



Central Bank of Jordan

Recent Monetary & Economic Developments in Jordan

**Research Dept. Monthly Report
June, 2010**

Central Bank of Jordan

Tel: (962 6) 4630301

Fax: (962 6) 4638889 / 4639730

P.O. Box 37 Amman 11118 Jordan

Website <http://www.cbj.gov.jo>

E-mail redp@cbj.gov.jo



❑ OUR VISION

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

❑ OUR MISSION

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

❑ OUR VALUES

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

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

Contents

	Executive Summary	6
First	Monetary & Financial Sector	8
Second	Output & Prices	20
Third	Public Finance	28
Fourth	External Sector	39

Executive Summary

According to indicators available to-date for 2010, the national economy displayed favorable results in a number of external sector and public finance indicators, including the growing tourism income and net inflows of FDI, in addition to narrowing fiscal deficit during the first four months of the current year. On the other hand, the preliminary national account estimates disseminated by the Department of Statistics displayed a deceleration in real GDP growth in 2009 and in the first quarter of 2010 due to the repercussions of the global economic and financial crisis.

❑ **Output and Prices:** Real Gross Domestic Product (GDP), at market and basic prices, grew at 2.0 percent and 3.5 percent, respectively, during the first quarter of 2010 compared to 2.3 percent and 3.2 percent, respectively during the whole year of 2009. The Consumer Price Index (CPI) revealed a rise by 4.9 percent during the first five months of 2010 against a rise in the amount of 1.0 percent during the same period of 2009. Furthermore, investments benefiting from the Investment Promotion Law totaled JD 685.9 million in the first quarter in 2010, of which 23.3 percent were foreign investments, compared to JD 249.8 million during the corresponding period in 2009.

❑ **Monetary and Financial Sector:**

- Foreign currency reserves at the Central Bank of Jordan (CBJ) dropped by US\$ 283.5 million, or 2.6 percent, at the end of the first five months in 2010 compared with their level at the end of 2009; standing at US\$ 10,595.5 million.
- Domestic liquidity grew by JD 526.8 million, or 2.6 percent, at the end of the first five months in 2010 compared with its level the end of 2009; standing at JD 20,540.1 million.
- The outstanding balance of credit facilities extended by licensed banks was up by JD 333.1 million, or 2.5 percent, at the end of the first five months in 2010 compared with its level at the end of 2009; standing at JD 13,650.3 million.
- Total deposits at licensed banks increased by JD 618.5 million, or 3.0 percent, at the end of the first five months in 2010 in comparison with their level at the end of 2009; totaling JD 20,916.9 million.

- The share price index, weighted by market capitalization of free float shares, at Amman Stock Exchange (ASE) dropped by 131.9 points, or 5.2 percent, at the end of May 2010 compared with its level at the end of 2009; standing at 2,401.6 points.
- **Public Finance:** The general budget, including foreign grants, showed a fiscal deficit amounting to JD 30.4 million during the first four months in 2010 compared to a larger deficit in the amount of JD 325.8 million during the same period in 2009. On front of indebtedness, net outstanding domestic public debt (budgetary and own-budget) increased by JD 109.0 million at the end of April 2010 compared to its level at the end of 2009; standing at JD 5,900.0 million, or 33.5 percent of GDP. In contrast, outstanding external public debt dropped by JD 46.8 million at the end of April 2010 compared to its level at the end of 2009; totaling JD 3,822.2 million, or 21.7 percent of GDP.
- **External Sector:** The value of total merchandize exports (domestic exports *plus* re-exports) increased by 2.9 percent during the first four months in 2010 to reach JD 1,614.7 million. Similarly, the value of merchandize imports was up by 9.4 percent; totaling JD 3,302.3 million. In effect, the trade deficit expanded by 16.4 percent compared with the same period in the previous year; amounting to JD 1,687.6 million. Further, the preliminary figures for the first five months in 2010 showed an increase in the travel receipts and travel payments by 30.2 percent and 37.1 percent compared with the same period in 2009, respectively. In addition, the receipts of workers' remittances increased by 1.3 percent. It is worth indicating in this regards that the preliminary figures for the balance of payments in the first quarter in 2010 displayed a deficit in the current account amounting to JD 85.9 million; slightly up from JD 85.3 million during the same quarter in 2009. In addition, net inflows of foreign direct investment (FDI) totaled JD 264.9 million in the first quarter in 2010 compared with a net inflow of JD 186.7 million in the same quarter in 2009. Finally, the international investment position (IIP) displayed a net obligation to abroad amounting to JD 13,088.2 million at the end of 2008 compared with JD 15,059.0 million at the end of 2007.

First: Monetary and Financial Sector

■ Summary:

- Foreign currency reserves at the CBJ were down by US\$ 283.5 million, or merely 2.6 percent, at the end of the first five months in 2010 compared with their level at the end of 2009; standing at US\$ 10,595.5 million. The aforementioned level of reserves is equivalent to around 7.6 months of the Kingdom's imports of goods and services.
- Domestic liquidity at the end of the first five months in 2010 was up by JD 526.8 million, or 2.6 percent, compared with its level at the end of the previous year to total JD 20,540.1 million.
- The outstanding balance of the credit facilities extended by licensed banks increased by JD 333.1 million, or 2.5 percent, at the end of the first five months in 2010 compared with its level at the end of 2009; standing at JD 13,650.3 million.
- Total deposits at licensed banks were up by JD 618.5 million, or 3.0 percent, at the end of the first five months in 2010 in comparison with their level at the end of 2009; totaling JD 20,916.9 million.
- Interest rates on credit facilities at licensed banks have increased during the first five months in 2010 with the exception of the interest rates on "loans and advances". However, interest rates on deposits have declined compared with their levels at the end of 2009.

- The share price index, weighted by market capitalization of free float shares, at Amman Stock Exchange (ASE) dropped by 131.9 points, or 5.2 percent, at the end of May 2010 compared with its level at the end of 2009; standing at 2,401.6 points. Consequently, the market capitalization melted down by around JD 1.6 billion, or 7.1 percent, to stand at JD 20.9 billion at the end of May 2010.

Main Monetary Indicators

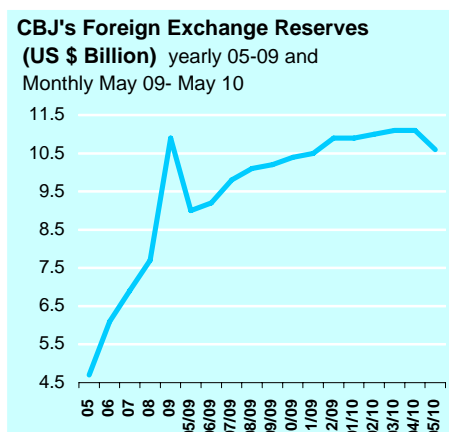
JD Million, and Percentage Change Relative to the Previous Year (%)

Year		End of May	
		2009	2010
US\$ 10,879.0	CBJ's Foreign Exchange Reserves	US\$ 8,994.4	US\$ 10,595.5
%40.5		%16.1	%-2.6
20,013.3	Money Supply (M2)	19,113.2	20,540.1
%9.3		%4.4	%2.6
13,317.2	Credit Facilities, of which:	13,042.2	13,650.3
%2.1		%0.0	%2.5
12,041.3	Private Sector (Resident)	11,697.3	12,330.2
%1.4		%-1.4	%2.4
20,298.4	Total Deposits, of which:	19,236.9	20,916.9
%12.1		%6.3	%3.0
15,865.0	In JD	14,697.4	16,175.3
%18.9		%10.1	%2.0
4,433.4	In Foreign Currencies	4,539.5	4,741.6
%-6.7		%-4.5	%7.0
16,256.7	Deposits of Private Sector (Resident), of which:	15,162.3	16,644.8
%13.7		%6.1	%2.4
13,500.0	In JD	12,300.8	13,637.0
%19.5		%8.8	%1.0
2,756.7	In Foreign Currencies	2,861.5	3,007.8
%-7.8		%-4.3	%9.1

Source: Central Bank of Jordan / Monthly Statistical Bulletin.

□ CBJ Foreign Reserves:

The CBJ foreign currency reserves were down by US\$ 283.5 million, or 2.6 percent, at the end of the first five months in 2010 compared with their level at the end of 2009; standing at US\$ 10,595.5 million. The aforementioned level of reserves is equivalent to around 7.6 months of the Kingdom's imports of goods and services.



□ Domestic Liquidity (M2):

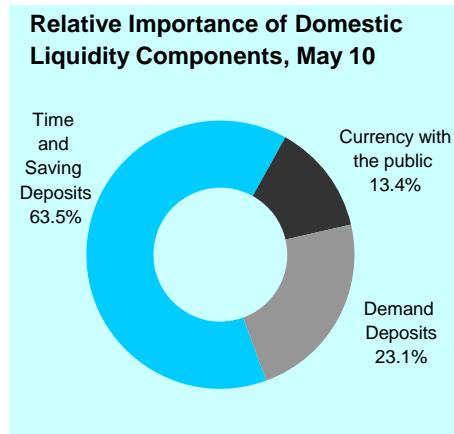
■ Domestic liquidity totaled JD 20,540.1 million at the end of May 2010; increasing by JD 65.4 million, or 0.3 percent, compared with its level at the end of the preceding month against an increase in the amount of JD 165.3 million, or 0.9 percent, during the same month in 2009. As for the first five months in 2010, domestic liquidity increased by JD 526.8 million, or 2.6 percent, compared to its level at the end of 2009, against an increase in the amount of JD 809.0 million, or 4.4 percent, during the same period in 2009.

◆ **The comparison between the developments in domestic liquidity components as well as the factors affecting liquidity at the end of the first five months in 2010 and that at the end of 2009 reveals the following:**

● Components of Domestic Liquidity:

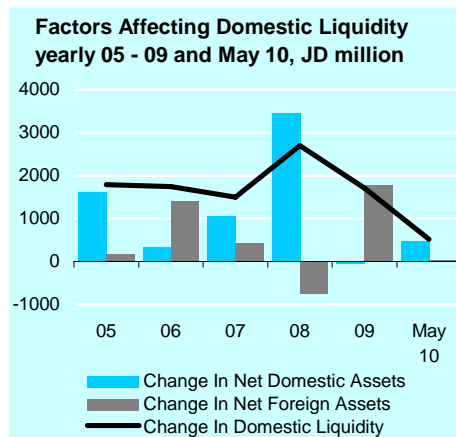
- Deposits increased by JD 458.8 million, or 2.6 percent, at the end of the first five months in 2010 compared with their levels at the end of 2009; totaling JD 17,792.6 million, against an increase amounting to JD 888.0 million, or 5.7 percent, at the end of the same period in 2009.

- Currency with the public was up by JD 68.0 million, or 2.5 percent, at the end of the first five months in 2010; standing at JD 2,747.5 million compared with its level at the end of 2009 against a decline in the amount of JD 79.0 million, or 3.0 percent, at the end of the same period in 2009.



• **Factors Affecting Domestic Liquidity:**

o Net domestic assets at the banking system increased by JD 484.7 million, or 4.4 percent, at the end of the first five months in 2010 compared with its level at the end of 2009 against an increase in the



amount of JD 336.1 million, or 3.0 percent, during the same period in 2009. The aforementioned increase was an outcome to the rise in these assets at the licensed banks as well as the CBJ by JD 243.1 million, or 1.4 percent, and JD 241.6 million, or 3.8 percent, respectively.

- o Net foreign assets at the banking system was up by JD 42.1 million, or 0.5 percent, at the end of the first five months in 2010 compared with its level at the end of 2009 against an increase in the amount of JD 472.9 million, or 6.7 percent, at the end of the first five months in 2009. The aforementioned increase was an outcome to the increase in net foreign assets at the licensed banks by JD 235.5 million, or 64.5 percent, on one hand, and the decline in these assets at the CBJ by JD 193.4 million, or 11.0 percent, on another.

Changes in Factors Affecting Domestic Liquidity (M2)
JD Million

Year		Change in balance relative to the end of May	
		2009	2010
1,780.1	Foreign Assets (Net)	472.9	42.1
2,433.2	CBJ	749.0	-193.4
-653.1	Licensed Banks	-276.1	235.5
-71.0	Domestic Assets (Net)	336.1	484.7
-2,552.8	CBJ, of which:	-934.8	241.6
-302.8	Claims on Public Sector (Net)	-29.8	-122.4
-2,250.0	Other Items (Net*)	-905.2	363.8
2,481.8	Licensed Banks	1,270.9	243.1
630.5	Claims on Public Sector (Net)	174.8	46.4
159.9	Claims on Private Sector	-17.0	297.4
1,691.4	Other Items (Net)	1,113.1	-100.7
1,709.1	Money Supply (M2)	809.0	526.8
14.7	Currency in Circulation	-79.0	68.0
1,694.4	Total Deposits, of which:	888.0	458.8
-436.1	In Foreign Currencies	-261.5	189.1

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

□ Interest Rate Structure:

◆ Interest Rates on Monetary Policy Instruments:

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

As for the developments in interest rates on certificates of deposits (CDs) it is noted that:

- The CBJ did not issue any kind of certificates of deposits (CDs) during 2009 and the elapsed period in the current year. Accordingly, the weighted average interest rate on the latest issue of three-month CDs, which dates back to October 26, 2008, was 5.64 percent.

End of year		May	
		2009	2010
4.75	Re-discount Rate	5.25	4.25
4.50	Repurchase Agreements Rate (Repos)	5.00	4.00
2.50	Overnight Deposit Window Rate	3.00	2.00

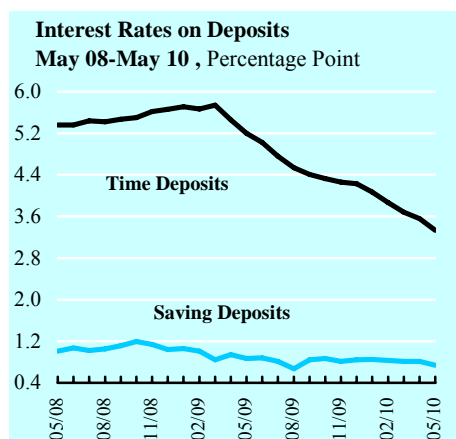
Source: Central Bank of Jordan / Monthly Statistical Bulletin.

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

◆ Interest Rates in the Banking Sector:

• Interest Rates on Deposits

- **Time Deposits:** the weighted average interest rate on time deposits stood at 3.33 percent at the end of May 2010; around 23.0 basis points and 90.0 basis points lower compared to its level at the end of the preceding month and the end of 2009, respectively.

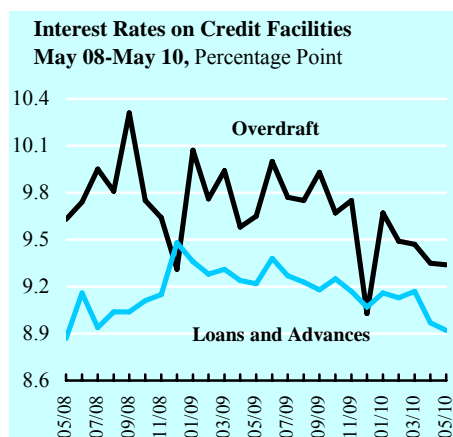


- **Saving Deposits:** the weighted average interest rate on saving deposits at the end of May 2010 declined by 7.0 basis points compared with its level the previous month which amounted to 0.74 percent. Moreover, this rate was 10.0 basis points lower compared to its level at the end of the preceding year.
- **Demand Deposits:** the weighted average interest rate on demand deposits at the end of May 2010 remained unchanged compared to its level at the end of the previous month; standing at 0.45 percent. However, this rate was 22.0 basis points less compared to its levels at the end of the preceding year.

• Interest Rates on Credit Facilities:

- **Overdraft Accounts:** the weighted average interest rate on overdraft accounts stood at 9.34 percent at the end of May 2010; one basis point lower compared with its level at the end of the previous month. Nevertheless, this rate was 31.0 basis points higher compared to the end of 2009.

- **Discounted Bills and Bonds:** the weighted average interest rate on “discounted bills and bonds” was up by 18.0 basis points at the end of May 2010 compared to the preceding month, to stand at 9.43 percent. Moreover, this rate was 26.0 basis points higher compared to its level at the end of the previous year.
- **Loans and Advances:** the weighted average interest rate on “loans and advances” stood at 8.92 percent at the end of May 2010; around 5.0 basis points higher compared to its level at the end of the previous month. Further, this rate was 15.0 basis points lower compared to its level at the end of 2009.
- **The Prime Lending Rate** stood at 8.20 percent at the end of May 2010; 14.0 basis points lower compared to its level at the end of 2009.



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

Year	May		Change Relative to the Year 2009 Basis Points	
	2009	2010		
Deposits				
0.67	Demand	0.78	0.45	-22
0.84	Saving	0.87	0.74	-10
4.23	Time	5.20	3.33	-90
Credit Facilities				
9.17	Discounted Bills and Bonds	9.07	9.43	26
9.07	Loans and Advances	9.22	8.92	-15
9.03	Overdraft	9.65	9.34	31
8.34	Prime Lending Rate	8.42	8.20	-14

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 13,650.3 million at the end of the first five months in 2010; an increase amounting to JD 333.1 million, or 2.5 percent, compared with its level at the end of the previous year, against a drop in the amount of JD 2.1 million during the same period in 2009.
- ◆ The classification of extended credit facilities according to economic activity during the first five months in 2010 demonstrates that the increase in the extended credit facilities was the outcome of the increase in these facilities for the sectors of construction and industry which have gone up by JD 501.1 million, or 19.4 percent, and JD 67.1 million, or 4.1 percent, respectively, on one hand, and the drop in the credit facilities extended to activities classified as “Other” (mostly represent the facilities extended to individuals) by JD 277.9 million, or 8.2 percent, on another, compared to their levels at the end of 2009.

□ Deposits at Licensed Banks:

- ◆ Total deposits at licensed banks stood at JD 20,916.9 million at the end of the first five months in 2010; an increase in the amount of JD 618.5 million, or 3.0 percent, compared with their level at the end of the preceding year, against an increase amounting to JD 1,134.3 million, or 6.3 percent, during the corresponding period in 2009.
- ◆ The aforementioned increase in total deposits at the licensed banks during the first five months in 2010 was the result of the increase in the deposits of all sectors; the increase in deposits of private sector (resident) by JD 388.1 million, or 2.4 percent; the increase in the deposits of the private sector (non-resident) by JD 128.0 million, or 5.7 percent; the increase in the deposits of the public sector (central government *plus* public institutions) by JD 95.0 million, or 5.8 percent; and the increase in the deposits of non-banking financial institutions by JD 7.4 million, or 5.0 percent, compared to their levels at the end of 2009.

- ◆ The developments in the currency structure of deposits during the first five months in 2010 reveal that “deposits in local currency” and “deposits in foreign currencies” have increased by JD 310.3 million, or 2.0 percent, and JD 308.2 million, or 7.0 percent, respectively, compared with their level at the end of 2009.

□ Amman Stock Exchange (ASE):

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

- **Trading Volume:**

The volume of trade at the ASE totaled JD 586.3 million in May 2010; down by JD 544.9 million, or 48.2 percent, compared with its level at the end of the previous month against a decline in the amount of JD 97.0 million, or 8.1 percent, during the same month in 2009. However, the trading volume stood at JD 3,731.6 million during the first five months in 2010; a decline amounting to JD 1,332.6 million, or 26.3 percent, compared with the volume registered over the same period in 2009.

- **Traded Shares:**

The number of traded shares in May 2010 totaled 633.6 million; down by 654.5 million shares, or 50.5 percent, compared with the end of the preceding month, against a drop in the amount of 185.7 million shares, or 25.3 percent, during the same month in 2009. Further, the number of traded shares during the first five months in 2010 stood at 3,756.3 million shares compared with 2,836.5 million shares traded during the same period in 2009.

- **Share Price Index:**

The share price index (SPI), weighted by market capitalization of free float shares, at Amman Stock Exchange (ASE), lost 173.8 points, or 6.8 percent, at the end of May 2010 compared with its level at the end of the previous month to stand at 2,401.6 points, against a gain in the amount of 128.1 points,

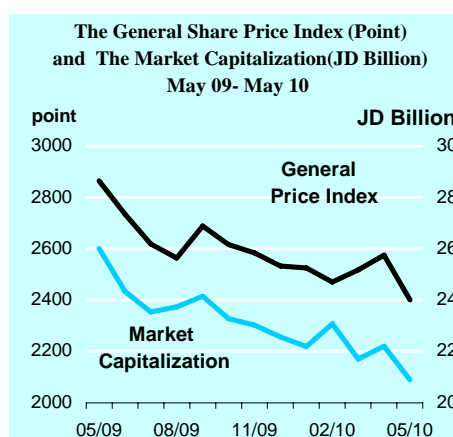
or 4.7 percent, during the same month in 2009. As for the first five months in 2010, the SPI dropped by 131.9 points, or 5.2 percent, compared with its level at the end of the preceding year, against an increase in the amount of 106.9 points, or 3.9 percent, during the same period in 2009. The above-mentioned drop during the first five months in 2010 was chiefly attributed to the decline in the SPI for the industry, services and the financial sector by 207.3 points, or 7.6 percent, 138.8 points, or 6.6 percent, and 79.8 points, or 2.6 percent, respectively, compared to their levels at the end of 2009.

year		May	
		2009	2010
2,533.5	General Index	2,864.6	2,401.6
3,026.8	Financial Sector	3,619.3	2,947.0
2,738.8	Industrial Sector	3,117.8	2,531.5
2,107.9	Services Sector	2,032.9	1,969.1

Source: Amman Stock Exchange.

- **Market Capitalization:**

The market capitalization of the ASE totaled JD 20.9 billion at the end of May 2010; melting down by JD 1.3 billion or 5.6 percent compared with its level at the end of the previous month, against an increase amounting to JD 2.7 billion, or 11.5 percent, during



the same month in the preceding year. In addition, the market capitalization, during the first five months in 2010, melted down by about JD 1.6 billion, or 7.1 percent, compared with its level at the end of 2009 against a rise amounting to around JD 0.6 billion, or 2.4 percent, over the same period in 2009.

- **Non - Jordanian Net Investment:**

Non-Jordanian net investment at ASE recorded an outflow amounting to JD 1.6 million in May 2010 compared with an inflow amounting to JD 40.3 million during the same month in 2009; the value of shares acquired by non-Jordanians in May 2010 stood at JD 104.2 million, while the value of shares sold by the said group amounted to JD 105.8 million. Moreover, non-Jordanian net investment

displayed an outflow amounting to JD 7.7 million during the first five months in 2010 against an inflow in the amount of JD 61.2 million during the same period in 2009.

Main Amman Stock Exchange Trading Indicators, JD Million			
Year		May	
2009		2009	2010
9,665.3	Value Traded	1,108.1	586.2
38.8	Average Daily Trading	55.4	27.9
22,526.9	Market Capitalization	26,016.4	20,921.7
6,022.5	No. of Traded Shares (million)	549.7	633.6
(3.8)	Net Investment of Non-Jordanian	40.3	(1.6)
2,135.5	Non-Jordanian Buying	295.7	104.2
2,139.3	Non-Jordanian Selling	255.4	105.8

Source: Amman Stock Exchange.

Second: Output and Prices

□ Summary

- Gross Domestic Product (GDP), at both market and basic prices, registered a real growth rate of 2.0 percent and 3.5 percent, respectively, in the first quarter of 2010 compared to 2.3 percent and 3.2 percent, respectively, during the whole year of 2009.
- The general price level, as measured by the Consumer Price Index (CPI) increased by 4.9 percent during the first five months of 2010 (against an increase amounting to 1.0 percent during the same period in 2009). The price rebound came after the minor CPI deflation registered during 2009 amounting to 0.7 percent.
- Investments benefiting from the Investment Promotion Law (IPL) totaled JD 685.9 million during the first quarter in 2010 (of which foreign investments constitute 23.3 percent of the total), compared to JD 249.8 million during the same period in 2009.

□ Developments in Gross Domestic Product (GDP)

According to preliminarily estimates released by the Department of Statistics (DOS), the national economy experienced a marked slowdown during the first quarter of 2010 affected by the global financial crisis and its negative repercussions on domestic and external demand. **GDP, at constant market prices, grew at 2.0 percent in the first quarter of 2010 compared to 3.6 percent in the first quarter of 2009.** When excluding “net taxes on products”, which displayed a contraction by 7.4 percent during the first quarter of 2010, **GDP growth rate at constant basic prices goes up to 3.5 percent** compared to 4.1 percent during the first quarter of 2009.

Moreover, **GDP, at current market prices, grew at 6.2 percent** compared to 15.3 percent during the first quarter of 2009, which came in light of **the rise in the general price level, measured by the GDP deflator, by 4.1 percent during the first quarter of 2010** compared to 11.3 percent during the same period of 2009.

**Quarterly Growth Rates of GDP at Market Prices
2008 - 2010**

					Percentages
	Q 1	Q2	Q3	Q4	Year
2008					
GDP at Constant Market Prices	7.8	8.6	9.2	4.9	7.6
GDP at Current Market Prices	23.9	27.7	35.3	24.1	27.9
2009					
GDP at Constant Market Prices	3.6	1.9	1.9	2.0	2.3
GDP at Current Market Prices	15.3	11.4	6.8	10.0	10.6
2010					
GDP at Constant Market Prices	2.0				
GDP at Current Market Prices	6.2				

Source: Department of Statistics.

The slow pace of real economic growth during the first quarter of 2010 was influenced by the deceleration in the commodity-producing sectors, which grew, collectively, by 0.6 percent compared to 5.4 percent during the same period of 2009. In addition, such deceleration in the economic growth at market prices was also affected by the latest developments in the public finance, namely the implications of the contraction in “net taxes on products”.



In further details, the economic sectors displayed a wide variation in their performance during the first quarter of 2010. **Some sectors witnessed a marked improvement, particularly “transport, storage and communications” sector** which picked up strongly, recording a real growth rate of 7.8 percent compared to a growth of 3.6 percent during the same period of 2009. In addition, **the sector of “finance, insurance, real**

estate and business services” registered a noticeable growth amounting to 5.0 percent compared to a contraction amounting to 1.0 percent during the first quarter of 2009. Meanwhile, the growth rate of agriculture sector reached 6.6 percent during the first quarter of 2010 compared to 6.2 percent during the first quarter of 2009.

On the other hand, **some sectors experienced a slowdown** in their real growth, particularly the sectors of **“producers of government services”, “wholesale and retail trade, restaurants and hotels” and manufacturing** which grew at 2.4 percent, 4.4 percent and 1.1 percent, respectively, against a growth rate of 9.6 percent, 8.8 percent, and 1.2 percent, respectively, during the first quarter of 2009. In contrast, **the sectors of “construction” and “electricity and water” experienced a contraction** amounting to 2.4 percent and 5.8 percent, respectively, compared to a growth rate of 34.0 percent for the former and a contraction of 2.6 percent for the latter, in the first quarter of 2009.

On the front of the sectoral contribution to economic growth, the data revealed that the contribution of both commodity- and service-producing sectors **in the overall GDP growth, at constant basic prices, amounted to 0.2 percentage point and 3.3 percentage points, respectively, in the first quarter of 2010 compared to 1.8 percentage points and 2.3 percentage points, respectively, in the first quarter of 2009.**

Meanwhile, the contribution of **“net taxes on products” was negative, standing at -1.1 percentage points against a positive contribution amounting to 0.1 percentage point in the first quarter of 2009.**

□ Microeconomic Indicators

The latest sectoral indicators displayed divergent performance during the past period of current year. Some indicators recorded a fast growth, most notably indicators of the transportation sector (number of passengers as well as cargo shipped through the Royal Jordanian Airlines and the quantities of exported and imported goods shipped through the Aqaba port), in addition to the production quantity index of mining and quarrying. However, some other indicators showed a downward trend, particularly manufacturing production quantity index and the construction sector indicators.

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

Fast pace growing indicators *
Percentages

The whole 2009	Item	January - April	
		2009	2010
-28.6	"Mining and quarrying" production quantity index	-10.3	4.7
-1.0	The number of passengers through the Royal Jordanian	-8.1	18.1
-27.5	Cargo through the Royal Jordanian	-33.5	15.4
The whole 2009	Item	January- May	
		2009	2010
-16.2	Quantities of exported and imported goods shipped through the Aqaba port	-16.8	16.7
2.9	Production of chemical acids	-19.1	31.4
0.5	Number of departures	4.6	32.1
-17.8	Production of phosphate	-19.5	32.6
-8.5	Production of fertilizers	-20.4	34.8

Contracting indicators *
Percentages

The whole 2009	Item	January - April	
		2009	2010
17.5	Licensed areas for building	35.1	-15.2
1.2	Manufacturing production quantity index	-3.2	-4.1
-8.1	Electricity production quantity index	-13.3	-7.2
-1.7	Industrial production quantity index	-4.4	-3.8
The whole 2009	Item	January- May	
		2009	2010
-4.6	Production of cement	-2.1	-1.1
0.4	Quantity of cement sales to the domestic market (excluding imported quantities)	7.7	-7.9
-3.6	Production of petroleum products	-11.6	-4.8
-44.0	Production of potash	-3.7	-14.2

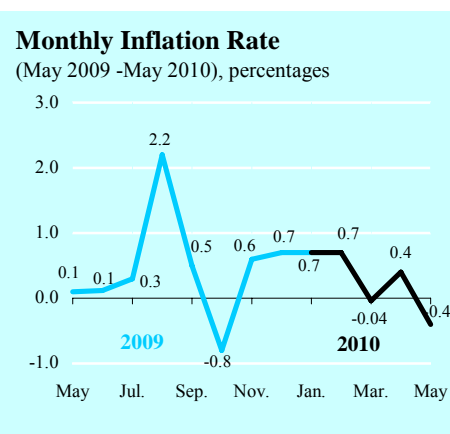
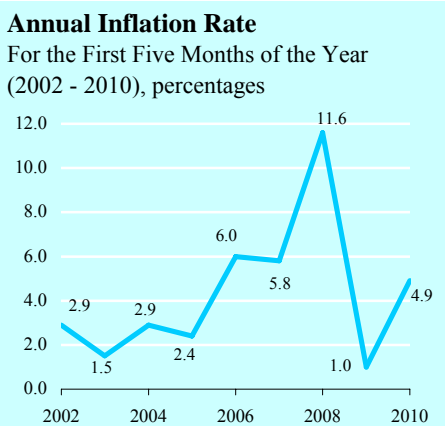
* : Calculated Items, Based on Data Issued by the Following Sources:
- Monthly Statistical Bulletin / Central Bank of Jordan.
- Cement Companies in Jordan.
- Royal Jordanian.

□ Investments Benefiting from the Investment Promotion Law

- ◆ According to the latest statistics issued by the Jordan Investment Board (JIB), **investments benefiting from the Investment Promotion Law (IPL) during the first quarter in 2010 totaled JD 685.9 million compared to JD 249.8 million during the same period in 2009.** This reflects a marked increase amounting to JD 436.1 million, which took place despite the repercussions of the global economic and financial crisis.
- ◆ As for the sectoral distribution of investments benefiting from the IPL during the first quarter in 2010, **it was noted that the sector of “leisure and recreational compounds”, unexpectedly, came in the first rank in terms of the size of investments; accounted for 36.4 percent (JD 249.4 million).** This is followed by the sectors of industry, hotels, hospitals, transportation and agriculture, which accounted for 32.4 percent, 23.5 percent, 4.1 percent, 2.3 percent and 1.3 percent, respectively.
- ◆ As far as the distribution of total investments according to nationality, the latest statistics revealed that the value of foreign investments benefiting from the IPL has increased to stand at JD 160.1 million (accounting for 23.3 percent of total investments) during the first quarter in 2010 compared to JD 80.2 million during the same period in 2009. Domestic investments surged to reach JD 525.8 million compared to JD 169.6 million during the corresponding period in 2009 (accounting for the remaining 76.7 percent of the total).
- ◆ In this regard, it is worth noting that the nature and coverage of investments benefiting from the IPL differ from those of the FDI statistics in the balance of payments. The first indicator measures the size of planned investments by both domestic and foreign investors in a number of targeted economic sectors in accordance with the IPL, while FDI statistics measure the actual size of capital inflows from outside world in various sectors, including the real estate sector.

□ Prices

The consumer prices showed a rise during the first five months of 2010 compared to the same period of the preceding year, after registering a limited deflation amounting to 0.7 percent, during the whole year of 2009. In more details, **the general price level, as measured by the Consumer Price Index (CPI), increased by 4.9 percent** against a rise amounting to 1.0 percent during the same period of 2009. Such a rise was affected by the increase in the prices of oil derivatives and related goods and services compared to the same period of the preceding year.



In contrast, consumer prices have declined slightly by 0.4 percent in May 2010 compared to their level in the preceding month. The aforementioned fall was an outcome of the drop in the prices of “food items” group, particularly vegetables and “meat and poultry”, on one hand, and the increase in the prices of other items, particularly, transportation and “fuels and electricity”, on another.

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

- ◆ The prices of **“food items” group** (which makes up the largest weight amongst the CPI components; accounting for 36.65 percent) registered an inflation rate amounting to 3.9 percent during the first five months of 2010 compared to a higher increase amounting to 5.1 percent during the same period of 2009. **The contribution of this group to the overall rate of inflation recorded during the first five months of 2010 reached 1.4 percentage points.** The rise in the prices of this group was driven by the increase in the prices of most items included in this group; particularly the prices of “meats and poultry” which leapt by 8.3 percent. In addition, the prices of “sugar and confectionaries” and cigarettes increased by 19.8 percent and 9.2 percent, respectively. In contrast, the prices of some other items have declined, including fruits and “oils and fat”, which declined by 2.6 percent and 3.0 percent, respectively.
- ◆ The prices of **“clothing and footwear” group** (which makes up the least weight among the components of CPI basket, accounting for 4.95 percent) **grew at 0.9 percent during the first five months of 2010 compared to an increase in the amount of 7.1 percent during the same period of 2009. Accordingly, this group's contribution to the overall infaltion rate during the first five months in 2010 amounted to 0.1 percentage point.** The prices of this group were affected by the deceleration in the prices of “clothes” and “footwear” which grew by 0.7 percent and 1.8 percent, respectively, during the first five months of 2010 compared to a rise in the amount of 6.2 percent and 10.6 percent, respectively, during the same period of 2009.

- ◆ The prices of **housing group** (which accounts for 26.78 percent of the CPI basket) **increased by 4.2 percent over the first five months in 2010 against a slight decline amounting to 0.2 percent during the same period of 2009. In effect, this group contributed to the overall inflation rate by 1.0 percentage point during the period under analysis.** The increase in the prices of this group was affected by the rise in the prices of “fuels and electricity” item by 9.3 percent. In addition, other items recorded mixed rates of increase in their prices, ranging from 0.3 percent for “household appliances” to 5.6 percent for “house utensils” item. It is worth mentioning in this regard that the prices of “rents” item, which accounts for 14.3 percent of the CPI basket, experienced an increase in the amount of 2.4 percent during the period under consideration.
- ◆ The prices of **“other goods and services” group** (which accounts for 31.62 percent of the CPI basket) increased by 7.8 percent in the first five months of 2010 against a drop in the amount of 4.3 percent during the same period of 2009. In consequence, **this group contributed to the overall inflation rate by 2.4 percentage points during the period under consideration.** The increase in the prices of this group came out as a main result of the rise in the prices of transportation item (which is the main component of this group) by 16.1 percent against a noticeable drop amounting to 14.9 percent during the same period of 2009, due to the rise in the prices of oil derivatives. In addition, the prices of most other items in this group have increased, particularly education and “personal care” which gone up by 6.5 percent and 5.6 percent, respectively.

Third: Public Finance

□ Summary:

- The general budget, including grants, showed a fiscal deficit amounting to JD 30.4 million during the first four months in 2010, compared to a fiscal deficit in the amount of JD 325.8 million during the same period in 2009. Excluding grants (amounting to JD 103.6 million), the deficit widens to stand at JD 134.0 million.
- Gross outstanding domestic public debt (budgetary and own-budget) stood at JD 7,163.0 million, or 40.7 percent of GDP, at the end of April 2010; reflecting a rise amounting to JD 77.0 million compared to its level at the end of 2009.
- Net outstanding domestic public debt totaled JD 5,900.0 million, or 33.5 percent of GDP, at the end of April 2010; up by JD 109.0 million compared to its level at the end of 2009.
- Outstanding external public debt, budgetary and guaranteed, dropped by JD 46.8 million at the end of April 2010 in comparison with its level at the end of 2009; standing at JD 3,822.2 million, or 21.7 percent of GDP.

□ The performance of the general budget during the first four months in 2010 compared to the same period in 2009:

■ Public Revenues

Public revenues (including foreign grants) were up by JD 85.4 million, or 27.4 percent, in the month of April 2010 compared to the same month in 2009; totaling JD 397.6 million. As for the first four months in 2010, these revenues were up by JD 106.9 million, or 6.9 percent, compared to the same period in the preceding year to stand at JD 1,663.4 million. This result was driven by the increase in both foreign grants and domestic revenues by JD 59.3 million and JD 47.6 million, respectively.

Main Government Budget Indicators during April and the first four months of 2010 and 2009:

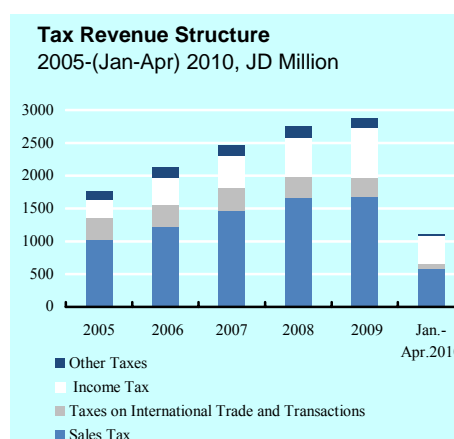
(JD Million and Percentages)

	April		Growth Rate %	Jan. – Apr.		Growth Rate %
	2009	2010		2009	2010	
Total Revenues and Grants	312.2	397.6	27.4	1,556.5	1,663.4	6.9
Domestic Revenues, of which:	312.2	362.2	16.0	1,512.2	1,559.8	3.1
Tax Revenues, of which:	229.7	229.2	-0.2	1,171.1	1,117.3	-4.6
General Sales Tax	134.5	155.7	15.8	501.6	577.5	15.1
Other Revenues, of which:	80.6	131.3	62.9	334.5	436.1	30.4
Land Registration Fees	13.8	11.9	-13.8	48.7	45.7	-6.2
Foreign Grants	0.0	35.4	-	44.3	103.6	133.9
Total Expenditures	487.4	446.1	-8.5	1,882.3	1,693.8	-10.0
Overall Deficit/ Surplus	-175.2	-48.5		-325.8	-30.4	

Source: Ministry of Finance/ General Government Finance Bulletin.

◆ Domestic Revenues

Domestic revenues increased by JD 47.6 million, or 3.1 percent, during the first four months in 2010 compared to the same period in 2009; amounting to JD 1,559.8 million. This rise was the outcome of the increase in the proceeds of other revenues by JD 101.6 million, on one hand, and the decline in the proceeds of tax revenues as well as pension contributions by JD 53.8 million and JD 0.2 million, respectively, on another.



◀ Tax Revenues

Tax revenues were down by JD 53.8 million, or 4.6 percent, in the first four months in 2010 compared to the same period in 2009, to reach JD 1,117.3 million; accounting for 71.6 percent of domestic revenues. This decline was chiefly influenced by the following developments:

- **The decrease in the proceeds of “income and profit taxes”** by 21.6 percent, standing at JD 422.0 million. This decline was the outcome of the decrease in the proceeds of “income tax from companies and other projects” by JD 121.3 million, on one hand, and the slight increase in the proceeds of “income tax from individuals” by JD 5.1 million, on another. In further details, income tax from companies accounted for 83.9 percent of total taxes on income and profits; standing at JD 353.9 million (of which JD 159.8 million from the income of banks and financial institutions). **It is worth mentioning in this regard, that the drop in the proceeds of “income and profit taxes” was chiefly driven by the slow pace of the real economic growth registered in 2009 and its impacts on the companies’ profits during the said year.**
- **The increase in the proceeds of general sales tax on goods and services** by JD 75.9 million, or 15.1 percent, to reach JD 577.5 million. This aforementioned increase was driven by the rise in the proceeds of all general sales tax items. More specifically, the proceeds of “sales tax on services”, “sales tax on domestic goods” as well as the proceeds of “sales tax on the commercial sector” have increased by JD 40.1 million, JD 27.6 million and JD 6.9 million, respectively. Moreover, the proceeds of “sales tax on imported goods” displayed a slight increase amounting to JD 1.3 million. It is worth noting in this regard, that the actual proceeds of the general sales tax on goods and services during the first four months in 2010

amounted to 29.6 percent of the their targeted level in the General Budget Law. It is worthy to indicate that the amended Sales Tax Law No. (29) For 2009 came into effect as of the beginning of the current year; which is based on the principle of unification of the taxation measures relating to the sales tax and abolishing the fragmentation and lack of clarity in some laws in order to be consolidated under an integrated legislative tax frame.

- **The decline in the proceeds of “taxes on international trade and transactions”** by JD 6.1 million, or 6.7 percent, to stand at JD 84.5 million. Such a decline was the outcome of the drop in the proceeds of departure tax by JD 3.6 million coupled with the drop in the proceeds of “customs duties and fees” by JD 2.5 million to stand at JD 83.4 million.

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

“Other revenues” surged by JD 101.6 million, or 30.4 percent in the first four months in 2010; to reach JD 436.1 million. This rise was chiefly attributable to the rise in property income proceeds by JD 106.8 million (of which financial surplus of independant government units amounting to JD 99.6 million) to stand at JD 114.1 million. Moreover, revenues from selling goods and services displayed an increase amounting to 9.3 percent to reach JD 203.0 million, while miscellaneous revenues dropped by JD 14.5 million, to stand at JD 119.0 million.

◀ **Pension Contributions**

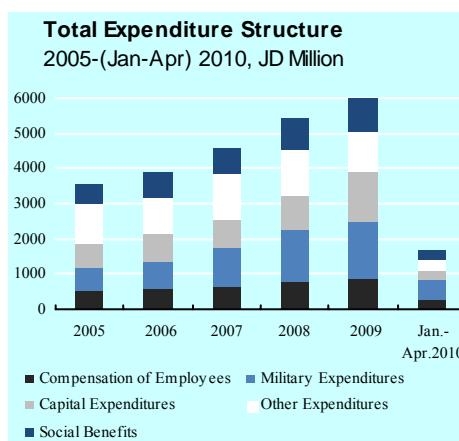
Pension contributions dropped by JD 0.2 million during the first four months in 2010 compared to their level in the same period in 2009, standing at JD 6.4 million.

◆ **Foreign Grants**

Foreign grants rose by JD 59.3 million during the first four months in 2010 to stand at JD 103.6 million.

■ Public Expenditures

Public expenditures declined by JD 41.3 million, or 8.5 percent, in April 2010 compared to the same month in 2009 to stand at JD 446.1 million. Moreover, these expenditures declined by JD 188.5 million, or 10.0 percent, during the first four months in



2010 to stand at JD 1,693.8 million. This decline was the outcome of the drop in capital expenditures by 50.0 percent, on one hand, and the rise in current expenditures by 1.2 percent, on the other.

◆ Current Expenditures

Current expenditures were up by JD 17.0 million, or 1.2 percent, during the first four months in 2010; amounting to JD 1,488.6 million. This increase was attributable to the rise in compensation of employees of the civil servants (wages, salaries and social security contributions) as well as military expenditures by JD 16.9 million and JD 8.6 million, to total JD 289.2 million and JD 561.6 million, respectively. The item of interest payments, internal and external, has also increased by JD 0.1 million. Moreover, the item of goods subsidies (food and oil subsidies) has risen again to stand at JD 58.4 million during the first four months in the current year against JD 2.5 million during the same period in 2009. Meanwhile, “social benefit expenditures” have declined by

JD 39.5 million to stand at JD 298.2 million; noting that the General Budget for the current year (including its supplement) does not include any allowances for the Social Safety Net. In addition, “purchases of goods and services” have also declined by JD 43.4 million to stand at JD 78.3 million, driven by the decision of the Cabinet to cut operating expenses of all ministries and independent public institutions by 20.0 percent.

◆ **Capital Expenditures**

Capital expenditures witnessed a substantial decline in the amount of JD 205.5 million, or 50.0 percent during the first four months in 2010 compared to the same period in the preceding year, to stand at JD 205.2 million. Accordingly, the achievement ratio of capital expenditures stood at just 21.3 percent, only, of their projected level in the Budget Law and its supplement for 2010.

■ **General Budget Deficit/ Surplus**

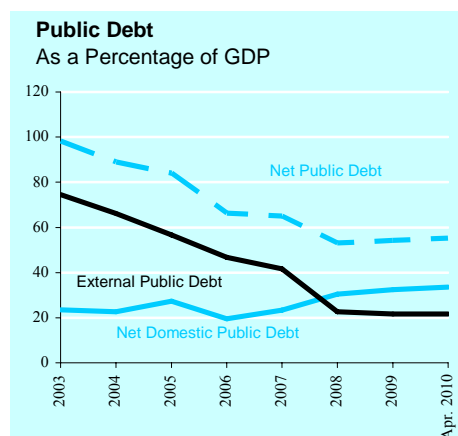
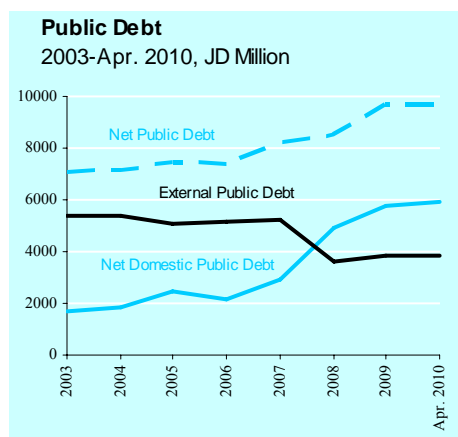
- ◆ **The general budget, including foreign grants, displayed a fiscal deficit amounting to JD 30.4 million in the first four months in 2010** against a deficit in the amount of JD 325.8 million during the same period in 2009.
- ◆ **The general budget showed a primary surplus** (after excluding interest payments on public debt from total expenditures) **amounting to JD 80.1 million in the first four months in 2010** against a primary deficit in the amount of JD 215.4 million during the same period in 2009.

Public Debt

- Gross outstanding domestic public debt for the central government (budgetary and own-budget agencies) was up by JD 77.0 million at the end of April 2010 compared to its level at the end of 2009 to reach JD 7,163.0 million, or 40.7 percent of GDP. This rise was mainly attributed to the increase in the gross outstanding domestic public debt for own-budget agencies by JD 91.0 million, on one hand, and the drop in the budgetary central government domestic public debt by JD 14.0 million, on another. The drop in the budgetary central government domestic public debt was**

the outcome of the decline in the outstanding balance of “loans and advances” extended by CBJ to the budgetary central government by JD 40.0 million to stand at JD 952.0 million at the end of April 2010, on one hand, and the slight increase in the balance of the “treasury bills and bonds” by JD 26.0 million to total JD 5,779.0 million, on the other.

- Net outstanding domestic public debt** (gross outstanding domestic public debt *minus* government deposits at the banking



system) **increased by JD 109.0 million at the end of April 2010** compared to the end of 2009 to total JD 5,900.0 million, or 33.5 percent of GDP. The aforementioned increase was the combined result of the rise in gross outstanding domestic public debt by JD 77.0 million and the decline in the government deposit at the banking system by JD 30.0 million compared to their level at the end of 2009.

- **Outstanding balance of external public debt (budgetary and guaranteed) was down** by JD 46.8 million at the end of April 2010 compared to its level at the end of 2009; amounting to JD 3,822.2 million, or 21.7 percent of GDP. The currency structure of this debt indicates that external debt in the US dollar accounted for 34.2 percent, while debt in Euro accounted for 10.2 percent. Further, external debt in Japanese Yen and Kuwaiti Dinar accounted for 25.0 percent and 19.1 percent of outstanding external public debt, respectively.
- **Net public debt (domestic and external) increased** by JD 62.2 million at the end of April 2010 compared to its level at the end of 2009 to stand at JD 9,722.2 million, or 55.2 percent of GDP, against JD 9,660.0 million, or 54.2 percent of GDP, at the end of 2009. Consequently, the ratio of net public debt to GDP increased by one percentage point. It is worth mentioning in this respect that the amended Public Debt Management Law for 2008 sets new ceilings for the public debt. According to the introduced amendments, net outstanding domestic public debt and outstanding external public debt shall not exceed 40.0 percent of GDP for each. In addition, total outstanding public debt shall not exceed 60.0 percent of GDP.
- **External debt service (budgetary and guaranteed)** on a cash basis amounted to JD 127.4 million during the first four months in

2010 (of which interest payments amounting to JD 26.6 million) compared to JD 119.7 million in the same period in 2009 (of which interest payments amounting to JD 31.7 million).

❑ Fiscal and Price Measures

	Unit	2010		Change %
		May	June	
Fuel oil for industry	JD/Ton	385	345.3	-10.3
Fuel oil for ships	JD/Ton	385	350	-9.1
Fuel oil for airplanes (local companies)	Fils/Liter	471	426	-9.6
Fuel oil for airplanes (foreign companies)	Fils/Liter	476	431	-9.5
Fuel oil for unplanned flights	Fils/Liter	491	446	-9.2
Asphalt	JD/Ton	413.4	371.4	-10.2
Unleaded Gasoline 90*	Fils/Liter	575	540	-6.1
Unleaded Gasoline 95*	Fils/Liter	690	655	-5.1
Gas Oil (Diesel)	Fils/Liter	505	455	-9.9
Kerosene	Fils/Liter	505	455	-9.9
Liquid Gas (12.5kg)	JD/Unit	6.5	6.5	0.0

* : The Prices include the increase in the special sales tax on gasoline

◆ **Reducing the prices of all types of oil derivatives as of June 18, 2010, while maintaining the prices of domestic liquid gas unchanged, as follows:**

◆ **Fiscal measures in the area of taxes and fees:**

- Modifying the special sales tax on gasoline octane 90 from 6.0 percent to 18.0 percent (June 18, 2010).
- Modifying the special sales tax on gasoline octane 95 from 6.0 percent to 24.0 percent (June 18, 2010).
- Raising the special sales tax on tobacco from 3000 Fils/ Kg. to 3300 Fils/ Kg (June 16, 2010).
- Raising the special sales tax on cigarettes by (50) Fils per pack (20 cigarettes) (June 16, 2010).

- Raising the special sales tax on cigar from 12.0 percent to 15.0 percent (June 16, 2010).
 - Raising the special sales tax on beer from 1250 Fils/ liter to 1400 Fils/ liter (June 16, 2010).
 - Raising the special sales tax on alcoholic beverages from 2250 Fils/ liter to 2500 Fils/ liter (June 16, 2010).
 - Modifying the special sales tax on mobile phones and mobile radio from 8.0 percent to 12.0 percent (August 1, 2010).
 - Reducing and unifying the sales tax on Internet Services to stand at 8.0 percent, regardless of the kind of technology used or beneficiaries (August 1, 2010).
 - Abolishing the exemption on coffee from the general sales tax, which amounts to 16.0 percent, and re-subjecting this item to customs duties in the amount of 20.0 percent of the customs value.
- ◆ **Within the framework of stimulating the promising sectors which have significant linkages, the government provided a bundle of exemptions and incentives for the real estate sector according to the following bases:**

First: Apartments Exemptions

- Expanding the exemption from fees to include apartments' area up to 150 Square Meters, excluding services area, instead of 120 Square Meters.
- Any apartment or a single house that exceeds 150 Square Meters up to 300 Square Meters, is subject to a reduced registration fees of the excess area only.
- Any apartment or a single house that is above 300 Square Meters, is subject to a reduced registration fees of the entire area.
- The aforementioned exemption from the registration fees and their appendants shall be applied for all completed units of

single houses and apartments, irrespective of the character of the seller (company or individual).

Second: Land Exemptions

- Reducing the sales fees to 50.0 percent of the rate mentioned in item (1 / A, B) of the table annexed to the Law of Land Registration Duties for unused and cultivated land only.
- Reducing the sales fees stipulated in Section (1 / C) of the table annexed to the Law of Land Registration Duties to 2.75 percent instead of 5.0 percent for unused and cultivated land only.
- Reducing the additional fees for universities by 50.0 percent of the rate stipulated in the provisions of Article (4) of the Additional Fees Law for Jordanian Universities, for unused and cultivated land only.
- Reducing the real-estate tax by 50.0 percent of the rate stipulated in the provisions of Article (3) of the Real-Estates Tax Law, for unused and cultivated land only.

Third: This decision shall be in force as of June 20, 2010 until the end of the business day of December 31, 2010.

□ Grants, Loans and Other Agreements

- ◆ Signing a loan agreement between the Government of Jordan and the Arab Monetary Fund (AMF) in the amount of US\$ 76.0 million, within the framework of facilitating the structural adjustment of the Jordanian financial and banking sector (June 2010).
- ◆ Signing an additional grant agreement in the amount of YEN 1.5 billion (equivalent to around US\$ 16.7 million) extended from Japan to support the general budget (May 2010).

- ◆ Signing a grant agreement introduced by the European Union in the amount of EUR 15.0 million to support and enhance the competitiveness of small and medium size enterprises (SMEs) and crafts in the sectors of agriculture and industry and developing their export potential (May 2010).
- ◆ Signing two grants agreements introduced by the European Union in the amount of EUR 13.0 million; the first grant, which amounts to EUR 10.0 million, will be devoted for institutional support in the field of wind energy and effective usage of concentrated solar power, while the second grant, which amounts to EUR 3.0 million, will be devoted to support the capacity-building development for the Jordanian's municipalities (May 2010).
- ◆ Within the framework of the Economic and Financial Cooperation Program between Jordan and the European Union, a memorandum of understanding has been signed **on the front of the EU Aid Program for the Years (2011 - 2013)**, according to which the European Union will provide Jordan with total grants of EUR 233.0 million (of which 60.0 percent shall be directed towards general budget support) (June 2010).
- ◆ Signing a grant agreement introduced by the Canadian International Development Agency (CIDA) in the amount of CAD\$ 20.0 million (equivalent of JD 13.5 million) to support the second phase of the Project of Education Reform for Knowledge Economy “ERfKE II” (May 2010).

Fourth: External Sector

□ Summary

- The value of **total merchandize exports** (domestic exports *plus* re-exports) increased by 8.4 percent in April 2010 compared with the same month in 2009 to stand at JD 431.4 million. As for the first four months in 2010, total merchandize exports were up by 2.9 percent; amounting to JD 1,614.7 million.
- The value of **merchandize imports** increased by 18.0 percent in April 2010 compared with the same month in the previous year; amounting to JD 910.7 million. Regarding the first four months in 2010, total merchandize imports rose by 9.4 percent; amounting to JD 3,302.3 million.
- In light of the above developments, the **trade balance deficit** (the value of total exports *minus* the value of imports) widened by 28.1 percent in April 2010 compared with the same month in 2009; standing at JD 479.3 million. As for the first four months in 2010, the trade deficit has gone up by 16.4 percent; amounting to JD 1,687.6 million.
- According to the preliminary figures, **travel receipts** increased by 24.4 percent during May 2010 compared with the same month in the preceding year to stand at JD 187.6 million. Similarly, the **payments** of this item increased by 29.3 percent; amounting to JD 77.8 million. As for the first five months in 2010, both travel receipts and payments were up by 30.2 percent and 37.1 percent to stand at JD 887.8 million, and JD 348.8 million, respectively.
- According to the preliminary figures, **total workers' remittances** amounted to JD 210.5 million during May 2010; a drop amounting to 2.5 percent. Nevertheless, total workers' remittances increased by 1.3 percent, to stand at JD 1,008.2 million, during the first five months in 2010.
- **The current account of the balance of payments** displayed a deficit amounting to JD 85.9 million during the first quarter in 2010 compared with a deficit in the amount of JD 85.3 million during the corresponding quarter in 2009.

■ **Net FDI inflows to the Kingdom** totaled JD 264.9 million in the first quarter in 2010 compared with JD 186.7 million in the same quarter in 2009.

■ **The international investment position (net)** recorded a decline in net obligations of the Kingdom to abroad amounting to JD 1,970.8 million at the end of 2008 compared with the end of 2007; standing at JD 13,088.2 million.

□ External Trade

In light of the increase in domestic exports as well as imports by JD 170.0 million and JD 283.3 million, respectively, during the first four months in 2010, the volume of external trade (domestic exports *plus* imports) increased by JD 453.3 million to stand at JD 4,666.3 million.

Jordan's Major Trade Partners

January – April 2009, 2010

JD Million

	2009	2010	Percentage Change
Exports			
Iraq	236.2	229.8	-2.7
United States	190.2	193.4	1.7
India	151.9	135.5	-10.8
Saudi Arabia	104.5	130.8	25.2
Syria	66.8	87.6	31.1
United Arab Emirates	31.0	51.6	66.5
Lebanon	43.0	44.4	3.3
Imports			
Saudi Arabia	480.4	629.0	30.9
China	318.0	329.8	3.7
Germany	223.7	205.0	-8.4
United States	203.2	185.2	-8.9
Egypt	190.7	169.0	-11.4
Japan	96.4	147.2	52.7
South Korea	114.4	136.3	19.1
Italy	100.2	113.4	13.2
United Arab Emirates	64.6	108.3	67.6

Source: Department of Statistics.

Developments of External

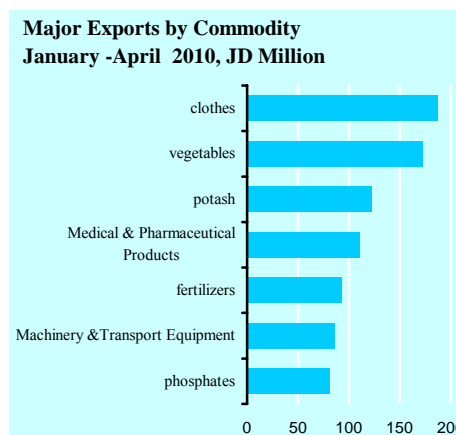
Trade Indicators, JD Million

	January - April			
	2009	Percentage Change		2010
		2009/2008	2010/2009	
External Trade	4,213.0	-16.8	4,666.3	10.8
Total Exports	1,568.6	-2.5	1,614.7	2.9
Domestic Exports	1,194.0	-2.3	1,364.0	14.2
Re-exports	374.6	-3.1	250.7	-33.1
Imports	3,019.0	-21.4	3,302.3	9.4
Trade Balance	-1,450.4	-35.0	-1,687.6	16.4

Source: Department of Statistics.

■ Merchandize Exports:

Total merchandize exports increased by 2.9 percent during the first four months in 2010 to reach JD 1,614.7 million compared with a drop amounting to 2.5 percent during the same period in 2009. This increase was an outcome to the rise in the value of domestic exports by JD 170.0 million, or 14.2 percent, to reach JD 1,364.0 million, on one hand, and the decline in the value of re-exports by JD 123.9 million or 33.1 percent to reach JD 250.7 million, on another.



The comparison between the developments in domestic exports during the first four months in 2010 and corresponding period in 2009 reveals the following:

- The exports of **clothes** went up by JD 5.2 million, or 2.9 percent, to reach JD 186.8 million. The geographical distribution indicated that the US market had the lion's share of clothing exports; accounting for 93.0 percent.
- The exports of **vegetables** increased by JD 32.2 million, or 22.9 percent, to reach JD 173.1 million. The geographical distribution indicated that the markets of Syria, Iraq, and UAE accounted, collectively, for 71.9 percent of these exports.
- The exports of **potash** increased by JD 25.2 million, or 26.0 percent, to stand at JD 122.3 million. This was an outcome to the increase in quantities exported of potash by 126.6 percent, on one hand, and the drop in their prices by 44.4 percent, on the other. The geographical distribution of exports reveals that the Indian, Malaysian and Indonesian markets accounted, collectively, for 56.4 percent of these exports.

- The exports of **medical and pharmaceutical products** increased by JD 13.3 million, or 13.6 percent, to stand at JD 110.8 million. The Saudi, Algerian, Sudanese and Lebanese markets accounted, collectively, for 57.3 percent of these exports.
- The exports of **fertilizers** were up by JD 5.5 million, or 6.3 percent, to reach JD 93.1 million. This development was the outcome of the increase in the quantities exported by 39.7 percent, on one hand, and the decline in the prices of fertilizers by 23.9 percent, on another. The Indian, Ethiopian and Japanese markets accounted, collectively, for 80.5 percent of these exports.

Major Domestic Exports by Commodity

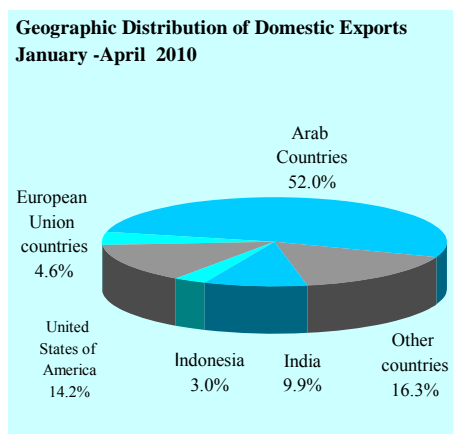
January - April 2009 , 2010, JD Million

	2009	2010	Percentage Change
Domestic Exports	1,194.0	1,364.0	14.2
Clothes	181.6	186.8	2.9
United States	168.2	173.7	3.3
Vegetables	140.9	173.1	22.9
Syria	43.7	57.7	32.0
Iraq	46.7	55.7	19.3
United Arab Emirates	8.0	11.1	38.8
Potash	97.1	122.3	26.0
India	65.1	34.1	-47.6
Malaysia	7.4	20.1	171.6
Indonesia	0.0	14.8	-
Medical & Pharmaceutical Products	97.5	110.8	13.6
Saudi Arabia	31.6	28.6	-9.5
Algeria	12.2	14.5	18.9
Sudan	7.3	11.2	53.4
Lebanon	7.6	9.2	21.1
Fertilizers	87.6	93.1	6.3
India	35.7	38.8	8.7
Ethiopia	0.0	19.0	-
Japan	41.4	17.1	-58.7
Machinery & Transport Equipment	63.3	85.4	34.9
Saudi Arabia	17.5	30.8	76.0
Iraq	20.9	22.1	5.7
Qatar	1.6	4.7	193.8
Phosphates	120.6	81.3	-32.6
India	44.6	56.7	27.1
Indonesia	37.6	17.0	-54.8
Netherlands	0.0	4.4	-

Source: Department of Statistics.

- The exports of **machinery and transport equipment** increased by JD 22.1 million, or 34.9 percent, totaling JD 85.4 million. The geographical distribution indicated that the markets of Saudi Arabia, Iraq and Qatar accounted, collectively, for 67.4 percent of these exports.
- The exports of **phosphates** declined by JD 39.3 million, or 32.6 percent, to total JD 81.3 million. This decline was the outcome of the drop in the prices of phosphates by 49.1 percent, on one hand, and the increase in the quantities exported by 32.5 percent, on another. The markets of India, Indonesia and Netherlands were the main destinations for these exports; accounting, collectively, for 96.1 percent.

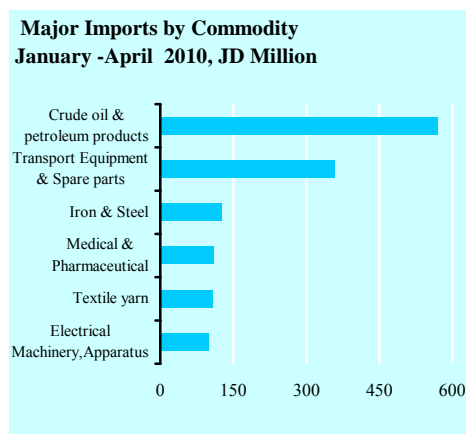
In light of the aforementioned developments, the commodity breakdown of domestic exports indicates that the exports of clothes, vegetables, potash, “medical and pharmaceutical products”, fertilizers, “machinery and transport equipment” and phosphates topped the list of exporting materials during the



first four months in 2010; accounting, collectively, for 62.5 percent of domestic exports; down from 66.0 percent during the same period in 2009. On the other side, the geographical distribution of domestic exports indicates that the markets of Iraq, USA, India, Saudi Arabia, Syria, UAE and Lebanon were the main destinations for the Jordanian domestic exports during the first four months in 2010; accounting, collectively, for 64.0 percent of domestic exports; down from 69.0 percent in the corresponding period of 2009.

■ Merchandize Imports:

The value of merchandize imports stood at JD 3,302.3 million in the first four months in 2010; increasing by JD 283.3 million, or 9.4 percent, against a decline amounting to 21.4 percent during the same period in the preceding year.



The comparison between the developments in the Jordanian imports during the first four months in 2010 and that at the same period in 2009 reveals the following:

- The imports of **crude oil** increased by JD 163.1 million, or 60.8 percent, to reach JD 431.4 million. This increase was attributed to the increase in the oil prices by 60.4 percent coupled with an increase in the imported quantities by 0.2 percent. It is worthy to note in this regards that most of Jordanian imports of crude oil come from the Saudi market.
- The imports of **transport equipment and spare parts** increased by JD 17.7 million, or 5.2 percent, to reach JD 357.2 million. The markets of Japan, South Korea and Germany were the main sources of these imports; accounting, collectively, for 69.6 percent of these imports.
- The imports of **petroleum products** increased by JD 75.9 million, or 120.3 percent, to total JD 139.0 million. The markets of UAE, Saudi Arabia and Singapore were the main sources of these imports.

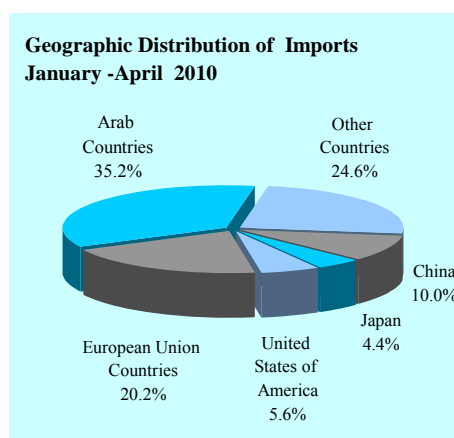
- The imports of **iron and steel** declined by JD 7.8 million, or 5.8 percent; totaling JD 126.8 million. The markets of Ukraine, Russia and Turkey were the main sources of these imports.
- The imports of **medical and pharmaceutical products** rose by JD 14.0 million, or 14.7 percent, to reach JD 109.5 million. The markets of UK, Germany, Switzerland and Japan were the main sources of these imports; accounting collectively for 44.0 percent of these imports.
- The imports of **textile yarn, fabrics, made up articles and related products** declined by JD 8.1 million, or 7.0 percent; amounting to JD 108.3 million. The main source for these imports was the Chinese market followed by the markets of Taiwan and Syria.

Major Imports by Commodity			
January – April 2009, 2010, JD Million			
	2009	2010	Percentage Change
Total Imports	3,019.0	3,302.3	9.4
Crude Oil	268.3	431.4	60.8
Saudi Arabia	248.4	386.1	55.4
Transport Equipment and Spare Parts	339.5	357.2	5.2
Japan	53.2	97.3	82.9
South Korea	65.7	80.4	22.4
Germany	102.1	70.8	-30.7
Petroleum Products	63.1	139.0	120.3
United Arab Emirates	21.3	46.6	118.8
Saudi Arabia	15.3	37.5	145.1
Singapore	0.0	21.6	-
Iron & Steel	134.6	126.8	-5.8
Ukraine	51.1	40.6	-20.6
Russia	22.1	20.4	-7.7
Turkey	15.8	15.6	-1.3
Medical & Pharmaceutical Products	95.5	109.5	14.7
United Kingdom	8.2	14.8	80.5
Germany	12.0	12.7	5.8
Switzerland	9.8	11.8	20.4
Japan	4.6	8.9	93.5
Textile Yarn, Fabrics & Related Products	116.4	108.3	-7.0
China	48.4	47.0	-2.9
Taiwan	18.4	20.4	10.9
Syria	6.4	6.6	3.1
Electrical Machinery, Apparatus and Appliances	121.7	99.6	-18.2
China	17.0	14.0	-17.7
Croatia	0.0	10.7	-
South Korea	4.1	9.8	139.0
Germany	9.7	9.3	-4.1

Source: Department of Statistics.

- The imports of **electrical machinery, apparatus and appliances** were down by JD 22.1 million, or 18.2 percent, to reach JD 99.6 million. The markets of China, Croatia, South Korea and Germany accounted, collectively, for 44.0 percent of these imports.

The commodity composition of imports indicates that crude oil, “transport equipment and spare parts”, “petroleum products”, “iron and steel”, “medical and pharmaceutical products”, “textile yarn, fabrics, made up articles and related products” and “electrical machinery, apparatus and appliances” topped the list of



imported materials; accounting, collectively, for 41.5 percent of total imports in the first four months in 2010; up from 37.7 percent during the same period in 2009. Meanwhile, the geographical distribution of imports indicates that the markets of Saudi Arabia, China, Germany, USA, Egypt and Japan topped the list of the sources of imports in the first four months in 2010; accounting, collectively, for 50.4 percent compared with 50.1 percent during the corresponding period in 2009.

■ Re-Exports:

The value of re-exported goods declined by JD 123.9 million, or 33.1 percent, during the first four months in 2010 to reach JD 250.7 million. Such drop came as a result of the drop in the value of re-exports of the items of “transport equipments and spare parts”, “dairy products and eggs”, “vegetable oils and fats” and non monetary gold by JD 45.6 million, JD 20.9 million, JD 18.4 million and JD 17.1 million, respectively.

■ Trade Balance:

Trade balance deficit widened by JD 237.2 million, or 16.4 percent, in the first four months of 2010 compared with the same period in 2009 to stand at JD 1,687.6 million.

□ Workers' Remittances Receipts:

Total workers' remittances amounted to JD 210.5 million during May 2010; a drop amounting to 2.5 percent compared with the same month in the preceding year. Nevertheless, these remittances were up by 1.3 percent to stand at JD 1,008.2 million during the first five months of 2010.

□ Travel:

■ Receipts:

Travel receipts increased by JD 205.7 million, or 30.2 percent, during the first five months in 2010 to stand at JD 887.8 million. The increase in the tourism income was attributed to the increase in the number of the Kingdom's visitors (tourists) by 21.2 percent during the first five months in 2010 to stand at 2.7 million visitors compared with 2.3 million during the same period in 2009

■ Payments:

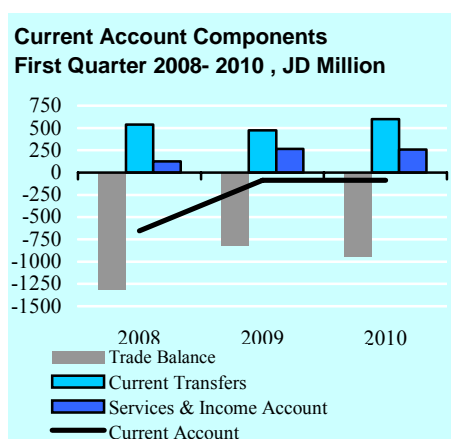
Travel payments increased by JD 94.4 million, or 37.1 percent, during the first five months in 2010 to stand at JD 348.8 million. Such development was attributable to the increase in the number of spending tourists by 58.0 percent during the first five months in 2010 to stand at 1.3 million tourists compared with 839.0 thousand during the same period in 2009.

□ Balance of Payments:

The preliminary statistics of the balance of payments for the first quarter in 2010 compared with the same quarter in 2009 demonstrate the following developments:

■ The current account deficit amounted to JD 85.9 million compared with JD 85.3 million in the first quarter in 2009. This was an outcome to the following developments:

- The expansion in the trade balance deficit by JD 116.9 million, or 14.2 percent, to reach JD 942.1 million in the first quarter in 2010 compared with a deficit amounting to JD 825.2 million in the same quarter in 2009.



- The surplus of the services balance which amounted to JD 114.2 million compared with a surplus amounting to JD 55.4 million in the first quarter in 2009. This surplus was chiefly due to the surplus registered by the items of travel (net) as well as government services (net) which amounted to JD 289.5 million and JD 47.1 million, respectively. Meanwhile, the item of transportation (net) registered a deficit in the amount of JD 198.4 million. In addition, the item of “other services (net)” experienced a deficit amounting to JD 24.0 million.
- The surplus of income account (net) decreased by JD 64.9 million, amounting to JD 144.2 million compared with JD 209.1 million in the first quarter in 2009. Such decline was attributable to the decline in investment income (net) as well as compensation of employees (net) by JD 47.7 million and JD 17.2 million, respectively.
- Net current transfers surged by JD 122.4 million; totaling JD 597.8 million in light of the increase in net transfers of the public sector (foreign grants) by JD 55.9 million to register JD 141.4 million during the first quarter in 2010 compared with JD 85.5 million during the corresponding quarter in 2009, in addition to the rise in the net transfers of other

sectors by JD 66.5 million to reach JD 456.4 million compared with JD 389.9 million in the first quarter in 2009; noting that the workers' remittances (net) registered an increase of JD 11.0 million, or 2.6 percent, to reach JD 441.5 million during the first quarter in 2010.

- As for the capital and financial transactions with the rest of the world, the capital and financial account recorded a net outflow amounting to JD 53.5 million in the first quarter in 2010 against a similar outflow in the amount of JD 66.1 million during the first quarter in 2009 owing chiefly to the following:
 - Net direct investments inflows amounted to JD 277.1 million during the first quarter in 2010 compared with JD 165.0 million in the first quarter in 2009.
 - Net inflow in portfolio investment amounted to JD 11.3 million compared with a net outflow in the amount of JD 53.8 million during the first quarter in 2009.
 - Net outflow of other investments in the amount of JD 158.2 million in the first quarter in 2010 against a net inflow amounting to JD 290.7 million in the same quarter in the preceding year.
 - The increase in the reserve assets of the CBJ by JD 183.7 million compared with an increase amounting to JD 468.0 million in the first quarter in 2009.

□ **International Investment Position (IIP):**

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

- The rise in the position of external assets (the stock of claims, obligations and financial assets) for all economic sectors (resident) in the Kingdom by JD 94.8 million at the end of 2008

compared to the end of 2007; amounting to JD 13,232.4 million at the end of 2008. This was mainly driven by the rise in the reserve assets of the CBJ in abroad by JD 701.5 million and the increase in external assets represented by the loans granted by commercial banks to non-resident entities by JD 226.7 million, on one hand, and the decline in the balance of external assets of currency and deposits of commercial banks in the amount of JD 734.5 million, on another.

- The decline in the position of external liabilities (the stock of claims, obligations and financial assets) for all economic sectors residing in the Kingdom by JD 1,876.0 million at the end of 2008 compared to the end of 2007; to stand at JD 26,320.6 million at the end of 2008. This was mainly the outcome of the following:
 - The decline in the balance of external loans extended to the central government by JD 1,585.9 million to amount to JD 3,317.1 million due to the execution of the debt buyback agreement with the Paris Club creditors in 2008.
 - The decline in the stock of portfolio investment in the Kingdom by JD 1,283.7 million; amounting to JD 4,930.7 million, owing chiefly to the decline in the Share Price Index (SPI) at the Amman Stock Exchange (ASE) in 2008.
 - The increase in the stock of FDI in the Kingdom by 185.2 JD million, to stand at JD 11,570.6 million despite the decline in the Share Price Index (SPI) at the Amman Stock Exchange (ASE) in 2008.
 - The increase in the position of deposits of non-resident bodies' at the banking system by JD 849.4 million (JD 775.3 million for licensed banks and JD 74.1 million for the CBJ); standing at JD 5,585.6 million.