



Central Bank of Jordan

Recent Monetary & Economic Developments in Jordan

**Research Dept. Monthly Report
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Central Bank of Jordan

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❑ OUR VISION

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

❑ OUR MISSION

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

❑ OUR VALUES

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

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

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Executive Summary

The real economy registered a growth rate of 3.0 percent during the first quarter of 2012 against 2.3 percent during the same quarter in 2011. Latest available economic indicators on the earlier period of 2012 reveal mixed results. On the one hand, travel receipts, workers' remittances, credit facilities extended by licensed banks, and unemployment rate, recorded significant improvement. On the other hand, current account deficit, and net outstanding public debt show a deterioration in performance.

- **Output, Prices and Employment:** In the first 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 4.0 percent during the first seven months of 2012 compared to 4.7 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\$ 3,872.0 million, or 36.9 percent, at the end of the first seven months of 2012, compared to their level at the end of 2011, standing at US\$ 6,634.1million.
 - Domestic liquidity grew by JD 744.5 million, or 3.1 percent, at the end of the first seven months of 2012, compared to its level at the end of 2011, standing at JD 24,863.4 million.
 - The outstanding balance of credit facilities extended by licensed banks was up by JD 1,383.3 million, or 8.7 percent, at the end of the first seven months of 2012, compared to its level at the end of 2011, standing at JD 17,234.5 million.
 - Total deposits at licensed banks increased by JD 668.4 million, or 2.7 percent, at the end of the first seven months of 2012, compared to their level at the end of 2011, totaling JD25,046.3 million.
 - The Share Price Index (SPI) weighted by the market capitalization of free float shares at the Amman Stock Exchange (ASE) reached 1,852.5 points at the end of the first seven months of 2012, decreasing by 142.6 points, or 7.1 percent, compared to its level at the end of 2011.

- **Public Finance:** During the first half of 2012, the general budget, including foreign grants, recorded a fiscal deficit in the amount of JD 416.6 million, comparing to a fiscal deficit in the amount of JD 261.1 million during the same period in 2011. Net outstanding domestic debt (budgetary and own-budget) increased by JD 1,708.0 million at the end of June 2012, comparing to its level at the end of 2011, to stand at JD 10,623.0 million (47.8 percent of GDP). Outstanding external public debt increased by JD 52.0 million at the end of June 2012 comparing to its level at the end of 2011; to reach JD 4,492.0 million, (20.2 percent of GDP). It is worth mentioning that the net public debt (domestic and external) stood at 68.0 percent of GDP at the end of June 2012.

- **External Sector:** Total merchandize exports (domestic exports *plus* re-exports) decreased by 2.1 percent during the first half of 2012 to reach JD 2,802.2 million. In contrast, the merchandize imports increased by 12.2 percent, totaling JD 7,462.5 million. As a result, the trade deficit expanded by 23.0 percent compared to the same period in the previous year, to reach JD 4,660.3 million. Furthermore, the preliminary figures for the first seven months of 2012 compared to the same period in 2011 showed an increase in travel receipts by 16.5 percent and a decrease in travel payments by 2.7 percent. In addition, total workers' remittances receipts during the first seven months of 2012 increased by 2.7 percent compared to the same period in 2011. preliminary figures of 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 488.1 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\$ 3,872.0 million, or 36.9 percent, at the end of the first seven months of 2012, compared to their level at the end of 2011, standing at US\$ 6,634.1 million. This level of reserves covers around 3.9 months of the Kingdom's imports of goods and services.
- Domestic liquidity increased by JD 744.5 million, or 3.1 percent, at the end of the first seven months of 2012, compared to its level at the end of 2011, to total JD 24,863.4 million.
- The outstanding balance of credit facilities, extended by licensed banks increased by JD 1,383.3 million, or 8.7 percent, at the end of the first seven months of 2012, compared to its level at the end of 2011, to stand at JD 17,234.5 million.
- Total deposits at licensed banks increased by JD 668.4 million, or 2.7 percent, at the end of the first seven months of 2012, in comparison with their level at the end of 2011, totaling JD 25,046.3 million.
- The interest rates on all types of deposits and credit facilities at licensed banks increased at the end of July 2012, except for saving deposits which maintained the same level of the previous year, and the interest rate on discounted bills and bonds which decreased 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 1,852.5 points at the end of the first seven months of 2012, decreasing by 142.6 points, or 7.1 percent, compared to its level at the end of 2011. Moreover, the market capitalization decreased by JD 1,063.8 million or 5.5 percent, compared to its registered level of 2011 to stand at JD 18,208.9 million.

Main Monetary Indicators

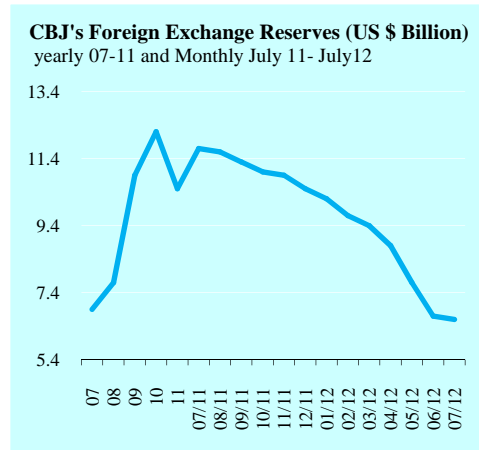
JD Million, and Percentage Change Relative to the Previous Year (%)

Year		End of July	
		2011	2012
US\$ 10,506.1	CBJ's Foreign Currency Reserves	US\$ 11,651.8	US\$ 6,634.1
-14.2%		-4.8%	-36.9%
24,118.9	Money Supply (M2)	23,458.0	24,863.4
8.1%		5.2%	3.1%
15,851.2	Credit Facilities, of which:	15,592.7	17,234.5
9.7%		7.9%	8.7%
14,284.1	Private Sector (Resident)	14,057.0	15,059.7
10.1%		8.3%	5.4%
24,377.9	Total Deposits, of which:	23,614.6	25,046.3
8.3%		4.9%	2.7%
19,119.1	In JD	18,171.5	18,661.3
8.5%		3.1%	-2.4%
5,258.8	In Foreign Currencies	5,443.1	6,385.0
7.6%		11.4%	21.4%
19,905.8	Deposits of Private Sector (Resident), of which:	19,325.6	20,276.4
8.5%		5.4%	1.9%
16,507.6	In JD	15,729.3	15,929.1
8.5%		3.4%	-3.5%
3,398.2	In Foreign Currencies	3,596.3	4,347.3
8.6%		14.9%	27.9%

Source: Central Bank of Jordan / Monthly Statistical Bulletin.

□ CBJ's Foreign Currency Reserves

The CBJ's foreign currency reserves declined by US\$ 3,872.0 million, or 36.9 percent, at the end of July 2012, compared to their levels at the end of 2011, to reach US\$ 6,634.1 million. This level of reserves covers around 3.9 months of the Kingdom's imports of goods and services.



□ Domestic Liquidity (M2)

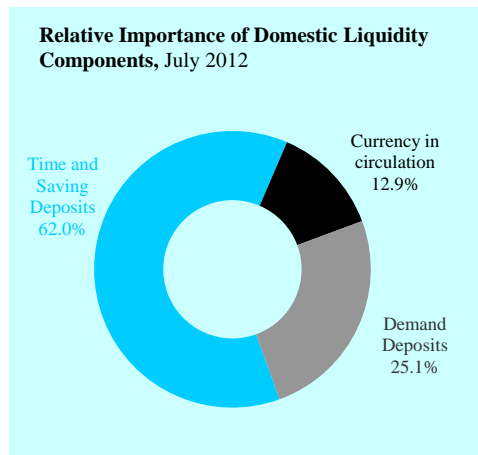
■ Domestic liquidity totaled JD 24,863.4 million at the end of the first seven months of 2012, increasing by JD 744.5 million, or 3.1 percent, compared to an increase of JD 1,151.3 million, or 5.2 percent, during the same period of 2011.

◆ **Developments in the components of domestic liquidity during the first seven months of 2012, reveal the following:**

● **Components of Domestic Liquidity**

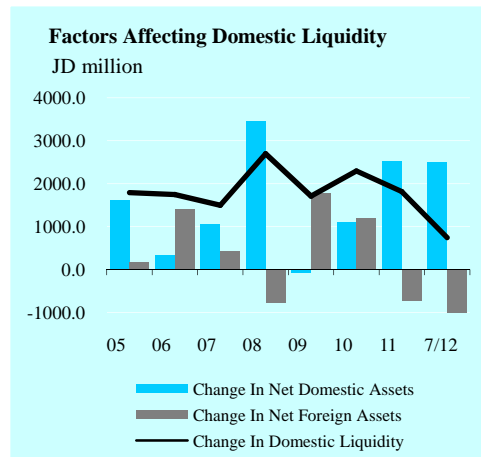
- Deposits increased by JD 562.9 million, or 2.7 percent, at the end of the first seven months of 2012, compared to their level at the end of 2011, to total JD 21,662.5 million, against an increase amounting to JD 922.4 million, or 4.7 percent, at the end of the same period of 2011.

- Currency in circulation increased by JD 181.6 million, or 6.0 percent, at the end of the first seven months of 2012, compared to its level at the end of 2011, to reach JD 3,200.9 million, against an increase in the amount of JD 228.9 million, or 8.0 percent, during the same period of 2011.



• **Factors Affecting Domestic Liquidity**

- Net domestic assets of the banking system increased by JD 2,492.3 million, or 16.9 percent, at the end of July 2012, compared to its level at the end of 2011, against an increase of JD



885.0 million, or 7.2 percent, during the same period of 2011. This increase was a result of the increase in net domestic assets at the CBJ by JD 2,613.3 million, or 44.7 percent, and its decrease at licensed banks by JD 121.0 million, or 0.6 percent.

- Net foreign assets of the banking system decreased by JD 1,747.8 million, or 18.7 percent, at the end of first seven months of 2012, compared to their level at the end of 2011, compared to an increase in the amount of JD 266.3 million, or 2.6 percent, in the same period of 2011. This decrease was an outcome of the decline of these assets at the CBJ by JD 2,439.4 million, or 26.4 percent, and its increase at licensed banks by JD 691.6 million.

Changes in Factors Affecting Domestic Liquidity (M2)
JD Million

Year		Change in balance relative to the end of July	
		2011	2012
-724.9	Foreign Assets (Net)	266.3	-1,747.8
-733.2	CBJ	-295.4	-2,439.4
8.3	Licensed Banks	561.7	691.6
2,537.1	Domestic Assets (Net)	885.0	2,492.3
1,009.9	CBJ, of which:	646.2	2,613.3
46.8	Claims on Public Sector (Net)	-442.1	845.4
962.5	Other Items (Net*)	1,087.8	1,768.0
1,527.2	Licensed Banks	238.8	-121.0
1,744.9	Claims on Public Sector (Net)	661.1	789.2
1,311.5	Claims on Private Sector	1,134.0	759.0
-1,529.2	Other Items (Net)	-1,556.3	-1,669.2
1,812.2	Money Supply (M2)	1,151.3	744.5
175.6	Currency in Circulation	228.9	181.6
1,636.6	Total Deposits, of which:	922.4	562.9
294.3	In Foreign Currencies	488.0	969.9

* 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

- On May 31st, 2012, the CBJ raised the interest rate on the overnight window deposit facility by 50 basis points, and maintained the interest rates on the other monetary policy instruments unchanged. Accordingly, the interest rates on monetary policy instruments became as follows:
 - **Re-Discount Rate:** 5.00 percent.
 - **Interest Rate on Overnight Repurchase Agreements:** 4.75 percent.
 - **Overnight 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.

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

Interest Rates on Monetary Policy Instruments (%)

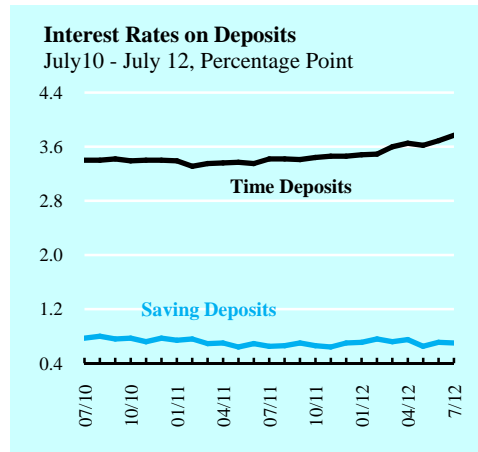
End of year		July	
		2011	2012
4.50	Re-discount Rate	4.50	5.00
4.25	Repurchase Agreements Rate (Repos)	4.25	4.75
2.25	Overnight Deposit Window Rate	2.25	3.25

Source: Central Bank of Jordan / Monthly Statistical Bulletin.

◆ Interest Rates in the Banking Sector

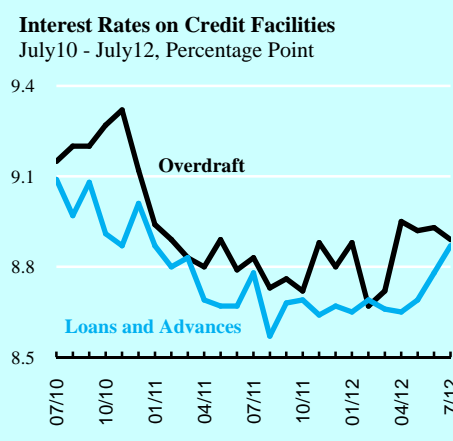
• Interest Rates on Deposits

- **Time Deposits:** The weighted average interest rate on time deposits at the end of July 2012 increased by 8 basis points, compared to their level at the end of the previous month, to stand at 3.77 percent. As a result, this rate was higher than its level at the end of 2011 by 31 basis points.



- **Saving Deposits:** The weighted average interest rate on saving deposits at the end of July 2012 decreased by one basis point compared to its level at the end of the preceding month, thereby reaching 0.70 percent. As a result, this rate is the same level registered at the end of 2011.
 - **Demand Deposits:** The weighted average interest rate on demand deposits at the end of July 2012 increased by two basis points compared to its level registered at the end of the preceding month, standing at 0.45 percent. As a result, this rate is higher than its level at the end of 2011 by two basis points.
- #### • Interest Rates on Credit Facilities
- **Overdraft Accounts:** The weighted average interest rate on overdraft accounts at the end of July 2012 decreased by 4 basis points compared to its level at the end of the previous month, standing at 8.89 percent. Accordingly, this rate is higher than its level recorded at the end of 2011 by 9 basis points.

- **Discounted Bills and Bonds:** The weighted average interest rate on “discounted bills and bonds” increased by 7 basis points at the end of July 2012, compared to its level at the end of the preceding month, to stand at 9.31 percent. As a result, this rate is lower than its level of 2011 by 3 basis points.



- **Loans and Advances:** The weighted average interest rate on “loans and advances” increased by 9 basis points at the end of July 2012, compared to its level at the end of the preceding month, to stand at 8.87 percent. Furthermore, this rate was 20 basis points higher than its level at the end of 2011.
- **The Prime Lending Rate:** This rate stood at 8.34 percent at the end of July 2012, 12 basis points higher than its level at the end of 2011.

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

Year	July		Change Relative to the Preceding Year	
	2011	2012		Basis Points
Deposits				
0.43	Demand	0.48	0.45	2
0.70	Saving	0.65	0.70	0
3.46	Time	3.42	3.77	31
Credit Facilities				
9.34	Discounted Bills and Bonds	9.19	9.31	-3
8.67	Loans and Advances	8.78	8.87	20
8.80	Overdraft	8.83	8.89	9
8.22	Prime Lending Rate	8.19	8.34	12

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 17,234.5 million at the end of the first seven months of 2012, increasing by JD 1,383.3 million, or 8.7 percent, compared to its level at the end of the preceding year, against an increase in the amount of JD 1,141.3 million or 7.9 percent, during the same period of 2011.
- ◆ The classification of extended credit facilities, according to economic activity, during July 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 676.4 million, or 59.6 percent, and the increase in the item "other", which generally represents credit facilities extended to individuals, by JD 269.9 million or 7.9 percent. In addition, credit facilities extended to the industrial sector increased by JD 243.6 million, or 10.6 percent, and for the construction sector by JD 111.3 million, or 3.2 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 seven months of 2012 was mainly due to the credit facilities extended to the private sector (resident), which increased by JD 775.6 million, or 5.4 percent, and to the central government, which increased by JD 651.8 million, compared to their levels at the end of 2011. Furthermore, the credit facilities extended to the non-banking financial institutions increased by JD 3.2 million, or 64.0 percent. Meanwhile, the credit facilities extended to the private sector (non-resident) and to public institutions decreased by JD 27.5 million, or 2.8 percent, and JD 19.9 million, or 5.3 percent, respectively, compared to their levels at the end of 2011.

□ Deposits at Licensed Banks

- ◆ Total deposits at licensed banks stood at JD 25,046.3 million at the end of the first seven months of 2012, increasing by JD 668.4 million, or 2.7 percent, compared to its level in the preceding year, against an increase of JD 1,109.8 million, or 4.9 percent, during the same period of 2011.

- ◆ The increase in total deposits at licensed banks at the end of the first seven months of 2012 was an outcome of the increase of the deposits of the private sector (resident) by JD 370.6 million, or 1.9 percent, and the increase in the deposits of the public sector (central government *plus* public institutions) by JD 139.8, or 9.1 percent, as well as the increase of the deposits of private sector (non-resident) by JD 106.6 million, or 4.0 percent. Moreover, the deposits of non-banking financial institutions increased by JD 51.4 million or 18.6 percent, compared to their levels at the end of 2011.
- ◆ The developments in the currency structure of deposits at the end of the first seven months of 2012 reveal that “deposits in foreign currencies” increased by JD 1,126.2 million, or 21.4 percent, and “deposits in the local currency” decreased by JD 457.8 million, or 2.4 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 first seven months of 2012. This can be demonstrated as follows:

- **Trading Volume**

Trading volume at the (ASE) totaled JD 137.3 million in July 2012; up by JD 5.6 million, or 4.3 percent, compared to its level at the end of the preceding month, against a decrease of JD 13.0 million, or 5.2 percent, during the same month in 2011. However, trading volume stood at JD 1,232.2 million during the first seven months of 2012; a decline amounting to JD 741.8 million compared with the volume registered over the same period in 2011.

- **Traded Shares**

The number of traded shares in July 2012 totaled 194.6 million; up by 38.8 million shares, or 24.9 percent, compared to its level at the previous month, against a decrease amounting to 44.2 million shares, or 12.0 percent, during the same month of 2011. Furthermore, the number of traded shares during the first seven months of 2012 stood at 1,510.8 million shares, compared with 2,817.4 million shares traded during the same period of 2011.

- **Share Price Index (SPI)**

The Share Price Index (SPI) weighted by market capitalization of free float shares at (ASE) decreased by 29.6 points, or 1.6 percent, at the end of July 2012 compared to its level at the end of the preceding month,

to stand at 1,852.5 points, against a decrease in the amount of 10.7 points, or 0.5 percent, during the same month of 2011. As for the first seven months of 2012, the SPI dropped by 142.6 points, or 7.1 percent, compared with its level at the end of 2011, against a drop in the amount of 290.8 points, or 12.3 percent, during the same period of 2011. The above-mentioned drop during the first seven months of 2012 was chiefly attributed to the decline in the SPI for the services and financial sector by 162.4 points, or 9.6 percent, and 156.9 points, or 6.4 percent, respectively, as well as the decline in the SPI for the industrial sector by 108.5 points, or 5.0 percent, compared to their levels at the end of 2011.

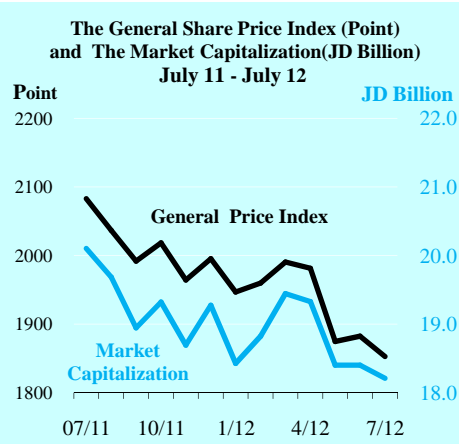
Share Price Index Weighted by Market Capitalization of Free Float Shares by Sector

Year		July	
		2011	2012
1,995.1	General Index	2,082.8	1,852.5
2,443.9	Financial Sector	2,635.5	2,287.0
2,149.9	Industrial Sector	2,256.9	2,041.4
1,693.7	Services Sector	1,653.7	1,531.3

Source: Amman Stock Exchange.

- **Market Capitalization**

The ASE's market capitalization totaled JD 18,208.9 million at the end of July 2012; a decline of 144.9 JD million, or 0.8 percent, compared to its level at the end of the previous month, against an increase of JD 379.1 million,



or 1.9 percent, during the same month of 2011. Furthermore, the market capitalization during the first seven months of 2012 declined by JD 1,063.8 million, or 5.5 percent, compared to its level registered at the end of 2011, against a decline amounting to around JD 1,756.2 million, or 8.0 percent, over the same period of 2011.

• **Non - Jordanian Net Investment**

Non - Jordanian net investment at the (ASE) recorded no flows in July 2012, compared to an inflow of JD 6.6 million during the same month of 2011; the value of shares acquired by non-Jordanians in July 2012 stood at JD 15.3 million, while the value of shares sold by the same group amounted to JD 15.3 million. Moreover, non-Jordanian net investment displayed an inflow

Main Amman Stock Exchange Trading Indicators, JD Million			
Year		July	
2011		2011	2012
2,850.3	Value Traded	235.5	137.3
11.5	Average Daily Trading	11.2	6.0
19,272.7	Market Capitalization	20,102.0	18,208.9
4,072.3	No. of Traded Shares (million)	324.7	194.6
78.6	Net Investment of Non-Jordanian	6.6	0.0
555.8	Non-Jordanian Buying	52.2	15.3
477.2	Non-Jordanian Selling	45.5	15.3

Source: Amman Stock Exchange.

amounting to JD 16.9 million during the first seven months of 2012, against an inflow in the amount of JD 83.9 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 4.0 percent during the first seven months of 2012, compared to 4.7 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 1.8 percent during the first half of 2012 against a slight decline amounting to 0.7 percent during the same period of 2011. This can be attributed to the following:
 - Manufacturing production quantity index grew by 2.5 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” (8.5 percent), and “iron and steel” (0.8 percent), on one hand, and the decrease in “cement” (17.0 percent), and “food products and beverages” (1.6 percent) on the other.
 - Electricity production quantity index grew by 14.1 percent, owing to the increasing demand of manufacturing sectors for electricity.
 - “Mining and quarrying” production quantity index decreased by 15.1 percent against a growth by 25.0 percent during the same period of 2011, as the production of phosphate contracted by 16.4 percent and the production of potash by 14.2 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:

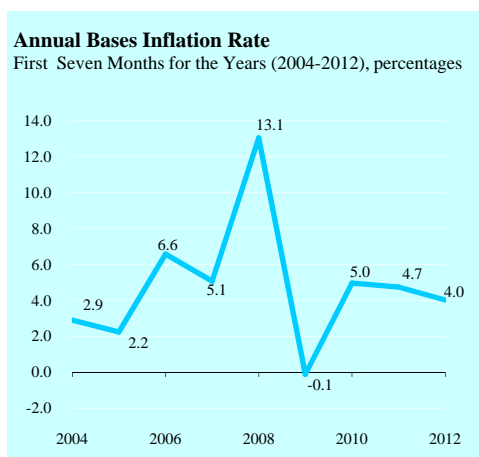
Percentages*					
2011	Item	Available Period			
		2011		2012	
Industrial Sector					
-0.3	Industrial production quantity index	-0.7	January - June	1.8	
-2.2	Manufacturing production quantity index	-3.0		2.5	
-4.2	Food products and beverages	-1.9		-1.6	
-5.0	Refined petroleum products	-0.6		8.5	
9.9	Iron and steel	4.5		0.8	
-26.5	Cement, lime and plaster	-29.4		-17.0	
-1.3	Chemical products	-2.1		-1.9	
16.5	“Mining and quarrying” production quantity index	25.0		-15.1	
16.8	Phosphate	18.5		-16.4	
17.2	Potash	36.8		-14.2	
4.5	Electricity production quantity index	1.4		14.1	
25.7	Licensed areas for (residential and non-residential) buildings	33.6		January - June	7.1
6.2	The number of passengers through the Royal Jordanian	6.9		January - July	10.9
13.8	Quantities of exported and imported goods shipped through the Aqaba port	21.8	January - July	1.8	
-3.8	Cargo through the Royal Jordanian	1.5	January - July	1.0	
-21.5	Number of departures	-21.4	January - June	-6.8	

*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 seven months of 2012 compared to the same period of 2011. The inflation rate, measured by the percentage change in the CPI, stood at 4.0

percent, compared to 4.7 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 seven months of 2012:

- ◆ “Food items”, constitute about 36.7 percent of the CPI basket. The prices of this group increased by 4.3 percent during the first seven months of 2012 compared to an increase of 4.9 percent in the same period of 2011. The contribution of this group to the overall rate of inflation reached 1.6 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” (6.3 percent), and “sugar and confectionaries” (4.9 percent). At the same time, prices of

“fruits”, “vegetables” and “cereals and products” have declined by 2.9 percent, 1.9 percent, and 1.2 percent, respectively.

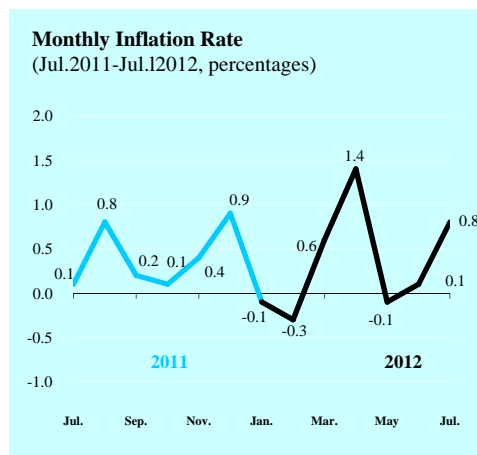
- ◆ **“Clothing and footwear”** group has the least weight in the CPI basket (5.0 percent). **The average price level for this group during the first seven months of 2012 maintained its increase during the same period of the last year (5.2 percent). The group's contribution to the overall inflation rate reached 0.3 percentage point during the first seven months of 2011.** The increase in the prices of this group during the first seven months of 2012 was affected by the rise in the prices of “clothes” and “footwear” items, which grew by 5.3 percent and 5.2 percent, respectively, compared to 5.3 percent and 5.1 percent respectively, during the first seven months of 2011.

- ◆ **“Housing”** expenses account for 26.8 percent of the CPI basket. **The prices of housing increased by 2.6 percent during the first seven months 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 seven months of 2012.** The increase in the prices of this group was driven by the rise in the prices of “rents” item by 3.9 percent. In addition, prices of other items showed a varied increase ranging from 0.5 percent for “fuels and lighting” and 3.9 percent for “house utensils”.

- ◆ **“Other goods and services”** account for 31.6 percent of the CPI basket. **The prices of this group increased by 4.6 percent during the first seven months of 2012 compared to 5.1 percent in the same period of 2011. Accordingly, this group contributed 1.4 percentage points to the overall inflation rate during the first seven months of 2012.** The increase in the prices of this group was a result of the rise in the prices of “medical care” (8.7 percent), “personal care” (6.8 percent), “recreation” (3.3 percent), and “education” (3.1 percent). While the prices of “transportation” increased by 5.4 percent compared to 7.8 percent, during the same period of 2011.

Moreover, **the CPI in July 2012 increased slightly by 0.8 percent compared with June 2012.** This was mainly due to the rise in the prices of “vegetables”, “meat and poultry” and “transportation and

communication” on one hand, and the decrease in other items, most noticeably “fruits” and “cereals and products” 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 416.6 million during the first half of 2012, comparing to a fiscal deficit in the amount of JD 261.1 million, during the same period in 2011. Excluding foreign grants (JD 25.2 million), the general budget deficit reaches to JD 441.8 million compared to a deficit in the amount of JD 576.1 million during the same period in 2011.
- Gross outstanding domestic public debt (budgetary and own-budget) reached to JD 11,555.0 million (52.0 percent of GDP), at the end of June 2012, reflecting a rise amounting to JD 1,559.0 million compared to its level at the end of 2011.
- Net outstanding domestic public debt increased by JD 1,708.0 million at the end of June 2012, to reach JD 10,623.0 million (47.8 percent of GDP).
- Outstanding external public debt (budgetary and guaranteed) increased by JD 5.2 million at the end of June 2012, compared to its level at the end of 2011, to stand at JD 4,492.0 million (20.2 percent of GDP).

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

■ Public Revenues

Public revenues (including foreign grants) increased by JD 23.4 million, or 7.4 percent, in June 2012 comparing to the same month in 2011 to reach JD 339.3 million. As for the first half of 2012, these revenues were down by JD 46.8 million, or 1.8 percent, compared to the same period in 2011 to stand at JD 2,504.1 million. This result was driven by the drop in foreign grants by JD 289.8 million, on one hand, and the increase in domestic revenues by JD 243.0 million, on the other.

Main Government Budget Indicators during June and the First half of 2012 and 2011:

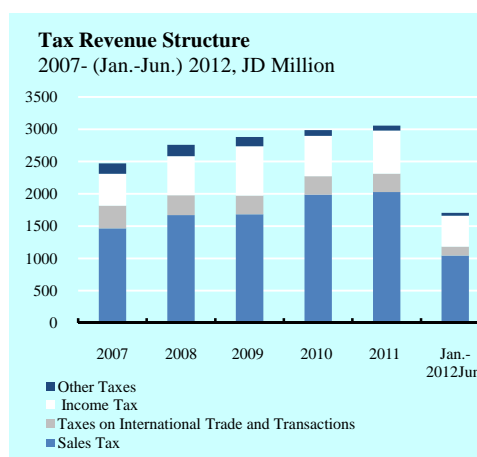
(JD Million and Percentages)

	June		Growth Rate %	Jan. – June		Growth Rate %
	2011	2012		2011	2012	
Total Revenues and Grants	315.9	339.3	7.4	2550.9	2504.1	-1.8
Domestic Revenues, of which:	315.9	335.8	6.3	2235.9	2478.9	10.9
Tax Revenues, of which:	233.2	235.7	1.1	1610.5	1705.5	5.9
General Sales Tax	161.7	177.3	9.6	966.7	1043.8	8.0
Other Revenues, of which:	81.4	98.2	20.6	615.6	761.7	23.7
Land Registration Fees	17.3	19.3	11.6	70.8	95.4	34.7
Foreign Grants	0.0	3.5		315.0	25.2	-92.0
Total Expenditures	535.2	504.7	-5.7	2812.0	2920.7	3.9
Overall Deficit/ Surplus	-219.3	-165.4		-261.1	-416.6	

Source: Ministry of Finance/ General Government Finance Bulletin.

◆ Domestic Revenues

Domestic revenues increased by JD 243.0 million, or 10.9 percent, during the first half of 2012 compared to the same period in 2011, to reach JD 2,478.9 million. This increase was a result of; the rise in the proceeds of “other revenues”, “tax revenues” and “pension contributions” by JD 146.1 million, JD 95.0 million and JD 1.9 million, respectively.



◀ Tax Revenues

Tax revenues increased by JD 95.0 million, or 5.9 percent, during the first half of 2012 compared to the same period in 2011, to reach JD 1,705.5 million (68.8 percent of domestic revenues). This increase was driven by:

- **The increase in the proceeds of general sales tax on goods and services** by JD 77.1 million which reached JD 1,043.8 million. This result was driven by the increase in the proceeds of most its items specifically, the proceeds of “sales tax on domestic goods”, “sales tax on imported goods” and “sales tax on services” have increased by JD 46.0 million, JD 25.6 million and JD 8.1 million, respectively. However, the proceeds of “sales tax on commercial sector” decreased by JD 2.6 million.
- **The increase in the proceeds of “income and profit taxes”** by JD 3.9 million or 0.8 percent, which reached JD 476.6 million. This increase was due to the rise in the proceeds of “income tax from companies and other projects” by JD 21.8 million, and the drop in the proceeds of “income tax from individuals” by JD 17.9 million. Accordingly, income tax from companies accounted for 85.9 percent of total taxes on income and profits to reach JD 409.3 million (of which JD 179.6 million from banks and financial institutions).
- **The increase in the proceeds of “taxes on international trade and transactions”** by JD 3.2 million or 2.3 percent,

which reached JD 139.4 million. This result was driven by the increase in the proceeds of “customs duties and fees” by JD 3.2 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 146.1 million, or 23.7 percent, during the first half of 2012 to reach JD 761.7 million. This increase was an outcome of:

- The rise in property income by JD 106.7 million to stand at JD 263.5 million (of which financial surplus of independent government units amounted to JD 250.2 million).
- The increase in revenues from selling goods and services by JD 47.6 million to stand at JD 346.6 million.
- The decrease in miscellaneous revenues by JD 8.2 million to reach JD 151.6 million.

◀ **Pension Contributions**

Pension contributions were up by JD 1.9 million during the first half of 2012 compared to the same period in 2011 standing at JD 11.7 million.

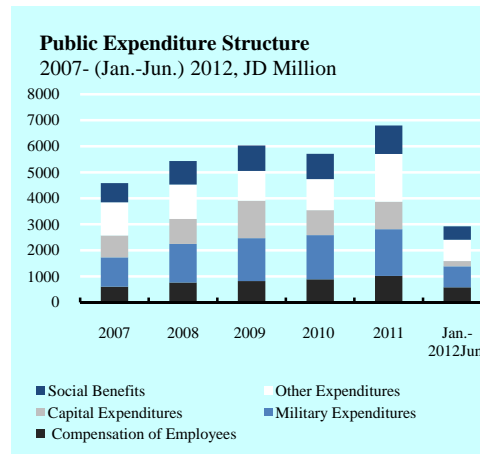
◆ **Foreign Grants**

Foreign grants were down by JD 289.8 million during the first half of 2012 comparing to the same period in 2011, standing at JD 25.2 million.

■ Public Expenditures

Public expenditures witnessed a decrease by JD 30.5 million, or 5.7 percent, in June 2012 compared to the same month in 2011 to stand at JD 504.7 million.

However, public expenditures rose by JD 108.7 million, or 3.9 percent during the first half of 2012, to stand at JD 2,920.7 million. This increase was an outcome of the rise in current expenditures by 6.6 percent and the drop in capital expenditures by 22.3 percent.



◆ Current Expenditures

Current expenditures increased by JD 167.3 million, or 6.6 percent, during the first half of 2012, to reach JD 2,716.4 million. This increase was due to:

- The rise in the compensation of civil sector's employees (wages, salaries and social security contributions) by JD 79.6 million to reach JD 578.0 million.
- The increase in social benefit expenditures by JD 37.5 million to stand at JD 516.1 million.

- The increase in good's subsidies by JD 126.4 million to stand at JD 313.4 million.
- The increase in interest payments, on internal and external public debt, by JD 39.7 million to stand at JD 252.5 million.
- The decrease in military expenditures by JD 82.1 million to total JD 804.5 million.
- The drop in “purchases of goods and services” by JD 41.1 million to stand at JD 100.9 million.

◆ Capital Expenditures

Capital expenditures decreased by JD 58.6 million, or 22.3 percent during the first half of 2012 comparing to the same period in 2011, to reach JD 204.4 million.

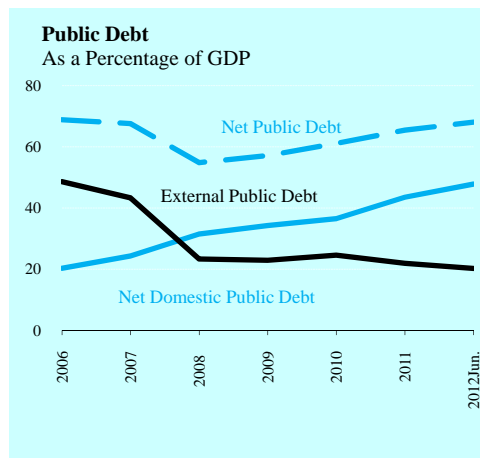
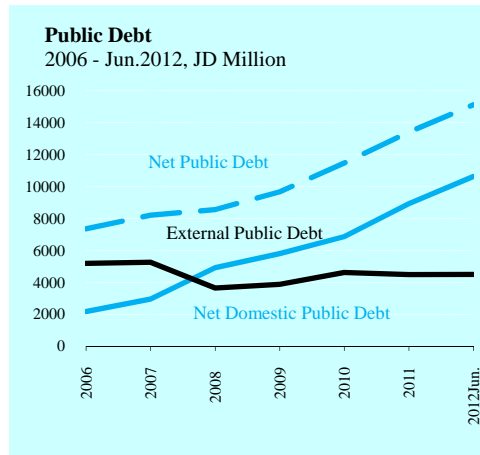
■ General Budget Deficit/ Surplus

- ◆ **The general budget, including grants, displayed a fiscal deficit amounted to JD 416.6 million during the first half of 2012**, against a fiscal deficit of JD 261.1 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 164.1 million during the first half of 2012**, against a primary deficit of JD 48.3 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 1,559.0 million at the end of June 2012 compared to its level at the end of 2011 to reach JD 11,555.0 million, or 52.0 percent of GDP. This rise was an outcome of the increase in the budgetary domestic public debt by JD 667.0 million and the increase in the gross outstanding domestic debt for own-budget agencies by JD 892.0 million. This increase in the gross outstanding

domestic debt for own-budget agencies was driven by the significant increase in direct credit facilities provided by banking sources by JD 674.8 million to reach JD 854.7 million at the end of June 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 1,708.0 million at the end of June 2012** comparing to its level at the end of 2011 to total JD 10,623.0 million, or 47.8 percent of GDP. The aforementioned increase was an outcome of the rise in gross outstanding domestic public debt by JD 1,559.0 million, and the decrease in the government deposits at the banking system by JD 150.0 million comparing to their level at the end of 2011.
- **Outstanding balance of external public debt (budgetary and guaranteed) increased** by JD 5.2 million at the end of June 2012 compared to its level at the end of 2011, amounting to JD 4,492.0 million (20.2 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 20.6 percent and 19.0 percent of the outstanding external public debt, respectively.
- **Net public debt (domestic and external) increased** by JD 1,713.2 million at the end of June 2012 comparing to its level at the end of 2011 to stand at JD 15,115.0 million, or 68.0 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 2.6 percentage points compared to its level at the end of 2011.
- **External debt service (budgetary and guaranteed)** amounted to JD 275.9 million during the first half of 2012 (of which interest payments amounting to JD 58.7 million) compared to JD 253.1 million (of which interest payments amounting to JD 60.2 million) during the same period in 2011.

□ Fiscal and Price Measures

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

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

Source: Jordan Petroleum Refinery CO.

- 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 an agreement between the Government of Jordan and Kuwaiti government represented by Kuwait Fund for Arab Economic Development (KFAED), outlining Kuwait's contribution to a Gulf grant in favour of Jordan, in the amount of \$ 1.25 Billion. Under this grant the Kuwaiti government will allocate \$ 250 million annually for Jordan for the next five years to support the development project in the kingdom (September 2012).
- Signing a soft loan agreement between the government of Jordan and the Japanese government, in the amount of 12.24 billion Yen (equivalent to \$ 156 million) to finance Human Resource Development and Social Infrastructure Improvement in the kingdom (August 2012).
- The USA has given Jordan an additional cash grant in the amount of \$ 100 million to support the general budget for 2012 (September 2012).

Fourth: External Sector

□ Summary

- **Total merchandize exports** (domestic exports *plus* re-exports) decreased by 1.9 percent in June 2012 compared to the same month in 2011 to record JD 512.6 million. As for the first half of 2012, total merchandize exports decreased by 2.1 percent to reach JD 2,802.2 million.
- **Merchandize imports** decreased by 1.5 percent in June 2012 compared to the same month in the previous year amounting to JD 1,123.1 million. As for the first half of 2012, merchandize imports were up by 12.2 percent to total JD 7,462.5 million.
- Consequently, the **trade balance deficit** (total exports *minus* imports) decreased by 1.2 percent in June 2012 compared to the same month in 2011 standing at JD 610.5 million. As for the first half of 2012, the trade deficit expanded by 23.0 percent to reach JD 4,660.3 million.
- **Travel receipts** increased by 9.1 percent in July 2012 compared to the same month in the preceding year to record JD 261.4 million. In contrast, travel payments decreased by 20.2 percent in July 2012 compared to the same month in 2011 to record JD 90.5 million. As for the first seven months in 2012, travel receipts increased by 16.5 percent to reach JD 1,456.7 million, while travel payments decreased by 2.7 percent to record JD 497.7 million.
- **Total workers' remittances receipts** increased by 16.6 percent in July 2012 compared to the same month in 2011 to reach JD 251.6 million. As for the first seven months of 2012, total worker's remittances increased by 4.7 percent to reach JD 1,491.9 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)** displayed a net obligation to abroad of JD 16,803.5 million at the end of the first quarter of 2012; recording an increase of JD 1,915.2 million over its level at the end of December 2011.

□ External Trade

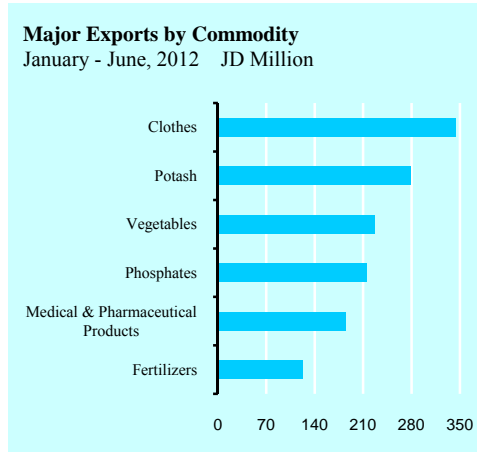
As a result of the decrease in domestic exports by JD 69.6 million and the increase in imports by JD 811.2 million, during the first half of 2012, the volume of external trade (domestic exports *plus* imports) increased by JD 741.6 million to stand at JD 9,821.7 million.

Jordan's Major Trade Partners Jan. – Jun. 2011- 2012, JD Million				Developments of External Trade Indicators, JD Million									
	2011	2012	Percentage Change	Jan. – Jun.									
Exports				2011	Percentage Change 2010/2011	2012	Percentage Change 2011/2012						
United States	336.0	365.3	8.7	External Trade	9,080.1	24.0	9821.7	8.2					
Iraq	412.3	306.3	-25.7										
Saudi Arabia	219.5	240.6	9.6										
India	248.7	222.5	-10.5										
China	69.5	110.2	58.6										
Syria	122.1	109.2	-10.6										
Indonesia	64.0	101.9	59.2										
Imports									Total Exports	2,862.5	17.3	2802.2	-2.1
Saudi Arabia	1457.9	1900.7	30.4						Domestic Exports	2,428.8	18.0	2359.2	-2.9
China	636.9	679.5	6.7	Re-exports	433.7	13.5	443.0	2.1					
United States	449.5	523.0	16.4	Imports	6651.3	26.3	7462.5	12.2					
Germany	338.4	294.5	-13.0	Trade Balance	-3788.8	34.1	-4660.3	23.0					
Egypt	270.7	275.3	1.7	Source: Department of Statistics.									
Italy	410.3	271.6	-33.8										
Russia	243.9	260.9	7.0										
Source: Department of Statistics.													

■ Merchandize Exports:

Total merchandize exports decreased by 2.1 percent during the first half of 2012 compared to a 17.3 percent increase during the same period in 2011, to record JD 2,802.2 million.

This decrease resulted from a decrease in domestic exports by JD 69.6 million or 2.9 percent to record JD 2,359.2 million, and an increase in re-exports by JD 9.3 million or 2.1 percent to reach JD 443.0 million.



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

- Exports of **phosphates** increased by JD 10.3 million, 5.0 percent, to register JD 215.6 million, compared to an increase of 68.0 percent during the first half in 2011. This increase was mainly due to the increase in prices by 31.9 percent and decrease in exported quantities by 20.4 percent. The Indian, Indonesian and Bulgarian Markets accounted for 86.8 percent of these exports.

- Exports of **potash** increased by JD 8.0 million, 3.0 percent, to stand at JD 278.4 million.
- Exports of **medical and pharmaceutical products** increased by JD 8.8 million, 5.0 percent, to reach JD 185.3 million, compared to a decrease of 5.6 percent during the first half in 2011. The Saudi, Algerian, Iraqi and Sudanese Markets accounted for 58.2 percent of these exports.
- Exports of **vegetables** decreased by JD 7.0

Major Domestic Exports by Commodity

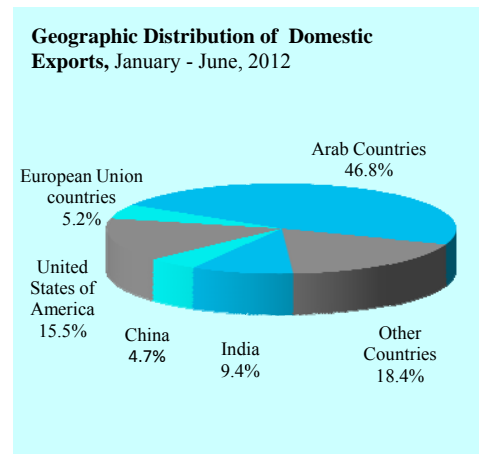
Jan.-Jun. 2011 - 2012, JD Million

	2011	2012	Percentage Change
Domestic Exports	2,428.8	2,359.2	-2.9
Clothes	325.6	343.3	5.4
United States	299.5	320.1	6.9
Potash	270.4	278.4	3.0
Vegetables	232.9	225.9	-3.0
Syria	70.4	68.0	-3.4
Iraq	72.1	27.9	-61.3
UAE	19.2	25.6	33.3
Phosphates	205.3	215.6	5.0
India	128.0	136.6	6.7
Indonesia	22.0	33.5	52.3
Bulgaria	5.8	17.1	194.8
Medical & Pharmaceutical Products	176.5	185.3	5.0
Saudi Arabia	46.5	45.7	-1.7
Algeria	21.5	30.3	40.9
Iraq	12.6	17.3	37.3
Sudan	17.3	14.5	-16.2
Fertilizers	152.1	123.2	-19.0
India	63.0	35.9	-43.0
Turkey	0.3	30.9	-
Ethiopia	67.3	20.9	-68.9

Source: Department of Statistics.

million, 3.0 percent, to total JD 225.9 million, compared to an increase of 14.8 percent during the first half of 2011. Syrian, Iraqi and the UAE markets were the main destinations of these exports accounting for 53.8 percent. This decrease was mainly due to the decline of vegetables export to the Iraqi market by JD 44.2 million.

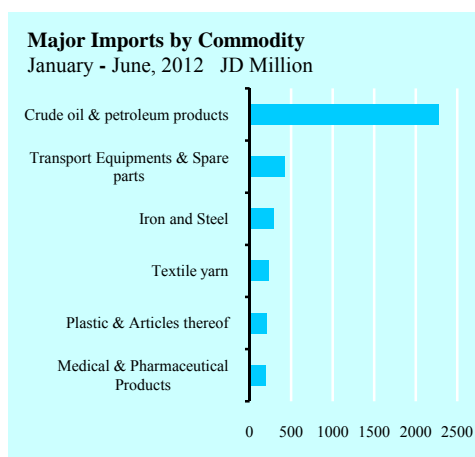
In light of the aforementioned developments, the commodity breakdown of domestic exports indicates that the exports of clothes, potash, vegetables, phosphates, “medical and pharmaceutical products” and fertilizers topped the list



of domestic exports during the first half of 2012 accounting for 58.1 percent of domestic exports up from 56.1 percent during the same period of 2011. Meanwhile, the geographical distribution of domestic exports indicates that the USA, Iraq, Saudi Arabia, China, Syria, India, and Indonesia were the main destination markets for Jordanian domestic exports during the first half of 2012; accounting for 61.7 percent of domestic exports, up from 60.6 percent during the same period in 2011.

■ Merchandize Imports:

Merchandize imports amounted to JD 7,462.5 million during the first half of 2012, increasing by JD 811.2 million, 12.2 percent, compared to a similar increase by 26.3 percent during the same period of 2011.



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

- **Petroleum products** imports increased by JD 487.1 million, 75.2 percent, to total JD 1,135.0 million compared to an increase of 179.1 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 122.1 million, 11.9 percent, to reach JD 1,149.6 million, compared to a rise by 65.8 percent during the same period in 2011. This increase was attributed to the rise in the prices of oil by 6.1 percent and the increase in the imported quantities by 5.4 percent. Also, it's worth noting that most of crude oil imports came from the Saudi market.

- Imports of **Iron & Steel** increased by JD 13.9 million, 5.0 percent to reach JD 292.1 million, compared to an increase of 33.7 percent during the corresponding period of 2011. The markets of Ukraine, Russia and Turkey and accounted for 53.0 percent of these imports.
- Imports of **Transport equipments and Spare Parts** increased by JD 10.2 million, 2.4 percent, to reach JD 429.0 million compared to a decrease by 18.5 percent during the same period of 2011. South Korea, Germany and the USA were the main origin markets for these imports; accounting for 65.6 percent of these imports.

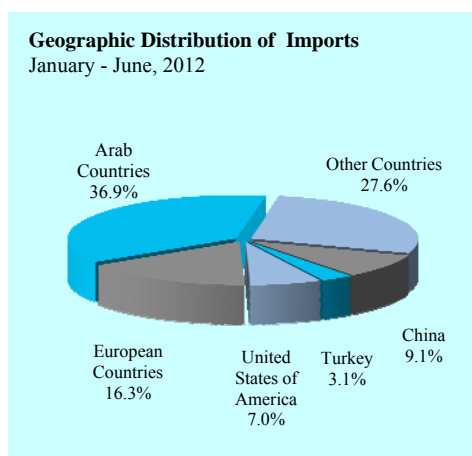
Major Imports by Commodity

Jan.-Jun. 2011- 2012, JD Million

	2011	2012	Percentage Change
Total Imports	6651.3	7462.5	12.2
Crude Oil	1027.5	1149.6	11.9
Saudi Arabia	908.0	1114.2	22.7
Petroleum Products	647.9	1135.0	75.2
Saudi Arabia	104.6	247.4	136.5
Belarus	0.0	228.9	-
United States	29.3	140.9	380.9
Transport Equipments and Spare Parts	418.8	429.0	2.4
South Korea	134.1	151.2	12.8
Germany	92.3	67.2	-27.2
United States	43.0	63.1	46.7
Iron & Steel	278.2	292.1	5.0
Ukraine	59.4	104.2	75.4
Russia	27.2	25.8	-5.1
Turkey	73.7	24.7	-66.5
Textile Yarn, Fabrics & Related Products	218.9	237.1	8.3
China	96.5	99.8	3.4
Taiwan	45.8	56.6	23.6
Turkey	13.0	18.5	42.3
Plastic & Articles Thereof	189.9	205.3	8.1
Saudi Arabia	88.1	99.9	13.4
Kuwait	11.2	12.7	13.4
China	7.3	9.9	35.6
Medical and pharmaceutical products	181.3	195.8	8.0
Germany	21.4	28.3	32.2
France	20.9	16.6	-20.6
United Kingdom	15.9	16.2	1.9

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 “Medical and pharmaceutical Products” accounted for 48.8 percent of total imports during the first half of 2012; up from 44.5 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, Italy and Russia topped the list of imports sources during the first half of 2012; accounting for 56.4 percent compared to 57.2 percent during the same period in 2011.



■ Re-Exports

The value of re-exported goods increased by JD 9.3 million, 2.1 percent, during the first half in 2012, recording JD 443.0 million.

■ Trade Balance

The trade balance deficit during the first half of 2012 increased by JD 871.5 million, 23.0 percent, to register JD 4,660.3 million compared to the same period in 2011.

□ Total Workers' Remittances Receipts

Total workers' remittances receipts increased by JD 35.9 million 16.6 percent, in July 2012 compared to the same month in 2011 to register JD 251.6 million. As for the first seven months of 2012, total workers' remittances receipts increased by 4.7 percent to reach JD 1,491.9 million.

□ Travel

■ Receipts

Travel receipts increased by JD 206.3 million, 16.5 percent, during the first seven months of 2012 to register JD 1,456.7 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

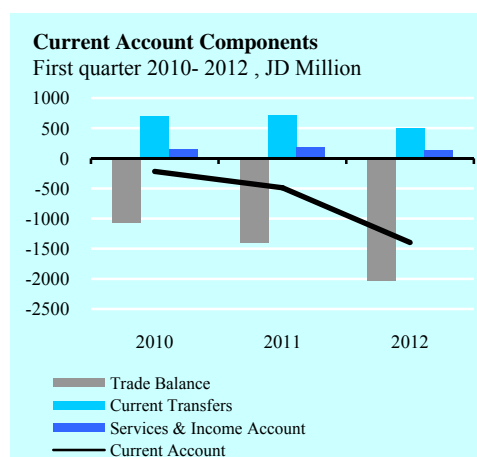
Travel payments decreased by 2.7 percent, during the seven months of 2012 to stand at JD 497.7 million, compared with JD 511.6 million during the same period in 2011.

□ 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, 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 3.3 percent, while workers' remittances payments increased by JD 2.0 million 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.