

ECONOMIC BRIEFING

Jordan: oil rise hampers economic upswing

FIRMER oil prices have hindered the economic upturn expected this year, although continued low inflation and a slight improvement in agriculture and mining have contributed to stability.

A slight fall in exports coupled with an increase in the cost of imports — mainly because of the rise in oil prices — means the trade deficit will probably increase towards the levels recorded three or four years ago.

Growth Growth in gross domestic product (GDP) in 1987 seems set to reach the targeted 3 per cent and may be as much as 3.5 per cent. However, with the population increasing by 3.4-3.6 per cent a year, this actually represents a slight fall in per capita GDP. GDP in 1986 grew by 2.3 per cent at constant factor cost, compared with a forecast 1 per cent.

The largest growth sector in 1986 was electricity and water supply. This grew by

almost 20 per cent at current prices, although it still represents only 3 per cent of GDP at factor cost.

Mining and quarrying grew by 2.7 per cent; the increase will continue in 1987. World market prices for phosphates remain low, but Jordan Phosphate Mines Company has kept up exports, enabling Jordan to become one of the few countries to have increased its share of phosphate rock sales worldwide. Exports for the first six months of 1987 were 2.5 million tonnes, slightly less than last year. Exports of diammonium phosphate are up on last year, at 300,000 tonnes for the first six months.

The construction sector continues to decline. The revival of the Al-Wahdeh dam and impending second-phase work on Aqaba thermal power station may slow down the trend, but the building industry generally will remain in recession for the next two years.

A law was introduced earlier in 1987 to ease out some foreign firms, which have undercut local contractors in bidding. Mergers are expected to come very slowly in the industry.

Continued stagnation in local and regional markets meant manufacturing declined by 0.2 per cent in 1986. A slight improvement is expected this year.

Agricultural growth is also expected to be up on last year's 2.7 per cent. The 1987 wheat harvest is estimated at 100,000 tonnes, leaving 350,000-400,000 tonnes to be imported. Egg and milk production have also increased.

The government projects that agriculture will expand by 7.8 per cent in the 1986-90 plan period. A more realistic figure is 4-5 per cent. Efforts have been made to break into European markets for vegetables and citrus fruit, although the prices obtained have been unprofitable.

Tourism is still not achieving its potential and occupancy rates remain low. No initiatives to develop Jordan as a regional conference or tourism centre are planned.

Unemployment remains a major concern. Officially put at 8-9 per cent, the real figure of those without jobs may be as high as 12 per cent. Cosmetic measures have been introduced, including training schemes with guaranteed work at the end.

Fears that returning expatriate workers might swell the number of unemployed have been unfounded. Many expatriates prefer to take wage cuts in their country of employment than to return home. Net returns are thus low and many of the returnees have sufficient assets to set up their own businesses. In addition, some of those returning appear to be families of workers who remain abroad. As a result, expatriate remittances remain sizable — JD 414.5 million (\$1,200 million) in 1986 — although pressure on the housing and services sector is increasing.

Balance of payments The current account deficit is expected to increase slightly in 1987, to around JD 80 million, largely because of an increase in the cost of imports. This will be partly offset by a capital account surplus, leaving an overall payments deficit of about JD 10 million.

Debt Outstanding public debt totalled JD 1,111 million at the end of 1986, compared with JD 1,055 million one year earlier. This was despite optimism that the government would be able to reduce foreign indebtedness.

Outlook The government is trying to reduce the budget deficit. Crucial to this is the continued inflow of foreign exchange earnings, remittances from abroad and Arab aid grants. A questionmark still hangs over the long-term financing of external debt.

Jordan: balance of payments, 1984-87
(JD million)

	1984	1985	1986	1987 ¹
Exports	290.7	310.8	256.0	250.0
Imports	1,069.2	1,072.5	850.2	915.0
Trade balance	-778.5	-761.9	-591.8	-665.0
Services balance	395.6	346.7	337.8	360.0
Balance of goods and services	-382.9	-414.9	-254.0	-305.0
Unrequited transfers	278.8	315.0	238.0	225.0
Current account balance	-104.1	-99.9	-16.0	-80.0
Capital account	64.4	137.6	51.0	70.0
Overall balance	-39.7	+37.7	+35.0	-10.0

¹ MEED forecast

Source: Central Bank of Jordan, monthly statistical bulletin, May 1987

Jordan: revenue and expenditure, 1984-87
(JD million)

	1984	1985 ¹	1986 ¹	1987 ²
Revenue	530.7	645.0	690.3	730.0
Domestic	411.7	424.5	517.2	575.0
Foreign grants	106.1	187.8	143.7	135.0
Loans repaid to central government	13.0	32.7	29.4	20.0
Expenditure	672.7	770.3	866.3	900.0
Deficit	142.0	125.3	176.0	170.0

¹ Central bank preliminary figures

² MEED forecast

Figures may be inexact because of rounding

Source: Central Bank of Jordan, monthly statistical bulletin, May 1987

Exchange rates: \$1 = JD 0.4050 (1984); \$1 = JD 0.3783 (1985); \$1 = JD 0.32103 (1986); \$1 = JD 0.3440 (September 1987)