

Oman

Oman at a glance: 2009-10

OVERVIEW

Real political power will continue to be exercised by the sultan, Qaboos bin Said al-Said, who retains the loyalty of an effective security apparatus and faces little internal dissent to his rule, thereby ensuring political stability. As he has ruled for almost four decades, however, questions over who will succeed the sultan will inevitably emerge. None of the three leading candidates likely to fill the post has yet been properly tested with executive power. Progress with the economic diversification programme should support growth in 2009-10, but the challenge of finding jobs for the predominantly young Omani population will continue to cause long-term concern. Diversification will become increasingly central to the government's development strategy, particularly given the difficulties that Oman's hydrocarbons sector has faced. Slow oil production growth and concerns over a looming gas shortage will force the government to find alternative sources of future revenue. The official fiscal balance will fall into a deficit in 2009, before returning to a small surplus in 2010, owing to fluctuations in international oil prices. The Economist Intelligence Unit forecasts that real GDP growth will remain robust, but will slow to 4.9% in 2009, before rising to 5.2% in 2010. Inflation will fall, averaging 6.3% over the outlook period, and the Omani riyal will remain pegged to the dollar at a rate of OR0.385:US\$1.

Key changes from last month

Political outlook

- We have made no changes to Oman's political outlook.

Economic policy outlook

- The forecast collapse in international oil prices in 2009 will push Oman's budget balance into a deficit of over 4% of GDP. However, a modest surplus of 0.5% of GDP is expected in 2010, as oil prices begin to recover.

Economic forecast

- The current-account position will deteriorate as a result of falling oil prices. We forecast a deficit of 12.4% of GDP in 2009, the first since 1999, and a surplus of 1.3% of GDP in 2010.

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Oman

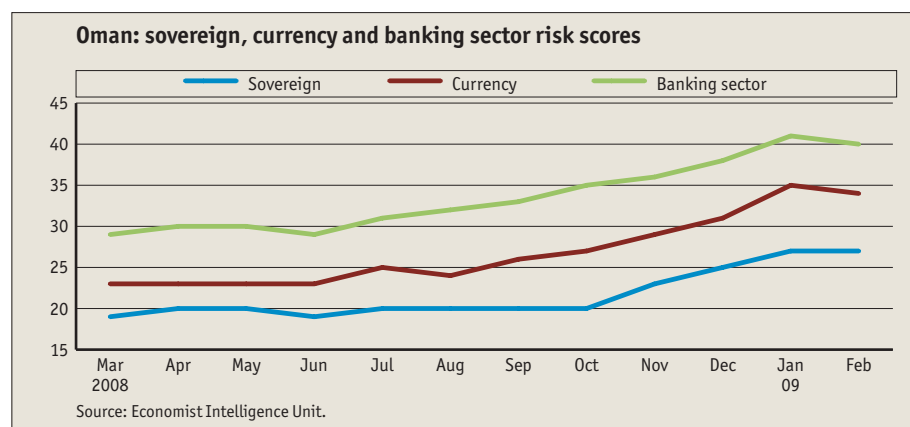
Oman: risk assessment

	Sovereign risk	Currency risk	Banking sector risk	Political risk	Economic structure risk	Country risk
February 2009	A	BBB	BBB	BBB	A	BBB

Sovereign risk **Stable:** In 2009-10, despite an expected deterioration in the fiscal and current-account balances and in the foreign assets position, Oman is expected to be able to meet its debt-payment obligations without difficulty, owing to strong foreign-exchange reserves. It will thereby retain its good debt-servicing record.

Currency risk **Stable:** The currency risk rating has been lowered recently to BBB as a result of the weakening outlook for Oman's external position, as export earnings are forecast to collapse in 2009 on the back of significantly lower global oil prices.

Banking sector risk **Stable:** The Central Bank of Oman (CBO) has stressed that the Omani banking sector is well regulated and capitalised, which leaves it well placed to withstand the credit squeeze in the Gulf financial markets. Should a financial crisis develop, the CBO has approved measures to intervene heavily to boost liquidity in local banks and to ensure that the sector remains stable.



Political risk Although we expect political stability to be maintained over the outlook period, questions over the succession could introduce some political uncertainty.

Economic structure risk Continued development of the gas sector is central to Oman's economic diversification programme, leaving the sultanate vulnerable to fluctuations in international hydrocarbons prices in 2009-10.

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Rating definitions

Sovereign risk

This risk category measures the risk of a build-up in arrears of principal and/or interest on foreign- and/or local-currency debt that is the direct obligation of the sovereign or guaranteed by the sovereign. The *sovereign risk* rating is informed by scores for a combination of political, policy, cyclical and structural variables.

Currency risk

This risk category measures the risk of a devaluation against the reference currency (usually the US dollar, occasionally the euro) of 25% or more in nominal terms over the next 12-month period. The *currency risk* rating is informed by scores for a combination of political, policy, cyclical and structural variables.

Banking sector risk

This risk category gauges the risk of a systemic crisis whereby bank(s) holding 10% or more of total bank assets become insolvent and unable to discharge their obligations to depositors and/or creditors. A banking crisis is deemed to occur even if governments restore solvency through large bail-outs and/or nationalisation. A run on banks facing a temporary lack of liquidity rather than underlying solvency problems is not deemed to constitute a crisis, provided that public confidence in the banking system is quickly restored. Banking crises are typically associated with payment difficulties in the corporate or household sectors; bursting of asset price bubbles; currency and/or maturity mismatches. The rating can therefore serve as a proxy for the risk of a systemic crisis in the private sector. The *banking sector risk* rating is informed by scores for a combination of political, policy, cyclical and structural variables.

Political risk

This risk category evaluates a range of political factors relating to political stability and effectiveness that could affect a country's ability and/or commitment to service its debt obligations and/or cause turbulence in the foreign-exchange market. The *political risk* rating informs the ratings for *sovereign risk*, *currency risk* and *banking sector risk*.

Economic structure risk

This risk category is derived from a series of macroeconomic variables of a structural rather than a cyclical nature. Consequently, the rating for *economic structure risk* will tend to be relatively stable, evolving in line with structural changes in the economy. The *economic structure risk* rating informs the ratings for *sovereign risk*, *currency risk* and *banking sector risk*.

Overall country risk

This risk rating is derived by taking a simple average of the scores for *sovereign risk*, *currency risk* and *banking sector risk*.

Central scenario for 2009-10

Political outlook

Domestic politics The long-established structures of political power in Oman are expected to remain stable over the outlook period. The sultan, Qaboos bin Said al-Said, continues to command wide popular support, shored up by the loyalty of the security services and the strength of Oman's traditional social structures. The government is appointed by the sultan, who is also the prime minister, defence minister, finance minister and foreign affairs minister. In late 2007 the government was reshuffled for the first time in almost three and a half years, but this has had little effect on policy, and any future reshuffle would be expected to have a similarly limited impact. The biggest political risk in 2009-10 is likely to be uncertainty over who will succeed the long-serving sultan.

The Majlis al-Shura (Consultative Council) is elected by universal suffrage, but has no legislative powers. An election to the Majlis was held in October 2007, and despite concerns that the chamber's lack of political power would deter voters, an impressive 60% or so of the electorate voted. The Majlis is unlikely to acquire any legislative powers in the near term. Although it can make recommendations on legislation, it is not permitted to discuss foreign policy or defence matters. Further progress on political reform is unlikely over the outlook period, but the announcement in May 2008 that Oman has officially joined the Inter-Parliamentary Union, a global parliamentary forum, raised expectations of tentative steps towards democratic openness in the sultanate.

The principal political uncertainty arises from questions over the succession. The 68-year-old sultan, who has ruled since 1970 and exercises his authority from within a highly personalised power structure, has no children, and none of the three first cousins widely viewed as the leading candidates to succeed him has yet been trusted with substantial executive power. (The most prominent among these is Assad bin Tariq al-Said, who is currently a special representative of the sultan.) As a result, little is known of their political views or personal qualities, and their lack of experience could constrain their ability to manage effectively the institutions and networks developed over almost four decades by Sultan Qaboos.

The final decision on who will succeed Sultan Qaboos will not be made until after his death, when family members will have three days to choose a successor. Should they prove unable to agree, a letter left by the sultan naming his choice of successor will be opened, and that person will become the new leader. The system is untested and unusual—Arab monarchies tend to have named crown princes. However, with the Defence Council (a powerful extra-parliamentary body tasked with co-ordinating the actions of the country's various security forces) responsible for ensuring that the sultan's wishes are obeyed, and given that the ruling family has a clear incentive to manage the transition with the minimum of disruption, it is likely that the immediate transfer of power will be effected without dispute. The main risks are likely to arise in the longer term, if the sultan's successor proves unable to contain the latent divisions within Omani society—for example, between the better-off

urban Omanis, who tend to support economic and political reform, and the more conservative rural Omanis.

International relations

Oman's ties with its most important international allies—the US and the UK—remain strong. The US military continues to have access to at least four Omani bases and the UK has traditionally provided advisers to Omani government departments, although such support has now been reduced. The government also has good relations with its nearer neighbours, including Iran, and will therefore continue to watch developments in the ongoing dispute over Iran's nuclear programme with some discomfort. Oman will retain strong foreign relations with the Gulf Co-operation Council (GCC), whose annual summit in December 2008 was hosted by the sultanate. Oman also advocates a strong diplomatic approach to the Middle East's other political issues, including the conflicts in Iraq and Lebanon and the Israeli-Palestinian crisis. However, given the political, economic and military importance of Oman's historical links to the West, the Economist Intelligence Unit expects no change in the sultanate's pro-Western foreign policy during the outlook period.

Economic policy outlook

Policy trends

Oman's economic reform programme will face difficult challenges in 2009-10 and may suffer setbacks, as falling international oil prices (particularly in 2009) lead to a sharp decline in government revenue. The reform programme is intended to diversify the economy away from its reliance on hydrocarbons and to create employment opportunities for the rapidly growing young population. However, the decline in revenue may hinder the government's efforts to expand the non-hydrocarbons sectors over the outlook period (in part because Oman's natural gas reserves are insufficient to support a wholly gas-based industrial sector). Attention will nevertheless continue to be focused on tourism and real estate projects. An overhaul of tourism development plans was undertaken after a devastating cyclone in June 2007, and the revised plans concentrate on reconstructing coastal areas, many of which may be susceptible to future extreme weather conditions. The government has also announced plans to develop better flood protection in and around the capital, Muscat. Efforts to increase the role of the private sector will continue, especially in electricity, water and telecommunications. However, the impact of the global financial crisis may force the government to rethink the pace of its privatisation programme.

In a deteriorating economic environment, "Omanisation" (the replacement of expatriate workers with local staff) may be relaxed, although the government will continue to fund higher education and training in order to develop local professional and technical expertise. It will also press the private sector to meet targets for providing more employment opportunities for Omani citizens. Despite changes to the labour law, however, supply-side problems—in particular, the greater cost of employing locals and the additional rights they enjoy once in a post—are likely to continue to slow progress on Omanisation. The policy will also come under pressure following the launch of the GCC common market in 2008, which should eventually allow Omani nationals to

seek employment freely within the six-member bloc. The attractions that neighbouring countries may offer to highly skilled Omanis, such as better wages, could have an impact on the availability of sufficiently well-trained local staff.

Fiscal policy We estimate that the official budget recorded a surplus of OR654m (US\$1.7bn), or 3.7% of GDP, in 2008, and that the unofficial budget surplus (which includes oil revenue paid directly into the State General Reserve Fund) was much higher, at about OR3.5bn, or 19% of GDP. We expect a sharp fall in international oil prices to push the official budget into deficit in 2009, by OR630m, or 4.1% of GDP. In 2010 a rise in oil production, made possible by the adoption of enhanced oil recovery techniques, and higher oil prices will help to nudge the budget back into surplus, by OR95m (0.5% of GDP).

Monetary policy Monetary policy will be largely unchanged in 2009-10, and there will be little pressure on the Omani riyal's peg to the US dollar. Confidence in the peg is underpinned by the government's decision, announced by the executive president of the Central Bank of Oman (CBO), Hamood Sangour al-Zadjali, not to join the proposed GCC single currency. This represents a shift from Oman's original position, which was to delay joining the currency until after 2010. The authorities have resisted pressure to revalue the riyal, insisting that the peg will remain in place for the foreseeable future. We estimate that average Omani lending rates fell in 2008, to 6.8%, and we expect them to decline further in 2009-10 in line with US rates, because of the currency peg. They will stay below their long-term historical average, owing to the pressure applied by the CBO on commercial banks to reduce their spreads on consumer loans.

Economic forecast

International assumptions We estimate that world GDP growth (measured using purchasing power parity weights) declined in 2008, to 3.3%, and forecast that it will slow sharply in 2009 to a mere 0.2%, as the majority of the OECD economies fall into recession. There is little prospect of recovery until late 2010. International oil prices will fall in 2009, with the benchmark dated Brent Blend averaging around US\$35/barrel, down from US\$97/b in 2008, as demand falls on the back of a weakening global economy. Prices are, however, forecast to rise slightly in 2010. Geopolitical concerns—notably the stand-off between the US and Iran over the latter's nuclear programme—could cause prices to climb sharply in the event of a rise in tensions.

Economic growth We estimate that real GDP growth rose to 6.4% in 2008, owing to stronger export volumes on the back of slightly higher crude oil output. We assume that the effects of the current series of enhanced oil recovery projects will begin to be felt from early 2009. Liquefied natural gas (LNG) production will rise only modestly over the outlook period, and the limited nature of available gas reserves means that there are no plans for a fourth LNG train. Export revenue is forecast to decline by over 50% in 2009 as international oil prices fall. This will have a negative impact on government consumption and investment, and, by extension, on private consumption, leading to a slowdown in GDP growth, to

around 4.9%. In 2010 the upturn in the global economy, together with rising oil prices and higher Omani oil output, should push GDP growth up to 5.2%.

Given the importance of hydrocarbons to the Omani economy, despite efforts to encourage growth in other sectors, there are concerns that any downturn in oil production will inevitably cause problems for Oman. Any further drop in oil earnings, owing to a yet steeper fall in international oil prices for instance, would worsen the government's fiscal position. The importance of economic diversification will become more apparent as GDP growth begins to plateau.

Inflation Oman has historically had extremely low or negative inflation. However, price growth has recently been on an upward trend, partly because of the weakness of the dollar (and, by extension, the riyal) against the currencies of Oman's main import suppliers, particularly the EU. We estimate that consumer price inflation rose to an average of 12.6% in 2008, up from 5.9% in 2007. The rising cost of imports had a significant impact on local food prices. Inflation woes were also exacerbated by wage pressures, particularly as the government continued its policy of raising public-sector salaries and the minimum wage for Omanis employed in the private sector. However, with oil and non-oil commodity prices expected to fall sharply this year, we forecast that inflation will drop to an annual average of 7.5% in 2009 and 5.1% in 2010. Inflation will also remain constrained by the government's extensive subsidy system, which holds in check the prices of a range of core goods and services.

Exchange rates Oman's fixed exchange rate of ORO.3845:US\$1 is unlikely to come under pressure over the outlook period. The CBO remains firmly committed to the peg, which it has maintained since 1986. The outlook for Oman's external accounts and foreign-exchange asset levels is still sufficiently robust to help the CBO defend the peg. The announcement that Oman will not join the planned GCC currency union also means that the peg is less likely to be adjusted in response to any revaluations of the currencies of the other Gulf states.

External sector Export revenue is forecast to fall by a massive 53% in 2009, having risen by an estimated 28% in 2008, before picking up again, by 45%, in 2010, broadly in line with movements in global oil prices. Owing to a fall in government revenue, the import bill will also fall in 2009, to US\$13.3bn, from US\$16.7bn in 2008. However, because of a recovery in demand for consumption goods in 2010, imports are forecast to rise by around 2.5%. Nevertheless, the trade surplus, which is expected to narrow significantly in 2009, is forecast to widen to US\$7.9bn in 2010.

The current account is likely to move into deficit in 2009, for the first time since 1999, reflecting the worsening international economic outlook and a still wide non-merchandise deficit. Debits on the services account will remain high, leading to a services deficit of US\$3.4bn in 2010, although this is lower than the estimate of US\$5.6bn in 2008. The current transfers deficit is expected to narrow slightly in 2009 as remittances from foreigners working in Oman, particularly in the construction sector, decline as Omani growth slows in response to worsening global conditions. The deficit will barely change in 2010. The income-account position, which is forecast to improve greatly in 2009, will

worsen in 2010, in part because of a rise in interest payments on Oman's external debt. Overall, the current account, which we estimate recorded a surplus of US\$3.5bn (7.4% of GDP) in 2008, is forecast to plunge into deficit in 2009, by US\$4.9bn (12.4% of GDP), before returning to surplus in 2010, to the tune of around US\$660m (1.3% of GDP).

Key risk indicators

(% unless otherwise indicated)	Oman	Median of A-rated	Median of oil producers	Median of emerging markets
Largest single goods export (2-digit SITC code)/total goods exports	66.2	29.8	63.9	33.9
Gross public debt/GDP	3.3	24.3	20.5	30.9
Gross external debt/GDP	15.1	27.7	17.6	27.7
Interest & principal arrears (if any)/gross external debt	0.0	0.0	0.0	0.0
Net external debt/exports	-13.4	-13.8	14.3	29.2
Foreign-exchange reserves/gross external financing requirement	557.1	358.6	67.1	70.2
Foreign-exchange reserves/external short-term debt	347.5	352.3	500.9	331.6
Foreign-exchange reserves (change over last 6 months)	-0.8	-6.3	6.6	1.4
Banks' net foreign asset position/total foreign assets	-7.5	17.2	19.4	20.1
Bank credit to private sector/GDP (change over last 36 months; percentage points)	8.0	11.7	4.1	4.5
Equity market (change over last 24 months)	-2.5	-21.1	-15.6	-13.1
Over last 12 months				
Average real money-market interest rates	-6.6	-0.6	-3.6	-1.5
Fiscal balance/GDP	1.7	-0.8	1.6	-1.8
US\$ export receipt growth	3.4	2.3	6.9	5.5
Current-account balance/GDP	2.5	1.9	7.5	-3.1
Debt-service due/exports	2.0	2.0	4.8	6.5
Interest due/exports	0.8	0.8	1.4	1.8
Average import cover (months)	5.9	5.3	6.2	4.3
Banks' loan-deposit spread (percentage points)	2.9	3.2	5.4	5.3
Change in bank credit to private sector	47.7	22.4	32.9	23.9
Over last 48 months				
Average current-account balance/GDP	9.0	6.6	11.3	-1.8
Average GDP growth	6.3	4.3	6.2	5.4
Average inflation rate	6.0	3.5	8.3	6.9
Change in real trade-weighted exchange rate	8.6	8.5	19.2	13.5

Ratings summary

	Aug 2008	Sep 2008	Oct 2008	Nov 2008	Dec 2008	Jan 2009	Feb 2009
Sovereign risk score ^a	20	20	20	23	25	27	27
Sovereign risk rating	A	A	A	A	A	A	A
Currency risk score	24	26	27	29	31	35	34
Currency risk rating	A	A	A	A	A	BBB	BBB
Banking sector risk score	32	33	35	36	38	41	40
Banking sector risk rating	A	BBB	BBB	BBB	BBB	BBB	BBB
Political risk score	35	35	35	38	38	38	38
Political risk rating	BBB	BBB	BBB	BBB	BBB	BBB	BBB
Economic structure risk score	28	28	30	30	30	30	30
Economic structure risk rating	A	A	A	A	A	A	A
Country risk score	25	26	27	29	31	34	34
Country risk rating	A	A	A	A	A	BBB	BBB

Note. Ratings are derived from scores as follows: 100-89 = D; 92-79 = C; 82-69 = CC; 72-59 = CCC; 62-49 = B; 52-39 = BB; 42-29 = BBB; 32-19 = A; 22-9 = AA; 12-0 = AAA. In boundary areas, the higher or lower rating is assigned at the discretion of the analyst.

^a For the backtesting period (1997-2005) the probability of sovereign default associated with the different score ranges is as follows: 0-10, 0%; >10-20, 0%; >20-30, 0%; >30-40, 0%; >40-50, 1.4%; >50-60, 14.1%; >60-70, 57.9%; >70-80, 90.4%; >80-90, 100%; >90-100, not available.

Quarterly indicators

	2007			2008			
	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr
Exchange rate (OR:US\$)							
Average	0.385	0.385	0.385	0.385	0.385	0.385	0.385
End-period	0.385	0.385	0.385	0.385	0.385	0.385	0.385
Domestic indicators (% change)							
Consumer prices (av)	4.9	6.5	7.8	11.0	13.1	13.5	-
Money supply M1	11.6	29.9	45.5	63.5	43.0	31.6	-
Money supply M2	29.6	27.6	34.7	37.8	34.0	30.3	-
Industrial production	-4.5	-3.2	-0.7	4.8	5.6	-	-
Petroleum production ('000 b/d)	710.1	707.1	710.4	730.0	720.0	720.0	710.0
Fiscal indicators (OR m)							
Budget revenue	1,748	1,276	1,241	2,116	1,993	2,096	-
Budget expenditure	1,280	1,242	1,764	1,247	1,824	1,659	-
Budget balance	468	35	-523	869	169	436	-
External sector (US\$ m)							
Total exports fob	5,445	6,847	7,069	8,390	9,038	-	-
Total imports cif	3,569	4,412	4,519	5,292	5,703	-	-
Trade balance	1,876	2,435	2,550	3,098	3,335	-	-
International liquidity (US\$ m)							
Total reserves	6,918	7,543	9,524	10,407	10,050	10,323	-
Foreign-exchange reserves	6,917	7,543	9,523	10,407	10,050	10,322	-
Gold, national valuation	0	0	1	1	1	1	-
Assets with BIS-reporting banks	7,790	8,920	9,346	9,433	9,889	-	-
Liabilities to BIS-reporting banks	12,732	12,170	10,749	10,221	9,546	-	-
Liabilities due within 1 year to BIS-reporting banks	1,278	1,534	1,773	2,620	2,450	-	-
Commercial banks' foreign assets	4,509	4,863	4,212	4,132	788	599	-
Commercial banks' foreign liabilities	2,336	2,701	3,622	3,921	734	644	-
Commercial banks' net foreign assets	2,173	2,162	590	211	54	-45	-
IMF credits & loans outstanding	0	0	0	0	0	0	0
Net flow of IMF credits & loans	0	0	0	0	0	0	0
Banking indicators (OR m)							
Commercial banks' claims on:							
Public sector	348	369	516	567	527	749	-
Central government	146	150	152	147	105	186	-
Private sector	4,748	5,157	5,749	6,487	7,151	7,618	-
Non-financial private sector	4,748	5,157	5,749	6,487	7,151	7,618	-
Lending interest rate (%; av)	7.4	7.3	7.3	6.9	6.7	6.7	-
Deposit interest rate (%; av)	4.2	4.3	4.1	3.9	3.7	3.9	-
Financial market indicators							
Stockmarket index (end-period)	633.9	698.7	903.6	1,010.3	1,132.3	849.4	544.1
Stockmarket index (change in US\$ value; %)	30.4	28.3	61.9	82.0	78.6	21.6	-39.9

Symbols0, 0.0 *nil or negligible*- *not applicable or not available*

International assumptions summary

(% unless otherwise indicated)

	2004	2005	2006	2007	2008	2009	2010
Real GDP growth							
World	4.8	4.4	5.0	5.0	3.3	0.2	2.4
OECD	3.2	2.6	3.1	2.7	1.1	-1.9	0.5
EU27	2.4	2.0	3.2	2.8	1.0	-2.0	0.2
Exchange rates							
¥:US\$	108.1	110.1	116.2	117.8	103.4	93.0	92.0
US\$:€	1.24	1.25	1.26	1.37	1.47	1.35	1.39
SDR:US\$	0.68	0.68	0.68	0.65	0.63	0.66	0.64
Financial indicators							
€ 3-month interbank rate	2.1	2.2	3.1	4.3	4.6	1.9	1.9
US\$ 3-month Libor	1.6	3.6	5.2	5.3	2.4	0.5	0.9
Commodity prices							
Oil (Brent; US\$/b)	38.3	54.4	65.4	72.7	97.0	35.0	50.0
Gold (US\$/troy oz)	409.5	445.0	604.5	696.7	872.0	775.0	687.5
Food & beverages (% change in US\$ terms)	8.5	-0.5	16.1	30.9	29.1	-26.6	1.3
Industrial raw materials (% change in US\$ terms)	21.0	10.2	49.6	11.2	-5.3	-41.1	11.7

Note. Regional GDP growth rates weighted using purchasing power parity exchange rates.

Economic structure

	2004 ^a	2005 ^a	2006 ^a	2007 ^b	2008 ^b	2009 ^c	2010 ^c
GDP at market prices							
Nominal GDP (US\$ m)	24,772	30,923	35,730	37,114	46,368	39,891	50,369
Nominal GDP (OR m)	9,525	11,890	13,738	14,270	17,828	15,338	19,367
Real GDP (OR m at 1988 prices)	6,696	7,081	7,609	8,054	8,567	8,985	9,452
Expenditure on GDP (% real change)							
GDP	5.4	5.8	7.5	5.8	6.4	4.9	5.2
Private consumption	14.9	7.3	21.0	7.5	7.8	4.0	5.6
Government consumption	9.0	10.5	4.2	6.0	6.3	4.5	6.0
Gross fixed investment	41.9	9.4	10.0	7.0	7.2	4.8	5.2
Exports of goods & services	-5.7	-4.3	-0.9	-0.5	1.0	-1.5	1.3
Imports of goods & services	22.0	3.8	16.3	4.5	5.3	-0.1	4.0
Origin of GDP (% real change)							
Agriculture	1.8	-0.2	-1.0	2.5	1.5	1.5	1.6
Industry	2.8	4.0	4.6	3.3	3.5	3.4	3.9
Manufacturing	3.9	10.1	14.8	9.0	7.0	6.3	6.4
Services	7.4	4.0	13.2	7.6	8.3	5.8	6.1
Ratios, GDP at market prices (%)							
Gross fixed investment/GDP	20.6	17.9	18.5	20.2	19.5	25.6	22.4
Exports of goods & services/GDP	56.9	62.8	63.0	69.7	71.0	40.8	45.9
Imports of goods & services/GDP	42.9	35.8	38.2	51.8	50.4	44.3	36.8
Gross national savings/investment	118.1	189.8	177.1	125.7 ^c	138.1	51.5	105.9
Ratios, GDP at factor cost (%)							
Agriculture/GDP	2.7	2.6	2.3	2.2	2.1	2.1	2.0
Industry/GDP	39.7	39.7	38.0	37.1	36.1	35.6	35.1
Services/GDP	57.6	57.7	59.7	60.7	61.8	62.4	62.9
Energy indicators							
Petroleum production ('000 b/d)	779.0	774.0	737.7	710.8 ^a	720.0 ^a	722.0	725.0
Petroleum reserves (m barrels)	4,803	4,832	4,917	4,860 ^a	4,800	4,800	4,800
Population and income							
Population (m)	2.4	2.5	2.6	2.7	2.9	3.0	3.1
Population growth (%)	3.2	3.8	2.7	6.2	5.0	4.0	4.0
GDP per head (US\$ at PPP)	19,408	20,409	22,039	22,556	23,654	24,238	24,651

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts.

Public finances

	2004 ^a	2005 ^a	2006 ^a	2007 ^b	2008 ^b	2009 ^c	2010 ^c
Fiscal indicators (OR m)							
Budget revenue ^d	4,040	4,510	4,980	5,921	6,729	5,431	6,419
Budget expenditure	3,810	4,273	4,470	5,880	6,074	6,061	6,324
Budget balanced ^d	230	237	510	41	654	-630	95
Public debt	914	581	544	495	549	576	592
Fiscal indicators (% of GDP)							
Budget revenue ^d	42.4	37.9	36.2	41.5	37.7	35.4	33.1
Budget expenditure	40.0	35.9	32.5	41.2	34.1	39.5	32.7
Budget balanced ^d	2.4	2.0	3.7	0.3	3.7	-4.1	0.5
Public debt	9.6	4.9	4.0	3.5	3.1	3.8	3.1

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts. ^d Excludes State General Reserve Fund operations.

Exchange rates, interest rates and prices

	2004 ^a	2005 ^a	2006 ^a	2007 ^a	2008 ^a	2009 ^b	2010 ^b
Exchange rates							
Exchange rate OR:US\$ (av)	0.385	0.385	0.385	0.385	0.385	0.385	0.385
Exchange rate OR:US\$ (end-period)	0.385	0.385	0.385	0.385	0.385	0.385	0.385
Exchange rate ¥:OR (av)	281	286	302	306	269	242	239
Exchange rate ¥:OR (end-period)	267	307	310	291	237	241	238
Exchange rate OR:€ (av)	0.478	0.479	0.483	0.526	0.565	0.517	0.533
Exchange rate OR:€ (end-period)	0.521	0.454	0.507	0.561	0.534	0.525	0.538
Real effective exchange rate (consumer prices; 1997=100)	94.3	92.6	92.6	93.2	98.1 ^c	107.8	109.2
Interest rates							
Lending interest rate (av; %) ^d	7.6	7.1	7.4	7.3	6.8 ^c	6.7	6.6
Deposit interest rate (av; %) ^d	2.3	3.3	4.0	4.1	3.9 ^c	4.0	4.0
Prices							
Consumer prices (av; % change)	0.4	1.2	3.0	5.9	12.6 ^c	7.5	5.1

^a Actual. ^b Economist Intelligence Unit forecasts. ^c Economist Intelligence Unit estimates. ^d End-period.

Financial sector

	2004 ^a	2005 ^a	2006 ^a	2007 ^a	2008 ^b	2009 ^c	2010 ^c
Money and credit (OR m)							
Stock of domestic credit	3,262	3,318	3,941	5,273	6,960	7,447	8,192
Domestic credit growth (%)	2.5	1.7	18.8	33.8	32.0	7.0	10.0
Stock of money M1	965	1,210	1,318	1,917	2,211	2,421	2,712
Stock of quasi-money	2,033	2,437	3,221	4,195	5,610	6,451	7,742
Stock of money M2	2,997	3,646	4,538	6,111	7,821	8,873	10,454
Stock of money M1 (% change)	12.8	25.4	8.9	45.5	15.4	9.5	12.0
Stock of money M2 (% change)	4.1	21.7	24.5	34.7	28.0	13.4	17.8

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts.

Current account

	2004 ^a	2005 ^a	2006 ^a	2007 ^a	2008 ^b	2009 ^c	2010 ^c
Current-account balance (US\$ m)							
Current-account balance (US\$ m)	922	4,974	5,103	1,933	3,451	-4,946	663
Goods: exports fob	13,381	18,692	21,587	24,723	31,657	14,850	21,511
Goods: imports fob	-7,873	-8,029	-9,880	-14,343	-16,656	-13,323	-13,658
Trade balance	5,523	10,703	11,722	10,395	15,029	1,473	7,898
Services: credit	739	754	931	1,163	1,303	1,446	1,634
Services: debit	-3,123	-3,255	-3,847	-4,996	-6,866	-4,453	-5,022
Services balance	-2,384	-2,501	-2,916	-3,833	-5,563	-3,007	-3,388
Income: credit	761	830	1,549	2,026	1,942	1,620	1,967
Income: debit	-1,152	-1,801	-2,464	-2,985	-4,141	-1,407	-2,181
Income balance	-391	-971	-915	-959	-2,199	213	-214
Current transfers balance	-1,826	-2,257	-2,788	-3,670	-3,816	-3,626	-3,633

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts.

International liquidity

	2004 ^a	2005 ^a	2006 ^a	2007 ^a	2008 ^b	2009 ^c	2010 ^c
Total reserves (US\$ m)	3,598	4,358	5,014	9,524	11,507	8,957	9,532
Foreign-exchange reserves	3,597	4,358	5,014	9,523	11,507	8,957	9,532
Total reserves (net of IMF credits & loans outstanding)	3,598	4,358	5,014	9,524	11,507	8,957	9,532
Commercial banks' foreign assets	1,877	2,450	4,074	4,212	500	823	1,303
Commercial banks' foreign liabilities	954	685	1,572	3,622	580	892	1,103
Commercial banks' net foreign assets	923	1,765	2,502	590	-80	-69	200
Months of import cover	3.9	4.6	4.4	5.9	5.9	6.0	6.1

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts.

Foreign payment and liquidity indicators

	2004 ^a	2005 ^a	2006 ^a	2007 ^b	2008 ^b	2009 ^c	2010 ^c
Foreign payment indicators (% of GDP)							
Current-account balance	3.7	16.1	14.3	5.2	7.4	-12.4	1.3
Trade balance	22.3	34.6	32.8	28.0	32.4	3.7	15.7
Services balance	-9.6	-8.1	-8.2	-10.3	-12.0	-7.5	-6.7
Income balance	-1.6	-3.1	-2.6	-2.6	-4.7	0.5	-0.4
Current transfers balance	-7.4	-7.3	-7.8	-9.9	-8.2	-9.1	-7.2
Liquidity indicators (ratios)							
Foreign-exchange reserves/short-term debt	2.8	2.6	2.6	3.4	3.5	3.4	3.5
Foreign-exchange reserves/gross external financing requirement ^d	3.2	-1.8	-1.5	22.3	-44.2	1.0	4.1

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts. ^d A minus sign indicates a financing surplus.

External trade

	2004 ^a	2005 ^a	2006 ^a	2007 ^a	2008 ^b	2009 ^c	2010 ^c
Main destinations of exports (% share)							
China	29.8	21.6	23.6	24.0	-	-	-
South Korea	17.7	19.4	17.9	18.8	-	-	-
Japan	11.6	14.2	10.9	12.4	-	-	-
Thailand	10.4	12.6	10.7	9.3	-	-	-
Main origins of imports (% share)							
UAE	21.2	22.4	22.5	18.5	-	-	-
Japan	16.6	15.8	16.5	17.4	-	-	-
US	4.7	6.7	8.1	7.8	-	-	-
Germany	5.1	5.8	5.4	5.5	-	-	-
Principal exports (% share)							
Crude oil	67.8	70.6	66.6	58.4	64.2	41.9	44.1
LNG (liquefied natural gas)	12.3	12.3	13.8	12.5	14.6	3.9	9.7
Re-exports	10.5	8.1	9.2	10.6	10.6	28.8	25.8
Non-oil exports	8.2	7.7	8.0	7.0	5.5	11.7	8.1
Principal imports (% share)							
Machinery & transport equipment	47.3	48.2	49.8	51.5	52.8	55.4	55.6
Manufactured goods	17.8	16.8	19.1	20.9	20.4	20.4	19.5
Food & live animals	11.2	10.0	9.1	8.3	8.0	7.1	7.6
Beverages & tobacco	1.3	0.9	0.8	0.7	0.7	0.7	0.6
Volume and prices (% change)							
Export volume of goods	-5.7 ^b	-4.3 ^b	-0.9 ^b	-0.5 ^b	1.0	-1.5	1.3
Import volume of goods	22.0 ^b	3.8 ^b	16.3 ^b	4.5 ^b	5.3	-0.1	4.0
Export prices	21.6 ^b	45.9 ^b	16.5 ^b	15.1 ^b	26.8	-52.4	43.0
Import prices	7.4 ^b	-1.1 ^b	6.1 ^b	40.3 ^b	10.3	-19.9	-1.4
Terms of trade (1990=100)	115.2 ^b	170.0 ^b	186.6 ^b	153.1 ^b	176.0	104.7	151.9

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts.

External financing requirement

	2004 ^a	2005 ^a	2006 ^a	2007 ^b	2008 ^b	2009 ^c	2010 ^c
Gross financing requirement (US\$ m)							
Current-account balance	-1,129	2,359	3,298	-426	260	-8,586	-2,330
Medium- & long-term repayments due (incl IMF debits)	-807	-1,308	-139	-406	-355	-348	-360
Short-term debt due	-1,244	-1,307	-1,667	-1,953 ^a	-2,835	-3,292	-2,634
Financed by:							
Medium- & long-term debt inflows	642	1,117	642	599	674	645	624
Commercial bank loans	40	1,033	560	509	572	548	530
Officially guaranteed loans	51	84	57	90	101	97	94
International bond issues	550	0	25	0	0	0	0
IMF credits & loans	0	0	0	0 ^a	0 ^a	0	0
Short-term borrowing	1,307	1,667	1,953	2,835	3,292	2,634	2,700
Net direct investment flows	111	1,688	1,622	2,376 ^a	2,500	1,600	2,200
Inward direct investment	111	1,688	1,622	2,376 ^a	2,500	1,600	2,200
Increase in interest arrears (if any)	0	0	0	0 ^a	0 ^a	0	0
Increase in principal arrears (if any)	0	0	0	0 ^a	0 ^a	0	0
Other capital flows (net)	-927	-6,070	-6,859	-874	-4,743	1,158	-2,618
Change in international reserves (a minus sign indicates an increase)	-4	-761	-656	-4,510 ^a	-1,983	2,550	-575

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts.

External debt stock

	2004 ^a	2005 ^a	2006 ^a	2007 ^b	2008 ^b	2009 ^c	2010 ^c
External debt stock (US\$ m)							
Total	3,887	4,028	4,819	5,962	6,864	6,497	6,841
Public medium- & long-term	1,224	848	819	892	1,068	1,105	1,151
Private medium- & long-term	1,356	1,513	2,047	2,235	2,504	2,758	2,990
IMF	0	0	0	0 ^a	0 ^a	0	0
Short-term	1,307	1,667	1,953	2,835	3,292	2,634	2,700
Interest arrears	0	0	0	0 ^a	0	0	0
Official creditors	0	0	0	0 ^a	0	0	0
Private creditors	0	0	0	0 ^a	0	0	0
Ratios (%)							
Total debt/exports of goods & services	26.1	19.9	20.0	21.4	19.7	36.3	27.2
Total debt/GDP	15.7	13.0	13.5	16.1	14.8	16.3	13.6
International reserves/total debt	92.6	108.2	104.1	159.7	167.6	137.9	139.3
Debt per head (US\$)	1,609	1,605	1,870	2,178	2,389	2,174	2,201
Net debt (US\$ m)							
Total	289	-331	-195	-3,562	-4,643	-2,461	-2,691
Net debt/exports of goods & services (%)	1.9	-1.6	-0.8	-12.8	-13.3	-13.7	-10.7
Net debt/GDP (%)	1.2	-1.1	-0.5	-9.6	-10.0	-6.2	-5.3
Medium- and long-term debt by lender (US\$ m)							
Total	2,580	2,361	2,866	3,127	3,572	3,863	4,141
Official creditors	1,077	842	817	669	517	350	205
Bilateral	430	383	397	325	251	170	100
Multilateral	647	459	421	344	266	180	106
Private creditors	1,504	1,518	2,049	2,458	3,055	3,513	3,936
Memorandum items (US\$ m)							
Export credits	201 ^b	204 ^b	252 ^b	365	424	339	348
Principal arrears	0	0	0	0 ^a	0 ^a	0	0
Official creditors	0	0	0	0 ^a	0 ^a	0	0
Private creditors	0	0	0	0 ^a	0 ^a	0	0
Debt owed to BIS banks (US\$ m)							
Total	4,256	5,602	6,939	8,670^a	-	-	-
0-1 year	1,245	1,423	1,783	1,773 ^a	-	-	-
1-2 years	53	79	150	485 ^a	-	-	-
Over 2 years	2,958	4,100	5,006	6,412 ^a	-	-	-
Memorandum items (US\$ m)							
BIS banks' undisbursed credit commitments	131	-	-	-	-	-	-

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts.

External debt service

	2004 ^a	2005 ^a	2006 ^a	2007 ^b	2008 ^b	2009 ^c	2010 ^c
External debt service (US\$ m)							
Total paid	1,005	1,512	310	626	608	596	624
Medium- & long-term debt service	955	1,455	250	527	493	496	519
Paid to official creditors	224	338	115	269	258	210	157
Paid to private creditors	731	1,118	135	258	235	286	361
IMF debits & charges	0	0	0	0 ^a	0 ^a	0	0
Short-term debt (interest only)	50	57	60	99	115	100	105
Total due	1,005	1,512	310	626	608	596	624
Debt-service ratios (%)							
Debt-service ratio, paid	6.8	7.5	1.3	2.2	1.7	3.3	2.5
Debt-service ratio, due	6.8	7.5	1.3	2.2	1.7	3.3	2.5
Debt service paid/GDP	4.1	4.9	0.9	1.7	1.3	1.5	1.2
Principal repayments (US\$ m)							
Total paid	807	1,308	139	406	355	348	360
Medium- & long-term debt	807	1,308	139	406	355	348	360
Paid to official creditors	171	291	82	242	237	196	149
Paid to private creditors	635	1,017	57	164	118	152	211
IMF debits	0	0	0	0 ^a	0 ^a	0	0
Total due	807	1,308	139	406	355	348	360
Interest payments (US\$ m)							
Total paid	199	205	171	220	253	248	264
Medium- & long-term debt	148	148	111	121	138	148	159
Paid to official creditors	52	47	33	27	21	14	8
Paid to private creditors	96	101	78	94	117	134	150
IMF charges	0	0	0	0 ^a	0 ^a	0	0
Short-term debt (interest only)	50	57	60	99	115	100	105
Total due	199	205	171	220	253	248	264
Interest payments ratios (%)							
Interest paid/debt service paid	19.8	13.5	55.3	35.2	41.6	41.7	42.3
Interest paid/exports of goods & services	1.3	1.0	0.7	0.8	0.7	1.4	1.1
Interest due/exports of goods & services	1.3	1.0	0.7	0.8	0.7	1.4	1.1
Interest paid/GDP	0.8	0.7	0.5	0.6	0.5	0.6	0.5
Effective maturity and interest rates							
Effective interest rate (%)	5.4	5.7	4.7	4.2	4.4	4.2	4.1
Effective maturity (years)	3.4	2.0	17.0	7.1	8.8	10.3	10.7

^a Actual. ^b Economist Intelligence Unit estimates. ^c Economist Intelligence Unit forecasts.

Data sources and notes

Current account: IMF, *International Financial Statistics*; World Bank, *Global Development Finance*

Economic structure: Ministry of National Economy; IMF, *International Financial Statistics*; Central Bank of Oman; Ministry of Development; World Bank, *World Development Indicators*

External debt service: World Bank, *Global Development Finance*; IMF, *International Financial Statistics*; Central Bank of Oman; Ministry of National Economy

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External trade: Ministry of National Economy

Financial sector: IMF, *International Financial Statistics*

Foreign payment and liquidity indicators: Central Bank of Oman; Ministry of National Economy; IMF, *International Financial Statistics*; World Bank, *Global Development Finance*

International liquidity: IMF, *International Financial Statistics*

Public finances: IMF, *International Financial Statistics*; Central Bank of Oman; Ministry of National Economy

Quarterly indicators: IMF, *International Financial Statistics*; Ministry of National Economy; International Energy Agency; Central Bank of Oman; Bank for International Settlements, *International Banking and Financial Market Developments*; Ministry of National Economy, *Monthly Statistical Bulletin*

Exchange rates, interest rates and prices: IMF, *International Financial Statistics*

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