Central Bank of Jordan

Recent Monetary & Economic Developments In Jordan

Research Dept. Monthly Report
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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 for 2010, the national economy displayed favorable results in a number of external sector and public finance indicators, including the growing domestic exports, tourism income (travel receipts) and net inflows of FDI, in addition to the narrowing fiscal deficit during the first half of the current year. On the other hand, the preliminarily national account estimates disseminated by the Department of Statistics displayed a deceleration in real GDP growth in 2009 and in the first quarter of 2010 due to the repercussions of the global economic and financial crisis.

- **Output and Prices:** Real Gross Domestic Product (GDP) at market and basic prices grew at 2.0 percent and 3.5 percent, respectively, during the first quarter of 2010 compared to 2.3 percent and 3.2 percent, respectively during the whole year of 2009. The Consumer Price Index (CPI) revealed a rise of 5.0 percent during the first seven months of 2010 against a decrease in the amount of 0.1 percent during the same period of 2009. Regarding domestic and foreign investments indicators, investments benefiting from the Investment Promotion Law totaled JD 876.2 million in the first half of 2010, of which 23.0 percent were foreign investments, compared to JD 479.5 million during the corresponding period of 2009.

Monetary and Financial Sector:

- Foreign currency reserves at the Central Bank of Jordan (CBJ) increased by US$ 27.6 million, or 0.3 percent, at the end of the first seven months of 2010 compared to their level at the end of 2009; standing at US$ 10,906.6 million.
- Domestic liquidity grew by JD 1,160.1 million, or 5.8 percent, at the end of the first seven months of 2010 compared to its level at the end of 2009; standing at JD 21,173.4 million.
- The outstanding balance of credit facilities extended by licensed banks was up by JD 570.2 million, or 4.3 percent, at the end of the first seven months of 2010 compared to its level at the end of 2009; standing at JD 13,887.4 million.
- Total deposits at licensed banks increased by JD 1,164.9 million, or 5.7 percent, at the end of the first seven months of 2010 compared to its level at the end of 2009; totaling JD 21,463.3 million.

- The share price index weighted by market capitalization of free float shares at Amman Stock Exchange (ASE) was down by 198.7 points, or 7.8 percent, at the end of July 2010 compared to its level at the end of 2009; standing at 2,334.8 points.

- **Public Finance:** The general budget, including foreign grants, showed a fiscal deficit amounting to JD 174.9 million during the first half of 2010 compared to a substantially large fiscal deficit in the amount of JD 530.1 million during the same period of 2009. On the front of indebtedness, net outstanding domestic public debt (budgetary and own-budget) increased by JD 420.0 million at the end of June 2010 compared to its level at the end of 2009; standing at JD 6,211.0 million, or 32.0 percent of GDP. Outstanding external public debt also increased slightly by JD 1.6 million at the end of June 2010 compared to its level at the end of 2009; totaling JD 3,870.6 million, or 20.0 percent of GDP.

- **External Sector:** The value of total merchandize exports (domestic exports *plus* re-exports) increased by 5.2 percent during the first half of 2010 to reach JD 2,441.6 million. Similarly, the value of merchandize imports was up by 11.7 percent, totaling JD 5,233.3 million. As a result, the trade deficit expanded by 18.1 percent compared to the same period of the previous year, amounting to JD 2,791.7 million. Further, the preliminary figures for the first seven months of 2010 showed an increase in the travel receipts and travel payments by 26.4 percent and 39.0 percent respectively compared to the same period of 2009. In addition, the receipts of workers' remittances were up by 0.5 percent. In this regard, it is worth indicating that the preliminary figures for the balance of payments in the first quarter of 2010 displayed a deficit in the current account amounting to JD 85.9 million, slightly up from JD 85.3 million during the same quarter of 2009. Finally, FDI showed net inflows of JD 277.1 million during the first quarter of 2010 compared to net inflows of JD 165.0 million in the same quarter of 2009. 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 to 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$ 27.6 million, or 0.3 percent, at the end of the first seven months of 2010 compared to their level at the end of 2009; standing at US$ 10,906.6 million. The aforementioned level of reserves is equivalent to around 7.9 months of the Kingdom's imports of goods and services.

- Domestic liquidity at the end of the first seven months of 2010 was up by JD 1,160.1 million, or 5.8 percent, compared to its level at the end of the previous year to total JD 21,173.4 million.

- The outstanding balance of the credit facilities extended by licensed banks increased by JD 570.2 million, or 4.3 percent, at the end of the first seven months of 2010 compared to its level at the end of 2009; standing at JD 13,887.4 million.

- Total deposits at licensed banks were up by JD 1,164.9 million, or 5.7 percent, at the end of the first seven months of 2010 in comparison with their level at the end of 2009; totaling JD 21,463.3 million.

- Interest rates on credit facilities at licensed banks have increased during the first seven months of 2010, whereas interest rates on deposits have declined compared to their both levels at the end of 2009.

- The share price index weighted by market capitalization of free float shares at Amman Stock Exchange (ASE) was down by 198.7 points, or 7.8 percent, at the end of July 2010 compared to its level at the end of 2009, standing at 2,334.8 points. The market capitalization also went down by around JD 1.9 billion, or 8.4 percent, at the end of July 2010 compared to its level at the end of 2009 to stand at JD 20.6 billion.

Main Monetary Indicators

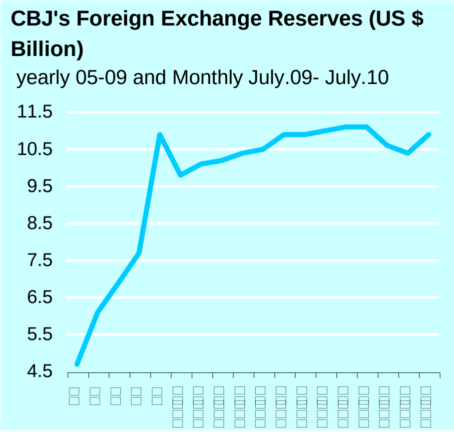
JD Million, and Percentage Change Relative to the Previous Year (%)

Year		End of July	
2009		**2009**	**2010**
US$ 10,879.0	CBJ's Foreign Exchange Reserves	US$ 9,792.1	US$ 10,906.6
٪40.5		٪26.4	٪0.3
20,013.3	Money Supply (M2)	19,282.1	21,173.4
٪9.3		٪5.3	٪5.8
13,317.2	Credit Facilities, of which:	13,223.5	13,887.4
٪2.1		٪1.4	٪4.3
12,041.3	Private Sector (Resident)	11,828.2	12,602.1
٪1.4		٪-0.3	٪4.7
20,298.4	Total Deposits, of which:	19,462.8	21,463.3
٪12.1		٪7.5	٪5.7
15,865.0	In JD	15,016.4	16,679.5
٪18.9		٪12.5	٪5.1
4,433.4	In Foreign Currencies	4,446.4	4,783.8
٪-6.7		٪-6.5	٪7.9
16,256.7	Deposits of Private Sector (Resident), of which:	15,344.4	17,263.8
٪13.7		٪7.4	٪6.2
13,500.0	In JD	12,626.9	14,246.2
٪19.5		٪11.7	٪5.5
2,756.7	In Foreign Currencies	2,717.5	3,017.6
٪-7.8		٪-9.2	٪9.5

Source: Central Bank of Jordan / Monthly Statistical Bulletin.

- **CBJ Foreign Reserves:**

The CBJ foreign currency reserves were up by US$ 550.5 million, or 5.3 percent, at the end July 2010 compared to their level in the previous month; standing at US$ 10,906.6 million. These reserves increased by US$ 27.6 million at the end of the first seven months of 2010, or 0.3 percent, compared to their level at the end of 2009. The aforementioned level of reserves is equivalent to around 7.9 months of the Kingdom's imports of goods and services. Further, these reserves amounted to US$ 11,150.5 million as of August 24, 2010; up by US$ 271.5 million or 2.5 percent compared to their levels at the end of 2009.



- **Domestic Liquidity (M2):**

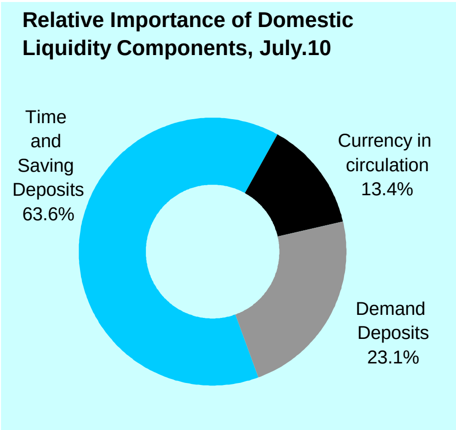
  - Domestic liquidity totaled JD 21,173.4 million at the end of July 2010; increasing by JD 380.6 million, or 1.8 percent, compared to its level at the end of the preceding month against an increase in the amount of JD 138.4 million, or 0.7 percent, during the same month in 2009. As for the first seven months of 2010, domestic liquidity increased by JD 1,160.1 million, or 5.8 percent, compared to its level at the end of 2009, against an increase in the amount of JD 977.9 million, or 5.3 percent, during the same period of 2009.

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

      - **Components of Domestic Liquidity:**

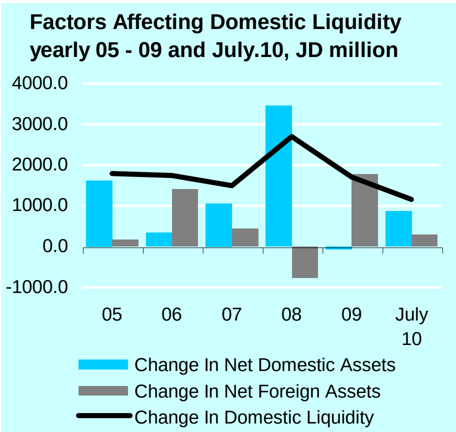
        - Deposits increased by JD 1,009.3 million, or 5.8 percent, at the end of the first seven months of 2010 compared to their levels at the end of 2009; totaling JD 18,343.1 million, against an increase amounting to JD 968.4 million, or 6.2 percent, at the end of the same period of 2009.

- Currency in circulation was up by JD 150.8 million, or 5.6 percent, at the end of the first seven months of 2010; standing at JD 2,830.3 million compared to its level at the end of 2009 against an increase in the amount of JD 9.5 million, or 0.4 percent, at the end of the same period of 2009.



- **Factors Affecting Domestic Liquidity:**

  ○ Net domestic assets at the banking system increased by JD 868.7 million, or 7.8 percent, at the end of the first seven months of 2010 compared to its level at the end of 2009 against an increase in the amount of JD 101.2 million, or 0.9 percent, during the same period of 2009. The aforementioned increase recorded during the first seven months in 2010 was an outcome of the increase in net domestic assets at the licensed banks as well as net domestic assets at the CBJ by JD 425.4 million, or 2.4 percent, and JD 443.3 million, or 7.1 percent, respectively.



- Net foreign assets at the banking system was up by JD 291.4 million, or 3.3 percent, at the end of the first seven months of 2010 compared to their level at the end of 2009, against an increase in the amount of JD 876.7 million, or 12.3 percent, in the same period of 2009. The aforementioned rise was an outcome of the increase in these assets at the licensed banks by JD 617.3 million, or 169.1 percent on one hand, and the decline in these assets at the CBJ by JD 325.9 million, or 3.5 percent, on the other hand.

Changes in Factors Affecting Domestic Liquidity (M2)
JD Million

Year		Change in balance relative to the end of July	
2009		**2009**	**2010**
1,780.1	**Foreign Assets (Net)**	**876.7**	**291.4**
2,433.2	CBJ	1,244.1	-325.9
-653.1	Licensed Banks	-367.4	617.3
-71.0	**Domestic Assets (Net)**	**101.2**	**868.7**
-2,552.8	CBJ, of which:	-1,296.4	443.3
-302.8	Claims on Public Sector (Net)	-195.8	-124.1
-2,250.0	Other Items (Net*)	-1,100.6	567.2
2,481.8	Licensed Banks	1,397.6	425.4
630.5	Claims on Public Sector (Net)	456.1	313.7
159.9	Claims on Private Sector	37.0	571.3
1,691.4	Other Items (Net)	904.5	-459.6
1,709.1	**Money Supply (M2)**	**977.9**	**1,160.1**
14.7	**Currency in Circulation**	**9.5**	**150.8**
1,694.4	**Total Deposits, of which:**	**968.4**	**1,009.3**
-436.1	In Foreign Currencies	-395.0	211.3

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

❑ Interest Rate Structure:

◆ Interest Rates on Monetary Policy Instruments:

- 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 kind of certificates of deposit (CDs) during 2009 and the elapsed period of the current year. Accordingly, the weighted average interest rate on the latest issue of three-month CDs, which dates back to October 26, 2008, was 5.64 percent.

Interest Rates on Monetary Policy Instruments (%)

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

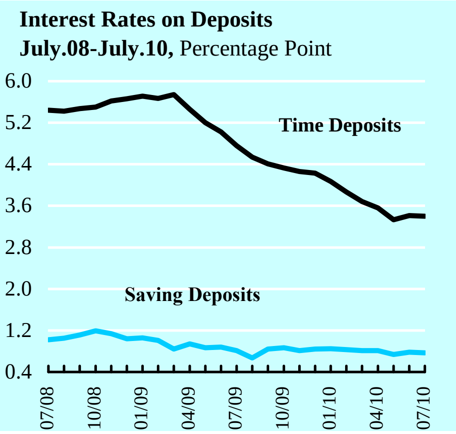
Source: Central Bank of Jordan / Monthly Statistical Bulletin.

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

◆ Interest Rates in the Banking Sector:

- **Interest Rates on Deposits**

  - **Time Deposits**: the weighted average interest rate on time deposits stood at 3.40 percent at the end of July 2010; around 1.0 basis point lower compared to its level at the end of the preceding month, while this rate was 83.0 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 July 2010 decreased by 1.0 basis point compared to its level in the previous month to amount to 0.77 percent. Moreover, this rate was 7.0 basis points lower compared to its level at the end of the preceding year.

  - **Demand Deposits**: the weighted average interest rate on demand deposits at the end of July 2010 did not change from its level at the end of the previous month; standing at 0.48 percent. However, this rate was 19.0 basis points less compared to its levels at the end of the preceding year.

- **Interest Rates on Credit Facilities:**

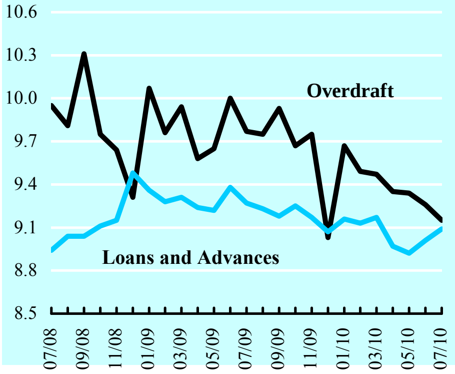
  - **Overdraft Accounts**: the weighted average interest rate on overdraft accounts stood at 9.15 percent at the end of July 2010; 11.0 basis points lower compared to its level at the end of the previous month. Nevertheless, this rate was 12.0 basis points higher compared to its level at the end of 2009.

- **Discounted Bills and Bonds**: the weighted average interest rate on "discounted bills and bonds" was up by 4.0 basis points at the end of July 2010 compared to the preceding month, to stand at 9.32 percent. Nevertheless, this rate was 15.0 basis points higher compared to its level at the end of the previous year.

- **Loans and Advances**: the weighted average interest rate on "loans and advances" stood at 9.0 percent at the end of July 2010; around 8.0 basis points higher compared to its level at the end of the previous month. Compared to its level at the end of 2009, this rate was 2.0 basis points higher.

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

Interest Rates on Credit Facilities
July.08-July.10, Percentage Point



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

Year		July		Change Relative to the Year 2009
2009		2009	2010	Basis Points
	Deposits			
0.67	Demand	0.68	0.48	-19
0.84	Saving	0.81	0.77	-7
4.23	Time	4.76	3.40	-83
	Credit Facilities			
9.17	Discounted Bills and Bonds	9.42	9.32	15
9.07	Loans and Advances	9.27	9.09	2
9.03	Overdraft	9.77	9.15	12
8.34	Prime Lending Rate	8.41	8.20	-14

Source: Central Bank of Jordan / Monthly Statistical Bulletin.

❑ Credit Facilities Extended by Licensed Banks:

- The outstanding balance of credit facilities extended by licensed banks totaled JD 13,887.4 million at the end of the first seven months of 2010; an increase amounting to JD 570.2 million, or 4.3 percent, compared to its level at the end of the previous year, against an increase in the amount of JD 179.2 million or 1.4 percent during the same period of 2009.

- The classification of extended credit facilities according to economic activity during the first seven months of 2010 demonstrates that the increase in the extended credit facilities was the outcome of the following:

  - The increase in these facilities for the sectors of construction, mining, industry and general trade which have gone up by JD 536.7 million, or 20.8 percent, JD 10.6 million, or 17.6 percent, JD 169.8 million, or 10.4 percent, and JD 156.0 million, or 4.9 percent respectively.

  - The drop in the credit facilities extended to activities classified as "Other" (mostly represent the facilities extended to individuals) by JD 423.4 million, or 12.5 percent, compared to their levels at the end of 2009.

- The classification of extended credit facilities by borrower reveals that the boost in the extended credit facilities was mainly in the credit facilities extended to the private sector (resident). These increased by JD 560.8 million, or 4.7 percent at the end of July 2010 compared to their level at the end of 2009. Moreover, the credit facilities extended to the non-resident private sector and to the financial institutions increased by JD 18.3 million, or 1.9 percent, and JD 0.5 million, or 11.1 percent, respectively. Nevertheless, the credit facilities extended to the public sector (central government *plus* public institutions) decreased by JD 9.4 million, or 2.9 percent compared to their level at the end of 2009.

Deposits at Licensed Banks:

- Total deposits at licensed banks stood at JD 21,463.3 million at the end of the first seven months of 2010; an increase in the amount of JD 1,164.9 million, or 5.7 percent, compared to their level at the end of the preceding year, against an increase amounting to JD 1,360.2 million, or 7.5 percent, during the corresponding period of 2009.

- The aforementioned increase in total deposits at the licensed banks during the first seven months of 2010 was an outcome of the following:

  - The increase in the deposits of private sector (resident) by JD 1,007.1 million, or 6.2 percent; the increase in the deposits of the private sector (non-resident) by JD 152.1 million, or 6.7 percent; and the increase in the deposits of non-banking financial institutions by JD 16.8 million, or 11.3 percent.

  - The decline in the deposits of the public sector by JD 11.1 million, or 0.7 percent, compared to their levels at the end of 2009.

- The developments in the currency structure of deposits during the first seven months of 2010 reveal that “deposits in local currency” and “deposits in foreign currencies” have increased by JD 814.5 million, or 5.1 percent, and JD 350.4 million, or 7.9 percent, respectively, compared to their levels at the end of 2009.

Amman Stock Exchange (ASE):

The indicators of Amman Stock Exchange (ASE) displayed a negative performance at the end of the first seven months of 2010 compared to their performance at the end of the preceding year. This can be demonstrated as follows:

- **Trading Volume:**

The volume of trading at the ASE totaled JD 432.6 million in July 2010; down by JD 60.1 million, or 12.2 percent, compared to its level at the end of the previous month against a decline in the amount of JD 411.8 million, or 42.8 percent, during the same month in 2009. However, the trading volume stood at JD 4,656.9 million during the first seven months of 2010; a decline amounting to JD 1,919.9 million, or 29.2 percent, compared to the volume registered over the same period of 2009.

- **Traded Shares:**

The number of traded shares in July 2010 totaled 516.0 million; up by 26.4 million shares, or 5.4 percent, compared to the end of the preceding month, against a drop in the amount of 125.0 million shares, or 25.4 percent, during the same month in 2009. Further, the number of traded shares during the first seven months of 2010 stood at 4,761.8 million shares compared to 3,697.1 million shares traded during the same period of 2009, growing by 1,064.7 million shares, or 28.8 percent.

- **Share Price Index:**

The share price index (SPI), weighted by market capitalization of free float shares at Amman Stock Exchange (ASE), lost 13.8 points, or 0.6 percent, at the end of July 2010 compared to its level at the end of the previous month to stand at

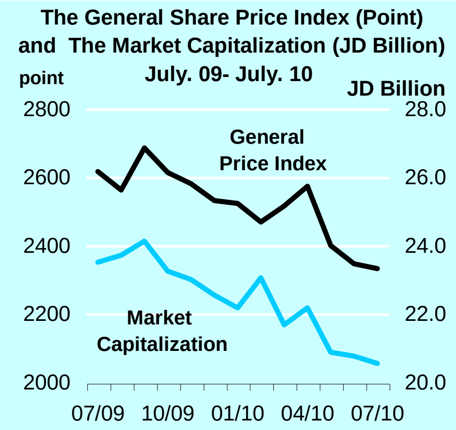
Share Price Index Weighted by Market Capitalization of Free Float Shares by Sector

year		July	
2009		2009	2010
2,533.5	**General Index**	**2,618.8**	**2,334.8**
3,026.8	Financial Sector	3,209.0	2,876.0
2,738.8	Industrial Sector	2,885.1	2,422.7
2,107.9	Services Sector	1,984.6	1,944.5

Source: Amman Stock Exchange.

2,334.8 points, against a decline in the amount of 116.4 points, or 4.3 percent, during the same month in 2009. As for the first seven months in 2010, the SPI dropped by 198.7 points, or 7.8 percent, compared to its level at the end of the preceding year, against a drop in the amount of 139.6 points, or 5.1 percent, during the same period of 2009. The above-mentioned drop during the first seven months of 2010 was chiefly attributed to the decline in the SPI for the industry, services and the financial sectors by 316.1 points, or 11.5 percent, 163.4 points, or 7.8 percent, and 150.8 points, or 5.0 percent, respectively, compared to their levels at the end of 2009.

- **Market Capitalization:**



The market capitalization of the ASE totaled JD 20.6 billion at the end of July 2010; decreasing by JD 0.2 billion or 1.0 percent compared to its level at the end of the previous month, against a drop amounting to JD 0.8 billion, or 3.3 percent, during the same month in the preceding year. Furthermore, the market capitalization, during the first seven months of 2010, went down about JD 1.9 billion, or 8.4 percent, compared to its level at the end of 2009 against a decline amounting to around JD 1.9 billion, or 7.5 percent, over the same period of 2009.

- **Non - Jordanian Net Investment:**

Non - Jordanian net investment at ASE recorded an inflow amounting to JD 5.3 million in July 2010, compared to an outflow amounting to JD 26.7 million during the same month in 2009; the value of shares acquired by non-Jordanians in July 2010 stood at JD 44.7 million, while the value of shares sold by the said group amounted to JD 39.4 million. Nevertheless, non-Jordanian net investment displayed an inflow amounting to JD 4.9 million during the first seven months of 2010 against an inflow in the amount of JD 40.8 million during the same period of 2009.

Main Amman Stock Exchange Trading Indicators, JD Million

Year		July	
2009		2009	2010
9,665.3	Value Traded	550.4	432.6
38.8	Average Daily Trading	25.0	20.6
22,526.9	Market Capitalization	23,530.7	20,565.9
6,022.5	No. of Traded Shares (million)	367.8	516.0
(3.8)	Net Investment of Non-Jordanian	(26.7)	5.3
2,135.5	Non-Jordanian Buying	94.6	44.7
2,139.3	Non-Jordanian Selling	121.3	39.4

Source: Amman Stock Exchange.

Second: Output and Prices

Summary

- Gross Domestic Product (GDP), at both market and basic prices, registered a real growth rate of 2.0 percent and 3.5 percent, respectively, in the first quarter of 2010 compared to 2.3 percent and 3.2 percent, respectively, during the whole year of 2009.
- The general price level, as measured by the Consumer Price Index (CPI), increased by 5.0 percent during the first seven months of 2010, against a slight decline amounting to 0.1 percent during the same period of 2009.
- Investments benefiting from the Investment Promotion Law (IPL) totaled JD 876.2 million during the first half of 2010 (of which foreign investments constitute 23.0 percent of the total), compared to JD 479.5 million during the same period of 2009.

Developments in Gross Domestic Product (GDP)

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

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

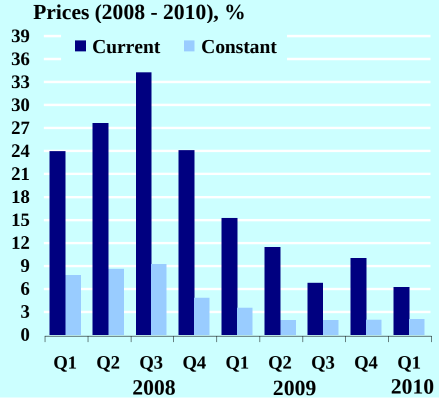
Quarterly Growth Rates of GDP at Market Prices
2008 - 2010

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

Source: Department of Statistics.

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

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



In further details, the economic sectors displayed a wide variation in their performance during the first quarter of 2010. **Some sectors witnessed a marked improvement, particularly "transport, storage and communications" sector** which picked up strongly, recording a real growth rate of 7.8 percent compared to a growth of 3.6 percent during the same period of 2009. In addition, **the sector of "finance, insurance, real estate and business services"** registered a noticeable growth amounting to 5.0 percent compared to a contraction amounting to 1.0 percent during the first quarter of 2009. Meanwhile, the growth rate of agriculture sector reached 6.6 percent during the first quarter of 2010 compared to 6.2 percent during the first quarter of 2009.

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

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

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

❑ Microeconomic Indicators

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

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

Fast pace growing indicators *
Percentages

The whole 2009	Item	January - June 2009	January - June 2010
-28.6	"Mining and quarrying" production quantity index	-10.7	9.7
The whole 2009	**Item**	**January – July 2009**	**January – July 2010**
-16.2	Quantities of exported and imported goods shipped through the Aqaba port	-20.1	16.0
0.5	Number of departures	4.4	28.8
-1.0	The number of passengers through the Royal Jordanian	-4.5	15.4
-27.5	Cargo through the Royal Jordanian	-33.9	27.8
2.9	Production of chemical acids	-10.4	24.0
-44.0	Production of potash	-23.8	12.0
-17.8	Production of phosphate	-20.5	31.9
-8.5	Production of fertilizers	-16.1	24.5

Contracting indicators *
Percentages

The whole 2009	Item	January - June 2009	January - June 2010
17.5	Licensed areas for building	12.0	-0.9
1.2	Manufacturing production quantity index	-0.5	-5.4
-8.1	Electricity production quantity index	-9.2	-9.4
-1.7	Industrial production quantity index	-1.9	-4.7
The whole 2009	**Item**	**January - July 2009**	**January - July 2010**
-4.6	Production of cement	-1.1	-4.4
0.4	Quantity of cement sales to the domestic market (excluding imported quantities)	7.8	-9.7
-3.6	Production of petroleum products	-4.4	-6.1

*: 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) registered a remarkable increase during the first half in 2010 compared to the same period of 2009. These investments surged by JD 396.7 million to stand at JD 876.2 million distributed among 182 projects, compared to JD 479.5 million distributed among 211 projects during the same period of 2009.**

- As for the sectoral distribution of investments benefiting from the IPL during the first half in 2010, **it was 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 the size of investments; accounting for 40.8 percent (JD 357.9 million).** This is followed by the sectors of "leisure and recreational compounds", hotels, transportation, hospitals and agriculture which accounted for 28.5 percent, 21.8 percent, 3.7 percent, 3.4 percent and 1.8 percent, respectively.

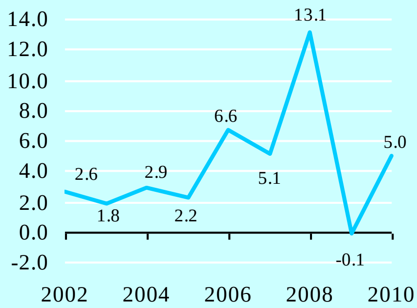
- As for the distribution of total investments according to nationality, the latest statistics revealed that the value of foreign investments benefiting from the IPL has increased to stand at JD 201.4 million (accounting for 23.0 percent of total investments) during the first half in 2010 compared to JD 150.8 million during the same period of 2009. Domestic investments surged to reach JD 674.8 million compared to JD 328.7 million during the corresponding period of 2009 (accounting for the remaining 77.0 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.

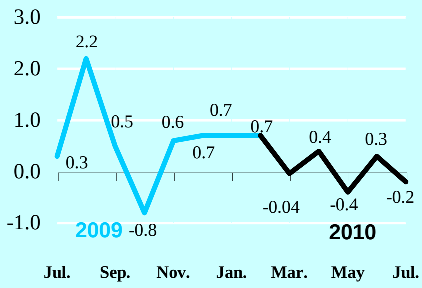
❑ Prices

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 5.0 percent** during the first seven months of 2010 against a slight decline amounting to 0.1 percent during the same period of 2009. This rise was basically due to the increase in the prices of oil derivatives and other goods and services in the local market compared to the same period of the preceding year.

Annual Inflation Rate
For the First Seven Months of the Year
(2002 - 2010), percentages



Monthly Inflation Rate
(Jul. 2009 -Jul. 2010, percentages)



By contrast, consumer prices have decreased slightly by 0.2 percent in July 2010 compared to their level in the preceding month. The aforementioned decline was mainly due to the decline in the prices of “meat and poultry”, “fuels and electricity” and transportation items.

The price developments of the main components of the CPI basket during the first seven 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 4.3 percent during the first seven months of 2010 compared to an increase amounting to 3.9 percent during the same period of 2009. The contribution of this group to the overall rate of inflation recorded during the first seven months of 2010 reached 1.5 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 8.5 percent. In addition, the prices of "sugar and confectionaries" and cigarettes increased by 19.3 percent and 10.4 percent, respectively. By contrast, the prices of some other items declined. The most prominent items include "oils and fat" and "dairy products and eggs" items, which dropped by 2.1 percent and 1.7 percent, respectively.

- The prices of **"clothing and footwear" group** (which makes up the least weight among the components of CPI basket, accounting for 4.95 percent) **grew at 0.9 percent during the first seven months of 2010 compared to an increase in the amount of 7.2 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 prices of this group were affected by the deceleration in the prices of "clothes" and "footwear" items, which grew by 0.6 percent and 2.1 percent, respectively, during the first seven months of 2010, compared to a rise in the amount of 6.4 percent and 10.6 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 4.3 percent over the first seven months of 2010 against a decline amounting to 1.5 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 analysis.** The increase in the prices of this group was affected by the rise in the prices of "fuels and electricity" item by 8.5 percent. In addition, other items recorded varied rates of increase in their prices, ranging from 0.3 percent for "household appliances" item to 5.0 percent for "house utensils" item. It is worth mentioning in this regard that the prices of "rents" item, which accounts for 14.3 percent of the CPI basket, experienced an increase in the amount of 3.1 percent during the period under consideration.

- The prices of **"other goods and services"** group (which accounts for 31.62 percent of the CPI basket) increased noticeably by 7.3 percent during the first seven months of 2010 against a drop in the amount of 5.3 percent during the same period of 2009. In consequence, **this group contributed to the overall inflation rate by 2.3 percentage points during the period under consideration.** The increase in the prices of this group came out as a main result of the rise in the prices of "transportation" item (which is the main component of this group) by 14.9 percent against a drop amounting to 16.9 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, particularely education and "personal care" which increased by 6.5 percent and 5.9 percent, respectively.

Third: Public Finance

❑ Summary:

- The general budget, including foreign grants, showed a fiscal deficit amounting to JD 174.9 million during the first half of 2010, compared to a substantially large fiscal deficit in the amount of JD 530.1 million during the same period of 2009. Excluding grants (amounting to JD 157.8 million), the deficit widens to stand at JD 332.7 million.
- Gross outstanding domestic public debt (budgetary and own - budget) stood at JD 7,413.0 million, or 38.2 percent of GDP, at the end of June 2010, reflecting a rise amounting to JD 327.0 million compared to its level at the end of 2009.
- Net outstanding domestic public debt totaled JD 6,211.0 million, or 32.0 percent of GDP, at the end of June 2010; up by JD 420.0 million compared to its level at the end of 2009.
- Outstanding external public debt, budgetary and guaranteed, increased slightly by JD 1.6 million at the end of June 2010 in comparison with its level at the end of 2009; standing at JD 3,870.6 million, or 20.0 percent of GDP.

❑ The performance of the general budget during the first half of 2010 compared to the same period of 2009:

Public Revenues

Public revenues (including foreign grants) increased by JD 109.3 million, or 36.2 percent, in the month of June 2010 compared to the same month in 2009; totaling JD 411.6 million. As for the first half of 2010, these revenues were up by JD 125.8 million, or 5.5 percent, compared to the same period of the preceding year to stand at JD 2,418.6 million. This result was driven by the increase in foreign grants and domestic revenues by JD 61.9 million and JD 63.9 million respectively.

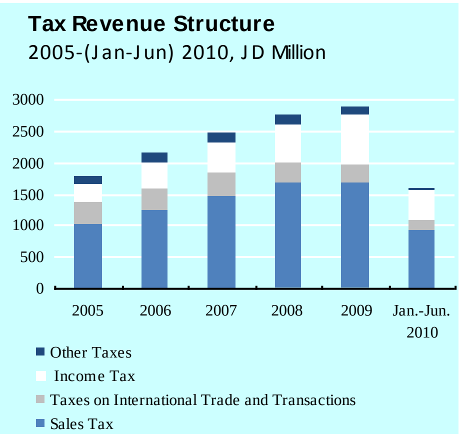
Main Government Budget Indicators during June and the first half of 2010 and 2009:

(JD Million and Percentages)

	June		Growth Rate %	Jan. – June		Growth Rate %
	2009	2010		2009	2010	
Total Revenues and Grants	**302.3**	**411.6**	**36.2**	**2,292.8**	**2,418.6**	**5.5**
Domestic Revenues, of which:	302.3	382.8	26.6	2,196.9	2,260.8	2.9
Tax Revenues, of which:	224.7	246.1	9.5	1,593.9	1,583.3	-0.7
General Sales Tax	158.6	188.1	18.6	793.9	927.5	16.8
Other Revenues, of which:	76.0	135.3	78.0	593.1	668.1	12.6
Land Registration Fees	11.8	11.4	-3.4	71.9	67.7	-5.8
Foreign Grants	0.0	28.8	-	95.9	157.8	64.5
Total Expenditures	**484.1**	**449.5**	**-7.1**	**2,822.9**	**2,593.5**	**-8.1**
Overall Deficit/ Surplus	**-181.8**	**-37.9**		**-530.1**	**-174.9**	

Source: Ministry of Finance/ General Government Finance Bulletin.

Domestic Revenues



Domestic revenues increased by JD 63.9 million, or 2.9 percent, during the first half of 2010 compared to the same period of 2009; amounting to JD 2,260.8 million. This rise was the outcome of the increase in the proceeds of other revenues by JD 75.0 million and the drop in both the proceeds of tax revenues by JD 10.6 million and pension contributions by JD 0.5 million.

➢ Tax Revenues

Tax revenues were down by JD 10.6 million, or 0.7 percent, in the first half of 2010 compared to the same period of 2009, to reach JD 1,583.3 million; accounting for 70.0 percent of domestic revenues. This decline was chiefly influenced by the following developments:

- **The decrease in the proceeds of "income and profit taxes"** by 20.9 percent, standing at JD 472.2 million. This decrease was due to the decline in the proceeds of "income tax from companies and other projects" by JD 122.8 million, and the slight drop in the proceeds of "income tax from individuals" by JD 1.6 million. In further details, income tax from companies accounted for 80.7 percent of total taxes on income and profits; standing at JD 380.9 million (of which JD 165.4 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 increase in the proceeds of general sales tax on goods and services** by JD 133.6 million, or 16.8 percent, to reach JD 927.5 million. This aforementioned increase was driven by the rise in the proceeds of all general sales tax items. More specifically, the proceeds of "sales tax on domestic goods", "sales tax on services", "sales tax on imported goods" and "sales tax on the commercial sector" increased by JD 58.2 million, JD 54.5 million, JD 12.1 million, and JD 8.8 million respectively. It is worth noting in this regard that the actual proceeds of the general sales tax on goods and services during the first half of 2010 amounted to 47.6 percent of their targeted level in the General Budget Law. It is worthy to indicate also that the amended Sales Tax Law No. (29) for 2009 came into effect as of the beginning of the current year. This Law is based on the principle of unification of taxation measures relating to sales tax and abolishing the fragmentation and lack of clarity in some laws in order to be consolidated under an integrated legislative tax frame.

- **The decline in the proceeds of "taxes on international trade and transactions"** by JD 6.6 million, or 4.7 percent, to stand at JD 133.1 million. Such a decline was the outcome of the drop in the proceeds of departure tax by JD 6.4 million and the proceeds of "customs duties and fees" by JD 0.2 million to reach JD 1.5 million and JD 131.6 million respectively.

≺ Other Revenues (Non-Tax Revenues)

"Other revenues" surged by JD 75.0 million, or 12.6 percent during the first half of 2010 to reach JD 668.1 million. This increase was mainly due to the rise in property income proceeds by JD 73.2 million (of which financial surplus of independent government units amounting to JD 181.2 million) to stand at JD 196.9 million. Moreover, revenues from selling goods and services displayed an increase amounting to JD 10.1 million to reach JD 308.3 million, while miscellaneous revenues dropped by JD 8.3 million to stand at JD 162.9 million.

≺ Pension Contributions

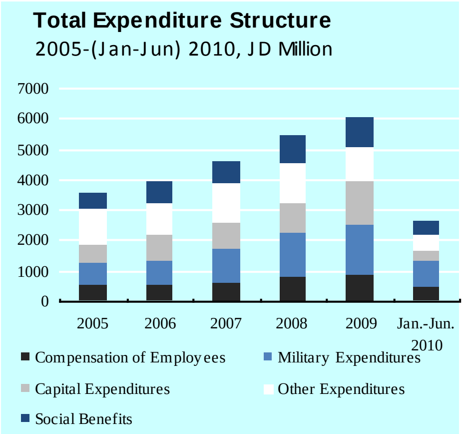
Pension contributions dropped by JD 0.5 million during the first half of 2010 compared to their level in the same period of 2009, standing at JD 9.4 million.

◆ Foreign Grants

Foreign grants rose by JD 61.9 million during the first half of 2010 to stand at JD 157.8 million.

Public Expenditures

Public expenditures declined by JD 34.6 million, or 7.1 percent, in June 2010 compared to the same month in 2009 to stand at JD 449.5 million. Moreover, these expenditures declined by JD 229.4 million, or 8.1 percent, during the first half of 2010 to stand at JD 2,593.5 million. This decline was the outcome of the drop in capital expenditures by 47.0 percent and the rise in current expenditures by 2.7 percent.



Current Expenditures

Current expenditures increased by JD 60.6 million, or 2.7 percent, during the first half of 2010; amounting to JD 2,265.9 million. This increase was due to the rise in the compensation of employees of the civil servants (wages, salaries and social security contributions) and the military expenditures by JD 24.9 million and JD 21.5 million, to total JD 437.1 million and JD 850.8 million respectively. The item of interest payments, both internal and external, has also increased by JD 6.0 million. Moreover, goods subsidies (food and oil subsidies) increased again to stand at JD 87.8 million during the first half of the current year against JD 12.4 million during the same period of 2009. Meanwhile, "social benefit expenditures" have declined by JD 48.1 million to stand at JD 445.0 million, noting that the General Budget Law for the current year (including its Supplement) does not include any allocations for the Social Safety Net. In addition, “purchases of goods and services” have also declined by JD 42.9 million to stand at JD 130.0 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 290.0 million, or 47.0 percent during the first half of 2010 compared to the same period of the preceding year; standing at JD 327.6 million. Accordingly, the achievement ratio of capital expenditures stood at just 34.0 percent of their projected level in the Budget Law and its Supplement for 2010.

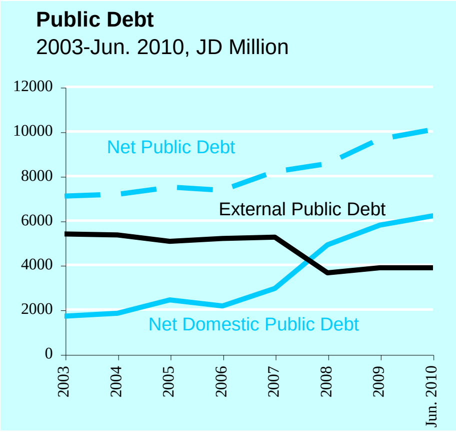
General Budget Deficit/ Surplus

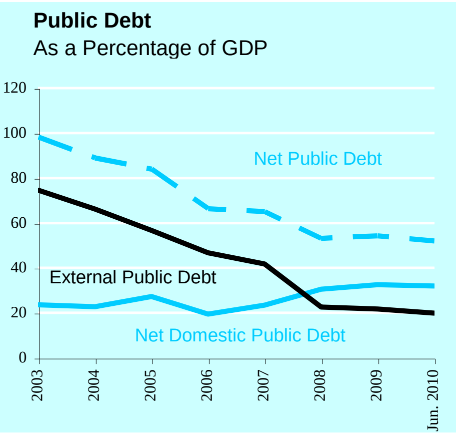
- **The general budget, including grants, displayed a fiscal deficit amounting to JD 174.9 million in the first half of 2010** against a deficit in the amount of JD 530.1 million during the same period of 2009**.**

- **The general budget showed a primary surplus** (after excluding interest payments on public debt from total expenditures) **amounting to JD 9.8 million in the first half of 2010** against a primary deficit in the amount of JD 351.4 million during the same period of 2009.

❑ Public Debt

- **Gross outstanding domestic public debt of the government (budgetary and own-budget agencies) was up** by JD 327.0 million at the end of June 2010 compared to its level at the end of 2009 to reach JD 7,413.0 million, or 38.2 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 182.0 million and JD 144.0 million, respectively. This rise in the budgetary domestic public debt was mainly the outcome of the increase in the balance of the "treasury bills and bonds" in the amount of JD 225.0 million to total JD 5,978.0 million and the drop in the outstanding balance of "loans and advances" extended by CBJ to the budgetary central government by JD 40.0 million to stand at JD 952.0 million at the end of June 2010.





- **Net outstanding domestic public debt** (gross outstanding domestic public debt *minus* government deposits at the banking system) **increased by JD 420.0 million at the end of June 2010** compared to the end of 2009 to total JD 6,211.0 million, or 32.0 percent of GDP. The aforementioned increase was the outcome of the rise in gross outstanding domestic public debt by JD 327.0 million and the decline in the government deposits at the banking system by JD 92.0 million compared to their level at the end of 2009.

- **Outstanding balance of external public debt (budgetary and guaranteed) was slightly up** by JD 1.6 million at the end of June 2010 compared to its level at the end of 2009; amounting to JD 3,870.6 million, or 20.0 percent of GDP. The currency structure of this debt indicates that external debt in US dollars accounted for 33.6 percent, while debt in Euros accounted for 9.2 percent. Further, external debt in Japanese Yen and Kuwaiti Dinars accounted for 25.9 percent and 19.4 percent of the outstanding external public debt respectively.

- **Net public debt (domestic and external) increased** by JD 421.6 million at the end of June 2010 compared to its level at the end of 2009 to stand at JD 10,081.6 million, or 52.0 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 decreased by 2.2 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 197.7 million during the first half of 2010 (of which interest payments amounting to JD 43.3 million) compared to JD 191.7 million in the same period of 2009 (of which interest payments amounting to JD 52.6 million).

❑ Fiscal and Price Measures

- **Raising the prices of all types of oil derivatives as of August 20, 2010, while maintaining the prices of domestic liquid gas unchanged, as follows:**

	Unit	2010		Change %
		July	August	
Fuel oil for industry	JD/Ton	348.7	358.8	2.9
Fuel oil for ships	JD/Ton	348.7	358.8	2.9
Fuel oil for airplanes (local companies)	Fils/Liter	435	442	1.6
Fuel oil for airplanes (foreign companies)	Fils/Liter	440	447	1.6
Fuel oil for unplanned flights	Fils/Liter	455	462	1.5
Asphalt	JD/Ton	375.0	385.7	2.9
Unleaded Gasoline 90*	Fils/Liter	550	555	0.9
Unleaded Gasoline 95*	Fils/Liter	670	675	0.7
Gas Oil (Diesel)	Fils/Liter	465	470	1.1
Kerosene	Fils/Liter	465	470	1.1
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 collect service charges for travelers and vehicles leaving the country as set by the By-law of “Service Fees for Land and Sea Border Custom Stations” for the year 2010 as of August 2010 as follows:

  a. Collecting a service charge of JD 8.0 from each person who crosses the land and sea boarders of the country.

  b. Collecting a service charge of JD 5.0 per car vehicle that crosses the land and sea boarders of the country.

Grants, Loans and Other Agreements

- Signing a soft loan agreement (forward sale) between the Government of Jordan and the Islamic Development Bank (IDB) in the amount of US$ 18.6 million, to finance the purchase of medical devices, equipment and furniture for Al-Zarqa Public Hospital project (July 2010).

- Signing a governmental arrangements agreement between the Government of Jordan and the Government of the Republic of Korea, under which the latter extends to Jordan a soft loan in the amount of US$ 70.0 million through the Export-Import Bank of Korea to partially finance the construction of a Research Nuclear Reactor in the Jordan University of Science and Technology Campus (July 2010).

Fourth: External Sector

Summary

- The value of **total merchandize exports** (domestic exports *plus* re-exports) increased by 16.6 percent in June 2010 compared to the same month in 2009 to stand at JD 427.2 million. As for the first half of 2010, total merchandize exports were up by 5.2 percent; amounting to JD 2,441.6 million.

- The value of **merchandize imports** increased by 17.4 percent in June 2010 compared to the same month in the previous year; amounting to JD 966.6 million. Regarding the first half of 2010, total merchandize imports rose by 11.7 percent; amounting to JD 5,233.3 million.

- In light of the above developments, the **trade balance deficit** (the value of total exports *minus* the value of imports) expanded by 18.0 percent in June 2010 compared to the same month in 2009; standing at JD 539.4 million. As for the first half of 2010, the trade deficit has gone up by 18.1 percent; amounting to JD 2,791.7 million.

- According to the preliminary figures, **travel receipts item** surged by 21.2 percent during July 2010 compared to the same month in the preceding year to stand at JD 324.9 million. Similarly, the **payments** of this item increased by 43.2 percent; amounting to JD 156.7 million. As for the first seven months of 2010, both travel receipts and payments were up by 26.4 percent and 39.0 percent to stand at JD 1,413.8 million and JD 612.4 million respectively.

- According to the preliminary figures, **total workers' remittances** amounted to JD 249.4 million during July 2010; a decline amounting to 3.1 percent compared to the same month in 2009. In addition, total workers' remittances increased by 0.5 percent, to stand at JD 1,497.7 million, during the first seven months of 2010.

- **The current account of the balance of payments** displayed a deficit of JD 85.9 million during the first quarter of 2010 compared to a deficit of JD 85.3 million during the corresponding quarter of 2009.

- **FDI recorded net inflows** totaled JD 277.1 million in the first quarter of 2010 compared to JD 165.0 million in the same quarter of 2009.

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

External Trade

In light of the increase in domestic exports by JD 294.0 and imports by JD 547.3 million during the first half of 2010, the volume of external trade (domestic exports *plus* imports) increased by JD 841.3 million to stand at JD 7,293.2 million.

Jordan's Major Trade Partners
January – June 2009, 2010
JD Million

	2009	2010	Percentage Change
Exports			
Iraq	319.0	319.0	0.0
United States	294.3	301.5	2.4
India	230.5	261.2	13.3
Saudi Arabia	170.1	208.2	22.4
Syria	91.3	108.8	19.2
United Arab Emirates	55.2	89.0	61.2
Lebanon	59.2	65.4	10.5
Imports			
Saudi Arabia	711.9	918.7	29.0
China	506.1	540.8	6.9
Germany	330.2	402.0	21.7
United States	327.9	286.7	-12.6
Egypt	296.2	256.7	-13.3
South Korea	176.8	232.2	31.3
Japan	156.0	207.9	33.3
Italy	170.1	187.0	9.9
Turkey	134.7	170.9	26.9

Source: Department of Statistics.

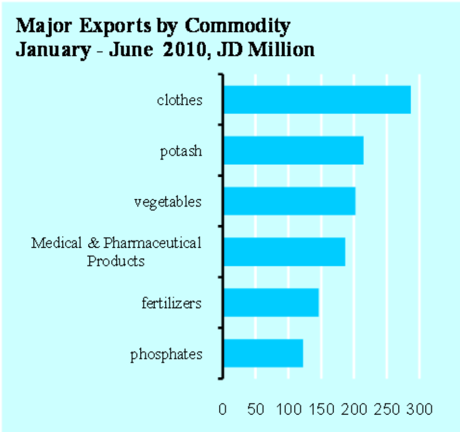
Developments of External Trade Indicators, JD Million

	January - June			
	2009	Percentage Change 2008/2009	2010	Percentage Change 2009/2010
External Trade	6,451.9	-20.1	7,293.2	13.0
Total Exports	2,321.5	-11.4	2,441.6	5.2
Domestic Exports	1,765.9	-10.9	2,059.9	16.6
Re-exports	555.6	-12.8	381.7	-31.3
Imports	4,686.0	-23.1	5,233.3	11.7
Trade Balance	-2,364.5	-31.9	-2,791.7	18.1

Source: Department of Statistics.

■ **Merchandize Exports:**

Total merchandize exports increased by 5.2 percent during the first half of 2010 to reach JD 2,441.6 million compared to a drop amounting to 11.4 percent during the same period of 2009. This increase was an outcome of the increase in the value of domestic exports by JD 294.0 million, or 16.6 percent, to reach JD 2,059.9 million and the decline in the value of re-exports by JD 173.9 million, or 31.3 percent, to reach JD 381.7 million.



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

- The exports of **clothes** went up by JD 6.3 million, or 2.2 percent, to reach JD 287.2 million. The geographical distribution indicated that the US market had the highest share of clothing exports; accounting for 93.0 percent.
- The exports of **potash** increased by JD 88.7 million, or 70.5 percent, to stand at JD 214.6 million. The geographical distribution of exports indicated that the Indian, Chinese and Malaysian markets accounted for 68.4 percent of potash exports collectively.
- The exports of **vegetables** increased by JD 34.0 million, or 20.2 percent, to reach JD 202.6 million. The geographical distribution indicated that the markets of Syria, Iraq, and UAE accounted for 68.4 percent of these exports collectively.

- The exports of **medical and pharmaceutical products** increased by JD 28.4 million, or 17.9 percent, to stand at JD 186.9 million. The Saudi, Algerian, Sudanese and Lebanese markets accounted for 58.3 percent of these exports collectively.

- The exports of **fertilizers** were up by JD 13.1 million, or 9.8 percent, to reach JD 146.3 million. This development was the outcome of the increase in the quantities exported by 24.0 percent and the decline in the prices of fertilizers by 11.4 percent. The Indian, Ethiopian and Japanese markets accounted for 82.4 percent of fertilizers exports collectively.

- The exports of **phosphates** declined by JD 49.3 million, or 28.7 percent, to total JD 122.6 million. This decline was attributed to the downturn in the prices of phosphates by 40.6

Major Domestic Exports by Commodity

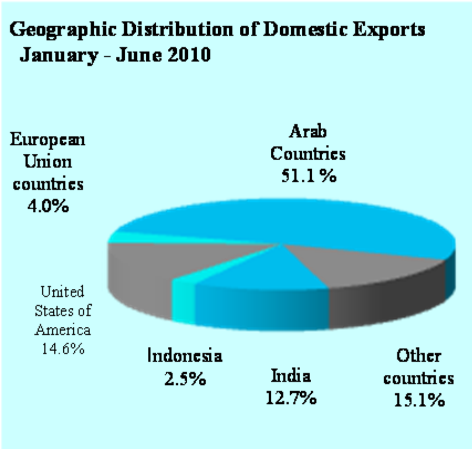
January - June 2009 , 2010, JD Million

	2009	2010	Percentage Change
Domestic Exports	**1,765.9**	**2,059.9**	**16.6**
Clothes	**280.9**	**287.2**	**2.2**
United States	260.3	267.0	2.6
Potash	**125.9**	**214.6**	**70.5**
India	72.0	88.2	22.5
China	17.7	34.6	95.5
Malaysia	7.4	23.9	223.0
Vegetables	**168.6**	**202.6**	**20.2**
Syria	47.9	59.4	24.0
Iraq	48.3	56.8	17.6
United Arab Emirates	16.9	22.4	32.5
Medical & Pharmaceutical Products	**158.5**	**186.9**	**17.9**
Saudi Arabia	51.6	48.1	-6.8
Algeria	24.8	29.4	18.5
Sudan	14.1	18.5	31.2
Lebanon	10.3	13.0	26.2
Fertilizers	**133.2**	**146.3**	**9.8**
India	64.7	84.4	30.4
Ethiopia	0.0	19.0	-
Japan	51.4	17.1	-66.7
Phosphates	**171.9**	**122.6**	**-28.7**
India	73.8	80.9	9.6
Indonesia	51.5	25.2	-51.1
Singapore	0.5	7.6	-
Machinery & Transport Equipment	**101.4**	**120.1**	**18.4**
Saudi Arabia	31.4	40.2	28.0
Iraq	30.4	34.7	14.1
United Arab Emirates	4.7	7.7	63.8

Source: Department of Statistics.

percent and the increase in the quantities exported by 20.1 percent. The markets of India, Indonesia and Singapore were the main destinations for phosphates exports; accounting for 92.7 percent collectively.

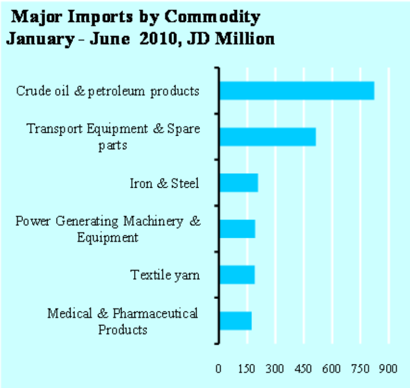
- The exports of **machinery and transport equipment** increased by JD 18.7 million, or 18.4 percent, to total JD 120.1 million. The markets of Saudi Arabia, Iraq and UAE accounted for 68.8 percent of these exports collectively.



In light of the aforementioned developments, the commodity breakdown of domestic exports indicates that the exports of clothes, potash, vegetables, "medical and pharmaceutical products", fertilizers, phosphates and "machinery and transport equipment" topped the list of exporting materials during the first half of 2010; accounting, collectively, for 62.2 percent of domestic exports; down from 64.6 percent during the same period of 2009. On the other side, the geographical distribution of domestic exports indicates that the markets of Iraq, USA, India, Saudi Arabia, Syria, UAE and Lebanon were the main destinations for the Jordanian domestic exports during the first half of 2010; accounting for 65.7 percent of domestic exports collectively; down from 69.1 percent during the same period of 2009.

Merchandize Imports:

The value of merchandize imports stood at JD 5,233.3 million during the first half of 2010; increasing by JD 547.3 million, or 11.7 percent, against a decline amounting to 23.1 percent during the same period of the preceding year.



The comparison between the developments of the Jordanian imports during the first half of 2010 and these in the same period of 2009 reveals the following:

- The imports of **crude oil** surged by JD 217.4 million, or 55.5 percent, to reach JD 609.1 million. This increase was attributed to the increase of oil prices by 57.9 percent and the drop in the imported quantities by 1.5 percent. It is worth noting that most of the Jordanian imports of crude oil came from Saudi market.

- The imports of **transport equipment and spare parts** declined by JD 11.3 million, or 2.2 percent, to reach JD 513.7 million. The markets of Japan, South Korea and Germany were the main sources of these imports; accounting for 69.4 percent of these imports collectively.

- The imports of **petroleum products** increased by JD 76.0 million, or 55.0 percent, to total JD 214.3 million. The markets of UAE, Saudi Arabia and Malaysia were the main sources of these imports.

- The imports of **iron and steel** declined by JD 33.0 million, or 13.7 percent; totaling JD 207.3 million. The markets of Ukraine, Turkey and Russia were the main sources of these imports.

- The imports of **medical and pharmaceutical products** rose by JD 27.9 million, or 19.2 percent, to reach JD 173.4 million. The markets of Switzerland, Germany, UK , and France were the main sources of these imports; accounting collectively for 42.1 percent of these imports.

- The imports of **textile yarn, fabrics, made up articles and related products** increased by JD 6.2 million, or 3.4 percent; amounting to JD 191.1 million. The main source for these imports was the Chinese market followed by the Taiwanese and Syrian markets.

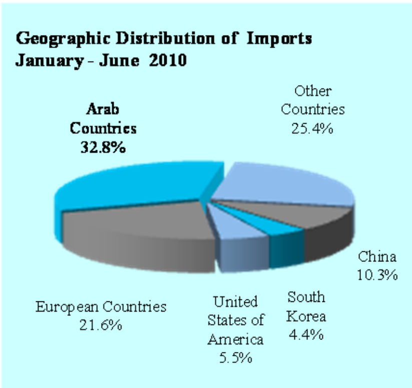
Major Imports by Commodity

January – June 2009, 2010, JD Million

	2009	2010	Percentage Change
Total Imports	**4,686.0**	**5,233.3**	**11.7**
Crude Oil	**391.7**	**609.1**	**55.5**
Saudi Arabia	348.6	543.6	55.9
Transport Equipment and Spare Parts	**525.0**	**513.7**	**-2.2**
Japan	90.3	135.3	49.8
South Korea	102.0	119.4	17.1
Germany	151.4	101.9	-32.7
Petroleum Products	**138.3**	**214.3**	**55.0**
United Arab Emirates	46.1	50.0	8.5
Saudi Arabia	34.9	37.8	8.3
Malaysia	0.0	29.4	-
Iron & Steel	**240.3**	**207.3**	**-13.7**
Ukraine	86.4	56.8	-34.3
Turkey	18.3	36.4	98.9
Russia	52.4	28.7	-45.2
Medical & Pharmaceutical Products	**145.5**	**173.4**	**19.2**
Switzerland	16.0	20.6	28.8
Germany	17.8	19.3	8.4
United Kingdom	12.8	18.7	46.1
France	12.7	14.4	13.4
Textile Yarn, Fabrics & Related Products	**184.9**	**191.1**	**3.4**
China	79.7	91.0	14.2
Taiwan	30.3	32.1	5.9
Syria	10.5	11.1	5.7
Power Generating Machinary and Equipment	**40.2**	**193.4**	**381.1**
Germany	8.2	149.2	-
China	1.4	11.9	-
United States	7.8	11.0	41.0
South Korea	2.6	4.3	65.4

Source: Department of Statistics.

- The imports of **power generating machinery and equipement** increased by JD 153.2 million, or 381.1 percent, to reach JD 193.4 million. The markets of Germany, China, US and South Korea accounted collectively for 91.2 percent of these imports.



The commodity composition of imports indicates that "crude oil", "transport equipment and spare parts", "petroluem products", "iron and steel", "medical and pharmaceutical products", "textile yarn, fabrics, made up articles and related products" and "power generating machinery and equipement" topped the list of imported materials; accounting for 40.2 percent of total imports during the first half of 2010; up from 35.6 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 half of 2010; accounting for 50.4 percent compared to 50.1 percent during the same period of 2009.

Re-Exports:

The value of re-exported goods decreased by JD 173.9 million, or 31.3 percent, during the first half of 2010 to reach JD 381.7 million (in particular, the re-exported merchandize to Iraq which decreased significantly by JD 138.2 million). Such a drop came as a result of the decline in the value of re-exports of "transport equipment and spare parts", "dairy products and eggs", "vegetable oils and fats" and non-monetary gold by JD 66.0 million, JD 23.0 million, JD 26.0 million and JD 14.6 million respectively.

- **Trade Balance:**

Trade balance deficit widened by JD 427.2 million, or 18.1 percent, during the first half of 2010 compared to the same period of 2009 to stand at JD 2,791.7 million.

Workers' Remittances Receipts:

Workers' remittances receipts amounted to JD 249.4 million in July 2010; an increase amounting to 3.1 percent compared to the same month in the preceding year. These remittances were up by 0.5 percent to stand at JD 1,497.7 million during the first seven months of 2010.

Travel:

Receipts:

Travel receipts increased by JD 295.2 million, or 26.4 percent, during the first seven months of 2010 to stand at JD 1,413.8 million. The increase in the travel income was attributed to the increase in the number of Kingdom's visitors (tourists) by 18.4 percent during the first seven months of 2010 to stand at 4.5 million visitors compared to 3.8 million visitors during the same period of 2009.

Payments:

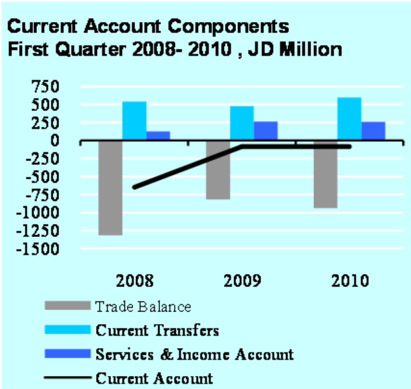
Travel payments rose by JD 171.9 million, or 39.0 percent, during the first seven months of 2010 to stand at JD 612.4 million. Such development was attributable to the increase in the number of spending tourists by 46.7 percent during the first seven months of 2010 to stand at 2.2 million tourists compared to 1.5 million tourists during the same period of 2009.

Balance of Payments:

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

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

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



  - The surplus of the services account amounted to JD 114.2 million compared to a surplus amounting to JD 55.4 million in the first quarter of 2009. This surplus was mainly due to the surplus registered by the items of travel (net) as well as government services (net) which amounted to JD 289.5 million and JD 47.1 million, respectively. Meanwhile, the item of transportation (net) registered a deficit in the amount of JD 198.4 million. In addition, the item of other services (net) experienced a deficit amounting to JD 24.0 million.

  - The surplus of income account (net) decreased by JD 64.9 million, amounting to JD 144.2 million compared to JD 209.1 million in the first quarter of 2009. Such a decrease was attributable to the decline in investment income (net) as well as compensation of employees (net) by JD 47.7 million and JD 17.2 million, respectively.

  - Net current transfers surged by JD 122.4 million; totaling JD 597.8 million in light of the increase in net transfers of the public sector (foreign grants) by JD 55.9 million to register JD 141.4 million during the first quarter of 2010 compared to JD 85.5 million during the corresponding quarter of 2009, in addition to the rise in the net transfers of other sectors by JD 66.5 million to reach JD 456.4 million compared to JD 389.9 million in the first quarter of 2009; noting that the volume of workers' remittances (net) registered an increase of JD 11.0 million, or 2.6 percent, to reach JD 441.5 million during the first quarter of 2010.

- The capital and financial account with the rest of the world recorded a net outflow amounting to JD 53.5 million in the first quarter of 2010 against a similar outflow in the amount of JD 66.1 million during the first quarter of 2009 owing chiefly to the following:

  - Net inflow of FDI amounted to JD 277.1 million during the first quarter of 2010 compared to JD 165.0 million in the first quarter of 2009.
  - Net inflow in portfolio investment amounted to JD 11.3 million compared to a net outflow in the amount of JD 53.8 million during the first quarter of 2009.
  - Net outflow of other investments in the amount of JD 158.2 million in the first quarter of 2010 against a net inflow amounting to JD 290.7 million in the same quarter of the preceding year.
  - The increase in the reserve assets of the CBJ by JD 183.7 million compared to an increase amounting to JD 468.0 million in the first quarter of 2009.

❒ International Investment Position (IIP):

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

The rise in the position of external assets (the stock of claims, obligations and financial assets) for all economic sectors (resident) in the Kingdom by JD 94.8 million at the end of 2008 compared to the end of 2007; amounting to JD 13,232.4 million at the end of 2008. This was mainly driven by the rise in the reserve assets of the CBJ in abroad by JD 701.5 million and the increase in external assets represented by the loans granted by commercial banks to non-resident entities by JD 226.7 million, on one hand, and the decline in the balance of external assets of currency and deposits of commercial banks in the amount of JD 734.5 million, on another.

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

    - The decline in the balance of external loans extended to the central government by JD 1,585.9 million to amount to JD 3,317.1 million due to the execution of the debt buyback agreement with the Paris Club creditors in 2008.

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

    - The increase in the stock of FDI in the Kingdom by JD 185.2 million to stand at JD 11,570.6 million, despite the decline in the Share Price Index (SPI) at the Amman Stock Exchange (ASE) in 2008.

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