

Sultanate of Oman

Composite Rating: Baa3 / BBB- / BB+

Bond/s: OMAN 4.75 26

Outlook: Positive

Country Overview

- **Oil-dependent economy with diversification efforts:** While oil and gas remain the primary drivers of Oman's economy, contributing significantly to GDP and government revenue, the country is actively pursuing economic diversification through its "Vision 2040" plan. This aims to boost non-oil sectors like manufacturing, tourism, logistics, agriculture, and fisheries.
- **Positive growth driven by non-oil sectors:** Oman's GDP has shown growth in recent periods, largely propelled by the expansion of non-oil activities, including manufacturing, services, and construction, even amid OPEC+ oil production cuts. Natural gas production is also a growing contributor.
- **Fiscal reforms and debt reduction:** The Omani government has implemented significant fiscal reforms, including a VAT and subsidy reductions, which have helped shift fiscal and external balances into surpluses since 2022. This prudent management has substantially reduced public debt, improving the country's financial stability and investor confidence.

Macro Fundamentals

- **Economic structure:** Oil and gas remain significant, but diversification into non-hydrocarbon sectors (e.g., tourism, logistics, manufacturing) is accelerating.
- **GDP growth:** Projected positive real GDP growth for 2025, driven by both non-hydrocarbon sectors and a slight increase in hydrocarbon production.
- **Fiscal position:** Achieved fiscal surpluses in recent years, with efforts to maintain discipline and reduce public debt.

Risks and Catalyst

Risks:

- **Hydrocarbon dependence:** Vulnerability to global oil price fluctuations and OPEC+ production cuts remains a key risk.
- **Geopolitical tensions:** Regional instability could negatively impact trade, tourism, and foreign investment.

- **Global economic slowdown:** A significant global downturn could dampen external demand for Omani exports and tourism.
- **Reform implementation:** Delays in executing Oman Vision 2040 reforms could hinder diversification goals.
- **Subsidies:** There is the challenge of gradually phasing out remaining subsidies without impacting social stability.

Catalysts:

- **Oman Vision 2040:** Successful implementation of diversification strategies in tourism, logistics, renewable energy, and manufacturing.
- **Fiscal reforms:** Continued prudent fiscal management, including revenue diversification and expenditure rationalization.
- **Foreign direct investment (FDI):** Attracting increased FDI into non-hydrocarbon sectors through improved business environment and strategic projects.
- **Strategic location:** Leveraging its geographical position to enhance its role as a regional logistics and trade hub.
- **Global energy transition:** Opportunities in green hydrogen and renewable energy projects can attract significant investment and diversify the energy mix.

Key Macro Indicators

	FY2021	FY2022	FY2023	FY2024	2025F
Real GDP Growth	2.60%	8.00%	1.20%	1.70%	2.30%
Inflation Rate	3.60%	1.50%	0.60%	0.70%	1.10%
Fiscal Balance/GDP	-3.17%	10.50%	6.89%	6.31%	1.24%
General Government Gross Debt, % of GDP	61.9%	41.70%	37.50%	35.50%	35.40%

Sources: International Monetary Fund (IMF), Metrobank Research



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