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Dubai gold jewellery sales hit by fall in tourists

Demand in the Middle East fell 26 per cent year-on-year during the first quarter

DUBAI, May 24 (Reuters) - Gold jewellery sales in Dubai are down around 40 per cent in May on a year ago, hit by higher prices for the precious metal and fewer tourists with smaller budgets, retailers said on Sunday.

Branded as the City of Gold, the streets of Dubai's Gold Souk are getting fewer visitors, particularly foreigners who account for a large number of the visitors to Dubai's souk.

"Just walk around the market here you will hardly find any tourists," said Sanjay Jity, a shop keeper from Al Khaledyah Jewellery in the old souk, or market.

"The price of gold is too high and people have no money, that's why we are seeing a slowdown in the market and our sales have gone down by 40 per cent," said Viral Bhalani, a shop keeper at Hem's Jewelry in the old souk.

Some Dubai jewllery shops may face closure, as do their competitors in the United Arab Emirates' capital of Abu Dhabi.

On a global level gold prices have risen around 40 per cent to to around $957 an ounce as of Friday from a low near $680 in October, as investors used the yellow metal as a safe haven during a time of economic uncertainty.

"Retailers are suffering becasue of the current high prices," said Pradeep Unni, a trader from Richcomm Global Services.

In effort to stimulate business, shops in Duabi are offering discounts. "I was offered more than a 50 per cent discount on a gold ring I bought," said Christine Rattray, a Scottish tourist.

"We are basically cutting our profit margins on the design of a piece of jewellery and in many cases selling at a loss just to keep customers coming back," said another shop keeper at Shyam Jewelers, also in the old souk.

He said many store owners in the market were in negotiations with the government to lower rents. "I think we are going to see a recovery by 2010, but until then we need lower rents, otherwise we might shut down," he said.

Demand for gold in the Middle East fell 26 per cent year-on-year during the first quarter, bucking a global trend that saw demand increase as investors bought gold as a safe haven from the economic maelstrom, the World Gold Council (WGC) said in its quarterly report on Wednesday.

Both jewellery and investment recorded similar percentage declines, with a fall of 26 per cent to 49.5 tonnes and 28 per cent to 4.1 tonnes respectively, it said.

High scrap demand

Gold refiners in the Middle East have bought record volumes of scrap from overseas and the global economic crisis has forced some cash-strapped consumers to sell their jewellery.

"My family is a bit tight on cash these days that's why I'm selling bracelets my husband bought me for my wedding," said Hamidia Omran, a Jordanian housewife living in Dubai. She went to the souk on Sunday to sell the gold bands.

"Gold is really important to a woman but it's a good price to sell at and when things get better I'll buy more back."

FINANCIAL

Recession weighs heavily on aid to poor countries

The worldwide recession has driven 50 million people into extreme poverty

PARIS (AFP) — Poor countries, already hard hit by the global economic downturn, are now facing cutbacks in foreign assistance from traditional donors saddled with rapidly expanding deficits.

The worldwide recession has driven 50 million people into extreme poverty, according to the World Bank and the International Monetary Fund, which have exhorted rich countries to live up to promises to boost development aid.

"There's a risk that these promises will not be kept if the crisis deepens," warned Jose Gijon, head of the Africa-Middle East department at the Organisation for Economic Co-operation and Development.

Added Shanta Devarajan, chief economist for Africa at the World Bank: "The fiscal pressure that developed countries are facing, especially to address the problems of their citizens, is so high that it will be hard to get political support to maintain the level of foreign aid".

He said a 2005 pledge from the Group of Eight industrialised powers to double aid to Africa, made when the world economy was flourishing, had already fallen about 20 million dollars short of the target before the latest crisis erupted in late 2008.

"If during the boom period they were unable to meet these commitments, I'm wondering what is going to happen now that we're in a deep recession."

Emmanuel Frot of the Institute of Transition Economics in Stockholm described development aid as an "easy target" for governments anxious to trim spending.

He said his research had shown that six countries that had suffered an economic slowdown in the 1990s, including Japan and the United States, had in one year cut their overseas assistance by 13 per cent.

Aid volumes came to a record last year but have now begun to slide. Italy has reduced its overseas development budget by 56 per cent and Ireland by 10 per cent while Latvia has abandoned such initiatives altogther, according to the European Network on Debt and Development.

Oliver Buston of the non-governmental organisation ONE has noted that in addition to a fall in aid amounts, there has been a worrisome shift "toward more loans and less and less grants," which could trigger a "debt crisis".

While the United States is planning an 8.0 per cent hike in development aid next year, there are concerns about France, currently the fourth largest aid giver by volume.

> 'If during the boom period they were unable to meet these commitments, I'm wondering what is going to happen now that we're in a deep recession'

"We fear a setback in France and nothing is clear," said Sebastien Fourmy of Oxfam-France Agir.

The 2009 French budget foresees development assistance equivalent 0.47 per cent of gross national product, declining to 0.41 per cent in 2010 and 0.42 per cent in 2011.

But Eric Chevallier, spokesman for the French foreign ministry, stressed that such figures are estimates that are still being analysed.

He added that France remained committed to increasing assistance to 0.7 per cent of gross national product in 2015, consistent with the United Nations Millennium Goals.

Non-Jordanians uphold confidence in local real estate

By Wojtek Gidzinski
Oxford Business Group

OXFORD BUSINESS GROUP

AMMAN — The Jordanian property sector is experiencing a correction, as are nearly all markets in the region. However, the Kingdom can take solace in the fact that foreign investors are still interested and active in the country, while the government tries to help the sector rebound by pushing forward with its ambitious affordable housing initiative.

According to figures released by the Land and Survey Department (LSD), real estate transactions by non-Jordanians nearly doubled in the first quarter of this year, reaching 1,272 compared to 676 during the same period in 2008.

Iraqi, Saudi and Kuwaiti nationals were most active during the first three moths of 2009, respectively accounting for JD17.8 million ($25.1 million), JD4.6 million ($6.5 million) and JD3.8 million ($5.4 million) worth of transactions.

> 'By the end of 2009, we expect to announce the names of 4,000 to 5,000 qualified beneficiaries from the initiative and work is on track to realise this objective'

On a larger scale, the Marsa Zayed project in Aqaba was announced earlier this year. The development was significant for both its massive size and its timing, unveiled amidst the real estate market slowdown.

Marsa Zayed, being developed by the local subsidiary of Abu Dhabi-based Al Maabar, is the largest single project in Jordan's history. The $10 billion mixed-use development will feature a 2-kilometre waterfront and will be positioned on the current site of the Aqaba port, which is to be relocated away from the city core. The first stage of the multiphase project is expected to begin by the middle of 2010.

The first-quarter figures, coupled with the Marsa Zayed announcement, show that foreign investors, both on an individual and mega-project scale, remain confident and committed to the Jordanian market in the medium and long term.

In the short term, the outlook is still tough. Overall, real estate transactions in Jordan fell by 32 per cent in the first quarter of 2009 to JD940 million ($1.33 billion) from JD1.39 billion ($1.96 billion) during the first quarter of 2008.

The majority of activity took place in Amman, which accounted for JD653 million ($922 million), or 69 per cent, of the transactions, with the rest of the country making up the remainder.

In addition to hosting the bulk of real estate activity, the Amman market remained more resilient in the first quarter. According to Mazen Shoter, the director-general of the LSD, "Property prices in Amman and other cities dropped by 15 per cent, while in other remote areas it went down by as much as 50 per cent."

Residential sales were more widely affected than land sales. Land transactions were down 11 per cent, with 15,255 transactions taking place, down from 17,134 in the first quarter of 2008. First-quarter residential transactions fell 24 per cent from 5,101 in 2008 to 3,857 in 2009.

According to Rami Adwan, deputy chief executive officer of Tameer Jordan Holdings, consumer mentality has had a big impact on the market.

"There was a big psychological effect last year after the fall of Lehman Brothers and AIG, which led to a panic situation and massive sales in stocks on the Amman Stock Exchange. This meant that wealth was lost resulting in a further drop in real estate sales activity," he said.

In the meantime, the government has taken steps to make housing more accessible to certain segments of the population by amending the "Decent Housing for Decent Living" initiative being carried out by the Housing and Urban Development Corporation (HUDC).

The segments targeted by the scheme are low- and limited-income Jordanians, civil servants, armed forces personnel and civil and military retirees.

The initiative, launched in 2008 with the aim of enabling ownership of 100,000 housing units, got off to a slow start. In 2008, 412 citizens qualified for its benefits. However, only 120 of those people completed financial procedures, with banks prompting the HUDC to facilitate better access to the programme.

The new changes mean that potential beneficiaries of the programme will now shoulder 3.5 per cent of the interest on the loans they apply for at the country's banks, with the government covering the remainder, up to a total rate of 8.5 per cent.

Additionally, the government and local banks have agreed to extend the maturity period of loans given under the initiative from 20 to 25 years and to reduce the period during which beneficiaries cannot sell or rent their units from 15 to 5 years.

The government and banks also agreed that loans can cover up to 100 per cent of the cost of a house and will be repaid through monthly income deduction at rates up to 50 per cent of income. The maximum age for programme eligibility has also been raised from 60 to 70 years.

Programme officials are confident that the new measures will enable more people to access the scheme.

"By the end of 2009, we expect to announce the names of 4,000 to 5,000 qualified beneficiaries from the initiative and work is on track to realise this objective," HUDC Director General Sana Mehyar, told local media.

By making the housing initiative more accessible, the government hopes to spur growth in the affordable housing segment.

While the overall property market is currently facing a slump, the continued presence and interest of foreign investors in the market is a sure sign of a positive rebound in the medium term.

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