

Embassy of India

Muscat

MUS/201/1/12

August 19, 2013

Monthly Economic and Commercial report for July 2013

Overview: Some important announcements were made during the month of July by government authorities and private companies such as starting the process of registration of National Railway Company, setting-up of high level Establishment Board under the chairmanship of Minister of Transport & Communication to monitor the Oman's ambitious railway project and announcement of the UAE based Aerogulf Service on intention to establish Sultanate's first civilian helicopter company in joint venture with an Omani partner in Oman.

On the economic and investment front, Oman's international oil & gas services group:-Renaissance Services entered into an agreement with UK based international support services and construction group, Interserve, to divest its Topaz oil & gas company and its subsidiary to Interserve for US\$ 46 million. Two major announcements were made in the banking sector such as Bank Dhofar expressing its interest to merge its entity in Bank Sohar, and Bank Nizwa signing a pact with Sohar Islamic to serve sharia complaints and to boost the Islamic bank concept in the Sultanate. Oman Oil Co. and Abu Dhabi's International Petroleum Investment Co. (Ipic) started procedure to appoint financial adviser for US\$ 15 bn mega project of Duqm Refinery. In addition, DNO International, a Norwegian oil & gas company, announced that it had entered into a farm-in agreement with Omani authority in respect to Block 36 onshore Oman.

The average inflation rate for the first half of the current financial year was registered around 2%, due to softening global commodity prices especially for agricultural products & food stuffs, government's rational subsidy policy and other monetary majors introduced by the Central Bank of Oman (CBO). This was against the government's inflation projection of 4% for the entire year. Inflation rate in Oman is mainly driven by price fluctuation in importing countries, which are mostly food grains and other products.

On the bilateral level, Omani Minister of Commerce & Industry Ali Masoud Al-Sunaidy had a brief discussion meeting with Indian business delegation in Port Louis (Mauritius) on the sidelines of the IOR-ARC conference (2-4 July). The Indian construction company Larson & Toubro won the tender bid amounting to US\$135.6 mn for construction of the package-IV of Al-Batinah Express Way in Oman; the Government of India owned company TCIL made an announcement on supply of green energy to Omantel for its tower network in the Sultnate.

Spicejet, India's budget airline announced its flight operation in Oman from August 29, 2013 between Muscat and Ahmedabad. Spicejet will provide six flights (both way) weekly on Ahmedabad-Muscat sector and accommodate approx. 945 passengers per week.

Major Economic Indicators

As per International Monetary Fund (IMF)'s report, issued in July, Oman's nominal Gross Domestic Product (GDP) is projected to expand by 3.9% to reach a value of \$81.4 billion in 2013, up from \$78.3 billion estimated for 2012. This compares with a real GDP growth projection, in percentage terms of 5.1% in 2013, which is marginally up from 5% in 2012, and 4.5% in 2011.

Structure of GDP

Sl No.	Activity/ Sector	Share
1	Petroleum Sector	52%
2	Wholesale & retail trade	8%
3	Construction	4%
4	Public Administration & Defence	7%
5	Other activities	29%
	Total	100%

Oil & Gas Sector

According to the monthly report released by the Ministry of Oil & Gas, Sultanate's crude oil and condensates production in June 2013 amounted to 28.45 million barrels at an average of 948,245 barrels per a day (bpd), showing a rise of 4.49% compared to May 2013. The total crude oil exported in June 2013 came to 25.11mn barrels, an average of 836,920 bpd, showing a decline of 3.22% compared to the previous month. As usual, the bulk share of Omani crude oil export was received by China, topping the list of Omani crude importers in June 2013, at 61.64%, followed by Taiwan at 11.81%.

Export of Crude Oil to Major Countries end May, 2013)

Export of Crude oil by major countries	Year 2012 (000) BBL	Year 2013 (000) BBL			Total (End- May) (000) BBL	
		March	April	May	2012	2013
Japan	38212.6	3452.3	2320	1372.3	17839.7	12120.1
South Korea	10730.6	382.9	1402.7	1001.9	2885.3	2787.5
Thailand	19027.0	1907.1	1353.2	475.8	7737.8	6842.7
China	140109.3	13388.5	11985.6	16320.6	56303.6	70307.7
Taiwan	33366.5	2003.9	3914.1	3956.2	11565.5	15951.8
India	4369	1002	1770.7	00	1796.1	2772.6
Singapore	19680.7	1515	1959.3	1452	7554.8	8453.6
Others	12695.8	2113	263.2	2229.4	4639.0	7344.5
Total Exports	278191.3	25764.9	24968.8	26808.2	110321.9	126580.6

Latest Trade Figures (Non-oil trade exchange)

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

	Jan-December	Total (Jan-December)	
	Change (12/11) in % age	2012	2011

A) Non-Oil Omani Exports	18.5	9308.7	7855.9
India	48.1	1584	1069.9
UAE	22.3	1425	1165.8
Saudi Arabia	37.6	853.9	620.6
China	-16.7	715.9	895.4
United States	109.1	603.9	288.8
Others	7.1	4125.4	3851.3
B) Re-Exports from Oman	10.6	6439.5	5821.3
UAE	11.3	2560.7	2301
China	86.2	1129.5	606.6
Saudi Arabia	20.6	465.4	385.9
Iran	-24.9	295.5	393.7
Iraq	1348.6	270	18.6
Others	-18.8	1718	2115
(C) Imports	19.0	28001.3	23521.9
UAE	11.7	7204.1	6449.9
Japan	26.8	3770.8	2973.3
United States	18.5	1644.1	1387.5
India	35.4	1534.3	1133.4

China	28.4	1398.9	1089.9
Others	18.7	12449	10488

Bilateral Trade (Figures in US\$ million; Source: Omani Ministry of National Economy; figures available for 2012 are from Jan-Aug, 2012)

Year	Total Export to India (Jan-Aug, 2012)				Total Import from India	Total trade (US\$ mn)
	Non oil Export (End Dec,2012)	Re-Export	Oil & Gas Export	Total Export		
2012	1584	NA	479.2	1382.2	1534.3	4979.7
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

Foreign Trade (Figures in US\$ million)

Year	Imports	India's Share	%age	Export	India's Share	%age
2012	28001.3	1534.3	5.4	36174	1584	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: Omani Ministry of National Economy)

Economic & Commercial Developments

Process of registering National Railway co. under way

The proposed National Railway Company, a vehicle for the implementation of the country's ambitious national railway project, is in the process of being formally registered, according to Dr Ahmed bin Mohammed al Futaisi, Minister of Transport & Communications. A high level Establishment Board was instituted to administer and monitor the Sultanate's national rail project under the chairmanship of Minister of Transport & Communication. The Board will play the vital role in policymaking, regulation, awarding the tender of preliminary consultancy etc. for the implementation of 1061 km national rail network in Oman.

UAE operator mulls Oman's first helicopter company

Aerogulf Services Company, a commercial helicopter operator & aviation maintenance service provider based in the UAE, expressed its interest to establish the Sultanate's first civilian helicopter company in joint venture with an Omani partner. According to senior company representative of Aerogulf, discussion aimed at setting up a full-fledged chopper firm in the Sultanate are currently under way with a private Omani company and government of Oman. Aerogulf has been providing services to Petroleum Development Oman (PDO), Omantel and a number of public and private companies especially in oil exploration and electrification projects in Oman over the past three decades.

Renaissance divests its stake in Topaz Oil and Gas for \$46m

Renaissance Services, Oman's international oil & gas services group, announced on July 14 that it has entered into an agreement to divest Topaz Oil and Gas (Topaz) and its subsidiaries which provide oil field maintenance, fabrication and construction services in the Middle East. Interserve, a UK-based international support services and construction group, acquired the business for \$46 million, which will be able to further expand its operational footprint in the Middle East oil and gas services market. The acquisition expands Interserve's service offering in the UAE, a key growth market offering in excess of \$5.0 billion of oil and gas contracts per annum, through engineering, procurement and construction (EPC) and maintenance services in Abu Dhabi and Fujairah. As per CEO of Renaissance Services, 'Renaissance

shall make a capital gain of \$7.5 million from the transaction' and group is planning to utilize the majority of the gain for prudent provisioning to ensure the continued viability of the company's other engineering businesses works.

Bank Dhofar board expresses its interest in merger with Bank Sohar

Bank Dhofar issued a statement, filed at Muscat Securities Market (MSM), on July 16 that it would initiate plans to approach Bank Sohar to create the Sultanate's second-largest bank. The Board of Directors of the bank expressed interest on July 15 in the possibility of merger with Bank Sohar and discussed the all issues like subject to the interests of the other party, the shareholders' and regulators' approvals and their interests etc. The new merged entity will have total assets worth RO 4.13 billion (\$10.73 billion) and a market capitalisation of around RO 677.649 million (\$1.76 billion), according to the first-quarter financial statement of the banks.

Orpic floats tender for FEED project soon

As per local media report, Oman Refineries & Petroleum Industries Company (Orpic) is planning to float a tender to appoint a consultant for front-engine engineering design (FEED) for its proposed \$3.6 billion integrated Liwa Plastics project within two months. The Liwa project, integrated with the existing Sohar refinery for producing polyethylene and polypropylene, is expected to commission by 2018. Al Mahrouqi ,CEO of Orpic announced that as much as 60 per cent of the feedstock for the Liwa Plastics project would come from the existing Sohar refinery and 40 per cent would be natural gas liquids extracted from the gas in Fahud plant. The Liwa Plastics project will enhance both fuel and plastics production by increasing 11.3 million tonnes from 7.3 million tonnes and 1.4 million tonnes per annum from 2,00,000 tonnes per annum by 2018, respectively.

Bank Nizwa signs pact with Sohar Islamic

Bank Nizwa and Sohar Islamic bank (branch of Sohar commercial bank) entered into a Wakala Agreement on July 9, 2013 for interbank placement activities between the two banks. The signing of the agreement signals that the Islamic bank's concept in the Sultanate is gaining momentum to develop the local Islamic interbank market that will boost the overall development of the Omani Islamic banking industry. Under the Wakala Agreement, the two banks will serve Sharia compliants and follow the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) standards. In addition, both banks are committed towards developing the local Islamic interbank market.

Ipic and OOC set to appoint financial adviser for Duqm Refinery

As per local media, Oman Oil Co. and Abu Dhabi's International Petroleum Investment Co. (Ipic) are close to appointing a financial adviser for the development of a planned refinery at Duqm (Oman). France's Credit Agricole is frontrunner to win the mandate and was shortlisted along with the UK's HSBC. The refinery is the first phase of an estimated \$15 bn development plan that includes the \$6 bn refinery and a \$9bn petrochemicals complex for the refinery. The refinery, having a capacity of 230,000 barrels a day, is expected to be completed by 2017

DNO international announces farm-in pact for Oman's Block 36

DNO International, the Norwegian oil & gas Company, announced on July 10, 2013 that it has entered into a farm-in agreement with respect to Block 36 onshore Oman. The Block 36 farm-in agreement will provide for the transfer to DNO Oman of a 75 per cent participating interest (100 per cent paying interest) from Allied Petroleum Exploration Inc. The Company will assume operation and fund reprocessing of existing and acquisition of new 2D seismic data and drilling of two exploration wells in Block 36, located in the Rub al Khali basin. DNO International is an Oslo-listed, Middle East and Africa focused, oil and gas company holding stakes in 19 licenses in various stages of exploration, development and production both onshore and offshore in Oman, Iraq, Yemen, the United Arab Emirates, Tunisian and Somaliland.

Trade & Investment-related news with other countries

Pakistan: - A delegation from GC University Lahore, Pakistan visited Oman on July 1-3, 2013 and had meetings with the senior officials in the Ministry of Higher Education, Oman and the Sultan Qaboos University (SQU) administration to explore the possibilities of collaboration in academics and research field between the two universities. In addition, the two sides reviewed the existing MoU/agreement between SQU and various higher educational institutions in Pakistan.

USA- As per US Embassy's statement of July 4, the United States and Oman agreed to sign an Open Sky agreement allowing unrestricted air service by the airlines of both countries between and beyond each other's territory. The agreement would eliminate government restrictions on the carriers' fly, the kind of aircraft they use and the prices they charge. This agreement will help further strengthening and expanding of US-Oman trade and cultural links and promote increased tourism, benefiting mutual businesses interests after signing the US-Oman free trade agreement.

Italy: - Deliberations of the fourth round of the Oman-Italy joint committee meetings (JCM) were concluded in Muscat on July 8, 2013 by signing a joint statement by Sayyid Badr Al Busaidi, Secretary-General of the Foreign Ministry, and Emma Bonino, Italian Minister of Foreign Affairs. A memorandum of understanding (MoU) was also signed between Oman Chamber of Commerce and Industry (OCCI) and the Italian Industries Federation to exchange of informations in the field of economic cooperation.

Bilateral:

As per the local media, Telecom Consultants India Ltd (TCIL), an engineering and consultancy company owned by the Government of India, is in advanced talks with Omantel to supply green energy solutions including a mix of solar, wind or biomass equipment for powering their tower networks in the Sultanate. The projects will be executed on a turnkey basis by TCIL's offshore joint venture with NATEL, TCIL Saudi Communications Ltd (TSCL). TCIL will not only help Omantel build environmentally friendly mobile towers, but it has also planned to handle the entire chain of vendor selection, equipment procurement, commissioning, maintenance and systems integration.

Omani Minister of Commerce & Industry, Ali Masoud Al-Sunaidy visited Mauritius to participate in the IOR-ARC Conference from 2-4 July, on the side lines of the conference, Omani Minister held the interaction meeting with Indian business delegation and discussed the trade and bilateral issues.

Larson & Toubro Oman (LTO) made a major breakthrough in its international business by winning a tender amounting to RO 135.6 million (US\$ 352.5 mn) from the Omani Ministry of Transport & Communication for the construction of the Al-Batinah Expressway Package-IV. The project involves a 50 km four lane dual carriage expressway, two grade separated interchanges, overpasses and bridges as per international standards.

Spicejet, India's premier low cost airline announced the starting of new flights between Muscat and Ahmedabad from August 29, 2013. It will operate three weekly flights between Ahmedabad and Muscat.

This issues with the approval of the Charge de' Affairs,

(Amararam Gujar)
SS (E&C)