

Macro Data in Charts

This report contains a summary of:

- Figure 1 Oman's GDP by economic activity
- Figure 2 Foreign Direct Investment (GCC except Kuwait & UAE)
- Figure 3 Foreign Direct Investment (Kuwait & UAE)
- Figure 4 Interest Rate Scenario (Oman)
- Figure 5 Consumer Price Index, Oman
- Figure 6 USD/OMR exchange rate
- Figure 7 GCC Money Supply (M1)
- Figure 8 GCC Stock Markets (3-year Rebased)
- Figure 9 GCC Equity Markets (P/E ratios)
- Figure 10 GCC Equity Markets (Div. Yield)
- Figure 11 GCC Equity Markets (Sharpe ratios)
- Figure 12 International Equity Markets (5-year Rebased)
- Figure 13 US Federal Funds rate
- Figure 14 US Treasury Yields
- Figure 15 Oil Price (WTI crude)

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Macro data in Charts: report highlighting trends in several macroeconomic elements in Oman and regionally.

This report provides a brief overview of various macroeconomic elements represented in the form of charts.

Figure 1: Oman's GDP by economic activity.

GDP by economic activity at current prices - Oman (RO, millions)

	2001	2002	2003	2004	2005	Mar-06*
1. Total Petroleum Activities	3,264.40	3,269.10	3,424.10	4,016.1	5,796.2	1,639.6
1.1 Crude Petroleum	3,105.50	3,101.30	3,211.70	3,768.3	5,374.7	1,515.0
1.2 Natural Gas	158.9	167.8	212.4	247.9	421.6	124.6
Total as a % of GDP	42.56%	41.83%	40.88%	42.16%	49.05%	50.59%
2. Total Non Petroleum Activities	4,555.00	4,712.50	5,112.60	5,671.0	6,190.8	1,650.4
Total as a % of GDP	59.38%	60.30%	61.04%	59.53%	52.39%	50.92%
2.1 Agriculture and Fishing	157.3	158.4	165.3	169.5	172.1	40.5
2.2 Industry	898.4	896.8	1,034.80	1,243.5	1,464.6	429.1
Mining and Quarrying	20.7	16.4	13.7	16.3	18.3	6.1
Manufacturing (including LNG)	638.4	630.7	719.9	810.8	1,000.9	328.3
Electricity and Water	79.7	79	107.6	136.5	148.3	34.9
Building & Construction	159.6	170.6	193.6	279.9	297.1	59.8
2.3 Services	3,499.30	3,657.30	3,912.40	4,258.0	4,554.1	1,180.8
Wholesale and Retail Trade	882.3	914	994.9	1,152.0	1,218.4	347.5
Hotel and Restaurants	56.8	59.1	61.3	69.9	83.2	25.7
Transport, Storage & Communication	499.9	535.2	578.9	654.3	697.9	202.7
Financial Intermediation	286.3	322.4	336.9	340.8	378.6	111.0
Real Estate & Business Activities	432.9	435.7	446.6	466.4	343.3	86.7
Public administration & Defense	757.8	772.1	817.5	848.2	871.5	181.5
Other Services		618.8	676.3	726.5	961.1	225.7
Other**	-149	-166.6	-160.8	-160.1	-169.6	-49.0
GDP at market prices	7,670.4	7,815.0	8,375.9	9,527.1	11,817.4	3,240.9
GDP Growth Rates (%)	0.41%	1.89%	7.18%	13.74%	24.04%	9.70%

*Preliminary Figures

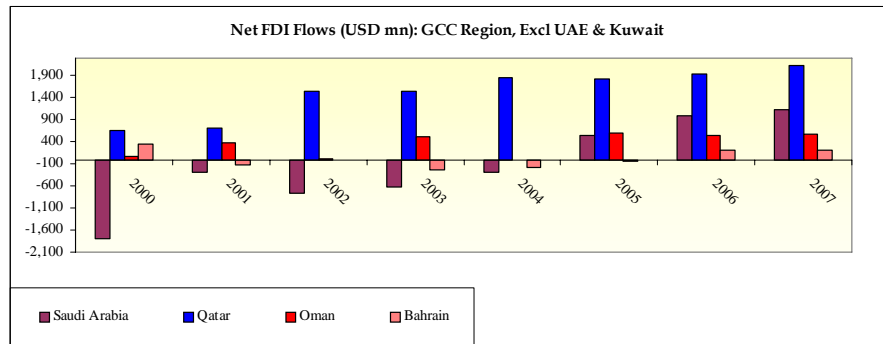
** Includes adjustment items such as Financial intermediation services and Import taxes

Source: Ministry of National Economy.

The above table gives an overview on the contribution of each economic activity to the GDP of Oman over a 5-year period. One can notice that oil & gas based revenues have had an increased contribution in the overall GDP of the country over the past few years. This has partly been due to the sharp rise in price of oil which has been the case seen since the last 2 years. In monetary terms, total Rial Omani contribution from non-petroleum based activities has also been on the rise thanks to the diversification activities in the areas of tourism and industries carried out by the government.

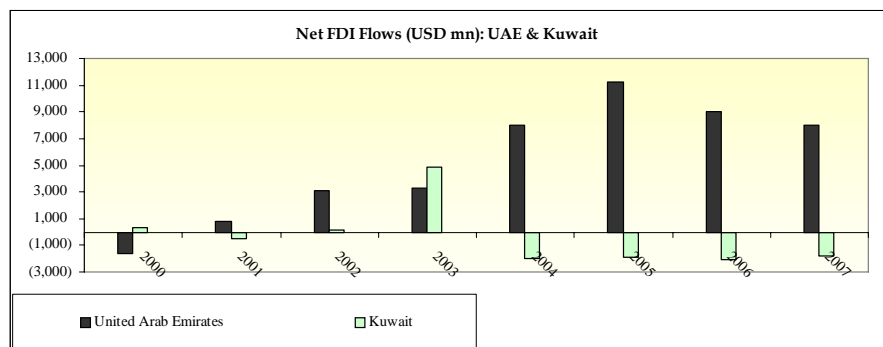
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Figure 2: Foreign Direct Investment (GCC except Kuwait & UAE)



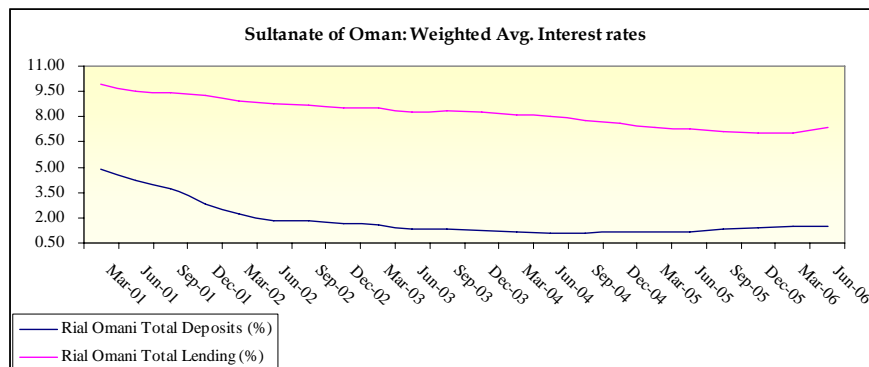
The chart above depicts the net foreign direct investment in the GCC region over a 7 year period. FDI is broadly defined as a long term investment by a foreign direct investor in an enterprise of an economy other than one in which the investor is based. The investment typically gives the investor quite a substantial control over the foreign affiliate. Typically most of the countries in the GCC have seen net inflows over the past few years except Kuwait (seen below) which has seen near consistent outflows over the past few years. The UAE has witnessed the highest net inflow in year 2005 at a value of USD. 11.3 billion. Saudi Arabia has seen a shift from a net exporter of capital to a net importer over the last few years. Typically FDI inflows in the GCC region have been on the rise with foreign companies getting involved in the large projects that are currently underway.

Figure 3: Foreign Direct Investment (Kuwait & UAE)



UAE records the highest net FDI inflow by a GCC state in the recent years.

Figure 4: Interest Rate Scenario, Oman

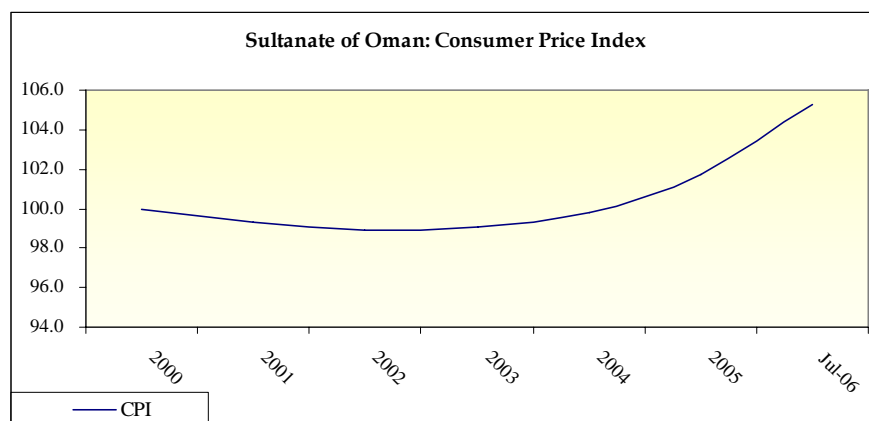


Source: Central Bank of Oman

The graph depicts the interest scenario on deposits and credit of commercial banks in the Sultanate of Oman over the span of 5 years. Traditionally the Central Bank of Oman has maintained ceilings on the level of interest rates administered in country. Liberalization efforts came in the form of freeing of deposit and lending rates (all except for personal loans).

The interest rate spread has ranged from a high of around 7.05% in September 2003 to a low of 4.9% in March 2001.

Figure 5: Consumer Price Index, Oman



Yr 2000 base year, 100

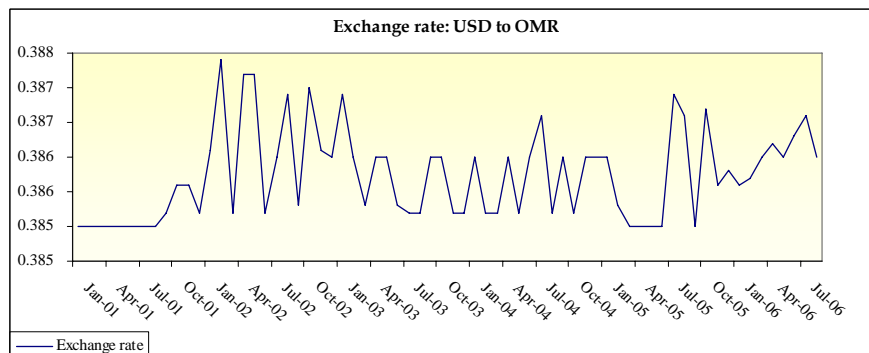
Source: Ministry of National Economy, Oman

The consumer price index, a measure of weighted average prices of a specified basket of consumer goods & services has witnessed a rising trend in the country during the past few years. The index monitors prices of over 8,000 goods from more than 1,500 selected sources. Categories such as food & beverages, transport & communication and rent have received the highest weightage. Based on the most recently available data, overall prices as of July 2006 were up by nearly 5.3% since the base year 2000. Food & beverages as well as personal care items have undergone the highest increase.

Rising trend in prices since base year 2000.

Figure 6: USD/OMR exchange rate

Exchange rate pegged to the dollar since year 1973.

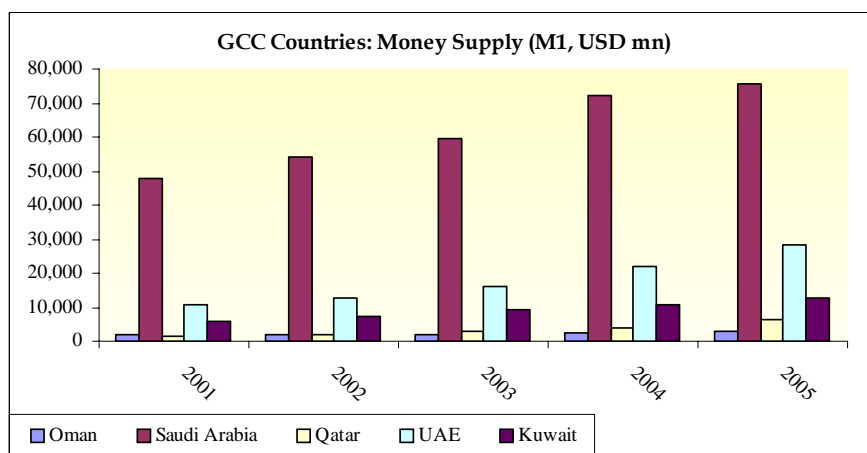


Interbank rate

Source: OANDA Corporation

The Sultanate of Oman has maintained a fixed currency peg to the United States dollar since the year 1973. Upto the year 1986, the Rial was pegged to the US Dollar at OMR. 1.000 = USD. 2.895. Since 1986, the rate has been changed to OMR. 1.000 = USD. 2.600. Defending this exchange rate peg has been one of Central Bank of Oman’s primary objectives. It is through this objective that all other objectives such as price & financial stability and growth are achieved. The Omani rial has generally been the fourth highest valued currency in the world.

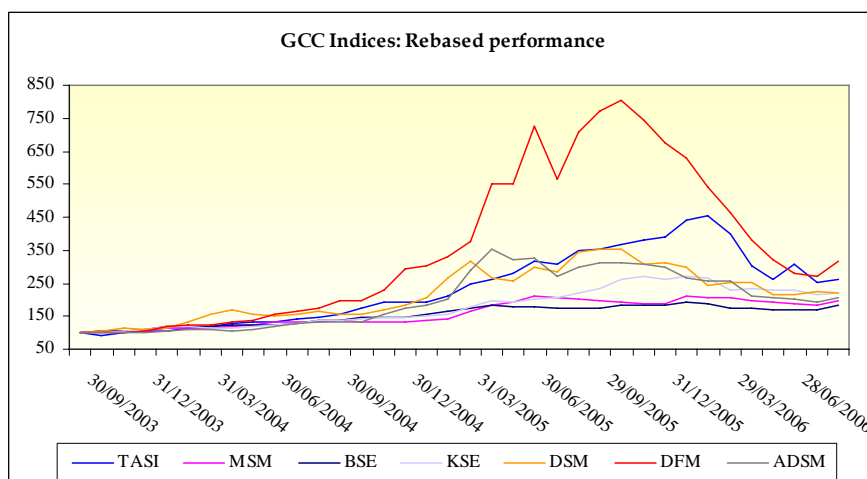
Figure 7: GCC Money Supply (M1)



Source: Monetary agencies, GCC Countries

The above chart provides a view of M1 money supply in the various GCC countries over a 5-year period. Defined as the narrowest form of money (currency/coins in circulation *plus* demand deposits), M1 supply has witnessed gradual increase in all of the GCC region countries in line with the expansion in the respective economies. CAGR in M1 money supply in the GCC region over a 5-year period has been between a low of 11.4% in Saudi Arabia to a high of 38.1% in Qatar.

Figure 8: GCC Stock Markets (3-year Rebased)

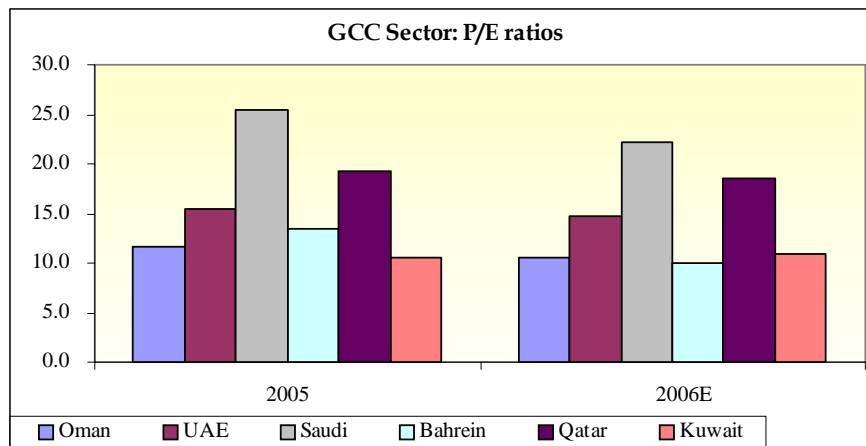


Sharp rise followed by downturn in performance on the Saudi and Dubai bourse.

The above chart presents a highlight on relative monthly performance of all the GCC market indices over a three year period. One can notice the up cline in performance in year 2005, followed by the sharp downturn (in some markets) since the beginning of year 2006. P/E valuations of many of the GCC bourses had become stretched in 2005 which led to the correction powered by selling pressure on the part of investors.

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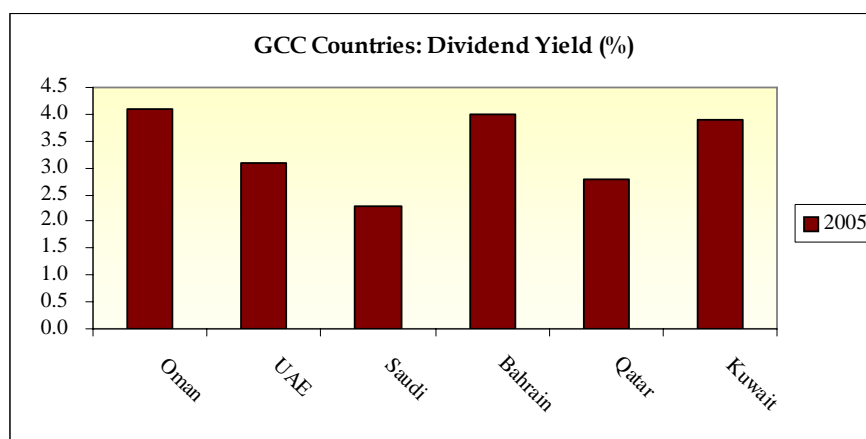
Figure 9: GCC Equity Markets (P/E ratios)



Source: Al Madina research

The P/E ratio of stock markets in several of the GCC countries had been inflated beyond reasonable proportions during 2005. For example, the P/E ratio had reached a level of over 30 in markets of Dubai & Doha while in Saudi it was over 40. That's when these markets witnessed a massive correction causing a downturn in several neighboring markets as well which continued into mid 2006. Typically Oman and Bahrain were the least affected by the declining trend. We expect the P/E ratio of markets of Saudi and Qatar to see some further adjustment as we move to the end of year 2006.

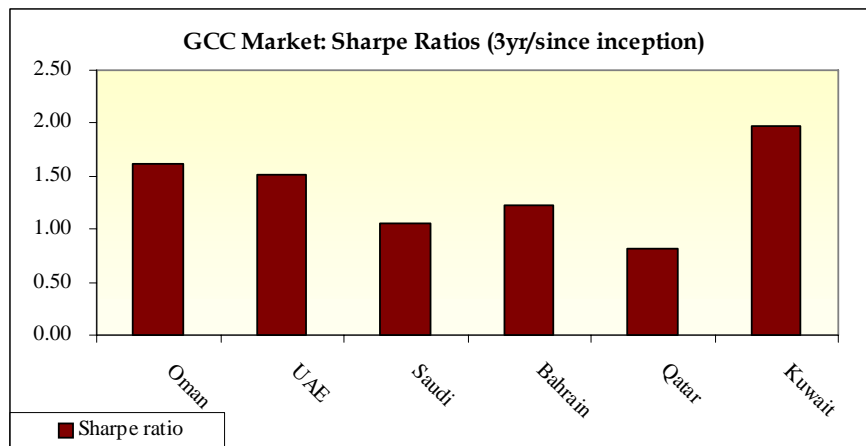
Figure 10: GCC Equity Markets (Div. Yield)



Source: Al Madina research

The markets of Oman and Bahrain offered the highest dividend yield of 4.1% and 4.0% in the year 2005 respectively (followed by Kuwait). It is worth noting that these two markets were on the lower end when looking at price appreciation of equity instruments in the GCC markets over the year. The Saudi market offered the lowest yield of 2.3% for year 2005.

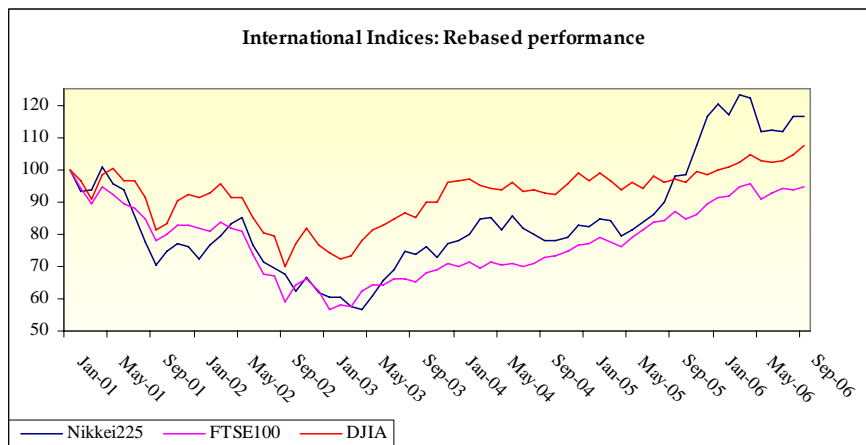
Figure 11: GCC Equity Markets (Sharpe ratios)



Source: Al Madina research

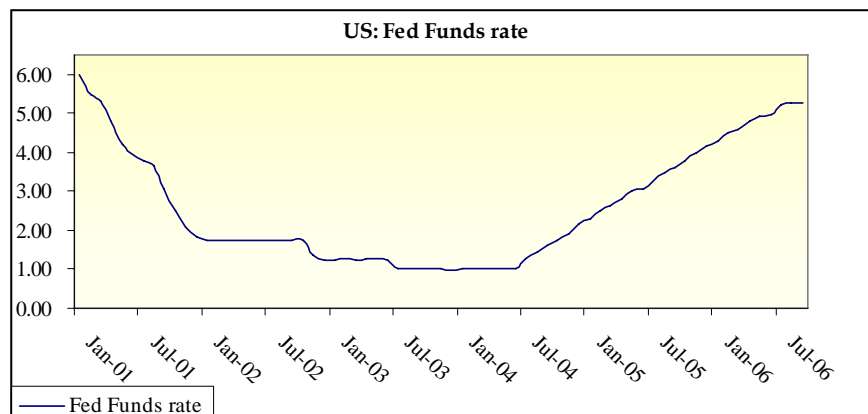
The Sharpe ratio, a measure of the risk adjusted performance of an asset, is used to access how well the return on a particular asset compensates the investor for the risk taken. Investors are typically advised to pick investments which have high Sharpe ratios. Based on the available data, the market Kuwait is generally ranked best in Sharpe ratios (or most efficient) followed by Oman and the UAE.

Figure 12: International Equity Markets (5-year Rebased)



The above chart looks at the monthly rebased performance of some of the well known international stock market indices over a 5-year period. What is noticeable is the gradual climb witnessed in the FTSE and Dow Jones indices since the beginning of year 2003. Japan's Nikkei 225 index has witnessed a sharp upswing (overtaking the other indices) since the beginning of year 2005.

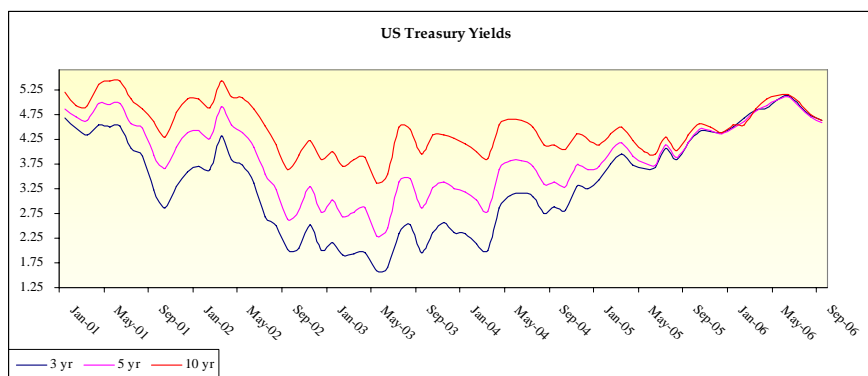
Figure 13: US Federal Funds rate



Source: US Federal Reserve

The Federal funds rate is an interest rate at which depository institutions lend money at the Federal Reserve to other depository institutions overnight. The rate is set by the governors of the Federal Reserve with changes enforced primarily by open market operations. Over the 5-year period, we notice that the rate has seen a rebound. In fact the FOMC (Federal Open Market Committee) has increased the rate by 25bp consecutively over 17 sessions from June 2004 (at 1.25%) till June 2006 (at 5.25%). Further rate hikes may become a possibility with the high risk stemming from inflation.

Figure 14: US Treasury Yields

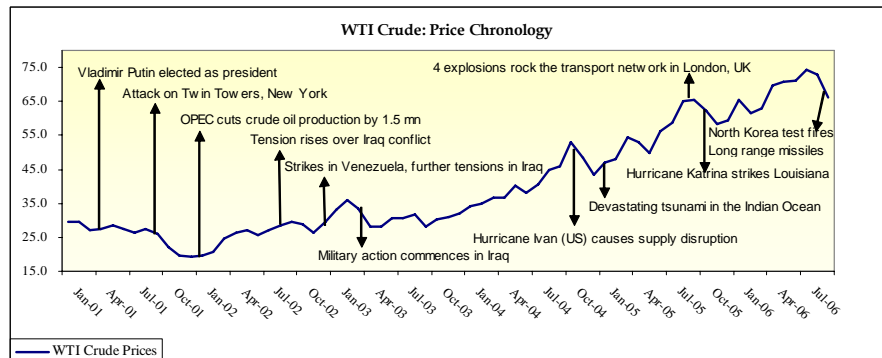


Source: US Department of the Treasury

The above chart looks at the monthly yields on financial instruments (bills, notes, bonds) issued by the US Department of Treasury. As per September 2006 data, Treasury yields have reached their lowest levels since the past 6-months. With the recent news of the Fed deciding to keep the current interest rates on a hold and the Philadelphia Fed reporting a slowdown in the economy (housing market), the yields have adjusted to lower levels.

World events and their effect on oil prices.

Figure 15: Oil Price (WTI Crude)



WTI Crude, Source: Economagic

The graph above is a plot of the West Texas Intermediate (WTI) crude oil price (monthly) plot over a period of 5-years. One can notice the significant increase in prices over the period caused by the visible events such as OPEC actions, natural disasters and acts of terrorism. Oil prices have decreased in the current month on news of easing supply conditions. The ceasefire in Lebanon as well as Iran’s acceptance for talks has put lower perceptions on risk in the Middle East region.