

# JORDAN ECONOMIC MONITOR

## TOWARDS STRONGER EXTERNAL TRADE PERFORMANCE

Fall 2017



**Global Practice for Macroeconomics, Trade & investment**  
**MIDDLE EAST AND NORTH AFRICA REGION**

The World Bank

# PREFACE

The *Jordan Economic Monitor* provides an update on key economic developments and policies over the past six months. It also presents findings from recent World Bank work on Jordan. It places them in a longer-term and global context, and assesses the implications of these developments and other changes in policy on the country's outlook. Its coverage ranges from the macro-economy to financial markets to indicators of human welfare and development. It is intended for a wide audience, including policy makers, business leaders, financial market participants, and the community of analysts and professionals engaged in Jordan.

The *Jordan Economic Monitor* is a product of the World Bank's Global Practice for Macroeconomics, Trade, and Investment team. It was prepared by Wissam Harake (Senior Economist) and Zeina Hasna (Economic Analyst), under the general guidance of Christos Kostopoulos (Lead Economist) and Kevin Carey (Practice Manager). The Special Focus 'Quantifying Diversification Strategies for Jordan' was prepared by Emiliano Duch (Lead Private Sector Specialist), Meriem Ait Ali Slimane (Private Sector Specialist) and Anoud Allouzi (Private Sector Development Consultant); World Bank. Zeina El Khalil (Communications Officer) led on media outreach and print production and Naji Abou Hamde (Economic Analyst) provided Arabic translation.

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## LIST OF KEY ABBREVIATIONS USED

<b>bps:</b>	Basis points
<b>DURA:</b>	Diversification and Upgrading Rapid Assessment
<b>DVA:</b>	Domestic Value Added
<b>EFF:</b>	Extended Fund Facility
<b>EU:</b>	European Union
<b>GCC:</b>	Gulf Cooperation Council
<b>H1, H2:</b>	First half of the year, second half of the year
<b>IMF:</b>	International Monetary Fund
<b>lhs, rhs:</b>	Left hand side, right hand side (for axis of figures)
<b>pp:</b>	Percentage points
<b>Q1 (Q2, Q3, Q4):</b>	First (second, third, fourth) quarter of the year
<b>qoq:</b>	Quarter-on-quarter
<b>sa:</b>	Seasonally adjusted
<b>saar:</b>	Seasonally adjusted, annual rate
<b>yoy:</b>	Year-on-year

## EXECUTIVE SUMMARY

**i. Jordan's economic performance remains tempered in 2017 while the fiscal adjustment is in progress; yet there are positive signs on the horizon.** Real GDP growth for 2017 is expected to reach 2.1 percent, just a 0.1 percentage point (pp) increase from 2016. On the supply side, services continue to be the principal driver of GDP growth, and these are propelled by a robust performance in tourism. Jordan's industrial sector is expected to regain momentum based on a recovery in mining and quarrying as the effect of the drop in potash prices starts dissipating. On the demand side, private consumption and investment in addition to net exports of goods and services are projected to lead GDP growth. The combination of public consumption and public investment are expected to be a drag on GDP growth. The reliance of GDP growth on private demand, as opposed to public demand, is a welcomed change from growth patterns since 2014. As a result of the progress in net exports, the current account deficit is projected to narrow slightly to 8.8 percent of GDP.

**ii. Jordan's fiscal and monetary policies are taking a contractionary stance, though the year end outcomes are expected to be mixed.** On the fiscal side, despite the restraint complemented by financing from the International Monetary Fund Extended Fund Facility (IMF-EFF), the overall fiscal deficit is expected to reach 6.4 percent of GDP (excluding grants), owing to stagnant performance on the revenue side following a weaker than expected economy. On the monetary policy side, the peg to the US\$ has led to an increase in interest rates, tracking the FED. The Central Bank of Jordan raised interest rates four times since December 2016 in attempts to maintain the attractiveness of the Jordanian Dinar. This was in the context of lower foreign inflows and higher dollarization rates putting downward pressures on central bank foreign reserves which declined to US\$11.7 billion by end-October

2017 (equivalent to 6.6 months of imports, excluding re-exports). Meanwhile, headline consumer prices showed a significant recovery, although largely due to low-base effects.

**iii. The labor market continues to face high unemployment and low participation as the economy remains in a low growth equilibrium.** A new methodology by the Department of Statistics as of Q1-2017 revealed that unemployment averaged 18.1 percent in the first half of 2017 (H1-2017), while labor force participation averaged 39.7 percent. Both indicators continue to reflect acute gender-based heterogeneity and youth marginalization in Jordan's labor market.

**iv. With a challenging regional outlook and contractionary fiscal and monetary policies in place, it is difficult to foresee a strong recovery in GDP growth without continuation of structural economic reforms.** The reopening of trade routes with Iraq bodes well in improving consumption and investment sentiments. However, given that the orientation of the Jordanian economy is outward looking and geared to supporting markets in the Gulf Cooperation Council (GCC), Syria and Iraq, the regional downturn 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. In order to ensure financial and economic stability, Jordan needs to deepen its equitable growth and job creation reforms to enhance the efficiency of the economy and shift the burden of job creation to the private sector. Expanding Jordan's export revenues with new partners or higher quality products will need to be part of that agenda as well.

v. To gauge Jordan's exporting aptitude, we undertake an assessment that quantifies the potential for expanding the quantity and quality of some specific industrial, apparel and agricultural exports (Special Focus). The most striking result is that investing in the agricultural sector could generate four times the value added of the sector in the economy.



## الملخص التنفيذي

وفي الوقت نفسه، أظهرت أسعار المستهلك الرئيسية انتعاشاً مهماً، على الرغم من أن هذا الانتعاش يرجع إلى حد كبير إلى أن خط الأساس كان متدنياً أصلاً.

**iii.** ولا يزال سوق العمل يشهد معدلات بطالة مرتفعة ومشاركة ضعيفة، حيث يظل الاقتصاد في حال توازن نمو منخفض. وكشفت منهجية جديدة أعدتها دائرة الإحصاءات في الربع الأول من عام ٢٠١٧ أن معدل البطالة بلغ ١٨,١ في المائة في النصف الأول من عام ٢٠١٧، في حين بلغ متوسط مشاركة القوى العاملة ٣٩,٧ في المائة. ولا يزال المؤشران يعكسان عدم التجانس الحاد القائم على نوع الجنس وتهميش الشباب في سوق العمل في الأردن.

**iv.** وفي ظل مشهد إقليمي صعب وسياسات مالية ونقدية انكماشية، من الصعب توقّع انتعاش قوي في نمو الناتج المحلي الإجمالي دون مواصلة الإصلاحات الاقتصادية الهيكلية. إن إعادة فتح طرق التجارة مع العراق يبشر بالخير باتجاه تحسين آفاق الاستهلاك والاستثمار. ولكن بالنظر إلى أن الاقتصاد الأردني موجّه نحو الخارج، نحو دعم الأسواق في دول مجلس التعاون الخليجي وسوريا والعراق، فإن التراجع على المستوى الإقليمي سيظل يؤثر على الاقتصاد الأردني. وينبع ضعف الاقتصاد الكلي الأردني على المدى الطويل من اختلالات داخلية وخارجية كبيرة تولّد احتياجات تمويلية كبيرة، يتم تلبيتها عادة من خلال المساعدات الدولية. ومن أجل ضمان الاستقرار المالي والاقتصادي، يحتاج الأردن إلى تعميق الإصلاحات باتجاه تحقيق النمو العادل وخلق فرص العمل من أجل تعزيز كفاءة الاقتصاد وتحويل عبء خلق الوظائف إلى القطاع الخاص. كما إنّ توسيع عائدات التصدير الأردنية مع شركاء جدد أو منتجات ذات جودة أعلى يجب أن يكون جزءاً من هذا المسعى.

**v.** ولقياس قدرة الأردن على التصدير، نقوم بإجراء تقييم يحدّد إمكانات توسيع كمية ونوعية بعض الصادرات الصناعية والزراعية المحدّدة وصادرات الملابس (تقرير خاص). والنتيجة الأبرز هي أن الاستثمار في القطاع الزراعي يمكن أن يولّد أربعة أضعاف القيمة المضافة للقطاع في الاقتصاد الأردني.

**i.** بقي الأداء الاقتصادي الأردني منخفضاً في عام ٢٠١٧ في ظلّ تواصل عملية تصحيح الأوضاع المالية العامة، لكنّ إشارات إيجابية برزت في الأفق. ومن المتوقّع أن يصل نمو الناتج المحلي الإجمالي الحقيقي لعام ٢٠١٧ إلى ٢,١ في المائة، أي بزيادة ٠,١ نقطة مئوية مقارنةً بعام ٢٠١٦. وعلى صعيد العرض، لا تزال الخدمات هي المحرّك الرئيسي لنمو الناتج المحلي الإجمالي، يعزّزها الأداء القوي لقطاع السياحة. ومن المتوقّع أن يستعيد القطاع الصناعي الأردني زخماً على ضوء انتعاش التعدين واستغلال المحاجر، وتلاشي أثر انخفاض أسعار البوتاس. وعلى صعيد الطلب، من المتوقّع أن يؤدي الاستهلاك والاستثمار الخاص بالإضافة إلى صافي صادرات السلع والخدمات إلى تحريك نمو الناتج المحلي الإجمالي. غير أنه من المتوقّع أن يؤثر الاستهلاك العام والاستثمار العام سلباً على نمو الناتج المحلي الإجمالي. ويمثل اعتماد نمو الناتج المحلي الإجمالي على الطلب الخاص، في مقابل الطلب العام، تغييراً حميداً مقارنةً بأنماط النمو منذ عام ٢٠١٤. ونتيجة للتقدّم المحرز في صافي الصادرات، من المتوقّع أن ينخفض عجز الحساب الجاري إلى ٨,٨ في المائة من الناتج المحلي الإجمالي.

**ii.** تتخذ السياسات المالية والنقدية في الأردن منحى انكماشياً، على الرغم من أن نتائج نهاية العام من المتوقّع أن تكون مختلطة. وعلى الصعيد المالي، على الرغم من برنامج الإصلاح المصحوب بتمويل من برنامج التسهيل الإئتماني الممدّد لصندوق النقد الدولي، يتوقّع أن يصل العجز المالي الإجمالي إلى ٦,٤ في المائة من الناتج المحلي الإجمالي (باستثناء المنح)، بسبب الركود في الإيرادات بعد نتائج اقتصادية جاءت أضعف من المتوقّع. أما على صعيد السياسة النقدية، فقد أدى الإطار النقدي الحالي، الذي يستند إلى الربط بالدولار الأمريكي، إلى زيادة أسعار الفائدة، تماشياً مع سياسة البنك المركزي الأمريكي. وقد رفع البنك المركزي الأردني أسعار الفائدة أربع مرات منذ ديسمبر ٢٠١٦ في محاولة للحفاظ على جاذبية الدينار الأردني. وقد جاء ذلك في سياق انخفاض التدفقات الأجنبية وارتفاع معدلات الدولار مما وضع ضغوطاً على الاحتياطيات الأجنبية للبنك المركزي التي انخفضت إلى ١١,٧ مليار دولار أمريكي في نهاية أكتوبر ٢٠١٧ (أي ما يعادل ٦,٦ أشهر من الواردات، باستثناء الصادرات المعاد تصديرها).



# RECENT ECONOMIC AND POLICY DEVELOPMENTS

## 1. Over the summer 2017, Jordan witnessed a cabinet re-shuffle followed by Municipal Elections, the first-ever decentralized elections.

In June 2017, a 3rd reshuffle took place in Prime Minister Mulki's cabinet with new Ministers of Social Development, Transport and Energy. Following the reshuffle, in August, Jordan held regional and municipality polls, the first of their kind under the Decentralization Law enacted in 2015, electing 12 new governorate/provincial councils. The elections constituted a step forward in the country's political reform process. As a next step, a well-thought out and studied framework for fiscal decentralization needs to be developed to serve as a foundation for service delivery and accountability. On 19 November 2017, the Cabinet endorsed the 2018 state budget law.

## 2. On 30 August 2017, Jordan and Iraq reopened their only border crossing, the Karameh-Tureibil border, after a two-year closure forced by elevated security concerns.

The long-awaited reopening of trade routes is expected to revitalize bilateral trade, enhance prospects of developing the oil pipeline from Basra to Amman and Aqaba, and enhance investment sentiments. In addition, the two countries agreed on September 10, 2017 to establish a joint Jordanian-Iraqi industrial estate on the newly reopened border, with customs free access for selected goods.

## 3. Support from development partners remains important to the government's strategic objectives.

On June 21, 2017, the International Monetary Fund completed the first review of the three-year Extended Fund Facility program, enabling the disbursement of about US\$71 million (SDR 51.465 million). Moreover, on 17 October, the European Union approved the disbursement of a €100 million loan, which marks the launch of the second Macro-Financial Assistance (MFA) Program

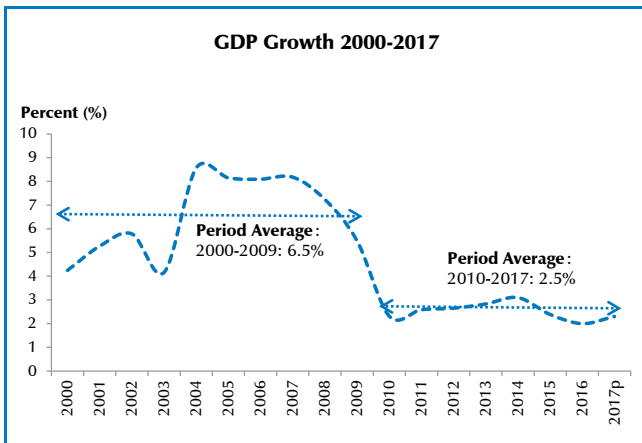
for Jordan (total worth of the program is €200 million, and the disbursement of the second tranche is expected during 2018). The first MFA program consisted of a €180 million package that was approved in 2013 and disbursed throughout 2015. Additionally, the Jordanian Minister of Planning and International Cooperation, Imad Fakhoury, visited the United States and discussed renewing the memorandum of understanding (MoU) between the two countries for 2018-2022. The MoU will have a twofold objective: governing the economic and military aid to Jordan, and supporting Jordan's reform and development projects.

## Output and Demand

### 4. Jordan's economy has endured a prolonged period of low economic growth as it faced a succession of external shocks.

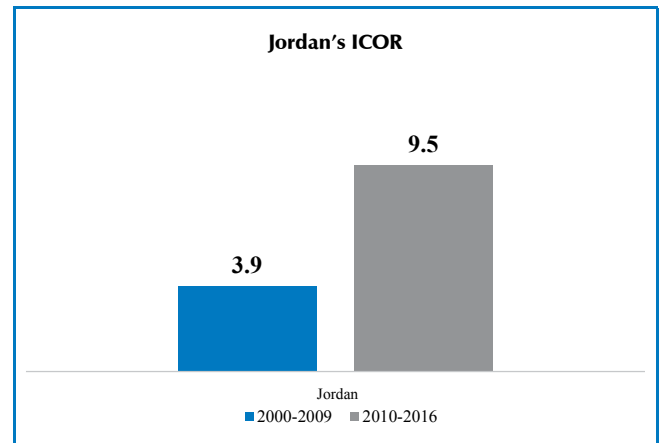
In 2010, and on the back of the 2008-09 Gulf Cooperation Council (GCC) financial crisis, itself a second-degree ripple of the 2008 global financial crisis, Jordan's economy entered into a period of prolonged slowdown. This slowdown was further extended by the eruption of the wars first in Syria and then Iraq, both of which continue to smolder. Regional headwinds involved spillovers on the security front, leading to the closure of trade routes with Iraq and Syria, which were both final destinations and transit routes for Jordanian exports. This also includes repercussions from the influx of almost 660,000<sup>1</sup> Syrian refugees into Jordan, in addition to, according to government estimates, an almost equal amount of non-registered Syrians. More recently, a slowdown in the GCC economies following the drop in oil prices has had a direct

<sup>1</sup> UNHCR records 654,903 registered Syrian refugees since 18 December 2017.



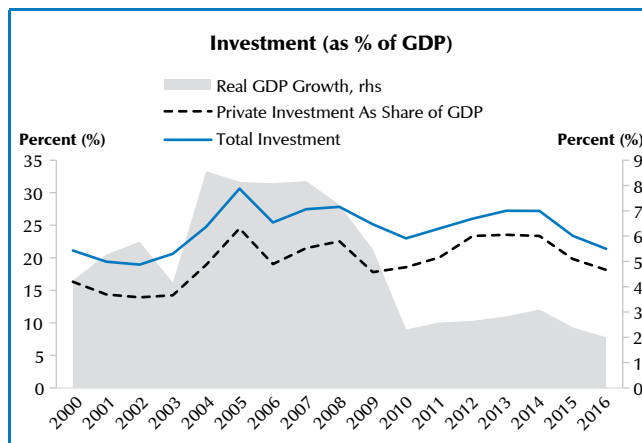
**FIGURE 1. Since 2010, Jordan experienced low-growth equilibrium...**

Sources: Department of Statistics and World Bank staff calculations.



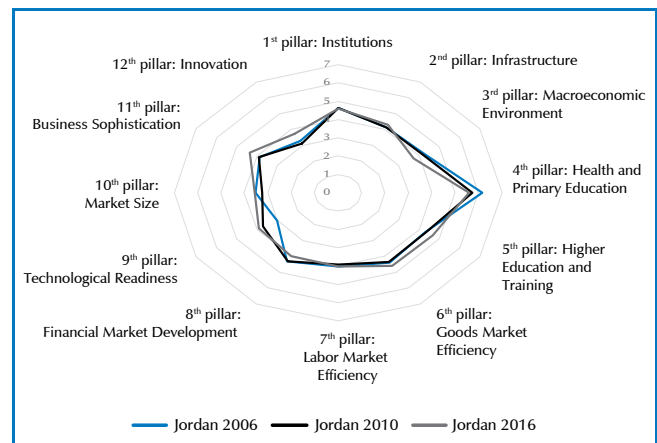
**FIGURE 3. ...as suggested by a higher ICOR...**

Sources: Department of Statistics and World Bank staff calculations.



**FIGURE 2. ... despite a relatively high investment ratio...**

Sources: Department of Statistics, Central Bank of Jordan and World Bank staff calculations.



**FIGURE 4. ... and tradeoffs in human capital priorities**

Sources: Department of Statistics and World Bank staff calculations.

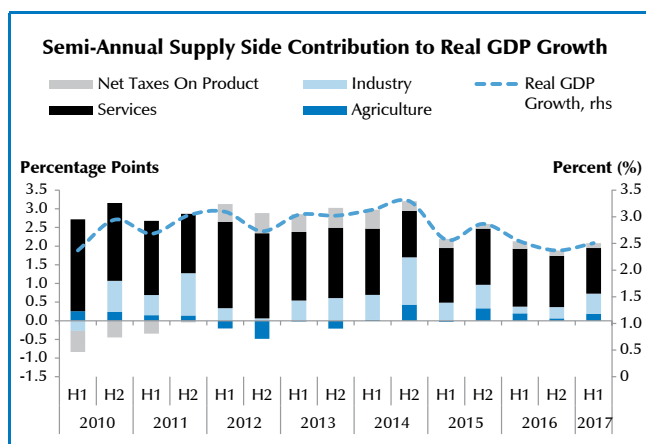
impact on Jordan due to well established economic linkages (see Box 1). Consequently, annual growth continues to be far below the 6.5 percent average achieved in the pre-regional crises period (Figure 1). On an income per capita basis, low growth coupled with an upward revision of population estimates by United Nations Population Division), owing to the inclusion of refugee population, led to a decline in Jordan's income per capita, moving Jordan down to the lower-middle income category (see Box 2).

**5. The prolonged period of low economic growth also reflects inefficiencies in Jordan's economy.** The impact of per dollar investment on real GDP growth has declined since 2010. This is potentially attributed to increased inefficiency in the economy or 'poor quality' of investments as

suggested by (i) lower economic growth combined with a high investment ratio since 2010 (Figure 2); and (ii) a rise in the incremental capital output ratio (ICOR)<sup>2</sup> from an average of 3.9 for the period 2000-2009 to 9.5 during 2010-2016 (Figure 3).

**6. Changes in the World Economic Forum's (WEF) Global Competitiveness Indicator point to possible explanations for the lower efficiency of the economy in 2010-2016.** To examine possible causes of lower efficiency, we consider the World Economic Forum's Global Competitive Index (GCI) for Jordan over time, specifically, 2006, 2010 and 2016 (Figure 4). From 2006 to 2010, the GCI illustrates

<sup>2</sup> The ICOR is a metric that assesses the marginal amount of investment capital necessary for an entity to generate the next unit of production.

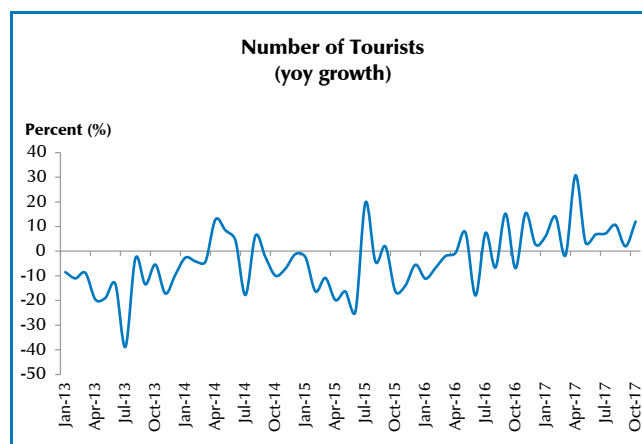


**FIGURE 5. Growth slowed down by construction and the public sector but helped by ...**

Sources: Department of Statistics and World Bank staff calculations.

a jump in technological readiness in tandem with a decline in health and primary education. The former may be seen as generating momentum on growth through within sector efficiency or for the economy as a whole, whereas the latter impacts negatively potential output leading to lower future growth. Over the period from 2010 to 2016, however, Jordan experienced a less pronounced jump on technological readiness, but more movement on the innovation cluster (pillars 10-12), mixed gains in the efficiency cluster (pillars 5-9), and mixed gains on the institutional cluster pillars (1-4). Interestingly, the 2010-2016 period also witnessed progress in higher education and training, which bodes well for future growth prospects, although the setback in the macroeconomic environment can have a severe setback in the current investment environment. The seeming trade-off between primary and higher education can be viewed as a re-allocation of limited resources in the face of a scarce fiscal space. More broadly, while sustainable equitable growth and job creation necessitates an “expanding the pie” effect, Jordan’s economy tends to run into growth limits very quickly and depends on opportunistic drivers.

**7. Growth stagnates in 2017.** Based on the latest national accounts data, Jordan’s real GDP registered 2.1 percent yoy growth in the first half of 2017 (H1-2017) unchanged from H1-2016. On a seasonally adjusted basis, real GDP growth averaged 1.8 percent, yoy, in H1-2017, compared to 1.7 percent in H1-2016 (Figure 5). Drivers for growth are the services sector on the supply side and net



**FIGURE 6. ... a robust tourism sector ...**

Sources: Central Bank of Jordan and World Bank staff calculations.

exports of goods and services on the demand side (see paragraph 10). Overall economic activity is expected to remain tempered for the rest of the year with real GDP growth forecast at 2.1 percent in 2017, compared to 2 percent in 2016.

#### **8. Services continue to be the principal driver of real GDP growth in 2017, propelled by tourism.**

The construction sector contracted by 0.4 percent in H1-2017 yoy, compared to a pick-up of 1.7 percent in H1-2016. Additionally, the public sector’s contribution to growth regressed in H1-2017<sup>3</sup> and is expected to remain soft for the rest of the year. Accounting for an average of almost 55 percent of GDP over the previous decade, the services sector is expected to continue being the largest contributor to growth in 2017 (Figure 6). Tourism has been especially robust as tourist receipts and the number of tourists surged during the first ten months of 2017 (10M-2017) by respective 12.7 and 8.9 percent yoy, compared to contractions of 1.8 and 2.2 percent yoy in 10M-2016 (Figure 10). The industrial sector, which accounted for almost 26 percent of GDP over the previous decade, is also projected to be a positive contributor to growth. This would be led by mining and quarrying and manufacturing, with the former witnessing a notable rebound, growing by 23.8 percent in H1-2017 yoy, following 17.9 and 6.6 percent consecutive contractions in H1-2016 and H2-2016.

<sup>3</sup> The contribution of net taxes on products to real GDP growth regressed to 0.1 points in H1-2017, compared to 0.2 points in H1-2016.

**BOX 1. Jordan-GCC Economic Linkages.**

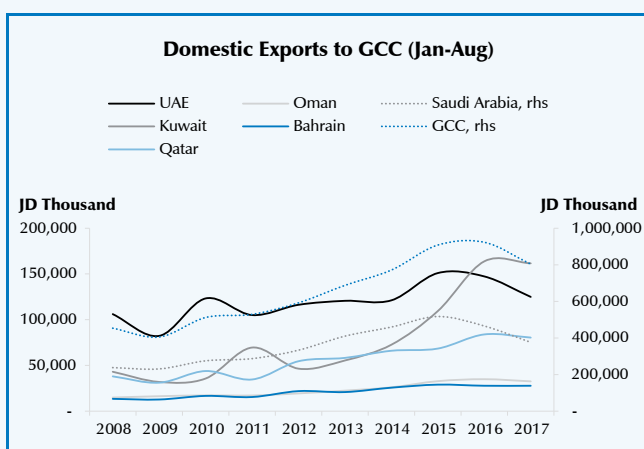
Historically, strong linkages between Jordan’s economy and those of the GCC countries have exposed the former to the business cycle shocks sourced from the latter. Oil price movements, which are primary drivers of the business cycle in the GCC, are correlated with inflows into Jordan with effects on the real economy. Moreover, non-oil shocks from the GCC region have also impacted the Jordanian economy, as in the 2009-2010 GCC financial crisis, which constituted second degree effects of the 2008 global financial crisis. As can be expected, the recent economic deceleration in the GCC countries added to ongoing sluggishness in Jordan, that has been in effect since the GCC financial crisis in 2010, and then prolonged by the turbulence in nearby Syria and Iraq.

The impact of lower oil prices on Jordan’s economy is two-pronged along two different time lines. In the short run, being a large importer of energy, Jordan generally benefitted from the drop in oil prices via a shrinkage in its energy import bill, and thus improvements in its balance of payments. This effect is especially significant for a small open economy with a fixed exchange rate regime, as in the case of Jordan. In the long run, protracted softening of oil prices that lead to decelerations in GCC economies, can translate into decreased inflows into and exports from Jordan with negative effects on the real economy.

Jordan’s strong economic linkages with the Gulf are transmitted via several primary channels, namely: exports of merchandize goods, tourism, remittances and financial inflows.

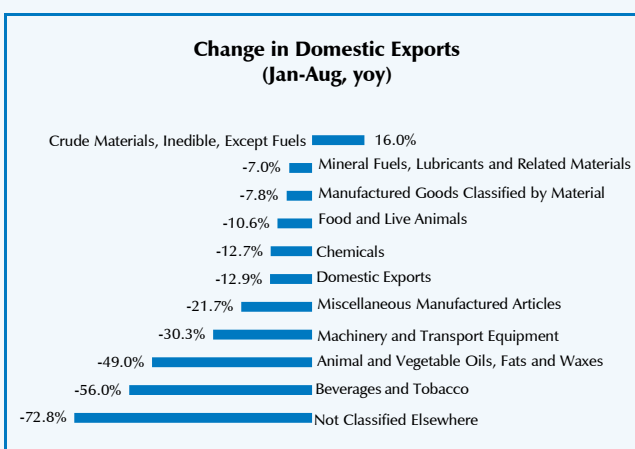
**i. Exports:**

- **Exports to the GCC region constituted almost a fifth of Jordan’s total exports over the past decade.** Out of 148 countries, four of the six GCC states ranked amongst the biggest 10 export destinations for Jordan, with Saudi Arabia ranking second, Kuwait fifth, UAE sixth and Qatar seventh.\* As such, total exports to the GCC are heavily weighted towards Saudi Arabia, with almost half of the exports to GCC since 2003 destined there (Figure 7). As a result, the recent economic slowdown in the Gulf, and in Saudi Arabia specifically, took its toll on Jordanian exports. Domestic exports to the Gulf declined by 12.9 percent yoy in the first eight months of 2017 (8M-2017) compared to 8M-2016, with exports to Saudi Arabia being the main drag (causing 74.6 percent of the contraction).\*\*
- **On a product basis, hardest hit were ‘beverages and tobacco,’ ‘animal and vegetable oils, fats and waxes’ and ‘machinery and transport equipment,’** each deteriorating by 56, 49 and 30 percent during the first eight months of 2017 (8M-17) compared to the same period in 2016 (Figure 8).
- **Geopolitics has weighed heavily on Jordan’s trade sector,** going back to the first Gulf war in 1990, through the 2003 US invasion of Iraq, followed by the recent regional turmoil. The latter includes substantial negative implications on Jordan’s balance of payments and growth from the cut in Egyptian gas supply and the closure of essential trade routes through Syria and Iraq. Even more recently, the closure of Qatar’s borders with its neighbors is also likely to trickle down negatively on Jordanian exports given that Qatar is one of Jordan’s principal export destinations. This however could be mitigated by the reopening of trade routes between Jordan and Iraq.



**FIGURE 7. Domestic exports to GCC are deteriorating...**

Sources: Department of Statistics and World Bank staff calculations.



**FIGURE 8. ...across a range of products**

Sources: Central Bank of Jordan and World Bank staff calculations.

\*Oman ranks 16th and Bahrain ranks 19th.

\*\*Data source: Department of Statistics, September 2017.

BOX 1. Jordan-GCC Economic Linkages.

ii. Tourism:

- **GCC tourists are a key source of hard currency for Jordan.** Tourism is considered one of the pillars of the Jordanian economy, with tourist receipts constituting more than 63.0 percent of Jordan’s exports of services in the past decade. GCC tourists have accounted for almost 12 percent of total tourist receipts in Jordan during the first ten months of 2017.
- **Whereas tourism resurged in the first ten months 2017 (10M-2017), as the security situation improved, tourist receipts from the GCC region did not pick up commensurately.** Tourist receipts from the GCC grew by only 5.8 percent yoy in 10M-2017, compared to an increase of 12.7 percent yoy in total tourist receipts. Meanwhile, tourist arrivals (same day and overnight tourists) from GCC countries increased by 8.3 percent yoy in 10M-2017, comparable to the growth in total tourist arrivals (8.9 percent yoy). This goes counter to historic trends characterized by comparatively larger spending per GCC tourist (Figure 9). Deteriorating economic conditions in the GCC region, a consequence of prolonged low oil prices, seem to have lowered spending power of the GCC tourist.

iii. Remittances:

- **Remittances have always been a key pillar of Jordan’s economy, accounting for an average of 11.4 percent of GDP annually over the past decade** (Figure 10). Remittances grew at an annual average of 8.5 percent between 2000 and 2008. However, they have slowed down since the 2009-2010 GCC financial crisis, recording an average annual growth rate of 0.7 percent since. Indeed, of almost 750,000 Jordanian expatriates, the majority are located in the Gulf with almost 40 percent in Saudi Arabia and 27 percent based in UAE.\*\*\*

iv. Financial Inflows:

- **A survey conducted by the Central Bank of Jordan in end-2009 tracks FDI origins into Jordan and remains the latest available data on the geographical breakdown of FDI.** The survey, which while is outdated is the source of the latest available data on a geographical disaggregation of FDI. It shows that 49.8 percent of total net FDI inflows were from the GCC region, with Saudi Arabia and Kuwait having the lion shares, each making up 18.2 and 15.6 percent of total net FDI to Jordan, respectively.

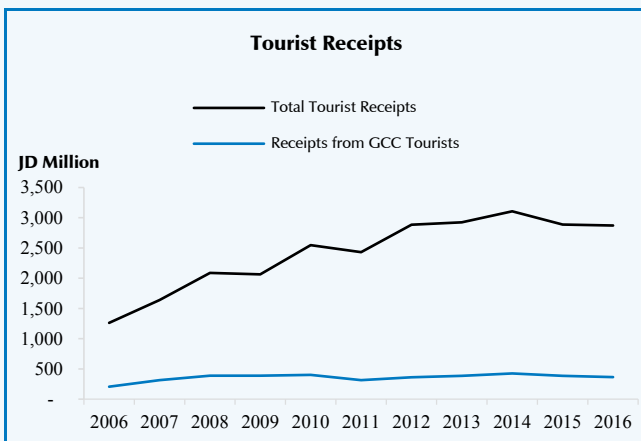


FIGURE 9. Tourist receipts from GCC are sluggish...

Sources: Ministry of Tourism and Antiquities and World Bank staff calculations.

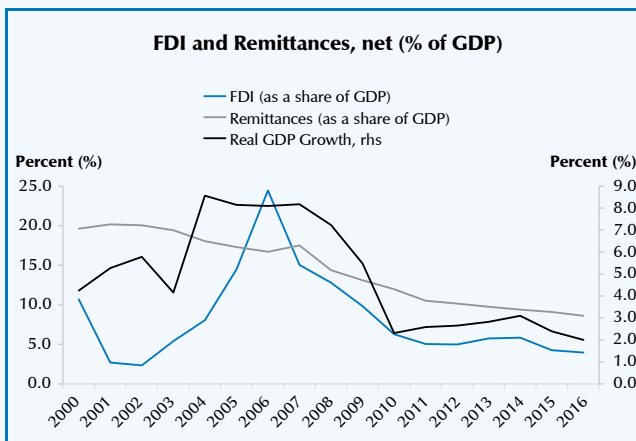
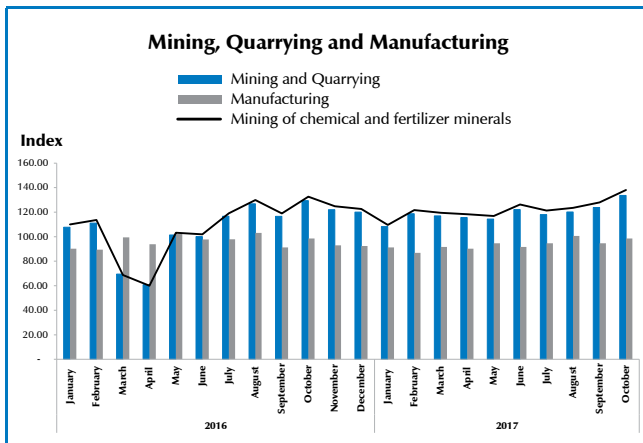


FIGURE 10. ...while FDI and remittances deteriorate

Sources: Central Bank of Jordan and World Bank staff calculations.

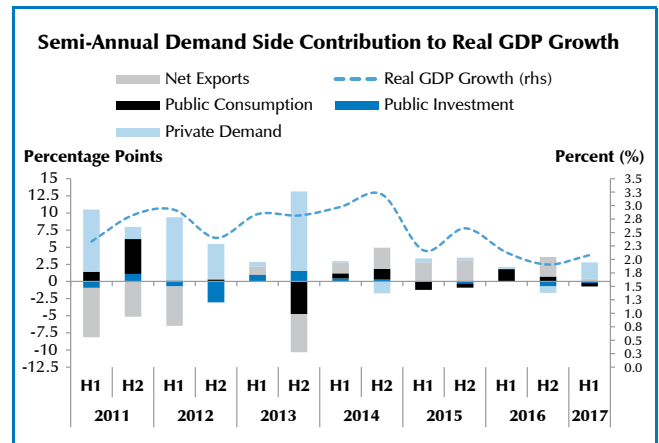
\*\*\*Source: The Economist Intelligence Unit, “Jordan economy: Quick View - Remittance earnings edge up”, 13 July 2017





**FIGURE 11. ... and a recovering mining and quarrying sector**

Sources: Central Bank of Jordan and World Bank staff calculations.



**FIGURE 12. Net exports and private demand drive growth from the demand side**

Sources: Department of Statistics, Ministry of Finance and World Bank staff calculations.

9. On the expenditure side, 2017 growth is led by net exports and private demand (private consumption and investment), as public demand (government consumption and investment) continues to be weighed down by fiscal consolidation efforts. The recovery in mining and quarrying reflects increased international demand for Jordan’s potash, as indicated by an improvement in the mining and quarrying component of the industrial production quantity index—which rose by 14.6 percent in 10M-2017 compared to a deterioration of 10.1 percent in 10M-2016<sup>4</sup> (Figure 11). This, in addition to the reopening of trade routes with Iraq and strong tourism, will place net exports of goods and services as a key driver for growth in 2017. In fact, in H1-2017, a 3.6 percent yoy pick-up in real exports of goods and services more than offset 1.4 percent higher imports, making net exports the second contributor to growth from the demand side. The largest contributor to growth in H1-2017 was private demand (Figure 12), mostly due to strong performance in Q2-2017. Meanwhile, public consumption and investment were drags on growth in H1-2017, each retrenching growth by 0.5 and 0.2 pp, respectively, largely reflecting government’s fiscal consolidation efforts complemented by the IMF-EFF agreement. This dynamic is likely to persist for the rest of the 2017.

<sup>4</sup> The overall industrial production quantity index contracted by 1.1 percent yoy in 10M-2017, compared to 2.1 percent yoy contraction recorded in 10M-2016.

## BOX 2. Jordan's Country Reclassification to Lower-Middle-Income.

In the latest update on the classification of world economies released in July 2017, the World Bank reclassified Jordan from an upper-middle-income country to a lower-middle-income country. The classification is based on the most updated income per capita data and inflation-adjusted revisions of thresholds that separate the four categories: high-income, upper-middle-income, lower-middle-income and low-income. The table below presents the four categories with the respective thresholds of income per capita adopted in the 2016 and 2017 classifications.

Threshold	July 2016 (old thresholds in \$US)	July 2017 (new thresholds in \$US)
Low-income	< US\$1,025	< US\$1,005
Lower-middle-income	US\$1,026 - US\$4,035	US\$1,006 - US\$3,955
Upper-middle-income	US\$4,036 - US\$12,475	US\$3,956 - US\$12,235
High-income	> US\$12,475	> US\$12,235

The new income classification is based on 2016 gross national income per capita (GNI/capita) figures that placed Jordan in the lower-middle-income category. The downward revision of GNI/capita was brought forward by three factors:

- 1. An upward revision of Jordan's population data published by the UN Population Division (UNPD)** estimated Jordan's de facto population based on estimates from the Jordanian government, the latest 2015 census and UNHCR's estimates of refugees.
- 2. A slowdown in real GDP growth.** Jordan's economy slowed down in 2016 for the second year in a row, recording 2.0 real GDP growth, down from 2.4 percent in 2015, and well below the 6.5 percent annual average recorded in the 2000-2009 period.
- 3. Low inflation.** Jordan witnessed price deflation in 2015 and in 2016, largely due to downward pressures on international food and oil prices.

Threshold	2015 GNI/capita (US\$) used for 2016 classification	2016 GNI/capita (US\$) used for 2017 classification
	4,680	3,920
Jordan	Upper-middle-income in July 2016 classification	Lower-middle-income in July 2017 classification

The reclassification to a lower income category will not by itself alter World Bank lending criteria to Jordan. Income per capita is only one of a number of factors influencing lending criteria, alongside credit worthiness and policy and institutional environment. Therefore, despite Jordan's reclassification to lower-middle-income, Jordan still qualifies for lending from the International Bank for Reconstruction and Development arm of the World Bank Group and not from the International Development Association.

\*\*\*Source: The Economist Intelligence Unit, "Jordan economy: Quick View - Remittance earnings edge up", 13 July 2017

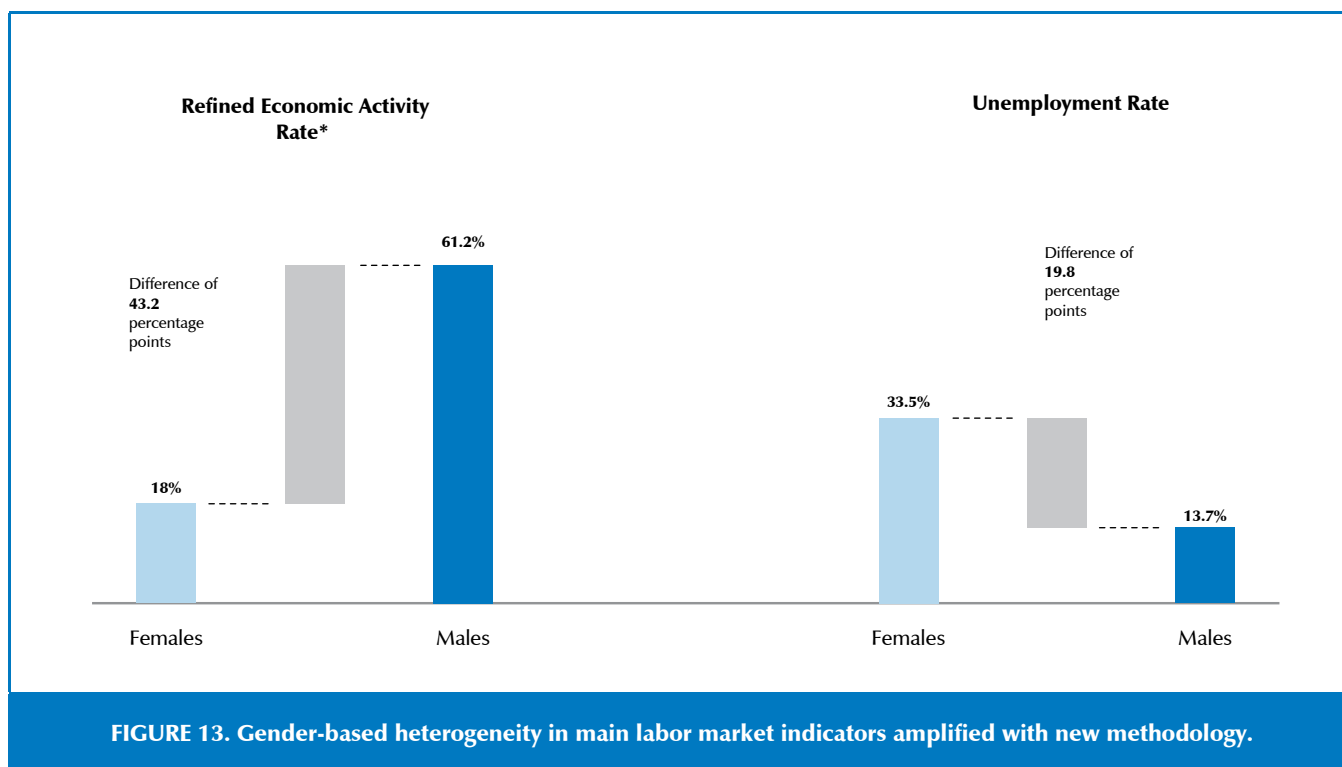


FIGURE 13. Gender-based heterogeneity in main labor market indicators amplified with new methodology.

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.

## Labor and Employment

**10. With the Jordanian economy seemingly stuck in a low-growth equilibrium, its labor market continues to be weak and structural unemployment remains high.** The Department of Statistics (DoS) has adopted a new methodology for the labor force survey since Q1-2017 based on recommendations from the International Labor Organization in order to enhance the accuracy of the survey. The new methodology narrowed down the range of those considered employed, included additional questions, and expanded the survey sample size from 13,000 to 16,000 households based on the new framework provided by the 2015 Population Census. The new methodology revealed an average unemployment rate of 18.1 percent in H1-2017, and labor force participation of 39.7 percent.

**11. Although not directly comparable to previously published labor market data, the results from the new methodology are consistent with previous statistics in that both reflect similar vulnerabilities for women and youth.** Consistent

with the previous methodology, youth remains the age group with the highest rate of unemployment,<sup>5</sup> while Jordanians holding university degrees also exhibit a high level of unemployment at 23 percent in H1-2017. Gender-based heterogeneity was always reflected in previously published data, with Jordan known to have lagged MENA and non-MENA averages of female labor force participation.<sup>6</sup> As such, unemployment for women averaged 33.5 percent, while that for males averaged 13.7 percent in H1-2017 (Figure 13).<sup>7</sup>

5 Unemployment for the 15-19 and 20-24 age categories registered 39.5 percent and 35.4 percent, respectively.

6 Jordan, Promoting poverty reduction and shared prosperity: systematic country diagnostic, 2016.

7 A gender-specific implication of the new methodology is that excluding unpaid workers from the “employed persons” category severely affects the count of women in the informal labor market, thus further exacerbating the gender bias in the results.



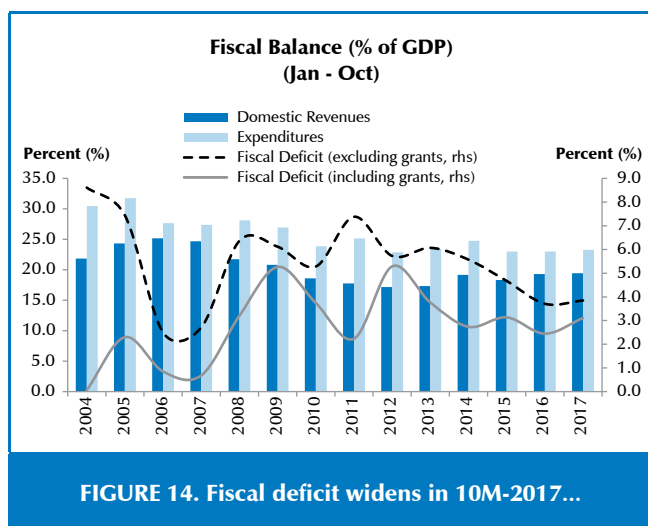


FIGURE 14. Fiscal deficit widens in 10M-2017...

Sources: Ministry of Finance and World Bank staff calculations.

## Fiscal Policy

**12. Lower grants and sluggish tax revenues are expected to induce a slight deterioration in Jordan's fiscal balances in 2017 despite government's fiscal consolidation efforts.** The projected overall fiscal deficit, excluding (including) grants, in 2017 is forecast at 6.4 (3.4) percent of GDP, compared to 6.2 (3.2) percent in 2016. This is despite the introduction of revenue-enhancing measures as part of the government's fiscal consolidation efforts supported by the IMF-EFF arrangement such as: raising the Good and Services Tax (GST) rate to 16 percent (from 8 percent), removing exemptions on selected goods and services, increasing custom duties on non-essential imported goods, among others.<sup>8</sup> On the revenues side, lower tax revenues resulting from weak growth are projected to be offset by higher non-tax revenues, leaving the domestic revenues-to-GDP ratio largely unvaried. As for expenditures, the ratios of wages and salaries-and interest payments-to-GDP are expected to lead a 0.2 pp rise in total expenditures, which is projected to reach 29.2 percent of GDP in 2017. In reflection of a worsening overall fiscal position, the primary balance, excluding (including) grants, is expected to be -3.3 (-0.4) percent of GDP, compared to -3.2 (-0.2) percent in 2016.

<sup>8</sup> On February 8, 2017, the government endorsed multiple revenue-boosting measures within the framework of the IMF-EFF. For more information on these measures, please refer to World Bank, Jordan Economic Monitor, Spring 2017, paragraphs 12 and 14.

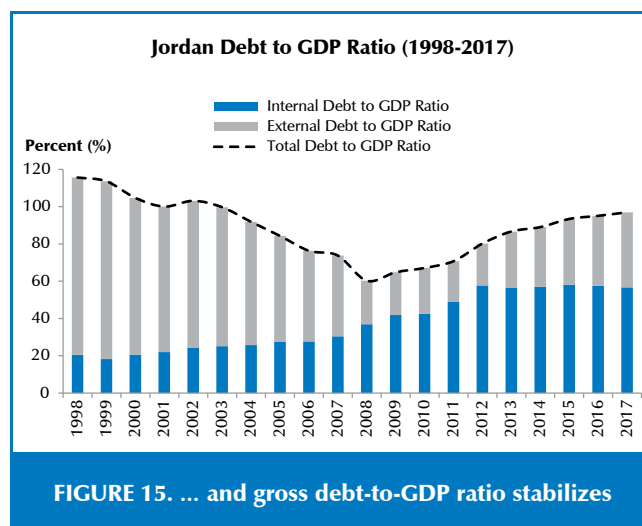


FIGURE 15. ... and gross debt-to-GDP ratio stabilizes

Sources: Ministry of Finance and World Bank staff calculations.

**13. Indeed, actual data over 10M-2017 illustrate relatively weak performance in the fiscal aggregates compared to the same period in 2016.**

The 10M-2017 overall fiscal deficit (including grants) widened by 0.66 pp of GDP yoy, while the primary surplus (including grants) declined by 0.64 pp yoy turning into a deficit of 0.56 percent of GDP (Figure 14). On the revenue side, a 0.13 pp increase in domestic revenues in 10M-2017, stemming from an increase in nontax revenues that overrode lower tax revenues, was more than offset by higher expenditures. Total expenditures rose by 0.27 pp in 10M-2017, driven by both current and capital expenditures.

**14. Growth rate of debt stabilizes.** Compared to end-2016 levels, the debt stock increased by an estimated US\$ 1.54 billion to reach US\$38.4 billion by end-October 2017, equivalent to 95.8 percent of forecasted 2017 GDP, compared to 95.1 percent of GDP by end-2016, with 57.8 percent of the debt denominated in local currency (Figure 15). Higher borrowing needs by the government-owned Water Authority of Jordan (WAJ), whose debt is government-guaranteed, was a factor. WAJ's growing financing needs stem from the impact of higher electricity tariffs and increased demand for water from Syria refugees. The National Electric Power Company (NEPCO) had posed debt pressures over the period 2013-2015 when it switched to oil-fueled power generation from cheaper gas whose supply from Egypt was abruptly cut off. In 2015, with LNG terminals in Aqaba coming on line, NEPCO achieved cost recovery which is expected to be maintained

by the tariff adjustment mechanism introduced in January 2017. Debt held by WAJ and NECPO combined (including advances from the treasury and on-lending loans) constituted about 25.7 percent of Jordan's gross debt by end-2016.

**15. Debt sustainability is only assured with relatively optimistic assumptions including continued donor support.** Although the first review of the IMF program was completed in June 2017, there is a US\$1.25 billion financing gap for the second half of 2018, which is presumed to be covered by the issuance of a non-guaranteed Eurobond<sup>9</sup>. The downward trajectory for public debt is predicated on successful debt rollover at manageable terms and continued implementation of fiscal consolidation. External sustainability relies on similar assumptions and an increase in FDI drawn by successful structural reforms. The persistent current account deficit adds to financing requirements from external debt rollover, especially in 2019-20 when two US guaranteed issuances become due. The government has been borrowing less internally and more externally helping to reduce the crowding out of the private sector. Indeed, commercial bank lending to the private sector grew by 10.2 percent yoy by October 2017, while that to the public sector grew by only 1.6 percent yoy by October 2017 (refer to paragraph 19). The balancing act in the debt mix is therefore contingent on continued market access at favorable terms.

## External Position

**16. Increased exports of services are expected to more than offset a wider merchandize trade deficit, in turn helping to mitigate the overall trade in goods and services deficit.** A disappointing performance for the trade-in-goods balance in 9M-2017 resulted in the deficit widening by 11.2 percent yoy, compared to 9M-2016, led by a 5.6 percent increase in total imports coupled with a 2.8 percent decrease in total exports (Figure 16). The rise in merchandize imports was largely due to a rebound

in energy imports that increased by 19.7 percent yoy during 9M-2017, mirroring higher oil prices. Non-oil imports, on the other hand, increased by 3.4 percent yoy, despite a 5 percent increase in custom duties on non-essential imported goods.<sup>10</sup> Domestic exports in 9M-2017 continued to be challenged by land route closures with Iraq and Syria. Domestic exports to GCC (see also Box 1) dropped by 10.1 during 9M-2017 compared to the same period in 2016 while exports to Syria and Iraq slightly increased by 3.1 and 1.7 percent, respectively, although largely reflecting low-base effects (Figure 17). However, Jordan's export performance is expected to improve in the latter part of 2017 with the reopening of trade routes between Jordan and Iraq that was announced on August 30, 2017,<sup>11</sup> and the lifting of UAE and Kuwait's bans on Jordanian produce.<sup>12</sup> Moreover, exports of potash have already recovered by 18.1 percent yoy in 9M-2017 compared to a 33.9 percent contraction in 9M-2016. Furthermore, a robust tourism sector is projected to generate larger travel receipts further supporting the services balance and more than offsetting the widening in the merchandize trade balance, thus driving an improvement in the overall trade in goods and services balance.

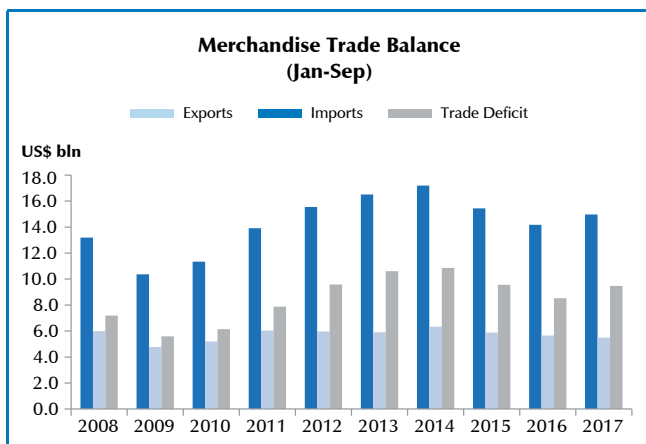
**17. The overall current account deficit is expected to narrow, in reflection of the improving services balance in 2017.** Latest balance of payments (BoP) figures show that the current account deficit narrowed to 6 percent of forecasted GDP in the first half of 2017 (H1-2017), in contrast to 6.2 percent of GDP in H1-2016. This improvement is led by a 0.7 pp improvement in the services balance coupled with a 0.2 pp increase in the income account, which jointly more than offset the 0.3 pp wider trade-in-goods deficit and the 0.5 pp decline in current transfers (Figure 18). While net remittances increased

<sup>10</sup> On February 8, 2017, the government endorsed multiple revenue-boosting measures, including the 5 percent increase in custom duties on non-essential imported goods.

<sup>11</sup> There has already been a gradual pick-up in exports to Iraq since June 2017. Prior to this, Jordan's exports to Iraq had declined by 41.7 percent in 2015 and 34 percent in 2016, largely due to the border closure.

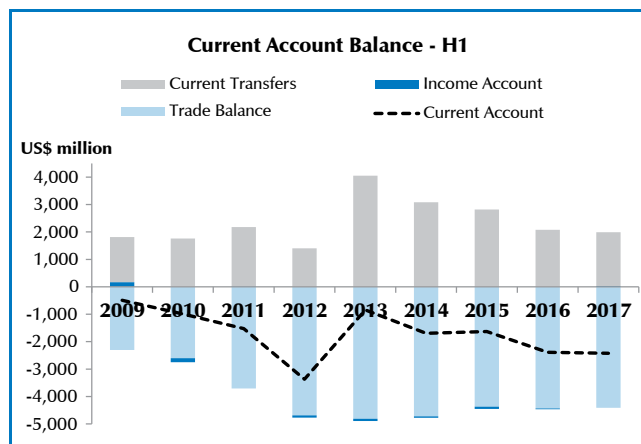
<sup>12</sup> UAE and Kuwait briefly banned imports of some Jordanian agricultural produce claiming quality concerns. Kuwait subsequently lifted its ban on September 12, 2017 — after three months — while UAE lifted its ban on 27 July 2017 — after two months.

<sup>9</sup> IMF Article 4 July 2017



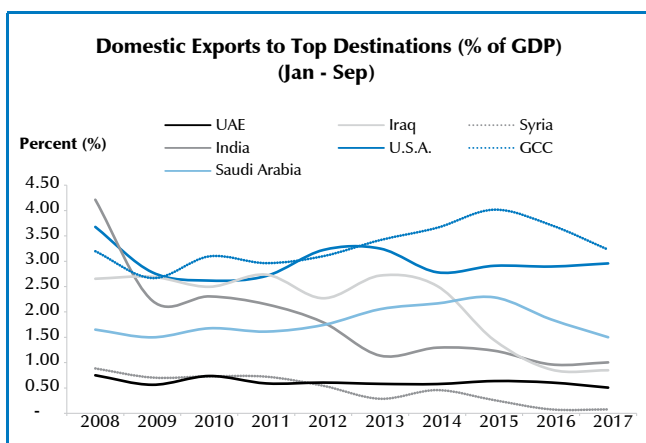
**FIGURE 16. A disappointing performance for trade to be followed by an expected recovery...**

Sources: Central Bank of Jordan and World Bank staff calculations.



**FIGURE 18. Current account deficit narrows...**

Sources: Central Bank of Jordan and World Bank staff calculations.



**FIGURE 17. ... as exports to major trade partners projected to pick up**

Sources: Central Bank of Jordan and World Bank staff calculations.

by 0.8 percent yoy during 9M-2017, in contrast to a 4 percent yoy contraction in 9M-2016, we expect them to reach 8.5 percent of forecasted GDP in 2017, largely unchanged from 2016 (8.6 percent of GDP).

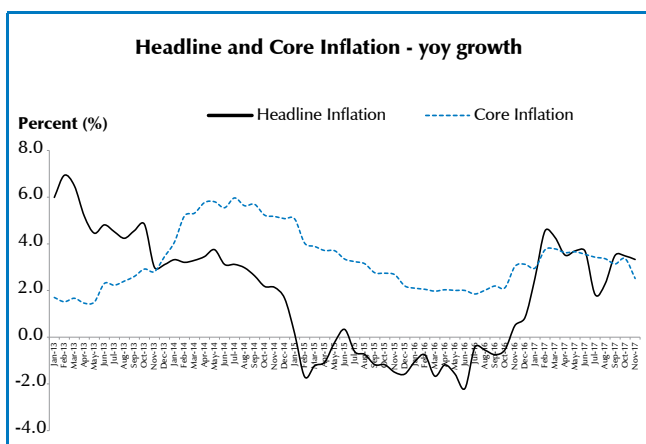
## Monetary Policy and Finance

**18. After two years of deflation, consumer price levels nudged upwards in 2017.** Consumer prices have registered positive growth rates in 2017 and are projected to average 3.1 percent for the year (Figure 19). Inflationary pressures are largely due to low-base effects driven by (i) a global recovery in international oil

and food prices; (ii) the introduction of tax-enhancing measures<sup>13</sup>; and (iii) the recent depreciation in the US dollar. As such, the 12-month headline inflation rate reached 3.3 percent in the first eleven months of 2017 (11M-2017), in comparison to -0.9 percent recorded over the same period in 2016 with inflationary trends cutting across most categories. The recovery in inflation over 11M-2017 has been mainly driven by: ‘transportation’ and ‘fuel and lighting’, that grew by 13.0 and 2.7 percent yoy, respectively, largely reflecting the pick-up in international oil prices; ‘tobacco and cigarettes’ (+8.0 percent); and ‘rents’ (+2.5 percent). Moreover, core inflation (excluding food, transportation and fuel) recorded a 3.4 percent yoy average over the same period, compared to 2.1 percent during 11M-2016. Core was mainly driven by ‘rents’, ‘tobacco and cigarettes’, ‘health’, ‘culture and recreation’, ‘education’ and ‘personal care’. Due to the provisional nature of the drivers behind inflationary pressures, inflation is expected to ease over the medium term as low-base effects start receding and commodity prices stabilize. Moreover, the two years of price deflation drove Jordan’s real exchange rate vis-à-vis major trading partners to a low in Spring 2016, after which it appreciated through end-2016, when it more or less held steady until June 2017 (Figure 20).<sup>14</sup>

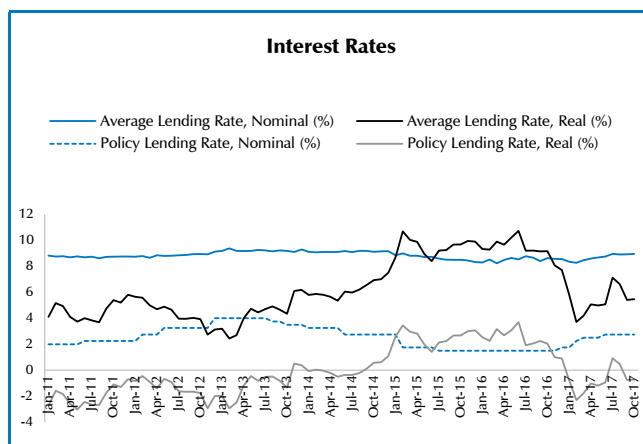
13 Government introduced taxes, fees and customs duties in 2016 and 2017 (for more details please refer to paragraphs 12 and 14 in the Jordan Economic Monitor, Spring 2017 Issue). The government also started removing general sales tax exemptions in 2017 in line with the IMF-EFF program.

14 Jordan, Promoting poverty reduction and shared prosperity: systematic country diagnostic, 2016.



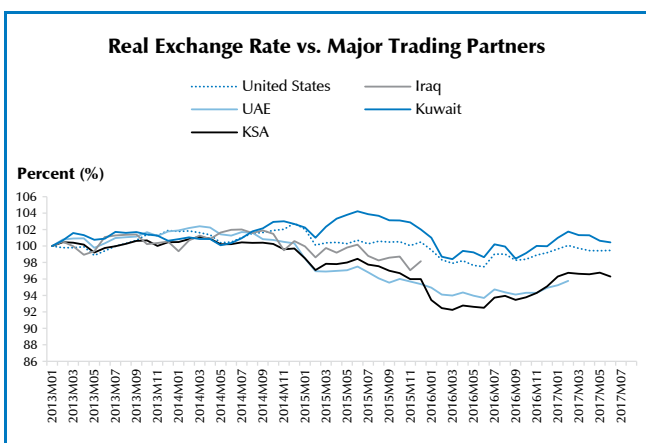
**FIGURE 19. Inflation hovers in positive territory after a two-year deflation**

Sources: Department of Statistics and World Bank staff calculations.



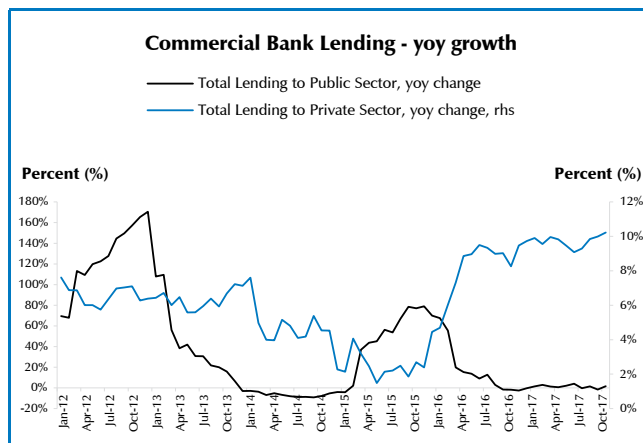
**FIGURE 21. Real interest rates picking up since January 2017...**

Sources: Central Bank of Jordan and World Bank staff calculations.



**FIGURE 20. Exchange market pressure driven by foreign inflows**

Sources: Central Bank of Jordan, International Financial Statistics and World Bank staff calculations.



**FIGURE 22. ...yet commercial bank lending to private sectors grows**

Sources: Central Bank of Jordan and World Bank staff calculations.

**19. The Central Bank of Jordan (CBJ) has adopted a contractionary monetary policy in line with Federal Reserve Board (FED) hikes to maintain an attractive risk premium and support the exchange rate peg.** CBJ raised its interest rates four times since December 2016 (Figure 21), once by 50 bps and the other three by 25 each, thus adding 50 bps to the interest rate gap vis-à-vis US rates compared to the period prior to the FED interest rate hikes. The impact of these interest rate hikes on private sector borrowing has nonetheless been mitigated by a crowding in effect of the government resorting more to external financing to cover its fiscal needs via issuances of Eurobonds and concessional borrowing from multilateral and bilateral organizations. As a result, commercial bank

lending to the private sector<sup>15</sup> grew by 10.2 percent yoy by October 2017 (Figure 22), slightly higher than the 9.7 percent yoy growth reported by end-2016.

**20. Foreign reserves during the first ten months of 2017 (10M-2017) decrease compared to their level in 2016, despite the successive interest rate hikes.** The deposit dollarization rate<sup>16</sup> reached 19.2 percent in October 2017, 30bps higher than end-2016 levels (Figure 23). This has reflected on the stock of foreign exchange reserves at CBJ, which declined by 9.0 percent since end-2016 to reach US\$ 11.7 billion by October 2017 (6.6 months of imports of goods and services, excluding re-exports)

15 Private sector includes resident and non-resident private sector, in addition to financial institutions.

16 The dollarization rate is the share of deposits in USD to total deposits.

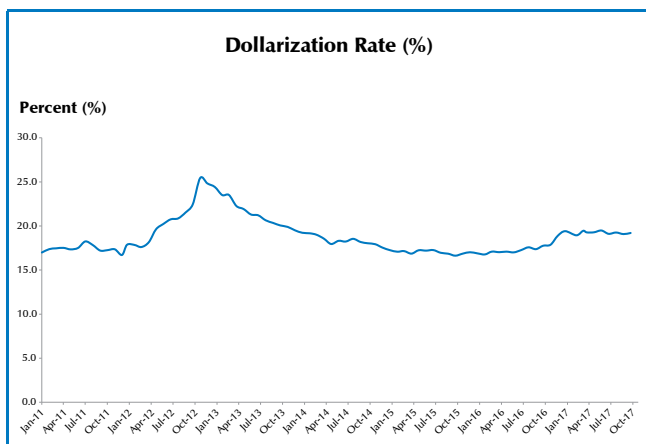


FIGURE 23. Dollarization rate levels

Sources: Central Bank of Jordan and World Bank staff calculations.

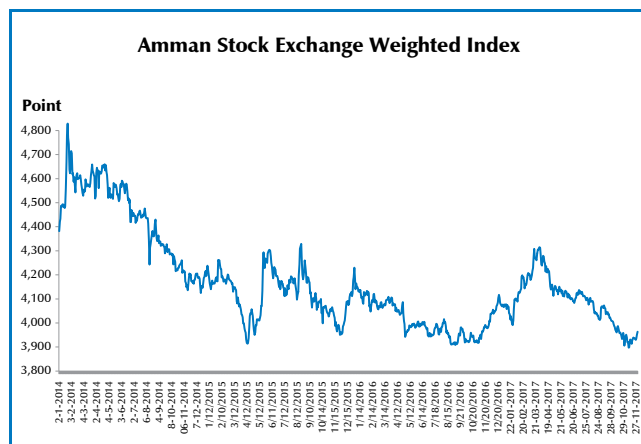


FIGURE 25. Stock exchange recovers then declines since end-2016

Source: Central Bank of Jordan and World Bank

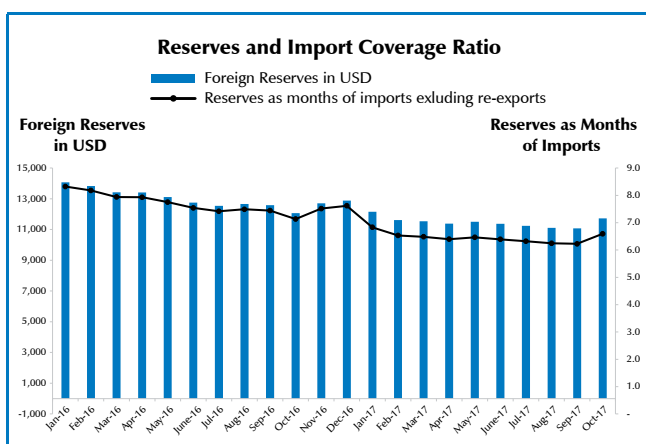


FIGURE 24. A decline in foreign reserves at the Central Bank induced by a confluence of factors

Sources: Amman Stock Exchange and World Bank staff calculations.

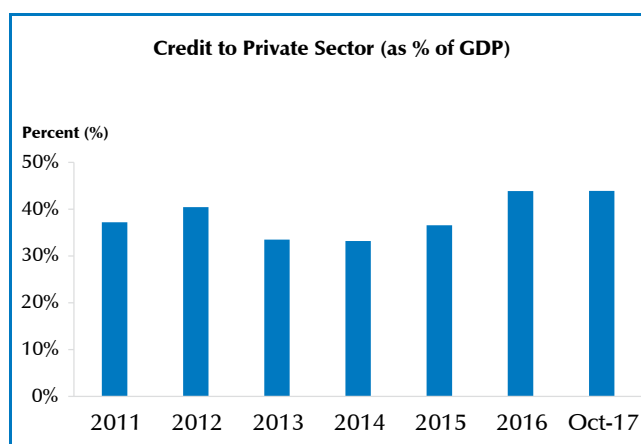


FIGURE 26. Credit to the private sector largely unvaried in 2017

Sources: Central Bank of Jordan and World Bank staff calculations.

(Figure 24). A CBJ-mandated reclassification of bank deposits and one-off transactions,<sup>17</sup> go some way to help explain these foreign exchange movements. However, exchange market pressures stemming from weakened confidence in the local currency has persisted despite higher interest rates, Eurobond issuances (US\$ 1 billion in October 2017 and US\$ 500 million in May 2017) and receipt of concessional financing.

**21. The Amman Stock Exchange Index (ASEI) underwent a sharp recovery from Q4-2016 until Q1-2017, then declined thereafter.** Overall, by end-November 2017 the ASEI deteriorated by 2.6 percent since end-2016 (Figure 25). All ASEI sectors

of insurance, banking, industry and services dropped by 9.4, 3.0, 2.4 and 1.4 percent, respectively. Moreover, the total value traded at Amman Stock Exchange increased by 49.5 percent yoy during 10M-2017 compared to the same period in 2016, bolstered by the trading performance of the financial sector. Indeed, total value traded in the financial sector increased by 73.8 percent yoy during 10M-2017, which outweighed 22.7 and 13 percent drops in the value traded in the industrial and services sectors, respectively.

**22. Jordanian banks remain stable, profitable, liquid and adequately capitalized.** After improving for five consecutive years despite low economic growth since 2010, banks' nonperforming loans (NPL) ratio declined slightly to 4.4 percent by H1-2017 compared to 4.3 percent by end-2016 (Table 1).

<sup>17</sup> In 2017, substantial foreign investors' shares in Arab Bank and Dubai Islamic Bank were sold to mostly local investors, causing an outflow of hard currency.



However, banks' return on equity (ROE) and return on assets (ROA) both improved to respective 9.4 and 1.2 percent by H1-2017, compared to 8.8 and 1.1 percent in the preceding year. Meanwhile, the capital adequacy ratio and leverage ratio retracted to 17.6 and 12.9 percent by H1-2017, down from 19 and 13 percent by end-2016, respectively. Banks' exposure to sovereign debt continued a trend decline, accounting for 34.2 percent of total assets by end-October 2017, lower than end-2016, end-2015 and end-2014 levels that stood at 36.2, 40.6 and 40.8 percent, respectively. Finally, Jordan's net foreign asset position of its commercial banks stood at minus US\$2 billion by end-October 2017, declining from minus US\$1.4 billion by end-2016 levels yet depicting a sound improvement compared to minus US\$2.8 billion by end-2015. More generally, credit to the private sector stood at 43.9 percent of forecasted GDP by October 2017, unchanged since end-2016 levels, thus maintaining the improvement since reaching a trough in 2014. In general, credit to the private sector has dropped to a lower plateau since 2010, as it recorded an average share of GDP of 37.4 percent between 2010-2016, compared to a 52.4 percent average share in the pre-slow growth period of 2000-2009 (Figure 26).

**Table 1. Financial Soundness Indicators.**

(in percent unless otherwise stated)	2010	2011	2012	2013	2014	2015	2016	H1-2017
Nonperforming Loans/Total Loans	6.7	8.2	8.5	7.7	7.0	5.6	4.9	4.4
Provisions (in percent of classified loans)	52.0	52.4	52.3	69.4	77.0	77.6	74.7	79.3
Risk-weighted Capital Adequacy Ratio	19.6	20.3	19.3	19.0	18.4	18.4	19.1	17.6
Leverage Ratio	13.0	13.1	13.1	13.3	12.9	12.5	12.7	13.0
ROE	8.8	8.8	8.3	8.6	9.9	11.0	10.3	9.4
ROA	1.1	1.1	1.1	1.1	1.2	1.4	1.3	1.2
Net Profits Before Taxes (in JD million)	460.0	523.0	517.0	588.0	719.0	822.0	862.0	750.3
Liquidity Ratio	159.1	161.4	152.9	143.5	149.1	152.2	149.0	138.1
Growth Rate of Total Assets	7.4	9.6	7.9	4.3	9.1	4.9	5.1	2.8
Growth Rate of Customer Deposits	12.1	10.9	8.3	2.4	10.5	9.3	7.7	0.9
Growth Rate of Credit Facilities	2.1	8.6	9.8	12.5	6.3	5.2	9.6	8.7

Source: Central Bank of Jordan

## PROSPECTS

**23. Jordan's economy is expected to remain significantly affected by regional events in Iraq and Syria as well as the slowdown in GCC's economic performance.** Based on the assumptions that (i) these determinants will largely remain unchanged over the medium term, and that (ii) the pace of economic reforms persists sluggishly, we expect only a marginal pick-up in the economy. Moreover, anticipated contractionary fiscal and monetary policies will further weigh down on growth prospects. Sectorally, services and industry are expected to continue nudging the economy forward. In particular, it is anticipated that services would be driven by tourism. On the demand side, private consumption and private investment (real estate) are expected to regain momentum in the medium term after periods of stagnation. In addition, the recent (end-August) reopening of the trade route between Jordan and Iraq is expected to have a positive impact on the economy, and especially the external account in the medium term. Overall, real GDP growth in 2018 and 2019 are forecasted to vary minimally to 2.2 and 2.4 percent, respectively.

**24. Jordan's current account deficit is expected to also vary little over the medium term as improving exports are almost offset by growing imports.** The current account deficit will narrow marginally in 2018 and 2019 to 8.7 percent and 8.6 percent of GDP, respectively. These are expected to be driven by a strong performance in merchandise exports and services, with the latter being driven by tourism. Simultaneously, imports are projected to grow mainly due to higher energy imports, echoing higher oil prices and increased private demand. Meanwhile, current transfers and capital inflows are anticipated to remain sluggish given subdued growth forecasted in the GCC economies.

**25. Fiscal consolidation will continue to focus on revenue-enhancing and expenditure-**

**limiting measures as the government seeks to put the public finances on a stronger footing.**

One contentious reform to broaden the tax base aims to adjust the income tax law by lowering the minimum threshold at which income becomes taxable. This can heighten social tensions amid a sensitive political and geopolitical environment. Nonetheless, for our baseline scenario, we make the assumption that Jordanian authorities will be able to successfully pursue fiscal consolidation. Based on that, the overall fiscal deficit, excluding grants, is projected to almost halve over the medium term, while the primary balance would finally be brought to a surplus. The improvement in the fiscal account will also reflect on the Jordan's gross debt over the medium term, as it is forecast to stabilize. Monetary policy tightening is also anticipated to preserve the attractiveness of the Jordanian Dinar in light of Fed rate hikes and in support of the JD-US exchange rate peg.

**26. With a challenging regional outlook, sluggish economic reforms, and contractionary fiscal and monetary policies in place, it is difficult to foresee a strong recovery in growth.**

Structurally, 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. Moreover, it is not clear that present consolidation efforts will be effective. In fact, the IMF-EFF program is the latest in a series of multilateral lending operations for Jordan, including, a World Bank programmatic DPL in 2012, 2013 (US\$ 500 million), a three-year, US\$ 2 billion IMF SBA program in 2013, and an energy and water sector DPL (US\$ 250 million) in 2015. As such, the economy will likely remain dependent on its international allies for financing, short of which financial and economic stability would be compromised. In order to ensure financial and economic stability, Jordan needs to embark on

a sustainable equitable growth and job creation path which necessitates an “expanding the pie” given the country’s limited resources.

**27. Macroeconomic resiliency can be enhanced and growth potential elevated via diversification and expansion of Jordan’s export sector.** The reopening of trade routes with Iraq bodes well in improving consumption and investment sentiments. However, given that the Jordanian economy is outward looking and geared to supporting markets in GCC, Syria and Iraq, the regional downturn will continue to negatively affect the economy. If, on the other hand, Jordan pursues policies that help boost exports and move them up the value chain, then this would mitigate the large trade deficit, which is a principal source for the balance of payments stresses. This can also generate much needed high-skilled jobs for a relatively young and educated demography that faces high unemployment and lack of job opportunities that exacerbate social tensions. To gauge Jordan’s exporting aptitude, the proceeding Special Focus undertakes an assessment that quantifies the potential for enhancing exports, in quantity and quality, in the industrial, apparel and agricultural sectors.



## SPECIAL FOCUS

### ANALYSIS OF EXPORT DIVERSIFICATION STRATEGIES<sup>18</sup>

*In attempt to enhance its exports, in quantity and quality, Jordan has exerted efforts aimed at developing the apparel sector, and more recently—after the EU relaxation of rules of origin—attention has focused on diversification in the industrial sector. Nonetheless, agricultural products and minerals continue to be at the forefront of Jordan’s export value added. With limited resources, the government is asking what sector(s) it should invest in and focus its policies on. This assessment allows policy makers to evaluate the potential for enhanced exports in each of the following sectors: industrial, apparel, and agricultural based on quantitative analysis of international trade data and qualitative data from buyers’ interviews. The assessment estimates that agricultural sector could generate four times more value added than the studied examples for apparel or industrial exports. However, this would require upgrading the agricultural sector in Jordan, including creating new business models, as well as developing traceability systems, services and logistics.*

## Context

**28. As a lower-middle-income economy with a population of 9.5 million, Jordan has faced severe challenges with the massive influx of Syrians who have taken refuge in the country over the past**

18 This Special Focus was authored by Emiliano Duch (Lead Private Sector Specialist), Meriem Ait Ali Slimane (Private Sector Specialist) and Anoud Allouzi (Private Sector Development Consultant).

**six years.** Syrians now make up 14.4 percent of population and 20 percent<sup>19</sup> of Jordanians:<sup>20</sup>

**29. On February 4th, 2016 at the Supporting Syria and the Region Conference in London<sup>21</sup>, Jordan pledged to provide employment to nearly 200,000 Syrians in different sectors of the economy that are only open for non-Jordanians.** With youth unemployment standing at about 35 percent<sup>22</sup>, Jordan is facing its most pressing challenge: the need to provide jobs in a labor market that is already struggling to accommodate the numbers of economically active individuals entering the labor force every year. This entails expanding and growing the economic pie by developing new market opportunities, and improving Jordan’s competitiveness and attractiveness to investors.

**30. To encourage investments and create jobs in Jordan, the European Union (EU) signed a preferential trade access agreement with Jordan in July 2016.** The agreement relaxes the rules of origins requirements, allowing products with 30 percent<sup>23</sup> Jordanian content to enter the EU market under a free-trade status. While such agreements will certainly help increase exports from Jordan, the lack of information on markets and market demand places a new challenge in the hands of the Jordanian government: sectoral prioritization to take advantage of these opportunities.

19 [http://dos.gov.jo/dos\\_home\\_e/main/Demography/PopulationEstimates2016.pdf](http://dos.gov.jo/dos_home_e/main/Demography/PopulationEstimates2016.pdf)

20 Source: Government of Jordan.

21 <https://www.supportingsyria2016.com/>

22 The World Bank Data Indicators, Unemployment, youth total (% of total labor force ages 15-24) (modeled ILO estimate), 2016.

23 [http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=C\\_ELEX:22016D1436&from=EN](http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=C_ELEX:22016D1436&from=EN)

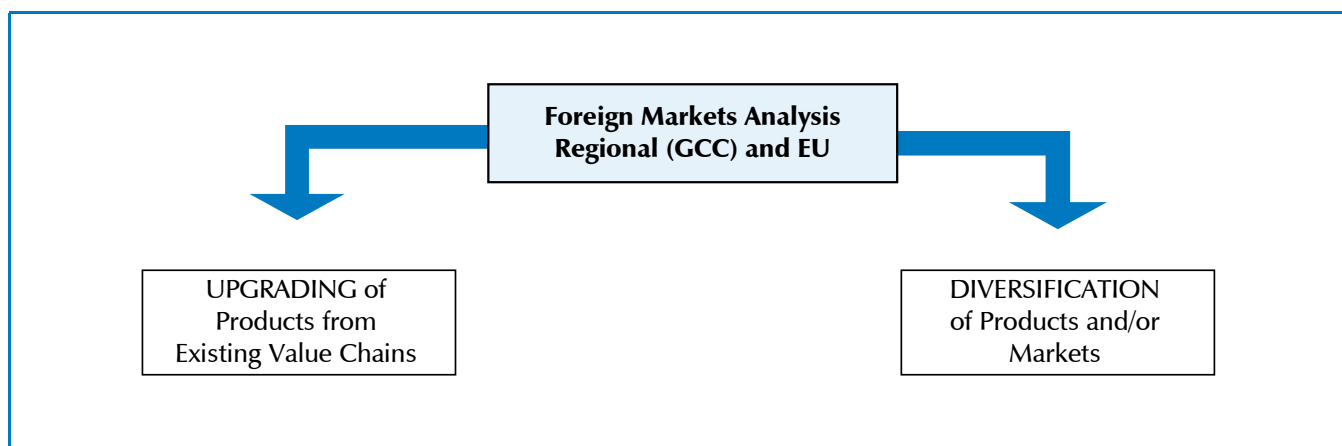


FIGURE 27. ...Approach to Comparative Analysis for Jordan’s Exports and Markets

## Diversification and Upgrading Rapid Assessment

31. World Bank staff conducted a **Diversification and Upgrading Rapid Assessment (DURA)** to provide Jordanian policy makers with a mean to compare the export potential of the different sectors under consideration. The assessment estimates the domestic value added (DVA) that potential exports would contribute to the Jordanian economy. The results are not intended to provide an absolute number of potential exports, but to allow the comparison across different options, using similar scenarios. The assessment relied on international trade data analysis, as well as field investigation that consisted of interviews and observations to validate the results.

## Methodology

32. To gauge Jordan export potential over the next 5 years, DURA was comprised of (i) an export market demand assessment for existing or new products; and (ii) a comparison with peer exporters to formulate assumptions. Sectorally, industrial products and apparel have been assessed for their export potential to EU markets, while

agricultural products have been assessed for the GCC market in first stage and to EU after, as a comparator to industrial products.

33. The objective is to provide decision makers with a gauge of each sector’s potential exports in terms of domestic value added. While there is no “one size fits all” approach for such analysis, this upgrading and diversification assessment used the methodology illustrated in Figure 27 below, addressing first the potential growth in quality and therefore higher unit prices in existing products, and the diversification into other markets and products.

## Industrial Sectors and Apparel

34. The assessment collects data and analyzes the potential for 24 industrial products, existing as well as new, and their potential to penetrate the EU market. The products were identified as “potential wins” by several governmental entities and international organizations. The sectors include plastics and articles thereof, machinery and mechanical appliances, electrical and electronic equipment, chemicals, etc. The assessment is driven mostly by looking at market demand to forecast the potential export supply that Jordan can achieve by following the below-mentioned steps:

- **Analyzing the market for EU global imports – What is the size of the opportunity?** The assessment first analyzes EU global imports of certain products to evaluate their overall market opportunity, and then takes this further by netting out intra EU trade, focusing on EU imports originating from outside of the EU. This step is done to give Jordanian policy makers a macro picture of potential trade links with the markets in Europe.
- **Evaluating the current EU market penetration by “peer countries” – Turkey and Israel – How existing players benefit from that opportunity?** The assessment looks at exports of Turkey and Israel to the European Union to have a better estimate of Jordan’s possible market penetration of the EU. The authors are fully aware of the differences between the two countries and Jordan, which include but are not limited to the following: productivity rates, level of product sophistication, agreements between them and the EU, and experience in the market. Nonetheless, figures from “peer countries” were used to give policy makers a more realistic assumption of the future of Jordan’s products in the EU market assuming it could reach a stage where it can compete in quality and price.
- **Calculating EU’s current imports from Jordan – How much is Jordan already benefiting?** This step considers two trade channels for Jordan: First, Jordan’s global exports of the 24 items studied in this assessment, and second, Jordan’s EU exports of these products. Analyzing this helps policy maker understand Jordan’s current capacity and potential.
- **Measuring domestic value added of exports – What does Jordan need to import in order to produce those exports?** To understand the value added to the Jordanian economy of certain exports, the assessment looks at the domestic value added versus the foreign value added (i.e. the foreign imported content of the export). Due to data limitations for Jordan, the authors used the total value added share in gross exports

backward (percent)<sup>24</sup> to Egypt, as a proxy for Jordan’s domestic value added per sector.

- **Calculating the potential export that Jordan could achieve per year in the next five years – What could Jordan achieve in 5 years?** The calculations for Jordan’s potential exports are based on the assumption that the Jordanian companies have achieved competitiveness parity with peers, such as Israel or Turkey, that have been already present in the European market for many years<sup>25</sup>

## Agricultural Sector

**35. The analysis for Jordan’s potential increase of agricultural exports takes into account water shortage in Jordan.** For this reason, the analysis focused on how the country could increase the agricultural sector share of the GDP with zero increase in water consumption. Currently, the agricultural sector makes up about 3.4 percent of Jordan’s GDP. The analysis focuses on the potential Jordan has for increasing its exports of fresh produce, such as fruits and vegetables, by: a) enhancing quality, and b) increasing volume. The calculations were done for nine products as follows:

- **Step 1: Capture the existing quality demand in the Gulf countries.** The first step examines the GCC market (Saudi Arabia, UAE, Oman, Kuwait, Qatar and Bahrain), by assessing its demand for fresh fruits and vegetables at the average import price for each GCC country. By understanding GCC quantity and quality demand of fresh produce from countries other than Jordan, we were able to quantify the opportunity lost for Jordan by not meeting the quality demand that other countries are supplying to the GCC countries. The value of Jordanian fresh exports

<sup>24</sup> This indicator helps determine the imported intermediate inputs used for exports. The World Bank World Integrated Solution has this indicator calculated for Egypt, but not for Jordan. Nonetheless, Jordan is expected to have a similar number to that of Egypt, if not lower.

<sup>25</sup> This is an upper limit scenario; a more moderate scenario consideration is advised. Nonetheless, the authors used estimated numbers to reveal the potential that Jordan has in the industrial and apparel sectors, even in optimistic scenarios.

Table 2. Empirical Results of the Rapid Assessment.

	Potential Increased export Value/Year	Necessary Increased Import of inputs	Potential Net Export Value	Diversification Potential by sector	
New Manufactures to EU	US\$ 469.0m	US\$ 237.6m	59	US\$ 231.4m	17 percent
Increased Apparel to EU	US\$ 1,420.0m	US\$ 1,193.0m		US\$ 227.0m	17 percent
Upgraded Agriculture to GCC and EU	US\$ 1,009.0m	US\$ 116.6m		US\$ 892.4m	66 percent
<b>Total</b>	<b>3.75</b>	<b>48</b>		<b>US\$ 1,350.8m</b>	<b>0.8</b>

Source: Authors' calculations based on 2010/11 HIES.

is diminished due to the lack of proper handling, packaging, refrigeration and slow and damaging border inspections. This is compared to the use of air transport by Jordan's competitors. With improved quality and competitive pricing, due to lower cost of logistics, Jordan could capture an increased share of value of GCC's agricultural imports (replacing higher value products with the same volumes).

- Step 2: Transform all of Jordan's fresh horticulture exports to quality level.** This step calculates Jordan's export potential for nine fresh fruits and vegetables once it becomes a quality supplier for these exports. This assumes that quality demand is increasing in the Gulf countries. While the Gulf market may not be willing to pay a higher quality price, nonetheless, by achieving a successful penetration of the Gulf market and competing with produce from European countries, the reputation of Jordanian products will enable them to penetrate other markets such as the EU and Eastern European countries, including Russia.
- Step 3: Increase production and target other markets in Europe and Russia.** Investing in desalination plants<sup>26</sup> and applying water desalination technology for agriculture, especially for high value crops, could help increase Jordan's production by 30 percent. Investing in other techniques such as hydroponics will also lead to an increase in production. This

yield in production, accompanied by all the improvements of post-harvesting, cold chain logistics and marketing of Step 1, could be absorbed by the constant increase in demand for fresh fruits and vegetables in the Gulf and Europe.

## Results

**36. The results show that potential horticulture exports could generate 4 times more DVA than industrial or apparel exports would.** Table 2 below summarizes the main empirical results found by this rapid assessment. The figures clearly reveal that potential fresh agricultural exports could create four times more net export value than potential apparel and industrial exports to Europe.

<sup>26</sup> These are not sea-water desalination plants, instead they are small filtering units for reducing the salinity of the underground water and therefore increase the efficiency of fertilizers, obtaining higher yields, for example, some local farms already have yield increase of 30-50% (Source: Authors visits to farms in the Jordan Valley).

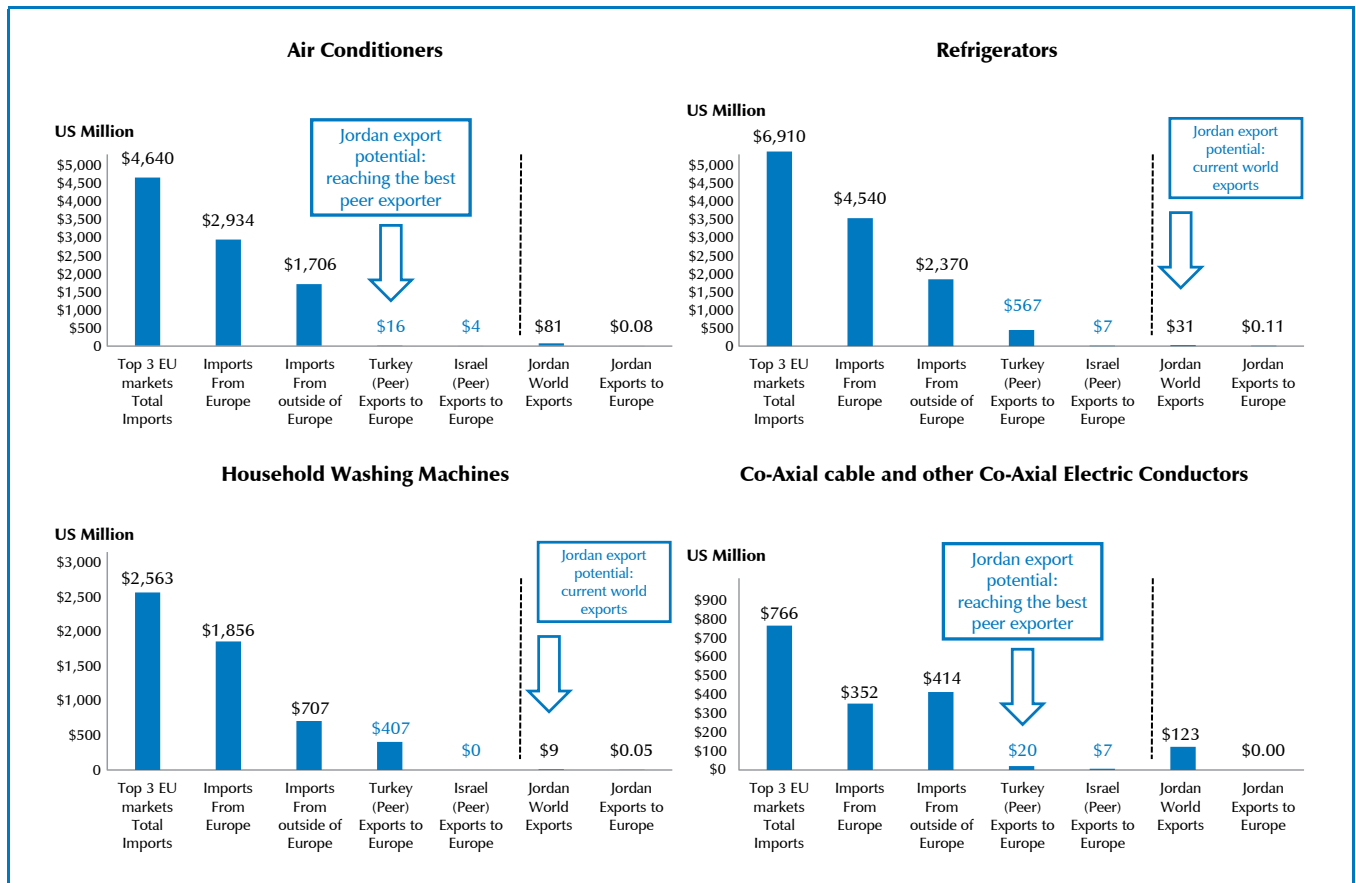


FIGURE 28. Comparative Analysis for Specific Industrial Products.

## Industrial products to the EU

37. Jordan’s potential exports to the largest markets<sup>27</sup> in the EU have been estimated to reach US\$ 469 million per year in five years. The numbers were calculated based on two scenarios: a) the exports of those products by peer countries (Turkey and Israel); and b) Jordan’s current exports to the world of those products. The more “moderate” scenario of these two was chosen as Jordan’s potential. The export value of US\$ 469 million consists of US\$ 237.6 million imported content. Thus, a potential of US\$ 231.4 million domestic value added per year in five years would be available for domestic inputs, salaries, profits and taxes.

38. For example, in the case of refrigerators, we looked at the top three importers of refrigerators in EU (Germany, France and the United Kingdom). Almost 66 percent of their imports of refrigerators are from within Europe. Since the value of Jordan’s exports of refrigerators to Europe is only US\$ 0.11 million, we looked at Jordan’s peer countries and their exports of refrigerators to Europe, Turkey’s exports of refrigerators to the top three EU importers is US\$ 567 million, while Israel’s exports reached US\$ 7 million (Figure 28). Nonetheless, Jordan exports US\$ 31 million worth of refrigerators to the world. It would be unrealistic to assume that Jordan could reach the relatively high level of Turkey’s exports of refrigerators. Due to this, in this scenario, the authors assumed that Jordan could double its world exports of refrigerators, and export to Europe US\$ 31 million worth of refrigerators. The imported content of exported refrigerators is almost 48 percent<sup>28</sup> (if not higher). This means that the

27 The calculations are based on the top 3 importer countries for each product. Data is derived from UNComtrade, 2016.

28 The World Bank World Integrated Solution, Export of Value added Database by Indicator, Total value added share in gross exports bwd (%) of Machinery and equipment, 2011.



### Apparel: Net Export Potential of 227M by Doubling Total Exports

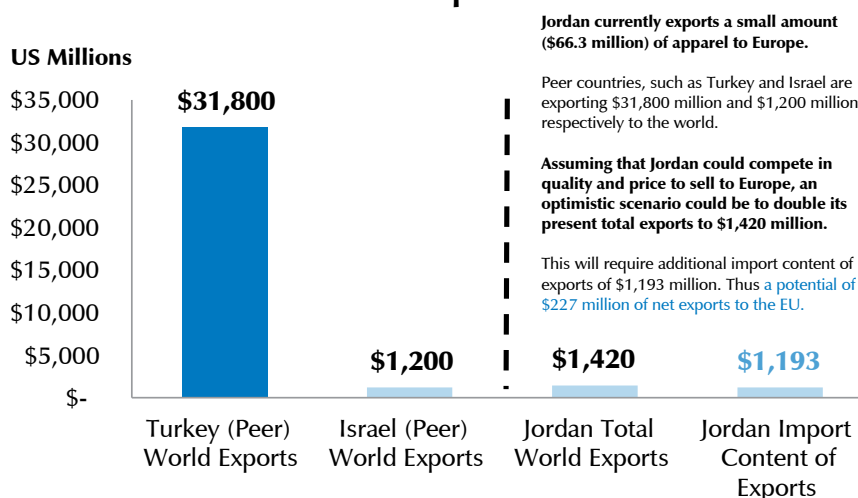


FIGURE 29. Export Potential for Apparels.

Source: Atlas Media, MIT 2014 - World Integrated Trade Solution (WITS), 2011

net value that Jordan could reach from doubling its current exports of refrigerators to penetrate the EU market is almost US\$ 16 million.

## Apparel

39. In this scenario, the authors assume that Jordan will have the capacity to double its total exports of apparel within the next five years and increase its exports to the EU from US\$ 63 million to US\$ 1.42 billion. Jordan’s annual exports of apparel reaches almost US\$ 1.42 billion<sup>29</sup>. However, given that 84 percent<sup>30</sup> of the material used in apparel exports are imported contents, even with the optimistic assumption of penetrating the EU markets with US\$ 1.42 billion worth of apparel, the figures reveal that the net export potential for Jordan will be US\$ 227 million (Figure 29).

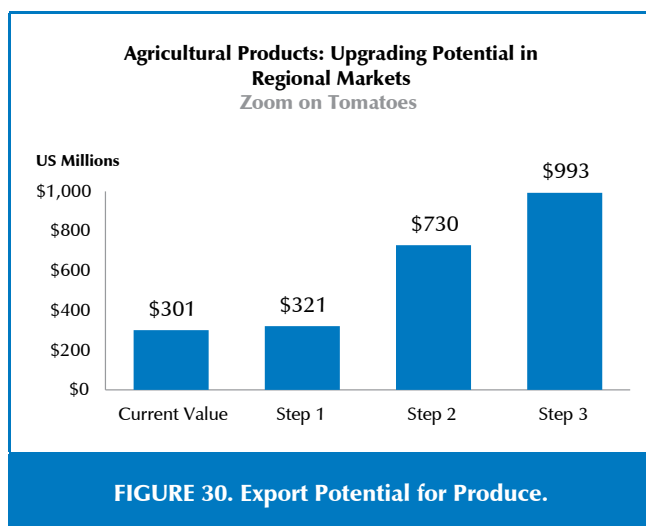
29 Atlas Media, MIT, Jordan, 2015.

30 The percentage was calculated from data derived from Atlas Media, MIT 2015. Apparel, in general, has the highest shares of intermediates imports embodied in exports (OECD, Trade in Value Added: China, 2015).

## Agricultural Sector

40. While the assessment looked at the agricultural potential for nine agricultural products, this section focuses on one of Jordan’s main horticulture and leading exports: Tomatoes. Currently, Jordan is exporting US\$ 300 million<sup>31</sup> worth of tomatoes, mostly to Gulf countries. Despite a reputation for good taste and rich flavor, Jordanian tomatoes in the GCC are sold at a price lower than those imported from several other countries. A closer look reveals that the quality of tomatoes being sold is not up to the standards of imports from other countries. A box of tomatoes from Jordan comes with a mix of different qualities, referred to as grades—grade A, ranks the highest quality, followed by grade B and then C—disappointing traders with expectations of grades A and B. The lack of proper cold chain and poor handling techniques of the tomatoes from the time of harvest to the time of its export leads to the degradation in its quality, which places Jordanian tomatoes in a lower segment. This leads to Jordanian tomatoes being sold at a lower value.

31 UNComtrade Database, Jordan, 2015.



**FIGURE 30. Export Potential for Produce.**

Scenarios with no additional water consumption  
Jordan's present exports of tomatoes to the Gulf Countries are \$301 million.

Step 1: a proper cold chain could allow to capture \$20 million more value from competitors\*

Step 2: exporting all present volume at higher quality price would almost double to \$730 million

Step 3: using better growing techniques\*\* and increasing volume could reach \$993 million.

\* Competitors use (expensive) air cargo to export to GCC and could be replaced by Jordanian higher quality tomatoes.

\*\* Desalination (mitigates the water constraint) and hydroponics increase yield by 30 percent.

**41. Results of step one:** By installing proper post-harvest techniques, proper traceability and modern cold chain logistics Jordan could replace existing quality demand of tomatoes in the GCC valued at US\$ 20 million.

**42. Results of step two:** If Jordan starts exporting at the average value of higher quality tomatoes, the value of its total exports of tomatoes would almost double to reach US\$ 730 million.

**43. Results of step three:** Hydroponic farming<sup>32</sup> could create additional channels for tomato production and increase Jordan's outputs of tomatoes to reach a value of US\$ 993 million (Figure 30).

## Conclusions and Limitations

**44. The DURA allows Jordan's policymakers to assess and put in perspective their options.** This is despite it being a rapid assessment limited in time and scope. As such, it generates "thick brush" figures of the impact for Jordan for the different diversification options that are being considered by the Government of Jordan, which has been reflected in Table 2.

**45. Even with no increase in water use the results of this assessment reveal the untapped potential of the agricultural sector in Jordan.** With proper traceability, post-harvest handling, including cold chain logistics, and advanced agricultural techniques, agricultural sector's contribution to GDP could increase, helping to bolster economic growth and job creation for both Jordanians and Syrian refugees living in Jordan. Developing the agricultural sector in Jordan will not only increase jobs in farms, but also increase employment in sectors linked to farming such as transport, processing, logistics handling, packaging and marketing.

**46. Achieving an upgrade in Jordan's agricultural sector requires a more comprehensive analysis to understand the economic, environmental and social feasibility of increased exports of perishables.** Such analyses are beyond the scope of a DURA, but are critical before any policy intervention.

**47. From an economic feasibility aspect, the results of this assessment should be complemented with seasonal breakdown of market demand (month by month) of fresh fruits and vegetables.** Monthly analysis will help understand the seasonal patterns of production of certain fruits and vegetables, their price fluctuations and the market window within which Jordanian products could compete. Other financial factors, such as Jordan's cost of transportation (via land, sea and air) of perishables in comparison to its competitors and the productivity rate of Jordanian

<sup>32</sup> Hydroponic Green Farming Initiative Program, EcoConsult-USAID. 2016

labor, are important to analyze to gain a holistic understanding of Jordan's current position.

**48. It is also crucial to evaluate various investments needed for Jordan to achieve a successful and competitive agribusiness value chain.** Examples are investments in desalination plants, hydroponic systems as well cold chain logistics. A cost-benefit analysis for such investments, which involve calculating their returns, is thus imperative.

**49. For the environmental feasibility, a sustainability analysis is needed to understand the long-term impact of the agribusiness value chain on water resources.** Toward that end, creative solutions might be needed to make optimal use of scarce natural resources. As we mentioned earlier in this study, the final figures of Jordan's potential for agricultural sector potential exports takes into consideration the water scarcity issue. As such, the suggested scenarios do not require any increase in water consumption.

**50. From a social feasibility point, it is necessary to assess the impact of the investment on creating job opportunities.** This requires a gauge of interest by Jordanians and Syrian refugees to work in the agricultural sector, including working in farms as well as other related activities in the value chain. There also needs to be an assessment on inclusiveness of the value chain in the agricultural sector and its integration of women, refugees and poor communities. Additionally, a social impact assessment should be undertaken on the communities surrounding the areas where farms, collection points and logistics facilities are located.

**51. Investing in the agricultural sector in Jordan could help expand the economic pie and create job opportunities for Jordanians and Syrian refugees in farms and several sectors linked to farming.** Policy makers should tackle the impediments that the agricultural sector is facing to help unleash its potential and increase its contribution to the country's GDP.

**52. The DURA has revealed that integrating Jordan into a modern, fresh, logistical, regional and global value chain could help expand the economic pie and create job opportunities for Jordanians and Syrian refugees in farms and in advanced services sectors supporting them.** But more importantly, the Connectedness (improved logistics, reduced trade restrictions and trade in logistics services), the Capabilities (new skills, new technologies, increased digital readiness) and Competitiveness (new business models and increased productivity), are the three pillars that can help Jordan prepare for the 4th Industrial Revolution<sup>33</sup>.

33 Hallward-Driemeier, Mary, and Gaurav Nayyar. 2017. "Trouble in the Making? The Future of Manufacturing-Led Development." Conference Edition. World Bank, Washington, DC.



## DATA APPENDIX

TABLE 14. Selected Economic Indicators.

	2014	2015	2016	2017	2018	2019
	Act.	Act.	Act.	Proj.	Proj.	Proj.
<b>Real sector</b>	(annual percentage change, unless otherwise specified)					
Real GDP	3.1	2.4	2.0	2.1	2.2	2.4
Real GDP per Capita	-1.5	-1.5	-1.2	-0.5	0.1	0.7
Agriculture (share of GDP)	3.3	3.3	3.4	3.4	3.4	3.3
Industry (share of GDP)	25.2	25.2	24.9	24.8	24.8	24.9
Services (share of GDP)	55.8	50.0	56.3	56.4	56.4	56.3
Net taxes (share of GDP)	15.7	15.6	15.4	15.4	15.4	15.5
<b>Money and prices</b>	(annual percentage change, unless otherwise specified)					
CPI Inflation (p.a.)	2.9	-0.9	-0.8	3.1	1.9	2.1
Money (M2)	7.1	8.1	4.0	3.4	3.1	3.7
<b>Investment &amp; saving</b>						
Total Investment	28.0	24.1	22.1	22.0	22.2	22.5
Gross National Savings	20.7	15.0	12.5	13.2	13.5	13.9
<b>Government finance</b>	(percentage of GDP, unless otherwise specified)					
Total revenues and grants	28.6	25.5	25.8	25.8	25.6	25.1
Domestic Revenue (excluding grants and privatisation)	23.7	22.2	22.7	22.8	23.2	23.5
o/w. tax revenue	15.9	15.4	15.5	15.2	15.9	16.2
Foreign Grants	4.9	3.3	3.0	2.9	2.4	1.7
Total expenditure and net lending	37.9	29.1	29.0	29.2	29.6	30.0
Current <sup>1</sup>	33.4	24.9	25.2	25.4	25.9	26.4
o/w wages and salaries	4.9	4.7	4.6	4.5	4.4	4.4
o/w interest payment	3.6	3.4	3.0	3.1	3.4	3.4
o/w Transfer to utilities (NEPCO and WAJ)	7.0	0.1	0.0	0.0	0.0	0.0
Capital & Net Lending	4.5	4.1	3.8	3.9	3.6	3.6
Overall balance (deficit (-), excl. grants) <sup>2</sup>	-14.2	-6.9	-6.2	-6.4	-4.8	-3.5
Overall balance (deficit (-), incl. grants) <sup>2</sup>	-9.3	-3.6	-3.2	-3.4	-2.4	-1.9
Primary Balance (deficit (-), excl. grants) <sup>2</sup>	-10.5	-3.4	-3.2	-3.3	-1.5	-0.1
Primary Balance (deficit (-), incl. grants) <sup>2</sup>	-5.7	-0.12	-0.2	-0.4	0.9	1.6
<b>External sector</b>	(percentage of GDP, unless otherwise specified)					
Current Account	-7.3	-9.1	-9.5	-8.8	-8.7	-8.6
Net Exports	-26.4	-22.9	-21.0	-20.3	-20.2	-20.1
Export FOB	43.3	37.6	35.1	36.9	38.8	39.8
Import FOB	69.7	60.5	56.2	57.2	59.0	59.9
Net Income and transfers	19.1	13.8	11.5	11.5	11.4	11.5
Net Private Investments (FDI and Portfolio)	9.1	7.7	7.1	7.0	6.9	6.8
Foreign Currency Reserves (US\$ Millions)	14,079	14,153	12,883	12,585	13,345	14,105
Foreign Currency Reserves <sup>3/</sup> (Months of Imports GNFS <sup>4/</sup> , excluding re-exports <sup>5/</sup> )	7.1	7.8	7.6	7.0	7.0	7.0
<b>Total Debt</b>	(in million US\$, unless otherwise specified)					
Total Debt Stock	31,984	35,126	36,843	38,835	40,556	42,169
Debt to GDP Ratio (%) <sup>6/</sup>	89.0	93.4	95.1	97.0	98.1	97.9
<b>Memorandum Items:</b>						
Nominal GDP (Billion JD)	25.4	26.6	27.4	28.4	29.3	30.5
GDP (in million US\$)	35,917	37,612	38,752	...	...	...

Source: Government Data and World Bank Staff Calculation.

1/ Includes adjustment to other receivables for 2012 (0.4% of GDP) and transfers to NEPCO and WAJ. As of 2015, NEPCO and WAJ reverted to government-guaranteed borrowing from commercial banks. The government transferred 0.1% of GDP to WAJ in 2015.

2/ Includes fiscal gap of 1.5% of GDP in 2018 and 3.0% of GDP in 2019.

3/ Reserves exclude bank deposits in foreign currencies.

4/ GNFS: Goods and Non-Factor Services.

5/ As of January 2017, coverage ratio calculation for the series deducts re-exports from imports.

6/ Government and guaranteed gross debt. Includes WAJ estimated borrowing for 2017-2019.

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