Central Bank of Jordan

Recent Monetary & Economic Developments in Jordan

Research Dept. Monthly Report

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Central Bank of Jordan

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OUR VISION

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

OUR MISSION

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

OUR VALUES

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

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

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Executive Summary

According to the latest available indicators for the year 2010 and the elapsed period of 2011, the national economy displayed favorable results in both the monetary and the external sectors, and more specifically the growth in domestic exports, tourism income, and the outstanding balance of credit facilities extended by the licensed banks. Furthermore, the preliminary national accounts estimates released by the Department of Statistics showed a noticeable improvement in the growth rate of real gross domestic product (GDP) in the fourth quarter of 2010, in comparison with the corresponding period of 2009, as well as the third quarter of 2010.

- **Output and Prices:** Real GDP at both market and basic prices grew at 3.1 percent and 4.3 percent respectively, during the whole year of 2010 compared to 2.3 percent and 3.2 percent respectively, during 2009. The Consumer Price Index (CPI) has increased by 4.4 percent during the first two months of 2011 against an identical increase during the same period of 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) decreased by US$ 374.1 million, or 3.1 percent, at the end of February 2011 compared to their level at the end of 2010; standing at US$ 11,867.1 million.
- Domestic liquidity grew by JD 133.8 million, or 0.6 percent, at the end of February 2011 compared to its level at the end of 2010; standing at JD 22,440.5 million.
- The outstanding balance of credit facilities extended by licensed banks was up by JD 279.9 million, or 1.9 percent, at the end of February 2011 compared to its level at the end of 2010; standing at JD 14,731.3 million.
- Total deposits at licensed banks increased by JD 81.8 million, or 0.4 percent, at the end of February 2011 compared to their level at the end of 2010; totaling JD 22,586.6 million.

- The Share Price Index (SPI) weighted by market capitalization of free float shares at Amman Stock Exchange (ASE) reached 2,251.7 points at the end of February 2011, decreasing by 121.9 points, or 5.1 percent, compared to its level at the end of 2010.

- **Public Finance:** The general budget, including foreign grants, showed a fiscal deficit amounting to JD 1,046.4 million, or 5.4 percent of GDP, in 2010 compared to a larger fiscal deficit in the amount of JD 1,509.3 million, or 8.5 percent of GDP in 2009. On the front of indebtedness, net outstanding domestic public debt (budgetary and own-budget) increased by JD 1,061.0 million at the end of 2010 compared to its level at the end of 2009; standing at JD 6,852.0 million, or 35.1 percent of GDP. Outstanding external public debt also increased by JD 741.8 million at the end of 2010 compared to its level at the end of 2009; totaling JD 4,610.8 million, or 23.6 percent of GDP.

- **External Sector:** The total merchandize exports (domestic exports *plus* re-exports) increased by 18.3 percent during January 2011 to reach JD 459.3 million. Similarly, the merchandize imports increased by 40.8 percent, totaling JD 1,134.2 million. As a result, the trade deficit expanded by 61.6 percent compared to the same month in 2010, amounting to JD 674.9 million. Further, the preliminary figures for the first two months of 2011 showed an increase in travel receipts by 3.9 percent and a decrease in travel payments by 1.6 percent, compared to the same period in 2010. In addition, the receipts of workers' remittances decreased by 0.7 percent. The preliminary figures for the balance of payments in 2010 displayed a deficit in the current account amounting to JD 835.8 (4.3 percent of GDP) million, up from JD 802.4 million (4.5 percent of GDP) during 2009. Furthermore, the Foreign Direct Investment (FDI) recorded net inflows of JD 1,187.8 million during 2010 compared to net inflows of JD 1,671.5 million in 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 decreased by US$ 374.1 million, or 3.1 percent, at the end of February 2011; compared to their level at the end of 2010; standing at US$ 11,867.1 million. This level of reserves is equivalent to around 8.2 months of the Kingdom's imports of goods and services.

- Domestic liquidity at the end of February 2011 increased by JD 133.8 million, or 0.6 percent, compared to its level at the end of the previous year to total JD 22,440.5 million.

The outstanding balance of the credit facilities extended by licensed banks increased by JD 279.9 million, or 1.9 percent, at the end of February 2011 compared to its level at the end of 2010; standing at JD 14,731.3 million.

Total deposits at licensed banks increased by JD 81.8 million, or 0.4 percent, at the end of February 2011 in comparison with their level at the end of 2010; totaling JD 22,586.6 million.

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

- The SPI weighted by market capitalization of free float shares at ASE reached 2,251.7 points at the end of February 2011; decreased by 121.9 points, or 5.1 percent compared to its level at the end of 2010. Further, the market capitalization decreased by around JD 1.1 billion, or 5.0 percent, at the end of February 2011 compared to its level at the end of 2010 to stand at JD 20.8 billion.

Main Monetary Indicators

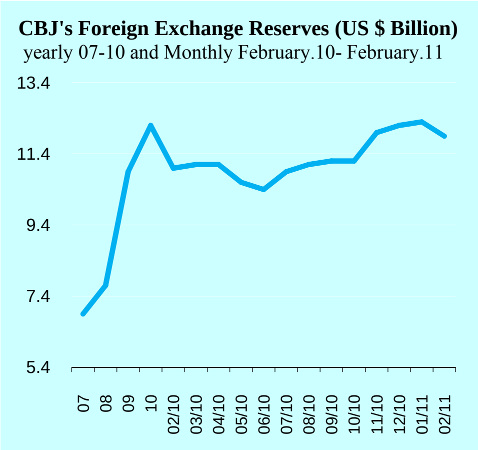
JD Million, and Percentage Change Relative to the Previous Year (%)

Year		End of February	
2010		**2010**	**2011**
US$ 12,241.2	CBJ's Foreign Currency Reserves	US$ 10,979.5	US$ 11,867.1
12.5٪		0.9٪	-3.1٪
22,306.7	Money Supply (M2)	20,249.8	22,440.5
11.5٪		1.2٪	0.6٪
14,451.4	Credit Facilities, of which:	13,412.7	14,731.3
8.5٪		0.7٪	1.9٪
12,979.1	Private Sector (Resident)	12,132.3	13,285.7
7.8٪		0.8٪	2.4٪
22,504.8	Total Deposits, of which:	20,702.3	22,586.6
10.9٪		2.0٪	0.4٪
17,617.2	In JD	16,109.4	17,532.9
11.0٪		1.5٪	-0.5٪
4,887.6	In Foreign Currencies	4,592.9	5,053.7
10.2٪		3.6٪	3.4٪
18,343.9	Deposits of Private Sector (Resident), of which:	16,570.3	18,462.2
12.8٪		1.9٪	0.6٪
15,214.4	In JD	13,776.1	15,187.8
12.7٪		2.0٪	-0.2٪
3,129.5	In Foreign Currencies	2,794.2	3,274.4
13.5٪		1.4٪	4.6٪

Source: Central Bank of Jordan / Monthly Statistical Bulletin.

❑ CBJ's Foreign Currency Reserves

The CBJ's foreign currency reserves were down by US$ 412.4 million, or 3.4 percent, at the end of February 2011 compared to their level in the previous month; standing at US$ 11,867.1 million. Moreover, these reserves decreased by US$ 374.1 million at the end of the first two months of 2011, or 3.1 percent, compared to their level at the end of 2010. This level of reserves is equivalent to around 8.2 months of the Kingdom's imports of goods and services. Furthermore, these reserves amounted to US$ 11,374.9 million as of March 30, 2011; down by US$ 866.3 million or 7.1 percent compared to their level at the end of 2010.



❑ Domestic Liquidity (M2)

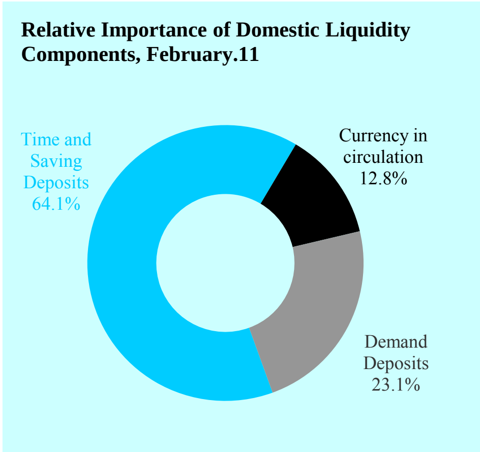
- Domestic liquidity totaled JD 22,440.5 million at the end of February 2011; decreasing by JD 90.4 million, or 0.4 percent, compared to its level at the end of the preceding month, against an increase in the amount of JD 164.4 million, or 0.8 percent, during the same month in 2010. Nevertheless, domestic liquidity increased by JD 133.8 million, or 0.6 percent, at the end of the first two months of 2011, against an increase in the amount of JD 236.5 million, or 1.2 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 the first two months in 2011 and the end of 2010 reveals the following:**

    - **Components of Domestic Liquidity**

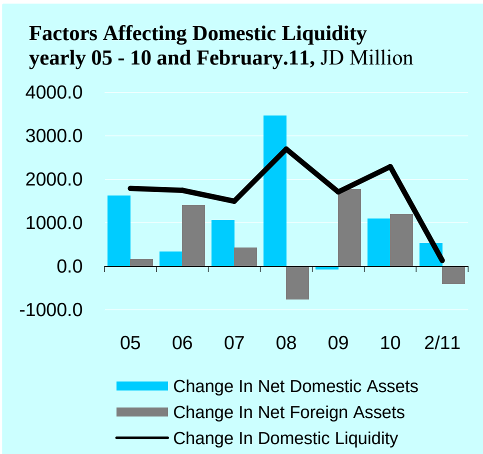
      - Deposits increased by JD 111.4 million, or 0.6 percent, at the end of the first two months of 2011 compared to their level at the end of 2010; totaling JD 19,574.4 million, against an increase amounting to JD 270.6 million, or 1.6 percent, at the end of the same period of 2010.

- Currency in circulation increased by JD 22.4 million, or 0.8 percent, at the end of the first two months of 2011; standing at JD 2,866.1 million compared to its level at the end of 2010, against a decrease in the amount of JD 34.1 million, or 1.3 percent, at the end of the same period of 2010.



- **Factors Affecting Domestic Liquidity**

- Net domestic assets at the banking system increased by JD 540.0 million, or 4.4 percent, at the end of the first two months of 2011 compared to its level at the end of 2010, against an increase in the amount of JD 17.8 million, or 0.2 percent, during the same period of 2010. This increase at the end of the first two months in 2011 was a result of the increase in net domestic assets at the CBJ by JD 363.6 million, or 5.3 percent, and the increase in these assets at the Licensed banks by JD 176.4 million, or 0.9 percent.



- Net foreign assets at the banking system decreased by JD 406.2 million, or 4.0 percent, at the end of the first two months of 2011 compared to their level at the end of 2010, against an increase in the amount of JD 218.7 million, or 2.5 percent, in the same period of 2010. This decrease was a result of the decrease in these assets at the CBJ by JD 263.9 million, or 2.6 percent, and the decrease in these assets at the Licensed banks by JD 142.3 million.

Changes in Factors Affecting Domestic Liquidity (M2)
JD Million

Year		Change in balance relative to the end of February	
2010		**2010**	**2011**
1,197.1	**Foreign Assets (Net)**	**218.7**	**-406.2**
718.3	CBJ	33.3	-263.9
478.8	Licensed Banks	185.4	-142.3
1,096.3	**Domestic Assets (Net)**	**17.8**	**540.0**
-574.7	CBJ, of which:	-39.1	363.6
-275.1	Claims on Public Sector (Net)	102.0	176.2
-299.6	Other Items (Net*)	-141.1	187.6
1,671.0	Licensed Banks	56.9	176.4
597.9	Claims on Public Sector (Net)	-269.0	135.8
919.3	Claims on Private Sector	85.3	330.9
153.8	Other Items (Net)	240.6	-290.3
2,293.4	**Money Supply (M2)**	**236.5**	**133.8**
164.2	**Currency in Circulation**	**-34.1**	**22.4**
2,129.2	**Total Deposits, of which:**	**270.6**	**111.4**
342.2	In Foreign Currencies	102.9	169.2

* 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

- During the elapsed period of 2011, the CBJ did not take any action on its monetary policy instruments, while the CBJ decreased the interest rates on these instruments one time by 50 basis points during 2010. Accordingly, the interest rates on the monetary policy instruments became as follows:

  - **Re-Discount Rate**: 4.25 percent.
  - **Interest Rate on Overnight Repurchase Agreements:** 4.00 percent.
  - **Overnight Deposit Window Rate**: 2.00 percent.

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

- The CBJ did not issue any CDs 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.

Interest Rates on Monetary Policy Instruments (%)

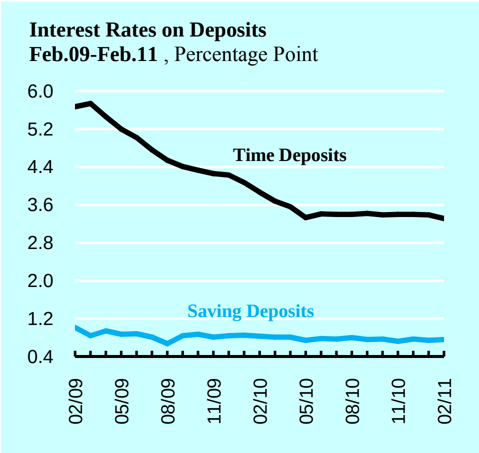
End of year		February	
2010		**2010**	**2011**
4.25	Re-discount Rate	4.25	4.25
4.00	Repurchase Agreements Rate (Repos)	4.00	4.00
2.00	Overnight Deposit Window Rate	2.00	2.00

Source: Central Bank of Jordan / Monthly Statistical Bulletin.

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

◆ Interest Rates in the Banking Sector

- **Interest Rates on Deposits**



- **Time Deposits**: The weighted average interest rate on time deposits at the end of February 2011 decreased by 8 basis points compared to its level at the end of the preceding month; standing at 3.31 percent. Accordingly, this rate was 9 basis points lower compared to its level at the end of 2010.

- **Saving Deposits:** The weighted average interest rate on saving deposits at the end of February 2011 increased by 2 basis points compared to its level in the previous month, to reach 0.76 percent. However, this rate was one basis point lower than its level at the end of the preceding year.

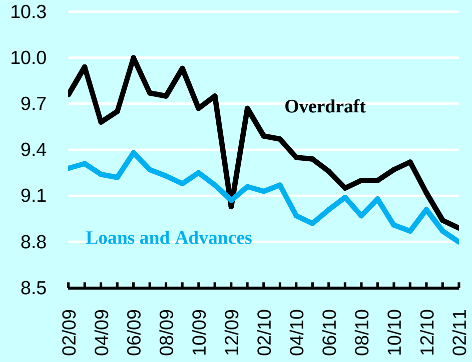
- **Demand Deposits**: The weighted average interest rate on demand deposits did not change at the end of February 2011 compared to its level at the end of the previous month; standing at 0.42 percent. This rate was 2 basis points less than its level at the end of the preceding year.

- **Interest Rates on Credit Facilities**

- **Overdraft Accounts**: The weighted average interest rate on overdraft accounts stood at 8.89 percent at the end of February 2011; 5 basis points lower than its level at the end of the previous month. Moreover, this rate was 23 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" declined by 18 basis points at the end of February 2011 compared to its level at the preceding month; to stand at 9.16 percent. Also, this rate was 25 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 8.80 percent at the end of February 2011; 7 basis points lower compared to its level at the end of the previous month. Compared to its level at the end of 2010, this rate was 21 basis points lower.
- **The Prime Lending Rate:** This rate stood at 8.18 percent at the end of February 2011; 2 basis points lower than its level at the end of 2010.

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



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

Year		February		Change Relative to the Year 2010
2010		2010	2011	Basis Points
	Deposits			
0.44	Demand	0.47	0.42	-2
0.77	Saving	0.83	0.76	-1
3.40	Time	3.87	3.31	-9
	Credit Facilities			
9.41	Discounted Bills and Bonds	9.43	9.16	-25
9.01	Loans and Advances	9.13	8.80	-21
9.12	Overdraft	9.49	8.89	-23
8.20	Prime Lending Rate	8.20	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 14,731.3 million at the end of February 2011; an increase amounting to JD 102.6 million, or 0.7 percent, compared to its level at the end of the previous month, against an increase in the amount of JD 11.4 million, or 0.1 percent, during the same month of 2010. As for the first two months of 2011, credit facilities grew by JD 279.9 million, or 1.9 percent, compared to an increase of JD 95.5 million, or 0.7 percent, during the same period of 2010.

    - The classification of extended credit facilities according to economic activity during the first two months of 2011 demonstrates that the increase in the extended credit facilities was the outcome of the increase in these credit facilities for the sectors of construction and industry, which increased by JD 118.9 million, or 3.8 percent, and JD 104.1 million, or 5.4 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 306.6 million, or 2.4 percent, at the end of February 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 6.1 million, or 1.4 percent, and JD 7.4 million, respectively, compared to their levels at the end of 2010. However, the credit facilities extended to the private sector (non-resident) decreased by JD 40.2 million, or 3.9 percent.

❑ Deposits at Licensed Banks

- Total deposits at licensed banks stood at JD 22,586.6 million at the end of February 2011; a decline in the amount of JD 95.5 million, or 0.4 percent, compared to its level at the end of the previous month, against an increase of JD 202.8 million, or 1.0 percent, during the same month of 2010. As for the first two months of 2011, total deposits increased by JD 81.8 million, or 0.4 percent, compared to their level at the end of the preceding year, against an increase amounting to JD 403.9 million, or 2.0 percent, during the corresponding period of 2010.
- The increase in total deposits at licensed banks during the first two months of 2011 was an outcome of the increase in deposits of the private sector (resident) by JD 118.3 million, or 0.6 percent, the increase in the deposits of the private sector (non-resident) by JD 25.2 million, or 1.0 percent, and the increase in the deposits of non-banking financial institutions by JD 22.4 million, or 11.1 percent, on one hand, and the decrease in the deposits of the public sector by JD 84.1 million, or 5.4 percent, on the other hand, compared to their levels at the end of 2010.
- The developments in the currency structure of deposits during the first two months of 2011 reveal that "deposits in local currency" decreased by JD 84.3 million, or 0.5 percent, while "deposits in foreign currencies" increased by JD 166.1 million, or 3.4 percent, respectively, compared to their levels at the end of 2010.

❑ Amman Stock Exchange (ASE)

The indicators of ASE displayed a negative performance at the end of the first two 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 216.5 million in February 2011; down by JD 189.0 million, or 46.6 percent, compared to its level at the end of the previous month, against a decrease of JD 98.8 million, or 16.7 percent, during the same month in 2010. Furthermore, the trading volume stood at JD 622.0 million during the first two months of 2011; a decline amounting to JD 462.6 million, or 42.7 percent, compared to its level during the same period of 2010.

- **Traded Shares**

The number of traded shares in February 2011 totaled 312.5 million; down by 200.5 million shares, or 39.1 percent, compared to its level at the end of the preceding month, against a decline amounting to 49.5 million shares, or 10.6 percent, during the same month in 2010. Moreover, the number of traded shares during the first two months of 2011 stood at 825.5 million shares compared to 880.5 million shares traded during the same period of 2010.

- **Share Price Index (SPI)**

The SPI weighted by market capitalization of free float shares at ASE decreased by 122.1 points, or 5.1 percent, at the end of February 2011 compared to its level at the end of the previous month to stand at 2,251.7 points,

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

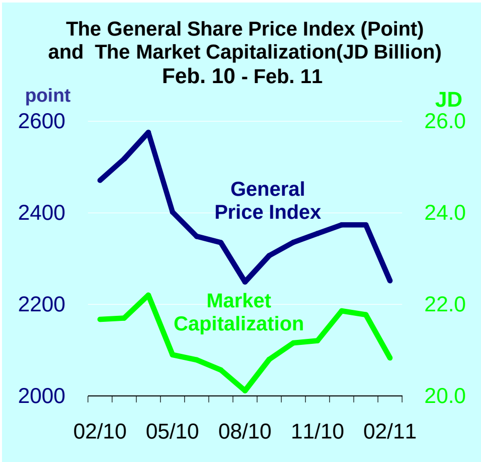
year 2010		February 2010	February 2011
2,373.6	**General Index**	**2,470.9**	**2,251.7**
2,911.7	Financial Sector	2,972.1	2,739.2
2,576.6	Industrial Sector	2,659.6	2,427.5
1,897.2	Services Sector	2,051.5	1,866.7

Source: Amman Stock Exchange.

against a decrease in the amount of 54.2 points, or 2.1 percent, during the same month in 2010. As for the first two months in 2011, the SPI dropped by 121.9 points, or 5.1 percent, compared to its level at the end of the preceding year, against a drop in the amount of 62.6 points, or 2.5 percent, during the same period of 2010. The above-mentioned drop during the first two months of 2011 was mainly due to the decline in the SPI for the financial, industrial and the services sectors by 172.4 points, or 5.9 percent, 149.1 points, or 5.8 percent, and 30.5 points, or 1.6 percent, respectively, compared to their levels at the end of 2010.

- **Market Capitalization**

The ASE's market capitalization totaled JD 20.8 billion at the end of February 2011; a decrease of 1.0 JD billion, or 4.6 percent, compared to its level at the end of the previous month, against a decline amounting to JD 0.5 billion, or 2.3 percent, during the same month in the preceding year. Furthermore, the market capitalization decreased by JD 1.1 billion, or 5.0 percent, during the first two months of 2011, compared to its level at the end of 2010, against a decline amounting to around JD 0.9 billion, or 4.0 percent, over the same period of 2010.



- **Non - Jordanian Net Investment**

Non - Jordanian net investment at ASE recorded an inflow amounting to JD 2.1 million in February 2011, compared to an outflow amounting to JD 9.2 million during the same month in 2010; the value of shares acquired by non - Jordanians in February 2011 stood at JD 42.9 million, while the value of shares sold by the said group amounted to JD 40.8 million. Furthermore, non-Jordanian net investment displayed an inflow amounting to JD 5.4 million during the first two months of 2011, against an outflow in the amount of JD 27.1 million during the same period of 2010.

Main Amman Stock Exchange Trading Indicators, JD Million

Year		February	
2010		2010	2011
6,690.0	Value Traded	492.9	216.5
26.8	Average Daily Trading	24.6	11.4
21,858.2	Market Capitalization	21,672.6	20,829.2
6,988.9	No. of Traded Shares (million)	415.5	312.5
(14.6)	Net Investment of Non-Jordanian	(9.2)	2.1
1,036.6	Non-Jordanian Buying	73.9	42.9
1,051.2	Non-Jordanian Selling	83.1	40.8

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 3.1 percent and 4.3 precent, respectively, during the whole year of 2010 compared to 2.3 percent and 3.2 percent, respectively, during 2009.
- As for the last quarter of 2010, GDP at both market and basic prices registered a real growth rate of 3.8 percent and 4.8 percent, respectively, compared to 2.0 percent and 4.0 percent, respectively, during the same quarter in 2009.
- The general price level, as measured by the Consumer Price Index (CPI), increased by 4.4 percent during the first two months of 2011 against the same increase during the same period 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 its upward trend during the last quarter of 2010. This favourable trend was driven by the improvement in regional and global conditions in 2010 and the growth of services and export-oriented sectors during the same year. **GDP, at constant market prices, grew at 3.8 percent in the last quarter of 2010 compared to 2.0 percent during the same quarter of 2009.** When excluding “net taxes on products”, which displayed a contraction by 2.6 percent during the last quarter of 2010, **GDP growth rate at constant basic prices rose to 4.8 percent** compared to 4.0 percent during the same quarter of 2009.

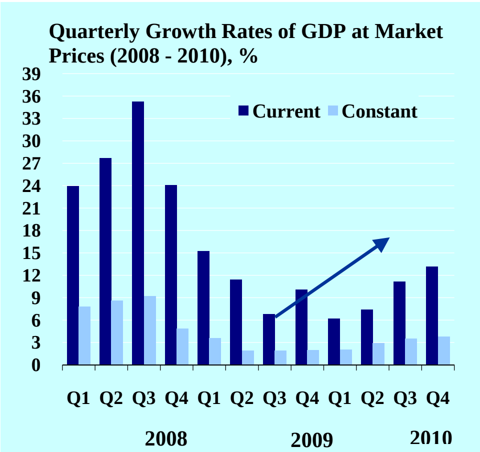
As for the **whole year of 2010**, the national economy also witnessed a sustained upward trend in its quarterly growth, to reach an annual growth of 3.1 percent, at constant market prices, compared to 2.3 percent during 2009.

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	3.8	**3.1**
GDP at Current Market Prices	6.2	7.4	11.1	13.2	**9.6**

Source: Department of Statistics.



Despite such improvement, the pace of real economic growth at market prices during 2010 was adversely affected by the contraction in "net taxes on products" which declined by 4.4 percent, as well as by the weak growth in commodity-producing sectors, especially the construction sector. On the other hand, **GDP at current market prices grew at 9.6 percent** compared to 10.6 percent in 2009, which came in light of **the rise in the general price level, measured by the GDP deflator, by 6.3 percent during the whole year of 2010** compared to 8.1 percent during 2009.

On the front of sectoral developments, economic sectors displayed a wide variation in their performance during 2010. **Some sectors witnessed a marked improvement, particularly "mining and quarrying" sector** which picked up strongly, recording a real growth rate of 32.4 percent in 2010 compared to a contraction amounting to 25.9 percent during 2009. Meanwhile, **"manufacturing"** registered a growth amounting to 2.3 percent compared to 1.8 percent during 2009. The two sectors of "**trade, restaurants**

and hotels" and **"finance, insurance, real estate and business services"** witnessed an improvement in their growth performance, amounting to 5.7 percent and 4.6 percent, respectively, in comparison with 3.9 percent and -0.7 percent, respectively, during 2009.

On the other hand, both **"agriculture"** and **"transport and communication"** sectors showed a slowdown in their performance during 2010 to register a growth rate of 8.2 percent and 6.2 percent, respectively, compared to 18.4 percent and 6.9 percent, respectively during 2009.

In contrast, the sector of **"construction" experienced a noticeable contraction** amounting to 8.1 percent compared to a positive growth rate of 12.9 percent in 2009. Furthermore**, "electricity and water"** sector witnessed a minor contraction by 0.2 percent in comparison with a decline of 1.1 percent during 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 1.0 percentage point and 3.3 percentage points, respectively, in 2010, compared to 1.0 percentage point and 2.2 percentage points, respectively, in 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 -0.6 percentage point during 2010**.

❑ Microeconomic Indicators

The latest sectoral indicators displayed divergent performance during the available period to date. Some indicators recorded a fast growth, most notably cargo through the Royal Jordanian Airlines, "mining and quarrying" production quantity index, and the production of potash. Other indicators, such as licensed areas for building, number of passengers through the Royal Jordanian Airlines, and the production of both phosphate and fertilizers, displayed a slow pace. In contrast, the performance of certain other indicators showed a downward trend, most notably cement sales to the domestic market and 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

The whole 2010	Item	January 2010	January 2011
39.7	"Mining and quarrying" production quantity index	6.2	40.3
30.3	Cargo through the Royal Jordanian	-1.6	16.2
-3.1	Industrial production quantity index	-0.7	0.6
The whole 2010	**Item**	**January- February 2010**	**January- February 2011**
18.7	Quantities of exported and imported goods shipped through the Aqaba port	19.6	24.3
72.2	Production of potash	-36.2	65.2

Decelerating indicators *
Percentages

The whole 2010	Item	January 2010	January 2011
7.8	Licensed areas for building	13.3	11.9
13.6	The number of passengers through the Royal Jordanian	17.7	7.5
The whole 2010	**Item**	**January- February 2010**	**January- February 2011**
26.7	Production of phosphate	78.9	13.7
9.9	Production of chemical acids	539.0	5.3
5.4	Production of fertilizers	556.3	10.6

Contracting indicators *
Percentages

The whole 2010	Item	January 2010	January 2011
-5.0	Electricity production quantity index	-6.7	-6.8
-5.6	Manufacturing production quantity index	-0.6	-1.9
The whole 2010	**Item**	**January- February 2010**	**January- February 2011**
-5.3	Production of petroleum products	-5.8	-0.1
19.9	Number of departures	27.7	-2.4
-3.0	Quantity of cement sales to the domestic market (excluding imported quantities)	-8.9	-8.9
-3.8	Production of cement	-4.7	-12.8

*: 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.**

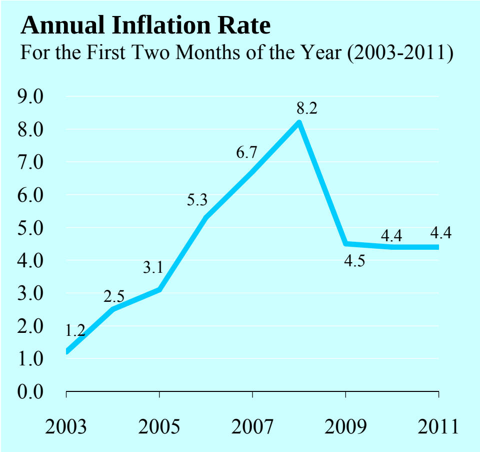
- As for the sectoral distribution of investments benefiting from the IPL, the sector of hotels unprecedently came in the **first rank in terms of size of investments; accounting for 41.6 percent (JD 690.0 million) during 2010.** This is followed by the sectors of industry, "leisure and recreational 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.

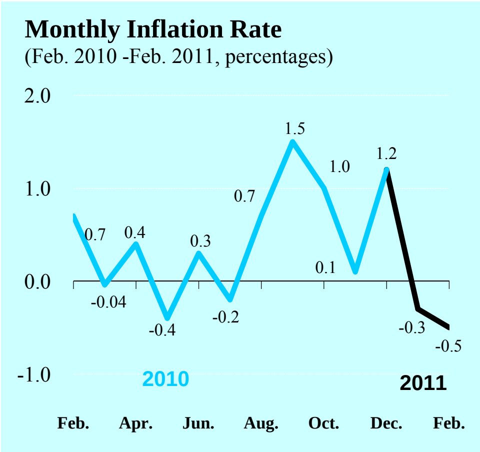
- Regarding the distribution of total investments according to nationality, the latest annual figures revealed that the value of domestic investments benefiting from the IPL has increased to stand at JD 1,436.5 million (accounting for 86.5 percent of total investments) during 2010 compared to JD 1,114.1 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, as measured by the Consumer Price Index (CPI), increased by 4.4 percent during the first two months of 2011, thus maintaining the same inflation rate recorded during the corresponding period in 2010. 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 declined by 0.5 percent in February 2011 compared to their level in the preceding month of 2010**. This decrease was mainly due to the decline in the prices of "vegetables", "fruits", "meat and poultry", in addition to "transporation".

The price developments of main components of the CPI basket during the first two months of 2011 compared to the same period of 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 a rise amounting to 3.6 percent during the first two months of 2011 compared to an increase amounting to 2.9 percent during the same period of 2010. The contribution of this group to the overall rate of inflation recorded during the first two months of this year reached 1.3 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 14.8 percent as well as the prices of cigarettes and “sugar and confectianaries”, which increased by 7.4 percent and 7.0 percent, respectively. In contrast, the prices of “creals and products” and “dairy products and egges” declined by 3.0 percent and 0.5 percent, respectively, compared to a rise of 5.4 percent and 2.8 percent during the same period of 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 during the first two months of 2011 compared to an increase in the amount of 1.7 percent during the same period of 2010. Accordingly, this group's contribution to the overall inflation rate amounted to 0.2 percentage point during the period under analysis.** The pace of price increase of this group was affected by the rise in the prices of “clothes” and “footwear” items, which grew by 5.3 percent and 4.0 percent, respectively, during the first two months of 2011 compared to 1.6 percent and 1.8 percent, respectively, during the same period of 2010.

- The prices of **housing group** (which accounts for 26.78 percent of the CPI basket) **increased by 4.4 percent during the first two months of 2011 compared to a lower increase amounting to 3.8 percent during the same period of 2010. In effect, the price change of this group contributed to the overall inflation rate by 1.2 percentage points during the first two months of 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 0.8 percent for "house repairing, garbage and water" to 4.6 percent for "cleaning materials".

The prices of **"other goods and services" group** (which accounts for 31.62 percent of the CPI basket) **increased by 5.3 percent during the first two months of 2011 compared to a larger increase amounting to 7.4 percent during the same period of 2010. In consequence, this group contributed to the overall inflation rate by 1.7 percentage points during the first two months of 2011.** The increase in the prices of this group was effected by the rise recorded in the prices of most items, particularly "transportation", "personal care" and "education" which increased by 10.6 percent, 6.7 percent and 5.9 percent, respectively, while the prices of some other items declined, most notably "communication" which dropped by 6.8 percent.

Third: Public Finance

❑ Summary:

- The general budget, including foreign grants, showed a fiscal deficit amounting to JD 1,046.4 million or 5.4 percent of GDP, in 2010, compared to a larger fiscal deficit in the amount of JD 1,509.3 million, or 8.5 percent of GDP in 2009. Excluding foreign grants (amounting to JD 401.7 million), the deficit widens to stand at JD 1,448.1 million in 2010.
- Gross outstanding domestic public debt (budgetary and own- budget) stood at JD 7,980.0 million, or 40.9 percent of GDP, at the end of 2010, reflecting a rise amounting to JD 894.0 million compared to its level at the end of 2009.
- Net outstanding domestic public debt totaled JD 6,852.0 million, or 35.1 percent of GDP, at the end of 2010; up by JD 1,061.0 million compared to its level at the end of 2009.
- Outstanding external public debt (budgetary and guaranteed) increased by JD 741.8 million at the end of 2010 in comparison with its level at the end of 2009; standing at JD 4,610.8 million, or 23.6 percent of GDP.

❑ The performance of the general budget in 2010 compared with the year 2009:

- **Public Revenues**

  Public revenues (including foreign grants) increased by JD 29.0 million, or 6.1 percent, in the month of December 2010 compared to the same month in 2009; totaling JD 504.4 million. As for the whole year of 2010, these revenues rose by JD 140.6 million, or 3.1 percent, compared to the preceding year to stand at JD 4,661.8 million. This result was driven by the increase in both foreign grants and domestic revenues by JD 68.3 million and JD 72.3 million, respectively.

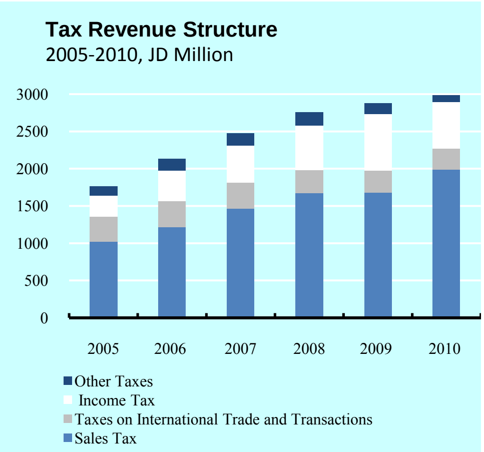
Main Government Budget Indicators during December and the whole year of 2010 and 2009:

(JD Million and Percentages)

	December		Growth Rate %	Jan. – Dec.		Growth Rate %
	2009	2010		2009	2010	
Total Revenues and Grants	**475.4**	**504.4**	**6.1**	**4,521.2**	**4,661.8**	**3.1**
Domestic Revenues, of which:	372.0	391.3	5.2	4,187.8	4,260.1	1.7
Tax Revenues, of which:	221.2	263.1	18.9	2,879.9	2,985.1	3.7
General Sales Tax	144.0	194.8	35.3	1,682.5	1,987.3	18.1
Other Revenues, of which:	148.8	126.1	-15.3	1,287.4	1,254.3	-2.6
Land Registration Fees	16.7	17.3	3.6	143.7	135.1	-6.0
Foreign Grants	103.4	113.1	9.4	333.4	401.7	20.5
Total Expenditures	**1,011.7**	**754.6**	**-25.4**	**6,030.5**	**5,708.2**	**-5.3**
Overall Deficit/ Surplus	**-536.3**	**-250.2**		**-1,509.3**	**-1,046.4**	

Source: Ministry of Finance/ General Government Finance Bulletin.

Domestic Revenues



Domestic revenues increased by JD 72.3 million, or 1.7 percent, in 2010 compared to 2009; amounting to JD 4,260.1 million. This increase was the outcome of the rise in the proceeds of “tax revenues” and “pension contributions” by JD 105.2 million and JD 0.2 million respectively, on one hand, and the decline in “other revenues” by JD 33.1 million, on another.

➢ Tax Revenues

Tax revenues increased by JD 105.2 million, or 3.7 percent, in 2010 compared to 2009, to reach JD 2,985.1 million; accounting for 70.1 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 304.8 million, or 18.1 percent, to reach JD 1,987.3 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 143.7 million driven by 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 107.0 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 imported goods" displayed a rise amounting to JD 33.6 million, as well as the proceeds of "sales tax on the commercial sector" which witnessed an increase amounting to JD 20.5 million. It is worth noting in this regard that the actual proceeds of the general sales tax on goods and services in 2010 amounted to 96.9 percent of their targeted level in the General Budget Law.

- **The decrease in the proceeds of "income and profit taxes"** by 18.3 percent, standing at JD 624.6 million. This decrease was due to the decline in the proceeds of "income tax from companies and other projects" by JD 115.1 million, and the drop in the proceeds of "income tax from individuals" by JD 25.0 million. In further details, income tax from companies accounted for 75.3 percent of total taxes on income and profits, standing at JD 470.1 million (of which JD 191.4 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 5.5 million, or 1.9 percent, to stand at JD 284.8 million. Such a decline was the outcome of the drop in the proceeds of departure tax by JD 10.5 million, on one hand, and the increase in the proceeds of "customs duties and fees" by JD 5.0 million to reach JD 275.3 million, on the other hand.

∢ Other Revenues (Non-Tax Revenues)

"Other revenues" declined by JD 33.1 million, or 2.6 percent, in 2010 to reach JD 1,254.3 million. This decrease was the outcome of the drop in property income proceeds by JD 58.4 million to stand at JD 285.5 million (of which financial surplus of independent government units amounting to JD 256.9 million); as well as the decline in revenues from selling goods and services by JD 16.2 million to reach JD 594.9 million, on one hand, and the increase in miscellaneous revenues by JD 41.6 million to stand at JD 374.0 million, on the other.

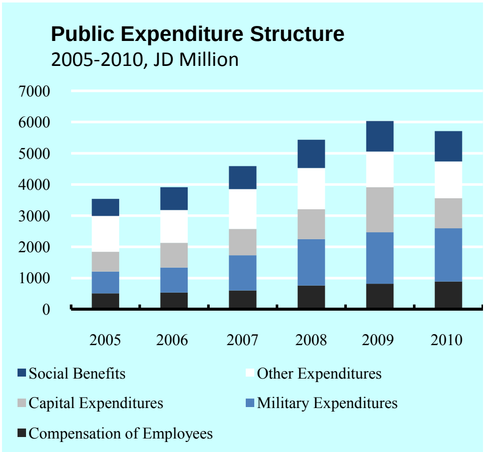
∢ Pension Contributions

Pension contributions were up by JD 0.2 million in 2010 to stand at JD 20.7 million.

◆ Foreign Grants

Foreign grants rose by JD 68.3 million in 2010 compared to their level in 2009, standing at JD 401.7 million.

Public Expenditures



Public expenditures decreased by JD 257.1 million, or 25.4 percent, in December 2010 compared to the same month in 2009 to stand at JD 754.6 million. Moreover, these expenditures declined by JD 322.3 million, or 5.3 percent, in 2010 to stand at JD 5,708.2 million. This decline was the outcome of the drop in capital expenditures by 33.3 percent, on one hand, and the rise in current expenditures by 3.5 percent, on the other.

Current Expenditures

Current expenditures increased by JD 159.4 million, or 3.5 percent, in 2010; amounting to JD 4,745.4 million. This increase was due to the rise in both the compensation of the civil sector's employees (wages, salaries and social security contributions) and the military expenditures by JD 70.9 million and JD 57.9 million, to total JD 891.4 million and JD 1,703.3 million, respectively. The item of interest payments, both internal and external, has also increased by JD 5.4 million. Moreover, goods subsidies increased again, due to the recurrent rise in the world commodity prices, particularly wheat prices, in addition to maintaining the domestic liquid gas subsidy. As a result, goods subsidy stood at JD 191.2 million (of which foods subsidies amounting to JD 103.0 million) in 2010 against JD 186.0 million in 2009. However, "social benefit expenditures" have decreased by just JD 6.9 million to stand at JD 969.6 million. Meanwhile, "purchases of goods and services" have declined by JD 22.0 million to stand at JD 303.1 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**

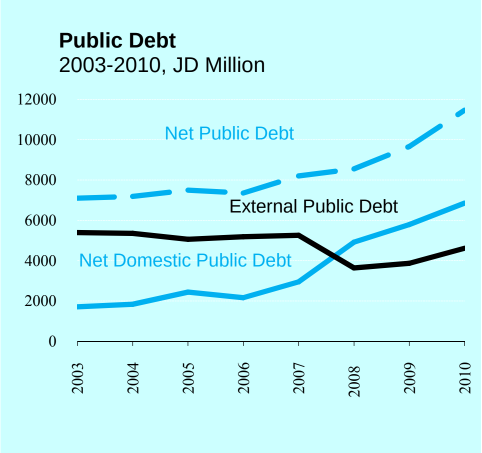
Capital expenditures witnessed a substantial decline in the amount of JD 481.7 million, or 33.3 percent, in 2010 compared to 2009; standing at JD 962.8 million. Accordingly, the achievement ratio of capital expenditures stood at 93.7 percent of their projected level in the 2010 Budget Law and its two Supplements.

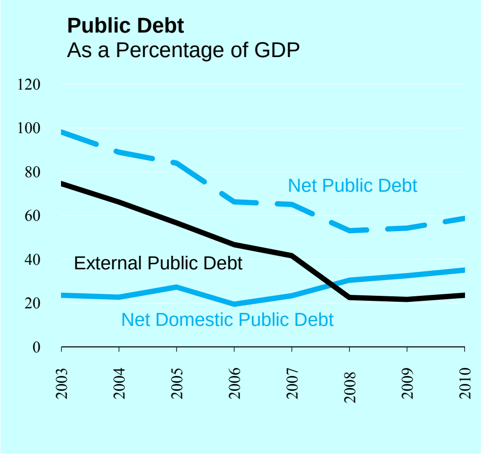
General Budget Deficit/ Surplus

- **The general budget, including grants, displayed a fiscal deficit amounting to JD 1,046.4 million, or 5.4 percent of GDP, in 2010** against a larger deficit in the amount of JD 1,509.3 million, or 8.5 percent of GDP, in 2009.

- **The general budget showed a primary deficit** (after excluding interest payments on public debt from total expenditures) **amounting to JD 648.8 million, or 3.3 percent of GDP, in 2010** against a primary deficit in the amount of JD 1,117.1 million, or 6.3 percent of GDP in 2009.

❑ Public Debt





- **Gross outstanding domestic public debt of the government (budgetary and own-budget agencies) rose** by JD 894.0 million at the end of 2010 compared to its level at the end of 2009 to reach JD 7,980.0 million, or 40.9 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 641.0 million and JD 253.0 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 658.0 million to total JD 6,411.0 million at the end of 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 2010, on the other.

- **Net outstanding domestic public debt** (gross outstanding domestic public debt *minus* government deposits at the banking system) **increased by JD 1,061.0 million at the end of 2010** compared to its level at the end of 2009 to total JD 6,852.0 million, or 35.1 percent of GDP. The aforementioned increase was the outcome of the rise in gross outstanding domestic public debt by JD 894.0 million and the decline in the government deposits at the banking system by JD 165.0 million compared to their level at the end of 2009.

- **Outstanding balance of external public debt (budgetary and guaranteed) was up** by JD 741.8 million at the end of 2010 compared to its level at the end of 2009; amounting to JD 4,610.8 million, or 23.6 percent of GDP. The increase in the outstanding balance of external public debt was driven by issuance of Eurobonds during November 2010. The currency structure of this debt indicates that external debt in US dollars accounted for 39.3 percent, while debt in Euros accounted for 8.4 percent. Further, external debt in Japanese Yen and Kuwaiti Dinars accounted for 22.7 percent and 18.8 percent of the outstanding external public debt, respectively.
- **Net public debt (domestic and external) increased** by JD 1,802.8 million at the end of 2010 compared to its level at the end of 2009 to stand at JD 11,462.8 million, or 58.7 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 4.5 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 450.0 million or 2.3 percent of GDP in 2010 (of which interest payments amounting to JD 104.2 million) compared to JD 391.5 million in 2009 (of which interest payments amounting to JD 104.1 million).

❑ Fiscal and Price Measures

- Maintaining the prices of many types of oil derivatives unchanged, while adjusting the prices of others as of April 01, 2011, as detailed in the table below:

	Unti	2010 December	2011 April	Change %
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	397.1	491.9	23.9
Fuel oil for ships	JD/Ton	397.1	491.9	23.9
Fuel oil for airplanes (local companies)	Fils/Liter	512	646	26.2
Fuel oil for airplanes (foreign companies)	Fils/Liter	517	651	25.9
Fuel oil for unplanned flights	Fils/Liter	532	666	25.2
Asphalt	JD/Ton	426.3	526.7	23.6

- Amending the draft General Budget Law (GBL) for the fiscal year 2011, with a view to incorporating a package of fiscal measures aiming at enhancing social stability and mitigating the financial burdens upon citizens. It is worth noting that the costs of the aforementioned package of fiscal measures, amounting to JD 460.0 million, will be covered through resetting government spending priorities, including the reduction of capital expenditures by JD 220.0 million, in a way to minimize the effect of these measures on the budget deficit. As a result, the expected budget deficit for the year 2011 rose by JD 100.0 million to reach JD 1,160.0 million, or 5.5

percent of GDP. Under the new GBL, public expenditures amounts to JD 6.4 billion, of which current expenditures amounting to JD 5.3 billion, and capital expenditures amounting to JD 1.1 billion (March 2011).

- In order to continue stimulating the real estate sector as well as the national economy as a whole, the Cabinet decided to extend the fiscal exemptions granted to the real estate sector for additional three months until the end of June 2011, through providing certain exemptions for apartments and land. It is worthy to indicate that the original exemption decision included increasing the area of exempted apartment to 150 squared meters, whereas the flat area exceeding that limit up to 300 squared meters will enjoy reduced ownership transfer fees. Moreover, the condition of buying the apartment from a housing company was abolished, so that the exemption is applied irrespective of the character of the seller (individual or company). In addition, the decision reduces transfer fees on land by 50% (April 2011).

Grants, Loans and Other Agreements

- Signing a supplementary loan agreement between the Kuwait Fund for Arab Economic development and Al-Samra Power Generation Company in the amount of KD 3.5 million (equivalent to around US $ 11.9 million), to contribute in financing the increase in the costs of the Third Expansion Project of Al-Samra Power Generation Station. A revised guarantee agreement was also signed between the Jordanian government and the Kuwait Fund (March 2011).

Fourth: External Sector

❑ Summary

- The **total merchandize exports** (domestic exports *plus* re-exports) increased by 18.3 percent in January 2011 compared to the same month in 2010; to stand at JD 459.3 million.
- The **merchandize imports** increased by 40.8 percent in January 2011 compared to the same month in the previous year; amounting to JD 1,134.2 million.
- As a result, the **trade balance deficit** (total exports *minus* imports) increased by 61.6 percent in January 2011 compared to the same month in 2010; standing at JD 674.9 million.
- According to the preliminary figures, **travel receipts** increased by 0.1 percent during February 2011 compared to the same month in the preceding year; to stand at JD 144.8 million. Similarly, **travel payments** increased by 1.2 percent; amounting to JD 63.7 million, during February 2011. As for the first two months in 2011, travel receipts increased by 3.9 percent, while travel payments decreased by 1.6 percent compared with the same period of 2010.
- According to the preliminary figures, **total workers' remittances receipts** amounted to JD 184.2 million during February 2011; an increase by 0.4 percent compared to the same month in 2010. As for the first two months in 2011, total workers' remittances receipts decreased by 0.7 percent compared with the same period of 2010.
- **The current account of the balance of payments** displayed a deficit of JD 835.8 million (4.3 percent of GDP) during 2010 compared to a deficit of JD 802.4 million (4.5 percent of GDP) during 2009.

- **The FDI recorded net inflows** totaled JD 1,187.8 million in 2010 compared to JD 1,671.5 million in 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

As a result of the increase in domestic exports by JD 59.3 and in imports by JD 328.4 million in January 2011; the volume of external trade (domestic exports *plus* imports) increased by JD 387.7 million to stand at JD 1,518.4 million.

Jordan's Major Trade Partners
2010- 2011, JD Million

	January		
	2010	2011	Percentage Change
Exports			
Iraq	57.4	67.0	16.7
United States	48.5	56.3	16.1
India	15.8	46.6	194.9
Saudi Arabia	31.5	28.5	-9.5
Syria	22.4	25.6	14.3
Ethiopia	13.0	20.1	54.6
Lebanon	9.8	13.7	39.8
Imports			
Saudi Arabia	129.8	216.7	66.9
Germany	49.3	154.8	214.0
China	81.8	101.0	23.5
United States	51.0	46.6	-8.6
Egypt	43.5	43.5	0.0
India	14.4	40.1	178.5
South Korea	34.2	38.1	11.4
Turkey	19.9	37.0	85.9

Source: Department of Statistics.

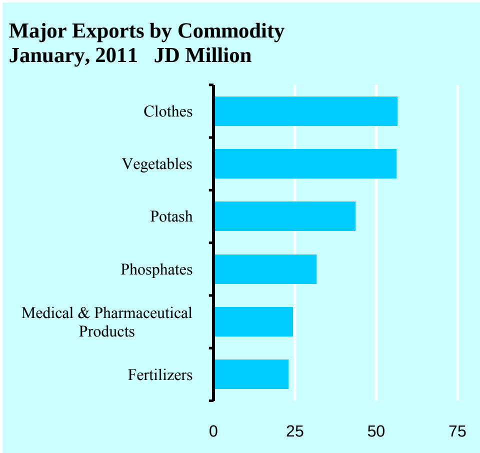
Developments of External Trade Indicators, JD Million

	January			
	2010	Percentage Change 2009/2010	2011	Percentage Change 2010/2011
External Trade	1,130.7	5.7	1,518.4	34.3
Total Exports	388.2	-4.8	459.3	18.3
Domestic Exports	324.9	4.7	384.2	18.3
Re-exports	63.3	-35.1	75.1	18.6
Imports	805.8	6.0	1,134.2	40.8
Trade Balance	-417.6	18.6	-674.9	61.6

Source: Department of Statistics.

■ **Merchandize Exports:**

Total merchandize exports increased by 18.3 percent during the first month in 2011 to reach JD 459.3 million compared to a drop amounted to 4.8 percent during the same month in 2010. This increase was an outcome of the rise in domestic exports by JD 59.3 million, or 18.3 percent, to reach JD 384.2 million and the increase in re-exports by JD 11.8 million, or 18.6 percent, to reach JD 75.1 million.



The comparison of the developments in domestic exports during the first month in 2011 and the corresponding month in 2010 reveals the following:

- The exports of **potash** increased by JD 32.7 million, or 302.8 percent, to stand at JD 43.5 million, compared to an increase amounted to 10.2 percent during the first month in 2010. The geographical distribution of exports indicates that the markets of India, Malaysia and China accounted for 79.1 percent of potash exports.

- The exports of **phosphates** increased by JD 8.8 million, or 38.8 percent, to reach JD 31.5 million, compared to a decline amounted to 55.1 percent during the first month in 2010. This increase was the outcome of the rise in quantities exported by 12.7 percent and the increase in prices of phosphates by 23.1 percent. The Indian, Mexican and Indonesian markets accounted for 87.3 percent of phosphates exports.

- The exports of **fertilizers** decreased by JD 3.3 million, or 12.5 percent, to reach JD 23.0 million, compared to a drop amounted to 6.7 percent during the first month in 2010. This decrease was an outcome of the fall in quantities exported by 30.5 percent and the increase in prices of fertilizers by 26.2 percent.

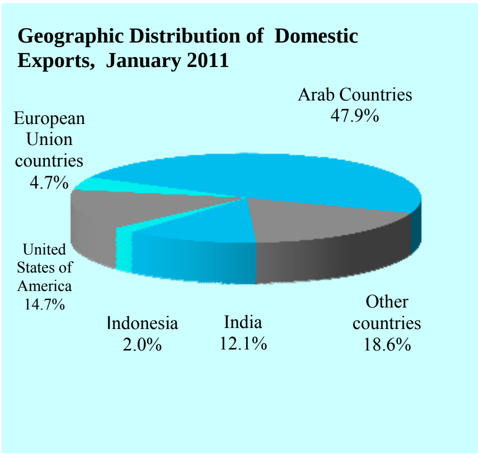
The geographical distribution indicates that the Ethiopian market accounted for 87.0 percent of these exports.

Major Domestic Exports by Commodity
January, 2010 - 2011, JD Million

	2010	2011	Percentage Change
Domestic Exports	**324.9**	**384.2**	**18.3**
Clothes	**49.3**	**56.5**	**14.6**
United States	46.3	52.5	13.4
Vegetables	**45.3**	**56.2**	**24.1**
Iraq	14.4	24.1	67.4
Syria	15.2	18.3	20.4
Potash	**10.8**	**43.5**	**302.8**
India	1.4	23.4	-
Malaysia	0.0	6.2	-
Indonesia	0.9	4.8	433.3
Phosphates	**22.7**	**31.5**	**38.8**
India	12.2	20.8	70.5
Mexico	0.0	4.1	-
Indonesia	6.2	2.6	-58.1
Medical & Pharmaceutical Products	**25.2**	**24.3**	**-3.6**
United Arab Emirates	0.5	5.2	940.0
Saudi Arabia	7.4	4.0	-45.9
Sudan	2.7	2.8	3.7
Lebanon	1.6	1.7	6.3
Fertilizers	**26.3**	**23.0**	**-12.5**
Ethiopia	12.7	20.0	57.5

Source: Department of Statistics.

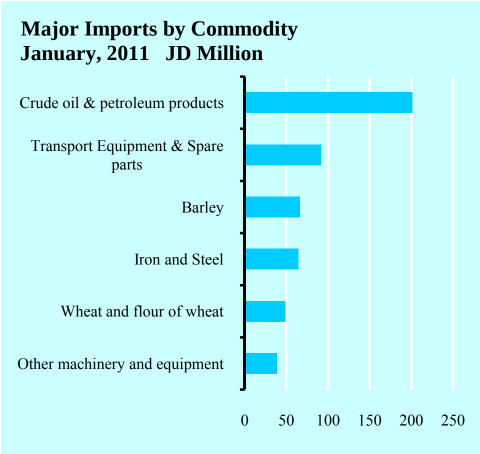
- The exports of **medical and pharmaceutical products** decreased by JD 0.9 million, or 3.6 percent, to total JD 24.3 million, compared to an increase amounted to 2.4 percent during the first month in 2010. The markets of UAE, Saudi Arabia, Sudan and Lebanon were the main destinations for these exports; accounting for 56.4 percent.



In light of the aforementioned developments, the commodity breakdown of domestic exports indicates that the exports of clothes, vegetables, potash, phosphates, "medical and pharmaceutical products", and fertilizers topped the list of exports during the first month in 2011; accounting for 61.2 percent of domestic exports; up from 55.3 percent during the corresponding month of 2010. Meanwhile, the geographical distribution of domestic exports indicates that the markets of Iraq, USA, India, Saudi Arabia, Syria, Ethiopia, and Lebanon were the main destinations for Jordanian domestic exports during the first month in 2011; accounting for 67.1 percent of domestic exports, up from 61.1 percent during the corresponding month of 2010.

Merchandize Imports:

Merchandize imports stood at JD 1,134.2 million during the first month of 2011; increasing by JD 328.4 million, or 40.8 percent, against an increase by 6.0 percent during January 2010.



The comparison between the developments in Jordanian imports during the first month in 2011 and the corresponding month in 2010 reveals the following:

- The imports of **petroleum products** increased by JD 32.0 million, or 108.1 percent, to total JD 61.6 million compared to a an increase of 44.4 percent during the first month in 2010. The markets of Saudi Arabia, India and Kuwait were the main sources of these imports.

- The imports of **crude oil** increased by JD 68.9 million, or 97.0 percent, to reach JD 139.9 million, compared to an increase of 6.4 percent during the first month in 2010. This increase was attributed to the rise in both crude oil prices and imported quantities by 27.0

percent and 55.1 percent respectively. It is worth noting that most of Jordanian imports of crude oil came from the Saudi market.

- The imports of **Barley** increased by JD 62.0 million, to reach JD 66.4 million, compared to a rise amounted to JD 2.9 million during January 2010. The markets of Germany, Netherlands and Denmark were the main sources of these imports; accounting for 83.4 percent.

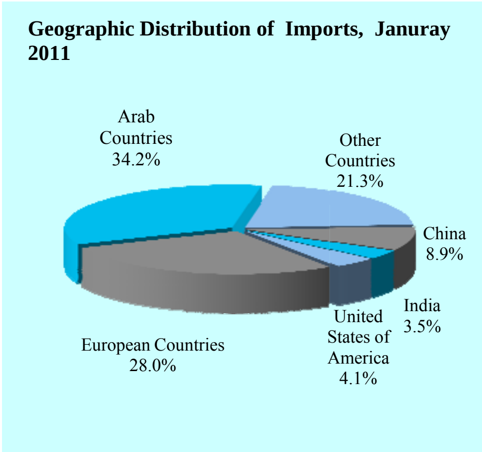
- The imports of **Wheat and Flour of Wheat** increased by JD 48.7 million, to reach JD 49.3 million. Germany was the main source of these imports.

Major Imports by Commodity
January 2010, 2011, JD Million

	2010	2011	Percentage Change
Total Imports	**805.8**	**1,134.2**	**40.8**
Crude Oil	**71.0**	**139.9**	**97.0**
Saudi Arabia	58.2	129.6	122.7
Transport Equipment and Spare Parts	**91.6**	**91.8**	**0.2**
Germany	17.1	33.9	98.2
South Korea	20.6	22.5	9.2
Japan	26.2	11.7	-55.3
Barley	**4.4**	**66.4**	-
Germany	0.0	23.5	-
Netherlands	0.0	22.3	-
Denmark	0.0	9.6	-
Iron & Steel	**32.1**	**64.3**	**100.3**
Ukraine	12.5	19.1	52.8
Turkey	1.5	16.4	-
China	1.7	6.2	264.7
Petroleum Products	**29.6**	**61.6**	**108.1**
Saudi Arabia	20.1	24.1	19.9
India	0.0	22.1	-
Kuwait	0.1	13.2	-
Wheat and Flour of Wheat	**0.6**	**49.3**	-
Germany	0.0	48.3	-
Other Machinery and Equipment	**20.0**	**39.1**	**95.5**
Germany	2.8	14.9	432.1
China	6.4	7.4	15.6
Italy	1.4	2.9	107.1

Source: Department of Statistics.

The commodity composition of imports indicates that crude oil, “transport equipment and spare parts”, Barley, “iron and steel”, petroluem products, “Wheat and Flour of Wheat”, and “Other Machinery and Equipment” topped the list of imports; accounting for 45.2 percent of total imports during January 2011; up from 30.9 percent during the same month of 2010. Meanwhile, the geographical distribution of imports indicates that the markets of Saudi Arabia, Germany, China, USA, Egypt and India topped the list of imports sources during January 2011; accounting for 53.1 percent compared to 45.9 percent during January 2010.



Re-Exports

The value of re-exported goods increased by JD 11.8 million, or 18.6 percent during January 2011, to reach JD 75.1 million.

Trade Balance

Trade balance deficit increased noticeably by JD 257.3 million, or 61.6 percent, during January 2011 compared to the same month of 2010 to stand at JD 674.9 million.

❒ Workers' Remittances Receipts

Workers' remittances receipts decreased by 0.7 percent to stand at JD 379.3 million during the first two months of 2011 compared to the same period of 2010.

❒ Travel

■ Receipts

Travel receipts increased by JD 11.4 million, or 3.9 percent, during the first two months of 2011 to stand at JD 304.9 million. The increase in travel income was attributed to the rise in the number of inbound tourists by 4.0 percent during the first two months of 2011 compared to the same period of 2010.

■ Payments

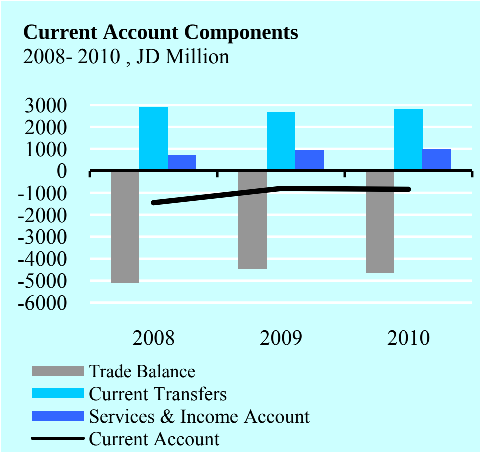
Travel payments decreased by JD 2.0 million, or 1.6 percent, during the first two months of 2011 to stand at JD 122.1 million. Such development was attributable to the decline in the number of outbound tourists during the first two months of 2011 compared to the same period of 2010.

❒ Balance of Payments

The preliminary statistics of the balance of payments for the year 2010, compared to 2009 demonstrates the following developments:

- The current account recorded a deficit amounted to JD 835.8 million (4.3 percent of GDP) compared to a deficit of JD 802.4 million (4.5 percent of GDP) in 2009. This was an outcome of the following developments:

- The expansion in the trade balance deficit by JD 188.4 million, or 4.2 percent, to reach JD 4,637.2 million in 2010 compared to a deficit amounting to JD 4,448.8 million in 2009.



- The services account recorded a surplus amounted to JD 643.3 million, compared to a surplus of JD 521.8 million in 2009. This surplus was due to the surplus in the items of travel (net) and government services (net), which amounted to JD 1,406.9 million and JD 193.6 million respectively on one hand, and the deficit in the items of transportation (net) and other services (net) of JD 892.0 million and JD 65.2 million respectively on the other.

- The surplus of the income account (net) decreased by JD 68.6 million, amounting to JD 359.7 million, compared to JD 428.3 million in 2009. Such a decrease was due to the decline in the investment income (net) by JD 66.9 million and the decrease in the compensation of employees (net) by JD 1.7 million.

- The net current transfers increased by JD 102.1 million; to reach JD 2,798.4 million, due to the increase in net transfers of public sector (foreign grants) by JD 167.1 million to reach JD 852.1 million during 2010. In addition, transfers of other sectors (net) increased by JD 65.0 million to reach JD 1,946.3 million. While the net workers' remittances increased by JD 37.9 million or 2.0 percent to reach JD 1,937.5 million.

- The capital and financial account with the rest of the world showed a net inflow of JD 579.3 million in 2010 against a similar inflow in the amount of JD 419.3 million in 2009 owing chiefly to the following:
    - Net inflow of the FDI amounted to JD 1,187.8 million during 2010 compared to JD 1,671.5 million in 2009.
    - Net inflow of the portfolio investment amounted to JD 547.1 million compared to a net outflow in the amount of JD 447.0 million during 2009.
    - Net outflow of other investments in the amount of JD 125.1 million in 2010 against a net inflow amounting to JD 1,403.6 million in the preceding year.
    - The increase in reserve assets of CBJ by JD 1,030.7 million compared to a rise amounting to JD 2,209.2 million during 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-residents 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).