INTERNATIONAL MONETARY FUND

IMF Country Report No. 25/13

OMAN

January 2025

2024 ARTICLE IV CONSULTATION—PRESS RELEASE; AND STAFF REPORT

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2024 Article IV consultation with Oman, the following documents have been released and are included in this package:

- A **Press Release.**
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on Lapse of Time basis, following discussions that ended on November 13, 2024 with the officials of Oman on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on December 17, 2024.
- An **Informational Annex** prepared by the IMF staff.

The document listed below has been separately released.

- **Selected Issues**

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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International Monetary Fund
Washington, D.C.

IMF Executive Board Concludes 2024 Article IV Consultation with Oman

FOR IMMEDIATE RELEASE

Washington, DC – January 22, 2025: The Executive Board of the International Monetary Fund (IMF) concluded the 2024 Article IV consultation[1] with Oman on January 14 and considered and endorsed the staff appraisal without a meeting on a lapse-of-time basis.[2]

Supported by favorable hydrocarbon revenues and steadfast reform efforts, Oman's economy continues to expand amidst low inflation. Economic growth turned out at 1.2 percent in 2023 before accelerating to 1.9 percent (year on year) in the first half of 2024, boosted by stronger nonhydrocarbon growth, but weighed down by oil production cuts under OPEC+ agreements. The nonhydrocarbon economy grew by 1.8 percent in 2023 and 3.8 percent in the first half of 2024 on the back of expansions in construction, manufacturing, and services. Over the medium term, nonhydrocarbon activity is set to drive overall economic growth, as sizable committed private sector investments are executed. Inflation slowed down to 0.6 percent during January-October 2024 from 1.0 percent in 2023, reflecting continued contraction in transport prices and moderation in food inflation.

Fiscal and external surpluses continued in 2024 and are expected over the medium term. Prudent fiscal policy, high oil prices, and robust growth in nonhydrocarbon goods and services exports helped maintain the overall fiscal and current account balances at 6.2 percent of GDP and 2.4 percent of GDP, respectively, in 2024. The nonhydrocarbon primary deficit as a share of nonhydrocarbon GDP is estimated to be unchanged in 2024 relative to its 2023 level, notwithstanding higher budgeted social spending to implement the new social protection law, attesting to the authorities' commitment to fiscal discipline. Government debt as a share of GDP continued its declining path to reach to 35 percent in 2024. Reflecting the marked improvement in its fundamentals, Oman's sovereign credit rating has been upgraded recently to investment grade.

The banking sector remains sound. Profitability has recovered to pre-pandemic levels, capital and liquidity buffers are ample, while asset quality remains strong. Banks' net foreign assets turned positive by end of 2023 for the first time since 2014.

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[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

[2] The Executive Board takes decisions under its lapse-of-time procedure when the Board agrees that a proposal can be considered without convening formal discussions.

Risks to the economic outlook are broadly balanced amidst high uncertainty. On the downside, intensifying geopolitical tensions as well as a global slowdown, particularly in China, could adversely affect trade, tourism, and FDI, putting a drag on domestic growth and external and fiscal positions. These could also be adversely affected by lower-than-expected oil prices amid an expected oversupplied global energy market in 2025. A slowdown in Oman's reform implementation also represents a key risk to the outlook. Over the longer run, uncertainty over the speed of the global energy transition represents an additional risk, calling for sustained reforms to accelerate economic diversification. On the upside, growth and fiscal and external positions would strengthen from higher oil prices and acceleration in global growth—including due to faster-than-expected monetary easing—and reforms and investments under Oman Vision 2040.

Executive Board Assessment[3]

Supported by favorable hydrocarbon revenues and steadfast reform efforts, Oman's economic outlook remains favorable. Nonhydrocarbon growth is set to accelerate over the medium term supported by the execution of sizable committed private sector investments and higher demand from neighboring countries. Fiscal and current account balances are expected to remain in surplus over the medium term, albeit somewhat lower than their current levels, weighed down by softening oil prices, but supported by rising hydrocarbon production and continued fiscal discipline. The outlook is, nonetheless, subject to elevated uncertainty, including from oil price volatility, risks of a global economic slowdown, and intensifying geopolitical tensions.

The authorities continue pursuing prudent fiscal management, amidst the successful rollout of the social protection law. The 2025 budget is set to preserve fiscal discipline, further lowering the nonhydrocarbon primary deficit, while maintaining spending on social safety nets broadly unchanged relative to 2024. Accelerating the momentum of fiscal reforms will be key to entrench fiscal sustainability and ensure intergenerational equity, while creating additional space to pursue growth-enhancing investments to achieve Oman Vision 2024 objectives. Proceeding decisively with the tax administration reform, the implementation of the personal income tax law, and Pillar II of the global minimum tax are essential to reduce the tax gap and help re-balance the envisaged fiscal adjustment over the medium term. Sustaining reforms to reduce the cost of electricity generation, transmission, and distribution while adjusting tariffs, as needed, to ensure cost recovery by 2030, along with lifting the fuel price cap, will be key to minimize untargeted subsidies and free up resources for priority spending.

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[3] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm.

Strengthening fiscal institutions will be key to entrench fiscal sustainability and enhance transparency and credibility. The ongoing work to produce a new Medium-Term Fiscal Plan (MTFP) to underpin the 11th Five-Year Development Plan offers a window of opportunity to develop the MTFP into a full-fledged MTFF which, if endorsed at the highest level, would strengthen the budget process and enhance fiscal transparency and credibility. A carefully selected fiscal rule together with a well-crafted communication strategy to ensure broad consensus about the implications of adopting a rule will help decouple government spending from oil price volatility, strengthen fiscal discipline, and accumulate financial buffers while providing flexibility to manage severe shocks. Expediting the full implementation of the Treasury Single Account (TSA) will be key to enhance cash management and support a more effective monetary policy transmission. SOE reforms should continue advancing, further enhancing governance, transparency, risk management, and contingency planning while reducing the state footprint in the economy. Aligning the reporting of fiscal accounts with international standards and expanding their coverage, while developing a sovereign asset and liability management framework, would support transparency and sound fiscal management.

The exchange rate peg remains an appropriate and credible policy anchor for Oman. The peg has been instrumental in delivering low and stable inflation. Steadfast operationalization of the Monetary Policy Enhancement Project will ensure that monetary policy actions effectively transmit to the broader economy and help deepen money markets. Progress on developing Emergency Liquidity Assistance and collateral frameworks is welcome. Moving decisively with the ongoing actions to strengthen the liquidity management framework along with full implementation of the TSA and further efforts to deepen money and capital markets will support the conduct of monetary policy.

The banking sector is sound, amidst continued efforts to strengthen regulatory and supervisory frameworks. Progress on stepping up banking regulatory frameworks, including the improved D-SIB framework and restoration of the capital conservation buffer to its pre-pandemic level, supports banking sector resiliency. Lifting the interest rate cap on personal loans while upgrading the credit bureau would improve capital allocation, support better pricing of credit risk, enhance access to finance, and improve monetary policy transmission. Beefing up the macroprudential toolkit, including by introducing a positive countercyclical capital buffer if the credit gap turns positive, will help reduce risks going forward.

Progress on developing the financial sector will enhance access to finance and support diversification. Initiatives to open up the banking sector to new players and dynamize financial markets are welcome. Moving ahead with actions to invigorate money markets will help establish a reliable short-term yield curve, paving the way to the issuance of longer-dated government bonds and setting the stage for the development of the corporate debt market. Expanding the role of nonbank financial institutions, including by revamping the Social Protection Fund’s investment policy and facilitating inflows from nonresident investors, would help deepen domestic capital markets. Pursuing efforts to upgrade Muscat Stock Exchange to emerging market status will support attracting larger foreign investments and increase domestic firms' access to finance. These developments should go hand in hand with Oman's continued AML/CFT reform to mitigate financial integrity risks, including those stemming from illicit financial flows and misuse of legal persons.

Sustained implementation of reforms under Oman Vision 2040 will be key to achieving sustainable, job rich, private sector-led nonhydrocarbon growth. The new social protection law has been successfully rolled out. Labor market reforms are ongoing, supported by the new labor law. Sustaining these reform efforts by tackling remaining bottlenecks, including the wage gap between the public and private sectors, enhancing mobility for expatriate workers, empowering women in the workforce, and reducing the skills' gap while scaling up support for job seekers is essential. Moving ahead decisively with initiatives to continue attracting investments, expanding trade opportunities, and empowering SMEs will accelerate job creation. Maintaining the momentum of reforms under the climate and digitalization agendas will be critical to build a sustainable, knowledge-based, and job-rich economy.

Table 1. Oman: Selected Economic Indicators, 2021–29

				Proj.					
	2021	2022	2023	2024	2025	2026	2027	2028	2029
Oil and Gas Sector									
Average crude oil export price (US$/barrel)	64.3	95.4	82.3	81.3	72.8	70.2	68.6	67.6	67.0
Crude and condensates oil production (in millions of barrels/day)	0.971	1.064	1.049	0.997	1.002	1.032	1.095	1.140	1.176
of which: Crude Oil (in millions of barrels/day)	0.782	0.848	0.815	0.762	0.768	0.794	0.853	0.889	0.917
Natural gas production (in millions of cubic meters per day)	132.2	137.2	142.5	149.1	152.3	155.5	159.2	163.0	166.9
National Accounts	(Annual percentage change, unless otherwise indicated)								
Nominal GDP (US$ billions)	87.3	109.9	105.9	106.8	107.6	111.5	116.9	122.5	128.6
Nominal GDP (in billions of Omani rials)	33.6	42.2	40.7	41.1	41.4	42.9	44.9	47.1	49.5
Real GDP	2.6	8.0	1.2	1.2	2.6	3.6	4.4	4.1	3.8
Real hydrocarbon GDP 1/	3.2	8.7	-0.1	-3.1	1.0	2.9	5.4	3.8	3.0
Real nonhydrocarbon GDP	2.3	7.7	1.8	3.3	3.4	3.9	4.0	4.2	4.2
Consumer prices (average)	1.7	2.5	1.0	0.8	1.5	2.0	2.0	2.0	2.0
GDP Deflator	12.1	16.5	-4.7	-0.3	-1.9	0.1	0.4	0.7	1.1
Investment and Saving	(Percent of GDP)								
Gross capital formation	27.9	27.3	26.7	26.0	26.5	27.3	28.3	28.3	28.3
Public	7.5	7.1	7.3	6.8	6.8	6.8	6.8	6.7	6.6
Private	19.4	20.2	19.4	19.2	19.7	20.5	21.5	21.6	21.7
Gross national savings	22.3	31.3	29.2	28.4	27.8	28.1	29.8	30.3	30.4
Public	6.8	20.7	16.5	16.2	11.5	11.5	11.7	11.9	11.8
Private	15.5	10.6	12.7	12.1	16.3	16.6	18.0	18.3	18.6
Central Government Finances	(Percent of GDP)								
Revenue and grants	33.3	41.4	34.3	34.2	29.7	29.2	28.8	28.4	27.7
Hydrocarbon	26.2	33.7	25.7	25.4	20.8	20.3	20.0	19.6	18.9
Nonhydrocarbon and grants	7.1	7.7	8.6	8.8	8.9	8.9	8.8	8.8	8.7
Expenditure	36.5	30.9	27.5	28.0	27.3	26.5	25.6	24.5	23.6
Current	33.0	27.8	24.1	25.2	24.5	23.7	22.8	21.8	21.0
Capital	3.5	3.1	3.3	2.8	2.8	2.8	2.8	2.7	2.6
Overall balance (Net lending/borrowing)	-3.2	10.5	6.9	6.2	2.5	2.7	3.2	3.9	4.1
Overall balance (adjusted) 2/	-0.9	10.5	6.9	6.2	2.5	2.7	3.2	3.9	4.1
Nonhydrocarbon primary balance (percent of nonhydrocarbon GDP)	-31.9	-31.7	-29.0	-29.1	-26.8	-25.3	-23.8	-22.2	-20.6
Central government debt, *of which:*	61.9	41.7	37.5	34.9	34.7	33.0	31.5	30.2	30.0
External debt	46.4	31.5	27.7	24.8	24.3	23.0	21.6	20.5	19.5
Public debt, *of which:*	103.0	72.9	69.5						
SOEs debt	41.1	31.2	32.0						
Net financial assets	-25.1	-12.8	-7.4	-0.7	0.4	2.0	3.5	5.2	6.8
Monetary Sector	(Annual percentage change, unless otherwise indicated)								
Net foreign assets	31.2	-0.8	35.5	9.6	11.9	3.1	9.6	8.8	9.3
Net domestic assets	-1.4	1.0	6.5	-2.0	2.2	6.9	3.1	3.8	5.7
Credit to the private sector	2.3	4.2	4.7	3.7	4.8	5.3	5.4	5.9	5.9
Broad money	4.6	0.6	13.1	1.1	5.1	5.7	5.1	5.4	6.9
External Sector	(In billions of U.S. dollars, unless otherwise indicated)								
Exports of goods	44.3	66.1	59.0	62.4	61.2	62.5	64.8	67.2	68.9
Oil and gas	25.9	43.1	35.8	37.5	34.9	34.5	35.2	35.7	36.2
Other	18.5	23.0	23.2	24.9	26.3	27.9	29.7	31.5	32.6
Imports of goods	28.0	34.7	35.2	38.6	38.7	39.6	40.5	41.3	42.5
Current account balance	-4.8	4.4	2.6	2.5	1.4	0.9	1.7	2.4	2.7
Percent of GDP	-5.5	4.0	2.5	2.4	1.3	0.8	1.5	2.0	2.1
Central Bank gross reserves	19.7	17.6	17.5	19.0	21.1	21.7	23.6	25.6	27.8
In months of next year's imports of goods and services	5.1	4.5	4.1	4.4	4.8	4.8	5.0	5.3	5.6
Total external debt	79.8	70.0	65.6	63.4	63.1	62.0	61.9	61.5	61.4
Percent of GDP	91.4	63.7	61.9	59.3	58.7	55.6	52.9	50.2	47.7

Sources: Omani authorities; and IMF staff estimates and projections.

1/ Includes crude oil, refining, natural gas, and LNG production.

2/ Data prior to 2022 were adjusted by taking out expenditures on gas and oil that were hived off to Energy Development Oman in 2021.

OMAN

STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION

December 17, 2024

KEY ISSUES

Context. Oman has achieved a remarkable improvement in its economic fundamentals. The fiscal and external positions have strengthened significantly, while nonhydrocarbon growth is picking up amid low inflation. Investor confidence has increased, paving the way for rising private sector investments. Sustained reform efforts would amplify gains from these accomplishments and help achieve the targeted economic transformation as set out under Oman Vision 2040.

Fiscal policy. Accelerating efforts to raise nonhydrocarbon revenues—through the steadfast implementation of tax administration reforms and tax policy measures—and phasing out untargeted subsidies are key to expand fiscal space for growth-enhancing investments and social spending, entrench fiscal sustainability, and ensure intergenerational equity. Strengthening fiscal institutions—including by improving public financial management, rolling out a full-fledged medium-term fiscal framework, and adopting a fiscal rule—while aligning fiscal reporting to international standards and developing a comprehensive sovereign asset and liability management framework are essential to support fiscal policy efficiency, credibility, and sustainability.

Monetary and financial sector policies. The exchange rate peg remains a credible policy anchor. The reform of the Central Bank of Oman (CBO)'s liquidity management framework will help ensure that monetary policy actions effectively transmit to the economy and support the deepening of money markets. To safeguard financial stability, the re-assessment of the list of domestic systemically important banks should be finalized and a positive countercyclical capital buffer be considered if the credit gap turns positive amid expected monetary easing ahead. Advancing the financial sector development agenda is critical to foster new funding opportunities for the private sector.

Structural policies. Sustaining the reform momentum will be key to achieve sustainable, job-rich, private sector-led growth. As the authorities plan for the second phase of Oman Vision 2040 (11th Five-Year Development Plan for 2026-2030), further efforts should aim to improve institutional quality, reduce the state footprint, expand trade opportunities, tackle long-standing labor market bottlenecks, foster SME development, and advance policies to support digitalization and meet climate commitments.

Approved By
Zeine Zeidane (MCD) and Stefania Fabrizio (SPR)

Discussions were held in Muscat during October 30-November 13, 2024. The team comprised César Serra (head), Mohamed Belkhir, Thomas Piontek, Bilal Tabti, and Haytem Troug (all MCD). Esther George and Takako Iwaki (all MCD) provided support from headquarters. Advisor to the Executive Director, Ms. Fadhila Al Faraj, accompanied the mission. The team met with Executive President of the Central Bank Al Amri, Undersecretary of the Ministry of Finance Al Harthy, Secretary General of the Ministry of Finance Al Aweini, Chairman of the Tax Authority Al-Jashmi, Executive President of the Financial Services Authority Al Salmi, other senior public sector and central bank officials, Members of the Economic and Financial Committee at Shura Council, representatives of academia, the civil society, and the private sector.

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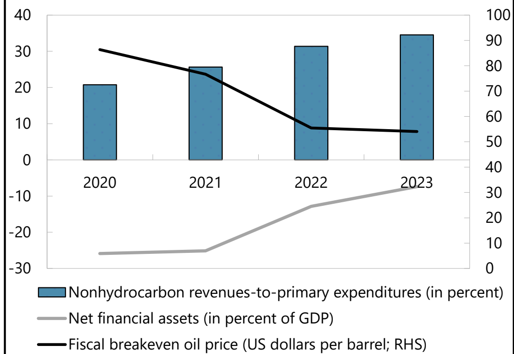
ANNEXES

BACKGROUND

1. **Oman's steadfast reform efforts are paying off.** Guided by Oman Vision 2040, prudent policies and structural reforms have improved markedly Oman's fundamentals, turning the country into an attractive investment destination. Sound macroeconomic management, including continued fiscal discipline and the use of hydrocarbon windfalls to prepay debt, has expanded fiscal space and strengthened Oman's capacity to absorb shocks, including from oil price volatility. Expectations as envisaged in the 10th Five-Year Development Plan (2021-2025), including on nonhydrocarbon output growth, foreign direct investment (FDI) contribution to GDP, and the fiscal position, have been surpassed (see Annex I).

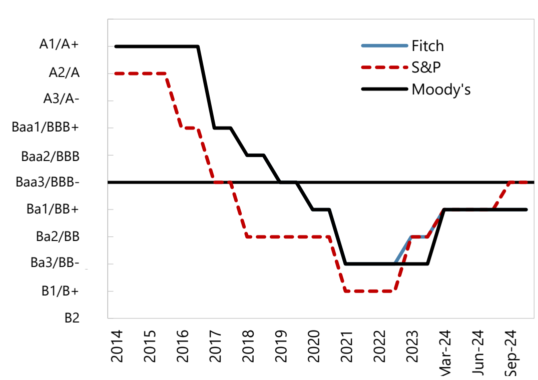
Expanded Fiscal Space



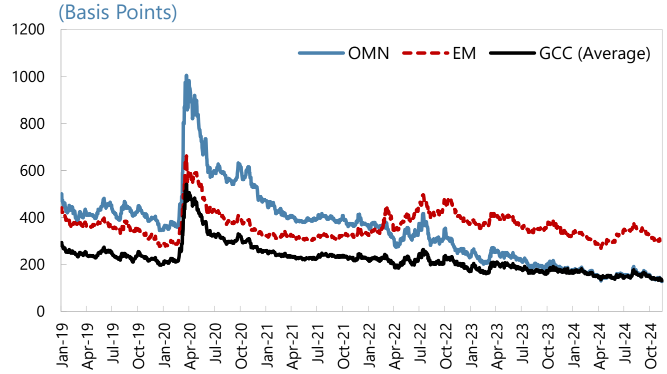
Source: Authorities and IMF staff estimations.
Note: Net Financial Assets are calculated as the sum of liquid assets held under Oman Investment Authority and bank deposits held by the central government minus government debt.

2. **Staying on the reform path is critical to leverage the investment momentum.** Oman's credit rating has undergone continued upgrades since 2021, rising to investment grade in September 2024, reflecting increased confidence in the country's outlook. This favorable environment has spurred an investment momentum, with inward FDI accelerating over the past three years and significant foreign investments committed into strategic nonhydrocarbon sectors. Sustaining the reform momentum is key to entrench fiscal sustainability and accelerate diversification.

Sovereign Credit Ratings 1/



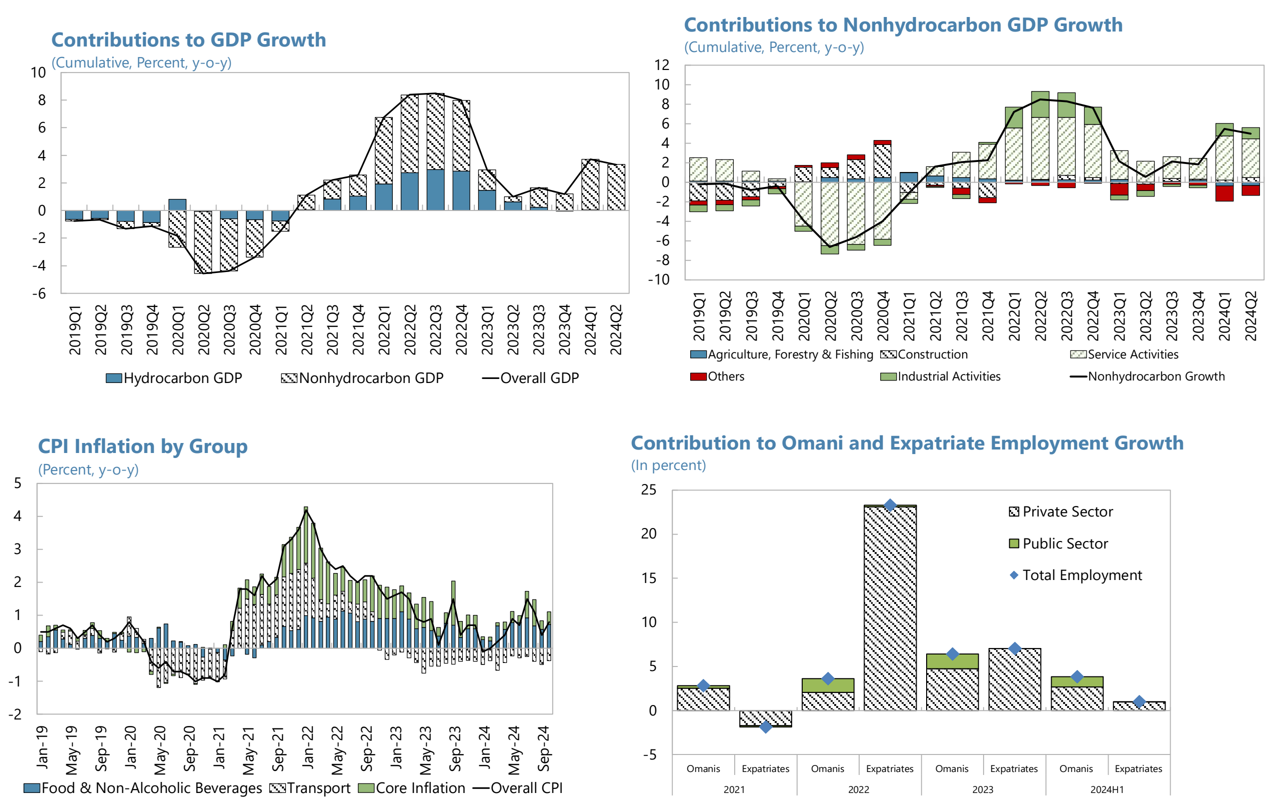
Emerging Market Sovereign Bond Spreads
(Basis Points)



Sources: Bloomberg and IMF staff calculations.
1/ Fitch and Moody's credit ratings tended to coincide for Oman. Investment grade corresponds to credit ratings above the horizontal line.

RECENT ECONOMIC DEVELOPMENTS

3. Economic activity is expanding notwithstanding oil production cuts. Real GDP growth moderated to 1.2 percent in 2023 and expanded to 1.9 percent (y-o-y) during the first half of 2024, following the full recovery from the pandemic shock in 2022. Nonhydrocarbon activity has been the main driver of overall growth, expanding by 1.8 percent in 2023 and 3.8 percent during the first half of 2024, led by growth in construction, manufacturing, and services. Cuts in oil production were offset by higher gas production in 2023, but extended OPEC+ oil curbs prompted hydrocarbon real GDP to contract by 1.7 percent during the first half of 2024, despite surging refined fuel production with the coming on stream of the Duqm refinery. The impact of the conflict in Gaza and Israel and Red Sea tensions has been limited given Oman's insignificant trade and financial linkages to these economies and its low share of trade transiting through the Bab el-Mandeb strait.[1]



Sources: Country authorities, Haver Analytics, NCSI, and IMF staff calculations.
Notes: GDP growth and contributions are reported on cumulative basis through each calendar year. Services activities include wholesale and retail trade, transport, accommodation and food, financial, real estate, public administration and defense, and other services.

4. The private sector continues driving job creation. Employment expanded by 6.7 percent in 2023, with most jobs created in the private sector and with balanced contributions from Omani

[1] Red Sea tensions have not substantially affected trade flows, as the share of Oman's imports and exports transiting through the Bab el-Mandeb strait accounts for less than 10 percent of totals.

and expatriate workers. Employment for Omani women remained robust, growing by 8.2 percent (6.9 percent in 2022). Employment further expanded during the first half of 2024, concentrated in Omanis. Despite these trends, the unemployment rate remained stable at 3.2 percent in 2023. However, female and youth unemployment continued elevated at 9.3 percent and 13.4 percent, albeit declining from 10.6 and 15.8 percent in 2022, respectively. The unemployment rate edged up to 4.7 percent in August 2024, reflecting higher labor force participation.

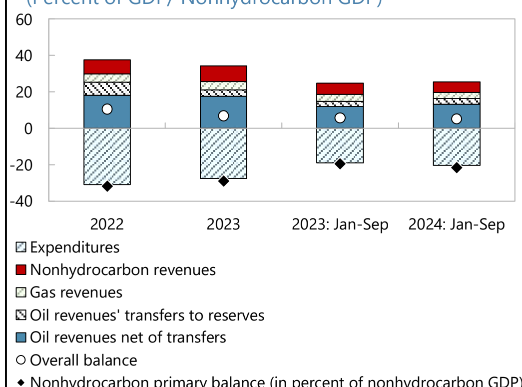
5. **Inflation is low.** Inflation continued to slow down to 0.6 percent (y-o-y) during January-October 2024 (1.0 percent in 2023), reflecting sustained contraction in transport prices and moderation in food inflation.

6. **The fiscal balance remains in surplus.**

- The fiscal balance stood at 6.9 percent of GDP in 2023 (10.5 percent of GDP in 2022) due to ample hydrocarbon revenues and fiscal discipline. Despite an overrun in capital expenditures, the nonhydrocarbon primary deficit declined by 2.7 percentage points of nonhydrocarbon GDP, reflecting lower energy subsidies and broad-based expenditure restraint.

- Favorable energy prices and expenditure restraint continued underpinning a surplus of about 5 percent of annual GDP during the first nine months of 2024. Primary expenditures remained in line with the budget, with higher outlays supporting the rollout of the new social protection law and faster capital execution, while other items were contained at their level recorded during the same period in 2023.

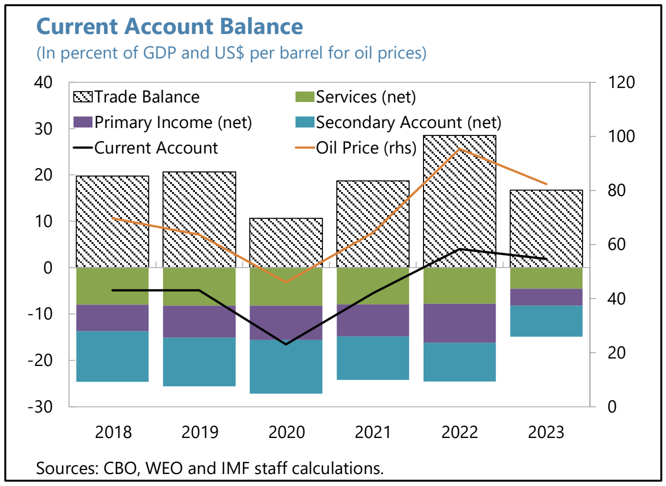
Fiscal Balance and Components
(Percent of GDP/ Nonhydrocarbon GDP)



Sources: Authorities and IMF staff calculations.
Note: The authorities fiscal oil revenue data is reported on net oil revenue basis, excluding oil revenues transferred to reserves.

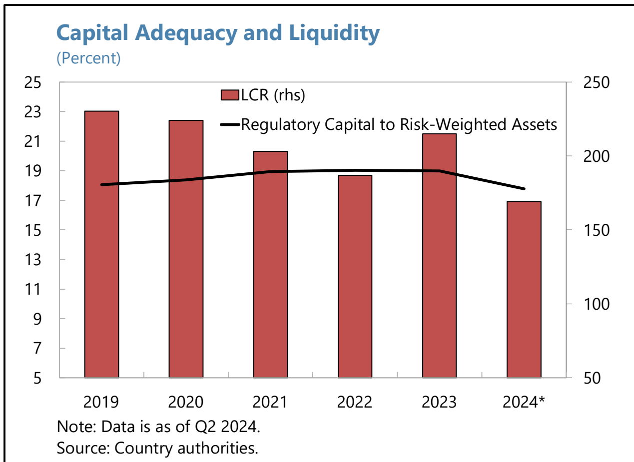
7. **Government debt was reduced further.** The authorities continued using the hydrocarbon windfall to repay debt, retiring $8.3 billion since end-2022. This led to a further decline in the debt-to-GDP ratio from 41.7 percent in 2022 to 35 percent by end-September 2024. SOE debt remained stable at 32 percent of GDP. The government's net financial assets-to-GDP ratio continued to improve, increasing from -12.8 percent in 2022 to -7.4 percent in 2023. As a result, Oman's sovereign spreads continued to fall from an average of 320 basis points (bps) in 2022 to about 150 bps in 2024, well below the EM average.

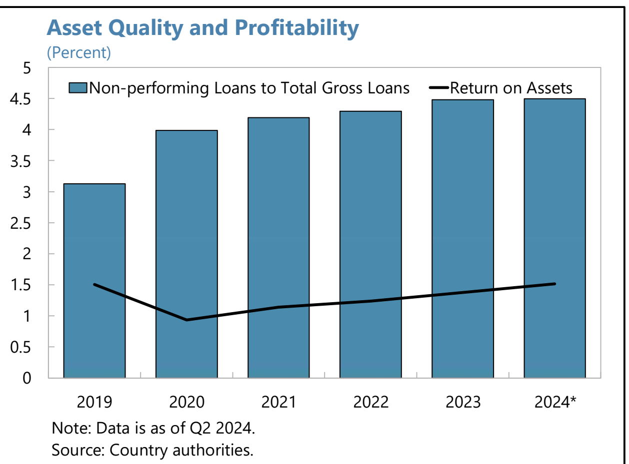
8. **External buffers are adequate.** The current account balance reached a surplus of 2.5 percent of GDP in 2023, supported by a still sizable trade surplus—despite the decline in oil production and softer oil prices—as well as reduced interest payments following public



deleveraging and a strong recovery in tourism (see Annex II). Alongside, FDI net inflows surged to $12.1 billion in 2023 from $7.2 billion in 2022. In this context, CBO international reserves reached to $17.5 billion (4.1 months of prospective imports and 66 percent of the ARA metric), broadly unchanged from 2022, despite sizable public sector external debt repayments and banks' rising net foreign assets. Considering the liquid foreign assets held by Oman Investment Authority (OIA), overall liquid external buffers remain adequate at $27.3 billion (103 percent of the ARA metric—at the lower end of the adequate range). Staff assess Oman's external position to be in line with the level implied by fundamentals and desired policies (see Annex IV).

9. The banking sector is sound. Capital and liquidity ratios are well above regulatory minima, while profitability has recovered to pre-pandemic levels. Asset quality remains strong. Banks' net foreign assets turned positive by end-2023 for the first time since 2014, reflecting the strong external position. Private sector credit growth at 4.6 percent by September 2024 remains unchanged to 2023 trends.

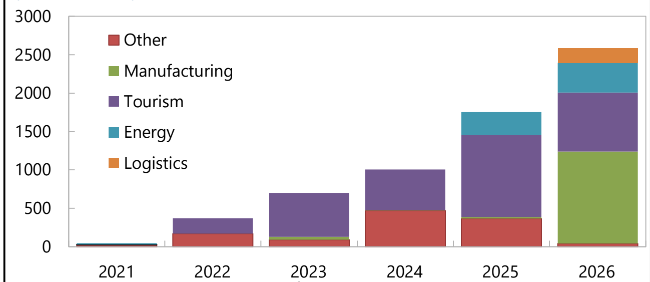




OUTLOOK AND RISKS

10. The economic outlook remains favorable. Real GDP growth is projected at 1.2 percent in 2024, unchanged from 2023, weighed down by contracting hydrocarbon activity (-3.1 percent), but supported by expanding nonhydrocarbon growth (3.3 percent) driven by ongoing manufacturing investments and higher demand from neighboring countries. Real GDP growth is projected to rebound to 2.6 percent in 2025, on the back of resumed hydrocarbon growth (1.0 percent)—in line with the announced gradual phaseout of OPEC+ oil production curbs—and a slight acceleration of nonhydrocarbon growth (3.4 percent), due to robust construction, manufacturing, and services activity. Over the medium term, nonhydrocarbon activity is set to gain further momentum, gradually increasing to 4.2 percent, as sizable committed private sector investments are executed. Inflation is estimated to have remained low in 2024 at 0.8 percent before gradually converging to 2 percent over the medium term.

Committed Nonhydrocarbon Investments
(In OMR Million)



Sources: Nazdaher (National Program for Investment and Export Development) and IMF staff calculations.
Note: The above figures are estimates of execution of committed large-scale investments through Invest Oman. Energy investments pertain specifically to renewable energy initiatives. Other investments encompass sectors such as food security, healthcare, mining, and sports.

Oman: Selected Economic Indicators, 2023-2029

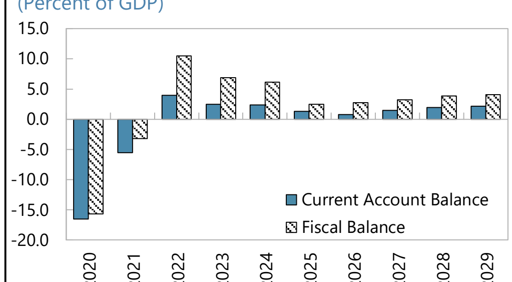
		Proj.					
	2023	2024	2025	2026	2027	2028	2029
Real GDP growth (percent)	1.2	1.2	2.6	3.6	4.4	4.1	3.8
Nonhydrocarbon GDP growth (percent)	1.8	3.3	3.4	3.9	4.0	4.2	4.2
Inflation (percent)	1.0	0.8	1.5	2.0	2.0	2.0	2.0
Fiscal balance (percent of GDP)	6.9	6.2	2.5	2.7	3.2	3.9	4.1
Nonhydrocarbon primary balance (percent of nonhydrocarbon GDP)	-29.0	-29.1	-26.8	-25.3	-23.8	-22.2	-20.6
Central government debt (percent of GDP)	37.5	34.9	34.7	33.0	31.5	30.2	30.0
Central government net financial assets (percent of GDP)	-7.4	-0.7	0.4	2.0	3.5	5.2	6.8
CA balance (percent of GDP)	2.5	2.4	1.3	0.8	1.5	2.0	2.1
CBO reserves (in US$ billion)	17.5	19.0	21.1	21.7	23.6	25.6	27.8
In months of next year's imports of goods and services	4.1	4.4	4.8	4.8	5.0	5.3	5.6
Memorandum items:							
Average crude oil export price (US$/barrel)	82.3	81.3	72.8	70.2	68.6	67.6	67.0
Crude and condensates oil production (in millions of barrels/day)	1.05	1.00	1.00	1.03	1.10	1.14	1.18
Natural gas production (in millions of cubic meters per day)	142.5	149.1	152.3	155.5	159.2	163.0	166.9

Sources: Country authorities and IMF staff estimates.

11. Fiscal and external balances are set to remain in surplus.

- The fiscal surplus is projected at 6.2 percent of GDP in 2024, reflecting the outturn over the first nine months of the year and softer oil prices thereafter. It will contract to 2.5 percent of GDP in 2025, weighed down by the limited resumption in oil production, lower oil prices, and projected lower dividends from Energy Development Oman (EDO) while it repays its outstanding shareholder loan. Over the medium term, the fiscal surplus is projected to gradually increase to about 4 percent of GDP, as rising oil and gas

Current Account and Fiscal Balance, 2020-29
(Percent of GDP)



Sources: Country authorities and IMF staff calculations.

production, higher EDO dividends, and gradual fiscal adjustment more than offset the impact of decreasing oil prices. Government net financial assets are expected to turn positive in 2025 for the first time since 2017 and increase to 6.8 percent of GDP by 2029, reflecting asset accumulation and gradual—albeit limited—deleveraging as government debt approaches 30 percent of GDP. Oman is assessed at low risk of sovereign debt stress supported by comfortable financial buffers available to the government that help alleviate liquidity and solvency risks (see Annex V).

- The current account surplus is projected to remain broadly unchanged in 2024 relative to 2023, as lower oil export revenues are offset by higher refined fuel exports from the newly operational Duqm refinery and robust growth in nonhydrocarbon goods and services exports. It is then projected to soften to 1.3 percent of GDP in 2025—in line with the expected decline in energy prices—before gradually reaching a surplus of about 2 percent of GDP over the medium term, supported by increased oil production and robust growth of nonhydrocarbon exports, but weighed down by rising investment-related imports. CBO reserves are projected to increase to about $28 billion by 2029 (covering 5.6 months of prospective imports and 96 percent of the ARA metric). Considering OIA's liquid foreign assets, overall liquid external buffers are projected at 131 percent of the ARA metric by 2029.

- However, under the scenario of a permanent $10-reduction in oil prices relative to baseline assumptions, staff estimates that fiscal and current account balances would deteriorate by an average of about 3 percent of GDP per year each, leaving fiscal balances in small surpluses (or deficits in case of a more limited resumption of oil production than assumed under the baseline) but current account balances in small deficits.[2]

12. Risks to the outlook are broadly balanced amidst elevated uncertainty. On the downside, intensifying geopolitical tensions as well as a global slowdown, particularly in China, could adversely affect trade, tourism, and FDI, weighing down on domestic growth and external and fiscal positions. These could also be dragged down from lower-than-expected oil prices amid an expected oversupplied global energy market in 2025. A slowdown in Oman's reform implementation also represents a key risk to the outlook. On the upside, growth and fiscal and external positions would strengthen from higher oil prices and acceleration in global growth—including due to faster-than-expected monetary easing—and reforms and investments under Oman Vision 2040 (see Annex VI). Sustaining the reform momentum and further expanding policy buffers would help Oman navigate such risks and uncertainties.

13. Over the longer run, uncertainty over the speed of the global energy transition represents an additional risk. A faster-than-expected or disorderly global transition away from fossil fuel sources of energy would adversely affect Oman by reducing global oil demand, lowering

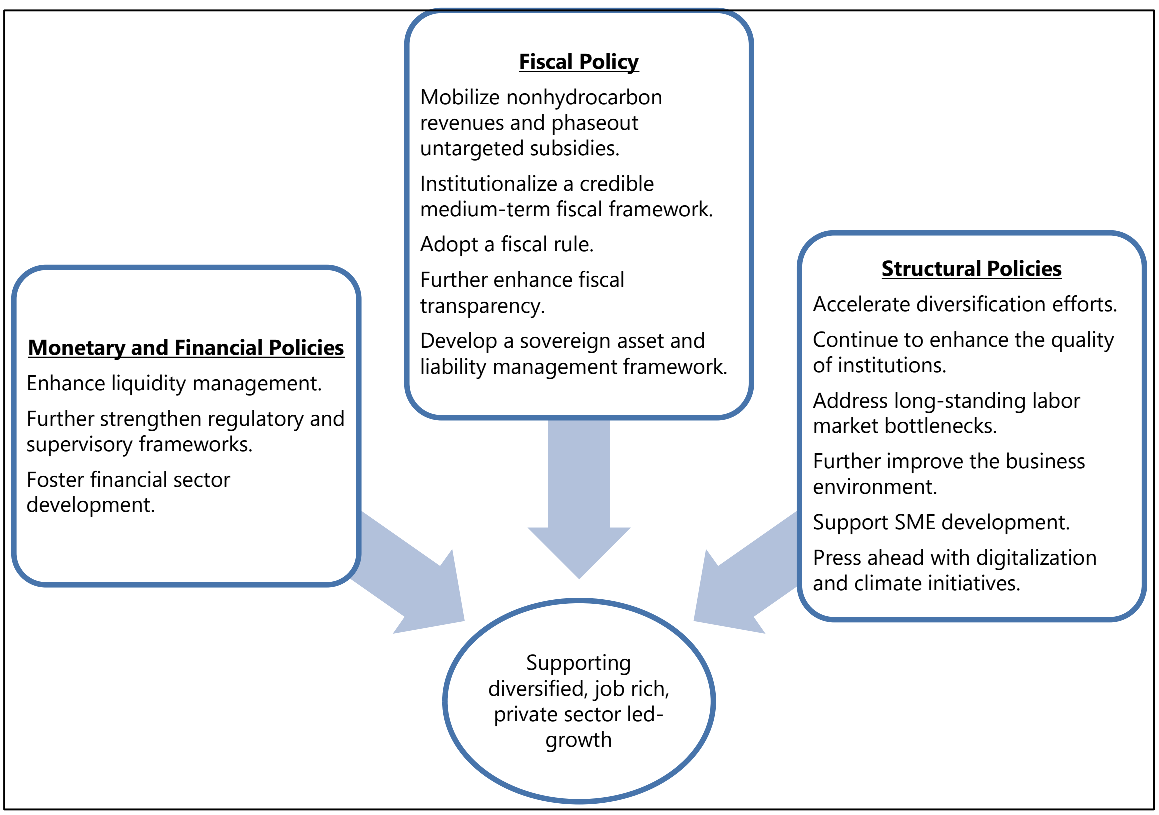
[2] The average annual impact on the fiscal balance includes 0.8 percent of GDP from lower transfers from EDO, resulting from the need to use its operating revenues to finance its capital expenditure commitments without breaching its debt capacity set by its funding policy of issuing debt up to a floor of 45 percent for its funds from operations (EBITDA less taxes and interest expenses) to net debt ratio.

oil prices, and increasing their volatility. Growth and fiscal and external buffers would come under pressure, potentially disrupting reform plans, including with respect to the planned energy transition. Therefore, frontloading reforms to accelerate economic diversification, mobilizing larger nonhydrocarbon fiscal revenues, and maintaining adequate FX buffers remain critical.

14. Authorities' views. The authorities broadly agreed with staff's assessment of the economic outlook and risks. They are confident that ongoing progress on the reform agenda under Oman Vision 2040, including from further actions to be identified in consultation with key stakeholders to underpin the 11th Five-Year Development Plan for 2026-2030, will help mitigate risks, enhance resilience, foster diversification, and create more jobs. They noted the upside risks associated with an accelerated energy transition globally, particularly through the payoff from ongoing investments in green hydrogen and renewable energy.

POLICY DISCUSSIONS

The policy discussions focused on: (i) pursuing fiscal reforms to entrench fiscal sustainability and achieve intergenerational equity; (ii) enhancing monetary policy effectiveness; (iii) safeguarding financial stability while fostering financial sector development; and (iv) advancing reforms to boost nonhydrocarbon growth prospects.



A. Pursuing Fiscal Reforms to Entrench Fiscal Sustainability

15. The 2025 budget preserves fiscal discipline in line with recent performance.

- **2024 performance in line with expectations.** Despite higher budgeted social spending to implement the new social protection law (1.8 percent of nonhydrocarbon GDP), the nonhydrocarbon primary deficit for 2024 is estimated at 29.1 percent of nonhydrocarbon GDP—broadly unchanged to its 2023 level and its projection at the time of the 2023 Article IV consultation—due to expenditure restraint. Most programs under the new social protection law were successfully rolled out, with 70-95 percent of eligible Omanis registered as beneficiaries and with a fiscal cost in line with budgeted allocations (see Annex VII).

- **The 2025 budget is set to resume fiscal adjustment.** The 2025 budget continues rationalizing expenditures across the board, targeting a fiscal adjustment of about 2 percentage points of nonhydrocarbon GDP. As government debt is expected to decline only marginally to 34.7 percent of GDP, the increase in government net financial assets to 0.4 percent of GDP reflects asset accumulation. Steadfast fiscal adjustment has created some fiscal space and strengthened Oman's capacity to absorb shocks, including from oil price volatility.

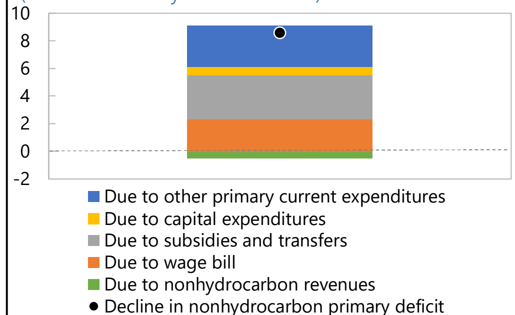
Oman: Nonhydrocarbon Primary Balance and Composition
(Percent of nonhydrocarbon GDP, unless otherwise indicated)

	2023	2024		2025	
		2023 Art. IV			
	Final	Proj.	Proj.	Budget 2/	Proj.
Nonhydrocarbon primary balance	-29.0	-29.0	-29.1	-27.3	-26.8
Nonhydrocarbon revenues	10.6	10.2	10.4	9.8	10.2
Tax revenues	7.1	6.8	6.9	6.4	6.7
Non-tax revenues 1/	3.4	3.5	3.5	3.4	3.4
Primary Expenditures	39.5	39.3	39.5	37.1	37.1
Wage Bill	13.7	13.2	13.3	13.1	13.1
Goods and Services	3.3	2.9	2.9	2.7	2.7
Subsidies and Transfers	5.9	7.5	7.8	6.2	6.2
o/w: energy subsidies	3.4	3.2	3.3	2.0	2.0
o/w: social safety net	0.8	2.4	2.6	2.5	2.5
Defense	11.3	11.5	11.3	11.0	11.0
Capital Expenditures	5.3	4.3	4.3	4.1	4.1
Memorandum items:					
Hydrocarbon revenues (in percent of GDP)	25.7	22.6	25.4	18.8	20.8
o/w: oil revenues	21.1	18.0	21.0	14.5	16.5
o/w: gas revenues	4.6	4.6	4.4	4.3	4.3
Overall fiscal balance (percent of GDP)	6.9	3.7	6.2	0.0	2.5
Central government debt (percent of GDP)	37.5	35.7	34.9	34.3	34.7
Oil price	82.3	79.9	81.3	60.0	72.8

Sources: Country authorities and IMF staff estimates.
1/ Non-tax revenues exclude investment income (received from OIA).
2/ Excluding the authorities' allocation for debt repayment and including expected oil revenue transfers to special funds.

16. The expected gradual tightening of the fiscal stance over the medium term will strengthen the budget's resiliency to oil price volatility. Under current plans, the nonhydrocarbon primary deficit is projected to decline by 8½ percentage points of nonhydrocarbon GDP through 2029 from its 2024 level, continued to be driven by broad-based spending restraint. Savings are estimated to be broadly equally distributed across the wage bill, subsidies, other primary current spending, and, to a lesser extent, capital expenditures. Staff recommended progressing with revenue measures (see more below) to help rebalance the envisaged adjustment and expand fiscal space for growth-enhancing investments to support diversification objectives, social spending, and active labor market policies.

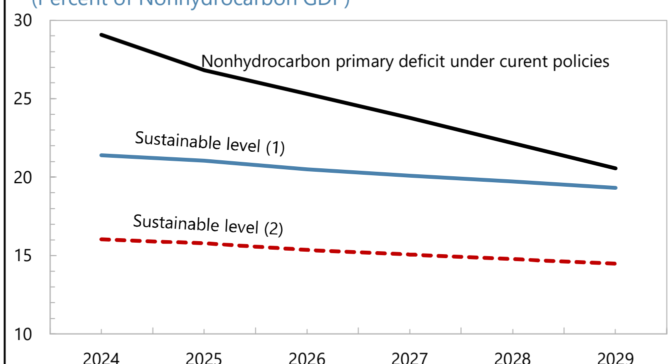
Fiscal Adjustment Decomposition: 2024-29
(Percent of Nonhydrocarbon GDP)



Sources: Country authorities and IMF staff estimates.
Note. The decline in nonhydrocarbon revenues is due to erosion from customs duties and non-tax revenues.

17. Additional fiscal measures will be needed to ensure intergenerational equity. Staff estimates that, under the Permanent Income Hypothesis (PIH), ensuring intergenerational equity by maintaining sovereign wealth constant in real per capita terms requires the nonhydrocarbon primary deficit to decline to around 19 percent of nonhydrocarbon GDP over the medium term. While the authorities' current plans are poised to drive down the nonhydrocarbon primary deficit to slightly above the PIH norm, some additional fiscal measures will be needed to further compress this deficit, including to buffer against potential downside scenarios, to ensure intergenerational equity.

Projected and Sustainable Nonhydrocarbon Primary Deficit
(Percent of Nonhydrocarbon GDP)



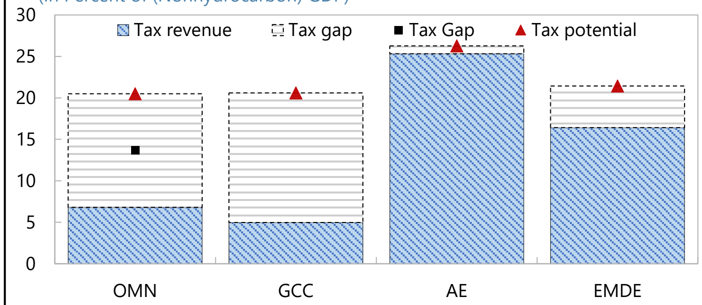
Note: "Sustainable level (1)" refers to the nonhydrocarbon primary deficit (NHPD) derived using the Permanent Income Hypothesis (PIH), where real per capita sovereign wealth remains constant. "Sustainable level (2)" refers to the PIH-based NHPD, assuming that hydrocarbon prices and the rate of return on financial wealth are lower by 4 percentage points and 1 percentage point, respectively, than under "Sustainable level (1)".
Source: IMF staff estimates.

18. There is ample scope for gradually advancing nonhydrocarbon revenue mobilization. Staff estimates suggest that Oman's tax revenues are well below their potential of about 20 percent of nonhydrocarbon GDP. Advancing ongoing efforts and adopting new measures are needed to reduce the tax gap.

- **Tackling the tax compliance gap.** The authorities are moving decisively with their Tax Administration Modernization Program (TAMP), aimed at halving the tax compliance gap over four years. The Tax Authority has started rolling out key actions to enhance the accuracy, adequacy, and completeness of the taxpayer register; increase the on-time filing and payment performance; and tackle taxpayer under-reporting, including through a modern audit function. These reforms will be supported by the restructuring of the Tax Authority into a function-based administration; the establishment of a compliance risk management unit; the modernization of the IT system; the rollout of VAT e-invoicing; improved coordination with the Directorate General of Customs; and the expansion of the Tax Authority's taxpayer service program and hiring of additional staff. Staff welcomed the comprehensive plan and emphasized the need to move steadfastly with the implementation of the identified reforms, starting with the establishment of a fully functioning compliance risk management unit through adequate staffing, capacity development, and IT systems to support data acquisition, analysis of performance across core functions, and identification, assessment, and prioritization of risks.

Tax Potential, Revenue and Gap

(In Percent of (Nonhydrocarbon) GDP)



Sources: Country authorities and IMF staff calculations.

Note: Tax potential and revenues for comparator countries and country groups are as estimated in the IMF SDN "Revenue Mobilization for a Resilient and Inclusive Recovery in the Middle East and Central Asia", 2021." Tax revenues and potential are in percent of nonhydrocarbon GDP for hydrocarbon-exporting countries, including Oman, and in percent of total GDP for other countries.

- **Adopting tax policy reforms.**

    i. *Personal Income Tax.* The draft PIT law is at the final legislative stage (at the State Council) and the authorities have finalized preparing the IT system required for its rollout. Staff estimates that revenues would amount to about 0.3 percent of nonhydrocarbon GDP under the illustrative scenario comprising an income threshold of OMR 30,000 and a flat rate of 15 percent.

    ii. *Pillar II implementation.* The authorities are moving ahead with a plan to revise the tax legislation to implement the global minimum corporate tax of 15 percent. Staff welcomed this decision and emphasized that a speedy adoption of (i) the qualified domestic top-up tax (QDMTT) to collect revenues from affiliates of foreign in-scope multinationals in Oman, and (ii) the income inclusion rule, to collect revenues from Omani-based multinationals operating in low-tax jurisdictions that do not adopt a QDMTT, would prevent revenue losses and help mobilize further nonhydrocarbon revenues.

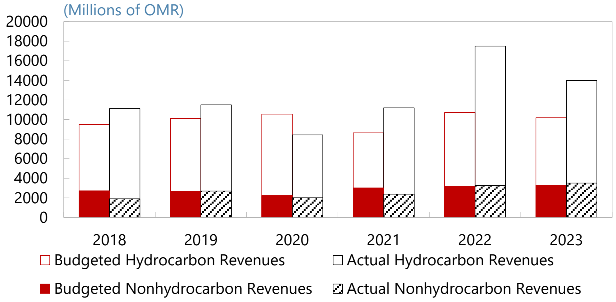
    iii. *Other measures.* Given enforcement challenges, staff underscored the importance of implementing a simplified regime for the taxation of small businesses. Staff welcomed the authorities' plan to establish a Tax Policy Unit and called for placing it under the Ministry of Finance—in line with international best practices—and for continuous coordination with the Tax Authority to optimize its design, governance, and effectiveness.

19. Continuing to rationalize spending while improving its composition remains essential. Energy, water, and SOE subsidies (4.8 percent of nonhydrocarbon GDP in 2024) remain a large burden on the budget. The authorities are committed to phasing out untargeted electricity subsidies by 2030, through a mix of well calibrated tariff increases and extensive actions to reduce the cost of electricity generation, transmission, and supply, including by enhancing companies' efficiency (through the completed restructuring of distribution functions consolidated into a single entity and supply functions into another), fostering competition, interconnecting the north and south grids, and increasing the share of renewables in power generation (targeted to reach 40 percent of the energy matrix by 2040). Amidst the strengthened protection of the most vulnerable under the new social protection law and the targeted National Subsidy System, staff called for the removal of the price cap on fuel products, underscoring that savings from subsidy reforms could be re-allocated to more productive investments to support diversification and job creation efforts.

20. Strengthening fiscal institutions will be key to entrench fiscal sustainability and enhance transparency and credibility.

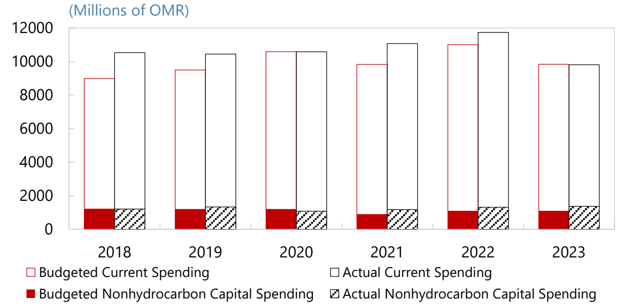
- **Enhancing the budget preparation and execution processes.** Despite progress made in recent years, there remain instances of spending overruns. Staff emphasized the importance of establishing binding overall spending ceilings for the budget year derived from clear fiscal targets and adopting a supplementary budget to reprioritize budget allocations in case of unexpected spending pressures during budget execution. It is also important to strengthen budget execution monitoring and controls to ensure that spending remains aligned with the budget. Staff also recommended adopting more realistic revenue projections to enhance budget preparation and improve budget transparency and credibility.

Budgeted vs Actual Revenues
(Millions of OMR)



Sources: Country authorities

Budgeted vs Actual Current and Capital Spending
(Millions of OMR)



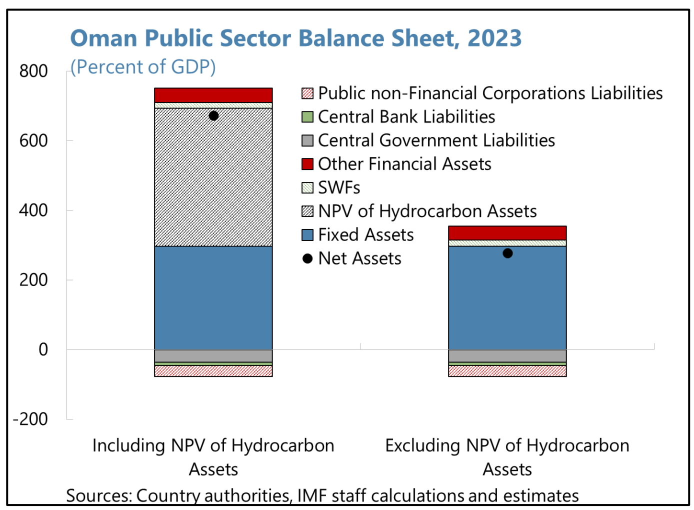
Sources: Country authorities

- **Strengthening and institutionalizing the medium-term fiscal framework (MTFF).** Staff welcomed the ongoing work to produce a new Medium-term Fiscal Plan (MTFP) to underpin the 11th Five-Year Development Plan for the period 2026-2030. Set to be published in January 2026, staff urged the authorities to shape their MTFP into a full-fledged MTFF, in line with recommendations from a recent Fund technical assistance, including by adopting a fiscal strategy, producing multi-year rolling projections of revenues and expenditures, making its overall spending ceiling binding for the annual budget preparation, deepening the analysis of fiscal risks, and endorsing the MTFP at the highest level (Council of Ministers). Staff underscored that the upcoming revision of the Financial Law presents a window of opportunity to strengthen and institutionalize the MTFF and improve the budget process.

- **Enhancing cash management and transparency**. Expediting the roll out of the Treasury Single Account (TSA) following the successful completion of initial steps, including the inventory of government bank accounts and enrollment of the largest entities, will be key to optimize cash management and support the CBO's liquidity management. Staff noted that continued coordination with the CBO will be essential for the successful implementation of the TSA. Building on the findings of a recent Fund technical assistance, staff emphasized the importance of bringing fiscal data compilation and reporting in line with international standards (GFSM 2014) and broadening its coverage to the public sector.

- **Adopting a fiscal rule.** A carefully selected fiscal rule will help shield the budget from oil price volatility, strengthen fiscal discipline, and accumulate sufficient financial buffers for future generations and stabilization purposes while providing flexibility to manage severe shocks. The authorities are contemplating adopting a fiscal rule to anchor their MTFP underpinning the 11th Five-Year Development Plan, with Fund support for its design and implementation. A rule targeting a sustainable nonhydrocarbon primary fiscal deficit, while ensuring government debt is sufficiently below a ceiling to ensure a safety buffer, would be appropriate for Oman. Staff underscored that a well-crafted communication strategy would be essential in ensuring broad consensus and credibility of the rule-based fiscal framework.

21. Developing a full-fledged sovereign asset and liability management framework (SALM) will enhance fiscal policy efficiency. Initial steps are being taken under the oversight of the Debt Management Committee to implement recommendations from a recent Fund technical assistance to establish a SALM framework. Staff stressed the need to speed up developing the SALM framework, as it will support better the management of fiscal risks, particularly oil price fluctuations, and enhance transparency.



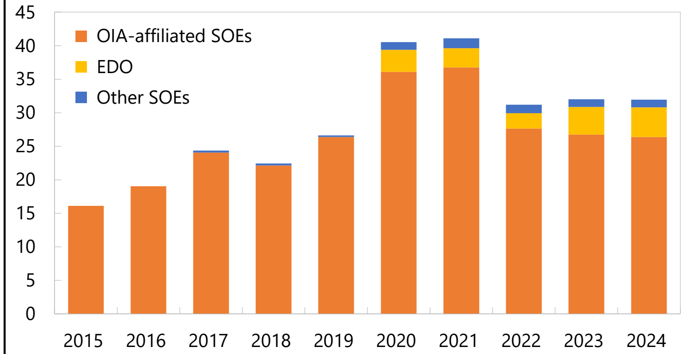
22. SOE reforms continue advancing.

- **Divestment, deleveraging, transparency, and investments under OIA.** OIA divested 17 assets in 2023-2024 (including 5 IPOs), with proceeds used to prepay SOE debt over the same period (about $2.2 billion) and reduce government guarantees (under 4 percent of GDP by end-2024), amidst strong performance (9.9-percent investment return in 2023). OIA plans to divest 25-29 assets over 2025-2029. Reforms continue to improve governance and transparency, with all OIA-affiliated SOEs mandated to publish audited financial statements starting with fiscal year 2024.

Staff welcomed the operationalization of Future Fund Oman (FFO), launched in January 2024, with an envisaged capital of OMR 2 billion, funded by budget resources of OMR 400 million per year over 2024-2028. By the third quarter of 2024, FFO secured private sector investments in large-scale projects, SMEs and startups amounting to OMR 832 million—including OMR 609 million committed by foreign investors—supported by OMR 220 million in FFO financing. Staff welcomed the progress on the SOE reform agenda and encouraged the authorities to continue advancing their model of partnering OIA-affiliated companies (with minority participation) with private sector investors to maximize their contribution to Oman's economic transformation.

State-Owned Enterprises Debt

(Percent of GDP)



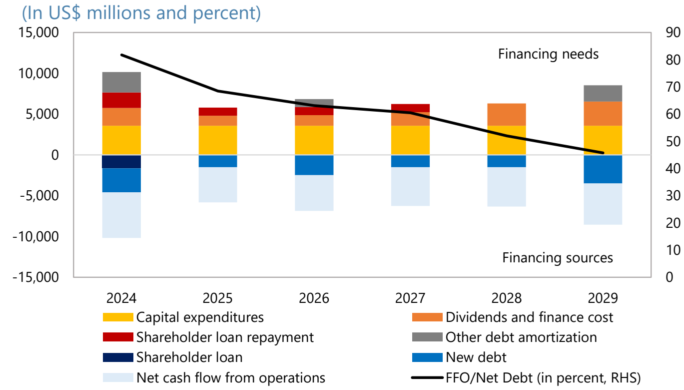
Sources: Country authorities, IMF staff calculations.

Notes: 2024 data corresponds to end of September.

- **Energy Development Oman (EDO)'s resilient financial position under oil price baseline assumptions.** EDO has continued diversifying its sources of funding and lengthening its debt maturity profile, successfully placing two international sukuks for $1.75 billion during 2023-24 (at spreads of 135-165 bps over US Treasuries) and refinancing a $2.5 billion syndicated loan. The company has put together a contingency plan for a scenario of protracted lower oil prices, through efforts to i) reduce production costs—by reducing the fixed cost component of its total cost structure, selling non-core assets, revamping its supply chain, and deferring capex projects with long payback—and ii) optimize cash flow—by continuing reducing near-term refinancing risks, establishing contingent credit facilities, and increasing gas production as its revenue stability provides a hedge. Staff assessed that, under baseline assumptions for oil prices and production, EDO's current fiscal regime allows sufficient generation of net cash flow from operations that, together with additional debt, can finance its capital expenditure commitments without breaching its debt capacity set by its funding policy.

EDO: Financing Needs, Sources, and Debt Capacity

(In US$ millions and percent)

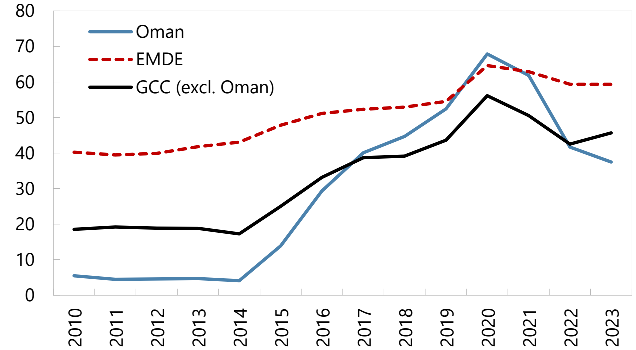


Sources: IMF staff calculations; Energy Development Oman (EDO).

Notes: EDO's debt capacity is set by its funding policy of issuing debt up to a floor of 45 percent for its funds from operations (FFO; EBITDA less taxes and interest expenses) to net debt ratio.

23. A Medium-Term Debt Management Strategy (MTDS) needs to be published. At 35 percent of GDP in 2024, government debt is well below the 60 percent target set in the MTFP launched in 2020 and close to the 30 percent of GDP targeted by the authorities. With government debt at comfortable levels, it is important that the authorities' debt management strategy optimizes debt composition and supports the development of a full-fledged local currency debt market. Staff welcomed the authorities' plan to start publishing the government's annual borrowing plan and an auction calendar for government securities in 2025 and reiterated their call to do similarly for the MTDS.

Government Debt
(Percent of GDP)



Sources: World Economic Outlook and IMF staff calculations.

24. Authorities' views. The authorities reiterated their commitment to fiscal discipline. They underscored the need of advancing fiscal adjustment gradually to further strengthen the budget's resiliency to oil price fluctuations while allocating sufficient resources for social spending and growth-enhancing investments. To increase nonhydrocarbon revenues, they emphasized that the near-term priority is moving decisively with the modernization of the Tax Authority to reduce the tax compliance gap. The authorities also indicated that the draft PIT law for high-income earners is at its final legislative steps—and that the current version of the law considers a flat rate not exceeding 15 percent, with implementation possibly starting at a lower rate—and that they are assessing options to implement the Pillar II global minimum corporate tax to mobilize additional revenues over the medium term. On energy subsidies, the authorities noted that ongoing actions aimed to reduce the cost of electricity generation, transmission, and supply, along with gradual tariff increases as needed, will help phasing out untargeted electricity subsidies as planned by 2030. They agreed with the need to improve the targeting of other subsidies, but highlighted that this needs to be carefully assessed, including with respect to social implications, for which they have initiated a national subsidy review expected to be completed by mid-2025. The authorities underscored their commitment to strengthening fiscal institutions, including through the ongoing work to produce a new MTFP for the 2026-2030 period, and are considering implementing a fiscal rule—with the support of Fund technical assistance—to shield the budget from oil price volatility and secure resources for future generations. They indicated that progress continues to gradually implement the TSA, develop an SALM framework, and enhance disclosure and transparency in the public sector.

B. Enhancing Monetary Policy Effectiveness

25. The exchange rate peg remains an appropriate and credible policy anchor considering the structure of Oman's economy. The CBO should continue to set the policy rate in line with the Fed to support the peg. Ongoing efforts to deepen money and capital markets and further strengthen the monetary policy framework should continue to enhance transmission of the policy rate to market rates.

26. Reforms are ongoing to improve monetary policy effectiveness and reduce excess liquidity. Monetary policy transmission remains hampered by structural excess liquidity, sizable unremunerated deposits, and an interest rate cap on personal loans. Steadfast implementation of the Monetary Policy Enhancement Project (MPEP) will ensure that monetary policy actions effectively transmit to the broader economy. This includes strengthening the liquidity management framework by developing an interest rate corridor, reforming the reserve requirement framework, launching open market operations, introducing new Sharia-compliant money market tools, and building capacity at the CBO to strengthen liquidity forecasting. The full rollout of the TSA—well calibrated to safeguard financial stability—will help reduce excess liquidity in the banking system. Work to finalize the CBO's Emergency Liquidity Assistance and collateral frameworks is ongoing with the support of Fund technical assistance. The authorities are encouraged to dedicate the necessary resources for an effective implementation of these frameworks, including appropriate staffing and the conduct of regular simulations to ensure CBO readiness at both technical and decision-making levels.

27. The CBO is taking steps to enhance its transparency and establish a reference lending rate. A recent IMF Central Bank Transparency Code (CBT) Review of the CBO—the first review of a GCC central bank—revealed that the CBO has extensive policies and operations in place (monetary and exchange rate policies, macroprudential policy, internal governance, among others), implying that improved disclosure of such policies and operations will significantly improve CBO transparency and credibility. Staff welcomed the CBO's decision to set up a dedicated Task Force to address the findings of the CBT Review. In addition, the CBO in cooperation with Oman Banks Association (OBA) is considering the introduction of a reference rate for corporate lending. While welcoming the idea, staff emphasized that the latter needs to reflect market forces, based on banks' marginal funding costs, with no direct role for the CBO's policy rate in determining its level.[3]

28. Authorities' views. The authorities agreed that monetary policy should continue to support the currency peg. To improve monetary policy effectiveness, they underscored that they are advancing on the implementation of multiple workstreams under the MPEP, noting that the CBO's ELA and collateral frameworks are near completion, and that liquidity forecasting models are expected to be operationalized in the first half of 2025, while the design of a new interest rate corridor, complemented with OMO tools, is at the final stages. The authorities indicated that they are also reviewing the reserve requirement framework to enhance its effectiveness within an effective liquidity management framework. The authorities acknowledged staff's advice on the proposed reference lending rate and noted that this will be accounted for in the ongoing review of the proposal. They also reiterated their commitment to enhancing transparency, noting that a Task Force is already working to address recommendations from the CBT Review.

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[3] Banks' marginal funding costs represents the interest rate of very short-term additional borrowing of banks at any point in time, including secured and unsecured transactions in the interbank market.

C. Safeguarding Financial Stability While Fostering Financial Sector Development

29. The authorities continue strengthening their regulatory and supervisory frameworks.

- **Regulatory toolkit.** The CBO's re-assessment of the list of domestic systemically important banks (D-SIB) is at the final stage. Initial supplementary measures have been introduced for D-SIBs, including a systemic risk capital surcharge, a requirement to develop recovery and resolution plans, and more intensive stress testing. As the number of D-SIBs may grow in the future, it is important for the authorities to continue enhancing the regulatory framework with supplementary measures, such as more stringent liquidity requirements and more intensive supervision. By restoring the capital conservation buffer to its pre-pandemic level of 2.5 percent, the CBO has completed the rolling back of all the temporary COVID-19 measures. In addition, the Bank Deposits Insurance Scheme has been expanded to include Islamic finance institutions. To further reduce risks going forward, CBO should aim to beef up its macroprudential toolkit, including by introducing a positive countercyclical capital buffer if the credit gap turns positive, amid expected continued monetary easing ahead.[4] In light of a recent, albeit still contained, rise in related-party lending, staff called for supervisors to stay vigilant in monitoring these exposures. To enhance climate resilience and manage climate-related risks within the financial sector, staff welcomed the CBO's issuance of guidelines to banks aimed at promoting sustainable and green financial practices.

- **Lifting the interest rate cap on personal loans and building a comprehensive credit bureau (Mala'a).** Lending rates on personal loans are currently capped at 6 percent. Relaxing this cap would allow for market forces to drive capital allocation and for banks to more adequately reflect credit risk and maintain profit margins. Maintaining the cap also distorts monetary policy transmission and could drive banks to reach-for-yield in riskier lending segments. Efforts are ongoing to revamp the credit bureau to enhance its capacity to serve the banking sector, including measures allowing members' access to customer identity verification and business registration details, and a consolidated caution list of customers with poor payment histories. Staff welcomed these initiatives to upgrade the credit bureau and reiterated the call to lift the cap on personal loans, which together with other reforms would improve the pricing of credit and enhance access to finance.

30. The financial development agenda is proceeding.

- **Achieving several preconditions that improve the prevailing market structure.** Amid persistent excess liquidity and limited interbank market activity, government bond and money markets remain underdeveloped in Oman. As a first phase of reforms, the CBO's plans to

[4] According to the 2024 CBO Financial Stability Report, the private sector credit-to-GDP gap has started to close but remained negative at end-2023. This suggests no indication of excessive credit expansion at this juncture and therefore an appropriate countercyclical capital buffer requirement at 0 percent.

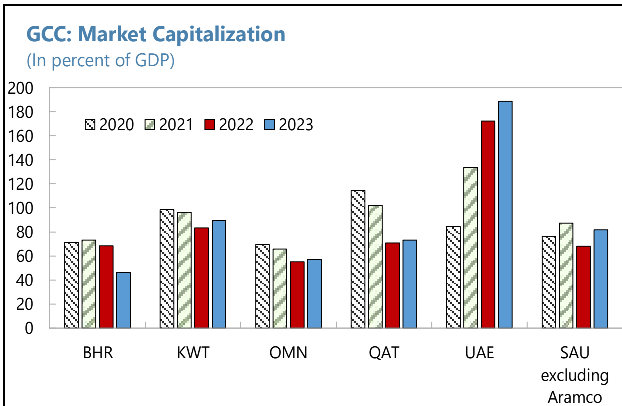
reintroduce certificates of deposits, launch OMOs, and improve liquidity forecasting should facilitate the invigoration of money markets. Staff reiterated the importance of operationalizing these initiatives as deeper and more liquid money markets will help generate a reliable short-term yield curve and provides an anchor that is essential to issuing longer-term government securities. In addition, staff noted price discovery, market liquidity, and limitations from investors' 'buy and hold' behavior would be improved by streamlining the debt issuance processes and establishing a small number of benchmark issues. In the second phase, the corporate bond market and equity markets can be developed, which requires improving liquidity and broadening the investor base.

- **Opening up the banking sector to new players and expanding the institutional investor base.** As part of their efforts to develop the financial sector and broaden the supply of financial services, the authorities have recently licensed three new foreign banks and one domestic bank.[5] Additionally, the CBO, post public consultation, is in the process of developing regulatory frameworks for digital financial services and open banking. Expanding the role of nonbank financial institutions and facilitating inflows from nonresident investors would support the development of deeper domestic capital markets. The recent unification of pension funds into a single fund—the Social Protection Fund (SPF)—presents a window of opportunity to expand the participation of investment funds in the domestic financial market. SPF's inherited investment policy, however, limits its capacity to hold longer-dated debt.[6] Removing this restriction would boost demand for long-term bonds and support the development of a benchmark yield curve.

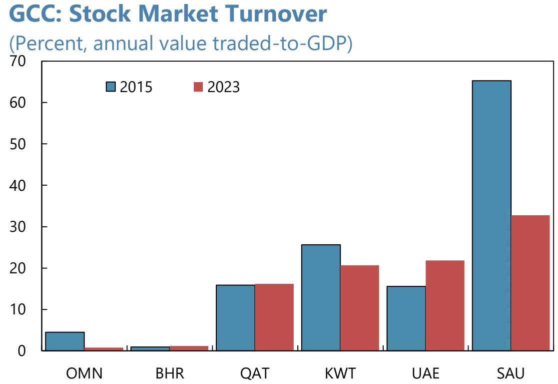
- **Further developing equity markets.** Efforts continue to upgrade Muscat Stock Exchange (MSX) to emerging market (EM) status, which will support the authorities' endeavors to attract larger amounts of foreign investment and increase domestic firms' funding opportunities. Measures being implemented to fulfill the EM status requirements include establishing more market makers, and introducing short selling, margin financing, and securities lending and borrowing. To further boost nonresident participation, efforts are ongoing to create a link with Euroclear and integrate with Bloomberg's Auction System to improve processes around issuing long-term government debt, as well as introducing over-the-counter trading for debt markets. Income tax incentives to increase listings on the stock market have also been launched. While estimates suggest that less than ten companies are expected to list annually, staff urged the authorities to closely monitor the fiscal implications of these incentives to prevent unexpected future tax expenditures. Overall, these measures will help diversify the investor base and encourage participation in the listing program, particularly for the newly announced MSX-AIM secondary equity market for emerging companies (see Selected Issues Paper I).

[5] Oman Investment Bank is a government-owned bank intended to cover segments of the financial sector that are uncovered by commercial banks, including investment banking and wealth management.

[6] Pension funds are directed to hold at least 30 percent of their portfolio in local government securities and have an upper bound of 10 percent of their portfolio for their holdings of assets with more than 10-year maturity.



Sources: IMF World Economic Outlook; World Bank World Development Indicators; and IMF staff calculations



Sources: WEO, WFE, and IMF staff calculations

31. The AML/CFT framework continues strengthening. The FATF Plenary approved the MENAFATF Mutual Evaluation Report (MER) for Oman in October 2024 and noted significant improvements in its AML/CFT framework, including positive steps regarding the robustness of the legal framework, the use of financial intelligence, international cooperation combating terrorist financing, and implementing targeted financial sanctions for proliferation financing. The report recommended increased efforts by deepening further the understanding of money laundering risks, enhancing related investigations and prosecutions and improving confiscation of proceeds of crime, taking measures to prevent misuse of legal persons, and strengthening risk-based supervision for Designated Non-Financial Businesses and Professions (DNFBPs). Progress continues on developing a simplified AML/CFT due diligence tool for the financial sector and the CBO has provided resources and continues to train staff in the new AML/CFT department. The authorities also aim to further develop capacity in assessing and mitigating ML/TF risks, including those associated with digitalization and Fintech as part of the enhanced AML/CFT national strategy. Staff encouraged the authorities to sustain the AML/CFT reform in line with the recommendations of the assessment.

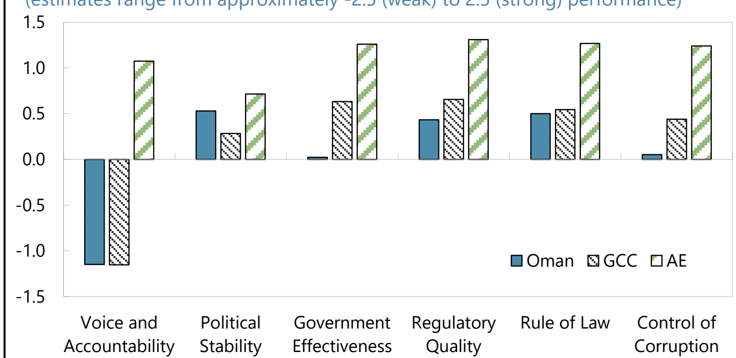
32. Authorities' views. The authorities highlighted the soundness of the banking sector, adding that they are sanguine about its prospects, as the current cycle of monetary policy easing should support bank asset quality, credit provision, and profitability. They noted their progress on stepping up banking regulatory frameworks, including the improved D-SIB framework and restoration of the capital conservation buffer to its pre-pandemic level. They further concurred with the usefulness of introducing a positive countercyclical capital buffer if credit growth is deemed excessive. On related party lending, they see current levels well below regulatory limits, which they deem as appropriate. The authorities reiterated that the interest rate cap on personal loans continues to serve an important social purpose by shielding many borrowers from excessive interest rates. On the potential fiscal costs of tax incentives granted as part of the financial sector development plan, the authorities reiterated that these should be very limited due to an expected modest annual uptake. The authorities will continue to enhance the effectiveness of the AML/CFT framework in line with the recent recommendations made in the MENAFATF MER.

D. Advancing Reforms to Boost Nonhydrocarbon Growth Prospects

33. Achieving sustainable, private sector-led growth is crucial to accelerate job creation. Steadfast execution of Oman Vision 2040 is critical for realizing this objective. The execution of well-planned reform measures in a sequential manner, coupled with continuous and inclusive engagement with all relevant parties, is key to garnering widespread societal backing for reform efforts. As the authorities start planning for the second implementation phase of Oman Vision 2040 through the 11th Five-Year Development Plan for 2026-2030, further efforts should aim to improve institutional quality, reduce the state footprint, expand trade opportunities, tackle long-standing labor market bottlenecks, foster SME development, and advance policies to support digitalization and meet climate commitments.

34. Improving the quality of institutions remains a priority. Despite recent governance reforms, substantial room for improvement remains. Implementing streamlined regulatory processes and engaging citizens and firms in policymaking can further enhance regulatory quality. Additionally, accelerating digitalization and establishing performance metrics will help monitor the effectiveness of government institutions and enhance the rule of law. Further increasing transparency and refining the management and execution of public procurement, including through a mandatory e-tendering process for all public sector entities, would also contribute to improving governance.

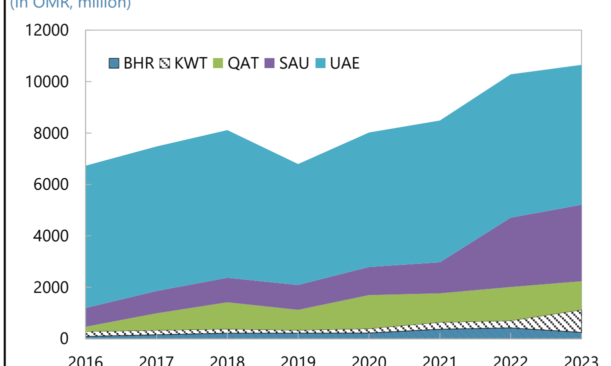
Governance Indicators, 2022
(estimates range from approximately -2.5 (weak) to 2.5 (strong) performance)



Sources: The Worldwide Governance Indicators

35. Oman's recent trade integration efforts will further boost nonhydrocarbon trade. Oman's trade with other GCC countries expanded by 60 percent in recent years, driven largely by bilateral trade with Saudi Arabia and the United Arab Emirates. Services trade is also expanding and will be supported by the plans for a unified GCC visa for tourists and businesspeople. Furthermore, to enhance trade and facilitate participation in global value chains, Oman is at the final stages of negotiating a Free Trade Agreement (FTA) with India, while also considering FTAs with other strategic partners. Staff highlighted that there remains significant potential to strengthen regional integration by further reducing non-tariff measures, harmonizing regulatory frameworks

Oman's Bilateral Trade with Other GCC countries
(In OMR, million)



Sources: NCSI and IMF staff calculations.

with trading partners, unifying a conflict resolution framework, and implementing agreements to recognize certifications and standards from trading partners.

36. Labor market reforms have advanced, but bottlenecks remain. While the 2023 Labor Law is expected to increase job flexibility, enhance female labor force participation, and lift Omanization rates across all sectors, additional measures are needed to address remaining gaps (see Selected Issues Paper II):

- **Addressing the wage gap between the public and private sectors is essential.** While the 2023 Labor Law puts greater emphasis on improving productivity at work and aligning wages with performance in the private sector, an equivalent approach should guide the ongoing discussions for the draft Public Employment Law, as this can help reduce the high public wage premium and enhance the attractiveness of private sector jobs to Omanis.

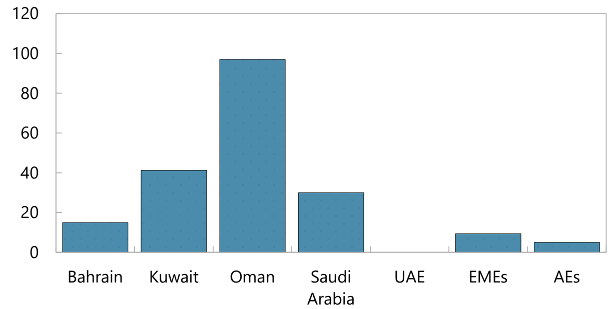
- **Enhancing mobility for expatriate workers.** Further increasing labor mobility would encourage skill enhancement and attract a greater number of mid-to-high-skilled expatriate workers, thereby supporting the transition towards a knowledge-based economy and yielding potential aggregate productivity gains.

- **Increasing female labor force participation.** Despite considerable advancements over the past two decades, additional policy actions are needed to empower Omani women in the workforce. These include: i) enhancing access to finance for female entrepreneurs; ii) providing mentorship and support for aspiring Omani women to ascend to senior positions; iii) urging companies to adopt digital solutions to effectively implement the flexible work arrangements in the 2023 Labor Law, which would particularly support Omani women living in rural areas; and iv) enhancing child support for working mothers and scaling up investment in early childhood education.

- **Addressing the skills' gap and boosting support for job seekers.** This entails enhancing the educational system's capacity to equip students with the skills demanded by the private sector and needed to foster entrepreneurship, including by expanding vocational education that combines classroom learning with practical, on-site training, and encouraging more young Omanis to pursue majors in technology and science. Staff called for scaling up active labor market policies, prioritizing targeted training and job search support.

Public Wage Premium

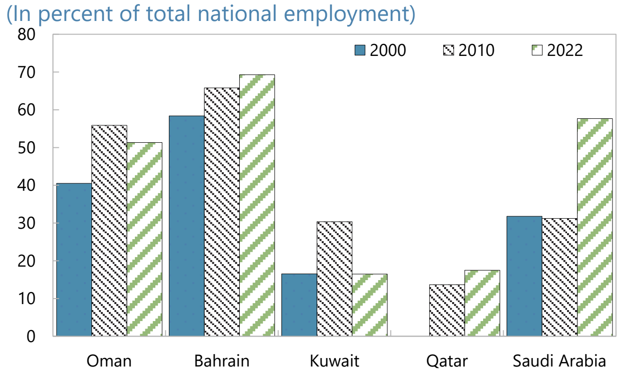
(In percent, 2023 or latest available data)



Sources: NCSI, IMF FAD Expenditure Assessment Tool and IMF staff calculations.
Notes: Wage premias for GCC economies are calculated for citizen workers only.
While sectoral wages data for Saudi Arabia end in 2019, public sector wage employment growth suggests that the public sector wage primium has been trending downwards post 2019.

Share of Nationals in Private Sector Employment

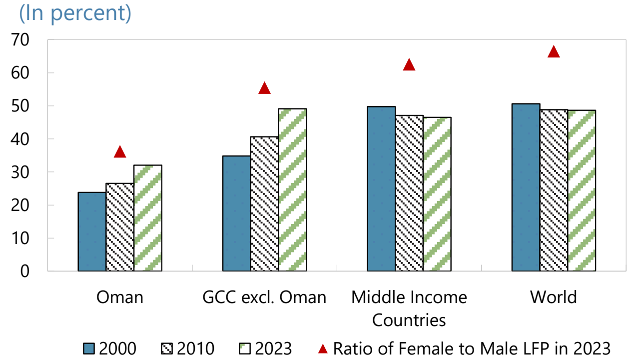
(In percent of total national employment)



Sources: Country authorities and IMF staff calculations. 2022 figures for Oman exclude workers in the family sector.

Female Labor Force Participation Rate

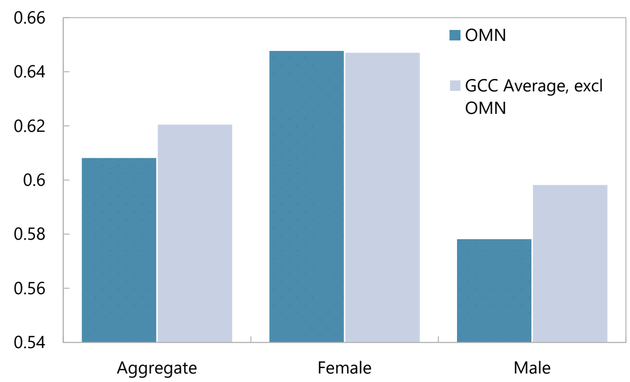
(In percent)



Source: ILO Modelled Estimates and Projections database (ILOEST) and IMF staff calculations

Human Capital Index, 2020

(Scale 0-1)



Sources: World Bank and IMF staff calculations.

37. Initiatives to revamp the business environment are underway. Extensive legislative reforms and initiatives have been undertaken under "Invest Oman" to improve the business landscape and attract large-scale investors, including the launch of the National Program for Investment and Export Development (Nazdaher), which aims to enhance Oman's competitiveness as an investment destination.[7] The launch of OIA's Future Fund Oman is poised to further attract investments and boost venture capital for startups. Staff emphasized that sectoral-targeted strategies, including the "Industrial Strategy 2040" and the expansion of Special Economic Zones (SEZs), should complement and support broad structural reforms while remaining compliant to global trade and tax rules.

38. Developing SMEs is key for job creation and growth. Micro, small and medium-sized enterprises employed over three-quarters of the private sector workforce in 2023 and contributed to

[7] The overhaul of the business environment was underpinned by the issuance of the Commercial Companies Law, Privatization Law, Public-Private Partnership Law, Foreign Capital Investment Law, and Bankruptcy Law, all in 2019, the Security Law in 2022, and the Social Protection Law and Labor Law in 2023.

over a third of nonhydrocarbon GDP. While the authorities have introduced several initiatives aimed at upskilling entrepreneurs through training courses and incubators, facilitated access to finance through subsidized lending programs, and implemented legislation to facilitate business creation, bottlenecks remain (see Selected Issues Paper III). Staff emphasized the importance of alleviating these burdens to support SMEs in creating new jobs, including by:

- **Access to private sector finance**. As private sector lenders remain concerned about high SME credit risk, the implementation of a well-designed credit guarantee scheme can help mitigate such a risk and crowd in commercial banks.

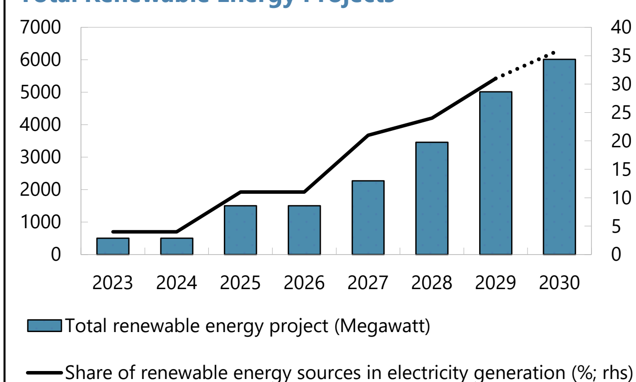
- **Integration of SMEs into SEZs' value chains**. Current pilot initiatives to facilitate the integration of SMEs in SEZs should be further expanded. Efforts should particularly focus on connecting large multinational enterprises operating in SEZs with SMEs, by identifying the needs of the former and helping the latter acquire the knowledge and skills to supply large foreign firms.

- **Modernizing insolvency procedures.** A streamlined insolvency procedure for SMEs while allowing for the possibility of a fresh start would encourage risk-taking and innovation.

39. Oman is making sustained progress on digital transformation. Digitalization of public sector services has advanced, earning Oman a significant improvement on its global ranking in the UN E-Government Index—from 50th in 2022 to 41st in 2023. Staff welcomed progress, including the favorable internet penetration and 4G-5G population coverage, but also pointed to gaps, particularly those related to advanced ICT skills among the population, internet connection speed, and digital innovation, and encouraged the authorities to make the necessary investments, including in R&D, to ensure a comparable level with neighboring countries (see Selected Issues Paper IV).

40. Efforts are ongoing to position Oman as a sustainability leader in renewable energy production and the green hydrogen economy. Oman's Green Hydrogen Strategy seeks to establish the country as a global leader in the green hydrogen sector, encompassing initiatives for localization, infrastructure sharing, and ambitious production targets to transition towards a net-zero carbon economy by 2050. Staff welcomed this strategy and encouraged the authorities to sustain ongoing efforts to boost renewable energy capacity to ensure the key milestone of generating 30 percent of electricity from renewable energy by 2030.

Total Renewable Energy Projects



Source: Ministry of Energy and Mining and IMF staff calculations.
Note: Share of renewable energy for 2030 is staff estimates.

41. While data provision exhibits some deficiencies, it remains broadly adequate for surveillance. The authorities continue to adhere to the IMF's Enhanced General Data Dissemination System (e-GDDS). Staff called for additional actions to improve the timeliness, frequency, comprehensiveness, and dissemination of national accounts, external, and fiscal data and expressed the Fund's willingness to offer further CD support (see Annex VIII).

42. Authorities' views. The authorities reaffirmed their dedication to accelerating structural reforms aimed at fostering nonhydrocarbon private sector-led growth in line with Oman Vision 2040, pointing out to the successful ongoing implementation of the new social protection and labor laws and to numerous initiatives to further enhance the business environment, attract large-scale investments, increase labor market flexibility, empower SMEs, and advance climate and digitalization policies. They agreed with the need to scale up active labor market policies and highlighted ongoing work to expand vocational education. They underscored that several provisions in the new labor law, including extended maternity leave, new paternity leave, and flexible work arrangements, will support female jobs, and agreed to consider further actions, including enhancing child support for working mothers and scaling up investment in early childhood education, to promote more opportunities for women. The authorities noted that negotiations are at a final stage to establish an FTA with India and that they are considering starting negotiations with other strategic partners, which would increase FDI and open new markets to Omani businesses. They highlighted progress on attracting investments in renewable energy, with the 2030 target set to be achieved earlier. They underscored recent achievements on digitalizing government services and re-affirmed their commitment to advance their digitalization agenda.

STAFF APPRAISAL

43. Supported by favorable hydrocarbon revenues and steadfast reform efforts, Oman's economic outlook remains favorable. Nonhydrocarbon growth is set to accelerate over the medium term supported by the execution of sizable committed private sector investments and higher demand from neighboring countries. Fiscal and current account balances are expected to remain in surplus over the medium term, albeit somewhat lower than their current levels, weighed down by softening oil prices, but supported by rising hydrocarbon production and continued fiscal discipline. The outlook is, nonetheless, subject to elevated uncertainty, including from oil price volatility, risks of a global economic slowdown, and intensifying geopolitical tensions.

44. The authorities continue pursuing prudent fiscal management, amidst the successful rollout of the social protection law. The 2025 budget is set to preserve fiscal discipline, further lowering the nonhydrocarbon primary deficit, while maintaining spending on social safety nets broadly unchanged relative to 2024. Accelerating the momentum of fiscal reforms will be key to entrench fiscal sustainability and ensure intergenerational equity, while creating additional space to pursue growth-enhancing investments to achieve Oman Vision 2024 objectives. Proceeding decisively with the tax administration reform, the implementation of the personal income tax law, and Pillar II of the global minimum tax are essential to reduce the tax gap and help re-balance the envisaged fiscal adjustment over the medium term. Sustaining reforms to reduce the cost of electricity generation, transmission, and distribution while adjusting tariffs, as needed, to ensure cost recovery by 2030, along with lifting the fuel price cap, will be key to minimize untargeted subsidies and free up resources for priority spending.

45. **Strengthening fiscal institutions will be key to entrench fiscal sustainability and enhance transparency and credibility.** The ongoing work to produce a new Medium-Term Fiscal Plan (MTFP) to underpin the 11th Five-Year Development Plan offers a window of opportunity to develop the MTFP into a full-fledged MTFF which, if endorsed at the highest level, would strengthen the budget process and enhance fiscal transparency and credibility. A carefully selected fiscal rule together with a well-crafted communication strategy to ensure broad consensus about the implications of adopting a rule will help decouple government spending from oil price volatility, strengthen fiscal discipline, and accumulate financial buffers while providing flexibility to manage severe shocks. Expediting the full implementation of the Treasury Single Account (TSA) will be key to enhance cash management and support a more effective monetary policy transmission. SOE reforms should continue advancing, further enhancing governance, transparency, risk management, and contingency planning while reducing the state footprint in the economy. Aligning the reporting of fiscal accounts with international standards and expanding their coverage, while developing a sovereign asset and liability management framework, would support transparency and sound fiscal management.

46. **The exchange rate peg remains an appropriate and credible policy anchor for Oman.** The peg has been instrumental in delivering low and stable inflation. Steadfast operationalization of the Monetary Policy Enhancement Project will ensure that monetary policy actions effectively transmit to the broader economy and help deepen money markets. Progress on developing Emergency Liquidity Assistance and collateral frameworks is welcome. Moving decisively with the ongoing actions to strengthen the liquidity management framework along with full implementation of the TSA and further efforts to deepen money and capital markets will support the conduct of monetary policy.

47. **The banking sector is sound, amidst continued efforts to strengthen regulatory and supervisory frameworks.** Progress on stepping up banking regulatory frameworks, including the improved D-SIB framework and restoration of the capital conservation buffer to its pre-pandemic level, supports banking sector resiliency. Lifting the interest rate cap on personal loans while upgrading the credit bureau would improve capital allocation, support better pricing of credit risk, enhance access to finance, and improve monetary policy transmission. Beefing up the macroprudential toolkit, including by introducing a positive countercyclical capital buffer if the credit gap turns positive, will help reduce risks going forward.

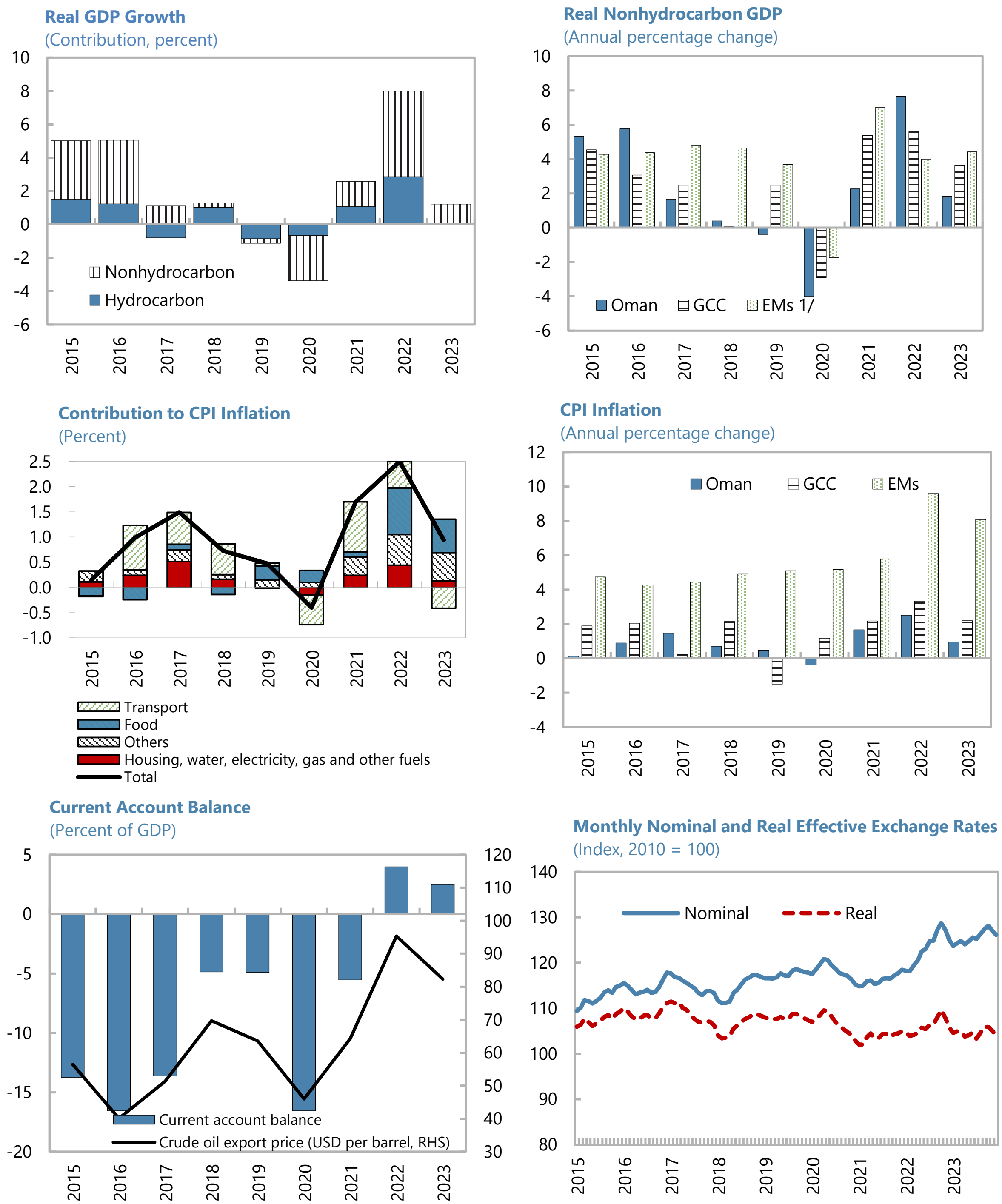
48. **Progress on developing the financial sector will enhance access to finance and support diversification.** Initiatives to open up the banking sector to new players and dynamize financial markets are welcome. Moving ahead with actions to invigorate money markets will help establish a reliable short-term yield curve, paving the way to the issuance of longer-dated government bonds and setting the stage for the development of the corporate debt market. Expanding the role of nonbank financial institutions, including by revamping the Social Protection Fund's investment

policy and facilitating inflows from nonresident investors, would help deepen domestic capital markets. Pursuing efforts to upgrade Muscat Stock Exchange to emerging market status will support attracting larger foreign investments and increase domestic firms' access to finance. These developments should go hand in hand with Oman's continued AML/CFT reform to mitigate financial integrity risks, including those stemming from illicit financial flows and misuse of legal persons.

49. Sustained implementation of reforms under Oman Vision 2040 will be key to achieving sustainable, job rich, private sector-led nonhydrocarbon growth. The new social protection law has been successfully rolled out. Labor market reforms are ongoing, supported by the new labor law. Sustaining these reform efforts by tackling remaining bottlenecks, including the wage gap between the public and private sectors, enhancing mobility for expatriate workers, empowering women in the workforce, and reducing the skills' gap while scaling up support for job seekers is essential. Moving ahead decisively with initiatives to continue attracting investments, expanding trade opportunities, and empowering SMEs will accelerate job creation. Maintaining the momentum of reforms under the climate and digitalization agendas will be critical to build a sustainable, knowledge-based, and job-rich economy.

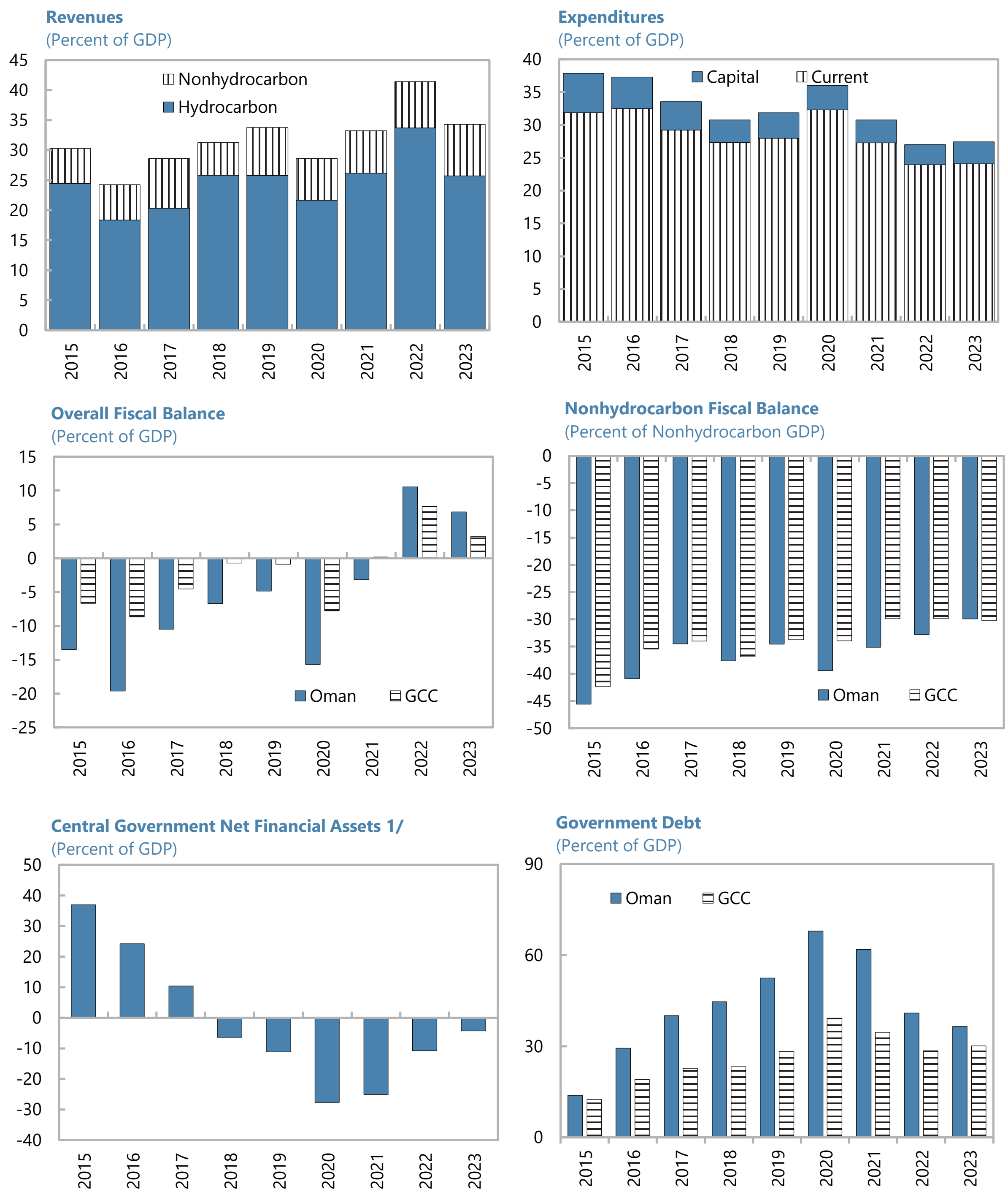
50. Staff proposes that the next Article IV consultation with Oman follows the standard 12-month cycle.

Figure 1. Oman: Recent Economic Developments



Sources: Country authorities and IMF staff calculations.
1/ For EMs, total GDP.

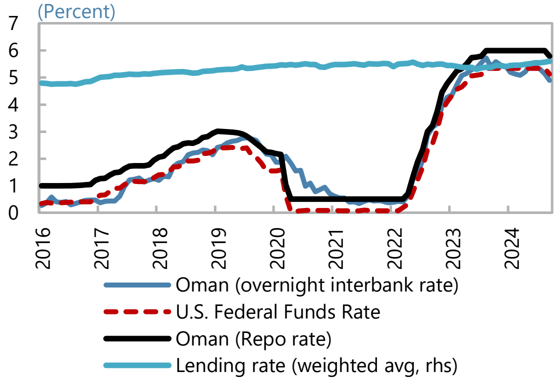
Figure 2. Oman: Fiscal Sector Developments



Sources: Country authorities and IMF staff calculations.
1/ Central government deposits at depository corporations and Oman Investment Authority's liquid assets less government debt.

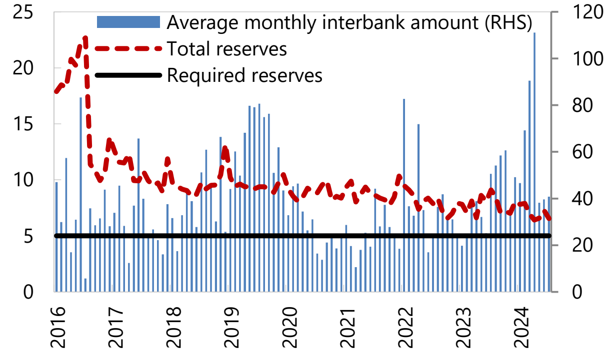
Figure 3. Oman: Monetary and Financial Developments

Interest Rates
(Percent)



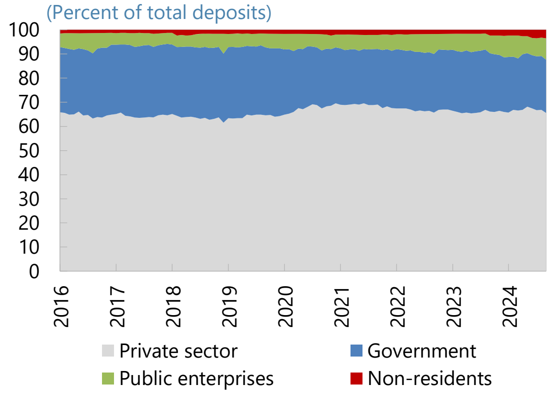
Note: Data for 2024 is as of September-end.

Bank's Reserves and Interbank Activity
(Percent of total deposits (lhs), RO million (rhs))



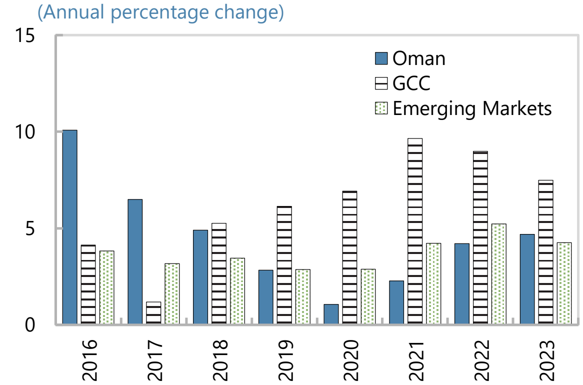
Note: Data for 2024 is as of July-end.

Commercial Bank's Deposits
(Percent of total deposits)

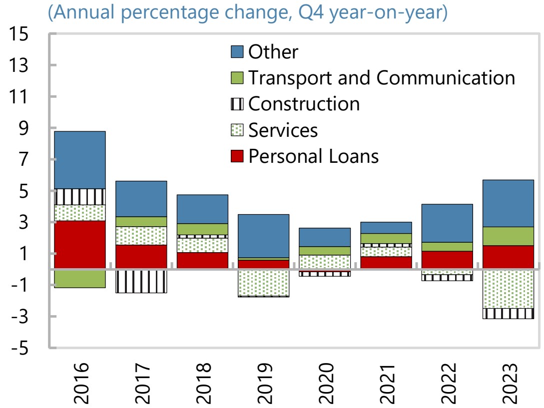


Note: Data for 2024 is as of September-end.

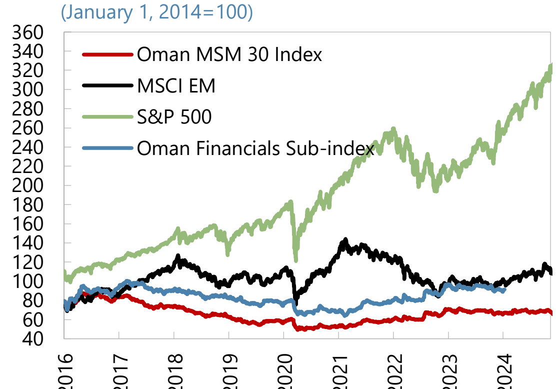
Credit to the Private Sector
(Annual percentage change)



Contribution to Total Credit Growth
(Annual percentage change, Q4 year-on-year)



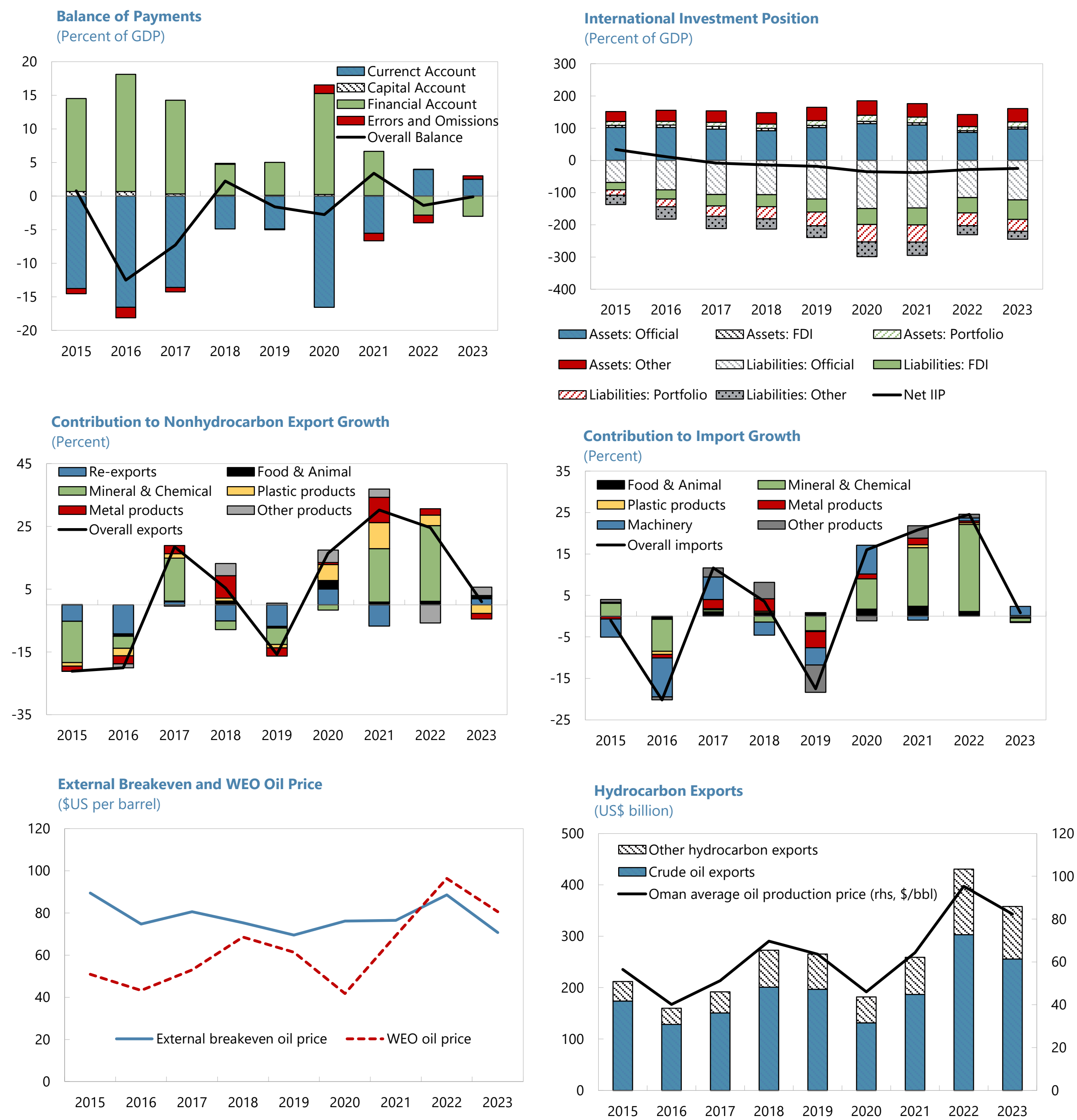
Market Indices
(January 1, 2014=100)



Note: Data for 2024 is as of November-end.

Sources: Country authorities, Bloomberg L.P., and IMF staff calculations.

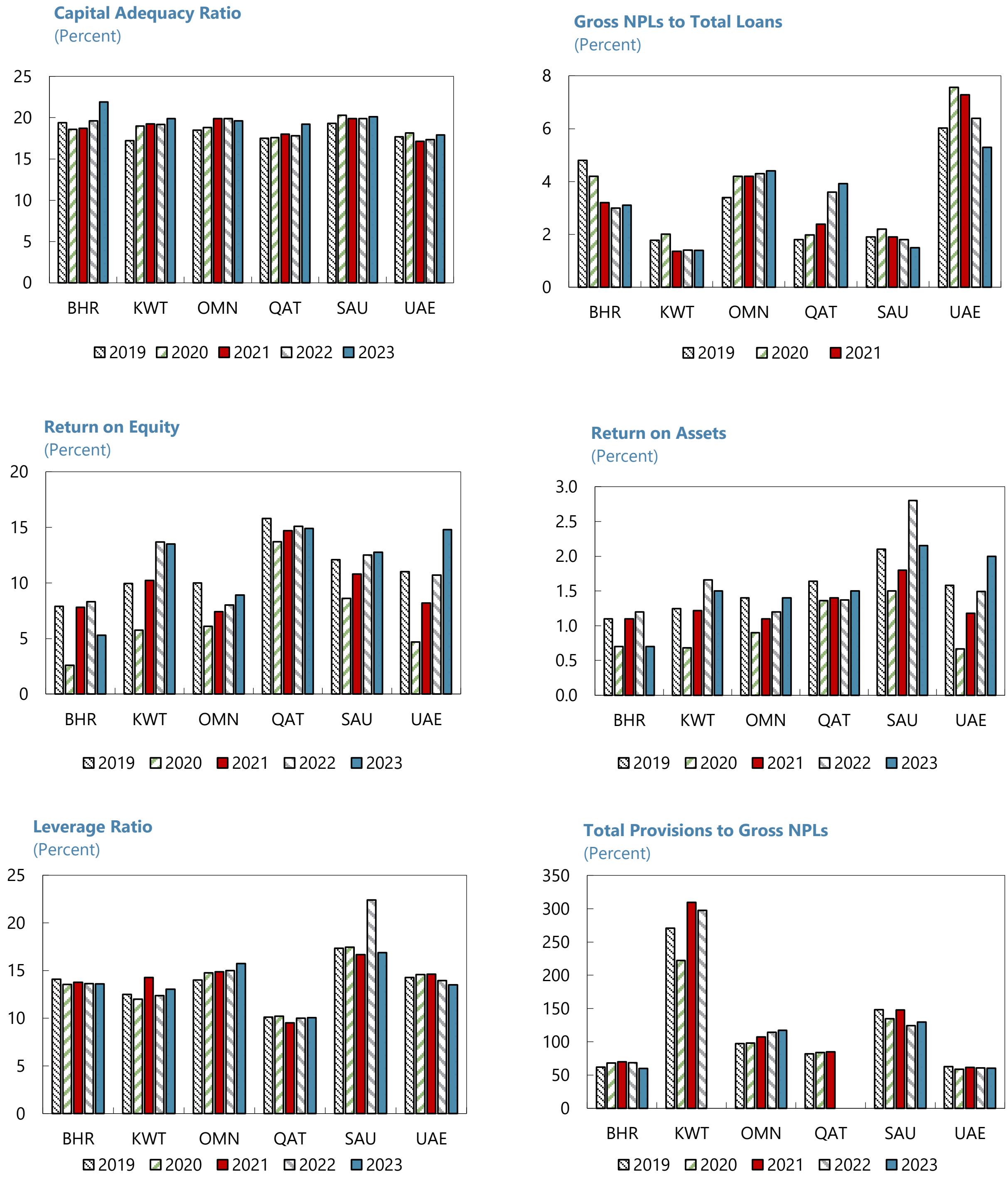
Figure 4. Oman: External Sector Developments 1/



Sources: Country authorities, Bloomberg L.P., Haver Analytics, and IMF staff calculations.

1/ The coverage of nonhydrocarbon trade data was expanded in 2020 to include international transactions in free-trade zones. Therefore, data from 2020 and beyond is not comparable with nonhydrocarbon trade data from previous years.

Figure 5. Oman: Banking Sector Soundness Indicators



Sources: Country authorities, Haver Analytics, and IMF staff calculations.

Table 1. Oman: Selected Economic Indicators, 2021–29

	2021	2022	2023	2024	2025	2026	2027	2028	2029
				Proj.					
Oil and Gas Sector									
Average crude oil export price (US$/barrel)	64.3	95.4	82.3	81.3	72.8	70.2	68.6	67.6	67.0
Crude and condensates oil production (in millions of barrels/day)	0.971	1.064	1.049	0.997	1.002	1.032	1.095	1.140	1.176
of which: Crude Oil (in millions of barrels/day)	0.782	0.848	0.815	0.762	0.768	0.794	0.853	0.889	0.917
Natural gas production (in millions of cubic meters per day)	132.2	137.2	142.5	149.1	152.3	155.5	159.2	163.0	166.9
National Accounts	(Annual percentage change, unless otherwise indicated)								
Nominal GDP (US$ billions)	87.3	109.9	105.9	106.8	107.6	111.5	116.9	122.5	128.6
Nominal GDP (in billions of Omani rials)	33.6	42.2	40.7	41.1	41.4	42.9	44.9	47.1	49.5
Real GDP	2.6	8.0	1.2	1.2	2.6	3.6	4.4	4.1	3.8
Real hydrocarbon GDP 1/	3.2	8.7	-0.1	-3.1	1.0	2.9	5.4	3.8	3.0
Real nonhydrocarbon GDP	2.3	7.7	1.8	3.3	3.4	3.9	4.0	4.2	4.2
Consumer prices (average)	1.7	2.5	1.0	0.8	1.5	2.0	2.0	2.0	2.0
GDP Deflator	12.1	16.5	-4.7	-0.3	-1.9	0.1	0.4	0.7	1.1
Investment and Saving	(Percent of GDP)								
Gross capital formation	27.9	27.3	26.7	26.0	26.5	27.3	28.3	28.3	28.3
Public	7.5	7.1	7.3	6.8	6.8	6.8	6.8	6.7	6.6
Private	19.4	20.2	19.4	19.2	19.7	20.5	21.5	21.6	21.7
Gross national savings	22.3	31.3	29.2	28.4	27.8	28.1	29.8	30.3	30.4
Public	6.8	20.7	16.5	16.2	11.5	11.5	11.7	11.9	11.8
Private	15.5	10.6	12.7	12.1	16.3	16.6	18.0	18.3	18.6
Central Government Finances	(Percent of GDP)								
Revenue and grants	33.3	41.4	34.3	34.2	29.7	29.2	28.8	28.4	27.7
Hydrocarbon	26.2	33.7	25.7	25.4	20.8	20.3	20.0	19.6	18.9
Nonhydrocarbon and grants	7.1	7.7	8.6	8.8	8.9	8.9	8.8	8.8	8.7
Expenditure	36.5	30.9	27.5	28.0	27.3	26.5	25.6	24.5	23.6
Current	33.0	27.8	24.1	25.2	24.5	23.7	22.8	21.8	21.0
Capital	3.5	3.1	3.3	2.8	2.8	2.8	2.8	2.7	2.6
Overall balance (Net lending/borrowing)	-3.2	10.5	6.9	6.2	2.5	2.7	3.2	3.9	4.1
Overall balance (adjusted) 2/	-0.9	10.5	6.9	6.2	2.5	2.7	3.2	3.9	4.1
Nonhydrocarbon primary balance (percent of nonhydrocarbon GDP)	-31.9	-31.7	-29.0	-29.1	-26.8	-25.3	-23.8	-22.2	-20.6
Central government debt, *of which:*	61.9	41.7	37.5	34.9	34.7	33.0	31.5	30.2	30.0
External debt	46.4	31.5	27.7	24.8	24.3	23.0	21.6	20.5	19.5
Public debt, *of which:*	103.0	72.9	69.5						
SOEs debt	41.1	31.2	32.0						
Net financial assets	-25.1	-12.8	-7.4	-0.7	0.4	2.0	3.5	5.2	6.8
Monetary Sector	(Annual percentage change, unless otherwise indicated)								
Net foreign assets	31.2	-0.8	35.5	9.6	11.9	3.1	9.6	8.8	9.3
Net domestic assets	-1.4	1.0	6.5	-2.0	2.2	6.9	3.1	3.8	5.7
Credit to the private sector	2.3	4.2	4.7	3.7	4.8	5.3	5.4	5.9	5.9
Broad money	4.6	0.6	13.1	1.1	5.1	5.7	5.1	5.4	6.9
External Sector	(In billions of U.S. dollars, unless otherwise indicated)								
Exports of goods	44.3	66.1	59.0	62.4	61.2	62.5	64.8	67.2	68.9
Oil and gas	25.9	43.1	35.8	37.5	34.9	34.5	35.2	35.7	36.2
Other	18.5	23.0	23.2	24.9	26.3	27.9	29.7	31.5	32.6
Imports of goods	28.0	34.7	35.2	38.6	38.7	39.6	40.5	41.3	42.5
Current account balance	-4.8	4.4	2.6	2.5	1.4	0.9	1.7	2.4	2.7
Percent of GDP	-5.5	4.0	2.5	2.4	1.3	0.8	1.5	2.0	2.1
Central Bank gross reserves	19.7	17.6	17.5	19.0	21.1	21.7	23.6	25.6	27.8
In months of next year's imports of goods and services	5.1	4.5	4.1	4.4	4.8	4.8	5.0	5.3	5.6
Total external debt	79.8	70.0	65.6	63.4	63.1	62.0	61.9	61.5	61.4
Percent of GDP	91.4	63.7	61.9	59.3	58.7	55.6	52.9	50.2	47.7

Sources: Omani authorities; and IMF staff estimates and projections.

1/ Includes crude oil, refining, natural gas, and LNG production.

2/ Data prior to 2022 were adjusted by taking out expenditures on gas and oil that were hived off to Energy Development Oman in 2021.

Table 2a. Oman: Government Finances, 2021–29 1/
(Millions of Omani Rials, unless otherwise indicated)

	2021	2022	2023	Proj. 2024	2025	2026	2027	2028	2029
Revenue and Grants	11,187	17,506	13,981	14,031	12,295	12,524	12,940	13,369	13,682
Taxes	1,286	1,630	1,828	1,831	1,883	1,980	2,084	2,195	2,320
Grants	24	14	12	35	35	20	20	20	20
Property income and others	9,877	15,862	12,141	12,164	10,376	10,524	10,836	11,154	11,342
Oil	6,161	10,688	8,594	8,621	6,845	6,798	7,040	7,225	7,386
LNG and natural gas 2/	2,629	3,548	1,868	1,808	1,772	1,918	1,937	2,015	1,985
Public services and utilities	15	1	1	1	1	1	1	1	1
Investment income	312	813	805	800	800	800	800	800	800
Others	761	812	873	935	959	1,008	1,059	1,113	1,170
Expenditure	12,253	13,058	11,184	11,495	11,279	11,349	11,489	11,555	11,673
Expense	11,081	11,752	9,821	10,355	10,139	10,149	10,239	10,263	10,373
Compensation of employees	3,284	3,403	3,506	3,542	3,650	3,709	3,754	3,803	3,854
Use of goods and services	2,018	2,413	840	764	764	766	783	801	822
Interest payments	1,054	1,076	1,044	940	915	861	882	855	905
Subsidies and social benefits	1,152	1,922	1,523	2,075	1,723	1,704	1,691	1,658	1,625
o/w: energy subsidies	595	1,276	870	813	512	493	451	437	445
o/w: social transfers	196	221	206	697	725	757	789	824	860
Grants to other countries	8	10	14	14	14	14	14	14	14
Other expense	3,565	2,928	2,894	3,020	3,073	3,094	3,115	3,132	3,154
PDO operations	780	0	0	0	0	0	0	0	0
Defense	2,785	2,928	2,894	3,020	3,073	3,094	3,115	3,132	3,154
Net Acquisition of Nonfinancial Assets	1,172	1,306	1,363	1,140	1,140	1,200	1,250	1,292	1,300
Acquisitions of nonfinancial assets	1,172	1,306	1,363	1,140	1,140	1,200	1,250	1,292	1,300
PDO operations	0	0	0	0	0	0	0	0	0
Upstream gas project	0	0	0	0	0	0	0	0	0
Civil	1,172	1,306	1,363	1,140	1,140	1,200	1,250	1,292	1,300
Disposals (sales) of nonfinancial assets	0	0	0	0	0	0	0	0	0
Gross Operating Balance	107	5,754	4,160	3,676	2,155	2,375	2,701	3,106	3,309
Net Lending (+)/Borrowing (–) (Overall Balance) 3/	-1,065	4,448	2,797	2,536	1,015	1,175	1,451	1,813	2,009
Net Acquisition of Financial Assets 4/	-109	1,276	459	1,602	1,050	950	1,472	1,851	2,624
Net Incurrence of Liabilities	956	-3,173	-2,338	-934	34	-224	21	38	615
Domestic debt	74	-864	-347	166	171	-13	150	116	610
External debt	882	-2,308	-1,991	-1,100	-137	-212	-129	-78	5
Memorandum Items:									
Total government debt, *of which*	20,775	17,602	15,264	14,330	14,364	14,140	14,161	14,198	14,813
External debt	15,592	13,284	11,293	10,192	10,056	9,844	9,715	9,637	9,642

Sources: Ministry of Finance; and IMF staff estimates and projections.
1/ Table covers budgetary central government operations. Hydrocarbon revenues are measured on gross basis, including revenues transferred to dedicated funds and lent to Energy Development Oman through the Shareholding Bridge Facility. Starting 2023, gas-related revenues are reported net of the cost of gas purchase and transportation (previously included under use of goods and services) as gas-related operations were hived off to Integrated Gas Company after its creation at the beginning of 2023.
2/ Includes the dividend from Oman Liquified Natural Gas Company (OLNG).
3/ Excludes 'net lending and equity'.
4/ Includes 'net lending and equity'.

Table 2b. Oman: Government Finances, 2021–29 1/

(Percent of GDP)

	2021	2022	2023	2024 Proj.	2025 Proj.	2026 Proj.	2027 Proj.	2028 Proj.	2029 Proj.
Revenue and Grants	33.3	41.4	34.3	34.2	29.7	29.2	28.8	28.4	27.7
Taxes	3.8	3.9	4.5	4.5	4.6	4.6	4.6	4.7	4.7
Grants	0.1	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0
Property income and others	29.4	37.6	29.8	29.6	25.1	24.6	24.1	23.7	22.9
Oil	18.3	25.3	21.1	21.0	16.5	15.9	15.7	15.3	14.9
LNG and natural gas 2/	7.8	8.4	4.6	4.4	4.3	4.5	4.3	4.3	4.0
Public services and utilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investment income	0.9	1.9	2.0	1.9	1.9	1.9	1.8	1.7	1.6
Others	2.3	1.9	2.1	2.3	2.3	2.4	2.4	2.4	2.4
Expenditure	36.5	30.9	27.5	28.0	27.3	26.5	25.6	24.5	23.6
Expense	33.0	27.8	24.1	25.2	24.5	23.7	22.8	21.8	21.0
Compensation of employees	9.8	8.1	8.6	8.6	8.8	8.7	8.4	8.1	7.8
Use of goods and services	6.0	5.7	2.1	1.9	1.8	1.8	1.7	1.7	1.7
Interest payments	3.1	2.5	2.6	2.3	2.2	2.0	2.0	1.8	1.8
Subsidies and social benefits	3.4	4.6	3.7	5.1	4.2	4.0	3.8	3.5	3.3
o/w: energy subsidies	1.8	3.0	2.1	2.0	1.2	1.2	1.0	0.9	0.9
o/w: social transfers	0.6	0.5	0.5	1.7	1.8	1.8	1.8	1.7	1.7
Grants to other countries	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other expense	10.6	6.9	7.1	7.4	7.4	7.2	6.9	6.7	6.4
PDO operations	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Defense	8.3	6.9	7.1	7.4	7.4	7.2	6.9	6.7	6.4
Net Acquisition of Nonfinancial Assets	3.5	3.1	3.3	2.8	2.8	2.8	2.8	2.7	2.6
Acquisitions of nonfinancial assets	3.5	3.1	3.3	2.8	2.8	2.8	2.8	2.7	2.6
PDO operations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Upstream gas project	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Civil	3.5	3.1	3.3	2.8	2.8	2.8	2.8	2.7	2.6
Disposals (sales) of nonfinancial assets	-	-	-	-	-	-	-	-	-
Gross Operating Balance	0.3	13.6	10.2	8.9	5.2	5.5	6.0	6.6	6.7
Net Lending (+)/Borrowing (–) (Overall Balance) 3/	-3.2	10.5	6.9	6.2	2.5	2.7	3.2	3.9	4.1
Net Acquisition of Financial Assets 4/	-0.3	3.0	1.1	3.9	2.5	2.2	3.3	3.9	5.3
Net Incurrence of Liabilities	2.8	-7.5	-5.7	-2.3	0.1	-0.5	0.0	0.1	1.2
Domestic debt	0.2	-2.0	-0.9	0.4	0.4	0.0	0.3	0.2	1.2
External debt	2.6	-5.5	-4.9	-2.7	-0.3	-0.5	-0.3	-0.2	0.0
Memorandum Items:									
Total government debt, *of which*	61.9	41.7	37.5	34.9	34.7	33.0	31.5	30.2	30.0
External debt	46.4	31.5	27.7	24.8	24.3	23.0	21.6	20.5	19.5
Nonhydrocarbon revenue (percent of nonhydrocarbon GDP)	10.5	13.1	13.7	13.4	13.0	12.8	12.6	12.4	12.2
Break-even oil price (fiscal, U.S. dollars)	76.7	55.4	54.0	55.4	57.3	51.8	49.8	48.1	47.3

Sources: Ministry of Finance; and IMF staff estimates and projections.

1/ Table covers budgetary central government operations. Hydrocarbon revenues are measured on gross basis, including revenues transferred to dedicated funds and lent to Energy Development Oman through the Shareholding Bridge Facility. Starting 2023, gas-related revenues are reported net of the cost of gas purchase and transportation (previously included under use of goods and services) as gas-related operations were hived off to Integrated Gas Company after its creation at the beginning of 2023.

2/ Includes the dividend from Oman Liquified Natural Gas Company (OLNG).

3/ Excludes 'net lending and equity'.

4/ Includes 'net lending and equity'.

Table 3. Oman: Monetary Survey, 2021–29
(Millions of rial Omani, unless otherwise indicated, end of period)

	2021	2022	2023	Proj. 2024	2025	2026	2027	2028	2029
Foreign Assets (Net)	4,651	4,615	6,253	6,852	7,666	7,900	8,659	9,419	10,298
Central Bank	6,796	6,055	6,056	6,648	7,451	7,672	8,418	9,163	10,026
Commercial banks	-2,145	-1,440	197	205	215	227	241	256	272
Domestic Assets (Net)	15,570	15,720	16,749	16,412	16,777	17,926	18,475	19,174	20,263
Claims on government (net)	-2,884	-3,624	-3,898	-3,556	-3,223	-2,822	-2,658	-2,528	-1,755
Central Bank	-1494	-1536	-1095	-1095	-1095	-1095	-1095	-1095	-1095
Claims	112	0	0	0	0	0	0	0	0
Deposits 1/	1,606	1,536	1,095	1,095	1,095	1,095	1,095	1,095	1,095
Commercial banks	-1,390	-2,088	-2,803	-2,461	-2,128	-1,727	-1,563	-1,434	-660
Claims	4,716	4,278	3,778	4,120	4,452	4,854	5,018	5,147	5,920
Loans	620	845	516	516	516	516	516	516	516
Bills and bonds	4,095	3,434	3,261	3,603	3,936	4,337	4,501	4,631	5,404
Deposits	6,106	6,366	6,581	6,581	6,581	6,581	6,581	6,581	6,581
Claims on Public Enterprises	3,752	3,910	4,318	4,801	5,054	5,375	5,723	6,103	6,507
Claims on Private Sector	23,634	24,656	25,820	26,775	28,064	29,549	31,135	32,962	34,915
Credit to the private sector	23,436	24,423	25,568	26,514	27,790	29,261	30,831	32,640	34,574
Other Items (Net)	-8,932	-9,221	-9,491	-11,608	-13,118	-14,176	-15,724	-17,363	-19,404
Central Bank	-3,995	-3,276	-3,752	-4,343	-5,146	-5,368	-6,113	-6,859	-7,721
Commercial banks	-4938	-5946	-5740	-7265	-7972	-8808	-9611	-10505	-11682
Broad Money	20221	20335	23002	23264	24443	25826	27134	28593	30561
Money	5,747	5,606	5,981	6,049	6,356	6,715	7,056	7,435	7,947
Currency outside banks	1,307	1,243	1,210	1,210	1,210	1,210	1,210	1,210	1,210
Demand deposits	4,439	4,363	4,771	4,840	5,146	5,506	5,846	6,225	6,737
Quasi-money 2/	14,474	14,729	17,021	17,215	18,087	19,111	20,079	21,158	22,614
Of which: Foreign currency deposits	1,924	1,843	3,268	3,305	3,473	3,669	3,855	4,063	4,342
Memorandum Items:									
Broad money multiplier (ratio)	5.3	6.5	6.8	6.7	7.1	7.3	7.5	7.7	7.9
	(Annual percentage change, unless otherwise indicated)								
Broad Money	4.6	0.6	13.1	1.1	5.1	5.7	5.1	5.4	6.9
Net Foreign Assets	31.2	-0.8	35.5	9.6	11.9	3.1	9.6	8.8	9.3
Domestic Assets	-1.4	1.0	6.5	-2.0	2.2	6.9	3.1	3.8	5.7
Of which: Credits to the private sector	2.3	4.2	4.7	3.7	4.8	5.3	5.4	5.9	5.9
Claims on Private Sector / GDP	70.4	58.4	63.4	65.2	67.8	68.9	69.3	70.0	70.6
Claims on Private Sector / Nonhydrocarbon GDP	104.5	99.2	100.8	100.4	100.5	100.0	99.4	99.2	98.9

Sources: Country authorities, Central Bank of Oman, and IMF staff estimates and projections.
1/ Includes deposits mainly from the Ministry of Finance.
2/ Includes foreign currency deposits and deposits related to letters of credit.

Table 4. Oman: Balance of Payments Summary, 2021–29 1/
(Millions of USD)

	2021 1/	2022	2023	2024 Proj.	2025 Proj.	2026 Proj.	2027 Proj.	2028 Proj.	2029 Proj.
Trade Balance	16,316	31,317	23,845	23,820	22,490	22,911	24,343	25,809	26,392
Exports	44,340	66,064	59,014	62,424	61,227	62,479	64,831	67,157	68,860
Hydrocarbons, *of which*:	25,884	43,068	35,790	37,488	34,897	34,539	35,165	35,655	36,233
Crude oil	18,686	30,316	25,575	22,435	19,990	19,854	20,627	21,193	21,671
LNG	4,325	7,951	6,702	6,420	5,756	5,672	5,538	5,460	5,464
Other exports	15,027	19,568	19,356	20,790	22,002	23,433	24,965	26,572	27,472
Re-exports	3,430	3,428	3,868	4,146	4,328	4,506	4,700	4,930	5,156
Imports, f.o.b.	28,024	34,747	35,169	38,605	38,737	39,568	40,488	41,348	42,469
Services (Net)	-6,959	-8,516	-6,508	-6,612	-6,551	-6,562	-6,730	-6,861	-6,622
Income (Net)	-6,028	-9,324	-5,217	-4,797	-4,202	-4,509	-4,322	-4,236	-4,215
Credit	1,821	992	1,586	2,834	3,411	2,975	3,160	3,407	3,671
Debit	7,848	10,316	6,803	7,631	7,612	7,484	7,482	7,643	7,886
Current Transfers, including Official Grants (Net)	-8,165	-9,115	-9,483	-9,874	-10,340	-10,940	-11,592	-12,308	-12,808
Current Account Balance	-4,836	4,362	2,638	2,537	1,398	901	1,700	2,405	2,746
Capital Account	40	11	-5	90	89	49	48	47	46
Financial Account	-5,768	3,117	3,190	2,627	1,487	950	1,748	2,452	2,792
Foreign direct investment, Net	-7,565	-7,176	-12,094	-4,921	-5,212	-5,547	-5,905	-6,295	-6,708
Portfolio investment, Net	-3,984	1,447	7,971	5,453	3,673	4,732	4,070	4,729	4,733
Other investment, Net	2,691	10,382	6,676	556	936	1,189	1,644	2,079	2,523
Change in Official Reserves 2/	3,090	-1,536	636	1,538	2,089	575	1,939	1,939	2,244
Errors and Omissions	-972	-1,256	558	0	0	0	0	0	0
Memorandum Items:									
Current account balance (in percent of GDP)	-5.5	4.0	2.5	2.4	1.3	0.8	1.5	2.0	2.1
Central Bank gross reserves (in million of USD)	19,731	17,621	17,499	19,037	21,127	21,702	23,641	25,580	27,824
In months of next year's imports of goods and services	5.1	4.5	4.1	4.4	4.8	4.8	5.0	5.3	5.6
Total external debt (in million of USD)	79,838	69,950	65,578	63,404	63,126	62,018	61,873	61,532	61,407
Percent of GDP	91.4	63.7	61.9	59.3	58.7	55.6	52.9	50.2	47.7

Sources: Central Bank of Oman, Ministry of Finance, and IMF staff estimates and projections.
1/ The coverage of nonhydrocarbon trade data was extended in 2020 to include international transactions in free trade zones. Therefore, data from 2020 and beyond is not comparable with nonhydrocarbon trade data from previous years.
2/ Historical flows include CBO and SGRF reserve accumulation.

Table 5. Oman: Financial Soundness Indicators of the Banking Sector, 2016-2024
(Percent)

	2016	2017	2018	2019	2020	2021	2022	2023	Jun-24
Capital Adequacy									
BIS Capital 1/	16.5	17.4	17.9	18.5	18.8	19.4	19.7	18.9	17.8
Core capital 2/	14.6	15.8	16.6	17.4	17.7	18.5	18.9	18.1	17.1
Bank Capital to Assets	15.3	16.3	15.8	15.9	15.8	15.6	16.0	14.8	13.8
Loan Quality									
NPLs	1.8	1.9	2.7	3.5	4.2	4.2	4.4	4.5	4.5
Net NPLs 3/	0.6	0.7	1.0	1.4	1.6	1.3	1.4	1.4	1.4
Restructured/ rescheduled loans to total loans	1.2	1.6	2.3	3.8	4.3	5.8	12.1	11.1	11.6
Loan loss provisions to NPLs	66.8	62.5	65.8	61.0	63.4	68.8	68.7	69.7	69.7
Related party loans to total capital	6.2	7.1	10.9	7.8	7.4	8.0	9.4	9.2	13.2
Profitability									
Return on Assets 4/	1.5	1.5	1.6	1.4	0.9	1.1	1.2	1.3	1.5
Return on Equity 5/	11.2	9.8	10.6	9.4	5.7	6.8	7.9	8.6	10.4
Liquidity									
Lending Ratio	79.7	80.2	77.7	79.8	79.7	77.5	80.7	79.2	79.0
Customer Deposits to Total Assets	45.1	45.2	54.6	45.8	50.0	47.8	47.8	51.3	54.2
Net Stable Funding Ratio	110.6	116.2	114.6	116.3	116.7	118.6	115.1	120.3	115.9
Liquidity Coverage Ratio	259.4	215.9	253.6	220.1	196.3	212.1	190.2	221.8	169.0
Market Risk									
Foreign Currency Assets to Foreign Currency Liabilities	108.8	115.6	112.9	116.9	120.3	123.9	118.9	109.4	108.5
Foreign Currency Loans to Foreign Currency Deposits	120.3	142.0	119.6	147.6	160.5	184.6	161.6	81.9	76.5
Net Forex Open Position to Capital	11.3	16.0	12.2	9.4	15.3	13.9	10.8	8.2	9.1

Sources: Central Bank of Oman.
1/ BIS Capital Ratio = (Tier 1 + Tier 2 capital)/ Total risk weighted assets.
2/ Core Capital Ratio = Tier 1 capital/ Total risk weighted assets.
3/ Net NPLs = Ratio of gross NPLs net of reserve interest & specific provisions to gross advances net of reserve interest & specific provisions.
4/ Return on Assets = Net profit before taxes/ Total assets.
5/ Return on Equity = Net profit before taxes/ Total equity.

Annex I. Oman's 10th Five-Year Development Plan (2021-2025)

Oman's 10th Five-Year Development Plan is the first executive step towards achieving the goals set forth in Oman Vision 2040. This plan serves as a strategic framework for the Sultanate's development, focusing on sustainable growth and economic diversification. It represents a commitment to improving the quality of life for Omani citizens while ensuring the efficient and prudent management of financial resources.

Objectives and Key Achievements

1. Sustainable Human Development. The plan has prioritized enhancing the living standards of citizens through further improving the provision of education, healthcare, and social protection. Several initiatives have aimed at improving the provision of healthcare, seeking for universal health coverage and access to quality medical care. The Ministry of Labor launched various programs to equip the workforce with necessary skills for existing and emerging sectors, such as ICT and renewable energy. The Omani government continued to enhance the national curriculum to adapt it to future needs, emphasizing critical thinking, problem-solving, and digital literacy. The updated curriculum integrates STEM education to prepare students for growing strategic economic sectors. Significant investments have also been made in digital infrastructure, promoting e-learning and online educational resources, including the introduction of smart classrooms and digital platforms to facilitate remote learning.

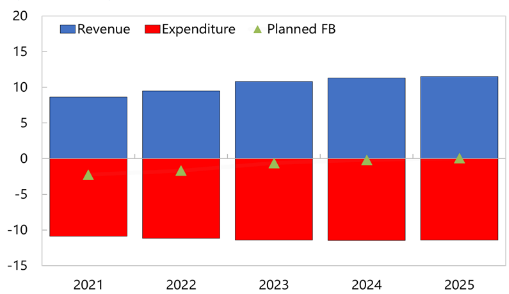
2. Economic Diversification. The 10th development plan has targeted reducing the country's reliance on hydrocarbon revenues by fostering growth in nonhydrocarbon sectors, primarily through the expansion of agriculture, logistics, manufacturing, mining, and tourism. Diversification policies have aimed to encourage entrepreneurship and support small and medium-sized enterprises (SMEs) as a catalyst for job creation and innovation. Oman has undertaken several recent initiatives to improve its business climate to attract FDI, focusing on creating a favorable environment for both local and international investors. Among these efforts, Oman has streamlined regulatory processes to simplify business registration and licensing. This includes reducing bureaucratic red tape and implementing online platforms for easier access to services. The introduction of the new Investment Law has aimed at providing greater protection and incentives for foreign investors, allowing 100 percent foreign ownership in several sectors.

3. Public Financial Management. The 10th development plan sought to achieve a balanced budget by controlling expenditures and increasing revenues, particularly nonhydrocarbon revenues, while ensuring that public debt remained manageable. Public spending restraint focused on efficiency measures without compromising essential services. Capital expenditures supported high-impact development projects designed to crowd in private investment in strategic economic sectors. Following the rollout of excises and VAT, efforts continue to further improve nonhydrocarbon revenue generation while ensuring a fair and equitable tax system. The 10th development plan has increased the transparency of government financial operations, through measures to expand e-government services and the successful rollout of e-tendering for all public sector projects.

4. Social Welfare. The successful rollout of the new social protection law has expanded the equitable access to social services and welfare programs. Targeted programs have been designed to assist marginalized groups, including low-income families, disabled persons, the elderly, and job seekers. Initiatives to improve the efficiency and transparency of fund disbursements are underway, with digital platforms being utilized to streamline processes and reach those in need more effectively.

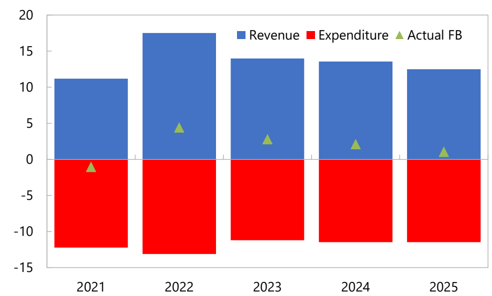
5. Fiscal Space. Oman's fiscal efforts have significantly reduced fiscal vulnerabilities and restored the country's credit rating back to investment grade through decisive measures to markedly reduce public debt, improve revenue collection, and enhance the efficiency of public expenditure. While these initiatives have bolstered fiscal discipline and investor confidence, nonhydrocarbon revenue has not yet reached the committed levels. Favorable oil prices have provided substantial support to achieve fiscal surpluses, but challenges remain to accelerate revenue diversification to ensure long-term fiscal sustainability and resilience against oil price volatility.

Planned Fiscal Outturns
(In OMR billion)



Sources: 10th five-year plan.

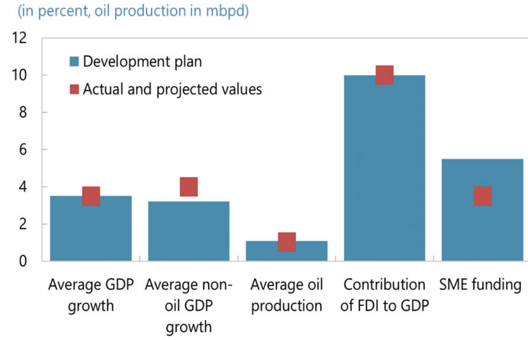
Actual and Projected Fiscal Outturns
(In OMR billion)



Sources: MoF and IMF staff projections.

6. Securing targets. Most targets as envisaged in the 10th development plan, including on nonhydrocarbon output growth, contribution of foreign direct investment to GDP, and the fiscal position, have been surpassed. While Oman's 10th Five-Year Development Plan has laid a strong foundation for sustainable growth and development, its conclusion by end of 2025 provides an opportunity to take lessons and assess the impact of its key policies. As the authorities start planning for the second phase of Oman Vision 2040 through the 11th Five-Year Development Plan for the period 2026-2030, further efforts should aim to improve institutional quality, reduce the state footprint, tackle long-standing labor market bottlenecks, foster SME development, and advance policies to support digitalization and meet climate commitments. In parallel, sustained actions should continue to enhance the cooperation and coordination among different government agencies responsible for the plan's implementation to enhance the effectiveness of the government's diversification efforts. The successes already achieved provide a solid platform from which to build, and with strategic adjustments, Oman can continue its path toward sustainable and diversified economic growth.

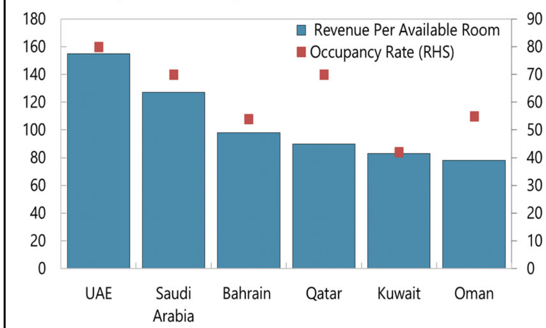
Selected (2021-2025) Targets and Realized Values
(in percent, oil production in mbpd)



Sources: Development plan, authorities and IMF projections.
Note: Real nonoil GDP folows the authorities definition which only excludes upstream oil activities from overall GDP.

Annex II. Tourism Sector Performance in Omans

GCC Hotel Market Performance
(in US$ per night and occupancy in rates)



Sources: Knight Frank, STR Global and IMF staff calculations.
Note: Revenue Per Available Room measures the revenue generated per available room, regardless of whether those rooms are occupied.

1. Tourism exports in Oman have experienced significant expansion over the past two decades. Between 2005 and 2023, Omani tourism receipts increased fivefold, reaching $2.5 billion. While overall tourism receipts and arrivals have shown healthy growth rates, they stem from relatively low bases and Oman continues to trail behind its regional peers in key tourism performance indicators.

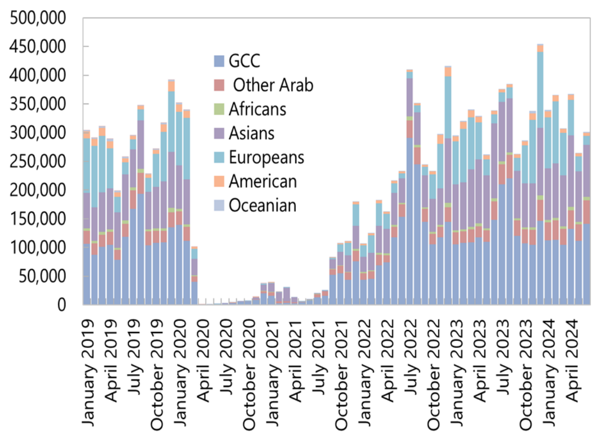
2. The tourism sector has recovered strongly from the pandemic shock. Tourist arrivals have surpassed pre-pandemic levels, reaching about 4 million tourists, highlighting a robust recovery in demand from various tourism-source regions. The Omani government has been instrumental in revitalizing the sector through the implementation of targeted initiatives designed to attract tourists. Key among these efforts is the "Visit Oman" campaign, which highlights the country's rich cultural heritage, in addition to introducing e-visas. Furthermore, the government has made significant investments in enhancing tourism infrastructure, including hotels, transportation networks, and several attractions. Oman's ongoing commitment to economic diversification positions the tourism sector as a fundamental component of the broader economic strategy aimed at fostering sustainable development and creating jobs for Omanis.

3. However, inbound tourist arrivals to Oman continue to be predominantly from the region. Around 40 percent of visitors originate from GCC countries, indicating exposure to any potential regional economic slowdown. Although Oman's reliance on GCC tourists is slightly lower than that of other GCC countries, the low influx from non-GCC countries underscores a substantial room to further diversify visitor sources. The limited geographical diversity of tourist arrivals is further corroborated by hotels primarily hosting Omani and other GCC guests. To attract a broader range of tourists, Oman needs to diversify its tourism offerings. Diversifying the tourism sector can help in reaching new customer segments. Collaborating with international travel agencies, participation in global tourism fairs, and targeted digital marketing campaigns are essential for raising awareness. The expansion of Muscat airport and other facilities should aim to facilitate introducing direct and cost-effective flight options to/from different destinations.

4. The tourism sector in Oman, akin to other service industries, is notably characterized by a significant presence of expatriate workers. The reliance on foreign labor stems from a combination of factors, including the demand for specialized skills, more flexible arrangements in hiring expatriate workers, and still a limited local workforce trained to meet the sector's diverse needs. As Oman seeks to expand the tourism sector, there is an increasing need to invest in training programs that equip Omani nationals with the necessary skills to actively participate in the tourism sector and reduce reliance on expatriate labor. SMEs should be encouraged in tourism-related ventures, such as local tour operators, handicraft shops, and restaurants. These initiatives will support job creation, stimulate economic growth, and encourage startups among Omanis.

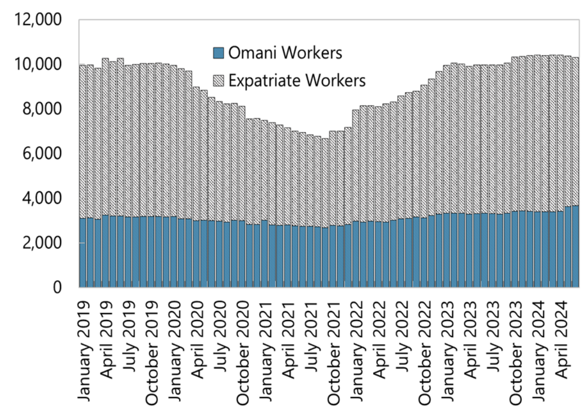
5. Continued investments in infrastructure are crucial for sustaining growth in the tourism sector. Recent years have seen significant investments in infrastructure, including airports, roads, and hospitality services. The expansion of Muscat International Airport and the development of luxury resorts have enhanced Oman's accessibility and appeal to tourists. Further development of transportation networks, including roads and public transportation, will further improve access to tourist sites and enhance overall visitors' inflow. Encouraging public-private partnerships can also facilitate investments in tourism infrastructure and services. Collaborative projects can lead to innovative solutions for sustainable tourism development and enhance the overall competitiveness of the sector.

Number of Visitors by Nationality



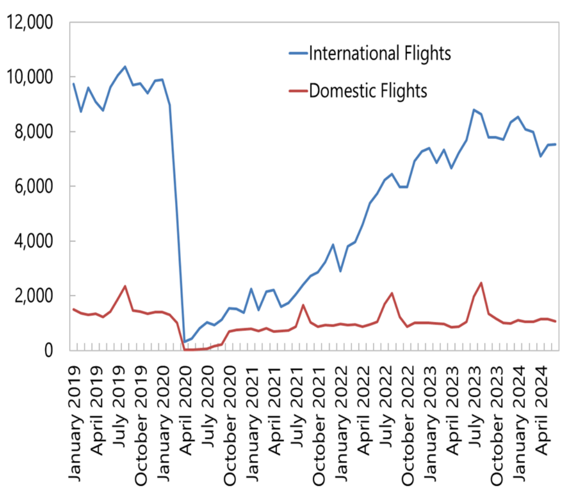
Sources: NCSI and IMF staff calculations.

Hotel Workers in Oman



Sources: NCSI and IMF staff calculations.

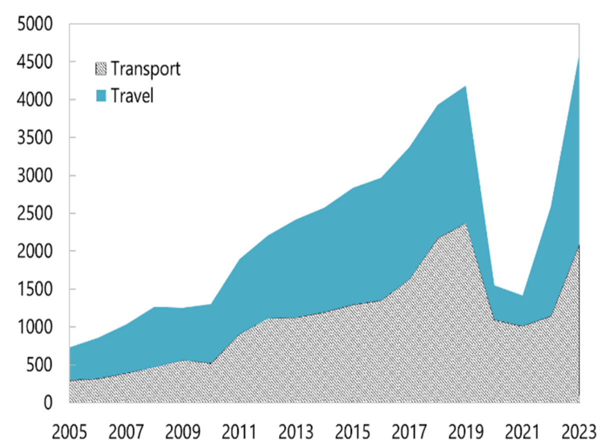
Number of Monthly International and Domestic Flights



Sources: NCSI and IMF staff calculations.

Tourism Receipts

(In US$ million)



Sources: Central Bank of Oman and IMF staff estimates.

Annex III. Status of Staff Recommendations Made during the 2023 Article IV Consultation

Recommendation	Status
Fiscal	
Additional revenue and expenditure measures to build sufficient buffers to respond to adverse shocks and ensure intergenerational equity	Efforts to preserve fiscal discipline continued in 2024, as the nonhydrocarbon primary deficit is estimated to have remained unchanged to its 2023 level as percentage of nonhydrocarbon GDP, despite higher social spending to rollout the new social protection law. Efforts to mobilize larger nonhydrocarbon revenues continue, with the Tax Administration Modernization Program progressing as planned and the PIT draft law being at the final legislative stage while the technical infrastructure for its implementation completed.
Strengthening fiscal frameworks	The authorities have produced a fiscal rule policy paper to assess the pros and cons of adopting a fiscal rule in Oman. A Fund technical assistance (TA) mission took place in November 2024 to further assess the suitability of a rule-based fiscal framework and related PFM improvements required for its adoption. The authorities are committed to adopting a fiscal rule to anchor their new Medium-Term Fiscal Plan that would be produced to underpin the 11th Five-Year Development Plan for the period 2026-2030.
Enhancing public financial management, transparency, governance, and risk mitigation	Pilot phases 1 and 2 of the TSA rollout have been completed. Efforts are underway to align fiscal reporting to GFSM 2014 standards and expand the coverage of fiscal data to the broader public sector, supported by Fund TA. An expanded assessment of fiscal risks and related scenarios have been included in the 2025 budget. OIA has mandated all SOEs under its purview to publish financial statements starting with fiscal year 2024.
Develop a sovereign asset and liability management framework (SALM)	Work is ongoing to establish a full-fledged SALM framework in line with the recommendations of a recent Fund TA. A Medium-Term Debt Management Strategy (MTDS) draft has been prepared, and its approval and publication are contingent upon the finalization of the Medium-Term Fiscal Plan.

Recommendation	Status
Monetary and Financial	
Develop the monetary policy toolkit	The CBO, supported by Fund TA, is set to start the implementation of its Monetary Policy Enhancement Project in 2025, including the adoption of an interest rate corridor, reform of its reserve requirement framework, launch of open market operations, and implementation of ELA and collateral frameworks.
Strengthening supervisory and regulatory frameworks	The re-assessed D-SIBs list is pending adoption by CBO's Executive Management. The capital conservation buffer has been restored to its pre-pandemic level of 2.5 percent, completing the rolling back of all the temporary COVID-19 measures.
Lifting the interest rate cap on personal loans	The CBO has started compiling marginal lending rates for different segments to assess the impact of the interest rate cap on personal loans.
Further developing the financial sector	The banking sector has been opened up to new players, including foreign banks. The Financial Services Authority has announced a list of measures to encourage listing on MSX.
Structural	
Enhancing the business environment	Authorities have made significant progress in enhancing the business environment. The launch of OAI's Future Fund Oman is poised to further attract investments and boost venture capital for startups.
Reducing the still large state footprint in the economy	OIA has continued divesting assets, including through successful IPOs, to pave the way for a private sector driven growth model. Nevertheless, the size of the government remains large, and more is needed to level the playing field between public and private entities.
Enhance labor market flexibility	The new labor and social protection laws support flexibility by introducing a remote work model and unifying social insurance across the public and private sectors. More efforts are needed to enhance the mobility of expatriate workers.
Expanding the contribution of women in the economy	The recent labor and social protection laws support a higher role for women in the labor market. However, a substantial gender employment gap remains, and more efforts are required to support the advancement of Omani women in the labor market.

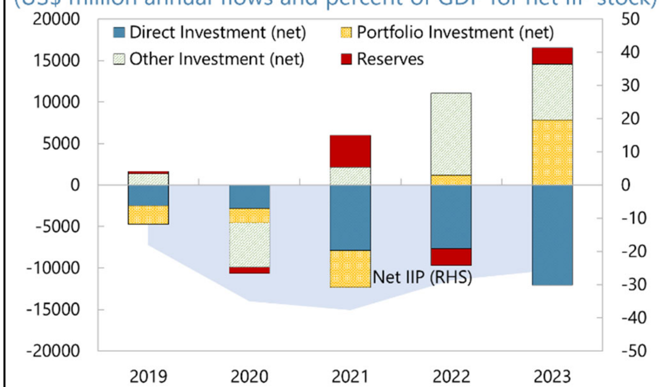
Annex IV. External Sector Assessment

Overall Assessment: *Oman's external position continued to improve in 2023, despite the decline in hydrocarbon prices, and the current account continues to be assessed in line with the level implied by fundamentals and desired policies. The external sector improvement was mainly driven by continued external debt repayments, mainly by the public sector, accumulation of foreign assets and strong performance in services credit.*

Potential Policy Responses: Continuing with gradual fiscal adjustment and structural reforms, amid decreasing oil prices but expected rising oil production ahead, will support the accumulation of FX reserves in Oman. Broadening the scope of nonhydrocarbon goods and services exports is expected to maintain the current account in line with implied fundamentals and desired policies. Commitment to structural reforms is also expected to attract FDI inflows to nonhydrocarbon sectors, boost the role of the private sector in the economy, and promote economic diversification. This, in turn, will help sustain Oman's external position at balance over both the medium and long term.

Foreign Assets and Liabilities: Position and Trajectory

Oman: International Investment Position
(US$ million annual flows and percent of GDP for net IIP stock)



Sources: CBO and IMF staff estimates.

Background. Oman's Net International Investment Position (NIIP) improved by around 3 percent of GDP, reaching -25.5 percent of GDP in 2023 against -28.6 percent of GDP in 2022. The increase in net foreign direct investment liabilities in 2023, caused by historical inflows to the hydrocarbon sector, was more than offset by significant improvements in net portfolio and other investment, as well as non-CBO reserve assets, reflecting continued efforts by the authorities to reduce external debt and rebuild buffers. The significant improvement in net portfolio and other investments was mainly driven by the decline in debt liabilities from 45.5 percent of GDP in 2022 to 40.2 percent of GDP in 2023. External assets grew by 9.0 percent at end-2023, reaching $106.2 billion versus $97.4 billion at end-2022, outpacing external liabilities which grew by 3.4 percent at end-2023, reaching $133.2 billion versus $128.9 billion at end-2022.

Assessment. Improvements in net IIP are expected to continue over the medium term, reflecting scheduled sovereign debt amortization, although at a slower pace than in the last three years. Softer yet favorable hydrocarbon prices, rising oil production, and expansion of nonhydrocarbon exports of goods and services are also expected to contribute to the buildup of foreign assets. However, the reduction of portfolio and other investment liabilities are expected to be partially offset by higher FDI inflows, reflecting ongoing efforts to improve the business environment, expansion of regional investments, and ramp up of bilateral free trade agreements.

2023 (% GDP)	NIIP: -25.5	Gross Assets: 100.3	CBO Res. Assets: 16.5	Gross Liab.: 125.8	Debt Liab.: 40.2

Current Account

Background. The current account (CA) posted a 2.5 percent of GDP surplus in 2023, from 4.0 percent of GDP in 2022, on the back of lower hydrocarbon prices. The narrowing of the CA surplus was also driven by lower downstream hydrocarbon exports, which were affected by a scheduled two-month refinery maintenance, causing the CA balance to decline by 0.3 percent of GDP on net basis.[1] The CA outlook continues to be favorable, with surpluses throughout the forecast horizon, consistent with softer oil prices, rising oil production, and expansion of nonhydrocarbon exports of goods and services. However, CA projections are subject to risks stemming from oil price volatility and potential delays in structural reform implementation.

Assessment. The EBA-lite CA model estimates a negative 2023 CA gap of -0.7 percent of GDP, higher than the 2022 assessment of -0.1 percent of GDP. Continued improvement in the nonhydrocarbon primary deficit in 2023 was the main driver of the narrowing of the CA gap, highlighting the significant impact of fiscal retrenchment measures on the country's external position. In this regard, the cyclically adjusted fiscal balance for Oman was 1.9 percent of GDP higher than the level implied by the desired policy. The lower level and growth of private credit to GDP have also contributed to narrowing the CA gap. Using the estimated -0.3 elasticity for Oman, the results point to an overvaluation of Oman's real effective exchange rate (REER) of approximately 2.0 percent, indicating that the external position for the country in 2023 was in line with the level implied by fundamentals and desired policy.

Oman: EBA-lite Model Results, 2023

	CA model 1/	**REER model** 1/
	(in percent of GDP)	
CA-Actual	**2.5**	
Cyclical contributions (from model) (-)	0.3	
Additional temporary/statistical factors (-) 2/	-0.3	
Natural disasters and conflicts (-)	-0.8	
Adjusted CA	**3.3**	
CA Norm (from model) 3/	**4.0**	
Adjustments to the norm (+)	0.0	
Adjusted CA Norm	**4.0**	
CA Gap	**-0.7**	**2.5**
o/w Relative policy gap	4.4	
Elasticity	-0.3	
REER Gap (in percent)	**2.0**	**-7.5**

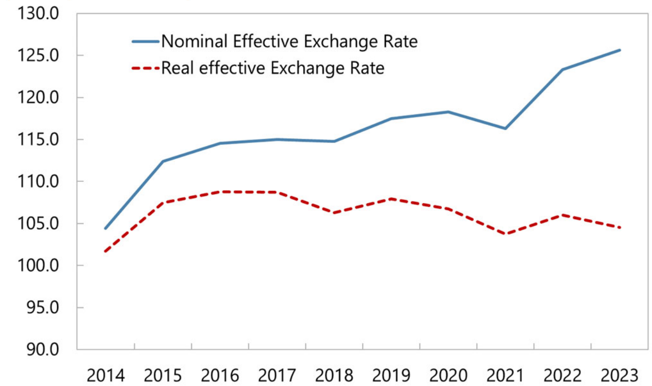
1/ Based on the EBA-lite 3.0 methodology
2/ The additional adjustment was added to account for the temporary impact of the maintanence of refineries during the last two-month of the year.
3/ Cyclically adjusted, including multilateral consistency adjustments.

[1] The decline in downstream hydrocarbon exports (estimated at 0.5 percent of GDP) was partly offset by higher crude oil exports (estimated at around 0.2 percent of GDP).

Real Exchange Rate

Background. The Omani rial has been pegged to the US dollar at a rate of 0.3845 since 1986. This fixed exchange rate contributed to a 1.9 appreciation in Oman's Nominal Effective Exchange Rate (NEER) on the back of a stronger dollar. However, the Real Effective Exchange Rate (REER) depreciated by 1.4 percent, boosting Oman's external competitiveness. The depreciation in the REER is attributed to Oman's continued untargeted energy subsidies and tax exemptions on most food items, which have led to relatively lower inflation in Oman, thereby more than offsetting the impact of NEER appreciation on the country's competitiveness.

Oman: External Competitiveness
(Index, 100=2010)



Source: IMF International Financial Statistics.

Assessment. The CA gap, as estimated by the EBA-lite REER model, indicates a 7.5 percent undervaluation, suggesting an external position that is stronger than what is implied by fundamentals and desired policy. However, these findings are at odds with other staff analysis and depend heavily on the choice of parameter values.

Capital and Financial Accounts: Flows and Policy Measures

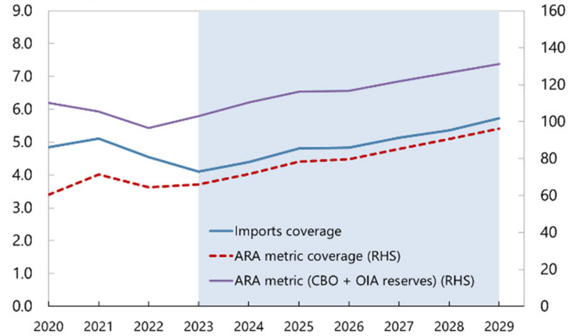
Background. The financial account registered positive net acquisition of foreign assets in 2023, despite historically high FDI inflows into the hydrocarbon sector at about 11 percent of GDP. The positive net acquisition of assets primarily stemmed from a notable decline in liabilities across portfolio and other investments, attributed to substantial debt and loan repayments by the public sector, and accumulation of foreign assets by deposit-taking financial institutions and residents.

Assessment. The repayment of public external debt as planned by the authorities—albeit at a slower pace than previous years—is expected to enhance Oman's external financial position and further reduce vulnerabilities. This deleveraging will reduce interest payments and support the primary account balance, particularly in the context of persistently tight global financial conditions. Further structural reforms could boost inward FDI into sectors beyond hydrocarbons. It is anticipated that the net acquisition of assets will moderate over the medium term as global financial conditions stabilize and efforts towards structural reforms and regional integration progress.

FX Intervention and Reserves Level

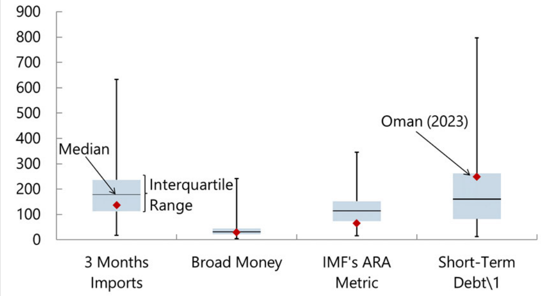
Background. Despite large debt repayments and accumulation of foreign assets by different resident entities, international reserves in 2023 were broadly unchanged to their 2022 level. The stabilization of reserves, at $17.5 billion (4.1 months of import coverage and 29 percent of broad money), was predominantly driven by high FDI inflows and the CA surplus. This led to reserves increasing to 66 percent of the Fund's ARA metric from 64 percent in 2022. However, reserves remain significantly below the recommended adequacy range of 100-150 percent.

Oman: Reserves Adequacy
(Months of prospective imports, percent)



Sources: Country authorities and IMF staff estimates.

Oman: Comparison of Reserve Coverage With EMs
(Percent)



Source: IMF staff estimates.
Note: Emerging markets include 67 countries.
1/ Excludes top three values.

Assessment. Considering the liquid foreign assets held by the Oman Investment Authority (OIA), overall liquid external buffers in 2023 remained at the lower end of the adequate range (103 percent of the ARA metric), but they are projected to increase to a level close to the upper end of the adequate range by 2029 (131.1 percent of the ARA metric). Nonetheless, these projections are subject to high uncertainty. Maintaining additional reserves in alignment with ARA metric thresholds would cushion against any potential medium-term shocks.

Annex V. Sovereign Risk and Debt Sustainability Analysis

Table 1. Oman: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	...	Low	The overall risk of sovereign stress is low, reflecting low levels of vulnerability in the near, medium, and long term, together with relatively ample liquid financial buffers held by the central government.
Near term 1/			
Medium term	Moderate	Low	Medium-term risks are assessed as low against a mechanical moderate signal as relatively ample liquid financial buffers held by the central government mitigate liquidity and solvency risks. This rating is further supported by Oman's political and institutional stability, committed fiscal discipline and reforms, the depth of the investor pool, and low debt and gross financing needs levels.
Fanchart	Moderate	...	
GFN	Low	...	
Stress test	Comm. Prices Cont. Liabty.	...	
Long term	...	Low	Long-term risks are assessed as low. A key source of long-term debt risk for Oman is from declining hydrocarbon revenues that could occur due to exhaustion or a faster-than-expected energy transition. Sustained reforms as envisaged under Oman Vision 2040 to entrench fiscal sustainability, accumulate financial buffers, and diversify the economy away from hydrocarbon activities—including deep committed investments in green hydrogen—should mitigate fiscal risks that may arise from a decline in hydrocarbon revenues.
Sustainability assessment 2/	Not required for surveillance countries	Not required for surveillance countries	
Debt stabilization in the baseline			No

DSA Summary Assessment

Commentary: Oman's overall risk of sovereign stress is assessed as low. Central government debt is projected to continue declining from 35 percent of GDP in 2024 to 30 percent of GDP by 2029. Staff judgment was applied to arrive to a final assessment of low risk in the medium term (as opposed to a mechanical moderate signal), underpinned by the extent of liquid financial assets available to the central government that help mitigate liquidity and solvency risks. In addition to Central Bank of Oman's international reserves, the central government holds liquid and unencumbered financial assets amounting to 37 percent of GDP, composed of 24 percent of GDP in deposits held at the banking system and about 13 percent of GDP in liquid assets held by the sovereign wealth fund (OIA). These assets account for around 98 percent of gross debt and 138 percent of foreign-currency debt owed by the central government. Despite relatively ample financial buffers, the central government debt trajectory remains vulnerable to risks, particularly from oil market developments. Medium-term liquidity risks as analyzed by the GFN Financeability Module are assessed as low.

Source: Fund staff.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Table 2. Oman: Debt Coverage and Disclosures

						Comments
1. Debt coverage in the DSA: 1/	CG	GG	NFPS	CPS	Other	
1a. If central government, are non-central government entities insignificant?					n.a.	
2. Subsectors included in the chosen coverage in (1) above:						
Subsectors captured in the baseline					Inclusion	
1 Budgetary central government					Yes	
2 Extra budgetary funds (EBFs)					No	Not applicable
3 Social security funds (SSFs)					No	
4 State governments					Yes	
5 Local governments					Yes	
6 Public nonfinancial corporations					No	
7 Central bank					No	
8 Other public financial corporations					No	
3. Instrument coverage:	Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/	
4. Accounting principles:	Basis of recording		Valuation of debt stock			
	Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/	
5. Debt consolidation across sectors:		Consolidated		Non-consolidated		

Color code: chosen coverage; Missing from recommended coverage; Not applicable

CPS: rows 1–8; NFPS: rows 1–6; GG: expected: rows 1–5; CG: rows 1–3.

Reporting on Intra-Government Debt Holdings

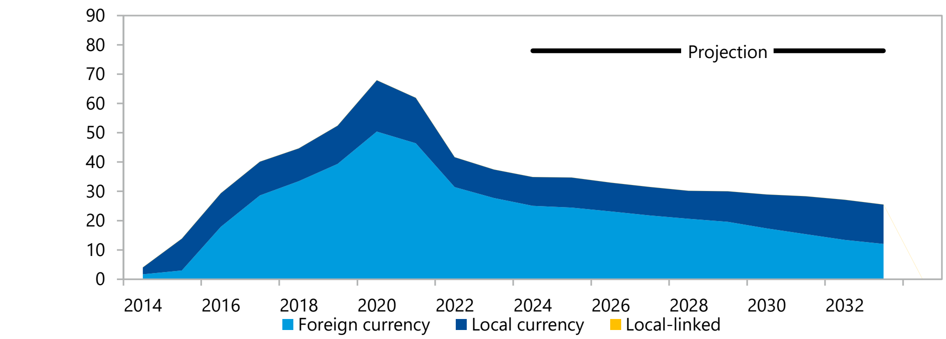
Issuer \ Holder	Budget. central govt	Extra-budget. funds	Social security funds	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
1 Budget. central govt									0
2 Extra-budget. funds									0
3 Social security funds									0
4 State govt.									0
5 Local govt.									0
6 Nonfin pub. corp.									0
7 Central bank									0
8 Oth. pub. fin. corp									0
Total	0	0	0	0	0	0	0	0	0

1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.
2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.
3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.
4/ Includes accrual recording, commitment basis, due for payment, etc.
5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.
7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.

Commentary: Oman's state and local governments are included under the budgetary central government (BCG) and do not have authority to issue debt. Oman does not have extra-budgetary funds. Social security funds managed by the Social Protection Fund are in surplus and excluded from BCG. Potential contingent liabilities from the Social Protection Fund are mitigated by the recent pension fund reform that strengthened its financial position. Staff continues to work with the authorities—including through a recent Technical Assistance mission—to expand the coverage of fiscal data to the broader public sector.

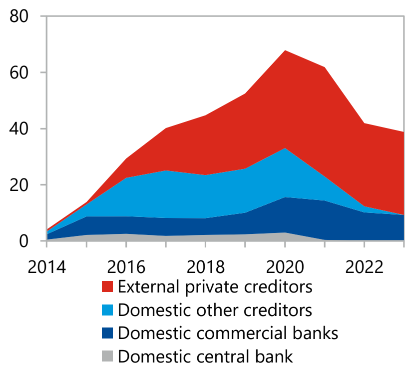
Figure 1. Oman: Public Debt Structure Indicators

Public Debt Structure Indicators
(Debt by currency, percent of GDP)



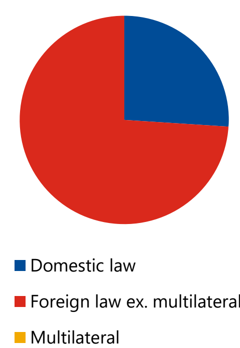
Note: The perimeter shown is general government.

Public Debt by Holder (Percent of GDP)



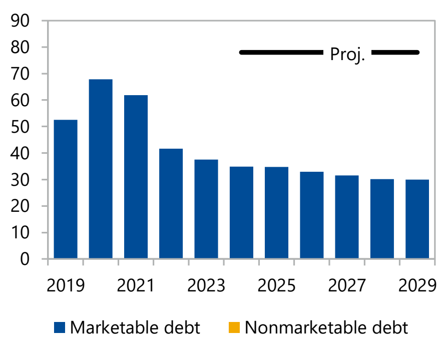
Note: The perimeter shown is general government.

Public Debt by Governing Law, 2023 (percent)



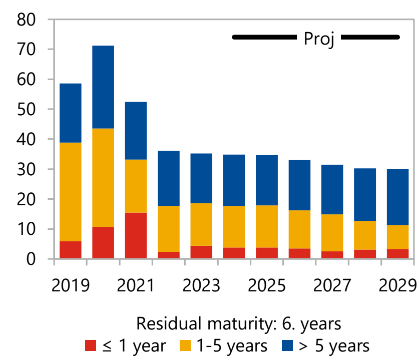
Note: The perimeter shown is general government.

Debt by Instruments (Percent of GDP)



Note: The perimeter shown is general government.

Public Debt by Maturity (Percent of GDP)



Note: The perimeter shown is general government.

Commentary: Oman continues to have market access. The share of domestic currency debt is projected to increase gradually as Oman progresses on developing its local currency bond market. Short-term debt (on residual maturity basis) declined significantly in 2022, reflecting the government's repayment of maturing domestic (including treasury bills) and external debt (including through liability management operations). The time to maturity is also projected to increase in line with the country's debt management strategy.

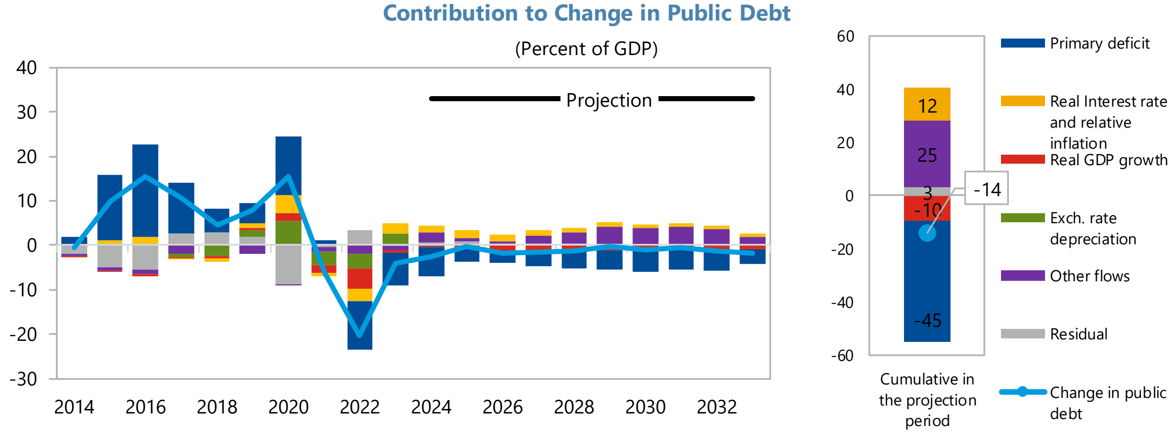
Table 3. Oman: Baseline Scenario

(Percent of GDP unless indicated otherwise)

	Actual	Medium-term projection						Extended projection			
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Public debt	37.5	34.9	34.7	33.0	31.5	30.2	30.0	28.9	28.3	27.1	25.4
Change in public debt	-4.2	-2.6	-0.2	-1.8	-1.4	-1.3	-0.2	-1.1	-0.6	-1.2	-1.7
Contribution of identified flows	-4.0	-3.3	-1.1	-2.2	-1.8	-1.6	-0.3	-1.2	-0.7	-1.3	-1.7
Primary deficit	-7.5	-6.5	-2.7	-2.9	-3.4	-4.0	-4.3	-4.9	-4.8	-4.8	-3.5
Noninterest revenues	32.3	32.1	27.7	27.3	27.0	26.6	26.0	25.5	24.8	24.2	22.2
Noninterest expenditures	24.9	25.7	25.0	24.4	23.6	22.7	21.7	20.6	20.0	19.3	18.7
Automatic debt dynamics	4.4	0.9	0.8	0.2	-0.2	-0.2	-0.1	-0.1	0.1	0.0	0.0
Real interest rate and relative inflatio	2.2	1.4	1.7	1.4	1.2	1.1	1.0	0.9	0.9	0.8	0.8
Real interest rate	4.9	2.1	2.6	1.8	1.6	1.3	1.1	1.0	0.9	0.9	0.8
Relative inflation	-2.6	-0.7	-0.9	-0.4	-0.3	-0.2	-0.1	-0.1	-0.1	-0.1	0.0
Real growth rate	-0.5	-0.5	-0.9	-1.2	-1.4	-1.2	-1.1	-1.0	-0.8	-0.8	-0.8
Real exchange rate	2.6	…	…	…	…	…	…	…	…	…	…
Other identified flows	-0.9	2.2	0.8	0.5	1.8	2.5	4.0	3.8	4.1	3.5	1.8
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest Revenues	-2.0	-1.9	-1.9	-1.9	-1.8	-1.7	-1.6	-1.5	-1.5	-1.4	-1.4
Other transactions	1.1	4.1	2.8	2.4	3.6	4.2	5.7	5.3	5.5	4.9	3.1
Contribution of residual	-0.2	0.7	0.9	0.4	0.3	0.2	0.1	0.1	0.1	0.1	0.0
Gross financing needs	-4.2	-2.1	1.1	0.8	-0.1	-1.6	-1.3	-1.8	-2.8	-2.5	-2.7
of which: debt service	5.3	6.4	5.8	5.5	5.1	4.0	4.5	4.6	3.5	3.8	2.2
Local currency	3.1	2.0	1.8	1.8	1.0	0.8	1.3	1.1	0.4	0.9	0.5
Foreign currency	2.2	4.4	4.0	3.8	4.1	3.2	3.2	3.5	3.1	2.8	1.7
Memo:											
Real GDP growth (percent)	1.2	1.2	2.6	3.6	4.4	4.1	3.8	3.4	2.9	3.0	3.0
Inflation (GDP deflator; percent)	-4.7	-0.3	-1.9	0.1	0.4	0.7	1.1	1.4	1.5	1.5	1.5
Nominal GDP growth (percent)	-3.6	0.9	0.7	3.6	4.8	4.8	5.0	4.8	4.4	4.5	4.6
Effective interest rate (percent)	6.5	5.4	5.5	5.4	5.4	5.0	5.1	4.9	4.9	4.8	4.7

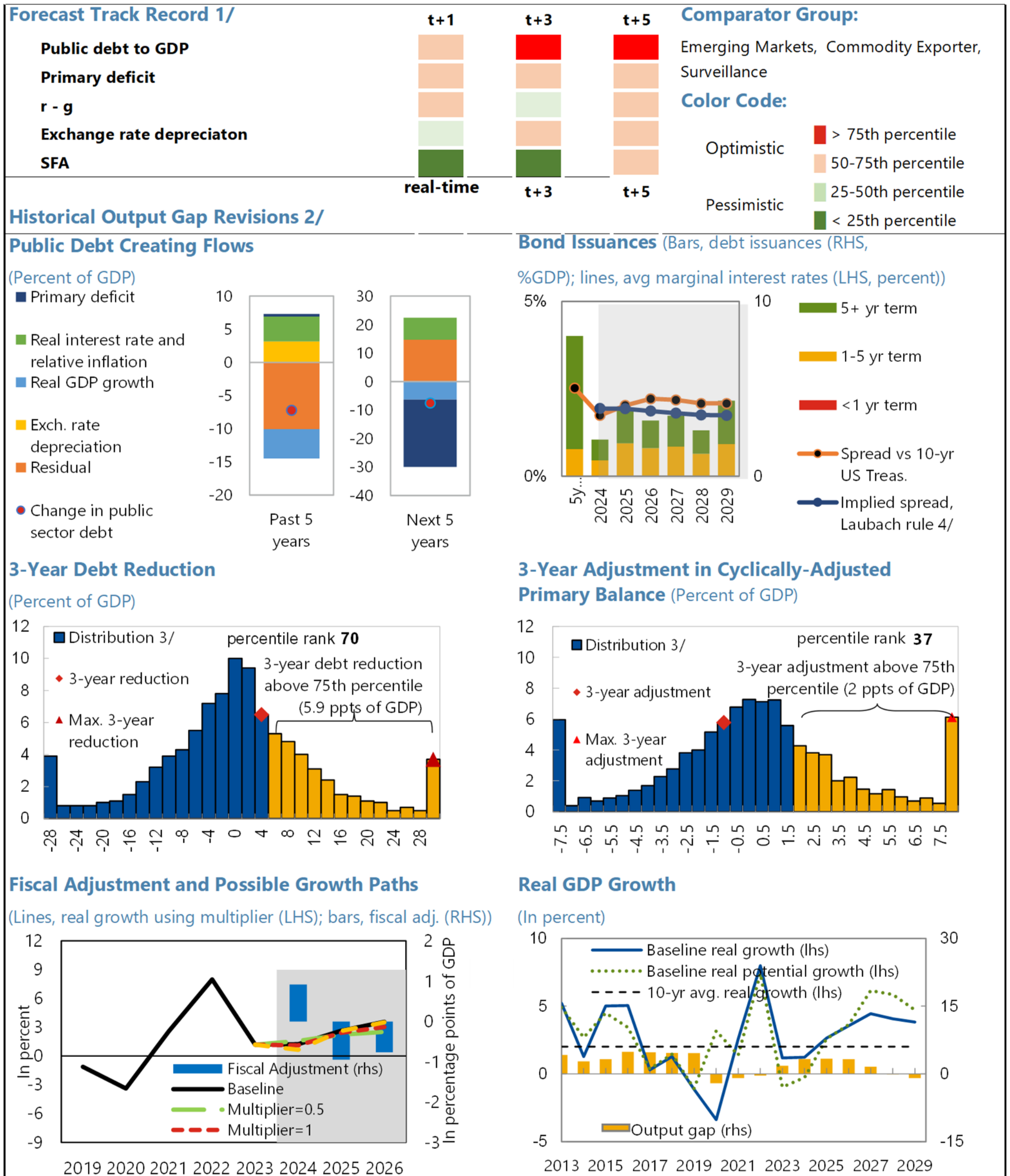
Contribution to Change in Public Debt

(Percent of GDP)



Commentary: Central government debt is projected to be on a downward trajectory before stabilizing in the long run, reflecting projected overall primary surpluses, stable macroeconomic conditions, and an active policy of continued but gradual debt repayments over the medium term. “Other transactions" reflect below-the-line operations, primarily the accumulation of government assets.

Figure 2. Oman: Realism of Baseline Assumptions



Commentary: Realism tests do not point to concerns. Past forecast errors do not reveal any systematic bias and the projected fiscal adjustment and debt reduction are well within norms. The forecast of the central government debt to GDP ratio in the past few years appeared optimistic, reflecting the impact of the pandemic shock on the debt trajectory. Among debt creating flows, the residual is set to contribute positively to the debt-to-GDP ratio over the next 5 years, as the government partly uses the projected fiscal surpluses to build up financial buffers.

Source : IMF Staff.

1/ Projections made in the October and April WEO vintage.

2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates

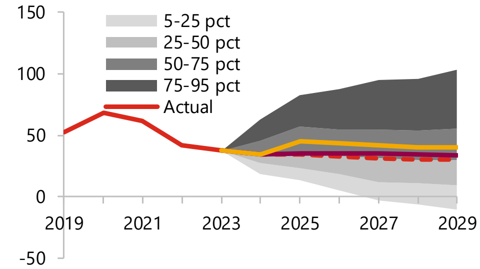
3/ Data cover annual obervations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.

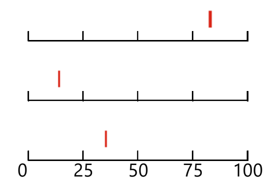
4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

Figure 3. Oman: Medium-Term Risk Assessment

	Value	Contrib 1/	Percentile in peer group 2/
Debt fanchart module			
Fanchart width *(percent of GDP)*	114.1	1.7	
Probability of debt non-stabilizaiton *(percent)*	1.7	0.0	
Terminal debt-to-GDP x institutions index	16.0	0.3	
Debt fanchart index (DFI)		2.0	
Risk signal: 3/		**Moderate**	

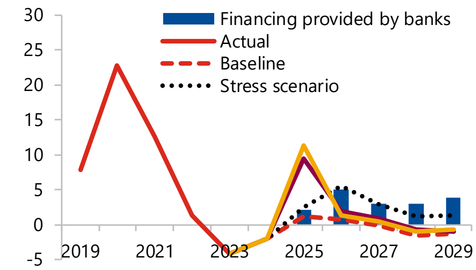
Final Fanchart (Percent of GDP)

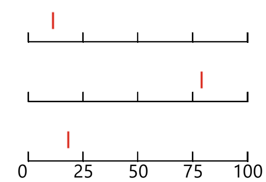




	Value	Contrib 1/	Percentile in peer group 2/
Gross financing needs (GFN) module			
Average baseline GFN *(percent of GDP)*	-0.5	-0.2	
Initial Banks' claims on the gen. govt *(pct bank assets)*	9.0	2.9	
Chg. In banks' claims in stress *(pct banks' assets)*	2.3	0.8	
GFN financeability index (GFI)		3.5	
Risk signal: 4/		**Low**	

Gross Financing Needs (Percent of GDP)

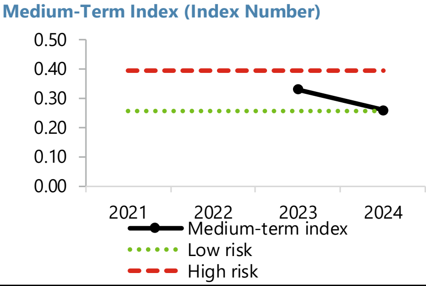




Triggered stress tests (stress tests not activated in gray)

Banking crisis | Commodity prices | Exchange rate | Contingent liab. | Natural disaster

Medium-Term Index (Index Number)



Medium-term risk analysis

	Value	Norm. Value	Weight	Contribution
Debt fanchart index	2.0	0.4	0.5	0.2
GFN finaceability index	3.5	0.1	0.5	0.0
Medium-term index		0.3		
Risk signal: 5/		**Moderate**		
Final assessment:		**Low**		

Prob. of missed crisis, 2024-2029, if stress not predicted: 18.2 pct.
Prob. of false alarms, 2024-2029, if stress predicted: 42.0 pct.

Commentary: Medium-term risks are assessed as low against a mechanical moderate signal as liquid and unencumbered large financial assets mitigate liquidity and solvency risks. The rating is also supported by Oman's political and institutional stability, committed fiscal discipline and reforms, the depth of the investor pool, and low debt and gross financing needs levels. The relatively wide fan chart reflects historical high oil price volatility, which increases uncertainty around the debt-to-GDP baseline. The commodity prices stress test is automatically triggered, as Oman is classified in the latest WEO as having hydrocarbon primary products as its main source of export earnings. The shock is calibrated as a 30-percent drop in the oil price in the second projection year (relative to the baseline). The contingent liability shock consists of a one-time contingent liability materialization in the second projection year due to a call of guaranteed debt amounting to 10 percent of banking sector assets. Results of both stress tests point to a moderate increase in gross financing needs and the debt-to-GDP ratio relative to baseline projections.

Source: IMF staff estimates and projections.
1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.
2/ The comparison group is emerging markets, commodity exporter, surveillance.
3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.
4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.
5/ The signal is low risk if the GFI is below 0.26; high risk if the DFI is above 0.40; and otherwise, it is moderate risk.

Figure 4. Oman: Long-Term Risk Assessment: Large Amortization Incl. Custom Scenario

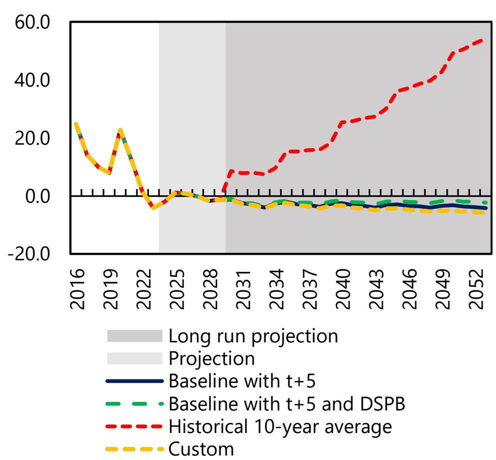
Triggered Modules

Large amortizations	Pensions	Climate change: Adaptation	**Natural Resources**
	Health	Climate change: Mitigation	

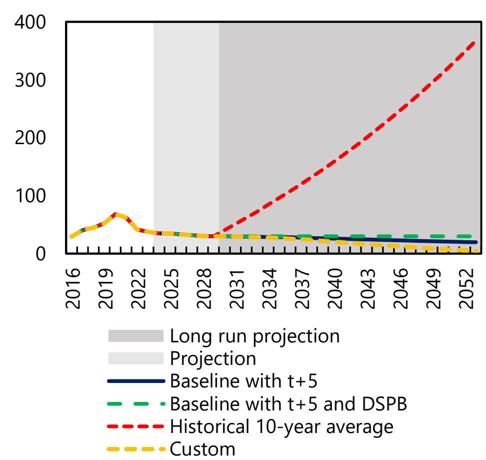
Projection	Variable	Risk Indication
Medium-term extrapolation	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Medium-term extrapolation with debt stabilizing primary balance	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Historical average assumptions	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Overall Risk Indication		

Variable	2029	2033 to 2037 average	Custom Scenario
Real GDP growth	3.8%	2.4%	3.2%
Primary Balance-to-GDP ratio	4.3%	4.3%	4.4%
Real depreciation	-1.1%	-1.2%	-1.4%
Inflation (GDP deflator)	1.1%	1.2%	1.4%

GFN-to-GDP Ratio



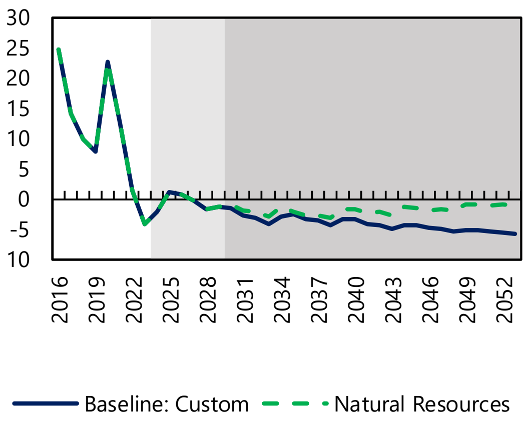
Total Public Debt-to-GDP Ratio



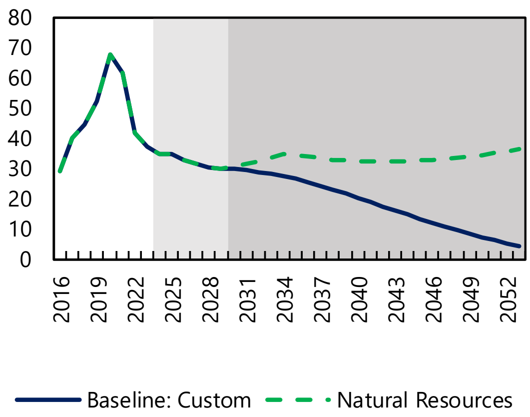
Commentary: The long term risk related to large amortization scenarios is low. The custom scenario assumes that the authorities continue issuing debt to maintain access to international debt markets and develop the domestic bond market. The historical average scenario points to a large debt risk reflecting historically large gross financing needs due to unfavorable macro-fiscal conditions that prevailed following the 2014-15 oil price shock and the COVID-19 shock.

Figure 5. Oman: Natural Resources

GFN-to-GDP Ratio



Total Public Debt-to-GDP Ratio



Commentary: A key source of long-term debt risk for Oman is from declining hydrocarbon revenues that could occur due to exhaustion or a faster-than-expected energy transition. Sustained reforms as envisaged under Oman Vision 2040 to entrench fiscal sustainability, accumulate financial buffers, and diversify the economy away from hydrocarbon activities—including deep committed investments in green hydrogen—should mitigate fiscal risks that may arise from a decline in hydrocarbon revenues.

Annex VI. Risk Assessment Matrix[1]

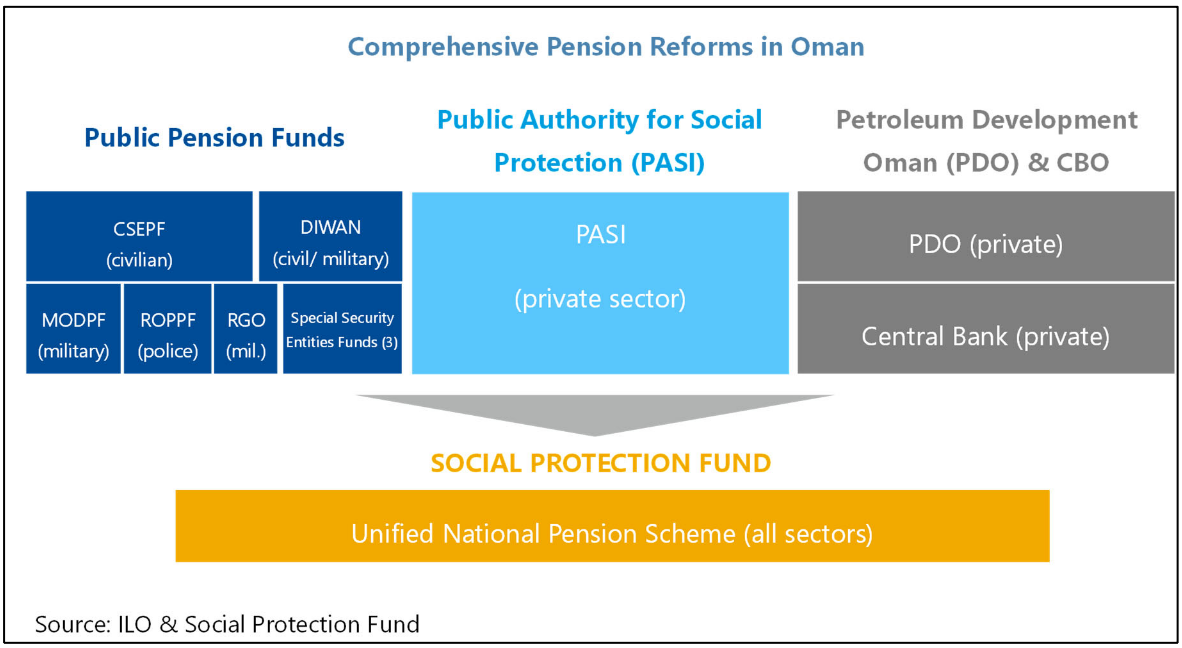
Nature/ Source of Main Risks	Likelihood	Expected Impact on the Economy if Risk is Realized	Policy Response
		Global Risks (Conjunctural)	
Intensification of regional conflicts. Escalation or spread of the conflict in Gaza and Israel, Russia's war in Ukraine, and/or other regional conflicts or terrorism disrupt trade (for example, energy, food, tourism, supply chains), remittances, FDI and financial flows, payment systems, and increase refugee flows.	**High**	**Medium** Geopolitical developments in the Middle East have not had a material impact on the Omani economy so far, as Oman's trade and financial linkages with current conflict-affected countries are limited. Oman's Port of Salalah, after facing an important decline in container throughput earlier this year due to Red Sea disruptions, has recently reported a recovery in operations, including from the introduction of an overland route connecting to Jeddah, thereby avoiding transit through the Bab el-Mandeb strait. A spread of the conflict in Gaza and Israel to other parts of the region could disrupt trade and reduce FDI and tourism in Oman, which would put a drag on economic growth and external and fiscal balances. On the other hand, a significant regional geopolitical shock is likely to drive oil prices upwards, resulting in larger oil revenues and external and fiscal buffers.	In a scenario where the adverse effects of an intensification of geopolitical events outweigh positive spillovers from higher oil prices, the authorities could use existing fiscal space to smooth the shock to the economy. They would also need to safeguard financial stability by ensuring that the banking system has adequate liquidity.
Commodity price volatility. Supply and demand fluctuations (for example, due to conflicts, export restrictions, OPEC+ decisions, and green transition) cause recurrent commodity price volatility, external and fiscal pressures, and food insecurity in EMDEs, cross-border spillovers, and social and economic instability.	**High**	**Medium** A decline in energy prices would lower export revenues and reduce fiscal and external balances and growth. A prolonged period of low oil and gas prices could deplete the fiscal and external buffers that have recently been rebuilt and result in another cycle of indebtedness. SOEs' financial positions would also be adversely affected while the reform momentum could slow down.	Expedite the pace of fiscal reforms to mobilize nonhydrocarbon revenues and rationalize expenditures, particularly moving forward with energy subsidy reforms. Continue building fiscal buffers, supported by the adoption of a fiscal rule. Accelerate structural reforms to diversify the economy and enhance its resilience to oil price fluctuations.
Global economic slowdown. Growth slowdown in major economies, including due to supply disruptions, tight monetary policy, rising corporate bankruptcies, or a deeper-than-envisaged real estate sector contraction, with adverse spillovers through trade and financial channels, triggering sudden stops in some EMDEs.	**Medium**	**Medium** The main transmission channel to Oman's economy would be lower energy prices and reduced demand for exports, particularly from China, the largest importer of Omani crude oil. The latter could be mitigated by higher demand from other partners (for example, India). Demand for nonhydrocarbon exports, such as tourism, would also decline. This would adversely affect growth and fiscal and external accounts.	Existing fiscal buffers together with external borrowing could be used to prevent an abrupt decline in domestic demand. There should also be close monitoring of liquidity and credit risks in the banking system. Structural reforms should be accelerated to diversify the economy and increase its resilience to shocks.
		Global Risks (Structural)	
Deepening geoeconomic fragmentation. Broader conflicts, inward-oriented policies, and weakened international cooperation result in a less efficient configuration of trade and FDI, supply disruptions, protectionism, policy uncertainty,	**High**	**Medium** Supply disruptions and rising shipping and input costs could hurt the competitiveness of certain sectors in Oman, reducing growth and employment. Foreign direct investment could decline, leading to a slowdown in economic diversification and growth.	Accelerate structural reforms to diversify the economy, expand the nonhydrocarbon export base, strengthen domestic markets, and broaden trade networks, including by

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly.

Nature/ Source of Main Risks	Likelihood	Expected Impact on the Economy if Risk is Realized	Policy Response
technological and payments systems fragmentation, rising shipping and input costs, financial instability, a fracturing of international monetary system, and lower growth.			forging trade agreements with a broader range of countries. Further strengthen macro-financial fundamentals and enhance the business environment to ensure continued FDI inflows.
Disorderly energy transition. A disorderly transition to net-zero emissions and regulatory uncertainty lead to stranded assets and low investment.	**Medium**	**High** A faster-than-expected global transition away from fossil-fuel energy owing to technological breakthroughs or stronger commitment to reducing carbon emissions would lower oil prices and reduce demand for Oman's oil and gas exports. This would put a drag on growth and cause a structural decline in hydrocarbon exports and fiscal revenues, with adverse implications for the external and fiscal positions. Vulnerabilities in the financial system could build up due to deteriorating asset quality related to carbon-intensive sectors and lower growth.	Accelerate fiscal reforms, including strengthening fiscal frameworks to entrench fiscal discipline and sustainability. Increase the momentum of structural reforms that would support economic diversification and unlock the growth potential of the nonhydrocarbon economy. Scale up green energy investments.
Domestic Risks			
Slowdown in the reform agenda. While the authorities have so far shown strong commitment to their reform agenda, the oil windfall resulting in comfortable fiscal buffers could lead to a slowdown in the reform process, particularly if pressures for higher government spending mount and the sense of urgency about reforms dissipates.	**Medium**	**Medium** The slowdown or reversal on the reform momentum seen thus far would adversely affect growth and employment prospects. Fiscal and external vulnerabilities would re-emerge, which would be exacerbated if oil prices recede, and investor confidence could deteriorate, resulting in rising external borrowing costs. The failure to turn reforms into private sector jobs for Omanis will lead to pressures to increase public employment, with negative implications for fiscal sustainability and intergenerational equity.	Adopt a fiscal strategy anchored by a credible and binding medium-term fiscal framework, endorsed at the highest level of policymaking. Sustain reform implementation to boost nonhydrocarbon growth and labor market reforms to increase the competitiveness of Omani nationals in the private sector.
Extreme climate events. Extreme climate events driven by rising temperatures cause loss of human lives, severe damage to infrastructure, supply disruptions, lower growth, and financial instability.	**Medium**	**Low** While extreme climate events, such as cyclones, flooding, and dust-storms, have become more frequent in Oman, their impact on the economy remains limited and manageable. Yet, adaptation costs are likely to increase rapidly, adding to government spending.	Advance the climate agenda, particularly by rolling out the adaptation actions under the National Strategy for Adaptation and Mitigation to Climate Change (2020-2040).

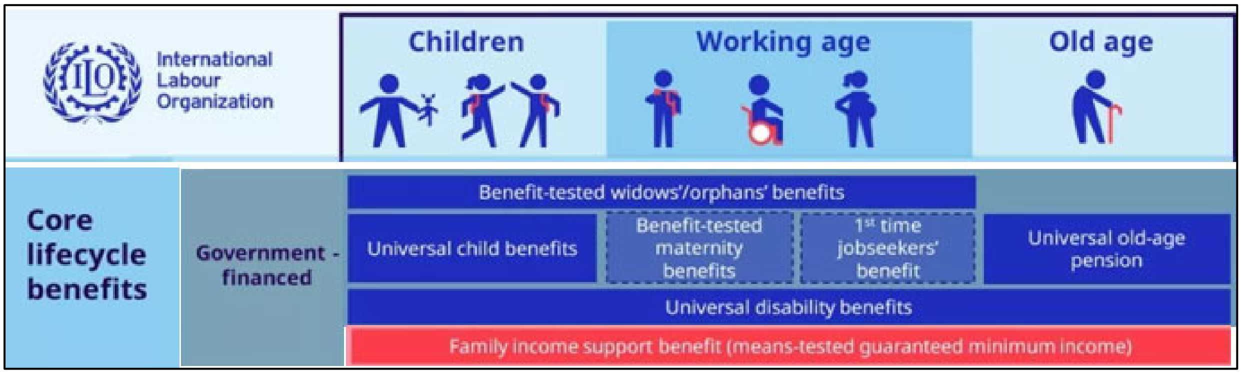
Annex VII. Oman's New Social Protection System and Unified National Pension Scheme

1. **Oman reshaped its social protection system to integrate contributory and non-contributory instruments and address lifecycle risks faced by citizens and workers**. The new social protection law integrates government-financed social protection schemes with a social insurance system while streamlining the administration under a single institution (Social Protection Fund). A key provision under the contributory benefits is the establishment of unified old-age, disability, and survivors' pension. The new law consolidates pension funds into a single scheme managed by the newly established Social Protection Fund. This unified scheme is envisioned to transform Oman's pension system from one based on fragmented pension funds for each category of the labor market's formal sector, to an agile, multi-tiered pension system. Key non-contributory, government-financed provisions include universal child and disability benefits, as well as a first-time job seekers allowance, maternity benefits, and a means-tested guaranteed minimum income.



2. **Since the start of 2024, lifecycle benefits for old age, children, survivors, and disability have been put into effect as part of the government-financed social protection architecture.** Prior to the reforms, Oman's social protection spending was low by international comparison, with spending on government-financed benefits largely insufficient due to the narrow means tested nature of most provisions. The need for broader and stronger government-financed social protection became particularly evident in the context of the gradual ongoing removal of universal price subsidies for electricity and fuel, and the roll-out of tax policy measures. The core benefits will now cover large numbers of households at any given time and follow all individuals throughout their lives. The new social protection law also extends coverage to foreign workers, providing them with access to several benefits. These include maternity and paternity leave that has been offered starting in

2024, sickness and employment injury insurance benefits which are expected to be activated in 2025, as well as an end-of-service employer contributory pension (Provident Fund) set to be rolled out in 2026 (not applicable retroactively to pre-2026 years of service).



3. The relatively large universal benefits of some non-contributory, government-funded programs entail important fiscal costs. Non-contributory programs under the new social protection law were successfully rolled out, reaching to 70-95 percent of eligible Omanis registered as beneficiaries and with a fiscal cost in line with budgeted allocations (about $1.5 billion or 1.8% of nonhydrocarbon GDP). The ability to continue financing universal social protection depends to a great extent on Oman being able to mobilize more domestic revenues and reduce inefficient spending (World Bank 2022).

To Date Beneficiary Payments for Non-contributory Programs

(Cumulative as of October 2024)

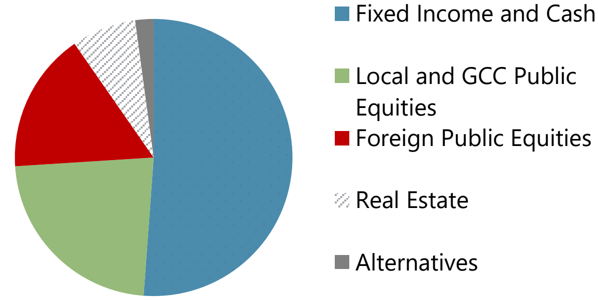
Type of Benefit	Number of Targets	Number of Registered	Number of Beneficiaries	Payments (OMR millions)
Old Age	182.478	174,894	172,095	151.5
Child	1,320,468	1,278,648	1,266,190	192.2
Disability	61,828	51,233	41,594	53.1
Widows and Orphans	51,880	35,313	19,099	7.7

Source: Social Protection Fund

4. The new law harmonizes eligibility conditions and benefit formulas for all Omani workers into a single, unified pension scheme. The new pension scheme equalizes entitlements for workers across public and private sectors, introduces an actuarially fair reduction for early retirement, and adopts a full career average pension formula. This is expected to make the new pension scheme more sustainable over the long term, achieving intergenerational equity and enhancing labor market mobility. To reinforce intergenerational sustainability, the new scheme includes automatic adjustments and risk management mechanisms that allow the system to adapt to changing demographic and economic conditions, based on results of successive independent actuarial valuations. The law also includes a conditional pension indexation mechanism to preserve pensioners purchasing power. The financing model preserves the principle of solidarity and intergenerational equity, while allowing for gradual adjustments to contribution rates over time, to ensure continued affordability. While the latest actuarial assessment of the pension fund is still ongoing, the objective is for the fund to be sustainable at current conditions for a period of 100 years without government financing.

5. Consolidating the existing pensions is underway but could introduce new potential risks and might face implementation challenges. The size of the new unified pension scheme makes it an important player in the Oman's domestic financial market, raising concerns about potential concentration risks. As domestic capital markets are less developed in Oman (Kroen 2024), the unified pension fund would be a large investor and could hold concentrated positions in the bond and equity markets, in investment schemes, and in bank deposits, despite targeting a diverse asset allocation strategy. This can make the new fund vulnerable to counterparty default risk, limit their ability to liquidate large amounts of assets swiftly, and potentially entail destabilizing effects of rapid portfolio rebalancing for financial markets and institutions (Agrawal and others, 2024 forthcoming). In addition, the pension fund's large role in financial markets could also exacerbate the existing 'buy and hold' behavior amongst investors and hamper market liquidity.

Asset Allocation of Unified Pension Fund
(Percent, as of June 2024)



Source: Social Protection Fund

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Annex VIII. Data Issues

Table 1. Oman: Data Adequacy Assessment for Surveillance

Data Adequacy Assessment Rating 1/							
B							
Questionnaire Results 2/							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	C	B	A	C	B	B	B
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	C	B	C	A	B		
Granularity 3/	C		A	C	B		
			A		B		
Consistency			B	B		B	
Frequency and Timeliness	B	A	A	C	B		

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.
1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.
2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF *Review of the Framework for Data Adequacy Assessment for Surveillance*, January 2024, Appendix I).
3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.

A	The data provided to the Fund are adequate for surveillance.
B	The data provided to the Fund have some shortcomings but are broadly adequate for surveillance.
C	The data provided to the Fund have some shortcomings that somewhat hamper surveillance.
D	The data provided to the Fund have serious shortcomings that significantly hamper surveillance.

Rationale for staff assessment. Data provision to the Fund has some shortcomings but is broadly adequate for surveillance purposes.
National Accounts: GDP data in Oman experienced significant revisions during 2023-2024 without timely and adequate explanations. However, following Fund technical assistance (TA) in September 2024, revisions to GDP data for years 2022 and 2023 were timely published, broadly addressing TA recommendations. A breakdown between public and private investment and quarterly GDP from the expenditure side are not produced.
Prices: The coverage and timeliness of CPI data are generally satisfactory. However, it is recommended to update the weights to better reflect changes in the consumption basket.
Government Finance Statistics: The coverage of fiscal data is currently restricted to the budgetary central government. The publicly reported fiscal statistics have yet to be aligned with the Government Finance Statistics Manual (GFSM) 2014 standards, but the authorities provide all relevant non-publicly available fiscal data to align fiscal reporting for surveillance purposes broadly in line with GFSM 2014 standards. These include transactions related to the shareholder bridge facility with Energy Development Oman (EDO) and the transfers of oil revenues to special government funds, among others. MOF consistently provides fiscal operations data and granular debt and debt service statistics at a quarterly frequency.
External Sector: The external sector data reported by the CBO is generally consistent with BPM6. However, this data is available only on annual basis and is subject to delays, although it is adequate for the conduct of ESA. While progress has been made in defining how goods and services should be treated within Free Trade Zones (FTZs), the breakdown of goods and services continues to be hampered by the nature of FTZs activities. The financial account lacks detailed information, and data on private sector external debt is not available. FDI compilation needs a consistent treatment across sectors. Additionally, the authorities do not submit the Coordinated Direct Investment Survey (CDIS) and the Coordinated Portfolio Investment Survey (CPIS), limiting the team's ability to verify the consistency of financial account data.
Monetary and Financial Sector: The available statistics are broadly sufficient for the team's assessment of financial stability risks. While the data is broadly adequate for surveillance, it lacks granularity, which is necessary to improve analyses of the monetary and financial sector. For instance, data on the non-banking financial sector, currently limited, would help assess emerging trends and policy options for financial sector development. FSI are provided on a quarterly basis when requested by the team but they are not published.

Changes since the last Article IV consultation. The quality of national accounts data continues to show improvement. Coordination among various government entities and NCSI has significantly improved. The CBO is actively building capacity to improve the dissemination of ESS. Additionally, the MOF has sought technical assistance, facilitated by STA, to compile and publish fiscal data in accordance with GFSM 2014. NCSI continues to build capacity through acquiring long-term experts and Fund technical assistance, including recently during September 2024.

Corrective actions and capacity development priorities. The authorities committed to:
National Accounts: i) starting 2025, publish an annual calendar of national accounts data releases; ii) publish an explanation of revisions together with national accounts data releases, with a more technical account of revisions available on demand for internal and external stakeholders; iii) formalize the strengthened coordination between government entities and NCSI through Memorandum of Understandings to support data-sharing procedures; and iv) advance the implementation of recommendations from recent Fund technical assistance, including to open up the revisions of years 2019-2023 for the October 2025 release and to progress with the work to generate estimates of quarterly GDP from the expenditure side.
Government Finance Statistics: i) align fiscal compilation and reporting with GFSM 2014 and ii) advance the work to broaden the coverage of government finance statistics to the wider public sector, in line with recommendations from recent Fund technical assistance.
External Sector: i) produce and share with Fund staff experimental BOP quarterly estimates in 2025; ii) improve the coverage and granularity of international financial transactions, including improving the FDI sectoral survey; and iii) continue strengthening the capacity to monitor transactions in Free Trade Zones.

Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff. Staff utilizes publicly available information from Dealogic to estimate private sector external debt.

Other data gaps. More granular labor market data (including revisions to historical data in case of methodological and coverage changes), a breakdown of public and private sector investment, historical and sectoral data on SME activity, and an updated Household Income and Expenditure Survey would help enrich surveillance and assessing the impact of recent reforms.

Table 2. Oman: Data Standards Initiatives

Oman participates in the Enhanced General Data Dissemination System (e-GDDS) and publishes the data on its National Summary Data Page since August 2018.

Table 3. Oman: Table of Common Indicators Required for Surveillance

As of Nov 2, 2024

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data[6]	Frequency of Reporting[6]	Expected Frequency[6,7]	Oman[8]	Expected Timeliness[6,7]	Oman[8]
Exchange Rates	Real time	Real time	D	D	D	30	...	30
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	Sep-24	Nov-24	M	M	M	30	1M	45
Reserve/Base Money	Sep-24	Nov-24	M	M	M	...	2M	...
Broad Money	Sep-24	Nov-24	M	M	M	...	1Q	...
Central Bank Balance Sheet	Sep-24	Nov-24	M	M	M	...	2M	...
Consolidated Balance Sheet of the Banking System	Sep-24	Nov-24	M	M	M	...	1Q	...
Interest Rates[2]	Sep-24	Nov-24	M	M	M	30	...	45
Consumer Price Index	Oct-24	Nov-24	M	M	M	30	2M	30
Revenue, Expenditure, Balance and Composition of Financing[3]–General Government[4]	Sep-24	Nov-24	M	M	A	365	3Q	270
Revenue, Expenditure, Balance and Composition of Financing[3]–Central Government	Sep-24	Nov-24	M	M	Q	30	1Q	90
Stocks of Central Government and Central Government-Guaranteed Debt[5]	Sep-24	Nov-24	Q	Q	Q	90	2Q	180
External Current Account Balance	Dec-23	Jul-24	A	A	Q	365	1Q	180
Exports and Imports of Goods and Services	Dec-23	Jul-24	A	A	M	30	12W	90
GDP/GNP	Jun-24	Sep-24	Q	Q	Q	90	1Q	90
Gross External Debt	Dec-23	Jul-24	A	A	Q	90	2Q	180
International Investment Position	Dec-23	Jul-24	A	A	A	365	3Q	270

[1] Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.

[2] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

[3] Foreign, domestic bank, and domestic nonbank financing.

[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

[5] Including currency and maturity composition.

[6] Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual.; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.

[7] Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.

[8] Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (https://dsbb.imf.org/). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "..."

INTERNATIONAL MONETARY FUND

OMAN

December 18, 2024

STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

Prepared By: Middle East and Central Asia Department

CONTENTS

FUND RELATIONS

(As of October 31, 2024)

Membership Status: Joined December 23, 1971; Article VIII.

General Resources Account:	**SDR Million**	**% Quota**
Quota	544.40	100.00
IMF's holdings of currency	405.74	74.53
Reserve tranche position	138.70	25.48

SDR Department:	**SDR Million**	**% Allocation**
Net cumulative allocation	700.60	100.00
Holdings	722.17	103.08

Outstanding Purchases and Loans: None

Latest Financial Commitments: None

Projected Payments to the Fund

(SDR Million; based on existing use of resources and present holdings of SDRs)

	Forthcoming			
	2025	2026	2027	2028
Principal				
Charges/interest	0.01	0.01	0.01	0.01
Total	0.01	0.01	0.01	0.01

Lending to the Fund and Grants:

- **RST.** Oman contributed SDR 40 million to the RST in 2023.
- **PRGT subsidy resources.** In 2023, Oman also finalized its contribution agreement for SDR 18 million from net investment earnings to be generated by an investment in the amount of SDR 29 million with the PRGT's Long-Term Investment Strategy.

Implementation of HIPC Initiative: Not applicable.

Implementation of Multilateral Debt Relief Initiative (MDRI): Not applicable.

Implementation of Catastrophe Containment and Relief (CCR): Not applicable.

Exchange Rate Arrangements

The *de jure* and *de facto* exchange rate arrangements in Oman are classified as a conventional peg. The Omani rial is pegged to the U.S. dollar at a rate of RO 1 = $2.6008. The central bank maintains fixed buying/selling rates (RO 1 = $2.5974/2.6042) for the U.S. dollar.

Oman accepted the obligations under Article VIII, Section 2(a), 3, and 4 of the IMF's Articles of Agreement and maintains an exchange system free of multiple currency practices and restrictions on the making of payments and transfers for current international transactions other than restrictions notified to the Fund in accordance with Decision No. 144(52/51).

Article IV Consultations

Oman is on the standard annual consultation cycle. The previous Article IV consultation was held during November 1-15, 2023. The staff report was considered and published by the Executive Board on January 29, 2024 (Country Report/2024/031).

FSAP Participation, ROSCs, and OFC Assessments

FSAP missions visited Oman in February and May 2003. An FSAP update mission visited Oman in October 2010, and was concluded on February 23, 2011 (SM/11/26). A Data ROSC was conducted by STA in February 2004, and a ROSC reassessment mission took place in November 2014.

Fund Technical Assistance (since 2015)

LEG	AML/CFT Framework	January 2015
STA	National Accounts Statistics	March 2015
STA	Import Price Index	November 2015
STA	Balance of Payments Statistics	December 2015
LEG	AML/CFT Framework	January 2016
STA	National Accounts Statistics	April 2016
FAD	Medium-Term Fiscal Framework	August 2016
LEG	AML/CFT Framework	December 2016
FAD	Tax Administration	March 2017
STA	National Accounts Statistics	May 2017
LEG	AML/CFT Framework	July 2017
MCM	Monetary Policy Operations	April 2018
STA	e-GDDS	April 2018
FAD	Tax Administration	April 2018
LEG	AML/CFT Framework	January 2019
MCM	Government Debt Management	June 2021
FAD	Strengthening the Macro-Fiscal Unit	June 2021
MCM	Debt Management Strategy	February 2022
STA	External Sector Statistics	March 2022
FAD	Tax Administration	May 2022
ICD	Macroeconomic Forecasting	October 2022

MCM	Macroprudential Stress Testing	February 2023
ICD	Macroeconomic Framework	March 2023
MCM	Debt Management	May 2023
FAD	Medium-Term Fiscal Frameworks	July 2023
LEG	AML/CFT Framework	September and October 2023
MCM	Asset and Liability Management	December 2023
ICD	Macroeconomic Framework	April 2024
FAD	Macro-Fiscal Forecasting	April 2024
STA	Government Finance Statistics	May 2024
FAD	Tax Policy	May-June 2024
MCM	CBO Transparency Assessment	June-July 2024
ICD	Macroeconomic Framework	July 2024
MCM	ELA and collateral frameworks	August-September 2024
STA	National Accounts Statistics	August-September 2024
ICD	Macroeconomic Framework	October 2024
FAD	Fiscal Rules and PFM	November 2024
MCM	Liquidity Management	December 2024

Resident Representative: No resident representative is stationed in Oman.

RELATIONS WITH THE WORLD BANK GROUP

(As of November 11, 2024)

World Bank Country Page:

https://www.worldbank.org/en/country/gcc/brief/oman-country-program