



Central Bank of Jordan

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

**Research Dept. Monthly Report  
July, 2010**

**Central Bank of Jordan**

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## ❑ OUR VISION

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

## ❑ OUR MISSION

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

## ❑ OUR VALUES

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

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

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## Executive Summary

**According to indicators available to-date for 2010, the national economy displayed favorable results in a number of external sector and public finance indicators, including the growing tourism income and net inflows of FDI, in addition to narrowing fiscal deficit during the first five months 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 half of 2010 against an increase in the amount of 0.5 percent during the same period of 2009. Furthermore, 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 in 2009.

### ❑ **Monetary and Financial Sector:**

- Foreign currency reserves at the Central Bank of Jordan (CBJ) dropped by US\$ 522.9 million, or 4.8 percent, at the end of the first six months in 2010 compared with their level at the end of 2009; standing at US\$ 10,356.1 million.
- Domestic liquidity grew by JD 779.8 million, or 3.9 percent, at the end of the first half in 2010 compared with its level the end of 2009; standing at JD 20,793.1 million.
- The outstanding balance of credit facilities extended by licensed banks was up by JD 573.3 million, or 4.3 percent, at the end of the first half in 2010 compared with its level at the end of 2009; standing at JD 13,890.5 million.
- Total deposits at licensed banks increased by JD 918.9 million, or 4.5 percent, at the end of the first half in 2010 compared with its level at the end of 2009; totaling JD 21,217.3 million.
- The share price index weighted by market capitalization of free float shares at Amman Stock Exchange (ASE) was down by 184.9

points, or 7.3 percent, at the end of June 2010 compared with its level at the end of 2009; standing at 2,348.6 points.

- ❑ **Public Finance:** The general budget, including foreign grants, showed a fiscal deficit amounting to JD 137.0 million during the first five months in 2010 compared to a fiscal deficit in the amount of JD 348.3 million during the same period in 2009. On the front of indebtedness, net outstanding domestic public debt (budgetary and own-budget) increased by JD 288.0 million at the end of May 2010 compared to its level at the end of 2009; standing at JD 6,079.0 million, or 34.5 percent of GDP. In contrast, outstanding external public debt dropped by JD 56.5 million at the end of May 2010 compared to its level at the end of 2009; totaling JD 3,812.5 million, or 21.7 percent of GDP.
- ❑ **External Sector:** The value of total merchandize exports (domestic exports *plus* re-exports) increased by 3.0 percent during the first five months in 2010 to reach JD 2,014.4 million. Similarly, the value of merchandize imports was up by 7.2 percent; totaling JD 4,140.8 million. In effect, the trade deficit expanded by 11.5 percent compared with the same period in the previous year; amounting to JD 2,126.4 million. Further, the preliminary figures for the first half in 2010 showed an increase in the travel receipts and travel payments by 28.0 percent and 37.6 percent compared to the same period in 2009, respectively. In addition, the receipts of workers' remittances were up by 1.2 percent. In this regards, it is worth indicating that the preliminary figures for the balance of payments in the first quarter in 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 in 2009. Finally, net inflows of Foreign Direct Investment (FDI) came at JD 264.9 million during the first quarter in 2010 compared with a net inflow of JD 186.7 million in the same quarter in 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 with JD 15,059.0 million at the end of 2007.

## First: Monetary and Financial Sector

### □ Summary:

- Foreign currency reserves at the CBJ were down by US\$ 522.9 million, or 4.8 percent, at the end of the first half of 2010 compared with their level at the end of 2009; standing at US\$ 10,356.1 million. The aforementioned level of reserves is equivalent to around 7.4 months of the Kingdom's imports of goods and services.
- Domestic liquidity at the end of the first half of 2010 was up by JD 779.8 million, or 3.9 percent, compared with its level at the end of the previous year to total JD 20,793.1 million.
- The outstanding balance of the credit facilities extended by licensed banks increased by JD 573.3 million, or 4.3 percent, at the end of the first half in 2010 compared with its level at the end of 2009; standing at JD 13,890.5 million.
- Total deposits at licensed banks were up by JD 918.9 million, or 4.5 percent, at the end of the first half in 2010 in comparison with their level at the end of 2009; totaling JD 21,217.3 million.
- Interest rates on credit facilities at licensed banks have increased during the first half in 2010 with the exemption of the interest rates on "loans and advances". However, interest rates on deposits have declined compared with their 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 184.9 points, or 7.3 percent, at the end of June 2010 compared with its level at the end of 2009; standing at 2,348.6 points. Consequently, the market capitalization went down by around JD 0.1 billion, or 0.5 percent, to stand at JD 20.8 billion at the end of June 2010.

### Main Monetary Indicators

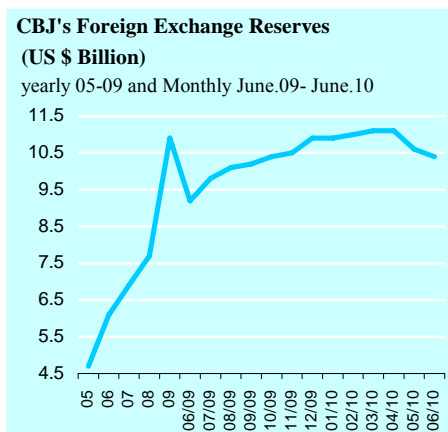
JD Million, and Percentage Change Relative to the Previous Year (%)

Year		End of June	
		2009	2010
US\$ 10,879.0	CBJ's Foreign Exchange Reserves	US\$ 9,186.6	US\$ 10,356.1
∓40.5		∓18.6	∓4.8
20,013.3	Money Supply (M2)	19,143.7	20,793.1
∓9.3		∓4.6	∓3.9
13,317.2	Credit Facilities, of which:	13,082.5	13,890.5
∓2.1		∓0.3	∓4.3
12,041.3	Private Sector (Resident)	11,751.5	12,571.1
∓1.4		∓1.0	∓4.4
20,298.4	Total Deposits, of which:	19,328.3	21,217.3
∓12.1		∓6.8	∓4.5
15,865.0	In JD	14,866.1	16,511.2
∓18.9		∓11.4	∓4.1
4,433.4	In Foreign Currencies	4,462.2	4,706.1
∓6.7		∓6.1	∓6.2
16,256.7	Deposits of Private Sector (Resident), of which:	15,221.3	16,920.9
∓13.7		∓6.5	∓4.1
13,500.0	In JD	12,475.2	13,943.2
∓19.5		∓10.4	∓3.3
2,756.7	In Foreign Currencies	2,746.1	2,977.7
∓7.8		∓8.2	∓8.0

Source: Central Bank of Jordan / Monthly Statistical Bulletin.

#### □ CBJ Foreign Reserves:

The CBJ foreign currency reserves were down by US\$ 522.9 million, or 4.8 percent, at the end of the first half in 2010 compared with their level at the end of 2009; standing at US\$ 10,356.1 million. The aforementioned level of reserves is equivalent to around 7.4 months of the Kingdom's imports of goods and services. These reserves amounted to US\$ 10,825.7 million as of July 22, 2010; down by US\$ 53.3 million or 0.5 percent compared to their levels at the end of 2009.



#### □ Domestic Liquidity (M2):

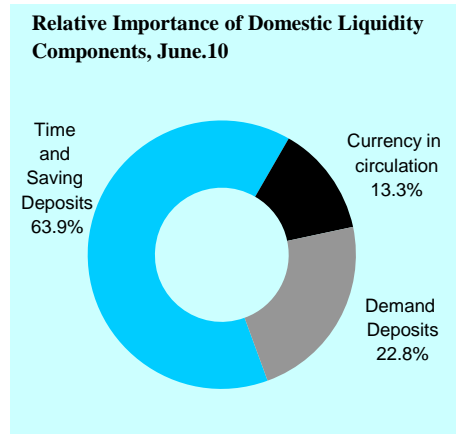
- Domestic liquidity totaled JD 20,793.1 million at the end of June 2010; increasing by JD 253.0 million, or 1.2 percent, compared with its level at the end of the preceding month against an increase in the amount of JD 30.5 million, or 0.2 percent, during the same month in 2009. As for the first half in 2010, domestic liquidity increased by JD 779.8 million, or 3.9 percent, compared to its level at the end of 2009, against an increase in the amount of JD 839.5 million, or 4.6 percent, during the same period in 2009.

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

- **Components of Domestic Liquidity:**

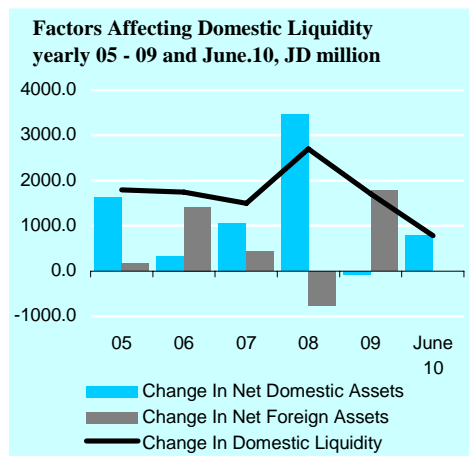
- Deposits increased by JD 691.7 million, or 4.0 percent, at the end of the first half in 2010 compared with their levels at the end of 2009; totaling JD 18,025.5 million, against an increase amounting to JD 899.6 million, or 5.8 percent, at the end of the same period in 2009.

- Currency in circulation was up by JD 88.1 million, or 3.3 percent, at the end of the first half in 2010; standing at JD 2,767.6 million compared with its level at the end of 2009 against a decline in the amount of JD 60.1 million, or 2.3 percent, at the end of the same period in 2009.



• **Factors Affecting Domestic Liquidity:**

o Net domestic assets at the banking system increased by JD 783.9 million, or 7.0 percent, at the end of the first half in 2010 compared with its level at the end of 2009 against an increase in the amount of



JD 129.1 million, or 1.2 percent, during the same period in 2009. The aforementioned increase recorded during the first six 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 389.5 million, or 2.2 percent, and JD 394.4 million, or 6.3 percent, respectively.

- Net foreign assets at the banking system was down by JD 4.1 million, or 0.1 percent, at the end of the first half in 2010 compared with their level at the end of 2009 against an increase in the amount of JD 710.4 million, or 10.0 percent, at the end of the first half in 2009. The aforementioned drop was an outcome of the decline in net foreign assets at the CBJ by JD 356.4 million, or 3.9 percent, on one hand, and the increase in these assets at the licensed banks by JD 352.3 million.

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

JD Million

Year		Change in balance relative to the end of June	
		2009	2010
<b>1,780.1</b>	<b>Foreign Assets (Net)</b>	<b>710.4</b>	<b>-4.1</b>
2,433.2	CBJ	835.0	-356.4
-653.1	Licensed Banks	-124.6	352.3
<b>-71.0</b>	<b>Domestic Assets (Net)</b>	<b>129.1</b>	<b>783.9</b>
-2,552.8	CBJ, of which:	-948.5	394.4
-302.8	Claims on Public Sector (Net)	-9.8	-87.0
-2,250.0	Other Items (Net*)	-938.6	481.2
2,481.8	Licensed Banks	1,077.6	389.5
630.5	Claims on Public Sector (Net)	227.1	146.6
159.9	Claims on Private Sector	22.7	547.2
1,691.4	Other Items (Net)	827.8	-304.3
<b>1,709.1</b>	<b>Money Supply (M2)</b>	<b>839.5</b>	<b>779.8</b>
<b>14.7</b>	<b>Currency in Circulation</b>	<b>-60.1</b>	<b>88.1</b>
<b>1,694.4</b>	<b>Total Deposits, of which:</b>	<b>899.6</b>	<b>691.7</b>
-436.1	In Foreign Currencies	-380.3	135.1

\* 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 slashed the interest rates on its monetary instruments by 50 basis points as of February 21, 2010. Accordingly, the interest rates on the monetary 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 in 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		June	
		2009	2010
4.75	Re-discount Rate	5.25	4.25
4.50	Repurchase Agreements Rate (Repos)	5.00	4.00
2.50	Overnight Deposit Window Rate	3.00	2.00

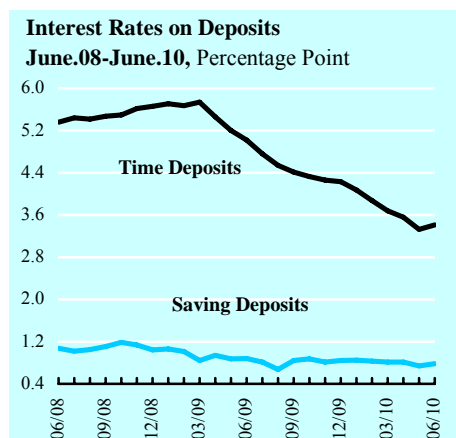
Source: Central Bank of Jordan / Monthly Statistical Bulletin.

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

## ◆ Interest Rates in the Banking Sector:

### • Interest Rates on Deposits

- **Time Deposits:** the weighted average interest rate on time deposits stood at 3.41 percent at the end of June 2010; around 8.0 basis points higher compared to its level at the end of the preceding month, while this rate was 82.0 basis points lower compared to its level at the end of 2009.

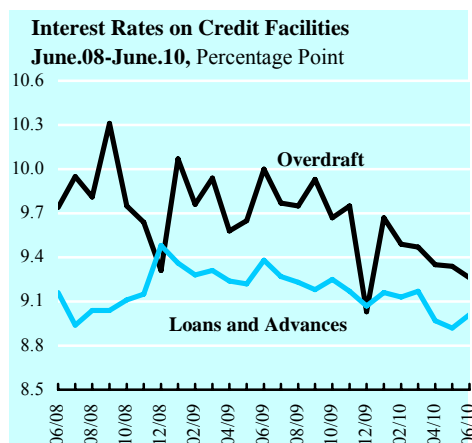


- **Saving Deposits:** the weighted average interest rate on saving deposits at the end of June 2010 increased by 4.0 basis points compared with its level the previous month to amount to 0.78 percent. However, this rate was 6.0 basis points lower compared to its level at the end of the preceding year.
- **Demand Deposits:** the weighted average interest rate on demand deposits at the end of June 2010 rose by 3.0 basis points compared to 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 9.26 percent at the end of June 2010; 8.0 basis points lower compared with its level at the end of the previous month. Nevertheless, this rate was 23.0 basis points higher compared to the end of 2009.

- **Discounted Bills and Bonds:** the weighted average interest rate on “discounted bills and bonds” was down by 15.0 basis points at the end of June 2010 compared to the preceding month, to stand at 9.28 percent. Nevertheless, this rate was 11.0 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 9.01 percent at the end of June 2010; around 9.0 basis points higher compared to its level at the end of the previous month. However, this rate was 6.0 basis points lower compared to its level at the end of 2009.

Year	June		Change Relative to the Year 2009 Basis Points	
	2009	2010		
<b>Deposits</b>				
0.67	Demand	0.74	0.48	-19
0.84	Saving	0.88	0.78	-6
4.23	Time	5.02	3.41	-82
<b>Credit Facilities</b>				
9.17	Discounted Bills and Bonds	9.09	9.28	11
9.07	Loans and Advances	9.38	9.01	-6
9.03	Overdraft	10.0	9.26	23
8.34	Prime Lending Rate	8.41	8.20	-14

Source: Central Bank of Jordan / Monthly Statistical Bulletin.

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

#### □ Credit Facilities Extended by Licensed Banks:

- ◆ The outstanding balance of credit facilities extended by licensed banks totaled JD 13,890.5 million at the end of the first half in 2010; an increase amounting to JD 573.3 million, or 4.3 percent, compared with its level at the end of the previous year, against an increase in the amount of JD 38.2 million or 0.3 percent during the same period in 2009.
- ◆ The classification of extended credit facilities according to economic activity during the first half in 2010 demonstrates that the increase in the extended credit facilities was the outcome of the increase in these facilities for the sectors of construction, industry and “public services and utilities” which have gone up by JD 569.8 million, or 22.1 percent, JD 224.8 million, or 13.8 percent and JD 126.4 million, or 13.9 percent, respectively, on one hand, and the drop in the credit facilities extended to activities classified as “Other” (mostly represent the facilities extended to individuals) by JD 377.4 million, or 11.1 percent, on another, compared to their levels at the end of 2009.

#### □ Deposits at Licensed Banks:

- ◆ Total deposits at licensed banks stood at JD 21,217.3 million at the end of the first half in 2010; an increase in the amount of JD 918.9 million, or 4.5 percent, compared with their level at the end of the preceding year, against an increase amounting to JD 1,225.7 million, or 6.8 percent, during the corresponding period in 2009.
- ◆ The aforementioned increase in total deposits at the licensed banks during the first half in 2010 was an outcome of the increase in the deposits of private sector (resident) by JD 664.2 million, or 4.1 percent; the increase in the deposits of the private sector (non-resident) by JD 145.2 million, or 6.4 percent; and the increase in the deposits of the public sector (central government *plus* public institutions) by JD 118.3 million, or 7.3 percent, on one hand, and the decline in the deposits of non-banking financial institutions by JD 8.8 million, or 5.9 percent, on another, compared to their levels at the end of 2009.



- ◆ The developments in the currency structure of deposits during the first half in 2010 reveal that “deposits in local currency” and “deposits in foreign currencies” have increased by JD 646.2 million, or 4.1 percent, and JD 272.7 million, or 6.2 percent, respectively, compared with 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 half in 2010 compared with their performance at the end of the preceding year. This can be demonstrated as follows:

- **Trading Volume:**

The volume of trade at the ASE totaled JD 492.7 million in June 2010; down by JD 93.6 million, or 16.0 percent, compared with its level at the end of the previous month against a decline in the amount of JD 145.9 million, or 13.2 percent, during the same month in 2009. However, the trading volume stood at JD 4,224.3 million during the first half in 2010; a decline amounting to JD 1,802.1 million, or 30.0 percent, compared with the volume registered over the same period in 2009.

- **Traded Shares:**

The number of traded shares in June 2010 totaled 489.6 million; down by 144.0 million shares, or 22.7 percent, compared with the end of the preceding month, against a drop in the amount of 56.9 million shares, or 10.4 percent, during the same month in 2009. Further, the number of traded shares during the first half in 2010 stood at 4,245.9 million shares compared with 3,329.3 million shares traded during the same period in 2009.

- **Share Price Index:**

The share price index (SPI), weighted by market capitalization of free float shares at Amman Stock Exchange (ASE), lost 53.0 points, or 2.2 percent, at the end of June 2010 compared with its level at the end of the previous month to stand at 2,348.6 points, against a decline in the amount of 129.4

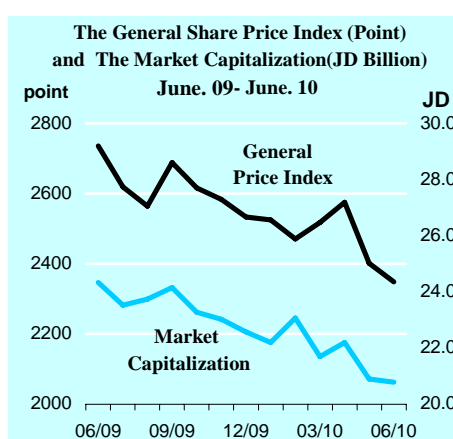
Share Price Index Weighted by Market Capitalization of Free Float Shares by Sector			
year		June	
		2009	2010
2,533.5	General Index	2,735.2	2,348.6
3,026.8	Financial Sector	3,407.9	2,871.3
2,738.8	Industrial Sector	2,935.3	2,483.5
2,107.9	Services Sector	2,052.6	1,932.8

Source: Amman Stock Exchange.

points, or 4.5 percent, during the same month in 2009. As for the first six months in 2010, the SPI dropped by 184.9 points, or 7.3 percent, compared with its level at the end of the preceding year, against a drop in the amount of 23.2 points, or 0.8 percent, during the same period in 2009. The above-mentioned drop during the first half in 2010 was chiefly attributed to the decline in the SPI for the industry, services and the financial sector by 255.3 points, or 9.3 percent, 175.1 points, or 8.3 percent, and 155.5 points, or 5.1 percent, respectively, compared to their levels at the end of 2009.

- **Market Capitalization:**

The market capitalization of the ASE totaled JD 20.8 billion at the end of June 2010; decreasing by JD 0.1 billion or 0.5 percent compared with its level at the end of the previous month, against a drop amounting to JD



1.7 billion, or 6.5 percent, during the same month in the preceding year. Furthermore, the market capitalization, during the first half in 2010, melted down by about JD 1.7 billion, or 7.7 percent, compared with its level at the end of 2009 against a decline amounting to around JD 1.1 billion, or 4.2 percent, over the same period in 2009.

- **Non - Jordanian Net Investment:**

Non - Jordanian net investment at ASE recorded an inflow amounting to JD 7.2 million in June 2010 compared with an inflow amounting to JD 6.3 million during the same month in 2009; the value of shares acquired by non-Jordanians in June 2010 stood at JD 88.0 million, while the value of shares sold by the said group amounted to JD 80.8 million. Nevertheless, non-Jordanian net investment displayed an outflow amounting to JD 0.4 million during the first half in 2010 against an inflow in the amount of JD 67.5 million during the same period in 2009.

Year		June	
		2009	2010
9,665.3	Value Traded	962.2	492.7
38.8	Average Daily Trading	45.8	22.4
22,526.9	Market Capitalization	24,334.4	20,787.4
6,022.5	No. of Traded Shares (million)	492.8	489.6
(3.8)	Net Investment of Non-Jordanian	6.3	7.2
2,135.5	Non-Jordanian Buying	212.3	88.0
2,139.3	Non-Jordanian Selling	206.0	80.8

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 half of 2010, against an increase amounting to 0.5 percent during the same period in 2009. The price rebound came after the minor CPI deflation registered during 2009 amounting to 0.7 percent.
- 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 in 2009.

### □ Developments in Gross Domestic Product (GDP)

According to preliminary 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	Percentages
					Year
<b>2008</b>					
GDP at Constant Market Prices	7.8	8.6	9.2	4.9	<b>7.6</b>
GDP at Current Market Prices	23.9	27.7	35.3	24.1	<b>27.9</b>
<b>2009</b>					
GDP at Constant Market Prices	3.6	1.9	1.9	2.0	<b>2.3</b>
GDP at Current Market Prices	15.3	11.4	6.8	10.0	<b>10.6</b>
<b>2010</b>					
GDP at Constant Market Prices	2.0				
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”.



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 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 - May	
		2009	2010
-28.6	"Mining and quarrying" production quantity index	-8.8	5.6
-1.0	The number of passengers through the Royal Jordanian	-7.7	16.5
-27.5	Cargo through the Royal Jordanian	-34.0	17.9
The whole 2009	Item	January- June	
		2009	2010
-16.2	Quantities of exported and imported goods shipped through the Aqaba port	-19.9	19.1
2.9	Production of chemical acids	-14.7	27.3
0.5	Number of departures	3.8	30.2
-17.8	Production of phosphate	-17.4	29.4
-8.5	Production of fertilizers	-21.3	33.1

Contracting indicators *			
Percentages			
The whole 2009	Item	January - May	
		2009	2010
17.5	Licensed areas for building	24.3	-8.2
1.2	Manufacturing production quantity index	-1.8	-4.8
-8.1	Electricity production quantity index	-11.9	-7.6
-1.7	Industrial production quantity index	-3.1	-4.4
The whole 2009	Item	January- June	
		2009	2010
-4.6	Production of cement	-0.5	-4.6
0.4	Quantity of cement sales to the domestic market (excluding imported quantities)	8.6	-10.1
-3.6	Production of petroleum products	-4.8	-5.9
-44.0	Production of potash	-9.5	-5.8

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

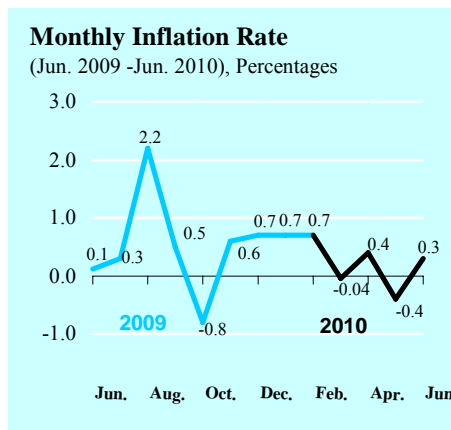
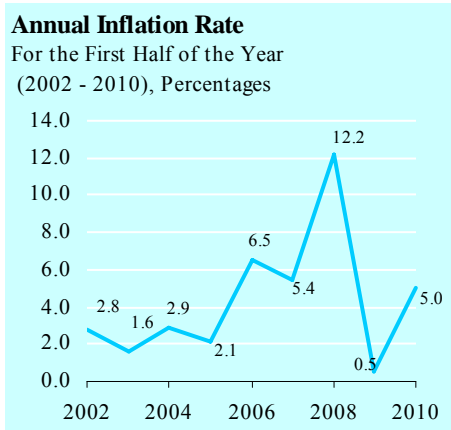
## □ Investments Benefiting from the Investment Promotion Law

- ◆ 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 in 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 in 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 far as 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 in 2009. Domestic investments surged to reach JD 674.8 million compared to JD 328.7 million during the corresponding period in 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

The consumer prices showed a rise during the first half of 2010 compared to the same period of the preceding year, after registering a limited deflation amounting to 0.7 percent, during the whole year of 2009. In more details, **the general price level, as measured by the Consumer Price Index (CPI), increased by 5.0 percent** against a rise amounting to 0.5 percent during the same period in 2009. Such a rise was affected by the increase in the prices of oil derivatives and related goods and services compared to the same period of the preceding year.



**Furthermore, consumer prices have increased slightly by 0.3 percent in June 2010 compared to their level in the preceding month.** The aforementioned rise was an outcome of the increase in the prices of housing group, particularly the item of “rents”, on one hand, and the slight decline in the prices of “food items”, on the other.

**The price developments of the main components of the CPI basket during the first half 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 half of 2010 compared to a higher increase amounting to 4.7 percent during the same period of 2009. The contribution of this group to the overall rate of inflation recorded during the first half 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 “meats and poultry” which leapt by 8.6 percent. In addition, the prices of “sugar and confectionaries” and cigarettes increased by 19.5 percent and 9.7 percent, respectively. In contrast, the prices of some other items have declined, including fruits and “oils and fat”, which dropped by 2.6 percent and 2.5 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 half 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 during the first half of 2010 amounted to 0.1 percentage point.** The prices of this group were affected by the deceleration in the prices of “clothes” and “footwear” which grew by 0.7 percent and 1.9 percent, respectively, during the first half of 2010 compared to a rise in the amount of 6.3 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 half of 2010 against a slight decline amounting to 0.9 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 analysis.** The increase in the prices of this group was affected by the rise in the prices of “fuels and electricity” item by 9.1 percent. In addition, other items recorded mixed rates of increase in their prices, ranging from 0.4 percent for “household appliances” to 5.3 percent for “house utensils”. It is worth mentioning in this regard that the prices of “rents” item, which accounts for 14.3 percent of the CPI basket, experienced an increase in the amount of 2.8 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 by 7.6 percent in the first half of 2010 against a drop in the amount of 4.9 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 15.7 percent against a noticeable drop amounting to 16.0 percent during the same period of 2009, due to the rise in the prices of oil derivatives. In addition, the prices of most items in this group have increased, particularly education and “personal care” which increased by 6.5 percent and 5.8 percent, respectively.

## Third: Public Finance

### □ Summary:

- The general budget, including foreign grants, showed a fiscal deficit amounting to JD 137.0 million during the first five months in 2010, compared to a fiscal deficit in the amount of JD 348.3 million during the same period in 2009. Excluding grants (amounting to JD 129.0 million), the deficit widens to stand at JD 266.0 million.
- Gross outstanding domestic public debt (budgetary and own - budget) stood at JD 7,298.0 million, or 41.5 percent of GDP, at the end of May 2010, reflecting a rise amounting to JD 212.0 million compared to its level at the end of 2009.
- Net outstanding domestic public debt totaled JD 6,079.0 million, or 34.5 percent of GDP, at the end of May 2010; up by JD 288.0 million compared to its level at the end of 2009.
- Outstanding external public debt, budgetary and guaranteed, dropped by JD 56.5 million at the end of May 2010 in comparison with its level at the end of 2009; standing at JD 3,812.5 million, or 21.7 percent of GDP.

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

#### ■ Public Revenues

Public revenues (including foreign grants) declined by JD 90.4 million, or 20.8 percent, in the month of May 2010 compared to the same month in 2009; totaling JD 343.6 million. As for the first five months in 2010, these revenues were slightly up by JD 16.5 million, or 0.8 percent, compared to the same period in the preceding year to stand at JD 2,007.0 million. This result was driven by the increase in foreign grants by JD 33.1 million, on one hand, and the decline in domestic revenues by JD 16.6 million, on another.

### Main Government Budget Indicators during May and the first five months of 2010 and 2009:

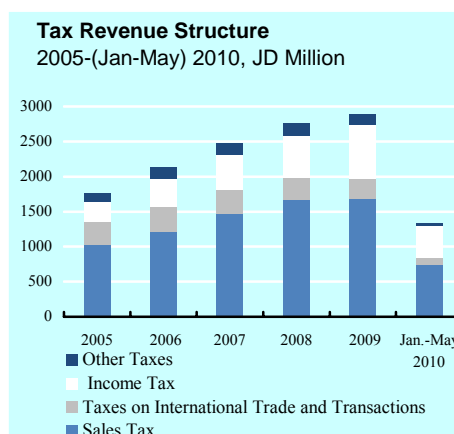
(JD Million and Percentages)

	May		Growth Rate %	Jan. – May		Growth Rate %
	2009	2010		2009	2010	
<b>Total Revenues and Grants</b>	<b>434.0</b>	<b>343.6</b>	<b>-20.8</b>	<b>1,990.5</b>	<b>2,007.0</b>	<b>0.8</b>
Domestic Revenues, of which:	382.4	318.2	-16.8	1,894.6	1,878.0	-0.9
Tax Revenues, of which:	198.1	219.9	11.0	1,369.2	1,337.2	-2.3
General Sales Tax	133.7	161.9	21.1	635.3	739.4	16.4
Other Revenues, of which:	182.6	96.7	-47.0	517.1	532.8	3.0
Land Registration Fees	11.4	10.6	-7.0	60.1	56.3	-6.3
Foreign Grants	51.6	25.4	-50.8	95.9	129.0	34.5
<b>Total Expenditures</b>	<b>456.5</b>	<b>450.2</b>	<b>-1.4</b>	<b>2,338.8</b>	<b>2,144.0</b>	<b>-8.3</b>
<b>Overall Deficit/ Surplus</b>	<b>-22.5</b>	<b>-106.6</b>		<b>-348.3</b>	<b>-137.0</b>	

Source: Ministry of Finance/ General Government Finance Bulletin.

#### ◆ Domestic Revenues

Domestic revenues declined by JD 16.6 million, or 0.9 percent, during the first five months in 2010 compared to the same period in 2009; amounting to JD 1,878.0 million. This decline was the outcome of the drop in the proceeds of tax revenues as well as pension contributions by JD 32.0 million and JD 0.3 million, respectively, on one hand, and the increase in the proceeds of other revenues by JD 15.7 million, on another.



## ◀ Tax Revenues

Tax revenues were down by JD 32.0 million, or 2.3 percent, in the first five months of 2010 compared to the same period in 2009, to reach JD 1,337.2 million; accounting for 71.2 percent of domestic revenues. This decline was chiefly influenced by the following developments:

- **The decrease in the proceeds of “income and profit taxes”** by 20.7 percent, standing at JD 449.9 million. This decline was the outcome of the decrease in the proceeds of “income tax from companies and other projects” by JD 122.8 million, on one hand, and the slight increase in the proceeds of “income tax from individuals” by JD 5.3 million, on another. In further details, income tax from companies accounted for 82.1 percent of total taxes on income and profits; standing at JD 369.3 million (of which JD 162.4 million from the income of banks and financial institutions). **It is worth mentioning in this regard, that 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 104.1 million, or 16.4 percent, to reach JD 739.4 million. This aforementioned increase was driven by the rise in the proceeds of most general sales tax items. More specifically, the proceeds of “sales tax on domestic goods”, “sales tax on services” as well as the proceeds of “sales tax on the commercial sector” have increased by JD 49.0 million, JD 48.8 million and JD 10.1 million, respectively. In contrast, the proceeds of “sales tax on imported goods” displayed a drop amounting to JD 3.8 million. It is worth noting in this regard, that the actual proceeds of the general sales tax on goods and services during the first five months in 2010 amounted to 38.0 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 8.6 million, or 7.5 percent, to stand at JD 106.7 million. Such a decline was the outcome of the drop in the proceeds of departure tax by JD 4.9 million coupled with the drop in the proceeds of “customs duties and fees” by JD 3.7 million to stand at JD 105.4 million.

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

“Other revenues” surged by JD 15.7 million, or 3.0 percent in the first five months in 2010; to reach JD 532.8 million. This increase was chiefly attributable to the rise in property income proceeds by JD 18.3 million (of which financial surplus of independent government units amounting to JD 11.8 million) to stand at JD 136.8 million. Moreover, revenues from selling goods and services displayed an increase amounting to 10.2 percent to reach JD 254.7 million, while miscellaneous revenues dropped by JD 12.8 million, to stand at JD 141.3 million.

#### ◀ **Pension Contributions**

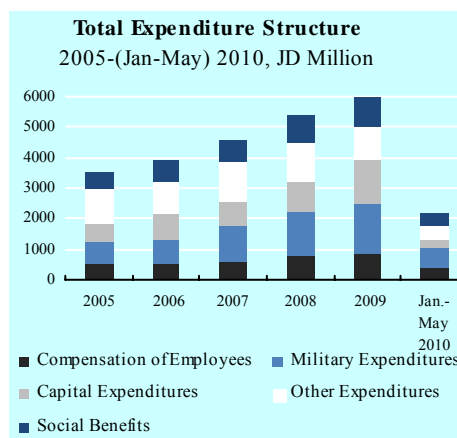
Pension contributions dropped by JD 0.3 million during the first five months in 2010 compared to their level in the same period in 2009, standing at JD 8.0 million.

#### ◆ **Foreign Grants**

Foreign grants rose by JD 33.1 million during the first five months in 2010 to stand at JD 129.0 million.

## ■ Public Expenditures

Public expenditures declined by JD 6.3 million, or 1.4 percent, in May 2010 compared to the same month in 2009 to stand at JD 450.2 million. Moreover, these expenditures declined by JD 194.8 million, or 8.3 percent, during the first five months in 2010 to stand at JD 2,144.0



million. This decline was the outcome of the drop in capital expenditures by 45.2 percent, on one hand, and the rise in current expenditures by 1.6 percent, on the other.

## ◆ Current Expenditures

Current expenditures increased by JD 29.7 million or 1.6 percent, during the first five months in 2010; amounting to JD 1,872.3 million. This increase was attributable to the rise in compensation of employees of the civil servants (wages, salaries and social security contributions) as well as military expenditures by JD 19.7 million and JD 9.9 million, to total JD 362.1 million and JD 702.6 million, respectively. The item of interest payments, both internal and external, has also increased by JD 10.3 million. Moreover, goods subsidies (food and oil subsidies) increased again to stand at JD 77.1 million during the first five months in the current year against JD 8.6 million during the same period in 2009. Meanwhile, “social benefit expenditures” have declined by JD



58.1 million to stand at JD 367.9 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 38.9 million to stand at JD 105.9 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**

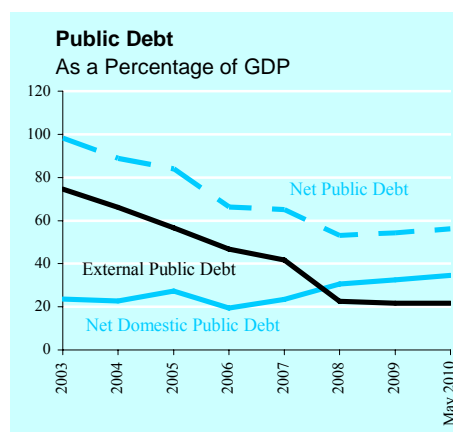
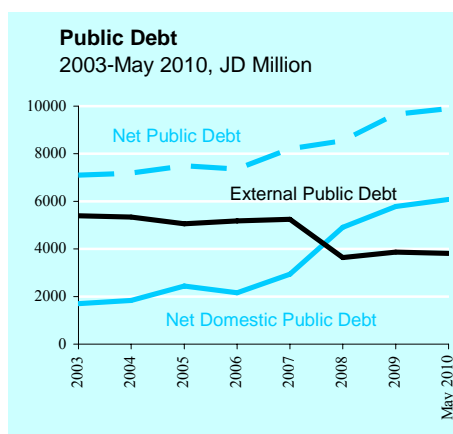
Capital expenditures witnessed a substantial decline in the amount of JD 224.5 million, or 45.2 percent during the first five months in 2010 compared to the same period in the preceding year; standing at JD 271.7 million. Accordingly, the achievement ratio of capital expenditures stood at 28.2 percent, only, 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 137.0 million in the first five months in 2010** against a deficit in the amount of JD 348.3 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 11.1 million in the first five months in 2010** against a primary deficit in the amount of JD 210.5 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 212.0 million at the end of May 2010 compared to its level at the end of 2009 to reach JD 7,298.0 million, or 41.5 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 103.0 million and JD 109.0 million, respectively. The rise in the budgetary domestic debt was the outcome of the increase in the balance of the “treasury bills and bonds” in the amount of JD 143.0 million to total JD 5,896.0 million at the end of May 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 May 2010, on the other.**



- Net outstanding domestic public debt (gross outstanding domestic public debt *minus* government deposits at the banking system) increased by JD 288.0 million at the end of May 2010 compared to the end of 2009 to total JD 6,079.0 million, or 34.5 percent of GDP. The aforementioned increase was the combined**

result of the rise in gross outstanding domestic public debt by JD 212.0 million and the decline in the government deposits at the banking system by JD 75.0 million compared to their level at the end of 2009.

- **Outstanding balance of external public debt (budgetary and guaranteed) was down** by JD 56.5 million at the end of May 2010 compared to its level at the end of 2009; amounting to JD 3,812.5 million, or 21.7 percent of GDP. The currency structure of this debt indicates that external debt in US dollars accounted for 34.3 percent, while debt in Euros accounted for 9.5 percent. Further, external debt in Japanese Yen and Kuwaiti Dinars accounted for 25.8 percent and 19.0 percent of outstanding external public debt, respectively.
- **Net public debt (domestic and external) increased** by JD 231.5 million at the end of May 2010 compared to its level at the end of 2009 to stand at JD 9,891.5 million, or 56.2 percent of GDP, against JD 9,660.0 million, or 54.2 percent of GDP, at the end of 2009. Consequently, the ratio of net public debt to GDP increased by 2.0 percentage points. It is worth mentioning in this respect that the amended Public Debt Management Law for 2008 sets new ceilings for the public debt. According to the introduced amendments, net outstanding domestic public debt and outstanding external public debt shall not exceed 40.0 percent of GDP for each. In addition, total outstanding public debt shall not exceed 60.0 percent of GDP.
- **External debt service (budgetary and guaranteed)**, on a cash basis, amounted to JD 154.1 million during the first five months in 2010 (of which interest payments amounting to JD 32.8 million) compared to JD 143.0 million in the same period in 2009 (of which interest payments amounting to JD 38.0 million).

□ **Fiscal and Price Measures**

- ◆ **Adjusting the prices of all types of oil derivatives as of July 16, 2010, while maintaining the prices of domestic liquid gas unchanged, as follows:**

	Unit	2010		Change %
		June	July	
Fuel oil for industry	JD/Ton	345.3	348.7	1.0
Fuel oil for ships	JD/Ton	350.0	348.7	-0.4
Fuel oil for airplanes (local companies)	Fils/Liter	426	435	2.1
Fuel oil for airplanes (foreign companies)	Fils/Liter	431	440	2.1
Fuel oil for unplanned flights	Fils/Liter	446	455	2.0
Asphalt	JD/Ton	371.4	375.0	1.0
Unleaded Gasoline 90*	Fils/Liter	540	550	1.9
Unleaded Gasoline 95*	Fils/Liter	655	670	2.3
Gas Oil (Diesel)	Fils/Liter	455	465	2.2
Kerosene	Fils/Liter	455	465	2.2
Liquid Gas (12.5kg)	JD/Unit	6.5	6.5	0.0

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

- ◆ Approving the amending By-law of Civil Servants' Relocation and Travel No. (39) for the year 2010, under which all staff of public institutions and public bodies became subject to this By-law, in spite of their own regulations with respect to allowances of relocation and travel (June 2010).
- ◆ Pursuant to the provisions of the Law of Exemption from Public Funds No. (28) for the year 2006, the Cabinet decided to exempt citizens from differences of due fees on the transactions of land registration, according to the following:

- Exempting charged people from differences of due fees and taxes on transactions of land registration amounting to JD one thousand or less.
- Exempting charged people from differences of due fees and taxes on transactions of land registration amounting to more than JD one thousand through exempting the first thousand, while exempting 50.0 percent of the remaining amount. It is worth mentioning in this regard that those covered by the partial exemption are required to pay these differences within three months from the date of the Cabinet's decision (July 2010).

#### □ **Grants, Loans and Other Agreements**

- Signing a loan agreement between the Government of Jordan and the Arab Monetary Fund (AMF) in the amount of US\$ 76.0 million, within the framework of the structural adjustment facility for the Jordanian financial and banking sector (June 2010).
- Signing an additional grant agreement in the amount of YEN 1.5 billion (equivalent to around US\$ 16.7 million) extended from Japan to support the general budget (May 2010).
- Signing a grant agreement provided by the European Union in the amount of EUR 15.0 million to support and enhance the competitiveness of small- and medium-sized enterprises (SMEs) and crafts in the sectors of agriculture and industry as well as developing their export potential (May 2010).
- Signing two grant agreements extended by the European Union in the amount of EUR 13.0 million. The first grant, which amounts to EUR 10.0 million, will be devoted for institutional

support in the field of wind energy and effective usage of concentrated solar power, while the second grant, which amounts to EUR 3.0 million, will be devoted to support the development capacity-building for Jordanian municipalities (May 2010).

- Within the framework of the Economic and Financial Cooperation Program between Jordan and the European Union, a memorandum of understanding has been signed **on the front of the EU Aid Program for the Years (2011 - 2013)**, according to which the European Union will provide Jordan with total grants of EUR 233.0 million (of which 60.0 percent shall be directed towards general budget support) (June 2010).
- Signing a grant agreement introduced by the Canadian International Development Agency (CIDA) in the amount of CAD\$ 20.0 million (equivalent of JD 13.5 million) to support the second phase of the Project of Education Reform for Knowledge Economy “ERfKE II” (May 2010).

## Fourth: External Sector

### □ Summary

- The value of **total merchandize exports** (domestic exports *plus* re-exports) increased by 5.4 percent in May 2010 compared with the same month in 2009 to stand at JD 399.6 million. As for the first five months in 2010, total merchandize exports were up by 3.0 percent; amounting to JD 2,014.4 million.
- The value of **merchandize imports** increased by 3.0 percent in May 2010 compared with the same month in the previous year; amounting to JD 838.4 million. Regarding the first five months in 2010, total merchandize imports rose by 7.2 percent; amounting to JD 4,140.8 million.
- In light of the above developments, the **trade balance deficit** (the value of total exports *minus* the value of imports) expanded by 0.9 percent in May 2010 compared to the same month in 2009; standing at JD 438.8 million. As for the first five months in 2010, the trade deficit has gone up by 11.5 percent; amounting to JD 2,126.4 million.
- According to the preliminary figures, **travel receipts item** surged by 19.3 percent during June 2010 compared to the same month in the preceding year to stand at JD 201.1 million. Similarly, the **payments** of this item increased by 39.5 percent; amounting to JD 106.9 million. As for the first half in 2010, both travel receipts and payments were up by 28.0 percent and 37.6 percent to stand at JD 1,088.9 million, and JD 455.7 million, respectively.
- According to the preliminary figures, **total workers' remittances** amounted to JD 240.1 million during the month of June 2010; an increase amounting to 0.7 percent. In addition, total workers' remittances increased by 1.2 percent, to stand at JD 1,248.3 million, during the first half in 2010.
- **The current account of the balance of payments** displayed a deficit of JD 85.9 million during the first quarter in 2010 compared with a deficit of JD 85.3 million during the corresponding quarter in 2009.

- **Net FDI inflows** totaled JD 264.9 million in the first quarter in 2010 compared with JD 186.7 million in the same quarter in 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 with the end of 2007; standing at JD 13,088.2 million.

#### □ External Trade

In light of the increase in domestic exports as well as imports by JD 212.0 million and JD 278.3 million, respectively, during the first five months in 2010, the volume of external trade (domestic exports *plus* imports) increased by JD 490.3 million to stand at JD 5,845.2 million.

#### Jordan's Major Trade Partners

January – May 2009, 2010

JD Million

	2009	2010	Percentage Change
<b>Exports</b>			
Iraq	278.5	276.5	-0.7
United States	236.2	242.0	2.5
India	203.3	191.5	-5.8
Saudi Arabia	131.7	157.5	19.6
Syria	79.0	100.4	27.1
United Arab Emirates	43.7	69.3	58.6
Lebanon	51.5	54.8	6.4
<b>Imports</b>			
Saudi Arabia	585.5	746.7	27.5
China	411.2	424.2	3.2
Germany	281.2	245.2	-12.8
United States	261.4	230.6	-11.8
Egypt	240.9	210.4	-12.7
South Korea	146.4	178.6	22.0
Japan	124.5	172.7	38.7
Italy	130.4	157.7	20.9
United Arab Emirates	98.9	132.6	34.1

Source: Department of Statistics.

#### Developments of External

Trade Indicators, JD Million

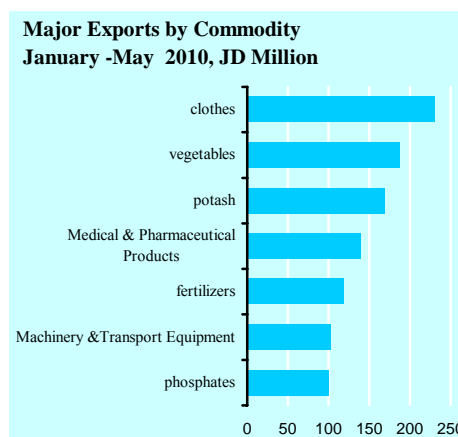
January - May				
	2009	Percentage Change 2008/2009	2010	Percentage Change 2009/2010
External Trade	5,354.9	-17.6	5,845.2	9.2
Total Exports	1,955.1	-8.5	2,014.4	3.0
Domestic Exports	1,492.4	-6.1	1,704.4	14.2
Re-exports	462.7	-15.4	310.0	-33.0
Imports	3,862.5	-21.3	4,140.8	7.2
Trade Balance	-1,907.4	-31.2	-2,126.4	11.5

Source: Department of Statistics.



## ■ Merchandize Exports:

Total merchandize exports increased by 3.0 percent during the first five months in 2010 to reach JD 2,014.4 million compared with a drop amounting to 8.5 percent during the same period in 2009. This increase was an outcome of the increase in the value of domestic exports by JD 212.0 million, or 14.2 percent, to reach JD 1,704.4 million, on one hand, and the decline in the value of re-exports by JD 152.7 million or 33.0 percent to reach JD 310.0 million, on another.



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

- The exports of **clothes** went up by JD 7.5 million, or 3.4 percent, to reach JD 230.9 million. The geographical distribution indicated that the US market had the lion's share of clothing exports; accounting for 92.9 percent.
- The exports of **vegetables** increased by JD 29.3 million, or 18.5 percent, to reach JD 187.5 million. The geographical distribution indicated that the markets of Syria, Iraq, and UAE accounted, collectively, for 70.1 percent of these exports.
- The exports of **potash** increased by JD 46.6 million, or 38.0 percent, to stand at JD 169.2 million. This was an outcome of the increase in quantities exported of potash by 154.9 percent, on the one hand, and the drop in their prices by 45.9 percent, on the other. The geographical distribution of exports reveals that the Indian, Chinese and Malaysian markets accounted, collectively, for 62.7 percent of potash exports.

- The exports of **medical and pharmaceutical products** increased by JD 17.0 million, or 13.9 percent, to stand at JD 139.7 million. The Saudi, Algerian, Sudanese and Lebanese markets accounted, collectively, for 57.3 percent of these exports.
- The exports of **fertilizers** were up by JD 9.3 million, or 8.5 percent, to reach JD 118.8 million. This development was the outcome of the increase in the quantities exported by 25.6 percent, on one hand, and the decline in the prices of fertilizers by 13.6 percent, on another. The Indian, Ethiopian and Japanese markets accounted, collectively, for 80.6 percent of fertilizers exports.
- The exports of **machinery and transport equipment** increased by JD 19.9 million, or 24.2 percent, to total JD 102.0 million. The geographical distribution was such that the markets of Saudi

#### Major Domestic Exports by Commodity

January - May 2009 , 2010, JD Million

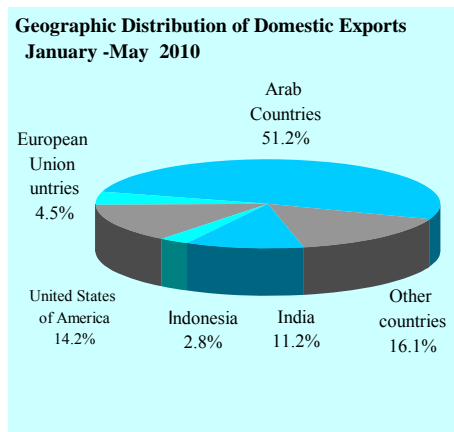
	2009	2010	Percentage Change
<b>Domestic Exports</b>	<b>1,492.4</b>	<b>1,704.4</b>	<b>14.2</b>
<b>Clothes</b>	<b>223.4</b>	<b>230.9</b>	<b>3.4</b>
United States	207.3	214.4	3.4
<b>Vegetables</b>	<b>158.2</b>	<b>187.5</b>	<b>18.5</b>
Syria	47.7	59.1	23.9
Iraq	47.7	56.3	18.0
United Arab Emirates	12.8	16.1	25.8
<b>Potash</b>	<b>122.6</b>	<b>169.2</b>	<b>38.0</b>
India	72.0	57.7	-19.9
China	17.7	24.5	38.4
Malaysia	7.4	23.9	223.0
<b>Medical &amp; Pharmaceutical Products</b>	<b>122.7</b>	<b>139.7</b>	<b>13.9</b>
Saudi Arabia	37.2	32.2	-13.4
Algeria	19.6	21.7	10.7
Sudan	9.6	15.6	62.5
Lebanon	9.4	10.5	11.7
<b>Fertilizers</b>	<b>109.5</b>	<b>118.8</b>	<b>8.5</b>
India	53.5	59.7	11.6
Ethiopia	0.0	19.0	-
Japan	41.4	17.1	-58.7
<b>Machinery &amp; Transport Equipment</b>	<b>82.1</b>	<b>102.0</b>	<b>24.2</b>
Saudi Arabia	24.1	35.0	45.2
Iraq	25.4	28.6	12.6
United Arab Emirates	4.1	6.3	53.7
<b>Phosphates</b>	<b>156.7</b>	<b>100.5</b>	<b>-35.9</b>
India	62.7	67.2	7.2
Indonesia	47.9	21.9	-54.3
Singapore	0.0	4.4	-

Source: Department of Statistics.

Arabia, Iraq and UAE accounted, collectively, for 68.5 percent of these exports.

- The exports of **phosphates** declined by JD 56.2 million, or 35.9 percent, to total JD 100.5 million. This decline was attributed to the downturn in the prices of phosphates by 44.1 percent, on one hand, and the increase in the quantities exported by 14.7 percent, on another. The markets of India, Indonesia and Singapore were the main destinations for phosphates exports; accounting, collectively, for 93.0 percent.

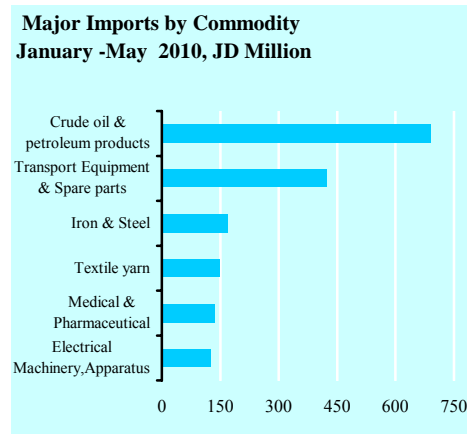
In light of the aforementioned developments, the commodity breakdown of domestic exports indicates that the exports of clothes, vegetables, potash, “medical and pharmaceutical products”, fertilizers, “machinery and transport equipment” and phosphates topped the list of



exporting materials during the first five months in 2010; accounting, collectively, for 61.5 percent of domestic exports; down from 65.3 percent during the same period in 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 five months in 2010; accounting, collectively, for 64.1 percent of domestic exports; down from 68.6 percent during the corresponding period of 2009.

## ■ Merchandize Imports:

The value of merchandize imports stood at JD 4,140.8 million during the first five months in 2010; increasing by JD 278.3 million, or 7.2 percent, against a decline amounting to 21.3 percent during the same period in the preceding year.



**The comparison between the developments of the Jordanian imports during the first five months in 2010 and that at the same period in 2009 reveals the following:**

- The imports of **crude oil** surged by JD 163.3 million, or 49.2 percent, to reach JD 495.1 million. This increase was attributed to the increase of oil prices by 67.7 percent, on one hand, and the drop in the imported quantities by 11.0 percent, on the other. 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 7.9 million, or 1.8 percent, to reach JD 423.2 million. The markets of Japan, South Korea and Germany were the main sources of these imports; taking up, collectively, 69.8 percent of these imports.
- The imports of **petroleum products** increased by JD 94.4 million, or 93.2 percent, to total JD 195.7 million. The markets of UAE, Saudi Arabia and Malaysia were the main sources of these imports.

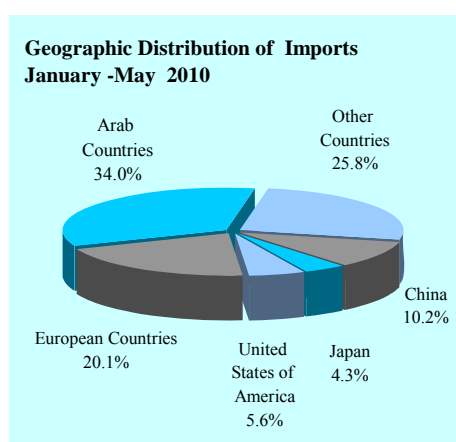
- The imports of **iron and steel** declined by JD 22.6 million, or 11.8 percent; totaling JD 168.6 million. The markets of Ukraine, Russia and Turkey were the main sources of these imports.
- The imports of **medical and pharmaceutical products** rose by JD 15.2 million, or 12.5 percent, to reach JD 136.5 million. The markets of UK, Germany, Switzerland and Japan were the main sources of these imports; accounting collectively for 42.9 percent of these imports.
- The imports of **textile yarn, fabrics, made up articles and related products** declined by JD 1.7 million, or 1.1 percent; amounting to JD 148.0 million. The main source for these imports was the Chinese market followed by the Taiwanese and Syrian markets.

<b>Major Imports by Commodity</b>			
January – May 2009, 2010, JD Million			
	2009	2010	Percentage Change
<b>Total Imports</b>	<b>3,862.5</b>	<b>4,140.8</b>	<b>7.2</b>
<b>Crude Oil</b>	<b>331.8</b>	<b>495.1</b>	<b>49.2</b>
Saudi Arabia	299.5	439.8	46.8
<b>Transport Equipment and Spare Parts</b>	<b>431.1</b>	<b>423.2</b>	<b>-1.8</b>
Japan	69.1	112.7	63.1
South Korea	83.1	97.9	17.8
Germany	127.2	84.9	-33.3
<b>Petroleum Products</b>	<b>101.3</b>	<b>195.7</b>	<b>93.2</b>
United Arab Emirates	44.2	48.0	8.6
Saudi Arabia	15.6	37.7	141.7
Malaysia	0.0	29.4	-
<b>Iron &amp; Steel</b>	<b>191.2</b>	<b>168.6</b>	<b>-11.8</b>
Ukraine	72.5	49.5	-31.7
Russia	34.1	27.6	-19.1
Turkey	16.7	23.7	41.9
<b>Medical &amp; Pharmaceutical Products</b>	<b>121.3</b>	<b>136.5</b>	<b>12.5</b>
United Kingdom	10.0	17.5	75.0
Germany	15.1	16.3	7.9
Switzerland	12.9	13.8	7.0
Japan	6.4	10.9	70.3
<b>Textile Yarn, Fabrics &amp; Related Products</b>	<b>149.7</b>	<b>148.0</b>	<b>-1.1</b>
China	63.2	68.3	8.1
Taiwan	24.4	25.5	4.5
Syria	8.3	8.7	4.8
<b>Electrical Machinery, Apparatus and Appliances</b>	<b>145.8</b>	<b>125.5</b>	<b>-13.9</b>
China	20.6	18.2	-11.7
South Korea	7.7	14.7	90.9
Croatia	0.0	10.7	-
Germany	10.6	10.5	-0.9

Source: Department of Statistics.

- The imports of **electrical machinery, apparatus and appliances** declined by JD 20.3 million, or 13.9 percent, to reach JD 125.5 million. The markets of China, Croatia, South Korea and Germany accounted, collectively, for 43.1 percent of these imports.

**The commodity composition of imports indicates that crude oil, “transport equipment and spare parts”, “petroleum products”, “iron and steel”, “medical and pharmaceutical products”, “textile yarn, fabrics, made up articles and related products” and “electrical machinery, apparatus and appliances” topped the list of imported materials; accounting, collectively, for 40.9 percent of total imports during the first five months in 2010; up from 38.1 percent during the same period in 2009. Meanwhile, the geographical distribution of imports indicates that the markets of Saudi Arabia, China, Germany, USA, Egypt and Japan topped the list of the sources of imports during the first five months in 2010; accounting, collectively, for 49.2 percent compared with 49.9 percent during the corresponding period of 2009.**



#### ■ Re-Exports:

The value of re-exported goods decreased by JD 152.7 million, or 33.0 percent, during the first five months in 2010 to reach JD 310.0 million (in particular, the re-exported merchandize to Iraq which decreased significantly by JD 119.8 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 64.3 million, JD 21.8 million, JD 19.3 million and JD 14.8 million, respectively.

#### ■ Trade Balance:

Trade balance deficit widened by JD 219.0 million, or 11.5 percent, during the first five months in 2010 compared with the same period in 2009 to stand at JD 2,126.4 million.

#### □ Workers' Remittances Receipts:

Workers' remittances amounted to JD 240.1 million in June 2010; an increase amounting to 0.7 percent compared to the same month in the preceding year. In addition, these remittances were up by 1.2 percent to stand at JD 1,248.3 million during the first half in 2010.

#### □ Travel:

##### ■ Receipts:

Travel receipts increased by JD 238.2 million, or 28.0 percent, during the first half in 2010 to stand at JD 1,088.9 million. The increase in the travel income was attributed to the increase in the number of Kingdom's visitors (tourists) by 17.2 percent during the first half in 2010 to stand at 3.4 million visitors compared to 2.9 million during the same period in 2009

##### ■ Payments:

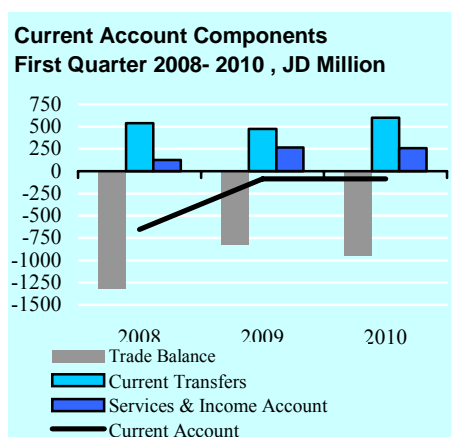
Travel payments rose by JD 124.6 million, or 37.6 percent, during the first half in 2010 to stand at JD 455.7 million. Such development was attributable to the increase in the number of spending tourists by 54.5 percent during the first half in 2010 to stand at 1.7 million tourists compared with 1.1 million during the same period in 2009.

#### □ Balance of Payments:

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

- The current account deficit amounted to JD 85.9 million compared with JD 85.3 million in the first quarter in 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 in 2010 compared with a deficit amounting to JD 825.2 million in the same quarter in 2009.



- The surplus of the services account amounted to JD 114.2 million compared with a surplus amounting to JD 55.4 million in the first quarter in 2009. This surplus was mainly due to the surplus registered by the items of travel receipts (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 with JD 209.1 million in the first quarter in 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 in 2010 compared with JD 85.5 million during the corresponding quarter in 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 with JD 389.9 million in the first quarter in 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 in 2010.

- As for the capital and financial transactions with the rest of the world, the capital and financial account recorded a net outflow amounting to JD 53.5 million in the first quarter in 2010 against a similar outflow in the amount of JD 66.1 million during the first quarter in 2009 owing chiefly to the following:
  - Net FDI inflow amounted to JD 277.1 million during the first quarter in 2010 compared with JD 165.0 million in the first quarter in 2009.
  - Net inflow in portfolio investment amounted to JD 11.3 million compared with a net outflow in the amount of JD 53.8 million during the first quarter in 2009.
  - Net outflow of other investments in the amount of JD 158.2 million in the first quarter in 2010 against a net inflow amounting to JD 290.7 million in the same quarter in the preceding year.
  - The increase in the reserve assets of the CBJ by JD 183.7 million compared with an increase amounting to JD 468.0 million in the first quarter in 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 with an obligation in the amount of JD 15,059.0 million at the end of 2007. The aforementioned decline can be attributed to the following developments:

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