BANK MUSCAT SAOG (BKMB)

Strong financial performance justifies a significant upside from its current valuation

PRICE (OCTOBER 09, 2008)	RO 1.033
EPS (FY08E)	RO 0.105
P/E (FY08E)	9.80x
BV (FY08E)	RO 0.697
P/BV (FY08E)	1.48x
LIQUIDITY VS ISSUED SHARES	26.65%
52 week High/Low	RO 2.274/0.888
Beta vs. MSM 30 index	0.742

Rating: *ACCUMULATE* **CMP: *RO 1.033***
Target Price: *RO 1.489* **Potential Upside: *44%***

COMPANY UPDATE

October 13, 2008

Investment Rationale

❖ Bank Muscat reported a healthy 44% growth in net profit amounting to RO 90 million for the nine months ending September 30, 2008 helped by a 39% increase in total operating income for the first three quarters of 2008.

❖ We expect 2008 full year EPS to be RO 0.105, an increase of 17% over 2007 EPS of RO 0.090. The stock currently trades at a very attractive P/E multiple of 9.80x its FY08 EPS. Book value per share is likely to be around RO 0.697 at the end of this year and at the current price the stock trades at 1.48x its BV which is very enticing.

❖ The crash in the MSM driven by global events has resulted in a sharp contraction in the valuation multiples for several fundamentally sound stocks in the past two months. This provides an excellent opportunity for investors with a 2 to 4 year time horizon to accumulate stocks with a proven track record and a sound business model.

❖ Omani banks are expected to continue their robust performance in terms of profitability, loan growth, ability to attract deposits and improving overall asset quality. The effect of a decline in oil prices is not expected to significantly impact their ability to grow as the government has budgeted Omani crude oil way below at USD 45 a barrel and there are no visible signs of a letup in public expenditure.

❖ International rating agencies like Fitch and Moody's rate the Omani banking sector favorably owing to the presence of strong domestic franchises, healthy financial indicators, strong earning-generating capability despite pressure on interest rate margins, good capitalisation and adequate risk management.

❖ Bank Muscat (BKMB) reported a healthy 43.7% YoY net profit growth for H1 2008 to RO 57.8 million. Net profit margins for H1 2008 declined to 47.8% while net interest margins rose to 57.2% for the same period. The bank recorded a loan book growth of 45% YoY amounting to RO 3.19 billion for H1 2008 while customer deposits amounted to RO 2.80 billion registering a growth of 30% for H1 2008. The bank enjoys the highest net spread of 3.39% amongst its local banking peers. (interest yield - 5.92%, cost of funds -2.53%)

❖ In order to slowdown rising inflation in the economy by absorbing excess liquidity in the system, the Central Bank of Oman has lowered the lending ratio for banks from 87.5% to 82.5% in June 2008. This has adversely affected the market sentiment towards banks as profit margin would come under pressure leading to a sharp fall in valuation for the sector in the past three months. BKMB's current lending ratio at 84.2% (H1'08) is expected to tone down to fully comply with CBO guidelines. However, the average lending ratio by the Omani commercial bank was at 77.9% well below the recent cut of 82.5%.

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❖ CBO has lowered the interest ceiling on personal loans from 8.5% to 8% as well. BKMB's personal loan portfolio for H1 2008 stood at RO 1.32 billion representing 40% of the total gross loans. The bank may see a squeeze on its margins as a significant portion of BKMB's loans are in the interest band of 7%-9%.

VALUATION

Financial Projections

YEAR	OPERATING PROFIT (RO MN)	OPM	PAT (RO MN)	NPM	EPS	P/E	BV	P/BV	ROE
2006A	65.8	50.4%	60.4	46.3%	0.073	-	0.385	-	18.9%
2007A	92.2	53.3%	84.2	48.7%	0.090	-	0.583	-	13.4%
2008E	129.0	60.3%	113.5	53.0%	0.105	9.80x	0.697	1.48x	15.1%
2009E	145.1	57.0%	124.8	49.0%	0.116	8.91x	0.733	1.41x	15.8%
2010E	169.7	56.0%	145.9	48.2%	0.135	7.62x	0.754	1.37x	18.0%

Dividend Discount Valuation

		2008E	2009E	2010E	2011E	2012E
FUTURE DIVIDENDS (RO)		0.058	0.064	0.075	0.089	0.107
COST OF EQUITY	10%					
NPV OF EXPECTED DIVIDENDS (RO)		0.057	0.057	0.060	0.066	0.072
TERM. GROWTH DIVIDENDS	4%					
TERMINAL VALUE (RO)	1.860					
NPV OF TERMINAL VALUE (RO)	1.241					
			FAIR VALUE PER SHARE RO 1.551			

Gordon Growth Valuation

SUSTAINABLE ROE	16%
COST OF EQUITY	10%
PERPETUAL GROWTH RATE	4%
BOOK VALUE 2008F (RO)	0.697
FAIR P/BV MULTIPLE	2.00x
FAIR VALUE PER SHARE RO 1.394	

Weighted Price

VALUATION METHODOLOGY	VALUE PER SHARE	WEIGHTS	EXPECTED UP-SIDE
DIVIDEND DISCOUNT MODEL	RO 1.551	60%	50%
GORDON GROWTH MODEL	RO 1.394	40%	35%
TARGET PRICE (6 - 12 MONTHS)	RO 1.489		

Source: Fincorp Investment Research

FINANCIAL SUMMARY – H1 2008

INCOME STATEMENT HIGHLIGHTS	
Net Interest Income	RO 74.67 MN
Net Interest Income Margin	*60.79%*
Other Operating Income	RO 42.72 MN
Operating Expenses	RO 43.53 MN
Operating Profit Margin	*62.92%*
Net Profit	RO 57.83 MN
Net Profit Margin	*49.26%*

BALANCE SHEET HIGHLIGHTS	
Net Loans & Advances	RO 3,191.77 MN
Customer Deposits	RO 2,802.99 MN
Net Interest Spread	*3.32%*
Non Performing Loans	RO 72.79 MN
NPL/Gross loans	2.20%
Total Assets	RO 5,012.99 MN
Networth	RO 712.97 MN

BKMB net interest spread slightly lower at 3.36% for H1 2008 as against 3.32% in 2007

Interest bearing assets gave a weighted average yield of 5.92% for H1 2008 while the average overall cost of funds for was 2.53% for the same period. The bank's net interest spread however narrowed slightly from 3.36% in H1 2007 to 3.32% in H1 2008.

Net Interest Income amounting to RO 74.67 million for H1 2008 registered a growth of 18.44% YoY and the bank recorded a net interest margin of 60.79% for H1 2008. On an average BKMB operates at 64.5% net interest margins (2002-2007).

BKMB fee & commission income on an average has contributed 74% to its total Operating Income (2002-2007)

Fee and commission income grew 76.17% YoY to touch RO 17.64 million contributing a substantial 64.70% of the total "other operating income". Over the past five years fee & commission has contributed on an average 74.40% of the total "other operating income". Yet another component 'Profit on sale of investment securities' contributed 19.57% to the total "other operating income" for H1 2008 and amounted to RO 8.36 million.

Operating expenses recorded at RO 43.53 million increased 37% YoY for H1 2008. BKMB has registered a CAGR of 13.94% (2002-2007) in operating expenses.

Net profits registered at CAGR 29.75% (2002-2007) with net profit margins maintained at 39.13% for the same period

Net Profit amounted to RO 57.83 million for H1 2008 registering a 43.81% growth YoY. The bank's has registered a net profit CAGR of 29.75% (2002-2007). Further net profit margin was at 42.26% for H1 2008 and on average BKMB's net profit margins have been 39.13%. (2002-2007)

BKMB's customer deposit base registered a growth of 30.24% for H1 2008 amounting to a total of RO 2.80 billion having recorded a CAGR of 19.24% (2002-2007). For H1 2008 time deposits amounted to RO 951 million contributing 33.92% to the total deposits while savings deposits amounted to RO 802 million contributing 28.64% to the total deposits for H1 2008.

BKMB registered a loan book growth of CAGR 16.99% (2002-2007), currently at RO 3.19 billion (H1 2008)

The banks loans book recorded an amount of RO 3.19 billion registering a growth rate of 45.14% YoY for H1 2008 and has recorded a CAGR of 16.99% (2002-2007). For H1 2008 personal lending contributed 41.22% to the total gross loans to touch RO 1.32 billion while corporate lending contributed the major chunk of 62.57% to touch RO 2.00 billion.

NPL's registered declines of CAGR 9.95% (2002-2007), currently at RO 72.79 million (H1 2008)

BKMB non-performing loans for H1 2008 increased 10.89% YoY amounting to RO 72.79 million. BKMB has registered a substantial decline in its NPL's at CAGR 9.95% (2002-2007). For H1 2008 provision for loan impairment and reserve interest represent 111.36% of gross non-performing loans and advances for H1 2008 as against 105.5% for H1 2007

RECENT DEVELOPMENTS

BKMB in a bid to expand through the length and breadth of Oman opened a branch in Dahareez bringing its total to 116 branches

Bank Muscat (BKMB) has a network of 115 branches and over 300 ATMs and 76 CDM's in Oman. In August 2008 the bank in a bid to contribute to the development of the national financial infrastructure through a sophisticated network opened its 13th branch in the governorate located in Dahareez marking the bank's 116th branch in the Sultanate.

BKMB announced the issuance of 1, 3 and 5-year Certificates of Deposits (CD) and targets to issue RO 250 million of CDs in a year. The first issue was overwhelmingly subscribed the extent of RO40.5 million against the issue size of RO20 million. The bank intends to play a role in the development of the Rial Omani Yield Curve critical for the development of the debt markets in Oman.

BKMB signed an MoU with Blue City to provide affordable and convenient home financing plans to GCC nationals and expatriates

The Bank signed a Memorandum of Understanding (MoU) with the Blue City Company1 (SAOC) to provide its suite of Baituna home finance to the potential purchasers of residential units at 'Al Madina A'Zarqa' development at Al Sawadi. The Bank will provide affordable and convenient home financing plans for both local and expatriate investors at Al Madina A'Zarqa. In addition to home finance, the bank recently launched a new product under its Baituna portfolio, namely Baituna Property Finance, which offers finance to property buyers against rental income. Omani nationals above the age of 18 who have a proven source of rental income from an existing property are eligible for this loan facility.

BKMB launched a specialised Priority Banking service for its key customers in its endeavour to consolidate its reputation for innovative, value-added personal banking products and high level of customer satisfaction. Priority Banking centres will be rolled-out across the Sultanate by the respective Regional and Branch Managers in their respective locations.

In support of diverse community projects BKMB announced the establishment of its new Corporate Social Responsibility Department

As part of its initiative to support diverse community projects BKMB announced the establishment of its new Corporate Social Responsibility (CSR) Department. The bank's CSR Department has been set up to support the local communities in planning, organising and implementing key initiatives and activities that benefit them. The formation of this department underscores its commitment and dedication to developing the society

RATING UPGRADES

In May 2008 Fitch upgraded the bank's individual rating to 'B/C' from 'C' and affirms its other ratings at long-term issuer default, or IDR, 'A-' with stable outlook, short-term IDR 'F2' and support '1'. "The individual rating reflects the Bank's dominant franchise in Oman, consistent profitability, sound and improving asset quality and diversified funding structure, but also tight liquidity ratios and some loan and deposit concentrations

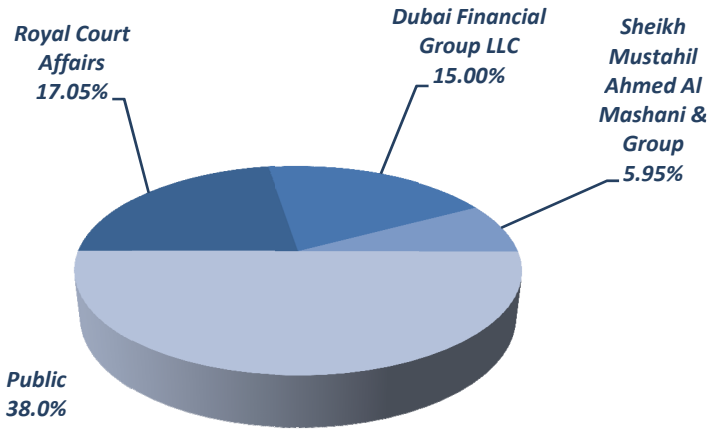
SHARE PRICE AND SHAREHOLDING STRUCTURE

BKMB Vs. MSM Index



YEAR	YTD	LIQUIDITY	MCAP RO'000	P/E HIGH-LOW	P/BV	DY
2005	39.4%	11.53%	674,944	20.88x - 11.10x	2.36x	0.39%
2006	28.7%	13.82%	955,516	17.39x - 12.09x	2.99x	3.05%
2007	67.2%	27.40%	1,598,075	21.62x - 11.54x	2.55x	2.60%
2008 (Oct 9, 2008)	-46.20%	26.65%	1,112,679	22.51x – 9.39x	1.82x	-

Shareholding Structure & Demographics



OWNERSHIP DEMOGRAPHICS		
OMANI		NON-OMANI
61.94%		38.05%
NON-OMANI DEMOGRAPHICS		
GCC	ARAB	FOREIGN
17.02%	0.08%	20.95%
PERMITTED HOLDING		
GCC		FOREIGN
100%		49%

Source : Fincorp Investment Research

SECTOR OVERVIEW

Economic growth, improved liquidity and the restructuring have led to robust growth of the Omani banking sector in the past few years. As at the end of 2007, the number of commercial banks stood at 17, of which 7 were locally incorporated and 10 were branches of foreign banks. Commercial banks operate in Oman with a branch network of 362 branches. As at the end of 2007, the largest three local banks accounted for 65% of total assets, 66% of total credit, and 60% of total deposits, and had combined assets of RO 6.74 billion.

The Omani banking sector boasts of a combined asset base of RO 12.1 billion (H1'08) representing 78% of GDP '07 (RO 15.5 billion)

Combined assets of the commercial banks expanded to RO 12.12 billion for H1 2008, representing a strong growth of 46.59% YoY. Expansion in assets was driven by 55% growth in credit, as credit accounted for 65.8% of total assets. On the liabilities side, total deposits held with commercial banks amounted to RO 7.71 billion and accounted for 64% of total liabilities for H1 2008. Bank deposits as a % GDP has increased from 34.1% in 2003 to 41.8% in 2007. Deposits with the private sector which constitute 80% of total deposits increased by 35.3% YoY while foreign currency deposits declined by 31.1% YoY driven by customers response on the declining US dollar interest rates. Capital levels remained strong and growing, with core capital and reserves increasing by 72.6% YoY to reach RO 1.54 billion for H1 2008

Financials of Omani Commercial Banks

SNAPSHOT (RO MN)	2005	2006	2007	H1 2008
Cash Deposits With CBO	140.30	248.90	666.70	405.00
Total Credit	3,896.40	4,703.00	6,505.40	7,985.80
Securities	597.50	723.10	1,401.50	2,011.50
Fixed Assets	37.40	36.50	73.80	91.40
Total Deposits	3,761.50	4,684.90	6,491.40	7,712.10
Capital & Reserves	781.70	900.00	1,458.20	1,538.00
Total Assets	5,629.90	7,251.90	10,335.70	12,121.20
BANK NAME – NET PROFIT MARGIN	**2005**	**2006**	**2007**	**H1 2008**
Ahli Bank (ABOB)	55.7%	51.8%	29.0%	52.4%
Bank Dhofar (BKDB)	80.7%	57.6%	51.7%	51.7%
Bank Sohar (BKSB)	-	-	-29.5%	-14.6%
Bank Muscat (BKMB)	45.1%	46.3%	48.7%	49.3%
National Bank Of Oman (NBOB)	49.8%	57.9%	68.5%	55.2%
Oman International Bank (OIBB)	53.5%	58.0%	63.4%	62.5%
Oman Arab Bank	48.8%	50.1%	49.4%	57.3%

Source: Central Bank of Oman and Company Annual reports

Despite global financial market uncertainties net profits of commercial banks indicate a 53% YoY increase at RO 139.1 million (H1'08)

Despite global financial market uncertainties, the Sultanate's banking system has remained stable and resilient, with stronger capital levels, improved asset quality, and apparent surge in profits. Net profits of commercial banks, doubled over a period of two years from RO 79 million in 2004 to RO 213 million in 2007. Provisional figures of commercial banks net profits indicate a 53% YoY increase at RO 139.1 million for H1 2008.

A peer analysis of the effective interest rates offered by the local banks as at 31st December 2007 in Oman reveals that NBOB charges the highest interest rate at 8.16% on loans to customers closely followed by BKMB at 7.65%. Personal lending captures the highest share of total credit extended by commercial banks followed by import trade, and manufacturing. Lending to the household sector increased by CAGR 21.32% to RO 2.6 billion in 2007 from RO 1.2 billion in 2003. The recent interest ceiling on personal loans from 8.5% to 8% was a measure aimed at helping small borrowers and will apply only to new personal loans. Current borrowers will be able to negotiate the rate charged with their bank on their existing loan. The lending ratio as at May 2008 maintained by the commercial banks was 77.9% well below the recent cut from 87.5% to 82.5%.

A peer analysis of the Omani local banks reveals personal lending captures the highest share of total credit extended

Lending & Borrowing rates of Omani Commercial Banks

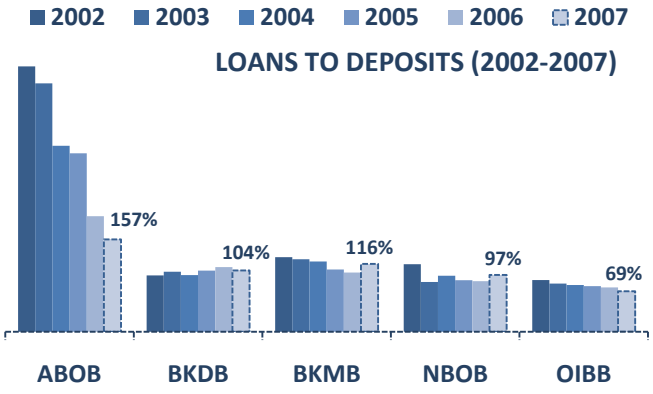
EFFECTIVE INTEREST RATE	ABOB	BKDB	BKMB	NBOB	OIBB	BKSB
LOANS TO CUSTOMERS (31 DEC 07)	7.33%	7.60%	7.65%	8.16%	6.02%	7.50%
CUSTOMER DEPOSITS (31 DEC 07)	4.49%	2.70%	2.63%	3.45%	2.36%	4.78%

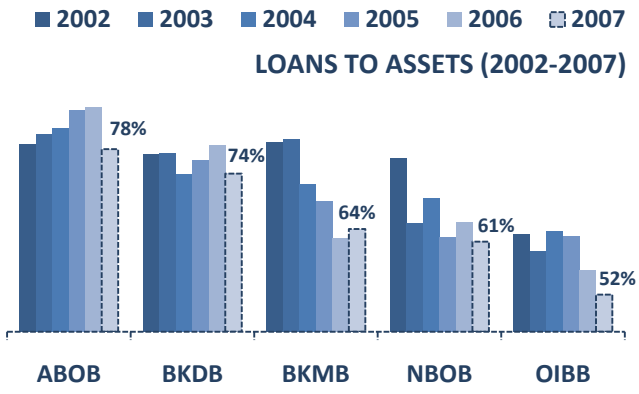
Source: Company Annual Reports

Commercial banks' liabilities continue to be dominated by deposits with time deposits constituting a major chuck of it. Time deposits total share for H1 2008 stood at 42% while demand and savings deposits were at 30% and 29% respectively. BKSB has a competitive edge on customer deposits offering a higher interest rate band maintained at 4.78% while BKMB is comparatively lower at 2.63%.

The Omani banks (except BKSB) loans to deposits have declined from an average of 175.8% in 2002 to 108.7% in 2007. For H1 2008 BKSB exhibited the highest ratio of 132% while BKMB was at 113.9%. Loans to assets on the other hand have declined from 75% in 2002 to 65.8% in 2007. For H1 2008 ABOB exhibited the highest ratio of 82.7% while BKMB was at 63.7%.

Loans to Deposit Ratio and Loans to Assets





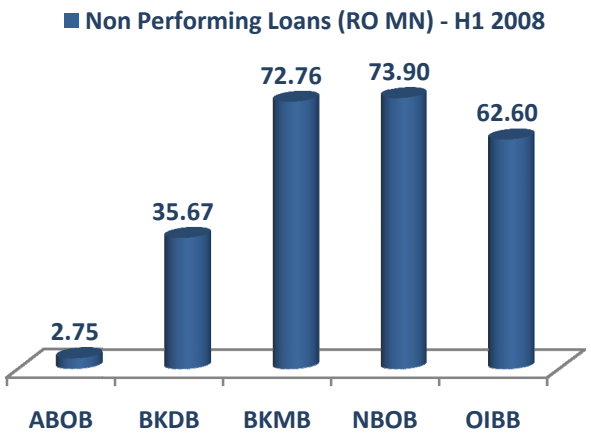
Source: Company Annual Reports

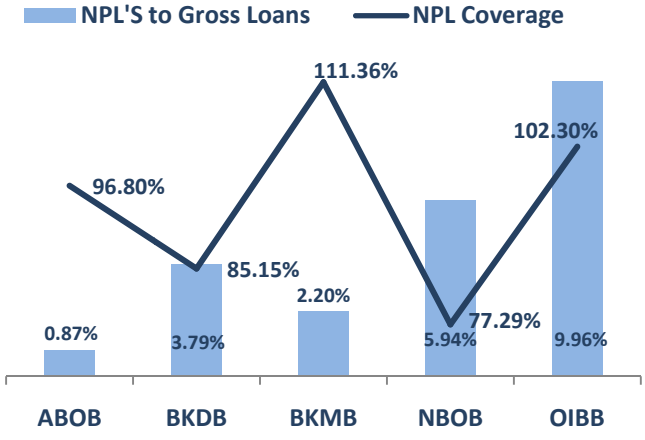
Omani banks NPL's have declined from a significant RO 320 million in 2007 to RO 248 million in H1 2008

The Omani Banking sector's asset quality has been steadily improving over the years with significant improvement in the non performing loans (NPL). Total non-performing loans of the listed banks declined from RO 320 million in 2007 to RO 247.69 million in H1 2008, representing 3.84% of the total gross loan portfolio. On account of significant past emphasis on adequate provisioning from profits for NPLs, and the additional general provisioning policy, the loan loss coverage the average NPL coverage ratio for H1 2008

was at 94.58%.

Credit Quality of Omani Commercial Banks – H1 2008



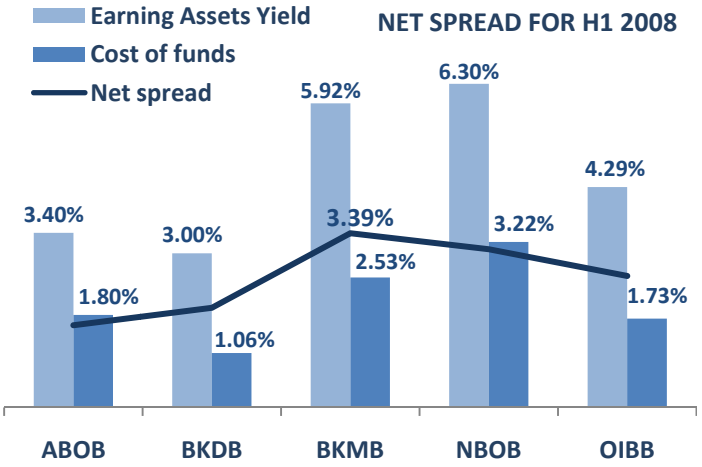


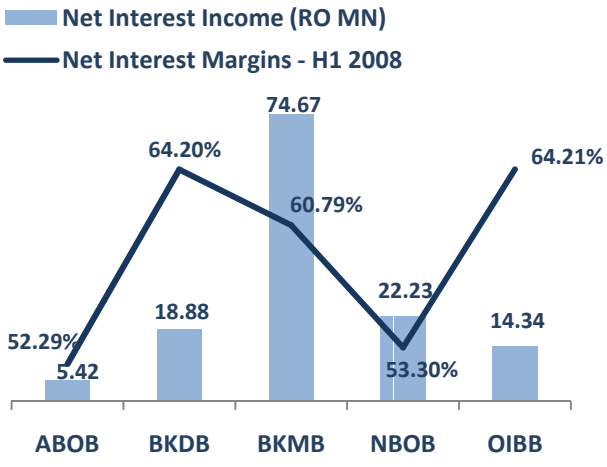
Source: Company Annual Reports

The net interest margins of the Omani commercial banks have declined over the years from 69% in 2002 to 54% in 2007

The net interest margins of the Omani commercial banks have declined over the years owing to fierce competition and a gradual increase in the cost of funds. Average net interest margins have declined from 69% in 2002 to 54% in 2007. BKMB recorded a net interest margin of 63.59% for H1 2008 as against 57.18% in H1 2007.The net spread of commercial banks have also fallen from 5.6% in 2002 to 3.9% in 2007 owing to the rising interest rates in 2005-2006. Currently BKMB enjoys the highest net spread of 3.39% as at June 2008 in comparison to local peers.

Margins and Spreads of Commercial Banks





Source: Company Annual Reports

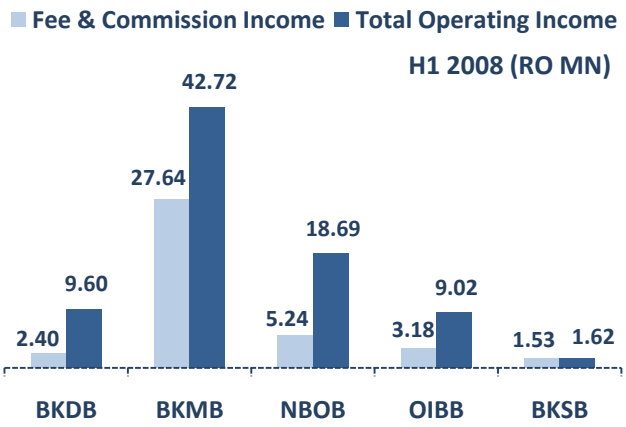
Fee & commission income on an average make up for 38% (H1 2008) of the Omani commercial bank's total operating income

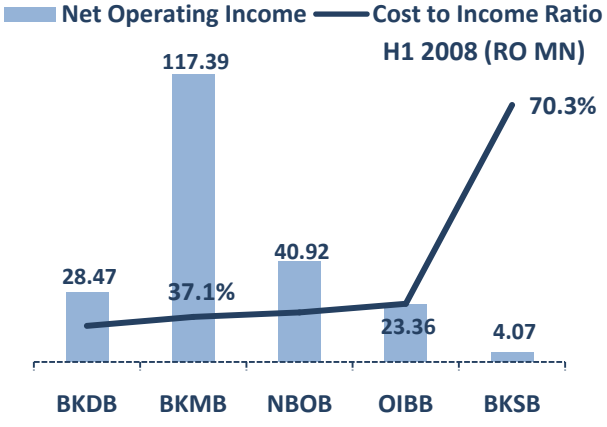
As at H1 2008 Omani commercial banks (with an exception for ABOB considering its recent entry into the commercial banking business), fee & Commission on an average make up for 38% total operating income. A peer analysis of Omani banks reveals that for H1 2008 BKMB fee & commission income is the highest at 64.7% to the total income. BKMB has recorded a CAGR of 24.79% (2002-2007) in its fee & commission income as against a

CAGR of 16.7% (2002-2007) in its net operating income.

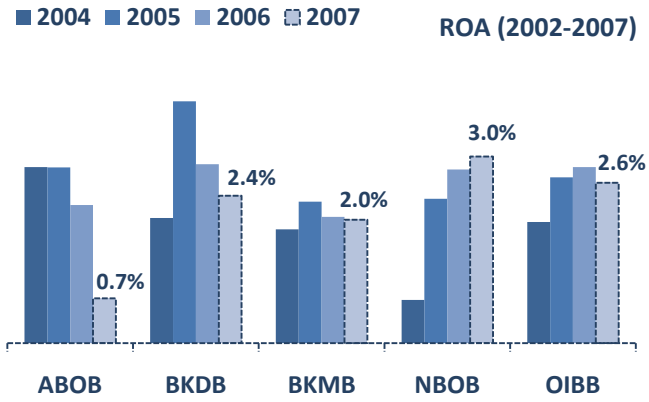
BKMB's cost to income ratio for H1 2008 was 37.1% the lowest amongst its peers indicating higher cost efficiency. BKSB however having recently entered the banking arena in 2007 has the highest cost to income ratio of 70.3% for the same period. Historically BKMB has exhibited an average cost to income ratio of 43.4% (2002-2007).

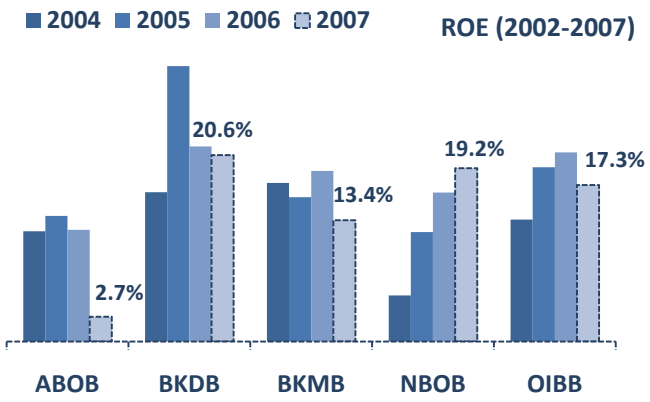
Fee based Income & Cost to Income Ratio





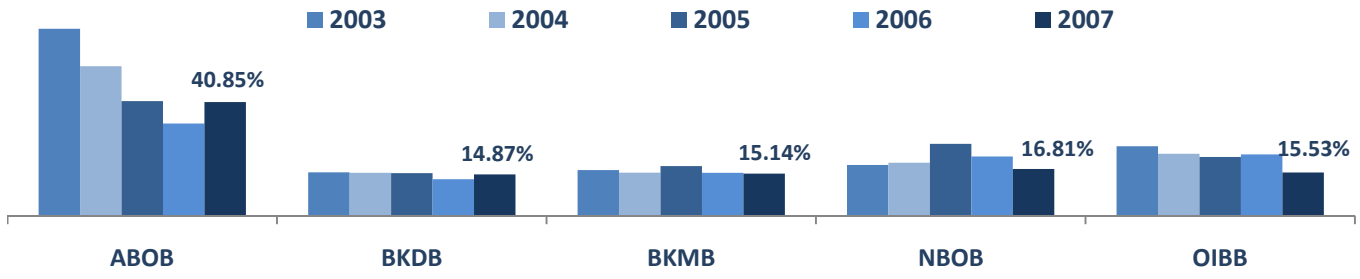
ROA and ROE of Commercial Banks





Capital adequacy indicates the ability of the Bank in meeting any contingency without compromising the interest of the depositors and to provide credit across the business cycles. The Central Bank of Oman lowered the Capital Adequacy ratio from 12% to 10% and the Omani commercial banks have been in full compliance of the Basel II requirements.

Capital Adequacy Ratio



Source: Company Annual Report

International Credit rating agencies rate the Omani banking sector favourably owing healthy financial indicators

According to Fitch Ratings the Omani banking system has prospered under the country's oil boom and the related expansion in domestic infrastructure and construction and strong prudential controls of the Central Bank of Oman. Furthermore, banks have recovered from past asset quality problems and appear unaffected from the recent issues such as regional stock market corrections, US subprime investments/structured credit exposures and the global credit crunch. Fitch's Issuer Default Ratings (IDR) of the rated Omani banks factor in a high probability of state support, given Oman's currently sound credit fundamentals and the strong propensity of the Central Bank of Oman to support the local banks.

In August 2008 Standard & Poor's raised its Banking Industry Country Risk Assessment (BICRA) on Oman (A/Stable/A-1) to Group 5 from Group 6. The BICRA reflects the strengths and weaknesses of a country's banking system relative to those in other countries. BICRAs classify countries into 10 groups ranging from the strongest banking systems (Group 1) to the weakest (Group 10) from the perspective of country risk.

According to Moody's the Omani banks continue to enjoy well-established domestic franchises, strong earning-generating capability despite pressure on interest rate margins and good capital levels. The stable outlook on the Bank financial strength ratings (BFSRs) of these institutions captures their good franchise development in recent years but also the challenging and increasingly competitive operating environment in Oman.

Credit Rating of Omani Commercial Banks

CREDIT RATINGS	BKMB	NBOB	OIBB	BKDB	AHBB
MOODY'S INVESTOR SERVICES					
Financial Strength Rating	D+	D+	D+	D+	D
Local currency Deposit	A1/P-1	A3/P-2	A3/P-2	A3/P-2	Baa/P-2
Foreign Currency Deposit	A2/P-1	A3/P-2	A3/P-2	A3/P-2	Baa/P-2
Foreign Currency Bond Rating	A2	-	-	-	-
Local Currency Bong Rating	A2	-	-	-	-
Foreign Currency Deposit Rating	Stable	-	-	-	-
All other Ratings	Stable	Stable	Stable	Stable	Stable
FITCH RATINGS					
Long Term Issuer Default	A-		BBB+	BBB+	
Outlook	STABLE		STABLE	STABLE	
Short Term	F2	Not Rated	F2	F2	Not Rated
Individual	B/C		C	C	
Support	1		2	2	
STANDARD & POOR'S					
Long Term Credit Rating	BBB				
Short Term Credit Rating	A-2	Not Rated	Not Rated	Not Rated	Not Rated
Outlook	Stable				

Source: Zawya.com

In the table above Bank Muscat has the highest ratings. In May 2008 Fitch upgraded the bank's individual rating to 'B/C' from 'C' and affirms its other ratings at long-term issuer default, or IDR, 'A-' with stable outlook, short-term IDR 'F2' and support '1'. "The individual rating reflects the Bank's dominant franchise in Oman, consistent profitability, sound and improving asset quality and diversified funding structure, but also tight liquidity ratios and some loan and deposit concentrations

OMAN ECONOMIC OVERVIEW

Led by soaring oil prices Oman recorded a nominal GDP growth of 42.9%(Q1'08) and a healthy surplus of RO 868.3 million

The Sultanate achieved an impressive nominal GDP growth, of a record 42.9% in Q1 2008 characterized by high oil prices, the acceleration in the diversification momentum, large fiscal surpluses and stable domestic monetary and financial conditions. Much of the growth was contributed by the petroleum sector, which posted a record growth of 60.8% for Q1 2008. Oil prices increasing at a CAGR (03-07) of 23.68% has enabled Oman to maintain its fiscal and balance of payment positions in the surplus. Oman crude oil increased from an average of USD 54.70 per barrel in Q1 2007 to an average price of USD 87.4 in Q1 2008, a 60% increase. Total government revenues amounted to RO 1.12 billion for Q1 2008, up by 36.5% YoY enabling public expenditure to increase 14.7% YoY, leaving a healthy surplus of RO 868.3 million. At present the economy is estimated at RO 20 billion.

Omani Economy at a Glance

ECONOMIC INDICATORS	2004	2005	2006	2007	2008 E
Nominal GDP (RO BN)	9.52	11.89	13.74	15.51	19.57
Nominal GDP Growth Rate	13.70%	24.83%	15.54%	12.92%	26.18%
Real GDP Growth	5.30%	6.00%	6.80%	6.40%	7.40%
Oil GDP Growth Rate	17.40%	43.90%	13.60%	5.90%	4.30%
Non Oil GDP Growth Rate	10.60%	10.90%	17.50%	18.30%	8.50%
Omani Crude Oil (USD/BBL)	34.40	50.30	61.40	65.20	-
Omani Crude Oil Production (MN BBL Per Day)	0.80	0.80	0.70	0.70	0.70
Per Capita Income (RO)	3,873.77	4,780.84	5,438.60	6,040.47	7,543.93
Current Account Surplus (RO BN)	0.22	1.82	1.68	1.55	2.28

Source: IMF and Ministry of National Economy

The non-oil sector also performed well with 28.3% growth driven by high growth rates in the wholesale and retail trade, manufacturing sector, and financial sectors. Gross Domestic Savings (GDS) have maintained its levels of growth at 10.28% CAGR over the past six years, accounting for on average 37% of GDP. Per capita income of the Sultanate increased at a CAGR of 15.96% over the past four years beginning 2004 to RO 6,040.47 by 2007.

Inflation driven by rising rentals and increasing food prices soared to a record 13.7% (June'08)

Inflationary pressures intensified owing rising rent costs and increasing food prices, the former driven by rising demand and the latter by both increasing commodity prices worldwide and Oman's pegging of its currency to the US dollar. Inflation measured by the annual change in the Sultanate Consumer Price Index (SCPI) soared to a record 13.7% (as at June 2008). In a move to fight the country's soaring inflation CBO decided to raise its minimum reserve requirement (MRR) from 5% of total deposits to 8% to reduce liquidity in the market. It also cut the lending ratio from 87.5% to 82.5% and lowered the interest ceiling on personal loans from 8.5% to 8%.

Triggered by US Fed rate cuts, Omani weighted average RO deposit & lending rates fell to 1.72% & 6.66% respectively (June'08)

Broad money supply (M2) that witnessed growth of 37.2% in 2007 declined to 31.1% by June 2008. As the US Fed interest rate was eased sharply from 5.25% to 2.0% between August 2007 and April 2008 to deal with the sub-prime led concern for recession, given the fixed peg of the RO to USD, Oman had to import the easy monetary policy stance, which was reflected in the sharp easing of CBO's policy rates and inter-bank

money market rates. Weighted average RO deposit rates declined to 1.72% as at June 2008 from 2.07% in December 2007 while weighted average RO lending rate declined to 6.66% from 7.29% for the same period. The 28 day certificate of deposits (CDs) that are issued to licensed banks by the CBO aimed at absorbing excess liquidity in the banking sector and maintaining stability of the interest rate as well as the money market have declined to 0.78% as at September 6, 2008. CBO repurchase operations measured as LIBOR + 1% came down to 3.49% for the week ended September 9, 2008.The overnight inter -bank rate declined to 0.66% as at June 2008 as against 1.47% in December 2007.

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