Central Bank of Jordan

Recent Monetary & Economic Developments In Jordan

Research Dept. Monthly Report
March 2010

Central Bank of Jordan

Tel: (962 6) 4630301

Fax: (962 6) 4638889 / 4639730

P.O. Box 37 Amman 11118 Jordan

Website http://www.cbj.gov.jo
E-mail redp@cbj.gov.jo

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 of Jordan (CBJ) from their original sources, unless otherwise explicitly indicated in the context of this report. Nevertheless, the nature of some data should be taken into account in this regards such as the foreign direct investment (FDI) data in the balance of payments, which are based on the Flows (i.e. inflows and outflows) concept during a specific period of time (typically one year) but not the concept of Stocks, which is measured at a specific point of time. Accordingly, the quarterly data of such investments should be studied carefully, analyzed on an annual basis, and then compared to its level in previous years.

Contents

Executive Summary

According to indicators available to-date, the national economy displayed favorable results in the external sector and a number of monetary indicators, including the narrow down in external current account deficit and the sustained rise in foreign currency reserves. On the other hand, the preliminary estimates released by the Department of Statistics showed a deceleration in real GDP growth in 2009, affected by the repercussions of the global economic and financial crisis.

- **Output and Prices:** Real Gross Domestic Product (GDP) grew at 2.8 percent in 2009 compared to 7.8 percent in 2008. The Consumer Price Index (CPI) revealed a rise by 4.4 percent during the first two months in 2010 against a rise in the amount of 4.5 percent during the same period in 2009. Furthermore, investments benefiting from the Investment Promotion Law totaled JD 616.0 million in the first two months in 2010, of which 23.0 percent were foreign investments, compared to JD 184.0 million during the same period in 2009.

Monetary and Financial Sector:

- Foreign currency reserves at the Central Bank of Jordan (CBJ) increased by US$ 100.5 million, or 0.9 percent, at the end of February 2010 compared with their levels at the end of 2009; standing at US$ 10,979.5 million.
- Domestic liquidity grew by JD 236.5 million, or 1.2 percent, at the end of February 2010 compared with its level at the end of 2009; standing at JD 20,249.8 million.
- The outstanding balance of credit facilities extended by licensed banks was up by JD 95.5 million, or 0.7 percent, at the end of February 2010 compared with its level at the end of 2009; standing at JD 13,412.7 million.
- Total deposits at licensed banks increased by JD 403.9 million, or 2.0 percent, at the end of February 2010, in comparison with its level at the end of 2009; totaling JD 20,702.3 million.
- The share price index weighted by market capitalization of free float shares at Amman Stock Exchange (ASE) declined by 62.6

points, or 2.5 percent, at the end of February 2010 compared with its level at the end of 2009; standing at 2,470.9 points.

- **Public Finance:** The general budget, including foreign grants, showed a fiscal deficit amounting to JD 1,449.8 million, or 8.9 percent of GDP, in 2009. Excluding grants (amounting to JD 333.4 million), the deficit surges to JD 1,783.2 million. Net outstanding domestic public debt (budgetary and independent institutions) increased by JD 880.0 million at the end of 2009 compared to its level at the end of 2008; standing at JD 5,791.0 million, or 35.7 percent of GDP. Moreover, outstanding external public debt increased by JD 228.8 million at the end of 2009 compared to its level at the end of 2008; totaling JD 3,869.0 million, or 23.9 percent of GDP.

- **External Sector:** The value of total merchandize exports (domestic exports *plus* re-exports) decreased by 4.9 percent during January 2010 to reach JD 388.2 million. By contrast, the value of merchandize imports increased by 3.0 percent; totaling JD 805.8 million. In effect, the trade deficit widened by 11.5 percent compared with the same month in the preceding year; amounting to JD 417.6 million. Further, the preliminary figures for the first two months of 2010 showed an increase in the travel receipts and travel payments by 34.7 percent and 48.5 percent compared to the same period in 2008, respectively. In addition, the receipts of workers' remittances increased by 1.6 percent. It is worth indicating in this regard that the preliminary figures for the balance of payments in 2009 displayed a deficit in the current account amounting to JD 899.8 million; down from JD 1,546.0 million in 2008. Finally, the net inflows of foreign direct investment (FDI) came at JD 1,691.0 million in 2009 compared with JD 2,005.7 million in 2008. In addition, the international investment position (IIP) displayed a net obligation to abroad amounting to JD 13,088.2 million at the end of 2008 compared with JD 15,059.0 million at the end of 2007.

First: Monetary and Financial Sector

❑ Summary:

- Foreign currency reserves at the CBJ increased by US$ 100.5 million, or 0.9 percent, at the end of February 2010 compared with their level at the end of 2009; standing at US$ 10,979.5 million. The aforementioned level of reserves is equivalent to around 8.1 months of the Kingdom's imports of goods and services. Moreover, these reserves stood at US$ 11,130.0 million as of March 23, 2010; up by US$ 251.1 million compared with their level at the end of 2009.

- Domestic liquidity was up at the end of February 2010; growing by JD 236.5 million, or 1.2 percent, compared with its level at the end of the previous year to total JD 20,249.8 million.

- The outstanding balance of the credit facilities extended by licensed banks increased by JD 95.5 million, or 0.7 percent, at the end of the first two months in 2010 compared with its level at the end of 2009; standing at JD 13,412.7 million.

- Total deposits at licensed banks increased by JD 403.9 million, or 2.0 percent, at the end of February 2010 in comparison with its level at the end of 2009; totaling JD 20,702.3 million.

- Interest rates on credit facilities at licensed banks have increased during the first two months in 2010. However, interest rates on deposits have declined compared with their levels at the end of 2009.

- The share price index weighted by market capitalization of free float shares at Amman Stock Exchange (ASE) dropped by 62.6 points, or 2.5 percent, at the end of February 2010 compared with its level at the end of 2009; standing at 2,470.9 points. Moreover, the market capitalization declined by around JD 0.9 billion, or 4.0 percent, to stand at JD 21.7 billion at the end of February 2010.

Main Monetary Indicators

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

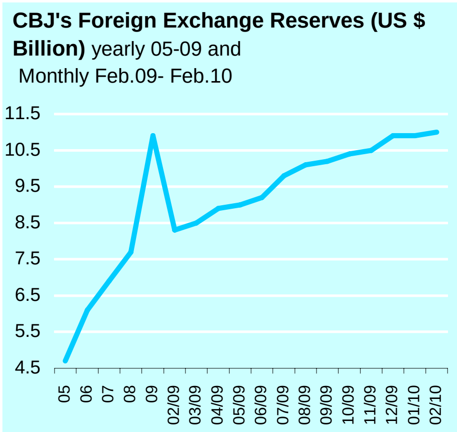
Year 2009		End of February 2009	End of February 2010
US$ 10,879.0 ٪40.5	CBJ's Foreign Exchange Reserves	US$ 8,265.0 ٪6.7	US$ 10,979.5 ٪0.9
20,013.3 ٪9.3	Money Supply (M2)	18,649.2 ٪1.9	20,249.8 ٪1.2
13,317.2 ٪2.1	Credit Facilities, of which:	12,937.7 ٪-0.8	13,412.7 ٪0.7
12,041.3 ٪1.4	Private Sector (Resident)	11,765.1 ٪-0.9	12,132.3 ٪0.8
20,298.4 ٪12.1	Total Deposits, of which:	18,600.1 ٪2.7	20,702.3 ٪2.0
15,865.0 ٪18.9	In JD	14,070.6 ٪5.4	16,109.4 ٪1.5
4,433.4 ٪-6.7	In Foreign Currencies	4,529.5 ٪-4.7	4,592.9 ٪3.6
16,256.7 ٪13.7	Deposits of Private Sector (Resident), of which:	14,675.0 ٪2.7	16,570.3 ٪1.9
13,500.0 ٪19.5	In JD	11,871.0 ٪5.0	13,776.1 ٪2.0
2,756.7 ٪-7.8	In Foreign Currencies	2,804.0 ٪-6.3	2,794.2 ٪1.4

Source: Central Bank of Jordan / Monthly Statistical Bulletin.

CBJ Foreign Reserves:

The CBJ foreign currency reserves were up by US$ 100.5 million, or 0.9 percent, at the end of February 2010 compared with their level at the end of 2009; standing at US$ 10,979.5 million. Further, these reserves stood at US$ 11,130.0 million as of March 23, 2010; up by

US$ 251.1 million compared with their level at the end of 2009. The aforementioned level of reserves is equivalent to around 8.1 months of the Kingdom's imports of goods and services.



❑ Domestic Liquidity (M2):

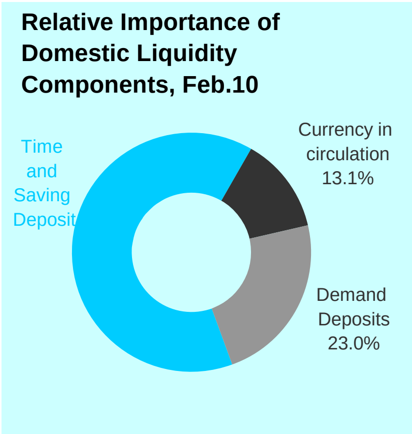
- Domestic liquidity totaled JD 20,249.8 million at the end of February 2010; increasing by JD 164.4 million, or 0.8 percent, compared with its level at the end of the previous month, against an increase in the amount of JD 213.7 million, or 1.2 percent, during the same month in 2009. As for the first two months in 2010, domestic liquidity increased by JD 236.5 million, or 1.2 percent, compared to its level at the end of 2009 against an increase in the amount of JD 345.0 million, or 1.9 percent, during the same period in 2009.

  - **The comparison between the developments in domestic liquidity components as well as the factors affecting liquidity during February 2010 and that at the end of 2009 reveals the following:**

    - **Components of Domestic Liquidity:**

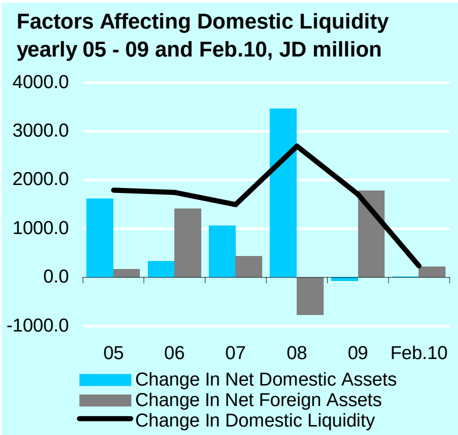
      - Deposits increased by JD 270.6 million, or 1.6 percent, at the end of February 2010 compared with their levels at the end of 2009; totaling JD 17,604.4 million, against an increase amounting to JD 412.8 million, or 2.6 percent, during February 2009.

- Currency in circulation was down by JD 34.1 million, or 1.3 percent, at the end of February 2010; standing at JD 2,645.4 million compared with its level at the end of 2009 against a decrease in the amount of JD 67.8 million, or 2.5 percent, during February 2009.



- **Factors Affecting Domestic Liquidity:**

  - Net domestic assets at the banking system increased by JD 17.8 million, or 0.2 percent, at the end of February 2010 compared with its level at the end of 2009 against an increase in the amount of JD 194.4 million, or 1.7 percent, during the same month of 2009. The increase recorded during February 2010 was an outcome to the rise of these assets at the licensed banks by JD 56.9 million, or 0.3 percent, on one hand, and the decline in these assets at the CBJ by JD 39.1 million or 0.6 percent, on another.



o Net foreign assets at the banking system were up by JD 218.7 million, or 2.5 percent, at the end of February 2010 compared with its level at the end of 2009 against an increase in the amount of JD 150.6 million, or 2.1 percent, at the end of February 2009. The aforementioned increase was an outcome to the increase in net foreign assets at the licensed banks and the CBJ by JD 185.4 million, or 50.8 percent, and JD 33.3 million, or 0.4 percent, respectively.

Changes in Factors Affecting Domestic Liquidity (M2)
JD Million

Year		Change in balance relative to the end of February	
2009		2009	2010
1,780.1	**Foreign Assets (Net)**	**150.6**	**218.7**
2,433.2	CBJ	265.8	33.3
-653.1	Licensed Banks	-115.2	185.4
-71.0	**Domestic Assets (Net)**	**194.4**	**17.8**
-2,552.8	CBJ, of which:	-366.3	-39.1
-302.8	Claims on Public Sector (Net)	25.7	102.0
-2,250.0	Other Items (Net*)	-391.8	-141.1
2,481.8	Licensed Banks	560.7	56.9
630.5	Claims on Public Sector (Net)	-116.5	-269.0
159.9	Claims on Private Sector	-26.8	85.3
1,691.4	Other Items (Net)	704.0	240.6
1,709.1	**Money Supply (M2)**	**345.0**	**236.5**
14.7	**Currency in Circulation**	**-67.8**	**-34.1**
1,694.4	**Total Deposits, of which:**	**412.8**	**270.6**
-436.1	In Foreign Currencies	-245.1	102.9

* 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:

- For the first time in 2010, the CBJ slashed the interest rates on its monetary policy instruments by 50 basis points as of February 21, 2010. Accordingly, the aforementioned rates became as follows:
  - **Re-Discount Rate**: 4.25 percent.
  - **Interest Rate on Overnight Repurchase Agreements:** 4.00 percent.
  - **Overnight Deposit Window Rate**: 2.00 percent.

The interest rates' developments on certificates of deposit (CDs) can be demonstrated as follows:

- The CBJ did not issue any kind of certificates of deposit (CDs) during 2009 as well as the elapsed period of the current year. Accordingly, the weighted average interest rate on the latest issue of three-month CDs, which took place on October 26, 2008, was 5.64 percent.

Interest Rates on Monetary Policy Instruments (%)

End of year		February	
2009		2009	2010
4.75	Re-discount Rate	6.25	4.25
4.50	Repurchase Agreements Rate (Repos)	6.00	4.00
2.50	Overnight Deposit Window Rate	4.00	2.00

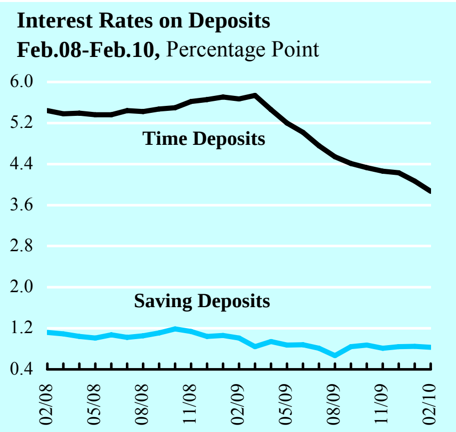
Source: Central Bank of Jordan / Monthly Statistical Bulletin.

- The weighted average interest rate on the latest issue of six-month CDs, which took place on October 26, 2008, was 5.94 percent.

◆ Interest Rates in the Banking Sector:

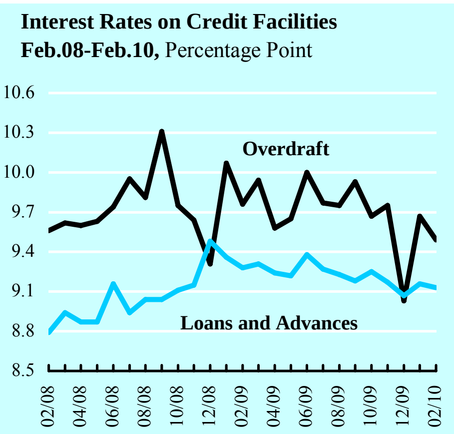
- **Interest Rates on Deposits**

  - **Time Deposits**: the weighted average interest rate on time deposits stood at 3.87 percent at the end of February 2010; around 20.0 basis points and 36.0 basis points lower compared to its level at the end of the preceding month and the end of 2009, respectively



  - **Saving Deposits**: the weighted average interest rate on saving deposits declined by 2.0 basis points, at the end of February 2010 compared to the previous month, to stand at 0.83 percent. Further, this rate was 1.0 basis point lower compared to its level at the end of 2009.

  - **Demand Deposits**: the weighted average interest rate on demand deposits at the end of February 2010 declined by 9.0 basis points compared with its level at the end of the previous month to stand at 0.47 percent. In addition, this rate was 20.0 basis points less compared to its level at the end of 2009.



- **Interest Rates on Credit Facilities:**

  - **Overdraft Accounts**: the weighted average interest rate on overdraft accounts stood at 9.49 percent at the end of February 2010; around 18.0 basis points lower compared with its level at the end of the previous month. Nevertheless, this rate was 46.0 basis points higher compared to the end of 2009.

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

Year 2009		February 2009	February 2010	Change Relative to the Year 2009 Basis Points
	Deposits			
0.67	Demand	0.95	0.47	-20
0.84	Saving	1.01	0.83	-1
4.23	Time	5.67	3.87	-36
	Credit Facilities			
9.17	Discounted Bills and Bonds	9.28	9.43	26
9.07	Loans and Advances	9.28	9.13	6
9.03	Overdraft	9.76	9.49	46
8.34	Prime Lending Rate	8.45	8.20	-14

Source: Central Bank of Jordan / Monthly Statistical Bulletin.

  - **Discounted Bills and Bonds**: the weighted average interest rate on "discounted bills and bonds" was down by 15.0 basis points at the end of February 2010 compared to the preceding month, to stand at 9.43 percent. By contrast, this rate was 26.0 basis points higher compared to its level at the end of 2009.

  - **Loans and Advances**: the weighted average interest rate on "loans and advances" stood at 9.13 percent at the end of February 2010; around 3.0 basis points lower compared to its level at the end of the previous month, and 6.0 basis points higher compared to its level at the end of 2009.

  - **The Prime Lending Rate** stood at 8.20 percent at the end of February 2010; 14.0 basis points lower compared to its level at the end of 2009.

❑ Credit Facilities Extended by Licensed Banks:

- The outstanding balance of credit facilities extended by licensed banks totaled JD 13,412.7 million at the end of February 2010; an increase amounting to JD 95.5 million, or 0.7 percent, compared with its level at the end of the previous year, against a drop in the amount of JD 106.6 million, or 0.8 percent, during the corresponding month in 2009.

- The classification of extended credit facilities according to economic activity during the first two months in 2010 demonstrates that the credit facilities extended to the sectors of industry, construction, "tourism, restaurants and hotels" and transportation services have gone up by JD 91.5 million, or 5.6 percent; JD 76.2 million, or 3.0 percent; JD 35.4 million, or 8.3 percent; and JD 13.0 million, or 2.9 percent, respectively, compared with their levels at the end of 2009. Meanwhile, the credit facilities extended to the sectors of agriculture and "mining and quarrying" have declined by JD 12.7 million, or 5.5 percent, and JD 5.3 million, or 8.8 percent, respectively. In addition, the credit facilities extended to activities classified as "Other" (mostly represent the facilities extended to individuals) dropped by JD 120.9 million, or 3.6 percent compared to their levels at the end of 2009.

❑ Deposits at Licensed Banks:

- Total deposits at licensed banks stood at JD 20,702.3 million at the end of February 2010; an increase in the amount of JD 403.9 million, or 2.0 percent, compared with their level at the end of the preceding year, against an increase amounting to JD 497.5 million, or 2.7 percent, during the corresponding month in 2009.
- The aforementioned increase in total deposits at the licensed banks during the first two months in 2010 was the outcome of the increase in the deposits of the private sector (resident) by JD 313.6 million, or 1.9 percent; the increase in the deposits of the private sector (non-resident) by JD 118.0 million, or 5.2 percent; and the

increase in the deposits of non-banking financial institutions by JD 66.4 million, or 44.5 percent, on one hand, and a decline in the deposits of the public sector (central government *plus* public institutions) by JD 94.1 million, or 5.8 percent, compared to their levels at the end of 2009, on the other.

- The developments in deposits according to currency during the first two months in 2010 reveal that "deposits in local currency" and "deposits in foreign currencies" have increased by JD 244.4 million, or 1.5 percent, and JD 159.5 million, or 3.6 percent, respectively, compared with their levels at the end of 2009.

Amman Stock Exchange (ASE):

The indicators of Amman Stock Exchange (ASE) displayed a decline in their performance at the end of the first two months in 2010 compared with the end of the preceding year. This can be demonstrated as follows:

- **Trading Volume:**

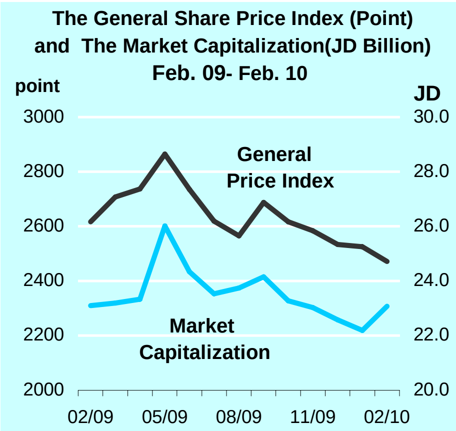
The volume of trade at the ASE totaled JD 492.9 million in February 2010; down by JD 98.8 million, or 16.7 percent, compared with its level at the end of the previous month against an increase in the amount of JD 379.6 million, or 63.3 percent, during the same month in 2009. Moreover, the trading volume stood at JD 1,084.6 million during the first two months in 2010; a decline amounting to JD 495.2 million, or 31.3 percent, compared with the volume registered over the same period in 2009.

- **Traded Shares:**

The number of traded shares in February 2010 totaled 415.5 million; down by 49.5 million shares, or 10.6 percent, compared with the end of the preceding month, against an increase in the amount of 240.7 million shares, or 77.2 percent, during the same month in 2009. Further, the number of traded shares during the first two months in 2010 stood at 880.5 million shares compared with 864.5 million shares traded during the same period in 2009.

- **Share Price Index:**

The share price index (SPI), weighted by market capitalization of free float shares, at Amman Stock Exchange (ASE), lost 54.2 points, or 2.1 percent, at the end of February 2010 compared with its level at the end of the previous month to stand at 2,470.9 points, against a decline in the amount of 87.6 points, or 3.2 percent, during the same month in 2009. As for the first two months in 2010, the loss in the SPI amounted to 62.6 points, or 2.5 percent, compared with its level at the end of the preceding year, against a drop in the amount of 142.0 points, or 5.1 percent, during the same period in 2009.The above-mentioned decline during the first two months in 2010 was driven by the drop in the SPI for industry; services; and financial sectors by 79.2 points, or 2.9 percent; 56.4 points, or 2.7 percent; and 54.7 points, or 1.8 percent, respectively, compared to their levels at the end of 2009.



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

year		February	
2009		2009	2010
2,533.5	**General Index**	**2,616.4**	**2,470.9**
3,026.8	Financial Sector	3,447.2	2,972.1
2,738.8	Industrial Sector	2,629.4	2,659.6
2,107.9	Services Sector	1,859.5	2,051.5

Source: Amman Stock Exchange.

- **Market Capitalization:**

The market capitalization of the ASE totaled JD 21.7 billion at the end of February 2010; declining by around JD 0.5 billion, or 2.3 percent, compared with its level at the end of the previous month, against a drop amounting to JD 1.3 billion, or 5.3 percent, during the same month in the preceding year. In addition, the market capitalization, during the first two months of 2010 was down by about JD 0.9 billion, or 4.0 percent, compared with its level at the end of 2009 against a decline amounting to around JD 2.3 billion, or 9.1 percent, over the same period in 2009.

- **Non - Jordanian Net Investment:**

Non-Jordanian net investment at ASE recorded an outflow amounting to JD 9.2 million in February 2010 against an inflow amounting to JD 13.7 million during the same month in 2009; the value of shares acquired by non-Jordanians in February 2010 stood at JD 73.9 million, while the value of shares sold by non-Jordanians amounted to JD 83.1 million. Moreover, non-Jordanian net investment displayed an outflow amounting to JD 27.1 million during the first two months in 2010 against an inflow in the amount of JD 18.6 million during the same period in 2009.

Main Amman Stock Exchange Trading Indicators, JD Million

Year		February	
2009		2009	2010
9,665.3	Value Traded	979.7	492.9
38.8	Average Daily Trading	49.0	24.6
22,571.1	Market Capitalization	23,074.1	21,672.6
6,022.5	No. of Traded Shares (million)	552.6	415.5
(3.8)	Net Investment of Non-Jordanian	13.7	(9.2)
2,135.5	Non-Jordanian Buying	302.1	73.9
2,139.3	Non-Jordanian Selling	288.4	83.1

Source: Amman Stock Exchange.

Second: Output and Prices

❑ Summary

- Gross Domestic Product (GDP), at both market and basic prices, registered a real growth amounting to 2.8 percent and 3.7 percent, respectively, in 2009 compared to 7.8 percent for each in 2008.
- Real Gross Domestic Product (GDP), at both market and basic prices, was up by 2.9 percent and 5.0 percent, respectively, during the fourth quarter in 2009 compared to a growth, at market prices, amounting to 2.1 percent during the third quarter in 2009 and 4.1 percent during the fourth quarter in 2008.
- The general price level, as measured by the Consumer Price Index (CPI), increased by 4.4 percent during the first two months in 2010 (against an increase amounting to 4.5 percent during the same period in 2009). The price rebound came after the minor CPI deflation registered during 2009 in the amount of 0.7 percent.
- Investments benefiting from the Investment Promotion Law (IPL) totaled JD 616.0 million during the first two months in 2010 (of which foreign investments constitute 23.0 percent of the total), compared to JD 184.0 million during the same period in 2009.

❑ Developments in Gross Domestic Product (GDP)

According to the preliminary estimates released by the Department of Statistics (DOS), the national economy experienced a marked slowdown in 2009 affected by the global financial crisis and its negative repercussions on regional and global economic growth. **GDP, at constant market prices, grew at 2.8 percent in 2009 compared to 7.8 percent in 2008**. When excluding “net taxes on products”, which displayed a contraction in 2009, **growth of GDP at constant basic prices goes up to 3.7 percent** compared to 7.8 percent in 2008.

Moreover, **GDP, at current market prices grew at 8.0 percent** compared to 24.9 percent in 2008, which came in light of the increase **in the general price level, measured by the GDP deflator, by 5.1 percent during 2009** compared to 15.9 percent during 2008.

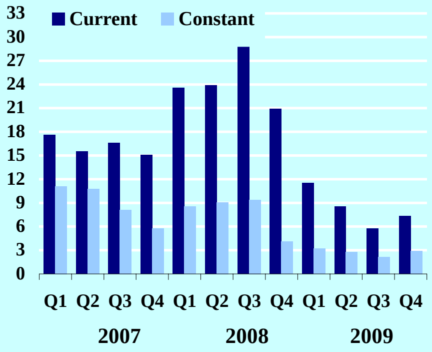
Quarterly Growth Rates of GDP at Market Prices
2007 - 2009

Percentages

	Q1	Q2	Q3	Q4	Year
2007					
GDP at Constant Market Prices	11.1	10.8	8.1	5.7	**8.8**
GDP at Current Market Prices	17.6	15.5	16.6	15.1	**16.2**
2008					
GDP at Constant Market Prices	8.5	9.1	9.4	4.1	**7.8**
GDP at Current Market Prices	23.6	23.9	30.7	20.9	**24.9**
2009					
GDP at Constant Market Prices	3.2	2.8	2.1	2.9	**2.8**
GDP at Current Market Prices	11.5	8.5	5.7	7.3	**8.0**

Source: Department of Statistics.

Quarterly Growth Rates of GDP at Market Prices (2007 - 2009), %



The slow pace of real economic growth in 2009 was basically affected by the decline in domestic merchandize exports by 19.4 percent against a noticeable growth amounting to 39.2 percent in 2008 due to the repercussions of the global financial crisis, coupled with the deceleration in the service-producing sectors which grew at 3.9 percent compared to a marked growth amounting to 7.8 percent during 2008.

In further details, the economic sectors displayed a wide variation in their performance during 2009. **Some sectors witnessed a marked improvement,** particularly **the construction sector** which picked up strongly, recording a real growth rate of 14.0 percent compared to a growth of 12.6 percent during 2008. In addition, **the agriculture sector** registered a marked growth amounting to 12.9 percent compared to a growth of 1.3 percent in the preceding year. Meanwhile, the sector of **“producers of government services”** experienced a solid growth in 2009 growing at 7.1 percent against 3.9 percent in 2008.

On the other hand, **some sectors experienced a slowdown** in their real growth, particularly the sectors of “wholesale and retail trade, restaurants and hotels”, manufacturing, and “transport and communications” which grew at 1.9 percent, 2.4 percent, and 7.1 percent, respectively, against a growth rate of 11.0 percent, 6.1 percent, and 8.2 percent, respectively, in 2008. In contrast, **the sectors of “mining and quarrying” and “finance and insurance services” experienced a contraction** amounting to 28.6 percent and 3.6 percent, respectively, compared to a high growth amounting to 13.3 percent and 14.3 percent, respectively, in 2008.

Moreover, the item of “net taxes on products” (taxes on domestic and imported products) cnotracted by 2.9 percent in 2009 against a positive growth in the amount of 7.7 percent in 2008. This fall was driven by the slowdown in economic activity in the Kingdom, which resulted in a decline in the proceeds of the general sales tax on domestic goods as well as on commercial sector, in addition to the decline in merchandize imports and the consequent reduction in the proceeds of customs duties.

On the front of the sectoral contribution in economic growth, the data revealed that **the contribution of both commodity- and service-**

producing sectors in the overall GDP growth, at constant basic prices, amounted to 1.1 percentage points and 2.6 percentage points, respectively, in 2009 compared to 2.7 percentage points and 5.1 percentage points, respectively, in 2008. Meanwhile, the contribution of "net taxes on products" was negative; standing at -0.5 percentage point against 1.3 percentage points in 2008.

As for GDP developments during the last quarter of 2009, GDP at constant and current market prices grew at 2.9 percent and 7.3 percent, respectively, compared to 4.1 percent and 20.9 percent, respectively, in 2008.

❑ Microeconomic Indicators

The latest sectoral indicators displayed divergent performance during the first two months of the current year as well as the whole year of 2009. Some indicators recorded a fast growth, particularly "mining and quarrying" production index, quantities of exported and imported goods shipped through the Aqaba port, and number of passengers through the Royal Jordanian Airlines. However, some other microeconomic indicators displayed a decelerated growth, particularly licensed areas for building. On the other hand, some other indicators showed a downward trend, particularly cement sales to the domestic market, the production quantity index of electricity, and cargo shipped through Royal Jordanian Airlines.

The following tables display the performance of the main sectoral indicators categorized according to their performance and the period of the data:

Fast pace growing indicators *
Percentages

The whole 2009	Item	January 2009	January 2010
-28.7	"Mining and quarrying" production quantity index	-11.0	6.2
-1.0	The number of passengers through the Royal Jordanian	-9.2	17.7
The whole 2009	**Item**	**January- February 2009**	**January- February 2010**
2.9	Production of chemical acids	-82.8	539.0
-1.0	Number of departures	-0.2	27.7
-16.2	Quantities of exported and imported goods shipped through the Aqaba port	-18.0	19.6
-17.8	Production of phosphate	-31.0	70.6

Decelerating indicators *
Percentages

The whole 2009	Item	January- February 2009	January- February 2010
17.5	Licensed areas for building	22.7	13.4

Contracting indicators *
Percentages

The whole 2009	Item	January 2009	January 2010
-1.6	Industrial production quantity index	-3.6	-0.3
-27.5	Cargo through the Royal Jordanian	-18.0	-1.6
1.3	Manufacturing production quantity index	-1.3	-0.1
-8.1	Electricity production quantity index	-18.3	-6.7
The whole 2009	**Item**	**January- February 2009**	**January- February 2010**
-4.6	Production of cement	5.7	-4.7
-3.6	Production of petroleum products	-22.9	-5.8
1.8	Quantity of cement sales to the domestic market (excluding imported quantities)	22.6	-5.0
-44.0	Production of potash	7.5	-36.2

*: Calculated Items, Based on Data Issued by the Following Sources:
- Monthly Statistical Bulletin / Central Bank of Jordan.
- Cement Companies in Jordan.
- Royal Jordanian.

Investments Benefiting from the Investment Promotion Law

- According to latest statistics issued by Jordan Investment Board (JIB), **investments benefiting from the Investment Promotion Law (IPL) during the first two months of 2010 totaled JD 616.0 million compared to JD 184.0 million during the same period in 2009.** This reflects a marked increase amounting to JD 432.0 million, which took place despite the repercussions of the global economic and financial crisis.

- As for the sectoral distribution of investments benefiting from the IPL during the first two months in 2010, **it was noted that the sector of "leisure and recreational compounds", unexpectedly, came in the first rank in terms of the size of investments; accounted for 37.0 percent (JD 225.0 million).** Followed by the sectors of industry, hotels, hospitals and agriculture which accounted for 29.0 percent, 27.0 percent, 4.0 percent and 3.0 percent, respectively.

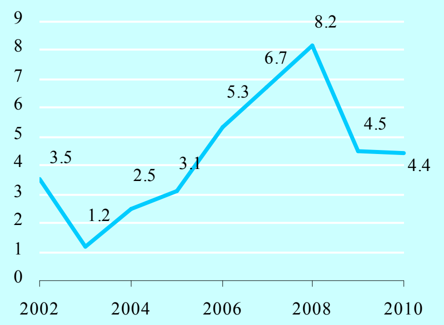
- On the front of the distribution of total investments according to nationality, the latest statistics revealed that the value of foreign investments benefiting from the IPL has increased to stand at JD 142.0 million, (accounted for 23.0 percent of total investments) during the first two months in 2010 compared to JD 66.0 million during the same period in 2009. Domestic investments amounted to JD 474.0 million compared to JD 118.0 million during the corresponding period in 2009 (accounting for the remaining 77.0 percent of the total).

- In this regard, it is worth noting that the nature and coverage of investments benefiting from the IPL differ from those of the FDI statistics in the balance of payments. The first indicator measures the size of planned investments by both domestic and foreign investors in a number of targeted economic sectors in accordance with the IPL, while FDI statistics measure the actual size of capital inflows from outside world in various sectors, including the real estate sector.

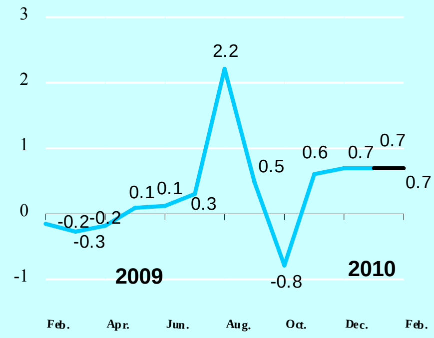
❑ Prices

The consumer prices showed a rise during the first two months in 2010 compared to the same period in the preceding year, after registering a limited deflation amounted to 0.7 percent, on average, during the whole year of 2009. In more details, **the general price level, as measured by the Consumer Price Index (CPI), increased by 4.4 percent against a rise amounting to 4.5 percent during the same period in 2009.** Such a rise in average consumer prices was chiefly affected by the increase in the prices of oil derivatives and related goods and services compared to the same period in the preceding year.

Annual Inflation Rate
For the First Two Months of the Year
(2002 - 2010), percentages



Monthly Inflation Rate
(Feb. 2009 -Feb. 2010), percentages



Moreover, consumer prices have increased by 0.7 percent during February compared to their level in the preceding month. The most important items that contribute to such an increase were the prices of "food items" group, particularly vegetables, cigarettes, in addition to transportation.

Price developments of main components of the CPI basket in the first two months of 2010 compared to the same period in 2009 can be outlined as follows:

- The prices of **“food items”** group (which make up the largest weight amongst the CPI components; accounting for 36.65 percent) registered a moderate inflation amounting to 2.9 percent during the first two months in 2010 compared to a marked increase amounting to 9.1 percent during the same period in 2009. **The contribution of this group to the overall rate of inflation recorded during the first two months of 2010 reached 1.0 percentage point.** The rise in the prices of this group was driven by the increase in the prices of most items included in this group, particularly the prices of “sugar and confectionaries” which soared by 20.7 percent. In addition, the prices of “meats and poultry” and “cereals and its products” increased by 5.5 percent and 5.4 percent, respectively. In contrast, the prices of some other items have declined, mainly “oils and fat”, “fruits” and “dairy products and eggs”, which dropped by 6.0 percent, 5.0 percent and 2.8 percent, respectively.

- The prices of **“clothing and footwear”** group (which make up the least weight among the components of CPI basket, accounting for 4.95 percent) grew at 1.7 percent during the first two months in 2010 compared to 6.7 percent during the same period in 2009. Accordingly, **this group’s contribution to the overall inflation rate during the first two months of 2010 amounted to 0.1 percentage point.** The prices of this group were affected by the deceleration in the prices of clothes and footwear which grew by 1.6 percent and 1.8 percent, respectively, during the first two months in 2010 compared to a rise in the amount of 5.8 percent and 10.0 percent, respectively, during the same period in 2009.

- The prices of **housing group** (which account for 26.78 percent of the CPI basket) increased by 3.8 percent over the first two months in 2010 against a rise amounting to 4.6 percent during the same period in 2009. In effect, **this group contributed to the overall inflation rate by 1.0 percentage point during the first two months of 2010.** The increase in the prices of this group was affected by the rise in the prices of “fuels and electricity” item by 8.1 percent. In addition, other items recorded mixed rates of increase in their prices, ranging from 0.2 percent for “household appliances” and 5.7 percent for “house utensils”. It is worth mentioning that the prices of “rents” item, which account for 14.3 percent of the CPI basket, experienced an increase in the amount of 2.4 percent during the period under consideration.

- The prices of **“other goods and services”** group (which account for 31.62 percent of the CPI basket) increased by 7.4 percent in the first two months in 2010 against a contraction of 1.8 percent during the same period in 2009. In consequence, **this group contributed to the overall inflation rate by 2.3 percentage points during the first two months of 2010.** The increase in the prices of this group came out as a main result of the rise in the prices of transportation item (which is the main component of this group) by 14.3 percent against a drop amounting to 9.7 percent during the same period in 2009, due to the rise in the prices of oil derivatives compared to the same period in 2009. In addition, the prices of most other items in this group have increased; in particular, education and “personal care” which gone up by 6.5 percent and 5.6 percent, respectively.

Third: Public Finance

❑ Summary:

- The general budget, including grants, showed a fiscal deficit amounting to JD 1,449.8 million, or 8.9 percent of GDP, in 2009. Excluding grants (amounting to JD 333.4 million), the deficit widens to JD 1,783.2 million.

- Gross outstanding domestic public debt (budgetary and own - budget) stood at JD 7,086.0 million, or 43.7 percent of GDP, at the end of 2009; reflecting an increase amounting to JD 1,332.0 million compared to its level at the end of 2008.

- Net outstanding domestic public debt totaled JD 5,791.0 million, or 35.7 percent of GDP, at the end of 2009; up by JD 880.0 million compared to its level at the end of 2008.

- Outstanding external public debt, budgetary and guaranteed, increased by JD 228.8 million at the end of 2009 in comparison with its level at the end of 2008; standing at JD 3,869.0 million, or 23.9 percent of GDP.

❑ The performance of the general budget in 2009 compared with the year 2008:

Public Revenues

Public revenues (including foreign grants) were down by JD 9.2 million, or 1.9 percent, in the month of December 2009 compared to the same month in 2008 to reach JD 480.4 million. As for the whole year of 2009, these revenues were down by JD 567.5 million, or 11.1 percent, compared to the preceding year to stand at JD 4,526.2 million. This result was driven by the decline in domestic revenues combined with the drop in foreign grants by JD 182.6 million and JD 384.9 million, respectively. It is worth indicating in this regard that if revenues from selling a land in Aqaba are excluded from the proceeds of domestic revenues in 2008, then the public revenues in 2009 would experience a decline in the amount of just 4.5 percent.

Main Government Budget Indicators for December 2009 and for the whole of 2009:

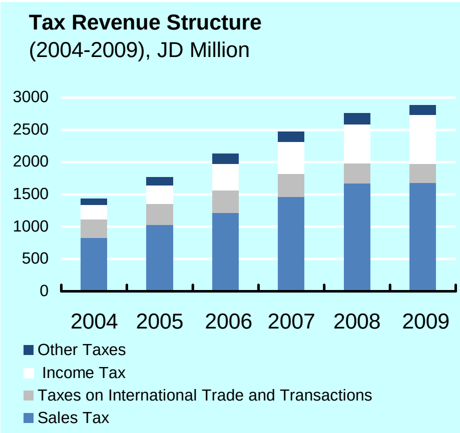
(JD Million and Percentages)

	December		Growth Rate %	The Year		Growth Rate %
	2008	2009		2008	2009	
Total Revenues and Grants	**489.6**	**480.4**	**-1.9**	**5,093.7**	**4,526.2**	**-11.1**
Domestic Revenues, of which:	328.5	377.0	14.8	*4,375.4	4,192.8	-4.2
Tax Revenues, of which:	192.4	225.3	17.1	2,758.1	2,884.0	4.6
General Sales Tax	129.2	143.9	11.4	1,671.6	1,682.4	0.6
Other Revenues, of which:	133.9	149.7	11.8	*1,596.1	1,288.3	-19.3
Land Registration Fees	11.7	16.7	42.7	216.1	143.7	-33.5
Foreign Grants	161.1	103.4	-35.8	718.3	333.4	-53.6
Total Expenditures	**597.8**	**957.2**	**60.1**	**5,431.9**	**5,976.0**	**10.0**
Overall Deficit/ Surplus	**-108.2**	**-476.8**		**-338.2**	**-1449.8**	

Source: Ministry of Finance/ General Government Finance Bulletin.

* : Includes irregular revenues of JD (354.5) million arising from selling a land in Aqaba.

Domestic Revenues



Domestic revenues declined by JD 182.6 million, or 4.2 percent, in 2009 compared to 2008; amounting to JD 4,192.8 million. This fall was the outcome of the decline in the proceeds of other revenues as well as pension contributions by JD 307.8 million and JD 0.7 million, respectively, on one hand, and the increase in the proceeds of tax revenues by JD 125.9 million, on another. **When excluding the non-recurrent revenues from the proceeds of miscellaneous revenues in 2008, the performance of the general budget in 2009 shows a growth in domestic revenues in the amount of 4.3 percent.**

➢ Tax Revenues

Tax revenues were up by JD 125.9 million, or 4.6 percent, in 2009 compared to 2008, to reach JD 2,884.0 million; accounting for 68.8 percent of domestic revenues. This increase was mainly attributed to the following developments:

- **The increase in the proceeds of "income and profit taxes"** by 26.7 percent, to reach JD 764.6 million. This jump was attributed to the rise in the proceeds of "income tax from companies and other projects" by JD 103.1 million and the increase in the proceeds of "income tax from individuals" by JD 58.1 million. In further details, income tax from companies accounted for 76.5 percent of total taxes on income and profits; standing at JD 585.2 million (of which JD 280.7 million from the income of banks and financial institutions). **It is worth mentioning in this regard, that the significant increase in the proceeds of "income and profit taxes" for 2009 was driven by the solid growth registered in 2008.**

- **The slight increase in general sales tax on goods and services** by JD 10.8 million, or 0.6 percent, to reach JD 1,682.4 million. The aforementioned increase was driven by the rise in the proceeds of "sales tax on services" as well as the proceeds of "sales tax on imported goods" by JD 100.7 million and JD 27.4 million, respectively. In contrast, the proceeds of "sales tax on domestic goods" as well as the proceeds of "sales tax on the commercial sector" dropped by JD 85.4 million and JD 31.9 million, respectively. It is worth noting in this respect that actual proceeds of the general sales tax on goods and services in 2009 amounted to just 81.3 percent of their targeted level in the 2009 General Budget Law, which implies that these proceeds were markedly affected by the deceleration in productive sectors particularly, the sectors of manufacturing and "wholesale and retail trade" due to the repercussions of the global economic and financial crisis.

- **The decline in the proceeds of "taxes on international trade and transactions"** by JD 17.1 million, or 5.6 percent, to stand at JD 289.8 million. Such decline was the result of the drop in the proceeds of "customs duties and fees" by JD 14.5 million to stand at JD 269.9 million, in addition to the decline in the proceeds of departure tax by JD 2.6 million. The decline in the custom duties was chiefly attributable to fall in the value of merchandize imports during 2009 in the amount of 17.1 percent, on one hand, and the exemption of a bundle of industrial production inputs as well as some basic commodities from customs duties in 2008, on the other.

∢ Other Revenues (Non-Tax Revenues)

Other revenues declined significantly by JD 307.8 million, or 19.3 percent, to reach JD 1,288.3 million in 2009. **This decline was chiefly attributable to non-recurrent revenues in 2008 generated from selling a land in Aqaba in the amount of JD 354.5 million which have been transferred to the general treasury account.** This explains the marked decline in the sub-item included in "Other Revenues" item; namely "miscellaneous revenues", which declined by 47.3 percent. Furthermore, revenues from selling goods and services displayed a decrease amounting to 6.9 percent to reach JD 610.7 million. These revenues include land registration fees which were down by JD 72.4 million to stand at JD 143.7 million, in 2009. On the other hand, property income proceeds increased by 18.9 percent to stand at JD 327.4 million; these revenues include interests, financial surplus of independent government units, and interest on privatization proceeds.

∢ Pension Contributions

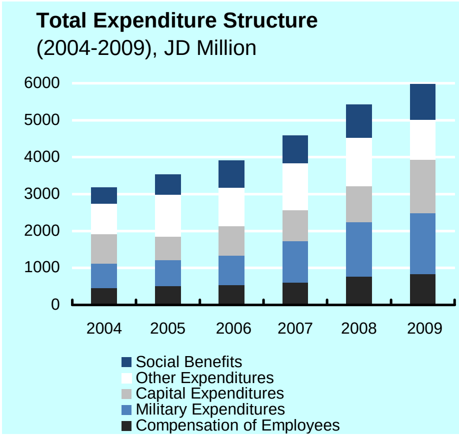
Pension contributions were down by JD 0.7 million in 2009 to stand at JD 20.5 million.

◆ Foreign Grants

Foreign grants dropped by JD 384.9 million in 2009 to stand at JD 333.4 million; down from JD 684.0 million expected grants in the General Budget Law for the year 2009.

Public Expenditures

Public expenditures increased by JD 359.4 million, or 60.1 percent, in December 2009 compared to the same month in 2008 to stand at JD 957.2 million. However, these expenditures grew by JD 544.1 million, or 10.0 percent, in 2009 compared to 2008 to stand at JD 5,976.0 million. This increase was the outcome of the rise in both capital and current expenditures by 50.2 percent and 1.4 percent, respectively.



Current Expenditures

Current expenditures were up by JD 62.9 million or 1.4 percent, in 2009; amounting to JD 4,536.3 million. This increase was attributable to the rise in most items of these expenditures, particularly rigid expenditure items. In further details, the military expenditures increased by JD 166.7 million to stand at JD 1,650.7 million. Similarly, compensation of employees of the civil servants (wages, salaries and social security contributions) was up by JD 67.0 million to total JD 831.9 million, as a result of the increase in the salaries of civil servants and military staff, both on duty and retired, within the framework of the Social Safety Net, on one hand, and the natural growth of these two items, on another. In addition, social benefit expenditures surged by JD 55.4 million to stand at JD 958.9 million, driven by the increase in "pensions and compensation" and social assistance expenditures by JD 53.3

million and JD 2.1 million, respectively. Finally, interest payments as well as "purchases of goods and services" increased by JD 39.7 million and JD 54.6 million, respectively. In contrast, some other current expenditure items have declined; in particular subsidies item dropped by JD 317.2 million due to the decline in international commodity prices, in addition to the item of miscellaneous expenditures by JD 3.0 million.

- **Capital Expenditures**

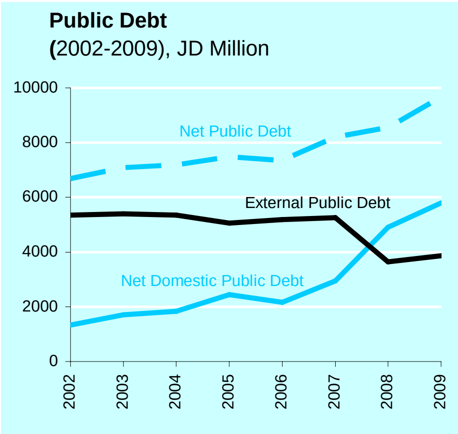
  Despite the decline in public revenues, capital expenditures surged by JD 481.2 million, or 50.2 percent, compared with 2008; standing at JD 1,439.7 million in 2009. Accordingly, the achievement ratio of capital expenditures stood at 88.5 percent of their projected level in the Budget Law for 2009.

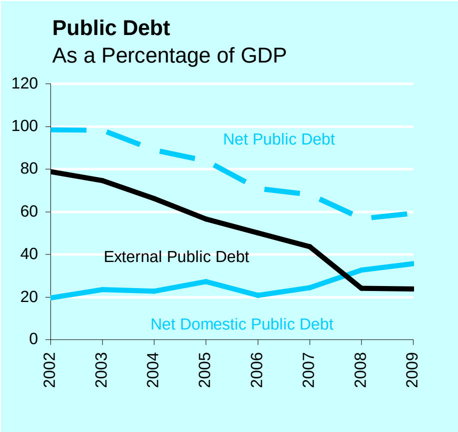
General Budget Deficit/ Surplus

- **The general budget, including grants, displayed a fiscal deficit amounting to JD 1,449.8 million in 2009** against a deficit in the amount of JD 338.2 million in 2008. **It is worth indicating in this regard that the moderate deficit achieved during 2008 includes non-recurrent revenues resulting from selling a land in Aqaba in the amount of JD 354.5 million. Excluding such revenues, the general budget in 2008 shows a deficit in the amount of JD 692.7 million.**

- **The general budget showed a primary deficit** (after excluding interest payments on public debt from total expenditures) **amounting to JD 1,057.7 million in 2009** against a primary surplus in the amount of JD 14.2 million in 2008.

❑ Public Debt





- **Driven by the rise in the general budget deficit, gross outstanding domestic public debt for the central government (budgetary and own-budget agencies) was up** by JD 1,332.0 million at the end of 2009 compared to its level at the end of 2008 to reach JD 7,086.0 million, or 43.7 percent of GDP. This development was mainly attributed to the increase in the outstanding balance of the "treasury bills and bonds" by JD 1,329.0 million to total JD 5,753.0 million, or 81.2 percent of gross domestic public debt at the end of 2009, on one hand, and the decline in the outstanding balance of "loans and advances" extended by CBJ to the central government by JD 80.0 million to stand at JD 992.0 million at the end of 2009, on the other hand. It is worth indicating in this regard that the aforementioned item includes securities for settling the treasury account.

- **Net outstanding domestic public debt** (gross outstanding domestic public debt *minus* government deposits at the banking system) **increased by JD 880.0 million at the end of 2009** compared to the end of 2008 to total JD 5,791.0 million, or 35.7 percent of GDP. The aforementioned increase was the combined result of the rise in gross outstanding domestic public debt by JD 1,332.0 million and the increase in the deposits of central government and own-budget agencies at the banking system by JD 452.0 million compared to the end of 2008.

- **Outstanding balance of external public debt (budgetary and guaranteed) was up** by JD 228.8 million at the end of 2009 compared with the end of 2008; amounting to JD 3,869.0 million, or 23.9 percent of GDP. The currency structure of this debt indicates that external debt in the US dollar accounted for 34.4 percent, while debt in Euro accounted for 10.8 percent. Further, external debt in Japanese Yen and Kuwaiti Dinar accounted for 26.0 percent and 18.3 percent of outstanding external public debt, respectively.

- **Net public debt (domestic and external) increased** by JD 1,108.8 million at the end of 2009 compared to the end of 2008 to stand at JD 9,660.0 million, or 59.6 percent of GDP, against JD 8,551.2 million, or 56.8 percent of GDP, at the end of 2008. Consequently, the ratio of net public debt to GDP has gone up by 2.8 percentage points. It is worth mentioning in this respect that the amended Public Debt Management Law for 2008 sets new ceilings for the public debt. According to the introduced amendments, net outstanding domestic public debt and outstanding external public debt shall not exceed 40.0 percent of GDP for each. In addition, total outstanding public debt shall not exceed 60.0 percent of GDP.

- **External debt service (budgetary and guaranteed)** on a cash basis amounted to JD 388.9 million in 2009 (of which interest payments amounting to JD 104.1 million) compared to JD 1,954.5 million in 2008 (of which interest payments amounting to JD 144.9 million). It is worth noting that the increase in the payments during 2008 was chiefly due to the execution of the debt buyback agreement with the Paris Club creditors.

Fiscal and Price Measures

- Raising the prices of oil derivatives as of March 19, 2010, while maintaining the prices of liquid gas unchanged, as follows:

	Unti	2010		Change %
		February	March	
Fuel oil for industry	JD/Ton	363.9	367.7	1.0
Fuel oil for ships	JD/Ton	363.9	367.7	1.0
Fuel oil for airplanes (local companies)	Fils/Liter	412	434	5.3
Fuel oil for airplanes (foreign companies)	Fils/Liter	417	439	5.3
Fuel oil for unplanned flights	Fils/Liter	432	454	5.1
Asphalt	JD/Ton	391.1	395.1	1.0
Unleaded Gasoline 90	Fils/Liter	490	525	7.1
Unleaded Gasoline 95	Fils/Liter	590	630	6.8
Gas Oil (Diesel)	Fils/Liter	435	465	6.9
Kerosene	Fils/Liter	435	465	6.9
Liquid Gas (12.5kg)	JD/Unit	6.5	6.5	0.0

- Pursuant to the amending by-law for the special tax No. (10) for the year 2010, the Cabinet decided to impose a special tax on cars partially run on electricity (hybrid) as follows:

  - Imposing a special tax at a rate of 55 percent on hybrid cars regardless of the capacity of the engine.

  - Imposing a special tax at a rate of 40 percent on hybrid cars, which will be replacing old cars with the same engine capacity or less (March 2010).

❑ Grants, Loans, and other Agreements

- Signing a loan agreement between the Government of Jordan and Jordan Islamic Bank in the amount of US$100.0 million to finance the importation of subsidized commodities (financing the purchase of cereals) (March 2010).

- Signing a third compensatory loan agreement provided by the Arab Monetary Fund in the amount of 9.82 million Arab Accounting Dinars, equivalent to around US$ 45.0 million, to support Jordan's balance of payment position (March 2010).

- Signing a loan guarantee agreement between the Government of Jordan and Kuwait Fund for Arab Economic Development, in the amount of KD 15.0 million, equivalent to around JD 36.0 million, to contribute in financing the third expansion project of Al-Samra Power Station, which aims at meeting the growing demand for electricity in the Kingdom (March 2010).

Fourth: External Sector

❑ Summary

- The value of **total merchandize exports** (domestic exports *plus* re-exports) declined by 4.9 percent in January 2010 compared with the same month in 2009 to stand at JD 388.2 million.

- The value of **merchandize imports** increased by 3.0 percent in January 2010 compared with the same month in the previous year; amounting to JD 805.8 million.

- In light of the above, **the trade balance deficit** (the value of total exports *minus* the value of imports) widened by 11.5 percent in January 2010 compared to the same month in 2009; standing at JD 417.6 million.

- According to the preliminary figures, **travel receipts** increased by 36.9 percent in February 2010 compared to the same month in the preceding year to stand at JD 153.2 million. Similarly, the payments of this item increased by 57.5 percent; amounting to JD 67.1 million. As for the first two months in 2010, both travel receipts and payments increased by 34.7 percent and 48.5 percent to stand at JD 311.1 million, and JD 125.8 million, respectively.

- According to the preliminary figures, **total workers' remittances receipts** amounted to JD 183.4 million in February 2010; an increase amounting to 1.5 percent. In addition, total workers' remittances receipts increased by 1.6 percent, or JD 382.1 million, during the first two months in 2010.

- The **current account of the balance of payments** displayed a deficit amounting to JD 899.8 million in 2009 compared with a deficit in the amount of JD 1,546.0 million in 2008.

- **FDI inflows** totaled JD 1,691.0 million in 2009 compared with JD 2,005.7 million in 2008.
- **The international investment position (net)** recorded a decline in net obligations of the Kingdom to abroad amounting to JD 1,970.8 million at the end of 2008 compared with the end of 2007; standing at JD 13,088.2 million.

External Trade

In light of the increase in domestic exports as well as imports by JD 14.4 million and JD 23.2 million, respectively in January 2010, the volume of external trade (domestic exports *plus* imports) increased by JD 37.6 million to stand at JD 1,130.7 million during January 2010.

Jordan's Major Trade Partners
January 2009, 2010
JD Million

	2009	2010	Percentage Change
Exports			
Iraq	58.8	57.4	-2.4
United States	52.7	48.5	-8.0
Saudi Arabia	25.8	31.5	22.1
Syria	16.6	22.4	34.9
switzerland	0.0	17.5	-
India	17.3	15.8	-8.7
United Arab Emirates	7.9	13.1	65.8
Ethiopia	0.1	13.0	-
Imports			
Saudi Arabia	142.1	129.8	-8.7
China	92.6	81.8	-11.7
United States	46.2	51.0	10.4
Germany	50.9	49.3	-3.1
Egypt	43.8	43.5	-0.7
Japan	24.1	39.7	64.7
South Korea	30.0	34.2	14.0
France	22.2	21.0	-5.4
Bahrain	1.8	21.0	-

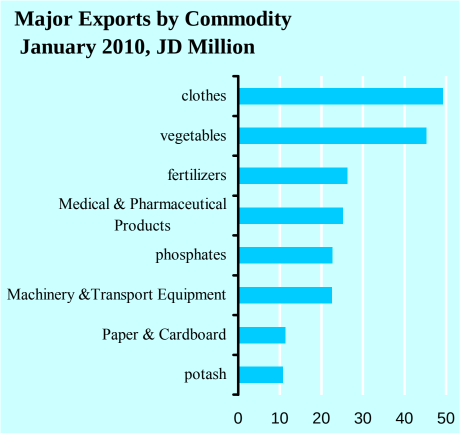
Source: Department of Statistics.

Developments of External Trade Indicators, JD Million

	January			
	2009	Percentage Change 2009/2008	2010	Percentage Change 2010/2009
External Trade	1093.1	-8.4	1130.7	3.4
Total Exports	408.0	11.8	388.2	-4.9
Domestic Exports	310.5	14.6	324.9	4.6
Re-exports	97.5	3.5	63.3	-35.1
Imports	782.6	-15.1	805.8	3.0
Trade Balance	-374.6	-32.7	-417.6	11.5

Source: Department of Statistics.

Merchandize Exports:



Total merchandize exports declined by 4.9 percent during January 2010 to reach JD 388.2 million compared with a growth amounting to 11.8 percent during the same month in 2009. This fall was an outcome to the increase in the value of domestic exports by JD 14.4 million, or 4.6 percent, to reach JD 324.9 million, on one hand, and the decline in the value of re-exports by JD 34.2 million or 35.1 percent to reach JD 63.3 million, on another.

The comparison between the developments in domestic exports during January 2010 and corresponding month in 2009 reveals the following:

- The exports of **clothes** declined by JD 3.5 million, or 6.6 percent, to reach JD 49.3 million. The geographical distribution was such that the US market accounted for 93.9 percent.

- The exports of **vegetables** increased by JD 5.4 million, or 13.5 percent, to reach JD 45.3 million. The geographical distribution indicated that the markets of Syria, Iraq, and Russia accounted, collectively, for 72.2 percent of these exports.

- The exports of **fertilizers** declined by JD 2.1 million, or 7.4 percent, to reach JD 26.3 million. This development was the outcome of the decline in the prices of fertilizers by 64.2 percent, on one hand, and the increase in the quantities exported by 157.9 percent, on another. The Ethiopian, Japanese, and Iraqi markets accounted, collectively, for 83.3 percent of these exports.

- The Exports of **medical and pharmaceutical products** increased by JD 0.6 million, or 2.4 percent, to stand at JD 25.2 million. The Saudi, Algerian, Sudanese and Yemeni markets accounted, collectively, for 58.3 percent of these exports.

- The exports of **phosphates** decreased by JD 27.9 million, or 55.1 percent, to reach JD 22.7 million. This decline was the outcome of the decline in the prices of phosphates by 73.5 percent, on one hand, and the increase in the quantities exported by 69.4 percent, on another. The markets of India, Indonesia and Netherlands were the main destinations for these exports; accounting, collectively, for 92.1 percent.

- The exports of **machinery and transport equipment** increased by JD 7.8 million, or 53.1 percent, to total JD 22.5 million. The geographical distribution was such that the markets of Saudi Arabia, Iraq and Qatar accounted, collectively, for 77.3 percent of these exports.

- The exports of **paper and cardboard** increased by JD 1.7 million, or 17.7 percent. The geographical

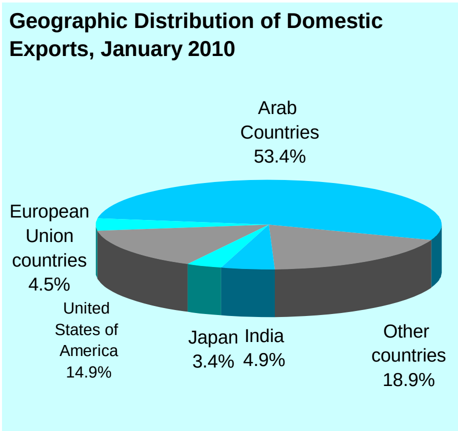
Major Domestic Exports by Commodity
January 2009 , 2010, JD Million

	2009	2010	Percentage Change
Domestic Exports	**310.5**	**324.9**	**4.6**
Clothes	**52.8**	**49.3**	**-6.6**
United States	48.9	46.3	-5.3
Vegetables	**39.9**	**45.3**	**13.5**
Syria	10.3	15.2	47.6
Iraq	14.9	14.4	-3.4
Russia	3.0	3.1	3.3
Fertilizers	**28.4**	**26.3**	**-7.4**
Ethiopia	0.0	12.7	-
Japan	25.6	8.0	-68.8
Iraq	0.2	1.2	500.0
Medical & Pharmaceutical Products	**24.6**	**25.2**	**2.4**
Saudi Arabia	8.6	7.4	-14.0
Algeria	1.5	2.7	80.0
Sudan	1.8	2.7	50.0
Yemen	1.1	1.9	72.7
Phosphates	**50.6**	**22.7**	**-55.1**
India	7.5	12.2	62.7
Indonesia	28.4	6.2	-78.2
Netherlands	0.0	2.5	-
Machinery & Transport Equipment	**14.7**	**22.5**	**53.1**
Saudi Arabia	3.9	8.0	105.1
Iraq	3.4	7.9	132.4
Qatar	0.7	1.5	114.3
Paper and Cardboard	**9.6**	**11.3**	**17.7**
Saudi Arabia	2.6	3.0	15.4
Iraq	3.7	2.7	-27.0
Egypt	0.3	2.3	666.7
Potash	**9.8**	**10.8**	**10.2**
Italy	0.0	2.5	-
Japan	0.0	2.5	-
India	9.2	1.4	-84.8

Source: Department of Statistics.

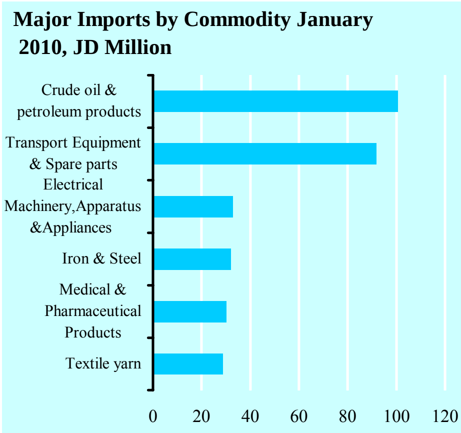
distribution was such that the markets of Saudi Arabia, Iraq and Egypt accounted, collectively, for 70.8 percent of these exports.

- The exports of **potash** increased by JD 1.0 million, or 10.2 percent, to stand at JD 10.8 million. Such increase was mainly attributable to the decline in the prices of potash by 38.4 percent, on the one hand, and the increase in the quantities exported by 80.5 percent, on the other. The geographical distribution of exports reveals that the Italian, Japanese and Indian markets accounted, collectively, for 59.3 percent of these exports.



In light of the aforementioned developments, the commodity breakdown of domestic exports indicates that the exports of clothes, vegetables, fertilizers, "medical and pharmaceutical products", phosphates, machinery and transport equipment, paper and cardboard and potash topped the list of exporting materials during the month of January 2010; accounting, collectively, for 65.7 percent of domestic exports; down from 74.2 percent during the same month in 2009. On the other side, the geographical distribution of domestic exports indicates that the markets of Iraq, USA, Saudi Arabia, Syria, Switzerland, India and UAE were the main destinations for the Jordanian domestic exports during January 2010; accounting, collectively, for 63.5 percent of domestic exports; up from 57.7 percent in the corresponding month in 2009.

Merchandize Imports:



The value of merchandize imports stood at JD 805.8 million in January 2010; increasing by JD 23.2 million, or 3.0 percent, against a decline amounting to 15.1 percent during the same month in the preceding year.

The comparison between the developments in the Jordanian imports during January 2010 and the corresponding month in 2009 reveals the following:

- The imports of **transport equipment and spare parts** increased by JD 17.4 million, or 23.5 percent, to reach JD 91.6 million. The markets of Japan, South Korea and USA were the main sources of these imports; accounting, collectively, for 70.4 percent of these imports.

- The imports of **crude oil** decreased by JD 20.6 million, or 22.5 percent, to reach JD 71.0 million. This decline was the outcome of the increase in the oil prices by 27.6 percent, on one side, and the decrease in the imported quantities of crude oil by 39.3 percent, on another side. It is worthy to note in this regards that all Jordanian imports of crude oil come from the Saudi market.

- The imports of **electrical machinery, apparatus and appliances** increased by JD 5.6 million, or 20.6 percent, to reach JD 32.8 million. The markets of Croatia, China, South Korea and Germany accounted, collectively, for 52.1 percent of these imports.

- The imports of **iron and steel** declined by JD 14.1 million, or 30.5 percent; totaling JD 32.1 million. The markets of Ukraine, Russia and USA were the main sources of these imports.

- The imports of **medical and pharmaceutical products** increased by JD 10.5 million, or 53.8 percent, to reach JD 30.0 million. The markets of Switzerland, UK, Germany and France were the main sources of these imports; accounting collectively for 55.3 percent of these imports.

- The imports of **Petroleum Products** increased by JD 9.0 million, or 43.7 percent, to total JD 29.6 million. The markets of Saudi Arabia, France and UAE were the main sources of these imports.

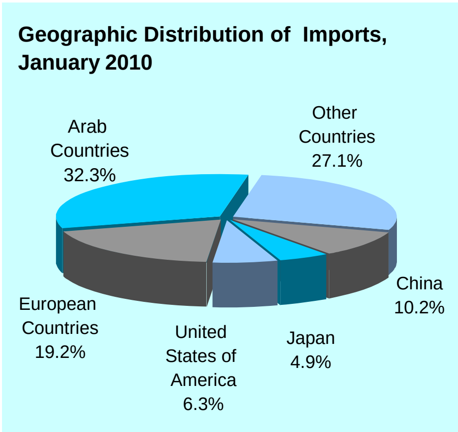
Major Imports by Commodity

January 2009, 2010, JD Million

	2009	2010	Percentage Change
Total Imports	**782.6**	**805.8**	**3.0**
Transport Equipment and Spare Parts	**74.2**	**91.6**	**23.5**
Japan	12.2	26.2	114.8
South Korea	15.4	20.6	33.8
United States	6.3	17.7	181.0
Crude Oil	**91.6**	**71.0**	**-22.5**
Saudi Arabia	86.3	58.2	-32.6
Electrical Machinery, Apparatus and Appliances	**27.2**	**32.8**	**20.6**
Croatia	0.0	5.4	-
China	4.0	5.0	25.0
South Korea	1.5	3.5	133.3
Germany	2.7	3.2	18.5
Iron & Steel	**46.2**	**32.1**	**-30.5**
Ukraine	19.6	12.5	-36.2
Russia	2.0	5.2	160.0
United States	0.1	2.3	-
Medical & Pharmaceutical Products	**19.5**	**30.0**	**53.8**
switzerland	1.3	7.6	484.6
United Kingdom	1.1	4.6	318.2
Germany	1.7	2.8	64.7
France	1.5	1.6	6.7
Petroleum Products	**20.6**	**29.6**	**43.7**
Saudi Arabia	0.5	20.1	-
France	4.6	7.5	63.0
United Arab Emirates	0.8	1.2	50.0
Textile Yarn, Fabrics & Related Products	**30.4**	**28.6**	**-5.9**
China	15.3	13.6	-11.1
Taiwan	4.5	4.5	0.0
South Korea	0.9	1.3	44.4

Source: Department of Statistics.

- The imports of **textile yarn, fabrics, made up articles and related products** declined by JD 1.8 million, or 5.9 percent; amounting to JD 28.6 million. The main source for these imports was the Chinese market followed by the markets of Taiwanese and South Korean markets respectively.



The commodity composition of imports indicates that transport equipment and spare parts, crude oil, electrical machinery, apparatus and appliances, steel and iron, medical and pharmaceutical products, Petroleum Products and textile yarn, fabrics, made up articles and related products topped the list of imported materials; accounting, collectively, for 39.2 percent of total imports in January 2010; down from 39.6 percent in the same month in 2009. Meanwhile, the geographical distribution of imports indicates that the markets of Saudi Arabia, China, USA, Germany, Egypt and Japan topped the list of the sources of imports in the first month in 2010; accounting, collectively, for 49.0 percent of total imports; down from 51.1 percent during the first month in 2009.

■ Re-Exported:

The value of re-exported goods declined by JD 34.2 million, or 35.1 percent, during January 2010 compared with the same month in 2009 to reach JD 63.3 million.

■ Trade Balance:

Trade balance deficit widened by JD 43.0 million, or 11.5 percent, in January 2010 compared with the same month in 2009 to stand at JD 417.6 million.

❒ Workers' Remittances Receipts:

Workers' remittances receipts amounted to JD 183.4 million during the month of February 2010; an increase amounting to 1.5 percent. In addition, these remittances increased by 1.6 percent compared with the same period on 2009 to stand at JD 382.1 million during the first two months in 2010.

❒ Travel:

■ Receipts:

Travel receipts increased by JD 80.1 million, or 34.7 percent, during the first two months in 2010 to stand at JD 311.1 million. The increase in the tourism income was owing to the increase in the number of the Kingdom's visitors (tourists) by 20.5 percent during the first two months in 2010 to stand at 924.0 thousand visitors compared to 767.0 thousand during the same period in 2009

■ Payments:

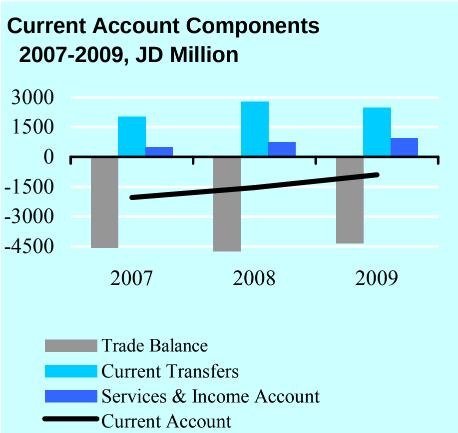
Travel payments increased by JD 41.1 million, or 48.5 percent, during the first two months in 2010 to stand at JD 125.8 million. Such development was attributable to the increase in the number of spending tourists by 51.6 percent during the first two months in 2010 to stand at 426.0 thousand tourists compared with 281.0 thousand during the same period in 2009.

❒ Balance of Payments:

The preliminary statistics of the balance of payments in 2009 compared with 2008 indicate the following developments:

- The current account deficit amounted to JD 899.8 million compared with JD 1,546.0 million in 2008. This was the outcome of the following developments:

  - The marked narrow down in the trade balance deficit by JD 730.7 million, or 14.4 percent, to reach JD 4,353.7 million in 2009 compared with a deficit amounting to JD 5,084.4 million in 2008.



  - The surplus of the services balance which amounted to JD 530.1 million compared with a surplus amounting to JD 249.6 million in 2008. This surplus was chiefly due to the surplus registered by the items of travel (net) as well as government services (net) which amounted to JD 1,311.4 million and JD 150.7 million, respectively. Meanwhile, the item of transportation (net) registered a deficit in the amount of JD 810.7 million. In addition, the item of other services (net) experienced a deficit amounting to JD 121.3 million.

  - The surplus of income account (net) declined by JD 60.1 million, amounting to JD 433.5 million compared with JD 493.6 million in 2008. Such decline was attributable to the decline in compensation of employees (net) by JD 113.4 million, on one hand, and the increase in investment income (net) by JD 53.3 million, on another hand.

  - Net current transfers declined by JD 304.9 million; totaling JD 2,490.3 million in light of the decline in net transfers of the public sector (foreign grants) by JD 274.8 million to register JD 675.5 million in 2009 compared with JD 950.3 million in 2008, in addition to the decline in the net transfers of other sectors by JD 30.1 million to reach JD 1,814.8 million compared with JD 1,844.9 million in 2008; noting that the volume of workers' remittances (net) registered a decline of JD 47.1 million, or 2.4 percent, to reach JD 1,899.6 million in 2009.

- As for the capital and financial transactions with the rest of the world, the capital and financial account recorded a net inflow amounting to JD 306.7 million in 2009 against a net inflow in the amount of JD 1,439.5 million in 2008 owing chiefly to the following:

  - FDI inflows (net) amounted to JD 1,691.0 million in 2009 compared with JD 2,005.7 million in 2008.
  - Net outflow in portfolio investment amounted to JD 447.0 million compared with net inflow in the amount of JD 406.8 million in 2008.
  - Net inflow of other investments in the amount of JD 1,322.9 million in 2009 against a net outflow amounting to JD 356.4 million in the preceding year.
  - The significant increase in the reserve assets of the CBJ by JD 2,209.2 million in 2009 compared with an increase amounting to JD 808.8 million in 2008.

International Investment Position (IIP):

The international investment position (which represents the Kingdom's net position (stock) of external assets and liabilities) displayed an obligation to abroad in the amount of JD 13,088.2 million at the end of 2008 compared with an obligation in the amount of JD 15,059.0 million at the end of 2007. The aforementioned decline can be attributed to the following developments:

- The rise in the position of external assets (the stock of claims, obligations and financial assets) for all economic sectors (resident) in the Kingdom by JD 94.8 million at the end of 2008 compared to the end of 2007; amounting to JD 13,232.4 million at the end of 2008. This was mainly driven by the rise in the reserve assets of the CBJ in abroad by JD 701.5 million.

- The decline in the position of external liabilities (the stock of claims, obligations and financial assets) for all economic sectors residing in the Kingdom by JD 1,876.0 million at the end of 2008 compared to the end of 2007; to stand at JD 26,320.6 million at the end of 2008. This was mainly the outcome of the following:

    - The decline in the balance of external loans extended to the central government by JD 1,585.9 million to amount to JD 3,317.1 million due to the execution of the debt buyback agreement with the Paris Club creditors.

    - The decline in the stock of portfolio investment in the Kingdom by JD 1,283.7 million; amounting to JD 4,930.7 million, owing chiefly to the decline in the Share Price Index (SPI) at the Amman Stock Exchange (ASE) in 2008.

    - The increase in the stock of FDI in the Kingdom to stand at JD 11,570.6 million despite the decline in the Share Price Index (SPI) at the Amman Stock Exchange (ASE) in 2008.

  - The increase in the position of deposits of non-resident bodies' at the banking system by JD 849.4 million (JD 775.3 million for licensed banks and JD 74.1 million for the CBJ); standing at JD 5,585.6 million.