

Embassy of India

Muscat

MUS/201/1/12

July 14, 2012

Monthly Economic and Commercial report for June 2012

Major Economic Indicators

Oman's GDP at market price rose from US\$ 60 billion in 2010 to US\$ 72 billion in 2011.

Structure of GDP

SI No.	Activity/ Sector	Share
1	Petroleum Sector	51%
2	Wholesale & retail trade	8%
3	Construction	5%
4	Public Administration & Defence	5%
5	Other activities	31%
	Total	100%

Oil & Gas Sector

Oil production rose from 106 million barrels in January-April 2011 to 108 million barrels during the corresponding period in 2012. China, Thailand, Japan, South Korea, Taiwan and Singapore were the main destinations for Omani oil exports. Gas production rose from 11,109 MNSCM in January-April in 2011 to 12,078 MNSCM during the same period in 2012.

Export of Crude Oil to Major Countries (Jan-April, 2012)

Country	Oil Export in million barrel
China	45.36
Thailand	6.8
Japan	14.4

Taiwan	8.6
South Korea	2.5
Singapore	5.6
India	1.8
Others	3.2
Total	88.3

Latest Trade Figures

Non–Oil trade exchange by Major Countries (Figures in US\$ million; Source: Omani Ministry of National Economy)

	Jan-Dec	Total (Jan-Dec)	
	Change (11/10) in % age	2011	2010
A) Non-Oil Omani			
Exports	23.9	7855.98	6340.8
UAE	-21.5	1165.75	1485.6
India	27.7	1069.92	837.6
China	79.2	859.36	479.7
Saudi Arabia	31.2	620.56	472.9
Taiwan	60.8	401.45	249.7
Others	32.8	3738.92	2875.3
B) Re-Exports from			
Oman	17	5821.3	4977
UAE	-15.6	2301	2726.8

Iran	-16.7	393.7	472.4
Saudi Arabia	79.7	385.9	214.7
China	156	606.57	237
Hong Kong	29.8	211	162.4
Others	65.3	1923	1163.7
(C) Imports			
UAE	19.4	23522	19693
Japan	15.5	6450	5584
United States	-9.7	2973	3293
India	43	1388	970
India	27.2	1133	891
Saudi Arabia	88.7	1177	623.7
Others	24.9	10401	8330.7

Bilateral Trade (Figures in US\$ million; Source: Omani Ministry of National Economy)

Year	Total Export to India				Total Import from India
	Non oil Export	Re-Export	Oil & Gas Export	Total Export	
2011	1070	NA	3305	4375	1133
2010	837.65	122.66	1678	2638.31	890.96
2009	685	57	1524	2266	1048
2008	641	26	283	950	1038
2007	456	25	280	761	1036
2006	323	26	9	358	575

Foreign Trade (Figures in US\$ million)

Year	Imports	India's Share	%age	Export	India's Share	%age	Total Trade
2011	23522	1133	4.8	46897	4375	9.3	5508
2010	19691.77	890.96	4.5	11318	2638.31	23.3%	3529
2009	17778	1048	5.9	27537	2413	8.2	3461
2008	22312	1038	4.7	37563	950	2.5	1988
2007	15914	1036	6.5	24546	761	3.1	1797

- Source: Omani Ministry of National Economy

Economic & Commercial Developments

Octal set for triple-digit growth as phase two expansion is completed

On 2 June, Octal, one of the largest PET producers in the world and a global leader in the packaging industry, announced that phase two of the expansion plan of its state-of-the-art PET complex in Salalah has been successfully achieved within budget and on time.

Zauliyah project to boost PDO's gas output

In early June, Petroleum Development Oman (PDO) announced the launching of a new gas plant project to boost output of much-needed natural gas by over 1 million standard cubic metres per day (mmscmd). The green-field project will be built at Zauliyah in central Oman adjacent to PDO's existing Zauliyah Oil Production Station. The new facility will process non-associated gas and produced fluids from the Zauliyah oil field. Estimated to cost in the range of \$100-150 million, the plant will process gas flows and produced fluids from the Hasirah and Hawqa fields in the Bahja-Rima area of PDO's concession. A number of local and international engineering contractors are in the fray for a contract to build the Zauliyah Gas Plant project. A contract award is expected shortly.

HSBC-OIB Oman merger receives green light

On June 4, the merger of HSBC Bank Middle East and North Africa's Omani division and Oman International Bank (OIB) was approved by the Omani Ministry of Commerce & Industry.

Crude output rises by 4.9pc

Oman's crude oil and condensates production in May stood at 28,890,608 barrels or 931,955 barrels on average per day, an increase by 4.93 % compared to April figures. The latest report released by the Oil & Gas Ministry pointed out that this level of production was considered the highest since nine years. The total exported crude oil in May amounted to 22,065,149 barrels, an average of 711,779 barrels per day (bpd). China topped the list of Omani crude importers in May 2012 with 49.60%. During May, the oil price witnessed a remarkable fluctuation compared to April ranging between \$106.16 to \$119.66 per barrel. The average oil price for the Omani Crude Oil to be delivered in July settled at \$107.68.

New Liquid Jetty for Duqm Port by 2017

According to media reports on June 10, the joint venture set up by the Port of Duqm Company (PDC) and Oman Oil Company signed an agreement to develop a Liquid Jetty at the port. It aims to bring the facility into operation by 2017, coinciding with the planned launch of a giant oil refinery at the maritime hub. Last month, Oman Oil Company and Port of Duqm Company announced plans for the formation of a joint venture named Duqm Petroleum Terminal Company (DPTC) to operate and manage the proposed Liquid Jetty at Duqm. While Oman Oil will hold a 90 per cent stake in the JV, the balance will be offered to Port of Duqm Company. Designed to accommodate ships of around 150,000 deadweight tonne (DWT) capacity, the Liquid Jetty will be connected to the refinery via a network of pipelines.

Oman's inflation declined to 3.5% in June

Inflation during the first quarter of 2012 was reported to have come down to 3.5% compared to 3.8% of the corresponding period during 2011.

New Definition of SMEs

On June 19, the Ministry of Commerce & Industry specified new criteria for defining the small and medium enterprises (SMEs); accordingly, establishments employing less than 5 workers and having annual sales of less than RO 25,000 are designated "very small" or micro-enterprises. Establishments with 5 to 9 workers and annual sales of RO 25,000 to RO 250,000 are considered as "small enterprises". Establishments with 10 to 99 workers and annual sales of RO 250,000 to 1.5 million are considered as "medium enterprises".

Developers prepare to submit bids for Oman independent water project

On June 20, Oman Power & Water Procurement Company (OPWP) has completed the technical evaluation of the proposals for an independent water project (IWP) at Al-Ghubrah. Cobra (Spain), Inima (Spain) and Zubair Corporation (Oman), Hyflux (Singapore), Mitsui (Japan) and Sarooj Construction (Oman), Marubeni (Japan), National Power & Water Company (Oman)

and Oman Oil (Oman), Valoriza (Spain), Septeck (UAE) and Brookfield Multiplex (Canada), Acciona Agua (Spain), Samsung Engineering (South Korea) and Sogex (Oman), Malakoff (Malaysia), Sumitomo Corporation (Japan) and Cadagua (Spain) and Tecnicas Reunidas (Spain), Aqualia (Spain) and Orascom (Egypt) are the prequalifier companies in March. The desalination project will have a capacity of 42 million gallons a day (g/d) of water. The reverse-osmosis plant will help the Sultanate meet growing water demand requirements in the Muscat region.

International firms vie for OGC's Duqm gas pipeline contract

According to media reports in June, International and local firms are lining up to bid for a contract to supply pipes for a major pipeline project that will channel natural gas as fuel and feedstock for future consumers at the Special Economic Zone (SEZ) of Duqm. The state-owned Oman Gas Company (OGC) is overseeing the design and implementation of the 230-kilometre-long pipeline project on behalf of the Ministry of Oil and Gas. The 36-inch diameter pipeline will run from Saih Nihayda in central Oman to Duqm on the Wusta coast. Around 25 mainly international pipeline manufacturers and suppliers have collected bid documents. The bidding line-up at this juncture includes OHI Petroleum & Energy, Saudi Steel Pipe, Arabian Pipe Company, China Petroleum Pipeline Bureau, Marubeni Itochu Steel, Jindal SAW, Welspun Corp, Ilva SA, MetInvest International, Wuxi Seamless Oil Pipe, Sepco Korea, and Dong Yang Steel Pipe Co.

Priority to Duqm gas needs

On June 22, Nasser bin Khamis al Jashmi, Under-Secretary, Ministry of Oil and Gas affirmed the government's commitment to providing the gas requirements of approved utilities and industrial projects planned at the Duqm Special Economic Zone (SEZ). “

RO 1.45bn surplus set

On June 22, according to Ministry of Finance statistics, Oman posted a record budget surplus of RO 1.45 billion in the first four months of the current year aided by surging oil revenues. Total revenue during the same period from January to April, 2012 jumped 40% to RO 4.59 billion, or 52% of the initial full year projection. Expenditure increased by 26% year on year to RO 3.1 billion in the same period. Net oil revenues surged 35% in January-April from a year earlier to RO 3.26 billion. Oman sold its oil at an average price of \$109.1 per barrel, up from \$88.4 in the first three months of 2011. Analysts say that Oman has managed to almost level this year's estimated budget deficit of RO 1.2 billion in the first quarter itself.

LNG grows in importance in global energy sector

On 23 June, the International Group of Liquefied Natural Gas (LNG) Importers stated that Qatar, Oman, Yemen and Abu Dhabi supply about 40% of the world's LNG. The Middle East LNG producers especially Qatar and Oman plan to slash LNG output by 5 million tonnes in 2012. Oman's exports fell 13% from 2007 to 2010 on account of diversion of gas for domestic use.

Central Bank of Oman's Annual Report for 2011

On June 25, in its annual report the Central Bank of Oman (CBO) affirmed the overall outlook for the Omani economy remains positive in 2012 despite heightened downside risks to global growth. The report noted with satisfaction that the pace of domestic growth witnessed in 2011 was sustained in the first quarter of 2012 despite deteriorating global macroeconomic conditions, arising mainly due to the sovereign debt crisis in Europe. The CBO's optimistic outlook for 2012 stems from expectations of an increase in the average price of Omani crude this year. Turning to inflation trends, CBO noted that inflation was largely under control in 2011. A further deceleration in the inflation rate was observed in the first quarter of 2012. The report said that if crude oil prices fall in the international markets following worsening global macroeconomic situations, the oil exporting countries, including Oman, may be adversely affected. The report also noted the impact of global uncertainties on private sector confidence in Oman. Profits earned by the private sector continue to remain sluggish.

According to the report the major drivers of growth in Oman had been recovery in the prices of crude oil in the international markets and sustained domestic demand, mainly supported by large public expenditure and accommodative monetary policy pursued by the CBO.

Major indicators given in the annual report are attached at annexure 1:

RO 120 million Sur Gate project launched

On 26 June, the Sur Gate project worth more than RO 120 million was launched in the Wilayat of Sur. The project will be constructed in an estimated total area of 217,000 square meters. It will include an integrated trade centre, a luxurious hotel with 18 suites and 144 rooms and entertainment centre with a 4-screen cinema house along with luxury residential communities.

Omantel to launch Oman's first 4G LTE network

On June 26, Omantel announced its plans to launch 4G LTE network in Oman. Long Term Evolution (LTE) 4G would be the prevailing future mobile broadband technology and is capable of delivering speeds up to 100 Mbps.

Banking sector earnings at RO 158.72 million

According to statistics published in late June, the Omani banking sector continues to maintain strong performance aided by higher credit growth, increasing contribution from non-interest income and stabilizing asset quality. Total income of the banks listed on the Muscat Securities Market (MSM) grew by 9.1% year-on-year basis at RO 158.724 million. On a sequential basis, the total revenue grew by 7.6% led by stabilizing margins and higher contribution from fee and commission income during the first quarter of 2012. According to Gulf Baader Capital Market (GBCM), the overall credit addition to the sector during the same period stood at RO 626.5 million, registering a year to date growth of 5%. Total deposits of the sector had increased by RO 479.8 million during the quarter, reporting an increase of 3.8% for the year led by higher level of growth in private sector and Government deposits.

Trade & Investment-related news

Russia: On 4 June, Khalil bin Abdullah al Khonji, Chairman of Oman Chamber of Commerce and Industry (OCCI), met with the Russian trade delegation led by Dr Dmitry Pumpyansky, Chairman of the Russian Pipe Metallurgical Company (TMK). The meeting reviewed trade and economic relations between Oman and Russia and the available investment opportunities.

Iran: On June 5, Oman Dry Dock Company signed a Memorandum of Understanding (MoU) with the National Iranian Tanker Company (NITC), to maintain and repair vessels. Oman Shipping has 13 long term charter vessels with NITC. In three years they expect the fleet to reach 100 vessels. Recently, the Iranian delegation visited Al Duqm yard and met with Yahya bin Said al Jabri, Chairman of the Board of Directors of the Special Economic Zone Authority of Duqm (SEZAD).

Australia: On June 10, during his visit, the Australian Foreign Minister Senator Bob Carr met Omani Foreign Minister and Omani Minister of Commerce & Industry, separately. They discussed promotion of bilateral ties in trade, economic and mining sectors.

In late June, Australia-based minerals exploration and development company Alara Resources Limited began a “scoping study” for an integrated mining and processing project linked to the development of potential copper and gold deposits in the Samayil Ophiolite belt. Preliminary plans drawn up by the Perth-based company envisage a 500,000 tonnes per annum throughput mining and beneficiation facility to be established at Washihi, about 25 km from Izki. Alara Resources’ wholly owned subsidiary, Alara Oman Operations Pty Limited, currently has rights to acquire interest in five exploration licences extending over 1,188 sq kilometres of prospective areas in Oman.

UK: On June 12, Gen Sultan bin Mohammed al Nuamani, Minister of the Royal Office, received Alistair Burt, Parliamentary Under-Secretary of State in Charge of the Middle East and

North Africa at the British Foreign and Commonwealth Office in the UK and Head of the UK side in the Omani-UK Joint Working Group. The meeting reviewed the bilateral ties between Oman and the UK.

Kuwait: On 13 June, Shaikh Sabah al Ahmad al Jabir al Sabah, Emir of Kuwait, received Yusuf bin Alawi bin Abdallah, Minister Responsible for Foreign Affairs, during the meeting, matters of common concern between the two countries and means of promoting all existing strong bilateral fields were touched on.

On June 26, Bank Sohar and Kuwait based Path Solutions, provider of software solutions to the Islamic financial services industry signed an agreement to implement the Islamic banking system iMAL at Bank Sohar to assist the bank extend Islamic Banking services. Bank Sohar has become the fourth bank in Oman to adopt Path Solutions' iMAL

New Zealand: On 20 June, an educational delegation comprising teachers and education supervisors from different directorates of Oman visited University of Auckland in New Zealand and met with educational experts.

USA: On June 20, OCCI Chairman Khalil bin Abdullah al Khonji and the Chairman and CEO of the Chamber of Commerce, National US-Arab Developments, David Hamoud, discussed in Muscat the progress made in the formation of the joint Oman-US Business Council.

Netherlands: On 23 June, Dutch trade delegation consisting of experts in food industries and other related fields visited Oman and held business meetings. The delegation had a meeting with Chairman of OCCI and discussed cooperation possibilities in the areas of food industries, agriculture and fish industries.

Pakistan: On 25 June, Special Adviser to Chief Minister of Punjab in Pakistan visited Oman and told media that his visit was to explore additional areas of trade cooperation with Oman, especially in the field of livestock and dairy development.

UAE: On June 24, Omantel and Etisalat announced the signing of agreement in Muscat that would allow both operators to expand their Global IP VPN footprint. The agreement would enhance the connectivity options for corporate customers between the UAE and Oman.

On 26 June, it was announced the wholly Government owned investment entity Oman Oil Company (OOC) will shortly sign an agreement with Abu Dhabi's International Petroleum Investment Company (IPIC) formalising their partnership in the joint development of Oman's third refinery at Duqm. The pact will pave the way for the establishment of a joint venture company to invest in, develop and implement the greenfield refinery project within the Special Economic Zone at Duqm. It will also enable the promoters to secure debt finance for the

project, which is estimated to cost \$ 6 billion to the development of the 11.5 million tonnes per annum (230,000 barrels per day) capacity grassroots refinery.

China: On June 27, Nawras, Oman's customer friendly communications provider, signed an agreement with Huawei, a world-renowned information and communications technology (ICT) solutions provider, to turbocharge the Nawras Radio Access Network (RAN) by upgrading all sites to enhanced 3G+ and increasing coverage, in-building penetration, capacity and speed of the entire network.

France: On 29 June, an agreement was signed at OCCI premises between the OCCI and the Movement of Enterprises of France (MEDEF) to establish the Omani-French Business Council.

Bilateral:

On 5 June, Aurobindo Pharma Ltd. of India announced its partnership with Khimji Pharmacy LLC of Oman and launched its entry into Oman/GCC pharmaceutical market at a function in Muscat. Ambassador attended the event

To set up a 108 MVA Ferro chrome plant spread across 20 hectares of land at Sohar Freezone at a cost of \$ 80 million, the Port of Sohar inked a pact on June 9 with the Metkore Alloys and Industries. The leading Indian company has completed the land lease agreement with Sohar Freezone. The Ferro chrome plant will become operational in 2014.

On June 12, the Embassy of India, Muscat and Qurum Business Group in partnership with Geogit BNP Paribas organized a Conference, titled 'India: the Incredible Investment Destination'. A high level delegation from the Ministry of Finance, India led by Dr. Thomas Mathew, Joint Secretary (Capital Markets) including senior representatives from the Securities & Exchange Board of India (SEBI), Reserve Bank of India (RBI), Department of Revenue (Tax authorities) and Department of Disinvestments participated in the Conference. The Conference was an introduction to the new liberalized investment norms in India providing an attractive opportunity for investors especially generated by Qualified Foreign Investor (QFI) route. Ambassador participated in the road show.

On June 19, CIPLA India launched a new formulation, Urimax, in Oman. Ambassador attended the event.

On June 23-25, a high level business delegation coordinated by Confederation of Indian Industries (CII) and led by Mr. KKM Kutty, former Chairman of CII (Southern Region) and CEO and MD of South West Group of Companies visited Oman in order to explore new opportunities in the Omani composite industrial segment. The delegation had meetings in Ministry of Oil & Gas, Tender Board of Oman, Ministry of Agriculture & Fisheries, Ministry of Transport &

Communication, Salalah Free Zone Muscat office. The delegation also visited Port of Sohar and Sohar Industry & Port Company (SIPC). Oman Chamber of Commerce & Industry hosted a Seminar and B2B meetings for the delegation. The Embassy organised a Business Interaction for the visiting delegation with prominent Omani business groups. Ambassador was present.

According to the Central Bank of Oman (CBO) Annual Report for 2011, for the third consecutive year, India retained its position as the second largest destination for Omani non-oil exports in 2011. Non-oil exports in Omani exports soared 27.7% to reach a value of RO 413.1 million in 2011, from RO 323.4 million a year earlier. As a percentage of total Omani non-oil exports, India accounted for a 13.6% share last year, up from 13.2 % in 2010 and 11.9% a year earlier. Rising exports of chemical products contributed to the growth in exports to India, said the CBO report. The United Arab Emirates (UAE) ranks the first, followed by India, China and Kuwait.

On June 24, Oman Container Lines Inc. (OCL) announced that the India Express (IEX) common feeder service would create a direct link between Nhava Sheva, India and Salalah. Starting in July, the fixed-day weekly service will connect APM Terminals Mumbai and the Port of Salalah by way of Oman Container Lines' OCL Eagle, a 2,860 TEU capacity vessel.

This issues with the approval of Ambassador.

(Bramha Kumar)

Second Secretary

Annex-1 (Excerpts from CBO Annual Report for 2011)

- Gross Domestic Product (GDP) at current prices grew at 22.7% in 2011, roughly matching the 2010 level.
- nominal GDP emanating from the hydrocarbon sector registered a robust growth of 36.3%, the same from non-hydrocarbon activities witnessed a growth of 11.4% during 2011.
- the share of petroleum activities in the overall GDP at current market prices increased from 45.8% in 2010 to 50.9% in 2011, while non-petroleum activities declined from 56.3% to 51.1% during the same period.
- manufacturing sector recorded a growth of 17.5% in 2011
- electricity and water supply and 'building and construction' grew by 9.6% and 5.8 %, respectively.
- The services sector grew by 10.9% in 2011 as compared to 11.7% in 2010. The share of services sector in GDP declined to 33.6% in 2011 from 37.1% in 2010.
- Employment: the CBO report noted that private sector employment increased by 13.7% compared to 9.8% in 2010. The construction sector continued to absorb the maximum number of expatriates with its share in the private sector employment rising to 43.5% in 2011 compared to 42.3% in 2010.

- Employment opportunities created in the public sector during 2010 increased by 2.8% compared to 3.9% in 2009. While employment of Omanis in the public sector increased by 2.7% in 2010 over the previous year that of expatriates rose by 3.0%. Of the total employment in the public sector, employment of Omanis stood at 85.6% in 2010, same as in 2009, compared to an average of 84.6% during the period 2006 to 2008, indicating steady progress of Omanisation in the country.
- Annual inflation rate stood at 4% in 2011 compared to 3.3% in 2010.
- The production of crude oil, which witnessed a turnaround since 2008, increased by 2.4% to 323 million barrels in 2011 compared to a rise of 7.1% and 6.4% in 2009 and 2010, respectively.
- Aggregate production of natural gas also increased by 4.4% to 34,716 million cubic metres in 2011 compared to 33,259 million cubic metres in 2010.
- In volume terms, crude oil exports declined marginally by 0.9% to 269.4 million barrels in 2011 compared to 11.9% rise in 2010. Omani crude oil fetched an average price of \$103 per barrel in 2011, which was 34.5% higher than \$76.6 per barrel in 2010.
- Oil and gas revenues stood at 38.8% of GDP in 2011 and accounted for 86.8% of total government revenues, about 81% of exports of Omani origin, and 70.8% of total merchandise exports (including re-exports).
- Total revenues increased by 57.8% to RO 12,491.2 million in 2011 from RO 7,916.5 million in 2010.
- Total expenditure increased by 34.8% to RO 10,737.9 million in 2011 from RO 7,965.3 million in 2010.
- The overall fiscal surplus, after transfer of some surplus revenues to sovereign funds, stood at a record level of RO 1,753.3 million in 2011 in contrast to a deficit of RO 48.8 million in 2010. Despite 9.8% rise in government debt, the debt-GDP ratio declined from 5% in 2010 to 4.5% in 2011 due to impressive growth in the nominal GDP.
- Sultanate's annual budget for 2012 assumed a higher average Omani crude oil price of \$75 per barrel and a higher daily average crude oil production of 915,000 barrels than those assumed in 2011 budget. Under these assumptions, total revenues of the Government have been projected to increase by 21% to RO 8.8 billion in 2012 over the 2011's budget. Similarly, total expenditures have been anticipated to increase by 23% to RO 10 billion in 2012.

- The overall fiscal deficit has been budgeted at RO 1.2 billion in 2012.
- Broad money (M2) expanded by 12.2% in 2011 compared to 11% in 2010. Aggregate deposits with the commercial banks, which grew by 19.6% in 2011, were sufficient to support the total credit growth of 16.7% during the year. Credit to the private sector also accelerated by 13% in 2011 as against 6.2% in the previous year.
- Liquidity condition remained comfortable throughout the year
- The CBO reduced the ceiling interest rate on personal loans from the existing 8% to 7% for all such loans negotiated with effect from April 1, 2012.
- Two new local banks have been licensed to offer Sharia compliant products while all commercial banks operating in Oman can open windows to practice Islamic Banking under license from the CBO.
- Commercial banks earned a higher profit of RO 264 million in 2011 compared to RO 248 million in 2010. The gross non-performing loans, net of reserve interest, at the end of 2011 stood lower at 2.5% of total credit compared to 2.9% a year ago.
- Total merchandise exports increased by 28.7% to RO 18.1 billion in 2011 compared to RO 14.1 billion in the previous year. Merchandise imports (f.o.b.) increased by 20.3% to RO 8.3 billion in 2011. The merchandise trade balance improved to a record surplus of RO 9.8 billion during the year compared to RO 7.2 billion in 2010.
- At the end of 2011, CBO's gross foreign assets (including valuation) stood at RO 5,524 million, which was sufficient for about 8 months of merchandise imports.