

BEST'S COUNTRY RISK REPORT

Jordan CRT-4

August 22, 2018

Region: Middle East & North Africa

[Country Risk Criteria Procedures](#)

[Guide to Best's Country Risk Tiers](#)

- The Country Risk Tier (CRT) reflects A.M. Best's assessment of three categories of risk: Economic, Political, and Financial System Risk.
- As a CRT-4 country, Jordan has relatively high levels of economic, political, and financial system risk. Adverse regional developments, owing to the ongoing Syrian and Iraqi conflicts, have resulted in an unprecedented influx of refugees into Jordan, significantly pressuring the country's resources and infrastructure.
- In 2017, GDP growth was 2.3% and is forecast to reach 2.5% in 2018. Inflation in 2018 is expected at 1.5%
- The map depicts countries in the region that A.M. Best evaluates for country risk. The region contains countries with risk levels ranging from CRT-3 to CRT-5.



Economic Risk



Political Risk



Financial System Risk

- **Country Risk Tier 1 (CRT-1)** Very Low Level of Country Risk
- **Country Risk Tier 2 (CRT-2)** Low Level of Country Risk
- **Country Risk Tier 3 (CRT-3)** Moderate Level of Country Risk
- **Country Risk Tier 4 (CRT-4)** High Level of Country Risk
- **Country Risk Tier 5 (CRT-5)** Very High Level of Country Risk

Regional Summary: Middle East & North Africa

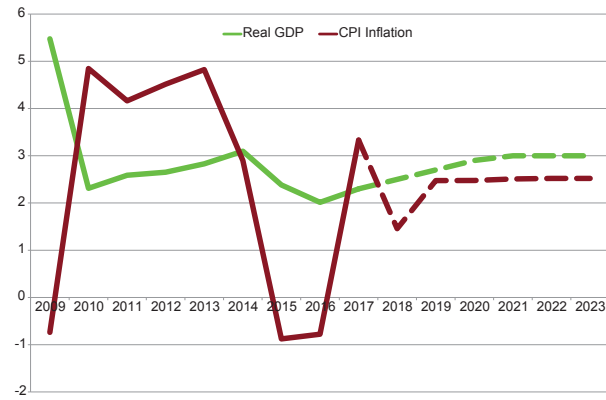
- Higher global interest rates, particularly if interest rates increase faster than expected, raise the potential for greater fiscal vulnerabilities and tighter credit conditions. According to the IMF, debt in the region has increased an average of 10% of GDP each year since 2013, owing to countries financing large fiscal deficits through increased borrowing and draw downs of fiscal buffers.
- Economic growth for the region is estimated to increase in 2018 on strengthening global growth, a moderate rise in oil prices, easing fiscal adjustment, reforms to promote non-oil sector growth, and growing infrastructure investment.
- Fiscal consolidation and revenue generating programs implemented over the last few years continue, albeit at a slower pace. Revenue measures include the introduction of a value-added tax (January 2018) in Saudi Arabia and the United Arab Emirates, with other countries likely to implement similar measures by the end of the year. Improving the efficiency of public spending (via a bill that lowers the government wage bill, for example) on the expenditure side is also a priority.

Vital Statistics 2017		
Nominal GDP	USD bn	40.49
Population	mil	7.1
GDP Per Capita	USD	5,678
Real GDP Growth	%	2.3
Inflation Rate	%	3.3
United Nations Estimates		
Literacy Rate	%	95.4
Urbanization	%	84.1
Dependency Ratio	%	66.1
Life Expectancy	Years	74.8
Median Age	Years	22.5
Insurance Statistics		
Insurance Regulator	Jordan Insurance Federation	
Premiums Written (Life)	USD mil	108
Premiums Written (Non-Life)	USD mil	746
Premiums Growth (2016 - 2017)	%	0.7
Regional Comparison		
	Country Risk Tier	
Jordan	CRT-4	
Egypt	CRT-5	
Israel	CRT-3	
Lebanon	CRT-5	
Saudi Arabia	CRT-3	
Turkey	CRT-4	

Source: IMF, UN, Swiss Re, Axco and A.M. Best



Economic Growth (%)



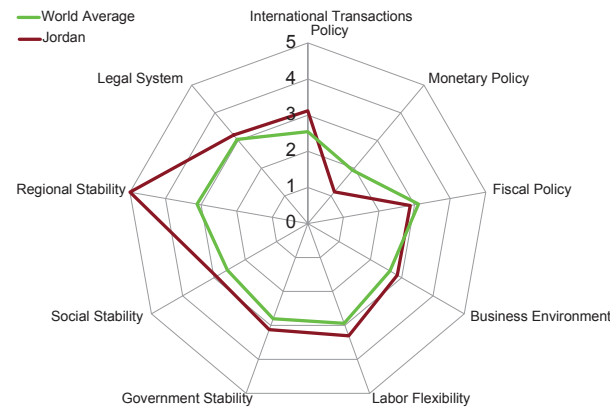
Source: IMF World Economic Outlook and A.M. Best

Economic Risk: High

- The Jordanian economy is dominated by services, which account for over 65% of GDP. Major sectors include finance, real estate, tourism, transport, communications, and government services.
- Domestic and regional uncertainty are expected to weigh on Jordan's economy, impinging on investor and business confidence, exports, investment, and public finances. These factors have led to Jordan performing below its economic potential.
- The country has high levels of government debt that need to be lowered through fiscal consolidation while preserving essential social spending levels.
- Energy requirements make up over 25% of the country's imports. The government is pursuing other forms of energy sources to diversify its reliance and vulnerability, given that it imports almost all of its energy needs.

Political Risk Summary

Score 1 (best) to 5 (worst)

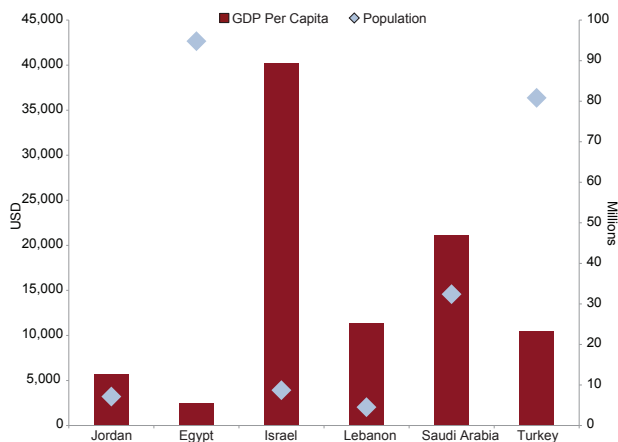


Source: A.M. Best

Political Risk: High

- Jordan is a constitutional monarchy, with King Abdullah II as the head of state and commander-in-chief of the armed forces. There is an elected House of Representative with 130 members, and a Senate with 40 members, who are appointed by the king.
- Jordan has a challenging operating environment, ranking 103 out of 190 countries in the most recent World Bank's Ease of Doing Business Survey. The legal system is susceptible to outside influence, and excessive bureaucracy hinders investment, despite government encouragement. Corruption is also high.
- Additional obstacles for the government include a dependence on grants and remittances from Gulf economies and the United States, high unemployment rates, high poverty rates, strained social stability, and public dissatisfaction due to limited representation in government.

GDP Per Capita and Population



Source: IMF and A.M. Best

Financial System Risk: High

- The main insurance regulator is the Jordan Insurance Commission. Jordan is also represented in the General Arab Insurance Federation.
- The Central Bank of Jordan pegs its currency, the dinar, to the US dollar, which limits its exchange rate and monetary policy flexibility.
- Jordan's banking sector is very well capitalized, with sufficient liquidity and a limited number of non-performing loans—only 4.4%. The non-banking financial sector is small in comparison to the banking sector.
- Government funding financed by the Central Bank of Jordan (CBJ) has decreased over the years, as the CBJ has reduced its holdings of treasury bills and bonds. However, the Social Security Investment Fund has played a growing role in financing the government in recent years.