Effects of the 2008 financial crisis on the investment

Finance

Finance and Accounting Effects of the 2008 Financial Crisis on investment of Middle East Qatar is often accredited to welcome foreign investors warmly in terms of trade investments, which forms the base of its fiscal infrastructure to an extent. Its main source of income is mainly generated from export of the oil and gas, wherein the government has been quite encouraging in fortifying the country's long term economic prosperity (Ministry Of Business And Trade, n. d.). Although such an infrastructure offers considerable assistance in resource accumulation to the economy, it also makes the country vulnerable to international turmoil such as the recent financial crisis of 2008. The financial crisis of 2008 was observed to impose non-negligible impacts on the Middle East, particularly Qatar, holding the biggest position in the oil and gas resources. The fall in the oil and gas price, have further, strongly impacted the Middle East causing adverse affects the region of Qatar. The decrease in the oil and gas price has made larger exporters to observe the bad debt scenario and has also challenged the countries to pay off their international debts with greater transparency (Council on Foreign Relations, 2009). This not only slowed down the economic growth prospects, affecting the price on the commodity (Setser, 2008).

Additionally, it made Middle East countries like Qatar suffer with limited financial capacity to fund projects on continuation, resulting in their failure to suffice developmental needs in time and as planned. Moreover, as the country withdrew from importing vast amount of oil and gas from the US to rejuvenate its financial position, it greatly impacted the monetary policy of the United States Federal Reserve, causing political and economic disruptions in the international trade practices for both the nations (Setser,

2008). Consequently, the sovereign wealth and central bank were considered for greater use in helping the firms and local banks aimed at stabilizing the fiscal position of the economy by refinancing their growing debts. Since the financial crisis, Qatar has used sovereign funds at a greater proportion to recapitalize their banking system and other smaller countries within the Middle East region, shifting its prime focus from attracting foreign funds. To maintain domestic investment at a positive side and backstop the banks from incurring greater debts in the international market, many Gulf governments needed to draw on their accessible assets (Isfahani, 2008).

A direct effect of the financial crisis was observed on the financial institution and the real estate of Qatar, as these publicly listed companies act as a backbone of the nation's financial structure as well as for other Middle East countries (Ahmed, 2010). Subsequently, when financial crisis hindered the flow of foreign investments within the country, the economy had to witness massive slow down in its recovery, channelizing a similar hurdle in other Middle Eastern countries. In the plight of the financial crisis, the five oil-exporting countries, viz. Qatar, Algeria, Saudi Arabia, UAE and Oman projected that the fiscal spending was likely to exceed in the year 2009 as compared to that incurred in 2008, causing budgetary deficits owing to low revenue from the oil and gas sector. All these circumstances evidently affected Qatar at a large magnitude (Behrendt et al., 2009). Nevertheless, Middle East has been taking steps, to develop a more independent fiscal structure, by creating oil reserves and maintaining surplus reserves that will help the country to recover from such crises effectively.

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