

## Government announces sharp increase in price of gas oil

### **The Syria Report**

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The Syrian Government has announced a sharp increase in the retail price of gas oil in a move designed to reduce significantly its subsidies bill and its rising budget deficit.

A Government order issued on May 2, 2008, raises the retail price of gas oil to SYP 25.00 a litre from SYP 7.40. The import, distribution, and selling price of most oil derivatives in Syria are administered by the State. A decision issued the same day also increases the price of a gas propane cylinder from SYP 145 to SYP 250.

The new price of gas oil now applies throughout the market except for families using the ration card distributed by the Government, which allows every Syrian family to buy 1,000 litres at a new, and still heavily discounted, price of SYP 9.00. It's not clear what period these cards are valid for and whether their distribution will be renewed in the future.

The Government's decision was widely expected. Its subsidies bill runs in the hundreds of billions of Syrian Pounds every year and economists have been calling to end, or at least reduce substantially, this policy in order to reduce the budget deficit and the market distortions it brought.

The new selling price remains, however, well below the purchase cost of around SYP 45.00 a litre.

The price increase is also expected to lead to a significant, and additional, hike in the cost of many basic items. Price inflation surged in the last months in Syria, along with the increase in the world prices of food commodities, leading to wide discontent among the population.

In spite of a lengthy preparation time the Government appeared somehow unprepared after its announcement. The day following the decision, on Saturday May 3, bus drivers in Damascus stopped working for several hours to protest the fact that fares charged on commuters were not increased. Bus fares in Syria are fixed by the Ministry of Transport. A standard fare for a trip within the city of Damascus averages SYP 5.00 (USD 0.10).

*The Syria Report* understands from drivers that following the turmoil, the Damascus Police Department took the matter in its hands and authorized an immediate increase of the fares to SYP 10.00 and for longer trips to SYP 15.00.

Private bakeries also stopped work for the same reason. The price of 1kg of bread sells at SYP 40:00, a price set by the Government. Gas oil is used to fuel bakery ovens. As *The Syria Report* went online no price increase for bread sold by private bakeries had been announced. Bread sold by bakeries owned by the State will continue to sell at the same price of SYP 15:00 per kilogramme.

Meanwhile, in order to alleviate the impact on the population, the Syrian President issued two decrees on May 1, increasing the pay of civil servants and pensioners, as well as the minimum wage in the private sector by 25 percent. According to the Minister of Finance, Mohammad Hussein, the pay increase will cost the State's Treasury SYP 58 billion (USD 1.26 billion) a year.

Also, in a press conference held on May 4, the Prime Minister said that several other measures were planned to help the population face the expected price inflation. These include the set-up of a fund to finance agricultural production as well as another to help support the poorer strata of the population. The Agriculture Fund is supposed to encourage greater production, which in turn should help a decrease in food prices.