

OMAN

Table 1 **2023**

Population, million	4.6
GDP, current US\$ billion	108.2
GDP per capita, current US\$	23295.3
School enrollment, primary (% gross) ^a	90.1
Life expectancy at birth, years ^a	72.5
Total GHG emissions (mtCO ₂ e)	125.6

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2022); Life expectancy (2021).

Oman's economy continues to perform well, supported by favorable oil prices and a commitment to the economic diversification program, in line with the country's Vision 2040. Concerted efforts are underway to catalyze private investment, including through Oman Investment Authority (OIA). The government's commitment to keep the fiscal position under control and use the oil revenues to lower public debt signals a commitment to fiscal discipline and has prompted a credit rating upgrade. Economic growth is expected to improve slightly in 2024, but downside risks to the outlook include oil market volatility, climate change risks, and potential indirect spillovers from the ongoing conflict in the Middle East.

Key conditions and challenges

Economic activity slowed down in 2023 on the back of OPEC+ output cuts, but a gradual recovery is underway, driven by non-hydrocarbon sectors notably in agriculture, construction, and services. Higher energy prices, and prudent fiscal management under the Medium-Term Fiscal Plan (MTFP) and Vision 2040, have together boosted the fiscal and external positions. The hydrocarbon windfalls were also wisely utilized to reduce government debt in 2023 by almost half of its peak of almost 68 percent of GDP in 2020.

The government continues to advance governance and efficiency reforms. In January 2024, it has revealed plans to boost the economy through the launch of the Oman Future Fund by Oman Investment Authority (of OMR2 billion/US\$5.2 billion), with an ambition to attract foreign investment and boost investments in local small and medium-sized enterprises (SMEs). Furthermore, Oman is prioritizing investments in renewable energy and green hydrogen projects, in support of the country's energy transition goals and to meet its target of deriving 20 percent of the total energy generation from renewable sources by 2030.

Notwithstanding the existence of sizable buffers, government revenue, export proceeds, and the debt trajectory remain closely tied to oil market developments, as the hydrocarbon sector continues to play a

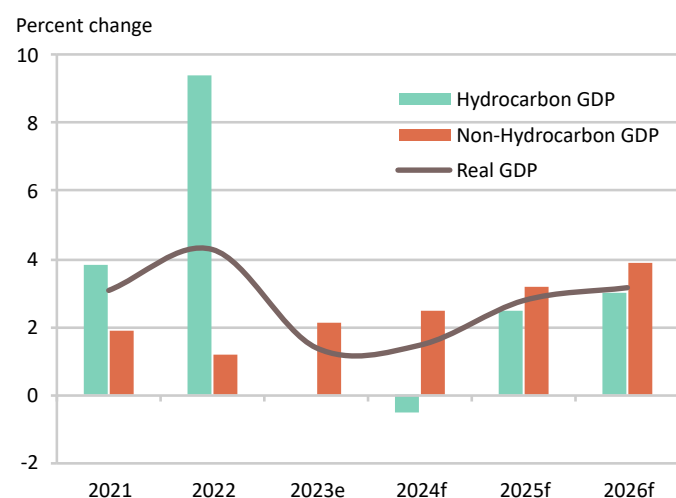
major role in the economy. Key risks to the outlook arise from oil prices volatility, which could pose significant challenges to the fiscal and external accounts and disrupt the government's reform program. This is in addition to geopolitical risks associated with a potential escalation of the conflict in the Middle East. On the upside, higher oil production and prices, coupled with additional fiscal and diversification measures, could spur growth and strengthen fiscal and external positions. Steadfast implementation of the new social protection and labor laws would promote private sector-led growth and boost female labor force participation.

Recent developments

Real GDP growth is estimated to have decelerated to 1.4 percent in 2023, down from 4.3 percent in the previous year, reflecting the oil output cuts to adjust to the OPEC+ quotas. In the first nine months of 2023 (9M-2023), real growth reached 2 percent, with the non-hydrocarbon sectors growing by 2.7 percent and compensating for the slowdown in the hydrocarbon sector (0.5 percent). Average headline inflation eased from 2.8 percent in 2022 to 0.9 percent in 2023, contained by subsidies on basic food items and domestic petroleum prices.

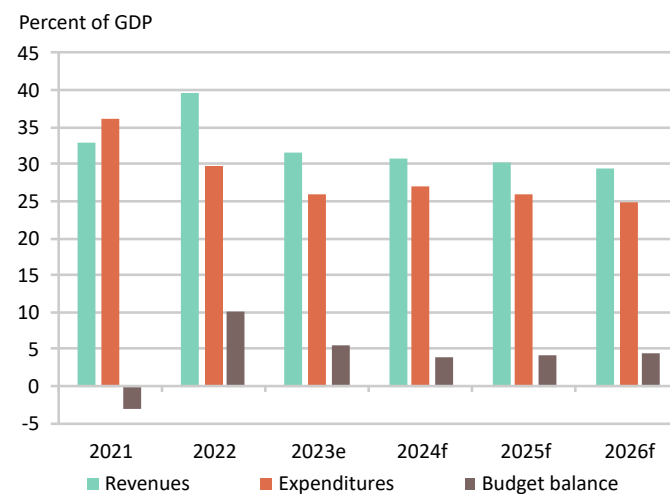
Fiscal revenues declined by 17 percent in the first ten months of 2023 (10M-2023), due to the decline in hydrocarbon revenues. In parallel, public spending declined by 16 percent during the same period, reflecting a drop in public debt

FIGURE 1 Oman / Real annual GDP growth



Sources: Oman authorities, World Bank staff projections, and IMF projections.

FIGURE 2 Oman / General government operations



Sources: Oman authorities and World Bank staff projections.

service costs as well as the removal of gas purchase and transport expenses from the state's general budget, which were transferred to the Integrated Gas Company. Accordingly, Oman's overall fiscal surplus declined to 2 percent of GDP during 10M-2023, down from over 2.7 percent of GDP during the same period of 2022. The lower hydrocarbon revenues are estimated to limit the scope for larger declines in the debt-to-GDP ratio. With the repayment of government debt, credit rating agencies Fitch and S&P upgraded Oman's rating to "BB+" from "BB".

The trade balance surplus narrowed to US\$20 billion (18.7 percent of GDP) by end-2023, compared to over US\$27 billion (31 percent of GDP) in 2022, as hydrocarbon receipts contracted by almost 17 percent. Gross foreign assets remain sizable at US\$17.5 billion by end-2023.

Based on the latest ILO modelled estimates, the labor force participation rate and employment-to-population ratio are projected to reach 68.7 percent and 67.7 percent respectively in 2024, slightly above the level projected in 2023. The

unemployment rate is projected at 1.5 percent. According to the most recent monthly statistical bulletin, the rate of job seekers among women aged 25-29 was 20 percent in December 2023 (6.7 percentage points lower relative to December 2022), while the rate of job seekers among men aged 25-29 in that same period was 2.4 percent (0.3 percentage points higher relative to December 2022).

Outlook

Oman's economic outlook remains favorable, with real growth expected to reach 1.5 percent in 2024, driven by increased gas production and diversification efforts. These include efforts to further improve the business environment, support the role of SMEs in the economy, and accelerate investments in renewable energy and green hydrogen. The newly issued tourism law is expected to attract FDIs to promote regional development in the country and improve the sector's competitiveness.

Growth is expected to further accelerate over the medium term supported by global demand recovery, increased investment in non-hydrocarbon sectors and renewable energy. Inflation is forecast to converge to 2 percent over the medium term, helped by the stabilizing effect of the currency peg to the U.S. dollar.

Despite relatively moderate hydrocarbon prices during the forecast period, continued fiscal discipline will keep Oman's overall fiscal balance in comfortable surplus, exceeding 4 percent of GDP in 2024-26. Accordingly, public debt is expected to continue its downward trajectory over the medium term.

Similarly, the current account is projected to remain in surplus over the medium term, as hydrocarbon and nonhydrocarbon revenues rise. This will help Oman rebuild its foreign reserves and improve the country's resilience against oil market fluctuations and external shocks. Oil market volatility, tighter-than-needed global financial conditions, climate change risks, and the impact of heightened geopolitical tensions are key risks to the outlook.

TABLE 2 Oman / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	3.1	4.3	1.4	1.5	2.8	3.2
Private consumption	6.8	4.2	1.8	2.2	2.8	2.6
Government consumption	0.9	3.1	1.1	1.8	1.7	2.4
Gross fixed capital investment	-1.5	3.8	3.0	3.5	3.1	3.0
Exports, goods and services	14.2	13.0	1.2	1.9	3.5	3.4
Imports, goods and services	2.7	7.6	4.3	4.7	3.3	2.5
Real GDP growth, at constant factor prices	3.1	4.4	1.4	1.5	2.8	3.2
Agriculture	9.0	-9.7	2.7	1.3	1.5	1.4
Industry	1.1	5.1	0.2	1.8	2.1	2.3
Services	5.4	4.4	2.9	1.1	3.7	4.3
Inflation (consumer price index)	1.5	2.8	0.9	1.6	2.0	2.0
Current account balance (% of GDP)	-5.4	5.0	2.8	2.9	2.6	2.4
Net foreign direct investment inflow (% of GDP)	8.6	4.0	5.6	3.4	3.6	3.8
Fiscal balance (% of GDP)	-3.1	10.1	5.6	3.8	4.3	4.5
Revenues (% of GDP)	33.0	39.7	31.5	30.7	30.1	29.5
Debt (% of GDP)	61.3	39.9	37.6	35.4	33.1	31.9
Primary balance (% of GDP)	0.0	12.5	8.2	6.4	6.8	6.9
GHG emissions growth (mtCO2e)	4.1	6.6	4.9	3.5	4.4	0.0
Energy related GHG emissions (% of total)	71.5	72.6	73.3	73.7	74.5	74.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.