



Central Bank of Jordan

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

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

❑ **Output and Prices:** Real Gross Domestic Product (GDP) grew at 2.7 percent during the first three quarters of 2009 compared to 9.1 percent in the same period of 2008. The Consumer Price Index (CPI) has declined by 0.7 percent during 2009 against a rise in the amount of 13.9 percent in 2008. Furthermore, investments benefiting from the Investment Promotion Law totaled JD 1,859.0 million during 2009, of which 39.1 percent were foreign investments.

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

- Foreign currency reserves at the Central Bank of Jordan (CBJ) leapt by US\$ 3,134.9 million, or 40.5 percent, at the end of 2009 compared with their level at the end of 2008; standing at US\$ 10,879.0 million.
- Domestic liquidity grew by JD 1,709.1 million, or 9.3 percent, at the end of 2009 compared with its level at the end of 2008; standing at JD 20,013.3 million.
- The outstanding balance of credit facilities extended by licensed banks was up by JD 272.9 million, or 2.1 percent, at the end of 2009 compared with its level at the end of 2008; standing at JD 13,317.2 million.
- Total deposits at licensed banks increased by JD 2,195.8 million, or 12.1 percent, at the end of 2009 in comparison with its level at the end of 2008; totaling JD 20,298.4 million.

- The share price index, weighted by market capitalization of free float shares, at Amman Stock Exchange (ASE) has declined by 224.9 points, or 8.2 percent, at the end of 2009 compared with its level at the end of 2008; standing at 2,533.5 points.
- **Public Finance:** The general budget, including foreign grants, showed a fiscal deficit amounting to JD 972.9 million during the first eleven months in 2009. Excluding grants (amounting to JD 230.0 million), the deficit surges to JD 1,202.9 million. Net outstanding domestic public debt (budgetary and own-budget agencies) increased by JD 999.0 million at the end of November 2009 compared to its level at the end of 2008; standing at JD 5,910.0 million, or 36.4 percent of GDP. Moreover, outstanding external public debt increased by JD 100.8 million at the end of November 2009 compared to its level at the end of 2008; totaling JD 3,741.0 million, or 23.1 percent of GDP.
- **External Sector:** The value of total merchandize exports (domestic exports plus re-exports) decreased by 21.0 percent during the first eleven months in 2009 to reach JD 4,098.4 million. Similarly, the value of merchandize imports declined by 19.3 percent; totaling JD 9,077.6 million. In effect, the trade deficit narrowed by 17.9 percent compared with the same period in the preceding year; amounting to JD 4,979.2 million. Further, the preliminary figures for the year 2009 showed a decline in the travel receipts by 1.2 percent. By contrast, travel payments increased by 6.1 percent. In addition, workers' remittances receipts declined by 5.2 percent in 2009. It is worth indicating in this regard that the preliminary figures for the balance of payments during the first three quarters in 2009 displayed a deficit in the current account amounting to JD 836.4 million, or 6.9 percent of GDP, down from JD 1,480.1 million, or 13.2 percent of GDP during the corresponding period in 2008. Finally, the net inflows of foreign direct investment (FDI) came at JD 623.3 million compared with JD 1,270.8 million in the first three quarters in 2008. In addition, the international investment position (IIP) displayed a net obligation to abroad amounting to JD 13,088.2 million at the end of 2008 compared with JD 15,059.0 million at the end of 2007.

## First: Monetary and Financial Sector

### ■ Summary:

- Foreign currency reserves at the CBJ leapt by US\$ 3,134.9 million, or 40.5 percent, at the end of 2009 compared with their level at the end of 2008; standing at US\$ 10,879.0 million. The aforementioned level of reserves is equivalent to around 7.5 months of the Kingdom's imports of goods and services. Moreover, these reserves stood at US\$ 10,880.7 million as of January 17, 2009; up by US\$ 1.7 million, compared with their level at the end of 2009.
- Domestic liquidity at the end of 2009 was up by JD 1,709.1 million, or 9.3 percent, compared with its level at the end of the previous year to total JD 20,013.3 million.
- The outstanding balance of the credit facilities extended by licensed banks increased by JD 272.9 million, or 2.1 percent, at the end of 2009 compared with its level at the end of 2008; standing at JD 13,317.2 million.
- Total deposits at licensed banks increased by JD 2,195.8 million, or 12.1 percent, at the end of 2009 in comparison with its level at the end of 2008; totaling JD 20,298.4 million.
- Interest rates on deposits and credit facilities at licensed banks displayed a decline during 2009 compared with their levels at the end of 2008, with the exception of interest rates on "overdraft accounts" and "discounted bills and bonds".



- The share price index, weighted by market capitalization of free float shares, at Amman Stock Exchange (ASE) lost 224.9 points, or 8.2 percent, at the end of 2009 compared with its level at the end of 2008; standing at 2,533.5 points. Moreover, the market capitalization melted down by around JD 2.8 billion, or 11.2 percent, to stand at JD 22.6 billion at the end of 2009.

### Main Monetary Indicators

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

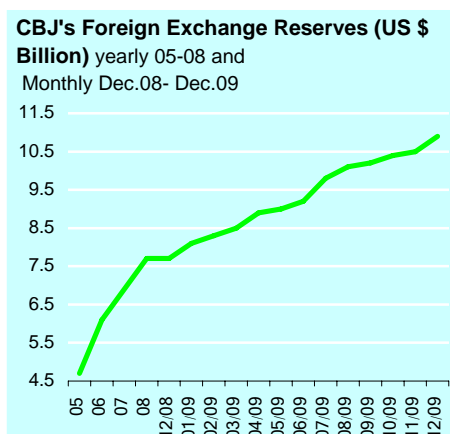
| Year         |                                                  | End of December |               |
|--------------|--------------------------------------------------|-----------------|---------------|
|              |                                                  | 2008            | 2009          |
| US\$ 7,744.1 | CBJ's Foreign Exchange Reserves                  | US\$ 7,744.1    | US\$ 10,879.0 |
| %12.7        |                                                  | %12.7           | %40.5         |
| 18,304.2     | Money Supply (M2)                                | 18,304.2        | 20,013.3      |
| %17.3        |                                                  | %17.3           | %9.3          |
| 13,044.3     | Credit Facilities, of which:                     | 13,044.3        | 13,317.2      |
| %15.5        |                                                  | %15.5           | %2.1          |
| 11,869.3     | Private Sector (Resident)                        | 11,869.3        | 12,041.3      |
| %14.2        |                                                  | %14.2           | %1.4          |
| 18,102.6     | Total Deposits, of which:                        | 18,102.6        | 20,298.4      |
| %13.2        |                                                  | %13.2           | %12.1         |
| 13,348.4     | In JD                                            | 13,348.4        | 15,865.0      |
| %25.7        |                                                  | %25.7           | %18.9         |
| 4,754.1      | In Foreign Currencies                            | 4,754.1         | 4,433.4       |
| %-11.5       |                                                  | %-11.5          | %-6.7         |
| 14,292.1     | Deposits of Private Sector (Resident), of which: | 14,292.1        | 16,256.7      |
| %14.4        |                                                  | %14.4           | %13.7         |
| 11,300.9     | In JD                                            | 11,300.9        | 13,500.0      |
| %24.7        |                                                  | %24.7           | %19.5         |
| 2,991.2      | In Foreign Currencies                            | 2,991.2         | 2,756.7       |
| %-13.0       |                                                  | %-13.0          | %-7.8         |

Source: Central Bank of Jordan / Monthly Statistical Bulletin.

### □ CBJ Foreign Reserves:

The CBJ foreign currency reserves were up by US\$ 345.4 million, or 3.3 percent, at the end of December 2009 compared with their

level at the end of the preceding month. As for the end of 2009, statistics reveal that these reserves leapt by US\$ 3,134.9 million, or 40.5 percent, compared with their level at the end of 2008; standing at US\$ 10,879.0 million. Further, these reserves stood at US\$ 10,880.7 million as of December 17, 2009; up by US\$ 1.7 million compared with their levels at the end of 2009. The aforementioned level of reserves is equivalent to around 7.5 months of the Kingdom's imports of goods and services.



#### □ Domestic Liquidity (M2):

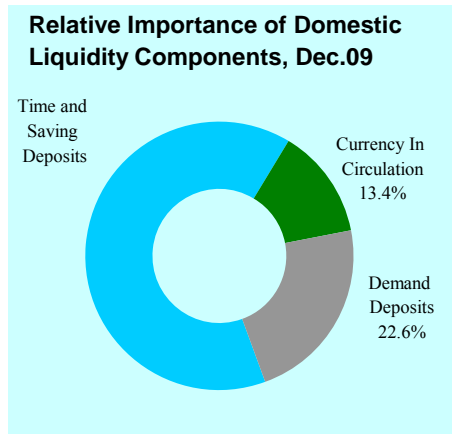
- Domestic liquidity totaled JD 20,013.3 million at the end of December 2009; increasing by JD 63.4 million, or 0.3 percent, compared with its level at the end of the preceding month against an increase in the amount of JD 81.8 million, or 0.4 percent, during the same month in 2008. As for the year of 2009, statistics reveal that the domestic liquidity grew by JD 1,709.1 million, or 9.3 percent, compared with its level at the end of 2008 in comparison with an increase in the amount of JD 2,697.3 million, or 17.3 percent, during the same period in 2008.

- ◆ **The comparison between the developments in domestic liquidity components as well as the factors affecting liquidity during 2009 and that at the end of 2008 reveals the following:**

- **Components of Domestic Liquidity:**

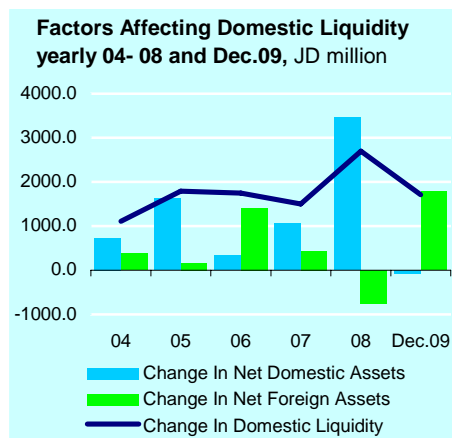
- Deposits increased by JD 1,694.4 million, or 10.8 percent, at the end of 2009 compared with their levels at the end of 2008; totaling JD 17,333.8 million, against an increase amounting to JD 2,204.9 million, or 16.4 percent, at the end of 2008.

- Currency in circulation was up by JD 14.7 million, or 0.6 percent, at the end of 2009; standing at JD 2,679.5 million compared with its level at the end of 2008 against an increase in the amount of JD 492.4 million, or 22.7 percent, during 2008.



- **Factors Affecting Domestic Liquidity:**

- o Net domestic assets at the banking system declined by JD 71.0 million, or 0.6 percent, at the end of 2009 compared with its level at the end of 2008 against a marked increase in the amount of JD



3,462.8 million, or 44.7 percent, during 2008. The decline recorded in 2009 was an outcome to the decline in net domestic assets at the CBJ by JD 2,552.8 million, or 68.5 percent, on one hand, and the rise of these assets at the licensed banks by JD 2,481.8 million, or 16.6 percent, on another.

- o Net foreign assets of the banking system was up by JD 1,780.1 million, or 25.1 percent, at the end of 2009 compared with its level at the end of 2008 against a decline in the amount of JD 765.5 million, or 9.7 percent, during 2008. The aforementioned increase was a result of the increase in net foreign assets at the CBJ by JD 2,433.2 million, or 35.7 percent, on one hand, and the decline in these assets at the licensed banks by JD 653.1 million, on the other.

**Changes in Factors Affecting Domestic Liquidity (M2)**  
JD Million

| Year           |                                  | Change in balance relative to the end of December |                |
|----------------|----------------------------------|---------------------------------------------------|----------------|
|                |                                  | 2008                                              | 2009           |
| <b>-765.5</b>  | <b>Foreign Assets (Net)</b>      | <b>-765.5</b>                                     | <b>1,780.1</b> |
| 669.8          | CBJ                              | 669.8                                             | 2,433.2        |
| -1,435.3       | Licensed Banks                   | -1,435.3                                          | -653.1         |
| <b>3,462.8</b> | <b>Domestic Assets (Net)</b>     | <b>3,462.8</b>                                    | <b>-71.0</b>   |
| 4.4            | CBJ, of which:                   | 4.4                                               | -2,552.8       |
| 806.2          | Claims on Public Sector (Net)    | 806.2                                             | -302.8         |
| -803.0         | Other Items (Net*)               | -803.0                                            | -2,250.0       |
| 3,458.4        | Licensed Banks                   | 3,458.4                                           | 2,481.8        |
| 1,241.3        | Claims on Public Sector (Net)    | 1,241.3                                           | 630.5          |
| 1,529.0        | Claims on Private Sector         | 1,529.0                                           | 159.9          |
| 688.1          | Other Items (Net)                | 688.1                                             | 1,691.4        |
| <b>2,697.3</b> | <b>Money Supply (M2)</b>         | <b>2,697.3</b>                                    | <b>1,709.1</b> |
| <b>492.4</b>   | <b>Currency in Circulation</b>   | <b>492.4</b>                                      | <b>14.7</b>    |
| <b>2,204.9</b> | <b>Total Deposits, of which:</b> | <b>2,204.9</b>                                    | <b>1,694.4</b> |
| -299.9         | In Foreign Currencies            | -299.9                                            | -436.0         |

\* 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:

- For the third time during 2009, the CBJ slashed the interest rates on its monetary instruments by 50 basis points as of December 20, 2009. Accordingly, the aforementioned rates became as follows:
  - **Re-Discount Rate:** 4.75 percent.
  - **Interest Rate on Overnight Repurchase Agreements:** 4.50 percent.
  - **Overnight Deposit Window Rate:** 2.50 percent.

Furthermore, the CBJ decided for the second time over the first four months in 2009 to cut the required reserve ratio on deposits in Jordanian dinar and foreign currencies at licensed banks to stand at 7.0 percent as of April 19, 2009.

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

- The CBJ did not issue any kind of certificates of deposits (CDs) during the current year; accordingly, the weighted average interest rate on the latest issue of three-month CDs, which took place on October 26, 2008, was 5.64 percent; one basis point lower compared to the previous issue which took place on October 19, 2008 and 11.0 basis points lower compared to its level at the end of 2007.

| End of year 2008 |                                    | December |      |
|------------------|------------------------------------|----------|------|
|                  |                                    | 2008     | 2009 |
| 6.25             | Re-discount Rate                   | 6.25     | 4.75 |
| 6.00             | Repurchase Agreements Rate (Repos) | 6.00     | 4.50 |
| 4.00             | Overnight Deposit Window Rate      | 4.00     | 2.50 |
| 5.64             | 3-months CDs Rate                  | 5.64     | 5.64 |
| 5.94             | 6-months CDs Rate                  | 5.94     | 5.94 |

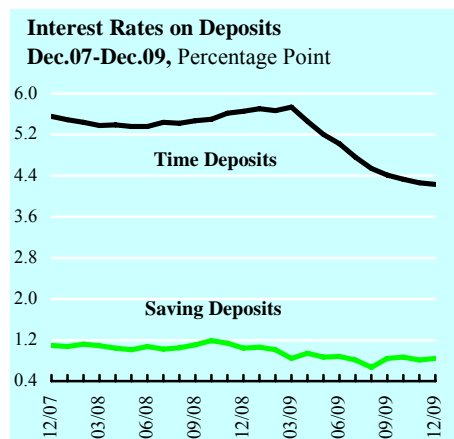
Source: Central Bank of Jordan / Monthly Statistical Bulletin.

- The weighted average interest rate on the latest issue of six-month CDs, which took place on October 26, 2008, was 5.94 percent; 4.0 basis points higher compared to the previous issue which took place on October 19, 2008 and 7.0 basis points higher than its level at the end of 2007.

◆ **Interest Rates in the Banking Sector:**

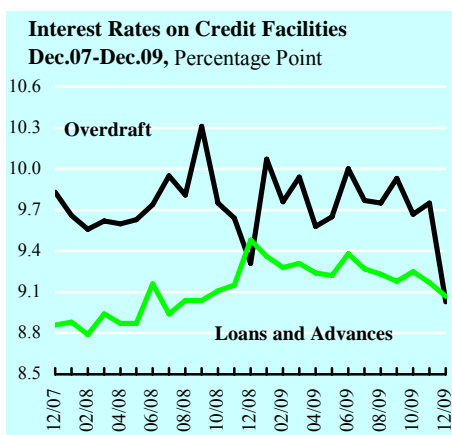
- **Interest Rates on Deposits**

- **Time Deposits:** the weighted average interest rate on time deposits stood at 4.23 percent at the end of December 2009; 3 basis points lower compared to its level at the end of the preceding month and 143.0 basis points lower compared to its level at the end of 2008.



- **Saving Deposits:** the weighted average interest rate on saving deposits at the end of December 2009 stood at 0.84 percent; 3.0 basis points higher compared to its level at the end of the preceding month. Moreover, this rate was 20.0 basis points lower compared to its level recorded at the end of 2008.
- **Demand Deposits:** the weighted average interest rate on demand deposits at the end of December 2009 maintained unchanged compared with its level at the end of the previous month to stand at 0.67 percent. Meanwhile, this rate was 34.0 basis points below its level recorded at the end of 2008.
- **Interest Rates on Credit Facilities:**
  - **Overdraft Accounts:** the weighted average interest rate on overdraft accounts stood at 9.03 percent at the end of December 2009; 72.0 basis points lower compared with its level at the end of the previous month. In addition, this rate was 28.0 basis points lower compared to its level at the end of 2008.

- **Discounted Bills and Bonds:** the weighted average interest rate on “discounted bills and bonds” stood at 9.17 percent at the end of December 2009; 3.0 basis points higher compared to its level at the end of the previous month, while this rate was 28.0 basis points higher compared to its level at the end of 2008.



- **Loans and Advances:** the weighted average interest rate on “loans and advances” stood at 9.07 percent at the end of December 2009; 10.0 basis points lower compared to its level at the end of the previous month and 41.0 basis points lower compared to its level at the end of the previous year.

| Year                     | December                   |      | Change Relative to the Year 2008<br>Basis Points |      |
|--------------------------|----------------------------|------|--------------------------------------------------|------|
|                          | 2008                       | 2009 |                                                  |      |
| <b>Deposits</b>          |                            |      |                                                  |      |
| 1.01                     | Demand                     | 1.01 | 0.67                                             | -34  |
| 1.04                     | Saving                     | 1.04 | 0.84                                             | -20  |
| 5.66                     | Time                       | 5.66 | 4.23                                             | -143 |
| <b>Credit Facilities</b> |                            |      |                                                  |      |
| 8.89                     | Discounted Bills and Bonds | 8.89 | 9.17                                             | 28   |
| 9.48                     | Loans and Advances         | 9.48 | 9.07                                             | -41  |
| 9.31                     | Overdraft                  | 9.31 | 9.03                                             | 25   |
| 8.45                     | Prime Lending Rate         | 8.45 | 8.34                                             | -11  |

Source: Central Bank of Jordan / Monthly Statistical Bulletin.

- **The Prime Lending Rate** stood at 8.34 percent at the end of December 2009; 11.0 basis points lower compared to its level at the end of 2008.

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

- ◆ The outstanding balance of credit facilities extended by licensed banks totaled JD 13,317.2 million at the end of December 2009; a decline amounting to JD 61.0 million, or 0.5 percent, compared with its level at the end of the previous month, against a decline in the amount of JD 353.5 million, or 2.6 percent, during the corresponding month in 2008. As for the year of 2009, the outstanding balance of the credit facilities was up by JD 272.9 million, or 2.1 percent, compared to its level at the end of 2008 against an increase in the amount of JD 1,748.7 million, or 15.5 percent in 2008.
- ◆ The classification of extended credit facilities according to economic activity in 2009 demonstrates that the credit facilities extended to the sectors of construction, general trade, transportation and “tourism, hotels and restaurants” have gone up by JD 289.4 million, or 12.6 percent, JD 297.7 million, or 10.3 percent, JD 82.7 million, or 22.3 percent and JD 61.3 million, or 16.7 percent, respectively, compared with their levels at the end of 2008. Meanwhile, the credit facilities extended to activities classified as “Other” (mostly represent the facilities extended to individuals) dropped by JD 560.6 million, or 14.2 percent.

#### □ Deposits at Licensed Banks:

- ◆ Total deposits at licensed banks stood at JD 20,298.4 million at the end of December 2009; an increase in the amount of JD 197.5 million, or 1.0 percent, compared with their level at the end of the preceding month, against a decline amounting to JD 23.0 million, or 0.1 percent, during the corresponding month in 2008. As for the year of 2009, the increase in total deposits amounted to JD 2,195.8 million, or 12.1 percent, compared with an increase in the amount of JD 2,114.5 million, or 13.2 percent during 2008.
- ◆ The aforementioned increase in total deposits at the licensed banks in 2009 was a result of the increase in the deposits of the private sector (resident) by JD 1,964.7 million, or 13.7 percent; the increase in the deposits of the private sector (non-resident) by JD 147.3 million, or 7.0 percent and the increase in the deposits of the public sector (central government *plus* public entities) by JD 71.0



million, or 4.6 percent, on one hand, and the decline in the deposits of non-banking financial institutions by JD 6.6 million, or 4.8 percent, compared to their levels achieved at the end of 2008, on the other.

- ◆ The developments in the currency structure of deposits during 2009 reveal that the increase was concentrated in the “deposits in local currency” which surged by JD 2,516.5 million, or 18.9 percent. While “deposits in foreign currencies” declined by JD 320.7 million, or 6.7 percent, compared with their levels at the end of 2008.

#### □ Amman Stock Exchange (ASE):

The indicators of Amman Stock Exchange (ASE) displayed a decline in their performance during 2009 compared with the end of the preceding year. This can be demonstrated as follows:

- **Trading Volume:**

The volume of trade at the ASE totaled JD 655.1 million in December 2009; up by JD 180.9 million, or 38.1 percent, compared with its level at the end of the previous month compared with a decline in the amount of JD 364.0 million, or 42.2 percent, during the same month in 2008. Moreover, the trading volume stood at JD 9,665.3 million in 2009; a decline amounting to JD 10,652.7 million, or 52.4 percent, compared with the volume registered over 2008.

- **Traded Shares:**

The number of traded shares in December 2009 totaled 530.4 million; up by 169.7 million shares, or 47.0 percent, compared with the end of the preceding month, against a decline in the amount of 87.6 million shares, or 28.6 percent, during the same month in 2008. Furthermore, the number of traded shares during 2009 stood at 6,022.5 million shares compared with 5,442.3 million shares traded during 2008.

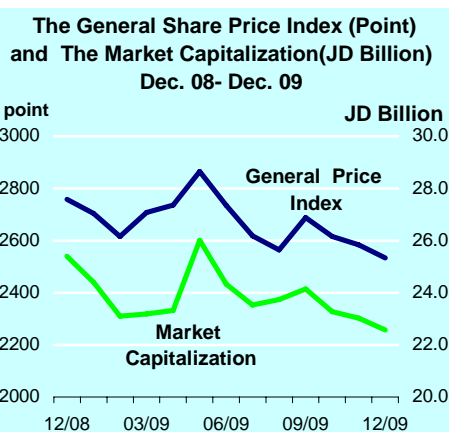
- **Share Price Index:**

The share price index (SPI), weighted by market capitalization of free float shares, at ASE, lost 50.0 points, or 1.9 percent, at the end of December 2009 compared with its level at the end of previous month to stand at 2,533.5 points, against a decline in the amount of 8.8 points, or 0.3 percent, during the same month in 2008. As for the end of 2009, the SPI lost 224.9 points, or 8.2 percent, compared with its level at the end of 2008, against a decline in the amount of 916.6 points, or 24.9 percent, during 2008. The above-mentioned decline was totally owing to the drop in the SPI for the financial sector which tumbled by 582.3 points, or 16.1 percent. Meanwhile, the SPI for the sectors of industry as well as services gained 2.8 points or 0.1 percent and 82.3 points, or 4.1 percent, respectively, compared to their levels at the end of 2008.

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

| year    |                      | December |         |
|---------|----------------------|----------|---------|
|         |                      | 2008     | 2009    |
| 2,758.4 | <b>General Index</b> | 2,758.4  | 2,533.5 |
| 3,609.1 | Financial Sector     | 3,609.1  | 3,026.8 |
| 2,736.0 | Industrial Sector    | 2,736.0  | 2,738.8 |
| 2,025.6 | Services Sector      | 2,025.6  | 2,107.9 |

Source: Amman Stock Exchange.



- **Market Capitalization:**

The market capitalization of the ASE totaled JD 22.6 billion at the end of December 2009; declining by around JD 0.4 billion, or 2.0 percent, compared with its level at the end of the previous month,

against an increase amounting to JD 0.7 billion, or 2.9 percent, during the same month in the preceding year. In addition, the market capitalization, during 2009, melted down by about JD 2.8 billion, or 11.2 percent, compared with its level at the end of 2008 against a decline amounting to around JD 3.8 billion, or 13.0 percent over 2008.

- **Non - Jordanian Net Investment:**

Non - Jordanian net investment at ASE recorded an outflow amounting to JD 4.9 million in December 2009 against an inflow amounting to JD 38.9 million during the same month in 2008; the value of shares acquired by non-Jordanians in December 2009 stood at JD 120.1 million, while the value of shares sold by non-Jordanians amounted to JD 125.0 million. Similar to the monthly developments, non - Jordanian net investment displayed an outflow

amounting to JD 3.8 million during 2009 compared with an inflow in the amount of JD 309.8 million during 2008.

| <b>Main Amman Stock Exchange Trading Indicators, JD Million</b> |                                 |                 |                 |
|-----------------------------------------------------------------|---------------------------------|-----------------|-----------------|
| <b>Year</b>                                                     |                                 | <b>December</b> |                 |
| <b>2008</b>                                                     |                                 | <b>2008</b>     | <b>2009</b>     |
| <b>20,318.0</b>                                                 | Value Traded                    | <b>498.2</b>    | <b>655.1</b>    |
| <b>82.9</b>                                                     | Average Daily Trading           | <b>33.2</b>     | <b>29.8</b>     |
| <b>25,406.3</b>                                                 | Market Capitalization           | <b>25,406.3</b> | <b>22,571.1</b> |
| <b>4,702.3</b>                                                  | No. of Traded Shares (million)  | <b>219.2</b>    | <b>530.4</b>    |
| <b>309.8</b>                                                    | Net Investment of Non-Jordanian | <b>38.9</b>     | <b>(4.9)</b>    |
| <b>4,219.8</b>                                                  | Non-Jordanian Buying            | <b>122.5</b>    | <b>120.1</b>    |
| <b>3,910.0</b>                                                  | Non-Jordanian Selling           | <b>83.6</b>     | <b>125</b>      |

Source: Amman Stock Exchange.

## Second: Output and Prices

### □ Summary

- Gross Domestic Product (GDP), at both market and basic prices, registered a real growth amounting to 2.7 percent and 3.2 percent, respectively, during the first three quarters of 2009 compared to 9.1 percent and 8.9 percent, respectively, during the first three quarters in 2008.
- The microeconomic indicators related to the construction sector witnessed a marked improvement during 2009, while those related to the sectors of mining and transportation showed negative developments during the past period of 2009.
- The general price level, as measured by the Consumer Price Index (CPI), declined by 0.7 percent during 2009 against an increase amounting to 13.9 percent during 2008.
- Investments benefiting from the Investment Promotion Law (IPL) totaled JD 1,859.0 million during 2009 (of which foreign investments constitute 39.1 percent).

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

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

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

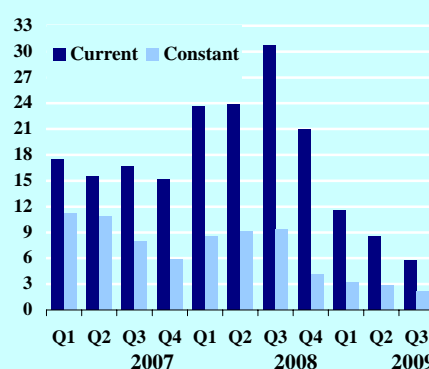
**Quarterly Growth Rates of GDP at Market Prices  
2007 - 2009**

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

Source: Department of Statistics.

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

**Quarterly Growth Rates of GDP at Market Prices (2007 - 2009), %**



In further details, the economic sectors displayed a wide variation in their performance during the first three quarters of 2009. **Some sectors witnessed a marked improvement, particularly the agriculture sector**

which picked up strongly, recording a real growth rate of 14.4 percent compared to a growth of 1.1 percent during the first three quarters of 2008. In addition, the sector of **“producers of government services”** registered a marked growth amounting to 7.3 percent compared to a growth of 3.2 percent during the first three quarters in the preceding year. Meanwhile, the **construction** sector maintained its solid growth achieved in 2008, growing at 14.4 percent during the first three quarters of 2009 compared to 16.8 percent during the first three quarters of 2008.

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

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

On the front of sectoral contribution to economic growth, the data revealed that **the contribution of both commodity- and service-producing sectors in the overall GDP growth, at constant basic prices, declined to stand at 1.2 percentage points and 2.0 percentage points, respectively, during the first three quarters of 2009 compared to 2.9 percentage points and 6.0 percentage points, respectively, during the same period in 2008. Meanwhile, the contribution of “net taxes on products” was negative; standing at -0.1 percentage point against 1.6 percentage points during the first three quarters of 2008.**

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

#### **□ Microeconomic Indicators**

The indicators available to-date on Jordan's sectoral performance in 2009 displayed divergent trends. Microeconomic indicators for mining as well as transportation displayed a downward trend; namely, the production quantity index of “mining and quarrying”, the number of passengers and cargo through the Royal Jordanian Airlines; and quantities of exported and imported goods shipped through the Aqaba port. While the number of departures experienced a slowdown, the manufacturing production quantity index maintained unchanged positive growth compared to the corresponding period in 2008. On the other hand, the indicators of the construction sector, including cement sales to the domestic market and licensed areas for building grew at a faster pace. It is worth indicating in this regard that two new cement companies have entered the domestic market during the second half of 2009.

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

| Fast pace growing indicators * |                                                                                 |                    |      |
|--------------------------------|---------------------------------------------------------------------------------|--------------------|------|
| Percentages                    |                                                                                 |                    |      |
| The whole<br>2008              | Item                                                                            | January - October  |      |
|                                |                                                                                 | 2008               | 2009 |
| -4.4                           | Quantity of cement sales to the domestic market (excluding imported quantities) | -5.5               | 6.9  |
|                                |                                                                                 | January - November |      |
|                                |                                                                                 | 2008               | 2009 |
| -16.8                          | Licensed areas for building                                                     | -14.6              | 16.0 |
|                                |                                                                                 | January - December |      |
|                                |                                                                                 | 2008               | 2009 |
| -7.2                           | Production of chemical acids                                                    | -7.2               | 2.9  |

| Decelerating indicators * |                                         |                    |      |
|---------------------------|-----------------------------------------|--------------------|------|
| Percentages               |                                         |                    |      |
| The whole<br>2008         | Item                                    | January - November |      |
|                           |                                         | 2008               | 2009 |
| 0.7                       | Manufacturing production quantity index | 0.8                | 0.8  |
|                           |                                         | January - December |      |
|                           |                                         | 2008               | 2009 |
| 8.9                       | Number of departures                    | 8.9                | 0.5  |

| Contracting indicators * |                                                                          |                    |       |
|--------------------------|--------------------------------------------------------------------------|--------------------|-------|
| Percentages              |                                                                          |                    |       |
| The whole<br>2008        | Item                                                                     | January - November |       |
|                          |                                                                          | 2008               | 2009  |
| 1.4                      | Industrial production quantity index                                     | 1.8                | -2.1  |
| 10.9                     | "Mining and quarrying" production quantity index                         | 12.0               | -28.7 |
| 1.1                      | Electricity production quantity index                                    | 3.4                | -9.2  |
| -4.7                     | Quantities of exported and imported goods shipped through the Aqaba port | -3.3               | -17.0 |
|                          |                                                                          | January - December |       |
|                          |                                                                          | 2008               | 2009  |
| 7.9                      | Production of cement                                                     | 7.9                | -4.6  |
| 13.1                     | Production of phosphate                                                  | 13.1               | -17.8 |
| 11.7                     | Production of potash                                                     | 11.7               | -44.0 |
| -5.2                     | Production of fertilizers                                                | -5.2               | -8.5  |
| -1.9                     | Production of petroleum products                                         | -1.9               | -3.6  |
| 15.0                     | The number of passengers through the Royal Jordanian                     | 15.0               | -1.0  |
| 4.1                      | Cargo through the Royal Jordanian                                        | 4.1                | -27.5 |

\*, 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

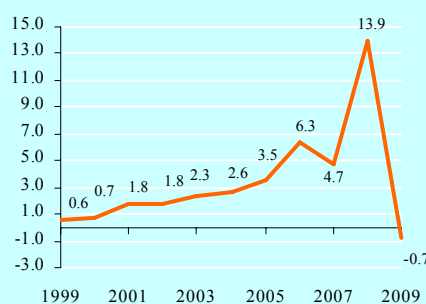
- ◆ According to the latest statistics issued by Jordan Investment Board (JIB), investments benefiting from the Investment Promotion Law (IPL) during the whole year of 2009 totaled JD 1,859.0 million compared to JD 2,268.0 million in 2008. It is worth indicating in this regard that despite the decline in total investments benefiting from the IPL in 2009 affected by the repercussions of the global economic and financial crisis, the value of investments during 2009 is still higher than the annual average during the period (2004-2008).
- ◆ It should be also noted that the indicator of total investments benefiting from the IPL includes investments in projects, amounting to JD 38.0 million in 2009, which do not fall within the sectors stipulated by the Law. This inclusion is based on the provisions of Article (5/A), which authorizes the Cabinet, upon the recommendation of the Ministers of “Industry and Trade” and Finance to grant any project, whether it falls within the sectors stipulated by the Law or not, any exemptions from duties and taxes conducted upon the provisions of this Law, or any exemptions or additional benefits.
- ◆ On the front of the distribution of total investments according to nationality, the latest statistics revealed that the share of foreign investments to total investments benefiting from IPL has increased to stand at 39.1 percent against 34.7 percent in 2008. As for the sectoral distribution of investments benefiting from IPL, it is noted that **the share of industrial sector, which is one of the most important sectors in terms of generating income and employment, has increased to stand at 79.2 percent, or JD 1,442.0 million in 2009.** Further, the sector of hotels came second; accounting for 9.3 percent, followed by the sectors of transportation, hospitals and agriculture which accounted for 3.9 percent, 3.5 percent and 2.2 percent, respectively. Finally, “leisure and recreational compounds” accounted for 1.9 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

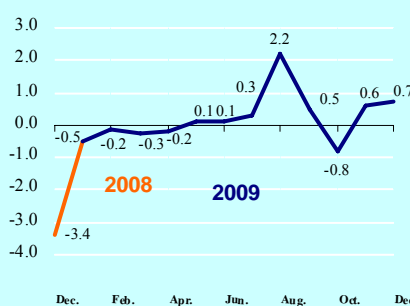
Compared to the exceptionally high consumer prices recorded in 2008, **the general price level**, as measured by the average Consumer Price Index (CPI), declined by 0.7 percent during 2009 against a rise amounting to 13.9 percent in 2008. Such a drop in average consumer prices was chiefly attributable to the marked decline in the prices of imports, which tumbled by 15.3 percent during the first ten months in 2009 compared to their levels during the same period in 2008, in particular the prices of “crude oil and oil derivatives” which declined by 41.0 percent; reflecting the dispersion of global inflationary pressures driven by the repercussions of the global economic and financial crisis.

**On the other hand, consumer prices rose by 0.7 percent during the month of December compared to their levels in the previous month.** The most important items that contributed to such an increase were rents, “fuels and lighting”, transportation, and some food items.

**Annual Inflation Rate**  
The percentage change in the CPI  
(1999- 2009)



**Monthly Inflation Rate**  
(Dec. 2008 -Dec. 2009, percentages)



**Price developments of main components of the CPI basket in 2009 compared to their levels in 2008 can be outlined as follows:**

- ◆ The prices of “**food items**” group (which makes up the largest weight amongst the CPI components; accounting for 36.65 percent) registered a positive inflation amounting to 1.7 percent during 2009, in contrast to the trend of the general price index. However, the prices of this group slowed down considerably in 2009; growing by 1.7 percent compared to 18.4 percent in 2008 owing to the decline in the world food prices. **The contribution of this group to the overall rate of inflation recorded during the period under consideration reached 0.6 percentage point.** The rise in the prices of this group was driven by the increase in the prices of many food items, particularly the prices of “cereals and its products” which soared by 10.4 percent. In addition, the prices of “sugar and confectionaries”, spices, “meats and poultry” and “dry and canned legumes” increased by 6.7 percent, 6.5 percent, 5.2 percent, and 3.7 percent, respectively. In contrast, the prices of vegetables and fruits declined by 5.8 percent for each, while the prices of “dairy products and eggs” declined by 2.9 percent.
- ◆ 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 5.8 percent, on average, during 2009 compared to 7.4 percent in 2008. Accordingly, **this group's contribution to the overall inflation rate during 2009 amounted to 0.3 percentage point.** The price developments of this group were affected by the slowdown in the prices of clothing which showed a rise of 5.1 percent against 7.5 percent in 2008. In contrast, the prices of footwear were up by 8.7 percent against 6.9 percent in 2008.

- ◆ The prices of **housing group** (which accounts for 26.78 percent of the CPI basket) declined by 1.7 percent during 2009 against a noticeable rise amounting to 13.5 percent in 2008. In effect, **this group contributed to bringing down the overall inflation rate by 0.4 percentage point during the period under consideration.** The price decline in this group was mainly attributed to the fall in the prices of “fuels and electricity” item by 11.1 percent compared to a marked increase amounting to 48.4 percent in 2008, owing to its sensitivity to the drop in the domestic fuel prices **compared to their levels in 2008.** In contrast, other items recorded mixed rates of increase in their prices, including the prices of “rent” and “cleaning materials” which increased by 1.6 percent and 7.0 percent, respectively, but showing a slowdown against their levels in 2008.
  
- ◆ The prices of **“other goods and services”** group (which accounts for 31.62 percent of the CPI basket) decreased by 4.0 percent during 2009 against a noticeable increase in the amount of 9.8 percent in 2008. In consequence, **this group contributed to bringing down the overall inflation rate by 1.2 percentage points during 2009.** The decline in the prices of this group came out as a main result of the fall in the prices of transportation item (which is the main component in this group) by 13.9 percent against a large increase amounting to 20.4 percent in 2008, due to the decline in fuel prices. In addition, the prices of medical care as well as communications declined by 2.3 percent and 0.5 percent, respectively. On the other hand, the prices of some other items witnessed a deceleration, including “personal care” and recreation which increased by 3.0 percent and 1.8 percent, respectively. In contrast, the education price index increased by 6.7 percent against 5.5 percent in 2008.

### Third: Public Finance

#### □ Summary:

- The general budget, including grants, showed a fiscal deficit amounting to JD 972.9 million during the first eleven months in 2009. Excluding grants (amounting to JD 230.0 million), the deficit widens to JD 1,202.9 million.
- Gross outstanding domestic public debt (budgetary and own-budget) stood at JD 7,090.0 million, or 43.7 percent of GDP, at the end of November 2009, reflecting an increase amounting to JD 1,336.0 million compared to its level at the end of 2008.
- Net outstanding domestic public debt totaled JD 5,910.0 million, or 36.4 percent of GDP, at the end of November 2009; up by JD 999.0 million compared to its level at the end of 2008.
- Outstanding external public debt, budgetary and guaranteed, increased by JD 100.8 million at the end of November 2009 in comparison with its level at the end of 2008; standing at JD 3,741.0 million, or 23.1 percent of GDP.

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

##### ■ Public Revenues

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

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

(JD Million and Percentages)

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

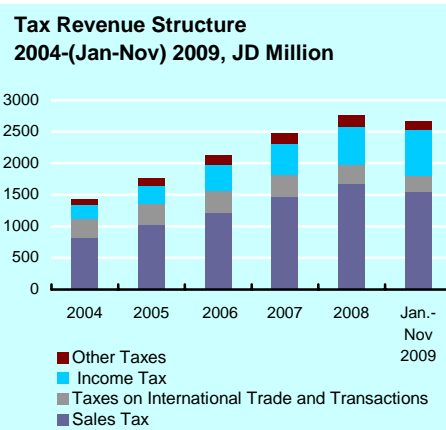
Source: Ministry of Finance/ General Government Finance Bulletin.

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

◆ **Domestic Revenues**

Domestic revenues declined by JD 230.3 million, or 5.7 percent, during the first eleven months in 2009 compared to the same period in 2008; amounting to JD 3,815.8 million. This fall was the outcome of the increase in the proceeds of tax revenues by JD 93.0 million, on one hand, and the decline in the proceeds of other revenues as well as pension contributions by JD 322.8 million and JD 0.5 million, respectively, on another. **When excluding the**

**non-recurrent revenues from the proceeds of miscellaneous revenues in 2008, the performance of the general budget during the first eleven months in 2009 shows a growth in domestic revenues in the amount of 3.4 percent.**



## ◀ Tax Revenues

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

- **The increase in the proceeds of “income and profit taxes”** by 26.9 percent, to reach JD 727.8 million. This increase was the outcome of the rise in the proceeds of “income tax from companies and other projects” by JD 109.7 million and the increase in the proceeds of “income tax from individuals” by JD 44.5 million. In further details, income tax from companies accounted for 77.7 percent of total taxes on income and profits; standing at JD 565.3 million (of which JD 269.2 million from the income of banks and financial institutions). **It is worth mentioning in this regard, that the significant increase in the proceeds of “income and profit taxes” was driven by the solid growth registered in 2008.**
- **The slight decline in general sales tax on goods and services** by JD 3.3 million, or 0.2 percent, to reach JD 1,538.5 million. The aforementioned decline was driven by the drop in the proceeds of “sales tax on domestic goods” by JD 82.6 million and the drop in the proceeds of “sales tax on the commercial sector” by JD 18.6 million. In contrast, the proceeds of “sales tax on imported goods” as well as “the proceeds of “sales tax on services” increased by JD 13.0 million and JD 84.9 million, respectively. It is worth noting in this respect that the actual proceeds of the general sales tax on goods and services during the first eleven months of 2009 did not exceed 74.3 percent of their targeted level in the General Budget Law, which implies that these proceeds were markedly affected by the deceleration in productive sectors, particularly the sectors of manufacturing and “wholesale and retail trade” due to the repercussions of the global economic and financial crisis.

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

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

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

#### ◀ **Pension Contributions**

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

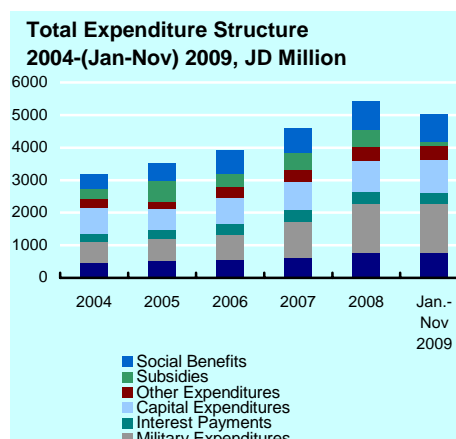
#### ◆ **Foreign Grants**

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



## ■ Public Expenditures

Public expenditures were increased by JD 12.8 million, or 2.8 percent, in November 2009 compared to the same month in 2008 to stand at JD 462.6 million. However, these expenditures surged by JD 185.5 million, or 3.8 percent, over the first eleven months in 2009 compared to the same



period in 2008 to stand at JD 5,018.7 million. This increase was the outcome of the rise in capital expenditures by 23.2 percent, on one hand, and the slight decline in current expenditures by 0.1 percent, on another.

## ◆ Current Expenditures

Current expenditures were down by JD 5.6 million or 0.1 percent, during the first eleven months in 2009; amounting to JD 4,002.2 million. This decline was mainly influenced by the significant fall in subsidies item in the amount of JD 244.5 million due to the decline in international commodity prices. On the other side, most other current expenditures have increased; social benefit expenditures surged by JD 32.9 million to stand at JD 838.0 million, driven by the increase in social assistance expenditures and “pensions and compensation” by JD 5.6 million and JD 27.3 million, respectively. Moreover, military expenditures increased by JD 119.9 million to stand at JD 1,513.6 million, and compensation of employees of the civil servants (wages, salaries and social security contributions) was also up by JD 61.3 million to total JD 759.9 million, as a result of the increase in the salaries of civil

servants and military staff, both on duty and retired, within the framework of the Social Safety Net, on one hand, and the natural growth of these two items, on another. In addition, other current expenditures, particularly “purchase of goods and services” and interest payments increased by JD 19.3 million and JD 5.7 million, respectively.

#### ◆ **Capital Expenditures**

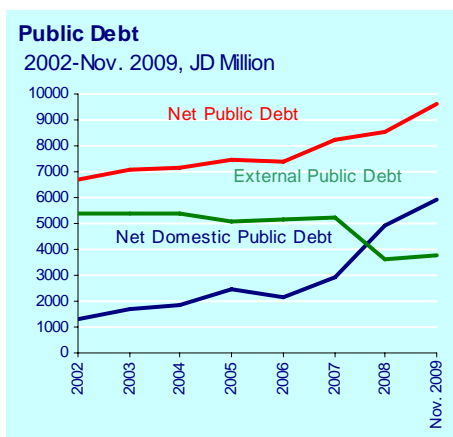
Capital expenditures increased by JD 191.1 million, during the first eleven months in 2009 to stand at JD 1,016.5 million. Accordingly, the achievement ratio for such expenditures amounted to 74.5 percent of their projected level in the Budget Law.

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

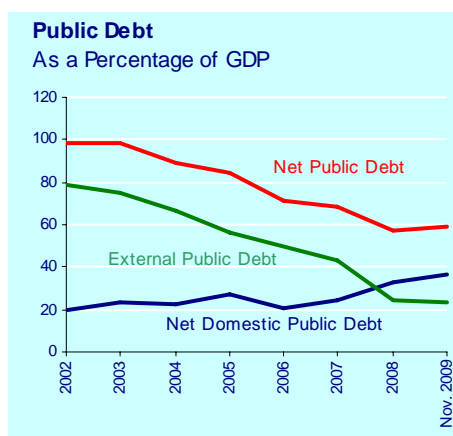
- ◆ **The general budget, including grants, displayed a fiscal deficit amounting to JD 972.9 million over the first eleven months in 2009** against a deficit in the amount of JD 230.0 million during the same period in 2008. **It is worth indicating that the moderate deficit achieved during the corresponding period in 2008 includes non-recurrent revenues resulting from selling a land in Aqaba in the amount of JD 354.5 million. Excluding such revenues, the general budget during the same period in 2008 shows a deficit in the amount of JD 584.5 million.**
- ◆ **The general budget showed a primary deficit** (after excluding interest payments on public debt from total expenditures) **during the first eleven months in 2009 amounting to JD 631.9 million** against a primary surplus in the amount of JD 105.3 million during the same period in 2008.

## □ Public Debt

- **Gross outstanding domestic public debt for the central government (budgetary and own-budget agencies) was up by JD 1,336.0 million at the end of November 2009 compared to its level at the end of 2008 to reach JD 7,090.0 million, or 43.7 percent of GDP.** This development was mainly attributed to the increase in



the outstanding balance of the “treasury bills and bonds” by JD 1,329.0 million to total JD 5,753.0 million, or 81.1 percent of gross domestic public debt at the end of November 2009, on one hand, and the decline in the outstanding balance of “loans and advances” extended by CBJ to the central government by JD 80.0 million to stand



at JD 992.0 million at the end of November 2009, on the other hand. It is worth indicating in this regard that the aforementioned item includes securities for settling the treasury account.

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

the deposits of central government and own-budget agencies at the banking system by JD 337.0 million compared to their level at the end of 2008.

- **Outstanding balance of external public debt (budgetary and guaranteed) was up** by JD 100.8 million at the end of November 2009 compared to its level at the end of 2008; amounting to JD 3,741.0 million, or 23.1 percent of GDP. The currency structure of this debt indicates that external debt in the US dollar accounted for 30.1 percent, while debt in Euro accounted for 12.0 percent. Further, external debt in Japanese Yen and Kuwaiti Dinar accounted for 28.7 percent and 18.9 percent of the outstanding external public debt, respectively.
- **Net public debt (domestic and external) increased** by JD 1,099.8 million at the end of November 2009 compared to its level at the end of 2008 to stand at JD 9,651.0 million, or 59.5 percent of GDP, against JD 8,551.2 million, or 56.8 percent of GDP, at the end of 2008. Consequently, the ratio of net public debt to GDP has gone up by 2.7 percentage points. It is worth mentioning in this respect that the amended Public Debt Management Law for 2008 sets new ceilings for the public debt. According to the introduced amendments, net outstanding domestic public debt and outstanding external public debt shall not exceed 40.0 percent of GDP for each. In addition, total outstanding public debt shall not exceed 60.0 percent of GDP.
- **External debt service (budgetary and guaranteed)**, on a cash basis, amounted to JD 336.4 million during the first eleven months in 2009 (of which interest payments amounting to JD 88.8 million) compared to JD 1,904.3 million during the same period in 2008 (of which interest payments amounting to JD 128.6 million). It is worth noting that the increase in the payments during the aforementioned period in 2008 was chiefly due to the execution of the debt buyback agreement with the Paris Club creditors.

□ **Fiscal and Price Measures**

- ◆ Raising the prices of oil derivatives as of January 14, 2010, while maintaining the prices of liquid gas unchanged, as follows:

|                                            | Unti       | 2009     | 2010    | Change % |
|--------------------------------------------|------------|----------|---------|----------|
|                                            |            | December | January |          |
| Fuel oil for industry                      | JD/Ton     | 370.3    | 379.1   | 2.4      |
| Fuel oil for ships                         | JD/Ton     | 370.3    | 379.1   | 2.4      |
| Fuel oil for airplanes (local companies)   | Fils/Liter | 423      | 431     | 1.9      |
| Fuel oil for airplanes (foreign companies) | Fils/Liter | 428      | 436     | 1.9      |
| Fuel oil for unplanned flights             | Fils/Liter | 443      | 451     | 1.8      |
| Asphalt                                    | JD/Ton     | 397.9    | 407.2   | 2.3      |
| Unleaded Gasoline 90                       | Fils/Liter | 485      | 500     | 3.1      |
| Unleaded Gasoline 95                       | Fils/Liter | 575      | 600     | 4.3      |
| Gas Oil (Diesel)                           | Fils/Liter | 445      | 455     | 2.2      |
| Kerosene                                   | Fils/Liter | 445      | 455     | 2.2      |
| Liquid Gas (12.5kg)                        | JD/Unit    | 6.5      | 6.5     | 0.0      |

- ◆ In order to stimulate the real estate sector in the Kingdom, the Cabinet decided to extend the exemption of ownership transfer fees until the end of 2010. According to the above-mentioned decision, apartments not exceeding an area of 120 squared meters are fully exempted from fees, while those exceeding 300 squared meters enjoy an exemption for the first 120 squared meters. The decision also reduces fees of transferring real estate's ownership by 2.5 percent and cuts 50.0 percent of the land sales' fees (December 2009).
- ◆ In order to stimulate the tourism sector and to enable it to overcome the repercussions of the global financial crisis, the Cabinet decided to extend the reduction of the sales tax rate on

hotel accommodation services to 8.0 percent instead of 14.0 percent until the end of 2010 (December 2009).

- ◆ Reducing the GST registration limit on the commercial sector to stand at JD 50.0 thousand; down from JD 75.0 thousand, as of 2010 (January 2010).

□ **In light of the provisions of the Temporary Income Tax Law No. (28) for the year 2009, the following measures have been approved:**

- ◆ The abolition of the 10.0 percent tax on foreign investors' funds transferred abroad, as of the beginning of this year (December 2009).
- ◆ The abolition of all types of lump sum income tax. It is worth noting that several activities were subject to such tax, including construction sector, housing and engineering offices (January 2010).

□ **In light of the provisions of the Temporary Law No. (29) for the year 2009 amending the Sales Tax Law, the following was approved:**

- ◆ Eliminating fees and taxes imposed on sales pursuant to the law of additional tax, in addition to eliminating the livestock tax law as well as the law of supporting countering HIV, tuberculosis and malaria diseases.
- ◆ Eliminating the provisions of Article (48) of the Municipalities Law No. (14) for the year 2007, which include the deducting of 6.0 percent fees on oil derivatives for the benefit of municipalities. Instead, such fees have been inserted within the Sales Tax Law.

- ◆ Eliminating the provisions of the additional tax law which impose a tax on tickets as well as departure tax. Instead, a special tax in the amount of JD 30.0 was imposed on air tickets to outside the Kingdom.
- The abolition of additional taxes imposed on government transactions as of the beginning of this year, which include the following:
  - ◆ The additional tax in the amount of 10.0 percent of the fees due on registration, subdivision, sale, donation, mortgage, decryption inquiries and abandonment in the Department of Lands and Survey.
  - ◆ The additional tax in the amount of 10.0 percent of the fees due on all transactions taking place in the Regular and Shari'a Courts.
  - ◆ The additional tax in the amount of 10.0 percent of the fees due on licenses of professions, crafts, industries and construction.
  - ◆ The additional tax imposed on marriage contracts in the amount of JD 5.0.
- The abolition of the culture tax in the amount of 1.0 percent of the value of advertising in newspapers, radio and television stations as of the beginning of this year (January 2010).
- **Grants and Loans**
  - ◆ Signing a soft loan agreement with the World Bank in the amount of US\$ 60.0 million to finance a part of the project of Education Reform for Knowledge Economy/Phase II (December 2009).

## Fourth: External Sector

### □ Summary

- The value of **total merchandize exports** (domestic exports plus re-exports) declined by 31.4 percent in November 2009 compared with the same month in 2008 to stand at JD 313.3 million. Moreover, total merchandize exports went down by 21.0 percent during the first eleven months in 2009 compared with the same period in 2008 to stand at JD 4,098.4 million.
- The value of **merchandize imports** decreased by 2.3 percent in November 2009 compared with the same month in the previous year; amounting to JD 891.8 million. Further, total merchandize imports declined by 19.3 percent over the first eleven months in 2009 compared with the same period in 2008 to stand at JD 9,077.6 million.
- In light of the above, **trade balance deficit** (the value of total exports minus the value of imports) surged by 26.8 percent in November 2009 compared to the same month in 2008; standing at JD 578.5 million. However, trade balance deficit narrowed down by 17.9 percent during the first eleven months in 2009 compared with the same period in 2008 to stand at JD 4,979.2 million.
- According to the preliminary figures, **travel receipts** declined by 5.5 percent in December 2009 to stand at JD 163.7 million. Similarly, the payments of this item declined by 14.6 percent; amounting to JD 52.6 million. In addition, receipts declined by 1.2 percent in 2009, to stand at JD 2,063.4 million. Meanwhile, payments increased by 6.1 percent in 2009 to stand at JD 755.4 million.
- According to the preliminary figures, **total workers' remittances receipts** amounted to JD 215.7 million in December 2009; an increase amounting to 0.5 percent. However, remittances decreased by 5.2 percent during 2009; totaling JD 2,553.8 million.
- **The current account of the balance of payments** displayed a deficit amounting to JD 836.4 million or 6.9 percent of GDP, during the first three quarters in 2009 compared with a deficit in the amount of JD 1,480.1 million, or 13.2 percent of GDP, during the same period in 2008.



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

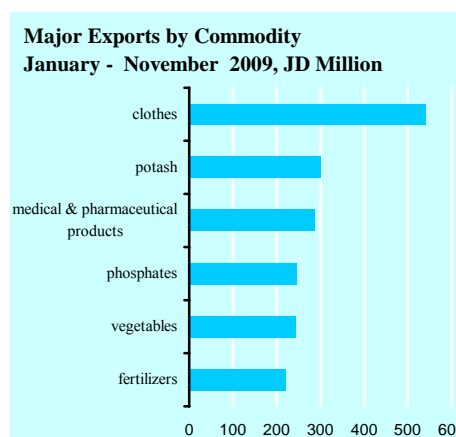
#### □ External Trade

In light of the decline in domestic exports as well as imports by JD 839.6 million and JD 2,173.4 million, respectively, during the first eleven months in 2009, the volume of external trade (domestic exports plus imports) decreased by JD 3,013.0 million to stand at JD 12,309.6 million against JD 15,322.6 million during the same period in 2008.

| <b>Jordan's Major Trade Partners</b><br>January - November 2008, 2009<br>JD Million |         |         |                   | <b>Developments of External Trade Indicators, JD Million</b> |                   |           |                   |       |
|-------------------------------------------------------------------------------------|---------|---------|-------------------|--------------------------------------------------------------|-------------------|-----------|-------------------|-------|
|                                                                                     | 2008    | 2009    | Percentage Change | January - November                                           |                   |           |                   |       |
|                                                                                     | 2008    | 2009    | Percentage Change | 2008                                                         | Percentage Change | 2009      | Percentage Change |       |
|                                                                                     |         |         |                   | 2008/2007                                                    |                   | 2009/2008 |                   |       |
| <b>Exports</b>                                                                      |         |         |                   | External Trade                                               | 15,322.6          | 31.2      | 12,309.6          | -19.7 |
| United States                                                                       | 677.6   | 563.2   | -16.9             | Total Exports                                                | 5,187.4           | 40.6      | 4,098.4           | -21.0 |
| Iraq                                                                                | 517.6   | 552.4   | 6.7               | Domestic Exports                                             | 4,071.6           | 40.1      | 3,232.0           | -20.6 |
| India                                                                               | 846.0   | 464.2   | -45.1             | Re-exports                                                   | 1,115.8           | 42.7      | 866.4             | -22.4 |
| Saudi Arabia                                                                        | 314.5   | 330.9   | 5.2               | Imports                                                      | 11,251.0          | 28.2      | 9,077.6           | -19.3 |
| Syria                                                                               | 153.3   | 133.6   | -12.9             | Trade Balance                                                | -6,063.6          | 19.2      | -4,979.2          | -17.9 |
| United Arab Emirates                                                                | 146.5   | 125.0   | -14.7             | Source: Department of Statistics.                            |                   |           |                   |       |
| Lebanon                                                                             | 82.2    | 109.3   | 33.0              |                                                              |                   |           |                   |       |
| <b>Imports</b>                                                                      |         |         |                   |                                                              |                   |           |                   |       |
| Saudi Arabia                                                                        | 2,445.9 | 1,606.5 | -34.3             |                                                              |                   |           |                   |       |
| China                                                                               | 1,162.9 | 978.0   | -15.9             |                                                              |                   |           |                   |       |
| United States                                                                       | 506.6   | 634.2   | 25.2              |                                                              |                   |           |                   |       |
| Egypt                                                                               | 500.3   | 556.0   | 11.1              |                                                              |                   |           |                   |       |
| Germany                                                                             | 673.8   | 555.5   | -17.6             |                                                              |                   |           |                   |       |
| South Korea                                                                         | 389.3   | 357.1   | -8.3              |                                                              |                   |           |                   |       |
| Japan                                                                               | 326.7   | 330.8   | 1.3               |                                                              |                   |           |                   |       |
| Italy                                                                               | 348.6   | 313.7   | -10.0             |                                                              |                   |           |                   |       |
| France                                                                              | 275.5   | 298.8   | 8.5               |                                                              |                   |           |                   |       |

### ■ Merchandize Exports:

Total merchandize exports declined by 21.0 percent during the first eleven months in 2009 to reach JD 4,098.4 million compared with a growth amounting to 40.6 percent during the same period in 2008. This fall was the direct result of the decline in the value of domestic exports by 20.6 percent to reach JD 3,232.0 million as well as the decline in the value of re-exports by 22.4 percent to reach JD 866.4 million.



**The comparison between the developments in domestic exports during the first eleven months in 2009 and the corresponding period in 2008 reveals the following:**

- The exports of **clothes** declined by JD 119.5 million, or 18.1 percent, to reach JD 540.6 million compared with JD 660.1 million over the same period in 2008. However, the relative importance of clothes exports to domestic exports increased by 0.5 percentage points to stand at 16.7 percent during the first eleven months in 2009. The geographical distribution was such that the US market had the lion's share of clothes exports; accounting for 92.8 percent.
- The exports of **potash** decreased by JD 160.0 million, or 34.7 percent, to stand at JD 301.3 million compared with JD 461.3 million during the same period in 2008. Such decline was mainly attributable to the increase in the prices of potash by 15.7 percent, on one hand, and the decline in the quantities exported by 43.5 percent, on the other. The geographical distribution of exports reveals that the Indian, Indonesian and Chinese markets accounted for 82.4 percent of these exports.
- The exports of **medical and pharmaceutical products** declined by JD 31.9 million, or 10.0 percent, to stand at JD 286.9 million

compared with JD 318.8 million during the corresponding period in 2008. The Saudi, Algerian, Sudanese and Lebanese markets accounted for 59.7 percent of these exports.

- The exports of **phosphates** decreased by JD 84.2 million, or 25.5 percent, to reach JD 245.7 million. This decline was the combined effect of the decline in the prices and the quantities exported of phosphates by 6.2 percent and 20.6 percent, respectively. The Indian, Indonesian and Japanese markets were the main destinations for these exports; accounting for 85.6 percent.
- The exports of **vegetables** decreased by JD 16.2 million, or 6.2 percent, to reach JD 244.3 million compared with JD 260.5 million during the same period in 2008. The geographical distribution indicated that the markets of Iraq, Syria and the UAE accounted for 60.7 percent of these exports.

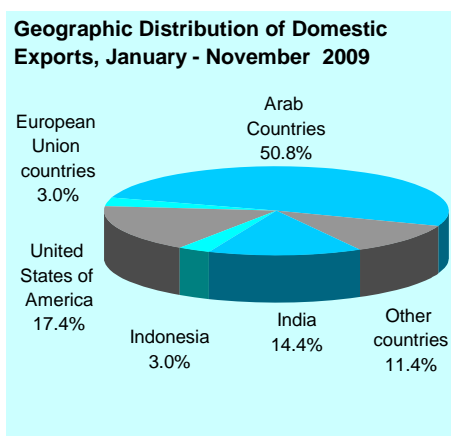
#### Major Domestic Exports by Commodity Januray – November 2008 , 2009, JD Million

|                                              | 2008           | 2009           | Percentage Change |
|----------------------------------------------|----------------|----------------|-------------------|
| <b>Domestic Exports</b>                      | <b>4,071.6</b> | <b>3,232.0</b> | <b>-20.6</b>      |
| <b>Clothes</b>                               | <b>660.1</b>   | <b>540.6</b>   | <b>-18.1</b>      |
| United States                                | 614.1          | 501.5          | -18.3             |
| <b>Potash</b>                                | <b>461.3</b>   | <b>301.3</b>   | <b>-34.7</b>      |
| India                                        | 184.0          | 206.1          | 12.0              |
| Indonesia                                    | 26.6           | 24.5           | -7.9              |
| China                                        | 54.3           | 17.7           | -67.4             |
| <b>Medical &amp; Pharmaceutical Products</b> | <b>318.8</b>   | <b>286.9</b>   | <b>-10.0</b>      |
| Saudi Arabia                                 | 85.1           | 84.3           | -0.9              |
| Algeria                                      | 67.0           | 41.1           | -38.7             |
| Sudan                                        | 27.7           | 27.0           | -2.5              |
| Lebanon                                      | 20.1           | 19.0           | -5.5              |
| <b>Phosphates</b>                            | <b>329.9</b>   | <b>245.7</b>   | <b>-25.5</b>      |
| India                                        | 185.9          | 126.6          | -31.9             |
| Indonesia                                    | 54.1           | 66.5           | 22.9              |
| Japan                                        | 26.0           | 17.3           | -33.5             |
| <b>Vegetables</b>                            | <b>260.5</b>   | <b>244.3</b>   | <b>-6.2</b>       |
| Iraq                                         | 65.9           | 58.9           | -10.6             |
| Syria                                        | 45.1           | 50.7           | 12.4              |
| United Arab Emirates                         | 43.5           | 38.7           | -11.0             |
| <b>Fertilizers</b>                           | <b>420.3</b>   | <b>219.5</b>   | <b>-47.8</b>      |
| India                                        | 329.2          | 105.6          | -67.9             |
| Japan                                        | 54.6           | 64.2           | 17.6              |
| Iraq                                         | 2.3            | 13.0           | 465.2             |
| <b>Machinery &amp; Transport Equipment</b>   | <b>222.8</b>   | <b>187.3</b>   | <b>-15.9</b>      |
| Saudi Arabia                                 | 58.4           | 60.2           | 3.1               |
| Iraq                                         | 50.2           | 57.1           | 13.7              |
| Syria                                        | 13.5           | 10.5           | -22.2             |

Source: Department of Statistics.

- The exports of **fertilizers** declined by JD 200.8 million, or 47.8 percent, to reach JD 219.5 million compared with JD 420.3 million during the same period in the previous year. This development was the outcome of the decline in the prices of fertilizers by 43.7 percent combined with the decline in the quantities exported by 7.2 percent. The Indian, Japanese and Iraqi markets accounted for 83.3 percent of these exports.
- The exports of **machinery and transport equipment** decreased by JD 35.5 million, or 15.9 percent, to total JD 187.3 million. The geographical distribution was such that the markets of Saudi Arabia, Iraq and Syria accounted for 68.2 percent of these exports.

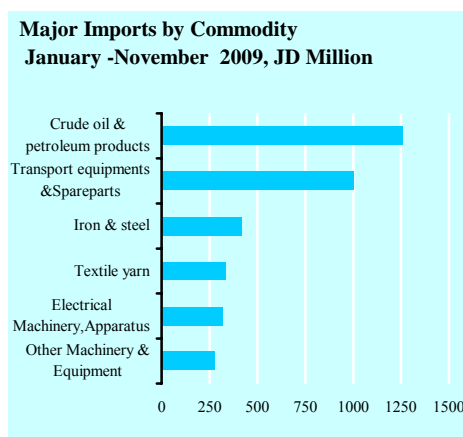
In light of the aforementioned developments, the commodity breakdown of domestic exports indicates that the exports of clothes, potash, medical and pharmaceutical products, phosphates, vegetables, fertilizers and machinery and transport equipment topped the list of exporting materials during



the first eleven months in 2009; accounting collectively for 62.7 percent of domestic exports; down from 65.7 percent during the same period in 2008. On the other side, the geographical distribution of domestic exports indicates that the markets of USA, Iraq, India, Saudi Arabia, Syria, UAE and Lebanon were the main destinations for the Jordanian domestic exports during the first eleven months in 2009; accounting collectively for 70.5 percent of domestic exports; up from 67.2 percent in the corresponding period in 2008.

## ■ Merchandize Imports:

The value of merchandize imports stood at JD 9,077.6 million during the first eleven months in 2009; declining by JD 2,173.4 million, or 19.3 percent, against a growth amounting to 28.2 percent during the same period in the preceding year.



**The comparison between the developments in the Jordanian imports during the first eleven months in 2009 and the corresponding period in 2008 reveals the following:**

- The imports of **crude oil** decreased by JD 789.5 million, or 43.9 percent, to reach JD 1,008.6 million. This decline was the combined result of the drop in the oil prices by 38.3 percent and the decrease in the imported quantities of crude oil by 9.1 percent. It is worthy to note in this regard that most of Jordanian imports of crude oil come from the Saudi market.
- The imports of **transport equipment and spare parts** increased by JD 145.1 million, or 16.8 percent, to reach JD 1,006.4 million. The markets of Germany, South Korea and Japan were the main sources of these imports; accounting collectively for 65.2 percent of these imports.
- The imports of **iron and steel** declined by JD 146.8 million, or 25.9 percent; totaling JD 420.9 million. The markets of Ukraine, Russia and China were the main sources of these imports.

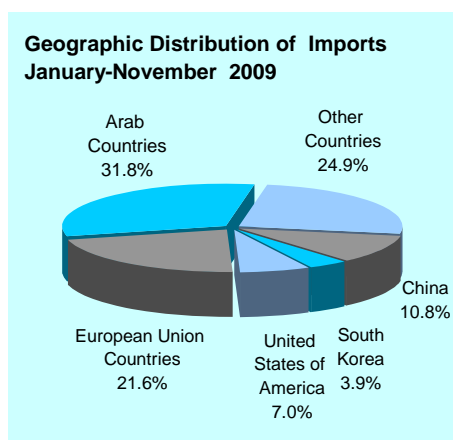
- The imports of **textile yarn, fabrics, made up articles and related products** declined by JD 89.5 million, or 21.1 percent; amounting to JD 333.8 million. The main source for these imports was the Chinese market, followed by the Taiwanese and Syrian markets respectively.
- The imports of **electrical machinery, apparatus and appliances** decreased by JD 17.0 million, or 5.1 percent, to reach JD 318.0 million. The markets of China, Germany, USA and Egypt accounted for 42.9 percent of these imports.
- The imports of **other machinery and equipments** declined by JD 42.4 million, or 13.1 percent, to total JD 281.2 million. China, Italy, Germany and the USA markets were the main sources of these imports.

| <b>Major Imports by Commodity</b>                     |                 |                |                   |
|-------------------------------------------------------|-----------------|----------------|-------------------|
| January – November 2008, 2009, JD Million             |                 |                |                   |
|                                                       | 2008            | 2009           | Percentage Change |
| <b>Total Imports</b>                                  | <b>11,251.0</b> | <b>9,077.6</b> | <b>-19.3</b>      |
| <b>Crude Oil</b>                                      | <b>1,798.1</b>  | <b>1,008.6</b> | <b>-43.9</b>      |
| Saudi Arabia                                          | 1,778.8         | 932.6          | -47.6             |
| <b>Transport Equipment and Spare Parts</b>            | <b>861.3</b>    | <b>1,006.4</b> | <b>16.8</b>       |
| Germany                                               | 250.6           | 239.3          | -4.5              |
| South Korea                                           | 166.0           | 215.7          | 29.9              |
| Japan                                                 | 180.9           | 201.0          | 11.1              |
| <b>Iron &amp; Steel</b>                               | <b>567.7</b>    | <b>420.9</b>   | <b>-25.9</b>      |
| Ukraine                                               | 251.8           | 141.0          | -44.0             |
| Russia                                                | 55.7            | 92.2           | 65.5              |
| China                                                 | 82.8            | 35.5           | -57.1             |
| <b>Textile Yarn, Fabrics &amp; Related Products</b>   | <b>423.3</b>    | <b>333.8</b>   | <b>-21.1</b>      |
| China                                                 | 189.5           | 149.4          | -21.2             |
| Taiwan                                                | 62.4            | 53.1           | -14.9             |
| Syria                                                 | 23.2            | 18.9           | -18.5             |
| <b>Electrical Machinery, Apparatus and Appliances</b> | <b>335.0</b>    | <b>318.0</b>   | <b>-5.1</b>       |
| China                                                 | 53.2            | 56.4           | 6.0               |
| Germany                                               | 26.4            | 30.6           | 15.9              |
| United States                                         | 27.6            | 27.5           | -0.4              |
| Egypt                                                 | 14.6            | 21.9           | 50.0              |
| <b>Other Machinery &amp; Equipment</b>                | <b>323.6</b>    | <b>281.2</b>   | <b>-13.1</b>      |
| China                                                 | 70.4            | 55.0           | -21.9             |
| Italy                                                 | 40.8            | 43.9           | 7.6               |
| Germany                                               | 40.0            | 37.7           | -5.8              |
| United States                                         | 20.5            | 24.1           | 17.6              |
| <b>Medical &amp; Pharmaceutical Products</b>          | <b>291.4</b>    | <b>270.7</b>   | <b>-7.1</b>       |
| switzerland                                           | 35.3            | 35.0           | -0.8              |
| Germany                                               | 40.1            | 29.9           | -25.4             |
| United Kingdom                                        | 29.9            | 26.9           | -10.0             |
| France                                                | 25.6            | 26.6           | 3.9               |

Source: Department of Statistics.

- The imports of **medical and pharmaceutical products** declined by JD 20.7 million, or 7.1 percent, to reach JD 270.7 million. The markets of Switzerland, Germany, UK and France were the main sources of these imports; accounting collectively for 43.7 percent of these imports.

**The commodity composition of imports indicates that crude oil, transport equipment and spare parts, iron and steel, textile yarn, fabrics, made up articles and related products, electrical machinery, apparatus and appliances, other machinery and equipment and medical and pharmaceutical products topped**



**the list of imported materials; accounting, collectively, for 40.1 percent of total imports during the first eleven months in 2009 down from 40.9 percent during the same period in 2008. Meanwhile, the geographical distribution of imports indicates that the markets of Saudi Arabia, China, USA, Egypt, Germany and South Korea topped the list of the sources of imports during the first eleven months in 2009; accounting, collectively, for 51.6 percent of total imports up from 50.5 percent during the corresponding period in 2008.**

■ **Re-Exports:**

The value of re-exported goods declined by JD 249.4 million, or 22.4 percent, during the first eleven months in 2009 to reach JD 866.4 million.

■ **Trade Balance:**

Trade balance deficit narrowed by JD 1,084.4 million, or 17.9 percent, during the first eleven months in 2009 compared with the same period in 2008 to stand at JD 4,979.2 million.

□ **Workers' Remittances Receipts:**

Workers' remittances increased by 0.5 percent in December 2009 to stand at JD 215.7 million. However, these remittances decreased by 5.2 percent in 2009 to stand at JD 2,553.8 million.

□ **Travel:**

■ **Receipts:**

Travel receipts dropped by JD 9.6 million, or 5.5 percent, in December 2009 to stand at JD 163.7 million compared with JD 173.3 million during the same month in 2008. In addition, these receipts declined by 1.2 percent in 2009 to stand at JD 2,063.4 million.

■ **Payments:**

Travel payments declined by JD 9.0 million, or 14.6 percent, in December 2009 to stand at JD 52.6 million. However, these payments increased by 6.1 percent in 2009 to stand at JD 755.4 million.

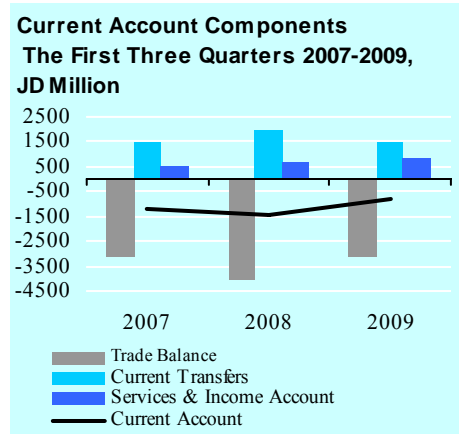
□ **Balance of Payments:**

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

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



- The marked decrease in the trade balance deficit by JD 944.4 million, or 23.3 percent, to reach JD 3,111.0 million during the first three quarters in 2009 compared with a deficit amounting to JD 4,055.4 million during the same period in 2008.



- The surplus of the services balance which amounted to JD 396.4 million compared with a surplus amounting to JD 168.0 million during the first three quarters in 2008. This surplus was chiefly due to the surplus registered by the items of travel (net) as well as government services (net) which amounted to JD 966.3 million and JD 125.4 million, respectively. Meanwhile, the item of transportation (net) registered a deficit in the amount of JD 587.0 million. In addition, the item of other services (net) experienced a deficit amounting to JD 108.3 million.
- The surplus of income account (net) declined by JD 48.7 million, amounting to JD 412.2 million compared to JD 460.9 million during the first three quarters in 2008. Such decline was attributable to the decline in compensation of employees (net) by JD 75.0 million, on one hand, and the increase in investment income (net) by JD 26.3 million, on the other hand.
- Net current transfers declined by JD 480.4 million; totaling JD 1,466.0 million in light of the decline in net transfers of the public sector (foreign grants) by JD 390.7 million to register JD 77.1 million over the first three quarters in 2009 compared with JD 467.8 million over the same period in 2008, in addition to the decline in the net transfers of other

sectors by JD 89.7 million to reach JD 1,388.9 million compared with JD 1,478.6 million during the first three quarters in 2008, noting that the volume of workers' remittances (net) registered a decline of JD 65.5 million, or 4.3 percent, to reach JD 1,441.9 million in the first three quarters in 2009.

- As for the capital and financial transactions with the world, the capital and financial account recorded net outflow amounting to JD 350.7 million during the first three quarters in 2009 against net inflow in the amount of JD 353.3 million during the same period in 2008 owing chiefly to the following:
  - FDI inflows amounting to JD 587.6 million during the first three quarters in 2009 compared with JD 1,266.6 million during the first three quarters in 2008.
  - Net outflow in portfolio investment amounting to JD 172.9 million compared with net inflow in the amount of JD 317.9 million during the first three quarters in 2008.
  - Net inflow of “other investments” in the amount of JD 931.4 million during the first three quarters in 2009 against net outflow amounting to JD 766.0 million in the same three quarters of the preceding year.
  - The significant increase in the reserve assets of the CBJ by JD 1,697.0 million compared with an increase amounting to JD 663.8 million in the first three quarters in 2008.

#### □ **International Investment Position (IIP):**

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

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