



Central Bank of Jordan

Recent Monetary & Economic Developments in Jordan

Research Dept. Monthly Report

September, 2011

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

Latest available indicators displayed mixed outcomes for the year 2011. Some indicators signaled marked improvement, particularly domestic exports and credit facilities extended by the licensed banks. In contrast, travel and total workers' remittances receipts displayed negative performance. Further, preliminary national accounts estimates released by the Department of Statistics (DOS) displayed an improvement in the Real Gross Domestic Product (GDP) during the second quarter of 2011, to reach 2.4 percent, as a result Real GDP during the first half of 2011 reached 2.3 percent.

- ❑ **Output and Prices:** In the second quarter of 2011, real GDP at market prices grew by 2.4 percent comparing to 1.4 percent in the second quarter of 2010. As for the first half of 2011, real GDP at market prices grew by 2.3 percent comparing to 1.9 percent during the same period of 2010. During the first eight months of 2011, the Consumer Price Index (CPI) has increased by 4.8 percent, comparing to an increase of 4.7 percent in the same period of 2010.
- ❑ **Monetary and Financial Sector:**
 - Foreign currency reserves at the Central Bank of Jordan (CBJ) decreased by US\$ 600.7 million, or 4.9 percent, at the end of August 2011 compared to their level at the end of 2010; standing at US\$ 11,640.5 million.
 - Domestic liquidity grew by JD 1,463.2 million, or 6.6 percent, at the end of August 2011 compared to its level at the end of 2010; standing at JD 23,769.9 million.
 - The outstanding balance of credit facilities extended by licensed banks was up by JD 1,045.9 million, or 7.2 percent, at the end of August 2011 compared to its level at the end of 2010; standing at JD 15,497.3 million.
 - Total deposits at licensed banks increased by JD 1,186.0 million, or 5.3 percent, at the end of August 2011 compared to their level at the end of 2010; totaling JD 23,690.8 million.
 - The Share Price Index (SPI) weighted by market capitalization of free float shares at Amman Stock Exchange (ASE) reached 2,036.4 points at the end of August 2011, decreasing by 337.2 points, or 14.2 percent, compared to its level at the end of 2010.
- ❑ **Public Finance:** During the first seven months of 2011, the general budget, including foreign grants, recorded a surplus in the amount of JD

330.5 million, comparing to a deficit in the amount of JD 280.5 million for the same period of 2010. Net outstanding domestic debt (budgetary and own-budget) increased by JD 404.0 million as of July 2011, comparing to its level at the end of 2010, to stand at JD 7,256.0 million (34.6 percent of GDP). Outstanding external public debt increased by JD 14.4 million at the end of July 2011 comparing to its level at the end of 2010; to reach JD 4,625.2 million, (22.0 percent of GDP). It is worth mentioning that the net public debt (domestic and external) stood at 56.6 percent of GDP.

- **External Sector:** Total merchandize exports (domestic exports *plus* re-exports) increased by 15.8 percent during the first seven months of 2011 to reach JD 3,301.2 million. Similarly, the merchandize imports increased by 20.0 percent, totaling JD 7,393.8 million. As a result, the trade deficit expanded by 23.5 percent compared to the same period of the previous year; to reach JD 4,092.6 million. Furthermore, the preliminary figures for the first eight months of 2011 compared to the same period in 2010 showed a decrease in travel receipts by 18.0 percent, while travel payments increased by 0.5 percent. In addition, total workers' remittances receipts during the first eight months of 2011 decreased by 5.8 percent compared to the same period of 2010. The preliminary figures for the balance of payments for the first half of 2011 displayed a deficit in the current account amounting to JD 1,151.4 million, up from JD 549.1 million during the same period in 2010. Moreover, the foreign direct investment (FDI) recorded a net inflow to Jordan by JD 560.9 million during the first half of 2011 compared to a net inflow of JD 655.0 million during the same period in 2010. Furthermore, the international investment position (IIP) registered a net obligation to abroad amounting to JD 13,896.2 million at the end of June 2011 compared to JD 13,220.1 million at the end of March 2011.

First: Monetary and Financial Sector

□ Summary

- The foreign currency reserves at the CBJ decreased by US\$ 600.7 million, or 4.9 percent, at the end of August 2011; compared to their level at the end of 2010; standing at US\$ 11,640.5 million. This level of reserves is equivalent to around 7 months of the Kingdom's imports of goods and services.
- Domestic liquidity at the end of August 2011 increased by JD 1,463.2 million, or 6.6 percent, compared to its level at the end of the previous year to total JD 23,769.9 million.
- The outstanding balance of credit facilities extended by licensed banks increased by JD 1,045.9 million, or 7.2 percent, at the end of August 2011 compared to its level at the end of 2010, to stand at JD 15,497.3 million.
- Total deposits at licensed banks increased by JD 1,186.0 million, or 5.3 percent, at the end of August 2011 in comparison with their level at the end of 2010; totaling JD 23,690.8 million.
- With the exception of interest rates on time and demand deposits, interest rates on all kinds of deposits and credit facilities at licensed banks decreased at the end of August 2011, compared to their levels at the end of 2010.

- The SPI weighted by market capitalization of free float shares at ASE reached 2,036.4 points at the end of August 2011, decreasing by 337.2 points, or 14.2 percent, compared to its level at the end of 2010. Further, the market capitalization decreased by JD 2.2 billion, or 10.0 percent, at the end of August 2011 compared to its level at the end of 2010 to stand at JD 19.7 billion.

Main Monetary Indicators

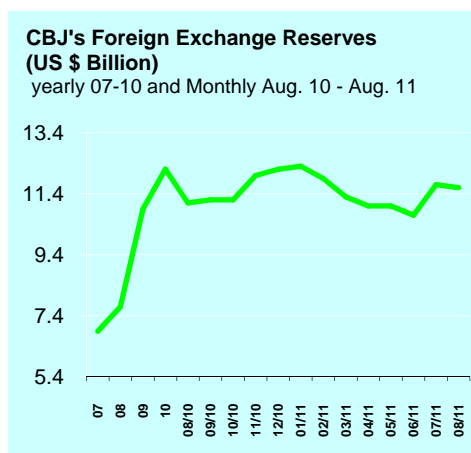
JD Million, and Percentage Change Relative to the Previous Year (%)

Year		End of August	
		2010	2011
US\$ 12,241.2	CBJ's Foreign Currency Reserves	US\$ 11,143.4	US\$ 11,640.5
12.5%		2.4%	-4.9%
22,306.7	Money Supply (M2)	21,466.6	23,769.9
11.5%		7.3%	6.6%
14,451.4	Credit Facilities, of which:	13,978.2	15,497.3
8.5%		5.0%	7.2%
12,979.1	Private Sector (Resident)	12,727.3	14,001.2
7.8%		5.7%	7.9%
22,504.8	Total Deposits, of which:	21,744.2	23,690.8
10.9%		7.1%	5.3%
17,617.2	In JD	16,905.1	18,344.6
11.0%		6.6%	4.1%
4,887.6	In Foreign Currencies	4,839.1	5,346.2
10.2%		9.2%	9.4%
18,343.9	Deposits of Private Sector (Resident), of which:	17,482.9	19,368.4
12.8%		7.5%	5.6%
15,214.4	In JD	14,410.2	15,867.3
12.7%		6.7%	4.3%
3,129.5	In Foreign Currencies	3,072.7	3,501.1
13.5%		11.5%	11.9%

Source: Central Bank of Jordan / Monthly Statistical Bulletin.

□ CBJ's Foreign Currency Reserves

The CBJ's foreign currency reserves declined by US\$ 11.3 million, or 0.1 percent, at the end of August 2011 compared to their level in the previous month; standing at US\$ 11,640.5 million. Moreover, these reserves decreased by US\$ 600.7 million or 4.9 percent, at the end of the first eight months of 2011, compared to their level at the end of 2010. This level of reserves is equivalent to around 7 months of the Kingdom's imports of goods and services.



□ Domestic Liquidity (M2)

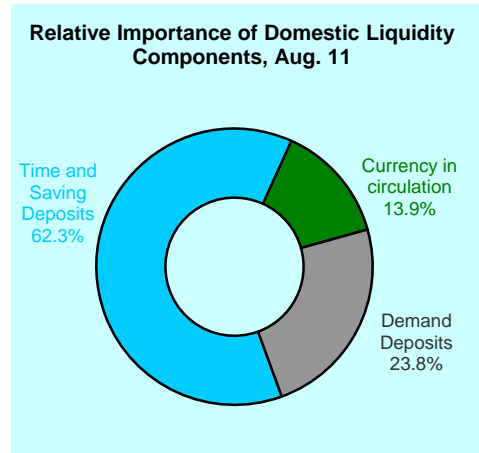
■ Domestic liquidity totaled JD 23,769.9 million at the end of August 2011; increasing by JD 311.9 million, or 1.3 percent, compared to its level at the end of the preceding month, against an increase in the amount of JD 293.2 million, or 1.4 percent, during the same month in 2010. Moreover, domestic liquidity increased by JD 1,463.2 million, or 6.6 percent, at the end of the first eight months of 2011, against an increase in the amount of JD 1,453.3 million, or 7.3 percent, during the same period of 2010.

◆ Developments in the domestic liquidity components and the factors affecting liquidity between the end of the first eight months of 2011 and the end of 2010 reveal the following:

● Components of Domestic Liquidity

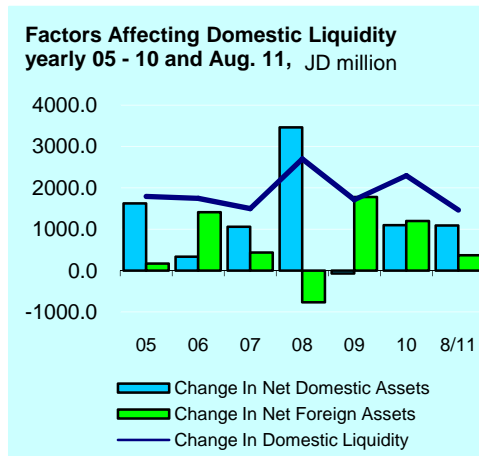
- Deposits increased by JD 1,005.5 million, or 5.2 percent, at the end of the first eight months of 2011 compared to their level at the end of 2010; totaling JD 20,468.5 million, against an increase amounting to JD 1,275.4 million, or 7.4 percent, at the end of the same period of 2010.

- Currency in circulation increased by JD 457.7 million, or 16.1 percent, at the end of the first eight months of 2011; standing at JD 3,301.4 million compared to its level at the end of 2010, against an increase in the amount of JD 177.9 million, or 6.6 percent, at the end of the same period of 2010.



• **Factors Affecting Domestic Liquidity**

- Net domestic assets of the banking system increased by JD 1,091.2 million, or 8.9 percent, at the end of August 2011 compared to its level at the end of 2010, against an increase of JD 899.4 million, or 8.1 percent,



during the same period of 2010. This increase was a result of the increase in net domestic assets at the CBJ by JD 535.3 million, or 7.8 percent, and their increase at the licensed banks by JD 555.9 million, or 2.9 percent.

- Net foreign assets of the banking system increased by JD 372.0 million, or 3.7 percent, at the end of August of 2011 compared to their level at the end of 2010, against an increase in the amount of JD 553.9 million, or 6.2 percent in the same period of 2010. This increase was an outcome of the increase in these assets at both the licensed banks and the CBJ by JD 259.8 million and JD 112.2 million respectively.

Changes in Factors Affecting Domestic Liquidity (M2)
JD Million

Year		Change in balance relative to the end of August	
		2010	2011
1,197.1	Foreign Assets (Net)	553.9	372.0
718.3	CBJ	-139.5	112.2
478.8	Licensed Banks	693.4	259.8
1,096.3	Domestic Assets (Net)	899.4	1,091.2
-574.7	CBJ, of which:	286.2	535.3
-275.1	Claims on Public Sector (Net)	-168.2	-307.2
-299.6	Other Items (Net*)	454.2	842.0
1,671.0	Licensed Banks	613.2	555.9
597.9	Claims on Public Sector (Net)	349.4	632.2
919.3	Claims on Private Sector	703.9	1,054.4
153.8	Other Items (Net)	-440.1	-1,130.7
2,293.4	Money Supply (M2)	1,453.3	1,463.2
164.2	Currency in Circulation	177.9	457.7
2,129.2	Total Deposits, of which:	1,275.4	1,005.5
342.2	In Foreign Currencies	267.9	420.3

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

□ Interest Rate Structure

◆ Interest Rates on Monetary Policy Instruments

- On 1/6/2011, the CBJ raised the interest rates on monetary policy instruments by 25 basis points. Accordingly, the interest rates on monetary policy instruments became as follows:

- **Re-Discount Rate:** 4.50 percent.

- **Interest Rate on Overnight Repurchase Agreements:** 4.25 percent.

- **Overnight Deposit Window Rate:** 2.25 percent.

Developments in interest rates on certificates of deposit (CDs) show that:

- The CBJ did not issue any CDs since October 2008. 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.

- 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 on Monetary Policy Instruments (%)

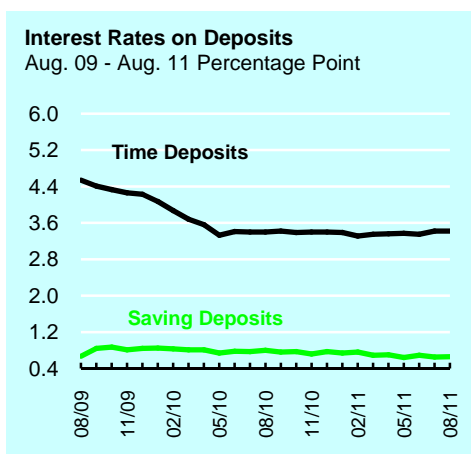
End of year		August	
		2010	2011
4.25	Re-discount Rate	4.25	4.50
4.00	Repurchase Agreements Rate (Repos)	4.00	4.25
2.00	Overnight Deposit Window Rate	2.00	2.25

Source: Central Bank of Jordan / Monthly Statistical Bulletin.

◆ Interest Rates in the Banking Sector

• Interest Rates on Deposits

- **Time Deposits:** The weighted average interest rate on time deposits at the end of August 2011 maintained its recorded level at the end of the preceding month standing at 3.42 percent. Accordingly, this rate was 2 basis points higher than its level at the end of 2010.



- **Saving Deposits:** The weighted average interest rate on saving deposits at the end of August 2011 increased by one basis points compared to its level in the previous month, to reach 0.66 percent. However, this rate was 11 basis points lower than its level at the end of the preceding year.
 - **Demand Deposits:** The weighted average interest rate on demand deposits at the end of August 2011 decreased by one basis point compared to its level at the end of the previous month; standing at 0.47 percent. As a result, this rate was higher than its level at the end of 2010 by 3 basis point.
- ### • Interest Rates on Credit Facilities
- **Overdraft Accounts:** The weighted average interest rate on overdraft accounts stood at 8.73 percent at the end of August 2011; lower than its level at the end of the previous month by 10 basis points. Moreover, this rate was 39 basis points lower than its level at the end of 2010.

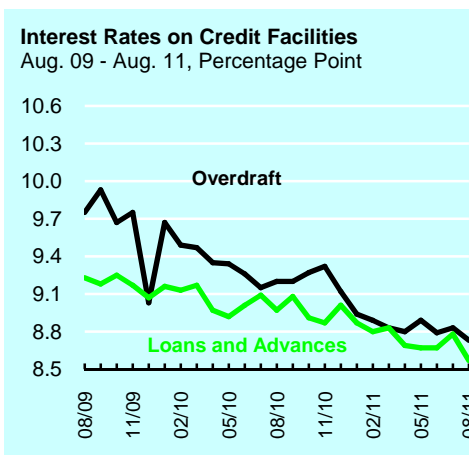
- Discounted Bills and Bonds:

The weighted average interest rate on “discounted bills and bonds” decreased by 19 basis points at the end of August 2011 compared to its level at the preceding month; to stand at 9.00 percent. Moreover, this rate was 41 basis points lower than its level at the end of the previous year.

- **Loans and Advances:** The weighted average interest rate on “loans and advances” stood at 8.57 percent at the end of August 2011, 21 basis points lower than its level at the end of the previous month. Compared to its level at the end of 2010, this rate was 44 basis points lower.

- The Prime Lending Rate:

This rate stood at 8.19 percent at the end of August 2011; one basis point lower than its level at the end of 2010.



Year	August		Change Relative to the Year 2010 Basis Points	
	2010	2011		
Deposits				
0.44	Demand	0.45	0.47	3
0.77	Saving	0.80	0.66	-11
3.40	Time	3.40	3.42	2
Credit Facilities				
9.41	Discounted Bills and Bonds	9.64	9.00	-41
9.01	Loans and Advances	8.97	8.57	-44
9.12	Overdraft	9.20	8.73	-39
8.20	Prime Lending Rate	8.20	8.19	-1

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 15,497.3 million at the end of August 2011; a decrease amounting to JD 95.4 million, or 0.6 percent, compared to its level at the end of the previous month, against an increase in the amount of JD 90.8 million or 0.7 percent, during the same month of 2010. As for the first eight months of 2011, credit facilities grew by JD 1,045.9 million, or 7.2 percent, compared to an increase of JD 661.0 million, or 5.0 percent, during the same period of 2010.
- ◆ The classification of extended credit facilities, according to economic activity, during the first eight months of 2011 demonstrates that the increase in these facilities was mainly due to the increase in the item "other" which generally represents credit facilities extended to individuals by JD 505.5 million or 16.3 percent and the increase in credit facilities extended for the industry sector, which increased by JD 247.5 million, or 12.8 percent, compared to their levels at the end of 2010. In addition, the credit facilities extended for both the construction and the general trade sectors increased by JD million 159.2 or 5.0 percent and JD 58.0 million or 1.6 percent, respectively, compared to their levels at the end of 2010.
- ◆ The classification of extended credit facilities according to the borrower reveals that the boost in the extended credit facilities was mainly in the credit facilities extended to the private sector (resident), which increased by JD 1,022.1 million, or 7.9 percent, at the end of August 2011, compared to their level at the end of 2010. Further, the credit facilities extended to the public sector (central government *plus* public institutions), and to the non-banking financial institutions increased by JD 87.0 million, or 19.4 percent and JD 2.3 million or 52.3 percent respectively. However, credit facilities extended to the private sector (non-resident) decreased by JD 65.5 million, or 6.4 percent, compared to their levels at the end of 2010.

□ Deposits at Licensed Banks

- ◆ Total deposits at licensed banks stood at JD 23,690.8 million at the end of August 2011; an increase in the amount of JD 76.2 million, or 0.3 percent, compared to its level at the end of the previous month, against an increase of JD 280.9 million, or 1.3 percent, during the same month of 2010. As for the first eight months of 2011, total deposits increased by JD 1,186.0 million, or 5.3 percent, compared to their level at the end of the preceding year, against an increase amounting to JD 1,445.8 million, or 7.1 percent, during the same period of 2010.
- ◆ The increase in total deposits at licensed banks during the first eight months of 2011 was an outcome of the increase in deposits of the private sector (resident) by JD 1,024.5 million, or 5.6 percent, the deposits of the private sector (non-resident) by JD 199.2 million, or 8.3 percent and the deposits of non-banking financial institutions by JD 28.2 million or 13.9 percent compared to their levels at the end of 2010 on one hand, and the decrease in the deposits of public sector (central government *plus* public institutions) by JD 65.9 million, or 4.3 percent, compared to their levels at the end of 2010, on the other hand.
- ◆ The developments in the currency structure of deposits during the first eight months of 2011 reveal that both “deposits in local currencies” and “deposits in foreign currency” increased by JD 727.4 million, or 4.1 percent, and JD 458.6 million, or 9.4 percent, respectively, compared to their levels at the end of 2010.

□ Amman Stock Exchange (ASE)

The indicators of the Amman Stock Exchange displayed a negative performance at the end of the first eight months of 2011 compared to the end of the preceding year. This can be demonstrated as follows:

- **Trading Volume**

The trading volume at the ASE totaled JD 176.1 million in August 2011; down by JD 59.4 million, or 25.2 percent, compared to its level at the end of the previous month, against an increase of JD 13.5 million, or 3.1 percent, during the same month in 2010. Furthermore, the trading volume stood at JD 2,150.1 million during the first eight months of 2011; a decline amounting to JD 2,952.9 million, or 57.9 percent, compared to its level during the same period of 2010.

- **Traded Shares**

The number of traded shares in August 2011 totaled 282.7 million; down by 42.0 million shares, or 12.9 percent, compared to its level at the end of the preceding month, against a decrease amounting to 63.3 million shares, or 12.3 percent, during the same month of 2010. Moreover, the number of traded shares during the first eight months of 2011 stood at 3,100.2 million shares compared to 5,214.5 million shares traded during the same period of 2010.

- **Share Price Index (SPI)**

The Share Price Index weighted by market capitalization of free float shares at ASE decreased by 46.4 points, or 2.2 percent, at the end of August 2011 compared to its level at the end of the previous month to stand at 2,036.4 points, against a

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

year		August	
		2010	2011
2,373.6	General Index	2,249.0	2,036.4
2,911.7	Financial Sector	2,756.9	2,608.1
2,576.6	Industrial Sector	2,329.9	2,197.2
1,897.2	Services Sector	1,928.4	1,608.0

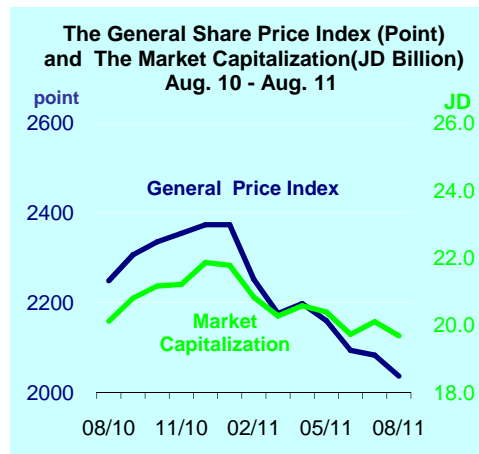
Source: Amman Stock Exchange.

decrease in the amount of 85.8 points, or 3.7 percent, during the same month in 2010. As for the first eight months of 2011, the SPI dropped by 337.2 points, or 14.2 percent, compared to its level at the end of the preceding year, against a decline in the amount of 284.5 points, or 11.2 percent, during the same period of 2010. The above-mentioned drop during the first eight months of 2011 was mainly due to the decline in the SPI for the industrial, the financial and the services sectors by 379.4 points, or 14.7 percent, 303.6 points, or 10.4 percent, and 289.2 points, or 15.2 percent, respectively, compared to their levels at the end of 2010.

- **Market Capitalization**

The ASE's market capitalization totaled JD 19.7 billion at the end of August 2011; a decrease of 0.4 JD billion, or 2.0 percent, compared to its level at the end of the previous month, against a decline of 0.5 JD billion, or 2.4 percent during the same month in the preceding year.

Moreover, the market capitalization decreased by JD 2.2 billion, or 10.0 percent, during the first eight months of 2011, compared to its level at the end of 2010, against a decline amounting to around JD 2.4 billion, or 10.7 percent, over the same period of 2010.



- **Non - Jordanian Net Investment**

Non - Jordanian net investment at ASE recorded an outflow amounting to JD 3.8 million in August 2011, compared to an outflow amounting to JD 21.6 million during the same month of 2010; the value of shares acquired by non - Jordanians in August 2011 stood at JD 28.9 million, while the value of shares sold by the said group amounted to JD 32.7 million. Furthermore, non-Jordanian net investment displayed an inflow amounting to JD 80.1

Main Amman Stock Exchange Trading Indicators, JD Million			
Year		August	
		2010	2011
6,690.0	Value Traded	446.1	176.1
26.8	Average Daily Trading	19.4	8.4
21,858.2	Market Capitalization	20,114.3	19,683.0
6,988.8	No. of Traded Shares (million)	452.7	282.7
(14.6)	Net Investment of Non-Jordanian	(21.6)	(3.8)
1,036.6	Non-Jordanian Buying	42.7	28.9
1,051.2	Non-Jordanian Selling	64.2	32.7
Source: Amman Stock Exchange.			

million during the first eight months of 2011, against an outflow in the amount of JD 16.8 million during the same period of 2010.

Second: Output and Prices

□ Summary

- During the second quarter of 2011, real GDP grew by 2.4 percent at market prices, comparing to 1.4 percent during the same period of 2010. When excluding “net taxes on products”, which displayed a contraction by 4.1 percent, GDP growth rate at constant basic prices goes up to 3.9 percent comparing to 1.9 percent during the same quarter of 2010.
- As for the first half of 2011, GDP at both market and basic prices, registered a real growth rate of 2.3 and 3.2 percent, respectively, compared to 1.9 percent and 3.0 percent, respectively, during the first half of 2010.
- The general price level, measured by the CPI increased by 4.8 percent during the first eight months of 2011, comparing to an increase of 4.7 percent during the same period of 2010.

□ Developments in Gross Domestic Product (GDP)

According to preliminarily estimates released by DOS, the national economy achieved positive results during the second quarter of 2011. **The real GDP at market prices, grew 2.4 percent during the second quarter of 2011, comparing to 1.4 percent during the same quarter of 2010.** As for the first half of 2011, real GDP grew by 2.3 percent comparing to 1.9 percent during the same period of 2010. When excluding “net taxes on products”, which displayed a contraction by 2.1 percent during the first half of 2011, **GDP growth rate at constant basic prices reaches 3.2 percent**, comparing to 3.0 percent during the same period of 2010.

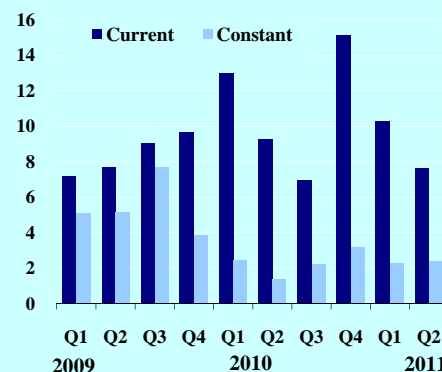
**Quarterly Growth Rates of GDP at Market Prices
2009 - 2011**

	Percentages				
	Q 1	Q2	Q3	Q4	Year
2009					
GDP at Constant Market Prices	5.1	5.2	7.7	3.9	5.5
GDP at Current Market Prices	7.2	7.7	9.0	9.6	8.5
2010					
GDP at Constant Market Prices	2.4	1.4	2.2	3.2	2.3
GDP at Current Market Prices	13.0	9.3	7.0	15.1	10.9
2011					
GDP at Constant Market Prices	2.3	2.4			
GDP at Current Market Prices	10.3	7.6			

Source: Department of Statistics.

GDP at current market prices grew by 8.9 percent comparing to 11.0 percent during the first half of 2010. This nominal growth rate is mainly attributed to the rise in the general price level, measured by the GDP deflator by 6.4 percent during the first half of 2011, comparing to 9.0 percent during the same period of 2010.

Quarterly Growth Rates of GDP at Market Prices (2009 - 2011), %



Various economic sectors displayed mixed performance during the first half of 2011. **Some sectors witnessed a marked improvement, particularly the “mining and quarrying” sector** which recorded a real growth rate of 25.1 percent during the first half of 2011, comparing to a contraction amounted to 6.1 percent during the same period of 2010. Meanwhile, the **“manufacturing”** sector witnessed an expansion by 4.1 percent, comparing to 1.5 percent during the same period of 2010. Sectors of **“trade, restaurants**

and hotels” and **“electricity and water”** grew by 4.7 percent, 1.5 percent, respectively, comparing to a contraction amounting to 2.5 percent, 9.5 percent, during the same period in 2010, respectively. In contrast, **“finance, insurance, real estate and business services”** and **“agriculture”** and **“transport and communication”** exhibited a slow performance were they grew by 4.3 percent, 4.3 percent and 2.9 percent, respectively, comparing to 8.9 percent, 7.8 percent and 5.6 percent during the same period of 2010. In contrast, the **“construction”** sector experienced a noticeable contraction amounting to 11.2 percent comparing to a decline by 3.9 percent during the first half of 2010.

The contribution of commodity producing sectors **in the overall GDP growth rate, at constant basic prices, amounted to 0.8 percentage point, while the contribution of service producing sectors reached 2.4 percentage points, comparing to -0.02 percentage point and 3.02 percentage points during the first half of 2010.**

□ Microeconomic Indicators

Latest sectoral indicators displayed mixed performance. Indicators that showed a fast-paced economic growth rate include; “quantities of exported and imported goods shipped through the Aqaba port”, and the quantity indices of “mining and quarrying” and “electricity production”. Other indicators such as “number of passengers” and “cargo through the Royal Jordanian Airlines” and the production of phosphate and potash displayed slow pace of economic activities. Indicators that displayed a downward trend include; “production of fertilizers”, “number of departures”, “production of chemical acid”, and the “manufacturing production quantity index”.

Summary of the main sectoral indicators:

a)

Fast pace growing indicators * Percentages

The whole 2010	Item	January - July	
		2010	2011
39.7	"Mining and quarrying" production quantity index	19.7	24.0
7.8	Licensed areas for building	-2.0	38.1
-5.0	Electricity production quantity index	-8.8	2.7
The whole 2010	Item	January - August	
		2010	2011
18.7	Quantities of exported and imported goods shipped through the Aqaba port	13.7	20.8

b)

Decelerating indicators * Percentages

The whole 2010	Item	January - July	
		2010	2011
13.6	The number of passengers through the Royal Jordanian	15.4	9.7
30.3	Cargo through the Royal Jordanian	27.8	1.5
The whole 2010	Item	January - August	
		2010	2011
26.7	Production of phosphate	32.4	16.8
72.2	Production of potash	31.1	28.1

c)

Contracting indicators * Percentages

The whole 2010	Item	January - March	
		2010	2011
-3.0	Quantity of cement sales to the domestic market (excluding imported quantities)	-7.0	-6.6
-3.8	Production of cement	0.1	-15.1
The whole 2010	Item	January - July	
		2010	2011
-5.6	Manufacturing production quantity index	-6.3	-2.6
-3.1	Industrial production quantity index	-5.0	-0.3
The whole 2010	Item	January - August	
		2010	2011
19.9	Number of departures	23.2	-23.1
9.9	Production of chemical acids	19.0	-8.2
5.4	Production of fertilizers	19.6	-5.4
-5.3	Production of petroleum products	-5.0	-4.9

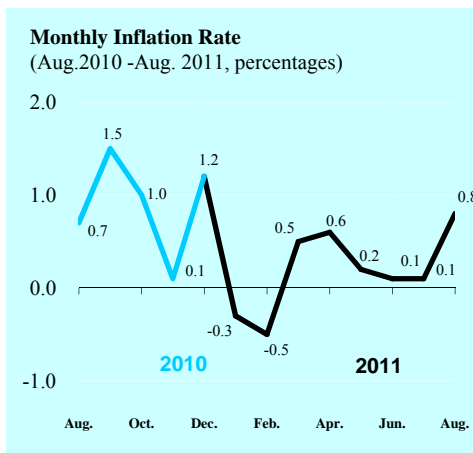
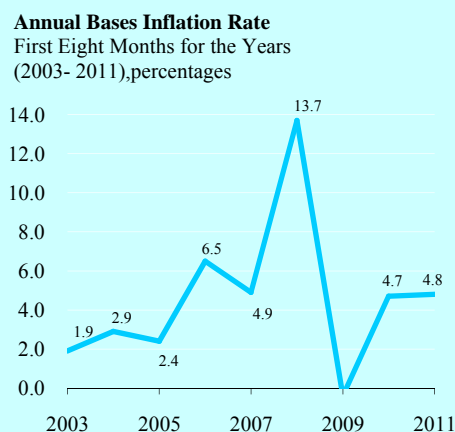
*. Calculated Items, Based on Data Issued by the Following Sources:
 - Monthly Statistical Bulletin / Central Bank of Jordan.
 - Cement Companies in Jordan.
 - Royal Jordanian.

□ Prices

The general price level measured by the Consumer Price Index (CPI) increased by 4.8 percent during the first eight months of 2011, comparing to an increase by 4.7 percent during the

same period of 2010. The increase was driven by an increase in the primary commodities' prices, particularly the prices of oil and food in the international markets.

Moreover, consumer prices have increased by 0.8 percent in August 2011 comparing to their level in the preceding month. This rise was mainly due to the increase in the prices of “vegetables”, “meat and poultry” and “sugar and confectionaries”, as well as clothing and footwear items.



Developments of the CPI basket during the first eight months of 2011 show the following:

- ◆ **“Food items”**, constitute about 36.7 percent of the CPI basket. **The prices of this group increased by 5.0 percent during the first eight months of 2011 comparing to an increase amounted to 4.1 percent during the same period of 2010. The contribution of this group to the overall rate of inflation reached 1.8 percentage points.** The increase in the prices of this group was driven by the increase in the prices of most items included in this group. Specifically, the prices of “sugar and confectionaries” which leapt by 8.5 percent, “meat and poultry”, “vegetables” and “fruits”, which increased by 7.1 percent and 6.5 percent, 5.3 percent, respectively. However, the prices of “cereals and products” item, declined by 2.6 percent comparing to a rise amounted to 1.0 percent during the same period of 2010.
- ◆ **“Clothing and footwear” group** has the least weight in the CPI basket, about 5.0 percent. **The prices of this group increased by 5.8 percent during the first eight months of 2011 comparing to an increase by 0.8 percent during the same period of 2010. Accordingly, this group's contribution to the overall inflation rate amounted to 0.3 percentage point during the period under analysis.** The rate at which the prices of this group increased, was affected by the rise in the prices of “clothes” and “footwear” items, which grew by 5.9 percent and 5.6 percent, respectively, during the first eight months of 2011 comparing to 0.5 percent and 2.0 percent during the same period of 2010, respectively.
- ◆ **“Housing”** accounts for 26.8 percent of the CPI basket. **The prices of housing increased by 4.0 percent comparing to an increase by 4.3 percent during the same period of 2010. In effect, this group**

contributed to the overall inflation rate by 1.1 percentage points during the first eight months of 2011. The increase in the prices of this group was driven by the rise in the prices of “rents” item by 5.0 percent and “fuels and lighting” item by 3.2 percent. In addition, other items showed a varied increase in their prices, ranging from 1.0 percent for “house repairing, garbage and water” to 4.6 percent for “house utensils”.

“Other goods and services” accounts for 31.6 percent of the CPI basket. **The average prices of this group increased by 5.2 percent during the first eight months of 2011 comparing to a larger increase amounted to 6.9 percent during the same period of 2010. As a consequence, this group pulled up the overall inflation rate by 1.6 percentage points during the first eight months of 2011.** The increase in the average prices of this group was a result of the rise in the prices of “personal care”, “transportation”, and “education” which increased by 9.1 percent, 7.7 percent and 5.9 percent, respectively. The prices of some other items have declined, most notably “communication” by 2.8 percent.

Third: Public Finance

□ Summary:

- During the first seven months of 2011, the general budget, including foreign grants, recorded a surplus in the amount of JD 330.5 million comparing to a deficit in the amount of JD 280.5 million, during the same period in the preceding year. Excluding foreign grants (estimated by JD 1,024.0 million), the general budget deficit reaches JD 693.5 million.
- Gross outstanding domestic public debt (budgetary and own- budget) reached JD 8,857.0 million (42.2 percent of GDP), at the end of July 2011, reflecting a rise amounting to JD 877.0 million comparing to its level at the end of 2010.
- Net outstanding domestic public debt increased by JD 404.0 million at the end of July 2011, to reach JD 7,256.0 million (34.6 percent of GDP).
- Outstanding external public debt (budgetary and guaranteed) increased by JD 14.4 million at the end of July 2011, comparing to end of 2010, to stand at JD 4,625.2 million (22.0 percent of GDP).

□ The performance of the general budget:

■ Public Revenues

Public revenues (including foreign grants) increased by JD 719.7 million, or 197.9 percent, in July 2011 comparing to July 2010 to reach JD 1,083.4 million. As for the first seven months of 2011, these revenues had increased by JD 853.0 million, or 30.7 percent, comparing to the same period in 2010 to stand at JD 3,635.3 million. This result was driven by the increase in foreign grants by JD 816.2 million and in domestic revenues by JD 36.8 million.

Government Budget, main indicators during July and the first seven months of 2011 and 2010:

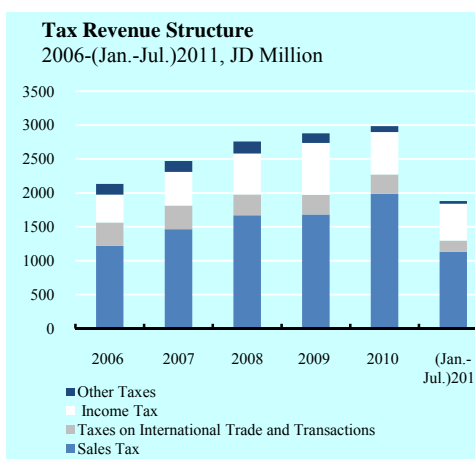
(JD Million and Percentages)

	July		Growth Rate %	Jan. – Jul.		Growth Rate %
	2010	2011		2010	2011	
Total Revenues and Grants	363.7	1,083.4	197.9	2,782.3	3,635.3	30.7
Domestic Revenues, of which:	313.7	374.4	19.3	2,574.5	2,611.3	1.4
Tax Revenues, of which:	233.7	269.4	15.3	1,817.0	1,879.9	3.5
General Sales Tax	169.4	167.2	-1.3	1,096.9	1,133.9	3.4
Other Revenues, of which:	78.6	102.8	30.8	746.7	719.4	-3.7
Land Registration Fees	10.4	10.5	1.0	78.1	81.3	4.1
Foreign Grants	50.0	709.0	1,318.0	207.8	1,024.0	392.8
Total Expenditures	477.0	492.8	3.3	3,062.8	3,304.8	7.9
Overall Deficit/ Surplus	-113.3	590.6		-280.5	330.5	

Source: Ministry of Finance/ General Government Finance Bulletin.

◆ **Domestic Revenues**

Domestic revenues increased by JD 36.8 million, or 1.4 percent, during the first seven months of 2011 comparing to the same period of 2010, to reach JD 2,611.3 million. This increase was an outcome of; the rise in the proceeds of “tax revenues” by JD 62.9 million, the rise in “pension contribution” by JD 1.2 million, and the drop in the proceeds of “other revenues” by JD 27.3 million.



◀ Tax Revenues

Tax revenues increased by JD 62.9 million, or 3.5 percent, in the first seven months of 2011 comparing to the same period in 2010, to reach JD 1,879.9 million (72.0 percent of domestic revenues). This increase was driven by:

- **The increase in the proceeds of general sales tax on goods and services** by JD 37.0 million or 3.4 percent, which reached JD 1,133.9 million. Specifically, the proceeds of “sales tax on imported goods” increased by JD 42.1 million, while the proceeds of “sales tax on services” increased by JD 4.6 million. In contrast, the proceeds of “sales tax on domestic goods” and the proceeds of “sales tax on the commercial sector” had declined by JD 4.7 million and JD 5.0 million, respectively.
- **The increase in the proceeds of “taxes on international trade and transactions”** by JD 5.8 million or 3.7 percent, which reached JD 163.4 million. This result was driven by the increase in the proceeds of “customs duties and fees” by JD 7.6 million.
- **The increase in the proceeds of “income and profit taxes”** by JD 37.3 million or 7.4 percent, which reached JD 543.3 million. This increase was due to the rise in the proceeds of “income tax from companies and other projects” by JD 41.2 million, and the drop in the proceeds of “income tax from individuals” by JD 3.9 million.

Accordingly, income tax from companies accounted for 82.2 percent of total taxes on income and profits (JD 446.4 million) of which JD 216.3 million from banks and financial institutions.

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

“Other revenues” decreased by JD 27.3 million, or 3.7 percent, in the first seven months of 2011 to reach JD 719.4 million. This decrease was an outcome of:

- The drop in property income by JD 28.0 million to stand at JD 185.1 million (of which financial surplus of independent government units amounted to JD 170.2 million).
- The decrease in revenues from selling goods and services by JD 10.9 million to stand at JD 347.4 million.
- The increase in miscellaneous revenues by JD 11.6 million to reach JD 186.9 million.

◀ **Pension Contributions**

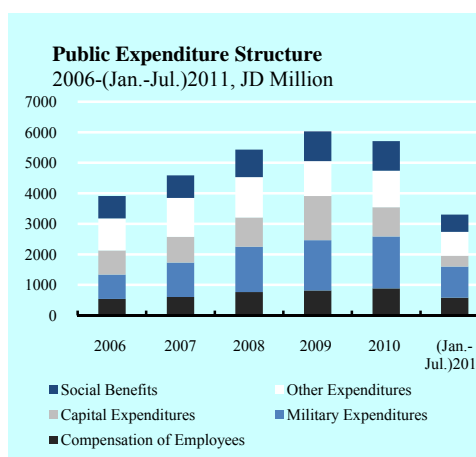
Pension contributions increased by JD 1.2 million during the first seven months of 2011 to stand at JD 12.0 million.

◆ **Foreign Grants**

Foreign grants increased by JD 816.2 million during the first seven months of 2011 comparing to the same period of 2010 to reach JD 1,024.0 million.

■ Public Expenditures

Public expenditures witnessed an increase by JD 15.8 million, or 3.3 percent, in July 2011 comparing to the same month in 2010 to stand at JD 492.8 million. During the first seven months of 2011, public expenditures accordingly rose by JD 242.0 million, or 7.9 percent,



to stand at JD 3,304.8 million. The increase in public expenditures was an outcome of the rise in current expenditures by 11.4 percent, and the drop in capital expenditures by 14.4 percent.

◆ Current Expenditures

Current expenditures increased by JD 301.9 million, or 11.4 percent, in the first seven months of 2011, to reach JD 2,949.1 million. This increase was due to:

- The rise in the compensation of civil sector's employees (wages, salaries and social security contributions) by JD 70.4 million to reach JD 581.2 million.
- The increase in goods' subsidies by JD 130.1 million, due to the recurrent rise in the world commodity prices, particularly wheat prices, in addition to maintaining liquid gas subsidy. As a result, goods' subsidies stood at JD 222.4 million in the first seven months

of 2011 comparing to JD 92.3 million during the same period of 2010.

- Interest payments, on internal and external public debt, have also increased by JD 30.6 million to stand at JD 238.5 million.
- Social benefit expenditures have also increased by JD 29.9 million to stand at JD 567.9 million.
- Military expenditures have increased by JD 25.7 million to total JD 1,017.1 million.
- “Purchases of good and services” have also decreased by JD 5.1 million to stand at JD 152.0 million.

◆ **Capital Expenditures**

Capital expenditures declined by JD 59.9 million, or 14.4 percent to reach JD 355.7 million, in the first seven months of 2011, comparing to the same period of 2010.

■ **General Budget Deficit/ Surplus**

- ◆ **The general budget, including grants displayed a fiscal surplus amounted to JD 330.5 million, during the first seven months of 2011**, against a fiscal deficit of JD 280.5 million, during the same period of 2010.
- ◆ **The primary surplus of the general budget** (after excluding interest payments on public debt from the fiscal surplus) **reached JD 569.0 million during the first seven months of 2011**, against a primary deficit of JD 72.6 million during the same period of 2010.

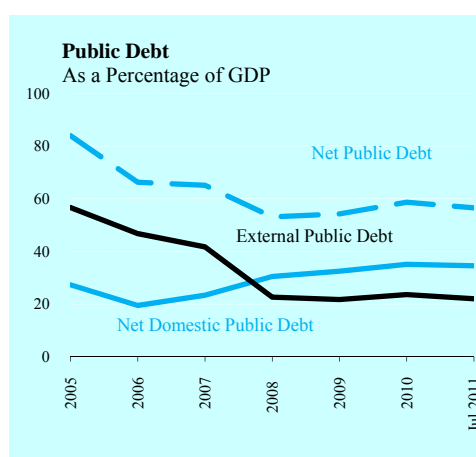
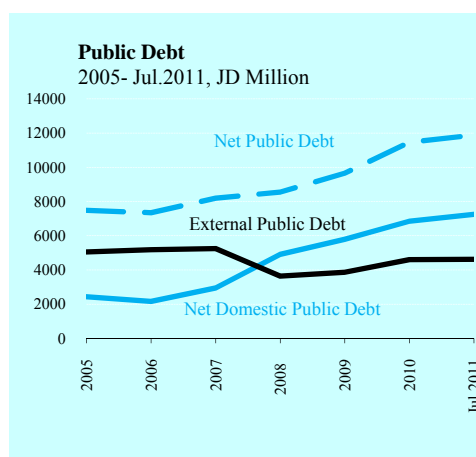
Public Debt

■ **Gross outstanding domestic public debt of the government (budgetary and own-budget agencies) had increased by JD 877.0 million at the end of July 2011 comparing to its level at the end of 2010 to reach JD 8,857.0 million, or 42.2 percent of GDP. This rise was**

an outcome of the increase in the budgetary domestic public debt by JD 537.0 million and the increase in the gross outstanding of own-budget agencies domestic debt by JD 340.0 million. The increase in the budgetary domestic public debt was driven by the rise in the balance of the “treasury bills and bonds” in the amount

of JD 604.0 million to total JD 7,014.0 million at the end of July 2011, on one hand, and the drop 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 872.0 million at the end of July 2011, on the other.

■ **Net outstanding domestic public debt (gross outstanding domestic public debt *minus* government deposits at the banking system) increased by JD 404.0 million at the end of July 2011 comparing to**



its level at the end of 2010 to total JD 7,256.0 million, or 34.6 percent of GDP. The aforementioned increase was driven by the rise in gross outstanding domestic public debt by JD 877.0 million on one hand, and the increase in the government deposits at the banking system by JD 472.0 million comparing to their level at the end of 2010, on the other.

- **Outstanding balance of external public debt (budgetary and guaranteed) increased** by JD 14.4 million at the end of July 2011 comparing to its level at the end of 2010, to amount to JD 4,625.2 million (22.0 percent of GDP). The currency debt structure shows that external debt in US dollars accounted for 38.3 percent, while debt in Euros accounted for 8.8 percent. Further, external debt in Japanese Yen and Kuwaiti Dinars accounted for 22.6 percent and 19.2 percent of the outstanding external public debt, respectively.
- **Net public debt (domestic and external) increased** by JD 418.4 million at the end of July 2011 comparing to its level at the end of 2010 to stand at JD 11,881.2 million, or 56.6 percent of GDP, against JD 11,462.8 million (61.1 percent of GDP) at the end of 2010. Consequently, the ratio of net public debt to GDP decreased by 4.5 percentage points comparing to its level at the end of 2010. It is worth mentioning in this respect that the amended Public Debt Management Law for 2008 set new ceilings for the public debt. Accordingly, 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)** amounted to JD 269.4 million (on a cash basis) during the first seven months of 2011, of which interest payments amounting to JD 63.3 million comparing to JD 224.2 million during the same period in 2010.

□ Fiscal and Price Measures

- ◆ Maintaining the prices on many types of oil derivatives unchanged, while adjusting the prices on other derivatives as follows:

	Unit	2011		Change %
		August	September	
Unleaded Gasoline 90	Fils/Liter	620	620	0.0
Unleaded Gasoline 95	Fils/Liter	795	795	0.0
Gas Oil (Diesel)	Fils/Liter	515	515	0.0
Kerosene	Fils/Liter	515	515	0.0
Liquid Gas (12.5kg)	JD/Unit	6.5	6.5	0.0
Fuel oil for industry	JD/Ton	517.4	501.2	-3.1
Fuel oil for ships	JD/Ton	517.4	511.2	-1.2
Fuel oil for airplanes (local companies)	Fils/Liter	640.0	614	-4.1
Fuel oil for airplanes (foreign companies)	Fils/Liter	645.0	619	-4.0
Fuel oil for unplanned flights	Fils/Liter	660.0	634	-3.9
Asphalt	JD/Ton	553.9	536.7	-3.1

Source: Jordan Petroleum Refinery CO.

- Approving a supplementary budget law for the fiscal year 2011 in the amount of JD 584 million (of which JD 527 million current expenditures). Expenditures in the supplementary law shall be financed by the additional foreign grants received in July 2011.

□ Grants, Loans and Other Agreements

- ◆ Signing a German debt swap agreement in the amount of EUR 27 million (equivalent to JD 27 million), with a discount rate reaching 50% of its nominal value, provided that the Jordanian government will allocate the remaining amount of JD 13.5 million on development projects agreed upon between the two governments (September 2011).
- ◆ Signing two technical and financial cooperation agreements with the German government in the amount of EUR 99 million of which EUR 90 million in the form of soft loans, EUR 9 million in the form of grants aiming to support projects (in the water, sewage and renewable energy sectors) under the German-Jordan development cooperation program 2011-2012 (August 2011).
- ◆ Signing a grant agreement extended by the Global Environmental Facility under the management of the World Bank in the amount of US \$ 1.05 million, to implement the Regional Coordination on Improved Water Resources Management and Capacity Building Project, which will be implemented by the Ministry of Water and Irrigation. This grant comes under the sustainable management program for the Middle East and North Africa Region in the total amount of US\$ 5.6 million (August 2011).

Fourth: External Sector

□ Summary

- **Total merchandize exports** (domestic exports *plus* re-exports) increased by 14.2 percent in July 2011 compared to the same month in 2010 to record JD 467.8 million. As for the first seven months of 2011, total merchandize exports increased by 15.8 percent to reach JD 3,301.2 million.
- **Merchandize imports** increased by 14.8 percent in July 2011 compared to the same month in the previous year amounting to JD 1,030.3 million. As for the first seven months of 2011, merchandize imports were up by 20.0 percent to total JD 7,393.8 million.
- Consequently, the **trade balance deficit** (total exports *minus* imports) increased by 15.4 percent in July 2011 compared to the same month in 2010 standing at JD 562.5 million. As for the first seven of 2011, the trade deficit expanded by 23.5 percent to reach JD 4,092.6 million.
- **Travel receipts** decreased by 30.2 percent during August 2011 compared to the same month in the preceding year to record JD 169.0 million. In contrast, **travel payments** increased by 14.7 percent during August 2011 to reach JD 105.3 million. As for the first eight months of 2011, travel receipts decreased by 18.0 percent to reach JD 1,357.2 million while travel payments increased by 0.5 percent to reach JD 713.4 million compared to the same period of 2010.
- **Total workers' remittances receipts** decreased by 11.9 percent during August 2011 compared to the same month in 2010 to reach JD 199.1 million. As for the first eight months of 2011, total workers' remittances receipts decreased by 5.8 percent compared to the same period of 2010 to total JD 1,624.5 million.
- **The current account of the balance of payments** displayed a deficit of JD 1,151.4 million during the first half of 2011 compared to a deficit of JD 549.1 million during the same period of the previous year.

- **Net FDI inflows to Jordan** recorded JD 560.9 million during the first half of 2011, down from JD 655.0 million during the same period of 2010.
- **International investment position (IIP)** displayed a net obligation to abroad of JD 13,896.2 million at the end of June 2011; recording an increase of 676.1 million over its level at the end of March 2011.

□ External Trade

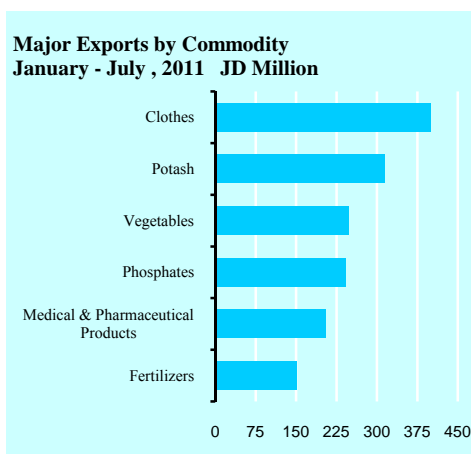
As a result of the increase in domestic exports and imports by JD 397.1 and JD 1,230.6 million, respectively, during the first seven months of 2011, the volume of external trade (domestic exports *plus* imports) increased by JD 1,627.7 million to stand at JD 10,193.2 million.

Jordan's Major Trade Partners January – July 2010- 2011, JD Million				Developments of External Trade Indicators, JD Million				
	2010	2011	Percentage Change	January - July				
				2010	Percentage Change 2009/2010	2011	Percentage Change 2010/2011	
Exports				External Trade	8,565.5	11.6	10,193.2	19.0
Iraq	369.7	461.3	24.8	Total Exports	2,849.6	7.6	3,301.2	15.8
United States	367.4	409.6	11.5	Domestic Exports	2,402.3	18.3	2,799.4	16.5
India	305.7	271.4	-11.2	Re-exports	447.3	-27.5	501.8	12.2
Saudi Arabia	243.7	256.5	5.3	Imports	6,163.2	9.2	7,393.8	20.0
Lebanon	72.8	133.5	83.4	Trade Balance	-3,313.6	10.6	-4,092.6	23.5
Syria	119.5	132.5	10.9	Source: Department of Statistics.				
UAE	106.5	92.4	-13.2					
Imports								
Saudi Arabia	1,097.9	1,685.1	53.5					
China	646.7	754.7	16.7					
Italy	217.8	443.3	103.6					
United States	341.3	405.1	18.7					
Germany	447.3	340.1	-24.0					
Egypt	299.9	318.0	6.0					
South Korea	275.7	263.0	-4.6					
Source: Department of Statistics.								

■ Merchandize Exports:

Total merchandize exports increased by 15.8 percent during the first seven months of 2011 compared to a 7.6 percent increase during the same period of 2010, to record JD 3,301.2 million. This increase resulted from a rise in domestic exports and re- exports of JD 397.1

million and JD 54.5 million, or 16.5 percent and 12.2 percent, to reach JD 2,799.4 million and JD 501.8 million, respectively.



The developments of domestic exports during the first seven months of 2011 reveals the following:

- Exports of **phosphates** increased by JD 99.3 million, or 69.1 percent, to reach JD 243.0 million, compared to a decline of 24.2 percent during the same period of 2010. This increase was an outcome of the rise in both quantities and prices of phosphates by 33.5 percent and 26.7 percent, respectively. The Indian, Indonesian and Turkish markets accounted for 78.4 percent of phosphates exports.

- Exports of **potash** increased by JD 74.2 million, or 30.8 percent, to stand at JD 314.8 million, compared to an increase of 84.2 percent during the first seven months of 2010. The Chinese, Malaysian and Indian markets accounted for 56.7 percent of potash exports.
- Exports of **vegetables** increased by JD 27.6 million, or 12.5 percent, to total JD 248.4 million, compared to an increase of 22.7 percent during the same period of 2010. Iraqi and Syrian markets were the main destinations of these exports accounting for 57.5 percent.

Major Domestic Exports by Commodity

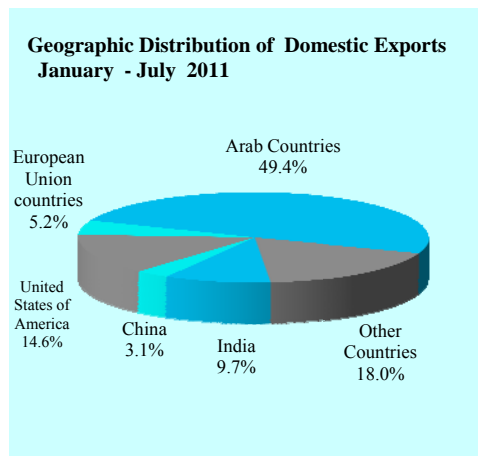
January- July, 2010 - 2011, JD Million

	2010	2011	Percentage Change
Domestic Exports	2,402.3	2,799.4	16.5
Clothes	352.0	400.0	13.6
United States	327.1	369.7	13.0
Potash	240.6	314.8	30.8
China	34.6	81.7	136.1
Malaysia	29.6	53.1	79.4
India	101.5	43.7	-56.9
Vegetables	220.8	248.4	12.5
Iraq	57.3	72.3	26.2
Syria	59.5	70.6	18.7
Phosphates	143.7	243.0	69.1
India	98.2	152.7	55.5
Indonesia	27.8	25.0	-10.1
Turkey	0.0	12.9	-
Medical & Pharmaceutical Products	216.6	205.3	-5.2
Saudi Arabia	58.5	55.0	-6.0
Algeria	31.7	23.0	-27.4
Sudan	21.0	21.4	1.9
UAE	10.1	17.3	71.3
Fertilizers	173.0	151.9	-12.2
Ethiopia	24.3	70.3	189.3

Source: Department of Statistics.

- Exports of **fertilizers** decreased by JD 21.1 million, or 12.2 percent, to register JD 151.9 million, compared to an increase of 19.4 percent during the same period of 2010. The Ethiopian Market accounted for 46.3 percent of these exports.

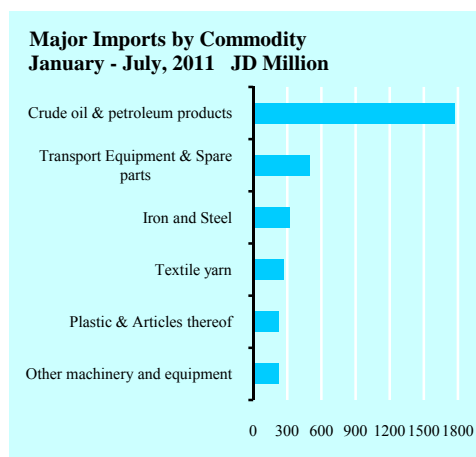
In light of the aforementioned developments, the commodity breakdown of domestic exports indicates that the exports of clothes, potash, vegetables, phosphates, “medical and pharmaceutical products” and



fertilizers topped the list of exports during the first seven months of 2011 accounting for 55.8 percent of domestic exports down from 56.1 percent during the corresponding period of 2010. Meanwhile, the geographical distribution of domestic exports indicates that Iraq, the USA, India, Saudi Arabia, Lebanon, Syria and UAE were the main destination markets for Jordanian domestic exports during the first seven months of 2011; accounting for 62.8 percent of domestic exports, down from 66.0 percent during the corresponding period of 2010.

■ Merchandize Imports:

Merchandize imports amounted to JD 7,393.8 million during the first seven months of 2011 increasing by JD 1,230.6 million, or 20.0 percent, compared to an increase by 9.2 percent during the same period of 2010.



The developments of imports during the first seven months of 2011 reveals the following:

- **Petroleum products** imports increased by JD 438.9 million, or 161.1 percent, to total JD 711.4 million compared to an increase of 74.5 percent during the same period of 2010. The main source markets of these imports were Italy, Saudi Arabia and Russia.
- **Crude oil** imports increased by JD 326.1 million, or 44.5 percent, to reach JD 1,059.5 million, compared to a rise by 36.0 percent during the same period of 2010. This increase was attributed to the rise in the prices of oil by 44.8 percent, despite the decrease in the imported quantities by 0.25 percent. Also, its worth noting that most of crude oil imports came from the Saudi market.

- Imports of **Iron & Steel** increased by JD 76.0 million, or 31.2 percent to reach JD 319.8 million, compared to a decrease of 14.3 percent during the corresponding period of 2010. The markets of Turkey, Ukraine and Saudi Arabia accounted for 55.3 percent of these imports.
- Imports of **Transport equipments and Spare Parts** decreased by JD 92.6 million, or 15.7 percent, to reach JD 498.2 million compared to a decrease by 6.9 percent during the same period of 2010. South Korea, Germany and Japan were the main origin markets for these imports; accounting for 66.2 percent of these imports.

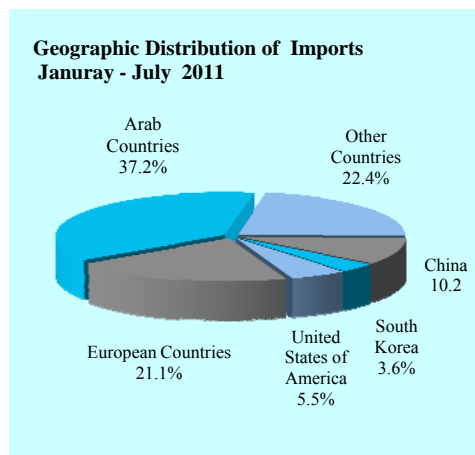
Major Imports by Commodity

January - July 2010, 2011, JD Million

	2010	2011	Percentage Change
Total Imports	6,163.2	7,393.8	20.0
Crude Oil	733.4	1,059.5	44.5
Saudi Arabia	644.7	986.1	53.0
Petroleum Products	272.5	711.4	161.1
Italy	25.2	216.1	757.5
Saudi Arabia	54.8	167.8	206.2
Russia	0.0	154.2	-
Transport Equipments and Spare Parts	590.8	498.2	-15.7
South Korea	141.2	159.9	13.2
Germany	121.9	103.1	-15.4
Japan	148.4	66.9	-54.9
Iron & Steel	243.8	319.8	31.2
Turkey	47.5	79.0	66.3
Ukraine	64.9	62.7	-3.4
Saudi Arabia	18.4	35.3	91.8
Textile Yarn, Fabrics & Related Products	225.3	263.9	17.1
China	108.1	118.6	9.7
Taiwan	37.4	54.1	44.7
Turkey	9.6	16.4	70.8
Plastic & Articles Thereof	176.4	221.0	25.3
Saudi Arabia	76.3	100.9	32.2
Kuwait	16.1	12.2	-24.2
United States	5.4	9.6	77.8
Other Machinery and Equipment	179.7	220.7	22.8
China	40.8	54.6	33.8
Germany	21.5	30.5	41.9
Italy	21.5	29.1	35.3

Source: Department of Statistics.

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



accounted for 44.6 percent of total imports during the first seven months of 2011; up from 39.3 percent during the same period of previous year. Meanwhile, the geographical distribution of imports indicates that the markets of Saudi Arabia, China, Italy, the USA, Germany, Egypt and South Korea topped the list of imports sources during the first seven months of 2011; accounting for 56.9 percent compared to 54.0 percent during the same period of 2010.

■ Re-Exports

The value of re-exported goods increased by JD 54.5 million, or 12.2 percent during the first seven months of 2011, recording JD 501.8 million.

■ Trade Balance

The trade balance deficit during the first seven months of 2011 increased by JD 779.0 million, or 23.5 percent to register JD 4,092.6 million compared to the same period of 2010.

❑ **Total Workers' Remittances Receipts**

Compared to the same period of 2010 total workers' remittances receipts decreased by 5.8 percent to total JD 1,624.5 million during the first eight months of 2011.

❑ **Travel**

■ **Receipts**

Travel receipts decreased by JD 298.6 million, or 18.0 percent, during the first eight months of 2011 to register JD 1,357.2 million. This decrease was attributed to a 19.9 percent fall in the number of inbound tourists in this period compared to the same period of 2010.

■ **Payments**

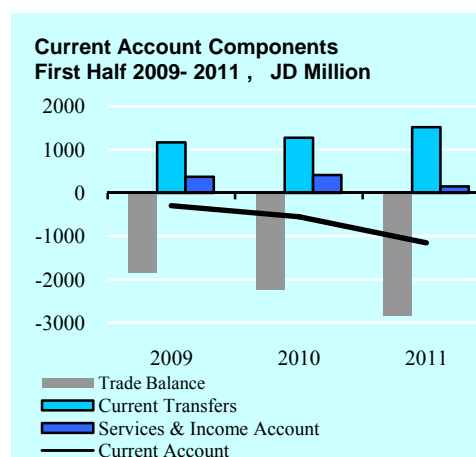
Travel payments increased by 0.5 percent, during the first eight months of 2011 to stand at JD 713.4 million.

❑ **Balance of Payments**

The comparison of the preliminary statistics of the balance of payments for the first half of 2011 compared to the same period in 2010, reveals the following developments:

- The current account recorded a deficit of JD 1,151.4 million compared to a deficit of JD 549.1 million during the first half of 2010. This was an outcome of the following developments:

- An expansion in the trade balance deficit of JD 582.9 million, or 26.0 percent, to reach JD 2,823.2 million in the first half of 2011 compared to a deficit amounting to JD 2,240.3 million in the first half of 2010.



- Services account recorded a surplus of JD 83.2 million, compared to a surplus of JD 284.4 million during the first half of the preceding year. This was an outcome of a decrease in the surplus of travel (net) by JD 141.0 million, an increase in the deficit of transportation (net) and other services by JD 89.2 million and JD 0. 6 million, respectively, and the increase in the surplus of government services (net) by JD 29.6 million.
- A decrease in the surplus of the income account (net) to register JD 69.0 million, compared to JD 129.5 million during the same half of 2010. This decrease was an outcome of a deficit recorded in the investment income (net) by JD 60.0 million and a surplus recorded in compensation of employees (net) by JD 129.0 million.
- An increase in the net current transfers of JD 242.3 million; which registered JD 1,519.6 million, as a result of the increase in net transfers of public sector (foreign grants) and in the transfers of other sectors (net) by JD 118.2 million and JD 124.1 million, to reach JD 464.1 million and JD 1,055.5 million during the first half of 2011. Further, net workers' remittances increased by JD 7.8 million or 0.9 percent to reach JD 924.0 million.

- The capital and financial account with the rest of the world showed a net inflow of JD 1,597.2 million during the first half of 2011 compared to an inflow in the amount of JD 639.3 million during the same period of 2010 owing chiefly to the following:
 - Net FDI inflow to the Kingdom amounted to JD 560.9 million during the first half of 2011 compared to JD 655.0 million during the same period of the preceding year. Additionally, direct investment abroad registered a net outflow of JD 15.4 million compared with a net inflow of JD 2.4 million during the same period of 2010.
 - Net inflow of the portfolio investment amounted to JD 131.7 million compared to a similar inflow in the amount of JD 37.1 million during the same period of 2010.
 - Net outflow of other investments in the amount of JD 173.5 million compared to a similar outflow amounting to JD 347.6 million during the same period of 2010.
 - The decrease in reserve assets of CBJ by JD 1,093.5 million during the first half of 2011 compared to a similar decrease amounting to JD 292.4 million during the same period of 2010.

□ 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 13,896.2 million at the end of June 2011 compared to JD 13,220.1 million at the end of March 2011. This increase was due to the following developments:

- An increase in the position of external liabilities (the stock of claims, obligations and financial assets) on all economic sectors residing in the Kingdom by JD 1,105.5 million at the end of June 2011 compared to the end of March 2011; to stand at JD 30,981.6 million. This was mainly due to the following outcomes:

- An increase in the deposits of non-resident at the Jordan banking system by JD 815.8 million to reach JD 7,082.6 million.
- An increase in the stock of foreign direct investment (FDI) in Jordan by JD 311.2 million to stand at JD 16,108.9 million.
- A decrease in the stock of non-residents' portfolio investments in the Kingdom by JD 46.5 million; amounting to JD 2,967.8 million. This decrease was mainly attributed to the drop in the position of non-resident portfolio investment at banks by JD 78.5 million.
- An increase in the outstanding balance of external loans extended to the different economic sectors (resident) in the Kingdom by JD 20.8 million; to reach JD 4,128.2 million.
- An 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 429.4 million to reach JD 17,085.4 million at the end of June 2011 compared to the end of March 2011. This increase was mainly a result of the rise in the outstanding balance of commercial banks' deposits abroad by JD 678.9 million, an increase in CBJ's other assets by JD 126.5 million, an increase in portfolio investments of the commercial banks by JD 6.2 million, a decrease in the CBJ's reserve assets and in outstanding balance of loans granted by the commercial banks to non-resident entities by JD 319.9 million and JD 38.5 million, respectively.