

## MARKET REPORT

Despite ongoing economic pressures associated with the drop in oil prices, Oman's diversification strategy and efforts to enhance wider revenue streams are beginning to bear fruit, as witnessed by continued growth in the non-oil sector.

Though hydrocarbons still account for 33.9% of GDP and 78.7% of state revenues, non-oil sectors are playing an increasingly prominent role in the country's economic profile. The government is working to diversify the Omani economy by encouraging foreign investment, implementing a robust strategy for small and medium enterprise (SME) development, conceiving anti-trust regulations, boosting industrialization, building modern infrastructure, and expanding privatization.



Oman actively seeks foreign investment, especially in the industrial, food processing, logistics, information technology, tourism, healthcare, fisheries, and higher education sectors. The Government of Oman has set a goal of 81% of GDP by 2020 for the non-oil sector, with the private sector representing 91% of the economy by that year. Plans to boost airports, construct new maritime terminals, create a faster, better road network and to play a major part in the region's forthcoming new railway system will all help transform Oman.

With a multi-billion-dollar pipeline of public sector contracts and significant private sector developments planned for the remainder of the decade, the construction sector remains a highly significant and growing sector of the Omani economy. In the face of substantial headwinds driven by lower oil prices since the middle of 2014, the government is steering towards a diversified economy, even as it trims expenditures in the short term and delays some schemes created in the years when GCC states were enjoying windfalls from higher hydrocarbons revenues.

Active construction projects in Oman reached a total value of \$195bn in December 2017. In 2018 contract activity will likely be concentrated in hospitality, health care, industrial construction and consolidation of public buildings.

Oman currently accounts for 10% by number and 9% by value of all active construction projects in the GCC. Five Omani projects stand out for their complexity, long-term nature and size, with a combined cost of around \$50bn. These are the Khazzan natural gas project (\$15bn), the Sino-Oman Industrial City (\$10.7bn), the Little India Integrated Tourist Complex (\$747.8m), Oman's portion of the GCC common water grid (\$10.5bn) and Oman National Railway network (\$14bn).

### Other projects:

Project	Value	Market Segment
Mina Sultan Qaboos Waterfront	\$1.3bn	Infrastructure
Oman Convention Centre	\$1bn	Infrastructure
JW Marriott Hotel	\$40m	Hospitality
Muscat Golf Resort	\$110m	Sports
Al-Sodah Island Resort	\$987m	Hospitality
The Wave (Al Mouj)	\$4bn	Township
Omagine Project	\$2.5bn	Hospitality
Saraya Bandar Jissah	\$600m	Township
Salalah Medical City	\$1bn	Health
Duqm City Dry Dock, Refinery	\$20bn	Infrastructure
Batinah Express Motorway	£3.9bn	Infrastructure
Liwa Plastic	\$6.4bn	Industries
Sohar Refinery Improvement	\$2.1bn	Industries
Duqm Oil Refinery (Phase 1)	\$6bn	Industries
Bid Bid-Sur Dual Carriageway	\$1.1bn	Infrastructure
Khazzan & Makarem Gas Field	\$1.6bn	Oil and gas
PTA & PET Complex	\$800m	Infrastructure
Sur Steel Plant	\$400m	Industries
Muscat-Sohar Product Pipeline	\$300m	Industries
Al Mouj Muscat Complex	\$3.5bn	Infrastructure
Duqm Beach Resort	\$1.29bn	Hospitality
Duqm Mega Tourism Complex	\$735m	Infrastructure
Muscat Bay Project	\$600m	Infrastructure
Sandan City Industrial Park	\$260m	Industries
Duqm Sez Flood System	\$198m	Infrastructure
Muscat City Walk Commercial	TBA	Infrastructure

## PRIVATISATION, PUBLIC-PRIVATE PARTNERSHIPS

To raise further revenues, the Omani government has been considering partially privatising a portion of its assets, such as to sell stakes in downstream subsidiaries of Oman Oil Company, a 49% holding in Muscat Electricity Distribution Company.

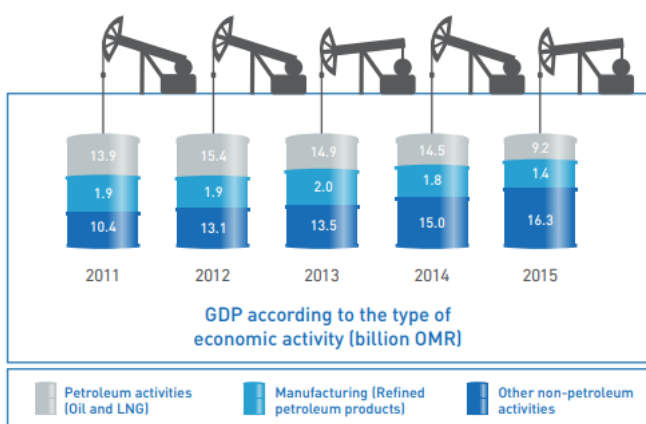
To speed diversification, many large construction projects in Oman are developed under public-private partnerships (PPPs), whereby a state-linked institution joins forces with a private company or multinational to carry out a project in the common interest – some 11 PPP projects worth \$2bn were in various stages of planning and execution in the sultanate by the end of 2017.

### KEY DIVERSIFICATION SECTORS

The current Five-Year Plan (2016-2020) maintains focus on economic diversification, welfare and social benefits enhancement, and at the same time drive to boost the private sector. To support this view, five prime sectors are targeted: manufacturing, transportation and logistics, tourism, fisheries and mining.

In order to monitor and implement initiatives aimed at diversifying the economy, the National Programme for Enhancing Economic Diversification (Tanfeedh) was launched in 2016. The result was the identification of 121 specific projects and initiatives worth a combined \$36.4bn for implementation through to 2020.

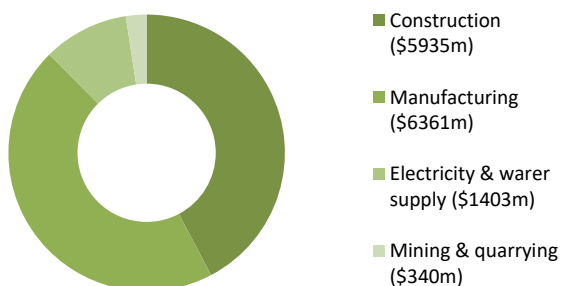
#### Oman's GDP structure:



Source: TANFEEDH

The Sultanate is exploring the use of natural resources, focusing on the enhancement of the complementary industries in the fields of petrochemicals, metals, non-metals, and food production.

#### Non-petroleum industrial GDP (2016):



Source: NCSI/OBG

### GATEWAYS

Efforts to enhance the sultanate's infrastructure have been major economic driver in recent years. Oman's seaports, airports and road network are constantly being expanded

and improved. The quality of the road network was ranked the 14<sup>th</sup>-best globally (WEF).

With a long seafaring industry, seaports play an important economic role in Oman. The largest seaports, the Port of Salalah, the Port of Sohar and the Port of Duqm, are an integral part of the economy. The Duqm development will include a refinery, dry dock complex, an international airport, industrial and special economic zone.

Oman has a unique opportunity to become the logistics gateway to the GCC consumers and a key trans-shipment centre between Europe and Asia.

Investments in transport infrastructure have become the key pillar of the country's diversification plans. The expansion of ports has been accelerated in 2017 by a 50-year development deal with Chinese companies that has already secured around one-third of \$10.7bn in planned investment.

With significant airport development, the government moves forward on a handful of construction projects in Muscat, Salalah, Sohar and Duqm. Muscat International Airport's \$1.8bn terminal project has dominated government transportation spending in recent years. Salalah International Airport, meanwhile, will undergo an expansion project encompassing building of a new terminal and air traffic control facilities, which are expected to boost capacity to 2 million and, eventually, 6 million passengers a year.

Though postponed in 2017, a \$14bn national rail project holds significant potential for efficiency gains in overland transportation, particularly to support the country's burgeoning mining sector.

### FREE ZONES

In order to offer special incentives to the investors, four free zones have been established in Oman – Al Mazunah, Sohar, Salalah and Duqm – each at different stages of development, and all designed for foreign companies to leverage Oman's position as a regional manufacturing and distribution base. The China-Oman Industrial Park at Duqm is among the most ambitious projects with total anticipated investments of \$10.7bn by 2020.

### INDUSTRIES

Industrial production is already ramping up in the sultanate in anticipation of construction growth, as India's Jindal Steel and Power recently commissioned a \$800m steel melting plant, Sohar Aluminium is boosting its factory capacity with a \$35m investment, a new steel billet production plant is to

be built in Sohar and a steel-mill plant in Sur, Sebacic Oman, an Omani-Indian joint venture, awarded a \$163m contract to Al Duqm Global construction to build the country's first sebacic acid plant in Duqm, the country's two main cement producers formed a joint venture to build a new plant in Duqm, Oman Cables Industry and Al Maha Ceramics saw a rise in profits and a \$37m gypsum board manufacturing plant opened in the Salalah Free Zone.

Efforts are being made to establish an automotive cluster at the Sohar Free Zone, as the sultanate intends to begin production of auto parts in 2020. A landmark Omani-Qatari venture is establishing the Gulf's first ever bus assembly plant with a \$200m investment. The first stage of the project will be on a 220,000 sq. m site located not far from a world-scale multipurpose port currently being developed at Duqm.

Petrochemicals are expected to play a key role in diversifying Oman's economy and accelerating non-oil economic growth. The sultanate's largest ongoing petrochemical project is the \$5.2bn Liwa Plastics Industries Complex in the Sohar Industrial Port Area. In November 2017 a \$600m solar thermal facility called Mirrah, which will be used to recover heavy oil reserves, announced near completion of phase one and plans for a phase two expansion in 2019, while a \$1bn solar power plant is being built in Sohar under a PPP model.

The first major cotton yarn plant in the region is to be launched by ShriVallabh Pittie Industries Group – a diversified yarn manufacturing company based in India – with a \$300m investment in Sohar Free Zone.

Also emerging are new flower mills and sugar refineries for the food-processing industry. Oman Food Investment Holding Company, a state-owned investment vehicle for agri-business, is also investing in dairy, poultry and meat processing plants. These investments are encouraging growth in spin-off industries with new food and beverage packaging plants.

Oman is steadily making progress to achieve high fish productivity through large scale aquaculture projects worth \$1.8bn, with a total of 30 fishing ports and harbours by 2020. The biggest in the Middle East, Duqm fishing harbour and integrated processing zone is being developed by the Special Economic Zone Authority at Duqm (Sezad) in collaboration with the Ministry of Agriculture and Fisheries, with around 60 processing plants in one place.

### **HOSPITALITY AND LEISURE**

Tourism sector direct contribution to the GDP is expected to increase to 5% by 2020 (the added value of the sector

reached \$1.8bn in 2014). The National Tourism Strategy (NTS) is based on two foundations: a series of tourist facilities in one location and the distinctive tourist experiences. Central to the NTS is the development of 14 tourism clusters aimed at boosting the number of visitors and encouraging longer stays in the country. It is expected that more than 100,000 jobs will be created within the sector by 2024.

To help achieve these ambitions, the authorities have pledged to invest \$51.9bn in the industry, also seeking strong input from the private sector. With around 40 projects in various stages of design, construction or tendering, the country emphasis is on archaeology, conservation, and natural beauty as key distinguishing factors.

Established by Government mandate in 2005 in line with the vision to strengthen and diversify the economy by growing the capacity, scope and potential of the tourism sector, Oman Tourism Development Company (Omran) is delivering the nation's most iconic projects in the sultanate's tourism, heritage and urban development. Omran's portfolio includes the first luxury resort in the stunning Hajar Mountains, the authentic hotels on the tip of the Musandam peninsular, the Millenium Resort with marina apartments, retail shops and restaurants, a scientific centre combining tourism with marine turtle research and others. The transformation of Port Sultan Qaboos into a tourism based mixed use waterfront destination will provide a vibrant, active and high quality public realm to Muscat whilst at the same time integrating with and enhancing the existing surrounding historical area of Muttrah.

One of the most recent projects in the leisure segment is the development of the Mina Sultan Qaboos Waterfront, which aims to transform a former commercial port into a major tourist destination. The \$1.3bn mixed-use waterfront project will offer hotels and resorts, retail and residential areas, as well as entertainment and cultural areas, and is expected to provide 12,000 direct and 7,000 indirect jobs.

The roll out of Integrated Tourism Complexes (ITC) has ushered a new model of managing real estate that looks to attract a greater flow of revenue. The Wave – Oman's first ITC project – was launched in 2012. The \$3.5bn development is a state-backed project that includes 6,000 residential units, luxury hotels, commercial space and a golf course, all developed on a 6-km stretch of waterfront real estate that features a 400-berth marina. The first phase of the Saraya Bandar Jissa project is another such development worth of \$600m.

## HEALTH CARE PROJECTS

Most health facilities in Oman are owned and operated by the government, but efforts are currently under way to increase private participation and investment in the health care sector. The 2015 national budget allocated \$4.1bn for health spending – equal to some 11.3% of the state's total expenditure. The funds went towards building 11 new hospitals, refurbishing existing medical facilities and training medical personnel, among other activities.

The government is emphasising durability as well as quality in its budgetary allocations for the health sector. This goal is being underpinned by planned mega-projects, with the \$1.5bn Sultan Qaboos Medical City (SQMC) as the flagship development. When completed in two years' time, SQMC will contain five hospitals, an imaging centre and laboratory facilities. Another major project is the \$1bn International Medical City (IMC), an integrated medical tourism centre in Salalah consisting of a 530-bed tertiary speciality care hospital, a research and development (R&D) complex, diagnostic and organ transplant centres, and a health care resort.

## REAL ESTATE

Even with rents under pressure, the supply continues to grow with around 18,000 residential units in the pipeline for delivery over the next two years. Affordable housing is one of the government's pilot schemes for Omanis undertaken as part of their entitlement to land from the state. It is hoped that this programme will stimulate the market and reduce the backlog of land grant applications.

Office supply is also growing despite price pressures, with a host of projects under way, especially in the capital. Several new shopping centres opened in recent years, including Avenue Mall, Panorama Mall and Oasis Mall. This is set to grow further with the coming opening of the \$2324m Palm Mall and the \$715m Mall of Oman in 2018-2020. Nevertheless, Oman's demand for shopping malls and retail space has not yet been fully met, especially in areas outside Muscat.

## GREEN TECHNOLOGIES

The Oman Green Building Council (OGBC) was set up in 2012 to study, promote and support the sultanate's nascent eco-construction movement. A number of construction projects in Oman are already working to include green building practices. Omran, a government-owned development, investment and asset management company focused on the tourism sector, is currently developing a number of such projects. The company is

following the leadership in energy and environmental design (LEED) building certification system.

## WASTE MANAGEMENT

Oman's Environmental Services Holding Company (OESHC) is restructuring and privatising the solid waste sector with plans to close nearly 350 dump yards, and is seeking expertise on waste management, dump site rehabilitation, waste-to-energy options, and recycling (currently there is no local recycling; paper, plastic and cans must be sent to Dubai to be recycled, which is uneconomical). Expertise on waste management and public awareness-raising can lead to attractive opportunities for suppliers: out of all authorised and unauthorised dumpsites, Oman is planning to establish 16 engineering landfills, 65 waste transfer stations and 4 waste treatment plants.

## MARKET ENTRY

As infrastructure investments continue to grow, **The Big Show Oman** is staged in Muscat, as a direct gateway to the opportunities in this sector, on March 25-27, 2019.

The UK suppliers are being selected through Intec Export Intelligence, Department for International Trade (DIT) delivery partner.

## THE PACKAGE

To ensure that appointed suppliers maximise potential benefit, a comprehensive package has been put together, which includes:

- Provision of interactive contact list support facility;
- Return flight from UK to Oman;
- Four star hotel accommodation;
- Transport to and from airport to the hotel and venue;
- Exhibition site complete with purpose built shell scheme, fascia board and furniture (9 m2);
- All necessary badges, passes, security, cleaning and catalogue entry.

## CONTACT LIST SUPPORT FACILITY

- The allocation of the end-user contact details in Oman;
- The specific customer, partner, agent, and distributor information relevant to each appointed supplier.