JORDAN

Table 1	2023
Population, million	11.3
GDP, current US$ billion	51.0
GDP per capita, current US$	4502.0
National poverty rate[a]	15.7
School enrollment, primary (% gross)[b]	87.6
Life expectancy at birth, years[b]	74.2
Total GHG emissions (mtCO2e)	36.7

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2017/8).
b/ Most recent WDI value (2022).

Jordan has maintained macroeconomic stability despite regional turmoil. Growth slowed to 2.0 percent in the first quarter of 2024, while headline inflation averaged 1.7 percent over the first seven months. The fiscal deficit widened slightly due to higher interest payments and reduced tax revenue from imports and corporate income. Growth is projected to average 2.6 percent over the medium term. To reduce poverty and promote shared prosperity, Jordan needs to enhance productivity, foster investment, and encourage private sector-led and export-driven growth.

Key conditions and challenges

Prudent fiscal and monetary policies have allowed Jordan to maintain resilience and stability despite a volatile regional and external environment. From 1992 to 2003, Jordan's economy grew at an average annual rate of 5.1 percent, accelerating to 7.5 percent between 2004 and 2009. However, external shocks, including the collapse of oil prices, the war in Iraq, the Arab Spring, the Syrian conflict and subsequent refugee crisis, the COVID-19 pandemic, the repercussions of Russia's invasion of Ukraine, and the ongoing conflict in the Middle East, have adversely impacted the economy, leading to increased risks and logistical disruptions. These challenges, coupled with domestic constraints on investment and exports, have suppressed growth, with the economy expanding by only 2.2 percent between 2012 and 2022. In response, the government launched the Economic Modernization Vision (EMV) in 2022, aiming to improve economic performance, enhance quality of life, and strengthen government effectiveness and accountability.

Prolonged periods of low growth have adversely impacted job creation, straining the labor market where employment opportunities are scarce amid a rapidly growing population. The limited capacity of the private sector to generate jobs, combined with segmented labor markets, high levels of informality, and low labor productivity, in turn, suppresses the real income growth of households.

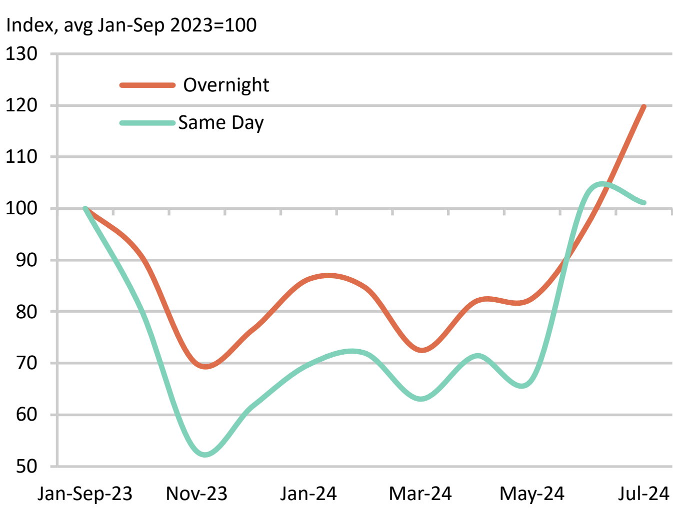
Jordan's limited natural resources, particularly water scarcity, present acute challenges, which have been exacerbated by a population that has doubled in the past 20 years including due to refugee influx. The Government of Jordan has begun implementing a multi-year plan to reduce water losses, expand water supply, and reform tariffs to address Jordan's high levels of non-revenue water losses, overconsumption, and to promote water sector efficiency and sustainability. Climate change is projected to further affect per capita water availability, leading to broader detrimental effects. The increasing frequency of natural hazards, coupled with concerns over food and energy security, underscores the urgent need to enhance domestic water, energy, and food security through key policy reforms.

According to estimates from 2017-2018, approximately one-third of Jordan's population is at risk of falling into poverty if exposed to adverse shocks. The refugee population remains particularly vulnerable, with the latest estimates from the World Bank and UNHCR indicating that the poverty rate among refugees has increased from 57 percent in 2021 to 67 percent in 2023.

Recent developments

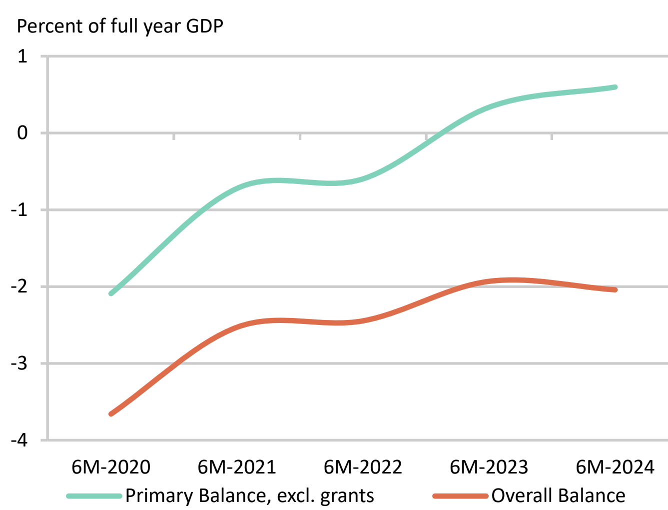
The impact on economic growth from the ongoing conflict in the Middle East has been relatively contained, with the

FIGURE 1 Jordan / Tourist arrivals have rebounded to pre-conflict average level



Sources: Ministry of Tourism and Antiquities and World Bank staff calculations.

FIGURE 2 Jordan / Fiscal consolidation slowed slightly in the first half of 2024, impacted by the conflict



Sources: Ministry of Finance and World Bank staff calculations.

economy expanding by 2.0 percent in the first quarter of 2024, down from 3.0 percent in the same quarter of 2023 and 2.3 percent in the fourth quarter of 2023. The slowdown was driven by reduced contributions from sectors more exposed to the conflict and trade disruptions in the Red Sea. Transport, communication, manufacturing, and tourism were particularly affected, with tourism experiencing a 7.2 percent annual decline in arrivals from October 2023 to July 2024. However, by July 2024, tourist arrivals recovered to pre-conflict levels, largely due to increased visitors from Gulf Cooperation Council countries.

Inflationary pressures eased in the first seven months of 2024, with headline inflation falling to 1.7 percent, from 2.7 percent in 2023. The Central Bank of Jordan maintained its policy rate at 7.25 percent, following a cumulative increase of 525 basis points since March 2022. The real effective exchange rate appreciated in the first five months of 2024, driven by the US dollar's strength.

Efforts to expand economic opportunities have shown results, albeit from a low base. The Department of Statistics reported that 34.1 percent of the working-age population was economically active in the Q1-2024, up from 33.1 percent during the same period last year. Women's labor force participation rose by almost two percentage points, from 13.7 percent to 15.5 percent, marking the first time that female participation has surpassed 15 percent since Q1-2019.

The central government's fiscal deficit widened by 10.3 percent year-on-year in the first half of 2024, driven by higher interest payments and lower tax revenues from imports and corporates income. The conflict's impact on trade through Aqaba port reduced tax collections, as the Government granted temporary exemptions on customs duties and sales taxes. However, stable primary expenditure and reduced capital spending led to the highest primary surplus (excluding grants) since 2008.

Outlook

The economy is expected to grow by 2.4 percent in 2024, with an average growth of 2.6 percent expected over the medium term. Inflation is projected to stay contained, supported by the lagged effects of monetary policy tightening, with annual headline inflation at 2.0 percent in 2024 and 2.1 percent in 2025, stabilizing at 2.4 percent thereafter.

Fiscal consolidation is anticipated to progress, with revenue-enhancing measures and potential monetary easing bolstering domestic revenues. The primary fiscal deficit is expected to narrow in 2024, shifting to a small surplus by 2025, although the overall deficit may widen due to elevated interest payments. Persistent fiscal pressures from the water and electricity sectors are likely to keep unconsolidated general government debt elevated in the short to medium term, while consolidated debt is projected to decrease due to surpluses in the Social Security Investment Fund. The government has also committed to expanding social protection through the National Aid Fund.

The current account deficit is expected to widen in 2024, driven by reduced tourism receipts and declining international phosphates prices, but it should gradually narrow as imports are contained and foreign tourist arrivals recover. The external sector outlook remains sensitive to the ongoing Middle East conflict, posing significant risks to Jordan's economy and adding uncertainty to an otherwise broadly positive outlook.

To reduce poverty and promote shared prosperity, focus should be on developing sectors that support inclusive, private sector-driven job creation. Investing in green infrastructure is crucial for securing water and energy resources while creating employment opportunities for high- and low-skilled workers. Maintaining macroeconomic stability and effective debt management is essential for sustainable growth and resilience. Additionally, a robust safety net is necessary to protect the poorest and most vulnerable populations from potential economic shocks.

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

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	3.7	2.6	2.7	2.4	2.6	2.6
Real GDP growth, at constant factor prices	3.7	3.0	2.9	2.4	2.7	2.7
Agriculture	6.6	3.9	5.9	3.8	2.4	2.4
Industry	2.7	4.4	3.5	3.0	2.5	2.4
Services	4.0	2.3	2.4	2.0	2.8	2.8
Inflation (consumer price index)	1.3	4.2	2.1	2.0	2.2	2.4
Current account balance (% of GDP)	-8.0	-7.8	-3.7	-4.8	-4.6	-4.3
Net foreign direct investment inflow (% of GDP)	1.3	2.6	1.5	1.4	1.6	1.9
Fiscal balance (% of GDP)[a]	-6.2	-5.6	-5.1	-5.3	-5.0	-4.6
Revenues (% of GDP)	24.7	25.7	25.3	25.9	26.2	26.5
Expenditures (% of GDP)[a]	30.9	31.4	30.4	31.2	31.2	31.1
Consolidated Debt (% of GDP)[b]	87.5	88.6	89.2	89.1	88.4	87.1
Unconsolidated Debt (% of GDP)[b]	108.8	111.2	113.8	113.9	114.9	115.0
Primary balance (% of GDP)[a]	-1.9	-1.5	-0.4	-0.1	0.4	0.9
GHG emissions growth (mtCO2e)	3.8	3.1	0.8	0.9	1.8	2.0
Energy related GHG emissions (% of total)	59.1	58.5	57.2	57.1	56.6	56.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Including the Adjustment on receivables and payables (use of cash) as per IMF Country Report No. 23/49.
b/ Consolidated debt coverage excludes the SSC's investment arm holdings. Projections indicate that SSC's financial surplus will gradually decline, turning into a deficit, causing the consolidated debt to converge to the unconsolidated debt over time.