Central Bank of Jordan

Recent Monetary & Economic Developments In Jordan

Research Dept. Monthly Report
February 2010

Central Bank of Jordan

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OUR VISION

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

OUR MISSION

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

OUR VALUES

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

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

Contents

Executive Summary

According to indicators available to-date, the national economy displayed favorable results in the external sector and certain monetary indicators, including the decline in external current account deficit and the sustained rise in foreign currency reserves. On the other hand, the preliminary quarterly estimates released by the Department of Statistics showed a deceleration in real GDP growth during the first three quarters of 2009, affected by the repercussions of the global economic and financial crisis.

- **Output and Prices:** Real Gross Domestic Product (GDP) grew at 2.7 percent during the first three quarters of 2009 compared to 9.1 percent in the same period of 2008. The Consumer Price Index (CPI) has increased by 3.9 percent in January 2010 against a rise in the amount of 7.8 percent during the same month in 2009. Furthermore, investments benefiting from the Investment Promotion Law totaled JD 616.0 million during the first two months in 2010 (of which 23.0 percent were foreign investments), compared to JD 184.0 million during the same period in 2009.

Monetary and Financial Sector:

- Foreign currency reserves at the Central Bank of Jordan (CBJ) increased by US$ 25.9 million, or 0.2 percent, at the end of January 2010 compared with their level at the end of 2009; standing at US$ 10,904.9 million.
- Domestic liquidity grew by JD 72.1 million, or 0.4 percent, during the first month in 2010 compared with its at level the end of 2009; standing at JD 20,085.4 million.
- The outstanding balance of credit facilities extended by licensed banks was up by JD 84.1 million, or 0.6 percent, during the first month of 2010 compared with its level at the end of 2009; standing at JD 13,401.3 million.
- Total deposits at licensed banks increased by JD 201.1 million, or 1.0 percent, during the first month of 2010 in comparison with its level at the end of 2009; totaling JD 20,499.5 million.

- The share price index, weighted by market capitalization of free float shares, at Amman Stock Exchange (ASE) has declined by 8.4 points, or 0.3 percent, during the first month of 2010 compared with its level at the end of 2009; standing at 2,525.1 points.

- **Public Finance:** The general budget, including foreign grants, showed a fiscal deficit amounting to JD 972.9 million during the first eleven months in 2009. Excluding grants (amounted to JD 230.0 million), the deficit surges to JD 1,202.9 million. Net outstanding domestic public debt (budgetary and own-budget) increased by JD 999.0 million at the end of November 2009 compared to its level at the end of 2008; standing at JD 5,910.0 million, or 36.4 percent of GDP. Moreover, outstanding external public debt increased by JD 100.8 million at the end of November 2009 compared to its level at the end of 2008; totaling JD 3,741.0 million, or 23.1 percent of GDP.

- **External Sector:** The value of total merchandize exports (domestic exports *plus* re-exports) decreased by 19.8 percent during 2009 to reach JD 4,519.7 million. Similarly, the value of merchandize imports declined by 17.1 percent; totaling JD 9,993.5 million. In effect, the trade deficit narrowed by 14.8 percent compared with the preceding year; amounting to JD 5,473.8 million. Further, the preliminary figures for the first month of 2010 showed an increase in the travel receipts as well as travel payments by 32.6 percent and 39.3 percent, respectively. In addition, the receipts of workers' remittances increased by 1.8 percent in January 2010. It is worth indicating in this regards that the preliminary figures for the balance of payments during the first three quarters in 2009 displayed a deficit in the current account amounting to JD 836.4 million, or 6.9 percent of GDP, down from JD 1,480.1 million, or 13.2 percent of GDP during the corresponding period in 2008. Finally, the net inflows of foreign direct investment (FDI) came at JD 623.3 million compared with JD 1,270.8 million in the first three quarters in 2008. In addition, the international investment position (IIP) displayed a net obligation to abroad amounting to JD 13,088.2 million at the end of 2008 compared with JD 15,059.0 million at the end of 2007.

First: Monetary and Financial Sector

Summary:

- Foreign currency reserves at the CBJ increased by US$ 25.9 million, or 0.2 percent, at the end of January 2010 compared with their level at the end of 2009; standing at US$ 10,904.9 million. The aforementioned level of reserves is equivalent to around 8.1 months of the Kingdom’s imports of goods and services. Moreover, these reserves stood at US$ 10,990.8 million as of February 25, 2010; up by US$ 111.8 million compared with their level at the end of 2009.

- Domestic liquidity during the first month of 2010 was up by JD 72.1 million, or 0.4 percent, compared with its level at the end of the previous year to total JD 20,085.4 million.

- The outstanding balance of the credit facilities extended by licensed banks increased by JD 84.1 million, or 0.6 percent, at the end of the first month in 2010 compared with its level at the end of 2009; standing at JD 13,401.3 million.

- Total deposits at licensed banks increased by JD 201.1 million, or 1.0 percent, at the end of the first month in 2010 in comparison with its level at the end of 2009; totaling JD 20,499.5 million.

- Interest rates on credit facilities at licensed banks have increased during the first month of 2010. However, interest rates on deposits have declined compared with their levels at the end of 2009, with the exception of interest rates on saving deposits.

- The share price index, weighted by market capitalization of free float shares, at Amman Stock Exchange (ASE) lost 8.4 points, or 0.3 percent, at the end the first month in 2010 compared with its level at the end of 2009; standing at 2,525.1 points. Moreover, the market capitalization declined by around JD 0.4 billion, or 1.7 percent, to stand at JD 22.2 billion at the end of January 2010.

Main Monetary Indicators

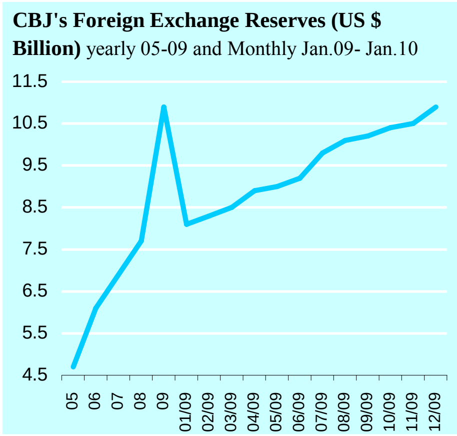
JD Million, and Percentage Change Relative to the Previous Year (%)

Year 2009		End of January 2009	End of January 2010
US$ 10,879.0 ٪40.5	CBJ's Foreign Exchange Reserves	US$ 8,068.1 ٪4.2	US$ 10,904.9 ٪0.2
20,013.3 ٪9.3	Money Supply (M2)	18,435.5 ٪0.7	20,085.4 ٪0.4
13,317.2 ٪2.1	Credit Facilities, of which:	13,203.0 ٪1.2	13,401.3 ٪0.6
12,041.3 ٪1.4	Private Sector (Resident)	12,012.2 ٪1.2	12,120.8 ٪0.7
20,298.4 ٪12.1	Total Deposits, of which:	18,334.9 ٪1.3	20,499.5 ٪1.0
15,865.0 ٪18.9	In JD	13,746.0 ٪3.0	16,078.5 ٪1.3
4,433.4 ٪-6.7	In Foreign Currencies	4,588.9 ٪-3.5	4,421.0 ٪-0.3
16,256.7 ٪13.7	Deposits of Private Sector (Resident), of which:	14,515.0 ٪1.6	16,417.5 ٪1.0
13,500.0 ٪19.5	In JD	11,627.1 ٪2.9	13,686.0 ٪1.4
2,756.7 ٪-7.8	In Foreign Currencies	2,887.9 ٪-3.5	2,731.5 ٪-0.9

Source: Central Bank of Jordan / Monthly Statistical Bulletin.

CBJ Foreign Reserves:

The CBJ foreign currency reserves were up by US$ 25.9 million, or 0.2 percent, at the end of January 2010 compared with their level at the end of 2009; standing at US$ 10,904.9 million. Further, these reserves stood at US$ 10,990.8 million as of February 25, 2010; up by US$ 111.8 million compared with their levels at the end of 2009. The aforementioned level of reserves is equivalent to around 8.1 months of the Kingdom's imports of goods and services.



❑ Domestic Liquidity (M2):

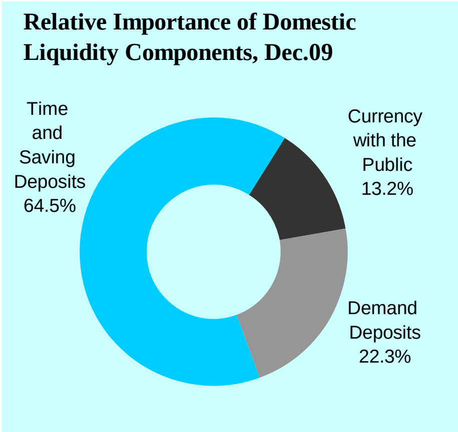
■ Domestic liquidity totaled JD 20,085.4 million at the end of January 2010; increasing by JD 72.1 million, or 0.4 percent, compared with its level at the end of 2009 against an increase in the amount of JD 131.3 million, or 0.7 percent, during the same month in 2009.

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

- **Components of Domestic Liquidity:**

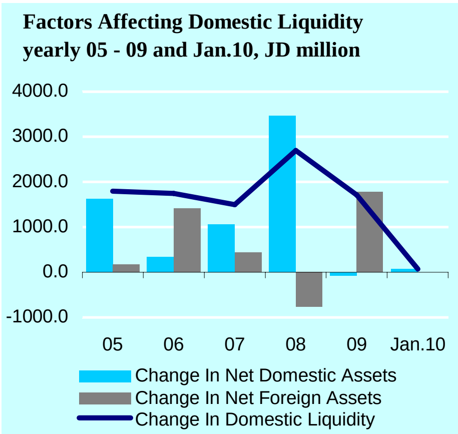
  - Deposits increased by JD 102.6 million, or 0.6 percent, at the end of January 2010 compared with their levels at the end of 2009; totaling JD 17,436.4 million, against an increase amounting to JD 177.4 million, or 1.1 percent, at the end of the same month in 2009.

- Currency with the public was down by JD 30.5 million, or 1.1 percent, at the end of January 2010; standing at JD 2,649.0 million compared with its level at the end of 2009 against a decrease in the amount of JD 46.1 million, or 1.7 percent, at the end of January 2009.



- **Factors Affecting Domestic Liquidity:**

  - Net domestic assets at the banking system increased by JD 71.4 million, or 0.7 percent, at the end of January 2010 compared with its level at the end of 2009 against an increase in the amount of JD 73.8 million, or 0.7 percent, during the same month in 2009. The increase recorded in the first month in 2010 was an outcome to the rise of these assets at the licensed banks, as well as, at the CBJ by JD 70.1 million, or 0.4 percent and JD 1.3 million, respectively.



- Net foreign assets at the banking system was up by JD 0.7 million at the end of January 2010 compared with its level at the end of 2009 against an increase in the amount of JD 57.5 million at the end of January 2009. The aforementioned increase was an outcome to the increase in net foreign assets at the CBJ by JD 0.8 million, on one hand, and the decline in these assets at the licensed banks by JD 0.1 million, on the other.

❑ Interest Rate Structure:

Changes in Factors Affecting Domestic Liquidity (M2)
JD Million

Year		Change in balance relative to the end of January	
2009		**2009**	**2010**
1,780.1	**Foreign Assets (Net)**	**57.5**	**0.7**
2,433.2	CBJ	186.3	0.8
-653.1	Licensed Banks	-128.8	-0.1
-71.0	**Domestic Assets (Net)**	**73.8**	**71.4**
-2,552.8	CBJ, of which:	-297.7	1.3
-302.8	Claims on Public Sector (Net)	-101.6	16.7
-2,250.0	Other Items (Net*)	-196.0	-15.4
2,481.8	Licensed Banks	371.5	70.1
630.5	Claims on Public Sector (Net)	-34.3	-105.3
159.9	Claims on Private Sector	112.9	81.4
1,691.4	Other Items (Net)	292.9	94.0
1,709.1	**Money Supply (M2)**	**131.3**	**72.1**
14.7	**Currency in Circulation**	**-46.1**	**-30.5**
1,694.4	**Total Deposits, of which:**	**177.4**	**102.6**
-436.1	In Foreign Currencies	-188.1	-40.2

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

◆ Interest Rates on Monetary Policy Instruments:

- For the first time during 2010, the CBJ slashed the interest rates on its monetary policy instruments by 50 basis points as of February 21, 2010. Accordingly, the aforementioned rates became as follows:

  - **Re-Discount Rate**: 4.25 percent.
  - **Interest Rate on Overnight Repurchase Agreements:** 4.00 percent.
  - **Overnight Deposit Window Rate**: 2.00 percent.

The interest rates' developments on certificates of deposits (CDs) can be demonstrated as follows:

- The CBJ did not issue any kind of certificates of deposits (CDs) during 2009 as well as the elapsed period of the current year; accordingly, the weighted average interest rate on the latest issue of three-month CDs, which took place on October 26, 2008, was 5.64 percent.

Interest Rates on Monetary Policy Instruments (%)

End of year		January	
2009		2009	2010
4.75	Re-discount Rate	6.25	4.75
4.50	Repurchase Agreements Rate (Repos)	6.00	4.50
2.50	Overnight Deposit Window Rate	4.00	2.50

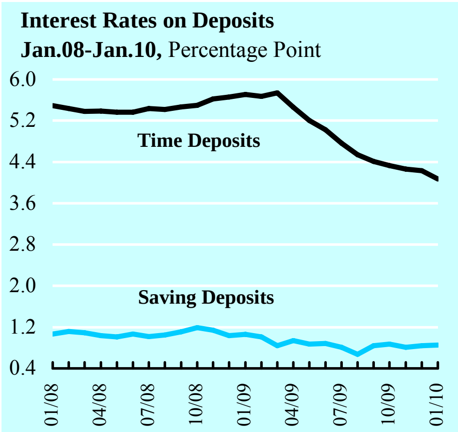
Source: Central Bank of Jordan / Monthly Statistical Bulletin.

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

◆ Interest Rates in the Banking Sector:

- **Interest Rates on Deposits**

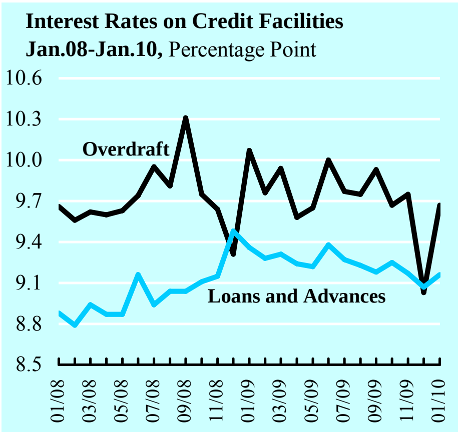
  - **Time Deposits**: the weighted average interest rate on time deposits stood at 4.07 percent at the end of January 2010; around 16.0 basis points lower compared to its level at the end of the preceding month.



  - **Saving Deposits**: the weighted average interest rate on saving deposits at the end of January 2010 stood at 0.85 percent; only 1.0 basis point higher compared to its level at the end of the preceding month.

  - **Demand Deposits**: the weighted average interest rate on demand deposits at the end of January 2010 declined by 11.0 basis points compared with its level at the end of the previous month to stand at 0.56 percent.

- **Interest Rates on Credit Facilities:**



  - **Overdraft Accounts**: the weighted average interest rate on overdraft accounts stood at 9.67 percent at the end of January 2010; around 64.0 basis points higher compared with its level at the end of the previous month.

- **Discounted Bills and Bonds**: the weighted average interest rate on "discounted bills and bonds" stood at 9.58 percent at the end of January 2010; 41.0 basis points higher compared to its level at the end of the previous month.

- **Loans and Advances**: the weighted average interest rate on "loans and advances" stood at 9.16 percent at the end of January 2010; around 9.0 basis points higher compared to its level at the end of the previous month.

- **The Prime Lending Rate** stood at 8.28 percent at the end of January 2010; 6.0 basis points lower compared to its level at the end of 2009.

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

Year		January		Change Relative to the Year 2009
2009		2009	2010	Basis Points
	Deposits			
0.67	Demand	0.98	0.56	-11
0.84	Saving	1.06	0.85	1
4.23	Time	5.71	4.07	-16
	Credit Facilities			
9.17	Discounted Bills and Bonds	8.97	9.58	41
9.07	Loans and Advances	9.36	9.16	9
9.03	Overdraft	10.07	9.67	64
8.34	Prime Lending Rate	8.45	8.28	-6

Source: Central Bank of Jordan / Monthly Statistical Bulletin.

❑ Credit Facilities Extended by Licensed Banks:

- The outstanding balance of credit facilities extended by licensed banks totaled JD 13,401.3 million at the end of January 2010; an increase amounting to JD 84.1 million, or 0.6 percent, compared with its level at the end of the previous year, against an increase in the amount of JD 158.7 million, or 1.2 percent, during the corresponding month in 2009.

- The classification of extended credit facilities according to economic activity during the first month in 2010 demonstrates that the credit facilities extended to the sectors of industry, construction, general trade and "tourism, restaurants and hotels" have gone up by JD 109.1 million, or 6.7 percent, JD 35.3 million, or 1.4 percent, JD

31.2 million, or 1.0 percent and JD 24.1 million, or 5.6 percent, respectively, compared with their levels at the end of 2009. Meanwhile, the credit facilities extended to activities classified as "Other" (mostly represent the facilities extended to individuals) dropped by JD 85.9 million, or 2.5 percent compared to their levels registered at the end of 2009.

❑ Deposits at Licensed Banks:

- Total deposits at licensed banks stood at JD 20,499.5 million at the end of January 2010; an increase in the amount of JD 201.1 million, or 1.0 percent, compared with their level at the end of the preceding year, against an increase amounting to JD 232.3 million, or 1.3 percent, during the corresponding month in 2009.

- The aforementioned increase in total deposits at the licensed banks during the first month in 2010 was the outcome of the increase in the deposits of the private sector (resident) by JD 160.8 million, or 1.0 percent, as well as, the increase in the deposits of the private sector (non-resident) by JD 58.3 million, or 2.6 percent, on one hand, and the decline in the deposits of non-banking financial institutions by JD 4.8 million, or 3.2 percent and the decline in the deposits of the public sector (central government *plus* public institutions) by JD 13.2 million, or 0.8 percent compared to their levels achieved at the end of 2009, on the other.

- The developments in deposits according to currency during the first month in 2010 reveal that the increase was concentrated in the "deposits in local currency" which increased by JD 213.5 million, or 1.3 percent. While "deposits in foreign currencies" declined by JD 12.4 million, or 0.3 percent, compared with their level at the end of 2009.

❑ Amman Stock Exchange (ASE):

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

- **Trading Volume:**

The volume of trade at the ASE totaled JD 591.7 million in January 2010; down by JD 63.4 million, or 9.7 percent, compared with its level at the end of the previous month against an increase in the amount of JD 102.0 million, or 20.5 percent, during the same month in 2009.

- **Traded Shares:**

The number of traded shares in January 2010 totaled 465.0 million; down by 65.4 million shares, or 12.3 percent, compared with the end of the preceding month, against an increase in the amount of 92.7 million shares, or 42.3 percent, during the same month in 2009.

- **Share Price Index:**

The share price index (SPI), weighted by market capitalization of free float shares, at Amman Stock Exchange (ASE), lost 8.4 points, or 0.3 percent, at the end of January 2010 compared with its level at the end of the previous month to stand at 2,525.1 points, against a decline in the amount of 54.5 points, or 2.0 percent, during the same month in 2009. The above-mentioned decline in the first month in 2010 was an outcome of the drop in the SPI for the financial sector as well as the services sector, which declined by 15.2 points, or 0.5 percent and 10.7 points or 0.5 percent, respectively. Meanwhile, the SPI for the sector of industry gained 13.6 points or 0.5 percent compared to its levels at the end of 2009.

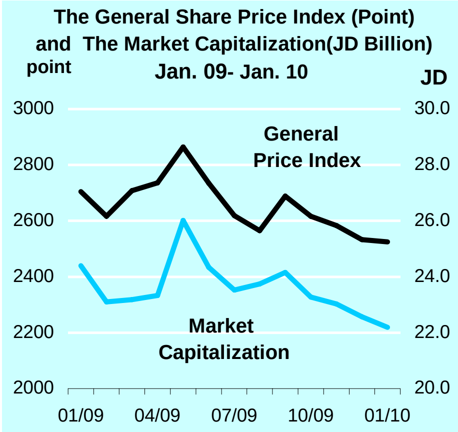
Share Price Index Weighted by Market Capitalization of Free Float Shares by Sectors

year		January	
2009		**2009**	**2010**
2,533.5	**General Index**	**2,704.0**	**2,525.1**
3,026.8	Financial Sector	3,524.2	3,011.6
2,738.8	Industrial Sector	2,746.1	2,752.4
2,107.9	Services Sector	1,949.1	2,097.2

Source: Amman Stock Exchange.

- **Market Capitalization:**

The market capitalization of the ASE totaled JD 22.2 billion at the end of January 2010; declining by around JD 0.4 billion, or 1.7 percent, compared with its level at the end of the previous month, against a drop amounting to JD 1.1 billion, or 4.1 percent, during the same month in the preceding year.



- **Non - Jordanian Net Investment:**

Non - Jordanian net investment at ASE recorded an outflow amounting to JD 17.9 million in January 2010 against an inflow amounting to JD 5.0 million during the same month in 2009; the value of shares acquired by non-Jordanians in January 2010 stood at JD 84.1 million, while the value of shares sold by non-Jordanians amounted to JD 102.0 million.

Main Amman Stock Exchange Trading Indicators, JD Million

Year 2009		January 2009	January 2010
9,665.3	Value Traded	600.1	591.7
38.8	Average Daily Trading	30.0	22.9
22,571.1	Market Capitalization	24,352.8	22,191.7
6,022.5	No. of Traded Shares (million)	311.9	465.0
(3.8)	Net Investment of Non-Jordanian	5.0	(17.9)
2,135.5	Non-Jordanian Buying	163.1	84.1
2,139.3	Non-Jordanian Selling	158.1	102.0

Source: Amman Stock Exchange.

Second: Output and Prices

Summary

- Gross Domestic Product (GDP), at both market and basic prices, registered a real growth amounting to 2.7 percent and 3.2 percent, respectively, during the first three quarters of 2009 compared to 9.1 percent and 8.9 percent, respectively, during the first three quarters in 2008.
- Microeconomic indicators displayed divergent trends during the month of January 2010 as well as the whole year of 2009.
- The general price level, as measured by the Consumer Price Index (CPI), increased by 3.9 percent in January 2010 (against an increase amounting to 7.8 percent during the same month in 2009). The price rebound came after the minor CPI deflation registered during the whole year of 2009 in the amount of 0.7 percent.
- Investments benefiting from the Investment Promotion Law (IPL) totaled JD 616.0 million during the first two months in 2010 (of which foreign investments constitute 23.0 percent of the total), compared to JD 184.0 million during the same period in 2009.

Developments in Gross Domestic Product (GDP)

According to preliminarily estimates released by the Department of Statistics (DOS), the national economy experienced a marked slowdown during the first three quarters of 2009 affected by the global financial crisis and its negative repercussions on regional and global economic growth. **GDP, at constant market prices, grew at 2.7 percent in the first three quarters of 2009 compared to 9.1 percent in the same period of the preceding year**. When the item of "net taxes on products" is excluded, **the growth of GDP at constant basic prices goes up to 3.2 percent** compared to 8.9 percent in the first three quarters of 2008.

Moreover, **GDP at current market prices grew at 8.3 percent** compared to 26.3 percent in the first three quarters of 2008, which came in light of the increase **in the general price level, measured by the GDP deflator, by 5.5 percent during the first three quarters of 2009** compared to 15.8 percent during the same period in 2008.

Quarterly Growth Rates of GDP at Market Prices
2007 - 2009

Percentages

	Q 1	Q2	Q3	Q4	Year
2007					
GDP at Constant Market Prices	11.2	10.9	7.9	5.9	**8.9**
GDP at Current Market Prices	17.5	15.5	16.7	15.2	**16.2**
2008					
GDP at Constant Market Prices	8.5	9.1	9.4	4.1	**7.8**
GDP at Current Market Prices	23.6	23.9	30.7	20.9	**24.9**
2009					
GDP at Constant Market Prices	3.2	2.8	2.1		
GDP at Current Market Prices	11.5	8.5	5.7		

Source: Department of Statistics.

The slow pace of real economic growth during the first three quarters of 2009 was basically attributed to the decline in domestic merchandize exports during the period under consideration by 20.9 percent compared to a noticeable growth amounting to 39.5 percent during the same period in 2008, in addition to the deceleration in the service-producing sectors which grew at 3.0 percent compared to a marked growth amounting to 9.0 percent during the first three quarters of 2008.

In further details, the economic sectors displayed a wide variation in their performance during the first three quarters of 2009. **Some sectors witnessed a marked improvement,** particularly **the agriculture sector** which picked up strongly, recording a real growth rate of 14.4 percent compared to a growth of 1.1 percent during the first three quarters of 2008. In addition, the sector of **“producers of government services”** registered a marked growth amounting to 7.3 percent compared to a growth of 3.2 percent during the first three quarters in the preceding year. Meanwhile, the **construction** sector maintained its solid growth achieved in 2008, growing at 14.4 percent during the first three quarters of 2009 compared to 16.8 percent during the first three quarters of 2008.

On the other hand, **some sectors experienced a slowdown** in their real growth, particularly the sectors of “electricity and water”, “wholesale and retail trade, restaurants and hotels” and “transport and communications” which grew by 3.0 percent, 1.7 percent and 5.8 percent, respectively, against a growth rate of 15.1 percent, 12.4 percent and 8.9 percent, respectively, during the first three quarters of 2008. In contrast, **the sectors of “mining and quarrying” and “finance and insurance services” experienced a contraction** amounting to 27.7 percent and 6.8 percent, respectively, compared to a growth amounting to 12.9 percent and 20.5 percent during the first three quarters in 2008.

Moreover, the item of “net taxes on products” (taxes on domestic and imported products) contracted slightly by 0.6 percent during the first three quarters in 2009 against a marked growth in the amount of 10.3 percent during the first three quarters in 2008. This fall is driven by the slowdown in the economic activity in the Kingdom, which resulted in a decline in the proceeds of the general sales tax on domestic goods as well as on commercial sector, in addition to the decline in merchandize imports and the consequent reduction in the proceeds of customs duties.

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 1.2 percentage points and 2.0 percentage points, respectively, during the first three quarters of 2009 compared to 2.9 percentage points and 6.0 percentage points, respectively, during the same period in 2008. Meanwhile, the contribution of "net taxes on products" was negative; standing at -0.1 percentage point against 1.6 percentage points during the first three quarters of 2008.**

As for GDP developments during the third quarter of 2009, GDP at constant and current market prices grew at 2.1 percent and 5.7 percent, respectively, compared to 9.4 percent and 30.7 percent, respectively, during the same quarter in 2008.

❑ Microeconomic Indicators

The available sectoral indicators displayed divergent performance during the first month of the current year as well as the whole year of 2009. Some indicators recorded a growth, particularly the indicators of the construction sector (cement sales to the domestic market and licensed areas for building); manufacturing production quantity index; quantities of exported and imported goods shipped through the Aqaba port; and finally number of passengers through the Royal Jordanian Airlines. However, some other microeconomic indicators displayed a downward trend, namely the production quantity index of "mining and quarrying"; the production quantity index of electricity; and cargo shipped through Royal Jordanian Airlines.

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

Fast pace growing indicators *
Percentages

The whole 2008	Item	January - October 2008	January - October 2009
-4.4	Quantity of cement sales to the domestic market (excluding imported quantities)	-5.5	6.9
		The Whole Year 2008	**The Whole Year 2009**
	Manufacturing production quantity index	0.7	1.3
The whole 2009	**Item**	**January 2009**	**January 2010**
2.9	Production of chemical acids	-67.0	231.4
-1.0	Number of departures	-1.2	25.6
-16.2	Quantities of exported and imported goods shipped through the Aqaba port	-31.7	31.8
-3.6	Production of petroleum products	-32.4	0.5
-17.8	Production of phosphate	-30.7	65.5
-1.0	The number of passengers through the Royal Jordanian	-9.2	17.7

Decelerating indicators *
Percentages

The whole 2009	Item	January 2009	January 2010
17.5	Licensed areas for building	22.7	13.4

Contracting indicators *
Percentages

	Item	The Whole Year 2008	The Whole Year 2009
	Industrial production quantity index	1.4	-1.6
	"Mining and quarrying" production quantity index	10.8	-28.7
	Electricity production quantity index	1.1	-8.1
The whole 2009	**Item**	**January 2009**	**January 2010**
-44.0	Production of potash	8.0	-27.2
-27.5	Cargo through the Royal Jordanian	-18.0	-1.6
-4.6	Production of cement	14.4	-5.0

*: 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), **investments benefiting from the Investment Promotion Law (IPL) during the first two months of 2010 totaled JD 616.0 million compared to JD 184.0 million during the same period in 2009.** This reflects a marked increase amounting to JD 432.0 million, which took place despite the repercussions of the global economic and financial crisis.

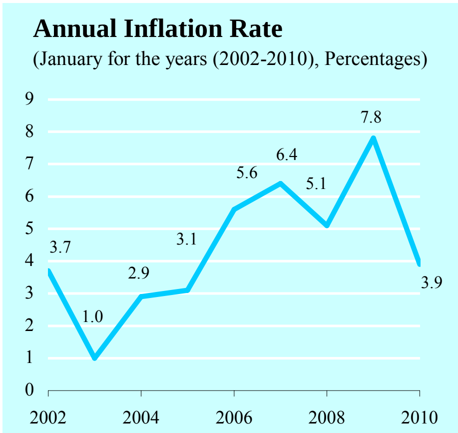
- As for the sectoral distribution of investments benefiting from the IPL during the first two months in 2010, **it was noted that the sector of "leisure and recreational compounds", unexpectedly, came in the first rank in terms of the size of investments; accounted for 37.0 percent (JD 225.0 million).** Followed by the sectors of industry, hotels, hospitals and agriculture which accounted for 29.0 percent, 27.0 percent, 4.0 percent and 3.0 percent, respectively.

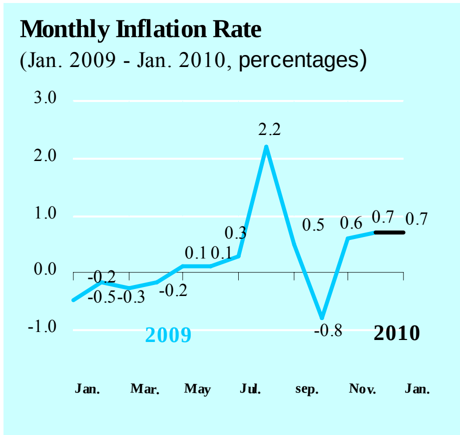
- On the front of the distribution of total investments according to nationality, the latest statistics revealed that the value of foreign investments benefiting from the IPL has increased to stand at JD 142.0 million, (accounted for 23.0 percent of total investments) during the first two months in 2010 compared to JD 66.0 million during the same period in 2009. Domestic investments amounted to JD 474.0 million compared to JD 118.0 million during the corresponding period in 2009 (accounting for the remaining 77.0 percent of the total).

- In this regard, it is worth noting that the nature and coverage of investments benefiting from the IPL differ from those of the FDI statistics in the balance of payments. The first indicator measures the size of planned investments by both domestic and foreign investors in a number of targeted economic sectors in accordance with the IPL, while FDI statistics measure the actual size of capital inflows from outside world in various sectors, including the real estate sector.

❑ Prices

Consumer prices rebounded in Jordan during the first month of 2010 after registering a limited deflation amounted to 0.7 percent, on average, during the whole year of 2009. In more details, **the general price level, as measured by the Consumer Price Index (CPI), increased by 3.9 percent against a rise amounting to 7.8 percent during the same month in 2009.** Such a rise in average consumer prices was chiefly affected by the increase in the prices of oil derivatives and other related goods and services compared to the same period in the preceding year.





Moreover, consumer prices have increased by 0.7 percent during January compared to their level in the preceding month. The most important items that contribute to such an increase were “meats and poultry”, “sugar and confectionaries” and transportation.

Price developments of main components of the CPI basket in the first month of 2010 compared to same month in 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 a moderate inflation amounting to 1.8 percent during January 2010 compared to a marked increase amounting to 12.1 percent during the same month in 2009. **The contribution of this group to the overall rate of inflation recorded during the period under consideration reached 0.6 percentage point.** The rise in the prices of this group was driven by the increase in the prices of many items included in this group, particularly the prices of "sugar and confectionaries" which soared by 20.6 percent. In addition, the prices of "cereals and its products", "meats and poultry" and "tea, coffee and cacao" increased by 6.8 percent, 3.6 percent and 2.5 percent, respectively. In contrast, the prices of some other items have declined, including "oils and fat", vegetables and "dairy products and eggs" which declined by 7.9 percent, 5.7 percent and 3.6 percent, respectively.

- The prices of **"clothing and footwear"** group (which makes up the least weight among the components of CPI basket, accounting for 4.95 percent) grew at 1.7 percent during January 2010 compared to 6.7 percent during the same month in 2009. Accordingly, **this group's contribution to the overall inflation rate during the first month of 2010 amounted to 0.1 percentage point.** The prices of this group were affected by the deceleration in the prices of clothes and footwear which grew by 1.6 percent and 1.8 percent, respectively, during January 2010 compared to a rise in the amount of 5.9 percent and 10.0 percent, respectively, during the corresponding month in 2009.

- The prices of **housing group** (which accounts for 26.78 percent of the CPI basket) increased by 3.9 percent in January 2010 against a noticeable rise amounting to 8.7 percent during the same month in 2009. In effect, **this group contributed to the overall inflation rate by 1.0 percentage point during the period under consideration.** The increase in the prices of this group was mainly attributed to the rise in the prices of "fuels and electricity" item by 8.4 percent. In addition, other items recorded mixed rates of increase in their prices, including the prices of "household appliances" and "rent" which increased by 0.2 percent and 2.4 percent, respectively, but showing a slowdown against their levels in January 2009.

- The prices of **"other goods and services"** group (which accounts for 31.62 percent of the CPI basket) increased by 7.3 percent in January 2010 against a moderate increase in the amount of 1.3 percent during the same month in 2009. In consequence, **this group contributed to the overall inflation rate by 2.2 percentage points during the period under consideration.** The increase in the prices of this group came out as a main result of the rise in the prices of transportation item (which is the main component in this group) by 13.6 percent against a drop amounting to 2.0 percent in January 2009, due to the rise in the prices of oil derivatives compared to the same month in 2009. In addition, the prices of personal care as well as medical care increased by 6.7 percent and 1.2 percent, respectively. On the other hand, the prices of some other items witnessed a deceleration, mainly recreation item which increased by 0.1 percent against 6.7 percent in January 2009.

Third: Public Finance

❑ Summary:

- The general budget, including grants, showed a fiscal deficit amounting to JD 972.9 million during the first eleven months in 2009. Excluding grants (amounting to JD 230.0 million), the deficit widens to JD 1,202.9 million.

- Gross outstanding domestic public debt (budgetary and own-budget) stood at JD 7,090.0 million, or 43.7 percent of GDP, at the end of November 2009, reflecting an increase amounting to JD 1,336.0 million compared to its level at the end of 2008.

- Net outstanding domestic public debt totaled JD 5,910.0 million, or 36.4 percent of GDP, at the end of November 2009; up by JD 999.0 million compared to its level at the end of 2008.

- Outstanding external public debt, budgetary and guaranteed, increased by JD 100.8 million at the end of November 2009 in comparison with its level at the end of 2008; standing at JD 3,741.0 million, or 23.1 percent of GDP.

❑ The performance of the general budget during the first eleven months in 2009 compared with the same period in 2008:

- **Public Revenues**

Public revenues (including grants) were up by JD 14.7 million, or 4.0 percent, in the month of November compared to the same month in 2008 to total JD 379.9 million. As for the first eleven months in 2009, these revenues were down by JD 557.4 million, or 12.1 percent, compared to the same period in 2008 to stand at JD 4,045.8 million. Such a result was totally driven by the decline in domestic revenues as well as foreign grants by JD 230.3 million and JD 327.1 million, respectively. It is worth indicating in this regard that if revenues from selling a land in Aqaba were excluded from the proceeds of domestic revenues during the first eleven months in 2008, then the public revenues during the same period of 2009 would experience a decline in the amount of just 4.8 percent.

Main Government Budget Indicators during November and the first eleven months of 2009 and 2008:

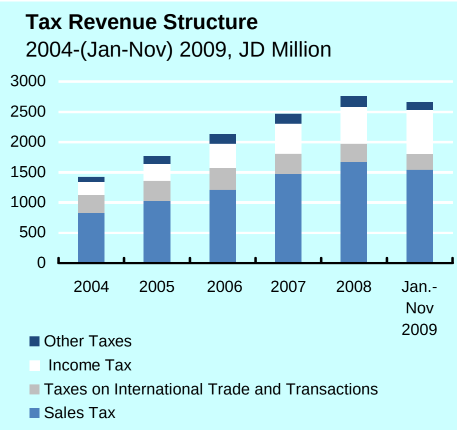
(JD Million and Percentages)

	November		Growth Rate %	Jan. – Nov.		Growth Rate %
	2008	2009		2008	2009	
Total Revenues and Grants	**365.2**	**379.9**	**4.0**	**4,603.2**	**4,045.8**	**-12.1**
Domestic Revenues, of which:	301.1	294.4	-2.2	*4,046.1	3,815.8	-5.7
Tax Revenues, of which:	203.7	214.0	5.1	2,565.7	2,658.7	3.6
General Sales Tax	136.4	141.3	3.6	1,541.8	1,538.5	-0.2
Other Revenues, of which:	95.8	78.5	-18.1	*1,461.4	1,138.6	-22.1
Land Registration Fees	14.3	9.9	-30.8	204.4	127	-37.9
Foreign Grants	64.1	85.5	33.4	557.1	230	-58.7
Total Expenditures	**449.8**	**462.6**	**2.8**	**4,833.2**	**5,018.7**	**3.8**
Overall Deficit/ Surplus	**-84.6**	**-82.7**		***-230**	**-972.9**	

Source: Ministry of Finance/ General Government Finance Bulletin.

* : Includes irregular revenues of JD (354.5) million arising from selling a land in Aqaba.

Domestic Revenues



Domestic revenues declined by JD 230.3 million, or 5.7 percent, during the first eleven months in 2009 compared to the same period in 2008; amounting to JD 3,815.8 million. This fall was the outcome of the increase in the proceeds of tax revenues by JD 93.0 million, on one hand, and the decline in the proceeds of other revenues as well as pension contributions by JD 322.8 million and JD 0.5 million, respectively, on another. **When excluding the non-recurrent revenues from the proceeds of miscellaneous revenues in 2008, the performance of the general budget during the first eleven months in 2009 shows a growth in domestic revenues in the amount of 3.4 percent.**

≺ Tax Revenues

Tax revenues were up by JD 93.0 million, or 3.6 percent, during the first eleven months in 2009 compared to the corresponding period in 2008, to reach JD 2,658.7 million; accounting for 69.7 percent of domestic revenues. This increase was mainly attributed to the following developments:

- **The increase in the proceeds of "income and profit taxes"** by 26.9 percent, to reach JD 727.8 million. This increase was the outcome of the rise in the proceeds of "income tax from companies and other projects" by JD 109.7 million and the increase in the proceeds of "income tax from individuals" by JD 44.5 million. In further details, income tax from companies accounted for 77.7 percent of total taxes on income and profits; standing at JD 565.3 million (of which JD 269.2 million from the income of banks and financial institutions). **It is worth mentioning in this regard, that the significant increase in the proceeds of "income and profit taxes" was driven by the solid growth registered in 2008.**

- **The slight decline in general sales tax on goods and services** by JD 3.3 million, or 0.2 percent, to reach JD 1,538.5 million. The aforementioned decline was driven by the drop in the proceeds of "sales tax on domestic goods" by JD 82.6 million and the drop in the proceeds of "sales tax on the commercial sector" by JD 18.6 million. In contrast, the proceeds of "sales tax on imported goods" as well as "the proceeds of "sales tax on services" increased by JD 13.0 million and JD 84.9 million, respectively. It is worth noting in this respect that the actual proceeds of the general sales tax on goods and services during the first eleven months of 2009 did not exceed 74.3 percent of their targeted level in the General Budget Law, which implies that these proceeds were markedly affected by the deceleration in productive sectors, particularly the sectors of manufacturing and "wholesale and retail trade" due to the repercussions of the global economic and financial crisis.

- **The decline in the proceeds of "taxes on international trade and transactions"** by JD 19.7 million, or 6.9 percent, to stand at JD 264.3 million. Such a decline was the result of the drop in the proceeds of "customs duties and fees" by JD 17.1 million to stand at JD 246.1 million, in addition to the decline in the proceeds of departure tax by JD 2.6 million. The decline in custom duties was chiefly attributable to the fall in the value of merchandize imports during 2009, on one hand, and the exemption of a bundle of industrial production inputs as well as some basic commodities from customs duties in 2008, on the other hand.

➢ Other Revenues (Non-Tax Revenues)

"Other revenues" declined significantly by JD 322.8 million, or 22.1 percent, during the first eleven months in 2009 to reach JD 1,138.6 million. **This decline was chiefly attributable to non-recurrent revenues during the corresponding period in 2008 generated from selling a land in Aqaba in the amount of JD 354.5 million which have been transferred to the general treasury account.** This explains the marked decline in the sub-item included in "Other revenues" item; namely "miscellaneous revenues", which declined by 50.5 percent. On the other hand, revenues from selling goods and services displayed a decrease amounting to 8.5 percent to reach JD 551.2 million. These revenues include land registration fees which were down by JD 77.4 million to stand at JD 127.0 million. Futhermore, property income proceeds increased by 19.9 percent to stand at JD 276.4 million. These revenues include interests, financial surplus of independent government units, and interest on privatization proceeds.

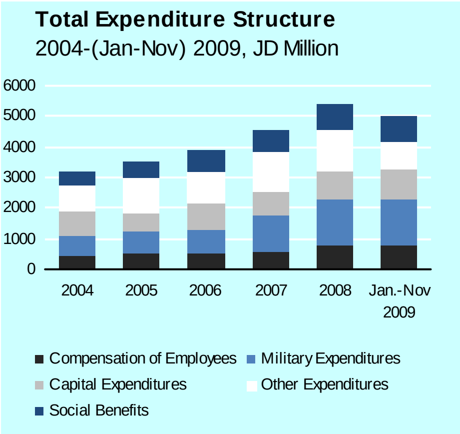
➢ Pension Contributions

Pension contributions were down by JD 0.5 million during the first eleven months in 2009 to stand at JD 18.5 million.

◆ Foreign Grants

Foreign grants dropped by JD 327.1 million during the first eleven months in 2009 to stand at JD 230.0 million.

Public Expenditures



Public expenditures were increased by JD 12.8 million, or 2.8 percent, in November 2009 compared to the same month in 2008 to stand at JD 462.6 million. However, these expenditures surged by JD 185.5 million, or 3.8 percent, over the first eleven months in 2009 compared to the same period in 2008 to stand at JD 5,018.7 million. This increase was the outcome of the rise in capital expenditures by 23.2 percent, on one hand, and the slight decline in current expenditures by 0.1 percent, on another.

Current Expenditures

Current expenditures were down by JD 5.6 million or 0.1 percent, during the first eleven months in 2009; amounting to JD 4,002.2 million. This decline was mainly influenced by the significant fall in subsidies item in the amount of JD 244.5 million due to the decline in international commodity prices. On the other side, most other current expenditures have increased; social benefit expenditures surged by JD 32.9 million to stand at JD 838.0 million, driven by the increase in social assistance expenditures and "pensions and compensation" by JD 5.6 million and JD 27.3 million, respectively. Moreover, military expenditures increased by JD 119.9 million to stand at JD 1,513.6 million, and compensation of employees of the civil servants (wages, salaries and social security contributions) was also up by JD 61.3 million to total JD 759.9 million, as a result of the increase in the salaries of civil servants and military staff, both on duty and retired, within the framework of the Social Safety Net, on one hand, and the natural growth of these two items, on another. In addition, other current expenditures, particularly "purchase of goods and services" and interest payments increased by JD 19.3 million and JD 5.7 million, respectively.

- **Capital Expenditures**

Capital expenditures increased by JD 191.1 million, during the first eleven months in 2009 to stand at JD 1,016.5 million. Accordingly, the achievement ratio for such expenditures amounted to 74.5 percent of their projected level in the Budget Law.

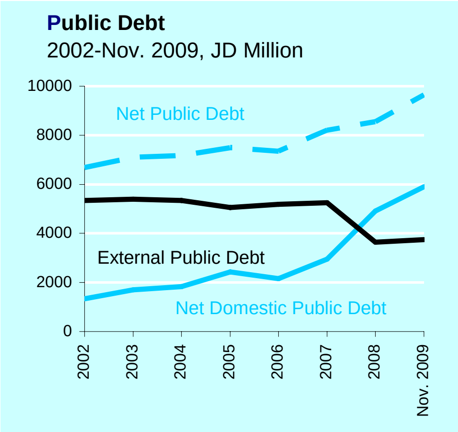
General Budget Deficit/ Surplus

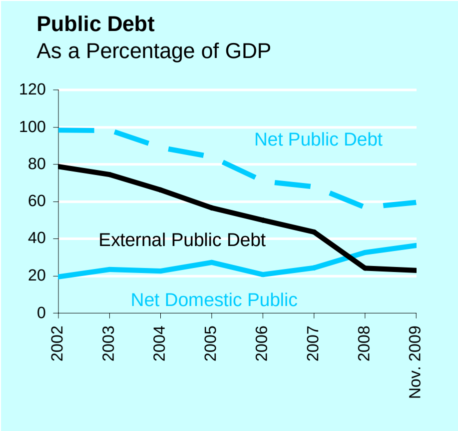
- **The general budget, including grants, displayed a fiscal deficit amounting to JD 972.9 million over the first eleven months in 2009** against a deficit in the amount of JD 230.0 million during the same period in 2008. **It is worth indicating that the moderate deficit achieved during the corresponding period in 2008 includes non-recurrent revenues resulting from selling a land in Aqaba in the amount of JD 354.5 million. Excluding such revenues, the general budget during the same period in 2008 shows a deficit in the amount of JD 584.5 million.**

- **The general budget showed a primary deficit** (after excluding interest payments on public debt from total expenditures) **during the first eleven months in 2009 amounting to JD 631.9 million** against a primary surplus in the amount of JD 105.3 million during the same period in 2008.

Public Debt

- **Gross outstanding domestic public debt for the central government (budgetary and own-budget agencies) was up** by JD 1,336.0 million at the end of November 2009 compared to its level at the end of 2008 to reach JD 7,090.0 million, or 43.7 percent of GDP. This development was mainly attributed to the increase in the outstanding balance of the "treasury bills and bonds" by JD 1,329.0 million to total JD 5,753.0 million, or 81.1 percent of gross domestic public debt at the end of November 2009, on one hand, and the decline in the outstanding balance of "loans and advances" extended by CBJ to the central government by JD 80.0 million to stand at JD 992.0 million at the end of November 2009, on the other hand. It is worth indicating in this regard that the aforementioned item includes securities for settling the treasury account.





- **Net outstanding domestic public debt** (gross outstanding domestic public debt *minus* central government deposits at the banking system) **increased by JD 999.0 million at the end of November 2009** compared to its level at the end of 2008 to total JD 5,910.0 million, or 36.4 percent of GDP. The aforementioned increase was the combined result of the rise in outstanding domestic public debt by JD 1,336.0 million and the increase in the deposits of central government and own-budget agencies at the banking system by JD 337.0 million compared to their level at the end of 2008.

- **Outstanding balance of external public debt (budgetary and guaranteed) was up** by JD 100.8 million at the end of November 2009 compared to its level at the end of 2008; amounting to JD 3,741.0 million, or 23.1 percent of GDP. The currency structure of this debt indicates that external debt in the US dollar accounted for 30.1 percent, while debt in Euro accounted for 12.0 percent. Further, external debt in Japanese Yen and Kuwaiti Dinar accounted for 28.7 percent and 18.9 percent of the outstanding external public debt, respectively.

- **Net public debt (domestic and external) increased** by JD 1,099.8 million at the end of November 2009 compared to its level at the end of 2008 to stand at JD 9,651.0 million, or 59.5 percent of GDP, against JD 8,551.2 million, or 56.8 percent of GDP, at the end of 2008. Consequently, the ratio of net public debt to GDP has gone up by 2.7 percentage points. 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 336.4 million during the first eleven months in 2009 (of which interest payments amounting to JD 88.8 million) compared to JD 1,904.3 million during the same period in 2008 (of which interest payments amounting to JD 128.6 million). It is worth noting that the increase in the payments during the aforementioned period in 2008 was chiefly due to the execution of the debt buyback agreement with the Paris Club creditors.

❑ Fiscal and Price Measures

- Lowering the prices of oil derivatives as of February 19, 2010, while maintaining the prices of liquid gas unchanged, as follows:

- Approving a supplementary budget law for 2010 in the amount of

	Unti	2010		Change %
		January	February	
Fuel oil for industry	JD/Ton	379.1	363.9	4.0-
Fuel oil for ships	JD/Ton	379.1	363.9	4.0-
Fuel oil for airplanes (local companies)	Fils/Liter	431	412	4.4-
Fuel oil for airplanes (foreign companies)	Fils/Liter	436	417	4.4-
Fuel oil for unplanned flights	Fils/Liter	451	432	4.2-
Asphalt	JD/Ton	407.2	391.1	4.0-
Unleaded Gasoline 90	Fils/Liter	500	490	2.0-
Unleaded Gasoline 95	Fils/Liter	600	590	1.7-
Gas Oil (Diesel)	Fils/Liter	455	435	4.4-
Kerosene	Fils/Liter	455	435	4.4-
Liquid Gas (12.5kg)	JD/Unit	6.5	6.5	0.0

JD 160 million to cover certain expenditure items which have not been listed in the budget law for the fiscal year 2010, including; Municipal support, Youth Fund support, entitlements of expanding Queen Alia Airport and other expenses (March 2010).

- Raising the special tax on cellular phone calls from 4.0 percent to 8.0 percent, as well as modifying the special tax, at varying rates, on tobacco and its by-products as well as on alcoholic beverages of all kinds, as of early March 2010 (February 2010).

- Pursuant to the provisions of Article (12) of the Temporary Income Tax Law for 2009, amending instructions for income tax deductions were issued, in which the government identified 23 services that are not covered by the deduction of income tax by 5.0 percent when paying directly allowance claims for such services. It is worth noting that banking activities' services, marine shipping services and leasing finance services are among the services covered by the revised instructions (February 2010).

- The Cabinet requested from the ministries and own-budget public institutions to reduce their operating expenses by 20.0 percent and study the possibility of merging some of the investment bodies as well as bodies of the service sector (February 2010).

- **Grants and Loans**

  - Signing two grant agreements introduced by Japan in the amount of US$ 20.0 million within the framework of "Japan's Program Grant Aid for Environment and Climate Change" (February 2010).

  - Signing a memorandum of understanding for the Spanish-Jordanian Financial Program, under which the Spanish government introduces soft loans and grants totaling EUR 125.0 million to finance priority development projects in the sectors of sanitation, energy and infrastructure.

Fourth: External Sector

❑ Summary

- The value of **total merchandize exports** (domestic exports *plus* re-exports) declined by 5.5 percent in December 2009 compared with the same month in 2008 to stand at JD 421.3 million. Moreover, total merchandize exports went down by 19.8 percent in 2009 compared with 2008 to stand at JD 4,519.7 million.

- The value of **merchandize imports** increased by 13.1 percent in December 2009 compared with the same month in the previous year; amounting to JD 915.8 million. However, merchandize imports declined by 17.1 percent in 2009 compared with 2008 to stand at JD 9,993.5 million.

- In light of the above, **trade balance deficit** (the value of total exports *minus* the value of imports) surged by 35.7 percent in December 2009 compared to the same month in 2008; standing at JD 494.5 million. However, trade balance deficit narrowed down by 14.8 percent in 2009 compared with 2008 to stand at JD 5,473.8 million.

- According to the preliminary figures, **travel receipts** surged by 32.6 percent in January 2010 compared to the same month in the preceding year to stand at JD 157.9 million. Similarly, the **payments** surged by 39.3 percent; amounting to JD 58.6 million.

- According to the preliminary figures, **total workers' remittances receipts** amounted to JD 198.7 million in January 2010; an increase amounting to 1.8 percent.

- **The current account of the balance of payments** displayed a deficit amounting to JD 836.4 million or 6.9 percent of GDP, during the first three quarters in 2009 compared with a deficit in the amount of JD 1,480.1 million, or 13.2 percent of GDP, during the same period in 2008.

- **FDI inflows** totaled JD 623.3 million during the first three quarters in 2009 compared with JD 1,270.8 million during the same period in 2008.
- **The international investment position (net)** recorded a decline in net obligations of the Kingdom to abroad amounting to JD 1,970.8 million at the end of 2008 compared with the end of 2007; standing at JD 13,088.2 million.

External Trade

In light of the decline in domestic exports as well as imports by JD 857.8 million and JD 2,067.4 million, respectively, during the whole year of 2009, the volume of external trade (domestic exports *plus* imports) decreased by JD 2,925.2 million to stand at JD 13,566.8 million.

Jordan's Major Trade Partners 2008, 2009

JD Million

	2008	2009	Percentage Change
Exports			
United States	736.2	612.0	-16.9
Iraq	574.4	607.5	5.8
India	916.1	485.6	-47.0
Saudi Arabia	337.7	377.5	11.8
Syria	166.3	149.4	-10.2
United Arab Emirates	154.8	146.3	-5.5
Lebanon	89.7	126.6	41.1
Imports			
Saudi Arabia	2,549.9	1,729.0	-32.2
China	1,252.2	1,093.9	-12.6
United States	551.1	693.8	25.9
Germany	720.3	628.8	-12.7
Egypt	541.7	609.9	12.6
South Korea	411.5	390.7	-5.1
Japan	349.0	372.8	6.8
Italy	384.4	337.6	-12.2
France	295.6	328.7	11.2

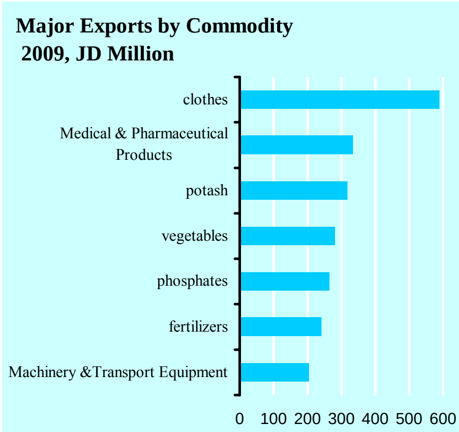
Source: Department of Statistics.

Developments of External Trade Indicators, JD Million

	January - December			
	2008	Percentage Change 2008/2007	2009	Percentage Change 2009/2008
External Trade	16,492.0	27.8	13,566.8	-17.7
Total Exports	5,633.0	38.6	4,519.7	-19.8
Domestic Exports	4,431.1	39.2	3,573.3	-19.4
Re-exports	1,201.9	36.6	946.4	-21.3
Imports	12,060.9	24.1	9,993.5	-17.1
Trade Balance	-6,427.9	13.6	-5,473.8	-14.8

Source: Department of Statistics.

Merchandize Exports:



Total merchandize exports declined by 19.8 percent during the year 2009 to reach JD 4,519.7 million compared with a growth amounting to 38.6 percent during 2008. This fall was the direct result of the decline in the value of domestic exports by JD 857.8 million or 19.4 percent to reach JD 3,573.3 million as well as the decline in the value of re-exports by JD 255.5 million or 21.3 percent to reach JD 946.4 million.

The comparison between the developments in domestic exports in 2009 and in 2008 reveals the following:

- The exports of **potash** decreased by JD 228.1 million, or 41.8 percent, to stand at JD 317.2 million. Such decline was mainly attributable to the increase in the prices of potash by 9.1 percent, on the one hand, and the decline in the quantities exported by 46.7 percent, on the other. The geographical distribution of exports reveals that the Indian, Indonesian and Malaysian markets accounted for 80.8 percent of these exports.

- The exports of **fertilizers** declined by JD 180.1 million, or 42.7 percent, to reach JD 241.4 million. This development was the outcome of the decline in the prices of fertilizers by 43.8 percent, on one hand, and the increase in the quantities exported by 1.8 percent, on another hand. The Indian, Japanese and Ethiopian markets accounted for 80.5 percent of these exports.

- The exports of **clothes** declined by JD 127.3 million, or 17.8 percent, to reach JD 589.5 million. The geographical distribution was such that the US market accounting for 92.8 percent of clothes exports.

- The exports of **phosphates** decreased by JD 108.0 million, or 29.0 percent, to reach JD 263.9 million. This decline was the combined effect of the decline in the prices and the quantities exported of phosphates by 13.0 percent and 18.4 percent respectively. The Indian, Indonesian and Japanese markets were the main destination for these exports; accounting for 85.1 percent.

- The exports of **"machinery and transport equipment"** decreased by JD 32.6 million, or 13.8 percent, to total JD 203.4 million. The markets of Saudi Arabia, Iraq and Syria accounted for 68.9 percent of these exports.

Major Domestic Exports by Commodity

2008 , 2009, JD Million

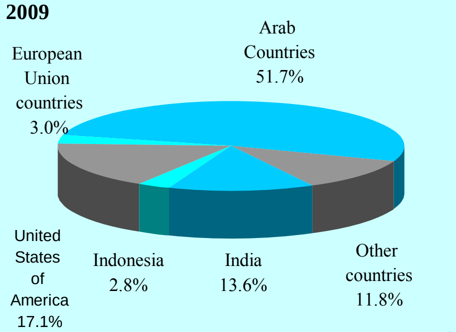
	2008	2009	Percentage Change
Domestic Exports	**4,431.1**	**3,573.3**	**-19.4**
Clothes	**716.8**	**589.5**	**-17.8**
United States	666.4	546.8	-17.9
Medical & Pharmaceutical Products	**353.1**	**334.2**	**-5.4**
Saudi Arabia	96.0	97.7	1.8
Algeria	74.5	52.4	-29.7
Sudan	29.9	30.5	2.0
Lebanon	22.3	20.6	-7.6
Potash	**545.3**	**317.2**	**-41.8**
India	232.6	213.4	-8.3
Indonesia	26.6	24.8	-6.8
Malaysia	60.9	18.2	-70.1
Vegetables	**291.5**	**279.8**	**-4.0**
Iraq	78.0	71.9	-7.8
Syria	51.6	57.8	12.0
United Arab Emirates	46.9	42.5	-9.4
Phosphates	**371.9**	**263.9**	**-29.0**
India	207.0	138.1	-33.3
Indonesia	64.0	68.6	7.2
Japan	31.8	17.8	-44.0
Fertilizers	**421.5**	**241.4**	**-42.7**
India	329.2	107.4	-67.4
Japan	54.6	67.8	24.2
Ethiopia	0.0	19.1	-
Machinery & Transport Equipment	**236.0**	**203.4**	**-13.8**
Saudi Arabia	60.7	66.6	9.7
Iraq	55.9	61.4	9.8
Syria	14.2	12.2	-14.1

Source: Department of Statistics.

- The exports of **medical and pharmaceutical products** declined by JD 18.9 million, or 5.4 percent, to stand at JD 334.2 million. The Saudi, Algerian, Sudanese and Lebanese markets accounted for 60.2 percent of these exports.

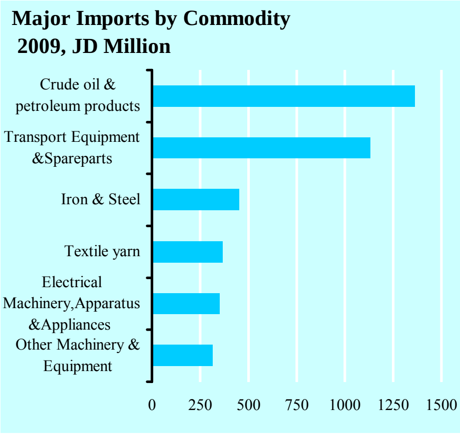
- The exports of **vegetables** decreased by JD 11.7 million, or 4.0 percent, to reach JD 279.8 million. The geographical distribution indicated that the markets of Iraq, Syria and the UAE accounted for 61.5 percent of these exports.

Geographic Distribution of Domestic Exports, 2009



In light of the aforementioned developments, the commodity breakdown of domestic exports indicates that the exports of clothes, medical and pharmaceutical products, potash, vegetables, phosphates, fertilizers and machinery and transport equipment topped the list of exporting materials during 2009; accounting collectively for 62.4 percent of domestic exports; down from 66.3 percent in 2008. On the other side, the geographical distribution of domestic exports indicates that the markets of USA, Iraq, India, Saudi Arabia, Syria, UAE and Lebanon were the main destinations for the Jordanian domestic exports during 2009; accounting collectively for 70.1 percent of domestic exports; up from 67.1 percent in 2008.

Merchandize Imports:



The value of merchandize imports stood at JD 9,993.5 million in 2009; declining by JD 2,067.4 million, or 17.1 percent, against a growth amounting to 24.1 percent in the preceding year.

The comparison between the developments in the Jordanian imports during 2009 and 2008 reveals the following:

- The imports of **crude oil** decreased by JD 791.4 million, or 42.6 percent, to reach JD 1,066.5 million. This decline was the combined result of the drop in the oil prices by 34.5 percent and the decrease in the imported quantities of crude oil by 12.4 percent. It is worthy to note in this regard that most of Jordanian imports of crude oil comes from the Saudi market.

- The imports of **transport equipment and spare parts** increased by JD 215.1 million, or 23.4 percent, to reach JD 1,132.6 million. The markets of Germany, South Korea and Japan were the main sources of these imports; accounting collectively for 65.1 percent of these imports.

- The imports of **iron and steel** declined by JD 156.6 million, or 25.7 percent; totaling JD 452.5 million. The markets of Ukraine, Russia and China were the main sources of these imports.

- The imports of **textile yarn, fabrics, made up articles and related products** declined by JD 95.7 million, or 20.7 percent; amounting to JD 367.5 million. The main source for these imports was the Chinese market followed by Taiwanese and Syrian markets.

- The imports of **other machinery and equipments** declined by JD 42.8 million, or 12.0 percent, to total JD 314.7 million. The markets of China, Italy, Germany and USA were the main sources of these imports.

- The imports of **medical and pharmaceutical products** declined by JD 14.3 million, or 4.5 percent, to reach JD 306.9 million. The markets of Switzerland, Germany, France and UK were the main sources of these imports; accounting collectively for 44.3 percent of these imports.

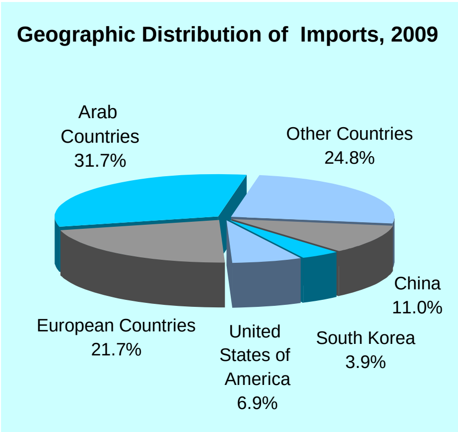
Major Imports by Commodity

2008, 2009, JD Million

	2008	2009	Percentage Change
Total Imports	**12,060.9**	**9,993.5**	**-17.1**
Transport Equipment and Spare Parts	**917.5**	**1,132.6**	**23.4**
Germany	268.7	271.6	1.1
South Korea	176.0	235.5	33.8
Japan	191.6	230.4	20.3
Crude Oil	**1,857.9**	**1,066.5**	**-42.6**
Saudi Arabia	1,834.3	981.7	-46.5
Iron & Steel	**609.1**	**452.5**	**-25.7**
Ukraine	272.6	152.0	-44.2
Russia	59.5	96.9	62.9
China	86.9	38.0	-56.3
Textile Yarn, Fabrics & Related Products	**463.2**	**367.5**	**-20.7**
China	207.5	164.6	-20.7
Taiwan	68.1	59.2	-13.1
Syria	24.2	20.5	-15.3
Electrical Machinery, Apparatus and Appliances	**359.5**	**351.3**	**-2.3**
China	56.6	66.5	17.5
Germany	28.4	33.8	19.0
United States	30.5	28.7	-5.9
Egypt	16.3	22.7	39.3
Other Machinery & Equipment	**357.5**	**314.7**	**-12.0**
China	76.1	62.2	-18.3
Italy	45.6	48.7	6.8
Germany	43.9	45.0	2.5
United States	24.4	25.4	4.1
Medical & Pharmaceutical Products	**321.2**	**306.9**	**-4.5**
switzerland	41.6	42.1	1.2
Germany	42.7	33.5	-21.5
France	27.9	30.2	8.2
United Kingdom	35.0	30.1	-14.0

Source: Department of Statistics.

- The imports of **electrical machinery, apparatus and appliances** decreased by JD 8.2 million, or 2.3 percent, to reach JD 351.3 million. The markets of China, Germany, USA and Egypt accounted for 43.2 percent of these imports.



The commodity composition of imports indicates that transport equipment and spare parts, crude oil, iron and steel, textile yarn, fabrics, made up articles and related products, electrical machinery, apparatus and appliances, other machinery and equipments and medical and pharmaceutical products topped the list of imported materials; accounting collectively for 40.0 percent of total imports during 2009 down from 40.5 percent in 2008. Meanwhile, the geographical distribution of imports indicates that the markets of Saudi Arabia, China, USA, Germany, Egypt and South Korea topped the list of the sources of imports in 2009; accounting, collectively, for 51.5 percent of total imports up from 50.0 percent during 2008.

■ Re-Exports:

The value of re-exported goods declined by JD 255.5 million, or 21.3 percent, during 2009 to reach JD 946.4 million.

■ Trade Balance:

Trade balance deficit narrowed by JD 954.1 million, or 14.8 percent, in 2009 compared with 2008 to stand at JD 5,473.8 million.

❒ Workers' Remittances Receipts:

Workers' remittances receipts increased by 1.8 percent in January 2010 compared with the same month in 2009 to stand at JD 198.7 million.

❒ Travel:

■ Receipts:

Travel receipts increased by JD 38.8 million, or 32.6 percent, in January 2010 compared with the same month in 2009 to stand at JD 157.9 million.

■ Payments:

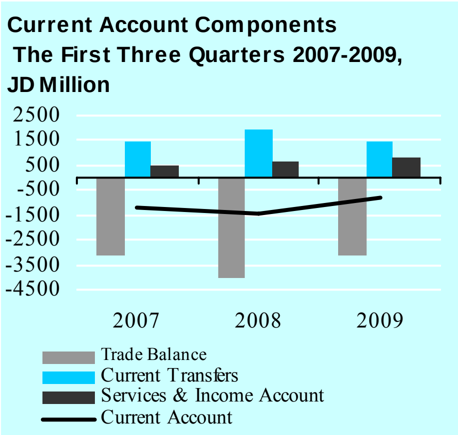
Travel payments increased by JD 16.5 million, or 39.3 percent, in January 2010 compared with the same month in 2009 to stand at JD 58.6 million.

❒ Balance of Payments:

The preliminary statistics of the balance of payments during the first three quarters in 2009 compared with the same period in 2008 indicate the following developments:

- The current account deficit amounted to JD 836.4 million, or 6.9 percent of GDP, compared with deficit amounted to JD 1,480.1 million, or 13.2 percent of GDP, during the first three quarters in 2008. This was the outcome of the following developments:

- The marked decrease in the trade balance deficit by JD 944.4 million, or 23.3 percent, to reach JD 3,111.0 million during the first three quarters in 2009 compared with a deficit amounting to JD 4,055.0 million in the same period in 2008.



- The surplus of the services balance which amounted to JD 396.4 million compared with a surplus amounting to JD 168.0 million during the first three quarters in 2008. This surplus was chiefly due to the surplus registered by the items of travel (net) as well as "government services (net)" which amounted to JD 966.3 million and JD 125.4 million, respectively. Meanwhile, the item of transportation (net) registered a deficit in the amount of JD 587.0 million. In addition, the item of "other services (net)" experienced a deficit amounting to JD 108.3 million.

- The surplus of income account (net) declined by JD 48.7 million, amounting to JD 412.2 million compared to JD 460.9 million during the first three quarters in 2008. Such decline was attributable to the decline in compensation of employees (net) by JD 75.0 million, on one hand, and the increase in investment income (net) by JD 26.3 million, on the other hand.

- Net current transfers declined by JD 480.4 million; totaling JD 1,466.0 million in light of the decline in net transfers of the public sector (foreign grants) by JD 390.7 million to register JD 77.1 million over the first three quarters in 2009 compared with JD 467.8 million over the same period in 2008, in addition to the decline in the net transfers of other sectors by JD 89.7 million to reach JD 1,388.9 million compared with JD 1,478.6 million during the first three quarters in 2008, noting that the volume of workers' remittances (net) registered a decline of JD 65.5 million, or 4.3 percent, to reach JD 1.441.9 million in the first three quarters in 2009.

- As for the financial and capital transactions with the world, the financial and capital account recorded net outflow amounting to JD 350.7 million during the first three quarters in 2009 against net inflow in the amount of JD 353.3 million during the same period in 2008 owing chiefly to the following:

- FDI inflows amounting to JD 587.6 million during the first three quarters in 2009 compared with JD 1,266.6 million during the first three quarters in 2008.

- Net outflow in portfolio investment amounting to JD 172.9 million compared with net inflow in the amount of JD 317.9.9 million during the first three quarters in 2008.

- Net inflow of "other investments" in the amount of JD 931.4 million during the first three quarters in 2009 against net outflow amounting to JD 766.0 million in the same three quarters in the preceding year.

- The significant increase in the reserve assets of the CBJ by JD 1,697.0 million compared with an increase amounting to JD 663.8 million in the first three quarters in 2008.

International Investment Position (IIP):

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

- The rise in the position of external assets (the stock of claims, obligations and financial assets) for all economic sectors (resident) in the Kingdom by JD 94.8 million at the end of 2008 compared to the end of 2007; amounting to JD 13,232.4 million at the end of 2008. This was mainly driven by the rise in the reserve assets of the CBJ in abroad by JD 701.5 million.

- The decline in the position of external liabilities (the stock of claims, obligations and financial assets) for all economic sectors (resident) in the Kingdom by JD 1,876.0 million at the end of 2008 compared to the end of 2007; to stand at JD 26,320.6 million at the end of 2008. This was mainly the outcome of the following:

  - The decline in the balance of external loans extended to the central government by JD 1,585.9 million to amount to JD 3,317.1 million due to the execution of the debt buyback agreement with Paris Club creditors.

  - The decline in the stock of portfolio investment in the Kingdom by JD 1,283.7 million; amounting to JD 4,930.7 million, owing chiefly to the decline in the Share Price Index (SPI) at Amman Stock Exchange (ASE) in 2008.

  - The increase in the stock of FDI in the Kingdom to stand at JD 11,570.6 million despite the decline in the Share Price Index (SPI) at Amman Stock Exchange (ASE) in 2008.

- The increase in the position of deposits of non-resident bodies' at the banking system by JD 849.4 million (JD 775.3 million for licensed banks and JD 74.1 million for the CBJ); standing at JD 5,585.6 million.