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Jordan: 2006 Article IV Consultation and Fourth Post-Program Monitoring Discussions—Staff Report; and Public Information Notice on the Executive Board Discussion

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of a combined discussion of the 2006 Article IV consultation with Jordan and the fourth post-program monitoring discussions, the following documents have been released and are included in this package:

- the staff report for the 2006 Article IV consultation and Fourth Post-Program Monitoring Discussions, prepared by a staff team of the IMF, following discussions that ended on November 29, 2006, with the officials of Jordan on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on February 15, 2007. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF; and

- a Public Information Notice (PIN) summarizing the views of the Executive Board as expressed during its March 5, 2007 discussion of the staff report on issues related to the Article IV consultation and the post-program monitoring discussions.

The policy of publication of staff reports and other documents allows for the deletion of market-sensitive information.

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JORDAN

Staff Report for the 2006 Article IV Consultation and Fourth Post-Program Monitoring Discussions

Prepared by the Middle East and Central Asia Department
(In consultation with other departments)

Approved by David Owen and Martin Fetherston

February 15, 2007

- **Mission dates:** November 15–29, 2006.
- **Team:** Mr. Chami (head), Messrs. Petri and McGettigan, Mses. Sab and Dakanay (all MCD), Ms. Lusinyan (FAD), Mr. Vandenbussche (MCM), and Mr. Tadesse (PDR). Messrs. Khan (MCD) and El-Khouri (OED) participated in the policy discussions.
- **Counterparts:** The prime minister; the minister of finance (and deputy prime minister), and ministers of planning and international cooperation, labor, and tourism; the Governor of the Central Bank of Jordan (CBJ); and other high government officials.
- **Last Article IV consultation and post-program monitoring (PPM) discussions:** Executive Directors' views can be found on http://www.imf.org/external/np/sec/pn/2006/pn0602.htm.
- **Exchange system:** Jordan accepted the obligations of Article VIII, Sections 2, 3, and 4, in 1997, and the exchange system remains free of restrictions on the making of payments and transfers for current international transactions.
- **Credit outstanding:** SDR 105.2 million or 61.7 percent of quota at end-December 2006 (Table 1).
- **PPM:** Recently extended to end-December 2007.
- **Data:** Timeliness and coverage are sufficient for surveillance. The authorities intend to subscribe to the SDDS by mid-2007.
- **Mission concluding statement:** http://www.imf.org/external/np/ms/2006/112806.htm

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LIST OF ACRONYMS

AML/CFT	Anti-Money Laundering/Combating Financing of Terrorism
ASE	Amman Stock Exchange
CBJ	Central Bank of Jordan
CD	Certificate of Deposit
CPI	Consumer Price Index
CEE	Central and Eastern Europe
DOS	Department of Statistics
DSA	Debt Sustainability Analysis
FDI	Foreign Direct Investment
FSAP	Financial Sector Assessment Program
GDP	Gross Domestic Product
GFMIS	Government Financial Management Information System
GNFS	Goods and Nonfactor Services
GNP	Gross National Product
GST	General Sales Tax
JD	Jordanian dinar
MOF	Ministry of Finance
NEER	Nominal Effective Exchange Rate
PPM	Post-Program Monitoring
PPP	Public Private Partnership
REER	Real Effective Exchange Rate
SEZ	Special Economic Zone
SDDS	Special Data Dissemination Standard

EXECUTIVE SUMMARY

Background

The Jordanian economy has performed remarkably well in recent years. Despite negative shocks (including increasing oil prices), growth has been robust (averaging 6 percent during 2001–06), the public debt ratio has continued to fall, inflation has remained low, and reserves have reached an all-time high. This reflects sound monetary and fiscal policies, far-reaching structural reforms—including trade liberalization and improvements in the business environment—and a successful privatization program.

Focus of discussions

This year's discussions focused on policies needed to sustain Jordan's strong economic performance.

- **Medium-term external outlook:** Despite the large current account deficit in 2006 (16 percent of GDP), the baseline outlook is positive. With appropriate policies in place, the current deficit is expected to narrow substantially over the medium term, reducing reliance on capital inflows.
- **Macroeconomic policy mix:** With a fixed exchange rate and an open capital account, the burden of adjustment will fall on fiscal policy to maintain macroeconomic stability, reduce the current account deficit, and lower further the public debt-to-GDP ratio. Monetary policy will continue to aim at maintaining the exchange rate peg, which has served Jordan well.
- **Structural reforms:** Implementing a wide array of fiscal structural measures, including on pensions, sales and income taxes, revenue administration, and public expenditure management is key. Continued improvement in the business environment and proceeding with privatization are also important to maintain high growth and reduce unemployment.

Key staff recommendations

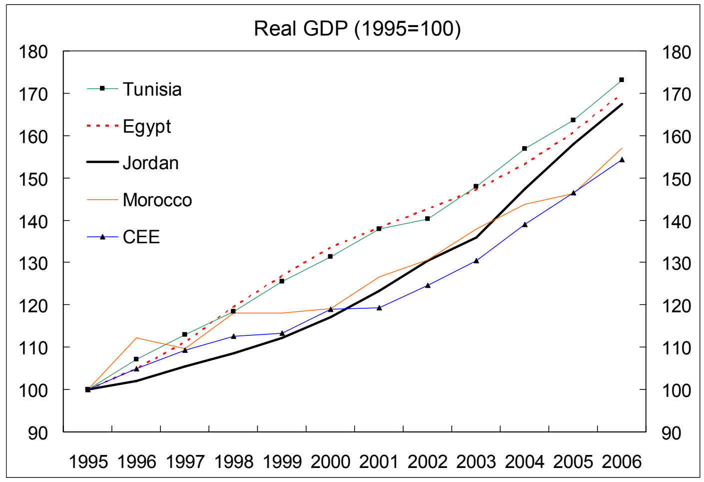
- **Maintain the policy reform agenda.** This offers the best prospect for sustained strong economic performance. Jordan's current account deficit and reliance on capital inflows remain high, as does its public debt burden. Making further progress on these issues requires both sustained policy reforms and a supportive external and regional environment.
- **Legislate a new public debt ceiling of 60 percent of GDP in 2011** as the new fiscal anchor to better insulate the budget from political pressures. This year's budget could have been more ambitious.
- **Remove excess liquidity by issuing additional certificates of deposit (CDs).** This should help slow domestic credit growth, rein in consumption and imports, and strengthen further the interbank market.

Authorities' views

- **Sound economic policies will be continued** to sustain Jordan's good economic performance.
- **Growth should remain at 6 percent next year**—despite risks from the recent equity market downturn, declining profits, and higher interest rates—given continued large investment projects.
- **The overall deficit, including grants, will be about 3½ percent of GDP in 2007,** mainly to accommodate high-priority spending.

I. BACKGROUND

1. **The Jordanian economy has performed remarkably well since 2000.** Despite large negative external shocks (increasing oil prices, uncertainties related to the Iraq war, and volatile foreign grants), growth increased to 6 percent during 2001–06, almost double the preceding five-year average, and total factor productivity rose by 2½ percent a year, far above historical norms. The public debt ratio fell sharply. The exchange rate peg to the U.S. dollar anchored inflation, which generally remained in low single digits. Despite a large current account deficit, foreign reserves are now at an all-time high due mainly to a surge in foreign (regional) direct investment.



Jordan: Average Output Growth and Sources, 1986–2006

	1986–95	1996–2000	2001–06
GDP growth (in percent)	3.0	3.2	6.1
of which:			
Labor 1/	3.5	2.6	2.2
Physical capital 2/	1.4	0.3	1.5
TFP	-1.8	0.4	2.4

Sources: Jordanian authorities; and Fund staff estimates.

1/ This is proxied by total employment.
2/ A depreciation rate of 10 percent is assumed to calculate the capital stock. Capital share is assumed to be 0.44. Varying the capital share makes very little difference to the results.

2. **This success is due mainly to far-reaching macroeconomic and structural reforms.** Under successive Fund-supported programs, the Jordanian authorities pursued sound fiscal policy; negotiated successfully several debt reschedulings; reduced budget deficits (following the passage of the 2001 Public Debt Law); eased trade barriers substantially, acceded to the World Trade Organization in 2000, and completed several bilateral trade deals (notably the free trade agreement with the U.S.); deregulated extensively food and fuel prices; undertook a successful privatization program; and took measures to improve the business environment.

Jordan: Main Macroeconomic Indicators, 1990–2006

	1990–95	1996–2000	2001–05	Proj. 2006
	(In percent of GDP, unless otherwise noted)			
Real GDP at market prices (annual change in percent)	5.2	3.2	6.2	6.0
CPI, annual average (annual change in percent)	6.3	2.8	2.4	6.3
Overall fiscal balance, including grants	-4.3	-3.9	-3.3	-4.3
Government and government-guaranteed net debt	152.8	96.8	92.2	72.5
External current account balance	-11.1	0.6	-0.1	-16.0
Exports (annual change in percent)	8.5	1.4	17.9	18.0
Imports (annual change in percent)	8.1	5.1	18.9	12.0
Foreign direct investment	....	4.1	4.8	19.9
Terms of trade (annual change in percent)	....	-2.9	-2.3	-3.0
Gross external debt	128.9	82.3	69.3	49.8
Gross usable reserves (w/o banks' deposits, in US$ billions)	0.5	1.6	4.1	6.1
Broad money (annual change in percent)	9.8	7.7	10.8	14.1
Credit to private sector (annual change in percent)	12.7	5.5	13.2	24.4

3. **Jordan's performance also reflects a stable and supportive political environment.** The cabinet, reshuffled in November 2006, is pursuing its mandate to implement the 10-year National Agenda, which aims at advancing political and economic reforms, and strengthening internal security. And, following a forum held in July, the government has established the "We are All Jordan" Commission to help implement reforms in the economic and political spheres. General elections are scheduled to be held in 2007.

4. **Against this background, discussions covered policies needed to sustain Jordan's strong economic performance.** The authorities' response to past Fund advice is summarized in the table below. The specific questions discussed with the authorities arise in the following areas:

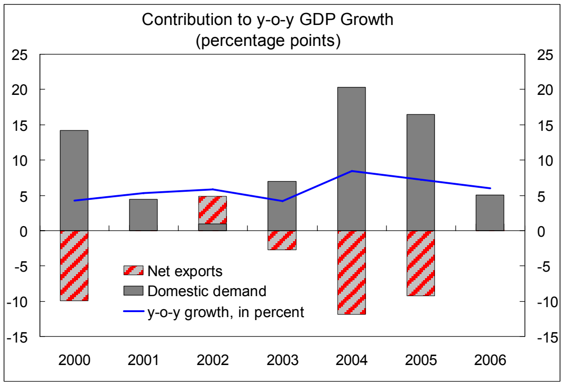
- **The medium-term external outlook and competitiveness:** Will the recent narrowing of the current account deficit continue? Is the level of the peg appropriate? Are there any competitiveness issues?
- **The macroeconomic policy mix:** What kind of fiscal adjustment is required to maintain macroeconomic stability, reduce the current account deficit, and further lower the public debt-to-GDP ratio? How can monetary policy contribute to maintaining the exchange rate peg and reducing the current account deficit?
- **Structural reforms to support medium-term growth and reduce unemployment:** What macroeconomic and structural reforms are needed to maintain robust growth and reduce unemployment and poverty? What steps are needed to further improve the business environment?

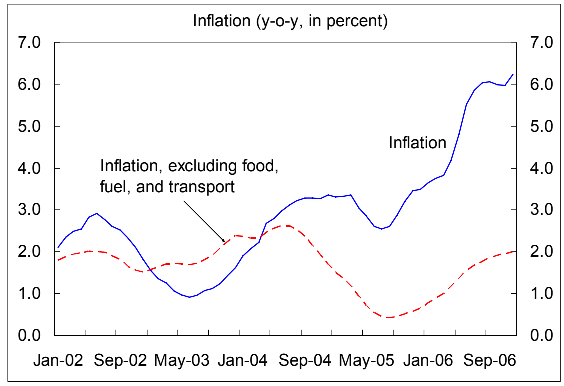
Jordan: The Authorities' Response to Fund Policy Advice from 2005 Article IV Discussions

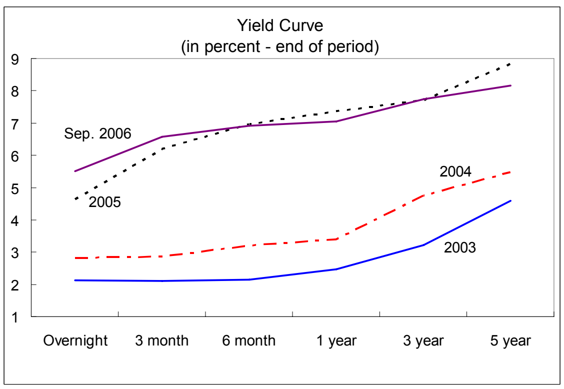
Recommendations	*Actions Taken*
Fiscal Policy	
Limit the 2005 fiscal deficit to 5.3 percent of GDP, instead of a projected 6.4 percent, and continue fiscal consolidation over the medium term.	Fiscal deficit was limited to 5.0 percent in 2005, and lowered further to 4.3 percent in 2006. The 2007 budget targets a deficit of 3.4 percent of GDP. Further consolidation is planned by the authorities under a new medium-term public debt target.
Raise the lower GST rate from 4 percent to 8 percent and extend GST to electricity and transportation.	No actions taken.
Introduce automatic petroleum pricing formula.	Monthly price adjustments in place for a few oil products already at market levels, but not yet fully automatic.
Allocate more funds to targeted social safety net programs focused on most vulnerable segments.	Targeted social safety net program related to fuel price increases executed successfully.
Monetary and Exchange Rate Policies	
Consider introducing greater flexibility of the exchange rate, once requisite institutional preparations are in place.	Staff now considers exchange rate regime and level appropriate, consistent with authorities' views.
Structural and Other Policies	
Intensify efforts to improve public expenditure management, macrofiscal forecasting and analysis, and fiscal management through the introduction of a GFMIS.	Progress is being made on public financial management reforms, including on establishing a treasury single account, modernizing the budget classification, implementing GFMIS, and strengthening budget processes. Reforms in these areas are continuing.
Continue intensified banking supervision, enact AML/CFT legislation, and facilitate domestic capital market development.	Improvement in banking supervision has continued; AML/CFT law is in parliament; efforts ongoing in capital market development.

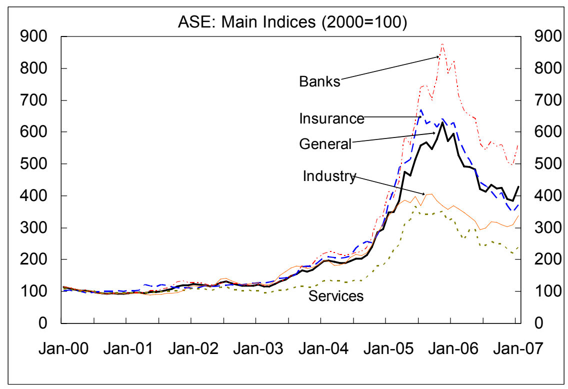
II. Recent Developments

5. **With sound policies in place, economic performance remained strong in 2006** (Tables 2 and 3). Growth of 6¼ percent was recorded during the first three quarters, and is estimated at 6 percent for the year. This reflected buoyant domestic demand (private consumption and investment), in part financed by large private capital inflows. Although average inflation increased to 6.3 percent, this stemmed mainly from fuel and imported food price increases, with core inflation (excluding food and energy) well contained. Unemployment declined to 14 percent, from 15 percent a year earlier. The Amman Stock Exchange index declined sharply in the first half of the year, but has since stabilized. Following interest rate developments in the U.S., Jordan's yield curve flattened over the course of the year.









6. **The current account deficit narrowed—albeit to a still-high 16 percent of GDP—and was financed by long-term capital inflows** (Table 4). A broad-based slowdown in import growth and continued strong performance of exports and remittances have been key. At the same time, private capital inflows rose to record levels on the back of foreign investments in banking, mining, telecommunications, and real estate. As a result, gross usable reserves reached US$6.1 billion at end-2006—more than US$1¼ billion higher than at end-2005—equivalent to about five and a half months of prospective imports (Figure 1). Following four years of modest depreciation, the real effective exchange rate (REER) appreciated by 6 percent during 2006, a return to levels prevailing in the early part of the decade.

7. **The fiscal situation also improved** (Tables 5 and 6, Figure 2). Stronger revenue performance (income tax and general sales tax receipts), larger-than-expected grants (especially from Saudi Arabia), and the authorities' decision to raise domestic fuel prices (lowering substantially oil subsidies) more than offset higher primary spending on transfers, security, and wage bonuses. Preliminary estimates suggest that the fiscal deficit (including grants) was about 4¼ percent of GDP in 2006 and 7½ percent excluding grants, both lower than in 2005. The deficit was financed comfortably without adding to macroeconomic pressures. A narrowing of the fiscal deficit, together with partial privatization of Jordan

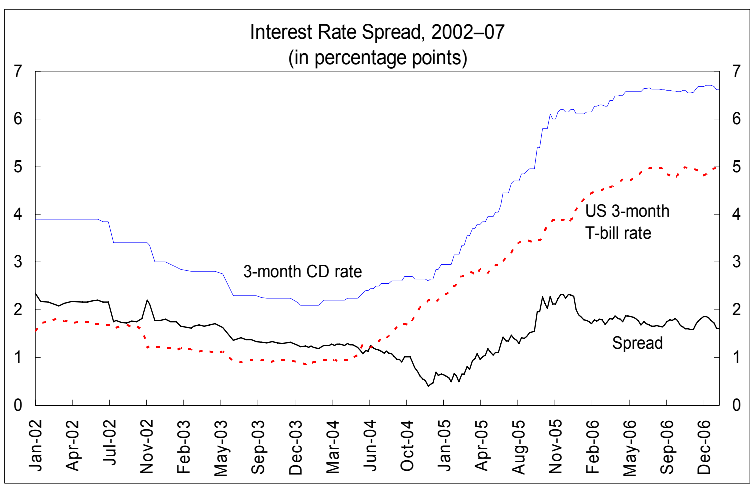
Telecom and strong growth, reduced the public debt-to-GDP ratio further, to 73 percent by end-2006, from 83 percent in 2005.

Jordan: Summary of Fiscal Operations, 2004–06
(In percent of GDP, unless otherwise noted)

	2004	Prel. 2005	Last SR 2006	Prel. 2006
Total revenue and grants	36.7	33.0	30.0	33.7
Budgetary revenue	25.7	28.0	27.7	30.5
Grants	10.9	5.0	2.2	3.2
Total budgetary expenditure	37.7	39.5	34.4	38.1
Current expenditure, *of which:*	28.8	32.9	26.7	30.9
Fuel subsidy	3.2	5.9	1.2	2.7
Capital expenditure and net lending	8.9	6.6	7.7	7.2
Financing (=deficit including grants)	1.7	5.0	4.4	4.3
Foreign financing (net)	-1.4	-0.6	-0.5	-0.5
Privatization receipts (net)	0.5	0.0	6.6	4.3
Domestic financing (net)	2.6	5.5	-1.7	0.5
Memorandum items:				
Overall balance excluding grants	-12.7	-10.0	-6.6	-7.5
Primary balance excluding grants	-9.8	-7.0	-3.2	-4.3
Government and guaranteed net debt	88.5	82.8	71.8	72.5
GDP at market prices (JD millions)	8,081	9,013	10,238	10,151

Sources: Jordanian authorities; and Fund staff projections.

8. **Meanwhile, monetary policy supported well the U.S. dollar peg** (Tables 7 and 8). The spread on 3-month JD-denominated CDs issued by the Central Bank of Jordan (CBJ) over the U.S. dollar 3-month T-bill rate has been kept to a 1½–2 percentage point range during the past year. Broad money increased in line with nominal economic activity, with strong private sector credit growth (24 percent year-on-year) broadly offset by reductions in credit to government (privatization receipts) and a large contraction in other items net (bank capital increases). The dollarization ratio has been stable, at about 27 percent of deposits—reflecting continued confidence in the Jordanian dinar (JD).



III. Policy Discussions

A. Macroeconomic Outlook

9. **The macroeconomic outlook is positive, with steadily declining inflation and a sustained growth rate of 6 percent** (Figure 3).

- Under the currency peg, and as the oil and food price shocks work their way through the system, *inflation* is expected to fall to 5.7 percent next year and then to decline to levels closer to those of the U.S.
- The high *growth* rates experienced over the last five years—well in excess of what would be expected from factor accumulation—are indicative of a structural shift in trend growth, likely reflecting the impact of Jordan's ongoing reforms, a major step up in foreign direct investment (FDI) and private investment levels, and improving productivity.
- For next year, the authorities expect growth to remain strong given the coming on stream of large investment projects. Staff believes that growth could be slightly lower because of slowing housing and equity markets (wealth effects), declining corporate profits (investment effects), and the delayed effects of higher interest rates.

10. **The external outlook is more uncertain, but staff's analysis suggests the risks are limited given recent trends.**

- **While the current account deficit has been large in the past few years, it has partly reflected a sizable increase in private investment.** Foreign investors have ratcheted up operations in Jordan since 2003, boosting private investment (and associated imports) by an estimated 8 percentage points of GDP. But this has also increased substantially Jordan's foreign exchange earning capacity for the coming years.[1]
- **The current account is expected to narrow further.** The strong export momentum of recent years is likely to continue, reflecting the free trade agreement with the U.S., strong regional demand, and large investments in traditional export sectors. Import growth is projected to stabilize on account of falling import unit prices (a substantial reversal of recent trends) and import volume growth more in line with overall economic activity. Assuming tourism and remittance growth in line with recent norms, the current account deficit would decline steadily to 7½ percent of GDP by 2012.
- **The narrowing of the current account deficit will come mainly from higher savings.** Investment is expected to decline only modestly and from a high starting level,

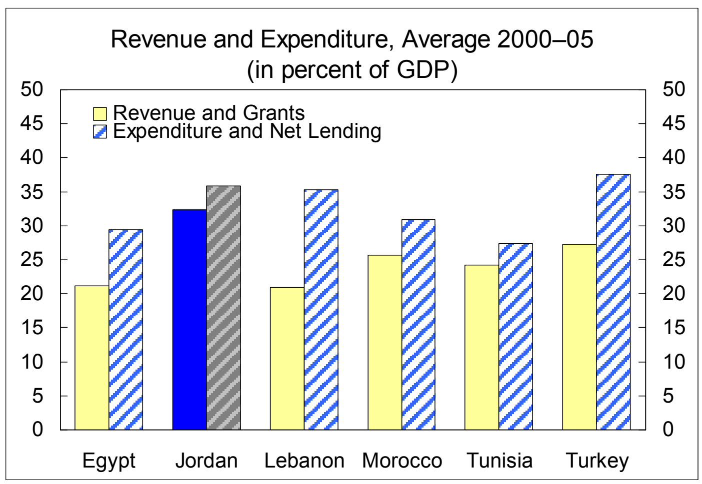
[1] Higher private investment played an important role in Jordan's current account deterioration, but high oil prices and an influx of about ½ million Iraqi migrants had boosted domestic consumption by up to a combined 12 percentage points of nominal GDP.

supporting Jordan's medium-term growth prospects. Savings should increase, however, from 11 percent of GDP in 2006 to about 18 percent in 2012. Public saving increases reflect medium-term fiscal adjustment. Private savings are also expected to increase—as tighter credit conditions, weaker asset prices, and declining fuel and food subsidies put private consumption back on trend.

- **External debt dynamics and liquidity ratios do not signal vulnerability.** With a falling current account deficit, and continued strong FDI inflows, reserve ratios to imports and short-term debt should remain comfortable, and external debt (mostly concessional) could be halved in five years (to 23 percent of GDP). As discussed in the external debt sustainability analysis (DSA), these baseline projections are robust to several assumed shocks, but are more sensitive to private capital inflows, including regional FDI (Appendix I).

B. Fiscal Policy

11. **The authorities intend to base their policies on achieving a public debt-to-GDP ceiling of 60 percent by 2011.**[2] They are considering updating the Public Debt Law's existing 80 percent limit, which was instrumental in securing past adjustment. At a minimum, meeting the new target will likely imply overall budget deficits (including grants) not exceeding 3½ percent of GDP a year over the medium term. However, a still-high public debt, large current account deficits, and uncertainties over foreign grants and capital inflows would suggest that an even more ambitious fiscal adjustment is warranted. The fiscal DSA highlights the dependence of debt sustainability on sustained fiscal adjustment (Appendix II).



12. **Both sides agreed that medium-term fiscal adjustment should rely primarily on spending measures.** With the Jordanian economy well taxed, the authorities indicated that any higher tax revenue (on top of higher expected fuel-related revenues, see below) should come from further strengthening tax administration and broadening the tax base.

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[2] With the recent oil price decline, the 60 percent target becomes easier to reach, leaving room to adjust, as needed, to exogenous shocks. The medium-term fiscal adjustment entails declines in debt ratios of about 3½ percentage points per year, which appears feasible given falling deficits and assumed strong growth; debt reduction in recent years has on average been far larger.

Accordingly, the authorities will concentrate their efforts on keeping nonpriority current spending constant in real terms, while protecting priority spending. This requires savings on transfers and other current spending, a better targeted social safety net, and improved public financial management (see table below).

Jordan: Summary of Fiscal Operations, 2006–12
(In percent of GDP)

	Prel. 2006	Prel. Budget 2007	Proj. 2007	Proj. Average 2008–12
Total revenue and grants	33.7	35.1	35.4	31.7
Budgetary revenue, *of which:*	30.5	29.9	30.4	29.9
Tax revenue	20.8	21.1	20.8	20.7
Nontax revenue	9.7	8.8	9.6	9.3
Grants	3.2	5.1	5.0	1.7
Total budgetary expenditure	38.1	38.5	37.0	33.1
Current expenditure, *of which:*	30.9	29.7	29.0	25.2
Primary current spending w/o fuel subsidy	25.0	26.2	25.6	22.3
Fuel subsidy	2.7	0.0	0.0	0.0
Capital expenditure and net lending	7.2	8.8	8.0	7.9
Financing (=deficit including grants)	4.3	3.4	1.6	1.4
Foreign financing (net) 1/	-0.5	-1.4	-0.7	-1.4
Privatization receipts (net)	4.3	3.2	3.1	0.0
Domestic financing (net)	0.5	1.7	-0.8	2.8
Memorandum items:				
Overall balance excluding grants	-7.5	-8.5	-6.6	-3.1
Primary balance excluding grants	-4.3	-5.0	-3.2	-0.2
Government and guaranteed net debt	72.5	66.7	65.6	55.2

Sources: Jordanian authorities; and Fund staff projections.

1/ 2007 preliminary budget includes JD 55.2 million (about 0.5 percent of GDP) amortization to IMF.

13. **The draft 2007 budget is consistent with the new medium-term debt target.** The overall deficit, including grants, is set to improve by about 1 percentage point of GDP, to 3.4 percent. While planned fiscal adjustment could have been more ambitious, the authorities indicated that this was the best they could do given high priority spending needs. (These include large one-off defense and security spending of about 2 percentage points of GDP that is expected to be unwound the following year.) At the same time, the authorities had reiterated their plan to eliminate fuel subsidies in 2007, to be followed by an automatic formula-based fuel price adjustment mechanism to help insulate pricing decisions from

political considerations.[3] In addition, they are considering introducing specific inflation-indexed excises and full general sales tax (GST) on selected petroleum products that could generate at least 1 percent of GDP a year, although this will not likely take place this year.

14. **Despite continued fiscal adjustment, securing appropriate domestic financing will resume its importance over the medium term.** Although requirements are expected to remain low next year, *net* domestic financing will likely average 2¾ percent of GDP on an annual basis over 2008–12. This is due to a marked decline in net foreign financing—linked to an end of Paris Club reschedulings—and completion of the privatization program. The authorities are considering extending the yield curve beyond five years and issuing long-term JD-denominated bonds on regional markets mainly to test the confidence of regional investors in the JD and to avoid squeezing private sector credit. They are also considering issuing Islamic financial instruments (sukuks) for budget financing needs and for mopping up excess liquidity of Islamic banks.

15. **The authorities intend to continue with structural fiscal adjustment as a key part of their reform agenda**:

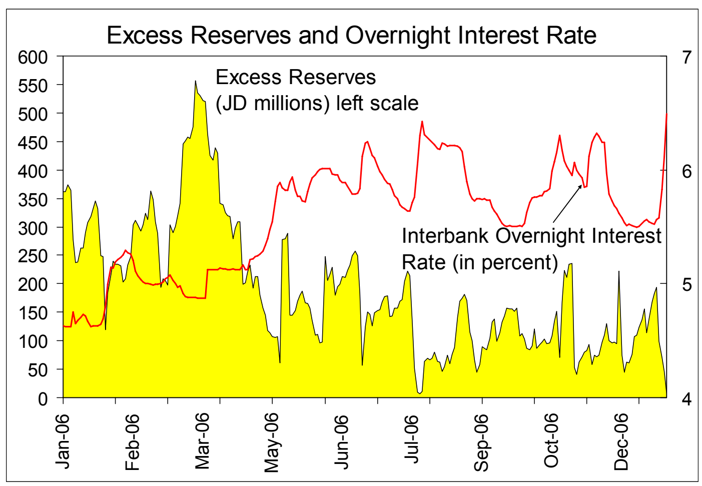
- **Tax and expenditure policy** measures include broadening the GST base; strengthening the income tax regime; phasing out food subsidies; and proceeding with civil service reform.
- **Revenue administration** measures are continuing apace, in line with Fund technical assistance recommendations. These include strengthening further the large taxpayer office and setting up medium taxpayer offices. Staff called for accelerating reforms in the area of public financial management, including on strengthening macrofiscal management, completing work on the treasury single account, modernizing the budget classification, implementing Government Financial Management Information System (GFMIS), and strengthening budget processes.
- Reforming the **pension system** is essential for its long-term viability. Although the Social Security Corporation has been achieving surpluses of about 1½ percent of GDP, it needs to put its finances on a sustainable footing to ensure that early retirement is actuarially fair, benefits are linked to lifetime contributions, and pensions are indexed to inflation to prevent an erosion of their real value over time. The World Bank is providing assistance in this area.

[3] At the time of the discussions, it was projected that the elimination of the subsidy required an average 10 percent fuel price increase in March 2007. Given recent fuel price declines, these price increases no longer appear necessary.

C. Monetary and Exchange Rate Policy

16. **The CBJ stressed its commitment to continued prudent monetary policy, to maintain the dollar peg and keep inflation low.**

- **The CBJ and staff consider the existing interest rate spread over U.S. interest rates appropriate, with no pressures evident in the foreign exchange market.** International reserves are adequate, covering more than five months of prospective imports.
- **With the recent inflation increase reflecting mainly a one-time jump in the price level due to supply shocks, staff and authorities do not see a need for an immediate monetary response.** The CBJ stands ready, however, to tighten monetary policy further should inflation show signs of becoming entrenched.
- **The CBJ intends to continue to remove excess liquidity through the issuance of CDs.** This will help slow domestic credit growth, and contain consumption and imports. It will also help strengthen further the interbank market by reducing reliance on the CBJ's overnight deposit window. The CBJ is also considering increasing the frequency of its CD auctions to help better manage aggregate liquidity conditions in the market.
- **The CBJ and the ministry of finance (MOF) will continue to coordinate closely**. The government is considering options to retire gradually its debt to the CBJ (incurred in earlier years), including through the issuance of marketable interest-bearing securities.[4] Such an initiative will not only bolster the CBJ's profitability and its operational independence, but also help jumpstart the domestic bond market since 40 percent of government debt is held by the CBJ.



17. **Staff agrees with the authorities that the exchange rate peg provides a stable nominal anchor.** This requires supportive macroeconomic and structural policies, including bringing inflation in line with that in the U.S. The value of the dinar is appropriate from several perspectives (Box 1):

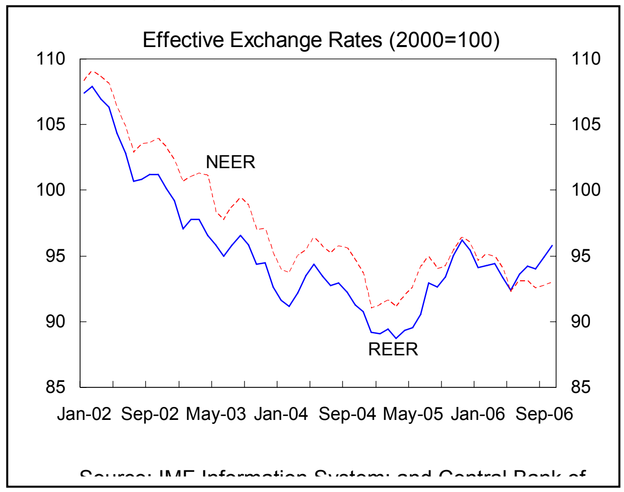
[4] These could then be used in the future by the CBJ as needed to conduct open market operations.

Box 1. Jordan: External Outlook and Competitiveness

Although Jordan's current account deficit is large, external sustainability is not a concern. Even with high oil prices and the continued presence of Iraqi migrants (key factors behind the import surge of recent years), import growth moderated in 2006, aided in part by adjustments in domestic fuel prices. At the same time, one-third of the current account deterioration reflects a jump in private investment (the counterpart to rising capital goods imports), a foundation for future growth. The external DSA also suggests no real grounds for concern.

The outlook for the current account and external competitiveness appears positive:

- **REER and terms of trade:** The REER level appreciated by 6 percent this year. However, this follows four years of steady depreciation, and returns the REER to levels prevailing in the early part of the decade, a period of strong export growth. And, as explained in the main text, export growth, gains in market share, productivity improvements, and the capital inflow surge do not suggest misalignment of the dinar.



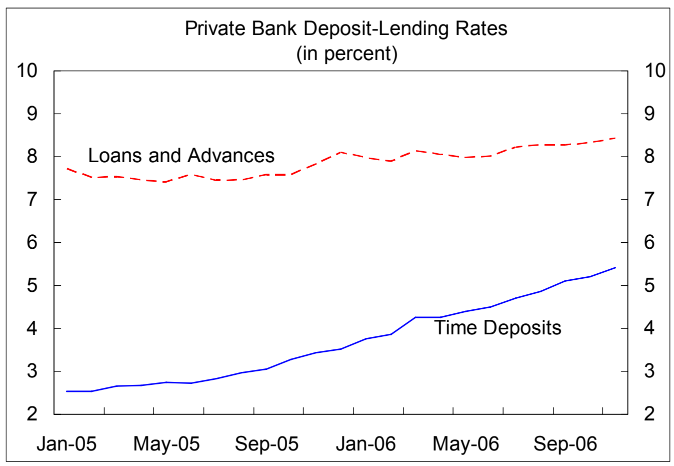
- **Exports volumes:** Annual export volumes have grown by 14 percent on average since 2000, aided by a free trade agreement with the U.S. and strong mineral exports to the Middle East and Asia. These developments, in addition to recent sector-specific agreements covering agriculture and pharmaceuticals, should help to sustain Jordan's strong export performance in the years ahead.

The outlook for the capital and financial account looks similarly positive. Despite the large current account deficit, there are no signs of foreign exchange shortages, given record remittances and FDI (both near 20 percent of GDP). Looking ahead, new FDI inflows, although likely to fall following exceptional bank- and telecom-related flows in 2006, look set to remain well above US$1 billion a year over the medium term reflecting (i) record registrations of new investor commitments; (ii) privatization plans; (iii) inflows into special economic zones of about US$½ billion a year; and (iv) announced real estate, retail, and tourism projects that could collectively bring inflows of US$3–5 billion over the next five years.

- The current account deficit has not been associated with weak export performance, a typical symptom of a misaligned exchange rate—exports have been growing at double-digit rates for five years. Market shares in the U.S. have risen substantially, despite tough competition in the apparel industry, and productivity in the manufacturing and textile sectors has increased sharply in recent years (Figure 1).
- There are no signs of foreign exchange pressures, with the CBJ a net buyer of foreign exchange in the past few years, and net foreign assets of the banking system increasing substantially.
- While the REER appreciated modestly in 2006, the equilibrium REER might have appreciated with the recent surge in private capital flows.
- Finally, the dramatic increase in FDI suggests confidence in the economy's ability to generate sufficiently high rates of return in the future, and indicates investors' favorable views on prevailing competitiveness conditions.

D. Financial Sector Policies

18. **Bank indicators remain sound despite the major correction in the equity market.** Capital adequacy and liquidity ratios are comfortable; nonperforming loans are low and provisions high; profitability has increased despite narrowing loan margins; and dollarization remains steady.



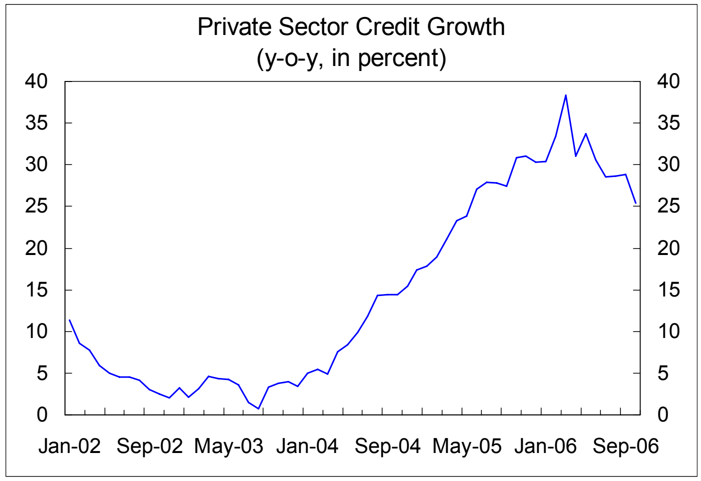
Jordan: Indicators of Bank Soundness, 2000–06

	2000	2001	2002	2003	2004	2005	Jun-06
Capital adequacy ratio	19.4	17.5	16.6	15.9	17.8	17.6	20.3
Classified loans (in percent of total loans)	14.6	15.9	16.6	14.9	10.0	6.5	5.4
Provisions (in percent of classified loans)	...	42.6	50.6	52.0	63.9	78.4	84.9
Liquidity ratio 1/	...	...	...	179.6	173.0	168.0	163.8
Net profits (in percent of total assets) 2/	0.3	0.7	0.6	0.7	1.0	1.8	1.8
Net profits (in percent of capital and reserves) 3/	4.4	10.5	9.2	10.9	13.6	21.7	17.9
Total assets (JD billions)	12.4	13.6	14.6	15.2	17.4	20.6	22.4
Share of total assets in foreign currency	37.0	38.2	38.6	36.0	34.8	31.4	31.6
Share of total liabilities in foreign currency	35.7	36.8	37.6	34.9	34.3	31.4	30.8

Source: Central Bank of Jordan.

1/ The regulatory minimum is 100.
2/ This indicator was 0.5 in Morocco, 0.6 in Egypt and Tunisia, 0.8 in Lebanon, and 3.2 in Kuwait as of end-December 2005.
3/ This indicator was 6.3 in Morocco, 6.9 in Tunisia, 10.7 in Egypt, 11.9 in Lebanon, and 25.7 in Kuwait as of end-December 2005.

19. **The authorities have made much progress on adopting key FSAP recommendations in the areas of banking regulation and supervision.** A prompt corrective action framework and comprehensive corporate governance/risk management guidelines have been published, and off-site surveillance should soon benefit from the installation of a new electronic reporting system. The implementation of Basel II's Second Pillar is progressing well. The latest Anti-Money Laundering/ Combating Financing of Terrorism (AML/CFT) assessment of Jordan revealed a need to improve the overall legislative and institutional framework. As part of the authorities' response to these findings, parliament is expected to pass soon the AML/CFT legislation, prepared with World Bank advice. The Credit Bureau Law is at discussion stage. The CBJ welcomed the prospect of an FSAP update, possibly during the second half of 2007, once readiness for Basel II is complete and payments system reforms are fully implemented.



20. **However, rapid private sector credit expansion calls for continued vigilance and strict bank supervision.** New forms of lending, such as margin and noncollateralized loans, as well as credit card usage, have grown rapidly over the past two years, and banks may not have the capacity to assess associated risks. And the consequences of banks' increased indirect exposure to a declining stock market could become more visible in 2007. Against this backdrop, the CBJ has improved its staffing to support on- and off-site supervision activities, and has started to enforce a finer classification of credit facilities and associated stricter provisioning rules since June 2006.

E. Investment Climate

21. **The authorities are determined to build on Jordan's strong record of attracting regional investors.**

- **This will require further improvement in the business environment** (the World Bank's latest Doing Business Survey has shown slippages in most areas except trade). Possible reforms here include simplifying procedures for starting and closing a business, and for registering property; improving credit information through a Credit Bureau Law; increasing labor market flexibility by containing public sector wage increases and easing hiring and firing legislation; and strengthening further basic infrastructure.

- **Continued privatization will also help.** In this context, the authorities plan to sell stakes in Royal Jordanian Airlines and three electricity generation and distribution companies, as well as to sell in early 2007 the remaining shares in Jordan Telecom.
- **The authorities see a greater role for the use of public private partnerships (PPPs) in attracting investment.** Potential schemes include projects related to water supply, airports, and railways, among others. They acknowledged that any plans to introduce PPPs should be accompanied by an appropriate legal and institutional framework, and proper accounting and transparent disclosure of fiscal risks.

IV. Staff Appraisal

22. **Jordan's economic performance in recent years has been stronger than expected by staff.** Despite negative external shocks, growth has increased sharply and inflation has remained low, anchored by the exchange rate peg. Public debt has continued to fall, foreign reserves are at an all-time high, and banks have gathered strength. Although the current account deficit is high, it is narrowing and has been comfortably financed mainly by long-term capital inflows.

23. **This success reflects successive rounds of supportive economic policies.** Over the past decade, the Jordanian authorities have pursued sound fiscal policy, limited CBJ public credits, maintained the exchange rate peg through prudent monetary policy, lowered trade barriers, deregulated domestic prices, implemented a successful privatization program, and improved the business environment.

24. **Sustaining this good economic performance is now the key challenge Jordan faces.** Despite its major achievements, Jordan's current account deficit and reliance on capital inflows remain high, as does its public debt burden. And still-high unemployment and poverty also have to be tackled. Making further progress on these issues requires both sustained policy reforms and a supportive external and regional environment.

25. **The authorities' policy package appropriately relies primarily on continued fiscal adjustment.** This is expected to lower the debt burden further and support the currency peg and low inflation. It should also contribute to a sharp narrowing of external imbalances over the medium term, with the current account deficit falling sharply, and external debt halving, to 23 percent of GDP, by 2012. Further structural reforms are also needed to improve the investment climate, create jobs, and support growth.

26. **Staff believes that the introduction of a new binding public debt ceiling—60 percent of GDP by 2011—will play a critical role.** The previous fiscal anchor worked well, guiding successive governments to adopt a series of budgets that helped further ease Jordan's debt burden. To help ensure that the new anchor is similarly successful, the new target should be legislated and accompanied by a medium-term path for the primary balance

(excluding grants, given their volatility) in line with the new target. The margin created by the recent oil price declines should be used to adjust to negative external shocks, rather than to make room for additional spending or tax cuts. Also, measures to further develop the domestic debt market would be important to secure adequate financing on reasonable terms over the medium term.

27. **Achieving the new debt goals will require spending restraint and ambitious fiscal structural reforms.** Initial steps should include the introduction of an automatic fuel price adjustment mechanism—current international fuel prices afford the opportunity to do this without an accompanying price increase—and specific inflation-adjusted excises on selected petroleum product. This fuel price adjustment mechanism should play a key role in preventing the re-emergence of fuel subsidies in case world fuel prices increase in the future. With Jordan already well taxed, and beyond resisting pressures to cut taxes (e.g., recent parliamentary income tax law proposals), the new debt targets will mainly require keeping current primary expenditure constant in real terms. Given competing demands on expenditure, eliminating fuel subsidies in early 2007, containing nonpriority current spending, better targeting the social safety net, and improving public financial management should be priorities. Additional capital spending should also be well prioritized with due consideration to absorptive capacity constraints.

28. **The 2007 budget is consistent with the new medium-term fiscal targets, but more ambitious adjustment would have been desirable.** Not only would this make reaching the debt target less susceptible to shocks in the outer years, it would likely help with the current account deficit and inflation. It would also set the stage for lower domestic financing needs in the medium term, thereby limiting any potential crowding out of private sector activity. Further adjustment might have been achieved through containing nonpriority current and capital spending growth.

29. **The dinar is fairly valued and the exchange rate peg should continue to serve Jordan well as a nominal anchor.** The interest rate spread of CBJ CDs (1½–2 percentage point range) relative to the U.S. 3-month T-bill has contributed to maintaining confidence in the peg . But the CBJ needs also to remove remaining excess liquidity through the issuance of additional CDs. This should help slow domestic credit growth over time and further strengthen the interbank market. Staff welcomes the authorities' decision to keep credit and inflation developments under close review—and to react as needed should developments diverge from expectations. Staff also welcomes the joint plan of the CBJ and the MOF to strengthen CBJ's balance sheet.

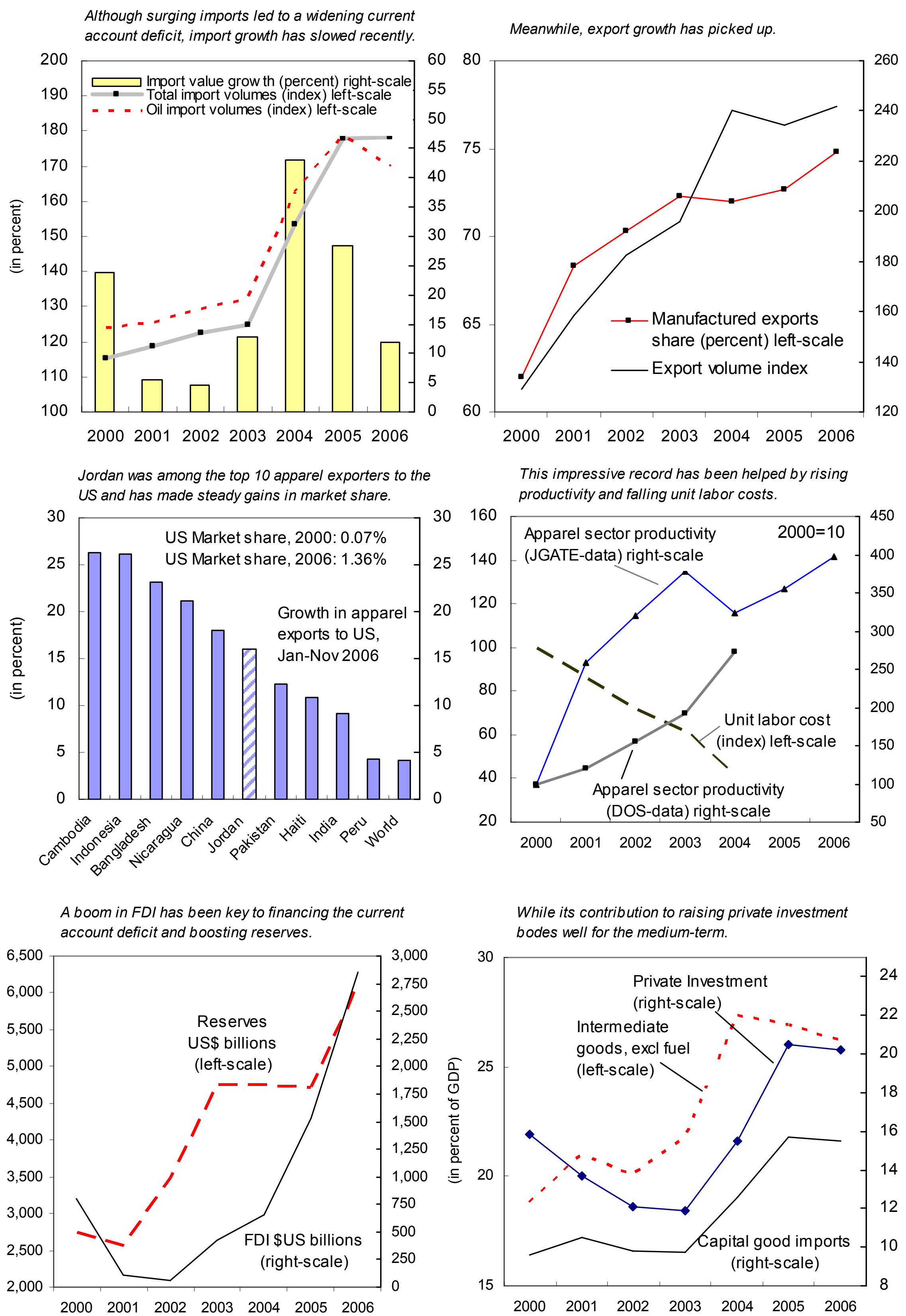
30. **Staff welcomes the authorities' commitment to a strict financial sector supervision.** A sound banking system will provide a base for sustainable growth in Jordan. Banks are now well capitalized, nonperforming loans have declined and profits remain comfortable. The implementation of FSAP recommendations, including introducing a prompt corrective framework and improved off-site surveillance, is welcome. Staff looks forward to

the early passage by parliament of AML/CFT legislation and to an FSAP follow up later this year.

31. **The authorities' commitment to continue with PPM is welcome.** This reflects the continued close and fruitful cooperation between the authorities and staff.

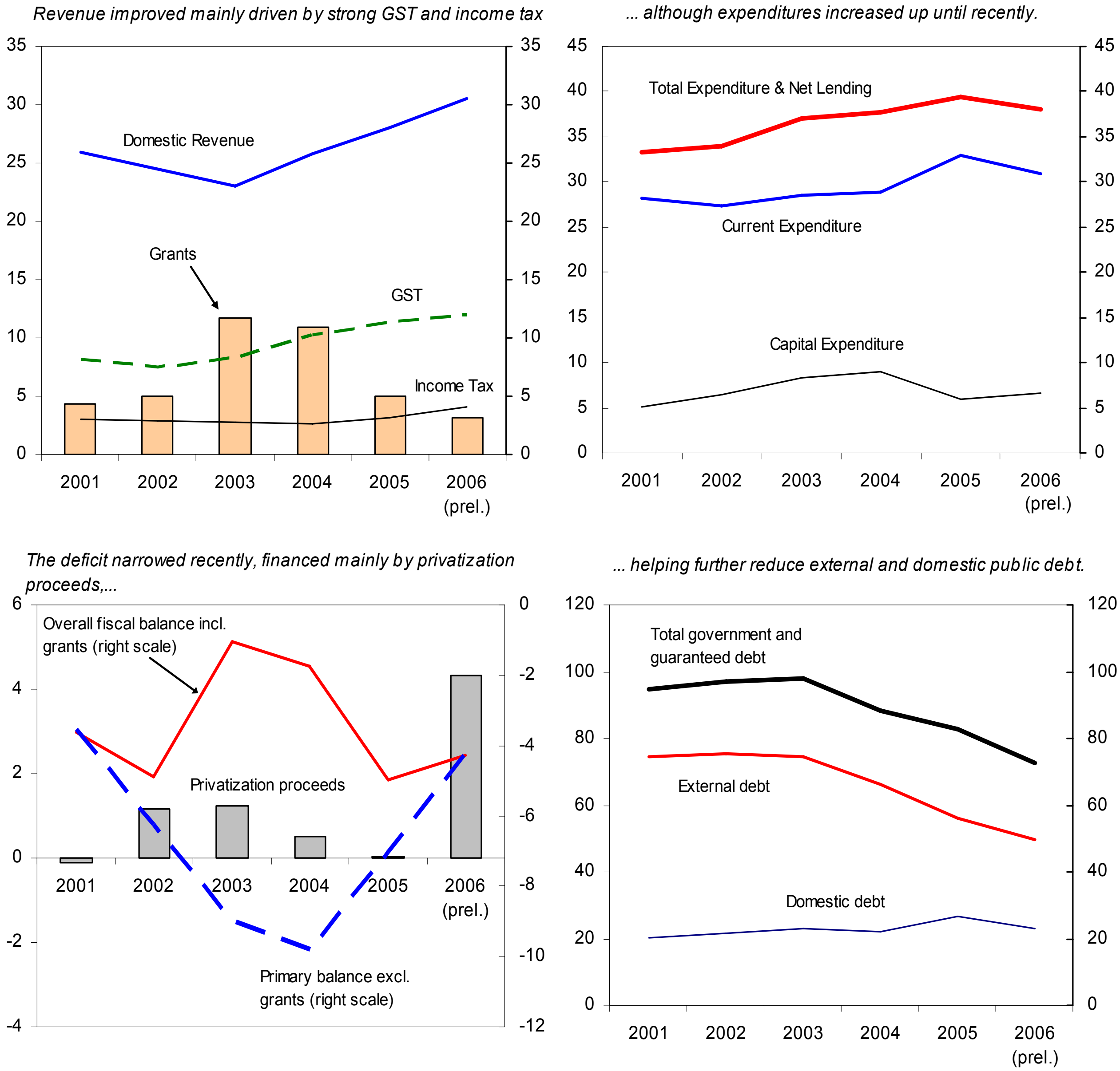
32. **It is recommended that the next Article IV consultation be held on the standard cycle.**

Figure 1. Jordan: External Sector Developments, 2000–06



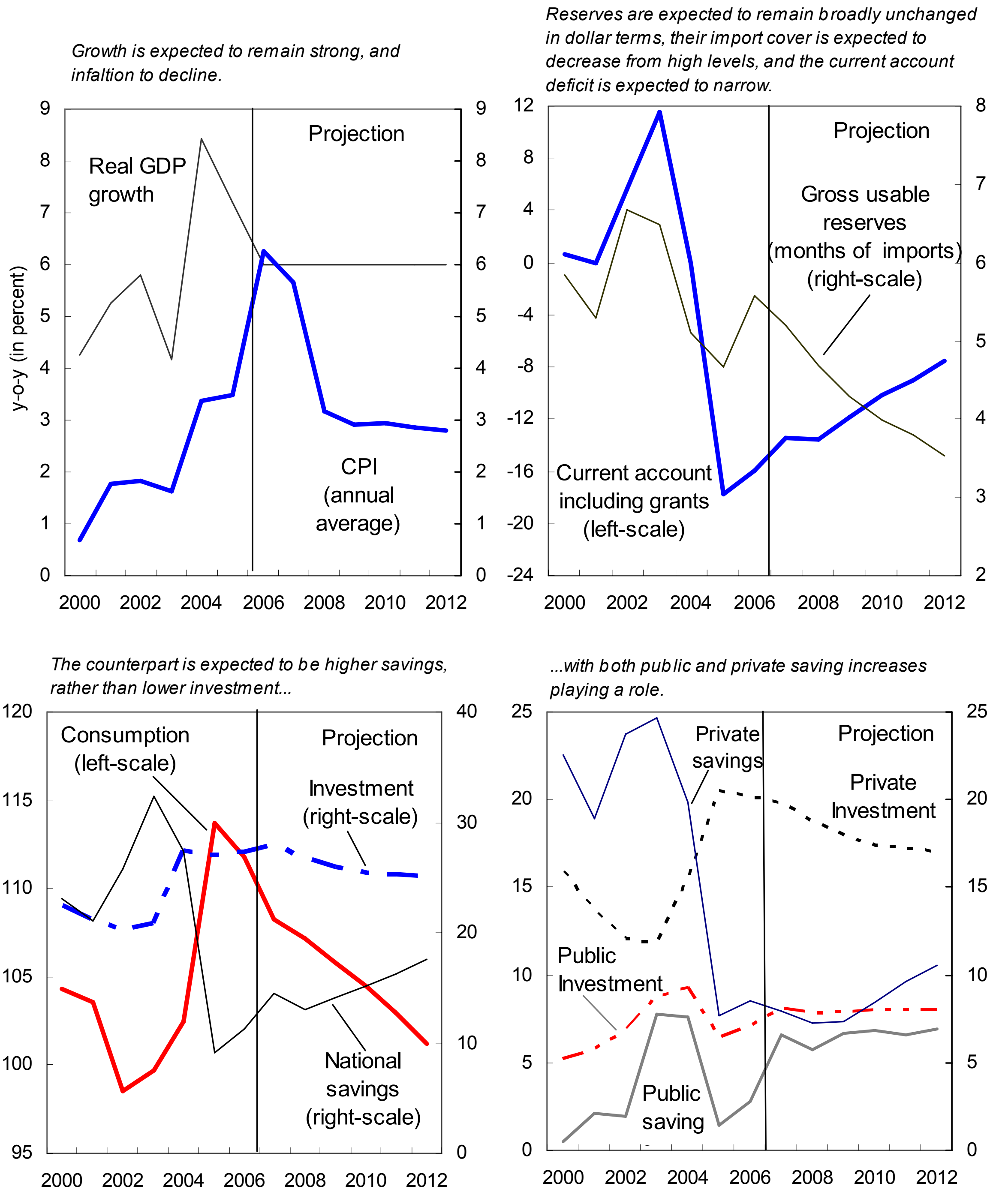
Sources: Jordanian authorities, JGATE, US OTEXA and Fund staff projections.

Figure 2. Jordan: Fiscal Sector Developments, 2001–06
(in percent of GDP)



Sources: Jordanian authorities; and Fund staff estimates.

Figure 3. Jordan: Illustrative Medium-Term Macroeconomic Framework, 2000–12
(In percent of GDP, unless otherwise stated)



Sources: Jordanian authorities; and Fund staff estimates.

Table 1. Jordan: Indicators of Fund Credit, 2002–11
(In millions of SDR)

	2002	2003	2004	2005	2006	Projections 2007	2008	2009	2010	2011
Total Fund credit outstanding at end-period										
In millions of SDR	355.0	283.6	217.5	165.3	105.2	55.4	17.9	2.5	0.0	0.0
In millions of U.S. dollars	475.7	416.1	335.0	236.6	158.7	83.5	27.0	3.8	0.0	0.0
In percent of:										
Quota	208.2	166.3	127.5	97.0	61.7	32.5	10.5	1.5	0.0	0.0
GDP	5.0	4.1	2.9	1.9	1.1	0.5	0.2	0.0	0.0	0.0
Exports of goods and nonfactor services	10.5	8.6	5.6	3.6	2.1	1.0	0.3	0.0	0.0	0.0
Public and publicly guaranteed debt	6.3	5.5	4.4	3.3	2.2	1.2	0.4	0.1	0.0	0.0
Transactions under the GRA										
Purchases under the GRA	71.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repurchases 1/	61.0	71.4	66.1	52.2	60.1	49.8	37.5	15.4	2.5	0.0
Net Purchases	10.5	-71.4	-66.1	-52.2	-60.1	-49.8	-37.5	-15.4	-2.5	0.0
Charges and interest 2/	11.1	8.7	6.5	7.1	6.2	5.5	3.0	1.2	0.7	0.7
Debt service to the Fund										
In millions of SDR	72.1	80.1	72.6	59.3	66.2	55.3	40.6	16.6	3.3	0.7
In millions of U.S. dollars	93.7	112.2	107.5	87.6	97.5	83.3	61.2	25.1	4.9	0.0
In percent of:										
Exports of goods and nonfactor services	2.1	2.3	1.8	1.3	1.3	1.0	0.6	0.2	0.0	0.0
Service on public and publicly guaranteed debt	11.6	13.0	12.6	10.9	12.1	10.4	7.9	3.4	0.7	0.0

Sources: IMF Finance Department; and Fund staff estimates.

1/ On an expectation basis for purchases made after November 17, 2000.
2/ Includes SDR charges.

Table 2. Jordan: Selected Economic Indicators and Macroeconomic Outlook, 2003–12
(Quota: SDR 170.5 million)

			Prel.	Est.	Projections					
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Output and prices				(Annual percentage changes)						
Real GDP at market prices	4.2	8.4	7.2	6.0	6.0	6.0	6.0	6.0	6.0	6.0
GDP deflator at market prices	2.1	3.1	4.0	6.3	5.7	3.2	2.9	2.9	2.8	2.8
Nominal GDP at market prices	6.4	11.8	11.5	12.6	12.0	9.4	9.1	9.1	9.0	9.0
Nominal GDP at market prices (JD millions)	7,229	8,081	9,013	10,151	11,369	12,433	13,563	14,799	16,133	17,579
Nominal GDP at market prices ($ millions)	10,196	11,398	12,712	14,318	16,035	17,535	19,129	20,873	22,755	24,794
Consumer price index (annual average)	1.6	3.4	3.5	6.3	5.7	3.2	2.9	2.9	2.8	2.8
Consumer price index (end of period)	2.9	3.9	4.2	7.5	3.6	2.9	3.0	2.9	2.9	2.6
Unemployment rate (percent)	14.5	12.5	14.8	13.9	...	...	...	...	...	...
Investment and savings				(In percent of annual GDP)						
Consumption	99.7	102.5	113.7	111.8	108.2	107.2	105.9	104.5	103.0	101.2
Government	23.2	21.3	19.5	21.6	22.8	20.3	19.5	19.5	19.5	19.5
Other	76.5	81.1	94.2	90.2	85.4	86.9	86.4	85.0	83.5	81.8
Gross domestic investment	20.8	27.4	27.0	27.3	27.9	26.7	25.9	25.4	25.2	25.1
Government	8.8	9.3	6.5	7.1	8.1	7.9	8.0	8.0	8.0	8.1
Other	12.1	18.1	20.5	20.2	19.8	18.8	18.0	17.4	17.2	17.0
Gross national savings	32.4	27.4	9.2	11.3	14.5	13.1	14.1	15.2	16.3	17.6
Government	7.7	7.6	1.5	2.8	6.6	5.8	6.7	6.8	6.6	7.0
Other	24.7	19.8	7.7	8.5	7.9	7.3	7.4	8.4	9.6	10.6
Savings-investment balance	11.6	0.0	-17.8	-16.0	-13.4	-13.6	-11.9	-10.2	-9.0	-7.5
Government	-1.0	-1.7	-5.0	-4.3	-1.6	-2.1	-1.3	-1.2	-1.4	-1.1
Other	12.6	1.7	-12.8	-11.7	-11.9	-11.5	-10.6	-9.0	-7.6	-6.4
Fiscal operations										
Revenue and grants	34.7	36.7	33.0	33.7	35.4	32.2	32.1	31.7	31.2	31.0
Of which: grants	11.7	10.9	5.0	3.2	5.0	2.0	1.8	1.7	1.5	1.4
Expenditure and net lending (including off-budget)	35.8	38.4	38.0	38.0	37.0	34.3	33.4	32.9	32.6	32.1
Overall fiscal balance including grants	-1.0	-1.7	-5.0	-4.3	-1.6	-2.1	-1.3	-1.2	-1.4	-1.1
Overall fiscal balance excluding grants	-12.7	-12.7	-10.0	-7.5	-6.6	-4.1	-3.1	-2.9	-3.0	-2.5
Primary fiscal balance excluding grants	-9.0	-9.8	-7.0	-4.3	-3.2	-0.7	0.1	0.1	-0.3	-0.4
Government and government-guaranteed net debt	97.7	88.5	82.8	72.5	65.6	62.2	58.5	54.9	51.8	48.7
Of which: external debt	74.5	66.2	56.1	49.8	44.2	39.1	34.6	30.3	26.5	23.2
External sector										
Current account balance (after grants), *of which:*	11.6	0.0	-17.8	-16.0	-13.4	-13.6	-11.9	-10.2	-9.0	-7.5
Exports, f.o.b. ($ billions)	3.1	3.9	4.3	5.1	5.8	6.5	7.3	8.1	9.0	9.9
Imports, f.o.b. ($ billions)	5.1	7.3	9.3	10.4	11.4	12.3	13.3	14.3	15.4	16.5
Oil and oil products ($ billions)	0.8	1.4	2.2	2.4	2.2	2.4	2.7	2.9	3.1	3.4
Private capital inflows (net)	6.9	6.5	19.7	30.0	15.8	13.9	12.5	10.7	9.0	8.0
				(Annual percentage changes)						
Merchandise exports, f.o.b. ($)	11.2	26.0	10.8	18.0	13.8	12.4	12.3	11.5	10.5	10.5
Merchandise imports, f.o.b. ($)	12.8	43.0	28.3	12.0	8.9	8.0	8.1	7.9	7.7	7.3
Monetary sector										
Broad money	12.4	11.7	17.0	14.1	10.3	9.4	9.1	9.1	9.0	9.0
Net foreign assets	24.5	7.2	3.0	23.9	3.5	-1.2	-1.0	-1.2	-2.2	-1.0
Net domestic assets	-0.8	17.9	34.5	4.7	18.1	19.9	17.4	16.3	15.6	13.9
Credit to private sector	3.5	17.3	30.3	24.4	16.5	14.6	14.0	13.7	13.3	12.5
Stock market index	53.8	62.4	92.9	-32.6	...	...	...	...	...	...
Memorandum items:										
Gross usable international reserves ($ millions) 1/ 2/	4,745	4,755	4,723	6,102	6,130	5,966	5,876	5,884	5,884	5,884
In months of prospective imports of GNFS	6.5	5.1	4.7	5.6	5.2	4.7	4.3	4.0	3.7	3.6
As percent of JD broad money	46.4	42.8	35.4	40.1	36.4	32.3	29.1	26.6	24.3	22.2
Net international reserves ($ millions) 1/ 2/	4,431	4,544	4,622	5,937	6,143	6,036	5,969	5,981	5,881	5,881
Budgetary grants ($ millions)	1,193	1,246	633	454	810	353	353	353	353	353
Population (in thousands)	5,200	5,350	5,487	5,628	5,772	5,920	6,072	6,228	6,387	6,551
Nominal per capita GDP ($)	1,961	2,131	2,317	2,544	2,778	2,962	3,150	3,352	3,563	3,785
Real effective exchange rate (2000=100)	95.8	92.1	91.9	…	…	…	…	…	…	…
Percent change (+: appreciation)	-7.2	-3.9	-0.3	…	…	…	…	…	…	…

Sources: Jordanian authorities; and Fund staff estimates and projections.

1/ Net of short-term foreign liabilities, foreign currency swaps, and commercial bank foreign deposits with the CBJ.

2/ NIR exceeds gross usable international reserves in years where the net fund position is negative.

Table 3. Jordan: Indicators of Financial Vulnerability, 2002–06

(End of period, unless otherwise noted)

	2002	2003	2004	Prel. 2005	Est. 2006
Monetary and financial indicators			(In percent of GDP)		
Gross domestic currency public debt (including own-budget agencies)	24.4	25.1	25.8	27.4	25.5
Central government net domestic currency borrowing requirement	2.6	4.3	2.6	5.5	0.5
Broad money (annual growth, in percent)	7.0	12.4	11.7	17.0	14.1
Broad domestic currency liquidity (M2) (annual growth, in percent)	7.0	11.9	8.6	20.1	14.2
Private sector credit (annual growth, in percent)	3.2	3.5	17.3	30.3	24.4
Banking sector indicators					
Nonperforming loans (excluding interest in suspense, as percent of loans) 1/	16.6	14.9	10.0	6.5	5.4
Nonperforming loans (as percent of capital and reserves) 1/	85.8	73.2	46.1	28.3	20.8
Provisions against nonperforming loans (excluding interest in suspense, as percent of such loans) 1/	50.6	52.0	63.9	78.4	84.9
Risk-weighted capital adequacy ratio (in percent) 1/	16.6	15.9	17.8	17.6	20.3
Construction loans in total private credit to residents (in percent)	16.7	17.2	17.4	16.4	17.4
Credit to private sector (in percent of GDP)	65.9	61.5	72.8	85.1	94.0
			(In millions of U.S. dollars)		
Foreign currency and external debt indicators					
Gross external public debt ($ millions)	7,222	7,599	7,541	7,132	7,123
In percent of GDP	75.4	74.5	66.2	56.1	49.8
Short-term external debt ($ millions) 2/	519	541	649	550	552
Total foreign liabilities of central bank ($ millions)	612	507	392	315	333
Total foreign liabilities of commercial banks ($ millions)	4,718	4,379	4,892	5,234	...
Commercial banks' net foreign asset position ($ millions)	1,619	1,801	2,163	2,329	2,759
Official reserves indicators					
Gross usable reserves ($ millions) 3/	3,474	4,745	4,755	4,723	6,102
In percent of M2	29.3	35.5	31.9	27.1	30.7
In percent of short-term external debt by remaining maturity	670	876	732	858	1,105
Net international reserves ($ millions) 3/	3,027	4,431	4,544	4,622	5,937
In percent of M2	25.5	33.2	30.5	26.5	29.8
In percent of short-term external debt	584	818	700	840	1,075
External current account indicators (annual flows)					
Merchandise exports, f.o.b. ($ millions)	2,770	3,082	3,883	4,301	5,075
Annual changes in percent	20.7	11.2	26.0	10.8	18.0
Merchandise imports, f.o.b. ($ millions)	4,501	5,078	7,261	9,317	10,431
Annual changes in percent	4.6	12.8	43.0	28.3	12.0
Current account balance including grants ($ millions)	538	1,179	-2	-2,260	-2,285
In percent of GDP	5.6	11.6	0.0	-17.8	-16.0

Sources: Jordanian authorities; Bank for International Settlements; WEO; and Fund staff estimates.

1/ Data for 2006 are as of end-June.
2/ Short-term public debt is defined as nonresident treasury bill holdings and amortization falling due during the year.
3/ Excluding foreign currency deposits held by commercial banks with the central bank.

Table 4. Jordan: Summary Balance of Payments, 2003–12
(In millions of U.S. dollars, unless otherwise noted)

	2003	2004	2005	Prel. 2006	Projections 2007	2008	2009	2010	2011	2012
Current account	1,179	-2	-2,260	-2,285	-2,155	-2,385	-2,274	-2,127	-2,039	-1,866
Trade balance	-1,996	-3,378	-5,016	-5,356	-5,579	-5,773	-5,971	-6,179	-6,421	-6,605
Exports f.o.b.	3,082	3,883	4,301	5,075	5,776	6,490	7,289	8,125	8,978	9,925
Of which: domestic exports, f.o.b.	2,363	3,253	3,625	4,061	4,610	5,207	5,878	6,601	7,332	8,147
Imports f.o.b.	5,078	7,261	9,317	10,431	11,355	12,263	13,260	14,304	15,399	16,530
Of which: oil-gas imports, f.o.b.	797	1,372	2,151	2,449	2,239	2,431	2,662	2,899	3,149	3,389
Services (net)	-149	-73	-209	-306	-290	-232	-193	-145	-88	-19
Of which: travel (net)	610	805	855	951	1,057	1,183	1,323	1,478	1,651	1,842
Income (net)	118	233	376	397	478	470	477	492	504	512
Of which: investment income (net)	-75	-7	96	83	134	91	68	50	27	-3
Current transfers (net)	3,206	3,216	2,588	2,981	3,236	3,151	3,413	3,706	3,965	4,246
Public (net)	1,405	1,325	745	919	910	600	600	600	600	600
Private (net)	1,801	1,891	1,843	2,062	2,326	2,551	2,813	3,106	3,365	3,646
Of which: remittances (net)	1,781	1,819	1,871	2,180	2,458	2,699	2,979	3,288	3,564	3,863
Capital account	-11	341	2,288	4,062	2,284	2,251	2,167	1,998	1,806	1,761
Public sector (net)	-717	-397	-211	-228	-245	-185	-226	-229	-231	-231
Disbursements	178	173	253	235	247	265	285	295	305	305
Amortization	894	570	464	464	491	450	511	524	536	536
Private sector (net)	706	738	2,499	4,290	2,529	2,435	2,393	2,227	2,037	1,992
Direct foreign investment	424	651	1,532	2,850	1,450	1,400	1,350	1,200	1,100	1,100
Portfolio flows	-468	-337	132	200	200	200	200	200	200	200
Other capital plus E & Os	750	424	835	1,240	879	835	843	827	737	692
Overall balance	1,168	338	27	1,777	129	-134	-107	-128	-234	-105
Financing	-1,168	-338	-27	-1,777	-129	134	107	128	234	105
Increase in NFA (-) 1/	-1,424	-460	-168	-1,950	-293	190	130	132	234	105
Central bank	-1,242	-98	-2	-1,339	-166	130	55	-46	59	-43
Commercial banks	-183	-361	-166	-611	-127	60	75	178	175	148
IMF, net (expectations basis)	-100	-98	-77	-88	-75	-57	-23	-4	0	0
Arab Monetary Fund (net)	-9	-11	-9	0	0	0	0	0	0	0
Relief from debt operations 2/	94	2	9	54	54	0	0	0	0	0
Debt rescheduling	271	228	218	208	185	0	0	0	0	0
Memorandum items:										
Gross usable international reserves	4,745	4,755	4,723	6,102	6,130	5,966	5,876	5,884	5,884	5,884
In months of prospective imports 3/	6.5	5.1	4.7	5.6	5.2	4.7	4.3	4.0	3.7	3.6
Merchandise export growth, percent	11.2	26.0	10.8	18.0	13.8	12.4	12.3	11.5	10.5	10.5
Of which: domestic exports	7.6	37.7	11.4	12.0	13.5	13.0	12.9	12.3	11.1	11.1
Export of GNFS growth, percent	6.1	23.5	11.4	12.6	12.7	11.9	11.5	10.9	10.3	10.3
Import growth, percent	12.8	43.0	28.3	12.0	8.9	8.0	8.1	7.9	7.7	7.3
Of which: excluding oil-gas	13.0	37.5	22.1	11.0	14.2	7.9	7.8	7.6	7.4	7.3
Import of GNFS growth, percent	9.1	35.0	26.1	10.8	8.8	8.0	8.1	7.9	7.7	7.4
Import oil price ($ per barrel)	23.6	34.6	51.6	61.3	51.0	54.0	54.5	54.7	55.0	55.2
Current account balance										
In percent of GDP	11.6	0.0	-17.8	-16.0	-13.4	-13.6	-11.9	-10.2	-9.0	-7.5
Excluding grants	-2.2	-11.6	-23.6	-22.4	-19.1	-17.0	-15.0	-13.1	-11.6	-9.9
Private capital (net, percent of GDP)	6.9	6.5	19.7	30.0	15.8	13.9	12.5	10.7	9.0	8.0
External government debt	74.5	66.2	56.1	49.8	44.2	39.1	34.6	30.3	26.5	23.2
GDP ($ millions)	10,196	11,398	12,712	14,318	16,035	17,535	19,129	20,873	22,755	24,794

Sources: Jordanian authorities; and Fund staff estimates.

1/ The change in Fund credit outstanding is deducted from the change in NFA from monetary survey.
2/ The difference between the face value of debt reduction and the cost of debt operations.
3/ In months of prospective import of goods and nonfactor services (GNFS) of the following year, excluding imports for re-export purposes.

Table 5. Jordan: Summary of Fiscal Operations, 2003–12

	2003	2004	Prel. 2005	Prel. Q1-Q3 2006	Prel. 2006	Prel. Budget 2007	Projections 1/ 2007	2008	2009	2010	2011	2012
					(In millions of Jordanian dinars)							
Total revenue and grants	2,511	2,962	2,971	2,600	3,418	3,921	4,030	4,006	4,350	4,697	5,038	5,449
Budgetary revenue	1,665	2,079	2,522	2,440	3,096	3,347	3,456	3,756	4,100	4,447	4,788	5,199
Tax revenue	1,083	1,429	1,766	1,657	2,114	2,359	2,359	2,591	2,824	3,061	3,324	3,605
Nontax revenue	582	650	756	782	982	988	1,097	1,165	1,276	1,386	1,464	1,594
Of which: oil surplus	23	0	0	0	0	10	119	123	165	196	188	224
Grants 2/	846	883	449	160	322	574	574	250	250	250	250	250
Total budgetary expenditure	2,678	3,043	3,556	2,531	3,868	4,300	4,206	4,267	4,526	4,875	5,265	5,642
Current expenditure, *of which:* 3/	2,057	2,327	2,965	2,087	3,135	3,320	3,296	3,300	3,459	3,705	3,985	4,242
Fuel subsidy 2/	0	260	531	210	270	0	0	0	0	0	0	0
Capital expenditure	601	725	532	409	672	970	900	955	1,055	1,156	1,265	1,384
Net lending	20	-8	59	35	62	11	11	11	13	14	15	16
Nonbudget accounts, net 4/	-92	58	-135	-29	-15	0	0	0	0	0	0	0
Overall balance, including grants	-74	-140	-450	98	-435	-380	-176	-261	-176	-178	-227	-193
Financing	74	140	450	-98	435	380	176	261	176	178	227	193
Foreign financing (net) 5/	-323	-112	-54	-28	-55	-162	-85	-176	-206	-208	-210	-209
Privatization receipts (net)	88	42	4	423	440	354	354	0	0	0	0	0
Domestic financing (net)	309	209	500	-493	50	187	-93	437	383	386	438	403
					(In percent of annual GDP)							
Total revenue and grants	34.7	36.7	33.0	25.6	33.7	35.1	35.4	32.2	32.1	31.7	31.2	31.0
Budgetary revenue	23.0	25.7	28.0	24.0	30.5	29.9	30.4	30.2	30.2	30.0	29.7	29.6
Tax revenue	15.0	17.7	19.6	16.3	20.8	21.1	20.8	20.8	20.8	20.7	20.6	20.5
Nontax revenue	8.1	8.0	8.4	7.7	9.7	8.8	9.6	9.4	9.4	9.4	9.1	9.1
Of which: oil surplus	0.3	0.0	0.0	0.0	0.0	0.1	1.0	1.0	1.2	1.3	1.2	1.3
Grants 2/	11.7	10.9	5.0	1.6	3.2	5.1	5.0	2.0	1.8	1.7	1.5	1.4
Total budgetary expenditure	37.0	37.7	39.5	24.9	38.1	38.5	37.0	34.3	33.4	32.9	32.6	32.1
Current expenditure, *of which:* 3/	28.5	28.8	32.9	20.6	30.9	29.7	29.0	26.5	25.5	25.0	24.7	24.1
Fuel subsidy 2/	0.0	3.2	5.9	2.1	2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest	3.7	2.8	3.0	2.0	3.2	3.5	3.4	3.4	3.3	3.0	2.7	2.1
Capital expenditure 4/	8.3	9.0	5.9	4.0	6.6	8.7	7.9	7.7	7.8	7.8	7.8	7.9
Net lending	0.3	-0.1	0.7	0.3	0.6	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Nonbudget accounts, net 5/	-1.3	0.7	-1.5	-0.3	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance including grants	-1.0	-1.7	-5.0	1.0	-4.3	-3.4	-1.6	-2.1	-1.3	-1.2	-1.4	-1.1
Financing	1.0	1.7	5.0	-1.0	4.3	3.4	1.6	2.1	1.3	1.2	1.4	1.1
Foreign financing (net) 6/	-4.5	-1.4	-0.6	-0.3	-0.5	-1.4	-0.7	-1.4	-1.5	-1.4	-1.3	-1.2
Privatization receipts (net)	1.2	0.5	0.0	4.2	4.3	3.2	3.1	0.0	0.0	0.0	0.0	0.0
Domestic financing (net)	4.3	2.6	5.5	-4.9	0.5	1.7	-0.8	3.5	2.8	2.6	2.7	2.3
Memorandum items:												
Overall balance excluding grants	-12.7	-12.7	-10.0	-0.6	-7.5	-8.5	-6.6	-4.1	-3.1	-2.9	-3.0	-2.5
Primary balance including grants	2.7	1.1	-2.0	3.0	-1.1	0.1	1.9	1.3	2.0	1.8	1.2	1.0
Primary balance excluding grants	-9.0	-9.8	-7.0	1.4	-4.3	-5.0	-3.2	-0.7	0.1	0.1	-0.3	-0.4
Current balance	7.3	7.2	0.9	5.0	2.3	5.3	6.4	5.6	6.5	6.6	6.4	6.8
Primary current spending w/o oil subsidy	24.7	22.7	24.1	16.5	25.0	26.2	25.6	23.1	22.2	22.1	22.0	22.0
Gross financing requirement	12.5	6.9	9.1	0.0	3.6	26.6	2.1	6.0	5.4	5.0	5.0	4.4
Government and guaranteed net debt 7/	97.7	88.5	82.8	...	72.5	66.7	65.6	62.2	58.5	54.9	51.8	48.7
GDP at market prices (JD millions)	7,229	8,081	9,013	10,151	10,151	11,176	11,369	12,433	13,563	14,799	16,133	17,579

Sources: Jordanian authorities; and Fund staff projections.

1/ Staff projections are in line with the policy framework agreed with the authorities.
2/ Until 2003, the authorities recorded oil grants net of the fuel subsidy, whereas starting in 2004 the fuel subsidy is shown as expenditure and oil grants are calculated at market prices. Starting in 2007, revenue from petroleum products is shown as oil surplus in the nontax revenue.
3/ 2005 data include JD 58.5 million of spending carried out in 2004 but paid in 2005.
4/ Includes some current expenditure, such as maintenance and wage-related spending.
5/ Includes discrepancy and spending out of privatization proceeds. In 2003, includes spending on building up the strategic oil reserve.
6/ 2007 preliminary budget includes JD 55.2 million (about 0.5 percent of GDP) amortization to IMF.
7/ Domestic debt is net of government deposits with the banking system.

Table 6. Jordan: Summary of Revenues and Expenditures, 2003–12

	2003	2004	Prel. 2005	Prel. Q1-Q3 2006	Prel. 2006	Prel. Budget 2007	Projections 1/ 2007	2008	2009	2010	2011	2012
	(In millions of Jordanian dinars)											
Total revenue and grants	2,511	2,962	2,971	2,600	3,418	3,921	4,030	4,006	4,350	4,697	5,038	5,449
Domestic revenue	1,665	2,079	2,522	2,440	3,096	3,347	3,456	3,756	4,100	4,447	4,788	5,199
Tax revenue, *of which:*	1,083	1,429	1,766	1,657	2,114	2,359	2,359	2,591	2,824	3,061	3,324	3,605
Taxes on income and profits	195	218	284	373	414	470	470	525	574	614	670	731
General sales tax	596	827	1,024	914	1,217	1,354	1,354	1,486	1,622	1,768	1,920	2,082
Taxes on foreign trade	209	267	305	230	303	338	338	365	393	423	455	488
Nontax revenue, *of which:*	582	650	756	782	982	988	1,097	1,165	1,276	1,386	1,464	1,594
Fees	249	324	424	382	497	520	520	559	601	646	694	745
Oil surplus	23	0	0	0	0	10	119	123	165	196	188	224
Grants	846	883	449	160	322	574	574	250	250	250	250	250
Total expenditures	2,585	3,102	3,421	2,502	3,854	4,300	4,206	4,267	4,526	4,875	5,265	5,642
Current expenditure	2,057	2,327	2,965	2,087	3,135	3,320	3,296	3,300	3,459	3,705	3,985	4,242
Wages and salaries	419	443	493	392	519	552	550	602	656	716	781	851
Interest payments	270	229	266	201	326	393	390	428	444	437	429	372
Domestic	61	64	94	86	140	188	185	222	237	235	231	179
External	209	166	172	115	186	205	205	206	207	203	198	192
Military expenditure	629	653	699	565	792	1,133	1,133	1,002	1,033	1,128	1,229	1,339
Fuel subsidies	0	260	531	210	270	0	0	0	0	0	0	0
Food subsidies	0	0	55	58	64	60	48	32	16	0	0	0
Transfers	582	572	674	504	929	862	862	912	975	1,059	1,149	1,247
Of which: pensions	346	377	434	351	489	525	525	574	626	683	745	811
Purchases of goods & services and other	94	170	247	158	235	321	314	324	334	365	397	433
Capital expenditure 2/	601	725	532	409	672	970	900	955	1,055	1,156	1,265	1,384
Net lending and nonbudget spending	-72	50	-76	6	47	11	11	11	13	14	15	16
	(In percent of annual GDP)											
Total revenue and grants	34.7	36.7	33.0	25.6	33.7	35.1	35.4	32.2	32.1	31.7	31.2	31.0
Domestic revenue	23.0	25.7	28.0	24.0	30.5	29.9	30.4	30.2	30.2	30.0	29.7	29.6
Tax revenue, *of which:*	15.0	17.7	19.6	16.3	20.8	21.1	20.8	20.8	20.8	20.7	20.6	20.5
Taxes on income and profits	2.7	2.7	3.1	3.7	4.1	4.2	4.1	4.2	4.2	4.2	4.2	4.2
General sales tax	8.3	10.2	11.4	9.0	12.0	12.1	11.9	12.0	12.0	11.9	11.9	11.8
Taxes on foreign trade	2.9	3.3	3.4	2.3	3.0	3.0	3.0	2.9	2.9	2.9	2.8	2.8
Nontax revenue, *of which:*	8.1	8.0	8.4	7.7	9.7	8.8	9.6	9.4	9.4	9.4	9.1	9.1
Fees	3.4	4.0	4.7	3.8	4.9	4.7	4.6	4.5	4.4	4.4	4.3	4.2
Oil surplus	0.3	0.0	0.0	0.0	0.0	0.1	1.0	1.0	1.2	1.3	1.2	1.3
Grants	11.7	10.9	5.0	1.6	3.2	5.1	5.0	2.0	1.8	1.7	1.5	1.4
Total expenditure	35.8	38.4	38.0	24.6	38.0	38.5	37.0	34.3	33.4	32.9	32.6	32.1
Current expenditure	28.5	28.8	32.9	20.6	30.9	29.7	29.0	26.5	25.5	25.0	24.7	24.1
Wages and salaries	5.8	5.5	5.5	3.9	5.1	4.9	4.8	4.8	4.8	4.8	4.8	4.8
Interest payments	3.7	2.8	3.0	2.0	3.2	3.5	3.4	3.4	3.3	3.0	2.7	2.1
Domestic	0.8	0.8	1.0	0.8	1.4	1.7	1.6	1.8	1.7	1.6	1.4	1.0
External	2.9	2.0	1.9	1.1	1.8	1.8	1.8	1.7	1.5	1.4	1.2	1.1
Military expenditure	8.7	8.1	7.8	5.6	7.8	10.1	10.0	8.1	7.6	7.6	7.6	7.6
Fuel subsidy	0.0	3.2	5.9	2.1	2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Food subsidy	0.0	0.0	0.6	0.6	0.6	0.5	0.4	0.3	0.1	0.0	0.0	0.0
Transfers	8.0	7.1	7.5	5.0	9.2	7.7	7.6	7.3	7.2	7.2	7.1	7.1
Of which: pensions	4.8	4.7	4.8	3.5	4.8	4.7	4.6	4.6	4.6	4.6	4.6	4.6
Purchases of goods & services and other	1.3	2.1	2.7	1.6	2.3	2.9	2.8	2.6	2.5	2.5	2.5	2.5
Capital expenditure 2/	8.3	9.0	5.9	4.0	6.6	8.7	7.9	7.7	7.8	7.8	7.8	7.9
Net lending and nonbudget spending	-1.0	0.6	-0.8	0.1	0.5	0.1	0.1	0.1	0.1	0.1	0.1	0.1

Sources: Jordanian authorities; and Fund staff projections.

1/ Staff projections are in line with the policy framework agreed with the authorities.

2/ Includes some current expenditure, such as maintenance and wage-related spending.

Table 7. Jordan: Summary Monetary Survey, 2003–08

	Dec. 2003	Dec. 2004	Prel. Dec. 2005	Est. Dec. 2006	Proj. Dec. 2007	Proj. Dec. 2008
	(Stocks in millions of Jordanian dinars)					
Net foreign assets	5,489	5,884	6,058	7,503	7,764	7,669
Net domestic assets	3,977	4,688	6,306	6,601	7,796	9,347
Net claims on central government 1/	1,352	1,326	1,744	1,766	1,885	2,322
Of which: budgetary central government 2/	1,396	1,518	1,853	2,117	2,024	2,461
Claims on nonfinancial public enterprises	278	473	528	551	618	675
Claims on financial institutions	73	95	153	223	223	223
Claims on the private sector	5,016	5,885	7,669	9,540	11,115	12,737
Other items (net)	-2,741	-3,101	-3,787	-5,479	-6,045	-6,610
Broad money	9,466	10,571	12,364	14,104	15,560	17,016
Currency in circulation	1,444	1,414	1,657	1,895	2,075	2,252
Jordanian dinar deposits	5,800	6,455	7,795	8,900	9,870	10,851
Foreign currency deposits	2,222	2,702	2,912	3,309	3,614	3,913
	(Cumulative flows in millions of Jordanian dinars)					
Net foreign assets	1,081	395	174	1,445	261	-95
Net domestic assets	-34	710	1,619	294	1,195	1,551
Net claims on central government 1/	-5	-25	418	21	120	437
Of which: budgetary central government 2/	-10	122	335	264	-93	437
Claims on nonfinancial public enterprises	17	195	56	23	66	58
Claims on financial institutions	-1	21	58	70	0	0
Claims on the private sector	168	870	1,784	1,871	1,575	1,622
Other items (net)	-213	-360	-686	-1,692	-566	-566
Broad money	1,047	1,106	1,793	1,740	1,456	1,456
Currency in circulation	191	-29	243	238	180	177
Jordanian dinar deposits	582	656	1,340	1,104	971	980
Foreign currency deposits	274	480	210	397	305	298
	(Cumulative flows in percent of beginning-of-period broad mo					
Net foreign assets	12.8	4.2	1.6	11.7	1.9	-0.6
Net domestic assets	-0.4	7.5	15.3	2.4	8.5	10.0
Net claims on general government 1/	-0.1	-0.3	4.0	0.2	0.8	2.8
Of which: budgetary central government 2/	-0.1	1.3	3.2	2.1	-0.7	2.8
Claims on nonfinancial public enterprises	0.2	2.1	0.5	0.2	0.5	0.4
Claims on financial institutions	0.0	0.2	0.5	0.6	0.0	0.0
Claims on the private sector	2.0	9.2	16.9	15.1	11.2	10.4
Other items (net)	-2.5	-3.8	-6.5	-13.7	-4.0	-3.6
Broad money	12.4	11.7	17.0	14.1	10.3	9.4
Currency in circulation	2.3	-0.3	2.3	1.9	1.3	1.1
Jordanian dinar deposits	6.9	6.9	12.7	8.9	6.9	6.3
Foreign currency deposits	3.3	5.1	2.0	3.2	2.2	1.9
Memorandum items:						
Annual broad money growth (percent)	12.4	11.7	17.0	14.1	10.3	9.4
Annual JD broad money growth (percent)	11.9	8.6	20.1	14.2	10.7	9.7
Annual net domestic assets growth (percent)	-0.8	17.9	34.5	4.7	18.1	19.9
Annual private sector credit growth (percent)	3.5	17.3	30.3	24.4	16.5	14.6
Foreign currency/total deposits (percent)	27.7	29.5	27.2	27.1	26.8	26.5
Private sector credit/total deposits (percent)	62.5	64.3	71.6	78.1	82.4	86.3
Currency/JD deposits (percent)	24.9	21.9	21.3	21.3	21.0	20.8

Sources: Central Bank of Jordan; and Fund staff estimates and projections.

1/ Includes central budgetary government and own-budget agencies, but excludes SSC.
2/ Excludes UN compensation funds and Brady bonds held by Jordanian banks.

Table 8. Jordan: Summary Accounts of the Central Bank of Jordan, 2003–08

	Dec. 2003	Dec. 2004	Prel. Dec. 2005	Est. Dec. 2006	Proj. Dec. 2007	Proj. Dec. 2008
	(Stocks in millions of Jordanian dinars)					
Net foreign assets	3,906	4,039	4,059	4,976	5,122	5,046
Net domestic assets	-1,619	-1,677	-1,239	-1,945	-1,815	-1,418
Net claims on central government 1/	732	580	859	154	-14	6
Net claims on NFPEs and the SSC	-128	-87	-24	-39	-39	-39
Net claims on financial institutions	24	26	75	93	93	93
Net claims on private sector	15	18	18	18	18	18
Net claims on commercial banks	87	312	151	437	437	437
CDs	-2,176	-2,534	-2,280	-2,388	-2,090	-1,713
Other items, net (asset: +)	-172	8	-39	-221	-221	-221
Jordanian dinar reserve money	2,287	2,362	2,821	3,031	3,307	3,628
Currency	1,535	1,508	1,783	2,029	2,210	2,387
Commercial bank reserves	751	855	1,038	1,001	1,098	1,241
Of which: required reserves	428	452	566	722	802	882
	(Cumulative flows in millions of Jordanian dinars from beginning of period)					
Net foreign assets	969	134	20	917	146	-76
Net domestic assets	-576	-58	438	-707	130	397
Net claims on central government 1/	149	-152	278	-705	-168	20
Net claims on NFPEs and the SSC	-73	42	63	-15	0	0
Net claims on financial institutions	0	1	50	18	0	0
Net claims on private sector	1	3	0	-1	0	0
Net claims on commercial banks	-34	225	-161	286	0	0
CDs	-533	-358	255	-108	298	377
Other items, net (asset: +)	-86	180	-47	-182	0	0
Jordanian dinar reserve money	393	76	458	210	277	321
Currency	202	-28	276	246	180	177
Commercial banks' reserves	190	104	183	-36	97	143
	(Cumulative flows in percent of beginning-of-period reserve money)					
Net foreign assets	51.2	5.8	0.9	32.5	4.8	-2.3
Net domestic assets	-30.4	-2.5	18.5	-25.0	4.3	12.0
Net claims on central government 1/	7.9	-6.6	11.8	-25.0	-5.5	0.6
Net claims on NFPEs and the SSC	-3.8	1.8	2.7	-0.5	0.0	0.0
Net claims on financial institutions	0.0	0.1	2.1	0.6	0.0	0.0
Net claims on private sector	0.0	0.1	0.0	0.0	0.0	0.0
Net claims on commercial banks	-1.8	9.8	-6.8	10.2	0.0	0.0
CDs	-28.1	-15.7	10.8	-3.8	9.8	11.4
Other items, net (asset: +)	-4.5	7.9	-2.0	-6.4	0.0	0.0
Jordanian dinar reserve money	20.7	3.3	19.4	7.4	9.1	9.7
Currency	10.7	-1.2	11.7	8.7	5.9	5.4
Commercial bank reserves	10.0	4.5	7.7	-1.3	3.2	4.3
Memorandum items:						
Gross usable international reserves ($ millions) 2/	4,745	4,755	4,723	6,102	6,130	5,966
As a ratio to JD broad money (in percent)	46.4	42.8	35.4	40.1	36.4	32.3
As a ratio of JD reserve money (in percent)	147.1	142.7	118.7	142.7	131.4	116.6
Net international reserves (JD millions) 2/	3,142	3,222	3,277	4,209	4,355	4,279
Money multiplier (for JD liquidity)	3.17	3.33	3.35	3.56	3.61	3.61

Sources: CBJ; and Fund staff estimates and projections.

1/ Excludes UN compensation funds and Brady bonds held by Jordanian banks.

2/ Excludes foreign assets pledged as collateral for the 1993 commercial debt restructuring and the yearly change in foreign currency swaps.

Table 9. Jordan: Central Government Medium-Term External Debt and Debt Service, 2003–12

	2003	2004	Prel. 2005	Est. 2006	Projections 2007	2008	2009	2010	2011	2012
	(In millions of Jordanian dinars)									
Total government external debt 1/	5,388	5,347	5,057	5,050	5,023	4,867	4,687	4,484	4,279	4,074
	(In millions of U.S. dollars)									
Total government external debt 1/	7,599	7,541	7,132	7,123	7,085	6,865	6,610	6,324	6,035	5,746
Medium- and long-term debt (excl IMF)	7,183	7,206	6,896	6,964	7,002	6,838	6,607	6,324	6,035	5,746
To bilateral and multilateral creditors 1/	7,092	7,183	6,886	6,958	6,998	6,835	6,604	6,322	6,033	5,744
To London Club creditors	25	13	3	3	3	3	3	3	3	3
Of which: collateralized Brady bonds	0	0	0	0	0	0	0	0	0	0
To other creditors	66	10	7	4	1	0	0	0	0	0
Use of Fund resources	416	335	237	159	83	27	4	0	0	0
Service on government external debt 1/ 2/ 3/	860	902	819	840	873	817	847	877	921	944
Of which: to the Fund	112	108	88	97	83	61	25	5	0	0
Amortization 1/ 2/	541	649	550	552	566	506	534	570	621	652
Of which: to the Fund	100	98	77	88	75	57	23	4	0	0
Interest	318	253	269	287	307	311	312	307	300	292
Of which: to the Fund	12	10	10	9	8	5	2	1	0	0
	(In percent of GDP)									
Total government external debt 1/	74.5	66.2	56.1	49.8	44.2	39.1	34.6	30.3	26.5	23.2
Medium- and long-term debt	70.5	63.2	54.2	48.6	43.7	39.0	34.5	30.3	26.5	23.2
Use of Fund resources	4.1	2.9	1.9	1.1	0.5	0.2	0.0	0.0	0.0	0.0
Service on government external debt 1/	8.4	7.9	6.4	5.9	5.4	4.7	4.4	4.2	4.0	3.8
Amortization	5.3	5.7	4.3	3.9	3.5	2.9	2.8	2.7	2.7	2.6
Interest	3.1	2.2	2.1	2.0	1.9	1.8	1.6	1.5	1.3	1.2
	(In percent of exports of goods and nonfactor services)									
Total government external debt 1/	157.6	126.6	107.5	95.3	84.1	72.8	62.9	54.2	47.0	40.5
Of which: to the Fund	8.6	5.6	3.6	2.1	1.0	0.3	0.0	0.0	0.0	0.0
Service on government external debt 1/	17.8	15.1	12.3	11.2	10.4	8.7	8.1	7.5	7.2	6.7
Of which: to the Fund	2.3	1.8	1.3	1.3	1.0	0.6	0.2	0.0	0.0	0.0
Amortization 2/ 3/	11.2	10.9	8.3	7.4	6.7	5.4	5.1	4.9	4.8	4.6
Of which: to the Fund	2.1	1.6	1.2	1.2	0.9	0.6	0.2	0.0	0.0	0.0
Interest	6.6	4.2	4.1	3.8	3.6	3.3	3.0	2.6	2.3	2.1
Of which: to the Fund	0.3	0.2	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.0

Sources: Jordanian authorities; and Fund staff estimates and projections.

1/ Includes government guaranteed external debt.
2/ On a commitment basis.
3/ For 2003, includes prepayments of $456 million.

Table 10. Jordan: Consolidated Public Sector Fiscal Operations and Net Debt, 2003–12

	2003	2004	Prel. 2005	Est. 2006	Projections 2007	2008	2009	2010	2011	2012
	(In percent of annual GDP)									
I. Budgetary central government										
Revenue and grants	34.7	36.7	33.0	33.7	35.4	32.2	32.1	31.7	31.2	31.0
Expenditure	35.8	38.4	38.0	38.0	37.0	34.3	33.4	32.9	32.6	32.1
Balance	-1.0	-1.7	-5.0	-4.3	-1.6	-2.1	-1.3	-1.2	-1.4	-1.1
Net debt/assets (-) 1/	97.8	90.3	83.7	75.9	66.7	63.2	59.5	55.7	52.6	49.4
External 1/	74.5	66.2	56.1	49.8	44.2	39.1	34.6	30.3	26.5	23.2
Domestic (gross)	25.2	27.6	28.3	27.8	22.1	23.7	24.6	25.1	25.8	26.0
Domestic (net)	23.7	24.5	27.9	25.3	21.8	23.4	24.3	24.9	25.5	25.7
II. Own-budget agencies										
Revenue and grants	8.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8
Expenditure	6.6	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9
Balance	2.2	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Net debt/assets (-) 2/	-0.1	-1.8	-0.9	-3.3	-1.1	-1.0	-0.9	-0.8	-0.8	-0.7
III. Consolidated central government (= I + II)										
Revenue	41.2	41.5	38.1	38.7	40.6	37.5	37.4	37.1	36.6	36.4
Expenditure	40.7	42.9	42.6	42.5	41.5	38.9	37.9	37.5	37.2	36.6
Balance	0.5	-1.5	-4.5	-3.8	-0.9	-1.4	-0.5	-0.4	-0.6	-0.2
Net debt/assets (-) 1/	97.7	88.5	82.8	72.5	65.6	62.2	58.5	54.9	51.8	48.7
IV. Social Security Corporation										
Revenue	4.1	3.9	4.0	4.1	4.2	4.3	4.4	4.5	4.6	4.7
Expenditure	2.3	2.3	2.4	2.4	2.5	2.6	2.8	2.9	3.0	3.1
Balance	1.9	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Net debt/assets (-)	-26.0	-30.7	-37.1	-39.6	-39.6	-40.5	-41.5	-42.4	-43.4	-44.4
V. Consolidated general government (= III + IV) 3/										
Revenue	43.0	43.3	40.3	42.2	43.9	40.4	40.1	39.6	38.9	38.5
Expenditure	41.8	43.8	45.0	46.0	44.5	40.8	39.5	38.7	38.2	37.4
Balance	1.2	-0.5	-4.7	-3.7	-0.6	-0.4	0.6	0.8	0.7	1.1
Net debt/assets (-) 1/	71.7	57.8	45.8	33.0	26.0	21.8	17.1	12.4	8.4	4.2
VI. Central Bank of Jordan										
Revenue	1.8	1.8	2.2	3.5	3.3	2.9	2.7	2.5	2.3	2.1
Expenditure	1.4	1.2	2.5	3.4	3.0	2.0	1.6	1.3	1.0	0.7
Balance	0.4	0.6	-0.2	0.1	0.3	1.0	1.1	1.2	1.3	1.4
Net debt/assets (-) 4/	-11.7	-11.7	-12.9	-11.2	-10.8	-11.1	-11.3	-11.5	-11.7	-12.0
VII. Consolidated public sector (= V + VI) 5/										
Revenue	46.8	46.9	44.1	46.0	47.8	44.4	44.2	43.8	43.2	42.9
Expenditure	44.1	46.1	47.4	48.4	47.1	43.5	42.2	41.6	41.1	40.5
Balance	2.8	0.9	-3.3	-2.4	0.7	0.9	2.0	2.2	2.1	2.5
Net debt/assets (-)	56.8	44.0	31.7	21.3	15.2	11.1	6.2	1.4	-3.4	-7.8
	(In millions of Jordanian dinars)									
Memorandum items:										
Central government gross total debt 1/	7,203	7,429	7,524	7,636	7,516	7,796	7,999	8,182	8,415	8,612
Of which: gross external debt 1/	5,388	5,347	5,057	5,050	5,023	4,867	4,687	4,484	4,279	4,074
Central government net total debt 1/	7,064	7,148	7,467	7,364	7,457	7,737	7,940	8,123	8,356	8,554

Sources: Jordanian authorities; and Fund staff estimates. Latest data available.

1/ Includes guaranteed debt and Brady bonds excluding their collateral value.
2/ Own-budget agencies domestic banking system debt only. Domestic and external debt of these agencies are captured under the central government debt.
3/ Includes net debt of subnational governments. Transfers and common debt obligations between sectors are eliminated.
4/ CBJ assets are net foreign assets plus net domestic assets less currency in circulation.
5/ Excludes public enterprises. Transfers and common debt obligations between sectors are eliminated. CBJ accounts are on a commitment basis.

APPENDIX I: EXTERNAL DEBT SUSTAINABILITY ANALYSIS

Jordan's external debt is expected to be halved in five years under the staff's baseline scenario (Tables 9 and A.1). Besides favorable macroeconomic policies, this assumes a continuation of the cautious external borrowing policies adopted by the government in recent years, which has reduced annual external borrowing to an average of 1.8 percent of GDP in 2005–06, half the borrowing rate in the early part of the decade. The projections also reflect expectations that Jordan will rely predominantly on concessional sources of external financing over the next five years (mainly the World Bank).

The debt reduction path is robust to the usual bound tests, but shows more sensitivity to an assumed sharp decline in non-debt creating capital inflows:

- **Standard bound tests** (Figure A.1) reveal that external debt sustainability is most vulnerable to developments in the current account position. If the actual current account were one-half standard deviation worse than currently assumed, there would be only a marginal decline in the debt ratio by 2012. At the same time, bound tests show that the debt-to-GDP ratio is robust to shocks in the external interest rate or GDP growth. A sharp depreciation would lead to an immediate deterioration in the debt ratio, but would not have an adverse impact over time, provided other assumptions remain achievable.

- A potentially important source of risk in Jordan's case is a shock involving a larger-than-expected **decline in (non-debt creating) capital inflows**. To assess the impact of such a decline, a shock scenario is considered in which capital inflows remain the same as in the baseline scenario for 2007, but fall to the historical average for the remainder of the projection period. This scenario shows that the debt ratio would no longer decline (it remains broadly unchanged from its current level by 2012), leaving the economy more exposed to other shocks.

- If key assumptions are held at their **historical averages**, Jordan's debt would fall even faster than expected, due to the high current account surpluses that have characterized most of the period prior to 2004.

Overall, the debt sustainability analysis shows that policies that help reduce the current account deficit and maintain the recent growth and FDI momentum would provide the strongest assurances of a sustainable debt position.

Table A.1. Jordan: External Debt Sustainability Framework, 2001–12
(In percent of GDP, unless otherwise indicated)

	2001	2002	2003	2004	2005	10-Year Historical Average	10-Year Standard Deviation	Projections 2006	2007	2008	2009	2010	2011	2012
1 **Baseline: External debt**	78.1	78.7	74.5	66.2	56.1			**49.8**	**44.2**	**39.1**	**34.6**	**30.3**	**26.5**	**23.2**
2 Change in external debt	-5.9	0.6	-4.2	-8.4	-10.1			-6.4	-5.6	-5.0	-4.6	-4.3	-3.8	-3.3
3 Identified external debt-creating flows (4+8+9)	-4.7	-10.0	-23.2	-14.3	-8.7			-17.0	-5.0	-2.7	-2.8	-2.4	-1.7	-2.0
4 Current account deficit, excluding interest payments	-3.7	-7.6	-13.3	-1.3	16.3			14.5	12.0	12.0	10.5	9.0	8.0	6.7
5 Deficit in balance of goods and services	25.1	19.2	21.0	30.3	41.1			39.5	36.6	34.2	32.2	30.3	28.6	26.7
6 Exports	42.1	47.4	47.3	52.3	52.2			52.2	52.5	53.7	54.9	55.9	56.5	57.2
7 Imports	67.2	66.6	68.3	82.5	93.3			91.7	89.1	88.0	87.2	86.2	85.1	83.9
8 Net non-debt creating capital inflows (negative)	0.1	0.6	-6.9	-6.5	-19.7			-30.0	-15.8	-13.9	-12.5	-10.7	-9.0	-8.0
9 Automatic debt dynamics 1/	-1.1	-3.0	-3.0	-6.5	-5.4			-1.5	-1.2	-0.8	-0.8	-0.7	-0.7	-0.6
10 Contribution from nominal interest rate	3.7	2.0	1.7	1.4	1.5			1.5	1.4	1.6	1.4	1.2	1.0	0.8
11 Contribution from real GDP growth	-4.2	-4.2	-3.1	-5.6	-4.3			-3.0	-2.7	-2.4	-2.2	-1.9	-1.7	-1.5
12 Contribution from price and exchange rate changes 2/	-0.6	-0.7	-1.6	-2.2	-2.6			-3.3	-2.7	-1.4	-1.1	-1.0	-0.8	-0.7
13 Residual, incl. change in gross foreign assets (2-3) 3/	-1.2	10.6	19.1	5.9	-1.3			13.9	2.1	-1.0	-0.7	-0.9	-1.3	-0.7
External debt-to-exports ratio (in percent)	185.6	165.9	157.6	126.6	107.5			95.3	84.1	72.8	62.9	54.2	47.0	40.5
Gross external financing need ($ billions) 4/	0.4	0.0	-0.6	0.7	2.8			2.8	2.7	2.9	2.8	2.7	2.6	2.5
in percent of GDP	4.9	-0.2	-6.3	5.7	22.1			19.8	16.9	16.4	14.6	12.8	11.5	10.0
Scenario with key variables at their historical averages 5/								**49.8**	**41.5**	**30.2**	**19.5**	**8.8**	**-2.1**	**-12.0**
Scenario with sharp decline in FDI after 2007								**49.8**	**44.2**	**47.5**	**49.4**	**49.6**	**48.2**	**46.2**
Scenario with low medium-term growth								**49.8**	**45.1**	**40.8**	**36.8**	**33.1**	**29.6**	**26.6**
Key macroeconomic assumptions underlying baseline														
Real GDP growth (in percent)	5.3	5.8	4.2	8.4	7.2	4.7	2.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
GDP deflator in US dollars (change in percent)	0.8	0.9	2.1	3.1	4.0	1.9	2.0	6.3	5.7	3.2	2.9	2.9	2.8	2.8
Nominal external interest rate (in percent)	4.7	2.7	2.3	2.0	2.4	4.1	1.5	3.0	3.2	3.9	3.9	3.7	3.5	3.3
Growth of exports (US dollar terms, in percent)	6.8	20.3	6.1	23.5	11.4	7.0	9.0	12.6	12.7	11.9	11.5	10.9	10.3	10.3
Growth of imports (US dollar terms, in percent)	4.0	5.9	9.1	35.0	26.1	9.9	12.7	10.8	8.8	8.0	8.1	7.9	7.7	7.4
Current account balance, excluding interest payments	3.7	7.6	13.3	1.3	-16.3	3.6	7.9	-14.5	-12.0	-12.0	-10.5	-9.0	-8.0	-6.7
Net non-debt creating capital inflows	-0.1	-0.6	6.9	6.5	19.7	5.6	6.6	30.0	15.8	13.9	12.5	10.7	9.0	8.0

1/ Derived as [r - g - r(1+g) + ea(1+r)]/(1+g+r+gr) times previous period debt stock, with r = nominal effective interest rate on external debt; r = change in domestic GDP deflator in U.S. dollar terms, g = real GDP growth rate, e = nominal appreciation (increase in dollar value of domestic currency), and a = share of domestic-currency denominated debt in total external debt.

2/ Defined as [-r(1+g) + ea(1+r)]/(1+g+r+gr) times the debt stock at t-1. r increases with an appreciating domestic currency (e > 0) and rising inflation.

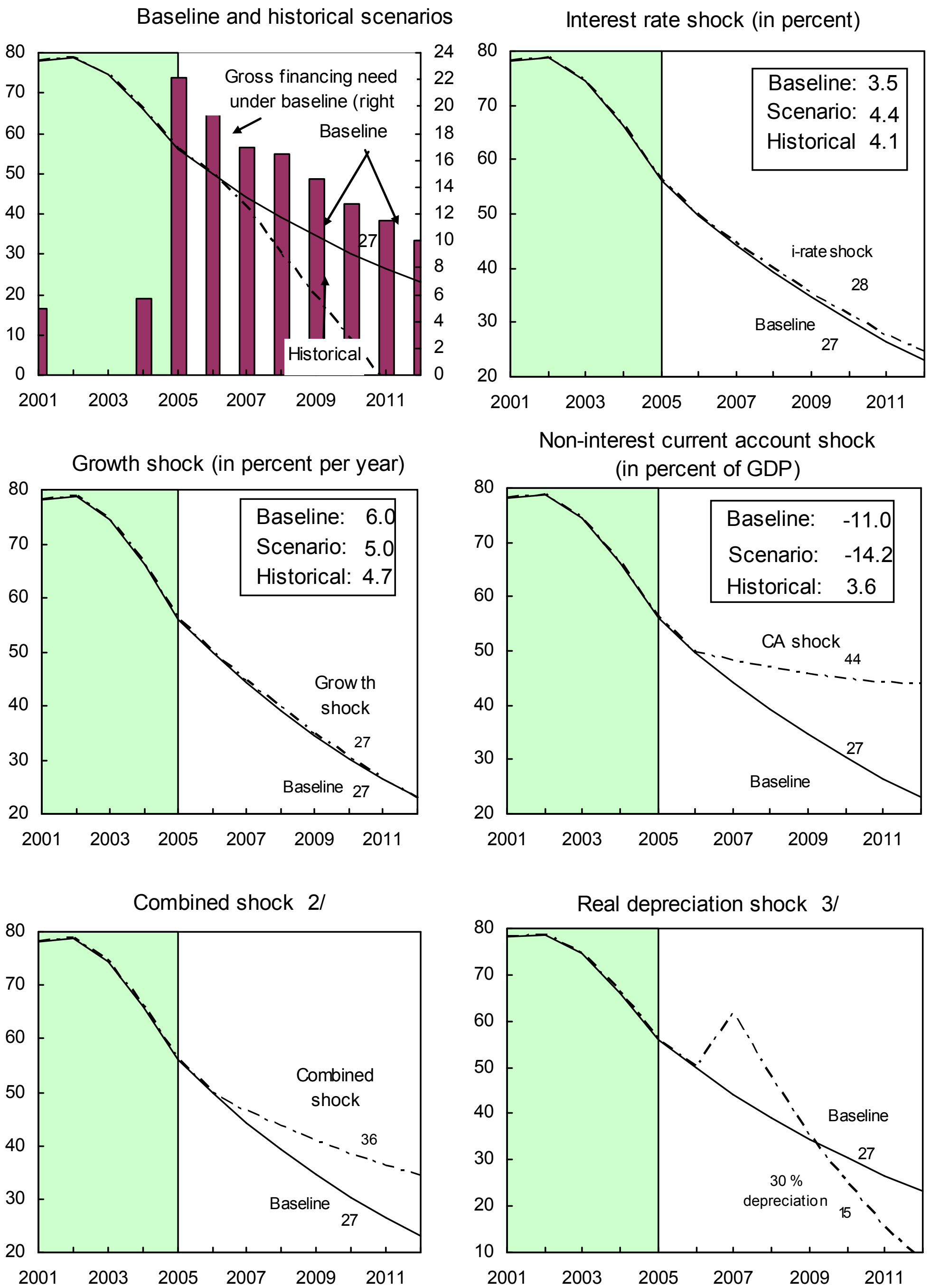
3/ For projection, line includes the impact of price and exchange rate changes.

4/ Defined as current account deficit, plus amortization on medium- and long-term debt, plus short-term debt at end of previous period.

5/ The key variables include real GDP growth; nominal interest rate; dollar deflator growth; and both noninterest current account and nondebt inflows in percent of GDP.

6/ Long-run, constant balance that stabilizes the debt ratio assuming that key variables (real GDP growth, nominal interest rate, dollar deflator growth, and nondebt inflows in percent of GDP) remain at their levels of the last projection year.

Figure A.1. Jordan: External Debt Sustainability: Bound Tests 1/
(External debt in percent of GDP)



Sources: Jordanian authorities; and Fund staff estimates.

1/ Shaded areas represent actual data. Individual shocks are permanent ½ standard deviation shocks. Figures in the boxes represent the average projections for the respective variables in the baseline and the scenario being presented. The 10-year historical average for the variable is also shown.

2/ Permanent ¼ standard deviation shocks applied to real interest rate, growth rate, and current account balance.

3/ One-time real depreciation of 30 percent occurs in 2006.

APPENDIX II: PUBLIC DEBT SUSTAINABILITY ANALYSIS

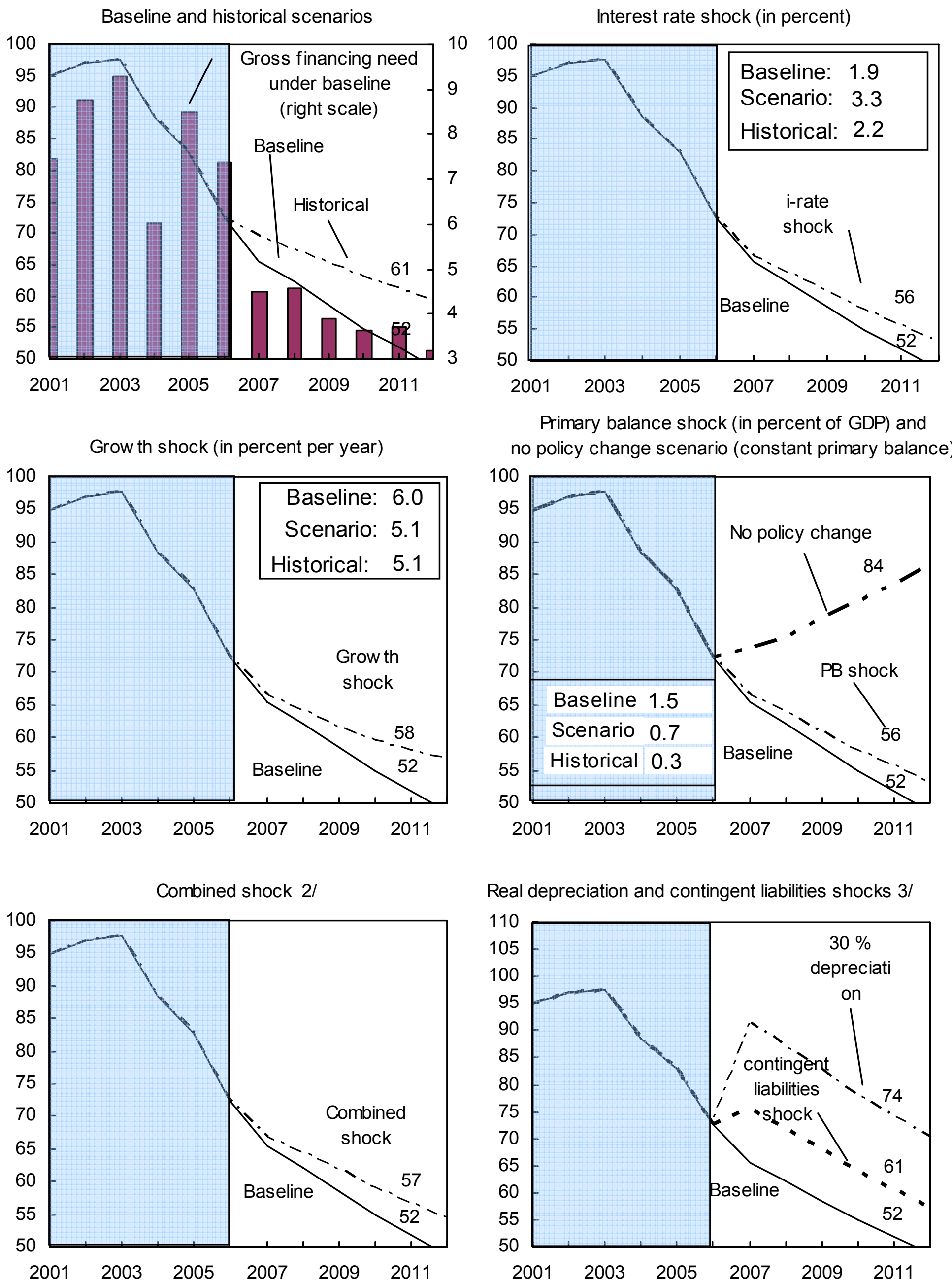
Public and publicly guaranteed debt is expected to decline steadily to just above 50 percent of GDP by end-2011 under the baseline scenario (Tables 10 and A.2). Fiscal adjustment is expected to proceed as discussed in the main text, anchored by the new medium-term debt goal. Also, the government is assumed to continue to abstain from short-term and commercial borrowing, and external borrowing is expected to decline as the domestic financial market continues to strengthen. The following discusses briefly the impact of most relevant external shocks to both public and external debt sustainability.

Although baseline projections show a large decline in the debt burden, this outcome is vulnerable to large shocks. Standard bound tests (Figure A.2) reveal that:

- Under a 30 percent real effective depreciation—as defined in the Fund-standard template, equivalent to a much larger depreciation in local currency terms—the public debt ratio would first jump sharply before returning to current levels by end-2011.
- If real GDP growth during 2007–12 were to be a half standard deviation below the baseline, the public debt burden would still decline sharply, but would be 6 percentage points of GDP higher than under the baseline by end-2011. Half standard deviation permanent shocks to real interest rates or to the primary balance has a somewhat smaller medium-term impact. By contrast, the impact of a contingent liabilities shock—which is assumed to increase the debt ratio by 10 percent of GDP in 2007—would be a little higher.
- With combined, small but permanent shocks (¼ historical standard deviations) on real interest rates, real growth and the fiscal primary balance in 2007–12, the debt-to-GDP ratio would decline sharply but exceed the baseline by about 5 percentage points by end-2011.

Jordan's debt profile is heavily dependent on adjustment policies. Under a no-policy-change scenario (keeping the primary deficit of 2006 constant during 2007–12), the public debt ratio would increase to 84 percent of GDP by end-2011, instead of declining to 52 percent of GDP, as in the baseline.

Figure A.2. Jordan: Public Debt Sustainability: Bound Tests 1/
(Public debt in percent of GDP)



Sources: Jordanian authorities; and Fund staff estimates.

1/ Shaded areas represent actual data. Individual shocks are permanent ½ standard deviation shocks. Figures in the boxes represent average projections for the respective variables in the baseline and scenario being presented. The end-period values are also shown.

2/ Permanent ¼ standard deviation shocks applied to real interest rate, growth rate, and primary balance.

3/ One-time real depreciation of 30 percent and 10 percent of GDP shock to contingent liabilities occur in 2007, with real depreciation defined as nominal depreciation (measured by percentage fall in dollar value of local currency) minus domestic inflation (based on GDP deflator).

Table A.2. Jordan: Public Sector Debt Sustainability Framework, 2001–12

(In percent of GDP, unless otherwise indicated)

	Actual					Prel.			Projections					
	2001	2002	2003	2004	2005	2006			2007	2008	2009	2010	2011	2012
1 **Baseline: Central government debt including government guarantees (net)**	94.9	97.0	97.7	88.5	82.8	72.5			**65.6**	**62.2**	**58.5**	**54.9**	**51.8**	**48.7**
Of which: foreign-currency denominated	77.0	77.7	74.5	66.2	56.1	49.8			44.2	39.1	34.6	30.3	26.5	23.2
2 Change in central government debt	4.0	2.1	0.7	-9.3	-5.6	-10.3			-7.0	-3.4	-3.7	-3.7	-3.1	-3.1
3 Identified debt-creating flows (4+7+12)	-1.5	-2.3	-6.0	-9.1	-4.2	-9.3			-9.3	-3.5	-3.9	-3.7	-3.1	-3.2
4 Primary deficit	-0.8	1.2	-2.7	-1.1	2.0	1.1			-1.9	-1.3	-2.0	-1.8	-1.2	-1.0
5 Revenue and grants	30.3	29.6	34.7	36.7	33.0	33.7			35.4	32.2	32.1	31.7	31.2	31.0
6 Primary (noninterest) expenditure	29.5	30.8	32.0	35.5	35.0	34.7			33.6	30.9	30.1	30.0	30.0	30.0
7 Automatic debt dynamics 1/	-0.8	-2.3	-2.1	-7.5	-6.2	-6.1			-4.3	-2.2	-1.9	-1.9	-1.9	-2.1
8 Contribution from interest rate/growth differential 2/	-0.8	-2.3	-2.1	-7.5	-6.2	-6.1			-4.3	-2.2	-1.9	-1.9	-1.9	-2.1
9 *Of which:* contribution from real interest rate	3.7	2.8	1.7	-0.1	-0.5	-1.7			-0.5	1.4	1.5	1.3	1.1	0.7
10 *Of which:* contribution from real GDP growth	-4.5	-5.1	-3.8	-7.4	-5.7	-4.4			-3.9	-3.6	-3.4	-3.2	-3.0	-2.9
11 Contribution from exchange rate depreciation 3/	0.0	0.0	0.0	0.0	...	...			...	...	...	...	...	...
12 Other identified debt-creating flows	0.1	-1.2	-1.2	-0.5	0.0	-4.3			-3.1	0.0	0.0	0.0	0.0	0.0
13 Privatization receipts (negative)	0.1	-1.2	-1.2	-0.5	0.0	-4.3			-3.1	0.0	0.0	0.0	0.0	0.0
14 Recognition of implicit or contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0
15 Other (specify, e.g. bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0
16 Residual, including asset changes (2-3) 4/	5.5	4.4	6.8	-0.2	-1.4	-1.0			2.4	0.2	0.2	0.0	0.0	0.0
Central government debt-to-revenue ratio	313.7	327.9	281.3	241.3	251.3	215.4			185.0	193.2	182.5	172.9	165.9	157.0
Gross financing need 5/	7.5	8.7	9.3	6.0	8.5	7.4			4.5	4.6	3.9	3.6	3.7	3.2
(In billions of U.S. dollars)	0.7	0.8	0.9	0.7	1.1	1.1			0.7	0.8	0.7	0.8	0.8	0.8
Scenario with key variables at their historical averages 6/									**69.4**	**67.3**	**65.3**	**63.2**	**61.2**	**59.2**
Scenario with no policy change (constant primary balance) in 2007–12									**73.6**	**75.5**	**78.3**	**81.0**	**83.6**	**86.3**
Key macroeconomic and fiscal assumptions underlying baseline							10-Year Historical Average	10-Year Standard Deviation						
Real GDP growth (in percent)	5.3	5.8	4.2	8.4	7.2	6.0	5.1	1.8	6.0	6.0	6.0	6.0	6.0	6.0
Average nominal interest rate on public debt (in percent) 7/	5.1	4.2	4.1	3.2	3.7	4.4	4.5	0.7	5.3	5.7	5.7	5.5	5.3	4.4
Average real interest rate (nominal rate minus change in GDP deflator, in percent)	4.3	3.2	2.0	0.1	-0.3	-1.9	2.2	2.7	-0.4	2.6	2.8	2.6	2.4	1.7
Nominal appreciation (increase in US dollar value of local currency, in percent)	0.0	0.0	0.0	0.0	...	...	0.0	0.0	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	0.8	0.9	2.1	3.1	4.0	6.3	2.4	2.4	5.7	3.2	2.9	2.9	2.8	2.8
Growth of real primary spending (deflated by GDP deflator, in percent)	5.3	10.2	8.4	20.4	5.6	5.2	6.3	7.2	2.4	-2.5	3.3	5.6	6.0	6.0
Primary deficit	-0.8	1.2	-2.7	-1.1	2.0	1.1	-0.3	1.6	-1.9	-1.3	-2.0	-1.8	-1.2	-1.0

1/ Derived as [(r - p(1+g) - g + ae(1+r)]/(1+g+p+gp)) times previous period debt ratio, with r = interest rate; p = growth rate of GDP deflator; g = real GDP growth rate; a = share of foreign-currency denominated debt; and e = nominal exchange rate depreciation (measured by increase in local currency value of U.S. dollar).

2/ The real interest rate contribution is derived from the denominator in footnote 1/ as r - π (1+g) and the real growth contribution as -g.

3/ The exchange rate contribution is derived from the numerator in footnote 1/ as ae(1+r).

4/ For projections, this line includes exchange rate changes.

5/ Defined as public sector deficit, plus amortization of medium- and long-term public sector debt, plus short-term debt at end of previous period.

6/ The key variables include real GDP growth; real interest rate; and primary balance in percent of GDP.

7/ Derived as nominal interest expenditure divided by previous period debt stock.

INTERNATIONAL MONETARY FUND

JORDAN

Staff Report for the 2006 Article IV Consultation and Fourth Post-Program Monitoring Discussions Informational Annex

February 15, 2007

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Appendixes

APPENDIX I: STATISTICAL ISSUES

1. The quality and timeliness of Jordan's data are adequate to conduct Article IV and post-program monitoring discussions.

2. A mission from the Fund's Statistics Department (STA) visited Amman during December 17–21, 2003 to update the data module of the Report on the Observance of Standards and Codes (ROSC) prepared by the February 2002 mission. The main objectives of this mission were to (i) review and document the actions undertaken by the authorities to address the issues raised by the 2002 data ROSC mission for national accounts, price, government finance, monetary, and balance of payments (BOP) statistics; and (ii) discuss the authorities' plans for further improving the quality of the statistics. A Special Data Dissemination Standard (SDDS) mission visited Amman during October 29–November 8, 2006 to assess current data dissemination practices against the requirements of the SDDS and assist preparations for subscription to the SDDS. Jordan is a participant in the General Data Dissemination System (GDDS), and its metadata were initially posted on the Fund's Dissemination Standards Bulletin Board (DSBB) in September 2000. Financial sector metadata (except for the stock market category) were last updated in December 2003.

3. **Real sector.** During the past two years, progress has been made toward enhancing the quality of national accounts statistics. However, the implementation of the authorities' plans for improvement will require a strong commitment and the allocation of some additional resources. The main actions taken by the department of statistics (DOS) in the area of national accounts statistics, since the 2002 ROSC mission, include:

(a) compilation of price indices for imports and exports for the calculation of GDP at constant prices;

(b) estimation of household final consumption expenditure based on the 2002 Household Expenditure and Income Survey (HEIS);

(c) updating of supply and use of tables for the assessment and valuation of the statistical output;

(d) preparation of a study on the revision to the GDP series for 1976–2002;

(e) workshops conducted to enhance quality awareness of data providers and users and to monitor user needs;

(f) adoption of a comprehensive training program for national accounts statistics compilers; and

(g) dissemination of national accounts data at the two-digit level of the international standard industrial classification of economic activities.

4. With respect to price statistics, even though the CPI and PPI were already considered of good quality by the 2002 data ROSC mission, the DOS has short-term plans for improvements leading to full observance of international best practices. These plans include:

(a) incorporation of owner-occupied dwelling services in the CPI;

(b) updating of CPI weights based on the 2002 HEIS; and

(c) dissemination of regional CPIs.

5. With respect to the serviceability and accessibility of national accounts and price statistics, the DOS has short-term plans to:

(a) inform the public about the planning minister's access to data prior to public release (the ministry of planning has oversight responsibilities over the DOS);

(b) continue the program to increase quality awareness and monitor user needs;

(c) disseminate a statement on revision policy and practices in the DOS publications and website;

(d) disseminate an advance calendar for the release of national accounts and price statistics; and

(e) update the GDDS metadata on a more timely basis.

6. **Government finance.** An STA technical assistance mission visited Amman in April 2004 and found significant improvements in government finance statistics since the 2002 data ROSC mission. These improvements have been facilitated by the establishment of a statistical division in the ministry of finance (MOF) and the adoption of the Financial Management Reform Project (FMRP). The FMRP is guided by an interministerial committee headed by the secretary general of the MOF. Important actions that have already been taken include:

(a) the regular publication of data on the operations of the consolidated general government; and

(b) initiation of migration to the methodology of the *Government Finance Statistics Manual 2001 (GFSM 2001)*—the authorities provide data in *GFSM 2001* format for publication in the *Government Finance Statistics Yearbook*. The scope of these data is, however, limited to the operations of the central government budget and should be expanded.

7. **Some of the actions contemplated in the comprehensive plan to improve the quality of government finance statistics include:**

(a) dissemination of data on central and general government operations based on the classification and sectorization systems recommended by the *GFSM 2001*;

(b) seeking feedback from users of government finance statistics to monitor their needs;

(c) establishment of regular procedures for the verification of internal and intersectoral consistency of government finance statistics;

(d) dissemination of a statement on the revision policy, an advance release calendar, and more detailed metadata in the MOF publications and website; and

(e) updating of GDDS metadata on a more timely basis.

8. **Monetary statistics.** Monetary data for the Central Band of Jordan (CBJ) and the commercial banks are reported and published on a monthly basis. At present, consistency checks between government finance statistics and monetary statistics are not conducted. However, the CBJ authorities informed the 2003 ROSC update mission that the CBJ Research Department, which is responsible for the collection and compilation of the monetary statistics, proposed to the CBJ management the establishment of an interagency group to monitor the intersectoral consistency of macroeconomic statistics. Further, actions are being taken to improve the quality of the source data and the methodological soundness of the statistical output. In particular, the CBJ is:

(a) reviewing a new set of report forms for banking institutions, which the Banking Supervision Department prepared to facilitate better classification and sectorization of the analytical accounts; and

(b) promoting the adoption of international accounting standards (IAS) by the commercial banks. Also, the Administrative and Financial Department and the Banking Supervision Department of the CBJ are in the process of adopting the IAS, in particular with respect to valuation procedures and the recording of financial derivatives within the balance sheet.

Nevertheless, the reporting of monetary data for publication in *International Financial Statistics* remains irregular and no tangible progress has been achieved so far by the CBJ in implementing the Standardized Report Forms for reporting monetary data to the Fund.

(c) **Balance of payments (BOP) statistics**. The establishment of a BOP division within the Research Department of the CBJ and the allocation of additional resources have facilitated the development of a comprehensive program for the improvement of BOP statistics, including a detailed action plan to address weaknesses in all data quality dimensions. These efforts were supported by long-term STA technical assistance involving two peripatetic missions. The CBJ has adopted the methodology of the fifth edition of the *Balance of Payments Manual (BPM5)* for the compilation of the BOP statistics and the IIP, and has disseminated data in the *BPM5* format. Further, the CBJ started compiling and disseminating the reserves template on the CBJ's website. However, the breakdown of some components of the reserves template is not consistent with the Fund's guidelines on the data template on international reserves and foreign currency liquidity. The implementation of surveys in the area of services is important for the further improvement of the quality of the BOP statistics. Middle East Technical Assistance Center (METAC) provided technical assistance to the DOS in March 2005 on the construction of a foreign direct investment (FDI) survey. In October 2006 METAC also conducted an SDDS assessment mission. Preliminary results of the FDI survey are targeted for early 2007. Efforts are continuing to complete the coverage of the international investment position , including portfolio investment liabilities and private external debt.

Jordan: Common Indicators Required For Surveillance
As of January 29, 2007

	Date of Latest Observation	Date Received	Frequency of Data 6/	Frequency of Reporting 6/	Frequency of Publication 6/	Memo Items: Data quality—methodological soundness 7/	Data quality—accuracy and reliability 8/
Exchange rates	Jan. 2007	Jan. 2007	W	M	W		
International reserve assets and reserve liabilities of the monetary authorities 1/	Jan. 2007	Jan. 2007	W	M	W		
Reserve/base money	Nov. 2006	Jan. 2007	M	M	M		
Broad money	Nov. 2006	Jan. 2007	M	M	M		
Central bank balance sheet	Nov. 2006	Jan. 2007	M	M	M		
Consolidated balance sheet of the banking	Nov. 2006	Jan. 2007	M	M	M	O, O, LO, LO	O, LO, O, O, LO
Interest rates 2/	Nov. 2006	Jan. 2007	W	M	W		
Consumer price index	Dec. 2006	Jan. 2007	M	M	M	O, LO, O, O	O, LO, O, O, O
Revenue, expenditure, balance and composition of financing 3/—general government 4/	2004	June 2006	A	A	A		
Revenue, expenditure, balance and composition of financing 3/—central government	Sept. 2006	Nov. 2006	M	M	M	O, LO, LNO, O	O, O, O, O, NA
Stocks of central government and central government-guaranteed debt 5/	Nov. 2006	Jan. 2007	M	M	M		
External current account balance	Q3 2006	Dec. 2006	Q	Q	Q		
Exports and imports of goods and services	Nov. 2006	Jan. 2007	M	M	Q	LNO, LNO, LNO, LO	LNO, LO, LO, LO, LO
GDP/GNP	Q3 2006	Dec. 2006	Q	Q	Q	O, LO, O, O	O, LO, O, LO, LO
Gross external debt	Nov. 2006	Jan. 2007	M	M	M		

1/ Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.
2/ Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
3/ Foreign, domestic bank, and domestic nonbank financing.
4/ The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.
5/ Including currency and maturity composition.
6/ Daily (D); weekly (W); monthly (M); quarterly (Q); annually (A); irregular (I); not available (NA).
7/ Reflects the assessment provided in the substantive update of the data ROSC published on February 2004 for the dataset corresponding to the variable in each row. The assessment indicates whether international standards concerning (respectively) concepts and definitions, scope, classification/sectorization, and basis for recording are fully observed (O), largely observed (LO), largely not observed (LNO), not observed (NO), or not available (NA).
8/ Same as footnote 7, except referring to international standards concerning (respectively) source data, statistical techniques, assessment and validation of source data, assessment and validation of intermediate data and statistical outputs, and revision studies.

APPENDIX II: RELATIONS WITH THE FUND
(As of December 31, 2006)

I. **Membership Status:** Joined: August 29, 1952; Article VIII

II. **General Resources Account:**	**SDR million**	**% Quota**
Quota	170.50	100.00
Fund holdings of currency	275.52	161.60
Reserve position in Fund	0.20	0.12

III. **SDR Department:**	**SDR million**	**% Allocation**
Net cumulative allocation	16.89	100.00
Holdings	0.84	4.99

IV. **Outstanding Purchases and Loans:**	**SDR million**	**% Quota**
Extended Arrangements	105.21	61.71

V. **Latest Financial Arrangements:**

Type	Approval Date	Expiration Date	Amount Approved (SDR million)	Amount Drawn (SDR million)
SBA	7/03/02	7/02/04	85.28	10.66
EFF	4/15/99	5/31/02	127.88	127.88
EFF	2/09/96	2/08/99	238.04	202.52

VI. **Projected Obligations to Fund (Expectations Basis):** (SDR million; based on existing use of resources and present holdings of SDRs)

	Forthcoming				
	2007	2008	2009	2010	2011
Principal	49.80	37.52	15.35	2.54	
Charges/Interest	5.53	3.03	1.22	0.72	0.65
Total	55.33	40.55	16.57	3.26	0.65

VII. **Safeguards Assessment:** Under the Fund's safeguards assessment policy, the CBJ was subject to a full assessment with respect to the Stand-By Arrangement (SBA), which was approved on July 3, 2002 and expired on July 2, 2004. The assessment was completed on June 27, 2003; and concluded that the CBJ has made progress in strengthening its safeguards, as recommended in the previous assessment of May 2001. The assessment proposed a set of measures, the majority of which have been implemented. Implementation of the remaining recommendations is being monitored by staff.

VIII. **Exchange System:** The Jordanian dinar is fully convertible and is officially pegged to the SDR. In practice, the authorities have tightly linked its exchange rate to the U.S. dollar since October 1995, at JD1 = $1.41044.

IX. **Article IV Consultation:** The 2005 Article IV consultation was concluded by the Executive Board on November 21, 2005. Two Financial Sector Assessment Program missions visited Jordan in August and September 2003, and the Financial System Stability Assessment (FSSA) was published in January 2004. The Ex Post Assessment (EPA) of Jordan's of Longer-Term Program Engagement was published in November 2005.

X. **Technical Assistance:** Extensive technical assistance has been provided to Jordan over the years (Table A.3).

XI. **Documents:**

Standards or Codes Assessed	**Date of Issuance**
Data module	10/8/2002
FSSA	1/7/2004
Update to data module	1/30/2004
Fiscal transparency module	1/9/2006

Table A.3. Technical Assistance, 1999–2006

Date	Purpose
Fiscal	
August 1999	Income tax reform
March 2000	Pension reform
May 2000	Framework for managing nontreasury accounts
September 2000	Oil pricing mechanism
January–June 2002	Pension reform
January–September 2002	GST reform
November 2002	Macrofiscal capacity and treasury single account
February 2003	Revenue administration reform
June, August, December 2003	Peripatetic advisor on single treasury account
February 2004	Peripatetic advisor on revenue administration reform
February, May 2004	Public expenditure management
August 2004–June 2005	Resident expert in macrofiscal management
February 2005	Distributional effects of replacing oil subsidies
February–March 2005	Revenue administration reform
April 2005	Fiscal ROSC
April–August 2006	Expert visits on revenue administration reform
May 2006	Public financial management
October–November 2006	Revenue administration inspection visit
Monetary and Financial	
August 1999	Auctions of government securities, and auditing and accounting reform
August 1999–August 2000	Resident expert in banking supervision
September 1999–September 2000	Resident expert in payment system development
December 1999	Development of the domestic and foreign exchange interbank market
January–February, April–May 2001	International reserve management
Statistical	
February 1999	Preparation of General Data Dissemination System (GDDS) metadata
April 1999	Revision of the PPI sample and PPI calculation
September 1999	National accounts statistics
November 1999	PPI statistics
July 2000	National accounts statistics
January–February 2002	Report on the Observation of Standards and Codes—Data module
December 2003	Follow-up on Report on the Observation of Standards and Codes—Data module
Oct. 2003–Jan. 2004, Mar–May 2004	Balance of payments statistics
April–May 2004	Government finance statistics

APPENDIX III: WORLD BANK GROUP STRATEGY AND OPERATIONS

9. As of November 30, 2006, Jordan had received 66 World Bank (Bank) loans, 1 guarantee, and 15 IDA credits totaling $2,225 million net of cancellations and terminations. Of the $2,225 million, $2,110 million have been disbursed todate. All the credits and 60 of the loans have been fully disbursed. There are six active projects in the Bank's portfolio for a total of $268 million. Overall performance of the portfolio is good, both from the perspective of implementation and development impact. This reflects the generally good project implementation capacity of Jordanian institutions, Jordan's strong ownership of the program, and the quality of the dialogue between the Bank and the government of Jordan. The International Finance Corporation (IFC) has made cumulative loan and equity investment approvals of $302 million and about $78 million in syndications.

10. The existing International Bank for Reconstruction and Development portfolio includes six projects, three of which were approved over the last Country Assistance Strategy (CAS) period (2003–05). Education accounts for the biggest share of the portfolio (57 percent) and aims to build a qualified human resources base for Jordan. The Pubic Sector Capacity loan provides critical resource to the Jordanian government to improve its effectiveness. The Amman Water and Sanitation, Amman Development Corridor, and the Horticultural projects will contribute to improve the physical and institutional basis for development and private sector investment.

11. The new Joint World Bank-IFC CAS for 2006–10, endorsed by the Bank Executive Board in May 2006, is aligned with the government priorities, as expressed in particular in the 10-year National Agenda, of poverty alleviation and the creation of higher productivity jobs, **while assisting the country in its transition through the medium-term economic shocks.** This CAS sets out a four year program organized in four cross-sectoral clusters:

- strengthening the investment environment and building human resources for value-added, skill-intensive and knowledge-based economy;
- supporting local development through increased access to services and economic opportunities;
- reforming social assistance and expanding inclusion; and
- restructuring public expenditures and supporting public sector reform.

12. The first two clusters tackle issues related to private investment and job creation, respectively at the macro level and at the local level. The third cluster deals with programs to support those who cannot by themselves achieve sufficient welfare. The last cluster is focused, on strengthening the public administration's ability to design and implement development polices, including improvements in the government budget, as the main tools of public policy. Important cross-cutting issues, such as gender and the environment, will be mainstreamed into the clusters. Various sectoral concerns, such as water and energy, will be

integrated in these programmatic clusters through thematic approach. **The CAS mix among possible policy lending, investment lending, and analytical services reflects the emerging needs with respect to short-term financial challenges and longer-term institutional developments, with a lending ceiling of up to US$540 million over four years.**

13. World Bank Group support to private sector development will continue to focus on improving the investment environment, privatization, partial risk guarantees for major projects (envisaged to attract private sector participation and to provide a better financial package for critical projects in water and energy), and, in the case of IFC, direct investment. The IFC has been active in Jordan for many years and has a current portfolio of $39 million in nine companies as of August 31, 2006. The IFC will place a high priority on business development to seek investment opportunities in the following areas: (i) infrastructure development to encourage foreign private investment; (ii) financial sector development (e.g., housing finance, securitization, microfinance and trade finance); (iii) health and education; and (iv) export-oriented and foreign exchange generating investments. The IFC's technical assistance activities in Jordan are being strategically positioned to fill gaps and address areas where the client wants urgent help.

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Washington, D. C. 20431 USA

IMF Concludes 2006 Article IV Consultation and Fourth Post-Program Monitoring Discussions with Jordan

On March 5, 2007, the Executive Board of the International Monetary Fund (IMF) concluded the 2006 Article IV consultation and fourth Post-Program Monitoring (PPM) discussions with Jordan.[1]

Background

Jordan graduated from a series of Fund-supported programs in 2004 and has since been engaged in PPM, which expires at end-2007. The Jordanian economy has performed remarkably well in recent years, due mainly to far-reaching macroeconomic and structural reforms. Despite negative shocks (including high oil prices and regional uncertainties), growth has been robust, inflation has remained low, public debt has continued to fall, and reserves have reached an all-time high.

Economic performance remained strong in 2006. Growth is estimated at 6 percent for the year, reflecting buoyant domestic demand (private consumption and investment), in part financed by large private capital inflows. Average inflation was 6.3 percent, stemming mainly from fuel and imported food price increases, with core inflation (excluding food and energy) well contained. Unemployment declined to 14 percent, from 15 percent a year earlier.

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board. At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. This PIN summarizes the views of the Executive Board as expressed during the March 5, 2007 Executive Board discussion based on the staff report.

The current account deficit narrowed in 2006—albeit to a still-high 16 percent of GDP—as a result of a broad-based slowdown in import growth and continued strong performance of exports and remittances. This deficit was financed by record levels of long-term private capital inflows reflecting foreign investments in banking, mining, telecommunications, and real estate. As a result, gross reserves reached US$6.1 billion at end-2006—more than US$1¼ billion higher than at end-2005—equivalent to about five and a half months of prospective imports.

The fiscal situation also improved in 2006. Stronger revenue performance (income tax and general sales tax receipts), larger-than-expected grants (especially from Saudi Arabia), and the authorities' decision to raise domestic fuel prices (lowering substantially oil subsidies) more than offset higher primary spending on transfers, security outlays, and wage bonuses. Preliminary estimates suggest that the fiscal deficit in 2006 was about 4¼ percent of GDP including grants, and 7½ percent excluding grants, both lower than in 2005. The deficit was financed comfortably without adding to macroeconomic pressures. The narrowing of the fiscal deficit, together with partial privatization of Jordan Telecom and strong growth, reduced the public debt-to-GDP ratio further, to 73 percent by end-2006, from 83 percent in 2005.

Meanwhile, monetary policy supported well the peg of the Jordanian dinar (JD) to the U.S. dollar. The spread on 3-month JD-denominated CDs issued by the Central Bank of Jordan (CBJ) over the U.S. dollar 3-month Treasury bill rate has been kept to a 1½–2 percentage point range during the past year. The dollarization ratio has been stable, at about 27 percent of deposits, reflecting continued confidence in the dinar. Broad money increased in line with nominal economic activity, with strong private sector credit growth (24 percent year-on-year) broadly offset by reductions in credit to government (privatization receipts) and a large increase in banks' capital.

Executive Board Assessment

Executive Directors commended Jordan's strong economic performance, noting the critical role played by supportive macroeconomic and structural policies over the past decade. Looking ahead, Directors stressed that staying on course with the economic reform agenda will help sustain good economic performance, and address the large current account deficit and the still-high public debt. To this end, they supported the authorities' policy package, with continued fiscal adjustment at its core.

Directors welcomed the authorities' plan to introduce a new public debt ceiling—60 percent of GDP by 2011—and underscored the successful role that the previous debt target played in helping to ease Jordan's debt burden. To ensure a similar success, the new target should be legislated and accompanied by a medium-term path for the primary fiscal balance. They also supported the authorities' plans to deepen the domestic debt market and tap regional liquidity by issuing dinar-denominated bonds.

Directors observed that, with Jordan already well taxed, achieving the new debt targets will depend mainly on containing nonpriority current primary expenditure over the medium term.

Eliminating fuel subsidies in 2007, adopting an automatic fuel price adjustment mechanism, better targeting the social safety net, and improving public financial management should be priorities. On the revenue side, measures should include specific inflation-adjusted excises on selected petroleum products and further improvements in revenue administration.

Directors considered the 2007 budget to be consistent with the new medium-term fiscal targets. They recommended that the authorities consider more ambitious targets, which would limit the susceptibility of the debt target to shocks, while helping to moderate inflation and the current account imbalance.

Directors agreed that the dinar is fairly valued and most observed that the exchange rate peg continues to serve Jordan well as a nominal anchor, supported by solid macroeconomic policies and a more resilient economy. They noted that the interest rate spread relative to U.S. rates has contributed to maintaining confidence in the peg. They also encouraged the CBJ to remove remaining excess liquidity through the issuance of additional certificates of deposit to help slow domestic credit growth and further strengthen the interbank market. Directors welcomed the authorities' intention to keep credit and inflation developments under close review. They also were encouraged by the ministry of finance plan to retire gradually its old debt to the central bank and thus strengthen its balance sheet.

Directors noted banks' strong performance and welcomed the authorities' commitment to strict financial sector supervision. They commended the authorities for implementing core Financial Sector Assessment Program (FSAP) recommendations, including introducing a prompt corrective framework and improved off-site surveillance. They looked forward to the early passage by parliament of Anti-Money Laundering/Combating Financing of Terrorism legislation and to an FSAP follow-up later this year.

Directors welcomed the authorities' commitment to continue with post-program monitoring as a sign of continued close cooperation between the authorities and staff.

Jordan: Selected Economic Indicators

	2003	2004	Prel. 2005	Est. 2006
Real sector	(Annual percentage changes)			
Real GDP at market prices	4.2	8.4	7.2	6.0
Consumer price index (average)	1.6	3.4	3.5	6.3
Unemployment rate (percent)	14.5	12.5	14.8	13.9
Gross domestic investment (in percent of GDP)	20.8	27.4	27.0	27.3
Gross national savings (in percent of GDP)	32.4	27.4	9.2	11.3
Public finance	(In percent of GDP)			
Central government revenue and grants	34.7	36.7	33.0	33.7
Of which: grants	11.7	10.9	5.0	3.2
Central government expenditure and net lending 1/	35.8	38.4	38.0	38.0
Central government overall fiscal balance including grants	-1.0	-1.7	-5.0	-4.3
Government and government-guaranteed net debt	97.7	88.5	82.8	72.5
Balance of payments	(In percent of GDP)			
Current account balance (after grants), *of which:*	11.6	0.0	-17.8	-16.0
Exports, f.o.b. ($ billions)	3.1	3.9	4.3	5.1
Imports, f.o.b. ($ billions)	5.1	7.3	9.3	10.4
Gross usable international reserves ($ millions) 2/	4,745	4,755	4,723	6,102
In months of prospective import cover	6.5	5.1	4.7	5.6
Money and credit	(Annual percentage changes)			
Broad money	12.4	11.7	17.0	14.1
Credit to private sector	3.5	17.3	30.3	24.4
Exchange rates				
U.S. dollar per Jordanian dinar (end-period)	1.4	1.4	1.4	1.4
Real effective exchange rate (percent change) 3/	-7.2	-3.9	-0.3	…

Sources: Jordanian authorities; and Fund staff estimates and projections.

1/ Including off-budget.
2/ Net of short-term foreign liabilities, foreign currency swaps, and commercial bank foreign deposits with the Central Bank of Jordan.
3/ A positive number indicates an appreciation.