




# Manufacturing Matters

A large, semi-transparent orange graphic of a robotic arm, showing joints and a gripper, positioned on the right side of the page.

**HERE IN THE  
SULTANATE OF OMAN  
WE VALUE A STRONG  
MANUFACTURING  
SECTOR. IT PLAYS  
A KEY ROLE IN OUR  
ONGOING ECONOMIC  
GROWTH AND  
PROSPERITY,  
GENERATING QUALITY  
EMPLOYMENT  
OPPORTUNITIES,  
INSPIRING INNOVATION,  
DRIVING TECHNOLOGICAL  
ADVANCES AND  
POWERING EXPORT  
SUCCESS.**

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**HE QAIS AL YOUSEF**  
Minister of Commerce, Industry & Investment Promotion

# About Tejarah Talks

Tejarah Talks is organized by Oman Business Forum in association with the Ministry of Commerce, Industry & Investment Promotion. With a firm focus on Oman's current and future business, export and investment environment, Tejarah Talks is a series of informal, interactive evening discussions that brings together some of Oman's most inspirational and innovative thinkers and doers to share their stories, insights and ideas with an enthusiastic crowd. It is a platform for positive interaction.



Sultanate of Oman سلطنة عُمان  
وزارة التجارة والصناعة وترويج الاستثمار  
Ministry of Commerce, Industry & Investment Promotion



## Supporters

Tejarah Talks is generously supported by the Ministry of Culture, Sports & Youth, HSBC, SOHAR Port & Freezone, Omantel and Oman FM.



Tejarah Talks 'Manufacturing Matters' 18 May 2022 was moderated by His Highness Sayyid Dr. Adham Al Said, Founder, The Firm. The panellists were Cinzia Farisè, CEO, Oman Cables; Nadia Al Zakwani, Managing Director, Endamage; Waleed Al Maawali, Co-founder & CEO, iLab Marine; and Firas Al Balushi, CEO, Innovation Factory.

## Manufacturing Matters Panelists



**Cinzia Farisè**  
CEO, Oman Cables



**Nadia Al Zakwani**  
Managing Director, Endamage



**Waleed Al Maawali**  
Co-founder & CEO, iLab Marine



**Firas Al Balushi**  
CEO, Innovation Factory

# Driving Growth

**Manufacturing has been central to Oman's economy and is key to the creation and retention of good paying jobs, providing a solid standard of living for Omani families. Contributing 11.7% to GDP, H1 2022, employing over 223,000 people and exporting to more than 130 countries, a strong manufacturing industry is fundamental to Oman's continued prosperity and vital to boosting the country's non-oil exports.<sup>1</sup>**

Through Oman Vision 2040, government has been working hard to establish a new placed-based vision for Oman's manufacturing growth, integrating the work of several public sector agencies to promote sustainability, skills, inward investment and competitiveness. Government clearly recognizes that manufacturing's success and ability to create jobs are dependent on having a well-trained, multilingual, internationally focused workforce, a modern infrastructure to transport Oman-made goods, a commitment to on-going improvement through energy efficiency and waste reduction and a stable supply of appropriate manufacturing workspace. Moreover, critical to all these factors are public-private partnerships that create an increasingly competitive and attractive Omani manufacturing sector.

## The Power of Manufacturing

According to the US National Association of Manufacturers, every US\$1.00 spent in manufacturing adds another US\$2.74 to the economy, the highest multiplier effect of any economic sector.<sup>2</sup> In addition, for every worker in manufacturing, another five employees are hired elsewhere in areas that include logistics and transportation, construction, finance, retail, insurance, design, marketing and customer service. Indeed, no sector does more to generate broad-scale economic growth – and, ultimately, higher living standards – than manufacturing.



Every US\$1.00 spent in manufacturing adds another US\$2.74 to the economy



# What is Shaping Manufacturing?

Ranging from regulations, rising commodity prices and inflation, B2C e-sales, innovation, the growing middle class, eco-conscious consumers to global supply chain management and next-shoring there are any number of trends shaping the development of Oman's manufacturing sector today.

## Challenging Times

According to UNCTAD, worldwide commerce amounted to around US\$28.5 trillion in 2021, representing an increase of almost 13% compared to the pre-pandemic level of 2019.<sup>3</sup> The positive trend for international trade in 2021 was largely the result of increases in commodity prices, subsiding pandemic restrictions and a strong recovery in demand due to economic stimulus packages. However, the Russian – Ukraine conflict is affecting global trade, triggering a surge in oil and gas prices, as well as creating renewed supply chain problems, factors that are impacting manufacturing production worldwide. As a result, the WTO expects merchandise trade volume growth of 3.0% in 2022 – down from its previous forecast of 4.7% and well below the increase of 9.8% seen in 2021.<sup>4</sup>

Despite their small share in world trade and output, Russia and Ukraine are key suppliers of essential goods including food, energy and fertilizers, supplies of which are being threatened by the ongoing conflict. In addition, lockdowns in China to prevent the spread of COVID-19 have disrupted seaborne trade at a time when post COVID-19 supply chain pressures are easing. This could lead to renewed shortages of manufacturing inputs and higher inflation. However, given the surge in oil prices, Middle East export revenues are expected to rise, allowing countries in the region to import more. As such, the WTO is forecasting 2022 export volume growth of 11.0% for the region and 11.7% increase in imports.<sup>5</sup>

## Location

The process of choosing where, when and how to enter markets, and where to invest in capacity is becoming extremely complex. Indeed, manufacturers are rethinking their location strategies and not simply following the path of lowest wages. Rock-bottom wages still matter in some segments, such as garment manufacturing, but in most manufacturing industries, hourly labour is less than 20% of costs. Where previously locations like China, India, Vietnam, Turkey and Brazil with low wage structures made them hubs of global manufacturing. Today, this is changing; manufacturers are looking for four main ingredients:

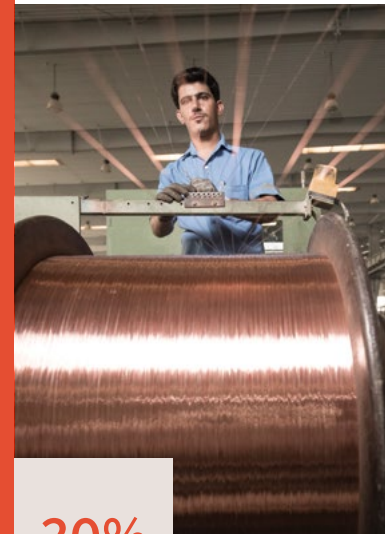
Government friendly business regulations – MoCIIP has reduced fees, some by as much as 95%.

Access to talent – Oman has 33,000+ students enrolled in higher education, many are multilingual.

Markets – over 1 billion consumers on Oman's doorstep, GCC Common Market, The Greater Arab Free Trade Area, and Free Trade Agreements with the US and Singapore.

Infrastructure – Oman has invested heavily in the Special Economic Zone at Duqm, a project twice the size of Singapore; SOHAR Port & Free Zone; Madayn-run industrial estates; Salalah Port and Salalah Free Zone. Additional government infrastructure investment has been made in airport developments in Muscat, Duqm and Sohar.

*All these ingredients place Oman's manufacturing sector in a strong position to compete globally.*



20%

Hourly labour is less than 20% of costs in most manufacturing industries

## Regulations

Certain and clear regulations will positively impact Oman's economic growth and national competitiveness. We need to ensure our regulatory processes are simple and straightforward and outmoded red tape is not an obstacle to attracting international manufacturers to Oman.

Today, via the Ministry of Commerce, Industry & Investment Promotion's Invest Easy platform, investors can obtain approval for more than 1,500 economic activities – that is approximately 88% of all economic activities – issuing one document that includes all licenses and approvals from 18 leading authorities. Since the launch of the new licensing service in April 2021, over 286,000 licenses have been issued, 38,000 of them to international investors. That is a year-on-year rise of nearly 30%. And these are approvals issued in a matter of minutes.<sup>6</sup>



In an effort to ease entry into the private sector, the Ministry of Commerce, Industry & Investment Promotion earlier this year reduced fees for 30 business services, some by as much as 95%. To give an example of what this means in real terms.

**The fee to obtain an industrial license was slashed from US\$2,597 to US\$129 – a 95% reduction.**

## B2C e-Sales

The global B2C e-commerce market is expected to reach US\$7.4 trillion by 2030, growing at 7.6% annually from 2022 to 2030 driven by the growing adoption of mobile devices and online shopping during COVID-19.<sup>7</sup> In fact, the direct-to-consumer (D2C) trend, also known as disintermediation – where manufacturers bypass traditional intermediaries in the supply chain including retailers, wholesalers, distributors and advertisers – to connect directly with the end consumer is on the rise. Research indicates that 40% of US manufacturers are selling direct to consumers while a third of American consumers plan to do at least 40% of their shopping from D2C companies in the next five years.<sup>8</sup> It is clear that D2C represents a significant business opportunity for Omani manufacturers – while posing a threat to traditional intermediary businesses.<sup>9</sup>



**US\$7.4tr**

The global B2C e-commerce market is expected to reach US\$7.4 trillion by 2030

40%

40% of US manufacturers are selling direct to consumers while a third of American consumers plan to do at least 40% of their shopping from D2C companies in the next five years

## Innovation

Globally, manufacturing is being driven by social media, mobile technology, analytics and cloud computing (SMAC). These technologies provide new ways of interacting with customers understanding their behaviour and give unprecedented access to valuable data. As a result, Omani manufacturers can better understand market behaviour and trends.

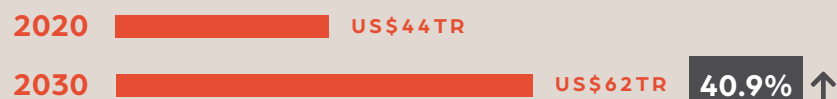
Advances in materials and processes are also altering how manufacturers operate. For example, nanotechnologies are creating a new era in microelectronics; materials such as lightweight steel and aluminum and carbon fiber are changing the way many products are made; and additive manufacturing – the industrial version of 3-D printing – is revolutionizing the way complex high-performance products are made. These developments usher in an unprecedented era of opportunity to Oman's manufacturing sector.

## Growing Middle Class

Research suggests the size of the global middle class will reach almost 5 billion by 2030 and leading the charge in the coming middle class explosion will be China and India. What this means is that manufacturers that once relied upon US and European markets will be geographically pivoting to meet the growing needs of this new middle class.<sup>10</sup>

In 2020, the global middle class spent US\$44 trillion, or 68% of the world's consumer spending.<sup>11</sup> By 2030, middle class households are expected to spend even more, around US\$62 trillion or 50% more than in 2020.<sup>12</sup> It is estimated that 2 billion Asians were members of the middle class in 2020. By 2030, the number could rise to 3.5 billion.<sup>13</sup> This burgeoning, affluent population is on Oman's doorstep, creating a consumer market hungry for Omani goods from soft drinks, marble and confectionary to car batteries, air conditioning units to luxury fragrances.

Global middle class spending



## The Changing Consumer

Consumer concern for the environment is clearly impacting how products are designed and made. This pressure has forced manufacturers worldwide to make and keep substantial sustainability commitments. For example, over 50% of C-suite executives report that consumer demand is driving sustainability efforts in the fashion and textile industry. As a result, 65% of organizations surveyed in an Economist Intelligence Unit (EIU) report have made commitments to sourcing sustainably produced raw materials while 60% are now collecting data on supply-chain sustainability – including the use of water and other natural resources in their production processes.<sup>14</sup>

## Next-shoring

The combination of rising wages, higher shipping costs and the need to accelerate time-to-market to meet business and consumer demands has led more manufacturers to move their operations closer to where their products will be sold.



An example of this is Kraft and Heinz manufacturing in partnership with Rusayl-based Areej Vegetable Oils & Derivatives. This relationship allows brands to increase the speed at which they can bring product to the point of sale.



50%

50% of C-suite executives think consumer demand drives sustainability efforts

## Makeover

**There is a tremendous amount of manufacturing going on in Oman. It is diverse, vibrant and plays a crucial role in the nation's overall economic development, but is it readily visible? Are people aware of what is happening in the sector and the quality of goods being produced?**

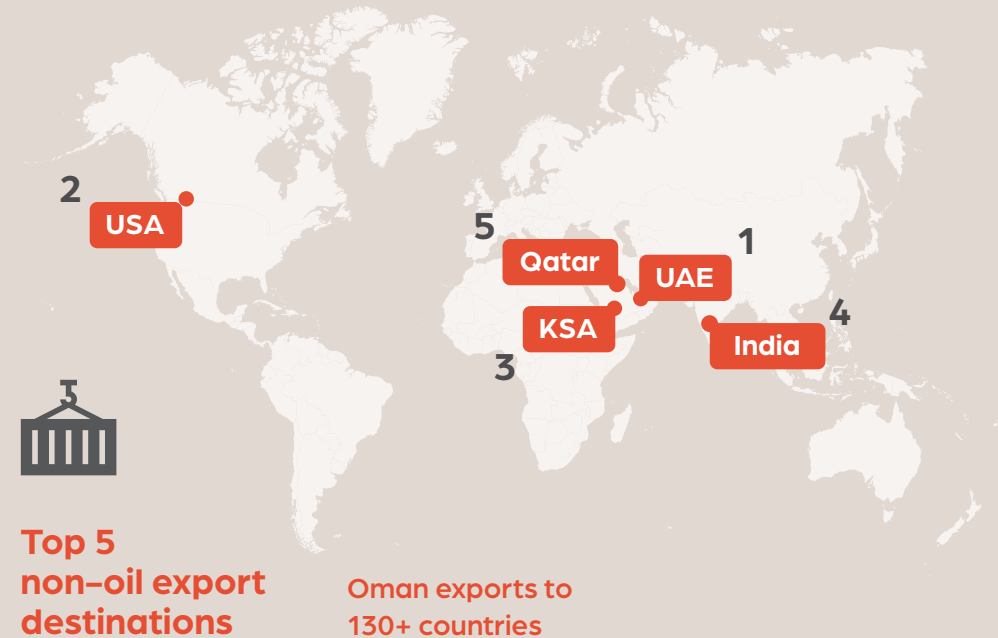
There is also the perception that manufacturing is part of the old economy – large factories, long production lines and heavy dangerous machinery – and that it does not belong to the new 'green, sharing economy' that is all about creativity, entrepreneurship and innovation. But that has changed too. Much of Omani manufacturing is highly innovative and creative. Clearly, the manufacturing sector is not what it was 10 years ago. Today, it is typically clean with smart and powerful machinery instead of belching hot furnaces. Unfortunately, that image has not translated to Oman's youth looking for jobs – or perhaps more importantly, their parents.



Much of Omani manufacturing is highly innovative and creative. Clearly, the manufacturing sector is not what it was 10 years ago.

## Buy Local

Although the Omani public has taken greater interest in locally made products, they still are not fully aware of the breadth of Omani manufacturing, the jobs it creates, the numbers employed, the investment it has attracted and the 130+ countries Oman-made goods are exported to. In fact, the volume of these exports has been rising. In 2021, for instance, Oman's non-oil exports grew by 72% to US\$13.5 billion up from US\$7.8 billion in 2020. This is sizeable by any measure.




Omani manufacturers need to focus on changing the way the sector is perceived. It is key that young Omani talent see manufacturing in the true light that it really is – a dynamic and innovative environment.



## Talent

Access to talent is already an important factor in location decisions of manufacturers – more than the cost of wages. Oman has a rich pool of human capital and managing it effectively will help enhance Oman's competitive advantage. In turn, manufacturing can provide valuable employment opportunities and career paths for Oman's youth.



  
23k

With more than 23,000 graduates in the academic year 2019/20 we must ensure Omani manufacturers access this valuable talent pool

With the increasing speed and complexity of manufacturing industries, the need for more high-skilled workers with technical and analytical specialties is growing. Oman's manufacturers, schools and higher education need to deepen dialogue to ensure that skills of their graduates meet the needs of industry. With over 33,000 students enrolled in higher education producing more than 23,000 graduates in the academic year 2019/20 we must ensure Omani manufacturers access this valuable talent pool for the growing number of jobs in management, sales, marketing, engineering, accounting, R&D and production posts and that graduates are aware of the many exciting career opportunities in manufacturing.<sup>15</sup>

# Rewarding Careers



What prepares young Omanis for jobs in manufacturing?  
Two factors are crucial:



**Vocational training**  
leading to industry-wide  
and nationwide  
certification



**Emphasis on**  
science, technology,  
engineering and mathematics  
education (STEM)

How can we improve take-up of jobs in Oman's manufacturing sector?

## Quick wins:

Reach out to schools, colleges and universities to promote manufacturing careers.

Send career advisors, schools and higher education regular information on job opportunities, internships, apprenticeships and job training.

Supply accessible and clear information about what workers at different skill levels or in specific occupations can expect to be paid and how quickly new graduates are likely to be employed.

Offer information about what occupations have the best job security.

Provide information on demand for workers with specific skills and experience.

Offer teachers and students work placements in manufacturing firms.



# Small Urban Manufacturing

Urban manufacturers tend to be small companies that produce high value, design-oriented products. Their size and location in cities keeps them directly in touch with customers so they can identify and respond to the latest trends and demands in the market. Their urban location also allows them to draw on a skilled and versatile workforce.

Oman is seeing growth in small urban manufacturing (SUM) activities, from hand-made chocolate, jewellery and toiletries, high-fashion clothes to precision engineering, where innovation in design is creating products that are capturing the Omani consumers' attention. SUMs are also leveraging opportunities around the Circular Economy and green manufacturing where consumers prefer Oman-made products that use recycled materials and whose workers live locally and maintain a small carbon footprint.



To capitalize on the interest and growth of SUM, government has introduced a range of programs to facilitate SUM workspace as well as provide finance and start-up mentoring through the National Business Centre and the SME Development Authority.

## Digital Transformation & Borderless Media

Research indicates that 59% of the world's population – 4.7 billion people – use social media with average daily usage at 2 hours, 27 minutes.<sup>16</sup> Without doubt, Twitter, Instagram, Facebook, YouTube, LinkedIn, TikTok and Snapchat have made this the age of the customer. Transparency is the new normal, since a comment or tweet can help or harm a manufacturer's brand – whether by a customer or agent. This drives the way the marketplace perceives and experiences all points of interaction with Omani manufacturers. In fact, social media offers local businesses huge potential for customer engagement. Responsive brands that continuously react and engage in two-way communication with current or potential customers are better equipped to serve their customers' needs and forge deeper connections. And as more people embrace a social-first customer journey, Omani manufacturers need to prepare forward-looking strategies that place their products and services front and centre.

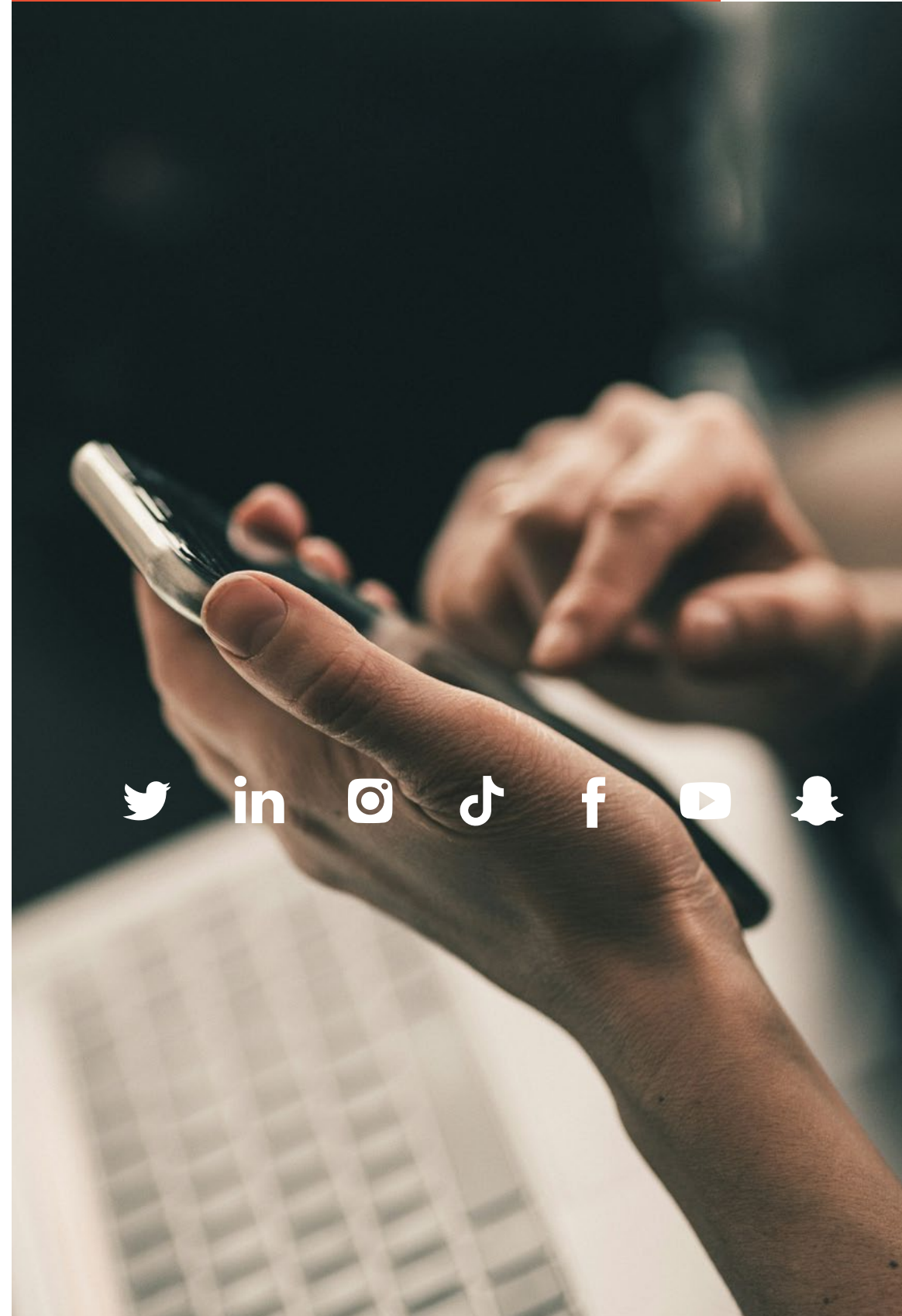
### 4.7bn

people use  
social media – 59%  
of the world's population

### 2.27hrs

average  
daily usage

**Social Media offers local businesses huge potential for customer engagement.**



# Greener Global Economy

Trade patterns in 2022 are expected to reflect the increasing global demand for products that are environmentally sustainable. Such patterns may also be supported by government policies regulating the trade of high-carbon products. Moreover, global trade patterns could also be influenced by the increased demand for strategic commodities required to support greener energy alternatives, for example, cobalt, lithium and rare earth metals.

Research conducted by the EIU, commissioned by WWF shows a 71% rise in popularity of searches for sustainable goods over the period 2016–20 with continuing growth during the COVID-19 pandemic. The report also revealed a surge in consumer clicks for sustainable goods in high-income countries, such as the US, UK, Germany, Australia and Canada. However, this trend goes beyond industrialized economies, accelerating in developing and emerging markets such as Ecuador (120%) and Indonesia (24%).<sup>17</sup>

This will create new market opportunities for Omani companies, particularly in sectors such as:



**Cosmetics**



**Pharmaceutical**



**Food**



**Fashion**

## Surge in consumer clicks for sustainable goods in high-income countries

US, UK, Germany, Australia and Canada

The trend goes beyond industrialized economies, accelerating in developing and emerging markets



Ecuador  
120%

Continued growth during the COVID-19 pandemic

Indonesia  
24%



# Sustainability & the Bottom Line


According to Accenture, companies that integrate digital and sustainable transformations into their operations and value chains are two and a half times more likely to be among tomorrow's best-performing businesses than those that do not.<sup>18</sup>


Indeed, sustainable manufacturing is no longer just an environmental and social issue, it is a USP, it increases revenue, it promotes a sound brand image and contributes to a better world.



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## Footnotes

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7	2 The National Association of Manufacturers, Facts About Manufacturing
8	3 UNCTAD, Global Trade Hits Record High of \$ 28.5 Trillion in 2021, But Likely to be Subdued in 2022
	4 WTO, Russia-Ukraine Conflict Puts Fragile Global Trade Recovery at Risk
	5 Ibid
10	6 Invest Easy, Ministry of Commerce, Industry & Investment Promotion, Sultanate of Oman
11	7 Precedence Research, B2C E-Commerce Market Size to Surpass US\$7.5 Trillion by 2030
	8 Retail Dive, 81% of Consumers Plan to Shop Direct-to-Consumer Brands
	9 Ibid
12	10 Nasdaq, World Reimagined: The Rise of the Global Middle Class
	11 Elements, The World's Growing Middle Class (2020-2030)
	12 Ibid
13	13 Ibid
	14 Ibid
19	15 NCSI, Statistical Yearbook 2021
24	16 IDataReportal, Global Social Media Statistics
26	17 EIU, An Eco-wakening: Measuring Global Awareness, Engagement & Action for Nature
28	18 Accenture, Shaping the Sustainable Organization

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