

**EXECUTIVE  
BOARD  
MEETING**

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March 23, 2020

To: Members of the Executive Board

From: The Secretary

Subject: **Jordan—Staff Report for the 2020 Article IV Consultation and Request for an Extended Arrangement Under the Extended Fund Facility—Draft Press Release**

Board Action: Executive Directors' **consideration** (Formal)

Tentative Board Date: **Wednesday, March 25, 2020**

Publication: Yes\*

Questions: Mr. Jarvis, MCD (ext. 35661)  
Mr. Serra, MCD (ext. 38966)

**\*The Secretary's Department has been notified by the authorities that their explicit consent is required prior to the publication of Board documents. At the time of circulation of this paper to the Board, the authorities have indicated that they consent to the Fund's publication of this press release.**





## IMF Executive Board Concludes 2020 Article IV Consultation with Jordan

FOR IMMEDIATE RELEASE

**WASHINGTON, DC – [March 25, 2020]** the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation<sup>1</sup> with Jordan.

The following assessments and projections predate the ongoing COVID-19 outbreak; the near-term outlook is subject to significant risks stemming from the outbreak.

Jordan has made progress in reforming its economy since the 2017 Article IV Consultation, but pressing challenges remain. Growth has averaged only 2 percent since 2016. While the pickup in tourism and exports gave some momentum to economic activity in 2019, recent progress in improving the business climate has not yet translated into higher domestic or foreign investment. Per capita income has continued to decline and was in 2019 about 10 percent below its 2010 level. Inflation remained broadly contained, rising to 3.5 percent during 2017–18, reflecting primarily the impact of fiscal measures, but decreasing to about 0.5 percent in 2019, due to subdued food and imports prices, including fuel. Labor market conditions have remained challenging, particularly for youth and women, with the unemployment rate (excluding foreign labor) on an upward trend, reaching 19 percent in 2019, up from 18.5 percent in 2017. The current account deficit (excluding grants) has narrowed markedly since 2017, due to a strong recovery in exports and tourism and to lower imports, from an average of 12 percent of GDP during 2017–18 to a projected 6 percent in 2019. The Central Bank of Jordan (CBJ) has continued adjusting its policy interest rate in line with the United States. While reserves buffers were impacted by the uncertainty arising from protests against a draft income-tax law in mid-2018, improved conditions in the FX market allowed to partly recoup past reserve losses in 2019; reserve buffers remain at comfortable levels at 7 months of imports. Significant progress was achieved in consolidating public sector finances during 2016–17, but it proved difficult to maintain during 2018–19, reflecting tax administration weaknesses, some policy reversals, and delays in implementation of fiscal measures.

The outlook remains challenging. Growth is projected at 2.1 percent in 2020 and it is expected to gradually increase to 3.3 percent over the medium term. The baseline scenario reflects fiscal consolidation of about 4 percent of GDP during 2020–24—to ensure placing public debt on a downward path—and a strengthened growth agenda, underpinned by reduced business costs, particularly on electricity and labor, and measures to increase employment for youth and women, while continuing enhancing Jordan's social safety net. Inflation is expected to gradually reach 2.5 percent over the medium term. The current account deficit (excluding grants) is projected to continue narrowing to about 5 percent of GDP over the medium term, with reserves buffers expected to remain adequate at 8 months of imports.

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<sup>1</sup> Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

**Executive Board Assessment<sup>2</sup>**

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<sup>2</sup> At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: <http://www.IMF.org/external/np/sec/misc/qualifiers.htm>.

**Jordan: Selected Economic Indicators and Macroeconomic Outlook, 2018–25**

	Act. 2018	Proj. 2019	Proj.					
			2020	2021	2022	2023	2024	2025
<b>Output and prices</b>								
(Percentage change, unless otherwise indicated)								
Real GDP at market prices	1.9	2.0	2.1	2.3	2.6	2.9	3.1	3.3
GDP deflator at market prices	1.8	1.6	1.9	2.5	2.5	2.5	2.5	2.5
Nominal GDP at market prices	3.7	3.6	4.0	4.9	5.2	5.5	5.7	5.9
Nominal GDP at market prices (JD millions)	29,984	31,058	32,313	33,882	35,632	37,582	39,716	42,052
Nominal GDP at market prices (\$ millions)	42,291	43,805	45,575	47,789	50,257	53,008	56,017	59,312
Consumer price inflation (annual average)	4.5	0.3	1.5	1.7	2.5	2.5	2.5	2.5
Consumer price inflation (end of period)	3.6	0.7	0.8	2.5	2.5	2.5	2.5	2.5
Unemployment rate (period average, percent) 1/	18.3	...	...	...	...	...	...	...
(In percent of GDP, unless otherwise indicated)								
<b>Fiscal operations</b>								
Revenue and grants	26.1	24.7	27.0	26.0	25.5	24.5	24.3	24.0
<i>Of which: grants</i>	3.0	2.5	3.2	2.2	1.9	1.0	1.0	0.9
Expenditure 2/	29.8	29.7	30.0	30.0	29.9	29.6	29.3	29.1
Unidentified measures 3/	0.0	0.0	0.0	0.6	1.2	1.8	2.4	2.4
Overall fiscal balance 4/	-3.3	-5.0	-3.0	-3.4	-3.1	-3.3	-2.6	-2.6
Primary government balance (excluding grants)	-3.0	-3.8	-2.3	-1.6	-1.0	-0.3	0.4	0.4
NEPCO operating balance	-0.3	0.0	-0.5	-0.6	-0.5	-0.4	-0.4	-0.4
WAJ overall balance	-0.9	-1.1	-1.1	-0.8	-0.8	-0.8	-0.7	-0.7
Water Distribution Companies overall balance	0.0	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Combined public sector balance 5/	-4.2	-5.1	-4.0	-3.2	-2.4	-1.7	-0.9	-0.8
Government and guaranteed gross debt 6/	94.4	99.1	100.4	100.7	100.2	99.6	98.0	96.1
Government and guaranteed gross debt, net of SSC's holdings 6/	76.3	79.4	79.9	79.7	78.7	77.8	75.8	73.6
<i>Of which: external debt</i>	37.2	35.5	39.5	41.1	40.8	40.0	38.3	36.1
<b>External sector</b>								
Current account balance (including grants), <i>of which:</i>	-7.0	-2.9	-3.2	-3.6	-3.6	-3.6	-3.1	-2.8
Exports of goods, f.o.b. (\$ billions)	7.8	8.4	8.7	9.2	9.7	10.3	11.0	11.6
Imports of goods, f.o.b. (\$ billions)	18.1	17.4	18.1	18.4	19.1	19.8	20.5	21.3
Oil and oil products (\$ billions)	3.8	3.1	3.2	3.0	3.1	3.2	3.3	3.3
Current account balance (excluding grants)	-10.6	-6.1	-6.9	-6.4	-6.1	-5.6	-5.0	-4.5
Private capital inflows (net)	2.4	1.9	2.2	2.6	2.8	3.5	3.7	4.1
<b>Monetary sector</b>								
(Percentage change)								
Broad money	1.3	6.8	7.5	...	...	...	...	...
Net foreign assets	-19.3	1.7	23.5	...	...	...	...	...
Net domestic assets	9.1	8.2	3.3	...	...	...	...	...
Credit to private sector	5.2	4.7	5.6	...	...	...	...	...
Credit to central government	10.3	14.1	-3.8	...	...	...	...	...
<b>Memorandum items:</b>								
Gross usable international reserves (\$ millions)	12,513	13,513	15,307	16,991	17,860	17,885	18,612	19,401
In months of prospective imports	6.7	7.0	7.7	8.3	8.4	8.1	8.0	8.1
In percent of reserve adequacy metric	97	98	104	111	111	106	107	107
Net international reserves (\$ millions)	11,430	12,756	14,462	15,879	16,485	16,259	16,907	17,809
Population (millions) 7/	9.9	10.1	10.2	10.3	10.4	10.5	10.5	10.5
Nominal per capita GDP (\$)	4,270	4,350	4,464	4,631	4,830	5,061	5,315	5,627
Real effective exchange rate (end of period, 2010=100) 8/	117.7	...	...	...	...	...	...	...
Percent change (+=appreciation; end of period)	4.5	...	...	...	...	...	...	...

Sources: Jordanian authorities; and Fund staff estimates and projections.

1/ The Department of Statistics changed the methodology of the Survey of Employment and Unemployment in 2017 following ILO recommendations.

2/ Includes other use of cash (i.e. off-budget expenditures).

3/ Estimated amount of fiscal measures that are need to meet the programmed fiscal adjustment.

4/ Includes statistical discrepancy.

5/ Defined as the sum of the primary central government balance (excl. grants and transfers to NEPCO and WAJ), NEPCO operating balance, WAJ overall balance, and, starting in 2019, Aqaba, Miyahuna, and Yarmouk Water Distribution Companies overall balance.

6/ Government's direct and guaranteed debt (including NEPCO and WAJ debt). SSC stands for Social Security Corporation. The authorities securitized domestic arrears amounting to 2.3 and 0.3 percent of GDP in 2019 and early 2020, respectively, part of which was previously assumed to be repaid over a three-year period.

7/ Data from the 2017 Revision of World Population Prospects of the UN population division.

8/ INS data. CBJ staff's estimates, based on updated trade weights, shows a more moderate pace of real appreciation over the past few years.