

CENTRAL BANK OF OMAN

**Mid-Year Review of
the Omani Economy
2011**



January 2012

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Foreword

After publication of the Annual Report of the Central Bank of Oman (CBO) in June/July every year, general public do not get comprehensive assessment of the Omani economy till the next Annual Report is published. In order to reduce this long time gap, the Economic Research and Statistics Department of the CBO took the initiative to bring out the first Mid-Year Review of the Omani Economy for 2010. This Mid-Year Review of the Omani Economy for 2011 is the second in the series and covers developments relating to output growth, price situation, fiscal position, monetary and banking conditions, financial markets, foreign trade and balance of payments and macro-economic outlook.

Feedback on the Mid-Year Review of the Omani Economy 2011 may be sent to cboresb@omantel.net.om. On the basis of the feedback likely to be received from the users, the coverage of the publication would be widened. We hope that the endeavour of the Research Department in bringing out this review regularly by December every year is likely to benefit the general public as well as other stakeholders.

Hamood Sangour Al-Zadjali

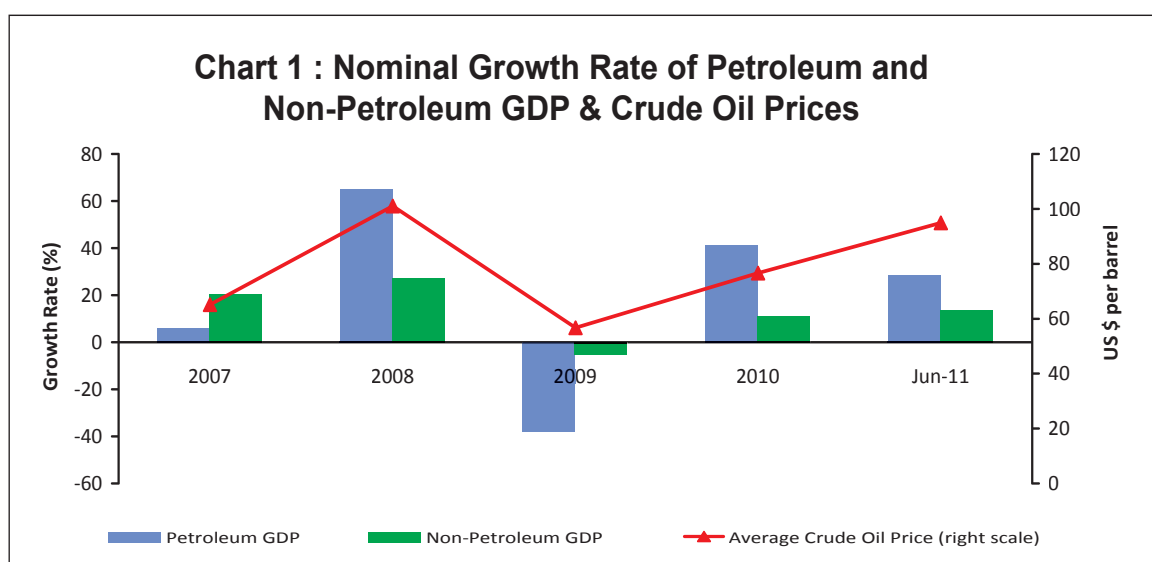
Executive President
Central Bank of Oman

Mid-Year Review of the Omani Economy 2011

I. Output Growth

The Omani economy, which witnessed significant recovery during 2010, continued to sustain the growth momentum during 2011. During the first half of 2011, Gross Domestic Product (GDP) at current prices grew by 20.7 percent to RO 13,001.4 million on top of an increase of 32.8 percent to RO 10,769.3 million during the corresponding period of the previous year (Appendix Table 1). While the nominal GDP emanating from the hydrocarbon sector registered an impressive growth of 28.5 percent, the same from the non-petroleum activities rose by 13.8 percent during the first half of 2011 (Chart 1). Break-up of petroleum GDP indicated a robust growth of 29.9 percent in case of crude petroleum and 13.1 percent in case of natural gas during the first half of 2011 over the same period of the previous year. Within the non-hydrocarbon sector, impressive growth was observed in case of industrial activities (19.9 percent), followed by services activities (11.6 percent) and agriculture and fishing (6.1 percent). Among industrial activities, the highest growth was recorded in case of manufacturing (26.5 percent), followed by construction (11.6 percent), and 'electricity and water supply' (10.4 percent). Similarly, in the services sector, there was impressive growth in case of 'transport storage and communication' (16.7 percent), followed by 'wholesale and retail trade' (14.3 percent), and financial intermediation (9.8 percent). Although recovery seems to be broad-based, performance of the 'mining and quarrying' (4.7 percent) and 'hotels and restaurants' (3.9 percent) was

sluggish. Nominal GDP growth in Oman during the recent years closely followed the movement of crude oil prices in the international markets. The sustained GDP growth in Oman in 2011 was mostly driven by rise in crude oil prices in the international markets, supported by accommodative domestic monetary and fiscal policies. The Omani crude oil fetched an average price of US \$ 102.1 per barrel up to September 2011 which was 33.3% higher than the last year's average price of US \$ 76.6 per barrel. Rise in average daily crude oil production by 2.7 percent to 883.2 thousand barrels up to September 2011 over the same period last year also contributed to the sustained recovery.

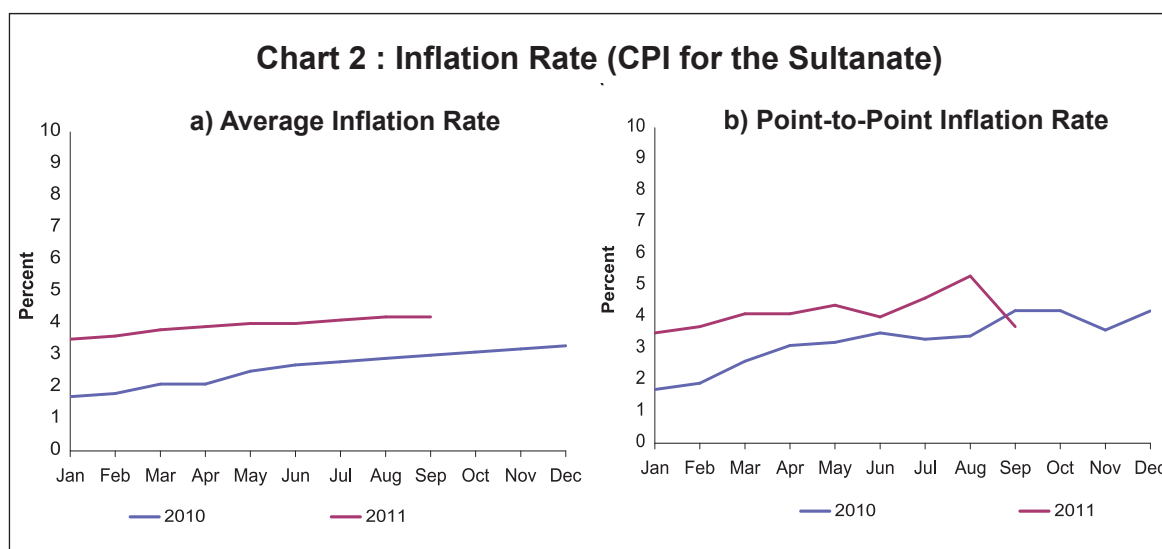


Source: Ministry of National Economy.

II. Price Situation

Inflationary pressures remained, by and large, under control in Oman during 2011. Up to September 2011, the average inflation rate, measured by annual variation in the Consumer Price Index (CPI) for the Sultanate, stood higher at 4.2 percent compared to 3 percent a year ago (Chart 2a). On a point-to-point basis, fall in the inflation rate in September 2011 to 3.7% was mainly attributed to high base (Chart 2b) as against 4.2 percent a year ago. Major

item-wise, average inflation rate was the highest for non-alcoholic beverages (24.1%), followed by ‘fish and sea products’ (19.6%), ‘personal care items and other services’ (15.4%), and ‘spices and salt’ (9.8%) (Appendix Table 2). Although average inflation rate remains under control, inflation expectations remain firm largely due to sustained domestic demand. The average inflation rate of the major group ‘food, beverages and tobacco’, which has a weight of 30.4% in the overall index, remained above 5% level up to September 2011. The global price situation is expected to remain benign in the near future as the global recovery is expected to slowdown in the second half of 2011. Buoyant domestic demand is likely to offset the benefit which may arise due to benign price situation in the international markets. The CBO is keeping a close vigil over the prices of essential commodities in the domestic as well as international markets.



Source: Ministry of National Economy.

III. Fiscal Position

In order to sustain aggregate demand in the domestic economy, while CBO adopted accommodative monetary policy since the last quarter of 2008, the Government pursued countercyclical fiscal policy. As a result of the

accommodative monetary and fiscal policies, the Omani economy, which recovered since the first quarter of 2010, continued to sustain the growth momentum during the first half of 2011. The major driver of the recovery in Oman so far, has been public sector activities, supported by domestic consumption demand. The private sector, particularly the construction sector, which was sluggish, started regaining momentum in 2011. Under this backdrop, Annual Budget for 2011 was presented by the Government in January 2011 envisaging a growth of 13.2 percent in total expenditure and 19 percent in capital expenditure over the previous year's budget. Under the assumption of an average crude oil price of US \$ 58 per barrel and a higher daily average crude oil production of 896 thousand barrels, the Annual Budget anticipated 14.1 percent rise in total revenues. As a result, the Annual Budget anticipated an overall deficit of RO 850 million in 2011. Moreover, the Government has taken sanction for additional expenditure to the tune of RO one billion under supplementary budget to meet likely increase in government expenditure arising out of pay hikes, other benefits and wages for newly hired public servants.

Latest data available up to September 2011 indicate that there has been 44.2 percent rise in total revenues to RO 8.3 billion during the first nine months of 2011 compared to RO 5.8 billion during the corresponding period of 2010 (Appendix Table 3). Net oil revenues witnessed a robust growth of 62.6 percent to RO 6.4 billion while other current revenues declined modestly by 4.3 percent to RO 1.1 billion during the first three quarters of 2011. This indicates slowdown in the corporate profit and the attendant constraints to increase private investment in the economy. In order to support activities in the private sector, Government has accelerated participation and support to the private sector by 4.6 percent to RO 372.8 million during the first nine

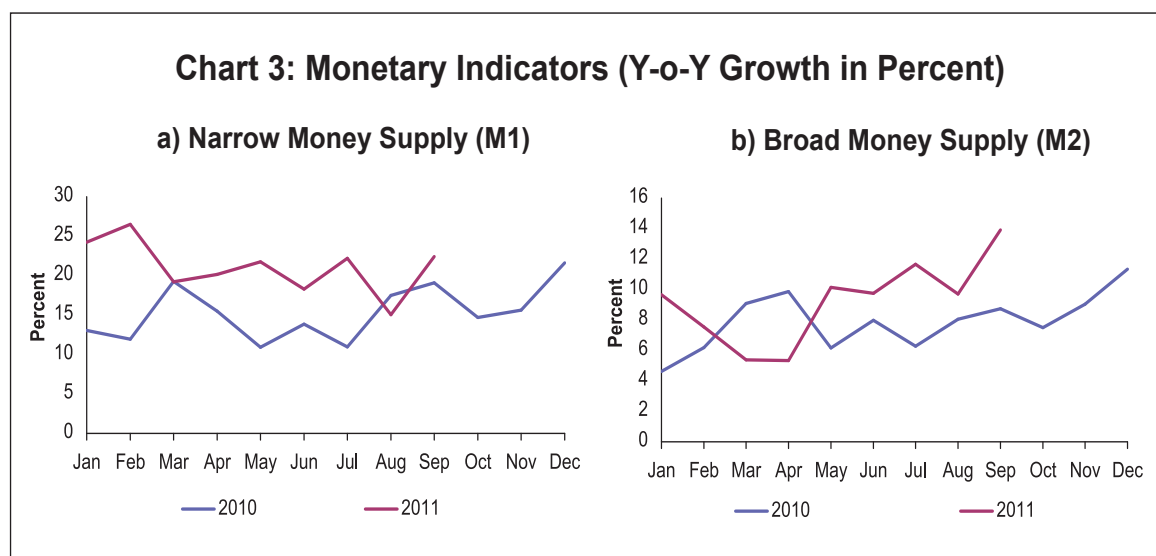
months of 2011 compared to RO 356.4 million up to the same period last year. Total expenditure increased by 25.8% to RO 7.4 billion up to September 2011 over the same period last year. This shows an overall fiscal surplus of RO 925.6 million during the first three quarters of 2011 in contrast to a deficit of RO 111.7 million during the same period in the previous year. As the average Omani crude oil price realization up to September 2011 worked out to US \$ 102.1 per barrel, the overall fiscal balance may turn out to be significantly positive in 2011.

Total debt of the Government stood lower at RO 1,106.2 million at the end of September 2011 compared to RO 1,136.2 million at the end of 2010 – a decline of 2.6 percent over the period. External debt declined by 3.7 percent to RO 776.2 million up to September 2011 while domestic debt remained steady at RO 330 million during the same period. Total government debt to GDP ratio at the end of December 2010 was 5.1 percent compared to 5.8 percent a year ago. Debt-GDP ratio was low in Oman compared to many other countries of the world.

IV. Monetary and Banking Conditions

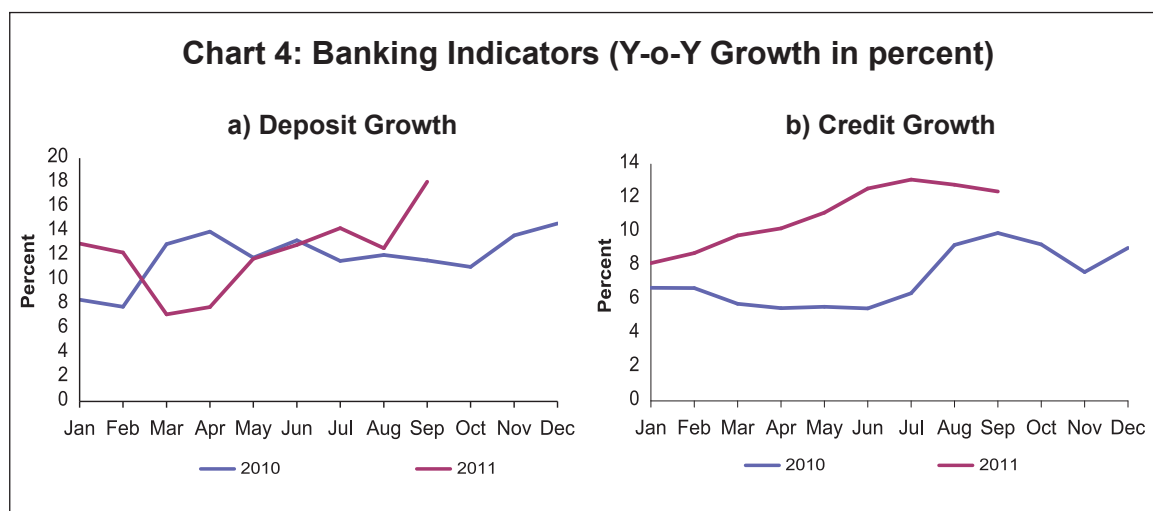
The CBO continued to pursue an accommodative monetary policy during 2011 in order to support the economic recovery. As liquidity conditions remained comfortable throughout the year, there was large roll over of CBO CDs in the weekly auctions. Reflecting recovery of the economy, money supply (M1) i.e., currency with the public and demand deposits with banks increased significantly by 22.4 percent to RO 3,264.6 million up to September 2011 on a year-on-year basis compared to 19.1 percent rise during the corresponding period of the previous year (Chart 3a). Broad money (M2) i.e., M1 plus quasi-money (time and saving deposits) also expanded at a higher rate of 13.9

percent to RO 9,493 million up to September 2011 compared to a rise of 8.7 percent up to September 2010 (Chart 3b). Component-wise, while currency with the public and demand deposits with banks witnessed robust increase of 24.4 percent and 21.8 percent, respectively, quasi money rose by a modest 9.9 percent up to September 2011 (Appendix Table 4). Among the factors responsible for rise in broad money, while domestic assets expanded by an impressive 20.1 percent (RO 701.8 million), net foreign assets increased by 9.4 percent (RO 456.6 million) (Appendix Table 5). Among the domestic assets, claims on the private sector rose by RO 858.8 million, followed by increase in the claims on public sector by RO 447.9 million, while net claims on the Government declined by RO 406.4 million due to revenue surplus arising out of rise in crude oil prices in the international markets. The year-on-year rise in net foreign assets of the banking system up to September 2011 was the result of an increase of RO 623.6 million in commercial banks' foreign assets and a decrease of RO 167 million in CBO's net foreign assets. Consistent with sustained recovery of the real economy, Omani banking



Source: Central Bank of Oman.

system continued to exhibit accelerated growth and resilience during 2011. During the first nine months of 2011, aggregate deposits of commercial banks, on a year-on-year basis, increased by 18.1 percent to RO 11,772.4 million compared to 11.6 percent rise during the corresponding period of the previous year (Chart 4a). Private sector deposits, which constituted 66 percent of the total deposits, rose by 11.4 percent up to September 2011, while the government deposits and deposits by public enterprises increased by 39.7 percent and 21.5 percent, respectively (Appendix Table 6). Within the private sector deposits, both demand and saving deposits increased by 24 percent and 21.2 percent respectively, while time deposits witnessed a modest decline of 3.6 percent. Sector-wise, the share of household sector was 46.2 percent of total private sector deposits, followed by non-financial corporations at 26.5 percent, financial corporations at 26 percent (of which pension funds alone accounted for 22 percent) and the other sectors the remaining 1.3 percent.



Source: Central Bank of Oman.

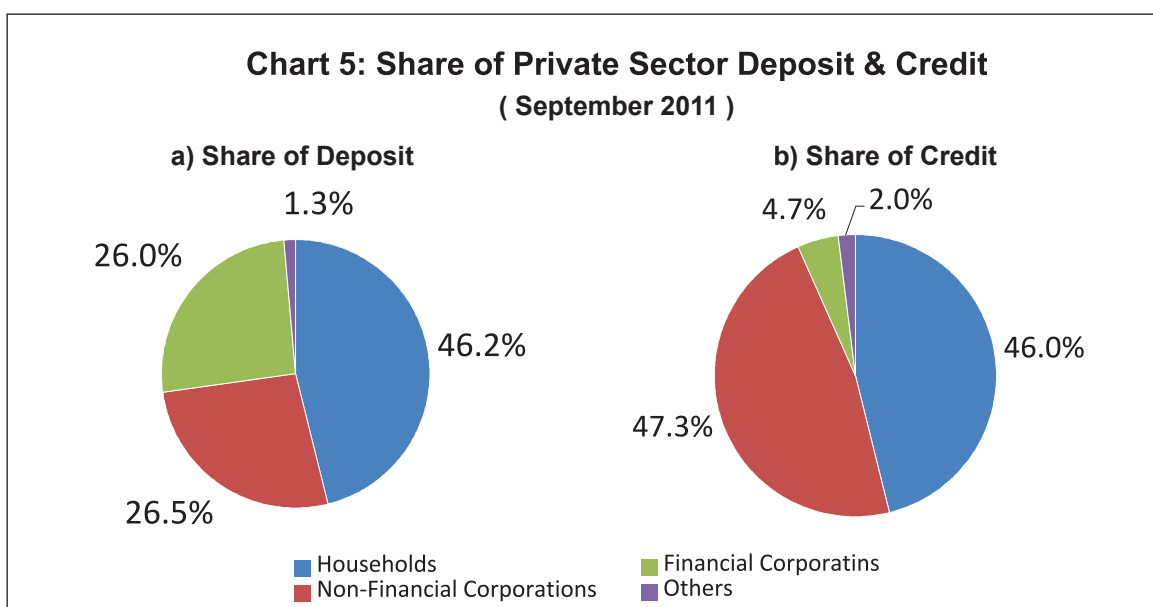
In line with the growth of nominal GDP, particularly emanating from the non-petroleum activities, the credit growth accelerated by 12.4 percent to RO 11,882.2 million up to September 2011 compared to 9.9 percent rise up to

the same period of the previous year (Chart 4b). Credit to private sector has also picked up to 8.6 percent up to September 2011 compared to an increase of 7.2 percent up to September 2010, reflecting sustained recovery of the economy. Credit to the public enterprises witnessed a robust growth of 55.2 percent to RO 1,265.6 million during the same period mainly due to progress of the diversification program of the Government in the first year of the Eighth Five-Year Development Plan (2011-15). Government has reduced its dependence on bank credit due to revenue surplus arising out of higher realization of Omani crude oil price in the international markets. Of the total credit to the private sector by September 2011, the share of non-financial corporations was 47.3 percent, followed by household sector (46 percent), and financial corporations (4.7 percent) (Chart 5).

A sectoral flow of funds analysis indicates that while the household sector held 46.17 percent of bank deposits at the end of September 2011, their availment of bank credit remained virtually at the same level in percentage terms at 46.03 percent. In absolute terms, however, household sector held RO 3.64 billion as deposits with commercial banks and availed RO 4.87 billion credit. The financial corporation sector held 26 percent of the private sector deposits in banks while availing fewer than 5 percent of credit. On the other hand, non-financial corporations held 26.5 percent of deposits, but availed 47.3 percent of credit.

Commercial banks earned a provisional net profit of RO 193.5 million (domestic operations) during the first three quarters of 2011, which was 5.4 percent higher than that of RO 183.6 million up to the same period in 2010. The gross non-performing loans (NPLs) as percentage of total credit of the commercial banks at the end of September 2011 stood at 2.6 percent

(domestic operations), slightly lower than 2.7 percent at the end of 2010. Total provision, including reserve interest, was RO 481 million, which was higher than the gross NPLs of RO 427 million at the end of September 2011. The BIS capital adequacy for the banking system as a whole stood lower at 14.3 percent (provisional) compared to 15.8 percent at the end of 2010. However, the ratio was well above the minimum requirement of 12 percent prescribed by the CBO. All commercial banks in Oman were Basel II capital compliant during the period under review.



Source: Central Bank of Oman.

A notable development in the banking sector in 2011 relates to introduction of Islamic banking in Oman following the Royal Decree in this regard in early part of the year. This endeavour is considered as a new chapter in the banking sector in Oman towards financial inclusion. Two banks, namely, Bank Nizwa and Al Izz International Bank (under formation) have been authorized to practice Islamic banking consistent with Islamic Sharia Law. All commercial banks operating in Oman can also open windows to practice Islamic banking under license from the CBO. The CBO is in the process

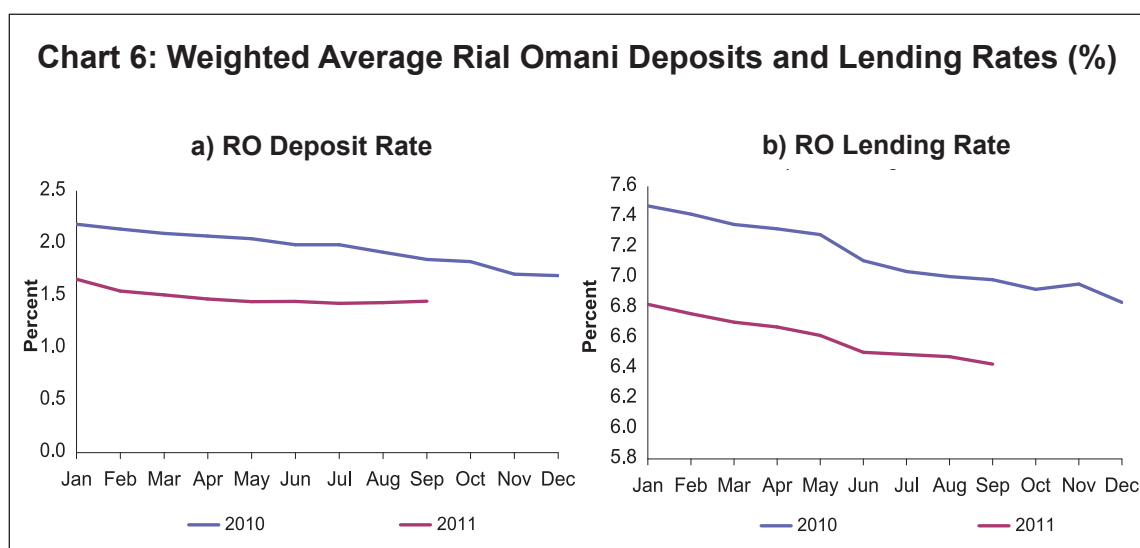
of finalizing the regulatory and supervisory framework required for Islamic banking so that this segment grows seamlessly as a complement to normal banking in Oman.

V. Financial Markets

Activities in the credit market picked up in 2011 in consonance with sustained recovery of the Omani economy. Total assets/liabilities of the commercial banks increased by 9.5 percent to RO 17,203.6 million up to September 2011 compared to RO 15,705.3 million up to the same period of 2010. Credit accounted for 69.1 percent of total assets and 100.9 percent of total deposits at the end of September 2011 compared to 67.3 percent and 106 percent, respectively, a year ago. Total investment in securities and shares by the commercial banks rose significantly by 30 percent to RO 2,204.4 million by September 2011 compared to RO 1,693.9 million a year ago. About 65 percent of these investments were in CBO CDs in September 2011 as against a little over 70 percent in September 2010, reflecting continued concentration of investment portfolio of the banking system due to limited availabilities of alternative instruments. Commercial banks increased their investment in foreign securities and government development bonds by 140.2 percent and 25.4 percent, respectively up to September 2011 due to surplus liquidity condition.

Reflecting comfortable liquidity condition, both deposit and lending rates in Oman moved downward over the year. While the weighted average Rial Omani deposit rate dwindled from 1.85 percent in September 2010 to 1.45 percent in September 2011, the weighted average Rial Omani lending rate declined from 6.98 percent to 6.43 percent during the same period (Chart 6 and Appendix Table 7). Commercial banks' interest rate spread was under

mild pressure as it declined from 5.14 in September 2010 to 4.98 in September 2011. Easy liquidity condition was mainly driven by deposit growth, mostly received from the Government, public enterprises, and pension funds. Total private sector deposit growth also picked up as growth in demand and saving deposits more than offset modest decline in time deposit.

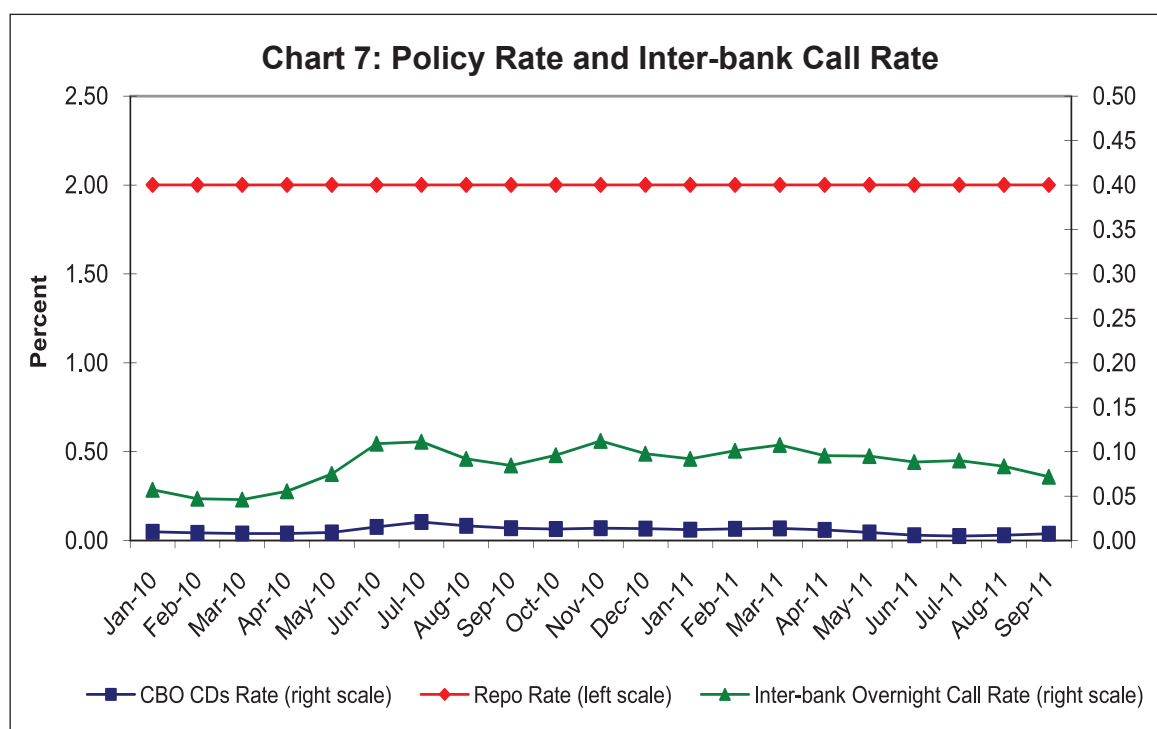


Source: Central Bank of Oman.

Interest rate on foreign currency deposits increased from 0.792% in September 2010 to 0.892% in September 2011. However, growth in the foreign currency deposits of the private sector declined by 1.8 percent by September 2011 despite increase in the foreign currency deposit rate. Since December 2008, banks have been offering lower interest rate on foreign currency deposits compared to Rial Omani deposits. The lending rate in foreign currency, which was 2.853% in September 2010, softened modestly to 2.325% by September 2011. Despite fall in the foreign currency lending rate, credit to the private sector in foreign currency declined by 10.1 percent to RO 1,252 million by September 2011 compared to RO 1,391.3 million a year ago. Commercial banks' spread in foreign currency lending over the foreign currency deposit rate declined to 1.43 in September 2011 from 2.06

in September 2010. Incidentally, interest rates on foreign currency deposit and lending were mostly governed by those prevailing in the international markets, while domestic deposit and lending rates were influenced by domestic demand and supply conditions.

In the over-night call money market in Oman, the average daily turnover during first nine months of 2011 was marginally lower at RO 22.62 million compared to RO 24.35 million during the same period of the previous year. However, the average call money rate increased marginally to 0.09 percent per annum up to September 2011 from 0.08 percent a year ago. The inter-bank call money rate was marginally higher than the CBO CD rate throughout 2010 and 2011 (Chart 7). While structural excess liquidity has been mopped up by weekly auction of the CBO CDs, frictional liquidity found its equilibrium among banks in the overnight call money market at a modest premium over the CBO CD rate.



Source: Central Bank of Oman.

Capital market in Oman remained subdued during 2011 so far, despite recovery of the economy. Although medium term fundamentals of the economy are robust, stock market activities mostly reflected unimpressive growth of profits of the private sector and fragile global recovery. Weak stock market sentiment prevailing in other GCC countries also impacted the Muscat Securities Market. Up to September 2011, the MSM general index declined by 13.4 percent over the end September 2010 level while the value of turnover nosedived by 15.3 percent to RO 807 million during the same period.

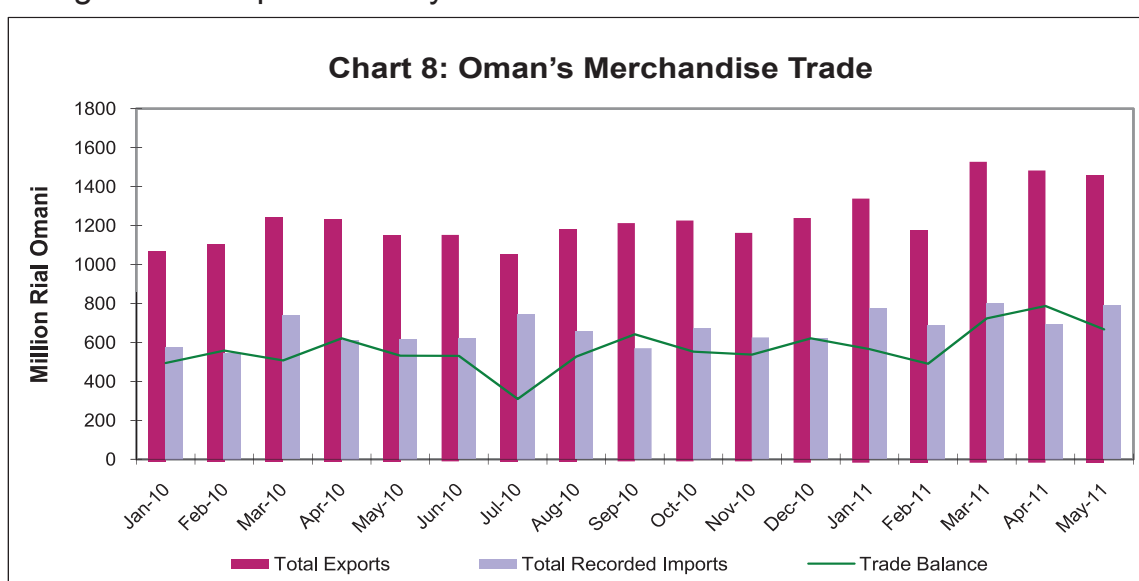
Foreign exchange market by and large worked smoothly during the first three quarters of 2011 despite turbulence in the international financial markets. Government continued to remain the main supplier of foreign exchange due to its dollar denominated oil revenues which it sells to the CBO for its local currency requirements. Commercial banks, on the other hand, purchased foreign exchange from the CBO to meet the customers' demand for foreign exchange arising from transactions related to imports, workers' remittances and other capital account transactions. Commercial banks also accept foreign currency deposits, bulk of which is denominated in the US dollar. While foreign currency deposits mostly finance foreign currency lending, commercial banks can borrow from the overseas markets within the aggregate gap limit prescribed by the CBO.

The 18-country import weighted Nominal Effective Exchange Rate (NEER) of Rial Omani, which depreciated to 88.5 up to July 2011, reversed the trend by September 2011 and stood at 90.8 compared to 92.5 in December 2010. The movement of NEER was broadly in line with the US dollar due to fixed exchange rate regime. Recent appreciation of the NEER in Oman could be

attributed to strengthening of the US dollar in the wake of the sovereign debt crisis in the euro area and flight to safety by foreign institutional investors from the emerging markets.

VI. Foreign Trade and Balance of Payments

Oman's total exports remained above RO one billion every month in 2011 so far, following recovery of crude oil prices in the international markets (Appendix Table 8). The monthly average exports during the first five months of 2011 was RO 1,396.4 million while average monthly recorded imports were RO 750 million. As a result, the average monthly merchandise trade balance improved to RO 646.4 million during the first five months of 2011 compared to RO 540.2 million during the corresponding period of 2010 (Chart 8). Improvement in the external merchandise trade balance was mainly on account of higher exports. Decomposition of exports into price effect and volume effect indicates predominance of price effect contributing to higher exports. The average price realization of Omani crude oil during the first six months of 2011 was US \$ 94.9 per barrel compared to US \$ 77.6 per barrel during the same period last year.



Source: Directorate General of Customs and Ministry of National Economy.

While oil and gas exports increased by 19.3% to RO 4,846.2 million during the first five months of 2011, non-oil exports rose by 22.9% to RO 1,205.4 million. Increase in the re-exports was also significant at 18.3% during the same period. Within the non-oil exports, the highest growth rate was achieved in case of chemical products (121.5%), followed by base metals and articles (51.5%), and plastic and rubber products (10.2%).

Although quarterly balance of payments data are not available in the public domain, the recent trend in merchandise trade indicates likely current account surplus in the first half of 2011. Workers' remittances during the first half of 2011 remained above the previous year's level. The CBO expects the external current account to witness larger surplus in 2011. Although firm data are not available on foreign investments, foreign direct investment may be sustained in 2011 while portfolio investment may remain subdued. Despite strong medium term fundamentals of the economy, portfolio investments in Oman did not pick up in 2011 due to unimpressive performance of the private sector in general and low corporate profit in particular. Despite surplus in the country's overall balance of payments position, the foreign assets of the CBO during the first three quarters of 2011 declined by 0.5 percent to RO 4,981.5 million compared to RO 5008.6 million a year ago mainly due to return of a part of dollar deposit received from the Government during the 2008 crisis.

VII. Macroeconomic Outlook

The macroeconomic situation in Oman remained optimistic in 2011. The recovery witnessed in 2010 was sustained in the first half of 2011 despite adverse global developments arising mainly due to sovereign debt crisis in Europe and elsewhere. Although global recovery has slowed down in

2011, its impact on Oman has so far been limited. Social unrest observed in certain parts of Oman during the beginning of the year subsided quickly through prudent policies pursued by the Government. The growth momentum continued to be broad-based primarily driven by public sector activities that sustained domestic demand. Notwithstanding global uncertainties, the crude oil prices in the international markets remained at an elevated level. Hence, the overall fiscal balance as well as external balance of Oman would be in a stronger position in 2011 over the previous year. Notwithstanding global uncertainties, the outlook for Oman remains positive for 2012.

Although inflation rate in 2011 so far, has been higher than that in 2010, it was, by and large, under control. As of now, the global outlook on price front remains benign and it is likely to remain so, at least during the first half of 2012 due to downside risks to global growth, particularly in the developed countries. Oman, being the importer of essential commodities, is likely to benefit from the softening trend in the prices of essential commodities prevailing in the global markets. Expansionary fiscal policy may sustain domestic demand and thereby offset the likely fall in global demand, especially for non-oil exports from Oman. In view of the above, there is scope for the CBO and the Government to pursue accommodative monetary and fiscal policies, at least in the first half of 2012 without jeopardizing macroeconomic stability of Oman.

Although there is no major fallout so far from the European debt crisis, downside risks to global recovery have increased significantly during the recent period. The growth momentum continued to remain weak in most of the developed countries. The volume of global merchandise trade is expected to decelerate in 2011 and beyond. Capital flows to the emerging

market economies remain uncertain due to 'flight to safety'. If the global situations worsen rapidly and crude oil prices tumble in the international markets, the oil exporting countries, including Oman, may be adversely affected in 2012. Global liquidity condition, however, remain in the excess mode due to ultra-accommodative monetary policy pursued by most of the developed countries. This has a potential threat to global price situation in the medium-term. The CBO is keeping a close watch on the domestic as well as international prices of essential commodities. Keeping in view sustained domestic demand and global uncertainties, the CBO keeps all options open to take proactive action depending on the evolving situation.

In addition to the global uncertainties, private sector in Oman is yet to fully regain confidence. Non-oil revenues of the Government have declined up to September 2011. Profits earned by the private sector continue to remain sluggish. This is holding back private investment in Oman despite large government expenditure envisaged in the budget for the development of the infrastructure sector. On top of it, there is pressure on the government to create more jobs, provide social security and improve governance. Going forward, the major challenge before the CBO is to strike a balance between sustained growth momentum and price stability.

So far as banking sector is concerned, it depicted sustained growth and optimism in 2011 consistent with the overall GDP growth. Although banking system is sound, resilient, well-capitalized and profitable, regulatory and supervisory concerns are being addressed by fine-tuning respective regulations to comply with international best practices. Keeping in view the lessons from the recent global financial crisis and consequent financial sector reforms suggested by the BIS and other standard setting bodies,

CBO has already initiated a number of regulatory and supervisory measures recently to improve efficiency of the country's financial system in general and the banking system in particular. Risk-based supervision, which was initiated on a pilot basis, would cover the entire banking system by the end of 2012. In order to strengthen the risk assessment procedures, the CBO has issued guidelines to banks under Pillar II for assessment of the internal capital adequacy process. Moreover, the CBO is well within the timeframe for the implementation of Basel III capital adequacy framework. In fact, CBO has identified issues and advised the banks to initiate actions to achieve the Basel III requirements within the stipulated time. Another major development relating to strengthening of regulation relates to setting up of Financial Stability Unit (FSU) within the CBO which will review and develop a set of macro-prudential indicators for Oman to assess the vulnerability of the financial system and produce financial stability report in due course.



Appendix Table 1
Gross Domestic Product at Current Market Prices
(Rial Omani Million)

Activities	2008	2009*	2010**	Jan - June 2010*	2011**	% change (11/10)
1. Industry (1.1 + 1.2)	15613.6	10642.5	14052.5	6777.7	8566.1	26.4
1.1 Petroleum Activities	11774.7	7317.2	10331.9	5112.2	6568.9	28.5
- Crude Petroleum	10915.0	6610.2	9420.0	4689.0	6090.2	29.9
- Natural Gas	859.8	707.0	911.9	423.2	478.7	13.1
1.2 Non-Petroleum Industrial Activities	3838.9	3325.3	3720.6	1665.5	1997.2	19.9
- Mining and Quarrying	70.2	82.3	84.8	42.5	44.5	4.7
- Manufacturing	2463.4	1853.3	2202.1	960.7	1215	26.5
- Electricity & Water Supply	188.9	210.3	229.8	110.1	121.6	10.4
- Building and Construction	1116.5	1179.3	1203.9	552.1	616.0	11.6
2. Agriculture & Fishing	244.0	258.6	270.3	150.1	159.3	6.1
3. Services	7650.9	7519.0	8343.2	4069.0	4541.6	11.6
- Wholesale & Retail Trade	2060.5	1730.9	1943.1	929.9	1063.0	14.3
- Hotels & Restaurants	175.9	175.1	181.3	89.2	92.7	3.9
- Transport, Storage & Communication	1176.9	1082.3	1206.1	782.2	912.6	16.7
- Financial Intermediation	846.3	856.0	899.1	443.5	486.7	9.8
- Real Estate & Business Activities	817.8	934.0	1017.3	501.1	537.6	7.3
- Public Administration & Defence	1282.1	1333.9	1500.3	466.3	706.2	51.4
- Other Services (Education, Health, Community/Personal Services, and Private Household)	1291.4	1406.8	1596.0	678.8	742.7	9.4
4. Total Non-Petroleum Activities (1.2 + 2 + 3)	11733.8	11102.9	12334.1	5884.6	6698.0	13.8
5. Less Financial Intermediation Services Indirectly Measured	359.5	420.3	465.0	221.6	253.4	14.4
6. Gross Domestic Product at Producers Prices (1.1+4-5)	23149.0	17999.8	22201.0	10775.2	13013.5	20.8
7. Plus :Taxes Less Subsidies on Products	138.8	19.9	42.1	-5.9	-12.1	106.2
8. Gross Domestic Product at Market Prices (6+7)	23287.8	18019.7	22243.1	10769.3	13001.4	20.7

* Provisional

** Preliminary

Source: Ministry of National Economy.

Appendix Table 2

Sultanate Consumer Price Index (2000 = 100)

Items of Consumption	Weights	2009	2010	Jan - Sep 2010	2011	% change (11/10)
1 Food, Beverages, and Tobacco	30.385	151.3	154.4	153.0	160.9	5.1
Cereals & Cereal Products	3.933	170.1	163.1	163.3	160.2	-1.9
Meat & Poultry	5.898	172.0	174.7	174.2	183.9	5.5
Fish & Sea Products	1.783	167.0	182.5	178.7	213.7	19.6
Milk & Milk Products	3.221	129.8	128.8	128.5	131	1.9
Eggs	0.424	182.4	174.2	175.1	173.7	-0.8
Oil & Fats	0.997	178.9	171.1	170.6	178	4.3
Fruits	3.718	151.3	153.4	151.7	159.5	5.1
Vegetables	2.347	150.6	168.9	159.6	158.2	-0.9
Dry & Canned Leguminous	0.372	170.9	167.6	167.4	168	0.4
Nuts	0.483	123.8	127.4	126.1	134.3	6.5
Salt & Spices	0.376	139.3	149.0	146.7	161.1	9.8
Sugar & Sugar Products	1.085	143.4	155.1	154.2	163.4	6.0
Tea & Coffee	0.471	124.6	121.7	121.3	123.4	1.7
Other Food Preparations	2.854	130.9	137.7	136.7	141.9	3.8
Beverages, Non - Alcoholic	1.961	108.9	112.1	112.3	139.3	24.1
Tobacco Products	0.462	108.6	109.6	109.6	117.6	7.4
2 Clothing Textiles & Footwear	7.211	104.5	104.5	104.5	104.9	0.4
3 Furniture & Housing Materials	4.989	109.4	110.1	110.2	112.8	2.4
4 Medical Care	1.727	97.4	98.0	98.1	99.8	1.8
5 Transport & Communication	22.194	107.3	110.5	110.5	112.1	1.5
6 Recreation & Entertainment	2.673	100.4	100.3	99.9	99.5	-0.4
7 Educational Services	3.322	128.4	133.5	133.5	133.9	0.3
8 Personal Care Items & Other Services	6.085	170.3	191.8	188.3	217.2	15.4
9 Rent, Electricity, Water & Fuel	21.414	129.3	134.3	133.8	137.6	2.9
General Price Index	100.0	129.5	133.7	132.9	138.5	4.2

Notes: 1. The weights are based on Household Expenditure and Income Survey, 1999-2000.

2. Data collected from all Region of Sultanate Excluding (Musandam Governorate and AL Wustta Region).

3. Data are compiled on the basis of 8101 items of goods and services from 1571 selected sources.

4. Data on Rent are collected from a sample of 1260 rented units.

Source: Ministry of National Economy .

Appendix Table 3
Public Finance
(Rial Omani Million)

Items	2008	2009	2010*	Esti- mated Budget 2011	Jan - Sep 2010	Sep 2011	% change (11/10)
REVENUES	7638.7	6748.4	7916.5	7280.0	5763.7	8314.1	44.2
Net Oil Revenues	5093.1	4490.5	5470.1	4956.0	3926.6	6386.4	62.6
Gas Revenues	909.9	731.3	929.9	920.0	676.9	806.6	19.2
Other Current Revenues	1553.8	1492.6	1464.2	1340.0	1120.2	1072.2	-4.3
Capital Revenues	68.3	24.0	29.9	48.0	23.4	13.5	-42.3
Capital Repayments	13.6	10.0	22.4	16.0	16.6	35.4	113.3
TOTAL EXPENDITURE	7560.3	7428.7	7965.3	8130.0	5875.4	7388.5	25.8
Current Expenditure	4420.4	4218.5	4791.3	4760.0	3110.8	3717.5	19.5
Defence & National Security	1775.1	1726.4	1888.2	1650.0	1284.6	1535.4	19.5
Civil Ministries	2348.4	2216.7	2613.5	2730.0	1592.6	1935	21.5
Interest Paid on Loans	50.8	45.0	37.4	75.0	23.4	25.8	10.3
Gas Production Expenditures	64.3	72.2	75.2	80.0	56.4	59.8	6.0
Oil Production Expenditures	181.8	158.2	177.0	225.0	153.8	161.5	5.0
Investment Expenditure	2280.9	2690.9	2596.8	2532.0	1734.8	1979.7	14.1
Development Expenditure for Civil Minis- tries	1188.1	1589.1	1647.5	1200.0	1061.4	1261.2	18.8
Capital Expenditure for Civil Ministries	47.2	44.8	48.5	20.0	21.8	19.2	-11.9
Oil Production Expenditures	649.1	696.1	613.5	718.0	444.3	484.1	9.0
Gas Production Expenditures	396.5	360.9	287.3	594.0	207.3	215.2	3.8
Participation & Support to Private Sector	859.0	519.3	577.2	838.0	356.4	372.8	4.6
Actual Expenses under Settlement	0.0	0.0	0.0	0.0	673.4	1318.5	95.8
SURPLUS/DEFICIT	78.4	-680.3	-48.8	-850.0	-111.7	925.6	
FINANCING	-78.4	680.3	48.8	850.0	111.7	-925.6	
Net Grants Received	-20.3	21.3	-24.7	0.0	-13.1	-47.2	
Drawing from Reserves	0.0	578.9	0.0	700.0	0.0	0.0	
Net loans Received	44.0	140.0	53.3	150.0	81.1	-29.9	
Development Bonds(Net)	-80.0	-100.0	78.0	0.0	100.0	0.0	
Remaninig Surplus	18.0	40.1	0.0	0.0	0.0	57.8	
Change in Government Accounts	-40.1	0.0	-57.8	0.0	-56.3	-906.3	

* Provisional

Source: Ministry of Finance.

Appendix Table 4
Money Supply
(In Million RO)

End of Period	Currency with public (1)	Demand Deposits (2)	Money Supply (M1) (3) =(1+2)	%Change over prev.yr. (4)	Quasi-Money * (5)	Money Supply (M2) (6)=(3+5)	% Change over prev. yr. (7)
2007							
Mar.	474.6	945.8	1420.4	12.1	3451.0	4871.4	28.2
June	514.1	1053.9	1568.0	18.6	3672.9	5240.9	31.7
Sept.	522.9	1126.6	1649.5	37.9	3815.5	5465.0	29.6
Dec.	563.4	1357.9	1921.3	56.3	4198.5	6119.8	37.2
2008							
Mar.	597.3	1725.3	2322.6	63.5	4391.3	6713.9	37.8
June	606.3	1635.2	2241.5	43.0	4782.6	7024.1	34.0
Sept	660.6	1509.6	2170.2	31.6	4949.1	7119.3	30.3
Dec.	628.6	1366.3	1994.9	3.8	5538.4	7533.3	23.1
2009							
Mar.	608.4	1573.9	2182.3	-6.0	5404.9	7587.2	13.0
June	615.7	1660.8	2276.5	1.6	5324.8	7601.3	8.2
Sept.	619.7	1619.3	2239.0	3.2	5426.8	7665.8	7.7
Dec.	624.2	1740.6	2364.8	18.5	5525.1	7889.9	4.7
2010							
Mar.	634.0	1969.1	2603.1	19.3	5672.3	8275.4	9.1
June	632.8	1958.9	2591.7	13.8	5616.6	8208.3	8.0
Sept.	648.9	2017.8	2666.7	19.1	5667.9	8334.6	8.7
Dec.	702.0	2173.9	2875.9	21.6	5908.9	8784.8	11.3
2011							
Mar.	759.4	2344.4	3103.8	19.2	5616.4	8720.2	5.4
June	795.8	2269.2	3065.0	18.3	5943.5	9008.5	9.7
Sept.	807.1	2457.5	3264.6	22.4	6228.4	9493.0	13.9

*Quasi Money = Resident time and savings deposits, margins & foreign currency deposits.

Source: Central Bank of Oman.

Appendix Table 5
Factors Affecting Broad Money (M2)
(In Million RO)

	Sept. 2010	Sept. 2011	Change in RO million. Sept.2011/10	% Change Sept.2011/10
1. Broad Money (A+B)	8334.6	9493.0	1158.4	13.9
A. Money (M1)	2666.7	3264.6	597.9	22.4
a) Currency with public	648.9	807.1	158.2	24.4
b) Demand Deposits	2017.8	2457.5	439.7	21.8
B. Quasi Money	5667.9	6228.4	560.5	9.9
(Of which foreign cy. deposits)	767.3	905.7	138.4	18.0
2. Foreign Assets (Net)	4843.0	5299.6	456.6	9.4
Central Bank	5040.6	4873.6	-167.0	-3.3
Commercial Banks	-197.6	426.0	623.6	
3. Domestic Assets	3491.6	4193.4	701.8	20.1
A) Claims on Government (net) (i-ii)	-2759.7	-3166.1	-406.4	14.7
i) Government borrowings	271.0	325.6	54.6	20.1
ii) Government Deposits (-)	3030.7	3491.7	461.0	15.2
b) Claims on Pvt. Sector	9616.7	10475.5	858.8	8.9
c) Claims on Public Enterprises	829.4	1277.3	447.9	54.0
d) Other items (net) (-)	4194.8	4393.3	198.5	4.7

Source: Central Bank of Oman.

Appendix Table 6
Combined Balance Sheet of Commercial Banks
(In Million RO)

	2009	2010	Sept. 2010	Sept. 2011	% Change Sept. 2011/10
Cash and deposits with CBO	779.4	1520.3	1044.7	823.3	-21.2
Due from H/O, branches and affiliates abroad	353.9	304.1	309.7	253.2	-18.3
Due from other banks abroad	1039.5	869.5	1296.0	1193.7	-7.9
Total Credit	9834.4	10724.3	10572.9	11882.2	12.4
a) Credit to Government	71.8	47.9	43.8	40.7	-7.0
b) Credit to public enterprises	577.6	921.8	815.4	1265.6	55.2
c) Credit to private sector	8996.3	9557.3	9523.9	10340.3	8.6
<i>Of which in foreign currency</i>	<i>1450.0</i>	<i>1328.2</i>	<i>1391.3</i>	<i>1252.0</i>	<i>-10.1</i>
d) Credit to non-residents	188.7	197.3	189.8	235.6	24.1
Securities	1814.9	1471.4	1693.9	2204.4	30.0
a) Treasury Bills	0.0	0.0	0.0	0.0	-
b) Government Development Bonds	144.2	286.2	227.2	284.9	25.4
c) CBO CDs	1389.9	804.0	1189.6	1434.0	20.5
d) Domestic Shares	95.5	135.0	102.5	116.8	14.0
e) Other domestic securities	44.5	39.3	34.2	31.5	-8.0
f) Foreign securities	140.8	206.9	140.3	337.1	140.2
Net fixed assets	110.5	177.2	126.1	174.9	38.7
Other assets	266.2	581.0	662.1	672.0	1.5
TOTAL ASSETS / LIABILITIES	14198.9	15647.7	15705.3	17203.6	9.5
Total Deposits	9175.5	10516.8	9971.3	11772.4	18.1
a) Government deposits	1833.1	2301.2	2129.5	2975.0	39.7
b) Deposits of public enterprises	724.2	864.2	746.2	906.8	21.5
c) Deposits of Private Sector	6541.5	7236.9	6983.3	7779.2	11.4
i) Demand	1698.7	2222.7	2075.4	2573.6	24.0
ii) Savings	1856.5	2111.4	1930.5	2340.5	21.2
iii) Time	2902.3	2816.5	2876.8	2771.8	-3.6
iv) Commercial prepayments	84.0	86.3	100.5	93.3	-7.1
<i>Of which in foreign currency</i>	<i>497.9</i>	<i>659.2</i>	<i>611.4</i>	<i>600.2</i>	<i>-1.8</i>
d) Deposits of non-residents	76.8	114.5	112.4	111.4	-0.9
Due to H/O, branches and affiliates abroad	145.8	152.9	216.5	511.0	136.0
Due to other banks abroad	1622.0	1048.7	1701.1	823.0	-51.6
Core capital and reserves	1906.5	2116.6	1833.4	2025.2	10.5
Supplementary capital elements	315.8	427.1	378.9	400.3	5.7
Specific provisions and reserved interest	410.9	451.4	450.9	491.0	8.9
<i>Of which general provisions</i>	<i>129.1</i>	<i>136.3</i>	<i>134.5</i>	<i>153.2</i>	<i>13.9</i>
Other Liabilities	622.3	934.2	1153.1	1180.6	2.4

Source: Central Bank of Oman

Appendix Table 7
Weighted Average Interest Rates
 (percent per annum)

	Deposit Rate			Lending Rate		
	Total RO deposits	Total FCY deposits	Total Deposits (RO+FCy)	Total RO Lending	Total FCY Lending	Total Lending (RO+FCy)
Jan-2009	2.585	2.037	2.512	7.237	3.121	6.361
Feb-2009	2.577	1.548	2.443	7.315	3.192	6.437
Mar-2009	2.513	1.355	2.370	7.234	3.078	6.355
Apr-2009	2.375	1.493	2.267	7.211	2.985	6.316
May-2009	2.350	1.407	2.232	7.211	3.018	6.308
Jun-2009	2.309	1.329	2.184	7.200	2.976	6.327
Jul-2009	2.362	1.334	2.226	7.350	2.949	6.443
Aug-2009	2.382	1.311	2.246	7.419	2.886	6.500
Sep-2009	2.363	1.274	2.222	7.399	2.963	6.490
Oct-2009	2.345	1.015	2.174	7.426	2.934	6.504
Nov-2009	2.260	0.947	2.092	7.435	2.959	6.529
Dec-2009	2.227	0.915	2.053	7.442	2.869	6.475
Jan-2010	2.183	0.888	2.010	7.472	2.885	6.495
Feb-2010	2.137	0.901	1.979	7.419	2.840	6.459
Mar-2010	2.096	0.906	1.940	7.350	2.841	6.392
Apr-2010	2.070	0.836	1.901	7.322	2.842	6.381
May-2010	2.046	0.887	1.892	7.282	2.928	6.376
Jun-2010	1.989	0.830	1.834	7.111	2.842	6.212
Jul-2010	1.988	0.778	1.821	7.039	2.844	6.187
Aug-2010	1.917	0.764	1.759	7.005	2.841	6.146
Sep-2010	1.848	0.792	1.697	6.984	2.853	6.114
Oct-2010	1.828	0.784	1.671	6.921	2.808	6.070
Nov-10	1.707	0.789	1.568	6.955	2.424	6.028
Dec-10	1.693	0.795	1.554	6.835	2.379	5.919
Jan-11	1.659	0.756	1.528	6.822	2.373	5.913
Feb-11	1.544	0.830	1.440	6.760	2.375	5.873
Mar-11	1.509	0.859	1.413	6.704	2.314	5.810
Apr-11	1.468	0.837	1.379	6.672	2.290	5.793
May-11	1.444	0.846	1.354	6.616	2.293	5.767
June-11	1.446	0.910	1.362	6.505	2.248	5.690
July-11	1.427	0.857	1.335	6.490	2.264	5.691
Aug-11	1.434	0.904	1.352	6.476	2.249	5.684
Sep-11	1.448	0.892	1.361	6.427	2.325	5.649

.Source: Central Bank of Oman

Appendix Table 8
Oman's Merchandise Trade
(In Million RO)

	Total Exports		Total Imports		Trade Balance	
	2010	2011	2010	2011	2010	2011
Jan	1068.9	1339.3	575.2	773.8	493.7	565.5
Feb	1104.6	1179.4	547.0	689.1	557.6	490.3
Mar	1244.5	1526.2	737.3	803.1	507.2	723.1
Apr	1233.4	1481.7	613.2	695.2	620.2	786.5
May	1150.2	1455.4	618.4	789.3	531.8	666.1
Jun	1151.8		620.9		530.9	
Jul	1053.8		744.6		309.2	
Aug	1182.9		656.6		526.3	
Sep	1212.0		570.7		641.3	
Oct	1225.1		673.2		551.9	
Nov	1162.1		625.4		536.7	
Dec	1240.8		620.7		620.1	

Source: Directorate General of Customs and Ministry of National Economy.



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