

# Economic Monitor Jordan

## 2.0% Economic growth (GDP) in Q3-2018

3.5% Growth in the Social and Services sector

3.0% Growth in the Finance & Insurance Sector

2.9% Growth in the Agriculture sector

2.8% Growth in the Transport, Communication & Storage Sector

2.4% Growth in the Electricity & Water Sector

**BUT,**  
-0.4% Contraction in the constructions sector



### Macroeconomic Issues

Unemployment rate stabilized during the 3rd quarter of 2018

**18.6%** Unemployment rate in Q3 2018.



The parliamentary labour committee recently announced its recommendations for the amendment of the labour law in Jordan. The main amendments include raising the number of annual leave days from 14 to 18, allowing subscription to professional syndicates for those 18 ages or above, rather than 21, and raising the compensation for arbitral dismissals. The amendments also include raising the age of children received at nurseries from 4 to 5.

### Monetary Development

Negative Monetary Environment

**-1.7%** MoM decrease in foreign currency reserves in November 2018, to reach \$10,857 million.



**+4.5%** Inflation Rate during the first eleven months of 2018.



**BUT,**  
**+5.4%** Increase in credit extended to the private sector during the 1st ten months of 2018, to reach JD35,163 million.



### Fiscal Policy

During the 1st ten months of 2018

GROSS public debt increased to

**94.9% OF GDP**

compared to 95.3% of GDP at the end of 2017.

The budget deficit (including grants) amounted to

**JD861M**

NET public debt increased to

**90.4% OF GDP**

compared to 88.9% of GDP at the end of 2017.

decreasing by 2.3% compared to the same period of last year.

### Trade Performance Jan-Oct 2018



### Trade Development

Trade Sector recovered during the 1st ten months of 2018



### Positive Trade Developments

The EU agreed to provide further facilitation to the ROO agreement signed with Jordan. These include extending the scope of the agreement to apply to all factories in Jordan instead of only those operating inside development zones and extending the duration of the agreement until 2030.

Furthermore, a major deal was reached between Jordan and Iraq in December, whereby the latter agreed to lower fees on Jordanian goods exported to Iraq via Aqaba by 75% as of the beginning of 2019.

### Investment Climate

#### Foreign Direct Investment

**-56.4%** Decrease in the value of foreign direct investments (FDI) inflows into Jordan, reaching JD382 million in H1-2018.



#### Sharp sell-off in Amman Stock Exchange due to decision to impose income tax on stock profits

Following the endorsement of the new income tax law, the Amman Stock Exchange Index plummeted to its lowest since 2004 in response to the introduction of a capital gains tax, as part of the new income tax law.



A wide sell-off occurred as investors scrambled to escape any capital gains tax that may be imposed on their trading profits. Nevertheless, the Cabinet in late December endorsed regulations to facilitate procedures for collecting income tax on stock trading profits, setting it at 0.0008% of the value of traded shares. This mechanism helped the Amman Stock Exchange recover from the panic sell-off.

#### Other Investment Developments

Jordan was ranked 3rd in the region in the 2018 Annual Report on Economic Freedom in the Arab World, issued by the Friedrich Naumann Foundation for Freedom and the Canadian Fraser Institute, which ranks the economic policies of all 22 nations of the Arab League. Despite Jordan's good position, the Kingdom's score fell down from 8.1 points out of 10 in the report's last edition to a score of 7.9 currently.



Jordan and Iraq signed a number of high level agreements to boost cooperation across various sectors. Extensive talks between Jordan and Iraq in December covered the Basra-Aqaba oil pipeline, the regional railroad, as well as the establishment of a joint industrial estate over an area of 24 square kilometres on the border, among various other topics



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