DAMASCUS: Syrians prepare shawarma sandwiches, a popular Middle Eastern dish of grilled spiced meat, at a restaurant in the capital Damascus on Thursday. — AFP

Syria govt scrapes barrel as economic woes bite

2016 budget projects 31% deficit

DAMASCUS: More than four years into a grinding civil war, the Syrian government is scraping the barrel to boost its revenues with everything from taxes on shawarma sandwiches to telephone lines.

The country's economy has been ravaged by the conflict that began in March 2011, which has claimed the lives of over 250,000 people and pushed over four million to become refugees. Perhaps the most tangible evidence is the weakness of the Syrian pound, currently trading at 390 to the US dollar, compared to around 60 before the war and 240 just a year ago.

Most money changers in Damascus expect things to get worse still, anticipating a further slide to 500 pounds to the dollar next year. When the uprising against President Bashar Al-Assad's regime began, the governor of the central bank announced the country had reserves of some $18 billion.

But experts say much of that has been used up, though it is impossible to know how much remains.

"The regime has less and less foreign currency, revenues have dried up, the war effort is becoming more taxing and its two main donors, Russia and Iran, have their own financial problems," said Jihad Yazigi, editor-in-chief of The Syria Report, an online economic journal.

Since March 2011, Iran has extended Syria some $5.5 billion in credit lines, but Russia in November last year decided against a one-billion-dollar loan.

Shawarma sandwich tax

Revenues have slowed to a trickle, particularly as the government has come under sanctions that prevent exports and lost control of much of the country's oil and gas resources.

The oil minister has acknowledged some $58 billion in direct and indirect losses to the oil and gas sector since the war began. With the capture by the Islamic State jihadist group of most of Syria's eastern oil fields, the government now produces just 9,688 barrels a day, down from 380,000 before the war.

Refined output-made up of Syrian and imported oil-has sunk from 112,000 barrels a day in 2014 to just 80,000 barrels, and gas production is down to 12 million cubic metres a day from 27 million five years ago.

The 2016 budget projects a 31 percent deficit, similar to that of 2015, prompting the government to rein in spending and impose new taxes. It has instructed all public administrations to reduce their energy consumption by 30 percent and to eliminate thousands of temporary government employee contracts.

The state telecommunications company, which has a monopoly on landlines, has also doubled monthly subscription fees for its 4.5 million subscribers.

That in theory ought to bring in some 10.8 billion Syrian pounds ($308 million), but The Syria Report noted that the company's subscriber base has plummeted because up to 40 percent of its network has been damaged. Even the humble shawarma sandwich, a popular Middle Eastern dish of grilled, spiced meat cut into thin slices, has not escaped the government's drive for revenues.

"Last week I had to pay 220 Syrian pounds for my shawarma sandwich instead of 200, and the restaurant owner told me it was because there's a new 10 percent 'reconstruction tax' that's being imposed on each sandwich," 50-year-old Damascus resident Tahseen told AFP.

'Bleak' future

Property rents also face new taxes of between 500-1,000 Syrian lira a month, and the tourism ministry has begun taxing restaurants based on the number of diners they can accommodate. The measures come after previous steps, including easing subsidies for bread, which increased in price three times in 2014, along with rising costs for water and electricity.

And the government has also sought to squeeze revenue out of issuing and renewing passports, raising fees while lifting some restrictions to bring in around $520 million since the start of the year, according to the interior ministry. And it has stemmed the outflow of foreign currency, limiting import licenses and giving priority to those seeking raw materials for the production of dairy products, canned foods, medicines, detergents and textiles inside Syria.

But despite the regime's efforts, Yazigi said "the future is bleak" for Syria's economy and the government's finances.

"The state will be forced to slash its spending even further," he said. "And since it won't be able to touch military spending, it will cut public services and not repair what is damaged, and people will become poorer and poorer," he added. "They will be forced increasingly to dip into their savings and many will look to emigrate." — AFP

Oil slides to 7-year low as IEA warns of worse glut

LONDON: Crude oil prices hit fresh seven-year lows yesterday as the International Energy Agency (IEA) warned global oversupply could worsen in the new year. Brent slipped below $39 per barrel for the first time since December 2008 as the IEA, which advises developed nations on energy, warned that demand growth was starting to slow. "The technicals and the fundamentals are singing from the same hymn sheet," said Tamas Varga, oil analyst with PVM Associates. "We will not see support until we hit the lows of 2008."

Brent crude futures were down 60 cents at $39.13 a barrel at 1058 GMT, bouncing slightly from a session low of $38.90. West Texas Intermediate (WTI) US crude futures were at $36.26 per barrel, down 50 cents after touching $36.12, their lowest since February 2009. Varga said there was room to fall further, with little support likely until oil reached the 2008 lows of $36.20 per barrel for Brent and $32.40 per barrel for WTI.

Prices have tumbled this month after OPEC failed to impose a ceiling on output. OPEC producers pumped more oil in November than in any month since late 2008, some 31.7 million barrels per day. "Consumption is likely to have peaked in the third quarter and demand growth is expected to slow to a still-healthy 1.2 million bpd in 2016, as support from sharply falling oil prices begins to fade," the IEA said in its monthly report.

Should sanctions on Iran be lifted, its exports could rise, adding to the market's oversupply. "The next quarter is going to be particularly tough as we go from a high-demand to a low-demand quarter," said Richard Gorry, director of consultancy JBC Energy Asia. "Can you rule out $20 per barrel? No, you can't," he said, although adding that prices would not likely fall that far.

Still, the IEA said the pace of stock-building should roughly halve next year and that it was very unlikely that global storage capacity would be filled.

"Concerns about reaching storage capacity limits appear to be overblown," it said. The IEA said it expects a decline in non-OPEC production in 2016, as US light tight oil shifts into contraction, and it that further spending cuts could spur deeper output declines. "There is evidence the Saudi-led strategy is starting to work," the IEA said, referring to the producer group's decision to maintain high output to safeguard market share. — Reuter

Gold set for 7th weekly drop in eight

LONDON: Gold drifted lower yesterday and was headed for the seventh weekly drop in eight as investors positioned themselves for a likely US rate rise. A rate increase at the Federal Reserve's policy meeting on Dec. 15-16 would be the first in nearly a decade and could dent demand for non-interest paying gold. Spot gold fell 0.6 percent to $1,064.63 an ounce by 1112 GMT, after closing flat over the last two sessions. It was on track for a 2 percent decline for the week.

"What we are likely to see in the next three months is the discussion moving from the rate hike to the pace of rate tightening cycle," ETF Securities strategist Martin Arnold said.

"A broad range between the high $1,080s to $1,030 is where we are going to see gold in the first quarter, starting towards the lower end of the range in a knee-jerk reaction to the Fed's move and then grinding higher throughout Q1." The dollar steadied, gaining against China's yuan after Beijing set the mid-point for the currency's tightly controlled official onshore value at its lowest in more than four years.

A higher US currency makes dollar-denominated gold more expensive for holders of other currencies. Technically, a break below $1,064 could take gold to a near-six-year low of $1,045.85, according to Reuters technical analyst Wang Tao.

Weakness in crude oil prices, near 2009 lows, was also hurting bullion prices. A slide in oil could trigger fears of deflation, a bearish factor for gold, which is often used as a hedge against oil-led inflation. Short positions in COMEX gold futures and options are at record highs, while assets in SPDR Gold Trust, the top bullion exchange traded fund, are at their lowest since September 2008.

Investors have boosted bets that the gold price will soon drop to $1,000 an ounce, options data shows. Gold, on track for a third straight annual decline, has lost 9.8 percent of its value this year. — Reuters