

# European Journal of Business and Strategic Management (EJBSM)

**CHALLENGES FACING THE EMERGING ECONOMY  
DURING COVID-19  
THE CASE OF JORDAN**

Prof. Basem Al-Lozi and Dr. Sheren Hamed

Strategy

## CHALLENGES FACING THE EMERGING ECONOMY DURING COVID-19 THE CASE OF JORDAN

Prof. Basem Al-Lozi  
Vice Dean: The Princess Sarvath community College  
[B.Allozi@pscc.edu.jo](mailto:B.Allozi@pscc.edu.jo)  
Amman-Jordan

Dr. Sheren Hamed,  
Dean: The Princess Sarvath community College  
[sh.hamed@pscc.edu.j](mailto:sh.hamed@pscc.edu.j)  
Amman-Jordan

### Abstract

**Purpose:** The purpose of this study was to explore the challenges of the Jordanian economy during COVID-19. The Jordanian economy may have to face different scenarios in his macro-environment. Specifically, the study focused on the impact COVID-19 on the Jordanian economy.

**Methodology:** An exploratory research method was used to build three scenarios. The sample randomly selected from Jordanians in the capital of Jordan Amman. The study divided the sample to three groups and asking them three questions related to the expectations of the impact of COVID-19 on the Jordanian economy for the coming years.

**Results:** The study findings revealed that the majority of respondents (55.2%) are optimistic that the COVID-19 will finish and Jordan economy will be booming.

**Unique contribution to theory, practice and policy:** Recommendations were provided for Jordanian policy makers to deal scenarios. For example Jordan government and policy makers has to be pragmatic, and work toward lowering level of expectations among Jordanian economy to avoid the negative impact of COVID-19 on the economy. Cooperation between the public sector and private sector in implementing the instructions of the World Health Organization and the Ministry of Health to decrease the number of cases to open more sectors which will have a positive impact on the Jordanian economy.

**Key words:** *Jordan, GDP, economic reforms, scenarios and future prospects.*

## INTRODUCTION

The Corona crisis that has engulfed almost the entire world is having dire consequences for the population and economies of countries. The International Monetary Fund recently published the Global Uncertainty Index for 143 countries from 1996 onwards, as the surviving virus is linked to the highest level of uncertainty in the economic context since the index began recording data, that the Corona virus pandemic is not just a natural crisis but rather a social and economic crisis. Also, if we want our response to be effective, we must take into account all of these factors and be delivered in a coordinated and global manner in particular, it must meet the needs of the most vulnerable. This is the time for global solidarity, especially with the most vulnerable in societies, and with the world. Emerging and developing, we have a full support to health workers who are on the front lines of the medical response many developing countries slowed in the last quarter of last year with many entering recessions. Many cases before the outbreak of the health epidemic - enormous, even compared to the global financial crisis of 2008 (UN: industrial development organization, 2020).

### Purpose of the Study

The purpose of this study is to explore the prospects of Jordanian economy in the next five years. Specifically, the study lays emphasis on challenging issues that Jordan might have to counter to maintain its economic growth rate due to COVID-19. The study also examines the impact of the reform policies on the economy and the scenarios that the economy may face in the future based on the current situation. To what extent can the COVID-19 affect the Jordanian economy based in three scenarios?

## RESEARCH METHODOLOGY

An exploratory research method was used. Data were collected from 200 Jordanians from the capital of Jordan Amman, only 161 responding and 39 were not responding. The character of the sample indicates that 100 percent of the Jordanians were familiar with COVID-19 and the situation of the Jordanian economy during COVID-19. Of the respondents 65% were male students and 35% were female students.

**The participants were asked three questions related to the three scenarios of Jordanian economy and COVID-19.**

**The three questions are:**

**First optimistic scenario:** this scenario related to the perception of the situation in Jordan and the COVID-19 will finish and Jordan economy will be booming.

**Second pessimistic scenario:** the situation in Jordan will be getting worst due to COVID-19 and will have a negative impact on Jordan economy.

**The third scenario:** the situation of COVID-19 in Jordan is more likely to stay as it is, and the Jordanian economy will adopt the situation.

An analysis of Jordanian economy has been made with secondary data. Data have been collected from government publications. Central Bank of Jordan publications

(CBJ) like annual reports and monthly statistical bulletin, Department of Statistics publications (DOS) like annual statistics.

## RESEARCH QUESTIONS

According to research problem and research methodology, questions are structured as follows:

- 1- Which scenario was expected to have the greatest expectations among scenarios of covid-19 on the Jordanian Economy?
- 2- What is the percentage of the respondents of each scenario from total?
- 3- What is the percentage of the first scenario, the second scenario, and the third scenario from all?

## REVIEW OF LITERATURE

**The UNDP in his report, (2021), “Impact of COVID-19 on Enterprises in Jordan: One year into the pandemic”**, presents the impact of the pandemic on Jordanian enterprises one year after the first lockdown was introduced, and describes the challenges that enterprises continue to face. The report is primarily based on data collected from a phone survey of more than 2,000 Jordanian enterprises in February and March 2021, complemented by individual interviews and focus group discussions with representatives from various industrial sectors, including business organizations, trade unions, enterprise owners, and workers. Furthermore, the report draws on data from a similar, albeit less extensive, phone survey carried out at the beginning of the COVID-19 pandemic in April 2020. About 700 of the same enterprises from the first survey participated in the more recent one. This has enabled an analysis of the impacts on these enterprises and their development over a period of ten months.

**Zeitoun, A., (2020), “Covid-19 pandemic challenges and opportunities: the case of Jordan”**, this study aimed to show how Jordan affected by the recent and ongoing COVID-19 crisis. The pandemic and efforts to curb its spread have created both social and economic unrest in the country. The Jordanian government acted early in March 2020 by ordering a nationwide lockdown to cushion the impact on the healthcare system, control the spread and protect the population. Over half of the population in Jordan is young and below working age, with the majority employed in the public sector. Almost 50% of non-public sector employees work in the informal market and have no social benefits. The country’s Syrian refugee population, the largest amongst the Arab countries, at around 1.1 million according to official government numbers, poses a demographic challenge. Most of these refugees work without social protection and benefits. This presents a challenging landscape both socially and economically, compounded by the structural difficulties already facing the economy before the pandemic. Fiscal issues include budget and current account deficits, as well as government debt upwards of USD 30 billion, according to the Ministry of Finance in Jordan.

**Al-Tammemi, A., (2020),” The Battle against COVID-19 in Jordan: An Early Overview of the Jordanian Experience”** This article aims to provide an early overview of the COVID-19 battle within the Jordanian context, including general reflections and conclusions on the value of collaborative efforts in crises management.

**Abu-mater, W., et al, (2020), “The effect of corona virus (covid-19) on the Jordan economy”**, the report is actually written to examine the possible effects of the coronavirus (COVID-19) issues on the economic climate contained in Jordan. The results advise that there’s an economic impact across the nation, in addition to almost all businesses across the nation are extremely affected. Moreover, it's realized that the constant lockdown is actually a threat to the overall performance of companies. It is expected that the outbreak of COVID19 is actually going to have a quick influence on the global economy. To be in a position to assess the possible consequence of the corona virus outbreak on the economic climate of Jordan, it is vital not simply to focus on the economic downturn but also on the causes that matter to decision makers in government institutions, and administrators in Jordan respond to it. COVID-19 will most instantly shape standard approaches of doing business. Based on this, the article seeks to explore the end result of corona virus on the economic climate of Jordan as well as the very best method to get the economy back to produce instantly.

#### **What makes the current study distinguished?**

Most of previous research studied the impact of corona virus on the Jordanian economy in general. This study builds on three scenarios. The first one **optimistic scenario**: this scenario related to the perception of the situation in Jordan and the COVID-19 will finish and Jordan economy will be booming. The second one **Pessimistic scenario**: the situation in Jordan will be getting worst due to COVID-19 and will have a negative impact on Jordan economy. **The third scenario**: the situation of COVID-19 in Jordan is more likely to stay as it is, and the Jordanian economy will adopt the situation. So this study will contribute something to literature the researchers tried to find the most scenario expected in the future based on analysis.

### **THEORETICAL FRAMEWORK**

#### **The impact of COVID-19 on Jordan's economy**

In 2019, Jordan pursued important structural reforms, and adopted new regulations to regulate aspects of financial transactions, such as insolvency, digital payments and public procurement, thus becoming one of the top 20 countries in the doing business 2020 report issued by the World Bank that takes into account its progress country in facilitating the work of small and medium enterprises. However, Jordan continues to face external regional challenges, with crises in neighboring Syria and Iraq causing an influx of refugees, increasing health and education costs and disrupting trade routes. Regional uncertainty and reduced foreign aid will continue to pressure Jordan in the short and medium term. The growth of GDP was 1.9 % in 2019, which is slightly lower than in 2017. It reached 1.8 % during the second quarter of 2019, compared to 2.1 % for the same period last year. The weak of economic growth is reflected by high unemployment indicators and low labor force participation rate. Unemployment increased in the second quarter of 2019 it reached 19.2 %, compared to 18.7 % in the same quarter of 2018 (United Nations conference on trade and development, 2020).

Real GDP grew by 2.0 % in the first quarter of 2019; it is slightly higher than the 1.8 % in the fourth quarter of 2018. The service sector was the main driver of supply side, where it contributed by 1.4 % to the growth of the gross domestic product, while industry contributed by 0.3 % and agriculture by 0.2 %. Indicators of the real sector for the first months of the year showed a mixed performance, and the industrial sector

contracted by 0.6 %, driven by a 1.3 % decline in the manufacturing index (CBJ, annual reports).

As the reality of the large number of refugees in Jordan and the economic challenges enrich the ongoing response as it suffers from a lack of resources and semi-revenue, Jordan is likely to face profound challenges at a later date even if the infection rate is kept low. The structure of the economy in Jordan makes it particularly vulnerable in view of the necessary curfews and the necessary quarantine measures implemented by the country. The services sector is the most prominent in the country, as it constitutes about two-thirds of the Jordanian gross domestic product. Bad and inappropriate control measures have further complicated the economic structure of the country, for example, agriculture in Jordan, which was almost 6.5% of the GDP in 2018, consumed more than 50% of the country's total annual fresh water availability (DOS, annual reports).

The fiscal and monetary policies are necessary to prevent the current economic recession from becoming a great depression. We must make sure that people have enough money in their pockets to make it to the end of the week and the next day - and that means ensuring that companies the source of income for millions of workers remain dominant during a period of extreme recession and are thus in a position to restart as soon as conditions permit.

In terms of high performance, according to estimates for the period from January to July 2019, the Covid-19 remains a challenge due to a decrease on the side of domestic revenues and the limited flexibility to limit the slip for this period. The data indicate that the fiscal deficit, excluding grants, is 2.8. percent of GDP, which is higher than the same two periods in 2018 and 2017, when it reached 2.7 percent and 2.3 percent, respectively. The deficit in the period January-June 2019 is about 70% of the budget deficit target of 4.0% of GDP for 2019 and the balance of payments in Jordan shows a significant improvement due to the favorable trade conditions, which helped reduce the cost of imports , This is largely due to the drop in international oil prices. The growth of exports shows a moderate recovery, tourism revenues are still strong, but foreign direct investment flows are still stagnant, which remains a source of concern. The stability of the Jordanian economy depends on its access to international markets and the achievement of multilateral and bilateral commitments to support it (CBJ, annual reports).

In light of the Corona virus, the value of public spending in Jordan has increased by nearly 50%, which means that countries are following an expansionary fiscal policy, especially for preventive and medical measures to confront this virus (Mohammed, Z., 2020)

### **Five Year Outlook**

The challenge for the Jordanian policy makers is to maintain the economic growth rate in the coming years. Jordanian policy makers are aware with the changing nature of political, economical, and social environment in the Middle East due COVID-19. This section will discuss three likely scenarios based on current situation.

#### **The first scenario**

**First optimistic scenario:** this scenario related to the perception of the situation in Jordan and the COVID-19 will finish and Jordan economy will be booming.

Jordan would be an immediate beneficiary in the light of their location and the reformed economy. GDP grow the rates of 3% - 5%, may be reached and needed attention would be paid to ongoing reforms. Perhaps most importantly, this scenario would allow the government to focus on economic infrastructure and trying to attract more investors especially for the industrial sector in order to get more growth and decrease the impact of COVID-19.

### The second scenario

**Second pessimistic scenario:** the situation in Jordan will be getting worst due to COVID-19 and will have a negative impact on Jordan economy.

This is the worst case scenario and would lead to a bad situation for the Jordanian economy. Growth levels plummet in the region and especially in Jordan due to COVID-19. Government would be primarily focused on maintaining rule in this situation and decrease the impact results of this worst scenario. Quite simply, companies not in the market will stay away and companies with a presence in Jordan may leave. This will have a dramatic effect on investment in Jordan in the short and long term and be potentially devastating to the economy given the effort that they have made to make themselves appealing.

### The third Scenario

The situation of COVID-19 in Jordan is more likely to stay as is, and the Jordanian economy will absorb the shock. This is the most realistic of all scenarios. GDP growth will turn into 4% - 6% growth by 2022. Businesses grow and some firms moving into the region taking the advantage of the political settlement in Iraq and Syria and investment incentive programs due to COVID-19. At the time of COVID-19 the government should focus on carrying the reform process ahead, especially by making a good adjustment programs for the economy and trying attract more investors from abroad, so the government can achieve some of its promises to the public. For instance the promise to bring changes in labor laws, the policy issues related to small scale industries and infrastructure financing, these are important issues which needs decision action. If Jordan can over come or address these challenges, then after the next five years Jordan can have a great and bright future.

## RESEARCH FINDINGS

**First optimistic scenario:** this scenario related to the perception of the situation in Jordan and the COVID-19 will finish and Jordan economy will be booming.

**Table (1): Number and Percentage of Respondents Regarding the First Scenario**

Gender	No. of respondents	Percentage of the respondents of this Scenario from total	%of 1 <sup>st</sup> Scenario Optimistic From all
Male	60 (67.4%)	37.2%	55.2%
Female	29 (32.6%)	18.0%	
Total	89 (100%)	55.2%	

As shown in table (2) about 55.2% of the respondent seemed to be optimistic that the COVID-19 will finish and Jordan economy will be booming, of them (67.4%) was a males and 32.6% was a female. However, table 2 also indicated that 37.2 % of the male respondents out of all scenarios expecting that the COVID-19 will finish and Jordan economy will be booming, while 18.0% of the female respondents out of all scenarios expecting that the COVID-19 will finish and Jordan economy will be booming.

**Table (2): Number and Percentage of Respondents Regarding the Second Scenario**

Gender	No. of respondents	Percentage of the respondents of this Scenario from total	%of 2 <sup>nd</sup> Scenario pessimistic From all
Male	20 (58.8%)	12.4%	21.1%
Female	14 (41.2%)	8.7%	
Total	34 (100%)	21.1%	

As shown from table (2) about 21.1% of the respondent seemed to be pessimistic that the situation in Jordan will be getting worst due to COVID-19 and will have a negative impact on Jordan economy, of them (58.8%) was a males and 41.2% was a female. However, table 2 also indicated that 12.4 % of the male respondents out of all scenarios expecting that the COVID-19 will be getting worst and will have a negative impact on Jordan economy, while 8.7% of the female respondents out of all scenarios expecting that the COVID-19 will be getting worst and will have a negative impact on Jordan economy.

**Table (3): Number and Percentage of Respondents Regarding the Third Scenario**

Gender	No. of respondents	Percentage of the respondents of this Scenario from total	%of 3 <sup>rd</sup> most realistic Scenario From all
Male	22 (57.8%)	13.5%	23.7%
Female	16 (42.2%)	9.9%	
Total	38 (100%)	23.8%	

As shown from table (2) about 23.7% of the respondent expecting the situation of COVID-19 in Jordan is more likely to stay as is, and the Jordanian economy will absorb the shock, of them (57.8%) was a male and 42.2% was a female. However,



table 2 also indicated that 13.5% of the male respondents out of all scenarios expecting the situation of COVID-19 in Jordan is more likely to stay as is, and the Jordanian economy will absorb the shock, while 8.7% of the female respondents out of all scenarios expecting the situation of COVID-19 in Jordan is more likely to stay as is, and the Jordanian economy will absorb the shock.

## CONCLUSION

In the Jordanian economy, the situation appears to be much better in light of the accelerated and aggressive measures taken by the Jordanian economy to confront this deadly virus. The Corona virus represents a global pandemic that has affected all countries of the world, including Jordan, which stood firm from the beginning by following precautionary measures. There is a positive impact on financial spending, however, government financial spending has increased to face the crisis. This research findings support the current Jordanian attempts to adjust the negative impact of COVID-19 on the economy. The results show that the most of respondents (55.2%) were optimistic that the COVID-19 will finish and Jordan economy will be booming. Furthermore, 21.1% of the respondent seemed to be pessimistic that the situation in Jordan will be getting worst due to COVID-19 and will have a negative impact on Jordan economy. Finally, about 23.7% of the respondent expecting the situation of COVID-19 in Jordan is more likely to stay as is.

## RECOMMENDATIONS

Jordan government and policy makers have to be pragmatic, and work toward lowering level of expectations among Jordanian economy to avoid the negative impact of COVID-19 on the economy. Cooperation between the public sector and private sector in implementing the instructions of the World Health Organization and the Ministry of Health to decrease the number of cases to open more sectors which will have a positive impact on the Jordanian economy. Following preventive measures and ensuring and providing the necessary resources to face the financial crises is essential. The Jordanian government should cut the unnecessary expenditures in order to decrease the public debt which was increased due to COVID-19. Expenditures must be increased in the health and education sectors. Mora attention from Jordanian government should be given to the results and recommendation of the research papers on COVID-19.

## REFERENCES

- 1- Abu-mater, W., et al, (2020), "The effect of corona virus (covid-19) on the Jordan economy", Journal of Accounting, Finance & Management Strategy, Vol. 15, No. 2, Dec. 2020, 1-30
- 2- Al-Tammemi, A., (2020)," The Battle against COVID-19 in Jordan: An Early Overview of the Jordanian Experience" Front. Public Health, 07May2020, <http://doi.org/10.3389/fpubh.2020.00188>
- 3- Central Bank of Jordan, (2020). Annual Statistical Bulletin. (Various issues).
- 4- Department of Statistics, (2020). Annual Statistical Bulletin. (Various issues).

- 5- Elayeh, E., Aleidi, S. M., Ya'acoub, R., & Haddadin, R. N. (2020). Before and after case reporting: A comparison of the knowledge, attitude and practices of the Jordanian population towards COVID-19. *Plos One*, 15(10), e0240780.
- 6- Hartnett, A. S., al-Natour, E., & al-Ajlouni, L. (2020). Drastic measures: coercive enforcement and economic effects of pandemic suppression in Jordan. *The COVID-19 Pandemic in the Middle East and North Africa*, 65-72.
- 7- Mohammed, Z., (2020),” Impact of COVID-19 on GDP and public expenditure in Jordan”, Centre of Arab Unity Studies.
- 8-Singh, M., (2020). Jordan after COVID-19: From crisis adjustment to crisis management. Working Paper, Fikra Forum. Available at <https://www.washingtoninstitute.org/>.
- 9- UNDP, (2021). Impact of COVID-19 on Enterprises in Jordan: One year into the pandemic” Posted on July 25, 2021
- 10- United Nations conference on trade and development, (2020). The COVID-19 shock to developing countries: World Bank (2019). The World Bank in Jordan.
- 11- United Nations Industrial Development, (2020). The impact of covid-19: the catchphrase may be uncertainty, but the loss real. By the policy, research and statistics department, UNIDP.
- 12- Zeitoun, A., (2020), “Covid-19 pandemic challenges and opportunities: the case of Jordan” IE Med-European institute of the Mediterranean.