JORDAN

Table 1	2020
Population, million	10.2
GDP, current US$ billion	43.7
GDP per capita, current US$	4278.2
School enrollment, primary (% gross)[a]	81.8
Life expectancy at birth, years[a]	74.4

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) WDI for School enrollment (2019); Life expectancy (2018).

Jordan is currently facing back-to-back second and third waves of COVID-19 infections, while the country's major economic indicators continue to deteriorate. The twin deficits have substantially widened, the debt level has increased, and unemployment is rising. However, the fall-out on Jordan's economic growth during 2020 remains relatively modest compared to peer countries. Going forward, Jordan's economic outlook largely depends on the rebound in global demand and international travel as well as the pace and scale of domestic vaccination.

Key conditions and challenges

Economic activity in Jordan, before the pandemic, was lackluster due to falling investment, eroding competitiveness and challenging regional conditions. Annual real GDP growth, which averaged at 5.1 percent during 2000-15, dropped to 2.0 percent during 2016-19 – the lowest plateau in a decade. This growth is insufficient to tackle the country's pressing socio-economic pressures to create enough jobs for the young and rapidly growing labor force and to achieve significant poverty reduction.

Stringent lockdown measures, including closing borders and prohibiting movement across cities, helped preserve public health during the first wave of the pandemic. As the lockdown was lifted in May, key manufacturing industries rebounded quickly in H2-2020. However, during the last quarter of 2020, Jordan saw a resurgence of COVID-19 cases, and authorities opted for more targeted restrictions to balance health and economic objectives. Meanwhile, fiscal and monetary measures were taken to lessen the economic fallout. Liquidity measures introduced by the Central Bank of Jordan (CBJ) are estimated to be around 8 percent of GDP. Still GDP in 2020 contracted; for the first time since 1989.

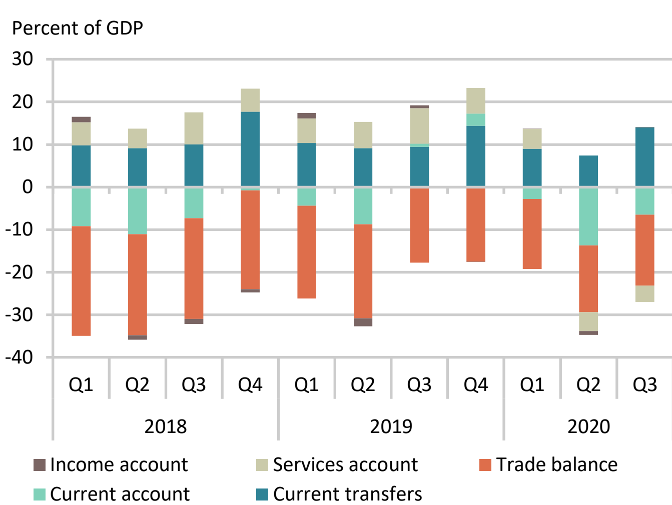
Jordan's economic outlook in 2021 remains contingent upon the evolution of domestic cases along with the pace and scale of vaccination at home and abroad. In February 2021, government announced that at least 3 to 5 million doses of the coronavirus vaccine will be available by April. As the third wave of COVID-19 continues to unfold, vaccination is critical. However, by mid-February vaccination remain abnormally low at around 0.6 percent of the population. Thus, the first half of 2021 is unlikely to see a quick turnaround, while recovery in the second half of 2021 is expected to be protracted unless the pace of vaccination significantly picks up.

Recent developments

The Jordanian economy contracted by 1.5 percent during the first nine months of 2020 (9M-2020). The impact of the shock on GDP remains relatively muted compared to peer countries. Despite this fact, COVID-19 has had a particularly devastating effect on the country's travel and tourism sector, which accounted for around 18 percent of GDP and of total employment in 2019.

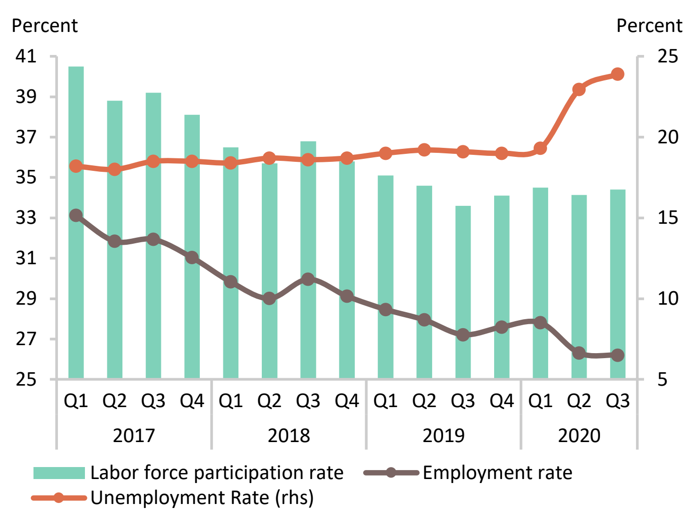
Central Government (CG) fiscal deficit (incl. grants) widened to 5.8 percent of GDP in 11M-2020. Domestic revenues plummeted due to weakened economic activity, deferred tax payments as well as temporarily reduced social security contributions and some consumption tax rates. To alleviate some pressure, the authorities delayed public wage increase, imposed a hiring freeze and postponed non-priority capital investment. Nevertheless, CG debt rose to almost 106.3 percent of GDP during 11M-2020 - almost 10 percentage points of GDP higher than at end-2019.

FIGURE 1 Jordan / Current account indicators



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

FIGURE 2 Jordan / Labor market indicators



Sources: Department of Statistics and World Bank Staff calculations.
Note: Employment rate is defined as percentage of employed Jordanian adults to total population 15+.

Jordan's current account deficit (CAD) (incl. grants) for 9M-2020 stood at US$2.4 billion, almost twice the size of the deficit recorded in 9M-2019. Despite a reduction in goods' trade deficit and an improvement in current transfers, a substantial deterioration in the services account – driven by dismal travel receipts – was the key driver behind the widening CAD. Nonetheless, both private and official flows remained more than sufficient to cover the widening gap as CBJ's gross foreign reserves increased by almost US$1.5 billion to US$16.9 billion at end-2020.

Poverty was challenging even before the COVID-19 onset. The most recent national poverty rate was 15.7 percent in 2018 raising concern for the welfare of households. Moreover, labor market indicators have deteriorated to unprecedented levels. Amid the crisis, employment decreased to 26.2 percent, and unemployment reached a historical high - 23.9 percent in Q3-2020. Unmitigated declines in employment incomes are likely to increase poverty in the near-term by 11 percentage points.

Outlook

Jordan's real GDP growth is projected to recover to 1.4 percent in 2021 from an estimated contraction of 1.8 percent over last year. In the immediate run, several policy measures are expected to provide some boost including public sector employees' salary increase, social security net programs and the minimum wage increase. Exports are expected to perform better as demand strengthens in the U.S. and Gulf countries. Nevertheless, growth in the immediate run faces significant downside risks due to rising COVID-19 cases and slow vaccination, and over medium-term remains constrained by the country's chronic structural weaknesses.

The current account deficit is projected to remain elevated in 2021 before narrowing steadily over the medium-term. Merchandize trade balance is projected to deteriorate in 2021 due to rising import bills driven by higher international food and oil prices assumptions. Tourism receipts are projected to remain modest in 2021 - at around only 40 percent of 2019 level – before returning to pre-COVID level only by 2023.

The fiscal deficit of the CG (incl. grants) is projected to reach 6.4 percent of GDP in 2021 compared to an estimated 6.7 percent in 2020. This modest consolidation hinges on the revival of domestic revenues as recurrent spending is projected to remain elevated alongside recovery in capital spending. Over the medium term, CG fiscal balance (incl. grants) is projected to improve only gradually. As a result, CG debt is projected to reach 109.0 percent at end-2020, almost 10 percent higher than at end-2019 and remain high over the medium term.

Sluggish economic growth, high unemployment and declining participation in the labor market raise concerns about the extent of poverty reduction that can be achieved. Household recovery is subject to uncertainty and expected to be uneven; young, female, informal workers and those in interaction-intensive services sectors will likely see depressed incomes for longer.

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

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	1.9	2.0	-1.8	1.4	2.2	2.3
Private Consumption	2.2	1.7	-1.3	0.7	2.0	2.2
Government Consumption	-0.7	4.1	5.0	3.2	2.2	0.6
Gross Fixed Capital Investment	-19.4	-25.7	-3.5	3.4	3.6	4.3
Exports, Goods and Services	0.9	6.5	-24.8	14.6	12.1	7.3
Imports, Goods and Services	-6.6	-3.1	-16.3	9.8	9.0	5.5
Real GDP growth, at constant factor prices	2.0	2.2	-1.6	1.4	2.2	2.3
Agriculture	3.2	2.6	1.8	2.2	2.5	2.5
Industry	1.2	1.4	-2.7	1.1	1.5	1.7
Services	2.3	2.4	-1.4	1.6	2.5	2.5
Inflation (Consumer Price Index)	4.5	0.8	0.3	1.5	2.0	2.3
Current Account Balance (% of GDP)	-6.9	-2.1	-7.2	-7.0	-6.0	-4.6
Net Foreign Direct Investment (% of GDP)	2.2	1.5	1.7	2.4	2.7	3.0
Fiscal Balance (% of GDP)[a]	-3.3	-4.6	-6.7	-6.4	-5.4	-4.9
Debt (% of GDP)[b]	92.9	97.4	109.0	114.0	116.1	116.7
Primary Balance (% of GDP)[a]	0.0	-1.1	-2.5	-2.2	-1.1	-0.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate. f = forecast.
(a) Central Gov. fiscal balance incl. grants, use of cash and unident. measures as per IMF-EFF (Jan 2021) of 0.7% of GDP in 2021, 1.8% of GDP in 2022 and 2.9% of GDP in 2023.
(b) Government and guaranteed gross debt including debt holdings by SSIF. Includes WAJ estimated borrowing for 2020-2023. Includes legacy arrears in 2019.