JORDAN

Jordan’s economic freedom score is 64.6, making its economy the 69th freest in the 2021 Index. Its overall score has decreased by 1.4 points, primarily because of declines in fiscal health and trade freedom. Jordan is ranked 6th among 14 countries in the Middle East and North Africa region, and its overall score is above the regional and world averages.

Jordan’s economy is ranked in the moderately free category again this year. The biggest obstacles to greater economic freedom are poor fiscal health and relatively low scores on such rule-of-law indicators as property rights and (especially) government integrity. Regrettably, the budget deficit widened in 2020 as the government put efforts to consolidate public finances on the back burner.

IMPACT OF COVID-19: As of December 1, 2020, 2,802 deaths had been attributed to the pandemic in Jordan, and the economy was forecast to contract by 5.0 percent for the year.

BACKGROUND: Independent from the United Kingdom since 1946, the Hashemite Kingdom of Jordan is a constitutional monarchy with relatively few natural resources. King Abdullah II assumed the throne in 1999 with an ambitious reform agenda. The economy, one of the region’s smallest, is supported by foreign loans, international aid, and remittances from expatriate workers. In 2000, Jordan joined the World Trade Organization and signed a free-trade agreement with the United States. Omar al-Razzaz, appointed by the king to serve as prime minister in 2018 to defuse popular protests over higher taxes, has pushed for IMF-backed structural and debt reforms. Ongoing conflicts in Iraq and Syria have severely disrupted Jordan’s economy and regional trade, and more than 1.3 million Syrian and Iraqi refugees have strained its limited resources.

ECONOMIC FREEDOM SCORE

64.6

DOWN 1.4 POINTS

WORLD AVERAGE 61.6

REGIONAL AVERAGE (MIDDLE EAST/NORTH AFRICA REGION) 62.6

HISTORICAL INDEX SCORE CHANGE (SINCE 1995): +1.9

RECENT FREEDOM TREND

QUICK FACTS

POPULATION: 10.1 million
GDP (PPP): $96.3 billion
2.0% growth in 2019
5-year compound annual growth 2.1%
$10,317 per capita

UNEMPLOYMENT: 14.7%
INFLATION (CPI): 0.3%
FDI INFLOW: $915.8 million
PUBLIC DEBT: 93.2% of GDP

2019 data unless otherwise noted. Data compiled as of September 2020
Jordan's legal system facilitates the protection of property rights, and all land plots are titled and registered. The judiciary is generally independent, but the king has ultimate authority. A large case backlog delays justice. The use of family, business, and other connections to advance business and individual interests is endemic in Jordan. Enforcement of anticorruption laws is undermined by a lack of genuinely independent institutions.

Jordan has fallen below a score of 60 in business freedom for only the second time in 13 years as other countries have outpaced it in adopting reforms. In 2019, the government offered cash to companies that replace foreign labor with Jordanian staff and increased the number of professions closed to non-Jordanians from 11 to 28. In 2020, the government renewed its commitment to better targeting of electricity subsidies.

The top individual income tax rate has been increased to 30 percent, and the top corporate tax rate is 20 percent. The overall tax burden equals 15.1 percent of total domestic income. Government spending has amounted to 29.8 percent of total output (GDP) over the past three years, and budget deficits have averaged 4.8 percent of GDP. Public debt is equivalent to 93.2 percent of GDP.

Jordan has seven preferential trade agreements in force. The trade-weighted average tariff rate is 9.5 percent, and 19 nontariff measures are in effect. In general, foreign and local investors are treated equally under the law. Banking regulations generally conform to international standards. In 2020, the central bank increased the financial system’s liquidity and allowed banks to postpone loan repayments in sectors affected by COVID-19.