Jordan senate meets as protests over IMF-backed austerity continue

AFP AMMAN: Jordan's senate met yesterday for a special session after another night of protests across the country against IMF-backed austerity measures including a draft income tax law and price hikes.

Some 3,000 people faced down a heavy security presence to gather near the prime minister's office in Amman until the early hours of last morning, waving Jordanian flags and signs reading "we will not kneel".

Protests have gripped the country since Wednesday, when hundreds responding to a call by trade unions, flooded the streets of Amman and other cities to demand the fall of the government. Last month, the government proposed a new income tax law, yet to be approved by parliament, aimed at raising taxes on employees by at least five percent and on companies by between 20 and 40 percent. The measures are the latest in a series of economic reforms since Amman secured a $723m three-year credit line from the International Monetary Fund in 2016.

The senate convened hours after protests ended yesterday to discuss “ways of dealing with draft law… in the interest of all parties”, Jordan’s official Petra news agency said. Senate speaker Faisal Al Fayez said there was a need for “comprehensive national dialogue” on the law, echoing an earlier call by King Abdullah II.

Fayez said the government should “balance economic challenges and pressures with the interests of different social sectors”, but cautioned against violence and called on authorities to bring “troublemakers” to justice. Since January, Jordan – which suffers from high unemployment and has few natural resources – has seen repeated price rises including on staples such as bread, as well as extra taxes on basic goods. The price of fuel has risen on five occasions since the beginning of the year, while electricity bills have shot up 55 percent since February.

The IMF-backed measures have sparked some of the biggest economic protests in five years. Overnight, protesters outside Prime Minister Hani Mulki’s office shouted slogans including “the ones raising prices want to burn the country” and “this Jordan is our Jordan, Mulki should leave”. Demonstrators tussled with security forces and some fainted, but others smoked water pipes and one sat on the pavement and played the Arabian lute, or oud.

In another part of the city, security forces used tear gas to prevent hundreds of demonstrators from joining the rally near Mulki’s office, Jordanian news websites reported. “Women have started looking in rubbish bins to find food for their children, and every day we’re hit by price hikes and new taxes,” said one protester.

Bank employee Mohammad Shalabiya, 28, said demonstrators wanted “to tell the government that the citizen’s income isn’t suitable for this kind of law and that we have a right to demonstrate”. Lina Rsheidat, 35, a housewife with a red keffiyeh scarf around her neck, said the proposed law was "unjust" and would "harm the Jordanian people".

According to official estimates, 18.5 percent of the population is unemployed, while 20 percent are on the brink of poverty. The Economist Intelligence Unit earlier this year ranked Jordan's capital as one of the most expensive in the Arab world. "The popular movement… has surprised the government," Adel Mahmoud, a Jordanian political analyst, said. Discontent could "snowball… triggering a domestic crisis", he said, adding that he expected protests to continue until demands are met.

Jordan, a key US ally, has largely avoided the unrest witnessed by other countries in the region since the Arab Spring revolts broke out in 2011, although protests did flare late that year after the government cut fuel subsidies.

Qatar has managed impact of siege: IMF

***Growth performance resilient; Banking sector remains healthy**

Considerable buffers and sound macroeconomic policies have helped Doha absorb shocks from lower hydrocarbon prices and the diplomatic rift with some countries in the region, according to the International Monetary Fund (IMF).

Qatar's growth performance remains resilient and the direct economic and financial impact of the Gulf crisis has been "manageable", IMF said in its Article IV consultation with Qatar.

"The availability of significant external and fiscal buffers and the strong financial sector should enable the country to withstand downside risks, including lower-than-envisaged oil prices, tighter global conditions and an escalation of the diplomatic rift,” it said.

Terming that the near-term growth outlook is broadly “positive”, it said overall, GDP (gross domestic product) growth of 2.6% is projected for 2018.

Non-hydrocarbon real GDP growth is estimated to have moderated to about 4% in 2017 due to on-going fiscal consolidation and the effect of the diplomatic rift.

“Inflation is expected to peak at 3.9% in 2018 – as the impact of the value-added tax being introduced during the second half of 2018 would mostly be felt in that year—before easing to 2.2% in the medium term,” IMF said.

Headline inflation remains subdued, primarily due to lower rental prices, it said, adding the realty price index fell 11% in 2017 (year-on-year) after a 53% cumulative during 2013–16, reflecting increased supply of new properties and reduced effective demand.

Finding that the underlying fiscal position continues to improve, it said fiscal deficit is estimated to have narrowed to about 6% of GDP in 2017 from 9.2% in 2016 with the deficit been financed by a combination of domestic and external financing.

Public debt (estimated at 54% of GDP as at end-2017) remains “sustainable”, it said, adding the current account is improving in the context of increased oil and gas.

Qatar’s banking sector remains healthy overall, reflecting high asset quality and strong capitalization. At end-September 2017, banks had high capitalization (capital adequacy ratio of 15.4%), high profitability despite recent moderation (return on assets of 1.6%), low non?performing loans (1.5%), and reasonable provisioning ratio of non?performing loans (85%).

“Liquidity has been generally comfortable——with a liquid asset to total asset ratio of 27.3% ——though bank reserves have declined since 2015,” IMF said.

The IMF directors noted that strengthened expenditure control, with emphasis on further public?service reform and accelerated reform of the public utility companies, would help Qatar improve economic efficiency. They also emphasised the importance of wage reform to reduce the public to private wage gap.

- Short-term growth prospects are generally positive.
- Current account is improving steadily as oil and gas prices rise.
- Banks recorded at the end of September 2017 high levels of capitalization and profitability.
- Qatar has ample financial space to continue to gradually adjust fiscal conditions to ensure that sufficient hydrocarbon wealth is saved for future generations.