

# ANNUAL REPORT 2015



Central Bank of Oman



Economic Research & Statistics Department  
P.O. Box 1161 Ruwi, Postal Code 112, Sultanate of Oman  
Tel: (968) 24 777 777 Fax: (968) 24 777 714  
Website: <http://www.cbo.gov.om>  
E-mail: [ersd@cbo.gov.om](mailto:ersd@cbo.gov.om)

# Central Bank of Oman



## Annual Report 2015

June 2016







H.M. Qaboos bin Said, Sultan of Oman



# **CENTRAL BANK OF OMAN**

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# FOREWORD

The Central Bank of Oman takes great pleasure in presenting its Annual Report for the year 2015 to His Majesty, Sultan Qaboos bin Said, Sultan of Oman.

The sustained drop in global oil prices has brought to the fore several challenges to the Omani economy. With the hydrocarbon sector still fundamental to the Sultanate's economy, the low oil prices have impacted exports, government revenue and overall economic activity adversely. Nominal GDP of Oman contracted by 14.1 percent in 2015 as against a robust average growth of 11.3 percent during the five year period 2010-2014. Notwithstanding 4.0 percent increase in crude oil production, contraction of nominal GDP directly originating from the petroleum sector was pronounced at 38.2 percent in 2015. The non-petroleum sector, however, registered a modest growth of 2.3 percent during the period.

Low oil prices have also brought reversal in fiscal metrics which has enhanced the urgency for Oman to undertake fiscal adjustments and reforms. Reflecting the authorities resolve to maintain macroeconomic stability, the State Budget 2016 has ushered in meaningful fiscal reforms with bold measures to augment non-tax revenue, rein in current expenditure and implement subsidy reforms by linking energy and retail petrol prices to international prices. On the positive side, the low magnitude of government debt to GDP in Oman would enable adequate leeway for external financing of the widening fiscal deficit.

While the inflationary pressure in the Sultanate of Oman continued to soften, monetary policy has been formulated against the backdrop of relatively comfortable liquidity conditions and lower inflation. Broad money supply (M2) and total bank credit expanded by 10 percent and 12 percent, respectively in 2015. Reflecting relatively easy liquidity conditions, the domestic interest rates moderated. Despite adverse external developments, Oman's banking system remained stable, well capitalized and resilient. Oman's balance of payments witnessed some pressure during 2015 due to low oil prices and weak external demand in GCC area.

As the monetary agency of the country as well as the regulator and supervisor of the financial system, the Central Bank of Oman (CBO) has been proactive in taking appropriate policy measures to preserve the financial stability of the financial sector. As a regulatory initiative, CBO has issued operational guidelines on capital buffer requirements under Basel III. Moreover, CBO has mandated banks and FLCs to make specific provisioning on restructured loan balances with a view to ameliorate potential risks due to economic downturn.

The Central Bank of Oman acknowledges with great appreciation the cooperation and support it has been receiving on a sustained basis from the Government, commercial banks and other institutions in Oman. It takes this opportunity to place on record its deep appreciation for the management and the staff of the Bank for their continued commitment to work and excellent contribution to the smooth and efficient functioning of the CBO.

**Dr. Ali Mohammed Moosa**  
**Deputy Chairman, CBO Board of Governors**





# **Overview and Outlook**



# OVERVIEW AND OUTLOOK

## International Developments

Global growth was uneven and struggling to gain traction in 2015. Advanced economies (AEs) exhibited some loss of growth momentum in the second half of 2015. Among the AEs, growth faltered especially in the United States, Japan and in some advanced Asian economies. Amidst increased volatility in financial markets, several major emerging market economies depicted signs of weakness. While China and India registered high growth rates, Brazil, Russia and other commodity exporting countries experienced heightened macroeconomic challenges. The softened global activity in the late 2015 can be traced to three major phenomena, namely slowdown in China with attendant spill overs through trade and investment channels, renewed drop in commodity prices in particularly oil and diminished capital flows to emerging market economies. These factors coupled with geopolitical tensions and political disruptions exacerbated uncertainty and led to subdued economic activity.

The International Monetary Fund (IMF) in its April 2016 World Economic Outlook (WEO), forecasted the global growth to be a shade higher in 2016 at 3.2 percent, as compared to 3.1 percent in 2015. For 2017, the forecast for global growth has been lowered to 3.5 percent, from that of 3.6 percent projected in January 2016. The advanced economies would continue to grow at 1.9 per cent

in 2016 as in 2015. GDP growth for Emerging Market and Developing Economies (EMDEs) is projected at 4.1 per cent in 2016, marginally higher than 4.0 per cent in 2015. Inflationary pressures in AEs measured by Consumer Price Index softened in 2015 to 0.3 percent on average mostly indicative of marked drop in commodity prices. Inflationary pressures in many emerging market economies stabilized benefiting from the lower prices of oil, food and metal in 2015.

Oil prices continued to slide further by 32 percent from August 2015 to February 2016 due to ample supply from the Organization of the Petroleum Exporting Countries (OPEC) and Russia, anticipation of augmented supply from the Islamic Republic of Iran and weakened global demand. With extended period of low hydrocarbon prices, the growth rate of countries in the Gulf Cooperation Council (GCC) is expected to be subdued at 1.8 percent in 2016 as compared to 3.3 percent in 2015. Inflation in the GCC countries continued to remain low at around 2.5 percent in 2015 and is expected to rise marginally to 3.3 percent in 2016 on account of implementation of fiscal consolidation measures.

According to the World Trade Organization, the growth in volume of world trade in goods and services is expected to remain sluggish at 2.8 percent in 2016 (unchanged from 2.8 percent in 2015) and to rise to 3.6 percent for 2017. In its

April 2016 WEO, the IMF predicts that the growth in world trade volume in goods and services will be at 3.1 percent in 2016 and 3.8 percent in 2017.

## Domestic Macroeconomic Developments

### Economic Growth

After five uninterrupted years of robust growth, the Omani economy recorded a contraction in 2015, mainly on account of the low oil prices in the international markets and partly due to global slowdown. Despite increased oil production, net exports suffered a setback in 2015 due to low oil prices. Ambitious fiscal consolidation measures reduced Government expenditure significantly in order to contain deterioration in the budget balances. Consequently, nominal GDP contracted by 14.1 percent in 2015 reflecting the reduction in two key constituents of aggregate demand, namely, rationalization in Government expenditure and slowdown in exports as against a robust average growth of 11.3 percent during the five year period from 2010 to 2014. Component-wise, nominal petroleum sector GDP declined significantly by 38.2 percent in 2015, while the non-petroleum sector registered a modest growth of 2.3 percent during the period. In 2015, non-petroleum industrial activities witnessed a marginal growth of 0.4 percent, mainly due to reduced government spending and economic downturn, as compared to a modest increase of 3.8 percent in the previous year. Within non-petroleum industrial activities, manufacturing accounted for 51.3 percent, followed by construction (38.9 percent), electricity and water supply (7.3 percent), and mining and quarrying (2.5 percent). While GDP originating from manufacturing contracted by 6.7

percent, 'mining and quarrying', 'electricity and water supply' and construction sectors recorded positive growth of 13.8 percent, 11.0 percent and 8.6 percent, respectively in 2015. Manufacturing sector accounted for 10.9 percent of GDP in 2015 compared to annual average 10.6 percent in the period 2011-2014. In 2015, value added in the services sector exceeded that in the hydrocarbon sector after trailing behind during the recent period of oil price boom. As a result, the share of services in the overall GDP improved to 48.9 percent in 2015 from an average of 36.9 percent during the previous five years, suggesting resilience of the services sector. The impact of the low oil prices on the services sector was discernible with services sector GDP in 2015 rising modestly by 3.1 percent to RO 13,215.9 million over the previous year's record of RO 12,814.5 million.

### Employment

Creation of adequate employment opportunities for the Omanis has been one of the major macroeconomic objectives of the Government during the recent years. During 2014, employment in the public sector registered a marked growth of 10.3 percent compared to an average increase of 6.6 percent during the previous five years. While employment of Omanis in the public sector increased by 9.0 percent in 2014 that of expatriates continued to expand significantly by 18.7 percent over the previous year. In the private sector, however, the momentum of employment generation slowed to 3.3 percent in 2014 following overall slowdown of the economy, as against an average growth of 11.9 percent during the previous five years. The composition of employment in the private sector has been generally dominated

by expatriates and the growth of employment for expatriates in the private sector remained consistently higher in this sector than that in the public sector since 2009. In the private sector, employment of expatriates increased by 2.7 percent as compared to a rise of 8.6 percent for Omanis in 2014.

## Prices

Inflationary pressures in Oman abated significantly in 2015 mainly due to the decline in international commodity prices, reduced public spending in Oman and notable appreciation of US Dollar in real effective terms since mid-2014. Annual inflation measured by movement in the average Consumer Price Index (CPI) for the Sultanate decelerated to 0.1 percent in 2015 compared with an average of 2.5 percent during the previous five years. The recent behavior of prices in Oman owes its origin to both demand and supply side factors emanating from domestic as well as external sources. From the demand side, contraction in the nominal GDP in Oman in 2015 was mainly due to sharp fall in crude oil prices in the global markets and fiscal policies pursued by the Government. While external demand declined sharply following the average price of Omani crude falling by 43.5 percent in 2015, domestic demand weakened due to significant consolidation in Government expenditure (-9.7 percent) and subdued expansion in broad money (10.0 percent) in 2015 over the previous year. Among the supply side factors, inflation was low in Oman because world food and metal prices declined by 17.1 percent and 23.1 percent, respectively in 2015. The change in import price, namely unit value index of imports, which had been rising during the recent year,

declined in 2015 by 35.5 percent, making imported goods cheaper in Oman.

## Oil and Gas

The oil and gas sector continued to play a dominant role in the economy of Oman in 2015. Crude oil production, subdued in 2014, turned around by 4.0 percent to 358 million barrels in 2015. Production of natural gas also increased by 5.6 percent to 39,801 million cubic meters in 2015 compared to 37,682 million cubic meters in 2014. Crude oil exports in volume terms increased by 5.4 percent to 308 million barrels in 2015 compared to 292 million barrels in the previous year. However, the average price realization for Omani crude oil declined by 45.3 percent to US \$ 56.5 per barrel in 2015 from US \$ 103.2 per barrel in 2014 due to ample supply, lack of aggregate demand in emerging market economies, etc. As a result, the share of oil and gas in terms of major parameters of the economy witnessed a decline in 2015. Despite decline in shares, oil and gas together accounted for 33.9 percent of GDP, 78.7 percent of government revenues, and 59.4 percent of total merchandise exports in 2015.

## Government Finance

Overall fiscal balance of Oman came under pressure in 2015 mainly due to fall in revenues owing to decline in average crude oil price and general slowdown of the economy. After continuous growth in total revenues during 2009-14, Oman recorded a revenue decline of 35.7 percent to RO 9,067.5 million in 2015. The decline in the net oil revenues was significant (RO 4,549 million or 44.6 percent), followed by gas revenues

(RO 203 million or 12.0 percent) and other current revenues (RO 119 million or 6.0 percent). Fiscal consolidation measures reined in government expenditure (by 9.7 percent to RO 13,698.9 million) significantly in order to contain deterioration in the budget balances. Consequent to the decline in government revenue far outstripping the consolidation in government expenditure, the overall fiscal deficit widened to RO 4631.4 million in 2015, which was about 17.1 percent of GDP as compared with persistent modest deficits observed in the overall fiscal balance during the recent years. Approximately, 70 percent of the overall deficit in 2015 was financed by drawing down of reserves while the remaining 30 percent was financed through loans, grants, and residual surplus transferred from 2014. As a part of ongoing fiscal consolidation strategy, Government rationalized current expenditure and investment expenditure by 4.6 percent and 7.5 percent, respectively in 2015 keeping in view the long-term growth objective of the economy.

The Sultanate's annual State General Budget for the year 2016 has been dovetailed with the objectives stated under the Ninth Five-Year Development Plan (2016-20) and attempts to address the ensuing challenges in fiscal management of the country. As the first year of the current five-year development plan, the 2016 budget is expected to set the momentum for the country's developmental priorities and economic growth over the next five years which is anticipated to witness substantial reduction in government revenues that would in turn support a path of fiscal consolidation in the medium term. The 2016 budget endeavors to focus on measures aimed at (i) augmenting non-oil revenue, (ii) rationalizing government spending

and (iii) initiating reforms in subsidies. Factoring in the sustained drop in oil prices, budget for 2016 assumed average Omani crude oil price at US \$ 45 per barrel. While Government revenues have been projected to decrease by 25.9 percent to RO 8,600 million in 2016 from the previous year's budgeted revenues of RO 11,600 million, aggregate expenditure is expected to drop by 15.6 percent to RO 11,900 million from RO 14,100 million during the same period. On the basis of assumed price for Omani crude in the budget for 2016, the overall fiscal deficit has been budgeted at RO 3,300 million in 2016. Going by the recent volatility in international prices of crude oil, average price realization for Omani crude in 2016 may be lower than that assumed in the budget which may point to pressure on the overall fiscal balance.

### Monetary Conditions

Given the low inflationary environment and moderate non-hydrocarbon growth, the CBO continued with its accommodative monetary policy stance. With domestic liquidity conditions still remaining comfortable, monetary aggregates in Oman expanded with some moderation during 2015. Broad money grew at 10 percent on a year-on-year basis. Reserve money registered an unusual large growth of 70 percent over the year as banks' deposits mainly in the form of clearing balances held with CBO increased to RO 3.8 billion at the end of December 2015 from RO 1.7 billion a year ago. Other depository corporations extended total credit amounting to RO 20.1 billion outstanding as at the end of December 2015, a rise of 12 percent over the previous year end. Their investments also rose by 7.9 percent to RO 3.2 billion at the end of the year. Total deposits held

with the other depository corporations witnessed a rise of 8 percent over the year to RO 19.4 billion at the end of December 2015.

During 2015, with liquidity conditions relatively comfortable, both deposit and lending rates in Oman softened. While the average interest rate on Rial Omani deposits declined from 0.986 percent in December 2014 to 0.936 percent in December 2015, interest rates on foreign currency designated deposits moved up marginally from 0.870 percent to 0.894 percent during the same period. While interest rates on foreign currency deposits are mostly governed by LIBOR rates, Rial Omani interest rates are impacted by the liquidity conditions. With regard to lending rates, while the weighted average interest rate for lending in local currency declined from 5.080 percent in December 2014 to 4.762 percent in December 2015, interest rates on foreign currency lending edged up from 2.378 percent to 2.592 percent during the same period. However, some tightening of liquidity conditions has been observed in the recent months of 2016, with increased competition amongst banks for deposit mobilization leading to increases in the level of interest rates. However, as US policy rates rise, the domestic lending rates are expected to move upwards.

## Financial System

A well calibrated and gradual approach to banking sector reforms by the CBO has led to the emergence of a strong and resilient banking system over the years. Despite the challenges facing the economy in the current environment of low oil prices, the banking sector remains robust supporting economic diversification initiatives and

credit needs of growing young population. Risk-based supervision of banks, implementation of Basel accords, development of modern payment and settlement systems have led to financial stability. While total assets, core capital and reserves, and supplementary capital showed improvement, credit, deposits and investments of other depository corporations expanded albeit with some moderation. The overall capital adequacy ratio in relation to risk weighted assets of banks remained comfortable at 16.1 percent at the end of 2015 which was considerably higher than the minimum regulatory requirement. With regard to delinquency rates and the non-performing loans (NPLs), the ratio of NPLs to total advances remains well within 2.0 percent at end-December 2015. Despite slowdown in the economic activity and subdued credit growth, commercial banks maintained a healthy level of profits recording RO 393.4 million in 2015 compared to RO 362.9 million in the previous year.

As a regulatory initiative, CBO has issued operational guidelines on capital buffer requirements under Basel III. Moreover, CBO has mandated banks and FLCs to make specific provisioning on restructured loan balances with a view to ameliorate potential risks due to economic downturn. With a view to augment liquidity with banks and encourage investments, it was decided to permit banks' investments in unencumbered Treasury bills, Government Development Bonds and Oman Government Sukuk to be part of eligible reserves up to a maximum of 2 percent of deposits effective April 1, 2016.

During 2015, there were two Government Development Bond issues totaling RO 500 million



and one Sovereign Sukuk of RO 250 million. As at the end of December 2015, the outstanding GDBs amounted to RO 1,330 million compared to RO 930 million at the end of the previous year. The various segments of the financial markets, namely, the money market, capital market and the foreign exchange market remained orderly and stable during the year.

### Balance of Payments

On account of low oil prices during 2015, the balance of payments position came under stress with the current account turning to sizable deficit as against a surplus in the previous years. The merchandise trade surplus posted a fall of 64.5 percent to RO 3.5 billion in 2015 from RO 9.9 billion during 2014, mainly on account of the decline in the value of exports, notably crude oil. To a lesser extent though, this decline was mitigated by the reduced level of imports by 4.8 percent during the year in relation to the previous year's import. The combined deficit on services, income and current transfers stood at RO 7.7 billion in 2015 as compared to RO 8.3 billion in 2014. The current account registered a deficit of RO 4.2 billion in 2015 (equivalent to 15.4 percent of nominal GDP) as against a surplus of RO 1.6 billion or 5.1 percent of nominal GDP in 2014. With oil prices continuing to remain low in 2016, it is expected that Oman's current account will continue to be in deficit mode in 2016 too. The capital and financial account experienced a net inflow of RO 4,741 million in 2015 as against an outflow of RO 701 million last year, reflecting the gap between domestic savings over investment demand. The overall balance of payments position registered a surplus of RO 235 million during 2015 giving rise to the accretion of

foreign exchange reserves by the same amount. Foreign exchange reserves of the Central Bank of Oman (net of valuation adjustment) increased by RO 547 million, while Government reserves decreased by RO 312 million in 2015. As at the end of 2015, the gross foreign assets of the Central Bank of Oman stood at RO 6,745.8 million providing import cover for around 8 months of merchandise goods.

### Outlook

#### Global Prospects

The prospects of global growth is projected to improve modestly in 2016 than in 2015. Upturn in oil prices, less than anticipated capital outflows from China, continued recovery in the United States and accommodative monetary policies pursued by the major central banks have boosted sentiments for higher growth outlook. According to the IMF World Economic Outlook published in April 2016, the global economy is projected to grow at 3.2 percent in 2016 compared with a 3.1 percent expansion recorded in 2015. Economic activities in the advanced economies is projected to grow at 1.9 percent in 2016, the same pace as in 2015. Emerging market and developing economies, on the other hand, are anticipated to grow marginally faster at 4.1 percent in 2016 after growing by 4.0 percent in 2015. The emerging market and developing economies which contribute to a sizeable share of world growth are projected to grow at 2 percentage points lower than the average growth rate in the previous decade. This modest economic expansion is indicative of weakened growth in oil-exporting economies, rebalancing of activity towards consumption and services in



China from investment and exports and subdued prospects for non-oil commodities exporters.

It is expected that growth momentum in the US will be maintained at 2.4 percent in 2016 with a marginal upturn in 2017. Growth prospects in US would be bolstered by improving housing sector, strengthened balance sheets and fiscal consolidation in 2016. In AEs, pickup in growth will entail monetary policy to remain accommodative where inflationary pressures are benign.

According to the Regional Economic Outlook for Middle-East and North Africa, Afghanistan and Pakistan (MENAP) region, brought out by the IMF in April 2016, economic activity in the Gulf Cooperation Council (GCC) countries are projected to weaken to 1.8 percent in 2016 from 3.3 percent in 2015. Inflationary pressure in GCC countries continued to remain low at around 2.5 percent in 2015 and is expected to rise to 3.3 percent in 2016.

### Outlook for the Omani Economy

The Sultanate of Oman registered a robust overall real economic growth of 5 percent, in the previous decade prior to the marked drop in oil prices. Prudent fiscal measures ensured high fiscal buffers and public debt to GDP ratio stood at 5 percent at end-December 2014. On the external front, gross foreign exchange reserves exceeded 6 months of import. The Vision 2020 and successive Five Year Development Plans pursued the strategy of economic diversification, greater role for the private sector, improved business climate for attracting foreign direct investment etc. During the previous ten year period, the share of non-

hydrocarbon sector had increased from 16 percent to 41 percent of merchandise exports, while the share of non-oil revenue in public revenue had grown from 14 percent to 22 percent. Over the years, the government of Oman implemented sound macroeconomic policies resulting in strong growth, moderate inflation and stable financial system.

The sharp decline in oil price since mid-2014 and renewed dip in oil price from end of 2015 to January 2016 have turned the fiscal and external balances into sizeable deficits in 2015. In order to contain fiscal metrics within manageable limits, the authorities have implemented fiscal adjustments through spending cuts, augmenting non-oil revenues and undertaking subsidy reforms. Expectation of low oil price to prolong would warrant contingency plans of further spending restraint and revenue measures including expanding non-oil revenue, prioritizing capital expenditure, reducing current expenditure and enhancing user fees. On the other hand, gains from quick recovery in international oil prices would be an opportunity for greater fiscal savings facilitating restoration of fiscal sustainability in the medium term. With a view to enhance non-hydrocarbon revenue, additional fiscal measures have been planned. Corporate income tax is expected to be raised from 12 percent to 15 percent in 2017 and VAT to be introduced in 2018. There are mechanisms in place in the form of high level committees drawing participation from the Ministry of Finance (MoF), the Supreme Council of Planning (SCP), the Central Bank of Oman (CBO) and the Sovereign General Reserve Fund (SGRF) for close coordination to address issues relating to liquidity management and financing of debt.

With a view to finance the fiscal deficit, the authorities have planned to utilize fiscal buffers, raise loans from domestic market without crowding out credit to private sector and access external markets by the Sovereign and Government related entities. Successful raising of USD 1 billion in 2015 and of USD 2.5 billion in June 2016 underscores strong investor appetites. Authorities also plan part sale of public sector entities to the State General Reserve Fund which would reduce immediate financing pressures.

The Ninth Five Year Development Plan (2016-2020) seeks to achieve higher economic growth through focused investment in five sectors namely, manufacturing, logistics, tourism, fisheries and mining. It is intended that the private sector would play a significant role in the expansion of activity in these sectors. The Government and the CBO have instituted policies and programs to support the SME sector. The CBO has been adopting an accommodative monetary stance to stimulate economic growth, provide adequate liquidity so that genuine credit needs are met and the commitment to the dollar peg, which has served the Omani economy well as a nominal anchor, is maintained.

The financial health of banks in terms of assets quality, provision coverage, capital adequacy and profitability remained strong. Given the fact that banks in Oman are well capitalized and comply with the international regulatory prescriptions such

as Basel III capital and liquidity standards, there is not much concern regarding the likely impact of NPLs on the capital adequacy of banks.

On the external sector front, authorities are planning measures in the medium term to bolster earnings from tourism, strengthening of manufacturing sector, and ratification of a new investment law to attract foreign investment to Oman. The law, which is in the final stage, would provide greater clarity, provides for dispute resolution and includes international arbitration and thus enhances investment security for investors.

In the short-term the Omani economy is well placed to face the macroeconomic challenges emanating from low oil prices. The Sultanate is projected to realise positive real GDP growth in 2015 due to enhanced oil and gas production and weakened GDP deflator. The outlook for 2016 would be shaped by various factors including the movement in oil price, materialization of rate hikes by the Federal Reserve, volatility in global financial markets and the exit of Britain from the European Union. The British economy may suffer from lower economic growth due to dislocation of trade and business. Britain being one of the top-most source of FDI into Oman, the authorities have to closely monitor the development as it unfolds. Similarly, the implications of Chinese slowdown on Oman's export have to be observed closely and remedial measures have to be initiated.

## **Output, Employment and Prices**



## OUTPUT, EMPLOYMENT AND PRICES

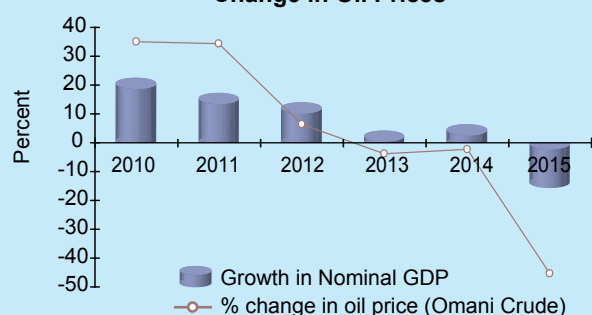
The sharp decline in oil prices during 2015 has constrained economic activity in Oman during the year. After five uninterrupted years of robust growth, the Omani economy witnessed a contraction in 2015, mainly due to the drop in crude oil prices in the international markets and partly due to global slowdown. Despite increased oil production, net exports suffered a setback in 2015 due to low oil prices. Ambitious fiscal consolidation measures reduced Government expenditure significantly in order to contain deterioration in the budget balances. Consequently, nominal GDP contracted by 14.1 percent in 2015 reflecting the reduction in two key constituents of aggregate demand, namely, rationalization in Government expenditure and slowdown in exports as against a robust average growth of 11.3 percent during the five year period from 2010 to 2014 (Table 2.1 & Chart 2.1). Component-wise, nominal petroleum sector GDP declined significantly by 38.2 percent in 2015, while the non-petroleum sector registered a modest growth of 2.3 percent during the period (Chart 2.2).

The Sultanate faced a number of macroeconomic challenges in 2015. The share of hydrocarbon exports to total exports which averaged around 68 percent during 2011-2014 decreased to 59.4 percent in 2015. Secondly, oil and gas revenue as a proportion of total government revenue dropped to 78.7 percent in 2015 as compared to the average of 84 percent during the period 2010 to 2014. Thirdly, the share of petroleum sector activity in Oman's GDP at market prices

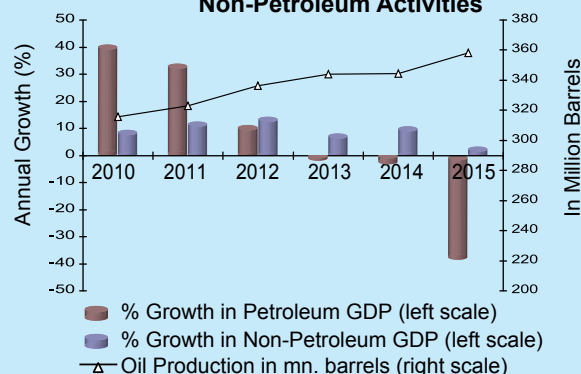
deteriorated to around 34 percent in 2015 from the average of around 50 percent in the period 2010-2014. Fourthly, the nominal Gross Domestic Product (GDP) which continued to grow at an annual average rate of 11.3 percent in 2010-2014 contracted by 14.1 percent during 2015.

Generation of employment in the public sector gained traction while employment in the private sector weakened in 2014. However, employment in the private sector for which data are available for 2015 indicated an 8 percent increase over the previous year (Table 2.5). While consumption demand was sustained, investment activities, particularly by the private sector, were held back due to prevailing uncertainties. External demand was weak due to contraction in global merchandise trade following global recession. The inflationary pressures in Oman abated progressively during 2015 due to slowdown of the economy and decline in prices of essential commodities in the international markets. The inflation rate measured by the movement in the average Consumer Price Index (CPI) for the Sultanate decelerated to 0.1 percent in 2015 compared to 1.0 percent in the previous year. Key policy challenges during 2015 were partly to minimize the adverse impact of low oil prices on the Omani economy and more importantly to revive the domestic economy from the downturn. While the policy of fiscal consolidation pursued by the Government during 2015 mitigated deterioration of fiscal metrics, accommodative monetary policy kept the liquidity condition at comfortable level enabling commercial banks

**Chart 2.1: Nominal GDP Growth and Change in Oil Prices**



**Chart 2.2: Oil Production, Petroleum & Non-Petroleum Activities**



**Table 2.1  
Output Indicators**

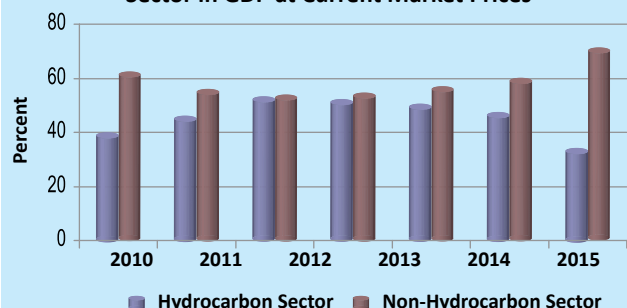
| Items                                               | 2011    | 2012    | 2013    | 2014*   | 2015**  |
|-----------------------------------------------------|---------|---------|---------|---------|---------|
| GDP at current market price (R.O. Million)          | 26122.0 | 29353.3 | 30061.3 | 31450.8 | 27013.1 |
| Annual Growth (%)                                   | 15.9    | 12.4    | 2.4     | 4.6     | -14.1   |
| GDP at constant 2010 prices (R.O. Million)          | 22301.6 | 23880.7 | 24815.1 | 25533.3 | NA      |
| Annual Growth (%)                                   | -1.1    | 7.1     | 3.9     | 2.9     | NA      |
| GDP Deflator                                        | 117.1   | 122.9   | 121.1   | 123.2   | NA      |
| Annual Growth (%)                                   | 17.1    | 4.9     | -1.4    | 1.7     | NA      |
| Share in GDP at Current Market Price (in per cent)# |         |         |         |         |         |
| 1. Petroleum Activities                             | 53.2    | 52.3    | 50.6    | 47.2    | 33.9    |
| 1.1 Crude Petroleum                                 | 49.3    | 48.5    | 46.7    | 43.8    | 29.4    |
| 1.2 Natural Gas                                     | 3.9     | 3.8     | 3.9     | 3.4     | 4.5     |
| 2. Non-Petroleum activities                         | 54.0    | 54.6    | 57.2    | 60.2    | 71.7    |
| 2.1 Agri. and Fishing                               | 1.3     | 1.2     | 1.2     | 1.3     | 1.6     |
| 2.2 Industry                                        | 18.5    | 18.1    | 18.3    | 18.1    | 21.2    |
| 2.3 Services Activities                             | 34.3    | 35.4    | 37.7    | 40.7    | 48.9    |
| Components of GDP (in per cent)                     |         |         |         |         |         |
| a. Private Consumption                              | 28.2    | 28.7    | 30.2    | 30.7    | NA      |
| b. Government Consumption                           | 18.0    | 19.6    | 21.5    | 25.0    | NA      |
| c. Capital Formation (investment)                   | 24.2    | 27.3    | 28.5    | 28.0    | NA      |
| d. Exports-Imports (goods and services)             | 29.9    | 26.8    | 22.4    | 22.2    | NA      |

\* Provisional \*\* Preliminary NA:Not Available

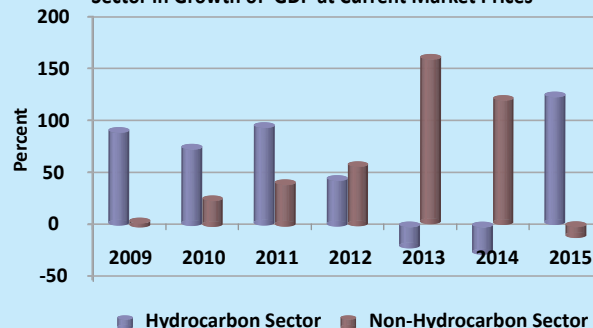
# Shares may not add up to 100 because two items are not considered here, i.e. net import taxes and financial intermediation services indirectly measured.

Source: National Center for Statistics and Information.

**Chart 2.3 (a): Share of Hydrocarbon and Non-Hydrocarbon Sector in GDP at Current Market Prices**



**Chart 2.3 (b): Contribution of Hydrocarbon and Non-Hydrocarbon Sector in Growth of GDP at Current Market Prices**



to meet all genuine credit demand. Despite the contraction of GDP in nominal terms, the real GDP growth is expected to be positive in 2015 driven by rise in crude oil production and subdued GDP deflator. Diversification of the economy pursued during the recent years moderated the adverse impact of the decline in oil prices in international markets in recent period.

In the current macroeconomic situation, diversification of the economy is the key to augment the non-hydrocarbon growth and increase employment opportunities. With the decline in oil prices, there has been contraction in petroleum sector's nominal GDP contribution, while the non-oil sector witnessed a modest growth. In recent years, there have been intensified efforts related to developing the financial sector, financing the private sector, improving investment climate, and promoting Small and Medium Enterprises (SMEs). The Ninth Five Year Development Plan (2016-2020) has identified five prime sectors, such as manufacturing, logistics, fisheries, tourism and mining for accelerated growth potential, promotion of the private sector as well as its contribution to the country's GDP. With continued focus on higher investment in these areas, domestic demand could

be sustained and the economic diversification program strengthened.

According to the estimations of the Supreme Council for Planning (SCP), manufacturing sector is projected to grow by an annual average of 3.5 percent in the period 2016-2020 and its contribution to GDP by 2020 would be around 15 percent compared to 11 percent in 2014. The foreign direct investment in the sector is expected to grow annually by an average of 11 percent in the period 2016-2020. Transportation and Logistics sector is estimated to grow by 1.5 percent annually. Its share of the GDP is expected to reach 2.7 percent by 2020. The SCP estimates that the tourism sector would grow by an annual average rate of 1.5 percent in the coming 9th Development Plan (2016-2020). The sector is expected to contribute about 3.2 percent of the GDP by 2020.

### Petroleum Activities

Notwithstanding the contraction of its share in GDP in 2015, the hydrocarbon sector continued to play a key role in the overall economic activity of the Sultanate. Detailed developments in the oil and gas sector are analysed in Chapter III. Production

of crude oil gained further traction in 2015 as compared to marginal growth witnessed in 2014. Crude oil production, in fact, accelerated by 4.0 percent to 358 million barrels in 2015 compared to a rise of 0.2 percent to 344 million barrels in 2014. The daily average production of crude oil in the Sultanate increased from 943.5 thousand barrels during 2014 to 981.1 thousand barrels during 2015. Despite the rise in production, the hydrocarbon sector nominal GDP recorded a negative growth of 38.2 percent in 2015 as compared to a marginal fall of 2.4 percent in the previous year (Table 2.2). The decline in the direct value addition from crude oil was more pronounced at 42.4 percent in contrast to a rise of 15.7 percent in the case of natural gas during 2015. The contraction of nominal GDP in the hydrocarbon sector was primarily attributed to fall in the prices of crude oil and gas in the international markets following ample supply, lack of adequate demand and global slowdown. During January-March 2016, the daily average production increased to 998.5 thousand barrels from 965.1 thousand barrels during January-March 2015. The Omani crude oil prices averaged US\$ 56.5 per barrel during 2015 as compared to US\$ 103.2 per barrel during 2014. During January-March 2015, the Omani crude oil prices averaged US\$ 34.8 per barrel.

Ongoing efforts to pursue economic diversification are becoming more critical in the environment of lower oil price. Oman's diversification program is largely linked to the natural endowment of the country i.e., oil and gas which are increasingly being used by a variety of other industries such as fertilizer, petrochemicals, aluminium, power generation and water desalination. Although associated value additions in these industries

are essentially indirect contribution of the oil and gas sector, these are reflected in the performance of the non-petroleum activities. As oil and gas are the primary source of industrialization and diversification in Oman, its indirect contribution to overall GDP is as important as its direct contribution. As the production of hydrocarbon sector was sustained, the impact of the low oil prices on the non-petroleum activities in Oman was somewhat contained in 2015. While crude oil production was 358 million barrels in 2015, its export was 308 million barrels which indicates that a significant portion of crude oil is being used by the existing and new refineries. Similarly, out of the total gas production in 2015, the bulk of it was used domestically in gas-based industries, mainly in industrial projects, oil fields and for power generation. In terms of direct contributions, oil and gas accounted for 29.4 percent and 4.5 percent of GDP in 2015, respectively (Table 2.1).

### Non-Petroleum Industrial Activities

The Government has been formulating policy and programs in order to accomplish the twin goals of economic diversification and employment generation. Towards this end, the "Vision 2020" has set a target of raising the manufacturing base of the country from 5 percent of GDP to 15 percent by 2020. The manufacturing base has been expanding under the diversification programme being pursued by the Government. In 2015, non-petroleum industrial activities witnessed a marginal growth of 0.4 percent, mainly due to reduced government spending and economic slowdown, as compared to a modest increase of 3.8 percent in the previous year. Within non-petroleum industrial activities, manufacturing accounted for 51.3



**Table 2.2**  
**Gross Domestic Product at Current Market Prices**  
 (Rial Omani Million)

| Activities                                                                               | 2011           | 2012           | 2013*          | 2014*          | 2015**         | %<br>Change<br>(2014/13) | %<br>Change<br>(2015/14) |
|------------------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|--------------------------|--------------------------|
| <b>1. Industry (1.1 + 1.2)</b>                                                           | <b>18716.2</b> | <b>20660.5</b> | <b>20702.5</b> | <b>20546.8</b> | <b>14893.5</b> | <b>-0.8</b>              | <b>-27.5</b>             |
| <b>1.1 Petroleum Activities</b>                                                          | <b>13888.8</b> | <b>15350.2</b> | <b>15205.8</b> | <b>14840.0</b> | <b>9164.7</b>  | <b>-2.4</b>              | <b>-38.2</b>             |
| - Crude Petroleum                                                                        | 12875.2        | 14239.1        | 14047.0        | 13780.1        | 7938.5         | -1.9                     | -42.4                    |
| - Natural Gas                                                                            | 1013.6         | 1111.1         | 1158.8         | 1059.9         | 1226.3         | -8.5                     | 15.7                     |
| <b>1.2 Non-Petroleum Industrial Activities</b>                                           | <b>4827.4</b>  | <b>5310.3</b>  | <b>5496.7</b>  | <b>5706.8</b>  | <b>5728.8</b>  | <b>3.8</b>               | <b>0.4</b>               |
| - Mining and Quarrying                                                                   | 98.8           | 100.9          | 114.7          | 124.5          | 141.7          | 8.5                      | 13.8                     |
| - Manufacturing                                                                          | 2979.9         | 3143.5         | 3138.8         | 3151.9         | 2939.6         | 0.4                      | -6.7                     |
| - Electricity & Water Supply                                                             | 301.9          | 318.9          | 346.2          | 376.2          | 417.6          | 8.6                      | 11.0                     |
| - Building and Construction                                                              | 1446.7         | 1747.0         | 1897.0         | 2054.3         | 2230.0         | 8.3                      | 8.6                      |
| <b>2. Agriculture &amp; Fishing</b>                                                      | <b>327.9</b>   | <b>341.3</b>   | <b>371.2</b>   | <b>406.1</b>   | <b>427.4</b>   | <b>9.4</b>               | <b>5.2</b>               |
| <b>3. Services</b>                                                                       | <b>8956.0</b>  | <b>10378.0</b> | <b>11330.4</b> | <b>12814.5</b> | <b>13215.9</b> | <b>13.1</b>              | <b>3.1</b>               |
| - Wholesale & Retail Trade                                                               | 1776.6         | 1963.0         | 2042.3         | 2083.6         | 2029.9         | 2.0                      | -2.6                     |
| - Hotels & Restaurants                                                                   | 170.3          | 218.8          | 238.2          | 258.7          | 266.5          | 8.6                      | 3.0                      |
| - Transport, Storage & Communication                                                     | 1226.2         | 1378.9         | 1469.2         | 1574.7         | 1636.5         | 7.2                      | 3.9                      |
| - Financial Intermediation                                                               | 1091.5         | 1273.5         | 1383.4         | 1511.7         | 1595.1         | 9.3                      | 5.5                      |
| - Real Estate & Business Activities                                                      | 1030.5         | 1090.8         | 1155.1         | 1230.5         | 1287.1         | 6.5                      | 4.6                      |
| - Public Administration & Defence                                                        | 1933.7         | 2472.2         | 2764.6         | 3163.9         | 3304.0         | 14.4                     | 4.4                      |
| - Other Services (Education, Health, Community/Personal Services, and Private Household) | 1727.1         | 1980.8         | 2277.6         | 2991.5         | 3096.7         | 31.3                     | 3.5                      |
| <b>4. Total Non-Petroleum Activities (1.2 + 2 + 3)</b>                                   | <b>14111.3</b> | <b>16029.6</b> | <b>17198.3</b> | <b>18927.4</b> | <b>19372.1</b> | <b>10.1</b>              | <b>2.3</b>               |
| 5. Less Financial Intermediation Services Indirectly Measured                            | 533.6          | 589.0          | 612.6          | 640.3          | 676.3          | 4.5                      | 5.6                      |
| <b>6. Gross Domestic Product at Producers Prices (1.1+4-5)</b>                           | <b>27466.4</b> | <b>30790.7</b> | <b>31791.5</b> | <b>33127.1</b> | <b>27860.5</b> | <b>4.2</b>               | <b>-15.9</b>             |
| 7. Plus :Taxes Less Subsidies on Products                                                | -1344.4        | -1437.5        | -1730.2        | -1676.3        | -847.4         | -3.1                     | 49.4                     |
| <b>8. Gross Domestic Product at Market Prices (6+7)</b>                                  | <b>26122.0</b> | <b>29353.3</b> | <b>30061.3</b> | <b>31450.8</b> | <b>27013.1</b> | <b>4.6</b>               | <b>-14.1</b>             |

\* Provisional

\*\* Preliminary

Source: National Center for Statistics and Information.

percent, followed by construction (38.9 percent), electricity and water supply (7.3 percent), and mining and quarrying (2.5 percent). While GDP originating from manufacturing contracted by 6.7 percent, 'mining and quarrying', 'electricity and water supply' and construction sectors recorded positive growth of 13.8 percent, 11.0 percent and 8.6 percent, respectively in 2015. Manufacturing sector accounted for 10.9 percent of GDP in 2015 compared to annual average 10.6 percent in the period 2011-2014. The diversification program aims to achieve the medium term target of manufacturing sector contributing about 15 percent to the overall GDP by 2020. Setback to the manufacturing sector in 2015 was primarily due to weak external demand following global slowdown.

The Ninth Plan (2016-2020) aims to enhance economic diversification process by adopting set of sectoral objectives, policies and mechanisms. Concerted efforts to develop these five sectors would accelerate untapped growth potential and would facilitate expeditious growth in non-oil sector. Moreover, these sectors have the ability to generate significant number of jobs in coming years.

Increasing the role of private sector in the national economy by stimulating domestic and foreign private investment is important. As part of efforts to diversify the economy, promote business environment in the Sultanate, increase employment opportunities and attract local and foreign investment, there has been several initiatives by the Government in the recent period to create infrastructural facilities in industrial clusters, industrial estates and free zones. The Government is focusing on developing the Duqm

Special Economic Zone (SEZ) centered around the multi-purpose commercial port, industrial area, new town, fishing harbor, tourist zone and other infrastructural facilities. Liwa Plastics project is another major ongoing project in the manufacturing sector which is expected to create significant number of employment as well as contribute sizeably to Oman's economic growth.

The Government and the Central Bank of Oman are also focusing to promote the setting up of Small and Medium Enterprises which would help provide more job opportunities besides expanding it as an important source of income to start-up and existing entrepreneurs. As such, the CBO has advised the banks that they should formulate a liberal lending policy for SMEs segment. The CBO also advised banks to extend credit to SMEs at low interest and other costs as far as possible, while allocating 5 percent of their total credit to the sector. Some of the prudential requirements for banks to lend to SMEs have also been relaxed.

### Agriculture and Fishing

The topography of Oman puts natural constraints on the growth of agriculture in the country. Scanty rainfall and inadequate availability of ground water in most part of the country are the two major impediments to make the country self-sufficient with respect to food grains and other farm products. As the country largely depends on imported foodgrains and other agro-based products, international prices of those commodities often influence the price situation in the domestic economy. Two consecutive years of marked fall in commodity food prices in the international markets benefited Oman to a great extent in terms

of moderation of domestic food prices. In order to make the growth process in Oman more resilient to the external price shocks, 'Vision Document' has set the target for the agriculture sector to contribute about 3.1 percent of GDP by 2020 with an annual growth rate of not less than 4.5 percent. The contribution of fishing sector to overall GDP has been set at 2 percent by 2020 with an annual growth rate of 5.6 percent. Agriculture and fishing sector registered a nominal growth of 5.2 percent in 2015 as against an average growth of about 6.9 percent in the previous four years. The relative share of agriculture and fishing in the overall GDP improved marginally to 1.6 percent in 2015 compared to an average share of 1.3 percent during the previous five years. The real GDP originating from agriculture and fishing sector showed modest improvement during the recent years.

### Services

Diversification program pursued by the Government has contributed significantly to the growth of services sector in Oman during the recent years. The endeavour has been to augment the domestic supply of efficient services at competitive prices to contain the outflow of domestic income by way of import of services in an open economy environment. In 2015, value added in the services sector exceeded that in the hydrocarbon sector after trailing behind during the recent oil boom. As a result, the share of services in the overall GDP improved to 48.9 percent in 2015 from an average of 36.9 percent during the previous five years, suggesting resilience of the services sector. The impact of the low oil prices on the services sector was discernible with services sector GDP in 2015 rising modestly by 3.1 percent

to RO 13,215.9 million over the previous year's record of RO 12,814.5 million. While value added in 'wholesale & retail trade' suffered contraction to the tune of 2.6 percent, the remaining services, namely, 'financial intermediation', 'real estate and business activities', 'public administration and defense', 'transport, storage and communication' and 'hotels and restaurants' witnessed positive growth during 2015 over the previous year. It is worthwhile to mention that growth of 'wholesale and retail trade,' 'transport, storage & communication' and 'hotels and restaurants' are sensitive to fluctuation in domestic demand. In 2015, besides moderation of domestic demand, weak external demand impacted growth rate of these segments to a considerable extent. Government's resolve to sustain capital expenditure, particularly in the long-term projects such as infrastructure and positive growth of the construction sector contributed to 4.6 percent growth of the real estate services in 2015. The financial intermediation sector consolidated their position in 2015 and registered positive growth despite overall slowdown of the economy.

Government continued to support the tourism sector as part of the diversification programme. As against the planned annual target of 1.5 percent for the tourism sector indicated in the Ninth Five Year Development Plan (2016-20), the average contribution of 'hotels and restaurants' to GDP from 2011 to 2014 was 0.8 percent. Government has medium term objective to develop several tourism related projects in Oman during the Ninth Development Plan. During 2015, value addition in the area of 'hotels and restaurants' increased by 3 percent over the previous year.

### GDP at Constant Prices

GDP at constant prices is considered as the relevant indicator for analyzing growth performance around the world. However, in the case of the oil exporting countries, nominal GDP is impacted by fluctuations in crude oil prices in the international markets in a significant manner. The larger the size of the hydrocarbon sector, bigger is the impact of crude oil prices on the nominal GDP. Unlike oil exporting countries, it is the domestic prices which influence the nominal GDP in the rest of the world. However, oil exporting countries recognise the importance of both nominal and real GDP growth for the purpose of macroeconomic analysis. Moreover, national accounts data for Oman, both at current and constant prices, are based on market prices and not on factor cost.

According to the latest data available, Oman's real GDP at constant prices (Base year: 2010) exhibited a growth of 2.9 percent in 2014 as compared to 3.9 percent in previous year (Table 2.3). Real GDP growth in 2014 could be attributed mainly to higher growth of 4.6 percent in the non-petroleum sector over the previous year. The hydrocarbon sector Real GDP registered a contraction of 2.4 percent in contrast to a growth 2.4 percent in 2013. Oil production continued to be maintained almost at the same level as in 2013. The share of hydrocarbon sector in the real GDP continued to decline from 45.0 percent in 2013 to 43.6 percent in 2014. On the contrary, the share of non-petroleum sector in the real GDP improved further from 62.8 percent in 2013 to 63.9 percent in 2014 indicating progress in economic diversification.

Among the non-petroleum sector activities, while industrial sector registered higher growth of 5.6 percent in 2014, the services and agriculture and fishing sectors witnessed subdued growth at 4.2 percent and 3.3 percent, respectively, from 6.8 percent and 5.1 percent in 2013. Among the non-petroleum industrial activities, construction sector witnessed the highest growth (12.9 percent), followed by electricity and water supply (11.9 percent), and mining and quarrying (10.6 percent). Manufacturing suffered a contraction of 0.9 percent in 2014 as against an expansion of 2.4 percent in 2013. Among the services, value addition at constant prices was the highest for financial intermediation (8.1 percent), followed by 'transport, storage and communication' (6.8 percent), 'hotels and restaurants' (5.7 percent) and 'public administration and defense' (3.9 percent) etc. Notable growth of several constituents of non-petroleum industrial activities and service sector suggests steady progress of economic diversification which is crucial to make the overall growth process resilient over the years.

### Saving and Capital Formation

The latest data relating to Oman's saving and capital formation relate to 2014 (Table 2.4). According to the national accounts data released by the Government, gross capital formation as proportion to GDP marginally dropped to 28.0 percent in 2014 from 28.5 percent in the previous year. On average, the investment rate during the five year period 2010 to 2014 amounted to 27.0 percent of GDP, while the average real GDP growth was 3.2 percent, reflecting an average incremental capital-output ratio of 8.4.

**Table 2.3**  
**Gross Domestic Product at Constant (2010) Prices**  
 (Rial Omani Million)

| Activities                                                     | 2011           | 2012           | 2013*          | 2014**         | % Change<br>(2013/12) | % Change<br>(2014/13) |
|----------------------------------------------------------------|----------------|----------------|----------------|----------------|-----------------------|-----------------------|
| <b>1. Industry (1.1 + 1.2)</b>                                 | <b>14786.8</b> | <b>15511.5</b> | <b>16000.5</b> | <b>16232.0</b> | <b>3.2</b>            | <b>1.4</b>            |
| <b>1.1 Petroleum Activities</b>                                | <b>10597.5</b> | <b>10912.9</b> | <b>11170.4</b> | <b>11132.2</b> | <b>2.4</b>            | <b>-2.4</b>           |
| - Crude Petroleum                                              | 9716.8         | 10025.6        | 10263.2        | 10255.4        | 2.4                   | -0.1                  |
| - Natural Gas                                                  | 880.8          | 887.3          | 907.2          | 876.8          | 2.2                   | -3.3                  |
| <b>1.2 Non-Petroleum Industrial Activities</b>                 | <b>4189.3</b>  | <b>4598.6</b>  | <b>4830.1</b>  | <b>5099.8</b>  | <b>5.0</b>            | <b>5.6</b>            |
| - Mining and Quarrying                                         | 86.6           | 88.0           | 94.8           | 104.8          | 7.7                   | 10.6                  |
| - Manufacturing                                                | 2416.1         | 2460.0         | 2519.4         | 2496.4         | 2.4                   | -0.9                  |
| - Electricity & Water supply                                   | 308.5          | 347.2          | 366.2          | 409.8          | 5.5                   | 11.9                  |
| - Building and Construction                                    | 1378.1         | 1703.5         | 1849.8         | 2088.8         | 8.6                   | 12.9                  |
| <b>2. Agriculture &amp; Fishing</b>                            | <b>310.1</b>   | <b>318.2</b>   | <b>334.4</b>   | <b>345.6</b>   | <b>5.1</b>            | <b>3.3</b>            |
| - Agriculture                                                  | 203.7          | 189.6          | 196.0          | 205.3          | 3.3                   | 4.7                   |
| - Fishing                                                      | 106.4          | 128.6          | 138.5          | 140.3          | 7.7                   | 1.3                   |
| <b>3. Services</b>                                             | <b>8825.9</b>  | <b>9756.7</b>  | <b>10420.7</b> | <b>10860.7</b> | <b>6.8</b>            | <b>4.2</b>            |
| - Wholesale & Retail Trade                                     | 1728.6         | 2019.0         | 2077.6         | 2098.9         | 2.9                   | 1.0                   |
| - Hotels & Restaurants                                         | 166.2          | 205.0          | 214.3          | 226.6          | 4.6                   | 5.7                   |
| - Transport, Storage & Communication                           | 1288.3         | 1428.8         | 1484.7         | 1585.4         | 3.9                   | 6.8                   |
| - Financial Intermediation                                     | 1063.6         | 1163.1         | 1233.4         | 1333.7         | 6.0                   | 8.1                   |
| - Real Estate & Business Activities                            | 1004.1         | 1037.4         | 1084.1         | 1124.6         | 4.5                   | 3.7                   |
| - Public Administration & Defence                              | 1884.8         | 2146.2         | 2351.6         | 2443.3         | 9.6                   | 3.9                   |
| - Education                                                    | 996.8          | 1031.3         | 1145.8         | 1190.5         | 11.1                  | 3.9                   |
| - Health                                                       | 366.3          | 389.7          | 460.0          | 477.9          | 18.0                  | 3.9                   |
| - Other Community, Social and Personal Services                | 254.5          | 252.4          | 277.1          | 287.9          | 9.8                   | 3.9                   |
| - Private Household with Employed Persons                      | 72.5           | 83.7           | 92.0           | 92.0           | 9.9                   | 0.0                   |
| <b>4. Total Non-Petroleum Activities (1.2 + 2 + 3)</b>         | <b>13325.4</b> | <b>14673.5</b> | <b>15585.3</b> | <b>16306.1</b> | <b>6.2</b>            | <b>4.6</b>            |
| 5. Less Financial Intermediation Services Indirectly Measured  | 510.5          | 557.2          | 573.3          | 593.3          | 2.9                   | 3.5                   |
| <b>6. Gross Domestic Product at Producers Prices (1.1+4-5)</b> | <b>23412.4</b> | <b>25029.2</b> | <b>26182.4</b> | <b>26845.0</b> | <b>4.6</b>            | <b>2.5</b>            |
| 7. Plus : Taxes Less Subsidies on Products                     | -1110.8        | -1148.5        | -1367.3        | 1311.8         | 19.1                  | -4.1                  |
| <b>8. Gross Domestic Product at Market Prices (6+7)</b>        | <b>22301.6</b> | <b>23880.7</b> | <b>24815.1</b> | <b>25533.3</b> | <b>3.9</b>            | <b>2.9</b>            |

\* Provisional      \*\* Preliminary

Source: National Center for Statistics and Information.

**Table 2.4**  
**Gross Capital Formation and Saving**  
(Rial Omani Million)

| Items                                               | 2011           | 2012           | 2013*          | 2014**         |
|-----------------------------------------------------|----------------|----------------|----------------|----------------|
| <b>A. Gross Capital Formation at Current Prices</b> | <b>6330.8</b>  | <b>8024.9</b>  | <b>8554.6</b>  | <b>8801.5</b>  |
| (i) Building and Construction                       | 3680.0         | 4449.9         | 4832.6         | 5233.7         |
| (ii) Machinery & Equipment                          | 1888.6         | 2641.5         | 2660.6         | 2437.9         |
| (iii) Intangible Fixed Assets                       | 762.1          | 933.5          | 1061.5         | 1129.9         |
| Change in Inventories #                             | -112.5         | -735.2         | -811.0         | -1886.2        |
| <b>B. Gross Capital Formation as % of GDP</b>       | <b>24.2</b>    | <b>27.3</b>    | <b>28.5</b>    | <b>28.0</b>    |
| <b>C. Gross Domestic Saving</b>                     | <b>14023.0</b> | <b>15145.2</b> | <b>14476.3</b> | <b>13902.3</b> |
| D. Net primary Income from abroad                   | -1591.0        | -1770.0        | -1214.0        | -1466.0        |
| E. Net current transfers from abroad                | -2842.6        | -3187.4        | -3571.0        | -4040.2        |
| <b>F. Gross National Saving (C+D+E)</b>             | <b>9589.4</b>  | <b>10187.8</b> | <b>9691.3</b>  | <b>8396.0</b>  |
| <b>G. Gross Domestic Saving as % of GDP</b>         | <b>53.7</b>    | <b>51.6</b>    | <b>48.2</b>    | <b>44.2</b>    |
| <b>H. Gross National Saving as % of GDP</b>         | <b>36.7</b>    | <b>34.7</b>    | <b>32.2</b>    | <b>26.7</b>    |

\* Provisional      \*\* Preliminary

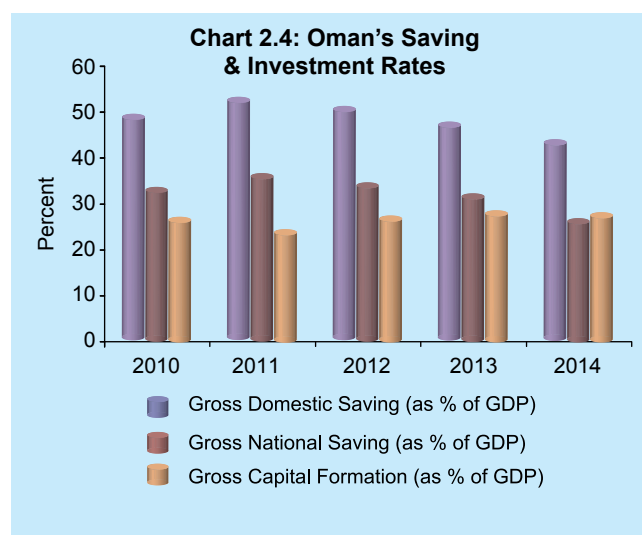
# Not included in Gross Capital Formation.

Source: National Center for Statistics and Information.

Capital formation in the form of 'building and construction' increased by 8.3 percent in 2014 compared to an average growth of 13.2 percent in the previous three years. Capital formation in terms of 'machinery and equipment', however, decreased by 8.4 percent in 2014 compared to an average growth of 10.4 percent in the previous three years. Growth of public investment for creating physical infrastructure in the country and the general boom in the construction sector contributed significantly in strengthening of the country's capital formation. Government investment expenditure accounted for 40.7 percent of the total capital formation in 2014 which explains the predominant role played by the Government in sustaining investment growth in the country.

The gross capital formation of a country is generally financed by domestic savings, supplemented by the foreign saving i.e. inflow of capital to finance the current account deficit.

In case of oil exporting countries like Oman, domestic savings often exceed investment due to current account surplus leading to outflow of capital for the creation of assets abroad. Oman's gross domestic saving as percentage of GDP reached 44.2 percent in 2014 compared to an average of 51.2 percent in the previous three years (Chart 2.4). Falling gross domestic saving ratio in Oman in 2014 was primarily driven by





large fiscal deficit resulting from the low oil prices. A large chunk of the gross domestic saving moved out of the country in the form of current transfer i.e., remittances by the expatriate workers in Oman (about RO 4 billion) and investment income i.e., net interest and dividend paid on external liabilities. Oman's gross national saving as percentage of GDP was lower at 26.7 percent in 2014 compared to gross domestic saving rate of 44.2 percent, implying leakage of savings out of the country to the extent of 17.5 percent of GDP. Gross national saving rate at 26.7 percent was lower than the domestic investment rate (28.0 percent), leading to disinvestment of foreign assets abroad to the tune of 1.3 percent of GDP. Oman has been a net exporter of capital in the recent years which is corroborated by surplus observed in the current account of the country's balance of payments. This may not hold true as the estimate for the current account balance pointed to a deficit of RO 4.2 billion during 2015 as against a surplus of RO 1.6 billion during the previous year.

## Employment

Coinciding with the oil price boom during 2010 to 2013, Omani economy grew at an accelerated rate since 2010. In the process, large employment opportunities were created for both Omanis and expatriates during the recent years. As the demand for labour exceeded supply in the domestic market, a large part of the demand was met from the external labour market. This could be observed from sharp increase in expatriate employment in Oman, particularly in the private sector (Table 2.5).

## Public Sector

Creation of adequate employment opportunities for the Omanis has been one of the major macroeconomic objectives of the Government during the recent years. During 2014, employment in the public sector registered a marked growth of 10.3 percent compared to an average increase of 6.6 percent during the previous five years (Table 2.5). While employment of Omanis in the public sector increased by 9.0 percent in 2014 that of expatriates continued to expand significantly by 18.7 percent over the previous year. However, the share of Omanis in the public sector employment decreased marginally to 84.5 percent in 2014 from 85.6 percent in the previous year. Modest rise in the share of expatriates in the public sector employment was primarily due to upturn of their share of employment in the civil service.

## Private Sector

Growth of employment opportunities has been impressive in the private sector during the recent years due to progress of diversification and incentives being given to the private investment. However, following overall slowdown of the economy, the momentum of employment generation in the private sector slowed to 3.3 percent in 2014 as against an average growth of 11.9 percent during the previous five years. The composition of employment in the private sector has been generally dominated by expatriates and the growth of employment for expatriates in the private sector remained consistently higher in this sector than that in the public sector since 2009 (Chart 2.5). In the private sector, growth of employment of expatriates increased by 2.7

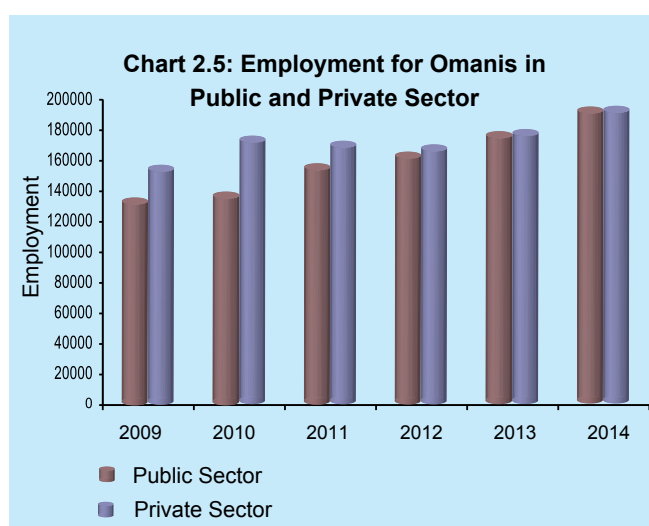
**Table 2.5**  
**Sector Wise Employment in Oman**

| Items                                            | 2011           | 2012           | 2013           | 2014           | 2015           |
|--------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>A. Public Sector Employees (A1+A2+A3+A4)*</b> | <b>184440</b>  | <b>194326</b>  | <b>211129</b>  | <b>232980</b>  | <b>-</b>       |
| Omanis                                           | 159258         | 166804         | 180737         | 196919         | -              |
| Expatriates                                      | 25182          | 27522          | 30392          | 36061          | -              |
| <b>A.1 Civil Service</b>                         | <b>144605</b>  | <b>151683</b>  | <b>166707</b>  | <b>178965</b>  | <b>-</b>       |
| Omanis                                           | 129107         | 134417         | 145736         | 154977         | -              |
| Expatriates                                      | 15498          | 17266          | 20971          | 23988          | -              |
| <b>A.2 Diwan of Royal Court</b>                  | <b>11822</b>   | <b>12520</b>   | <b>12097</b>   | <b>19349</b>   | <b>-</b>       |
| Omanis                                           | 7420           | 7972           | 8545           | 13393          | -              |
| Expatriates                                      | 4402           | 4548           | 3552           | 5956           | -              |
| <b>A.3 Royal Court Affairs</b>                   | <b>16547</b>   | <b>17712</b>   | <b>18717</b>   | <b>19525</b>   | <b>-</b>       |
| Omanis                                           | 13681          | 14622          | 15518          | 16229          | -              |
| Expatriates                                      | 2866           | 3090           | 3199           | 3296           | -              |
| <b>A.4 Public Corporations</b>                   | <b>11466</b>   | <b>12411</b>   | <b>13608</b>   | <b>15141</b>   | <b>-</b>       |
| Omanis                                           | 9050           | 9793           | 10938          | 12320          | -              |
| Expatriates                                      | 2416           | 2618           | 2670           | 2821           | -              |
| <b>B. Private Sector Employees</b>               | <b>1289031</b> | <b>1488248</b> | <b>1652996</b> | <b>1707903</b> | <b>1845658</b> |
| Omanis**                                         | 174441         | 172066         | 181860         | 197510         | 209620         |
| Expatriates                                      | 1114590        | 1316182        | 1471136        | 1510393        | 1636038        |

\* Excluding security and defense personnel.

\*\* Registered with Public Authority for Social Insurance (PASI).

Source: National Center for Statistics and Information.



percent as compared to a rise of 8.6 percent for Omanis in 2014. Nevertheless, as a result, the number of Omanis employed in the private sector is steadily rising to almost the same level in the public sector since 2007. The private sector has the potential to absorb large number of Omanis with greater skill acquisition and training.

Despite some slowdown in the growth of expatriate employment in the private sector in 2014, their numbers once again increased by 8.3 percent in 2015. The construction sector absorbed the maximum number of expatriates in 2014 with its



share in the private sector employment rising to 40.3 percent, followed by 'wholesale, retail trade and car repairs' (12.5 percent), 'manufacturing' (11.7 percent), 'domestic services' (10.7 percent), 'hotel and restaurants' (6.1 percent) and 'agriculture and fishing' (5.7 percent). These six sectors together accounted for 86.9 percent of the total employment of expatriates in the private sector. However, the growth of expatriate employment in 2014 was the highest in 'domestic services' (6.3 percent), followed by 'health and social work' (4.9 percent), 'education' (4.7 percent) and 'Extra-Territorial Organization & Bodies' (3.7 percent).

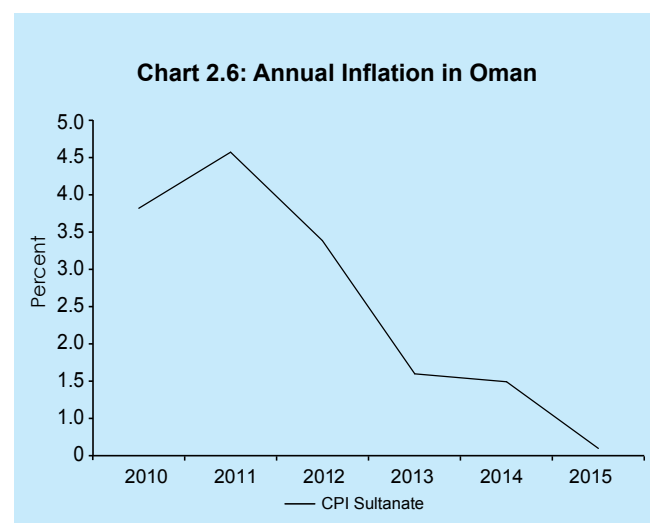
## Prices

The Government and the CBO maintained a close surveillance over the price situation so as to take timely measures as and when required so that the growth momentum in the economy is not impeded. With a view to address the impact of the low oil prices in recent periods, policy authorities have implemented measures to cut down government spending, augmenting non-oil revenues by raising taxes and raising fees for public services, as well as revising the prices of petroleum products corresponding to global prices on a fortnightly basis with effect from mid-January 2016. To lessen the impact of these measures, the authorities, especially the Public Authority for Consumer Protection have remained vigilant by intensifying monitoring of prices to avoid unjustifiable hikes.

Inflationary pressures in Oman abated significantly in 2015 mainly due to the decline in international commodity prices, reduced government spending in Oman and notable appreciation of US Dollar in real effective terms since mid-2014. Annual

inflation measured by movement in the average Consumer Price Index (CPI) for the Sultanate decelerated to 0.1 percent in 2015 as against a peak of 12.3 percent in 2008 and an average of 2.5 percent during the previous five years (Chart 2.6).

The recent behavior of prices in Oman owes its origin to both demand and supply side factors emanating from domestic as well as external sources (Table 2.6, Charts 2.7 and 2.8). From the demand side, contraction in the nominal GDP in Oman in 2015 was mainly due to sharp fall in crude oil prices in the global markets and fiscal policies pursued by the Government. The intake of foreign labour in the private sector was higher in absolute terms in 2015 compared to that in the previous year. While external demand declined sharply following the average price of Omani crude falling by 43.5 percent in 2015, domestic demand weakened due to significant consolidation in Government expenditure (-9.7 percent) and subdued expansion in broad money (10.0 percent) in 2015 over the previous year. Among the supply side factors, inflation was low in Oman because world food and metal prices declined by 17.1



**Table 2.6**  
**Broad Sources of Inflation**

(Percent)

| Items                                                                    | 2011   | 2012   | 2013   | 2014  | 2015   |
|--------------------------------------------------------------------------|--------|--------|--------|-------|--------|
| <b>Demand Condition</b>                                                  |        |        |        |       |        |
| (a) GDP Growth                                                           | 15.9   | 12.4   | 2.4    | 4.6   | -14.1  |
| (b) Increase in Govt Expenditure                                         | 34.8   | 26.2   | 3.1    | 8.5   | -9.7   |
| <b>Monetary Expansion</b>                                                |        |        |        |       |        |
| (a) Broad Money (M2) growth                                              | 12.2   | 10.7   | 9.4    | 15.3  | 10.0   |
| (b) Credit growth                                                        | 16.7   | 14.4   | 6.0    | 11.3  | 8.4    |
| <b>Supply Constraints/External Shocks</b>                                |        |        |        |       |        |
| (a) World Food Prices <sup>1</sup>                                       | 20.1   | -2.4   | 0.7    | -4.1  | -17.1  |
| (b) World Metal Prices <sup>2</sup>                                      | 13.5   | -16.8  | -4.3   | -10.3 | -23.1  |
| (c) Housing, Water, Electricity, Gas and Other Fuels (Oman) <sup>3</sup> | 2.9    | 2.1    | 0.5    | 1.0   | 0.4    |
| (d) Regional Inflation (Middle East & North Africa) <sup>4</sup>         | 9.2    | 9.8    | 9.1    | 6.8   | 5.7    |
| (e) NEER* Variation                                                      | -0.2   | 0.7    | 3.6    | 5.6   | 3.5    |
| (f) Change in Import Price <sup>5</sup>                                  | -2.1   | 4.3    | -26.7  | 9.6   | -35.5  |
| (g) Foreign Labour in Pvt. Sector (Annual absolute increase)             | 158960 | 201592 | 154954 | 39257 | 125645 |

\* Nominal Effective Exchange Rate of RO (import weighted); minus indicates depreciation.

Source: 1,2&4: IMF., 3: National Center for Statistics and Information (Rent component in the CPI for the Sultanate).

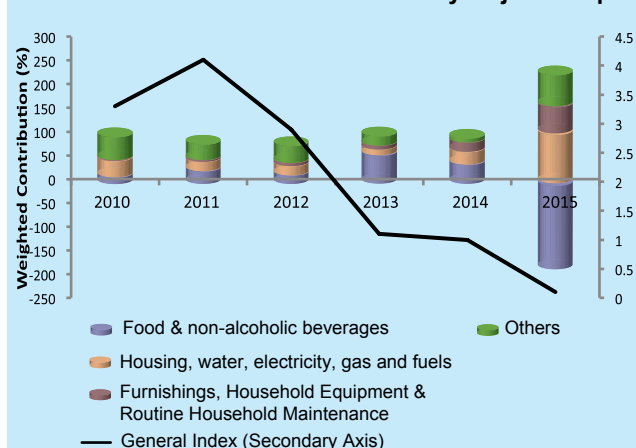
5: Derived from NCSI data on value of imports and quantity of imports.

percent and 23.1 percent, respectively in 2015. With the slackening of demand for housing, pressure on house rent moderated with house rent in Oman rising by 0.4 percent in 2015 compared to 0.5 percent and 1.0 percent in 2013 and 2014, respectively. The change in import price, namely unit value index of Omani imports, which had been rising during the recent year, declined in 2015 by

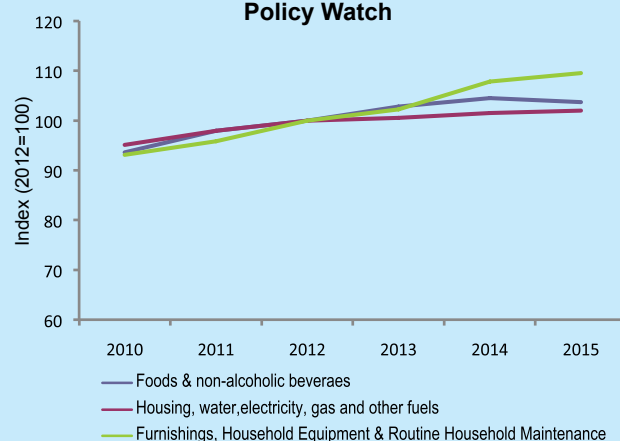
35.5 percent, making imported goods cheaper in Oman.

During 2015, the overall low inflation was mainly contributed by the decline or moderation in prices under the groups 'Foods & non-alcoholic beverages', 'clothing and footwear', 'transport', and 'recreation and culture'.

**Chart 2.7: Contribution to Inflation by Major Groups**



**Chart 2.8: Sultanate CPI: Key Items for Policy Watch**



**Table 2.7**  
**Sultanate Consumer Price Index (2012 = 100)**

| Items of Consumption                                                          | Weights       | 2013         | 2014         | 2015         | % change<br>2014/13 | % change<br>2015/14 |
|-------------------------------------------------------------------------------|---------------|--------------|--------------|--------------|---------------------|---------------------|
| <b>1. Food &amp; Non -Alcoholic Beverages</b>                                 | <b>23.903</b> | <b>102.8</b> | <b>104.5</b> | <b>103.7</b> | <b>1.7</b>          | <b>-0.8</b>         |
| Cereals & Breads                                                              | 3.020         | 100.9        | 102.3        | 101.3        | 1.4                 | -0.9                |
| Meat                                                                          | 6.103         | 101.2        | 103.1        | 103.1        | 1.9                 | 0.0                 |
| Fish & Sea food                                                               | 2.208         | 107.3        | 115.4        | 105.3        | 7.6                 | -8.7                |
| Milk , Cheese & Eggs                                                          | 2.865         | 100.9        | 101.8        | 101.5        | 0.9                 | -0.3                |
| Oil & Fats                                                                    | 0.715         | 100.0        | 100.2        | 100.0        | 0.2                 | -0.2                |
| Fruits                                                                        | 2.815         | 104.4        | 107.2        | 107.8        | 2.7                 | 0.6                 |
| Vegetables                                                                    | 2.493         | 108.4        | 106.8        | 108.2        | -1.5                | 1.3                 |
| Sugar, Jam,Honey, Chocolate & Confectionary                                   | 1.135         | 99.8         | 99.6         | 100.3        | -0.2                | 0.7                 |
| Food Products n.e.c.                                                          | 0.521         | 100.3        | 100.8        | 101.3        | 0.5                 | 0.5                 |
| Non- Alcoholic Beverages                                                      | 2.028         | 102.1        | 103.3        | 103.2        | 1.1                 | -0.1                |
| <b>2. Tobacco</b>                                                             | <b>0.125</b>  | <b>101.5</b> | <b>102.3</b> | <b>106.1</b> | <b>0.8</b>          | <b>3.6</b>          |
| <b>3. Clothing &amp; Footwear</b>                                             | <b>5.961</b>  | <b>101.8</b> | <b>101.6</b> | <b>100.6</b> | <b>-0.3</b>         | <b>-0.9</b>         |
| <b>4. Housing,Water,Electricity, Gas &amp; Other Fuels</b>                    | <b>26.477</b> | <b>100.5</b> | <b>101.5</b> | <b>102.0</b> | <b>1.0</b>          | <b>0.4</b>          |
| <b>5. Furnishings,Household Equipment &amp; Routine Household Maintenance</b> | <b>3.787</b>  | <b>102.2</b> | <b>107.8</b> | <b>109.5</b> | <b>5.5</b>          | <b>1.5</b>          |
| <b>6. Health</b>                                                              | <b>1.161</b>  | <b>101.5</b> | <b>106.6</b> | <b>110.2</b> | <b>5.1</b>          | <b>3.4</b>          |
| <b>7. Transport</b>                                                           | <b>19.167</b> | <b>100.4</b> | <b>99.9</b>  | <b>99.9</b>  | <b>-0.5</b>         | <b>-0.1</b>         |
| <b>8. Communication</b>                                                       | <b>5.633</b>  | <b>97.7</b>  | <b>97.8</b>  | <b>98.3</b>  | <b>0.1</b>          | <b>0.5</b>          |
| <b>9. Recreation and Culture</b>                                              | <b>1.135</b>  | <b>98.9</b>  | <b>98.8</b>  | <b>98.7</b>  | <b>-0.1</b>         | <b>-0.1</b>         |
| <b>10. Education</b>                                                          | <b>1.368</b>  | <b>104.2</b> | <b>110.3</b> | <b>114.8</b> | <b>5.8</b>          | <b>4.1</b>          |
| <b>11. Restaurants and Hotels</b>                                             | <b>6.098</b>  | <b>101.1</b> | <b>102.2</b> | <b>102.5</b> | <b>1.1</b>          | <b>0.3</b>          |
| <b>12. Miscellaneous goods and Services</b>                                   | <b>5.185</b>  | <b>100.3</b> | <b>100.3</b> | <b>100.2</b> | <b>0.0</b>          | <b>-0.1</b>         |
| <b>General Price Index</b>                                                    | <b>100.0</b>  | <b>101.1</b> | <b>102.1</b> | <b>102.2</b> | <b>1.0</b>          | <b>0.1</b>          |

Note: 1. The weights are based on Household Expenditure and Income survey by taking average for the years 2008,2009 and 2010.  
 2. Data collected from all Governorates of the Sultanate Excluding Musandam and AL Wustta Governorates.  
 3. Data are compiled on the basis of 28,168 priced items of goods and services from 1721 selected sources.  
 4. Data on Rent are collected from a sample of 1150 rented units.  
 Source: National Center for Statistics and Information.

**Table 2.8**  
**Consumer Price Index for Muscat (2012 = 100)**

| Items of Consumption                                                           | Weights       | 2012         | 2013         | 2014         | 2015         | % change<br>2014/13 | % change<br>2015/14 |
|--------------------------------------------------------------------------------|---------------|--------------|--------------|--------------|--------------|---------------------|---------------------|
| <b>1. Food and Non-Alcoholic Beverages</b>                                     | <b>16.822</b> | <b>100.0</b> | <b>102.7</b> | <b>104.1</b> | <b>104.0</b> | <b>1.3</b>          | <b>-0.1</b>         |
| Cereals & Breads                                                               | 2.170         | 100.0        | 101.1        | 101.5        | 100.3        | 0.4                 | -1.1                |
| Meat                                                                           | 3.962         | 100.0        | 99.8         | 100.0        | 99.8         | 0.1                 | -0.2                |
| Fish & Sea food                                                                | 1.243         | 100.0        | 111.3        | 124.8        | 110.8        | 12.1                | -11.2               |
| Milk, Cheese & Eggs                                                            | 2.054         | 100.0        | 100.1        | 101.1        | 101.4        | 1.0                 | 0.4                 |
| Oils and Fats                                                                  | 0.511         | 100.0        | 99.9         | 100.2        | 99.7         | 0.2                 | -0.4                |
| Fruits                                                                         | 1.901         | 100.0        | 105.2        | 106.2        | 111.0        | 1.0                 | 4.5                 |
| Vegetables                                                                     | 1.962         | 100.0        | 107.4        | 105.2        | 109.2        | -2.0                | 3.8                 |
| Sugar,Jam,Honey,Chocolate& Confectionary                                       | 0.895         | 100.0        | 100.3        | 100.1        | 101.6        | -0.2                | 1.5                 |
| Food Products n.e.c.                                                           | 0.415         | 100.0        | 102.6        | 105.1        | 106.4        | 2.4                 | 1.3                 |
| Non-Alcoholic Beverages                                                        | 1.709         | 100.0        | 102.5        | 104.9        | 104.9        | 2.4                 | 0.0                 |
| <b>2. Tobacco</b>                                                              | <b>0.078</b>  | <b>100.0</b> | <b>102.2</b> | <b>102.3</b> | <b>108.6</b> | <b>0.1</b>          | <b>6.2</b>          |
| <b>3. Clothing &amp; Footwear</b>                                              | <b>5.366</b>  | <b>100.0</b> | <b>104.2</b> | <b>101.7</b> | <b>98.8</b>  | <b>-2.4</b>         | <b>-2.9</b>         |
| <b>4. Housing,Water, Electricity ,Gas &amp; Other Fuels</b>                    | <b>34.703</b> | <b>100.0</b> | <b>100.9</b> | <b>102.5</b> | <b>103.1</b> | <b>1.6</b>          | <b>0.6</b>          |
| <b>5. Furnishings, Household Equipment &amp; Routine Household Maintenance</b> | <b>4.056</b>  | <b>100.0</b> | <b>103.6</b> | <b>107.8</b> | <b>108.9</b> | <b>4.0</b>          | <b>1.1</b>          |
| <b>6. Health</b>                                                               | <b>1.329</b>  | <b>100.0</b> | <b>102.0</b> | <b>102.9</b> | <b>103.5</b> | <b>0.9</b>          | <b>0.5</b>          |
| <b>7. Transport</b>                                                            | <b>19.268</b> | <b>100.0</b> | <b>100.9</b> | <b>100.4</b> | <b>100.7</b> | <b>-0.5</b>         | <b>0.4</b>          |
| <b>8. Communication</b>                                                        | <b>5.372</b>  | <b>100.0</b> | <b>97.7</b>  | <b>97.7</b>  | <b>98.1</b>  | <b>-0.1</b>         | <b>0.4</b>          |
| <b>9. Recreation and Culture</b>                                               | <b>1.475</b>  | <b>100.0</b> | <b>98.2</b>  | <b>97.2</b>  | <b>97.1</b>  | <b>-1.0</b>         | <b>-0.1</b>         |
| <b>10. Education</b>                                                           | <b>1.843</b>  | <b>100.0</b> | <b>105.0</b> | <b>114.2</b> | <b>120.8</b> | <b>8.7</b>          | <b>5.8</b>          |
| <b>11. Restaurants and Hotels</b>                                              | <b>4.721</b>  | <b>100.0</b> | <b>100.0</b> | <b>100.3</b> | <b>100.3</b> | <b>0.2</b>          | <b>0.0</b>          |
| <b>12. Miscellaneous Goods and Services</b>                                    | <b>4.967</b>  | <b>100.0</b> | <b>100.3</b> | <b>100.1</b> | <b>99.8</b>  | <b>-0.2</b>         | <b>-0.3</b>         |
| <b>General Price Index</b>                                                     | <b>100.0</b>  | <b>100.0</b> | <b>101.3</b> | <b>102.2</b> | <b>102.5</b> | <b>0.9</b>          | <b>0.3</b>          |

Note: 1. The weights are based on Household Expenditure and Income Survey by taking average for the years 2008, 2009 and 2010.

2. Data collected from all Willayats of Muscat Governorate.

3. Data are compiled on the basis of 7,920 priced items of goods and services from 266 selected sources.

4. Data on rent is collected from a sample of 600 rented units

Source: National Center for Statistics and Information.

**Table 2.9**  
**Producer Price Index (2007=100)**

| Items of Consumption                                                                     | Weights       | 2013         | 2014         | 2015         | % change<br>2014/13 | % change<br>2015/14 |
|------------------------------------------------------------------------------------------|---------------|--------------|--------------|--------------|---------------------|---------------------|
| <b>First: Oil &amp; Gas Products</b>                                                     | <b>79.534</b> | <b>160.7</b> | <b>156.6</b> | <b>116.1</b> | <b>-2.5</b>         | <b>-25.9</b>        |
| Crude Oil & Natural Gas                                                                  | 68.002        | 164.5        | 160.3        | 120.7        | -2.5                | -24.7               |
| Refined Oil & Gas Products                                                               | 11.533        | 141.0        | 134.8        | 89.5         | -4.4                | -33.7               |
| <b>Second : Non -Oil Products</b>                                                        | <b>20.466</b> | <b>111.2</b> | <b>110.3</b> | <b>104.6</b> | <b>-0.8</b>         | <b>-5.2</b>         |
| <b>1. Mining, Electricity &amp; Water</b>                                                | <b>4.964</b>  | <b>103.1</b> | <b>102.8</b> | <b>104.9</b> | <b>-0.3</b>         | <b>2.0</b>          |
| <b>2. Non-Oil Manufacturing</b>                                                          | <b>15.502</b> | <b>113.8</b> | <b>112.7</b> | <b>104.5</b> | <b>-0.9</b>         | <b>-7.3</b>         |
| <b>A. Food, Beverages &amp; Textiles Products</b>                                        | <b>3.104</b>  | <b>120.1</b> | <b>119.1</b> | <b>113.5</b> | <b>-0.8</b>         | <b>-4.7</b>         |
| Fish, Fruits, Vegetables & Oils                                                          | 0.974         | 117.0        | 114.1        | 106.0        | -2.5                | -7.0                |
| Dairy Products                                                                           | 0.538         | 115.9        | 115.3        | 98.6         | -0.5                | -14.5               |
| Bakery Products & Other Food Products                                                    | 1.116         | 118.0        | 117.4        | 116.8        | -0.5                | -0.5                |
| Beverages                                                                                | 0.420         | 138.8        | 140.5        | 140.5        | 1.3                 | 0.0                 |
| Clothing, Textiles & Footwear                                                            | 0.056         | 117.1        | 117.3        | 118.9        | 0.2                 | 1.4                 |
| <b>B.Transportable Goods</b>                                                             | <b>7.294</b>  | <b>119.1</b> | <b>119.5</b> | <b>110.6</b> | <b>0.4</b>          | <b>-7.5</b>         |
| Wood & Paper Products                                                                    | 0.475         | 128.2        | 128.9        | 128.4        | 0.6                 | -0.4                |
| Gases,Acids & Polypropylene Products                                                     | 2.889         | 125.8        | 125.0        | 102.6        | -0.6                | -17.9               |
| Paints & Pharmaceutical products                                                         | 0.656         | 123.8        | 126.5        | 125.3        | 2.2                 | -1.0                |
| Rubber & Plastics Products                                                               | 0.751         | 104.1        | 104.3        | 101.8        | 0.2                 | -2.4                |
| Glass,Cement & Marble Products                                                           | 2.012         | 112.2        | 113.5        | 114.5        | 1.2                 | 0.8                 |
| Furniture, Jewellery manufacturing & Anti melted Metal Waste                             | 0.511         | 115.8        | 116.8        | 117.9        | 0.9                 | 1.0                 |
| <b>C. Metal Products,Machinery &amp; Equipment</b>                                       | <b>5.103</b>  | <b>102.4</b> | <b>99.1</b>  | <b>90.3</b>  | <b>-3.2</b>         | <b>-8.9</b>         |
| Raw & Products of Steel or Aluminium                                                     | 1.897         | 100.9        | 97.3         | 81.1         | -3.5                | -16.6               |
| Fabricated Products of Steel or Aluminium                                                | 0.758         | 104.7        | 101.1        | 89.0         | -3.4                | -12.0               |
| Conditioning, Heating & Pumping Water, & Drilling of Wells Apparatus, & Car Oils Filters | 0.240         | 108.6        | 107.9        | 107.0        | -0.6                | -0.8                |
| Distribution & Delivery of Electricity Apparatus and Recording tapes & CDs               | 2.208         | 102.3        | 99.0         | 96.9         | -3.2                | -2.2                |
| <b>General Price Index</b>                                                               | <b>100.0</b>  | <b>150.5</b> | <b>147.1</b> | <b>113.8</b> | <b>-2.2</b>         | <b>-22.7</b>        |

Note: 1. PPI are based on the relative share of the various industries outputs produced in the Sultanate whether sold in local market or exported to other countries, using Industrial Survey data 2007.

2. Data are compiled on the basis of 564 items of commodity entering the local market and 329 items of export commodity.

Source: National Center for Statistics and Information.



## **Oil and Gas**





# OIL AND GAS

## Developments in World Oil Markets

Global economic growth momentum remained below its potential in 2015 as it remained negatively impacted by the legacies of the financial crisis and new emerging headwinds. These headwinds include high level of debt in many major economies, weak labor market in the Eurozone, ongoing challenges of low core inflation, low growth in Japan, slowing growth in developing economies and complex structural transitions in key emerging economies. All these factors led to a global economic growth rate of 3.1 percent during 2015, slightly less than its level in 2014. Crude oil prices continued its declining trend losing almost half of its value during the year 2015, and by early 2016 oil prices fell below \$30 per barrel for the first time since 2003.

The historical fall in oil prices was driven by different factors such as the disagreement among the members of the Organization of the Petroleum Exporting Countries (OPEC) on the appropriate action toward the conditions in oil markets that led to strong supply from the group's members, concerns about the resilience of global demand, and expectations of higher supply from Iran. Oil prices, however, recovered some ground at the end of the first quarter of 2016. The factors that contributed to this recovery include expectations of sharp declines in non-OPEC supply, improvements in US jobs data, and a weak dollar. Some support also came from supply disruptions in Nigeria and

Iraq, and signs that US shale oil output is shrinking.

As per the Oil Market Report by the International Energy Agency (IEA, May 2016), the daily average demand for crude oil in 2015 stood significantly higher at 94.7 million barrels as against 92.9 million barrels in 2014, corresponding to a year-on-year increase of 1.8 million barrels per day. Daily average global supply of crude oil stood at 96.4 million barrels in 2015 compared to 93.7 million barrels in 2014. In its June 2016 meeting, OPEC affirmed its strategy to leave it to the market forces to correct the mismatch between the growth in the demand and the supply of oil without having any specific target for the prices though there was general talk on production freeze.

Signs of weak recovery in the global economic growth rate have been seen since the fourth quarter of 2015. Growth rates in the members of Organization for Economic Cooperation and Development (OECD) is returning to the norm. Further, the recorded economic growth rate in China and India in 2015 was 6.9 percent and 7.3 percent, respectively. As a result, global average growth rate was 3.4 percent in 2014 and 3.1 percent in 2015 and is projected to improve slightly to 3.2 percent in the current year and 3.5 percent in 2017, according to the International Monetary Fund's World Economic Outlook (April, 2016). The lower than expected recovery in the global growth rate had its impact on the level of the crude oil prices in 2015. OPEC basket average stood at

US \$ 49.49 per barrel in 2015 compared to US \$96.3 per barrel a year before. As at December end 2015, Brent crude oil price stood at US \$ 38.9 per barrel as against a considerably higher level of US \$ 77.1 in December 2014. The price for West Texas Intermediate crude oil declined to US \$ 37.3 per barrel in December 2015 from US \$ 73.1 per barrel a year earlier. Omani crude oil as at the end of December 2015 stood at US \$ 46.03 per barrel compared to US \$ 86.96 per barrel during the same period the previous year.

The outlook for the crude oil markets remains highly uncertain for 2016. The IEA anticipates the global demand to reach a daily average of 95.9 million barrels in 2016 or 1.2 million barrels higher than the actual demand in 2015. The IEA attributes the rise to growing demand in China, India and Europe. On the price front, the April 2016 IMF World Economic Outlook estimated the average crude oil price at US \$34.75 during the current year and US\$ 40.99 in 2017, in line with prices in future markets. Despite the disagreement among OPEC members about introducing cut on the quantity, crude prices however started to recover gradually in the second quarter of 2016. Hence, the price for Brent was quoted at US \$ 47.00 per barrel at the end of April 2016, while the price for West Texas Intermediate stood at US \$ 45.88 per barrel, according to the IEA. The price for the Omani crude oil in 2016 is also expected to remain in line with the global trend.

### The Economics of Oil and Gas in Oman

The hydrocarbon sector accounted for 33.9 percent of the nominal GDP in 2015 compared with 47.2 percent in 2014 and 50.6 percent in 2013. While

the figures indicate a declining trend in the share of hydrocarbon sector in the economic activities in the last few years, it may be noted that such a decrease is not a reflection of ongoing structural change in the Omani economy. The sharp decline in the crude oil prices in the global market that was not accompanied by a significant increase in crude oil and gas production in Oman during the year 2015, could explain the reduction in the contribution of this sector to the aggregate GDP. The average price for the Omani crude oil dropped by 45.3 percent to US \$ 56.45 per barrel in 2015 from US \$ 103.23 per barrel in 2014 and US \$ 105.51 per barrel in 2013 (Table 3.1, Chart 3.1). During the year 2015, the average price of the Omani crude oil ranged from the peak level of US \$ 78.24 in January to its lowest level of US \$ 45.76 in the month of November. Oil production rose modestly

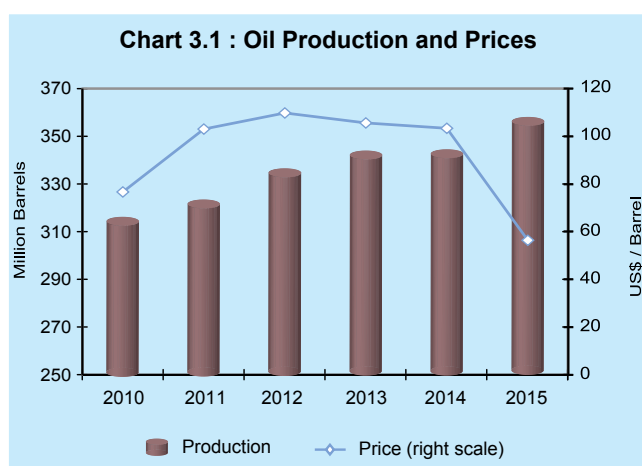
**Table 3.1**  
**Oman's Oil Prices**  
(US \$/ Barrel)

| Month                    | 2011          | 2012          | 2013          | 2014          | 2015         |
|--------------------------|---------------|---------------|---------------|---------------|--------------|
| January                  | 83.60         | 109.33        | 107.14        | 105.97        | 78.24        |
| February                 | 88.93         | 107.41        | 106.16        | 107.88        | 61.01        |
| March                    | 92.51         | 110.63        | 107.78        | 104.04        | 46.73        |
| April                    | 100.39        | 117.32        | 111.21        | 105.04        | 56.21        |
| May                      | 108.95        | 122.80        | 105.50        | 104.36        | 55.09        |
| June                     | 116.51        | 117.29        | 101.81        | 104.99        | 58.68        |
| July                     | 109.20        | 107.68        | 100.43        | 105.65        | 63.62        |
| August                   | 107.84        | 94.42         | 100.21        | 108.08        | 61.84        |
| September                | 110.57        | 99.47         | 103.59        | 106.24        | 56.33        |
| October                  | 105.10        | 109.05        | 106.96        | 102.23        | 47.88        |
| November                 | 106.96        | 111.24        | 108.58        | 97.26         | 45.76        |
| December                 | 104.88        | 108.67        | 106.70        | 86.96         | 46.03        |
| <b>Average (Jan-Dec)</b> | <b>102.95</b> | <b>109.61</b> | <b>105.51</b> | <b>103.23</b> | <b>56.45</b> |

Source: Ministry of Oil and Gas and National Center for Statistics and Information.

to a daily average of 981.1 thousand barrels in 2015 compared with 943.5 thousand barrels during 2014. On an aggregate basis, oil production rose to 358.1 million barrels in 2015 from 344.4 million barrels in the previous year. The production of natural gas, on the other hand, registered a rise of 5.4 percent to 39,801 million cubic meters during the same year. Other key macroeconomic indicators pointed to the continued dominance of the hydrocarbon sector in the Omani economy. Oil and gas revenues as a percentage of GDP stood at 26.4 percent in 2015 and accounted for 78.7 percent of government revenues and about 52.1 percent of total merchandise exports (including re-exports) during the year.

As part of the economic diversification policy followed by the Government of Oman hydrocarbon resources were being utilized to develop value-added hydrocarbon-based industries in the country, including petrochemical and energy-intensive industries. This entailed major oil companies in Oman to invest in research and development for new technologies with the objectives of enhancing oil production from challenging geological formations and complex reservoirs as well as trying to minimize production costs. With lower output per



**Table 3.2**  
**Oil Production & Exports**  
(Million Barrels)

| Year | Production | % Change | Exports | % Change |
|------|------------|----------|---------|----------|
| 2010 | 315.6      | 6.4      | 271.8   | 11.9     |
| 2011 | 323.0      | 2.3      | 269.4   | -0.9     |
| 2012 | 336.2      | 4.1      | 279.8   | 3.9      |
| 2013 | 343.8      | 2.3      | 304.2   | 8.7      |
| 2014 | 344.4      | 0.2      | 292.2   | -3.9     |
| 2015 | 358.1      | 4.0      | 308.1   | 5.4      |

Source: Ministry of Oil and Gas and National Center for Statistics and Information.

well and less accessible reservoirs, the Sultanate has deployed capital-intensive Enhanced Oil Recovery (EOR) techniques. The Omani oil sector started to benefit from these innovations commencing 2008 and the production trend was reversed. These efforts continued to bear fruit as validated by the increase in oil production in 2015 (Table 3.2, Chart 3.1).

## Crude Oil

### Production and Exploration

The year 2015 witnessed an increase of 4 percent in crude oil production over the previous year which works out to a daily average of 981.1 thousand barrels. This increase reflected in most part the increase in output from Occidental Oman, CC Energy and Petroleum Development Oman. Average production from Occidental Oman increased from 86 thousand barrels per day in 2014 to 91 thousand barrels per day in 2015. Similarly, average production from CC Energy rose to 32.3 thousand barrels per day in 2015 from an average of 25.3 thousand barrels per day in 2014. Again, average production of Daleel increased to

46.6 thousand barrels per day in 2015 from 43.9 thousand barrels per day in the previous year. The total average daily production of 981.1 thousand barrels in 2015 consisted of 885.2 thousand barrels of oil and 95.9 thousand barrels of condensates produced from 217 oilfields across Oman.

Petroleum Development Oman (PDO) continued to remain the biggest petroleum company in Oman with a daily average oil production of 588.9 thousand barrels in 2015 compared to a lower production level of 570.5 thousand barrels in 2014. The quantity of oil produced by PDO in 2015 was well above the Company's long-term target of 550 thousand barrels per day. PDO continued to maximize recovery from conventional oil and gas fields as well as to enhance exploration from unconventional opportunities. In 2015, the success shown by PDO in recent years continued for the eighth consecutive year as the Company's combined production of oil, gas, liquid petroleum gases and condensates stood at 1.29 million barrels of oil equivalent per day, the third highest in PDO history.

During the year 2015, the Ministry of Oil and Gas signed a new agreement for exploration and production sharing. The agreement was with Oman Lasso Exploration and Production Karwan Ltd. Under the agreement, the company will explore oil and natural gas in Block 54, which has an area of 5632 square kilometers and located in Al-Wusta Governorate. The objective of the agreement is to book additional oil reserves to the existing reserves so as to sustain and potentially increase production. The agreement is to perform geological and geophysical studies and drill several wells during the exploration period.

In 2015, the oil exploration companies in Oman drilled thirty nine exploration wells and according to initial findings the results appeared to be promising. In the course of 2015, PDO drilled 22 exploration wells. The most significant oil discovery by the company in 2015 was Sadad North, where about 45 million barrels of commercial contingent resources were booked. The exploration activities by the company have added approximately 109 million barrels of stock tank oil initially in place. Occidental Oman drilled 6 exploration wells in 2015. Also, CC Energy drilled 4 exploration wells, while the remaining companies drilled 7 wells. Total oil and condensate reserves for Oman were estimated at 5,373 million barrels in 2015.

### New Projects

Oil companies that operate in the Sultanate initiated a number of new projects during 2015 in order to increase crude oil and gas production as well as to boost existing hydrocarbon reserves. During 2015, the Yibal Khuff project has moved into the execute phase. The Marmul polymer phase 2 project was brought on stream, resulting in an additional 19 polymer injectors to the existing 27. The Rehab Harweel integrated project moved smoothly into the final execution stage. More than 500 million barrels of oil is estimated to be produced from the project. PDO, with cooperation with GlassPoint Solar, began working on the one of the world's largest ever solar energy project. The Miraah project in Amal's oilfield, in Southern Oman, will be a 1,021 megawatt solar thermal facility harnessing the sun's rays to produce steam for thermal enhanced oil recovery. Once complete, it will save 5.6 trillion British Thermal Units of natural gas each year, which can be used

for higher value uses in boosting economic growth in the Sultanate.

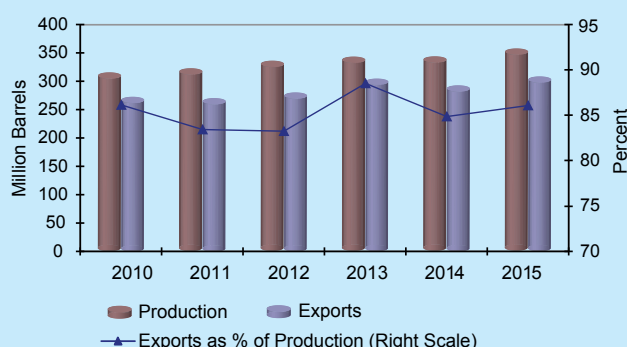
CC Energy Development Oman has continued recording significant achievements by raising its daily production level to an average of 32,300 barrels in 2015 within just few years of starting its operations in Blocks 3 & 4, located in the eastern part of the Sultanate. CC Energy is acknowledged for its success in achieving full scale production within a relatively short span of time from the initial discovery date.

## Oil Exports

With the exception of 2011 and 2014, Omani crude oil exports registered an increasing trend in the last few years. Total oil exports rose by 3.9 percent to 279.8 million barrels in 2012 and rose again by 8.7 percent to 304.2 million barrels in 2013 but declined by 3.9 percent in 2014 (Table 3.2, Chart 3.2). In 2015, in line with increase in the production levels by 4 percent, the export level also rose significantly by about 5.4 percent.

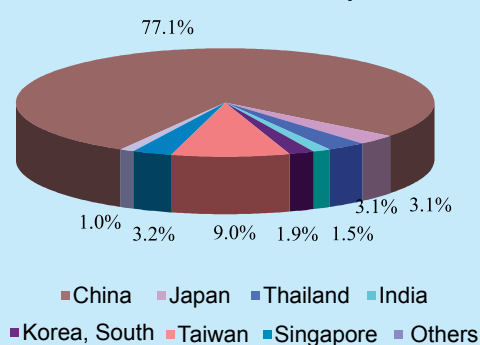
A review of the export destinations for the Omani crude oil reveals that China received the largest

**Chart 3.2 : Omani Crude Oil Production and Exports**



share in 2015, reaching 237.6 million barrels or 77 percent of the aggregate oil exports during the year. Taiwan imported 27.8 million barrels of Omani crude oil in 2015, with the remaining exports were directed to a number of Asian emerging economies (Table 3.3, Chart 3.3). Besides China and Taiwan, other major importers in 2015 included Singapore (10 million barrels), Japan (9.6 million barrels), Thailand (9.4 million barrels), South Korea (5.9 million barrels), and India (4.6 million barrels).

**Chart 3.3: Direction of Oil Exports in 2015**



**Table 3.3**  
**Direction of Oil Exports**  
(In Million Barrels)

| Country of Destination | 2011         | 2012         | 2013         | 2014         | 2015         |
|------------------------|--------------|--------------|--------------|--------------|--------------|
| China                  | 122.8        | 140.1        | 180.8        | 210.5        | 237.6        |
| Japan                  | 27.5         | 38.2         | 29.3         | 13.8         | 9.6          |
| Korea, South           | 20.5         | 10.9         | 4.7          | 6.1          | 5.9          |
| India                  | 33.5         | 5.2          | 13.2         | 4.9          | 4.6          |
| Taiwan                 | 9.6          | 33.4         | 27.4         | 33.9         | 27.8         |
| Thailand               | 21.7         | 19.0         | 17.1         | 15.1         | 9.4          |
| Singapore              | 9.6          | 19.9         | 13.5         | 3.3          | 10.0         |
| Others                 | 21.6         | 7.1          | 18.3         | 4.6          | 3.2          |
| <b>Total</b>           | <b>269.4</b> | <b>279.8</b> | <b>304.2</b> | <b>292.2</b> | <b>308.1</b> |

Source: Ministry of Oil and Gas.



## Natural Gas

The country witnessed increasing level of activities in 2015 aimed at discovering new gas reserves and boosting production. Provisional figures for 2015 pointed to an aggregate reserve of 22.99 trillion cubic feet of natural gas while the number of gas producing fields in Oman stood at 48 during the year. A number of companies continued to conduct gas exploration activities in 2015 with notable results. A total of 16 exploration wells were drilled during the year. Also, five wells were tested and fracked by PDO, mainly in Khulud West, Mabrouk South, and Tayseer. PDO's explorations in 2015 led to booking 0.38 trillion cubic feet of gas as commercial contingent resources.

A key development in the gas production front is the near completion of the first phase of Khazzan tight gas field, Block 61. The first consignment of gas from the project will be delivered to the pipeline network in November 2017. One of the largest unconventional narrow reservoir (tight gas) projects in the Middle East region, it is 60 per cent owned by British Petroleum (BP) Oman and the rest by Oman Oil Company Exploration and Production. The full field development of the Project will involve a drilling program of around 300 wells over 15 years to deliver plateau production of one billion cubic feet (or 28.3 million cubic meters) of gas per day. This volume is equivalent to an increase of around a third of the Sultanate's total daily gas supply.

In 2015, the daily production of natural gas increased by 5.9 percent, reaching an output of 103.6 million cubic meters (19.2 million cubic meters of associated gas and 84.4 million cubic

meters of non-associated gas) as compared to 97.8 million cubic meters per day in 2014. Natural gas accounted for about 41 percent (48 percent, including condensate) of PDO's oil production in 2015. PDO operates on behalf of the Government, the owner of all the non-associated gas resources in block 6.

The aggregate production of natural gas increased to 39,801 million cubic meters (7,001 million cubic meter of associated gas and 32,801 million cubic meter of non-associated gas) in 2015 from 37,682 million cubic meter (6,790 million cubic meter of associated gas and 30,892 million cubic meter of non-associated gas) in 2014 (Table 3.4). Natural gas was used for power generation, industries, industrial projects, as well as in various oil fields as fuel and for re-injection in oil wells to enhance production.

Oman imported 5.4 million cubic meters per day of natural gas from Dolphin Energy Company in

**Table 3.4**  
**Production & Uses of Natural Gas**  
(Million Cubic Meter)

|                        | 2014          | 2015*         | % Changes<br>2015/14 |
|------------------------|---------------|---------------|----------------------|
| <b>Production</b>      | <b>37,682</b> | <b>39,801</b> | <b>5.6</b>           |
| Associated             | 6,790         | 7,001         | 3.1                  |
| Non Associated         | 30,892        | 32,801        | 6.2                  |
| <b>Uses</b>            | <b>37,687</b> | <b>39,806</b> | <b>5.6</b>           |
| A- Power Generations   | 7,998         | 8,324         | 4.1                  |
| B- Industrial Areas    | 682           | 673           | -1.3                 |
| C- Industrial Projects | 21,169        | 22,036        | 4.1                  |
| D- Oil Fields          | 7,838         | 8,773         | 11.9                 |
| Fuel                   | 2,537         | 2,755         | 8.6                  |
| Re-injection           | 2,882         | 3,707         | 28.6                 |
| Flared                 | 1,593         | 1,426         | -10.5                |
| Other                  | 825           | 886           | 7.4                  |

\*Provisional

Source: National Center for Statistics and Information.

order to meet rising domestic demand in 2015, more specifically for re-injection in oil wells. Natural gas is increasingly becoming a critical source of energy to the Omani economy as the Government pursues its economic diversification policy. A number of industries that have come on stream are energy-intensive and combined with rising demand for power consumption, the demand for natural gas is expected to rise.

### Gas Exports

Another important component of Omani exports is natural gas. In 2015, Oman exported a total of 7.9 million metric tons of Liquefied Natural Gas (LNG). Oman LNG Company exported a total of 5.1 million metric tons while 2.8 million metric tons were exported by Qalhat LNG Company. The Sultanate also exported 0.241 million metric tons of Natural Liquid Gas (NGL) in 2015.

### Mining and Quarrying

Oman is rich with extensive amount of superior quality mineral resources. The mineral resources in Oman are divided into two major categories; namely metallic minerals (e.g. copper and chromite) and industrial minerals (e.g. limestone and marble). Mining sector is considered as a promising sector to the national economic diversification strategy and as a contributor to the nation's GDP as well as employment generation. The Government has taken many steps in order to enhance the contribution of this key economic sector to the progress in the national development. A new mining law has been prepared by the newly established Public Authority for Mining. It is expected that the new law would provide a major

overhaul of the Sultanate's mining regulations. Furthermore, a comprehensive strategy for the sector is being formulated in order to enhance the sector's contribution to GDP. During 2015, the Public Authority for Mining issued eight new licenses for exploration and production for different types of minerals. By the end of the year 2015, there were 290 valid permissions for conducting mineral explorations and operations in Oman. The natural resources that are included under mining and quarrying are quantified in metric tons and consisted of 14 items in 2015 (Table 3.5). According to 2015 provisional figures, the largest quantity produced was in building materials at 70 million metric tons compared with 62.6 million metric tons in 2014, followed by limestone at 12.2 million metric tons, and by Gypsum at 6.1 million metric tons. Other resources produced in 2015 included copper, marble, salt, chromite, iron, clay, sand, quartz, and silica. The estimated total value of the minerals produced in the Sultanate in 2015 was RO. 136.4 million.

**Table 3.5**  
**Oman's Mining and Quarrying Production**  
(Thousand Metric Ton)

| Description        | 2014     | 2015     | % Changes<br>2015/14 |
|--------------------|----------|----------|----------------------|
| Marble             | 1,565.1  | 1,629.3  | 4.1                  |
| Limestone          | 8,723.7  | 12,156.0 | 39.3                 |
| Gypsum             | 3,387.3  | 6,049.4  | 78.6                 |
| Salt               | 12.9     | 12.6     | -2.3                 |
| Chromite           | 751.2    | 442.6    | -41.1                |
| Iron (Laterite)    | 753.1    | 720.2    | -4.4                 |
| Building Materials | 62,546.5 | 70,035.7 | 12.0                 |
| Clay               | 305.4    | 286.3    | -6.3                 |
| Sand               | 60.2     | 56.7     | -5.8                 |
| Quartz             | 282.9    | 351.4    | 24.2                 |
| Copper             | 72.1     | 41.2     | -42.9                |
| Magnesium          | 37.5     | 7.4      | -80.3                |
| Kaolinite          | 66.6     | 169.5    | 154.5                |
| Silica             | 4.0      | 8.5      | 112.5                |

Source: Public Authority for Mining.





## **Public Finance**



# PUBLIC FINANCE

## Overall Fiscal Assessment

The sustained decline in global crude oil prices resulted in significant fiscal account deficit for the Sultanate of Oman and posed major challenges in financial management. The government of Oman set in motion a consolidation plan to maintain fiscal sustainability in the medium term with several reform measures supported by external borrowings as well as internal borrowings in addition to other sources of funding. According to provisional figures, the year under review registered a fiscal deficit of RO 4,631.4 million as against a deficit of RO 1,064.3 million in 2014. In view of continued reliance on oil revenues as the main source of government earnings, the decline in Omani crude oil price from an average of US \$ 103.23 in 2014 to an average of US \$ 56.45 in 2015, explained the sharp increase in fiscal deficit. The government took a number of measures to alleviate the impact of the fiscal deficit in 2015 which were primarily in the form of public expenditure reduction. These measures were however short of addressing the challenges of fiscal deficit, particularly when matched with the sharp fall in government revenues.

The 4.0 percent increase in crude oil production and 5.4 percent increase in the amount exported in 2015 provided little offset to the decline in oil revenues which pointed to a significant drop of 44.6 percent from the previous year. The fact that revenues from crude oil accounted for 62.4 percent

of total government revenues in 2015 translated into an overall major decline in total government revenues, registering a year-on-year drop of 35.7 percent. Assuming an environment of low oil prices in the foreseeable future, the challenge for the Sultanate in the medium term is to work towards fiscal consolidation by further rationalizing public expenditure, broaden the sources of revenues, and mitigate liabilities associated with some publicly owned companies.

Other main sources of government revenues, namely gas revenues and other current revenues consisting of taxes, fees and other non-tax revenues, also declined in 2015 by 12.0 percent and 6.0 percent, respectively. The decline in non-hydrocarbon based revenues such as those from taxes and fees is indicative of economic slowdown and primarily in the private sector as testified by the decline in nominal GDP of 14.1 percent during the year under review. Together, oil and gas revenues amounted to 78.7 percent of total government revenues in 2015 with revenues from natural gas contributing 16.4 percent.

In 2015, government expenditure signaled a contractionary fiscal policy with all the three main components pointing to some reduction when compared to similar expenditures in 2014. Total government expenditure fell by 9.7 percent as against an increase of 8.4 percent the previous year. At major component level, current expenditure fell by 4.6 percent, investment expenditure by 7.5

**Table 4.1**  
**Indicators of Fiscal Management**

| Items                                             | 2011 | 2012 | 2013 | 2014 | 2015* |
|---------------------------------------------------|------|------|------|------|-------|
| Fiscal Balance as % of GDP                        | -0.4 | -0.3 | -0.3 | -3.4 | -17.1 |
| Total Revenues as % of GDP                        | 40.7 | 45.9 | 46.3 | 44.9 | 33.6  |
| Net Oil Revenues as % of GDP                      | 29.9 | 33.5 | 34.7 | 32.4 | 20.9  |
| Total Expenditure as % of GDP                     | 41.1 | 46.2 | 46.5 | 48.2 | 50.7  |
| Current Expenditure as % of GDP                   | 23.4 | 29.9 | 29.3 | 30.5 | 33.9  |
| Investment Expenditure as % of GDP                | 11.3 | 9.8  | 10.4 | 11.4 | 12.3  |
| Participation & Other Expenses as % of GDP        | 6.4  | 6.5  | 6.8  | 6.3  | 4.5   |
| Share of Oil Revenues in Total Revenues           | 73.4 | 73.0 | 75.0 | 72.3 | 62.4  |
| Share of Current Expenditure in Total Expenditure | 56.8 | 64.7 | 63.1 | 63.3 | 66.9  |

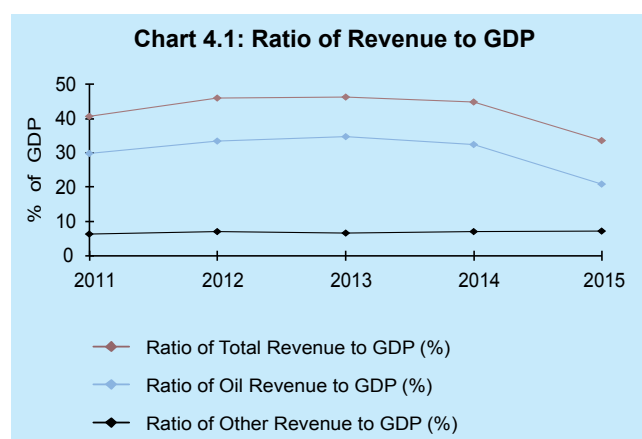
\* Provisional

Source: Ministry of Finance and National Center for Statistics and Information.

percent and expenditure related to government participation and other expenses by a notable 38.4 percent, a significant portion of the latter owing to the fall in oil prices. Despite a year-on-year reduction of 4.6 percent, it is worth noting that current expenditure as share of total expenditure increased to 66.9 percent in 2015 from 63.3 percent in 2014 and was the highest in the last five years.

Various fiscal management indicators, primarily those related to government revenues captured the impact of crude oil price collapse in 2015 either directly or indirectly (Table 4.1). Fiscal balance as percentage of GDP showed a deficit of 17.1 percent in contrast to a lower deficit of 3.4 percent in 2014. The net effect of contraction in nominal GDP and decline in government revenues pointed to 33.6 percent of total revenues as percentage of GDP in 2015 compared to 44.9 percent in 2014. Net oil revenues as percentage of GDP also declined to 20.9 percent from 32.4 percent between the two corresponding years (Chart 4.1).

With regards to expenditure, fiscal management indicators showed that total government expenditure as percentage of GDP increased to 50.7 percent in 2015 from 48.2 percent in 2014. The main expenditure components also followed the same trend with the exception of expenditure on participation and other expenses which declined to a 4.5 percent share of GDP from 6.3 percent in 2014. Current expenditure as percentage of GDP stood at 33.9 percent, up from 30.5 percent while investment expenditure to GDP marginally went up to 12.3 percent in 2015 from 11.4 percent in 2014.



## Government Revenues

As briefly discussed in the section above, the debacle in crude oil prices in 2015 had significant adverse impact on government revenues. Accordingly, total government revenues during the year under review significantly dropped to RO 9,067.5 million, a fall of 35.7 percent over the previous year (Chart 4.2, Table 4.2). An analysis on the breakdown of the main sources of government revenues pointed to a decline of 44.6 percent in net oil revenues in 2015 to RO 5,656.2 million against a modest decrease of 2.2 percent in 2014. Other sources of government revenues pointed to a similar trend in 2015 where revenues from natural gas fell by 12.0 percent to RO 1,484.4 million against an increase of 12.9 percent the previous year and other current revenues in the form of taxes, fees and other non-tax revenues also declined by 6.0 percent to RO 1,865.1 million compared to an increase 2.7 percent in 2014. While many factors, including excess supply in global crude oil production and modest world output adversely impacted both crude oil and natural gas prices with implications on government oil and gas revenues for the Sultanate, the decline in other government revenues followed a slowdown in the domestic economy. The government is the main generator of aggregate demand as well as the dominant player in the domestic economy and as such, the significant reduction in the level of public spending in 2015 had an adverse impact on growth and by extension on the overall reduction in other current revenues such as taxes, fees and other non-tax revenues.

Chart 4.2: Overall Fiscal Balance



## Other Current Revenues

The breakdown of other current revenues consists of two main items, namely, taxes and fees revenue and non-tax revenues. In 2015, revenues from taxes and fees stood at RO 1,099.1 million resulting in a modest increase of 1.5 percent from the previous year. While all sub-components under taxes and fees revenue indicated some increases in 2015, the exception was on revenues generated from custom duties which pointed to a decline of 15.7 percent (Table 4.3).

Other current revenues from non-tax items such as revenues from water, airport, income from government investments and others, pointed to a significant decline of 15.0 percent to RO 766 million compared to lesser decrease of 8.8 percent in 2014. The 15 percent decline in non-tax revenues in 2015 primarily reflected the decline under the biggest item, namely income from government investments which fell by 28.9 percent. The net effect of the increase in taxes and fees revenue by 1.5 percent coupled with the decline of 15 percent in non-tax revenues culminated in an overall decrease of 6 percent in other current revenues to RO 1,865.1 million in 2015.

**Table 4.2**  
**Public Finance**  
(Rial Omani Million)

| Items                                        | 2011           | 2012           | 2013           | 2014           | 2015*          | % change<br>2014/13 | % change<br>2015/14 |
|----------------------------------------------|----------------|----------------|----------------|----------------|----------------|---------------------|---------------------|
| <b>REVENUES</b>                              | <b>10624.7</b> | <b>13474.5</b> | <b>13907.6</b> | <b>14107.5</b> | <b>9067.5</b>  | <b>1.4</b>          | <b>-35.7</b>        |
| Net Oil Revenues                             | 7798.4         | 9831.3         | 10429.5        | 10205.2        | 5656.2         | -2.2                | -44.6               |
| Gas Revenues                                 | 1172.9         | 1583.7         | 1495.3         | 1687.6         | 1484.4         | 12.9                | -12.0               |
| Other Current Revenues                       | 1596.5         | 2033.7         | 1931.0         | 1983.7         | 1865.1         | 2.7                 | -6.0                |
| Capital Revenues                             | 17.6           | 13.0           | 30.2           | 15.8           | 14.0           | -47.7               | -11.4               |
| Capital Repayments                           | 39.3           | 12.8           | 21.6           | 215.2          | 47.8           | -                   | -77.8               |
| <b>TOTAL EXPENDITURE</b>                     | <b>10737.9</b> | <b>13555.1</b> | <b>13990.2</b> | <b>15171.8</b> | <b>13698.9</b> | <b>8.4</b>          | <b>-9.7</b>         |
| <b>Current Expenditure</b>                   | <b>6103.8</b>  | <b>8772.7</b>  | <b>8822.0</b>  | <b>9606.2</b>  | <b>9164.0</b>  | <b>8.9</b>          | <b>-4.6</b>         |
| Defence & National Security                  | 2563.7         | 4742.5         | 4494.2         | 4210.8         | 3862.2         | -6.3                | -8.3                |
| Civil Ministries                             | 3186.9         | 3503.3         | 3848.5         | 4762.7         | 4722.6         | 23.8                | -0.8                |
| Interest Paid on Loans                       | 38.1           | 45.3           | 53.6           | 52.9           | 37.3           | -1.3                | -29.5               |
| Oil Production Expenditures                  | 235.0          | 392.7          | 343.9          | 484.5          | 375.5          | 40.9                | -22.5               |
| Gas Production Expenditures                  | 80.1           | 88.9           | 81.8           | 95.3           | 166.4          | 16.5                | 74.6                |
| <b>Investment Expenditure</b>                | <b>2959.5</b>  | <b>2886.5</b>  | <b>3120.0</b>  | <b>3584.2</b>  | <b>3315.2</b>  | <b>14.9</b>         | <b>-7.5</b>         |
| Development Expenditure for Civil Ministries | 1871.9         | 1650.3         | 1744.3         | 2093.6         | 1822.5         | 20.0                | -12.9               |
| Capital Expenditure for Civil Ministries     | 53.9           | 58.2           | 60.7           | 72.0           | 47.7           | 18.6                | -33.8               |
| Oil Production Expenditures                  | 624.3          | 659.9          | 752.7          | 748.1          | 774.3          | -0.6                | 3.5                 |
| Gas Production Expenditures                  | 409.4          | 518.1          | 562.3          | 670.5          | 670.7          | 19.2                | 0.0                 |
| <b>Participation &amp; Other Expenses</b>    | <b>1674.6</b>  | <b>1895.9</b>  | <b>2048.2</b>  | <b>1981.4</b>  | <b>1219.7</b>  | <b>-3.3</b>         | <b>-38.4</b>        |
| <b>SURPLUS/DEFICIT</b>                       | <b>-113.2</b>  | <b>-80.6</b>   | <b>-82.6</b>   | <b>-1064.3</b> | <b>-4631.4</b> | <b>-</b>            | <b>-</b>            |
| <b>FINANCING</b>                             | <b>113.2</b>   | <b>80.6</b>    | <b>82.6</b>    | <b>1064.3</b>  | <b>4631.4</b>  | <b>-</b>            | <b>-</b>            |
| Net Grants Received                          | -55.7          | -32.7          | -43.4          | -50.2          | 208.8          | -                   | -                   |
| Drawing from Reserves                        | -              | -              | -              | -              | -              | -                   | -                   |
| Net loans Received                           | -38.9          | -36.7          | -74.0          | -60.3          | 305.2          | -                   | -                   |
| Development Bonds(Net)                       | 150.0          | 150.0          | 200.0          | 100.0          | 650.0          | -                   | -                   |
| Surpluses Brought from Previous Years        | 57.8           | -              | -              | 1074.8         | 234.6          | -                   | -                   |
| Change in Government Accounts                | -              | -              | -              | -              | 3232.8         | -                   | -                   |

\* Provisional

Source: Ministry of Finance.

**Table 4.3**  
**Breakdown of Other Current Revenues**  
(Rial Omani Million)

| Items                                                | 2011          | 2012          | 2013          | 2014          | 2015*         | % Change 2015/14 |
|------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|------------------|
| <b>A. Taxes and Fees Revenues</b>                    | <b>728.5</b>  | <b>909.9</b>  | <b>943.1</b>  | <b>1082.9</b> | <b>1099.1</b> | <b>1.5</b>       |
| Income Tax on Companies and Establishments           | 281.9         | 353.3         | 394.2         | 448.0         | 451.7         | 0.8              |
| Company Participation in Technical/Training Projects | 150.5         | 163.6         | 154.5         | 156.0         | 185.2         | 18.7             |
| Fees on Licences and Others                          | 134.9         | 142.9         | 177.1         | 199.7         | 209.7         | 5.0              |
| Licences Fees on Communication Services              | -             | -             | -             | -             | 17.1          | -                |
| Custom Duties                                        | 161.2         | 250.1         | 217.3         | 279.2         | 235.4         | -15.7            |
| <b>B. Non-Tax Revenues</b>                           | <b>868.0</b>  | <b>1123.7</b> | <b>987.9</b>  | <b>900.8</b>  | <b>766.0</b>  | <b>-15.0</b>     |
| Water Revenues                                       | 56.2          | 57.8          | 63.3          | 63.1          | 61.7          | -2.2             |
| Postal Revenues                                      | 0.4           | 0.4           | 0.0           | 0.0           | 0.0           | 0.0              |
| Airport Revenues                                     | 31.2          | 32.2          | 33.6          | 23.4          | 51.2          | -                |
| Port Revenues                                        | 0.3           | 0.3           | 0.3           | 0.3           | 0.7           | -                |
| Public Communication Services Toll                   | 46.2          | 41.7          | 88.4          | 48.0          | 4.2           | -91.3            |
| Surplus from Public Authorities                      | 10.3          | 7.4           | 10.2          | 8.0           | 6.8           | -15.0            |
| Rent from Government Real Estate                     | 8.5           | 10.2          | 11.6          | 11.6          | 14.4          | 24.1             |
| Income from Government Investments                   | 512.0         | 775.2         | 556.0         | 474.1         | 337.3         | -28.9            |
| Interest on Bank Deposits and Lending                | 25.2          | 25.8          | 27.8          | 20.5          | 32.4          | 58.0             |
| Others                                               | 177.7         | 172.8         | 196.7         | 251.8         | 257.3         | 2.2              |
| <b>Total</b>                                         | <b>1596.5</b> | <b>2033.7</b> | <b>1931.0</b> | <b>1983.7</b> | <b>1865.1</b> | <b>-6.0</b>      |

\* Provisional

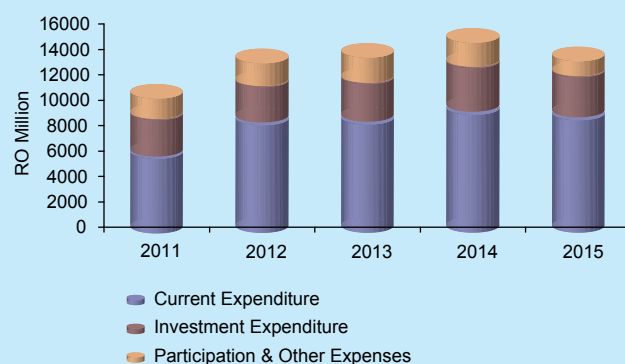
Source: Ministry of Finance.

## Government Expenditure

Following the large drop in the oil prices, fiscal consolidation efforts in 2015 involved adjustment and rationalization of the government expenditure to narrow the level of fiscal deficit. Aggregate government expenditure declined by 9.7 percent to RO 13,698.9 million in 2015 compared to fiscal expansion of 8.4 percent in overall public spending in the previous year. All three main items under the expenditure head, namely current expenditure, investment expenditure, and expenditure on participation and other expenses pointed to various rates of reduction (Chart 4.3).

Similar to previous years, current expenditure continued to account for the largest share of the total government expenditure in 2015, accounting for 66.9 percent. After increasing by 8.9 percent in 2014, current expenditure declined by 4.6

**Chart 4.3: Components of Fiscal Expenditure**



percent to RO 9,164.0 million in 2015. Investment expenditure decreased by 7.5 percent to RO 3,315.2 million following an increase of about 15.0 percent in 2014. In view of sharp decline in crude oil prices which led to a lower margin between subsidized domestic consumption and market price, and given the fact that subsidies on fuel represented the largest share of expenditure in participation and other expenses, the result was a 38.4 percent decline in the item from the previous year to RO 1,219.7 million in 2015 (Chart 4.4).

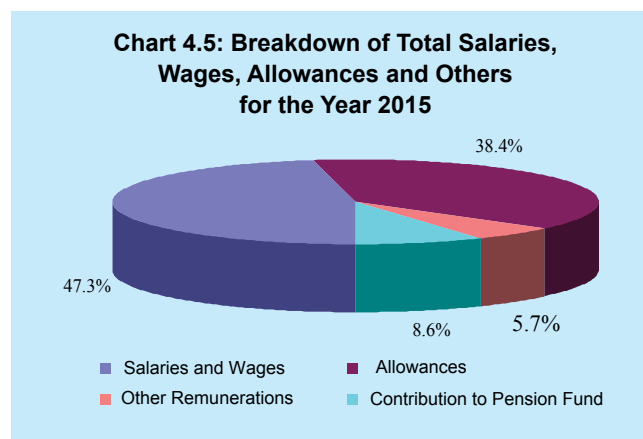
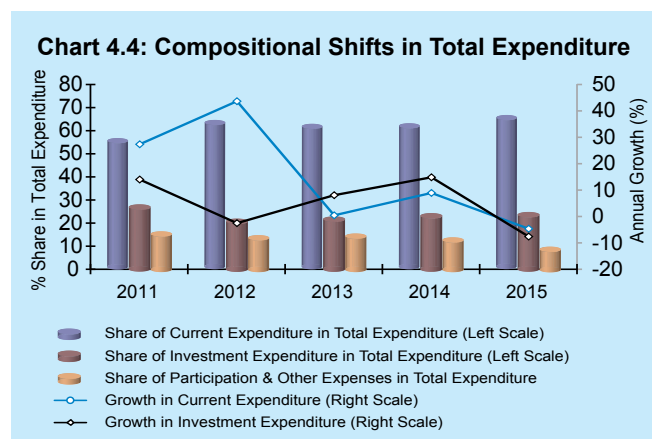
### Current Expenditure

The decline in current expenditure in 2015 followed the drop in all the major items with the exception of gas production expenditures which pointed to a major expansion of 74.6 percent to RO 166.4 million during the year under review in line with expansion of the sector aimed at supporting the domestic industry. Current expenditure on defense and national security fell by 8.3 percent to RO 3,862.2 million in 2015 over and above the decrease of 6.3 percent in 2014. Current expenditure on civil ministries registered a marginal decline of 0.8 percent to RO 4,722.6 million following a notable expansion of 23.8 percent in the previous year. Efforts to rationalize expenditure in the oil sector

in response to prevailing oil prices in 2015 led to a decrease of 22.5 percent in current expenditure related to production compared to an increase of about 41.0 percent in 2014. The overall decline in government current expenditure reflected measures that were taken by the government during the year to rationalize as well as prioritize public spending in the context of fiscal consolidation plan that is expected to extend in the medium term.

### Civil Ministries Current Expenditure

There are three key components that make up the civil current expenditure (Table 4.4). The first constitutes mainly expenditure related to total wages, salaries and allowances which recorded an increase of about 1.9 percent, reaching RO 3,410.1 million in 2015 and accounting for 72.2 percent of total civil expenditure (Chart 4.5). The breakdown of these three expenditure items indicated that salaries and wages alone accounted for about 34.2 percent of total civil current expenditures while allowances amounted to 27.8 percent in 2015. In absolute terms, the level of expenditure on salaries and wages increased by 6.8 percent while expenditure on allowances remained the same. However, expenditures on other remuneration and contribution to Pension





Fund decreased by 13.2 percent and 3.1 percent, respectively. The minimal increase in civil current expenditure on wages, salaries, allowances and others was in line with various measures initiated by the government to contain the growth in non-discretionary spending in response to the contraction in government revenues.

The second component of civil current expenditure related to expenditure included on goods and services which registered a decrease of 5.3 percent to RO 855.3 million in 2015. All items under this expenditure head registered some level of cutback in 2015. Similarly, the third item under current civil expenditure, namely subsidies and other current transfers recorded a decline of 11.1 percent to RO 457.2 million in 2015.

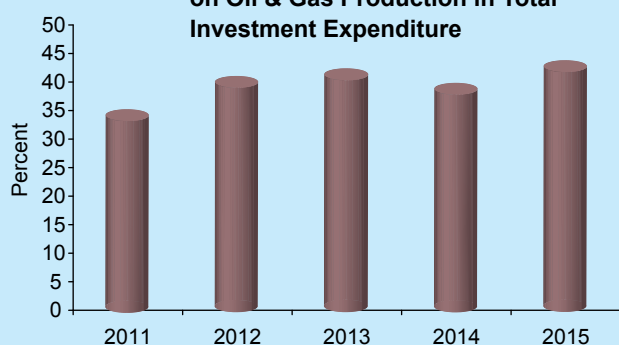
With regard to the items related to civil current expenditure based on function classification, expenditure on general public services sector increased by 3.0 percent to RO 632.6 million while expenditure on public health witnessed an even higher increase of 9.3 percent to RO 755.7 million. Civil current expenditure on education affairs and services fell by 2.3 percent to RO 1,678.0 million, social security and welfare expenditure dropped

by 6.5 percent to RO 554.4 million and housing by 6.6 percent to RO 542.8 million (Table 4.5).

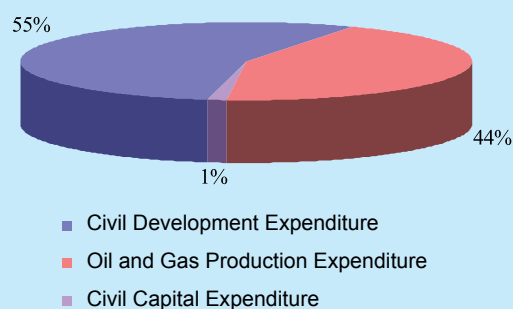
### Investment Expenditure

Reduction in government expenditure also extended to investment expenditure in 2015 registering a year-on-year decrease of 7.5 percent to RO 3,315.2 million following an increase of about 14.9 percent in 2014 (Chart 4.6). Among the items under investment expenditure, development expenditure for civil ministries which accounted for 55 percent, pointed to a decline of about 12.9 percent to RO 1,822.5 million in 2015. In an effort to boost production, capital expenditure on oil increased by 3.5 percent to RO 774.3 million during the year under review against a decline of 0.6 percent in the previous year. Following a notable increase of 19.2 percent in 2014 to boost gas production with the aim of meeting domestic demand, capital expenditure on gas production in 2015 remained more or less at the same level as in 2014 at RO 670.7 million. Together, investment expenditure on crude oil and natural gas production stood at RO 1,445 million in 2015 or 43.6 percent of total government investment expenditure during the year (Chart 4.7).

**Chart 4.6: Share of Investment Expenditure on Oil & Gas Production in Total Investment Expenditure**



**Chart 4.7: Breakdown of Investment Expenditure for the Year 2015**



**Table 4.4**  
**Breakdown of Civil Current Expenditure by Type of Expenses**  
(Rial Omani Million)

| Items                                                  | 2011          | 2012          | 2013          | 2014          | 2015*         | % Change 2015/14 |
|--------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|------------------|
| <b>A. Total Wages, Salaries, Allowances and Others</b> | <b>1935.4</b> | <b>2307.7</b> | <b>2472.1</b> | <b>3345.3</b> | <b>3410.1</b> | <b>1.9</b>       |
| Salaries and Wages                                     | 904.5         | 1041.1        | 1103.0        | 1510.9        | 1614.1        | 6.8              |
| Allowances                                             | 702.8         | 865.1         | 943.2         | 1310.4        | 1311.0        | 0.0              |
| Other Remuneration                                     | 170.0         | 200.6         | 213.5         | 225.7         | 195.9         | -13.2            |
| Contribution to Pension Fund                           | 158.1         | 200.9         | 212.4         | 298.3         | 289.1         | -3.1             |
| <b>B. Expenditure on Goods and Services</b>            | <b>584.8</b>  | <b>661.3</b>  | <b>814.1</b>  | <b>903.0</b>  | <b>855.3</b>  | <b>-5.3</b>      |
| Purchase of Goods                                      | 165.0         | 179.5         | 212.4         | 221.3         | 200.0         | -9.6             |
| Purchase of Services                                   | 342.8         | 399.5         | 506.1         | 578.7         | 562.2         | -2.9             |
| Expenses of Government Services                        | 77.0          | 82.3          | 95.6          | 103.0         | 93.1          | -9.6             |
| <b>C. Subsidies and Other Current Transfers</b>        | <b>666.7</b>  | <b>534.3</b>  | <b>562.3</b>  | <b>514.4</b>  | <b>457.2</b>  | <b>-11.1</b>     |
| <b>Total Civil Current Expenditure</b>                 | <b>3186.9</b> | <b>3503.3</b> | <b>3848.5</b> | <b>4762.7</b> | <b>4722.6</b> | <b>-0.8</b>      |

\* Provisional

Source: Ministry of Finance.

**Table 4.5**  
**Breakdown of Civil Current Expenditure by Function**  
(Rial Omani Million)

| Items                                  | 2011          | 2012          | 2013          | 2014          | 2015*         | % Change 2015/14 |
|----------------------------------------|---------------|---------------|---------------|---------------|---------------|------------------|
| General Public Services Sector         | 426.8         | 486.7         | 549.7         | 614.3         | 632.6         | 3.0              |
| Public Order and Safety                | 82.0          | 90.1          | 109.5         | 141.8         | 130.6         | -7.9             |
| Education Affairs and Services         | 1036.5        | 1230.0        | 1308.2        | 1717.7        | 1678.0        | -2.3             |
| Health                                 | 372.4         | 434.7         | 517.0         | 691.7         | 755.7         | 9.3              |
| Social Security and Welfare            | 629.0         | 536.4         | 560.6         | 593.0         | 554.4         | -6.5             |
| Housing                                | 413.6         | 446.1         | 491.3         | 581.4         | 542.8         | -6.6             |
| Cultural and Religious Affairs         | 117.6         | 151.4         | 163.6         | 231.3         | 229.7         | -0.7             |
| Fuel and Energy                        | 3.2           | 3.9           | 3.9           | 4.8           | 4.8           | 0.0              |
| Agriculture, Forestry & Fishing        | 38.9          | 44.8          | 48.0          | 62.3          | 62.6          | 0.5              |
| Mining, Manufacturing and Construction | 0.0           | 0.1           | 0.0           | 0.0           | 0.0           | 0.0              |
| Transport and Communication            | 39.0          | 45.7          | 50.2          | 63.7          | 61.0          | 0.0              |
| Other Economic Affairs                 | 27.9          | 33.6          | 46.5          | 60.7          | 70.4          | 16.0             |
| <b>Total Civil Current Expenditure</b> | <b>3186.9</b> | <b>3503.3</b> | <b>3848.5</b> | <b>4762.7</b> | <b>4722.6</b> | <b>-0.8</b>      |

\* Provisional

Source: Ministry of Finance.

### Civil Development Expenditure

The breakdown of civil development expenditure by function lists of itemized expenditure in various sectors (Table 4.6). Among the major items, expenditure on transport and communications declined by 10.5 percent to RO 769.2 million in 2015, expenditure on housing by 27.7 percent to RO 475 million, and expenditure on general public services sector by 5.7 percent to RO 138.8 million. The major sector that witnessed an increase in expenditure was that of education affairs and services. At RO 257.9 million, this sector registered an increase of 5.7 percent in 2015.

### Government Participation and Other Expenses

In line with the government policy to rationalize public expenditure, spending on participation and other expenses registered a significant drop in 2015 when compared to current and investment expenditures. Total government expenditure under this component stood at RO 1,219.7 million during the year under review, a drop of 38.4 percent over the disbursement in the previous year (Table 4.7). At itemized level, the decline in expenditure to support petroleum products was the highest at RO 479.3 million. The second largest item related to expenditure on government participation and other expenses pertained to the support the government provided to the electricity sector which in 2015 amounted to RO 386.4 million or 42.8 percent higher than the previous year. Together, expenditure on support for petroleum products and electricity sector accounted for RO 865.7 million or 71 percent of total expenditure on government participation and other expenses. The third major expenditure was on participation

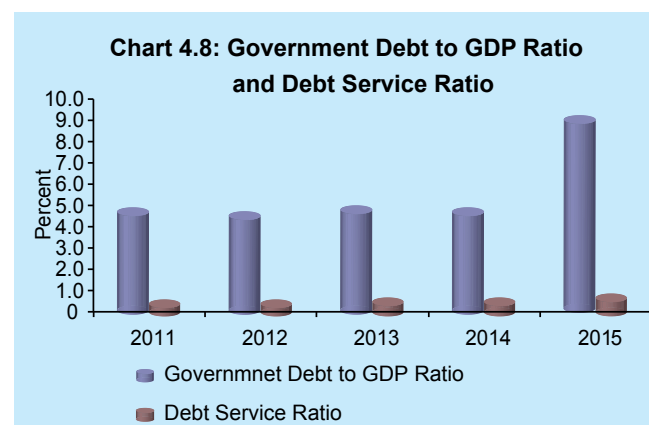
in domestic, regional and international interests which stood at RO 248.1 million which was 46.7 percent lower than government outlays in 2014.

### Government Debt

Government debt indicators point to a notable increase in 2015 as the stock of debt reached RO 2,481.3 million, or an increase of 62.6 percent (Table 4.8). The combination of nominal GDP contraction and rising stock of debt led to 9.2 percent Debt to GDP ratio as against 4.8 percent in 2014. Debt Services ratio which is calculated based on the external debt of the government only, stood at 0.7 percent in 2015 compared to 0.5 percent in 2014 (Chart 4.8). During the year the government had to resort to additional borrowings in order to finance the fiscal deficit when compared to more favorable fiscal positions in previous years.

### Approved Budget and Actual Fiscal Performance

The Sultanate of Oman's State General Budget for 2016 was formulated in an environment of falling crude oil prices in the international markets and coincided with the first year of Ninth Five-Year Development Plan. In response to anticipated sustained low oil prices, certain fiscal reforms



**Table 4.6**  
**Breakdown of Civil Development Expenditure by Function**  
(Rial Omani Million)

| Items                                  | 2011          | 2012          | 2013          | 2014          | 2015*         | % Change<br>2015/14 |
|----------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------------|
| General Public Services Sector         | 230.2         | 212.3         | 162.1         | 147.2         | 138.8         | -5.7                |
| Public Order and Safety                | 14.9          | 11.3          | 9.4           | 11.6          | 8.6           | -25.9               |
| Education Affairs & Services           | 107.4         | 141.9         | 175.8         | 244.0         | 257.9         | 5.7                 |
| Health                                 | 38.9          | 34.0          | 54.4          | 27.8          | 32.9          | 18.3                |
| Social Security and Welfare            | 9.2           | 14.9          | 9.9           | 6.3           | 8.9           | 41.3                |
| Housing                                | 549.1         | 430.6         | 374.7         | 656.9         | 475.0         | -27.7               |
| Cultural and Religious Affairs         | 29.7          | 29.9          | 48.3          | 82.5          | 45.0          | -45.5               |
| Fuel and Energy                        | 0.5           | 0.8           | 0.9           | 0.3           | 0.6           | -                   |
| Agriculture, Forestry and Fishing      | 26.5          | 22.5          | 28.8          | 31.1          | 37.5          | 20.6                |
| Mining, Manufacturing and Construction | 0.6           | 1.1           | 0.5           | 1.0           | 8.8           | -                   |
| Transport and Communication            | 824.8         | 711.5         | 848.9         | 859.3         | 769.2         | -10.5               |
| Other Economic Affairs                 | 40.1          | 39.5          | 30.6          | 25.6          | 39.3          | 53.5                |
| <b>Total Development Expenditure</b>   | <b>1871.9</b> | <b>1650.3</b> | <b>1744.3</b> | <b>2093.6</b> | <b>1822.5</b> | <b>-12.9</b>        |

\* Provisional

Source: Ministry of Finance.

**Table 4.7**  
**Government Participation and Other Expenses**  
(Rial Omani Million)

| Items                                                           | 2011          | 2012          | 2013          | 2014          | 2015*         | % Change<br>2015/14 |
|-----------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------------|
| Participation in Domestic, Regional and International Interests | 528.3         | 611.0         | 451.6         | 465.4         | 248.1         | -46.7               |
| Subsidy on Soft Loans to Private Sector and Housing             | 18.6          | 24.6          | 30.5          | 32.4          | 24.5          | -24.4               |
| Government Support to Electricity Sector                        | 172.1         | 252.6         | 320.5         | 270.6         | 386.4         | 42.8                |
| Support Basic Foods                                             | -             | -             | 27.9          | 19.3          | 6.8           | -64.8               |
| Operational support to Gov Organisations                        | -             | -             | 98.6          | 59.1          | 44.2          | -25.2               |
| Support Petroleum Products                                      | 955.6         | 1007.7        | 1119.1        | 1134.6        | 479.3         | -57.8               |
| Investment Exp for Gov Companies                                | -             | -             | -             | -             | 30.4          | -                   |
| <b>Total Participation &amp; Other Expenses</b>                 | <b>1674.6</b> | <b>1895.9</b> | <b>2048.2</b> | <b>1981.4</b> | <b>1219.7</b> | <b>-38.4</b>        |

\* Provisional

Source : Ministry of Finance.

**Table 4.8**  
**Government Debt Indicators**  
(Rial Omani Million)

| Items                                  | 2011   | 2012   | 2013   | 2014   | 2015*  | % Change<br>2015/14 |
|----------------------------------------|--------|--------|--------|--------|--------|---------------------|
| 1. Stock of Debt (R.O. Million)        | 1247.2 | 1360.5 | 1486.5 | 1526.3 | 2481.3 | 62.6                |
| 2. Principal Repayments (R.O. Million) | 47.2   | 65.8   | 84.5   | 89.4   | 85.0   | -4.9                |
| 3. Interest Payments (R.O. Million)    | 38.1   | 45.3   | 53.6   | 52.9   | 37.3   | -29.5               |
| 4. Debt Indicators* *                  |        |        |        |        |        |                     |
| (a) Debt to GDP ratio (%)              | 4.8    | 4.6    | 4.9    | 4.8    | 9.2    | -                   |
| (b) Debt Services Ratio (%)***         | 0.4    | 0.4    | 0.5    | 0.5    | 0.7    | -                   |

\* Provisional

\*\* Since non-Government debt is not included in deriving these indicators, they do not reflect the debt of Oman as a whole, and hence, they are strictly not comparable with standard published debt indicators for other countries.

\*\*\* Relating to external debt of the Government Only. Debt- service ratio implies ( principal repayments plus interest payments) as percentage of export of goods and services.

Source : Ministry of Finance.

were initiated by the government to strengthen and consolidate its fiscal position. Among others, these reforms included the removal of fuel subsidies, a three percent increase in corporate taxes, as well as rationalization and reduction in public expenditure. Additional measures from the revenues side consisted of hiking fees in selected areas such as labor clearance and others.

### Approved State General Budget 2015 and Actual Fiscal Performance 2015

Actual government revenues for the fiscal year 2015 pointed to a difference of 21.8 percent from the estimated revenues figures in the approved budget, reflecting an optimistic assumption of

US \$ 75 per barrel for the Omani crude oil for the budget as against the average actual price of US \$ 56.45 per barrel. The estimated average crude oil production in the 2015 approved budget was 980,000 barrels per day. On the expenditure side, actual total government expenditure in 2015 was 2.8 percent below the approved budget for the year. While actual current expenditure and expenditure on participation and other expenses were below the approved budgets by 4.3 percent and about 6.9 percent, respectively, actual investment expenditure was higher by 3.1 percent. While the deficit in the 2015 approved budget was estimated at RO 2,500 million, the actual deficit, according to provisional figures, stood at RO 4,631.4 million.

### Main Features of the 2015 and 2016 Approved State General Budgets

The Sultanate's State General Budget uses two key assumptions in formulating its budget, namely estimated average price for the Omani crude oil as well as daily production of crude oil. These two assumptions for the 2016 budget included average price of around US \$45 per barrel for the Omani crude oil and a daily production of 980 thousand barrels per day. In view of prevailing and anticipated low crude oil prices in the medium term, the government, along with hydrocarbon companies initiated a number of measures to reduce both capital and operating expenditures but without compromising production. Accordingly, crude oil production estimates for the 2016 budget is similar to the one that was used in the 2015 budget estimates.

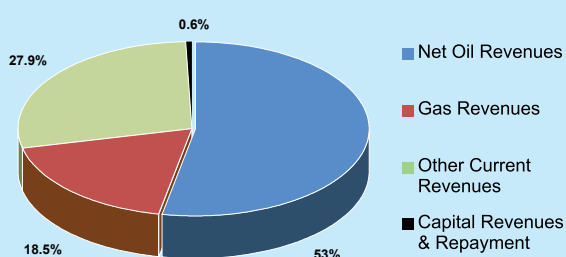
Given the assumptions above, total government revenues for the 2016 budget was estimated at RO 8600 million or about 25.9 percent lower than the previous year budget estimate. As part of fiscal measures taken in the context of low oil prices and anticipated rising deficit, total budgeted government expenditure was estimated at RO

11,900 million or a decline of 15.6 percent from total government expenditure in the 2015 budget (Table 4.9). Both the 2015 and 2016 approved budgets estimated fiscal deficits at RO 2,500 million and RO 3,300 million, respectively.

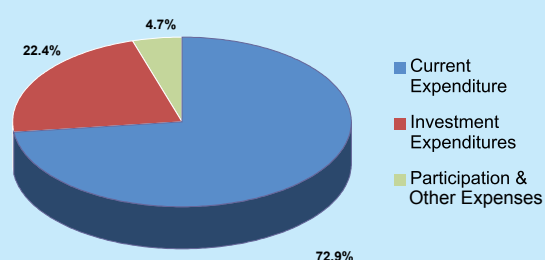
A closer look at the sub-components of the 2016 approved State General Budget indicates that net revenues from crude oil that were estimated at RO 4,560 million represented a 40.8 percent reduction from the 2015 budget estimates and accounted for 53 percent of total government revenues. Estimated revenues from natural gas on the other hand are expected to increase by 8.9 percent from the 2015 budget to RO 1,590 million in the 2016 budget (Chart 4.9). The combined government revenues from the oil and gas sector are projected to account for 71.5 percent of estimated total government revenues in the 2016 approved budget. Current revenues which include revenues from taxation and fees and other non-tax revenues are expected to increase by 0.8 percent from the previous year budget to RO 2,400 million in the 2016 budget.

In line with the fiscal reforms initiated by the

**Chart 4.9: Breakdown of Government Revenues in the 2016 Approved Budget**



**Chart 4.10: Breakdown of Public Expenditure in the 2016 Approved Budget**



**Table 4.9**  
**Budget Estimates & Actuals**  
(Rial Omani Million)

| ITEMS                                         | 2015<br>Budget | 2015<br>Actual | % change<br>actual 2015/<br>budget 2015 | 2016<br>Budget | % Change<br>budget<br>2016/15 |
|-----------------------------------------------|----------------|----------------|-----------------------------------------|----------------|-------------------------------|
| <b>TOTAL REVENUES</b>                         | <b>11600.0</b> | <b>9067.5</b>  | <b>-21.8</b>                            | <b>8600.0</b>  | <b>-25.9</b>                  |
| Net Oil Revenues                              | 7700.0         | 5656.2         | -26.5                                   | 4560.0         | -40.8                         |
| Gas Revenues                                  | 1460.0         | 1484.4         | 1.7                                     | 1590.0         | 8.9                           |
| Other Current Revenues                        | 2380.0         | 1865.1         | -21.6                                   | 2400.0         | 0.8                           |
| Capital Revenues                              | 25.0           | 14.0           | -44.0                                   | 20.0           | -20.0                         |
| Capital Repayments                            | 35.0           | 47.8           | 36.6                                    | 30.0           | -14.3                         |
| <b>TOTAL EXPENDITURE</b>                      | <b>14100.0</b> | <b>13698.9</b> | <b>-2.8</b>                             | <b>11900.0</b> | <b>-15.6</b>                  |
| <b>Current Expenditure</b>                    | <b>9576.0</b>  | <b>9164.0</b>  | <b>-4.3</b>                             | <b>8680.0</b>  | <b>-9.4</b>                   |
| Defence & National Security                   | 3800.0         | 3862.2         | 1.6                                     | 3500.0         | -7.9                          |
| Civil Ministries                              | 5166.0         | 4722.6         | -8.6                                    | 4600.0         | -11.0                         |
| Oil production Expenditures                   | 350.0          | 375.5          | 7.3                                     | 300.0          | -14.3                         |
| Gas production Expenditures                   | 210.0          | 166.4          | -20.8                                   | 190.0          | -9.5                          |
| Interest Paid on Loans                        | 50.0           | 37.3           | -25.4                                   | 90.0           | 80.0                          |
| <b>Investment Expenditure</b>                 | <b>3214.0</b>  | <b>3315.2</b>  | <b>3.1</b>                              | <b>2670.0</b>  | <b>-16.9</b>                  |
| Development Expenditure for Civil Ministries  | 1650.0         | 1822.5         | 10.5                                    | 1200.0         | -27.3                         |
| Capital Expenditure for Civil Ministries      | 44.0           | 47.7           | 8.4                                     | 150.0          | 0.0                           |
| Civil State - Owned Companies                 | 0.0            | 0.0            | 0.0                                     | 20.0           | 0.0                           |
| Oil Production Expenditures                   | 780.0          | 774.3          | -0.7                                    | 700.0          | -10.3                         |
| Gas Production Expenditures                   | 740.0          | 670.7          | -9.4                                    | 600.0          | -18.9                         |
| <b>Participation &amp; Other Expenses</b>     | <b>1310.0</b>  | <b>1219.7</b>  | <b>-6.9</b>                             | <b>550.0</b>   | <b>-58.0</b>                  |
| <b>SURPLUS/DEFICIT</b>                        | <b>-2500.0</b> | <b>-4631.4</b> | <b>-</b>                                | <b>-3300.0</b> | <b>-</b>                      |
| <b>FINANCING</b>                              | <b>2500.0</b>  | <b>4631.4</b>  | <b>-</b>                                | <b>3300.0</b>  | <b>-</b>                      |
| Net Grants Received                           | 200.0          | 208.8          | -                                       | 600.0          | -                             |
| Drawing from Reserves                         | 700.0          | 0.0            | -                                       | 1500.0         | -                             |
| Net loans Received                            | 200.0          | 305.2          | -                                       | 900.0          | -                             |
| Development Bonds (Net)                       | 400.0          | 650.0          | -                                       | 300.0          | -                             |
| Remaining Surplus Brought from Previous Years | 1000.0         | 234.6          | -                                       | -              | -                             |
| Change in Government Accounts                 | 0.0            | 3232.8         | -                                       | -              | -                             |

Source: Ministry of Finance.



government, the 2016 budget points to reductions in all three major expenditure components when compared to the previous year budget. At RO 8,680 million, current expenditure in the 2016 budget is 9.4 percent lower than similar expenditure in the previous year budget. Investment expenditure indicates an even higher decrease of 16.9 percent to RO 2,670 million in the current year budget. The decline in government expenditure on participation and other expenses was the highest at 58.0 percent and estimated at RO 550 million in the current year

fiscal budget. In the 2016 budget, the share of current expenditure in terms of total expenditure stood at 72.9 percent, investment expenditure at 22.4 percent, and expenditure on participation and other expenses at 4.7 percent (Chart 4.10). The estimated deficit in the 2016 budget is expected to be funded from multiple sources including RO 600 million from grants, RO 1,500 million drawn from reserves, RO 900 million from loans, and RO 300 million from issuance of government development bonds.



# **Money, Banking and Financial Institutions**



## MONEY, BANKING AND FINANCIAL INSTITUTIONS

The Central Bank of Oman (CBO) plays a crucial role in maintaining financial stability, pursuing accommodative monetary policy, developing and strengthening financial institutions and markets, and supervising and regulating the banking sector. Despite the recent challenges faced by the hydrocarbon sector due to the drop in crude oil prices, the banking sector in Oman continued the positive growth trend during the year 2015. The institutional framework of the financial sector falling directly under the jurisdiction of the Central Bank of Oman embodied mainly conventional commercial banks, Islamic banks and Islamic Windows, specialized banks, non-bank finance and leasing companies and money exchange and draft issuing establishments. As at the end of the year 2015, the number of conventional commercial banks remained at 16 of which 7 were locally incorporated and 9 where branches of foreign banks. They operated in Oman with a network of 468 branches. In addition, they had five branches and two representative offices abroad. The locally incorporated conventional commercial banks were Bank Muscat, National Bank of Oman, HSBC Bank Oman, Oman Arab Bank, Bank Dhofar, Bank Sohar and Al Ahli Bank. The foreign banks operating in Oman were the Standard Chartered Bank, Habib Bank, Bank Melli Iran, Bank Saderat Iran, Bank of Baroda, State Bank of India, National Bank of Abu Dhabi, Bank of Beirut and Qatar National Bank. Conventional commercial banks (excluding Islamic banking Windows) had in total 1088 ATMs (of which 550 were off-site), 259 cash deposit machines (of which 28 were off-site) and

13 on-site banking facilities. Of the seven local banks, six were listed in the Muscat Securities Market. All commercial banks are privately owned, with the Government having minority stakes in a few. Aggregate foreign ownership in locally incorporated banks is limited by law to a maximum equity share of 70 percent with prudential sub-limits imposed on the shareholding pattern. As at the end of 2015, twelve conventional banks and one full-fledged Islamic bank had approval to engage in specific investment banking activities on a tiered licensing system. There were also two full-fledged locally incorporated Islamic banks, namely, Bank Nizwa and Al Izz Islamic Bank. Six out of the seven locally incorporated conventional commercial banks offered Islamic banking services through dedicated windows. The Islamic banks and Windows together operated with 60 branches at the end of 2015 from 45 a year ago. They also had 50 ATMs and 15 cash deposit machines in service. There were also two Government owned specialized banks, namely, the Oman Housing Bank and Oman Development Bank that disburses soft financing to mainly low and middle income nationals to build or purchase residential property and to private sector investors to finance small projects. The specialized credit institutions operated with a network of 23 branches as at the end of the year. Six finance and leasing companies licensed by CBO were engaged in leasing activities, hire purchase, debt factoring and similar asset finance-based operations and carried out their operations in Oman with a network of 40 branches. As at the end of 2015, there

were also 16 exchange establishments licensed for money changing and remittance business and well as 31 money changing firms. The former (exchange establishments) had 296 branches. Besides the above, the broad financial sector in Oman also comprised of public and private sector Pension Funds, many insurance and brokerage firms and the Muscat Securities Market.

### Monetary and Banking Indicators

A well developed financial sector contributes to growth by mobilizing savings and then efficiently allocates these resources among competing investment projects. The positive correlation between indicators of financial development and economic growth over the medium to long term reflects the importance of the financial sector. A well calibrated and gradual approach to banking sector reforms by the CBO has led to the emergence of a strong and resilient banking system over the years. Despite the challenges facing the economy in the current scenario of low oil prices, the banking sector remains vibrant and promising taking into account economic diversification initiatives, sustained domestic demand with growing young population, accommodative monetary policies and the enhanced role of the private sector in the development process. Risk-based supervisions of banks, implementation of Basel accords, development of modern payment and settlement system and supporting growth with containment of inflation have led to financial stability. The dollar peg continues to provide a stable nominal anchor. The increased provision of financial services by both conventional and Islamic banks has helped in promoting financial inclusion and financial deepening in the economy. The ambit of financial

expansion in the economy that evolved over the recent years are reviewed in terms of a few select monetary and banking indicators presented in Table 5.1.

Given the low inflationary environment and moderate non-hydrocarbon growth, the CBO continued with its accommodative monetary policy stance. With domestic liquidity conditions still remaining comfortable, the various monetary indicators such as reserve money, currency with the public, narrow as well as broad money registered appreciable growth during the year. The CBO's foreign assets position increased to RO 6.7 billion at the end of the year with a comfortable level of merchandise import cover which also provided stability to the exchange rate peg. Significant growth was achieved during the recent five year period in the main banking aggregates, notably in asset growth, deposits, credit, capital and profits. The total assets of other depository corporations operating in Oman (conventional banks and Islamic banks and Windows combined) witnessed a significant growth of 16.3 percent during 2015 when compared to the previous year. Similar trends was evident in both deposits and credit growth. The growth in the balance sheet of banks was accompanied by improvement in assets quality, provision coverage and capital adequacy. The increased number of ATMs and their wide spread usage, prolific use of credit, debit and smart cards, electronic payments for various government services, internet banking etc. have added greater thrust and depth to the financial deepening witnessed in the recent years.

Financial deepening in the financial sector is also evident in terms of certain benchmarks such as

**Table 5.1**  
**Select Monetary and Banking Indicators**

|                                                             | 2011  | 2012  | 2013  | 2014  | 2015  |
|-------------------------------------------------------------|-------|-------|-------|-------|-------|
| <b>Monetary Indicators</b>                                  |       |       |       |       |       |
| Reserve money (R.O. Million)                                | 1827  | 2493  | 2652  | 3302  | 5612  |
| Currency with public (R.O. Million)                         | 843   | 926   | 1039  | 1188  | 1395  |
| Narrow money M1 (R.O. Million)                              | 3065  | 3492  | 3995  | 4808  | 5368  |
| Broad money M2 (R.O. Million)                               | 9855  | 10912 | 11937 | 13767 | 15146 |
| CBO's foreign assets (R.O. Million)                         | 5524  | 5514  | 6133  | 6277  | 6746  |
| Ratio of NFA of CBO to Reserve money                        | 3.0   | 2.2   | 2.3   | 1.9   | 1.2   |
| Ratio of NFA of banking system to M2                        | 0.6   | 0.5   | 0.6   | 0.5   | 0.3   |
| <b>Banking Indicators</b>                                   |       |       |       |       |       |
| Number of conventional commercial banks                     | 17    | 16    | 16    | 16    | 16    |
| Number of branches of conventional commercial banks         | 461   | 479   | 493   | 469   | 468   |
| Number of branches of Islamic banking entities              | -     | -     | 32    | 46    | 60    |
| Conventional commercial Bank ATMs                           | 971   | 1024  | 1071  | 1053  | 1088  |
| Islamic banking entities ATMs                               | -     | -     | 29    | 43    | 50    |
| Other depository corporations total assets (R.O. Million)   | 18408 | 20856 | 22902 | 26005 | 30250 |
| Other depository corporations total deposits (R.O. Million) | 12573 | 14172 | 15758 | 17968 | 19412 |
| Other depository corporations total credit (R.O. Million)   | 12515 | 14320 | 15612 | 17948 | 20097 |
| Capital Adequacy ratio                                      | 15.9  | 16.0  | 16.2  | 15.4  | 16.1  |
| <b>Financial deepening indicators</b>                       |       |       |       |       |       |
| Bank credit to GDP (%)                                      | 47.9  | 48.8  | 51.9  | 57.1  | 74.4  |
| Bank credit to non-oil GDP (%)                              | 88.7  | 89.3  | 90.8  | 94.8  | 103.7 |
| Bank deposits to GDP (%)                                    | 48.1  | 48.3  | 52.4  | 57.1  | 71.9  |
| Quasi-money to GDP (%)                                      | 26.0  | 25.3  | 26.4  | 28.5  | 36.2  |
| Broad money to GDP (%)                                      | 37.7  | 37.2  | 39.7  | 43.8  | 56.1  |
| Currency with public to GDP (%)                             | 3.2   | 3.2   | 3.5   | 3.8   | 5.2   |
| Currency with public to reserve money (%)                   | 46.1  | 37.1  | 39.2  | 36.0  | 24.9  |
| Currency with public to broad money (%)                     | 8.6   | 8.5   | 8.7   | 8.6   | 9.2   |
| Income velocity of broad money                              | 2.7   | 2.7   | 2.5   | 2.3   | 1.8   |
| Money multiplier (M2 over reserve money)                    | 5.4   | 4.4   | 4.5   | 4.2   | 2.7   |
| Stock market capitalization to GDP ratio (%)                | 39.6  | 39.7  | 47.1  | 46.3  | 58.4  |

*Note: Other depository corporations include conventional banks and Islamic banks and windows.*

*Source: Central Bank of Oman*

bank credit to GDP, bank deposits to GDP, quasi and broad money to GDP and in several other ratios. The ratio of banks credit to nominal GDP increased from 51.9 percent in 2013 to 57.1 percent in 2014 and further to 74.4 percent in 2015 (Charts 5.1(a), 5.1(b) and 5.1(c)). When seen in the context of non-oil GDP, considering that bank credit is mainly extended to finance non-oil based

economic activities, the ratio increased from 94.8 percent in 2014 to 103.7 percent in 2015. The ratio of banks deposits to GDP also improved to 71.9 percent in 2015 from 57.1 percent in previous year. Financial depth as measured by both quasi-money and broad money to GDP also registered significant improvement to 36.2 percent and 56.1 percent, respectively in the year 2015. The income

Chart 5-1 (a): Broad Money &amp; Bank Credit to GDP Ratio

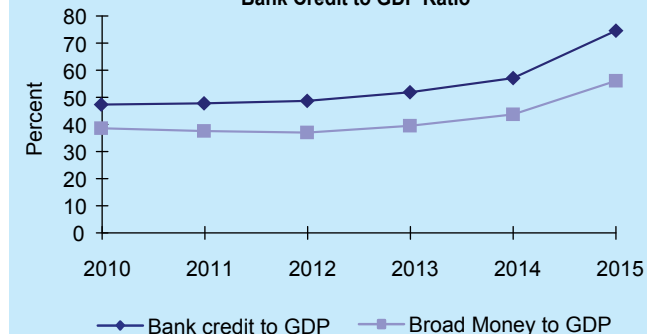


Chart 5-1 (b): Income Velocity of M2 &amp; Money multiplier

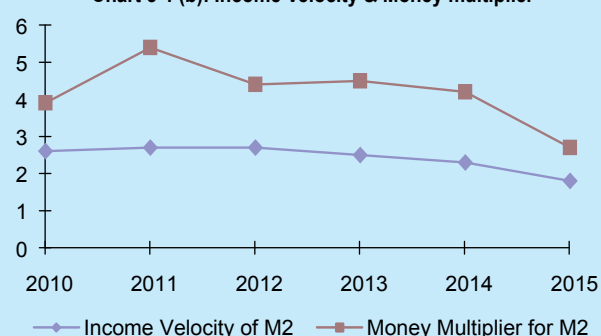
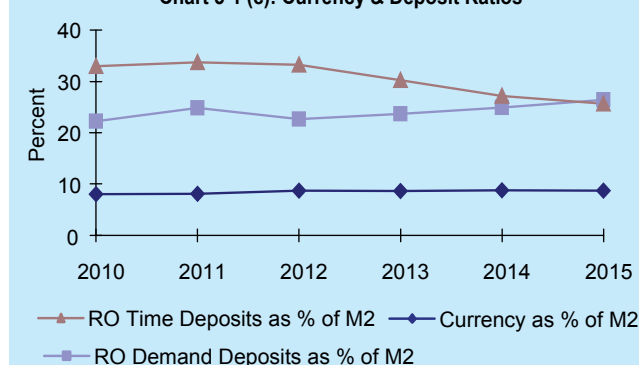


Chart 5-1 (c): Currency &amp; Deposit Ratios



velocity of broad money (ratio of GDP to M2), computed by dividing the nation's output of goods and services by the total money stock indicates the number of times money balances turn over in the economy. The ratio remained more or less stable in the previous years but moderated to 1.8 in 2015 from 2.3 in the previous year. Given the higher level of bank's clearing balances held with CBO at the end of the year, the money multiplier (M2 over reserve money), which explains by how much the base money has expanded through the banking system, declined from 4.2 in 2014 to 2.7 in 2015. Market capitalization to GDP ratio which stood at 46.3 in 2014 improved significantly to 58.4 in 2015. Market capitalization gives a good indicator of the magnitude of the size of the stock market and market value of investors wealth.

### CBO's Monetary Policy

The primary objective of the Central Bank of Oman is to ensure monetary and financial stability to promote a sound macroeconomic environment for enhancing investment and growth of the economy within the framework of a fixed exchange rate peg with the US dollar and open capital account. Monetary policy literally means adjusting the quantity of money or its price i.e., domestic interest rate consistent with the demand for money in the economy. In the case of an open economy like Oman, independence of the monetary authority in setting domestic interest rates or controlling money supply is limited due to the fixed exchange rate regime. Under the fixed exchange rate system, the CBO has to by and large adopt the monetary policy of the anchor country to avoid pressures on the exchange rate. Within this limitation, the CBO adopts appropriate strategies in discharging its responsibilities as a monetary authority to realize monetary stability depending on domestic and global macroeconomic developments.

The exchange rate of the Rial Omani is pegged to the US dollar since 1973 and the parity has remained unchanged at US \$ 2.6008 per Rial Omani since 1986. In view of the fixed exchange

rate regime, the primary focus of the operating procedures of the monetary policy is to ensure appropriate levels of liquidity so as to avoid internal and external imbalances. The CBO uses both direct and indirect instruments for liquidity management. Direct instrument include the statutory reserve requirements as well as the lending to deposit ratios while the indirect instruments include sale of CBO certificates of deposit, treasury bill auctions, repo facilities and swap and reverse swap facilities.

Monetary policy issues are regularly discussed and reviewed in the Monetary Policy and Banking Development Committee (MPBDC) which meets at least once in every quarter during the year, or more frequently as the situation demands. Various policy issues including liquidity management are deliberated from various angles and recommended for implementation.

### Monetary Aggregates

Monetary aggregates in Oman continued to expand at a robust pace during 2015, albeit with some moderation during the year, but still ended with a broad money growth of 10 percent on a year-on-year basis. Reserve money (monetary base) registered an unusual large growth of 70 percent over the year as banks' deposits mainly in the form of clearing balances held with CBO increased to RO 3.8 billion at the end of December 2015 from RO 1.7 billion a year ago (Table 5.2). Despite the rise in reserve money, broad money growth was moderated following the decline in the money multiplier. Within the broad money aggregate, both narrow money stock (M1) and quasi-money increased by 11.7 percent and 9.1 percent, respectively. The stimulus for the growth

in quasi-money came mainly from the increase in local currency saving deposits followed by foreign currency denominated deposits.

### Monetary Survey

The Monetary Survey is a consolidated statement of accounts of all financial sector corporations that incur liabilities included in the national definition of broad money. The framework is designed to facilitate analysis of broad money and its components, credit aggregates and depository corporations' foreign assets and liabilities and other assets and liabilities. The monetary survey aggregates analysed in Table 5.4 include balance sheet data of the Central Bank, conventional commercial banks and Islamic banks and Windows. The primary source of monetary expansion during 2015 was the accretion in bank credit to the private sector by RO 2.2 billion (13.9%) and increase in the net claims on the Government by RO 1.58 billion. Monetary expansion was mitigated by the decline in net foreign assets of the banking system by 29.6 percent. While CBO's net foreign assets went up by RO 473 million (7.7%) over the year, that of other depository corporations witnessed a sizeable decline of RO 2.4 billion.

### Financial Markets

Well developed financial markets enables the Central Bank to effectively conduct monetary policy and assists in improving the allocative efficiency of resources. In Oman, the development of financial markets has been carried out principally for bringing about efficiency and stability in markets as well as facilitating integration of markets. The emphasis has been increasing the efficiency of the payment

**Table 5.2**  
**Monetary Base and its Sources**  
(Rial Omani Million)

|                                  | 2013          | 2014          | 2015          | Absolute Change |               |
|----------------------------------|---------------|---------------|---------------|-----------------|---------------|
|                                  |               |               |               | 2014/13         | 2015/14       |
| Currency Issued                  | 1342.7        | 1593.7        | 1788.2        | 251.0           | 194.5         |
| Banks deposits with CBO*         | 1309.5        | 1708.4        | 3824.3        | 398.9           | 2115.9        |
| <b>Monetary Base (M0)</b>        | <b>2652.2</b> | <b>3302.1</b> | <b>5612.5</b> | <b>649.9</b>    | <b>2310.4</b> |
| <b>Central Bank Assets</b>       |               |               |               |                 |               |
| Foreign assets                   | 6133.3        | 6276.9        | 6745.8        | 143.6           | 468.9         |
| Claims on Government             | 0.0           | 173.2         | 658.2         | 173.2           | 485.0         |
| Fixed and other assets           | 184.6         | 188.6         | 184.8         | 4.0             | -3.8          |
| <b>Less:</b>                     |               |               |               |                 |               |
| <b>Central Bank Liabilities</b>  |               |               |               |                 |               |
| Net Worth (capital and reserves) | 1332.9        | 1298.8        | 1304.8        | -34.1           | 6.0           |
| Government deposits              | 873.0         | 512.4         | 473.8         | -360.6          | -38.6         |
| Foreign liabilities              | 106.6         | 100.0         | 95.9          | -6.6            | -4.1          |
| Other liabilities                | 1353.2        | 1425.4        | 101.8         | 72.2            | -1323.6       |

\* Excludes CDs issued by CBO which are shown under other liabilities

Source: Central Bank of Oman.

**Table 5.3**  
**Components of Broad Money**  
A. (Rial Omani Million)

| End of the Period                  | 2011          | 2012           | 2013           | 2014           | 2015           |
|------------------------------------|---------------|----------------|----------------|----------------|----------------|
| <b>Money Supply (M1)</b>           | <b>3064.9</b> | <b>3492.4</b>  | <b>3994.9</b>  | <b>4808.0</b>  | <b>5368.3</b>  |
| Currency with public               | 843.1         | 926.0          | 1039.2         | 1188.2         | 1395.3         |
| Demand deposits in local currency  | 2221.8        | 2566.4         | 2955.7         | 3619.8         | 3973.0         |
| <b>Quasi Money</b>                 | <b>6790.0</b> | <b>7419.7</b>  | <b>7942.6</b>  | <b>8958.9</b>  | <b>9777.4</b>  |
| Savings deposits in local currency | 2468.8        | 2884.0         | 3339.8         | 4006.4         | 4463.2         |
| Time deposits in local currency    | 3308.6        | 3614.7         | 3595.9         | 3712.3         | 3854.5         |
| Deposits in foreign currency       | 928.5         | 821.6          | 887.3          | 1088.1         | 1169.7         |
| Margins                            | 84.1          | 99.4           | 119.6          | 152.1          | 290.0          |
| <b>Broad Money (M2)</b>            | <b>9854.9</b> | <b>10912.1</b> | <b>11937.5</b> | <b>13766.9</b> | <b>15145.7</b> |

B. (Percentage To Total)

| End of the Period                  | 2011         | 2012         | 2013         | 2014         | 2015         |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>Money Supply (M1)</b>           | <b>31.1</b>  | <b>32.0</b>  | <b>33.5</b>  | <b>34.9</b>  | <b>35.4</b>  |
| Currency with public               | 8.6          | 8.5          | 8.7          | 8.6          | 9.2          |
| Demand deposits in local currency  | 22.5         | 23.5         | 24.8         | 26.3         | 26.2         |
| <b>Quasi Money</b>                 | <b>68.9</b>  | <b>68.0</b>  | <b>66.5</b>  | <b>65.1</b>  | <b>64.6</b>  |
| Savings deposits in local currency | 25.1         | 26.4         | 28.0         | 29.1         | 29.5         |
| Time deposits in local currency    | 33.6         | 33.1         | 30.1         | 27.0         | 25.5         |
| Deposits in foreign currency       | 9.4          | 7.5          | 7.4          | 7.9          | 7.7          |
| Margins                            | 0.9          | 0.9          | 1.0          | 1.1          | 1.9          |
| <b>Broad Money (M2)</b>            | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> |

Source: Central Bank of Oman.



**Table 5.4**  
**Monetary Survey \***

| End of Period                       | (Rial Omani Million) |                |                |                |                | Change in RO million 2015/14 | % Change 2015/14 |
|-------------------------------------|----------------------|----------------|----------------|----------------|----------------|------------------------------|------------------|
|                                     | 2011                 | 2012           | 2013           | 2014           | 2015           |                              |                  |
| <b>1. Broad money (A+B)</b>         | <b>9854.9</b>        | <b>10912.1</b> | <b>11937.5</b> | <b>13766.9</b> | <b>15145.7</b> | <b>1378.7</b>                | <b>10.0</b>      |
| A. Money                            | 3064.9               | 3492.4         | 3994.9         | 4808.0         | 5368.3         | 560.3                        | 11.7             |
| a) Currency with public             | 843.1                | 926.0          | 1039.2         | 1188.2         | 1395.3         | 207.2                        | 17.4             |
| b) Demand deposits in RO            | 2221.8               | 2566.4         | 2955.7         | 3619.8         | 3973.0         | 353.1                        | 9.8              |
| B. Quasi Money                      | 6790.0               | 7419.7         | 7942.6         | 8958.9         | 9777.4         | 818.4                        | 9.1              |
| (of which foreign cy. deposits)     | 928.5                | 821.6          | 887.3          | 1088.1         | 1169.7         | 81.6                         | 7.5              |
| <b>2. Foreign Assets (net)</b>      | <b>5882.4</b>        | <b>5952.8</b>  | <b>6763.6</b>  | <b>6546.4</b>  | <b>4608.4</b>  | <b>-1938.0</b>               | <b>-29.6</b>     |
| Central Bank                        | 5416.9               | 5407.6         | 6026.7         | 6176.9         | 6649.9         | 473.0                        | 7.7              |
| Other Depository Corporations       | 465.5                | 545.2          | 736.9          | 369.5          | -2041.5        | -2411.0                      | -                |
| <b>3. Domestic Assets</b>           | <b>3972.5</b>        | <b>4959.2</b>  | <b>5173.9</b>  | <b>7220.5</b>  | <b>10537.3</b> | <b>3316.8</b>                | <b>45.9</b>      |
| a) Claims on Government (net)(i-ii) | -3879.7              | -4146.1        | -4829.8        | -4810.8        | -3224.5        | 1586.3                       | -                |
| i) Government borrowings            | 433.3                | 615.7          | 613.8          | 835.0          | 2628.8         | 1793.8                       | 214.8            |
| ii) Government deposits             | 4313.0               | 4761.8         | 5443.7         | 5645.8         | 5853.3         | 207.5                        | 3.7              |
| b) Domestic claims on Pvt. Sector   | 10939.7              | 12577.2        | 13906.9        | 15966.1        | 18185.8        | 2219.7                       | 13.9             |
| c) Claims on Public enterprises     | 1471.2               | 1714.2         | 1750.0         | 2016.1         | 1982.3         | -33.8                        | -1.7             |
| d) Other items (net) (-)            | 4558.7               | 5186.1         | 5653.2         | 5950.9         | 6406.3         | 455.4                        | 7.7              |
| i) Central Bank                     | 3633.9               | 3761.0         | 4114.5         | 4649.4         | 5438.8         | 789.4                        | 17.0             |
| ii) Other Depository Corporations   | 924.8                | 1425.1         | 1538.7         | 1301.4         | 967.5          | -334.0                       | -25.7            |

\* Monetary survey aggregates include that of conventional banks and Islamic banks and windows.

Source : Central Bank of Oman.

and settlement systems, lowering of transaction costs, enhancing liquidity and strengthening price discovery. The various segments of the financial markets, namely, the money market, capital market and the foreign exchange market remained orderly and stable during the year.

### Money Market

The money market is an important segment of the financial market in which various financial instruments with high liquidity and short maturities are traded. It provides an equilibrating mechanism

between the demand and supply of short term funds. A developed money market enhances the effectiveness of monetary policy transmission to the real sector of the economy. Besides the Central Bank, other participants in the money market include commercial banks, various non-bank financial intermediaries, discount houses etc. The money market operates through a number of instruments and mainly comprise call money market, promissory notes and bills of exchange, short term debt instruments such as negotiable certificates of deposit, treasury bills, bankers acceptances and Repo facilities. The CBO

**Table 5.5**  
**Absorption and Injection of Liquidity**  
**by CBO during 2015**

| Month     | Liquidity Absorption (CBO CDs)              |                                        |                                                      | Liquidity Injection (Repos With CBO)*       |                   |
|-----------|---------------------------------------------|----------------------------------------|------------------------------------------------------|---------------------------------------------|-------------------|
|           | 28 Day CDs                                  |                                        | Outstanding CDs at the end of the Month (RO Million) | Amount Repoed During the Month (RO Million) | Repo Rate (% p.a) |
|           | Amount Issued During the Month (RO Million) | Weighted Average Interest Rate (% p.a) |                                                      |                                             |                   |
| January   | 1429.4                                      | 0.130                                  | 1429.4                                               | 0.0                                         | 1.0               |
| February  | 1386.9                                      | 0.128                                  | 1386.9                                               | 0.0                                         | 1.0               |
| March     | 1623.5                                      | 0.123                                  | 1623.5                                               | 0.0                                         | 1.0               |
| April     | 1076.8                                      | 0.114                                  | 650.0                                                | 1.0                                         | 1.0               |
| May       | 932.0                                       | 0.102                                  | 932.0                                                | 0.0                                         | 1.0               |
| June      | 945.0                                       | 0.100                                  | 945.0                                                | 0.0                                         | 1.0               |
| July      | 636.0                                       | 0.097                                  | 336.0                                                | 30.0                                        | 1.0               |
| August    | 123.0                                       | 0.100                                  | 123.0                                                | 64.5                                        | 1.0               |
| September | 0.0                                         | 0.000                                  | 0.0                                                  | 76.0                                        | 1.0               |
| October   | 0.0                                         | 0.000                                  | 0.0                                                  | 69.0                                        | 1.0               |
| November  | 0.0                                         | 0.000                                  | 0.0                                                  | 0.0                                         | 1.0               |
| December  | 0.0                                         | 0.000                                  | 0.0                                                  | 40.0                                        | 1.0               |

\* Includes repos in all instruments such as CBO CDs, GDBs, and T.Bs.  
Source : Central Bank of Oman.

undertook liquidity management operations during the year to maintain an orderly and stable money market. From January to July 2015, CBO's liquidity management operations were characterized by more absorption than provision of liquidity (Table 5.5). After several years of non-issuance of treasury bills, commencing March 2015, CBO began issuing 91 days and less frequently 364 days Government treasury bills to banks which increased the options available for liquidity management. Injection of liquidity is mainly done through the Repos facility and banks resorted more often to this avenue in the second half of the year. The domestic inter-bank market continued to remain shallow with low

volumes and confined mainly to overnight tenors. The daily average turnover during 2015 stood at RO 31.9 million compared to RO 24.4 million in the previous year.

### Capital Market

For the financial system to remain robust, it is expedient for both money markets and capital markets to develop and operate side by side. In fact, an active money market is both helpful and imperative for the development of the securities market. While a developed Government securities market can provide benchmarks for pricing

**Table 5.6 (a)**  
**Holding Pattern of Outstanding Government Development Bonds 2015\***

|                              | Amount<br>(R.O. Million) | Percentage<br>to Total |
|------------------------------|--------------------------|------------------------|
| Banks                        | 732.6                    | 55.1                   |
| Govt Entities                | 2.4                      | 0.2                    |
| Pension Funds                | 479.4                    | 36.0                   |
| Other Financial Institutions | 113.2                    | 8.5                    |
| Non- Financial Institutions  | 0.1                      | -                      |
| Individuals                  | 2.3                      | 0.2                    |
| <b>Total</b>                 | <b>1330.0</b>            | <b>100.0</b>           |

\* Excludes Investments in Government Sukuk  
Note: Holding pattern based on primary issuance  
Source: Central Bank of Oman

corporate debt, the latter would provide an alternative channel of finance to corporate entities and thereby enhance financial intermediation. During 2015, there were two Government Development Bond issues totaling RO 500 million and one Sovereign Sukuk of RO 250 million. As at the end of December 2015, the outstanding GDBs amounted to RO 1,330 million compared to RO 930 million at the end of the previous year. The holding pattern of the outstanding GDBs (based

on primary issuance) given in Table 5.6(a) reveal that the biggest share of bonds (55.1%) were held by banks followed by Pension Funds at 36 percent. During the year on the corporate side, the capital market witnessed just one major IPO, Phoenix Power Company which was fully subscribed.

The activities and performance of the Muscat Securities Market is summarized in a few indicators shown in Table 5.6 (b). The Muscat Securities Market Index, also known as MSM-30 Index, closed at 5406.22 points registering a decline of 14.8 percent over the previous year when it closed at 6343.22. The decline was recorded across the board in all the sector-wise indices with the steepest fall in the Industrial sector index (19.1%), followed by the drop in the Financial sector index (16%) and lastly in the Services sector index at 12.1 percent. The MSM Shariah Index also witnessed a drop of 11.5 percent to close at 855.36 at the end of 2015 compared to 966.26 at the end of 2014. Total trading value during the year stood at RO 1.39 billion with daily average amounting to RO 5.6 million. Comparable figures

**Table 5.6 (b)**  
**Stock Market Indicators**

|                                                                      | 2011    | 2012    | 2013    | 2014    | 2015    |
|----------------------------------------------------------------------|---------|---------|---------|---------|---------|
| 1) MSM 30 Share Price Index                                          | 5695.12 | 5760.84 | 6834.56 | 6343.22 | 5406.22 |
| 2) Number of shares traded (Million)                                 | 2366.2  | 4319.2  | 7949.2  | 6620.0  | 5642.5  |
| 3) Number of bonds traded (Million)                                  | 14.1    | 23.0    | 213.7   | 86.6    | 91.4    |
| 4) Total turnover of trading (R.O. Million)                          | 991     | 1065    | 2255    | 2269    | 1390    |
| a) Turnover of trading in shares (R.O. Million)                      | 981     | 1025    | 2208    | 2235    | 1366    |
| b) Turnover of trading in bonds (R.O. Million)                       | 10      | 40      | 47      | 34      | 24      |
| 5) Number of trading days                                            | 246     | 249     | 246     | 244     | 248     |
| 6) Average value of trading per day in shares & bonds (R.O. Million) | 4.03    | 4.28    | 9.17    | 9.30    | 5.60    |
| 7) Market capitalization (R.O. Million)                              | 10342   | 11665   | 14155   | 14565   | 15779   |

Source: Muscat Securities Market

for the previous year stood at RO 2.27 billion and RO 9.3 million, respectively. The turn over ratio (TOR), which represents the total value of shares traded on the MSM divided by the stock market capitalization can be seen as a measure of trading activity or liquidity in the stock market. In essence, the TOR measures trading relative to the size of the market which stood at 8.8 percent in 2015 compared to 15.6 percent in the previous year. Market capitalization increased by 8.3 percent to reach RO 15.78 billion in 2015 compared to RO 14.56 billion in the previous year. The market capitalization to GDP ratio which is indicative of the size of the market, increased to 58.4 percent in 2015 from 46.3 percent in the previous year.

### Foreign Exchange Market

In an open economy environment with virtually no restrictions imposed on current or capital account international transactions, the foreign exchange market assumes critical importance for the stability of the financial system. The foreign exchange market witnessed stable and orderly conditions during the year. The foreign exchange market in Oman is relatively significant as the economy is mainly foreign trade oriented. The market is predominantly dollar based as it acts as the main intervention currency for trade. Dollar designated deposits held with banks accounted for 90.5 percent of all foreign currency deposits while dollar denominated credit extended by banks as a share to total foreign currency credit stood at 99.1 percent at the end of 2015. The Government plays an active role being the main supplier of foreign exchange to the CBO with its dollar denominated oil revenues which it sells for its local currency

requirements, while commercial banks are the main buyers of foreign exchange from the CBO to meet its customers requirements for import payments, remittances and other capital account transactions.

### Interest Rate Structure and Developments

In a bank dominated financial system prevalent in Oman, interest rate is a key macro variable and its level is of crucial importance in determining savings, investment, lending and growth in the economy. Historically, interest rates were subject to ceilings in Oman. In line with the increasing reliance on indirect instruments of monetary policy and market orientation of monetary policy operations, deregulation and refining the interest rate structure became a corner stone of CBO policy. CBO commenced the process of deregulating interest rates in 1993, first on the deposit front and quickly followed it with lending rates, except with regard to the personal loan segment. The deregulated interest rate environment provided banks the operational flexibility to decide their deposit and lending rates which allowed them to manage their balance sheet portfolio more efficiently. Further, it has improved the competitiveness of the financial milieu and strengthened the transaction mechanism of monetary policy. Market determined interest rates have also enabled better price discovery and made the resource allocation process more efficient.

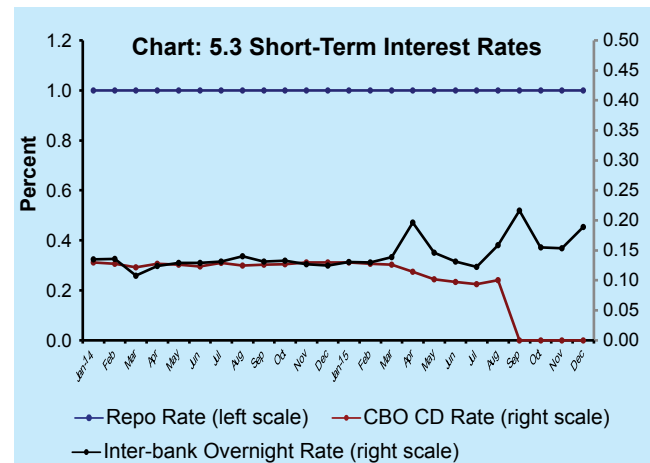
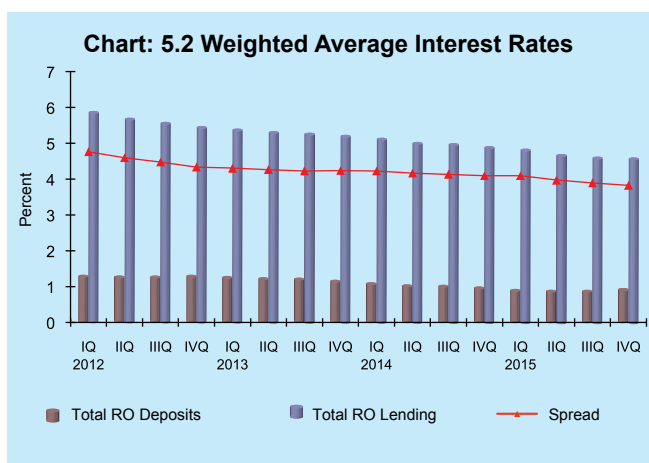
However, notwithstanding the deregulated environment, the free movement of market forces in determining interest rates is somewhat constrained by the prevalence of prize money

schemes in operation in local banks as well as predominance of Government deposits with banks. With regard to the interest rate on personal loans, interest rate ceilings have been imposed by CBO from time to time. The ceiling rate has been reduced over the years in line with the prevailing trend and currently stands at 6 percent per annum for all loans extended from 2nd October 2013.

Interest rates in Oman are generally expected to be closely aligned to the rates prevailing in the US in view of the fixed exchange rate peg. The policy rates such as the CBO CD rates and the Repo rate are in line with the corresponding LIBOR rates. At present, interest rates globally are very low as advanced economies are following accommodative monetary policies to recover from the effect of the global financial crisis. However, as these economies recover, the interest rate cycle is expected to move upward and so will interest rates in Oman, given its open economy.

During 2015, with liquidity conditions relatively comfortable, both deposit and lending rates in Oman softened. However, some tightening of liquidity conditions is felt in the recent months of 2016, with increased competition amongst banks

for deposit mobilization leading to increases in the level of interest rates. Further, as US policy rates rise, the domestic lending rates will also move upwards. The weighted average interest rate on total deposits (Rial Omani plus foreign currency deposits) which stood at 1.138% in December 2013, declined to 0.972% in December 2014 and fell further to 0.931% by the end of December 2015 (Table 5.7(a)). While the average interest rate on Rial Omani deposits declined from 0.986% in December 2014 to 0.936% in December 2015, interest rates on foreign currency designated deposits moved up marginally from 0.870% to 0.894% during the same period. It can be seen that Rial Omani deposits attracted slightly higher interest rates throughout the period when compared to foreign currency deposits. While interest rates on foreign currency deposits are mostly governed by LIBOR rates, Rial Omani interest rates are impacted by the liquidity conditions. With regard to lending rates, the weighted average lending rate followed a similar pattern to the deposit rates, declining steadily from 4.963% in December 2013 to 4.672% in December 2014 and further to 4.471% as at the end of December 2015. While the weighted average interest rate for lending in local currency declined from 5.080% in December



**Table 5.7 (a)**  
**Weighted Average Interest Rates\***  
 (percent per annum)

| End of Period | Deposit Rate      |                    |                         | Lending Rate     |                   |                        | Spread | Spread | Spread |
|---------------|-------------------|--------------------|-------------------------|------------------|-------------------|------------------------|--------|--------|--------|
|               | Total RO Deposits | Total Fcy Deposits | Total Deposits (RO+Fcy) | Total RO Lending | Total Fcy Lending | Total Lending (RO+Fcy) |        |        |        |
|               | (1)               | (2)                | (3)                     | (4)              | (5)               | (6)                    |        |        |        |
| Mar-2012      | 1.318             | 0.962              | 1.266                   | 6.085            | 2.509             | 5.458                  | 4.767  | 1.547  | 4.192  |
| Jun-2012      | 1.301             | 0.910              | 1.242                   | 5.896            | 2.429             | 5.350                  | 4.595  | 1.520  | 4.108  |
| Sep-2012      | 1.299             | 0.900              | 1.242                   | 5.774            | 2.384             | 5.268                  | 4.475  | 1.484  | 4.026  |
| Dec-2012      | 1.316             | 1.011              | 1.274                   | 5.649            | 2.385             | 5.201                  | 4.333  | 1.374  | 3.927  |
| Mar-2013      | 1.278             | 0.998              | 1.241                   | 5.584            | 2.366             | 5.134                  | 4.306  | 1.368  | 3.893  |
| Jun-2013      | 1.247             | 0.928              | 1.205                   | 5.514            | 2.294             | 5.060                  | 4.267  | 1.367  | 3.855  |
| Sep-2013      | 1.236             | 1.005              | 1.206                   | 5.463            | 2.336             | 5.023                  | 4.226  | 1.331  | 3.816  |
| Dec-2013      | 1.171             | 0.908              | 1.138                   | 5.409            | 2.303             | 4.963                  | 4.237  | 1.395  | 3.825  |
| Mar-2014      | 1.100             | 0.951              | 1.084                   | 5.326            | 2.305             | 4.874                  | 4.226  | 1.354  | 3.790  |
| Jun-2014      | 1.041             | 0.933              | 1.030                   | 5.207            | 2.363             | 4.756                  | 4.166  | 1.430  | 3.726  |
| Sep-2014      | 1.030             | 0.908              | 1.017                   | 5.163            | 2.441             | 4.752                  | 4.133  | 1.533  | 3.735  |
| Dec-2014      | 0.986             | 0.870              | 0.972                   | 5.080            | 2.378             | 4.672                  | 4.094  | 1.508  | 3.700  |
| Mar-2015      | 0.915             | 0.826              | 0.905                   | 5.010            | 2.398             | 4.606                  | 4.096  | 1.572  | 3.701  |
| Jun-2015      | 0.885             | 0.857              | 0.882                   | 4.859            | 2.410             | 4.495                  | 3.974  | 1.553  | 3.613  |
| Sep-2015      | 0.894             | 0.847              | 0.888                   | 4.790            | 2.511             | 4.471                  | 3.895  | 1.664  | 3.583  |
| Dec-2015      | 0.936             | 0.894              | 0.931                   | 4.762            | 2.592             | 4.471                  | 3.826  | 1.698  | 3.540  |

\*Conventional banks Only.

**Table 5.7 (b)**  
**Interest Rate-wise Distribution of Rial Omani Total Deposits**

| Rate of Interest<br>(% per annum)         | December 2013        |              | December 2014        |              | December 2015        |              |
|-------------------------------------------|----------------------|--------------|----------------------|--------------|----------------------|--------------|
|                                           | Amount in RO Million | % Share      | Amount in RO Million | % Share      | Amount in RO Million | % Share      |
| Upto 2%                                   | 10,079.4             | 74.0         | 12,298.9             | 80.5         | 12,667.8             | 80.9         |
| Over 2% TO 3%                             | 1,816.3              | 13.3         | 1,613.4              | 10.6         | 1,881.3              | 12.0         |
| Over 3% TO 4%                             | 1,294.3              | 9.5          | 1,006.4              | 6.6          | 939.0                | 6.0          |
| Over 4% TO 5%                             | 338.9                | 2.5          | 284.1                | 1.9          | 130.2                | 0.8          |
| Over 5% TO 6%                             | 75.6                 | 0.6          | 57.8                 | 0.4          | 26.8                 | 0.2          |
| Over 6% TO 7%                             | 17.6                 | 0.1          | 9.0                  | 0.1          | 9.3                  | 0.1          |
| Over 7% TO 8%                             | 0.0                  | 0.0          | 0.0                  | 0.0          | 0.0                  | 0.0          |
| Over 8% TO 9%                             | 0.0                  | 0.0          | 0.0                  | 0.0          | 0.0                  | 0.0          |
| Over 9% TO 10%                            | 0.0                  | 0.0          | 0.0                  | 0.0          | 0.0                  | 0.0          |
| Over 10%                                  | 0.0                  | 0.0          | 0.0                  | 0.0          | 0.0                  | 0.0          |
| <b>Total</b>                              | <b>13,622.1</b>      | <b>100.0</b> | <b>15,269.6</b>      | <b>100.0</b> | <b>15,654.5</b>      | <b>100.0</b> |
| <b>Weighted average interest rate (%)</b> | <b>1.171</b>         |              | <b>0.986</b>         |              | <b>0.936</b>         |              |

**Table 5.7 (c)**  
**Interest Rate-wise Distribution of Rial Omani Time Deposits**

| Rate of Interest<br>(% per annum)             | December 2013           |              | December 2014           |              | December 2015           |              |
|-----------------------------------------------|-------------------------|--------------|-------------------------|--------------|-------------------------|--------------|
|                                               | Amount in<br>RO Million | % Share      | Amount in<br>RO Million | % Share      | Amount in<br>RO Million | % Share      |
| Upto 2%                                       | 1815.4                  | 34.4         | 2928.3                  | 50.6         | 2937.8                  | 50.2         |
| Over 2% TO 3%                                 | 1,762.2                 | 33.4         | 1,526.5                 | 26.4         | 1,827.0                 | 31.2         |
| Over 3% TO 4%                                 | 1,286.8                 | 24.4         | 1,000.9                 | 17.3         | 933.5                   | 15.9         |
| Over 4% TO 5%                                 | 317.0                   | 6.0          | 264.2                   | 4.6          | 122.2                   | 2.1          |
| Over 5% TO 6%                                 | 74.0                    | 1.4          | 56.1                    | 1.0          | 24.9                    | 0.4          |
| Over 6% TO 7%                                 | 17.6                    | 0.3          | 9.0                     | 0.2          | 9.3                     | 0.2          |
| Over 7% TO 8%                                 | 0.0                     | 0.0          | 0.0                     | 0.0          | 0.0                     | 0.0          |
| Over 8% TO 9%                                 | 0.0                     | 0.0          | 0.0                     | 0.0          | 0.0                     | 0.0          |
| Over 9% TO 10%                                | 0.0                     | 0.0          | 0.0                     | 0.0          | 0.0                     | 0.0          |
| Over 10%                                      | 0.0                     | 0.0          | 0.0                     | 0.0          | 0.0                     | 0.0          |
| <b>Total</b>                                  | <b>5,272.9</b>          | <b>100.0</b> | <b>5,785.0</b>          | <b>100.0</b> | <b>5,854.5</b>          | <b>100.0</b> |
| <b>Weighted average<br/>interest rate (%)</b> | <b>2.386</b>            |              | <b>2.017</b>            |              | <b>1.934</b>            |              |

**Table 5.7 (d)**  
**Interest Rate-wise Distribution of Rial Omani Total Lending**

| Rate of Interest<br>(% per annum)             | December 2013           |              | December 2014           |              | December 2015           |              |
|-----------------------------------------------|-------------------------|--------------|-------------------------|--------------|-------------------------|--------------|
|                                               | Amount in<br>RO Million | % Share      | Amount in<br>RO Million | % Share      | Amount in<br>RO Million | % Share      |
| Upto 2%                                       | 1073.6                  | 8.3          | 1414.9                  | 9.9          | 1313.9                  | 8.3          |
| Over 2% TO 4%                                 | 2324.6                  | 17.9         | 2793.5                  | 19.5         | 4026.5                  | 25.4         |
| Over 4% TO 5%                                 | 1502.5                  | 11.6         | 2177.1                  | 15.2         | 3698.8                  | 23.3         |
| Over 5% TO 7%                                 | 4850.1                  | 37.3         | 5519.3                  | 38.5         | 4942.4                  | 31.2         |
| Over 7% TO 8%                                 | 2460.0                  | 18.9         | 1787.0                  | 12.5         | 1326.4                  | 8.4          |
| Over 8% TO 9%                                 | 464.8                   | 3.6          | 331.4                   | 2.3          | 263.2                   | 1.7          |
| Over 9% TO 10%                                | 80.9                    | 0.6          | 74.9                    | 0.5          | 52.9                    | 0.3          |
| Over 10% TO 11%                               | 58.5                    | 0.5          | 65.3                    | 0.5          | 84.1                    | 0.5          |
| Over 11% TO 12%                               | 72.3                    | 0.6          | 72.8                    | 0.5          | 52.9                    | 0.3          |
| Over 12% TO 13%                               | 24.7                    | 0.2          | 21.2                    | 0.1          | 8.2                     | 0.1          |
| Over 13%                                      | 86.7                    | 0.7          | 85.9                    | 0.6          | 93.2                    | 0.6          |
| <b>Total</b>                                  | <b>12,998.8</b>         | <b>100.0</b> | <b>14,343.2</b>         | <b>100.0</b> | <b>15,862.5</b>         | <b>100.0</b> |
| <b>Weighted average<br/>interest rate (%)</b> | <b>5.409</b>            |              | <b>5.080</b>            |              | <b>4.762</b>            |              |



**Table 5.7 (e)**  
**Domestic Inter-Bank Overnight Lending Rates**

| Period          | 2014                               |                                         | 2015                               |                                         |
|-----------------|------------------------------------|-----------------------------------------|------------------------------------|-----------------------------------------|
|                 | Daily Average Amount in RO Million | Monthly Weighted Average Interest rate* | Daily Average Amount in RO Million | Monthly Weighted Average Interest rate* |
| Jan             | 23.5                               | 0.135                                   | 32.0                               | 0.130                                   |
| Feb             | 26.6                               | 0.136                                   | 37.0                               | 0.130                                   |
| March           | 15.8                               | 0.108                                   | 26.4                               | 0.139                                   |
| <b>IQ Avg</b>   | <b>22.0</b>                        | <b>0.126</b>                            | <b>31.8</b>                        | <b>0.133</b>                            |
| April           | 27.5                               | 0.124                                   | 46.4                               | 0.197                                   |
| May             | 32.3                               | 0.129                                   | 13.2                               | 0.146                                   |
| June            | 11.7                               | 0.129                                   | 22.2                               | 0.131                                   |
| <b>IIQ Avg</b>  | <b>23.8</b>                        | <b>0.127</b>                            | <b>27.3</b>                        | <b>0.158</b>                            |
| July            | 25.7                               | 0.131                                   | 11.8                               | 0.122                                   |
| August          | 14.0                               | 0.140                                   | 33.9                               | 0.158                                   |
| September       | 29.3                               | 0.131                                   | 30.6                               | 0.217                                   |
| <b>IIIQ Avg</b> | <b>23.0</b>                        | <b>0.134</b>                            | <b>25.4</b>                        | <b>0.166</b>                            |
| October         | 35.0                               | 0.133                                   | 33.9                               | 0.155                                   |
| November        | 31.7                               | 0.127                                   | 65.1                               | 0.153                                   |
| December        | 20.0                               | 0.125                                   | 29.9                               | 0.189                                   |
| <b>IVQ Avg</b>  | <b>28.9</b>                        | <b>0.128</b>                            | <b>43.0</b>                        | <b>0.166</b>                            |

\* Weighted by individual transaction amounts.  
Source : Central Bank of Oman.

2014 to 4.762% in December 2015, interest rates on foreign currency lending edged up from 2.378% to 2.592% during the same period. Bank's interest rate spread narrowed marginally during the period with the softening of interest rates from 3.825% in December 2013 to 3.700% in December 2014 and further 3.540% in December 2015. Similarly, the interest rate spread between Rial Omani lending and deposits also moderated from 4.094% in December 2014 to 3.826% in December 2015 (Chart 5.2).

The distribution pattern of Rial Omani deposits and lending highlighted in Tables 5.7(b) to 5.7(d) draws attention to some striking features. The bulk of Rial Omani deposits (80.9%) held with the conventional banks as at the end of December 2015 earned an interest rate of 2 percent or less per annum. This phenomenon could largely be attributed to the negligible interest rates paid on current and saving deposits, which together constituted about 63 percent of the total Rial Omani customer deposits as at the end of December 2015. The prevalence



of prize money schemes in lieu of interest rates by local banks was also instrumental in bearing down the bulk of deposits into the lower interest rate bracket. Of the total Rial Omani time deposits outstanding at the end of December 2015, it is seen that 81.4 percent of these deposits were contracted at an interest rate of 3 percent and less compared to 77 percent in the previous year. A further 15.9 percent of Rial Omani time deposits fetched an interest of over 3% to 4% range as at the end of 2015 (Table 5.7(c)). The combined effect resulted in the weighted average interest rate on time deposits declining to 1.934% at the end of December 2015 compared to 2.017% a year ago. With regard to interest rates on Rial Omani lending, the bulk (31.2%) was disbursed at the interest range of over 5% to 7% as at the end of December 2015 mainly constituting personal loans to the household sector. A large volume of Rial Omani lending (25.4%) was also extended in the interest rate range of over 2% to 4% followed by 23.3 percent in the interest rate bracket of over 4% to 5% as at the end of December 2015 (Table 5.7(d)).

Overnight domestic inter-bank call money rates generally remained depressed during the year as banks were in a comfortable liquidity mode. As can be seen from Table 5.7(e), the weighted average Rial Omani inter-bank rate averaged 0.156% during 2015 as against 0.129% in the previous year. It may be noted, however, that during the early months of 2016, inter-bank rates have firmed up with semblance of some liquidity tightening. The interbank call money rate edged up to an average of 0.271% in January, 0.356% in February and 0.578% in March 2016. During the period that the CBO CDs were on offer, the inter-

bank call money rate was marginally higher than the CD rate and within the informal corridor set by the CBO CD rate and the Repo rate.

### Regulatory and Supervisory Initiatives of CBO

A progressive and balanced approach to banking sector reforms by the CBO has led to the emergence of a strong and resilient banking system in Oman. Conduct of monetary policy, risk-based supervision of banks, implementation of Basel accords, development of modern payment and settlement systems and supporting growth with containment of inflationary tendencies have led to financial stability. Stress tests conducted by the CBO under various scenarios of market and credit risks suggests that the solvency of the banking system will be preserved. The CBO has been proactively fine tuning prudential and supervisory norms and initiated several regulatory measures in the recent period.

With reference to the final roadmap for implementation of capital adequacy framework in light of Basel III, a concept paper on Capital Buffer requirements was issued outlining the mechanism to implement the capital conservation and countercyclical buffers. The capital Conservation Buffer is designed to ensure that banks build up capital buffers outside periods of stress which can be drawn down as losses occur. The primary objective of the countercyclical capital buffer regime is to use a buffer of capital to achieve the broader macro-prudential goal of protecting the banking sector from periods of excess credit growth that have often been associated with the build-up of system wide risk.

In the backdrop of prolonged low oil prices and not so encouraging global economic forecasts, there was a need to take proactive measures to safeguard the banks and finance and leasing companies and strengthen their resilience. With this in mind, banks and FLCs were advised to make prudential specific provisions of 15 percent on restructured loans which were not classified as non-performing. Action was also taken to moderate the rate of dividend payments by the banks, as internal accretion to capital is an important source of capital generation. In this connection, banks were issued criteria while proposing cash dividends to their shareholders or remittance of profits to Head offices linking it to BIS Capital adequacy ratio in addition to other factors. Moderation was also sought in overall staff compensation policies so that banks are prudent in apportionment of bonus and other rewards.

With a view to augment liquidity with banks and encourage investments, it was decided to permit banks' investments in unencumbered treasury bills, Government Development bonds and Oman Government Sukuk to be part of eligible reserves upto a maximum of 2 percent of deposits effective April 2016. The reserve requirements, however, remained unchanged at 5 percent of the deposit base. It is envisaged that it would make available liquid funds approximately to the tune of RO 400 million thereby increasing the level of lendable resources. It would also increase the amount of instruments available with banks to obtain liquidity from the CBO, in case of need, through discounting or repos of such instruments.

In recognition of the importance of small and medium enterprises, particularly in the context

of economic diversification, CBO has been actively participating with various stake-holders to periodically review SME development and identify and address challenges faced. There has been coordination with lending institutions and the Public Authority for SME development, among others. In the light of the above, a revised definition of SMEs has been adopted by the Public Authority for SME Development and communicated to all banks. Progress in the lending to SMEs is reviewed on a regular basis.

### Central Bank Operations

The statement of the financial position of the Central Bank of Oman (CBO) for the five year period 2011 to 2015 is presented in Table 5.8(a). The CBO, a Government entity, fulfills the central banking role in the Sultanate of Oman. The financial statements have been prepared in accordance with the Banking Law of 2000 and in line with International Financial Reporting Standards (IFRS), except for the accounting treatment of revaluation gains and losses on foreign currencies, shares, bullion and derivatives which are recognised through the statement of changes in capital and reserves, and the presentation of statement of comprehensive income in accordance with the requirements of Article 39 of the Banking Law 2000. The Bank has also not adopted IAS 19 Employee Benefits (Revised 2011) (IAS 19R), which is mandatory with effect from 1st January 2013. The financial statements are prepared under the historical cost convention as modified by the revaluation to fair values of investments available-for-sale, derivatives and bullion.

The presentation of the financial position of CBO

shown in Table 5.8(a) marginally differs from the presentation of the audited financial statements that appear separately under the Section “Central Bank Accounts and Regulations”, covered later in this Report. This practice is followed in order to facilitate analysis and to be consistent with the requirements of monetary statistics analysis.

Total assets of the Central Bank of Oman registered an increase of 14.3 percent, from RO 6,638.7 million as at the end of December 2014 to RO 7,588.8 million at the end of December 2015. Foreign assets, which constituted the major portion of the total assets at 88.9 percent, increased by 7.5 percent over the level at the end of the previous year. Variations in the level of CBO’s foreign assets are largely determined by three factors, namely, the extent of US dollar sales to the CBO by the Government to meet their local currency needs; banks’ purchase and sales of foreign currencies from/to CBO to meet their customers’ import/export demand and for various other current and capital account transactions notably workers remittances and profit transfers; and lastly by changes in the foreign currency balances held with CBO by the Government and banks. The bulk of CBO’s foreign assets (77.9%) as at the end of 2015 was held in the form of foreign securities with credit ratings as specified by the Bank’s investment guidelines. These available-for-sale foreign investments stood at RO 5,252 million as at the end of December 2015. The Bank’s placements held abroad as at the end of December 2015 stood at RO 1,358 million as against RO 860.4 million at the end of the previous year. The CBO holds these short term placements predominantly in US dollars with approved counterparties subject to a system of credit risk evaluation. The CBO’s own foreign

assets position after netting off the foreign currency deposits of the Government and banks held with the Bank, remained at a comfortable level vis-à-vis merchandise import cover and stood at RO 6,058.8 million at the end of December 2015, an increase of RO 300.2 million over the previous year end (Table 5.8(b)). Fixed assets in the form of premises and equipments of the Bank stood at RO 36.4 million at the end of December 2015. Premises and equipment are stated at cost less accumulated depreciation and impairment.

Currency issued by CBO for circulation registered a significant increase of 12.2 percent, from RO 1,593.7 million at the end of 2014 to RO 1,788.2 million as at the end of 2015. The net worth of the Bank comprising capital, general reserves and other reserves registered a marginal increase of 0.5 percent over the year. The capital of CBO was increased to RO 700 million in the year 2014 by transfers from general reserve of RO 100 million, bond price fluctuation reserve of RO 60 million and currency fluctuation reserve of RO 40 million. The Government has agreed in principle to contribute an additional amount of RO 300 million to raise the capital of the Bank to RO 1 billion. The Government contributed RO 60 million during the year 2015 and as at the end of the year the capital of CBO stood at RO 760 million, a rise of 8.6 percent over the previous year. The Banking Law 2000 requires that the general reserve of the Bank should be maintained by transferring annual net profit into the general reserve until the balance of general reserve is not less than 25 percent of the currency in circulation. As at 31 December 2015, the general reserve of the Bank amounted to RO 438.7 million which was equivalent to 25

**Table 5.8 (a)**  
**Central Bank of Oman Assets and Liabilities**  
(Rial Omani Million)

|                                         | 2011          | 2012          | 2013          | 2014          | 2015          | % Change<br>2015/14 |
|-----------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------------|
| <b>Foreign Assets</b>                   | <b>5524.0</b> | <b>5513.7</b> | <b>6133.3</b> | <b>6276.9</b> | <b>6745.8</b> | <b>7.5</b>          |
| a) Bullion                              | 0.6           | 0.7           | 0.4           | 0.4           | 0.4           | 0.0                 |
| b) IMF Reserve assets                   | 146.9         | 148.3         | 153.0         | 144.5         | 135.4         | -6.3                |
| c) Placements abroad                    | 1434.5        | 1097.1        | 1216.6        | 860.4         | 1358.0        | 57.8                |
| d) Securities                           | 3942.0        | 4267.6        | 4763.3        | 5271.6        | 5252.0        | -0.4                |
| Due from Government                     | 0.0           | 86.2          | 0.0           | 173.2         | 658.2         | -                   |
| Due from Banks and other Institutions * | 0.3           | 27.7          | 0.1           | 0.4           | 0.3           | -22.9               |
| Fixed Assets                            | 20.9          | 29.8          | 33.8          | 40.5          | 36.4          | -10.1               |
| Other Assets                            | 136.3         | 131.6         | 150.7         | 147.7         | 148.1         | 0.3                 |
| <b>Total Assets / Liabilities</b>       | <b>5681.5</b> | <b>5789.0</b> | <b>6317.9</b> | <b>6638.7</b> | <b>7588.8</b> | <b>14.3</b>         |
| Currency Issued                         | 1037.3        | 1178.8        | 1342.7        | 1593.7        | 1788.2        | 12.2                |
| <b>Net Worth</b>                        | <b>1324.3</b> | <b>1360.0</b> | <b>1332.9</b> | <b>1298.8</b> | <b>1304.8</b> | <b>0.5</b>          |
| a) Capital                              | 500.0         | 500.0         | 500.0         | 700.0         | 760.0         | 8.6                 |
| b) General Reserves                     | 395.3         | 430.7         | 455.6         | 396.2         | 438.7         | 10.7                |
| c) Others                               | 429.0         | 429.3         | 377.3         | 202.6         | 106.1         | -47.6               |
| Due to Government                       | 939.9         | 806.8         | 873.0         | 512.4         | 473.8         | -7.5                |
| Due to banks and other institutions     | 789.2         | 1314.7        | 1309.5        | 1708.4        | 3824.3        | 123.8               |
| Foreign Liabilities**                   | 107.1         | 106.1         | 106.6         | 100.0         | 95.9          | -4.1                |
| <b>Other Liabilities</b>                | <b>1483.7</b> | <b>1022.6</b> | <b>1353.2</b> | <b>1425.4</b> | <b>101.8</b>  | <b>-92.9</b>        |
| a) CDs                                  | 1372.0        | 909.5         | 1247.0        | 1323.0        | 0.0           | -100.0              |
| b) Others                               | 111.7         | 113.1         | 106.2         | 102.4         | 101.8         | -0.6                |

\* Includes US Dollar liquidity support scheme for local banks.

\*\* Includes SDR allocations

Source: Central Bank of Oman.

**Table 5.8 (b)**  
**Central Bank's Own Foreign Assets**  
(Rial Omani Million)

|                                             | Dec. 2014     | Dec. 2015     | Absolute Change<br>2015/14 |
|---------------------------------------------|---------------|---------------|----------------------------|
| <b>1. Gross Foreign Assets</b>              | <b>6276.9</b> | <b>6745.8</b> | <b>468.9</b>               |
| a) Bullion                                  | 0.4           | 0.4           | 0.0                        |
| b) IMF Reserve Assets                       | 144.5         | 135.4         | -9.1                       |
| c) Placements Abroad                        | 860.4         | 1358.0        | 497.6                      |
| d) Securities                               | 5271.6        | 5252.0        | -19.6                      |
| Less:                                       |               |               |                            |
| Foreign cy. deposits from Government        | 435.5         | 386.2         | -49.3                      |
| Foreign cy. deposits from banks             | 82.8          | 300.8         | 218.0                      |
| <b>2. Central Bank's Own Foreign Assets</b> | <b>5758.6</b> | <b>6058.8</b> | <b>300.2</b>               |

Source : Central Bank of Oman.

percent of the currency in circulation. With regard to other reserves, the Bond price fluctuation reserve established to counter balance any deficit between the market price of the Bank's bond holdings and the carrying value continued to remain at RO 47.5 million at the end of 2015. Similarly, the Currency fluctuation reserve also established to counter balance any deficit arising from unfavorable currency movements remained at RO 29 million in 2015. Apart from the above two reserves, other reserves that form part of the Bank's net worth include the Currency valuation adjustment account and the Financial assets valuation adjustment account on available-for-sale investments. Deposits and current accounts have been placed with the CBO by the Government, Government entities, local banks and others. Deposits denominated in foreign currencies are matched both in terms of currency and maturity profile by placements abroad. Central Bank liabilities to local banks and other institutions, mostly in the form of clearing account balances held with CBO (as part of statutory reserve requirement) and capital deposits held with CBO increased to RO 3,824.3 million at the end of 2015 from RO 1,708.4 million at the end of the previous year. An average effective annual rate of interest of 0.03 percent (2014 at 0.08%) was paid on Rial Omani certificates of deposit, local banks capital deposits and Government accounts held with the Bank. The average effective annual interest rates paid on deposits denominated in foreign currencies was 0.092 percent during 2015 compared to 0.03 percent in the previous year. CBO's profit for the year 2015 amounted to RO 49.65 million compared to RO 40.55 million during 2014, a rise of 22.4 percent over the year.

### Conventional Banks' Operations

In the recent period, the Omani economy had to contend with the challenges associated with the global and regional slowdown in economic activity, lower oil prices, fiscal and current account deficits, and greater risk aversion influencing investor concerns and capital flows. Despite these challenges, the banking sector in Oman continued the positive growth trend during the year 2015 marked by significant growth in all major banking aggregates including credit, deposits, capital adequacy, provision coverage and profits.

The total assets of conventional banks increased by 13.6 percent to RO 28.2 billion in December 2015 from RO 24.8 billion a year ago (Table 5.9(a)). Of the total assets, credit extended accounted for 65 percent and increased by 8.4 percent as at the end of December 2015 to reach RO 18.3 billion. Credit to the private sector increased by 10.2 percent to RO 16.2 billion as at the end of December 2015. Of the total credit to the private sector as at end of December 2015, the share of the non-financial corporate sector stood at 46.3 percent, closely followed by the household sector (largely constituting personal loans) at 45.4 percent, financial corporations at 5.7 percent and other sectors the remaining 2.6 percent. Assets held in the form of cash on hand and deposits with the CBO increased to RO 4.1 billion at the end of December 2015 from RO 1.98 billion a year ago which was significantly higher than the required reserves to be held with CBO. Conventional banks' overall investments in securities stood at RO 3.1 billion in December 2015, a rise of 4.6 percent over the previous year. Investment in Government Development bonds and Sukuk increased to RO



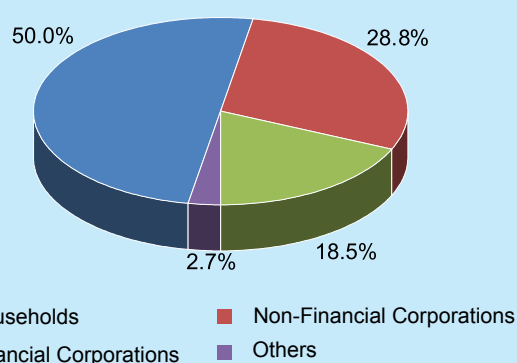
828.6 million from RO 564 million a year ago. After several years of non-issuance of Government treasury bills, commencing March 2015, CBO began issuing 91 days and less frequently 364 days treasury bills to banks and the outstanding amount of such TBs stood at RO 464.2 million as at the end of December 2015. Banks' investment in foreign securities also rose to RO 920.5 million in December 2015 from RO 708.6 million at the end of the previous year.

On the liabilities side, total deposits held with conventional banks registered an increase of 3.4 percent to RO 17.9 billion in December 2015. Government deposits marginally declined by 3.4 percent to RO 4.8 billion while deposits of public enterprises rose by 8 percent to RO 950.2 million. Private sector deposits which constituted 66.4 percent of the total deposits increased by 6.1 percent to RO 11.9 billion in December 2015 from RO 11.2 billion a year ago. Sector-wise, the share of households was 50 percent of the total private sector deposit base, followed by non-financial corporations at 28.8 percent, financial corporations at 18.5 percent mainly constituting Pension Fund deposits and other sectors at 2.7

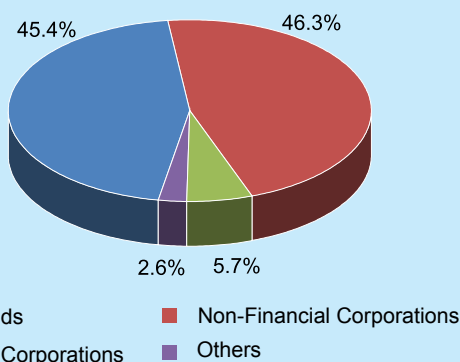
percent. A sectoral flow of funds analysis illustrates that while the household sector held 50 percent of the private sector bank deposits at the end of December 2015, their availment of credit stood at 45.4 percent. In actual terms, however, while the household sector held RO 5.95 billion deposits in conventional banks, their availment of credit stood at RO 7.35 billion. Non-financial corporations held 28.8 percent (RO 3.4 billion) of the private sector deposit base and availed 46.3 percent (RO 7.5 billion) of the total private sector credit. Financial corporations on the other hand held 18.5 percent (RO 2.2 billion) of the private sector deposits while availing only 5.7 percent (RO 0.9 billion) of bank credit (Chart 5.4). The core capital and reserves of conventional banks increased significantly by 16.1 percent to RO 3.77 billion at the end of 2015 while supplementary capital elements rose by 8.6 percent to RO 707.6 million. The BIS capital adequacy ratio averaged 16.1 percent at the end of the year significantly higher than the 15.4 percent recorded in the previous year.

An analysis of the sources and uses of bank funds presented in Table 5.9(b) brings to light a large increase in bank resources amounting

**Chart 5.4(a): Share of Private Sector Deposits (December 2015)**



**Chart 5.4(b): Share of Private Sector Credit (December 2015)**



**Table 5.9 (a)**  
**Combined Balance Sheet of Conventional Banks**  
(Rial Omani Million)

|                                                         | 2011           | 2012           | 2013           | 2014           | 2015           | % Change<br>2015/14 |
|---------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|---------------------|
| Cash and deposits with CBO                              | 978.9          | 1568.0         | 1537.7         | 1979.0         | 4057.1         | 105.0               |
| Due from Head Office, affiliates and other banks abroad | 1794.8         | 1889.5         | 1876.7         | 1826.5         | 1717.9         | -5.9                |
| <b>Total Credit</b>                                     | <b>12514.9</b> | <b>14319.6</b> | <b>15177.4</b> | <b>16898.4</b> | <b>18315.7</b> | <b>8.4</b>          |
| a) Credit to Private Sector                             | 10800.0        | 12414.2        | 13262.1        | 14704.0        | 16207.4        | 10.2                |
| b) Credit to public enterprises                         | 1460.3         | 1699.8         | 1731.1         | 1973.1         | 1903.7         | -3.5                |
| c) Credit to Government                                 | 32.9           | 31.3           | 18.4           | 21.7           | 12.1           | -44.2               |
| d) Credit to Non-Residents                              | 221.7          | 174.3          | 165.8          | 199.6          | 192.5          | -3.5                |
| <b>Securities</b>                                       | <b>2200.0</b>  | <b>2133.5</b>  | <b>2550.3</b>  | <b>2912.9</b>  | <b>3046.8</b>  | <b>4.6</b>          |
| a) Treasury Bills                                       | 0.0            | 0.0            | 0.0            | 0.0            | 464.2          | -                   |
| b) Government Bonds                                     | 400.4          | 470.2          | 567.5          | 564.0          | 828.6          | 46.9                |
| c) CBO CDs                                              | 1372.0         | 909.5          | 1247.0         | 1323.0         | 0.0            | -100.0              |
| d) Domestic shares                                      | 118.7          | 122.3          | 149.1          | 156.9          | 133.7          | -14.8               |
| e) Other domestic securities                            | 33.3           | 84.5           | 84.5           | 160.3          | 699.9          | 336.8               |
| f) Foreign securities                                   | 275.6          | 547.0          | 502.2          | 708.6          | 920.5          | 29.9                |
| Fixed assets                                            | 180.7          | 176.5          | 189.0          | 209.7          | 216.6          | 3.3                 |
| Other assets                                            | 738.3          | 768.6          | 1024.5         | 994.9          | 835.1          | -16.1               |
| <b>Total assets / liabilities</b>                       | <b>18407.6</b> | <b>20855.7</b> | <b>22355.6</b> | <b>24821.3</b> | <b>28189.2</b> | <b>13.6</b>         |
| <b>Total Deposits</b>                                   | <b>12573.3</b> | <b>14171.7</b> | <b>15586.2</b> | <b>17278.9</b> | <b>17873.0</b> | <b>3.4</b>          |
| a) Government deposits                                  | 3373.1         | 3955.1         | 4504.3         | 4959.4         | 4789.5         | -3.4                |
| b) Deposits of public enterprises                       | 980.5          | 969.2          | 935.4          | 879.7          | 950.2          | 8.0                 |
| c) Deposits of private sector                           | 8031.3         | 9016.8         | 9857.6         | 11184.3        | 11868.9        | 6.1                 |
| i) Demand                                               | 2272.3         | 2575.6         | 2985.9         | 3740.9         | 3853.6         | 3.0                 |
| ii) Savings                                             | 2517.5         | 2949.7         | 3384.2         | 3992.6         | 4392.7         | 10.0                |
| iii) Time                                               | 3157.4         | 3392.1         | 3371.6         | 3306.6         | 3362.7         | 1.7                 |
| iv) Commercial prepayments                              | 84.1           | 99.4           | 116.0          | 144.2          | 259.9          | 80.2                |
| (of which in foreign currency)                          | (640.2)        | (629.6)        | (681.6)        | (860.6)        | (909.0)        | 5.6                 |
| d) Deposits of non-residents                            | 188.4          | 230.6          | 288.9          | 255.5          | 264.3          | 3.4                 |
| Due to banks abroad                                     | 1433.2         | 1687.4         | 1352.0         | 1547.4         | 3809.0         | 146.2               |
| Core Capital and Reserves                               | 2302.7         | 2712.8         | 3009.0         | 3244.2         | 3765.7         | 16.1                |
| Supplementary Capital                                   | 636.0          | 572.5          | 633.1          | 651.4          | 707.6          | 8.6                 |
| Total provisions and reserved interest                  | 469.7          | 532.2          | 560.8          | 597.0          | 644.3          | 7.9                 |
| (of which general provisions)                           | (162.0)        | (189.8)        | (197.2)        | (218.7)        | (236.2)        | 8.0                 |
| Other liabilities                                       | 992.7          | 1179.1         | 1214.6         | 1502.4         | 1389.6         | -7.5                |

\* Includes Investments in Government Sukuk  
Source : Central Bank of Oman

**Table 5.9 (b)**  
**Sources and Uses of Bank Funds**  
(Rial Omani Million)

| Source of Funds                               | Dec. 2014     | Dec. 2015     | Uses of Funds                            | Dec. 2014     | Dec. 2015     |
|-----------------------------------------------|---------------|---------------|------------------------------------------|---------------|---------------|
| 1. Increase in Total deposits                 | 1692.7        | 594.1         | 1. Increase in Total credit disbursement | 1721.0        | 1417.3        |
| a) Government deposits                        | 455.1         | -169.9        | a) Credit to Govt.                       | 3.3           | -9.6          |
| b) Deposits of public enterprises             | -55.7         | 70.5          | b) Credit to public enterprises          | 242.0         | -69.4         |
| c) Deposits of Private Sector                 | 1326.7        | 684.7         | c) Credit to private sector              | 1441.9        | 1503.4        |
| 1. Financial corporations                     | 110.3         | -130.7        | 1. Financial corporations                | 39.9          | 208.4         |
| 2. Non-Financial corporations                 | 537.7         | 154.9         | 2. Non-Financial corporations            | 833.5         | 479.6         |
| 3. Household sector                           | 650.1         | 522.1         | 3. Household sector                      | 572.8         | 682.6         |
| 4. Other sectors                              | 28.6          | 138.4         | 4. Other sectors                         | -4.2          | 132.7         |
| d) Non-resident deposits                      | -33.4         | 8.8           | d) Credit to non-residents               | 33.8          | -7.1          |
| 2. Borrowings from banks abroad               | 195.4         | 2261.6        | 2. Investments including CDs             | 362.6         | 133.9         |
| 3. Increase in Capital, reserves & provisions | 289.8         | 624.9         | 3. Placements with banks abroad          | -50.2         | -108.6        |
| 4. Other liabilities                          | 287.8         | -112.7        | 4. Cash and Deposits with CBO            | 441.3         | 2078.1        |
|                                               |               |               | 5. Fixed assets                          | 20.7          | 6.9           |
|                                               |               |               | 6. Other assets                          | -29.7         | -159.7        |
| <b>Total sources of funds</b>                 | <b>2465.7</b> | <b>3367.9</b> | <b>Total uses of funds</b>               | <b>2465.7</b> | <b>3367.9</b> |

Source: Central Bank of Oman

**Table 5.9 (c)**  
**Non-Resident Assets and Liabilities of Conventional Banks**  
(Rial Omani Million)

|                                  | Dec. 2014     | Dec. 2015      | Absolute Change |
|----------------------------------|---------------|----------------|-----------------|
| <b>Foreign Assets</b>            | <b>2755.8</b> | <b>2859.6</b>  | <b>103.8</b>    |
| Due from banks abroad            | 1826.5        | 1717.9         | -108.6          |
| Credit extended abroad           | 199.6         | 192.5          | -7.1            |
| Investment in foreign securities | 708.6         | 920.5          | 211.9           |
| Other assets                     | 21.1          | 28.7           | 7.6             |
| <b>Foreign Liabilities</b>       | <b>2315.3</b> | <b>4814.4</b>  | <b>2499.1</b>   |
| Deposits                         | 255.5         | 264.3          | 8.8             |
| Long term bonds                  | 386.5         | 388.4          | 1.9             |
| Due to banks abroad              | 1547.4        | 3809.0         | 2261.6          |
| Other liabilities                | 125.9         | 352.7          | 226.8           |
| <b>Net Foreign Assets</b>        | <b>440.5</b>  | <b>-1954.8</b> | <b>-2395.3</b>  |

Source: Central Bank of Oman



to RO 3.4 billion in 2015. Much of the increase during the year emanated from borrowings from banks abroad totaling RO 2.3 billion, followed by augmentation in banks' capital and reserves by RO 624.9 million and in the accretion to deposits by RO 594.1 million. The increased resources during the year was mainly deployed in the expansion of credit disbursement by RO 1.4 billion while a large chunk was also held as cash and clearing balances with CBO. The non-resident transactions of conventional banks shown in Table 5.9 (c) reveals a marginal increase of RO 103.8 million in banks' foreign assets position mainly arising from larger investments in foreign securities. However, as mentioned earlier foreign liabilities of banks peaked during the year with higher borrowings from banks abroad with an incremental increase of RO 2.3 billion. The sizable increase in foreign

liabilities vis-à-vis foreign assets resulted in a net inflow of RO 2.4 billion during 2015.

### Sectoral flow of Bank credit

The sectoral deployment of bank credit is presented in Table 5.10. During 2015, the growth in bank credit stood at 8.4 percent and reached RO 18.3 billion. Sector-wise grouping of credit disbursement by banks may lack accuracy because of the difficulty to precisely figure out the end use of credit and because borrowers may be engaged in multiple activities spread across different industrial or occupational groups. These few limitations will have to be borne in mind while drawing inferences and interpreting data on the sectoral flow of bank credit. Personal loans inclusive of residential housing loans continued to hold the major share

**Table 5.10**  
**Distribution of Conventional Bank Credit by Economic Sectors**  
(Rial Omani Million)

| End of Period                     | 2013           | 2014           | 2015           |
|-----------------------------------|----------------|----------------|----------------|
| Import Trade                      | 684.4          | 873.1          | 1078.6         |
| Export Trade                      | 64.2           | 25.0           | 13.8           |
| Wholesale & Retail Trade          | 629.8          | 647.2          | 631.9          |
| Mining and Quarrying              | 584.5          | 719.4          | 808.4          |
| Construction                      | 1480.1         | 1771.9         | 2089.4         |
| Manufacturing                     | 1226.9         | 1431.1         | 1458.1         |
| Electricity, gas and water        | 772.7          | 826.7          | 758.3          |
| Transport and Communication       | 1009.1         | 1134.5         | 999.9          |
| Financial Institutions            | 672.5          | 712.4          | 920.7          |
| Services                          | 1288.8         | 1437.5         | 1500.8         |
| Personal Loans                    | 6080.9         | 6655.5         | 7333.8         |
| Agriculture and allied activities | 45.6           | 53.8           | 57.6           |
| Government                        | 18.4           | 21.7           | 12.1           |
| Non-Resident lending              | 165.8          | 199.6          | 192.5          |
| All Others                        | 453.7          | 389.0          | 459.7          |
| <b>Total Credit</b>               | <b>15177.4</b> | <b>16898.4</b> | <b>18315.7</b> |

Source: Central Bank of Oman.

of total credit at RO 7.33 billion (40.1%) as at the end of 2015. Within the personal loan component, residential housing loans stood at 8.3 percent, well within the 15 percent ceiling stipulated by CBO. The disbursement of personal loans is closely monitored by CBO as it has implications for household indebtedness and may also obtrude on credit needs for investment. On an incremental basis, the outlay of credit to the personal loan segment increased by RO 678.3 million during 2015 compared to an increase of RO 574.6 million in the previous year. Personal loans are largely backed by salary assignments and mortgages and is a major profit driver for banks. The construction sector was the next major group with a share of 11.4 percent in total credit. Incremental credit disbursed to the construction sector during the year amounted to RO 317.5 million while the total outstanding credit to the sector stood at RO 2.1 billion as at the end of December 2015. Credit extended towards the services sector (hotels and restaurants, travel and tourism, health services etc.) stood next with a share of 8.2 percent in total credit but with a reduced net credit incremental outlay of RO 63.3 million during the year. This was closely followed by the manufacturing sector with a share of 7.9 percent in total credit but with

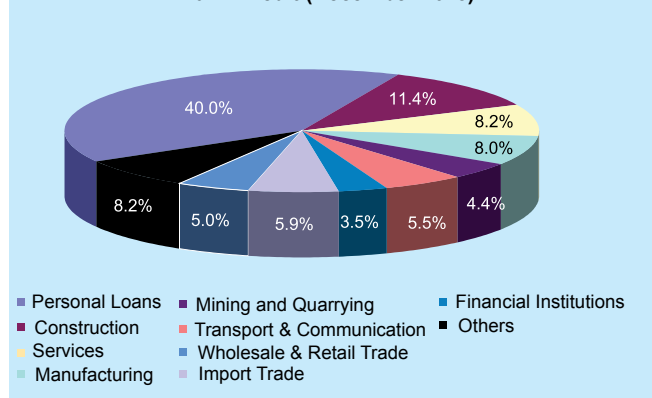
an incremental outlay of just RO 27 million. Other major sectors availing credit included transport and communication, financial institutions, mining and quarrying, electricity, gas and water as well as wholesale and retail trade. Credit extended for agriculture and allied activities stood at RO 57.6 million at the end of December 2015 from RO 53.8 million outstanding a year ago.

### Commercial Banks' Profitability

The momentum of continued good performance in the profitability of banks was maintained during 2015. Profits of banks increased during the year, over and above the positive accomplishment registered in the previous year. Despite the general slow down in economic activity due to the significant fall in oil prices, bank profit realization was aided by recoveries on previous loan loss provisions, increase in non-interest income and containment of interest expenses. Net profits of banks after earmarking provisions and taxes rose from RO 362.9 million in 2014 to RO 393.4 million in 2015, an increase of 8.4 percent over the year (Table 5.11). Of the total profits, local banks share stood at RO 379.7 million (96.5%), while that of foreign banks amounted to RO 13.7 million (3.5%).

Interest income remained the foremost component of bank revenues accounting for 70.9 percent of the total income in 2015. At RO 936.3 million, interest income stood higher by 6.2 percent over the previous year. Interest earned from loans and advances amounted to RO 869.8 million during the year. Interest expenses, on the other hand, remained subdued at RO 250.7 million in 2015, a drop of 2.5 percent over the previous year. The net interest income defined as the difference between

**Chart 5.5: Sectoral Distribution of Conventional Bank Credit (December 2015)**



**Table 5.11**  
**Profitability of Commercial Banks**  
(Rial Omani Million)

|                                                            | 2013         | 2014         | 2015         | % Change<br>2014/2013 | % Change<br>2015/14 |
|------------------------------------------------------------|--------------|--------------|--------------|-----------------------|---------------------|
| 1. Interest Income                                         | 841.1        | 881.2        | 936.3        | 4.8                   | 6.2                 |
| 2. (Interest Expenses)                                     | (256.5)      | (257.0)      | (250.7)      | 0.2                   | -2.5                |
| 3. Net Interest                                            | 584.6        | 624.2        | 685.6        | 6.8                   | 9.8                 |
| 4. Foreign Exchange earnings                               | 34.3         | 47.7         | 59.6         | 39.2                  | 24.8                |
| 5. Fees and Commissions                                    | 64.5         | 83.3         | 104.9        | 29.1                  | 25.9                |
| 6. Other Income                                            | 223.4        | 208.8        | 219.3        | -6.5                  | 5.0                 |
| 7. Gross Income (3+4+5+6)                                  | 906.8        | 964.1        | 1069.4       | 6.3                   | 10.9                |
| 8. Operating Expenses                                      | 399.6        | 428.6        | 465.9        | 7.3                   | 8.7                 |
| a) Administrative Costs                                    | 370.4        | 400.9        | 437.1        | 8.2                   | 9.0                 |
| b) Depreciation                                            | 28.0         | 27.3         | 27.9         | -2.4                  | 2.2                 |
| c) Others                                                  | 1.2          | 0.4          | 0.9          | -66.1                 | 119.2               |
| 9. Gross Profits (7-8)                                     | 507.2        | 535.5        | 603.5        | 5.6                   | 12.7                |
| 10. Provision for doubtful debts *                         | 105.6        | 124.0        | 158.8        | 17.5                  | 28.0                |
| 11. Profits after provisions (9-10)                        | 401.6        | 411.5        | 444.7        | 2.5                   | 8.1                 |
| 12. Provision for Taxes                                    | 50.3         | 48.6         | 51.3         | -3.3                  | 5.4                 |
| <b>13. Net Profit after Provisions &amp; Taxes (11-12)</b> | <b>351.3</b> | <b>362.9</b> | <b>393.4</b> | <b>3.3</b>            | <b>8.4</b>          |

\* Gross provisions made during the year. Recoveries on previous loan loss provisions are reflected under other income.

Note: Profits comprise that of conventional banks and their Islamic windows.

Source : Central Bank of Oman

interest income and interest expenses, increased from RO 624.2 million in 2014 to RO 685.6 million in 2015, a rise of 9.8 percent over the year. With the diversification of banks' asset portfolio, non-interest income has evolved as an increasingly important source of income for banks. Income from foreign exchange operations rose by 24.8 percent during 2015 to RO 59.6 million from RO 47.7 million earned during the previous year. Fee based income such as commissions earned on letters of credit and guarantees, remittances and other transfers also rose significantly during the year by 25.9 percent to RO 104.9 million. Other income, notably recoveries on previous loan loss provisions and other miscellaneous income such as insurance charges, credit card fees, locker fees, rentals and various other service charges together

amounted to RO 219.3 million during 2015, a rise of 5 percent over the previous year.

During 2015, the operating expenses of banks increased by 8.7 percent to RO 465.9 million. Operating expenses comprised broadly the wage bill and non-wage expenses such as rents, establishment expenses, head office expenses, depreciation charges and other miscellaneous expenses such as travel, entertainment, legal charges, advertisement expenses and other administrative costs. The total wage bill (salaries and other staff costs) increased by 9.3 percent in 2015 to RO 260.9 million from RO 238.6 million in the previous year. The share of the wage bill in operating expenses remained more or less the same at close to 56 percent during both 2014 and

2015. Rents paid and other occupancy costs also moved up during the year from RO 38.5 million in 2014 to RO 41.2 million in 2015. Depreciation charges on banks' property and equipment amounted to RO 27.9 million in 2015, a marginal increase of 2.2 percent over the previous year. Gross provisions set aside for doubtful debts, contingencies, restructured loans as well as general provisions made during the year increased to RO 158.8 million compared to RO 124 million earmarked in the previous year. Provision for taxes during the year increased by 5.4 percent to RO 51.3 million. Cash dividends paid out by local banks to their shareholders increased by 29.2 percent to RO 144.1 million in 2015. However, there was a significant decline in stock dividends which dropped to RO 54.7 million in 2015 from RO 95.8 million in the previous year. Overall dividends paid by local banks registered a decline of 4.1 percent in 2015 with CBO encouraging banks to moderate their dividend pay out and strengthen their capital buffers.

### Islamic Banking Operations

An important milestone in the banking sector in Oman has been the introduction of Islamic banking since December 2012. Within a short span, two full-fledged Islamic banks and six local banks have established dedicated Windows for practicing and offering Islamic banking products. All these institutions have established their own Sharia Supervisory Boards to guide them in Sharia-related matters. Further, as part of strengthening the Sharia Regulatory Framework, a High Sharia Supervisory Board was established in CBO with eminent scholars. The functions of the Board

include giving opinion and advice to CBO on Sharia matters relating to Islamic banking business and deciding on issues which are subject of a fiqh dispute between Sharia supervisory boards in licensed banks. Oman being a relatively late entrant immensely benefitted from the experiences elsewhere. The hallmark of the approach has been the adoption of accounting standards of AAOIFI and guidance by IFSB Standards right at the commencement of Islamic banking operations in Oman. There has been considerable increase in the number of branches and assets held by the Islamic banks and Windows. Islamic banking entities provided financing to the extent of RO 1.78 billion outstanding as at the end of December 2015 when compared to RO 1.05 billion as at the end of December 2014 (Table 5.12). Total

**Table 5.12**  
**Combined Balance Sheet of**  
**Islamic Banks/Windows**  
(Rial Omani Million)

|                                                         | Dec.<br>2014 | Dec.<br>2015  | %<br>Change<br>2015/14 |
|---------------------------------------------------------|--------------|---------------|------------------------|
| Cash on hand and deposits with CBO                      | 131.5        | 149.4         | 13.6                   |
| Due from Head Office, affiliates and other banks abroad | 56.1         | 24.0          | -57.2                  |
| Total financing                                         | 1049.5       | 1781.3        | 69.7                   |
| Total investments                                       | 44.9         | 145.3         | 223.5                  |
| Net fixed assets                                        | 34.2         | 35.0          | 2.5                    |
| Other assets                                            | 54.8         | 118.7         | 116.6                  |
| Total assets/liabilities                                | 1371.0       | 2253.8        | 64.4                   |
| <b>Total deposits</b>                                   | <b>688.9</b> | <b>1539.4</b> | <b>123.5</b>           |
| Due to Head Office, affiliates and other banks abroad   | 157.6        | 154.1         | -2.2                   |
| Core capital and reserves                               | 350.6        | 391.3         | 11.6                   |
| Other liabilities                                       | 173.9        | 169.0         | -2.8                   |

Source: Central Bank of Oman

customer deposits held with Islamic banks and windows also registered a significant rise over the year to RO 1.54 billion from RO 0.69 billion in the previous year end. Core capital and reserves stood at RO 391.3 million at the end of 2015, a rise of 11.6 percent over the previous year's level. The total assets of Islamic banks and windows combined, amounted to RO 2.3 billion as at the end of December 2015 which constituted about 7.5 percent of the banking system assets.

### Other Depository Corporations

Depository corporations refer collectively to the Central Bank and other depository corporations. The other depository corporations consists of

financial corporations (except the Central Bank) that issues liabilities included in the national definition of broad money. The other depository corporations balance sheet data provides a broad overview of the financial intermediation that takes place in the banking system in Oman and covers operations of all the conventional banks as well as Islamic banks and Windows. Other depository corporations extended total credit amounting to RO 20.1 billion outstanding as at the end of December 2015, a rise of 12 percent over the previous year end. Their investments also rose by 7.9 percent to RO 3.2 billion at the end of the year. Total deposits held with the other depository corporations witnessed a rise of 8 percent over the year to RO 19.4 billion at the end of December 2015. The core

**Table 5.13**  
**Combined Balance Sheet of Other Depository Corporations**  
(Rial Omani Million)

|                                                         | December 2013  | December 2014  | December 2015  | % Change<br>2015/14 |
|---------------------------------------------------------|----------------|----------------|----------------|---------------------|
| Cash on hand and deposits with CBO                      | 1610.4         | 2110.5         | 4206.5         | 99.3                |
| Due from Head Office, affiliates and other banks abroad | 1954.3         | 1882.6         | 1755.3         | -6.8                |
| <b>Total Credit</b>                                     | <b>15611.8</b> | <b>17948.0</b> | <b>20097.0</b> | <b>12.0</b>         |
| Total investments                                       | 2654.5         | 2957.8         | 3192.1         | 7.9                 |
| Net fixed assets                                        | 221.8          | 243.8          | 251.6          | 3.2                 |
| Other assets                                            | 849.5          | 862.5          | 747.1          | -13.4               |
| <b>Total assets/liabilities</b>                         | <b>22902.3</b> | <b>26005.2</b> | <b>30249.6</b> | <b>16.3</b>         |
| Total deposits                                          | 15758.0        | 17967.8        | 19412.3        | 8.0                 |
| Due to Head Office, affiliates and other banks abroad   | 1375.2         | 1704.9         | 3963.1         | 132.4               |
| Core capital and reserves                               | 3248.6         | 3479.3         | 3996.0         | 14.9                |
| Supplementary capital                                   | 632.3          | 651.5          | 708.3          | 8.7                 |
| Total provisions & reserve interest                     | 567.8          | 612.9          | 671.4          | 9.5                 |
| (of wick general provisions)                            | (204)          | (233.3)        | (260.2)        | 11.5                |
| Other liabilities                                       | 1320.5         | 1588.8         | 1498.5         | -5.7                |

*Note: Other Depository Corporations include conventional commercial banks and Islamic banks and windows.*  
Source: Central Bank of Oman

capital and reserves stood at RO 4 billion while the supplementary capital component amounted to RO 708.3 million as at the end of December 2015.

### Specialized Banks

There were two specialized banks operating in Oman with a network of 23 branches as at the end of 2015. Both these specialized credit institutions are Government owned banks, namely Oman Housing Bank (OHB) and Oman Development Bank (ODB). The principal activity of OHB is to provide long term housing loans to Omani nationals through the network of branches. Total mortgage loan accounts at the end of December 2015 stood at RO 373.6 million compared to RO 334.6 million a year ago, a rise of 11.6 percent. The share capital of OHB increased to RO 100 million from 30 million a year ago, while the total shareholders equity amounted to RO 229.3 million as at the end of December 2015 compared to RO 150.4 million a year ago. Oman Development Bank is principally engaged in providing loans for development projects, including for activities related to agriculture, fisheries, livestock, education, health, tourism, professional activities, information technology, workshops and traditional industrial craftsmanship in Oman. Besides granting loans, the ODB administers grants and subsidies and participates in share capital of companies. In accordance with its objectives, interest on loans and advances is charged to customers at a rate which is subsidized by the Government of Oman. As at the end of December 2015, total loans and advances inclusive of staff loans amounted to RO 111.7 million. The share capital of ODB remained unchanged at RO 100 million while

total shareholders' equity increased to RO 161.8 million at the end of December 2015 from RO 157.4 million a year ago.

### Money Exchange Companies

Money exchange business in Oman is executed by two categories of institutions, namely, those establishments that are engaged in money exchange and money transfers (remittances) and the others who are solely engaged in money changing only. As at the end of December 2015, there were 16 exchange establishments licensed for money changing and remittance business, and 31 firms that operated under the license of money changing only. There were in total 296 branches of the sixteen exchange establishments. Exchange companies licensed under money changing and draft issuance are annually examined by the Central Bank of Oman to ensure that they keep proper books and records, comply with the regulations and remain financially stable. Money changing firms are on the other hand selectively examined by rotation. The total assets of the sixteen establishments stood at RO 71.9 million as at the end of 2015. These assets included mainly balances held with banks at RO 34.2 million and cash on hand at RO 23.7 million. The total capital, reserves and retained profits of these companies stood at RO 49.9 million as at the end of December 2015.

### Finance and Leasing Companies (FLCs)

Non-banking financial institutions, in particular the finance and leasing companies in Oman play a crucial role in broadening the access to financial services, enhancement of competition and



diversification of the financial sector. Keeping in view the importance of FLCs and their contribution to the financial sector, the Central Bank of Oman has strived to create a conducive environment for them to carve a specific market niche for themselves. The retail vehicle financing industry continues to be the most competitive segment of the market apart from SME equipment finance. FLCs pursued their geographic expansion plans with the number of branches increasing to 40 in 2015. There are currently six finance and leasing companies operating in Oman under the license of CBO. They mainly operate in three market segments, namely, retail financing where the financing is to individual customers mainly for the purchase of automobiles and electronic goods; equipment leasing where the finance is extended to small and medium enterprises (SMEs) for

expansion, modernization and replacement requirements; and finally for factoring and working capital financing to SMEs for domestic as well as cross-border trade or for the execution of projects usually against the assignment of receivables.

The total combined assets of FLCs registered an increase of RO 118.4 million or 12.9 percent and stood at RO 1,037.4 million as at the end of December 2015 compared to RO 919 million a year ago (Table 5.14). The continued government thrust on economic diversification and development of SMEs opened up opportunities for diversified growth and further credit outlays. Total outstanding credit (net of provisions) mainly constituting hire purchase financing, lease financing etc. stood at RO 990.6 million as at the end of December 2015. Gross non-performing loans at the end 2015

**Table 5.14**  
**Finance and Leasing Companies (FLC) Indicators**  
(Rial Omani Million)

|                                                         | 2011  | 2012  | 2013  | 2014  | 2015   |
|---------------------------------------------------------|-------|-------|-------|-------|--------|
| Total Assets                                            | 603.6 | 736.5 | 855.6 | 919.0 | 1037.4 |
| Loans/Lease Portfolio*                                  | 582.2 | 711.7 | 823.5 | 887.5 | 990.6  |
| Gross Non-Performing Loans                              | 46.5  | 45.6  | 51.4  | 55.3  | 49.5   |
| Cash and Bank Balances                                  | 8.3   | 9.5   | 17.2  | 16.8  | 31.3   |
| Borrowings from Banks & Financial Institutions          | 311.2 | 408.0 | 481.2 | 518.9 | 640.1  |
| Paid Up Capital                                         | 108.4 | 133.9 | 142.5 | 148.2 | 156.6  |
| Capital & Reserves                                      | 167.9 | 202.9 | 217.1 | 232.5 | 251.2  |
| Loan Loss Provisions and Reserve Interest               | 41.0  | 43.8  | 48.9  | 55.8  | 57.9   |
| Net Profit After Provisions and Tax                     | 20.8  | 24.3  | 26.0  | 29.4  | 32.0   |
| Weighted Average Rate of Interest Charged (% per annum) | 10.8  | 9.7   | 9.5   | 9.0   | 8.9    |
| Number of Branches (Including Head Office)              | 34    | 37    | 38    | 38    | 40     |

\* Loans net of provisions & reserve interest  
Source: FLC Annual Reports



decreased to RO 49.5 million or by 10.5 percent compared to RO 55.3 million a year ago. Gross NPLs at the end of 2015 constituted 4.7 percent of the gross loan portfolio of FLCs compared to 5.9 percent in the previous year. Borrowings from banks and other financial institutions which are the main sources of funding for FLCs increased to RO 640.1 million at the end of the year. The consolidated capital and reserves of the FLCs rose to RO 251.2 million at the end of 2015 from RO 232.5 million in the previous year. Net profits of FLCs increased to RO 32 million during 2015, a rise of 8.8 percent over the previous year. With the general softening of interest rates, the weighted average lending rate marginally dropped to 8.9 percent per annum in 2015 from 9 percent per annum during the previous year.

### Payment and Settlement System

The Central Bank of Oman has played an important role over the years in creating an institutional framework for the development of a safe, secure, sound and efficient payment and settlement system in the country. An efficient payments system in the country not only sustains public confidence in the financial system but also contributes to financial inclusion and inclusive growth. The CBO has successfully implemented the core National Payment Systems infrastructure, namely, the Real Time Gross Settlement System (RTGS), Automated Clearing House (ACH), Electronic Cheque Clearing (ECC) and the ATM/POS Switch. The CBO has also teamed up with other GCC countries to facilitate payments across the GCC region in a safe, efficient and timely manner. The objective is to establish a multi-country, multi-currency RTGS system in a

### Payment and Settlement Systems

**Table 5.15 (a)**  
RTGS Business Trends

| Year | No. of Transactions | Value (RO Millions) |
|------|---------------------|---------------------|
| 2011 | 330,085             | 110,762             |
| 2012 | 362,700             | 127,912             |
| 2013 | 426,926             | 142,507             |
| 2014 | 466,655             | 164,862             |
| 2015 | 502,501             | 165,412             |

**Table 5.15 (b)**  
ACH Business Trends

| Year | No. of Transactions | Value (RO Millions) |
|------|---------------------|---------------------|
| 2011 | 1,690,283           | 1,062               |
| 2012 | 2,025,852           | 1,300               |
| 2013 | 2,638,504           | 1,754               |
| 2014 | 3,238,499           | 2,224               |
| 2015 | 4,196,530           | 2,825               |

**Table 5.15(c)**  
Electronic Cheque Clearing

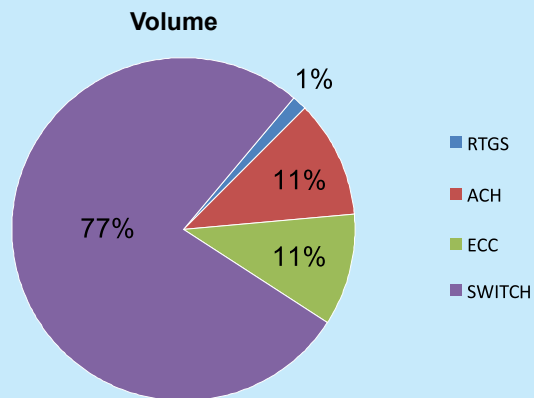
| Year | No. of Transactions | Value (RO Millions) |
|------|---------------------|---------------------|
| 2011 | 2,928,723           | 12,210              |
| 2012 | 3,213,132           | 13,287              |
| 2013 | 3,581,224           | 15,115              |
| 2014 | 3,813,167           | 17,675              |
| 2015 | 4,081,219           | 17,508              |

**Table 5.15 (d)**  
Oman Net Switch Business Trends

| Year | No. of Transactions | Value (RO Millions) |
|------|---------------------|---------------------|
| 2011 | 11,301,803          | 664                 |
| 2012 | 14,459,303          | 931                 |
| 2013 | 18,724,214          | 1,269               |
| 2014 | 24,554,107          | 1,813               |
| 2015 | 29,114,093          | 2,221               |

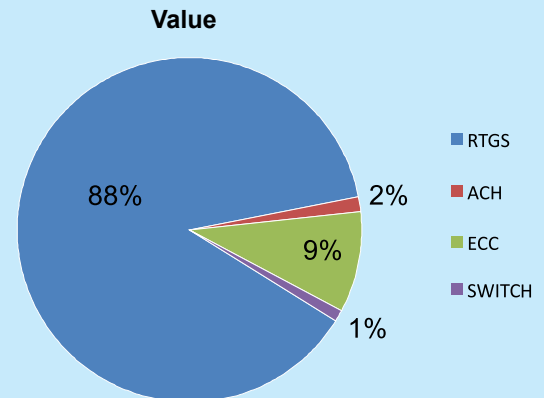
Source: Central Bank of Oman

Chart 5.6 (a): Retail Payment Systems



cost efficient manner. Notwithstanding the growing use of electronic payments, cheques continue to be widely used in Oman. Efforts are thus being taken to upgrade the Electronic Cheque Clearing System to facilitate efficient and timely operations. Another domain where work is on-going to provide safe payment systems is by addressing the risks and introducing the security and risk mitigation framework for card payments by ensuring EMV compliance for Payment Cards in Oman. Most of the banks and Islamic Windows are certified with EMV and have gone live. The Payment Gateway project aims to process national online transactions through the debit cards coupled with advanced authentication mechanisms. The clearing mechanism for mobile

Chart 5.6 (b): Retail Payment Systems



payments, wages protection system, electronic bill presentation and dispute management modules also form part of the project.

Transactions under the RTGS, ACH, ECC and OmanNet Switch are given in Table 5.15. it can be seen that during 2015, the RTGS transactions which is disposed for handling time critical and high value but low volume processed just 1.3 percent of the total transactions in volume terms but handled 88 percent of the total transactions in terms of value (Chart 5.6). On the other hand, the retail payment systems like ACH, ECC and OmanNet Switch processed huge volume of transactions while accounting for smaller value.



## **Foreign Trade and Balance of Payments**



## FOREIGN TRADE AND BALANCE OF PAYMENTS

In the face of the recent external shock brought about by the significant drop in global crude oil prices, Oman's balance of payments particularly in the current account reversed from year-on-year consistent surplus to deficit mode in 2015. The growth in global merchandise trade remained sluggish in 2015 amidst weakened economic activity in emerging market economies, modest recovery in developed countries, heightened volatility in financial markets and growing geopolitical tensions. In fact, after contracting markedly in the first half of the year, global trade volumes rebounded in the second half of 2015. Outlook for global trade in 2016 is likely to gain traction on the back of stronger growth in domestic demand in emerging market economies. World Trade Organization (WTO), in its Press Release in April 2016, has projected that growth in world merchandise trade volume would remain unchanged at 2.8 percent in 2016, while merchandise trade growth is expected to rise to 3.6 percent in 2017. However, IMF's forecast is more upbeat in its April 2016 WEO, with growth in world trade volume (goods & services) expected to improve from 2.8 percent in 2015 to 3.1 percent in 2016 and further to 3.8 percent in 2017.

Consequent to a steady decline in international oil prices during 2015, the price of Omani crude oil registered a downward trend in 2015 and averaged US\$ 56.5 per barrel in 2015 as compared to US\$ 103.2 per barrel in 2014. As a result, the balance

of payments position came under strain in 2015 with the current account turning to sizable deficit as against a surplus in 2014. Oman's merchandise trade registered a marked drop in 2015 on the top of modest decrease in 2014 on account of low crude oil prices. The decline in international oil prices has partly recovered from around US\$ 30 per barrel in January 2016 and hovers around US\$ 50 per barrel in June 2016. Should the drop in global oil prices persist at lower levels during remainder of the year, both trade balance and current account balance would be impacted adversely.

The merchandise trade surplus decreased sharply by 64.5 percent to RO 3.5 billion in 2015 from RO 9.9 billion a year ago, as a result of a 33.4 percent decline in the value of exports partly mitigated by the fall in imports by 4.8 percent. The combined deficit on services, income and current transfers stood at RO 7.7 billion in 2015 as compared to RO 8.3 billion in 2014. The current account registered a deficit of RO 4.2 billion in 2015 (equivalent to 15.4 percent of nominal GDP) as against a surplus of RO 1.6 billion or 5.1 percent of nominal GDP in 2014. With oil prices continuing to remain low in 2016, it is expected that Oman's current account will remain in deficit in 2016.

The capital and financial account experienced a net inflow of RO 4,741 million in 2015 as against an outflow of RO 701 million last year, reflecting the contribution of the rest of the world to bridge the

gap between domestic savings over investment demand. The overall balance of payments position registered a surplus of RO 235 million during 2015 giving rise to the accretion of foreign exchange reserves by the same amount. Foreign exchange reserves of the Central Bank of Oman (net of valuation adjustment) increased by RO 547 million and Government reserves decreased by RO 312 million in 2015. As at the end of 2015, the gross foreign assets of the Central Bank of Oman stood at RO 6,745.8 million providing import cover for around 8 months of merchandise goods.

### Foreign Trade

Oman is an economy with high degree of trade openness. Given that the contribution of hydrocarbon sector is primary to the domestic economy, net exports is a key constituent of

its aggregate income. Merchandise exports (f.o.b.) and imports (c.i.f.) together stood at 93.0 percent of nominal GDP in 2015 highlighting the relative significance of international trade in aggregate domestic output. Of the combined total, merchandise exports alone comprised 50.8 percent of nominal GDP, while imports represented 42.2 percent of nominal GDP (Table 6.1). Oman's international trade continued to exhibit a high degree of concentration in hydrocarbon exports (Chart 6.1). Oil exports accounted for 50 percent while oil & gas exports combined accounted for 59.4 percent of total exports signifying the high degree of concentration in terms of Oman's dependence on oil exports in trade. However, it is noteworthy that the share of oil and gas exports to total exports declined to 59.4 percent in 2015 from 65.7 percent in the previous year.

**Table 6.1**  
**Trade Transactions**  
(Rial Omani Million)

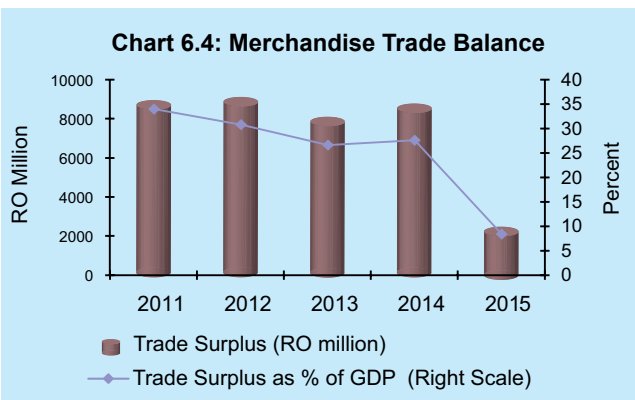
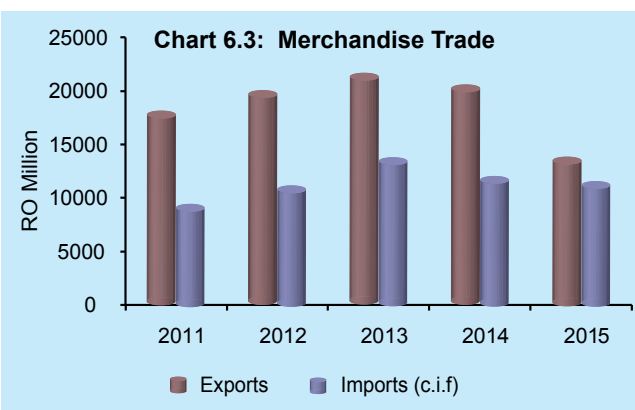
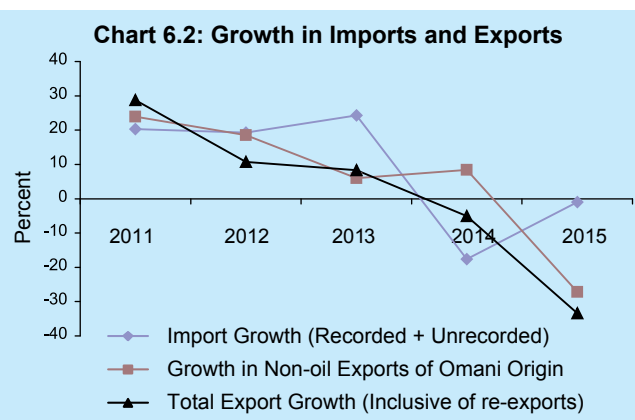
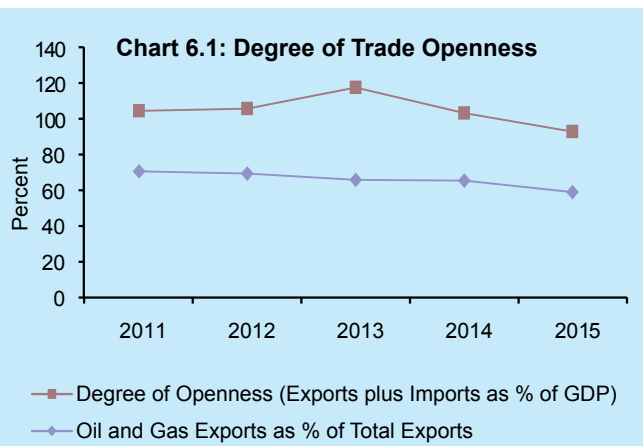
| Items                              | 2011            | 2012            | 2013            | 2014            | 2015            | % Change<br>2015/14 |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------------------|
| <b>Imports (c.i.f.)</b>            | <b>9,235.2</b>  | <b>11,010.4</b> | <b>13,679.5</b> | <b>11,898.1</b> | <b>11,412.1</b> | <b>-4.1</b>         |
| <b>Exports (f.o.b.)</b>            | <b>18,106.8</b> | <b>20,047.2</b> | <b>21,697.0</b> | <b>20,596.1</b> | <b>13,720.0</b> | <b>-33.4</b>        |
| Crude Oil                          | 10,659.6        | 11,795.0        | 12,337.5        | 11,591.3        | 6,682.4         | -42.3               |
| Refined Oil                        | 697.1           | 557.1           | 340.9           | 309.5           | 182.3           | -41.1               |
| LNG                                | 1,469.3         | 1,614.7         | 1,670.3         | 1,625.7         | 1,279.8         | -21.3               |
| Non-oil                            | 3,033.2         | 3,594.1         | 3,806.9         | 4,125.5         | 3,003.9         | -27.2               |
| Re-exports                         | 2,247.6         | 2,486.3         | 3,541.4         | 2,944.1         | 2,571.6         | -12.7               |
| <b>Trade Balance</b>               | <b>8,871.6</b>  | <b>9,036.8</b>  | <b>8,017.5</b>  | <b>8,698.0</b>  | <b>2,307.9</b>  | <b>-73.5</b>        |
| (Exports+Imports) as % of GDP      | 104.7           | 105.8           | 117.7           | 103.3           | 93.0            |                     |
| Trade Balance as % of GDP          | 34.0            | 30.8            | 26.7            | 27.7            | 8.5             |                     |
| Total Non-oil Exports as % of GDP* | 20.2            | 20.7            | 24.4            | 22.5            | 20.6            |                     |

\*Includes re-exports.

Note: Import figures in this table include both "recorded" and "unrecorded" imports, and hence, they may not tally with import figures in some other tables which may relate only to recorded imports. Similarly, import figures in this table are on c.i.f. basis, and, therefore, may not tally with import and trade balance figures in other tables where imports could be on f.o.b. basis.

Source: Directorate General of Customs and National Center for Statistics & Information.





## Merchandise Trade Balance

The trade balance for Oman reflects the difference between merchandise exports and imports. The decline witnessed in the value of total merchandise exports (f.o.b.) by 33.4 percent to RO 13,720 million in 2015 was more pronounced than the decline of 4.1 percent in total merchandise imports (c.i.f.) to RO 11,412.1 million during the year (Chart 6.2). As a result, the merchandise trade balance registered a smaller surplus of RO 2,307.9 million in 2015 compared to RO 8,698 million in 2014 – a marked decline of 73.5 percent over the year (Table 6.1 and Chart 6.3). The surplus in the trade balance in terms of nominal GDP stood lower at 8.5 percent in 2015 as compared to 27.7 percent in 2014 (Chart 6.4).

## Exports

The value of total merchandise exports comprising crude oil, refined oil, liquefied natural gas (LNG), non-oil exports and re-exports, declined by 33.5 percent to RO 13,720 million in 2015 from RO 20,956 million in the previous year. Crude oil exports (inclusive of refined oil) decreased by 42.3 percent to RO 6,864.7 million in 2015 compared to RO 11,900.8 million in the previous year. The decline in value of crude oil exports was attributed to lower realization of oil prices in 2015 (a decline of 43.5 percent) notwithstanding augmented volumes of oil exports (a rise of 5.4 percent). Similarly, while the value of LNG exports decreased considerably by 21.3 percent to RO 1,280 million in 2015, re-exports also declined by 12.7 percent to RO 2,308 million during the same year. The value of non-oil exports of Omani origin also dropped by 27.2 percent to RO 3,004 million in 2015.

**Table 6.2**  
**Value of Non-oil Exports of Omani Origin\***  
(Rial Omani Million)

| Classification                                    | 2011           | 2012           | 2013           | 2014           | 2015           | % Change<br>2015/14 |
|---------------------------------------------------|----------------|----------------|----------------|----------------|----------------|---------------------|
| Live animals and animal products                  | 173.4          | 175.6          | 176.0          | 210.0          | 211.5          | 0.7                 |
| Vegetable products                                | 35.9           | 43.2           | 98.2           | 59.2           | 58.5           | -1.2                |
| Animal or vegetable fats & oil                    | 76.2           | 52.3           | 70.8           | 81.2           | 82.2           | 1.2                 |
| Foodstuffs, beverages, tobacco & related products | 80.1           | 98.8           | 96.5           | 115.0          | 120.1          | 4.4                 |
| Mineral products                                  | 422.1          | 1,001.8        | 1,277.8        | 1,256.4        | 572.8          | -54.4               |
| Products of chemicals & allied industries         | 1,181.4        | 1,076.3        | 800.5          | 945.9          | 700.2          | -26.0               |
| Plastic, rubber, & articles thereof               | 300.8          | 252.4          | 288.8          | 356.3          | 277.7          | -22.1               |
| Textiles & articles thereof                       | 5.9            | 8.0            | 7.9            | 9.9            | 8.1            | -18.2               |
| Base metals & articles thereof                    | 542.0          | 671.2          | 724.6          | 765.8          | 650.5          | -15.1               |
| Others                                            | 215.4          | 214.5          | 265.8          | 325.8          | 322.3          | -1.1                |
| <b>Total</b>                                      | <b>3,033.2</b> | <b>3,594.1</b> | <b>3,806.9</b> | <b>4,125.5</b> | <b>3,003.9</b> | <b>-27.2</b>        |

\*Excludes re-exports.

Source: Directorate General of Customs and National Center for Statistics & Information.

**Table 6.3**  
**Composition of Re-Exports**  
(Rial Omani Million)

| Classification                                               | 2011           | 2012           | 2013           | 2014           | 2015           | % Change<br>2015/14 |
|--------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|---------------------|
| Live animals and animal products                             | 6.7            | 7.9            | 12.6           | 23.4           | 24.5           | 4.7                 |
| Vegetable products                                           | 5.5            | 13.9           | 15.6           | 7.2            | 13.2           | 83.3                |
| Animal or vegetable fats & oil                               | 0.8            | 1.3            | 0.3            | 0.1            | 1.3            | 1254.2              |
| Foodstuffs, beverages, tobacco & related products            | 45.9           | 40.4           | 74.4           | 78.2           | 75.9           | -2.9                |
| Mineral products                                             | 520.3          | 567.6          | 1,293.5        | 516.1          | 565.4          | 9.6                 |
| Products of chemicals & allied industries                    | 15.4           | 23.9           | 131.7          | 114.8          | 72.7           | -36.7               |
| Plastic, rubber, & articles thereof                          | 9.8            | 10.1           | 11.3           | 11.3           | 13.2           | 16.8                |
| Textiles & articles thereof                                  | 17.2           | 9.2            | 9.3            | 8.4            | 6.6            | -21.4               |
| Base metals & articles thereof                               | 26.3           | 25.2           | 32.5           | 32.2           | 31.7           | -1.6                |
| Vehicles, aircraft, vessels & associated transport equipment | 1,395.6        | 1,575.2        | 1,731.6        | 1,886.5        | 1,615.5        | -14.4               |
| Others                                                       | 204.0          | 211.6          | 228.6          | 265.9          | 151.6          | -43.0               |
| <b>Total</b>                                                 | <b>2,247.5</b> | <b>2,486.3</b> | <b>3,541.4</b> | <b>2,944.1</b> | <b>2,571.6</b> | <b>-12.7</b>        |

Source: Directorate General of Customs and National Center for Statistics & Information.

### Non-Oil Exports of Omani Origin

Non-oil exports play a notable role in accomplishing diversification of the economy and it has assumed added importance in the milieu of diminished oil prices. Non-oil exports however, suffered a setback due to lackluster growth in GCC countries and China. The contraction in non-oil exports during 2015 was led by “mineral products” with a significant drop of 54.4 percent, followed by “products of chemicals and allied industries” at 26 percent, and “Plastic, rubber, & articles thereof” at 22.1 percent (Table 6.2). Exports of “foodstuff, beverages, tobacco & related products” increased by 4.4 percent, while “animal or vegetable fats &

oil” products also recorded an annual growth of 1.2 percent in 2015. Despite recording a negative growth of 26.0 percent, “products of chemical & allied industries” accounted for the largest share of 23.3 percent of non-oil exports of Omani origin in 2015.

### Re-Exports

Total re-exports declined by 12.7 percent to RO 2,571.6 million in 2015 over the previous year mainly on account of a marked drop in the value of re-exports of “vehicles, aircraft, vessels & associated transport equipment” (Table 6.3). “Products of chemical & allied industries” and

**Table 6.4**  
**Destination of Non-oil Exports of Omani Origin\***  
(Rial Omani Million)

| Country      | 2013            |              | 2014            |              | 2015            |              |
|--------------|-----------------|--------------|-----------------|--------------|-----------------|--------------|
|              | Non-Oil Exports | % Share      | Non-Oil Exports | % Share      | Non-Oil Exports | % Share      |
| UAE          | 658.3           | 17.3         | 776.0           | 18.8         | 626.2           | 20.8         |
| India        | 415.7           | 10.9         | 383.6           | 9.3          | 274.1           | 9.1          |
| China        | 217.1           | 5.7          | 220.7           | 5.3          | 215.6           | 7.2          |
| Saudi Arabia | 542.5           | 14.3         | 436.6           | 10.6         | 375.0           | 12.5         |
| S.Korea      | 60.1            | 1.6          | 121.9           | 3.0          | 41.0            | 1.4          |
| Qatar        | 134.6           | 3.5          | 96.4            | 2.3          | 94.4            | 3.1          |
| U.S.A        | 185.6           | 4.9          | 221.3           | 5.4          | 180.0           | 6.0          |
| Iraq         | 88.3            | 2.3          | 50.4            | 1.2          | 47.9            | 1.6          |
| Pakistan     | 282.4           | 7.4          | 468.0           | 11.3         | 75.4            | 2.5          |
| Indonesia    | 27.1            | 0.7          | 26.7            | 0.6          | 31.8            | 1.1          |
| Netherlands  | 48.5            | 1.3          | 60.8            | 1.5          | 51.9            | 1.7          |
| Somalia      | 106.0           | 2.8          | 62.5            | 1.5          | 51.6            | 1.7          |
| Malaysia     | 66.4            | 1.7          | 75.1            | 1.8          | 98.5            | 3.3          |
| Kuwait       | 166.0           | 4.4          | 157.7           | 3.8          | 62.1            | 2.1          |
| Taiwan       | 20.8            | 0.5          | 82.2            | 2.0          | 43.3            | 1.4          |
| Others       | 787.5           | 20.7         | 885.6           | 21.5         | 735.1           | 24.5         |
| <b>Total</b> | <b>3,806.9</b>  | <b>100.0</b> | <b>4,125.5</b>  | <b>100.0</b> | <b>3,003.9</b>  | <b>100.0</b> |

\*Excludes re-exports.

Source: Directorate General of Customs and National Center for Statistics & Information.

“foodstuffs, beverages, tobacco and related products” also recorded negative growths of 36.7 percent and 2.9 percent, respectively, during the same year. Even though not significant in terms of their magnitude, items such as “textiles” and “base metals” also recorded declines. In contrast, re-exports of “live animals and animal products,” “vegetable products” and “plastic, rubber, and articles thereof” registered positive growth during 2015.

### Destination of Non-Oil Exports

The United Arab Emirates (UAE), Saudi Arabia and India with a share of 42.4 percent were the three most important destinations for non-oil exports of Omani origin in 2015 (Table 6.4). The United Arab Emirates (UAE) continued to be the largest destination for Omani exports with its share increasing to 20.8 percent in 2015 from 18.8 percent in 2014. While the share of non-oil exports from Oman to Saudi Arabia rose in 2015, its share to India dropped marginally to 9.1 percent in 2015 from 9.3 percent in 2014. In value terms, while non-oil exports to the UAE fell by 19.3 percent to RO 626.2 million in 2015, non-oil exports to Saudi Arabia and India decreased by 14.1 percent and 28.5 percent, respectively, for the same year. The main reason for decline in non-oil exports of Omani origin were lower exports of “mineral products” to Saudi Arabia and lower exports of “mineral products” and “base metals and articles thereof” to India. Non-oil exports to China constituted the fourth largest destination and the USA remained as the fifth most important market for Omani non-oil exports with a share of 6.0 percent, consisting mainly of “plastic, rubber, & articles thereof” and “products of the chemical & allied industries,” etc.

### Destination of Re-Exports

The destination of majority of re-exports from Oman also remained relatively concentrated to a few countries in line with the pattern in 2014. Most of the re-exports from Oman in 2015 was directed to UAE, Saudi Arabia and China. Re-exports to these three countries together stood at RO 1,583.7 million and accounted for 61.6 percent of total re-exports in 2015. On an individual basis, the country-wise ranking of re-exports remained more or less unchanged during the year (Table 6.5). Commodity wise, re-exports to the UAE mainly comprised of vehicles, machinery and transport equipment, whereas for Saudi Arabia and China it consisted of vehicles, machinery and mechanical products, mineral products, and chemicals. The overall contraction in the level of re-exports could be attributed to the 28.4 percent drop in re-exports of vehicles, vessels and associated transport equipment to UAE. Moreover, re-exports of machinery and mechanical products to “others” countries declined drastically by 41.8 percent in 2015 over the previous year.

### Imports

The import bill of recorded imports (on c.i.f. basis) declined by 1.0 percent to RO 11,153.3 million in 2015 from RO 11,267.7 million in the previous year. The composition of recorded imports with their respective shares for 2015 were “electrical machinery & mechanical equipment & parts (20.1 percent), “vehicles, aircraft, vessels & associated transport equipment (15.9 percent),” “mineral products (15.1 percent), “base metals & articles thereof (11.3 percent),” and “products of chemicals & allied industries (8.6 percent)” (Table 6.6).

**Table 6.5**  
**Destination of Re-Exports**  
(Rial Omani Million)

| Country      | 2013           |              | 2014           |              | 2015           |              |
|--------------|----------------|--------------|----------------|--------------|----------------|--------------|
|              | Re- Exports    | % Share      | Re- Exports    | % Share      | Re- Exports    | % Share      |
| UAE          | 1,270.1        | 35.9         | 1,323.0        | 44.9         | 974.8          | 37.9         |
| Iran         | 122.1          | 3.4          | 133.1          | 4.5          | 102.5          | 4.0          |
| Saudi Arabia | 366.2          | 10.3         | 355.8          | 12.1         | 313.3          | 12.2         |
| U.K.         | 13.4           | 0.4          | 15.8           | 0.5          | 3.7            | 0.1          |
| Hong Kong    | 41.1           | 1.2          | 38.7           | 1.3          | 26.3           | 1.0          |
| Singapore    | 45.6           | 1.3          | 32.6           | 1.1          | 38.3           | 1.5          |
| Belgium      | 26.1           | 0.7          | 24.6           | 0.8          | 10.7           | 0.4          |
| Yemen        | 0.1            | 0.0          | 18.1           | 0.6          | 77.2           | 3.0          |
| China        | 360.5          | 10.2         | 252.3          | 8.6          | 295.6          | 11.5         |
| Iraq         | 2.8            | 0.1          | 23.2           | 0.8          | 132.1          | 5.1          |
| Libya        | 41.9           | 1.2          | 40.4           | 1.4          | 15.8           | 0.6          |
| Germany      | 13.7           | 0.4          | 10.8           | 0.4          | 9.3            | 0.4          |
| India        | 70.3           | 2.0          | 39.0           | 1.3          | 54.7           | 2.1          |
| Sudan        | 4.3            | 0.1          | 3.5            | 0.1          | 2.8            | 0.1          |
| Pakistan     | 130.5          | 3.7          | 109.8          | 3.7          | 92.4           | 3.6          |
| Others       | 1,032.7        | 29.2         | 523.4          | 17.8         | 422.1          | 16.4         |
| <b>Total</b> | <b>3,541.4</b> | <b>100.0</b> | <b>2,944.1</b> | <b>100.0</b> | <b>2,571.6</b> | <b>100.0</b> |

Source: Directorate General of Customs and National Center for Statistics & Information .

**Table 6.6**  
**Composition of Recorded Imports**  
(Rial Omani Million)

| Classification                                                                                                     | 2011           | 2012            | 2013            | 2014            | 2015            | % Change<br>2015/14 |
|--------------------------------------------------------------------------------------------------------------------|----------------|-----------------|-----------------|-----------------|-----------------|---------------------|
| Live animals and animal products                                                                                   | 337.4          | 380.7           | 429.3           | 472.7           | 450.1           | -4.8                |
| Vegetable products                                                                                                 | 258.3          | 309.2           | 325.6           | 409.6           | 397.2           | -3.0                |
| Foodstuffs, beverages, tobacco<br>& related products                                                               | 316.9          | 352.7           | 377.1           | 420.9           | 444.7           | 5.7                 |
| Mineral products                                                                                                   | 1,317.3        | 1,462.7         | 3,627.6         | 1,297.9         | 1,682.7         | 29.6                |
| Products of chemicals & allied industries                                                                          | 667.5          | 857.9           | 1,007.3         | 993.2           | 955.3           | -3.8                |
| Plastic, rubber, & articles thereof                                                                                | 333.4          | 359.3           | 386.8           | 415.0           | 442.6           | 6.7                 |
| Textiles & articles thereof                                                                                        | 143.2          | 155.4           | 150.9           | 152.0           | 163.8           | 7.8                 |
| Articles of stone, plaster, cement, asbestos,<br>mica or similar materials, ceramic products,<br>glass & glassware | 128.2          | 171.4           | 154.0           | 255.8           | 168.4           | -34.2               |
| Base metals & articles thereof                                                                                     | 1,095.9        | 1,402.6         | 1,376.9         | 1,320.7         | 1,256.6         | -4.9                |
| Electrical Machinery & Mechanical<br>Equipment & Parts                                                             | 1,941.9        | 1,988.0         | 2,054.2         | 1,942.5         | 2,240.7         | 15.4                |
| Vehicles, aircraft, vessels & associated<br>transport equipment                                                    | 1,882.9        | 2,564.4         | 2,375.9         | 2,568.4         | 1,778.0         | -30.8               |
| Others                                                                                                             | 658.9          | 807.0           | 935.5           | 1,019.0         | 1,173.2         | 15.1                |
| <b>Total</b>                                                                                                       | <b>9,081.8</b> | <b>10,811.3</b> | <b>13,201.1</b> | <b>11,267.7</b> | <b>11,153.3</b> | <b>-1.0</b>         |

Note: Import figures presented here include recorded imports only & hence, they may not tally with import figures in Tables 6.1 & 6.11.

Source: Directorate General of Customs and National Center for Statistics & Information.

**Table 6.7**  
**Sources of Recorded Imports**  
 (Rial Omani Million)

| Country      | 2013            |              | 2014            |              | 2015            |              |
|--------------|-----------------|--------------|-----------------|--------------|-----------------|--------------|
|              | Imports         | % Share      | Imports         | % Share      | Imports         | % Share      |
| UAE          | 3,911.3         | 29.6         | 3,658.5         | 32.5         | 4,271.0         | 38.3         |
| Japan        | 1,277.7         | 9.7          | 1,376.2         | 12.2         | 663.3           | 5.9          |
| Italy        | 245.4           | 1.9          | 220.3           | 2.0          | 230.4           | 2.1          |
| UK           | 198.5           | 1.5          | 197.8           | 1.8          | 206.4           | 1.9          |
| Germany      | 360.9           | 2.7          | 332.0           | 2.9          | 331.8           | 3.0          |
| USA          | 582.4           | 4.4          | 486.3           | 4.3          | 561.5           | 5.0          |
| France       | 133.4           | 1.0          | 99.6            | 0.9          | 102.9           | 0.9          |
| India        | 1,198.5         | 9.1          | 486.6           | 4.3          | 625.5           | 5.6          |
| Netherlands  | 190.1           | 1.4          | 163.6           | 1.5          | 259.1           | 2.3          |
| South Korea  | 369.1           | 2.8          | 412.7           | 3.7          | 371.3           | 3.3          |
| Australia    | 127.9           | 1.0          | 122.8           | 1.1          | 95.5            | 0.9          |
| China        | 403.0           | 3.1          | 540.6           | 4.8          | 583.8           | 5.2          |
| Saudi Arabia | 778.1           | 5.9          | 462.0           | 4.1          | 454.6           | 4.1          |
| Singapore    | 106.6           | 0.8          | 172.1           | 1.5          | 90.7            | 0.8          |
| Belgium      | 149.1           | 1.1          | 132.3           | 1.2          | 122.6           | 1.1          |
| Brazil       | 474.9           | 3.6          | 438.2           | 3.9          | 239.6           | 2.1          |
| Others       | 2,694.1         | 20.4         | 1,966.1         | 17.4         | 1,943.3         | 17.4         |
| <b>Total</b> | <b>13,201.0</b> | <b>100.0</b> | <b>11,267.7</b> | <b>100.0</b> | <b>11,153.3</b> | <b>100.0</b> |

Source: Directorate General of Customs and National Center for Statistics & Information.

Electrical machinery and mechanical equipment exhibited a strong annual growth of 15.4 percent in 2015. Imports of “mineral products” also rose substantially by 29.6 percent to RO 1,682.7 million from RO 1,297.9 million a year ago due to higher demand for Omani re-exports of mineral products. Imports of “vehicles, aircraft, vessels & associated transport equipment,” the second largest import item shrunk by 30.8 percent to RO 1,778 million in 2015 from RO 2,568.4 in the previous year. This drop in the level of imports of vehicles and transport equipment during the year could be associated with lower domestic consumption as well as subdued demand for Omani re-exports from neighboring countries. Imports of “live animals and animal products” as well as “vegetable products,” together recorded a decline of 4 percent in 2015 in contrast to an annual increase of 16.9 percent in 2014. “Foodstuffs, beverages and related products, however, registered a growth of 5.7

percent during the year 2015. The marginal fall in recorded imports during 2015 was consistent with the slowdown in economic activity witnessed during the year.

The United Arab Emirates (UAE), Japan and India were the major countries from where Oman sourced its imports and comprised about 50 percent of total recorded imports in 2015. The UAE continued to remain the largest source of imports for Oman at RO 4,271 million, representing 38.3 percent of total imports in 2015 (Table 6.7). Imports from UAE rose by 16.7 percent in 2015 led mainly by an increase of RO 145.3 million in imports of machinery & mechanical appliances followed by RO 111.3 million rise in mineral products. In contrast, imports from Japan decreased by 51.8 percent to RO 663.3 million during 2015 on account of lower imports of vehicles and transport equipment. Other major sources of imports include



**Table 6.8**  
**Trade with GCC Countries**  
(Rial Omani Million)

| Country      | 2014             |              |                  |              | 2015             |              |                  |              |
|--------------|------------------|--------------|------------------|--------------|------------------|--------------|------------------|--------------|
|              | Non-Oil Exports* |              | Recorded Imports |              | Non-Oil Exports* |              | Recorded Imports |              |
|              | Value            | % Share      | Value            | % Share      | Value            | % Share      | Value            | % Share      |
| UAE          | 2,099.1          | 65.0         | 3,658.5          | 82.6         | 1,601.1          | 63.8         | 4,271.0          | 83.6         |
| Saudi Arabia | 792.5            | 24.5         | 462.0            | 10.4         | 688.3            | 27.4         | 454.6            | 8.9          |
| Bahrain      | 44.9             | 1.4          | 77.0             | 1.7          | 31.3             | 1.2          | 98.9             | 1.9          |
| Kuwait       | 171.8            | 5.3          | 60.9             | 1.4          | 78.0             | 3.1          | 79.1             | 1.5          |
| Qatar        | 122.2            | 3.8          | 169.9            | 3.8          | 110.6            | 4.4          | 206.5            | 4.0          |
| <b>Total</b> | <b>3,230.4</b>   | <b>100.0</b> | <b>4,428.3</b>   | <b>100.0</b> | <b>2,509.3</b>   | <b>100.0</b> | <b>5,110.1</b>   | <b>100.0</b> |

\*Includes re-exports.

Source: Directorate General of Customs and National Center for Statistics & Information .

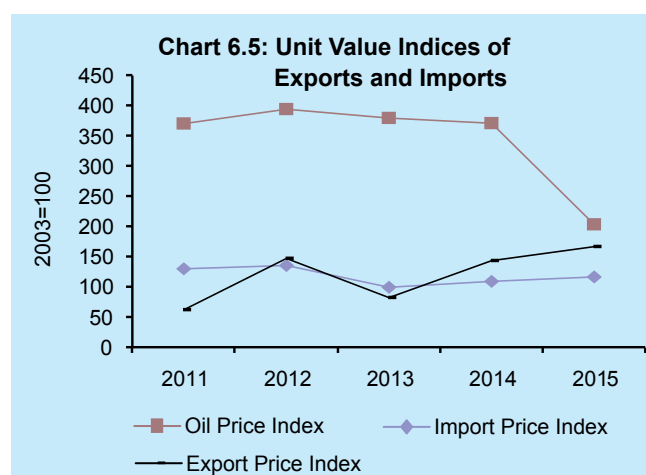
China, USA, and Saudi Arabia together accounting for 14.3 percent of total recorded imports.

### Trade with GCC Countries

The share of GCC countries together as percentage of Oman's total imports as well as exports (inclusive of re-exports) remained more or less unchanged over the past several years. Omani non-oil exports (inclusive of re-exports) to GCC member countries as a group declined by 22.3 percent to RO 2,509.3 million in 2015 from RO 3,230.4 million in the previous year. On the other hand, Oman's recorded imports from GCC countries increased by 15.4 percent to RO 5,110.1 million in 2015 from RO 4,428.3 million in the previous year. Among the GCC countries, the UAE continued to be the main trading partner of Oman with a share of 63.8 percent of total Omani non-oil exports (inclusive of re-exports) to GCC countries, and 83.6 percent of imports of Oman from the GCC countries in 2015 (Table 6.8).

### Unit Value Trade Indices

Unit value trade indices for Omani exports and imports have been constructed to derive a proxy that determines the relative social welfare of Oman and the implied terms of trade for the country (Table 6.9). As depicted in Chart 6.5, the unit value index for Omani crude oil in 2015 dropped to 202.8 from 370.8 (expressed as an index with the base period 2003=100), implying a welfare loss of 45.3 percent in oil income over the previous year due to unfavorable oil prices. While the non-oil export





**Table 6.9**  
**Value and Quantity of Exports / Imports**

| Year | Non-oil Exports of Omani Origin* |                     | Re-Exports              |                     | Recorded Imports        |                     | Oil Exports     |                          |
|------|----------------------------------|---------------------|-------------------------|---------------------|-------------------------|---------------------|-----------------|--------------------------|
|      | Value in (R.O. Million)          | Weight (000) Tonnes | Value in (R.O. Million) | Weight (000) Tonnes | Value in (R.O. Million) | Weight (000) Tonnes | Million Barrels | Avg. Price US\$ / Barrel |
| 2006 | 812.5                            | 5,488.1             | 766.9                   | 318.2               | 4,190.1                 | 5,822.7             | 233.2           | 61.69                    |
| 2007 | 1,290.7                          | 6,335.1             | 1,003.5                 | 338.7               | 6,146.5                 | 7,398.7             | 222.0           | 65.15                    |
| 2008 | 1,962.9                          | 10,156.9            | 1,515.8                 | 608.3               | 8,813.1                 | 10,476.3            | 216.7           | 101.06                   |
| 2009 | 1,849.5                          | 11,340.3            | 1,834.8                 | 1,245.4             | 6,862.7                 | 9,431.8             | 242.9           | 56.67                    |
| 2010 | 2,448.2                          | 24,052.9            | 1,921.7                 | 1,143.7             | 7,590.1                 | 12,826.9            | 271.8           | 76.64                    |
| 2011 | 3,033.2                          | 31,775.3            | 2,247.6                 | 2,129.7             | 9,081.8                 | 15,651.8            | 269.4           | 102.95                   |
| 2012 | 3,594.1                          | 15,921.1            | 2,486.3                 | 2,572.6             | 10,811.3                | 17,865.5            | 279.8           | 109.61                   |
| 2013 | 3,806.9                          | 30,237.6            | 3,541.4                 | 3,940.6             | 13,201.0                | 29,746.6            | 299.3           | 105.51                   |
| 2014 | 4,125.5                          | 18,731.3            | 2,944.1                 | 2,887.2             | 11,267.7                | 23,175.3            | 292.2           | 103.20                   |
| 2015 | 3,003.9                          | 14,902.0            | 2,571.6                 | 2,217.4             | 11,153.3                | 35,570.4            | 308.1           | 56.45                    |

\*Excludes re-exports.

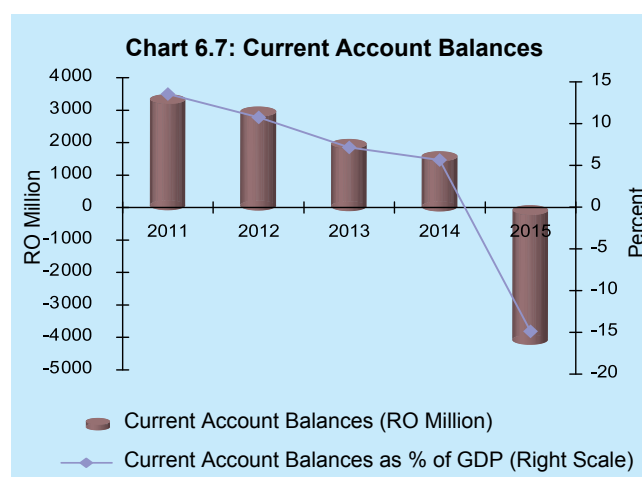
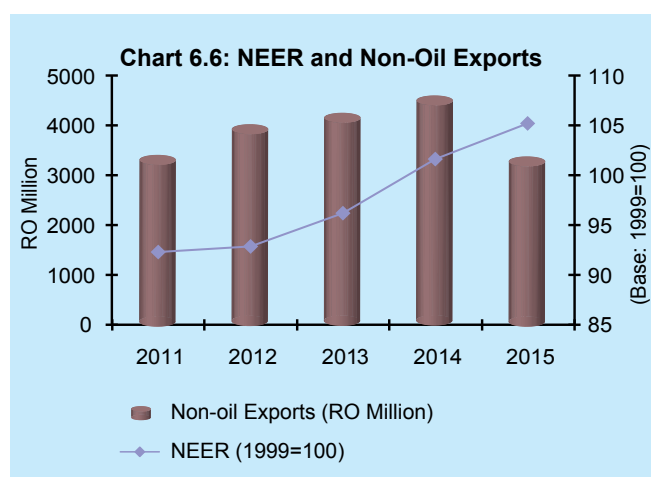
Source: Directorate General of Customs, National Center for Statistics & Information and Ministry of Oil and Gas.

price index increased by 16.8 percent to 166.5 in 2015 over its level of 142.9 in 2014 implying a welfare gain suggesting lower quantities of non-oil exports being exported at higher prices, the unit value index for imports in 2015 increased by 6.8 percent to around 116.0 reflecting lower quantities of imports valued at higher prices.

### Nominal Effective Exchange Rate

The nominal effective exchange rate is measured as a weighted average index of overall movement in the nominal exchange rate of the Rial Omani

vis-s-vis currencies of 18 major trading partners of Oman. The Rial Omani NEER index rose to 105.2 in December 2015 from 101.6 at the end of the previous year following the appreciation of the US dollar to which the Rial Omani is pegged. As at the end of March 2015 the index stood at 104.6 with a marginal dip to 103.9 in June, rising again to 104.5 in September 2015, pointing to an overall appreciating trend of the Rial Omani in 2015 against a basket of currencies of the Sultanate's importing partners (Table 6.10). The appreciation in Omani NEER index during the course of 2015 is compatible with the trend of US dollar as the



**Table 6.10**  
**Nominal Effective Exchange Rate (NEER)**  
**(1999=100)**

| Period                  | Import Weighted | Non-Weighted |
|-------------------------|-----------------|--------------|
| <b>End of year</b>      |                 |              |
| 2010                    | 92.5            | 87.6         |
| 2011                    | 92.3            | 89.3         |
| 2012                    | 92.9            | 88.6         |
| 2013                    | 96.2            | 91.1         |
| 2014                    | 101.6           | 97.4         |
| <b>Month-end (2015)</b> |                 |              |
| January                 | 102.9           | 100.0        |
| February                | 102.8           | 99.9         |
| March                   | 104.6           | 102.7        |
| April                   | 103.3           | 100.5        |
| May                     | 104.7           | 102.0        |
| June                    | 103.9           | 101.1        |
| July                    | 105.0           | 102.8        |
| August                  | 104.5           | 103.3        |
| September               | 104.5           | 103.8        |
| October                 | 105.0           | 104.2        |
| November                | 106.3           | 106.0        |
| December                | 105.2           | 104.5        |

Note: A rise in the index indicates an appreciation of the Omani Rial.  
Source: Central Bank of Oman.

US economy pointed to better improvement in 2015 when compared to other major advanced economies (Chart 6.6). The appreciation of the US dollar during the year and the consequent rise in the value of the Rial Omani had a positive impact on import costs from countries other than the USA, which was clearly evident in the significant drop in domestic inflation in Oman, given that the Sultanate of Oman relies to a large extent on imports.

## Balance of Payments

### Current Account

The significant drop in global crude oil prices has brought to the fore several challenges to the Omani economy with the external sector assessment being a major concern. Various aggregates in Oman's balance of payments (BoP) in 2015 turned

the current account balance into deficit mode as against surplus in the previous years.

The current account balance during 2015 recorded a deficit of RO 4.2 billion as against a surplus of RO 1.6 billion in the previous year mainly due to the steep fall in the trade surplus. Consequently, the current account deficit to GDP ratio widened to 15.4 percent in 2015 as against a current account surplus to GDP ratio of 5.1 percent in the previous year (Chart 6.7).

Services, income and current transfers continued to be in deficit mode, given the intrinsic nature of the Omani economy. Together it resulted in a net outflow of RO 7,661 million in 2015 compared to an outflow of RO 8,262 million in 2014. The combined net deficit on services, income and current transfers were equivalent to 28.4 percent of nominal GDP in 2015. Net outflows under the services account alone amounted to RO 2,545 million in 2015, a reduction of 3.2 percent over the outflows of RO 2,630 million registered during the previous year. Income receipts related to foreign assets decreased by 46 percent to RO 250 million in 2015 from RO 463 million in 2014, while income payments on foreign liabilities reduced from RO 2,134 million to RO 1,141 million during the same period on account of lower repatriation of profits in the oil and gas sector.

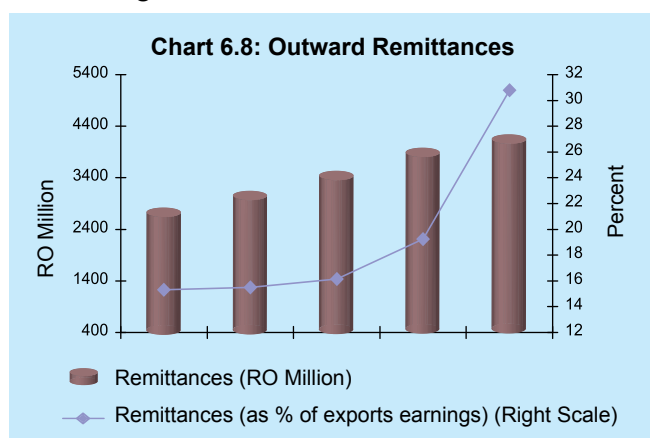
Current transfers associated with outward worker remittances increased by 6.7 percent to RO 4,226 million in 2015 over the previous year reflecting continued increase in expatriate employment in Oman, particularly in the private sector. The ratio of outward remittances in terms of total merchandise export earnings stood at 30.8 percent in 2015 as

compared to 19.2 percent in the previous year (Chart 6.8).

### Capital and Financial Account

The saving-investment gap commensurate to the current account deficit of RO 4,155 million witnessed in 2015, was balanced by an inflow of RO 4,741 million in the capital and financial account of BoP and a buildup of RO 235 million in official international reserves of the country.

The surplus in the capital and financial accounts in 2015 as against deficit in 2014 was a particular feature of Oman's BoP (Table 6.11). Net outflows reported under FDI stood at RO 1,148 million in 2015 as against an inflow of RO 57 million last year. During 2015, foreign direct investments abroad remained subdued at RO 113 million in comparison to RO 522 million recorded in the previous year. Given the low oil price scenario, inward foreign direct investment experienced a reversal largely caused by disinvestment in the oil and gas sector affecting the retained earnings of these companies and leading to RO 1,035 million of outflows compared to an inflow of RO 579 million registered in 2014.

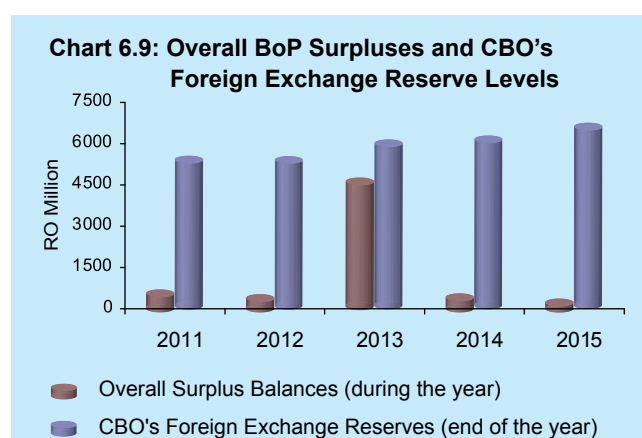


Portfolio investments struck a positive chord during 2015 with a net inflow of RO 251 million as against a net outflow of RO 261 million in 2014. This phenomenon was the result of a major issuance of Eurobonds (valued at US\$ 1 billion) by State owned Oman Electricity Transmission Company (OETC) as well as reduced level of portfolio investments abroad by financial companies and other corporates. Other investment under the financial account registered a net inflow position of RO 5,430 million in 2015 on account of drawdown of sovereign funds in order to finance the fiscal deficit in 2015 as well as from the increase in nonresident liabilities of commercial banks.

The overall balance of payments position (adjusted for errors and omissions), which represents the combined effect of the net flows emerging out of the current, capital, and financial accounts, witnessed a surplus of RO 235 million in 2015.

### Reserve Assets

The overall balance of payments surplus of RO 235 million in 2015 led to an expansion of RO 547 million in net foreign assets (net of valuation adjustment) of the CBO and decrease of RO 312 million in SGRF balances of the Government



(Chart 6.9). CBO's foreign assets position in 2015 stood at RO 6,745.8 million at the end of 2015 in comparison to RO 6,276.9 million at the end of 2014. CBO's foreign exchange reserves at the end of 2015 improved to 7.9 months of cover for merchandise imports of goods (from 7 months in 2014), while it increased to 4.2 months in terms of all current account payments, from 3.6 months in 2014.

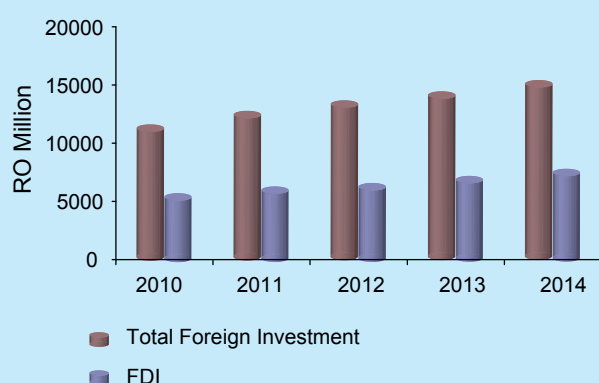
### Foreign Direct Investment

Preliminary estimates by the National Center for Statistics and Information (NCSI) on foreign investment indicate that the outstanding stock of total foreign investment in Oman increased by 6.8 percent to RO 15,406.4 million in 2014 from RO 14,423.9 million in 2013. Foreign direct investment (FDI), which is a major component of total foreign investment at around 49.6 percent, witnessed an annual increase of 9.1 percent to RO 7,636.2 million in 2014 over the previous year (Chart 6.10). Total return on FDI (dividends plus reinvested earnings) rose from 24.6 percent in 2013 to 27.5 percent 2014 (Chart 6.11). The main sectors receiving the largest share of FDI remained mostly unchanged during the recent years. Leading FDI investments in 2014 were oil & gas sector at 53.4

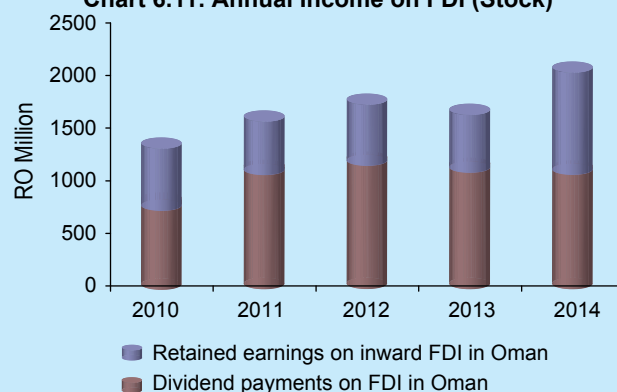
percent, followed by financial intermediation at 15.5 percent and manufacturing at 12.1 percent.

The crude oil prices in international markets, which touched US\$ 27 per barrel in January 2016 have partly recovered and now are hovering around US\$ 50 per barrel in June 2016. Expectations that oil prices may stay low for protracted period, bring to the fore the challenges to the management of the balance of payments in Oman. In the short term, measures have been underway to address the current account deficit through utilization of public buffers and resorting to external debt by Sovereign and public enterprises in view of low magnitude of debt to GDP ratio. In the medium term, authorities are instituting measures to shore up earnings from tourism, strengthening of manufacturing base for oil and non-oil sector, and bringing in a new investment law to attract foreign investment to Oman. Challenges and issues with the extant foreign investment law were identified and remedial solutions have been incorporated. The proposed law is based on international standards and fills the lacunae of missing important definitions in the current law. The law, which is in the final stage, would provide greater clarity, provides for dispute resolution and includes international arbitration and thus enhances investment security for investors.

**Chart 6.10: Foreign Investment (Stock)**



**Chart 6.11: Annual Income on FDI (Stock)**



**Table 6.11**  
**Balance of Payments**  
(Rial Omani Million)

| Items                                                  | 2011          | 2012          | 2013           | 2014           | 2015<br>Prel.  |
|--------------------------------------------------------|---------------|---------------|----------------|----------------|----------------|
| <b>A. Current account</b>                              | <b>3,403</b>  | <b>3,013</b>  | <b>2,005</b>   | <b>1,610</b>   | <b>-4,155</b>  |
| <b>1. Goods</b>                                        | <b>9,841</b>  | <b>10,193</b> | <b>9,376</b>   | <b>9,873</b>   | <b>3,506</b>   |
| <b>Exports (f.o.b)</b>                                 | <b>18,107</b> | <b>20,047</b> | <b>21,697</b>  | <b>20,596</b>  | <b>13,720</b>  |
| Oil                                                    | 11,357        | 12,352        | 12,678         | 11,901         | 6,865          |
| Natural Gas                                            | 1,469         | 1,615         | 1,670          | 1,626          | 1,280          |
| Other exports                                          | 3,033         | 3,594         | 3,807          | 4,126          | 3,004          |
| Re-exports                                             | 2,248         | 2,486         | 3,541          | 2,944          | 2,572          |
| <b>Imports (f.o.b)</b>                                 | <b>-8,266</b> | <b>-9,854</b> | <b>-12,321</b> | <b>-10,723</b> | <b>-10,214</b> |
| <b>2. Services</b>                                     | <b>-2,081</b> | <b>-2,338</b> | <b>-2,627</b>  | <b>-2,630</b>  | <b>-2,545</b>  |
| <b>Services (Credit)</b>                               | <b>895</b>    | <b>1,033</b>  | <b>1,136</b>   | <b>1,203</b>   | <b>1,339</b>   |
| Travel                                                 | 383           | 421           | 498            | 529            | 592            |
| Transportation                                         | 348           | 428           | 420            | 446            | 483            |
| Insurance                                              | 13            | 16            | 18             | 19             | 16             |
| Communication                                          | 24            | 29            | 39             | 37             | 34             |
| Other Services                                         | 128           | 139           | 162            | 173            | 214            |
| <b>Services (Debit)</b>                                | <b>-2,976</b> | <b>-3,372</b> | <b>-3,763</b>  | <b>-3,833</b>  | <b>-3,884</b>  |
| Travel                                                 | -449          | -493          | -548           | -636           | -669           |
| Transportation                                         | -1,196        | -1,402        | -1,689         | -1,533         | -1,503         |
| Insurance                                              | -292          | -314          | -332           | -353           | -387           |
| Communication                                          | -12           | -23           | -33            | -44            | -44            |
| Other Services                                         | -1,027        | -1,140        | -1,161         | -1,267         | -1,282         |
| <b>Balance on goods &amp; services (1+2)</b>           | <b>7,760</b>  | <b>7,854</b>  | <b>6,750</b>   | <b>7,242</b>   | <b>961</b>     |
| <b>3. Income</b>                                       | <b>-1,583</b> | <b>-1,732</b> | <b>-1,244</b>  | <b>-1,671</b>  | <b>-890</b>    |
| <b>Income (Credit)</b>                                 | <b>282</b>    | <b>276</b>    | <b>737</b>     | <b>463</b>     | <b>250</b>     |
| Compensation of Employees                              | 15            | 15            | 15             | 15             | 15             |
| Other Investment Income                                | 267           | 261           | 722            | 448            | 235            |
| <b>Income (Debit)</b>                                  | <b>-1,865</b> | <b>-2,008</b> | <b>-1,981</b>  | <b>-2,134</b>  | <b>-1,141</b>  |
| Direct Investment Income                               | -1,666        | -1,842        | -1,814         | -1,950         | -968           |
| Other Investment Income                                | -200          | -166          | -167           | -184           | -173           |
| <b>Balance on goods, services &amp; income (1+2+3)</b> | <b>6,177</b>  | <b>6,122</b>  | <b>5,506</b>   | <b>5,571</b>   | <b>71</b>      |
| <b>4. Current Transfers</b>                            | <b>-2,774</b> | <b>-3,109</b> | <b>-3,501</b>  | <b>-3,961</b>  | <b>-4,226</b>  |
| Current Transfers (Credit)                             | -             | -             | -              | -              | -              |
| Current Transfers (Debit)                              | -2,774        | -3,109        | -3,501         | -3,961         | -4,226         |
| Worker Remittances                                     | -2,774        | -3,109        | -3,501         | -3,961         | -4,226         |

**Table 6.11 (cont'd.)**  
**Balance of Payments**  
(Rial Omani Million)

| Items                                         | 2011          | 2012          | 2013          | 2014        | 2015<br>Prel. |
|-----------------------------------------------|---------------|---------------|---------------|-------------|---------------|
| <b>B. Capital and Financial Account (5+6)</b> | <b>-2,452</b> | <b>-2,263</b> | <b>2,437</b>  | <b>-701</b> | <b>4,741</b>  |
| <b>5. Capital Account</b>                     | <b>-56</b>    | <b>-33</b>    | <b>-43</b>    | <b>-50</b>  | <b>209</b>    |
| Grants (Credit)                               | 0             | 0             | 0             | 0           | 209           |
| Grants (Debit)                                | -56           | -33           | -43           | -50         | 0             |
| <b>6. Financial Account (i + ii + iii)</b>    | <b>-2,396</b> | <b>-2,230</b> | <b>2,481</b>  | <b>-651</b> | <b>4,533</b>  |
| <b>(i) Foreign Direct Investment</b>          | <b>156</b>    | <b>184</b>    | <b>261</b>    | <b>57</b>   | <b>-1,148</b> |
| Assets (FDI abroad)                           | -470          | -340          | -359          | -522        | -113          |
| Liabilities (FDI in Oman)                     | 626           | 525           | 620           | 579         | -1,035        |
| <b>(ii) Portfolio Investment</b>              | <b>-306</b>   | <b>125</b>    | <b>136</b>    | <b>-261</b> | <b>251</b>    |
| Assets                                        | -153          | -556          | -356          | -568        | -495          |
| Liabilities                                   | -154          | 681           | 492           | 307         | 745           |
| <b>(iii) Other Investment</b>                 | <b>-2,246</b> | <b>-2,540</b> | <b>2,084</b>  | <b>-447</b> | <b>5,430</b>  |
| <b>(a) Assets</b>                             | <b>-2,677</b> | <b>-2,703</b> | <b>2,494</b>  | <b>-465</b> | <b>2,992</b>  |
| Trade Credit & Other Receivables              | -26           | -92           | -105          | -118        | -33           |
| Currency & Deposits                           | -553          | 69            | -274          | 130         | 145           |
| Other Assets                                  | -2,099        | -2,680        | 2,872         | -477        | 2,880         |
| <b>(b) Liabilities</b>                        | <b>431</b>    | <b>163</b>    | <b>-410</b>   | <b>18</b>   | <b>2,438</b>  |
| Trade Credit & Other Payables                 | 20            | 46            | 17            | 8           | 64            |
| Currency & Deposits                           | 294           | 259           | -249          | 437         | 2,048         |
| Loans                                         | -152          | -199          | -277          | -433        | 282           |
| General Government (net)                      | -39           | -37           | -74           | -60         | 305           |
| Other Sectors                                 | -113          | -162          | -203          | -372        | -23           |
| Other Liabilities                             | 270           | 58            | 99            | 5           | 45            |
| <b>C. Net Errors &amp; Omissions</b>          | <b>-377</b>   | <b>-353</b>   | <b>282</b>    | <b>-480</b> | <b>-351</b>   |
| <b>D. Overall Balance</b>                     | <b>574</b>    | <b>397</b>    | <b>4,725</b>  | <b>429</b>  | <b>235</b>    |
| <b>E. Reserve Assets</b>                      | <b>-574</b>   | <b>-397</b>   | <b>-4,725</b> | <b>-429</b> | <b>-235</b>   |
| Central Bank                                  | -528          | 26            | -605          | -233        | -547          |
| Government Reserves                           | -46           | -423          | -4,120        | -196        | 312           |

Note: Based on improved reporting of information through the annual survey, data in respect of foreign direct investment, other investment, and investment income flows have been revised considerably for past years. Since the coverage of the survey increases every year, with new respondents reporting data for past few years as well, this annual revision process may continue till the survey becomes comprehensive with full coverage.

Source: Central Bank of Oman.







# **Central Bank Accounts and Regulations**





Ernst & Young LLC  
P.O. Box 1750, Ruwi 112  
3-4 th Floor  
Ernst & Young Building  
Al Qurum, Muscat  
Sultanate of Oman

Tel: +968 24 559 559  
Fax: +968 24 566 043  
muscat@om.ey.com  
ey.com/mena  
C.R. No. 1224013  
PR No. HMH/15/2015; HMA/9/2015

## **INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNERS OF CENTRAL BANK OF OMAN**

### **Report on the extracts from the financial statements**

The accompanying extracts from the financial statements, which comprise the statement of financial position as at 31 December 2015 and income statement for the year ended 31 December 2015, are derived from the audited financial statements of the Central Bank of Oman ("the Bank") for the year ended 31 December 2015. We expressed an unmodified opinion on those financial statements in our report dated 27 March 2016. Those financial statements, and the extracts from the financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The extracts from the financial statements do not contain all the disclosures required by accounting policies as set out in note 3 to the audited financial statements and the Banking Law 2000. Reading the extracts from the financial statements, therefore, is not a substitute for reading the audited financial statements of the Bank.

### **Management's responsibility for the extracts from the financial statements**

Management is responsible for the preparation of the extracts from the audited financial statements in accordance with the minimum disclosure requirements of Oman's Banking Law 2000.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these extracts from the financial statements based on our procedures, which were conducted in accordance with International Standards on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements".

### **Opinion**

In our opinion, the accompanying extracts from the financial statements derived from the audited financial statements of the Bank for the year ended 31 December 2015 are consistent, in all material respects, with those financial statements in accordance with the minimum disclosure requirements of Oman's Banking Law 2000.

30 May 2016  
Muscat

**Central Bank of Oman**  
**Statement of Financial Position at 31 December 2015**

|                                                                                 | 2015<br>RO'000   | 2014<br>RO'000   |
|---------------------------------------------------------------------------------|------------------|------------------|
| <b>ASSETS</b>                                                                   |                  |                  |
| Bullion                                                                         | 377              | 423              |
| Reserve holdings abroad                                                         |                  |                  |
| Foreign currency placements                                                     | 1,357,975        | 860,397          |
| Available-for-sale investments                                                  | 5,251,955        | 5,271,567        |
| Other assets                                                                    | 722,404          | 236,078          |
| International Monetary Fund                                                     |                  |                  |
| Reserve tranche                                                                 | 42,051           | 46,841           |
| Currency quota                                                                  | 84,226           | 85,184           |
|                                                                                 | 126,277          | 132,025          |
| Special drawing rights holdings                                                 | 93,417           | 97,651           |
|                                                                                 | 219,694          | 229,676          |
| Premises and equipment                                                          | 36,404           | 40,524           |
| <b>Total assets</b>                                                             | <b>7,588,809</b> | <b>6,638,665</b> |
| <b>LIABILITIES</b>                                                              |                  |                  |
| Currency in circulation                                                         | 1,788,163        | 1,593,710        |
| Deposits and current accounts                                                   | 4,300,538        | 3,545,014        |
| Other liabilities                                                               | 15,828           | 16,345           |
| International Monetary Fund                                                     |                  |                  |
| Non-interest bearing demand notes                                               | 69,500           | 69,500           |
| Other accounts                                                                  | 14,747           | 15,706           |
|                                                                                 | 84,247           | 85,206           |
| Special drawing rights allocation                                               | 95,276           | 99,613           |
|                                                                                 | 179,523          | 184,819          |
| <b>Total liabilities</b>                                                        | <b>6,284,052</b> | <b>5,339,888</b> |
| <b>CAPITAL AND RESERVES</b>                                                     |                  |                  |
| Capital                                                                         | 760,000          | 700,000          |
| General reserve                                                                 | 438,706          | 396,187          |
| Bond price fluctuation reserve                                                  | 47,500           | 47,500           |
| Currency fluctuation reserve                                                    | 29,000           | 29,000           |
| Currency valuation adjustment account                                           | 39,828           | 114,099          |
| Financial assets valuation adjustment account on available-for-sale investments | (10,277)         | 11,991           |
| <b>Total capital and reserve</b>                                                | <b>1,304,757</b> | <b>1,298,777</b> |
| <b>TOTAL LIABILITIES AND CAPITAL AND RESERVES</b>                               | <b>7,588,809</b> | <b>6,638,665</b> |

H.E. Hamood Sangour Al Zadjali  
The Executive President

Bader Khalid Ahmed Al Aghbari  
Manager Banking Operations Department

**Central Bank of Oman  
Income Statement  
For the year ended 31 December 2015**

|                                        | <b>2015<br/>RO'000</b> | <b>2014<br/>RO'000</b> |
|----------------------------------------|------------------------|------------------------|
| Interest income                        | 68,448                 | 58,105                 |
| Interest expense                       | (1,451)                | (2,715)                |
| <b>Net interest income</b>             | <b>66,997</b>          | <b>55,390</b>          |
| Other income                           | 30,576                 | 31,523                 |
| <b>Operating income</b>                | <b>97,573</b>          | <b>86,913</b>          |
| <b>Operating expenses</b>              |                        |                        |
| Staff costs                            | (29,037)               | (30,218)               |
| Currency expenses                      | (2,733)                | (2,032)                |
| Administrative expenses                | (11,696)               | (11,798)               |
| Depreciation on premises and equipment | (4,461)                | (2,315)                |
| <b>Total operating expenses</b>        | <b>(47,927)</b>        | <b>(46,363)</b>        |
| <b>Profit for the year</b>             | <b>49,646</b>          | <b>40,550</b>          |

2 February 2015

**CIRCULAR BM 1130**

**To: All Licensed Banks  
Finance and Leasing Companies  
Money Exchange Companies  
Operating in the Sultanate of Oman**

After Compliments,

**Re: Payment of Interest on Capital Deposits**

1. Further to our Circular BM 1086 dated 2nd January 2012 and in pursuance of Article 61 (g) of the Banking Law, the Central Bank of Oman has reviewed the matter and decided after considering the prevailing interest rates within the Sultanate that the rate of interest payable on Capital Deposits shall stand reduced to 1% per annum from 1.5% per annum hitherto paid. The above revision takes effect from 1st January 2015.
2. All Licensed Banks, Finance and Leasing Companies and Money Exchange Companies are advised to note the above change and also that all other provisions/regulations/instructions in this regard shall continue to be in force.

Best Regards,

**Hamood Sangour Al Zadjali**  
**The Executive President**

22 April 2015

## CIRCULAR BM 1135

**To: All Licensed Banks  
Operating in the Sultanate of Oman**

After Compliments,

**Re: Implementation of Sound Compensation Principles and Standards**

1. Reference is invited to earlier correspondence on the above subject, including circular letter BDD/CBS/CB/2014/8282 dated 21st September 2014 and responses submitted by banks.
 

January 2014 (copy attached).

Banks may seek specific clarifications, if any, needed.
2. In pursuance of the same, Board of Governors of Central Bank of Oman, upon recent review on 23rd March 2015, reiterated that in order to protect the financial soundness of banks, avoid losses likely to arise from aggressive rewards to senior management and streamline the concerned process, it is necessary to strike a balance between risks and rewards and decided the following:
  - i) Banks should set up a Remuneration Committee from their Board Directors in order to study the subject-matter and regulate and control without the Central Bank's intervention.
  - ii) The Committee should implement the applicable Principles and Standards provided by Financial Stability Board.

ii) Banks' Boards should consider implementation through the Remuneration Committee effective from 2015 related payments and have periodical reviews.

iii) Some observations related to banks' submissions so far, are as under:

  - a) While some banks have made considerable improvement towards compliance in relative policy, it has not been total.

Provisions relating to variable component, deferral period, malus, claw back and the like cannot be of token nature. Nor should there be attempt to make revisions of fixed pay and the like to defeat the objective and give rise to other issues for the banks.

b) Some banks' policies are totally devoid of recognition of risk recognition/matrics, one of the basic requisites of improvement.
3. Central Bank of Oman wishes to add the following in this connection:
  - i) Possible approach, by banks, as minimum, had been provided vide circular letter BDD/CBS/CB/2014/412 dated 27th



other risks, social responsibility and the like.

- c) Locally incorporated banks cannot seek shelter under significant foreign ownership/ Group policies – unless there are required comforts there-in. Nor should banks, not posting profits now, postpone formulating policies.

Foreign banks, too, should review their policies/practices as will be required.

- d) Apprehensions that rigid requirements will lead to exit of talents and stoppage of reasonably required risk taking and the like are not well founded. The objective in letter and

spirit is to moderate overall risk taking aggressively, unrealistically and unmindful of healthy, stable, sustainable and long term interests and is not to provide scope for punitive actions where it is not warranted. It is not the intention to ignore the catalytic role banks play in the society/economy and place restriction where management had acted in good faith and accordance with expected risk management and compliance culture

specifics of concerned bank.

Initiatives like this on prudent norms and best practices will not be successful unless there is appreciation of broad vision pertinent to critical deposit-taking banking industry and long term financial stability involved. Banks should not compete unfairly based upon diluted terms.

- 4. It should be noted that it is the legitimate right and responsibility of licensed banks to implement the relevant recommendations of Financial Stability Board – as sought by the Central Bank under Article 14u of Banking Law. To the extent larger disclosures in Annual Reports and the like are made, they lead to effective market discipline.
- 5. Central Bank Oman shall have reviews through examinations and other exchanges and shall decide to interfere specifically in case of need.

Best Regards,

**Hamood Sangour Al Zadjali**

**The Executive President**

17 November 2015

### CIRCULAR FM 33

**To: All Licensed Banks  
Operating in the Sultanate of Oman**

After Compliments,

**Re: Additional Activities**

1. Central Bank of Oman is pleased to advise that the Board of Governors on representations of licensed Finance and Leasing Companies (FLCs) regarding challenges and solutions to develop the leasing and finance industry and in order to provide additional avenues for more and diversified source of business, decided to authorize FLCs to engage in additional activities as under:
  - iv) FLCs shall note to seek Central Bank's prior approval to engage in the above activity submitting all the relevant particulars including details of arrangements with banks, available controls, approved criteria for credit limits, if FLCs are taking credit risk etc.,
2. FLCs may issue White Labelled Credit Cards carrying their names to their customers to accommodate their requirements in collaboration with local banks subject to the following:
  - i) While issuing banks will take responsibility for administrative, settlement and other related jobs, FLCs' role will be limited to branding and marketing.

There should be duly considered agreement executed - with mutual roles and responsibilities spelt out clearly.

  - ii) FLCs should exercise necessary diligence and restraint in promotion of credit cards noting that such facility is being offered as payment convenience and short term accommodation.
  - iii) Credit card exposure to individuals of FLCs, if any, shall be within the ceiling
3. To enable to meet their customers' business requirement and to enhance their fee based income sources, FLCs are permitted to issues Guarantees to their customers subject to capturing 50% for risk weightage for leveraging limitations and reporting accordingly.
4. While FLCs are not permitted to lend against shares, they may accept shares of companies listed in Muscat Securities Market as collateral for loans and credit facilities extended by them. FLCs are required to be diligent ensuring that all applicable requirements/norms are observed; among others, it should be ensured that the shares offered as security have reasonable liquidity and that necessary pledge has been created against the same.

It is reiterated that this approval is not granted for providing facility for financing of shares and should be used only as a risk mitigant for authorised and

independently assessed facilities.

5. FLCs should have well documented policies and procedures in detail with appropriate approvals to engage in all the above activities. Necessary prerequisites like enabling amendments to Articles/Memorandum of Association and Board approvals, as necessary, will be in place.
6. Suitable changes shall be made in periodical reports and disclosures so as to capture business done here-under now and to reflect compliance.
7. The Central Bank looks forward that these moves will help FLCs to widen their activities

and their contribution to the productive sector in particular.

8. FLCs are advised to be guided by the above and revert to us in case of clarifications required.

Best Regards,

**Hamood Sangour Al Zadjali**

**The Executive President**

12 January 2016

**MASTER CIRCULAR BM 1141**

**To: All Licensed Banks  
Operating in the Sultanate of Oman**

After Compliments,

**Subject:** Small and Medium Enterprises (SMEs)

- Reference is invited to Circular BM 1108 dated 6th May 2013.
- Banks shall, henceforth, be guided by the following criteria as regards definition of SME, provided by the Public Authority for Small and Medium Enterprises Development – vide its Decision 1/2016 dated 4th January 2016.
- All licensed banks shall be guided accordingly, availing the revision and enhancing their financial and non-financial assistance to the SME segment – noting that 5% fund-based credit target remains in force and further decision, on review, will be conveyed separately.
- While future periodical returns, too, will be submitted accordingly, all licensed banks (including Islamic Banking Entities) are advised to provide status, based on the above criteria, as on 31st December 2015 to reach Senior Manager, Banking Development Department not later than 4th February 2016 - besides submitting returns as on 31st December 2015 as already stipulated.

| Category           | Number of Employees* | Annual Turnover*                                 |
|--------------------|----------------------|--------------------------------------------------|
| Micro Enterprises  | 1 - 5                | Less than RO 100,000/-                           |
| Small Enterprises  | 6 - 25               | Between RO 100,000 /- and less than RO 500,000/- |
| Medium Enterprises | 26 – 99              | Between RO 500,000/- and less than 3 million     |

\* If an enterprise does not meet one of the criteria, it will fall into the higher category or go out of SME segment, as the case may be.

Best Regards,

**Hamood Sangour Al Zadjali**  
**The Executive President**

30 March 2016

## **CIRCULAR BM 1143**

**To: All Licensed Banks  
Operating in the Sultanate of Oman**

After Compliments,

**Re: Reserve Against Deposits**

1. Attention of licensed banks is invited to Circular BM 1050 dated of 23rd December 2008.

2. In modification thereof and with a view to provide greater flexibility for banks in liquidity management, credit deployment and investments, Central Bank of Oman has decided to allow treating investments in unencumbered Treasury Bills, Government Development Bonds and Oman Government Sukuk as part of eligible reserves up to maximum of 2% of deposits.

Reserve Requirement remains unchanged at 5%.

3. The above will be effective from the computation period commencing with 1st April 2016.

4. All other extant instructions remain in force. Local inter-bank deposits alone shall be excluded and reserve shall be maintained on all other deposit- liabilities, both in Omani Rial and foreign currencies - including Certificates of Deposits and commercial prepayments (margins).

Reserve requirement returns are to be submitted on or before the fifth business day following the end of the computation period and deficiencies will attract penalties in terms of instructions issued under Article 14g of Banking Law.

5. Licensed banks shall comply accordingly, submitting reserve requirement returns as per attachments.

Best Regards,

**Hamood Sangour Al Zadjali**

**The Executive President**



## **Statistical Appendix**



## LIST OF APPENDIX TABLES

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**Table 1**  
**Domestic and National Savings**  
(Rial Omani Million)

| Items                                              | 2009           | 2010            | 2011            | 2012            | 2013*           | 2014**         |
|----------------------------------------------------|----------------|-----------------|-----------------|-----------------|-----------------|----------------|
| 1- GDP at Market Prices                            | 18,605.3       | 22,547.6        | 26,122.0        | 29,353.3        | 30,061.3        | 31,450.8       |
| 2- Total Final Consumption                         | 10,382.5       | 11,305.2        | 12,099.0        | 14,208.1        | 15,585.0        | 17,548.5       |
| <b>3- Domestic Savings (1-2)</b>                   | <b>8,222.9</b> | <b>11,242.4</b> | <b>14,023.0</b> | <b>15,145.2</b> | <b>14,476.3</b> | <b>13902.3</b> |
| 4- Net Factor Income (transfer)                    | -3,231.1       | -3,637.1        | -2,842.6        | -3,187.4        | -3,571.0        | -4,040.2       |
| <b>5- National Savings (3-4)</b>                   | <b>4,991.8</b> | <b>7,605.3</b>  | <b>9,589.4</b>  | <b>10,187.8</b> | <b>9,691.3</b>  | <b>8,396.0</b> |
| <b>6- Percent Of Domestic Savings to GDP (3/1)</b> | <b>44.2</b>    | <b>49.9</b>     | <b>53.7</b>     | <b>51.6</b>     | <b>48.2</b>     | <b>44.2</b>    |
| <b>7- Percent of National Savings to GDP (5/1)</b> | <b>26.8</b>    | <b>33.7</b>     | <b>36.7</b>     | <b>34.7</b>     | <b>32.2</b>     | <b>26.7</b>    |

\* Provisional    \*\* Preliminary  
Source : National Center for Statistics and Information

**Table 2**  
**Expenditure on Gross Domestic Product at Current Market Prices**  
(Rial Omani Million)

| Items                                         | 2009            | 2010            | 2011            | 2012            | 2013*           | 2014**         |
|-----------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|
| <b>1. Final Consumption Expenditure</b>       | <b>10,382.5</b> | <b>11,305.2</b> | <b>12,099.0</b> | <b>14,208.1</b> | <b>15,585.0</b> | <b>17548.5</b> |
| Households                                    | 6,760.8         | 7,200.3         | 7,363.5         | 8,410.1         | 9,090.5         | 9661.6         |
| Government                                    | 3,601.1         | 4,092.0         | 4,713.5         | 5,762.1         | 6,464.8         | 7853.6         |
| Non Profit Institutions                       | 20.6            | 12.9            | 22.0            | 35.9            | 29.7            | 33.3           |
| <b>2. Gross Capital Formation #</b>           | <b>6,196.7</b>  | <b>6,091.6</b>  | <b>6,330.8</b>  | <b>8,024.9</b>  | <b>8,554.6</b>  | <b>8801.5</b>  |
| Building and Construction                     | 3,148.1         | 3,341.7         | 3,680.0         | 4,449.9         | 4,832.6         | 5233.7         |
| Machinery and Equipment                       | 2,390.7         | 2,083.2         | 1,888.6         | 2,641.5         | 2,660.6         | 2437.9         |
| Intangible Fixed Assets                       | 657.9           | 666.6           | 762.1           | 933.5           | 1,061.5         | 1129.9         |
| <b>Change in Inventories</b>                  | <b>-948.6</b>   | <b>-360.4</b>   | <b>-112.5</b>   | <b>-735.2</b>   | <b>-811.0</b>   | <b>-1886.2</b> |
| <b>3. Net Exports of Goods &amp; Services</b> | <b>9,420.9</b>  | <b>12,881.5</b> | <b>7,804.7</b>  | <b>7,855.5</b>  | <b>6,732.7</b>  | <b>6987.0</b>  |
| <b>GDP at Market Prices</b>                   | <b>18,605.3</b> | <b>22,547.6</b> | <b>26,122.0</b> | <b>29,353.3</b> | <b>30061.3</b>  | <b>31450.8</b> |

\* Provisional \*\* Preliminary

# It does not include change in inventories.

Source: National Center for Statistics and Information

**Table 3**  
**Structure of Interest Rates on Conventional Banks Deposits**  
**December 2015**  
(Rial Omani Thousands)

| Rates of Interest<br>(Per Annum)             | Total Rial Omani Deposits |            |                   | Total Foreign Currency Deposits |               |              | Total Deposits   |            |                   |
|----------------------------------------------|---------------------------|------------|-------------------|---------------------------------|---------------|--------------|------------------|------------|-------------------|
|                                              | No of<br>A/Cs             | %          | Amount            | No of<br>A/Cs                   | %             | Amount       | No of<br>A/Cs    | %          | Amount            |
| Nil Interest                                 | 3,195,863                 | 91.8       | 6,800,320         | 43.4                            | 17,858        | 76.9         | 3,213,721        | 91.7       | 7,449,207         |
| Over 0% To 2%                                | 272,538                   | 7.8        | 5,867,522         | 37.5                            | 5,265         | 22.7         | 277,803          | 7.9        | 7,213,872         |
| Over 2% To 3%                                | 2,572                     | 0.1        | 1,881,286         | 12.0                            | 56            | 0.2          | 2,628            | 0.1        | 2,041,262         |
| Over 3% To 4%                                | 1,381                     | 0.0        | 939,048           | 6.0                             | 34            | 0.1          | 1,415            | 0.0        | 986,877           |
| Over 4% To 5%                                | 8,437                     | 0.2        | 130,189           | 0.8                             | 20            | 0.1          | 8,457            | 0.2        | 145,552           |
| Over 5% To 6%                                | 36                        | 0.0        | 26,826            | 0.2                             | 1             | 0.0          | 37               | 0.0        | 26,928            |
| Over 6% To 7%                                | 7                         | 0.0        | 9,259             | 0.1                             | 0             | 0.0          | 7                | 0.0        | 9,259             |
| Over 7% To 8%                                | 2                         | 0.0        | 8                 | 0.0                             | 0             | 0.0          | 2                | 0.0        | 8                 |
| Over 8% To 9%                                | 0                         | 0.0        | 0                 | 0.0                             | 0             | 0.0          | 0                | 0.0        | 0                 |
| Over 9% To 10%                               | 0                         | 0.0        | 0                 | 0.0                             | 0             | 0.0          | 0                | 0.0        | 0                 |
| Over 10% To 11%                              | 0                         | 0.0        | 0                 | 0.0                             | 0             | 0.0          | 0                | 0.0        | 0                 |
| Over 11% To 12%                              | 0                         | 0.0        | 0                 | 0.0                             | 0             | 0.0          | 0                | 0.0        | 0                 |
| Over 12%                                     | 0                         | 0.0        | 0                 | 0.0                             | 0             | 0.0          | 0                | 0.0        | 0                 |
| <b>Total</b>                                 | <b>3,480,836</b>          | <b>100</b> | <b>15,654,458</b> | <b>100</b>                      | <b>23,234</b> | <b>100</b>   | <b>3,504,070</b> | <b>100</b> | <b>17,872,965</b> |
| <b>Weighted Average Rate of Interest (%)</b> |                           |            | <b>0.936</b>      |                                 |               | <b>0.894</b> |                  |            | <b>0.931</b>      |

Source: Central Bank of Oman.

**Table 4**  
**Structure of Private Sector Time Deposits by Rate of Interest and Maturity**  
**December 2015**  
(Rial Omani Thousands)

| Rates of Interest<br>(Per Annum)             | 7 Days to Less than 6 Months |                     |                | 6 Months to Less than 1 Year |                     |                | 1 Year and Above |                     |                  | Total            |                     |
|----------------------------------------------|------------------------------|---------------------|----------------|------------------------------|---------------------|----------------|------------------|---------------------|------------------|------------------|---------------------|
|                                              | Rial<br>Omani                | Foreign<br>Currency | Total          | Rial<br>Omani                | Foreign<br>Currency | Total          | Rial<br>Omani    | Foreign<br>Currency | Total            | Rial<br>Omani    | Foreign<br>Currency |
| NIL INTEREST                                 | 3,918                        | 29                  | 3,947          | 271                          | 281                 | 552            | 5,770            | 279                 | 6,049            | 9,959            | 589                 |
| OVER 0% TO 2%                                | 175,790                      | 80,344              | 256,134        | 350,159                      | 67,788              | 417,947        | 1,329,081        | 199,383             | 1,528,464        | 1,855,030        | 347,515             |
| OVER 2% TO 3%                                | 19,572                       | 51                  | 19,623         | 47,381                       | 0                   | 47,381         | 769,609          | 35,889              | 805,498          | 836,562          | 35,940              |
| OVER 3% TO 4%                                | 37,963                       | 5,334               | 43,297         | 415                          | 12                  | 427            | 254,342          | 16,107              | 270,449          | 292,720          | 21,453              |
| OVER 4% TO 5%                                | 939                          | 0                   | 939            | 0                            | 0                   | 0              | 108,085          | 15,343              | 123,428          | 109,024          | 15,343              |
| OVER 5% TO 6%                                | 0                            | 0                   | 0              | 0                            | 0                   | 0              | 24,888           | 0                   | 24,888           | 24,888           | 0                   |
| OVER 6% TO 7%                                | 0                            | 0                   | 0              | 0                            | 0                   | 0              | 9,259            | 0                   | 9,259            | 9,259            | 0                   |
| OVER 7% TO 8%                                | 0                            | 0                   | 0              | 0                            | 0                   | 0              | 8                | 0                   | 8                | 8                | 0                   |
| OVER 8% TO 9%                                | 0                            | 0                   | 0              | 0                            | 0                   | 0              | 0                | 0                   | 0                | 0                | 0                   |
| OVER 9% TO 10%                               | 0                            | 0                   | 0              | 0                            | 0                   | 0              | 0                | 0                   | 0                | 0                | 0                   |
| OVER 10% TO 11%                              | 0                            | 0                   | 0              | 0                            | 0                   | 0              | 0                | 0                   | 0                | 0                | 0                   |
| OVER 11% TO 12%                              | 0                            | 0                   | 0              | 0                            | 0                   | 0              | 0                | 0                   | 0                | 0                | 0                   |
| OVER 12%                                     | 0                            | 0                   | 0              | 0                            | 0                   | 0              | 0                | 0                   | 0                | 0                | 0                   |
| <b>Total</b>                                 | <b>238,182</b>               | <b>85,758</b>       | <b>323,940</b> | <b>398,226</b>               | <b>68,081</b>       | <b>466,307</b> | <b>2,501,042</b> | <b>267,001</b>      | <b>2,768,043</b> | <b>3,137,450</b> | <b>420,840</b>      |
| <b>Weighted Average Rate of Interest (%)</b> | <b>1.519</b>                 | <b>1.156</b>        | <b>1.423</b>   | <b>1.180</b>                 | <b>0.996</b>        | <b>1.154</b>   | <b>1.930</b>     | <b>1.553</b>        | <b>1.894</b>     | <b>1.804</b>     | <b>1.382</b>        |

Source: Central Bank of Oman.

**Table 5**  
**Structure of Interest Rates on Conventional Banks Credit**  
**December 2015**  
(Rial Omani Thousands)

| Rates of Interest<br>(Per Annum)      | Total R.O. Lending |      |            | Total Foreign Currency Lending |            |        | Total Lending (R.O. + Fcy.) |            |           |      |            |      |
|---------------------------------------|--------------------|------|------------|--------------------------------|------------|--------|-----------------------------|------------|-----------|------|------------|------|
|                                       | No of A/Cs         | %    | Amount     | %                              | No of A/Cs | Amount | %                           | No of A/Cs | Amount    | %    |            |      |
|                                       |                    |      |            |                                |            |        |                             |            |           |      |            |      |
| NIL INTEREST                          | 6,668              | 0.7  | 58,404     | 0.4                            | 230        | 4.5    | 35,336                      | 1.4        | 6,898     | 0.7  | 93,740     | 0.5  |
| OVER 0% TO 2%                         | 1,491              | 0.1  | 1,255,490  | 7.9                            | 378        | 7.3    | 752,395                     | 30.7       | 1,869     | 0.2  | 2,007,885  | 11.0 |
| OVER 2% TO 4%                         | 28,001             | 2.8  | 4,026,476  | 25.4                           | 1,971      | 38.2   | 1,339,234                   | 54.6       | 29,972    | 2.9  | 5,365,710  | 29.3 |
| OVER 4% TO 5%                         | 96,609             | 9.5  | 3,698,806  | 23.3                           | 912        | 17.7   | 275,244                     | 11.2       | 97,521    | 9.5  | 3,974,050  | 21.7 |
| OVER 5% TO 7%                         | 348,827            | 34.3 | 4,942,357  | 31.2                           | 98         | 1.9    | 37,191                      | 1.5        | 348,925   | 34.1 | 4,979,548  | 27.2 |
| OVER 7% TO 8%                         | 146,835            | 14.4 | 1,326,408  | 8.4                            | 623        | 12.1   | 5,845                       | 0.2        | 147,458   | 14.4 | 1,332,253  | 7.3  |
| OVER 8% TO 9%                         | 20,314             | 2.0  | 263,166    | 1.7                            | 26         | 0.5    | 3,500                       | 0.1        | 20,340    | 2.0  | 266,666    | 1.5  |
| OVER 9% TO 10%                        | 1,885              | 0.2  | 52,949     | 0.3                            | 0          | 0.0    | 0                           | 0.0        | 1,885     | 0.2  | 52,949     | 0.3  |
| OVER 10% TO 11%                       | 12,826             | 1.3  | 84,083     | 0.5                            | 24         | 0.5    | 203                         | 0.0        | 12,850    | 1.3  | 84,286     | 0.5  |
| OVER 11% TO 12%                       | 2,615              | 0.3  | 52,945     | 0.3                            | 1          | 0.0    | 3,786                       | 0.2        | 2,616     | 0.3  | 56,731     | 0.3  |
| OVER 12% TO 13%                       | 1,005              | 0.1  | 8,246      | 0.1                            | 9          | 0.2    | 167                         | 0.0        | 1,014     | 0.1  | 8,413      | 0.0  |
| OVER 13% TO 14%                       | 844                | 0.1  | 1,932      | 0.0                            | 0          | 0.0    | 0                           | 0.0        | 844       | 0.1  | 1,932      | 0.0  |
| OVER 14% TO 15%                       | 3,733              | 0.4  | 4,155      | 0.0                            | 831        | 16.1   | 40                          | 0.0        | 4,564     | 0.4  | 4,195      | 0.0  |
| OVER 15% TO 16%                       | 1,358              | 0.1  | 93         | 0.0                            | 7          | 0.1    | 6                           | 0.0        | 1,365     | 0.1  | 99         | 0.0  |
| OVER 16% TO 17%                       | 0                  | 0.0  | 0          | 0.0                            | 0          | 0.0    | 0                           | 0.0        | 0         | 0.0  | 0          | 0.0  |
| OVER 17% TO 18%                       | 337,546            | 33.2 | 84,625     | 0.5                            | 55         | 1.1    | 219                         | 0.0        | 337,601   | 33.0 | 84,844     | 0.5  |
| OVER 18% TO 20%                       | 7,359              | 0.7  | 2,363      | 0.0                            | 0          | 0.0    | 0                           | 0.0        | 7,359     | 0.7  | 2,363      | 0.0  |
| OVER 20%                              | 0                  | 0.0  | 0          | 0.0                            | 0          | 0.0    | 0                           | 0.0        | 0         | 0.0  | 0          | 0.0  |
| Total                                 | 1,017,916          | 100  | 15,862,498 | 100                            | 5,165      | 100    | 2,453,166                   | 100        | 1,023,081 | 100  | 18,315,664 | 100  |
| Weighted Average Rate of Interest (%) | 4.762              |      |            | 2.592                          |            |        | 4.471                       |            |           |      |            |      |
| Source: Central Bank of Oman.         |                    |      |            |                                |            |        |                             |            |           |      |            |      |

Source: Central Bank of Oman.

**Table 6**  
**Structure of Private Sector Credit by Rate of Interest and Maturity**  
**December 2015**  
(Rial Omani Thousands)

| Rates of Interest<br><br>(Per Annum)     |         | Overdraft     |                     | Credit Cards |               |                     | Other Loans and Advances |               |                     |                  |               |                     | Total      |               |
|------------------------------------------|---------|---------------|---------------------|--------------|---------------|---------------------|--------------------------|---------------|---------------------|------------------|---------------|---------------------|------------|---------------|
|                                          |         |               |                     |              |               |                     | Less than 1 Year         |               |                     | 1 Year and above |               |                     |            |               |
|                                          |         | Rial<br>Omani | Foreign<br>Currency | Total        | Rial<br>Omani | Foreign<br>Currency | Total                    | Rial<br>Omani | Foreign<br>Currency | Total            | Rial<br>Omani | Foreign<br>Currency | Total      | Rial<br>Omani |
| NIL INTEREST                             | 30,734  | 2,452         | 33,186              | 0            | 0             | 0                   | 13,384                   | 32,864        | 46,248              | 14,286           | 20            | 14,306              | 58,404     | 35,336        |
| OVER 0% TO 2%                            | 25,337  | 168           | 25,505              | 0            | 0             | 0                   | 457,993                  | 195,501       | 653,494             | 91,355           | 237,415       | 328,770             | 574,685    | 433,084       |
| OVER 2% TO 4%                            | 152,560 | 2,086         | 154,646             | 935          | 0             | 935                 | 1,377,990                | 186,202       | 1,564,192           | 1,992,622        | 757,365       | 2,749,987           | 3,524,107  | 945,653       |
| OVER 4% TO 5%                            | 116,361 | 6,109         | 122,470             | 690          | 0             | 690                 | 288,756                  | 13,884        | 302,640             | 3,285,388        | 255,250       | 3,540,638           | 3,691,195  | 275,243       |
| OVER 5% TO 7%                            | 208,239 | 8,400         | 216,639             | 1,407        | 0             | 1,407               | 418,995                  | 3,385         | 422,380             | 4,312,134        | 25,406        | 4,337,540           | 4,940,775  | 37,191        |
| OVER 7% TO 8%                            | 87,933  | 709           | 88,642              | 0            | 0             | 0                   | 69,470                   | 5,011         | 74,481              | 1,169,005        | 125           | 1,169,130           | 1,326,408  | 5,845         |
| OVER 8% TO 9%                            | 20,463  | 34            | 20,497              | 0            | 0             | 0                   | 76,945                   | 3,439         | 80,384              | 165,758          | 27            | 165,785             | 263,166    | 3,500         |
| OVER 9% TO 10%                           | 21,070  | 0             | 21,070              | 0            | 0             | 0                   | 5,697                    | 0             | 5,697               | 26,182           | 0             | 26,182              | 52,949     | 0             |
| OVER 10% TO 11%                          | 56,040  | 203           | 56,243              | 0            | 0             | 0                   | 11,061                   | 0             | 11,061              | 6,847            | 0             | 6,847               | 73,948     | 203           |
| OVER 11% TO 12%                          | 48,859  | 3,786         | 52,645              | 341          | 0             | 341                 | 239                      | 0             | 239                 | 3,006            | 0             | 3,006               | 52,445     | 3,786         |
| OVER 12% TO 13%                          | 3,132   | 167           | 3,299               | 443          | 0             | 443                 | 1,270                    | 0             | 1,270               | 3,401            | 0             | 3,401               | 8,246      | 167           |
| OVER 13% TO 14%                          | 476     | 0             | 476                 | 425          | 0             | 425                 | 146                      | 0             | 146                 | 885              | 0             | 885                 | 1,932      | 0             |
| OVER 14% TO 15%                          | 4,088   | 40            | 4,128               | 67           | 0             | 67                  | 0                        | 0             | 0                   | 0                | 0             | 0                   | 4,155      | 40            |
| OVER 15% TO 16%                          | 93      | 6             | 99                  | 0            | 0             | 0                   | 0                        | 0             | 0                   | 0                | 0             | 0                   | 93         | 6             |
| OVER 16% TO 17%                          | 0       | 0             | 0                   | 0            | 0             | 0                   | 0                        | 0             | 0                   | 0                | 0             | 0                   | 0          | 0             |
| OVER 17% TO 18%                          | 0       | 0             | 0                   | 83,842       | 219           | 84,061              | 783                      | 0             | 783                 | 0                | 0             | 0                   | 84,625     | 219           |
| OVER 18% TO 20%                          | 0       | 0             | 0                   | 1,113        | 0             | 1,113               | 1,250                    | 0             | 1,250               | 0                | 0             | 0                   | 2,363      | 0             |
| OVER 20%                                 | 0       | 0             | 0                   | 0            | 0             | 0                   | 0                        | 0             | 0                   | 0                | 0             | 0                   | 0          | 0             |
| Total                                    | 775,385 | 24,160        | 799,545             | 89,263       | 219           | 89,482              | 2,723,979                | 440,286       | 3,164,265           | 11,070,869       | 1,275,608     | 12,346,477          | 14,659,496 | 1,740,273     |
| Weighted Average<br>Rate of Interest (%) | 5.863   | 5.727         | 5.859               | 17.016       | 17.500        | 17.017              | 3.601                    | 2.053         | 3.385               | 5.177            | 2.988         | 4.951               | 4.992      | 2.791         |
| Source: Central Bank of Oman.            |         |               |                     |              |               |                     |                          |               |                     |                  |               |                     |            |               |

Source: Central Bank of Oman.

**Table 7**  
**Licensed Banks in the Sultanate of Oman**  
 (As at 31 December 2015)

| Name of the Banks             | Date Of Establishment | Authorised Offices | Operating Offices |
|-------------------------------|-----------------------|--------------------|-------------------|
| <b>Local Banks</b>            |                       |                    |                   |
| 1. National Bank of Oman      | 1973                  | 62                 | 62                |
| 2. Oman Arab Bank             | 1973                  | 59                 | 59                |
| 3. HSBC Bank Oman             | 1975                  | 71                 | 71                |
| 4. Bank Muscat                | 1981                  | 133                | 133               |
| 5. Bank Dhofar                | 1990                  | 63                 | 63                |
| 6. Bank Sohar                 | 2007                  | 27                 | 26                |
| 7. Al Ahli Bank               | 1997                  | 13                 | 13                |
| <b>Foreign Banks</b>          |                       |                    |                   |
| 1. Standard Chartered Bank    | 1968                  | 3                  | 3                 |
| 2. Habib Bank Ltd.            | 1972                  | 7                  | 7                 |
| 3. Bank Melli Iran            | 1974                  | 1                  | 1                 |
| 4. National Bank of Abu Dhabi | 1976                  | 9                  | 9                 |
| 5. Bank Saderat Iran          | 1976                  | 2                  | 2                 |
| 6. Bank of Baroda             | 1976                  | 4                  | 4                 |
| 7. State Bank of India        | 2004                  | 1                  | 1                 |
| 8. Bank of Beirut             | 2006                  | 5                  | 5                 |
| 9. Qatar National Bank        | 2007                  | 6                  | 6                 |
| <b>Specialised Banks</b>      |                       |                    |                   |
| 1. Oman Housing Bank          | 1977                  | 9                  | 9                 |
| 2. Oman Development Bank      | 1977                  | 14                 | 14                |
| <b>Islamic Banks</b>          |                       |                    |                   |
| 1. Bank Nizwa                 | 2012                  | 11                 | 11                |
| 2. Al Izz Islamic Bank        | 2013                  | 8                  | 6                 |
| 3. BM-Meethaq                 | 2013                  | 16                 | 16                |
| 4. NBO - Muzn                 | 2013                  | 6                  | 6                 |
| 5. BD - Misara                | 2013                  | 10                 | 5                 |
| 6. OAB - Al yusr              | 2013                  | 5                  | 5                 |
| 7. AHB - Al hilal             | 2013                  | 7                  | 7                 |
| 8. BS - Sohar Islamic         | 2013                  | 5                  | 4                 |
| <b>Total</b>                  |                       | <b>557</b>         | <b>548</b>        |

Source: Central Bank of Oman.



**Table 8**  
**Balance Sheet of Oman Housing Bank SAOC**  
(Rial Omani Thousands)

|                                                       | December 2015  | December 2014  |
|-------------------------------------------------------|----------------|----------------|
| <b>Assets</b>                                         |                |                |
| Cash and Bank balances                                | 5,170          | 8,268          |
| Mortgage loan accounts                                | 373,569        | 334,595        |
| Due from Government                                   | 21,350         | -              |
| Property and equipment                                | 2,993          | 2,505          |
| Other assets                                          | 1,801          | 2,155          |
| <b>Total assets</b>                                   | <b>404,883</b> | <b>347,523</b> |
| <b>Liabilities and Equity</b>                         |                |                |
| <b>Liabilities</b>                                    |                |                |
| Due to Banks                                          | 32,639         | 30,499         |
| Customers' deposits                                   | 16,541         | 46,661         |
| Loans from the Government                             | 103,830        | 103,830        |
| Loan from Arab Fund for Economic & Social Development | 12,978         | 6,639          |
| Other liabilities                                     | 9,581          | 9,513          |
| <b>Total Liabilities</b>                              | <b>175,569</b> | <b>197,142</b> |
| <b>Equity</b>                                         |                |                |
| Share capital                                         | 100,000        | 30,000         |
| Legal reserve                                         | 18,631         | 17,498         |
| Special reserve                                       | 53,159         | 51,119         |
| Revaluation reserve                                   | 1,157          | 1,157          |
| Retained earnings                                     | 56,367         | 50,607         |
| <b>Total equity</b>                                   | <b>229,314</b> | <b>150,381</b> |
| <b>Total liabilities and equity</b>                   | <b>404,883</b> | <b>347,523</b> |
| <b>Mortgage Loan Commitments</b>                      | <b>44,278</b>  | <b>30,139</b>  |
| <i>Source: Oman Housing Bank SAOC.</i>                |                |                |

**Table 9**  
**Balance Sheet of Oman Development Bank SAOC**  
(Rial Omani Thousands)

|                                                   | December 2015  | December 2014  |
|---------------------------------------------------|----------------|----------------|
| <b>Assets</b>                                     |                |                |
| Cash and balances with Central Bank of Oman       | 745            | 381            |
| Balances due from other banks                     | 24,804         | 22,869         |
| Loans and advances to costumers                   | 110,148        | 108,887        |
| Investments                                       | 27,964         | 28,866         |
| Staff housing loans                               | 1,568          | 1,479          |
| Receivable from Government                        | 4,227          | 500            |
| Property and equipment                            | 1,435          | 1,571          |
| Prepayments and other receivables                 | 687            | 348            |
| <b>Total assets</b>                               | <b>171,579</b> | <b>164,901</b> |
| <b>Liabilities and Shareholders' Equity</b>       |                |                |
| <b>Liabilities</b>                                |                |                |
| Customer Deposits(Izdihar)                        | 622            | 2,004          |
| Payable to Government                             | 1,576          | 2,074          |
| Payable and accruals                              | 7,623          | 3,410          |
| <b>Total Liabilities</b>                          | <b>9,821</b>   | <b>7,489</b>   |
| <b>Shareholders' Equity</b>                       |                |                |
| Share capital                                     | 100,000        | 100,000        |
| Legal reserve                                     | 6,581          | 6,161          |
| Special reserve                                   | 5,541          | 5,541          |
| Investment revaluation reserve                    | 819            | 673            |
| Retained earnings                                 | 48,818         | 45,037         |
| <b>Total shareholdres' Equity</b>                 | <b>161,758</b> | <b>157,412</b> |
| <b>Total liabilities and shareholders' Equity</b> | <b>171,579</b> | <b>164,901</b> |
| <b>Net assets value per share</b>                 | <b>1.618</b>   | <b>1.574</b>   |

Source: Oman Development Bank.

**Table 10**  
**Combined Balance Sheet of Exchange Houses Licensed to Issue Drafts**  
**As at December 31, 2015**  
(Rial Omani Thousands)

|                                                         | Rial Omani    | Foreign Currency | Total         |
|---------------------------------------------------------|---------------|------------------|---------------|
| <b>Assets</b>                                           |               |                  |               |
| 1- Cash & Precious Metals on Hand                       | 9,000         | 12,230           | 21,230        |
| 2- Capital Deposits with CBO                            | 1,780         | 0                | 1,780         |
| 3- Balance due from Banks,<br>Branches & Money Changers | 9,975         | 31,561           | 41,536        |
| 4- Investments                                          | 748           | 0                | 748           |
| 5- Fixed Assets                                         | 6,391         | 0                | 6,391         |
| 6- Other Assets                                         | 3,264         | 0                | 3,264         |
| <b>Total Assets</b>                                     | <b>31,158</b> | <b>43,791</b>    | <b>74,949</b> |
| 1- Capital, Reserves & Retained Earnings                | 53,374        | 0                | 53,374        |
| 2- Borrowing from Banks                                 | 0             | 0                | 0             |
| 3- Balances due to Banks, Branches & Money Changers     | 10,216        | 5,945            | 16,161        |
| 4- Drafts & Cheques Issued & Outstanding                | 0             | 0                | 0             |
| 5- Other Liabilities                                    | 5,414         | 0                | 5,414         |
| <b>Total Liabilities</b>                                | <b>69,004</b> | <b>5,945</b>     | <b>74,949</b> |

Source: Central Bank of Oman.

