

Responding to the Coronavirus Crisis

Update on Jordan (18/05/20)



EBRD Policy Comparator

Financial Sector			Direct support to firms					Payment holidays			Temporary controls		Support to individuals				Increased social benefits			Health	External Assistance
Policy rate reduced	Liquidity increased	Prudential req. loosened	Wage subsidies	Tax/ social sec. contr. deferred	Loan subsidies	Guarantees	Inspections/ audits suspended	Loans	Rent	Utilities	Prices	Exports	Universal transfers	Self-employed	Pensioners	Low income households	Enhanced sick leave	Enhanced unemp. benefits	Public works	Additional spending	(available or negotiated)
*	*	*		*	*	*		*			*					*				*	*

Economic channels of disruption

Tourism, trade, competitiveness

- Contraction in global tourism and trade, and an erosion of real competitiveness stemming from the strengthening of the dinar (in light of the peg to the US dollar) will adversely affect the economy.
- But lower cost of imported energy and increased finance provided to SMEs under various schemes from the Central Bank of Jordan will mitigate the impact.
- The government allowed certain sectors to start working under certain conditions in April, and lifted all restrictions on economic activity and reopened all economic sectors in early May, with safety guidelines to be implemented.

Selected crisis impact indicators

EBRD GDP growth outlook (May 2020) 2020: -2.5%
2021: 3.0%

Amman stock market (ASE) 1,594
(May 17 2020) (down 13% YTD)

Crisis response measures to date

Tax postponement, social assistance and interest cuts

- JD150mn liquidity to enable the private sector to continue the production process with efficiency and revitalise the economy.
- Allocate up to JD30mn to the tourism sector and an additional JD5mn to support the post-crisis activities.
- JEDCO launched two programmes (JD0.68mn) for local SMEs in sectors directly affected by or involved in responding to the epidemic facing increased demand
- JD10mn loan to farmers with zero interest and a grace period of five years and JD500mn Finance Facilitation Programme for SMEs with the guarantee of JLGC, later expanded to include larger firms.
- Allocate 50% of maternity insurance revenue (JD16mn) to the elderly and the sick.
- Pump additional liquidity to the banks of JD550mn by reducing the compulsory reserve ratio on deposits with banks from 7% to 5%.

Selected crisis response indicators

Payment holidays for loans 3 months

Committed external assistance

WB: \$20mn Emergency Response project to strengthen public health preparedness under the \$6bn COVID-19 SPRP
IMF: \$139mn under a new \$1.3bn-EFF, COVID-adjusted AFESD: \$3mn grant for urgent necessities to combat virus
EU: €60.5mn aid package for Syrian refugees amid COVID-19

Key short-term priorities

Diversify export destinations, routes and products; address water scarcity; facilitate private sector-generated jobs to alleviate poverty