

GCC Economic Quarterly Report

January-2015

In this Report...

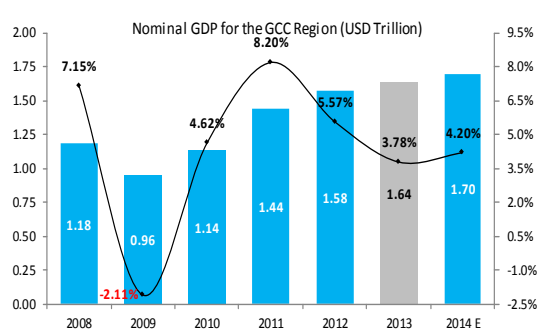
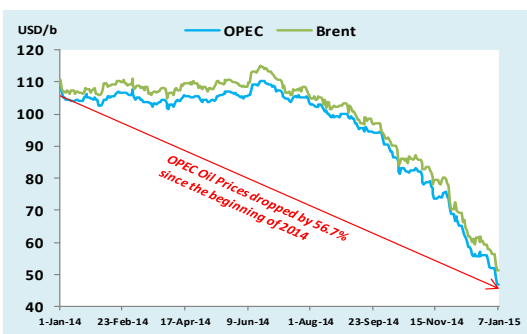
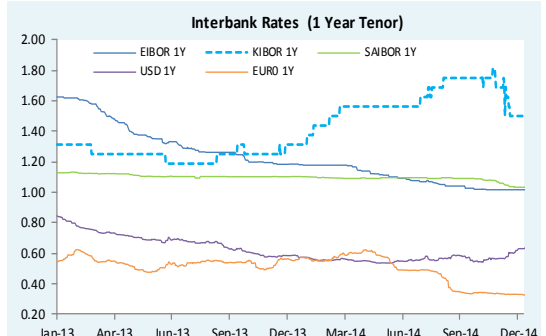
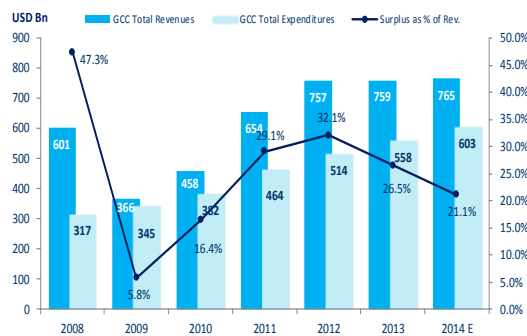
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The decline in oil prices during the last quarter of 2014 casted doubts on the GCC governments' ability to sustain the planned level of spending in 2015. However, the release of expansionary budgets by Saudi Arabia, Dubai and Oman set aside all such speculations. Saudi Arabia has budgeted revenues of SAR 715 Bn (USD 190.7 Bn) in 2015 whereas expenditures are estimated at SAR 860 Bn (USD 229.3 Bn) resulting in a fiscal deficit of SAR 145 Bn (USD 38.6 Bn). Meanwhile, Dubai released a balanced budget at AED 41 Bn (USD 11.2 Bn), its largest budget since the global financial crisis, implying a strong growth of 9% as compared to 2014.

On the banking side, credit facilities extended by Kuwait banks during Q3-14 increased by 1.27% to KWD 30.62 Bn at the end of Sep-2014 fuelled by growth in personal facilities and credit to the real estate sector that added a combined KWD 285 Mn or around 74% of the total credit growth during the quarter.

Meanwhile, in Saudi Arabia, money supply (M2) increased by 3.43% during Q3-14 to reach SAR 1,501 Bn after growing by 2.9% and 4.78% in Q2-14 and Q1-14, respectively, driven by ample liquidity with banks and remarkable growth in deposits base and credit facilities. Whereas, inflation in the Kingdom increased by 0.77% in Q3-14 as compared to Q2-14, and by 2.75% during the last 12 month.

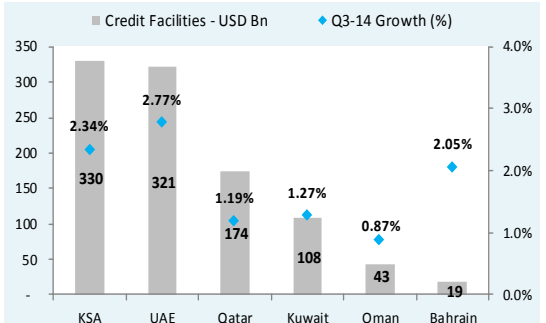
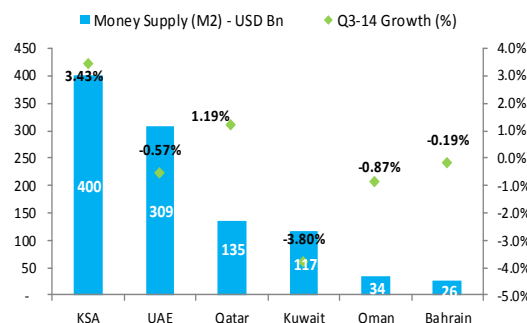
In the UAE, total credit facilities further improved to AED 1.18 trillion at the end of the Q3-2014 as the low interest rate and economic recovery led to improvement in lending activities. Whereas, inflation edged to its highest level in more than five years, to report 2.9% in the last 12M-period ending Sep-14, as a result of rising rents and food prices.



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Source for the above charts: GCC Central Banks, International Monetary Fund (IMF), Bloomberg, KAMCO Research

Budget for 2015

Saudi Arabia Budget for 2015

The recent announced budget figures for 2015 by the Saudi ministry of finance, showed that the total revenues are estimated to reach SAR 715 Bn (USD 190.7 Bn) in 2015 as compared to the preliminary estimates figures of SAR 1,046 Bn (USD 278.9 Bn) in 2014. While Government expenditures are budgeted at SAR 860 Bn (USD 229.3 Bn) in 2015 compared to the preliminary estimates of total expenditure at around SAR 1,100 Bn (USD 293.3 Bn). On the other hand, Fiscal deficit is projected at SAR 145 Bn (USD 38.6 Bn) in 2015 compared to the estimated deficit of SAR 54 Bn (USD 14.4 Bn) in 2014.

As per the ministry of finance in the Saudi Arabia, the budget will continue to focus on priority investment programs that enhance sustainable and strong economic development and employment opportunities for Saudi nationals. Specifically, the focus will be on infrastructure, education, health, security, social services, municipal services, water and water treatment services, roads and highways, with particular emphasis on science and technology projects and e-government.

In addition, efforts to rationalize current spending will continue, especially salaries, wages and allowances, which contribute to about 50% of total budgeted expenditures. In addition, appropriations for new and existing projects will be approximately SAR 185 Bn (USD 49.3 Bn).

Dubai Budget for 2015

As the Dubai government prepares to host the Expo 2020, its 2015 budget released at the start of 2015 highlighted the fact that with oil revenues accounting for a merely 4% of total revenues, the government would not rely on oil to plan its finances. The government presented an expansionary budget balanced at AED 41 Bn (USD 11.2 Bn), its largest budget since the global financial crisis, implying a growth of 9% as compared to 2014.

The budget highlights an 11% increase in government revenues as compared to 2014 which relies significantly on increase government fees and fines (74%), whereas tax revenues from customs, excise charges and corporation tax imposed on foreign banks will be expected to increase by 12% during 2015 and account for 21% of the budgeted revenue. On the expenses side, 37% of the budget was earmarked for salaries and 2,530 new jobs for citizens followed by 13% for infrastructure development and the remaining for administrative expenses, capital expenditure and grants, that would largely benefit the Emirati population. Moreover, around 6% of the spending would go into financing the Dubai government's debts. Meanwhile, although the budget is expected to balance, the government expects to run an operating surplus of AED 3.6 Bn, also the first since it projected a surplus in 2008.

According to the budget statement, over the next five years, the Dubai government plans to maintain the size of its investments in infrastructure. The government is also committed to focus on social development and has highlighted health, education, housing and community development as a priority.

Oman Budget for 2015

Oman's 2015 budget is based on total revenues of OMR 11.6 Bn (USD 30.1 Bn), a decline of 1% over 2014 revenues, equivalent to 8% of the Sultanate's GDP. Whereas expenses are projected to be at OMR 14.1 Bn (USD 36.6 Bn), up 4.5% from the previous year's original budget plan.

Current expenditure is expected to account for 68% of the total public expenditure or OMR 9.6 Bn. Investment expenditure is planned at OMR 3.2 Bn or 22% of the expenditure and would mainly be spent on funding infrastructure projects, oil and gas projects and projects implemented by government-owned companies. OMR 1.1 Bn is expected to be spent on various government support programs.

On the revenue side, oil is expected to constitute 79% of the oil revenues or OMR 9.16 Bn, while non-oil revenues are estimated at OMR 2.44 Bn, making 21 per cent of total revenue. Some of the prominent projects that would attract investment include the first segment of national railway project between Sohar-Buraimi, an integrated fisheries complex at Duqm, and additional infrastructure at Duqm Port. Moreover, the government plans to spend OMR 3 Bn on the education sector, OMR 1.6 Bn on the healthcare sector and OMR 2.3 Bn on the Housing sector.

Kuwait

Key Economic Indicators	2008	2009	2010	2011	2012	2013	2014 E
Kuwait GDP Share in GCC	12.5%	11.1%	10.2%	10.7%	11.0%	10.7%	10.5%
Nominal GDP - KWD Bn	39.6	30.5	33.1	42.5	48.7	49.9	50.6
Nominal GDP - USD Bn	147.4	106.0	115.4	154.1	174.1	175.8	179.3
Real GDP Growth (%)	2.48%	-7.08%	-2.37%	10.21%	8.31%	-0.44%	1.39%
GDP per Capita - PPP (USD)	42,827	30,410	32,223	41,853	45,997	45,189	44,850
Current Account Balance (USD Bn)	60.25	28.29	36.95	67.17	79.21	71.22	73.23
Current Account Balance (KWD Bn)	16.19	8.14	10.59	18.53	22.17	20.20	20.67
% of GDP	40.9%	26.7%	32.0%	43.6%	45.5%	40.5%	40.8%
Inflation, Avg. CPI (%)	6.30%	4.61%	4.50%	4.91%	3.20%	2.66%	3.03%

Source: International Monetary Fund (IMF)

Subsequent to posting robust economic growth figures in 2011 and 2012 driven by elevated price levels and higher oil output, Kuwait's GDP recorded a marginal growth of around 2.3% in 2013, owing to the stabilization in oil supply accompanied by a drop in prices which averaged around USD 105.9/b during the year. Besides, there was limited activity in the non-oil sector due to political deadlock that almost stalled developmental projects aimed at expanding the non-oil sectors.

Credit facilities extended by Kuwaiti banks during Q3-14 sustained the upward momentum seen during last year to record a quarterly growth of 1.27% and stand at KWD 30.62 Bn at the end of Sep-2014. Personal facilities and credit to the real estate sector represent the key drivers behind the growth in total credit, together adding around KWD 285 Mn or around 74% of the total credit growth in Q3-14. Growth rate in Personal Facilities marginally slowed down as compared to the last period to post an increase of 2.3% during Q3-14. While, credit to real estate sector nearly maintained the same level of last quarter to grow by a marginal 0.2% during Q3-14.

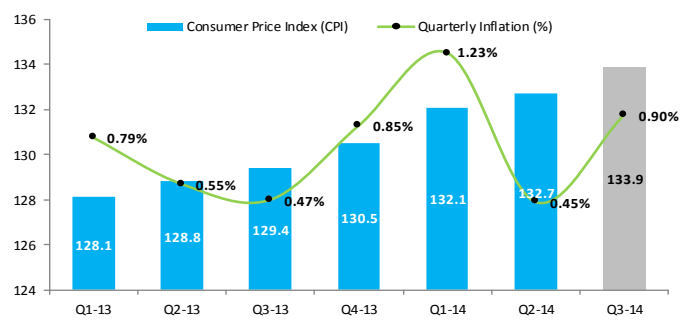
Despite the risk-averseness of Banks and the conservative lending policies, along with the restructuring of corporate debt and the ongoing delay in implementing a dozen of infrastructure and economic projects, the credit market has witnessed signs of recovery in 2013 and 9M-14 that will most likely continue through 2014/2015 driven by the gradual restoration of confidence in the private sector & the recovery of the property market and the local bourse.

Following the upward trend seen over the last three quarters, Kuwait's broad measure of money supply (M2) dropped by 3.8% in Q3-14 or KWD 1.3 Bn, to stand at KWD 33 Bn as of Sep-14.

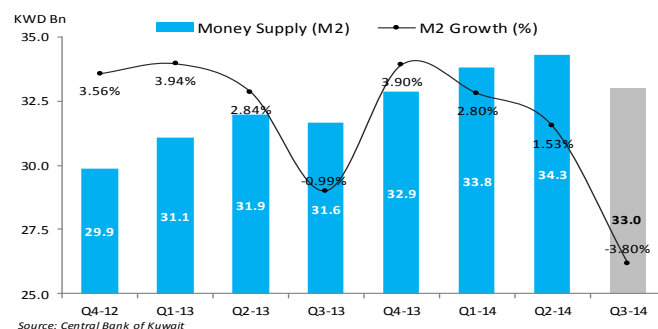
Government Revenues and Expenditure

KWD (Mn)	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	6M- 2014/15
Oil Revenues	19,711	16,585	19,947	28,570	29,970	29,292	14,198
% of Total Revenue	93.8%	93.8%	92.8%	94.5%	93.6%	92.1%	94.1%
Non-oil Revenue	1,295	1,103	1,555	1,667	2,039	2,520	887
% of Total Revenue	6.2%	6.2%	7.2%	5.5%	6.4%	7.9%	5.9%
Total Revenue	21,006	17,688	21,502	30,236	32,009	31,811	15,085
Capital Expenditures	1,480	1,308	1,841	1,799	1,811	1,740	478
% of Total Expenditures	8.1%	11.6%	11.3%	10.6%	9.4%	9.2%	7.8%
Other Expenditures	16,782	9,943	14,380	15,209	17,497	17,163	5,641
% of Total Expenditures	91.9%	88.4%	88.7%	89.4%	90.6%	90.8%	92.2%
Total Expenditures	18,262	11,251	16,221	17,008	19,308	18,903	6,119
Surplus	2,744	6,437	5,281	13,229	12,701	12,908	8,966
Surplus as % of Revenues	13.1%	36.4%	24.6%	43.8%	39.7%	40.6%	59.4%

Source: Ministry of Finance- Kuwait

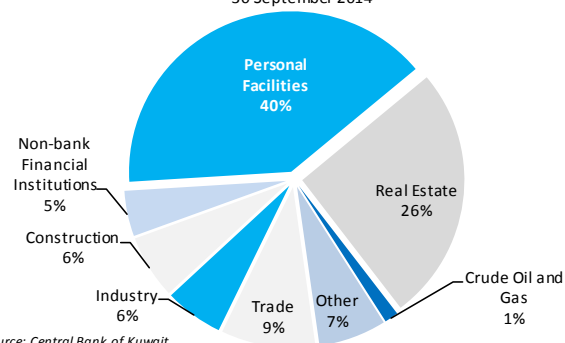


Source: Central Statistical Bureau

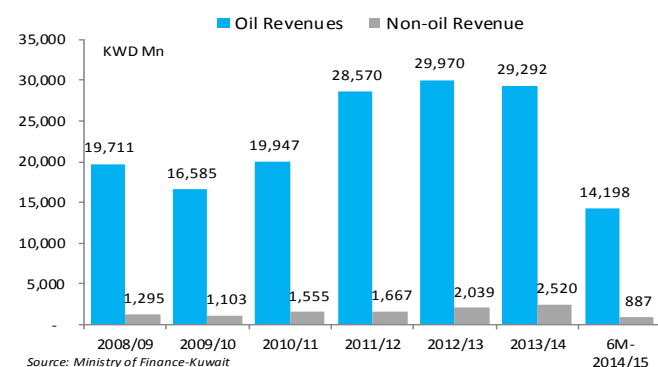


Source: Central Bank of Kuwait

Sectoral Distribution of Balances of Utilized Cash Credit Facilities as of 30 September 2014



Source: Central Bank of Kuwait



Source: Ministry of Finance-Kuwait

Saudi Arabia

Key Economic Indicators	2008	2009	2010	2011	2012	2013	2014 E
Saudi GDP Share in GCC	43.9%	44.9%	46.4%	46.6%	46.6%	45.7%	45.8%
Nominal GDP - SAR Bn	1,949.2	1,609.1	1,975.5	2,510.7	2,752.3	2,806.7	2,917.0
Nominal GDP - USD Bn	519.8	429.1	526.8	669.5	734.0	748.5	777.9
Real GDP Growth (%)	8.43%	1.83%	7.43%	8.57%	5.81%	3.95%	4.60%
GDP per Capita - PPP (USD)	20,157	16,095	19,113	23,594	25,139	24,953	25,401
Current Account Balance (USD Bn)	132.32	20.96	66.75	158.58	164.76	132.64	117.32
Current Account Balance (SAR Bn)	496.21	78.58	250.32	594.68	617.86	497.40	439.96
% of GDP	25.5%	4.9%	12.7%	23.7%	22.4%	17.7%	15.1%
Inflation, Avg. CPI (%)	9.50%	4.00%	5.77%	3.64%	3.57%	2.97%	3.18%

Source: International Monetary Fund (IMF)

The Saudi GDP is estimated to reach SAR 2,821.7 Bn at the end of 2014 with a growth rate of 1.09% compared to 2013. The Non-oil GDP is estimated to grow by 8.21% to reach SAR 1,600.8 Bn, whereas the non-oil public and private sectors are estimated to grow by 6.06% and 9.1%, respectively. On the other hand, the oil sector is estimated to decline by 7.17% during 2014 to reach the lowest levels during the last 4 years at SAR 1,198.3 Bn. As reported by the ministry of finance, the Real GDP of the GCC's largest economy is estimated to grow at 3.59% in 2014 compared to 2.67% in 2013. The oil is estimated to grow by 1.72% while the government and private non oil sectors are estimated to grow by 3.66% 5.7%, respectively. After accounting for seasonal factors, SABB HSBC Saudi Arabia PMI recorded 57.6, compared to 59.1 in October. Although remaining well above the 50.0 mark that separates growth from expansion, the latest reading of the PMI was the lowest for six months.

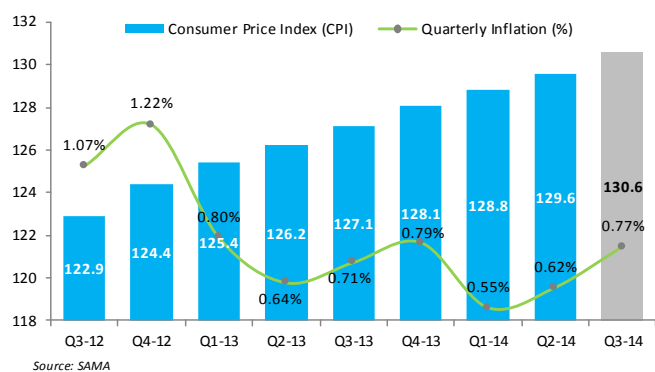
The broad measure of money supply (M2) in the Kingdom increased by 3.43% during Q3-14 to reach SAR 1,501 Bn after growing by 2.9% and 4.78% in Q2-14 and Q1-14, respectively, driven by ample liquidity with banks and remarkable growth in deposits base and credit facilities.

During Q3-14, inflation marginally inched up as compared to last quarter. The general consumer price index rose by 0.77% in Q3-14 as compared to Q2-14, and by 2.75% during the last 12 month. Among the sectors, "Recreation and Culture" recorded the highest inflation rate during Q3-14, registering a quarterly increase in prices of 6.2%, followed by miscellaneous goods & services. The effects of major groups were in variable degrees on the general cost of living index. In terms of its influence on the cost of living index, the recreation and culture group ranked first with 27.8% during Q3-14 compared to 5.2% in the same quarter of the previous year.

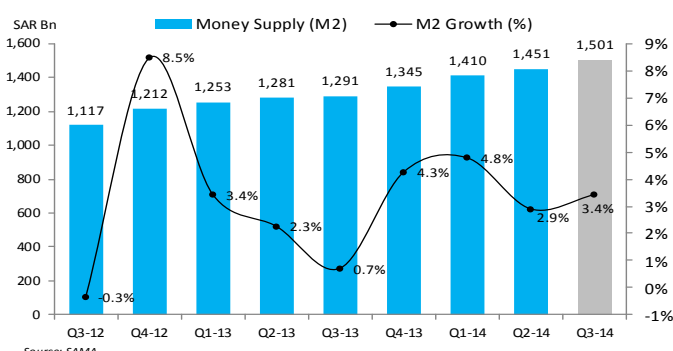
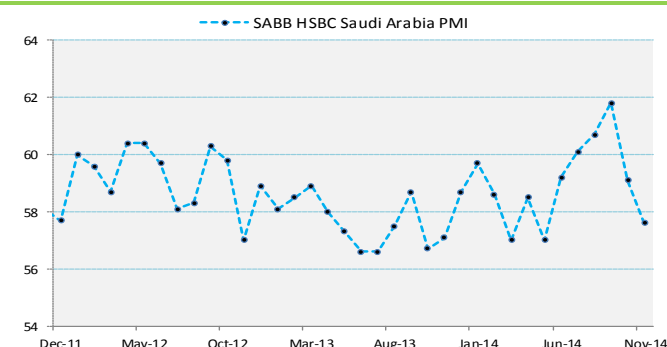
Gross Domestic Product by Institutional Sectors at Current Prices

Sectors	GDP (SAR Mn)				2014/2013 Growth (%)
	2011	2012	2013	2014*	
Oil Sector	1,276,416	1,376,576	1,290,789	1,198,255	(7.2%)
Non-Oil Sector	1,216,949	1,354,264	1,479,296	1,600,772	8.2%
Private Sector	845,780	940,794	1,042,319	1,137,298	9.1%
Government Sector	371,169	413,470	436,977	463,474	6.1%
Total	2,493,365	2,730,840	2,770,085	2,799,027	1.0%
Import Duties	17,285	21,494	21,174	22,696	7.2%
Gross Domestic Product (GDP)	2,510,650	2,752,334	2,791,259	2,821,722	1.1%

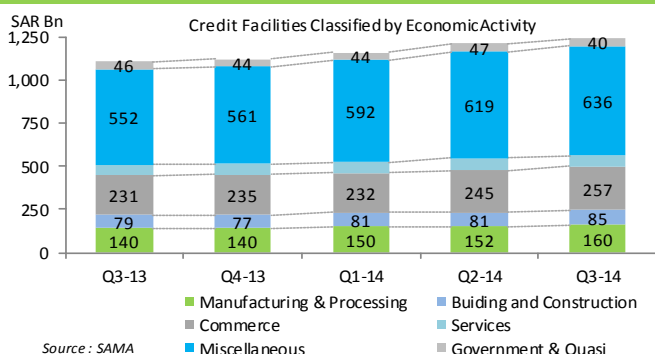
Source: *Preliminary Data by Saudi Central Department of Statistics & Information



Source: SAMA



Source: SAMA



Source: SAMA

United Arab Emirates

Key Economic Indicators	2008	2009	2010	2011	2012	2013	2014 E
UAE GDP Share in GCC	26.7%	26.5%	25.2%	24.2%	23.6%	24.5%	24.5%
Nominal GDP - AED Bn	1,158.6	931.2	1,050.5	1,276.0	1,367.3	1,477.6	1,529.4
Nominal GDP - USD Bn	315.5	253.5	286.0	347.5	372.3	402.3	416.4
Real GDP Growth (%)	3.19%	-5.24%	1.64%	4.89%	4.68%	5.20%	4.28%
GDP per Capita - PPP (USD)	39,075	30,920	34,612	40,817	42,464	44,552	44,771
Current Account Balance (USD Bn)	22.28	7.85	7.24	50.95	68.96	64.68	46.31
Current Account Balance (AED Bn)	81.82	28.83	26.59	187.11	253.26	237.54	170.06
% of GDP	7.1%	3.1%	2.5%	14.7%	18.5%	16.1%	11.1%
Inflation, Avg. CPI (%)	6.60%	1.22%	0.88%	0.77%	0.88%	1.65%	2.35%

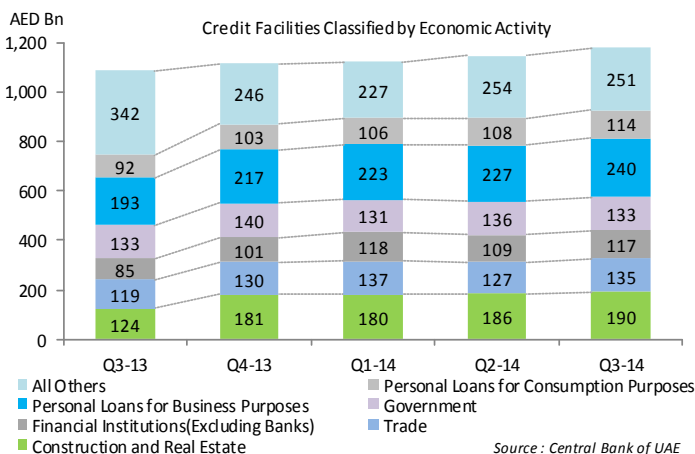
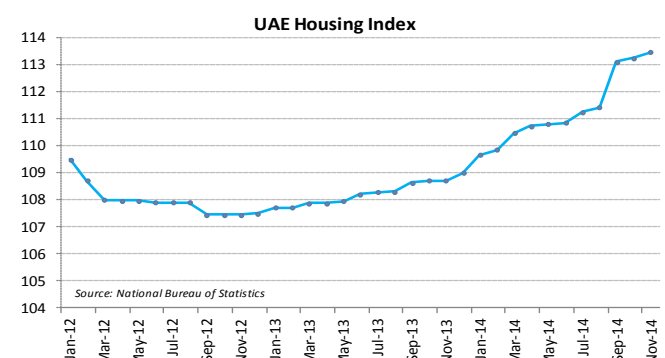
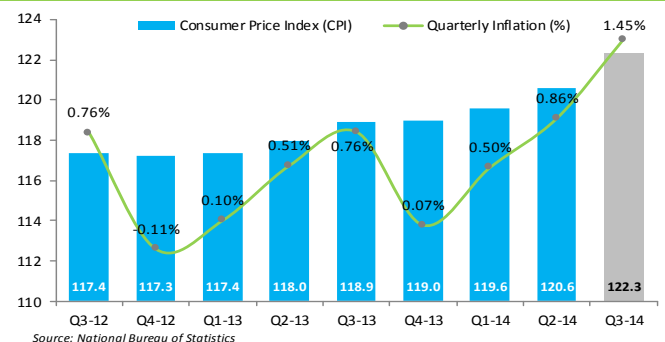
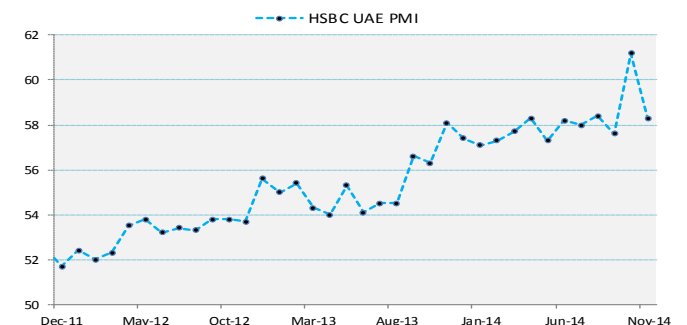
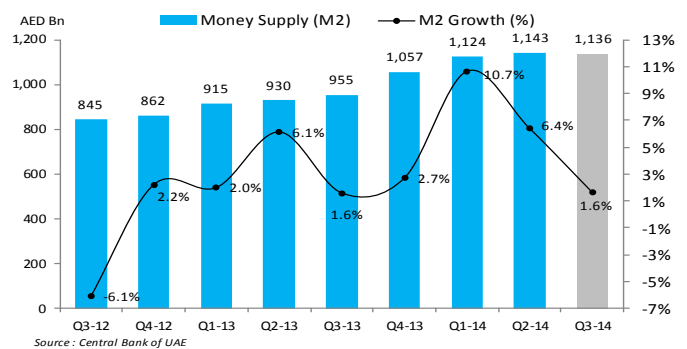
Source: International Monetary Fund (IMF)

UAE's GDP has showed healthy recovery over the last three years to exceed the pre-crisis level by 2011 when it reported a nominal GDP of USD 348.6 billion. As per IMF latest estimates, UAE's economy grew by 5.2% in real terms during 2013 and is expected to post a strong growth of 4.28% in 2014.

In terms of budget allocations, the focus continues to remain on developing the non-oil sector in order to counter the expected weakness in the oil sector, which accounted for 1/3rd of the economy's GDP. The non-oil sector is expected to get further boost from increased investment spending for the World Expo 2020. This would have an obvious impact of negatively affecting the current account balance as indicated by the IMF, making the economy vulnerable to oil price shocks.

The upturn in the UAE's non-oil sector continue to gain momentum as the seasonally adjusted HSBC UAE PMI rose to a record high of 61.2 at the end of Oct-2014, and 58.3 in Nov-2014. This also highlighted a robust labor market and significant job creation in the region. A majority of this growth came from the housing sector, as reflected in UAE Housing Index. Meanwhile, total credit facilities further improved to AED 1.18 trillion at the end of the Q3-2014 as the low interest rate and economic recovery led to improvement in lending activities.

On the other hand, as the economy gathers momentum, inflationary pressure increased, resulting in inflation edging up to its highest level in more than five years, to report 2.9% in the last 12M-period ending Sep-14, as a result of rising rents & food prices.



Qatar

Key Economic Indicators	2008	2009	2010	2011	2012	2013	2014 E
Qatar GDP Share in GCC	9.7%	10.2%	11.0%	11.8%	12.0%	12.4%	12.5%
Nominal GDP - QAR Bn	419.6	356.0	455.4	618.1	691.4	736.9	771.7
Nominal GDP - USD Bn	115.3	97.8	125.1	169.8	189.9	202.5	212.0
Real GDP Growth (%)	17.66%	11.96%	16.73%	13.02%	6.12%	6.50%	6.53%
GDP per Capita - PPP (USD)	74,189	59,935	76,413	99,431	103,418	98,986	94,744
Current Account Balance (USD Bn)	26.60	6.39	23.95	51.98	62.03	62.59	57.36
Current Account Balance (QAR Bn)	96.81	23.26	87.19	189.20	225.79	227.82	208.77
% of GDP	23.1%	6.5%	19.1%	30.6%	32.7%	30.9%	27.1%
Inflation, Avg. CPI (%)	15.20%	-4.95%	0.40%	2.12%	2.65%	2.49%	3.36%

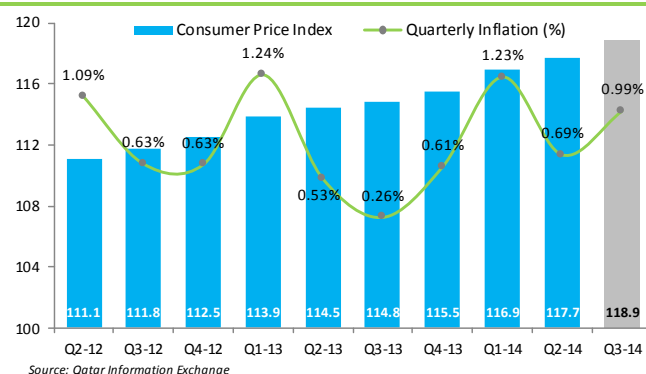
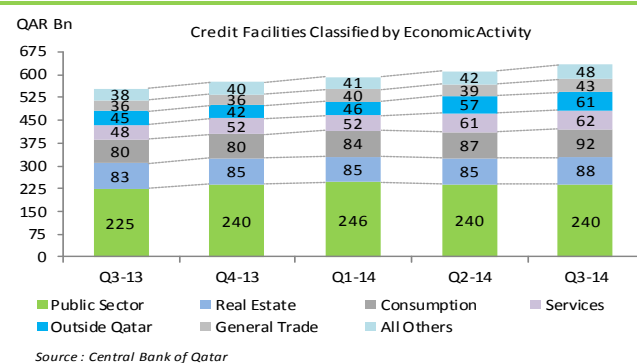
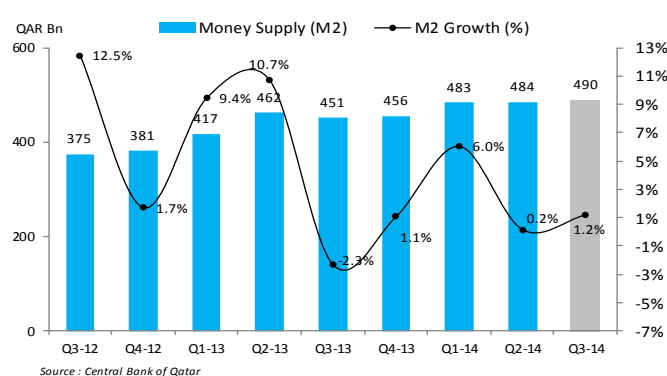
Source: International Monetary Fund (IMF)

Qatar has made significant progress on developing the non-oil sector, especially after it secured the rights to host FIFA World cup 2022. The country plans to spend close to USD 140 billion in the next five years as it prepares for the world cup. The resulting growth in GDP has been consistently positive since Q3-2013, yet at a slowing pace to then show a drop of 2.2% in Q2-2014. Based on the latest quarterly figures by the Qatar Information Exchange, the Q-o-Q growth in GDP for Q3-2014 stood at 1.8%.

As economic activity improved, demand for credit facilities increased which resulted in higher money supply as well as lending activities. The private sector continues to account for the lion's share of lending, however, increased infrastructure investments has resulted in higher lending to the public sector as compared to a year earlier. The country did see delays in project execution that also resulted in cost escalation; however, the government has recently accelerated work on infrastructure projects which will have a similar effect on the pace of credit growth.

Qatar's broad measure of money supply (M2) increased for the 4th consecutive quarter in a row, to add around QAR 5.75 Bn or 1.19% in Q3-14 and stand at around QAR 490 Bn as of September-14. The rise in M2 is mainly attributed to the significant increase in foreign currency deposits of 14.3% or QAR 20.4 Bn.

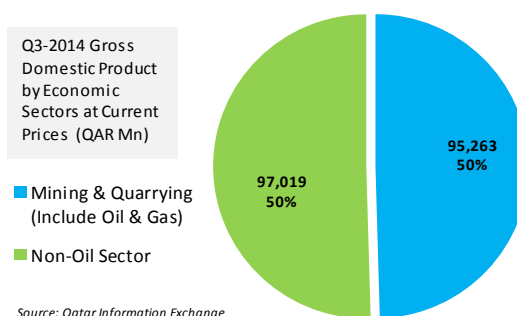
According to GCC-Stat, Qatar has one of the highest annual inflation levels in the GCC reported at 3.6% in Sep-14 due to rising rents, furniture and home applicants expenses, as well as transportation and food costs. Quarterly inflation increased by 0.99% in Q3-14 as compared to 0.69% at the end of Q2-14. Rent expenses have shown unprecedented increase over the past two years, triggered by higher demand and shortage in housing amid increasing number of expats.



Quarterly Gross Domestic Product by Economic Sectors at Current Prices

Sectors	GDP (QAR Mn)			
	Q4-14	Q1-14	Q2-14	Q3-14
Mining & Quarrying (Include Oil & Gas)	402,324	103,176	96,722	95,263
Non-Oil Sector	334,404	89,941	92,163	97,019
Private Sector	264,606	71,392	73,246	77,866
Government Sector	69,798	18,549	18,917	19,153
Total	736,728	193,117	188,885	192,282
Import Duties	3,048	764	769	798
Gross Domestic Product (GDP)	739,776	193,881	189,654	193,080

Source: Qatar Information Exchange



Bahrain

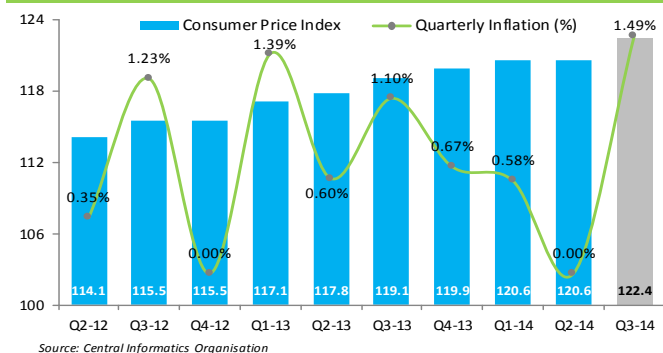
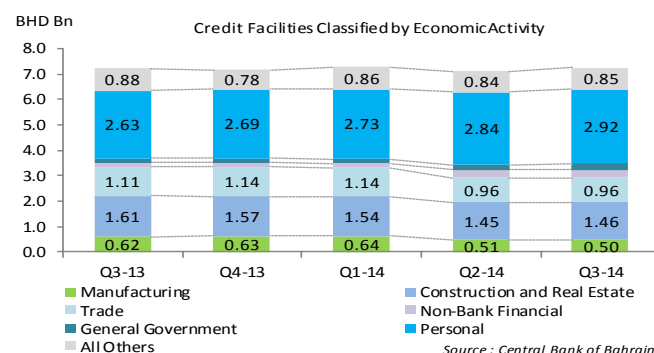
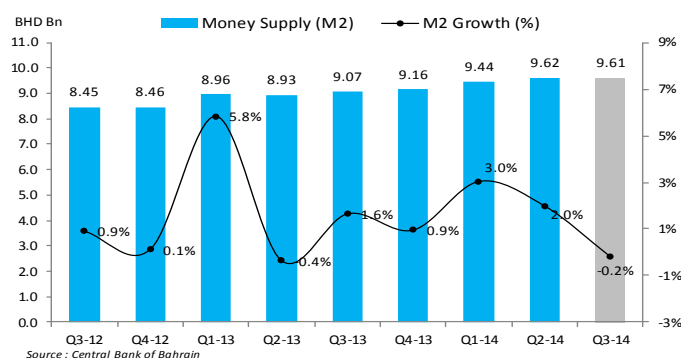
Key Economic Indicators	2008	2009	2010	2011	2012	2013	2014 E
Bahrain GDP Share in GCC	2.2%	2.4%	2.3%	2.0%	1.9%	2.0%	2.0%
Nominal GDP - BHD Bn	9.7	8.6	9.7	10.9	11.5	12.3	12.8
Nominal GDP - USD Bn	25.7	22.9	25.7	29.0	30.7	32.8	34.0
Real GDP Growth (%)	6.24%	2.55%	4.34%	2.10%	3.36%	5.32%	3.88%
GDP per Capita - PPP (USD)	32,983	22,072	23,233	25,728	26,632	27,926	28,424
Current Account Balance (USD Bn)	2.26	0.56	0.77	3.25	2.22	2.56	2.38
Current Account Balance (BHD Bn)	0.85	0.21	0.29	1.22	0.84	0.96	0.90
% of GDP	8.8%	2.4%	3.0%	11.2%	7.2%	7.8%	7.0%
Inflation, Avg. CPI (%)	5.12%	1.55%	0.99%	0.18%	2.58%	3.99%	2.57%

Source: International Monetary Fund (IMF)

Bahrain real GDP growth is forecasted at 3.88% for 2014, below its GCC benchmark average growth of 4.20% for the same year. GDP during the 3rd quarter of 2014 increased to BHD 3.3 Bn, a Q-o-Q growth of 1.97% as compared to BHD 3.2 Bn seen during the 2nd quarter of the year. Further, the key component of the GDP, namely, non-oil sectors, continued the strong momentum of last quarter to grow by an equivalent 2.7% in Q3-2014 and stood at BHD 2.4 Bn as of Sep-2014. Whereas, the oil sector saw a marginal drop of 0.1% compared to a growth of 7.9% in last quarter, given the weak oil market, to stand at BHD 859 Mn as of Sep-2014.

It term of sector contribution to GDP, it is pertinent to note that non-oil sector as a percentage of quarterly GDP saw a quarterly increase of 50 bps during Q3-14 as compared to Q2-14. Both components of the non-oil sector, the private and the government sectors, saw improvement during the last quarter. GDP for the private sector, which accounted for 85.1% of the non-oil sector, increased by 3.1% during Q3-14 to BHD 2.04 Bn as compared to BHD 1.98 Bn during Q2-14, whereas, the government sector, which accounted for the remaining 14.9%, witnessed a marginal increase of 0.8% during Q3-14.

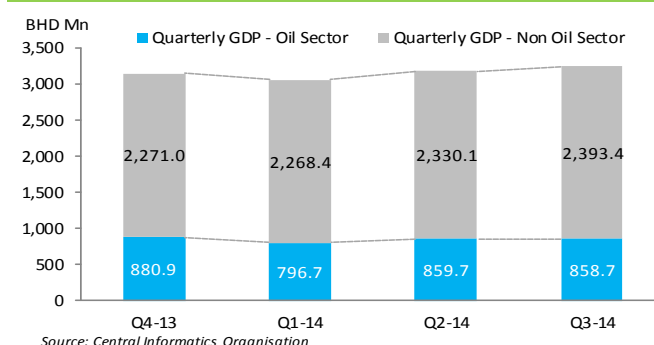
On the monetary front, money supply (M2) during Q3-14 dropped by a marginal 0.2% Q-o-Q to record BHD 9.61 Bn on the back of a decline of an equivalent 3.0% in demand deposits and currency outside banks; whereas, time and saving deposits increased by around 1.2%. However, the marginal decline in liquidity did not affect the credit market, as total credit facilities grew by around 2.05% Q-o-Q to BHD 7.26 Bn, mainly on the back of a 2.8% growth in personal facilities which stood at BHD 2.9 Bn as of Sep-2014.



Quarterly Gross Domestic Product by Economic Sectors at Current Prices

Sectors	GDP (BHD Mn)				Q3/Q4-14 Chg%
	Q4-13	Q1-14	Q2-14	Q3-14	
Oil Sector	880.9	796.7	859.7	858.7	-0.12%
Non-Oil Sector	2,271.0	2,268.4	2,330.1	2,393.4	2.72%
Private Sector	1,920.3	1,915.0	1,977.1	2,037.7	3.07%
Government Sector	350.8	353.4	353.0	355.7	0.76%
Total	3,152.0	3,065.1	3,189.8	3,252.1	1.95%
Import Duties	25.8	26.1	28.9	30.1	4.15%
Gross Domestic Product (GDP)	3,177.8	3,091.2	3,218.7	3,282.2	1.97%

Source: Central Informatics Organisation



Oman

Key Economic Indicators	2008	2009	2010	2011	2012	2013	2014 E
Oman GDP Share in GCC	5.0%	4.9%	5.0%	4.7%	4.8%	4.7%	4.7%
Nominal GDP - OMR Bn	22.8	18.0	21.9	26.0	29.0	29.7	31.0
Nominal GDP - USD Bn	59.3	46.7	56.8	67.7	75.4	77.1	80.5
Real GDP Growth (%)	8.20%	6.11%	4.80%	4.10%	5.76%	4.82%	3.40%
GDP per Capita - PPP (USD)	21,272	16,204	19,698	22,623	22,923	21,456	21,688
Current Account Balance (USD Bn)	5.02	-0.61	5.87	10.72	10.07	9.18	7.98
Current Account Balance (OMR Bn)	1.93	-0.23	2.26	4.12	3.87	3.53	3.07
% of GDP	8.5%	-1.3%	10.3%	15.8%	13.3%	11.9%	9.9%
Inflation, Avg. CPI (%)	11.78%	0.92%	4.19%	3.29%	2.88%	0.30%	2.79%

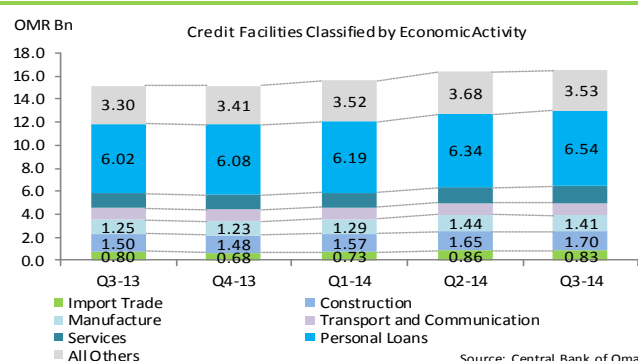
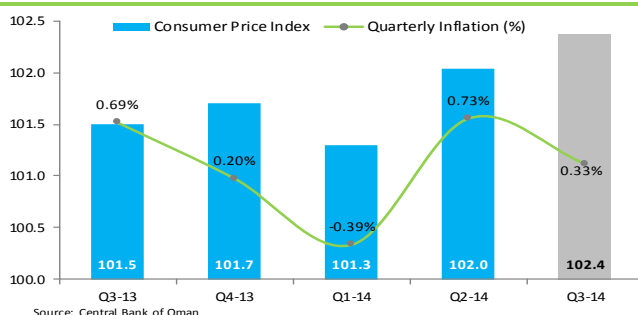
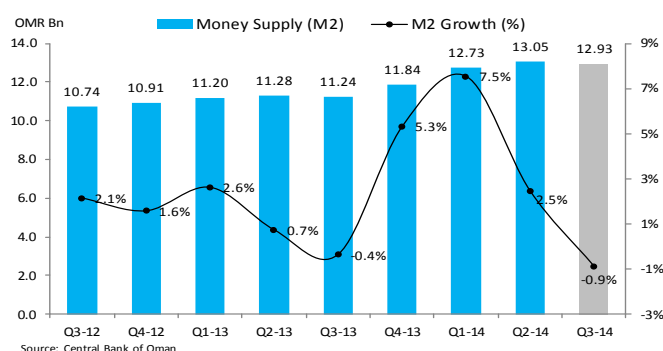
Source: International Monetary Fund (IMF)

Oman reported a fiscal deficit of OMR 364 Mn in Q3-2014 as the government's total revenues dropped during the quarter by around OMR 711 Mn or 17.9% to stand at OMR 3.27 Bn. This drop owes mainly to lower oil revenues as average oil prices declined by around 11% compared to Q2-2014 average level, this is in addition to lower other non-oil revenues. On the other hand, government expenditure was less by around 7.9%, to record OMR 3.63 Bn. Accordingly, the drop in revenues outpaced that of expenditures to therefore result in deficit during the third quarter.

On the monetary front, money supply (M2) at the end of the third quarter dropped by a marginal 0.9% to OMR 12.9 Bn as compared to a growth rates of 2.5% and 7.6% seen during Q2-14 and Q1-14, respectively.

Quasi money that accounted for a 65.9% of M2 increased by 2.2% over the quarter to OMR 8.5 Bn, whereas the more liquid M1 dropped by 6.3% to OMR 4.4 Bn on the back of a drop of 11.1% in demand deposits during Q3-2014. This drop in money supply dragged down inflation level during the quarter to around 0.33% compared to 0.73% in Q2-2014.

On the other hand, credit facilities growth slowed down to record 0.9% as compared to an increase of 2.8% and 5% during Q1-2014 and Q2-2014, respectively. Facilities to the construction sector as well as personal facilities represent the key growth drives during 2014, both adding a total of OMR 680 Mn over the first nine month, therefore accounting for around 51% of the total growth in credit facilities during the same period.



Government Revenues and Expenditure

OMR Mn	2012		2013				2014			Last Quarter
Sectors	Q3-12	Q4-12	Q1-13	Q2-13	Q3-13	Q4-13	Q1-14	Q2-14	Q3-14	Chg%
Revenues	3,570.7	3,139.9	3,456.7	3,618.5	3,404.8	3,602.1	3,214.4	3,980.0	3,269.0	(17.9%)
Oil Revenues	2,833.7	2,326.0	2,714.1	2,575.7	2,614.7	2,834.5	2,586.9	2,691.1	2,530.5	(6.0%)
Gas Revenues	387.5	359.0	370.0	319.5	401.5	398.9	363.2	331.9	350.6	5.6%
Other Revenues	349.5	454.9	372.6	723.3	388.6	368.7	264.3	957.0	387.9	(59.5%)
Expenditure	2,278.2	5,513.4	2,525.7	4,454.3	3,160.3	3,541.0	2,999.0	3,945.3	3,633.0	(7.9%)
Current Expenditure	1,457.9	3,875.9	1,563.4	1,812.7	1,441.7	1,586.0	1,693.3	2,274.9	1,967.8	(13.5%)
Investment Expenditure	566.7	1,118.9	601.4	696.6	736.6	785.0	543.0	850.3	819.6	(3.6%)
Participation & Subsidy To Private Sector	253.6	518.6	360.9	472.1	426.4	402.4	362.7	470.1	345.6	(26.5%)
Actual Expenses under Settlement	0.0	0.0	0.0	1,472.9	555.6	767.6	400.0	350.0	500.0	42.9%
Fiscal Surplus (+) / Deficit (-)	1,292.5	-2,373.5	931.0	-835.8	244.5	61.1	215.4	34.7	-364.0	(1,149%)

Source: Central Bank of Oman

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