

Oman and Yemen Business Forecast Report Q1 2015

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Abstracts

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Core Views

Oman's economic performance will remain robust over the coming quarters, on the back of modest gains in oil and gas production and expanding non-hydrocarbon business activity. High public spending and a promising fixed investment picture should further support economic growth in 2015. We forecast real GDP growth of 3.7% in 2015, a slight moderation from our estimate of 3.9% for 2014. We continue to expect limited inflationary pressures in Oman over the coming quarters, and forecast average consumer price inflation of 2.1% and 2.8% over 2014 and 2015 respectively, from 1.2% in 2013. Oman's fiscal outlook is becoming increasingly precarious, and we project a budget deficit of 1.6% of GDP in 2014, widening to 5.9% of GDP by 2018. Fiscal reform will need to be accelerated in our view, either through curbs to subsidies and military expenditure, or the establishment of new non-hydrocarbon revenue streams.

Core Views

We expect the formation of a fragile federalised state in Yemen, and the political situation will remain highly unstable over the coming decade. While not our core view, we flag significant risks of a return to civil war and a de-facto break-up of the state.

The economic outlook is uninspiring, with growth remaining sluggish over the 2014-18 period. Our core scenario sees business activity continuing to be negatively impacted by civil unrest, while persistent attacks on the country's hydrocarbon infrastructure will weigh on exports.

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We expect the emergence of a fragile federalised state in Yemen, while the political situation will remain highly unstable over the coming decade. While not our core view, we flag significant risks of a return to civil war and a de-facto break-up of the state.

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