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SUBJECT: Economic Report on Jordan -- January 1984

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JORDAN ECONOMIC REPORT

January 1984

Prepared by:
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Near East Bureau
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I. Summary

Jordan is a small country; a population of 2.4 million people (comparable to Arkansas), an area of 38,000 square miles (comparable to Virginia), and a Gross National Product of $4,860 million (comparable to Vermont). Its recent history and prospects are interwined with Middle Eastern oil developments and the Arab-Isaraeli conflict. In economic orientation Jordan favors a strong private sector. The role of the public sector is security, administration, infrastructure, and the initiation of industrial projects too large for the domestic private sector. The government develops and carries out long-term development plans, which by and large are successfully implemented.

Regional demand for Jordan's products and workers, along with foreign aid from Arab countries, financed a decade of investment spending and economic growth that altered the structure of Jordan's economy. Manufacturing, construction, transport and financial services each contributes a larger share of gross domestic product than it did a decade ago. During this time the government earned its reputation as a prudent fiscal manager. The country was spared the inflationary spiral on speculative frenzy that can easily follow a dramatic growth of its monetary base.

During this decade of growth, and continuing to the present, Jordan's economy exhibits some structural economic imbalances. Predominant among them is Jordan's reliance on income flows that are not related to its own economy, an issue in both the public and private sectors. Employee compensation that was due to the domestic production of Jordanian workers was about $1,291 million in 1982. During that same period households received about $1,031 million as compensation for Jordanian workers employed outside the country. In the public budget, foreign grants typically pay for all capital expenditures and a portion of current expenditures as well. Thus, while Jordan has a GNP per capita in excess of $2,000, its standard of living is much higher than its own productive capacity would allow.

In the last eighteen months the foreign aid flows have slowed down and the structure of regional demand is changing. Jordan's growth is slowing down. Sectoral growth rates were lower in 1982 than previously. The sectors that grew the fastest in the boom are being hit the hardest now; but no sector is escaping altogether. The government has faced this crisis with back-to-back austerity budgets. It will attempt to safeguard the gains of the last decade without jepordizing the country's growth prospects. The government is committed to maintaining prudent fiscal and monetary policies at home and a good credit rating abroad. This will require skillful management. The traditional sources of foreign exchange will either remain constant or fall. Foreign debt service will be higher over the next few years than it has been. To its credit, Jordan has not been caught unprepared. A number of industrial projects intended to boost exports are coming into full production in the next year and foreign exchange reserves are holding steady.

Jordan's economy is undergoing a transition, during which it will have to make painful adjustments. The economic environment in Jordan does not preordain a slide from economic deceleration into stagnation. It does call upon the private sector and economic managers to adjust to the changing trade and aid flows while still working toward the objectives of the Five-Year Plan.

II. Backaround: Economic Situation and Development Plans

Over the last decade Jordan's economy has been profoundly affected by the infusion of enormous financial wealth into the Middle East. Like other oil importers throughout the world, Jordan incurred large oil-price increases in 1973 and again in 1979 that adversely affected its balance of trade. Unlike many other developing countries, however, Jordan has multiple trade and political links with the Arab oil-exporting countries. These trade and political links produced financial flows into Jordan that not only offset the higher oil bill but also stimulated economic activity. Oil-exporting countries have used their wealth to increase living standards and to finance development plans within their borders, both of which caused import demand to increase. Jordan is well-placed to sell its goods in the Gulf markets. Sales of citrus fruits, cigarettes, chemicals and manufactured goods have increased significantly over the past decade. Thousands of Jordanians have temporarily migrated to Gulf countries to fill job vacancies created by the development boom. By repatriating a large portion of their earnings, these Jordanian workers increase Jordan's foreign exchange reserves. Finally, because of its status as a "confrontation state" against Israel, Arab states pledged an annual subvention of $1.2 billion in the 1978 Baghdad summit. Table 1 summarizes these financial flows for three recent years.

TABLE 1

FINANCIAL FLOWS BETWEEN JORDAN AND
THE ARAB GULF STATES
($ Million)

	1980	1981	1982
Outflows			
value of petroleum imports	410	554	686
Inflows			
exports to Arab countries	244	348	351
worker remittances (net)	640	878	910
Arab government grants	1,241	1,198	956
Total inflows	2,125	2,424	2,217

Source: International Monetary Fund

As these foreign revenues flowed into Jordan, they passed through a well-developed financial system that channeled resources into diverse economic activities. Time and savings deposits in commercial banks have tripled since 1978, demand deposits have doubled. This growth in bank liquidity, exceeding twenty-five percent annually, made possible a concomitant increase in bank credit to the private sector and to public enterprises. Outstanding credit to the private sector and public enterprises from commerical banks increased from JD 338 million in 1978 to JD 1,022 million in mid 1983.[1/] The volume of trading on the Amman Financial Market increased by a factor of seven between 1979 and 1982.

These flows of financial capital into Jordan's economy were transformed into physical capital at an impressive rate. The average annual rate of growth of fixed investment in constant prices was 18% between 1976 and 1980, compared to the 1976-1980 Development Plan target of 9.1%. Consumption over the same period increased at an average annual rate of 8.9%. Statistics on household income are not available for the period under review. Nonetheless, the information summarized above seems to allow a description of household behavior along the following lines. During the decade following the 1973 oil price shock, household incomes, from both domestic and expatriate employment, had a high trend rate of growth. In allocating these real income increases between consumption and savings, households put enough of the increases into current consumption to improve noticeably their standard of living. At the same time, there appears to have been sufficient confidence in the Jordanian economy to persuade households to deposit a significant portion of the income gains into the domestic financial system. In turn, the financial system had the resources, as did the central government, to finance investments at a level that exceeded 30% of GNP each year. The proposition that the investments undertaken were economically efficient is supported by the growth rate by Gross Domestic Product (GNP) during the period 1976-1980. At 10%

1/ The Jordanian dinar is currently equal to $2.72. Officially, it is pegged to the IMF Special Drawing Right (SDR) at JD1=SDR 2.579

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Jordan had a growth rate more than double the growth rate registered by most developing countries in the world. (To appreciate the importance of a high and sustained growth rate observe that at a 10% rate of growth Jordan would have a per capita GNP equivalent to present day Greece at the end of this century.)

The impact of this stream of investments on the structure of the economy is brought out in Table 2. The broad structural changes during the decade 1972-1982 are the declines in the relative share of agriculture from 14.6% to 6.9%, and government services from 25.1% to 18.3%. During this time the relative share of manufacturing and mining increased from 10.1% to 17.6% and construction's share nearly doubled, from 5% to 9.7%. The differential rates of growth of sectoral output behind these changes in sectoral shares are also shown in Table 2.

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TABLE 2

GDP: Sector Shares and Growth Rates

	Sector shares of GDP						Annual Nominal Growth Rates (%)		
	1972	1975	1978	1981	1982	Plan 1985	1976-1980	1980-1982	Plan 1981-1985
Agriculture	14.6	9.6	11.5	7.1	6.9	7.2	12	15	7.5
Manufacturing & Mining	10.1	17.2	19.1	19.2	17.6	29.3	18	14	17.8
Electricity and Water	1.4	1.1	1.0	1.9	1.7	1.6	19	9	18.7
Construction	5.0	6.0	6.9	10.2	9.7	7.9	34	11	12.6
Trade	19.5	17.0	16.3	18.2	17.9	18.6	20	15	10.0
Transport & Communication	9.5	9.1	11.7	9.5	11.7	12.9	23	35	11.1
Other Services	14.8	16.1	14.7	16.2	16.2	10.3	26	18	9.0
Government Services	25.1	23.9	18.7	17.7	18.3	12.2	18	15	3.5
GDP factor cost & current prices							21	17	
GDP deflator (%)							11	10	
GDP factor cost, constant prices							10	7	11

SOURCE: Jordan National Planning Council, World Bank and IMF

Two of the columns in Table 2 are marked Plan. These data are taken from the Five-Year Plan for Economic and Social Development 1981-1985. Development planning in Jordan during the 1970's is reviewed briefly before commenting on the economic changes contemplated in the current development plan. The first government five year development plan (1962-1967) was superseded by a seven-year plan (1964-1970) which in any event was not carried out because the loss of the West Bank in 1967 totally disrupted the plan. In 1972 the government announced a new three-year plan (1973-1975). During this plan, GDP in current prices increased 16.5% per year.

For 1976-1980, the period of the next plan, the basic objectives were to accelerate growth, increase economic self-sufficiency by reducing the trade gap and the reliance on external budget support, increase equity of income distribution, provide full employment, and ensure a balanced regional distribution of economic activity. The plan also emphasized the important role of the private sector in development, expecting about one third of planned investments to be of private origin. Overall, performance under the plan was successful. Total investment exceeded planned investment by 12% in constant prices. While the public sector reached 92% of its target, the private sector exceeded its target by 32%. Private sector investment in services-producing sectors was about twice the projected volume, reflecting mainly a boom in housing and government building construction, as well as in transportation which was more than six times the anticipated amount. Private agricultural investment, about 50% above target, was stimulated by high returns in irrigated farming of high value export crops. By far the poorest public sector performance was in agricultural investment, particularly in the rainfed areas, where actual investment was equal to 18% of planned investment. Finally, little progress was made toward the plan objective of less reliance on foreign aid and a reduction in the trade deficit.

Returning to Table 2, one sees the macroeconomic planning target of the current plan (1981-1985). It calls for rapid expansion of the economy with a target growth rate for real GDP of 11% per year, and higher growth in the commodity-producing sectors than in the services sectors. The maintenance of a strong private sector and a basically free enterprise economy remains a priority, the role of the public sector being to create the basic infrastructure for private business and to promote the larger scale productive projects. Other aims of the plan are to raise the ratio of domestic revenue to current expenditure in the government budget to 100% by 1985 from 70% in 1980, and to reduce the trade deficit while integrating Jordan's development with that of the rest of the Arab world through the establishment of joint ventures and complementary industries. Economic development during the implementation of the current plan is the topic of Section III.

III. Current Economic Situation

1. Macroeconomic Performanc

Developments in 1981. Gross Domestic Product at factor cost increased 19% in current prices and 8.7% in constant prices, down from 1980 rates of 33% and 10% respectively. Almost all sectors of the economy contributed to the slowdown in the growth rate; agricultural output growth decelerated sharply as a result of inadequate rainfall in the main producing areas, while slack demand for Jordan's manufactured production in neighboring countries and depressed demand for phosphate exports contributed to a slowdown in manufacturing and mining output. In the construction sector, the previous building boom produced an excess supply of residential units that was largely responsible for the sharp decline in the growth of construction activities.

Developments in the international accounts mirrored the slowdown in the domestic accounts. Unlike in 1980, grants and transfers, up 10%, were not large enough to offset the negative balance on goods and services in the international accounts. Between 1980 and 1981 the current account balance went from a surplus of $374 million to a deficit of $41 million. Long-term capital inflows covered this deficit and added $40 million to Jordan's international reserves. Gross National Product in 1981 was $4,685 million.

Developments in 1982. Gross Domestic Product at factor cost increased 14% in current prices and 5.5% in constant prices, reflecting smaller expansions in all sectors except government services and the transport and communications sectors which grew at rates higher than in the previous year. The growth rate was down more than 2% on the previous year and some 5% short of the 1981-1985 five year plan target rate. Although the rate of growth was respectable by any standard and Jordan still displays considerable economic vitality, signs of a slowdown were clearly visible. The current account balance continued to deteriorate. Imports, exports and services all increased at lower rates than in 1981, but grants and transfers declined absolutely from $1,311 million to $1,059 million. Long-term capital inflows were not

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large enough to finance the current account deficit; so therefore, international reserves fell by $176 million. Gross National Product in 1982 was $4,860 million.

2. Sectoral Performance

Agriculture. The performance of the agricultural sector has fluctuated sharply in recent years in response to changing weather conditions; as wheat, barley, and other field crops are cultivated mostly in rainfed areas, year-to-year variations in output tend to be pronounced. On the other hand, outputs of fruits and vegetables which are grown in both irrigated and rainfed areas has shown less marked fluctuations. In both 1981 and 1982, the inadequacy of rainfall was the main reason for the relatively sluggish performance of the agricultrual sector. Estimates of the 1983 wheat harvest, at over 100,000 tons, are at least double the 1982 yield, although this total will fall well short of the country's annual requirement of 400,000 tons. The wet winter has also led to an increase in barley production to around 50,000 tons, 150% higher than in 1982.

Jordan still lacks a comprehensive marketing system which could both consolidate traditional practices and open up new markets. The government has decided to set up a marketing company, the Agricultural Marketing and Processing Company, which will be run along strictly commercial lines. It will conduct research into potential markets, including an assessment of the feasibility of a coordinated penetration into the EEC out-of-season market.

Industry. The industrial and mining sector contributed over 15% of GDP at factor cost in 1981 - 1982. Phosphate rock production is the principal mining activity; with an output of 4.4 million tons in 1982, Jordan is the fourth largest producer in the world. Jordan produces a full range of manufactured consumer and intermediate goods, with food, cigarettes and construction materials predominant along with phosphate. The ten-item index of industrial production rose 16.5% during 1981, and value added in industry and mining rose 25% in current prices. Industrial growth was strong in most product areas, especially so in construction materials whose index value

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increased 38%. Textiles and clothing, a relatively small industry in Jordan was the only item that declined in 1981.

A growth slowdown spread through the industrial sector in 1982, with six of the ten items registering a decline in output; food, cigarettes, textiles and clothing, constructon materials, footware and leather, and paper and cardboard. Overall, the index rose a modest 3.3% over 1981, a poor comparison with the double-digit growth rates in the early 1980's. Through the first nine months of 1983 the index is up 1.5%. In five of the nine months industrial production declined.

The slowdown in economic activity is reflected also in the pattern of wholesale prices. The annual change in the wholesale price index was a rise of 15% in 1980, a 9% rise in 1981, and a 3% rise in 1982. Prices have been stable in 1983, except for a brief run-up in food prices early in the year.

Construction and Services. Construction activity rose sharply in 1979 and 1980 but slowed down in 1981 and 1982, particularly in the main cities. Higher land prices, controlled rents, and reduced growth in private remittances also were contributing factors. Following the boom of the 1970's, the slower pace of private sector construction activity in 1981 and 1982 was not unexpected, while public sector construction actively declined in 1982 in response to a decline in foreign grants earmarked for financing development projects.

Two components of the service sector had output growth rates that exceeded the national average (see Table 2 above); transport and communication, and other services. The latter contains "financial services" which is believed to have risen substantially in recent years following the establishment of a stock exchange and of several investment companies. The transport sector benefited from the reopening of the Suez Canal in 1975 since this facilitated expansion of port facilities at Aqaba and the improvement of road and railway connections between Aqaba and neighboring countries. The volume of goods shipped through Aqaba has doubled between 1979 and 1982. However, for the year ending July 1983 traffic volume is down 8% over calander year 1982, reflecting a sharp drop in the shipment of goods through Jordan, especially those destined for Iraq. The economic slowdown evident in the industrial sector in 1982 reached the transport and services sector by the middle of 1983.

3. Public Finance

The government of Jordan has earned a reputation as a prudent manager of public resources. Limits on the budget deficits are usually set by the availability of non-inflationary sources of financing. Over the last five years (1978-1982), overall budget deficits of the Central Government remained stable at JD 100-110 million; in relation to GDP, however, the overall defici declined from about 17% in 1978 to about 8% in 1982. This favorable performance was largely the result of increased revenue effort, restraint in the growth of recurrent expenditures, and the containment of capital expenditures at levels which were by and large commensurate with the availability of foreign grants and loans.

Domestic revenue comes mainly from import duties and non-tax revenue (fees, public sector profits, etc.). Revenue from import duties and revenues from income and profit taxes and from taxes on goods and services all rise and fall with the level of economic activity and/or because of discretionary changes in the tax law. Not surprisingly, in light of the review of the economy above, the growth rate of domestic revenue has declined since 1981.

Foreign grants are the other source of revenue in the Government of Jordan budget. Budget support contributions from the United States stopped after 1979. Budget support from other countries, mainly Saudi Arabia and Kuwait, has been about $550 million in 1980 and 1981. (These figures differ from the figures in Table 1 in that they do not include aid received for military purposes, UN programs and extrabudgetary operations.) Libya and Algeria do not pay their Baghdad subventions for ideological reasons. Iraq has been unable to pay since last autumn due to the Gulf war. At present only the Saudi Arabians, who pay 28% of the total pledged, can be relied upon to continue payment. To offset this shortfall, Jordan raised a $225 million loan on the Eurodollar market. In any event, foreign grants, as a percentage of GDP, have fallen from 20% in 1980 to an estimated 14% in 1983.

The decline in foreign grants has had repercussions on capital expenditures, which were cut by 9% in 1982 by postponing projects not included in the development plan. The largest percentage reduction was in general public services investments - 16%: the other two categories; social services investments and economic services investments were reduced 7% and 5% respectively. Current expenditures, on the other hand, continued to rise in 1982 as they had through the previous decade. A 16% increase in 1982 reflected mainly the near doubling of fuel subsidies and higher defense outlays. The former was due to increased fuel consumption in the face of an exceptionally cold winter and the need to replenish stocks.

Total public debt outstanding (excluding military debt) more than doubled between 1977 and 1981, an annual rate of growth of about 22%. In 1982 total debt rose by about 18%. Because the economy was growing at a high rate over this period, the ratios of public debt to various economic statistics either remained unchanged or moved only modestly. For example, the ratio of internal debt holdings to current government expenditure was 55% in both 1977 and 1982, and the ratio of internal debt service to current expenditure declined from 4% to 3% over the same period. Interest rates on public sector securities recorded only small changes, with the rates ranging between 6.25% and 8% in 1976 and between 7% and 8.75% in 1982. Central government debt at end 1982 was $1.77 billion, of which 60% was external debt.

4. Monetary Developments and Inflation

Commercial banks, which constitute a pivotal part of the financial system, were very active in the 1979-1981 period, with total assets and liabilities rising on average 28% per year, with this growth strongly influenced by the inflow of grants from neighboring oil-producing countries and private remittances. Commerical banks' activities were less brisk in 1982 and in the first half of 1983, reflecting the economic slowdown described above and an attendant deceleration in the demand for credit. The financial sector also includes the Pension Fund of Jordan, thirty insurance companies. the Social Security Corporation and the Amman Financial Market. Taken together, these organizations have spread the growth in liquidity throughout the economy as both credit expansion and equity investments.

Although the money supply has consistently grown by around 20% per year, inflation has not exceeded 14% and was officially down to 7.4% in 1982. This has been made possible by the strong credit controls on commercial banks; the high levels of investment in the country's development, which has transformed money supply into real assets by virtue of Jordan's strong economic growth; and the high indirect tax system which has taken the edge off explosive growth in demand for consumer goods. Combining the above with the current economic slowdown has produced a 1983 (through September) consumer price inflation rate of 4.4%.

5. Employment and Wag

Jordan's population (East Bank only) was estimated at 2.4 million in 1982 and the labor force at 531,000, of which 78% were Jordanians and the remainder mainly from other Arab countries. About 42% of the Jordanians in the workforce were employed in the government (including military), 14% in construction, 10% each in agriculture and industry and trade, and 9% in transport and communications. The number of Jordanians working abroad is estimated at 305,000 in 1982, although the net outflow of Jordanian workers is believed to have been on a declining trend since 1981.

Wages in the private and public sector rose by 15% in 1981. In 1982 a government committee was formed to recommend wage guidelines for the private sector partly aimed at maintaining (as a minimum) the real wage level. While its recommendations are not binding, the committee recommended an increase in private sector wages of between 6-9%. It is estimated that private sector wages rose an average of 10% in 1982 while government salary scales remained unchanged and are expected to remain so in 1983.

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6. Balance of payments

Jordan's balance of payments position recorded surpluses each year during 1978-1981. The deficit on merchandise trade, although large and growing, was approximately matched by rising net service receipts and external grants. In 1982, however, the overall balance of payments position was in deficit by $177 million, reflecting primarily an increased deficit on goods and services account and a sharp decline in net grants and transfer receipts.

The exportation of Jordanian goods is geared mainly to sales in the Gulf area. 96% of manufactured exports and 66% of all exports go to Gulf countries; over 40% to Iraq alone. Export statistics tell much the same story as the statistics on internal trade. Exports increased by 39% per year during 1979-1981; but increased only 9% in 1982. Monthly export data through May 1983 indicate the deceleration is continuing and may have reached the point of absolute decline in export levels, especially for manufactured goods.

Import levels are much higher than export levels (a factor of four in 1982) but show a similar pattern in year-to-year changes. Imports increased by 9% in 1982, following a 46% increase in 1981. Data for early 1983 suggest a decline in imports will occur this year. The change in the composition of imports between 1981 and 1982 is parallel to the change in government expenditures (see III.3 above). Consumer goods imports rose 13%, petroleum products rose 32% (due to the cold winter), and imports of machinery and equipment declined by 6% in 1982.

The surplus on services (i.e., worker remittances, travel and transportation receipts, investment income, etc.) continued to increase through 1982, mainly because of the growth in worker remittances. Taken together exports and net service receipts were sufficient to pay for 57% of the import surplus in 1982. Grants and transfers covered another 33% of the import surplus bill. The remaining 10% of the import bill was financed through long-term capital movements (loans and direct investments) and a drawdown of Central Bank foreign exchange balances. As of September 1983

Central Bank Foreign exchange balances have returned to the end 1981 level, offsetting the 1982 decline. This data adds further support to the notion that import and export levels are declining (somewhat) proportionately.

Total external public and publicly guaranteed medium- and long-term debt at end 1982 was $1.71 billion, of which 71% is from Arab and other foreign governments. The single largest creditor of government to government loans is the United States with disbursed loans equal to $506 million. (All published data on external debt levels excludes loans received for military purposes.)

Total external debt service payments (this time inlcuding military loans) amounted to $200 million in 1982, including interest of $72 million and amortization of $128 million. At that level, total debt service payments were the equivalent of 26.7% of merchandise exports and 6.3% of exports of goods and services; the corresponding ratios for 1981 were 25.9% and 6.0%, respectively.

This review of the current economic situation reflects fairly complete data thru 1982 and some monthly data for 1983. The next section deals with economic trends over the next few years. It is not an attempt at forecasting, but rather an analysis of the likely interplay of economic variables if present trends continue.

IV. Economic Outlook

Jordan has a small economy; open to other countries through extensive trade and resource flows. It is located in an economically dynamic but politically unstable area. This political instability exposes the Jordanian economy to erratic shifts in its trade and resource flows. Throughout the late 1970's and early 1980's the trade and resource flows have been, on balance, favorable to Jordan. Whether or not future political events will turn against Jordan, and its economy, is beyond the scope of this paper. For the sake of developing an outlook for the Jordanian economy, this paper will assume that no quantum shifts will occur in its economic relations with other countries.

The major short-term economic management problem for the government of Jordan is adjusting to, and if possible easing, the impact of the current economic deceleration. What does it mean for an economy to decelerate from a growth rate of 10% to 5%? It is much more complex than a simple proportional scaling back of all economic variables. In some sectors the level of employment may depend on the rate of growth of another variable, rather than its level. For example, the level of employment in the construction sector depends on the rate of growth of the housing and building stock. That is, it depends on construction sector investment. If investment slows down, but is still positive, employment may nonetheless experience an absolute decline.

Another look back at Table 2 sheds some light on the significance of this possibility. The differences in the sectoral growth rates indicate that construction, transport and other services gained the most from the economic expansion. These sectors have obvious links with the inward flow of financial resources and the demand for goods and services in the Gulf states.

Since these two factors are the sources of the deceleration, the impact could well be to drive these three sectoral growth rates below the national average. As the national average is now near 5%, these sectors may record negative growth rates. Preliminary indications from Central Bank data support this possibility: the amount of construction for the year ended July 1983 is below the end-1982 figure, tonnage shipped through Aqaba during the year ended July 1983 is below the 1982 figure.

The probability of foreign relief for these sectors is not high. Foreign grants and transfers will, at best, maintain their current levels, as will worker remittances. It would run counter to past practices and current attitudes for the government to attempt to prop up these sectors through monetary and fiscal policies. There is every reason to think they will avoid (1) excessive domestic money creation through the fiscal budget or commercial credit, and (2) administrative controls to offset the downturn.

The 1984 government budget was released on November 28, 1983. Its tone is clearly one of public austerity. The development budget has been reduced by 16%. The budget presumes another decline in Arab aid. The government's emphasis will be on national security and maintenance of Jordan's good credit rating in international financial markets.

Jordan will be forced to rely more on her own resources to maintain a good credit standing. Lower grants and transfers are occurring at the same time foreign debt service obligations are rising. Over the next few years public foreign debt service will average $240 million, compared to $198 million over the past few years. Events are pushing Jordan toward self-reliance faster than expected but recall that self-reliance is one of the goals of the current development plan. Some investment projects funded in the development plan are coming into production. About 37% of the industrial investment program is allocated for the expansion of the cement industry in Jordan in order to satisfy growing domestic demand and to develop an exportable surplus. The Arab Potash Company began production from a large joint-venture project in 1982 - 6000 tons. The 1983 production is expected to reach 400,000 tons. Full capacity production in 1984 will be 1.2 million tons. Finally, production of superphosphates for export began in 1982 and will reach plant capacity in 1984.

Despite the economic deceleration, there are promising markets throughout the Arabian penisula. Jordan must adjust to the changing nature of these regional demands. The great Gulf infrastructure building boom of the 1970s is over. The development plans of Saudi Arabia and the other Gulf states have shifted into industrial projects. This will open up both new markets for industrial inputs and provide local sources of industrial outputs suitable for further processing (such as petrochemicals). The regional trading opportunities are developing in ways that complement Jordan's development plan. The short-term outlook is not without its dangers, especially a shortage of investment funds, but in some ways events are propitious for a strengthening of the manufacturing and mining sector and a more balanced economic growth.

JORDAN: SUMMARY TABLE

Gross National Product 1982.	$ 4,860
GNP per Capita	2,030
Population (1982)	2.4 million
Population growth rate	3.2%

	1980	1981	Estimated 1982	Projected 1983
Gross Domestic Product				
Nominal Increase in Value Added by Sector (%)				
Agriculture	47	19	11	
Industry & Mining	37	25	4	
Construction	38	13	8	
Electricity & Water	70	23	-3	
Services	28	19	19	
Nominal Increase in GDP (%)	30	21	13	
Real Increase in GDP (%)	10	8.7	5.5	5.0
Money, Prices, and Government Finance				
Money Supply (Millions of Jordanian Dinars)	984	1180	1403	1600
Price Index				
Wholesale (1979=100)	114.9	125.3	129.3	134.5
Percent increase	14.9	9.1	3.2	4.0
Consumer (1980=100)	100	107.7	115.7	121.2
Percent increase	--	7.7	7.4	4.7

(1983 through September)

Government Budget (millions Jordanian dinars)

	------ ACTUAL	------		BUDGET
Revenue	429	516	550	648
of which, foreign grants	203	206	187	215
Expenditures	539	616	659	713
Current	336	392	455	471
Capital	203	224	204	242
Deficit	110	100	109	65

JORDAN: SUMMARY TABLE

	1980	1981	1982	Estimated 1983
External Balance Indicators ($Million)				
Exports (f.o.b.)	575	738	753	1052
Imports (c.i.f.)	2398	3181	3249	3810
Trade Balance	-1823	-2443	-2496	-2758
Workers' remittances (net)	640	878	910	
Other Services (net)	220	215	187	
Transfers (net)	1337	1310	1063	
Current Account Balance	374	-40	-336	
Capital account				
Private capital (net)	31	143	59	
Public capital (net)	77	67	264	
Errors and Omissions	-117	-129	-162	
Overall Balance	365	41	-175	
Outstanding Disbursed Public Debt ($ millions)	1265	1481	1686	
Debt Service	134	199	193	214
as % of foreign exchange earnings	5.4	6.3	6.6	
Official Reserves ($ million)				
Foreign Exchange	1104	1041	824	348
Gold	207	197	195	70
Exchange rate (per dollar)	.309	.340	.353	.368