Central Bank of Jordan

Recent Monetary & Economic Developments in Jordan

Research Dept. Monthly Report

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Central Bank of Jordan

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OUR VISION

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

OUR MISSION

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

OUR VALUES

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

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

Contents

Executive Summary

According to indicators available to date, the national economy displayed favorable results in both the monetary and external sectors, most notably the growing foreign currency reserves, domestic exports and tourism income, in addition to the outstanding balance of credit facilities extended by the licensed banks. Furthermore, the preliminarily national account estimates released by the Department of Statistics showed an improvement in real Gross Domestic Product (GDP) growth in the third quarter of 2010 compared to the same quarter of 2009 and to the second quarter of 2010.

- **Output and Prices:** Real GDP at both market and basic prices grew at 3.5 percent and 4.5 percent respectively, during the third quarter of 2010 compared to 1.9 percent and 2.5 percent respectively, during the same quarter of 2009. The Consumer Price Index (CPI) has increased by 5.1 percent in January 2011 against a lower increase amounting to 3.9 percent during the same month in 2010. Regarding domestic and foreign investment indicators, investments benefiting from the Investment Promotion Law (IPL) totaled JD 1,660.6 million during 2010, of which 13.5 percent were foreign investments, compared to JD 1,821.1 million in 2009.

Monetary and Financial Sector:

- Foreign currency reserves at the Central Bank of Jordan (CBJ) increased by US$ 38.3 million, or 0.3 percent, at the end of January 2011 compared to their level at the end of 2010; standing at US$ 12,279.5 million.
- Domestic liquidity grew by JD 224.2 million, or 1.0 percent, at the end of January 2011 compared to its level at the end of 2010; standing at JD 22,530.9 million.
- The outstanding balance of credit facilities extended by licensed banks was up by JD 177.3 million, or 1.2 percent, at the end of January 2011 compared to its level at the end of 2010; standing at JD 14,628.7 million.
- Total deposits at licensed banks increased by JD 177.3 million, or 0.8 percent, at the end of January 2011 compared to their level at the end of 2010; totaling JD 22,682.1 million.
- The Share Price Index (SPI) weighted by market capitalization of free float shares at Amman Stock Exchange (ASE) reached 2,373.8

points, at the end of January 2011 maintaining the same level registered at the end of 2010.

- **Public Finance:** The general budget, including foreign grants, showed a fiscal deficit amounting to JD 786.4 million during the first eleven months of 2010 compared to a larger fiscal deficit in the amount of JD 973.0 million during the same period in 2009. On the front of indebtedness, net outstanding domestic public debt (budgetary and own-budget) increased by JD 852.0 million at the end of November 2010 compared to its level at the end of 2009; standing at JD 6,643.0 million, or 34.5 percent of GDP. Outstanding external public debt also increased by JD 619.9 million at the end of November 2010 compared to its level at the end of 2009; totaling JD 4,488.9 million, or 23.3 percent of GDP.

- **External Sector:** The value of total merchandize exports (domestic exports *plus* re-exports) increased by 10.2 percent during 2010 to reach JD 4,986.4 million. Similarly, the value of merchandize imports increased by 7.2 percent, totaling JD 10,836.2 million. As a result, the trade deficit expanded by 4.8 percent compared to the previous year, amounting to JD 5,849.8 million. Further, the preliminary figures during January 2011 showed an increase in travel receipts by 7.5 percent and a decrease in travel payments by 4.6 percent, compared to the same month in 2010. In addition, the receipts of workers' remittances decreased by 1.8 percent. The preliminary statistics for the balance of payments in the first three quarters of 2010 displayed a deficit in the current account amounting to JD 579.9 (4.0 percent of GDP) million, down from JD 633.2 million (4.8 percent of GDP) during the same period of 2009. Furthermore, the Foreign Direct Investment (FDI) recorded net inflows of JD 970.2 million during the first three quarters of 2010 compared to net inflows of JD 1,377.8 million in the same period of 2009. Finally, the International Investment Position (IIP) displayed a net obligation to abroad amounting to JD 11,884.4 million at the end of 2009 compared to JD 13,964.3 million at the end of 2008.

First: Monetary and Financial Sector

Summary

- The foreign currency reserves at the CBJ increased by US$ 38.3 million, or 0.3 percent, at the end of January 2011; compared to their level at the end of 2010; standing at US$ 12,279.5 million. This level of reserves is equivalent to around 8.5 months of the Kingdom's imports of goods and services.

- Domestic liquidity at the end of January 2011 increased by JD 224.2 million, or 1.0 percent, compared to its level at the end of the previous year to total JD 22,530.9 million.

- The outstanding balance of the credit facilities extended by licensed banks increased by JD 177.3 million, or 1.2 percent, at the end of January 2011 compared to its level at the end of 2010; standing at JD 14,628.7 million.

- Total deposits at licensed banks increased by JD 177.3 million, or 0.8 percent, at the end of January 2011 in comparison with their level at the end of 2010; totaling JD 22,682.1 million.

- Interest rates on all kinds of deposits and credit facilities, decreased at licensed banks at the end of January 2011, compared to their levels at the end of 2010.

- The SPI weighted by market capitalization of free float shares at ASE reached 2,373.8 points at the end of January 2011, maintaining the same level registered at the end of 2010. The market capitalization decreased by around JD 0.1 billion, or 0.5 percent, at the end of January 2011 compared to its level at the end of 2010 to stand at JD 21.8 billion.

Main Monetary Indicators

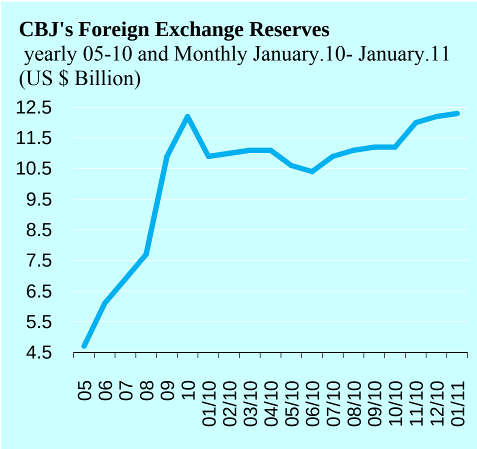
JD Million, and Percentage Change Relative to the Previous Year (%)

Year 2010		End of January 2010	End of January 2011
US$ 12,241.2	CBJ's Foreign Currency Reserves	US$ 10,904.9	US$ 12,279.5
12.5٪		0.2٪	0.3٪
22,306.7	Money Supply (M2)	20,085.4	22,530.9
11.5٪		0.4٪	1.0٪
14,451.4	Credit Facilities, of which:	13,401.3	14,628.7
8.5٪		0.6٪	1.2٪
12,979.1	Private Sector (Resident)	12,120.8	13,122.7
7.8٪		0.7٪	1.1٪
22,504.8	Total Deposits, of which:	20,499.5	22,682.1
10.9٪		1.0٪	0.8٪
17,617.2	In JD	16,078.5	17,687.2
11.0٪		1.3٪	0.4٪
4,887.6	In Foreign Currencies	4,421.0	4,994.9
10.2٪		-0.3٪	2.2٪
18,343.9	Deposits of Private Sector (Resident), of which:	16,417.5	18,558.1
12.8٪		1.0٪	1.2٪
15,214.4	In JD	13,686.0	15,332.2
12.7٪		1.4٪	0.8٪
3,129.5	In Foreign Currencies	2,731.5	3,225.9
13.5٪		-0.9٪	3.1٪

Source: Central Bank of Jordan / Monthly Statistical Bulletin.

❑ CBJ's Foreign Currency Reserves

The CBJ's foreign currency reserves increased by US$ 38.3 million, or 0.3 percent, at the end of January 2011 compared to their level at the end of 2010, standing at US $ 12,279.5 million. This level of reserves is equivalent to around 8.5 months of the Kingdom's imports of goods and services. Furthermore, these reserves amounted to US$ 12,085.1 million as of February 22, 2011; down by US$ 183.1 million or 1.5 percent compared to their level at the end of 2010.



❑ Domestic Liquidity (M2)

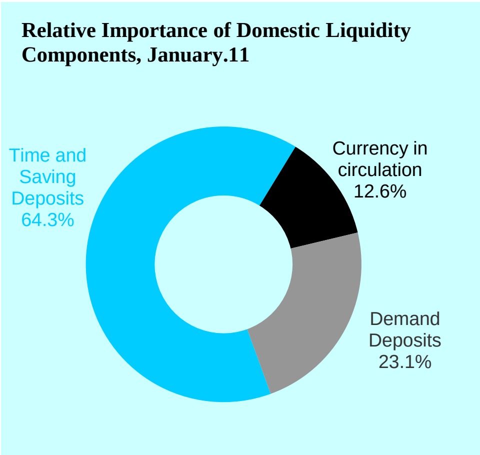
- Domestic liquidity totaled JD 22,530.9 million at the end of January 2011, increasing by JD 224.2 million, or 1.0 percent, compared to its level at the end of the 2010, against an increase in the amount of JD 72.1 million, or 0.4 percent, during the same period of 2010.

  - **The comparison of the developments in the domestic liquidity components and the factors affecting liquidity between the end of January 2011 and the end of 2010 reveals the following:**

    - **Components of Domestic Liquidity**

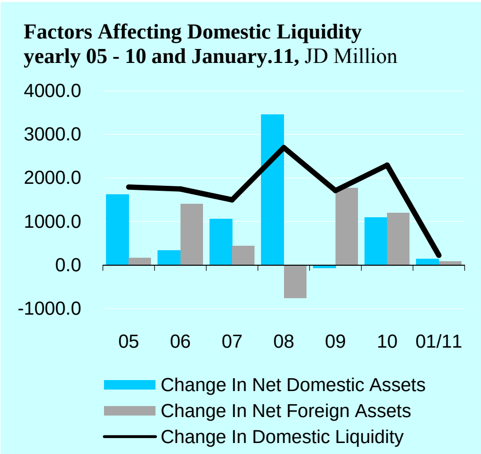
      - Deposits increased by JD 234.8 million, or 1.2 percent, at the end of January 2011 compared to their level at the end of 2010; totaling JD 19,697.8 million, against an increase amounting to JD 102.8 million, or 0.6 percent, at the end of the same period of 2010.

- Currency in circulation decreased by JD 10.6 million, or 0.4 percent, at the end of January 2011; standing at JD 2,833.1 million compared to its level at the end of 2010, against an decrease in the amount of JD 30.5 million, or 1.1 percent, at the end of the same period of 2010.



Factors Affecting Domestic Liquidity

- Net domestic assets at the banking system increased by JD 139.8 million, or 1.1 percent, at the end of January 2011 compared to its level at the end of 2010, against an increase in the amount of JD 71.4 million, or 0.6 percent, during the same period of 2010. This increase at the end of January 2011 was a result of the increase in net domestic assets at the licensed banks by JD 56.5 million, or 0.3 percent, and the increase in these assets at the CBJ by JD 83.3 million, or 1.2 percent.



- Net foreign assets at the banking system increased by JD 84.4 million, or 0.8 percent, at the end of January 2011 compared to their level at the end of 2010, against an increase in the amount of JD 0.7 million, in the same period of 2010. This rise was a result of the increase in these assets at the licensed banks by JD 84.3 million, or 74.1 percent.

Changes in Factors Affecting Domestic Liquidity (M2)
JD Million

Year		Change in balance relative to the end of January	
2010		2010	2011
1,197.1	**Foreign Assets (Net)**	**0.7**	**84.4**
718.3	CBJ	0.8	0.1
478.8	Licensed Banks	-0.1	84.3
1,096.3	**Domestic Assets (Net)**	**71.4**	**139.8**
-574.7	CBJ, of which:	1.3	83.3
-275.1	Claims on Public Sector (Net)	16.7	49.1
-299.6	Other Items (Net*)	-15.4	34.4
1,671.0	Licensed Banks	70.1	56.5
597.9	Claims on Public Sector (Net)	-105.3	-29.0
919.3	Claims on Private Sector	81.4	146.8
153.8	Other Items (Net)	94.0	-61.3
2,293.4	**Money Supply (M2)**	**72.1**	**224.2**
164.2	**Currency in Circulation**	**-30.5**	**-10.6**
2,129.2	**Total Deposits, of which:**	**102.6**	**234.8**
342.2	In Foreign Currencies	-40.2	115.5

* 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

- The CBJ kept the interest rates on its monetary policy instruments unchanged, since the last cut in February 21, 2010. Accordingly, the interest rates on the monetary policy instruments are as follows:
  - o **Re-Discount Rate**: 4.25 percent.
  - o **Interest Rate on Overnight Repurchase Agreements:** 4.00 percent.
  - o **Overnight Deposit Window Rate**: 2.00 percent.

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

- The CBJ did not issue any CDs during 2009 and 2010. Accordingly, the weighted average interest rate on the latest issue of three-month CDs, which dates back to October 26, 2008, was 5.64 percent.

Interest Rates on Monetary Policy Instruments (%)

End of year 2010		January 2010	January 2011
4.25	Re-discount Rate	4.75	4.25
4.00	Repurchase Agreements Rate (Repos)	4.50	4.00
2.00	Overnight Deposit Window Rate	2.50	2.00

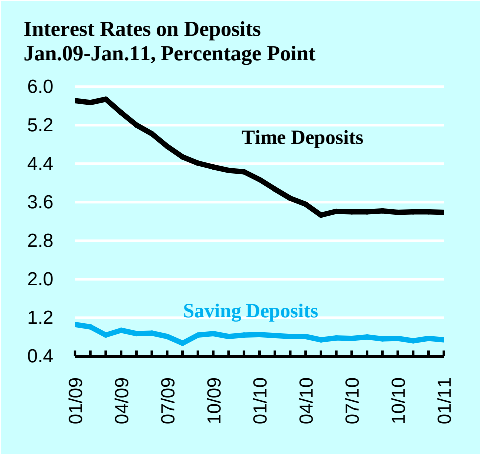
Source: Central Bank of Jordan / Monthly Statistical Bulletin.

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

◆ Interest Rates in the Banking Sector

• Interest Rates on Deposits

- **Time Deposits**: The weighted average interest rate on time deposits decreased at the end of January 2011 compared to its level at the end of the preceding year; standing at 3.39 percent. However, this rate was one basis point lower compared to its level at the end of 2010.



- **Saving Deposits:** The weighted average interest rate on saving deposits at the end of January 2011 decreased by 3 basis points compared to its level in the previous year, to reach 0.74 percent.

- **Demand Deposits**: The weighted average interest rate on demand deposits at the end of January 2011 decreased by 2 basis points compared to its level at the end of the previous year; standing at 0.42 percent.

• Interest Rates on Credit Facilities

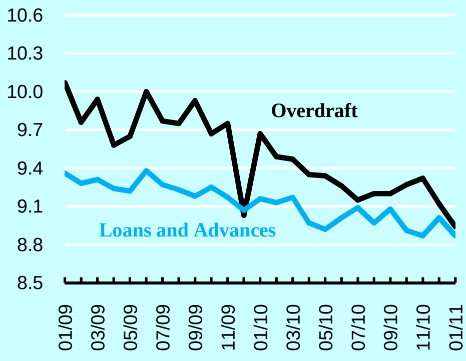
- **Overdraft Accounts**: The weighted average interest rate on overdraft accounts stood at 8.94 percent at the end of January 2011; 18 basis points lower than its level at the end of the preceding year.

- **Discounted Bills and Bonds:** The weighted average interest rate on "discounted bills and bonds" decreased by 7 basis points at the end of January 2011 compared to its level at the preceding year; to stand at 9.34 percent.

- **Loans and Advances:** The weighted average interest rate on "loans and advances" stood at 8.87 percent at the end of January 2011; 14 basis points lower compared to its level at the end of the previous year.

- **The Prime Lending Rate:** This rate stood at 8.18 percent at the end of January 2011, 2 basis points lower than its level at the end of 2010.

Interest Rates on Credit Facilities Jan.09-Jan.11, Percentage Point



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

Year		January		Change Relative to the Year 2009
2010		2010	2011	Basis Points
	Deposits			
0.44	Demand	0.56	0.42	-2
0.77	Saving	0.85	0.74	-3
3.40	Time	4.07	3.39	-1
	Credit Facilities			
9.41	Discounted Bills and Bonds	9.58	9.34	-7
9.01	Loans and Advances	9.16	8.87	-14
9.12	Overdraft	9.67	8.94	-18
8.20	Prime Lending Rate	8.28	8.18	-2

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 14,628.7 million at the end of January 2011; an increase amounting to JD 177.3 million, or 1.2 percent, compared to its level at the end of the previous year, against an increase in the amount of JD 84.1 million or 0.6 percent during the same period of 2010.

- The classification of extended credit facilities according to economic activity during January 2011 demonstrates that the increase in the extended credit facilities was mainly in the extended credit facilities for the sectors of general trade, mining and construction; which increased by JD 79.5 million, or 2.2 percent, JD 61.2 million, and JD 30.1 million, or 1.0 percent, respectively, compared to their levels at the end of 2010.

- The classification of extended credit facilities by the borrower reveals that the boost in the extended credit facilities was mainly in the credit facilities extended to the private sector (resident) by JD 143.6 million, or 1.1 percent at the end of January 2011 compared to their level at the end of 2010. Moreover, the credit facilities extended to the private sector (non-resident) increased by JD 17.2 million, or 1.7 percent. Furthermore, the credit facilities extended to the public sector (central government *plus* public institutions) and the non-banking financial institutions increased by JD 2.0 million, or 0.4 percent, JD 14.5 million respectively, compared to their levels at the end of 2010.

Deposits at Licensed Banks

- Total deposits at licensed banks stood at JD 22,682.1 million at the end of January 2011; an increase in the amount of JD 177.3 million, or 0.8 percent, compared to their level at the end of the preceding year, against an increase amounting to JD 201.1 million, or 1.0 percent, during the corresponding period of 2010.

- The increase in total deposits at licensed banks during January 2011 was an outcome to the increase in deposits of the private sector (resident) by JD 214.2 million, or 1.2 percent, the increase in the deposits of the private sector (non-resident) by JD 23.6 million, or 1.0 percent, and the increase in the deposits of non-banking financial institutions by JD 8.6 million, or 4.2 percent, on one hand, and the decrease in the deposits of the public sector (central government *plus* public institutions) by JD 69 million, or 4.5 percent, on the other hand, compared to their levels at the end of 2010.

- The developments in the currency structure of deposits during January 2011 reveal that "deposits in local currency" and "deposits in foreign currencies" increased by JD 70 million, or 0.4 percent, and JD 107.3 million, or 2.2 percent, respectively, compared to their levels at the end of 2010.

Amman Stock Exchange (ASE)

The indicators of ASE displayed a positive performance at the end of January 2011 compared to the end of the preceding year. This can be demonstrated as follows:

- **Trading Volume**

The trading volume in the ASE totaled JD 405.5 million in January 2011, up by JD 51.3 million, or 14.5 percent, compared to its level at the end of the previous month, against an decrease of JD 63.4 million, or 9.7 percent, during the same month in 2010.

- **Traded Shares**

The number of traded shares in January 2011 totaled 513.0 million, up by 24.0 million shares, or 4.9 percent, compared to its level at the end of the preceding month, against an decrease amounting to 65.4 million shares, or 12.3 percent, during the same month in 2010.

- **Share Price Index (SPI)**

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

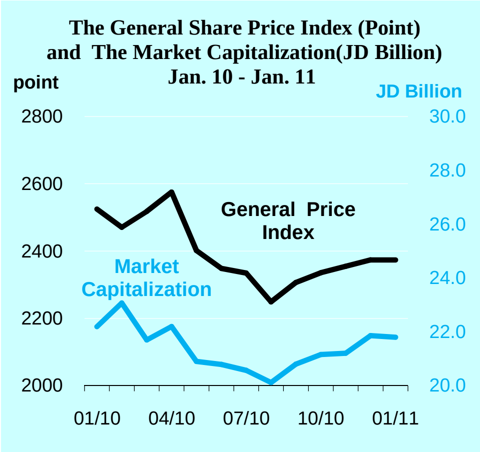
year 2010		January 2010	January 2011
2,373.6	**General Index**	**2,525.1**	**2,373.8**
2,911.7	Financial Sector	3,011.6	2,906.0
2,576.6	Industrial Sector	2,752.4	2,568.4
1,897.2	Services Sector	2,097.2	1,895.2

Source: Amman Stock Exchange.

The SPI weighted by market capitalization of free float shares at ASE reached 2,373.8 points at the end of January 2011, maintaining the same level recorded at the end of 2010, against a decrease in the amount of 8.4 points, or 0.3 percent, during the same month in 2010. Regarding the developments in the ASE sectors, at the end of January 2011, the SPI for the industrial, financial and services sectors declined by 8.2 points, or 0.3 percent, 5.7 points, or 0.2 percent, and 2.0 points, or 0.1 percent, respectively, compared to their levels at the end of 2010.

- **Market Capitalization**

The ASE's market capitalization totaled JD 21.8 billion at the end of January 2011; down by 0.1 billion, or 0.5 percent, compared to its level at the end of the previous year, against a decline amounting to JD 0.4 billion, or 1.7 percent, during the same month in 2010.



- **Non - Jordanian Net Investment**

Non - Jordanian net investment at ASE recorded an inflow amounting to JD 3.3 million in January 2011, compared to an outflow amounting to JD 17.9 million during the same month in 2010; the value of shares acquired by non - Jordanians in January 2011 stood at JD 75.4 million, while the value of shares sold by the said group amounted to JD 72.1 million.

Main Amman Stock Exchange Trading Indicators, JD Million

Year		January	
2010		2010	2011
6,690.0	Value Traded	591.7	405.5
26.8	Average Daily Trading	22.9	18.4
21,858.2	Market Capitalization	22,191.7	21,775.4
6,988.9	No. of Traded Shares (million)	465.0	513.0
(14.6)	Net Investment of Non-Jordanian	(17.9)	3.3
1,036.6	Non-Jordanian Buying	84.1	75.4
1,051.2	Non-Jordanian Selling	102.0	72.1

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 3.5 percent and 4.5 precent, respectively, during the third quarter of 2010 compared to 1.9 percent and 2.5 percent, respectively, during the same quarter in 2009.
- As for the first three quarters of 2010, GDP at both market and basic prices registered a real growth rate of 2.8 percent and 4.1 percent, respectively, compared to 2.4 percent and 2.9 percent, respectively, during the first three quarters in 2009.
- The general price level, as measured by the Consumer Price Index (CPI), increased by 5.1 percent in January 2011 against a lower increase amounting to 3.9 percent during the same month in 2010 .
- Investments benefiting from the Investment Promotion Law (IPL) totaled JD 1,660.6 million during 2010 (of which foreign investments constitute 13.5 percent of the total), compared to JD 1,821.1 million in 2009.

Developments in Gross Domestic Product (GDP)

According to preliminarily estimates released by the Department of Statistics (DOS), the growth of the national economy maintained during the third quarter of 2010 its positive trend recorded during the second quarter of the same year. This favourable trend was driven by the improvement in regional and global conditions and the growth of services and export-oriented sectors. **GDP, at constant market prices, grew at 3.5 percent in the third quarter of 2010 compared to 1.9 percent during the same quarter of 2009.** When excluding "net taxes on products", which displayed a contraction by 3.1 percent during the third quarter of 2010, **GDP growth rate at constant basic prices rose to 4.5 percent** compared to 2.5 percent during the third quarter of 2009.

As for the **first three quarters of 2010**, the national economy witnessed a growth of 2.8 percent, at constant market prices, compared to 2.4 percent during the first three quarters of 2009.

Quarterly Growth Rates of GDP at Market Prices
2008 - 2010

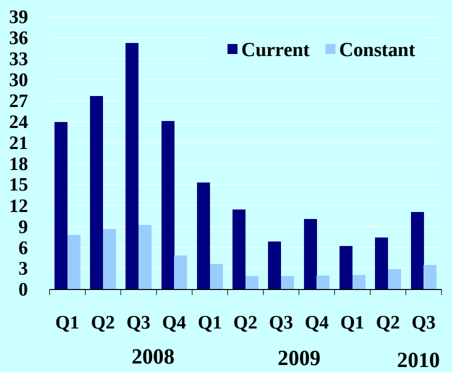
Percentages

	Q 1	Q2	Q3	Q4	Year
2008					
GDP at Constant Market Prices	7.8	8.6	9.2	4.9	**7.6**
GDP at Current Market Prices	23.9	27.7	35.3	24.1	**27.9**
2009					
GDP at Constant Market Prices	3.6	1.9	1.9	2.0	**2.3**
GDP at Current Market Prices	15.3	11.4	6.8	10.0	**10.6**
2010					
GDP at Constant Market Prices	2.0	2.9	3.5		
GDP at Current Market Prices	6.2	7.4	11.1		

Source: Department of Statistics.

The pace of real economic growth at market prices during the first three quarters of 2010 was influenced by the contraction in "net taxes on products" item. On the other hand, **GDP at current market prices grew at 8.4 percent** compared to 10.8 percent during the first three quarters of 2009, which came in light of **the rise in the general price level, measured by the GDP deflator, by 5.4 percent during the first three quarters of 2010** compared to 8.2 percent during the same period of 2009.

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



On the front of sectoral developments, economic sectors displayed a wide variation in their performance during the first three quarters of 2010. **Some sectors witnessed a marked improvement, particularly "mining and quarrying" sector** which picked up strongly, recording a real growth rate of 24.4 percent compared to a contraction amounting to 24.0 percent during the same period of 2009. Meanwhile, **the sector of "transport and communications"** registered a noticeable growth amounting to 6.9 percent compared to 6.1 percent during the same period in the preceding year. The sectors of "**trade, restaurants and hotels"** and **"finance, insurance, real estate and business services"** witnessed an improvement in their growth performance, amounting to 5.4 percent and 4.3 percent, respectively, in comparison with 3.0 percent and -0.9 percent, respectively, during the first three quarters of 2009.

In contrast, the sector of **"construction" experienced a noticeable contraction** amounting to 6.7 percent compared to a growth rate of 13.5 percent during the same period of 2009. Furthermore**, "electricity and water"** sector contracted by 1.8 percent in comparison with a decline of 1.9 percent during the same period of 2009.

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, amounted to 0.8 percentage point and 3.3 percentage points, respectively, in the first three quarters of 2010 compared to 1.0 percentage point and 1.9 percentage points, respectively, in the first three quarters of 2009. It is worth mentioning in this regard that the contribution of "net taxes on products" in GDP growth rate, at constant market prices, was negative, standing at -0.8 percentage point during the first three quarters of 2010**.

❑ Microeconomic Indicators

The latest sectoral indicators displayed divergent performance during the available period to date. Some indicators recorded a fast growth, most notably indicators of the cargo through the Royal Jordanian Airlines and "mining and quarrying" production quantity index. Other indicators, such as number of passengers through the Royal Jordanian Airlines, quantities of exported and imported goods shipped through the Aqaba port and licensed areas for building displayed a slower pace. In contrast, the performance of the remaining indicators showed a downward trend, most notably cement sales to the domestic market and cement production, as well as the manufacturing and electricity production indices.

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

Fast pace growing indicators *
Percentages

	Item	The whole year	
		2009	2010
	"Mining and quarrying" production quantity index	-28.6	39.7
The whole 2010	Item	January	
		2010	2011
30.3	Cargo through the Royal Jordanian	-1.6	16.2
-5.3	Production of petroleum products	0.5	7.6
72.2	Production of potash	-27.2	65.6

Decelerating and contracting indicators *
Percentages

	Item	The whole year	
		2009	2010
	Licensed areas for building	17.5	7.8
	Industrial production quantity index	-1.7	-3.1
	Electricity production quantity index	-8.1	-5.0
	Manufacturing production quantity index	1.2	-5.6
The whole 2010	Item	January	
		2010	2011
13.6	The number of passengers through the Royal Jordanian	17.7	7.5
26.7	Production of phosphate	73.8	18.2
9.9	Production of chemical acids	231.4	10.1
5.4	Production of fertilizers	5591.7	8.4
18.7	Quantities of exported and imported goods shipped through the Aqaba port	31.8	17.4
19.9	Number of departures	25.6	0.1
-3.0	Quantity of cement sales to the domestic market (excluding imported quantities)	-11.3	-5.2
-3.8	Production of cement	-5.0	-6.8

*: Calculated Items, Based on Data Issued by the Following Sources:

- Monthly Statistical Bulletin / Central Bank of Jordan.
- Cement Companies in Jordan.
- Royal Jordanian.

❑ Investments Benefiting from the Investment Promotion Law

- According to the latest statistics issued by the Jordan Investment Board (JIB), **planned investments benefiting from the Investment Promotion Law (IPL) totaled JD 1,660.6 million during 2010 compared to JD 1,821.1 million in 2009.**

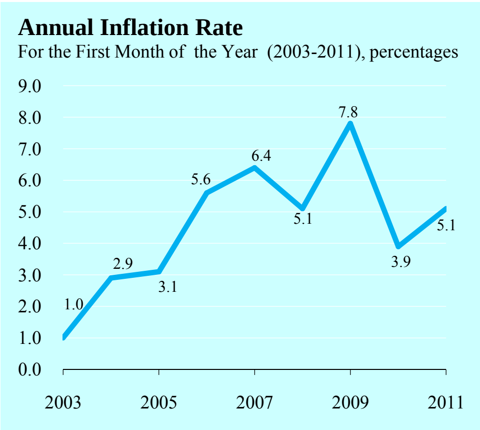
- As for the sectoral distribution of investments benefiting from the IPL, the sector of hotels unprecedently came in the **first rank in terms of size of investments; accounting for 41.6 percent (JD 690.0 million) during 2010.** This is followed by the sectors of industry, "leisure and recreational compounds", transportation, hospitals and agriculture which accounted for 35.6 percent, 15.3 percent, 4.3 percent, 1.8 percent and 1.4 percent, respectively.

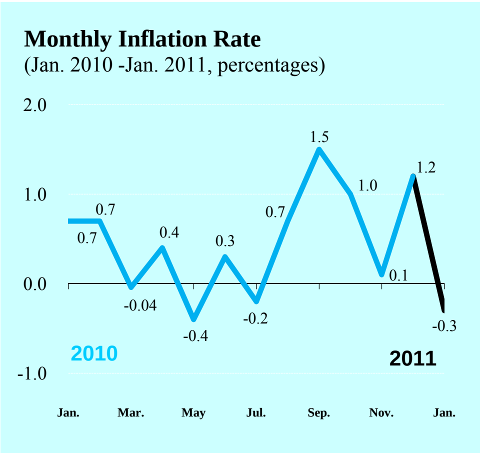
- Regarding the distribution of total investments according to nationality, the latest annual figures revealed that the value of domestic investments benefiting from the IPL has increased to stand at JD 1,436.5 million (accounting for 86.5 percent of total investments) during 2010 compared to JD 1,114.1 million in 2009, while foreign investments accounted for the remaining 13.5 percent.

- It is worth noting that the nature and coverage of investments benefiting from the IPL differ from those of the Foreign Direct Investment (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 the outside world in various sectors, including the real estate sector.

❑ Prices

The general price level in January 2011, as measured by the Consumer Price Index (CPI), increased by 5.1 percent against an increase amounting to 3.9 percent during the same month in the preceding year. Such a rise was chiefly affected by the increase in the prices of primary commodities, in particular the prices of oil derivatives and food items and other related goods and services compared to the same period in the preceding year.





In contrast, **consumer prices have slightly declined by 0.3 percent in January 2011 compared to their level in December 2010**. This decrease was mainly due to the decline in the prices of "vegetables", "diary products and egges", in addition to the "personal care" item.

The annual price developments of main components of the CPI basket in January 2011 compared to the same month in 2010 can be outlined as follows:

- The prices of **"food items" group** (which makes up the largest weight amongst the CPI components; accounting for 36.65 percent) **registered an inflation rate amounting to 5.2 percent in January 2011 compared to an increase amounting to 1.8 percent during the same month in 2009. The contribution of this group to the overall rate of inflation recorded during the first month of this year reached 1.9 percentage points.** The rise in the prices of this group was driven by the increase in the prices of most items included in this group; particularly the prices of "vegetables" which leapt by 25.3 percent as well as the prices of "meat and poultry" and cigarettes, which increased by 1.9 percent and 11.2 percent, respectively. In contrast, the prices of some other items declined, most notably "cereals and products" amounting to 3.1 percent compared to a rise of 6.8 percent during the same month in 2010.

- The prices of **"clothing and footwear" group** (which makes up the least weight among the components of the CPI basket, accounting for 4.95 percent) **rose by 5.0 percent in January 2011 compared to an increase in the amount of 1.7 percent during the same month in 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 price rise of this group was affected by the increase in the prices of "clothes" and "footwear" items, which grew by 5.3 percent and 4.0 percent, respectively, during January 2011 compared to 1.6 percent and 1.8 percent, respectively, during the same month in 2010.

- The prices of **housing group** (which accounts for 26.78 percent of the CPI basket) **increased by 4.4 percent in January 2011 compared to a lower increase amounting to 3.9 percent during the same month in 2010. In effect, the prices of this group contributed to the overall inflation rate by 1.2 percentage points during January 2011.** The increase in the prices of this group was affected by the rise in the prices of “rents” item by 5.3 percent and “fuels and electricity” item by 4.4 percent. In addition, other items recorded varied rates of increase in their prices, ranging from 0.5 percent for “household appliances” to 4.7 percent for “house utensils”.

The prices of **“other goods and services” group** (which accounts for 31.62 percent of the CPI basket) **increased by 5.4 percent in January 2011 compared to a larger increase amounting 7.3 percent during the same month in 2010. In consequence, this group contributed to the overall inflation rate by 1.7 percentage points during January 2011.** The prices of the items included in this group witnessed divergent trends; the prices of most items were up, particularly “transportation”, personal care and “education” which increased by 11.1 percent, 6.7 percent and 5.9 percent, respectively, while the prices of “communication” and “recreation” dropped by 6.8 percent and 1.5 percent, respectively.

Third: Public Finance

❑ Summary:

- The general budget, including foreign grants, showed a fiscal deficit amounting to JD 786.4 million during the first eleven months in 2010, compared to a larger fiscal deficit in the amount of JD 973.0 million during the same period in 2009. Excluding foreign grants (amounting to JD 288.6 million), the deficit widens to stand at JD 1,075.0 million.
- Gross outstanding domestic public debt (budgetary and own-budget) stood at JD 7,847.0 million, or 40.7 percent of GDP, at the end of November 2010, reflecting a rise amounting to JD 761.0 million compared to its level at the end of 2009.
- Net outstanding domestic public debt totaled JD 6,643.0 million, or 34.5 percent of GDP, at the end of November 2010; up by JD 852.0 million compared to its level at the end of 2009.
- Outstanding external public debt (budgetary and guaranteed) increased by JD 619.9 million at the end of November 2010 in comparison with its level at the end of 2009; standing at JD 4,488.9 million, or 23.3 percent of GDP.

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

- **Public Revenues**

  Public revenues (including foreign grants) slightly decreased by JD 4.7 million, or 1.2 percent, in the month of November 2010 compared to the same month in 2009; totaling JD 375.2 million. As for the first eleven months in 2010, these revenues were up by JD 111.6 million, or 2.8 percent, compared to the same period in 2009 to stand at JD 4,157.4 million. This result was driven by the increase in both foreign grants and domestic revenues by JD 58.6 million and JD 53.0 million, respectively.

Main Government Budget Indicators during November and the first eleven months of 2010 and 2009:

(JD Million and Percentages)

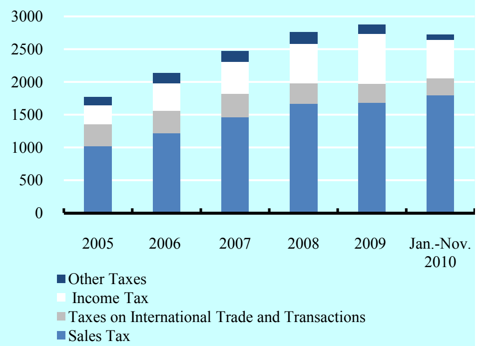
	November		Growth Rate %	Jan. – Nov.		Growth Rate %
	2009	2010		2009	2010	
Total Revenues and Grants	**379.9**	**375.2**	**-1.2**	**4,045.8**	**4,157.4**	**2.8**
Domestic Revenues, of which:	294.4	375.2	27.4	3,815.8	3,868.8	1.4
Tax Revenues, of which:	214.0	211.4	-1.2	2,658.7	2,722.0	2.4
General Sales Tax	141.3	164.1	16.1	1,538.5	1,792.5	16.5
Other Revenues, of which:	78.5	160.6	104.6	1,138.6	1,128.2	-0.9
Land Registration Fees	9.9	8.2	-17.2	127.0	117.8	-7.2
Foreign Grants	85.5	0.0	-100.0	230.0	288.6	25.5
Total Expenditures	**462.6**	**506.5**	**9.5**	**5,018.8**	**4,943.8**	**-1.5**
Overall Deficit/ Surplus	**-82.7**	**-131.3**		**-973.0**	**-786.4**	

Source: Ministry of Finance/ General Government Finance Bulletin.

Domestic Revenues

Domestic revenues increased by JD 53.0 million, or 1.4 percent, during the first eleven months in 2010 compared to the same period in 2009; amounting to JD 3,868.8 million. This increase was the outcome of the rise in the proceeds of "tax revenues" and "pension contributions" by JD 63.3 million and JD 0.1 million respectively, on one hand, and the decline in "other revenues" by JD 10.4 million, on another.

Tax Revenue Structure
2005-(Jan-Nov) 2010, JD Million



- **Tax Revenues**

Tax revenues were up by JD 63.3 million, or 2.4 percent, in the first eleven months in 2010 compared to the same period in 2009, to reach JD 2,722.0 million; accounting for 70.4 percent of domestic revenues. This increase was chiefly influenced by the following developments:

- **The increase in the proceeds of general sales tax on goods and services** by JD 254.0 million, or 16.5 percent, to reach JD 1,792.5 million. This aforementioned increase was driven by the rise in the proceeds of all general sales tax items. More specifically, the proceeds of “sales tax on domestic goods” increased by JD 129.4 million driven by a package of tax measures adopted by the government on both types of gasoline, and abolishing the general sales tax' exemption on coffee. In addition, the proceeds of “sales tax on services” increased by JD 101.6 million. This increase was affected by the rise in the special sales tax on mobile phone calls from 8% to 12%. Moreover, the proceeds of “sales tax on the commercial sector” witnessed an increase amounting to JD 16.3 million, as well as the proceeds of “sales tax on imported goods” which displayed a rise amounting to JD 6.7 million. It is worth noting in this regard that the actual proceeds of the general sales tax on goods and services during the first eleven months in 2010 amounted to 92.0 percent of their targeted level in the General Budget Law.
- **The decrease in the proceeds of “income and profit taxes”** by 18.7 percent, standing at JD 592.0 million. This decrease was due to the decline in the proceeds of “income tax from companies and other projects” by JD 117.7 million, and the drop in the proceeds of “income tax from individuals” by JD 18.1

million. In further details, income tax from companies accounted for 75.6 percent of total taxes on income and profits; standing at JD 447.6 million (of which JD 187.9 million from the income of banks and financial institutions). **The drop in the proceeds of "income and profit taxes" was chiefly driven by the slow pace of the real economic growth registered in 2009 and its impact on companies' profits during the said year.**

- **The decline in the proceeds of "taxes on international trade and transactions"** by JD 5.9 million, or 2.2 percent, to stand at JD 258.4 million. Such a decline was the outcome of the drop in the proceeds of departure tax by JD 9.7 million and the increase in the proceeds of "customs duties and fees" by JD 3.8 million to reach JD 249.9 million.

➢ Other Revenues (Non-Tax Revenues)

"Other revenues" declined by JD 10.4 million, or 0.9 percent during the first eleven months in 2010 to reach JD 1,128.2 million. This decrease was mainly due to the drop in miscellaneous revenues by JD 16.3 million to stand at JD 327.3 million, as well as the decline in property income proceeds by JD 16.9 million to stand at JD 259.5 million (of which financial surplus of independent government units amounting to JD 234.2 million). Moreover, revenues from selling goods and services displayed a decrease amounting to JD 9.8 million to reach JD 541.4 million.

➢ Pension Contributions

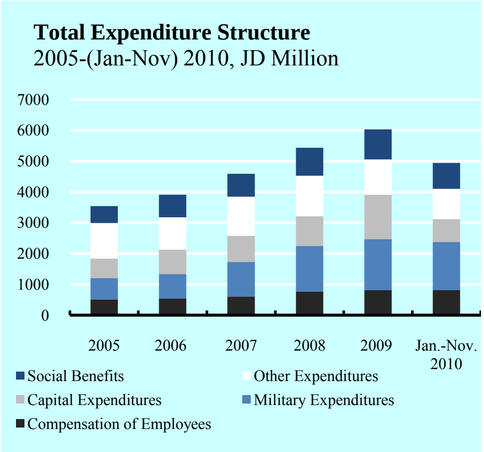
Pension contributions were up by JD 0.1 million during the first eleven months in 2010 to stand at JD 18.6 million.

◆ Foreign Grants

Foreign grants rose by JD 58.6 million during the first eleven months in 2010 compared to their level in the same period in 2009, standing at JD 288.6 million.

Public Expenditures

Public expenditures increased by JD 43.9 million, or 9.5 percent, in November 2010 compared to the same month in 2009 to stand at JD 506.5 million. However, these expenditures declined by JD 74.9 million, or 1.5 percent, during the first eleven months in 2010 to stand at JD 4,943.8 million. This decline was the outcome of the drop in capital expenditures by 28.0 percent, on one hand, and the rise in current expenditures by 5.2 percent, on the other.



Current Expenditures

Current expenditures increased by JD 209.6 million, or 5.2 percent, during the first eleven months in 2010; amounting to JD 4,211.9 million. This increase was due to the rise in the compensation of the civil sector's employees (wages, salaries and social security contributions) and the military expenditures by JD 52.0 million and JD 56.5 million, to total JD 811.9 million and JD 1,570.1 million, respectively. The item of interest payments, both internal and external, has also increased by JD 14.0 million. Moreover, goods subsidies increased again, due to the increase in the world commodity prices particularly wheat prices, in addition to maintaining the liquid gas subsidy, to stand at JD 145.0 million (of which foods subsidies amounting to JD 93.0 million) during the first eleven months in 2010 against JD 74.0 million during the same period in 2009. Meanwhile, “social benefit expenditures” have increased by JD 5.7 million only to stand at JD 843.7 million. However, “purchases of goods and services” have declined by JD 23.3 million to stand at JD 248.1 million, driven by the decision of the Cabinet to cut operating expenses of all ministries and independent public institutions by 20.0 percent.

- **Capital Expenditures**

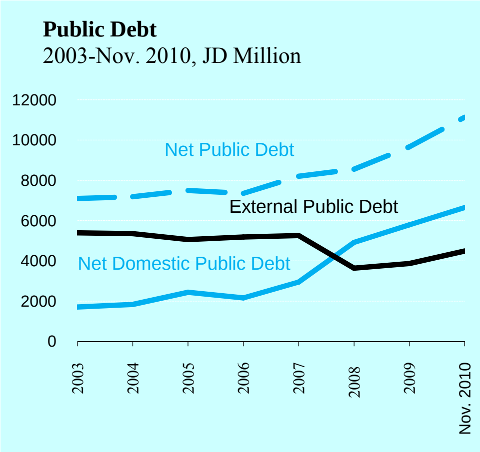
  Capital expenditures witnessed a substantial decline in the amount of JD 284.5 million, or 28.0 percent during the first eleven months in 2010 compared to the same period in 2009; standing at JD 731.9 million. Accordingly, the achievement ratio of capital expenditures stood at just 76.0 percent of their projected level in the Budget Law and its Supplement for 2010.

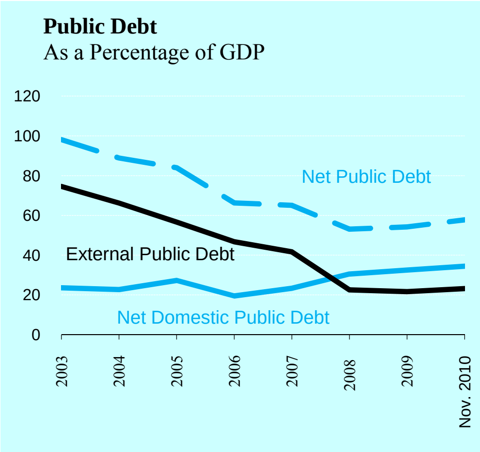
General Budget Deficit/ Surplus

- **The general budget, including grants, displayed a fiscal deficit amounting to JD 786.4 million in the first eleven months in 2010** against a larger deficit in the amount of JD 973.0 million during the same period in 2009.
- **The general budget showed a primary deficit** (after excluding interest payments on public debt from total expenditures) **amounting to JD 431.4 million in the first eleven months in 2010** against a primary deficit in the amount of JD 632.0 million during the same period in 2009.

❑ Public Debt

- **Gross outstanding domestic public debt of the government (budgetary and own-budget agencies) was up** by JD 761.0 million at the end of November 2010 compared to its level at the end of 2009 to reach JD 7,847.0 million, or 40.7 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 558.0 million and JD 203.0 million, respectively. This increase in the budgetary domestic public debt was mainly the outcome of the rise in the balance of the "treasury bills and bonds" in the amount of JD 573.0 million to total JD 6,326.0 million at the end of November 2010, on one hand, and the drop in the outstanding balance of "loans and advances" extended by CBJ to the budgetary central government by JD 80.0 million to stand at JD 912.0 million at the end of November 2010, on the other.





- **Net outstanding domestic public debt** (gross outstanding domestic public debt *minus* government deposits at the banking system) **increased by JD 852.0 million at the end of November 2010** compared to the end of 2009 to total JD 6,643.0 million, or 34.5 percent of GDP. The aforementioned increase was the outcome of the rise in gross outstanding domestic public debt by

JD 761.0 million and the decline in the government deposits at the banking system by JD 90.0 million compared to their level at the end of 2009.

- **Outstanding balance of external public debt (budgetary and guaranteed) was up** by JD 619.9 million at the end of November 2010 compared to its level at the end of 2009; amounting to JD 4,488.9 million, or 23.3 percent of GDP. The increase in the outstanding balance of external puplic dept was driven by issuance of Eurobonds during November 2010. The currency structure of this debt indicates that external debt in US dollars accounted for 39.7 percent, while debt in Euros accounted for 8.6 percent. Further, external debt in Japanese Yen and Kuwaiti Dinars accounted for 22.8 percent and 18.4 percent of the outstanding external public debt, respectively.

- **Net public debt (domestic and external) increased** by JD 1,471.9 million at the end of November 2010 compared to its level at the end of 2009 to stand at JD 11,131.9 million, or 57.8 percent of GDP, against JD 9,660.0 million, or 54.2 percent of GDP, at the end of 2009. Consequently, the ratio of net public debt to GDP increased by 3.6 percentage points compared to its level at the end of 2009. It is worth mentioning in this respect that the amended Public Debt Management Law for 2008 sets new ceilings for the public debt. According to the introduced amendments, net outstanding domestic public debt and outstanding external public debt shall not exceed 40.0 percent of GDP for each. In addition, total outstanding public debt shall not exceed 60.0 percent of GDP.

- **External debt service (budgetary and guaranteed**), on a cash basis, amounted to JD 383.6 million during the first eleven months in 2010 (of which interest payments amounting to JD 85.3 million) compared to JD 336.4 million in the same period in 2009 (of which interest payments amounting to JD 88.8 million).

❑ Fiscal and Price Measures

- Under the directions of H.M. King Abdullah, the government took immediate steps aiming at alleviating the economic difficulties, improving the living conditions of citizens, as well as meeting the challenge of rising world prices and mitigating its impact on local prices, as follows (January 2011):

  - Exempting kerosene and deisel from special sales tax, and reducing the special sales tax on gasoline (Octane 90) to 12.0 percent instead of 18.0 percent until the end of 2011, pursuant to the provisions of Article (22/c) of the General Sales Tax Law No.(6) for the year 1994.
  - Fixing the current prices of oil derivatives as of January 28, 2011 until March 03, 2011.
  - Increasing the cost of living allowance for employees and retirees in both civil and military sectors, by JD 20.0 as of January 1, 2011, including day laborers and capital projects' workers.
  - Allocating JD 20.0 million for the Military and Civil Consumer Corporations to support basic commodities
  - Allocating additional JD 20.0 million to implement services and income –generating projects in underprivileged areas. As a result, the amount allocated for these projects rose to around JD 40.0 million.
  - Approving special conditions allowing hiring in the ministries of education, health, social development and women's affairs outside the standard framework of selecting and hiring employees in government positions. Furthermore, 20.0 percent of the jobs listed under the Manpower Tables will be allocated for the diploma holders from underprivileged areas.

- The Cabinet authorized the Minister of Industry and Trade to take necessary pricing measures on basic food items in the case of overpricing, in addition to intensifying controls over the local commodity markets and vegetable market.

- The Cabinet decided in its meeting held on January 4, 2011 to allocate JD 11.0 million for Livestock Support Fund, in order to support barley until the end of the first quarter of 2011.

❑ Grants, Loans and Other Agreements

- Signing four grant agreements extended by the United States Agency for International Development (USAID) in the amount of US $ 100.0 million. These funds are part of the additional US Economic Assistance Program to the Kingdom. The Agreements are as follows (January 2011):
  - A cash support agreement in the amount of US $ 31.0 million to support development priority projects included in the Budget Law in order to reduce fiscal deficit.
  - A grant agreement in the amount of US $ 10.5 million to improve economic growth by funding a number of projects to stimulate trade, improve the investment environment and create jobs for Jordanians.
  - A grant agreement in the amount of US $ 54.5 million to support programs and projects under the sectors of education (US $ 27.0 million), health (US $ 24.5 million), and supporting youth and fighting poverty (US $ 3.0 million).
  - A grant agreement in the amount of US $ 4.0 million to complete financing certain priority projects within the governance sector and to support civil society organizations.

- Signing an exchange of letters between the government of Jordan and the government of Japan, under which the Japanese government, through the Japan International Cooperation Agency

(JICA), provides a grant in the amount of JPY 47.0 million (equivalent to around US $ 560.0 thousand), to cover the costs of drawing up final designs of the Rehabilitation and Improvement of Water Facilities in Tafileh Project. This project comes within the Climate Change Program, which is a new aid program launched by the Japanese government, and is part of its assistance to combat world climate change (January 2011).

- Signing a protocol to support the sector of education between the Jordanian government and the United Nations Children's Fund (UNICEF) in the amount of US $ 2.5 million to finance certain educational projects, including psychosocial care project, supporting non-formal education project and the prospects of the use of information technology project (January 2011).

- Signing a rental agreement for the Arab Gas Pipeline between the government of Jordan and the Jordanian- Egyptian Fajr Company, to provide the Arab Gas Pipeline a path for the project from Rihab to the Jordanian- Syrian borders. This project is considered as one of the energy supply projects for electricity generation and meeting the needs of industrial and economic enterprises, in addition to being a key theme of joint Arab cooperation, as this line connects the natural gas pipeline among Egypt, Jordan, Syria and Lebanon (January 2011).

Fourth: External Sector

❑ Summary

- The value of **total merchandize exports** (domestic exports *plus* re-exports) increased by 18.5 percent in December 2010 compared to the same month in 2009; to stand at JD 498.2 million. As in the year 2010, total merchandize exports increased by 10.2 percent; amounting to JD 4,986.4 million.

- The value of **merchandize imports** increased by 0.5 percent in December 2010 compared to the same month in the previous year; amounting to JD 965.1 million. As in 2010, total merchandize imports rose by 7.2 percent; amounting to JD 10,836.2 million.

- In the light of the above developments, the **trade balance deficit** (total exports *minus* imports) decreased by 13.5 percent in December 2010 compared to the same month in 2009; standing at JD 466.9 million. As in the year 2010, the trade deficit expanded by 4.8 percent; amounting to JD 5,849.8 million**.**

- According to the preliminary figures, **travel receipts** increased by 7.5 percent during January 2011 compared to the same month in the preceding year; to stand at JD 160.1 million. Similarly, **travel payments** decreased by 4.6 percent; amounting to JD 58.4 million, during 2010.

- According to the preliminary figures, **total workers' remittances receipts** amounted to JD 195.1 million during January 2011; a decrease amounting to 1.8 percent compared to the same month in 2010.

- **The current account of the balance of payments** displayed a deficit of JD 579.9 million (4.0 percent of GDP) during the first three quarters of 2010 compared to a deficit of JD 633.2 million (4.8 percent of GDP) during the corresponding period of 2009.

- **The FDI recorded net inflows** totaled JD 970.2 million in the first three quarters of 2010 compared to JD 1,377.8 million in the same period of 2009.
- **The IIP (net)** showed a decline in net obligations of the Kingdom to abroad amounting to JD 2,079.9 million at the end of 2009 compared to the end of 2008; standing at JD 11,884.4 million.

External Trade

In light of the increase in domestic exports by JD 635.6 and imports by JD 728.5 million in 2010; the volume of external trade (domestic exports *plus* imports) increased by JD 1,364.1 million to stand at JD 15,051.0 million.

Jordan's Major Trade Partners
2009- 2010, JD Million

	2009	2010	Percentage Change
Exports			
United States	612.0	655.8	7.2
Iraq	607.5	647.1	6.5
India	484.1	554.6	14.6
Saudi Arabia	377.4	446.2	18.2
United Arab Emirates	146.3	179.4	22.6
Syria	149.4	169.0	13.1
Lebanon	126.7	138.1	9.0
Imports			
Saudi Arabia	1,770.0	2,147.1	21.3
China	1,113.0	1,175.6	5.6
Germany	632.1	656.0	3.8
United States	707.3	610.3	-13.7
Egypt	610.3	492.0	-19.4
South Korea	393.3	460.5	17.1
Turkey	309.1	396.5	28.3
Italy	361.9	377.8	4.4
Japan	374.4	342.2	-8.6

Source: Department of Statistics.

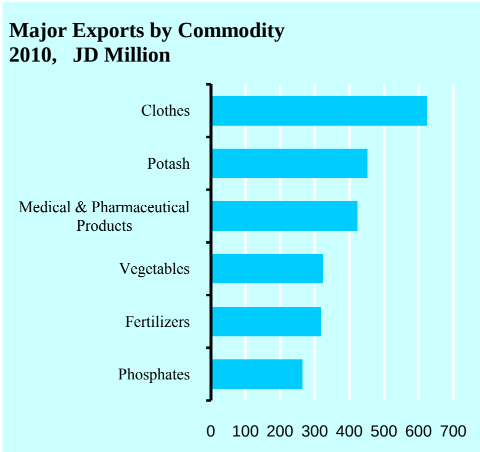
Developments of External Trade Indicators, JD Million

	2009	Percentage Change 2008/2009	2010	Percentage Change 2009/2010
External Trade	13,686.9	-17.0	15,051.0	10.0
Total Exports	4,526.4	-19.6	4,986.4	10.2
Domestic Exports	3,579.2	-19.2	4,214.8	17.8
Re-exports	947.2	-21.2	771.6	-18.5
Imports	10,107.7	-16.2	10,836.2	7.2
Trade Balance	-5,581.3	-13.2	-5,849.8	4.8

Source: Department of Statistics.

Merchandize Exports:

Total merchandize exports increased by 10.2 percent in 2010 to reach JD 4,986.4 million compared to a drop amounting to 19.6 percent in 2009. This increase was an outcome of the rise in domestic exports by JD 635.6 million, or 17.8 percent, to reach JD 4,214.8 million and the decline in re-exports by JD 175.6 million, or 18.5 percent, to reach JD 771.6 million.



The comparison of the developments in domestic exports in 2010 to 2009 reveals the following:

- The exports of **potash** increased by JD 134.1 million, or 42.3 percent, to stand at JD 451.3 million, compared to a decrease amounting to 41.8 percent in 2009. The geographical distribution of exports indicated that the Indian, Chinese and Malaysian markets accounted for 69.6 percent of potash exports.
- The exports of **fertilizers** increased by JD 78.5 million, or 32.9 percent, to reach JD 317.3 million, compared to a decline amounted to 43.3 percent in 2009. This increase was the outcome of the rise

in quantities exported by 28.5 percent and the increase in prices of fertilizers by 3.4 percent. The Indian, Ethiopian and Japanese markets accounted for 81.6 percent of fertilizers exports.

- The exports of **medical and pharmaceutical products** increased by JD 88.9 million, or 26.6 percent, to reach JD 423.1 million, compared to a drop amounted to 5.4 percent in 2009. The geographical distribution indicated that Saudi, Algerian, Sudanese and Iraqi markets accounted for 62.6 percent of these exports.

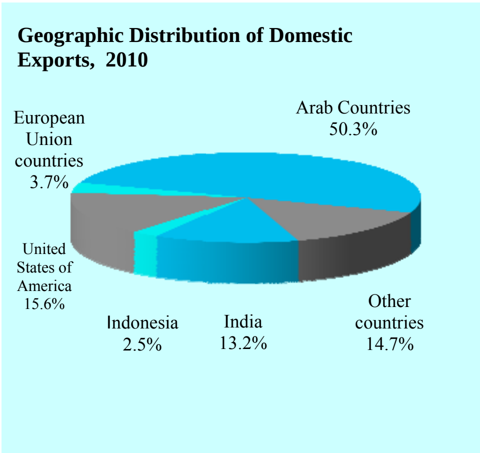
Major Domestic Exports by Commodity

2009 - 2010, JD Million

	2009	2010	Percentage Change
Domestic Exports	**3,579.2**	**4,214.8**	**17.8**
Clothes	**589.5**	**622.7**	**5.6**
United States	546.8	579.0	5.9
Potash	**317.2**	**451.3**	**42.3**
India	213.4	197.5	-7.5
China	17.7	68.5	287.0
Malaysia	18.2	48.2	164.8
Medical & Pharmaceutical Products	**334.2**	**423.1**	**26.6**
Saudi Arabia	97.7	127.4	30.4
Algeria	52.4	69.0	31.7
Sudan	30.5	39.7	30.2
Iraq	18.7	27.1	44.9
Vegetables	**279.8**	**323.5**	**15.6**
Iraq	71.9	74.4	3.5
Syria	57.8	68.8	19.0
United Arab Emirates	42.5	57.9	36.2
Fertilizers	**238.8**	**317.3**	**32.9**
India	106.8	165.1	54.6
Ethiopia	17.5	71.2	306.9
Japan	67.8	22.7	-66.5
Phosphates	**271.2**	**264.4**	**-2.5**
India	136.6	171.3	25.4
Indonesia	68.6	43.7	-36.3
Netherlands	3.2	13.1	309.4

Source: Department of Statistics.

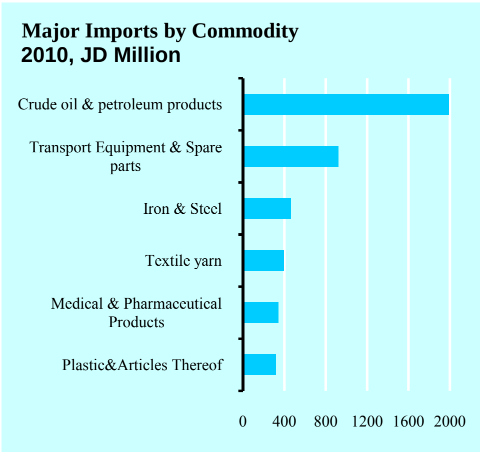
- The exports of **phosphates** decreased by JD 6.8 million, or 2.5 percent, to total JD 264.4 million, compared to a decline amounted to 27.1 percent in 2009. This decline was attributed to the downturn in the prices of phosphates by 25.3 percent and the increase in the quantities exported by 30.5 percent. The markets of India, Indonesia and Netherlands were the main destinations for the phosphates exports; accounting for 86.3 percent.



In light of the aforementioned developments, the commodity breakdown of domestic exports indicates that the exports of clothes, potash, "medical and pharmaceutical products", vegetables, fertilizers and phosphates topped the list of exporting materials in 2010; accounting for 57.0 percent of domestic exports; up from 56.7 percent during 2009. Meanwhile, the geographical distribution of domestic exports indicates that the markets of USA, Iraq, India, Saudi Arabia, UAE, Syria, and Lebanon were the main destinations for Jordanian domestic exports in 2010; accounting for 66.2 percent of domestic exports, down from 69.9 percent during 2009.

Merchandize Imports:

Merchandize imports stood at JD 10,836.2 million during 2010; increasing by JD 728.5 million, or 7.2 percent, against a decline by 16.2 percent during 2009.



Comparing the developments of Jordanian imports between 2010 to 2009 reveals the following:

- The imports of **petroleum products** increased by JD 364.4 million, or 122.3 percent, to total JD 662.3 million compared to a decline by 19.6 percent during 2009. The markets of Saudi Arabia, UAE, and India were the main sources of these imports.

- The imports of **crude oil** surged by JD 226.6 million, or 20.6 percent, to reach JD 1,324.9 million, compared to a decline in the amount of 40.9 percent during 2009. This increase was attributed to the rise in oil prices by 27.7 percent and the drop in the imported quantities of oil by 5.5 percent. It is worth noting that most of Jordanian imports of crude oil came from the Saudi market.

- The imports of **medical and pharmaceutical products** increased by JD 37.1 million, or 12.1 percent, to reach JD 343.9 million, compared to a decrease amounting to 4.5 percent during 2009. The markets of Switzerland, UK, Germany, and France were the main sources of these imports; accounting for 42.1 percent.

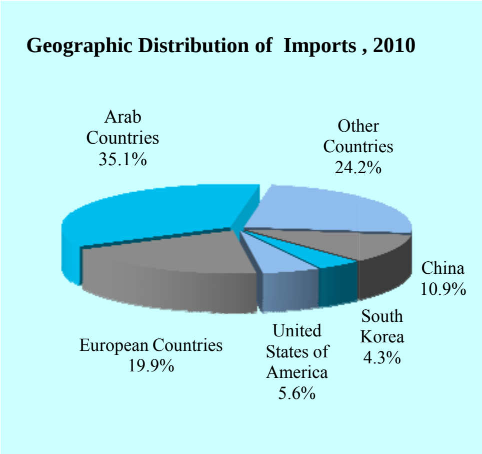
- The imports of **transport equipment and spare parts** declined by JD 221.3 million, or 19.3 percent, to reach JD 924.0 million. The markets of South Korea, Japan, and Germany were the main sources of these imports; accounting for 67.9 percent.

Major Imports by Commodity
2009, 2010, JD Million

	2009	2010	Percentage Change
Total Imports	**10,107.7**	**10,836.2**	**7.2**
Crude Oil	**1,098.3**	**1,324.9**	**20.6**
Saudi Arabia	986.3	1,203.4	22.0
Transport Equipment and Spare Parts	**1,145.3**	**924.0**	**-19.3**
South Korea	235.5	243.5	3.4
Japan	231.1	204.0	-11.7
Germany	272.1	179.7	-34.0
Petroleum Products	**297.9**	**662.3**	**122.3**
Saudi Arabia	95.0	229.7	141.8
United Arab Emirates	72.5	85.3	17.7
India	0.1	75.3	-
Iron & Steel	**454.1**	**462.9**	**1.9**
Ukraine	153.2	108.5	-29.2
Turkey	28.2	107.7	281.9
Russia	97.0	53.5	-44.8
Textile Yarn, Fabrics & Related Products	**373.8**	**394.1**	**5.4**
China	169.8	191.0	12.5
Taiwan	59.2	67.2	13.5
Syria	20.5	21.9	6.8
Medical & Pharmaceutical Products	**306.8**	**343.9**	**12.1**
Switzerland	42.1	41.9	-0.5
United Kingdom	30.0	36.4	21.3
Germany	33.5	35.3	5.4
France	30.2	31.3	3.6
Plastic & Articles Thereof	**270.7**	**316.0**	**16.7**
Saudi Arabia	104.0	144.2	38.7
Kuwait	20.1	25.5	26.9
China	11.9	16.2	36.1
United State	8.8	11.0	25.0

Source: Department of Statistics.

The commodity composition of imports indicates that crude oil, “transport equipment and spare parts”, petroluem products, “iron and steel”, “textile yarn, fabrics, made up articles and related products”, “medical and pharmaceutical products”, and “plastic and articles thereof” topped the list of imported materials; accounting for 40.9 percent of total imports during 2010; up from 39.0 percent during 2009. Meanwhile, the geographical distribution of imports indicates that the markets of Saudi Arabia, China, Germany, USA, Egypt and South Korea topped the list of the imports sources during 2010; accounting for 51.1 percent compared to 51.7 percent during 2009.



Re-Exports

The value of re-exported goods decreased by JD 175.6 million, or 18.5 percent during 2010, to reach JD 771.6 million (in particular, the re-exported goods to Iraq; which decreased by JD 144.2 million of which 74.8 percent as machinery and transport equipment).

Trade Balance

Trade balance deficit increased by JD 268.5 million, or 4.8 percent during 2010 compared to 2009 to stand at JD 5,849.8 million.

❐ Workers' Remittances Receipts

Workers' remittances receipts decreased by 1.8 percent to stand at JD 195.1 million in January 2011; decreased by 1.8 percent compared to the same month in the preceding year.

❐ Travel

■ Receipts

Travel receipts increased by JD 11.2 million, or 7.5 percent, during January 2011 to stand at JD 160.1 million. The increase in travel income was attributed to the rise in the number of Kingdom's inbound tourists by 6.6 percent during January 2011 to stand at 482.7 thousand visitors compared to 452.9 thousand visitors during the same month of 2010.

■ Payments

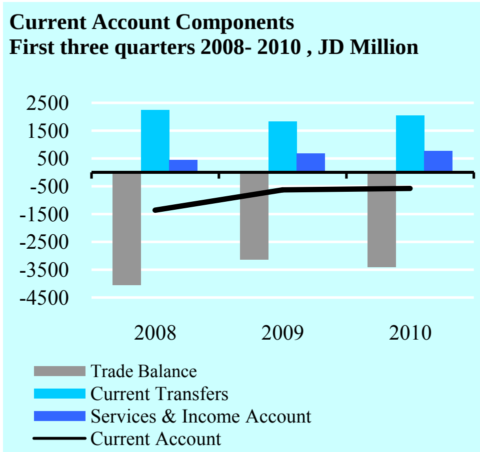
Travel payments decreased by JD 2.8 million, or 4.6 percent, during January 2011 to stand at JD 58.4 million. Such a development was attributable to the decline in the number of outbound tourists by 18.3 percent during January 2011 to stand at 177.1 thousand tourists compared to 216.7 thousand tourists during the same month of 2010.

❐ Balance of Payments

The preliminary statistics of the balance of payments for the first three quarters of 2010, compared to the same period of 2009 demonstrate the following developments:

- The current account recorded a deficit amounted to JD 579.9 million (4.0 percent of GDP) compared to a similar deficit amounted to JD 633.2 million (4.8 percent of GDP) in the first three quarters of 2009. This was an outcome of the following developments:

- The expansion in the trade balance deficit by JD 257.2 million, or 8.2 percent, to reach JD 3,396.8 million in the first three quarters of 2010 compared to a deficit amounting to JD 3,139.6 million in the same period of 2009.



- The services account recorded a surplus amounted to JD 559.5 million, compared to a surplus of JD 416.4 million in the first three quarters of 2009. This surplus was due to the surplus in the items of travel (net) and government services (net), which amounted to JD 1,074.3 million and JD 174.3 million respectively, and the deficit in the items of transportation (net) and other services (net) of JD 656.5 million and JD 32.6 million respectively.
- The surplus of the income account (net) decreased by JD 50.6 million, amounting to JD 206.7 million, compared to JD 257.3 million in the first three quarters of 2009. Such a decrease was due to the decline in the investment income (net) by JD 65.1 million and the increase in the compensation of employees (net) by JD 14.5 million.
- The net current transfers increased by JD 218.0 million; to reach JD 2,050.7 million, due to the increase in net transfers of public sector (foreign grants) by JD 301.3 million to reach JD 590.1 million during the first three quarters of 2010 compared to JD 288.8 million during the corresponding period of 2009. In addition to the decrease in transfers of other

sectors (net) by JD 83.3 million to reach JD 1,460.6 million compared to JD 1,543.9 million in the first three quarters of 2009; given that the volume of workers' remittances (net) increased by JD 5.4 million, or 0.4 percent, to reach JD 1,447.3 million during the first three quarters of 2010.

- The capital and financial account with the rest of the world recorded a net inflow of JD 377.0 million in the first three quarters of 2010 against a similar inflow in the amount of JD 513.2 million in the same period of 2009 owing chiefly to the following:

  - Net inflow of the FDI amounted to JD 970.2 million during the first three quarters of 2010 compared to JD 1,377.8 million in the first three quarters of 2009.
  - Net outflow of the portfolio investment amounted to JD 69.6 million compared to a net outflow in the amount of JD 172.9 million during the same period of 2009.
  - Net outflow of other investments in the amount of JD 288.0 million in the first three quarters of 2010 against a net inflow amounting to JD 930.6 million in the same period of the preceding year.
  - The increase in reserve assets of CBJ by JD 235.6 million compared to a rise amounting to JD 1,622.7 million during the first three quarters of 2009.

International Investment Position (IIP)

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

- The increase in the position of external assets (the stock of claims, obligations and financial assets) for all economic sectors (resident) in the Kingdom by JD 1,682.9 million at the end of 2009 compared to the end of 2008; amounting to JD 15,138.6 million at the end of 2009. This increase was mainly due to the rise in the reserve assets of the CBJ by JD 2,283.3 million, the increase in the investment of commercial banks and other sectors in external bonds and stocks by JD 430.9 million, the increase in loans granted by the commercial banks to non-resident entities by JD 408.9 million, the decline in the outstanding balance of external assets of currency and deposits of commercial banks by JD 1,366.8 million, and the decline in outstanding balance of other assets for other sectors (resident) by JD 102.2 million.

- The decline in the position of external liabilities (the stock of claims, obligations and financial assets) on all economic sectors residing in the Kingdom by JD 397.0 million at the end of 2009 compared to the end of 2008; to stand at JD 27,023.0 million. This decline was mainly due to the following outcoms:

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

- The decrease in the outstanding balance of trade credit extended to the resident sectors by JD 88.8 million to reach JD 257.9 million.
- The increase in the outstanding balance of other liabilities by JD 163.6 million, which was mainly due to the new SDRs' allocation by IMF during 2009 to all IMF country members. Jordan's share in this new SDRs' allocation was JD 161.7 million.
- The increase in the outstanding balance of external loans extended to the resident sectors by JD 183.2 million; to reach JD 3,922.4 million. This increase was mainly due to the increase in the balance of external loans extended to the CBJ and the central government by JD 90.0 million and JD 119.8 million respectively.
- The increase in the stock of Foreign Direct Investment (FDI) in the Kingdom by JD 52.8 million to stand at JD 14,525.0 million. This increase was due to the FDI inflows in 2009 despite the decline in the SPI at the ASE in 2009.
- The increase in the position of deposits of non-resident bodies at the banking system by JD 38.2 million to reach JD 5,623.8 million (the rise in the deposits at licensed banks by JD 177.0 million and the decrease in the depoists at CBJ by JD 138.8 million).