

Buffeted by regional conflicts and uncertainties

General Information



GDP	USD35.827bn (World ranking 94, World Bank 2014)
Population	6.61mn (World ranking 105, World Bank 2014)
Form of state	Constitutional Monarchy with a parliamentary system of government
Head of state	King Abdullah II ibn Hussein al-Hashemi
Head of government	PM Abdullah ENSOUR
Next elections	Lower chamber, January 2017



Strengths

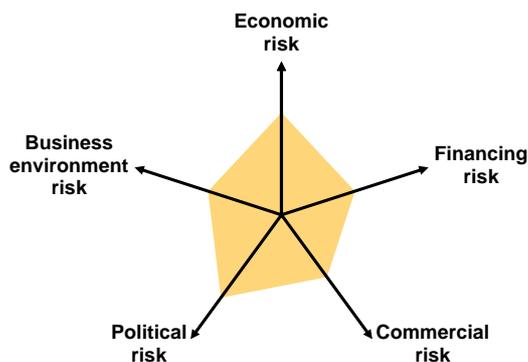
- King Abdullah remains popular and has the support of the military and security services.
- Relatively sound relations with the EU, U.S., IFIs and GCC countries provide political, financial and technical support.
- Significant producer of phosphates and potash.
- Frequent debt rescheduling reduced external debt service to manageable levels.

Weaknesses

- Geographic location and recent history provide a negative political aspect of the country's borders.
- Socio-political differences between Trans-Jordanians and Palestinians (approximately 60% of the population) with a significant proportion of the latter group largely disenfranchised.
- Social pressures result from high unemployment.
- Workers' remittances, particularly from the GCC area, and foreign aid distributions from the same source are subject to prevailing politics and the vagaries of international oil prices.
- Lack of natural resources, other than phosphates.
- Fiscal and current account (large) deficits.

Country Rating

B2



Source: Euler Hermes

Trade structure

By destination/origin (% of total)

Exports	Rank	Imports
United States	14% 1	24% Saudi Arabia
Iraq	14% 2	9% China
India	11% 3	7% United States
Saudi Arabia	9% 4	5% Italy
Indonesia	4% 5	5% Turkey

By product (% of total)

Exports	Rank	Imports
Articles of apparel & clothing accessories	13% 1	29% Petroleum, petroleum products and related materials
Fertilizers other than group 272	12% 2	5% Road vehicles
Crude fertilizers other than division 56, and crude minerals	11% 3	5% Cereals and cereal preparations
Medicinal and pharmaceutical	8% 4	4% Iron and steel
Vegetables and fruits	8% 5	3% Textile yarn and related products

Source: UNCTAD



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Growth will remain below levels required to improve markedly job prospects and general living standards and to alleviate poverty

Annual average GDP growth in the ten-year period to end-2014 was +5.1% and in 2004-08 was +8%. Since 2010, however, GDP growth has under-performed, with annual growth of around +3% in 2009-14. The downturn reflects both domestic and regional/global causes. On the home front, remedial policies to limit the twin deficits in the fiscal and current accounts and to maintain IMF support have involved slower growth. Policymakers appear determined to limit the twin deficits (despite the influx of in excess of 1.2 mn Syrian refugees) and data suggest that they have made progress in this regard. Externally, a relatively weak global economy and a highly uncertain regional outlook (including Iraq as well as Syria) have slowed growth. GDP growth in 2014 was +3% and EH expects a similar rate for 2015 and +3.5% in 2016, although for the latter year the risks are on the downside. Much depends on regional factors largely outside the control of Jordan.

Monetary policy is likely to remain stable

Monetary policy is geared towards maintenance of the kingdom's pegged exchange rate (JOD0.71:USD1). This regime has long-established credibility, underpinned by a steady increase in foreign exchange reserves, and EH does not expect a marked policy change over the forecast period.

External accounts – win some, lose some

Jordan's external accounts are affected significantly by the international oil price in two diverging ways: (i) crude oil and petroleum products account for 29% of the total import bill. Benchmark oil prices are currently down -51% y/y, so there should be a direct benefit to Jordan's trade account, although some oil supplies were already provided on concessional terms and (ii) the strength of trade, tourism and workers' remittances depend on the well-being of the regional economy, so weaker oil prices can also exert negative effects on oil-importing Jordan. The annual current account deficit/GDP ratio was in double digits in the period 2011-13 and reached -15% of GDP in 2012. EH estimates that the current account deficit in 2014 will be -7% of GDP and expects further improvement to -5.5% in 2015. If global demand permits a moderate boost to oil prices in 2016, EH expects the deficit to widen back to -7% in 2016. Although external deficits have improved they require the continuing support of bilateral and multilateral agencies.

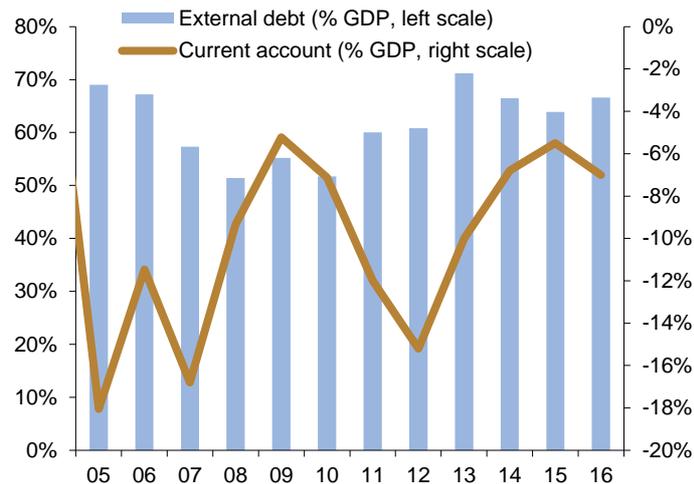
Currently, the Islamic State (IS) controls some border crossings between Jordan and Iraq, with associated reduced trade traffic. As a result, pressures have built up on Jordanian enterprises with extensive trade contacts or transport networks with its eastern neighbour.

Key economic forecasts

	2013	2014	2015f	2016f
GDP growth (% change)	2.8	3.0	3.0	3.5
Inflation (% end-year)	4.8	2.9	-0.3	1.7
Fiscal balance (% of GDP)	-5.5	-2.3	-1.8	-1.7
Public debt (% of GDP)	86.7	84.8	83.0	81.8
Current account (% of GDP)	-10.0	-6.8	-5.5	-7.0
External debt (% of GDP)	71.2	66.5	63.9	66.6

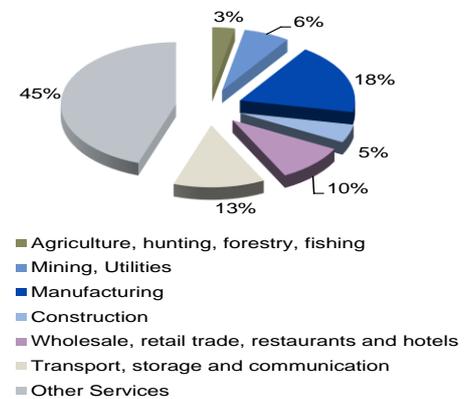
Sources: IHS, national sources, Euler Hermes

External Debt and Current Account Balance (% of GDP)



Sources: IHS, national sources, Euler Hermes

GDP Breakdown



Sources: UNCTAD

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