The Economy of Jordan 2007

ABC Investments

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Table of Contents

ABC Investments

1.0 Executive Summary

The Jordanian economy has, in recent years, undergone an impressive transformation, attributed to stringent structural and economic reforms, efforts to combat poverty and unemployment, measures taken to target the budget and trade deficits, maintaining of appropriate fiscal and monetary policy, and numerous initiatives to attract foreign direct investment to the Kingdom. In the run-up to 2007, GDP growth had been impressive, registering at 8.6% in 2004 and 7.1% and 6.3% in 2005 and 2006 respectively. Despite the apparent deceleration in growth in 2007, Jordan's economy continued to perform well, with growth in GDP reaching 6%, while the inflation rate dropped to 5.4% from 6.25% in 2006, and unemployment levels receded slightly from 15.4% to 14.3% over the same period.

GDP for 2007 declined to 6% while inflation and unemployment registered at 5.4% and 14.3% respectively

Exports of the Kingdom continued to increase, rising to JD 4.04 billion from JD 3.69 billion, but were overshadowed by the rise in the value of imports, as a result of heightened consumer demand, and the increased cost of imports due to the devaluation of the dinar against other major currencies. The widening trade deficit did nothing to help the Government's current account deficit, which continued to widen, reaching JD 1.97 billion, up from a deficit of JD 1.13 billion the year prior.

Domestic exports amounted to JD 3.18 billion, re-exports registered at JD 861.73 million against imports of JD 9.59 billion

As a country with limited natural resources and virtually no oil compared to its oil-rich neighbours, the sustainability of Jordan's economy is heavily dependent on foreign aid and imports of capital. Efforts have been made to open up Jordan's markets, positioning it as an attractive investment avenue, drawing in liquidity and investments to the various sectors of the market. Global economic developments, marked by robust expansion of world trade and heightened foreign investment flows, have so far supported the growth of the economy.

Foreign direct investment registered at JD 1.30 billion for 2007, with the privatisation of Royal Jordanian and the Central Electricity Generating Company playing an important role in attracting foreign funds to the Country. Moreover, the recovery of the Amman Stock Exchange in 2007, where the General Index rose by 36.3%, led to the net investment by non-Jordanians in the stock market increasing by 2.6-fold.

FDI to the Kingdom was impressive, at JD 1.30 billion...

Despite fierce competition in the region to attract the oil wealth of the GCC countries, Jordan, due to instability in its surrounding countries, has so far done well in attracting FDI, particularly evident in the stock market and real estate sector, both of which have offered substantial opportunity for profit in the past. Initiatives to further attract investment include the Investment Promotion Law, with investments benefiting from the Law reaching JD 2.22 billion against JD 1.83 billion in 2006.

... supported by the Investment Promotion Law, with total investment benefiting from the Law reaching JD 2.22 billion

However, it was not all good news for the Kingdom. The imminent recession in the United States and the devaluation of the dollar hit hard on Jordan's economy. Exports to the United States market, Jordan's largest export market, declined both in absolute terms, from JD 907.77 million in 2007 to JD 874.77 million in 2007, and as a percentage of total domestic exports. Moreover, the Jordanian dinar peg to the dollar meant that the value of the dinar depreciated against other major currencies, leading to increased costs of the already soaring prices of imports. The effect was exacerbated by the shoot up in international oil prices, the impact of which spilled over to prices of most goods and services. This was mirrored in the economy as a sharp rise in inflation in 2008, sending price shocks rippling through the economy. The gap between the rich and the poor widened, with the distribution skewing further to the right, drawing in more and more middle-income citizens to the lower-income segment of the population.

US economic slowdown negatively impacting on Jordan's economy, a situation further compounded by rising inflation, soaring fuel prices, and devaluation of currency

The peg to the dollar was also unfavourable for the Government's external position. With external debt in Euros, Japanese Yen and Kuwaiti Dinars constituting 22.9%, 17.6% and 14.0% of the total external debt respectively, the 11.8%, 4.3% and 5.8% rise in these currencies against the dollar, and thus the dinar, in 2007 meant that the value of the repayment instalments spiralled. In early 2008, however, proceeds from privatisation initiatives were used to buy back a portion of its Paris Club debt, which is expected to relieve some of the pressure on the Government's external debt position.

Domestic debt levels are rising...

Meanwhile, the Government's domestic debt levels rose by 24.8% during 2007 to JD 3.70 billion, with the bulk of the increase resulting from the JD 693 million net increase in the balance of treasury bills and bonds, and the JD 32 million net change in corporate bonds issued by Own-Budget Government Agencies. During the year, JD 1.34 billion worth of treasury bills and bonds were issued while JD 650 million was amortised, while JD 62 million of public entity bonds were issued and JD 30 million was amortised.

Government budget deficit is increasing...

The Government budget deficit also increased, rising sharply to JD 568.0 million on a cash basis, compared to a deficit of JD 391.4 million in 2006, attributed to the Government revenues and grants being overshadowed by the rise in its expenditures. Domestic revenues registered at JD 3.63 billion, up 14.9% compared to 2006's JD 3.16 billion, while foreign grants increased by JD 38.8 million to JD 343.4 million. The bulk of the increase is attributed to the additional JD 338.6 million tax revenues in 2007. In parallel, total government expenditures increased by 17.2% to JD 4.59 billion, with the JD 355.6 million increase in military expenditure being the primary cause in the increase in expenditures.

... a situation not helped by the decline in trade balance

The trade balance declined by a substantial JD 897.4 million during 2007, due to an overall reduction in global demand, and more specifically, demand from the United States, which is Jordan's largest export market, due to its weakened economy. In theory, the peg to the dollar should help to increase exports to other countries as a result of the dinar's devaluation against other currencies. However, the peg is a double-edged sword, with the devaluation of the dinar resulting in heightened import costs which are passed through production to the end-product prices, thereby reducing the competitiveness of those Jordanian products that rely on imported goods for inputs into production.

Moreover, while the level of foreign grants increased by JD 38.8 million to JD 343.4 million in 2007, foreign aid to the Kingdom has in recent years deteriorated. This effect has been compounded by the devaluation of the dollar which is deflating the value of dollar-denominated grants to the Kingdom, an important source of funds for Jordan.

The elimination of fuel subsidies by the Government should help reduce the budget deficit

The tightening of fiscal policies so far, by abolishing fuel subsidies and setting into place a mechanism for adjusting fuel prices on a monthly basis, should help to ease pressure on the government budget. However, to alleviate the additional burden resulting from the shoot up of oil prices in the domestic market, the Government has had to produce additional supplements to its budget, allocating further funds to raise public sector salaries and pensions, in addition to enacting a social safety net.

...while rising international prices of fertilisers could support the trade balance

While Jordan has very limited natural resources, it does feature reserves of both potash and phosphates. Prices of these two resources have been rising over the years and are anticipated to continue to increase, due to the growing global population and the shortage of food, fuelling demand for fertilisers, for which phosphate and potash are primary components. Growing demand for potash and phosphates should help to improve the trade position and support the current account.

Continued privatisation efforts and initiatives to attract foreign direct investment should also help to improve the current account. Moreover, with the rise in oil prices showing no signs of abating, oil wealth in the Gulf is expected to continue to grow, which will guarantee a stream of liquidity inflow to the Kingdom through remittances from Jordanians working in the Gulf, and through direct investment from investors in the oil-rich countries.

The Government is also bringing into play aggressive strategies to promote private-public partnership, to both ease the role of Government and to enhance efficiency and profitability. To this end, the Executive Privatisation Unit was established, and the benefits of the privatisation are already visible in the reduction of external debt through a buy-back of part of its Paris Club debt from privatisation proceeds, in the positive impact on the capital market as a result of initial public offerings of previously publicly-held companies, and through increased productivity and efficiency of the newly privatised corporations.

The improvement in the policies of the Government have not gone unnoticed on the international front, with the position of the Kingdom in the World Competitiveness Yearbook 2008 ascending to 34th from position 37 the prior year. Other rankings for Jordan included the following, noting that in "Ranking" surveys, lower numbers are better, while in "%" surveys, higher numbers are better:

Indicators of Quality of Governance/Reform/Regulation/Rule of Law

Survey Category	Survey Type	Rank / Score	Number of Countries in Survey
Heritage Foundation	Ranking	53	157
World Economic Forum	Ranking	49	131
Citi Reform	Ranking	8	9
World Bank Doing Buisness	Ranking	80	178
Political Stability	%	28	N/A
Governance	%	45	N/A
Regulation	%	63	N/A
Rule of Law	%	62	N/A
Corruption	%	67	N/A

N/A - Not Applicable
Source: Citigroup Global Markets

2.0 ECONOMIC PERFORMANCE

The economy of Jordan has been particularly buoyant over the past few years, with an average level of growth of 6.4% in real GDP at market prices since 2003. Nominal GDP at market prices reached JD 11.23 billion in 2007 compared to JD 10.00 billion in 2006, while real GDP growth registered at 6.0%, down from 2006's 6.3% growth. While the economy has continued to boom, the last three years have seen a deceleration in the growth rate, and this is expected to continue in 2008 due to the cooling of the global economy and the slump in the United States.

Nominal GDP registered at JD 11.23 billion in 2007, up from JD 10.00 billion in 2006...

	2003	2004	2005	2006	2007
Nominal GDP at Market Prices (JD Million)	7,228.7	8,090.7	8,941.6	9,997.5	11,225.3
Nominal GDP at Market Prices	6.4%	11.9%	10.5%	11.8%	2.3%
Real GDP at Basic Prices	4.3%	8.7%	7.4%	6.9%	5.7%
Real GDP at Market Prices	4.2%	8.6%	7.1%	6.3%	6.0%
Per Capita GDP (JD)	1,390	1,512	1,634	1,785	1,961

Source: Ministry of Finance and Central Bank of Jordan

The expansion of the economy, albeit at a decelerating rate, is attributed to high liquidity levels resulting from soaring oil prices, strong corporate profitability, an influx of tourists and visitors to the Kingdom, heightening consumption driving up consumer demand and therefore productivity, in addition to an inflow of foreign direct investment.

... driven by soaring liquidity, strong corporate profitability, and an inflow of FDI

Rising oil prices in recent years have translated into huge fiscal and current account surpluses and high per-capita incomes in the oil-rich GCC countries. The instability in the region following the 9/11 terrorist attack on the United States and the subsequent war on Iraq, and the more recent turmoil in Lebanon and Syria, has highlighted Jordan as a politically stable and safe investment environment, and has therefore placed it on the receiving end of foreign investment as GCC investors seek to diversify their investment portfolios, and invest in countries that offer higher returns outside the traditional developed markets.

The driving force of the economy, however, cannot be solely attributed to the efforts of foreign investors; remittances from workers abroad, which reached an unprecedented level of USD 3.4 billion in 2007, alongside rising per household income and strong corporate profitability consequent to the flourishing economy, have increased liquidity levels and heightened domestic investment.

2.1 Sector Performance

As a country with limited resources, the services sectors remain the primary contributors to GDP, at over 65% in 2007, despite the Kingdom's efforts to become an export-oriented manufacturing economy, evident from the number of free trade agreements signed with numerous nations in recent years and the establishment of industrial cities and qualified industrial zones (QIZs), which entitle their produce to quota-free and duty-free access to the United States' market. The growth in manufacturing in 2007 has so far lagged behind that of the services sector, and its overall contribution to GDP declined to 20.0% compared to 20.4% for 2006.

The primary contributors to GDP are the services and manufacturing sectors, which contributed a combined 86.5% to GDP in 2007

GDP (at Constant Prices) by Economic Activity

(in JD Millions)	2003	2004	2005	2006	2007	% Change in GDP
Services	3,658.6	3,902.1	4,212.7	4,496.7	4,792.0	6.6%
% Contribution to GDP	*66.8%*	*65.5%*	*65.9%*	*65.8%*	*66.3%*	
Manufacturing	1,009.3	1,180.1	1,271.8	1,392.8	1,458.4	4.7%
% Contribution to GDP	*18.4%*	*19.8%*	*19.9%*	*20.4%*	*20.2%*	

(in JD Millions)	2003	2004	2005	2006	2007	% Change in GDP
Construction	289.3	324.0	362.9	403.8	436.0	8.0%
% Contribution to GDP	*5.3%*	*5.4%*	*5.7%*	*5.9%*	*6.0%*	
Agriculture	223.1	247.6	247.4	249.6	241.3	(3.3%)
% Contribution to GDP	*4.1%*	*4.2%*	*3.9%*	*3.7%*	*3.3%*	
Mining & Quarrying	157.5	152.9	143.9	130.2	128.4	(1.4%)
% Contribution to GDP	*2.9%*	*2.6%*	*2.3%*	*1.9%*	*1.8%*	
Electricity & Water	139.8	146.5	153.6	161.9	169.5	4.7%
% Contribution to GDP	2.6%	2.5%	2.4%	2.4%	2.3%	
Real GDP at Basic Prices	**5,477.6**	**5,953.2**	**6,392.3**	**6,835.0**	**7,225.6**	**5.7%**

Source: Central Bank of Jordan

The services sector experienced a 6.6% increase in value added, to reach JD 4.79 billion at the end of 2007. Meanwhile, with a 4.7% increase, contribution to GDP by the manufacturing sector reached JD 1.46 billion and the construction sector provided JD 436.0 million. The agriculture and the mining and quarrying sectors, on the other hand, saw a contraction, with value added to GDP experiencing declines of 3.3% and 1.4%, respectively.

GDP for the agriculture sector and the mining and quarrying industries declined in 2007 by 3.3% and 1.4%, respectively.

2.1.1 Services Sector

Value added from the services sector has been increasing year-on-year, with a compounded annual growth rate (CAGR) for the period 2003-2007 of 7.0%. Year 2005 marked the sharpest increase in contribution to GDP, rising by an impressive 8.0%. In 2007, the sector's GDP increased by 6.6% led by the sector heavyweights, the financial services sector (to include banking, insurance, and real estate), producers of government services, transport and communications, and trade, restaurants and hotels. An important point to note, however, is that despite these levels of growth, aside from the "producers of government services", the growth of the remaining sector heavyweights actually experienced a slow-down in 2007 compared to the growth registered in 2006.

GDP for the Services Sector

JD Millions	2003	2004	2005	2006	2007	% Change in GDP	Relative Importance to Sector GDP (%)
Trade, Restaurants and Hotels	603.9	638.6	708.3	755.2	793.4	5.1%	16.6%
Transport and Communications	969.9	1,076.3	1,143.1	1,233.7	1,294.7	4.9%	27.0%
Finance, Insurance, Real Estate & Business Services	1,073.7	1,143.3	1,343.5	1,463.3	1,579.2	7.9%	33.0%
Social and Personal Services	215.8	230.7	250.4	276.6	303.4	9.7%	6.3%
Producers of Government Services	908.2	938.0	981.9	1,011.8	1,075.5	6.3%	22.4%
Producers of Private Non-Profit Services of Households	56.3	61.8	61.0	59.0	58.3	(1.2%)	1.2%
Domestic Household Services	12.3	12.9	14.2	14.9	15.5	4.0%	0.3%
Less: Imputed Bank Service Charge	-181.5	-199.5	-289.7	-317.8	(328.0)	3.2%	(6.3%)
Services Sector GDP at Basic Prices	**3,658.6**	**3,902.1**	**4,212.7**	**4,496.7**	**4,792.0**	**6.6%**	**100%**

Source: Central Bank of Jordan

Finance, insurance, real estate and business service activities represent the largest generators of GDP within the services sector, followed by transport and communication activities.

The number of new service sector companies that registered during 2007 amounted to 2,650 with paid-up capital amounting to JD 261.5 million. Since 2003, a whopping 13,005 companies were registered in the sector, with a cumulative capital of JD 1.30 billion.

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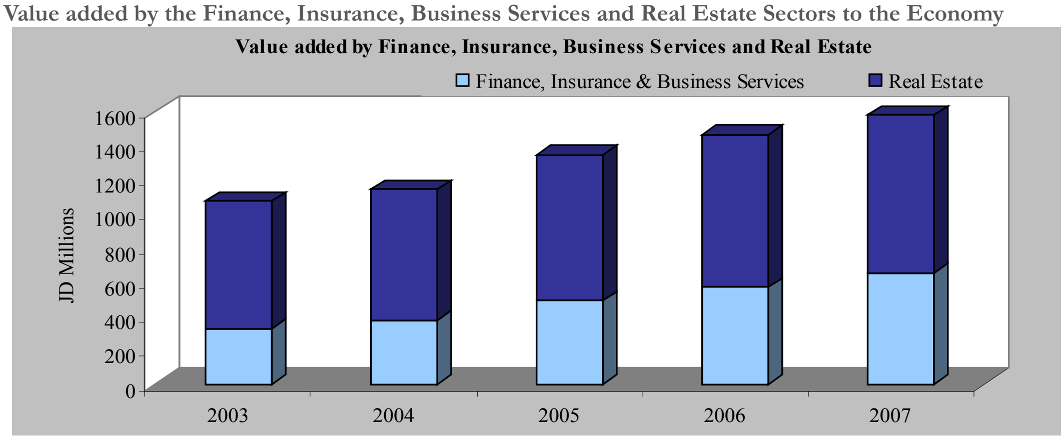
2.1.1_1 Finance, Insurance, Real Estate & Business Services

The value added by the financial, insurance and real estate services has been rising steadily over the years to reach JD 1.58 billion at the end of 2007, registering a 7.9% growth compared to the same period of 2006. These sectors also constitute the largest contributors to GDP within the services sector, at 33.0%.

Value added by the Finance, Insurance, Business Services and Real Estate Sectors to the Economy



Source: Department of Statistics

Financial Services

The banking sector continued to benefit from the booming economic conditions of recent years and soaring liquidity both locally and in the region, with total consolidated assets registering at JD 26.82 billion at the end of 2007 compared to JD 24.24 billion the year prior and JD 15.70 billion back in 2003.

Banking sector assets increased by 10.6% in 2007 to JD 26.82 billion...

Jordan's banking sector comprises of 23 banks of which 8 are non-Jordanian. Two banks currently operate in accordance with the Shari'a principles, with the Industrial Development Bank completing proceedings to convert into the sector's third Islamic bank.

The growing activity of the sector is attributed primarily to a rise in liquidity to the Kingdom, a result of a number of factors coming into play. Rising international oil prices has resulted in soaring oil wealth in the GCC countries, which is spilling over to Jordan both through direct investment by Gulf investors into the Kingdom, and through remittances from Jordanians working in the oil-rich countries. Moreover, the flourishing domestic economy has been reflected in the overall rise in per-household income, driving inclinations to invest and to save.

Interest rates on deposits have also been rising over the past few years, encouraging the saving trend evident in the market. While the boom in the stock market in 2004 and 2005 played a role in drawing some of the liquidity away from banks and into the capital market, following the sharp capital market correction of 2006, investors have become wary of placing all their eggs in one basket, contributing to the tendency to invest at least some of the funds in the "safer" returns of banks. This led to deposits at licensed banks rising by a whopping 60.4% since 2003 and a significant 9.6%, equivalent to JD 1.40 billion, in 2007 alone.

In parallel, we have been seeing an upsurge in credit facilities granted, which rose by 114.6% since 2003. For further information on this, please refer to section 8.2 "Money and Banking".

...while credit facilities grew by 15.7% to JD 11.30 billion

The aggregate paid-up capital of the sector has also been on the rise in anticipation of future requirements by the Central Bank of Jordan that paid-up capital of all banks be raised to JD 100 million by 2010. Such a requirement would be in aid of both consolidating the market by encouraging mergers between banks, and strengthening the sector's solvency. In 2004, three new international banks entered the sector; Blom Bank, Audi Bank, and the National Bank of Kuwait.

Overall, profitability of the banks has been climbing, with the majority recording positive growth in their profits for 2007. The profits of the listed banks reached JD 645.18 million in 2007, up 15.2% compared to 2006.

Profitability of the sector soared to JD 648.99 million in 2007

Bank	Paid-Up Capital	Net Profit 2006	Net Profit 2007	% Change in Profits
Arab Bank	356,000,000	263,277,000	334,656,000	27.1%
Housing Bank for Trade & Finance	250,000,000	94,705,866	111,463,294	17.7%
Capital Bank	123,000,000	18,059,905	13,508,666	(25.2%)
Jordan Ahli Bank	110,000,000	20,229,095	10,810,145	(46.6%)
Bank of Jordan	100,000,000	25,582,702	24,384,386	(4.7%)
Arab Jordan Investment Bank	100,000,000	8,338,171	6,977,496	(16.3%)
Union Bank for Saving & Investment	95,000,000	12,422,634	13,776,465	10.9%
Jordan Kuwait Bank	75,000,000	40,132,812	45,396,662	13.1%
Cairo Amman Bank	75,000,000	19,248,635	20,909,814	8.6%
Jordan Islamic Bank	65,000,000	15,472,506	22,988,321	48.6%
Jordan Commercial Bank	63,250,000	10,682,700	12,420,154	16.3%
Arab Banking Corporation	56,062,500	10,991,248	10,557,968	(3.9%)
Jordan Investment & Finance Bank	55,000,000	9,771,765	6,385,123	(34.7%)
Societe Generale Banque de Jordanie	26,970,553	3,275,081	2,206,611	(32.6%)
Industrial Development Bank	24,000,000	7,870,663	8,739,406	11.0%
Banking Sector Total	**1,574,283,053**	**560,060,783**	**645,180,511**	**15.2%**

Source: Bank Financial Statements

Since 2004, the role played by banks' investment portfolios has been magnified, where the booming stock exchange offered opportunities for the banks to not only realise profits on their excess liquidity through investing in the stock market, but also to diversify their sources of income away from the traditional sources of interest and commissions, through their investment arm, offering brokerage, corporate finance, asset management, and consulting services to their clients.

The sharp downturn in the stock market, however, harmed much of the banking sector profits in 2006, with many of the sector players realising large losses in their income statement and recording substantial devaluation in their investment portfolios. The level of exposure to the market and the first-hand experience of the potential risk involved has encouraged banks to re-focus on core operations, fuelling innovation in diversifying the range of products offered, and arguably exposing the sector to a different type of risk. A relatively new aspect of banking services that has taken the sector by a storm is the offering of credit facilities for the purpose of purchasing shares or real estate. Facilities granted for construction or real estate more than doubled since 2003 to reach JD 1.94 billion at the end of 2007, while facilities granted to purchase shares increased 19-fold over the same period.

Facilities granted by Licensed Banks for Real Estate/Construction and Purchasing Shares

Increased facilities granted for real estate and construction in addition to financing the purchase of shares

(JD Millions)	2003	2004	2005	2006	2007
Construction & Real Estate	804.5	953.2	1,162.1	1,560.8	1,942.1
Buying Shares	22.5	83.9	220.1	359.0	427.8

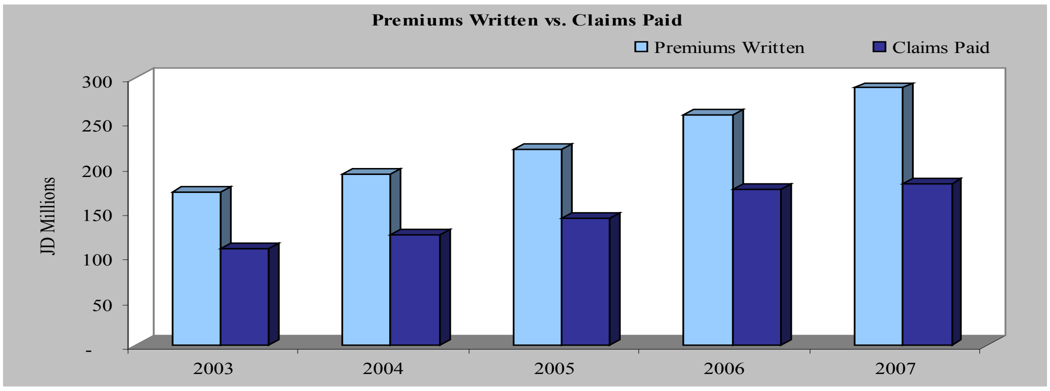
Source: Central Bank of Jordan

With the escalating inflation in the Kingdom, estimated by economists at in excess of 11% for 2008, the higher costs of living, unmatched by the rise in household income, may prove more and more difficult for the average citizen to make ends meet. This is likely to be reflected in the banking sector as a higher degree of default on loans, translating into increased provisions taken by banks for doubtful debts, and consequently a contraction in the level of facilities that banks are willing to grant.

Insurance

In terms of the Insurance sector, insurance premiums have been steadily rising as a result of growing awareness of the important of insurance and the emphasis placed by the Government on medical coverage and compulsory third-party liability motor coverage. At the end of 2007, the premiums written had risen 11.4% to JD 288.3 million, while claims paid increased by a smaller 3.8% to JD 181.0 million.

Insurance premiums written registered at JD 288.3 million while claims paid reached JD 181.0 million



Source: Jordan Insurance Commission

The insurance sector consists of 29 companies of which 28 are listed on the Amman Stock Exchange. The sector contains one sole specialist in life insurance, while the remainder offer either non-life insurance services or a composite of both types of insurance. Three new insurance companies entered the arguably already over-saturated insurance market in recent years; the Mediterranean & Gulf Insurance, Housing Loan Insurance (Darkom), and First Insurance. The sector also contains 60 brokers and reinsurance brokers, 37 loss adjusters, 426 agents, 13 actuaries, and 11 insurance advisors.

Insurance sector in Jordan consists of 29 insurance companies, with one single company specialising in life insurance

The Insurance Commission, in an attempt to consolidate the sector, had raised the minimum required capital for existing companies to JD 4 million and JD 8 million for new companies. It raised the minimum for new companies once more in 2008 to JD 25 million. However, as yet there have been no signs of any mergers or acquisitions on the horizon for the sector.

Company	Paid-Up Capital	Net Profit 2006	Net Profit 2007	% Change in Profits
Jordan Insurance	30,000,000	1,468,083	(5,399,565)	(467.8%)
First Insurance	24,000,000	N/A	N/A	N/A
Arabian Seas Insurance	21,000,000	(1,126,106)	(5,710,863)	(416.0%)
Middle East Insurance	18,000,000	4,026,156	3,695,663	(8.2%)
Jordan International Insurance	16,500,000	3,528,651	2,611,131	(26.0%)
Arab German Insurance	10,400,680	388,303	1,036,250	166.9%
Al-Nisr Al-Arabi Insurance	10,000,000	1,909,341	2,063,580	8.1%
Arab Orient Insurance	10,000,000	1,367,324	1,462,523	7.0%
Mediterranean & Gulf Insurance	10,000,000	N/A	95,730	N/A
Housing Loan Insurance (Darkom)	10,000,000	N/A	(867,956)	N/A
Jordan French Insurance	9,100,000	(5,715,164)	(2,607,609)	54.4%
Arab Jordanian Insurance	8,775,000	(582,961)	1,903,514	426.5%
Islamic Insurance Company	8,000,000	421,520	603,580	43.2%
Arab Insurers	8,000,000	36,614	890,968	2,333.4%
Arab Assurers	7,974,319	412,899	962,678	133.2%

Company	Paid-Up Capital	Net Profit 2006	Net Profit 2007	% Change in Profits
General Arab Insurance	7,722,504	420,539	962,305	128.8%
United Insurance	7,000,000	60,518	359,263	493.6%
Euro Arab Insurance	6,000,000	(1,079,053)	1,343,844	224.5%
Barakah Takaful	5,944,797	(1,076,693)	562,874	152.3%
Jerusalem Insurance	5,460,000	1,345,974	1,537,881	14.3%
Delta Insurance	5,000,000	392,700	1,105,546	181.5%
Yarmouk Insurance	5,000,000	1,270,255	(220,715)	(117.4%)
Oasis Insurance	5,000,000	(1,666,767)	(4,576,406)	(174.6%)
Arab International United Insurance	4,000,000	(1,800,129)	1,373,919	176.3%
Holy Land Insurance	4,000,000	(997,217)	612,265	161.4%
Philadelphia Insurance	4,000,000	8,474	278,384	3,185.2%
Gerasa Insurance	3,918,840	(339,981)	(644,068)	(89.4%)
National Insurance	3,500,000	(1,213,110)	265,465	121.9%
Insurance Sector Total	**268,359,140**	**1,460,170**	**3,700,181**	**153.4%**

Source: Insurance Company Financial Statements

Profitability of the sector more than doubled in 2007 compared to 2006, reaching JD 3.70 million, despite the fact that seven of the listed companies registered negative returns. This improvement comes due to the sector's profits for 2006 being particularly low due to major losses being incurred on insurance companies' investment portfolios after the downturn in the stock market, which hit hard on the sector's profit and loss statements. Moreover, rising awareness of the importance of insurance, in addition to growing disposable income per household has increased the business received by the insurance sector. However, once again, an inverse relationship exists between costs of living and demand for insurance, therefore, the rising inflation for 2008 may lead to a decline in the insurance premiums obtained.

Profitability of the insurance sector improved dramatically in 2007 compared to 2006

Real Estate Sector

The real estate sector has flourished over the past few years, particularly following the sharp correction in the capital markets of Jordan and the region in 2006, which encouraged the diversion of investments and liquidity away from the stock market towards real estate. Moreover, the war on Iraq was a significant driver of the flurry in construction and real estate, as refugees flooded the Kingdom to wait out the war. Estimates of the number of Iraqis that were residing in Jordan reached one million capita, compounding the impact of the already growing Jordanian population.

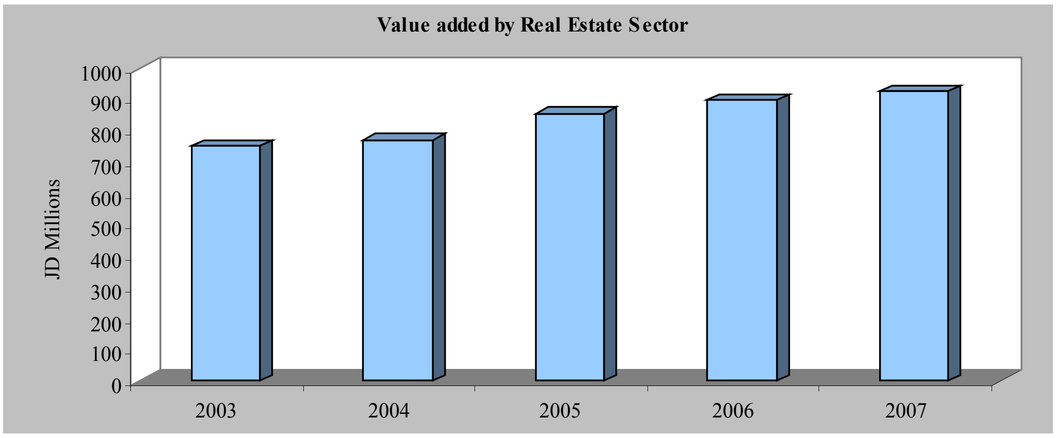
The real estate sector in Jordan has been flourishing over the past few years

During the war, Jordan was positioned as a gateway to Iraq for journalists, NGOs and businesses, who set up shop in the Kingdom due to its proximity to Iraq and its relative safety. This applied further pressure on the already stretched residential and commercial properties, driving up demand from an anticipated annual demand for 20-25 thousand units in 2003 to 31 thousand in 2005 and over 55 thousand currently, according to the Housing and Urban Development Corporation. The delay in the supply of properties compared to the rate of rising demand caused real estate prices to skyrocket, thereby pricing the average Jordanian out of the market. This created a new avenue of opportunity for real estate construction; housing projects targeting the low-income segments of the population.

Estimated annual demand increased from 20-25 thousand units in 2003 to a current estimate of 55 thousand

These projects have been supported by his Majesty, King Abdullah, who recently launched a "National Housing Initiative", which is an initiative to build 120,000 residential units across the Kingdom targeting the poorer population of Jordan. As part of the initiative, the Government will provide plots of land at no cost or at subsidised costs to private sector property developers.

The boom has not been restricted to residential property; the flurry of construction has also spilled over to other segments of the real estate market, to include commercial properties and retail segments, with glass-covered offices, lavish hotels and mega-malls multiplying in number over the past five years.



Source: Department of Statistics

Over the years, the value added by the real estate sector has been gaining ground, increasing from JD 749.9 million in 2003 to JD 927.0 million in 2007. Trading in real estate amounted to JD 5.6 billion in 2007, up 8% compared to 2006's JD 5.2 billion. The sector has been on the receiving end of foreign direct investment, with foreign purchases of real estate registering at JD 133.88 million in 2007.

Value added by the real estate sector to the economy reached JD 927 million in 2007

2.1.1_2 Transport & Communications

The second largest contributor to GDP within the services sector is "transport and communications". Transport and communications represent a vital element of the infrastructure of the economy, playing an important role particularly in the tourism sector. The sector's contribution to GDP increased from JD 1.23 billion in 2006 to JD 1.29 billion in 2007.

Contribution to GDP by the transport and communications sector increased to JD 1.29 billion in 2007

<u>Transport</u>

Key Transport Sector Statistics	2003	2004	2005	2006	2007
Number of Licensed Vehicles (000)	566.6	614.6	679.7	755.7	N/A
National Coach Fleet Size (Long-Distance Travel Buses)	2	16	27	55	N/A
Number of Vessels at Aqaba Port	2,694	2,888	2,933	2,884	2,587
Exported & Imported Goods via Aqaba Port (000 tonnes)	17,847.1	21,035.6	20,430.2	17,164.9	17,792.5
Number of Travellers with Royal Jordanian (millions)	1.4	1.7	1.8	2.0	2.3
Transit goods passing through Jordan (000 tonnes)	5,055	6,864	6,668	5,934	N/A
Investment in Public Transport Sector (JD millions)	29.84	20.95	37.05	40.43	72.00

N/A: Not available
Source: Central Bank of Jordan, Department of Statistics, Royal Jordanian, Public Transport Regulatory Commission

The growth in the population of Jordan, both through natural growth and growth attributed to the large number of other nationals that took up residence in Jordan in recent years, has led to a large increase in the number of vehicles in the Kingdom, and its infrastructure is struggling to keep up. Lack of parking spaces and congestion are no longer confined to certain areas of the Country or certain times of the day. In a bid to combat these problems, the Ministry of Transport has developed a strategy to improve both the public transport services available and the level and standard of infrastructure in the Kingdom. Public transport, regulated by the Public Transport Regulatory Commission, is a key issue on the sector's agenda for 2008.

The investment volume in the public transport sector amounted to JD 72 million in 2007 compared to JD 40 million in 2006. During the year, 200 new buses were operated, increasing the number of

Investment in the public transport sector in 2007 amounted to JD 72 million public transport seats by 6%. Moreover, agreements were made in 2007 with investors to operate in excess of 170 additional buses in 2008 in addition to 425 taxis in the Capital. Furthermore, during 2008, in an effort to modernize the public transportation vehicles, the Government of Jordan offered exemptions from custom fees and reductions in tax fees on replacement of older transportation vehicles with new ones.

Total facilities granted by licensed banks to the transportation sector registered at JD 352.3 million in 2007, up from JD 291.0 million in 2006 and JD 166.6 million back in 2003.

Credit facilities granted to the transportation sector reached JD 352.3 million, up from JD 291.0 million in 2006

The rising price of fuel, which broke the USD 120 per barrel barrier during 2008, alongside the abolishment of subsidies on prices of fuel by the Government, has necessitated further restructuring of public transport services, whereby new tariffs for public transport providers were announced by the Ministry of Transport. Taxi charges were set at 10 fils per 54 meters instead of the previously determined 10 fils per 60 meters and prices charged for taxi journeys to-and-from Queen Alia Airport were increased by 10%. The opening charge on taxi meters were raised by 100 fils to 250 fils. Tariffs on small-sized public transport vehicles were also increased by 10%, while transport on medium and large public transport vehicles were increased by an average of 23%.

The Public Transport Regulatory Commission signed a JD 8 million agreement in 2007 with the Jordan-Kuwait Nour Financial Investment Company to run a dial-up "Super Taxi" service in the Kingdom, whereby taxis will be summoned by telephone, and will be equipped with dispatching and tracking systems, and payment may be settled with cash, smart cards or credit cards.

Agreement signed with Nour Financial Investment Company to operate a dial up "Super Taxi" service

Jordan is setting in place the key requirements needed to position itself as an important transport hub for the region, supported by its strategic location. The development initiatives of the sector, therefore, have not been confined solely to public transport in the Capital. The Public Transport Regulatory Commission announced a build-operate and transfer (BOT) tender for the construction of a standard gauge 29 km railway between Amman and Zarqa, for which a Kuwaiti-Spanish consortium was selected, which estimated the cost of the project at JD 230 million. The light railway is intended primarily to transfer commuters between Jordan's two most populated cities with a capacity of 54 thousand passengers in one direction per day, and is expected to be operational in 2009.

BOT agreement signed with a Spanish-Kuwaiti consortium to construct the Amman-Zarqa light railway

The Government had decided to privatise the Aqaba Railway Corporation, however, in May 2008, it decided to postpone the privatisation until the Aqaba Development Corporation completes the final preparation stages of transferring the Aqaba main port, in addition to a number of other projects intended to be implemented in Aqaba, to highlight the Corporation as an attractive investment opportunity.

In terms of air travel, Royal Jordanian was privatised in 2007, where 71% of the Company was offered to the public for subscription. Moreover, a consortium led by Aeroports de Paris, won the USD 450 million tender to expand the Queen Alia Airport, entitling them to a 25-year concession to build and manage the new terminal. The construction of the terminal is expected to take place in two phases, the first of which will be completed by 2010 and will increase the terminal's capacity to 9 million passengers per annum, while the second phase will increase the capacity by up to 12 million passengers, subject to the level of air traffic passing through the terminal.

A consortium will expand the Queen Alia Airport...

In 2007, travellers with Royal Jordanian registered at 2.3 million, up 16% compared to 2006, while its revenues rose 17% from JD 447 million to JD 524 million over the same period.

Another important aspect of developing the Kingdom as a transport hub is the Aqaba Port Corporation. A consortium consisting of Lamnalco Group Marine and Offshore Services (UAE) and the Jordan National Shipping Lines Company won the tender to restore, develop, manage and operate Aqaba's marine services. The main port of Aqaba is to be relocated to the southern

... while another will develop and operate the Aqaba ports shores of Aqaba, and will be developed and operated under a 30-year concession BOT agreement. The Government approved an agreement signed with the UAE real estate company Al-Maabar, to develop Aqaba's main port and the 3,200 dunum area surrounding it, with an expected investment in the project of USD 5 billion. The Aqaba Special Economic Zone Authority revealed that it will partner the developer of the Aqaba Port, entitling it to 3% of the total revenues earned by the Company.

Moreover, during 2008, an agreement was signed between the Aqaba Development Corporation and the Jordan Phosphate Mines for the construction of a port in Aqaba for USD 150 million, specialised in the handling of phosphate. This new port will include storage warehouses, distribution, handling, and operating systems, and is expected to be completed in five years.

Information and Communications Technology

	2003	2004	2005	2006	2007
Number of Subscribers (Thousands)					
Fixed Line	623	638	628	614	559
Mobile and Portable Radio	1,325	1,624	3,138	4,343	4,772
Internet (members)	92	111	197	206	228
Internet (Users)	399	537	720	770	1,163
Volume of Investment (JD Million)					
Fixed Line	11.5	10.0	12.3	12.7	12.1
Mobile and Portable Radio	91.9	100.3	137.0	102.0	92.5
Internet	1.5	0.7	5.6	2.3	N/A
Number of Employees					
Fixed Line	3,663	3,048	2,701	2,432	2,303
Mobile and Portable Radio	1,249	1,641	2,124	2,251	2,283
Internet	294	353	450	415	N/A

N/A: Not Available
Source: Telecommunications Regulatory Commission

According to a survey performed by the Ministry of Information and Communications Technology and the Department of Statistics, 86% of households have mobile phones, with the average monthly expenditure amounting to JD 28.0. The survey also revealed that two thirds of those households with mobile phones have at least two mobile phones.

The penetration rate of mobile phones in households has reached 86%...

In terms of land lines and internet usage, 42% of households have a land line, 36% own a computer and 16% have internet usage at home. The average monthly household expenditure on land lines amounted to JD 23.4 while that for internet services is JD 16.2.

...while 42% of households have a land line and 36% own a computer

For the postal service, the survey revealed that 24.1% of the population use the Jordan Postal Service, with 66% of the usage being for the purpose of paying bills. Meanwhile, 4.9% of the population use private sector postal services.

During 2007, the Government updated its "Statement of Government Policy on the Information and Communications Technology and Postal Sector". In terms of the telecommunications sector, following its liberalisation, the Government's target is to promote an environment supportive of effective competition, which entails the facilitation of rapid entry of new competitors and services to the sector, reducing barriers to entry and emphasising regulatory compliance.

In terms of Information Technology, the Government is aiming to develop the sector so as to become internationally competitive and to increase the availability of broad-band access and online services and applications. It is also following a strategy to increase the penetration of personal computers and internet to 50% in 5 years.

Government strategy to increase penetration of computers and internet to 50%

For the postal service, the Government will continue to reform the postal services with the target of improving efficiency, quality and cost effectiveness through increased private sector participation. It also aims to reduce the sector's dependence on subsidies. Overall, it is hoped that the combined revenues from all segments of the sector increase to USD 3 billion by 2011.

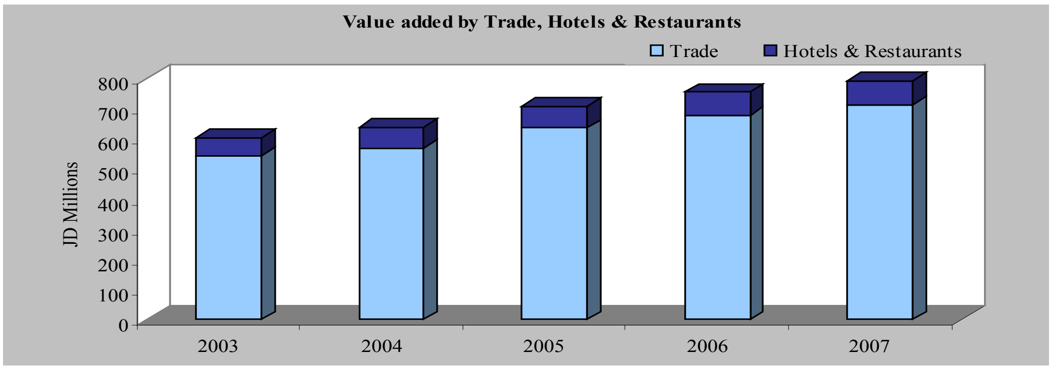
2.1.1_3 Producers of Government Services

GDP from "producers of government services" increased by 6.4% in 2007, more than double the rate of increase that was registered in 2006. Moreover, the contribution played by the "producers of government services" to GDP increased to 22.4% in 2007 compared to 14.8 in 2006.

GDP from producers of government services increased by 6.4% in 2007

2.1.1_4 Trade, Restaurants and Hotels

The value added from "trade, restaurants and hotels" reached JD 793.4 million at the end of 2007 compared to JD 755.2 million registered for 2006.



Source: Department of Statistics

Trade

Trade is the primary contributor of value in this caption, representing the value added by wholesale and retail trade, amounting to JD 713.2 million in 2007 against JD 678.3 million and JD 637.1 million in 2006 and 2005 respectively. The increase witnessed over the years is a by-product of the booming economy, with rising per-household wealth leading to increased production and sales. Moreover, the growing population and the number of expatriates residing in Jordan further boosted domestic demand and consumption.

Value added from trade amounted to JD 713.2 million

The rising importance of trade to the economy led to the establishment of 3,348 new companies during the year with a combined capital of JD 146.3 million. Moreover, facilities granted for general trade by licensed banks registered at JD 2.43 billion in 2007, compared to JD 1.92 billion the year prior.

Restaurants and Hotels

Source: Department of Statistics

For a Country lacking in natural resources, the tourism industry is a key driver of economic growth and a key factor in the sustainable development of Jordan. Despite the regional instability and terrorist attacks on three hotels in Jordan in 2005, tourism has succeeded in picking up the pace, and shows strong promise for the future.

Following a slight decline in the number of arrivals to Jordan in 2003, caused primarily by the war in neighbouring Iraq, the number of tourist arrivals has been on the rise since, registering a compounded annual growth rate of 9.2% in the four years, reaching 6.53 million in 2007, despite a minor 2.7% decline in the number of arrivals during 2007 compared to the 6.71 million visitors registered in 2006. The Kingdom's visitors comprised 3.43 million overnight tourists, while the remainder represent same-day visitors. This apparent revival of the tourism industry was reflected in the occupancy rates, which reached as high as 59.4% and 71.3% for 5-star and 4-star hotels, respectively. Overall, for classified and unclassified residences, the occupancy rate across the Kingdom registered at 47.1% in 2007 compared to 41.6% the year prior.

Compounded annual growth rate of arrivals in Jordan since 2003 reached 9.2%...

In 2007, Arab nationals constituted 68.6% of total arrivals, and Jordanians living abroad make up a further 11.5%. Syrians and Saudi Arabian nationals are Jordan's most frequent visitors, at 1.88 million and 1.00 million visitors respectively, although both exhibited a reduction in numbers as compared to 2006. Overall, arrivals from Arab countries declined from 4.76 million in 2006 to 4.49 million, although arrivals from Palestine registering a sharp increase from 100,823 visitors to 304,793. In parallel, the number of arrivals from Europe increased by 35.1%, with the largest absolute increase occurring for Israel, Russia and the United Kingdom.

...the bulk of which comprise of Arab nationals

The industry employs around 34,455 individuals as of the end of 2007, 10.9% more than the number employed in 2006, in addition to in excess of 120,000 individuals employed indirectly in the sector. Tourism income rose by 12.2% during the year from JD 1.46 billion to JD 1.64 billion, while expenditure by Jordanians for tourism purposes outside Jordan registered at JD 625.5 billion.

The tourism sector employs 34,455 individuals directly and more than 120,000 indirectly

The number of classified and unclassified hotels reached 470 in 2007, providing 42,140 beds, and 21,587 rooms of which 14,874 are in Amman. The numerous touristic projects and resorts being established across the Kingdom, particularly in the Dead Sea area and Aqaba, are expected to place Jordan on the map as an attractive touristic destination on a par with those of Egypt and Lebanon. By the end of the year, facilities amounting to JD 255.8 million had been granted to the sector, up by JD 60.7 million from the prior year.

The Government is exerting significant efforts in marketing the Kingdom in various countries around the world, in addition to enacting a number of initiatives to support the development of the sector, which includes a five-year national strategy. However, new obstacles are emerging; the removal of Government subsidies on oil and the continuous climb in international fuel prices is presenting challenges to the sector, with hotels and tour operators hiking up prices of tour packages, reducing Jordan's competitiveness in relation to its neighbours, of which some are already substantially cheaper.

As a key driver of economic growth and sustainable development, efforts will have to be made to reduce the expenses and enhance the services offered. Part of these initiatives have included certifying tourist police in key touristic areas through tourism awareness workshops as part of the 6-year National Tourism Awareness Campaign which began in 2004, entitled "Tourism Enriches our Lives". The Campaign initially aimed to attract 12 million visitors, generate JD 1.3 billion per year, and create 51,000 new job opportunities by 2010. Due to the strong performance of the sector, the goal has been adjusted upwards to JD 2 billion by 2010.

ABC Investments

2.1.2 Manufacturing Sector

Another heavyweight, the "Manufacturing" sector, also experienced a increase in the value added to GDP, which rose by 4.7% from JD 1.39 billion in 2006 to JD 1.46 billion. Manufacturing industry exports amounted to JD 2.34 billion, or 73.6% of total exports, compared to the JD 2.25 billion exported in 2006. This increase comes notwithstanding the decline in the quantities produced by the major industrial manufacturing industries, as highlighted below:

GDP from manufacturing sector rose 4.7% in 2007 to JD 1.46 billion

('000 tonnes)	2003	2004	2005	2006	2007	% Change
Petroleum Products	3,694.6	3,946.5	4,213.7	4,017.2	3,740.4	(6.9%)
Cement	3,514.9	3,907.6	4,045.9	3,967.4	3,969.3	0.0%
Clinker	3,170.1	3,401.3	3,374.7	3,419.2	3,367.2	(1.5%)
Chemical Acids	1,499.3	1,650.6	1,613.6	1,668.6	1,502.0	(10.0%)
Fertilizers	634.0	779.1	790.3	861.8	831.0	(3.6%)

Source: Central Bank of Jordan

2007 registered a decline in quantities produces by most industrial manufacturing industries

Appendix A illustrates the components of the Manufacturing Production Index, which highlights that the increase in the index in 2007 comes despite declines in the heaviest weighted items, the food products and beverages, with a weighting of 15.4%, declining from 162.2 in 2006 to 152.0 in 2007, refined petroleum products, with a weighting of 14.7%, declining from 123.9 to 119.7, and fertilizers with a weighting of 10.7% which declined from 116.1 to 104.4 over the same period.

Worth highlighting also is the decline, albeit minimal, in the contribution played by wearing apparel and textiles to the Index. One of the primary goals of the Kingdom is to transform itself into an export-oriented manufacturing country, as a key factor in its bid for sustainable economic growth. Wearing apparel and textiles are the largest contributor to the Kingdom's exports, at JD 843.50 million in 2007 out of a total of JD 3.18 billion. With the purpose of supporting the manufacturing industry, numerous free zones have been established across the Kingdom, exempting products manufactured in the zones from excise fees and various taxes. Moreover, accession into the World Trade Organisation (WTO) and the signing of free trade agreements with numerous countries is meant to play an important role in supporting this goal. However, problems of strikes by workers in qualified industrial zones, and rumours and cases of mistreatment of labourers has led to a decline in the imports by the US market of products from the zones. This was compounded further by the deterioration in the US economy, with aggregate exports to the US declining from JD 907.77 million in 2006 to JD 874.77 million in 2007.

The largest increases based on weighted contribution to the Index were for fabricated metal products (excluding machinery and equipment), which increased from 205.5 to 263.7, machinery and equipment, from 366.8 to 455.4, and pharmaceutical products, rising from 174.1 to 201.7.

Largest increase in the Manufacturing Production Index was for fabricated metal products, which increased to 263.7

The removal of fuel subsidies by the Government and the surging fuel prices which are driving up the price of electricity, transport costs, and other various expenses, is hiking up the costs of production, presenting a major challenge for the manufacturing industry to control its expenses. Selling prices are being raised to accommodate the increase in cost of sales, and in doing so are contributing further to raising inflation. This is spilling over to other segments of the economy, pushing up prices of other goods and services, and the vicious circle continues. Only a sharp slump in international fuel prices will act as a stopper in the eruption of manufacturing prices, and that point in time is nowhere in sight.

2.1.3 Mining & Quarrying

The mining sector's value added declined by 1.4% in 2007 to register at JD 130.2 million. In terms of contribution to GDP, this has been declining over the years, falling from 2.9% in 2003 to 1.9% in 2006 and 1.8% in 2007. A consideration of the primary mining produce reveals that while production of potash, albeit declining over the years, actually increased in 2007 compared to 2006, the production of phosphates declined by 5.6% over the same period.

Mining Production

('000 tonnes)	2003	2004	2005	2006	2007	% Change
Potash	1,961.1	1,929.0	1,829.1	1,699.4	1,794.4	5.6%
Phosphate	6,762.3	6,222.9	6,374.7	5,870.8	5,541.4	(5.6%)

Source: Central Bank of Jordan

Despite soaring international prices of potash and phosphate, the volume of phosphate produced declined in 2007

As one of the Kingdom's only resources, the mining and quarrying industry, particularly for potash and phosphate, should be harnessed to produce as much as possible. Due to the global population growth overtaking supply of food and agricultural produce, demand for phosphate and potash as the primary components of fertilisers is soaring, driving up the international prices of these commodities.

The Industrial Production Quantity Index also reveals that the index for the mining and quarrying industries decreased from 95.2 at the end of 2006 to 93.9 in 2007. Moreover, the Production Quantity Index for the extraction of petroleum and natural gas declined by 12.6% over the same period, while the quarrying of stone and the production of phosphate dropped by 5.8% and 5.6% respectively. Only for the potash production did the Index manage to rise, increasing from 94.4 to 98.8.

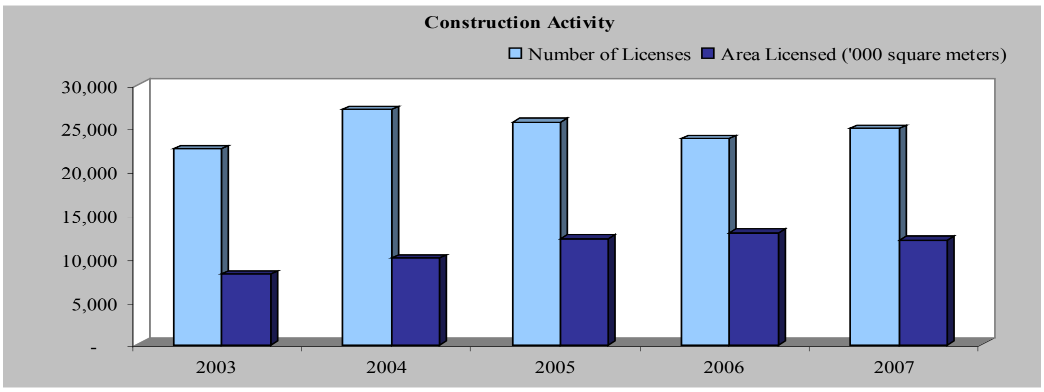
With the unrelenting rise in costs of oil, the costs of which are a major drain on the economy, the Kingdom is looking into utilising its reserves of oil share and uranium as sources of energy. Therefore, we would expect the contribution played by mining and quarrying to GDP to soar in the medium-to-long-term should prospecting and extracting such sources prove feasible. Already, the value of crude material exports, excluding fuels, increased from JD 353.83 million in 2006 to JD 435.18 million, making up 13.7% of the Country's total exports.

2.1.4 Construction

Construction has been gaining importance to the Kingdom, with GDP from the sector amounting to JD 436.0 million at the end of 2007, up 8% from the JD 403.8 million recorded in 2006. As a result of abundant liquidity in oil rich countries following the soaring of oil prices, alongside high population growth in the Kingdom, the influx of tourists and refugees, and the relative safety of Jordan compared to its neighbours, construction activity has taken the Country by a storm, with residential compounds, apartments, hotels and malls appearing across the Kingdom.

Contribution of construction to the economy is on the rise, with GDP registering at JD 436 million

The buoyant sector helped draw in numerous companies, with the total number of new construction companies established since 2003 reaching 948 with a total paid-up capital of JD 78.9 million. In 2007 alone, 288 companies were established with a capital of JD 26.4 million.



Source: Central Bank of Jordan

The number of construction permits granted during the year increased by 5.2% compared to 2006, while the area licensed declined by 6.6%. The bulk of the permits granted were for the Capital, Amman, which claimed 38.3% of the residential-purpose permits and 48.9% of non-residential-purpose permits. Amman also was the recipient of 63.7% of the total area licensed in the Kingdom.

Number of construction permits granted rose in 2007 while area licensed declined

The overall growth of the sector has been supported by the banking sector, with facilities granted for the purpose of construction amounting to JD 381.3 million, taking up the total outstanding facilities for the sector to JD 1.94 billion.

Year 2008 is likely to present problems for the construction sector, with steel prices soaring to JD 1,000 per tonne, and cement prices being hiked up as a consequence of rising fuel prices. Since a substantial proportion of the sector activity is large-scale long-term projects of which portions have already been sold, developers are likely to incur losses on several of their developments, which will deter further construction. Thus, the once highly profitable industry could soon transform into a loss-making business for developers.

2.1.5 Agriculture

The value added by the agricultural sector to GDP declined by 3.3% from JD 249.6 million at the end of 2006 to JD 241.3 million in 2007. Moreover, its percentage contribution to GDP has also been declining over the years, reaching 3.3% at the end of 2007 compared to 4.1% back in 2003.

GDP from agriculture reached JD 241.3 million

Statistics issued by the Ministry of Agriculture revealed that the area of land suitable for agricultural purposes reached 8,864 thousand dunums while the actual area of land planted in 2007 is estimated at 3,053 thousand dunums. Field crops output in the Jordan Valley registered at 70.84 thousand tonnes, up substantially compared to the 48.12 thousand tonne output in 2006. Total fruit produced increased to 386.3 thousand tonnes despite a decline in citrus fruit output from 298.6 thousand tonnes in 2006 to 207.1 thousand tonnes.

Highlights of Agricultural Output

(in '000 tonnes)	2003	2004	2005	2006	2007
Field Crops	152.67	30.86	101.87	48.12	70.84
Vegetables	1,452.9	1,466.3	1,619.4	1,501.8	1,777.7
Citrus Fruit	N/A	96.0	252.7	298.6	207.1
Other Fruit	N/A	350.6	352.1	378.0	386.3
Red Meat	12.8	13.0	16.1	14.2	N/A
Poultry (Production)	117.5	114.0	115.4	144.8	N/A
Table Eggs (Millions)	879.8	888.5	785.7	863.1	N/A

N/A: Not available
Source: Ministry of Agriculture, Al Rai Newspaper

Exports of the sector have been rising year-on-year from JD 156.64 million in 2003 to JD 322.63 million in 2006 and JD 403.92 million in 2007, the bulk of which is vegetable exports.

Facilities granted to the sector during the year amounted to JD 15.3 million, with the total outstanding facilities granted at year end reaching JD 156.2 million.

3.0 BALANCE OF PAYMENTS, CAPITAL FLOWS AND FDI

The economic boom enjoyed by the Kingdom in recent years has not been reflected in its balance of payments, with the Kingdom's current account turning negative since 2005. At the end of 2007, the current account deficit stood at JD 1.97 billion, with the deficit increasing by 73.7%

Current account deficit at the end of 2007 stood at JD 1.97 billion compared to 2006.

(JD Millions)	2003	2004	2005	2006	2007
Current Account	882.6	62.9	(1,559.5)	(1,133.3)	(1,968.2)
*Trade Balance (net)**	*(1,415.3)*	*(2,395.1)*	*(3,556.3)*	*(3,584.7)*	*(4,482.1)*
Capital & Finance Account	(986.0)	(199.4)	982.7	1,139.7	1,077.1
Net Errors & Omissions	103.4	136.5	576.8	(6.4)	891.1

* Based on F.O.B. figures

Source: Central Bank of Jordan

The trade balance deficit continued to rise due to rapid acceleration of imports alongside comparatively weak export performance, an effect exacerbated by the rising cost of imports as a result of the surging prices of key commodities such as oil and food. In 2007, the trade balance deficit increased to JD 4.48 billion from JD 3.58 billion the year prior. Imports increased by 17.2% to JD 9.59 billion in 2007, while total exports rose by 9.5% to JD 4.04 billion over the same period, leading to an increase in the trade balance deficit of JD 897.4 million.

Current account deficit at the end of 2007 stood at JD 1.97 billion

The rise in consumption as a result of improved per-household income, in addition to increased investment demand has fuelled the growth in imports. Despite the Jordanian Dinar being pegged to the U.S. Dollar, which has been experiencing a sharp deterioration against other currencies, a corresponding demand for the now relatively "cheaper" Jordanian produce failed to materialise. The devaluation of the Dinar translated into higher costs of imports from other countries, driving up the prices of Jordanian products and services that require such imported goods as inputs into production.

Recent global demand and shortages in production of certain agricultural produce, particularly in terms of wheat, barley and rice, has led to Government to prohibit export and re-export of certain key commodities, in an effort to control inflation and prices of these items, and to ensure an available supply in the market.

The capital and finance account balance has been rising over the years, reaching JD 1.14 billion in 2006 up from a deficit of JD 986 million in 2003. In 2007, the capital and finance account balance dropped to JD 1.08 billion attributed primarily to the sharp JD 1.11 billion decline in direct investment to the Kingdom. The foreign direct investment during the year registered at JD 1.30 billion compared to JD 2.28 billion for 2006. Foreign direct investment in Jordan is covered in more detail in section 3.2 "Foreign Direct Investment".

Capital and finance account balance declined in 2007 compared to 2006 due to the decline in direct investment

The Kingdom relies significantly on inflows of capital, thereby necessitating efforts to continually attract investors.

3.1 Imports, Exports & the Trade Balance

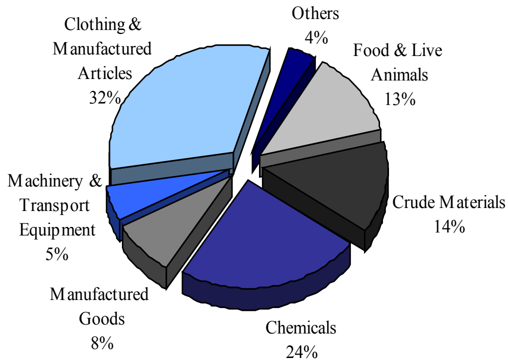
('000 JD)	2003	2004	2005	2006	2007
Domestic Exports	1,675,075	2,306,626	2,570,222	2,929,310	3,179,578
Re-Exports	509,797	446,397	479,339	760,339	861,726
Total Exports	2,184,872	2,753,023	3,049,561	3,689,649	4,041,304
Imports	4,072,008	5,799,241	7,442,864	8,187,725	9,593,531
Total External Trade	5,747,083	8,105,867	10,013,086	11,117,035	12,773,109
Trade Balance	**(1,887,136)**	**(3,046,218)**	**(4,393,303)**	**(4,498,076)**	**(5,552,227)**

Source: Central Bank of Jordan

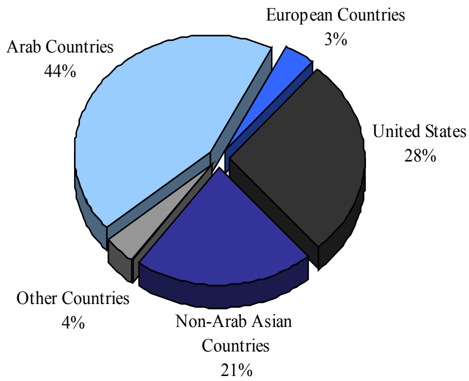
Domestic exports have been rising consistently over the past five years, as a result of the growing economy and boosted production, reaching JD 3.18 billion in 2007 compared to JD 1.68 million back in 2003.

A consideration of the domestic exports for 2007 highlights that the major commodities exported are clothing, which amounted to JD 1.02 billion, followed by pharmaceutical products and vegetables, at JD 300.13 million and JD 272.99 million, respectively.

Domestic Exports by Commodity - 2007



Domestic Exports by Geographic Destination - 2007



Source: Central Bank of Jordan

Primary exports are clothing and pharmaceuticals, and the primary export market is the United States

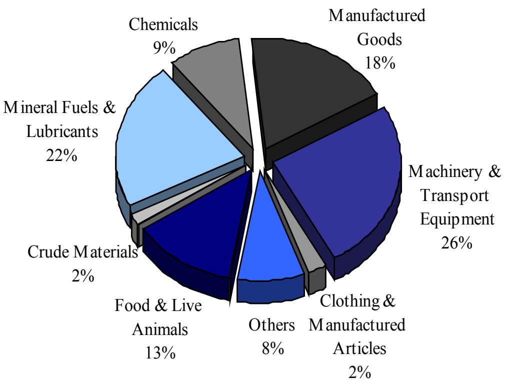
The United States represents Jordan's primary export market, with total exports recorded at JD 874.77 million. Exports to the U.S. are supported by the Jordan-U.S. Free Trade Agreement (JUFTA) signed between the two countries in 2000, under which products receive preferential rates, in addition to the Qualified Industrial Zone agreements, which entitle goods produced in QIZ's to duty and quota-free access to the U.S. Compared to 2006, however, exports to the U.S. declined 3.6% from JD 907.77 million. By 2010, under the terms of the JUFTA, tariffs will be fully eliminated on exports to the U.S., so we would expect to see continued growth in exports in the future, particularly in the form of textiles and clothing and pharmaceuticals.

Jordan has also entered into negotiations and bilateral trade agreements with a variety of other countries in a bid to enhance trade between the countries.

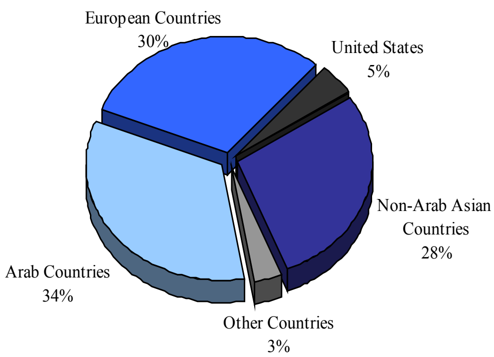
Imports reached JD 9.59 billion in 2007...

Meanwhile, imports have followed the general trend in export growth, rising by JD 5.52 billion since 2003 to reach JD 9.59 billion at the end of 2007. The bulk of Jordan's imports consist of crude oil and petroleum products, at JD 1.80 billion, transport equipment and spare parts at JD 771.85 million, telecommunication equipment at JD 593.04 million, and textiles and fabric at JD 474.95 million.

Imports by Commodity - 2007



Imports by Geographic Destination - 2007



Source: Central Bank of Jordan

...with crude oil and petroleum products representing the larger part of imports, and Saudi Arabia representing Jordan's main import market

Saudi Arabia represents the Kingdom's primary import market, with imports in 2007 amounting to JD 2.02 billion, representing 21.0% of total imports. The imports from Saudi Arabia are primarily crude oil and petroleum products, which comprise almost one quarter of Jordan's total imports.

China and Germany are Jordan's next largest import markets, with imports in 2007 registering at JD 927.54 million and JD 723.63 million respectively.

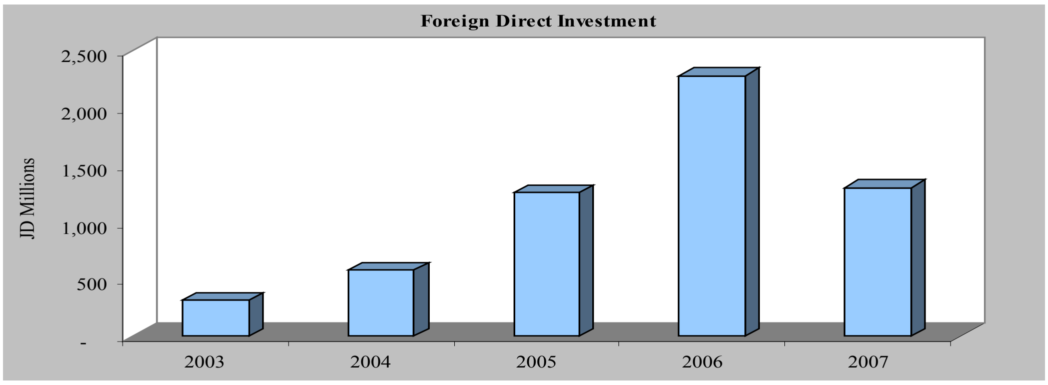
Strikingly, imports from the United States make up a very small proportion of total imports, which contrasts with the importance of the United States for Jordan's exports. The peg of the dinar against the dollar, and their mutual devaluation against other major currencies would lead to an anticipation of increased imports from the U.S. markets at the expense of imports from the "more expensive" European countries, but instead imports from the U.S. have been declining as a percentage of total imports, from 6.8% in 2003 to 4.8% in 2006 and 4.7% in 2007.

Overall, imports have outpaced exports, and the rising price of fuel and high inflation in the region, Jordan's main source of imports, compounded by the weakened dinar against major currencies, particularly the Euro, which is Jordan's second largest import market, have meant that the cost of these imports have been rising, leading to further widening in the trade deficit.

Imports outpaced exports overall

3.2 Foreign Direct Investment

Up until 2007, foreign direct investment in the Kingdom had been growing at an exponential rate, due to efforts by the Jordanian Government to attract investment to the Country, by opening it up to outside investors, streamlining procedures, removing restrictions on capital movement, liberalising and enhancing the environment for foreign investment.



Source: Central Bank of Jordan

Impressive growth in FDI despite apparent slowdown in 2007

The Investment Promotion Law of 1995 and its amendment in 2000 categorised a number of sectors that would be entitled to exemptions from income tax and social service taxes, to include the industrial, hotel and hospital sectors, in a bid to encourage investment. Moreover, the law emphasised that non-Jordanian investors are to be offered the same treatment as Jordanians, and are entitled to remit abroad foreign capital invested and any returns and profits from projects, in addition to the proceeds of sale or liquidation of investments. The law also entitles foreigners to lease or own property in Jordan, with the approval of the Department of Land and Surveys, the Ministry of Finance or the Cabinet.

Other initiatives to attract investment have included the strengthening of the banking and stock market regulations, joining the World Trade Organisation (WTO) and engaging in free trade agreements with a number of countries, particularly the United States, and setting up Qualified Industrial Zones to attract export-oriented investment.

The privatisation of some of the Country's major services and industries also increased investment into the Country, such as the sale of Jordan Telecom.

As of the end of 2007, the foreign direct investment (FDI) in Jordan for the year registered at JD 1.30 billion, falling substantially short of the FDI of JD 2.28 billion achieved in 2006. One

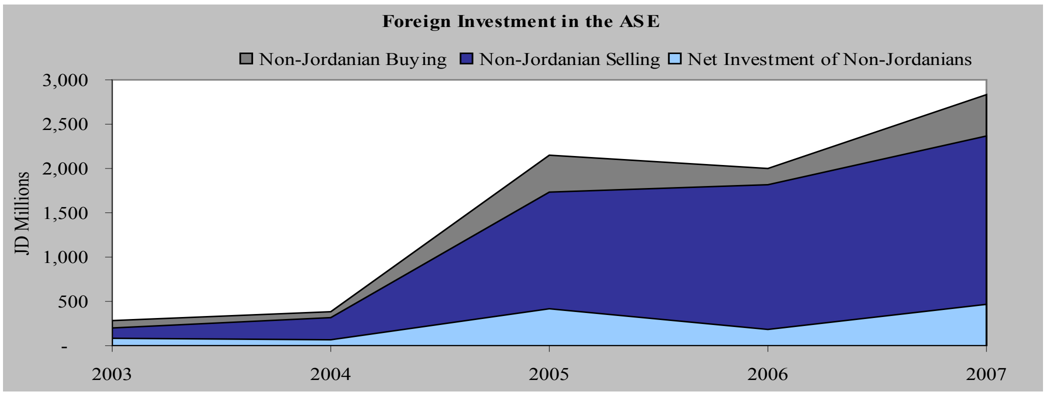
FDI declined by almost JD 1 billion in 2007...

of the primary reasons for the decline in FDI in 2007 compared to 2006 is that the FDI in 2006 was exceptionally high due to privatisation of some of the major services and industries of the Country. Privatisation proceeds in 2006 amounted to JD 452.5 million, with the largest proceeds arising from the privatisation of Jordan Telecom, which amounted to JD 313.7 million in that year alone.

... primarily due to the exceptionally high levels of FDI received in 2006 through privatisation initiatives

In 2007, the privatisation of the Royal Jordanian Airline helped boost up the FDI levels, whereby 71% of the Company, equivalent to 59.9 million shares, were offered to the public at a price of JD 3.08 per share, resulting in privatisation proceeds of JD 184 million. While a substantial portion of the initial public offering of Royal Jordanian went to Jordanians, foreign investors also partook in the IPO, thereby contributing to the level of foreign investment in the Kingdom.

Foreign investment in Jordan's capital market has also been on the rise. The recent boom in the region's stock markets has contributed to the attracting of foreign investments. The relative stability of Jordan's economy and its well-regulated capital market has positioned the Kingdom as a viable venue for investors to diversify their portfolios. Moreover, with an upsurge in the number of initial public offerings (IPOs) in Jordan, renowned for their ability to generate a very high return within the first week of listing, the Jordanian capital market has many attractions to offer.



Source: Amman Stock Exchange

Foreign ownership of the market capitalisation at the end of 2007 reached 49%

As of the end of 2007, foreign ownership of the market cap amounted to 48.9%. Non-Jordanian buying registered at JD 2.83 billion, while non-Jordanian selling reached JD 2.36 billion, resulting in a net investment of JD 466.2 million.

3.3 Remittances

An important source of foreign exchange to the Kingdom is remittances from Jordanians living abroad. The current favoured employment destination for Jordanians outside of the Kingdom are the GCC countries, due to their location in close proximity to the Kingdom, the fact that they offer a culture relatively similar to that of Jordan, and that they offer high salaries exempt from taxes.

The soaring of oil prices in recent years has led to expansion in the economies of the oil-rich GCC countries, impacting positively on their economies, triggering further growth and development, thereby offering abundant new job opportunities and attracting more and more of the Jordanian work force. The increased oil wealth has been reflected in the rising salaries offered, which translated into soaring remittances in recent years. As illustrated below, the level of remittances grew substantially year-on-year to reach JD 2.12 billion in 2007, an important contribution to the economy's liquidity.

Remittances increased substantially over the past few years to an impressive JD 2.12 billion in 2007

Value of Remittances (JD Millions)

2003	2004	2005	2006	2007
1,404.5	1,459.6	1,544.8	1,782.7	2,122.5

Source: Central Bank of Jordan

4.0 CONSUMER PRICE INDEX AND INFLATION

The strong economic growth and expansion of money supply has been applying increasing pressure on prices. The inflation rate based on the Consumer Price Index reached 5.4% in 2007, down by 0.9 percentage points compared to the inflation rate registered for 2006. The CPI (based on year 2002 prices which were set to 100) reached 121.7 in 2007, compared to 115.5 in 2006 and 101.6 back in 2003. Overall since 2003, inflation has amounted to 19.8%, triggered by the large number of Iraqi refugees residing in the Kingdom following the second Gulf war, and the large volume of foreign investment in the Country which led to heightened demand conditions, driving up the prices of commodities across the board. Moreover, prices of a variety of materials have been rising internationally in recent years, to include the price of steel, oil, powdered milk, grains, which have driving up their prices in the domestic market and spilled over to prices of other commodities.

Inflation rate based on the Consumer Price Index dropped to 5.4% in 2007 compared to 6.3% in 2006...

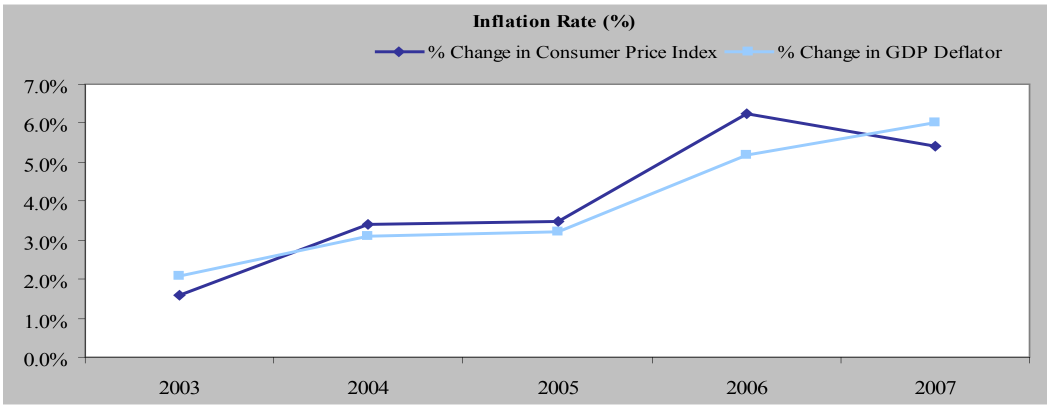
Further exacerbating the situation is the weakening dollar, to which the Jordanian Dinar is pegged. As a result, the Dinar is devaluating against other major non-dollar currencies. With Jordan being highly import-reliant, this devaluation is making imports substantially more costly. Demands have been make in the market for the Jordanian currency to be pegged to a basket of currencies, but such notions have been rejected so far by the Central Bank with the reason that being pegged to the dollar at its current prices makes Jordanian exports more competitive internationally, and is therefore in the economy's best interests. However, the heightened costs of imports and the reduced subsidies by the Government mean that the cost of sales of Jordanian products are escalating, which is leading to a rise in prices of goods sold both domestically and internationally.

Consumer Price Index (2002=100)

	Weight	2003	2004	2005	2006	2007
Food Items	39.7%	102.6	107.3	112.8	121.2	132.5
Clothing & Footwear	4.9%	96.7	94.4	94.0	96.6	102.7
Housing	26.4%	101.7	103.5	105.7	111.6	113.8
Other Goods & Services	29.0%	100.8	105.4	108.4	114.4	117.4
Consumer Price Index	100.0%	101.6	105.0	108.7	115.5	121.7
% Change		1.6%	3.4%	3.5%	6.3%	5.4%

Source: Central Bank of Jordan

Most of the upward pressure on the consumer price index is due to rising prices of meat, poultry, vegetables and cereals.



Source: Central Bank of Jordan

In 2008, with the Government removing the remaining subsidies on the prices of fuel, prices of all commodities and services are soaring, and inflation has been forecasted by the International Monetary Fund at 10.9% for the year compared to 5.4% in 2007, while experts in the market are predicting inflation rates higher still. In order for inflation to more realistically reflect the change in prices, the Consumer Price Index is expected to be revised in the near future based on 2006 prices instead of the relatively outdated 2002 prices.

... but is expected to exceed 11% in 2008

ABC Investments

5.0 EXTERNAL PUBLIC DEBT

External public debt outstanding at the end of 2007 stood at JD 5.25 billion, up 1.3% from 2006's JD 5.19 billion. Based on the GDP for 2007, the ratio of external debt to nominal GDP registered at 46.8%, significantly lower than the 74.6% registered back in 2003. Long-term loans accounted for 98.0% of the external public debt at JD 5.15 billion, with the primary sources representing bilateral loans from industrial countries and export credit guarantees. In terms of creditor, Japan ranked as Jordan's largest lender, with an outstanding balance at the end of 2007 of JD 1,012.80 million, followed by France and the World Bank, with balances of JD 733.32 million and JD 640.12 million, respectively.

External public debt rose 1.3% to JD 5.25 billion in 2007, comprising almost 47% of GDP

(JD Millions)	2003	2004	2005	2006	2007
Long-term Loans	5,345.0	5,341.9	4,948.9	5,080.7	5,150.3
- Arab Governments	290.6	305.1	339.5	360.9	382.1
- Industrial Countries	3,263.3	3,375.9	3,045.0	3,174.5	3,263.3
• Bilateral Loans	1,593.4	1,618.1	1,426.1	1,431.8	1,437.9
• Export Credit Guarantees	1,669.9	1,757.8	1,618.9	1,742.6	1,825.3
- Other Governments	31.1	31.6	36.8	38.3	38.6
- Foreign Banks and Companies	17.8	10.1	1.9	1.1	0.2
- Multilateral Institutions	1,742.2	1,619.2	1,525.7	1,505.9	1,466.3
Bonds	-	-	103.0	103.0	103.0
Leasing Contracts	46.8	6.9	4.9	2.8	-
Outstanding External Public Debt	**5,391.8**	**5,348.8**	**5,056.7**	**5,186.5**	**5,253.3**

Source: Ministry of Finance

As mentioned, the peg of the Jordanian Dinar to the U.S, Dollar has also impacted on the outstanding debt balance as a result of the devaluation of the dinar against non-dollar currencies. Of the outstanding debt, 29.4% is in USD, and therefore is not impacted by any devaluation. However, 22.9% of the debt balance is in Euros, which appreciated in value by 11.8% against the dollar during 2007, equivalent to an increase in the loan balance of USD 182.31 million (JD 129.26 million), while 17.6% of the debt is in Japanese Yen, which appreciated by 5.8%, equivalent to an increase of USD 55.66 million (JD 39.46 million). The total effect from changes in exchange rates during the year amounted to an increase in the outstanding loans balance of USD 327.25 million (JD 232.02 million).

Devaluation of the dinar meant that the value of outstanding loans balance increased by JD 232 million

Loans Contracted during 2007

Creditor	Project	Date	Loan Amount (million)	Maturity (Year)	Grace Period (Year)	Beneficiary
External Government						
IBRD	Regional & Local Dev. Project	Jan-07	USD 20.00	17	5	Ministry of Municipal Affairs
IBRD	Heritage, Tourism & Urban Dev.	Feb-07	USD 56.00	17	5	Ministry of Tourism
AFD	Regional and Local Dev. Project	Nov-07	EUR 15.00	16	6	Ministry of Municipal Affairs
Saudi Fund	Extension of Al-Basheer Hospital	Dec-07	SAR 82.50	20	5	Ministry of Health
Italy	Faculty of Rehabilitation Sciences	Dec-07	EUR 1.84	25	13	University of Jordan
KFW	Water Pipelines North Governor	Dec-07	EUR 15.00	30	10	Water Authority
KFW	Water Manag. Middle Governor	Dec-07	EUR 5.30	30	10	Water Authority
External Guaranteed						
AFESD	Samra Electric Power Gener. Station	May-07	KWD 20.00	22	5	Samra Electricity Gener. Co.

Source: Ministry of Finance

ABC Investments

6.0 FISCAL POSITION

(JD Millions)	2003	2004	2005	2006	2007 Budget	2007 Prelim.
Total Revenues and Grants	2,613.0	2,958.5	3,062.1	3,469.0	4,074.0	3,971.5
Domestic Revenues	1,675.6	2,147.2	2,561.8	3,164.4	3,500.0	3,628.1
Foreign Grants	937.4	811.3	500.3	304.6	574.0	343.4
Total Expenditures	2,809.8	3,180.5	3,538.9	3,912.2	4,842.3	4,586.0
Current Expenditures (Commitment Basis)	2,163.7	2,377.8	2,908.0	3,118.1	3,839.1	3,744.2
Capital Expenditure	646.1	802.7	630.9	794.1	1,003.2	841.8
Overall Balance (Commitment Basis)						
Including Grants	**(196.8)**	**(222.0)**	**(476.8)**	**(443.2)**	**(768.3)**	**(614.5)**
Excluding Grants	**(1,134.2)**	**(1,033.3)**	**(977.1)**	**(747.8)**	**(1,342.3)**	**(957.9)**

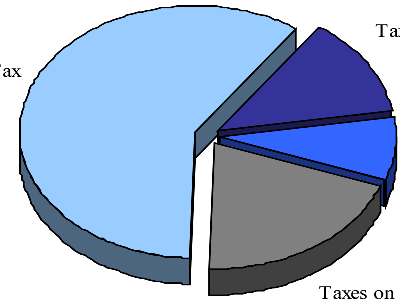
Source: Ministry of Finance

The flourishing economy has translated into rising revenues for the Government. Total revenues and grants of the Kingdom amounted to JD 3.97 billion at the end of 2007 compared to JD 3.47 billion for 2006, with the domestic revenues constituting 91.4% of the total sources of income, at JD 3.63 billion in 2007. The domestic revenues registered a JD 463.7 million increase, attributed primarily to the 15.9% increase in tax revenues, which increased by JD 338.6 million over the same period.

Domestic revenues registered at JD 3.63 billion while grants reached JD 343.4 million

A consideration of the composition of tax revenues highlights that general sales tax is the primary source of tax revenues, making up 59.2% of the total, followed by income tax on corporations and individuals, contributing 18.1%.

Composition of Tax Revenues (JD Millions) - 2007



Source: Ministry of Finance

General sales tax make up the Government's primary source of revenues at JD 1.46 billion at the end of 2007

Foreign grants also rose in 2007 compared to 2006, but have otherwise been declining over the years.

Meanwhile, the government expenditures have also been following a rising trend, reaching JD 4.59 billion at the end of 2007 compared to JD 3.91 billion in 2006 and JD 2.81 billion back in 2003. The government's expenditures consist of current expenditures and capital expenditures, with weightings of 81.6% and 18.4%, respectively.

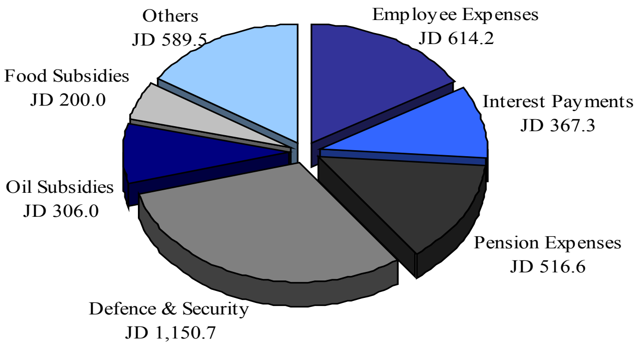
Government expenditures registered at JD 4.59 billion...

The composition of current expenditures reveals that defence and security represent the government's highest expenses, at JD 1.15 billion, followed by employee expenses at JD 614.2 million, and pension expenses at JD 516.6 million.

Following the terrorist attacks in Jordan, and the turmoil in the region, the Government has allocated a substantial portion of its budget for defence and security. Defence and security experienced the highest increase in absolute terms year-on-year, rising from JD 795.1 million in 2006, representing an additional expenditure of JD 355.6 million.

... with the major expenditures on defence and security

Composition of Current Expenditures (JD Millions) - 2007



Source: Ministry of Finance

Other burdens on the Government came about from rising international prices of oil and food, which are subsidised. leading to the cost of subsidising oil to rise from a budgeted JD 200 million to JD 306 million, despite raising the price of fuel in the local market for consumers during 2007.

The removal of oil subsidies in 2008 in a bid to liberalise the market is hoped to tighten the fiscal deficit. In 2008 the prices of fuel in the market were hiked up, and are currently adjusted monthly to accommodate the change in international prices of fuel. The increase in fuel prices has spilled over to all aspects of the economy, applying upward pressure on inflation, which is expected to exceed 10% this year. As a result, the Government has had to raise the wages and salaries of public sector employees, in addition to forking out aid for the low-income population, thereby eating into the fuel "savings".

6.1 Privatisation

In accordance with the national privatisation strategy, the Government of Jordan issued the Privatisation Law No. 25 of 2000. The primary purposes of the privatisation strategy are as follows:

- Raising the efficiency, productivity and competitiveness of economic enterprises, through the reduction of centralisation and bureaucracy, and the improvement of remuneration of employees and the levels of capital invested.
- Attracting foreign direct and indirect investment to the Country, which will broader the production base and help ease unemployment, through providing a favourable investment environment.
- Utilise the privatisation proceeds to improve the Country's infrastructure through new investments and projects.
- Developing the capital market of Jordan.
- Improving the Government's budget through reducing the deficit and raising its revenues.
- Alleviating the debt burden of the Treasure through providing funds to settle portions of its sovereign debt.
- Enabling the Government to divert its attention to different avenues.

Privatisation Proceeds

JD Millions	2003	2004	2005	2006	2007
Jordan Telecommunications Company	0.1	-	-	313.7	-
Royal Jordanian	-	-	39.0	18.4	164.5
Arab Potash Company	87.8	-	-	35.1	-
AMPCO Company	-	-	-	2.0	1.9
Phosphate Company	-	-	-	78.7	-
Jordan Civil Aviation Academy	-	-	-	4.1	-

Privatisation proceeds amounted to JD 274.2 million, down from JD 452.5 million in 2006

JD Millions	2003	2004	2005	2006	2007
Central Electricity Generating Company	-	-	-	-	104.3
Other Companies	0.6	0.5	0.6	0.5	3.5
Total Privatisation Proceeds	**88.5**	**0.5**	**39.6**	**452.5**	**274.2**

Source: Ministry of Finance

Year 2007 saw a sharp decline in the privatisation proceeds compared to 2006, registering at JD 274.2 million compared to JD 452.5 million. The bulk of the proceeds in 2007 arise from the privatisation of the Central Electricity Generating Company (CEDCO), whereby 51% of CEDCO was sold to Energy Arabia (ENARA), a company established by the energy investment arm of Jordan Dubai Capital, JD Energy, in a deal valued at USD 320 million, while 9% was transferred to the Social Security Corporation. The Government of Jordan retained the remaining 40% of CEDCO.

The total accumulated privatisation proceeds by the end of 2007 amounted to JD 1,493.1 million, and the current "free balance" is JD 847.3 million:

The cumulative privatisation proceeds amounted to JD 1.5 billion of which JD 847.3 million remains free

(In JD Millions)

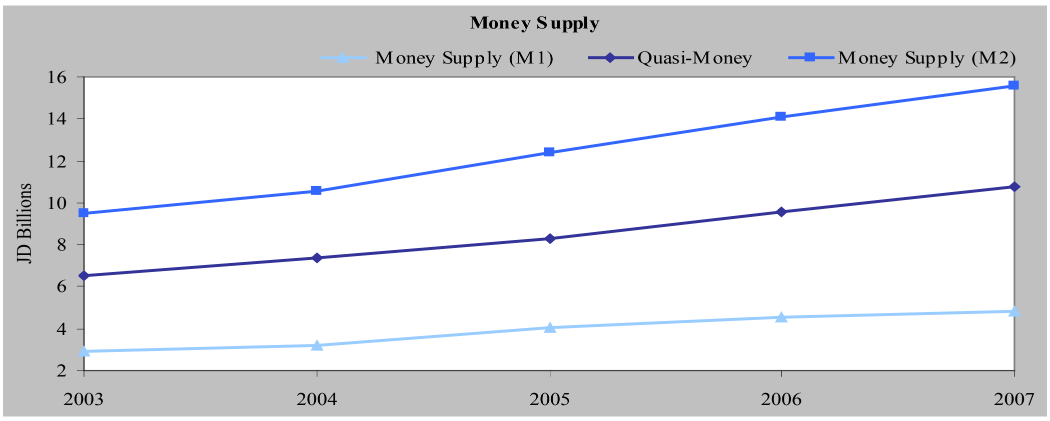
Total Privatisation Proceeds	1,493.1
Net Utilised Balance	595.8
Balance	897.4
Amount Allocated to Subsidise Housing Finance Project	50
Free Balance	847.3

Source: Ministry of Finance

7.0 MONETARY CONDITIONS AND THE EXCHANGE RATE

Expansion of M2 decelerated from 14.1% in 2006 to 10.6% in 2007

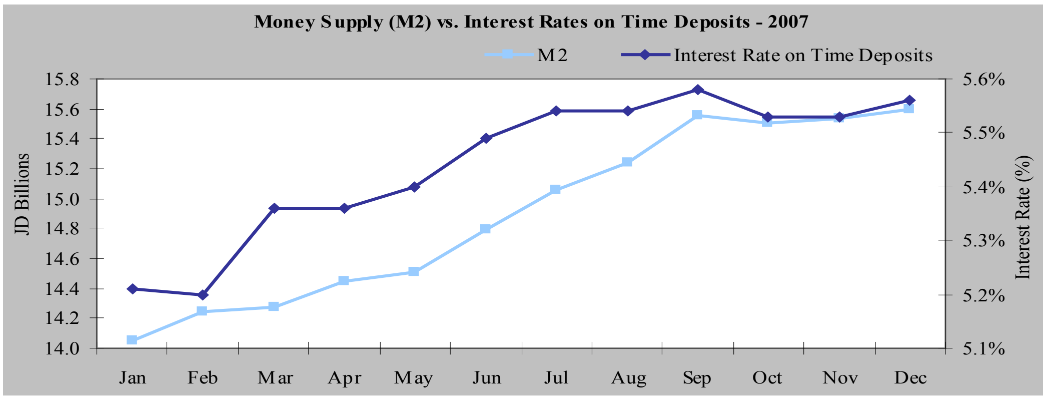
Monetary policy is controlled by the Central Bank of Jordan, which has played a key role in promoting balanced and sustainable economic growth in the Kingdom. The money supply, as measured by M2 expanded by 10.6% in 2007, slowing down from the 17.0% and 14.1% growth rates recorded for 2005 and 2006, respectively. The M2 registered at JD 15.60 billion, of which JD 11.97 billion was in Jordanian Dinars. The composition of the M2 highlights that the bulk of the growth in the money supply is attributed to a rise in the level of resident private sector deposits, which reached JD 12.49 billion in 2007 compared to JD 11.27 billion the year prior. Time and savings deposits claimed the lion's share, due to their higher interest rates, at 73.8% of the total private sector deposits. (See Appendix C)



Source: Central Bank of Jordan

Important contributors to the increase in money supply were an overall increase in wealth, brought about by increased corporate profitability corresponding to the economic boom, in addition to rising per-household wealth. Moreover, the rising oil prices have led to a rise in the level of remittances from Jordanians working in the Gulf. Furthermore, the overall rising trend followed by interest rates on deposits, compounded with the crash that took over the stock market in 2006, encouraged a preference for the safer returns provided by banks.

The graph below highlights the relationship between the money supply and the interest rates on time deposits, with rising interest rates attracting more deposits.



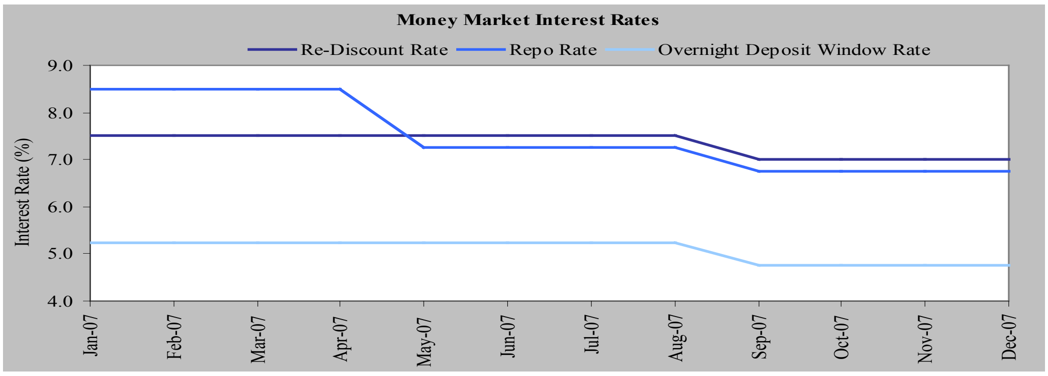
Source: Central Bank of Jordan

7.1 Money Market Interest Rates

At a time where inflation is soaring in Jordan and monetary policy should be used to rein it in, the Central Bank of Jordan is being forced to replicate the U.S. Federal Reserve interest rate cuts as a result of its peg to the depreciating greenback.

The repurchase rate was decreased twice during 2007, from 8.50% to 7.25% in May and again to 6.75% in September. The rediscount rate and overnight window deposits were also decreased in September by 50 basis points each.

Repurchase rate was decreased twice in 2007 to 6.75%



Source: Central Bank of Jordan

More recently, however, with inflation continuing to rise, the Central Bank has allowed the gap between its interest rates and those of the Fed. to widen. Moreover, in June 2008 the Central Bank raised the required statutory reserve on customer deposits for licensed banks by one percentage point to control the money supply in the market.

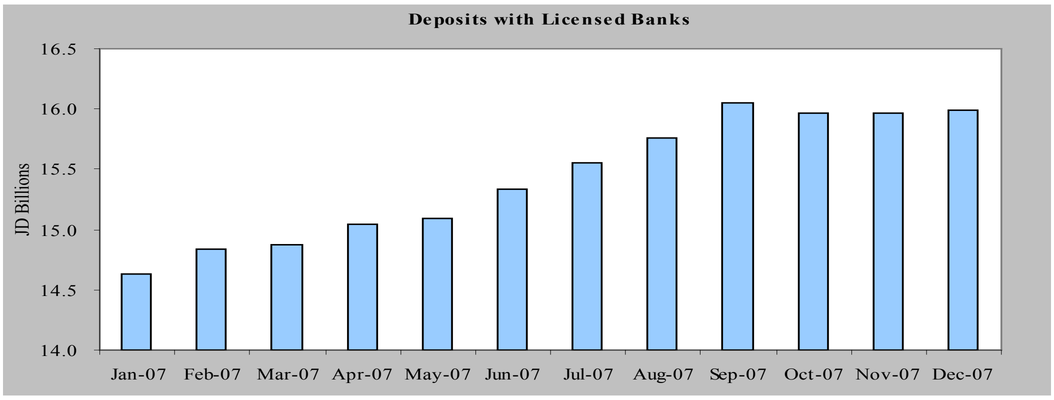
8.0 BANKING AND INTEREST RATES

8.1 Deposits

Consolidated deposits of licensed banks continued to grow in 2007 reaching JD 15.98 billion at the end of the year, up 9.6% compared to 2006. Time deposits make up in excess of 60% of total deposits, and in absolute terms, comprised JD 1.22 billion of the JD 1.40 billion increase in total deposits during the year.

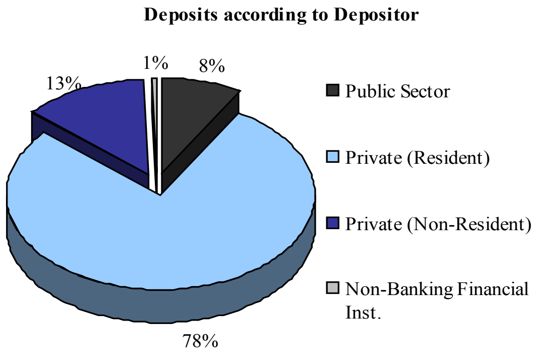
Time deposits comprise 60% of total deposits, and contributed JD 1.22 billion of the JD 1.40 billion increase in total deposits

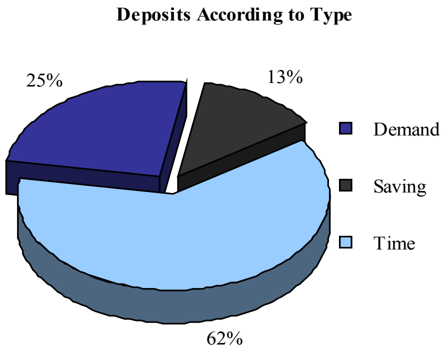
Deposits with Licensed Banks in 2007



Source: Central Bank of Jordan

Since the start of the year up to September, the interest rates offered on time deposits were on the rise, reaching a weighted average rate of 5.58% at the end of September compared to 5.13% at the end of 2006, before declining to end the year at 5.56%. This increase in interest rates, accompanied by a weakly performing capital market, led to a diversion of funds to high-interest deposits, causing the deposits to follow a consistent rising trend up until the fourth quarter. In October, however, the level of deposits declined by a significant JD 86.2 million. Two factors came into play to contribute to this; the first is that the weighted average interest rate offered on time deposits was reduced by 5 basis points in October; the second is that the capital market began to recover, with the ASE General Index climbing by an impressive 16.8% in October alone. These two factor combined led to a diversion of activity away from banks to the higher returns offered by the capital market.





Source: Central Bank of Jordan

Private sector (resident) were the primary source of funds for banks, with time deposits being the most popular type of deposit

Private sector deposits constitute the larger part of the deposits, at 91.2% of the total and contributed JD 1.27 billion of the rise in deposits, with in excess of 60% being directed towards time deposits.

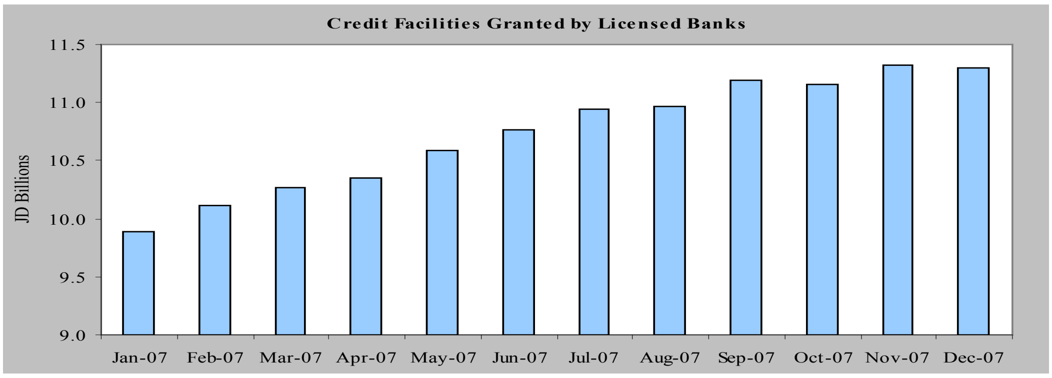
8.2 Credit Facilities

Credit facilities reached JD 11.3 billion at the end of 2007

Meanwhile, with the extra leeway presented by the increase in deposits, banks were able to increase the amount of facilities granted while remaining in compliance with the Central Bank of Jordan regulations. Credit facilities offered reached JD 11.30 billion at the end of 2007 compared to JD 9.76 billion the prior year. This represents a 15.7% increase, equivalent to JD 1.53 billion.

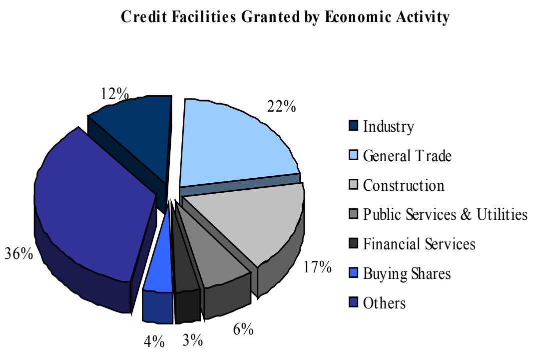
The trend followed by the facilities closely resembled that of the deposits, with the facilities dropping in October in order to maintain the required ratio of facilities to deposits. In September, this ratio had stood at 69.7%, while in October, following the decline, the ratio was sustained at 69.8%.

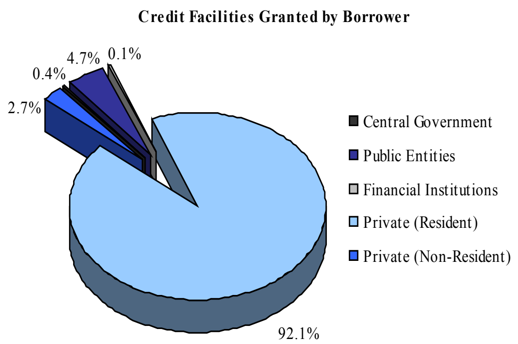
Credit Facilities Granted by Licensed Banks in 2007



Source: Central Bank of Jordan, compiled by ABC Investments

The bulk of the facilities are granted to the private sector, specifically to the general trade, construction, and industrial sectors, which claimed 22%, 17% and 12% of total facilities, respectively.





Source: Central Bank of Jordan

Facilities granted went mainly to general trade, construction and industrial activities

Overall since 2003, however, the largest growth in facilities was witnessed in facilities granted for the purpose of buying shares, which rose from JD 22.5 million to JD 427.8 million in 2007. It was followed by facilities granted to the financial services and construction sectors, which increased by 193.1% and 141.4% respectively.

8.3 Interest Rates

Weighted Average Interest Rates on Deposits with Licensed Banks

	2003	2004	2005	2006	2007
Demand Deposits	0.50	0.38	0.47	0.87	0.94
Savings Deposits	0.88	0.73	0.83	0.99	1.10
Time Deposits	2.75	2.49	3.52	5.13	5.56

Source: Central Bank of Jordan

Interest rates on all types of deposits registered an increase in 2007, with interest rates on demand deposits and time deposits amounting to 8% while on savings accounts, the interest rate increased by 11.1%.

Interest rates on all deposits increased in 2007, and have followed a rising trend since 2004

Weighted Average Interest Rate on Credit Facilities Granted by Licensed Banks

	2003	2004	2005	2006	2007
Overdrafts	9.43	8.79	9.26	9.23	9.83
Loans and Advances	8.92	7.59	8.10	8.56	8.86
Discounted Bills and Bonds	10.24	8.98	7.92	8.72	9.45
Prime Lending Rate	6.50	6.00	7.00	7.50	8.15

Source: Central Bank of Jordan

Meanwhile, interest rates on credit facilities also increased in 2007, with the weighted average rates on overdrafts rising by 60 basis points, those on loans and deposits increased by 30 basis points, and for discounted bills and bonds, the interest rate rose by 73 basis points.

Interest rates on credit facilities increased in 2007, and have followed a rising trend since 2004

The prime lending rate illustrates the overall trend in interest rates on credit facilities, which followed an upward climb since 2004, ascending from 6.00% to reach 8.15% at the end of 2007.

9.0 POPULATION GROWTH AND THE LABOUR FORCE

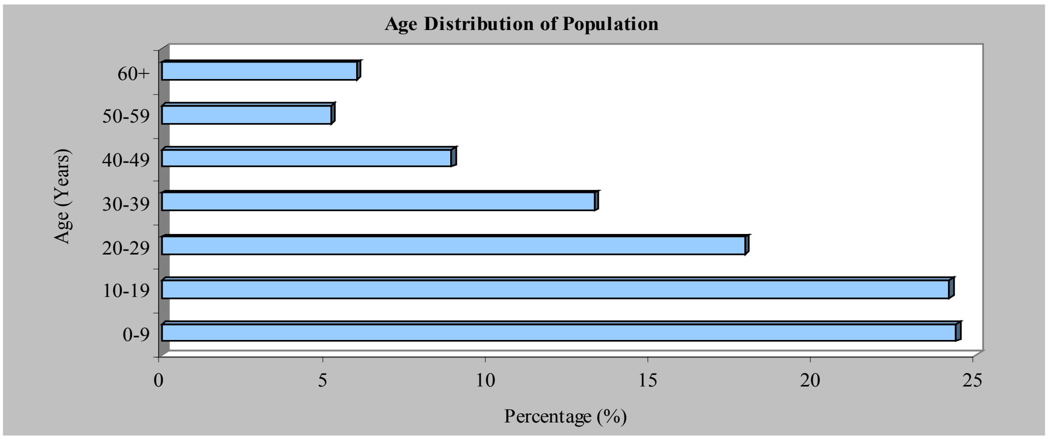
The population of Jordan grew at a compounded annual growth rate of 2.3% during the period from 2003 to 2007, to reach 5.72 million capita at the end of 2007. The population is dominated slightly by males at 2.95 million versus 2.77 million females.

Population stood at 5.72 million at the end of 2007...

Population demographics reveal that around 40% of the population resides in the Capital, Amman, and 18% and 15% in Irbid and Zarqa respectively, with the rest scattered across the Kingdom.

...with 40% residing in the capital, Amman

As illustrated below, the population of Jordan is characterised as young, with 48.6% falling in the category of below 20 years of age and a further 17.9% falling in the age category of 20-29 years.



Source: Department of Statistics

Unemployment levels in Jordan were announced at 14.3%, down from 15.4% in 2006. A census carried out by the Department of Statistics revealed that 60.2% of the population aged 15 and over are not economically active, and of the economically active population, 34.6% are employed and 5.2% are unemployed.

Unemployment declined in 2007 to 14.3%...

The distribution of the employed population reveals that the Government is the Kingdom's largest single employer, employing almost 38% of the working population, while 45.7% are employed by various organisations within the private sector.

...with the Government acting as the Kingdom's largest single employer

Paid Employees			Employer	Self-Employed	Unpaid Family Worker	Unpaid Worker
Governmental	Private	Other				
37.9%	45.7%	0.6%	7.4%	7.8%	0.5%	0.2%

Source: Census by Department of Statistics

10.0 ASE PERFORMANCE

Following a year of depressed prices and low trading levels, the positive start to the index in 2007 raised hopes that the stock market correction of 2006 had finally come to an end. The correction in the market commenced in the final quarter of 2005 and continued throughout 2006, dragging the index down by a devastating 32.7% from 8,194.40 points at the start of 2006 to 5,517.92 points at year-end.

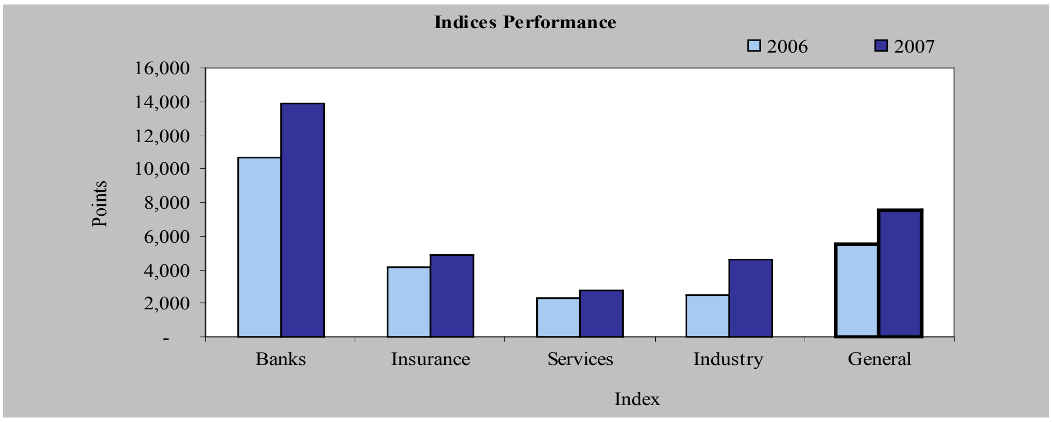
The start of the year saw little change to the index due to the lack of trading consequent to the occurrence of numerous public holidays, where trading was suspended. From the 10th of January, the Index embarked on an encouraging rising trend, reaching 6,129.47 points on the 25th, up 11.1% from the start of the year. The Index then dropped before resuming the upward climb to reach a peak of 6,430.87 points on February 4th.

The Index dropped once again before climbing to the highest level reached during the first half of the year of 6,543.67 points on February 28th. However, this trend was not to last, with the index beginning a declining trend to end the first half of the year at 5,761.65 points, and continuing to reach 5,560.56 on September 4th. The final quarter of the year marked the Index's recovery, with an impressive ascent to end the year at its 52-week high of 7,519.25 points.

General Index increased from 5,517.9 points at the end of 2006 to 7,519.3 points the following year

In terms of sector index performance, the highest increase registered was that of the Industrial Sector Index, which increased by 82.1% from 2,507.6 points in 2006 to 4,565.5 points at the end of 2007 versus the General Index which rose by 36.3%. The Banking Sector Index also fared well, rising by 29.7% to 13,886.7 points, while the Services and Insurance Sector Indices each registered positive growth of 19.8% and 17.9% respectively.

The Industrial Sector Index was the top performer in 2007, registering an 82.1% increase



Source: Amman Stock Exchange

Trading volume in the market reached 4.48 billion shares, up from 4.10 billion in 2006 and 2.58 billion in 2005. Trading value, on the other hand, declined by 13.1% to JD 12.35 billion. The Services Sector claimed the lion's share of trading volume and value, at 2.87 billion shares and a trading value of JD 6.61 billion. The Banking Sector followed in terms of value traded at JD 3.41 billion, while the Industrial Sector positioned itself in second place with regards number of shares traded, registering at 998.28 million shares. Meanwhile, for the Insurance Sector, trading volume amounted to 204.83 million shares and a value of JD 419.50 million.

Trading volume reached 4.48 billion shares, while trading value registered at JD 12.35 billion

Top Market Performers in 2007 in terms of Trading Activity

Value Traded (JD)			Number of Shares		
Company	Value Traded	Market Share	Company	# of Shares	Market Share
Arab Bank	2,130,648,077	17.3%	United Arab Investors	335,089,205	7.5%
United Arab Investors	865,174,618	7.0%	Middle East Complex	335,089,205	5.7%
Middle East Complex	613,224,044	5.0%	Taameer Jordan Holdings	217,515,800	4.9%
Taameer Jordan Holdings	524,192,504	4.2%	Jordan Industrial Resources	140,654,207	3.1%
Housing Bank	516,871,612	4.2%	Amwal Invest	108,907,885	2.4%
Arab East Investment	280,597,382	2.3%	Union Land Development	108,379,991	2.4%
Specialised Inv. Compounds	277,044,751	2.2%	Industrial Commercial & Agric.	105,131,222	2.3%
Int'l Arabian Dev. & Investment	275,987,076	2.2%	Al-Tajamouat for Catering	96,832,290	2.2%
Union Land Development	235,631,830	1.9%	Int'l Arabian Dev. & Investment	91,441,977	2.0%
Transport & Investment Barter	213,095,719	1.7%	Union Investment Corporation	89,338,017	2.0%
Total	**5,932,467,612**	**48.0%**	**Total**	**1,550,797,324**	**34.6%**

Source: Amman Stock Exchange

In terms of corporate performance, the Arab Bank claimed top position in terms of value traded, amounting to JD 2.13 billion. This represents a market share of the total trading value for the year of 17%. Worth noting is that the most active ten companies in terms of value of shares traded represented almost 50% of the total market trading value.

Moreover, for the volume of shares, the top ten companies claimed 35% of the total trading activity, with the top spot claimed by the United Arab Investors, with 335.09 million shares.

The IPO market also fared well, with 18 companies being listed during 2007 taking up the number of listed companies to 245 by year-end. Arguably, the most striking IPO in the market that year was the offering of 71% of Royal Jordanian shares, as part of the privatisation efforts of the Government.

IPO market performed well, with 18 companies listed during 2007

Foreign investment in the Amman Stock Exchange continued to grow, with foreign ownership of the total market cap registering at a significant 48.8% in 2007 compared to 45.5% the year prior. Foreign buying transactions reached JD 2.83 billion, while selling transactions amounted to JD 2.36 billion, highlighting a sharp rise in activity compared to 2006, where the buying and selling amounted to JD 2.00 billion and JD 1.81 billion respectively.

Foreign buying transactions reached JD 2.83 billion while selling transactions reached JD 2.36 billion

The recovery of the market following the correction pulled up the market cap by more than JD 8 billion to JD 29.21 billion, while the market P/E ratio leaped to 28.0x versus the 16.7x of 2006.

The positive performance of the market has continued into 2008 with the General Index climbing to levels exceeding those reached during the stock market boom of 2005.

11.0 SWOT ANALYSIS

Strengths	Weaknesses
Strong economic development in recent years	Rising inflation
Rising standard of living	Relatively high unemployment rate
Well-educated and relatively low-costing workforce	Money policy inflexible due to U.S. peg and weak exchange rate
Strong attractor of foreign direct investment	Increasing trade deficit, exacerbated by the declining economy of the U.S.
Government reforms and policies, and liberalisation efforts	High sensitivity of economic performance to oil prices
Government efforts to support the poor through providing fuel support and housing	Large budget deficit and public debt levels, with extra pressure being applied due to support and subsidies offered to low-income population
Soaring international prices of potash and phosphate	Problems of bureaucracy and corruption
Increasing number of economic free zone areas	Lack of natural resources, apart from phosphate and potash
Privatisation efforts leading to increased efficiency and providing a good supply of income for the government	Widening gap between rich and poor, and blending the middle-class into the lower-class.
Attractive tourist destination	Infrastructure below standard, and insufficient investment in infrastructure
Flourishing stock market	Increasingly unaffordable housing
	Devaluation of the dinar applying additional pressure on the Country's external public debt position
Opportunities	**Threats**
Devaluation of the Jordanian Dinar against other major currencies could potential lead to a rise in exports	Inflation could lead to lower disposable income which will negatively affect the growth of the economy
Government deficit should start to reduce due to removal of subsidies	Overheated property sector
Complete removal of tariffs on goods traded between Jordan and the United States by 2010.	Threats to political and social stability
Stable compared to surrounding countries	Lack of diversification of the economic base
Continued high remittances from workers in the Gulf due to anticipated sustained high oil prices	Recession in the United States dragging down Jordan's economy
Initiatives to involve the private sector in capital intensive projects in the Kingdom	Threats to employment levels of Jordanians from cheaper labourers (such as from the Far East and Egypt)
Various memorandums of understanding signed between Jordan and other countries to encourage dual investment and trade	Cuts in government spending due to budget deficit
	High fuel prices eating into company margins, causing reduced production and possible liquidation.
	Terrorist attacks
	Insufficient protection of intelligent property
	Risk of crash in the stock market

12.0 OUTLOOK

At a time of strong economic growth, as efforts of structural reforms, fiscal policy and liberalisation began to bear fruit, major external factors came into play that would challenge the sustainable development of Jordan's economy.

The global economy, led by the United States slowdown, is coming to a standstill amidst a global inflation crisis. The industrial revolution of countries at the forefront of global growth, such as China and India, coupled with a growing global population and increasing wealth, is driving consumption to unprecedented levels. With relatively fixed levels of supply, growth in demand is outpacing supply, applying sharp pressure on prices of commodities. Policy mistakes have so far been encouraging inflation, at a time where policy makers should be carefully balancing the control of inflation while countering a slow down in their economy.

The region's peg to the dollar has meant that despite inflationary pressures, the region has had to mimic the drop in federal reserve rates, forcing up inflation to double digit figures. In Jordan, the soaring oil prices and global inflation has prompted the Jordanian Government to set into place fiscal policies aimed at relieving both government debt levels, current account and trade deficits, in addition to alleviating the burden of rising costs on the lower-income segment of the population. The elimination of oil subsidies in early 2008 has led to increases in prices of goods and services across the board in the domestic market. Coupled with the devaluation of the dinar against other major currencies, the costs of inputs into production have reduced the competitiveness of Jordanian exports. Moreover, the deceleration of the U.S. economy is reducing the U.S. demand for Jordanian produce, which, as Jordan's primary export market, is hitting hard on the Country's current account balance.

High levels of foreign direct investment are necessary to counter the downturn in the economy. Oil prices are two sides of the same coin, hurting Jordan's economy through inflationary pressures, and benefiting it by increasing FDI and remittances from oil rich countries. However, since GCC countries are becoming very expensive, Jordanians and foreigners residing there are beginning to relocate back to their home countries.

The buoyant stock market in 2008, which has seen the index reach unprecedented levels, has been and is continuing to act as a magnet for investments. A correction in the arguably overvalued market could, however, result in investors taking their liquidity elsewhere.

Privatisation initiatives are also hoped to continue to attract investment, while emphasis on involvement of the private sector in the development of key areas of the economy, such as infrastructure, should help to sustain FDI levels.

Real estate is expected to continue to boom, with large scope available for the development of touristic projects, in addition to housing projects in more remote areas of the Kingdom. Moreover, the new zoning areas of the Capital allowing the construction of high-rise towers has stimulated a new form of demand.

Despite the recent developments in the Jordanian economy, tourism remains a key player in its sustainability. To that end, vigorous marketing campaigns are being undertaken to educate and attracts tourists to the Kingdom. Moreover, efforts to improve the standard and quality of services are also being made.

And while prices of commodities such as phosphate and potash are soaring in the international market, little benefit has yet to be reflected in Jordan's economy. However, the growing global population unmatched by the growth in food supplies is generating a need for fertilisers, of which potash and phosphates are key components. Therefore, going forward, we would expect to see both of these minerals to play a more vital role in the economy, increasing both in terms of export volume and in the contribution made to GDP.

A realisation has set in for the need of alternative fuels to sustain the economy to shield it from future sky-rocketing of oil prices, which has brought about numerous prospecting projects and feasibility studies of uranium, oil shale, and wind power as potential sources of energy to be relied upon in the longer term.

In the medium term, the global slowdown is likely to hit hard on the other areas of the world, and the US, following the housing and financial crisis in its subprime sector, coupled with the imminent recession, is undergoing structural changes that are likely to position it ready to adapt quickly to the upcoming global economic developments. Therefore, we expect the dollar to start to appreciate against other major currencies, as concurrently will the Jordanian dinar.

In the shorter term, the CBJ is already tackling the domestic level of inflation, allowing the gap between the US federal reserve rates and the CBJ rates to widen, and more recently, the raising of required statutory reserves on customer deposits, which will help reduce the supply of money in the market, dampening the level of consumer spending.

Overall, the outlook looks grim for most parts of the world, and there will be difficult years ahead for Jordan's economy. There is a need for a pull back on consumption in Jordan and across the globe, and a fundamental shift in the way people live their lives. However, all in all, many factors have been set in place to meet the forthcoming challenges head on, and while we expect the GDP to decline amidst rising inflation, we would hope to see a continued positive trend going into the future.

ABC Investments

Appendix A: Industrial Production Quantity Index (1999=100)

Industry	Weighting	2003	2004	2005	2006	2007
Mining , Quarrying , and Manufacturing:	**93.6%**	**116.2**	**130.1**	**143.5**	**150.8**	**154.1**
Mining and Quarrying :	**11.0%**	**109.3**	**105.1**	**103.8**	**95.2**	**93.9**
Extraction of Petroleum & Natural Gas	**0.4%**	112.4	114.6	94.3	97.8	85.5
Quarrying of Stone	**0.4%**	66.1	94.2	108.4	69.2	65.2
Phosphate	**5.4%**	112.5	103.5	106.1	97.7	92.2
Potash	**4.9%**	109.0	107.2	101.7	94.4	98.8
Manufacturing :	**82.5%**	**117.1**	**133.4**	**148.8**	**158.2**	**162.2**
Food Products and Beverages	**15.4%**	113.2	130.8	155.1	162.2	152.0
Tobacco Products	**2.4%**	186.3	208.0	243.4	272.6	303.6
Wearing Apparel and Textiles	**2.8%**	100.7	113.2	107.6	117.7	116.0
Footwear and Leather	**0.6%**	128.2	146.6	60.9	72.2	8.8
Furniture	**2.0%**	95.9	108.7	131.7	138.3	164.0
Wood and Cork Except Furniture	**0.4%**	44.6	69.7	31.4	30.0	31.4
Paper and its Products	**2.9%**	97.0	122.3	137.5	145.4	157.1
Fertilizers	**10.7%**	89.7	105.3	106.4	116.1	104.4
Basic Chemical Except Fertilizers	**0.5%**	132.4	121.3	103.6	120.1	118.8
Paints	**1.1%**	140.5	186.3	220.0	233.4	260.1
Pharmaceuticals	**4.4%**	123.1	134.7	163.2	174.1	201.7
Detergents and Soap	**2.6%**	72.9	90.9	83.9	90.6	69.1
Refined Petroleum Products	**14.7%**	113.1	120.9	129.2	123.9	119.7
Rubber and Plastic Products	**2.7%**	143.4	147.5	180.5	164.6	186.2
Cement and Lime	**3.3%**	128.3	142.4	146.8	144.2	145.3
Iron and Steel	**2.9%**	114.0	127.5	160.9	129.6	142.1
Publishing and Printing	**1.8%**	80.9	92.5	107.2	110.5	112.2
Manufacture of Articles of Concrete & Cement	**2.3%**	218.1	257.9	317.5	348.8	383.1
Cutting, Shaping and Finishing of Stone	**0.9%**	102.7	98.3	113.9	119.7	114.1
Machinery and Equipment	**1.3%**	155.6	189.0	205.9	366.8	455.4
Medical Equipment	**0.2%**	103.8	70.0	57.8	41.6	26.9
Electrical Machinery and Apparatus	**1.3%**	125.3	177.4	217.4	233.4	279.2
Basic Precious and Non-Ferrous Metals	**0.6%**	146.7	143.1	118.4	118.7	107.0
Fabricated Metal Products except Machinery & Equipment	**2.7%**	137.3	164.4	182.7	205.5	271.6
Radio, T.V and Communication Equipment	**0.7%**	210.5	309.2	380.8	695.9	645.8
Motor Vehicles Trailers	**0.6%**	225.3	229.8	245.4	207.4	211.5
Other	**0.8%**	77.6	79.9	84.0	93.5	73.3
Electricity, Gas, Steam and Hot Water Supply	**6.4%**	**112.5**	**127.3**	**136.9**	**160.1**	**189.0**
General Index	**100.0%**	**116.0**	**129.9**	**143.1**	**151.4**	**156.4**
Percentage Change (%)		**(8.5)**	**12.0**	**10.2**	**5.8**	**3.3**

Appendix B: External Public Debt

(JD Million)	2003	2004	2005	2006	2007	2007 %
External	**5,391.81**	**5,348.76**	**5,056.66**	**5,186.5**	**5,253.29**	**100.0%**
Government	5,211.49	5,247.92	4,819.55	5,922.54	4,965.17	94.5%
Guaranteed	180.32	100.84	237.12	263.96	288.11	5.5%
By Source						
Bilateral	1,915.09	1,954.81	1,802.35	1,831.03	1,858.60	35.4%
• Industrial Countries	1,593.38	1,618.12	1,426.10	1,431.81	1,437.94	27.4%
Rescheduled Debt	341.86	348.75	330.24	350.42	347.66	6.6%
Non-Rescheduled Debt	1,251.52	1,269.37	1,095.85	1,081.39	1,090.28	20.8%
• Arab Counties	290.62	305.09	339.46	360.90	382.08	7.3%
• Other Countries	31.09	31.60	36.80	38.32	38.59	0.7%
Export Credit	1,669.93	1,757.81	1,618.93	1,742.65	1,825.32	34.8%
Rescheduled Debt	1,524.41	1,659.67	1,559.15	1,697.76	1,788.59	34.1%
Non-Rescheduled Debt	145.52	98.14	59.78	44.88	36.73	0.7%
Multilateral	1,742.23	1,619.19	1,525.66	1,505.94	1,466.25	27.9%
Others; of which	64.56	16.95	109.73	106.88	103.11	2.0%
• Bonds	-	-	102.95	102.95	102.95	2.0%
By Currency						
U.S. Dollar	1,542.16	1,478.66	1,560.35	1,566.28	1,542.77	29.4%
Euro	1,174.05	1,158.09	1,013.01	1,121.78	1,203.17	22.9%
Japanese Yen	1,177.45	1,157.95	980.56	931.97	926.88	17.6%
Kuwaiti Dinar	552.30	576.98	638.32	693.14	736.73	14.0%
Pound Sterling	406.91	471.38	434.29	484.46	494.52	9.4%
Special Drawing Rights	365.90	300.20	225.46	171.45	117.53	2.2%
Others	173.04	205.50	204.68	217.42	231.68	4.4%
By Creditor						
Japan	1,259.08	1,238.59	1,064.33	1,017.75	1,012.80	19.3%
World Bank	755.67	716.25	696.73	669.17	640.12	12.2%
France	617.08	683.76	602.24	668.96	733.32	14.0%
United Kingdom	415.80	461.61	428.77	479.53	491.72	9.4%
AFESD	380.32	392.58	425.90	468.37	503.35	9.6%
United States	340.84	348.36	359.32	372.09	368.60	7.0%
Germany	353.91	346.38	297.44	324.43	327.29	6.2%
Kuwait Fund	171.54	166.26	194.62	206.71	214.27	4.1%
IMF	299.17	238.99	167.74	112.38	62.17	1.2%
EIB	196.81	164.17	136.65	145.42	149.81	2.9%
Spain	105.59	105.42	104.50	103.04	102.74	2.0%
Saudi Fund	111.81	107.95	104.10	100.24	104.49	2.0%
Others	384.20	378.45	474.33	518.40	542.60	10.3%

ABC Investments

Appendix C: Money Supply

JD Millions	2003	2004	2005	2006	2007
Money Supply (M1)	**2,919.8**	**3,192.9**	**4,061.3**	**4,566.5**	**4,829.8**
- Currency with the Public	**1,443.7**	**1,414.4**	**1,657.2**	**2,027.4**	**2,172.4**
- Demand Deposits in Jordan Dinar	**1,476.1**	**1,778.5**	**2,404.1**	**2,539.1**	**2,657.4**
A) Private Sector (Resident)	1,269.4	1,637.1	2,287.6	2,435.5	2,570.2
B) Public Entities	196.4	130.0	104.3	92.6	75.0
C) Financial Institutions	10.3	11.4	12.2	11.0	12.2
Quasi-Money	**6,545.9**	**7,378.5**	**8,302.7**	**9,543.2**	**10,768.7**
- Demand Deposits in Foreign Currencies	**482.0**	**636.9**	**622.0**	**684.9**	**749.6**
A) Private Sector (Resident)	441.2	567.9	569.8	648.3	696.4
B) Public Entities	39.4	67.9	50.7	35.0	48.8
C) Financial Institutions	1.4	1.1	1.5	1.6	4.4
- Time and Saving Deposits in Jordan Dinar	**4,323.3**	**4,676.7**	**5,391.1**	**6,220.9**	**7,144.4**
A) Private Sector (Resident)	3,638.9	3,977.5	4,731.7	5,648.4	6,483.8
B) Public Entities	614.7	618.1	600.4	494.7	589.0
C) Financial Institutions	69.7	81.1	59.0	77.8	71.6
- Time and Saving Deposits in Foreign Currencies	**1,740.6**	**2,064.9**	**2,289.6**	**2,637.4**	**2,874.7**
A) Private Sector (Resident)	1,623.6	1,915.2	2,147.6	2,534.5	2,740.3
B) Public Entities	108.8	140.1	133.6	96.6	120.2
C) Financial Institutions	8.2	9.6	8.4	6.3	14.2
Money Supply (M2)	**9,465.7**	**10,571.4**	**12,364.0**	**14,109.7**	**15,598.5**
of which in Jordan Dinar	7,243.1	7,869.6	9,452.4	10,787.4	11,974.2

Source: Central Bank of Jordan

Appendix D: Key Statistics of the Amman Stock Exchange

	2003	2004	2005	2006	2007
Number of Companies Listed	161	192	201	227	245
Market Capitalisation (JD Millions)	7,772.8	13,033.8	26,667.1	21,078.2	29,214.2
Value Traded (JD Millions)	1,855.2	3,793.2	16,871.0	14,209.9	12,348.1
Average Daily Trading (JD Millions)	7.7	15.4	69.1	58.7	50.0
No. of Traded Shares (Millions)	1,008.6	1,338.7	2,582.6	4,104.3	4,479.4
No. of Transactions (Thousands)	786.2	1,178.2	2,392.5	3,442.6	3,457.9
Turnover Ratio (%)	49.1%	58.2%	94.1%	101.1%	91.2%
ASE General Weighted Price Index (Points)	2,614.5	4,245.6	8,191.5	5,518.1	7,519.3
ASE General Free Float Weighted Index (Points)	1,761.5	2,729.1	4,259.7	3,013.7	3,675.0
ASE General Un-weighted Price Index (Points)	1,117.5	1,535.9	2,171.0	1,608.1	1,798.1
No. of Traded Bonds (Thousands)	72.3	10.4	3.4	1.2	1.6
Value of Traded Bonds (JD Millions)	11.4	6.0	3.1	1.9	3.8
P/E Ratio (times)	21.7x	31.1x	44.2x	16.7x	28.0x
P/BV (times)	1.9x	2.7x	3.2x	2.9x	3.0x
Dividend Yield Ratio (%)	2.4%	1.7%	1.6%	2.3%	1.8%
Non-Jordanian Ownership of Market Cap. (%)	38.8%	41.3%	45.0%	45.5%	48.8%
Non-Jordanian Buying (JD Millions)	281.1	380.3	2,152.2	1,995.1	2,825.3
Non-Jordanian Selling (JD Millions)	199.2	311.4	1,739.2	1,814.5	2,359.1
Net Investment of Non-Jordanian (JD Millions)	81.9	68.9	413.0	180.6	466.2
Market Capitalisation / GDP (%)	116.8	184.7	326.6	233.9	289.0

Source: Amman Stock Exchange