

Recent Monetary & Economic Developments in Jordan

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



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 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.

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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, most notably the growing domestic exports and tourism income, in addition to the narrowing fiscal deficit during the first eight months of the current year. Furthermore, the preliminarily national account estimates released by the Department of Statistics displayed an improvement in real Gross Domestic Product (GDP) growth in the second quarter of 2010 compared to the same quarter of last year and to the first quarter of this year.

❑ **Output and Prices:** Real GDP at market and basic prices grew at 2.9 percent and 4.3 percent, respectively, during the second quarter of 2010 compared to 1.9 percent and 2.4 percent, respectively during the same quarter of 2009. The Consumer Price Index (CPI) revealed a rise of 4.7 percent during the first nine months of 2010 against a decrease in the amount of 0.7 percent during the same period of 2009. Regarding domestic and foreign investments indicators, investments benefiting from the Investment Promotion Law (IPL) totaled JD 1.09 billion in the first three quarters of 2010, of which 20.0 percent were foreign investments, compared to JD 1.19 billion during the corresponding period of 2009.

❑ Monetary and Financial Sector:

- Foreign currency reserves at the Central Bank of Jordan (CBJ) increased by US\$ 323.5 million, or 3.0 percent, at the end of the first three quarters of 2010 compared to their level at the end of 2009; standing at US\$ 11,202.5 million.
- Domestic liquidity grew by JD 1,606.0 million, or 8.0 percent, at the end of the first three quarters of 2010 compared to its level at the end of 2009; standing at JD 21,619.3 million.
- The outstanding balance of credit facilities extended by licensed banks was up by JD 694.8 million, or 5.2 percent, at the end of the first three quarters of 2010 compared to its level at the end of 2009; standing at JD 14,012.0 million.
- Total deposits at licensed banks increased by JD 1,505.5 million, or 7.4 percent, at the end of the first three quarters of 2010 compared to its level at the end of 2009; totaling JD 21,803.9 million.
- The Share Price Index (SPI) weighted by market capitalization of free float shares at Amman Stock Exchange (ASE) decreased by

227.0 points, or 9.0 percent, at the end of September 2010 compared to its level at the end of 2009; standing at 2,306.5 points.

- ❑ **Public Finance:** The general budget, including foreign grants, showed a fiscal deficit amounting to JD 427.8 million during the first eight months of 2010 compared to a large fiscal deficit in the amount of JD 757.7 million during the same period in 2009. On the front of indebtedness, net outstanding domestic public debt (budgetary and own-budget) increased by JD 669.0 million at the end of August 2010 compared to its level at the end of 2009; standing at JD 6,460.0 million, or 33.3 percent of GDP. Outstanding external public debt also increased by JD 98.9 million at the end of August 2010 compared to its level at the end of 2009; totaling JD 3,967.9 million, or 20.5 percent of GDP.
- ❑ **External Sector:** The value of total merchandize exports (domestic exports *plus* re-exports) increased by 6.8 percent during the first eight months of 2010 to reach JD 3,237.6 million. Similarly, the value of merchandize imports increased by 8.7 percent, totaling JD 7,095.0 million. As a result, the trade deficit expanded by 10.4 percent compared to the same period of the previous year, amounting to JD 3,857.4 million. Further, the preliminary figures for the first nine months of 2010 showed an increase in the travel receipts and travel payments by 20.1 percent and 35.2 percent, respectively, compared to the same period of 2009. In addition, the receipts of workers' remittances increased by 1.5 percent. The preliminary figures for the balance of payments in the first half of 2010 displayed a deficit in the current account amounting to JD 547.1 million, up from JD 294.3 million during the same half of 2009. Furthermore, the Foreign Direct Investment (FDI) recorded net inflows of JD 643.3 million during the first half of 2010 compared to net inflows of JD 747.2 million in the same half of 2009. Finally, the International Investment Position (IIP) displayed a net obligation to abroad amounting to JD 11,884.4 million at the end of 2009 compared to JD 13,964.3 million at the end of 2008.

First: Monetary and Financial Sector

□ Summary:

- The foreign currency reserves at the CBJ increased by US\$ 323.5 million, or 3.0 percent, at the end of the first three quarters of 2010; compared to their level at the end of 2009; standing at US\$ 11,202.5 million. This level of reserves is equivalent to around 7.9 months of the Kingdom's imports of goods and services.
- Domestic liquidity at the end of the first three quarters of 2010 increased by JD 1,606.0 million, or 8.0 percent, compared to its level at the end of the previous year to total JD 21,619.3 million.
- The outstanding balance of the credit facilities extended by licensed banks increased by JD 694.8 million, or 5.2 percent, at the end of the first three quarters of 2010 compared to its level at the end of 2009; standing at JD 14,012.0 million.
- Total deposits at licensed banks increased by JD 1,505.5 million, or 7.4 percent, at the end of the first three quarters of 2010 in comparison with its level at the end of 2009; totaling JD 21,803.9 million.
- Interest rates on credit facilities at licensed banks increased during the first three quarters of 2010, whereas interest rates on deposits declined compared to their levels at the end of 2009.

- The SPI weighted by market capitalization of free float shares at ASE decreased by 227.0 points, or 9.0 percent, at the end of September 2010 compared to its level at the end of 2009; standing at 2,306.5 points. The market capitalization also decreased by around JD 1.7 billion, or 7.7 percent, at the end of September 2010 compared to its level at the end of 2009 to stand at JD 20.8 billion.

Main Monetary Indicators

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

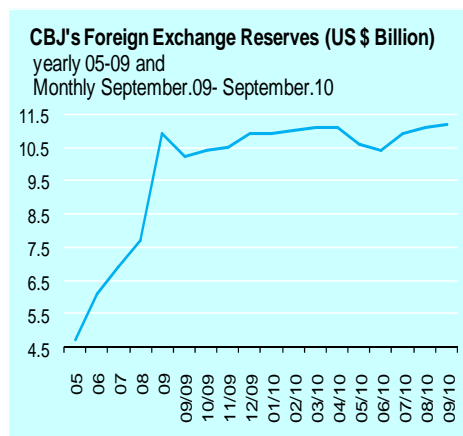
Year		End of September	
		2009	2010
US\$ 10,879.0	CBJ's Foreign Currency Reserves	US\$ 10,153.6	US\$ 11,202.5
40.5%		٪31.1	٪3.0
20,013.3	Money Supply (M2)	19,554.5	21,619.3
9.3%		٪6.8	٪8.0
13,317.2	Credit Facilities, of which:	13,163.9	14,012.0
2.1%		٪0.9	٪5.2
12,041.3	Private Sector (Resident)	11,673.6	12,735.1
1.4%		٪-1.6	٪5.8
20,298.4	Total Deposits, of which:	19,662.9	21,803.9
12.1%		٪8.6	٪7.4
15,865.0	In JD	15,216.9	16,975.5
18.9%		٪14.0	٪7.0
4,433.4	In Foreign Currencies	4,446.0	4,828.4
-6.7%		٪-6.5	٪8.9
16,256.7	Deposits of Private Sector (Resident), of which:	15,527.2	17,728.9
13.7%		٪8.6	٪9.1
13,500.0	In JD	12,807.6	14,649.5
19.5%		٪13.3	٪8.5
2,756.7	In Foreign Currencies	2,719.6	3,079.4
-7.8%		٪-9.1	٪11.7

Source: Central Bank of Jordan / Monthly Statistical Bulletin.

□ CBJ's Foreign Currency Reserves

The CBJ's foreign currency reserves increased by US\$ 59.1 million, or 0.5 percent, at the end of September 2010 compared to their level in the previous month; standing at US\$ 11,202.5 million. These reserves increased by US\$ 323.5 million at the end of the first three quarters of 2010, or 3.0 percent, compared to their level at the end of 2009. This level of reserves is equivalent to

around 7.9 months of the Kingdom's imports of goods and services. Furthermore, these reserves amounted to US\$ 11,175.7 million as of October 21, 2010; up by US\$ 296.7 million or 2.7 percent compared to their level at the end of 2009.



□ Domestic Liquidity (M2)

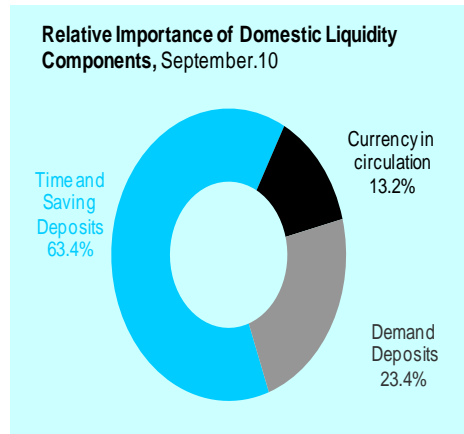
■ Domestic liquidity totaled JD 21,619.3 million at the end of September 2010; increasing by JD 152.7 million, or 0.7 percent, compared to its level at the end of the preceding month, against an increase in the amount of JD 90.7 million, or 0.5 percent, during the same month in 2009. Furthermore, domestic liquidity increased by JD 1,606.0 million, or 8.0 percent, at the end of the first three quarters of 2010, against an increase in the amount of JD 1,250.3 million, or 6.8 percent, during the same period of 2009.

◆ **The comparison of the developments in the domestic liquidity components and the factors affecting liquidity between the end of the first three quarters in 2010 and the end of 2009 reveals the following:**

● Components of Domestic Liquidity

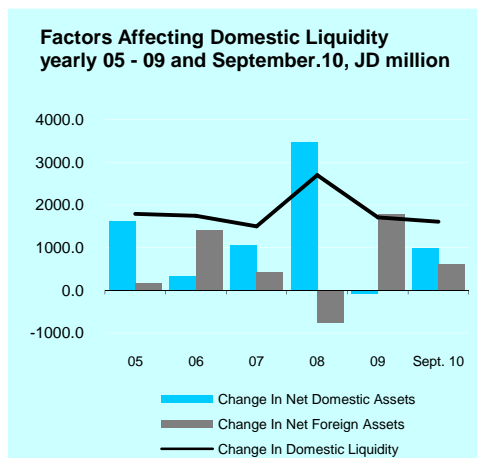
- Deposits increased by JD 1,430.5 million, or 8.3 percent, at the end of the first three quarters of 2010 compared to their level at the end of 2009; totaling JD 18,764.3 million, against an increase amounting to JD 1,199.1 million, or 7.7 percent, at the end of the same period of 2009.

- Currency in circulation increased by JD 175.5 million, or 6.5 percent, at the end of the first three quarters of 2010; standing at JD 2,855.0 million compared to its level at the end of 2009, against an increase in the amount of JD 51.2 million, or 1.9 percent, at the end of the same period of 2009.



- **Factors Affecting Domestic Liquidity**

- Net domestic assets at the banking system increased by JD 996.8 million, or 9.0 percent, at the end of the first three quarters of 2010 compared to its level at the end of 2009, against an increase in the amount of JD 20.0 million, or 0.2 percent, during the same period of 2009. This increase at the end of the first three quarters in 2010 was a result of the increase in net domestic assets at the licensed banks and at the CBJ by JD 735.3 million, or 4.2 percent, and JD 261.5 million, or 4.2 percent, respectively.



- o Net foreign assets at the banking system increased by JD 609.2 million, or 6.9 percent, at the end of the first three quarters of 2010 compared to their level at the end of 2009, against an increase in the amount of JD 1,230.3 million, or 17.0 percent, in the same period of 2009. This rise was an outcome of the increase in these assets at the licensed banks by JD 686.9 million, or 188.1 percent, and the decline in these assets at the CBJ by JD 77.7 million, or 0.8 percent.

Changes in Factors Affecting Domestic Liquidity (M2)
JD Million

Year		Change in balance relative to the end of September	
		2009	2010
1,780.1	Foreign Assets (Net)	1,230.3	609.2
2,433.2	CBJ	1,707.9	-77.7
-653.1	Licensed Banks	-477.6	686.9
-71.0	Domestic Assets (Net)	20.0	996.8
-2,552.8	CBJ, of which:	-1,740.2	261.5
-302.8	Claims on Public Sector (Net)	-120.0	-235.0
-2,250.0	Other Items (Net*)	-1,620.2	496.3
2,481.8	Licensed Banks	1,760.2	735.3
630.5	Claims on Public Sector (Net)	620.5	513.5
159.9	Claims on Private Sector	18.8	711.6
1,691.4	Other Items (Net)	1,120.9	-489.8
1,709.1	Money Supply (M2)	1,250.3	1,606.0
14.7	Currency in Circulation	51.2	175.5
1,694.4	Total Deposits, of which:	1,199.1	1,430.5
-436.1	In Foreign Currencies	-408.8	273.0

* 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

- In 2010, the CBJ lowered the interest rates on its monetary policy instruments by 50 basis points as of February 21, 2010. Accordingly, the interest rates on the monetary policy instruments 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 deposit (CDs), it is noted that:

- The CBJ did not issue any CDs during 2009 and the elapsed period of 2010. 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.

Interest Rates on Monetary Policy Instruments (%)

End of year		September	
		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

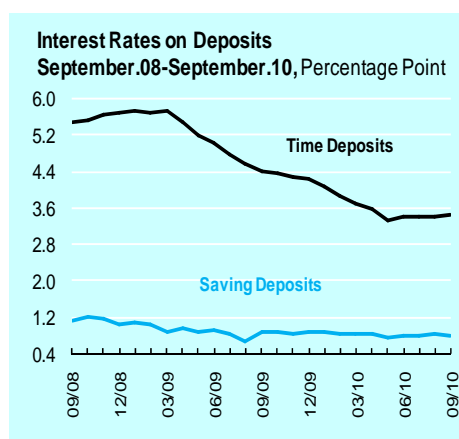
Source: Central Bank of Jordan / Monthly Statistical Bulletin.

- 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 at the end of September 2010 increased by 2 basis points compared to its level at the end of the preceding month; standing at 3.42 percent. However, this rate was 81 basis points lower compared to its level at the end of 2009.



- **Saving Deposits:** The weighted average interest rate on saving deposits at the end of September 2010 decreased by 4 basis points compared to its level in the previous month, to reach 0.76 percent. Moreover, this rate was 8 basis points lower than its level at the end of the preceding year.
- **Demand Deposits:** The weighted average interest rate on demand deposits decreased by 3.0 basis points at the end of September 2010 compared to its level at the end of the previous month; standing at 0.42 percent. This rate was also 25 basis points less than its level at the end of the preceding year.

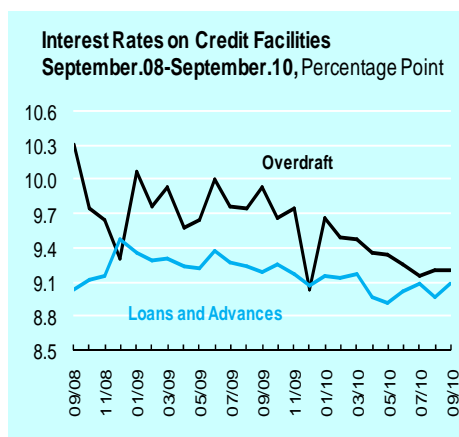
• Interest Rates on Credit Facilities

- **Overdraft Accounts:** The weighted average interest rate on overdraft accounts stood at 9.2 percent at the end of September 2010; the same as its level at the end of the previous month. Moreover, this rate was 17.0 basis points higher than its level at the end of 2009.

- **Discounted Bills and Bonds:** The weighted average interest rate on “discounted bills and bonds” decreased by 19 basis points at the end of September 2010 compared to the preceding month; to stand at 9.45 percent. Also, this rate was 28 basis points higher than its level at the end of the previous year.

- **Loans and Advances:** The weighted average interest rate on “loans and advances” stood at 9.08 percent at the end of September 2010; higher by 11 basis points compared to its level at the end of the previous month. Compared to its level at the end of 2009, this rate was 1 basis point higher.

- **The Prime Lending Rate:** This rate stood at 8.20 percent at the end of September 2010; 14.0 basis points lower than its level at the end of 2009.



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

Year		September 2009	September 2010	Change Relative to the Year 2009 Basis Points
Deposits				
0.67	Demand	0.65	0.42	-25
0.84	Saving	0.84	0.76	-8
4.23	Time	4.41	3.42	-81
Credit Facilities				
9.17	Discounted Bills and Bonds	9.15	9.45	28
9.07	Loans and Advances	9.18	9.08	1
9.03	Overdraft	9.93	9.20	17
8.34	Prime Lending Rate	8.38	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 14,012.0 million at the end of the first three quarters of 2010; an increase amounting to JD 694.8 million, or 5.2 percent, compared to its level at the end of the previous year, against an increase in the amount of JD 119.6 million or 0.9 percent during the same period of 2009.
- ◆ The classification of extended credit facilities according to economic activity during the first three quarters of 2010 demonstrates that the increase in the extended credit facilities was the outcome of the following:
 - The increase in the extended credit facilities for the sectors of construction, general trade and industry; which increased by JD 573.7 million, or 22.2 percent, JD 237.6 million, or 7.4 percent, and JD 178.7 million, or 11.0 percent, respectively, compared to their levels at the end of 2009.
 - The drop in the credit facilities extended to activities classified as “Other” (mostly represent the facilities extended to individuals) by JD 301.8 million, or 8.9 percent, compared to its level at the end of 2009.
- ◆ The classification of extended credit facilities by borrower reveals that the boost in the extended credit facilities was mainly in the credit facilities extended to the private sector (resident). These facilities increased by JD 693.8 million, or 5.8 percent at the end of September 2010 compared to their level at the end of 2009. Moreover, the credit facilities extended to the private sector (non-resident) increased by JD 52.8 million, or 5.6 percent. Nevertheless, the credit facilities extended to the public sector

(central government *plus* public institutions) decreased by JD 51.6 million, or 15.8 percent compared to their level at the end of 2009.

❑ Deposits at Licensed Banks

- ◆ Total deposits at licensed banks stood at JD 21,803.9 million at the end of the first three quarters of 2010; an increase in the amount of JD 1,505.5 million, or 7.4 percent, compared to their level at the end of the preceding year, against an increase amounting to JD 1,560.3 million, or 8.6 percent, during the corresponding period of 2009.
- ◆ The increase in total deposits at the licensed banks during the first three quarters of 2010 was a result of the increase in deposits of the private sector (resident) by JD 1,472.2 million, or 9.1 percent, the increase in the deposits of the private sector (non-resident) by JD 127.5 million, or 5.6 percent, and the increase in the deposits of non-banking financial institutions by JD 13.1 million, or 8.8 percent, and the decrease in the deposits of the public sector by JD 107.3 million, or 6.6 percent, compared to their levels at the end of 2009.
- ◆ The developments in the currency structure of deposits during the first three quarters of 2010 reveal that “deposits in local currency” and “deposits in foreign currencies” increased by JD 1,110.5 million, or 7.0 percent, and JD 395.0 million, or 8.9 percent, respectively, compared to their levels at the end of 2009.

❑ Amman Stock Exchange (ASE)

The indicators of ASE displayed a negative performance at the end of the first three quarters of 2010 compared to the end of the preceding year. This can be demonstrated as follows:

- **Trading Volume**

The trading volume at the ASE totaled JD 559.9 million in September 2010; up by JD 113.8 million, or 25.5 percent, compared to its level at the end of the previous month, against an increase of JD 246.5 million, or 51.1 percent, during the same month in 2009. However, the trading volume stood at JD 5,662.9 million during the first three quarters of 2010; a decline amounting to JD 2,125.2 million, or 27.3 percent, compared to the same period of 2009.

- **Traded Shares**

The number of traded shares in September 2010 totaled 564.2 million; up by 111.5 million shares, or 24.6 percent, compared to the end of the preceding month, against an increase amounting to 201.3 million shares, or 53.8 percent, during the same month in 2009. Furthermore, the number of traded shares during the first three quarters of 2010 stood at 5,778.7 million shares compared to 4,646.1 million shares traded during the same period of 2009.

- **Share Price Index (SPI)**

The SPI weighted by market capitalization of free float shares at ASE gained 57.5 points, or 2.6 percent, at the end of September 2010 compared to its level at the end of the previous month to stand at 2,306.5 points,

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

year		September	
		2009	2010
2,533.5	General Index	2,668.2	2,306.5
3,026.8	Financial Sector	3,389.6	2,818.4
2,738.8	Industrial Sector	2,791.9	2,389.4
2,107.9	Services Sector	2,029.1	1,967.2

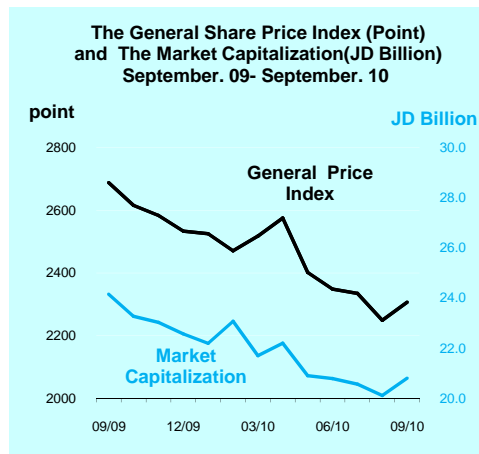
Source: Amman Stock Exchange.

against an increase in the amount of 123.7 points, or 4.8 percent, during the same month in 2009. As for the first three quarters in 2010, the SPI dropped by 227 points, or 9.0 percent, compared to its level at the end of the preceding year, against a drop in the amount of 70.2 points, or 2.5 percent, during the same period of 2009. The above-mentioned drop during the first three quarters of 2010 was mainly due to the decline in the SPI for the industrial, services and the financial sectors by 349.4 points, or 12.8 percent, 140.7 points, or 6.7 percent, and 208.4 points, or 6.9 percent, respectively, compared to their levels at the end of 2009.

- **Market Capitalization**

The ASE's market capitalization totaled JD 20.8 billion at the end of September 2010; increasing by JD 0.7 billion, or 3.5 percent, compared to its level at the end of the previous month, against a rise amounting to JD 0.4 billion,

or 1.7 percent, during the same month in the preceding year. Furthermore, the market capitalization decreased by JD 1.7 billion, or 7.7 percent, during the first three quarters of 2010, compared to its



level at the end of 2009, against a decline amounting to around JD 1.3 billion, or 4.9 percent, over the same period of 2009.

- **Non - Jordanian Net Investment**

Non - Jordanian net investment at ASE recorded an outflow amounting to JD 2.4 million in September 2010, compared to an outflow amounting to JD 10.3 million during the same month in 2009; the value of shares acquired by non - Jordanians in September 2010 stood at JD 81.7 million, while the value of shares sold by the said group amounted to JD 84.1 million. Furthermore, non-Jordanian net investment displayed an outflow

amounting to JD 19.1 million during the first three quarters of 2010, against an inflow in the amount of JD 19.1 million during the same period of 2009.

Main Amman Stock Exchange Trading Indicators, JD Million			
Year		September	
		2009	2010
9,665.3	Value Traded	728.9	559.9
38.8	Average Daily Trading	40.5	28.0
22,526.9	Market Capitalization	24,152.4	20,798.2
6,022.5	No. of Traded Shares (million)	575.2	564.2
(3.8)	Net Investment of Non-Jordanian	(10.3)	(2.4)
2,135.5	Non-Jordanian Buying	89.1	81.7
2,139.3	Non-Jordanian Selling	99.4	84.1

Source: Amman Stock Exchange.

Second: Output and Prices

□ Summary

- Gross Domestic Product (GDP) at both market and basic prices registered a real growth amounting to 2.9 percent and 4.3 percent, respectively, during the second quarter of 2010 compared to 1.9 percent and 2.4 percent, respectively, during the same quarter in 2009.
- As for the first half of 2010, GDP at both market and basic prices registered a real growth rate of 2.5 percent and 3.9 percent, respectively, compared to 2.7 percent and 3.2 percent, respectively, during the first half in 2009.
- The general price level, as measured by the Consumer Price Index (CPI), increased by 4.7 percent during the first nine months of 2010, against a slight decline amounting to 0.7 percent during the same period of 2009.
- Investments benefiting from the Investment Promotion Law (IPL) totaled JD 1.09 billion during the first three quarters of 2010 (of which foreign investments constitute 20.0 percent of the total), compared to JD 1.19 billion during the corresponding period of 2009.

□ Developments in Gross Domestic Product (GDP)

According to preliminary estimates released by the Department of Statistics (DOS), the national economy experienced an acceleration in its growth during the second quarter of 2010 driven by improved regional and global conditions and the growth of services sectors. **GDP, at constant market prices, grew at 2.9 percent in the second quarter of 2010 compared to 1.9 percent during the same quarter of 2009.** When excluding “net taxes on products”, which displayed a contraction by 4.6 percent during the second quarter of 2010, **GDP growth rate at constant basic prices goes up to 4.3 percent** compared to 2.4 percent during the second quarter of 2009.

As for the first half of 2010, the national economy witnessed a growth of 2.5 percent, at constant market prices, compared to 2.7 percent during the first half of 2009.

Moreover, **GDP at current market prices grew at 6.8 percent** compared to 13.2 percent during the first half of 2009, which came in light of **the rise in the general price level, measured by the GDP deflator, by 4.2 percent during the first half of 2010** compared to 10.2 percent during the same period of 2009.

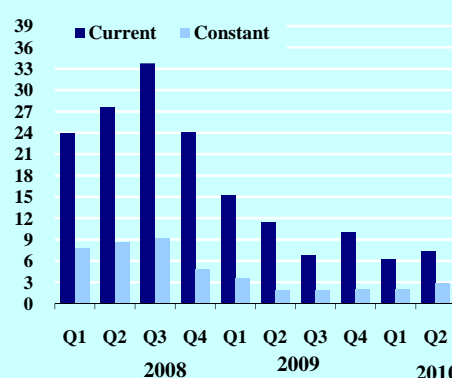
**Quarterly Growth Rates of GDP at Market Prices
2008 - 2010**

					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	2.9			
GDP at Current Market Prices	6.2	7.4			

Source: Department of Statistics.

The pace of real economic growth at market prices during the first half of 2010 was influenced by the deceleration in the commodity-producing sectors, which grew, collectively, by 0.7 percent compared to 4.3 percent during the same period of 2009. In addition, this growth was affected by the latest developments in the public finance, namely the implications of the contraction in “net taxes on products”.

Quarterly Growth Rates of GDP at Market Prices (2008 - 2010), %



In further details, the developments of economic sectors displayed a wide variation in their performance during the first half of 2010. **Some sectors witnessed a marked improvement, particularly “mining and quarrying” sector** which picked up strongly, recording a real growth rate of 9.7 percent compared to a contraction amounting to 4.2 percent during the same period of 2009. Meanwhile, **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 0.5 percent during the same period of 2009. In addition, the growth rate of **“transport and communications”** sector reached 8.7 percent compared to 3.5 percent during the first half of 2009.

In contrast, **the sectors of “construction” and “electricity and water” experienced a contraction** amounting to 7.9 percent and 5.6 percent, respectively, compared to a growth rate of 18.8 percent for the former and a contraction of 3.5 percent for the latter during the same period 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 0.3 percentage point and 3.6 percentage points, respectively, in the first half of 2010 compared to 1.4 percentage points and 1.8 percentage points, respectively, in the first half of 2009. It is worth mentioning in this regard that the contribution of “net taxes on products” in the overall GDP growth was negative, standing at -1.0 percentage point during the first half of 2010.**

□ Microeconomic Indicators

The latest sectoral indicators displayed divergent performance during the past period of the current year. Some indicators recorded a fast pace 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 “mining and quarrying” indicators. However, some other indicators showed a downward trend, particularly cement sales in domestic market and the manufacturing and electricity production quantity index.

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

Fast pace growing indicators * Percentages			
The whole 2009	Item	January - August	
		2009	2010
-28.6	"Mining and quarrying" production quantity index	-24.7	27.3
-1.0	The number of passengers through the Royal Jordanian	-4.2	13.6
-27.5	Cargo through the Royal Jordanian	-32.8	29.4
The whole 2009	Item	January - September	
		2009	2010
-44.0	Production of potash	-41.4	50.9
-17.8	Production of phosphate	-19.5	26.7
2.9	Production of chemical acids	-6.2	17.3
-8.5	Production of fertilizers	-12.7	16.4
-16.2	Quantities of exported and imported goods shipped through the Aqaba port	-17.3	11.3
0.5	Number of departures	1.4	23.4

Slowdown and contracting indicators * Percentages			
The whole 2009	Item	January - August	
		2009	2010
17.5	Licensed areas for building	14.8	1.2
-8.1	Electricity production quantity index	-9.8	-6.5
1.2	Manufacturing production quantity index	0.5	-6.3
-1.7	Industrial production quantity index	-2.1	-4.5
The whole 2009	Item	January - September	
		2009	2010
0.4	Quantity of cement sales to the domestic market (excluding imported quantities)	5.6	-8.8
-4.6	Production of cement	-3.5	-7.3
-3.6	Production of petroleum products	-3.6	-4.2

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

□ Investments Benefiting from the Investment Promotion Law

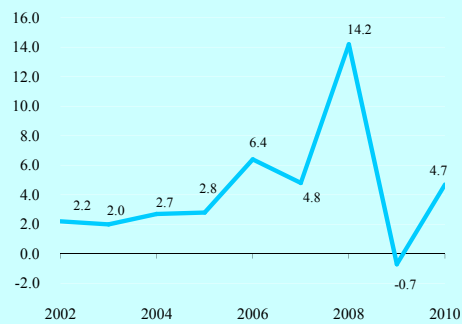
- ◆ According to latest statistics issued by Jordan Investment Board (JIB), **planned investments benefiting from the Investment Promotion Law (IPL) totaled JD 1.09 billion during the first three quarters in 2010 compared to JD 1.19 billion during the same period of 2009.**
- ◆ As for the sectoral distribution of investments benefiting from the IPL during the first three quarters in 2010, **it is noted that the industrial sector, which is one of the most important sectors in terms of generating income and employment, came in the first rank in terms of size of investments; accounting for 48.0 percent (JD 525.0 million).** This is followed by the sectors of “leisure and recreational compounds”, hotels, transportation, hospitals and agriculture which accounted for 23.0 percent, 18.0 percent, 6.0 percent, 3.0 percent and 2.0 percent, respectively.
- ◆ As for the distribution of total investments according to nationality, the latest figures revealed that the value of domestic investments benefiting from the IPL has increased to stand at JD 878.0 million (accounting for 80.0 percent of total investments) during the first three quarters in 2010 compared to JD 672.0 million during the same period of 2009, while foreign investments accounted for the remaining 20.0 percent.
- ◆ 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

Compared to a limited deflation during the whole year of 2009, **the general price level, as measured by the Consumer Price Index (CPI), increased by 4.7 percent** during the first nine months of 2010 against a slight decline amounting to 0.7 percent during the same period of 2009. This rise was basically due to the increase in the prices of oil derivatives and other related goods and services (such as transportation) as well as the prices of many food items in the local market compared to the same period of the preceding year.

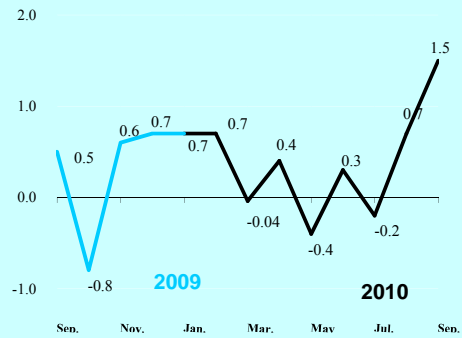
Annual Inflation Rate

For the First Nine Months of the Year (2002 - 2010), percentages



Monthly Inflation Rate

(Sep. 2009 -Sep. 2010, percentages)



Moreover, consumer prices have increased by 1.5 percent in September 2010 compared to their level in the preceding month. The aforementioned increase was mainly due to the rise in the prices of “vegetables”, “fruit” and education, in addition to clothing and footwear items.

The price developments of the main components of the CPI basket during the first nine 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 4.1 percent during the first nine months of 2010 compared to a smaller increase amounting to 2.8 percent during the same period of 2009. The contribution of this group to the overall rate of inflation recorded during the first nine 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 “meat and poultry” which leapt by 6.4 percent. In addition, the prices of “sugar and confectionaries” and cigarettes increased by 17.3 percent and 11.4 percent, respectively. In contrast, the prices of some other items declined. The most prominent items include “dairy products and eggs” and “oils and fat” items, which dropped by 2.3 percent and 1.7 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) **rose slightly by 0.9 percent during the first nine months of 2010 compared to a noticeable increase in the amount of 7.0 percent during the same period of 2009. Accordingly, this group's contribution to the overall inflation rate amounted to 0.1 percentage point during the period under consideration.** The pace of price rise of this group was affected by the deceleration in the prices of “clothes” and “footwear” items, which grew by 0.6 percent and 2.1 percent, respectively, during the first nine months of 2010, compared to a rise in the amount of 6.1 percent and 10.5 percent, respectively, during the corresponding 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 nine months of 2010 against a decline amounting to 2.0 percent during the same period of 2009. In effect, the prices of this group contributed to the overall inflation rate by 1.1 percentage points during the period under consideration.** The increase in the prices of this group was affected by the rise in the prices of “fuels and electricity” item by 7.4 percent. In addition, other items recorded varied rates of increase in their prices, ranging from 0.3 percent for “household appliances” to 5.2 percent for “house utensils”. 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 3.4 percent during the first nine months of 2010.
- ◆ The prices of **“other goods and services”** group (which accounts for 31.62 percent of the CPI basket) **increased noticeably by 6.6 percent during the first nine months of 2010 against a drop in the amount of 5.5 percent during the same period of 2009. In consequence, this group contributed to the overall inflation rate by 2.1 percentage points during the period under consideration.** The increase in the prices of this group came out as a main result of the large rise in the prices of “transportation” item (which is the main component of this group) by 13.6 percent against a drop amounting to 17.0 percent during the same period of 2009, due to the rise in the prices of oil derivatives. In addition, the prices of most items in this group have increased, particularly “personal care” and “education” which rose by 6.2 percent and 6.0 percent, respectively.

Third: Public Finance

□ Summary:

- The general budget, including foreign grants, showed a fiscal deficit amounting to JD 427.8 million during the first eight months in 2010, compared to a large fiscal deficit in the amount of JD 757.7 million during the same period in 2009. Excluding foreign grants (amounting to JD 248.6 million), the deficit widens to stand at JD 676.4 million.
- Gross outstanding domestic public debt (budgetary and own-budget) stood at JD 7,637.0 million, or 39.4 percent of GDP, at the end of August 2010, reflecting a rise amounting to JD 551.0 million compared to its level at the end of 2009.
- Net outstanding domestic public debt totaled JD 6,460.0 million, or 33.3 percent of GDP, at the end of August 2010; up by JD 669.0 million compared to its level at the end of 2009.
- Outstanding external public debt (budgetary and guaranteed) increased by JD 98.9 million at the end of August 2010 in comparison with its level at the end of 2009; standing at JD 3,967.9 million, or 20.5 percent of GDP.

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

■ Public Revenues

Public revenues (including foreign grants) increased by JD 45.4 million, or 14.5 percent, in the month of August 2010 compared to the same month in 2009; totaling JD 358.1 million. As for the first eight months in 2010, these revenues were up by JD 200.0 million, or 6.8 percent, compared to the same period in the preceding year to stand at JD 3,141.5 million. This result was driven by the increase in both foreign grants and domestic revenues by JD 145.9 million and JD 54.1 million, respectively.

Main Government Budget Indicators during August and the first eight months of 2010 and 2009:

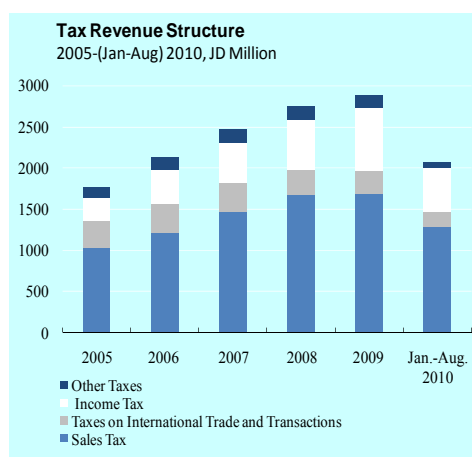
(JD Million and Percentages)

	August		Growth Rate %	Jan. – Aug.		Growth Rate %
	2009	2010		2009	2010	
Total Revenues and Grants	312.7	358.1	14.5	2,941.5	3,141.5	6.8
Domestic Revenues, of which:	312.7	317.3	1.5	2,838.8	2,892.9	1.9
Tax Revenues, of which:	235.7	243.2	3.2	2,041.2	2,061.3	1.0
General Sales Tax	173.4	182.5	5.2	1,114.9	1,279.4	14.8
Other Revenues, of which:	75.4	72.7	-3.6	784.4	819.4	4.5
Land Registration Fees	12.6	10.9	-13.5	96.3	89.0	-7.6
Foreign Grants	0.0	40.8	—	102.7	248.6	142.1
Total Expenditures	429.8	503.0	17.0	3,699.2	3,569.3	-3.5
Overall Deficit/ Surplus	-117.1	-144.9		-757.7	-427.8	

Source: Ministry of Finance/ General Government Finance Bulletin.

◆ **Domestic Revenues**

Domestic revenues increased by JD 54.1 million, or 1.9 percent, during the first eight months in 2010 compared to the same period in 2009; amounting to JD 2,892.9 million. This increase was the outcome of the rise in the proceeds of “other revenues” by JD 35.0 million and the proceeds of “tax revenues” by JD 20.1 million, on one hand, and the decline in “pension contributions” by JD 1.0 million, on another.



◀ Tax Revenues

Tax revenues were up by JD 20.1 million, or 1.0 percent, in the first eight months in 2010 compared to the same period in 2009, to reach JD 2,061.3 million; accounting for 71.3 percent of domestic revenues. This increase was chiefly influenced by the following developments:

- **The increase in the proceeds of general sales tax on goods and services** by JD 164.5 million, or 14.8 percent, to reach JD 1,279.4 million. This aforementioned increase was driven by the rise in the proceeds of most general sales tax items. More specifically, the proceeds of “sales tax on domestic goods” increased by JD 79.1 million driven by a package of tax measures adopted by the government on both types of gasoline, and abolishing the general sales tax' exemption on coffee. In addition, the proceeds of “sales tax on services” increased by JD 73.8 million. This increase was mainly the outcome of the rise in the special sales tax on mobile phone calls from %8 to %12. Moreover, the proceeds of “sales tax on the commercial sector” witnessed an increase amounting to JD 13.9 million. In contrast, the proceeds of “sales tax on imported goods” displayed a drop amounting to JD 2.3 million. It is worth noting in this regard that the actual proceeds of the general sales tax on goods and services during the first eight months in 2010 amounted to 65.7 percent of their targeted level in the General Budget Law. It is worthy to indicate also that the amended Sales Tax Law No. (29) for 2009 came into effect as of the beginning of the current year. This Law is based on the principle of unification of taxation measures relating to 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 decrease in the proceeds of “income and profit taxes”** by 17.1 percent, standing at JD 531.4 million. This decrease was due to the decline in the proceeds of “income tax from companies and other projects” by JD 104.6 million, and the

slight drop in the proceeds of “income tax from individuals” by JD 5.2 million. In further details, income tax from companies accounted for 78.7 percent of total taxes on income and profits; standing at JD 418.1 million (of which JD 181.5 million from the income of banks and financial institutions). **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 impact on companies’ profits during the said year.**

- **The decline in the proceeds of “taxes on international trade and transactions”** by JD 6.9 million, or 3.6 percent, to stand at JD 186.6 million. Such a decline was the outcome of the drop in the proceeds of departure tax by JD 9.3 million and the increase in the proceeds of “customs duties and fees” by JD 2.4 million to reach JD 182.7 million.

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

“Other revenues” surged by JD 35.0 million, or 4.5 percent during the first eight months in 2010 to reach JD 819.4 million. This increase was mainly due to the rise in property income proceeds by JD 50.3 million (of which financial surplus of independent government units amounting to JD 207.3 million) to stand at JD 226.6 million. Moreover, revenues from selling goods and services displayed an increase amounting to JD 1.0 million to reach JD 404.3 million, while miscellaneous revenues dropped by JD 16.3 million to stand at JD 188.5 million.

◀ **Pension Contributions**

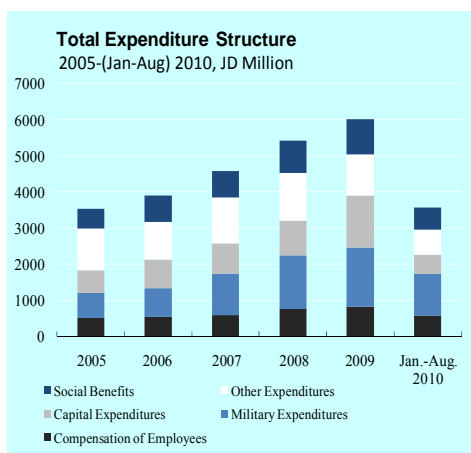
Pension contributions dropped by JD 1.0 million during the first eight months in 2010 to stand at JD 12.2 million.

◆ **Foreign Grants**

Foreign grants rose by JD 145.9 million during the first eight months in 2010 compared to their level in the same period in 2009, standing at JD 248.6 million.

■ Public Expenditures

Public expenditures increased by JD 73.2 million, or 17.0 percent, in August 2010 compared to the same month in 2009 to stand at JD 503.0 million. However, these expenditures declined by JD 129.9 million, or 3.5 percent, during the first eight months in 2010 to stand at JD 3,569.3



million. This decline was the outcome of the drop in capital expenditures by 34.4 percent, on one hand, and the rise in current expenditures by 5.1 percent, on the other.

◆ Current Expenditures

Current expenditures increased by JD 148.5 million, or 5.1 percent, during the first eight months in 2010; amounting to JD 3,038.4 million. This increase was due to the rise in the compensation of employees of the civil servants (wages, salaries and social security contributions) and the military expenditures by JD 38.0 million and JD 44.8 million, to total JD 587.4 million and JD 1,143.8 million, respectively. The item of interest payments, both internal and external, has also increased by JD 1.7 million. Moreover, goods subsidies (food and oil subsidies) increased again, due to the increase in the world commodity prices particularly wheat prices, in addition to maintaining the liquid gas subsidy, to stand at JD 95.8 million (of which foods subsidies

amounting to JD 73.8 million) during the first eight months in the current year against JD 20.4 million during the same period in 2009. Meanwhile, “social benefit expenditures” have declined by JD 20.8 million to stand at JD 608.5 million. In addition, “purchases of goods and services” have also declined by JD 23.2 million to stand at JD 192.3 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 278.4 million, or 34.4 percent during the first eight months in 2010 compared to the same period in the preceding year; standing at JD 530.9 million. Accordingly, the achievement ratio of capital expenditures stood at just 55.1 percent of their projected level in the Budget Law and its Supplement for 2010.

■ **General Budget Deficit/ Surplus**

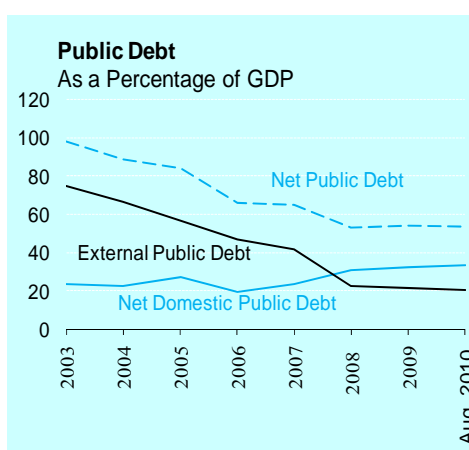
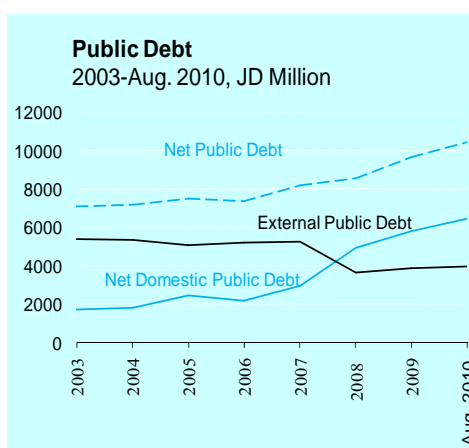
- ◆ **The general budget, including grants, displayed a fiscal deficit amounting to JD 427.8 million in the first eight months in 2010** against a large deficit in the amount of JD 757.7 million during the same period in 2009.
- ◆ **The general budget showed a primary deficit** (after excluding interest payments on public debt from total expenditures) **amounting to JD 185.2 million in the first eight months in 2010** against a primary deficit in the amount of JD 516.8 million during the same period in 2009.

Public Debt

- Gross outstanding domestic public debt of the government (budgetary and own-budget agencies) was up by JD 551.0 million at the end of August 2010 compared to its level at the end of 2009 to reach JD 7,637.0 million, or 39.4 percent of GDP. This rise was the outcome of the increase in the budgetary domestic public debt as well as the gross outstanding domestic public debt for own-budget agencies by JD 401.0 million and JD 150.0 million, respectively. This increase in the budgetary domestic public debt was mainly the outcome of the rise in the balance of the**

“treasury bills and bonds” in the amount of JD 483.0 million to total JD 6,236.0 million at the end of August 2010, on one hand, and the drop in the outstanding balance of “loans and advances” extended by CBJ to the budgetary central government by JD 80.0 million to stand at JD 912.0 million at the end of August 2010, on the other.

- Net outstanding domestic public debt** (gross outstanding domestic public debt *minus* government deposits at the banking system) **increased by JD 669.0 million at the end of August 2010** compared to the end of 2009 to total JD 6,460.0 million, or



33.3 percent of GDP. The aforementioned increase was the outcome of the rise in gross outstanding domestic public debt by JD 551.0 million and the decline in the government deposits at the banking system by JD 117.0 million compared to their level at the end of 2009.

- **Outstanding balance of external public debt (budgetary and guaranteed) was up** by JD 98.9 million at the end of August 2010 compared to its level at the end of 2009; amounting to JD 3,967.9 million, or 20.5 percent of GDP. The currency structure of this debt indicates that external debt in US dollars accounted for 32.8 percent, while debt in Euros accounted for 9.4 percent. Further, external debt in Japanese Yen and Kuwaiti Dinars accounted for 26.3 percent and 19.5 percent of the outstanding external public debt, respectively.
- **Net public debt (domestic and external) increased** by JD 767.9 million at the end of August 2010 compared to its level at the end of 2009 to stand at JD 10,427.9 million, or 53.8 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 decreased by 0.4 percentage point compared to its level at the end of 2009. 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 236.4 million during the first eight months in 2010 (of which interest payments amounting to JD 54.7 million) compared to JD 225.9 million in the same period in 2009 (of which interest payments amounting to JD 62.2 million).

□ Fiscal and Price Measures

- ◆ Raising the prices of all types of oil derivatives as of October 22, 2010, while maintaining the prices of domestic liquid gas unchanged, as follows:

	Unit	2010		Change %
		September	October	
Fuel oil for industry	JD/Ton	349.9	365	4.3
Fuel oil for ships	JD/Ton	349.9	365	4.3
Fuel oil for airplanes (local companies)	Fils/Liter	434	463	6.7
Fuel oil for airplanes (foreign companies)	Fils/Liter	439	468	6.6
Fuel oil for unplanned flights	Fils/Liter	454	483	6.4
Asphalt	JD/Ton	376.3	392.3	4.3
Unleaded Gasoline 90*	Fils/Liter	540	575	6.5
Unleaded Gasoline 95*	Fils/Liter	660	700	6.1
Gas Oil (Diesel)	Fils/Liter	465	495	6.5
Kerosene	Fils/Liter	465	495	6.5
Liquid Gas (12.5kg)	JD/Unit	6.5	6.5	0.0

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

- ◆ Approving a provisional Supplementary Budget Law for the fiscal year 2010 in the amount of JD 350.0 million. This Supplement was issued due to inadequate appropriations allocated for certain key expenditure categories and items in the General Budget Law for the fiscal year 2010, most notably the wage bill (for Ministry of Education and Public Security Directorate); enhancement of social protection and expansion the middle class (supporting the

National Aid Fund, medical treatments and a fund to support public transport); in addition to allocations for subsidizing bread (October 2010).

□ **Grants, Loans and Other Agreements**

- Signing the Exchange of Letters for two grants between the government of Jordan and the government of Japan. The two grants were drawn from the Japan-Jordan Counterpart Account, to finance the purchase of medical equipment and furniture for the Prince Hashem Bin Abdullah II Hospital in Aqaba in the amount of JD 12.0 million, and to complete the works at the National Museum in the amount of JD 6.0 million as one of the sub-projects under the ongoing Tourism Development Project (October 2010).
- Signing a financing agreement between the government of Jordan and the government of Switzerland in the amount of US \$ 16.8 million, of which 50 percent would be a grant and the other half in the form of a soft loan, with a view to improving emergency services at the General Directorate of Civil Defense in Jordan (October 2010).
- Signing a grant agreement extended by the government of France, represented by the French Development Agency (AFD), in the amount of EUR 1.0 million, to support the Mega Project Administration at the Prime Ministry (October 2010).

- Signing five grant agreements extended by the United States Agency for International Development (USAID) in the amount of US \$ 359.8 million, as part of the regular U.S. economic assistance to Jordan as follows (September 2010):
 - A grant in the amount of US \$ 163.0 million in the form of budget support to finance projects and programs included in the General Budget Law in order to reduce fiscal deficit.
 - A grant in the amount of US \$ 89.9 million to support Jordan's education reform initiatives (US \$ 49.0 million), support improvements in the health sector (US \$ 21.9 million), and developing youth skills (US \$ 19.0 million).
 - A grant in the amount of US \$ 54.9 million to improve economic growth and support the private sector in Jordan.
 - A grant in the amount of US \$ 30.0 million to improve management of water resources and environment in Jordan.
 - A grant in the amount of US \$ 22.0 million to continue financing certain priority projects (governance within the sectors of Justice and Media, enhancement of transparency, and supporting civil society institutions).

Fourth: External Sector

□ Summary

- The value of **total merchandize exports** (domestic exports *plus* re-exports) increased by 0.1 percent in August 2010 compared to the same month in 2009 to stand at JD 385.4 million. As for the first eight months of 2010, total merchandize exports increased by 6.8 percent; amounting to JD 3,237.6 million.
- The value of **merchandize imports** increased by 9.4 percent in August 2010 compared to the same month in the previous year; amounting to JD 967.9 million. Regarding the first eight months of 2010, total merchandize imports rose by 8.7 percent; amounting to JD 7,095.0 million.
- In the light of the above developments, the **trade balance deficit** (total exports *minus* imports) increased by 16.5 percent in August 2010 compared to the same month in 2009; standing at JD 582.5 million. As for the first eight months of 2010, the trade deficit increased by 10.4 percent; amounting to JD 3,857.4 million.
- According to the preliminary figures, **travel receipts** increased by 20.4 percent during September 2010 compared to the same month in the preceding year; to stand at JD 220.6 million. Whereas, **travel payments** increased by 37.4 percent; amounting to JD 97.8 million. As for the first nine months of 2010, both travel receipts and travel payments increased by 20.1 percent and 35.2 percent to stand at JD 1,876.3 million and JD 802.0 million, respectively.
- According to the preliminary figures, **total workers' remittances receipts** amounted to JD 196.5 million during September 2010; a decrease amounting to 1.7 percent compared to the same month in 2009. In addition, total workers' remittances receipts increased by 1.5 percent; to stand at JD 1,920.3 million, during the first nine months of 2010.
- **The current account of the balance of payments** displayed a deficit of JD 547.1 million during the first half of 2010 compared to a deficit of JD 294.3 million during the corresponding half of 2009.

- **The FDI recorded net inflows** totaled JD 643.3 million in the first half of 2010 compared to JD 747.2 million in the same half of 2009.
- **The IIP (net)** showed a decline in net obligations of the Kingdom to abroad amounting to JD 2,079.9 million at the end of 2009 compared to the end of 2008; standing at JD 11,884.4 million.

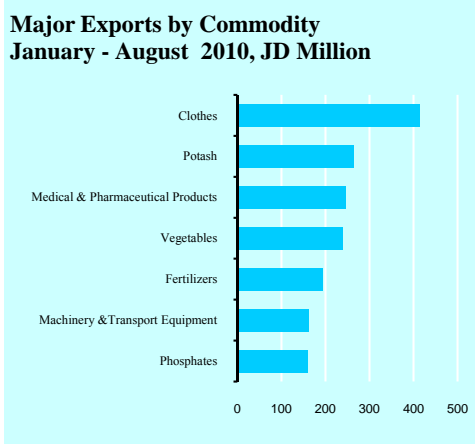
□ External Trade

In light of the increase in domestic exports by JD 375.2 and imports by JD 567.9 million during the first eight months of 2010; the volume of external trade (domestic exports *plus* imports) increased by JD 943.1 million to stand at JD 9,816.4 million.

Jordan's Major Trade Partners JD Million				Developments of External Trade Indicators, JD Million				
January - August				January - August				
	2009	2010	Percentage Change		2009	Percentage Change 2008/2009	2010	Percentage Change 2009/2010
Exports				External Trade	8,873.3	-20.8	9,816.4	10.6
United States	412.6	431.3	4.5	Total Exports	3,032.5	-18.9	3,237.6	6.8
Iraq	416.1	424.2	1.9	Domestic Exports	2,346.2	-19.2	2,721.4	16.0
India	308.9	347.2	12.4	Re-exports	686.3	-18.0	516.2	-24.8
Saudi Arabia	230.9	275.3	19.2	Imports	6,527.1	-21.3	7,095.0	8.7
Syria	112.6	129.8	15.3	Trade Balance	-3,494.6	-23.3	-3,857.4	10.4
United Arab Emirates	82.3	123.2	49.7	Source: Department of Statistics.				
Lebanon	74.9	81.4	8.7					
Imports								
Saudi Arabia	1,069.9	1,299.4	21.5					
China	702.0	774.1	10.3					
Germany	424.0	492.6	16.2					
United States	477.9	396.6	-17.0					
Egypt	413.8	340.0	-17.8					
South Korea	249.9	317.6	27.1					
Italy	243.1	261.2	7.4					
Japan	222.5	256.5	15.3					
Turkey	198.3	246.6	24.4					
Source: Department of Statistics.								

■ Merchandize Exports:

Total merchandize exports increased by 6.8 percent during the first eight months of 2010 to reach JD 3,237.6 million compared to a drop amounting to 18.9 percent during the same period of 2009. This increase was an outcome of the increase in domestic exports by JD 375.2 million, or 16.0 percent, to reach JD 2,721.4 million and the decline in re-exports by JD 170.1 million, or 24.8 percent, to reach JD 516.2 million.



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

- The exports of **clothes** increased by JD 17.0 million, or 4.3 percent, to reach JD 415.5 million. The geographical distribution indicated that the US market had the highest share of clothing exports; accounting for 93.0 percent.
- The exports of **potash** increased by JD 84.4 million, or 47.2 percent, to stand at JD 263.3 million. This was an outcome of the increase in quantities exported of potash by 56.9 percent and the drop in its price by 6.2 percent. The geographical distribution of exports indicated that the Indian, Chinese and Malaysian markets accounted for 68.2 percent of potash exports.
- The exports of **medical and pharmaceutical products** increased by JD 32.3 million, or 15.1 percent, to reach JD 245.6 million. The geographical distribution indicated that the Saudi, Algerian, Sudanese and Lebanese markets accounted for 59.1 percent of these exports.

- The exports of **vegetables** increased by JD 41.7 million, or 21.2 percent, to stand at JD 238.6 million. The markets of Syria, Iraq and UAE accounted for 65.4 percent of these exports.
- The exports of **fertilizers** increased by JD 28.7 million, or 17.4 percent, to reach JD 193.9 million. This increase was the outcome of the rise in the quantities exported by 25.1 percent and the decline in the prices of fertilizers by 6.2 percent. The Indian, Ethiopian and Japanese markets accounted for 82.7 percent of fertilizers exports.
- The exports of **machinery and transport equipment** increased by JD 26.8 million, or 19.8 percent, to total JD 161.9 million. The markets of Saudi Arabia, Iraq and UAE accounted for 70.2 percent of these exports.

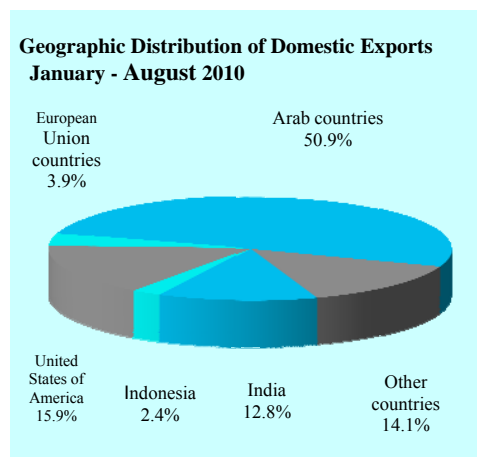
Major Domestic Exports by Commodity January – August 2009 , 2010, JD Million

	2009	2010	Percentage Change
Domestic Exports	2,346.2	2,721.4	16.0
Clothes	398.5	415.5	4.3
United States	369.0	386.5	4.7
Potash	178.9	263.3	47.2
India	115.2	115.2	0.0
China	17.7	34.6	95.5
Malaysia	7.4	29.9	304.1
Medical & Pharmaceutical Products	213.3	245.6	15.1
Saudi Arabia	63.7	63.9	0.3
Algeria	31.6	38.9	23.1
Sudan	19.9	25.8	29.6
Lebanon	13.8	16.6	20.3
Vegetables	196.9	238.6	21.2
Syria	48.8	59.5	21.9
Iraq	51.3	57.9	12.9
United Arab Emirates	26.4	38.6	46.2
Fertilizers	165.2	193.9	17.4
India	80.8	113.1	40.0
Ethiopia	0.0	24.5	-
Japan	57.0	22.7	-60.2
Machinery & Transport Equipment	135.1	161.9	19.8
Saudi Arabia	39.8	55.1	38.4
Iraq	44.0	49.1	11.6
United Arab Emirates	6.5	9.5	46.2
Phosphates	203.1	161.0	-20.7
India	91.6	107.0	16.8
Indonesia	56.5	30.5	-46.0
Netherlands	0.0	8.7	-

Source: Department of Statistics.

- The exports of **phosphates** declined by JD 42.1 million, or 20.7 percent, to total JD 161.0 million. This decline was attributed to the downturn in the prices of phosphates by 37.0 percent and the increase in the quantities exported by 25.9 percent. The markets of India, Indonesia and Netherlands were the main destinations for phosphates exports; accounting for 90.8 percent.

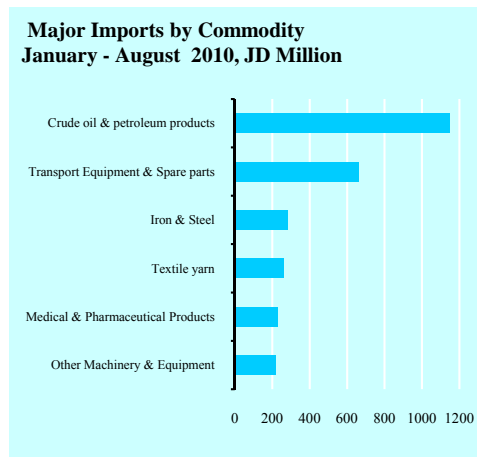
In light of the aforementioned developments, the commodity breakdown of domestic exports indicates that the exports of clothes, potash, “medical and pharmaceutical products”, vegetables, fertilizers, “machinery and transport



equipment” and phosphates topped the list of exporting materials during the first eight months of 2010; accounting for 61.7 percent of domestic exports; down from 63.5 percent during the same period of 2009. Regarding the geographical distribution of domestic exports, the markets of USA, Iraq, India, Saudi Arabia, Syria, UAE and Lebanon were the main destinations for the Jordanian domestic exports during the first eight months of 2010; accounting for 66.6 percent of domestic exports, down from 69.8 percent during the same period of 2009.

■ Merchandize Imports:

Merchandize imports stood at JD 7,095.0 million during the first eight months of 2010 increasing by JD 567.9 million, or 8.7 percent, against a decline by 21.3 percent during the same period of the preceding year.



Comparing the developments of Jordanian imports between the first eight months of 2010 and the same period of 2009 reveals the following:

- The imports of **crude oil** surged by JD 192.4 million, or 30.0 percent, to reach JD 833.1 million. This increase was attributed to the rise in oil prices by 38.5 percent and the drop in the imported quantities of oil by 6.1 percent. It is worth noting that most of the Jordanian imports of crude oil came from Saudi market; accounting for 89.8 percent.
- The imports of **transport equipment and spare parts** declined by JD 68.8 million, or 9.4 percent, to reach JD 664.4 million. The markets of South Korea, Japan, and Germany were the main sources of these imports; accounting for 69.1 percent.
- The imports of **petroleum products** increased by JD 143.6 million, or 82.6 percent, to total JD 317.5 million. The markets of Saudi Arabia, UAE, and Malaysia were the main sources of these imports.

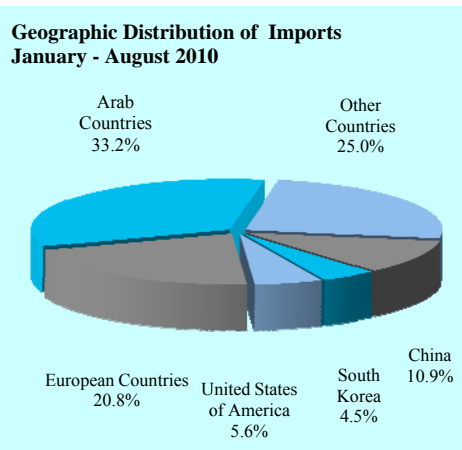
- The imports of **iron and steel** declined by JD 43.2 million, or 13.3 percent; totaling JD 280.8 million. The markets of Ukraine, Turkey and Russia were the main sources of these imports.
- The imports of **textile yarn, fabrics, made up articles and related products** increased by JD 12.4 million, or 5.0 percent; amounting to JD 261.8 million. The main source of these imports was the Chinese market followed by the Taiwanese and Syrian markets.
- The imports of **medical and pharmaceutical products** increased by JD 33.5 million, or 17.0 percent, to reach JD 230.7 million. The markets of Switzerland, Germany, UK, and France were the main sources of these imports; accounting for 41.5 percent of these imports.

Major Imports by Commodity			
January – August 2009, 2010, JD Million			
	2009	2010	Percentage Change
Total Imports	6,527.1	7,095.0	8.7
Crude Oil	640.7	833.1	30.0
Saudi Arabia	575.4	748.2	30.0
Transport Equipment and Spare Parts	733.2	664.4	-9.4
South Korea	149.1	163.6	9.7
Japan	131.3	160.4	22.2
Germany	190.4	134.8	-29.2
Petroleum Products	173.9	317.5	82.6
Saudi Arabia	35.8	84.3	135.5
United Arab Emirates	48.9	51.6	5.5
Malaysia	0.0	47.1	-
Iron & Steel	324.0	280.8	-13.3
Ukraine	111.0	70.6	-36.4
Turkey	21.4	51.5	140.7
Russia	70.7	38.0	-46.3
Textile Yarn, Fabrics & Related Products	249.4	261.8	5.0
China	111.2	128.2	15.3
Taiwan	38.7	41.4	7.0
Syria	14.8	15.8	6.8
Medical & Pharmaceutical Products	197.2	230.7	17.0
Switzerland	25.4	25.5	0.4
Germany	22.1	25.2	14.0
United Kingdom	17.6	24.5	39.2
France	18.9	20.5	8.5
Other Machinery and Equipment	217.6	217.9	0.1
China	43.5	50.0	14.9
Germany	29.6	30.1	1.7
Italy	36.7	26.3	-28.3
South Korea	11.4	22.9	100.9

Source: Department of Statistics.

- The imports of **other machinery and equipment** increased by JD 0.3 million, or 0.1 percent, to reach JD 217.9 million. The markets of China, Germany, Italy and South Korea accounted for 59.3 percent of these imports.

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



for 39.5 percent of total imports during the first eight months of 2010; up from 38.9 percent during the same period of 2009. Meanwhile, the geographical distribution of imports indicates that the markets of Saudi Arabia, China, Germany, USA, Egypt and South Korea topped the list of the sources of imports during the first eight months of 2010; accounting for 51.0 percent compared to 51.1 percent during the same period of 2009.

■ Re-Exports

The value of re-exported goods decreased by JD 170.1 million, or 24.8 percent, during the first eight months of 2010 to reach JD 516.2 million (in particular, the re-exported merchandize to Iraq; which decreased significantly by JD 150.4 million). Such a drop was due to the decline in the value of re-exports of “transport equipment and spare parts”, “dairy products and eggs”, “vegetable oils and fats” and non-monetary gold by JD 52.8 million, JD 23.2 million, JD 26.8 million and JD 14.0 million respectively.

■ Trade Balance

Trade balance deficit widened by JD 362.8 million, or 10.4 percent, during the first eight months of 2010 compared to the same period of 2009 to stand at JD 3,857.4 million.

□ Workers' Remittances Receipts

Workers' remittances receipts amounted to JD 196.5 million in September 2010; a decrease amounting to 1.7 percent compared to the same month in the preceding year. These remittances increased by 1.5 percent to stand at JD 1,920.3 million during the first nine months of 2010.

□ Travel

■ Receipts

Travel receipts increased by JD 313.6 million, or 20.1 percent, during the first nine months of 2010 to stand at JD 1,876.3 million. The increase in travel income was attributed to the increase in the number of Kingdom's inbound tourists by 15.1 percent during the first nine months of 2010 to stand at 6.1 million visitors compared to 5.3 million visitors during the same period of 2009.

■ Payments

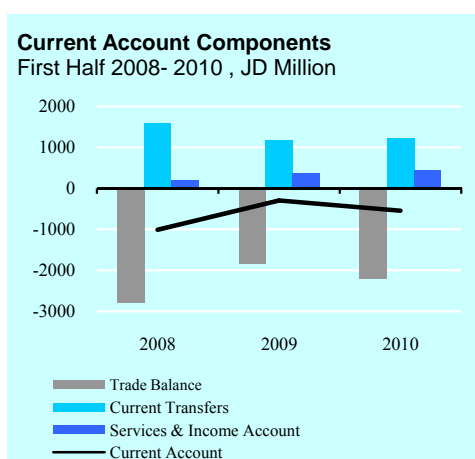
Travel payments rose by JD 208.9 million, or 35.2 percent, during the first nine months of 2010 to stand at JD 802.0 million. Such development was attributable to the increase in the number of outbound tourists by 42.1 percent during the first nine months of 2010 to stand at 2.7 million tourists compared to 1.9 million tourists during the same period of 2009.

□ Balance of Payments

The preliminary statistics of the balance of payments for the first half of 2010 compared to the same half of 2009 demonstrate the following developments:

■ The current account recorded a deficit amounted to JD 547.1 million compared to a similar deficit amounted to JD 294.3 million in the first half of 2009. This was an outcome of the following developments:

- The expansion in the trade balance deficit by JD 370.9 million, or 20.2 percent, to reach JD 2,209.3 million in the first half of 2010 compared to a deficit amounting to JD 1,838.4 million in the same half of 2009.



- The services account recorded a surplus amounted to JD 294.2 million, compared to a surplus of JD 177.4 million in the first half of 2009. This surplus was due to the surplus in the items of travel (net) and government services (net), which amounted to JD 633.2 million and JD 112.0 million respectively, and the deficit in the items of transportation (net) and other services (net) of JD 424.3 million and JD 26.7 million respectively.
- The surplus of the income account (net) decreased by JD 47.4 million, amounting to JD 149.5 million, compared to JD 196.9 million in the first half of 2009. Such a decrease was due to the decline in the investment income (net) by JD 64.0 million and the increase in the compensation of employees (net) by JD 16.6 million.
- The increase in the net current transfers by JD 48.7 million; to reach JD 1,218.5 million; in light of the increase in net transfers of the public sector (foreign grants) by JD 86.2 million to reach JD 287.1 million during the first half of 2010 compared to JD 200.9 million during the

corresponding half of 2009, In addition to the decrease in net transfers of other sectors by JD 37.5 million to reach JD 931.4 million compared to JD 968.9 million in the first half of 2009; noting that the volume of workers' remittances (net) decreased by JD 18.9 million, or 2.0 percent, to reach JD 916.2 million during the first half of 2010.

- The capital and financial account with the rest of the world recorded a net inflow of JD 551.4 million in the first half of 2010 against a similar inflow in the amount of JD 197.8 million in the first half of 2009 owing chiefly to the following:
 - Net inflow of the FDI amounted to JD 643.3 million during the first half of 2010 compared to JD 747.2 million in the first half of 2009.
 - Net outflow of the portfolio investment amounted to JD 26.4 million compared to a net outflow in the amount of JD 101.0 million during the first half of 2009.
 - Net outflow of other investments in the amount of JD 357.9 million in the first half of 2010 against a net inflow amounting to JD 344.6 million in the same half of the preceding year.
 - The decrease in reserve assets of the CBJ by JD 292.4 million compared to an increase amounting to JD 793.0 million in the first half of 2009.

□ **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 11,884.4 million at the end of 2009 compared to JD 13,964.3 million at the end of 2008. This decline was due to the following developments:

- The increase in the position of external assets (the stock of claims, obligations and financial assets) for all economic sectors (resident) in the Kingdom by JD 1,682.9 million at the end of 2009 compared to the end of 2008; amounting to JD 15,138.6 million at the end of 2009. This increase was mainly due to the rise in the reserve assets of the CBJ by JD 2,283.3 million, the increase in the investment of the commercial banks and other sectors in external bonds and stocks by JD 430.9 million, the increase in loans granted by the commercial banks to non-resident entities by JD 408.9 million, the decline in the outstanding balance of external assets of currency and deposits of commercial banks by JD 1,366.8 million, and the decline in outstanding balance of other assets for other sectors (resident) by JD 102.2 million.
- The decline in the position of external liabilities (the stock of claims, obligations and financial assets) on all economic sectors residing in the Kingdom by JD 397.0 million at the end of 2009 compared to the end of 2008; to stand at JD 27,023.0 million. This was mainly the outcome of the following:
 - The decrease in the stock of portfolio investment obligations to abroad by JD 746.0 million; amounting to JD 2,364.0 million, represented by equity securities owned by non-residents, in the sector of licensed banks and other sectors. This decrease was mainly due to the decline in the Share Price Index (SPI) at the Amman Stock Exchange (ASE) in 2009.
 - The decrease in the outstanding balance of trade credit extended to the resident sectors by JD 88.8 million to reach JD 257.9 million.

- The increase in the outstanding balance of other liabilities by JD 163.6 million, which was mainly due to the new SDRs' allocation by IMF during 2009 to all IMF country members. Jordan's share in this new SDRs' allocation was JD 161.7 million.
- The increase in the outstanding balance of external loans extended to the resident sectors by JD 183.2 million; to reach JD 3,922.4 million. This increase was mainly due to the increase in the balance of external loans extended to the CBJ and the central government by JD 90.0 million and JD 119.8 million respectively.
- The increase in the stock of FDI in the Kingdom by JD 52.8 million to stand at JD 14,525.0 million. This increase was due to the FDI inflows in 2009 despite the decline in the SPI at the ASE in 2009.
- The increase in the position of deposits of non-resident bodies at the banking system by JD 38.2 million to reach JD 5,623.8 million (the rise in the deposits at licensed banks by JD 177.0 million and the decrease in the deposits at CBJ by JD 138.8 million).