

Real Sector
&
Labor
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JORDAN ECONOMIC MONITOR

Building Success, Breaking Barriers

Unlocking the Economic
Power of Women in Jordan

Fall 2023

Real Sector

Real GDP growth **2.4%** in 2022

Accelerated to **2.7%** in H1-2023

- Robust contribution from **Services**:

0.9%

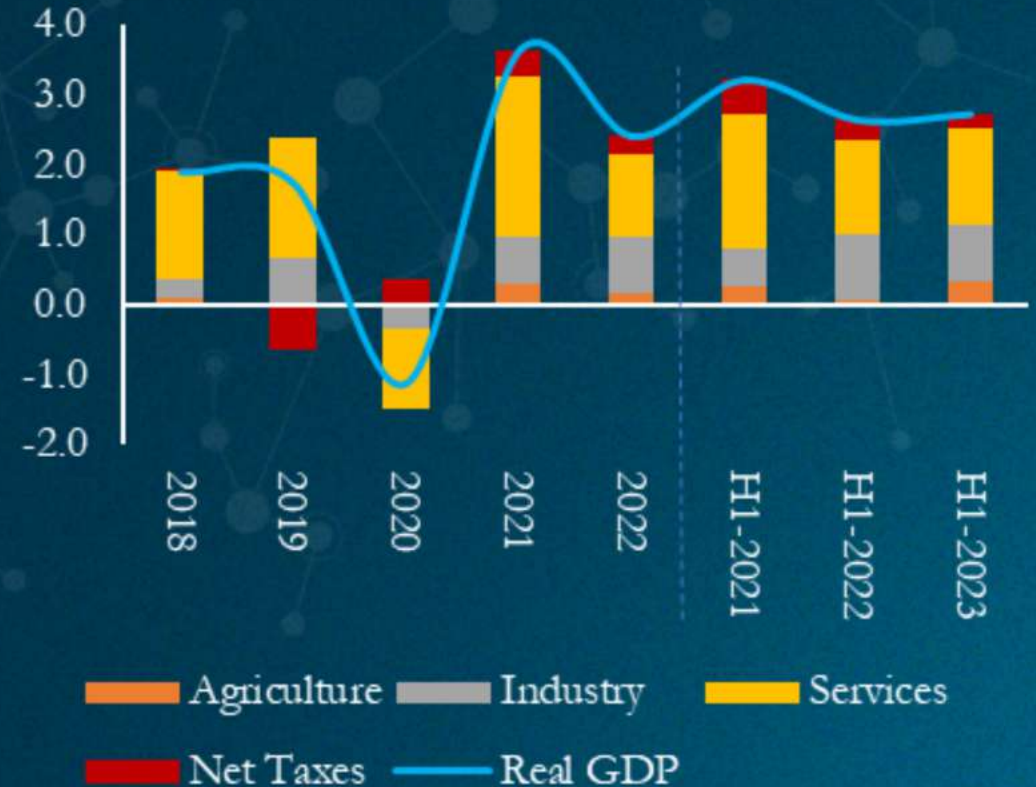
Transport and communications
Finance and insurance
Wholesale and retail trade -->) and the

Industrial sector (manufacturing & mining).

0.3%

- Rebound in **Agriculture (0.3%)**, favorable base effects

Services continue to lead growth
y-o-y growth, in %



Real Sector

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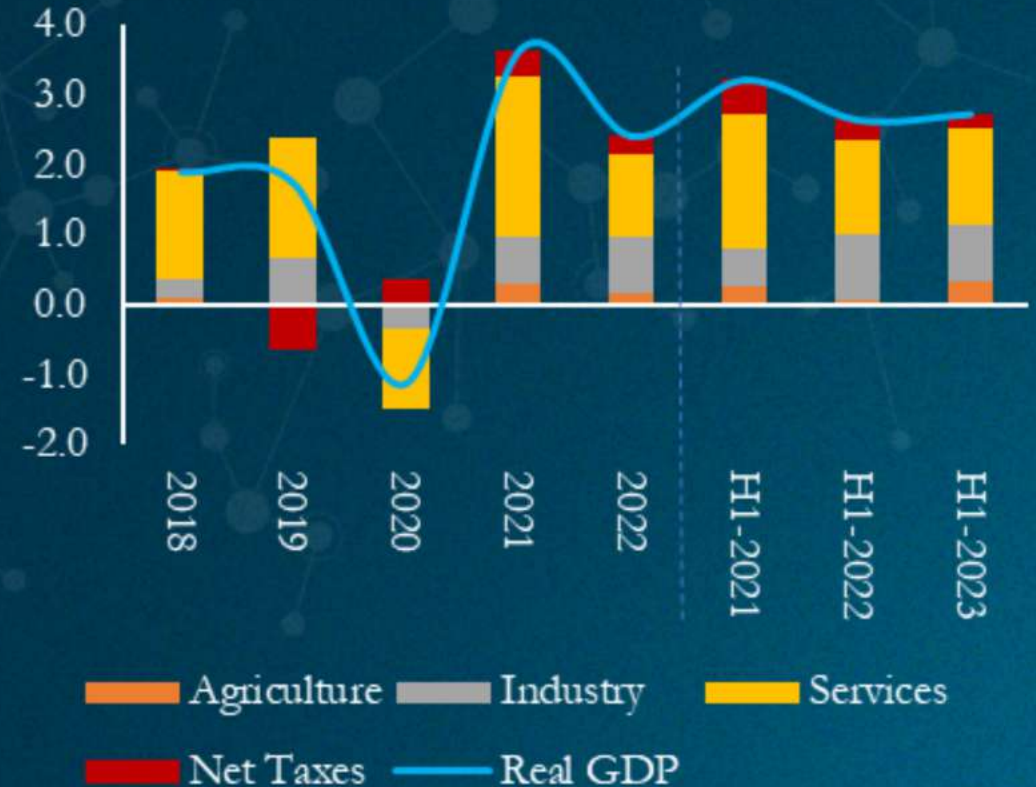
Industrial sector (manufacturing & mining).

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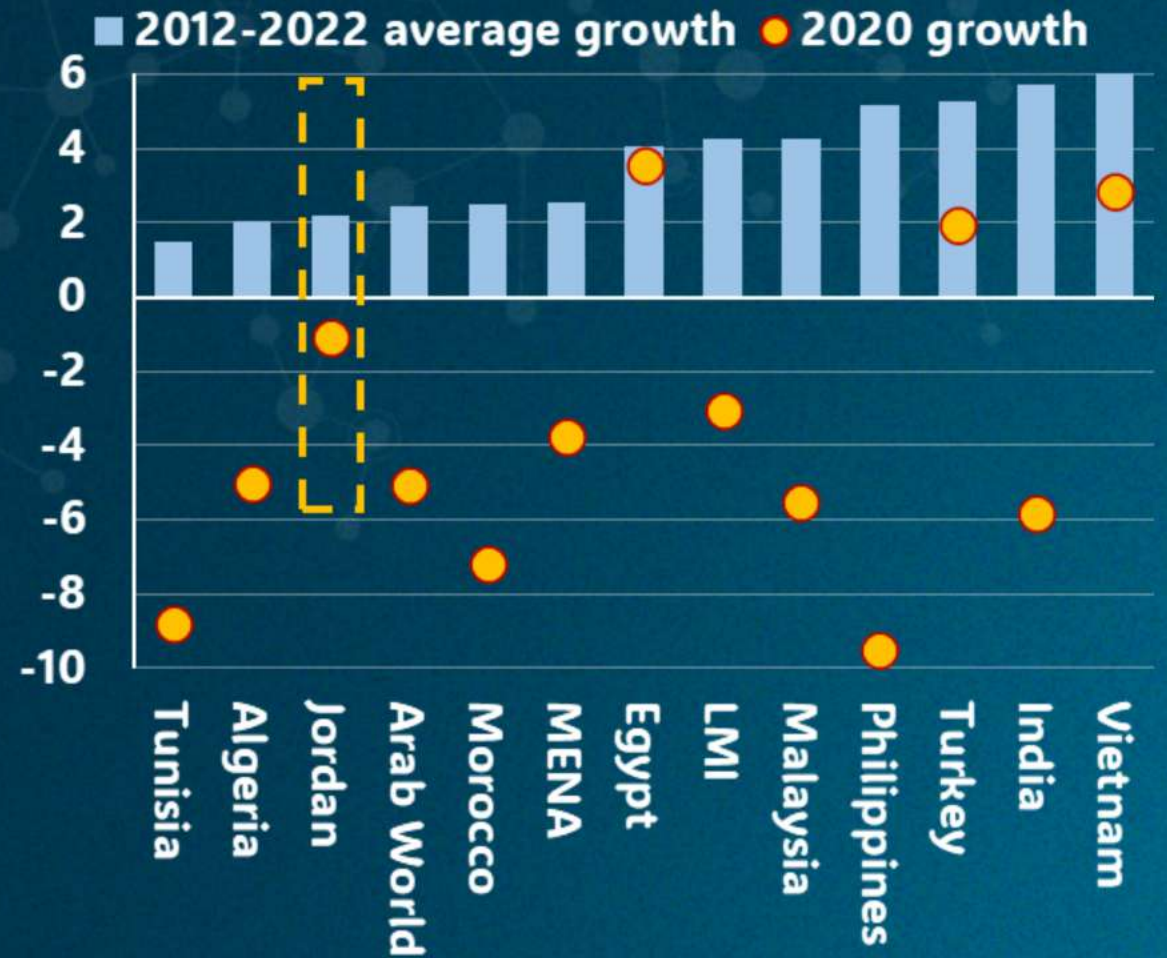
Jordan has been trapped in a low-growth equilibrium averaging 2.2% over the past decade.

Services continue to lead growth
y-o-y growth, in %



10-year average growth (in percent, y-o-y)

A slow growth trajectory in comparison to similar countries





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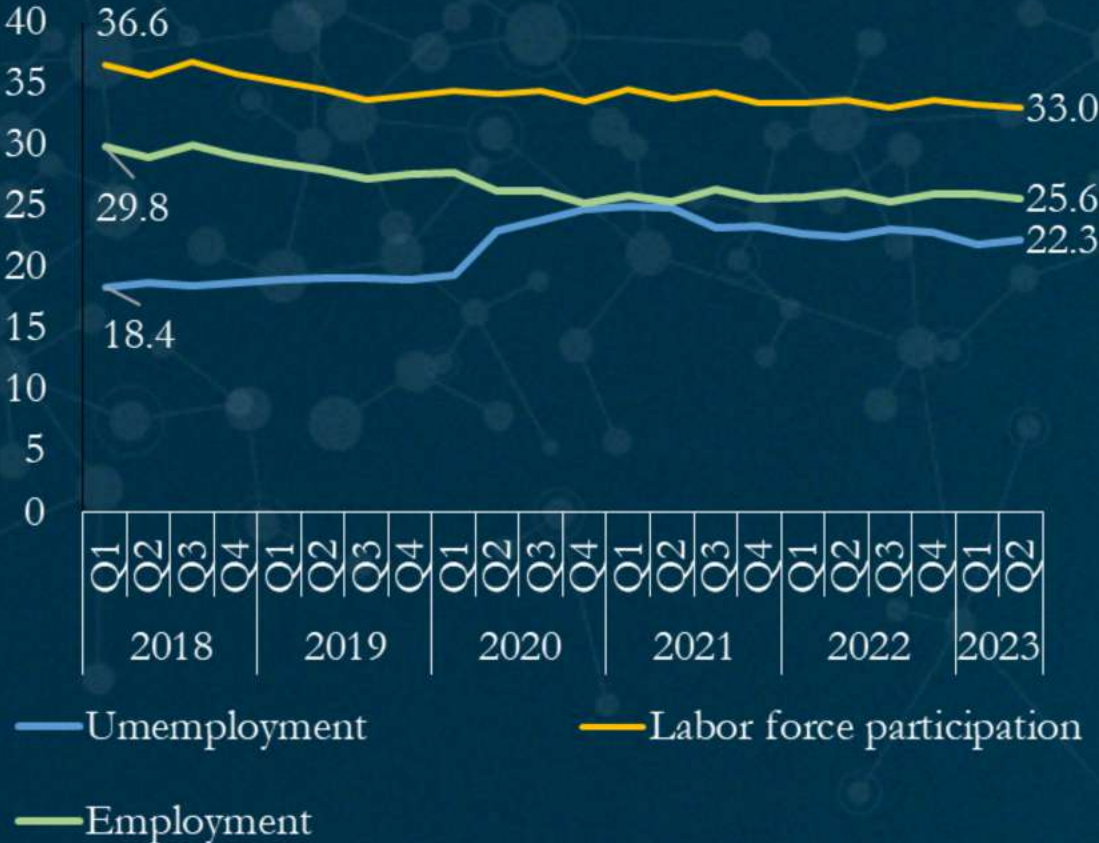


Labor Markets

Generating employment remains a major challenge...

...as economic growth has not translated into significant gains in labor market outcomes.

All labor market indicators remain unfavorable

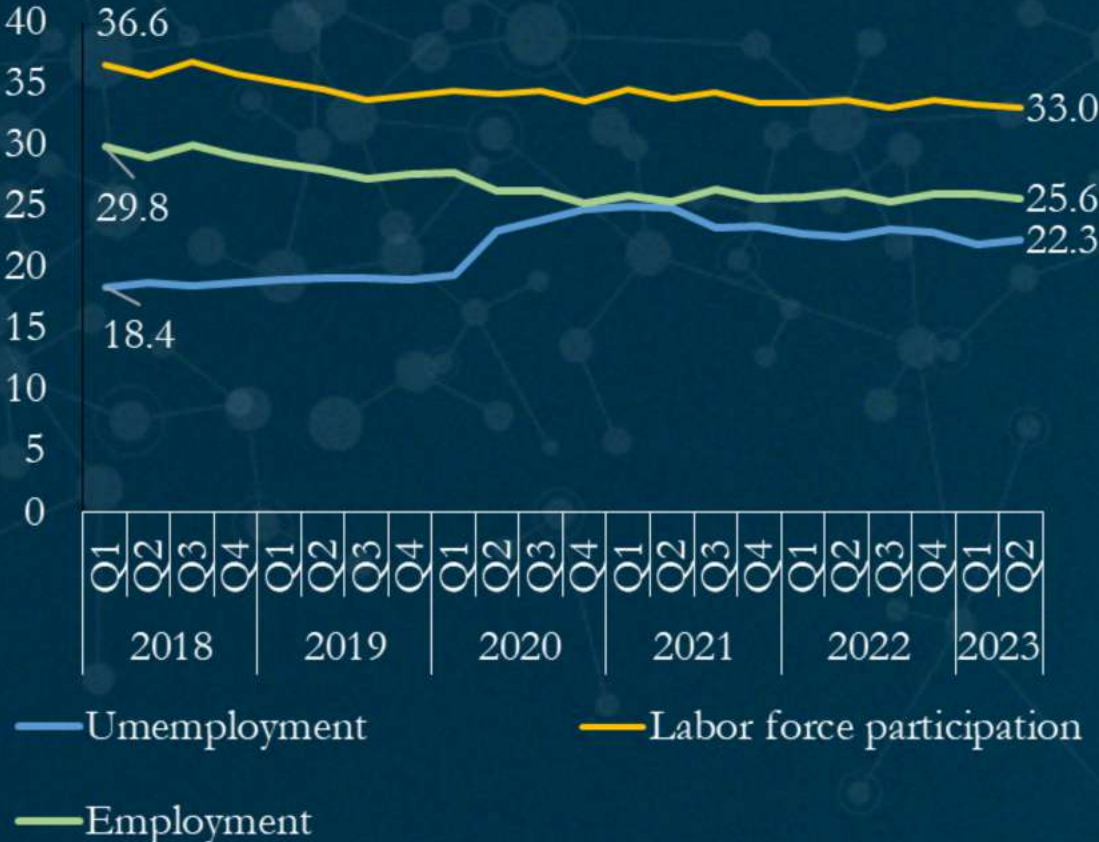


Labor Markets

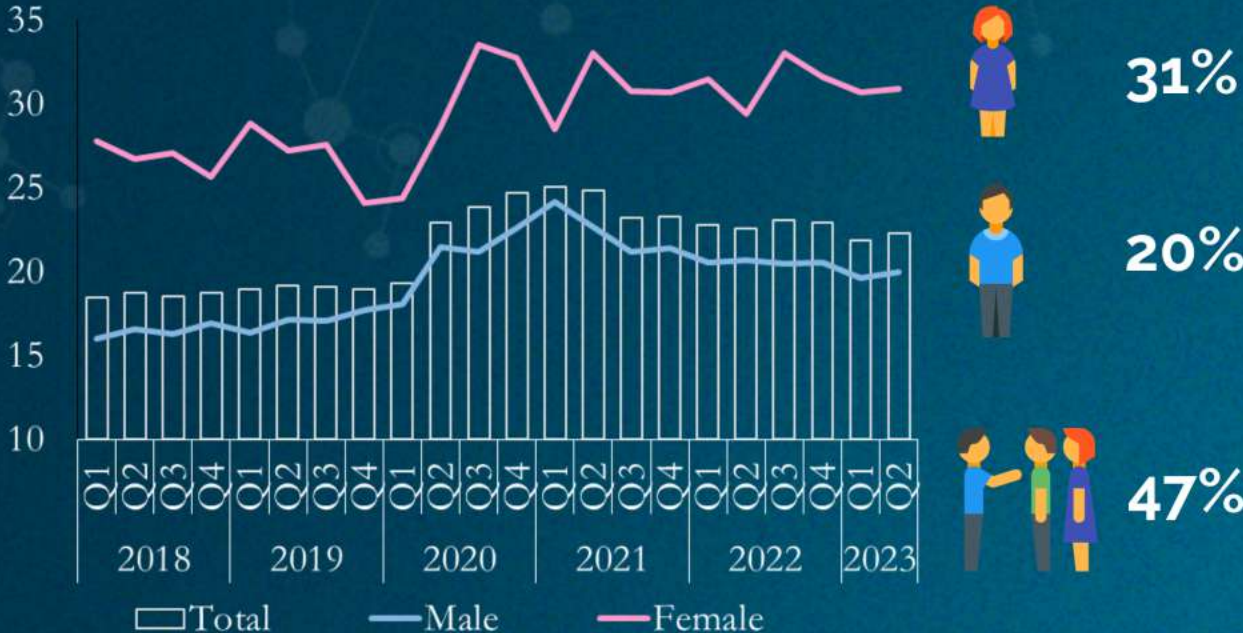
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Unemployment

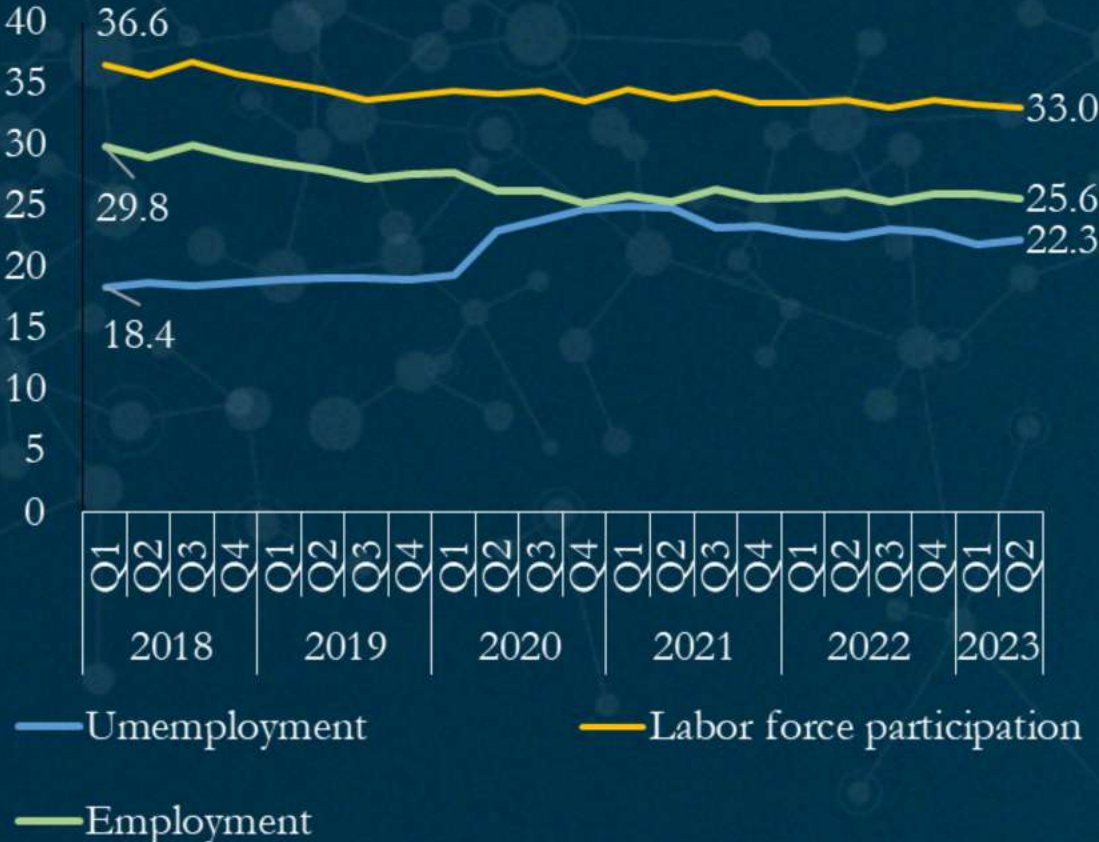


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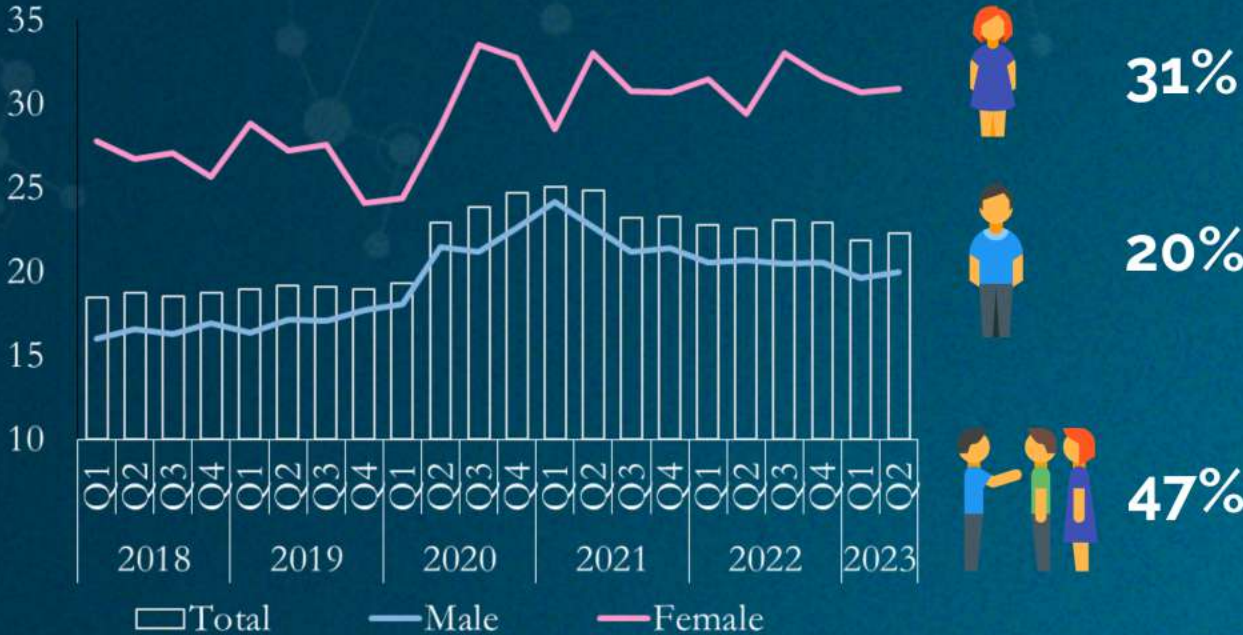
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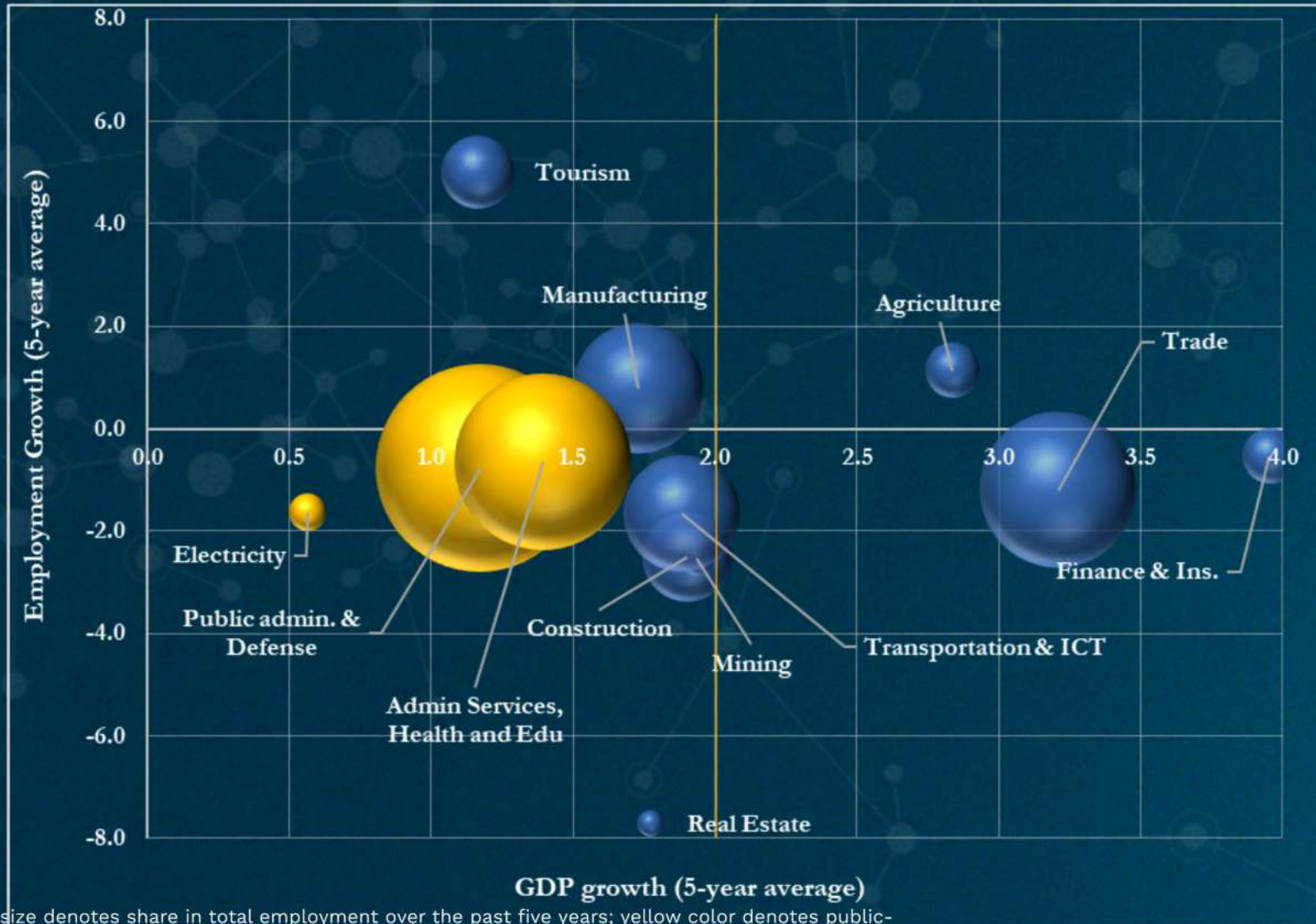


Labor Force Participation



High-productivity sectors are experiencing faster employment growth, but their share in total employment remains low.

The relationship between sectors' growth, employment weight and growth.



Bubble size denotes share in total employment over the past five years; yellow color denotes public-sector dominated jobs.

Sector's faster growth does not reflect on employment,

--> Wholesale & Retail Trade, Fin. & Ins. have both seen a contraction in employment.

Private sector dominated sectors (blue bubbles) have witnessed contractions in employment, in addition to weaker-than-average economic activity.

Positive employment growth only occurred in small employing sector --> Tourism and Agriculture

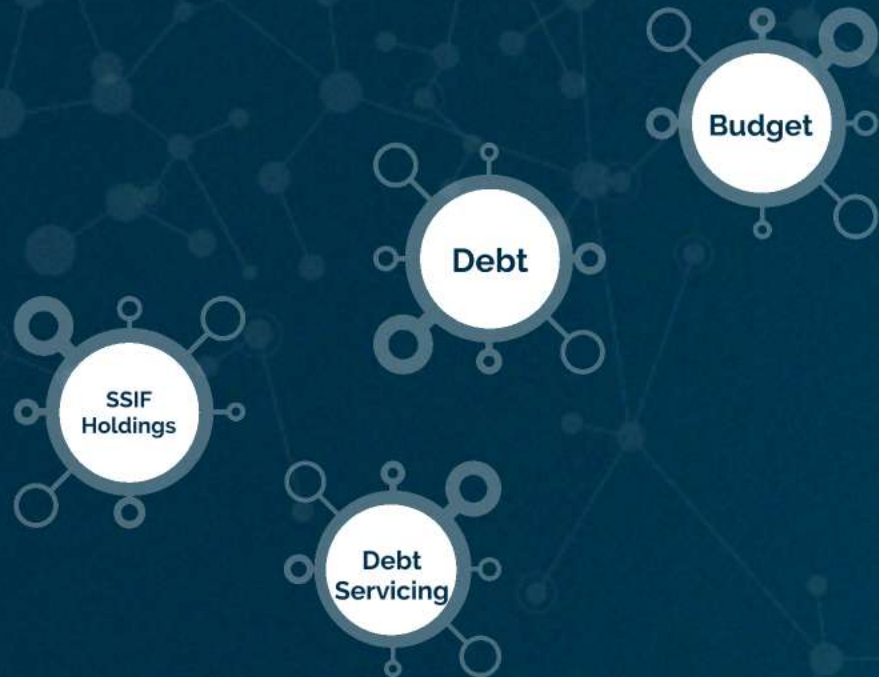
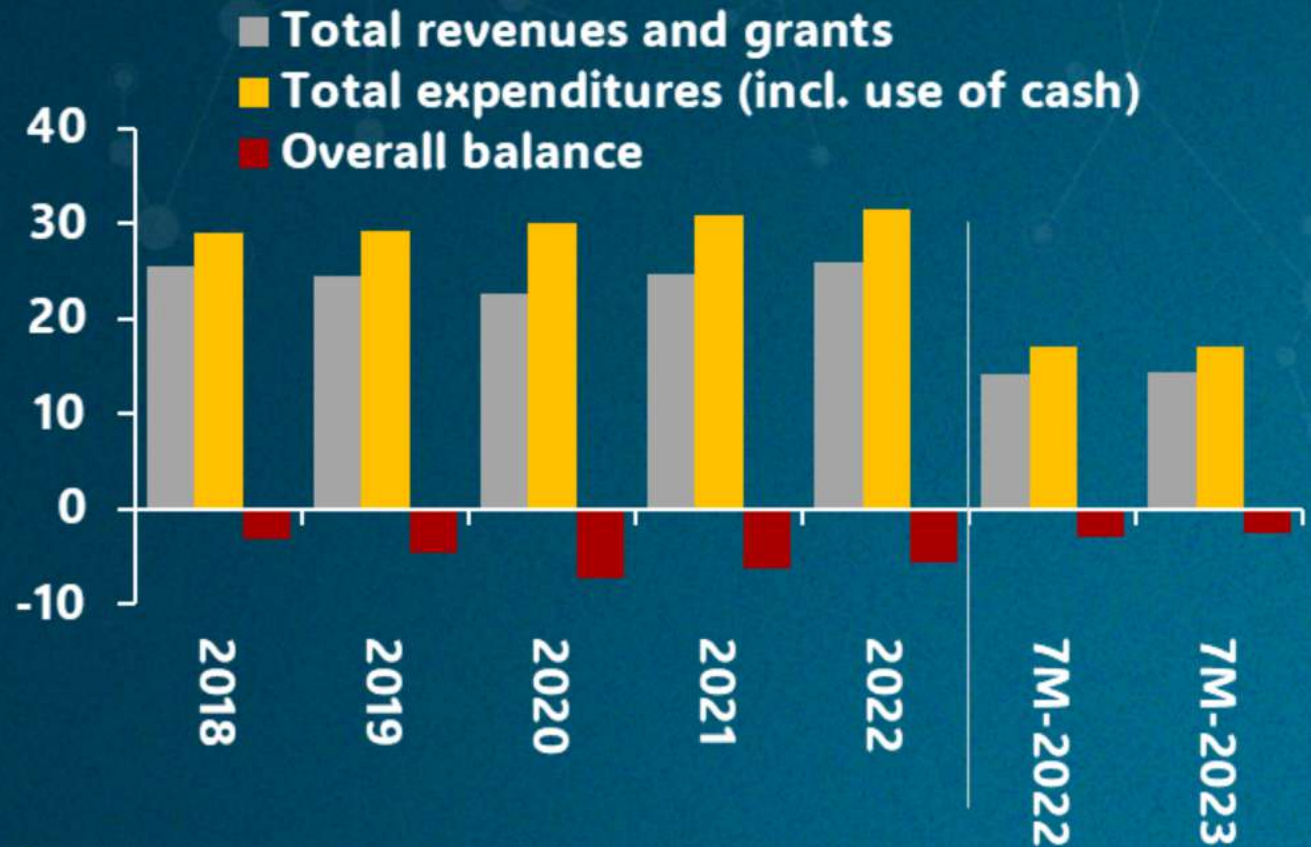
Public sector (yellow bubbles) - remain the largest (45% of employment); with no marked contraction in employment in the past five years.



Fiscal & Debt

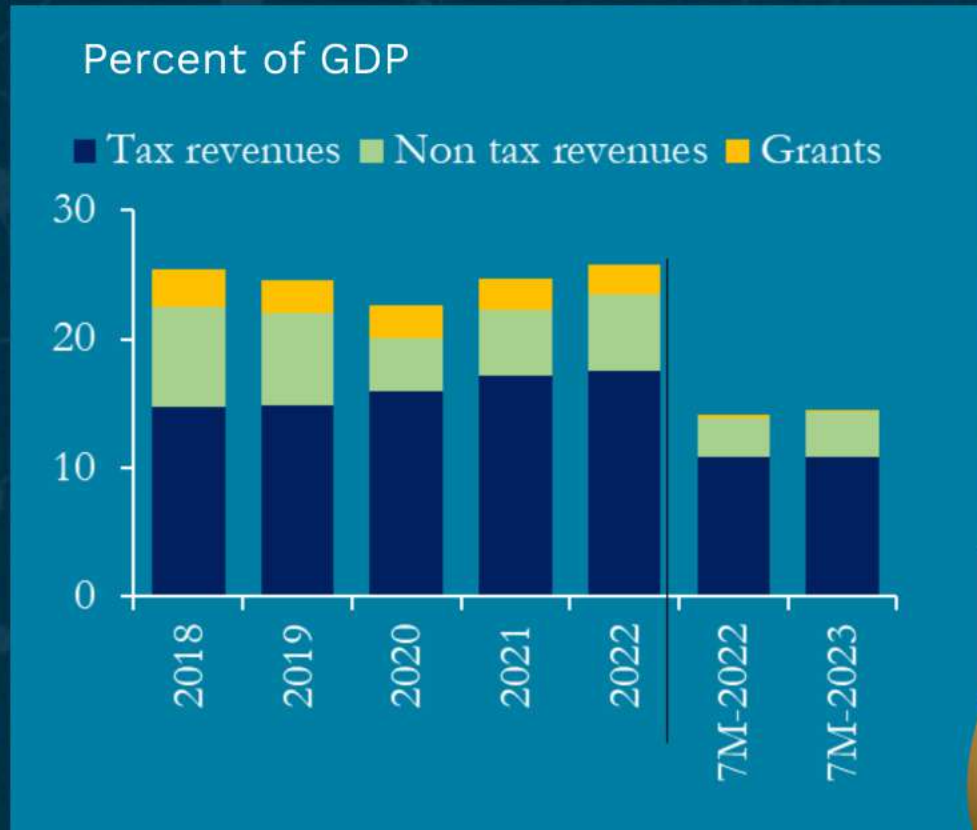


Central government is sustaining its fiscal consolidation path, supported by increased revenue and lower subsidies spending.



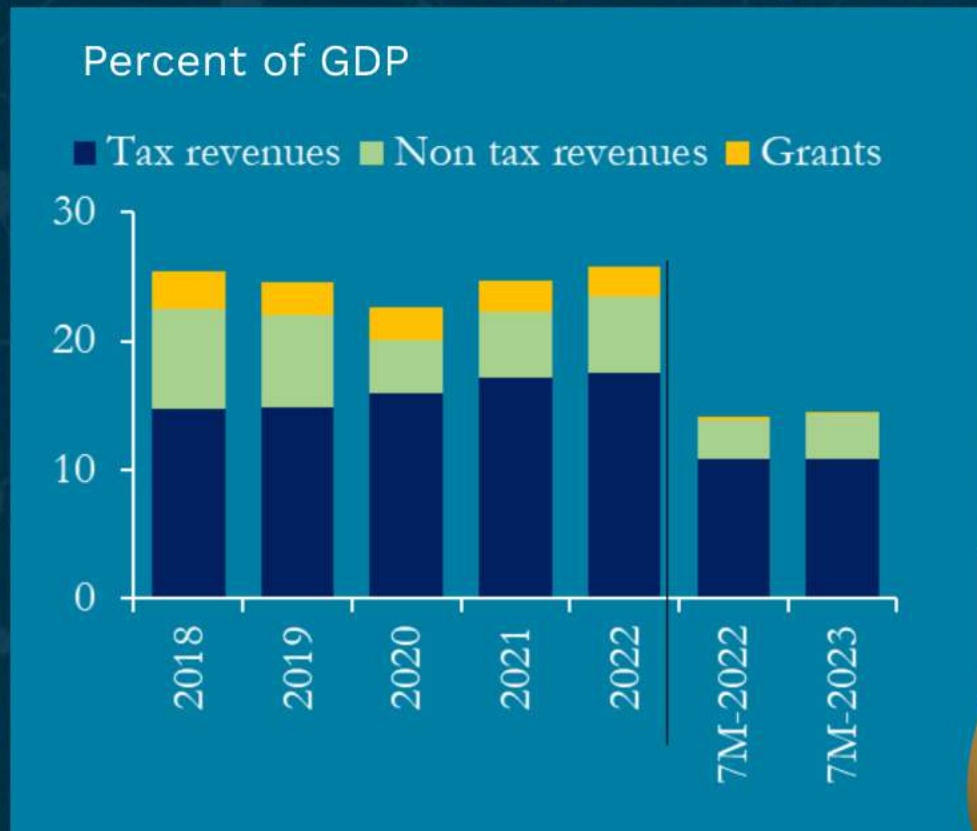
On the Revenue side

Increase driven by both tax and non-tax revenues, despite lower grants



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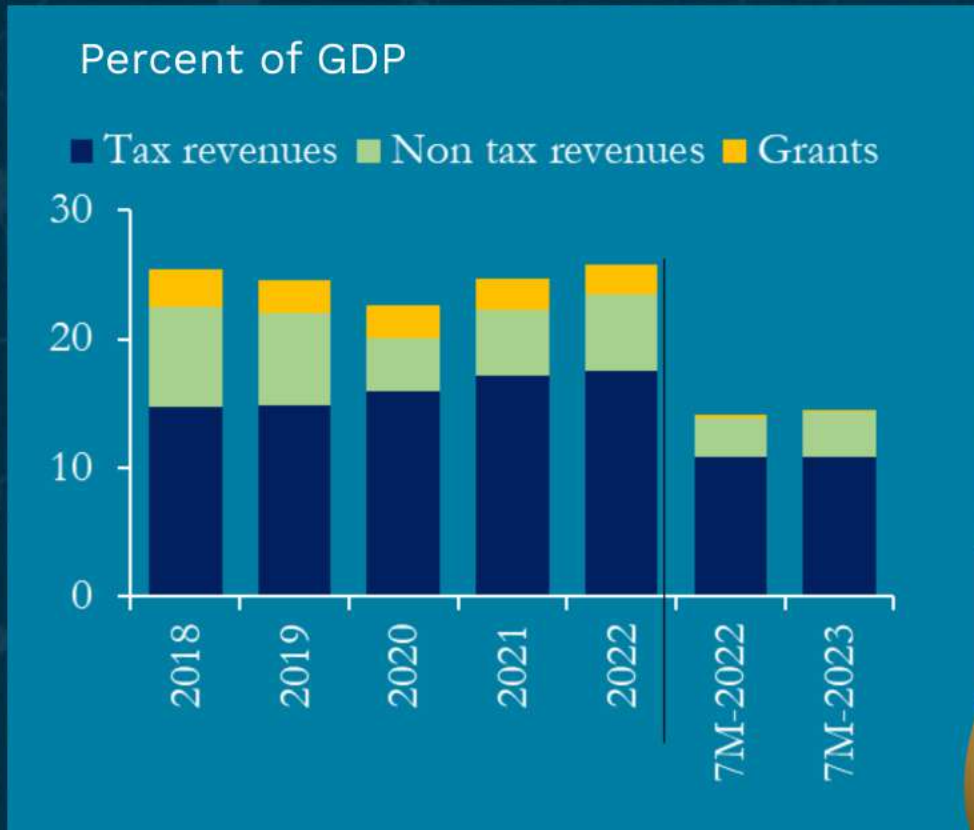
On the Expenditure side

Increased capital expenditure and interest payments offset by lower subsidies.



On the Revenue side

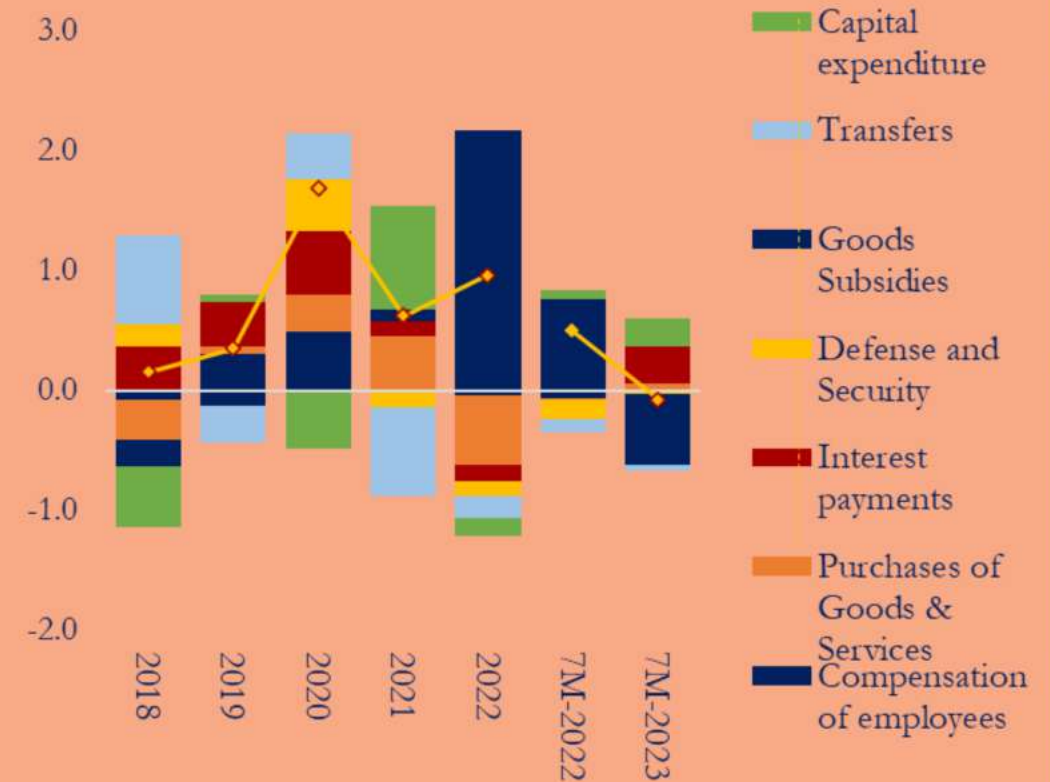
Increase driven by both tax and non-tax revenues, despite lower grants



On the Expenditure side

Increased capital expenditure and interest payments offset by lower subsidies.

Change in expenditure, in percent of GDP

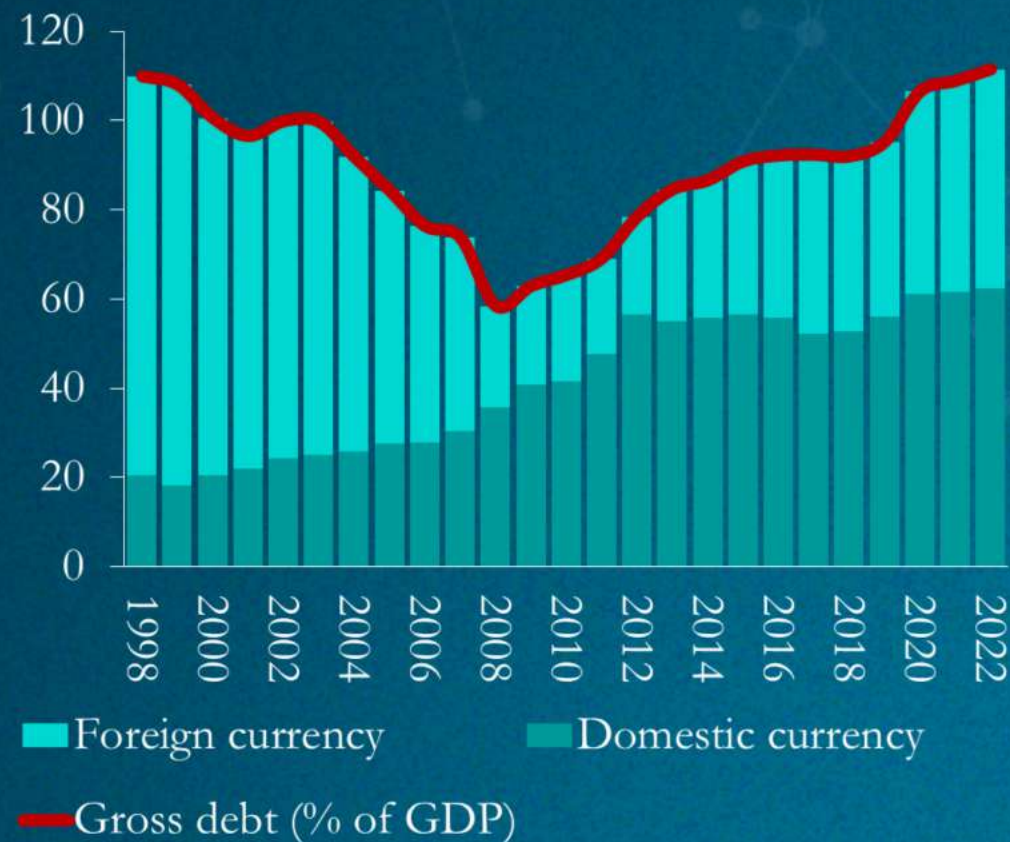




DEBT

A closer look into Jordan's public debt

Over the past 25 years, gross government and guaranteed debt (as % of GDP) has followed a V-shaped trajectory.



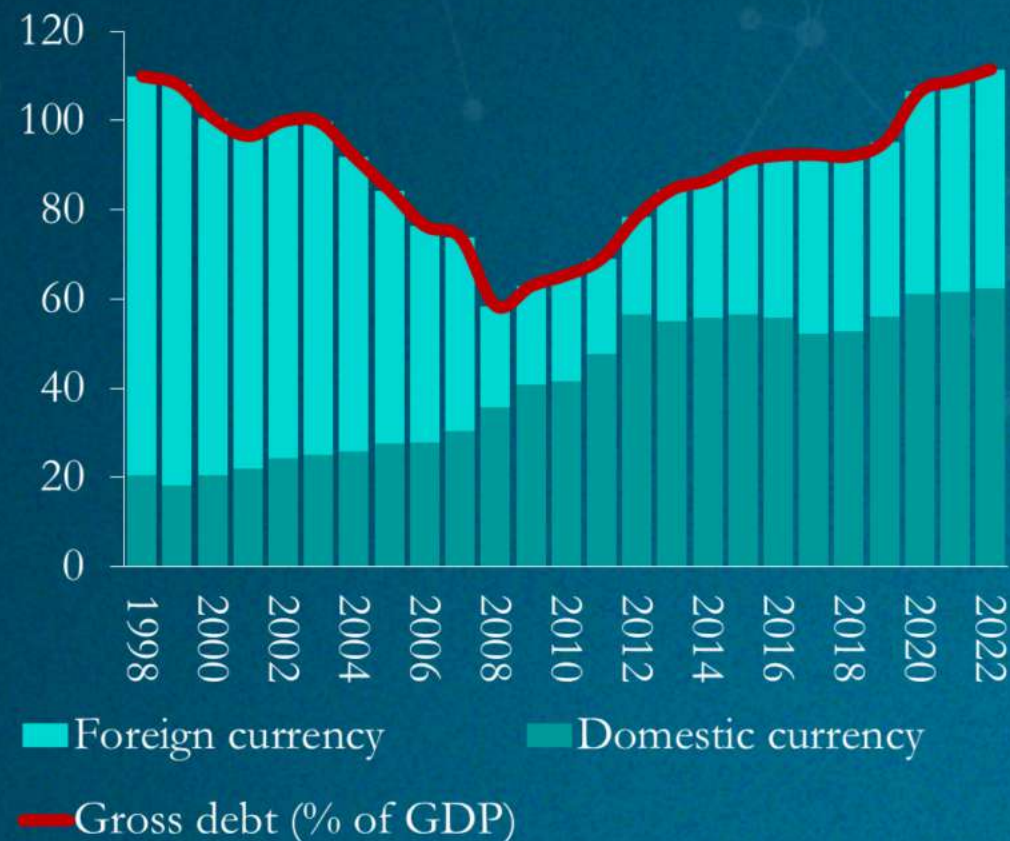


DEBT

Since 2008 and with multiple external shocks, the improving trend reversed

A closer look into Jordan's public debt

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**Since 2008 and with multiple external shocks,
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Since 2008 and with multiple external shocks, the improving trend reversed

Guaranteed Gross Debt (Percent of GDP)

Disruption of favorably priced natural gas supplies from Egypt in 2011 --> a substantial accumulation of debt in the energy sector/NEPCO.

Guaranteed debt, which includes NEPCO and WAJ debt, rose sharply from 3.3 percent of GDP in 2008 to around 13.1 percent of GDP in 2012 before leveling off to an average of 10.6 percent of GDP.

Consequences for public debt: CG government and guaranteed debt ratio reached 111.4 percent of GDP in 2022.





The SSIF Holdings of Government Debt

A shift in the creditor structure:

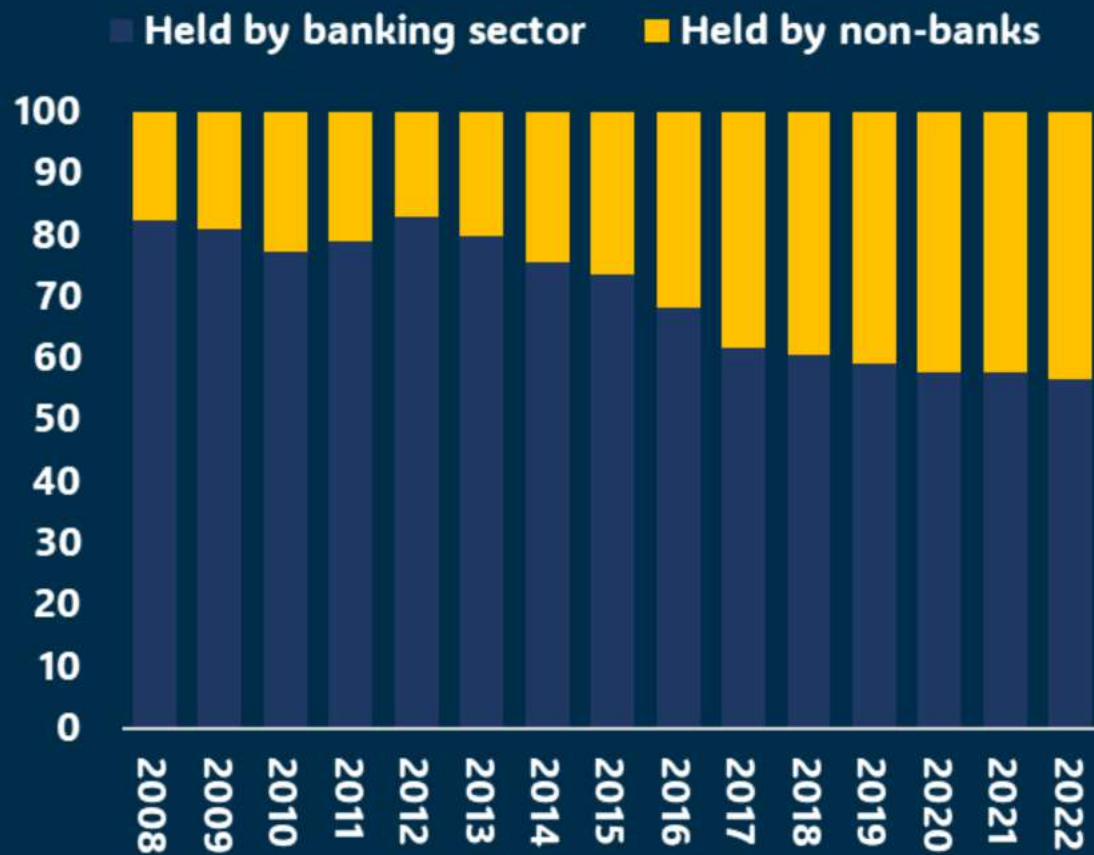
Banking sector remains the primary holder of public domestic debt

But the share held by non-banks (including SSIF) more than doubled to around 43.5 percent in 2022.



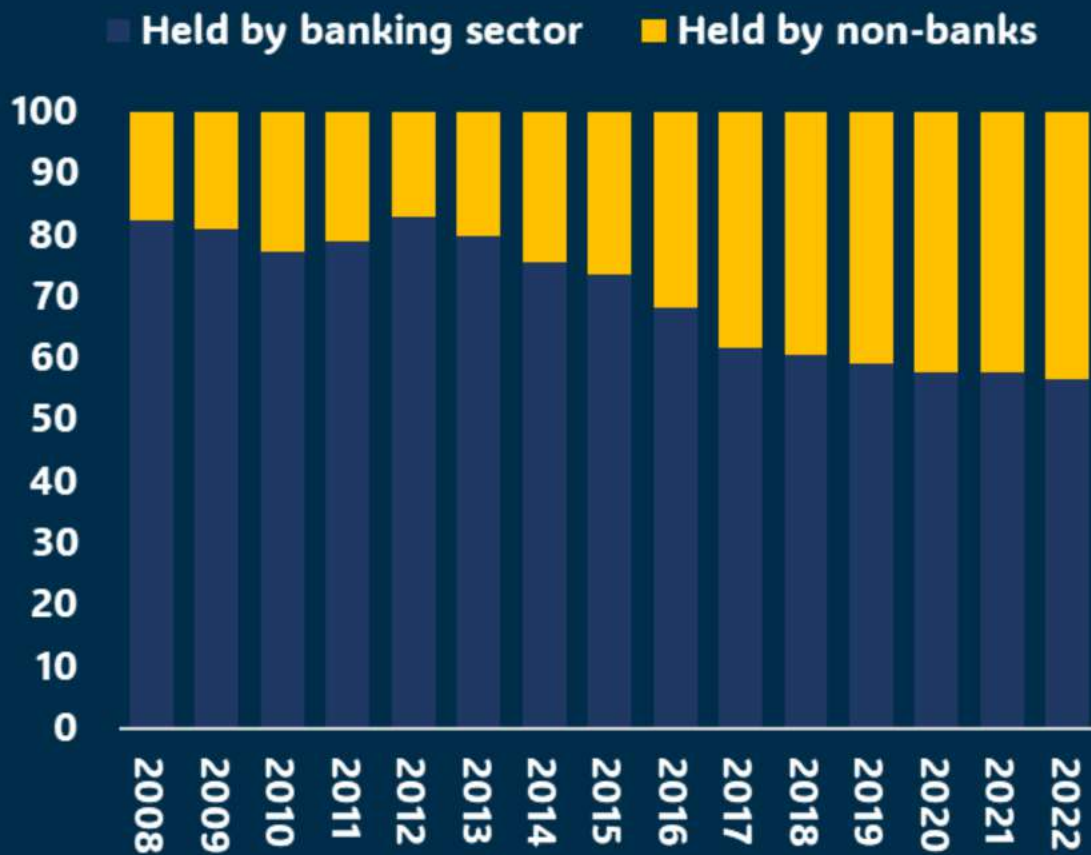
Holders of Domestic Currency Debt

Percent of total domestic currency debt



Holders of Domestic Currency Debt

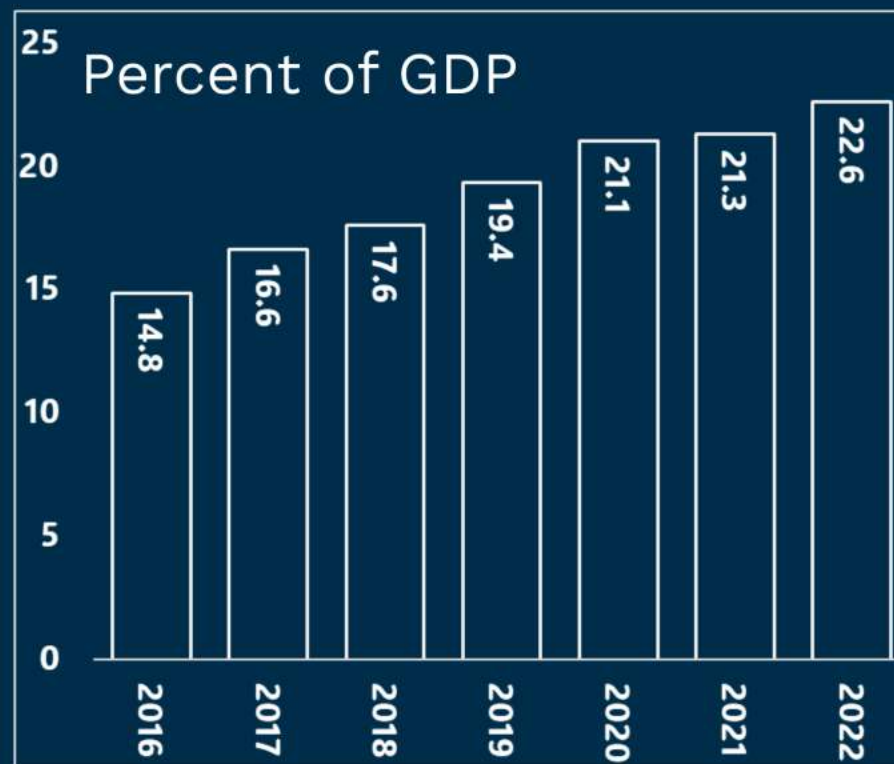
Percent of total domestic currency debt



The share of SSIF holdings of public debt gradually increased

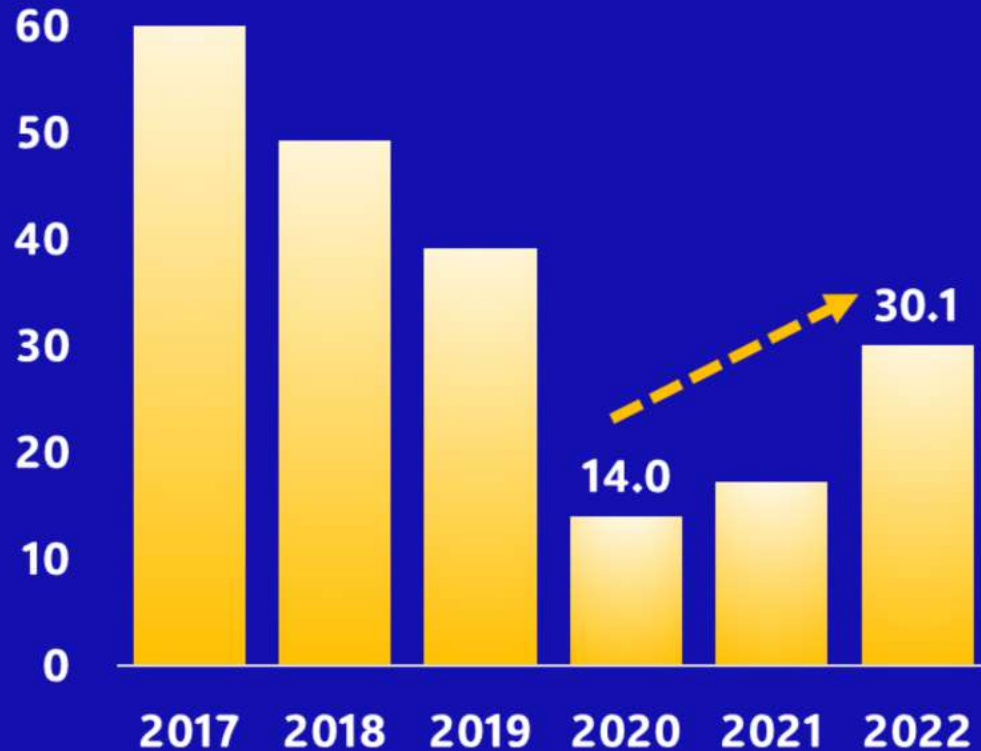
22.6%

of GDP in 2022



The share of SSIF

Share of SSIF purchases of new debt



The pace of buying new government debt has declined significantly between 2017 and 2020, but more than doubled after COVID-19.

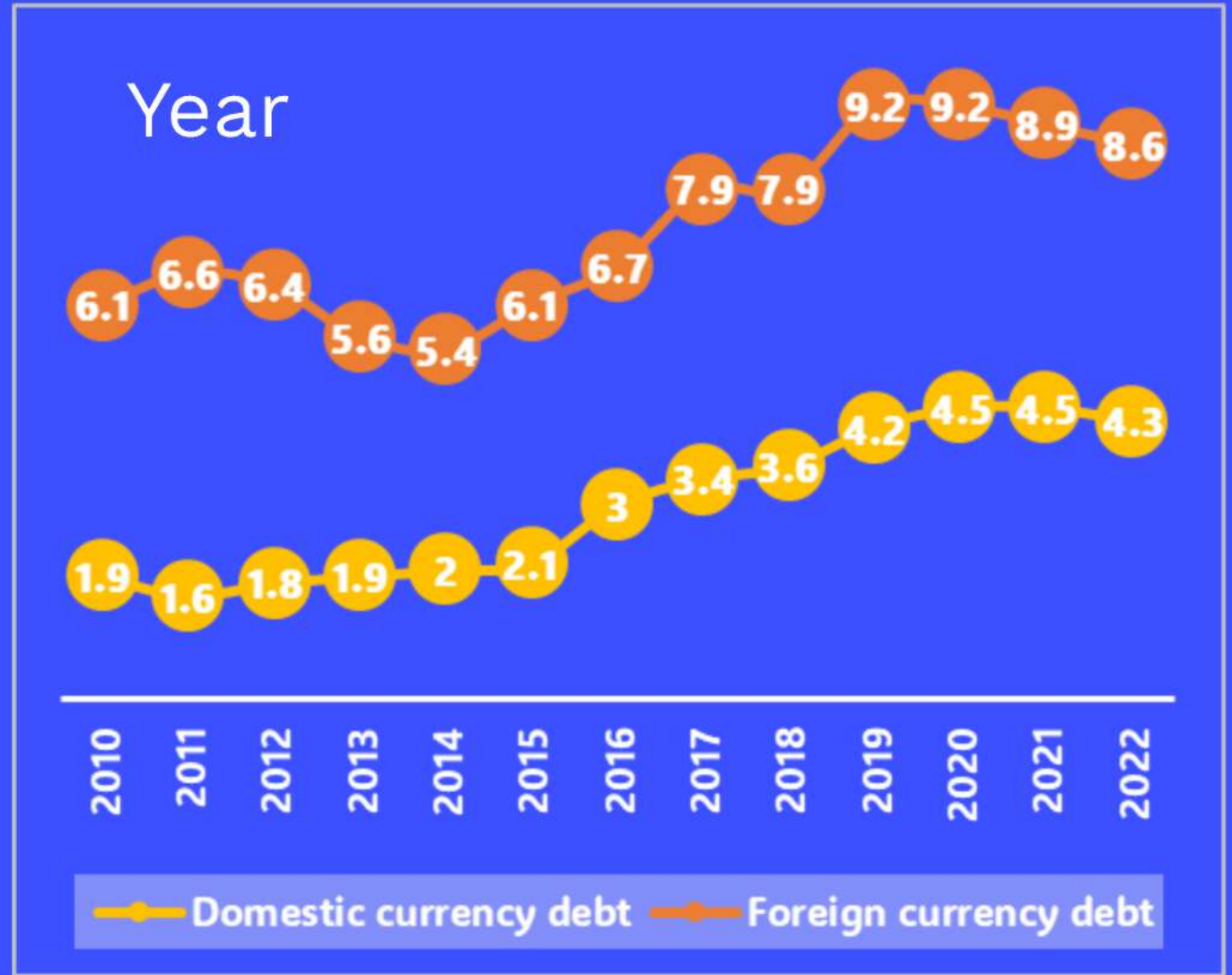
30% in 2022

The share of SSIF





Extended weighted average maturity of debt



Debt Servicing

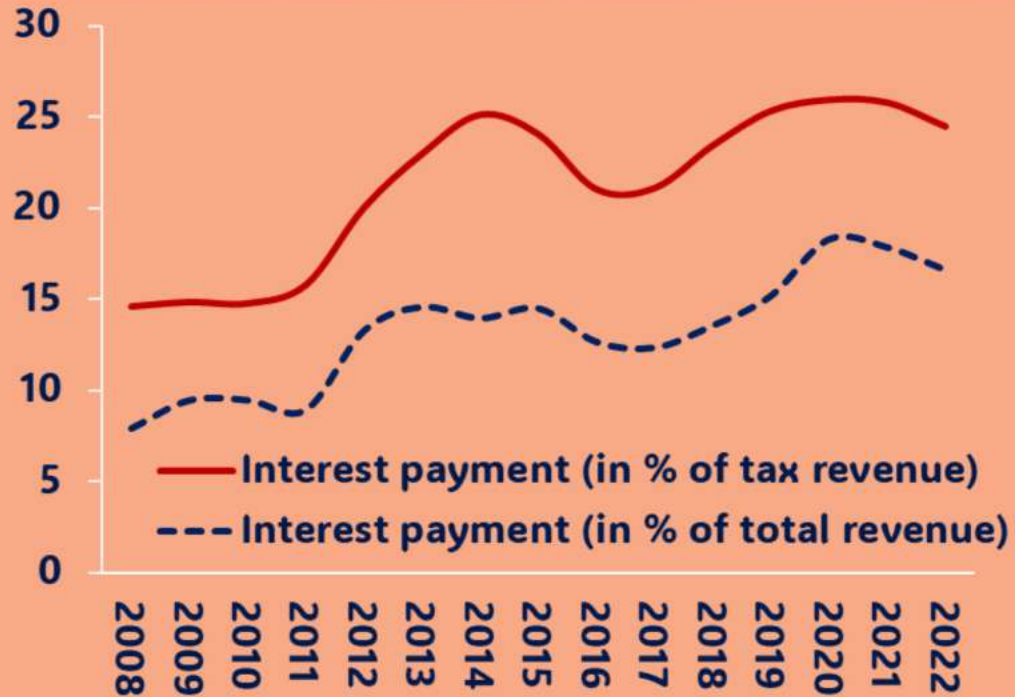


**Interest
payments**

25%
of tax revenue

16.6% of total
revenue in
in 2022

Debt Servicing



The elevated debt level has resulted in a gradual increase in debt service payments.

Interest payments

25%
of tax revenue

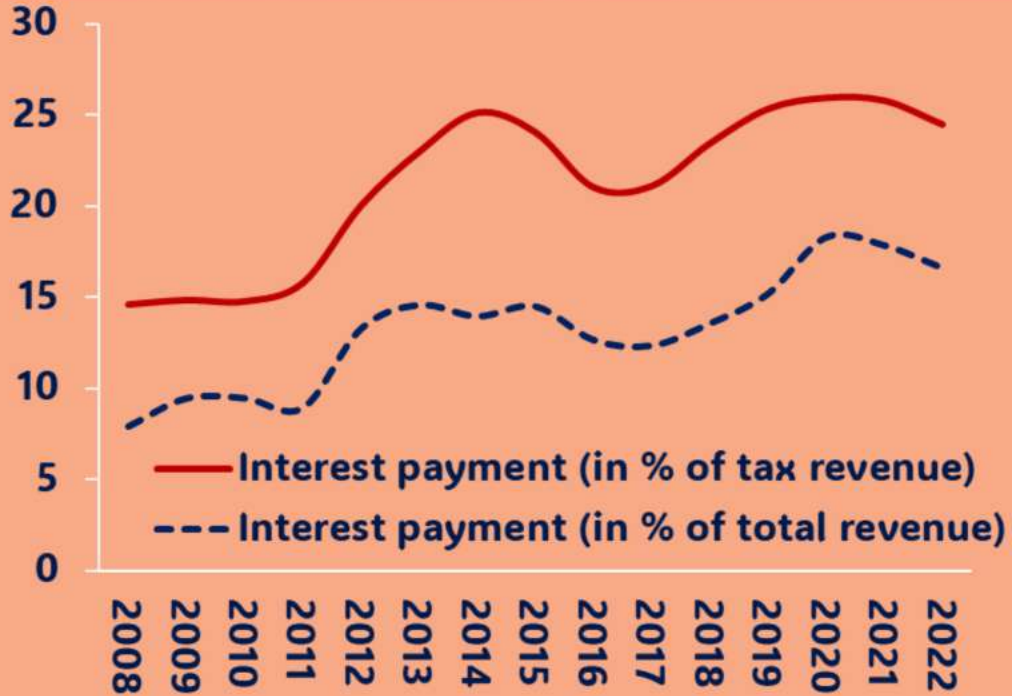
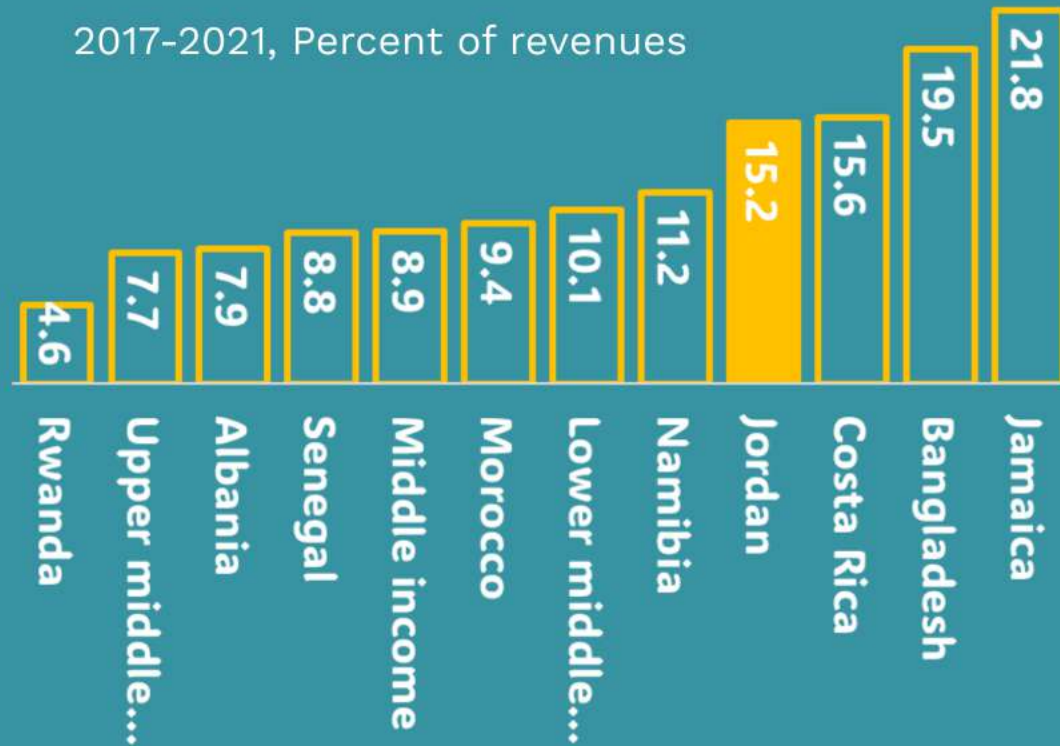
16.6% of total revenue in 2022

Debt Servicing



Jordan's average interest payments is relatively elevated compared to peers

2017-2021, Percent of revenues



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Easing global commodity prices and higher travel receipts in 2023 have supported the external accounts.

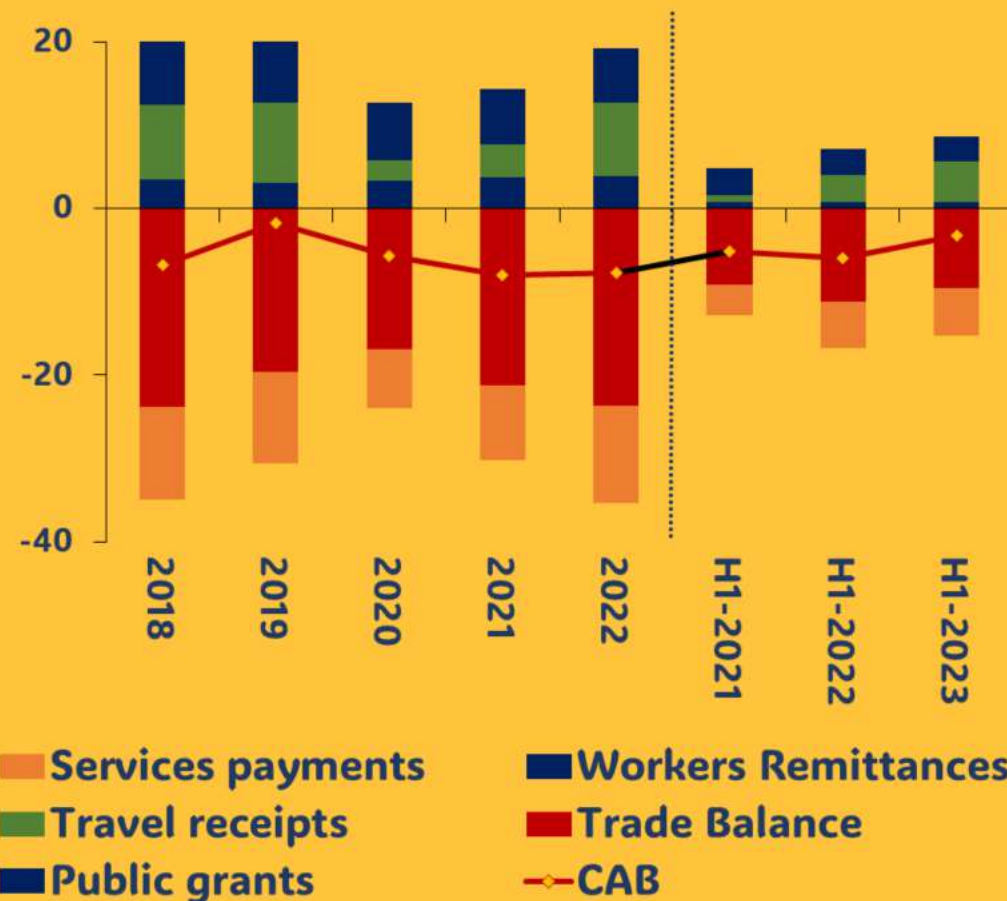
External Accounts





Current Account deficit improved in H1-2023

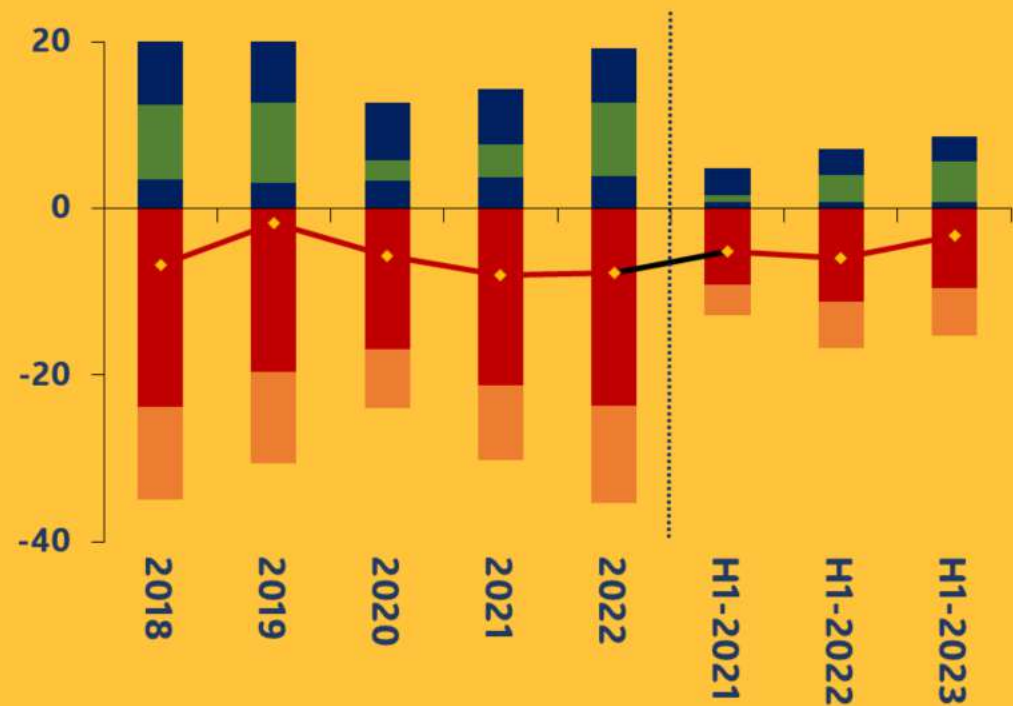
driven by services balance and a shrinking trade deficit, on the back of a contraction in imports.



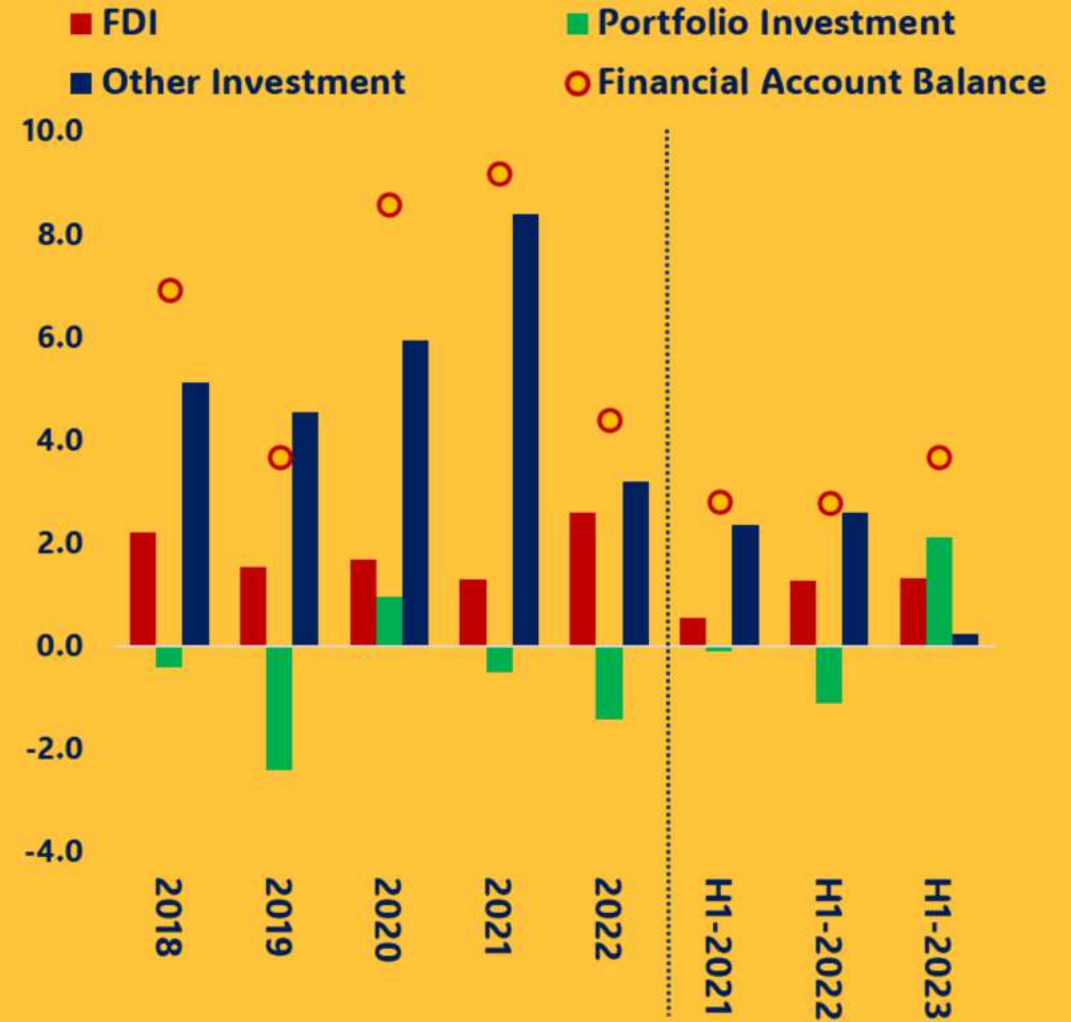


Current Account deficit improved in H1-2023

driven by services balance and a shrinking trade deficit, on the back of a contraction in imports.



- Services payments
- Travel receipts
- Public grants
- Workers Remittances
- Trade Balance
- CAB



FDI stabilized (1.3% of GDP), significant inflow of portfolio investment (Eurobond \$1.25 bn).

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Monetary Developments

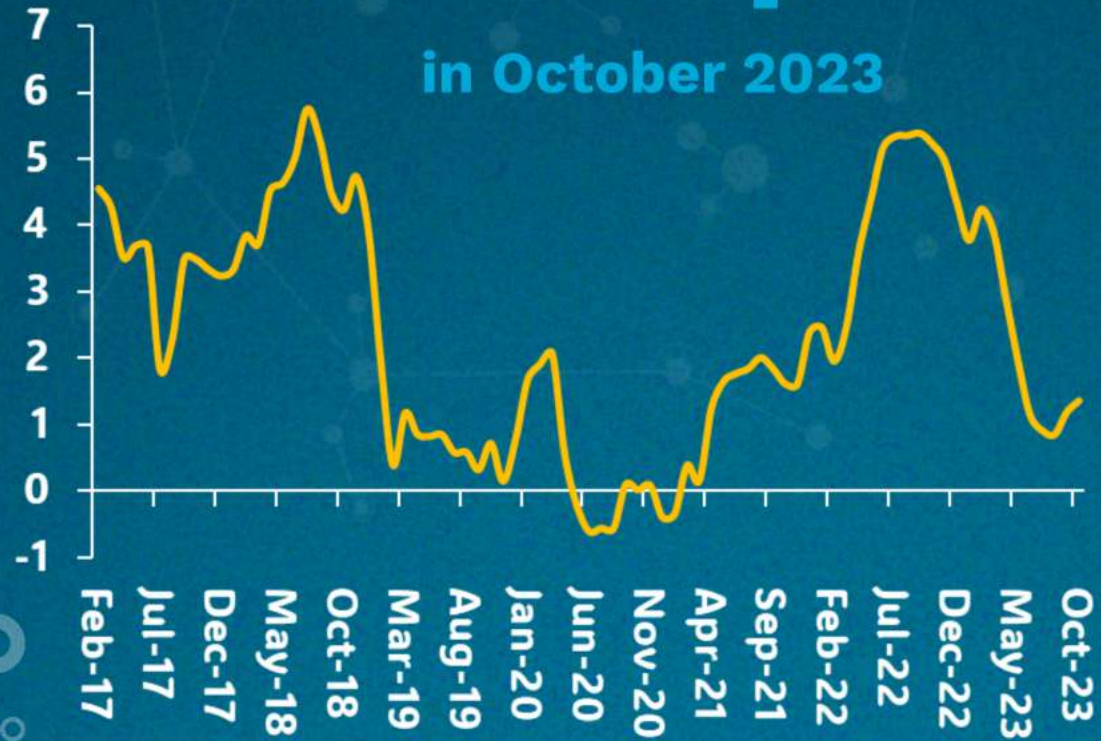
Inflation decelerated significantly from its peak of 2022.

- ❖ Negative contribution from fuel and transportation prices
- ❖ Contained effect from food and core items.
- ❖ Gradual dissipation of the supply shocks associated with the Russian war on Ukraine.

Monetary policy tightening supported decelerating annual inflation rate and money growth.

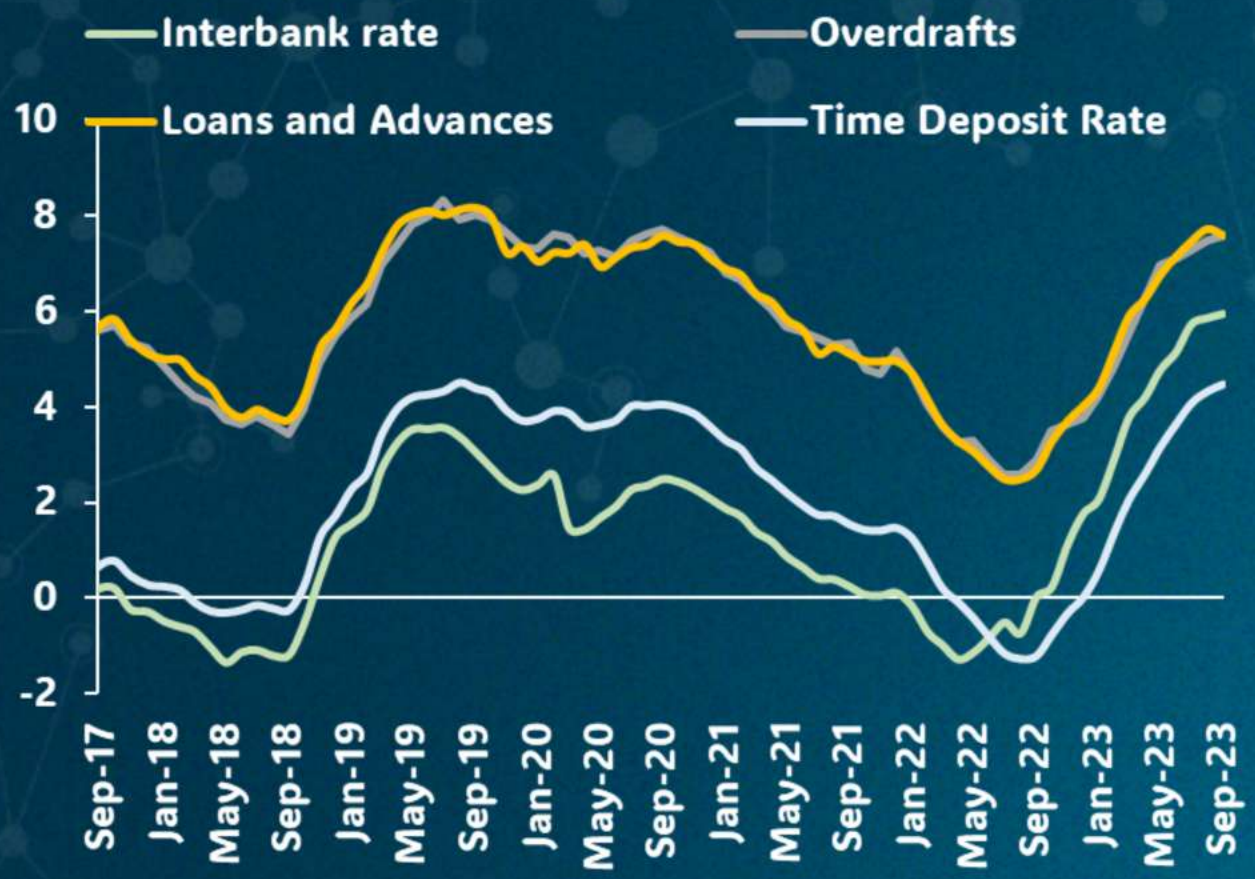
1.4%

in October 2023



Continued Monetary Tightening

The contained inflation reflects the ongoing monetary policy tightening, with real interest rates remaining positive and high.





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Outlook





Outlook

Growth 2.6% in 2023



Services

2.5% in 2024

2.6% in 2025





Outlook

Growth 2.6% in 2023



Services

2.5% in 2024

2.6% in 2025



Inflation 2.4% in 2023

favorable base effect, muted
core inflation and easing
commodity prices



Outlook

Growth 2.6% in 2023



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2.5% in 2024

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Fiscal deficit 5.1% of GDP

Higher tax revenues, lower subsidies spending



Outlook

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2.5% in 2024

2.6% in 2025



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CAD 6.6% of GDP

Improvement in trade balance and despite slower growth in remittances



Outlook



Conflict in the Middle East

- ❖ The eruption of the conflict and concerns over its prolongation or escalation in the region carry important risks for the region and for Jordan's economy.

Growth 2.6% in 2023



Services

2.5% in 2024

2.6% in 2025



Inflation 2.4% in 2023

favorable base effect, muted core inflation and easing commodity prices



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Conflict in the Middle East: Potential Impact of the on Jordan

Too early to quantify; high uncertainty

Geopolitical tensions affect risk sentiment.

Can impact economies through different channels, even when they are not directly involved.

Main channels are travel receipts and oil prices.

Impact will depend on the duration and expansion of the conflict.





Channels & Scenarios





Channels & Scenarios



Tourism & Travel Receipts

Both Q3 and Q4 are historically high seasons in terms of travel receipts.

Tourist numbers had dropped by around 23% following the 2014 conflict in Gaza

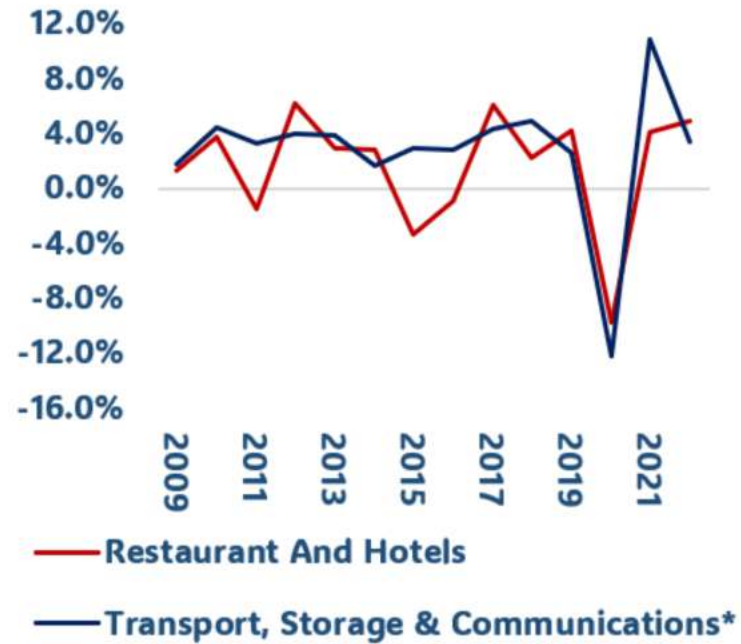
Early reports from tourism agencies point to a 50-75% drop in hotel occupancy and reservations in 2 months.

The aviation industry – just recovering from Covid-19 induced losses – may also incur higher operating costs

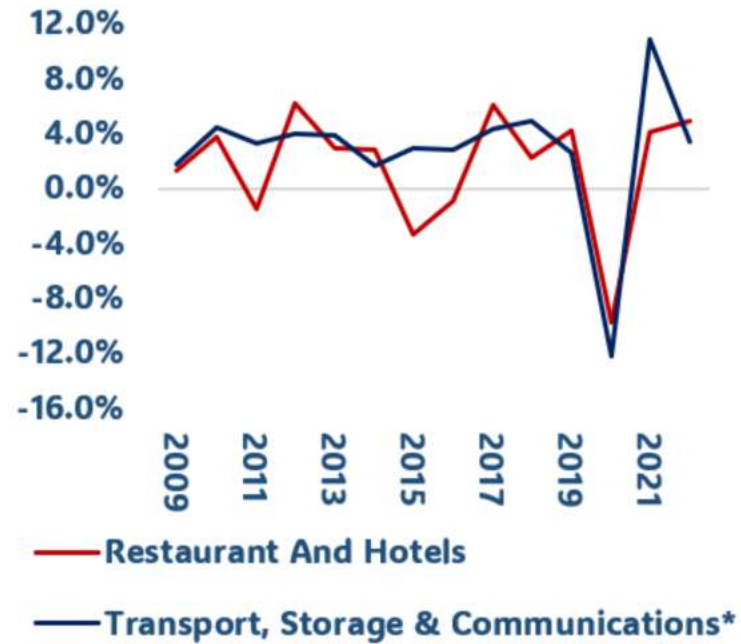
Lower tourism may have wider implications for economic activity through backward and forward linkages with other larger sectors (trade, transport, construction).



GDP Growth rate – Tourism and other sectors



GDP Growth rate – Tourism and other sectors





Oil Prices

So far contained but volatile.

Sharp increases can have large implications.

Acceleration in inflation due to the increased costs of production and transportation

An increase to USD 100-110 per barrel --> higher current account deficit of 6.6% - 7.5% of GDP in 2024 (compared to 4.9% in the baseline scenario).



Both Q3 and Q

Touris

Early reports fr
drop in hotel o

The aviatio
induced loss

Lower tou
activity thr



Gas Imports

Governed by long-term Gas Supply Agreements.

No impact or disruptions to the electricity sector gas consumption recorded so far in Jordan.

Should the conflict escalate and gas exports to Jordan are reduced, NEPCO has access to import liquified natural gas using the Floating Storage and Regasification Unit (FSRU) facility through the LNG port in Aqaba, possibly at higher cost than that of piped natural gas.



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Unlocking the Economic Power of Women in Jordan



Unlocking the Economic Power of Women in Jordan

Women's low participation does not have a single cause.

Affected by a complex combination of social, economic, regulatory and structural factors, and by personal preference.



Unlocking the Economic Power of Women in Jordan

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A Life Cycle Approach



Unlocking the Economic Power of Women in Jordan

Human Capital

Health & Education

A Life Cycle Approach



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Human Capital

Health & Education

Childcare

Supply & Demand

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A Life Cycle Approach



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Human Capital

Health & Education



Childcare

Supply & Demand



Public Transportation

Coverage, Comfort, Safety & Affordability



Women's Human Capital

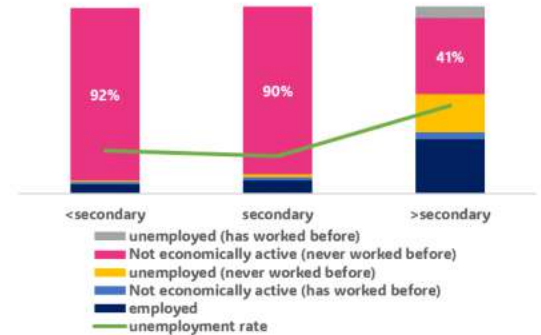
A woman's journey starts from a young age, reproductive and child healthcare.



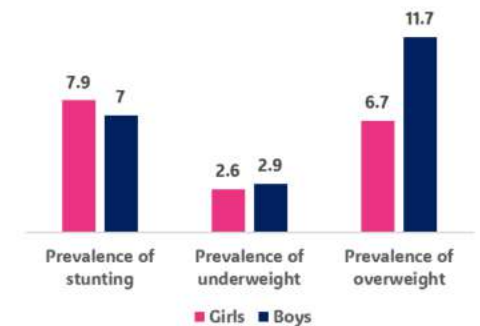
Investing in education & healthcare are necessary to equip her with the human capital to be productive.



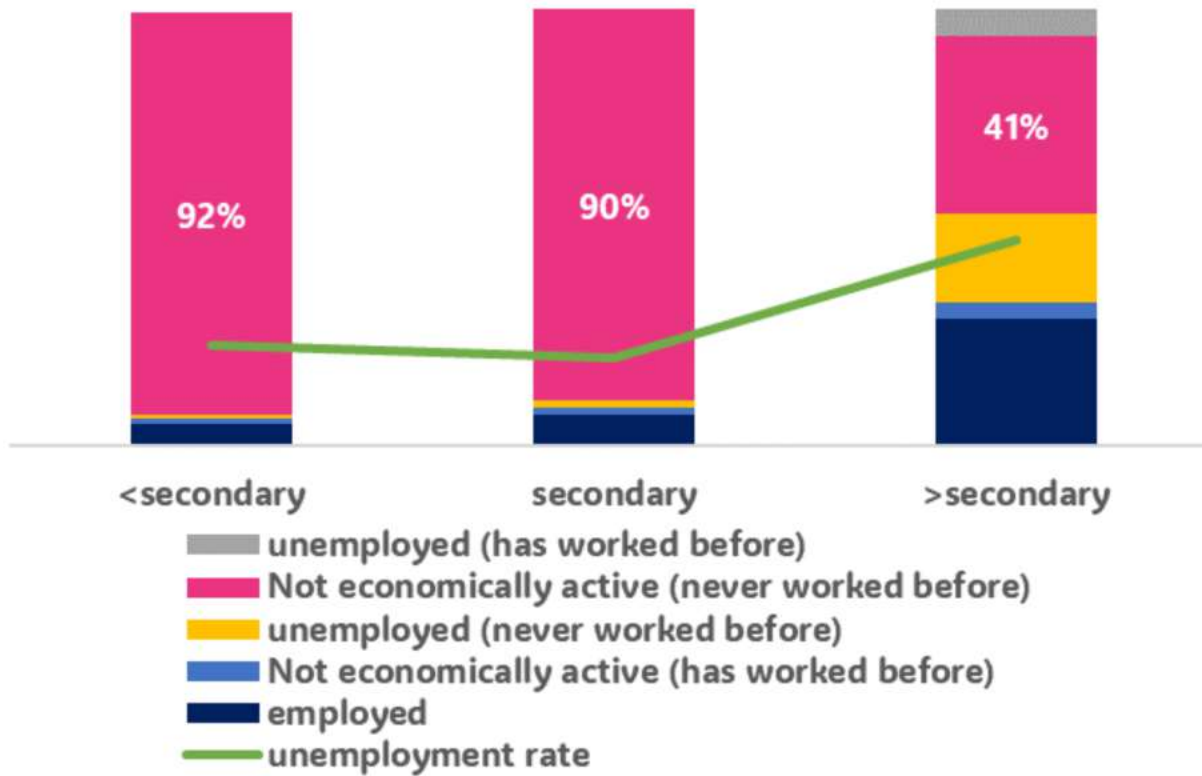
Women with no or less education are less likely to enter the labor market



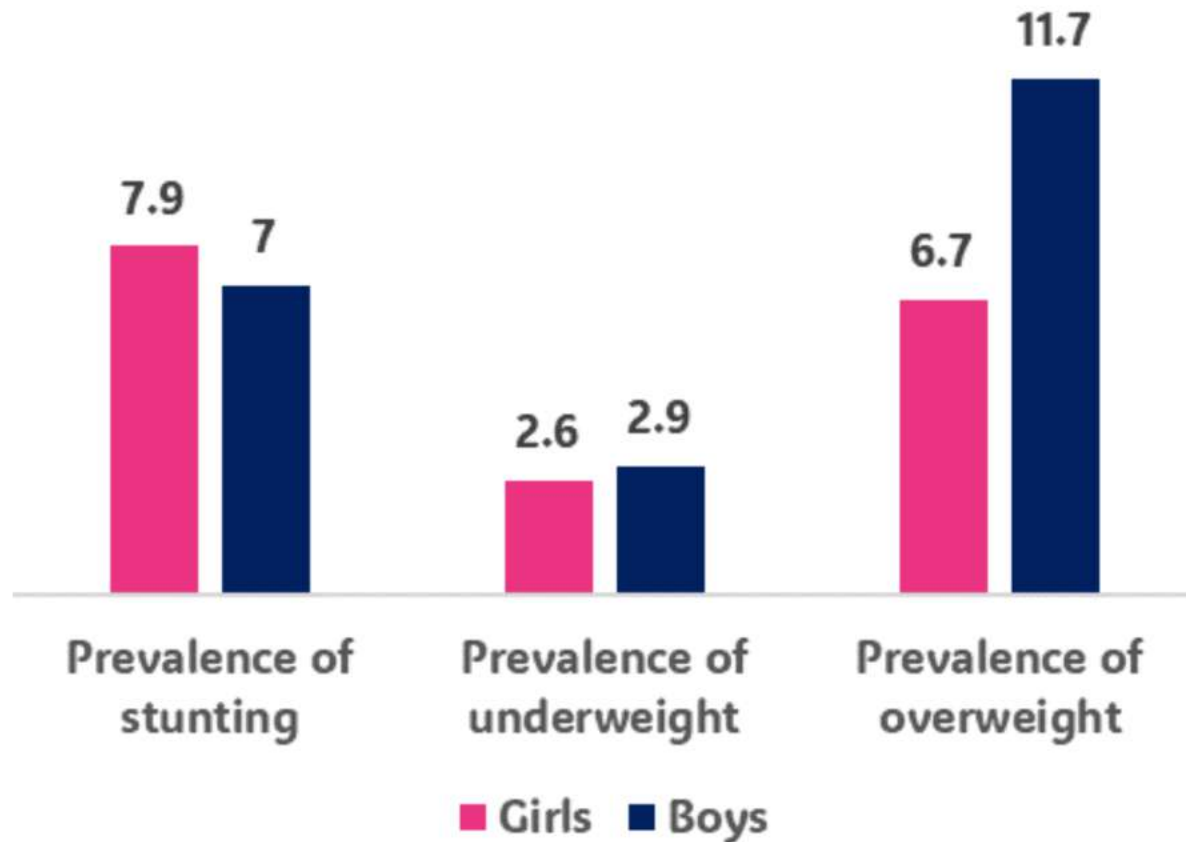
Health outcomes reflect good access to quality reproductive and child healthcare



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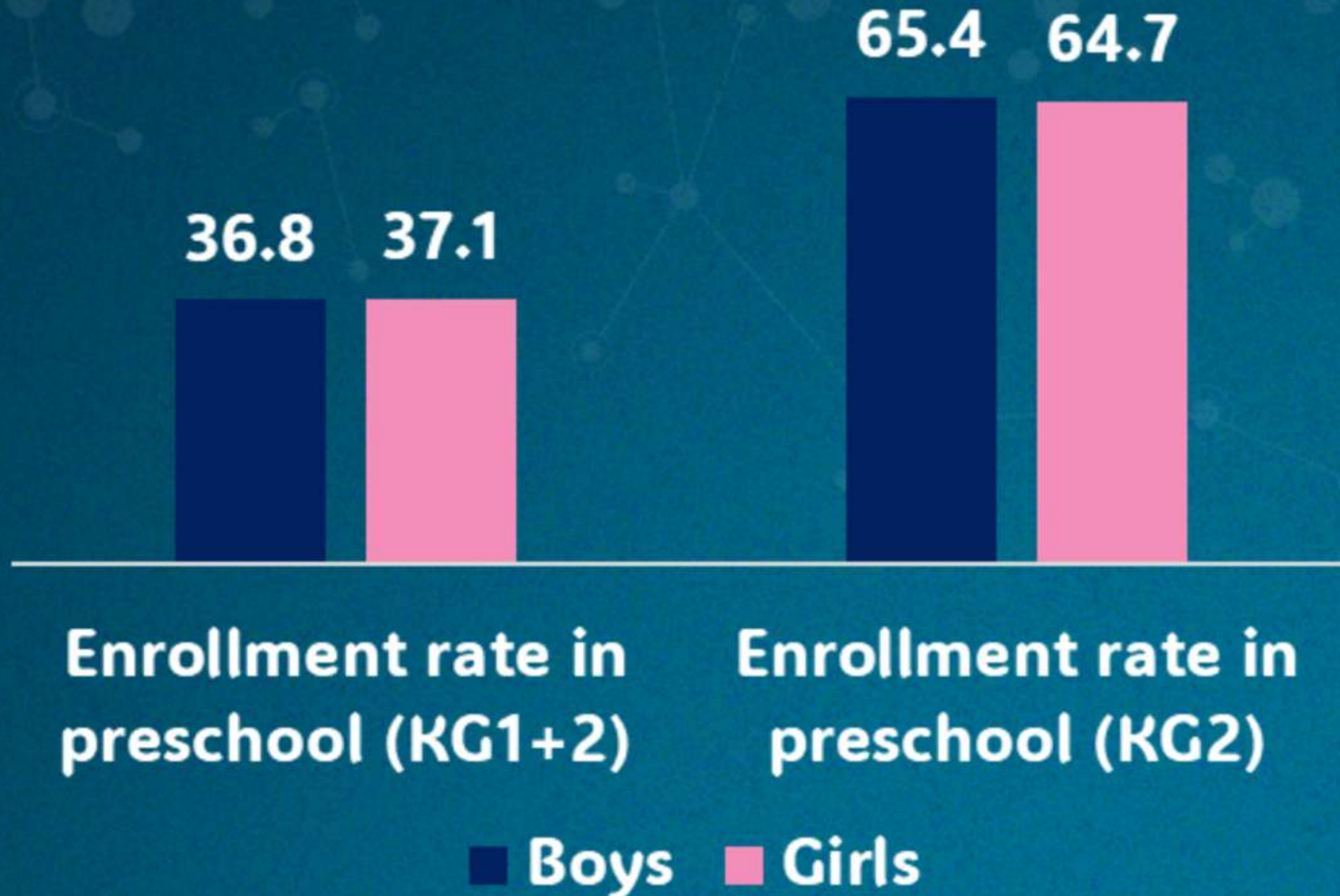


Investing in Education

The education system ensures
equal access to boys and girls.

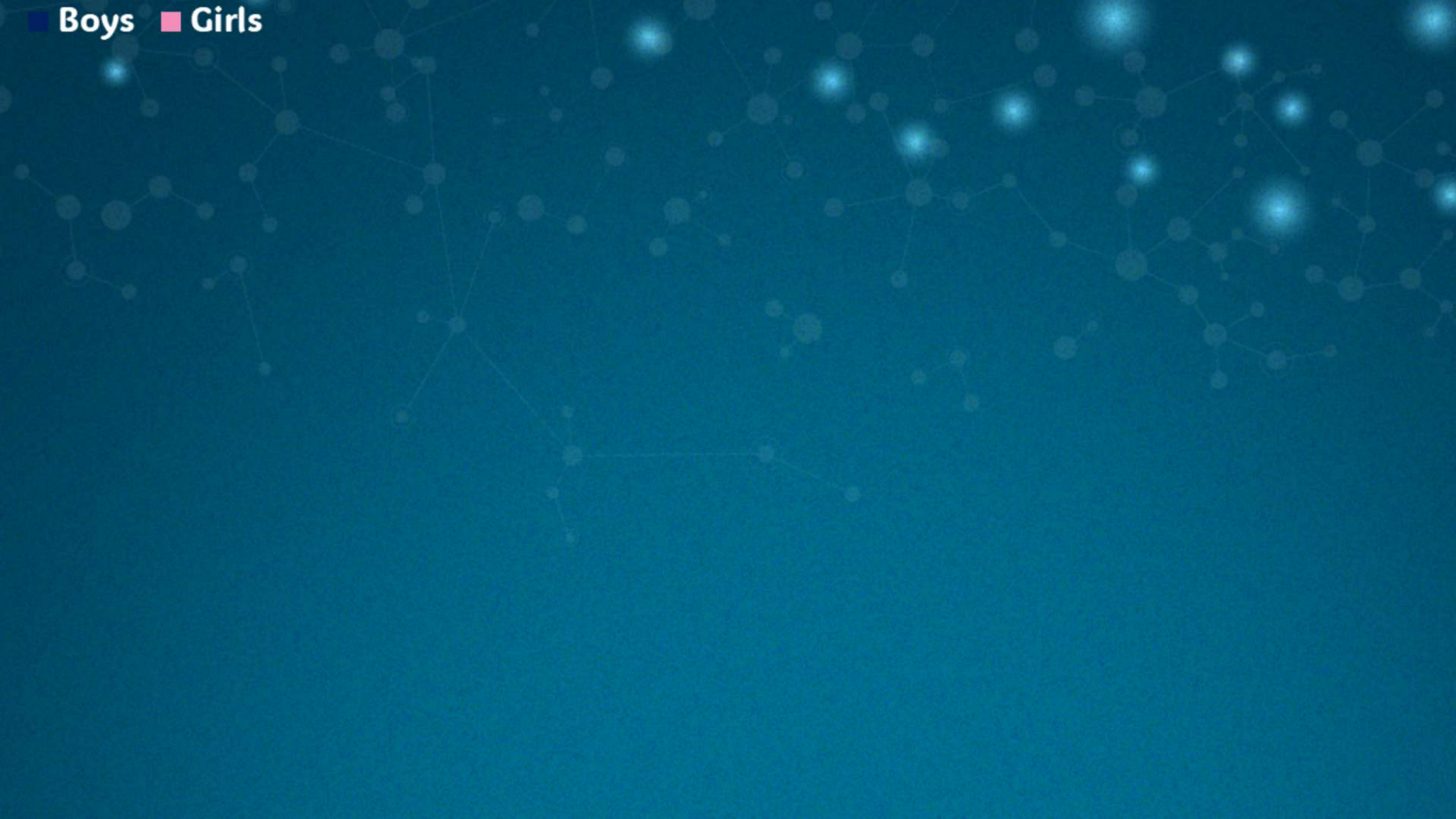


Access to ECE is improving, but overall access is still low



- Impact on childhood development outcomes
- Cascading effects as children progress in the education system.

■ Boys ■ Girls



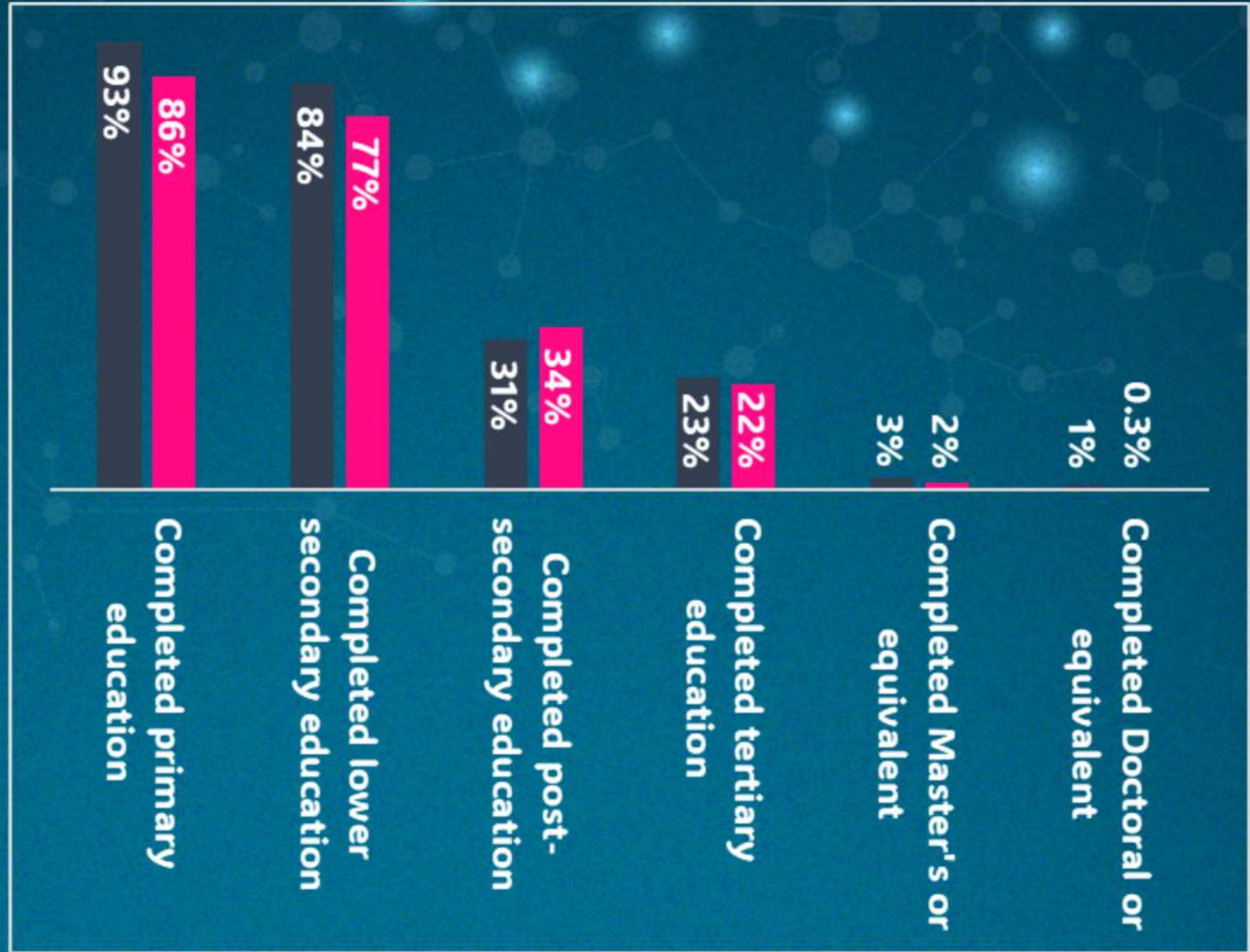
■ Boys ■ Girls

Enrolment rates for primary and secondary education are high.....

... but both girls and boys keep dropping out of school as they grow older.

Only **22%** of women (aged 25+) finish their tertiary education

While no gender gaps exist in educational attainment, women are less likely to participate in labor force.



Childcare



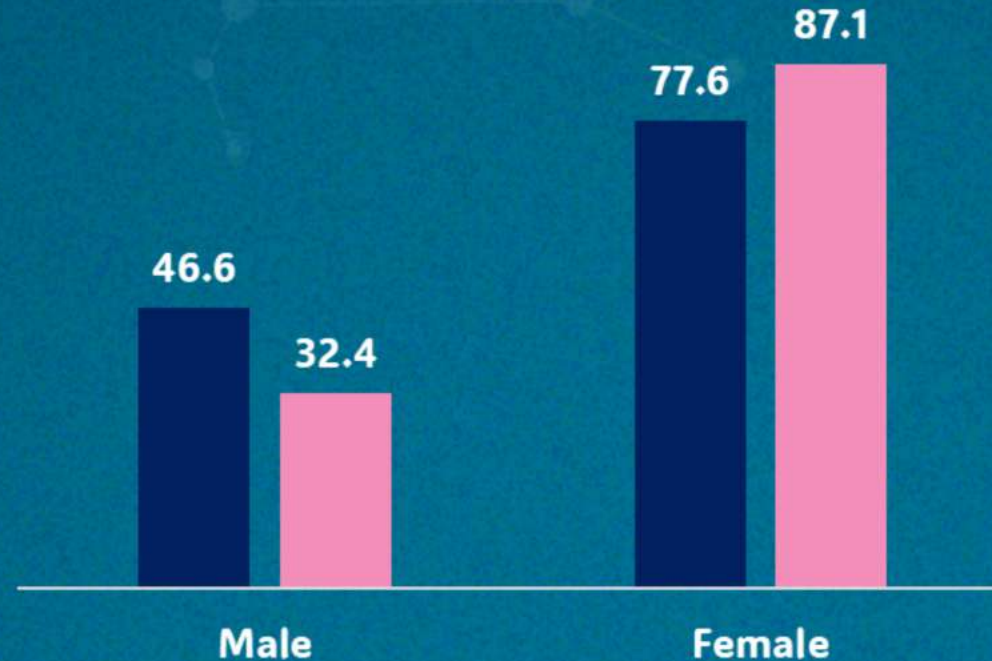


Marriage is a critical turning point at which some women decide to withdraw from the labor market or never enter.

Transition to marriage has opposite impacts for men and women: participation increases upon marriage for men, but decreases upon marriage for women.

Mothers' responsibilities as caregivers are among the major constraints that limit their ability to join the labor market.

Not participating in labor force, percent



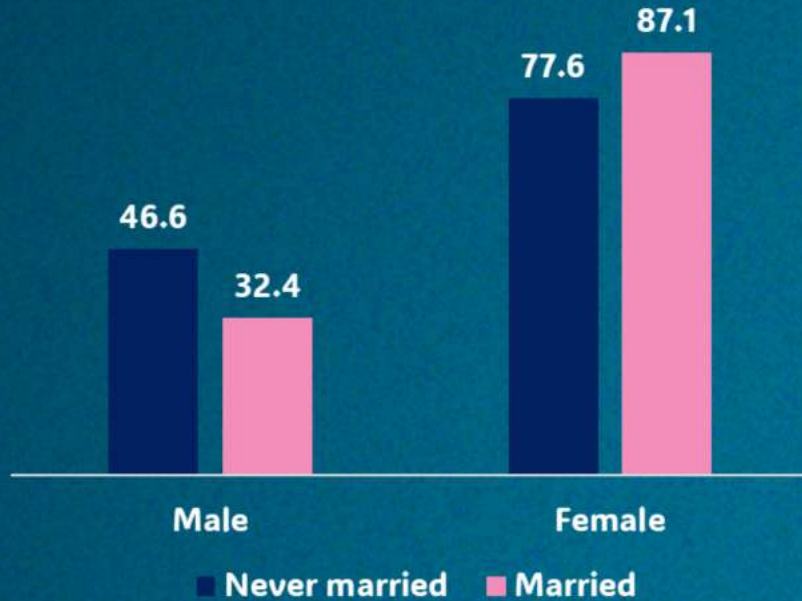
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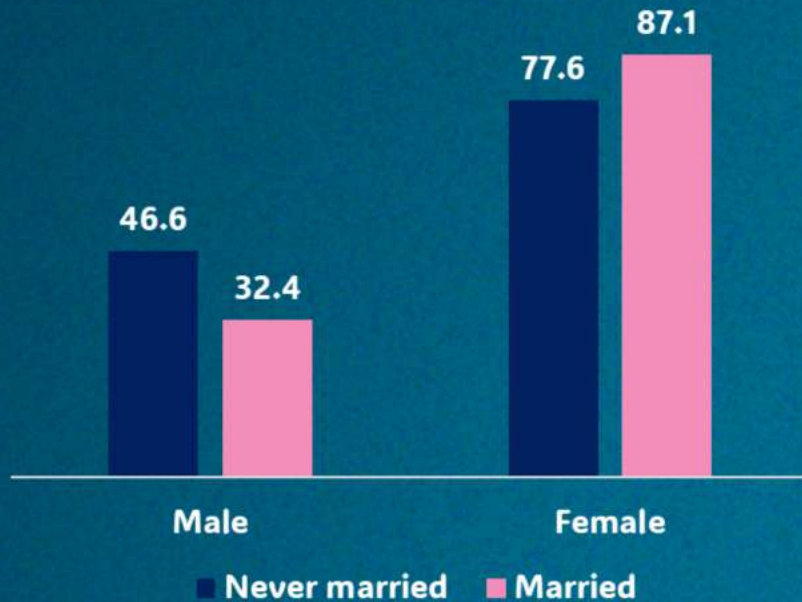
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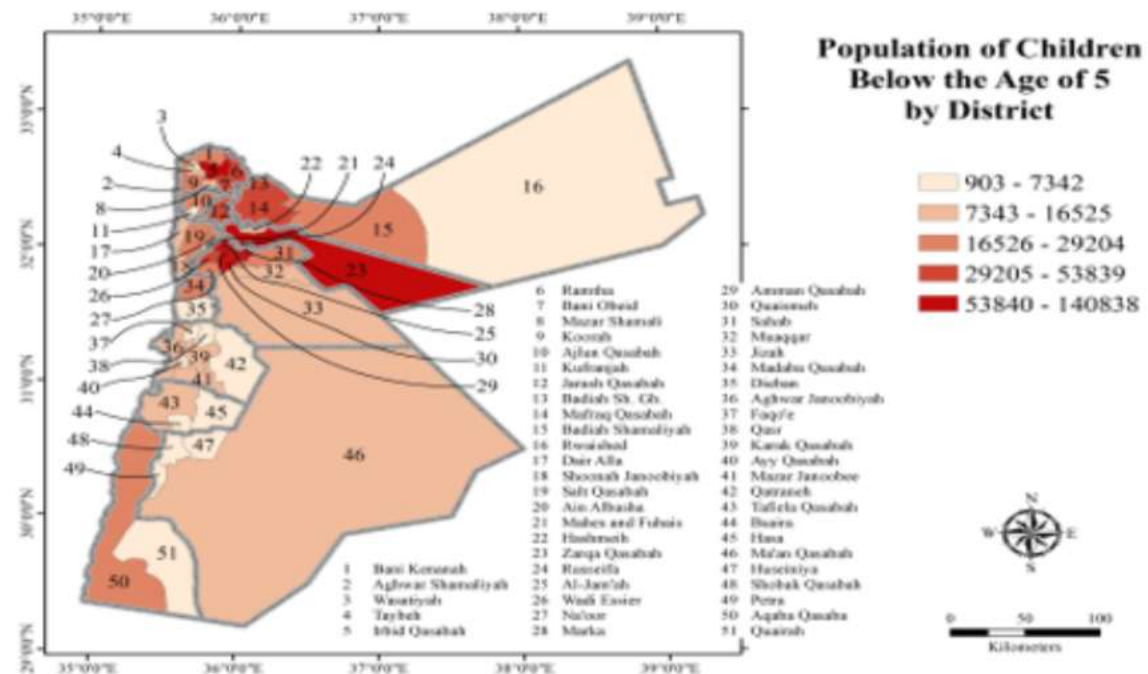
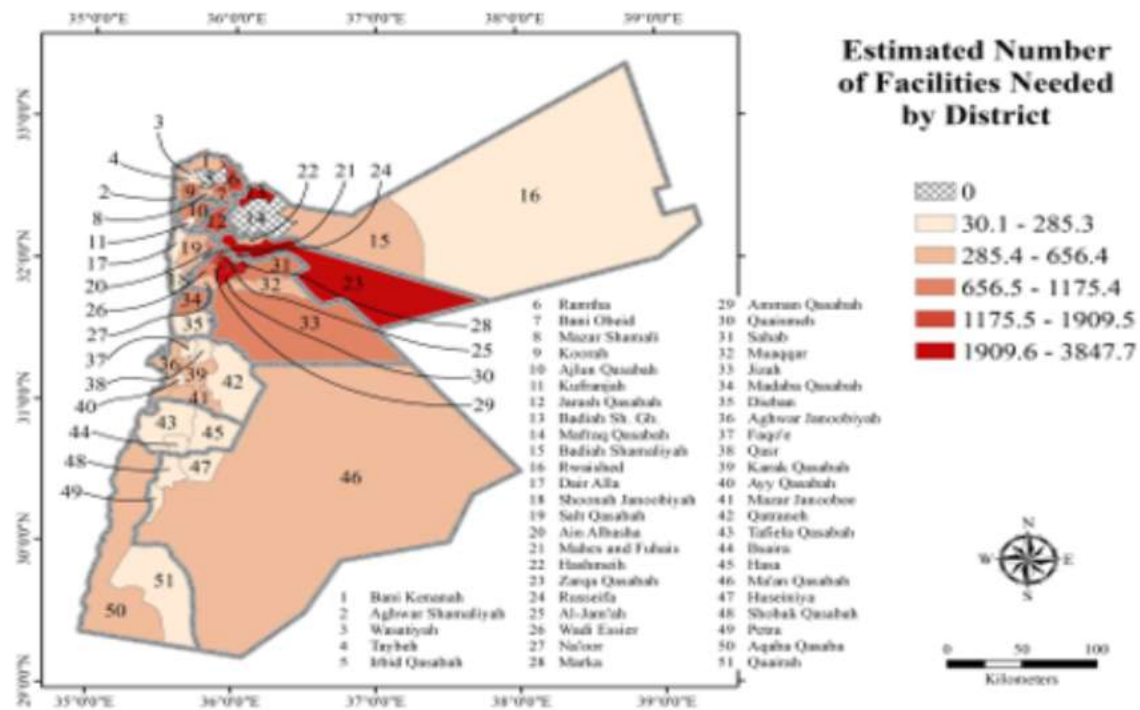
Not participating in labor force, percent

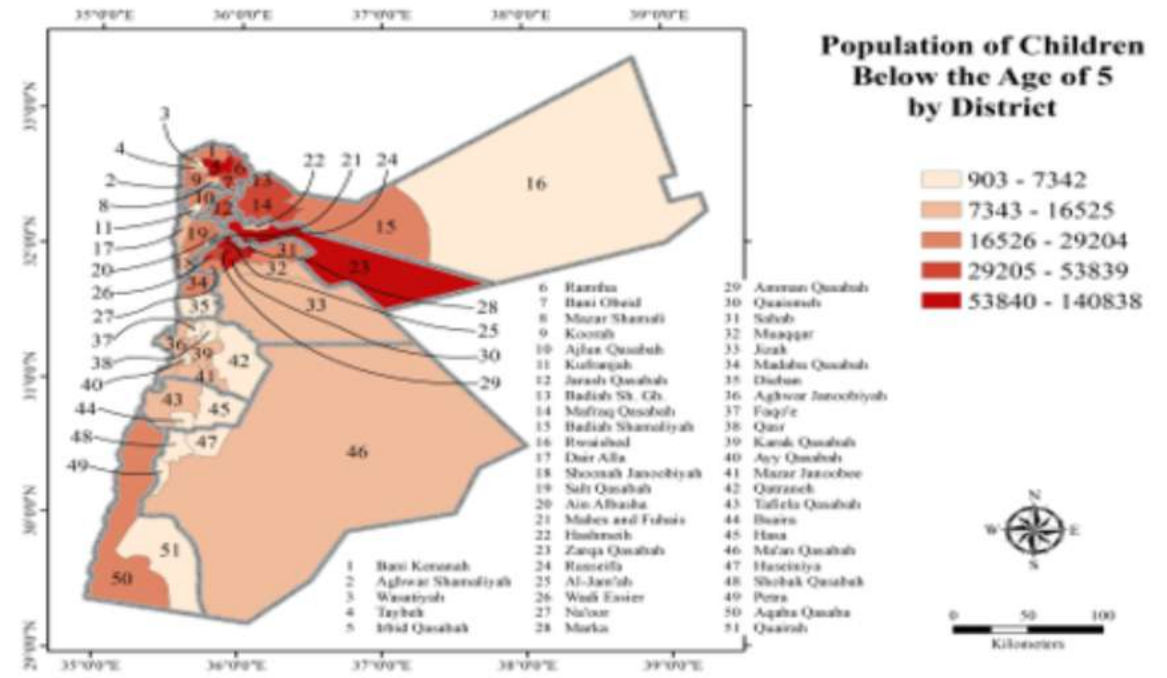
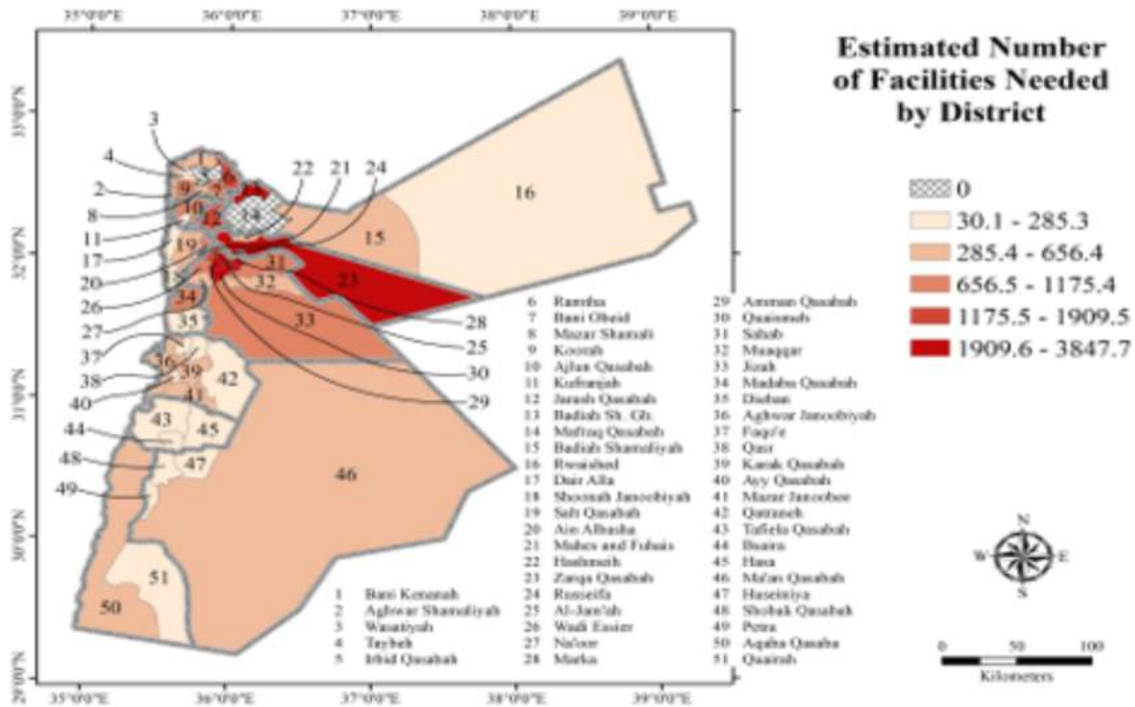


The supply of childcare services in Jordan is limited; formal services are concentrated in a few populous urban areas and are dominated by private providers.

CHILDCARE: About 1.5 million children are left without opportunities to access childcare services.







Total capacity of licensed childcare can only serve **less than 3%** of children below five.

An estimated **40,000** additional childcare facilities are required.

Mapping childcare provision to the population of children under five

3/4 childcare providers are located in the urban, populous governorates of Amman, Zarqa and Irbid.

Demand for Childcare Services



Demand for Childcare Services



● **Affordability**

Socio-economic status may be affecting uptake of childcare services, hence the need to prioritize the affordability of childcare services.

13% providers having a majority of children coming from low-income households.

10% children enrolled in private nurseries coming from low-income households.

Demand for Childcare Services



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● **Quality**

of the curriculum and caregivers' capabilities more than the quality of nursery infrastructure and facilities.

- * High set up costs compromise service quality and increase fees.
- * Most financing goes towards rent and infrastructure requirements.
- * Private providers comply with infrastructural legal requirements, fewer financial resources orientated towards quality dimensions.

Demand for Childcare Services



Unmet Demand

More than two thirds of mothers are willing to up take childcare services

Affordability

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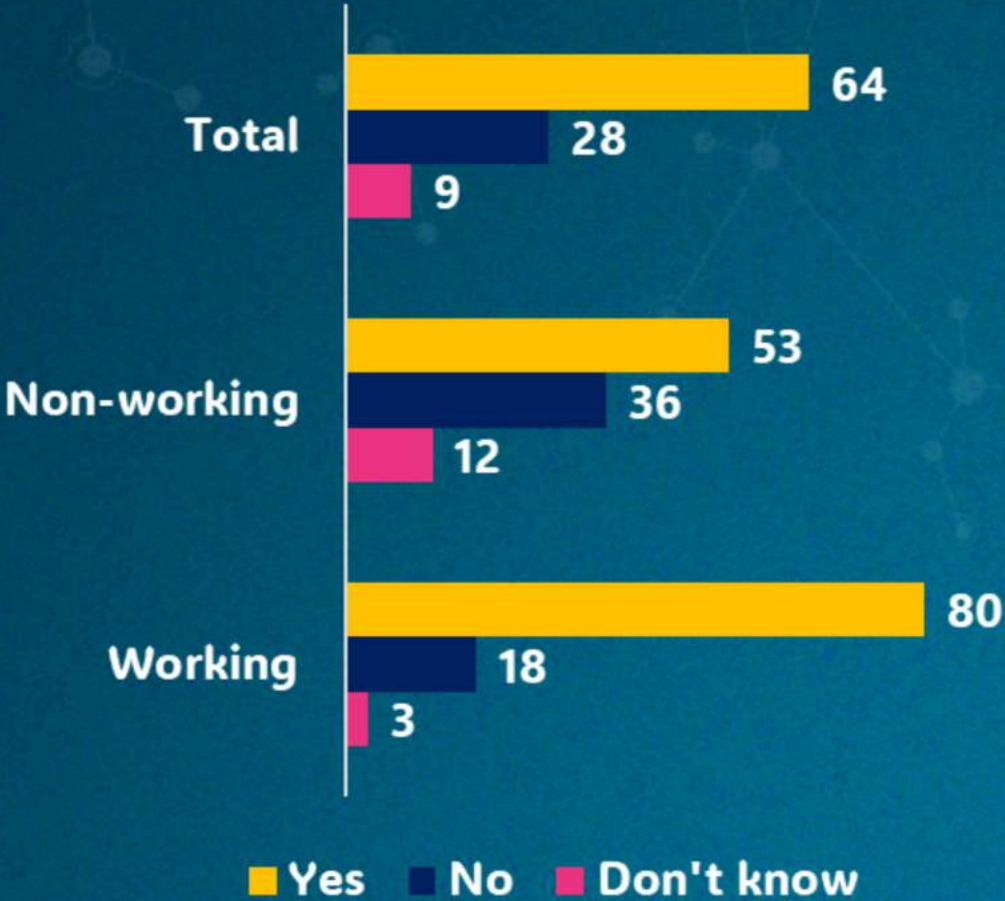
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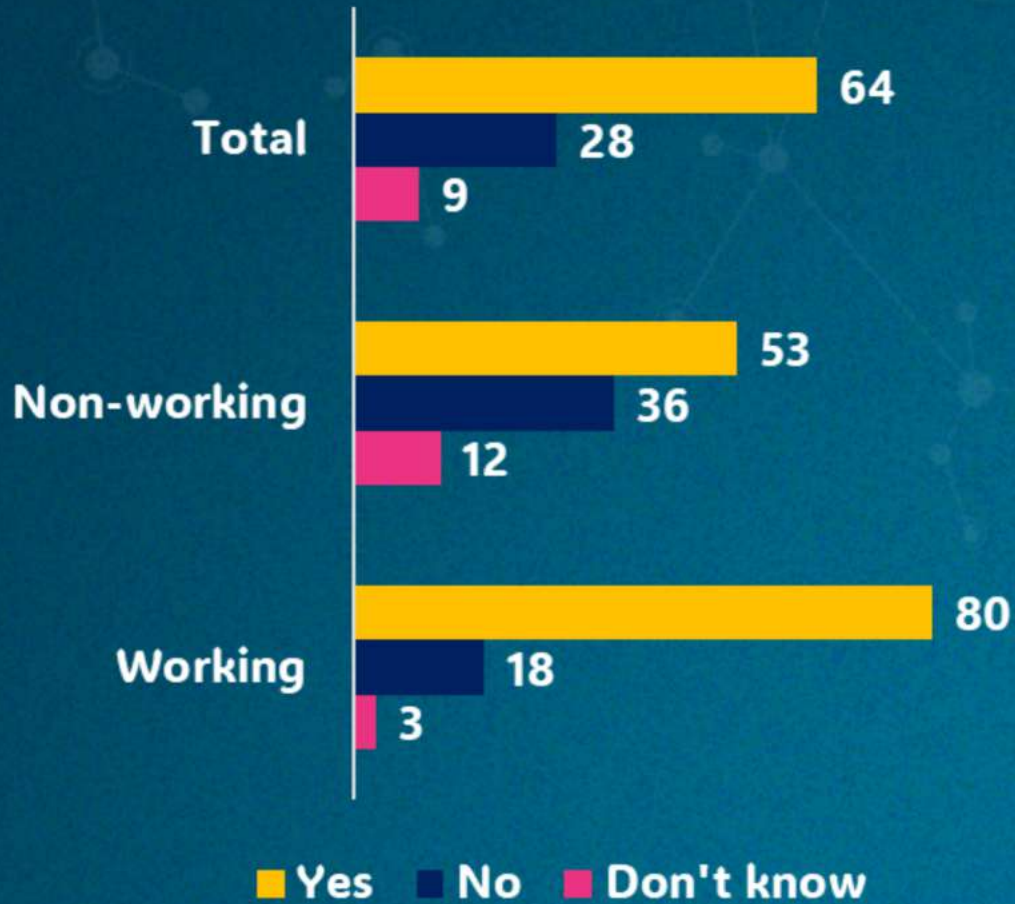
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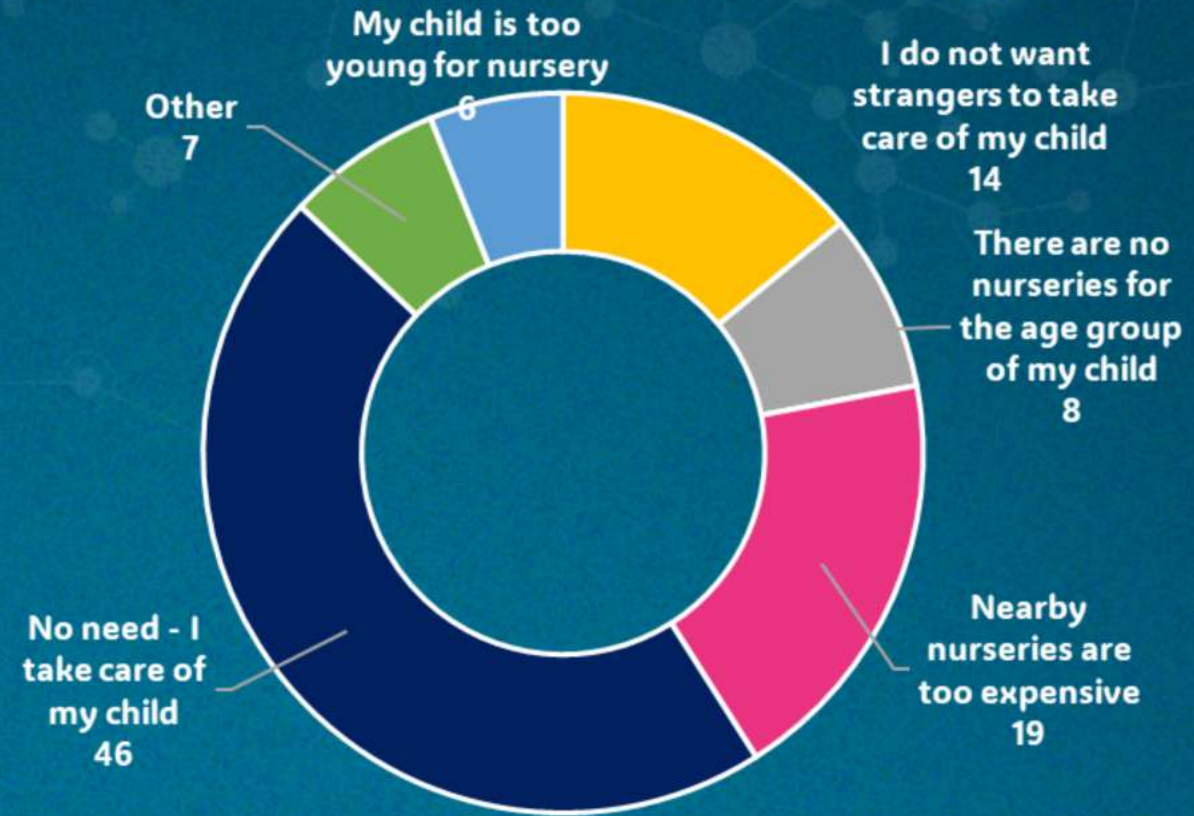
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Top reasons for not sending children to childcare



Demand for Childcare Services

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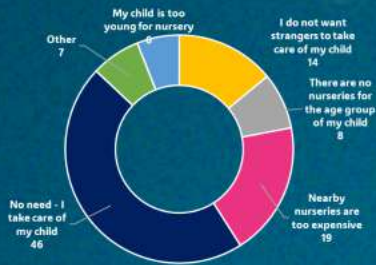
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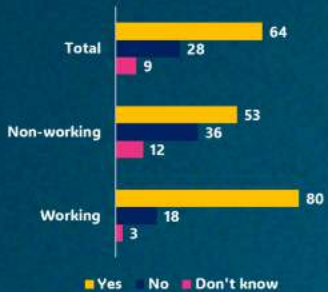
Unmet Demand

More than two thirds of mothers are willing to up take childcare services

Top reasons for not sending children to childcare



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Demand for Childcare Services

Social Norms

beliefs and expectations may come in the way of their work

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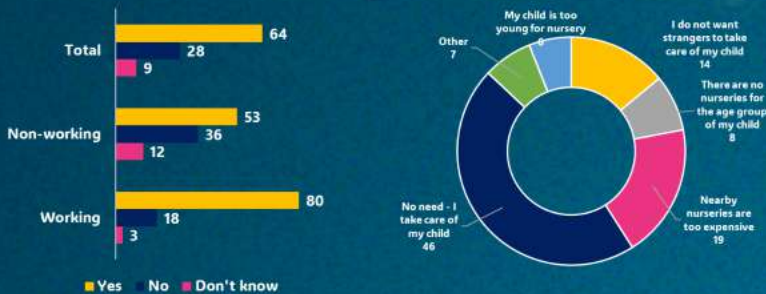
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Unmet Demand

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Are you willing to up take childcare services? Top reasons for not sending children to childcare







When **jobs are rare**, who gets the job?



Traditional jobs perceived as ideal occupations for women.



Childcare - I do not want strangers to take care of my child.

Public Transport



Public Transport

97% of surveyed women in Greater Amman identify at least one transport-related constraint.

Six in ten non-working women identify commuting as a key barrier to working in the Greater Amman Region.



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- Integration of fares with feeder services in the soft operations of the BRT Phase 1

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World Bank study identifies key remaining challenges



lack of comfort: like sitting space, air conditioning, ability to travel with children and shopping, availability of bathrooms



Waiting times at public transit stops.



Safety: presence of guards or police, low number of other women users, poor quality pavements/sidewalks.

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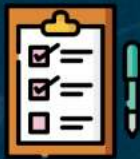
In Focus

JORDAN ECONOMIC MONITOR

Building Success, Breaking Barriers

Unlocking the Economic
Power of Women in Jordan

Fall 2023



Key Recommendations

- ★ Protecting and investing in girls' human capital is a prerequisite to her integration and contribution to economic development.
- ★ Norms and attitudes pose a barrier in all contexts, but they can be tackled, including by circumventing the challenges that feed the stereotypes.
- ★ There is no silver bullet, a full range of priorities and complementary actions are needed to improve women's access to opportunities.
- ★ A National Policy on childcare is needed to guide the expansion and improvement of the childcare sector, indicate clear mandates and coordination mechanisms.
- ★ Beyond the strategy, there is a need to provide diverse modalities to increase the supply and access to childcare.
- ★ To improve the transport system, public investment in the public transit network and measures to enhance comfort and safety are needed.

Coverage

Creation/enhancement of mass transit
Improving the feeder network
Increasing the frequency of service

Affordability

Charging integrated fares for multiple legs.

Comfort and Safety

Addressing overcrowded vehicles
Improving waiting areas
Enhancing visibility at public transport stops.

Jordan Economic Monitor - Fall 2023

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