



# **COVID-19 and its impact on Qatar**

**Market Research**  
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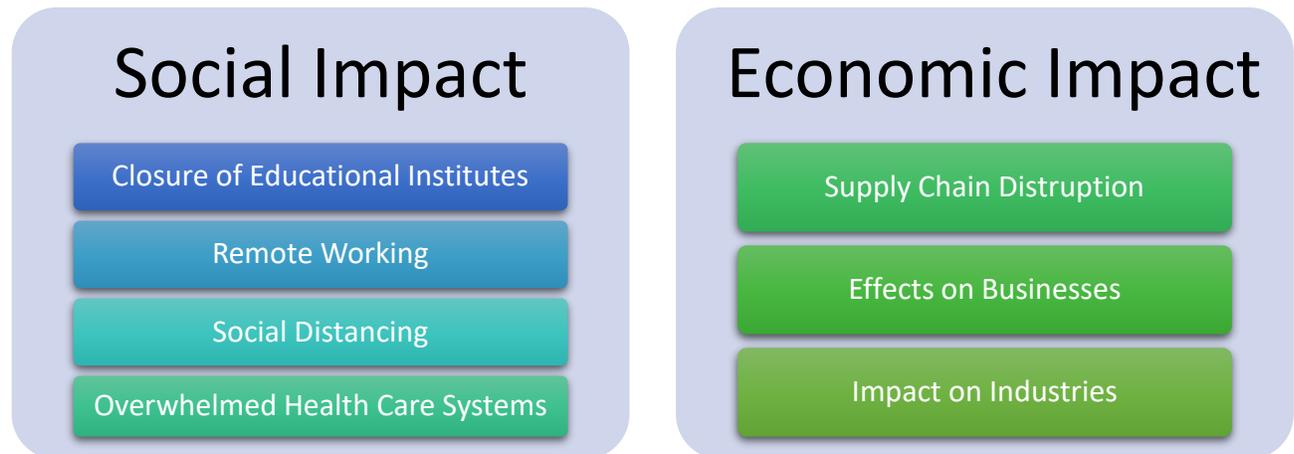
## 1. COVID-19 (Coronavirus) and its origin

COVID-19 is a highly contagious and infectious disease caused by a newly discovered coronavirus. Officials first reported it in December 2019 in Wuhan, China—a wholesale food market was linked to the cases earliest detected there. The initial instances of coronavirus were either market employees, stall owners or buyers visiting the market. Tests for COVID-19 came out positive on the environmental samples obtained from this market in December 2019, which was further suggestive of the fact that this wholesale food market was the primary source of this outbreak or played a part in the early amplification of the coronavirus outbreak.

Most people who contract the COVID-19 virus are likely to experience mild to moderate symptoms like dry cough, fever & respiratory illness and may recover without needing any special medical treatment. However, older people and those with any underlying medical complications like diabetes, cardiovascular disease, cancer or chronic respiratory disease are more likely to advance to chronic pneumonia and serious illness (Coronavirus Disease 2019 – Covid-19, 2020). According to the World Health Organization (WHO), the best possible way to avoid this virus and slow down its spread is by being well informed regarding the virus, the illness it causes and in what ways it spreads. To shield oneself from getting the infection, the WHO has given guidelines such as protecting yourself and others from contamination by washing your hands or using an alcohol-based sanitizer frequently and avoid touching your face. This virus spreads mainly through droplets of saliva or discharge from the nose when an infected person sneezes or coughs, so it's crucial that you also practice respiratory protocols for example, by covering mouth and nose, using tissue papers and coughing into a flexed elbow. As of now, there is no specific treatment or vaccine for COVID-19. However, many clinical trials are ongoing in various research centers and laboratories in multiple countries, assessing potential treatments (Coronavirus, 2020). There are currently 4,073,369 confirmed cases reported in more than 185 countries and territories, resulting in 278,901 deaths from the coronavirus outbreak and 1,417,286 people have recovered from this virus so far as of May 09, 2020 (Coronavirus Cases: Statistics and Charts - Worldometer, 2020). Some of the hardest-hit countries are the USA, UK, Italy, Spain, Germany, France and Iran.

## 2. Global Impact of COVID-19

The spread of COVID-19 and the subsequent lockdown has impacted many sectors, and the outbreak has changed the way everything works worldwide. It has had a drastic impact on our social and economic lives, with millions of people around the world changing the way they live and work. From affecting our social lives owing to travel bans, closing of schools and offices, remote working, practicing social distancing, postponing of major events, shutting down of malls and markets, closing of parks and overwhelming burden on health care systems—to affecting us economically with the disruption of supply chains, closure of businesses, putting a halt to various industries and corporations worldwide and changing the entire global economic status. The global impact of COVID-19 can be categorized into social & economic.



### 2.1. Social Impact

COVID-19 will have a lasting impact on society. The social disturbances created by this pandemic will affect the way we interact with each other. Social impact as a result of COVID-19 and subsequent lockdown in various countries to contain the spread of virus includes closure of educational institutes, shift towards remote working, social distancing measures, staying home and overwhelmed health care systems.

#### 2.1.1. Schools and universities closures

Many countries around the world have shut down educational institutions until further notice as a measure to contain the spread of coronavirus. The closures have impacted 90 % of the student population around the globe. In order to facilitate the continuation of the learning process, some

schools are practicing distant learning through conducting online classes and providing online course materials to their students (COVID-19 Educational Disruption and Response, 2020).

### **2.1.2. Remote Working**

Most of the offices and workplaces around the globe have been closed down to slow the spread of coronavirus. This has resulted in shifting the work to home offices requiring employers and employees to work from their home premises. A majority of the global companies and multinationals have rolled out essential work-from-home policies during the COVID-19 pandemic including Microsoft, Google, Twitter, Apple, Amazon, Hitachi, Chevron, Spotify, Salesforce etc. (Lufkin, 2020).

### **2.1.3. Social Distancing and Staying Home**

The idea of social distancing is to keep a safe distance between you and other people, which in this case is at least six feet. This also includes minimizing contact with people and staying at home as much as possible. People are advised to limit non-essential travel, avoid public transportation, skip social gatherings and work from home. They should avoid going to packed places like bars and sporting arenas. While social distancing is required to contain the spread of the coronavirus, it may also contribute to poor physical and mental health in the long run (Engle, 2020).

### **2.1.4. Overwhelmed Health Care Systems**

The coronavirus has overwhelmed health care systems across the world. Intensive care units are completely overburdened, and nurses/doctors are extremely exhausted. It is estimated that around 26 million health care workers may end up treating COVID-19 patients with a shortage of safety kits and protective equipment such as gloves, masks and suits for doctors and nurses. (Feuer, 2020).

## **2.2. Economic Impact**

COVID-19 is having a massive economic impact with dwindling demand, and supply chain disruptions leading to a shortage of raw materials, logistical issues and business finding it hard to operate under lockdown. The economic impact of coronavirus includes supply chain disruptions and business closures, leading to layoffs and adverse impact on industries worldwide.

### **2.2.1. Disruption to Supply Chains**

COVID-19 outbreak is unparalleled in its severity and scale not only for humans but also supply chains. Large sections of empty shelves in supermarkets and lack of essential goods are the evident effects

on consumers due to the supply chain disruption. Stoppages of productions in different locations through China and other countries as well as the shortages of sub-assemblies, raw materials and finished products are some of the factors caused by the coronavirus. (Coronavirus and Supply Chain Disruption: What Firms Can Learn - Knowledge@Wharton, 2020).

The importance of China can never be underestimated when it comes to global supply chains, and the fact that the virus originated in China has led to unprecedented disturbances in the supply chain. China's influence on global supply chains can be gauged from the fact that 75% of the total value of components used in TVs, and approximately 85% in smartphones come from China. All critical components like mobile displays, open cell TV panels, LED chips are imported from China. The coronavirus is disrupting the global manufacturing and supply chain, threatening the availability of TVs, personal computers, mobile phones, automation, auto and other technology products. (Novel Coronavirus (COVID-19) Update, 2020). The following diagram depicts the impacts on the supply chain of various sectors:

### Pharma and Biotech

- 15% of world active pharmaceutical Ingredients facilities are based in China.
- 85% of medicines in US Strategic National stock pile use some component from China.

### Components

- YMTC & XMC, China leading NAND Flash memory producer have operations in Wuhan.

### Auto

- Volkswagen has 24 plants in China accounting for 40% of production.
- Korea's car sector sources 29% of its parts from China.
- Deliveries of Tesla Model 3 sedans made in China will be delayed.

### Smartphones

- Smartphone shipments in China could decrease by 40%-50% in Q1
- 3-5 million iPhones, and AirPods production are forecasted to be pushed to Q2 2020.

## 2.2.2. Effects on businesses

The coronavirus pandemic has taken a toll on the global economy. Certain sectors, businesses and companies are at more risk than others in these unfortunate times. Where on the one hand,

coronavirus has severely affected the supply chains and international operations of numerous retailers and large-scale businesses, on the other, it has altogether smothered many small-scale businesses around the world. Results issued in a special survey conducted by The MetLife & U.S. Chamber of Commerce Small Business Index April 2020, on the impact of COVID-19 on the U.S. small business community show that one in four small businesses (25%) have reported that they have already shut down on a temporary basis. Another 40% reported that they are likely to shut down temporarily in the coming two weeks. 43% reported they believe that they will have to permanently shut down their businesses in less than six months. 46% of the small business owners think that the U.S. economy will take around six months to a year to return to normal. (Special Report on Coronavirus and Small Business, 2020).

**2.2.3. Impact on Industries**

The market expects the global GDP growth to decline by 0.25% in 2020 due to the disruption in global manufacturing & supply chains that has affected various industries worldwide. Plants shutdowns and labor shortages have impacted the production and sourcing of raw materials, resulting in adverse effects on both B2C and B2B sectors. The summary impact on selected industries would be as follows (Novel Coronavirus (COVID-19) Update, 2020):



**3. Impact of COVID-19 on Qatar**

The total number of COVID-19 cases in Qatar stands at 22,520 with 2,753 people recovered and 14 deaths as of May 10, 2020. The COVID-19 pandemic like many other countries has affected multiple sectors of the social and economic life of Qatar.

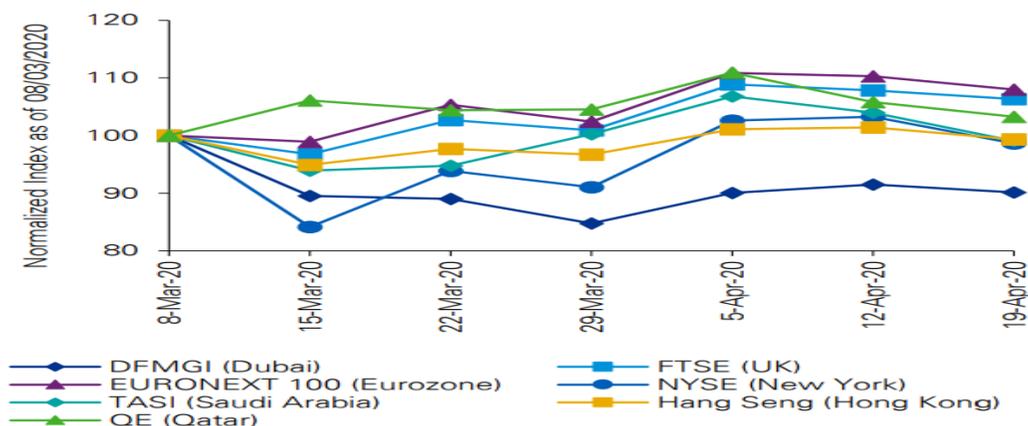
### 3.1. Social Impact on Qatar

To start with the social impact of this pandemic on Qatar, all the schools and educational institutes have been closed until further notice since March 10, 2020. Qatar’s high committee for crisis management has advised people to stay home except for when necessary and practice social distancing in order to slow the spread of the virus. All the shops except for pharmacies and food stores have been closed. All the mosques, bank branches and many commercial complexes have been closed, and people have been asked to avoid social gatherings and cancel all social and public events. Government has also stated that salaries will be paid to the employees of the sectors that have been closed (Qatar: Closures on all shops except for food stores, pharmacies, 2020).

The country’s actions were detailed by the deputy director of the Government Communications Office. Government priority is the safety and health of all residents and citizen. According to them, Government is focusing on four crucial areas: free of cost testing & essential medical treatment for all, financial backing to businesses through an \$824 million fund so that salaries continue to be paid on time, safe living & working conditions and public awareness campaigns on prevention & control measures (Opinion - A View from Qatar: How We’re Responding to the Coronavirus, 2020).

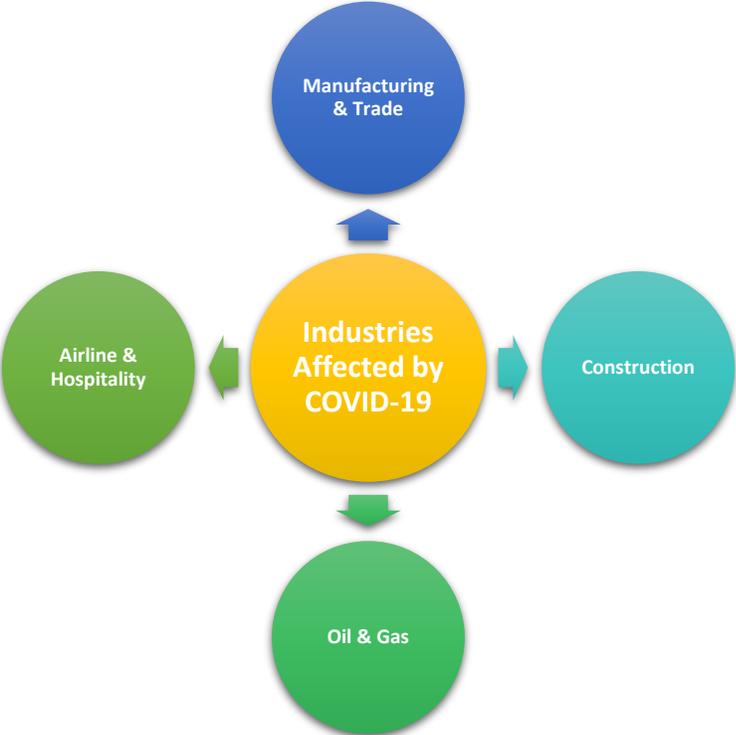
### 3.2. Economic Impact on Qatar

The business sentiment in Qatar has been less hostile, relative to other markets as revealed in the drop observed in the local stock exchange index (see graph below). This is partly due to the limited presence of external investors and a QR10 billion government backstop for the stock market (Potential impact of COVID-19 on the Qatar economy, 2020). Comparative drop in stock exchange Indexes (Jan 01 - Apr 15, 2020) are as follows:



Source: Bloomberg, KPMG analysis

Qatar has given a stimulus packages worth QR 75 billion (\$20.3 billion) for supporting its private sector and to help alleviate the economic impact of the COVID-19 outbreak and allocated QR 3 billion to local banks as guarantees to back the economic & finance sectors (Nair, Fattah, Narayanan and Parasie, 2020). COVID-19 has led to a major disruption in the global supply chain and subdued demand of various industries. The major industries of Qatar that have been directly affected by the spread of coronavirus include construction, trade & manufacturing, oil & gas and airline & hospitality.



**3.2.1. Qatar Construction Industry**

An impact on undergoing projects can be observed due to restrictions on travelers from countries like the Philippines & India, from where most of the labor is hired. Short to medium terms challenges can be anticipated as moving and recruiting of labor from on & off-site roles become difficult. A short-term impact could be visible due to work from home guidelines as companies' off-site employees may show a reduction in productivity while working on software put in place by the companies to enable remote working. There is likely to be disruption to individual mobility as a result of the reduction in buses and the operation of fewer services, and restrictions on the number of passengers. Reduced public transport and buses such as the shutting of the metro services have hindered travel to and from labor camps to construction sites and employers have to arrange for alternative travel

arrangements for their employees. Employees who are based in the Industrial Area are locked down and are being paid salaries without working, bringing imbalance to the project's finances. Cargo and freight transfer via sea and air are being delayed and so are the goods and material from China.

The construction industry of Qatar is expected to face shortages of materials such as mechanical, plumbing and electrical from manufacturers and suppliers in Europe for mechanical as the epicenter of COVID-19 shifts to the US and mainland Europe. This may force Qatari contractors to look for alternative suppliers. In that case, the price of the goods may be affected, and purchase orders and prior contracts may be cancelled. Contractors may also face challenges in obtaining funding from lenders as they might be unwilling to finance or support infrastructure projects in the current uncertain situation (Collier and McDonald, 2020).

The coronavirus could be a threat to Qatar's FIFA World Cup 2022 dreams. Government world cup projects such as stadium completion and Ashghal road projects etc. are continuing but at a much slower pace due to restrictions imposed because of the outbreak. Qatar reported its first five coronavirus cases amongst workers on three of its World Cup stadiums sites on April 15, 2020 (Qatar confirms first coronavirus cases at FIFA World Cup sites - Times of India, 2020). The main concern for the Qatari government right now is the fate of the games because of billions of dollars have already been invested in buildings & infrastructure. However, the coronavirus might halt these plans as around two million people residing in Qatar are overseas workers from India, Nepal, the Philippines, Pakistan and other Arab countries. The majority of these workers and laborer's live in very densely populated separate neighborhoods which increases the risk of spread of the virus. The Qatari government has published directives proposed to reduce this risk in order to protect the health of the World Cup industry workers (Barel, 2020).

### **3.2.2. Trade & Manufacturing Industry**

Trade and manufacturing are being adversely affected by the lockdown with a substantial reduction of activities and cash flow constraints. Community data collected by Google on Qatar reports that the movement of people dropped by 63% around recreation and retail areas and 35% for grocery and pharmacy (Potential impact of COVID-19 on the Qatar economy, 2020).

### **3.2.3. Oil & Gas Industry**

Qatar is working with importers in China to reschedule or re-route some oil and gas cargoes to the world's second-largest LNG importer amid the coronavirus outbreak. Spot LNG prices in Asia plunged to a new all-time low of below \$3/mmbtu in mid-February 2020, down by \$0.85 from a week earlier, as some Chinese importers declared force majeure on spot purchases (Paraskova, 2020).

The Qatari government—in order to support its state finances stressed by the coronavirus and low hydrocarbon prices—is preparing to issue a \$5bn bond. It has engaged banks including Standard Chartered, JPMorgan, and Qatar National Bank to handle the transaction. The region, which remains highly dependent on oil and gas revenues, is reeling from the double shocks of dropped crude prices and the local impact of the shutting of large parts of economies. (Qatar lines up bond deal as virus and oil crash hit economy, 2020).

### **3.2.4. Airline and Hospitality Industry**

The airline and hospitality industry have been severely impacted due to restrictions on travel and social distancing measures. The hospitality sector as a whole witnessed a significant reduction in the movement of people and merchandise. At the same time, aviation came to an almost standstill (Potential impact of COVID-19 on the Qatar economy, 2020). Qatar Airways has already warned of its third consecutive loss report this financial year. Moreover, due to travel bans and restrictions imposed by the government and the shutting down of borders and airports worldwide, Qatar Airways overall operational costs have increased as a result of the grounding of most of its planes and crew. The Qatar Airways CEO, Akbar Al Baker, has stated that government's support will have to be sought eventually, cautioning that the carrier may run out of the cash needed to carry on flying (Coronavirus effect: Qatar Airways says it will need state support as cash runs out, 2020).

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