Algeria Cuts Spending by 30% & Approves a Package of Procedures

The Algerian cabinet decided to cut spending by 30%, along with other measures to counter the consequences of the Corona virus and the significant drop in oil prices.

The government informed during the meeting, which was chaired by the Algerian President Abdelmadjid Tebboune, of the Ministry of Finance’s decision to postpone the study of the supplementary finance law until the evaluation of the implications of financial measures taken at the government level, and the development of the situation in the world.

The President of the Republic, Abdelmadjid Tebboune, announced a series of procedures that will be implemented immediately, as follows:

- Reducing the value of the import bill from 41 to 31 billion dollars.
- Reducing the running budget expenses by 30%, without prejudice to the salary burdens.
- To stop concluding studies and services contracts with foreign offices, which will save Algeria about seven billion dollars annually.
- Retaining without prejudice the expenditures associated with the health sector, and strengthening means to combat the outbreaks of the Corona virus and epidemic diseases in general.
- Maintaining without prejudice to the expenditures associated with the education sector.
- Sponsorship in the supplementary finance law, when preparing it, of the losses of dealers affected by the outbreak.
- Entrust the national company, Sonatrach, with a reduction in the value of the import bill from 41 to 31 billion dollars, in order to maintain the exchange reserves.
- Sponsorship in the supplementary finance law, when preparing it, of the losses of dealers affected by the outbreak.
- Maintaining without prejudice to the expenditures associated with the education sector.
- Setting a medium-term control program in the next 3 years, with a capacity of $7 billion annually.

The agency announced that it had lowered the Sultanate’s rating from BA1 to BA2, indicating that the main driver for lowering the Sultanate’s rating standards is the decline in foreign reserves, due to weak oil prices and a downturn in the tourism sector.

The agency also revealed that the stable outlook is due to the fact that Oman’s ability to bear the government debt burden is robust in the face of medium negative financial shocks and from oil prices at the BA2 level.

The agency further noted that Oman’s credit rating is medium negative in the wake of the Corona virus outbreak and the significant drop in oil prices.

Source (Al-Arabiya.net Website, Edited)
Bloomberg Warns of the Erosion of Financial Reserves of the GCC

"Bloomberg" agency warned that the drop in crude oil prices currently threatens to erode the financial reserves accumulated by the Gulf countries during the past decades.

According to the agency, the price war will drive the disappearance of some other oil producers, those who cost them more than $10 per barrel of production, while the cost of producing a barrel in Saudi Arabia, for example, is $2.5.

"Bloomberg" considered that the excess of production is not the product of geopolitical factors, but rather the outcome of mathematical accounts linked to low oil prices, because with the decline in dollars that are received for every barrel they sell, the Gulf countries need to pump a much larger amount to maintain the same level of profits, which is current to similar revenues.

In principle, these countries have an arsenal sufficient to go to war, as the cost of pumping one barrel of oil from Gulf oil fields does not exceed the price of a bottle of luxury drinking water, according to Bloomberg.

According to the same agency, in order to deal with the repercussions of the price fall crisis, and with the potential for declining demand for crude in the long run, Gulf central banks have deposited huge amounts of money in sovereign funds, but in front of the falling prices, these funds may erode very quickly.

Source (The New Arab Newspaper, Edited)