



Central Bank of Jordan

Recent Monetary & Economic Developments in Jordan

Research Dept. Monthly Report

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Central Bank of Jordan

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❑ OUR VISION

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

❑ OUR MISSION

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

❑ OUR VALUES

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

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

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Executive Summary

Latest available indicators displayed mixed outcomes for the year 2011. Some indicators signaled marked improvement, particularly domestic exports and credit facilities extended by the licensed banks. In contrast, travel receipts and worker's remittances from a broad displayed negative performance. Further, preliminary national accounts estimates released by the Department of Statistics (DOS) displayed a stable growth of Real Gross Domestic Product (GDP) during the first quarter in 2011, comparing to the same quarter in 2010.

- ❑ **Output and Prices:** In the first quarter of 2011, real GDP at market prices grew by 2.3 percent comparing to 2.4 percent in the first quarter of 2010. During the first seven months of 2011, the Consumer Price Index (CPI) has increased by 4.7 percent, comparing to an increase by 5.0 percent in the same period of 2010.
- ❑ **Monetary and Financial Sector:**
 - Foreign currency reserves at the Central Bank of Jordan (CBJ) decreased by US\$ 589.4 million, or 4.8 percent, at the end of July 2011 compared to their level at the end of 2010; standing at US\$ 11,651.8 million.
 - Domestic liquidity grew by JD 1,151.3 million, or 5.2 percent, at the end of July 2011 compared to its level at the end of 2010; standing at JD 23,458.0 million.
 - The outstanding balance of credit facilities extended by licensed banks was up by JD 1,141.3 million, or 7.9 percent, at the end of July 2011 compared to its level at the end of 2010; standing at JD 15,592.7 million.
 - Total deposits at licensed banks increased by JD 1,109.8 million, or 4.9 percent, at the end of July 2011 compared to their level at the end of 2010; totaling JD 23,614.6 million.
 - The Share Price Index (SPI) weighted by market capitalization of free float shares at Amman Stock Exchange (ASE) reached 2,082.8 points at the end of July 2011, decreasing by 290.8 points, or 12.3 percent, compared to its level at the end of 2010.

- **Public Finance:** During the first half of 2011, the general budget, including foreign grants, recorded a deficit in the amount of JD 260.1 million, comparing to a deficit in the amount of JD 167.2 million for the same period of 2010. Net outstanding domestic debt (budgetary and own-budget) increased by JD 838.0 million as of June 2011, comparing to its level at the end of 2010, to stand at JD 7,690.0 million (36.6 percent of GDP). Outstanding external public debt decreased by JD 19.1 million at the end of June 2011 comparing to its level at the end of 2010; to reach JD 4,591.7 million, (21.9 percent of GDP). It is worth mentioning that the net public debt (domestic and external) stood at 58.5 percent of GDP.
- **External Sector:** Total merchandize exports (domestic exports *plus* re-exports) increased by 16.1 percent during the first half of 2011 to reach JD 2,833.4 million. Similarly, the merchandize imports increased by 20.8 percent, totaling JD 6,363.4 million. As a result, the trade deficit expanded by 24.9 percent compared to the same period of the previous year; to reach JD 3,530.0 million. Furthermore, the preliminary figures for the first seven months of 2011 showed a decrease in travel receipts and payments by 16.0 percent and 1.6 percent, respectively, compared to the same period in 2010. In addition, total workers' remittances receipts during the first seven months of 2011 decreased by 4.8 percent compared to the same period of 2010. The preliminary figures for the balance of payments for the first quarter of 2011 displayed a deficit in the current account amounting to JD 541.3 million, up from JD 153.7 million during the same period in 2010. Moreover, the Foreign Direct Investment (FDI) recorded a net inflow to Jordan by JD 210.9 million during the first quarter of 2011 compared to a net inflow of JD 312.8 million during the same period in 2010. Furthermore, the International Investment Position (IIP) witnessed a net obligation to abroad amounting to JD 13,183.4 million at the end of the first quarter of 2011 compared to JD 12,429.5 million at the end of 2010.

First: Monetary and Financial Sector

□ Summary

- The foreign currency reserves at the CBJ decreased by US\$ 589.4 million, or 4.8 percent, at the end of July 2011; compared to their level at the end of 2010; standing at US\$ 11,651.8 million. This level of reserves is equivalent to around 7.1 months of the Kingdom's imports of goods and services.
- Domestic liquidity at the end of July 2011 increased by JD 1,151.3 million, or 5.2 percent, compared to its level at the end of the previous year to total JD 23,458.0 million.
- The outstanding balance of credit facilities extended by licensed banks increased by JD 1,141.3 million, or 7.9 percent, at the end of July 2011 compared to its level at the end of 2010, to stand at JD 15,592.7 million.
- Total deposits at licensed banks increased by JD 1,109.8 million, or 4.9 percent, at the end of July 2011 in comparison with their level at the end of 2010; totaling JD 23,614.6 million.
- With the exception of interest rates on time deposits, interest rates on all kinds of deposits and credit facilities at licensed banks decreased at the end of July 2011, compared to their levels at the end of 2010.

- The SPI weighted by market capitalization of free float shares at ASE reached 2,082.8 points at the end of July 2011, decreasing by 290.8 points, or 12.3 percent, compared to its level at the end of 2010. Further, the market capitalization decreased by JD 1.8 billion, or 8.0 percent, at the end of July 2011 compared to its level at the end of 2010 to stand at JD 20.1 billion.

Main Monetary Indicators

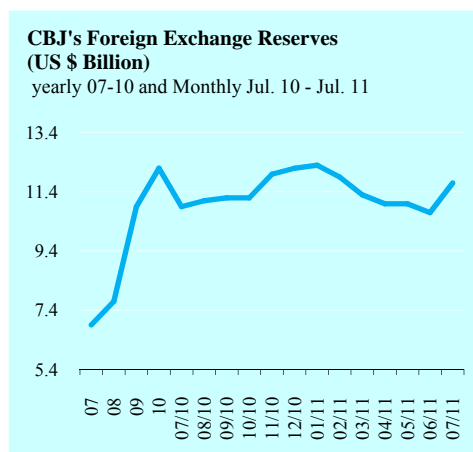
JD Million, and Percentage Change Relative to the Previous Year (%)

Year		End of July	
		2010	2011
US\$ 12,241.2	CBJ's Foreign Currency Reserves	US\$ 10,906.6	US\$ 11,651.8
12.5%		0.3%	-4.8%
22,306.7	Money Supply (M2)	21,173.4	23,458.0
11.5%		5.8%	5.2%
14,451.4	Credit Facilities, of which:	13,887.4	15,592.7
8.5%		4.3%	7.9%
12,979.1	Private Sector (Resident)	12,602.1	14,057.0
7.8%		4.7%	8.3%
22,504.8	Total Deposits, of which:	21,463.3	23,614.6
10.9%		5.7%	4.9%
17,617.2	In JD	16,679.5	18,171.5
11.0%		5.1%	3.1%
4,887.6	In Foreign Currencies	4,783.8	5,443.1
10.2%		7.9%	11.4%
18,343.9	Deposits of Private Sector (Resident), of which:	17,263.8	19,325.6
12.8%		6.2%	5.4%
15,214.4	In JD	14,246.2	15,729.3
12.7%		5.5%	3.4%
3,129.5	In Foreign Currencies	3,017.6	3,596.3
13.5%		9.5%	14.9%

Source: Central Bank of Jordan / Monthly Statistical Bulletin.

□ CBJ's Foreign Currency Reserves

The CBJ's foreign currency reserves increased by US\$ 952.5 million, or 8.9 percent, at the end of July 2011 compared to their level in the previous month; standing at US\$ 11,651.8 million. Moreover, these reserves decreased by US\$ 589.4 million or 4.8 percent, at the end of the first seven months of 2011, compared to their level at the end of 2010. This level of reserves is equivalent to around 7.1 months of the Kingdom's imports of goods and services.



□ Domestic Liquidity (M2)

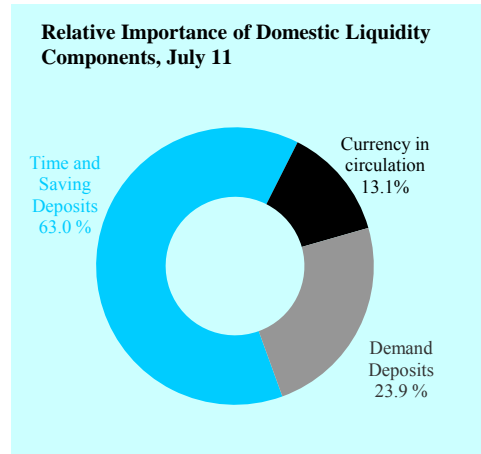
■ Domestic liquidity totaled JD 23,458.0 million at the end of July 2011; increasing by JD 425.8 million, or 1.8 percent, compared to its level at the end of the preceding month, against an increase in the amount of JD 380.6 million, or 1.8 percent, during the same month in 2010. Moreover, domestic liquidity increased by JD 1,151.3 million, or 5.2 percent, at the end of the first seven months of 2011, against an increase in the amount of JD 1,160.1 million, or 5.8 percent, during the same period of 2010.

◆ **Developments in the domestic liquidity components and the factors affecting liquidity between the end of the first seven months of 2011 and the end of 2010 reveal the following:**

● Components of Domestic Liquidity

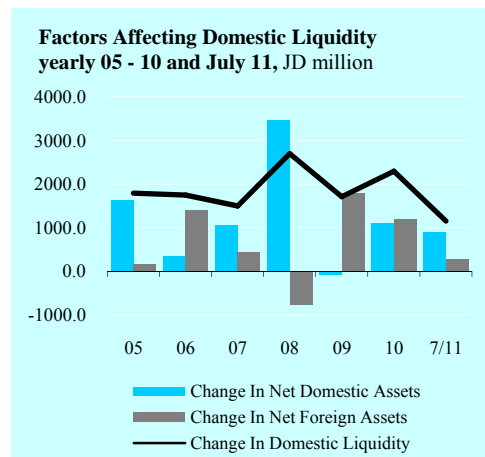
- Deposits increased by JD 922.4 million, or 4.7 percent, at the end of the first seven months of 2011 compared to their level at the end of 2010; totaling JD 20,385.4 million, against an increase amounting to JD 1,009.3 million, or 5.8 percent, at the end of the same period of 2010.

- Currency in circulation increased by JD 228.9 million, or 8.0 percent, at the end of the first seven months of 2011; standing at JD 3,072.6 million compared to its level at the end of 2010, against an increase in the amount of JD 150.8 million, or 5.6 percent, at the end of the same period of 2010.



- **Factors Affecting Domestic Liquidity**

- Net domestic assets of the banking system increased by JD 885.0 million, or 7.2 percent, at the end of July 2011 compared to its level at the end of 2010, against an increase of JD 868.7 million, or 7.8 percent, during the same period



of 2010. This increase was a result of the increase in net domestic assets at the CBJ by JD 646.2 million, or 9.4 percent, and the increase in these assets at the licensed banks by JD 238.8 million, or 1.3 percent.

- o Net foreign assets of the banking system increased by JD 266.3 million, or 2.6 percent, at the end of July of 2011 compared to their level at the end of 2010, against an increase in the amount of JD 291.4 million, or 3.3 percent in the same period of 2010. This increase was an outcome of the increase in these assets at the licensed banks by JD 561.7 million, and their decrease at the CBJ by JD 295.4 million.

Changes in Factors Affecting Domestic Liquidity (M2)
JD Million

Year		Change in balance relative to the end of July	
		2010	2011
2010			
1,197.1	Foreign Assets (Net)	291.4	266.3
718.3	CBJ	-325.9	-295.4
478.8	Licensed Banks	617.3	561.7
1,096.3	Domestic Assets (Net)	868.7	885.0
-574.7	CBJ, of which:	443.3	646.2
-275.1	Claims on Public Sector (Net)	-124.1	-442.1
-299.6	Other Items (Net*)	567.2	1,087.8
1,671.0	Licensed Banks	425.4	238.8
597.9	Claims on Public Sector (Net)	313.7	661.1
919.3	Claims on Private Sector	571.3	1,134.0
153.8	Other Items (Net)	-459.6	-1,556.3
2,293.4	Money Supply (M2)	1160.1	1151.3
164.2	Currency in Circulation	150.8	228.9
2,129.2	Total Deposits, of which:	1,009.3	922.4
342.2	In Foreign Currencies	211.4	488.0

* 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

- On 1/6/2011, the CBJ raised the interest rates on monetary policy instruments by 25 basis points. Accordingly, the interest rates on monetary policy instruments became as follows:
 - **Re-Discount Rate:** 4.50 percent.
 - **Interest Rate on Overnight Repurchase Agreements:** 4.25 percent.
 - **Overnight Deposit Window Rate:** 2.25 percent.

Developments in interest rates on certificates of deposit (CDs) show that:

- The CBJ did not issue any CDs since October 2008. Accordingly, the weighted average interest rate on the latest issue of three-month CDs, which dates back to October 26, 2008, was 5.64 percent.
- The weighted average interest rate on the latest issue of six-month CDs, which dates back to October 26, 2008, was 5.94 percent.

Interest Rates on Monetary Policy Instruments (%)

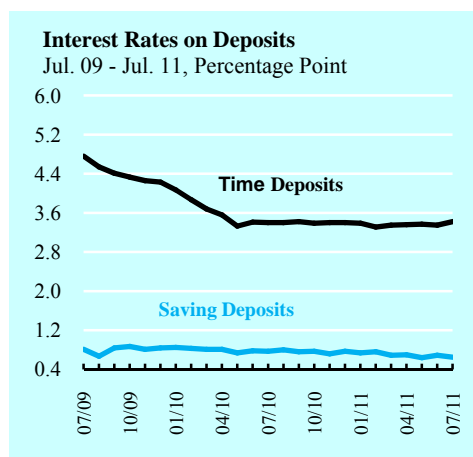
End of year		July	
		2010	2011
4.25	Re-discount Rate	4.25	4.50
4.00	Repurchase Agreements Rate (Repos)	4.00	4.25
2.00	Overnight Deposit Window Rate	2.00	2.25

Source: Central Bank of Jordan / Monthly Statistical Bulletin.

◆ Interest Rates in the Banking Sector

• Interest Rates on Deposits

- **Time Deposits:** The weighted average interest rate on time deposits at the end of July 2011 increased by 7 basis points compared to its level at the end of the preceding month; standing at 3.42 percent. Accordingly, this rate was 2 basis points higher than its level at the end of 2010.



- **Saving Deposits:** The weighted average interest rate on saving deposits at the end of July 2011 decreased by 4 basis points compared to its level in the previous month, to reach 0.65 percent. However, this rate was 12 basis points lower than its level at the end of the preceding year.

- **Demand Deposits:** The weighted average interest rate on demand deposits at the end of July 2011 increased by 5 basis points compared to its level at the end of the previous month; standing at 0.43 percent. As a result, this rate was lower than its level at the end of 2010 by one basis point.

• Interest Rates on Credit Facilities

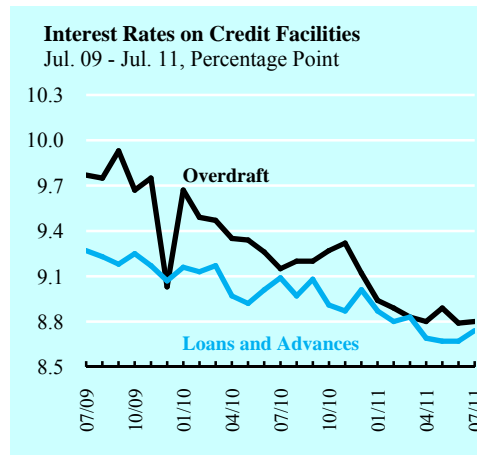
- **Overdraft Accounts:** The weighted average interest rate on overdraft accounts stood at 8.80 percent at the end of July 2011; lower than its level at the end of the previous month by one basis point. Moreover, this rate was 32 basis points lower than its level at the end of 2010.

- Discounted Bills and

Bonds: The weighted average interest rate on “discounted bills and bonds” increased by 4 basis points at the end of July 2011 compared to its level at the preceding month; to stand at 9.17 percent. Moreover, this rate was 24 basis points lower than its level at the end of the previous year.

- Loans and Advances: The weighted average interest rate on “loans and advances” stood at 8.74 percent at the end of July 2011, 7 basis points lower than its level at the end of the previous month. Compared to its level at the end of 2010, this rate was 27 basis points lower.

- The Prime Lending Rate: This rate stood at 8.19 percent at the end of July 2011; one basis point lower than its level at the end of 2010.



Year		July		Change Relative to the Year 2010
2010		2010	2011	Basis Points
Deposits				
0.44	Demand	0.48	0.43	-1
0.77	Saving	0.77	0.65	-12
3.40	Time	3.40	3.42	2
Credit Facilities				
9.41	Discounted Bills and Bonds	9.32	9.17	-24
9.01	Loans and Advances	9.09	8.74	-27
9.12	Overdraft	9.15	8.80	-32
8.20	Prime Lending Rate	8.20	8.19	-1

Source: Central Bank of Jordan / Monthly Statistical Bulletin.

□ Credit Facilities Extended by Licensed Banks

- ◆ The outstanding balance of credit facilities extended by licensed banks totaled JD 15,592.7 million at the end of July 2011; an increase amounting to JD 23.2 million, or 0.1 percent, compared to its level at the end of the previous month, against a decrease in the amount of JD 3.1 million, during the same month of 2010. As for the first seven months of 2011, credit facilities grew by JD 1,141.3 million, or 7.9 percent, compared to an increase of JD 570.2 million, or 4.3 percent, during the same period of 2010.
- ◆ The classification of extended credit facilities, according to economic activity, during the first seven months of 2011 demonstrates that the increase in these facilities was mainly due to the increase in the item "other" which generally represents credit facilities extended to individuals by JD 449.1 million or 14.5 percent and the increase in credit facilities extended for the industry sector, which increased by JD 262.1 million, or 13.6 percent, compared to their levels at the end of 2010. In addition, the credit facilities extended for both the construction and the general trade sectors increased by JD million 166.1 or 5.2 percent and JD 142.9 million or 4.0 percent, respectively, compared to their levels at the end of 2010.
- ◆ The classification of extended credit facilities according to the borrower reveals that the boost in the extended credit facilities was mainly in the credit facilities extended to the private sector (resident), which increased by JD 1,078.0 million, or 8.3 percent, at the end of July 2011, compared to their level at the end of 2010. Further, the credit facilities extended to the public sector (central government *plus* public institutions), and to the non-banking financial institutions increased by JD 88.1 million, or 19.7 percent and JD 2.5 million or 56.8 percent respectively. However, credit facilities extended to the private sector (non-resident) decreased by JD 27.3 million, or 2.7 percent, compared to their levels at the end of 2010.

□ Deposits at Licensed Banks

- ◆ Total deposits at licensed banks stood at JD 23,614.6 million at the end of July 2011; an increase in the amount of JD 412.3 million, or 1.8 percent, compared to its level at the end of the previous month, against an increase of JD 246.0 million, or 1.2 percent, during the same month of 2010. As for the first seven months of 2011, total deposits increased by JD 1,109.8 million, or 4.9 percent, compared to their level at the end of the preceding year, against an increase amounting to JD 1,164.9 million, or 5.7 percent, during the same period of 2010.
- ◆ The increase in total deposits at licensed banks during the first seven months of 2011 was an outcome of the increase in deposits of the private sector (resident) by JD 981.7 million, or 5.4 percent and the increase in the deposits of the private sector (non-resident) by JD 183.5 million, or 7.6 percent and the increase in the deposits of non-banking financial institutions by JD 29.1 million or 14.4 percent compared to their levels at the end of 2010 on one hand, and the decrease in the deposits of public sector (central government *plus* public institutions) by JD 84.6 million, or 5.5 percent, compared to their levels at the end of 2010, on the other hand.
- ◆ The developments in the currency structure of deposits during the first seven months of 2011 reveal that both “deposits in local currencies” and “deposits in foreign currency” increased by JD 554.3 million, or 3.1 percent, and JD 555.5 million, or 11.4 percent, respectively, compared to their levels at the end of 2010.

□ Amman Stock Exchange (ASE)

The indicators of the Amman Stock Exchange displayed a negative performance at the end of the first seven months of 2011 compared to the end of the preceding year. This can be demonstrated as follows:

- **Trading Volume**

The trading volume at the ASE totaled JD 235.5 million in July 2011; down by JD 13.0 million, or 5.2 percent, compared to its level at the end of the previous month, against a decrease of JD 60.1 million, or 12.2 percent, during the same month in 2010. Furthermore, the trading volume stood at JD 1,974.0 million during the first seven months of 2011; a decline amounting to JD 2,682.9 million, or 57.6 percent, compared to its level during the same period of 2010.

- **Traded Shares**

The number of traded shares in July 2011 totaled 324.7 million; down by 44.2 million shares, or 12.0 percent, compared to its level at the end of the preceding month, against an increase amounting to 26.4 million shares, or 5.4 percent, during the same month of 2010. Moreover, the number of traded shares during the first seven months of 2011 stood at 2,817.4 million shares compared to 4,761.8 million shares traded during the same period of 2010.

- **Share Price Index (SPI)**

The Share Price Index weighted by market capitalization of free float shares at ASE decreased by 10.7 points, or 0.5 percent, at the end of July 2011 compared to its level at the end of the previous month to stand at 2,082.8 points, against a decrease

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

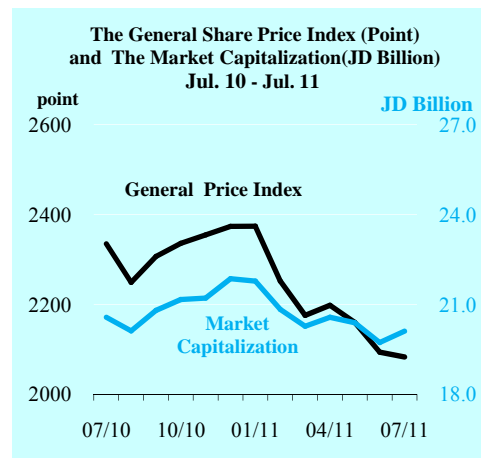
year		July	
		2010	2011
2,373.6	General Index	2,334.8	2,082.8
2,911.7	Financial Sector	2,876.0	2,635.5
2,576.6	Industrial Sector	2,422.7	2,256.9
1,897.2	Services Sector	1,944.5	1,653.7

Source: Amman Stock Exchange.

in the amount of 13.8 points, or 0.6 percent, during the same month in 2010. As for the first seven months of 2011, the SPI dropped by 290.8 points, or 12.3 percent, compared to its level at the end of the preceding year, against a decline in the amount of 198.7 points, or 7.8 percent, during the same period of 2010. The above-mentioned drop during the first half of 2011 was mainly due to the decline in the SPI for the industrial, the financial and the services sectors by 319.7 points, or 12.4 percent, 276.2 points, or 9.5 percent, and 243.5 points, or 12.8 percent, respectively, compared to their levels at the end of 2010.

- **Market Capitalization**

The ASE's market capitalization totaled JD 20.1 billion at the end of July 2011; an increase of 0.4 JD billion, or 1.9 percent, compared to its level at the end of the previous month, against a decline of 0.2 JD billion, or 1.1 percent during the



same month in the preceding year. Moreover, the market capitalization decreased by JD 1.8 billion, or 8.0 percent, during the first seven months of 2011, compared to its level at the end of 2010, against a decline amounting to around JD 2.0 billion, or 8.7 percent, over the same period of 2010.

- **Non - Jordanian Net Investment**

Non - Jordanian net investment at ASE recorded an inflow amounting to JD 6.6 million in July 2011, compared to an inflow amounting to JD 5.3 million during the same month of 2010; the value of shares acquired by non - Jordanians in July 2011 stood at JD 52.2 million, while the value of shares sold by the said group amounted to JD 45.5 million. Furthermore, non-Jordanian net investment displayed an inflow amounting to JD 83.9 million during the first seven months of 2011, against an inflow in the amount of JD 4.8 million during the same period of 2010.

Main Amman Stock Exchange Trading Indicators, JD Million

Year		July	
		2010	2011
6,690.0	Value Traded	432.6	235.5
26.8	Average Daily Trading	20.6	11.2
21,858.2	Market Capitalization	20,565.9	20,102.0
6,988.8	No. of Traded Shares (million)	516.0	324.7
(14.6)	Net Investment of Non-Jordanian	5.3	6.7
1,036.6	Non-Jordanian Buying	44.7	52.2
1,051.2	Non-Jordanian Selling	39.4	45.5

Source: Amman Stock Exchange.

Second: Output and Prices

□ Summary

- During the first quarter of 2011, real Gross Domestic Product (GDP) grew by 2.3 percent at market prices and 2.5 percent at basic prices, comparing to 2.4 percent at market prices and 4.1 percent at basic prices during the first quarter of 2010.
- The general price level, measured by the Consumer Price Index (CPI) increased by 4.7 percent during the first seven months of 2011, comparing to an increase by 5.0 percent during the same period of 2010.

□ Developments in Gross Domestic Product (GDP)

According to preliminary estimates released by DOS, the growth of the national economy remained almost stable during the first quarter of 2011, comparing to the same quarter in 2010. **GDP, at constant market prices, grew 2.3 percent during the first quarter in 2011, comparing to 2.4 percent during the same quarter in 2010.** This flat growth rate was an outcome of the regional and political conditions on one hand, and the slowdown in services sectors on the other. When excluding “net taxes on products”, which increased by 0.9 percent during the first quarter of 2011, **GDP growth rate at constant basic prices reaches 2.5 percent,** comparing to 4.1 percent during the same quarter of 2010.

**Quarterly Growth Rates of GDP at Market Prices
2009 - 2011**

	Percentages				
	Q 1	Q2	Q3	Q4	Year
2009					
GDP at Constant Market Prices	5.1	5.2	7.7	3.9	5.5
GDP at Current Market Prices	7.2	7.7	9.0	9.6	8.5
2010					
GDP at Constant Market Prices	2.4	1.4	2.2	3.2	2.3
GDP at Current Market Prices	13.0	9.3	7.0	15.1	10.9
2011					
GDP at Constant Market Prices	2.3				
GDP at Current Market Prices	10.3				

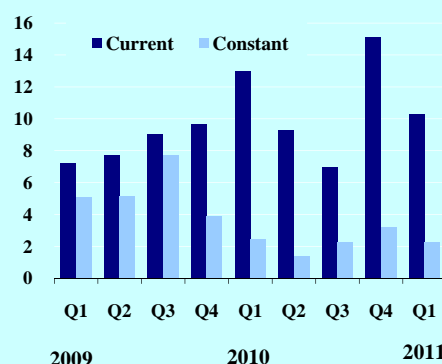
Source: Department of Statistics.

GDP at current market prices grew by **10.3 percent** comparing to 13.0 percent during the first quarter of 2010. This high nominal growth rate is mainly attributed to **the rise in the general price level, measured by the GDP deflator by 7.8 percent during**

the first quarter of 2011, comparing to 10.3 percent during the same period of 2010.

Various economic sectors displayed mixed performance during the first quarter of 2011. **Some sectors witnessed a marked improvement, particularly “mining and quarrying” sector which recorded a real growth**

Quarterly Growth Rates of GDP at Market Prices (2009 - 2011), %



rate of 43.0 percent during the first quarter of 2011, comparing to a contraction amounted to 18.7 percent during the same period of 2010. Meanwhile, **“trade, restaurants and hotels”** and **“manufacturing”** sectors witnessed an expansion by 4.1 percent and 3.3 percent, respectively, comparing to 0.6 percent and 1.1 percent during the same period in 2010, respectively.

On the other hand, **“finance, insurance, real estate and business services”**, **“agriculture”** and **“transport and communication”** exhibited a slow performance were they grow by 5.6 percent, 2.2 percent and 1.3 percent, respectively, comparing to 10.4 percent, 6.3 percent and 5.8 percent during the same period in 2010, respectively. In contrast, **“construction”** experienced a noticeable contraction estimated by 23.6 percent comparing to an increase by 6.1 percent during the first quarter in 2010. Further, **“electricity and water”** witnessed a minor contraction by 1.0 percent comparing to a decline by 15.5 percent during the first quarter in 2010.

The contribution of commodity producing sectors **in the overall GDP growth rate, at constant basic prices, amounted to 0.03 percentage points, while the contribution of service producing sectors reached 2.47 percentage points, comparing to 0.03 percentage point and 4.07 percentage points during the first quarter of 2010.**

In the light of recent results of the annual surveys conducted by the DOS, the growth rates for (2006-2010) have been updated recently. The updated figures differ significantly from earlier releases as shown in the table below:

		Percentages				
		2006	2007	2008	2009	2010
Growth rates at constant prices	Previous figures	7.9	8.5	7.6	2.3	3.1
	Adjusted figures	8.1	8.2	7.2	5.5	2.3
Growth rates at current prices	Previous figures	24.3	13.5	27.9	10.6	9.6
	Adjusted figures	19.6	13.6	28.5	8.5	10.9

□ Microeconomic Indicators

Latest sectoral indicators displayed mixed performance. Indicators that showed a fast pace of economic growth rate include; “licensed areas for building”, “quantities of exported and imported goods shipped through the Aqaba port”, and the quantity indices of “mining and quarrying” and “electricity production”. Other indicators such as “number of passengers through the Royal Jordanian Airlines” and “the production of phosphate” displayed slow pace of economic activities. Indicators that displayed a downward trend include; cement's production and sales to the domestic market, “production of fertilizers”, “number of departures”, “production of chemical acid”, and the “manufacturing production quantity index”.

Summary of the main sectoral indicators:

a) **Fast pace growing indicators ***
Percentages

The whole 2010	Item	January - June	
		2010	2011
39.7	"Mining and quarrying" production quantity index	9.7	25.0
7.8	Licensed areas for building	-1.1	34.1
-5.0	Electricity production quantity index	-9.4	1.4
The whole 2010	Item	January - July	
		2010	2011
18.7	Quantities of exported and imported goods shipped through the Aqaba port	16.0	21.8
72.2	Production of potash	12.1	32.1

b) **Decelerating indicators ***
Percentages

The whole 2010	Item	January - March	
		2010	2011
13.6	The number of passengers through the Royal Jordanian	20.4	4.1
30.3	Cargo through the Royal Jordanian	12.1	10.7
The whole 2010	Item	January - July	
		2010	2011
26.7	Production of phosphate	34.4	17.4

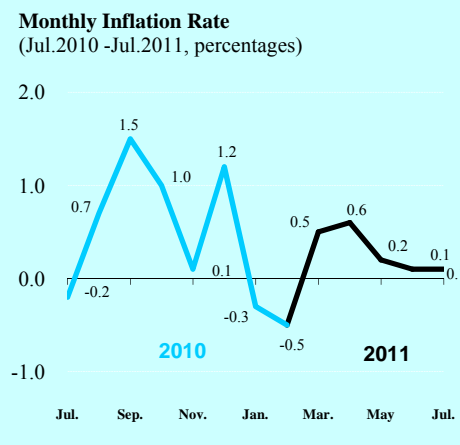
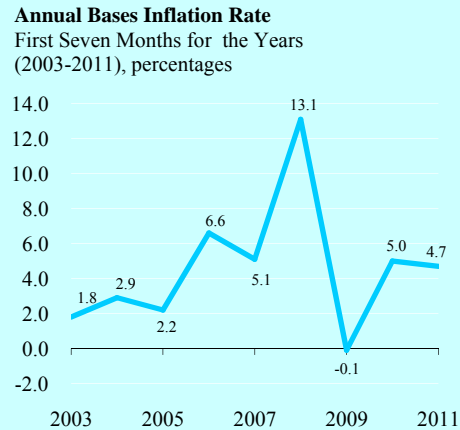
c) **Contracting indicators ***
Percentages

The whole 2010	Item	January - March	
		2010	2011
-3.0	Quantity of cement sales to the domestic market (excluding imported quantities)	-7.0	-6.6
-3.8	Production of cement	0.1	-15.1
The whole 2010	Item	January - June	
		2010	2011
-5.6	Manufacturing production quantity index	-5.4	-3.0
-3.1	Industrial production quantity index	-4.7	-0.7
The whole 2010	Item	January - July	
		2010	2011
5.4	Production of fertilizers	24.5	-5.9
-5.3	Production of petroleum products	-6.1	-2.8
19.9	Number of departures	28.8	-21.4
9.9	Production of chemical acids	24.0	-7.8

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

□ Prices

The general price level measured by the Consumer Price Index (CPI) increased by 4.7 percent during the first seven months of 2011, comparing to an increase by 5.0 percent during the same period of 2010. The increase was driven by an increase in the prices of primary commodities, particularly the prices of oil and food in the international markets.



Moreover, consumer prices have increased slightly by 0.1 percent in July 2011 comparing to their level in the preceding month. This rise was mainly due to the increase in the prices of “meat and poultry”, “sugar and confectionaries”, as well as the transportation item.

Developments of the CPI basket during the first seven months of 2011 show the following:

- ◆ **“Food items”**, constitute about 36.7 percent of the CPI basket. **The prices of this group increased by 4.9 percent during the first seven months of 2011 comparing to an increase amounted to 4.3 percent during the same period of 2010. The contribution of this group to the overall rate of inflation reached 1.8 percentage points.** The rise in the prices of this group was driven by the increase in the prices of most items included in this group. Specifically, the prices of “vegetables” which leapt by 8.4 percent, “sugar and confectionaries” and “fruits”, which increased by 8.1 percent and 6.2 percent, respectively. The prices of “cereals and products” item, however, declined by 2.6 percent comparing to a rise amounted to 1.6 percent during the same period of 2010.
- ◆ **“Clothing and footwear” group** has the least weight in the CPI basket, about 5.0 percent. **The prices of this group increased by 5.2 percent during the first seven months of 2011 comparing to an increase by 0.9 percent during the same period of 2010. Accordingly, this group's contribution to the overall inflation rate amounted to 0.3 percentage point during the period under analysis.** The pace of prices increase of this group was affected by the rise in the prices of “clothes” and “footwear” items, which grew by 5.3 percent and 5.1 percent, respectively, during the first seven months of 2011 comparing to 0.6 percent and 2.1 percent during the same period of 2010, respectively.

- ◆ **“Housing”** accounts for 26.8 percent of the CPI basket. **The prices of housing increased by 4.0 percent comparing to an increase by 4.3 percent during the same period of 2010. In effect, this group contributed to the overall inflation rate by 1.0 percentage point during the first seven months of 2011.** The increase in the prices of this group was derived by the rise in the prices of “rents” item by 5.1 percent and “fuels and lighting” item by 3.2 percent. In addition, other items showed a varied increase in their prices, ranging from 1.0 percent for “house repairing, garbage and water” to 4.5 percent for “cleaning materials”.

- ◆ **“Other goods and services”** accounts for 31.6 percent of the CPI basket. **Their average prices increased by 5.1 percent during the first seven months of 2011 comparing to a larger increase amounted to 7.3 percent during the same period of 2010. In consequence, this group pulled up the overall inflation rate by 1.6 percentage points during the first seven months of 2011.** The increase in the average prices of the later group was a result of the rise in the prices of “personal care”, “transportation”, and “education” which increased by 8.3 percent, 7.8 percent and 5.9 percent, respectively. The prices of some other items have declined, most notably “communication” by 3.2 percent.

Third: Public Finance

□ Summary:

- During the first half of 2011, the general budget, including foreign grants, recorded a deficit in the amount of JD 260.1 million comparing to a deficit in the amount of JD 167.2 million, during the same period in the preceding year. Excluding foreign grants (estimated by JD 315.0 million), the general budget deficit reaches JD 575.1 million.
- Gross outstanding domestic public debt (budgetary and own- budget) reached JD 8,619.0 million (41.0 percent of GDP), at the end of June 2011, reflecting a rise amounting to JD 639.0 million comparing to its level at the end of 2010.
- Net outstanding domestic public debt increased by JD 838.0 million at the end of June 2011, to reach JD 7,690.0 million (36.6 percent of GDP).
- Outstanding external public debt (budgetary and guaranteed) decreased by JD 19.1 million at the end of June 2011 comparing to end of 2010 to stand at JD 4,591.7 million, (21.9 percent of GDP).

□ The performance of the general budget:

■ Public Revenues

Public revenues (including foreign grants) decreased by JD 94.7 million, or 23.0 percent, in June 2011 comparing to the same month of 2010 to reach JD 316.9 million. As for the first half of 2011, these revenues had increased by JD 133.3 million, or 5.5 percent, comparing to the same period in 2010 to stand at JD 2,551.9 million. This result was driven by the increase in foreign grants by JD 157.2 million and the decrease in domestic revenues by JD 23.9 million.

Government Budget, main indicators during June and the first half of 2011 and 2010:

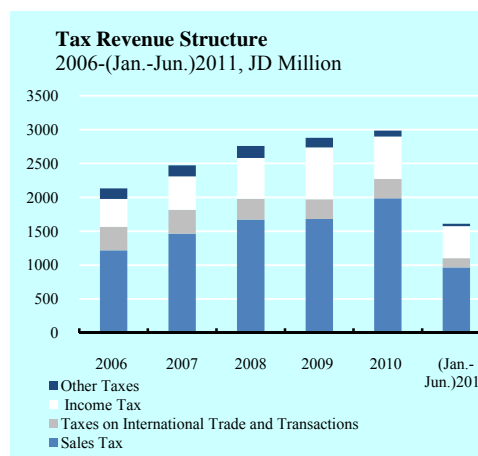
(JD Million and Percentages)

	June		Growth Rate %	Jan. – June		Growth Rate %
	2010	2011		2010	2011	
Total Revenues and Grants	411.6	316.9	-23.0	2,418.6	2,551.9	5.5
Domestic Revenues, of which:	382.8	316.9	-17.2	2,260.8	2,236.9	-1.1
Tax Revenues, of which:	246.1	233.2	-5.2	1,583.3	1,610.5	1.7
General Sales Tax	188.1	161.7	-14.0	927.5	966.7	4.2
Other Revenues, of which:	135.3	82.4	-39.1	668.1	616.6	-7.7
Land Registration Fees	11.4	17.3	51.8	67.7	70.8	4.6
Foreign Grants	28.8	0.0	-100.0	157.8	315	99.6
Total Expenditures	450.0	535.2	18.9	2,585.8	2,812.0	8.7
Overall Deficit/ Surplus	-38.4	-218.3		-167.2	-260.1	

Source: Ministry of Finance/ General Government Finance Bulletin.

◆ **Domestic Revenues**

Domestic revenues decreased by JD 23.9 million, or 1.1 percent, during the first half of 2011 comparing to the same period of 2010, to reach JD 2,236.9 million. This decrease was an outcome of the drop in the proceeds of “other revenues” by JD 51.5 million, and the rise in the proceeds of “tax revenues” and “pension contribution” by JD 27.2 million and JD 0.4 million, respectively.



◀ Tax Revenues

Tax revenues increased by JD 27.2 million, or 1.7 percent, in the first half of 2011 comparing to the same period in 2010, to reach JD 1,610.5 million; (72.0 percent of domestic revenues). This increase was driven by:

- **The increase in the proceeds of general sales tax on goods and services** by JD 39.2 million or 4.2 percent, which reached JD 966.7 million. Specifically, the proceeds of “sales tax on imported goods” increased by JD 36.2 million, while the proceeds of “sales tax on services” increased by JD 5.8 million. In contrast, the proceeds of “sales tax on domestic goods” and the proceeds of “sales tax on the commercial sector” had declined by JD 0.7 million and JD 2.1 million, respectively.
- **The increase in the proceeds of “taxes on international trade and transactions”** by JD 3.1 million or 2.3 percent, which reached JD 136.2 million. This result was driven by the rise in the proceeds of “customs duties and fees” by JD 4.6 million.
- **The increase in the proceeds of “income and profit taxes”** by JD 0.5 million or 0.1 percent, which reached JD 472.7 million. This increase was due to the rise in the proceeds of “income tax from companies and other projects” by JD 6.6 million, and the drop in the proceeds of “income tax from individuals” by JD 6.1 million. In

details, income tax from companies accounted for 82.0 percent of total taxes on income and profits, standing at JD 387.5 million (of which JD 187.3 million from the income of banks and financial institutions).

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

“Other revenues” decreased by JD 51.5 million, or 7.7 percent, in the first half of 2011 to reach JD 616.6 million. This decrease was the outcome of:

- The drop in property income by JD 40.1 million to stand at JD 156.8 million (of which financial surplus of independent government units amounting to JD 143.7 million).
- The decrease in miscellaneous revenues by JD 2.1 million to reach JD 160.8 million.
- The decrease in revenues from selling goods and services by JD 9.3 million to stand at JD 299.0 million.

◀ **Pension Contributions**

Pension contributions increased by JD 0.4 million during the first half of 2011 to stand at JD 9.8 million.

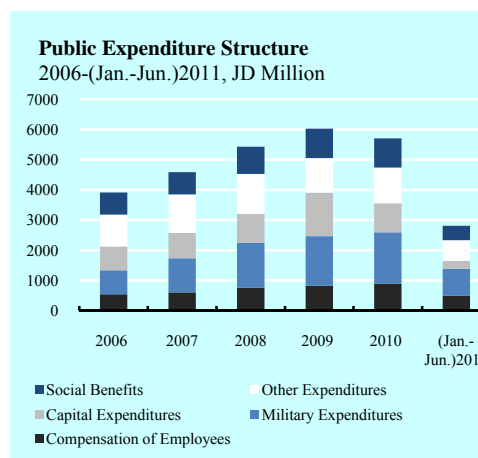
◆ **Foreign Grants**

Foreign grants increased by JD 157.2 million during the first half of 2011 comparing to the same period of 2010 to reach JD 315.0 million.

■ Public Expenditures

Public expenditures witnessed an increase by JD 85.2 million, or 18.9 percent, in June 2011 comparing to the same month in 2010 to stand at JD 535.2 million. Moreover, these expenditures rose by JD 226.2 million, or 8.7 percent, during the first half of 2011 to stand at JD

2,812.0 million. This increase was the outcome of the rise in current expenditures by 12.9 percent, on one hand, and the drop in capital expenditures by 19.7 percent, on the other.



◆ Current Expenditures

Current expenditures increased by JD 290.8 million, or 12.9 percent, in the first half of 2011, to reach JD 2,549.0 million. This increase was due to:

- The rise in the compensation of civil sector's employees (wages, salaries and social security contributions) by JD 61.3 million to reach JD 498.4 million.
- The increase in goods' subsidies by JD 106.9 million, due to the recurrent rise in the world commodity prices, particularly wheat prices, in addition to maintaining liquid gas subsidy. As a result,

goods' subsidies stood at JD 187.0 million in the first half of 2011 against JD 80.1 million in the same period of 2010.

- Interest payments, both internal and external, have also increased by JD 28.1 million to stand at JD 212.8 million.
- Social benefit expenditures have also increased by JD 33.6 million to stand at JD 478.6 million.
- The military expenditures and the “purchases of goods and services” have also increased by JD 35.8 million and JD 12.0 million, to total JD 886.6 million and JD 142.0 million, respectively.

◆ Capital Expenditures

Capital expenditures declined by JD 64.6 million, or 19.7 percent to reach JD 263.0 million, in the first half of 2011, comparing to the same period of 2010.

■ General Budget Deficit/ Surplus

- ◆ **The general budget, including grants, displayed a fiscal deficit amounting to JD 260.1 million, during the first half of 2011** against a fiscal deficit of JD 167.2 million, during the same period of 2010.
- ◆ **The general budget showed a primary deficit** (after excluding interest payments on public debt from total expenditures) **of JD 47.3 million, during the first half of 2011** against a primary surplus of JD 17.5 million, during the same period of 2010.

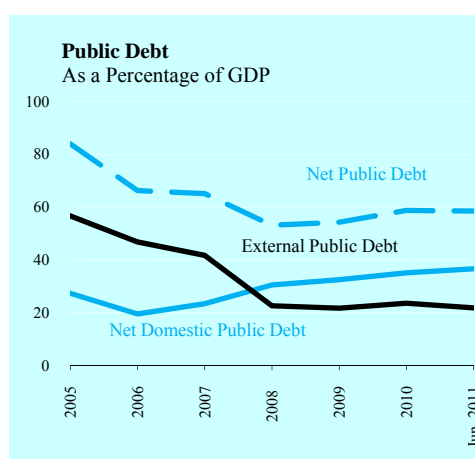
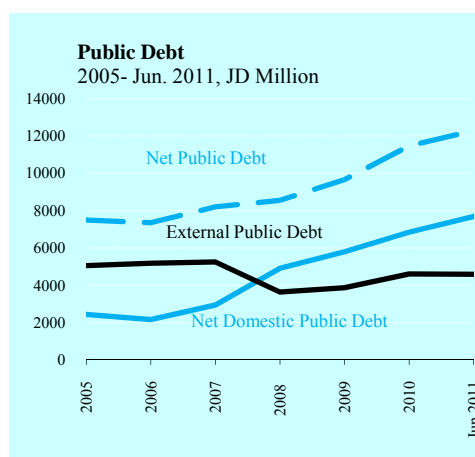
Public Debt

- Gross outstanding domestic public debt of the government (budgetary and own-budget agencies) was up by JD 639.0 million at the end of June 2011 comparing to its level at the end of 2010 to reach JD 8,619.0 million, or 41.0 percent of GDP. This rise was the outcome of the**

increase in the budgetary domestic public debt as well as the gross outstanding domestic public debt for own-budget agencies by JD 473.0 million and JD 166.0 million, respectively. The increase in the budgetary domestic public debt was driven by the rise in the balance of the “treasury bills and bonds” in the amount

of JD 540.0 million to total JD 6,950.0 million at the end of June 2011, on one hand, and the drop in the outstanding balance of “loans and advances” extended by CBJ to the budgetary central government by JD 40.0 million to stand at JD 872.0 million at the end of June 2011, on the other.

- Net outstanding domestic public debt (gross outstanding domestic public debt *minus* government deposits at the banking system) increased by JD 838.0 million at the end of June 2011 comparing**



to its level at the end of 2010 to total JD 7,690.0 million, or 36.6 percent of GDP. The aforementioned increase was the outcome of the rise in gross outstanding domestic public debt by JD 639.0 million on one hand, and the decrease in the government deposits at the banking system by JD 200.0 million compared to their level at the end of 2010, on the other.

- **Outstanding balance of external public debt (budgetary and guaranteed) decreased** by JD 19.1 million at the end of June 2011 comparing to its level at the end of 2010, to amount to JD 4,591.7 million, (21.9 percent of GDP). The currency structure of this debt indicates that external debt in US dollars accounted for 38.7 percent, while debt in Euros accounted for 9.0 percent. Further, external debt in Japanese Yen and Kuwaiti Dinars accounted for 22.0 percent and 19.3 percent of the outstanding external public debt, respectively.
- **Net public debt (domestic and external) increased** by JD 818.9 million at the end of June 2011 comparing to its level at the end of 2010 to stand at JD 12,281.7 million, or 58.5 percent of GDP, against JD 11,462.8 million (61.1 percent of GDP) at the end of 2010. Consequently, the ratio of net public debt to GDP decreased by 2.6 percentage points comparing to its level at the end of 2010. It is worth mentioning in this respect that the amended Public Debt Management Law for 2008 set new ceilings for the public debt. Accordingly, 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 253.1 million during the first half of 2011 (of which interest payments amounting to JD 60.2 million) comparing to JD 206.5 million during the same period in 2010 (of which interest payments amounting to JD 46.9 million).

□ Fiscal and Price Measures

- ◆ Maintaining the prices of many types of oil derivatives unchanged, while adjusting the prices of others as detailed in the table below:

	Unit	2011		Change %
		June	August	
Unleaded Gasoline 90	Fils/Liter	620	620	0.0
Unleaded Gasoline 95	Fils/Liter	795	795	0.0
Gas Oil (Diesel)	Fils/Liter	515	515	0.0
Kerosene	Fils/Liter	515	515	0.0
Liquid Gas (12.5kg)	JD/Unit	6.5	6.5	0.0
Fuel oil for industry	JD/Ton	505.7	517.4	2.3
Fuel oil for ships	JD/Ton	519.2	517.4	-0.3
Fuel oil for airplanes (local companies)	Fils/Liter	63.1	640.0	1.4
Fuel oil for airplanes (foreign companies)	Fils/Liter	636	645.0	1.4
Fuel oil for unplanned flights	Fils/Liter	651	660.0	1.4
Asphalt	JD/Ton	541.4	553.9	2.3

Source: Jordan Petroleum Refinery CO.

- In order to continue stimulating the real estate sector, the Cabinet decided to extend the exemptions from the registration fees and the property transfer tax granted to the real estate sector. Accordingly, apartments that do not exceed 150 squared meters are fully exempted, regardless of the character of the seller. Apartments larger than 150 squared meters are subject to reduced fees. The exemption from the property transfer tax was reduced in 24 July, 2011. In August, 2011 the property transfer tax reached 5% and will be further increased to reach 8% in November, 2011 (July 2011).

- Additional exemptions and reductions of the sales tax had covered 105 goods and services to bring the number of exempted goods and services to 260 goods and services. Some goods and services were fully exempted such as fresh dates, cucumbers and tomatoes. The tax was reduced on a number of other commodities from 16.0% to 4.0% such as “alfrickh”, and “grit” and “peanut” (July 2011).

□ Grants, Loans and Other Agreements

- ◆ A grant extended by The Kingdom of Saudi Arabia to support the general budget in the amount of US\$ 1.0 billion (July 2011).
- ◆ Signing a Memorandum of Understanding (MOU) with the french development agency (AFD), under which France will provide the Kingdom with 600 million euros to finance development projects in the sectors of water, energy, sanitation, transportation and environment over the period 2011-2013. In addition, the French agency will supply the Kingdom with 40 million euros to support financing small and medium enterprises (July 2011).

Fourth: External Sector

□ Summary

- **Total merchandize exports** (domestic exports *plus* re-exports) increased by 14.8 percent in June 2011 compared to the same month in 2010 to record JD 489.9 million. As for the first half of 2011, total merchandize exports increased by 16.1 percent to reach JD 2,833.4 million.
- **Merchandize imports** increased by 14.7 percent in June 2011 compared to the same month in the previous year amounting to JD 1,111.0 million. As for the first half of 2011, merchandize imports were up by 20.8 percent to total JD 6,363.4 million.
- Consequently, the **trade balance deficit** (total exports *minus* imports) increased by 14.6 percent in June 2011 compared to the same month in 2010 standing at JD 621.1 million. As for the first half of 2011, the trade deficit expanded by 24.9 percent to reach JD 3,530.0 million.
- **Travel receipts** decreased by 26.5 percent during July 2011 compared to the same month in the preceding year to record JD 238.9 million. Similarly, **travel payments** decreased by 7.4 percent during July 2011 to reach JD 145.1 million. As for the first seven months of 2011, travel receipts and payments decreased by 16.0 percent and 1.6 percent compared to the same period of 2010 to reach JD 1,188.2 million and JD 608.1 million, respectively.
- **Total workers' remittances receipts** decreased by 13.5 percent during July 2011 compared to the same month in 2010 to reach JD 215.7 million. As for the first seven months of 2011, total workers' remittances receipts decreased by 4.8 percent compared to the same period of 2010 to total JD 1,425.4 million.
- **The current account of the balance of payments** displayed a deficit of JD 541.3 million during the first quarter of 2011 compared to a deficit of JD 153.7 million during the same period in the previous year.

- **Net FDI inflows to Jordan** recorded JD 210.9 million during the first quarter of 2011, down from JD 312.8 million during the same period in 2010.
- **International Investment Position (IIP)** displayed an increase in net obligations of the kingdom to abroad by JD 753.9 million to reach 13,183.4 million at the end of the first quarter of 2011.

□ External Trade

As a result of the increase in domestic exports and imports by JD 344.1 and JD 1,097.3 million, respectively, during the first half of 2011, the volume of external trade (domestic exports *plus* imports) increased by JD 1,441.4 million to stand at JD 8,765.2 million.

Jordan's Major Trade Partners January – June 2010- 2011, JD Million			
	2010	2011	Percentage Change
Exports			
Iraq	319.6	412.3	29.0
United States	301.5	336.0	11.4
Saudi Arabia	208.2	219.6	5.5
India	257.9	217.4	-15.7
Syria	108.2	122.1	12.2
Lebanon	65.4	115.5	76.6
UAE	88.9	77.0	-13.4
Imports			
Saudi Arabia	935.7	1,490.1	59.2
China	541.1	636.8	17.7
Italy	187.0	382.3	104.4
United States	287.2	355.8	23.9
Germany	402.1	287.7	-28.5
Egypt	257.0	271.5	5.6
South Korea	232.3	223.9	-3.6
Turkey	170.3	204.3	20.0

Source: Department of Statistics.

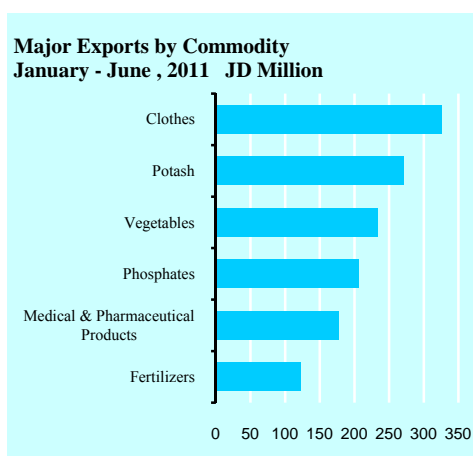
Developments of External Trade Indicators, JD Million				
January - June				
	2010	Percentage Change 2009/2010	2011	Percentage Change 2010/2011
External Trade	7,323.8	13.5	8,765.2	19.7
Total Exports	2,439.8	5.1	2,833.4	16.1
Domestic Exports	2,057.7	16.5	2,401.8	16.7
Re-exports	382.1	-31.2	431.6	13.0
Imports	5,266.1	12.4	6,363.4	20.8
Trade Balance	-2,826.3	19.5	-3,530.0	24.9

Source: Department of Statistics.

■ Merchandize Exports:

Total merchandize exports increased by 16.1 percent during the first half of 2011 compared to a 5.1 percent increase during the same period in 2010, to record JD 2,833.4 million. This increase resulted from a rise in domestic exports and re- exports of JD

344.1 million and JD 49.5 million, or 16.7 percent and 13.0 percent, to reach JD 2,401.8 million and JD 431.6 million, respectively.



The developments in domestic exports during the first half of 2011 reveals the following:

- Exports of **phosphates** increased by JD 83.8 million, or 68.6 percent, to reach JD 206.0 million, compared to a decline of 28.9 percent during the same period of 2010. This increase reflects a rise in both quantities and prices of phosphates by 36.6 percent and 23.4 percent, respectively. The Indian, Indonesian and Netherlands markets accounted for 78.7 percent of phosphates exports.

- Exports of **potash** increased by JD 55.8 million, or 26.0 percent, to stand at JD 270.4 million, compared to an increase of 70.5 percent during the first half of 2010. The geographical distribution of these exports indicates that Chinese, Malaysian and Indian markets accounted for 56.8 percent of potash exports.
- Exports of **vegetables** increased by JD 30.1 million, or 14.8 percent, to total JD 232.9 million, compared to an increase of 20.3 percent during the same period of 2010. Iraqi and Syrian markets were the main destinations of these exports accounting for 61.2 percent.

Major Domestic Exports by Commodity

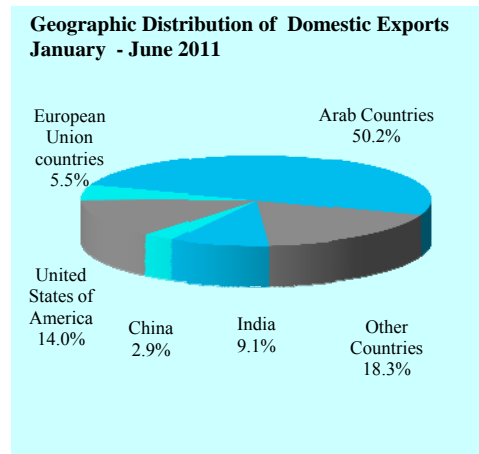
January- June, 2010 - 2011, JD Million

	2010	2011	Percentage Change
Domestic Exports	2,057.7	2,401.8	16.7
Clothes	287.3	325.6	13.3
United States	267.0	299.5	12.2
Potash	214.6	270.4	26.0
China	34.6	65.8	90.2
Malaysia	23.9	45.1	88.7
India	88.2	42.8	-51.5
Vegetables	202.8	232.9	14.8
Iraq	56.9	72.1	26.7
Syria	59.4	70.4	18.5
Phosphates	122.2	206.0	68.6
India	80.6	128.7	59.7
Indonesia	25.2	22.0	-12.7
Netherlands	6.4	11.5	79.7
Medical & Pharmaceutical Products	186.9	176.5	-5.6
Saudi Arabia	48.2	46.5	-3.5
Algeria	29.4	21.5	-26.9
Sudan	18.5	17.3	-6.5
UAE	9.6	16.2	68.8
Fertilizers	144.1	123.1	-14.6
Ethiopia	19.7	70.3	256.9

Source: Department of Statistics.

- Exports of **fertilizers** decreased by JD 21.0 million, or 14.6 percent, to register JD 123.1 million, compared to an increase of 8.2 percent during the same period of 2010. The Ethiopian Market accounted for 57.1 percent of these exports.

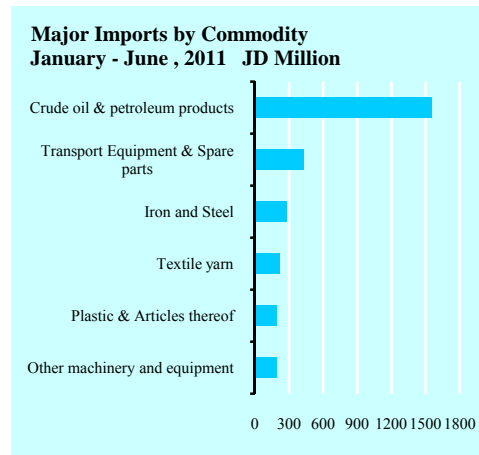
In light of the aforementioned developments, the commodity breakdown of domestic exports indicates that the exports of clothes, potash, vegetables, “medical and pharmaceutical products”, fertilizers and



phosphates topped the list of exports during the first half of 2011 accounting for 55.6 percent of domestic exports down from 56.3 percent during the corresponding period of 2010. Meanwhile, the geographical distribution of domestic exports indicates that Iraq, the USA, Saudi Arabia, India, Syria, Lebanon and UAE were the main destination markets for Jordanian domestic exports during the first half of 2011; accounting for 62.4 percent of domestic exports, down from 65.6 percent during the corresponding period of 2010.

■ Merchandize Imports:

Merchandize imports amounted to JD 6,363.4 million during the first half of 2011 increasing by JD 1,097.3 million, or 20.8 percent, compared to an increase by 12.4 percent during the same period of 2010.



The developments of imports during the first half of 2011 reveals the following:

- Imports of **petroleum products**, mainly coming from Italy, Saudi Arabia and Russia increased by JD 342.2 million, or 147.4 percent, to total JD 574.3 million compared to an increase of 67.8 percent during the same period in 2010.
- Imports of **Crude Oil** increased by JD 356.2 million, or 57.5 percent, to reach JD 975.9 million, compared to a rise by 58.2 percent during the same period of 2010. This increase was attributed to the rise in both quantities and prices of oil by 9.6 percent and 43.7 percent, respectively. Also, its worth noting that most of the Jordanian crude oil imports came from the Saudi market.

- Imports of **Iron & Steel** increased by JD 70.1 million, or 33.7 percent to reach JD 278.2 million, compared to a decrease of 13.4 percent during the corresponding period of 2010. The markets of Turkey, Ukraine and Saudi Arabia accounted for 58.2 percent of these imports.
- Imports of **Transport equipments and Spare Parts** decreased by JD 84.0 million, or 16.3 percent, to reach JD 429.9 million compared to a decrease by 2.0 percent during the same period of 2010. South Korea, Germany and Japan were the main origin markets for these imports; accounting for 66.2 percent of these imports.

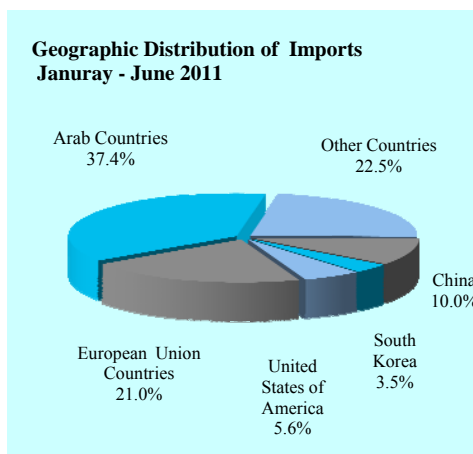
Major Imports by Commodity

January - June 2010, 2011, JD Million

	2010	2011	Percentage Change
Total Imports	5,266.1	6,363.4	20.8
Crude Oil	619.7	975.9	57.5
Saudi Arabia	543.6	908.3	67.1
Petroleum Products	232.1	574.3	147.4
Italy	25.2	188.6	648.4
Saudi Arabia	54.6	135.4	148.0
Russia	0.0	113.0	-
Transport Equipments and Spare Parts	513.9	429.9	-16.3
South Korea	119.4	134.1	12.3
Germany	102.0	92.3	-9.5
Japan	135.5	58.3	-57.0
Iron & Steel	208.1	278.2	33.7
Turkey	36.4	73.7	102.5
Ukraine	57.4	59.4	3.5
Saudi Arabia	16.0	28.8	80.0
Textile Yarn, Fabrics & Related Products	191.1	218.9	14.5
China	91.0	96.5	6.0
Taiwan	32.1	45.8	42.7
Turkey	8.2	13.0	58.5
Plastic & Articles Thereof	153.0	189.9	24.1
Saudi Arabia	66.8	88.1	31.9
Kuwait	14.6	11.2	-23.3
United States	4.6	9.2	100.0
Other Machinery and Equipment	150.4	188.0	25.0
China	35.1	47.0	33.9
Germany	17.6	27.4	55.7
Italy	16.5	23.3	41.2

Source: Department of Statistics.

The commodity composition of imports indicates that the main imports were crude oil, petroleum products, “transport equipments and spare parts”, “iron and steel”, “Textile yarn, fabrics, made up articles and related products”, “Plastic and Articles thereof” and



“Other Machinery and Equipment” accounting for 44.9 percent of total imports during the first half of 2011; up from 39.3 percent during the same period of previous year. Meanwhile, the geographical distribution of imports indicates that the markets of Saudi Arabia, China, Italy, the USA, Germany and Egypt topped the list of imports sources during the first half of 2011; accounting for 53.8 percent compared to 49.6 percent during the same period of 2010.

■ Re-Exports

The value of re-exported goods increased by JD 49.5 million, or 13.0 percent during the first half of 2011, recording JD 431.6 million.

■ Trade Balance

The trade balance deficit increased, from its level in the first half of 2010, by JD 703.7 million, or 24.9 percent recording JD 3,530.0 million.

❑ **Total Workers' Remittances Receipts**

Compared to the same period of 2010 total workers' remittances receipts decreased by 4.8 percent to total JD 1,425.4 million during the first seven months of 2011.

❑ **Travel**

■ **Receipts**

Travel receipts decreased by JD 225.6 million, or 16.0 percent, during the first seven months of 2011 to register JD 1,188.2 million. This decrease was attributed to a 17.3 percent fall in the number of inbound tourists in this period compared to the same period of 2010.

■ **Payments**

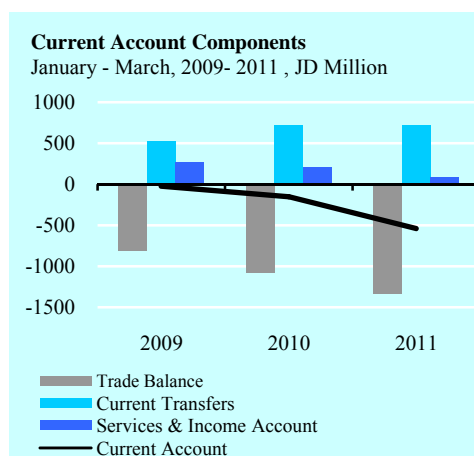
Travel payments decreased by 1.6 percent, during the first seven months of 2011 to stand at JD 608.1 million.

❑ **Balance of Payments**

The comparison of the preliminary statistics of the balance of payments for the first quarter of 2011 compared to the same period in 2010, reveals the following developments:

- The current account recorded a deficit of JD 541.3 million compared to a deficit of JD 153.7 million during the first quarter of 2010. This was an outcome of the following developments:

- An expansion in the trade balance deficit of JD 261.1 million, or 24.2 percent, to reach JD 1,338.3 million in the first quarter of 2011 compared to a deficit amounting to JD 1,077.2 million in the first quarter of 2010.



- Services account recorded a surplus of JD 73.0 million, compared to a surplus of JD 93.6 million during the first quarter of the preceding year. This was a result of a surplus by JD 281.1 million and JD 71.4 million in travel (net) and government services (net) respectively, and a deficit of JD 254.8 million and JD 24.7 million in transportation (net) and other services (net), respectively.
- A decrease in the surplus of the income account (net) to register JD 11.2 million, compared to JD 113.6 million during the same quarter of 2010. This decrease was an outcome of a deficit recorded in the investment income (net) by JD 38.4 million and the surplus recorded in compensation of employees (net) by JD 49.6 million.
- A decrease in the net current transfers of JD 3.5 million; which registered JD 712.8 million, as a result of the decrease in net transfers of public sector (foreign grants) by JD 185.4 million; to record JD 93.5 million despite the increase in transfers of other sectors (net) by JD 181.9 million; to total JD 619.3 million during the first quarter of 2011. Further, net workers' remittances increased by JD 18.0 million or 4.1 percent to reach JD 459.5 million.

- The capital and financial account with the rest of the world showed a net inflow of JD 656.3 million during the first quarter of 2011 compared to an outflow in the amount of JD 25.5 million during the same quarter of 2010 owing chiefly to the following:
 - Net FDI inflow to the Kingdom amounted to JD 210.9 million during the first quarter of 2011 compared to JD 312.8 million during the same quarter of the preceding year. Additionally, foreign Investment abroad registered a net outflow of JD 9.4 million compared with a net inflow of JD 12.2 million during the same period in 2010.
 - Net inflow of the portfolio investment amounted to JD 112.2 million compared to a similar inflow in the amount of JD 11.3 million during the same period in 2010.
 - Net outflow of other investments in the amount of JD 357.0 million compared to a similar outflow amounting to JD 178.1 million during the same period in 2010.
 - The decrease in reserve assets of CBJ by JD 699.6 million during the first quarter of 2011 against a rise amounting to JD 183.7 million during the same period in 2010.

□ **International Investment Position (IIP)**

The IIP, which represents the Kingdom's net position (stock) of external assets and liabilities, displayed an obligation to abroad in the amount of JD 13,183.4 million at the end of the first quarter of 2011 compared to JD 12,429.5 million at the end of 2010. This increase was due to the following developments:

- A decrease in the position of external assets (the stock of claims, obligations and financial assets) for all economic sectors (resident) in the Kingdom by JD 395.5 million at the end of first quarter of 2011 compared to the end of 2010; amounting to JD 16,656.0 million at

the end of the first quarter of 2011. This decrease was mainly as a result of a decrease in the reserve assets of the CBJ by JD 664.0 million, a rise in the outstanding balance of external assets of currency and deposits of commercial banks by JD 336.2 million, a decline in portfolio investments of the commercial banks by JD 60.4 million, and a decrease in loans granted by the commercial banks to non-resident entities by JD 1.3 million.

- An increase in the position of external liabilities (the stock of claims, obligations and financial assets) on all economic sectors residing in the Kingdom by JD 323.5 million at the end of the first quarter of 2011 compared to the end of 2010; to stand at JD 29,839.4 million. This was mainly due to the following outcomes:
 - An increase in the stock of Foreign Direct Investment (FDI) in the Kingdom by JD 210.9 million to stand at JD 15,758.9 million.
 - An increase in the stock of non-residents' portfolio investments in the Kingdom by JD 91.6 million; amounting to JD 3,014.3 million. This increase was mainly attributable to the rise in the position of non-resident portfolio investment at banks by JD 70.9 million.
 - An increase in the outstanding balance of external loans extended to the economic sectors (resident) in the Kingdom by JD 4.1 million; to reach JD 4,151.1 million.
 - A decrease in the position of non-resident deposits at the banking system by JD 20.6 million to reach JD 6,266.8 million.