



منتدى الاستراتيجيات الأردني
JORDAN STRATEGY FORUM

On The Jordanian Economy in 2020

June 2021



#Knowledge_is_Power



يقوم منتدى الاستراتيجيات الأردني بمشاركة المعلومات الاقتصادية المهمة التي يتم تجميعها من مصادر محلية وعالمية مختلفة؛ وذلك بهدف نشر الوعي حول الأمور الاقتصادية والاجتماعية والتوعية في ظل التغيرات التي يشهدها العالم وذلك لمواكبة آخر التطورات وطرح مجال للتفكير في حلول تعمل على تنمية وتعزيز الاقتصاد الوطني.

Jordan Strategy Forum shares important economic information that is collected from various local & international sources; with the aim of raising economic and social awareness. This is done in order to track the latest developments and suggest solutions that would develop and strengthen the national economy.

1. Background

It has become obvious that COVID-19 is a Human and Economic Tragedy. It is an event with a very low probability of occurring, and a huge impact. In terms of economics, the impact of COVID-19 on the global economy is unique.

1. The virus has hit most of the largest economies in the world (i.e. the G7 countries / Canada, France, Germany, Italy, Japan, United Kingdom, and the United States) as well as China and India. If this group of countries slows down, almost all other countries will realize downside pressure.
2. The virus has hit both the supply and demand sides of economies. The supply side has already witnessed significant disruptions in the global supply chain, factory closures, and cutbacks in many service sectors. The demand side, on the other hand, has already experienced declines in business travel, tourism, and consumer spending in general.

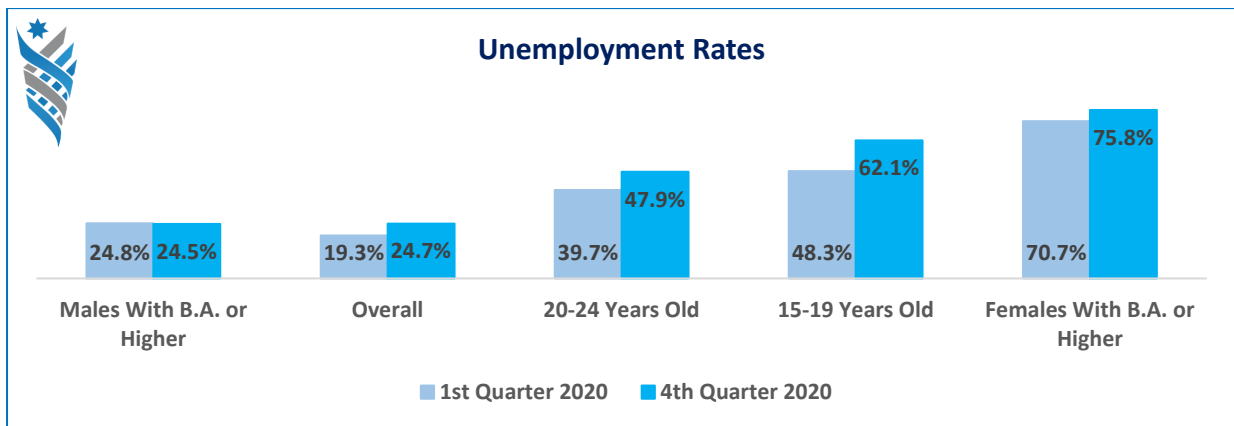
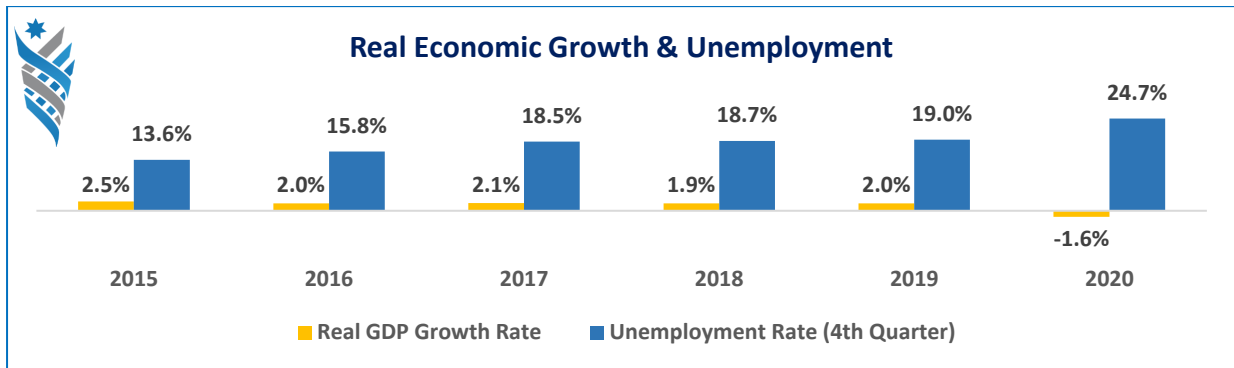
COVID-19 has also affected financial systems and capital flows. COVID-19 has already dealt a hard blow to banks, stock markets, and to the flows of Foreign Direct Investments (FDI) and remittances.

The Jordanian economy, like others, has been impacted by COVID-19. Based on what has been reported in 2020, the signs are already clear.

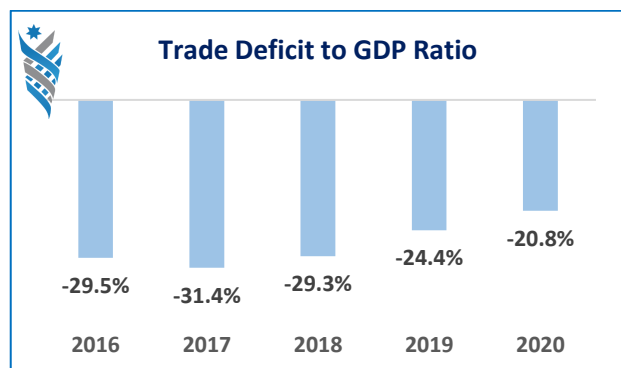
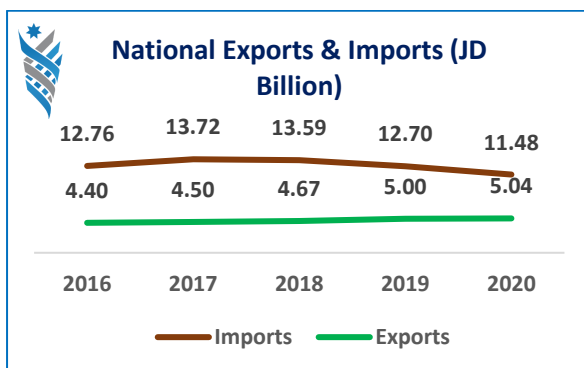
Within the context of the economic implications of COVID-19, the primary objective of this **“Knowledge is Power”**, issued by the Jordan Strategy Forum (JSF), is to outline a myriad of observations which reflect how the Jordanian economy was affected during the fiscal year 2020, and by how much. Naturally, the objective of this exercise is to draw some policy recommendations whose objective is to enhance the resiliency of the Jordanian economy, in future years to come.

2. The Jordanian Economy in 2020: Some Macro-Level Observations

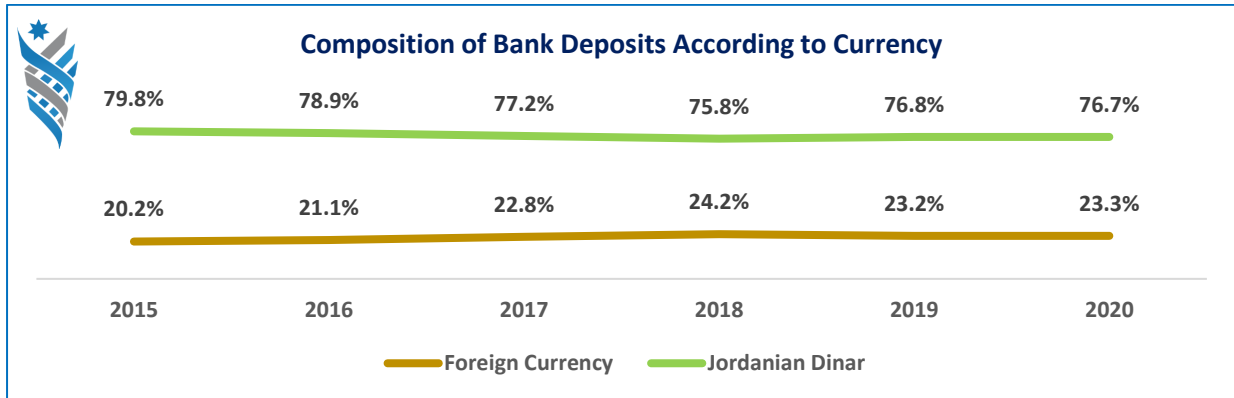
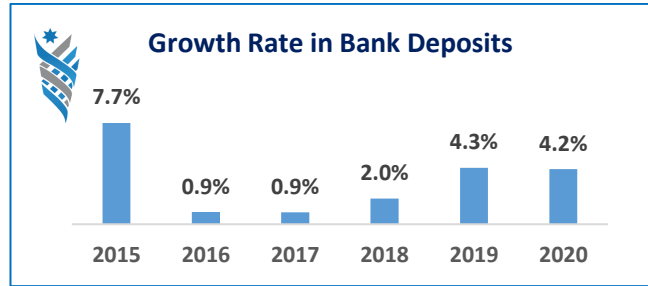
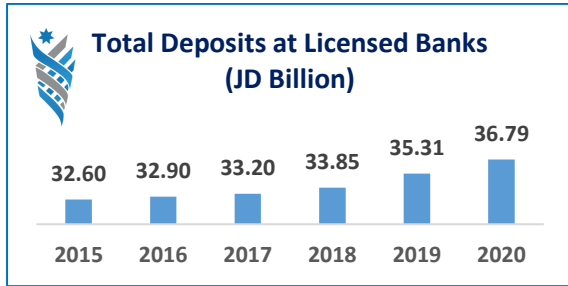
First, well-before the onslaught of COVID-19, the Jordanian economy realized modest real growth rates. The implications of the virus has brought a negative real growth rate (-1.6%), and a much stronger increase in unemployment during the 4th Quarter of 2020 than in previous quarters.



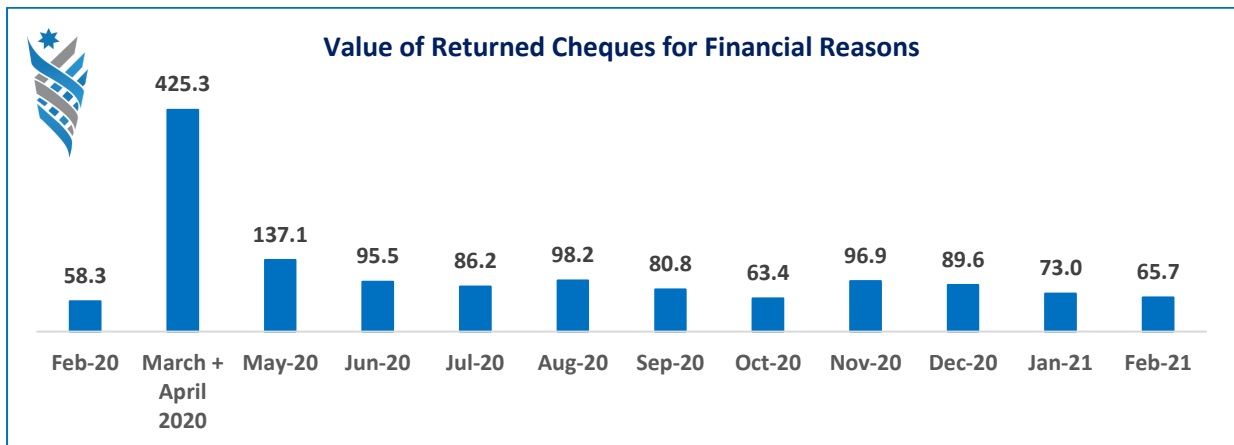
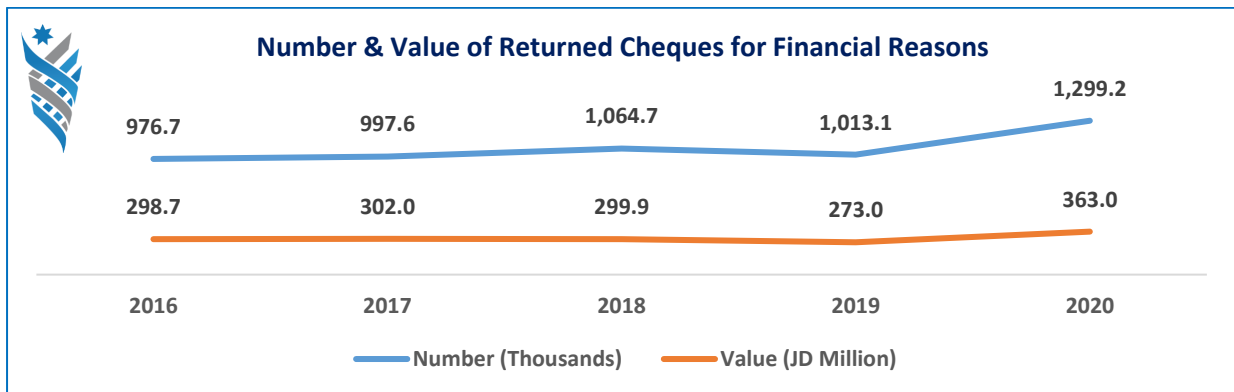
Second, consistent trade deficits are the norm. However, since 2017, the trade deficit to GDP ratio, on average, has been on a downward trend. COVID-19 has led to a reduction in the deficit from 24.4% in 2019 to 20.8% in 2020. This reduction in the trade deficit is due to the fall in imports, and not any significant increase in exports.



Third, in 2020, nothing has really changed in terms of total deposits of licensed banks, composition of banking deposits.

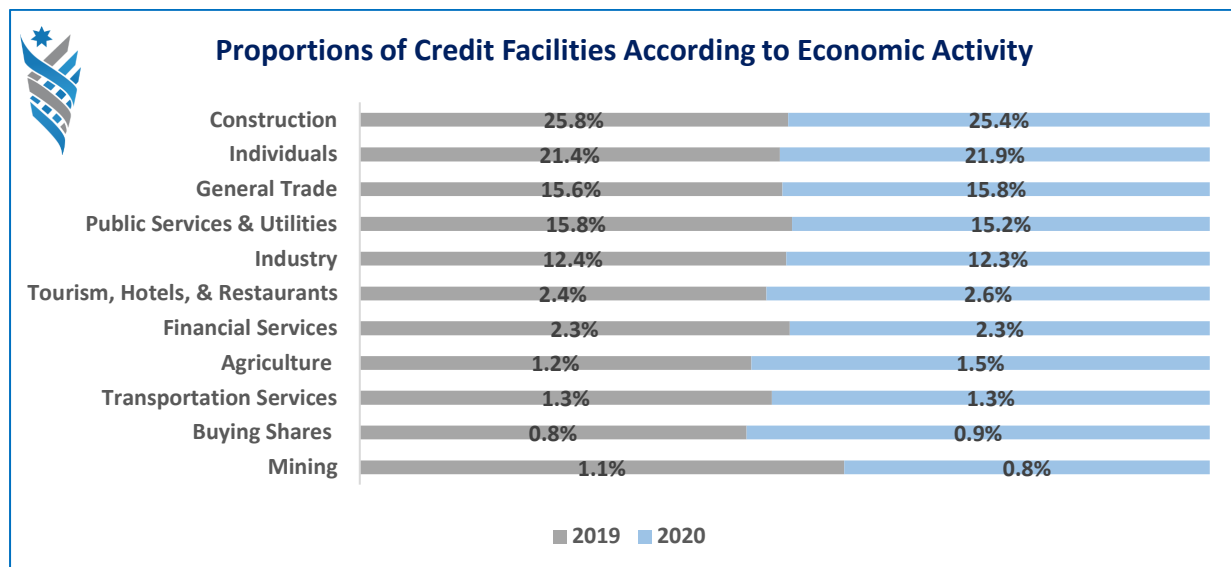


Fourth, the number and value of returned cheques (for financial reasons) have increased in 2020. The highest increase in these items were witnessed in March & April 2020.

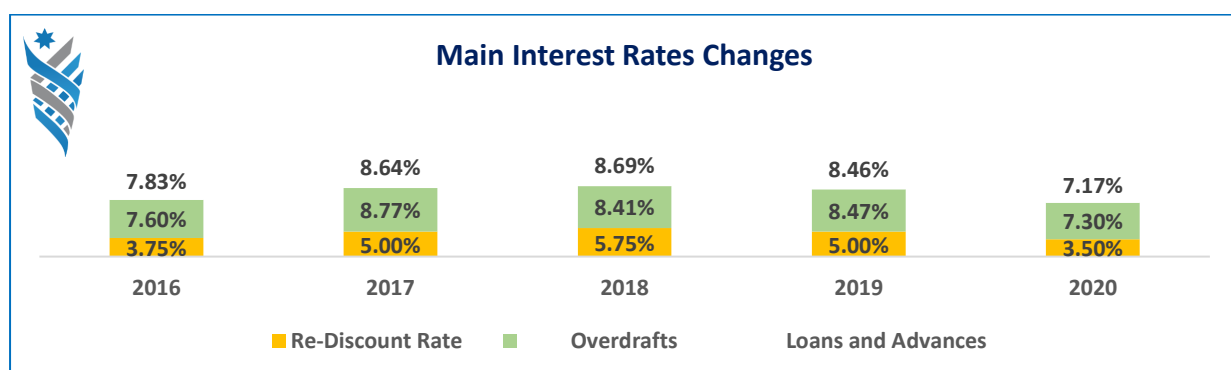


Fifth, on average, total credit facilities have not really changed in 2020. The increase was in line with previous years. In addition, the composition of credit facilities according to economic activity has not really changed. The construction sector and individuals still account for a major proportion of credit distribution.

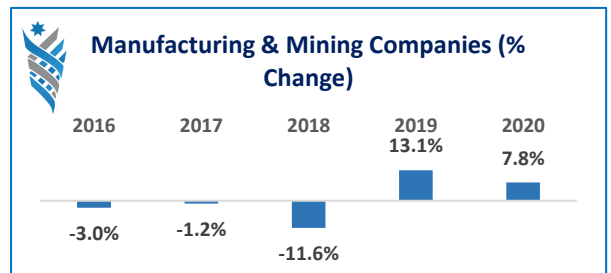
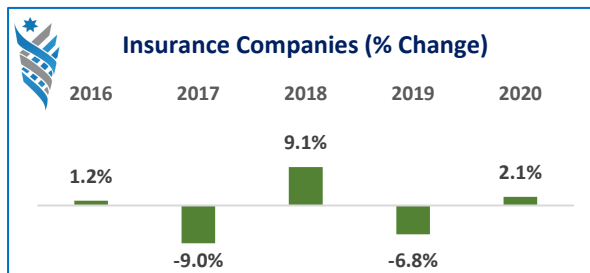
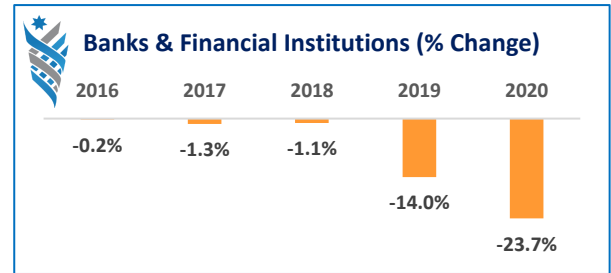
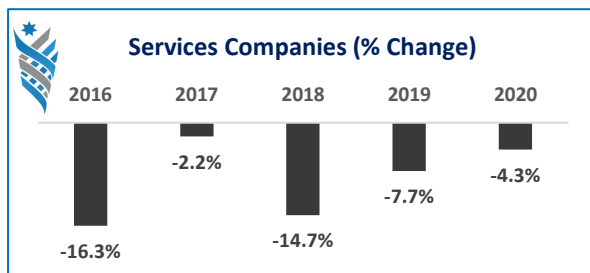
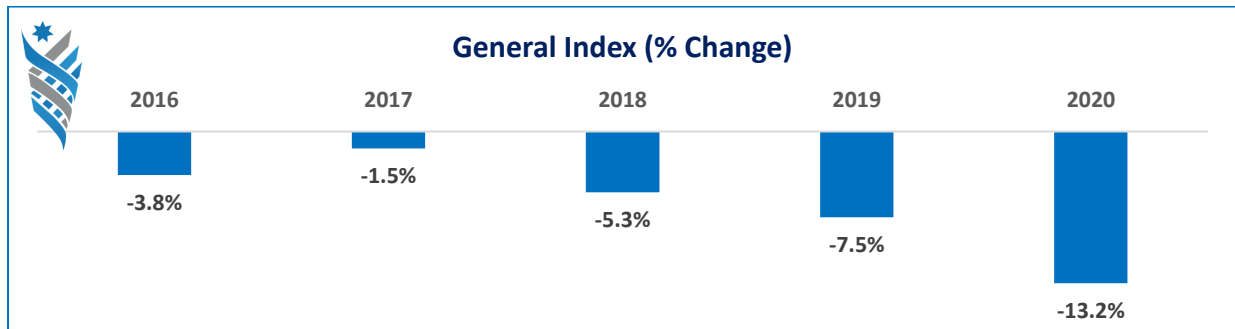
Credit Facilities According to Economic Activity / JD Million					
Economic Activity	2016	2017	2018	2019	2020
Mining	288.4	255.2	355.7	296.4	236.6
Buying Shares	168.6	158.0	152.1	212.2	268.7
Transportation Services	355.8	354.3	328.9	343.1	385.6
Agriculture	304.5	337.3	336.7	336.5	416.8
Financial Services	577.2	632.5	768.2	634.8	656.0
Tourism, Hotels, & Restaurants	597.7	619.7	592.1	638.0	735.6
Industry	2,203.4	2,724.2	3,064.3	3,353.6	3,521.7
Public Services & Utilities	3,296.2	3,707.2	3,852.9	4,269.0	4,360.6
General Trade	4,075.5	4,230.9	4,470.6	4,231.1	4,524.3
Individuals	5,210.8	5,116.5	5,359.4	5,792.1	6,266.6
Construction	5,827.7	6,601.0	6,830.9	6,975.4	7,262.1
Mining	288.4	255.2	355.7	296.4	236.6
Total	22,905.8	24,736.8	26,111.8	27,082.2	28,634.6



Sixth, interest rates have fallen in 2020.

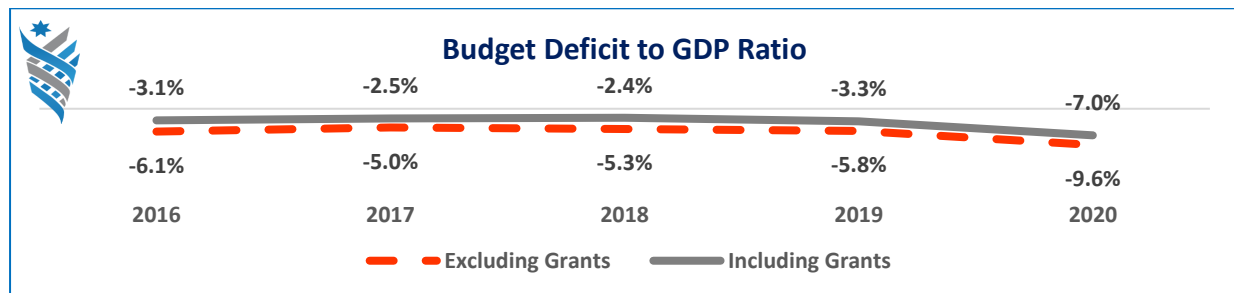


Seventh, the general market index has fallen by 13.2% in 2020. Relative to previous years, this fall is high. The reason behind this fall is the decrease in the banks and financial institutions' index.

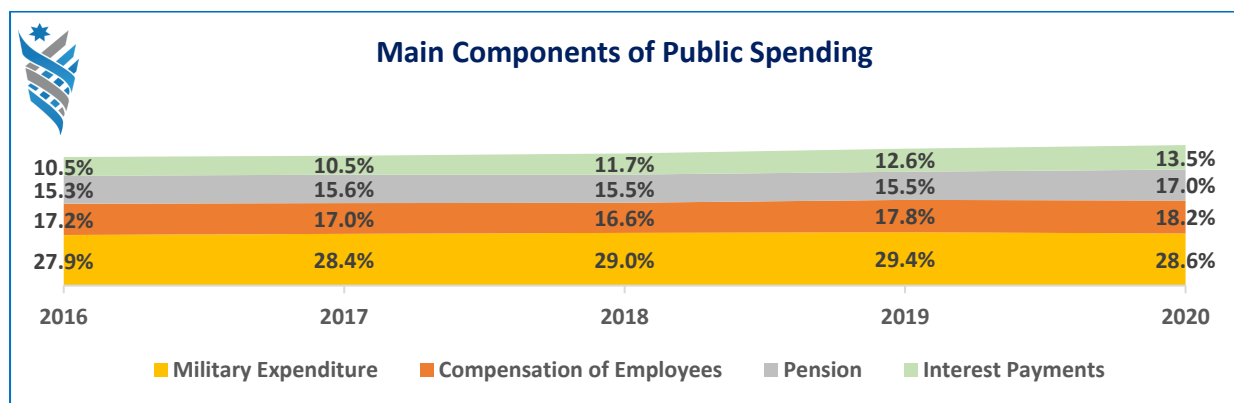


3. The Jordanian Economy in 2020: Some Public Finance Observations

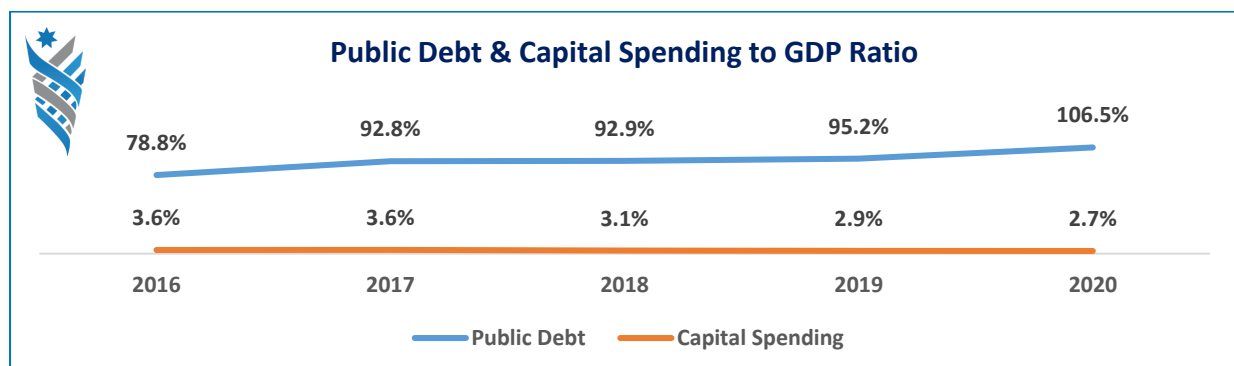
First, well before the onslaught of COVID-19, the status of public finance in Jordan was weak. The virus has only widened the budget the 2020 budget deficit.



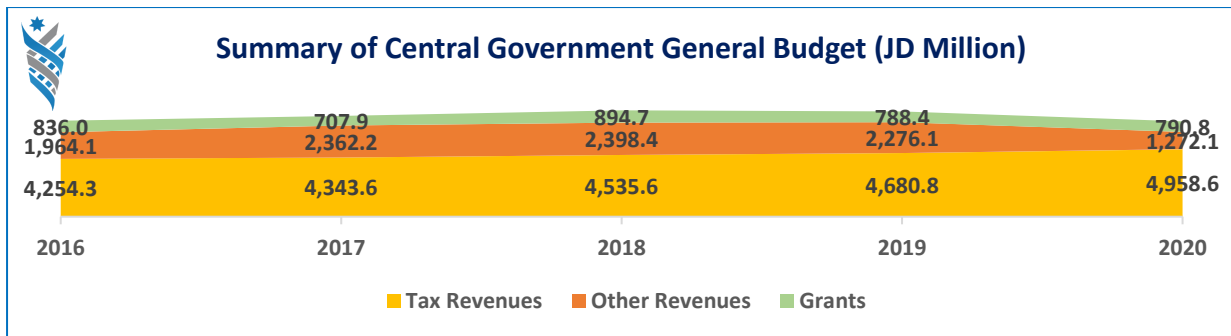
Second, few items (military, compensation of employees, pensions, and public debt interest payments) account for a large proportion of public spending. The virus has brought nothing new.



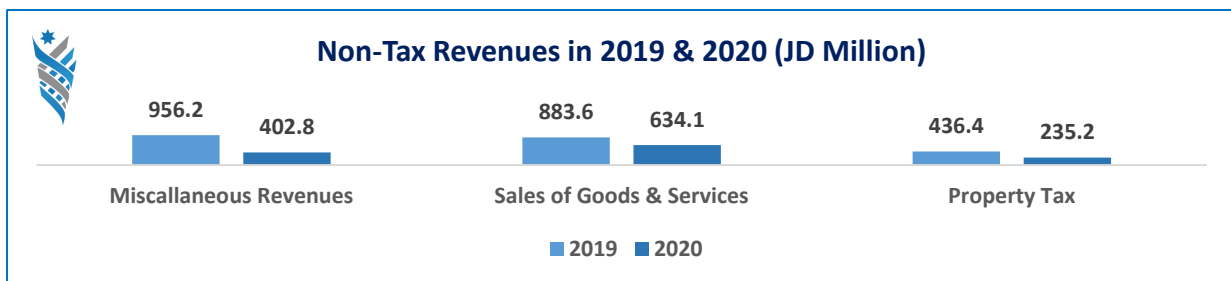
Third, public debt has been on a rising trend well before the onslaught of COVID-19. Similarly, capital spending to GDP ratio has been “low” and “falling”. COVID-19 has only exacerbated these indicators further.



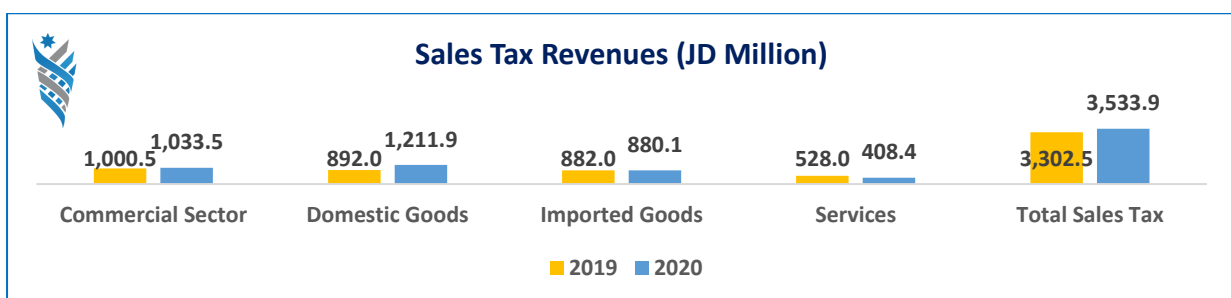
Fourth, tax revenues have maintained their upward trend. Foreign grants have remained more or less constant. However, “other revenues” have fallen from JD 2.276 billion in 2019 to JD 1.272 billion in 2020 or by about 44%.



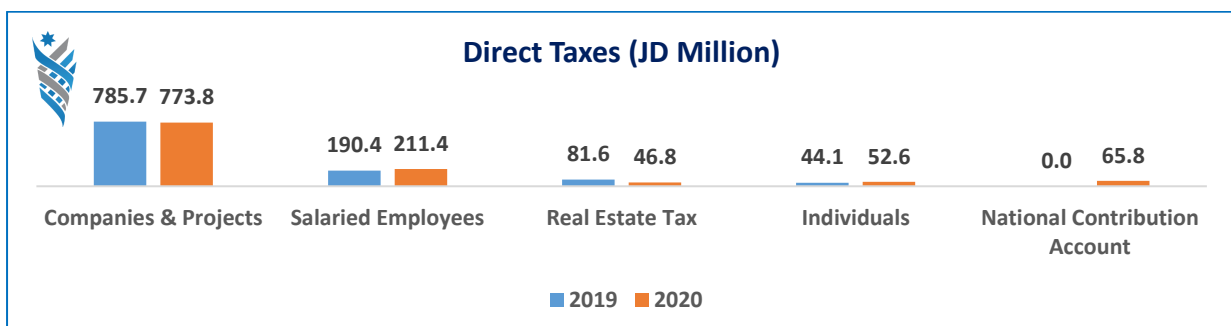
Fifth, the decrease in non-tax revenues is the result of a decrease in the sales of goods and services (by JD 249.5 million), and a decrease in property tax (by JD 201.2 million). However, the largest decrease in the non-tax revenues was miscellaneous revenues (by JD 553.4 million). The reason for this decline is mainly due to re-classification of “revenues from oil derivatives” from non-tax revenues to tax revenues.



Sixth, the re-classification of “revenues from oil derivatives” from non-tax revenues to tax revenues (or sales tax on domestic goods) is the main reason behind the increase in total sales tax revenues in 2020.

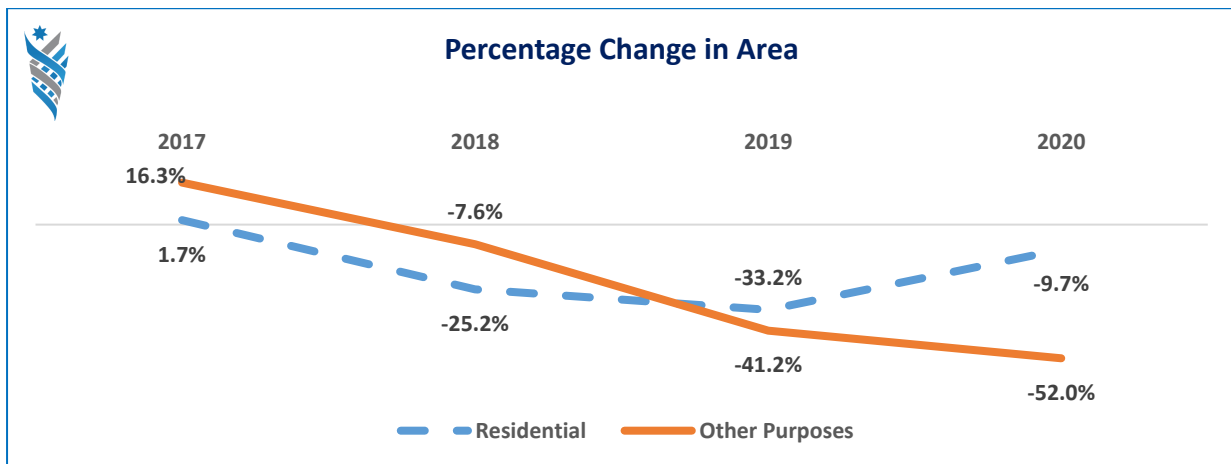
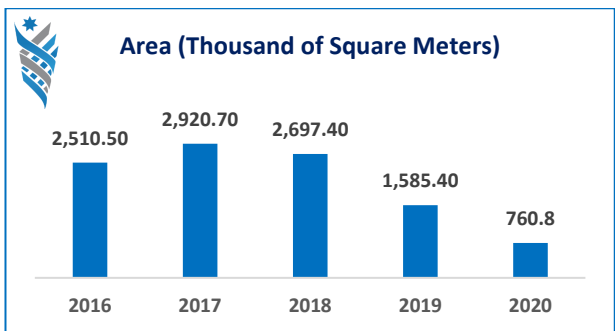
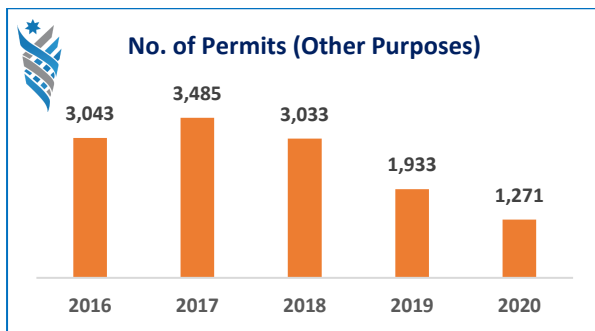
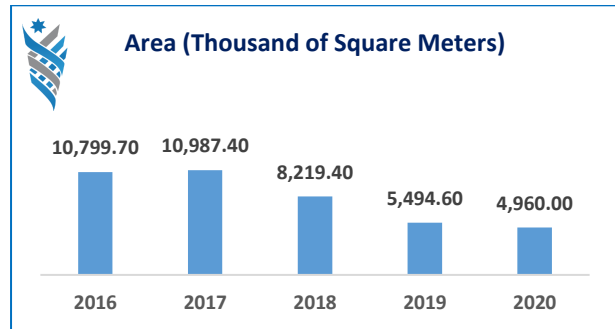
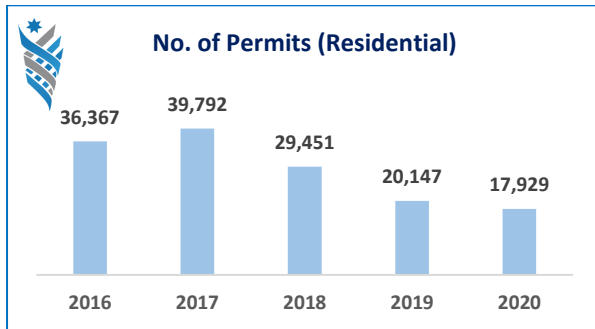


Seventh, as far as the other sources of tax revenues are concerned, the 2020 figures did not change in any significant manner.



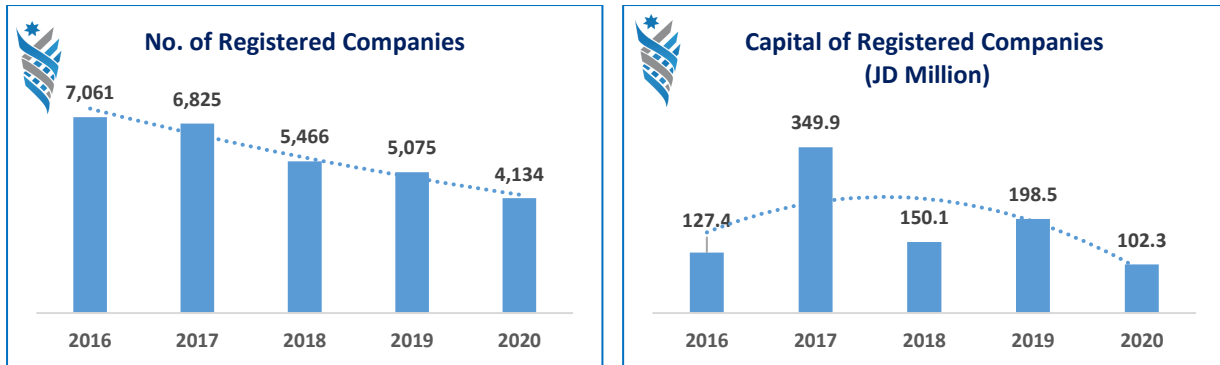
4. The Jordanian Economy in 2020: Some Construction Observations

First, well before the emergence of COVID-19, the construction sector has been on a downward trend. In terms of area, the residential part of this sector witnessed a decrease by 25% in 2018 and by 33% in 2019. Following such heavy decreases, one should not be surprised that the year 2020 witnessed a 9.7% decrease “only”.

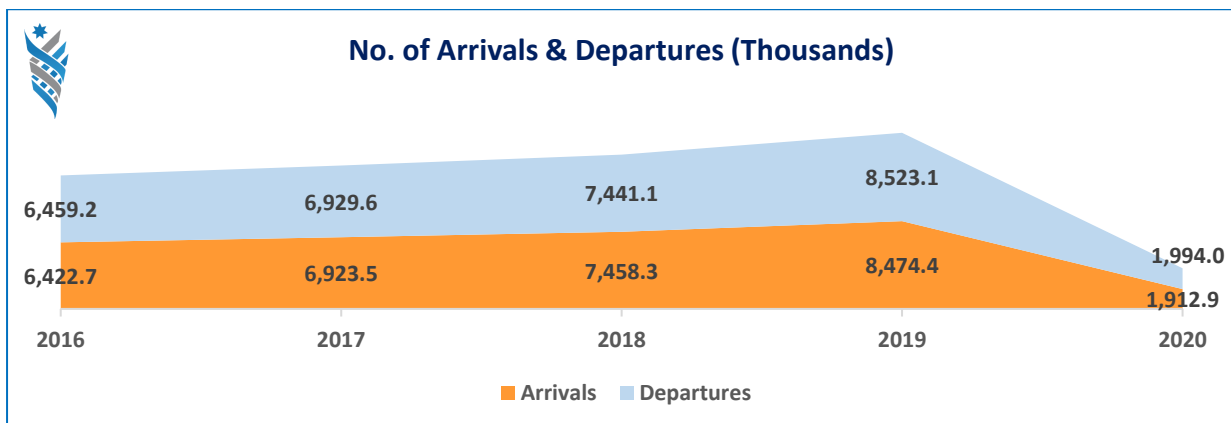


5. The Jordanian Economy in 2020: Some Miscellaneous Observations

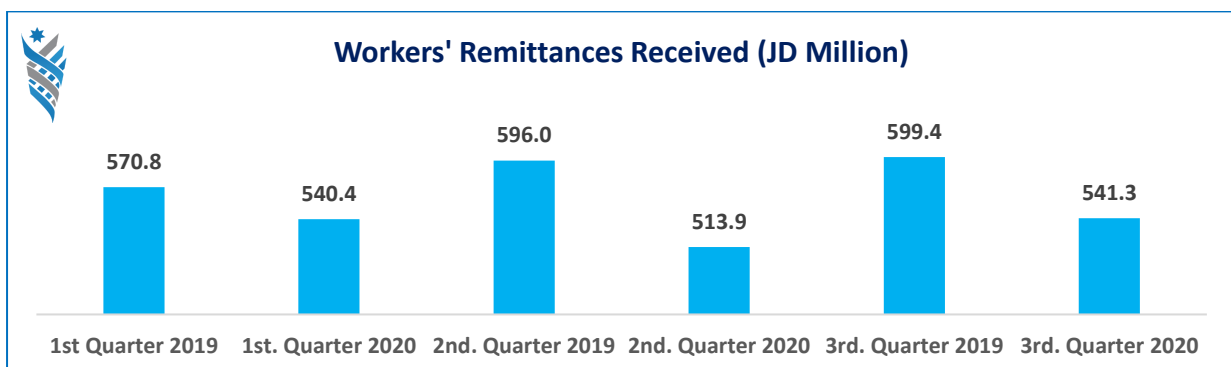
First, while the number of newly established companies has been on a downward trend, the capital of registered companies has collapsed from JD 198.5 million in 2019 to JD 102.3 million in 2020.



Second, it is obvious that COVID-19 has had a significant impact (negative) on tourism. This can be seen from the collapse in the 2020 number of individuals arriving and departing Jordan.



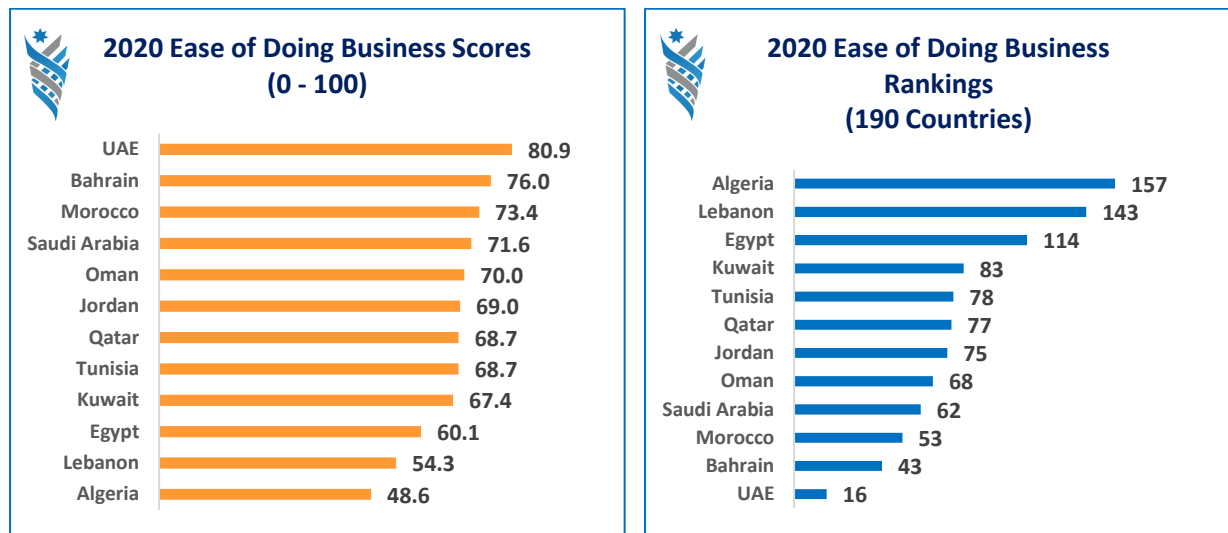
Third, it is clear that workers' remittances have fallen during the fiscal year 2020.



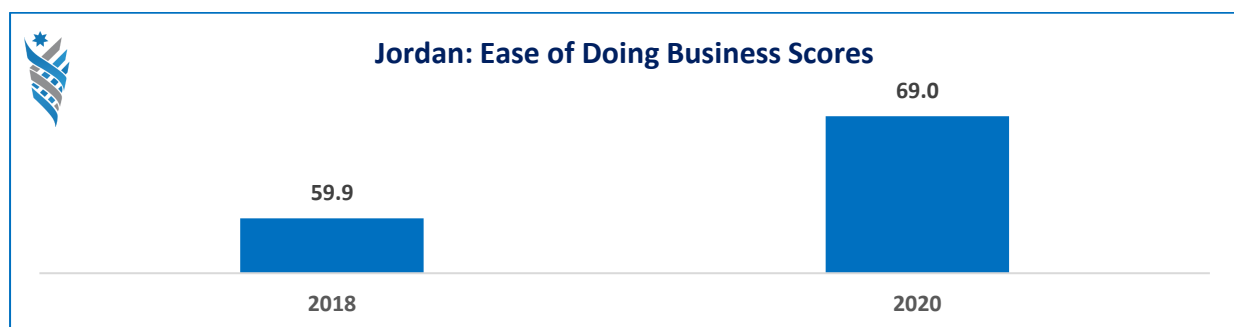
6. The Jordanian Economy in 2020: Global Indices

Many international organizations, think tanks, non-profit organizations, as well as academia publish global indices that measure a multitude of socio-economic indicators. Some of these indices are the Ease of Doing Business, Index of Economic Freedom, Corruption Perception Index, and the Human Capital Index.

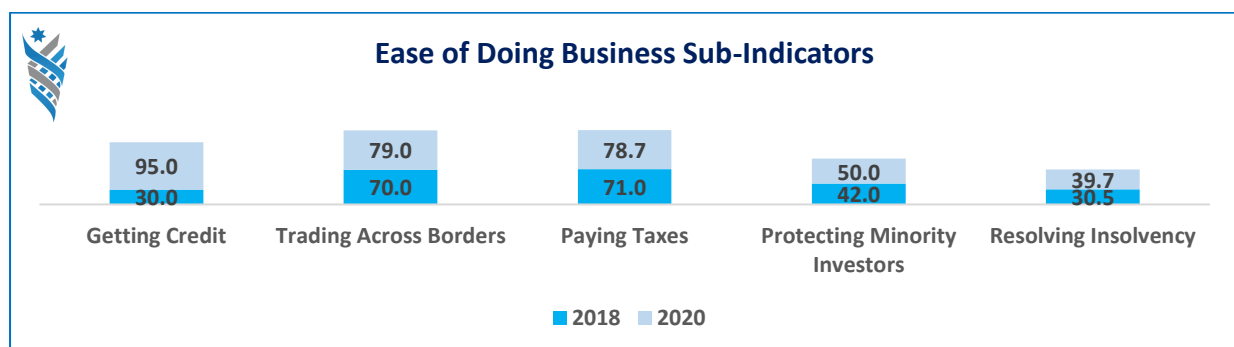
First, Jordan ranks 75th out of 190 countries and 6th among Arab countries.



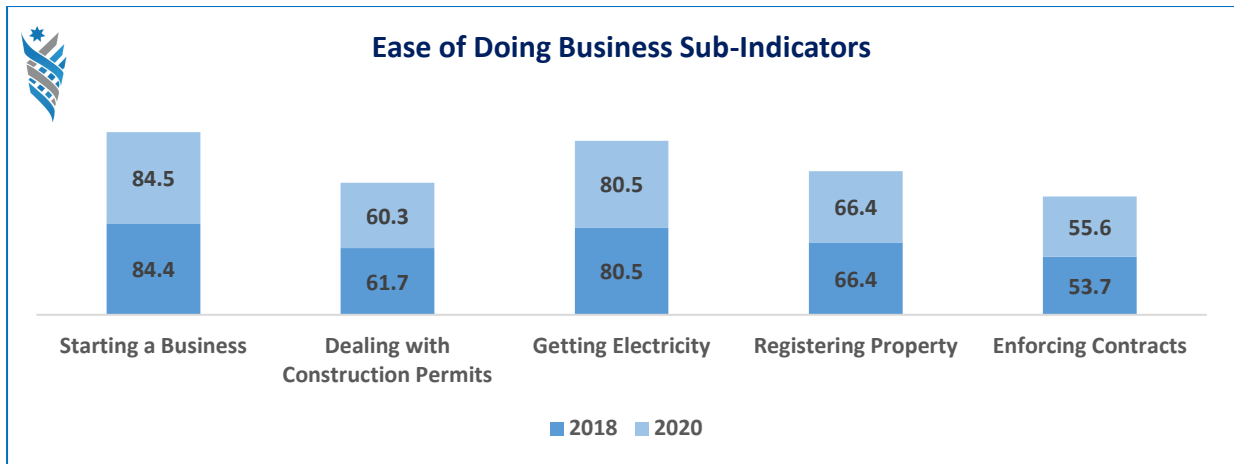
Second, Jordan's score on the Ease of Doing Business has increased from 59.9 in 2018 to 69.0 in 2020.



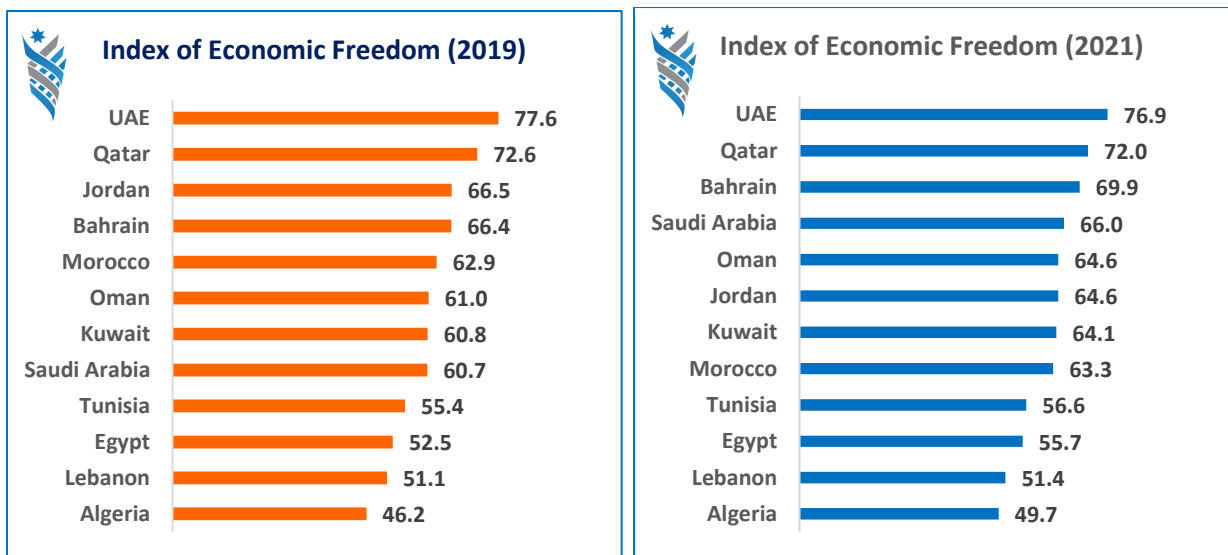
Third, Jordan's scores in getting credit, trading across borders, paying taxes, protecting minority investors and resolving insolvency have improved.



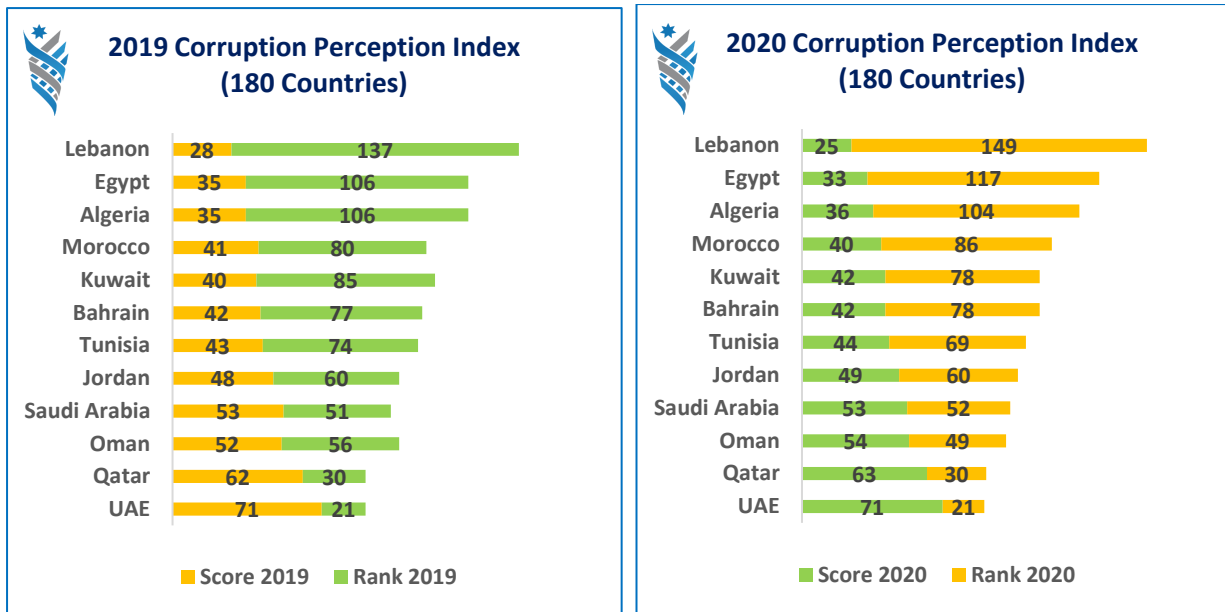
Fourth, Jordan's cores in the other sub-indicators of the ease of doing business have not changed by much.



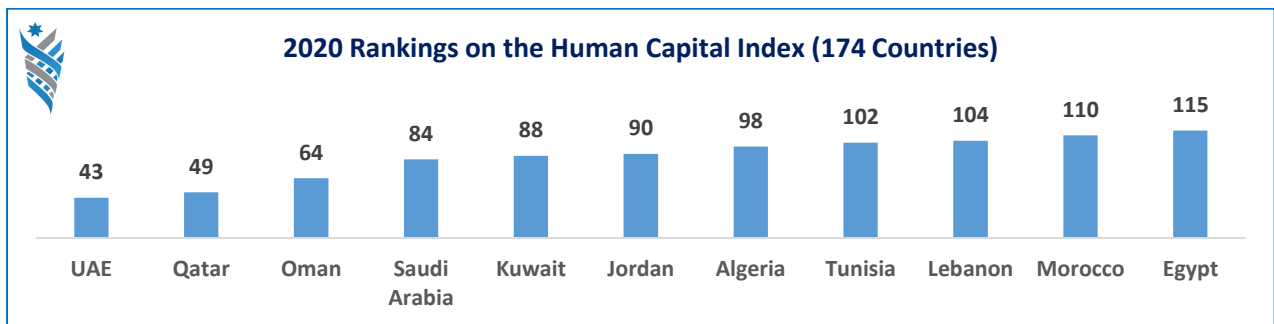
Sixth, on the Index of Economic Freedom, Jordan score fell from 66.5 in 2019 to 64.6 in 2021. As a result, Jordan's rank slipped from 3rd among Arab countries to 6th.



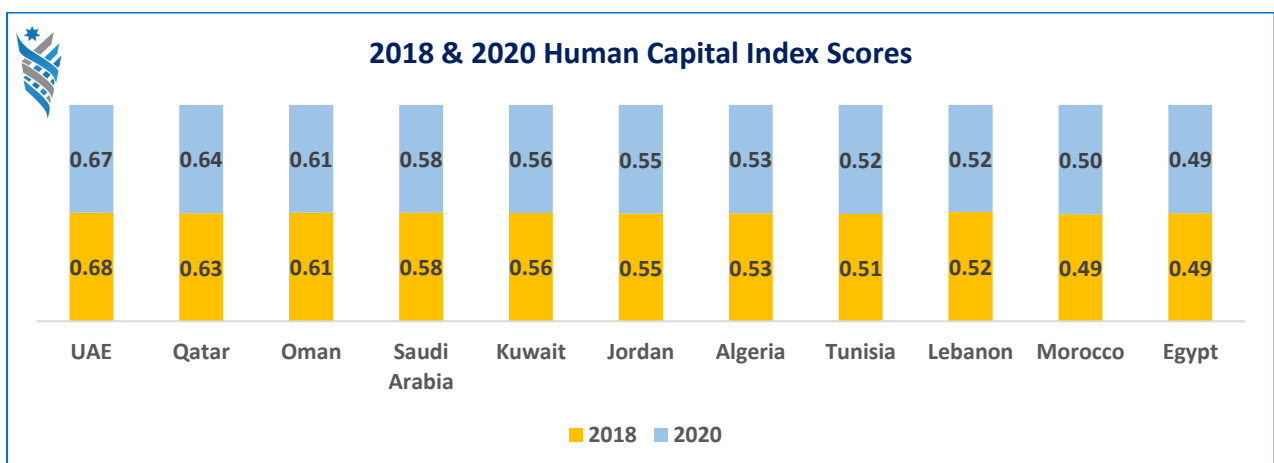
Seventh, on the corruption Perception Index, Jordan's score and rank have not changed during the years 2019 and 2020.



Eighth, Jordan's rank on the Human Capital Index is 90th out of 174 countries, and 6th among Arab countries.



Ninth, in 2018 and 2020, Jordan's score in the Human Capital Index remained the same.



7. In a Nutshell

Based on the above-mentioned observations, one can state that COVID-19 has brought nothing new to the Jordanian economy. The virus has exacerbated the already existing socio-economic challenges, long before its onslaught on the economy. In addition, growth in some sector like tourism has slowed down, and in turn, unemployment and poverty have increased.



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