

# Oman and Yemen Business Forecast Report Q4 2014

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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 healthy growth 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 2014. We forecast real GDP growth of 3.9% in 2014, moderating slightly to 3.7% in 2015. 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 1.2% of GDP in 2014, widening to 5.0% of GDP by 2017. 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

Yemen's political crisis remains in full swing. Although the national reconciliation conference decided that Yemen will become a federal state, we remain pessimistic about the prospects for political stability over the coming quarters.

The economic outlook is uninspiring, with growth remaining sluggish over the 2014-2018 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.

The federalist solution will provide different tribal groups with a greater say over policy. Hydrocarbon-revenue sharing will most likely be a central feature in any future state. However key problems of implementation will remain.

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