



# KCCI - Country Wrap: Oman (Sep'18)

## Oman – a brief overview

The inhabitants of Oman have long prospered on Indian Ocean trade. In the late 18th century, a newly established sultanate in Muscat signed the first in a series of friendship treaties with Britain. Over time, Oman's dependence on British political and military advisors increased, but it never became a British colony. An extensive modernization program has opened the country to the outside world while preserving the longstanding close ties with the UK. At the same time, Oman's moderate, independent foreign policy has sought to maintain good relations with all Middle Eastern countries. In response to protester demands, the Sultan in 2011 pledged to implement economic and political reforms. Oman successfully conducted its first municipal council elections in December 2012. Additionally, in August 2012, the Sultan announced a royal directive mandating the speedy implementation of a national job creation plan for thousands of public and private sector Omani jobs.

## Economy of Oman

Oman is a middle-income economy that is heavily dependent on dwindling oil resources. It is heavily dependent on oil and gas resources, which generates between 68% and 85% of government revenue, depending on fluctuations in commodity prices. In 2016, low global oil prices drove Oman's budget deficit to \$13.8 billion, or approximately 20% of GDP, but reduced to 12% of GDP in 2017 as government subsidies were reduced. As of January 2018, Oman has sufficient foreign assets to support its currency's fixed exchange rates. It is issuing debt to cover its deficit.

Oman is using enhanced oil recovery techniques to boost production, but it has simultaneously pursued a development plan that focuses on diversification, industrialization, and privatization, with the objective of reducing the oil sector's contribution to GDP. The key components of the government's diversification strategy are tourism, shipping and logistics, mining, manufacturing, and aquaculture.

Muscat also has notably focused on creating more Omani jobs to employ the rising number of nationals entering the workforce. However, high social welfare benefits - that had increased in the wake of the 2011 Arab Spring - have made it impossible for the government to balance its budget in light of prevalent oil prices. In response, Oman imposed austerity measures on its gasoline and diesel subsidies in 2016. These spending cuts have had only a moderate effect on the government's budget, which is projected to again face a deficit of \$7.8 billion in 2018.

## Key Industries of Oman

Key Industries of Oman are crude oil production and refining, natural and liquefied natural gas (LNG) production, construction, cement, copper, steel, chemicals and optic fiber.

## Oman's major trading commodities and partners

Oman's major export commodities are petroleum, organic chemicals, metals and fertilizers to partners China, UAE, Saudi Arabia, Qatar and India. Its main imports are machinery and transport equipment, manufactured goods, aircraft, food, iron and steel from partners UAE, India, China, Saudi Arabia, Brazil and US.

## Economic Relations between Pakistan and Oman

Relations between Oman and Pakistan are excellent close, warm, brotherly, cordial and deep. Both countries are members of UN, OIC and NAM. Oman has an embassy in Islamabad and a Consulate-General in Karachi, whereas Pakistan has an embassy in Muscat. There are over 239,000 Pakistani immigrants resident in Oman. 30% of Omanis are of Balochi origin from Pakistan's Balochistan province, having settled in Oman over a hundred years ago. Gwadar was formerly part of Oman but was sold to Pakistan on 8th September 1958. Pakistan-Oman Joint Investment Company, and Pak Oman Microfinance Bank Limited have also been established in order to enhance trade between Oman and Pakistan. The heads of govt. of the two countries have also agreed that bilateral accords on defence cooperation, business sectors, labour and manpower which are in their final stages needed to be brought to fruition.

## Bilateral Trade Relations between Pakistan and Oman

The bilateral trade relations between Pakistan and Oman are increasing. In FY18, Pakistan exported goods to Oman worth \$ 142.3Mn which is 67% higher than \$ 85.2Mn worth of exports in FY17. The volume of goods imported from Oman were recorded at \$ 234.1Mn in FY18, higher by 21.7% as compared to \$ 192.4Mn worth of imports in FY17. The trade balance, which stood at \$ 91.8Mn, has bettered by 14.9% in favor of Pakistan as compared to \$ 107.19Mn in FY17, yet it needs attention of the govt. authorities as to how Pakistan's volume of export to Oman could be enhanced. Nonetheless, trade volume has been increasing but there is also a need to enhance the overall trade volume by making joint cooperations in different fields of economy.

## Trade Agreement between Pakistan and Oman

A joint business council of Chambers of Commerce of Pakistan and Oman is being set up in Oman to further enhance trade and economic relations between both the countries.

## Trading Commodities between Pakistan and Oman

Exports to Oman mainly include cereals and meat. Major imports from Oman are POL products, iron and steel, plastics and organic chemicals.

## Potential for enhancing bilateral trade relations between Oman and Pakistan

- Oman can add to further economic cooperation with Pakistan by virtue of investments as vast prospects of investment lies in industry, livestock, energy, agriculture, information technology.

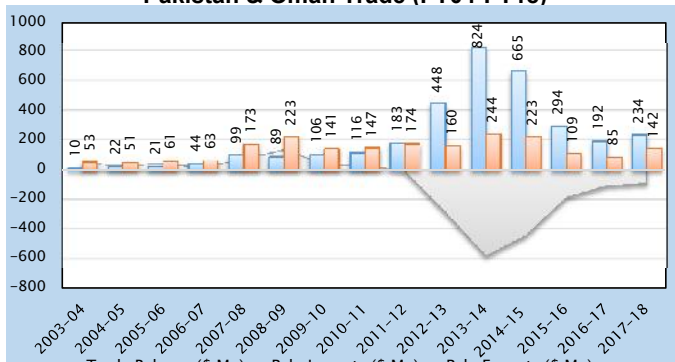
- Pakistan can tremendously benefit from Oman's technological advancement in the oil sector. Pakistan is constantly updating its infrastructure to increase LNG imports from Oman to alleviate its energy shortage.

## Economic Indicators

Indicators	Unit	2016	2017	Change
GDP (PPP)	\$ Bn	183.30	186.60	1.80%
GDP per Capita	\$	45,700	45,200	-1.09%
GDP growth	%	1.8%	-0.3%	-2.10%
Forex Reserves	\$ Bn	20.26	19.96	-1.48%
External Debt	\$ Bn	27.05	39.17	44.81%
Exports of Goods	\$ Bn	27.5	31.9	15.83%
Imports of Goods	\$ Bn	21.3	22.7	6.67%
Trade Balance	\$ Bn	6.3	9.2	47.04%
Current Account	\$ Bn	-12.32	-8.56	30.54%
FDI - at Home	\$ Bn	N/A	N/A	N/A
FDI - at Abroad	\$ Bn	N/A	N/A	N/A
CPI	%	1.1%	1.6%	0.50%
Prime Lending Rate	%	5.08%	5.4%	0.32%
Population	Mn	N/A	4.61	N/A
Unemployment	%	N/A	N/A	N/A
Literacy Rate	%	N/A	93.0%	N/A

Sources: KCCI Research, CIA Factbook

## Pakistan & Oman Trade (FY04-FY18)



Note: Trade data may differ from Trademap, UNCom Trade & PPS  
Source: KCCI Research, SBP

## Oman's Top 10 Trade Items (2017)

Imports Items	(\$ Mn)	Exports Items	(\$ Mn)
Machinery & appliances	2,795.12	Mineral fuels & oils	20,963.27
Commodities NES	2,247.50	Commodities NES	1,076.62
Electrical machinery	1,455.96	Organic chemicals	984.48
Aircraft & parts	1,182.06	Ores, slag and ash	800.27
Articles of Iron & steel	1,074.94	Iron & Steel	588.86
Natural or cultured pearls	1,033.08	Aluminium & articles	475.31
Iron & Steel	801.09	Fertilisers	467.09
Mineral fuels & oils	698.06	Plastics & articles	401.63
Ores, slag and ash	624.65	Electrical machinery	346.31
Plastics	573.38	Machinery & appliances	303.80

Sources: KCCI Research, Trademap

## Pakistan - Oman Top 10 Trade Items (2017)

Pakistan Export Items	(\$ Mn)	Pakistan Imports Items	(\$ Mn)
Cereals	64.45	Mineral fuels & oils	272.11
Meat & edible meat offal	10.06	Plastics & articles	34.84
Edible fruit & nuts	6.85	Iron & steel	6.62
Machinery & appliances	4.73	Machinery & appliances	1.23
Cotton	3.23	Man-made filaments	1.09
Edible vegetables & roots	3.10	Sugars & confectionery	1.01
Plastics & articles	2.88	Cotton	0.90
Salt, sulphur, earths & stones	2.69	Salt, sulphur, earths & stones	0.79
Made-up textile articles	2.48	Animal or vegetable fats & oils	0.69
Prep of vege, fruit, nuts	2.10	Aluminium & articles	0.67

Sources: KCCI Research, Trademap