



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

❑ OUR MISSION

Maintaining monetary stability in the Kingdom and ensuring the convertibility of the Jordanian Dinar and an interest rate structure consistent with the level of economic activity thereby contributing toward a sound macroeconomic environment. Furthermore, the Central Bank of Jordan strives to ensure the safety and soundness of the banking system and the resilience of the national payments system. To this end, the Central Bank of Jordan employs its human, technological, and financial resources in an optimal manner in order to effectively implement its objectives

❑ OUR VALUES

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

The data published in this report are considered actual, final and consistent with those received by the Central Bank of Jordan (CBJ) from their original sources, unless otherwise explicitly indicated in the context of this report. Nonetheless, the nature of some data should be taken into account in this regard, such as the foreign direct investment (FDI) data in the balance of payments, which are based on a Flows concept during a specific period of time, but not on a Stocks concept, which is measured at a specific point of time. Accordingly, the quarterly data of such investments should be studied carefully, and analyzed on an annual basis, and then compared to their level in previous years.

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Executive Summary

The real economy registered a growth rate of 2.9 percent during the first half of 2012 against 2.3 percent during the first half in 2011. Latest available economic indicators on the earlier period of 2012 reveal mixed results. On the one hand, travel receipts, workers' remittances, credit facilities extended by licensed banks, and unemployment rate, recorded significant improvement. On the other hand, current account deficit, and net outstanding public debt show a deterioration in performance.

- **Output, Prices and Employment:** In the first half of 2012, real GDP at market prices grew by 2.9 percent compared to 2.3 percent in the first half of 2011. Inflation, measured by the Consumer Price Index (CPI), slowed down to 4.2 percent during the first three quarters of 2012 compared to 4.8 percent during the same period of 2011. Furthermore, the unemployment rate in the third quarter of 2012 stand at 13.1 percent.
- **Monetary and Financial Sector:**
 - Foreign currency reserves at the Central Bank of Jordan (CBJ) decreased by US\$ 3,657.9 million, or 34.8 percent, at the end of the first nine months of 2012, compared to their level at the end of 2011, standing at US\$ 6,848.2 million.
 - Domestic liquidity grew by JD 1,135.3 million, or 4.7 percent, at the end of the first nine months of 2012, compared to its level at the end of 2011, standing at JD 25,254.2 million.
 - The outstanding balance of credit facilities extended by licensed banks was up by JD 1,550.9 million, or 9.8 percent, at the end of the first nine months of 2012, compared to its level at the end of 2011, standing at JD 17,402.1 million.
 - Total deposits at licensed banks increased by JD 1,190.5 million, or 4.9 percent, at the end of the first nine months of 2012, compared to their level at the end of 2011, totaling JD 25,568.4 million.
 - The Share Price Index (SPI) weighted by the market capitalization of free float shares at the Amman Stock Exchange (ASE) reached 1,902.7 points at the end of the first nine months of 2012, decreasing by 92.4 points, or 4.6 percent, compared to its level at the end of 2011.

- **Public Finance:** During the first seven months of 2012, the general budget, including foreign grants, recorded a fiscal deficit in the amount of JD 633.1 million, comparing to a fiscal surplus in the amount of JD 329.5 million during the same period in 2011. Net outstanding domestic debt (budgetary and own-budget) increased by JD 1,845.0 million at the end of July 2012, comparing to its level at the end of 2011, to stand at JD 10,760.0 million (48.4 percent of GDP). Outstanding external public debt increased by JD 13.5 million at the end of July 2012 comparing to its level at the end of 2011; to reach JD 4,500.3 million, (20.3 percent of GDP). It is worth mentioning that the net public debt (domestic and external) stood at 68.7 percent of GDP at the end of July 2012.
- **External Sector:** Total merchandize exports (domestic exports *plus* re-exports) decreased by 1.9 percent during the first eight months of 2012 to reach JD 3,716.8 million. In contrast, the merchandize imports increased by 11.1 percent, totaling JD 9,709.9 million. As a result, the trade deficit expanded by 21.0 percent compared to the same period in the previous year, to reach JD 5,993.1 million. Furthermore, the preliminary figures for the first nine months of 2012 compared to the same period in 2011 showed an increase in travel receipts by 17.5 percent and a decrease in travel payments by 1.9 percent. In addition, total workers' remittances receipts during the first nine months of 2012 increased by 5.6 percent compared to the same period in 2011. preliminary figures of the balance of payments for the first half of 2012 displayed a deficit in the current account in the amount of JD 2,592.4 million, up from JD 1,216.1 million during the same period in the previous year. Moreover, the Foreign Direct Investment (FDI) recorded a net inflow to Jordan by JD 450.9 million during the first half of 2012 compared to a net inflow of JD 594.3 million during the same period in 2011. Furthermore, the international investment position (IIP) registered a net obligation to abroad amounting to JD 18,160.3 million at the end of June of 2012 compared to JD 17,100.0 million at the end of the March of 2012.

First: Monetary and Financial Sector

□ Summary

- The foreign currency reserves at the CBJ decreased by US\$ 3,657.9 million, or 34.8 percent, at the end of the first nine months of 2012, compared to their level at the end of 2011, standing at US\$ 6,848.2 million. This level of reserves covers around 3.9 months of the Kingdom's imports of goods and services.
- Domestic liquidity increased by JD 1,135.3 million, or 4.7 percent, at the end of September 2012, compared to its level at the end of 2011, to total JD 25,254.2 million.
- The outstanding balance of credit facilities extended by licensed banks increased by JD 1,550.9 million, or 9.8 percent, at the end of September 2012, compared to its level at the end of 2011, to stand at JD 17,402.1 million.
- Total deposits at licensed banks increased by JD 1,190.5 million, or 4.9 percent, at the end of September 2012, in comparison with their level at the end of 2011, totaling JD 25,568.4 million.
- The interest rates on all types of deposits and credit facilities at licensed banks increased at the end of September 2012 compared to their level at the end of 2011.

- The Share Price Index (SPI) weighted by market capitalization of free float shares at the Amman Stock Exchange (ASE) reached 1,902.7 points at the end of September 2012, decreasing by 92.4 points, or 4.6 percent, compared to its level at the end of 2011. Moreover, the market capitalization decreased by JD 295.2 million or 1.5 percent, compared to its registered level of 2011, to stand at JD 18,977.5 million.

Main Monetary Indicators

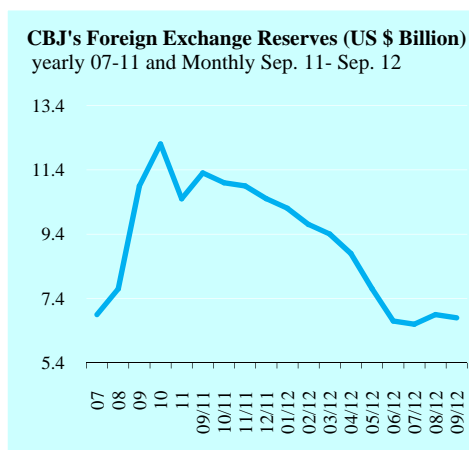
JD Million, and Percentage Change Relative to the Previous Year (%)

Year		End of September	
		2011	2012
US\$ 10,506.1	CBJ's Foreign Currency Reserves	US\$ 11,300.1	US\$ 6,848.2
-14.2%		-7.7%	-34.8%
24,118.9	Money Supply (M2)	23,801.6	25,254.2
8.1%		6.7%	4.7%
15,851.2	Credit Facilities, of which:	15,564.3	17,402.1
9.7%		7.7%	9.8%
14,284.1	Private Sector (Resident)	14,068.0	15,144.3
10.1%		8.4%	6.0%
24,377.9	Total Deposits, of which:	24,033.3	25,568.4
8.3%		6.8%	4.9%
19,119.1	In JD	18,727.7	18,800.6
8.5%		6.3%	-1.7%
5,258.8	In Foreign Currencies	5,305.6	6,767.8
7.6%		8.6%	28.7%
19,905.8	Deposits of Private Sector (Resident), of which:	19,529.0	20,646.1
8.5%		6.5%	3.7%
16,507.6	In JD	16,082.6	16,066.9
8.5%		5.7%	-2.7%
3,398.2	In Foreign Currencies	3,446.4	4,579.2
8.6%		10.1%	34.8%

Source: Central Bank of Jordan / Monthly Statistical Bulletin.

□ CBJ's Foreign Currency Reserves

The CBJ's foreign currency reserves declined by US\$ 3,657.9 million, or 34.8 percent, at the end of September 2012, compared to their levels at the end of 2011, to reach US\$ 6,848.2 million. This level of reserves covers around 3.9 months of the Kingdom's imports of goods and services.



□ Domestic Liquidity (M2)

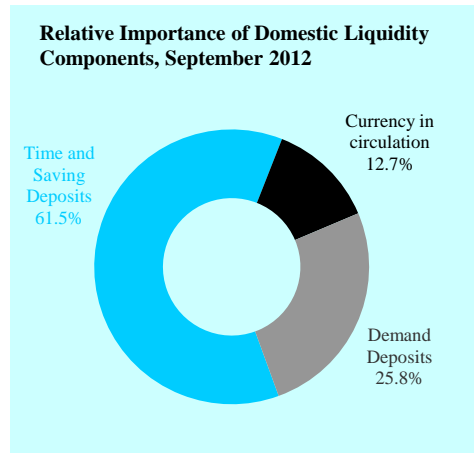
■ Domestic liquidity totaled JD 25,254.2 million at the end of September 2012, increasing by JD 1,135.3 million, or 4.7 percent, compared to an increase of JD 1,494.9 million, or 6.7 percent, during the same period of 2011.

◆ **Developments in both the components of and the factors affecting domestic liquidity during the first three quarters of 2012, reveal the following:**

● Components of Domestic Liquidity

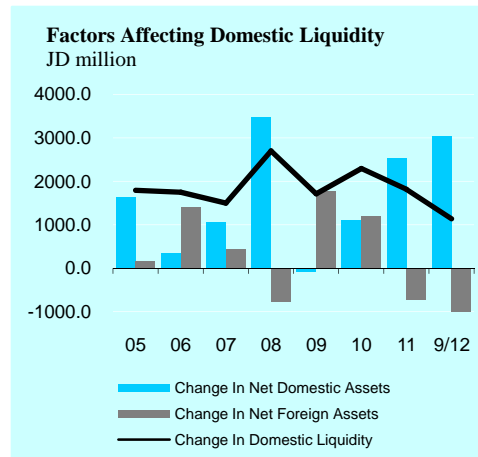
- Deposits increased by JD 957.1 million, or 4.5 percent, at the end of September 2012, compared to their level at the end of 2011, to total JD 22,056.7 million, against an increase amounting to JD 1,235.9 million, or 6.3 percent, at the end of the same period of 2011.

- Currency in circulation increased by JD 178.2 million, or 5.9 percent, at the end of September 2012, compared to its level at the end of 2011, to reach JD 3,197.5 million, against an increase in the amount of JD 259.0 million, or 9.1 percent, during the same period of 2011.



- **Factors Affecting Domestic Liquidity**

- Net domestic assets of the banking system increased by JD 3,030.5 million, or 20.5 percent, at the end of September 2012, compared to its level at the end of 2011, against an increase of JD



1,573.4 million, or 12.9 percent, during the same period of 2011. This increase was a result of the increase in net domestic assets at the CBJ by JD 2,581.6 million, or 44.2 percent, and its increase at licensed banks by JD 448.9 million, or 2.2 percent.

- Net foreign assets of the banking system decreased by JD 1,895.2 million, or 20.3 percent, at the end of September 2012, compared to their level at the end of 2011, against a decrease in the amount of JD 78.5 million, or 0.8 percent, in the same period of 2011. This decrease was an outcome of the decline of these assets at the CBJ by JD 2,354.4 million, or 25.5 percent, and its increase at licensed banks by JD 459.2 million.

Changes in Factors Affecting Domestic Liquidity (M2)
JD Million

Year		Change in balance relative to the end of September	
		2011	2012
-724.9	Foreign Assets (Net)	-78.5	-1,895.2
-733.2	CBJ	-216.1	-2,354.4
8.3	Licensed Banks	137.6	459.2
2,537.1	Domestic Assets (Net)	1,573.4	3,030.5
1,009.9	CBJ, of which:	566.7	2,581.6
46.8	Claims on Public Sector (Net)	154.3	1,116.7
962.5	Other Items (Net*)	411.9	1,464.9
1,527.2	Licensed Banks	1,006.7	448.9
1,744.9	Claims on Public Sector (Net)	570.2	1,118.2
1,311.5	Claims on Private Sector	1,105.5	856.2
-1,529.2	Other Items (Net)	-669.0	-1,525.5
1,812.2	Money Supply (M2)	1,494.9	1,135.3
175.6	Currency in Circulation	259.0	178.2
1,636.6	Total Deposits, of which:	1,235.9	957.1
294.3	In Foreign Currencies	331.1	1,222.1

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

□ Interest Rate Structure

◆ Interest Rates on Monetary Policy Instruments

- On May 31st, 2012, the CBJ raised the interest rate on the overnight window deposit facility by 50 basis points, and maintained the interest rates on the other monetary policy instruments unchanged. Accordingly, the interest rates on monetary policy instruments became as follows:
 - **Re-Discount Rate:** 5.00 percent.
 - **Interest Rate on Overnight Repurchase Agreements:** 4.75 percent.
 - **Overnight Window Deposit Rate:** 3.25 percent.
- Developments in interest rates on Certificates of Deposit (CDs) show that:

The weighted average interest rate on the latest issue of three-month (CDs) and six-month (CDs), which dates back to October 2008, was 5.64 percent and 5.94 percent, respectively.

- With the aim of providing adequate liquidity to the banking system and minimizing volatility in interest rates in the interbank market, the CBJ introduced a new operational framework that includes the weekly repurchase agreements facility and outright open market operations. The interest rate and the volume of the weekly facility will be determined by the CBJ. The interest rate on the last repurchases for one week was 3.75%.

Interest Rates on Monetary Policy Instruments (%)

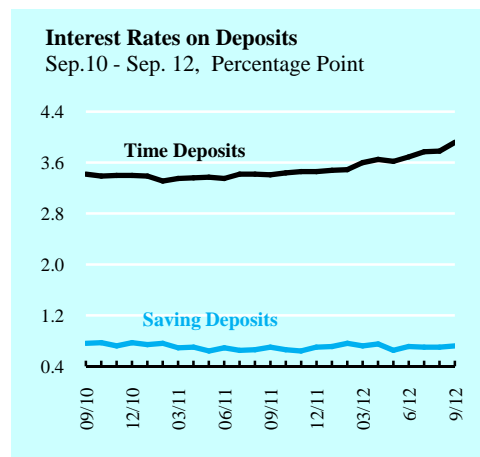
End of year		September	
		2011	2012
4.50	Re-discount Rate	4.50	5.00
4.25	Repurchase Agreements Rate (Repos)	4.25	4.75
2.25	Overnight Deposit Window Rate	2.25	3.25

Source: Central Bank of Jordan / Monthly Statistical Bulletin.

◆ Interest Rates in the Banking Sector

• Interest Rates on Deposits

- **Time Deposits:** The weighted average interest rate on time deposits at the end of September 2012 increased by 14 basis point, compared to their level at the end of the previous month, to stand at 3.92 percent. As a result, this rate was higher than its level at the end of 2011 by 46 basis points.



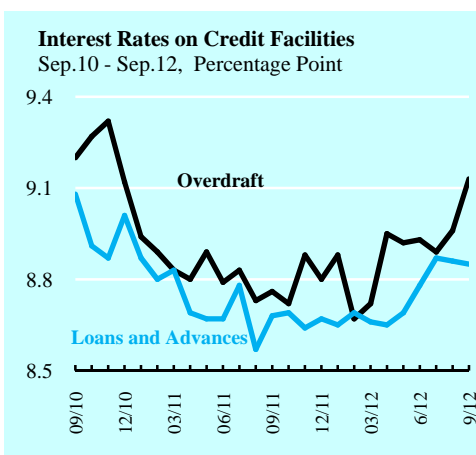
- **Saving Deposits:** The weighted average interest rate on saving deposits at the end of September 2012 increased by 2 basis points, compared to their level of the preceding month, thereby reaching 0.72 percent. As a result, this rate was higher than its level at the end of 2011 by 2 basis point.

- **Demand Deposits:** The weighted average interest rate on demand deposits at the end of September 2012 increased by one basis point compared to its level registered at the end of the preceding month, standing at 0.44 percent. As a result, this rate was higher than its level at the end of 2011 by one basis point.

• Interest Rates on Credit Facilities

- **Overdraft Accounts:** The weighted average interest rate on overdraft accounts at the end of September 2012 increased by 17 basis points compared to its level at the end of the previous month, standing at 9.13 percent. Accordingly, this rate is higher than its level recorded at the end of 2011 by 33 basis points.

- **Discounted Bills and Bonds:** The weighted average interest rate on “discounted bills and bonds” increased by 9 basis points at the end of September 2012, compared to its level at the end of the preceding month, to stand at 9.39 percent. As a result, this rate is higher than its level of 2011 by 5 basis points.



- **Loans and Advances:** The weighted average interest rate on “loans and advances” decreased by one basis point at the end of September 2012, compared to its level at the end of the preceding month, to stand at 8.85 percent. Furthermore, this rate was 18 basis points higher than its level at the end of 2011.

- **The Prime Lending Rate:** This rate stood at 8.38 percent at the end of September 2012, 16 basis points higher than its level at the end of 2011.

Weighted Average Interest Rates on Deposits and Credit Facilities at Licensed Banks, (%)

Year	September		Change Relative to the Preceding Year Basis Points	
	2011	2012		
Deposits				
0.43	Demand	0.47	0.44	1
0.70	Saving	0.71	0.72	2
3.46	Time	3.41	3.92	46
Credit Facilities				
9.34	Discounted Bills and Bonds	9.28	9.39	5
8.67	Loans and Advances	8.68	8.85	18
8.80	Overdraft	8.76	9.13	33
8.22	Prime Lending Rate	8.22	8.38	16

Source: Central Bank of Jordan / Monthly Statistical Bulletin.

- As a result, the interest rate margin, which is the difference between interest rates on loans and advances and those on time deposits, decreased at the end of September 2012 by 28 basis points compared to its level at the end of 2011 to reach 493 basis points.

□ Credit Facilities Extended by Licensed Banks

- ◆ The outstanding balance of credit facilities extended by licensed banks totaled JD 17,402.1 million at the end of September 2012, increasing by JD 1,550.9 million, or 9.8 percent, compared to its level at the end of the preceding year, against an increase in the amount of JD 1,112.9 million or 7.7 percent, during the same period of 2011.
- ◆ The classification of extended credit facilities, according to economic activity, during the first three quarters of 2012 demonstrates that the increase in these facilities was mainly due to the increase in credit facilities extended to the public services and utilities sector, which increased by JD 729.1 million, or 64.2 percent, and the increase in the item "other", which generally represents credit facilities extended to individuals, by JD 336.8 million or 9.9 percent. In addition, credit facilities extended to the industrial sector increased by JD 207.6 million, or 9.0 percent, and for the construction sector by JD 205.2 million, or 5.9 percent, compared to their level at the end of 2011.
- ◆ The classification of extended credit facilities according to the borrower reveals that the boost in the credit facilities during the first three quarters of 2012 was mainly due to the credit facilities extended to the private sector (resident), which increased by JD 860.3 million, or 6.0 percent, and to the central government, which increased by JD 738.5 million, compared to their levels at the end of 2011. Furthermore, the credit facilities extended to the non-

banking financial institutions increased by JD 7.1 million. Meanwhile, the credit facilities extended to the private sector (non-resident) and to public institutions decreased by JD 30.1 million, or 3.1 percent, and JD 24.9 million, or 6.7 percent, respectively, compared to their levels at the end of 2011.

□ Deposits at Licensed Banks

- ◆ Total deposits at licensed banks stood at JD 25,568.4 million at the end of September 2012, increasing by JD 1,190.5 million, or 4.9 percent, compared to its level in the preceding year, against an increase of JD 1,528.5 million, or 6.8 percent, during the same period of 2011.
- ◆ The increase in total deposits at licensed banks at the end of September 2012 was an outcome of the increase of the deposits of the private sector (resident) by JD 740.3 million, or 3.7 percent, and the increase of the deposits of private sector (non-resident) by JD 249.9 million, or 9.4 percent, as well as the increase in the deposits of the public sector (central government *plus* public institutions) by JD 141.4, or 9.2 percent, and the increase of the deposits of non-banking financial institutions by JD 58.9 million or 21.3 percent, compared to their levels at the end of 2011.
- ◆ The developments in the currency structure of deposits at the end of September 2012 reveal that “deposits in foreign currencies” increased by JD 1,509.0 million, or 28.7 percent, and “deposits in the local currency” decreased by JD 318.5 million, or 1.7 percent, compared to their levels at the end of 2011. Moreover, during September 2012 the deposits increased by JD 410.2 million, distributed on the deposits of foreign currency by JD 346.1 million and the deposits of local currency by JD 64.1 million.

□ Amman Stock Exchange (ASE)

The indicators of the Amman Stock Exchange (ASE) displayed a negative performance during the first three quarters of 2012 compared to the end of 2011. This can be demonstrated as follows:

- **Trading Volume**

Trading volume at the (ASE) totaled JD 139.6 million in September 2012; up by JD 34.4 million, or 32.7 percent, compared to its level at the end of the preceding month, against an increase of JD 22.2 million, or 12.6 percent, during the same month in 2011. However, trading volume stood at JD 1,477.0 million during the first three quarters of 2012; a decline amounting to JD 871.4 million compared with the volume registered over the same period in 2011.

- **Traded Shares**

The number of traded shares in September 2012 totaled 219.9 million; up by 110.4 million shares, or 100.8 percent, compared to its level at the previous month, against an increase amounting to 70.6 million shares, or 25.0 percent, during the same month of 2011. Furthermore, the number of traded shares during the first three quarters of 2012 stood at 1,840.1 million shares, compared with 3,453.5 million shares traded during the same period of 2011.

- **Share Price Index (SPI)**

The Share Price Index (SPI) weighted by market capitalization of free float shares at (ASE) decreased by 21.3 points, or 1.1 percent, at the end of September 2012 compared to its level at the end of the preceding month,

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

Year		September	
		2011	2012
1,995.1	General Index	1,991.6	1,902.7
2,443.9	Financial Sector	2,549.0	2,320.1
2,149.9	Industrial Sector	2,144.8	2,137.9
1,693.7	Services Sector	1,560.7	1,567.5

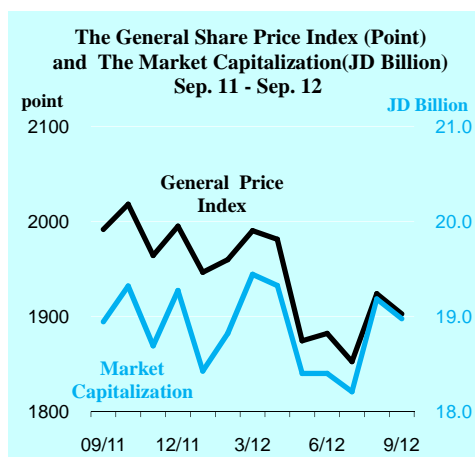
Source: Amman Stock Exchange.

to stand at 1,902.7 points, against a decrease in the amount of 44.8 points, or 2.2 percent, during the same month of 2011. As for the first three quarters of 2012, the SPI dropped by 92.4 points, or 4.6 percent, compared with its level at the end of 2011, against a drop in the amount of 382.0 points, or 16.1 percent, during the same period of 2011. The above-mentioned drop during the first three quarters of 2012 was an outcome of the decline in the SPI for all sectors, the decline of the services sector by 126.2 points, or 7.5 percent, the decline of the financial sector by 123.8 points, or 5.1 percent, and the decrease in the SPI for the industrial sector by 12.0, or 0.6 percent, compared to their levels at the end of 2011.

• **Market Capitalization**

The ASE's market capitalization totaled JD 18,977.5 million at the end of September 2012; a decrease of 205.8 JD million, or 1.1 percent, compared to its level at the end of the previous month, against a decrease of JD 738.4 million,

or 3.9 percent, during the same month of 2011. Furthermore, the market capitalization during the first three quarters of 2012 declined by JD 295.2 million, or 1.5 percent, compared to its level registered at the end of 2011, against a decline amounting to around JD 2,913.9 million, or 13.3 percent, over the same period of 2011.



- **Non - Jordanian Net Investment**

Non - Jordanian net investment at the (ASE) recorded an inflow in September 2012 in the amount of JD 3.5 million, compared to an outflow of JD 0.5 million during the same month of 2011; the value of shares acquired by non - Jordanians in September 2012 stood at JD 38.1 million, while the value of shares sold by the same group amounted to JD 34.6 million. Moreover, non-Jordanian net investment

displayed an inflow amounting to JD 22.6 million during the first three quarters of 2012, against an inflow in the amount of JD 79.6 million during the same period of 2011.

Main Amman Stock Exchange Trading Indicators, JD Million

Year		September	
		2011	2012
2,850.3	Value Traded	198.3	139.6
11.5	Average Daily Trading	9.9	6.6
19,272.7	Market Capitalization	18,944.3	18,977.5
4,072.3	No. of Traded Shares (million)	353.3	219.9
78.6	Net Investment of Non-Jordanian	(0.5)	3.5
555.8	Non-Jordanian Buying	30.4	38.1
477.2	Non-Jordanian Selling	30.9	34.6

Source: Amman Stock Exchange.

Second: Output, Prices and Employment

■ Summary

- Gross Domestic product (GDP) at both constant and current prices, grew by 2.9 and 8.0 percent, respectively during the second quarter of 2012, compared to 2.4 and 7.6 percent, respectively, during the same quarter of 2011.
- As for the first half of 2012, real GDP grew by 2.9 percent, compared to 2.3 percent during the first half of 2011. When excluding “net taxes on products”, which grew by 3.0 percent, compared to a contraction by 2.1 percent during the first half of 2011, GDP growth rate at constant basic prices reached to 2.9 percent compared to 3.2 percent during the first half of 2011.
- Inflation, measured by the CPI, increased to 4.2 percent during the first three quarters of 2012, compared to 4.8 percent during the same period of 2011.
- The unemployment rate in the third quarter of 2012 stand at 13.1 percent of the total labor force (10.7 percent for males and 24.0 percent for females). The unemployment rate among academic degree holders (Bachelor Degree and higher) reached 18.2 percent.

▣ Developments of (GDP)

Despite the unfavorable international and regional economic and political conditions. **Real GDP grew by 2.9 percent during the first half of 2012** compared to 2.3 percent during the first half of 2011. When excluding “net taxes on products”, which grew by 3.0 percent, **GDP growth rate at constant basic prices grew by 2.9 percent**, compared to 3.2 percent during the first half of 2011.

**Quarterly Growth Rates of GDP at Market Prices
2010 - 2012**

	Percentages				
	Q1	Q2	Q3	Q4	Year
2010					
GDP at Constant Market Prices	2.4	1.4	2.2	3.2	2.3
GDP at Current Market Prices	13.0	9.3	7.0	15.1	10.9
2011					
GDP at Constant Market Prices	2.3	2.4	2.6	3.1	2.6
GDP at Current Market Prices	10.3	7.6	9.1	9.6	9.1
2012					
GDP at Constant Market Prices	3.0	2.9			
GDP at Current Market Prices	8.0	8.0			

Source: Department of Statistics.

GDP at current market prices grew by 8.0 percent compared to 8.9 percent during the first half of 2011. This nominal growth is mainly attributed to the rise in the general price level, measured by the GDP deflator, by 4.9 percent during the first half of 2012 compared to 6.4 percent during the first half of 2011.

The developments of economic sectors showed that most sectors witnessed positive real growth at divergent rates during the first half of 2012. Some sectors witnessed an accelerated improvement in performance; mainly **“electricity and water”, “wholesale & retail trade, restaurants & hotels” and “transport, storage & communications”** sectors that

grew by 7.4 percent, 6.4 percent and 5.5 percent compared to 1.5 percent, 4.7 percent and 2.9 percent during the first half of 2011, respectively.

While sectors of **“finance, insurance, real estate and business services”, “manufacturing” and “producers of government services”** exhibited a slow performance were they grew by 3.8 percent, 3.1 percent and 2.0 percent, respectively, against a growth amounting to 4.3 percent, 4.1 percent and 2.9 percent during the first half of 2011 respectively. In contrast, the sectors of **“mining & quarrying”, “agriculture” and “construction”** experienced a noticeable contraction amounting to 15.1 percent, 5.8 percent and 0.6 percent, respectively, compared to a growth in “mining and quarrying”, and “agriculture” by 25.1 percent and 4.3 percent, respectively, and a decrease in “construction” by 11.2 percent, during the first half of 2011.

The main sectors contributed to the economic growth during the first half of 2012 are “transport, storage and communications” by 0.8 percentage point, “finance, insurance, real estate and business services” (0.8 percentage point), “wholesale & retail trade, restaurants & hotels” (0.6 percentage point) and “manufacturing” (0.5 percentage point). These sectors collectively accounted for 93.1 percent of real growth during the first half of 2012.



■ Microeconomic Indicators

- Industrial production quantity index improved by 0.6 percent during the first eight months of 2012 against a decline amounting to 0.9 percent during the same period of 2011. This can be attributed to the following:
 - **Manufacturing production quantity index grew by 1.2 percent** against a decline amounting to 3.0 percent during the same period of 2011. This came as a result of the improvement in production of some items, particularly; “refined petroleum products” (8.4 percent), on one hand, and the decrease in “cement” (22.4 percent), and “chemical products” (2.0 percent) on the other.
 - **Electricity production quantity index grew by 10.7 percent**, owing to the increasing demand of manufacturing sectors for electricity.
 - **“Mining and quarrying” production quantity index decreased by 13.6 percent** against a growth by 22.0 percent during the same period of 2011. This decrease was mainly attributed to the contraction of production quantity index for phosphate by 16.2 percent and potash by 11.0 percent.
- The number of passengers through the Royal Jordanian recorded a remarkable growth.
- The contraction of indicators cargo through the Royal Jordanian and number of departures.
- “Quantities of exported and imported goods shipped through the Aqaba port” and “licensed areas for buildings” recorded a decelerated growth in their performances.

Summary of the Main Sectoral Indicators:

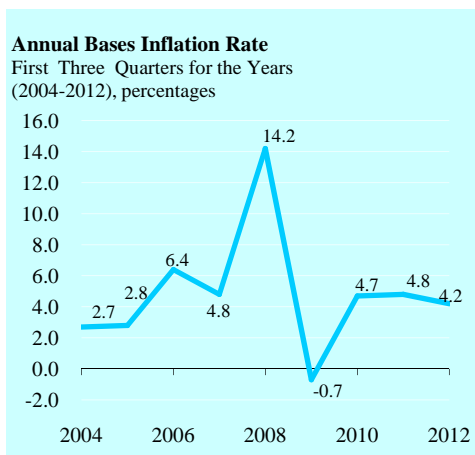
Percentages*				
2011	Item	Available Period		
		2011		2012
Industrial Sector				
-0.3	Industrial production quantity index	-0.9	January - August	0.6
-2.2	Manufacturing production quantity index	-3.0		1.2
-4.2	Food products and beverages	-2.3		0.0
-5.0	Refined petroleum products	-4.3		8.4
9.9	Iron and steel	5.7		-0.1
-26.5	Cement, lime and plaster	-29.4		-22.4
-1.3	Chemical products	-3.2		-2.0
16.5	“Mining and quarrying” production quantity index	22.0		-13.6
16.8	Phosphate	18.7		-16.2
17.2	Potash	28.1		-11.0
4.5	Electricity production quantity index	1.1		10.7
25.7	Licensed areas for (residential and non-residential) buildings	32.9		0.9
6.2	The number of passengers through the Royal Jordanian	6.0		10.7
13.8	Quantities of exported and imported goods shipped through the Aqaba port	17.7	January - September	3.1
-3.8	Cargo through the Royal Jordanian	0.1	January - August	-1.8
-21.5	Number of departures	-22.9	January - September	-6.9

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

Prices

The general price level continued to increase at a slower pace during the first three quarters of 2012 compared to the same period of 2011. The inflation rate, measured by the percentage change in the CPI, stood at 4.2 percent,

compared to 4.8 percent during the same period of 2011. This increase in the price level was driven by the global increase in the prices of food items and oil.



Developments of the CPI basket in the first three quarters of 2012:

- ◆ **“Food items”**, constitute 36.7 percent of the CPI basket. The prices of this group increased by 4.7 percent compared to an increase of 4.8 percent in the same period of 2011. The contribution of this group to the overall rate of inflation reached 1.7 percentage points. The increase in the prices of “food items” group was mainly driven by the increase in the prices of “dairy products and eggs” (14.8 percent), “meat and poultry” (5.5 percent), and “sugar and confectionaries” (4.4 percent). At the same time, prices of “cereals and products”, and “fruits” have declined by 1.1 percent, and 0.7 percent, respectively.

- ◆ **“Clothing and footwear”** group has the least weight in the CPI basket (5.0 percent). The average price level for this group increased by 4.9 percent compared to an increase of 6.0 percent during the same period of 2011. The group's contribution to the overall inflation rate reached 0.3 percentage point during the first three quarters of 2011. The increase in the prices of this group was affected by the rise in the prices of “clothes” and “footwear” items, which grew by 4.8 percent and 5.4 percent compared to 6.0 percent and 5.7 percent respectively, during the first three quarters of 2011.

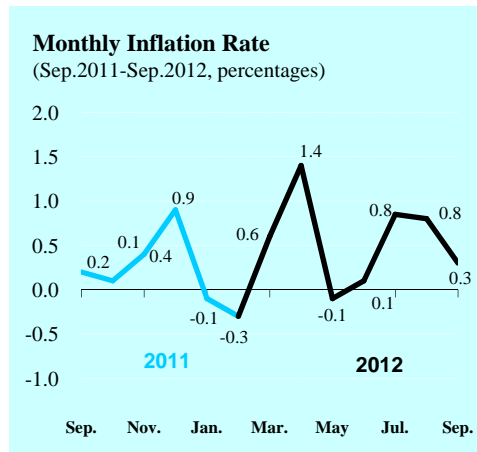
- ◆ **“Housing”** expenses account for 26.8 percent of the CPI basket. The prices of housing increased by 2.5 percent compared to an increase of 3.9 percent in the same period of 2011. Accordingly, this group contributed to the overall inflation rate by 0.7 percentage point during the first three quarters of 2012. The increase in the prices of this group was driven by the rise in the prices of “rents” item by 3.8 percent compared to an increase of 4.9 percent in the same period of 2011. In addition, prices of other items showed a varied increase ranging from 0.4 percent for “fuels and lighting” and 3.4 percent for “house utensils”.

- ◆ **“Other goods and services”** account for 31.6 percent of the CPI basket. The prices of this group increased by 4.8 percent compared to 5.3 percent during the same period of 2011. Accordingly, this group contributed 1.5 percentage points to the overall inflation rate during the first three quarters of 2012. The increase in the prices of this group was a result of the rise in the prices of “medical care” (8.2 percent), “personal care” (5.4 percent), “transportation& communication” (5.2 percent), and “education” (3.1 percent).

Moreover, **the CPI in September 2012 increased slightly by 0.3 percent compared with August 2012.**

This was mainly due to the rise in the prices of “vegetables”, and “education” on one hand, and the decrease in other items,

most noticeably “fruits” and “meat and poultry” on the other hand.



□ Employment

- ◆ The refined economic participation rate (the ratio of the labor force to the population of 15 years and above) during the third quarter of 2012 reached 38.0 percent (61.2 percent for males against 14.1 percent for females) compared to 38.2 percent (61.9 percent for males against 13.6 percent for females) during the same quarter of 2011.
- ◆ The employed rate among the age group 15 years and above reached 33.0 percent during the third quarter of 2012. The employed workers in the sector of “public administration, defense, and social security” accounted for 25.2 percent of the total employed, followed by workers in the “wholesale and retail trade” sector (15.9 percent). The remaining percent is distributed among sectors of education, manufacturing, and other.
- ◆ The unemployment rate (unemployed percent of the labor force) in the third quarter of 2012 reached 13.1 percent (10.7 percent for males and 24.0 percent for females). The unemployment rate among the academic degree holders (Bachelor Degree and higher) reached 18.2 percent.

Third : Public Finance

□ Summary:

- The general budget, including foreign grants, recorded a fiscal deficit in the amount of JD 633.1 million during the first seven months of 2012, comparing to a fiscal surplus in the amount of JD 329.5 million, during the same period in 2011. Excluding foreign grants (JD 25.2 million), the general budget deficit reaches JD 658.3 million compared to a deficit in the amount of JD 694.5 million during the same period in 2011.
- Gross outstanding domestic public debt (budgetary and own-budget) reached JD 11,766.0 million (53.0 percent of GDP), at the end of July 2012, reflecting a rise amounting to JD 1,770.0 million compared to its level at the end of 2011.
- Net outstanding domestic public debt increased by JD 1,845.0 million at the end of July 2012, to reach JD 10,760.0 million (48.4 percent of GDP).
- Outstanding external public debt (budgetary and guaranteed) increased by JD 13.5 million at the end of July 2012, compared to its level at the end of 2011, to stand at JD 4,500.3 million (20.3 percent of GDP).

□ The performance of the general budget during the first seven months of 2012 compared to the same period in the preceding year:

■ Public Revenues

Public revenues (including foreign grants) sharply declined by JD 694.8 million, or 64.1 percent, in July 2012 comparing to the same month in 2011 to reach JD 388.6 million. As for the first seven months of 2012, these revenues were down by JD 741.6 million, or 20.4 percent, compared to the same period in 2011 to stand at JD 2,892.7 million. This result was driven by the drop in foreign grants by JD 998.8 million, on one hand, and the increase in domestic revenues by JD 257.2 million, on the other.

Main Government Budget Indicators during July and the first seven months of 2012 and 2011:

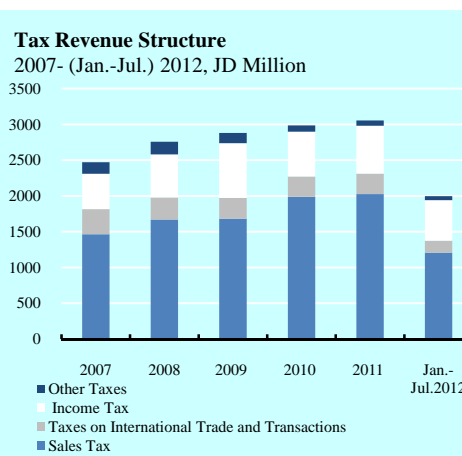
(JD Million and Percentages)

	July		Growth Rate %	Jan. – July		Growth Rate %
	2011	2012		2011	2012	
Total Revenues and Grants	1,083.4	388.6	-64.1	3,634.3	2,892.7	-20.4
Domestic Revenues, of which:	374.4	388.6	3.8	2,610.3	2,867.5	9.9
Tax Revenues, of which:	269.4	292.5	8.6	1,879.9	1,998.0	6.3
General Sales Tax	167.2	164.9	-1.4	1,133.9	1,208.7	6.6
Other Revenues, of which:	102.8	94.6	-8.0	718.4	856.3	19.2
Land Registration Fees	10.5	21.4	103.8	81.3	116.8	43.7
Foreign Grants	709.0	0	-100.0	1,024.0	25.2	-97.5
Total Expenditures	492.8	605.1	22.8	3,304.8	3,525.8	6.7
Overall Deficit/ Surplus	590.6	-216.5		329.5	-633.1	

Source: Ministry of Finance/ General Government Finance Bulletin.

◆ Domestic Revenues

Domestic revenues increased by JD 257.2 million, or 9.9 percent, during the first seven months of 2012 compared to the same period in 2011, to reach JD 2,867.5 million. This increase was a result of; the rise in the proceeds of “other revenues”, “tax revenues” and “pension contributions” by JD 137.9 million, JD 118.1 million and JD 1.2 million, respectively.



◀ Tax Revenues

Tax revenues increased by JD 118.1 million, or 6.3 percent, during the first seven months of 2012 compared to the same period in 2011, to reach JD 1,998.0 million (69.7 percent of domestic revenues). This increase was driven by:

- **The increase in the proceeds of general sales tax on goods and services** by JD 74.8 million which reached JD 1,208.7 million. This result was driven by the increase in the proceeds of most items specifically, the proceeds of “sales tax on domestic goods”, “sales tax on imported goods” and “sales tax on services” which have increased by JD 45.7 million, JD 26.7 million and JD 7.2 million, respectively. However, the proceeds of “sales tax on commercial sector” decreased by JD 4.8 million.
- **The increase in the proceeds of “income and profit taxes”** by JD 24.2 million or 4.5 percent, which reached JD 567.5 million. This increase was due to the rise in the proceeds of “income tax from companies and other projects” by JD 39.8 million, and the drop in the proceeds of “income tax from individuals” by JD 15.6 million. Accordingly, income tax from companies accounted for 85.7 percent of total taxes on income and profits to reach JD 486.2 million (of which JD 211.0 million from banks and financial institutions).
- **The increase in the proceeds of “taxes on international trade and transactions”** by JD 2.6 million or 1.6 percent,

which reached JD 166.0 million. This result was driven by the increase in the proceeds of “customs duties and fees” by JD 2.6 million. It is worth mentioning that the “departure tax” which was part of “taxes on international trade and transactions” has been abolished pursuant to the provisions of the temporary amending law of the Sales Tax Law No. (29) for the year 2009.

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

“Other revenues” increased by JD 137.9 million, or 19.2 percent, during the first seven months of 2012 to reach JD 856.3 million. This increase was an outcome of:

- The rise in property income by JD 94.7 million to stand at JD 279.8 million (of which financial surplus of independent government units amounted to JD 264.2 million).
- The increase in revenues from selling goods and services by JD 51.4 million to stand at JD 398.8 million.
- The decrease in miscellaneous revenues by JD 8.2 million to reach JD 177.7 million.

◀ **Pension Contributions**

Pension contributions were up by JD 1.2 million during the first seven months of 2012 compared to the same period in 2011 standing at JD 13.2 million.

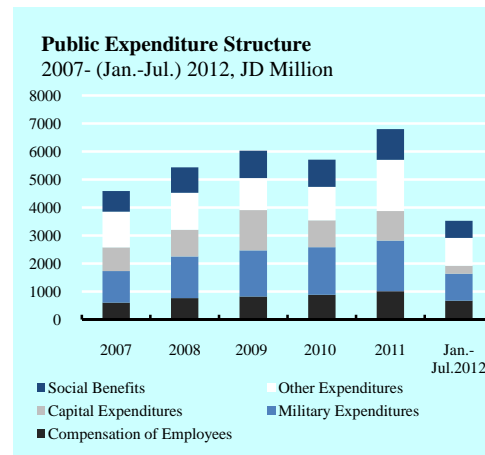
◆ **Foreign Grants**

Foreign grants were down by JD 998.8 million during the first seven months of 2012 comparing to the same period in 2011, standing at JD 25.2 million.

■ Public Expenditures

Public expenditures witnessed an increase by JD 112.3 million, or 22.8 percent, in July 2012 compared to the same month in 2011 to stand at JD 605.1 million. However, public expenditures rose by JD 221.0 million, or 6.7 percent during the first seven months

of 2012, to stand at JD 3,525.8 million. This increase was an outcome of the rise in current expenditures by 10.2 percent and the drop in capital expenditures by 22.4 percent.



◆ Current Expenditures

Current expenditures increased by JD 300.7 million, or 10.2 percent, during the first seven months of 2012, to reach JD 3,249.8 million. This increase was due to:

- The rise in the compensation of civil sector's employees (wages, salaries and social security contributions) by JD 92.3 million to reach JD 673.5 million.
- The increase in social benefit expenditures by JD 43.5 million to stand at JD 611.4 million.

- The increase in good's subsidies by JD 195.2 million to stand at JD 417.6 million.
- The increase in interest payments, on internal and external public debt, by JD 56.6 million to stand at JD 295.1 million.
- The decrease in military expenditures by JD 58.7 million to total JD 958.4 million.
- The drop in “purchases of goods and services” by JD 32.0 million to stand at JD 120.0 million.

◆ Capital Expenditures

Capital expenditures decreased by JD 79.7 million, or 22.4 percent during the first seven months of 2012 comparing to the same period in 2011, to reach JD 276.0 million.

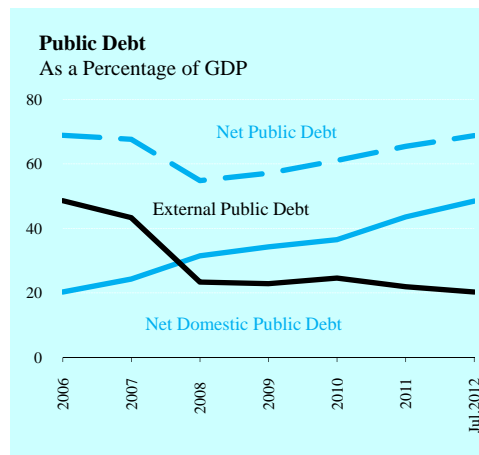
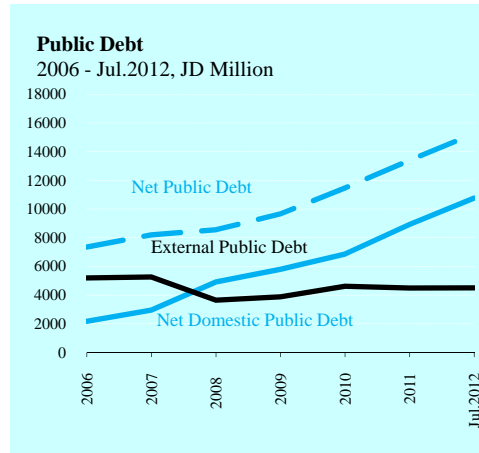
■ General Budget Deficit/ Surplus

- ◆ **The general budget, including grants, displayed a fiscal deficit amounted to JD 633.1 million during the first seven months of 2012**, against a fiscal surplus of JD 329.5 million during the same period in 2011.
- ◆ **The general budget showed a primary deficit** (after excluding interest payments on public debt from total expenditures) **reached to JD 338.0 million during the first seven months of 2012**, against a primary surplus of JD 568.0 million during the same period in 2011.

Public Debt

Gross outstanding domestic public debt of the government (budgetary and own-budget agencies) has increased by JD 1,770.0 million at the end of July 2012 compared to its level at the end of 2011 to reach JD 11,766.0 million, or 53.0 percent of GDP. This rise was an outcome of the increase in the budgetary domestic public debt by JD 914.0 million and the increase in the gross outstanding domestic debt for own-budget agencies by JD 856.0 million. This increase in the gross outstanding domestic

debt for own-budget agencies was driven by the significant increase in direct credit facilities provided by banking sources by JD 679.0 million to reach JD 859.0 million at the end of July 2012 compared to JD 180.0 million at the end of 2011. This increase was, mainly, an outcome of the rise in borrowing on behalf of Jordan's National Electric Power Company as a result of frequent interrupted of natural gas supplies from Egypt.



- **Net outstanding domestic public debt** (gross outstanding domestic public debt *minus* government deposits at the banking system) **increased by JD 1,845.0 million at the end of July 2012** comparing to its level at the end of 2011 to total JD 10,760.0 million, or 48.4 percent of GDP. The aforementioned increase was an outcome of the rise in gross outstanding domestic public debt by JD 1,770.0 million, and the decrease in the government deposits at the banking system by JD 75.0 million comparing to their level at the end of 2011.
- **Outstanding balance of external public debt (budgetary and guaranteed) increased** by JD 13.5 million at the end of July 2012 compared to its level at the end of 2011, amounting to JD 4,500.3 million (20.3 percent of GDP). The currency debt structure shows that external debt in US dollars accounted for 41.7 percent, while debt in Euros accounted for 7.7 percent. Further, external debt in Japanese Yen and Kuwaiti Dinars accounted for 20.8 percent and 18.8 percent of the outstanding external public debt, respectively.
- **Net public debt (domestic and external) increased** by JD 1,858.5 million at the end of July 2012 comparing to its level at the end of 2011 to stand at JD 15,260.3 million, or 68.7 percent of GDP, against JD 13,401.8 million (65.4 percent of GDP) at the end of 2011. Consequently, the ratio of net public debt to GDP increased by 3.3 percentage points compared to its level at the end of 2011.
- **External debt service (budgetary and guaranteed)** amounted to JD 306.4 million during the first seven months of 2012 (of which interest payments amounting to JD 61.8 million) compared to JD 269.4 million (of which interest payments amounting to JD 63.3 million) during the same period in 2011.

□ Fiscal and Price Measures

- The Cabinet decided to adjust the prices on some types of oil derivatives as of 1st August 2012, while maintaining the prices on Diesel and Kerosene unchanged in addition for liquid Gas Cylinder as follows:

	Unit	2012		Change %
		July	August	
Unleaded Gasoline 90	Fils/Liter	700	700	0.0
Unleaded Gasoline 95	Fils/Liter	1000	1000	0.0
Gas Oil (Diesel)	Fils/Liter	515	515	0.0
Kerosene	Fils/Liter	515	515	0.0
Liquid Gas (12.5kg)	JD/Unit	6.5	6.5	0.0
Fuel oil for industry	JD/Ton	501.2	501.2	0.0
Fuel oil for ships	JD/Ton	556.9	556.9	0.0
Fuel oil for airplanes (local companies)	Fils/Liter	553.0	585	5.8
Fuel oil for airplanes (foreign companies)	Fils/Liter	558.0	590	5.7
Fuel oil for unplanned flights	Fils/Liter	573.0	605	5.6
Asphalt	JD/Ton	595.7	595.7	0.0

Source: Jordan Petroleum Refinery CO.

□ Grants, Loans and Other Agreements

- Signing five grant agreements extended by the United States Agency for International Development (USAID) in the amount

of US\$ 356.9 million, as part of the regular U.S. economic assistance program to Jordan for the year 2012. These funds are distributed as follows (October 2012):

- A grant to support financing development priority projects included in the Budget Law for the year 2012 to contribute in reducing the budget deficit (in the amount of US\$ 184.0 million).
- Human resources development agreement (in the amount of US\$ 70.2 million), including: supporting the education sector (in the amount of US\$ 47.3 million), supporting the health sector (in the amount of US\$ 19.8 million) and supporting the implementation of the program (the remaining US\$ 3.1 million).
- Governance sector agreement (in the amount of US\$ 28.0 million) to complete the implementation of several priority projects in the fields of Justice, governance and civil society.
- Enhancing economic growth and opportunities agreement (in the amount of US\$ 47.8 million) through financing a number of development priority projects aiming at improving economic opportunities and boosting trade, investment and tourism, throughout creating an appropriate investment climate and enhancing private sector competitiveness.

- Management of water resources and environment agreement (in the amount of US\$ 26.9 million) to complete priority projects in the sectors of water and environment.
- Signing a memorandum of understanding between the government of Jordan and the Qatari government, outlining Qatar's contribution in GCC grant, in the amount of US\$ 1.25 billion, by allocating US\$ 250.0 million on annual basis. This grant will contribute to supporting the economic reform in the Kingdom, as well as enhancing Jordan's investment climate, and encouraging private sector to investment in Jordan (September 2012).
- Signing three grant agreements extended by the European Union in the amount of EUR 20.0 million, as follows (September 2012):
 - A grant targeting educational system reforms (in the amount of EUR 10.0 million).
 - A grant targeting judiciary system reforms, by supporting the preparatory project in the justice sector (in the amount of EUR 3.0 million).
 - A grant to support independent elections in the Kingdom (in the amount of EUR 7.0 million).

- Signing a grant agreement between the government of Jordan and the United States government, under which the latter will provide the Kingdom with 50 thousand tonnes of wheat valued at \$ 17.0 million, as part of the US Food for Progress program (September 2012).
- Signing a soft loan agreement between the government of Jordan and the French government represented by the French Agency for Development to finance the general budget, in the amount of EUR 150.0 million, to be disbursed in two payments. The first payment, in the amount of EUR 100.0 million, is expected to be received during this year, while the second, in the amount of EUR 50.0 million will be received during the first half of 2013 (September 2012).
- Signing three grant agreements extended by the French Agency for Development in the amount of EUR 1.6 million to finance creating a mathematical model of the Dead Sea basin project, the Highland Water Forum project, as well as a grant extended to the Jordan Enterprise Development Corporation to help financing small -and medium -size projects (September 2012).

Fourth: External Sector

□ Summary

- **Total merchandize exports** (domestic exports *plus* re-exports) decreased by 7.0 percent in August 2012 compared to the same month in 2011 to record JD 424.7 million. As for the first eight months of 2012, total merchandize exports decreased by 1.9 percent to reach JD 3,716.8 million.
- **Merchandize imports** increased by 5.2 percent in August 2012 compared to the same month in the previous year amounting to JD 1,084.9 million. As for the first eight months of 2012, merchandize imports were up by 11.1 percent to total JD 9,709.9 million.
- Consequently, the **trade balance deficit** (total exports *minus* imports) increased by 14.9 percent in August 2012 compared to the same month in 2011 standing at JD 660.2 million. As for the first eight months of 2012, the trade deficit expanded by 21.0 percent to reach JD 5,993.1 million.
- **Travel receipts** increased by 4.6 percent in September 2012 compared to the same month in the preceding year to record JD 196.2 million. In contrast, travel payments decreased by 10.9 percent in September 2012 compared to the same month in 2011 to record JD 56.1 million. As for the first nine months in 2012, travel receipts increased by 17.5 percent to reach JD 1,892.7 million, while travel payments decreased by 1.9 percent to record JD 643.8 million.
- **Total workers' remittances receipts** increased by 1.2 percent in September 2012 compared to the same month in 2011 to reach JD 213.9 million. As for the first nine months of 2012, total worker's remittances increased by 5.6 percent to reach JD 1,939.4 million.
- **The current account of the balance of payments** displayed a deficit of JD 2,592.4 million during the first half of 2012 compared to a deficit of JD 1,216.1 million in the same half in 2011.
- **Net FDI inflows to Jordan** recorded JD 450.9 million during the first half of 2012, down from JD 594.3 million during the same period in 2011.

- **International Investment Position (IIP)** displayed a net obligation to abroad of JD 18,160.3 million at the end of June 2012; recording an increase of JD 1,060.3 million over its level at the end of March 2012.

□ External Trade

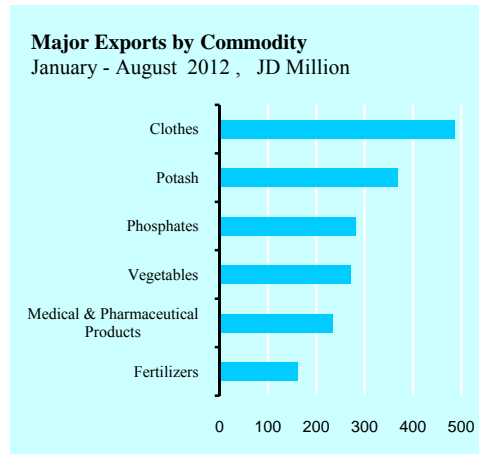
As a result of the decrease in domestic exports by JD 48.5 million and the increase in imports by JD 969.7 million, during the first eight months of 2012, the volume of external trade (domestic exports *plus* imports) increased by JD 921.2 million to stand at JD 12,855.0 million.

Jordan's Major Trade Partners Jan. – Aug. 2011- 2012, JD Million				Developments of External Trade Indicators, JD Million				
	2011	2012	Percentage Change	Jan. – Aug.				
				2011	Percentage Change 2010/2011	2012	Percentage Change 2011/2012	
Exports				External Trade	11,933.8	21.1	12,855.0	7.7
United States	486.6	516.7	6.3	Total Exports	3,787.7	17.1	3,716.8	-1.9
Iraq	509.1	425.3	-16.5	Domestic Exports	3,193.6	17.5	3,145.1	-1.5
India	355.9	342.3	-3.8	Re-exports	594.1	15.0	571.7	-3.8
Saudi Arabia	287.1	333.4	16.1	Imports	8,740.2	22.5	9,709.9	11.1
China	104.8	130.6	24.6	Trade Balance	-4,952.5	27.0	-5993.1	21.0
UAE	105.0	118.8	13.1	Source: Department of Statistics.				
Syria	140.1	115.8	-17.3					
Imports								
Saudi Arabia	1,954.7	2,353.2	20.4					
China	873.7	908.4	4.0					
United States	555.4	715.9	28.9					
Egypt	359.3	423.7	17.9					
Italy	502.0	394.0	-21.5					
Germany	425.5	370.8	-12.9					
Turkey	272.9	336.9	23.5					
Source: Department of Statistics.								

■ Merchandize Exports:

Total merchandize exports decreased by 1.9 percent during the first eight months of 2012 compared to a 17.1 percent increase during the same period in 2011, to record

JD 3,716.8 million. This decrease resulted from a decrease in domestic exports by JD 48.5 million, 1.5 percent, to record JD 3,145.1 million, and a decrease in re-exports by JD 22.4 million, 3.8 percent, to reach JD 571.7 million.



The developments of domestic exports during the first eight months of 2012 compared with the same period in the previous year reveals the following:

- Exports of **phosphates** increased by JD 9.2 million, 3.4 percent, to register JD 281.7 million, compared to an increase of 69.7 percent during the first eight months in 2011. This increase was mainly due to the increase in prices by 26.3 percent and decrease in exported quantities by 18.1 percent. The Indian, Indonesian and Bulgarian Markets accounted for 88.7 percent of these exports.

- Exports of **potash** decreased by JD 2.3 million, 0.6 percent, to stand at JD 368.7 million.
- Exports of **medical and pharmaceutical products** increased by JD 8.6 million, 3.8 percent, to reach JD 234.7 million, compared to a decrease of 7.9 percent during the first eight months in 2011. The Saudi, Algerian, Iraqi and Sudanese Markets accounted for 58.7 percent of these exports.
- Exports of **vegetables** increased by JD 10.2

Major Domestic Exports by Commodity

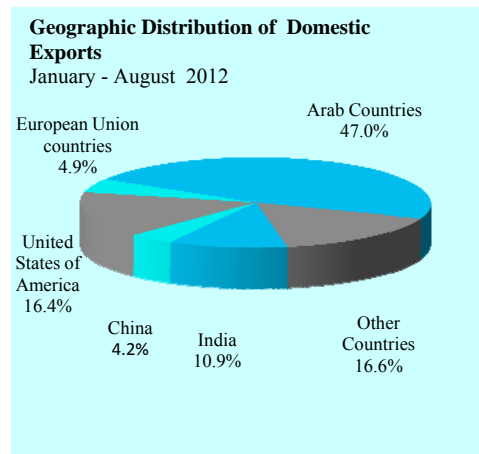
Jan.-Aug. 2011 - 2012, JD Million

	2011	2012	Percentage Change
Domestic Exports	3,193.6	3,145.1	-1.5
Clothes	475.5	487.1	2.4
United States	440.3	456.6	3.7
Potash	371.0	368.7	-0.6
Phosphates	272.5	281.7	3.4
India	172.6	187.2	8.5
Indonesia	28.9	37.7	30.4
Bulgaria	8.3	25.0	201.2
Vegetables	261.2	271.4	3.9
Syria	70.6	68.4	-3.1
UAE	30.5	42.4	39.0
Iraq	73.0	29.8	-59.2
Medical & Pharmaceutical Products	226.1	234.7	3.8
Saudi Arabia	57.7	56.8	-1.6
Algeria	25.2	38.8	54.0
Iraq	17.4	24.6	41.4
Sudan	23.4	17.5	-25.2
Fertilizers	200.8	161.8	-19.4
India	106.4	58.8	-44.7
Turkey	0.3	30.9	-
Ethiopia	67.3	20.9	-68.9

Source: Department of Statistics.

million, 3.9 percent, to total JD 271.4 million, compared to an increase of 9.4 percent during the first eight months of 2011. Syrian, UAE and the Iraqi markets were the main destinations of these exports accounting for 51.8 percent. This increase was mainly due to the increase of vegetables export to the UAE market by JD 11.9 million.

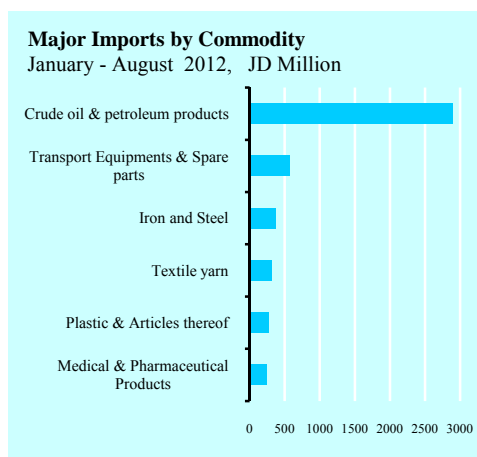
In light of the aforementioned developments, the commodity breakdown of domestic exports indicates that the exports of clothes, potash, phosphates, vegetables, “medical and pharmaceutical products” and fertilizers topped the list



of domestic exports during the first eight months of 2012 accounting for 57.4 percent of domestic exports up from 56.6 percent during the same period of 2011. Meanwhile, the geographical distribution of domestic exports indicates that the USA, Iraq, India, Saudi Arabia, China, UAE, and Syria were the main destination markets for Jordanian domestic exports during the first eight months of 2012; accounting for 63.0 percent of domestic exports, up from 62.2 percent during the same period in 2011.

■ Merchandize Imports:

Merchandize imports amounted to JD 9,709.9 million during the first eight months of 2012, increasing by JD 969.7 million, 11.1 percent, compared to a similar increase by 22.5 percent during the same period of 2011.



The developments of imports during the first eight months of 2012 compared with previous period reveals the following:

- **Petroleum products** imports increased by JD 635.6 million, 70.7 percent, to total JD 1,534.7 million compared to an increase of 167.7 percent during the same period in 2011. This increase was mainly attributable to the disruptions of Egyptian gas supplies. The main source markets of these imports were Saudi Arabia, Belarus and the USA.
- **Crude oil** imports increased by JD 85.1 million, 6.6 percent, to reach JD 1,366.8 million, compared to a rise by 50.9 percent during the same period in 2011. This increase was attributed to the rise in the prices of oil by 4.6 percent and the increase in the imported quantities by 1.9 percent. Also, it's worth noting that most of crude oil imports came from the Saudi market.

- Imports of **Iron & Steel** increased by JD 21.4 million, 6.0 percent to reach JD 381.0 million, compared to an increase of 27.2 percent during the corresponding period of 2011. The markets of Ukraine, Turkey and Russia accounted for 51.6 percent of these imports.
- Imports of **Transport equipments and Spare Parts** increased by JD 17.7 million, 3.2 percent, to reach JD 566.8 million compared to a decrease by 17.4 percent during the same period of 2011. South Korea, the USA and Germany were the main origin markets for these imports; accounting for 66.9 percent of these imports.

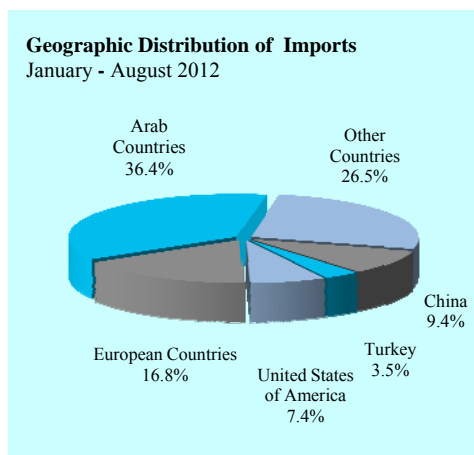
Major Imports by Commodity

Jan.-Aug. 2011- 2012, JD Million

	2011	2012	Percentage Change
Total Imports	8,740.2	9,709.9	11.1
Crude Oil	1281.7	1366.8	6.6
Saudi Arabia	1133.8	1331.5	17.4
Petroleum Products	899.1	1534.7	70.7
Saudi Arabia	209.8	333.2	58.8
Belarus	0.0	228.9	-
United States	29.6	203.1	586.1
Transport Equipments and Spare Parts	549.1	566.8	3.2
South Korea	182.4	190.3	4.3
United States	59.0	95.3	61.5
Germany	113.2	88.6	-21.7
Iron & Steel	359.5	381.0	6.0
Ukraine	67.7	134.7	99.0
Turkey	86.7	34.2	-60.6
Russia	37.8	27.6	-27.0
Textile Yarn, Fabrics & Related Products	299.3	314.6	5.1
China	134.4	133.8	-0.4
Taiwan	60.7	72.2	18.9
Turkey	20.0	24.4	22.0
Plastic & Articles Thereof	254.4	276.4	8.6
Saudi Arabia	116.0	132.9	14.6
China	11.2	17.1	52.7
Kuwait	13.3	16.2	21.8
Medical and pharmaceutical products	237.0	246.5	4.0
Germany	28.4	36.2	27.5
France	27.1	22.3	-17.7
United Kingdom	19.5	19.1	-2.1

Source: Department of Statistics.

The commodity composition of imports indicates that the main imports were petroleum, crude oil products, “transport equipments and spare parts”, “iron and steel”, “Textile yarn, fabrics, made up articles and related products”, “Plastic and Articles thereof” and



“Medical and pharmaceutical Products” accounted for 48.3 percent of total imports during the first eight months of 2012; up from 44.4 percent during the same period in 2011. Meanwhile, the geographical distribution of imports indicates that the markets of Saudi Arabia, China, the USA, Egypt, Italy, Germany and Turkey topped the list of imports sources during the first eight months of 2012; accounting for 56.7 percent compared to 56.6 percent during the same period in 2011.

■ Re-Exports

The value of re-exported goods decreased by JD 22.4 million, 3.8 percent, during the first eight months in 2012, recording JD 571.7 million.

■ Trade Balance

The trade balance deficit during the first eight months of 2012 increased by JD 1,040.6 million, 21.0 percent, to register JD 5,993.1 million compared to the same period in 2011.

□ Total Workers' Remittances Receipts

Total workers' remittances receipts increased by JD 2.5 million, 1.2 percent, in September 2012 compared to the same month in 2011 to register JD 213.9 million. As for the first nine months of 2012, total workers' remittances receipts increased by 5.6 percent to reach JD 1,939.4 million.

□ Travel

■ Receipts

Travel receipts increased by JD 281.7 million, 17.5 percent, during the first nine months of 2012 to register JD 1,892.7 million, despite the fall in the number of inbound tourists by 6.9 percent. This increase was mainly due to the rise in the high expenditure inbound tourists.

■ Payments

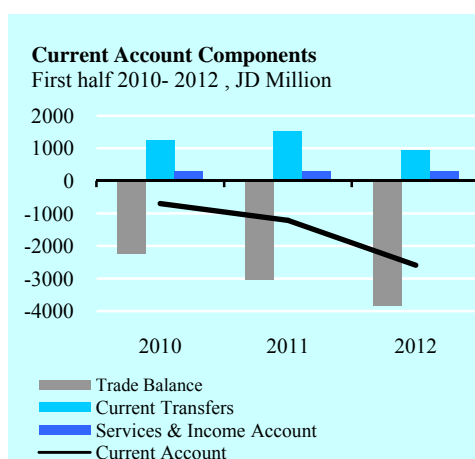
Travel payments decreased by 1.9 percent, during the first nine months of 2012 to stand at JD 643.8 million, compared with JD 656.0 million during the same period in 2011.

□ Balance of Payments

The comparison of the preliminary statistics of the balance of payments for the first half of 2012 compared to the same period of 2011, reveals the following developments:

- The current account recorded a deficit of JD 2,592.4 million compared to a deficit of JD 1,216.1 million during the same half in 2011. This was an outcome of the following developments:

- An expansion in the trade balance deficit by JD 782.0 million, 25.6 percent, to reach JD 3,832.3 million in the first half of 2012 compared to a deficit amounting to JD 3,050.3 million in the same half in 2011.



- Services account recorded a surplus of JD 301.1 million, compared to a surplus of JD 262.1 million during the first half of 2011. This was mainly due to the registered surplus of travel (net) and government services (net) by JD 788.1 million and JD 71.4 million, respectively, and to the registered deficit of transportation (net) and other services (net) by JD 469.1 million and JD 89.3 million respectively.
- Income account recorded a deficit of JD 3.6 million in the first half of 2012 compared to a surplus of JD 39.5 million in the same half of 2011. As a result of recording a deficit of JD 128.0 million in investment income (net) and a surplus of JD 124.4 million in compensation to employees (net).
- A decrease in the surplus of net current transfers by JD 590.2 million; to reach JD 942.4 million, as a result of the decline in net transfers of public sector (foreign grants) and in the transfers of other sectors (net) by JD 338.1 million and JD 252.1 million, to reach JD 107.7 million and JD 834.7 million, respectively, during the first half of

2012. It's worth mentioning that the workers' remittances receipts increased by JD 34.3 million, 3.2 percent, while workers' remittances payments increased by JD 7.3 million, 5.3 percent, during the first half of 2012.

- The capital and financial account with the rest of the world showed a decrease in financial account net foreign assets by JD 2,386.5 million during the first half of 2012 compared to a similar decrease in the amount of JD 1,730.3 million during the same half in 2011, this can be attributed to the following:
 - FDI in the Kingdom recorded a net inflow amounted to JD 448.3 million during the first half of 2012 compared to JD 578.9 million during the same half in 2011.
 - Portfolio investments (net) recorded a net inflow amounted to JD 165.8 million compared to a similar inflow in the amount of JD 89.5 million during the first half in 2011.
 - Other investments (net) registered a net outflow in the amount of JD 672.9 million compared to a similar outflow amounting to JD 31.6 million during the same half in 2011.
 - A decrease in the reserve assets of the CBJ by JD 2,445.3 million during the first half of 2012 compared to a decrease amounting to JD 1,093.5 million during the same half in 2011.

□ International Investment Position (IIP)

The IIP, which represents the Kingdom's net position (stock) of external assets and liabilities, displayed an obligation to abroad in the amount of JD 18,160.3 million at the end of June of 2012 compared to JD 17,100.0 million at the end of March 2012. This increase was due to the following developments:

- A decrease in the position of external assets (the stock of claims, obligations and financial assets) for all economic sectors (resident) in the Kingdom by JD 1,108.5 million to reach JD 14,638.4 million at the end of June of 2012 compared to the end of March 2012. This decrease was mainly a result of the decline in the CBJ's reserve assets by JD 1,715.6 million, the decrease in foreign assets represented by loans granted by commercial banks to non residents by JD 42.5 million and the increase in the deposits of commercial banks abroad by JD 653.3 million
- A decrease in the position of external liabilities (the stock of claims, obligations and financial assets) on all economic sectors residing in the Kingdom by JD 48.2 million at the end of June of 2012 compared to the end of March 2012; to stand at JD 32,798.7 million. This was mainly due to the following outcomes:
 - A decrease in the stock of portfolio investments in the Kingdom by JD 228.8 million to reach 3,726.3 million.
 - A decrease in the outstanding balance of external loans extended to the different economic sectors (resident) in the Kingdom by JD 29.8 million; to reach JD 4,751.7 million.
 - An increase in the deposits of non-resident at the Jordanian banking system by JD 3.6 million to reach JD 6,188.5 million.
 - An increase in the stock of foreign direct investment (FDI) in Jordan by JD 253.6 million to stand at JD 17,045.1 million.