



JSF Investors' Confidence Survey

July 2016

This study is the property of the Jordan Strategy Forum (JSF). For further information please contact the research department at: info@jsf.org or by phone at 06-566-6476



منتدى الاستراتيجيات الأردني JORDAN STRATEGY FORUM

Establishment of Jordan Strategy Forum (JSF) embeds the private sector's genuine will to be part of a dialogue on economic and social issues that concern Jordanian citizens. JSF brings together leading and active businesses from the private sector in the country in addition to think tanks and those concerned with economic matters. The objective is to build a coalition that serves as the driving force towards sustainable strategy for development, raise awareness on economic and development issues and maximize the private sector's contribution to comprehensive development.

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In April 2016, Jordan Strategy Forum (JSF) conducted a survey on local and foreign investor's opinions and their expectations. Data was collected from 490 businesses through the Amman Chamber of Industry, Amman Stock Exchange, Businessmen Association, Jordan Strategy Forum and the Jordan Investment Commission. The survey aimed at assessing the economic situation and investment environment in Jordan from the view point of both foreign and local investors. This initiative is part of bolstering the results of the Jordan Investors' Confidence Index recently launched by JSF. The Index measures investor's confidence in the national economy on a monthly basis through three main factors: monetary system, economic activity and the Amman Stock Exchange.

I. Survey Methodology

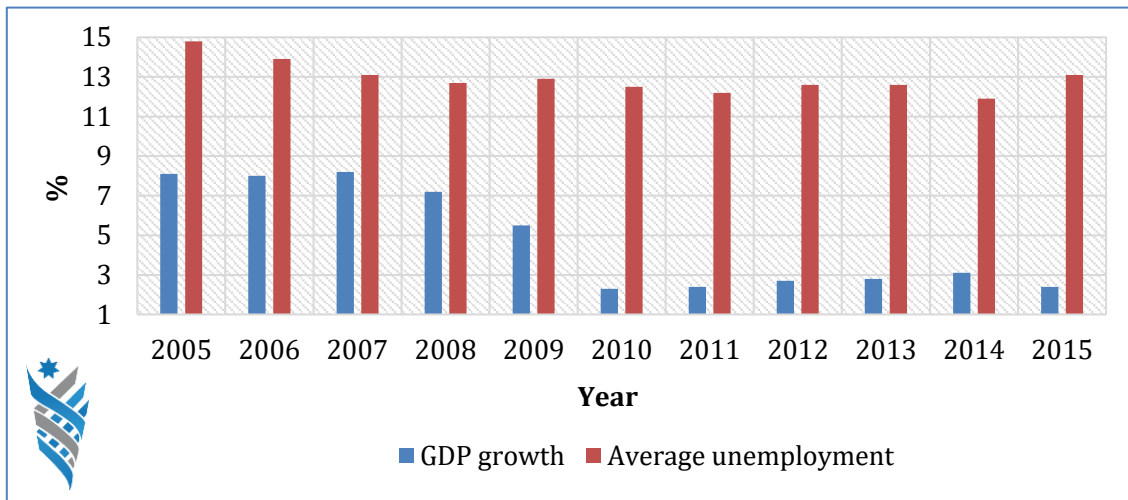
The Survey relies on data collected from a broad sample of big, medium and small businesses and from various economic sectors. The sample includes 490 businesses from the industrial, commercial, and service sectors. The questionnaire assesses the extent to which both foreign and local investors in Jordan are optimistic or pessimistic about the economic situation and the investment environment in the country. Furthermore, the survey includes open-ended questions in order to understand the reasons behind either the pessimism or optimism. The reasons provided are then grouped according to their similarity and the collected data is analyzed using SPSS.

II. Analysis of the Survey Results

A. First: Invertors View of the economic situation in Jordan

Official figures and international reports show that the Jordanian economy has been significantly affected by consequences of crises in the neighboring counties, especially by the conflicts in in Syria and Iraq. The closing of trade corridors and border crossings have negatively affected the trade and tourism sectors, leading to the creation of many economic challenges for both the internal and external sectors. The regional instability has also contributed to a slowdown in economic growth which fell to 2.4% in 2015 after reaching 8.2% in 2007 just prior to the Global Financial Crisis and the outbreak of crises in the region. The influx of Syrian refugees to Jordan resulted in an unprecedented increase in the population and an increase in unemployment rates, which reached at 13.1% in 2015. In addition, those crises resulted in the exhaustion of the country's natural resources and the government becoming increasingly dependent on foreign aid, especially from the GCC. Figure 1 shows the change in economic growth rates and unemployment rates in Jordan during the last ten years.

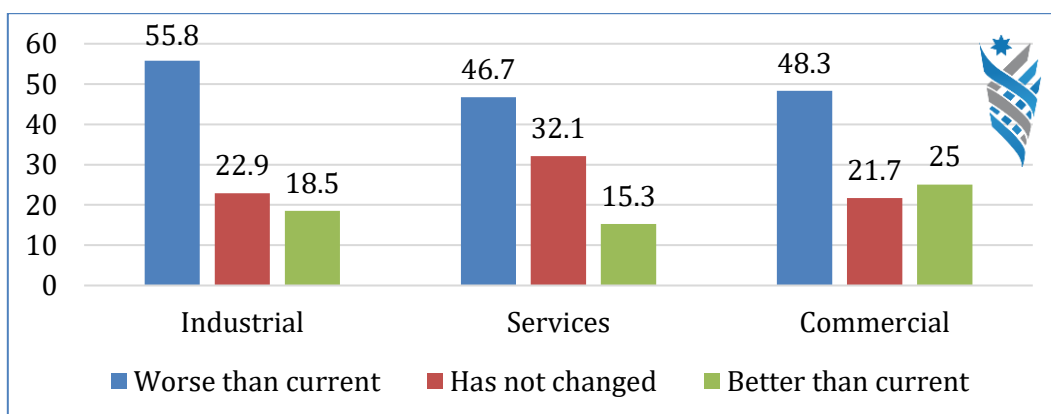
Figure 1: Economic growth rates and unemployment rates in Jordan 2005-2015



The International Monetary Fund (IMF), in the last review under the Stand-By Arrangement with Jordan, expected GDP growth in 2017 to reach 4.5%. However, the government, according to Jordan Vision 2025, aims at increasing the GDP growth to 4.9% by 2017 and then to 6.9% in 2021. The government also aims at decreasing the unemployment rate to 11.5% by 2017 and then decreasing it further to 10.8% by 2021.

In terms of the respondent investors' sense about the economic situation in Jordan, results of the Survey conducted by the JSF showed that 52.4% of investors feel that the economic situation in Jordan is worse in 2016 than in 2015, while 25.3% feel that it remained the same. In contrast, 18.4% of investors feel that the economic situation in 2016 is better than in the year before. Results show that the industrial sector is the most pessimistic as 55.8% of investors in this sector feel that the economic situation in 2016 is worse than in the year before, while only 18.5% stated that it is better in 2016 than in 2015. Those percentages were different among investors in the trade sector as 48.3% stated that the economic situation this year is worse. Furthermore, 46.7% of investors in the services sector feel the situation is worse than in the year before.

Figure 2: Respondents' opinion on Jordan's economic situation in 2016 compared with the year before (2015) - by sector



In regards to future expectations, results of the Survey were in contrast of the investors' view of the current situation as they were more optimistic. Out the total respondents, 44.3% feel that the economic situation in the next 12 months will be better than what it is now, while 23.9% believe it will be worse. The percentage of those who believe it will remain the same was 19.4%, while 12.2% were not sure of the answer. Investors in the services sector were the most optimistic with 46% of them expecting the economic situation in the next 12 months to be better than the current one, investors in the industrial and trade sectors were less optimistic with percentages of 44.9% and 38.3% respectively.

Figure 3: Respondents' opinion on Jordan's economic situation in the next 12 months - by sector

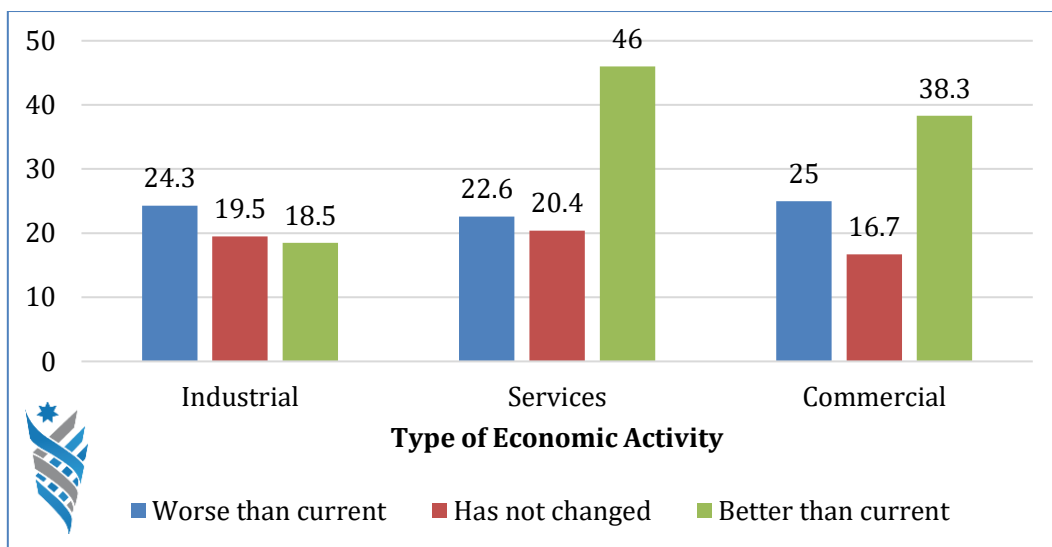
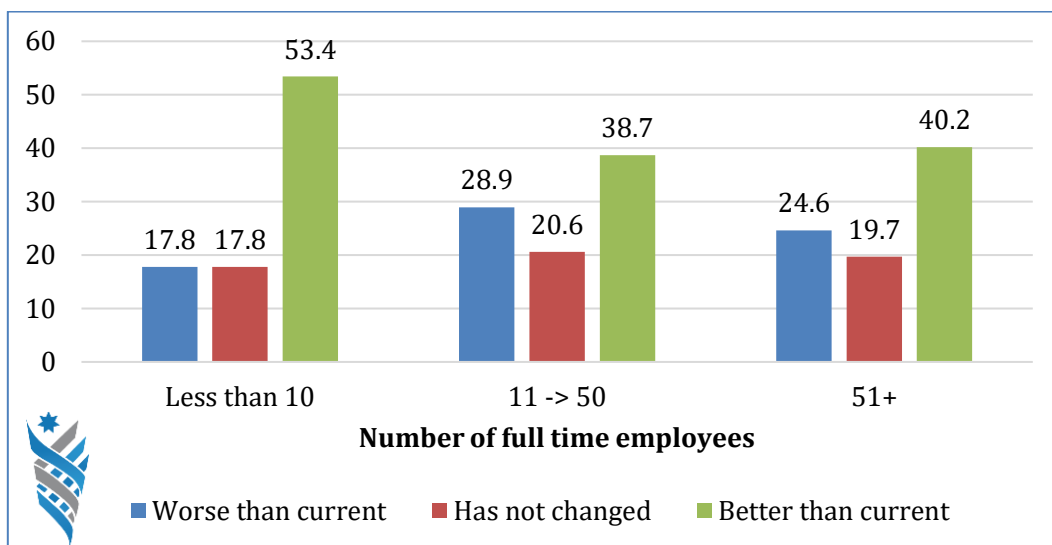


Figure 4: Respondents' opinion on Jordan's economic situation in the next 12 months - by company size



B. Second: Investors' sense about the investment environment in Jordan

There is no doubt that the turmoil in the region due to the outbreak of the Arab Spring had a significant impact on investment in Jordan, in particular foreign investment. Direct foreign investment in Jordan declined from 2.6 billion dinars in 2006 to around 910 million dinars in 2015. However, the foreign investment in the country increased by 54% in the first quarter of 2016 compared to the first quarter of 2014, reaching 345.2 million dinars.

On the other hand, fixed capital creation recorded an increase during the last ten years from 3.86 billion dollars in 2005 to 9.4 billion dinars in 2014. Nonetheless, it decreased by 15% in 2015 reaching 8.3 billion dollars. Despite the increase in value of total fixed capital formation, it decreased as a percentage of the GDP. Fixed capital formation as a percentage of GDP reached 34% in 2005 only to decrease to 23% in 2015.

Figure 5: Investment in Jordan 2005-2015

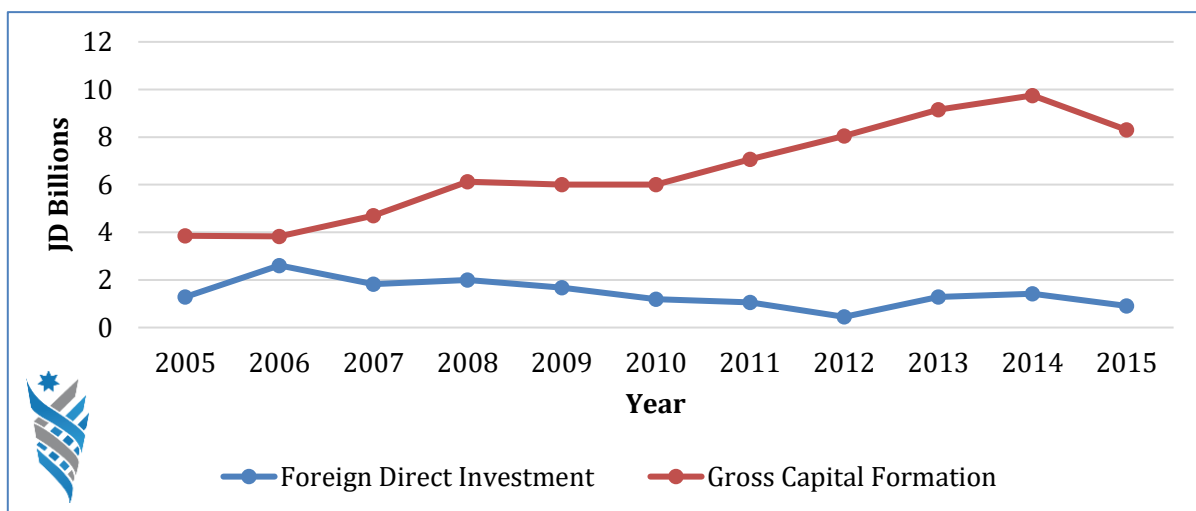
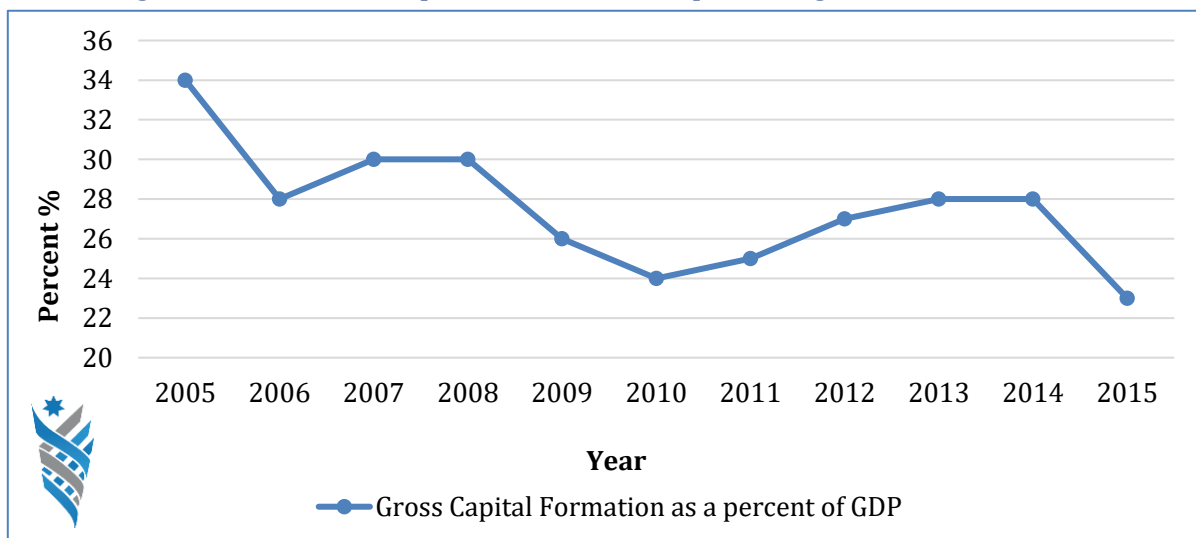


Figure 6: Total fixed capital formation as a percentage of GDP 2005-2015



According to "Oxford Business Group", the Government of Jordan continues its attempts to support and encourage investment, especially after passing the Investment Law No. 30 for 2014. The Law aims at promoting the investment environment in the country and addressing the many issues investors face. The Law also provides a set of tax exemptions that include a larger number of sectors that may play a greater role in strengthening the national economy and creating job opportunities. The IMF, according to the last review under the SBA with Jordan, expects an increase in foreign investment in the country to 2 billion dollars by 2017 and 2.5 billion dinars by 2018. According to Jordan Vision 2025, the government aims at increasing total investment by 7.8% in 2017 in comparison to 2014 followed by an by a further increase of 8.3% by 2021. In terms of the investment environment, the Government included within its performance indicators improving the country's ranking in the Global Competitiveness Report to 60 in 2017 compared to 64 in 2014 and then to 55 in 2021. In addition, the government seeks to improve Jordan's ranking in the Doing Business Report of the World Bank from 117 (out of 185) in 2014 to 110 by 2017 then to 90 by 2021.

In terms of the investment environment, the Survey results showed that 62% of investors feel that the current investment environment in Jordan is unattractive while 35.7% stated it was attractive, while 2% stated they did not know. According to approximately 36% of investors, the investment environment in Jordan is not attractive because of the bureaucracy and the complexity of legislations, while 24.2% stated that it is because of increased taxes, 12.1% stated that this is due to high operational costs, and 10.4% cited the lack investment promotion as a reason.

Figure 7: In your opinion, is Jordan an attractive investment environment or not?

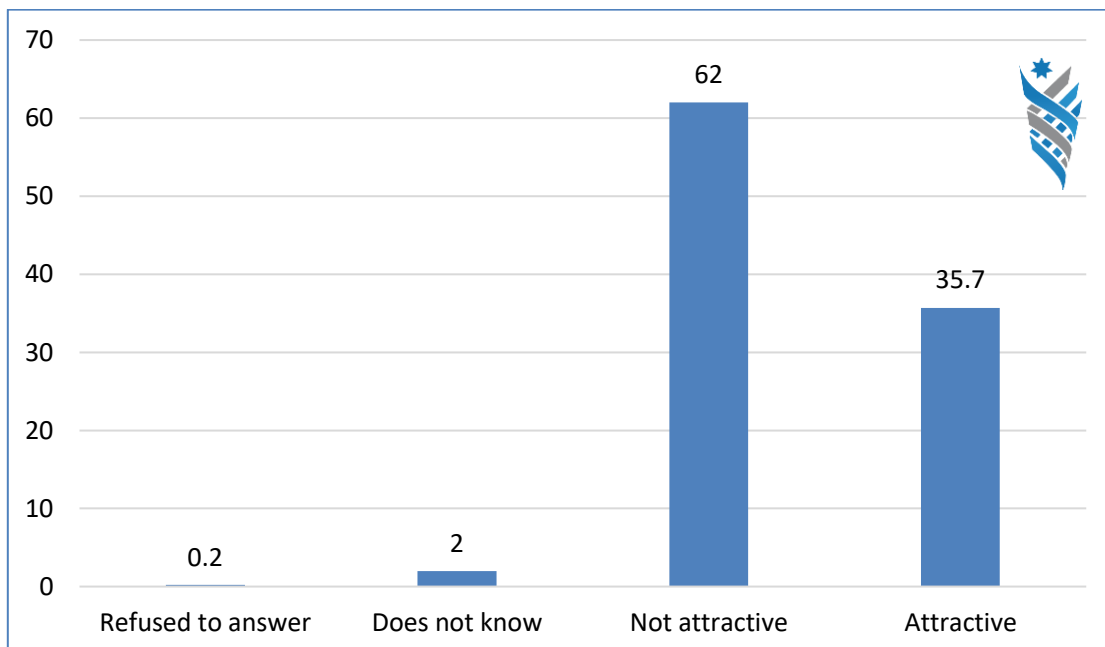
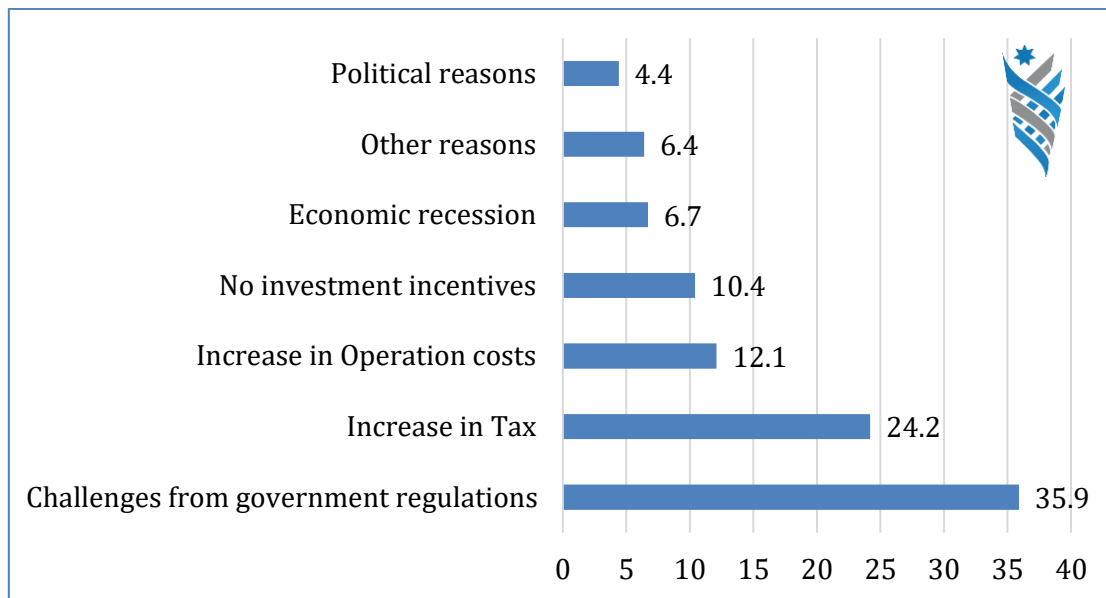


Figure 8: Why is it not attractive? (62% of respondents agreed that it is not attractive)



When considering the results of this portion of the survey, it can be observed that the results are similar across the sectors; whereby 63.4% of investors in the industrial sector, 62% of investors in the service sector, and 56.7% of investors in the commercial sector find the investment environment in Jordan unattractive.

In the same vein, approximately 40% of respondent stated that the volume of their business transactions in 2016 was worse than that of 2015, while 31% believe that it remained the same and 24.3% believe that it improved in 2016. When categorizing responses by sector, the results were close. For example, 41.7% of respondents from the trade sector stated that their business transactions in 2016 was worse than that of 2015, compared to 41.1% and 35.8% from the industrial and services sectors respectively.

Figure 9: How do you describe the volume of your business transactions in 2016 compared to the year before (2015).

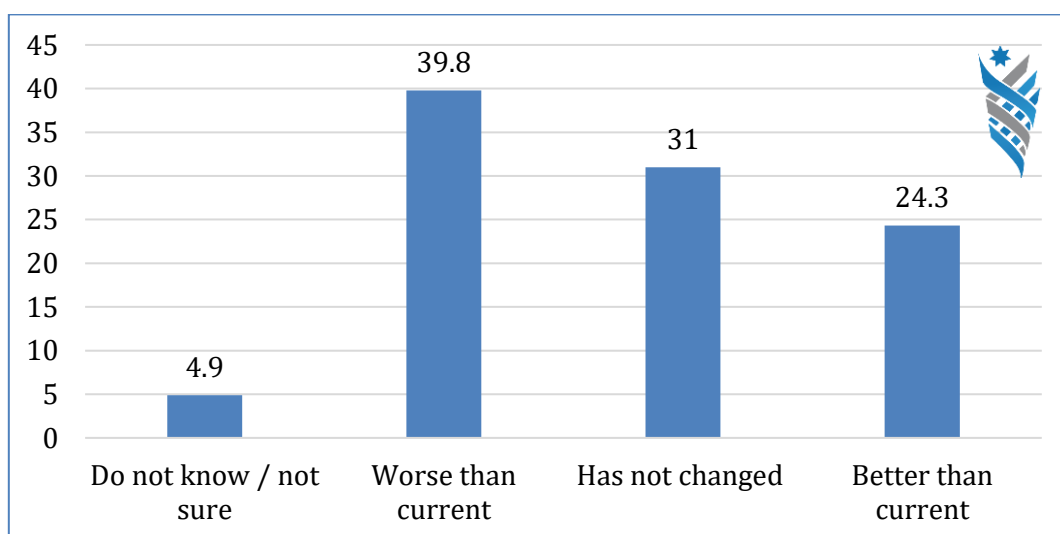
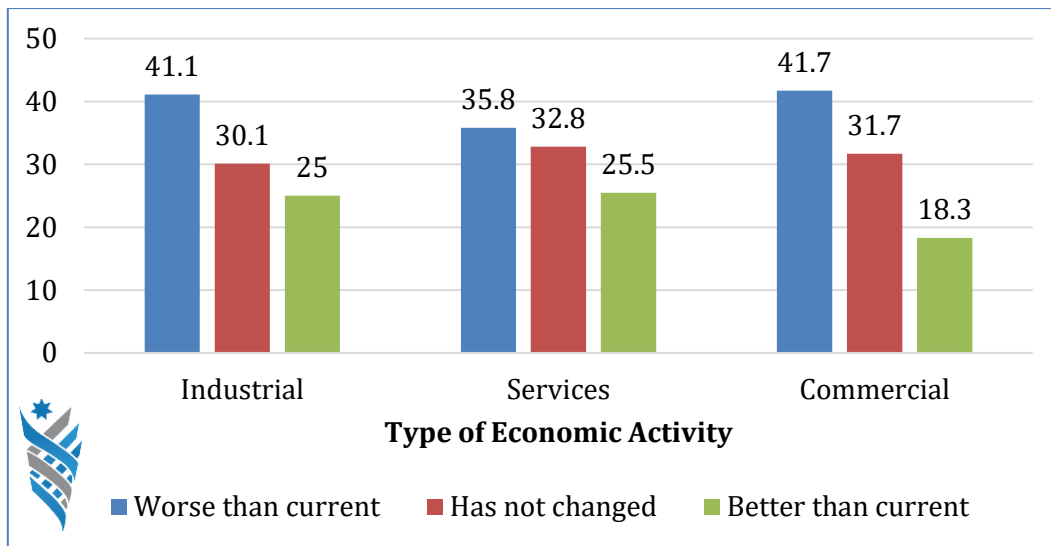
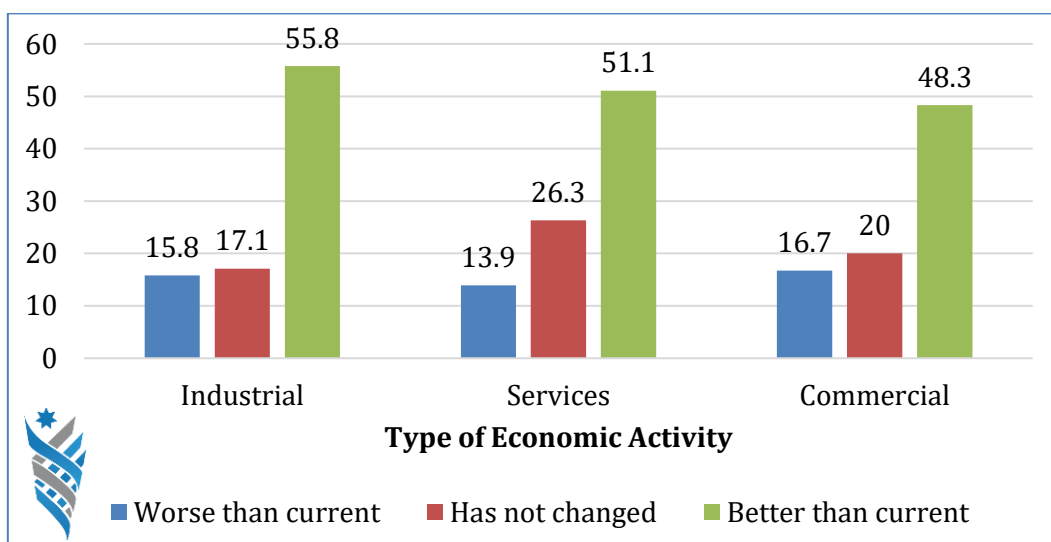


Figure 10: Respondents opinion on the volume of their businesses economic transaction in 2016 compared to the year before (2015) – by sector.



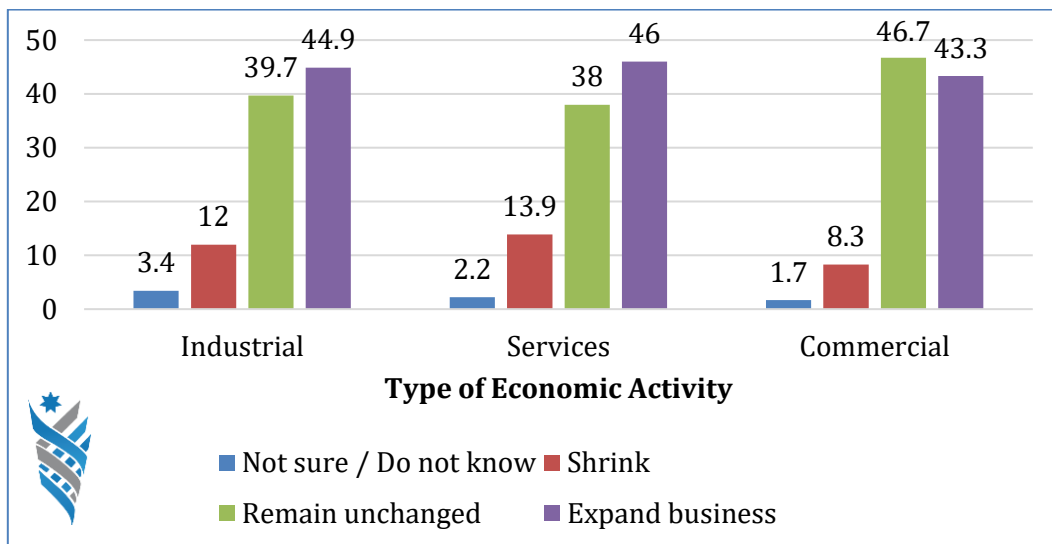
In regards to how investors feel about their future business transactions, the Survey results showed a general sense of optimism; whereby 53.5% feel that business transactions in the coming 12 months will be better than what it is now, while 20% expect it to remain as it is. In contrast, only 15.5% expect such transactions will be worse that what it is now. Throughout the Survey, it seemed that investors in the industrial sector are the most optimistic as 56% of them feel that their business transactions in the coming 12 months will be better that what it is now, compared to 51.1% in the services sector and 48.3% in trade sectors respectively.

Figure 11: Respondents opinions on their expectations about the volume of their businesses economic transaction during the coming 12 months- by sector



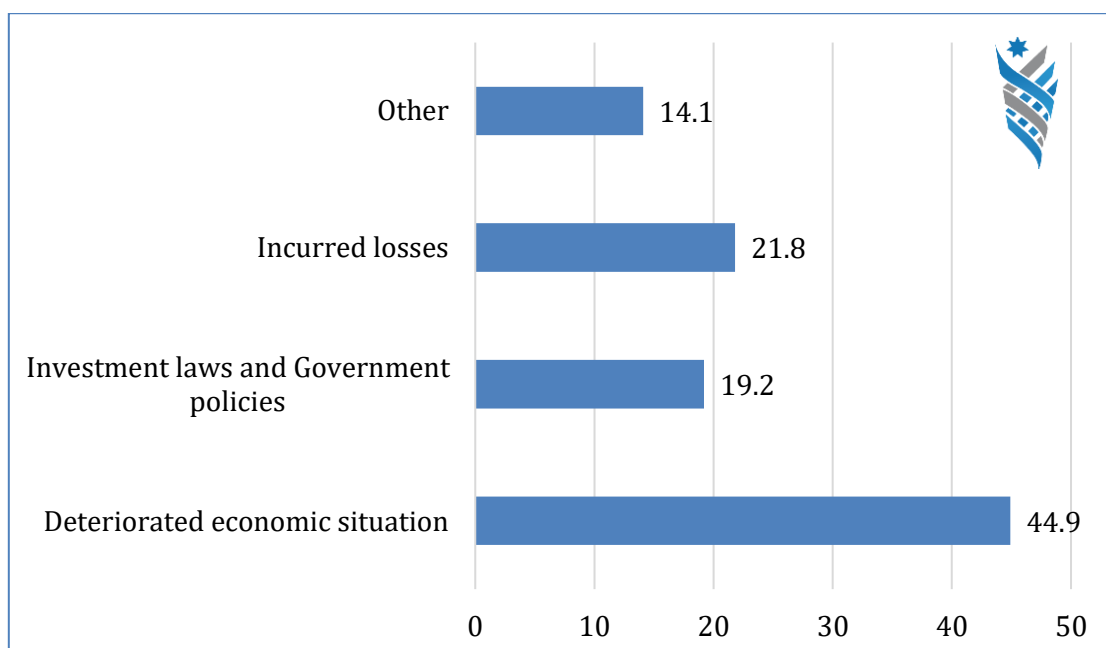
When asked about their intentions for the coming 12 months, 44.9% of respondents stated they intend to expand their businesses in the country, while 40% stated they intend to keep it as it is and 12.2% intend to reduce their business activities. Upon breaking down responses to this question by sector, the percentage of those who intend to expand their businesses in the services sector was 46%, 44.9% in the industrial sector and 43.3% in the trade sector.

Figure 12: Do you plan on expanding your business in the next 12 month, or keeping it as is, or reducing your business? Results shown per sector



As to the 12.2% who stated that they intend to reduce their businesses in the coming 12 months, 44.9% of them attributed that to the deteriorated economic situation, while 21.8% of them stated that it is due to incurred losses and 19.2% stated they intend to do so because of the investment laws and government policies.

Figure 13: Why do you plan on reducing your business activities in Jordan



C. Third: Investors sense about the Investment Commission

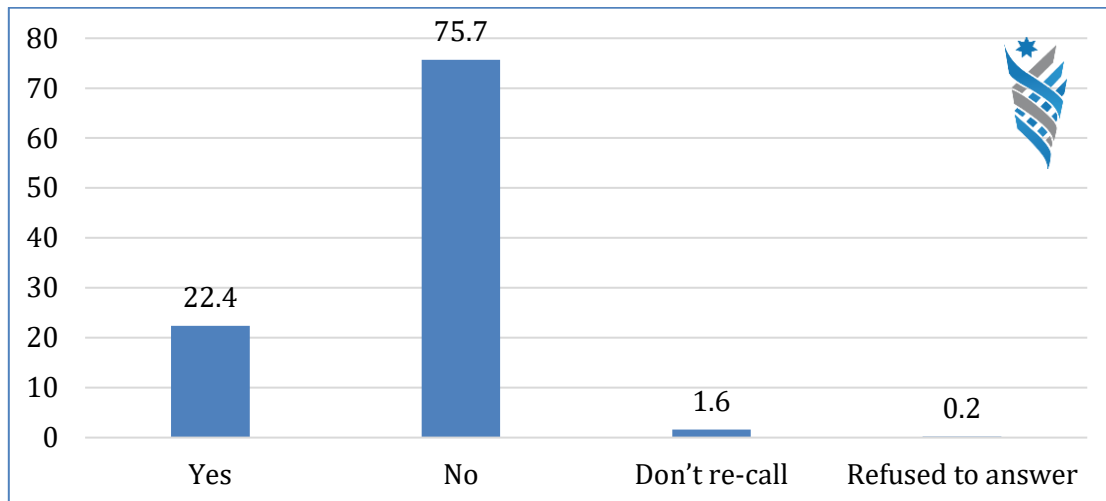
The number of companies listed in Amman Stock Exchange was 228 in 2015, a 17.7% from 2010 during which 277 companies were listed. The market value for the listed companies in 2015 reached JD 18 billion; however, the market value of listed companies reached JD 29 billion in 2007. Additionally, the average daily traded value reached its highest in 2008 at a value of JD 82.9 million, compared to JD 13.89 million in 2015; signifying a decrease of 83.2%. Furthermore, the value of shares purchased by non-Jordanians decreased from Jd 4.2 billion in 2008 to JD 981.7 million in 2015, a 76.7% decrease.

Therefore, the net non-Jordanian investments in the stock market has decreased by 97% from JD 309.8 million in 2008 to JD 10.58 million in 2015. Furthermore, the market value as a percentage of GDP that stood at 326.6% in 2005 dropped to 70.7% in 2015.

Indicator	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Number of companies listed	201.00	227.00	245.00	262.00	272.00	277.00	247.00	243.00	240.00	236.00	228.00
Market value (Million JD)	26,667.10	21,078.20	29,214.20	25,406.30	22,526.90	21,858.20	19,272.70	19,141.5	18,233.49	18,082.62	17,984.67
Trading value (Million JD)	16,871.00	14,209.90	12,348.10	20,318.00	9,665.30	6,690.00	2,850.20	1,978.80	3,027.26	2,263.40	3,417.08
Average daily traded value (Million JD)	69.10	58.70	50.00	82.90	38.80	26.75	11.50	7.90	12.36	9.09	13.89
Amount of stocks traded (Million)	2,582.60	4,104.30	4,479.40	5,442.30	6,022.50	6,988.80	4,072.30	2,384.10	2,705.80	2,321.80	2,585.82
Weighted price index (point)	8,191.50	5,518.10	7,519.30	6,243.10	5,520.10	5,318.00	4,648.40	4,593.60	4,336.71	4,237.62	4,229.90
Free float price index (point)	4,259.70	3,013.70	3,675.00	2,758.40	2,533.50	2,373.60	1,995.10	1,957.60	2,065.83	2,165.46	2,136.32
Non-Jordanian buying (Million JD)	2,152.20	1,995.10	2,825.30	4,219.80	2,135.50	1,036.60	555.80	322.90	939.50	362.70	981.70
Non-Jordanian selling (Million JD)	1,739.20	1,814.50	2,359.10	3,910.00	2,139.30	1,051.20	477.20	285.30	792.60	384.80	971.12
Net investment of non-Jordanians (Million JD)	413.00	180.60	466.20	309.80	3.80-	14.60-	78.60	37.60	146.86	22.20-	10.58
Market value as % of GDP	326.60	233.90	289.00	216.70	149.60	122.70	102.70	93.50	83.01	75.75	70.70

The results of the survey conducted by the Jordan Strategy Forum indicate that 75.7% of investors from the sample have not invested in the Amman Stock Exchange previously, 22.4% of the surveyed have mentioned that they have invested in the stock market and 1.6% of them did not respond. The results also clarify that 52.6% of the surveyed that have invested in the stock market and are still investors. On the other hand, 39.7% of them have withdrawn their investments, 6% of the surveyed did not indicate their current standing and 1.7% of them refused to answer.

Figure 14: Have you invested in the Amman Stock Exchange previously?



When the surveyed investors faced the question about whether or not they plans to invest in the stock market in the next 12 months, 70% of them replied that they will not invest, 11.4% do not know whether or not they will, 9.8% of them may invest and 7.6% will definitely invest in the stock market. From the 70% of the surveyed that said they shall not invest in the stock market, 35.7% of them indicated that it is not part of their field of business, 17.5% of them believe it would lead to a loss, 12.9% do not trust the Amman Stock Exchange, 10.2% of them lack liquidity and 9.6% of them said no due to the national economic recession.

**This Survey was conducted in cooperation with Nama Strategic Consultants. A specialized research team prepared the Survey over a whole month of time. JSF will repeat this poll at least once a year to follow up the investors' point of view on the investment environment in Jordan. This Survey is the ownership of Jordan Strategy Forum (JSF). For inquiries, please contact JSF vis email (info@jsf.org) or Tel. +962(6)5666476.*