



منتدى الاستراتيجيات الأردني
JORDAN STRATEGY FORUM

JSF Investors' Confidence Survey

November 2017





منتدى الاستراتيجيات الأردني JORDAN STRATEGY FORUM

The Jordan Strategy Forum (JSF) is a not-for-profit organization, which represents a group of Jordanian private sector companies that are active in corporate and social responsibility (CSR) and in promoting Jordan's economic growth. JSF's members are active private sector institutions, who demonstrate a genuine will to be part of a dialogue on economic and social issues that concern Jordanian citizens. The Jordan Strategy Forum promotes a strong Jordanian private sector that is profitable, employs Jordanians, pays taxes and supports comprehensive economic growth in Jordan.

The JSF also offers a rare opportunity and space for the private sector to have evidence-based debate with the public sector and decision-makers with the aim to increase awareness, strengthening the future of the Jordanian economy and applying best practices.

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I. Executive Summary

Confidence in the economy at large is such an important issue for several reasons. When confidence in the performance of the economy is high, and private sector investment sentiment is positive, one cannot but expect stable and strong real economic growth. When confidence increases, new investors tend to join the market, or existing investors expand their business. Consumers, on the other hand, would increase their demand for goods and services when confidence is on the rise.

Within the context of “confidence” and its economic implications, Jordan Strategy Forum (JSF) has carried out two surveys of investors in Jordan (June 2016 and March 2017). The central aim of these surveys is to seek investors’ opinion about the current and future economic situation, and their perceptions about the investment environment in general, and their experience with the Jordan Investment Commission (JIC). In addition, the surveys ask investors about what the government should consider to promote private sector investment.

The current survey (September 2017) maintains JSF’s commitment to understand and promote investors’ confidence. It must also be pointed out that the results of these surveys complement the Jordan Investor Confidence Index (JCI), which is also published by the JSF.

The population of the surveys is small, medium and large private sector enterprises. The execution of the survey took two months (September and October 2017). We managed to have 523 completed responses. The results indicate a number of observations.

1. The investment environment in Jordan has improved in certain issues and deteriorated in others. Investors want further improvements in the investment environment.

2. On the positive side, when asked about their future intentions, 30.2% of the respondents stated that they intend to expand their businesses in the coming 12 months, 58.9% stated that they intend to keep things as there are, and 5.7% intend to reduce their business.

3. In terms of how they feel about their businesses activity, the results indicate that 21.4% of investors believe that their business volume (transactions) is better than in 2016. The proportion of those who stated that sales volume in 2017 is less than in 2016 was 49.7%. In addition, and as far as the performance of business in the coming 12 months is concerned, 35.9% expressed optimism, 29.8% expressed no change, and 26.4% expressed pessimism.

4. In the evaluation part of JIC, 30.8% of the respondents stated that they dealt with the Commission during the previous three years. Investors who expressed “very satisfied” when dealing with the JIC increased from 48.9% (June 2016) to 54.6% (March 2017) and to 55.3% (September 2017). If we add the proportion of investors who expressed “very satisfied” to the proportion who stated “satisfied to a certain extent” the resultant satisfied investors is equal to 84.5%. Those who expressed dissatisfaction are 13% of investors.

5. JSF, on the other hand, states that there is plenty of space for developing various issues that will result in more investor confidence in general, and more confidence in the investment environment in particular. The survey results indicate that 35.2% of investors see the investment environment in Jordan encouraging, while 59.8% see it discouraging. When asked about why the environment is not

encouraging, high taxes topped the list (21.8% of respondents) followed by weak economic performance (15.4%).

6. The proportion of the respondents who think that the economic situation in 2017 is better than 2016 is equal to 14.5%. However, 20.7% think the economy's performance has not changed, while 62.1% think the 2017 performance was worse than in 2016.

7. As far as the national economy's performance in the next 12 months is concerned, 30.8% of the respondents expect it to improve, 35.9% expect it to worsen, and 24.3% expect no change.

In a Nutshell, the results of the JSF analysis indicate there is plenty of room to improve the investment environment in Jordan. 35.2% of the investors see the environment as encouraging. However, 59.8% do not see it this way. When asked why, 21% stated high taxes is the reasons while 15.4% stated it is due to the weak economic performance.

2. Introduction

Confidence in the economy at large is an important issue. Confidence is one of the key drivers of real economic growth, financial fluctuations, and the business cycle. When confidence increases, investors seek profitable opportunities and invest, while consumers would want to buy more goods and services. When confidence decreases, on the other hand, companies' risk-taking and consumer spending tend to fall.

Within the context of the economic importance of investors' confidence, the Jordan Strategy Forum (JSF) has already finished two surveys on local investors' opinions and their expectations in June 2016 and March 2017. From these surveys, two analytical reports are already published (JSF Investors' Confidence Survey July 2016 and April 2017).

To maintain interest, the JSF has finished the September 2017 survey. This report outlines and discusses the findings of this round (third). In addition, using the three rounds, this report includes some analysis over time.

Naturally, the investors' confidence survey aims at understanding and promoting investors' confidence per se. The survey results are important for other reasons. For example, one can see whether the results (sentiment of the investor) complement the Jordan Investor Confidence Index (also published by the JSF) or not. This index is based on three main indicators and these are the monetary system, economic activity, and Amman Stock Exchange (ASE).

3. Survey Methodology

The survey relies on data collected from a broad sample of small, medium and large businesses from various economic sectors. The survey, executed in September - October 2017, by NAMA – Strategic Intelligence Solutions, used phone-call interviews. In inputting the data, the CsPro program is used. In addition, the accuracy of the data is checked during collection, after the completion of coding, and after the completion of data entry. The data is also checked following our descriptive analysis using the SPSS package.

The survey instrument is composed of five sections. The first section covers the economic situation in Jordan. The second section includes specific questions about the

investment environment. The third section covers investors' evaluation of the Jordan Investment Commission. The fourth section is concerned with the issues that attract and discourage investments in Jordan. Finally, the fifth part covers some basic information about the respondents in terms of issues like sector of the company, number of company employees, company size, and company sales.

The survey includes various questions whose aim is to assess pessimism or optimism of Jordanian investors in the local economy and in the investment environment. While most of the questions are close-ended, the survey includes some open-ended questions as well.

4. Characteristics of Respondents

The population of the surveys is various small, medium and large enterprises. These companies are specified using the Amman Chamber of Industry, ASE, and Businessmen Association, JSF and the Jordanian Investment Authority records / members.

Relative to the first round, the second and third rounds include companies that operate in the King Hussein Business Complex, and the Survey of Economic Establishments issued by

the Jordanian Department of Statistics in 2011. Naturally, the objective of this change is to increase the population size and number of respondents.

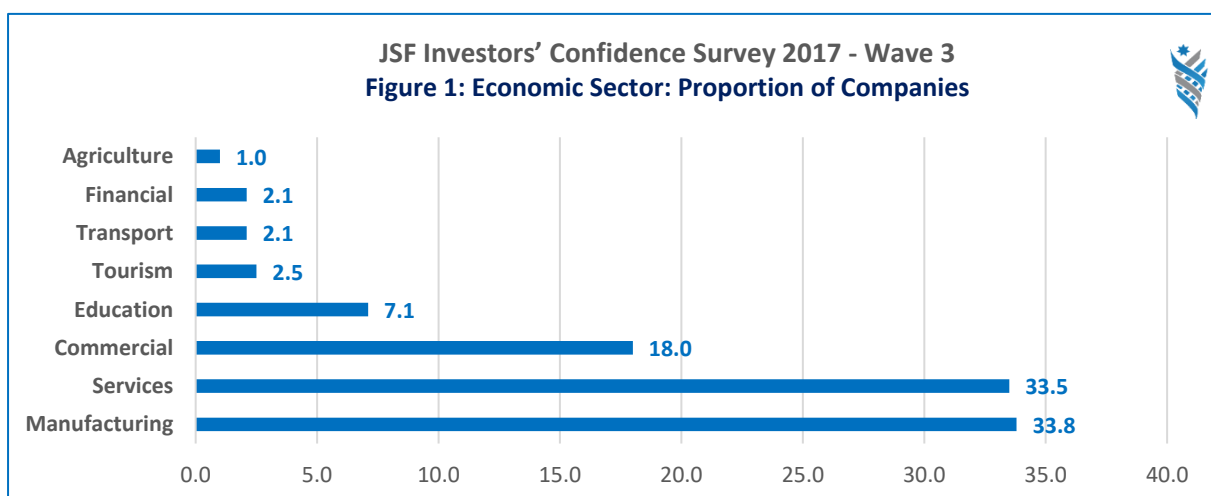
The total number of our sample of companies increased from 3387 (First Round) to 5422 (Second Round), and to 7105 (Third Round). Based on these three rounds, we managed to collect 490, 524, and 523 completed surveys respectively (Table 1).

Table 1: Population and Sample / All Three Waves

Source	First Wave June 2016		Second Wave March 2017		Third Wave Sept. 2017	
Chamber of Industry	1488	142	1488	65	1488	49
Amman Stock Exchange	250	31	224	6	288	11
Business Men Association	338	31	323	5	323	4
Jordan Strategy Forum	61	13	78	32	78	17
Investment Commission 2016	-	-	126	32	126	39
Investment Authority 1007-2015	1250	273	1451	316	1451	96
King Hussein Business Park	-	-	58	10	58	8
Department of Statistics	-	-	1674	58	3292	299
Total	3387	490	5422	524	7105	523
Proportion of Responses		14.5%		9.7%		7.4%

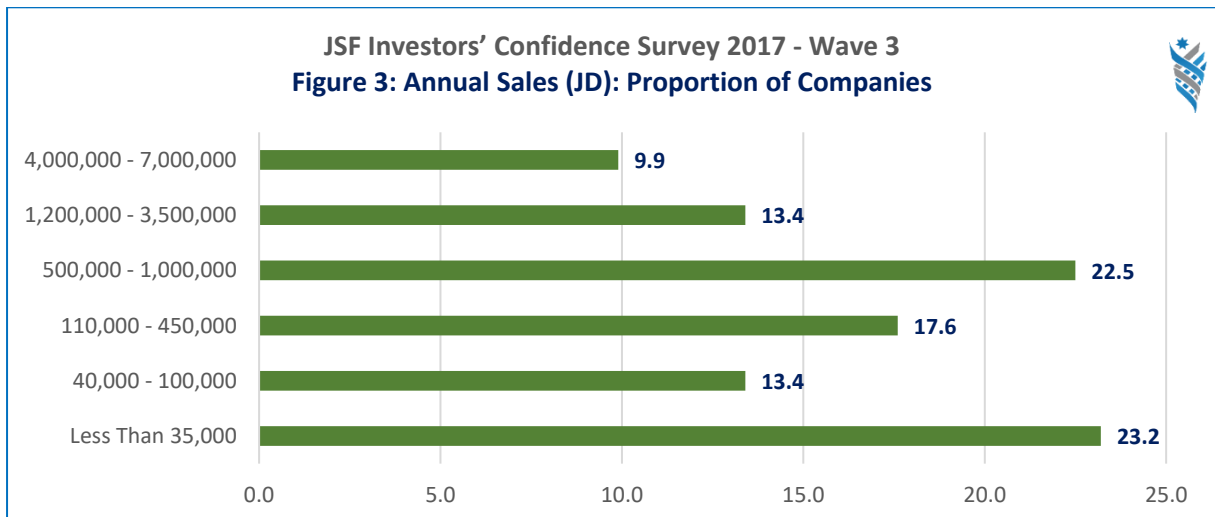
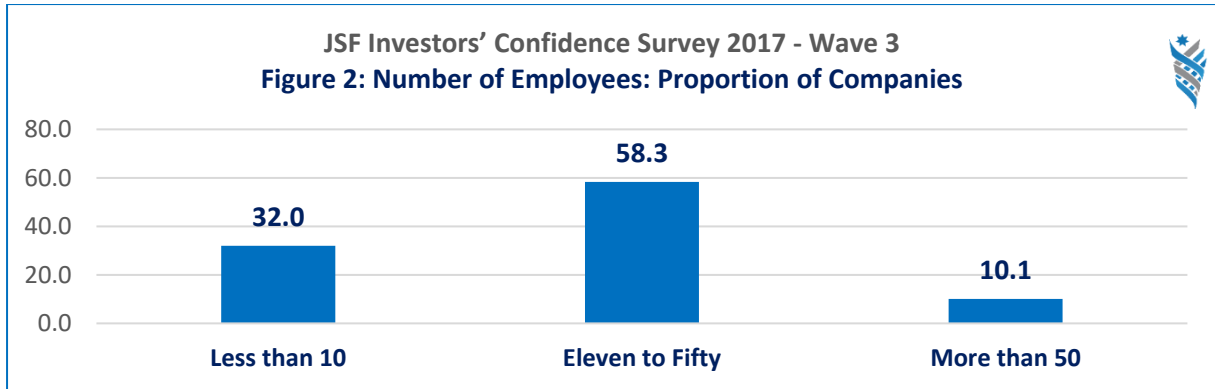
Our sample of companies represent all major sectors that operate in the national economy (Figure 1). For example, 33.8% and 33.5% of

the 523 surveyed companies that responded to the survey belong to the manufacturing and services sectors respectively.



As far as the number of employees working for our sample of companies is concerned, the reported proportions (Figure 2) reveal that 32.0% of the respondents employ less than 10 employees. Those who employ more than 50 individuals account for 10.1% of the 523

companies. Similarly, the respondent companies differ in terms of their respective sales volume (Figure 3). For example, while 23.2% of the companies' sales are less than JD 35,000, others' sales (9.9%) range between JD 4,000,000 and JD 7,000,000.



5. Economics Background: The Perspective

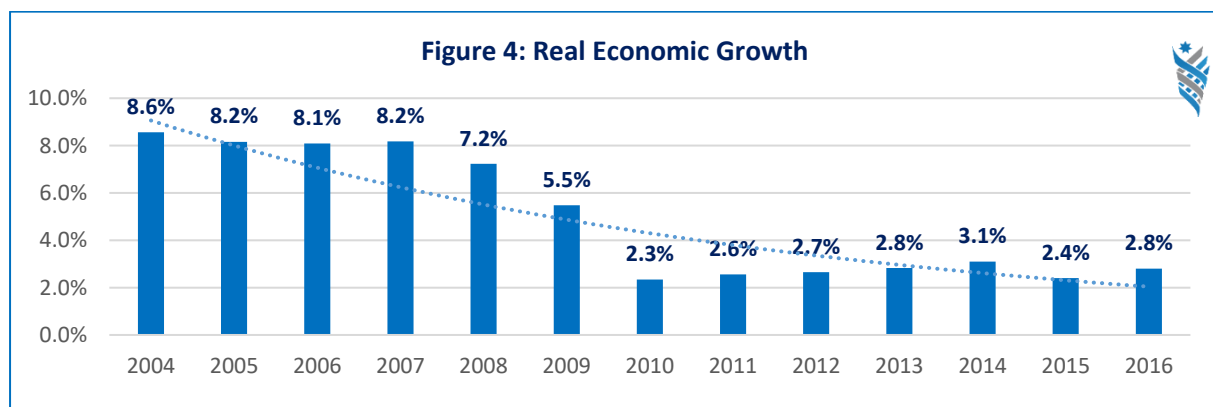
Economists, and others, have always tried to understand why some countries experience strong and stable economic growth, while others witness volatile growth or stagnate at low levels of income. This effort has led to the publication of many research and policy-oriented papers by academia, international organizations, as well as by think tanks.

The effort which examined what really affects economic growth have placed particular emphasis on a number of factors including the quality of human capital, foreign direct investment (FDI), openness to trade, institutional framework, political stability and democracy, demographic trends, government macroeconomic policy, and others. **Relative to these factors, private sector investment has always been looked as one key driver of economic growth. Investment results in growth through increasing productivity. Private sector investments bring in**

technology and create employment. Investment helps economies adopt new methods of production that enhance productivity and competition.

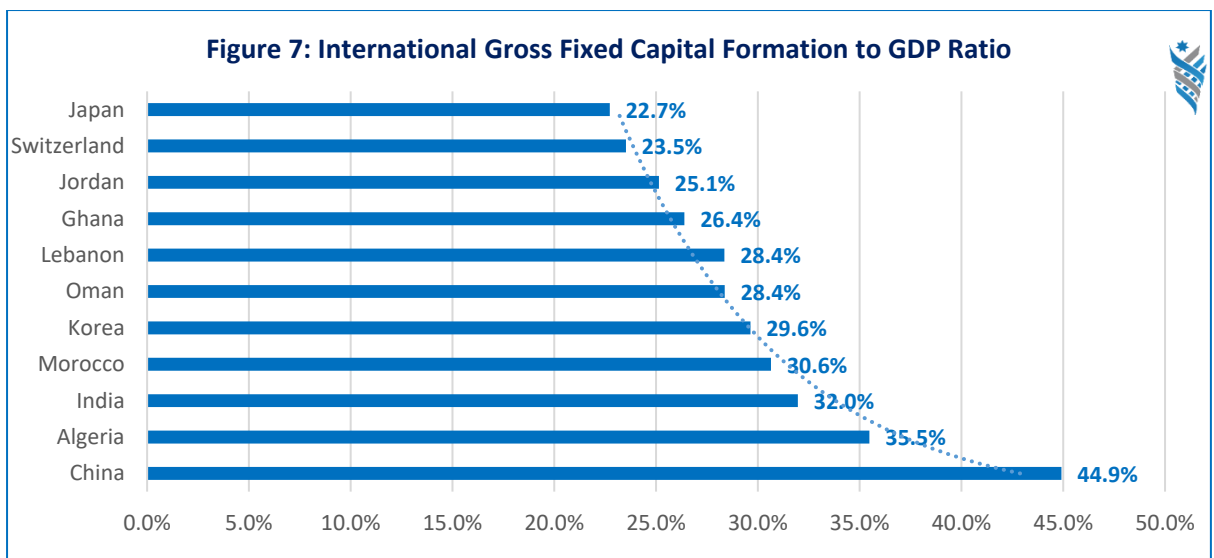
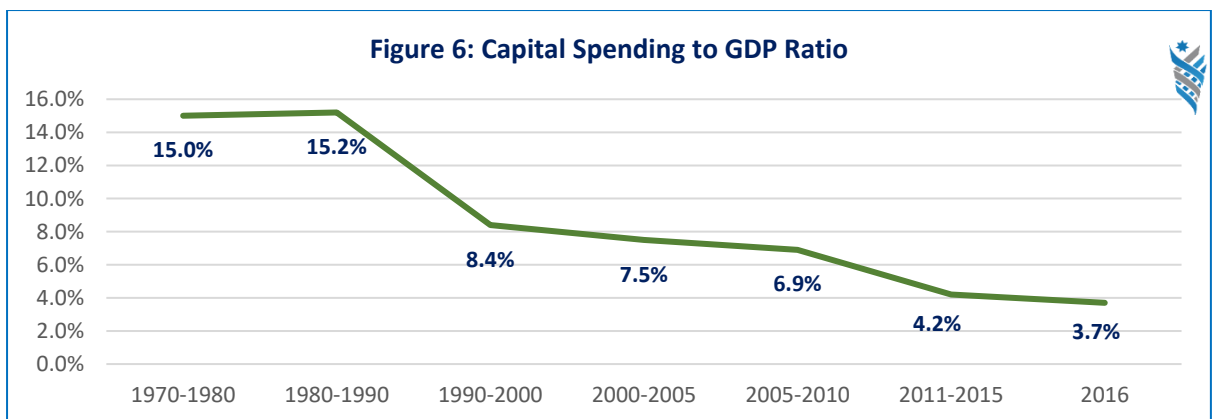
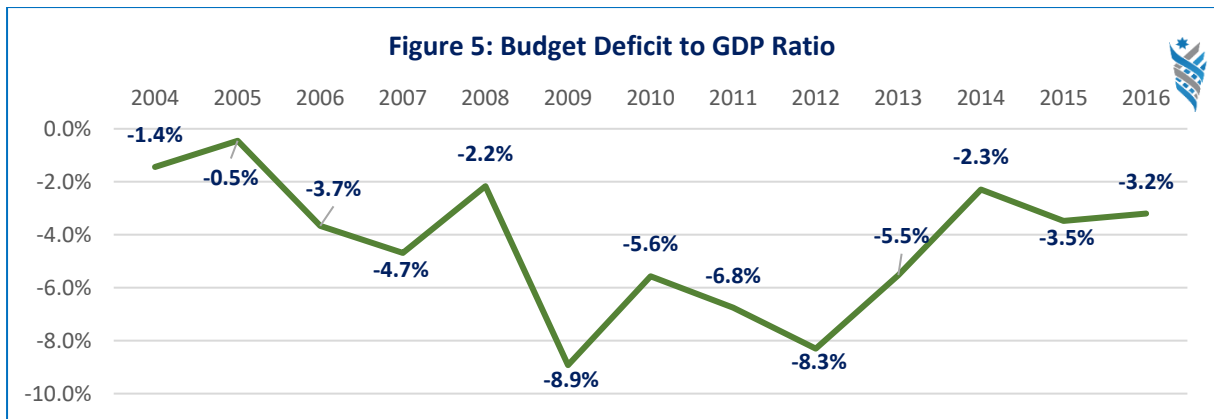
Given the importance of private sector investment, one should not underestimate the critical role of this activity in the Jordanian economy. The Jordanian economy faces a myriad of socio-economic challenges. The private sector, with its investment effort, must be instrumental in rising to these challenges. While not our objective to review the performance of the Jordanian economy, we outline below some of the most pressing challenges facing the Jordanian economy.

First, since 2004, real annual economic growth has been at a downward trend. In addition, for the last 7 years, economic growth has been, to say the least, weak (Figure 4).



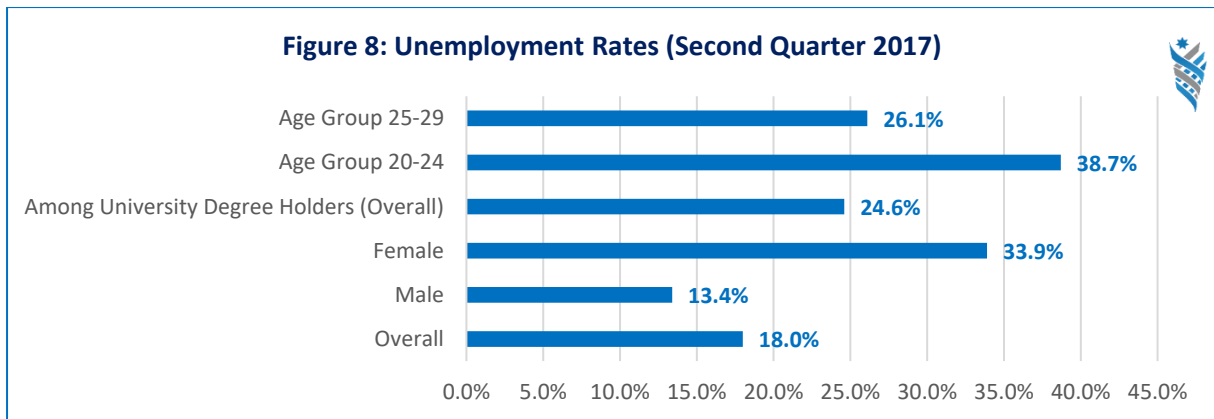
Second, underlying the poor economic growth, it is critical to note that the government has been suffering from consistent budget deficits. For example, during the period 2004-2016, the mean deficit to GDP ratio (including aid) was equal to 4.3% (Figure 5). It is not surprising,

therefore, that capital spending (public) has been at a downward spiral (Figure 6). Similarly, during the period 2010-2016, the mean gross fixed capital formation to GDP ratio in Jordan needs increasing especially if it is compared with the Chinese ratio (Figure 7).



Third, the unemployment rate in Jordan remains a challenge that the performance of the economy must face up to. It has been consistently high. During the years, 2006, 2010, 2015, and 2016 this rate was equal to 13.0%, 11.8%, 13.6%, and 15.8% respectively.

By the end of the second quarter of 2017, the overall unemployment rate stood at 18.0%. Even more challenging is the fact that the highest unemployment rate is amongst the age group 20 – 24 yearsold (Figure 8).



Based on the above-mentioned observations about economic growth, budget deficit, capital spending, gross fixed capital formation, and unemployment rates, one cannot

underestimate the critical importance of private sector investment. This is what the *JSF's INVESTOR CONFIDENCE SURVEY is all about.*

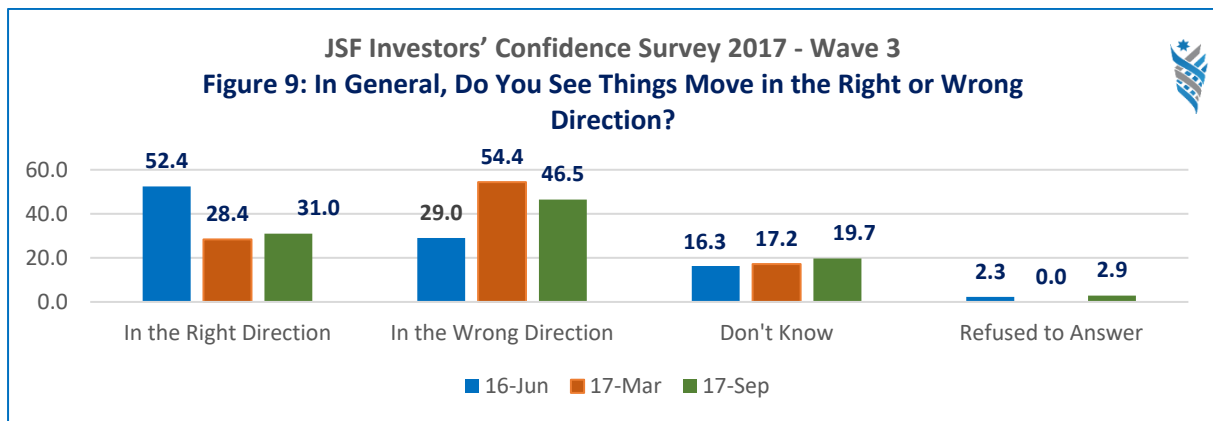
6. Survey Results

As stated above, the survey instrument is composed of five sections. What follows is a presentation of the main results. The objective here is to comment on the main findings of the third wave alone, and in terms of any important changes that have occurred since the first and the second wave.

6.1 Economic Situation in Jordan

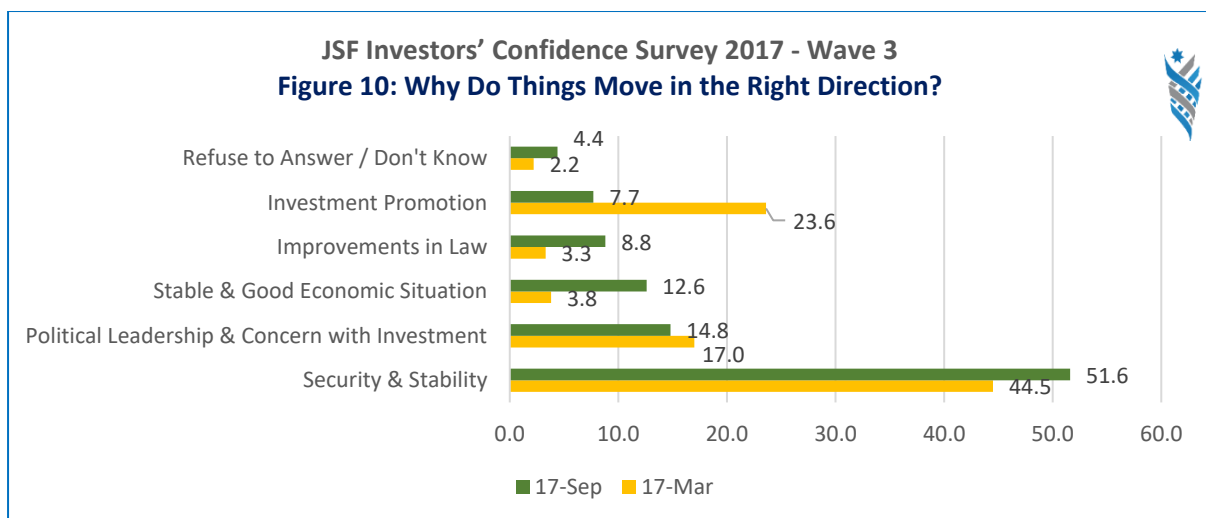
The results of the survey conducted in September 2017 indicate that 31.0% of investors feel that “things” are moving in the right direction. This result is encouraging because this proportion (31.0%) is higher than

its equivalent in the March 2017 survey (28.4%). Those who see things are moving in the wrong direction, on the other hand, have decreased from 54.4% (March 2017) to 46.5% (September 2017).



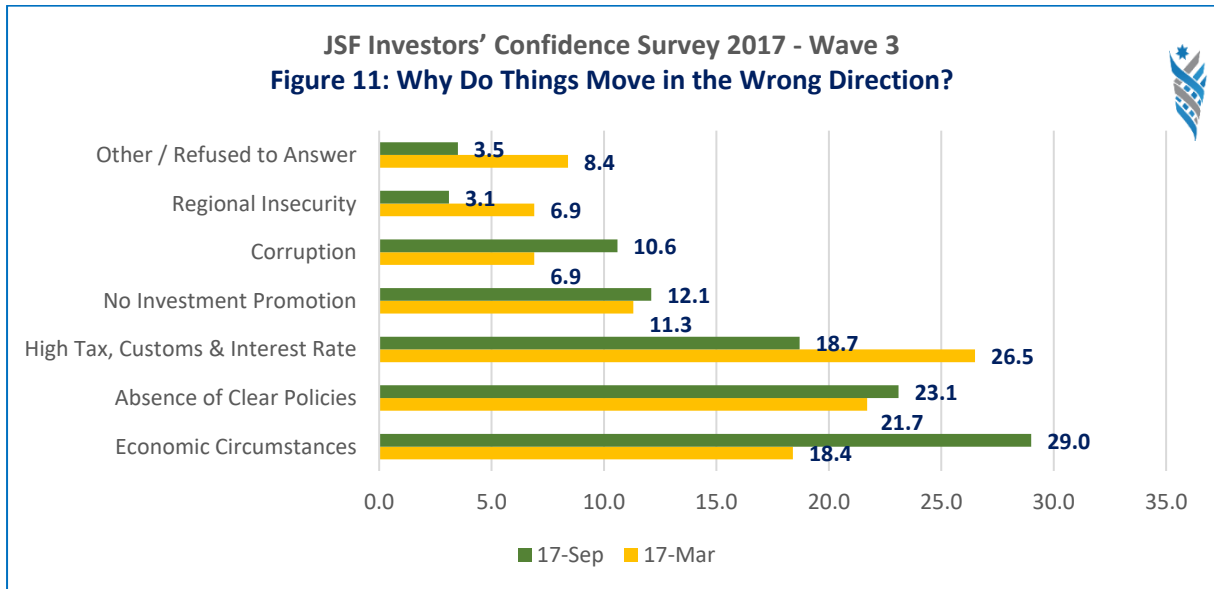
When asked about the reasons for moving in the right direction, the security and stability factor topped the list (51.6% of the

respondent). Moreover, 14.8% of the respondents chose “Political Leadership and Concern with Investment” as the main reason.



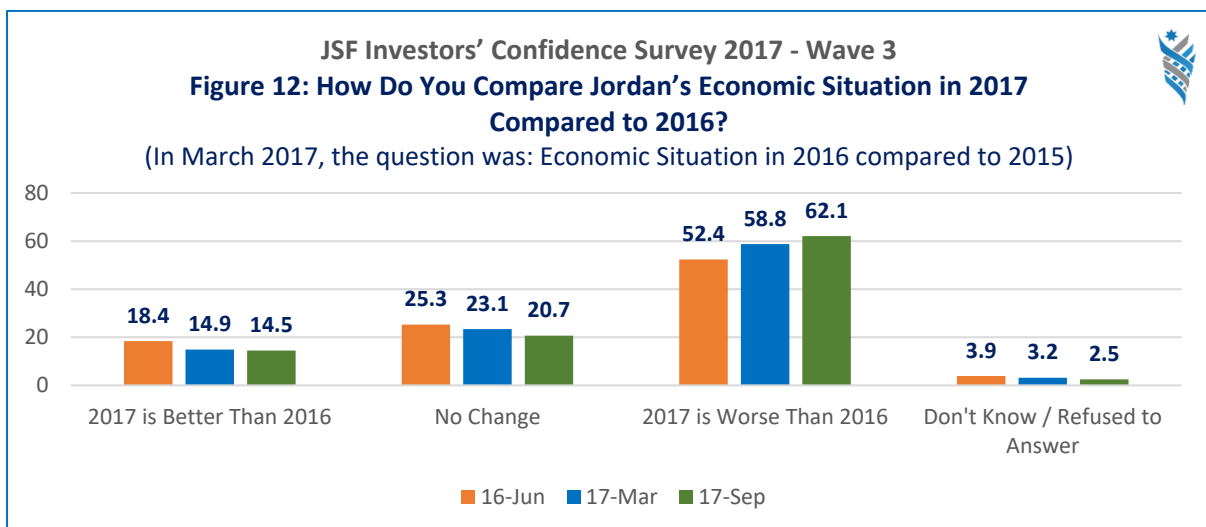
When asked about the reasons for things moving in the wrong direction, current economic circumstances topped the list (29.0% of respondents). This factor has also increased from the March 2017 survey (18.4%). Naturally, this indicates the growing importance of private (and public)

investments. Within this context, it is also useful to note that 18.7% of the respondents chose “high taxes and interest rate” as the reason. This proportion, however, is lower than the 26.5% reported in the March 2017 survey.



The question about the 2017 economic situation in Jordan relative to 2016 provides us with a discouraging observation. Those who see the economic situation worsening has increased from 52.4% of respondents (June 2016) to 58.8% (March 2017), and to 62.1% (September 2017). Again, this indicates the “growing” importance of promoting private sector investments.

The September 2017 survey reveals that the manufacturing, commercial and services sector do not reflect significant differences in the proportions of respondents who see the economic situation deteriorating. These proportions are equal to 62.1%, 66.0%, and 60.7%.

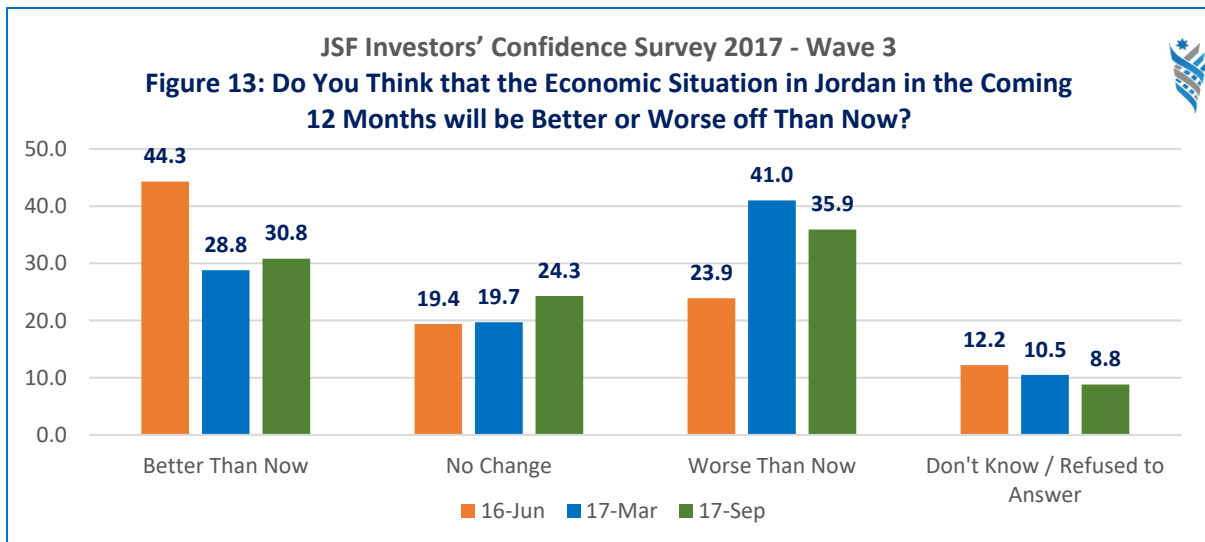


Survey of respondents opinion on the Jordan's Economic Situation in 2017 compared to 2016

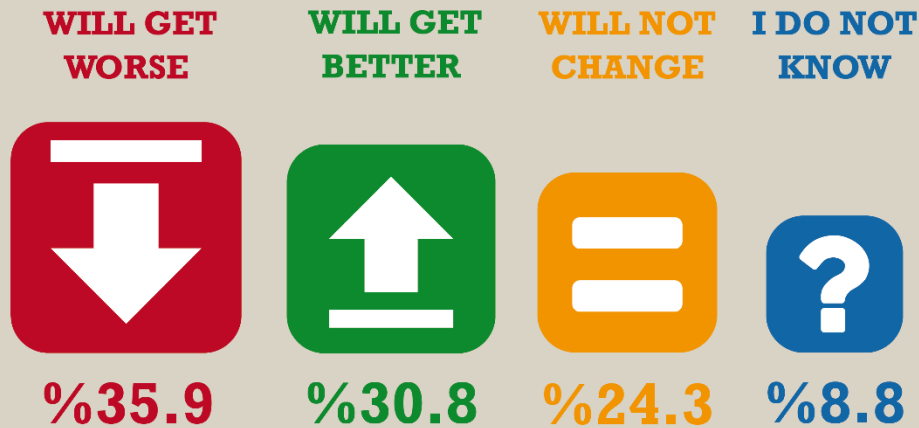


When we shift our focus to the future, the responses reflect some consistent pattern. For example, when asked about the economic situation in the coming 12 months, those who responded "better than now" decreased from 44.3% (June 2016) to 28.8% (March 2017), and then increased marginally to 30.8%

(September 2017). This pattern is also accurate for those who see the economic situation in the coming 12 months worse than now. It increased from 23.9% of the respondents (June 2016) to 41.0% (March 2017) and then fell to 35.9% (September 2017).



Survey of respondents opinion on the Economic Situation in Jordan for the coming year



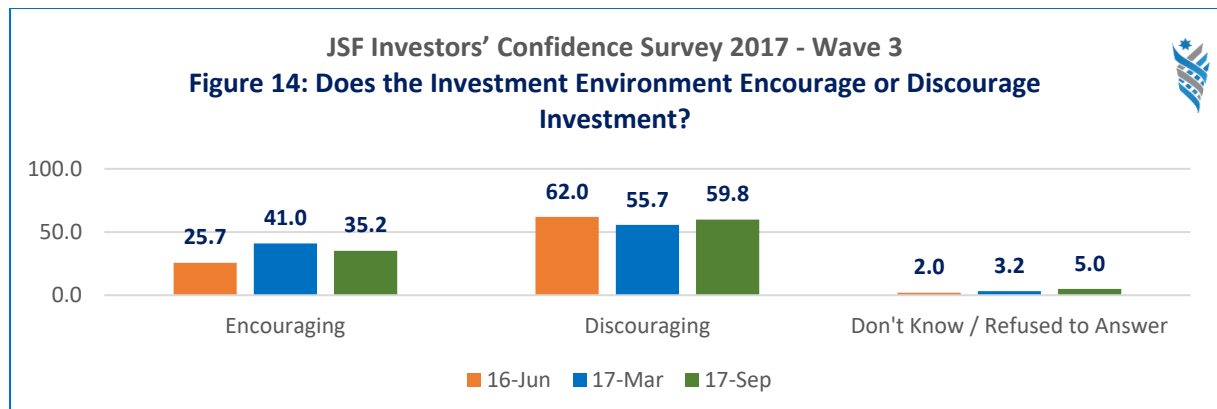
Date: November 2017
Source: Jordan Investor Confidence Survey (SEP 2017) prepared by JSF

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6.2 Investors Sentiment About the Investment Environment in Jordan

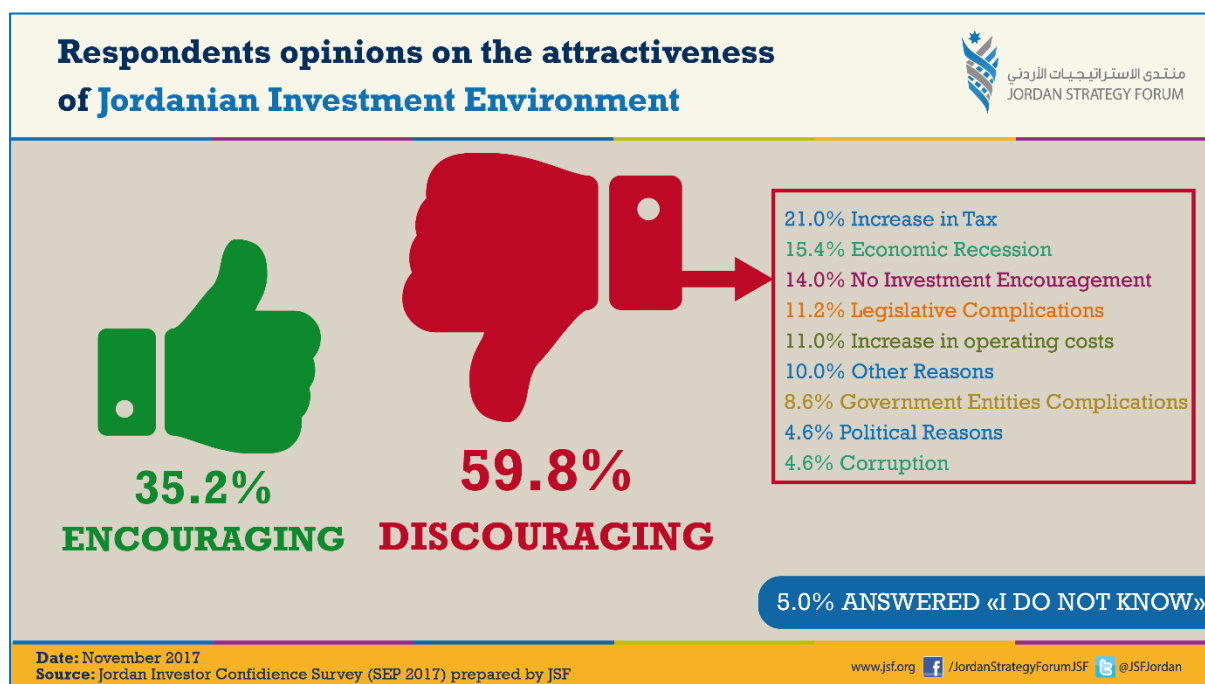
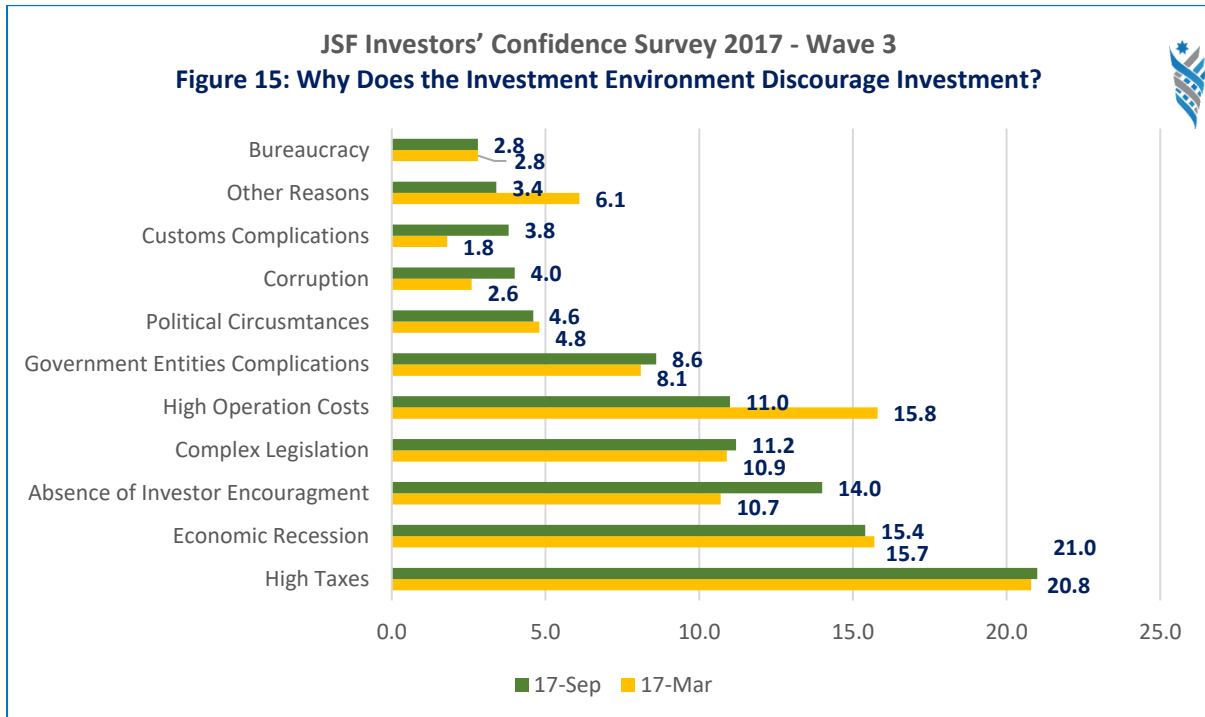
In terms of the investment environment, the September 2017 survey results showed that 35.2% of investors find it encouraging. While this proportion was equal to 41.0% (March 2017), we must admit that it was much lower

in the June 2016 survey (25.7%). Similarly, the respondents who see the investment environment as discouraging decreased from 62.0% (June 2016) to 59.8% (September 2017).



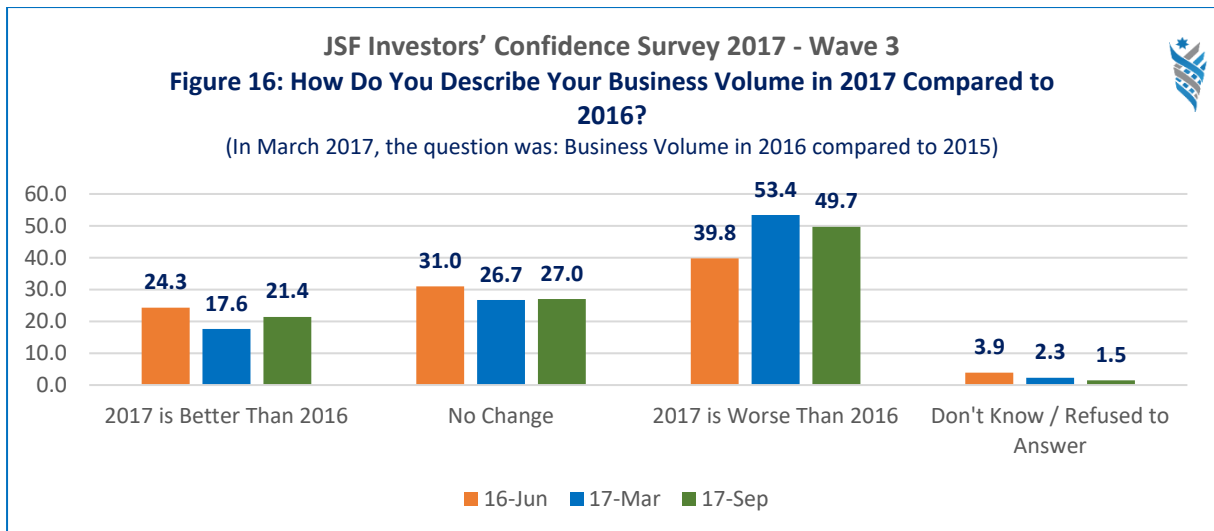
The 35.2% of the respondents who see the investment environment as encouraging does not reflect any significant sectoral difference. For example, 35.0% of the manufacturing investors, 37.2% of the commercial investors, and 34.5% of the services investors see that the investment environment as encouraging. This is also accurate for the discouraging responses.

When asked about why the investment environment is discouraging, high taxes top the list in both the March and September 2017 surveys. About 21.0% of investors (respondents) agree that the main reason is high taxes. Here, it is useful to note that the "absence of investor encouragement" factor is chosen by 10.7% and 14.0% only of the respondents in the March 2017 and September surveys respectively.



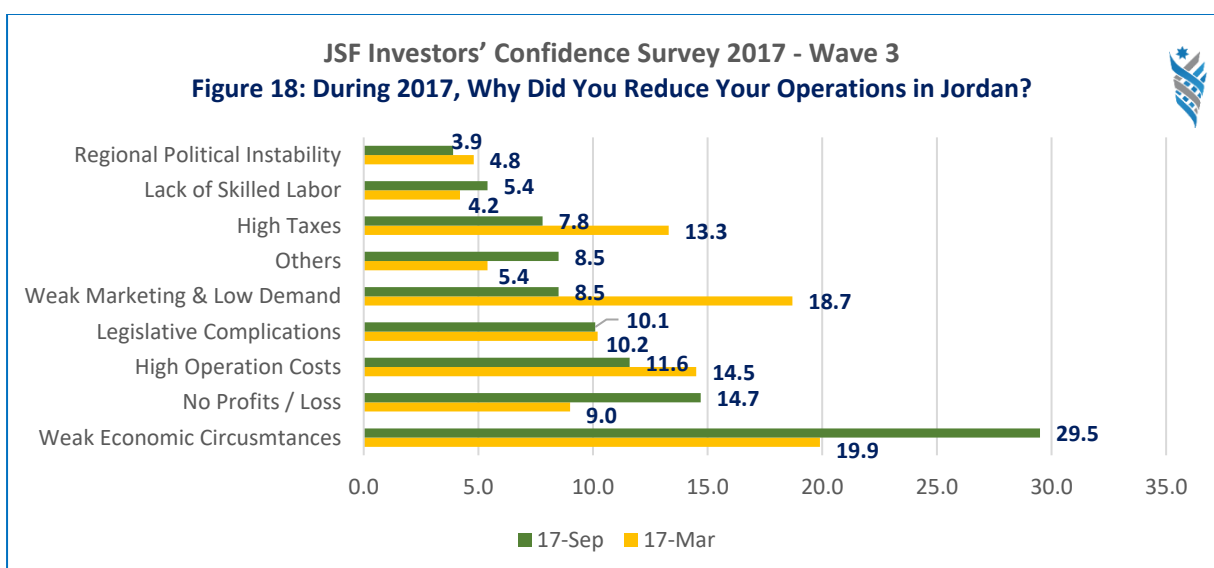
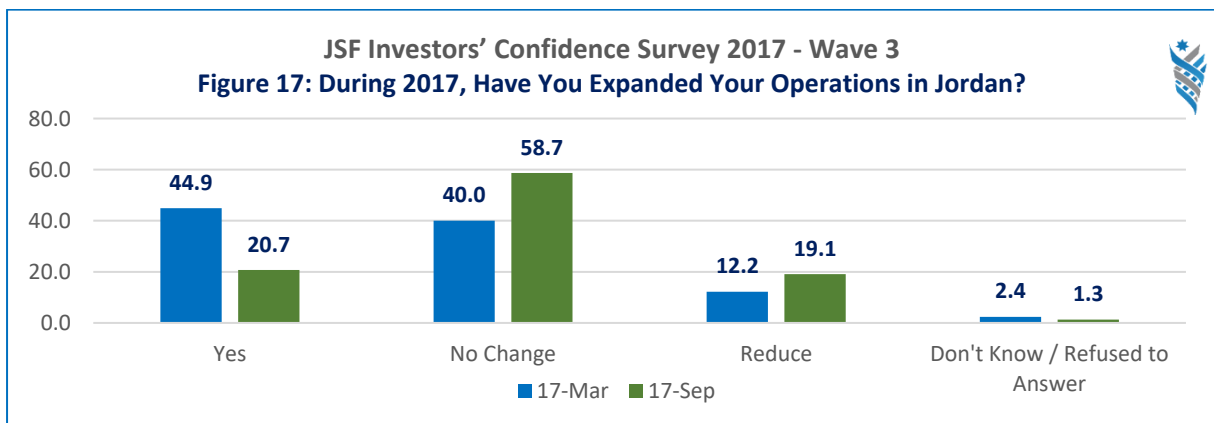
In terms of how investors feel about their businesses activity, the results indicate that 21.4% believe that their business volume (transactions) is better than in 2016. This percentage is an improvement on the March 2017 survey result (17.6%). In common with

this observation, those who see business activity in 2017 worse than in 2016 fell from 53.4% (March 2017) to 49.7% (September 2017). The figures for the industrial and services sector were 54.2% and 46.4% respectively.



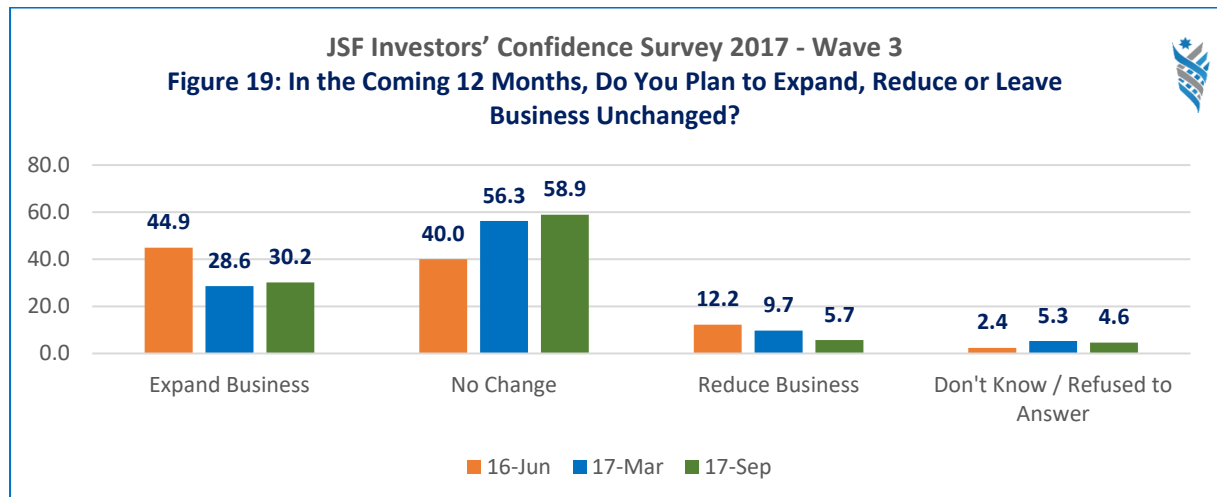
When our sample of companies are asked about what they did in terms of increasing, decreasing or leaving the size of their operations unchanged, 20.7% stated that they increased their activity. While this proportion is lower than in the March 2017 survey, 58.7%

of the respondents saw no change in the size of their operations. This is indeed encouraging. In addition, it is not surprising that 29.5% (up from 19.9%) of the respondents stated that weak economic circumstances are behind them reducing their operations.



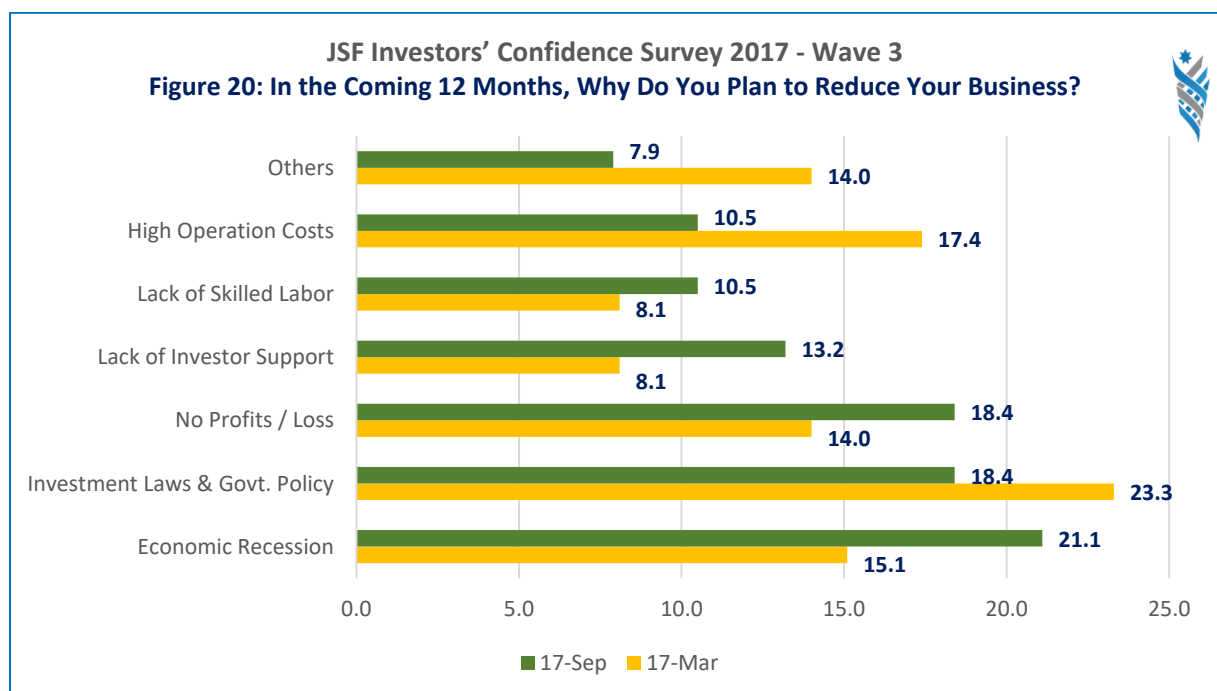
When asked about their future intentions, 30.2% of the respondents stated that they intend to expand their businesses in the coming 12 months. This is a positive

observation given that, relative to the March 2017 survey, those who responded expansion was marginally lower and those who responded contraction decreased.



In addition to their future intentions, our sample of companies are asked about the reasons for wanting to reduce their business activities. From our latest survey (September 2017), again it is clear that economic performance (recession) dominates the list

(21.1% of respondents). It is also useful to note that “investment laws and government policy” was mentioned by 18.4% of the respondents (down from 23.3%) as the reason for their intention to reduce their business activities.





6.3 Investors Sentiment about the Investment Commission

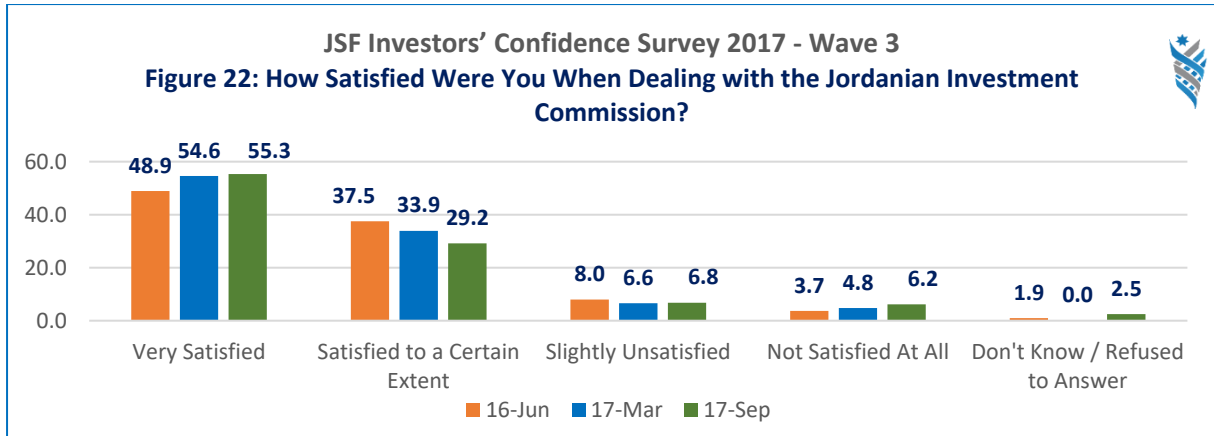
The survey asks about investors' involvement / experience with the Jordanian Investment Commission (JIC) follow-ups on their projects over the past 3 years. In our latest survey (September 2017) we can report that 30.8% of the respondents stated yes as opposed to the

65.9% and 43.7% in the June 2016 and March 2017 surveys respectively. When broken down into sectors, the results show that the investors from the industrial sector had the highest involvement with the JIC (45.2%).



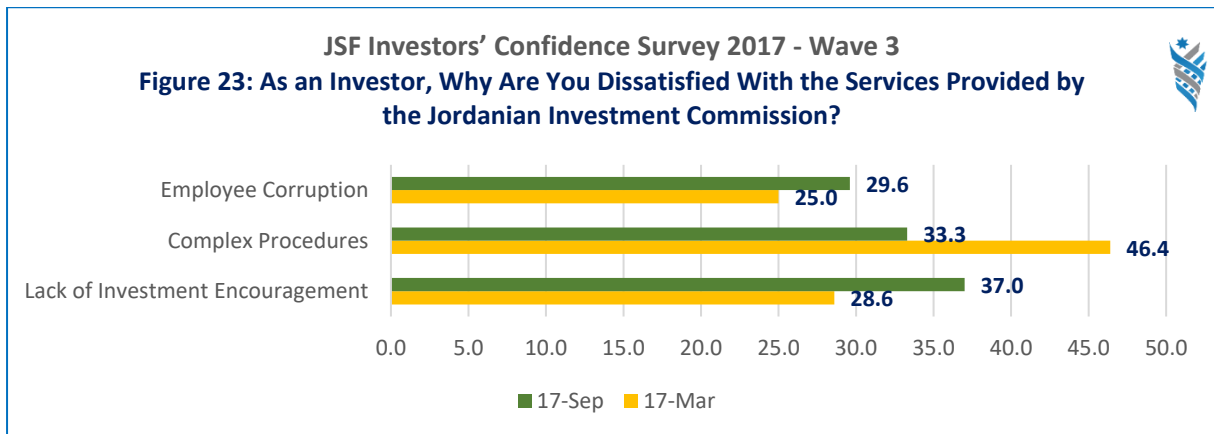
Investors who expressed "very satisfied" when dealing with the JIC increased from 48.9% (June 2016) to 54.6% (March 2017) and to 55.3% (September 2017). If we add the

proportion of investors who expressed "very satisfied" to the proportion who stated "satisfied to a certain extent" the resultant satisfied investors is equal to 84.5%.



Investors that indicated “not satisfied”, or “not satisfied at all”, about the provided services by the JIC are then asked about their reasons. Again, it is positive to note that 33.3% of the respondents stated “complex procedures” as

the reason. This proportion was much higher (46.4%) in the March 2017 survey. “Lack of investment encouragement” and “employee corruption”, however, need some close examining.



Respondents satisfaction with the Jordanian Investment Commission services



**84.5%
SATISFIED**



**13%
NOT
SATISFIED**



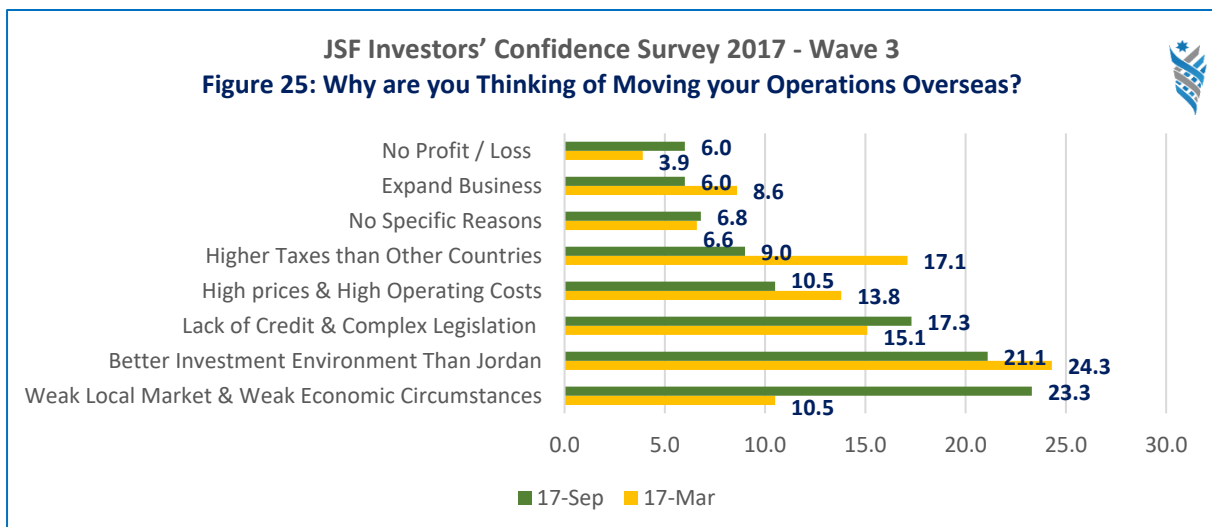
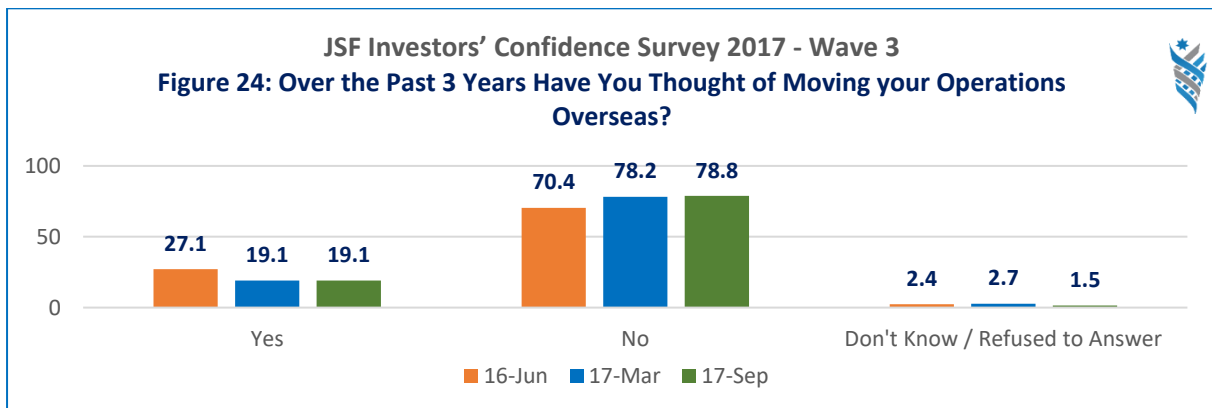
**2.5%
I DO NOT
KNOW**

%30.8 of survey respondents are investors that dealt with the Jordanian Investment Commission during the past three years

6.4 Drivers of Discouraging and Encouraging Investment

Following on the previous questions, our survey asked investors about their intentions in terms of geographical location. Again, it is heartening to note that 19.1% of the respondents (down from 27.1%) stated that they thought about moving their businesses abroad. Within the same spirit, when asked about the reasons for thinking about moving

abroad, weak local market and poor economic circumstances top the list. However, as far as the “better investment environment than Jordan” is concerned, the proportion of those who agreed with statement went down from 24.3% to 21.1%. While encouraging, again, this issue must be dealt with.

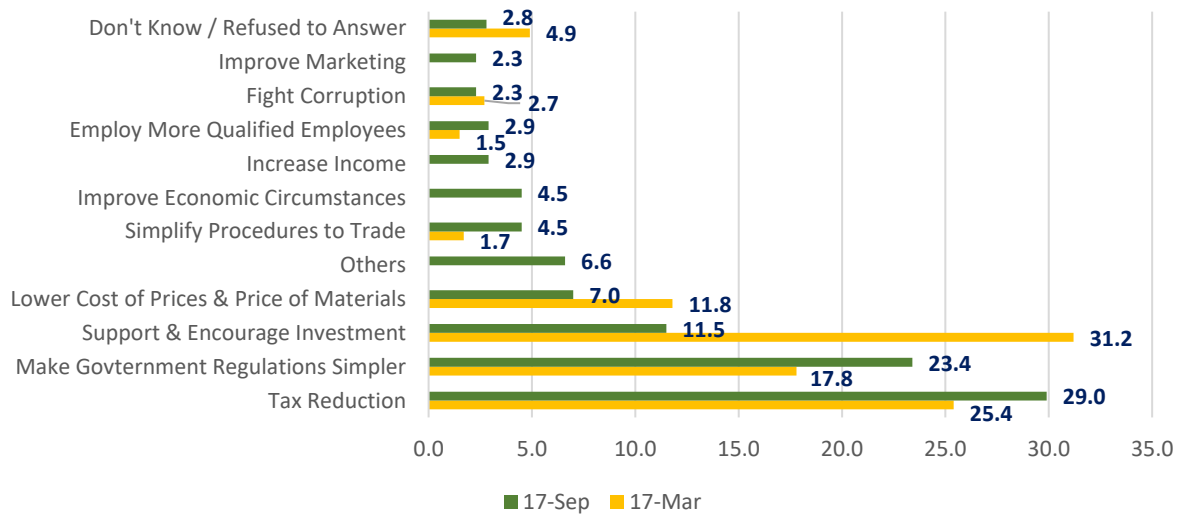


Finally, our sample of companies are asked about future steps the government should take in order to promote private sector investments both inside and outside Jordan. Based on the September 2017 survey, we can clearly state that tax reduction, with 29% of respondents, tops the list. Again, as far as “support and encourage investment” is concerned, 11.5% (down from 31.2%) of

respondents indicated that this issue must be dealt with to increase their business activities. Clearly, this observation is encouraging because it implies that investment support and encouragement must have witnessed some improvements. At the macro-level, however, government regulations must be improved and made simpler.

JSF Investors' Confidence Survey 2017 - Wave 3

Figure 26: What Future Steps the Government Should Take in Order to Increase the Volume of Investment Both in and out of Jordan?



7. Summary and Conclusions

Confidence in the economy at large is an important issue. Confidence is one key driver of real economic growth, financial fluctuations, and the business cycle. When confidence increases, investors seek profitable opportunities and invest. Similarly, when confidence is on the rise, consumers want to buy more goods and services. When confidence decreases, on the other hand, the risk-taking (and investment) behavior of companies and consumer spending tend to fall.

The JSF has published the results of two surveys on local investors' confidence in June 2016 and March 2017. This analytical report outlines the findings of the results of the third round (September 2017). Based on the findings of the survey and contents of this paper, a number of conclusions are stated.

1. The Jordanian economy faces a myriad of socio-economic challenges. These challenges warrant more involvement from the private sector in terms of investments.
2. The current survey (September 2017) indicate that 31.0% of investors feel that "things" are moving in the right direction. This proportion (31.0%) is encouraging because it is higher than its equivalent in the March 2017 survey (28.4%). Those who see "things" are moving in the wrong direction, on the other hand, have decreased from 54.4% to 46.5%.
3. When asked about the reasons for moving in the right direction, the security and stability factor topped the list (51.6% of the respondent). Moreover, 14.8% of the respondents chose "Political Leadership and Concern with Investment" as the main reason.
4. When asked about the reasons for things moving in the wrong direction, current economic circumstances topped the list (29.0% of respondents). This factor has also increased from the March 2017 survey (18.4%).
5. When asked about the economic situation in the coming 12 months, those who responded "better than now" decreased from 44.3% (June 2016) to 28.8% (March 2017), and then increased marginally to 30.8% (September 2017). This indicates the importance of increasing private investment.
6. 35.2% of investors find the investment environment encouraging. This proportion was equal to 41.0% (March 2017). However, in the June 2016 survey, it was equal to 25.7%.
7. When asked why the investment environment is discouraging, high taxes top the list (21.0% of the respondents).
8. Investors who expressed "very satisfied" when dealing with the JIC increased from 48.9% (June 2016) to 54.6% (March 2017) and to 55.3% (September 2017). Adding the "very satisfied" to the "satisfied to a certain extent" responses, means that 84.5% of those who dealt with the JIC express clear satisfaction.
9. 33.3% of the respondents stated "complex procedures" as the main reason behind their unhappiness with JIC. However, this proportion was higher in the March 2017 survey (46.4%).
10. Following on the previous questions, our survey asked investors about their intentions in terms of geographical location. Again, it is heartening to note that 19.1% of the respondents (down from 27.1%) stated that they thought about moving their businesses abroad. Within the same spirit, when asked about the reasons for thinking about moving abroad, weak local market and poor economic circumstances top the list.



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