



Oman Economic Outlook for 2015 and Beyond Bank Muscat

Hatem Al-SHANFARI

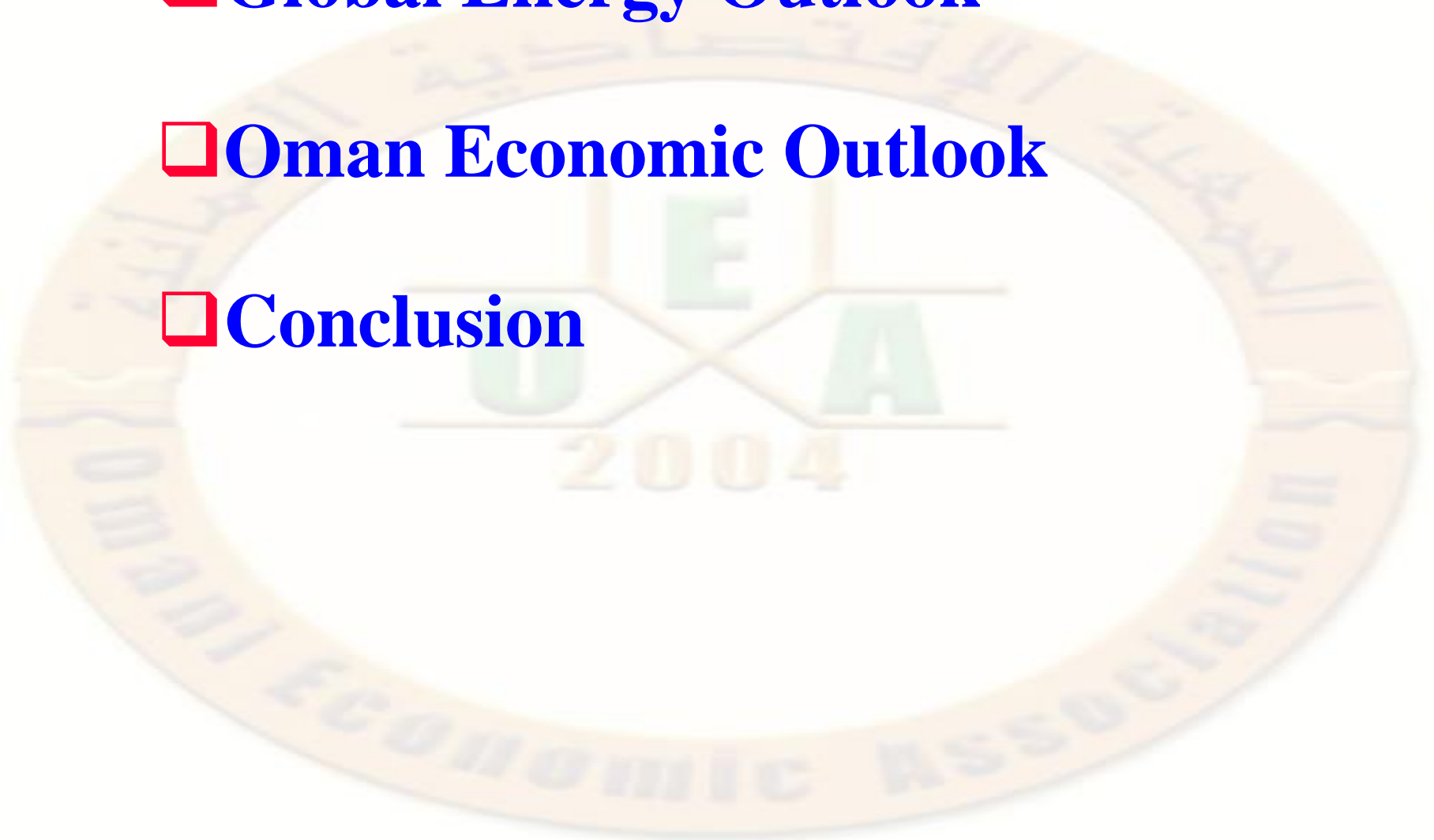
Deputy Chairman

The Omani Economic Association

23 October 2014

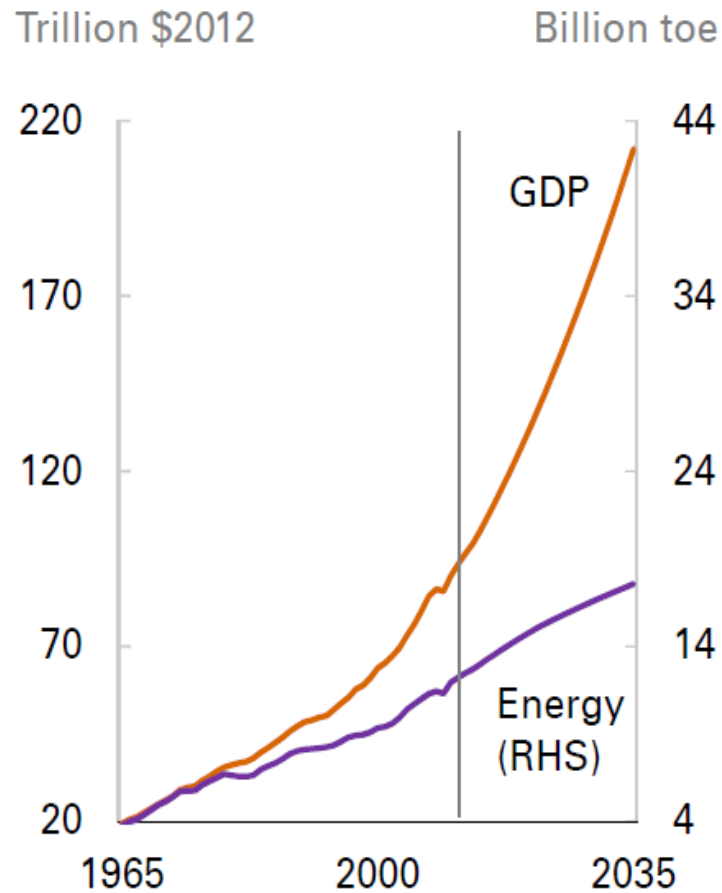
Outline of the Presentation

- ☐ **Global Energy Outlook**
- ☐ **Oman Economic Outlook**
- ☐ **Conclusion**

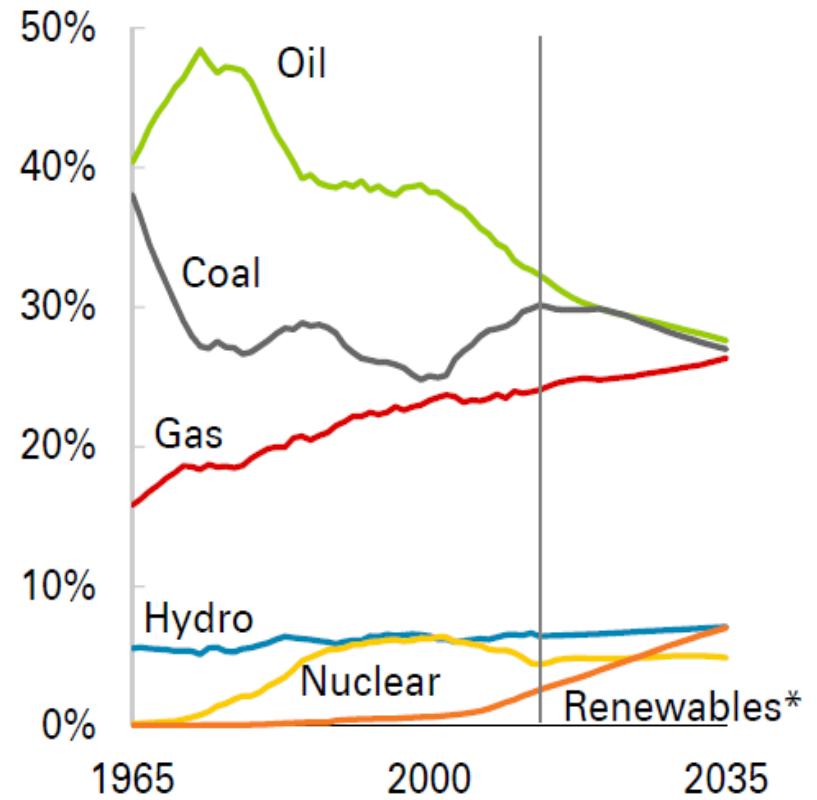


Energy is gradually decoupling from economic growth...

GDP and energy



Shares of primary energy

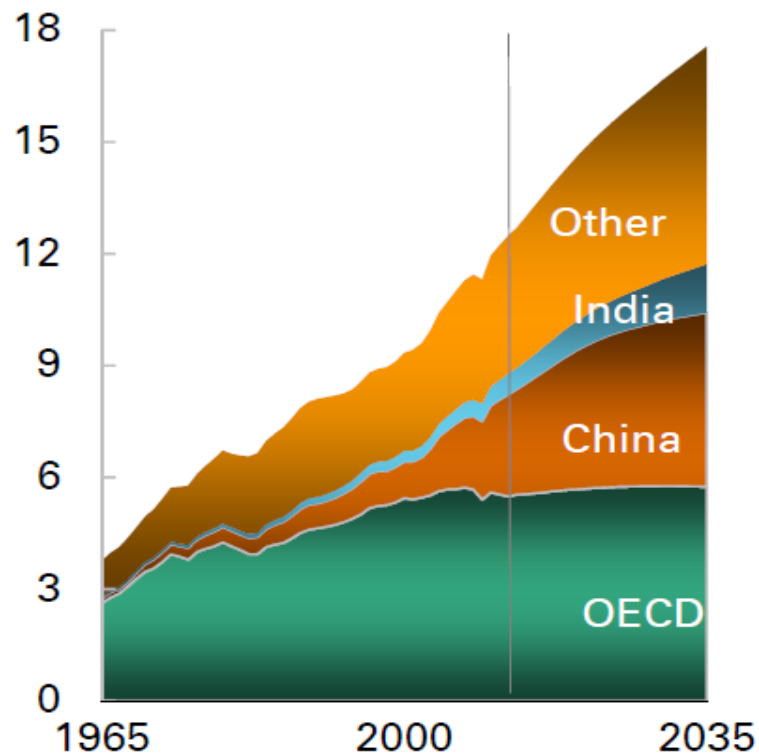


*Includes biofuels

Primary energy consumption growth slows...

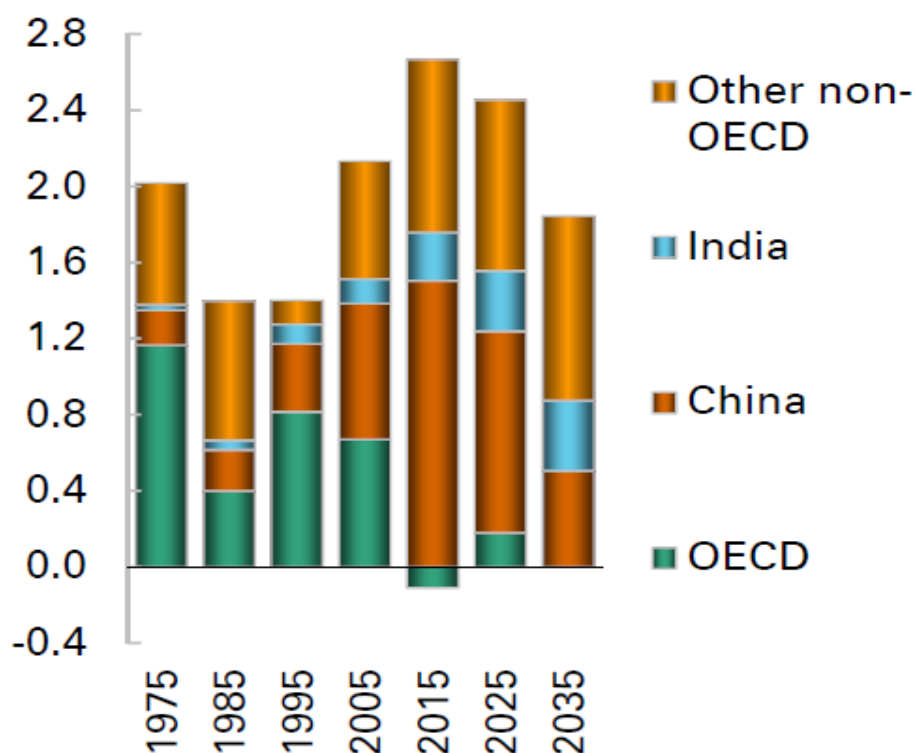
Consumption by region

Billion toe



Ten year increments by region

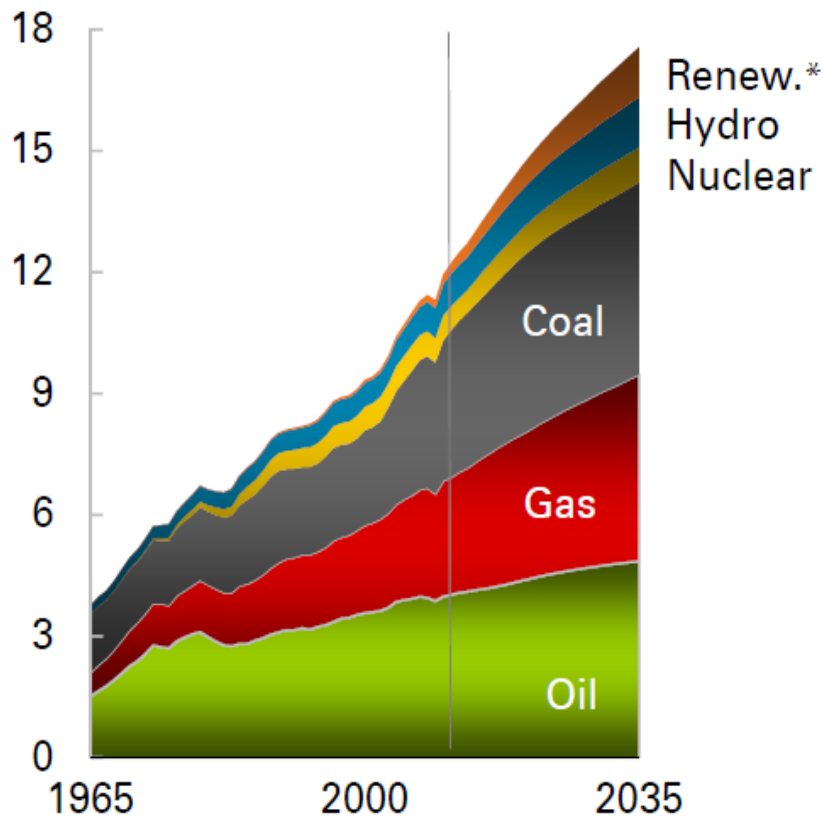
Billion toe



The slowdown in China and industry...

Consumption by fuel

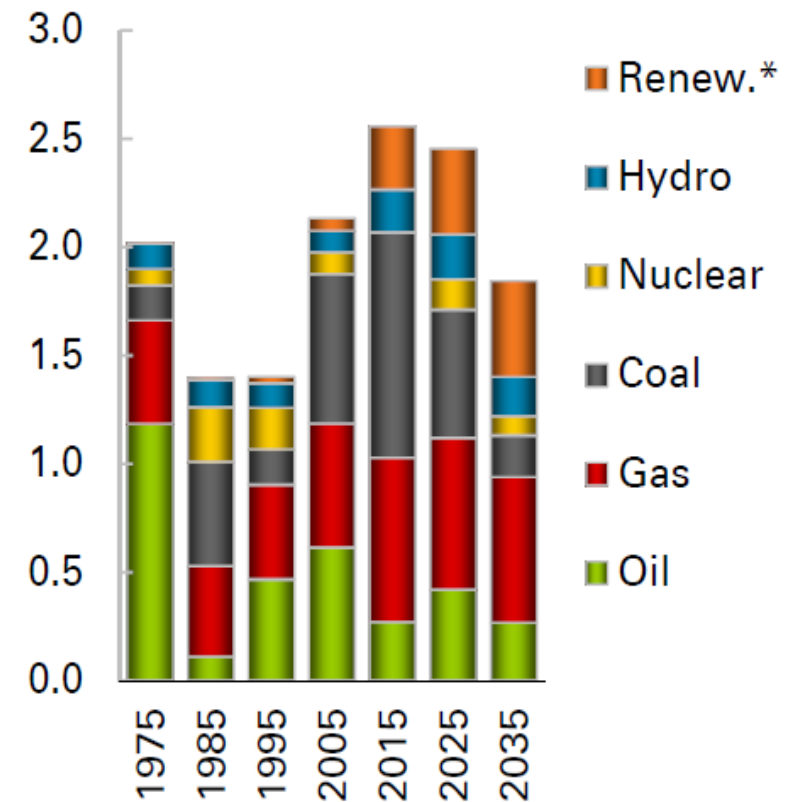
Billion toe



*Includes biofuels

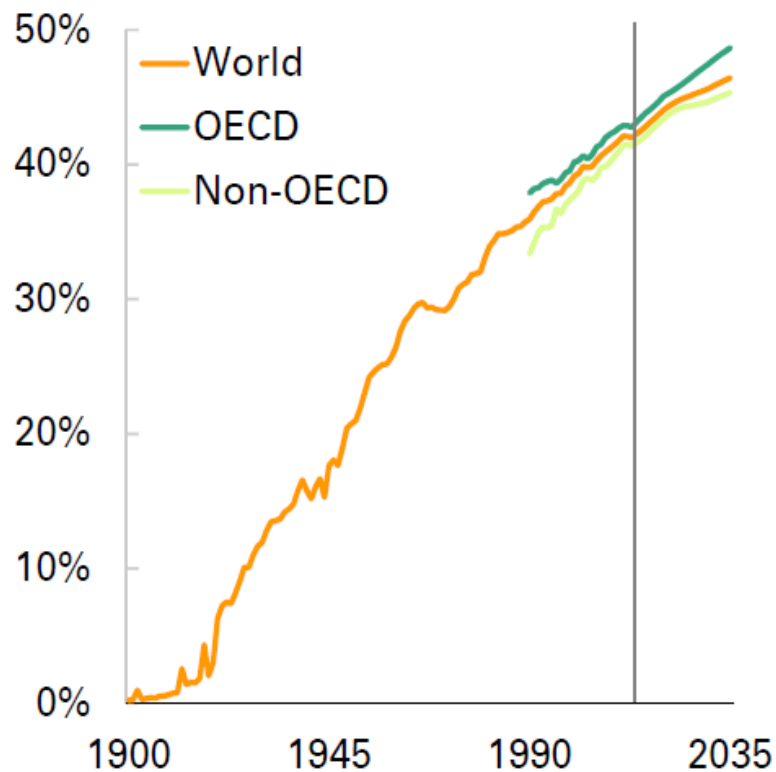
Ten year increments by fuel

Billion toe

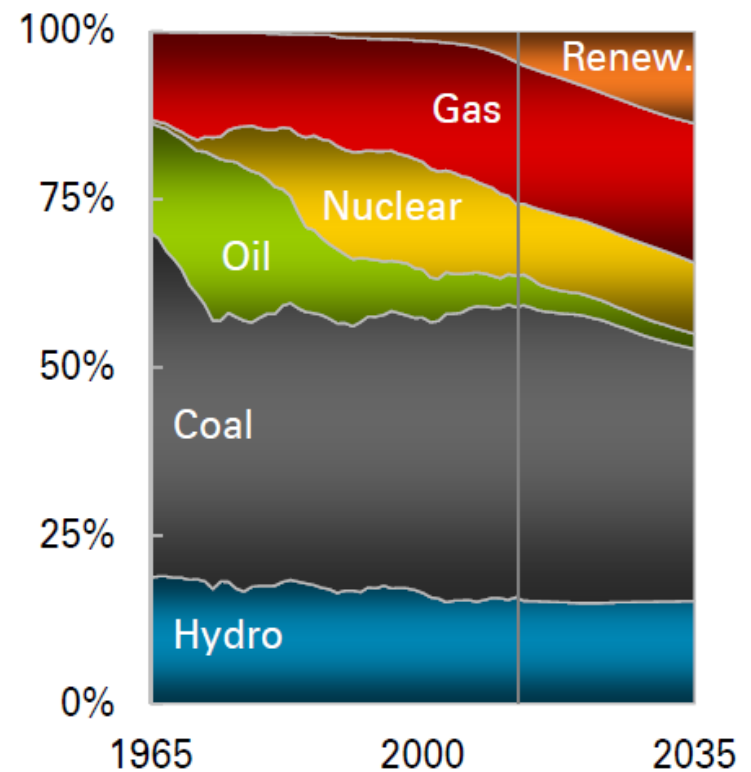


The power sector takes an increasing share of energy...

Inputs to power as a share of total primary energy

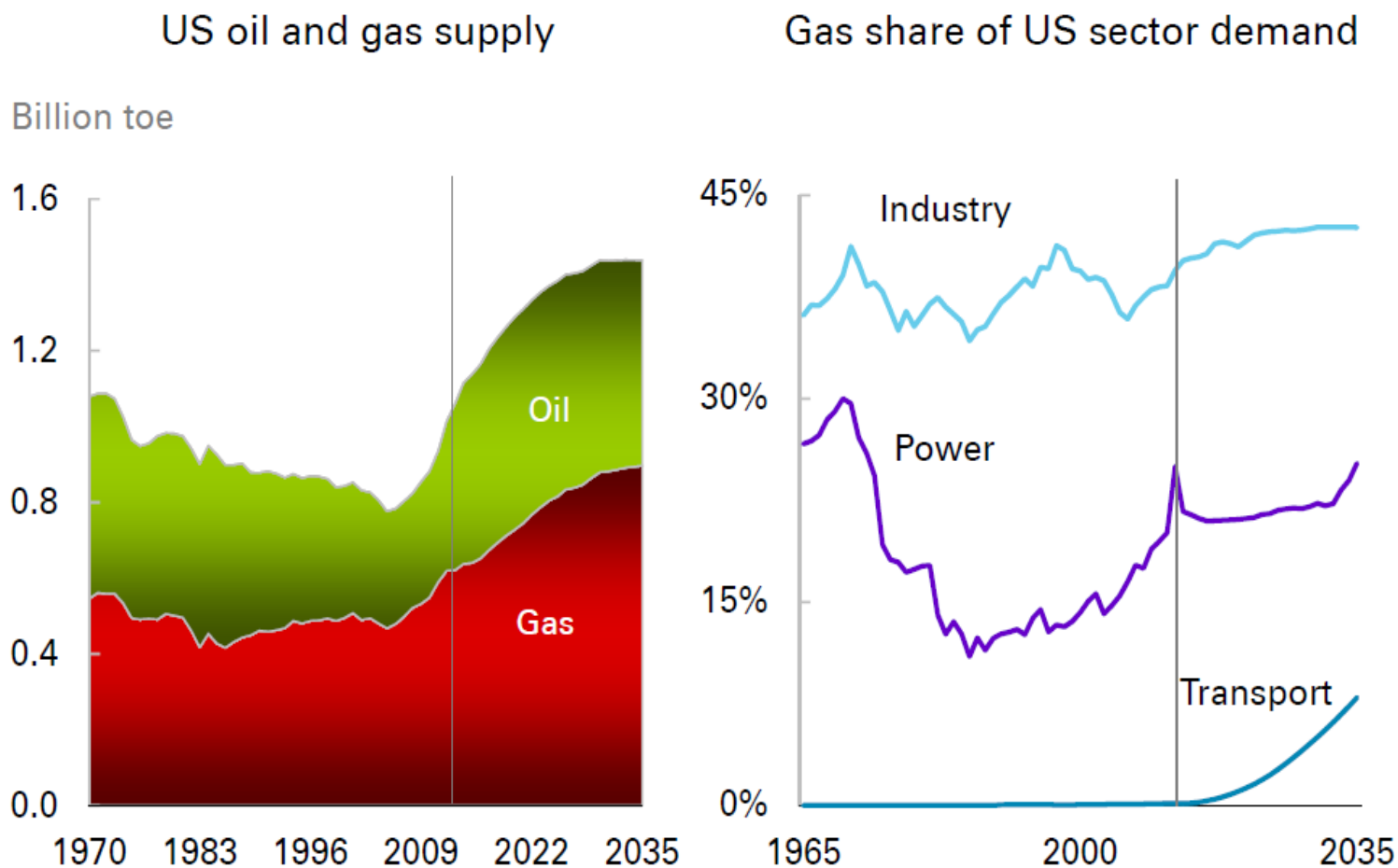


Primary inputs to power





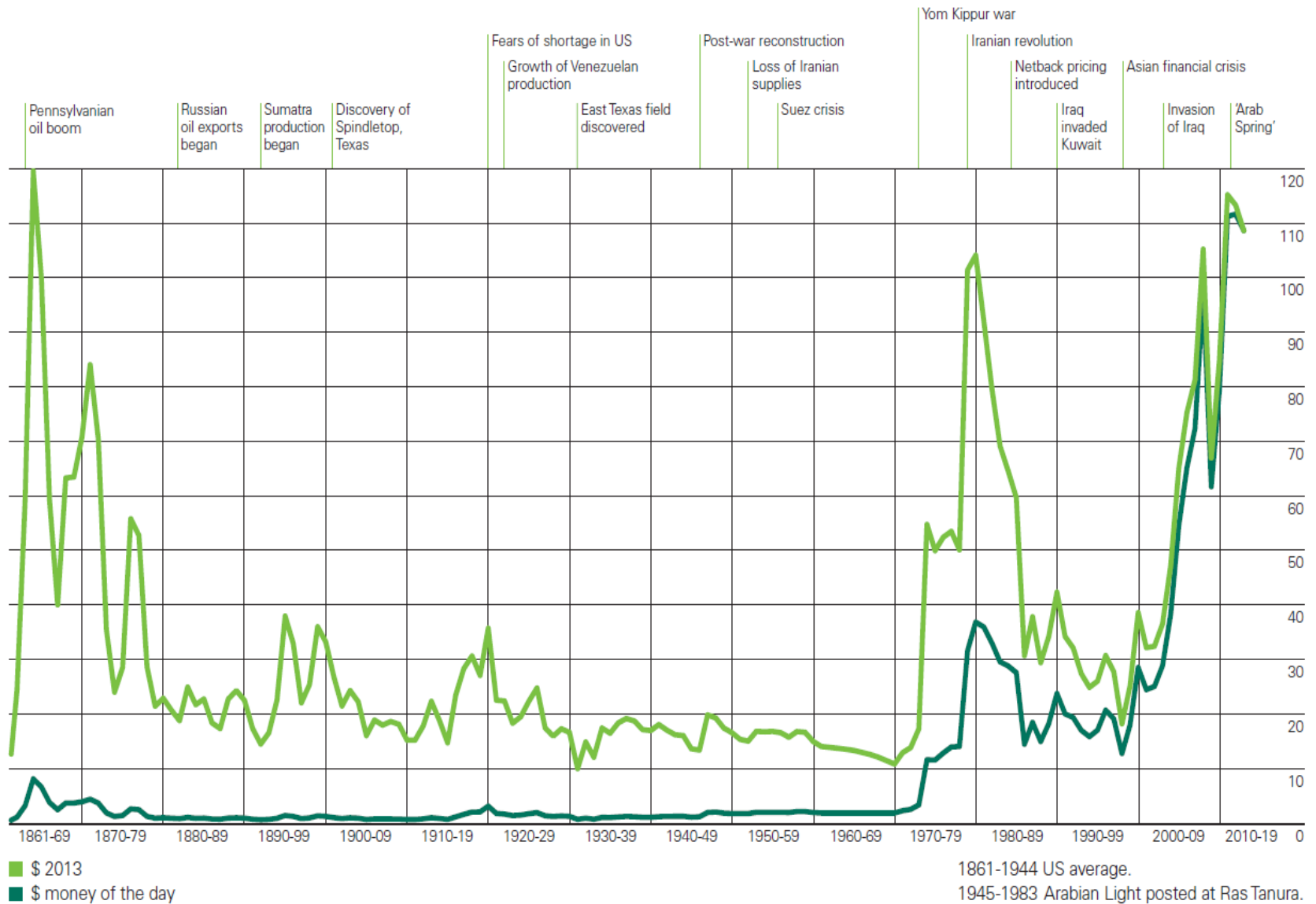
The shale revolution in the US provides an example...



Crude oil prices 1861-2013

US dollars per barrel

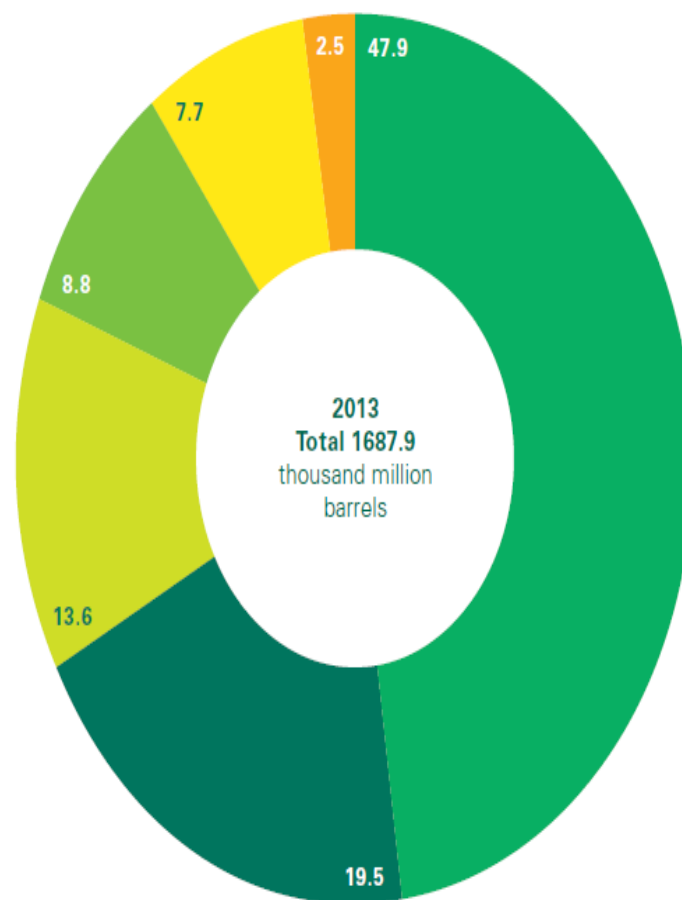
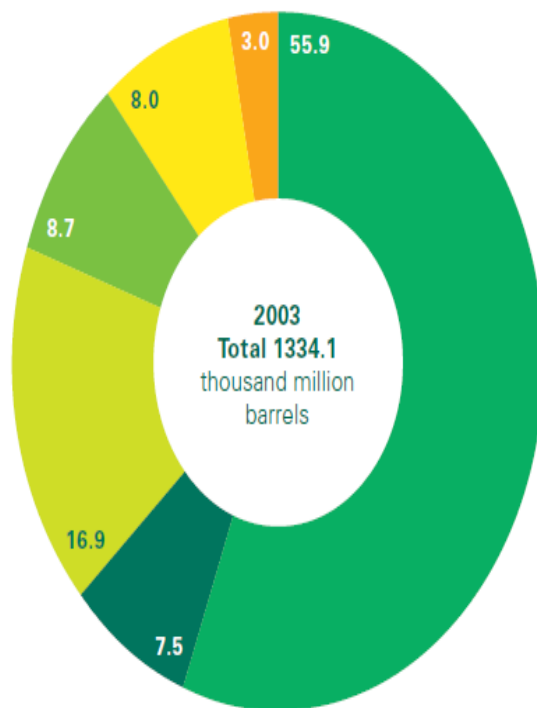
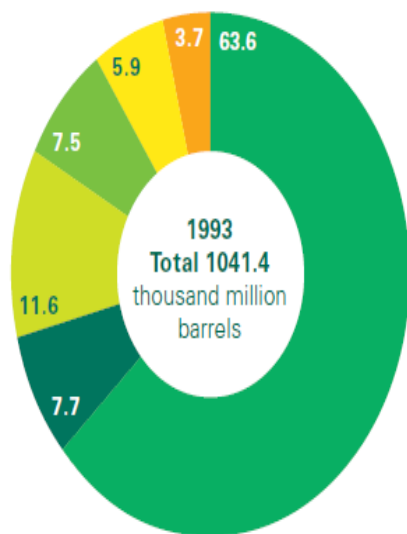
World events



Distribution of proved reserves in 1993, 2003 and 2013

Percentage

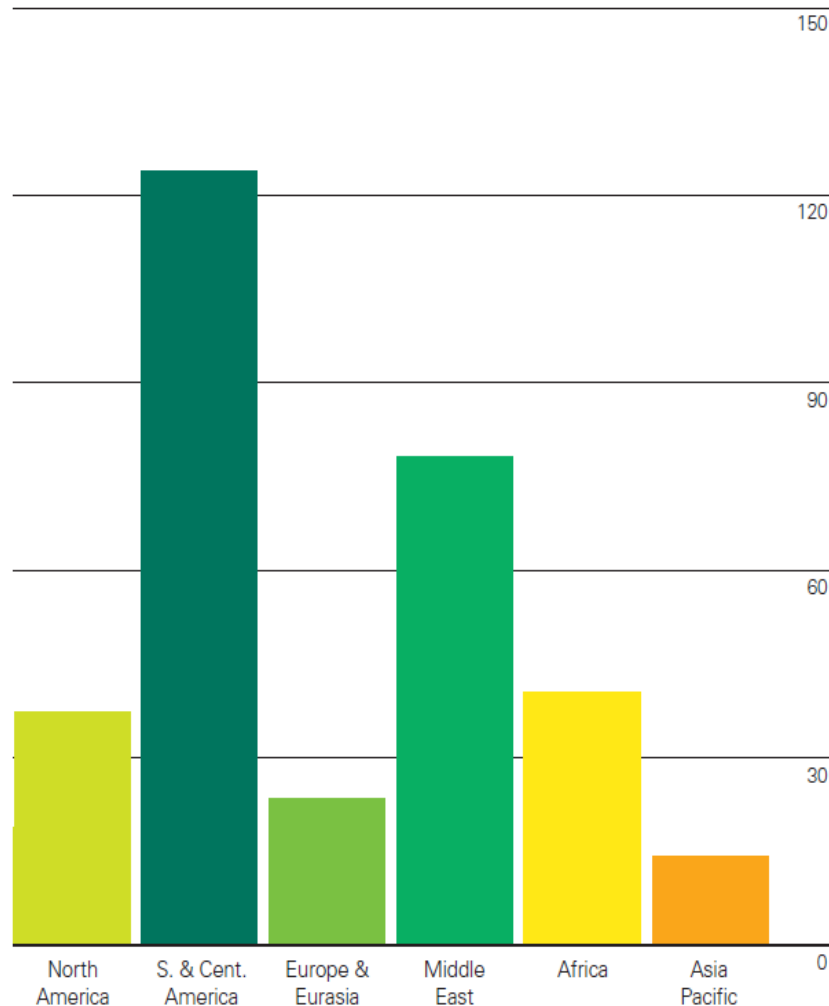
- Middle East
- S. & Cent. America
- North America
- Europe & Eurasia
- Africa
- Asia Pacific



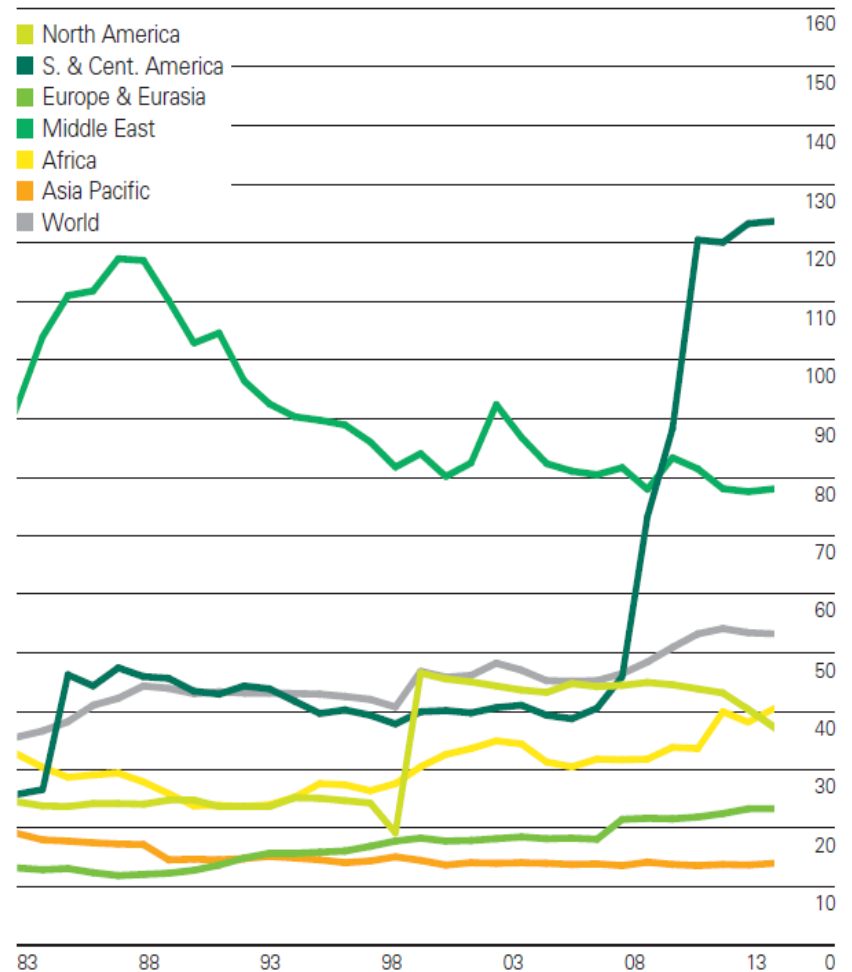
Reserves-to-production (R/P) ratios

Years

2013 by region



History

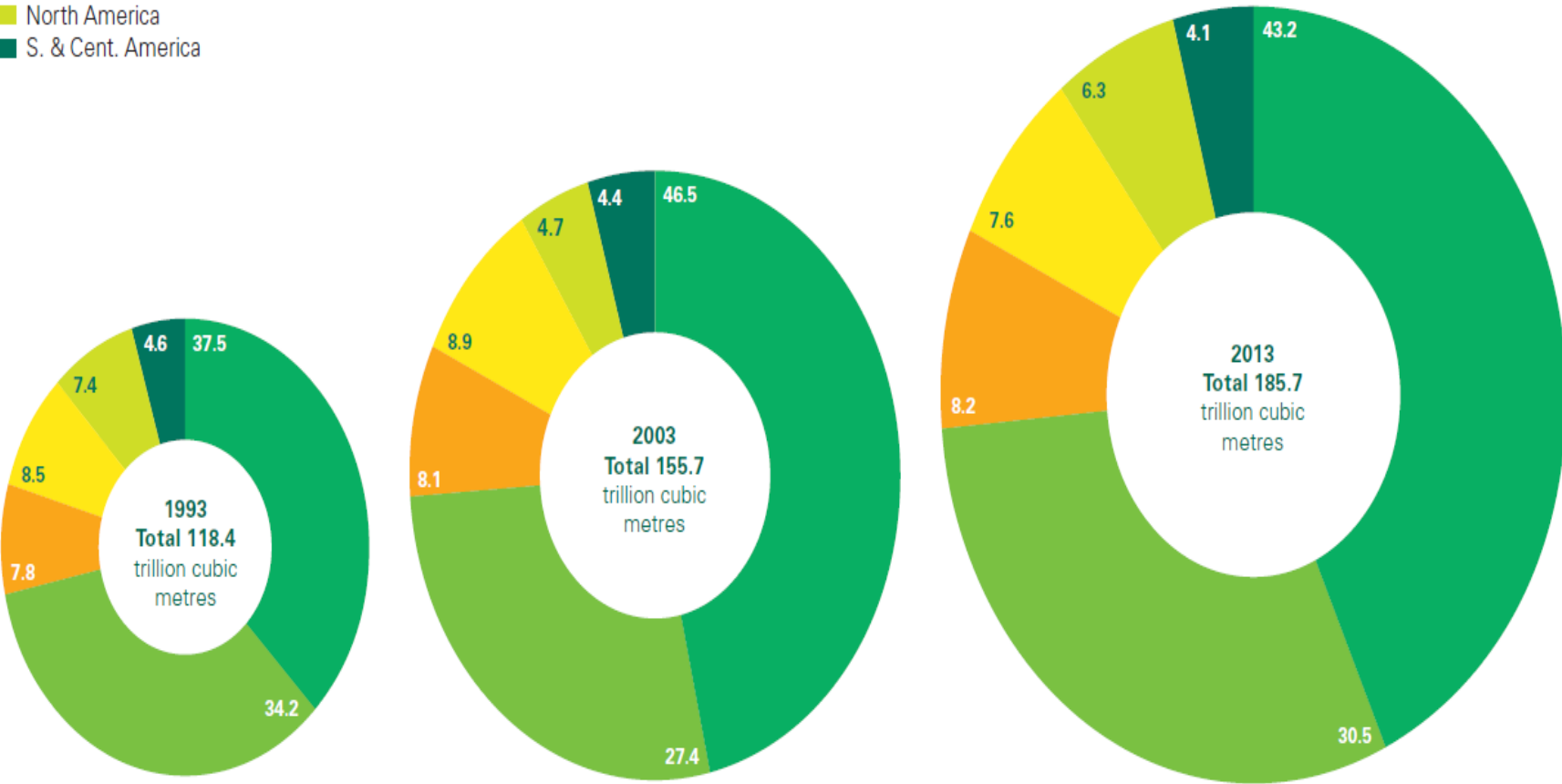


Total world proved oil reserves reached 1687.9 billion barrels at the end of 2013, sufficient to meet 53.3 years of global production. The largest additions to reserves came from Russia, adding 900 million barrels and Venezuela adding 800 million barrels. OPEC members continue to hold the majority of reserves, accounting for 71.9% of the global total. South & Central America continues to hold the highest R/P ratio. Over the past decade, global proved reserves have increased by 27%, or over 350 billion barrels.

Distribution of proved reserves in 1993, 2003 and 2013

Percentage

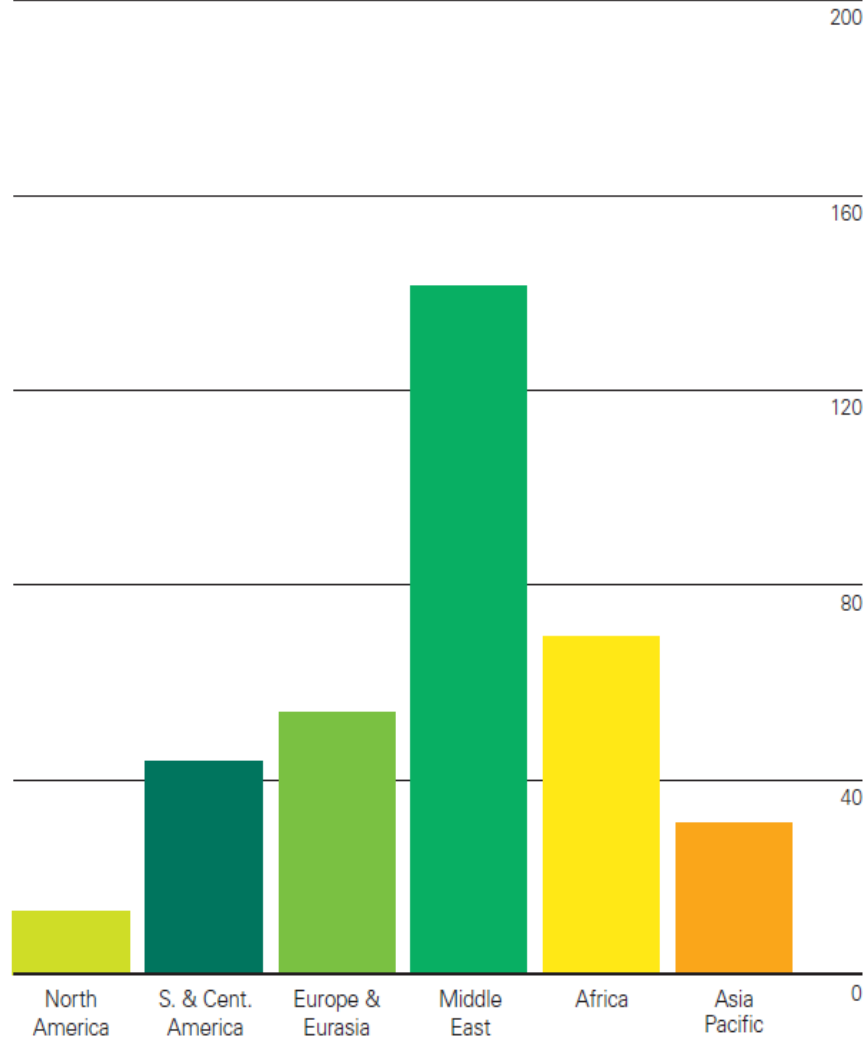
- Middle East
- Europe & Eurasia
- Asia Pacific
- Africa
- North America
- S. & Cent. America



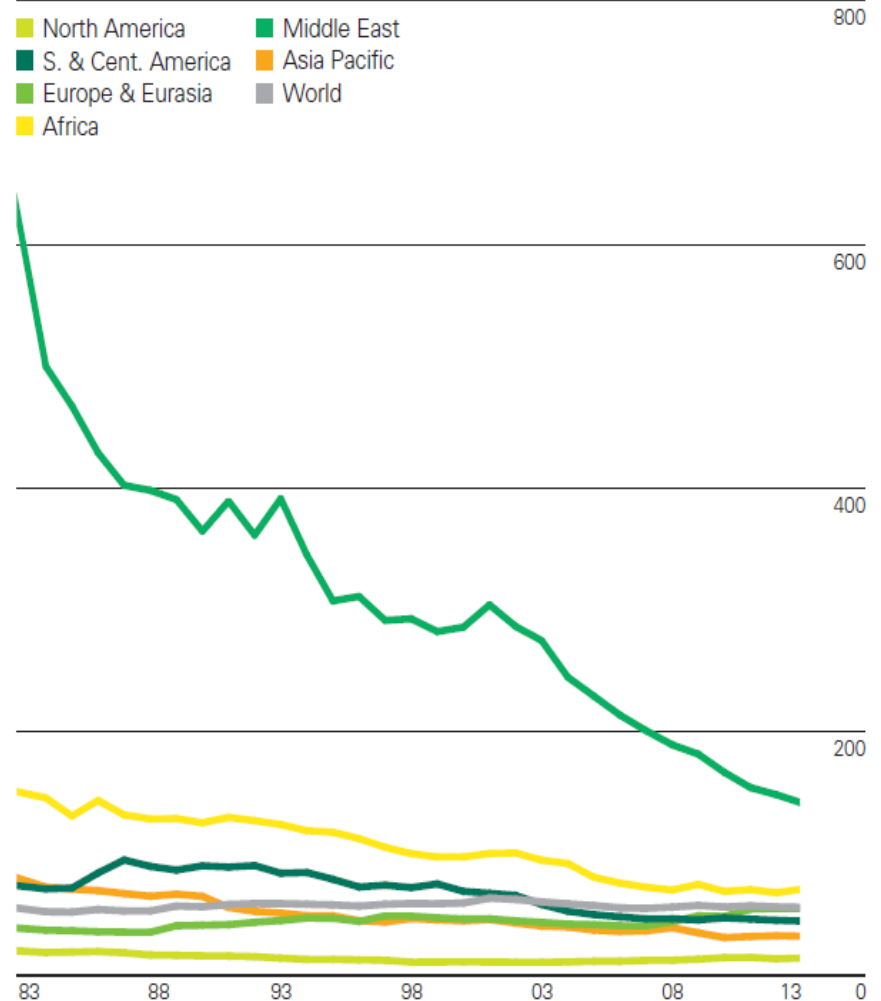
Reserves-to-production (R/P) ratios

Years

2013 by region



History



World proved natural gas reserves at end-2013 stood at 185.7 trillion cubic metres (tcm), sufficient to meet 55.1 years of global production. Proved reserves grew by 0.2% relative to end-2012 data. An increase in the US (+7.1%) accounted for all of the net growth in global proved reserves in 2013. Iran (33.8 tcm) and Russia (31.3 tcm) hold the largest proved reserves.



**How prepared are we
for another shock?**

Fiscal Shocks

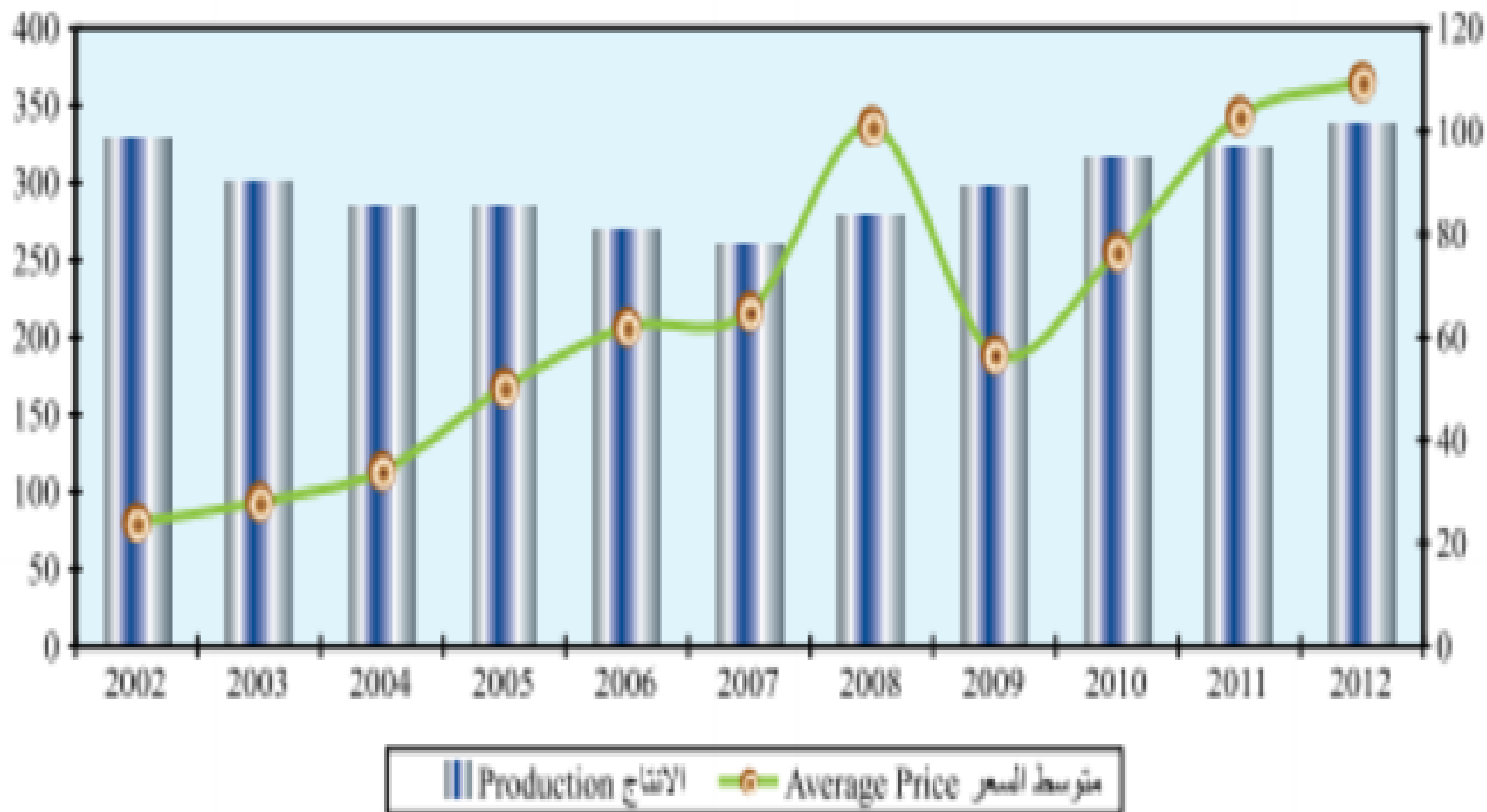
- 1986
- 1997
- 2008
- ????



إنتاج النفط الخام وأسعار النفط Production of Crude Oil & Prices

مليون برميل , Mn.BBL

دولار أمريكي /BBL , US\$/BBL



Oil Prices

US dollars per barral

120
100
80
60
40
20
0

2009

2010

2011

2012

2013

2014

2015

Budget

45

50

58

75

85

85

Breakeven

61

67

78

80

89

104

108

Actual

57

77

106

110

106

105

	2009	2010	2011	2012	2013	2014	2015
Budget	45	50	58	75	85	85	
Breakeven	61	67	78	80	89	104	108
Actual	57	77	106	110	106	105	

Oil Prices - Growth Rates

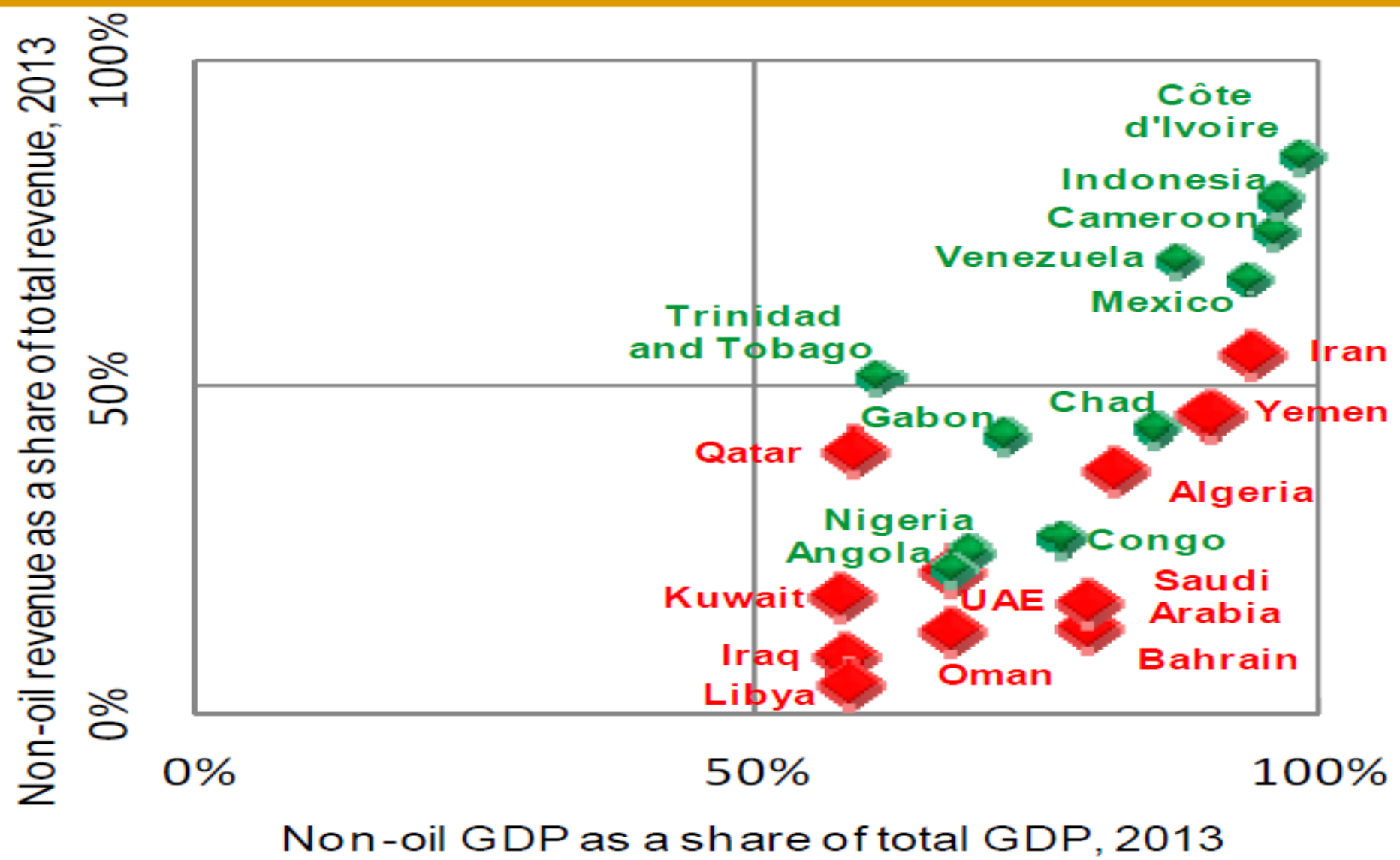
	2010	2011	2012	2013	2014	2015
Budget	11%	16%	29%	13%	0%	
Breakeven	10%	16%	3%	11%	17%	4%
Actual	35%	38%	4%	-4%	-1%	

Budget Estimates & Actuals (Rial Omani Million)					
Items	2012 Budget	2012 Actual	% change actual 2012/ budget 2012	2013 Budget	% Change budget 2013/12
TOTAL REVENUES	8800.0	14080.3	60.0	11155.0	26.8
Net Oil Revenues	6100.0	10437.1	71.1	8055.0	32.0
Gas Revenues	1100.0	1583.7	44.0	1300.0	18.2
Other Current Revenues	1570.0	2033.7	29.5	1780.0	13.4
Capital Revenues	23.0	13.0	-43.5	15.0	-34.8
Capital Repayments	7.0	12.8	82.9	5.0	-28.6
TOTAL EXPENDITURE	10000.0	13555.0	35.6	12855.0	28.6
Current Expenditure	6445.0	8772.6	36.1	8125.0	26.1
Defence & National Security	2585.0	4742.5	83.5	3555.0	37.5
Civil Ministries	3475.0	3503.2	0.8	4070.0	17.1
Oil Production Expenditures	250.0	392.7	57.1	360.0	44.0
Gas Production Expenditures	90.0	88.9	-1.2	80.0	-11.1
Interest Paid on Loans	45.0	45.3	0.7	60.0	33.3
Investment Expenditure	2710.0	2886.5	6.5	3145.0	16.1
Development Expenditure for Civil Ministries	1400.0	1650.3	17.9	1800.0	28.6
Capital Expenditure for Civil Ministries	25.0	58.2	132.8	30.0	20.0
Oil Production Expenditures	650.0	659.9	1.5	660.0	1.5
Gas Production Expenditures	635.0	518.1	-18.4	655.0	3.1
Participation & Support to Private Sector	845.0	1895.9	124.4	1585.0	87.6
SURPLUS/DEFICIT	-1200.0	525.3	-143.8	-1700.0	41.7

Budget Estimates & Actuals (Rial Omani Million)					
Items	2013 Budget	2013 Actual	% change actual 2013/ budget 2013	2014 Budget	% Change budget 2014/13
TOTAL REVENUES	11155.0	13907.6	24.7	11700.0	4.9
Net Oil Revenues	8055.0	10429.5	29.5	8150.0	1.2
Gas Revenues	1300.0	1495.3	15.0	1500.0	15.4
Other Current Revenues	1780.0	1931.0	8.5	2000.0	12.4
Capital Revenues	15.0	30.2	101.3	20.0	33.3
Capital Repayments	5.0	21.6	332.0	30.0	—
TOTAL EXPENDITURE	12855.0	13990.2	8.8	13500.0	5.0
Current Expenditure	8125.0	8822.0	8.6	8664.0	6.6
Defence & National Security	3555.0	4494.2	26.4	3700.0	4.1
Civil Ministries	4070.0	3848.5	-5.4	4487.0	10.2
Oil Production Expenditures	360.0	343.9	-4.5	340.0	-5.6
Gas Production Expenditures	80.0	81.8	2.2	92.0	15.0
Interest Paid on Loans	60.0	53.6	-10.7	45.0	-25.0
Investment Expenditure	3145.0	3120.0	-0.8	3228.0	2.6
Development Expenditure for Civil Ministries	1800.0	1744.3	-3.1	1800.0	0.0
Capital Expenditure for Civil Ministries	30.0	60.7	102.3	38.0	26.7
Oil Production Expenditures	660.0	752.7	14.0	690.0	4.5
Gas Production Expenditures	655.0	562.3	-14.2	700.0	6.9
Participation & Other Expenses	1585.0	2048.2	29.2	1608.0	1.5
SURPLUS/DEFICIT	-1700.0	-82.6	-95.1	-1800.0	5.9

Non-oil revenues remain low

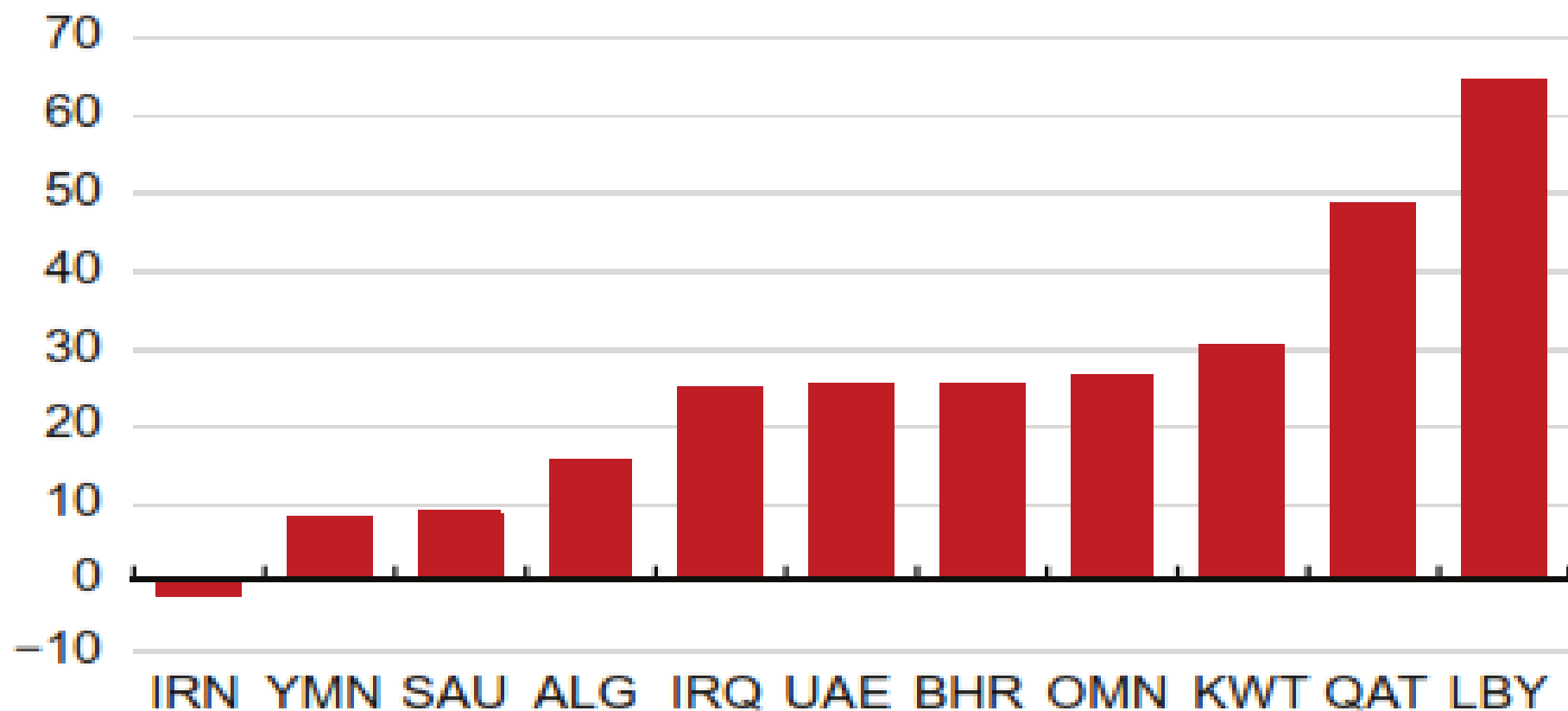
(Diversification in MENAP and comparator oil exporters)



Sources: National authorities; and IMF staff calculations.

Government Wage Bills Rising Fast

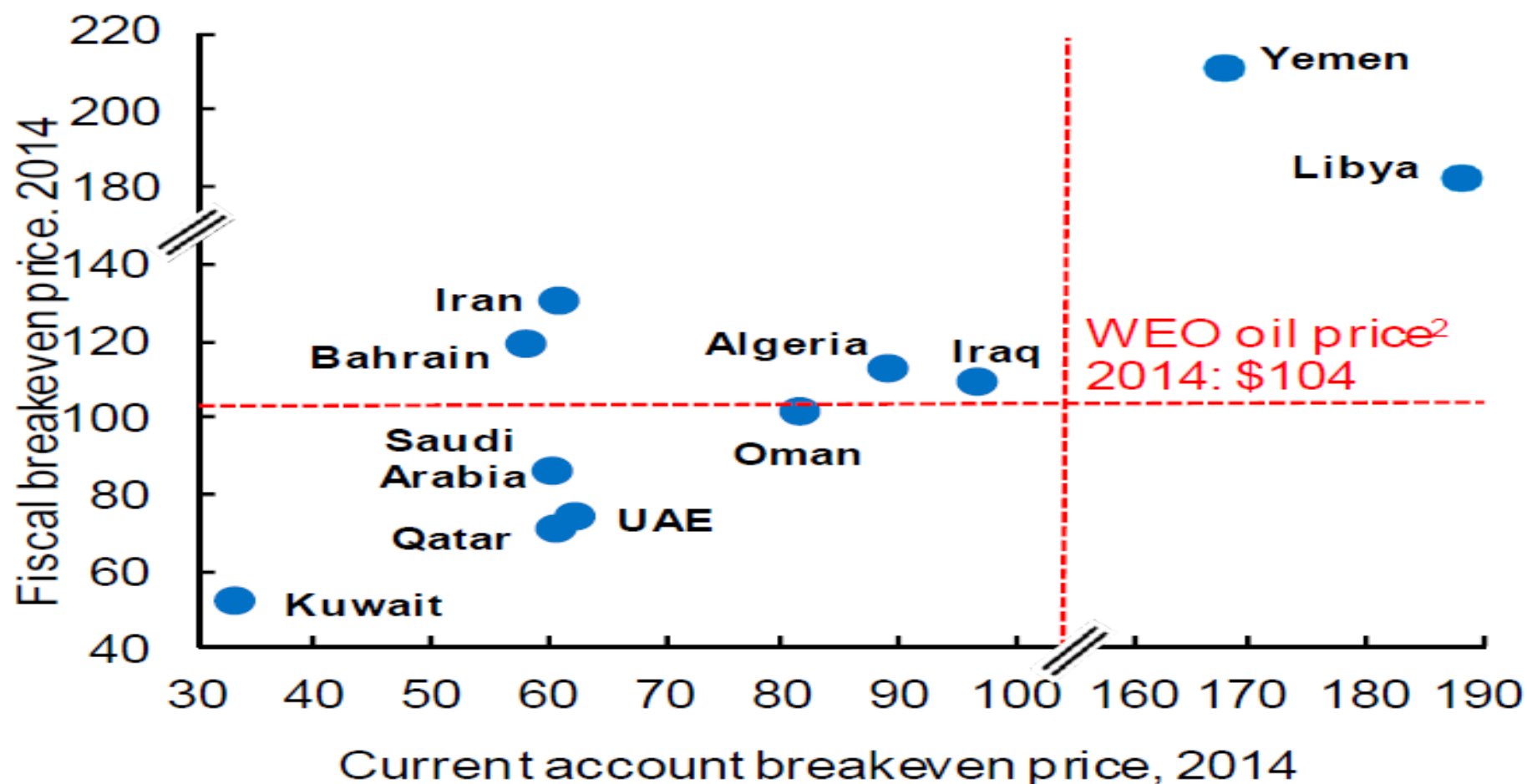
(Real wages and salary expenditures, 2010–13, percent change, national currency deflated by CPI inflation)



Sources: National authorities; and IMF staff estimates.

Most countries vulnerable to cheaper oil

(Breakeven oil prices, U.S. dollars per barrel)¹



Sources: National authorities; and IMF staff calculations.

¹ 2013 breakeven prices for Yemen.

² Simple average of UK Brent, Dubai, and West Texas Intermediate spot prices.

Oman Economic Outlook



Oman: Proved Reserves (at end 2013)

	Share of World Total	Reserves/Production ratio (years)
Crude Oil	0.3 %	16
Natural Gas	0.5 %	31

Source: BP Statistical Review of World Energy June 2014

Table 22. Gross Official Reserves

(Billions of U.S. dollars)

	Average	Projections						
	2000–08	2009	2010	2011	2012	2013	2014	2015
MENAP	432.4	994.5	1,084.2	1,206.0	1,371.2	1,490.7	1,568.4	1,631.2
Oil exporters	361.5	857.3	934.2	1,082.9	1,268.3	1,388.5	1,456.3	1,507.1
Algeria	57.4	148.9	162.2	182.2	190.7	194.0	198.0	198.5
Bahrain	2.2	3.5	4.8	4.2	4.9	4.7	5.6	6.1
Iran, I.R. of	40.6	71.7	70.8	92.2	104.4	108.2	111.1	111.4
Iraq	...	44.3	50.6	61.1	70.3	77.7	80.1	82.7
Kuwait	10.2	17.7	18.7	23.0	25.8	27.5	29.2	31.1
Libya	40.0	100.3	101.8	111.6	123.4	122.5	104.7	89.0
Oman	5.1	12.2	13.1	14.5	14.3	16.6	18.7	20.4
Qatar	4.4	18.8	31.1	16.7	33.1	42.1	46.6	49.7
Saudi Arabia ¹	156.8	408.1	443.2	536.2	648.7	718.4	774.0	813.0
United Arab Emirates	26.2	25.5	32.8	37.2	47.1	71.8	84.1	100.7

Table 4.8
Government Debt Indicators
(Rial Omani Million)

Items	2009	2010	2011	2012	2013*	% Change 2013/12
1. Stock of Debt (RO mn.)	1044.8	1136.2	1247.2	1360.5	1486.5	9.3
2. Principal Repayments (RO mn.)	213.6	169.0	47.2	115.8	164.5	42.1
3. Interest Payments (RO mn.)	45.0	37.4	38.1	45.3	53.6	18.3
4. Debt Indicators* *						
(a) Debt to GDP ratio (%)	5.6	5.0	4.7	4.6	4.9	—
(b) Debt Services Ratio (%)***	0.8	0.5	0.4	0.4	0.5	—

* Provisional

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

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

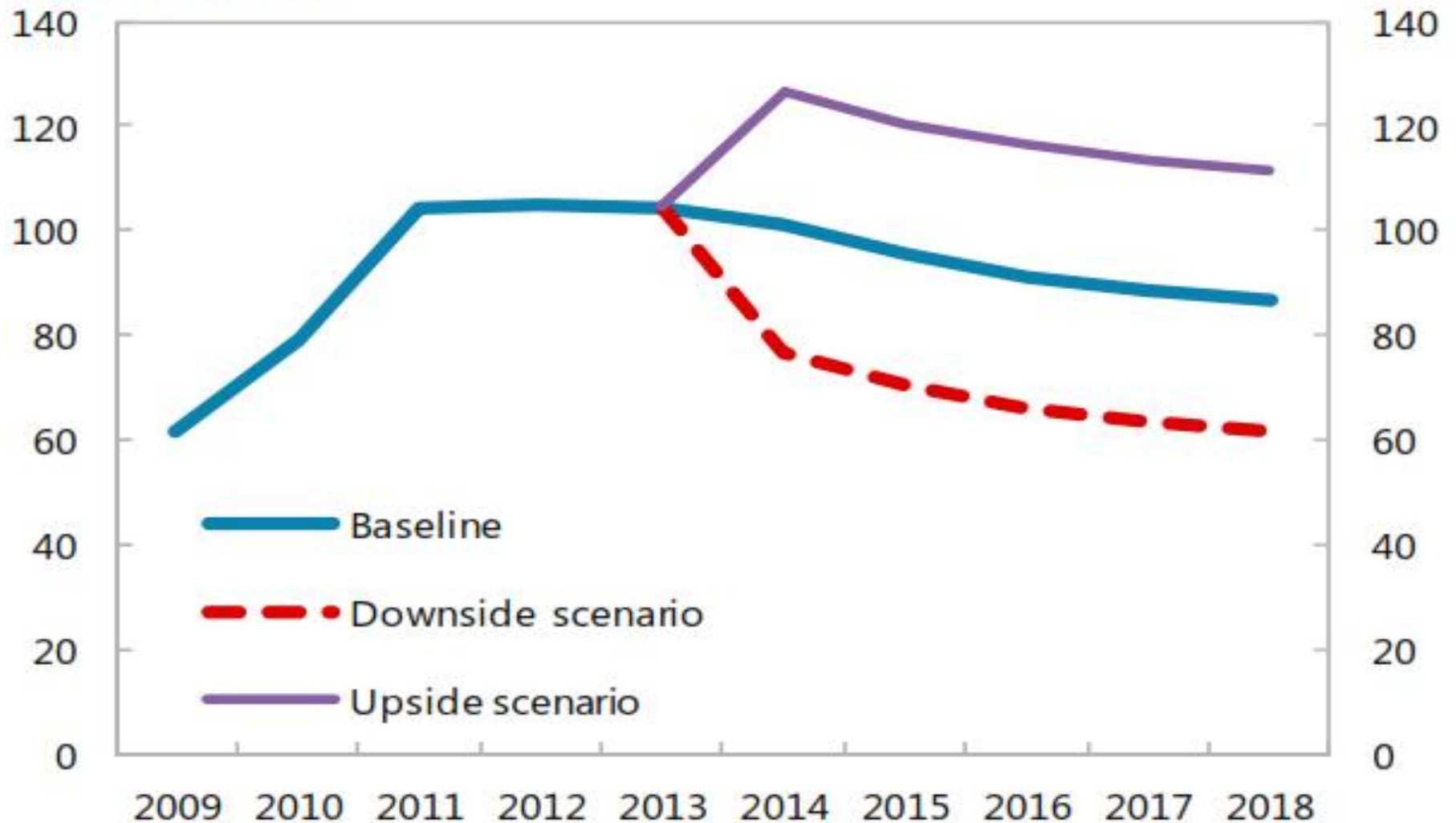
Source : Ministry of Finance.

Conclusion



Figure 9. Oil Price Risk Scenarios

Oil Price Assumptions
(USD per barrel)



Source: IMF



Thank you