Future of the Omani Defense Industry –
Market Attractiveness, Competitive Landscape
and Forecasts to 2018
# TABLE OF CONTENTS

1. Introduction ......................................................................................................................... 9
   1.1. What is this Report About? ......................................................................................... 9
   1.2. Definitions ..................................................................................................................... 9
   1.3. Summary Methodology ................................................................................................. 11
   1.4. SDI Terrorism Index .................................................................................................... 13
   1.5. About Strategic Defence Intelligence .......................................................................... 13

2. Executive Summary ............................................................................................................. 14

3. Market Attractiveness and Emerging Opportunities ......................................................... 16
   3.1. Defense Market Size Historical and Forecast ............................................................ 17
       3.1.1. Defense expenditure expected to grow at a CAGR of XX% over the forecast period ... 17
       3.1.2. Arms race in the Middle East expected to be a key factor driving defense expenditure ... 19
       3.1.3. Military expenditure to grow faster than the country’s economy ......................... 20
   3.2. Analysis of Defense Budget Allocation ........................................................................ 22
       3.2.1. Capital expenditure allocation to average XX% of the total budget over the forecast period ... 22
       3.2.2. Procurement of advanced equipment to drive capital expenditure over forecast period ... 24
       3.2.3. Per capita defense expenditure expected to increase over the forecast period ....... 26
   3.3. Homeland Security Market Size and Forecast ............................................................ 28
       3.3.1. Maritime Oil Trade Routes protection will be the key factor driving homeland security ... 28
       3.3.2. Oman considered at ‘some risk’ of terrorist attack ............................................... 29
   3.4. Benchmarking with Key Global Markets ..................................................................... 31
       3.4.1. Oman to be amongst the fastest-growing defense spenders .................................. 31
       3.4.2. Oman tops the leading military spenders in terms of defense expenditure as a percentage of GDP .... 34
       3.4.3. Oman faces some risk of terror attacks............................................................... 35
   3.5. Market Opportunities: Key Trends and Drivers .......................................................... 37
       3.5.1. Fighters & Multi-Role Aircraft .............................................................................. 37
       3.5.2. Air Defense Missile Systems .............................................................................. 38
       3.5.3. Corvettes ............................................................................................................ 39

4. Defense Procurement Market Dynamics ............................................................................ 40
   4.1. Import Market Dynamics ............................................................................................. 40
       4.1.1. Defense industry heavily relies on imports from foreign countries .................... 40
       4.1.2. France and the US were the key defense suppliers to Oman ............................... 41
       4.1.3. Aircraft to dominate Omani defense imports ...................................................... 42
   4.2. Export Market Dynamics ............................................................................................. 43
       4.2.1. Oman’s defense export market is negligible ...................................................... 43
5. Industry Dynamics

5.1. Five Forces Analysis

5.1.1. Bargaining power of supplier: medium to high

5.1.2. Bargaining power of buyer: medium to high

5.1.3. Barrier to entry: medium

5.1.4. Intensity of rivalry: low to medium

5.1.5. Threat of substitution: medium to high

6. Market Entry Strategy

6.1. Market Regulation

6.1.1. The Omani government allows XX% FDI in the defense industry

6.1.2. Oman prefers indirect offsets

6.2. Market Entry Route

6.2.1. Direct selling is the preferred market entry route for foreign OEMs

6.3. Key Challenges

6.3.1. The UK and US dominate the market to pose challenge to other foreign firms

6.3.2. Lack of skilled Labor

7. Competitive Landscape and Strategic Insights

7.1. Competitive Landscape Overview

7.1.1. Omani defense sector is dominated by foreign competitors

7.2. Key Foreign Companies

7.2.1. BAE Systems Plc.: overview

7.2.2. BAE Systems Plc.: products and services

7.2.3. BAE Systems Plc.: alliances

7.2.4. BAE Systems Plc.: recent contract wins

7.2.5. Lockheed Martin: overview

7.2.6. Lockheed Martin: products and services

7.2.7. Lockheed Martin: recent announcements and strategic initiatives

7.2.8. Lockheed Martin: alliances

7.2.9. Lockheed Martin: recent contract wins

7.2.10. NHIndustries (NHI): overview

7.2.11. NHIndustries (NHI): products and services

7.2.12. NHIndustries (NHI): recent announcements and strategic initiatives

7.2.13. NHIndustries (NHI): recent contract wins

7.2.14. Raytheon: overview

7.2.15. Raytheon: products and services

7.2.16. Raytheon: recent announcements and strategic initiatives

7.2.17. Raytheon: alliances

8.1. Demographics & Social Statistics................................................................. 57
  8.1.1. Population – Rural .................................................................................. 57
  8.1.2. Population - Urban ................................................................................ 58
  8.1.3. Population – Number of Households ...................................................... 59

8.2. Economic Performance .............................................................................. 60
  8.2.1. GDP per Capita ..................................................................................... 60
  8.2.2. Gross Domestic Product ........................................................................ 61
  8.2.3. Gross National Disposable Income ....................................................... 62
  8.2.4. Manufacturing Output ........................................................................... 63
  8.2.5. Consumer Price Index .......................................................................... 64
  8.2.6. LCU per US$ (period average) ............................................................... 65
  8.2.7. LCU per Euro (period average) .............................................................. 66
  8.2.8. International reserves, including gold .................................................... 67
  8.2.9. Deposit Rate .......................................................................................... 68
  8.2.10. Real Interest Rate ................................................................................. 69
  8.2.11. Market Capitalization of Listed Companies ........................................ 70
  8.2.12. Market Capitalization of listed companies as a % GDP ..................... 71
  8.2.13. Total Government cash surplus/deficit ............................................... 72
  8.2.14. Total Government cash surplus/deficit as % of GDP ......................... 73
  8.2.15. Goods Exports as a % of GDP ............................................................ 74
  8.2.16. Goods Imports as a % of GDP ........................................................... 75
  8.2.17. Goods Trade Surplus/Deficit as a % of GDP ..................................... 76
  8.2.18. Services Imports as a % of GDP ........................................................ 77
  8.2.19. Services Exports as a % of GDP ........................................................ 78
  8.2.20. Services Trade Surplus/Deficit as a % of GDP .................................. 79
  8.2.21. Net Foreign Direct Investment ............................................................. 80
  8.2.22. Net Foreign Direct Investment as % of GDP ..................................... 81
  8.2.23. International reserves, including gold ................................................ 82

8.3. Energy and Utilities.................................................................................... 83
  8.3.1. Total Conventional Thermal Electricity Net Generation ....................... 83
  8.3.2. Total Conventional Thermal Electricity Installed Capacity .................. 84
  8.3.3. Total Conventional Thermal Electricity Installed Capacity .................. 85
  8.3.4. Proved Reserves of Natural Gas ........................................................... 86
  8.3.5. Total Petroleum Consumption .............................................................. 87
  8.3.6. Crude Oil Proved Reserves .................................................................. 88

8.4. Minerals ..................................................................................................... 89
8.4.1. Mining, Manufacturing, Utilities Output ........................................................................................................... 89

8.5. Telecommunication ........................................................................................................................................... 90
  8.5.1. Telephone Lines .......................................................................................................................................... 90
  8.5.2. Telephone lines Penetration Rate ................................................................................................................. 91

9. Appendix .............................................................................................................................................................. 92
  9.1. About SDI ..................................................................................................................................................... 92
  9.2. Disclaimer ..................................................................................................................................................... 92
LIST OF FIGURES

Figure 1: Omani Defense Expenditure, 2009–2013 ................................................................. 17
Figure 2: Omani Defense Expenditure, 2014–2018 ................................................................. 18
Figure 3: Omani GDP Growth vs. Defense Expenditure Growth and Defense Expenditures Percentage of GDP Growth, 2009–2013 ................................................................. 20
Figure 4: Omani GDP Growth vs. Defense Expenditure Growth and Defense Expenditure as Percentage of GDP Growth, 2014–2018 ................................................................. 21
Figure 5: Omani Defense Budget Split Between Capital and Revenue Expenditure (%), 2009–2013 ........................................................................................................................... 22
Figure 6: Omani Defense Budget Split Between Capital and Revenue Expenditure (%), 2014–2018 ........................................................................................................................... 23
Figure 7: Omani Defense Capital Expenditure (US$ bn), 2009–2013 ........................................... 24
Figure 8: Omani Defense Capital Expenditure (US$ bn), 2014–2018 ........................................... 25
Figure 9: Omani Per Capita Defense Expenditure (US$), 2009–2013 ........................................... 26
Figure 10: Omani Per Capita Defense Expenditure (US$), 2014–2018 ........................................... 27
Figure 11: SDI Terrorism Heat Map, 2013 .............................................................................. 29
Figure 12: SDI Terrorism Index, 2013 ..................................................................................... 30
Figure 13: Benchmarking with Key Markets – 2009–2013 vs. 2014–2018 ................................. 32
Figure 14: Benchmarking with World’s Largest Defense Spenders (US$ Billion), 2013 and 2018 ................................................................................................................................. 33
Figure 15: Benchmarking with Large Defense Spenders as % of GDP – 2013 ........................... 34
Figure 16: Fighters & Multi-Role Aircraft Market Size (US$ Million), 2013 - 2023 .................... 37
Figure 17: Air Defense Missile Systems Market Size (US$ Million), 2013 - 2023 ..................... 38
Figure 18: Corvette Size (US$ Million), 2013 - 2023 ............................................................... 39
Figure 19: Omani Defense Import Trend, 2008–2012 (TIV values) ............................................ 40
Figure 20: Omani Defense Imports by Country (%), 2008–2012 ............................................... 41
Figure 21: Omani Defense Imports by Weapon Category (%), 2008–2012 ............................... 42
Figure 22: Industry Dynamics – Porter’s Five Forces Analysis .................................................. 44
Figure 23: Omani Population – Rural (In Millions), 2009–2018 ................................................. 57
Figure 24: Omani Population – Urban (In Millions), 2009–2018 .............................................. 58
Figure 25: Omani Population – Number of Households (In Millions), 2008–2017 ...................... 59
Figure 26: Omani GDP per Capita (US$), 2008–2017 ................................................................. 60
Figure 27: Omani GDP (current US$ bn), 2009–2018 ................................................................. 61
Figure 28: Omani Gross National disposable income (US$ Bn), 2002–2011 ................................. 62
Figure 29: Omani Manufacturing Output (US$ Bn), 2002–2011 .................................................. 63
Figure 30: Omani Consumer Price Index, 2008–2017 ................................................................. 64
Figure 31: Omani LCU per US$, 2009–2018 ............................................................................. 65
Figure 32: Omani LCU per Euro, 2008–2017 ............................................................................. 66
Figure 33: Omani International reserves, including gold (US$ Bn), 2002–2011 ......................... 67
Figure 34: Deposit Rate (%), 2001–2010 .................................................................................. 68
Figure 35: Omani Real Interest Rate (%), 2002–2011 ................................................................. 69
Figure 36: Omani Market Capitalization of listed companies (US$ Bn), 2002–2011 ..................... 70
Figure 37: Omani Market Capitalization of listed companies (%of GDP), 2002–2011 ............... 71
Figure 38: Omani Total Government cash surplus/deficit (LCU Bn), 2001–2010 ....................... 72
Figure 39: Omani Total Government cash surplus/deficit as % of GDP, 2002–2011 ................... 73
Figure 40: Omani Goods Exports as a % of GDP, 2002–2011 .................................................... 74
Figure 41: Omani Goods Imports as a % of GDP, 2002–2011 ..................................................... 75
Figure 42: Omani Goods Trade Surplus/Deficit as a % of GDP, 2002–2011 ............................... 76
Figure 43: Omani Services Imports as a % of GDP, 2002–2011 ................................................. 77
Figure 44: Omani Services Exports as a % of GDP, 2002–2011 ............................................... 78
Figure 45: Omani Services Trade Surplus/Deficit as a % of GDP, 2002–2011 ............................. 79
Figure 46: Omani Net Foreign Direct Investment (US$ Bn), 2002–2011 ........................................ 80
Figure 47: Omani Net Foreign Direct Investment as % of GDP, 2002–2011 ............................... 81
Figure 48: Omani International reserves, including gold (US$ Bn), 2002–2011 ......................... 82
Figure 49: Omani Total Conventional Thermal Electricity net Generation (Bn Kilowatt Hours), 2001–2010 ................................................................. 83
Figure 50: Omani Total Conventional Thermal Electricity Installed Capacity (Mn Kilowatt Hours), 2001–2010 ................................................................. 84
Figure 51: Omani Total Conventional Thermal Electricity Installed Capacity (Bn Kilowatt Hours), 2001–2010 ................................................................. 85
Figure 52: Omani Proved Reserves of Natural Gas (Trillion Cubic Feet), 2002–2011 .................... 86
Figure 53: Omani Total Petroleum Consumption (Thousand Barrels per Day) .............................. 87
Figure 54: Omani Crude Oil Proved Reserves (Bn Barrels), 2002–2011 ........................................ 88
Figure 55: Mining, Manufacturing, Utilities Output (in Millions), 2002–2011 ............................ 89
Figure 56: Omani Telephone Lines (in Millions), 2002–2011 ..................................................... 90
LIST OF TABLES

Table 1: Omani Defense Expenditure, 2009–2013 .................................................................................................................. 17
Table 2: Omani Defense Expenditure, 2014–2018 .................................................................................................................. 18
Table 3: Omani GDP Growth vs. Defense Expenditure Growth and Defense Expenditure as Percentage of GDP Growth, 2009–2013 ........................................................................................................ 20
Table 4: Omani GDP Growth vs. Defense Expenditure Growth and Defense Expenditure as Percentage of GDP Growth, 2014–2018 ........................................................................................................ 21
Table 5: Omani Defense Budget Split Between Capital and Revenue Expenditure (%), 2009–2013 ................................................. 22
Table 6: Omani Defense Budget Split Between Capital and Revenue Expenditure (%), 2014–2018 .................................................. 23
Table 7: Omani Defense Capital Expenditure (US$ Bn), 2009 – 2013 .......................................................................................... 24
Table 8: Omani Defense Capital Expenditure (US$ bn), 2014 – 2018 .......................................................................................... 25
Table 9: Omani Per Capita Defense Expenditure (US$), 2009–2013 .......................................................................................... 26
Table 10: Omani Per Capita Defense Expenditure (US$), 2014–2018 .......................................................................................... 27
Table 11: Benchmarking with Key Markets – 2009–2013 vs. 2014–2018 .................................................................................. 31
Table 12: SDI Terrorism Index .................................................................................................................................................. 35
Table 13: Competitive Landscape of the Omani Defense Industry .................................................................................................. 48
Table 14: BAE Systems Plc. – Product Focus ............................................................................................................................ 49
Table 15: BAE Systems Plc. – Alliances .................................................................................................................................... 50
Table 16: BAE Systems Plc. – Recent Contract Wins .................................................................................................................. 50
Table 17: Lockheed Martin – product focus .............................................................................................................................. 51
Table 18: Lockheed Martin – Alliances ...................................................................................................................................... 52
Table 19: Lockheed Martin – Recent Contract Wins .................................................................................................................. 52
Table 20: NHIndustries (NHI) – product focus .......................................................................................................................... 53
Table 21: Lockheed Martin – Recent Contract Wins .................................................................................................................. 53
Table 22: Raytheon – Product Focus ........................................................................................................................................... 54
Table 23: Raytheon – Alliances ................................................................................................................................................... 56
1. Executive Summary

Oman's defense expenditure expected to post strong growth during the forecast period

Oman is currently in the middle of a military modernization phase, with an aim to keep pace with its neighbors such as the UAE and Bahrain. Assisted by oil revenues, the Middle East has been an attractive market for defense suppliers during the past four years and is expected to remain so over the forecast period. One of the main factors driving procurement in the region is the arms race which has now intensified owing to the growing turbulence in countries such as Syria, Oman, and Yemen, combined with a perceived threat from Iran. To be on par with its neighbors, Oman increased its military budget sharply over the last couple of years to value US$XX billion in 2013, registering a growth rate of XX% during the review period. The sharp rise in the defense budget in 2012-2013 was made possible by increasing oil prices, which generated additional revenue for the government and was directed towards strengthening its defense and security. Over the forecast period, the country’s defense and security expenditure is estimated to grow at a CAGR of XX% to reach US$XX billion by 2018, owing to the procurement of advanced military equipment and regional dynamics. Similarly, the Omani defense expenditure is forecast to reach XX% of GDP in 2018 from its current levels of XX%.

Various deals with the US to procure F-16 aircraft, air missile defense systems, and other arms imports have fueled the growth of the capital budget allocation during 2012 and 2013. Over the forecast period, the country is expected to continue to procure advanced weapons in order to achieve its purpose of becoming a substantial military force in the region and this will drive the growth in its capital expenditure. Consequently, Oman is projected to allocate an average of XX% of its defense and security budget towards related capital expenditure over the forecast period.
2. Market Attractiveness and Emerging Opportunities

With the aim of heightening its strategic importance in the Middle East, Oman joined the ongoing arms race in the last two years. The country posted the highest defense expenditure growth in the region to reach US$XX billion in 2013, ably supported by the additional revenue created due to the increase in oil prices. Over the forecast period, the Omani defense expenditure is estimated to post a healthy growth rate of XX% to reach US$XX billion by 2018. The country’s cumulative expenditure on the procurement of advanced military hardware is projected to be US$XX billion over the next five years, creating opportunities for suppliers and OEMs. The underdeveloped domestic industry propels the government to import the required defense equipment from overseas companies, which can gain access to the Omani market either through direct contracts or by attaching themselves to defense deals signed between the country and respective government. Fighter jets, missiles, air defense systems, and communication equipment are the most sought after categories by the Omani government.
2.1. Defense Market Size Historical and Forecast

2.1.1. Defense expenditure expected to grow at a CAGR of XX% over the forecast period

Immediate obligation of enhancing its military capabilities, ably supported by additional revenue created by rise in petroleum prices during the review period resulted in Oman boosting its military and internal security budget. The country’s defense and security budget witnessed the highest growth in the Middle Eastern region during 2012 and 2013, recording growth rates of XX% and XX% respectively. Even though the growth rate of military and internal security expenditure over the forecast period is estimated to be slower than that during the review period, it is likely to grow at a CAGR of XX% in the next five years as the country aspires to be militarily on par with its neighbors such as UAE and Bahrain. Consequently, Omani defense expenditure is projected to reach US$XX billion by 2018, and present an attractive market for weapons suppliers.

The following table and figure show the Omani defense expenditure during the review period:

<table>
<thead>
<tr>
<th>Year</th>
<th>Defense expenditure (US$ bn)</th>
<th>Defense growth percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>XX</td>
<td>XX</td>
</tr>
<tr>
<td>2010</td>
<td>XX</td>
<td>XX</td>
</tr>
<tr>
<td>2011</td>
<td>XX</td>
<td>XX</td>
</tr>
<tr>
<td>2012</td>
<td>XX</td>
<td>XX</td>
</tr>
<tr>
<td>2013</td>
<td>XX</td>
<td>XX</td>
</tr>
<tr>
<td></td>
<td>CAGR 2009-2013</td>
<td>XX%</td>
</tr>
</tbody>
</table>

Source: SDI analysis © SDI

Figure 1: Omani Defense Expenditure, 2009 - 2013

Source: SDI analysis © SDI
The following table and figure show projected defense expenditure of the Omani over the forecast period:

### Table 2: Omani Defense Expenditure, 2014-2018

<table>
<thead>
<tr>
<th>Year</th>
<th>Defense expenditure (US$ bn)</th>
<th>Defense growth percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>XX</td>
<td>XX</td>
</tr>
<tr>
<td>2015</td>
<td>XX</td>
<td>XX</td>
</tr>
<tr>
<td>2016</td>
<td>XX</td>
<td>XX</td>
</tr>
<tr>
<td>2017</td>
<td>XX</td>
<td>XX</td>
</tr>
<tr>
<td>2018</td>
<td>XX</td>
<td>XX</td>
</tr>
</tbody>
</table>

**CAGR 2014-2018**  
XX%

Source: SDI analysis © SDI

### Figure 2: Omani Defense Expenditure, 2014-2018

Source: SDI analysis © SDI
2.2. Analysis of Defense Budget Allocation

2.2.1. Capital expenditure allocation to average XX% of the total budget over the forecast period

During the review period, Oman allocated an average of XX% of its defense budget for capital expenditure, such as the procurement of defense equipment and services, with the highest share of XX% allocated in 2013. The remaining budget was allocated for revenue expenditure including the salaries of personnel, logistics, operational costs, training, and the maintenance of the country’s military force. Over the forecast period, the Omani MoD is expected to maintain its current level of allocation for capital expenditure, averaging 19.5% of the total defense budget.

The following table and chart display the Omani defense budget share of capital and revenue expenditure during the review period:

<table>
<thead>
<tr>
<th>Year</th>
<th>Capital Expenditure Share</th>
<th>Revenue Expenditure Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>XX</td>
<td>XX</td>
</tr>
<tr>
<td>2010</td>
<td>XX</td>
<td>XX</td>
</tr>
<tr>
<td>2011</td>
<td>XX</td>
<td>XX</td>
</tr>
<tr>
<td>2012</td>
<td>XX</td>
<td>XX</td>
</tr>
<tr>
<td>2013</td>
<td>XX</td>
<td>XX</td>
</tr>
</tbody>
</table>

Source: SDI analysis

© SDI
Future of the Omani Defense Industry – Market Attractiveness, Competitive Landscape and Forecasts to 2018

The following table and chart display the Omani defense budget share of capital and revenue expenditure over the forecast period:

**Table 4: Omani Defense Budget Split Between Capital and Revenue Expenditure (%), 2014 -2018**

<table>
<thead>
<tr>
<th>Year</th>
<th>Capital Expenditure Share</th>
<th>Revenue Expenditure Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>XX</td>
<td>XX</td>
</tr>
<tr>
<td>2015</td>
<td>XX</td>
<td>XX</td>
</tr>
<tr>
<td>2016</td>
<td>XX</td>
<td>XX</td>
</tr>
<tr>
<td>2017</td>
<td>XX</td>
<td>XX</td>
</tr>
<tr>
<td>2018</td>
<td>XX</td>
<td>XX</td>
</tr>
</tbody>
</table>

Source: SDI analysis © SDI

**Figure 4: Omani Defense Budget Split Between Capital and Revenue Expenditure (%), 2014 - 2018**

Source: SDI analysis © SDI