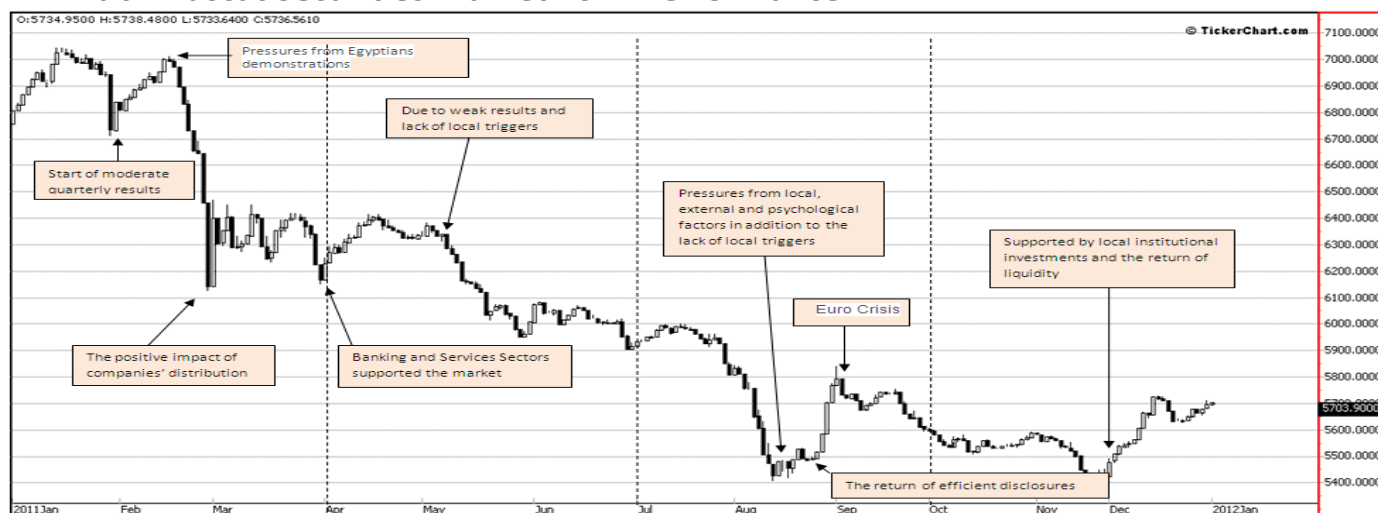


## Al Arabi Muscat Securities Market 2011 Performance



### 2011 – Yearly performance of MSM

In the year 2011, MSM couldn't avoid (like other markets) from the effects of actions happened in the region and worldwide starting from the unrests spreading in the Arab world to internal actions in the country followed by global financial crisis that affected on countries even with safe financial ratings. This led to a lack of ability to make right investment decisions from investors ignoring the main fundamentals in local market bringing the index down by 15.69% and ended 2011 trades at level of 5,695.12 compared to last year at 6,754.92 points.

At the beginning of year, MSM index started on a high note taking the index to its yearly high of 7,027.32 points (on 16<sup>th</sup> Jan '11) after the announcement of Sultanate's historical budget for the year 2011 but this didn't stay for long and faded because of the reasons mentioned earlier. The index fell to its yearly lowest level at 5,419.22 in the fourth quarter (on 23<sup>rd</sup> Nov '11) and the market witnessed only one IPO of SMN Power Holding.

Oil marketing companies' shares were among the best performers in 2011 as Oman Oil Marketing and Al Maha Petroleum Products Marketing Co., have gained 40.7% and 34.33% respectively. Furthermore, leasing sector companies made their presence felt and was back in spotlight in 2011 where United Finance share recorded a gain of 59.21%.

Total value of trades during the year amounted to 2.3bn shares with a turnover of RO 991.5mn with a decline of 21.3% and 24.74% respectively as compared to 2010. On Sunday 30<sup>th</sup> Jan '11, the market witnessed the maximum value of trades in 2011 at RO 15.12mn where the least value of trades was on 12<sup>th</sup> June at RO 1.07mn. Also, total distributed cash dividends for 2011 as per Bloomberg was around RO 229.2mn

The Telecommunication sector has also recorded a significant improvement highlighted by Oman Telecommunications Co (Omantel) and Oman Qatari Telecommunication (Nawras) accounting for 15% of total trades. Bank Muscat was the top gainer on turnover basis and also ranked first among traded shares.

The market witnessed several phases of ups and downs. It has witnessed continuous declines after 16<sup>th</sup> of January due to below average results aggravated by unrests in Arab countries to record a level of 6,401.48 points on 1<sup>st</sup> of March. This weak performance continued on the back of psychological trading and the ambiguity on timing of disclosures by blue chip companies which came as surprise for investors and led to unjustified pressures on these stocks

On other front, based on our database the total number of tenders assigned in the past year amounted to RO 1.79bn. The highest value of a tender during 2011 was at RO 224.7mn on 17<sup>th</sup> of Jan'11 which included additional marine work at Duqm port at a value of RO 192.7mn

Top Gainers	Price	Chg
Companies	RO	%
OMAN REFRESHMENT	1.450	71.88
UNITED FINANCE	0.121	59.21
SALALAH MILLS	0.982	41.70
OMAN OIL MARKETING	1.710	40.74
AI MAHA PETROLEUM PRODUCTS MAR	13.500	34.33

Note: Stock prices adjusted for corporate action (Source: Bloomberg)

Top Losers	Price	Chg
Companies	RO	%
FINANCIAL SERVICES	0.055	(54.55)
ONIC. HOLDING	0.170	(52.38)
RENAISSANCE SERVICES	0.545	(50.81)
OMAN AND EMIRATES INV. OM	0.094	(48.91)
AL HASSAN ENGINEERING	0.253	(48.16)

Note: Stock prices adjusted for corporate action (Source: Bloomberg)

Top Co. - Value	Price	Value	Mkt.Share
Companies	RO	in RO 000	
BANK MUSCAT	0.766	189,344.40	19.10%
RENAISSANCE SERVICES	0.545	146,473.48	14.77%
NAWRAS	0.650	85,378.55	8.61%
OMAN TELECOMMUNICATION	1.309	63,124.99	6.37%
GALFAR ENGINEERING AND CON.	0.337	46,201.71	4.66%

Source: MSM

Top Co. - Volume	Price	Volume	Mkt.Share
Companies	RO	in 000	
BANK MUSCAT	0.766	240,601.18	10.11%
BANK SOHAR	0.158	222,127.64	9.33%
RENAISSANCE SERVICES	0.545	156,937.98	6.59%
NAWRAS	0.650	118,491.77	4.98%
GALFAR ENGINEERING AND CON.	0.337	102,021.22	4.29%

Source: MSM

## 2011 – Quarterly performance of MSM

### • Q1'11 Market Synopsis

Analyzing the performance for the first quarter of 2011, MSM30 Index fell considerably by 8.7% q-o-q to 6,167.36 points. The downward movement of Oman's benchmark index was impacted by regional geopolitical events. Local demonstration in some parts of Oman also eroded all the gains achieved by MSM30 on the back of announcement of largest 2011 budget in all terms. Japan's massive earthquake in March 2011 causing panic of nuclear leakage, further dented the sentiment across the board and led to volatile trading. Although above mentioned factors influenced market performance during Q1'11, but market activity increased in first quarter as both volume of securities traded and turnover had jumped up by 40.6% and 20.1% respectively from Q4'10. It's worth mentioning that during the first quarter MSM30 touched its yearly peak level at 7,027.32 (on 16 Jan'11), as all sub-indices touched its highest level during the month of January 2011. Irrespective of the above factors, the quick positive response of the government to the local demonstrations in addition to the dividends season and the GCC governments' expanding spending such as the Saudi 2011 budget, helped in supporting investors' sentiment which was partially reflected in March 2011 as the market gained 0.41% on a monthly basis.

### • Q2'11 Market Synopsis

The first period of the second quarter observed foreigners entering the market as a result of weaker global markets. However, the absence of local thrust and low levels of liquidity in addition to weaker first quarter results led the MSM index to fall by 4.07% q-o-q. The second quarter also witnessed the lowest number of traded volumes in the past 5 years (on 12 June'11). The volume of securities traded witnessed a decline by 44.32% q-o-q and 49.14% for the turnovers due to the factors revealed earlier in addition to negative rumors in some stocks. It was noticed during the period that foreign investors were attracted in some selected stocks at the back of positive research reports published by analysts outside Oman. All sub-indices fell down led by the financial sector which declined by 6.92% q-o-q followed by the service sector and finally the industry shed 3.2% and 2.4% respectively. In this quarter, his Majesty approved to establish the first Islamic Bank in Oman under the name of Bank Nizwa. During the same quarter, Oman Arab Bank

MSM summary	Current	Previous	Change	Change
	Year	Year		%
Al Arabi Oman 20 Index	1,013.81	1,145.50	(131.69)	(11.50)
MSM30	5,695.12	6,754.92	(1,059.80)	(15.69)
Volume(In 000)	2,380,318	3,024,491	(644,173)	(21.30)
Value traded (In RO 000)	991,566	1,317,460	(325,893)	(24.74)
No. of Transactions	359,596		Volume of Bonds	14,101,033

Sector Name	Bloomberg	No.	Current	Previous	Points	Change
	Code	of Co.			Yearly	%
Financial Sector	BKINV	13	6,385.67	8,319.73	(1934)	(23.25)
Industry Sector	INDSI	11	5,958.75	7,306.48	(1348)	(18.45)
Services Sector	SINSI	6	2,567.28	2,705.72	(138)	(5.12)

Main Indicators - Sectors	52-Week		Main Indicators	
	High	Low	P/Ex	P/Bx
MSM 30	7,044.36	5,408.27	10.85	1.58
Financial Sector	8,926.70	5,827.67	11.80	1.20
Industry Sector	7,602.67	5,558.65	10.20	1.40
Services Sector	3,011.04	2,334.56	9.20	1.70

Source: MSM, Bloomberg

– Investment Management Group launched its own index (the first bank in Oman to do so) by the name of AL ARABI OMAN 20 INDEX. The main objective of AL ARABI OMAN 20 INDEX is to represent the prices movement of the listed shares objectively and to be a benchmark for individual and institutional investors which guide them through their investment processes through our criteria which are mainly based on paid up capital, liquidity and company performance.

### • Q3'11 Market Synopsis

MSM30 index witnessed a positive momentum at the beginning of the third quarter due to the increased activity of investors, fund managers and speculators to mimic the changes in the components of MSM30 index which came into force on 1<sup>st</sup> of July.

In general, the quarter was influenced by holiday seasons and the holy month of Ramadan. Moreover, the announcement that was made by S&P to down grade of US debt from the much revered AAA status to AA+ had an impact on regional and international economy. In addition, the ambiguity of announcements by blue-chip companies added more pressure on the index and reduced investor's confidence.

The MSM30 index reduced by 5.31% q-o-q to 5,602.29 points as a result of the decline in all sub-indices with the Industry sector being the biggest laggard with a dip of 8.72% q-o-q followed by the Service sector at 3.62% and finally the Financial sector at 1.95% q-o-q.

The same period witnessed important decisions by the CMA to boost trading activity in Muscat Securities Market such as, the reduction of the commissions collected by the market, so that commission charged by the broker on a client becomes 3.5 per thousand of the value of the deal, down from 4 per thousand of the value of the deal. The decisions also included a number of incentives to encourage companies to merge before the end of 2011.

#### • Q4'11 Market Synopsis

Several events have been observed during the fourth quarter including the IPO listing of "SMN Power holding" which holds SMN Barka and Al Rusail Power Company making it the largest power generating company in Oman, the euro zone crisis, and exit of foreign investors. Moreover, profit booking was noticed with good numbers of special deals. The period witnessed the return of leasing sector to the investors' attention through number of trades on some selected stocks. The quarter registered improvements in trading activities indicating better liquidity in addition to lower correlation between local markets and foreign markets. Investors were concentrating on the strong fundamentals the market enjoys.

Generally, foreign selling pressure was the main negative factor that affected on the index performance although it had moved slightly up by 1.6% q-o-q to 5,695.12 points with better performance by the Service sector recording an increase by 5.54% q-o-q with a support from blue chip stocks.

During the period, Oman Arab Bank's Investment Management Group (IMG) launched a proprietary 'GCC Index,' the first of its kind in Oman named "Al Arabi GCC 50 index".

#### Factors influencing MSM performance in year 2011



## Quarterly Buying Pattern:

Starting the year, MSM30 had witnessed an increasing interest from Oman retail and corporate investors on the back of government announcement of its largest historical budget in all terms, in addition to high dividend yields by companies offset by heavy foreign selling due to unrests in the region. The result is more fear and loss of confidence among foreign investors. The important role of Investment Stabilization Fund was also noticed due to its absorption of selling pressures of regional and foreign investors. The MSM recorded highest trading volumes in the first quarter reaching to 954.8mn shares with a turnover of RO 438.2mn.

In the second quarter, foreigners returned to the market targeting blue chip stocks with low price levels. In addition the GCC region is a safe destination comparing to other regions and this turned out to end the quarter with net buyers of RO 18.6mn and local and GCC investors exited the market with net selling of RO 13.4mn and RO 4.3mn respectively.

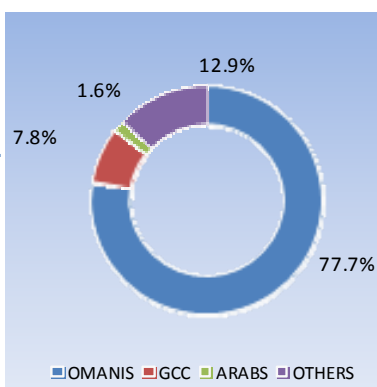
The third quarter witnessed a very low level of liquidity and investors were cautious which contributed to weakening of regional and international stock markets due to the fear of further increase in US debt and continued concerns related to the Euro crisis. Moreover, summer season and the holy month of Ramadan added more pressure to record lowest trading volumes in the quarter of 386.8mn shares at RO 145.7mn and during the period many investors moved to secured investments leading the gold to record its highest levels.

Profit booking on selective stocks was noticed in the market by foreign investors during the last quarter of the year with net sales of RO 13.6mn. Whereas, Omani institutional investors were absorbing selling pressure imposed by foreigner's thus emerged as net buyers at RO 27.7mn

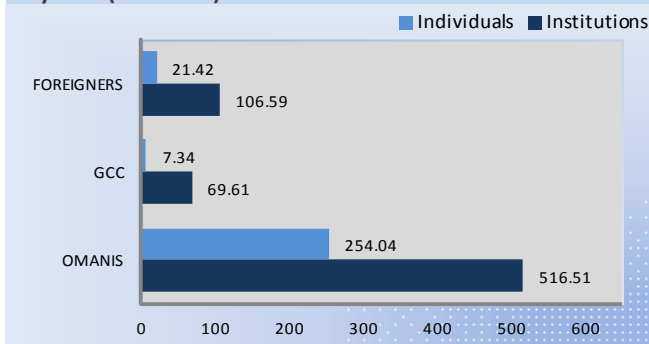
Ultimately, Omani institutional investors ended the year with net buy of RO 81.1mn (representing 52% of total buying value). While, Foreign and GCC institutional investors were net sellers at RO 56.2mn. We noticed, that all individual investors were net seller by the end of the year at RO 24.4mn (Local Omani investors accounted for 63.8% of total selling representing RO 15.5mn). Regarding market trades, yearly volumes and turnover stood at 2.3bn shares traded with a turnover of RO 991.5mn representing a decline by 21.3% and 24.7%, respectively. The total value of special deals which was executed during the year worth RO 44.2mn (representing only 4.4% of total value traded in 2011). It's worth to mention that the average daily turnover for 2011 stood at RO 4m compared to RO 5.3mn in previous year.

### Nationality Trading - Buy

	Value (RO 000)
OMANIS	770,619.9
GCC	76,876.2
ARABS	16,054.8
OTHERS	128,015.2

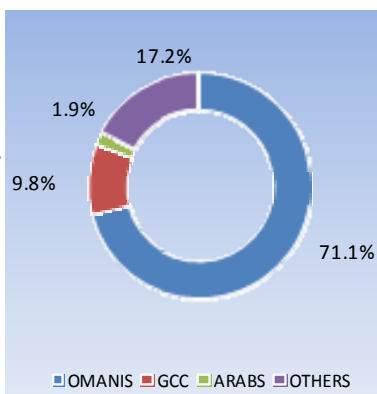


### Buy Side (In RO mn)

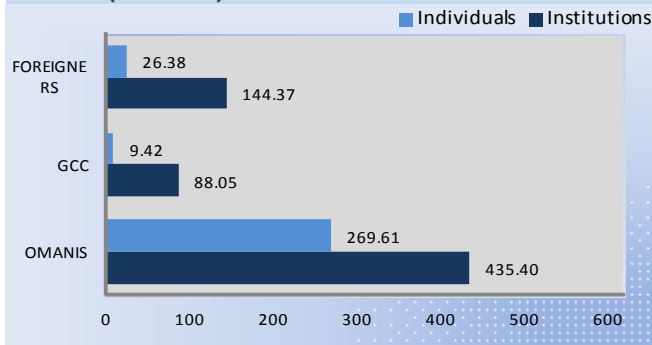


### Nationality Trading - Sell

	Value (RO 000)
OMANIS	704,993.0
GCC	97,423.6
ARABS	18,406.2
OTHERS	170,743.3



### Sell Side (In RO mn)





## Regional Performance:

GCC Market Indices	Close 2011	Close 2010	Change	Change %
Al Arabi GCC 50 Index	1104.96	1154.46	(49.50)	(4.29)
Muscat Securities Market	5,695.12	6754.92	(1,059.80)	(15.69)
Saudi Stock Exchange	6,417.73	6,620.75	(203.02)	(3.07)
Kuwait Stock Exchange	5,814.20	6,955.50	(1,141.30)	(16.41)
Qatar Exchange	8,779.03	8,681.65	97.38	1.12
Bahrain Stock Exchange	1,143.69	1,432.26	(288.57)	(20.15)
Dubai Financial Market	1,353.39	1,630.52	(277.13)	(17.00)
Abu Dhabi Securities Exchange	2,402.28	2719.87	(317.59)	(11.68)

Source: Zawya, OABinvest

The year 2011 wasn't so good for GCC stock markets which have witnessed sharp declines that outweighed the gains achieved during 2010. Qatar Exchange was the only one excluded from these declines as it didn't get affected much with the regional situation and its relatively a small market compared to others in addition to huge revenues made by the country as a result of high oil prices and strong gas exports as well as the massive government spending.

Generally, the increase in oil prices didn't support GCC stock markets because of internal and external factors including the political and social unrests along with the panic situation of international investors due to the Euro zone crisis and the downgrading for European countries and USA in addition to other international factors which had a huge impact on regional index performance.

The quarterly analysis shows that all regional indices ended the first quarter of 2011 with losses lead by Kuwait stock Exchange which has declined by 9.5% q-o-q due to internal political issues, followed by Muscat Security Market with losses of 8.7% q-o-q. Also, Bahrain Bourse was down by only 0.53% q-o-q. Although Saudi exchange gained during the month of March (monthly increases by 10.4%) because of huge government spending, it has dropped in the quarter with a slight decline of 0.8%

In the second quarter, all GCC indices witnessed an increase in April (except for Bahrain which has declined by 1.39% on monthly basis) lead by Dubai Financial Market which rose by 5% on monthly basis. However June witnessed a decline in all GCC indices except for Abu Dhabi Securities Exchange which rose by 2.4% on monthly basis which managed to achieve strong gains in the second quarter by 3.72%.

During the quarter, MSCI delayed the upgrade of Qatar and UAE from frontier bourses to emerging markets till December which came as a disappointment for investor's hopes and just the opposite of what the experts and financial analysts expected.

In the third quarter, some GCC stock markets performed quite poorly due to the S&P decision to downgrade of US debt from the much revered AAA status to AA+ in addition to the Euro zone crisis.

The weak performance for GCC indices continued in the last quarter of 2011, excluding the Saudi and Qatari markets which have gained by 7.3% and 5.1% q-o-q respectively, whereas all other indices ended lower lead by the Dubai Financial Market with a decline of 9.3%. It's worth mentioning that Qatar and UAE failed to gain the MSCI emerging market status yet again.



## 2011 Muscat Securities Market Technical Forecast

O:5635.9700 H:5655.8800 L:5635.9900 C:5649.1010 MA(50) 5556.4354 AreaBB(14,2) MID:5639.5344 UPPER:5752.5130 LOWER:5526.5557



MSM has been volatile during the year within two channels; the first one has formed a bearish channel continued to the end of third quarter in which the index reached to its lowest level since July, 2009 at 5,408.27 points on 11th of August 2011. While MSM30 index have been flat at the fourth quarter of the year as if it's a correction period in which the index need to survive and try to penetrate the resistance level of 6,080 points in the first quarter of 2012.

To illustrate the sequence of 2011 index path, we will explain the index movement in each quarter:

There has been lack of clarity and many investors tend to avoid after losing confidence in the market which has been experienced not only by MSM but also other regional and international markets affected by unrests and geopolitical events which started in the first quarter of the year where the index fell by 12.2% in nine sessions continuously during the period, while the market picked up after the announcement of companies results for the first quarter, offsetting part of its loss at 3.85% as in the first month of the second quarter. However, the market continued to fall again in the middle of third quarter of the year, affected by the caution and uncertainty situation that prevailed in the global and regional markets as a result of the European debt crisis and the negative ratings for debts of some European countries by the global credit rating agencies. But this didn't prevent the market from achieving an increase by 7.11% during the period (especially mid of August), where the CMA came up with set of decisions to boost trading activity in Muscat Securities Market. One of the decisions was to reduce of the commissions collected by the market and some other economical and social incentives.

As it's shown in the graph, MSM30 index is moving horizontally and quietly in the last quarter, but it followed a pointing way of achieving the bottom and top sequentially till end of year. In terms of trading volumes, the indicator shows that during the year it declined to lower levels at the end of the third quarter to recover back in the last quarter and remained at the same place. In the same period, last two weeks of this year witnessed MSM30 index crossing the MA50 and MA100 which is a good indication, noting that the endurance of index above these two levels in the first quarter of 2012 will lead to achieve the level of 6,150 points (first resistance level). It's noted that the approach of moving average index for a period of 50 days crossed up MA100 which is good for the market. Thus, it's essential to maintain those two averages and not to cross them or go below them to continue positivity in the market. Currently, moving average index has crossed up MA50 and MSM30 index to survive above this level. The index has a level of first support at 5,400 points and the second level at 5,300 points

In terms of major technical indicators, we will start of the "Bollinger Band" index where the mid line face the MSM index at 5,657.3 points, technically it is expected to exceed the MSM index of the top-line market for Bollinger. With regard to the money flow index (MFI) and relative strength index (RSI) both are in good position, technically, the first one stands at 58.11 degrees which is a degree of safe art (above 80 degree indicates risk in the index) and the second stands at 62.44 degrees close to the degree of risk in the index RSI of 70 degree technicians.

We expect that in 2012 especially in the first quarter the test of Fibonacci to be at 50% at a stage where it should be finalized at 5,908.7 points. As it crosses the index it will face resistance at first support level of 6,150 points in which the MSM index can reach to the last level of Fibonacci at 6,401.78 points.

## Drivers for Muscat Securities Market for the year ahead

### Expanding budget and government commitment

- Sultanates 8<sup>th</sup> five – year plan (2011 -2015) showed an increase in average yearly expenses by 49.7% to RO 8,548mn compared to the 7<sup>th</sup> five – year plan average yearly expenses of RO 5,706mn. This will remain the main market supporter as most of the listed companies will be benefit directly or indirectly from this spending. This will also create liquidity which can be reinvested in the market.
- Development of Infrastructure and standard projects will be an imperative factor to attract direct foreign investments.
- According to CBO the economy is stable and expected to grow between 5% and 6% during 2011 and 2012 and will contribute to strengthen local investors confidence in Oman's economy and attract them to the market

### New job opportunities

The expectations of providing around 36,000 job opportunities in 2012 budget in addition to approximate 94,000 jobs already provided in the year 2011 will add more demand of banking, services and consumable products. Moreover, it will create more activity in the main sectors and its listed companies.

### High oil prices

- The increase in oil prices in the year 2011 have supported GCC countries budgets including Oman which recorded a fiscal surplus in the first 10 months of 2011 ( after means of financing ) of RO 808.6mn compared to an estimated deficit ( after the adjustments on expenses ) of RO 1.9bn which will support Sultanate's development.
- It is anticipated that oil prices will record high levels during the year 2012 approximately at \$102 per bbl, a level which is much higher than what the budget was built on at \$75 per bbl.

### Intra GCC investments

Oman enjoys a robust and well regulated investment environment which has made it a safe destination for regional and foreign investments.

There is no doubt that substantial increases in oil prices have supported the spending power for GCC countries which are giving priority to investments among themselves that contributes to regional economies and benefiting the vital sectors

### Comprehensive regulations and effective mechanisms

The Capital Market Authority (CMA) came up with set of laws and regulations during 2011 which will undoubtedly be positively reflected in transparency, efficiency, accuracy and control. Some of these regulations include:

- Secured funding laws
- Laws related to organize the delegation process to attend the AGM's
- Reduction of commissions collected by the market, so that commission charged by the broker on a client becomes 3.5 per thousand of the value of the deal

## MSM Snapshot:

Description	2004	2005	2006	2007	2008	2009	2010	2011
Index Close	3,375	4,875	5,582	9,035	5,441	6,369	6,755	5,695
Market Capitalization (RO Million)	3,632	5,879	6,221	10,273	7,912	9,092	10,901	10,342
MSM Trading Turnover (RO Million)	765	1,396	1,341	2,662	3,662	2,285	1,317	5,491
MSM Trading Volume (Millions)	347	508	1,113	3,422	4,441	6,092	3,024	14,219

Source: MSM Report, OABINVEST

### Market Dynamics

- The local market enjoys a developed organizational structure that assisted it in obtaining the ISO 27001 certificate in data protection field and secured it as the second financial market on the regional level to gain an international accreditation for quality system of information security. This would open many windows to foreign investors and add more confidence among local investors.
- The strength and effectiveness of the law regulations and legislation aimed at facilitating investments in addition to a variety of incentive packages
- Multi Indices provided by private entities, which adds more activity and efficiency in the market, including the Al Arabi Oman20 Index which investors can actively follow and compare it with MSM index to track the movement of listed shares and take investment decisions.
- Attractive environment for mergers with encouraging incentives
- Regular review of MSM30 index components according to free float market capitalization adds more flexibility to the benchmark and its sub-sector indices as they are based on earnings, liquidity and market cap.
- The strong economic situation of the Sultanate, which has been praised by the International Monetary Fund as the Sultanate's economy is not affected by the global crisis as most of the Sultanate's oil exports are directed to countries with strong growth
- Muscat Securities Market is considered one of the best markets in terms of dividend yield among regional indices. In 2011, the market came second after Bahrain market with dividend yield of 4.86% as per Bloomberg

## MSM yields are superior compared to Regional Markets

	P/E	P/BV	Div Yield
	X	X	%
Muscat Securities Market*	10.85	1.58	4.86
Saudi Stock Exchange	13.84	1.85	3.46
Kuwait Stock Exchange	13.89	1.17	3.30
Qatar Exchange	10.75	1.79	4.06
Bahrain Stock Exchange	19.87	0.89	5.49
Dubai Financial Market	44.74	0.61	3.86
Abu Dhabi Securities Exchange	12.55	1.00	4.17

Source: Zawya, Bloomberg\*, PEx: last Closing price / Earnings per share (times), PBx: Last closing price / Book value of the share (times)

## Factors that might impact the sectors' performance in 2012

- Large government spending and participation by the private sector in some key government projects should reflect positively on the lending portfolio of banks especially corporate lending.
- New entrants in the workforce as well as new jobs that are expected to be created will lead to increased demand of banking products, both for consumption and investment purposes.
- Opening Islamic banking windows which will allow diversification of products and taking advantage of non-performing balances, both in the terms of lending and deposits.
- Establishment of new Islamic banks and increased competition with conventional banks will contribute to growth in the sector as well as lead to introduction of new and innovative products to attract investors.



- Stiff competition between banks and finance companies might put some pressure on banks' growth rates.
- We expect banks to maintain reasonable levels of provisions and the interest rates to be stable.
- We expect more focus from banks on improving the capital adequacy along with strengthening their financial indicators and their lending by taking such steps as increasing capital, which will give some sort of protection and safeguard the banks.
- An increasing influence of the international rating companies and their pressurizing role on banks, will improve the quality of banks performance.
- We expect an improvement of margins and a decline in cost of funding, with more focus on corporate lending.

### Cement Sector

- Intensive government spending on infrastructure and mega development projects which will result in higher demand for cement
- We expect pressured to continue on cement prices due to cheap landed cement from neighboring country which is highly expected to continue on the back of oversupply situation. This is likely to add pressures on the margins.
- The impact of loans on the balance sheets and ability to maintain dividend payout ratios.
- We expect geopolitical situation in export markets to have negative impact on the local companies at least for the shorter period.
- Despite the expected pressures on the selling prices of cement, we believe that the expansions and strategies implemented by local companies, at least for Oman Cement, will help in maintaining the margins within the same level.
- As per our latest report on Cement Industry, we expect the local demand for cement after excluding the UAE share of 20% to have a CAGR of 3.5% during 2011 – 2016 and will reach 4.8mn tons by 2016.

### Oil Products Marketing Sector

- Aviation: As per official figures, Total passenger traffic in both Muscat International and Salalah Airport rose by 13% up till Nov 2011. The increase in number of passengers and opening new routes by Oman Air indicates the need for more refueling. Several refueling agreements with numerous airlines and opening new airports in Duqm, Adam, Sohar and Ras al Hadd will benefit the oil product marketing sector. Besides this the total freight handling witness increase in both Muscat International and Salalah Airport by 2% and 7% respectively.
- Retail: Factors such as increase in tourism, number of employees, young population, increasing number of expats as well as changing consumer patterns will result in extra business within this segment and lead to opening of new retail outlets.

### Telecommunication Sector

- We expect continued growth in the number of subscribers in all services provided in the sector including fixed line, mobile and internet due to intensified competition resulting from discounted offers and packages tailored to the needs of subscribers.
- We expect continued capital expenditures mainly related to information transfer systems and ADSL, in addition to increased regional alliances to provide world class services in different regions around the world.
- We could see the entrance of a third operator in the foreseeable future, this will intensify the competition.
- We believe that local companies will benefit from the foundation of large industrial zones, development projects, and growth in population which will increase the demand of the sector's products, especially broadband services.



## Tourism Sector

- Government spending will remain the key stone in tourism sector. It also constitutes an important area in Vision 2020 and an important source of income from non-oil sectors.
- The Choice of Muscat as arab capital tourism in 2012 by arab tourism ministers and being the world's second best tourism destination to visit in 2012 as per travel guide published by Lonely Planet. This confirms the importance of the tourism sector as key source of income for the Sultanate and the extent of achievement reached by the industry. Therefore, we expect the sector to attract more investments especially with the ambitious plan of the government of attracting 12mn tourists by the end of 2020.
- We expect the sector to benefit from converting Sultan Qaboos port to tourist hub and shifting all the commercial activities to Sohar Industrial Port.

## Regional Catalysts

- Dubai debt issues as well as upgrade of UAE and Qatar to emerging market status by MSCI
- Saudi Stock Market opening its doors to foreign participation
- Expanding budgets implemented by GCC governments
- Regional geo-political risks
- Stability of oil prices at higher level than the one estimated in the governments budgets.
- GCC union and unification of laws and procedures between the regional countries in addition to the directing of investments towards key areas within the region

## Global Developments

- Ambiguity pertaining to the Euro Zone Debt crisis will continue to add pressures on global markets
- Oil prices will continue to have an impact on global economies and any escalation of tension with Iran may shoot up oil prices
- Investors will keep an eye on China as any signs of slowdown may be ominous for the world markets and Oman export of oil



## Disclaimer:

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