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SULTANATE OF OMAN

Economic Review 2015

Third Quarter

March 2016



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Firstly: Oman in world Economic Index

Global Trade Empowerment Index 2014:

- The Sultanate ranked 31 at the world level and obtained 4.7 points out of 7.
- It came in Third position at both Arab Countries and GCC States levels.

31

Global Competitiveness Index (2015 – 2016):

- The Sultanate came in 62 place at world level and obtained 4.20 points out of 7.
- It came in 6th place among both Arab Countries and GCC States.

62

Economic Freedom Index 2015:

- The Sultanate ranked 56 at world level and obtained 66.7 points out of 100.
- It came in 5th place at Arab Countries and 4th place among GCC States.

56

Travel and Tourism Competitiveness Index 2015:

- The Sultanate came in 65 place at world level and obtained 3.79 points out of 7.
- It came in 6th place at Arab Countries and 5th place at GCC States.

65

Secondly: World and Regional Outlook

The International Monetary Fund (IMF) estimates indicate that the World growth rate reached 3.1% in 2015, is projected to reach 3.4% and 3.6% in 2016 and 2017 ,respectively.

- Oil prices have declined markedly since September 2015, reflecting expectations of sustained increases in production by organization of the petroleum exporting countries (OPEC) members, amid continued global oil production excess of oil consumption.

Growth in advanced economies is projected to rise by 0.2 percentage point in 2016 to 2.1% and hold steady in 2017.

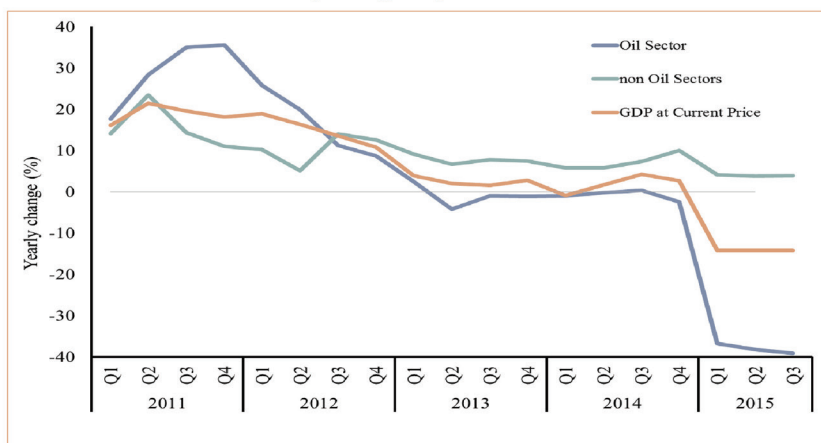
- Growth in emerging market and developing economies is projected to increase from 4% in 2015 – the lowest since the financial crisis in (2008 – 2009) – to 4.4% and 4.7% in 2016 and 2017, respectively.”

Thirdly: Economic performance in the Sultanate

1. Gross Domestic Product

- Gross Domestic Product (GDP) at current prices witnessed a decline of (14.2%) at the end of September 2015 compared to the corresponding period of 2014, where it fell from RO. 23.4 billion at the end of September 2014 to RO. 20.1 billion at the end of September 2015.

Figure No (1): GDP Growth at current prices, Accumulative Data, (Change %)

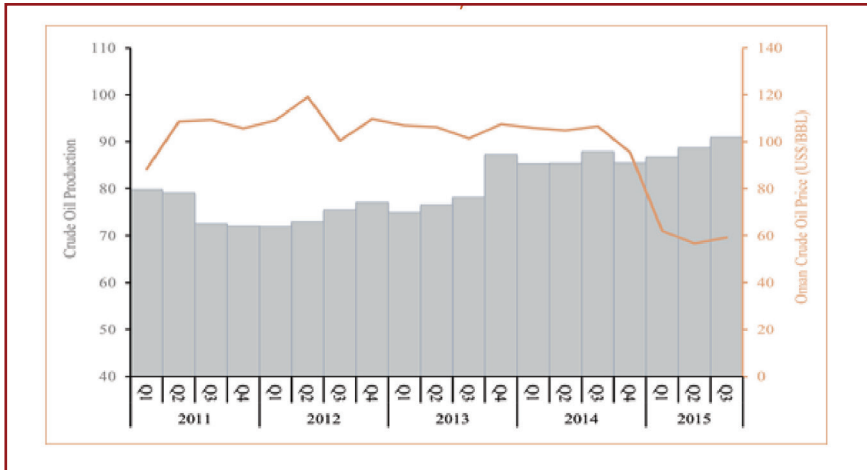


- Petroleum activities value added decreased by 38.5% at the end of September 2015 compared to the same period of the previous year. It fell from RO. 11.3 billion at the end of September 2014 to RO. 6.9 billion at the end of September 2015. This decline attributed to the decrease in the value added of crude oil by 42.7%. While, the value added of natural gas increased by 20% at the end of September 2015 compared to the same period of 2014.

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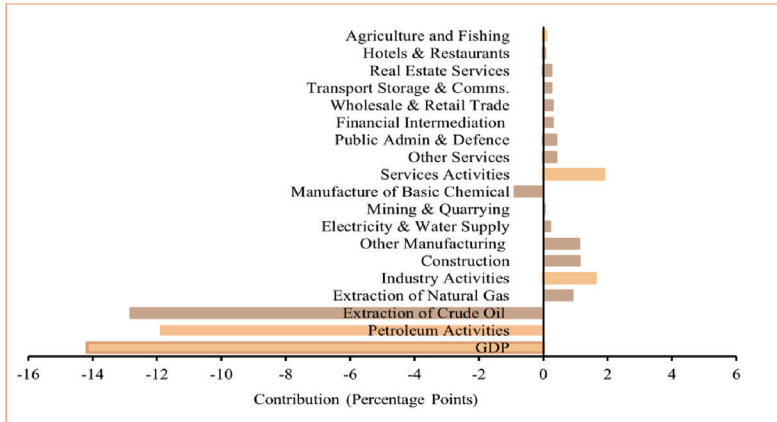
Figure No (2): Omani Crude Oil Production and Prices, Quarterly Data (2011-2015).



- Non-oil activities value added increased by 4.7% at the end of September 2015 to reach RO. 14.1 billion compared to RO. 13.5 billion at the end of September 2014. This increase is due to the increase in the value added of industrial activities by 6.4%, agriculture and fisheries activities by 4.3% and services activities by 4% during the period under reference.
- The value added of industrial activities increased by 6.4% at the end of September 2015 compared to the same period of the previous year, due to the increase in the value added of constructions by 17.1%, electricity and water supplies by 13.6% and mining and quarrying by 8.5%. On the other hand, the value added of manufacturing industries fell by 1.6% as a result of the increase in the value added of the primary chemical materials industry by 20.2% while the value added for other manufacturing industries increased by 17.6% during that period.
- Services activities value added increased to RO. 9.5 billion at the end of September 2015 compared to nearly RO. 9.1 billion at the end of September 2014. This increase due to the increase in the value added of real estate and business activities by 5.8%, financial intermediation activities by 5.3%, transport, storage and communications by 4%, public administration and defence by 3.9%, other services activities – including health, education, etc. – by 3.6%, hotels and restaurants by 3.2%. In addition, the value added of wholesale and retail trade increased by 3% at the end of September 2015 compared to the corresponding period of the previous year.

Figure No (3): Contribution in GDP growth at the end of September 2015

Compared to the same period of 2014 (percentage points)



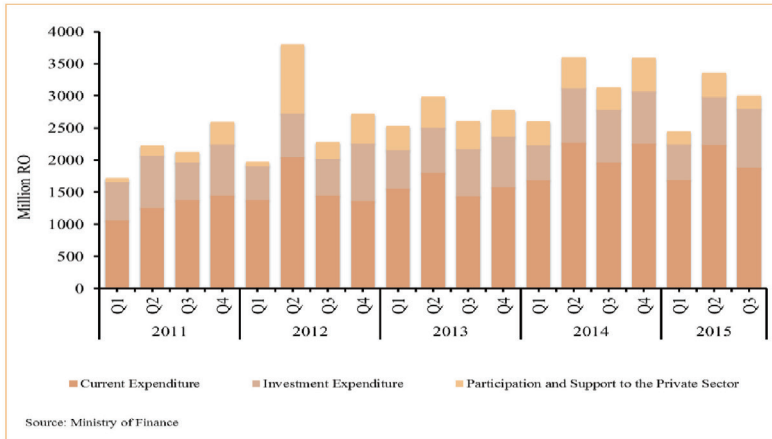
2. Public Finance

- Public Finance witnessed a financial deficit of RO. 2.9 billion at the end of September 2015 compared to the surplus of RO. 136.1 million which recorded at the corresponding period of 2014.

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Figure No (4): Public Expenditure, Quarterly Data (Million Omani Rials).



- The state public revenues decreased by 35.9% at the end of September 2015 to reach around RO. 6.7 billion compared with around RO. 10.5 billion at the end of September 2014. This decrease was attributed to the decline in the net oil revenues by 45.5%, capital revenues by 8.8% and other revenues by 20.3%. In addition, corporate income tax decreased by 2.6% and custom duties by 26.5%. In contrast, gas revenues increased by 2.3% at the end of September 2015 compared to the same period of the previous year.
- Public expenditure of the Sultanate decreased at the end of September 2015 by 5.7% compared to the corresponding period of 2014, to reach RO. 8.8 billion compared to RO. 9.3 billion at the end of September 2014. This decrease was attributed to the decrease in participation and subsidies by 35.9% and current expenditure by 1.8%, while the investment expenditure increased by 0.1% during that period.

3. Monetary sector

- Domestic liquidity (M2) witnessed an increase of 13.8% at the end of September 2015 compared to the corresponding period of 2014, where it increased from RO. 12.9 billion at the end of September 2014 to RO. 14.7 billion during the same period in 2015.
- Total deposits increased by 6% at the end of September 2015 to reach RO. 18.1 billion compared with around RO. 17.1 billion at the end of September 2014. This is due to the increase in the total deposits of private sector by 8% and total deposits of government sector (ministries, government corporations & public enterprises) by 2.9% at the end of September 2015 compared to the corresponding period of the previous year.
- Total credit (loans) increased by 10% at the end of September 2015 compared with the same period of the previous year to reach around RO. 18.2 billion compared with RO. 16.5 billion at the end of September 2014.
- This increase in total credit was attributed to the increase of credit awarded to the private sector by 10.2% to reach RO. 15.9 billion at the end of September 2015. Also, the credit provided to government sector (ministries, government corporations & public enterprises) increased by 8.8% at the end of September 2015 compared to the corresponding period of the previous year.

Figure No (5): Growth of money supply, Total Credit and credit to personal loans, cumulative Data.

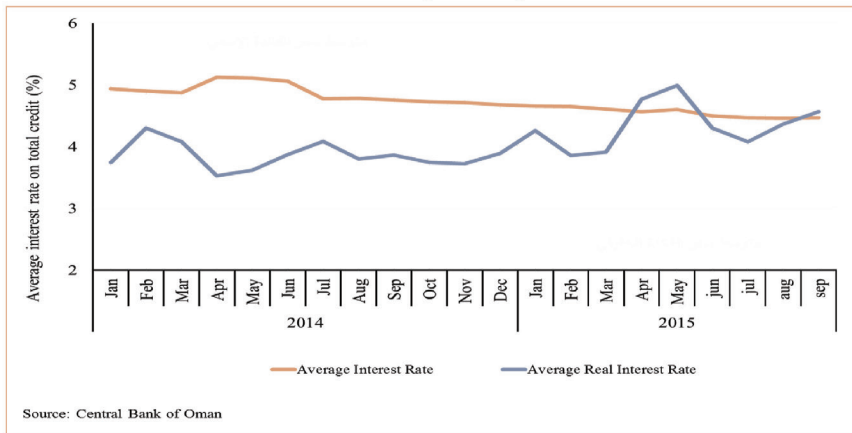


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- Personal loans represented 39.4% of the total credit by the end of September 2015, where reaching RO. 7.2 billion with an increase of 9.6% compared to the corresponding period of the previous year.
- Average interest rate on total credit decreased by 5.9% at the end of September 2015 compared to the end of September 2014. Real average interest rate (average interest rate minus inflation rate) decreased from 3.9% at the end of September 2014 to 4.6% at the end of September 2015.

Figure No (6): Average Nominal and Real Interest Rate on Total Loans in the Private Sector, Monthly data.



- The index of effective exchange rate of Omani Riyal increased by 6.2% at the end of September 2015 to reach 104.5 point compared to 98.4 point at the same period of 2014.

4. Muscat Securities Market Index

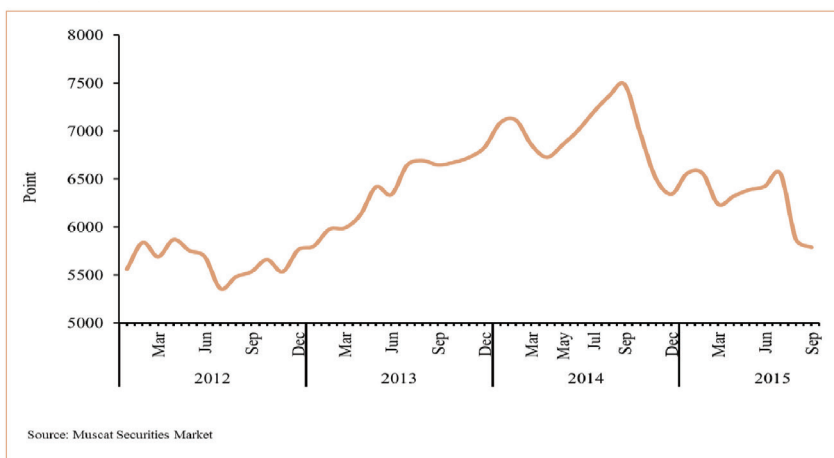
- Muscat Securities Market Index witnessed a decrease of 22.7% at the end of September 2015 compared to the corresponding period of 2014, to reach 5787.7 points.
- Trading value decreased at the end of September 2015 by 44.7% compared to the end of September 2014, to reach RO. 946.5 million compared to RO. 1.7 billion at the end of September 2014.

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- As for the sectorial contribution, the financial sector ranked first in terms of total trading value as it achieved 53% of the total trading value, then followed by service sector with a contribution of 30%. The industrial sector came in third place with 15% followed by bonds sector achieving 2% of the total trading value at the end of September 2015.

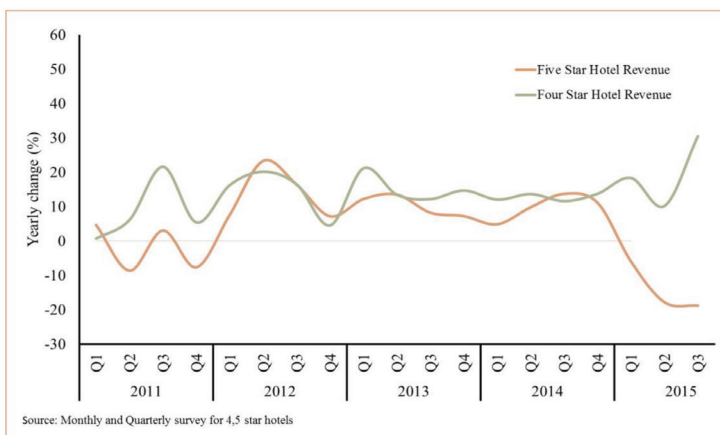
Figure No (7): Muscat Securities Market Index, Monthly Data



5. Tourism Sector

- Five star hotels revenues witnessed a decrease of 18.8% in Q3 2015 compared to the same quarter of 2014, to reach RO. 14.4 million compared to RO. 17.8 million in Q3 2014. This decrease is due to the decrease in the number of available rooms by 11.2%, number of occupied rooms by 12.4% and number of tourist's nights by 5%. This resulted in a decrease in the occupancy rate in those hotels by 1.3% during Q3 2015 compared to the same quarter of 2014.
- As for four star hotels, the revenues rose by 30.5% in Q3 2015 compared to the corresponding quarter of 2014, due to the increase in the number of guests by 29.7%, number of available rooms by 16%, number of occupied rooms by 18.8% and number of tourist's nights by 17.8%. This increased the occupancy rate in those hotels by 2.5% during Q3 2015 compared to the corresponding quarter of the previous year.

Figure No (8): Revenues Five and Four Stars Hotels, Quarterly Data, Change (%).



6. Prices

Producer Price Index

- Producer General Price Index recorded a decrease of 25.8% in Q3 2015 compared to Q3 2014, due to the decline in the prices of oil and gas products group by 29.4% and non-oil products group by 4.8%. Producer general price index also decreased by 0.7% in Q3 2015 compared to the previous quarter.
- The decline in the prices of oil and gas products in Q3 2015 compared to Q3 2014 was attributed to the decline in the prices of crude oil and natural gas products by 28.1% and the refined oil products by 38.9% during the period under reference.
- The prices of non-oil products decreased by 4.8% in Q3 2015 compared to Q3 2014, due to the decrease in the prices of the non-oil manufacturing group by 7.1%. On the other hand, the prices of mining, electricity and water group increased by 2.9% due to the increase in the prices of minerals, stones and sands group by 5.1% and the prices of electrical energy and water group by 2.7% during the period under reference.
- Non-oil manufacturing group index decreased in Q3 2015 compared to Q3 2014 due to the decrease in the prices of metal products, machinery and equipment by

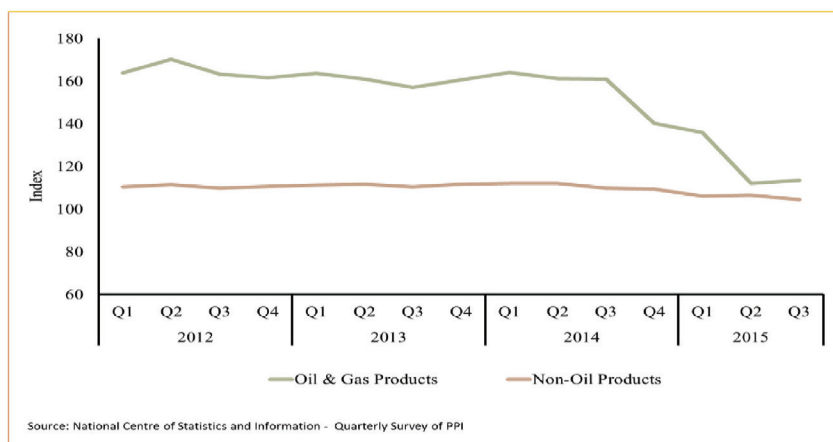
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9.8%, other transportable goods group by 6% and the prices of food, beverages and textiles products group by 5.9% during the period under reference.

- The prices of food, beverages and textiles products group witnessed a decrease during Q3 2015 compared to Q3 2014, due to the decrease in the prices of dairy products group by 20%, fish, vegetables and oils by 7.1%, bakery products and other food products by 0.9% and beverages group by 0.1%. While the prices of ready-made clothes, textiles and footwear group increased by 1.5% during that period.
- The decrease in the prices of other transportable goods group was due to the decrease in the prices of the gases, acids and polypropylene products group by 14.3%, rubber and plastic products group by 4.2%, paints and pharmaceutical products group by 2.4% and the wood and paper products by 0.5% in Q3 2015 compared to Q3 2014. On the other hand, the prices of the furniture, jewelry manufacturing and melted metal waste group and glass, cement and marble products group by 1.8% and 1.2%, respectively during the period under reference.
- The decrease in the metal products, machinery and equipment group by 9.8% in Q3 2015 compared to the same quarter of 2014, was attributed to the decrease in the raw and products of steel and aluminum by 19%, iron and aluminum manufactured products by 13.9% and the group of electricity connection and distribution devices and recording rolls and tapes by 2.6%. On the other hand, there was an increase of 7.4% in the prices of cooling systems, water heating and pumping, oil rigs digging machinery and vehicles oil filters by 7.4% during that period.

Figure No (9): Producer Price Index (Quarterly Data)



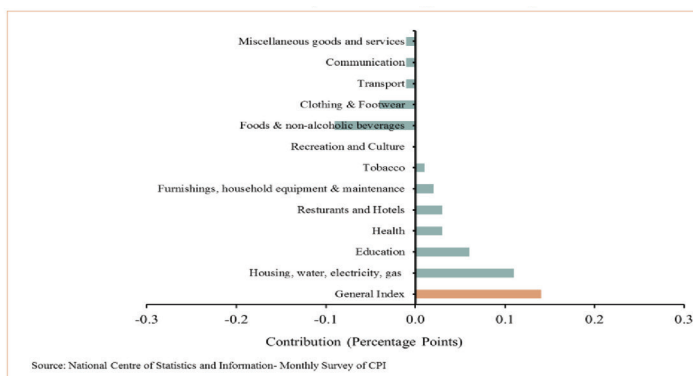
Consumer Price Index

- Inflation rate rose in the 3rd quarter by (0.14%) compared with the same quarter in 2014.
- The increase in the consumer price index in Q3 2015 compared to Q3 2014 was mainly attributed to the increase in some groups that comprise the index. These groups as are follows:
- Housing, water, electricity, gas and other fuel types group: the prices of this group increased by 0.43%, due to the increase in the prices of housing real rents by 0.60%, the prices of housing rents calculated for owned houses by 0.45% and houses maintenance by 0.40%.
 - Furnishings, household equipment and routing household maintenance group: the prices of this group witnessed an increase of 0.06% due to the increase in the prices of furniture, furnishings, carpets and other by 0.21%, household textiles by 0.68% and glassware and tableware by 1.09%.
 - Health group: the prices witnessed an increase by 2.75% due to the increase in fees of the private clinics by 3.94%.
 - Transport group: the prices increased by 0.19% due to the increase in the prices of transport services by 7.62% and the prices of operating the personal transport equipment by 0.19%.
 - Education group: the prices of this group increased by 4.49% due to the increase in pre-primary and primary education prices by 10.93%, secondary education fees by 8.10%, tertiary education fees (not including higher education) and higher education fees by 0.80% each.
 - Restaurants and hotels group: this group witnessed an increase in the prices by 0.49% due to the increase in the prices of accommodation services and catering services by 2.23% and 0.44%, respectively.
 - On the other hand, the prices of food and non-alcoholic beverages group decreased by 0.36%, clothes and footwear group by 0.65%, communications group by 0.13%, culture and recreation group by 0.04% and miscellaneous goods and services group by 0.20% during Q3 2015 compared to Q3 2014.

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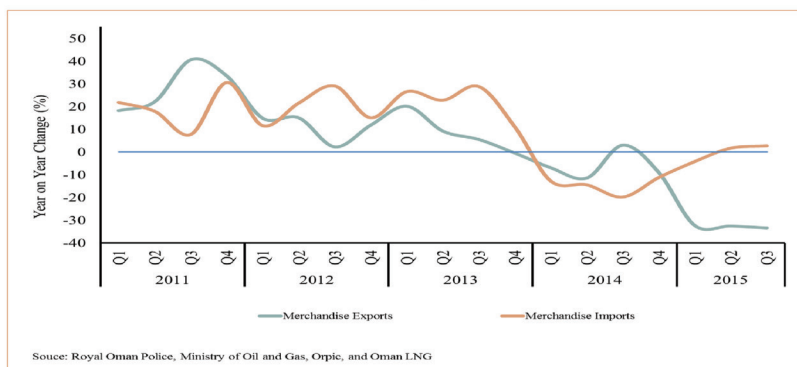
Figure No. (10): Contribution Towards the Changes of General Consumer Price Index , Q3 2015 Compared to the Corresponding Quarter of the Previous Year (Percentage Points)



7. Foreign trade

- The value of merchandise exports decreased by 33.4% in Q3 2015 compared to Q3 2014 to reach R.O 3.6 billion. This decrease due to the decrease in the value of oil exports by 41.5% and the value of non-oil imports by 40% during the period under reference.
- The value of merchandise imports recorded an increase by 0.1% in Q3 2015 compared to Q3 2014 to reach RO. 2.8 billion, at an increase of around RO. 3 million.

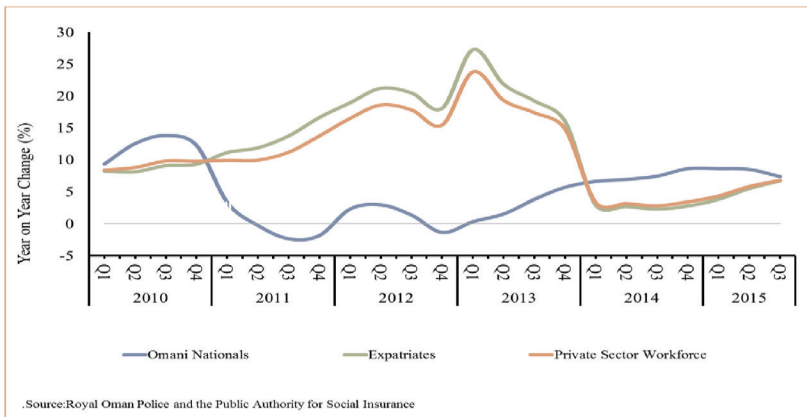
Figure No (11): Changes in the Value of Merchandise Exports and Imports, Quarterly Data



8. Private sector workforce

- The total number of workforce at the end of September 2015 reached approximately 1.9 million workers compared to 1.7 million workers at the same period of 2014.
- The number of Omani workforce in the private sector increased by 7.4% at the end of September 2015 compared to the corresponding period of the previous year to reach around 207 thousand.
- Expatriate workforce increased by 6.7% at the end of September 2015 compared to the corresponding period of the previous year to reach 1.65 million. The percentage of expatriate workforce reached 81% in the private sector and 4% in the government sector. While, the percentage of expatriate workforce in the family sector was 15% of the total number of the expatriates workforce in the Sultanate during the same period.

Figure No (12): Growth of work force in the Private Sector, Quarterly Data



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	2006	2007	2008	2009	2010	2011	2012	2013	
GDP Current (RO Billions)									
All Economy	14.2	16.1	23.4	18.5	22.6	26.1	29.4	30.1	
% Change	19.1	13.8	45.0	-20.6	21.9	15.9	12.4	2.4	
Oil GDP	6.7	7.1	11.8	7.4	10.4	13.9	15.3	15.2	
% Change	14.7	5.9	65.9	-37.7	40.7	33.7	10.5	-0.9	
Non Oil GDP1	7.5	9.0	11.6	11.1	12.2	14.1	16.0	17.2	
% Change	25.9	20.0	28.9	-4.3	9.9	11.7	13.6	7.3	
Oman Crude Oil									
Price (US\$/BBL)	61.4	65.2	101.1	56.70	76.6	103.0	109.6	105.5	
Production (Mn BBL)	269	259	277	297	305	304	336	344	
Trade (RO Billions)									
Oil Exports	6.7	7.2	11.0	6.9	9.7	12.8	14.0	14.3	
Non Oil Exports	0.8	1.3	2.0	1.8	2.4	3.0	3.6	3.8	
Re-exports	0.8	1.0	1.5	1.8	1.9	2.2	2.5	3.5	
Imports	4.2	6.1	8.8	6.9	7.6	9.1	10.8	13.2	
Price Indices (Quarterly)2									
Consumer Price Index Oman	105.2	111.4	125.2	129.5	133.7	139.2	143.2	101.1	
CPI Oman (Change %)	3.5	5.9	12.4	3.4	3.3	4.0	2.9	1.1	
CPI Muscat	3.2	5.1	12.8	5.0	4.7	4.4	3.0	1.3	
CPI Al Batinah North	4.6	8.4	11.2	1.2	1.7	4.3	3.7	1.0	
CPI Al Dhahirah	2.4	5.8	12.0	3.7	2.9	3.0	3.6	0.9	
CPI Al Dakhiliyah	3.2	6.6	11.3	0.0	3.1	3.5	3.5	0.8	
CPI Ash Sharqiyah (North & South)	3.9	5.5	15.1	2.7	1.2	4.2	0.9	1.3	
CPI Dhofar	3.1	5.0	10.0	3.6	2.2	3.0	2.8	0.7	
CPI Al Burami								0.9	
Monetary Sector (RO Billions)									
M2	4.5	6.1	7.5	7.9	8.8	9.9	10.9	11.8	
Total Credit	4.7	6.5	9.3	9.8	10.7	12.5	15.6	15.1	
Personal Loans	1.8	2.6	3.6	4.0	4.3	5.0	5.8	6.1	
Average Interest Rate (%)	7.0	7.1	6.0	6.4	6.2	5.6	5.0	4.9	
Manpower in Private Sector (Net total at period end, <000s)									
Omani (PASI)	114.3	131.8	147.2	158.3	177.7	174.4	172.1	181.9	
Expatriate	510.7	638.4	794.9	874.2	955.6	1114.6	1316.2	1527.2	

1 financial intermediation indirectly measured and import taxes are allocated completely to the non oil sector in these data

2 The base year for CPI for 2013 has been updated to be 2012 instead of 2000.

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2014				2015			
Q1	Q2	Q3	Q4	Q1	Q2	Q3	
7.6	15.8	23.6	31.5	6.5	13.6	20.1	الناجح المحلي الإجمالي بالأسعار الجارية (مليار ر.ع.)
0.9	-14.0	5.2	4.6	-14.2	-14.2	-14.2	جميع الاقتصاد
3.8	7.5	11.4	14.8	2.4	4.6	6.9	التغير (%)
-0.2	-0.4	1.4	-2.4	-36.8	-38.2	-39.1	الناجح المحلي الإجمالي النفطي
4.3	8.7	13.6	18.9	4.4	8.9	14.1	التغير (%)
8.3	7.3	8.2	10.1	4.1	3.7	3.9	الناجح المحلي الإجمالي غير النفطي ١
							التغير (%)
							النفط الخام العالمي
106.0	105.4	106.7	103.2	62.0	56.7	59.1	السعر (دولار/برميل)
85	85	88	87	87	89	91	الإنتاج (مليون برميل)
							التجارة (مليار ر.ع.)
3.4	3.2	3.5	3.2	2.2	1.8	1.9	الصادرات النفطية
1.0	0.8	1.2	1.0	0.7	0.9	0.9	الصادرات الغير نفطية
0.8	0.8	0.7	0.7	0.5	0.5	0.7	إعادة التصدير
2.8	2.8	2.8	2.8	2.7	2.8	2.9	الواردات
							مؤشرات الأسعار (ربيعي) ٢
101.5	102.0	102.4	102.4	102.1	101.9	102.5	الرقم القياسي العام لأسعار المستهلكين بالسلطنة
0.8	1.4	0.8	0.9	0.6	-0.1	0.1	التغير (%)
0.8	1.5	0.6	0.6	0.6	0.1	0.5	الرقم القياسي العام لأسعار المستهلكين (مسقط)
1.4	1.8	1.1	1.3	0.4	-0.5	-0.2	الرقم القياسي العام لأسعار المستهلكين (شمال الباطنة)
0.2	0.7	0.8	1.3	1.4	0.7	0.3	الرقم القياسي العام لأسعار المستهلكين (الظاهرة)
0.0	0.4	0.2	0.6	0.3	-0.3	0.2	الرقم القياسي العام لأسعار المستهلكين (الداخلية)
0.4	1.7	1.3	1.2	0.7	-0.6	-0.5	الرقم القياسي العام لأسعار المستهلكين (جنوب وشمال الشرقية)
1.2	1.6	1.9	1.5	1.5	0.7	0.6	الرقم القياسي العام لأسعار المستهلكين (ظفار)
1.4	1.4	0.6	1.3	0.2	-0.2	-0.2	الرقم القياسي العام لأسعار المستهلكين (البريمي)
							قطاع النقد (مليار ر.ع.)
12.7	13.0	12.9	13.8	14.4	14.2	14.8	السولة المحلية (م) ٢م
15.6	16.4	16.5	16.9	17.4	17.8	17.9	إجمالي الائتمان
6.2	6.3	6.5	6.7	6.8	7.0	7.0	القروض الشخصية
4.9	4.7	4.8	4.7	4.6	4.5	4.5	متوسط سعر الفائدة (%)
							القوى العاملة في القطاع الخاص (صافي الإجمالي في نهاية الفترة)
186.1	189.9	192.9	197.5	202.0	206.0	207.0	عراقي
1535.9	1539.2	1550.4	1570	1594	1623.6	1654.3	وافد

١ الوساطة المالية المقدرة بطريقة غير مباشرة والضرائب على الواردات خصصت بالكامل لأنشطة غير النفطية في هذه البيانات.

٢ تم تحديث السنة المرجعية للأرقام القياسية لأسعار المستهلكين لعام ٢٠١٣ لتكون سنة الأساس ٢٠١٢ عوضاً عن ٢٠٠٠.