



Central Bank of Jordan

Recent Monetary & Economic Developments in Jordan

**Research Dept. Monthly Report
July, 2012**

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 Bank of Jordan (CBJ) from their original sources, unless otherwise explicitly indicated in the context of this report. Nonetheless,

Contents

	Executive Summary	1
First	Monetary & Financial Sector	3
Second	Output & Prices	15
Third	Public Finance	25
Fourth	External Sector	35

Executive Summary

The 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 showed a deterioration in performance. Moreover, the real economy registered a growth rate of 3.0% during the first quarter of 2012 compared with 2.3% during the same quarter in 2011.

□ **Output, Prices and Employment:** In the first quarter of 2012, real GDP at market prices grew by 3.0 percent compared to 2.3 percent in the same quarter of 2011. Inflation, measured by the Consumer Price Index (CPI), slowed down to 3.9 percent during the first half of 2012 compared to 4.6 percent during the same period of 2011. Furthermore, the unemployment rate in the second quarter of 2012 declined to 11.6 percent compared to 13.2 percent in the same quarter of 2011.

□ **Monetary and Financial Sector:**

- Foreign currency reserves at the Central Bank of Jordan (CBJ) decreased by US\$ 3771.0 million, or 35.9 percent, at the end of the first half of 2012, compared to their level at the end of 2011, standing at US\$ 6,735.1 million.
- Domestic liquidity grew by JD 639.5 million, or 2.7 percent, at the end of the first half of 2012, compared to its level at the end of 2011, standing at JD 24,758.4 million.
- The outstanding balance of credit facilities extended by licensed banks was up by JD 1,256.1 million, or 7.9 percent, at the end of the first half of 2012, compared to its level at the end of 2011, standing at JD 17,107.3 million.
- Total deposits at licensed banks increased by JD 603.3 million, or 2.5 percent, at the end of the first half of 2012, compared to their level at the end of 2011, totaling JD 24,981.2 million.
- The Share Price Index (SPI) weighted by the market capitalization of free float shares at the Amman Stock Exchange (ASE) reached 1,882.1 points at the end of the first half of 2012, decreasing by 113 points, or 5.7 percent, compared to its level at the end of 2011.

- **Public Finance:** During the first five months in 2012, the general budget, including foreign grants, recorded a fiscal deficit in the amount of JD 251.2 million, comparing to a fiscal deficit in the amount of JD 41.8 million during the same period in 2011. Net outstanding domestic debt (budgetary and own-budget) increased by JD 1,385.0 million at the end of May 2012, comparing to its level at the end of 2011, to stand at JD 10,300.0 million (46.4 percent of GDP). Outstanding external public debt increased by JD 56.0 million at the end of May 2012 comparing to its level at the end of 2011; to reach JD 4,542.8 million, (20.4 percent of GDP). It is worth mentioning that the net public debt (domestic and external) stood at 66.8 percent of GDP at the end of May 2012.

- **External Sector:** Total merchandize exports (domestic exports *plus* re-exports) decreased by 2.2 percent during the first five months of 2012 to reach JD 2,289.5 million. In contrast, the merchandize imports increased by 15.0 percent, totaling JD 6,339.4 million. As a result, the trade deficit expanded by 27.7 percent, compared to the same period in the previous year; to reach JD 4,049.9 million. Furthermore, the preliminary figures for the first half of 2012 compared to the same period in 2011 showed an increase in travel receipts and payments by 19.1 percent and 2.3 percent, respectively. In addition, total workers' remittances receipts during the first half of 2012 increased by 1.7 percent compared to the same period in 2011. The preliminary figures for the balance of payments for the first quarter of 2012 displayed a deficit in the current account in the amount of JD 1,395.2 million, up from JD 448.1 million during the same period in the previous year. Moreover, the Foreign Direct Investment (FDI) recorded a net inflow to Jordan by JD 177.2 million during the first quarter of 2012 compared to a net inflow of JD 255.1 million during the same period in 2011. Furthermore, the international investment position (IIP) registered a net obligation to abroad amounting to JD 16,803.5 million at the end of the first quarter of 2012 compared to JD 14,888.3 million at the end of 2011.

First: Monetary and Financial Sector

□ Summary

- The foreign currency reserves at the CBJ decreased by US\$ 3,771.0 million, or 35.9 percent, at the end of first half of 2012, compared to their level at the end of 2011, standing at US\$ 6,735.1 million. This level of reserves covers around 4.0 months of the Kingdom's imports of goods and services.
- Domestic liquidity increased by JD 639.5 million, or 2.7 percent, at the end of the first half of 2012, compared to its level at the end of 2011, to total JD 24,758.4 million.
- The outstanding balance of credit facilities extended by licensed banks increased by JD 1,256.1 million, or 7.9 percent, at the end of the first half of 2012, compared to its level at the end of 2011, to stand at JD 17,107.3 million.
- Total deposits at licensed banks increased by JD 603.3 million, or 2.5 percent, at the end of the first half of 2012, in comparison with their level at the end of 2011, totaling JD 24,981.2 million.
- The interest rates on all types of deposits and credit facilities at licensed banks increased at the end of June 2012 except for the demand deposits, and interest rate on discounted bills and bonds compared to its 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 1,882.1 points at the end of the first half of 2012, decreasing by 113 points, or 5.7 percent, compared to its level at the end of 2011. Moreover, the market capitalization decreased by JD 918.9 million compared to its registered level of 2011 to stand at JD 18,353.8 million.

Main Monetary Indicators

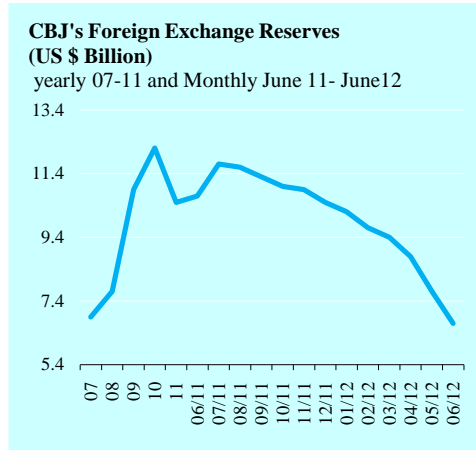
JD Million, and Percentage Change Relative to the Previous Year (%)

Year		End of June	
		2011	2012
US\$ 10,506.1	CBJ's Foreign Currency Reserves	US\$ 10,966.3	US\$ 6,735.1
-14.2%		-12.6%	-35.9%
24,118.9	Money Supply (M2)	23,032.2	24,758.4
8.1%		3.3%	2.7%
15,851.2	Credit Facilities, of which:	15,569.5	17,107.3
9.7%		7.7%	7.9%
14,284.1	Private Sector (Resident)	14,026.8	14,926.5
10.1%		8.1%	4.5%
24,377.9	Total Deposits, of which:	23,202.3	24,981.2
8.3%		3.1%	2.5%
19,119.1	In JD	17,973.4	18,750.1
8.5%		2.0%	-1.9%
5,258.8	In Foreign Currencies	5,228.9	6,231.1
7.6%		7.0%	18.5%
19,905.8	Deposits of Private Sector (Resident), of which:	18,907.3	20,224.6
8.5%		3.1%	1.6%
16,507.6	In JD	15,496.7	15,968.4
8.5%		1.9%	-3.3%
3,398.2	In Foreign Currencies	3,410.6	4,256.2
8.6%		9.0%	25.2%

Source: Central Bank of Jordan / Monthly Statistical Bulletin.

□ CBJ's Foreign Currency Reserves

The CBJ's foreign currency reserves declined by US\$ 3,771.0 million, or 35.9 percent, at the end of June 2012, compared to their level at the end of 2011, to reach US\$ 6,735.1 million. This level of reserves covers around 4.0 months of the Kingdom's imports of goods and services.



□ Domestic Liquidity (M2)

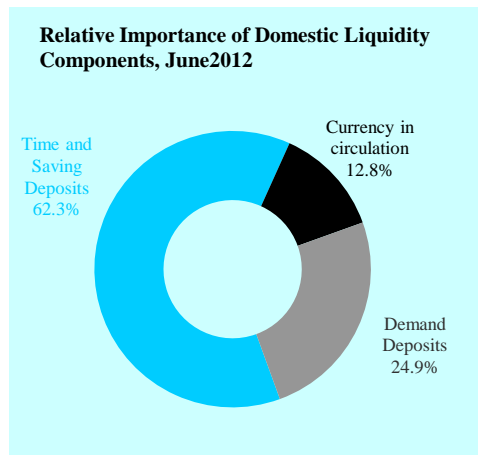
■ Domestic liquidity totaled JD 24,758.4 million at the end of the first half of 2012, increasing by JD 639.5 million, or 2.7 percent, compared to an increase of JD 725.5 million, or 3.3 percent, during the same period of 2011.

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

● Components of Domestic Liquidity

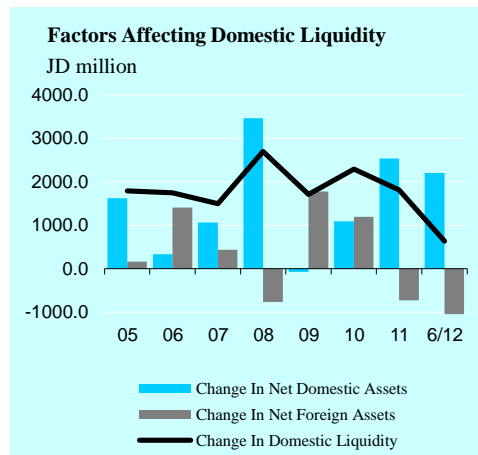
- Deposits increased by JD 498.9 million, or 2.4 percent, at the end of the first half of 2012, compared to their level at the end of 2011, to total JD 21,598.5 million, against an increase amounting to JD 528.6 million, or 2.7 percent, at the end of the same period of 2011.

- Currency in circulation increased by JD 140.6 million, or 4.7 percent, at the end of the first half of 2012, compared to its level at the end of 2011, to reach JD 3,159.9 million, against an increase in the amount of JD 196.9 million, or 6.9 percent, during the same period of 2011.



• **Factors Affecting Domestic Liquidity**

- Net domestic assets of the banking system increased by JD 2,206.3 million, or 14.9 percent, at the end of June 2012, compared to its level at the end of 2011, against an increase of JD



1,569.2 million, or 12.8 percent, during the same period of 2011. This increase was a result of the increase in net domestic assets at the CBJ by JD 2,583.1 million, or 44.2 percent, and its decrease at licensed banks by JD 376.8 million, or 1.8 percent.

- Net foreign assets of the banking system decreased by JD 1,566.8 million, or 16.8 percent, at the end of first half of 2012, compared to their level at the end of 2011, against a decrease in the amount of JD 843.7 million, or 8.4 percent, in the same period of 2011. This decrease was an outcome of the decline of these assets at the CBJ by JD 2,456.9 million, or 26.6 percent, and its increase at licensed banks by JD 890.1 million.

Changes in Factors Affecting Domestic Liquidity (M2)
JD Million

Year		Change in balance relative to the end of June	
		2011	2012
-724.9	Foreign Assets (Net)	-843.7	-1,566.8
-733.2	CBJ	-984.3	-2,456.9
8.3	Licensed Banks	140.6	890.1
2,537.1	Domestic Assets (Net)	1,569.2	2,206.3
1,009.9	CBJ, of which:	1,243.0	2,583.1
46.8	Claims on Public Sector (Net)	215.2	953.7
962.5	Other Items (Net*)	1,027.2	1,629.5
1,527.2	Licensed Banks	326.2	-376.8
1,744.9	Claims on Public Sector (Net)	448.8	541.3
1,311.5	Claims on Private Sector	1,109.0	668.1
-1,529.2	Other Items (Net)	-1,231.6	-1,586.2
1,812.2	Money Supply (M2)	725.5	639.5
175.6	Currency in Circulation	196.9	140.6
			9
1,636.6	Total Deposits, of which:	528.6	498.9
294.3	In Foreign Currencies	269.3	845.3

* 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 31th, 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 Deposit Window 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.

- As part of the new operational framework for the CBJ's monetary policy, and with the aim of providing the necessary liquidity to the banking system and minimizing volatility in interest rates in the interbank market, the CBJ introduced the weekly repurchase agreements facility. The interest rate and the volume of this facility will

Interest Rates on Monetary Policy Instruments (%)

End of year		June	
		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

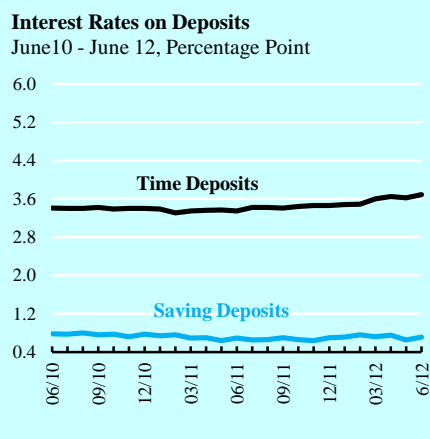
Source: Central Bank of Jordan / Monthly Statistical Bulletin.

be determined by the CBJ. Not to mention that the last interest rate on repurchase for one week had reached 3.75% in 30/7/2012.

◆ Interest Rates in the Banking Sector

• Interest Rates on Deposits

- **Time Deposits:** The weighted average interest rate on time deposits at the end of June 2012 increased by 5 basis points, compared to their level at the end of the previous month, to stand at 3.69 percent. As a result, this rate was higher than its level at the end of 2011 by 23 basis points.

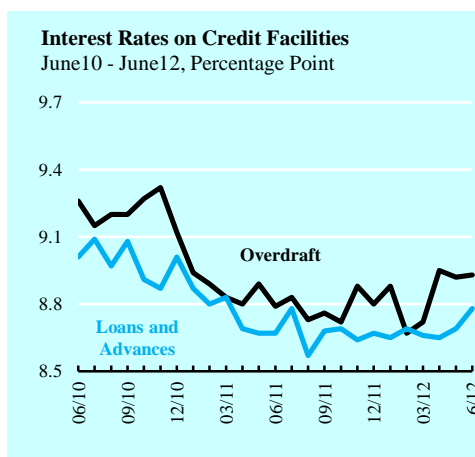


- **Saving Deposits:** The weighted average interest rate on saving deposits at the end of June 2012 increased by 6 basis points compared to its level at the end of the preceding month, thereby reaching 0.71 percent. As a result, this rate is higher than its level at the end of 2011 by one basis point.
- **Demand Deposits:** The weighted average interest rate on demand deposits at the end of June 2012 decreased by one basis point compared to its level registered at the end of the preceding month, standing at 0.43 percent, which is the same level registered at the end of 2011.

• Interest Rates on Credit Facilities

- **Overdraft Accounts:** The weighted average interest rate on overdraft accounts at the end of June 2012 increased by one basis point compared to its level at the end of the previous month, standing at 8.93 percent. Accordingly, this rate is higher than its level recorded at the end of 2011 by 13 basis points.

- **Discounted Bills and Bonds:** The weighted average interest rate on “discounted bills and bonds” decreased by 11 basis points at the end of June 2012, compared to its level at the end of the preceding month, to stand at 9.24 percent. As a result, this rate is lower than its level of 2011 by 10 basis points.



- **Loans and Advances:** The weighted average interest rate on “loans and advances” increased by 9 basis points at the end of June 2012, compared to its level at the end of the preceding month, to stand at 8.78 percent. Furthermore, this rate was 11 basis points higher than its level at the end of 2011.

- **The Prime Lending Rate:** This rate stood at 8.31 percent at the end of June 2012, 9 basis points higher than its level at the end of 2011.

Year	June		Change Relative to the Preceding Year Basis Points	
	2011	2012		
Deposits				
0.43	Demand	0.38	0.43	0
0.70	Saving	0.69	0.71	1
3.46	Time	3.35	3.69	23
Credit Facilities				
9.34	Discounted Bills and Bonds	9.13	9.24	-10
8.67	Loans and Advances	8.67	8.78	11
8.80	Overdraft	8.79	8.93	13
8.22	Prime Lending Rate	8.19	8.31	9

Source: Central Bank of Jordan / Monthly Statistical Bulletin.

□ Credit Facilities Extended by Licensed Banks

- ◆ The outstanding balance of credit facilities extended by licensed banks totaled JD 17,107.3 million at the end of the first half of 2012, increasing by JD 1,256.1 million, or 7.9 percent, compared to its level at the end of the preceding year, against an increase in the amount of JD 1,118.1 million or 7.7 percent, during the same period of 2011.
- ◆ The classification of extended credit facilities, according to economic activity, during June 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 693 million, or 61.0 percent, and the increase in the item "other", which generally represents credit facilities extended to individuals, by JD 233.5 million or 6.8 percent, as well as the increase in the construction sector by JD 126.6 million, or 3.7 percent. And credit facilities extended for the industrial sector increased by JD 102.5 million, or 4.5 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 half of 2012 was mainly due to the credit facilities extended to the central government, which increased by JD 647.6 million, and the private sector (resident), which increased by JD 642.5 million, or 4.5 percent, compared to their level at the end of 2011. Furthermore, the credit facilities extended to the non-banking financial institutions increased by JD 2.1 million, or 42 percent. Meanwhile, the credit facilities extended to public institutions and private sector (non-resident) decreased by JD 11.4 million, or 3.1 percent, and JD 24.7 million, or 2.5 percent, respectively, compared to their level at the end of 2011.

□ Deposits at Licensed Banks

- ◆ Total deposits at licensed banks stood at JD 24,981.2 million at the end of the first half of 2012, increasing by JD 603.3 million, or 2.5 percent, compared to its level in the preceding year, against an increase of JD 697.5 million, or 3.1 percent, during the same period of 2011.

- ◆ The increase in total deposits at licensed banks at the end of the first half of 2012 was an outcome of the increase of the deposits of the private sector (resident) by JD 318.9 million, or 1.6 percent, and the increase in the deposits of the public sector (central government *plus* public institutions) by JD 161.9, or 10.6 percent, as well as the increase of the deposits of private sector (non-resident) by JD 110.9 million, or 4.2 percent. Moreover, the deposits of non-banking financial institutions increased by JD 11.6 million or 4.2 percent, compared to their levels at the end of 2011.
- ◆ The developments in the currency structure of deposits at the end of the first half of 2012 reveal that “deposits in foreign currencies” increased by JD 972.3 million, or 18.5 percent, and “deposits in the local currency” decreased by JD 369.0 million, or 1.9 percent, compared to their levels at the end of 2011.

□ Amman Stock Exchange (ASE)

The indicators of the Amman Stock Exchange (ASE) displayed a negative performance at the end of June 2012 compared to the preceding month, as well as for the first half of 2012. This can be demonstrated as follows:

- **Trading Volume**

Trading volume at the (ASE) totaled JD 131.7 million in June 2012; down by JD 15.8 million, or 10.7 percent, compared to its level at the end of the preceding month, against an decrease of JD 65.1 million, or 20.8 percent, during the same month in 2011. However, trading volume stood at JD 1,094.9 million during the first half of 2012; a decline amounting to JD 643.6 million compared with the volume registered over the same period in 2011.

- **Traded Shares**

The number of traded shares in June 2012 totaled 155.8 million; down by 38 million shares, or 19.6 percent, compared to its level at the previous month, against an increase amounting to 118.9 million shares, or 24.7 percent, during the same month of 2011. Furthermore, the number of traded shares during the first half of 2012 stood at 1,316.2 million shares, compared with 2,492.7 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) increased by 7.6 points, or 0.4 percent, at the end of June 2012 compared to its level at the end of the preceding month,

to stand at 1,882.1 points, against a decrease in the amount of 66.3 points, or 3.1 percent, during the same month of 2011. As for the first half of 2012, the SPI dropped by 113 points, or 5.7 percent, compared with its level at the end of 2011, against a drop in the amount of 280.1 points, or 11.8 percent, during the same period of 2011. The above-mentioned drop during the first half of 2012 was chiefly attributed to the decline in the SPI for the services and financial sector by 135.1 points, or 8 percent, and 110.7 points, or 4.5 percent, respectively, as well as the decline in the SPI for the industrial sector by 102.5 points, or 4.8 percent, compared to their levels at the end of 2011.

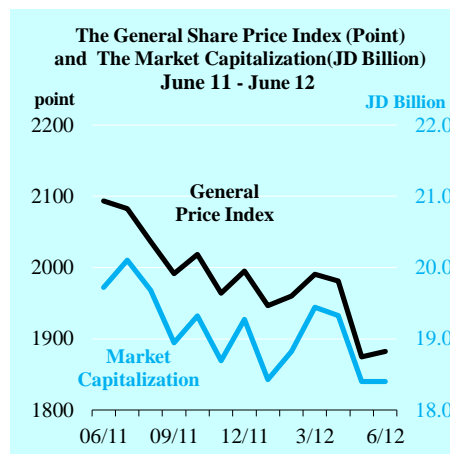
Share Price Index Weighted by Market Capitalization of Free Float Shares by Sector

Year		June	
		2011	2012
1,995.1	General Index	2,093.5	1,882.1
2,443.9	Financial Sector	2,655.0	2,333.2
2,149.9	Industrial Sector	2,219.0	2,047.4
1,693.7	Services Sector	1,677.7	1,558.6

Source: Amman Stock Exchange.

• **Market Capitalization**

The ASE's market capitalization totaled JD 18,353.8 million at the end of June 2012; a decline of 46 JD million, or 0.3 percent, compared to its level at the end of the previous month, against a decrease of JD 661.8 million, or 3.2 percent, during the same



month of 2011. Furthermore, the market capitalization during the first half of 2012 declined by JD 918.9 million, or 4.7 percent, compared to its level registered at the end of 2011, against a decline amounting to around JD 2,135.3 million, or 9.8 percent, over the same period of 2011.

• **Non - Jordanian Net Investment**

Non - Jordanian net investment at the (ASE) recorded no flows in June 2012, compared to an inflow of JD 3.3 million during the same month of 2011; the value of shares acquired by non- Jordanians in June 2012 stood at JD 15.9 million, while the value of shares sold by the same group amounted to JD 15.9 million. Accordingly, non-Jordanian net investment displayed an inflow amounting to JD

Main Amman Stock Exchange Trading Indicators, JD Million			
Year		June	
2011		2011	2012
2,850.3	Value Traded	248.5	131.7
11.5	Average Daily Trading	11.3	6.6
19,272.8	Market Capitalization	19,722.9	18,353.8
4,072.3	No. of Traded Shares (million)	368.9	155.8
78.6	Net Investment of Non-Jordanian	3.3	0.0
555.8	Non-Jordanian Buying	37.0	15.9
477.2	Non-Jordanian Selling	33.7	15.9

Source: Amman Stock Exchange.

17.0 million during the first half of 2012, against an inflow in the amount of JD 77.2 million during the same period of 2011.

Second: Output, Prices and Employment

■ Summary

- During the first quarter of 2012, real GDP at market prices grew by 3.0 percent, compared to 2.3 percent during the same quarter of 2011. When excluding “net taxes on products”, which grew by 2.1 percent, GDP growth rate at constant basic prices increases to 3.1 percent compared to 2.5 percent during the same quarter of 2011.
- Inflation, measured by the CPI, slowed down to 3.9 percent during the first half of 2012, compared to 4.6 percent during the same period of 2011.
- The unemployment rate in the second quarter of 2012 declined to 11.6 percent of the total labor force (10.3 percent for males and 17.8 percent for females) compared to 13.2 percent (11.3 percent for males and 21.4 percent for females) in the same quarter of 2011. The unemployment rate among academic degree holders (Bachelor Degree and higher) reached 14.1 percent.

▣ Developments of (GDP)

Despite the unfavorable international and regional economic and political conditions. **Real GDP grew by 3.0 percent during the first quarter of 2012** compared to 2.3 percent during the same quarter of 2011. When excluding “net taxes on products”, which grew by 2.1 percent, **GDP growth rate at constant basic prices reaches 3.1 percent**, compared to 2.5 percent during the first quarter of 2011.

**Quarterly Growth Rates of GDP at Market Prices
2010 - 2011**

					Percentages
	Q 1	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				
GDP at Current Market Prices	8.0				

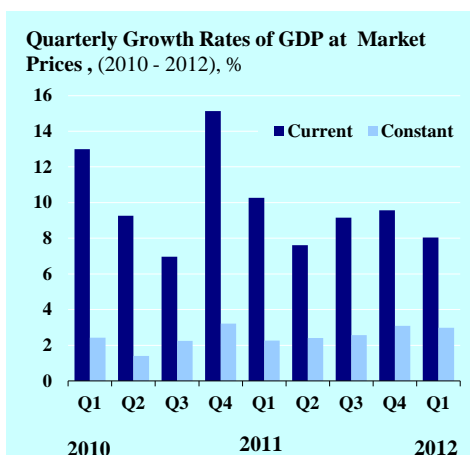
Source: Department of Statistics.

GDP at current prices grew by 8.0 percent compared to 10.3 percent during the first quarter 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 quarter of 2012, compared to 7.8 percent during the same quarter of 2011.

Analyzing the developments of economic sectors showed that all sectors witnessed positive real growth at divergent rates during the first quarter of 2012, except **“mining and quarrying”** sector which shrank by 1.3 percent compared to growth by 43.0 percent during the same quarter of 2011. Some sectors recorded notable improvement in

performance; **“construction”**, **“electricity and water”** and **“restaurant and hotels”** sectors grew by 2.8 percent, 8.9 percent and 14.2 percent compared to a contraction by 23.6 percent, 1.0 percent and 3.3 percent during the first quarter of 2011, respectively. In addition, the sectors of **“transport, storage and communications”**, **“manufacturing”** and **“agriculture”** witnessed an accelerated improvement; growing at 4.3 percent, 3.7 percent and 3.6 percent, respectively, against a growth amounting to 1.3 percent, 3.3 percent, and 2.2 percent, during the first quarter of 2011 respectively. In contrast, the sectors of **“wholesale and retail trade”**, **“finance, insurance, real estate and business services”**, and **“producers of government services”** experienced a slowdown; growing at 2.0 percent, 1.9 percent and 1.8 percent, respectively, compared to 4.8 percent, 5.6 percent and 3.0 percent, respectively, during the first quarter of 2011.

The contribution of commodity - and service - producing sectors in the overall GDP growth rate, at constant basic prices, amounted to 1.1 percentage points and 2.0 percentage points, respectively, during the first quarter of 2012, compared to 0.03 percentage point and 2.47 percentage points, respectively, during the first quarter of 2011.



■ Microeconomic Indicators

- Industrial production quantity index improved by 2.8 percent during the first five months of 2012 against a slight decline amounting to 0.5 percent during the same period of 2011. This can be attributed to the following:
 - Manufacturing production quantity index grew by 3.4 percent against a decline amounting to 3.0 percent during the same period of 2011. This came as a result of the improvement in the production of some items, particularly; “refined petroleum products” (6.0 percent), and “iron and steel” (6.9 percent), on one hand, and the decrease in “cement” (12.4 percent), and “food products and beverages” (2.1 percent) on the other.
 - Electricity production quantity index grew by 15.9 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 29.1 percent during the same period of 2011, as the production of phosphate contracted by 12.7 percent and the production of potash by 15.2 percent.
- The number of passengers through the Royal Jordanian recorded a remarkable growth.
- The number of departures declined.
- “Quantities of exported and imported goods shipped through the Aqaba port”, “Cargo through the Royal Jordanian”, and “licensed areas for buildings” recorded a decelerated growth in their performances.

Summary of the Main Sectoral Indicators:

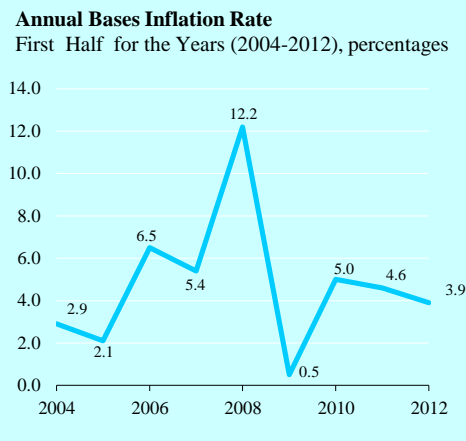
Percentages*					
2011	Item	Available Period			
		2011		2012	
Industrial Sector					
-0.3	Industrial production quantity index	-0.5	January - May	2.8	
-2.2	Manufacturing production quantity index	-3.0		3.4	
-4.2	Food products and beverages	-1.9		-2.1	
-5.0	Refined petroleum products	4.2		6.0	
9.9	Iron and steel	1.7		6.9	
-26.5	Cement, lime and plaster	-34.6		-12.4	
-1.3	Chemical products	-2.3		-0.7	
16.5	“Mining and quarrying” production quantity index	29.1		-13.6	
16.8	Phosphate	20.7		-12.7	
17.2	Potash	44.0		-15.2	
4.5	Electricity production quantity index	0.5		15.9	
25.7	Licensed areas for (residential and non-residential) buildings	37.2		January - May	7.3
6.2	The number of passengers through the Royal Jordanian	4.1		January - March	25.9
13.8	Quantities of exported and imported goods shipped through the Aqaba port	20.7	January - June	2.8	
-3.8	Cargo through the Royal Jordanian	10.7	January - March	2.1	
-21.5	Number of departures	-18.4	January - June	-4.3	

*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 half of 2012 compared to the same period of 2011. The inflation rate, measured by the percentage change in the CPI, stood at 3.9 percent, compared to 4.6

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 half of 2012:

- ◆ “Food items”, constitute about 36.7 percent of the CPI basket. The prices of this group increased by 4.2 percent during the first half of 2012 compared to an increase of 4.7 percent in the same period of 2011. The contribution of this group to the overall rate of inflation reached 1.5 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” (6.4 percent), and “sugar and confectionaries” (5.1 percent). At the same time, prices of

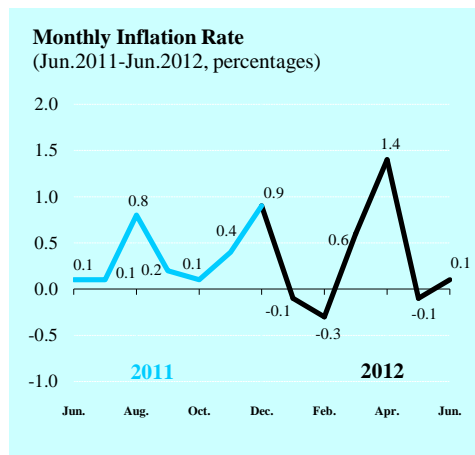
“vegetables”, “fruits”, and “cereals and products” have declined by 4.4 percent, 3.4 percent, and 1.4 percent, respectively.

- ◆ **“Clothing and footwear”** group has the least weight in the CPI basket (5.0 percent). **The average price level for this group increased by 5.4 percent during the first half of 2012 compared to an increase of 5.2 percent in the same period of 2011. Accordingly, the group's contribution to the overall inflation rate reached 0.3 percentage point during the first half of 2011.** The increase in the prices of this group during the first half of 2012 was affected by the rise in the prices of “clothes” and “footwear” items, which grew by 5.4 percent and 5.5 percent, respectively, compared to 5.2 percent and 5.0 percent respectively, during the first half of 2011.

- ◆ **“Housing”** expenses account for 26.8 percent of the CPI basket. **The prices of housing increased by 2.7 percent during the first half of 2012 compared to an increase of 4.0 percent in the same period of 2011. Accordingly, this group contributed to the overall inflation rate by 0.7 percentage point during the first half of 2012.** The increase in the prices of this group was driven by the rise in the prices of “rents” item by 4.0 percent. In addition, prices of other items showed a varied increase ranging from 0.4 percent for “fuels and lighting” and 4.2 percent for “house utensils”.

- ◆ **“Other goods and services”** account for 31.6 percent of the CPI basket. **The prices of this group increased by 4.3 percent during the first half of 2012 compared to 5.0 percent in the same period of 2011. Accordingly, this group contributed 1.4 percentage points to the overall inflation rate during the first half of 2012.** The increase in the prices of this group was a result of the rise in the prices of “medical care” (8.9 percent), “personal care” (7.5 percent), “recreation” (3.4 percent), and “education” (3.1 percent). While the prices of “transportation” increased by 4.4 percent compared to 7.9 percent, during the same period of 2011.

Moreover, **the CPI in June 2012 increased slightly by 0.1 percent compared with May 2012.** This was mainly due to the rise in the prices of “rents” and “transportation and communication” on one hand, and the decrease in other items, most noticeably “vegetables”, “fruits” and “personal care” 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 second quarter of 2012 reached 38.3 percent (61.7 percent for males against 14.1 percent for females) compared to 39.7 percent (63.3 percent for males against 15.2 percent for females) during the same quarter of 2011.
- ◆ The employed rate among the age group 15 years and above reached 33.8 percent during the second quarter of 2012. The employed workers in the sector of “public administration, defense, and social security” accounted for 25.0 percent of the total employed, followed by workers in the “wholesale and retail trade” sector (15.6 percent). The remaining percent is distributed among sectors of education, manufacturing, and other.
- ◆ The unemployment rate (unemployed percent of the labor force) in the second quarter of 2012 reached 11.6 percent (10.3 percent for males and 17.8 percent for females) compared to 13.2 percent (11.3 percent for males and 21.4 percent for females) during the same quarter of 2011. The unemployment rate among the academic degree holders (Bachelor Degree and higher) reached 14.1 percent.

Third : Public Finance

□ Summary:

- The general budget, including foreign grants, recorded a fiscal deficit in the amount of JD 251.2 million during the first five months in 2012, comparing to a fiscal deficit in the amount of JD 41.8 million, during the same period in 2011. Excluding foreign grants (JD 21.7 million), the general budget deficit reaches to JD 272.9 million compared to a deficit in the amount of JD 356.8 million during the same period in 2011.
- Gross outstanding domestic public debt (budgetary and own-budget) reached to JD 11,216.0 million (50.5 percent of GDP), at the end of May 2012, reflecting a rise amounting to JD 1,220.0 million compared to its level at the end of 2011.
- Net outstanding domestic public debt increased by JD 1,385.0 million at the end of May 2012, to reach JD 10,300.0 million (46.4 percent of GDP).
- Outstanding external public debt (budgetary and guaranteed) increased by JD 56.0 million at the end of May 2012, compared to its level at the end of 2011, to stand at JD 4,542.8 million (20.4 percent of GDP).

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

■ Public Revenues

Public revenues (including foreign grants) decreased by JD 351.9 million, or 50.2 percent, in May 2012 comparing to the same month in 2011 to reach JD 349.2 million. As for the first five months in 2012, these revenues were down by JD 70.2 million, or 3.1 percent, compared to the same period in 2011 to stand at JD 2,164.8 million. This result was driven by the increase in domestic revenues by JD 223.1 million, on one hand, and the drop in foreign grants by JD 293.3 million, on the other.

Main Government Budget Indicators during May and the First Five Months in 2012 and 2011:

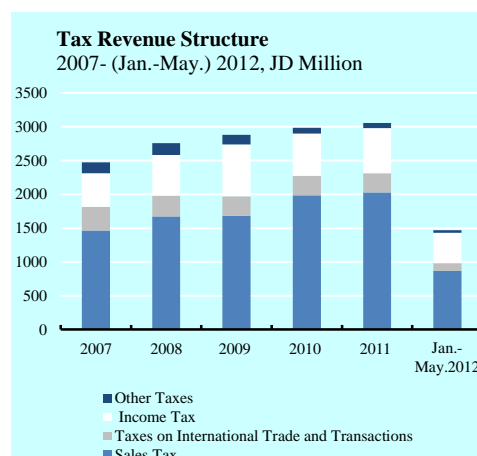
(JD Million and Percentages)

	May		Growth Rate %	Jan. – May		Growth Rate %
	2011	2012		2011	2012	
Total Revenues and Grants	701.1	349.2	-50.2	2235.0	2164.8	-3.1
Domestic Revenues, of which:	403.9	344.7	-14.7	1920.0	2143.1	11.6
Tax Revenues, of which:	240.2	257.1	7.0	1377.3	1469.8	6.7
General Sales Tax	175.4	189.4	8.0	805.0	866.5	7.6
Other Revenues, of which:	162.0	85.1	-47.5	534.2	663.5	24.2
Land Registration Fees	10.9	20.8	90.8	53.5	76.1	42.2
Foreign Grants	297.2	4.5	-98.5	315.0	21.7	-93.1
Total Expenditures	594.3	561.4	-5.5	2276.8	2416.0	6.1
Overall Deficit/ Surplus	106.8	-212.2		-41.8	-251.2	

Source: Ministry of Finance/ General Government Finance Bulletin.

◆ Domestic Revenues

Domestic revenues increased by JD 223.1 million, or 11.6 percent, during the first five months in 2012 compared to the same period in 2011, to reach JD 2,143.1 million. This increase was a result of; the rise in the proceeds of “other revenues”, “tax revenues” and “pension contributions” by JD 129.3 million, JD 92.5 million and JD 1.3 million, respectively.



◀ Tax Revenues

Tax revenues increased by JD 92.5 million, or 6.7 percent, during the first five months in 2012 compared to the same period in 2011, to reach JD 1,469.8 million (68.6 percent of domestic revenues). This increase was driven by:

- **The increase in the proceeds of general sales tax on goods and services** by JD 61.5 million which reached JD 866.5 million. This result was driven by the increase in the proceeds of most its items specifically, the proceeds of “sales tax on imported goods”, “sales tax on services” and “sales tax on domestic goods” have increased by JD 13.3 million, JD 9.6 million and JD 40.2 million, respectively. However, the proceeds of “sales tax on commercial sector” decreased by JD 1.6 million.
- **The increase in the proceeds of “income and profit taxes”** by JD 18.1 million or 4.2 percent, which reached JD 452.7 million. This increase was due to the rise in the proceeds of “income tax from companies and other projects” by JD 25.8 million, and the drop in the proceeds of “income tax from individuals” by JD 7.7 million. Accordingly, income tax from companies accounted for 87.2 percent of total taxes on income and profits to reach JD 394.7 million (of which JD 174.4 million from banks and financial institutions).
- **The increase in the proceeds of “taxes on international trade and transactions”** by JD 2.4 million or 2.1 percent,

which reached JD 114.3 million. This result was driven by the increase in the proceeds of “customs duties and fees” by JD 2.4 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 129.3 million, or 24.2 percent, during the first five months in 2012 to reach JD 663.5 million. This increase was an outcome of:

- The rise in property income by JD 89.6 million to stand at JD 239.8 million (of which financial surplus of independent government units amounted to JD 229.2 million).
- The increase in revenues from selling goods and services by JD 40.8 million to stand at JD 281.0 million.
- The decrease in miscellaneous revenues by JD 1.1 million to reach JD 142.7 million.

◀ **Pension Contributions**

Pension contributions were up by JD 1.3 million during the first five months in 2012 compared to the same period in 2011 standing at JD 9.8 million.

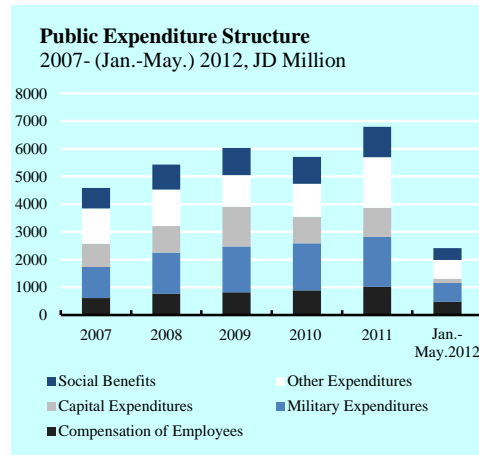
◆ **Foreign Grants**

Foreign grants were down by JD 293.3 million during the first five months in 2012 comparing to the same period in 2011, standing at JD 21.7 million.

■ Public Expenditures

Public expenditures witnessed an increase by JD 32.9 million, or 5.5 percent, in May 2012 compared to the same month in 2011 to stand at JD 561.4 million. However, public expenditures rose by JD 139.2 million, or 6.1 percent

during the first five months in 2012, to stand at JD 2,416.0 million. This increase was an outcome of the rise in current expenditures by 8.4 percent and the drop in capital expenditures by 19.4 percent.



◆ Current Expenditures

Current expenditures increased by JD 175.6 million, or 8.4 percent, during the first five months in 2012, to reach JD 2,264.7 million. This increase was due to:

- The rise in the compensation of civil sector's employees (wages, salaries and social security contributions) by JD 66.8 million to reach JD 478.9 million.
- The increase in social benefit expenditures by JD 40.1 million to stand at JD 432.6 million.

- The increase in good's subsidies by JD 104.3 million to stand at JD 256.4 million.
- The increase in interest payments, on internal and external public debt, by JD 35.3 million to stand at JD 214.4 million.
- The decrease in military expenditures by JD 56.1 million to total JD 672.9 million.
- The drop in “purchases of goods and services” by JD 25.1 million to stand at JD 84.9 million.

◆ Capital Expenditures

Capital expenditures decreased by JD 36.4 million, or 19.4 percent during the first five months in 2012 comparing to the same period in 2011, to reach JD 151.3 million.

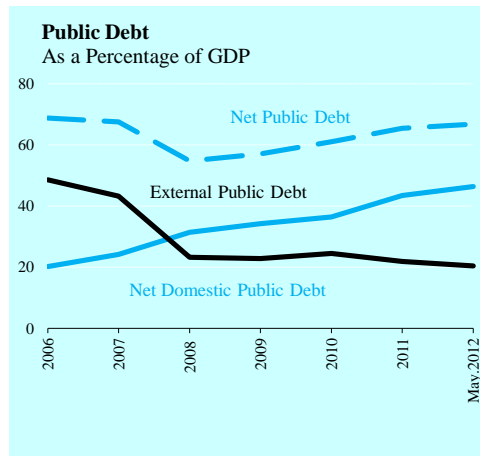
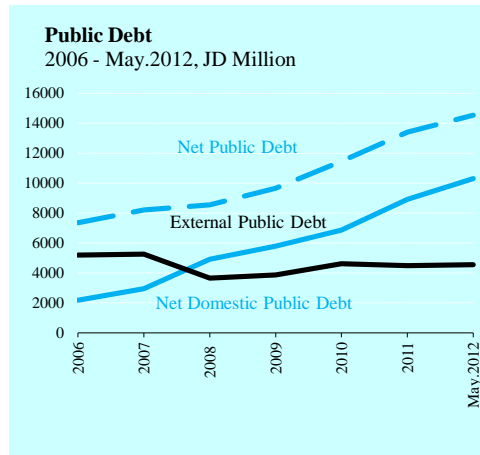
■ General Budget Deficit/ Surplus

- ◆ **The general budget, including grants, displayed a fiscal deficit amounted to JD 251.2 million during the first five months in 2012**, against a fiscal deficit of JD 41.8 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 36.8 million during the first five months in 2012**, against a primary surplus of JD 137.3 million during the same period in 2011.

Public Debt

Gross outstanding domestic public debt of the government (budgetary and own-budget agencies) had increased by JD 1,220.0 million at the end of May 2012 compared to its level at the end of 2011 to reach JD 11,216.0 million, or 50.5 percent of GDP. This rise was an outcome of the increase in the budgetary domestic public debt by JD 370.0 million and the increase in the gross outstanding domestic debt for own-budget agencies by JD 850.6 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 606.6 million to reach JD 786.5 million at the end of May 2012 compared to JD 179.9 million at the end of 2011 due to the increase 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 1,385.0 million at the end of May 2012** comparing to its level at the end of 2011 to total JD 10,300.0 million, or 46.4 percent of GDP. The aforementioned increase was an outcome of the rise in gross outstanding domestic public debt by JD 1,220.0 million, and the decrease in the government deposits at the banking system by JD 164.0 million comparing to their level at the end of 2011.
- **Outstanding balance of external public debt (budgetary and guaranteed) increased** by JD 56.0 million at the end of May 2012 compared to its level at the end of 2011, amounting to JD 4,542.8 million (20.4 percent of GDP). The currency debt structure shows that external debt in US dollars accounted for 41.5 percent, while debt in Euros accounted for 7.9 percent. Further, external debt in Japanese Yen and Kuwaiti Dinars accounted for 20.8 percent and 18.7 percent of the outstanding external public debt, respectively.
- **Net public debt (domestic and external) increased** by JD 1,441.0 million at the end of May 2012 comparing to its level at the end of 2011 to stand at JD 14,842.8 million, or 66.8 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 1.4 percentage points compared to its level at the end of 2011.
- **External debt service (budgetary and guaranteed)** amounted to JD 202.8 million during the first five months in 2012 (of which interest payments amounting to JD 45.6 million) compared to JD 181.5 million (of which interest payments amounting to JD 47.0 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 July 2012, while maintaining the prices on Diesel and Kerosene unchanged in addition for liquid Gas Cylinder as follows:

Oil Derivatives Price Developments				
	Unit	2012		Change %
		June	July	
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	657	553.0	-15.8
Fuel oil for airplanes (foreign companies)	Fils/Liter	662	558.0	-15.7
Fuel oil for unplanned flights	Fils/Liter	677	573.0	-15.4
Asphalt	JD/Ton	595.7	595.7	0.0

Source: Jordan Petroleum Refinery CO.

- The Executive Board of the International Monetary Fund (IMF) approved a 36-month SDR 1.364 billion (about US\$ 2.06 billion) Stand-By Arrangement for Jordan to support the

country's economic program during 2012-2015 to address fiscal and external challenges and foster sustainable growth. The approval makes SDR 255.75 million (about US\$ 385.35 million) immediately available, and the remaining amount will be phased in over the duration of the program, subject to quarterly reviews. The Stand-By Arrangement entails exceptional access to IMF resources, amounting to 800 percent of Jordan's quota in the fund (August 2012).

□ Grants, Loans and Other Agreements

- Signing a soft loan agreement between the government of Jordan and the German Bank of Reconstruction (KfW), in the amount of €23.5 million to fund important projects for the water sector (June 2012).
- Signing a loan guarantee agreement between the Government of Jordan and Kuwait Fund for Arab Development in amount of KD 15 million (equivalent to around JD 37 million) to contribute in financing the third expansion project of AL-Samra power station (July 2012).

Fourth: External Sector

□ Summary

- **Total merchandize exports** (domestic exports *plus* re-exports) decreased by 10.3 percent in May 2012 compared to the same month in 2011 to record JD 463.7 million. As for the first five months in 2012, total merchandize exports decreased by 2.2 percent to reach JD 2,289.5 million.
- **Merchandize imports** increased by 0.2 percent in May 2012 compared to the same month in the previous year amounting to JD 1,276.7 million. As for the first five months in 2012, merchandize imports were up by 15.0 percent to total JD 6,339.4 million.
- Consequently, the **trade balance deficit** (total exports *minus* imports) increased by 7.3 percent in May 2012 compared to the same month in 2011 standing at JD 813.0 million. As for the first five months in 2012, the trade deficit expanded by 27.7 percent to reach JD 4,049.9 million.
- **Travel receipts and payments** increased by 37.5 percent and 17.0 percent in June 2012, compared to the same month in the preceding year, to record JD 222.6 million and JD 96.1 million, respectively. As for the first half in 2012, travel receipts and travel payments increased by 19.1 percent and 2.3 percent, to reach JD 1,203.9 million and JD 407.2 million, respectively.
- **Total workers' remittances receipts** increased by 15.9 percent in June 2012 compared to the same month in 2011 to reach JD 251.7 million. As for the first half of 2012, total worker's remittances increased by 1.7 percent to reach JD 1,229.8 million.
- **The current account of the balance of payments** displayed a deficit of JD 1,395.2 million during the first quarter of 2012 compared to a deficit of JD 488.1 million in the same quarter in 2011.
- **Net FDI inflows to Jordan** recorded JD 177.2 million during the first quarter of 2012, down from JD 255.1 million during the same period in 2011.

- **International Investment Position (IIP)** recorded an increase of JD 1,915.2 million over its level at the end of December 2011. Accordingly net obligation to abroad reached JD 16,803.5 million at the end of the first quarter of 2012;

□ External Trade

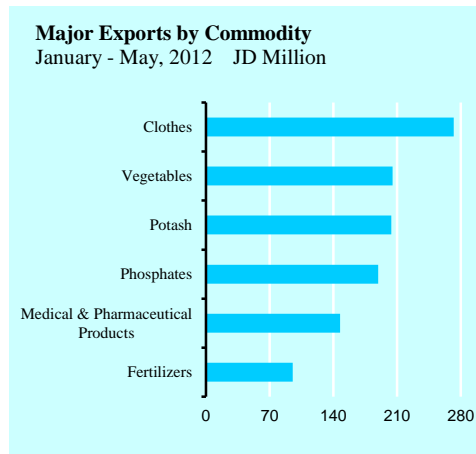
As a result of the decrease in domestic exports by JD 63.8 million and the increase in imports by JD 828.5 million, during the first five months of 2012, the volume of external trade (domestic exports *plus* imports) increased by JD 764.7 million to stand at JD 8,257.2 million.

Jordan's Major Trade Partners Jan. – May 2011- 2012, JD Million				Developments of External Trade Indicators, JD Million				
	2011	2012	Percentage Change	Jan. – May				
	2011	2012	Percentage Change	2011	Percentage Change 2010/2011	2012	Percentage Change 2011/2012	
Exports				External Trade	7492.5	24.9	8257.2	10.2
United States	262.9	289.9	10.3	Total Exports	2340.2	16.2	2289.5	-2.2
Iraq	351.8	248.3	-29.4	Domestic Exports	1981.6	16.4	1917.8	-3.2
India	195.6	193.6	-1.0	Re-exports	358.6	15.6	371.7	3.7
Saudi Arabia	171.9	189.8	10.5	Imports	5510.9	28.2	6339.4	15.0
Syria	110.0	100.5	-8.6	Trade Balance	-3170.7	38.8	-4049.9	27.7
Indonesia	44.5	79.1	77.8	Source: Department of Statistics.				
China	68.0	73.5	8.1					
Imports								
Saudi Arabia	1220.1	1698.6	39.2					
China	530.2	560.8	5.8					
United States	377.9	417.3	10.4					
Germany	300.7	241.7	-19.6					
Egypt	227.2	235.7	3.7					
Belarus	-	228.9	-					
Russia	235.4	218.2	-7.3					
Source: Department of Statistics.								

■ Merchandize Exports:

Total merchandize exports decreased by 2.2 percent during the first five months of 2012 compared to a 16.2 percent increase during the same period in 2011, to record JD 2,289.5

million. This decrease resulted from a decrease in domestic exports by JD 63.8 million or 3.2 percent to record JD 1,917.8 million, and an increase in re-exports by JD 13.1 million or 3.7 percent to reach JD 371.7 million.



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

- Exports of **phosphates** increased by JD 20.2 million, or 12.0 percent, to register JD 189.2 million, compared to an increase of 68.7 percent during the first five months in 2011. This increase was mainly due to the increase in prices by 32.2 percent and decrease in exported quantities by 15.3 percent. The Indian, Indonesian and Bulgarian Markets accounted for 87.2 percent of these exports.

- Exports of **potash** decreased by JD 26.3 million, or 11.4 percent, to stand at JD 203.7 million.
- Exports of **medical and pharmaceutical products** increased by JD 15.2 million, or 11.5 percent, to reach JD 147.1 million, compared to a decrease of 5.6 percent during the first five months in 2011. The Saudi, Algerian, Iraqi and Sudanese Markets accounted for 57.3 percent of these exports.
- Exports of **vegetables** decreased by JD 11.4

Major Domestic Exports by Commodity

Jan.-May 2011 - 2012, JD Million

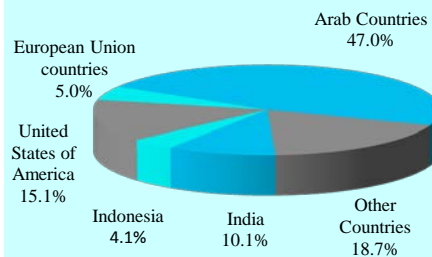
	2011	2012	Percentage Change
Domestic Exports	1981.6	1917.8	-3.2
Clothes	254.1	272.0	7.0
United States	233.4	253.4	8.6
Vegetables	216.4	205.0	-5.3
Syria	70.2	67.9	-3.3
Iraq	71.6	27.0	-62.3
UAE	12.6	17.8	41.3
Potash	230.0	203.7	-11.4
Phosphates	169.0	189.2	12.0
India	109.8	117.9	7.4
Indonesia	15.1	33.5	121.9
Bulgaria	3.2	13.6	326.4
Medical & Pharmaceutical Products	131.9	147.1	11.5
Saudi Arabia	29.3	34.8	18.8
Algeria	16.4	23.2	41.5
Iraq	10.2	13.2	29.4
Sudan	12.5	13.1	4.8
Fertilizers	116.6	95.2	-18.4
India	30.2	35.9	18.9
Ethiopia	67.3	20.9	-68.9
Turkey	0.2	16.8	-

Source: Department of Statistics.

million, or 5.3 percent, to total JD 205.0 million, compared to an increase of 15.4 percent during the first five months of 2011. Syrian, Iraqi and the UAE markets were the main destinations of these exports accounting for 55.0 percent. This decrease was mainly due to the decline of vegetables export to the Iraqi market by JD 44.6 million.

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

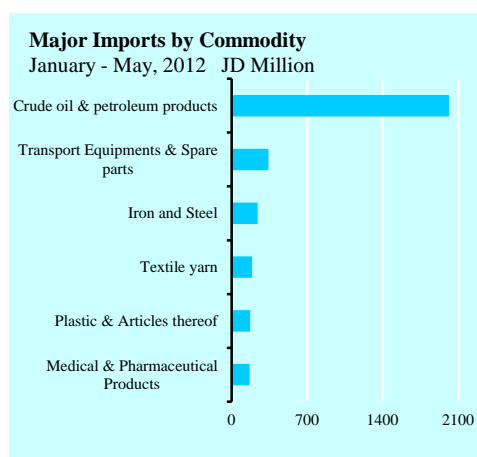
Geographic Distribution of Domestic Exports
January - May, 2012



domestic exports during the first five months of 2012 accounting for 58.0 percent of domestic exports up from 56.4 percent during the same period of 2011. Meanwhile, the geographical distribution of domestic exports indicates that the USA, Iraq, India, Saudi Arabia, Syria, Indonesia and China were the main destination markets for Jordanian domestic exports during the first five months of 2012; accounting for 61.3 percent of domestic exports, up from 60.8 percent during the same period in 2011.

■ Merchandize Imports:

Merchandize imports amounted to JD 6,339.4 million during the first five months of 2012, increasing by JD 828.5 million, or 15.0 percent, compared to a similar increase by 28.2 percent during the same period of 2011.



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

- **Petroleum products** imports increased by JD 514.4 million, or 104.3 percent, to total JD 1,007.8 million compared to an increase of 129.5 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 152.8 million, or 17.9 percent, to reach JD 1,006.9 million, compared to a rise by 69.5 percent during the same period in 2011. This increase was attributed to the rise in the prices of oil by 9.5 percent and the increase in the imported quantities by 7.7 percent. Also, it's worth noting that most of crude oil imports came from the Saudi market.

- Imports of **Iron & Steel** decreased by JD 6.7 million, or 2.7 percent to reach JD 240.0 million, compared to an increase of 41.7 percent during the corresponding period of 2011. The markets of Ukraine, Turkey and Russia accounted for 54.0 percent of these imports.
- Imports of **Transport equipments and Spare Parts** decreased by JD 9.3 million, or 2.6 percent, to reach JD 341.9 million compared to a decrease by 20.6 percent during the same period of 2011. South Korea, Germany and the USA were the main origin markets for these imports; accounting for 65.4 percent of these imports.

Major Imports by Commodity

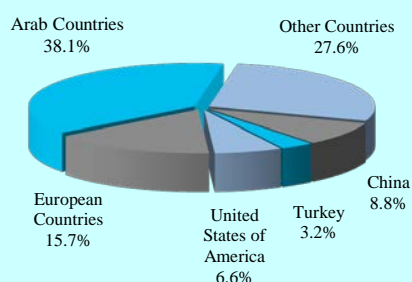
Jan.-May 2011- 2012, JD Million

	2011	2012	Percentage Change
Total Imports	5510.9	6339.4	15.0
Crude Oil	854.1	1006.9	17.9
Saudi Arabia	755.0	981.0	29.9
Petroleum Products	493.4	1007.8	104.3
Saudi Arabia	104.3	247.2	137.0
Belarus	0.0	228.9	-
United States	29.0	107.6	271.0
Transport Equipments and Spare Parts	351.2	341.9	-2.6
South Korea	110.5	120.5	9.0
Germany	81.4	51.7	-36.5
United States	33.9	51.3	51.3
Iron & Steel	246.7	240.0	-2.7
Ukraine	52.7	87.2	65.5
Turkey	72.4	22.5	-68.9
Russia	25.6	19.9	-22.3
Textile Yarn, Fabrics & Related Products	178.7	189.6	6.1
China	80.2	79.9	-0.4
Taiwan	37.8	43.7	15.6
Turkey	10.3	15.0	45.6
Plastic & Articles Thereof	159.9	174.0	8.8
Saudi Arabia	75.5	88.1	16.7
Kuwait	9.4	10.9	16.0
UAE	6.1	7.3	19.7
Medical and pharmaceutical products	153.0	167.8	9.7
Germany	16.8	23.6	40.5
France	18.4	15.2	-17.4
United Kingdom	12.4	14.0	12.9

Source: Department of Statistics.

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

Geographic Distribution of Imports
January - May, 2012



“Medical and pharmaceutical Products” accounted for 49.3 percent of total imports during the first five months of 2012; up from 44.2 percent during The same period in 2011. Meanwhile, the geographical distribution of imports indicates that the markets of Saudi Arabia, China, the USA, Germany, Egypt, Belarus and Russia topped the list of imports sources during the first five months of 2012; accounting for 56.8 percent compared to 52.5 percent during the same period in 2011.

■ Re-Exports

The value of re-exported goods increased by JD 13.1 million, or 3.7 percent during the first five months in 2012, recording JD 371.7 million.

■ Trade Balance

The trade balance deficit during the first five months of 2012 increased by JD 879.2 million, or 27.7 percent to register JD 4,049.9 million compared to the same period in 2011.

□ Total Workers' Remittances Receipts

Total workers' remittances receipts increased by JD 34.6 million or 15.9 percent in June 2012 compared to the same month in 2011 to register JD 251.7 million. As for the first half of 2012, total workers' remittances receipts increased by 1.7 percent to reach JD 1,229.8 million.

□ Travel

■ Receipts

Travel receipts increased by JD 193.1 million, or 19.1 percent, during the first half of 2012 to register JD 1,203.9 million, despite the fall in the number of inbound tourists by 25.1 percent. This increase was mainly due to the rise in the high expenditure inbound tourists.

■ Payments

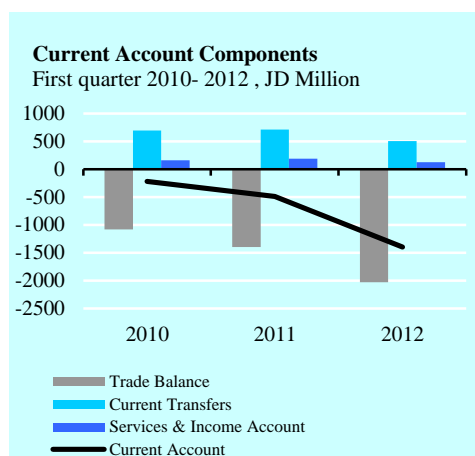
Travel payments increased by 2.3 percent, during the first half of 2012 to stand at JD 407.2 million, compared with JD 398.1 million during the same period in 2011.

□ Balance of Payments

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

- The current account recorded a deficit of JD 1,395.2 million compared to a deficit of JD 488.1 million during the same quarter in 2011. This was an outcome of the following developments:

- An expansion in the trade balance deficit by JD 636.9 million, or 45.7 percent, to reach JD 2,030.7 million in the first quarter of 2012 compared to a deficit amounting to JD 1,393.8 million in the same quarter in 2011.



- Services account recorded a surplus of JD 80.2 million, compared to a surplus of JD 143.4 million during the first quarter of 2011. This was mainly due to the registered surplus of travel (net) and government services (net) by JD 362.3 million and JD 14.8 million, respectively, and to the registered deficit of transportation (net) and other services (net) by JD 267.1 million and JD 29.8 million respectively.
- An increase in the surplus of the income account (net) by JD 1.5 million compared to the same quarter in 2011 to register JD 49.8 million, as a result of the increase in the surplus of investment income (net) by JD 3.7 million, and a decrease in the surplus of compensation of employees (net) by JD 2.2 million.
- A decrease in the surplus of net current transfers by JD 208.5 million; to reach JD 505.5 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 17.0 million and JD 191.5 million, to reach JD 66.6 million and JD 438.9 million, respectively, during the first quarter of 2012. It's worth mentioning that the workers' remittances

receipts decreased by JD 17.4 million or 3.3 percent while workers' remittances payments increased by JD 2.0 million or 2.8 percent during the first quarter of 2012.

- The capital and financial account with the rest of the world showed a decrease in its foreign assets by JD 918.9 million during the first quarter of 2012 compared to a similar decrease in the amount of JD 718.6 million during the same quarter in 2011, this can be attributed to the following:
 - FDI in the Kingdom recorded a net inflow amounted to JD 177.2 million during the first quarter of 2012 compared to JD 255.1 million during the same quarter in 2011.
 - Portfolio investments (net) recorded a net inflow amounted to JD 131.2 million compared to a similar inflow in the amount of JD 71.2 million during the first quarter in 2011.
 - Other investments (net) registered a net outflow in the amount of JD 181.9 million compared to a similar outflow amounting to JD 297.9 million during the same quarter in 2011.
 - A decrease in the reserve assets of the CBJ by JD 799.0 million during the first quarter of 2012 compared to a decrease amounting to JD 699.6 million during the same quarter 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 16,803.5 million at the end of the first quarter of 2012 compared to JD 14,888.3 million at the end of December 2011. This increase was due to the following developments:

- An increase in the position of external liabilities (the stock of claims, obligations and financial assets) on all economic sectors residing in the Kingdom by JD 1,428.7 million at the end of the first quarter of 2012 compared to the end of 2011; to stand at JD 32,586.6 million. This was mainly due to the following outcomes:
 - An increase in the stock of foreign direct investment (FDI) in Jordan by JD 177.4 million to stand at JD 16,768.4 million.
 - An increase in the outstanding balance of external loans extended to the different economic sectors (resident) in the Kingdom by JD 126.9 million; to reach JD 4,684.1 million.
 - An increase in the stock of portfolio investments in the Kingdom by JD 1153.9 million to reach 3,955.1 million.
 - A decrease in the deposits of non-resident at the Jordanian banking system by JD 277.7 million to reach JD 6,184.9 million.
- 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 486.5 million to reach JD 15,783.1 million at the end of the first quarter of 2012 compared to the end of 2011. This decrease was mainly a result of the decline in the CBJ's reserve assets by JD 748.4 million, the increase in the deposits of commercial banks abroad by JD 148.4 million and the increase in foreign assets represented by loans granted by commercial banks to non residents by JD 17.8 million.