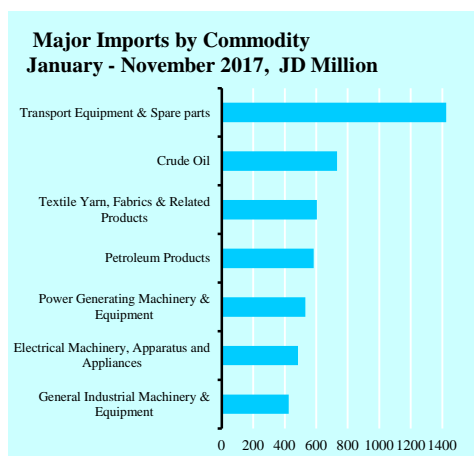
- Consequently, the commodity breakdown of domestic exports indicates that exports of clothes, “medical and pharmaceutical products”,



potash, vegetables, phosphates, fertilizers, “Live Animals” and “fruits and nuts”, topped the list of domestic exports during the first eleven months of 2017; accounting for 62.2 percent, compared with 62.8 percent during the same period in 2016. Meanwhile, the geographical distribution of domestic exports indicates that the USA, Saudi Arabia, India, Iraq, Kuwait, the UAE, and Qatar were the main destination markets during the first eleven months of 2017; accounting for 66.7 percent, compared with 67.6 percent during the same period of 2016.

■ **Merchandise Imports:**

Merchandise imports increased by 5.4 percent to reach JD 13,132.7 million during the first eleven months of 2017, compared to a decrease by 6.9 percent during the same period of 2016.



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

- **Power generating machinery and equipment** imports increased by JD 344.5 million or 185.1 percent to reach JD 530.3 million. The USA, China, and Spain were the main origin markets, accounting for 75.8 percent of these imports.
- **Crude oil** imports increased by JD 159.2 million, or 27.7 percent, to reach JD 733.0 million. This increase resulted from an increase in prices by 29.9 percent and a decrease in quantities by 1.7 percent, compared with the same period of 2016. Noting that crude oil imports came from Saudi Arabia.
- **General Industrial machinery and equipment** imports increased by JD 95.7 million or 29.1 percent to reach JD 425.1 million. China, France and Italy were the main origin markets, accounting for 51.7 percent of these imports.

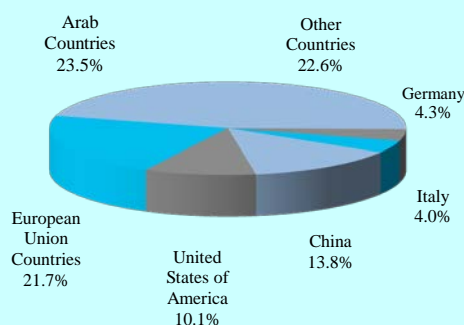
- **Electrical machinery, apparatus and appliances** imports increased by JD 58.1 million or 13.7 percent to reach JD 483.5 million. China, Turkey, and Italy were the main origin markets accounting for 58.6 percent of these imports.
- **Transport equipment & spare parts** imports increased by JD 55.8 million or 4.1 percent to reach JD 1,423.8 million. The USA, Japan, and South Korea were the main origin markets, accounting for 57.9 percent of these imports.
- **Textile yarn, fabrics and Related Products** imports increased by JD 44.0 million or 7.9 percent to reach JD 603.7 million. China, Taiwan and Turkey were the main markets, accounting for 78.7 percent of these imports.

Major Imports by Commodity, JD Million January-November 2016-2017			
	2016	2017	Percentage Change
Total Imports	12,459.5	13,132.7	5.4
Transport Equipment & Spare Parts	1,368.0	1,423.8	4.1
USA	244.9	326.9	33.5
Japan	283.6	260.1	-8.3
South Korea	284.4	237.6	-16.5
Crude Oil	573.8	733.0	27.7
Saudi Arabia	573.8	733.0	27.7
Textile Yarn, Fabrics and Related Products	559.7	603.7	7.9
China	215.7	232.0	7.6
Taiwan	174.9	183.5	4.9
Turkey	56.2	59.4	5.7
Petroleum Products	560.4	584.5	4.3
Saudi Arabia	145.0	158.9	9.6
Italy	114.4	110.3	-3.6
UAE	90.5	82.0	-9.4
Power generating Machinery & equipment	185.8	530.3	185.4
USA	94.2	320.4	240.1
China	13.5	42.4	214.1
Spain	1.4	39.2	2700
Electrical Machinery Apparatus and Appliances	425.4	483.5	13.7
China	118.0	207.3	75.7
Turkey	36.2	42.4	17.1
Italy	34.5	33.6	-2.6
General Industrial Machinery & equipment	329.4	425.1	29.1
China	94.7	121.1	27.9
France	11.3	50.0	342.5
Italy	52.8	48.8	-7.6

Source: Department of Statistics.

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

**Geographic Distribution of Imports
January - November 2017**



machinery and equipment”, “electrical machinery apparatus and appliances” and “general industrial machinery and equipment”, topped the list of imports during the first eleven months of 2017, accounting for 36.4 percent; compared to 32.1 percent during the same period of 2016. Meanwhile, the geographical distribution of imports indicates that China, Saudi Arabia, the USA, the UAE, Germany, Italy and Turkey were the main source markets during the first eleven months of 2017; accounting for 53.4 percent of imports, compared to 49.5 percent during the same period in 2016.

■ Re-Exports

The value of re-exported goods in November 2017 increased by JD 5.1 million, or 7.4 percent, compared to the same month of 2016, to register JD 74.4 million. As for the first eleven months of 2017, the value of re-exported goods decreased by JD 126.8 million, or 14.4 percent compared to the same period of 2016, to reach JD 752.5 million.

■ Trade Balance

The trade balance deficit decreased by JD 13.3 million, or 1.7 percent, in November 2017 compared to the same month of 2016, to register JD 786.0 million. As for the first eleven months of 2017, the trade balance deficit increased by JD 738.0 million, or 11.1 percent, to register JD 8,336.5 million, compared to the same period of 2016.

□ Total Workers' Remittances Receipts

Total workers' remittances receipts increased by 3.8 percent in December 2017 compared to the same month of 2016, to register JD 229.7 million. As for the 2017 total workers' remittances receipts increased by 0.3 percent compared to the 2016 to reach JD 2,635.4 million.

□ Travel

■ Receipts

Travel receipts increased by JD 20.1 million, or 9.1 percent, in December 2017 compared to the same month of 2016, to register JD 241.6 million. As for the 2017, travel receipts increased by 359.4 million or 12.5 percent compared to the 2016, to stand at JD 3,230.3 million.

■ Payments

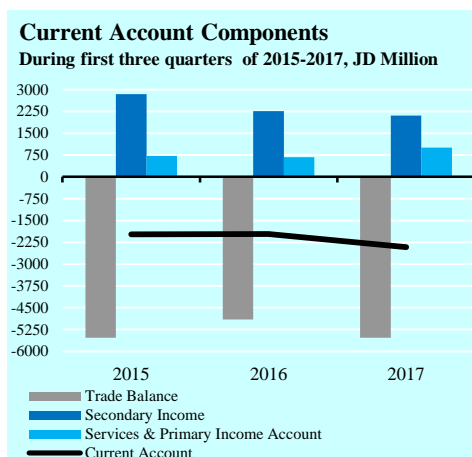
Travel payments increased by JD 4.9 million, or 8.4 percent, in December 2017 compared to the same month of 2016, to stand at JD 63.5 million. As for the 2017, travel payments increased by 78.1 million or 8.7 percent compared to the 2016, to stand at JD 971.2 million.

□ Balance of Payments

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

- The current account recorded a deficit of JD 2,415.6 million (11.6 percent of GDP) in the first three quarters of 2017 compared to a deficit of JD 1,967.4 million (9.8 percent of GDP) during the same period of 2016. Meanwhile, the current account deficit excluding grants narrowed to reach JD 2,656.9 million (12.7 percent of GDP) compared to JD 2,343.5 million (11.6 percent of GDP) during the same period of 2016. This was an outcome of the following developments:

- ◆ An increase in the deficit of trade balance during the first three quarters of 2017 by JD 624.8 million, or 12.7 percent, to reach JD 5,526.3 million compared to JD 4,901.5 million during the same period of 2016.



- ◆ An increase in the surplus of the services account compared to the first three quarters of 2016 by JD 313.4 million, to reach JD 1,118.8 million.
- ◆ Primary income account recorded a deficit of JD 117.1 million compared to a deficit of JD 131.3 million during the first three quarters of 2016. This was mainly due to the decrease in deficit of the investment income (net) by JD 18.3 million, and decrease in the surplus of workers' remittances (net) by JD 4.1 million.
- ◆ A decrease in the surplus of secondary income by JD 151.0 million; to reach JD 2,109.0 million, as a result of the decrease in net transfers of the public sector (foreign grants) during the first three quarters of 2017 by JD 134.8 million to reach JD 291.3 million, and the decrease in the net transfers of other sectors by JD 16.2 million to reach JD 1,867.7 million.

- The capital and financial account registered a net inflow of JD 2,360.3 million during the first three quarters of 2017, compared to a net inflow of JD 1,895.7 million during the same period of 2016. This can be attributed to the following:
 - ◆ Direct investment recorded a net inflow of JD 1,017.3 million compared to an inflow of JD 854.2 million during the first three quarters of 2016.
 - ◆ Portfolio investment recorded a net inflow of JD 75.4 million compared to a net outflow of JD 27.7 million during the first three quarters of 2016.
 - ◆ Other investment registered a net outflow of JD 22.4 million compared to a net outflow of JD 212.5 million during the first three quarters of 2016.
 - ◆ A decrease in the reserve assets of the CBJ by JD 1,253.0 million, compared to decrease of JD 1,201.3 million during the first three quarters of 2016.

□ International Investment Position (IIP)

The IIP, which represents the Kingdom's net position (stock) of external financial assets and liabilities, displayed an obligation to abroad of JD 29,110.0 million at the end of the third quarter of 2017 compared to JD 26,843.2 million at the end of 2016. This increase was due to the following developments:

- A decrease in the position of external assets (the stock of claims, obligations and financial assets) for all economic sectors (residing) in the Kingdom by JD 1,211.9 million at the end of the third quarter of 2017 compared to the end of 2016 to reach JD 17,369.1 million. This was mainly due to the decrease in the CBJ's reserve assets by JD 1,151.6 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 1,054.9 million at the end of the third quarter of 2017 compared to the end of 2016; to reach JD 46,479.1 million, due to the following developments:
 - ◆ An increase in the stock of direct investment in the kingdom by JD 1,039.7 million to stand at JD 23,875.1 million.
 - ◆ An increase in the deposits of non-residents at the banking sector by JD 308.5 million to reach JD 7,495.6 million.
 - ◆ A decrease in the balance of the international monetary fund credit facilities by JD 168.0 million to reach JD 969.4 million.
 - ◆ A decrease in the stock of portfolio investment in the kingdom by JD 115.8 million to stand at JD 7,449.4 million.