

Geared to exploit opportunities

Emerging trends in Oman's oil industry

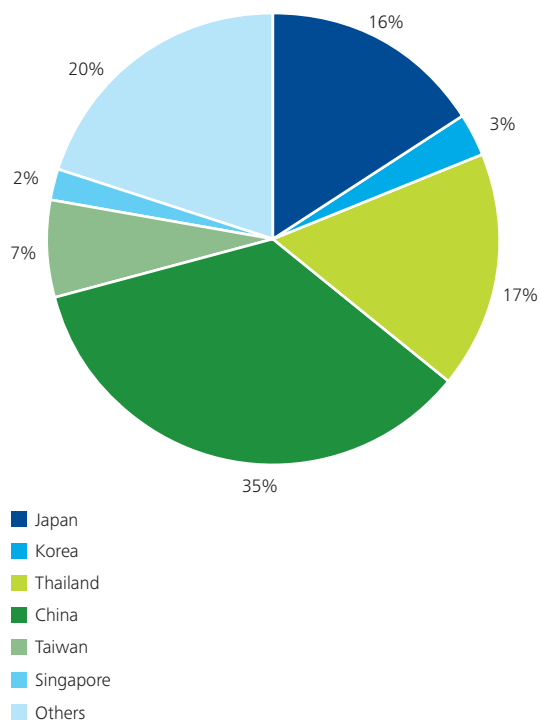
World GDPs are set to normalize in the next few years and Oman's oil industry is set for continual growth.



Oman's oil production increased by 7.1% to reach 297 million barrels in 2009, up from 277 million barrels in 2008, as per Deloitte's analysis of production estimates released by the Ministry of National Economy (MoNE) in Oman. The witnessed increase is despite the contraction of world GDP by 2.2% and the reduction in global oil consumption by 1.3%. As per the latest MoNE figures analyzed by Deloitte, the first quarter of 2010 witnessed oil production of 77 million barrels, an increase of 8.7% compared with the first quarter of 2009. During the first quarter, exports also increased by 13.3%.

Oman's oil exports are targeted towards high growth areas, mainly in the Asian region. China is the single largest importer of Oman's oil output, representing a share of 35% of total oil exports during the first quarter of 2010. Thailand (17%) and Japan (16%) are the next largest importers of oil from Oman. Oil exports to Japan registered a tremendous growth of 46.6% during the first quarter of 2010 compared to 2009, followed by 30.8% for Thailand and 23.7% for China.

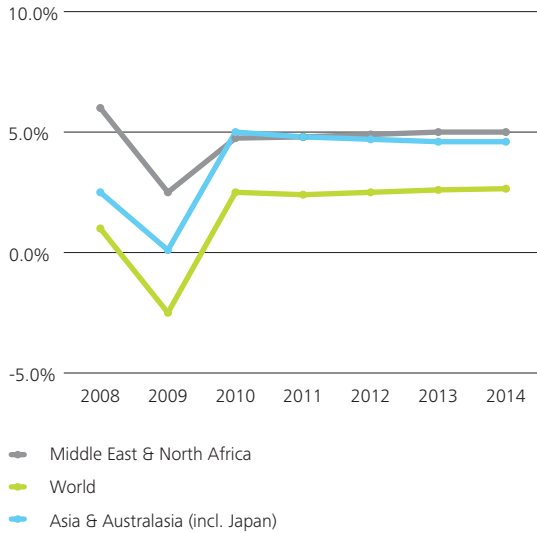
Oman – oil exports by region in Q1 2010



Source: Ministry of National Economy, Oman.



Forecast GDP growth

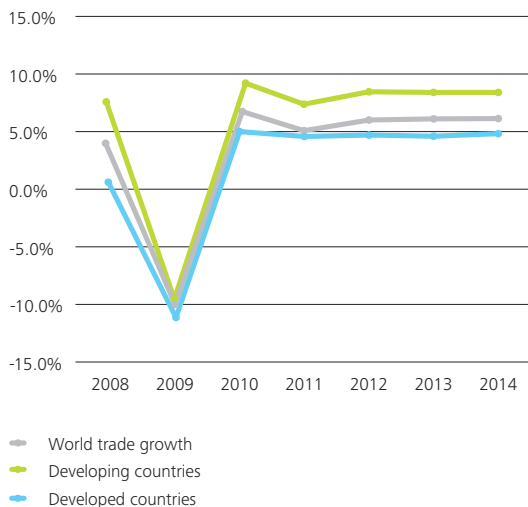


Source: Global outlook, Economist Intelligence Unit, June 2010

Forecast for GDP and trade growth: healthy

World GDP is expected to expand by 3.1% in 2010, with Middle East & North Africa, Asia and Sub-Saharan Africa leading the growth. North America and Western Europe are expected to recover from the current economic slowdown, as per estimates released by the Economist Intelligence Unit (EIU). The medium-term forecast of the EIU reveals that the world GDP is expected to normalize at approximately 3%

Growth in trade (goods)



Source: Global outlook, Economist Intelligence Unit, June 2010

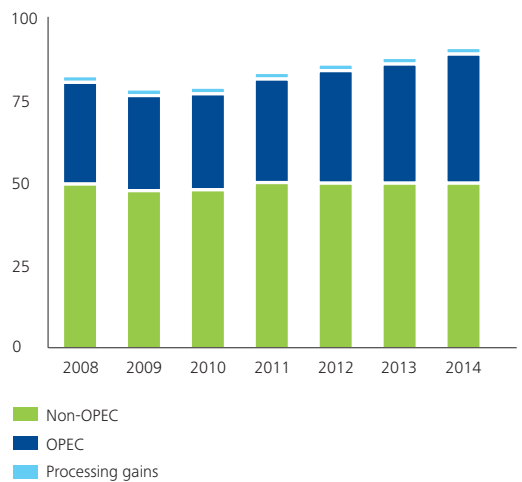
during the years 2013-2014, with Middle East and North Africa projected to witness steady growth of approximately 4.8% during 2013-14. The Asian region, the primary market for Oman's oil exports, is projected to witness healthy growth of approximately 4.2% during 2013-14. This spells that the demand for oil from Oman's primary export markets is expected to remain healthy over the medium-term.

The forecast growth of world trade (goods) is expected to reach 6.3% in 2014 as per the EIU. This growth is led by developing economies (8.2%) compared with developed economies (4.6%). The growth in trade is expected to contribute to economic recovery as well as trigger the demand for oil.

World oil production and consumption

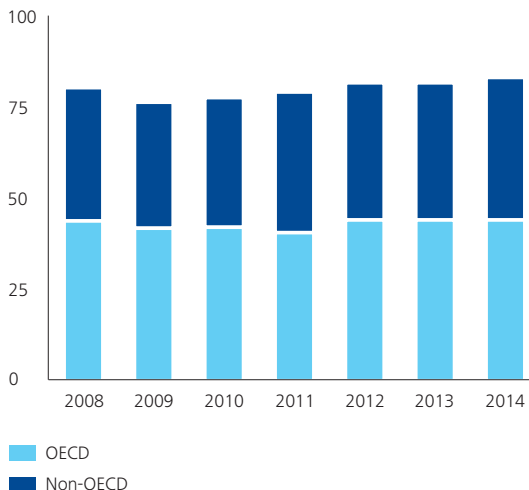
As per Deloitte's analysis of data released by the EIU, world oil production and consumption are expected to witness a compounded annual average growth (CAGR) of 2% and 1.7% respectively. Non-OECD countries are expected to lead the growth in consumption, reflecting a CAGR of 3.7% during this period. This ties in with the fact that demand for oil is expected to be particularly led by the developing economies in Asia and Africa, which are primarily non-OECD countries.

World oil production



Source: Global outlook, Economist Intelligence Unit, June 2010

World oil consumption

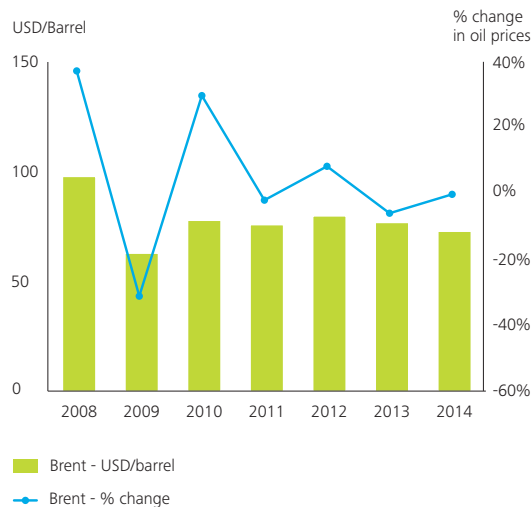


Source: Global outlook, Economist Intelligence Unit, June 2010

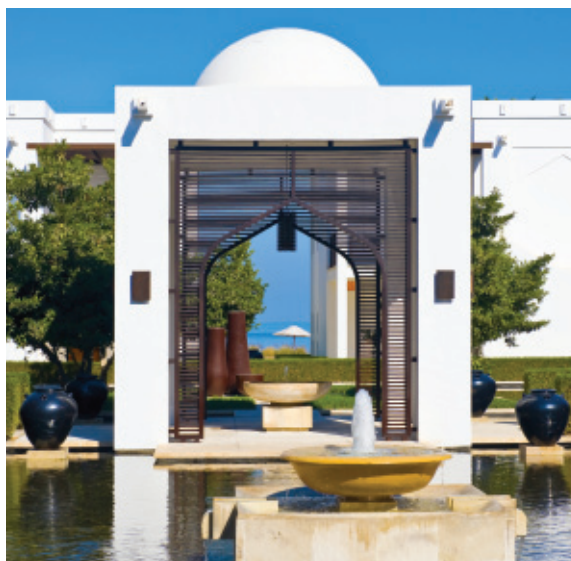
Oil prices

As per EIU forecasts, the price of oil (Brent) is expected to reach USD 80 per barrel in 2010, and increase to USD 82 per barrel in 2012 owing to increase in demand. However, in 2014, the price of oil is expected to reach USD 75 per barrel. The expected stability in oil prices is expected to work to the benefit of oil exporting countries, including Oman, by improving their available surplus cash to fuel public infrastructure needs in these countries.

Oil price



Source: Global outlook, Economist Intelligence Unit, June 2010



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The future of oil in Oman

Oman’s continued thrust to develop its non-oil based activities is expected to assume high importance in policy making in the short- to medium-term. Oil-based activities, though their level of contribution to the country’s economy is expected to gradually reduce over the medium-term, will continue to dominate and influence the country’s economy. The forecast steady price of oil indicates that the country will look forward to utilizing this opportunity to cash in the additional surplus to fund development of non-oil based industries, as well as channeling investments in enhanced oil recovery methods.

by **Alfred Stolla**, managing partner, Deloitte in the Middle East