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.

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Executive Summary

According to indicators available to date for 2010, the national economy displayed favorable results in a number of external sector and public finance indicators, including the growing domestic exports, tourism income (travel receipts), in addition to the narrowing fiscal deficit during the first seven months of the current year. Furthermore, the preliminarily national account estimates released by the Department of Statistics displayed an improvement in real Gross Domestic Product (GDP) growth in the second quarter of 2010 compared to the same quarter of last year and to the first quarter of this year.

- **Output and Prices:** Real GDP at market and basic prices grew at 2.9 percent and 4.3 percent, respectively, during the second quarter of 2010 compared to 1.9 percent and 2.4 percent, respectively during the same quarter of 2009. The Consumer Price Index (CPI) revealed a rise of 4.7 percent during the first eight months of 2010 against a minor decrease in the amount of 0.4 percent during the same period of 2009. Regarding domestic and foreign investments indicators, investments benefiting from the Investment Promotion Law (IPL) 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$ 264.5 million, or 2.4 percent, at the end of the first eight months of 2010 compared to their level at the end of 2009; standing at US$ 11,143.4 million.
- Domestic liquidity grew by JD 1,453.3 million, or 7.3 percent, at the end of the first eight months of 2010 compared to its level at the end of 2009; standing at JD 21,466.6 million.
- The outstanding balance of credit facilities extended by licensed banks was up by JD 661.0 million, or 5.0 percent, at the end of the first eight months of 2010 compared to its level at the end of 2009; standing at JD 13,978.2 million.
- Total deposits at licensed banks increased by JD 1,445.8 million, or 7.1 percent, at the end of the first eight months of 2010 compared to its level at the end of 2009; totaling JD 21,744.2 million.
- The Share Price Index (SPI) weighted by market capitalization of free float shares at Amman Stock Exchange (ASE) decreased by

284.5 points, or 11.2 percent, at the end of August 2010 compared to its level at the end of 2009; standing at 2,249.0 points.

- **Public Finance:** The general budget, including foreign grants, showed a fiscal deficit amounting to JD 282.9 million during the first seven months of 2010 compared to a large fiscal deficit in the amount of JD 640.6 million during the same period in 2009. On the front of indebtedness, net outstanding domestic public debt (budgetary and own-budget) increased by JD 617.0 million at the end of July 2010 compared to its level at the end of 2009; standing at JD 6,408.0 million, or 33.0 percent of GDP. Outstanding external public debt also increased by JD 62.9 million at the end of July 2010 compared to its level at the end of 2009; totaling JD 3,931.9 million, or 20.3 percent of GDP.

- **External Sector:** The value of total merchandize exports (domestic exports *plus* re-exports) increased by 7.7 percent during the first seven months of 2010 to reach JD 2,852.2 million. Similarly, the value of merchandize imports increased by 8.6 percent, totaling JD 6,127.1 million. As a result, the trade deficit expanded by 9.4 percent compared to the same period of the previous year, amounting to JD 3,274.9 million. Further, the preliminary figures for the first eight months of 2010 showed an increase in the travel receipts and travel payments by 20.0 percent and 34.9 percent respectively compared to the same period of 2009. In addition, the receipts of workers' remittances increased by 1.9 percent. The preliminary figures for the balance of payments in the first half of 2010 displayed a deficit in the current account amounting to JD 547.1 million, up from JD 294.3 million during the same half of 2009. In addition, the Foreign Direct Investment (FDI) recorded net inflows of JD 643.3 million during the first half of 2010 compared to net inflows of JD 747.2 million in the same half of 2009. Finally, the International Investment Position (IIP) displayed a net obligation to abroad amounting to JD 11,884.4 million at the end of 2009 compared to JD 13,964.3 million at the end of 2008.

First: Monetary and Financial Sector

❑ Summary:

- The Foreign currency reserves at the CBJ increased by US$ 264.5 million, or 2.4 percent, at the end of the first eight months of 2010; compared to their level at the end of 2009; standing at US$ 11,143.4 million. This level of reserves is equivalent to around 8.1 months of the Kingdom's imports of goods and services.

- Domestic liquidity at the end of the first eight months of 2010 increased by JD 1,453.3 million, or 7.3 percent, compared to its level at the end of the previous year to total JD 21,466.6 million.

- The outstanding balance of the credit facilities extended by licensed banks increased by JD 661.0 million, or 5.0 percent, at the end of the first eight months of 2010 compared to its level at the end of 2009; standing at JD 13,978.2 million.

- Total deposits at licensed banks increased by JD 1,445.8 million, or 7.1 percent, at the end of the first eight months of 2010 in comparison with their level at the end of 2009; totaling JD 21,744.2 million.

- Interest rates on credit facilities at licensed banks, except interest rate on loans and advances, increased during the first eight months of 2010, whereas interest rates on deposits declined compared to their both levels at the end of 2009.

- The SPI weighted by market capitalization of free float shares at ASE decreased by 284.5 points, or 11.2 percent, at the end of August 2010 compared to its level at the end of 2009; standing at 2,249.0 points. The market capitalization also decreased by around JD 2.4 billion, or 10.7 percent, at the end of August 2010 compared to its level at the end of 2009 to stand at JD 20.1 billion.

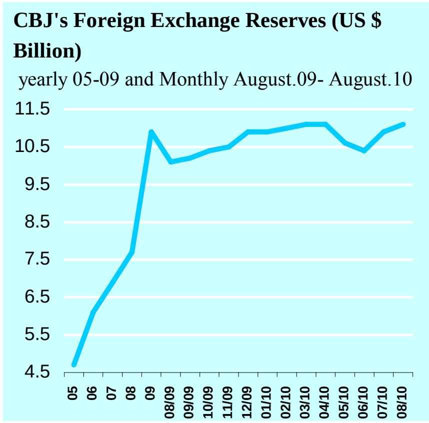
Main Monetary Indicators

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

Year		End of August	
2009		2009	2010
US$ 10,879.0	CBJ's Foreign Currency Reserves	US$ 10,077.0	US$ 11,143.4
40.5%		30.1%	2.4%
20,013.3	Money Supply (M2)	19,463.8	21,466.6
9.3%		6.3%	7.3%
13,317.2	Credit Facilities, of which:	13,060.9	13,978.2
2.1%		0.1%	5.0%
12,041.3	Private Sector (Resident)	11,657.3	12,727.3
1.4%		-1.8%	5.7%
20,298.4	Total Deposits, of which:	19,610.5	21,744.2
12.1%		8.3%	7.1%
15,865.0	In JD	15,232.8	16,905.1
18.9%		14.1%	6.6%
4,433.4	In Foreign Currencies	4,377.7	4,839.1
-6.7%		-7.9%	9.2%
16,256.7	Deposits of Private Sector (Resident), of which:	15,487.8	17,482.9
13.7%		8.4%	7.5%
13,500.0	In JD	12,818.7	14,410.2
19.5%		13.4%	6.7%
2,756.7	In Foreign Currencies	2,669.1	3,072.7
-7.8%		-10.8%	11.5%

Source: Central Bank of Jordan / Monthly Statistical Bulletin.

❑ CBJ's Foreign Currency Reserves



The CBJ's foreign currency reserves increased by US$ 236.8 million, or 2.2 percent, at the end of August 2010 compared to their level in the previous month; standing at US$ 11,143.4 million. These reserves increased by US$ 264.5 million at the end of the first eight months of 2010, or 2.4 percent, compared to their level at the end of 2009. This level of reserves is equivalent to around 8.1 months of the Kingdom's imports of goods and services. Further, these reserves amounted to US$ 11,111.3 million as of September 21, 2010; up by US$ 232.3 million or 2.1 percent compared to their levels at the end of 2009.

❑ Domestic Liquidity (M2)

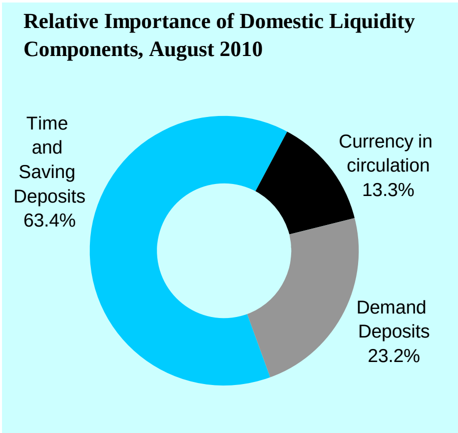
- Domestic liquidity totaled JD 21,466.6 million at the end of August 2010; increasing by JD 293.2 million, or 1.4 percent, compared to its level at the end of the preceding month, against an increase in the amount of JD 181.7 million, or 0.9 percent, during the same month in 2009. Furthermore, domestic liquidity increased by JD 1,453.3 million, or 7.3 percent, at the end of the first eight months of 2010, against an increase in the amount of JD 1,159.6 million, or 6.3 percent, during the same period of 2009.

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

    - **Components of Domestic Liquidity**

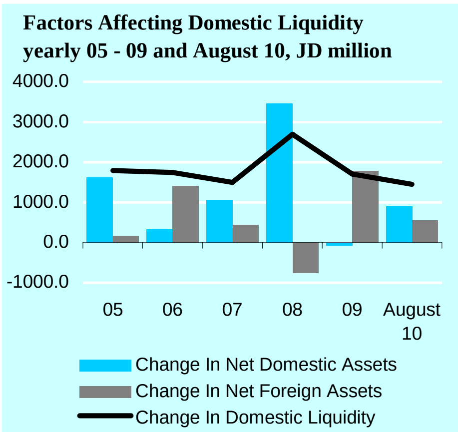
      - Deposits increased by JD 1,275.4 million, or 7.4 percent, at the end of the first eight months of 2010 compared to their levels at the end of 2009; totaling JD 18,609.2 million, against an increase amounting to JD 1,174.2 million, or 7.5 percent, at the end of the same period of 2009.

- Currency in circulation increased by JD 177.9 million, or 6.6 percent, at the end of the first eight months of 2010; standing at JD 2,857.4 million compared to its level at the end of 2009, against a decrease in the amount of JD 14.6 million, or 0.5 percent, at the end of the same period of 2009.



• Factors Affecting Domestic Liquidity

- Net domestic assets at the banking system increased by JD 899.4 million, or 8.1 percent, at the end of the first eight months of 2010 compared to its level at the end of 2009, against a decrease in the amount of JD 46.1 million, or 0.4 percent, during the same period of 2009. This increase at the end of the first eight months in 2010 was a result of the increase in net domestic assets at the licensed banks and at the CBJ by JD 613.2 million, or 3.4 percent, and JD 286.2 million, or 4.8 percent, respectively.



- Net foreign assets at the banking system increased by JD 553.9 million, or 6.2 percent, at the end of the first eight months of 2010 compared to their level at the end of 2009, against an increase in the amount of JD 1,205.7 million, or 17.0 percent, in the same period of 2009. This rise was an outcome of the increase in these assets at the licensed banks by JD 693.4 million, or 189.9 percent, and the decline in these assets at the CBJ by JD 139.5 million, or 1.5 percent.

Changes in Factors Affecting Domestic Liquidity (M2)
JD Million

Year		Change in balance relative to the end of August	
2009		2009	2010
1,780.1	**Foreign Assets (Net)**	**1,205.7**	**553.9**
2,433.2	CBJ	**1,625.7**	-139.5
-653.1	Licensed Banks	**-420.0**	693.4
-71.0	**Domestic Assets (Net)**	**-46.1**	**899.4**
-2,552.8	CBJ, of which:	**-1,719.5**	286.2
-302.8	Claims on Public Sector (Net)	**-109.7**	-168.2
-2,250.0	Other Items (Net*)	**-1,609.9**	454.4
2,481.8	Licensed Banks	**1,673.4**	613.2
630.5	Claims on Public Sector (Net)	**547.0**	349.4
159.9	Claims on Private Sector	**-68.2**	703.9
1,691.4	Other Items (Net)	**1,194.6**	-440.1
1,709.1	**Money Supply (M2)**	**1,159.6**	**1,453.3**
14.7	**Currency in Circulation**	**-14.6**	**177.9**
1,694.4	**Total Deposits, of which:**	**1,174.2**	**1,275.4**
-436.1	In Foreign Currencies	**-482.5**	267.9

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

❑ Interest Rate Structure

◆ Interest Rates on Monetary Policy Instruments

- In 2010, the CBJ lowered the interest rates on its monetary policy instruments by 50 basis points as of February 21, 2010. Accordingly, the interest rates on the monetary policy instruments became as follows:
  - **Re-Discount Rate:** 4.25 percent.
  - **Interest Rate on Overnight Repurchase Agreements:** 4.00 percent.
  - **Overnight Deposit Window Rate**: 2.00 percent.

As for the developments in interest rates on certificates of deposit (CDs), it is noted that:

- The CBJ did not issue any CDs during 2009 and the elapsed period of 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		August 2009	August 2010
4.75	Re-discount Rate	5.25	4.25
4.50	Repurchase Agreements Rate (Repos)	5.00	4.00
2.50	Overnight Deposit Window Rate	3.00	2.00

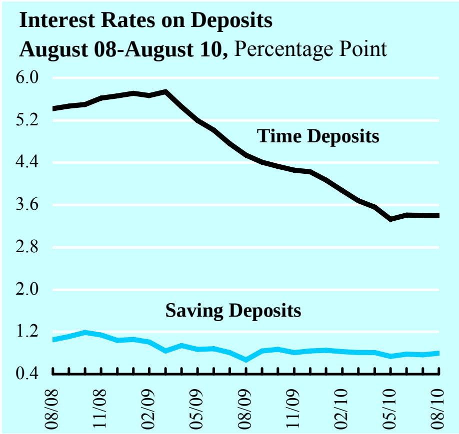
Source: Central Bank of Jordan / Monthly Statistical Bulletin.

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

◆ Interest Rates in the Banking Sector

• Interest Rates on Deposits

- **Time Deposits**. The weighted average interest rate on time deposits at the end of August 2010 did not change from its level at the end of the preceding month; standing at 3.40 percent. However, 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 August 2010 increased by 3.0 basis points compared to its level in the previous month to amount to 0.80 percent. Moreover, this rate was 4.0 basis points lower compared to its level at the end of the preceding year.

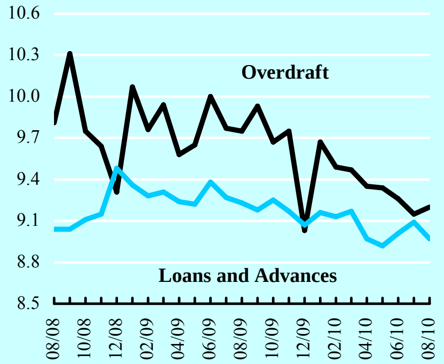
- **Demand Deposits**. The weighted average interest rate on demand deposits decreased by 3.0 basis points at the end of August 2010 compared to its level at the end of the previous month; standing at 0.45 percent. This rate was also 22.0 basis points less compared to its levels at the end of the preceding year.

• Interest Rates on Credit Facilities

- **Overdraft Accounts**. The weighted average interest rate on overdraft accounts stood at 9.2 percent at the end of August 2010; 5.0 basis points higher compared to its level at the end of the previous month. Moreover, this rate was 17.0 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" increased by 32.0 basis points at the end of August 2010 compared to the preceding month; to stand at 9.64 percent. Also, this rate was 47.0 basis points higher compared to its level at the end of the previous year.

Interest Rates on Credit Facilities
August 08-August 10, Percentage Point



- **Loans and Advances**. The weighted average interest rate on "loans and advances" stood at 8.97 percent at the end of August 2010; around 12.0 basis points lower compared to its level at the end of the previous month. Compared to its level at the end of 2009, this rate was 10 basis points lower.

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

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

Year		August		Change Relative to the Year 2009
2009		2009	2010	Basis Points
	Deposits			
0.67	Demand	0.67	0.45	-22
0.84	Saving	0.86	0.80	-4
4.23	Time	4.54	3.40	-83
	Credit Facilities			
9.17	Discounted Bills and Bonds	9.30	9.64	47
9.07	Loans and Advances	9.23	8.97	-10
9.03	Overdraft	9.75	9.20	17
8.34	Prime Lending Rate	8.40	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 13,978.2 million at the end of the first eight months of 2010; an increase amounting to JD 661.0 million, or 5.0 percent, compared to its level at the end of the previous year, against an increase in the amount of JD 16.6 million or 0.1 percent during the same period of 2009.

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

  - The increase in the extended credit facilities for the sectors of construction, industry, mining and general trade; which increased by JD 484.5 million, or 18.8 percent, JD 201.4 million, or 12.3 percent, JD 160.5 million, or 266.6 percent, and JD 115.9 million, or 13.6 percent, respectively, compared to their levels at the end of 2009.

  - The drop in the credit facilities extended to activities classified as "Other" (mostly represent the facilities extended to individuals) by JD 362.6 million, or 10.7 percent, compared to its level at the end of 2009.

- The classification of extended credit facilities by borrower reveals that the boost in the extended credit facilities was mainly in the credit facilities extended to the private sector (resident). These increased by JD 686.0 million, or 5.7 percent at the end of August 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 43.7 million, or 4.6 percent, and JD 1.7 million, or 37.8 percent, respectively.

Nevertheless, the credit facilities extended to the public sector (central government *plus* public institutions) decreased by JD 70.4 million, or 21.6 percent compared to their level at the end of 2009.

❑ Deposits at Licensed Banks

- Total deposits at licensed banks stood at JD 21,744.2 million at the end of the first eight months of 2010; an increase in the amount of JD 1,445.8 million, or 7.1 percent, compared to their level at the end of the preceding year, against an increase amounting to JD 1,507.9 million, or 8.3 percent, during the corresponding period of 2009.

- The increase in total deposits at the licensed banks during the first eight months of 2010 was a result of the increase in the deposits of private sector (resident) by JD 1,226.2 million, or 7.5 percent; the increase in the deposits of the private sector (non-resident) by JD 154.3 million, or 6.8 percent; and the increase in the deposits of non-banking financial institutions by JD 26.2 million, or 17.6 percent; and the increase in the deposits of the public sector by JD 39.1 million, or 2.4 percent, compared to their levels at the end of 2009.

- The developments in the currency structure of deposits during the first eight months of 2010 reveal that "deposits in local currency" and "deposits in foreign currencies" increased by JD 1,040.1 million, or 6.6 percent, and JD 405.7 million, or 9.2 percent, respectively, compared to their levels at the end of 2009.

❑ Amman Stock Exchange (ASE)

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

- **Trading Volume**

The trading volume at the ASE totaled JD 446.1 million in August 2010; up by JD 13.5 million, or 3.1 percent, compared to its level at the end of the previous month, against a decline in the amount of JD 68.0 million, or 12.4 percent, during the same month in 2009. However, the trading volume stood at JD 5,103.0 million during the first eight months of 2010; a decline amounting to JD 1,956.3 million, or 27.7 percent, compared to the same period of 2009.

- **Traded Shares**

The number of traded shares in August 2010 totaled 452.7 million; down by 63.3 million shares, or 12.3 percent, compared to the end of the preceding month, against an increase amounting to 6.1 million shares, or 1.7 percent, during the same month in 2009. Furthermore, the number of traded shares during the first eight months of 2010 stood at 5,214.5 million shares compared to 4,070.9 million shares traded during the same period of 2009, growing by 1,143.6 million shares, or 28.1 percent.

- **Share Price Index (SPI)**

The SPI weighted by market capitalization of free float shares at ASE lost 85.8 points, or 3.7 percent, at the end of August 2010 compared to its level at the end of the previous month to stand at 2,249.0 points, against a decline in the amount of 54.3

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

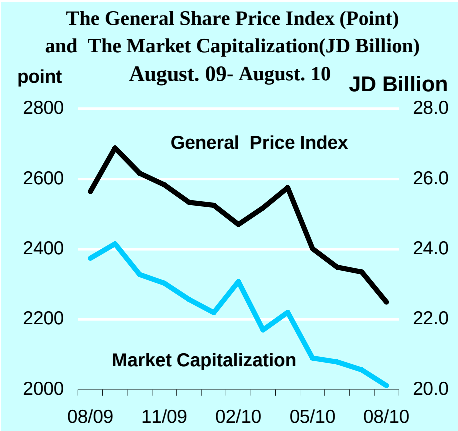
year		August	
2009		2009	2010
2,533.5	**General Index**	**2,564.5**	**2,249.0**
3,026.8	Financial Sector	3,117.2	2,756.9
2,738.8	Industrial Sector	2,868.1	2,329.9
2,107.9	Services Sector	1,972.6	1,928.4

Source: Amman Stock Exchange.

points, or 2.1 percent, during the same month in 2009. As for the first eight months in 2010, the SPI dropped by 284.5 points, or 11.2 percent, compared to its level at the end of the preceding year, against a drop in the amount of 193.9 points, or 7.0 percent, during the same period of 2009. The above-mentioned drop during the first eight months of 2010 was mainly due to the decline in the SPI for the industrial, services and the financial sectors by 408.9 points, or 14.9 percent, 179.5 points, or 8.5 percent, and 269.9 points, or 8.9 percent, respectively, compared to their levels at the end of 2009.

- **Market Capitalization**

The ASE's market capitalization totaled JD 20.1 billion at the end of August 2010; decreasing by JD 0.5 billion or 2.4 percent compared to its level at the end of the previous month, against a rise amounting to JD 0.2 billion, or 0.9 percent, during the same month in the preceding year. Furthermore, the market capitalization decreased by JD 2.4 billion, or 10.7 percent, during the first eight months of 2010, compared to its level at the end of 2009, against a decline amounting to around JD 1.7 billion, or 6.7 percent, over the same period of 2009.



- **Non - Jordanian Net Investment**

Non-Jordanian net investment at ASE recorded an outflow amounting to JD 21.6 million in August 2010, compared to an outflow amounting to JD 11.4 million during the same month in 2009; the value of shares acquired by non-Jordanians in August 2010 stood at JD 42.7 million, while the value of shares sold by the said group amounted to JD 64.2 million. Furthermore, non-Jordanian net investment displayed an outflow amounting to JD 16.6 million during the first eight months of 2010, against an inflow in the amount of JD 29.4 million during the same period of 2009.

Main Amman Stock Exchange Trading Indicators, JD Million

Year		August	
2009		2009	2010
9,665.3	Value Traded	482.4	446.1
38.8	Average Daily Trading	21.9	19.4
22,526.9	Market Capitalization	23,741.5	20,114.3
6,022.5	No. of Traded Shares (million)	373.9	452.7
(3.8)	Net Investment of Non-Jordanian	(11.4)	(21.6)
2,135.5	Non-Jordanian Buying	73.9	42.7
2,139.3	Non-Jordanian Selling	85.4	64.2

Source: Amman Stock Exchange.

Second: Output and Prices

❑ Summary

- Gross Domestic Product (GDP), at both market and basic prices, registered a real growth amounting to 2.9 percent and 4.3 precent, respectively, during the second quarter of 2010 compared to 1.9 percent and 2.4 percent, respectively, during the same quarter in 2009.
- As for the first half of 2010, GDP at both market and basic prices, registered a real growth rate of 2.5 percent and 3.9 percent, respectively, compared to 2.7 percent and 3.2 percent, respectively, during the first half in 2009.
- The general price level, as measured by the Consumer Price Index (CPI), increased by 4.7 percent during the first eight months of 2010, against a slight decline amounting to 0.4 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 an acceleration in its growth during the second quarter of 2010 driven by improved regional and global conditions and the growth of services sectors. **GDP, at constant market prices, grew at 2.9 percent in the second quarter of 2010 compared to 1.9 percent during the same quarter of 2009.** When excluding “net taxes on products”, which displayed a contraction by 4.6 percent during the second quarter of 2010, **GDP growth rate at constant basic prices goes up to 4.3 percent** compared to 2.4 percent during the second quarter of 2009.

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

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

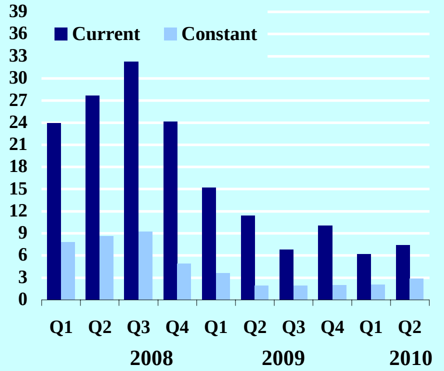
Quarterly Growth Rates of GDP at Market Prices
2008 - 2010

Percentages

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

Source: Department of Statistics.

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



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

In further details, the developments of economic sectors displayed a wide variation in their performance during the first half of 2010. **Some sectors witnessed a marked improvement, particularly "mining and quarrying" sector** which picked up strongly, recording a real growth rate of 9.7 percent compared to a contraction amounting to 4.2 percent during the same period of 2009. Meanwhile, **the sector of "finance, insurance, real estate and business services"** registered a noticeable growth amounting to 5.0 percent compared to a contraction amounting to 0.5 percent during the same period of 2009. In addition, the growth rate of **"transport and communications"** sector reached 8.7 percent compared to 3.5 percent during the first half of 2009.

In contrast, **the sectors of "construction" and "electricity and water" experienced a contraction** amounting to 7.9 percent and 5.6 percent, respectively, compared to a growth rate of 18.8 percent for the former and a contraction of 3.5 percent for the latter during the same period of 2009.

On the front of the sectoral contribution to economic growth, the data revealed that the contribution of both commodity- and service-producing sectors **in the overall GDP growth, at constant basic prices, amounted to 0.3 percentage point and 3.6 percentage points, respectively, in the first half of 2010 compared to 1.4 percentage points and 1.8 percentage points, respectively, in the first half of 2009. It is worth mentioning in this regard that the contribution of "net taxes on products" in the overall GDP growth was negative, standing at -1.0 percentage point during the first half of 2010**.

❑ Microeconomic Indicators

The latest sectoral indicators displayed divergent performance during the past period of the current year. Some indicators recorded a fast 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 and electricity production quantity index.

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

Fast pace growing indicators *
Percentages

The whole 2009	Item	January - July 2009	January - July 2010
-28.6	"Mining and quarrying" production quantity index	-19.3	19.7
-16.2	Quantities of exported and imported goods shipped through the Aqaba port	-20.1	16.0
-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
The whole 2009	**Item**	**January - August 2009**	**January - August 2010**
-44.0	Production of potash	-33.7	31.1
-17.8	Production of phosphate	-21.4	30.2
-8.5	Production of fertilizers	-13.6	19.6
0.5	Number of departures	0.7	23.2
2.9	Production of chemical acids	-7.9	19.0

Contracting indicators *
Percentages

The whole 2009	Item	January - July 2009	January - July 2010
17.5	Licensed areas for building	16.8	-1.7
1.2	Manufacturing production quantity index	0.2	-6.2
-1.7	Industrial production quantity index	-1.9	-5.0
-8.1	Electricity production quantity index	-8.7	-8.8
The whole 2009	**Item**	**January - August 2009**	**January - August 2010**
0.4	Quantity of cement sales to the domestic market (excluding imported quantities)	7.0	-20.5
-4.6	Production of cement	-1.5	-7.0
-3.6	Production of petroleum products	-3.4	-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) 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.

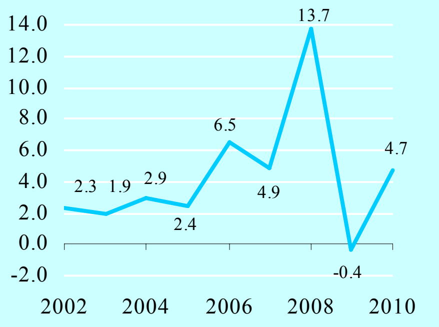
- As for the distribution of total investments according to nationality, the latest statistics revealed that the value of foreign investments benefiting from the IPL has increased to stand at JD 201.4 million (accounting for 23.0 percent of total investments) during the first half in 2010 compared to 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.

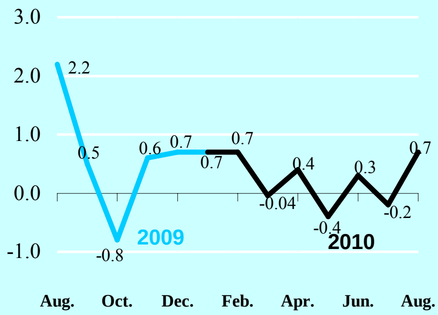
❑ Prices

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 4.7 percent** during the first eight months of 2010 against a slight decline amounting to 0.4 percent during the same period of 2009. This rise was basically due to the increase in the prices of oil derivatives and other related goods and services (such as transportation) as well as the prices of many food items in the local market compared to the same period of the preceding year.

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



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



Moreover, consumer prices have increased by 0.7 percent in August 2010 compared to their level in the preceding month. The aforementioned increase was mainly due to the rise in the prices of "vegetables", "meat and poultry" and transportation items.

The price developments of the main components of the CPI basket during the first eight months of 2010 compared to the same period of 2009 can be outlined as follows:

- The prices of **"food items" group** (which makes up the largest weight amongst the CPI components; accounting for 36.65 percent) **registered an inflation rate amounting to 4.1 percent during the first eight months of 2010 compared to an increase amounting to 3.5 percent during the same period of 2009. The contribution of this group to the overall rate of inflation recorded during the first eight months of 2010 reached 1.4 percentage points.** The rise in the prices of this group was driven by the increase in the prices of most items included in this group; particularly the prices of "meat and poultry" which leapt by 7.5 percent. In addition, the prices of "sugar and confectionaries" and cigarettes increased by 18.1 percent and 10.9 percent, respectively. In contrast, the prices of some other items declined. The most prominent items include "dairy products and eggs" and "oils and fat" items, which dropped by 2.1 percent and 1.8 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 slightly at 0.8 percent during the first eight months of 2010 compared to an increase in the amount of 7.4 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 0.5 percent and 2.0 percent, respectively, during the first eight months of 2010, compared to a rise in the amount of 6.5 percent and 10.8 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 eight months of 2010 against a decline amounting to 1.9 percent during the same period of 2009. In effect, the prices of this group contributed to the overall inflation rate by 1.1 percentage points during the period under consideration.** The increase in the prices of this group was affected by the rise in the prices of "fuels and electricity" item by 7.9 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 3.3 percent during the first eight months of 2010.

- The prices of **"other goods and services"** group (which accounts for 31.62 percent of the CPI basket) increased noticeably by 6.9 percent during the first eight months of 2010 against a drop in the amount of 5.5 percent during the same period of 2009. In consequence, **this group contributed to the overall inflation rate by 2.1 percentage points during the period under consideration.** The increase in the prices of this group came out as a main result of the rise in the prices of "transportation" item (which is the main component of this group) by 14.2 percent against a drop amounting to 17.1 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 "personal care" and "education" which increased by 6.0 percent and 5.9 percent, respectively.

Third: Public Finance

❑ Summary:

- The general budget, including foreign grants, showed a fiscal deficit amounting to JD 282.9 million during the first seven months in 2010, compared to a large fiscal deficit in the amount of JD 640.6 million during the same period in 2009. Excluding grants (amounting to JD 207.8 million), the deficit widens to stand at JD 490.7 million.
- Gross outstanding domestic public debt (budgetary and own - budget) stood at JD 7,600.0 million, or 39.2 percent of GDP, at the end of July 2010, reflecting a rise amounting to JD 514.0 million compared to its level at the end of 2009.
- Net outstanding domestic public debt totaled JD 6,408.0 million, or 33.0 percent of GDP, at the end of July 2010; up by JD 617.0 million compared to its level at the end of 2009.
- Outstanding external public debt, (budgetary and guaranteed) increased by JD 62.9 million at the end of July 2010 in comparison with its level at the end of 2009; standing at JD 3,931.9 million, or 20.3 percent of GDP.

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

Public Revenues

Public revenues (including foreign grants) increased by JD 28.8 million, or 8.6 percent, in the month of July 2010 compared to the same month in 2009; totaling JD 364.8 million. As for the first seven months in 2010, these revenues were up by JD 154.6 million, or 5.9 percent, compared to the same period in the preceding year to stand at JD 2,783.4 million. This result was driven by the increase in both foreign grants and domestic revenues by JD 105.1 million and JD 49.5 million, respectively.

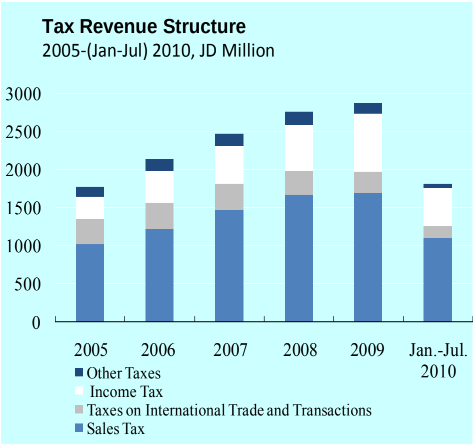
Main Government Budget Indicators during July and the first seven months of 2010 and 2009:

(JD Million and Percentages)

	July		Growth Rate %	Jan. – July		Growth Rate %
	2009	2010		2009	2010	
Total Revenues and Grants	**336.0**	**364.8**	**8.6**	**2,628.8**	**2,783.4**	**5.9**
Domestic Revenues, of which:	329.2	314.8	-4.4	2,526.1	2,575.6	2.0
Tax Revenues, of which:	211.6	234.8	11.0	1,805.5	1,818.1	0.7
General Sales Tax	147.6	169.4	14.8	941.5	1,096.9	16.5
Other Revenues, of which:	115.9	78.6	-32.2	709.0	746.7	5.3
Land Registration Fees	11.8	10.4	-11.9	83.7	78.1	-6.7
Foreign Grants	6.8	50.0	635.3	102.7	207.8	102.3
Total Expenditures	**446.5**	**472.8**	**5.9**	**3,269.4**	**3,066.3**	**-6.2**
Overall Deficit/ Surplus	**-110.5**	**-108.0**		**-640.6**	**-282.9**	

Source: Ministry of Finance/ General Government Finance Bulletin.

Domestic Revenues



Domestic revenues increased by JD 49.5 million, or 2.0 percent, during the first seven months in 2010 compared to the same period in 2009; amounting to JD 2,575.6 million. This increase was the outcome of the rise in the proceeds of "other revenues" by JD 37.7 million and the proceeds of "tax revenues" by JD 12.6 million, on one hand, and the decline in "pension contributions" by JD 0.8 million, on another.

- **Tax Revenues**

  Tax revenues were up by JD 12.6 million, or 0.7 percent, in the first seven months in 2010 compared to the same period in 2009, to reach JD 1,818.1 million; accounting for 70.6 percent of domestic revenues. This increase was chiefly influenced by the following developments:

- **The increase in the proceeds of general sales tax on goods and services** by JD 155.4 million, or 16.5 percent, to reach JD 1,096.9 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 70.9 million, JD 65.1 million, JD 3.5 million, and JD 15.9 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 seven months in 2010 amounted to 56.3 percent of their targeted level in the General Budget Law. It is worthy to indicate also that the amended Sales Tax Law No. (29) for 2009 came into effect as of the beginning of the current year. This Law is based on the principle of unification of taxation measures relating to sales tax and abolishing the fragmentation and lack of clarity in some laws in order to be consolidated under an integrated legislative tax frame.

- **The decrease in the proceeds of “income and profit taxes”** by 18.4 percent, standing at JD 507.1 million. This decrease was due to the decline in the proceeds of “income tax from companies and other projects” by JD 110.1 million, and the slight drop in the proceeds of “income tax from individuals” by JD 4.5 million. In further details, income tax from companies accounted for 79.9 percent of total taxes on income and profits; standing at JD 405.2 million (of which JD 176.9 million from the income of banks and financial institutions). **The drop in the proceeds of “income and profit taxes” was chiefly**

driven by the slow pace of the real economic growth registered in 2009 and its impact on companies' profits during the said year.

- **The decline in the proceeds of "taxes on international trade and transactions"** by JD 8.1 million, or 4.9 percent, to stand at JD 157.6 million. Such a decline was the outcome of the drop in the proceeds of departure tax by JD 8.7 million and increased in the proceeds of "customs duties and fees" by JD 0.6 million to reach JD 155.8 million.

➢ Other Revenues (Non-Tax Revenues)

"Other revenues" surged by JD 37.7 million, or 5.3 percent during the first seven months in 2010 to reach JD 746.7 million. This increase was mainly due to the rise in property income proceeds by JD 45.1 million (of which financial surplus of independent government units amounting to JD 195.4 million) to stand at JD 213.1 million. Moreover, revenues from selling goods and services displayed an increase amounting to JD 7.9 million to reach JD 358.3 million, while miscellaneous revenues dropped by JD 15.3 million to stand at JD 175.3 million.

➢ Pension Contributions

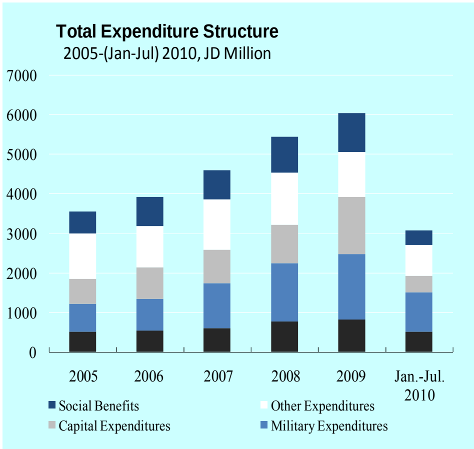
Pension contributions dropped by JD 0.8 million during the first seven months in 2010 compared to their level in the same period in 2009, standing at JD 10.8 million.

◆ Foreign Grants

Foreign grants rose by JD 105.1 million during the first seven months in 2010 to stand at JD 207.8 million.

Public Expenditures

Public expenditures increased by JD 26.3 million, or 5.9 percent, in July 2010 compared to the same month in 2009 to stand at JD 472.8 million. However, these expenditures declined by JD 203.1 million, or 6.2 percent, during the first seven months in 2010 to stand at JD 3,066.3 million. This decline was the outcome of the drop in capital expenditures by 42.9 percent and the rise in current expenditures by 4.3 percent.



Current Expenditures

Current expenditures increased by JD 109.3 million, or 4.3 percent, during the first seven months in 2010; amounting to JD 2,650.7 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 31.8 million and JD 24.4 million, to total JD 510.8 million and JD 991.4 million, respectively. The item of interest payments, both internal and external, has also increased by JD 8.4 million. Moreover, goods subsidies (food and oil subsidies) increased again, due to the increase in the word commodity prices particularly wheat prices, in addition to maintaining the liquid gas subsidy, to stand at JD 95.8 million (of which foods subsidies amounting to JD 73.8 million) during the first seven months in the current year against JD 12.4 million during the same period in 2009. Meanwhile, “social benefit expenditures” have declined by JD 24.0 million to stand at JD 538.0 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 39.7 million to stand at JD 157.1 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 312.4 million, or 42.9 percent during the first seven months in 2010 compared to the same period in the preceding year; standing at JD 415.6 million. Accordingly, the achievement ratio of capital expenditures stood at just 43.1 percent of their projected level in the Budget Law and its Supplement for 2010.

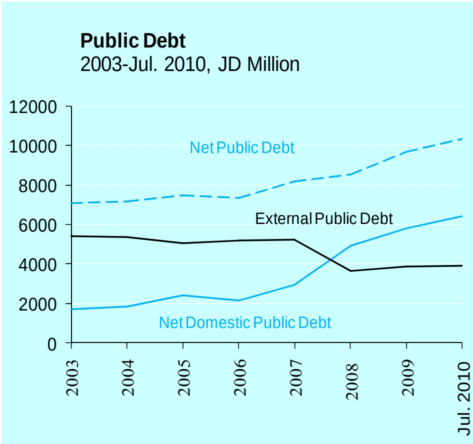
General Budget Deficit/ Surplus

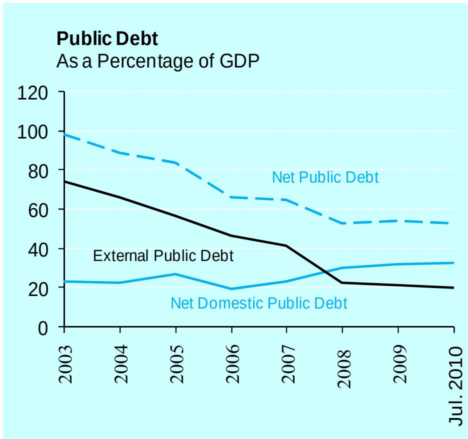
- **The general budget, including grants, displayed a fiscal deficit amounting to JD 282.9 million in the first seven months in 2010** against a large deficit in the amount of JD 640.6 million during the same period in 2009.

- **The general budget showed a primary surplus** (after excluding interest payments on public debt from total expenditures) **amounting to JD 75.0 million in the first seven months in 2010** against a primary deficit in the amount of JD 441.1 million during the same period in 2009.

❑ Public Debt

- **Gross outstanding domestic public debt of the government (budgetary and own-budget agencies) was up** by JD 514.0 million at the end of July 2010 compared to its level at the end of 2009 to reach JD 7,600.0 million, or 39.2 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 360.0 million and JD 153.0 million, respectively. This increase in the budgetary domestic public debt was mainly the outcome of the rise in the balance of the "treasury bills and bonds" in the amount of JD 403.0 million to total JD 6,156.0 million at the end of July 2010, on one hand, and the drop in the outstanding balance of "loans and advances" extended by CBJ to the budgetary central government by JD 40.0 million to stand at JD 952.0 million at the end of July 2010, on the other.





- **Net outstanding domestic public debt** (gross outstanding domestic public debt *minus* government deposits at the banking system) **increased by JD 617.0 million at the end of July 2010** compared to the end of 2009 to total JD 6,408.0 million, or 33.0 percent of GDP. The aforementioned increase was the outcome of the rise in gross outstanding domestic public debt by JD 514.0 million and the decline in the government deposits at the banking system by JD 102.0 million compared to their level at the end of 2009.

- **Outstanding balance of external public debt (budgetary and guaranteed) was up** by JD 62.9 million at the end of July 2010 compared to its level at the end of 2009; amounting to JD 3,931.9 million, or 20.3 percent of GDP. The currency structure of this debt indicates that external debt in US dollars accounted for 33.1 percent, while debt in Euros accounted for 9.7 percent. Further, external debt in Japanese Yen and Kuwaiti Dinars accounted for 26.0 percent and 19.3 percent of the outstanding external public debt, respectively.

- **Net public debt (domestic and external) increased** by JD 679.9 million at the end of July 2010 compared to its level at the end of 2009 to stand at JD 10,339.9 million, or 53.3 percent of GDP, against JD 9,660.0 million, or 54.2 percent of GDP, at the end of 2009. Consequently, the ratio of net public debt to GDP decreased by 0.9 percentage point compared to its level at the end of 2009. It is worth mentioning in this respect that the amended Public Debt Management Law for 2008 sets new ceilings for the public debt. According to the introduced amendments, net outstanding domestic public debt and outstanding external public debt shall not exceed 40.0 percent of GDP for each. In addition, total outstanding public debt shall not exceed 60.0 percent of GDP.

- **External debt service (budgetary and guaranteed**), on a cash basis, amounted to JD 215.3 million during the first seven months in 2010 (of which interest payments amounting to JD 47.4 million) compared to JD 207.7 million in the same period in 2009 (of which interest payments amounting to JD 56.3 million).

❑ Fiscal and Price Measures

- **Lowering the prices of all types of oil derivatives as of September 17, 2010, while maintaining the prices of domestic liquid gas unchanged, as follows:**

	Unit	2010		Change %
		August	September	
Fuel oil for industry	JD/Ton	358.8	349.9	-2.5
Fuel oil for ships	JD/Ton	358.8	349.9	-2.5
Fuel oil for airplanes (local companies)	Fils/Liter	442	434	-1.8
Fuel oil for airplanes (foreign companies)	Fils/Liter	447	439	-1.8
Fuel oil for unplanned flights	Fils/Liter	462	454	-1.7
Asphalt	JD/Ton	385.7	376.3	-2.5
Unleaded Gasoline 90*	Fils/Liter	555	540	-2.7
Unleaded Gasoline 95*	Fils/Liter	675	660	-2.2
Gas Oil (Diesel)	Fils/Liter	470	465	-1.1
Kerosene	Fils/Liter	470	465	-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 impose customs duties on imported ceramic in the amount of 750 fils per meter. This decision came under the National Production Protection Law (August 2010).

Grants, Loans and Other Agreements

- Signing a grant agreement extended by the European Union (EU) in the amount of EUR 20.0 million. The grant seeks to support the implementation of the EU-Jordan action plan. It is worthy to indicate that this agreement comes within the framework of EU Aid Program to Jordan (2007-2010) (August 2010).
- Signing a memorandum of understanding (MoU) between AL-Hussein Bin Talal University in Ma'an and the National Information Society Agency of Korea, for the establishment of an Information Center at the University campus, costing US $ 400.0 thousand (August 2010).
- Signing a technical cooperation agreement between Jordan and the International Finance Corporation (IFC) to support the legislative and operational framework of lending against movable assets and to set up a first national movable asset registry (August 2010).

Fourth: External Sector

❑ Summary

- The value of **total merchandize exports** (domestic exports *plus* re-exports) increased by 26.0 percent in July 2010 compared to the same month in 2009 to stand at JD 410.6 million. As for the first seven months of 2010, total merchandize exports increased by 7.7 percent; amounting to JD 2,852.2 million.

- The value of **merchandize imports** decreased by 6.5 percent in July 2010 compared to the same month in the previous year; amounting to JD 893.8 million. Regarding the first seven months of 2010, total merchandize imports rose by 8.6 percent; amounting to JD 6,127.1 million.

- In the light of the above developments, the **trade balance deficit** (total exports *minus* imports) narrowed by 23.3 percent in July 2010 compared to the same month in 2009; standing at JD 483.2 million. As for the first seven months of 2010, the trade deficit increased by 9.4 percent; amounting to JD 3,274.9 million.

- According to the preliminary figures, **travel receipts** decreased by 7.2 percent during August 2010 compared to the same month in the preceding year; to stand at JD 242.0 million. Whereas **travel payments** increased by 12.8 percent; amounting to JD 91.8 million. As for the first eight months of 2010, both travel receipts and travel payments increased by 20.0 percent and 34.9 percent to stand at JD 1,655.8 million and JD 704.2 million respectively.

- According to the preliminary figures, **total workers' remittances receipts** amounted to JD 226.1 million during August 2010; an increase amounting to 12.4 percent compared to the same month in 2009. In addition, total workers' remittances receipts increased by 1.9 percent; to stand at JD 1,723.8 million, during the first eight months of 2010.

- **The current account of the balance of payments** displayed a deficit of JD 547.1 million during the first half of 2010 compared to a deficit of JD 294.3 million during the corresponding half of 2009.

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

External Trade

In light of the increase in domestic exports by JD 374.7 and imports by JD 484.9 million during the first seven months of 2010; the volume of external trade (domestic exports *plus* imports) increased by JD 859.6 million to stand at JD 8,532.5 million.

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

	2009	2010	Percentage Change
Exports			
Iraq	367.4	369.0	0.4
United States	349.7	367.4	5.1
India	248.8	309.0	24.2
Saudi Arabia	201.3	243.7	21.1
Syria	102.0	119.5	17.2
United Arab Emirates	68.0	106.5	56.6
Lebanon	65.1	72.8	11.8
Imports			
Saudi Arabia	912.3	1,080.9	18.5
China	602.0	646.5	7.4
Germany	380.8	447.2	17.4
United States	402.6	340.6	-15.4
Egypt	354.2	299.5	-15.4
South Korea	211.2	275.6	30.5
Japan	188.8	231.0	22.4
Turkey	175.1	222.2	26.9
Italy	195.6	217.8	11.3

Source: Department of Statistics.

Developments of External Trade Indicators, JD Million

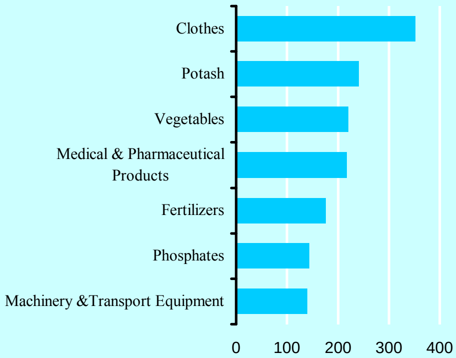
	January - July			
	2009	Percentage Change 2008/2009	2010	Percentage Change 2009/2010
External Trade	7,672.9	-20.5	8,532.5	11.2
Total Exports	2,647.4	-15.3	2,852.2	7.7
Domestic Exports	2,030.7	-15.1	2,405.4	18.5
Re-exports	616.7	-16.2	446.8	-27.5
Imports	5,642.2	-22.3	6,127.1	8.6
Trade Balance	-2,994.8	-27.5	-3,274.9	9.4

Source: Department of Statistics.

Merchandize Exports:

Total merchandize exports increased by 7.7 percent during the first seven months of 2010 to reach JD 2,852.2 million compared to a drop amounting to 15.3 percent during the same period of 2009. This increase was an outcome of the increase in domestic exports by JD 374.7 million, or 18.5 percent, to reach JD 2,405.4 million and the decline in re-exports by JD 169.9 million, or 27.5 percent, to reach JD 446.8 million.

Major Exports by Commodity January - July 2010, JD Million



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

- The exports of **clothes** increased by JD 16.5 million, or 4.9 percent, to reach JD 351.9 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 110.0 million, or 84.2 percent, to stand at JD 240.6 million. This was an outcome of the increase in quantities exported of potash by 138.8 percent and the drop in its price by 22.9 percent. The geographical distribution of exports indicated that the Indian, Chinese and Malaysian markets accounted for 68.4 percent of potash exports.
- The exports of **vegetables** increased by JD 40.8 million, or 22.7 percent, to reach JD 220.7 million. The geographical distribution indicated that the markets of Syria, Iraq, and UAE accounted for 66.9 percent of these exports.

- The exports of **medical and pharmaceutical products** increased by JD 24.1 million, or 12.5 percent, to stand at JD 216.6 million. The Saudi, Algerian, Sudanese and Lebanese markets accounted for 58.4 percent of these exports.

- The exports of **fertilizers** increased by JD 31.2 million, or 21.5 percent, to reach JD 176.1 million. This increase was the outcome of the increase in the quantities exported by 33.6 percent and the decline in the prices of fertilizers by 9.0 percent. The Indian, Ethiopian and Japanese markets accounted for 82.6 percent of fertilizers exports.

- The exports of **phosphates** declined by JD 45.4 million, or 24.0 percent, to total JD 144.1 million. This decline was attributed to the downturn in the prices of phosphates by 38.5 percent and the increase in the quantities exported by 23.7 percent. The

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

	2009	2010	Percentage Change
Domestic Exports	**2,030.7**	**2,405.4**	**18.5**
Clothes	**335.4**	**351.9**	**4.9**
United States	310.1	327.1	5.5
Potash	**130.6**	**240.6**	**84.2**
India	72.1	101.5	40.8
China	17.7	34.6	95.5
Malaysia	7.4	29.6	300.0
Vegetables	**179.9**	**220.7**	**22.7**
Syria	48.7	59.5	22.2
Iraq	48.9	57.3	17.2
United Arab Emirates	20.6	30.9	50.0
Medical & Pharmaceutical Products	**192.5**	**216.6**	**12.5**
Saudi Arabia	58.2	58.4	0.3
Algeria	30.0	31.7	5.7
Sudan	17.2	21.0	22.1
Lebanon	12.2	15.5	27.0
Fertilizers	**144.9**	**176.1**	**21.5**
India	72.3	98.2	35.8
Ethiopia	0.0	24.5	-
Japan	51.4	22.7	-55.8
Phosphates	**189.5**	**144.1**	**-24.0**
India	83.8	98.7	17.8
Indonesia	56.5	27.8	-50.8
Singapore	1.1	7.6	590.9
Machinery & Transport Equipment	**119.0**	**139.5**	**17.2**
Saudi Arabia	36.4	48.1	32.1
Iraq	37.1	41.0	10.5
United Arab Emirates	5.2	8.4	61.5

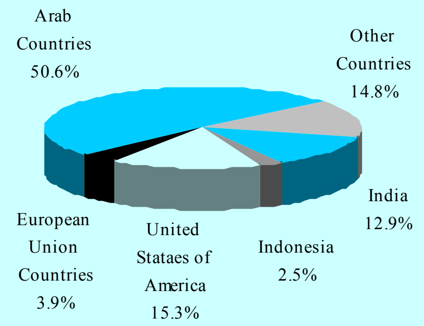
Source: Department of Statistics.

markets of India, Indonesia and Singapore were the main destinations for phosphates exports; accounting for 93.1 percent.

- The exports of **machinery and transport equipment** increased by JD 20.5 million, or 17.2 percent, to total JD 139.5 million. The markets of Saudi Arabia, Iraq and UAE accounted for 69.9 percent of these exports.

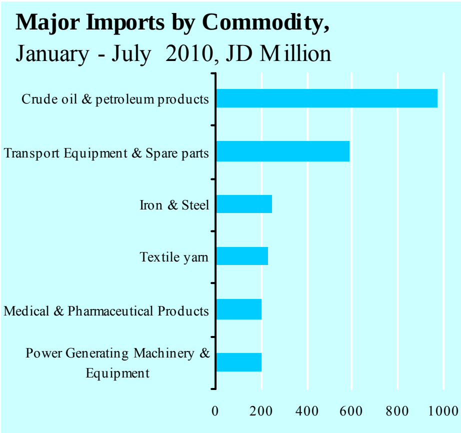
In light of the aforementioned developments, the commodity breakdown of domestic exports indicates that the exports of clothes, potash, vegetables, "medical and pharmaceutical products", fertilizers, phosphates and "machinery and transport equipment" topped the list of exporting materials during the first seven months of 2010; accounting for 61.9 percent of domestic exports; down from 63.6 percent during the same period of 2009. Regarding the geographical distribution of domestic exports, the markets of Iraq, USA, India, Saudi Arabia, Syria, UAE and Lebanon were the main destinations for the Jordanian domestic exports during the first seven months of 2010; accounting for 66.0 percent of domestic exports, down from 69.1 percent during the same period of 2009.

Geographic Distribution of Domestic Exports, January - July 2010



Merchandize Imports:

Merchandize imports stood at JD 6,127.1 million during the first seven months of 2010 increasing by JD 484.9 million, or 8.6 percent, against a decline by 22.3 percent during the same period of the preceding year.



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

- The imports of **crude oil** surged by JD 181.1 million, or 33.6 percent, to reach JD 720.5 million. This increase was attributed to the increase in oil prices by 45.2 percent and the drop in the imported quantities of oil by 8.0 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 43.7 million, or 6.9 percent, to reach JD 590.6 million. The markets of Japan, South Korea and Germany were the main sources of these imports; accounting for 69.6 percent.

- The imports of **petroleum products** increased by JD 98.5 million, or 63.1 percent, to total JD 254.7 million. The markets of UAE, Malaysia and Saudi Arabia were the main sources of these imports.

- The imports of **iron and steel** declined by JD 42.2 million, or 14.8 percent; totaling JD 242.2 million. The markets of Ukraine, Turkey and Russia were the main sources of these imports.

- The imports of **medical and pharmaceutical products** increased by JD 33.9 million, or 20.0 percent, to reach JD 203.7 million. The markets of Switzerland, Germany, UK, and France were the main sources of these imports; accounting for 42.3 percent of these imports.

- The imports of **textile yarn, fabrics, made up articles and related products** increased by JD 8.5 million, or 3.9 percent; amounting to JD 225.3 million. The main source of these imports was the Chinese market followed by the Taiwanese and Syrian markets.

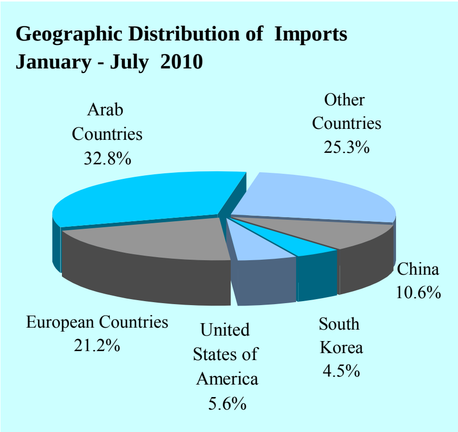
Major Imports by Commodity

January – July 2009, 2010, JD Million

	2009	2010	Percentage Change
Total Imports	**5,642.2**	**6,127.1**	**8.6**
Crude Oil	**539.4**	**720.5**	**33.6**
Saudi Arabia	486.1	644.7	32.6
Transport Equipment and Spare Parts	**634.3**	**590.6**	**-6.9**
Japan	110.1	148.3	34.7
South Korea	125.5	141.2	12.5
Germany	171.5	121.8	-29.0
Petroleum Products	**156.2**	**254.7**	**63.1**
United Arab Emirates	47.5	50.8	6.9
Malaysia	0.0	47.1	-
Saudi Arabia	35.4	38.0	7.3
Iron & Steel	**284.4**	**242.2**	**-14.8**
Ukraine	100.2	63.8	-36.3
Turkey	20.1	47.5	136.3
Russia	61.9	31.8	-48.6
Medical & Pharmaceutical Products	**169.8**	**203.7**	**20.0**
Switzerland	19.1	23.7	24.1
Germany	20.1	22.6	12.4
United Kingdom	15.7	20.9	33.1
France	15.4	18.9	22.7
Textile Yarn, Fabrics & Related Products	**216.8**	**225.3**	**3.9**
China	95.2	108.1	13.6
Taiwan	34.3	37.4	9.0
Syria	13.0	13.5	3.8
Power Generating Machinary and Equipment	**48.1**	**202.5**	**321.0**
Germany	9.0	150.2	-
China	2.9	12.7	-
United States	10.6	11.3	6.6
South Korea	3.1	7.7	148.4

Source: Department of Statistics.

- The imports of **power generating machinery and equipement** increased by JD 154.4 million, or 321.0 percent, to reach JD 202.5 million. The markets of Germany, China, USA and South Korea accounted for 89.8 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 39.8 percent of total imports during the first seven months of 2010; up from 36.3 percent during the same period of 2009. Meanwhile, the geographical distribution of imports indicates that the markets of Saudi Arabia, China, Germany, USA, Egypt and South Korea topped the list of the sources of imports during the first seven months of 2010; accounting for 50.4 percent compared to 50.7 percent during the same period of 2009.

Re-Exports

Re-exported goods decreased by JD 169.9 million, or 27.5 percent, during the first seven months of 2010 to reach JD 446.8 million (in particular, the re-exported merchandize to Iraq; which decreased significantly by JD 142.1 million). Such a drop was due to the decline in the value of re-exports of "transport equipment and spare parts", "dairy products and eggs", "vegetable oils and fats" and non-monetary gold by JD 56.9 million, JD 22.9 million, JD 26.9 million and JD 14.7 million respectively.

Trade Balance

Trade balance deficit widened by JD 280.1 million, or 9.4 percent, during the first seven months of 2010 compared to the same period of 2009 to stand at JD 3,274.9 million.

Workers' Remittances Receipts

Workers' remittances receipts amounted to JD 226.1 million in August 2010; an increase amounting to 12.4 percent compared to the same month in the preceding year. These remittances increased by 1.9 percent to stand at JD 1,723.8 million during the first eight months of 2010.

Travel

Receipts

Travel receipts increased by JD 276.4 million, or 20.0 percent, during the first eight months of 2010 to stand at JD 1,655.8 million. The increase in travel income was attributed to the increase in the number of Kingdom's inbound tourists by 12.8 percent during the first eight months of 2010 to stand at 5.3 million visitors compared to 4.7 million visitors during the same period of 2009.

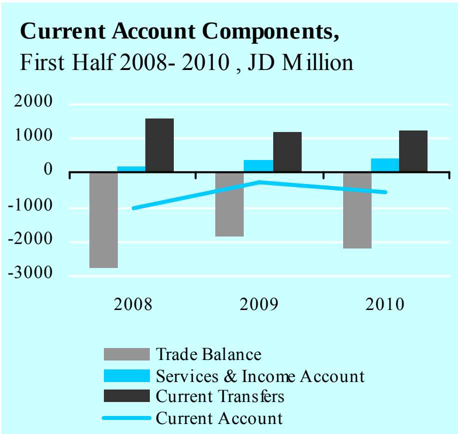
Payments

Travel payments rose by JD 182.3 million, or 34.9 percent, during the first eight months of 2010 to stand at JD 704.2 million. Such development was attributable to the increase in the number of outbound tourists by 41.2 percent during the first eight months of 2010 to stand at 2.4 million tourists compared to 1.7 million tourists during the same period of 2009.

Balance of Payments

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

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



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

  - The surplus of the services account in the amount of JD 294.2 million, compared to a surplus of JD 177.4 million in the first half of 2009. This surplus was due to the surplus in the items of travel (net) and government services (net), which amounted to JD 633.2 million and JD 112.0 million respectively, and the deficit in the items of transportation (net) and other services (net) of JD 424.3 million and JD 26.7 million respectively.

  - The surplus of the income account (net) decreased by JD 47.4 million, amounting to JD 149.5 million, compared to JD 196.9 million in the first half of 2009. Such a decrease was due to the decline in the investment income (net) by JD 64.0 million and the increase in the compensation of employees (net) by JD 16.6 million.

  - The increase in the net current transfers by JD 48.7 million; to reach JD 1,218.5 million; in light of the increase in net transfers of the public sector (foreign grants) by JD 86.2 million to reach JD 287.1 million during the first half of 2010 compared to JD 200.9 million during the corresponding half of 2009, In addition to the decrease in net transfers of other sectors by JD 37.5 million to reach JD 931.4 million compared to JD 968.9 million in the first half of 2009; noting that the volume of workers' remittances (net) decreased by JD 18.9 million, or 2.6 percent, to reach JD 916.2 million during the first half of 2010.

- The capital and financial account with the rest of the world recorded a net inflow of JD 551.4 million in the first half of 2010 against a similar inflow in the amount of JD 197.8 million in the first half of 2009 owing chiefly to the following:

  - Net inflow of the FDI amounted to JD 643.3 million during the first half of 2010 compared to JD 747.2 million in the first half of 2009.
  - Net outflow of the portfolio investment amounted to JD 26.4 million compared to a net outflow in the amount of JD 101.0 million during the first half of 2009.
  - Net outflow of other investments in the amount of JD 357.9 million in the first half of 2010 against a net inflow amounting to JD 344.6 million in the same half of the preceding year.
  - The decrease in reserve assets of the CBJ by JD 292.4 million compared to an increase amounting to JD 793.0 million in the first half of 2009.

International Investment Position (IIP)

The IIP, which represents the Kingdom's net position (stock) of external assets and liabilities, displayed an obligation to abroad in the amount of JD 11,884.4 million at the end of 2009 compared to JD 13,964.3 million at the end of 2008. This decline was due to the following developments:

- The increase in the position of external assets (the stock of claims, obligations and financial assets) for all economic sectors (resident) in the Kingdom by JD 1,682.9 million at the end of

2009 compared to the end of 2008; amounting to JD 15,138.6 million at the end of 2009. This increase was mainly due to the rise in the reserve assets of the CBJ by JD 2,283.3 million, the increase in the investment of the commercial banks and other sectors in external bonds and stocks by JD 430.9 million, the increase in the external assets, represented by loans granted by the commercial banks to non-resident entities, by JD 408.9 million, the decline in the balance of external assets of currency and deposits of commercial banks by JD 1,366.8 million, and the decline in balance of other assets of other sectors (resident) by JD 102.2 million.

- 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 397.0 million at the end of 2009 compared to the end of 2008; to stand at JD 27,023.0 million. This was mainly the outcome of the following:

    - The decrease in the stock of portfolio investment in the Kingdom by JD 746.0 million; amounting to JD 2,364.0 million. This decrease was mainly due to the decline in the Share Price Index (SPI) at the Amman Stock Exchange (ASE) in 2009.

    - The decrease in the balance of trade credit extended to the resident sectors by JD 88.8 million to reach JD 257.9 million.

    - The increase in the balance of other liabilities by JD 163.6 million, which was mainly due to the new SDRs' allocation by IMF during 2009 to all IMF country members. Jordan's share in this new SDRs' allocation is JD 161.7 million.

    - The increase in the balance of external loans extended to the resident sectors by JD 183.2 million; to reach JD 3,922.4 million. This increase was mainly due to the increase in the balance of external loans extended to the CBJ and the central government by JD 90.0 million and JD 119.8 million respectively.

- The increase in the stock of FDI in the Kingdom by JD 52.8 million to stand at JD 14,525.0 million. This increase was due to the FDI inflows in 2009 despite the decline in the SPI at the ASE in 2009.

- The increase in the position of deposits of non-resident bodies at the banking system by JD 38.2 million to reach JD 5,623.8 million. This increase was due to the increase in the deposits of licensed banks by JD 177.0 million and the decrease in the depoists of the CBJ by JD 138.8 million.