

## **Embassy of India**

### **Muscat**

MUS/201/1/12

February 10, 2015

#### **Monthly Economic & Commercial report for January, 2015**

**Overview:** Sharp decline in oil prices (below US\$ 50 per barrel) in the month of January has perturbed the nation but economists and senior Government functionaries believe that Oman will be able to absorb the external price shocks for shorter terms having sound position on financial surpluses and foreign currency reserves (forex). These positive sentiments were also seen in the trade and investment sector which attracted key investments in Oman including Oman Flour Mill signing a document with Dubai-based Al Ghurair Investment company for establishing a flour mill (RO15.5 mn/US\$ 40.3 mn) capacity of 500 MT per day at Sohar; Iranian Minister of Industry, Mines & Commerce's announcement of setting-up smelter in Duqm; Omani Minister of Commerce & Industry inaugurating a ferrochrome smelter costing US\$19 mn at Sohar free zone (SFZ); Oman Food Investment Holding company revealing its plans to establish a dairy project worth RO 100 mn.

At the policy level, Oman Electricity Transmission Company (OETC) unveiled its Energy Master Plan/Vision document (2014-2030) estimating roughly 15% contribution from renewable sources in the Sultanate's energy by the year 2030. The Government also eased/liberalized its Omanisation norms for SME sector to give some more time to gain traction/flourish in the Sultanate.

Monthly inflation during December was 0.7%, marginally up from the previous month of November, 2014 (0.6%). The increase was owing to the rise of food item prices, as well as transportation and fuel costs. The Government of Oman had projected 4% inflation rate for the current financial year 2015 mainly based on the consumer price index of base year 2012. The Government and the Central Bank of Oman (CBO) have been taking measures to control the inflation rate through various monetary and fiscal measures, the efficacy of which can be seen during the current financial year.

As per National Center for Statistics & Information (NCSI) data, production of crude oil rose by 1.5% in 2014( till end November) with total production standing at 286.19 million barrels against 281.93 million barrels in the same period of 2013. In addition, 29.28 million barrels of condensate were produced in 2014(end November) versus 35.66 million barrels for the whole year of 2013. In 2014, the average price per barrel of crude oil stood at US\$103.23 against US\$ 105.51 (decreasing 2.16%) in 2013.

On the bilateral front, Gurgaon based Medanta Medicity in association with local Hatat Polyclinic organised a Continuing Medical Education (CME) Meet in Muscat to attract more Omani patients to India. Under the framework of the follow-up of

the JCM/JBC meeting (Oct 28-29, 2014), MB Holding company LLC, subsidiary of MB Petroleum Group, opened its overseas office in New Delhi on January 21, 2015. Omani Ministry of Tourism organized a Roadshow in Mumbai to promote the Sultanate as niche destination for weddings and MICE tourism under the 'Discover the opulence Oman' programme.

### **Major Economic Indicators**

World Bank (WB) has projected a 5% growth against a 3% global growth forecast. This matches with the Sultanate's latest budget projection, for the Sultanate in 2015. Omani economy had registered a growth of approx. 5% at constant prices during the last financial year (FY 2014) and is expected to grow at the same rate in 2015.

**Structure of GDP:-** The Sultanate's gross domestic product (GDP) at market prices increased by 5.2% to stand at RO 23.62 bn (approx. US\$ 61.41 bn) during the first nine months of last financial year 2014 compared to RO 22.45 billion (US\$ 58.37 bn) in the same period of 2013.

<b>S. No.</b>	<b>Activity/ Sector</b>	<b>Share</b>
1	Petroleum activities	48%
2	Wholesale & retail trade	8%
3	Construction	5%
4	Public Administration & Defence	9%
5	Other activities	30%
	Total	100%

### **Oil & Gas sector:- Export of Crude Oil to Major Countries end-Nov, 2014)**

<b>Export of Crude oil by major countries</b>	<b>Year 2013 (000) BBL</b>	<b>Year 2014 (000) BBL</b>			<b>Total (End- Nov) (000) BBL</b>	
		<b>Sep</b>	<b>Oct</b>	<b>Nov</b>	<b>2013</b>	<b>2014</b>
Japan	29304.3	421.2	433.2	825.6	26762.5	13794.5
S. Korea	4711.9	279.3	280.1	499.2	4711.9	6075.8
Thailand	17085.5	1001.2	971.8	1041.2	15510.6	14207.9

China	180785.5	20000.3	20438.8	16444.8	162426.9	190317.3
Taiwan	27389.2	1503	2029	4974.6	26387.2	31920.4
<b>India</b>	<b>13159.0</b>	-	-	-	<b>12109.6</b>	<b>4923.5</b>
Singapore	13461.0	-	-	-	13461	3336.9
Others	18277.3	-	-	269.9	17982.8	3584.3
<b>Total Exports</b>	<b>304173.6</b>	<b>23205</b>	<b>24152.9</b>	<b>24055.4</b>	<b>279316.6</b>	<b>268160.5</b>

(Source: National Centre for Statistics & Information (NCSI), Govt of Oman)

### Trade Exchange with Major Countries (Value in US\$ million)

Country	Total (End-Oct)		2013 (Jan-Dec)	
	2014	2013	Value	% share
<b>Non-Oil Omani Export</b>	<b>8796.3</b>	<b>8194.4</b>	<b>9897.6</b>	<b>100</b>
UAE	1655.9	1417	1711.58	17.3
Pakistan	854.6	469.5	734.24	7.4
Saudi Arabia	1006.9	1189.7	1410.50	14.3
<b>India</b>	<b>901.9</b>	<b>923.2</b>	<b>1080.82</b>	<b>10.9</b>
China	464.1	478.9	564.46	5.7
Others	3912.7	3715.9	4396.08	44.4
<b>Re-Export</b>	<b>6353.3</b>	<b>7225.9</b>	<b>9207.64</b>	<b>100</b>
UAE	2812.1	2636.6	3302.26	35.9
China	654.4	771.4	937.04	10.2
Saudi Arabia	641.4	767	952.120	10.3
Iran	291.2	264.1	317.46	3.4
Pakistan	211.1	204.1	339.3	3.7
Others	1743.1	2880.5	3359.1	36.5
<b>Imports</b>	<b>24350.5</b>	<b>28603.3</b>	<b>34322.34</b>	<b>100</b>
UAE	7821.8	8322.4	10169.38	29.6
Japan	2982.7	2710.7	3322.02	9.7
<b>India</b>	<b>1089.6</b>	<b>2528.7</b>	<b>3116.100</b>	<b>9.1</b>
Saudi Arabia	1068.3	1724.1	2023.06	5.9
China	1158.3	862.1	1047.8	3.1
Others	10229.7	12445.1	14643.98	42.7

(Figures in US\$ million; Source: National Centre for Statistics & Information (NCSI))

**C. Bilateral Trade:** (Figures in US\$ million; Source: National Centre for Statistics & Information (NCSI); figures available for Jan-Dec, 2013]

Year	Total Export to India				Total Import from India	Total trade (US\$ mn)
	Non-oil Export	Re-Export	Oil & Gas Export	Total Export		
2013	854	155	1,400	2,409	2,349	4758
2012	1584	NA	479.2	2063.2	1534.3	3597.5
2011	1070	NA	3165	4375	1133	5508
2010	837.65	122.66	1678	2638.31	890.96	3529.27
2009	685	57	1524	2413	1048	3461
2008	641	26	283	950	1038	1988
2007	456	25	280	761	1036	1797

(Figures in US\$ million; Source: National Centre for Statistics & Information (NCSI); figures available for Jan-Dec, 2013)

Year	Import from India	Omani Export	RE Export	Oil & Gas Export	Total Export to India
2013	2,349	854	155	1,400	2,409
2012	1,534	1,584	90	615	2,290
2011	1,133	1,070	142	3,283	4,495
2010	891	838	125	2,848	3,810
2009	1,048	568	57	1,789	2,414
2008	1,037	641	26	283	950
2007	1,036	455	25	279	759

#### Foreign Trade (figure in US\$ million)

Year	Imports	India's Share	%age	Export	India's Share	%age
2013	25970	2349	9.04	42204	2409	5.7
2012	28000	1534	5.5	51921	2290	4.4
2011	23522	1133	4.8	46897	4375	9.3

2010	19691.77	890.96	4.5	11318	2638.31	23.3%
2009	17778	1048	5.9	27537	2413	8.2
2008	22312	1038	4.7	37563	950	2.5
2007	15914	1036	6.5	24546	761	3.1

(Source- National Center for Statistics & Information)

### **Economic & Commercial Developments**

#### **Bank Muscat sells brokerage unit to Gulf Baader Capital**

Bank Muscat has sold its brokerage business to Gulf Baader Capital Markets. The decision came under the framework of Bank Muscat's ongoing annual review of strategic plan and operational priorities. Bank Muscat will cease its brokerage operation from February 10, 2015. After the acquisition of Bank Muscat's 8.81% share, Gulf Baader has become the largest brokerage unit, having 19.32% share, in Oman, going by the present value at Muscat Security Market. Earlier, Gulf Baader with a share of 10.51% of the trade for the year was second to United Securities which had a share of 13.48%. With this new acquisition, the market now has only 20 licensed brokerage firms.

#### **Oman Flour Mill set-up a JV for flour mill at Sohar**

Oman Flour Mill has signed a document with Dubai-based Al Ghurair Investment Company to set-up JV for establishing flour mill with a capacity of 500 MT per day at Sohar. The expected project cost will be RO15.5 mn (US\$ 40.3 mn). Oman Flour Mills will have 60% equity and the balance 40% equity will be held by Al Ghurair Investment company, Dubai. The mill is expected to commence operation by the year 2017. Oman Flour Mills is one of the leading mills in the region with flour capacity of 850 MT per day.

#### **Iran plans to build smelter at Duqm**

On the sidelines of Iranian Solo Trade Exhibition on January 6, 2015, Iranian Minister of Industry, Mines & Commerce Mohammad Reza Nematzadeh announced that Iran is planning to build smelter in Duqm Special Economic zone under the framework of its proposed US\$ 4 billion investments in the Sultanate of Oman. The smelter will be a metal extraction unit by heating natural ore furnace. The product of the plant will be supplied in local market as well as in international market.

#### **Minister of Commerce & Industry inaugurates the Gulf Mining Group's ferrochrome plant at Sohar free zone**

Minister of Commerce & Industry Dr Ali bin Masoud Al Sunaidy has inaugurated a ferrochrome smelter worth US\$19 mn investment at Sohar free zone (SFZ) on January 17, 2015. The ferrochrome smelter, owned by the Gulf Mining Group, is the second of five planned ferrochrome plants at SFZ, which will produce

ferrochrome primarily for use in producing stainless steel. Around 120 jobs have been created by this project.

### **Energy master plan sees 15% share from renewable sources in Oman by 2030**

Oman Electricity Transmission Company (OETC) has revealed a long-term power infrastructure master plan ( Vision 2014-2030) estimating roughly 15% share from renewable sources in the Sultanate's total energy production by the year 2030. This equates to around 3,000 megawatts (MW) of generation capacity based on concentrated solar power, wind, and photovoltaic (PV) energy resources. Global energy services consultancy Tractebel Engineering commissioned/formulated the master plan study based on future electricity demand and supply in Oman. Government of Oman has already started work in this direction by setting-up a 50 MW wind power project in Dhofar Governorate in partnership with Abu Dhabi based Masdar renewable energy company.

### **Mega dairy plant planned in Oman**

As per local media on January 22, Salim bin Saif Al Abdali, senior official at Oman Food Investment Holding announced that the process of establishing a mega dairy project worth RO 100 mn investment is under way for achieving Oman's self-sufficiency in dairy production and food security. The joint venture is being promoted by state-owned Oman Food Investment Holding (OFIC) with equity participation from private sector. The OFIC will have a 20% stake in the dairy firm and the remaining 80% stake will be given to investment funds/sovereign funds and private investors. The commercial operation of the plan is expected to commence by 2017.

### **Government eases/liberalizes Omanisation norms for SME sector**

Dr. Ali bin Masoud bin Ali Al-Sunaidy, Ministry of Commerce & Industry stated on January 28 that Government has eased the norms for SME sector to give them more time to flourish in Oman industrial segment. He further said that SMEs that are fully-owned and run by Omanis will not be required to hire any nationals for the first two years of their operations. As per relaxed norms, companies with at least 40% Government stake will be encouraged to set-up a special department to ensure 10% of its purchases and tenders awarded to SMEs and Government bodies, contracting work to SMEs, should pay them within 28 days. Furthermore, the new rules also allow Government employees to avail a four-year unpaid break to pursue their own businesses.

### **Trade & Investment-related news with other countries**

**Brunei:-** A trade delegation led by Deputy Minister at Prime Minister's office (PMO), Brunei visited Oman on three-day visit on January 18. Ithara hosted B2B meetings for the visiting trade delegation on January 19 to discuss trade and investment matters especially the means of economic diversification in the backdrop of sharp decline in crude oil prices.

**Iran:-** Iranian Minister of Trade, Industry and Mines Eng. Mohammad Reza Nematzadeh visited Oman from January 5-7, 2015 and held meetings with his counterpart Ali bin Masoud Al-Sunaidy to discuss trade and investment matter. Both minister of Commerce, Trade & Industry inaugurated the Iranian trade fair/exhibition on January 6 at the Oman International Exhibition Centre, Muscat. The visiting minister also called on Deputy Prime Minister for the Council of Ministers also.

16-member trade delegation led by Vice-chairman of Oman Chamber of Commerce & Industry & Board member at Ithara visited Tehran from January 19-20 to conduct B2B meetings with Iranian Chamber of Commerce. The discussion focused on food processing, manufacturing, plastics, metals and chemicals etc.

**Italy:** - A trade delegation from Italian Trade Agency and the Italian Federation of Enterprises was in Muscat during Jan 28-29 to hold B2B meetings with their counterparts to explore business opportunities in the power and electronic sector.

**Malta:-** Bank Muscat delegation led by Abdul Razak Ali Issa, Chief Executive Officer, visited Malta from January 12-15 and held meetings with the Governor of the Central Bank of Malta and high-level representatives/officials of Malta Freeport, Malta Financial Services Authority to explore trade and investment opportunities in offshore banking. CEO, Bank Muscat also called on the Prime Minister of Malta.

**Qatar:-** Sheikh Khalid Bin Omar Al Marhoon, Minister of Civil Services visited Qatar and held meetings with Sheikh Abdullah Bin Nassir Al Thani, Prime Minister & Interior Minister of Qatar on January 1, 2015. During the visit, two MoUs were signed in the field of cooperation between the Ministry of Civil Service and the Qatari Ministry of Administrative Development and an MoU on exchange of visits and training programmes between the Omani Institute of Public Administration and the Ministry of Administrative Development.

**UK:-** On January 13, Oman-based Al Raid Group has entered into a joint venture agreement with British developer Consero London to develop a US\$ 455 mn of luxury residential property in Oman over the next five years. The first project building a residential complex of 14 large villas will be undertaken by the joint venture very soon.

A delegation led by London Mayor Alan Yarrow visited Oman from Jan 22-23 and held meetings with Minister Responsible for Financial Affairs, Darwish bin Ismaeel Al Balushi, Minister of Commerce & Industry, Dr Ali bin Masoud al-Sunaidy and Minister of Heritage & Culture Sayyid Haithem bin Tareq al-Said to discuss the bilateral economic , cultural, trade and investment issues.

### **Multilateral**

**GCC Custom Union:-** Secretary General of GCC announced that the GCC has submitted its application/proposal to WTO seeking international recognition for GCC Customs Union, as he was speaking on the sidelines of the GCC Rail & Metro Rail conference On January 11, 2015. GCC Customs Union will create a

common market for six GCC countries with common tariffs for goods imported into the GCC from outside and revenue will be shared by the member states.

### **Conference/Seminar**

**GCC Rail & Metro conference:** Under the auspices of Advisor to the Sultan, the GCC Rail & Metro Conference 2015 was held in Muscat from January 11-12, 2015. The Conference was organized by Ministry of Transport & Communications in association with the Gulf Cooperation Council. The conference dealt with a number of subjects like establishing a GCC academy for training & development, designing training programs, drawing a comprehensive strategy to achieve integration of rail and metro projects in GCC countries, and setting-up a Development Fund to achieve sustainability in the GCC Rail and Metro Sector.

**GCC Journalists Meet:-** GCC journalists meet was held on January 27 at Muscat under the auspices of Tender Board Chairman Dr Rasheed bin al-Safi Al-Huraibi. The meet was jointly organised by Oman Journalists Association and Gulf Press Association. The conference dealt with various issues related to the GCC and Arab press.

**Trade Inquiry:-** The Mission received 65 trade inquiries from India and one (1) trade inquiry from Oman during the month of January, 2015, which were responded by the Economic & Commercial wing of the Embassy.

### **Bilateral**

Dr Naresh Trehan, founder of Medanta Medicity visited Oman on January 18 and participated in Continuing Medical Education (CME) programme, which was organised by Medanta's partner institute in Muscat Hatat Polyclinic. The Medanta medicity has a tie-up with Hatat Polyclinic to attract more Omani patients to India for super specialty and organ transplant treatments.

MB Holding company LLC, subsidiary of MB Petroleum Group, opened its new office in New Delhi on January 21, 2015. It came under the framework of the follow-up of the JCM/JBC meeting held in Oct, 2014 in New Delhi. The Embassy of India facilitated the MB Holding group in this endeavour.

As per local media on January 13, Omani Ministry of Tourism organized Roadshow in Mumbai to promote the Sultanate as niche destination for weddings and MICE tourism under the 'Discover the opulence Oman' programme. The event was well received by the tour & travel trade, hotels and airlines etc.

This issues with the approval of the C.d'A.

(Amararam Gujar),

SS (E & C)