

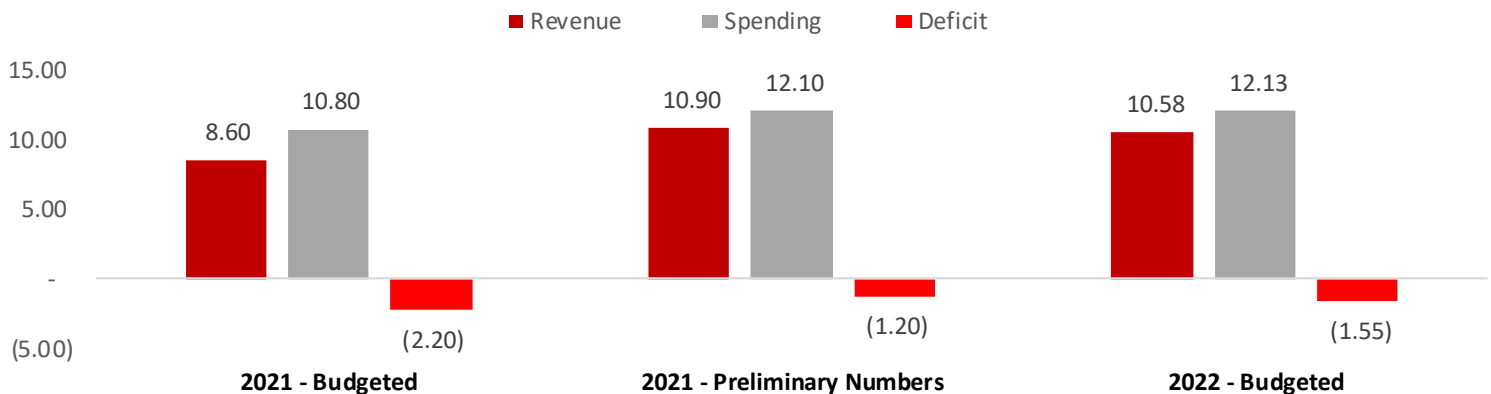
OMAN BUDGET 2022

- Preliminary data indicate that the state's general budget for 2021 is heading towards achieving the lowest annual deficit since 2014, despite the fluctuation in oil prices during previous periods
- Budget assumes oil price of USD 50/bbl. for 2022 compared to the budgeted oil price of USD 45/bbl. in 2021
- Revenue estimated OMR 10.58bn for 2022 vs OMR 10.9bn revenue estimated to have been achieved in 2021
- Expenditure is budgeted at OMR 12.13bn, 11.5% higher compared with the budgeted figures of 2021
- Subsidies budgeted at OMR 690mn for 2022 covering electricity, water, oil, and transport
- Deficit has been budgeted at OMR 1.55bn, lower than last budgeted year but higher than full year preliminary deficit of OMR 1.2bn or 3.8% of GDP for 2021.
- Deficit to be financed through external and domestic borrowing to the tune of OMR 1.55bn i.e., 74% while the remaining will be covered from reserves

Oman's Government announced an **expansionary** budget for the year 2022, with main consideration given to maintaining the level of spending on basic services such as education, health care, housing, and social welfare. Other considerations are reflected by measures aiming to improve the business environment and expanding public-private partnership (PPP) projects. Apart from the planned budgetary expenditure, OMR 5bn worth of investments have been planned for non-budgetary sources. OIA-led projects account for OMR 2.94bn while OMR 1.2bn investment is planned by Energy Development of Oman while OMR 0.9bn will arise from development projects and initiatives planned via the Public Private Partnership and the Partnership for Development Program. Overall, a considerable amount of projects has been outlined from both budgetary and non-budgetary measures which should give comfort to the investment community.

In terms of last year's preliminary performance, total revenue is projected to have reached OMR 10.9bn compared with the budgeted figure of OMR 8.60bn, higher by 27%. Public spending is estimated to have grown to OMR 12.1bn, higher by 12% as compared with 2021 Budget. However, the preliminary deficit declined to OMR 1.2bn as against the budgeted deficit of OMR 2.2bn for 2021.

Oman General Budget - OMR bn



Source: Budget Statement

Revenue budgeted to grow by 22.5% in 2022

Oman Government expects to earn a revenue of OMR 10.58bn in 2022 which is 22.5% higher than the budgeted revenue of 2021 and slightly lower than the actual estimated to have been achieved in 2021. The Government has budgeted a 33.6% increase in its oil and gas revenue which has been budgeted at an expected oil price of USD 50/bbl. compared to USD 45/bbl budgeted for 2021. Oil and gas revenue is budgeted to touch OMR 7.24bn in 2022 compared to OMR 5.42bn in 2021. In terms of breakup, oil & gas constitutes majority of the revenue at 68.4% while the remaining will come from non-hydrocarbon sources.

Oil & Gas Revenue

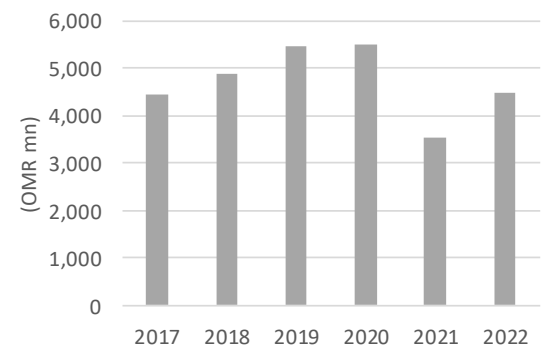
Budgeted oil revenue for 2022 is OMR 4.49bn, higher by 26.5% compared to the budgeted amount of OMR 3.55bn in 2021. The budgeted amount is higher on account of higher budgeted oil price of USD 50/bbl. while oil production is projected to be higher as OPEC & OPEC+ led supply cuts will be restored in April 2022. We believe that the government has been very conservative with the oil price estimate and believe that the average oil price for the year 2022 will be much higher once the capital expenditure cut announced by global oil and gas giants puts a squeeze on oil supplies in the coming years. As per global agencies and research platform, oil (brent) price is expected to average between USD 65-70/bbl. in 2022.

Gas revenue for the year 2022 has been budgeted higher by 47% to OMR 2.75bn compared to OMR 1.87bn in 2021. Higher gas revenue is estimated largely because of improvement in gas infrastructure over the years. Government announced that after the establishment of EDO, the methodology of purchasing gas from Petroleum Development Oman's (PDO) Block 6 was changed. Accordingly, gas purchasing cost has risen. However, this also has led to an increment in gas revenue compared to the figures of 2021. Overall, government estimates to collect 26% of its revenue from gas in 2022. Government expects volume of gas to increase in 2022, and thus the estimated cost of gas transport increased by 2% accordingly.

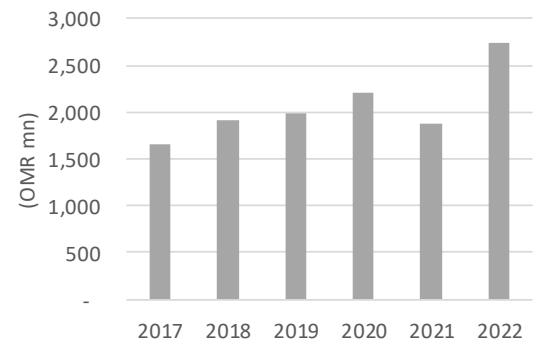
Non-Oil Revenue

Non-oil revenue budgeted for the year 2022 is at OMR 3.34bn compared to budgeted 2021 number of OMR 3.22bn, higher by 3.7%. This increase is due to expectation of higher tax collection in 2022 from Value Added Tax (VAT) and excise duty. In 2021, non-oil revenue is estimated to have declined by OMR 459mn due to the impacts of the COVID-19 pandemic, despite levying VAT from April 2021. To mitigate the effects on economic activity, the Government waived several fees and taxes (such as tourism tax, municipality fees and tax, industrial areas rents, commercial register renewal fee, shipping and handling fees and others), which caused the decline in non-oil revenue.

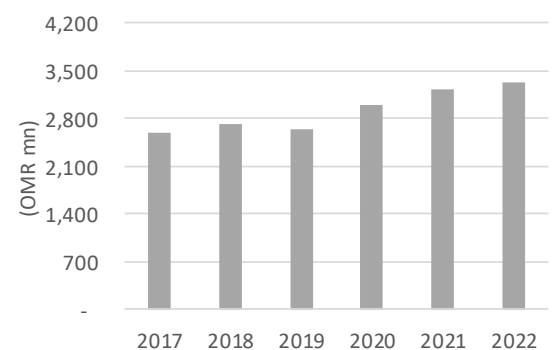
Net Oil Revenue



Gas Revenue



Non-Oil Revenue



Expansionary budget with spending budgeted to grow by 11.5% in 2022

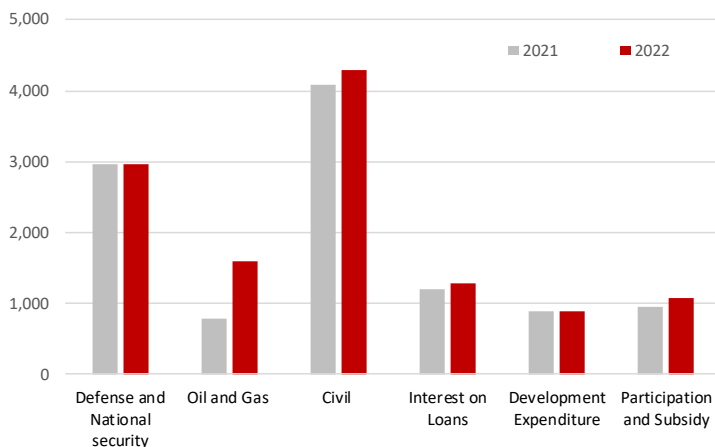
Oman government has budgeted spending of OMR 12.13bn for 2022 compared to OMR 10.88bn in 2021, higher by 11.5% when compared to last year budgeted numbers and almost at similar levels of the preliminary numbers of 2021. Current expenditure comprises (83.8% of the total), investment expenditure (7.4%), participation, and other expenses at 8.8%. Expenditure for 2022 budget was estimated based on the following considerations:

- Expenditures of Government units, including periodical allowances and 2011 batch promotion costs, considering the financial impact of fiscal measures.
- Allocations for gas expenditures will be in accordance with the expected cost.
- Allocations of electricity subsidy, considering the subsidy reform outcomes.
- Allocating subsidies for water sector, sewage, and waste sector as per the estimates made by the relevant entities.
- Subsidies allocated for the transport sector as per estimated cost.
- Cost of public debt service in accordance with the existing loans and the planned ones over the year.
- Allocating an amount of OMR 200mn for future obligations budget-item.

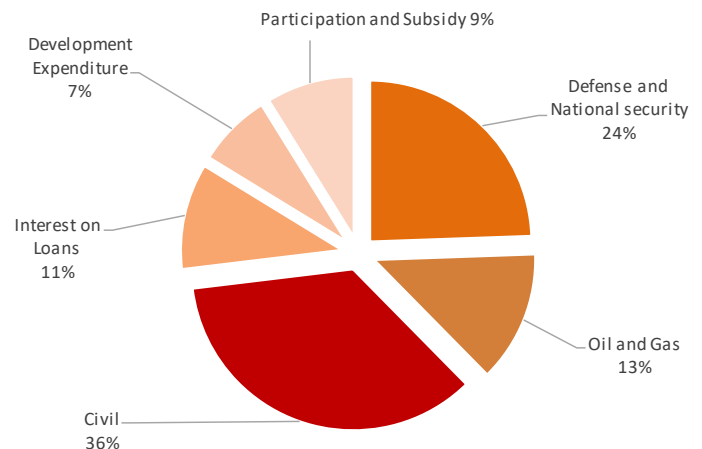
Other Spending Plans:

- Spending on basic services such as **education, health care, housing and social welfare will be maintained**. The spending on such basic services represents about **40%** of current spending.
- Spending on development projects is estimated at OMR 900mn in 2022 budget, representing the estimated amount to be paid during the year as per the actual work in progress for the projects. The development projects have been reprioritized in terms of its urgency, cost, and economic and social return.
- The expense of purchasing and transporting gas is estimated at OMR 1.6bn in the 2022 Budget, accounting for 15.7% of total current expenditures.
- Expenses of servicing public debt is estimated to reach OMR 1.294bn in 2022, due to higher public debt and interests. Moreover, an amount of OMR 200mn has been allocated in the budget to partially repay the debt.

Expenditure Comparison 2021 / 2022



Expenditure Composition - 2022

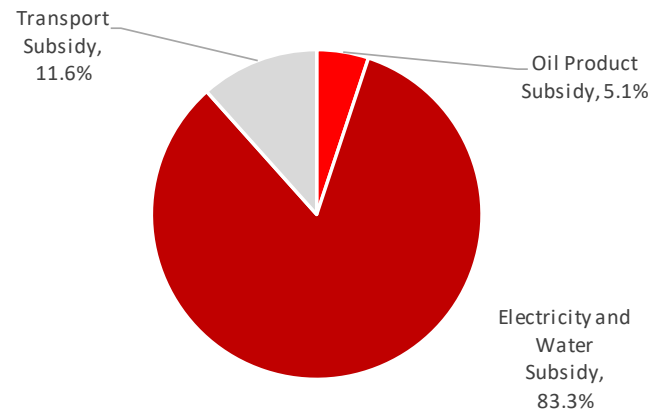
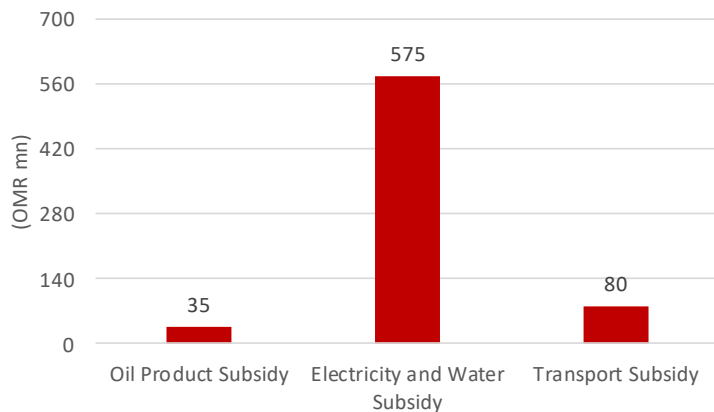


Source: Budget Announcement, Print & Electronic Media

Subsidies budgeted at OMR 690mn for 2022

The total subsidies budgeted for the year 2022 amount to OMR 690mn, the breakup of which is given below:

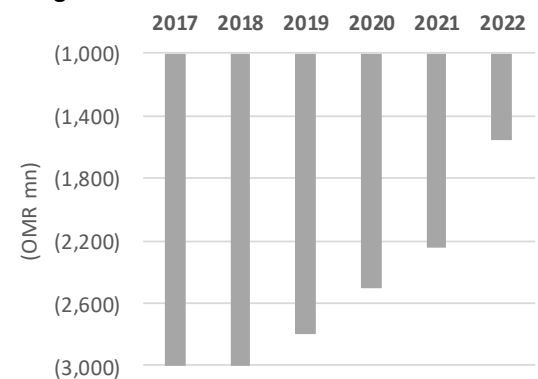
- Oil Products Subsidy: The total appropriations allocated for oil products subsidy are estimated at about OMR 35mn.
- Electricity and Water subsidies: An amount of OMR 575mn has been allocated for electricity and water subsidies.
- Transport Subsidy: The transport sector is planned to receive a subsidy worth OMR 80mn.



Budgeted deficit to drop by 31% in 2022

The budget deficit for 2022 is estimated at OMR 1.55bn. Almost same set of arrangements have been planned in 2022 as in earlier years to fund the deficit. This comes in line with the guidelines set out by the government to maintain sovereign reserve funds, and to rely upon borrowing, notably external borrowing, to finance the deficit. Foreign and local borrowing of OMR 1.15bn would be arranged along with OMR 0.4bn would be taken from reserves. Government was practical in taking up more than required borrowings in 2020/21 as it took into account the lower interest rates. Going forward, interest rates are expected to pick up as outlined by US Federal Reserve which expects rates to rise three times in 2022. Expenses of servicing public debt are estimated to reach OMR 1.294bn in 2022. Moreover, an amount of OMR 200mn has been allocated in the budget to partially repay the debt.

Budget Deficit



State's General Budget OMR mn	2017	2018	2019	2020	2021	2022
	Budgeted	Budgeted	Budgeted	Budgeted	Budgeted	Budgeted
Net Oil Revenues	4,450	4,870	5,465	5,500	3,550	4,490
y-o-y %	-2.4%	9.4%	12.2%	0.6%	-35.5%	26.5%
% of Total Revenue	51.1%	51.3%	54.1%	51.4%	41.1%	42.4%
Gas Revenues	1,660	1,910	1,980	2,200	1,870	2,750
y-o-y %	4.4%	15.1%	3.7%	11.1%	-15.0%	47.1%
% of Total Revenue	19.1%	20.1%	19.6%	20.6%	21.6%	26.0%
Net Oil and Gas Revenues	6,110	6,780	7,445	7,700	5,420	7,240
y-o-y %	-0.7%	11.0%	9.8%	3.4%	-29.6%	33.6%
% of Total Revenue	70.2%	71.4%	73.7%	72.0%	62.7%	68.4%
Current Revenues	2,550	2,560	2,350	2,450	3,000	3,340
Capital Revenues	20	20	165	550	220	0
Capital Repayments	20	140	140			
Non Oil and Gas Revenues	2,590	2,720	2,655	3,000	3,220	3,340
y-o-y %	5.7%	5.0%	-2.4%	13.0%	7.3%	3.7%
% of Total Revenue	29.8%	28.6%	26.3%	28.0%	37.3%	31.6%
Total Revenues	8,700	9,500	10,100	10,700	8,640	10,580
y-o-y %	1.2%	9.2%	6.3%	5.9%	-19.3%	22.5%
% of Total Public Expenditure	74.4%	76.0%	78.3%	81.1%	79.4%	87.2%
Defense and Security Expenditures	3,340	3,440	3,450	3,450	2,965	2,965
Civil Ministries Expenditures	4,385	4,350	4,490	4,590	4,075	4,300
Oil Production Expenditures	330	340	360		0	0
Gas Production Expenditures	180	380	190	930	780	0
Gas Purchase	0	0	380			1,600
Interest on loans	265	480	630	860	1,200	1,294
Total Current Expenditures	8,500	8,990	9,500	9,830	9,020	10,159
y-o-y %	-2.1%	5.8%	5.7%	3.5%	-8.2%	12.6%
% of Total Public Expenditure	72.6%	71.9%	73.6%	74.5%	82.9%	83.8%
Development Expenditures (Includes govt cos)	1,340	1,365	1,200	1,300	900	900
Capital Expenditures for civil ministries	15	0	125			
Oil Production Expenditures	750	800	800			
Gas Production Expenditures	560	580	500	1,300	0	0
Total Investment Expenditures	2,665	2,745	2,625	2,600	900	900
y-o-y %	-0.2%	3.0%	-4.4%	-1.0%	-65.4%	0.0%
% of Total Public Expenditure	22.8%	22.0%	20.3%	19.7%	8.3%	7.4%
Participation in Domestic, Regional and Int. Institutions	140	40	30		10	
Subsidy for the Interest on Development and Housing Loans		30	30		25	
Subsidy for the electricity sector		450	485	770	500	871
The Operational Support for the Government Companies	395	225	190		-	
Subsidy for Water & Food etc		0			240	
Subsidy for the Petroleum Products		20	40		35	
Debt Repayment	0	0	0	0	150	200
Participation and Other Expenses	535	765	775	770	960	1,071
y-o-y %	-2.7%	43.0%	1.3%	-0.6%	24.7%	11.6%
% of Total Public Expenditure	4.6%	6.1%	6.0%	5.8%	8.8%	8.8%
Total Public Expenditures	11,700	12,500	12,900	13,200	10,880	12,130
y-o-y %	-1.68%	6.84%	3.20%	2.33%	-17.58%	11.49%
(Deficit)	(3,000)	(3,000)	(2,800)	(2,500)	(2,240)	(1,550)
y-o-y %	-9.1%	0.0%	-6.7%	-10.7%	-10.4%	-30.8%
% of Total Revenue	34.5%	31.6%	27.7%	23.4%	25.9%	14.7%
Financing						
Net Foreign Borrowing	2,100	2,100	2,000	2,000	1,640	1,150
Net Domestic Borrowing	400	400	400			
Financing from Reserves	500	500	400	500	600	400
Total Financing	3,000	3,000	2,800	2,500	2,240	1,550

Source: Budget Document, Print & Electronic Media

Sector Wise Impact of the Budget 2022, MTFP 2021-25 Plan & other Announcements in General

Sector	Announcement	Outlook
Banking & Leasing Sector	<ul style="list-style-type: none"> Expectation of clearance of receivables of government and semi-government companies on account of higher governmental revenues supported by high oil prices Fate of moratorium loans will be revealed after 1Q22 as CBO has extended the deadline until March 31, 2022 Higher housing loans Expectation of increase in interest rates in the coming period as outlined by the US Fed 	Neutral to Positive
Insurance Sector	<ul style="list-style-type: none"> Higher spending in the health sector along with introduction of mandatory health insurance (announced earlier) will be beneficial for companies Higher housing loans will give boost to property insurance segment Outside Risks: (1) More than OMR 62mn insurance claims related to cyclone Shaheen (2) Pickup in auto claims post covid as earlier because of lockdown auto claims dropped 	Positive but outside risks are high
Cement, Ceramic & Building Material Sector	<ul style="list-style-type: none"> Spending on development projects is estimated at OMR 900mn in 2022 Budget Construction of several schools, and implementation of additional facilities for some existing schools More houses for the nationals Construction of 40 new schools and infrastructure upgrade in existing schools 	Positive
Telecom Sector	<ul style="list-style-type: none"> Re-entry of expatriates in 2022 on account of increased economic activity to increase the overall size of the market Outside risks: (1) Commencement of operations of third telecom operator "Vodafone" to increase competition (2) Sales of telecom towers to bring in cash for the operators. (3) Omantel to benefit from reduction in debt whereas Ooredoo to utilize it for license payment and other 5G related network installations 	Positive but outside risks are high
Contractors	<ul style="list-style-type: none"> Expectation of clearance of receivables of government and semi-government companies on account of higher governmental revenues supported by high oil prices Construction of several schools and roads and increased housing loans to increase the contracting business 	Positive
Education Sector	<ul style="list-style-type: none"> Increasing enrolment capacity in higher education institutions to 31,000 seats 40 schools are planned to be constructed under Public private partnership in 2022 	Positive
Fisheries Sector	<ul style="list-style-type: none"> Increased government focus as per the MTFP Plan Construction of new fishing port and fisheries industrial complex Increased investment spending in fisheries sector at OMR 54mn in 2022 	Positive
Hospitality / Hotel	<ul style="list-style-type: none"> Recovery of tourism after covid-related issues resolve Allowing nationals of 103 countries visa on arrival 	Positive

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