As early as March, oil and gas producing countries from Angola to Saudi Arabia began selling assets to offset declining energy prices.

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As early as March, oil and gas producing countries from Angola to Saudi Arabia began selling assets to offset declining energy prices. Foreign exchange reserves were the first to go, as Saudi Arabia sold about $60 billion of its dollar reserves before the end of the second quarter of 2015. Next were bond issues, mostly through domestic bank markets. Debt is not usually considered an asset, but the lack of liabilities by most Gulf oil producers has made issuing bonds, especially using local banks, very attractive and an easy way to generate cash flow for state coffers.

Third has been state-related entity (SREs) and state-owned entity (SOEs) assets, including equities, joint ventures, and real estate. Gulf governments have used energy windfalls, especially since the early 2000s, to invest in SRE and SOE businesses including construction, real estate, energy and telecommunications, as well as to create state owned investment funds. These businesses are designed to hold wealth, create jobs, and expand local economies. Now the pendulum is swinging back toward the state. Mubadala Development Co., the International Petroleum Investment Co. (IPIC), and Abu Dhabi National Energy Co. (ADEC), also called Taqa, in the United Arab Emirates are weighing divestment of a number of high profile assets. These businesses owe their existence to the state, and the state is calling upon them to help fill the gap in falling export revenue.

The question has been if the movement of petrodollars, whether placed in foreign exchange reserves, equity investments in European and U.S. stock markets, or in sovereign wealth funds, might shake broader financial markets. For more than six months, the International Monetary Fund (among others) has worried that an oil wealth sell-off might change market sentiment globally. So far, it has not.

However, the more pressing question may be how domestic markets in the Gulf will weather a prolonged oil price decline. As many state-owned and state-related entities are pressed to sell assets to offset government deficits, more pressure will be on these companies to perform and turn a profit. Many of them were in restructuring and streamlining discussions well before the price of oil dropped severely in late 2014. Moreover, the investments these entities have made in growing broader domestic economies will come under scrutiny, which could create a domino effect on construction, real estate, and financial services. The only easy profit will be for those restructuring and financial advisors who will be hired to streamline efficiency and performance in these raided SOEs and SREs.

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