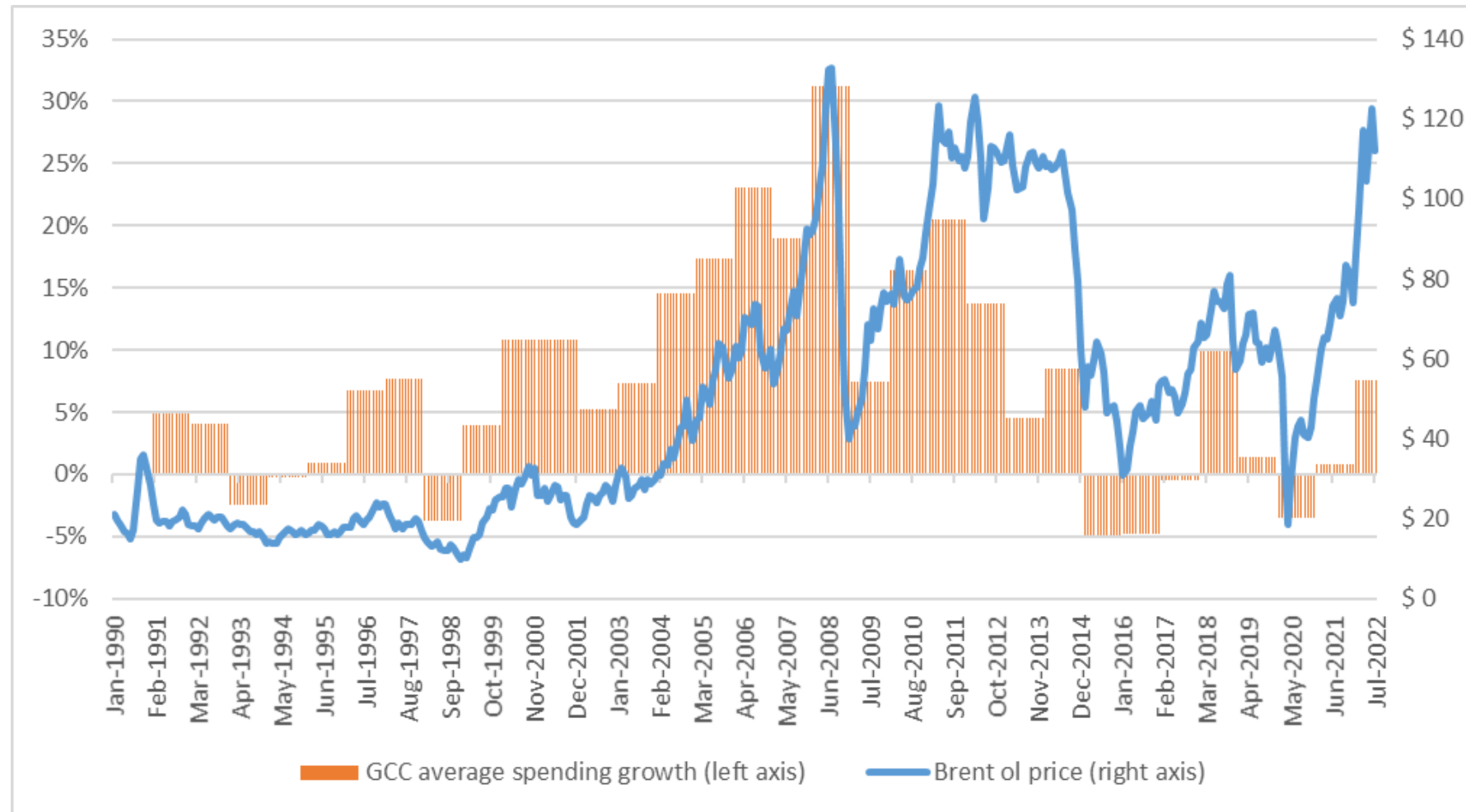


# The new oil boom, a changing social contract, and the outlook for diversification

Steffen Hertog

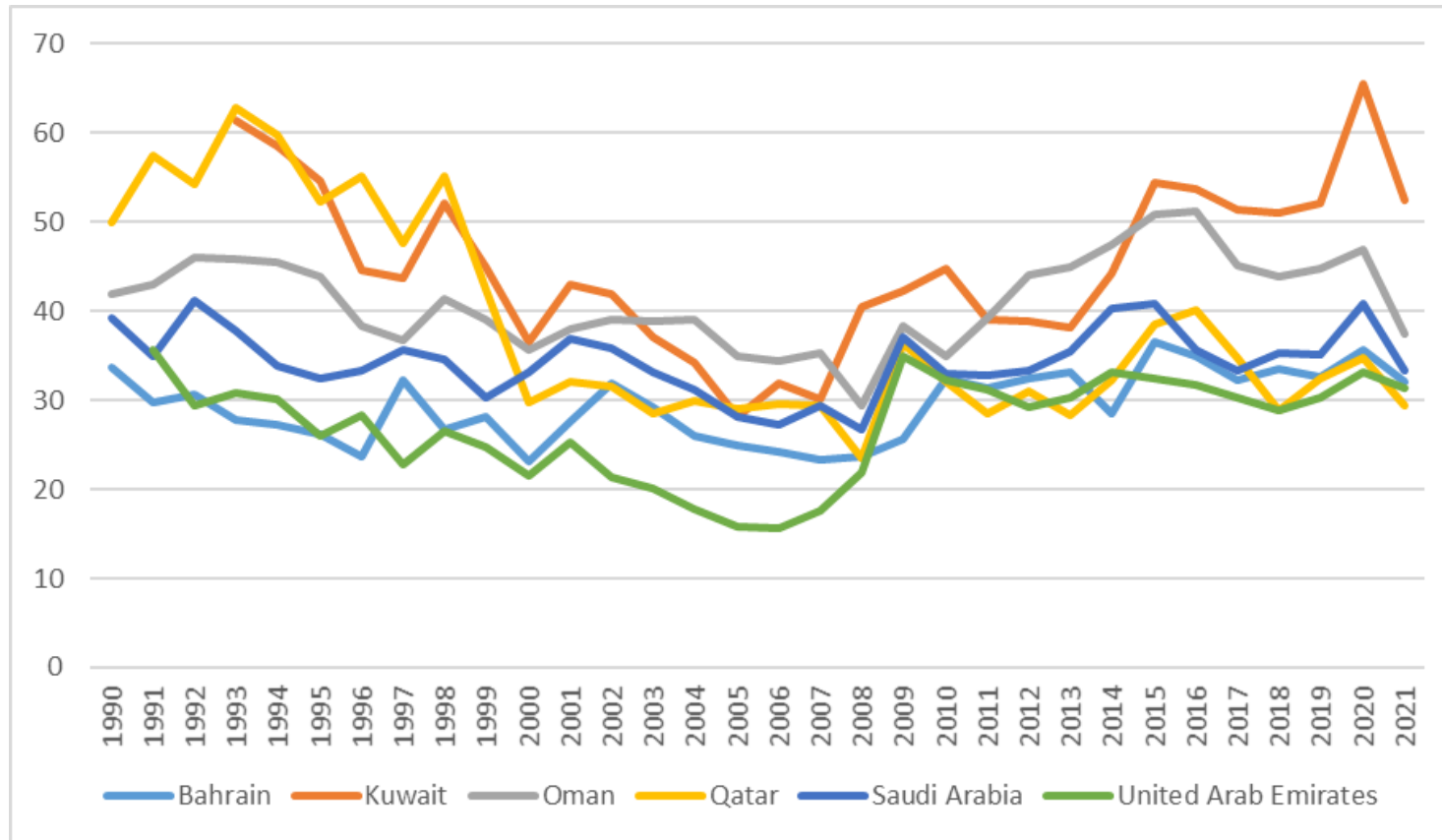
London School of Economics

# Government spending (so far) reacts much less to higher oil prices



Sources: IMF, US EIA

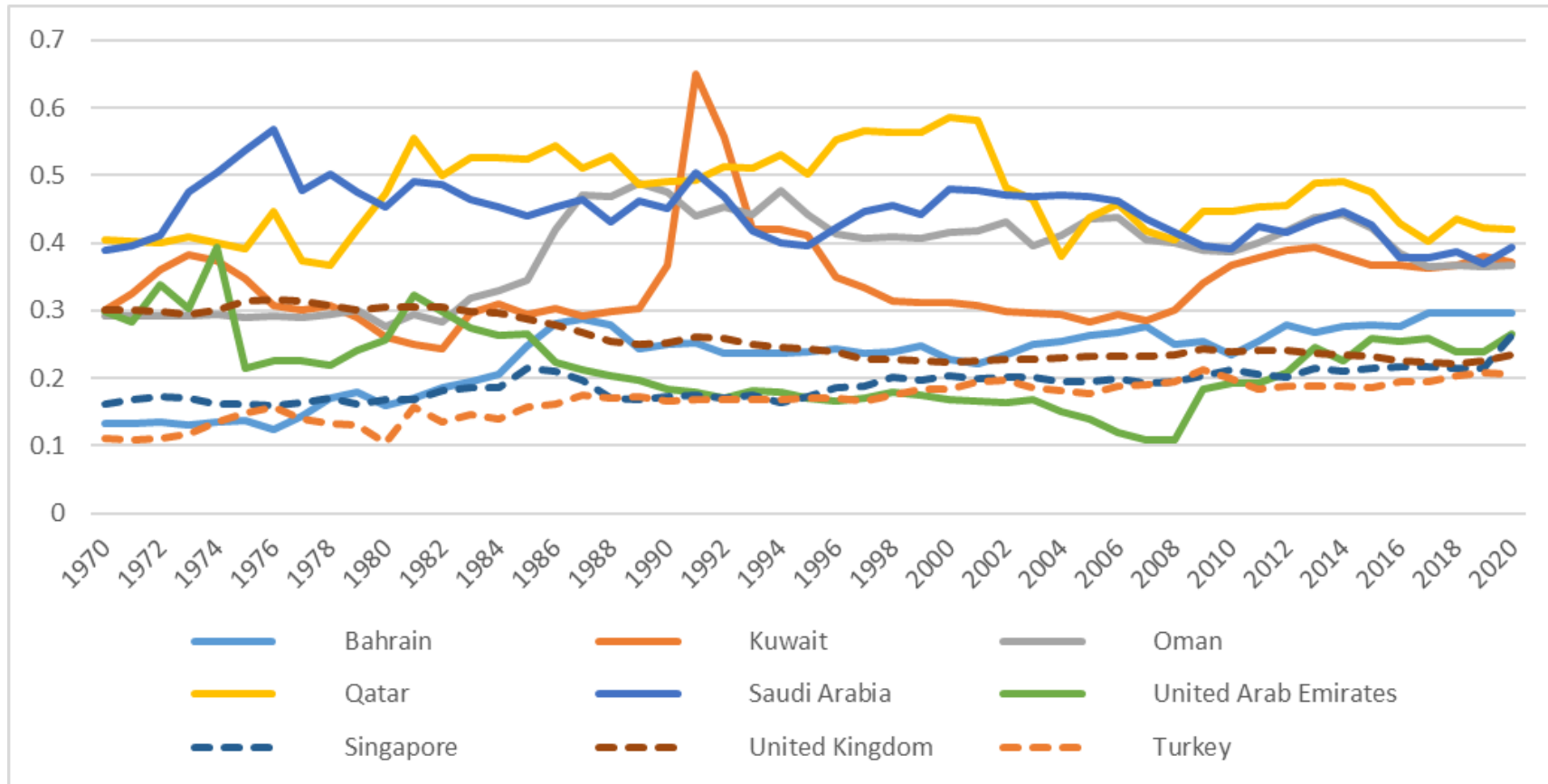
# Economies continue to rely on government spending: gov spending / GDP remains elevated



- Private sector activity remains dependent on government fiscal stimulus

Source: IMF

# Ratio of government to total consumption remains high



- Even much of private consumption is state-generated: large shares of aggregate wages come from public sector
- Private sector wage bill growing, but slowly

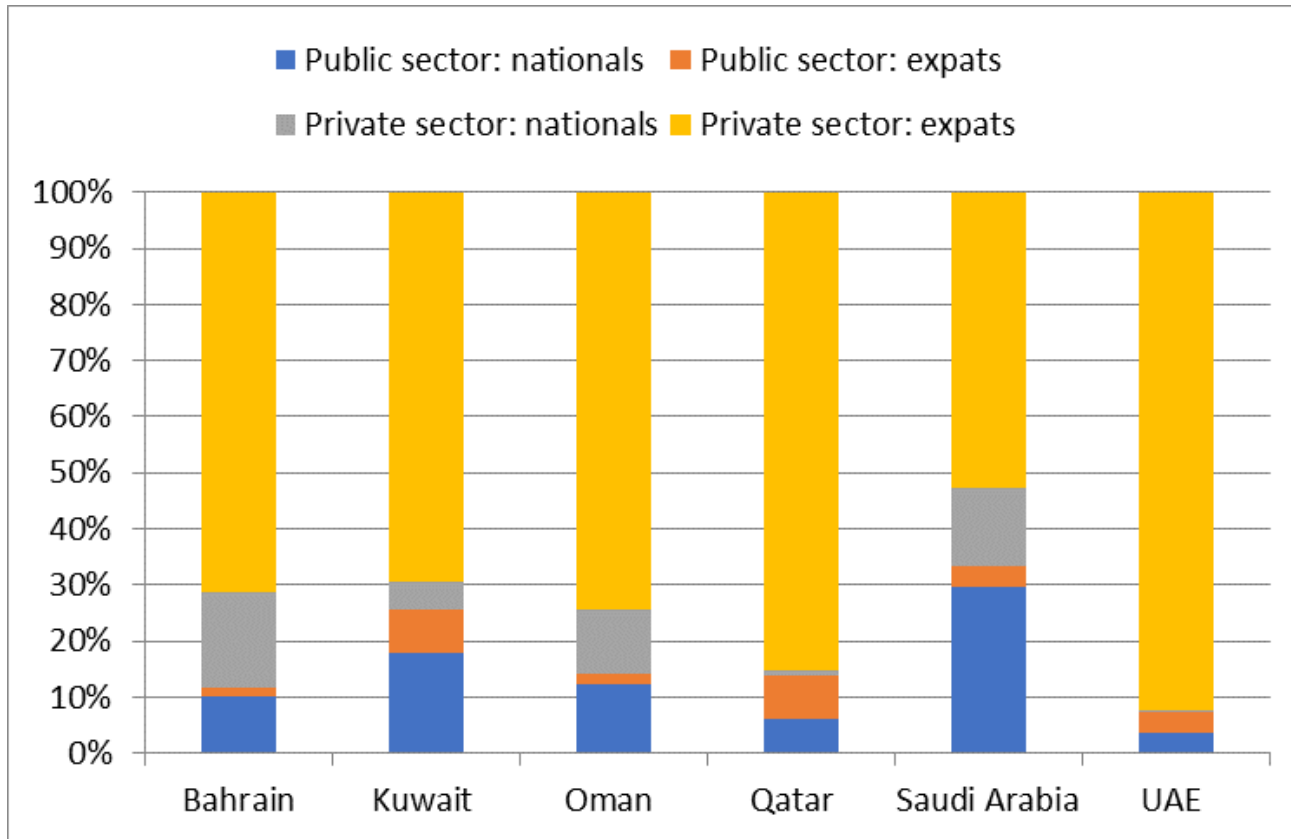
Source: UNCTAD

# Government employment remains more attractive: average monthly wages for citizens

	<b>Bahrain (BD, 2011)</b>	<b>Kuwait (KD, 2015)</b>	<b>Saudi Arabia (SAR, 2020)</b>	<b>UAE (AED, 2009)</b>
<b>government</b>	910	1481	11,668	16940
<b>private sector</b>	589	1269	8,031	13550

Source: national authorities

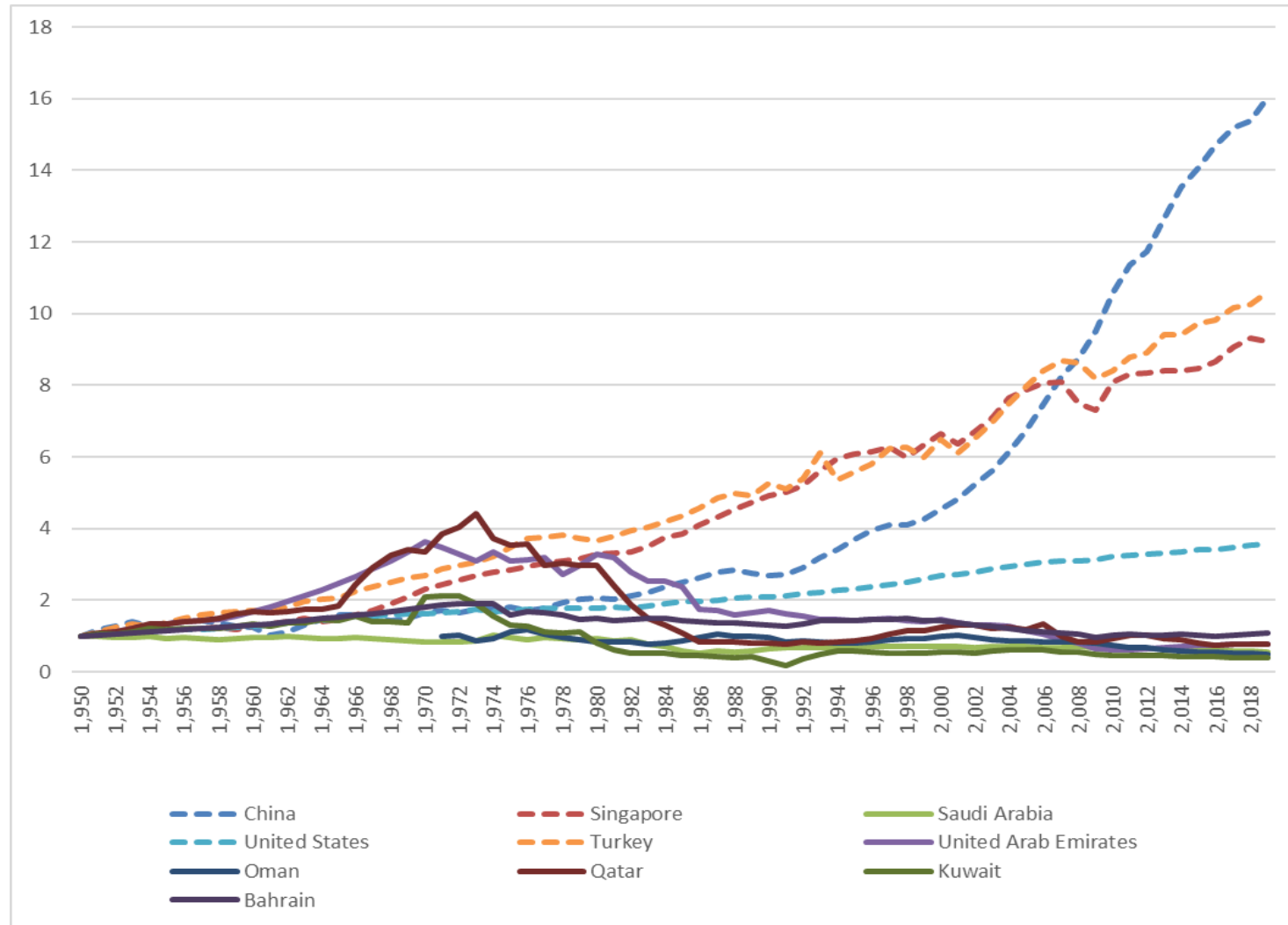
# Distribution of national and foreign workers by sector



Source: national authorities

- Private sector remains reliant on low-skilled and often low-productivity foreign labour
- This holds back technological upgrading

# Stagnant productivity (output per worker, 1950=1)



Source: Conference Board