

COUNTRY PROFILE:**SULTANATE OF OMAN****DATED:****AUGUST 2008****CREDIT GUARANTEE:**

	<i>Country Rating</i>	<i>U/W Method</i>
<i>Short-term</i>	2B	No restrictions

Recent Political Highlights

- Chief of state since July 1970 is Sultan and Prime Minister Qaboos bin Said al-Said; the monarch is hereditary. There are no political parties and pressure groups.

Recent Economic Highlights

- Oman's population is estimated at 3.2 million with about 38% under the age of 14 years. According to official statistics, about 25% of the total population are foreign workers. The sultanate has started restricting a number of jobs to foreign workers under new rules aiming to provide more employment opportunities to Omanis. The ban does not apply to banks or oil companies. The economy ministry has allocated \$714.3 million in the 2008 budget as a grant to the private sector to train nationals.
- Oil is the mainstay of the economy, providing 45% of GDP, 62% of government revenues and 60% of export earnings. Agriculture and fishing are also important sources of income and tourism is on the rise. Oman's oil resources have been declining steadily during the past years, falling to 756,000 bpd in 2007 from a peak of 956,000 bpd in 2001. Proven oil reserves stood at 4.62 billion barrels at the end of 2007 and are expected to last 18 years at current levels of production. Oman is not a member of OPEC. The sultanate is pursuing a development plan that focuses on diversification, industrialisation and privatisation, with the objective of reducing the oil sector's contribution to GDP to 20% by 2020 from 45% last year. The government is increasing its investments in the infrastructure and tourism sectors with nearly \$48.8bn to be implemented during the next five years.
- Oman's GDP grew 12.9% in 2007 driven by significant acceleration in non-oil activities. Non-petroleum activities witnessed 18.3% growth in 2007 and the share of non-petroleum growth was 56%. The government forecasts economic growth at 12% this year due to high oil income and high government spending. The IMF expects nominal GDP growth in 2008 to exceed 25% due to the more than 50% increase in oil prices during 2008.
- The Sultanate's water resources strategy has drawn up a series of measures aimed at tackling a worrisome 25% deficit amounting to 387 million m³ a year. Disruptions in water and power supply, have been blamed on rapid economic growth and escalating demand. Meanwhile, the redistribution of water through a quota system seems to be the only way to tackle the challenge, while dams are being built to tap flash flood water.
- CPI rose from 3.4% in 2006 to 5.9% in 2007 and 10.6% in Q1'08. Currency weakness accounts about a fifth of inflation, largely due to high commodity prices although Oman says it has no plans to remove the rial peg to the dollar. The IMF has supported the authorities' intention to maintain the peg, which has provided a credible monetary anchor and helped sustain investor confidence.
- Oman is developing itself as an upmarket tourist destination with a focus on culture and adventure, as distinct from the more commercial offerings of its immediate neighbours. The sultanate is building museums in some 500 ancient forts and plans to turn a mountain village into hotel apartments, balancing the need for job creation with preserving the local environment and ancient traditions. Last year, Oman attracted 1.2 million tourists, half of them from Europe, mainly Britons and Germans. Tourism accounts for a little more than 1% of GDP and the government is targeting 3% by 2015. Oman wants to increase the annual growth of tourists from 10% to 17% by 2012.
- The Omani government is laying ground for the development of a huge industrial hub and free trade zone at Duqm. The ship repair yard is due to be launched in 2010 and will rank only second to the dry dock in Dubai in terms of size and capacity. The initial investment in developing the marine infrastructure for the giant port and ship repair yard complex is currently estimated at \$1bn. The Omani government hopes to capitalise on Duqm's proximity to international and regional sea lanes to attract all manner of ships that require maintenance, repair and dry docking services; its geographical location outside the geopolitically sensitive Arabian Gulf means that ship owners pay lower risk premiums.
- Faced with a shortage of natural gas, Oman has hired a consultant to explore alternative power generation technologies for a huge power plant in Duqm. The study will look at a range of non-gas fuels including coal, to support a 1,000MW independent water and power project.
- Oman has declared a three-year-long moratorium on the harvest, sale and export of abalone. Production fell from a high of 56 tonnes in 2001 to 32 tonnes in 2007. The moratorium effectively bans fishing, possession, transport, sale and export of abalone for the next three seasons until 2010.

Latest Trade Developments

- Main exports: petroleum, re-exports, fish, metals and textiles.
- Main imports: machinery and transport equipment, manufactured goods, food, livestock and lubricants.
- Major trading partners: China, South Korea, Japan, Thailand, South Africa, UAE, Taiwan, Germany, US and India.
- South African exports to Oman totaled R408.3 m in 2006, R327.4m in 2007 and R84.4m in the year-to-March 2008.
- Oman does not intend to participate in the GCC monetary union. However it is a part of the common market launched in January 2008 and continues to participate in all the technical meetings with the other GCC countries.

Sindiso Valerie Mpoju- Economic Researcher