

Oman's Economy Performance During Covid-19

(with the focus on the trade and seaports' performance)

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This report is an update of a series analyzing the Omani economic performance focusing on the trade and seaports performance. The numbers are updated with the latest figures and revised forecasts based on the latest data and information for the fourth quarter of 2021. In addition, the report analyzes how the coronavirus pandemic has immensely affected the ports' and economy's overall performance as it did to other countries. The report focuses on the Salalah and Sohar Port in addition to the general GDP and trade performance.

1. Introduction:

The Covid-19 pandemic has enormously disrupted nearly all business sectors. One of the major and important sectors that were hit significantly by the pandemic is the logistics and the supply chains sector. Since logistics is the artery of economies and trade, it has also been a critical part and vital success support factor to sustain the economies during the current Coronavirus crisis and enable the best possible supply chain connectivity for the trade and exchange of goods between countries.

The primary entry/exit points of countries are managed through land borders, airports, and seaports. The domestic operations are handled by logistics service providers. With the outbreak of the coronavirus at the end of 2019, the world started to slow down as governments began to lock down businesses and limit all accessibilities to and from their countries.

In Oman, the government and the private sector, as in many other countries, have started very early to mitigate the risks and find solutions and alternatives to combat the Covid-19 negative impacts. Traffics at airports and land borders were more severely affected than the seaports. Seaports played vital

roles in keeping the countries connected with the outside world and keeping the imports and exports flowing. Medical and food products have been the major contributors to the transported volumes.

This paper analyzes Oman's economy in terms of GDP, trade, and seaports performance. The focus would be on the primary seaports' performance; Sohar and Salalah. The economic and social challenges continue to be immense during these unprecedented difficult times caused by the Covid-19 pandemic, which is not only a health crisis but also an economic and social crisis.

2. Asyad Group and the Customs

The Omani ports, with the leadership of the Asyad Group that oversees the logistics sector and ports, played a vital role from day one as the coronavirus outbreak. Oman Customs played a pivotal role in supporting and facilitating the trade flow. Asyad and the ports' management teams have been proactively monitoring the Covid-19 crisis and its impacts on ports' operations and trade links. The Omani ports have been able to manage the operations very well since the outbreak of the covid-19 pandemic.

Asyad Group has proactively coordinated with ports' administrations in assessing the effects of the Covid-19 pandemic on ports' preparations and facilitating the trade links so that the flow of cargo continues as normal as possible, especially for essential products such as food and medical supplies. Omani ports have managed the operations very well during the first months of the crisis and continue to do so. All ports have worked hard to manage the operations at full capacity while taking strict measures to mitigate the risks of operations and the effects of Covid-19 on the workers' health and those dealing with the ports. ⁽³⁾

The procedures carried out by the Directorate General of Customs have contributed significant positive impacts on the ease and flow of export and import movements.⁽⁵⁾ It has facilitated the processes of documents and procedures for customs clearance requirements through the Bayan Electronic System and online transactions. It has also introduced prior and remote customs clearance with excellent flexibility to assist trade flow. The prompt initiatives taken by the Omani Customs have been critical factors in facilitating seamless trading and smooth supply chain operations by the business community.

3. Asyad Group and the Performance of the Ports

All seaports have been running full capacity while taking strict safety measurements to mitigate the operations' risks during these tough health crisis times. While taking stringent health and safety measurements, the Omani ports have been able to maintain an uninterrupted flow of goods and commodities. Moreover, despite the difficult times, the ports have been able to develop new direct shipping line routes. According to Asyad, despite these challenging times, the Omani ports were successful in developing 200 direct routes connecting 86 ports in 40 countries.⁽³⁾ Notwithstanding the reduction in the volumes that is expected during such crisis times, the overall performance is considered commendable. However, the Asyad and ports companies need to evaluate and analyze the reductions if they are temporary and related to the crisis or are long-term and structural.



Alphaliner TOP 100 / 18 Feb 2022



Global figures

6,332 active ships
including 5,533 fully cellular

25,412,606 TEU
25,042,597 TEU fully cellular

304,690,194 DWT

Figures are consolidated

Regional Trades weekly capacities

Trans-Atlantic **151,201 TEU**
Trans-Pacific **671,060 TEU**
Feast-Europe **453,704 TEU**

Rank	Operator	Teu	Share	Existing fleet		Orderbook					
1	Mediterranean Shg Co	4,311,366	17.1%								
Rank	Operator	Total		Owned		Chartered		Orderbook			
		Teu	Ships	TEU	Ship...	TEU	Ships	% Chart	TEU	Ship...	% existing
4	COSCO Group	2,732,555	11.0%								
5	Hapag-Lloyd	1,751,870	6.9%								
6	ONE (Ocean Network Express)	1,527,607	6.0%								
7	Evergreen Line	1,471,496	5.8%								
8	HMM Co Ltd	817,300	3.2%								
9	Yang Ming Marine Transport Corp.	663,862	2.6%								
10	Zim	425,323	1.7%								

Rank	Shipping Lines	TEUs	Ships
1	MSC	4,311,366	654
2	Maersk	4,293,718	738
3	CMA	3,225,807	573
4	COSCO	2,932,595	477
5	Hapag-Lloyd	1,751,870	249
6	ONE	1,527,607	208
7	Evergreen	1,471,496	201
8	HMM	817,300	75
9	Yang Ming Marine	663,862	91
10	Zim	425,323	114
55	Oman Container Line (Asyad)	14,339	4

Figure 1: Alphaliner: Top Operators of world containers in terms of TEUs, 2022 ⁽²⁾

Asyad Group Oman has entered the containership business through its subsidiary Oman Shipping Company under the brand “Oman Container Line (OCL) and “ASYAD.” With chartered 14,339 TEUs, Asyad has achieved the rank 55 in the top 100 container companies published by Alphaliner in February 2022. With this massive capacity, OCL/Asyad, with four container ships, provides an excellent capacity to businesses and traders and helps connect Oman with the world. ^{(2) (3)}

According to the Asyad Group, the Omani ports have shown remarkable resilience during the Covid-

19 pandemic. The overall ports’ performances during the tough and challenging years 2020 and 2021 have been exceptional. The total containers handled by the main Omani ports, Salalah and Sohar, reached over 5.237 million TEUs, up by 2%. The general cargo terminals in both ports handled over 56 million tons, up by 9.1%, while the liquid terminals handled over 19 million tons, up by 4.1%. Total RORO units handled by the main Sohar Port reached 71,561, down by 4.2% from 2020 and down by 37% from 2019 figures. ^{(3) (16) (17) (19) (20)}

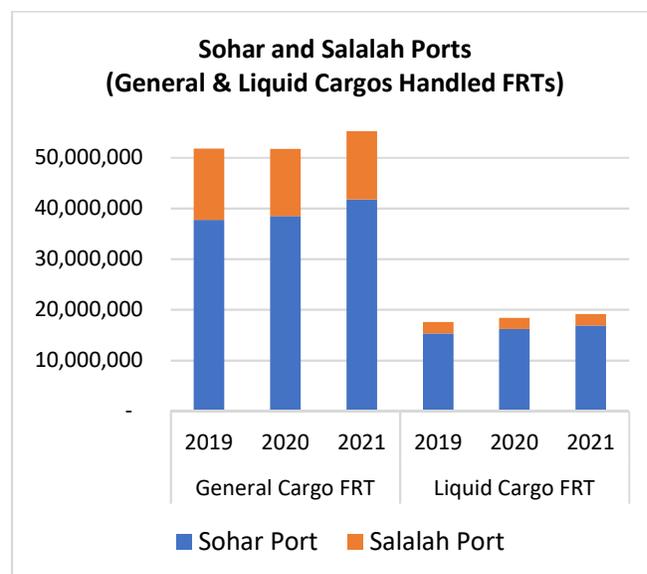
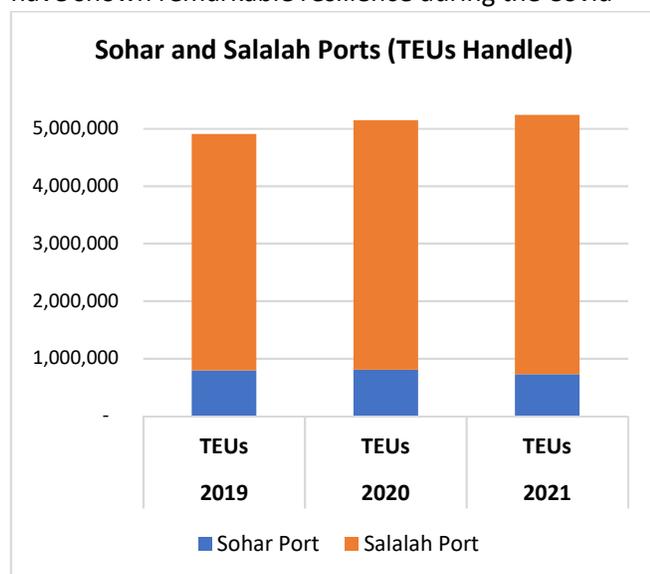


Figure 2: Sohar and Salalah Ports Performance ^{(3) (16) (17) (19) (20)}

4. The GDP Performance

The impact of coronavirus has been significant on all economic aspects. Oman is having its share of the impact of the coronavirus. The labor market, which

comprises of expatriates as the majority, has started to see the effects of economic slowdown due to the lockdowns and low demand.

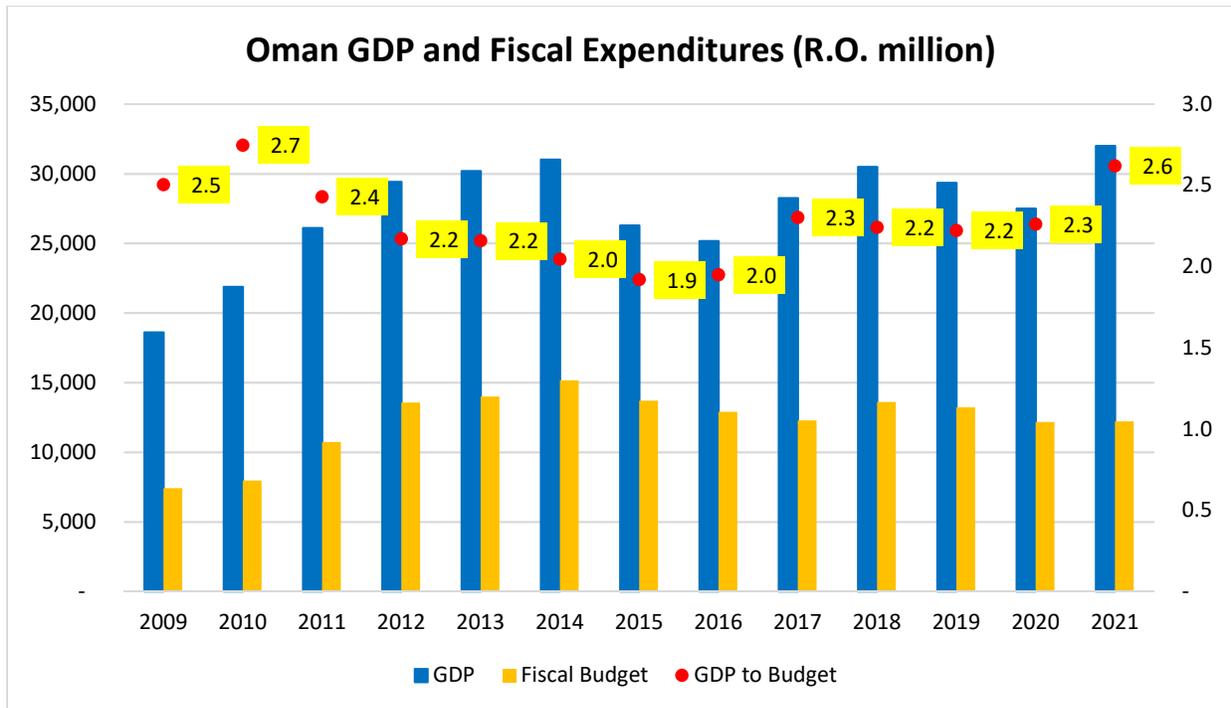


Figure 3: Oman GDP and Fiscal Budgets trends(Oman revised GDP calculations for 2020 and 2021) ⁽¹⁵⁾

Figure 3 above shows the trends in the GDP and the fiscal budget figures (please note Oman revised GDP calculation 2020 and 2021). The drops-in oil prices since 2014 have had visible results on the fiscal budget and the GDP. The budget multiplier on the GDP has been 2.2 on average; however, expected to increase as the oil prices started rising since 2021. ⁽¹⁵⁾

Figure 4 below shows the workforce (Omani and Expatriates) trend compared to the GDP sectors trends over the last 17 years. ⁽¹⁵⁾ The trends show a strong correlation between the workforce and GDP. It shows that the economic growth has propelled the growth in the overall workforce, but mainly in the expatriate workforce category. In contrast, the Omani workforce remained almost constant (very trivial growth compared to the annual numbers entering the job market) over the last 17 years. Over

the last 17 years, the yearly average increase of Omanis in the private sector has been around 10,600, compared to 58,000 for expatriates. In general, both types had an average of 7% increase over the last 17 years. The latest five-year plan (2016-2020) has created about 45,134 new jobs for Omanis (an average of 9,000 per year). This figure is low due too to the Covid-19 pandemic in 2020 as Omanis reduced by almost 7,500. The figure for 2021 shows an increase in Omanis in the private sector by over 12,000, reaching 266,799 Omanis compared to 262,000 Omanis at the end of 2019. For expatriates, the numbers were declining after hitting a record high in 2017. This could be due to the late effect of oil prices decline which has a direct impact on Oman’s fiscal expenditures. However, in 2020, and because of the Coronavirus Pandemic,

the expatriates' number dropped drastically. The statistics show a drop of about 270,000 in expatriates workforce in the private sector. It continued in 2021 with an additional drop of over 33,000, resulting in 1,409,473 expatriates in the private sector by the end of 2021. A drop of 18% since the start of the pandemic. With the high numbers of job seekers augmented by new annual

job seekers entering the labor market, the officials seriously need to evaluate the causes and find realistic solutions. The natural growth trend should have been the same for Omanis and expatriates. Another crucial point to study is the drop in the expatriate workforce over the last four years since 2017, not just during the last two years due to the pandemic.

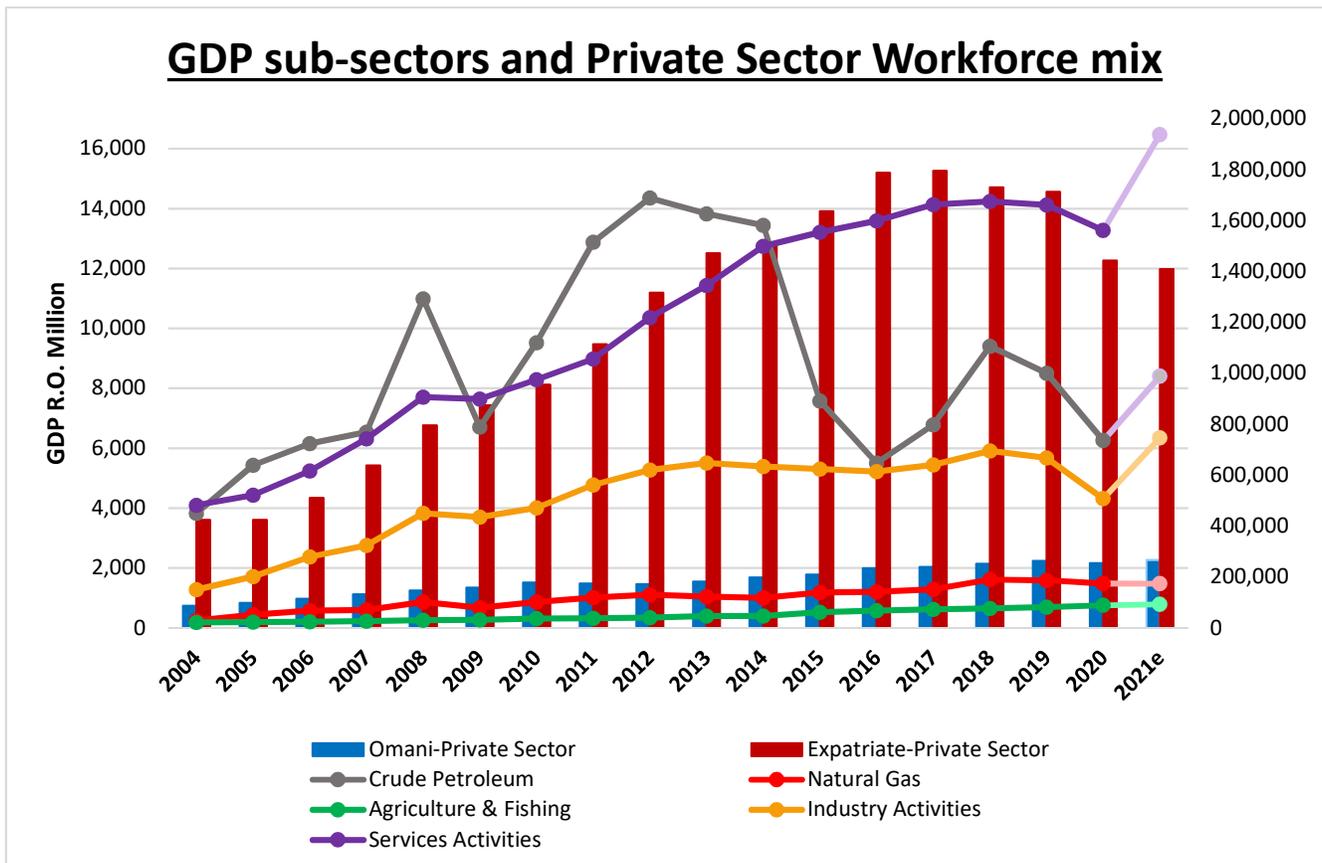


Figure 4: Oman Private Sector's Workforce compared with GDP sub-sectors trends ⁽¹⁵⁾

The chart also analyzes the GDP sub-sectors trends compared with the workforce mix. The numbers show that GDP grew mainly because of crude petroleum (caused by high oil prices, not the production), services activities, and industrial activities. Despite the significant drop in oil prices since the end of 2014, the overall GDP continued to

grow, supported by the Services Activities and Industrial Activities. With these two sectors as prime drivers for GDP increase, the workforce had seen similar growth but only in the expatriates' category, while Omanis experienced a slight increase. It means the economy has been able to create jobs. The government needs to analyze the

actual reasons why jobs were not suitable for Omanis or why Omanis were not suitable for the jobs; or was that the laws and regulations of the labor market were not suitable. The estimated high GDP figures in 2021 are due mainly to high oil prices,

which are expected to continue in 2022. The government needs to work on enhancing the return on the excess revenue generated from higher oil prices compared to the budget figures to create a more dynamic and competitive economy.

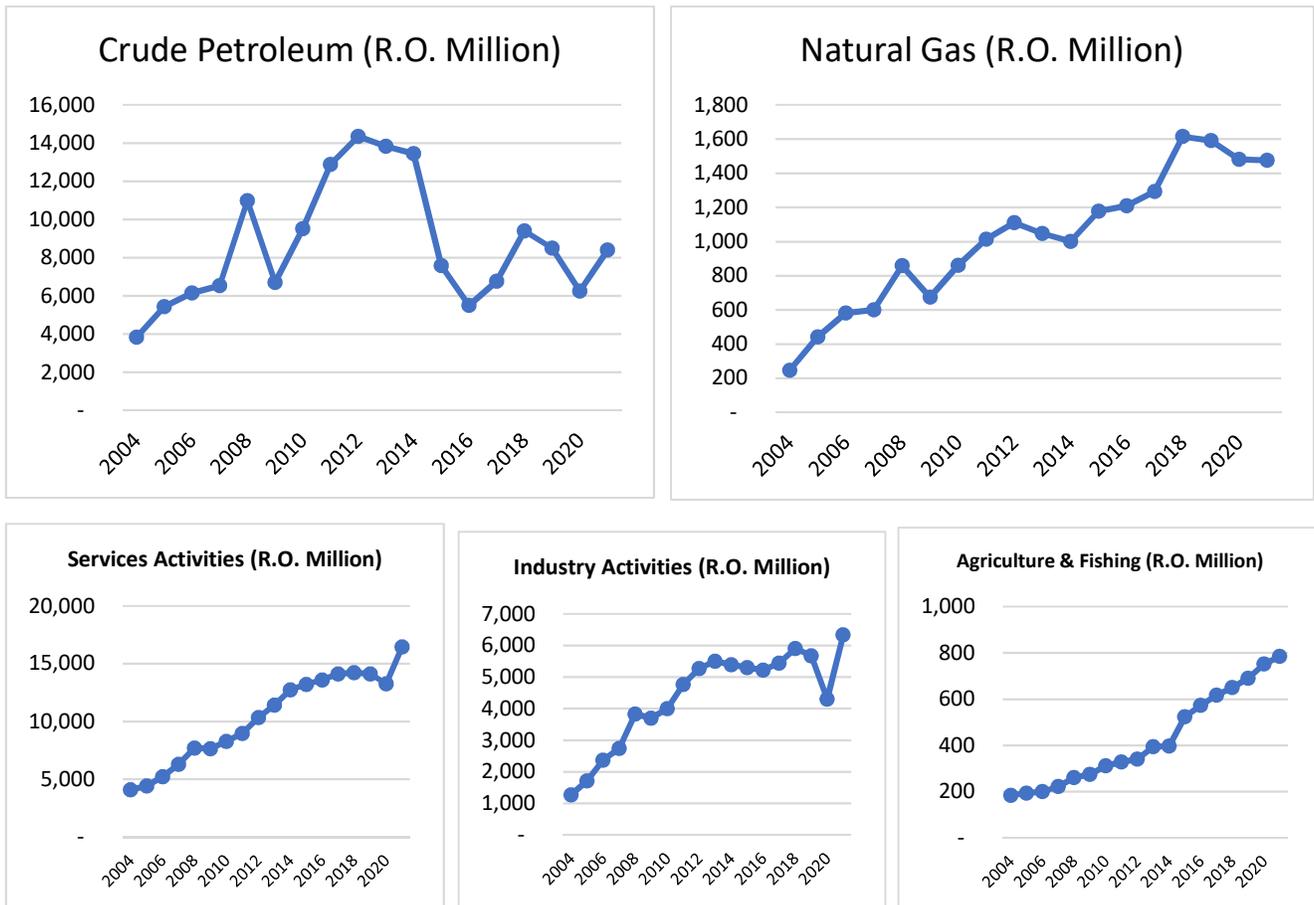


Figure 5: Oman's GDP Main Sectors' Trends and Covid's Effect ⁽¹⁵⁾

Charts in figure 5 show the trends of main Oman's GDP sectors over the past years. Crude oil has been highly volatile. It had reached its peak during the period from 2010 to 2014 when it started to drop drastically.⁽¹⁵⁾ It has completely disrupted all development plans. Natural Gas has come at the right time to compensate slightly but growing for the oil drop. It has had consistent growth, though it has started to drop since 2018. The Services and Industrial Activities charts show a correlation with the oil and gas contribution to the overall GDP. On the other side, the Agricultural & Fisheries Activities

show continuous growth despite the drop in other sectors. It indicates that some activities do not necessarily get linked with the changes in the major sectors in the GDP and can be a growth sector for the economy in the long term. The agriculture & Fisheries sector needs to have more attention from the development planners so it may add more value to the overall economic growth.

4. General Performance of Exports and Imports

Balance of Trade is one of the primary indicators that help gauge countries’ economic health quality and strength. When exports value is more than imports value, it is viewed that the country’s economy enjoys a positive balance of trade. While higher imports’ value compared to the exports’ value is considered as a trade deficit. Oman enjoys a positive balance of trade primarily due to the sale of crude oil and gas. Therefore, we need to analyze the balance trade in terms of other than the contribution of oil and gas in the trade. This will give us a better understanding of the economy and

productivity. The below charts in figure 6 show the trends in Exports (non-oil), Re-Exports, and Imports.⁽¹⁵⁾ With the drop in the oil prices since 2014, the exports, imports, and re-exports all have been negatively affected and expected to drop further, as shown in the charts in figure 6. All types of trade have lessened since 2017. Though the pandemic deepened the decline of all trade performance, the year 2021 figures based on the first three quarters show a significant increase in the overall numbers both in exports and imports. ⁽¹⁵⁾ The main drivers in the non-oil & gas exports are minerals, chemicals, and metal. For the imports, the main drivers are minerals, chemicals, food, and equipment.

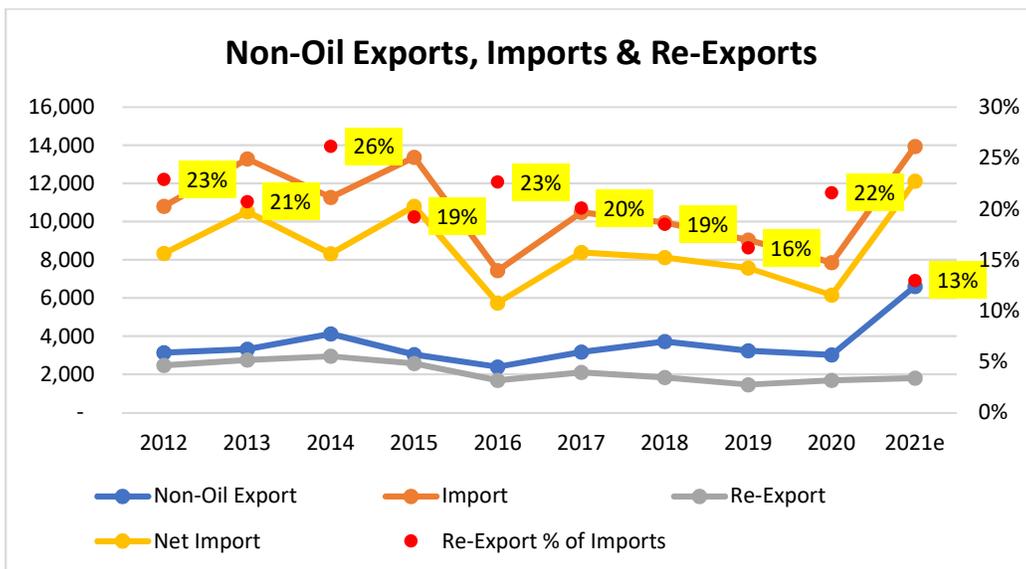


Figure 6: Oman’s Non-Oil Exports, Imports, and Re-Exports ⁽¹⁵⁾

The below charts in figure 7 show trends of imports by point of entry from 2017 to 2021. The 2021 figures are estimates based on the first three quarters in terms of value and tonnage. The trends show significant hikes expected in 2021.

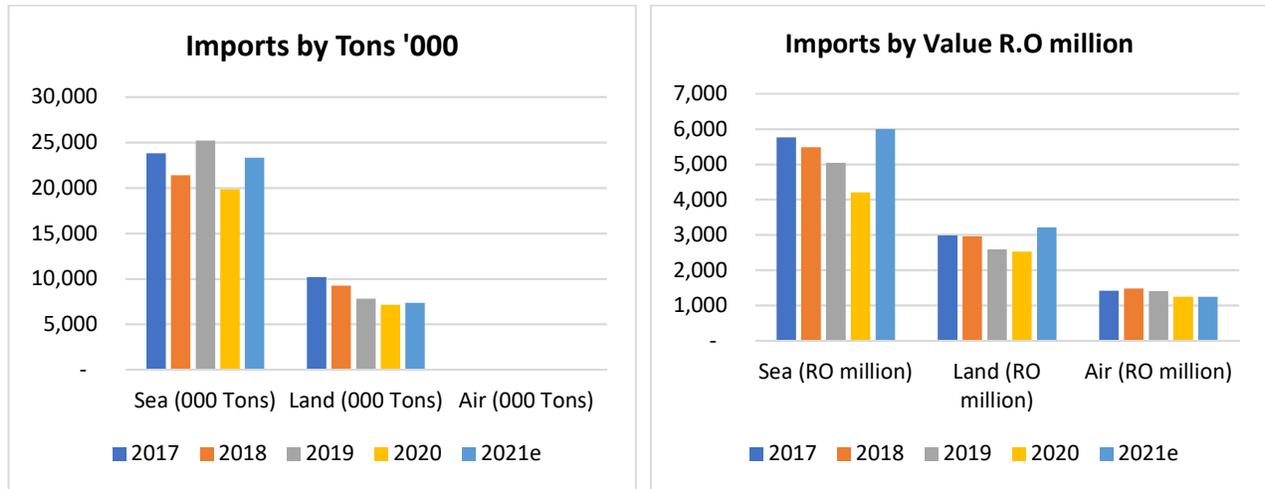


Figure 7: Oman's Imports by point of entry in terms of value and tonnage in 1st half of 2020 ⁽¹⁵⁾

The sea and land trades have shown exceptional performance during 2021 in terms of value and tonnage. The air cargo movement has been the most hit by Covid-19 as most countries imposed complete lockdown and restriction on air travel, except for emergency and pharmaceutical products. All cargo types were hit by coronavirus during 2020

but started to rebound in 2021. During the first three quarters of 2021, the sea cargo reached 23,180 tons compared to 15,771 tons for the same period in 2020, a jump of 47%. The land cargo also jumped by 10% for the same period, from 5,619 tons in 2021 to 5,076 tons in 2020. ⁽¹⁵⁾

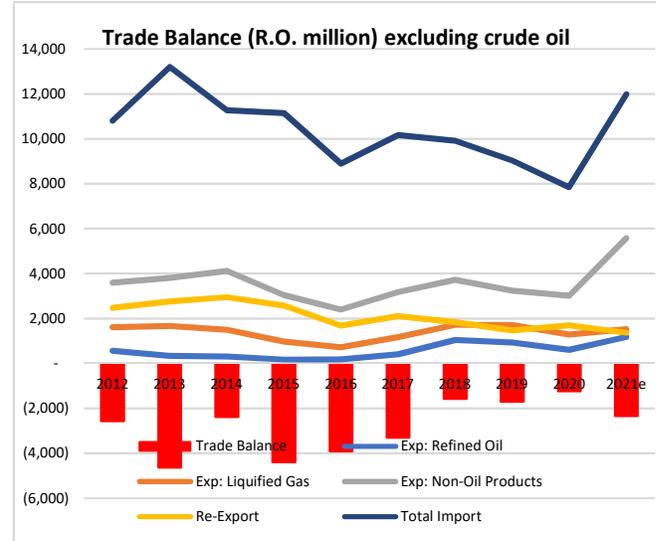
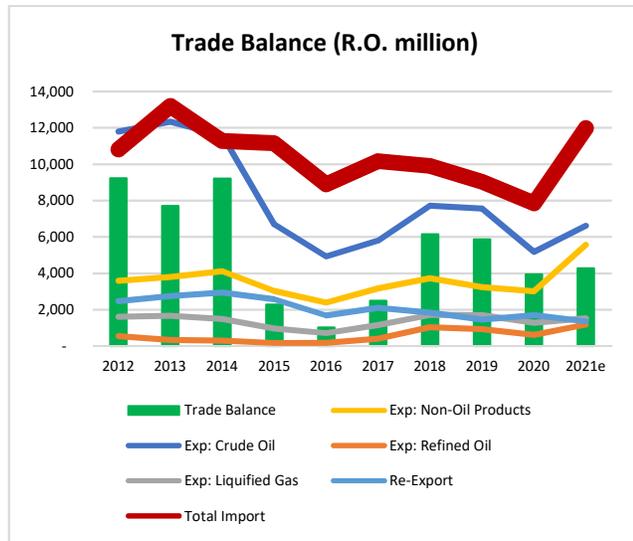


Figure 8: Oman's Trade Balance with and without Crude Oil Values ⁽¹⁵⁾

The above charts in figure 8 show that the positive trade balance is mainly due to the export of crude oil.⁽¹⁵⁾ Once the value of crude oil exports is excluded, the trade balance shows apparent deficits. The total imports started to decline since

2014 as the result of oil prices decline since then. From 2017, the exports of liquified natural gas regained what they have lost in 2015 and 2016, with an over 50% drop. The non-oil products remained at an average of R.O. 3.3 billion from 2012 to 2020. The

re-exports started to decline since 2014 when it almost touched R.O. 3 billion, and then dropped to R.O. 1.4 billion in 2019, and expect to reach R.O. 1.5 billion in 2020. The trade balance, including crude oil, has been positive at the rate of 32% of the exports over the years from 2012 to 2020. In comparison, the rate is negative at an average of 41% when crude oil is not considered in the exports. The negative rate of 41% is very high and should push the country to seriously work on developing and diversifying its export industries.

5. Sohar Port Performance

Sohar Port is considered the main industrial and commercial port for Oman. About 60% of all cargo of the country moves through it. (3) (16) (17) (20) The Sohar industrial port's overall area is managed by Sohar Industrial Port Company, a 50:50 joint venture company between the Government of Oman and the Port of Rotterdam through the

landlord concept. (3) (20) The Sohar Port is considered one of the major deep-sea ports in the region and can handle the largest container vessels alongside Salalah Port in the South of Oman. It is strategically located on the Gulf of Oman and easily reachable from and to major economies in the region such as GCC, the Indian subcontinent, and eastern Africa. It is also on the main maritime routes between the East and the West, as well as Africa. The port was developed to be Oman's main industrial port in addition to the handling of all commercial cargo and to replace the Sultan Qaboos Port in Muscat. It has started its operations in 2004. (3) (9) (20)

The port cargos' terminals are managed and operated by three companies. The container terminal is managed and operated by Oman International Container Terminal (managed by Hutchison Ports). The dry bulk and break-bulk terminals are managed by C. Steinweg Oman Company. The liquid terminal is managed and operated by Oiltanking Terminal & Company.

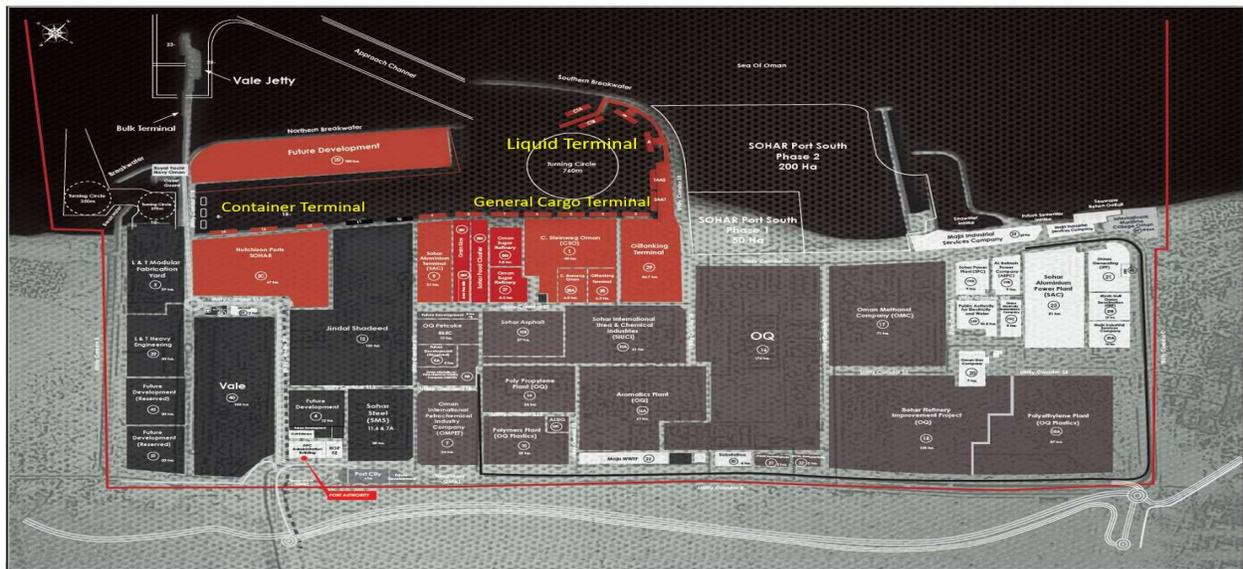


Figure 9: The overall view of Sohar Industrial Port (20)

Sohar Port is the main industrial and commercial port for Oman. On average, it handles over 60% of Oman's imports, over 40% of exports, and over 80% of re-exports volumes. (9) (20)

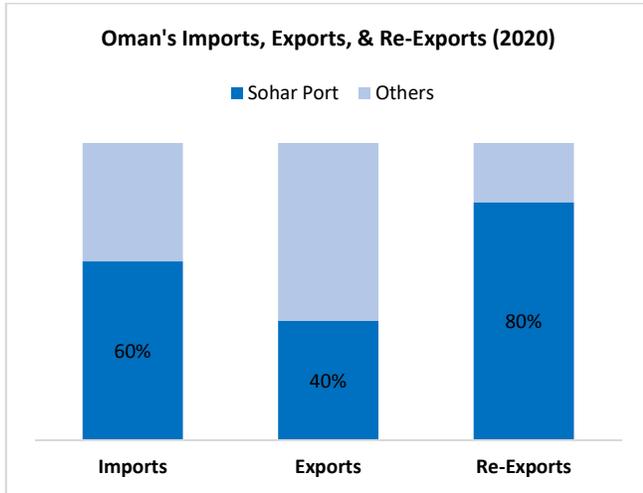


Figure 10: Overall imports and exports through Sohar Port in 2020 ⁽⁹⁾ ⁽²⁰⁾

Since the shift of the country's main commercial port from Sultan Qaboos Port at Muscat to Sohar Port in 2014, vessel calls on overall have been increasing year on year.

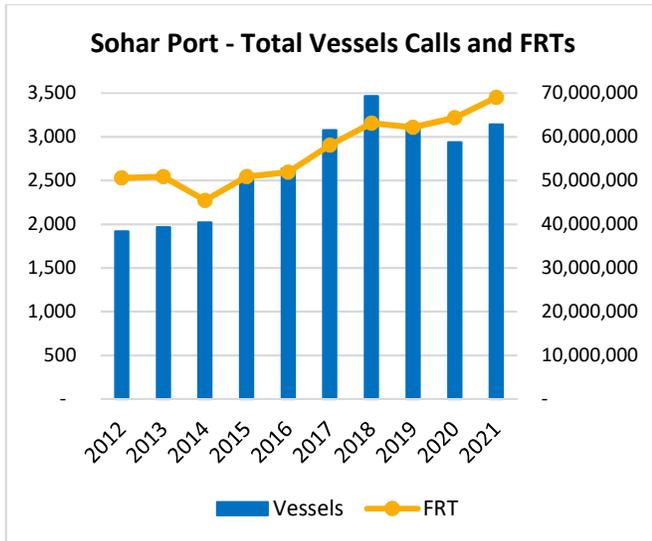


Figure 11: Sohar Port – Vessel Calls ⁽⁹⁾ ⁽²⁰⁾

The total number of vessels handled by Sohar Port has started to grow since 2015, mainly shifting from the Port of Sultan Qaboos in Muscat. Though the number of vessel calls started to drop in 2019 and 2020 but improved in 2021 despite the pandemic, the volume continues to grow, with about 7% growth in the volume and number of total vessels in 2021.⁽⁹⁾ ⁽²⁰⁾ The main drivers for the increase were the dry bulk, liquid bulk, and anchoring services. On the other hand, containers, breakbulk, and RORO had a decrease in terms of FRTs.

5.1 Container Terminal at Sohar Port

The container terminal company at Sohar Port, Oman International Container Terminal Company, was established in 2005.⁽³⁾⁽²⁰⁾ It is a subsidiary of Hutchison Ports, which is part of CK Hutchison Holdings. It is dedicated to handling containerized cargo. The Twenty-foot Equivalent Containers (TEUs) handled by the Sohar Port are shown in the below charts.⁽²⁰⁾

The overall TEUs handled by the container terminal has been decreasing since 2018. Sohar Port experienced exceptional growth starting the 2nd half of 2014 as a result of the closure of commercial operations at Sultan Qaboos Port in Muscat on 31st August 2014. The growth continued till 2017. Since then, the volumes have started to decline. Despite the challenges to the demand and supply created by the coronavirus pandemic, Sohar Port has achieved a slight increase of about 1% compared to the year 2019 total TEUs. Still, there was roughly a 10% drop in 2021 in terms of TEUs and 21% in vessels compared to 2020.

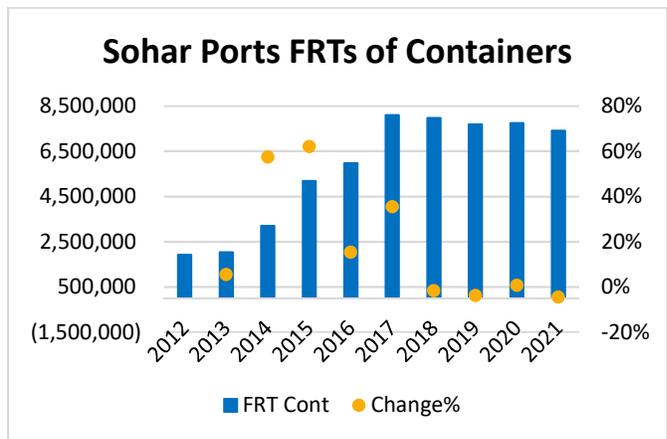
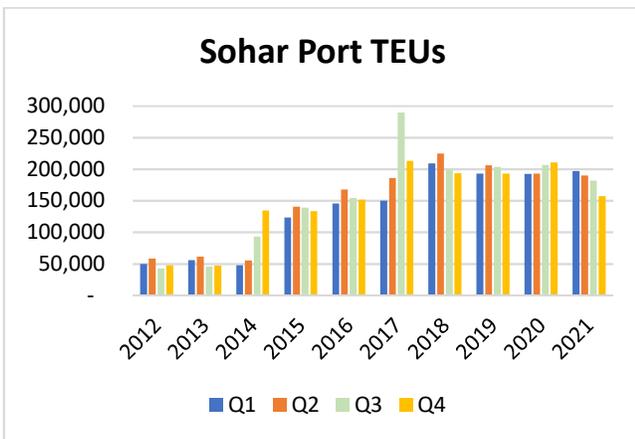
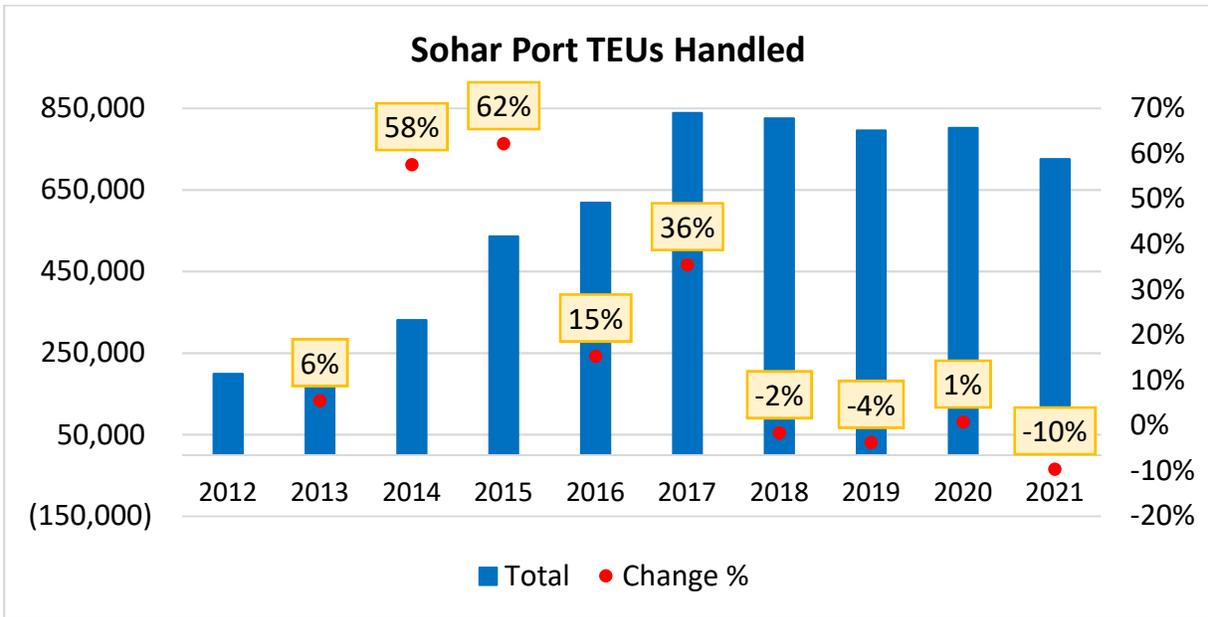


Figure 12: Sohar Port annual TEUs handled, 2020 Total is estimated based on the first three quarters' figures ⁽²⁰⁾

Charts in Figure 12 show the trends of the quarterly number of TEUs and FRTs handled by Sohar Port. The containers and the volumes have continued to decline over the last four years. The Q4 of 2021 dropped by 25% compared to Q4 of 2020 and 10% for the whole year. It seems that the year 2021 shows the impact of the pandemic on the business

as volumes kept decreasing over the quarters since the last year-end. The years 2020 and 2021 have been very challenging as many started to feel the immense cashflow pressures due to the low business operations and, in some cases, the operational pressure of generating no income.

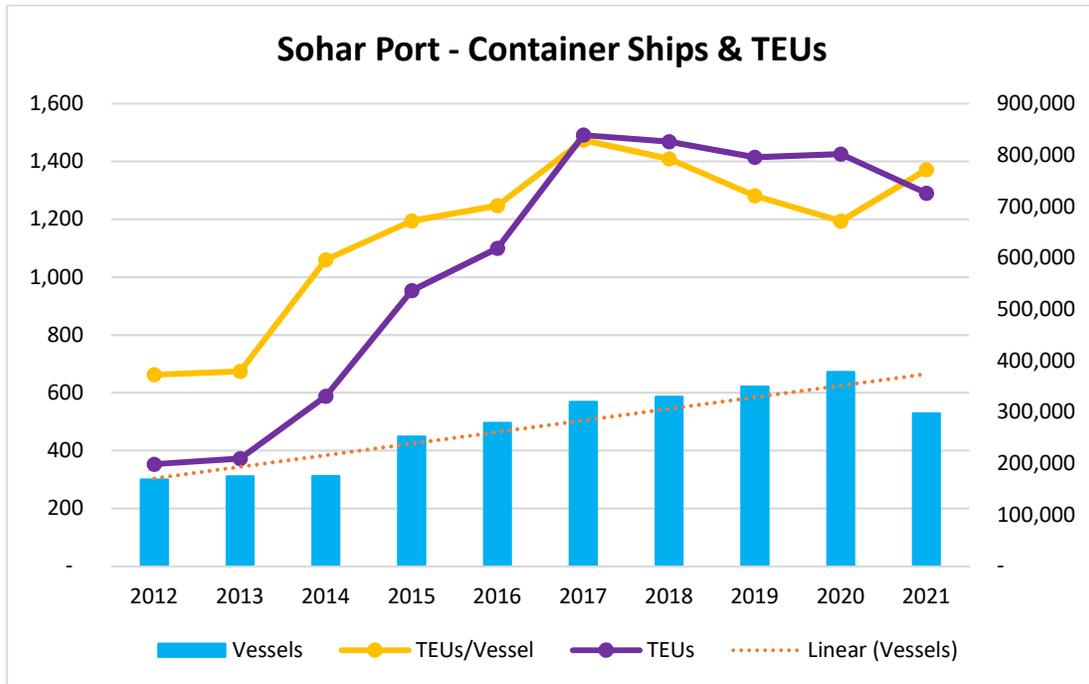


Figure 12: Sohar Port – TEUs / Vessel Calls ⁽²⁰⁾

Figure 12 shows the vessel calls to Sohar Port and TEUs. The number of vessel calls has been growing since 2014 due to the closure of the Port of Sultan Qaboos, Muscat. Nevertheless, the number of TEUs carried by vessels for the port has been declining since 2017 except in the year 2021. The average number of TEUs per vessel call for the Sohar Port for

the years 2018 and 2019 were 1,409 TEUs and 1,281 TEUs, respectively, and 1,193 in 2020. In 2021, the TEUs per vessel jumped to 1,371 TEUs per vessel.⁽²⁰⁾ The number of container vessels handled by the Sohar Port in 2021 dropped by 21% to 529 ships compared to 672 ships in 2020.

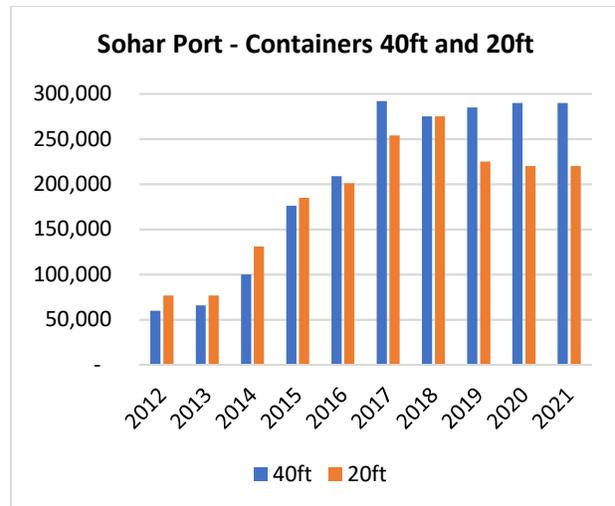
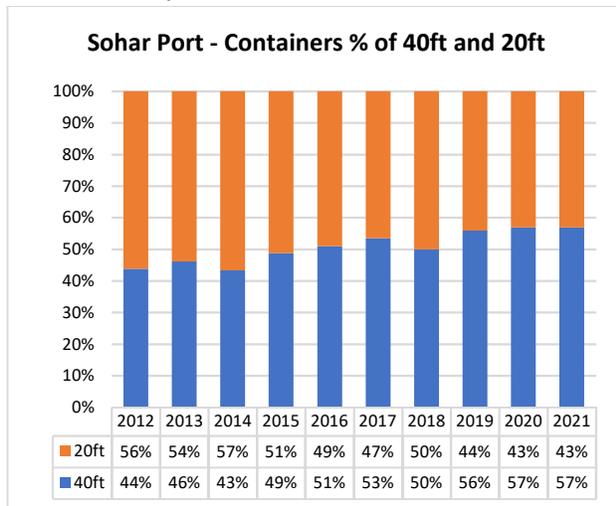


Figure 13: Volumes & Shares of 40ft and 20ft containers at Sohar Port ⁽²⁰⁾

Charts in figure 13 show the container-size mix of percentage shares of 40ft containers and 20ft containers handled by the container terminal.⁽²⁰⁾ The graphs show the percentage of each container type. Over the years, the share of 40ft containers percentage has been increasing. This causes a

shortage of 20ft containers, which are mainly used for exports from Oman. The percentage share of 40ft containers has been growing since 2016, reaching 57% in the last three years, primarily used for imports.

5.2 Break-bulk, Dry-Bulk and RoRo Terminal at Sohar Port

The break-bulk, dry-bulk, and RORO terminal is managed and operated by C. Steinweg Oman company. The company was established in early 2004.^{(17) (20)} The dry bulk mainly includes grain, minerals, and aggregate. The break-bulk includes timber and steel, in addition to project cargo and

RoRo cargo. Steinweg also handles RoRo. The iron ore is handled by Vale Company through a dedicated jetty. The terminal has gained significant momentum in volumes in 2014 as Port Sultan Qaboos came to full commercial closure.



Figure 14: Photos of Sohar Port General Cargo Terminal and Vale Jetty^{(14) (17)}

Dry Bulk at Sohar Port:

The quarterly dry bulk volumes handled at Sohar Port are shown in the charts in figure 15.

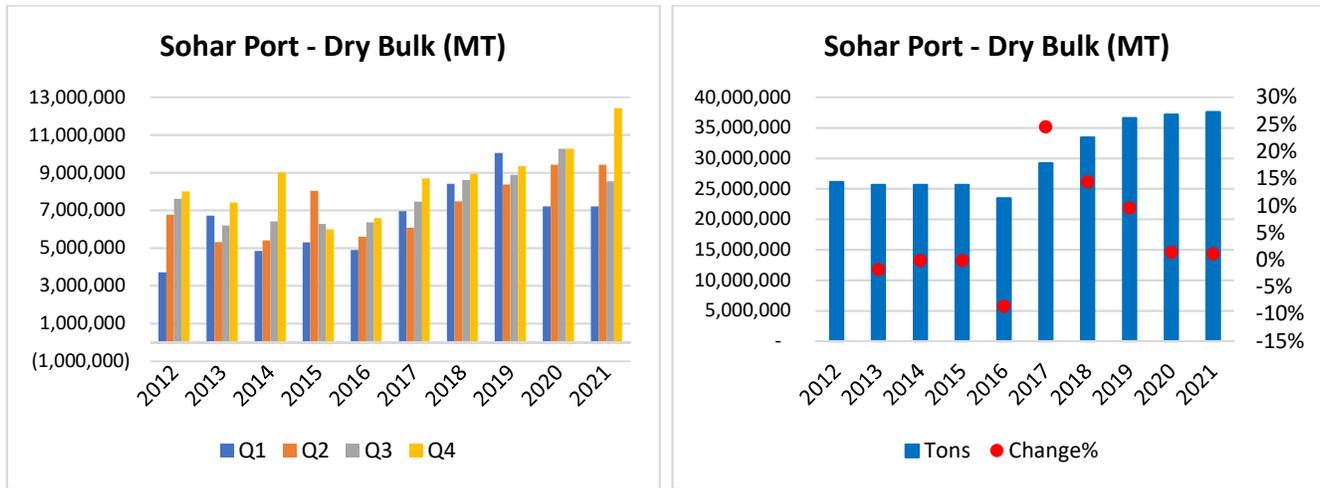


Figure 15: Dry Bulk volumes handled by C. Steinweg Terminal at Sohar Port ⁽²⁰⁾

The Dry Bulk Terminal has been experiencing a continuous growth of CAGR of 12.5% since 2017, except for the year 2021, which had an over 1% increase. In 2021, it handled over 37.6 million metric tons, a growth of about 1.2% compared to 2020 despite the pandemic impacts. ⁽²⁰⁾

Break Bulk at Sohar Port:

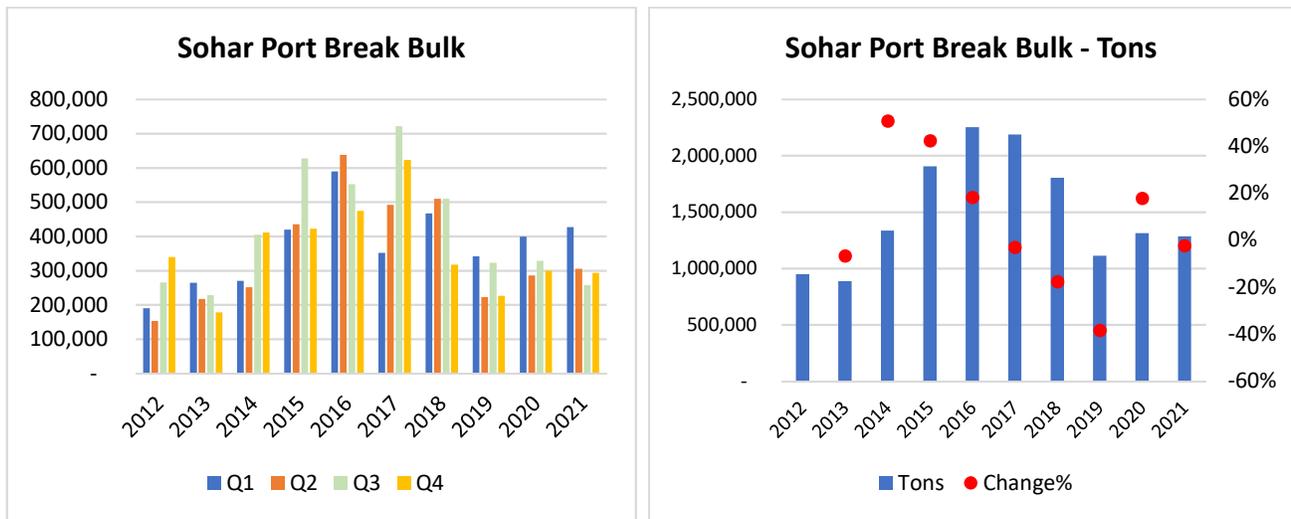


Figure 16: Break-Bulk volumes handled by C. Steinweg Terminal at Sohar Port ⁽²⁰⁾

The breakbulk cargo volumes are shown above in the charts in figure 16 shows a slight impact. ⁽²⁰⁾ Despite the Covid-19 impacts and the decrease by only 2%. However, as in other cargo, the overall volumes have kept falling since 2017. Therefore, the breakbulk trade performance should prompt a more detailed analysis of the future expected volumes and percentage of growth.

RORO at Sohar Port:

The RORO cargo terminal at Sohar Port is considered the main sea import and re-export for the whole of Oman. Therefore, the volumes are considered the main volumes for Oman in addition

to the land border shipments. The terminal has handled the following over the years since its commencement in 2004.

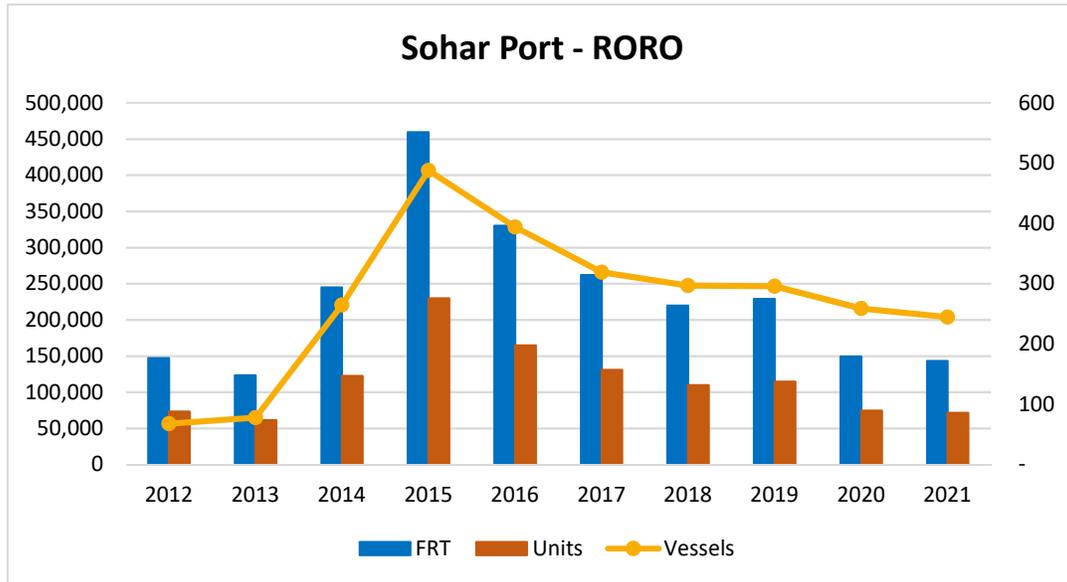


Figure 17: RORO volumes handled by C. Steinweg Terminal at Sohar Port ⁽²⁰⁾

The chart clearly shows the massive jump in volumes in 2014 and 2015 due to the closure of commercial operations at Port of Sultan Qaboos in Muscat. However, the volumes seem to have started to decline over the later years. This could be due to the increase in land border shipments and the decline in the oil prices, which Oman's economy

is heavily dependent on. The Corona Pandemic even deepened the decline in the years 2020 and 2021 by almost 40%. In 2021, the terminal handled 245 vessels, 71,561 units, compared to 296 ships and 114,595 units in 2019. The figures in 2021 are below the figures of 2012 in terms of the number of units.

5.3 Liquid Terminal

The liquid terminal is managed and operated by the Oiltanking Terminals Company. It has 66 tanks with a capacity of 1,395,278 CBM. The Jetty capacities can handle 120,000 DWT. ⁽¹⁶⁾ ⁽²⁰⁾ The products handled include petroleum, petrochemical, and gases products.



Figure 18: Oiltanking Liquid Terminal at Sohar Port ⁽¹⁶⁾ ⁽²⁰⁾

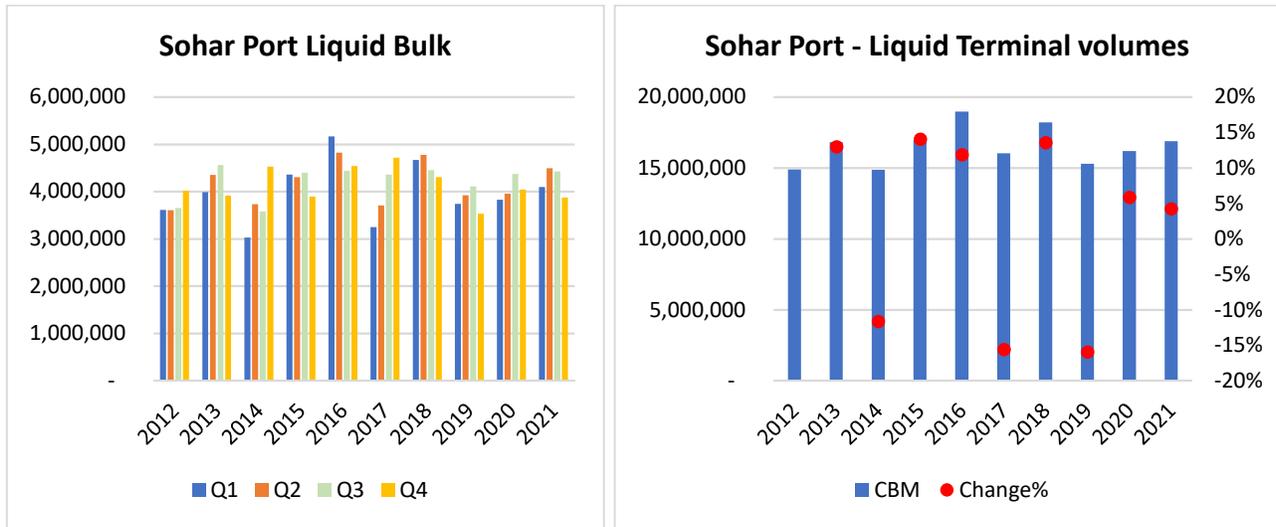


Figure 19: Volumes handled by Liquid Terminal at Sohar Port ⁽¹⁴⁾ ⁽¹⁸⁾

Despite the drop in the 4th quarter, the overall year 2020 and 2021 performances have been slightly better, with an increase of 6% and 4%, respectively, after a decline of 16% in 2019.⁽¹⁶⁾ ⁽²⁰⁾ The liquid terminal has not experienced any significant growth as the overall range has been around 16 million CBM since 2012 except for 2016, when it has almost hit 19 million CBM.

The average liquid vessel's calls have been 831 ships since 2012.⁽²⁰⁾ The volume per vessel has been around 20,000 CBM on average. The number of vessels and volumes continue to fluctuate over the years. Despite the decline in vessels' calls by 8% and 11% in 2020 and 2021, the volume per ship grew by 15% in 2020 and 17% in 2021. However, no substantial and sustainable growth is expected for this terminal despite having Oman's main oil refinery inside the Port; Sohar Refinery. Therefore, the business potentials of the liquid terminal are high and need to be explored by the government.

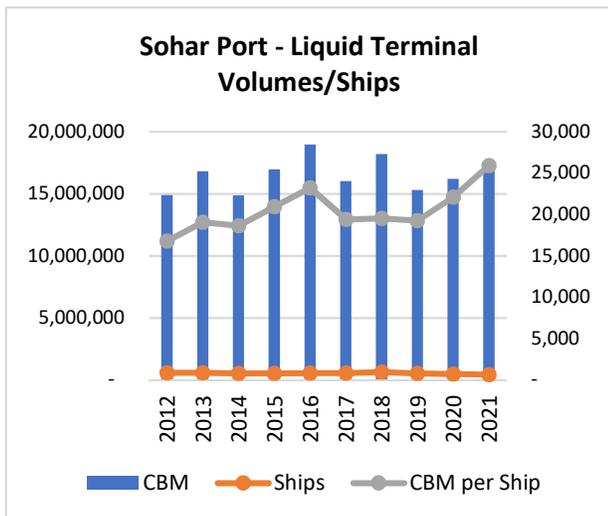


Figure 20: Sohar Port – Liquid Terminal Volumes/vessels ⁽¹⁶⁾ ⁽²⁰⁾

6. Salalah Port

Salalah Port is located far south of Oman on the Indian Ocean. It has developed itself to be one of the major deep-sea ports and among the world's top efficient ports in handling the containers' moves. The port is managed by the Port of Salalah Company, which is the only public port company in Oman, after the liquidation of Port Services Corporation. All terminals at the port are managed and operated by APM Terminals with a 30% stake in the company. ^{(1) (3) (14)(19)} The port has all types of cargo handling berths. The main one is the container terminal. Other terminals include general cargo and liquid terminals. The port commenced operations in 1998. It is considered the main mega

port in Oman and one of the biggest and most efficient in the region to handle transshipment cargo. ⁽¹⁹⁾



Figure 21: Salalah Port (Google map), managed by APM Terminals ⁽⁹⁾

6.1 Container Terminal - Salalah Port:

The container terminal is the heart of the Salalah port. The transshipment container operation is the mainstay of the port business. The port has experienced continuous growth with double-digit growth year-on-year during 2003-2010. The main success factors, according to the Port of Salalah, are the location advantages, congestion-free deep-sea berths, competitive service level, and consistently high productivity.

The container terminal has handled the following TEU volumes since it commenced operations in 1998 (see figure 22). ⁽¹⁹⁾ Most of the handling has been for transshipment containers.



Figure 22: Container Terminal at Salalah Port ^{(1) (19)}

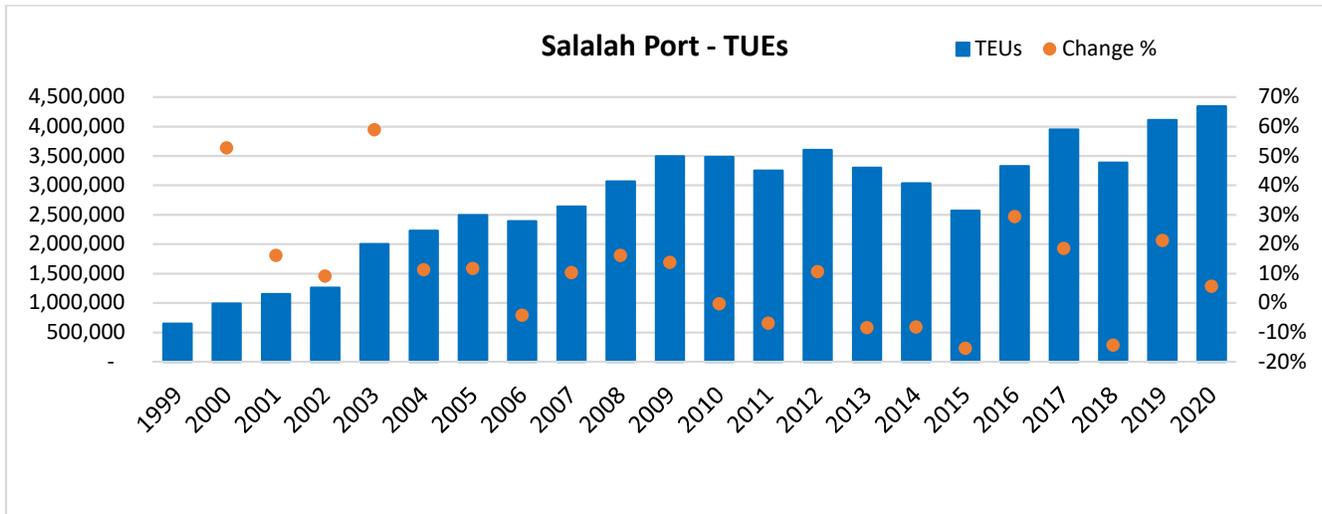


Figure 23: Containers TEUs handled at Salalah Port ⁽¹⁹⁾

Salalah Port has enjoyed steady growth for the first ten years from its commencement of operations in 1998. The fluctuation started in 2009, though the last two years, 2019 and 2020, have increased the volumes handled by the port. The year 2018 had a significant drop of 14%, while 2019 had a considerable increase of 18%, and the year 2020 grew by 6%. ⁽¹⁹⁾ The port's performance during the pandemic is record-breaking as it has achieved its best figures since it started the operations. As the Salalah Port mainly handles transshipment containers, the growth is primarily due to the transshipment traffic. The continued growth in 2021 is expected to be a challenging goal as the coronavirus's pressure on businesses and consumers continues.

The quarterly analysis of container volumes (see charts in figure 24) ⁽¹⁹⁾ shows the first quarter handled about 28% more than the previous year, while the second quarter handled almost the same (but last year had over 12% growth). The third quarter declined by around 3%. Though the first quarter of 2020 had exceptional growth compared with the previous year, the second and third quarters had declining figures, while the fourth quarter grew by 10%. The overall year 2020 performance was higher by 6% compared to 2019, and it is considered the best performance since the inception of the port operations.

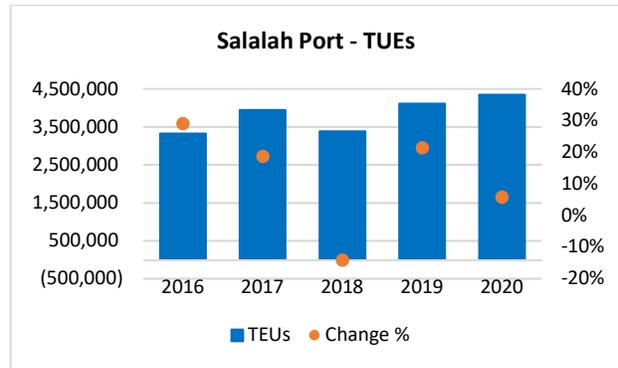
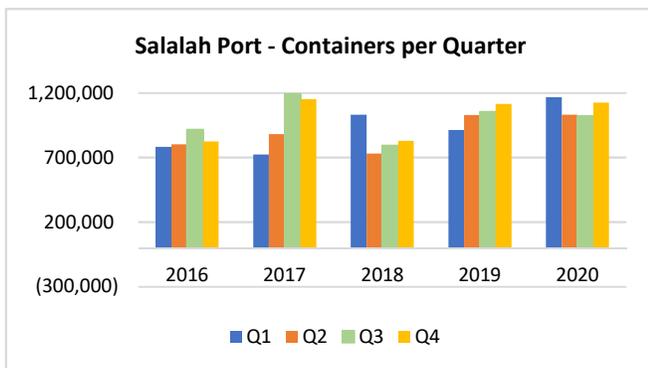


Figure 24: Quarterly Containers TEUs handled at Salalah Port ⁽¹⁹⁾

6.2 General Cargo Terminal – Salalah Port

The general cargo terminal handles a wide range of vessel types and various types of products; dry bulk and break-bulk cargo. The main products handled by this terminal include limestone, cement, livestock, project cargo, and other dry bulk commodities.



Figure 25: General Cargo Terminal at Salalah Port ⁽¹⁹⁾

The general cargo terminal has had sturdy growth volumes over the years since the inception of the operations in 1998. The below chart shows the growth success story in the last few years. However, the general cargo volumes are expected to face significant challenges in 2020 due to the overall impact of coronavirus.

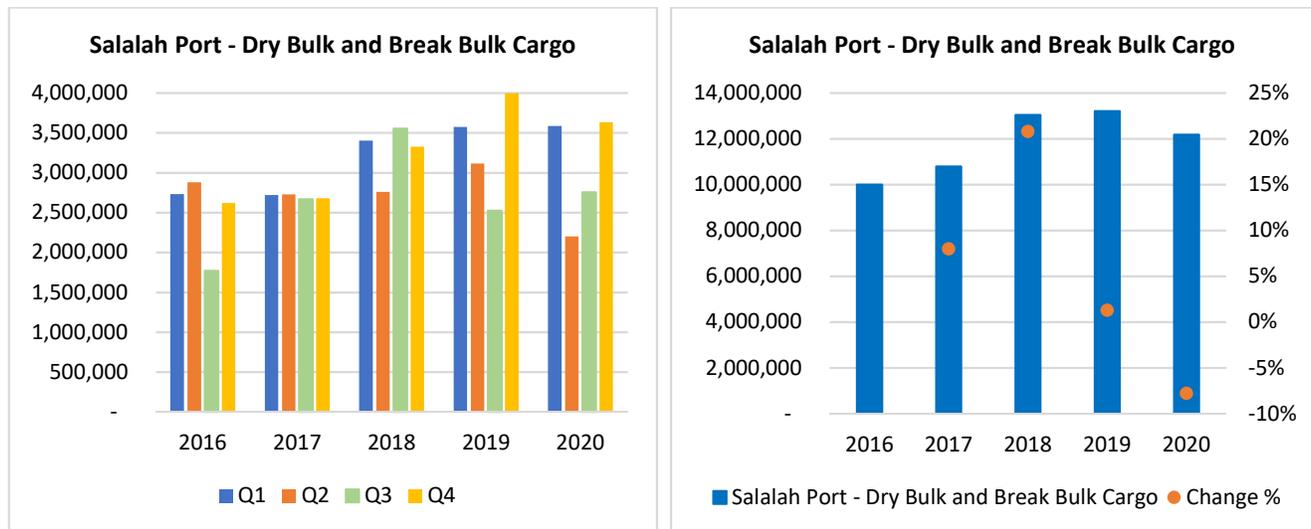


Figure 26: General Cargo Volumes handled at Salalah Port ⁽¹⁹⁾

The overall operations are divided into two categories; dry-bulk & break-bulk cargo and bagged cargo. The dry-bulk and break-bulk cargos have been rising, but the Covid-19 seems to have negatively impacted the total volumes handled in 2020 despite the increase in the last three quarters.

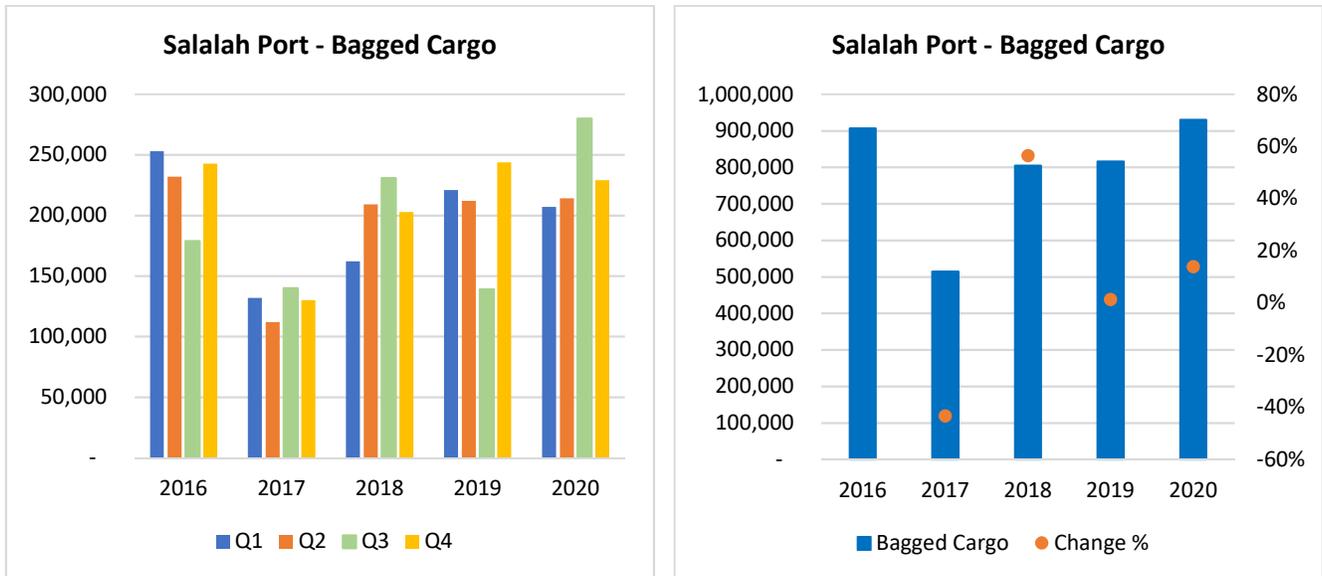


Figure 27: General Cargo Volumes handled at Salalah Port ⁽¹⁹⁾

The bagged cargo at Salalah Port has also enjoyed significant growth over the years, with an

exceptional big drop in 2017 by 47%. The overall bagged cargo to be handled in 2020 grew by 14%.⁽¹⁹⁾

6.3 Liquid Terminal – Salalah Port

The liquid Terminal at Salalah Port is also operated by APM Terminals. It is a deep-sea liquid terminal.

This has helped to improve the overall port capacity and performance.



Figure 28: Liquid Terminal at Salalah Port ⁽¹⁹⁾

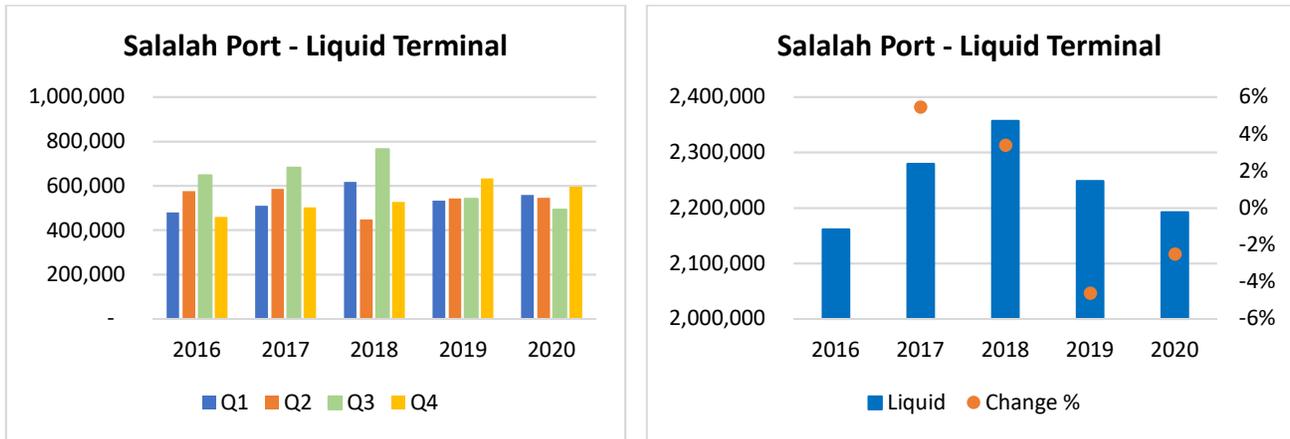


Figure 29: General Cargo Volumes handled at Salalah Port ⁽¹⁹⁾

The overall performance of the liquid terminal has been very volatile. Initially, it started with a growth trend but started to drop from the last year, 2019. With new connectivity being constructed by OQ of

the new pipelines directly with the port will definitely drive growth in the volumes. Hence, an increase in volumes handled by Salalah Port is envisioned in the coming years.

7. The Shipping Rates

The major trading and logistics means are sea shipments. The shipping routes and rates, in general, have been stable and manageable by the operators and businesses. However, due mainly to the coronavirus pandemic, the supply chain has

been immensely disrupted, and the shipping rates experienced unprecedented hikes starting from the second half of 2020. The below chart shows the sudden hike in the rates. The rates are from Shanghai Containerized Freight Index. ⁽⁷⁾

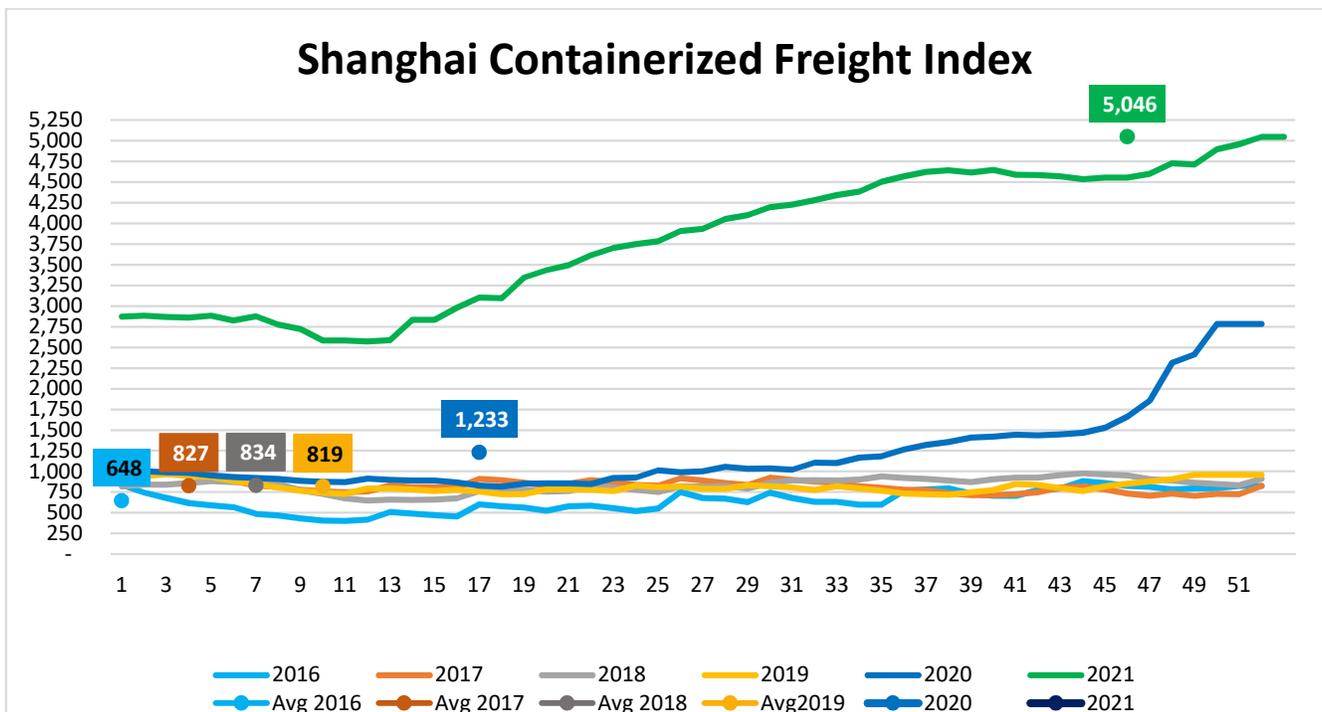


Figure 30: Containerized Freight Rates ⁽⁷⁾

The profound disruptions in the supply chain and shipping routes and manpower availability have caused the rates to rise over 200% within six months. The global rates reached as high as \$9,000, while for containers from Asia to USA West Coast, the cost reached over \$15,000 and over \$16,000 for the East Coast. ⁽⁷⁾ The causes come from a wide range of sources. The buying habits have changed due to the government restrictions on businesses and working hours to control the spread of the virus. The shipping lines re-routed the vessels and containers to bigger markets with a focus on medical and food-related products. To deliver these critical items, many containers were sent to countries that were far from the regular shipping

and trading routes, causing a more significant impact on the containers' availability and cost of moving empty containers. On the other hand, the shipping lines and the port operators have been facing challenges in managing the workforce as a significant number of them were affected by the virus or quarantined. On the supply side, severe disruption happened to the manufacturing plant operations and supply of some critical parts through the value chain. All these factors have led to further increasing the pressure on the operations and efficiency in addition to inflation in the expenses and the costs.

Moreover, in the last few years, the shipping line industry has started to restructure through mergers

and alliances in order to reduce costs and improve the efficiency of better utilization of the resources.

The following are the main three ocean carrier alliances: ⁽²⁾ ⁽¹¹⁾ ⁽²¹⁾ ⁽²²⁾

The Alliance	Shipping Lines	HQ	No of Ships	Capacity TEUs	Market Share
2M Alliance: 32.9%	Maersk Line	Denmark	733	4,097,898	16.9%
	MSC	Switzerland	579	3,860,388	16.0%
Ocean Alliance: 30.3%	COSCO & OOCL	China	503	3,022,882	12.5%
	CMA CGM	France	570	3,015,485	12.5%
	Evergreen	Taiwan	195	1,279,412	5.3%
The Alliance: 19.3%	Hapag-Lloyd	Germany	240	1,730,615	7.2%
	ONE	Japan	218	1,577,156	6.5%
	Yang Ming	Taiwan	92	623,148	2.6%
	HMM	South Korea	72	719,026	3.0%

Figure 31: Major Shipping Liners ⁽²⁾ ⁽⁴⁾ ⁽¹¹⁾ ⁽²¹⁾ ⁽²²⁾

These shipping liners control almost 82.5% of the total ocean container capacity. The 2M Alliance controls 32.9% of the total container shipping capacity. The Ocean Alliance manages over 30.1%,

while The Alliance manages 19.3% of the total capacity. The total global capacity of container vessels is estimated at 24.1 million TEUs.

7. The future

Due to the coronavirus pandemic's negative impact, the pressure on both demand and freight rates continues. Exceptional uncertainty still is the name of the game for the coming months and possibly coming years. The volatility of demand and supply continues with no clear vaccine for coronavirus. Recent extreme hikes in the freight rates around the globe raise prodigious concerns on the cost of goods traded among countries.

Despite the drop in 2020 by over 3.4%, the year 2021 has shown great resilience with a growth of over 6% is estimated reaching to 827 million TEUs. As supply chain disruption continues, the rates have hiked to record levels and may not come down at the foreseen months. The ports need to overcome the disruption created by the pandemic and find a

competitive advantage through more efficient and smooth operations and less congestions in handling the containers and managing the ship turnaround time. Ports need to properly manage the resources in the short term and plan investments for the long term very carefully so they can avoid incurring additional expenses while not missing new opportunities as the demand and supply are expected to increase over the coming months.

According to Drewry and UNCTAD reports, the container volumes faced a contraction of 3.2% in 2020, mainly because of the Coronavirus Pandemic, while the year 2021 estimates a growth of 6.7%. ⁽⁶⁾ ⁽²¹⁾ ⁽²²⁾ It is also forecasted that the coming years would have continuous container handling growth by the ports, with an annual growth of over 4%.

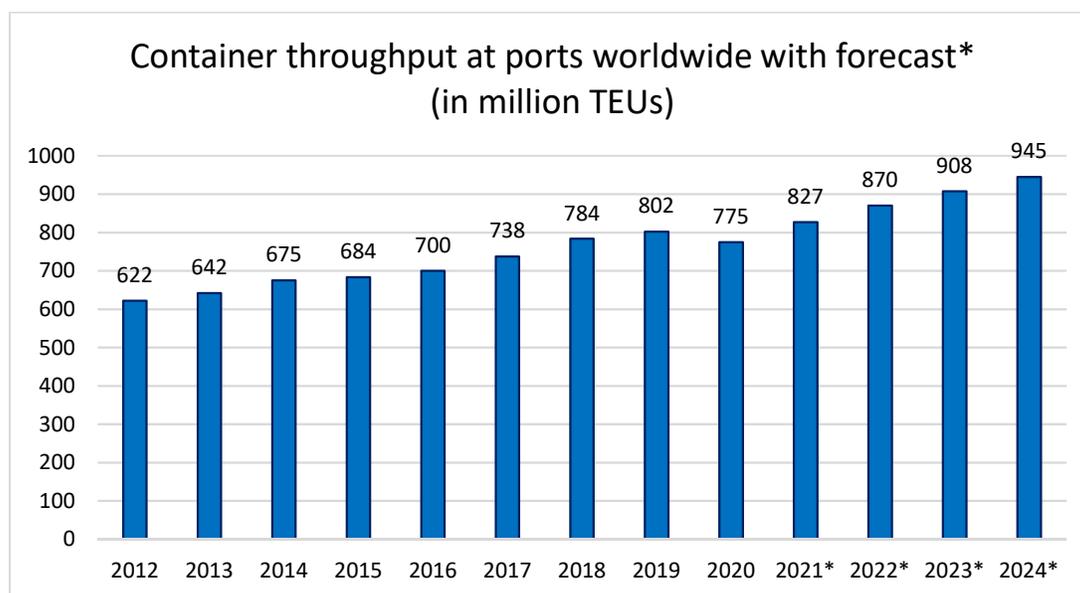


Figure 32: Drewry and UNCTAD Reports 2021 & 2022 on World TEUs volumes current and future estimates ⁽⁶⁾ ⁽²²⁾

Omani ports are well established as deep-sea ports. They are strategically located on the Indian Ocean. Sohar Port is strategically located outside the Strait of Hormuz, connecting the Gulf to the region and the world. It is the main industrial and commercial port of Oman. The port needs to be more proactive to attract more international direct routes and larger mother vessels. Sohar Ports is also well connected through its hinterland to GCC countries and beyond.

Salalah Port is the largest port in Oman, with a capacity of 5 million TEUs.⁽¹⁷⁾ The majority of business in Salalah Port comprises transshipment containers. Therefore, the port needs to be more competitive to attract more transshipment lines and support the local exports and imports with competitive rates and services. Salalah Port is also well connected through a bonded-land-road lane to Yemen's huge market through Mazunah Dry Port.

Duqm Port is the latest deep-sea port to join Sohar and Salalah ports. The port is operational while it needs to complete its entire infrastructure and

equipment required to operate with full capacity. The port is part of the mega economic city, Special Economic Zone at Duqm. The zone houses mega projects, such as the Duqm refinery and crude oil storage facilities.

The ports need to study the future of the mother vessels. In recent years, the capacity of vessels and size have grown massively. The vessel capacity jumped from 15,000 TEUs to close to 24,000 TEUs in just a few years. HMM has the biggest Triple E vessels (also called MegaMax), with a capacity of 24,000 TEUs. The Triple E (EEE) stands for Economies of scale, Energy efficiency, and Environmentally friendly. The average size of a Triple-E Class ship is about 400 meters in length, 60 to 73 meters in width to accommodate over 25 container rows and over 54 meters in height.⁽⁸⁾ The ports need to plan how to handle such sizes that need new cranes that reach further and higher. Other areas of concern are new technologies and faster speed in operations to achieve a shorter turnaround time for the ships.



Figure 33: HMM’s Triple E vessel and Salalah Port ⁽⁹⁾ ⁽¹⁹⁾

It is a good time for Oman to take the opportunities that arise from the challenges and attract more new investments and maritime routes to its world-class ports that enjoy excellent and excellent free zones and economic zones attached to them. The Omani ports need to manage capacity and mitigate the expenses while marketing the services and

incentives to current and potential clients. Asyad Group and the newly established government agency, Public Authority for Special Economic Zones and Free Zones, have a significant role to play in developing and facilitating potential opportunities for investors and businesses, thus enhancing Oman as a great and attractive logistics hub in the region.

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