

# SESRI Policy Brief

## Perceptions and Impacts of the Oil Crash in Qatar

Have low oil prices hit home?

Glnar Eskandar, Michael Ewers, Abdoulaye Diop and Kien Le

*Here we examine public awareness of the recent decline in oil prices and its relation to perceived job security, overall satisfaction with life in Qatar, and broader economic outlook. Results from two nationally representative surveys administered in 2014 and 2016, respectively, reveal wide variation in knowledge of oil market conditions among different demographic groups in Qatar as well as differences in the perceived impact of the decline. Notably, awareness of the decline in oil prices is lowest among Qatari nationals, especially among nationals working in the public sector. This finding raises questions about the preparedness of ordinary citizens for inevitable cutbacks to public sector spending absent a substantial change in the trajectory of oil prices. Moreover, the data show significant differences between ratings of personal satisfaction, which have mostly increased during the period 2014 to 2016, and of the overall economy, which saw a marked decline in 2016. This result points to a potential future drop in consumer spending and investment as more negative impressions begin to impact individual and firm behavior.*

While Qatar's economy has been impacted less than many other resource exporters by the recent decline in oil and gas prices, it has suffered nevertheless, evident from mass layoffs, state budget cuts, corporate restructuring, subsidy reductions, and discussion of new taxation schemes. Yet, as the state moves to harmonize current expenditures with a changing oil market, SESRI survey data reveal that, in fact, a majority of Qatari nationals are altogether unaware of the decline in oil prices, raising questions about public preparedness for inevitable cutbacks in public spending.

### Managing public expectations

While the Gulf region is no stranger to the booms and busts of commodity cycles, many experts believe this time may be different, with oil prices remaining lower for longer. The World Bank currently projects the price of Brent Crude to average around \$37 per barrel in 2016 and \$48 per barrel

in 2017, not reaching \$60 until after 2020.<sup>1</sup> These low, and possibly "new normal,"<sup>2</sup> prices will most severely affect those oil exporters with the highest breakeven costs and the greatest fiscal dependence on oil. But even relatively well-positioned producers like Qatar will be unable to sustain current expenditures on public subsidies and social welfare. In Qatar, for example, oil and gas revenues comprise approximately 90% of total exports and 50% of both GDP and state revenue.<sup>3-4</sup>

In a November 2015 address to the Shura Council, Qatar's Emir Sheikh Tamim bin Hamad Al Thani summarized the country's fiscal situation frankly, saying that it necessitates citizens and the private sector to be more self-reliant.<sup>5</sup> Declining oil prices, he said, should encourage citizens to become more self-reliant. Despite the international focus on the oil crash and its impacts, SESRI's timely surveys find that

local concern with oil market conditions is low. Yet, successful public restructuring plans require public awareness. Here we discuss results from the surveys and their policy implications. Importantly, we find that there is a discrepancy between economic reality and citizen expectations.

## Knowledge of decline in oil prices

A SESRI survey conducted in February 2016 asked respondents to say whether they thought the international price of oil had increased, decreased, or remained the same over the past year. Figure 1 shows variation in awareness of the decline in prices by nationality, employment sector, and industry.

Comparing Qatari citizens with white-collar expatriates, we find that nationals on average are less aware of the decline than expatriate residents. Notably, Qataris employed in the public sector are the least aware group of the decline in oil prices, with 50% of respondents entirely unaware

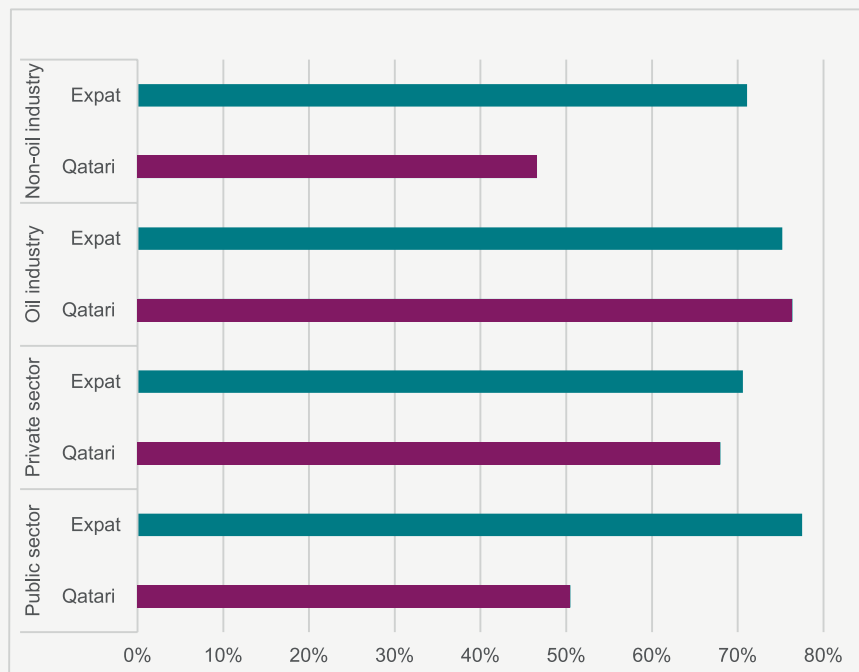
of the oil bust. Unsurprisingly, the results indicate that oil industry employees, both Qatari and expat, are the most aware of all groups of the decline in oil prices.

In short, Qataris in the public sector are less aware than either expatriates or their private sector counterparts of the oil price decline. It therefore appears that, despite statements by top Qatari officials warning of a shrinking state role in providing for citizen welfare, a majority of the citizenry remains either unaware of, skeptical of, or unconcerned by such changes.

## Job security and oil prices

Inevitably, declining oil prices lead to job losses in oil producing countries. Thus, the survey asked those respondents who were knowledgeable of the oil price decline whether they believed their jobs could be negatively impacted as a consequence of the crash. Figure 2 depicts the results, showing the percentage of respondents concerned with job security following the

FIGURE 1  
Percentage of respondents aware of decline in oil prices



*Half of Qatari public-sector employees were unaware of the decline in oil prices*

oil price decline, once again by nationality, employment sector, and industry.

Results vary significantly between Qatari and non-Qatari respondents. On the one hand, the majority of expatriates are concerned over their job security in the wake of the oil price decline, especially those employed in the oil industry (58%) and public sector (54%). On the other hand, Qataris, particularly those employed by the public sector (21%) and the oil industry (24%), are generally not worried about their job security and do not expect their positions to become vulnerable due to recent economic conditions.

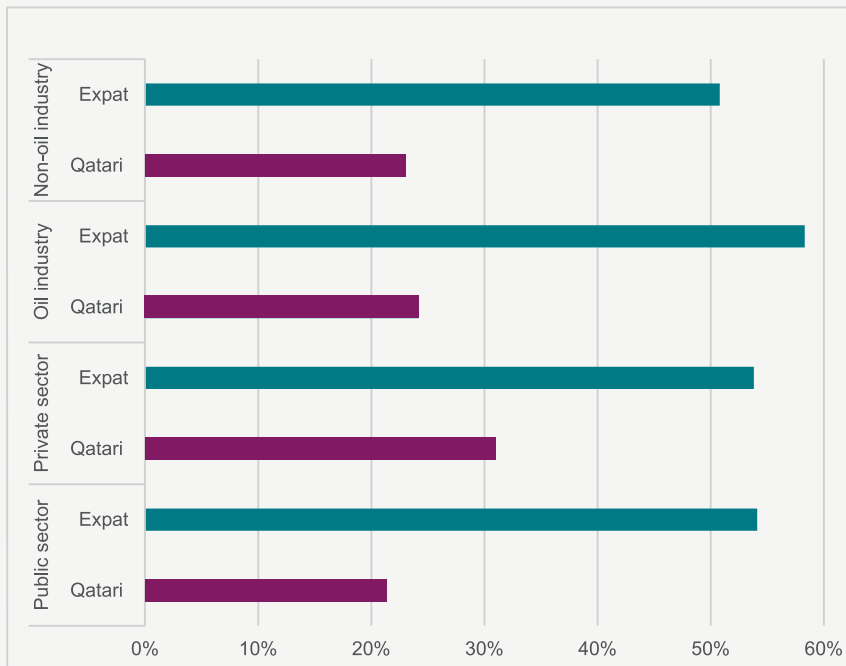
Qataris employed in the public sector traditionally have been insulated as far as possible from negative economic changes as part of the implicit social contract between the state and its citizenry. Most Qatari households have continued to enjoy high levels of income and opportunities for education and employment. This could explain the low level of concern

among the majority of Qatari government employees, as macroeconomic conditions have not drastically impacted them in the past. Similarly, Qatari oil employees, while largely aware of the decline in oil prices, are nevertheless not concerned with the implications for their job security, especially when compared to the much higher concern among their expatriate colleagues. Notably, then, the groups least concerned about their job security are precisely those most vulnerable to declining oil prices, since a sustained reduction in oil revenue will eventually lead to a reduction in public sector and oil industry employment.

## Personal satisfaction and economic outlook after the oil bust

To further study the effects of low oil prices on ratings of personal satisfaction and business conditions, we compare survey results from March 2014, at a time when oil prices rested comfortably above \$100 per barrel, and February 2016, when oil prices fell well below \$30 per barrel and

FIGURE 2  
Percentage of respondents reporting oil decline has negatively impacted their jobs



*In contrast to expatriates, Qataris are not concerned about job security in the wake of the oil bust*

TABLE 1  
Personal Satisfaction and Macroeconomic Ratings, 2014 vs. 2016

	Relative Percentage Changes, 2014 - 2016		
	Qatari	High-Income expat	Low-Income expat
Business Conditions	▼ 33.2%	▼ 51.1%	▼ 29.7%
Quality of Life	▲ 13.2%	▲ 24.5%	▲ 8.9%
Job Satisfaction	▲ 1.4%	▲ 3.9%	▲ 4.9%

natural gas prices sat at a 20-year low.

As depicted in Table 1, measures of personal satisfaction have increased for all groups between 2014 and 2016. Indeed, Qataris, along with other population groups, rate their quality of life and job satisfaction more highly in 2016, despite the oil bust. However, overall ratings of business conditions have declined substantially over the same time period, suggesting that the macro-economic effects of the oil bust are recognized by members of all demographic groups. Of these groups, high income expats reported the steepest decline in ratings of business conditions in Qatar.

Over time, negative perceptions of Qatar's business conditions could begin to

impact the investment and consumption decisions of ordinary people, including business owners. A reduction in spending and/or investment would in turn dampen overall economic growth, feeding a vicious cycle of contraction. This is why personal perceptions are important to observe, for they can collectively lead to a macro level change.

Notes:

1. World Bank. (2016). Commodity Forecast Price Data. January 2016.
2. Hartmann, B. & Sam, S. (2016). "What Low Oil Prices Really Mean." *Harvard Business Review*.
3. CIA. (2016). Qatar. *The World Factbook*.
4. EIA. (2015). "Qatar international energy data and analysis." US Energy Information Agency.
5. Khatri, S. & Kovessy, P. (2015). "Qatar Emir: Government Can No Longer 'Provide for Everything.'" *Doha News*. November 3.

*Declining perceptions of Qatar's business climate could eventually impact investment and consumption behaviors*

## Policy Summary

Qatari citizens, especially those employed in the public sector, are less likely than other people living in Qatar to be aware of the recent decline in oil prices. Among citizens who are aware, moreover, most seem to believe that they are insulated from economic hardship. If Qatar wishes to manage the expectations of citizens regarding the state's role in providing for economic welfare, consistent public messaging is necessary to raise awareness of anticipated changes. Given current low levels of public knowledge of and concern over the oil bust, a fundamental change in Qatar's welfare economy is bound to shock the majority of nationals. Until now, evidence suggests that fiscal tightening has mainly impacted high income expatriates employed in government and semi-government institutions. Yet, questions remain as to how far the state can go in removing highly skilled employees so vital to the functioning of public institutions, and of the country's modern economy generally. In light of ongoing budget and personnel cuts, more pressure is being placed on Qatari citizens to fulfill the responsibilities previously shared with expatriates. A balance must be struck between ensuring Qataris' social welfare and protecting the long-term sustainability of the country's economy.