

The Impact of the Blockade on the Industrial and Financial Sectors in Qatar

The Summary

Today Qatar's business community faces an unprecedented air, land and sea blockade. The economy has performed remarkably well despite these challenges, but more information is needed on how the blockade has impacted Qatar's business community and how firms have navigated these challenges. Such information may inform policymakers on how they can help firms succeed. To this end, Qatar University's Social and Economic Survey Research Institute (SESRI) and the College of Business and Economics teamed up with the Qatar Finance and Business Academy to conduct a survey of industrial and financial companies in Qatar. In this survey, 115 industrial companies and 14 financial companies were asked about the initial and ongoing effects of the blockade on their operations, as well as how they view the future. The goal of this survey was to obtain firm-level assessments of Qatar's business environment, labor markets, trade and logistics, as well as finance and investment conditions during this challenging time.

Descriptive data	Frequency	%
Industrial Sector (n=115)		
Material and Energy	36	31
Industrial equipment	28	24
Construction	34	30
Other manufacturing	17	15
Financial Sector (n=14)		
Banks	14	100
Import & Export		
Import companies	107	93
Export companies	28	24

Methodology

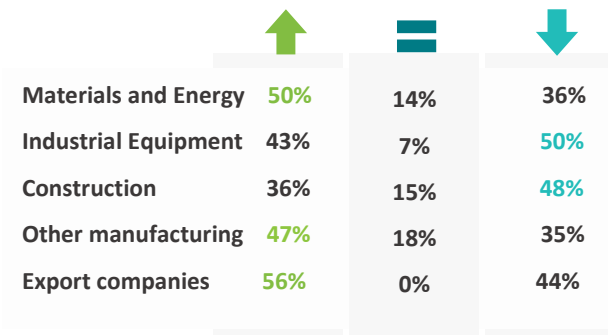
- **Online survey (Qualtrics)**
- **Contacted companies by phones or emails**
- **Sent the financial survey with the help of Qatar Finance and Business Academy**
- **Data collection (September 2018-January 2019)**

Main findings

- Companies are generally positive about the overall business conditions in Qatar and optimistic about the future, however, there are clearly some who have gained and some who have lost from the blockade
- In general the demand for local products has increased significantly after the blockade-with exception to the construction sector, where demand remains muted
- Companies faced serious difficulties with supply chains and in their ability to import to and export from Qatar. However, they were able to find alternative import and export countries in a relatively short period of time.
- Some of the major positive impacts of the blockade include an improvement of local markets, an increase in revenues and access to new markets.
- Respondents report a number of changes to the business environment, both positive and negative. Access to financing and the inflation of product inputs in particular have worsened since before the blockade.
- Financial companies view have much more positive views of the impact of the blockade compared with the view of industrial companies.

Industrial Sector

Figure 1: Current business conditions compared with before blockade



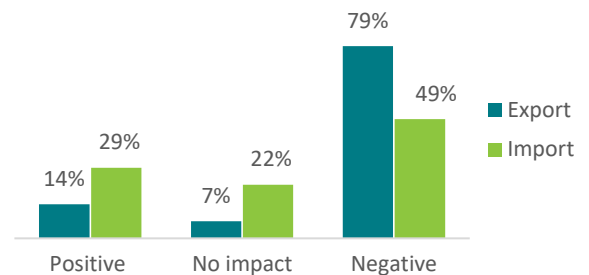
Companies were asked to rate the present business conditions compared with before the blockade. Responses were relatively split as to whether the situation is better (44%), worse (43%) or about the same (13%). Yet these results vary by sector. Industrial equipment and construction companies rate current conditions as somewhat worse in the present time, while materials and energy companies as well as companies that export goods from Qatar were more likely to rate present conditions favorably. This could be attributed to rising commodity prices since the onset of the blockade.

Figure 2: Factors impacting the business environment

Better		%	Worse		%
- Labor regulation	51		- Access to financing	44	
- Infrastructure	51		- Inflation	54	
- Gov't Bureaucracy	46				
About the same		%			
- Foreign Exchange rate stability		67			
- Education of the workforce		71			
- Work ethic in the labor force		63			
- Public health		60			
- Policy stability		53			

Companies were asked about the factors that impacted the business environment, and a vast majority reported no change in most factors. Labor regulations, infrastructure and bureaucratic burden have improved. However, access to financing and the inflation of product inputs have worsened since before the blockade.

Figure 3: The impact on the ability to import and export to and from Qatar



Compared with before, companies across all industries reported that the blockade negatively impacted the ability of their businesses to import to and export from Qatar. As a result, most of these companies had to find alternative import source countries and export destination countries. These difficulties especially impacted supply chains.

Figure 4: The duration for supply chain operations to go back to normal:

Less than 3 months:	30%
3 to 5 months:	33%
6 to 12 months:	19%
Still not returned to normal:	18%



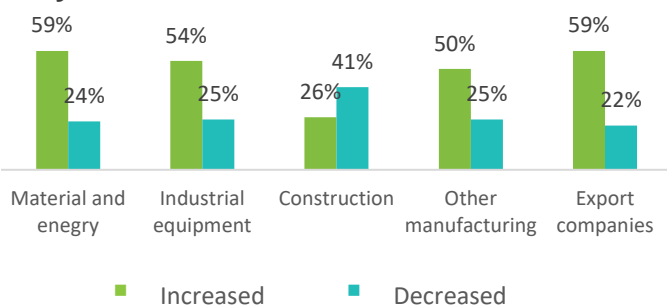
Companies adapted quickly to supply chain issues, as 63% reported operations returning to normal in five months or less. A minority of respondents answered that it took up to a year or that it has not yet returned to normal. Some respondents explained that government cooperation helped in easing supply chain obstacles. As a result, companies were able to manage the problem by finding alternative countries and ways to ease the flow of the operations in a short period.

Figure 5: Pre- and post-blockade import and export countries

Export			
Previous	Freq.	Current	Freq.
KSA	17	Oman	13
UAE	15	Kuwait	11
Kuwait	9	China	3
Bahrain	7	Jordan	3
Import			
Previous	Freq.	Current	Freq.
UAE	73	China	45
KSA	46	India	43
China	30	Turkey	29
India	25	Germany	21

Before the blockade, surrounding countries such as KSA and UAE were critical sources of imported materials as well as destinations for the export of finished products for Qatar’s industrial companies. Incredibly, these companies adapted rapidly to find new sources of imports and destinations for exports. Today, Oman and Kuwait are key export destinations, while, China, India and Turkey have become the top import sources.

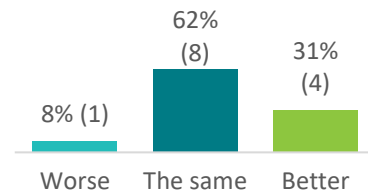
Figure 6: Businesses product demand by sectors



Since the blockade, 46% of companies reported increased demand for their products, compared with 30% who reported a decrease and 24% who reported no change from before the blockade. The overall increase in demand, however, can be attributed to a greater focus on the importance of local products and suppliers, as well as rising commodity prices. The key exception is the construction sector where 41% of companies reported diminished demand.

Financial Sector

Figure 1: Present business conditions



Compared with industrial companies, financial firms were much more likely to say that business conditions in Qatar today are the same as before the blockade, and much less likely to say they are worse. This may be because of additional government support to the financial sector to insulate banks from the impacts of the blockade. In general, however, the sample size of industrial companies is much larger than that of banks and insurance companies. Thus, we should interpret the findings from the financial sector more qualitatively than quantitatively.

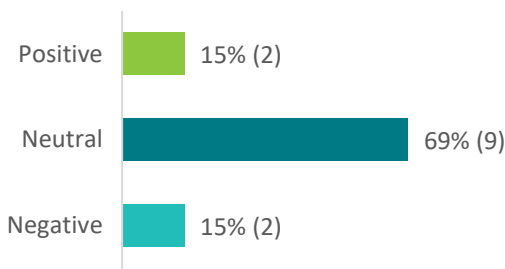
Figure 2: The impact of general factors on business compared with before the blockade

Better	%
- Labor regulation	77
- Infrastructure	54

About the same	%
Access to financing	100
Foreign exchange rate stability	69
Gov’t Bureaucracy	69
Education of the workforce	92
Inflation	54
Work ethic in the labor force	69
Public health	85
Policy stability	77

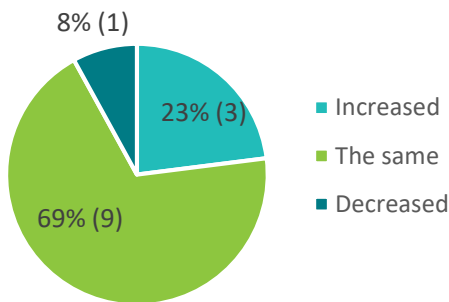
We also asked financial firms to rate the impact of a number of factors on their businesses today, compared with before the blockade. Again, most financial companies said that each of these factors was about the same compared with before. Like industrial companies, the majority of financial companies also identified labor regulations (77%) and infrastructure (54%) as having improved since before the blockade. Interestingly, none of the financial companies we surveyed indicated that access to financing has changed, for either better or worse. Conversely, 44% of industrial companies said that access to financing was worse than compared with before the blockade.

Figure 3: Impact on business' revenue



Most financial companies (69%) also stated that the impact of the blockade on business revenues was neutral, while two (15%) said it had a positive impact and two (15%) said there was a negative impact. Conversely, only 22% of industrial companies said that their revenue was the same from before the blockade, and most (45%) said that the blockade had a negative impact on revenues.

Figure 4: Demand for business' products



The majority of financial companies (9 out of 14) stated that the demand for their financial products and services had not changed from before the blockade, while three said that the demand had increased and only one said that demand had decreased. Most industrial companies (46%) reported that demand for their products has increased since the blockade, while 24% reported no change and 30% said that demand had decreased.

Recommendations

1. Government efforts should focus on the construction and industrial equipment sectors which were the hardest hit by the blockade and are important to Qatar's national strategic vision.
2. More attention given to those companies, which did not benefit from commodities increases to offset negative local market consequences.
3. Policymakers should look at success stories, as well as challenges, to build on the existing strengths and creativity evident in the Qatar business community.
4. Policymakers should continue to search for ways to enhance flexibility for business to access import sources and export destinations.
5. Government should actively promote responding to future questionnaires among the business community.
6. Investigate reasons why industrial companies and financial companies differ in their view of financial conditions in the country

Contact info:

Email: sesri@qu.edu.qa

Website: www.sesri.qu.edu.qa

Phone: +974 4403-3020



Sesri_qu



qusesri



sesri_qu