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You have already got a sense from Olivier Appert of what is driving the drop in oil prices. I want to focus a little bit on what the impact of this has been on the oil exporting countries in the Middle East, I will not talk about the impact on the oil importing countries, because it is small and predictable. They all benefit a little bit from lower oil prices, but it does not change their outlook dramatically. However, for the oil exporting countries, it does have a dramatic impact.

Looking at 2015 and comparing to last year or the year before, the oil export revenues of the countries of the Middle East have dropped by about USD 350 billion. USD 350 billion is a significant amount of money and is about one-third of their exports. Since their budgets come mainly from oil revenue, and because most of these countries depended on oil, they did not have to develop other tax systems. As a result, their budgets also took the equivalent negative hit. From running budget surpluses which were about 10-12 % of GDP in 2013, this year, as a group, they are running a budget deficit of about the same size, 12-12.5 % of GDP. This is a big swing in the fiscal situation. 25 % of GDP is a big swing for any country to cope with.

The situation is not the same across the different countries. The break-even prices were outlined and that gives you a sense of how big the impact is. I will come to that in a minute, but what is the first reaction of countries that get hit like this? Fortunately, over the last decade, most of them had built up financial assets, either in their own reserves or in sovereign wealth funds. This is the year when they are drawing down the assets they have built up to try and soften the impact of having less money coming into their budgets from oil. They continue to spend more or less what they were planning to spend.

As a result, if you look at these economies, there is a little bit of a slowdown in growth, but it is not a huge slowdown. It is the finances that are taking the hit, because in effect, you are now replacing your savings to finance spending, rather than the inflows from oil. If the oil prices were to stay low for only a year or two, that is a very good way to run your business. That is why you saved. You saved for the time when prices would be low and prices are low now, so you use up your savings and you carry on with life as usual.

There are three or four countries which do not have that luxury and I will come to those in a minute. However, there are those who can do it. The Gulf countries by and large can do it and Algeria can do it. The problem is what happens to oil prices in the next five years. Olivier, in the information you gave, you said that in four or five years, oil will recover. Personally, I am very pessimistic that we will see a USD 100 oil price in the next decade. We have many experts who will tell you about this, so I will not venture into giving any oil price projections.

You can look at projections which are coming from the market, which I use, because at least they tell you about what buyers and sellers are doing, or at least gives you a sense of it. There is wide uncertainty in terms of the future projections of oil prices. The median indication is roughly that the prices will rise a little bit from where they are over the next five years. However, they do not show a big improvement towards going back to USD 100.

Let us assume for now that prices will show some modest gain from where they are, but probably to only about USD 60 or so by 2020. What do you do given this scenario? You cannot continue to finance every year from your savings. If there was no change in the current spending plans of the countries for the next five years, this would lead to large, and for some countries unsustainable, fiscal deficits and rising debt. It turns out that over five years, without any adjustment in spending the combined budget deficit of the countries in the Middle East that are oil exporters would be USD 1 trillion. Again, this is an aggregate, so an aggregate means there are differences across countries.

How does the situation look across different countries? In my calculation, you can have countries like Qatar, Kuwait, UAE or Turkmenistan. They have the money to be able to run deficits for a decade and, in some cases, their deficits are not large. However, you then get to countries like Saudi Arabia, Bahrain, Oman and Algeria. There, you do not have the luxury to run the budget deficits that would come from not changing your spending plan.

You can allow for borrowing, because these countries have strong fundamentals and can go and borrow money in the market. However, these countries do not want to be in a position where in five or ten years, they would have reached the limit of their ability to borrow or used up all of their financial savings. They clearly do not want to be in that situation, so they are all now, to varying degrees, trying to revise their spending down, and I am confident that these efforts will result in most cases in significant improvements in their fiscal outlook. They are also trying to increase revenue from outside of oil. Increasing revenue from outside of oil could mean putting on a value added tax or a tax on corporations. This will raise some money, but it will not raise a huge amount of money in the near term.

The only way you can achieve a balance over five years is to cut spending. As all of you know, cutting spending is harder in reality than it seems on paper. It is harder for them also, because it means raising the price of energy. Energy subsidies in these countries are 100 billion a year, even with lower energy prices, so there is a significant amount of money to be collected from that. Or you have to cut back capital projects. There are many capital projects in the pipeline which can be pulled back.

Or you have to cut back employment in the public sector, because as you know, in many of these countries, most of the nationals work in the government. While there are many jobs in the private sector, it is mostly expatriates who work in the private sector. You might say that is a reasonable thing to do, but many of them face another problem, and this is my next point. Over the next five years, 10 million people who are nationals will come into the labour force in these countries. Already, under the current projections, if more of them are not absorbed more quickly than in the past decade, you will have 3 million more unemployed people by the end of that period.

Let me conclude by saying that the challenge facing these countries is therefore a difficult one. They are trading off maintaining their financial resilience and ratings on the one side, by trying to cut down spending and not building up debt faster than they can afford it. But they must also do this in a way that does not add to the already serious problem of unemployment amongst nationals and young people in particular. That problem will be a hard one to manage over the next 5-7 years. We will probably come back to a discussion of this, not just in this kind of session, but in other sessions as we go along.