



Central Bank of Jordan

## **Recent Monetary & Economic Developments in Jordan**

**Research Dept. Monthly Report**

**December, 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

- |                            |   |   |
|----------------------------|---|---|
| <b>Loyalty</b>             | : | Commitment and dedication to the institution, its staff and clients.  |
| <b>Integrity</b>           | : | Seeking to achieve our organizational goals honestly and objectively.   |
| <b>Excellence</b>          | : | Seeking to continuously improve our performance and deliver our services in accordance with international standards.                              |
| <b>Continuous Learning</b> | : | Aspiring to continuously improve practical and academic skills to maintain a level of excellence in accordance with international best practices. |
| <b>Teamwork</b>            | : | Working together, on all levels of management, to achieve our national and organizational goals with a collective spirit of commitment.           |
| <b>Transparency</b>        | : | 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 monetary sector, external sector and public finance indicators, most notably the growing foreign currency reserves, domestic exports and tourism income, in addition to the outstanding balance of credit facilities extended by the licenced banks. Furthermore, the preliminarily national account estimates released by the Department of Statistics showed an improvement in real Gross Domestic Product (GDP) growth in the third quarter of 2010 compared to the same quarter of 2009 and to the second quarter of 2010.

□ **Output and Prices:** Real GDP at market and basic prices grew at 3.5 percent and 4.5 percent, respectively, during the third quarter of 2010 compared to 1.9 percent and 2.5 percent, respectively, during the same quarter of 2009. The Consumer Price Index (CPI) revealed a rise of 4.9 percent during the first eleven months of 2010 against a decrease in the amount of 1.0 percent during the same period of 2009. Regarding domestic and foreign investment 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\$ 1,141.6 million, or 10.5 percent, at the end of the first eleven months of 2010 compared to their level at the end of 2009; standing at US\$ 12,020.6 million.
- Domestic liquidity grew by JD 1,900.2 million, or 9.5 percent, at the end of the first eleven months of 2010 compared to its level at the end of 2009; standing at JD 21,913.5 million.
- The outstanding balance of credit facilities extended by licensed banks was up by JD 1,214.8 million, or 9.1 percent, at the end of the first eleven months of 2010 compared to its level at the end of 2009; standing at JD 14,532.0 million.
- Total deposits at licensed banks increased by JD 1,762.5 million, or 8.7 percent, at the end of the first eleven months of 2010 compared to their level at the end of 2009; totaling JD 22,060.9 million.
- The Share Price Index (SPI) weighted by market capitalization of free float shares at Amman Stock Exchange (ASE) decreased by

178.9 points, or 7.1 percent, at the end of November 2010 compared to its level at the end of 2009; standing at 2,354.6 points.

- **Public Finance:** The general budget, including foreign grants, showed a fiscal deficit amounting to JD 655.1 million during the first ten months of 2010 compared to a larger fiscal deficit in the amount of JD 890.3 million during the same period in 2009. On the front of indebtedness, net outstanding domestic public debt (budgetary and own-budget) increased by JD 1,166.0 million at the end of October 2010 compared to its level at the end of 2009; standing at JD 6,957.0 million, or 36.1 percent of GDP. Outstanding external public debt also increased by JD 164.2 million at the end of October 2010 compared to its level at the end of 2009; totaling JD 4,033.2 million, or 20.9 percent of GDP.
- **External Sector:** The value of total merchandize exports (domestic exports *plus* re-exports) increased by 8.1 percent during the first ten months of 2010 to reach JD 4,099.0 million. Similarly, the value of merchandize imports increased by 9.5 percent, totaling JD 9,010.3 million. As a result, the trade deficit expanded by 10.7 percent compared to the same period of the previous year, amounting to JD 4,911.3 million. Further, the preliminary figures for the first eleven months of 2010 showed an increase in travel receipts and payments by 19.3 percent and 35.5 percent, respectively, compared to the same period of 2009. In addition, the receipts of workers' remittances increased by 1.4 percent. The preliminary statistics for the balance of payments in the first three quarters of 2010 displayed a deficit in the current account amounting to JD 579.9 (4.0 percent of GDP) million, down from JD 633.2 million (4.8 percent of GDP) during the same period of 2009. Furthermore, the Foreign Direct Investment (FDI) recorded net inflows of JD 970.2 million during the first three quarters of 2010 compared to net inflows of JD 1,377.8 million in the same period 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\$ 1,141.6 million, or 10.5 percent, at the end of the first eleven months of 2010; compared to their level at the end of 2009; standing at US\$ 12,020.6 million. This level of reserves is equivalent to around 8.3 months of the Kingdom's imports of goods and services.
- Domestic liquidity at the end of the first eleven months of 2010 increased by JD 1,900.2 million, or 9.5 percent, compared to its level at the end of the previous year to total JD 21,913.5 million.
- The outstanding balance of the credit facilities extended by licensed banks increased by JD 1,214.8 million, or 9.1 percent, at the end of the first eleven months of 2010 compared to its level at the end of 2009; standing at JD 14,532.0 million.
- Total deposits at licensed banks increased by JD 1,762.5 million, or 8.7 percent, at the end of the first eleven months of 2010 in comparison with its level at the end of 2009; totaling JD 22,060.9 million.
- Interest rates on deposits and credit facilities at licensed banks differed in their behavior during the first eleven months of 2010, compared to their levels at the end of 2009.



- The SPI weighted by market capitalization of free float shares at ASE decreased by 178.9 points, or 7.1 percent, at the end of November 2010 compared to its level at the end of 2009; standing at 2,354.6 points. The market capitalization also decreased by around JD 1.3 billion, or 5.9 percent, at the end of November 2010 compared to its level at the end of 2009 to stand at JD 21.2 billion.

### Main Monetary Indicators

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

Year		End of November	
		2009	2010
US\$ 10,879.0	CBJ's Foreign Currency Reserves	US\$ 10,533.6	US\$ 12,020.6
40.5%		36.0%	10.5%
20,013.3	Money Supply (M2)	19,949.9	21,913.5
9.3%		9.0%	9.5%
13,317.2	Credit Facilities, of which:	13,378.2	14,532.0
2.1%		2.6%	9.1%
12,041.3	Private Sector (Resident)	11,688.8	13,039.0
1.4%		-1.5%	8.3%
20,298.4	Total Deposits, of which:	20,100.8	22,060.9
12.1%		11.0%	8.7%
15,865.0	In JD	15,675.3	17,273.3
18.9%		17.4%	8.9%
4,433.4	In Foreign Currencies	4,425.6	4,787.6
-6.7%		-6.9%	8.0%
16,256.7	Deposits of Private Sector (Resident), of which:	15,781.9	18,055.5
13.7%		10.4%	11.1%
13,500.0	In JD	13,098.2	14,965.0
19.5%		15.9%	10.9%
2,756.7	In Foreign Currencies	2,683.7	3,090.5
-7.8%		-10.3%	12.1%

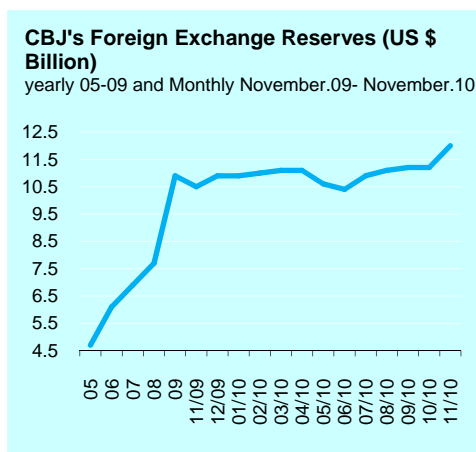
Source: Central Bank of Jordan / Monthly Statistical Bulletin.

### □ CBJ's Foreign Currency Reserves

The CBJ's foreign currency reserves increased by US\$ 773.8 million, or 6.9 percent, at the end of November 2010 compared to

their level in the previous month; standing at US\$ 12,020.6 million. Moreover, these reserves increased by US\$ 1,141.6 million at the end of the first eleven months of 2010, or 10.5 percent, compared to their level at the end of 2009. This level of reserves is equivalent to around 8.3 months of the Kingdom's imports of goods and services. Furthermore, these reserves amounted to

US\$ 12,264.7 million as of December 28, 2010; up by US\$ 1,385.7 million or 12.7 percent compared to their level at the end of 2009.



#### □ Domestic Liquidity (M2)

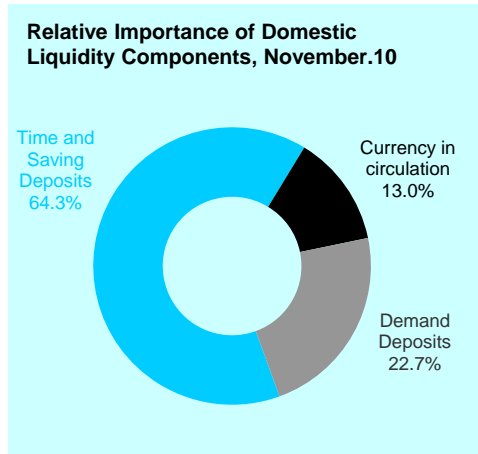
■ Domestic liquidity totaled JD 21,913.5 million at the end of November 2010; decreasing by JD 20.2 million, or 0.1 percent, compared to its level at the end of the preceding month, against an increase in the amount of JD 164.7 million, or 0.8 percent, during the same month in 2009. Furthermore, domestic liquidity increased by JD 1,900.2 million, or 9.5 percent, at the end of the first eleven months of 2010, against an increase in the amount of JD 1,645.7 million, or 9.0 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 eleven months in 2010 and the end of 2009 reveals the following:**

##### ● Components of Domestic Liquidity

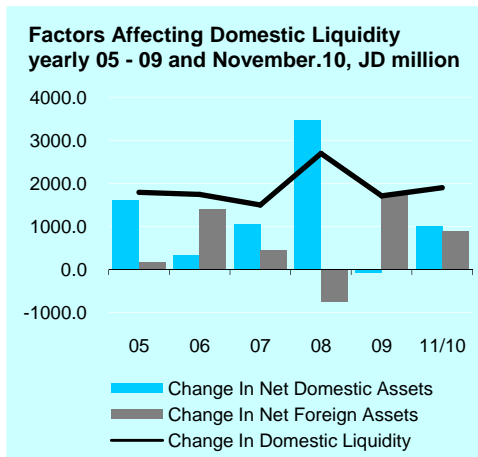
- Deposits increased by JD 1,720.1 million, or 9.9 percent, at the end of the first eleven months of 2010 compared to their level at the end of 2009; totaling JD 19,053.9 million, against an increase amounting to JD 1,493.0 million, or 9.5 percent, at the end of the same period of 2009.

○ Currency in circulation increased by JD 180.1 million, or 6.7 percent, at the end of the first eleven months of 2010; standing at JD 2,859.6 million compared to its level at the end of 2009, against an increase in the amount of JD 152.7 million, or 5.7 percent, at the end of the same period of 2009.



● **Factors Affecting Domestic Liquidity**

○ Net domestic assets at the banking system increased by JD 1,012.9 million, or 9.1 percent, at the end of the first eleven months of 2010 compared to its level at the end of 2009, against an increase in the amount of JD 86.9



million, or 0.8 percent, during the same period of 2009. This increase at the end of the first eleven months in 2010 was an outcome of the increase in net domestic assets at the licensed banks by JD 1,375.2 million, or 7.9 percent, and the decrease in these assets at the CBJ by JD 362.3 million, or 5.8 percent, respectively.

- Net foreign assets at the banking system increased by JD 887.3 million, or 10.0 percent, at the end of the first eleven months of 2010 compared to their level at the end of 2009, against an increase in the amount of JD 1,558.8 million, or 21.9 percent, in the same period of 2009. This rise was a result of the increase in these assets at the licensed banks by JD 354.2 million, or 97.0 percent, and the increase in these assets at the CBJ by JD 533.1 million, or 5.8 percent.

#### Changes in Factors Affecting Domestic Liquidity (M2)

JD Million

Year		Change in balance relative to the end of November	
		2009	2010
<b>1,780.1</b>	<b>Foreign Assets (Net)</b>	<b>1,558.8</b>	<b>887.3</b>
2,433.2	CBJ	2,125.5	533.1
-653.1	Licensed Banks	-566.7	354.2
<b>-71.0</b>	<b>Domestic Assets (Net)</b>	<b>86.9</b>	<b>1,012.9</b>
-2,552.8	CBJ, of which:	-2,065.0	-362.3
-302.8	Claims on Public Sector (Net)	-213.4	-325.2
-2,250.0	Other Items (Net*)	-1,851.5	-37.2
2,481.8	Licensed Banks	2,151.9	1,375.2
630.5	Claims on Public Sector (Net)	1,094.4	494.9
159.9	Claims on Private Sector	-207.8	989.0
1,691.4	Other Items (Net)	-1,265.3	-108.7
<b>1,709.1</b>	<b>Money Supply (M2)</b>	<b>1,645.7</b>	<b>1,900.2</b>
<b>14.7</b>	<b>Currency in Circulation</b>	<b>152.7</b>	<b>180.1</b>
<b>1,694.4</b>	<b>Total Deposits, of which:</b>	<b>1,493.0</b>	<b>1,720.1</b>
-436.1	In Foreign Currencies	-493.7	287.2

\* 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		November	
2009		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

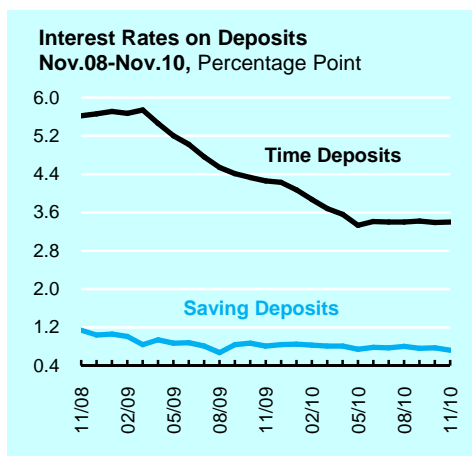
Source: Central Bank of Jordan / Monthly Statistical Bulletin.

- 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 November 2010 increased by one basis point compared to its level at the end of the preceding month; standing at 3.40 percent. However, this rate was 83 basis points lower compared to its level at the end of 2009.

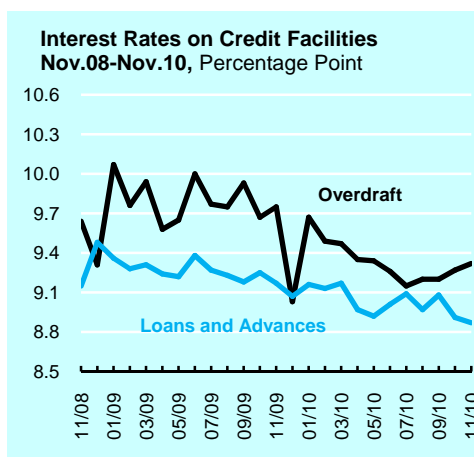


- **Saving Deposits:** The weighted average interest rate on saving deposits at the end of November 2010 decreased by 5 basis points compared to its level in the previous month, to reach 0.72 percent. Moreover, this rate was 12 basis points lower than its level at the end of the preceding year.
- **Demand Deposits:** The weighted average interest rate on demand deposits did not change at the end of November 2010 compared to its level at the end of the previous month; standing at 0.41 percent. This rate was also 26 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 9.32 percent at the end of November 2010; 5 basis points higher than its level at the end of the previous month. Moreover, this rate was 29 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” increased by 12 basis points at the end of November 2010 compared to its level at the preceding month; to stand at 9.27 percent. Also, this rate was 10 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 8.87 percent at the end of November 2010; 4 basis points lower compared to its level at the end of the previous month. Compared to its level at the end of 2009, this rate was 20 basis points lower.

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

Year		October		Change Relative to the Year 2009 Basis Points
		2009	2010	
<b>Deposits</b>				
0.67	Demand	0.67	0.41	-26
0.84	Saving	0.81	0.72	-12
4.23	Time	4.26	3.40	-83
<b>Credit Facilities</b>				
9.17	Discounted Bills and Bonds	9.14	9.27	10
9.07	Loans and Advances	9.17	8.87	-20
9.03	Overdraft	9.75	9.32	29
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 14,532.0 million at the end of the first eleven months of 2010; an increase amounting to JD 1,214.8 million, or 9.1 percent, compared to its level at the end of the previous year, against an increase in the amount of JD 333.9 million or 2.6 percent during the same period of 2009.
- ◆ The classification of extended credit facilities according to economic activity during the first eleven months 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, industry and public services and utilities; which increased by JD 577.6 million, or 22.4 percent, JD 350.7 million, or 11.0 percent, and JD 266.8 million, or 16.4 percent, and JD 159.8 million, or 17.6 percent, respectively, compared to their levels at the end of 2009.
  - The drop in the credit facilities extended to activities classified as “Other” (mostly represents the facilities extended to individuals) by JD 251.9 million, or 7.4 percent, compared to its level at the end of 2009.
- ◆ The classification of extended credit facilities by the 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 997.7 million, or 8.3 percent at the end of November 2010 compared to their level at the end of 2009. Moreover, the credit facilities extended to the private sector (non-resident) increased by JD 91.1 million, or 9.6 percent. Further, the credit facilities extended to the public sector (central government



*plus* public institutions) and to the non-banking financial institutions increased by JD 125.6 million, or 38.5 percent and JD 0.4 million, or 8.9 percent, respectively, compared to their levels at the end of 2009.

#### ❑ Deposits at Licensed Banks

- ◆ Total deposits at licensed banks stood at JD 22,060.9 million at the end of the first eleven months of 2010; an increase in the amount of JD 1,762.5 million, or 8.7 percent, compared to their level at the end of the preceding year, against an increase amounting to JD 1,998.3 million, or 11.0 percent, during the corresponding period of 2009.
- ◆ The increase in total deposits at licensed banks during the first eleven months of 2010 was an outcome to the increase in deposits of the private sector (resident) by JD 1,798.8 million, or 11.1 percent, the increase in the deposits of the private sector (non-resident) by JD 99.3 million, or 4.4 percent, and the increase in the deposits of non-banking financial institutions by JD 14.1 million, or 9.5 percent, on one hand, and the decrease in the deposits of the public sector by JD 149.7 million, or 9.2 percent, on the other hand, compared to their levels at the end of 2009.
- ◆ The developments in the currency structure of deposits during the first eleven months of 2010 reveal that “deposits in local currency” and “deposits in foreign currencies” increased by JD 1,408.3 million, or 8.9 percent, and JD 354.2 million, or 8.0 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 eleven months 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 284.1 million in November 2010; down by JD 104.6 million, or 26.9 percent, compared to its level at the end of the previous month, against a decrease of JD 273.7 million, or 36.6 percent, during the same month in 2009. However, the trading volume stood at JD 6,335.8 million during the first eleven months of 2010; a decline amounting to JD 2,674.5 million, or 29.7 percent, compared to its level during the same period of 2009.

- **Traded Shares**

The number of traded shares in November 2010 totaled 321.9 million; down by 77.3 million shares, or 19.4 percent, compared to its level at the end of the preceding month, against a decline amounting to 124.2 million shares, or 25.7 percent, during the same month in 2009. Furthermore, the number of traded shares during the first eleven months of 2010 stood at 6,499.8 million shares compared to 5,492.0 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 19.0 points, or 10.8 percent, at the end of November 2010 compared to its level at the end of the previous month to stand at 2,354.6 points,

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

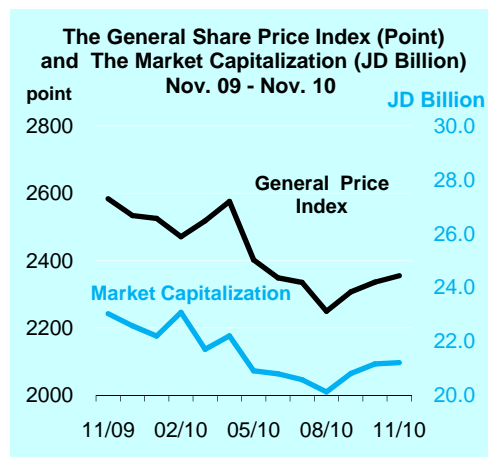
year		November	
		2009	2010
2,533.5	General Index	2,583.5	2,354.6
3,026.8	Financial Sector	3,135.0	2,884.2
2,738.8	Industrial Sector	2,721.2	2,490.1
2,107.9	Services Sector	2,111.8	1,922.3

Source: Amman Stock Exchange.

against a decrease in the amount of 32.4 points, or 1.2 percent, during the same month in 2009. As for the first eleven months in 2010, the SPI dropped by 178.9 points, or 7.1 percent, compared to its level at the end of the preceding year, against a drop in the amount of 174.9 points, or 6.3 percent, during the same period of 2009. The above-mentioned drop during the first eleven months of 2010 was mainly due to the decline in the SPI for the industrial, services and the financial sectors by 248.7 points, or 9.1 percent, 185.6 points, or 8.8 percent, and 142.6 points, or 4.7 percent, respectively, compared to their levels at the end of 2009.

- **Market Capitalization**

The ASE's market capitalization totaled JD 21.2 billion at the end of November 2010; the same as its level at the end of the previous month, against a decline amounting to JD 0.3 billion, or 1.3 percent, during



the same month in the preceding year. Furthermore, the market capitalization decreased by JD 1.3 billion, or 5.9 percent, during the first eleven months of 2010, compared to its level at the end of 2009,

against a decline amounting to around JD 2.4 billion, or 9.4 percent, over the same period of 2009.

- **Non - Jordanian Net Investment**

Non - Jordanian net investment at ASE recorded an inflow amounting to JD 2.5 million in November 2010, compared to an outflow amounting to JD 6.0 million during the same month in 2009; the value of shares acquired by non - Jordanians in November 2010 stood at JD 38.9 million, while the value of shares sold by the said group amounted to JD 36.4 million. Furthermore, non-Jordanian net

**Main Amman Stock Exchange Trading Indicators, JD Million**

Year		November	
		2009	2010
9,665.3	Value Traded	474.2	284.1
38.8	Average Daily Trading	25.0	16.7
22,526.9	Market Capitalization	23,026.7	21,207.1
6,022.5	No. of Traded Shares (million)	360.7	321.9
(3.8)	Net Investment of Non-Jordanian	(6.0)	2.5
2,135.5	Non-Jordanian Buying	54.5	38.9
2,139.3	Non-Jordanian Selling	60.5	36.4

Source: Amman Stock Exchange.

investment displayed an outflow amounting to JD 15.7 million during the first eleven months of 2010, against an inflow in the amount of JD 1.1 million during the same period of 2009.

## Second: Output and Prices

### □ Summary

- Gross Domestic Product (GDP) at both market and basic prices registered a real growth amounting to 3.5 percent and 4.5 percent, respectively, during the third quarter of 2010 compared to 1.9 percent and 2.5 percent, respectively, during the same quarter in 2009.
- As for the first three quarters of 2010, GDP at both market and basic prices registered a real growth rate of 2.8 percent and 4.1 percent, respectively, compared to 2.4 percent and 2.9 percent, respectively, during the first three quarters in 2009.
- The general price level, as measured by the Consumer Price Index (CPI), increased by 4.9 percent during the first eleven months of 2010, against a decline amounting to 1.0 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 growth of the national economy maintained during the third quarter of 2010 its positive trend recorded during the second quarter of the same year. This favourable trend was driven by the improvement in regional and global conditions and the growth of services and export-oriented sectors. **GDP, at constant market prices, grew at 3.5 percent in the third 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 3.1 percent during the third quarter of 2010, **GDP growth rate at constant basic prices rose to 4.5 percent** compared to 2.5 percent during the third quarter of 2009.

As for the **first three quarters of 2010**, the national economy witnessed a growth of 2.8 percent, at constant market prices, compared to 2.4 percent during the first three quarters of 2009.

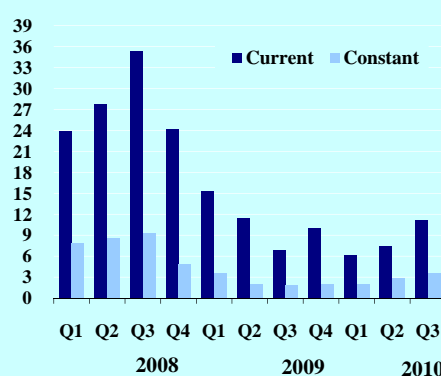
**Quarterly Growth Rates of GDP at Market Prices  
2008 - 2010**

	Q 1	Q2	Q3	Q4	Percentages
					Year
<b>2008</b>					
GDP at Constant Market Prices	7.8	8.6	9.2	4.9	<b>7.6</b>
GDP at Current Market Prices	23.9	27.7	35.3	24.1	<b>27.9</b>
<b>2009</b>					
GDP at Constant Market Prices	3.6	1.9	1.9	2.0	<b>2.3</b>
GDP at Current Market Prices	15.3	11.4	6.8	10.0	<b>10.6</b>
<b>2010</b>					
GDP at Constant Market Prices	2.0	2.9	3.5		
GDP at Current Market Prices	6.2	7.4	11.1		

Source: Department of Statistics.

The pace of real economic growth at market prices during the first three quarters of 2010 was influenced by the contraction in “net taxes on products” item. On the other hand, **GDP at current market prices grew at 8.4 percent** compared to 10.8 percent during the first three quarters of 2009, which came in light of **the rise in the general price level, measured by the GDP deflator, by 5.4 percent** during the first three quarters of 2010 compared to 8.2 percent during the same period of 2009.

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



On the front of sectoral developments, economic sectors displayed a wide variation in their performance during the first three quarters of 2010. **Some sectors witnessed a marked improvement, particularly “mining and quarrying” sector** which picked up strongly, recording a real growth rate of 24.4 percent compared to a contraction amounting to

24.0 percent during the same period of 2009. Meanwhile, **the sector of “transport and communications”** registered a noticeable growth amounting to 6.9 percent compared to 6.1 percent during the same period in the preceding year. The sectors of **“trade, restaurants and hotels”** and **“finance, insurance, real estate and business services”** witnessed an improvement in their growth performance, amounting to 5.4 percent and 4.3 percent, respectively, in comparison with 3.0 percent and -0.9 percent, respectively, during the first three quarters of 2009.

In contrast, the sector of **“construction”** experienced a noticeable **contraction** amounting to 6.7 percent compared to a growth rate of 13.5 percent during the same period of 2009. Furthermore, **“electricity and water”** sector contracted by 1.8 percent in comparison with a decline of 1.9 percent during the same period of 2009.

On the front of 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 0.8 percentage point and 3.3 percentage points, respectively, in the first three quarters of 2010 compared to 1.0 percentage point and 1.9 percentage points, respectively, in the first three quarters of 2009. It is worth mentioning in this regard that the contribution of “net taxes on products” in GDP growth rate, at constant market prices, was negative, standing at -0.8 percentage point during the first three quarters of 2010.**

#### **□ Microeconomic Indicators**

The latest sectoral indicators displayed divergent performance during the past period of 2010. 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 at varied rates, particularly cement sales in domestic market as well as the manufacturing and electricity production indices.

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 - October	
		2009	2010
-28.6	"Mining and quarrying" production quantity index	-27.3	33.2
-27.5	Cargo through the Royal Jordanian	-31.7	33.9
-1.0	The number of passengers through the Royal Jordanian	-2.8	14.8
The whole 2009	Item	January - November	
		2009	2010
-44.0	Production of potash	-41.5	60.4
-17.8	Production of phosphate	-20.7	27.8
2.9	Production of chemical acids	-0.4	10.8
-8.5	Production of fertilizers	-11.6	9.6
-16.2	Quantities of exported and imported goods shipped through the Aqaba port	-17.0	17.5
0.5	Number of departures	1.2	22.1

**Decelerating and Contracting indicators \***  
Percentages

The whole 2009	Item	January - October	
		2009	2010
17.5	Licensed areas for building	21.4	4.3
-8.1	Electricity production quantity index	-9.6	-4.2
1.2	Manufacturing production quantity index	1.6	-5.8
-1.7	Industrial production quantity index	-1.4	-3.6
The whole 2009	Item	January - November	
		2009	2010
0.4	Quantity of cement sales to the domestic market (excluding imported quantities)	1.9	-4.9
-4.6	Production of cement	-3.5	-5.7
-3.6	Production of petroleum products	-4.1	-4.7

\* . Calculated Items, Based on Data Issued by the Following Sources:

- Monthly Statistical Bulletin / Central Bank of Jordan.
- Cement Companies in Jordan.
- Royal Jordanian.



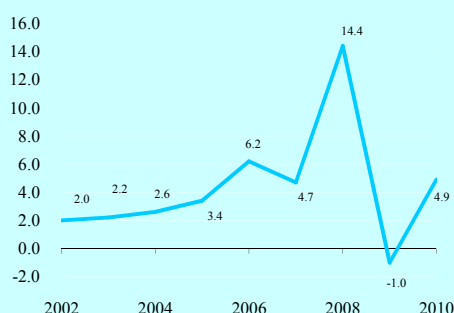
## □ Investments Benefiting from the Investment Promotion Law

- ◆ 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.

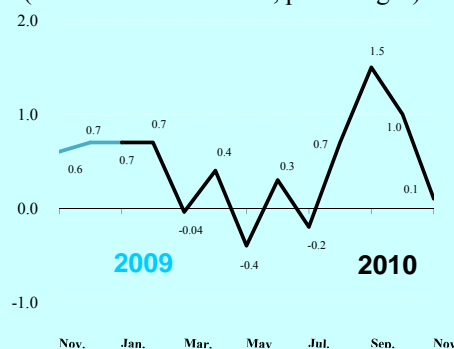
## □ Prices

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 4.9 percent** during the first eleven months of 2010 against a decline amounting to 1.0 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 Eleven Months of the Year  
(2002 - 2010), percentages



**Monthly Inflation Rate**  
(Nov. 2009 -Nov. 2010, percentages)



**Moreover, consumer prices have increased by 0.1 percent in November 2010 compared to their level in the preceding month.** The aforementioned increase was mainly due to the rise in the prices of “fruits” and “transportation” as well as “clothing” and “footwear” items on the one hand, against a decline in the prices of “vegetables” and “meat & poultry”, on the other hand.

**The price developments of the main components of the CPI basket during the first eleven 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 4.8 percent during the first eleven months of 2010 compared to a smaller increase amounting to 1.8 percent during the same period of 2009. The contribution of this group to the overall rate of inflation recorded during the first eleven months of 2010 reached 1.7 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 5.9 percent. In addition, the prices of “sugar and confectionaries” and cigarettes increased by 16.2 percent and 11.9 percent, respectively. In contrast, the prices of some other items declined. The most prominent items included “dairy products and eggs” and “oils and fat”, which dropped by 2.1 percent and 1.0 percent, respectively.
- ◆ The prices of **“clothing and footwear” group** (which makes up the least weight among the components of CPI basket, accounting for 4.95 percent) **rose by 1.6 percent during the first eleven months of 2010 compared to a noticeable increase in the amount of 6.2 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 1.4 percent and 2.3 percent, respectively, during the first eleven months of 2010, compared to a rise in the amount of 5.4 percent and 9.4 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 4.1 percent over the first eleven months of 2010 against a decline amounting to 2.1 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 6.8 percent. In addition, other items recorded varied rates of increase in their prices, ranging from 0.4 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 3.7 percent during the first eleven months of 2010.

The prices of **“other goods and services” group** (which accounts for 31.62 percent of the CPI basket) **increased noticeably by 6.4 percent during the first eleven months of 2010 against a drop in the amount of 4.8 percent during the same period of 2009. In consequence, this group contributed to the overall inflation rate by 2.0 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 12.9 percent against a drop amounting to 15.7 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 6.3 percent and 6.0 percent, respectively.

### Third: Public Finance

#### □ Summary:

- The general budget, including foreign grants, showed a fiscal deficit amounting to JD 655.1 million during the first ten months in 2010, compared to a larger fiscal deficit in the amount of JD 890.3 million during the same period in 2009. Excluding foreign grants (amounting to JD 288.6 million), the deficit widens to stand at JD 943.7 million.
- Gross outstanding domestic public debt (budgetary and own-budget) stood at JD 8,115.0 million, or 42.1 percent of GDP, at the end of October 2010, reflecting a rise amounting to JD 1,029.0 million compared to its level at the end of 2009.
- Net outstanding domestic public debt totaled JD 6,957.0 million, or 36.1 percent of GDP, at the end of October 2010; up by JD 1,166.0 million compared to its level at the end of 2009.
- Outstanding external public debt (budgetary and guaranteed) increased by JD 164.2 million at the end of October 2010 in comparison with its level at the end of 2009; standing at JD 4,033.2 million, or 20.9 percent of GDP.

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

##### ■ Public Revenues

Public revenues (including foreign grants) decreased by JD 82.8 million, or 20.0 percent, in the month of October 2010 compared to the same month in 2009; totaling JD 331.4 million. As for the first ten months in 2010, these revenues were up by JD 116.3 million, or 3.2 percent, compared to the same period in the preceding year to stand at JD 3,782.2 million. This increase was the outcome of the rise in foreign grants by JD144.1 million, on one hand, and the drop in domestic revenues by JD 27.8 million, on the other.

**Main Government Budget Indicators during October and the first ten months of 2010 and 2009:**

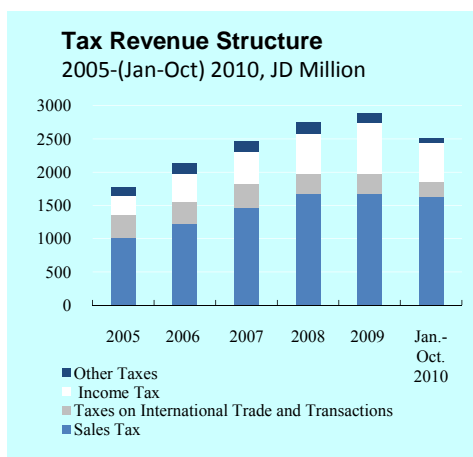
(JD Million and Percentages)

	October		Growth Rate %	Jan. – Oct.		Growth Rate %
	2009	2010		2009	2010	
<b>Total Revenues and Grants</b>	<b>414.2</b>	<b>331.4</b>	<b>-20.0</b>	<b>3,665.9</b>	<b>3,782.2</b>	<b>3.2</b>
Domestic Revenues, of which:	372.4	321.4	-13.7	3,521.4	3,493.6	-0.8
Tax Revenues, of which:	221.9	239.1	7.8	2,444.7	2,510.6	2.7
General Sales Tax	152.8	187.5	22.7	1,397.2	1,628.4	16.5
Other Revenues, of which:	148.9	80.7	-45.8	1,060.1	967.6	-8.7
Land Registration Fees	12.2	11.7	-4.1	117.1	109.6	-6.4
Foreign Grants	41.8	10.0	-76.1	144.5	288.6	99.7
<b>Total Expenditures</b>	<b>439.3</b>	<b>418.0</b>	<b>-4.8</b>	<b>4,556.2</b>	<b>4,437.3</b>	<b>-2.6</b>
<b>Overall Deficit/ Surplus</b>	<b>-25.1</b>	<b>-86.6</b>		<b>-890.3</b>	<b>-655.1</b>	

Source: Ministry of Finance/ General Government Finance Bulletin.

◆ **Domestic Revenues**

Domestic revenues declined by JD 27.8 million, or 0.8 percent, during the first ten months in 2010 compared to the same period in 2009; amounting to JD 3,493.6 million. This decline was the outcome of the rise in the proceeds of “tax revenues” by JD 65.9 million, on one hand, and the decline in “other revenues” by JD 92.5 million, as well as “pension contributions” by JD 1.2 million, on another.



## ◀ Tax Revenues

Tax revenues were up by JD 65.9 million, or 2.7 percent, in the first ten months in 2010 compared to the same period in 2009, to reach JD 2,510.6 million; accounting for 71.9 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 231.2 million, or 16.5 percent, to reach JD 1,628.4 million. This aforementioned increase was driven by the rise in the proceeds of all general sales tax items. More specifically, the proceeds of “sales tax on domestic goods” increased by JD 111.1 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 94.0 million. This increase was affected by 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 12.3 million, as well as the proceeds of “sales tax on imported goods” which displayed a rise amounting to JD 13.8 million. It is worth noting in this regard that the actual proceeds of the general sales tax on goods and services during the first ten months in 2010 amounted to 83.6 percent of their targeted level in the General Budget Law.
- **The decrease in the proceeds of “income and profit taxes”** by 17.3 percent, standing at JD 572.3 million. This decrease was due to the decline in the proceeds of “income tax from companies and other projects” by JD 108.3 million, and the slight drop in the proceeds of “income tax from individuals” by JD 11.5 million. In further details, income tax from companies accounted for 76.6 percent of total taxes on income and profits;

standing at JD 438.2 million (of which JD 185.8 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 4.1 million, or 1.7 percent, to stand at JD 235.1 million. Such a decline was the outcome of the drop in the proceeds of departure tax by JD 9.9 million and the increase in the proceeds of “customs duties and fees” by JD 5.8 million to reach JD 228.1 million.

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

“Other revenues” declined by JD 92.5 million, or 8.7 percent during the first ten months in 2010 to reach JD 967.6 million. This decrease was mainly due to the drop in miscellaneous revenues by JD 69.7 million to stand at JD 222.0 million, as well as the decline in property income proceeds by JD 21.5 million to stand at JD 243.8 million (of which financial surplus of independent government units amounting to JD 220.4 million). Moreover, revenues from selling goods and services displayed a decrease amounting to JD 1.3 million to reach JD 501.8 million.

#### ◀ **Pension Contributions**

Pension contributions dropped by JD 1.2 million during the first ten months in 2010 to stand at JD 15.4 million.

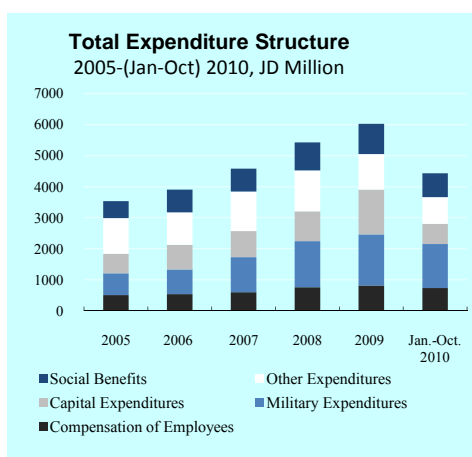
#### ◆ **Foreign Grants**

Foreign grants rose noticeably by JD 144.1 million during the first ten months in 2010 compared to their level in the same period in 2009, standing at JD 288.6 million.



## ■ Public Expenditures

Public expenditures decreased by JD 21.3 million, or 4.8 percent, in October 2010 compared to the same month in 2009 to stand at JD 418.0 million. Moreover, these expenditures declined by JD 118.9 million, or 2.6 percent, during the first ten months in 2010 to stand at JD



4,437.3 million. This decline was the outcome of the drop in capital expenditures by 30.0 percent, on one hand, and the rise in current expenditures by 4.4 percent, on the other.

## ◆ Current Expenditures

Current expenditures increased by JD 160.1 million, or 4.4 percent, during the first ten months in 2010; amounting to JD 3,785.4 million. This increase was due to the rise in the compensation of the civil sector's employees (wages, salaries and social security contributions) and the military expenditures by JD 47.5 million and JD 44.7 million, to total JD 735.7 million and JD 1,420.1 million, respectively. The item of interest payments, both internal and external, has also increased by JD 8.2 million. Moreover, goods 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 ten months in the current year against JD 74.0 million during the same period in 2009. Meanwhile, “social benefit expenditures” have declined by JD 0.6 million to stand at JD 769.2 million. In addition, “purchases of goods and services” have also declined by JD 8.9 million to stand at JD 233.4 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 278.9 million, or 30.0 percent during the first ten months in 2010 compared to the same period in the preceding year; standing at JD 651.9 million. Accordingly, the achievement ratio of capital expenditures stood at just 67.6 percent of their projected level in the Budget Law and its Supplement for 2010.

#### ■ **General Budget Deficit/ Surplus**

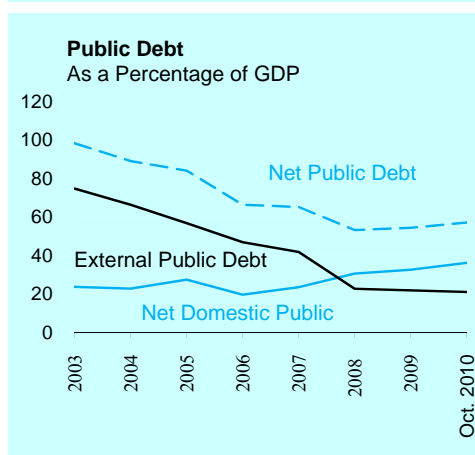
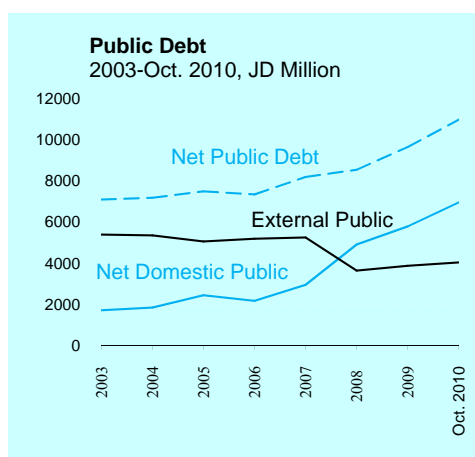
- ◆ **The general budget, including grants, displayed a fiscal deficit amounting to JD 655.1 million in the first ten months in 2010** against a larger deficit in the amount of JD 890.3 million during the same period in 2009.
- ◆ **The general budget showed a primary deficit** (after excluding interest payments on public debt from total expenditures) **amounting to JD 332.5 million in the first ten months in 2010** against a primary deficit in the amount of JD 575.9 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 1,029.0 million at the end of October 2010 compared to its level at the end of 2009 to reach JD 8,115.0 million, or 42.1 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 846.0 million and JD 183.0 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 895.0 million to total JD 6,648.0 million at the end of October 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 October 2010, on the other.

- Net outstanding domestic public debt (gross outstanding domestic public debt *minus* government deposits at the banking system) increased by JD 1,166.0 million at the end of October 2010 compared to the end of 2009 to total JD 6,957.0 million, or**



36.1 percent of GDP. The aforementioned increase was the outcome of the rise in gross outstanding domestic public debt by JD 1,029.0 million and the decline in the government deposits at the banking system by JD 136.0 million compared to their level at the end of 2009.

- **Outstanding balance of external public debt (budgetary and guaranteed) was up** by JD 164.2 million at the end of October 2010 compared to its level at the end of 2009; amounting to JD 4,033.2 million, or 20.9 percent of GDP. The currency structure of this debt indicates that external debt in US dollars accounted for 31.7 percent, while debt in Euros accounted for 10.0 percent. Further, external debt in Japanese Yen and Kuwaiti Dinars accounted for 26.3 percent and 20.2 percent of the outstanding external public debt, respectively.
- **Net public debt (domestic and external) increased** by JD 1,330.2 million at the end of October 2010 compared to its level at the end of 2009 to stand at JD 10,990.2 million, or 57.0 percent of GDP, against JD 9,660.0 million, or 54.2 percent of GDP, at the end of 2009. Consequently, the ratio of net public debt to GDP increased by 2.8 percentage points 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 348.2 million during the first ten months in 2010 (of which interest payments amounting to JD 72.4 million) compared to JD 309.7 million in the same period in 2009 (of which interest payments amounting to JD 82.1 million).

## □ Fiscal and Price Measures

- ◆ Raising the prices of all types of oil derivatives as of December 31, 2010, while maintaining the prices of domestic liquid gas unchanged, as follows:

	Unit	2010		Change %
		November	December	
Fuel oil for industry	JD/Ton	381.8	397.1	4.0
Fuel oil for ships	JD/Ton	381.8	397.1	4.0
Fuel oil for airplanes (local companies)	Fils/Liter	483	512	6.0
Fuel oil for airplanes (foreign companies)	Fils/Liter	488	517	5.9
Fuel oil for unplanned flights	Fils/Liter	503	532	5.8
Asphalt	JD/Ton	410.1	426.3	4.0
Unleaded Gasoline 90*	Fils/Liter	600	655	9.2
Unleaded Gasoline 95*	Fils/Liter	730	795	8.9
Gas Oil (Diesel)	Fils/Liter	515	545	5.8
Kerosene	Fils/Liter	515	545	5.8
Liquid Gas (12.5kg)	JD/Unit	6.5	6.5	0.0

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

- ◆ The Cabinet decided to extend the exemption for traders, whose annual sales are over JD50.0 thousand and less than JD75.0 thousand, from registry in GST taxpayer list until the end of 2011 (December 2010).
- ◆ The Cabinet decided to extend the exemptions granted to the real estate sector until the end of March 2011, in order to continue stimulating the sector in the year 2011 through providing certain exemptions for apartments and land. It is worthy to indicate that these exemptions included increasing the area of exempted apartment to 150 squared meters instead of 120 squared meters

previously determined; abolishing the condition of buying the apartment from a housing company, so that the exemption is applied irrespective of the character of the seller (individual or company); in addition to reducing transfer fees by 50% (December 2010).

□ **Grants, Loans and Other Agreements**

- ◆ Signing a grant agreement extended by the United States Trade and Development Agency (USTDA) in the amount of US \$567.6 thousand, to finance the preparation of a feasibility study for the Electronic Health Records Project in collaboration with Electronic Health Records Company, which is currently implementing the “Hakim” program. It is noteworthy that this program is considered the first initiative to computerize the health sector in Jordan, and aims to increase the effectiveness, quality and speed of providing health care services through the provision of electronic medical records for medical and health establishments participating in the initiative (December 2010).
- ◆ Signing an economic and technical cooperation agreement between the government of Jordan and the government of China, under which the Chinese government extends a grant to the Kingdom in the amount of yuan 30.0 million, equivalent to US \$ 4.5 million, to finance certain development projects (to be agreed upon later) (December 2010).

## Fourth: External Sector

### □ Summary

- The value of **total merchandize exports** (domestic exports *plus* re-exports) increased by 2.1 percent in October 2010 compared to the same month in 2009; to stand at JD 419.4 million. As for the first ten months of 2010, total merchandize exports increased by 8.1 percent; amounting to JD 4,099.0 million.
- The value of **merchandize imports** increased by 17.9 percent in October 2010 compared to the same month in the previous year; amounting to JD 1,043.6 million. As for the first ten months of 2010, total merchandize imports rose by 9.5 percent; amounting to JD 9,010.3 million.
- In the light of the above developments, the **trade balance deficit** (total exports *minus* imports) increased by 31.6 percent in October 2010 compared to the same month in 2009; standing at JD 624.2 million. As for the first ten months of 2010, the trade deficit expanded by 10.7 percent; amounting to JD 4,911.3 million.
- According to the preliminary figures, **travel receipts** increased by 26.8 percent during November 2010 compared to the same month in the preceding year; to stand at JD 218.3 million. Similarly, **travel payments** increased by 54.0 percent; amounting to JD 85.6 million. As for the first eleven months of 2010, both travel receipts and travel payments increased by 19.3 percent and 35.5 percent to stand at JD 2,270.5 million and JD 952.1 million, respectively.
- According to the preliminary figures, **total workers' remittances receipts** amounted to JD 231.7 million during November 2010; an increase amounting to 0.5 percent compared to the same month in 2009. In addition, total workers' remittances receipts increased by 1.4 percent; to stand at JD 2,370.1 million, during the first eleven months of 2010.
- **The current account of the balance of payments** displayed a deficit of JD 579.9 million (4.0 percent of GDP) during the first three quarters of 2010 compared to a deficit of JD 633.2 million (4.8 percent of GDP) during the corresponding period of 2009.

- **The FDI recorded net inflows** totaled JD 970.2 million in the first three quarters of 2010 compared to JD 1,377.8 million in the same period 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 473.6 and imports by JD 780.1 million during the first ten months of 2010; the volume of external trade (domestic exports *plus* imports) increased by JD 1,253.7 million to stand at JD 12,461.2 million.

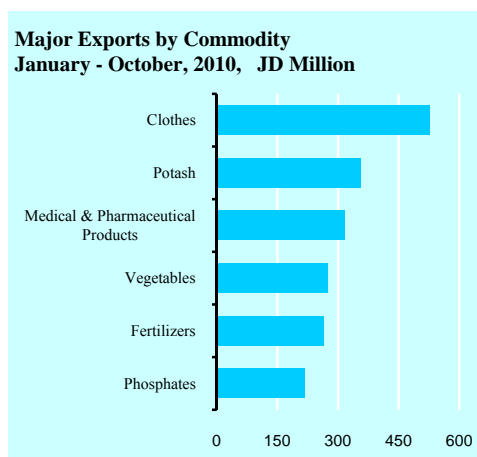
Jordan's Major Trade Partners JD Million				Developments of External Trade Indicators, JD Million				
January - October				January - October				
	2009	2010	Percentage Change		2009	Percentage Change 2008/2009	2010	Percentage Change 2009/2010
<b>Exports</b>				External Trade	11,207.5	-20.2	12,461.2	11.2
United States	522.2	550.4	5.4	Total Exports	3,793.1	-19.8	4,099.0	8.1
Iraq	511.0	529.2	3.6	Domestic Exports	2,977.3	-19.8	3,450.9	15.9
India	440.9	484.9	10.0	Re-exports	815.8	-19.9	648.1	-20.6
Saudi Arabia	294.4	352.4	19.7	Imports	8,230.2	-20.4	9,010.3	9.5
United Arab Emirates	108.8	152.6	40.3	Trade Balance	-4,437.1	-20.9	-4,911.3	10.7
Syria	125.9	142.0	12.8	Source: Department of Statistics.				
Lebanon	95.0	108.8	14.5					
<b>Imports</b>								
Saudi Arabia	1,426.6	1,704.0	19.4					
China	898.4	989.3	10.1					
Germany	511.6	572.3	11.9					
United States	589.2	502.1	-14.8					
Egypt	510.1	414.2	-18.8					
South Korea	323.5	394.2	21.9					
Turkey	241.4	334.0	38.4					
Italy	309.7	327.9	5.9					
Japan	296.1	301.2	1.7					
Source: Department of Statistics.								



### ■ Merchandize Exports:

Total merchandize exports increased by 8.1 percent during the first ten months of 2010 to reach JD 4,099.0 million compared to a drop amounting to 19.8 percent during the same period of 2009. This increase was an

outcome of the rise in domestic exports by JD 473.6 million, or 15.9 percent, to reach JD 3,450.9 million and the decline in re-exports by JD 167.7 million, or 20.6 percent, to reach JD 648.1 million.



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

- The exports of **potash** increased by JD 79.1 million, or 28.4 percent, to stand at JD 357.3 million, compared to a decrease amounting to 33.9 percent during the same period of 2009. The geographical distribution of exports indicated that the Indian, Chinese and Malaysian markets accounted for 70.6 percent of potash exports.
- The exports of **fertilizers** increased by JD 57.3 million, or 27.6 percent, to reach JD 264.7 million, compared to a decline amounting to 47.1 percent during the same period of the previous year. This increase was the outcome of the rise in quantities

exported by 29.7 percent and the decline in prices of fertilizers by 1.6 percent. The Indian, Ethiopian and Japanese markets accounted for 80.0 percent of fertilizers exports.

- The exports of **medical and pharmaceutical products** increased by JD 55.8 million, or 21.4 percent, to reach JD 316.7 million, compared to a drop amounted to 10.8 percent during the same period of the previous year. The geographical distribution indicated that Saudi, Algerian, Sudanese and Lebanese markets accounted for 59.6 percent of these exports.

#### Major Domestic Exports by Commodity

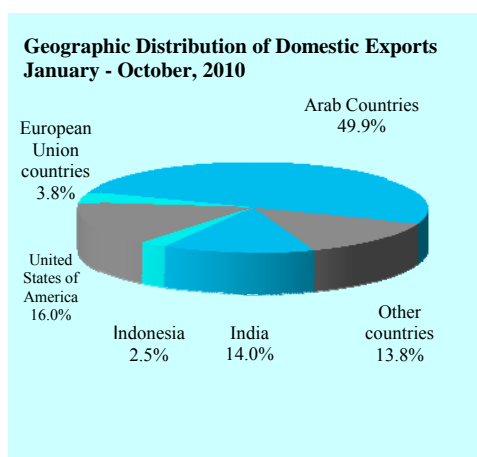
January - October 2009 , 2010, JD Million

	2009	2010	Percentage Change
<b>Domestic Exports</b>	<b>2,977.3</b>	<b>3,450.9</b>	<b>15.9</b>
<b>Clothes</b>	<b>501.9</b>	<b>528.0</b>	<b>5.2</b>
United States	466.4	492.2	5.5
<b>Potash</b>	<b>278.2</b>	<b>357.3</b>	<b>28.4</b>
India	186.9	162.5	-13.1
China	17.7	56.3	218.1
Malaysia	13.7	33.5	144.5
<b>Medical &amp; Pharmaceutical Products</b>	<b>260.9</b>	<b>316.7</b>	<b>21.4</b>
Saudi Arabia	77.5	87.0	12.3
Algeria	38.1	49.1	28.9
Sudan	24.5	30.5	24.5
Lebanon	17.4	22.2	27.6
<b>Vegetables</b>	<b>228.4</b>	<b>274.2</b>	<b>20.1</b>
Syria	48.9	59.6	21.9
Iraq	55.7	59.6	7.0
United Arab Emirates	35.2	50.3	42.9
<b>Fertilizers</b>	<b>207.4</b>	<b>264.7</b>	<b>27.6</b>
India	105.0	164.6	56.8
Ethiopia	0.0	24.5	-
Japan	64.2	22.7	-64.6
<b>Phosphates</b>	<b>245.2</b>	<b>218.6</b>	<b>-10.8</b>
India	123.7	142.6	15.3
Indonesia	61.5	38.1	-38.0
Netherlands	1.5	11.0	-

Source: Department of Statistics.

- The exports of **phosphates** decreased by JD 26.6 million, or 10.8 percent, to total JD 218.6 million, compared to a decline amounted to 12.3 percent within the same period of the preceding year. This decline was attributed to the downturn in the prices of phosphates by 29.1 percent and the increase in the quantities exported by 25.7 percent. The markets of India, Indonesia and Netherlands were the main destinations for the phosphates exports; accounting for 87.7 percent.

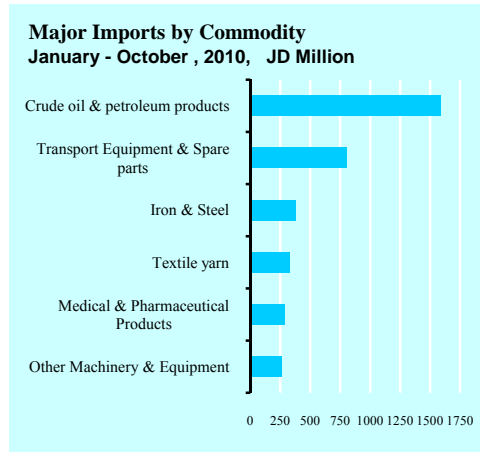
**In light of the aforementioned developments, the commodity breakdown of domestic exports indicates that the exports of clothes, potash, “medical and pharmaceutical products”, vegetables, fertilizers and phosphates topped the list of exporting materials during**



**the first ten months of 2010; accounting for 56.8 percent of domestic exports; down from 57.8 percent during the same period of 2009. Meanwhile, the geographical distribution of domestic exports indicates that the markets of USA, Iraq, India, Saudi Arabia, UAE, Syria, and Lebanon were the main destinations for the Jordanian domestic exports during the first ten months of 2010; accounting for 67.2 percent of domestic exports, down from 70.5 percent during the same period of 2009.**

#### ■ Merchandize Imports:

Merchandize imports stood at JD 9,010.3 million during the first ten months of 2010 increasing by JD 780.1 million, or 9.5 percent, against a decline by 20.4 percent during the same period of the preceding year.



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

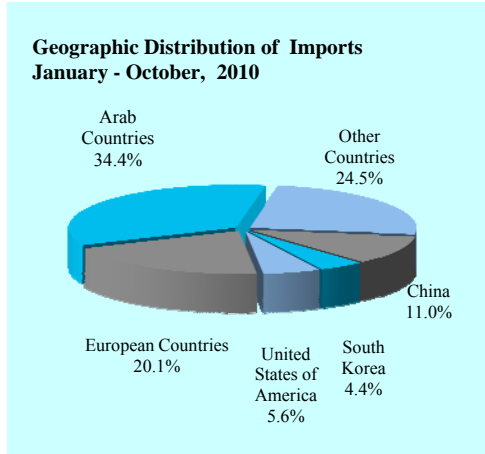
- The imports of **petroleum products** increased by JD 307.8 million, or 144.5 percent, to total JD 520.8 million, compared to a decline in the amount of 35.2 percent during the same period of the preceding year. The markets of Saudi Arabia, UAE, and Italy were the main sources of these imports.
- The imports of **crude oil** surged by JD 178.1 million, or 20.1 percent, to reach JD 1,065.6 million, compared to a decline in the amount of 48.5 percent during the same period of the preceding year. This increase was attributed to the rise in oil prices by 30.7 percent and the drop in the imported quantities of oil by 8.2 percent. It is worth noting that most of Jordanian imports of crude oil came from Saudi market; accounting for 90.2 percent.

- The imports of **medical and pharmaceutical products** increased by JD 39.2 million, or 16.0 percent, to reach JD 284.9 million, compared to a decrease amounting to 8.8 percent during the same period of 2009. The markets of Switzerland, Germany, UK, and France were the main sources of these imports; accounting for 41.7 percent.
- The imports of **transport equipment and spare parts** declined by JD 111.3 million, or 12.1 percent, to reach JD 808.2 million. The markets of South Korea, Japan, and Germany were the main sources of these imports; accounting for 68.2 percent.

<b>Major Imports by Commodity</b>			
January - October 2009, 2010, JD Million			
	2009	2010	Percentage Change
<b>Total Imports</b>	<b>8,230.2</b>	<b>9,010.3</b>	<b>9.5</b>
<b>Crude Oil</b>	<b>887.5</b>	<b>1,065.6</b>	<b>20.1</b>
Saudi Arabia	799.6	961.7	20.3
<b>Transport Equipment and Spare Parts</b>	<b>919.5</b>	<b>808.2</b>	<b>-12.1</b>
South Korea	194.8	207.8	6.7
Japan	176.6	183.3	3.8
Germany	219.7	159.9	-27.2
<b>Petroleum Products</b>	<b>213.0</b>	<b>520.8</b>	<b>144.5</b>
Saudi Arabia	56.0	153.0	173.2
United Arab Emirates	51.2	83.0	62.1
Italy	37.5	55.7	48.5
<b>Iron &amp; Steel</b>	<b>397.2</b>	<b>376.3</b>	<b>-5.3</b>
Ukraine	137.8	92.3	-33.0
Turkey	24.4	85.1	-
Russia	84.6	44.5	-47.4
<b>Textile Yarn, Fabrics &amp; Related Products</b>	<b>308.1</b>	<b>331.1</b>	<b>7.5</b>
China	139.4	163.3	17.1
Taiwan	47.7	53.6	12.4
Syria	17.3	19.0	9.8
<b>Medical &amp; Pharmaceutical Products</b>	<b>245.7</b>	<b>284.9</b>	<b>16.0</b>
Switzerland	32.5	34.2	5.2
Germany	26.6	30.5	14.7
United Kingdom	23.1	28.5	23.4
France	24.4	25.7	5.3
<b>Other Machinery and Equipment</b>	<b>263.7</b>	<b>266.3</b>	<b>1.0</b>
China	51.8	54.8	5.8
Germany	34.7	42.6	22.8
Italy	41.3	30.9	-25.2
South Korea	12.8	25.3	97.7

Source: Department of Statistics.

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 40.5 percent of total imports during the first ten months of 2010; up from 39.3 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 ten months of 2010; accounting for 50.8 percent compared to 51.8 percent during the same period of 2009.



■ **Re-Exports**

The value of re-exported goods decreased by JD 167.7 million, or 20.6 percent during the first ten months of 2010, to reach JD 648.1 million (in particular, the re-exported goods to Iraq; which decreased by JD 146.5 million of which 71.7 percent as machinery and transport equipments).

### ■ Trade Balance

Trade balance deficit increased by JD 474.2 million, or 10.7 percent, during the first ten months of 2010 compared to the same period of 2009 to stand at JD 4,911.3 million.

### □ Workers' Remittances Receipts

Workers' remittances receipts amounted to JD 231.7 million in November 2010; an increase amounting to 0.5 percent compared to the same month in the preceding year. These remittances increased by 1.4 percent to stand at JD 2,370.1 million during the first eleven months of 2010.

### □ Travel

#### ■ Receipts

Travel receipts increased by JD 367.4 million, or 19.3 percent, during the first eleven months of 2010 to stand at JD 2,270.5 million. The increase in travel income was attributed to the increase in the number of Kingdom's inbound tourists by 14.1 percent during the first eleven months of 2010 to stand at 7.3 million visitors compared to 6.4 million visitors during the same period of 2009.

#### ■ Payments

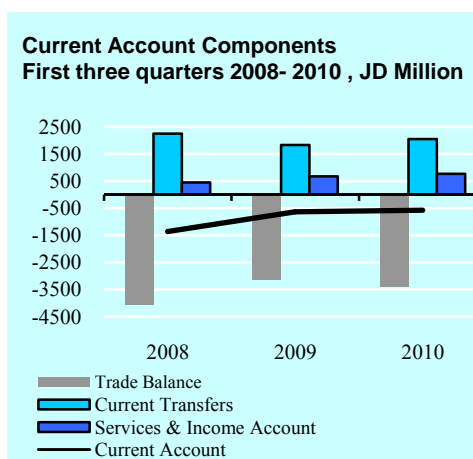
Travel payments rose by JD 249.2 million, or 35.5 percent, during the first eleven months of 2010 to stand at JD 952.1 million. Such development was attributable to the increase in the number of outbound tourists by 39.1 percent during the first eleven months of 2010 to stand at 3.2 million tourists compared to 2.3 million tourists during the same period of 2009.

### □ Balance of Payments

The preliminary statistics of the balance of payments for the first three quarters of 2010, compared to the same period of 2009 demonstrate the following developments:

- The current account recorded a deficit amounted to JD 579.9 million (4.0 percent of GDP) compared to a similar deficit amounted to JD 633.2 million (4.8 percent of GDP) in the first three quarters of 2009. This was an outcome of the following developments:

- The expansion in the trade balance deficit by JD 257.2 million, or 8.2 percent, to reach JD 3,396.8 million in the first three quarters of 2010 compared to a deficit amounting to JD 3,139.6 million in the same period of 2009.



- The services account recorded a surplus amounted to JD 559.5 million, compared to a surplus of JD 416.4 million in the first three quarters of 2009. This surplus was due to the surplus in the items of travel (net) and government services (net), which amounted to JD 1,074.3 million and JD 174.3 million respectively, and the deficit in the items of transportation (net) and other services (net) of JD 656.5 million and JD 32.6 million respectively.
- The surplus of the income account (net) decreased by JD 50.6 million, amounting to JD 206.7 million, compared to JD 257.3 million in the first three quarters of 2009. Such a decrease was due to the decline in the investment income (net) by JD 65.1 million and the increase in the compensation of employees (net) by JD 14.5 million.
- The net current transfers increased by JD 218.0 million; to reach JD 2,050.7 million, due to the increase in net transfers of public sector (foreign grants) by JD 301.3 million to reach JD 590.1 million during the first three quarters of 2010 compared to JD 288.8 million during the corresponding period of 2009. In addition to the decrease in transfers of other sectors (net) by JD 83.3 million to reach JD 1,460.6



million compared to JD 1,543.9 million in the first three quarters of 2009; given that the volume of workers' remittances (net) increased by JD 5.4 million, or 0.4 percent, to reach JD 1,447.3 million during the first three quarters of 2010.

■ The capital and financial account with the rest of the world recorded a net inflow of JD 377.0 million in the first three quarters of 2010 against a similar inflow in the amount of JD 513.2 million in the same period of 2009 owing chiefly to the following:

- Net inflow of the FDI amounted to JD 970.2 million during the first three quarters of 2010 compared to JD 1,377.8 million in the first three quarters of 2009.
- Net outflow of the portfolio investment amounted to JD 69.6 million compared to a net outflow in the amount of JD 172.9 million during the same period of 2009.
- Net outflow of other investments in the amount of JD 288.0 million in the first three quarters of 2010 against a net inflow amounting to JD 930.6 million in the same period of the preceding year.
- The increase in reserve assets of CBJ by JD 235.6 million compared to a rise amounting to JD 1,622.7 million during the first three quarters 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 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. 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).