# JORDAN

| Table 1 | 2016 |
|---|---|
| Population, million[1/] | 9.5 |
| GDP, current US$ billion | 38.8 |
| GDP per capita, current US$ | 4098 |
| Poverty rate ($2/day 2005PPP terms)[a] | 1.8 |
| Poverty rate ($4/day 2005PPP terms)[a] | 25.4 |
| Gini Coefficienta | 33.7 |
| School enrollment, primary (% gross)[b] | 97.3 |
| Life Expectancy at birth, yearsb | 74.1 |

Sources: World Bank WDI and Macro Poverty Outlook.
Notes:
(a) Most recent value (2010)
(b) Most recent WDI value (2014)
1/ Based on staff projections. 2015 census figures have been released reflecting a total population of 9.5 million of which 6.6 million Jordanians. The balance of non-Jordanians includes a sizeable refugee population (not yet available).

*Jordan's economy remains in a low-growth scenario. Improvements in tourism and mining and quarrying are expected to have driven timid improvement in growth in 2017; however, the economy remains burdened with ongoing uncertainty in Syria, slow revival of economic cooperation with Iraq, and economic slowdown in the Gulf Cooperation Council (GCC). In addition, the economy is subject to a slow pace of structural reforms that is impeding a strong recovery in growth.*

## Recent developments

Real growth in 2017 is forecasted at 2.1 percent, a 0.1 percentage point (pp) pick-up from 2016. The tempered increase is due to a resurgence in tourism as reflected by double digit growth in receipts and arrivals, although largely reflecting low-base effects. Moreover, mining and quarrying sector is also regaining momentum as commodity prices stabilize. The mining and quarrying sector grew by 15.8 percent in the first three quarters of 2017 (3Q-2017) compared to a 14.7 percent deterioration over the same period in 2016 (Figure 1).

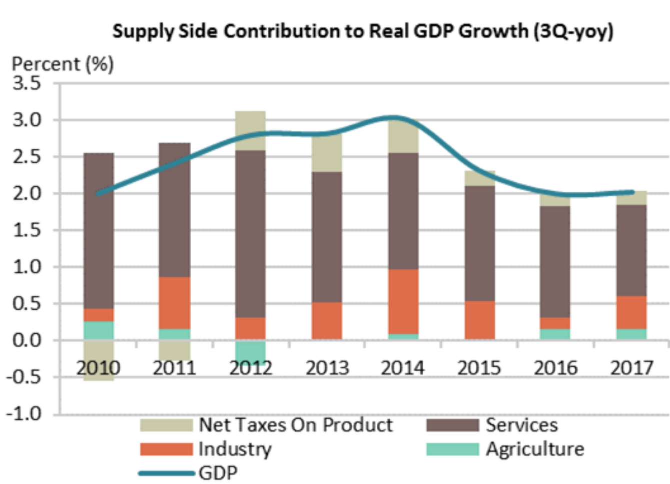
Jordan's fiscal situation improved in 2017 as a result of government's fiscal consolidation efforts in line with the International Monetary Extended Fund Facility (IMF-EFF) program. The fiscal deficit, including grants, contracted to 2.6 percent of forecasted GDP in 2017, 0.6 pp narrower than 2016 levels. The narrowing in fiscal balances was driven by an upsurge in revenues (despite reduction in grants) coupled with a contraction in expenditures as share of GDP. Nevertheless, the improvement is still less than what was initially envisaged by the program on the back of weaker growth. Debt increased to US$ 38.5 billion by end-2017, standing at 95.8 percent of forecasted GDP, compared to 95.1 percent by end-2016.

Despite the strong rebound in exports of services (propelled by tourism), Jordan's current account deficit is expected to remain elevated in 2017 due to a confluence of factors related to: i) higher energy import bill driven by the recovery in oil prices; ii) economic slowdown in GCC as reflected by stagnant remittances, declining inflows and decreasing domestic exports to GCC countries; iii) weak recovery in domestic exports via Iraq as trading activity remains well below pre-Turaibil border closure levels[1].

On the monetary front, Jordan's monetary policy continues to target the exchange rate dollar peg with the Central Bank of Jordan (CBJ) having raised interest rates four times since December 2016—once by 50 basis points (bps) and three times by 25 bps each—in attempts to maintain an attractive risk premium over the Federal Reserve Board (FED) rates. Moreover, central bank's foreign reserves continue to be subject to downward pressures stemming from lower foreign inflows, exchange market pressure and higher dollarization rates, in turn declining to US$ 12.3 billion by end-2017 (covering 6.8 months of imports, excluding re-exports). After a two-year deflationary period, headline consumer prices rebound, registering an annual average of 3.3 percent in 2017. The rebound in prices was mainly due to the global recovery in oil prices.

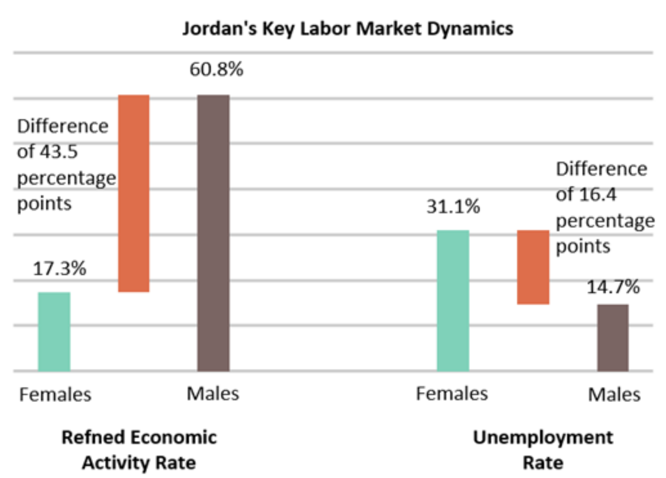
Jordan's labor market continues to face significant vulnerabilities. The unemployment rate remained elevated at 18.5 percent in the fourth quarter of 2017 (Q4-2017), while unchanged compared to Q3-2017, it is a deterioration from Q1 and Q2 levels (which stood at 18.2 and 18.0 percent, respectively). Meanwhile, the labor force participation rate averaged 38.1 percent in Q4-2017, declining from 39.2 percent in Q3-2017. On an annual basis, un-

**FIGURE 1 Jordan** grapples with sluggish growth.




Sources: Department of Statistics and World Bank Staff Calculations.

**FIGURE 2 Jordan**'s labor market exposes significant gender-based heterogeneity in in 2017.




Sources: *Department of Statistics and World Bank Staff Calculations.*
**Refined economic activity rate refers to the labor force attributed to the population 15 years and over.*

employment and labor force participation rate averaged 18.3 and 39.2 percent, respectively; both exposing significant marginalization of females (Figure 2), youth and bachelor degree holders.

Poverty is likely to have risen in Jordan given rising inflation, unemployment, joblessness, and sluggish growth. Jordan has not released poverty estimates since 2010 due to issues with data quality for the 2013/14 Household Expenditure and Income Survey (HEIS). The 2017/18 HEIS, which will be representative of Jordanian, Non-Jordanian and Syrian Nationals was initiated in August 2017.

## Outlook[2]

Jordan's baseline is expected to remain significantly affected by regional events in Iraq and Syria and the slowdown in GCC's economic performance. If the pace of economic reforms remains sluggish, we expect only a marginal pick-up in the economy. Services and industry are expected to continue nudging the economy forward. On the demand side, private consumption and private investment (real estate) are expected to regain momentum in the medium term after periods of stagnation. This is despite CBJ's contractionary monetary efforts, which have been mitigated by government's efforts to limit crowding out by using external financing to cover its fiscal needs. In addition, the recent (end-August) reopening of the Karameh trade route be-tween Jordan and Iraq is expected to have a positive impact on international trade over the medium term, especially through trade corridor spillovers.

Jordan's current account deficit is expected to narrow gradually over the medium term mainly on the back of improving merchandise and tourism exports, outpacing import growth due to higher energy imports (mirroring higher oil prices). Current transfers and capital inflows are anticipated to remain sluggish given subdued growth forecasted in the GCC economies.

## Risks and challenges[3]

With a difficult regional outlook, sluggish economic reforms, and contractionary fiscal and monetary policies in place, it is difficult to foresee a strong recovery in growth. While the reopening of trade routes with Iraq bodes well for improving consumption and investment sentiments, given that the Jordanian economy is outward looking and geared to supporting markets in GCC, Syria, and Iraq, the regional violent conflict and displacement will continue to affect the economy. Jordan's long-term macroeconomic vulnerability stems from sizable internal and external imbalances that generate large financing needs, which are typically met via international assistance and transfers from the region. When these sources of finance are reduced, financial and economic stability can be compromised.

[1] The Turaibil border is the only trade route between Jordan and Iraq. Rising security concerns forced its closure early in 2015, but was later reopened on 30 August 2017.

[2] Fall 2017.

[3] Fall 2017.

**TABLE 2 Jordan** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

| | 2015 | 2016 e | 2017 f | 2018 f | 2019 f |
|---|---|---|---|---|---|
| **Real GDP growth, at constant market prices** | 2.4 | 2.0 | 2.1 | 2.4 | 2.5 |
| Private Consumption | 8.5 | -0.3 | 0.1 | 1.1 | 1.8 |
| Government Consumption | 3.6 | 8.1 | -1.6 | 0.8 | 1.3 |
| Gross Fixed Capital Investment | -8.0 | -7.3 | 2.2 | 3.1 | 4.0 |
| Exports, Goods and Services | -9.0 | -2.8 | 6.7 | 6.7 | 4.5 |
| Imports, Goods and Services | -3.0 | -7.1 | 0.7 | 3.1 | 3.1 |
| **Real GDP growth, at constant factor prices** | 2.6 | 2.2 | 2.3 | 2.3 | 2.5 |
| Agriculture | 5.0 | 3.8 | 1.5 | 1.5 | 1.8 |
| Industry | 2.2 | 1.0 | 2.0 | 2.8 | 2.7 |
| Services | 2.7 | 2.6 | 2.4 | 2.1 | 2.5 |
| **Inflation (Consumer Price Index)** | -0.9 | -0.8 | 3.1 | 1.9 | 2.2 |
| **Current Account Balance (% of GDP)** | -9.1 | -9.3 | -8.7 | -8.6 | -8.5 |
| **Financial and Capital Account (% of GDP)** | 7.3 | 8.6 | 8.1 | 10.1 | 8.6 |
| Net Foreign Direct Investment (% of GDP) | 4.3 | 4.0 | 3.9 | 3.9 | 3.8 |
| **Fiscal Balance (% of GDP)1/** | -3.6 | -3.2 | -2.6 | -1.6 | -0.5 |
| **Debt (% of GDP)2/** | 93.4 | 95.1 | 95.6 | 94.1 | 91.8 |
| **Primary Balance (% of GDP)1/** | -0.1 | -0.2 | 0.1 | 2.1 | 3.2 |

Sources: World Bank, Macroeconomics and Fiscal Management Global Practice, and Poverty and Equity Global Practice.
Notes: e = estimate, f = forecast.
1/ Includes fiscal gap of 2.0% of GDP in 2018 and 2.5% of GDP in 2019.
2/ Government and guaranteed gross debt. Includes WAJ estimated borrowing for 2017-2019.