مركز مؤشر الأداء
Performance Index Center
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Policy Paper

The Jordanian Economy in Global Indicators

Reality, Challenges, and Reform Horizons

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Executive Summary

During the period extending from 2019 until the mid of 2025, the Jordanian economy witnessed profound structural transformations reflected by international economic indicators, as the Kingdom faced a series of complex challenges, starting with the repercussions of the Coronavirus pandemic up to the current regional geopolitical crises. Updated data show that the Jordanian economy demonstrated remarkable resilience, recording a real growth rate of 2.7% in the first quarter of 2025, supported by the performance of the industrial and agricultural sectors. Jordan also achieved qualitative progress in the Human Development Index issued in May 2025, ranking 100th globally with a score of 0.754, reflecting a tangible improvement in the levels of well-being and basic services.

Despite these positives, the economy still faces an existing gap between actual performance and the targets of the Economic Modernization Vision, especially in light of the continuous rise in unemployment rates above the 21% barrier and the escalation of the public debt burden, which neared 117.4% of the Gross Domestic Product (GDP) in February 2025. The paper concludes with the necessity of reconsidering the comprehensiveness of the Economic Modernization Vision to ensure the fair distribution of the impacts of public policies and to enhance trust between the citizen and state institutions, while emphasizing the importance of formulating a clear national strategy for the gradual elimination of reliance on debt to finance the budget, and adhering to the contents of the Royal Letters of Designation and the Discussion Papers of His Majesty the King as a fundamental reference to direct policies toward improving the citizen's standard of living and achieving sustainable development.

Introduction

Since 2019, the Jordanian economy has been witnessing a series of profound challenges and transformations, which ranged from the extended repercussions of the global pandemic and successive geopolitical crises in the region, leading up to the ambitious structural reforms adopted by the state, In the midst of this accelerating scene, there emerges an urgent need to monitor and evaluate the performance of the national economy based on accredited international economic measurement indicators; these enable conducting an objective comparison between the performance of the

Kingdom and the regional and international surroundings, and provide an accurate knowledge base for decision-makers, analysts, and relevant stakeholders.

Based on this need, the Performance Indicator Center | KAFA'A presents this comprehensive policy paper, which is concerned with evaluating the performance of the Jordanian economy across a number of key international economic indicators during the period extending between 2019 and 2025, a pivotal stage characterized by wide-scale economic fluctuations at both the local and global levels. This policy paper bases its analysis on reliable official data issued by local institutions, such as the Department of Statistics and the Central Bank of Jordan, in addition to periodic reports issued by international institutions, such as the World Bank, the International Monetary Fund, and the World Economic Forum.

Economic Modernization Context

This paper comes within the context of diligent follow-up on the implementation of the Economic Modernization Vision, which was launched by His Majesty King Abdullah II Ibn Al-Hussein as a national cross-governmental roadmap aimed at unleashing capabilities to achieve sustainable growth, generating job opportunities, and stimulating entrepreneurship. Since international economic indicators are the most prominent tool for measuring the progress made toward achieving the targets of this vision, the paper highlights Jordan's position in global competitiveness criteria, investment attractiveness, labor market efficiency, and financial and monetary stability.

Main Themes of the Policy Paper

The policy paper examines the performance of the Jordanian economy and its upward trajectory through 2025 across five key themes:

- Gross Domestic Product (GDP) and real growth rates.
- Per capita share of GDP and disposable national income.
- Monetary stability (inflation and unemployment rates).
- Investment environment, competitiveness, and doing business.
- Degree of economic openness and foreign trade.

Objectives of the Policy Paper

The paper does not merely stop at numerical monitoring; rather, it analyzes the structural factors that shaped this performance and measures the flexibility of the policy response to complex crises, leading to the presentation of strategic and future recommendations that support the path of the desired economic transformation, in alignment with the comprehensive Royal vision for the future.

First: Analysis of External Sector and Growth Indicators

Gross Domestic Product (GDP)

Gross Domestic Product (GDP) is the principal indicator and the most comprehensive measure of a country's macroeconomic performance. It not only reflects the size of the economy but also serves as an indicator of the quality and direction of economic activity and the country's ability to generate sustainable value added through domestic production.

The strategic importance of analyzing this indicator lies in its being the fundamental pillar for evaluating the effectiveness and viability of the adopted fiscal and monetary policies and understanding the dynamics of development and structural transformations within the productive and service sectors, which grants decision-makers a clear vision to steer the economy toward sustainable growth and overcome shocks.

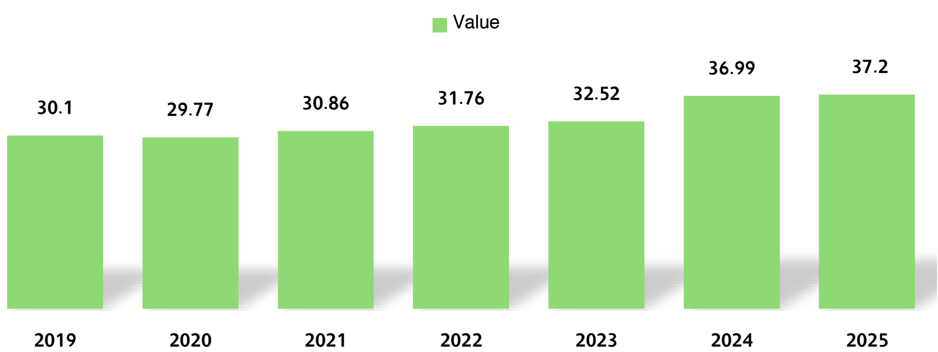

Figure (1): Gross Domestic Product – At Real Prices

GDP at constant prices stood at JOD 30.1 billion in 2019 as the baseline. It then contracted to JOD 29.77 billion in 2020 due to the pandemic before gradually recovering, supported by flexible policy measures, to reach JOD 30.86 billion in 2021, JOD 31.76 billion in 2022, and JOD 32.52 billion in 2023. In 2024, GDP recorded significant growth, with economic activity recovering to JOD 36.99 billion. By 2025, it had risen to approximately JOD 37.2 billion.

Analytical Interpretation for the Year 2025

The GDP reaching JOD 37.2 billion in 2025 shows important economic and structural indications according to the context of the previous years:

- Stabilization Phase After the Boom: After the large and qualitative leap achieved in 2024 (which reached 37 billion), the Jordanian economy entered a phase of "relative stability and preservation of gains" in 2025, where growth continued but at a calmer pace (an increase of approximately JOD 200 million).
- Absorbing Extended External Shocks: This figure indicates the success of local monetary policies in absorbing the cumulative effects of regional challenges (such as shipping crises and the decline in tourism in late 2023), and converting them into a state of productive stability.
- Despite recording positive economic indicators, including nearly 10٪ growth in national exports and a 25.1٪ increase in foreign direct investment (FDI) inflows, the direct impact of these gains remained largely confined to specific sectors and did not translate into a tangible improvement in overall purchasing power. Once the temporary boost generated by "pent-up demand" subsided, the underlying structural weaknesses of the economy became more apparent. As a result, domestic markets experienced a slowdown and stagnation in local demand.

Economic Growth Rate and Per Capita Gross Domestic Product

Economic growth contracted to **-1.1%** in **2020** as a result of the COVID-19 pandemic. Nevertheless, Jordan recorded one of the least severe contractions globally, supported by measures implemented by the Central Bank of Jordan and assistance provided by the Social Security Corporation to businesses and workers. Growth rebounded to **3.7%** in **2021**, reflecting a partial economic recovery, and continued to recover gradually before slowing to **2.5%** in **2024** due to political instability in the region. This slowdown underscored the Jordanian economy's vulnerability to external variables.

As for the year **2025**, it witnessed a noticeable improvement, with the economic growth rate reaching around **3.0%** at constant prices. This figure reflects the economy's ability to overcome the pressures of **2024** and return to a stable upward growth trajectory, benefiting from the success of structural reforms and the stimulation of productive sectors.

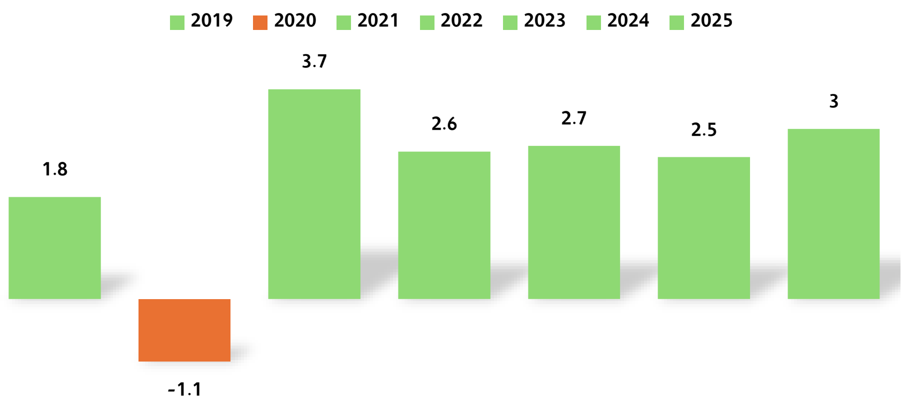

Figure (2): Economic Growth Rate - Percentage

Meanwhile, the per capita share at current prices reached about USD **4,170** in **2019**, and declined in **2020** to USD **4,022** because of the pandemic. With the start of recovery, the indicator rose gradually in **2021** to USD **4,183**, and continued its rise to reach its nominal peak in **2024** at USD **4,705**. This nominal growth was attributed to the return of activity, the stability of the dinar's exchange rate against the dollar, and economic reforms; however, in **2025**, it declined to reach USD **4,065**.

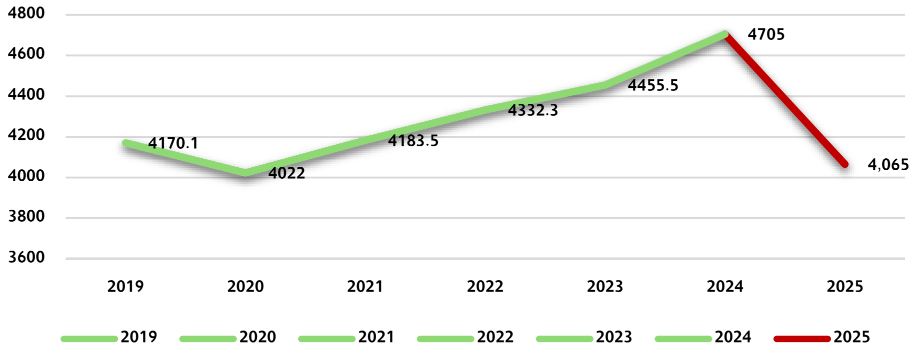

Figure (3): Per capita GDP – at current US dollar prices

The Contradiction Between Growth and Individual Reality

The indicators of the year 2025 reveal an economic paradox, a "structural gap," that warrants a deep reading:

- Aggregate growth versus individual decline: Although the economy as a whole achieved a positive real growth of 3.0%, the nominal per capita share decreased tangibly to USD 4,065 (compared to USD 4,705 in 2024). This discrepancy is attributed to the fact that demographic and population growth "resulting from migrations or natural increase" exceeds and accelerates at a faster pace than the capacity of the aggregate economic growth to keep up with it.
- Erosion of Real Welfare: This decline reinforces the structural warning that nominal indicators do not necessarily reflect economic reality. Given the cumulative effects of inflation in previous years, which exceeded 4–5% in some years, the nominal decline in GDP per capita in 2025 signals a deterioration in real purchasing power and living standards. It also highlights the unequal distribution of the benefits of economic growth and disparities in real income across society.

Second: Indicators of Other Sectors

Unemployment Indicator

Unemployment is considered one of the most prominent chronic structural challenges in Jordan, and the main determinant of the extent of the public and private sectors' capacity to absorb new entrants into the labor market. The indicator has gone through many turning points during recent years, as unemployment recorded 19.1٪ in **2019** due to prior structural imbalances, and then leaped sharply with the Coronavirus pandemic in **2020** to 22.7٪, to reach its historical peak in **2021** at 24.1٪ because of lockdowns and the damage to the tourism and transportation sectors.

Then, recovery began at a gradual and slow rate, registering 22.8٪ in **2022**, then 21.9٪ in **2023**, to settle at 21.4٪ in **2024**. Despite the drop, rates remained very high due to the absence of actual implementation of solutions, especially in the governorates, and the narrow capacity of labor-intensive sectors to hire. By **2025**, the unemployment rate continued its slight decline to reach 21.2٪ among Jordanians, and the data revealed a deep gender gap within the labor market; as unemployment settled among males at 18.6٪, while it worsened sharply among females to reach around 32.7٪.

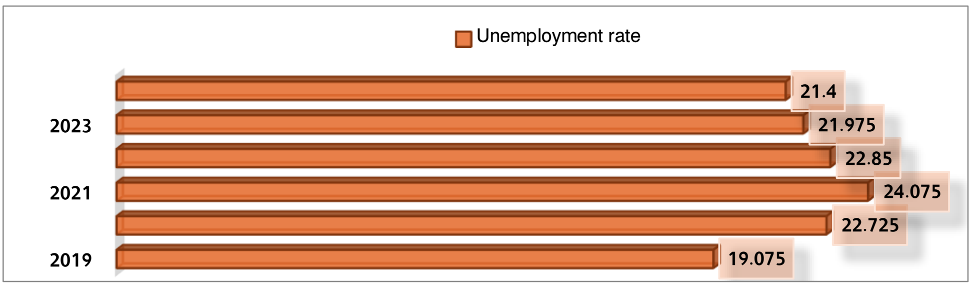

Figure (4): Unemployment rate as a percentage

The stabilization of unemployment at 21.2٪ in **2025** confirms that the decline is still slow and does not reflect radical solutions; for economic growth has not yet translated into sufficient job opportunities to absorb the young demographic structure. Furthermore, females' unemployment reaching approximately one-third of the female labor force at 32.7٪ represents a waste of development opportunities and warrants qualitative policies to integrate women into the labor market and stimulate investments in the governorates.

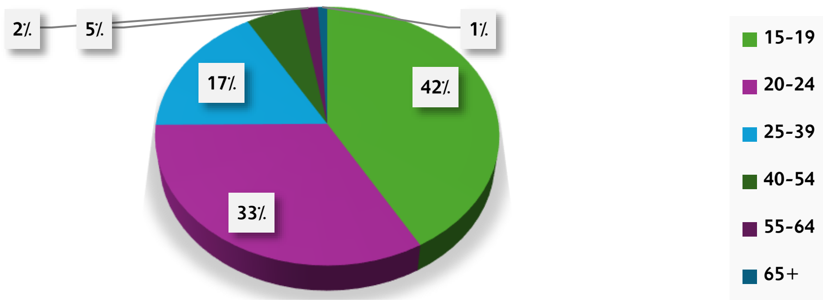

Figure (5): Unemployment rate by age group

Global Prosperity Index

The Prosperity Index, published by the "Legatum" Institute in the United Kingdom, is a comprehensive international tool for measuring the quality of life and well-being; as it goes beyond measuring Gross Domestic Product to rely on 12 fundamental pillars: (economic quality, enterprise conditions, governance, education, health, safety and security, personal freedom, social capital, investment environment, infrastructure and market access, living conditions, and the natural environment).

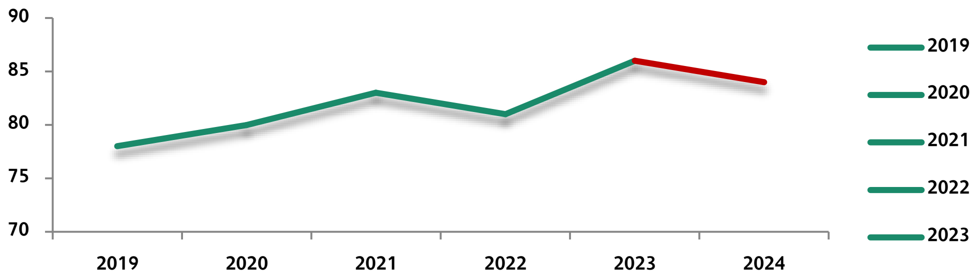

Figure (6): Prosperity Index

Jordan's ranking in the Global Prosperity Index witnessed a noticeable decline and fluctuation that illustrates the volume of cumulative challenges faced by the state. After the Kingdom recorded a relatively good level of stability in 2019 by placing 78th globally particularly in the education, health, and governance sectors the ranking declined during the years 2020 and 2021 to the 80th and then 83rd positions, respectively, due to the Coronavirus pandemic and the subsequent severe pressures on the health sector, economic contraction, rise in unemployment rates, and a slowdown in investment activity.

Although the year 2022 brought a slight and temporary improvement with Jordan rising to the 81st position with the start of economic recovery, the persistence of poverty rates and the high cost of living curbed the achievement of any real progress, causing the ranking to decline again in

2023 to its lowest levels in the studied period, settling at the 86th position due to the worsening of economic and social challenges, weak trust in institutions, and the absence of effective radical solutions.

As for the year 2024, estimated projections at that time indicated the possibility of improvement and a relative correction of the path for Jordan to reach the 84th position globally, while the estimates for 2025 remain vague until the issuance of the new edition of the Prosperity Index, which the Legatum Institute indicated contains updates and developments to its methodology in the edition expected to be issued this year.

Human Development Index

Jordan's performance on the Human Development Index (HDI), published by the United Nations Development Programme (UNDP); "a composite index that measures human development across three key dimensions: health, education, and standard of living" underwent notable changes that reflect the resilience of the country's social and economic sectors in the face of successive shocks. After recording an HDI value of 0.750 in 2019, Jordan's performance declined in 2020 and 2021 as a result of the profound impacts of the COVID-19 pandemic, which exposed vulnerabilities across several key sectors.

Upon entering the recovery phase, Jordan's performance advanced again, with its score exceeding pre-pandemic levels to reach 0.754 in 2023, according to the report issued on May 6, 2025, achieving progress that placed it in the 100th rank globally. Continuing this upward trajectory, Jordan was able to improve its global position again to rise to the 99th rank out of 193 countries worldwide for the year 2024, reflecting the recovery of the country's development sectors and a gradual improvement in the quality of life, education, and health outcomes.

Year	Human Development Index	Global ranking
2019	0.744	98
2020	0.740	93
2021	0.736	98
2022	0.736	99
2023	0.754	100
2024	0.754	99

Index of Economic Freedom

The Index of Economic Freedom is a globally recognized measure for assessing the openness of the Jordanian economy and its ability to provide a flexible and investment-friendly business environment. The index is based on key dimensions, including trade freedom, the tax burden, the level of government expenditure, the rule of law, and market efficiency.

Against the backdrop of regional and global challenges, the trajectory of Jordan's Index of Economic Freedom reflects the close relationship between fiscal stability and the competitiveness of the business environment. The index stood at a favorable **66.5** points in **2019**, supported by structural reforms implemented alongside a decline in the fiscal deficit to **3.3%**. However, this progress came under mounting pressure during the COVID-**19** pandemic between **2020** and **2022**, as the government expanded public spending and public debt increased. Consequently, the index declined to **60.1** points, reflecting reduced labor market flexibility and weakening confidence in the regulatory framework.

As these structural imbalances and challenges related to market governance and trade openness persisted, the Index of Economic Freedom continued its gradual decline, falling to **58.8** points in **2023** and **58.0** points in **2024**, its lowest level during the period under review. When viewed alongside Jordan's fiscal position in **2025**, this downward trend highlights the duality of pressures and opportunities. On the one hand, the persistence of an overall fiscal deficit of **5.2%** and public debt exceeding **108.2%** of GDP, which rose above **117.4%** of GDP in February **2025**, constitutes a significant constraint on Jordan's economic freedom rating.

On the other hand, several key strengths support the restoration of confidence and the enhancement of Jordan's business environment. These include sustained monetary stability, with inflation remaining at **1.77%**, foreign exchange reserves reaching a record USD **25.5** billion, and a significant increase in foreign direct investment (FDI) inflows, which grew by **25.1%** to exceed USD **2** billion. Together, these developments suggest that reversing the downward trend will require accelerating structural reforms, realigning public expenditure priorities, and strengthening public–private partnerships to restore Jordan's economic competitiveness in the global economy.

Constraints on Economic Freedom

- Government Size and Fiscal Burden: The persistence of an overall fiscal deficit of 5.2٪ and public debt exceeding 108.2٪ of GDP (82.8٪ excluding Social Security) places direct pressure on the Fiscal Health and Government Size components of the Index of Economic Freedom.
- **Credit Crowding-Out:** The continued rise in debt servicing costs, with interest payments reaching JOD 2,016.1 million - representing more than 16.1٪ of the 2025 state budget - limits the government's fiscal space to provide flexible financial incentives and support measures for the private sector.

Third: Public Finance Sector Indicators

Government Deficit Indicator (Net Expenditures and Revenues)

Data related to the fiscal deficit in Jordan during the period extending from **2019** to **2025** indicate a persistent structural pattern of imbalance between public revenues and government expenditures, even after calculating foreign grants. The deficit after grants as a percentage of the Gross Domestic Product (GDP) recorded fluctuating rates, but remained within a relatively high range; it ranged between 3.3٪ at its lowest levels in **2019**, up to its peak at 6.5٪ in **2021** as a result of the repercussions of the pandemic, after which it entered a phase of relative stability around 5٪ - 5.6٪ in the following years until **2024**.

As an extension of this path, the year **2025** recorded an overall fiscal deficit "after grants" amounting to JOD 2,256.3 million, which represents 5.2٪ of the Gross Domestic Product, confirming the continuation of this general trend. This upward and stable trend of the deficit reflects a group of structural challenges and external shocks that faced the state's public finance, which can be divided into the following pillars:

- Limited Revenue Mobilization and a Narrow Tax Base: Public finances continue to face a significant gap between domestic revenue and rising expenditure needs. Although domestic revenue increased by 6.5٪ in **2025** to reach JOD 9,414.7 million, driven by higher receipts from income and profit taxes, the tax system continues to face structural challenges, including a narrow tax base and a heavy reliance on indirect taxation. These constraints limit its effectiveness in promoting social equity and supporting sustainable economic growth.

- The sharp increase in the fiscal deficit in 2021 reflects the profound impact of the COVID-19 pandemic, which led to a contraction in economic activity and declines in tax and tourism revenues, while necessitating a substantial increase in health and social expenditures.
- Rigid Current Expenditure and Financing Pressures: The persistence of a fiscal deficit above 5٪ in 2023 and 2024, reaching 5.2٪ in 2025, is primarily attributable to the rigidity of current expenditure, which amounted to JOD 10,277.3 million in 2025. These pressures are driven mainly by the wage bill for the civil and military sectors, pension obligations, and the continued rise in public debt servicing costs, with interest payments alone reaching JOD 2,016.1 million in 2025. This expenditure structure leaves limited fiscal space despite the 23.3٪ increase in capital expenditure in 2025, which rose to JOD 2,016.1 million in line with the objectives of the Economic Modernisation Vision.

Evaluation of Reform Policies and Future Horizons

The data prove that the stabilization of deficit percentages at levels exceeding 5٪ in recent years, despite the structural reform programs and measures adopted in cooperation with the International Monetary Fund, indicates that the exerted efforts still need greater depth to address the structural roots of the crisis. What increased the depth of these challenges in 2025 is the noticeable decline in foreign grants, which decreased to a record JOD 622.4 million, confirming the instability of this item as a tool for financing the budget over the long term.

Accordingly, the next phase calls for an urgent and comprehensive review of public expenditure policies, moving beyond short-term solutions toward a fundamental restructuring of government spending priorities. This transformation requires the adoption of "zero-based budgeting" or "performance-based budgeting", both of which reassess the economic value of each expenditure item and prioritize the allocation of available resources to high value-added, growth-enhancing productive sectors. At the same time, it requires curbing the growth of unjustified current expenditure and containing the rising cost of public debt servicing, which has come to absorb fiscal resources equivalent to total capital expenditure.

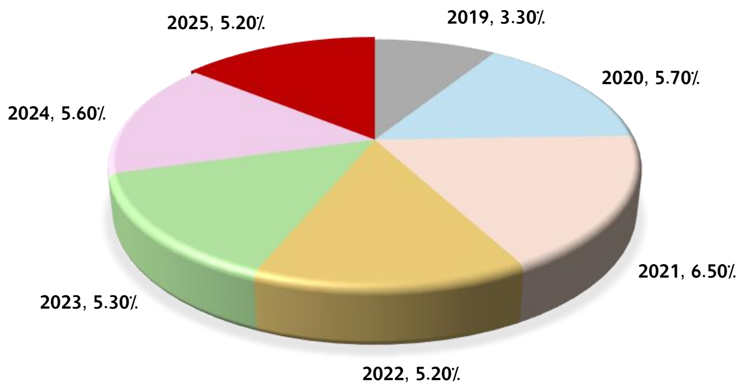

Figure (7): Government deficit net expenditures and revenues

Recommendations and Impact

- Strengthening Debt Governance and Launching a "National Strategy for the Gradual Elimination of Debt-Financed Budget Deficits": This requires the adoption of a binding national strategy with clear timelines and implementation mechanisms to progressively phase out reliance on borrowing to finance the general budget deficit. In parallel, "debt management" should be institutionalized by prohibiting the use of borrowed funds to finance current expenditure; such as "wages, salaries and interest payments", and restricting borrowing exclusively to investment projects.

Objective and Impact: To break the vicious cycle of public debt, whose interest payments reached JOD 2,016.1 million in 2025, equivalent to 16.1٪ of the state budget, and ensure that all new borrowing is directed toward financing productive assets that enhance GDP growth. This approach would enable public debt to decline over time, both in absolute terms and as a share of GDP, through a self-sustaining fiscal adjustment process.

- Embedding Social Equity in Public Policies and the Distribution of Fiscal Burdens and Benefits: This requires redesigning fiscal and economic policies, including tax and expenditure policies, to ensure that they fully take into account the interests of all segments of society and promote a fair distribution of their costs and benefits. This can be achieved by broadening the tax base horizontally and strengthening efforts to combat tax evasion, rather than placing additional burdens on compliant taxpayers.

Objective and Impact: To protect middle- and low-income households from the contractionary effects of fiscal reforms while addressing distortions arising from the indirect tax system, thereby enhancing market efficiency, promoting sustainable development, and strengthening distributive equity.

- Strengthening "Public Trust and Civic Participation" through Transparency and Good Governance: This requires adopting policies and implementation measures aimed at strengthening trust between citizens and public institutions by promoting equal opportunities, improving the quality of essential public services, including education, healthcare, and transportation, and engaging the private sector and civil society organizations in setting development spending priorities.

Objective and Impact: To advance toward a "performance-based and transparent budgeting system", in which citizens experience the tangible benefits of public expenditure and actively participate in shaping public priorities. This, in turn, strengthens mutual trust between citizens and the state and contributes to greater social and economic stability.

- Aligning Public Policies with the Royal Directives as a Strategic Reference Framework: This requires institutionalizing adherence to the principles and priorities set out in His Majesty King Abdullah II's Letters of Designation and Discussion Papers as a cross-government strategic framework. Accordingly, government policies and legislation should be aligned with their overarching objective of improving citizens' living standards, promoting economic empowerment, and advancing comprehensive and sustainable development.

Objective and Impact: To ensure coherence and alignment between the Kingdom's political vision and its economic strategies, while translating the principles outlined in the Royal Discussion Papers, particularly active citizenship, justice, and the rule of law, into measurable government programs, thereby accelerating comprehensive economic recovery.

- Launching a Regulatory Stimulus Package to Improve Economic Freedom Rankings: This requires establishing a high-level cross-ministerial committee to dismantle bureaucratic barriers and reduce excessive government intervention in markets. Key measures include fully automating investment licensing procedures, making regulatory frameworks more flexible and adaptive, and reforming labor legislation to enhance job productivity and labor market flexibility.

Objective and Impact: To address the structural weaknesses that contributed to the decline of the Economic Freedom Index to 58.0 points, while leveraging the foundations of monetary stability, including record foreign reserves and low inflation, to position Jordan as an attractive regional investment hub that exceeds its current investment targets.

- Immediate Transition toward "Performance-Based Zero-Based Budgeting": This requires restructuring the budget preparation cycle by moving away from the "traditional incremental budgeting" approach and adopting a zero-based budgeting methodology supported by clear Key Performance Indicators (KPIs).

Objective and Impact: To dismantle rigid current expenditure items and ensure that no public funding is allocated to any government entity without a demonstrated basis of productive value and measurable performance. This approach would help curb the structural deficit and generate fiscal savings that can be redirected toward public needs without increasing reliance on borrowing.