IMF Country Report No. 26/4

OMAN

January 2026

2025 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR OMAN

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 2025 Article IV consultation with Oman, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its January 12, 2026, consideration of the staff report that concluded the Article IV consultation with Oman.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration, following discussions that ended on November 24, 2025, 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 11, 2025.
- An **Informational Annex** prepared by the IMF staff.
- A **Statement by the Executive Director** for Oman

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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PRESS RELEASE

PR 26/04

IMF Executive Board Concludes 2025 Article IV Consultation with The Sultanate of Oman

FOR IMMEDIATE RELEASE

- Oman's economy has demonstrated strong resilience to shocks, with economic activity expanding amidst low inflation and fiscal and external positions remaining strong.
- Despite heightened uncertainty and declining oil prices, the outlook remains favorable. Growth and fiscal and external balances are expected to remain robust over the medium term, while risks to the near-term outlook are tilted to the downside.
- Reforms are advancing to achieve the envisioned economic transformation under Oman Vision 2040. Policies are being implemented to develop the financial sector, tackle labor market bottlenecks, enhance the business environment, improve SOE transparency and performance, pursue renewable energy production, and scale up the digital initiatives.

Washington, DC – January 15, 2026: The Executive Board of the International Monetary Fund (IMF) completed the Article IV Consultation for The Sultanate of Oman.[1] This also included a discussion of the findings of the Financial Sector Assessment Program (FSAP) exercise for Oman.[2]

Oman's reform agenda is advancing, strengthening resilience and supporting a favorable economic outlook. Economic growth turned out at 1.6 percent in 2024 before accelerating to 2.3 percent (year on year) in the first half of 2025, supported by expansions in the nonhydrocarbon economy. While OPEC+ production curbs continued to weigh on hydrocarbon output, nonhydrocarbon growth reached 3.5 percent (year on year) in the first half of 2025, reflecting strong activity in construction, agriculture and fishing, tourism, and logistics. Over the medium term, growth is expected to strengthen further as oil production gradually returns to capacity and the nonhydrocarbon economy remains robust, supported by ongoing reforms under Vision 2040 and the rollout of large-scale investment projects. Inflation remained subdued, edging up to 0.9 percent during January-October 2025 from 0.6 percent in 2024, amid contained price pressures across most categories.

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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] Under the FSAP, the IMF assesses the stability of the financial system, and not that of individual institutions. The FSAP assists in identifying key sources of systemic risk and suggests policies to help enhance resilience to shocks and contagion. In member countries with financial sectors deemed by the IMF to be systemically important, it is a mandatory part of Article IV surveillance, and supposed to take place every five years.

Prudent fiscal management has helped maintain the fiscal balance in surplus despite declining oil prices, with the overall balance estimated at 0.7 percent of GDP in 2025. The nonhydrocarbon primary deficit is estimated to have narrowed by 2 percent of nonhydrocarbon GDP in 2025, reflecting expenditure restraint and improved nonhydrocarbon revenue collection. Government debt stood at 36.1 percent of GDP by September 2025. The current account balance is estimated to have turned into a deficit of 1.1 percent of GDP in 2025, weighed down by softer oil prices. The 2025 Financial Sector Assessment Program (FSAP) found the financial sector to be resilient against severe shocks as banks remain sound, with ample capital and liquidity buffers and robust profitability.

Risks to the near-term outlook are tilted to the downside. An escalation of trade tensions and deepening geoeconomic fragmentation would weaken global demand and dampen oil prices, dragging down Oman's economic growth and fiscal and external positions. Renewed regional geopolitical tensions could disrupt trade and dampen tourism and investment. On the upside, higher oil prices could arise from a global growth upturn or intensified geopolitical tensions affecting oil supply, and accelerated structural reforms would bolster confidence and enhance economic diversification.

Executive Board Assessment[3]

Executive Directors agreed with the thrust of the staff appraisal. They commended Oman's economic resilience, underpinned by steady reform implementation under Vision 2040. Directors highlighted the robust expansion of nonhydrocarbon economic activities, alongside the continued strengthening of fiscal and external positions. While noting that the outlook remains favorable, Directors emphasized the importance of sustaining prudent policies and the reform momentum, particularly to continue diversifying the economy and enhance potential growth.

Directors welcomed the authorities' continued commitment to prudent fiscal management and intergenerational equity. They emphasized the need to further advance tax policy and administration reforms, phase out untargeted subsidies while protecting the most vulnerable, and rationalize non-essential spending. Directors also underscored the importance of reinforcing fiscal frameworks as well as governance and transparency, including developing a fiscal rule and strengthening public investment management as well as budget preparation and execution. Consolidating stabilization funds, strengthening debt management, and developing sovereign asset-liability management are key priorities going forward.

Directors agreed that the exchange rate peg remains an appropriate and credible policy anchor for Oman. They stressed the importance of implementing the Treasury Single Account and transitioning to an active liquidity management framework to strengthen monetary policy transmission. Directors also underscored the need to continue to ensure that the Central Bank of Oman's expanded development mandate remains anchored in the objectives of price and financial stability.

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[3] At the conclusion of the discussion, the Managing Director, as Chair 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.

Directors welcomed the progress in financial sector reforms and the findings of the Financial System Stability Assessment that the banking system is well capitalized and broadly resilient to shocks. They recommended additional efforts to safeguard financial stability and further develop the financial sector. Directors called for operationalizing a macroprudential strategy, continuing to enhance supervision and regulation, improving AML/CFT frameworks, and further strengthening the financial safety net and crisis management frameworks. They also emphasized the importance of deepening capital markets and addressing structural impediments to SME financing.

Directors welcomed the authorities' strong efforts to advance structural reforms and their continued commitment to transition toward a more sustainable and diversified economy. They called for additional measures to narrow the public private-sector wage gap, increase female labor force participation, and boost educational and vocational training outcomes. Directors recommended improving the business environment, SOEs' transparency, and data provision. They agreed that deeper trade integration as well as advancing digitalization and AI readiness would help develop a competitive nonhydrocarbon tradable sector.

Table 1. Oman: Selected Economic Indicators, 2022–30

	2022	2023	2024	2025	2026	2027	2028	2029	2030
Oil and Gas Sector									
Average crude oil export price (US$/barrel)	95.4	82.3	81.2	70.6	62.1	62.2	63.2	64.4	65.3
Crude and condensates oil production (in millions of barrels/day)	1.064	1.049	0.995	1.005	1.048	1.090	1.140	1.176	1.201
of which: Crude Oil (in millions of barrels/day)	0.848	0.815	0.762	0.770	0.810	0.849	0.889	0.917	0.937
Natural gas production (in millions of cubic meters per day)	137.2	142.5	149.2	152.3	155.5	159.3	163.1	167.0	171.0
National Accounts									
Nominal GDP (US$ billions)	109.9	106.2	107.1	106.5	107.5	112.4	118.2	124.5	130.9
Nominal GDP (in billions of Omani rials)	42.2	40.8	41.2	41.0	41.3	43.2	45.5	47.9	50.3
Real GDP	8.0	1.4	1.6	2.8	3.8	3.8	3.9	3.6	3.4
Real hydrocarbon GDP 1/	8.7	0.3	-1.9	1.1	4.0	3.7	4.2	2.9	2.1
Real nonhydrocarbon GDP	7.7	2.0	3.3	3.5	3.7	3.8	3.8	3.9	4.0
Consumer prices (average)	2.5	1.0	0.6	1.0	1.2	1.5	1.7	1.8	2.0
GDP Deflator	16.5	-4.7	-0.7	-3.2	-2.8	0.8	1.2	1.6	1.7
Investment and Saving									
Gross capital formation	27.3	26.7	26.0	26.5	27.3	28.3	28.3	28.3	28.3
Public	7.1	7.3	8.6	9.2	9.1	9.0	8.9	8.8	8.7
Private	20.2	19.3	17.4	17.3	18.2	19.3	19.4	19.5	19.6
Gross national savings	31.0	29.2	29.2	25.4	24.2	26.8	28.5	29.0	29.5
Public	20.7	16.5	13.9	11.1	9.6	9.8	10.3	10.5	10.7
Private	10.3	12.7	15.4	14.3	14.6	17.0	18.2	18.5	18.9
Central Government Finances									
Revenue and grants	41.4	34.2	31.9	29.5	28.3	27.8	27.6	27.3	26.9
Hydrocarbon	33.7	25.6	23.4	20.4	19.2	18.8	19.0	18.9	18.5
Nonhydrocarbon and grants	7.7	8.6	8.5	9.1	9.1	9.0	8.6	8.4	8.4
Expenditure	30.9	27.4	28.6	28.8	28.2	27.2	25.9	25.2	24.2
Current	27.8	24.1	25.0	25.1	25.0	24.2	23.0	22.4	21.6
Capital	3.1	3.3	3.6	3.7	3.1	3.0	2.9	2.8	2.7
Overall balance (Net lending/borrowing)	10.5	6.8	3.3	0.7	0.1	0.6	1.7	2.1	2.7
Nonhydrocarbon primary balance (percent of nonhydrocarbon GDP)	-31.7	-29.1	-30.9	-28.9	-26.9	-25.5	-23.8	-22.7	-21.5
Central government debt, *of which:*	41.7	37.4	35.4	35.8	35.9	34.7	33.3	32.0	29.8
External debt	31.5	27.7	24.6	23.8	23.6	21.9	20.4	19.1	17.2
Public debt, *of which:*	72.9	69.3	66.2	68.7					
SOEs debt	31.2	31.9	30.8	32.9					
Net financial assets	-12.9	-7.4	-1.9	-1.4	-1.9	-1.9	0.1	2.5	5.2
Monetary Sector									
Net foreign assets	-0.8	35.3	15.0	5.5	-7.1	-1.8	6.4	6.5	7.9
Net domestic assets	1.0	6.6	5.5	-1.7	13.2	8.9	5.6	6.0	4.3
Credit to the private sector	4.2	4.7	5.9	6.1	5.7	5.9	5.9	6.1	6.1
Broad money	0.6	13.1	8.1	0.4	7.0	6.0	5.8	6.1	5.2
External Sector									
Exports of goods	65.7	59.5	65.2	59.7	58.1	60.3	62.9	65.2	68.0
Oil and gas	45.6	40.4	44.5	38.6	36.0	36.4	37.6	38.4	39.8
Other	20.1	19.2	20.6	21.2	22.0	23.9	25.3	26.8	28.2
Imports of goods	34.7	35.2	39.5	39.9	39.8	40.0	40.7	41.7	43.1
Current account balance	4.0	2.4	3.5	-1.2	-3.4	-1.7	0.2	0.9	1.6
Percent of GDP	3.7	2.3	3.2	-1.1	-3.1	-1.5	0.2	0.7	1.2
Central Bank gross reserves	17.6	17.5	18.4	19.3	17.8	17.4	18.4	19.4	20.9
In months of next year's imports of goods and services	4.4	4.0	4.2	4.4	4.0	3.8	3.9	4.0	4.1
Total external debt	70.0	65.8	62.2	62.0	61.4	60.7	59.2	58.6	57.3
Percent of GDP	63.7	61.9	58.0	58.2	57.1	54.0	50.1	47.0	43.8

Sources: Omani authorities; and IMF staff estimates and projections.
1/ Includes crude oil, refining, natural gas, and LNG production.

INTERNATIONAL MONETARY FUND

OMAN

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION

December 11, 2025

KEY ISSUES

Context. As its reform agenda advances, Oman has demonstrated strong resilience to heightened global uncertainty, renewed geopolitical tensions, and oil price fluctuations in 2025. Nonhydrocarbon economic activities continue expanding, while inflation remains low. Fiscal and external positions remain solid despite lower oil proceeds. Public sector deleveraging continues. With heightened uncertainty and weaker oil prices, the premium on strengthening resilience and accelerating the country's economic transformation has increased, underscoring the importance of sustaining the reform momentum.

Fiscal policy. Accelerating tax administration reforms, optimizing tax policy, and rationalizing spending—including by phasing out untargeted subsidies, while protecting the most vulnerable—are essential to reinforce fiscal sustainability and ensure intergenerational equity. Strengthening fiscal frameworks, by rolling out a comprehensive medium-term fiscal framework, adopting a credible fiscal rule after satisfying all prerequisites, and developing a sovereign asset-liability management framework are key to bolstering fiscal credibility and sustainability.

Monetary and financial sector policies. The peg to the US dollar remains appropriate. Considering the CBO's expanded mandate, reaffirming the primacy of price and financial stability objectives is essential. Advancing the Monetary Policy Enhancement Project and implementing a full-fledged Treasury Single Account system will strengthen monetary policy transmission. Strengthening the macroprudential framework, enhancing banking regulation and supervision, improving the financial safety net and crisis management, and deepening financial markets will safeguard financial stability and foster financial sector development. These priorities align with the recommendations of the 2025 FSAP.

Structural policies. Sustaining the reform momentum will be key to achieving the economic transformation envisaged under Vision 2040. Tackling remaining labor market bottlenecks, further improving the business environment, advancing regional trade integration, and stepping up digital infrastructure and AI readiness, while continuing to pursue renewable energy initiatives, would enhance productivity and competitiveness, foster private sector development, and support the transition toward a more sustainable and diversified economy.

Approved By
Zeine Zeidane (MCD) and Cemile Sancak (SPR)

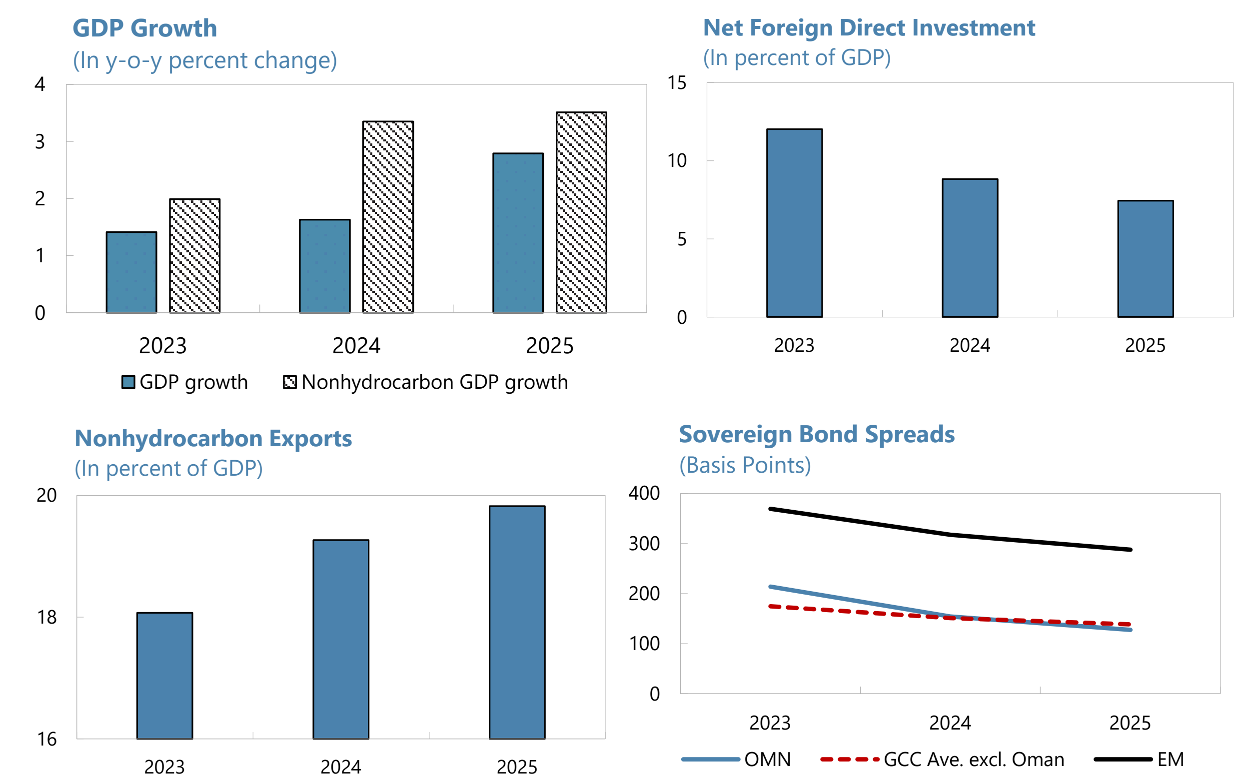
Discussions were held in Muscat during November 9-24, 2025. The team comprised Abdullah AlHassan (head), Mohamed Belkhir, Muhammed Ejaz, and Haytem Troug (all MCD). Zeine Zeidane (MCD) and Dimitrios Laliotis (MCM) participated in the concluding meetings. Executive Director, Mohamed Maait, attended the concluding meeting with the Central Bank virtually. Advisor to the Executive Director, Ms. Fadhila Al Faraj, accompanied the mission. The team met with the Central Bank Governor Al-Musalmi, Minister of Finance Al-Habsi, Chairman of the Tax Authority Al-Jashmi, other senior officials, Members of the Economic and Financial Committee at the Shura Council and State Council, representatives of the private sector, civil society, and academia. Esther George, Dalia Kadissi, and Nareg Mesrobian (all MCD) provided excellent support for the preparation of the report.

CONTENTS

ANNEXES

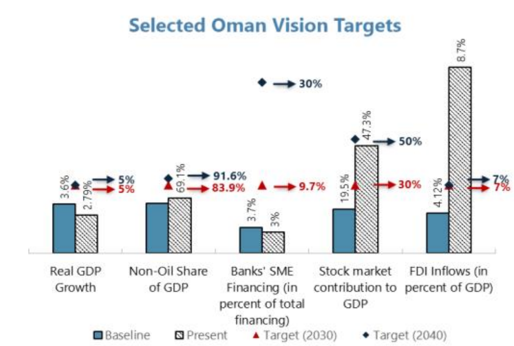
BACKGROUND

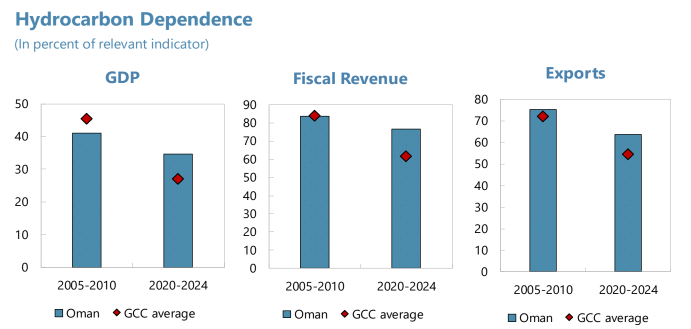
1. Oman's economy remains resilient amid a challenging global and regional environment. With limited spillovers from trade tensions and regional conflicts, nonhydrocarbon activities continue expanding, supported by strong project and reform implementation. Fiscal and external positions remain solid, notwithstanding lower oil prices. Nonhydrocarbon exports and foreign direct investment inflows have been strong. Sovereign spreads narrowed further, reflecting increased confidence in the economy's outlook.



Sources: Country authorities, and IMF staff calculations.

2. Sustaining the reform momentum is essential to strengthen resilience and accelerate economic transformation. Oman has made important strides in diversifying its economy, but progress has lagged the GCC average. With heightened global uncertainty and lower oil prices, there is a premium for Oman to accelerate its economic transformation, thereby strengthening its resilience and diversifying into higher-value-added activities, with strong employment and growth potential. The upcoming 11th Five-Year Development Plan (2026-2030) provides a timely opportunity to strengthen resilience, sustain nonhydrocarbon growth, and accelerate diversification.



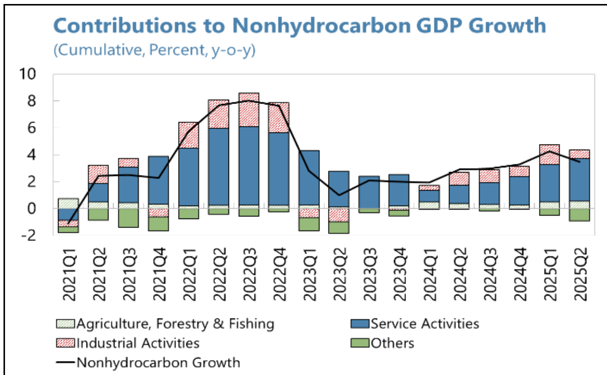


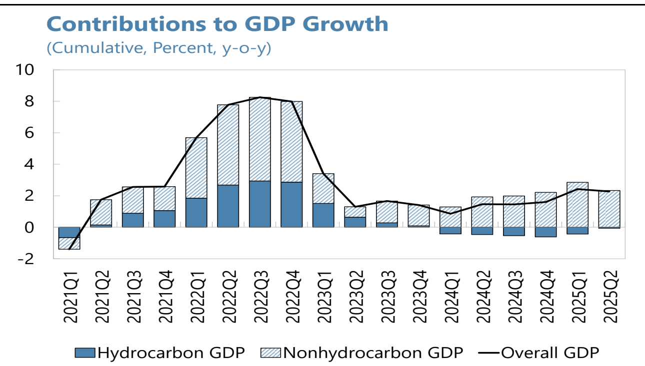
Sources: Country authorities and IMF staff calculations.

Note: Present observations refer to 2024 figures or the latest available.

RECENT DEVELOPMENTS

3. Economic growth remained strong. Nonhydrocarbon growth stood at 3.3 percent in 2024 (2 percent in 2023) and 3.5 percent in 2025H1, reflecting expansions in manufacturing, wholesale and retail, logistics, and construction, agriculture and fishing. Overall growth turned out at 1.6 percent in 2024 (1.4 percent in 2023) and 2.3 percent in 2025H1, notwithstanding contractions in hydrocarbon GDP due to OPEC+ oil production curbs.



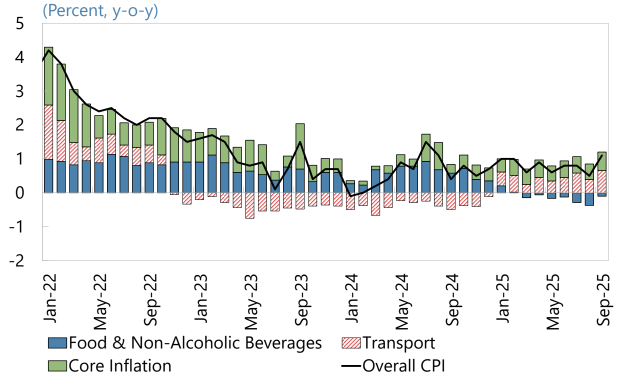


Sources: Country authorities, Haver Analytics, NCSI, and IMF staff calculations.
Notes: GDP growth and contributions are reported on cumulative basis throughout each calendar year. Services activities include wholesale and retail trade, transport, accommodation and food, financial, real estate, public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

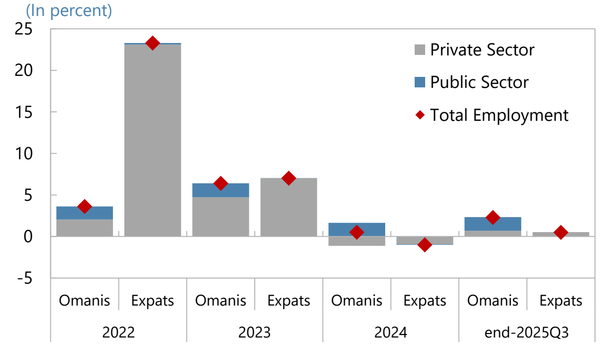
4. Inflation is low. Headline inflation decelerated to 0.6 percent in 2024 and has remained contained at 0.9 percent during January–October 2025, reflecting subdued price pressures across most categories, prevalence of administrative price controls and caps on selected fuels.

5. The labor market continues to be dynamic. After growing 6.7 percent in 2023, employment contracted slightly in 2024 by 0.5 percent, driven by reductions in private sector employment affecting both Omani and expatriate workers. Employment expanded by 1.1 percent at end-2025Q3, supported by job creation by public and private sectors. The unemployment rate rose slightly to 3.3 percent in 2024 (3.2 percent in 2023). Youth unemployment (ages 15–24) remained elevated at 12.5 percent.

Contribution to Inflation
(Percent, y-o-y)



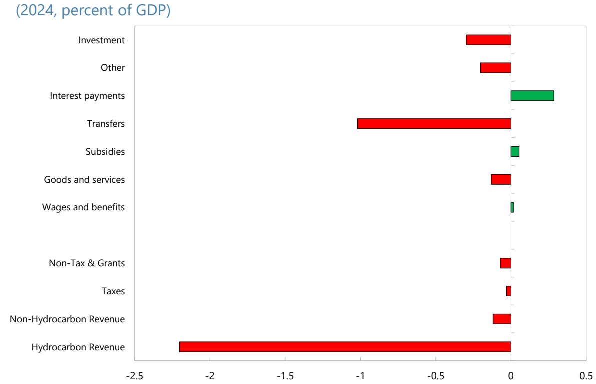
Contribution to Omani and Expat Employment Growth
(In percent)



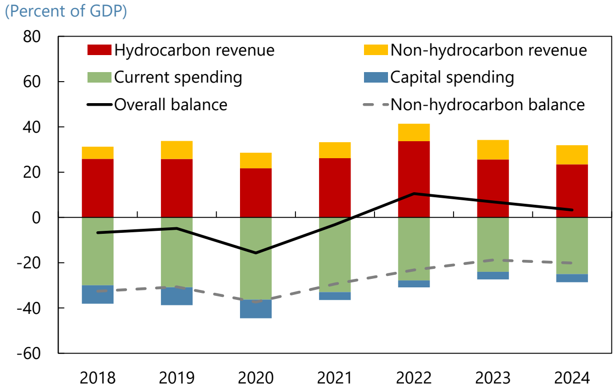
Sources: Country authorities, Haver Analytics, NCSI, and IMF staff calculations.

6. The fiscal position moderated but remained resilient. Despite lower hydrocarbon revenues, the overall fiscal balance stood at 3.3 percent of GDP in 2024 (6.8 percent in 2023). The nonhydrocarbon primary deficit widened by 1.9 percentage points of nonhydrocarbon GDP, largely reflecting higher social transfers under the new social protection law implemented in 2024, followed by additional capital spending for critical infrastructure and public service projects. The overall fiscal balance turned out at 4.5 percent of GDP in January-September 2025, helped by expenditure restraint.

Contribution to Fiscal Surplus Reduction
(2024, percent of GDP)



Fiscal Balance and Components
(Percent of GDP)



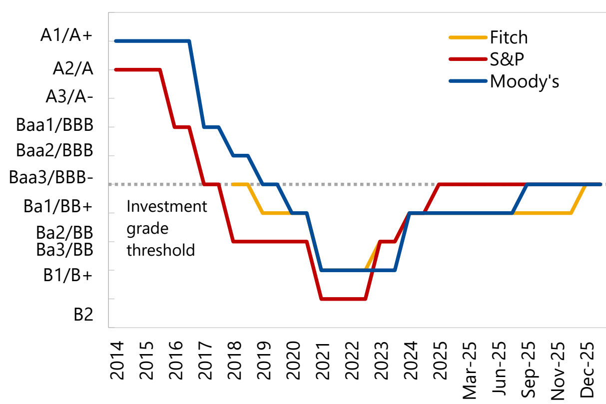
Source: Country authorities and IMF staff calculations.

7. Public sector deleveraging continues. The government repaid $1.5 billion in debt, contributing to a further decline in the debt-to-GDP ratio from 37.5 percent at end-2023 to 36.1 percent by end-September 2025. Government net financial asset position strengthened further, improving from –7.4 percent of GDP in 2023 to –1.9 percent in 2024. SOEs' debt declined to 30.8 percent of GDP at end-2024 (32 percent at end-2023), before edging up to 32 percent by end-

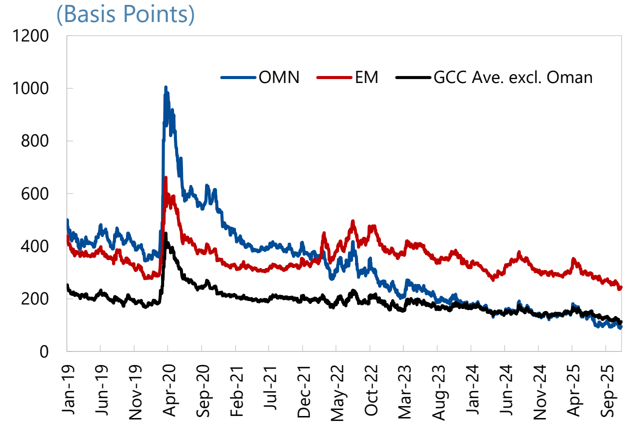
September 2025, driven by expansion-related borrowings —primarily to finance developmental projects in the utilities and logistics sectors.

8. Oman's investment grade status has been affirmed. Sovereign spreads declined markedly to an average of 129 basis points during January-October 2025 —down from 310 basis points in 2022 —and are now below the GCC average.

Sovereign Credit Ratings



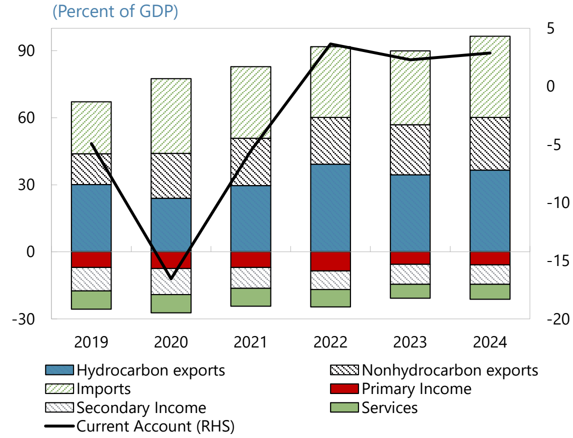
Emerging Market Sovereign Bond Spreads
(Basis Points)



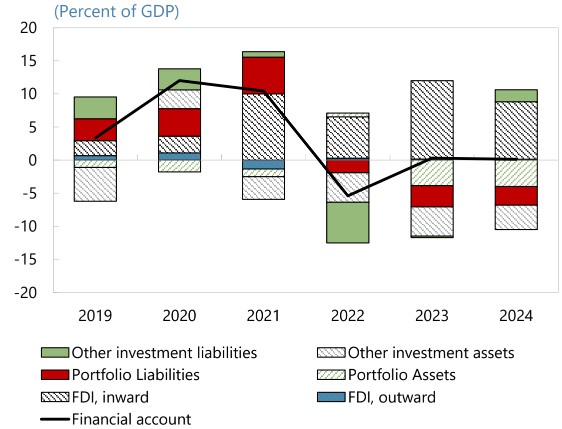
Sources: Bloomberg and IMF staff calculations.

9. The external position continues to improve. The current account posted a surplus of 3.2 percent of GDP in 2024 (2.3 percent in 2023), supported by strong performance in refined oil and nonhydrocarbon exports. CBO international reserves rose to $18.4 billion by end-2024 (4.2 months of prospective imports and 68 percent of the ARA metric). Considering the liquid foreign assets held by Oman Investment Authority (OIA), overall liquid external buffers remain adequate at $28.4 billion (106 percent of the ARA metric). CBO reserves stood at $19.3 billion at end-September 2025. Staff assess Oman's external position to be in line with the level implied by fundamentals and desired policies (Annex II).

Current Account
(Percent of GDP)

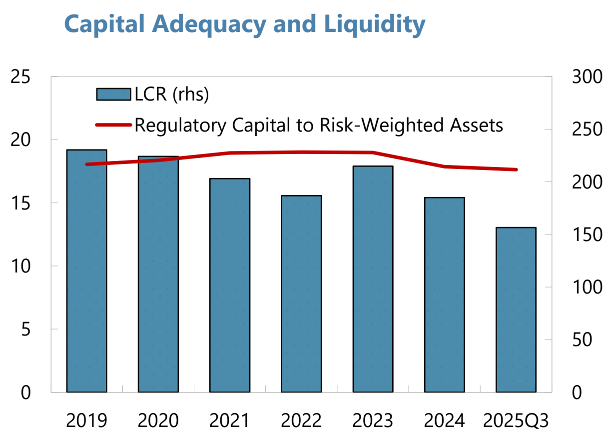


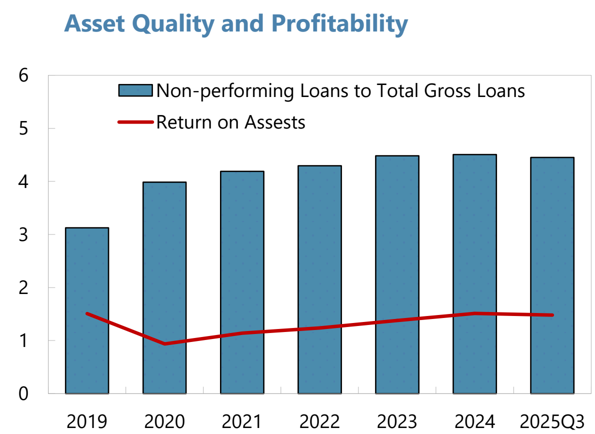
Financial Account
(Percent of GDP)



Sources: Country authorities and IMF staff calculations.

10. The banking sector in Oman remains sound. Capital and liquidity buffers are well above regulatory requirements. Banking system remains profitable, supported by healthy margins. Though asset quality issues persist in some sectors—reflected in the significant share of restructured and Stage 2 loans—NPLs remain contained, with total provisioning covering 121.9 percent of NPLs as of September 2025. Banks' net foreign asset position remains positive but varies significantly across banks. Private sector credit grew by 5.7 percent (y-o-y) in September 2025, underpinned by a robust deposit base.





Source: Central bank of Oman (CBO).

OUTLOOK AND RISKS

11. The medium-term outlook remains favorable:

- GDP growth is projected to accelerate to 2.8 percent in 2025 and strengthen further starting in 2026, underpinned by sustained nonhydrocarbon activity and unwinding of OPEC+ production cuts. Nonhydrocarbon GDP is expected to remain robust, growing at 3.5 percent in 2025 and 3.7 percent in 2026, supported by continued expansions in manufacturing, agriculture and fishing, services, and construction before accelerating to 4 percent by 2030, as investments and Oman Vision 2040 advance. Inflation is set to remain slightly above 1 percent in the near term, before gradually converging to 2 percent over the medium term.

Oman: Selected Economic Indicators, 2024-2030

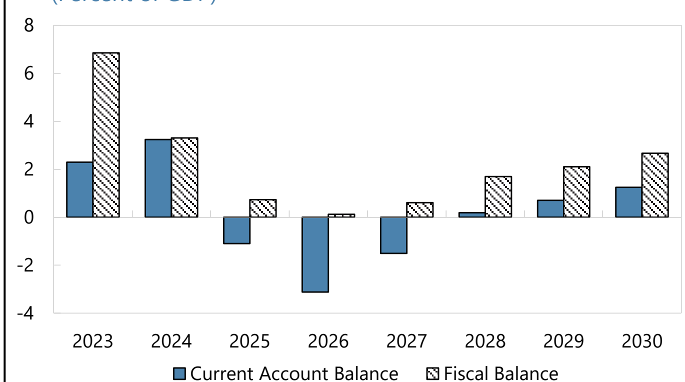
	2024	Proj. 2025	2026	2027	2028	2029	2030
Real GDP growth (percent)	1.6	2.8	3.8	3.8	3.9	3.6	3.4
Nonhydrocarbon GDP growth (percent)	3.3	3.5	3.7	3.8	3.8	3.9	4.0
Inflation (percent)	0.6	1.0	1.2	1.5	1.7	1.8	2.0
Fiscal balance (percent of GDP)	3.3	0.7	0.1	0.6	1.7	2.1	2.7
Nonhydrocarbon primary balance (percent of nonhydrocarbon GDP)	-30.9	-28.9	-26.9	-25.5	-23.8	-22.7	-21.5
Central government debt (percent of GDP)	35.4	35.8	35.9	34.7	33.3	32.0	29.8
Central government net financial assets (percent of GDP)	-1.9	-1.4	-1.9	-1.9	0.1	2.5	5.2
CA balance (percent of GDP)	3.2	-1.1	-3.1	-1.5	0.2	0.7	1.2
CBO reserves (in US$ billion)	18.4	19.3	17.8	17.4	18.4	19.4	20.9
In months of next year's imports of goods and services	4.2	4.4	4.0	3.8	3.9	4.0	4.1
Memorandum items:							
Average crude oil export price (US$/barrel)	81.2	70.6	62.1	62.2	63.2	64.4	65.3
Crude and condensates oil production (in millions of barre	1.00	1.00	1.05	1.09	1.14	1.18	1.20
Natural gas production (in millions of cubic meters per day	149.2	152.3	155.5	159.3	163.1	167.0	171.0

Sources: Country authorities and IMF staff estimates.

- The fiscal surplus as a share of GDP is estimated to moderate to 0.7 percent in 2025 and 0.1 percent in 2026, before gradually rising to around 2.5 percent of GDP in 2030, reflecting higher oil production, controlled expenditures, and improved tax collection. Government net financial assets are expected to exceed 5 percent of GDP by 2030. Oman continues to be assessed at low risk of sovereign debt distress, backed by strong financial buffers that mitigate liquidity and solvency risks (Annex III).

- The current account balance is projected to shift into a deficit during 2025-2027, primarily weighed down by lower oil prices. A gradual return to surplus is anticipated thereafter, supported by a recovery in oil production toward potential capacity and stronger growth in nonhydrocarbon exports. CBO reserves are projected to increase to around $21 billion by 2030, covering about 4 months of prospective imports and 73 percent of the ARA metric. Incorporating OIA's liquid foreign assets raises projected overall liquid external buffers to 116 percent of the ARA metric by 2030.

Current Account Balance and Fiscal Balance
(Percent of GDP)



Sources: Country authorities and IMF staff calculations.

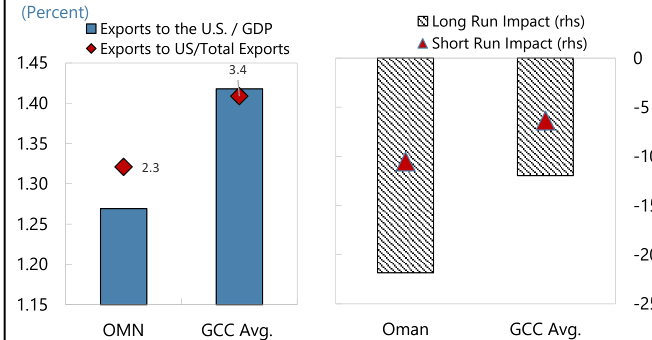
12. Risks to the near-term outlook are tilted to the downside. An escalation of trade tensions and deepening geoeconomic fragmentation would weaken global demand and dampen oil prices, weighing down on Oman's economic growth and fiscal and external positions. Renewed regional geopolitical tensions could disrupt trade and dampen tourism and investment. On the upside, higher oil prices could arise from a global growth upturn or intensified geopolitical tensions affecting oil supply, and accelerated structural reforms would bolster confidence and enhance economic diversification.

- **Downside scenario.** A temporary shock to oil prices—falling to $40 per barrel in 2026—would lower nonhydrocarbon GDP growth by 1.1 percentage points and drive the fiscal and external balances into deficits of 7.3 and 14.5 percent of GDP, respectively (Annex V). Fiscal space and financial buffers could be deployed to support the economy.

- **Impact of tariffs.** The 10 percent tariff imposed by the U.S. on non-energy imports and the increase of tariffs on steel and aluminum to 50 percent in June 2025 increased the effective tariff rate on US imports from Oman to about 20 percent—up from virtually zero until early-March, owing to the U.S.-Oman Free Trade Agreement. However, with merchandise exports to the U.S. representing only around 2.3 percent of total merchandise exports to the world and 1.3 percent of GDP in 2023, the direct impact of these tariffs is expected to be minimal. Higher global tariffs could, nevertheless, affect Oman indirectly given its reliance on hydrocarbon exports. Global demand from key trading partners—China being the largest importer of Omani oil, accounting for about 95 percent—could be dampened by the higher U.S. tariffs, and, more broadly, by elevated global economic and policy uncertainty.

Exposure and Impact of Tarrifs on Oman's Economy

(Percent)



Source: IMF 2025 GCC Surveillance Note

Note: Estimates capture only the direct effects of the announced U.S. tariff on Oman's exports to the United States, based on a partial-equilibrium framework.

GCC Avg. excludes Oman

- **Global uncertainty.** Oman has demonstrated resilience to heightened global uncertainty. Empirical estimates suggest that increases in financial uncertainty —proxied by shocks to the VIX—have only a moderate impact on Oman's sovereign yield spreads, CDS, and equity flows.

Impact of Global Financial Uncertainty on Oman

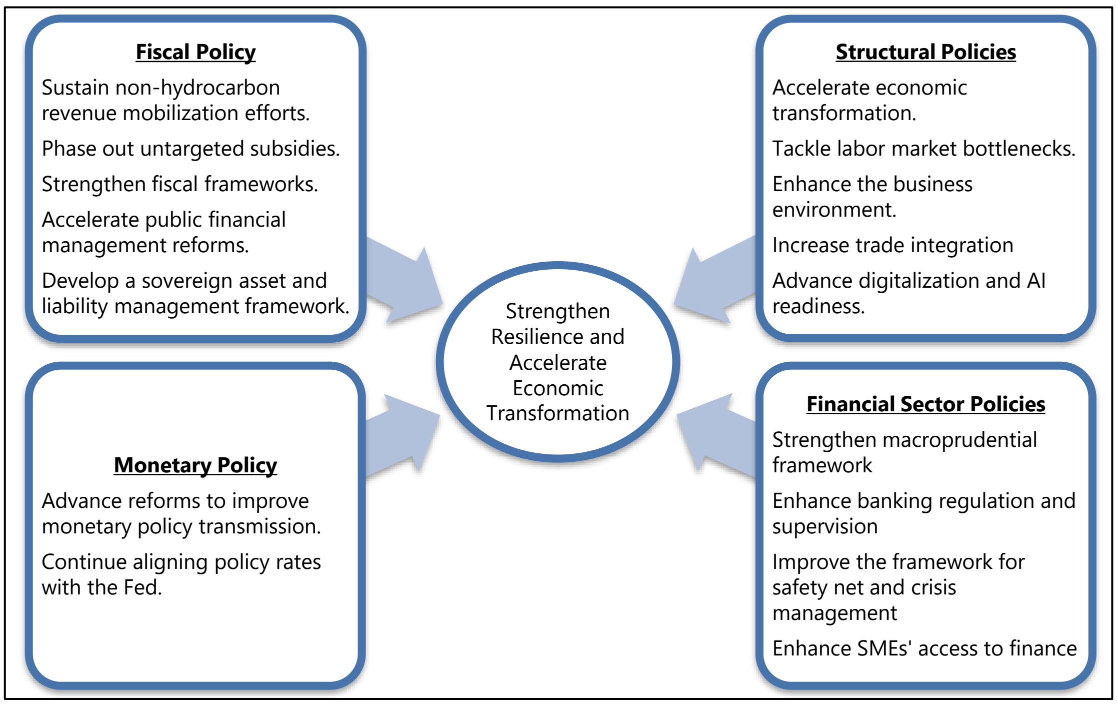
Sources: IMF 2025 GCC Surveillance Note.

Note: The estimates show five-day cummulative impact of one-standard-deviation increase in VIX (30-day option-implied volatility of the S&P 500 index). For sovereign yields and CDS spreads, the impact is measured in basis points. For equity flows it is in percent change.

13. Authorities' views. The authorities agreed with staff's assessment of the economic outlook, risks, and tariff impacts. They emphasized that prudent policies and progress on structural reforms have supported the rebuilding of policy buffers to better withstand shocks, while strengthening economic resilience and fostering inclusive growth. They highlighted upside risks from the upcoming 11th Five-Year Development Plan, which they expect to foster economic diversification, create more jobs for Omanis, and further enhance resilience.

POLICY DISCUSSIONS

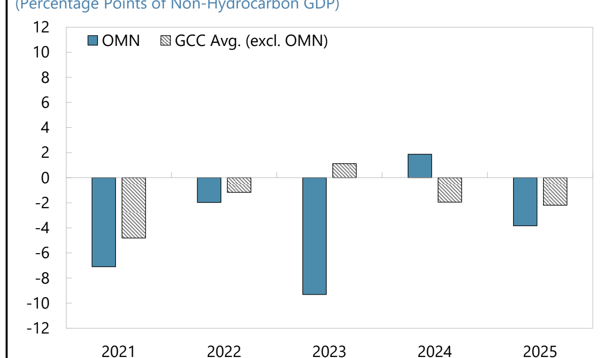
The policy discussions focused on: (i) pursuing fiscal reforms, while remaining agile to recalibate fiscal policy in the event of sustained lower oil prices; (ii) enhancing monetary policy frameworks; (iii) safeguarding financial stability and advancing financial sector development; and (iv) sustaining reforms to accelerate the economic transformation.



A. Fiscal Policy

14. Fiscal stance in 2025 reflects continued commitment to fiscal discipline. The nonhydrocarbon primary deficit is estimated to have narrowed by 2 percent of nonhydrocarbon GDP in 2025, supporting the gradual adjustment required to achieve intergenerational equity. This improvement is driven by reductions in fuel subsidies due to oil prices remaining below the $75 cap, restraint in non-wage expenditures, and higher nonhydrocarbon revenues.

General Government Fiscal Impulse
(Percentage Points of Non-Hydrocarbon GDP)

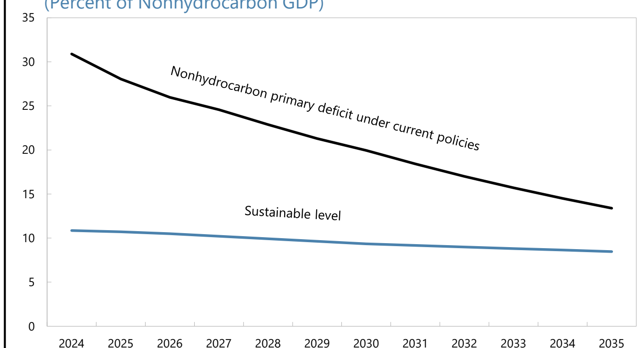


Sources: Country authorities and IMF staff calculations.

15. The 2026 budget is expected to continue fiscal adjustment. The nonhydrocarbon primary deficit is expected to shrink by 2 percentage points of nonhydrocarbon GDP, driven by compressed spending, namely on wages, energy subsidies, and capital expenditures. The overall fiscal surplus is set to narrow to 0.1 percent of GDP, while government debt is anticipated to remain at around 36 percent of GDP. In this context, Oman continues to have some fiscal space for temporary, targeted economic support should adverse shocks materialize.

16. Ensuring intergenerational equity calls for additional fiscal measures. Staff estimates based on the Permanent Income Hypothesis (PIH) indicate that the nonhydrocarbon primary deficit consistent with intergenerational equity stands at around 10 percent of nonhydrocarbon GDP. Under current policies, the nonhydrocarbon primary deficit is expected to shrink by around 15 percent of nonhydrocarbon GDP by 2035—including to a compression of roughly 7.4 percent during 2026–2030, driven by broad-based spending restraint. Achieving the PIH-based fiscal anchor over a 10-year horizon will ensure an orderly fiscal adjustment. Additional measures of around 3 percent of nonhydrocarbon GDP are required over the medium term and can be secured primarily by reducing the tax gap, rationalizing non-essential current spending, and phasing out untargeted energy subsidies, while protecting the most vulnerable.

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



Sources: IMF staff estimates.
Note: "Sustainable level" refers to the nonhydrocarbon primary deficit derived using the Permanent Income Hypothesis, where sovereign wealth remains constant in real per capita terms. The sustainable level assumes no additional oil or gas discoveries beyond 2024—a conservative assumption that does not account for the fact that proven reserves have remained broadly stable since 2005.

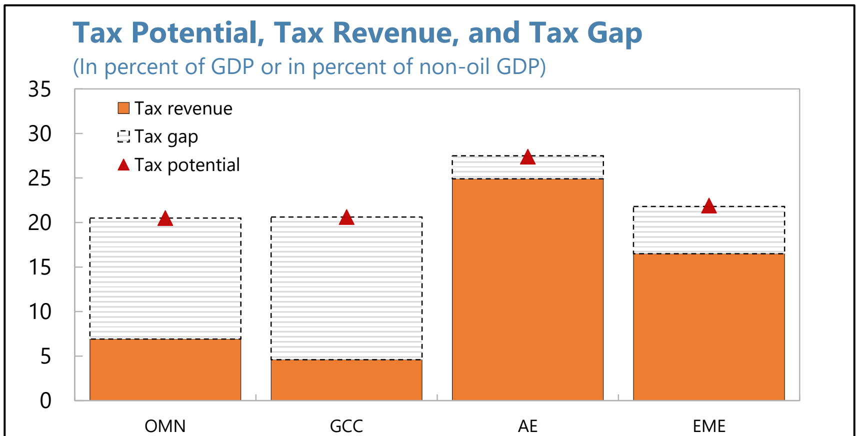
Oman: Nonhydrocarbon Primary Balance and Composition
(Percent of nonhydrocarbon GDP, unless otherwise indicated)

	2024	2025		2026	
		Budget 1/	**Est.**	**Budget 1/**	**Proj.**
Nonhydrocarbon primary balance	-30.9	-27.6	-28.9	-27.3	-26.9
Nonhydrocarbon revenues	10.2	9.9	10.6	9.8	10.3
Tax revenues	6.9	6.5	7.1	6.4	6.9
Non-tax revenues 2/	3.3	3.4	3.5	3.3	3.4
Primary Expenditures	41.1	37.5	39.5	37.1	37.2
Wage Bill	13.4	13.4	13.6	12.9	12.9
Goods and Services	3.4	2.7	2.8	2.8	2.8
Subsidies and Transfers	7.3	6.2	6.8	5.9	6.1
o/w: energy subsidies	3.0	2.0	2.4	1.9	2.0
o/w: social safety net	2.4	2.4	2.6	2.5	2.5
Defense	11.3	11.1	10.9	10.9	10.9
Capital Expenditures	5.7	4.1	5.4	4.5	4.5
Memorandum items					
Hydrocarbon revenues (in percent of GDP)	23.4	19.0	20.4	19.1	19.2
o/w: oil revenues	19.0	14.7	16.4	14.3	15.2
o/w: gas revenues	4.4	4.3	4.0	4.7	4.0
Overall fiscal balance (percent of GDP)	3.3	-2.2	0.7	-1.6	0.1
Oil price	81.2	60.0	70.6	60.0	62.1

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

- **Mobilizing Nonhydrocarbon Revenues.** Tax revenues have increased by only 1.9 percent of nonhydrocarbon GDP between 2019 and 2024, leaving a large tax gap estimated at 14 percent of nonhydrocarbon GDP. Developing a medium-term revenue strategy is needed to narrow it.

  - **Tax Policy**. The authorities are transitioning toward a stronger tax policy framework to support revenue diversification. The recently enacted Personal Income Tax (PIT) law, set for implementation in 2028, is commendable (Box 1). Staff estimate PIT revenues at about 0.3 percent of nonhydrocarbon GDP in the early implementation years. The introduction of the Qualified Domestic Minimum Top-up Tax and Income Inclusion Rule, aligned with Pillar Two rules starting from 2025, is also welcome. The authorities agreed with staff to gradually transition to a fully-fledged Tax Policy Unit within the MoF to better align with fiscal objectives, while continuing interim coordination with the OTA to guide tax reforms.



Sources: 2022 MCD/FAD departmental paper 'Revenue Mobilizations for a Resilient and Inclusive Recovery in the Middle East and Central Asia,' 2025 FAD departmental paper 'Building Tax Capacity for Growth and Development: Evidence-Based Analysis for DRM,' country authorities, and IMF staff calculations.
Notes: For Oman and the GCC, tax revenue is measured as non-oil tax revenue as a share of non-oil GDP. For AEs and EMEs, it is measured as total tax revenue as a share of total GDP. Tax potential for Oman and the GCC is based on 2019 estimates (2022 MCD/FAD paper), while actual revenue is from 2024; the tax gap is the difference between the two. For AEs and EMEs, all figures—revenue, potential, and gap—are from 2022 (2025 FAD paper).

  - **Tax Administration.** In its third year, the four-year Tax Administration Modernization Program has made notable progress, including restructuring of Oman Tax Authority (OTA) and establishing a compliance risk management unit. To ensure these achievements translate into sustained revenue gains, staff underscored the need to accelerate efforts to strengthen OTA staffing, modernize IT systems, establish a comprehensive taxpayer registry, enhance performance monitoring, and implement risk-based compliance measures effectively. Implementing VAT e-invoicing as scheduled in 2026, alongside the planned expansion of the digital tax stamp, will be critical to strengthening compliance and boosting tax collection.

- **Rationalizing spending.** Energy subsidies accounted for about 2 percent of GDP in 2024-2025. The current environment of lower international oil prices provides an opportunity to lift fuel price cap, thereby reducing untargeted subsidies. Staff recommended phasing out untargeted electricity subsidies by 2030, in line with the authorities' previous commitments, and emphasized that clear communication of timeline and measures will enhance predictability and policy credibility. Further rationalization of non-essential current spending would support fiscal consolidation. Recent capital spending overruns underscore the need to strengthen the public investment management framework.

Box 1. Oman: Enhancing Progressivity through Personal Income Tax

Oman's introduction of a Personal Income Tax (PIT) marks a milestone in revenue diversification and fiscal sustainability under Oman Vision 2040. With a phased rollout supported by strong *administrative planning, the PIT sets a regional precedent for modern tax policy and broader economic resilience.*

Progressive Design. The PIT applies a 5 percent rate on net annual income above OMR 42,000 (about USD 109,000), targeting roughly the top 1 percent of earners. It covers income from employment, self-employment, investments, and capital gains (excluding the primary residence), and incorporates deductions for housing, education, healthcare, charitable contributions, and work-related expenses. Residents are taxed on global income; non-residents are taxed on Oman-sourced income.

Equity and Resilience. By focusing on high-income earners and aligning deductions with social priorities, the PIT enhances progressivity and reinforces confidence in the fairness of the tax system. It also contributes to fiscal resilience by creating a more stable revenue base less vulnerable to oil price fluctuations.

Implementation Foundations. Effective in 2028, the PIT reflects the authorities' commitment to a phased, well-managed rollout supported by ongoing investments in digital tax administration. Successful rollout will require strengthening tax administration capacity—through staff training, IT upgrades, and the creation of a comprehensive taxpayer registry—alongside a clear communication strategy to support compliance.

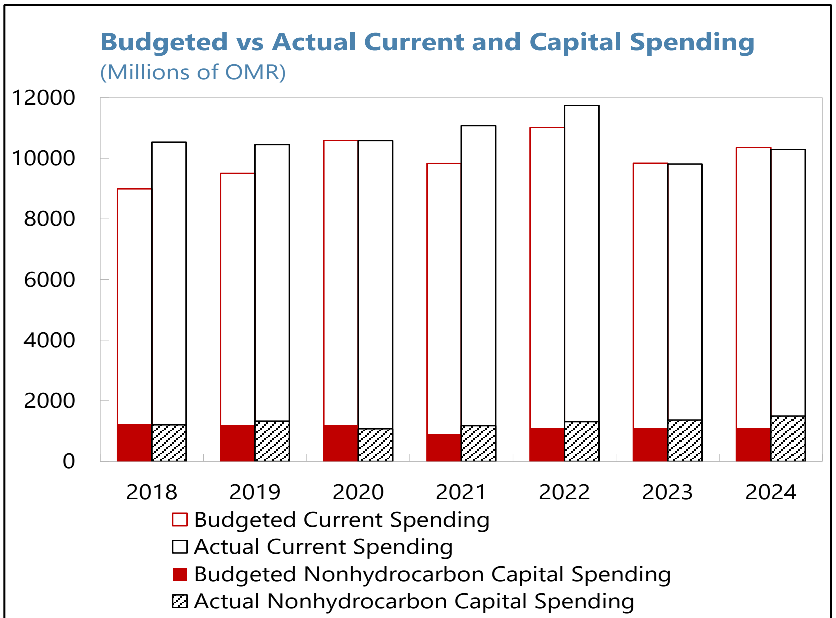
17. The authorities' work on contingency planning to safeguard fiscal sustainability is welcome. For a temporary oil price shock, drawing on fiscal buffers and external borrowing—while preserving investment-grade status—would be appropriate. Any drawdown of government deposits should be carefully calibrated to avoid financial stability risks. For a sustained decline in oil prices, stronger fiscal consolidation would be needed through revisiting the VAT rate, phasing out untargeted energy subsidies while strengthening safety nets, and reducing other non-priority spending. Staff commended the development of contingency planning frameworks within the OIA and Energy Development Oman (EDO) to strengthen public sector resilience and sustainability.

18. Strengthening fiscal frameworks and governance is essential to reinforce fiscal sustainability.

- **Updating and strengthening the Medium-Term Fiscal Plan (MTFP).** Timely preparation and publication of the MTFP for 2026-2030 is essential. The updated MTFF should include clear fiscal objectives, multi-year rolling projections of realistic revenues and expenditures, and a comprehensive analysis of fiscal risks. Endorsing the MTFP at the highest level (Council of Ministers) would enhance fiscal credibility. Reinforcing the Macro-Fiscal Unit's capacity will be key to enhancing fiscal planning.

- **Adopting a fiscal rule.** The authorities are working on designing a fiscal rule with previous IMF technical assistance. Staff recommended a rule targeting a sustainable nonhydrocarbon primary deficit based on the PIH, shielding the budget from commodity price volatility, complemented by the current debt ceiling (60 percent of GDP). The authorities agreed with staff's recommendation that satisfying all necessary prerequisites—a credible MTFP, stronger public financial management institutions, sufficient fiscal buffers, and robust institutional capacity to monitor and enforce the rule—are critical to ensuring successful implementation of the rules.

- **Enhancing budget preparation and execution processes.** Staff reiterated the importance of integrating the MTFP into the budget preparation process, and establishing a formal supplementary budget system, particularly in light of recent capital expenditure overruns. The authorities' ongoing efforts to improve public financial management (PFM), including the planned roll out of the government financial system (Maliya) FY2026-2030, are welcome, as this will improve fiscal management and reporting, and strengthen governance and efficiency.

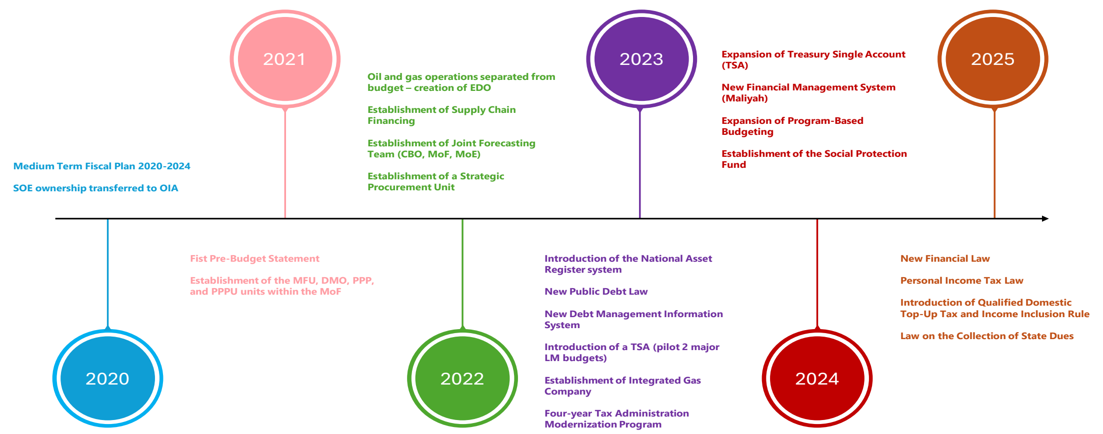


Sources: Country authorities.

- **Reinforcing transparency, cash management, and fiscal risk analysis.** Staff welcome recent efforts made to improve fiscal transparency, including through publishing more detailed budget documents, fiscal risks, and domestic annual borrowing plans. Staff encouraged the authorities to resume publishing a pre-budget statement to promote transparency, accountability, and credibility. Staff called for accelerating work towards rolling out the Treasury Single Account (TSA) and stressed the importance of deepening fiscal risk analysis, considering oil prices' increased volatility.

- **Establishing a framework for stabilization and saving objectives.** The authorities have multiple funds and accounts for stabilization and saving for future generations. They agreed with staff that a clear framework guiding the allocation of fiscal resources between a stabilization fund and saving funds is essential to enhancing fiscal policy counter-cyclicality and ensuring intergenerational equity. Staff recommended consolidating the current pools of assets owned by the MoF into a dedicated stabilization fund, with clearly laid-out rules for the deposit and withdrawal of resources to insulate the budget and economy from commodity price volatility and external shocks.

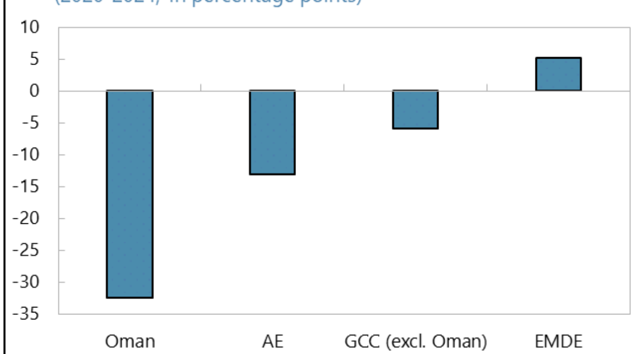
Oman: Fiscal Reforms 2020-2025



Source: IMF staff

19. Publishing the debt strategy and developing a sovereign asset–liability management (SALM) frameworks is increasingly important amid oil price volatility and global uncertainty. Staff commended the authorities for the notable success of their debt management strategy, leading to a sharp decline in the debt-to-GDP ratio, and welcomed the ongoing work on establishing a National Assets Registry. Looking ahead, it will be important to ensure that the Medium-Term Debt Management Strategy is regularly updated and published. Steady progress is also needed in developing a comprehensive SALM framework—leveraging the recommendations of an IMF technical assistance—and promoting an integrated view of the public sector balance sheet.

Cummulative Change in Debt-to-GDP
(2020-2024, In percentage points)



Sources: World Economic Outlook and IMF staff calculations.

20. Authorities' views. The authorities reaffirmed their continued commitment to fiscal prudence and a growth-friendly consolidation, emphasizing a gradual approach to fiscal adjustment is essential to enhance resilience to oil price fluctuations, safeguard social spending and priority investments, and continue building buffers. Following substantial debt reduction achieved under the preceding plan, the MTFP (2026-2030) shifts emphasis toward fostering growth, improving spending efficiency, reducing the tax gap, and strengthening PFM. The authorities clarified that ongoing measures aim to lower the cost of electricity generation, transmission, and supply, while increasing the share of renewables in the energy mix to contain subsidy level despite rising demand. They reiterated their commitment to phasing out untargeted subsidies by 2030.

B. Monetary Policy

21. The exchange rate peg remains appropriate given Oman's economic structure. The peg has provided a credible monetary anchor, helping to deliver low and stable inflation. The CBO should continue aligning its policy rate with the U.S. Federal Reserve. Official foreign reserves, fiscal prudence, and structural reforms would continue to reinforce the peg.

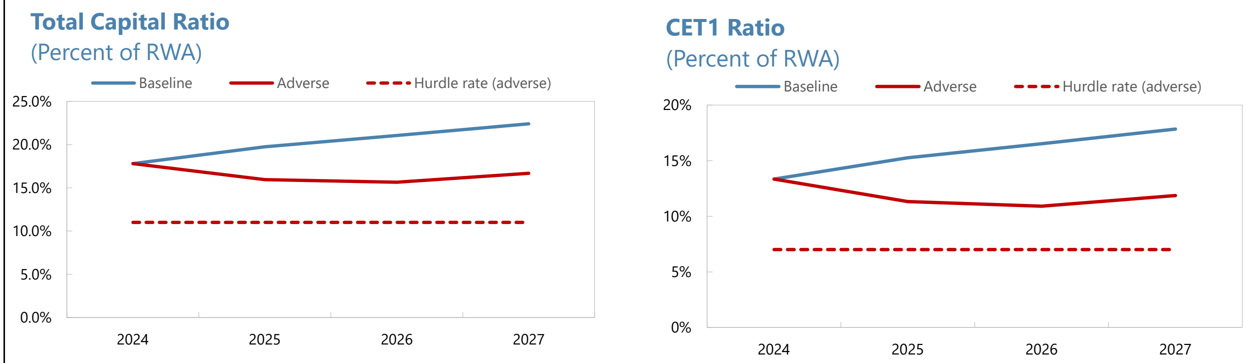
22. Reforms to the monetary policy and liquidity management framework are critical to improving policy transmission. The CBO has developed a roadmap under its Monetary Policy Enhancement Project (MPEP) to transition to an active liquidity management framework. Key milestones for 2026H1 include first introducing an OMR standing deposit facility (including for Islamic banks), setting a target policy rate within the interest rate corridor, and moving to cash-only reserve requirements. Work is also ongoing to develop collateral and emergency liquidity frameworks and re-introduce certificates of deposit for open market operations. Staff urged continued efforts to establish a full-fledged TSA framework—including remunerating TSA at the CBO—in coordination with the MoF, to bolster liquidity management and enhance policy transmission. Staff support the authorities' gradual and well-coordinated approach in implementing the TSA, including with the banking sector. Remunerating required reserves would also further strengthen the implementation of monetary policy.

23. Authorities' views. The authorities acknowledged the need to strengthen the monetary policy transmissin mechanism and noted progress on key elements of the MPEP. They recognized that further developing a liquidity management system, including a full-fledged TSA, will take time to overcome existing challenges. They reiterated their commitment to implementing the MPEP and TSA in coordination with stakeholders to ensure adequate banking system liquidty.

C. Financial Sector Policies

24. The banking sector remains resilient. Total assets expanded to 108 percent of GDP in 2024, underpinned by sustained credit growth to the private sector. The 2025 Financial Sector Assessment Program (FSAP) provides a detailed assessment of the sector. Under adverse scenarios, most banks maintain capital buffers above regulatory thresholds; however, few banks would fall under the CET1 and total capital hurdle rates, with the total CAR and CET1 shortfalls amounting to (0.03 and 0.19 percent of GDP, respectively). Based on the results of sensitivity analyses, some banks fell below capital requirements, highlighting vulnerabilities related to borrower and sectoral concentrations and elevated levels of Stage 2 restructured loans. While banks have liquidity buffers to absorb potential liquidity pressure, liquidity metrics appear volatile due to frequent short-term movements in U.S. dollar positions. Staff emphasized enhancing the granularity of regulatory data, strengthening the monitoring of risks, and introducing Pillar II measures to address concentration risks and bank idiosyncratic and business model associated vulnerabilities.

Solvency Stress Tests for the Banking System



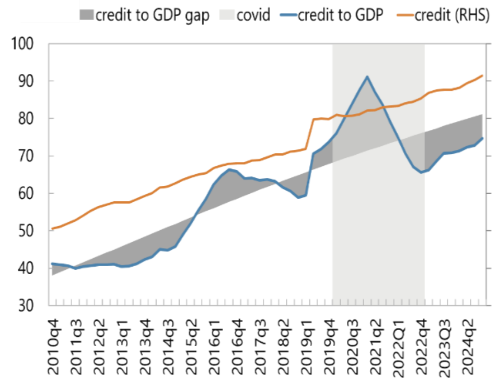
Sources: CBO supervisory data, and IMF staff calculations.

25. Systemic macro-financial risks remain low, albeit certain areas could contribute to risk accumulation over time. The CBO is the designated macroprudential authority, with appropriate legal powers and tools. However, the absence of a formal macroprudential strategy calls for further strengthening the macroprudential policy framework. Within this framework, the FSAP recommends gradually introducing a positive neutral countercyclical capital buffer (CCyB), reviewing FX net open position (NOP) limits, and removing interest rates caps on personal loans. The authorities should consider reassessing borrower-based and real estate exposure limits to ensure alignment with peers, while prioritizing expanded toolkit, improved data and risk monitoring, and stronger institutional coordination. The state footprint on the liability side of banks remains material, along with the absence of an active liquidity management framework and the lack of a full-fledged TSA account, warranting continued vigilance.

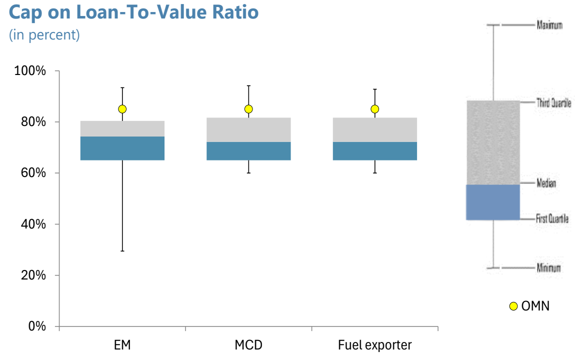
26. Enhancing banking regulation and supervision is essential to safeguarding financial stability. The 2025 Banking Law expanded supervisory powers and introduced a more risk-based approach to supervision. However, as the Law is newly enacted, the CBO should review the prudential framework and revise and update regulations and circulars to ensure that they remain effective and aligned with evolving industry practices and international standards. The CBO completed the D-SIB designation of the second biggest bank in the country. Full designation of all systemically important banks as D-SIBs and alignment of surcharges with Basel standards are needed. The CBO's newly expanded mandate, which includes developmental objectives, should preserve the primacy of price and financial stability objectives.

Credit and Deposit Exposures

Credit to GDP
(LHS in percent of GDP; RHS in OMR millions)

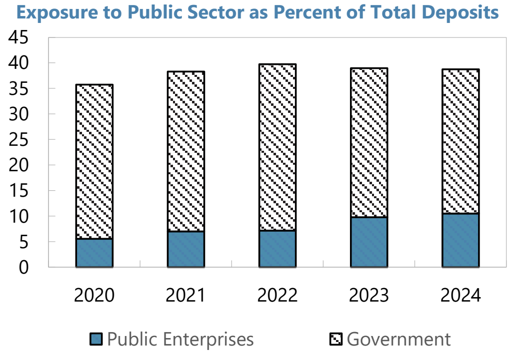


Cap on Loan-To-Value Ratio
(in percent)

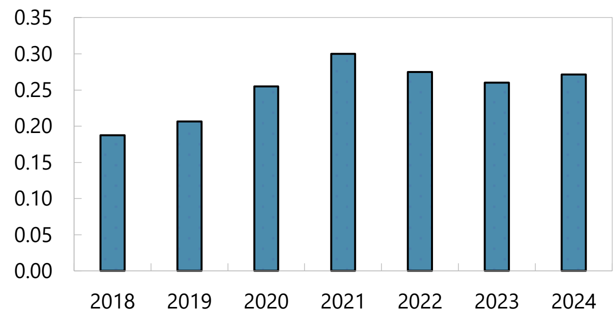


Sources: IMF staff calculations based on iMaPP database

Exposure to Public Sector as Percent of Total Deposits



Banks Exposure to Public Sector 1/
(share in total credit)



Sources: CBO, Haver Analytics, IMF iMaPP database, and IMF staff calculations.

1/ Figures include credit/financing and investments in government securities as percent of total credit.

27. **The 2025 FSAP underscores progress made in improving the financial safety net and crisis management, which needs to ensure full operational effectiveness.** The resolution and deposit insurance functions currently lack dedicated staffing, autonomy, and formal coordination mechanisms. The CBO should fully operationalize recovery and resolution planning, by expanding the framework to cover all systemic banks at the time of resolution, and address capacity and governance constraints within its resolution function. The FSAP recommends strengthening the Bank Resolution Framework (BRF) by integrating the CBO's BRF into the Banking Law and ensuring full alignment with the Financial Stability Board Key Attributes. These efforts should be complemented by strengthening the legal framework of the Financial Stability Committee, enhancing inter-agency coordination, and expanding the deposit insurance scheme mandate to a paybox-plus model. Securing formal public backstop funding arrangements will be essential to ensure an effective crisis response.

28. **Deepening capital markets remains essential.** Staff supported the authorities' efforts to develop capital markets through regular issuance of government securities and initial public

offerings, reducing reliance on bank-based financing and fostering economic diversification. The immediate priority for capital market reforms is establishing a market-based government yield curve. This is critical for broader financial market development, supporting market-making activity, corporate bond issuance, and investor base diversification. Accelerating ongoing reforms to develop financial market infrastructure and facilitate foreign investor participation will be key to achieving these objectives.

29. SME financing is constrained by structural weaknesses in credit programs. A high NPL ratio of about 24 percent in government credit programs reflects inadequate risk assessment at origination and weak monitoring and management practices. Elevated default risks and a rigid insolvency framework further deter private sector lending. Staff emphasized the need to strengthen credit risk management practices, and reform insolvency laws to facilitate timely resolution of defaults. The authorities launched the National SME Funding Strategy to close the financing gap. Enhancing SME finance will also require shifting from direct government lending and scaling up the partial guarantee program to mobilize private capital, alongside promoting the use of fintech by banks.

30. Oman is making progress in strengthening the integrity of its financial system. AML/CFT supervision has improved, with increased focus on enforcement and compliance across financial institutions. The beneficial ownership (BO) registry is operational, facilitating greater transparency, though challenges remain regarding verification processes and access by competent authorities. Staff called for monitoring evolving ML/TF risks, leveraging data, continuing to strengthen risk-based supervision by aligning supervisory practices with the identified risks, strengthening enforcement, enhancing inter-agency coordination, and fully operationalizing the central BO registry through verification of submitted information, sanctions and public access.

31. Authorities' views. The authorities emphasized that safeguarding financial and price stability remains the primary mandate of the CBO, notwithstanding the development objective. They noted that directing bank lending toward priority sectors under Vision 2040 is intended to support economic diversification and broaden banks' lending portfolios in a manner consistent with maintaining financial stability. The authorities indicated that they will assess the need to introduce a positive neutral CCyB. They added that work is ongoing to enhance the crisis management framework. They emphasized that maintaining the interest rate cap on personal loans is appropriate to deter undue indebtedness and support social protection. They also underlined that the current banking system's aggregate FX NOP ratio remains well below the regulatory limit, reflecting low exchange rate risk given the predominance of U.S. dollar exposure. The authorities highlighted that reforms to deepen the capital market have significantly boosted liquidity and investor participation. They noted that the Financial Stability Committee was established pursuant to a Royal Directive, with representation from relevant stakeholders.

D. Structural Reforms

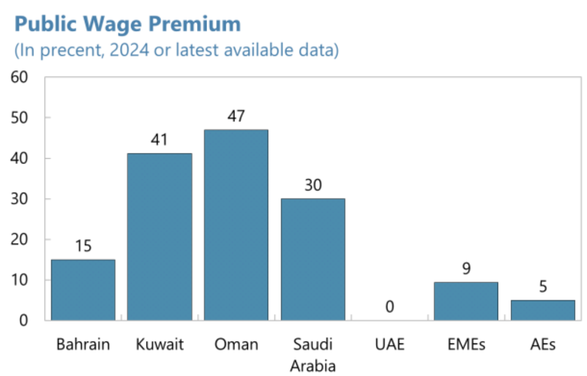
32. **Accelerating the economic transformation is key for securing Oman's long-term prosperity.** Amid heightened global uncertainty, there is renewed urgency to deepen and expedite structural reforms. Despite some progress, economic activity remains concentrated in low value-added, non-tradable sectors generating limited productivity gains, few quality jobs for highly educated Omanis, and foreign currency earnings (Selected Issues Paper). Pursuing diversification efforts toward higher value-added, export-oriented sectors with strong potential for job creation and growth—as identified under Vision 2040—will be key to placing the economy on a more resilient and inclusive path.

33. **The 11th Five-Year Development Plan (2026-2030) provides an opportunity to reinvigorate the reform momentum and address structural bottlenecks.** In its final review stage, the Plan will be issued in January 2026. Anchored in Vision 2040, it aims to accelerate economic diversification through targeted investment in priority sectors, while reinforcing social development through education, healthcare, and infrastructure upgrading. The Plan involves mobilizing important additional capital spending from both public and private sectors, with OIA-affiliated SOEs planning investments of around OMR 12 billion and the budgetary government increasing capital expenditure by about OMR 1 billion. Ensuring this expansion crowds in the private sector and is complemented by structural reforms will be key to maximizing economic and social returns.

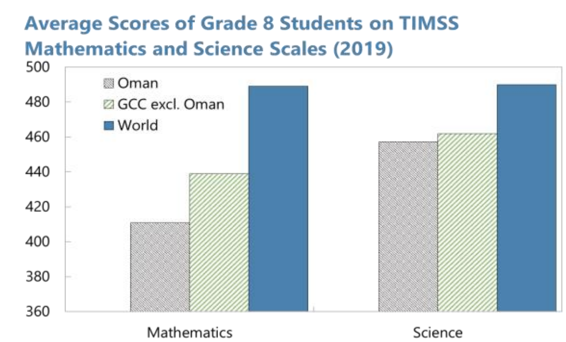
34. **Sustaining and prioritizing reforms will be critical for achieving the targeted economic transformation.**

- **Labor market.** The authorities are advancing reforms to address labor market bottlenecks, including expanding vocational and training programs, permitting temporary sectoral mobility for expatriates to meet seasonal demand, and regulating part-time and remote work to encourage participation by women, students, and retirees. Sectoral committees—comprising government, private sector, and labor unions—have been established to align workforce needs. Under the National Employment Program, initiatives provide on-the-job training and reskilling

Labor Market Indicators



Sources: NCSI, IMF FAD Expenditure Assessment Tool and IMF staff calculations.
Note: The wage premium for GCC countries is calculated for citizen workers only. The private sector in Oman includes SOE entities.



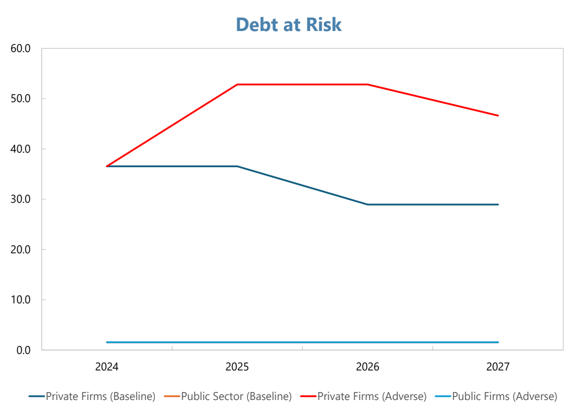
Sources: International Association for the Evaluation of Educational Achievement (IEA), Trends in International Mathematics and Science Study (TIMSS), 2019; and IMF staff calculations.

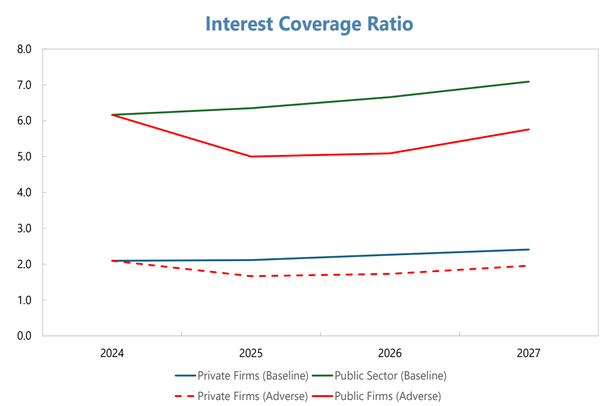
for jobseekers, supporting greater work readiness and stronger absorption of Omanis, particularly youth and female, into the private sector. Policies should continue to narrow the public–private wage gap. Improving educational outcomes and strengthening the pipeline of STEM and vocational graduates will be key. Expanding nationwide access to early childhood education would boost learning outcomes, improve long-term workforce quality, and reinforce gains in female participation, which remains low relative to regional peers.

- **Regulatory and Business Environment.** Extensive reforms have been initiated to create a business-enabling environment, including the recent establishment of a court with a mandate to settle business-related disputes. Further efforts are warranted to strengthen product market competition, streamline administrative and regulatory procedures—including for trade facilitation—and foster investment in research and development to enhance the competitiveness and productivity of the nonhydrocarbon tradable sector. The authorities have made notable strides toward fostering a knowledge-based economy and strengthening the national innovation ecosystem, including by launching the National Intellectual Property (IP) framework and the Oman Digital Triangle initiative, as well as expanding SME financing. Looking ahead, deepening collaboration between research institutions and the private sector would help accelerate innovation, attract investment, and enable Omani firms to move up the value chain.

- **The Role of the State.** FSAP analysis highlights the resilience of public enterprises, with limited vulnerabilities, supported by recent reforms undertaken by OIA. Despite this, planned SOE expansions by OIA under the 11th Development Plan should be carefully assessed and appropriately calibrated to serve as a catalyst for crowding in private investment rather than displacing it. Enhancing transparency by regularly publishing SOE's financial statements would strengthen accountability and investor confidence.

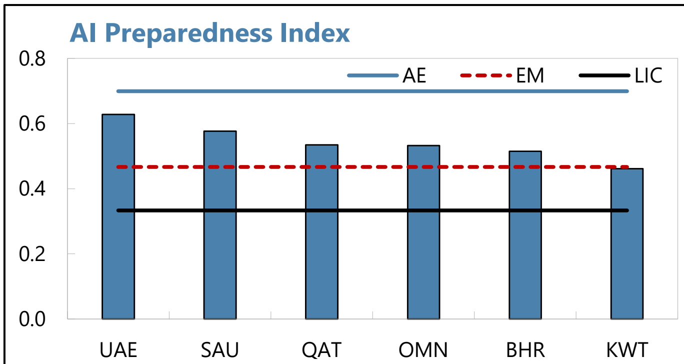
Corporate Sector Analysis 1/





Source: FSAP 2025 stress test results.
Note: Public sector debt-at-risk in the left-hand chart is identical under both scenarios.
1/ Based on the impact of higher interest rates and lower economic growth assumptions.

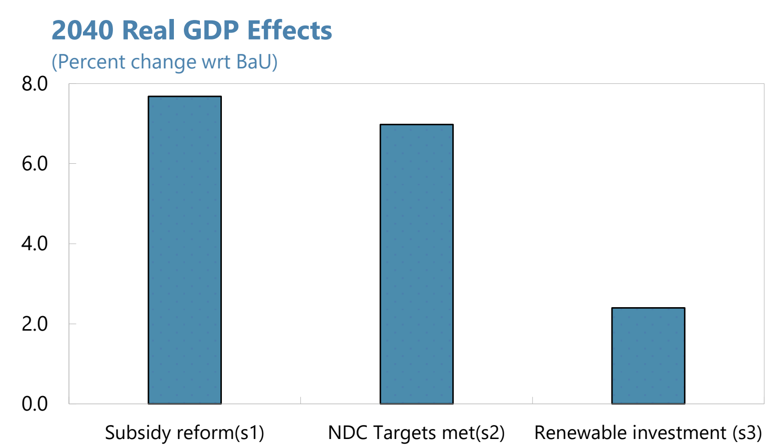
- **Trade Integration.** Oman's integration into global value chains (GVCs) remains limited, particularly in backward linkages, reflecting its narrow export base concentrated in hydrocarbons. Advancing export diversification and deeper GVCs integration could be supported by further opening Oman's trade and investment regimes, and leveraging its strategic location and well-established Special Economic Zones (SEZs). Ongoing government efforts to strengthen economic and trade ties with various countries, particularly in Asia and East Africa, are a welcome step in this direction. Accelerating efforts to strengthen linkages between SEZs and the domestic economy through industrial clustering, enhanced support for local suppliers, and targeted human capital development will be essential (Selected Issues Paper).



Sources: IMF AI Preparedness Index and IMF staff calculations

- **Digitalization and AI readiness.** On the IMF's AI Preparedness Index, Oman ranks broadly in line with other GCC economies and performs above emerging economies average in the human capital and labor market policies dimension. Oman launched the National Program for AI and Advanced Digital Technologies (2024-2026). Accelerating these efforts would position the economy to benefit from productivity gains and increased value-added in non-hydrocarbon sectors. Staff's empirical estimates indicate that AI could boost Oman's labor productivity by up to 1 percentage point over the medium term (Annex VII). However, digital transition entails labor market challenges, underscoring the need for policies that facilitate workforce adaptation through education and training, while strengthening social protection to support vulnerable workers.

35. Efforts to scale up renewable energy production are ongoing. Pursuing this strategy, through phasing out energy subsidies and directing 25 percent of the savings as transfers to targeted households and 75 percent to scale up capital spending—including to enhance adaptation to extreme weather events— will help achieve Oman's sustainability goals and support higher growth. Model-based simulations suggest that the GDP effects are positive. The impact is strongest under a scenario with only subsidy reforms and public investment (s1), while the combined scenario (s3)—involving subsidy reforms, public investment, and fulfilment of Nationally Determined Contributions (NDC) commitments by Oman and other countries—shows a smaller but still positive



Notes: BaU is set to 2021 GHG emissions level/Oct-2025 WEO baseline macro assumptions. s1 assumes phasing out subsidieds over 2025-2030 with 75 percent going to public saving while 25 percent to household transfers. s2 combines subsidy phase out in Oman and other countries meeting their NDC while s3 combines s2 with 7 percent committed NDC target by 2030 and in creasing share of renewables to 40 percent by 2040.
Source: IMF Staff Calculations

effect as global demand for oil and gas declines due to other countries undertaking climate transition policies aligned with their NDC.[1]

36. Data provision remains broadly adequate for surveillance (Annex VIII). The authorities' commitment to improving data quality and provision, including National Statistics and Information Strategy (2025-2030), is welcome. Current initiatives aim to compile quarterly balance of payments data, produce quarterly GDP by expenditure, align fiscal data compilation and reporting with GFSM 2014, and publish financial soundness indicators. Staff encouraged the authorities to take additional measures to improve the timeliness, frequency, comprehensiveness, and dissemination of national accounts, external, and fiscal data. The IMF stands ready to further support the authorities' progress in these areas through additional capacity development.

37. Authorities' views. The authorities reiterated their commitment to structural reforms, with the aim being advancing economic transformation. The overacrching objective remains to foster the emergence of vibrant nonhydrocarbon, export-driven sectors, capable of creating enough jobs for Omanis. They noted that confidence in Oman's longer-term growth prospects continued to improve on the back of the Government's commitment to reforms. They pointed to bottlenecks facing SMEs' capacity to grow, including access to finance, labor skill mismatches, and competition from larger foreign players, suggesting the need for government targeted support.

STAFF APPRAISAL

38. Oman's reform agenda is advancing, enhancing resilience and supporting a favorable economic outlook. The economy has weathered global uncertainty, renewed geopolitical tensions, and oil price fluctuations. Nonhydrocarbon growth is expected to strengthen further in the medium term, driven by investment implementation and progress on reforms under Oman Vision 2040. The fiscal balance is set to remain in surplus, supported by higher oil production and fiscal reforms. The current account balance is projected to shift into deficit in the near term on softer oil prices, before turning to surplus as nonhydrocarbon exports expand. Risks to the near-term outlook are nonetheless tilted to the downside.

39. Oman's recent fiscal performance reflects continued commitment to prudence and intergenerational equity. The nonhydrocarbon primary deficit is estimated to narrow further in 2025-2026 driven by lower fuel subsidies, spending restraint, and stronger nonhydrocarbon revenues. Ensuring intergenerational equity will require additional medium-term consolidation through mobilizing nonhydrocarbon revenues, phasing out untargeted energy subsidies while protecting the most vulnerable, and rationalizing non-essential spending. Advancing tax policy and administration reforms will be essential to narrowing the tax gap. Continued improvements in public investment management and clear communication of subsidy reform plans will help enhance fiscal efficiency.

[1] Oman's NDC targets a 7 percent reduction in greenhouse gas and increases the share of renewables in its energy mix to 40 percent by 2040.

40. Strengthening fiscal frameworks and governance is key to entrenching fiscal sustainability. Publishing the 2026-2030 MTFP, underpinned by realistic multi-year projections and comprehensive fiscal risk analysis, will bolster credibility. Progress on developing a fiscal rule, strengthening budget preparation and execution, and rolling out the government financial management system will enhance fiscal planning and governance. Greater transparency—through broader public sector reporting, TSA implementation, and deeper fiscal risk assessments—remain critical. Consolidating stabilization funds under a clear rule-based framework, strengthening debt management, and developing sovereign asset-liability management will help Oman better navigate oil price volatility, safeguard financial buffers, and reinforce fiscal sustainability.

41. The exchange rate peg remains an appropriate and credible policy anchor for Oman. Transitioning to an active liquidity management framework, including by introducing an OMR standing deposit facility, setting a target policy rate within the interest rate corridor, and moving to cash-only reserve requirements, while rolling out a full-fledged TSA in coordination with the MoF and the banking sector will be key to enhance monetary policy transmission.

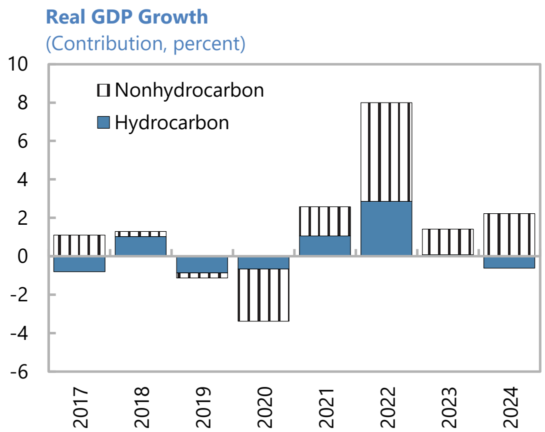
42. The financial system remains resilient, supported by solid banking fundamentals and ongoing reforms. Banks' balance sheets continue to expand, underpinned by private-sector credit growth, and stress-test results indicate that the system can generally withstand severe shocks, though few banks would fall under capital hurdle rates. Liquidity buffers remain adequate, while funding concentrations—particularly to the public sector—warrant close monitoring. Progress continues in strengthening macro-financial oversight, though operationalizing a comprehensive macroprudential strategy, introducing a positive neutral CCyB, recalibrating borrower-based measures, and reviewing FX NOP limits remain priorities to reinforce resilience. The 2025 Banking Law marks an important step toward more risk-based supervision. Ensuring that the CBO's expanded development mandate remains anchored in price and financial stability will be crucial. Further strengthening the financial safety net and deepening capital markets will be essential to support long-term financial development and stability. Addressing structural impediments to SME financing will help mobilize private capital

43. Oman's long-term prosperity hinges on sustaining reforms. The 11th Five-Year Development Plan (2026-2030) provides an opportunity to reinvigorate reform momentum. Key priorities include narrowing the public–private sector wage gap, boosting educational and vocational training outcomes, and increasing female labor force participation, alongside improving the business environment. Regular publication of SOEs' financial statements would enhance transparency and investor confidence. Creating a competitive nonhydrocarbon tradable sector requires further trade integration, deeper linkages between SEZs and the domestic economy, scaling up R&D spending, and advancing digitalization and AI readiness. Data provision is broadly adequate for surveillance, though further progress is needed to improve the timeliness, frequency, comprehensiveness of data.

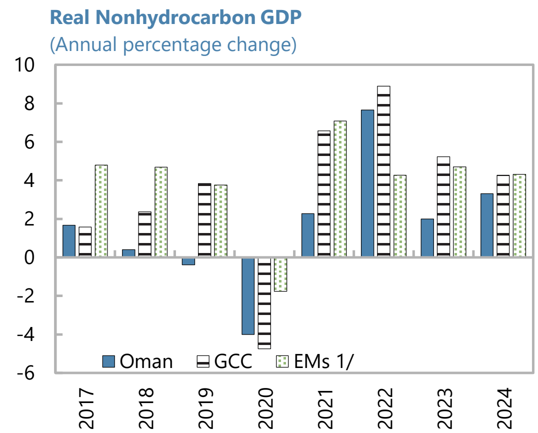
44. Staff proposes that the next Article IV consultation with Oman follow the standard 12-month cycle.

Figure 1. Oman: Recent Economic Developments

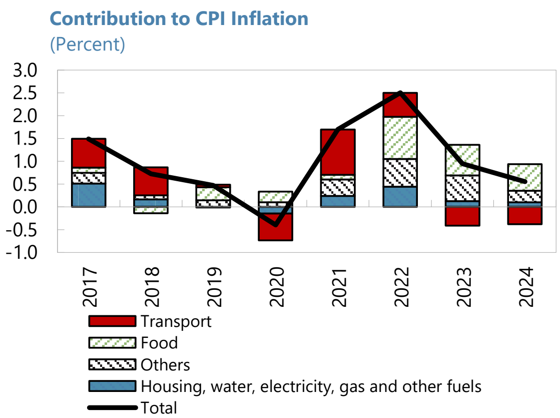
Overall growth accelerated in 2024 despite contraction in the hydrocarbon sector…



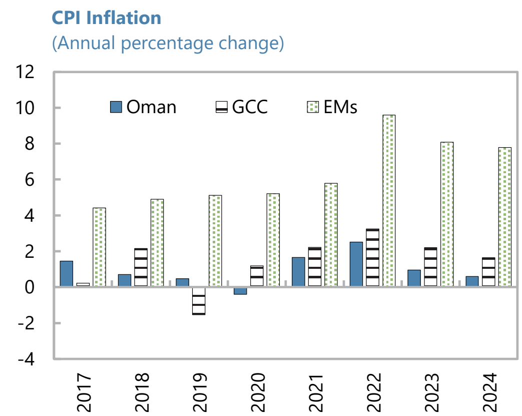
…supported by robust nonhydrocarbon activities.



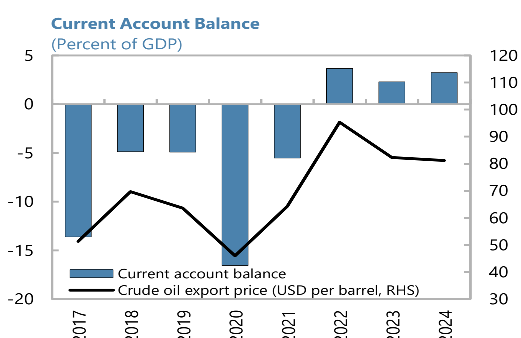
Price increases remained limited across most categories…



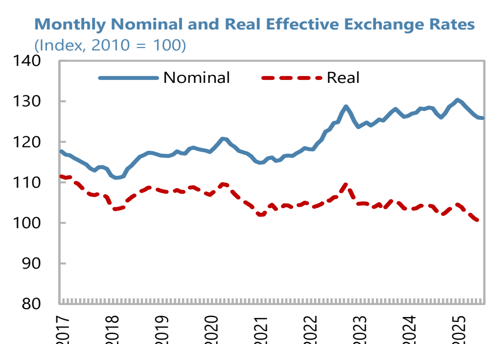
…leading to subdued headline inflation.



The current account balance remained in comfortable surplus…



…while effective exchange rates started depreciating lately, primarily driven by a depreciating US dollar.

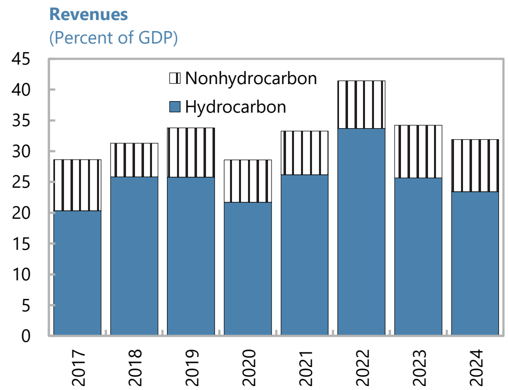


1/ For EMs, total GDP.

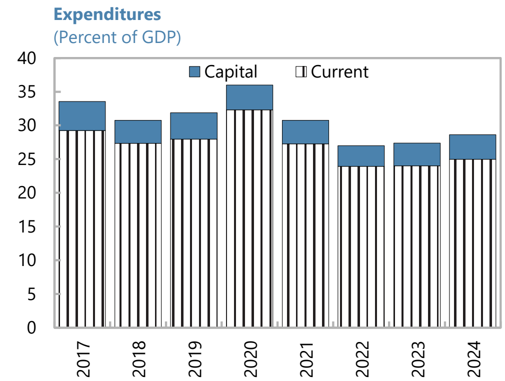
Sources: Country authorities and IMF staff calculations.

Figure 2. Oman: Fiscal Sector Developments

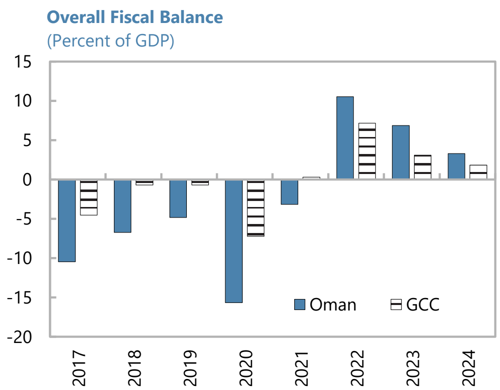
Total revenues moderated in 2024, weighed down by hydrocarbon receipts…



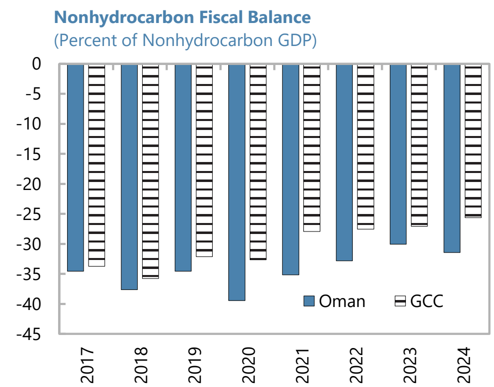
…even as expenditures picked up slightly…



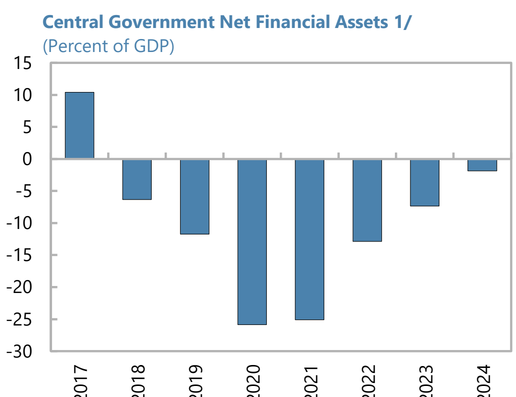
…leading to a relatively lower overall fiscal surplus…



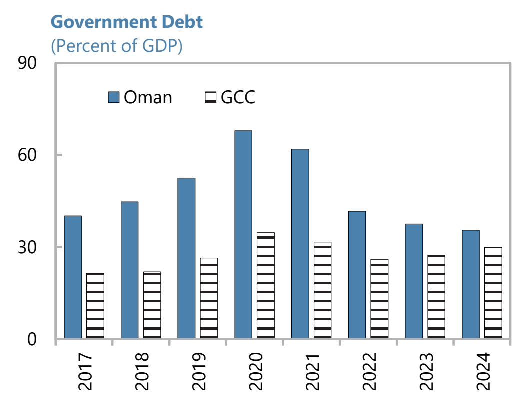
…and higher nonhydrocarbon primary deficit.



Central government net financial assets improved further…



…concurrent with a further decline in government debt.



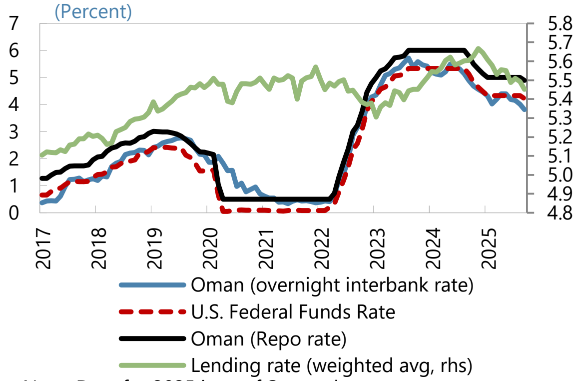
Sources: Country authorities and IMF staff calculations.

1/ Central government deposits at depository corporations and Oman Investment Authority's liquid assets less *government* debt.

Figure 3. Oman: Monetary and Financial Developments

Policy rates broadly followed the US Fed.

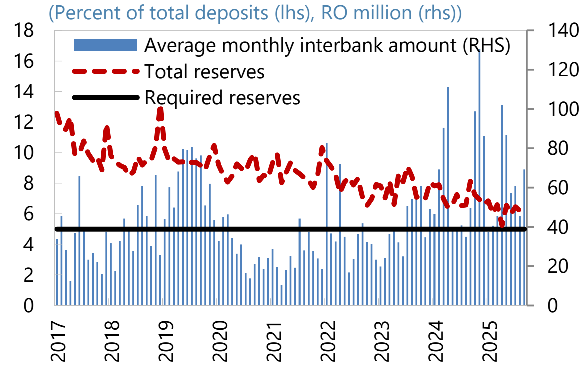
Interest Rates
(Percent)



Note: Data for 2025 is as of September.

Banks reserves continued declining, reflecting expanding investment opportunities

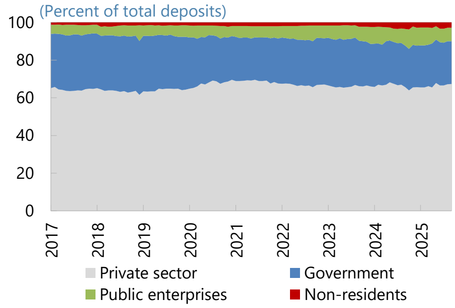
Bank's Reserves and Interbank Activity
(Percent of total deposits (lhs), RO million (rhs))



Note: Data for 2025 is as of September.

Public sector deposits at commercial banks remains significant...

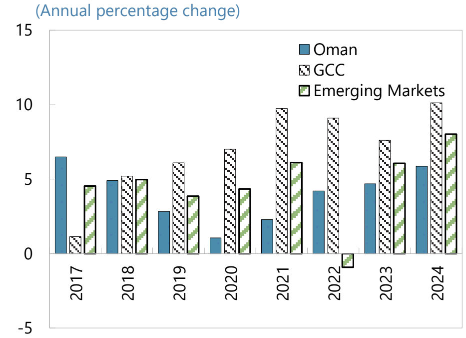
Commercial Bank's Deposits
(Percent of total deposits)



Note: Data for 2025 is as of September.

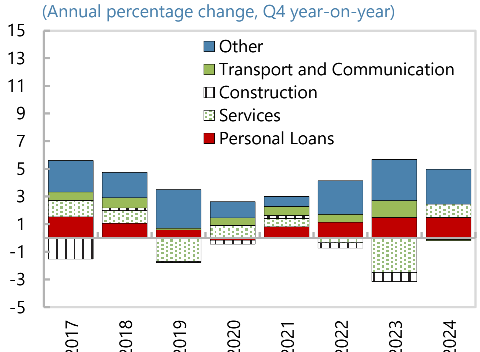
...while credit to the private sector continued to grow, albeit at a slower pace relative to other GCC and EMs...

Credit to the Private Sector
(Annual percentage change)



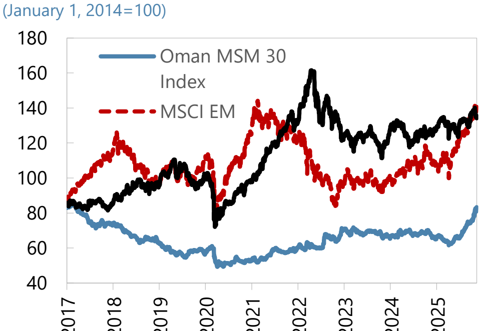
...driven by credit expansions across the board.

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



The stock market index in 2024 remained broadly at its 2023 level.

Market Indices
(January 1, 2014=100)

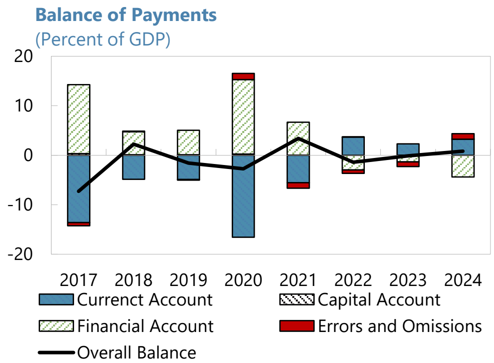


Note: Data for 2025 is as of mid-November.

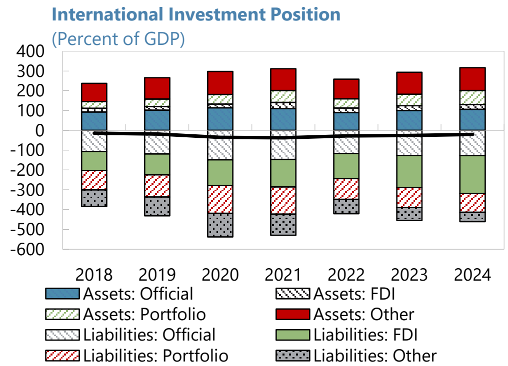
Sources: Country authorities, Bloomberg L.P., and IMF staff calculations.

Figure 4. Oman: External Sector Developments 1/

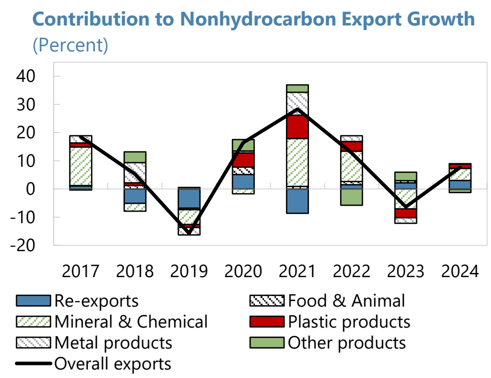
The current account balance remained in surplus in 2024, helping accumulate foreign assets and reduce foreign liabilities...



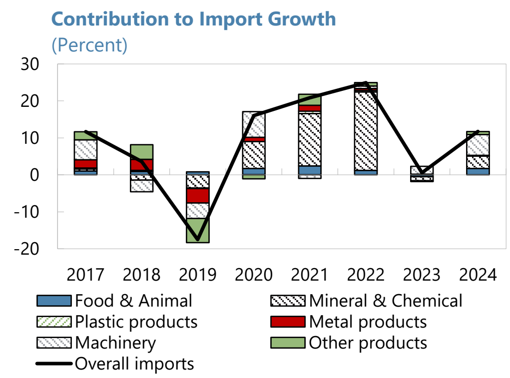
...further improving Oman's net international investment position.



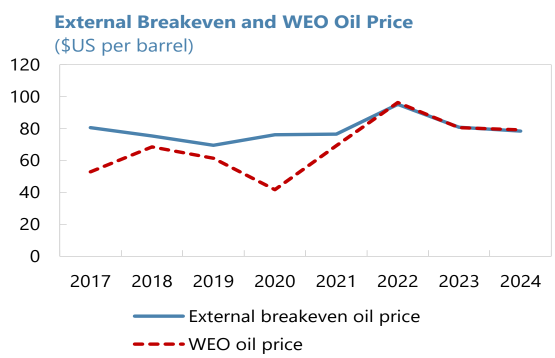
Nonhydrocarbon exports resumed growth in 2024...



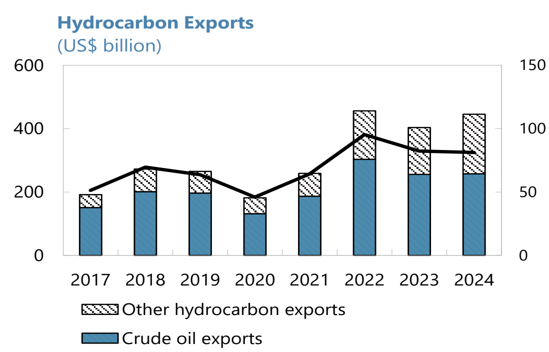
...while imports grew faster than in 2023.



The external breakeven oil price remained broadly in line with the WEO oil price.

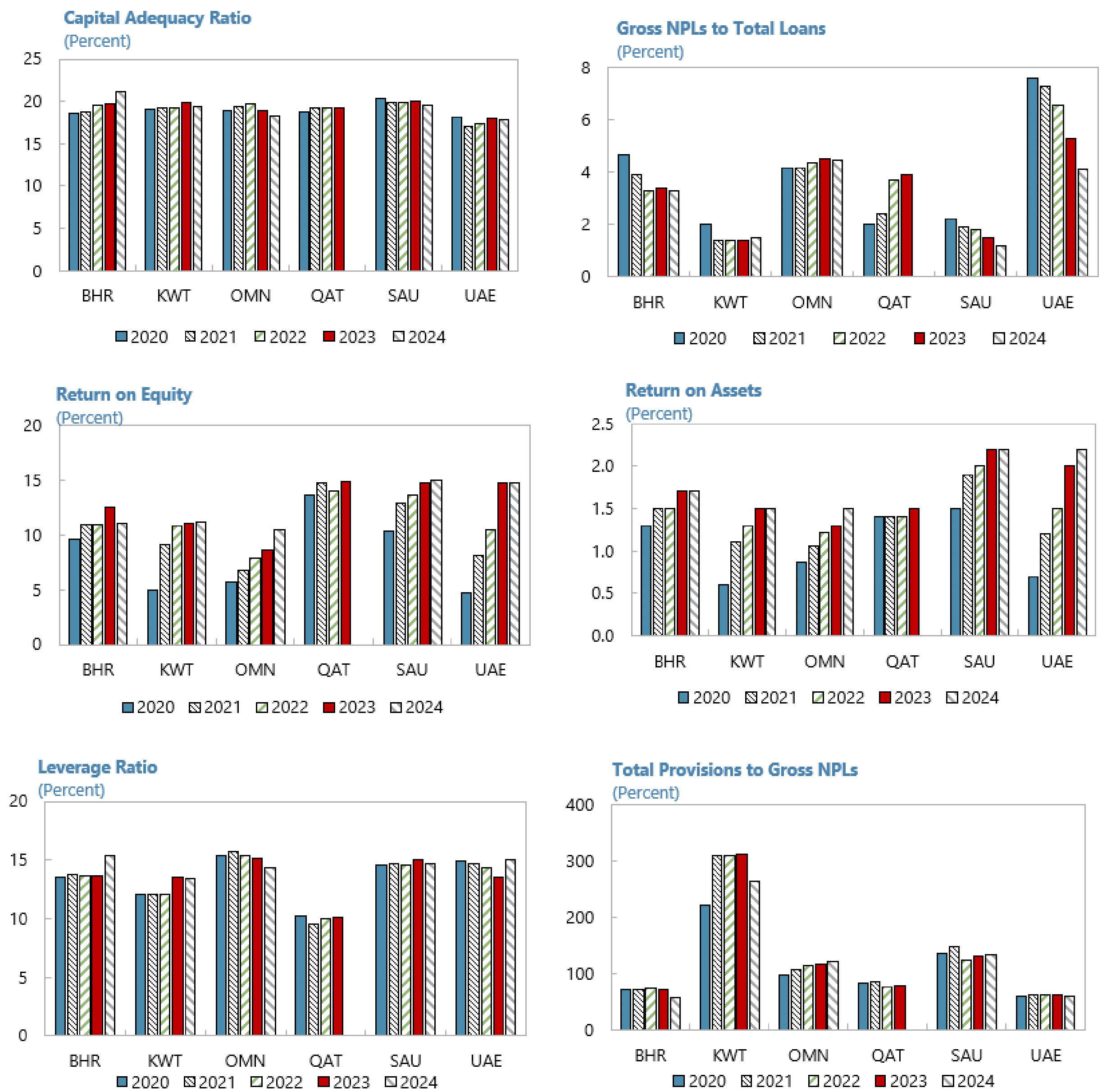


Hydrocarbon exports increased in 2024, primarily driven by a rise in refined oil exports.



Sources: Country authorities, Bloomberg L.P., Haver Analytics, and IMF staff calculations.
1/ The coverage of non-hydrocarbon trade data has been expanded in 2020 to include international transactions in free-trade zones. Therefore, data from 2020 and beyond is not comparable with non-hydrocarbon 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, 2022–30

	2022	2023	2024	2025 Proj.	2026 Proj.	2027 Proj.	2028 Proj.	2029 Proj.	2030 Proj.
Oil and Gas Sector									
Average crude oil export price (US$/barrel)	95.4	82.3	81.2	70.6	62.1	62.2	63.2	64.4	65.3
Crude and condensates oil production (in millions of barrels/day)	1.064	1.049	0.995	1.005	1.048	1.090	1.140	1.176	1.201
of which: Crude Oil (in millions of barrels/day)	0.848	0.815	0.762	0.770	0.810	0.849	0.889	0.917	0.937
Natural gas production (in millions of cubic meters per day)	137.2	142.5	149.2	152.3	155.5	159.3	163.1	167.0	171.0
National Accounts	(Annual percentage change, unless otherwise indicated)								
Nominal GDP (US$ billions)	109.9	106.2	107.1	106.5	107.5	112.4	118.2	124.5	130.9
Nominal GDP (in billions of Omani rials)	42.2	40.8	41.2	41.0	41.3	43.2	45.5	47.9	50.3
Real GDP	8.0	1.4	1.6	2.8	3.8	3.8	3.9	3.6	3.4
Real hydrocarbon GDP 1/	8.7	0.3	-1.9	1.1	4.0	3.7	4.2	2.9	2.1
Real nonhydrocarbon GDP	7.7	2.0	3.3	3.5	3.7	3.8	3.8	3.9	4.0
Consumer prices (average)	2.5	1.0	0.6	1.0	1.2	1.5	1.7	1.8	2.0
GDP Deflator	16.5	-4.7	-0.7	-3.2	-2.8	0.8	1.2	1.6	1.7
Investment and Saving	(Percent of GDP)								
Gross capital formation	27.3	26.7	26.0	26.5	27.3	28.3	28.3	28.3	28.3
Public	7.1	7.3	8.6	9.2	9.1	9.0	8.9	8.8	8.7
Private	20.2	19.3	17.4	17.3	18.2	19.3	19.4	19.5	19.6
Gross national savings	31.0	29.2	29.2	25.4	24.2	26.8	28.5	29.0	29.5
Public	20.7	16.5	13.9	11.1	9.6	9.8	10.3	10.5	10.7
Private	10.3	12.7	15.4	14.3	14.6	17.0	18.2	18.5	18.9
Central Government Finances	(Percent of GDP)								
Revenue and grants	41.4	34.2	31.9	29.5	28.3	27.8	27.6	27.3	26.9
Hydrocarbon	33.7	25.6	23.4	20.4	19.2	18.8	19.0	18.9	18.5
Nonhydrocarbon and grants	7.7	8.6	8.5	9.1	9.1	9.0	8.6	8.4	8.4
Expenditure	30.9	27.4	28.6	28.8	28.2	27.2	25.9	25.2	24.2
Current	27.8	24.1	25.0	25.1	25.0	24.2	23.0	22.4	21.6
Capital	3.1	3.3	3.6	3.7	3.1	3.0	2.9	2.8	2.7
Overall balance (Net lending/borrowing)	10.5	6.8	3.3	0.7	0.1	0.6	1.7	2.1	2.7
Nonhydrocarbon primary balance (percent of nonhydrocarbon GDP)	-31.7	-29.1	-30.9	-28.9	-26.9	-25.5	-23.8	-22.7	-21.5
Central government debt, *of which:*	41.7	37.4	35.4	35.8	35.9	34.7	33.3	32.0	29.8
External debt	31.5	27.7	24.6	23.8	23.6	21.9	20.4	19.1	17.2
Public debt, *of which:*	72.9	69.3	66.2	68.7					
SOEs debt	31.2	31.9	30.8	32.9					
Net financial assets	-12.9	-7.4	-1.9	-1.4	-1.9	-1.9	0.1	2.5	5.2
Monetary Sector	(Annual percentage change, unless otherwise indicated)								
Net foreign assets	-0.8	35.3	15.0	5.5	-7.1	-1.8	6.4	6.5	7.9
Net domestic assets	1.0	6.6	5.5	-1.7	13.2	8.9	5.6	6.0	4.3
Credit to the private sector	4.2	4.7	5.9	6.1	5.7	5.9	5.9	6.1	6.1
Broad money	0.6	13.1	8.1	0.4	7.0	6.0	5.8	6.1	5.2
External Sector	(In billions of U.S. dollars, unless otherwise indicated)								
Exports of goods	65.7	59.5	65.2	59.7	58.1	60.3	62.9	65.2	68.0
Oil and gas	45.6	40.4	44.5	38.6	36.0	36.4	37.6	38.4	39.8
Other	20.1	19.2	20.6	21.2	22.0	23.9	25.3	26.8	28.2
Imports of goods	34.7	35.2	39.5	39.9	39.8	40.0	40.7	41.7	43.1
Current account balance	4.0	2.4	3.5	-1.2	-3.4	-1.7	0.2	0.9	1.6
Percent of GDP	3.7	2.3	3.2	-1.1	-3.1	-1.5	0.2	0.7	1.2
Central Bank gross reserves	17.6	17.5	18.4	19.3	17.8	17.4	18.4	19.4	20.9
In months of next year's imports of goods and services	4.4	4.0	4.2	4.4	4.0	3.8	3.9	4.0	4.1
Total external debt	70.0	65.8	62.2	62.0	61.4	60.7	59.2	58.6	57.3
Percent of GDP	63.7	61.9	58.0	58.2	57.1	54.0	50.1	47.0	43.8

Sources: Omani authorities; and IMF staff estimates and projections.
1/ Includes crude oil, refining, natural gas, and LNG production.

Table 2a. Oman: Government Finances, 2022–30 1/
(Millions of Omani Rials, unless otherwise indicated)

				Proj.					
	2022	2023	2024	2025	2026	2027	2028	2029	2030
Revenue and Grants	17,506	13,981	13,160	12,094	11,689	12,020	12,549	13,059	13,530
Taxes 2/	1,630	1,827	1,832	1,955	1,990	2,101	2,281	2,395	2,531
Grants	14	12	20	25	20	20	20	20	20
Property income and others	15,862	12,142	11,308	10,114	9,679	9,899	10,248	10,644	10,978
Oil	10,688	8,594	7,835	6,724	6,281	6,427	6,832	7,181	7,434
LNG and natural gas 3/	3,548	1,875	1,822	1,643	1,635	1,692	1,818	1,845	1,888
Public services and utilities	1	2	1	1	1	1	1	1	1
Investment income	813	805	805	800	800	800	600	600	600
Others	812	866	845	946	962	980	997	1,018	1,056
Expenditure	13,058	11,185	11,799	11,797	11,640	11,758	11,777	12,051	12,190
Expense	11,752	9,822	10,301	10,297	10,340	10,458	10,477	10,731	10,850
Compensation of employees	3,403	3,506	3,531	3,747	3,722	3,771	3,822	3,929	4,026
Use of goods and services	2,413	841	902	762	816	834	859	888	911
Interest payments	1,076	1,044	936	905	878	893	863	932	887
Subsidies and social benefits	1,922	1,523	1,935	1,873	1,754	1,784	1,748	1,782	1,808
o/w: energy subsidies	1,276	870	797	656	585	577	503	500	497
o/w: social transfers	221	206	624	718	716	741	767	795	824
Grants to other countries	10	14	10	10	10	10	10	10	10
Other expense	2,928	2,894	2,987	3,000	3,160	3,166	3,174	3,190	3,208
Defense	2,928	2,894	2,987	3,000	3,160	3,166	3,174	3,190	3,208
Net Acquisition of Nonfinancial Assets	1,306	1,363	1,498	1,500	1,300	1,300	1,300	1,320	1,340
Acquisitions of nonfinancial assets	1,306	1,363	1,498	1,500	1,300	1,300	1,300	1,320	1,340
Civil	1,306	1,363	1,498	1,500	1,300	1,300	1,300	1,320	1,340
Disposals (sales) of nonfinancial assets	-	-	-	-	-	-	-	-	-
Gross Operating Balance	5,754	4,159	2,858	1,797	1,349	1,561	2,071	2,328	2,679
Net Lending (+)/Borrowing (–) (Overall Balance) 4/	4,448	2,796	1,360	297	49	261	771	1,008	1,339
Net Acquisition of Financial Assets 5/	1,284	436	709	380	187	430	923	1,162	1,026
Net Incurrence of Liabilities	-3,164	-2,360	-651	83	138	169	152	154	-313
Domestic debt	-855	-370	523	469	138	427	347	308	142
External debt	-2,308	-1,990	-1,174	-386	0	-258	-195	-154	-455
Memorandum Items:									
Total government debt, *of which*	17,611	15,251	14,600	14,683	14,820	14,989	15,141	15,295	14,982
External debt	13,284	11,294	10,120	9,734	9,734	9,476	9,281	9,126	8,671

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

1/ Table covers central government operations. 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/ Taxes refer to non-hydrocarbon taxes.

3/ Includes the dividend from Oman Liquefied Natural Gas Company (OLNG).

4/ Excludes 'net lending and equity' .

5/ Includes 'net lending and equity'.

Table 2b. Oman: Government Finances, 2022–30 1/
(Percent of GDP)

	2022	2023	2024	Proj. 2025	2026	2027	2028	2029	2030
Revenue and Grants	41.4	34.2	31.9	29.5	28.3	27.8	27.6	27.3	26.9
Taxes 2/	3.9	4.5	4.4	4.8	4.8	4.9	5.0	5.0	5.0
Grants	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Property income and others	37.6	29.7	27.5	24.7	23.4	22.9	22.5	22.2	21.8
Oil	25.3	21.1	19.0	16.4	15.2	14.9	15.0	15.0	14.8
LNG and natural gas 3/	8.4	4.6	4.4	4.0	4.0	3.9	4.0	3.9	3.8
Investment income	1.9	2.0	2.0	2.0	1.9	1.9	1.3	1.3	1.2
Others	1.9	2.1	2.1	2.3	2.3	2.3	2.2	2.1	2.1
Expenditure	30.9	27.4	28.6	28.8	28.2	27.2	25.9	25.2	24.2
Expense	27.8	24.1	25.0	25.1	25.0	24.2	23.0	22.4	21.6
Compensation of employees	8.1	8.6	8.6	9.1	9.0	8.7	8.4	8.2	8.0
Use of goods and services	5.7	2.1	2.2	1.9	2.0	1.9	1.9	1.9	1.8
Interest payments	2.5	2.6	2.3	2.2	2.1	2.1	1.9	1.9	1.8
Subsidies and social benefits	4.6	3.7	4.7	4.6	4.2	4.1	3.8	3.7	3.6
o/w: energy subsidies	3.0	2.1	1.9	1.6	1.4	1.3	1.1	1.0	1.0
o/w: social transfers	0.5	0.5	1.5	1.8	1.7	1.7	1.7	1.7	1.6
Other expense	6.9	7.1	7.3	7.3	7.6	7.3	7.0	6.7	6.4
PDO operations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Defense	6.9	7.1	7.3	7.3	7.6	7.3	7.0	6.7	6.4
Net Acquisition of Nonfinancial Assets	3.1	3.3	3.6	3.7	3.1	3.0	2.9	2.8	2.7
Acquisitions of nonfinancial assets	3.1	3.3	3.6	3.7	3.1	3.0	2.9	2.8	2.7
Civil	3.1	3.3	3.6	3.7	3.1	3.0	2.9	2.8	2.7
Disposals (sales) of nonfinancial assets	-	-	-	-	-	-	-	-	-
Gross Operating Balance	13.6	10.2	6.9	4.4	3.3	3.6	4.6	4.9	5.3
Net Lending (+)/Borrowing (–) (Overall Balance) 4/	10.5	6.8	3.3	0.7	0.1	0.6	1.7	2.1	2.7
Net Acquisition of Financial Assets 5/	3.0	1.1	1.7	0.9	0.5	1.0	2.0	2.4	2.0
Net Incurrence of Liabilities	-7.5	-5.8	-1.6	0.2	0.3	0.4	0.3	0.3	-0.6
Domestic debt	-2.0	-0.9	1.3	1.1	0.3	1.0	0.8	0.6	0.3
External debt	-5.5	-4.9	-2.9	-0.9	0.0	-0.6	-0.4	-0.3	-0.9
Memorandum Items:									
Total government debt, *of which*	41.7	37.4	35.4	35.8	35.9	34.7	33.3	32.0	29.8
External debt	31.5	27.7	24.6	23.8	23.6	21.9	20.4	19.1	17.2
Nonhydrocarbon revenue (percent of nonhydrocarbon GDP)	13.1	13.7	13.2	13.4	13.0	12.8	12.1	11.9	11.7
Break-even oil price (fiscal, U.S. dollars)	55.4	54.1	57.6	60.8	54.4	54.4	51.2	50.7	49.1

Sources: Ministry of Finance; and IMF staff estimates and projects.
1/ Table covers central government operations. 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/ Taxes refer to non-hydrocarbon taxes.
3/ Includes the dividend from Oman Liquefied Natural Gas Company (OLNG).
4/ Excludes 'net lending and equity'.
5/ Includes 'net lending and equity'.

Table 3. Oman: Monetary Survey, 2022–30
(Millions of rial Omani, unless otherwise indicated, end of period)

	2022	2023	2024	Proj. 2025	2026	2027	2028	2029	2030
Foreign Assets (Net)	4,615	6,245	7,184	7,576	7,041	6,916	7,356	7,832	8,449
Central Bank	6,055	6,049	6,350	6,704	6,127	5,954	6,341	6,758	7,311
Commercial banks	-1,440	196	834	871	914	963	1,016	1,073	1,138
Domestic Assets (Net)	15,720	16,755	17,685	17,383	19,676	21,418	22,622	23,990	25,023
Claims on government (net)	-3,624	-3,898	-4,396	-4,145	-3,081	-2,671	-3,234	-3,924	-4,950
Central Bank	-1536	-1095	-1746	-1944	-2118	-2292	-2470	-2650	-2834
Claims	0	0	0	0	0	0	0	0	0
Deposits 1/	1,536	1,095	1,746	1,944	2,118	2,292	2,470	2,650	2,834
Commercial banks	-2,088	-2,803	-2,651	-2,202	-963	-379	-764	-1,273	-2,116
Claims	4,278	3,778	4,344	4,575	5,426	5,866	6,227	6,699	6,699
Loans	845	516	670	670	670	670	670	670	670
Bills and bonds	3,434	3,261	3,673	3,905	4,755	5,196	5,557	6,029	6,029
Deposits	6,366	6,581	6,994	6,777	6,389	6,245	6,991	7,972	8,815
Claims on Public Enterprises	3,910	4,318	4,711	5,116	5,383	5,686	6,019	6,383	6,791
Claims on Private Sector	24,656	25,819	27,496	29,179	30,844	32,670	34,598	36,696	38,936
Credit to the private sector	24,423	25,567	27,065	28,721	30,360	32,157	34,055	36,120	38,325
Other Items (Net)	-9,221	-9,484	-10,126	-12,767	-13,470	-14,268	-14,760	-15,166	-15,754
Central Bank	-3,276	-3,745	-3,580	-3,736	-2,985	-2,637	-2,847	-3,083	-3,453
Commercial banks	-5946	-5739	-6546	-9031	-10485	-11631	-11914	-12082	-12301
Broad Money	20335	23001	24869	24959	26718	28334	29979	31822	33472
Money	5,606	5,981	7,095	7,121	7,623	8,084	8,553	9,079	9,550
Currency outside banks	1,243	1,210	1,025	1,025	1,025	1,025	1,025	1,025	1,025
Demand deposits	4,363	4,771	6,071	6,096	6,598	7,059	7,529	8,054	8,525
Quasi-money 2/	14,729	17,019	17,773	17,838	19,095	20,250	21,425	22,743	23,922
Of which: Foreign currency deposits	1,843	3,267	3,338	3,350	3,586	3,803	4,024	4,272	4,493
Memorandum Items:									
Broad money multiplier (ratio)	6.5	6.9	8.6	8.5	8.9	9.1	9.2	9.3	9.4
	(Annual percentage change, unless otherwise indicated)								
Broad Money	0.6	13.1	8.1	0.4	7.0	6.0	5.8	6.1	5.2
Net Foreign Assets	-0.8	35.3	15.0	5.5	-7.1	-1.8	6.4	6.5	7.9
Domestic Assets	1.0	6.6	5.5	-1.7	13.2	8.9	5.6	6.0	4.3
Of which: Credits to the private sector	4.2	4.7	5.9	6.1	5.7	5.9	5.9	6.1	6.1
Claims on Private Sector / GDP	58.4	63.2	66.7	71.2	74.6	75.6	76.1	76.7	77.3
Claims on Private Sector / Nonhydrocarbon GDP	99.2	101.1	104.1	105.8	106.7	107.4	108.0	108.4	108.6

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

Table 4. Oman: Balance of Payments Summary, 2022–30 1/
(Millions of $USD)

	2022	2023	2024	Proj. 2025	2026	2027	2028	2029	2030
Trade Balance	30,975	24,377	25,662	19,819	18,303	20,253	22,213	23,555	24,884
Exports	65,722	59,547	65,152	59,742	58,055	60,263	62,917	65,239	68,013
Hydrocarbons, *of which*:	45,620	40,362	44,510	38,591	36,023	36,381	37,615	38,441	39,821
Crude oil	30,315	25,576	25,769	19,371	17,822	18,557	19,760	20,773	21,486
LNG	7,951	6,702	6,575	5,575	5,012	5,015	5,097	5,245	5,369
Other exports	16,674	15,319	16,200	16,430	17,031	18,634	19,781	21,052	22,210
Re-exports	3,428	3,867	4,442	4,720	5,001	5,248	5,520	5,746	5,982
Imports, f.o.b.	34,746	35,170	39,490	39,923	39,752	40,009	40,704	41,684	43,129
Services (Net)	-8,515	-6,624	-7,134	-7,191	-7,159	-7,004	-6,529	-6,514	-6,683
Income (Net)	-9,334	-5,839	-5,766	-4,476	-4,728	-4,676	-4,635	-4,737	-4,459
Credit	993	1,131	1,092	3,355	2,946	2,948	2,985	2,973	3,347
Debit	10,328	6,970	6,858	7,831	7,674	7,624	7,620	7,709	7,806
Current Transfers, including Official Grants (Net)	-9,116	-9,482	-9,293	-9,320	-9,769	-10,274	-10,826	-11,436	-12,116
Current Account Balance	4,010	2,432	3,469	-1,168	-3,353	-1,700	224	869	1,625
Capital Account	10	-5	26	63	49	48	47	46	45
Financial Account	3,280	1,402	4,681	-1,105	-3,304	-1,652	271	915	1,670
Foreign direct investment, Net	-7,176	-12,723	-9,439	-7,894	-8,253	-8,674	-9,000	-9,034	-9,094
Portfolio investment, Net	1,464	7,248	4,489	1,720	1,003	1,031	2,496	1,668	1,938
Other investment, Net	10,094	6,965	9,118	4,147	5,447	6,442	5,768	7,195	7,387
Change in Official Reserves 1/	-1,103	-91	510	921	-1,500	-452	1,007	1,086	1,438
Errors and Omissions	-741	-1,025	1,186	0	0	0	0	0	0
Memorandum Items:									
Current account balance (in percent of GDP)	3.7	2.3	3.2	-1.1	-3.1	-1.5	0.2	0.7	1.2
Central Bank gross reserves (in million of USD)	17,621	17,499	18,383	19,304	17,804	17,352	18,359	19,445	20,883
In months of next year's imports of goods and services	4.4	4.0	4.2	4.4	4.0	3.8	3.9	4.0	4.1
Total external debt (in million of USD)	69,950	65,754	62,189	62,004	61,359	60,739	59,223	58,571	57,302
Percent of GDP	63.7	61.9	58.0	58.2	57.1	54.0	50.1	47.0	43.8

Sources: Central Bank of Oman, Ministry of Finance, and IMF staff estimates and projections.
1/ Historical flows include CBO and SGRF reserve accumulation.

Table 5. Oman: Financial Soundness Indicators of the Banking Sector, 2018-2025
(Percent)

	2018	2019	2020	2021	2022	2023	2024	Sep-2025
Capital Adequacy								
BIS Capital 1/	17.9	18.5	18.8	19.4	19.7	18.9	18.2	18.0
Core capital 2/	16.6	17.4	17.7	18.5	18.9	18.1	17.6	17.5
Bank Capital to Assets	15.8	15.9	15.8	15.6	16.0	14.8	14.5	14.4
Loan Quality								
NPLs	2.7	3.5	4.2	4.2	4.4	4.5	4.5	4.5
Net NPLs 3/	1.0	1.4	1.6	1.3	1.4	1.4	1.4	1.4
Restructured/ rescheduled loans to total loans	2.3	3.8	4.3	5.8	12.1	11.1	10.6	10.1
Provisions to NPLs	118.1	97.5	98.0	107.3	114.1	117.4	121.9	121.9
Loan loss provisions to NPLs	65.8	61.0	63.4	68.8	68.7	69.7	70.2	70.5
Related party loans to total capital	10.9	7.8	7.4	8.0	9.4	9.2	12.5	12.1
Profitability								
Return on Assets 4/	1.6	1.4	0.9	1.1	1.2	1.3	1.5	1.5
Return on Equity 5/	10.6	9.4	5.7	6.8	7.9	8.6	10.5	10.1
Liquidity								
Lending Ratio	77.7	79.8	79.7	77.5	80.7	79.2	78.9	78.9
Customer Deposits to Total Assets	54.6	45.8	50.0	47.8	47.8	51.3	53.1	53.9
Net Stable Funding Ratio	114.6	116.3	116.7	118.6	115.1	120.3	118.2	113.3
Liquidity Coverage Ratio	253.6	220.1	196.3	212.1	190.2	221.8	190.6	153.0
Market Risk								
Foreign Currency Assets to Foreign Currency Liabilities	112.9	116.9	120.3	123.9	118.9	109.4	112.6	115.5
Foreign Currency Loans to Foreign Currency Deposits	119.6	147.6	160.5	184.6	161.6	81.9	96.0	110.2
Net Forex Open Position to Capital	12.2	9.4	15.3	13.9	10.8	8.4	17.0	…

Sources: Central Bank of Oman (CBO)
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 provision 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.
… per CBO, banks require more time for reporting after a new template was introduced.

Annex I. Implementation of 2024 Article IV Recommendations

Recommendation	Status
Fiscal	
Advance nonhydrocarbon revenue mobilization and continue rationalizing spending.	A personal income tax law was passed in June 2025, with implementation expected in 2028. The implementation of the minimum global tax of 15 percent is expected to take effect from January 1, 2025, following the Royal Decree introducing a Domestic Minimum Top-Up Tax and an Income Inclusion Rule in line with OECD Pillar 2 rules. The executive regulations for the implementation are yet to be issued. The Tax Administration Modernization Program continues to advance, including the launch of the e-invoicing project in May 2025, with implementation expected in late 2026. Efforts to reduce energy subsidies continue, underpinned by reforms to lower electricity costs and increase renewables energy, which now account for 12 percent by mid-2025—up from 5 percent in 2024.
Strengthen fiscal institutions.	Fiscal risks have been identified and incorporated in the 2025 Budget document. Work is underway on the new Medium-Term Fiscal Plan for 2026-2030, alongside effort to develop a fiscal rule and align fiscal reporting with GFSM 2014.
Develop a full-fledged sovereign assets and liability management (SALM) framework.	Efforts are spearheaded by the Debt Management Committee to establish a SALM framework in line with the recommendations of a recent Fund TA. A national asset registry has been established.
Publishing a Medium-Term Debt Management Strategy (MTDS).	The MTDS is yet to be published.
Monetary	
Strengthen the monetary policy framework and reduce excess liquidity.	Supported by Fund TA in late 2024, CBO's Monetary Policy Enhancement Project is advancing, including work to adopt an interest rate corridor and launch open market operations. The liquidity forecasting model is expected to be operationalized during 2026. Work on the ELA framework is almost complete.
Financial	
Strengthen regulatory and supervisory frameworks.	A new Banking Law was passed in January 2025, bringing the supervisory framework more in line with international standards and providing more flexibility to the CBO to set prudential requirements. Regulatory requirements on promoting sustainable and green financial practices have been published and will come into effect in 2026.
Lift the interest rate cap on personal loans.	The cap remains in place.
Develop the financial sector.	The new Banking Law supports fintech development by setting the regulatory framework for digital banks, including licensing categories and capital requirements.
Structural	
Improve the quality of institutions.	Ongoing SOE governance reforms are strengthening governance and transparency in public asset management.
Increase trade integration	Progress continues on regional connectivity and trade. The UAE–Oman cross-border railway (Hafeet Rail) advanced with contracts awarded in early

Recommendation	Status
	2025 and construction underway. Negotiations on the India-Oman FTA have concluded and are now pending formal signing.
Address labor market bottlenecks.	Introduced a new framework for part-time employment (January 2025).
Enhance the business environment.	The Court of Investment and Commerce was established in March 2025 to resolve business-related disputes. OIA continued its planned divestments throughout 2025, while OIA's Future Fund Oman began operations, supporting venture capital, SMEs, and startups.
Develop SMEs for job creation and growth	The Small and Medium Enterprises Development Authority developed several initiatives in 2025, including allocating at least 10 percent of government tenders to SMEs, reducing registration fees at the Tender Board by 50 percent, and paying SME invoicing within 15-28 days for government projects.
Stepping up digitalization	In May 2025, a general AI policy was published by Ministry of Transport, Communications, and Information Technology mandating, among others: responsible use of AI, human oversight in sensitive areas, bias mitigation.

Annex II. External Sector Assessment

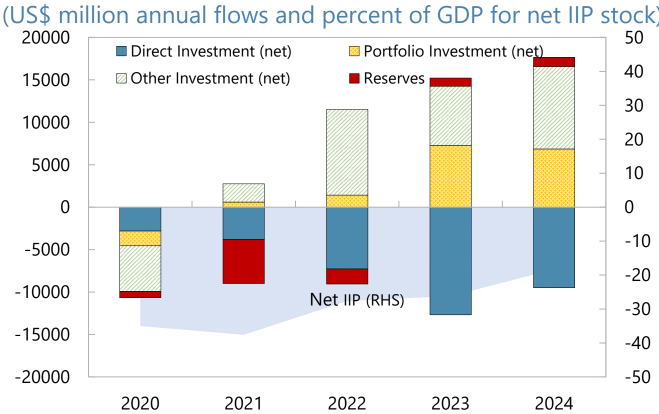
Overall Assessment: *Oman's external position improved further in 2024, supported by favorable hydrocarbon revenues, continued external debt repayments, mainly by the public sector, accumulation of foreign assets, and strong performance in nonhydrocarbon exports and FDI inflows. The current account is assessed to be in line with the level implied by fundamentals and desired policies. Lower hydrocarbon export revenues (mainly due to weakened outlook on oil prices) and investment-driven imports are expected to shift the current account into a deficit in 2025-2026. A return to surplus is expected thereafter.*

Potential Policy Responses: Sustaining fiscal adjustment, together with implementation of the structural reform agenda under Oman Vision 2040 to diversify the economy and create a dynamic export sector beyond oil and gas, will help improve the current account position and attract FDI to nonhydrocarbon sectors, supporting the accumulation of FX reserves.

Foreign Assets and Liabilities: Position and Trajectory

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) continued to improve in 2024, reaching -18.3 percent of GDP from -26.2 percent of GDP in 2023. Large FDI inflows to the hydrocarbon sector were more than offset by sizable portfolio and other investments and CBO reserve assets. The significant increase in net portfolio and other investments were driven by both an accumulation of foreign assets by resident entities (banks and non-banks) and a large decline in debt liabilities (from 41 percent of GDP in 2023 to 34 percent of GDP in 2024), particularly reflecting continued deleveraging in the public sector. External assets grew by 8.0 percent at end-2024, reaching $114.4 billion from $106 billion at end-2023, outpacing external liabilities which remained broadly unchanged at 134 billion.

Assessment. The recent positive trend in net IIP is expected to persist over the medium term despite lower oil prices in the near term. Expected improvements in net IIP reflect scheduled sovereign debt amortization, still favorable hydrocarbon revenues, and expanding nonhydrocarbon goods and services exports, which are also expected to support the buildup of foreign assets. However, the improvement in the portfolio and other investments positions is expected to be partially offset by increases in FDI liabilities, reflecting ongoing efforts to improve the business environment, expansion of regional investment, and ramp up of bilateral free trade agreements.

2024 (% GDP)	NIIP: -18.3	Gross Assets 114.4	CBO Res. Assets: $18.4 bn	Gross Liab.: 134	Debt Liab.: 34

Current Account

Background. The current account posted a surplus of 3.2 percent of GDP in 2024 (2.3 percent in 2023), supported by strong performance in both hydrocarbon—particularly refined oil—and nonhydrocarbon exports. The CA balance is expected to shift into deficit in 2025-2027, particularly weighed down by lower oil prices. A return to surplus is expected to take place starting from 2028, bolstered by a recovery in oil production toward capacity and stronger nonhydrocarbon exports' growth, but somewhat dragged by the expected rise in investment-related imports. However, the CA baseline projections are subject to high uncertainty due to elevated global uncertainty, including deepening geoeconomic fragmentation and escalating trade tensions, commodity price volatility, and potential delays in structural reforms.

Assessment. The EBA-lite CA model estimates no CA gap in 2024 (0 percent of GDP)—an improvement from the -0.7 percent of GDP gap assessed in 2023—, suggesting that the external position for the country in 2024 continues to be in line with the level implied by fundamentals and desired policy. The fiscal surplus in 2024 was the main driver of the nil CA gap, highlighting the continued impact of fiscal restraint on the country's external position. Using the estimated -0.4 elasticity for Oman, the results from the CA model suggest that Oman's real effective exchange rate (REER) is in equilibrium.

Annex II. Table 1. Oman: EBA-lite Model Results, 2024

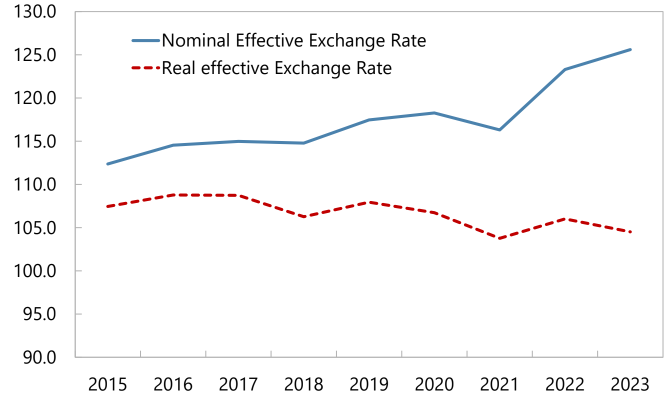
	CA model 1/	**REER model** 1/
	(in percent of GDP)	
CA-Actual	**3.2**	
Cyclical contributions (from model) (-)	0.5	
Additional temporary/statistical factors (-) 2/	0.0	
Natural disasters and conflicts (-)	0.0	
Adjusted CA	**2.8**	
CA Norm (from model) 3/	**2.8**	
Adjustments to the norm (+)	0.0	
Adjusted CA Norm	**2.8**	
CA Gap	**0.0**	**2.4**
o/w Relative policy gap	3.7	
Elasticity	-0.4	
REER Gap (in percent)	**0.1**	**-6.9**

1/ Based on the EBA-lite 3.0 methodology
2/ No additional adjustments are justified to be made.
3/ Cyclically adjusted, including multilateral consistency adjustments.

Real Exchange Rate

Background. The Omani rial has been pegged to the US dollar at a rate of 0.3845 since 1986. The Nominal Effective Exchange Rate (NEER) appreciated 1.6 percent in 2024, mainly driven by the appreciation of the US dollar. Despite this, the Real Effective Exchange Rate (REER) depreciated by 1 percent in 2024, accumulating a total depreciation of 3.7 percent since 2015, boosting Oman's external competitiveness. The REER depreciation is due to inflation being lower in Oman than in key trading partners, on the back of continued universal subsidies on energy products and basic food items.

External Competitiveness
(Index, 100=2010)



Source: IMF International Financial Statistics.

Assessment. The CA gap, as estimated by the EBA-lite REER model, indicates a 6.9 percent undervaluation. However, this estimate is at odds with the findings from the CA model and depends heavily on the choice of parameter values.

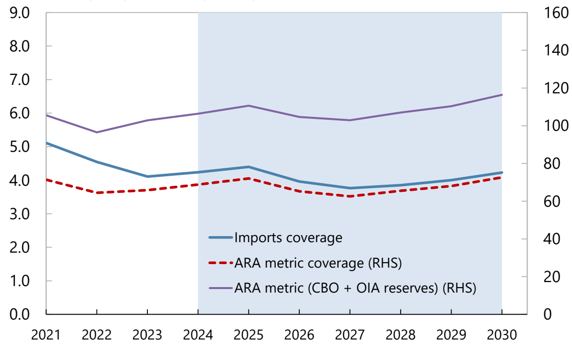
Capital and Financial Accounts: Flows and Policy Measures

Background. The financial account registered positive net acquisition of foreign assets in 2024, despite continued high FDI inflows —mainly in the hydrocarbon sector — at around 9 percent of GDP. The positive net acquisition of assets primarily stemmed from a continued decline in liability acquisitions across both portfolio and other investments, owing to debt and loan repayments by the public sector, and accumulation of foreign assets by residents.

Assessment. A continued policy of public sector deleveraging, particularly through external debt repayments is expected to enhance Oman's external financial position and further reduce vulnerabilities. This policy is set to alleviate interest payments and further improve the primary account balance. Further structural reforms could boost FDI inflows into sectors beyond hydrocarbons. It is anticipated that the net acquisition of foreign assets will moderate in the near term, reflecting lower oil revenues amid softening global oil prices.

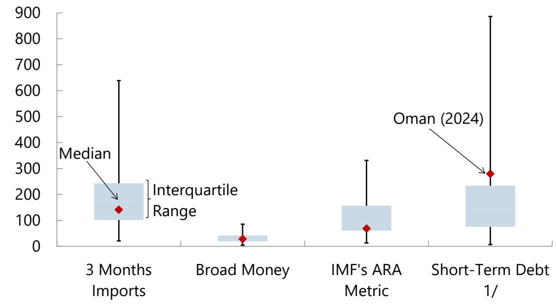
FX Intervention and Reserves Level

Reserves Adequacy
(Months of prospective imports, percent)



Sources: Country authorities and IMF staff estimates.

Comparison of Reserve Coverage With EMs
(Percent)



Source: IMF staff estimates.
Note: Emerging markets include 68 countries.
1/ Excludes top three values.

Background. Despite continued debt repayments and the accumulation of foreign assets by residents, international reserves increased to $18.4 billion at end-2024—from $17.5 billion at end-2023, boosted by large FDI inflows and the current account surplus. At this level, reserves covered 4.2 months of imports (4 months in 2023) and represented 28 percent of broad money (about the same as in 2023). This led to reserves increasing to 68 percent of the Fund's ARA metric, compared to 66 percent at end-2023.

Assessment. CBO reserves remain below the recommended adequacy range of 100-150 percent of the IMF's ARA metric. However, adding liquid external assets held by Oman Investment Authority (OIA), overall liquid external buffers in 2024 remained at the lower end of the adequate range (106 percent of the ARA metric). Current trends in commodity prices, the growth of nonhydrocarbon exports, and anticipated fiscal reforms suggest that CBO's foreign reserves are projected to improve over the medium term, reaching 73 percent of the ARA metric and covering about 4 months of prospective imports by 2030. Nonetheless, amid heightened global economic uncertainty, these projections are subject to great uncertainty, and maintaining additional reserves in alignment with ARA metric thresholds would shield economic stability against any potential shocks.

Annex III. Sovereign Risk and Debt Sustainability Analysis

Annex III. Table 1. Oman: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	...	**Low**	The overall risk of sovereign stress remains low, supported by limited vulnerabilities across the near, medium, and long term, and reinforced by substantial liquid financial buffers maintained by the central government.
Near term 1/	**Low**	**Low**	Staff continue to assess near-term sovereign risk as low, consistent with mechanical risk indicators. Ongoing fiscal discipline, low central government debt and gross financing needs, continued market access at favorable sovereign spreads, and the recent credit upgrade mitigate immediate sovereign stress risks.
Medium term	**Moderate**	**Low**	Medium-term risks are assessed as low as 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. The principal long-term debt risk stems from potential declines in hydrocarbon revenues due to resource depletion or an accelerated energy transition. Sustained implementation of reforms under Oman Vision 2040—aimed at reinforcing fiscal sustainability, building financial buffers, and diversifying the economy away from hydrocarbons—should mitigate these fiscal risks.
Sustainability assessment 2/	Not required for surveillance countries	Not required for surveillance countries	
Debt stabilization in the baseline			Yes

DSA Summary Assessment

Commentary: Oman's overall risk of sovereign stress is assessed as low. Public (general government) debt is projected to decline from an estimated 36 percent of GDP in 2025 to less than 30 percent by 2030. Substantial liquid financial buffers available to the central government, mitigate both liquidity and solvency risks. In addition to the Central Bank of Oman's international reserves, the budgetary government holds liquid, unencumbered financial assets totaling 32 percent of GDP. These include 22 percent of GDP in deposits within the domestic banking system and approximately 10 percent of GDP in liquid assets held by the Oman Investment Authority (OIA). These buffers cover around 89 percent of government debt and 131 percent of its foreign-currency debt. Despite the depth of these buffers, the debt trajectory remains sensitive to oil market volatility. Nonetheless, medium-term liquidity risks—assessed using the GFN Financeability Module—remain 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.

Annex III. 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		

Row groupings: CPS (1–8); NFPS (1–6); GG: expected (1–5); CG (1–3).

Selected (green): GG; Budgetary central government, State governments, Local governments; Loans, Debt securities; Cash basis; Face value 6/; Consolidated. Missing (red): Extra budgetary funds, Social security funds; Currency & deposits, Oth acct. payable 2/, IPSGSs 3/. Not applicable (grey): Public nonfinancial corporations, Central bank, Other public financial corporations.

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

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

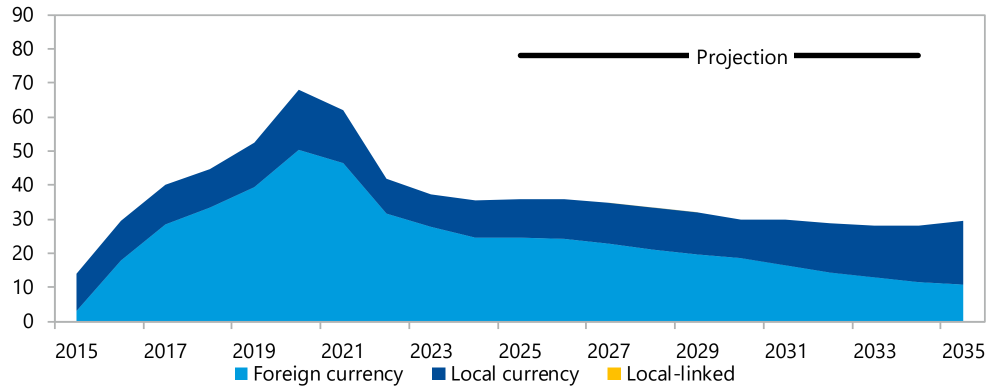
Row groupings: CPS (1–8); NFPS (1–6); GG: expected (1–5); CG (1–3).

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 consolidated within the budgetary central government (BCG) and are not authorized to issue debt. There are no extra-budgetary funds, and social security funds—managed by the Social Protection Fund—are in surplus and excluded from the BCG. Potential contingent liabilities from the social security system are mitigated by recent pension reform, which has strengthened the Fund's financial position. Staff continues to support efforts to expand fiscal data coverage to the broader public sector, including through a recent Technical Assistance mission.

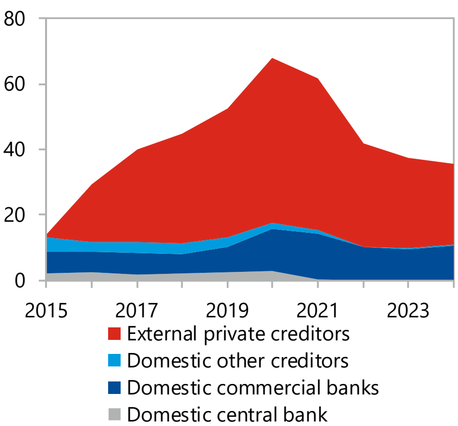
Annex III. Figure 1. Oman: Public Debt Structure Indicators

(Debt by currency, percent of GDP)



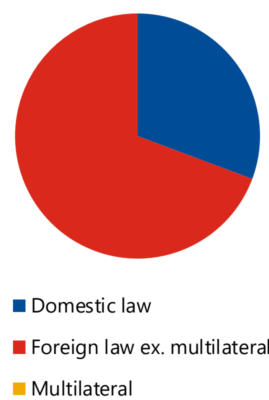
Note: The perimeter shown is general government.

Public Debt by Holder (Percent of GDP)



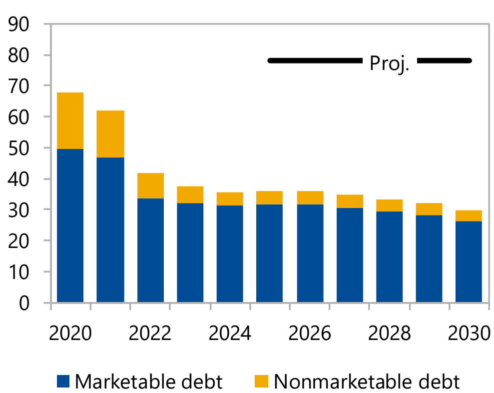
Note: The perimeter shown is general government.

Public Debt by Governing Law, 2024 (percent)



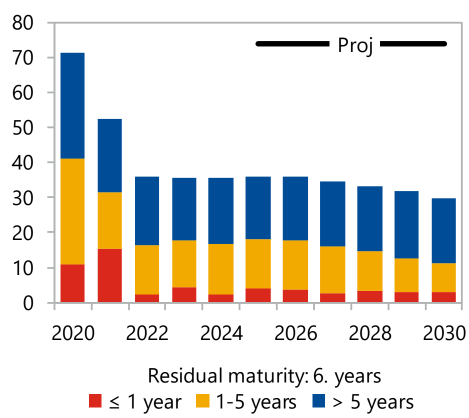
Note: The perimeter shown is general government.

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 maintain market access, with gradual progress in developing the local currency debt market. The share of domestic currency debt is projected to rise as market infrastructure deepens. Short-term debt (on a residual maturity basis) declined markedly in 2022, reflecting the government's repayment of maturing domestic instruments—including treasury bills—and external obligations, supported by liability management operations. The average time to maturity is expected to lengthen in line with the authorities' debt management strategy.

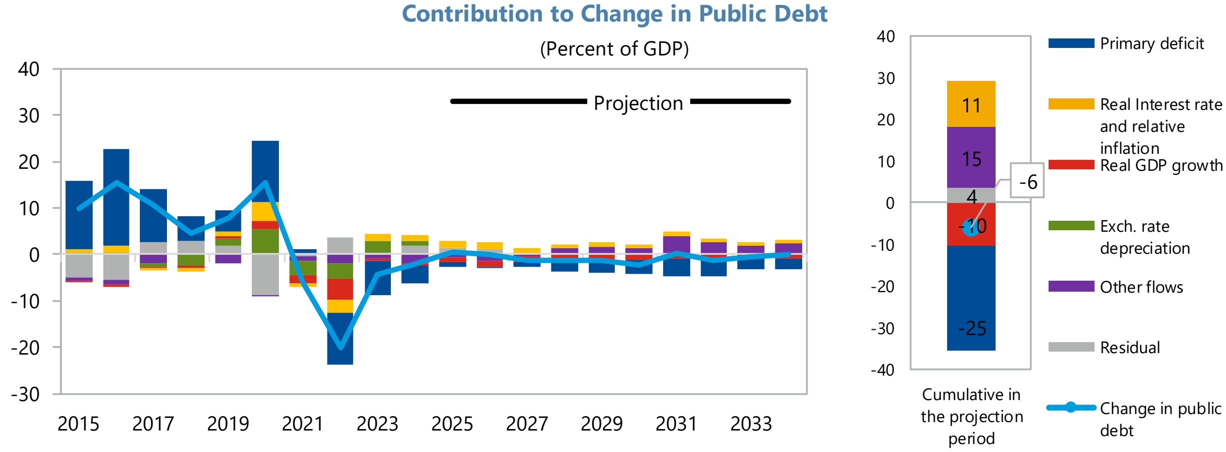
Annex III. Table 3. Oman: Baseline Scenario

(Percent of GDP unless indicated otherwise)

	Actual	Medium-term projection						Extended projection			
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Public debt	35.4	35.8	35.9	34.7	33.3	32.0	29.8	29.9	28.8	28.2	28.2
Change in public debt	-1.9	0.4	0.0	-1.2	-1.4	-1.4	-2.2	0.2	-1.2	-0.5	-0.1
Contribution of identified flows	-3.9	-1.0	-1.2	-1.4	-1.6	-1.4	-2.2	0.1	-1.2	-0.6	-0.1
Primary deficit	-3.6	-0.9	0.0	-0.8	-2.3	-2.8	-3.2	-3.8	-3.8	-2.5	-2.4
Noninterest revenues	29.9	27.5	26.0	25.9	26.2	26.0	25.7	25.1	24.5	22.5	21.8
Noninterest expenditures	26.3	26.6	26.0	25.1	24.0	23.2	22.4	21.3	20.7	20.0	19.4
Automatic debt dynamics	1.6	0.6	0.2	-0.1	-0.4	-0.2	-0.2	0.0	0.0	-0.1	-0.1
Real interest rate and relative inflation	1.4	1.6	1.5	1.1	0.9	1.0	0.8	0.8	0.8	0.7	0.7
Real interest rate	2.2	3.0	2.7	1.4	1.1	1.0	0.8	0.9	0.9	0.8	0.8
Relative inflation	-0.8	-1.4	-1.2	-0.2	-0.2	0.0	0.0	-0.1	-0.1	-0.1	-0.1
Real growth rate	-0.6	-0.9	-1.3	-1.3	-1.3	-1.2	-1.1	-0.8	-0.8	-0.8	-0.8
Real exchange rate	0.8	…	…	…	…	…	…	…	…	…	…
Other identified flows	-2.0	-0.7	-1.3	-0.5	1.1	1.6	1.2	3.9	2.6	1.9	2.4
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	-2.0	-1.9	-1.9	-1.3	-1.3	-1.2	-1.1	-1.1	-1.0	-1.0
Other transactions	0.0	1.2	0.6	1.4	2.4	2.8	2.4	5.1	3.7	3.0	3.4
Contribution of residual	2.0	1.4	1.2	0.2	0.2	0.0	0.0	0.1	0.1	0.1	0.1
Gross financing needs	1.6	-1.3	3.9	2.8	0.6	0.5	-0.2	-0.9	-1.1	-0.5	-0.6
of which: debt service	7.1	1.6	5.8	5.4	4.2	4.5	4.2	4.1	3.8	3.0	2.8
Local currency	2.9	2.4	2.1	1.3	1.0	1.2	1.5	0.7	1.1	0.7	1.3
Foreign currency	4.2	-0.8	3.8	4.2	3.2	3.3	2.7	3.4	2.7	2.3	1.5
Memo:											
Real GDP growth (percent)	1.6	2.8	3.8	3.8	3.9	3.6	3.4	2.8	2.9	2.9	2.9
Inflation (GDP deflator; percent)	-0.7	-3.2	-2.8	0.8	1.2	1.6	1.7	1.4	1.4	1.4	1.5
Nominal GDP growth (percent)	0.9	-0.6	0.9	4.6	5.2	5.3	5.2	4.3	4.3	4.4	4.4
Effective interest rate (percent)	5.3	5.2	4.8	4.9	4.6	4.8	4.5	4.6	4.4	4.3	4.4

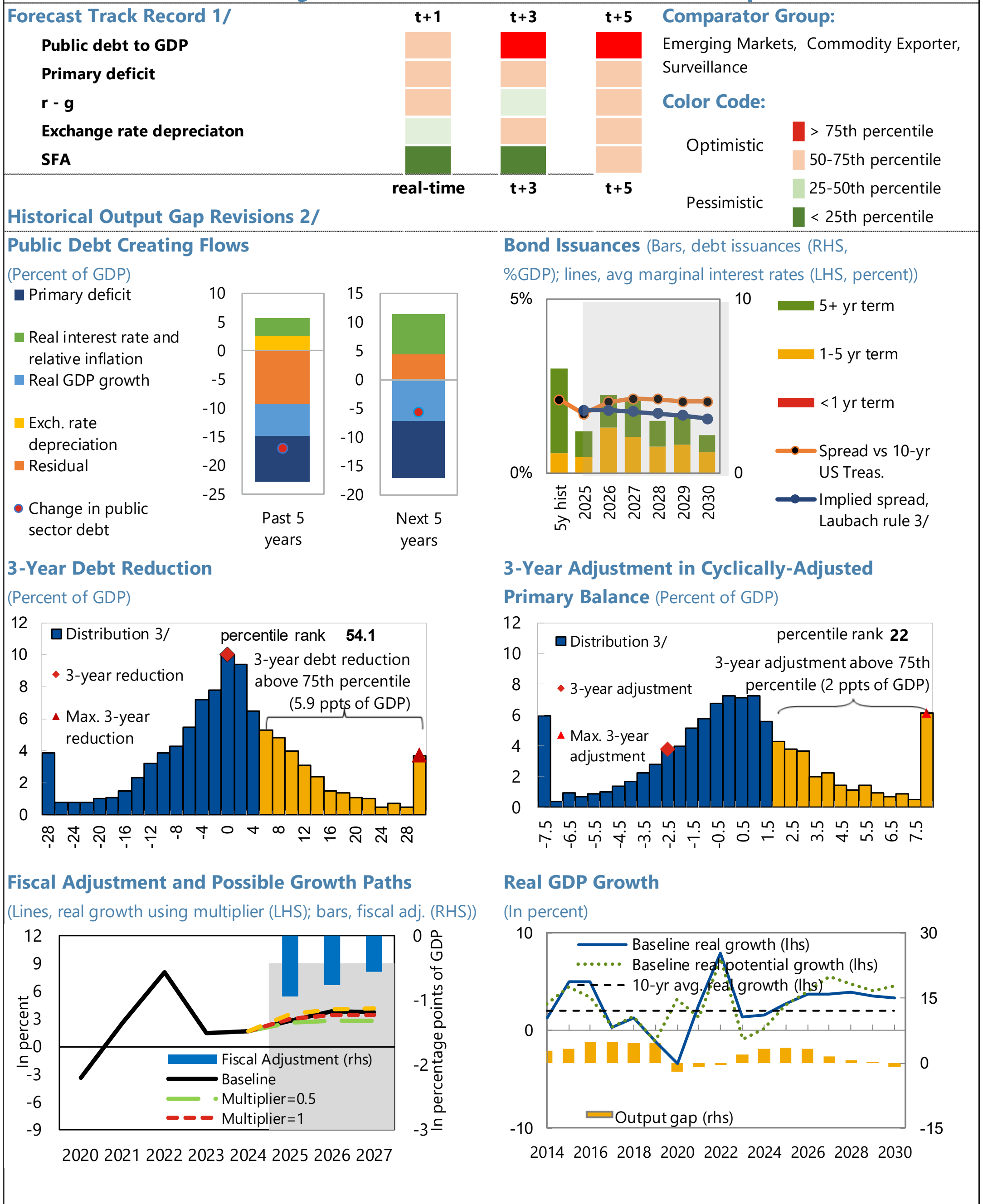
Contribution to Change in Public Debt

(Percent of GDP)



Commentary: General government debt is projected to decline over the medium term before stabilizing in the long run, supported by sustained primary surpluses, stable macroeconomic conditions, and a policy of steady, gradual debt repayment. “Other transactions” primarily capture below-the-line operations, reflecting the accumulation of government assets.

Annex III. 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 general 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.

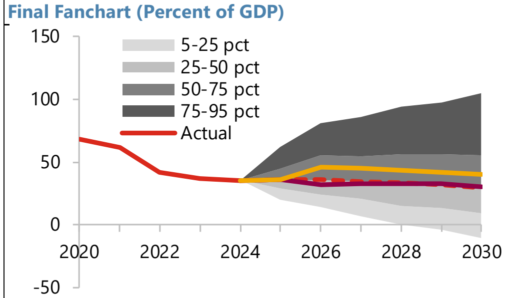
1/ Projections made in the October and April WEO vintage.

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

3/ 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.

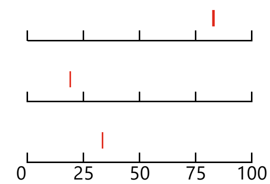
Annex III. Figure 3. Oman: Medium-Term Risk Assessment

Final Fanchart (Percent of GDP)

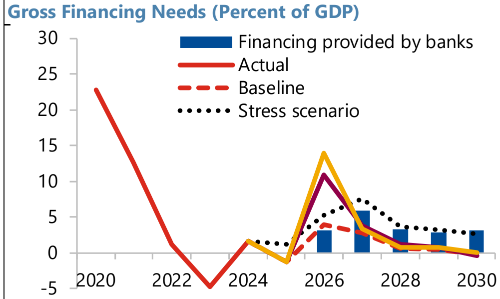


Debt fanchart module

	Value	Contrib 1/	Percentile in peer group 2/
Fanchart width *(percent of GDP)*	115.1	1.7	
Probability of debt non-stabilizaiton *(percent)*	3.4	0.0	
Terminal debt-to-GDP x institutions index	14.9	0.3	
Debt fanchart index (DFI)		2.0	
Risk signal: 3/		**Moderate**	

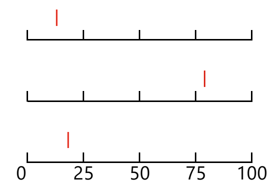


Gross Financing Needs (Percent of GDP)



Gross financing needs (GFN) module

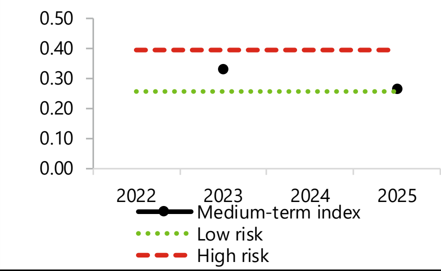
	Value	Contrib 1/	Percentile in peer group 2/
Average baseline GFN *(percent of GDP)*	1.0	0.4	
Initial Banks' claims on the gen. govt *(pct bank assets)*	9.0	2.9	
Chg. In banks' claims in stress *(pct banks' assets)*	2.5	0.8	
GFN financeability index (GFI)		4.1	
Risk signal: 4/		**Low**	



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	4.1	0.1	0.5	0.0
Medium-term index		0.3		
Risk signal: 5/		**Moderate**		
Final assessment:		**Low**		

Prob. of missed crisis, 2025-2030, if stress not predicted: 18.2 pct.
Prob. of false alarms, 2025-2030, if stress predicted: 39.8 pct.

Commentary: Medium-term risks are assessed as low despite a mechanical moderate signal, supported by Oman's sizable liquid and unencumbered financial assets that mitigate liquidity and solvency risks. The rating also reflects the country's political and institutional stability, strong fiscal discipline and reform commitment, a broad investor base, and low debt and gross financing needs. The relatively wide fan chart reflects historical oil price volatility, underscoring uncertainty around the debt-to-GDP baseline. As Oman's hydrocarbon exports dominate its earnings, a commodity price stress test is automatically triggered, calibrated as a 30-percent oil price decline in the second projection year relative to baseline. The contingent liability stress assumes a one-time call on guaranteed debt equal to 10 percent of banking sector assets in the same year. Both shocks lead to a moderate increase in gross financing needs and debt-to-GDP ratios compared 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.

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

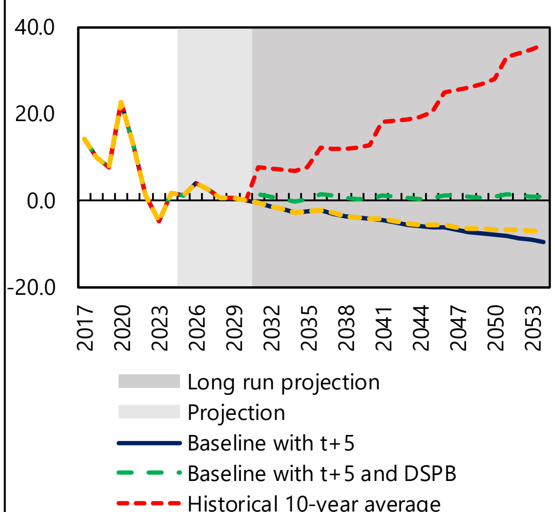
Large amortizations	Pensions	Climate change: Adaptation	**Natural Resources**
	Health	Climate change: Mitigation	

Oman: Triggered Modules

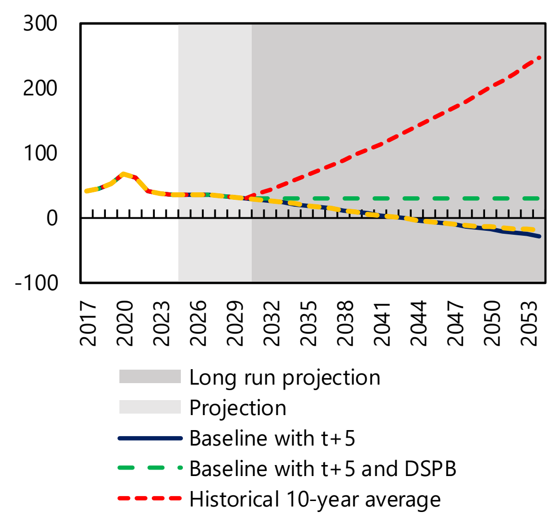
Projection	**Variable**	**Risk Indication**
Medium-term extrapolation	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Medium-term extrapolation with debt stabilizing primary balance	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Historical average assumptions	GFN-to-GDP ratio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

Variable	**2030**	**2034 to 2038 average**	**Custom Scenario**
Real GDP growth	3.4%	2.3%	3.0%
Primary Balance-to-GDP ratio	3.2%	3.0%	3.2%
Real depreciation	-1.7%	-1.1%	-1.5%
Inflation (GDP deflator)	1.7%	1.1%	1.5%

GFN-to-GDP Ratio



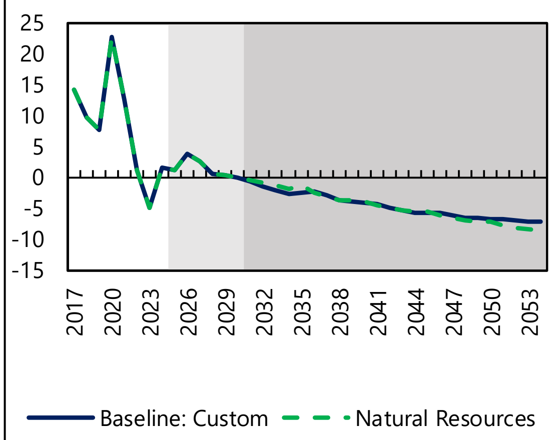
Total Public Debt-to-GDP Ratio



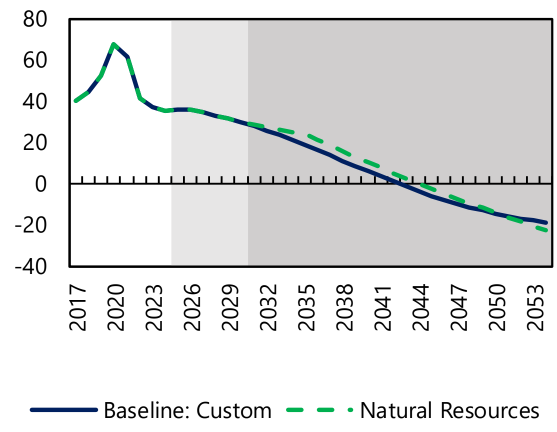
Commentary: Long-term risk related to large amortization scenarios is assessed as low. The custom scenario assumes the authorities maintain international market access while advancing the development of the domestic bond market through continued debt issuance. By contrast, the historical average scenario reflects elevated debt risks driven by historically high gross financing needs amid adverse macro-fiscal conditions following the 2014–15 oil price shock and the COVID-19 pandemic.

Annex III. Figure 5. Oman: Natural Resources

GFN-to-GDP Ratio



Total Public Debt-to-GDP Ratio



Commentary: A key long-term debt risk for Oman stems from potential declines in hydrocarbon revenues due to resource depletion or an accelerated energy transition. Sustained reforms under Oman Vision 2040—aimed at reinforcing fiscal sustainability, building financial buffers, and diversifying the economy away from hydrocarbons—are critical to mitigating these risks. Notably, several committed investments in green hydrogen have begun to materialize, supporting the diversification agenda and enhancing fiscal resilience.

Annex IV. Risk Assessment Matrix[1]

Nature/ Source of Main Risks	Likelihood	Expected Impact on the Economy if Risk is Realized	Policy Response
		Global Risks (Conjunctural)	
Geopolitical Tensions. Intensification of conflicts, coupled with the weakening of multilateralism, may trigger commodity price volatility, increase migration pressures, reignite inflation, and weigh on growth by undermining confidence, investment, tourism, trade, and supply chains.	**High**	**Medium** Global geopolitical tensions and regional conflicts have not materially impacted Oman's economy. However, further escalation and spread of regional conflicts could disrupt trade and reduce FDI and tourism in Oman, which would weigh down on economic growth and external and fiscal balances. On the other hand, a significant regional geopolitical shock could push oil prices higher, resulting in increased oil revenues and a strengthening of 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 utilize existing fiscal space to cushion the impact on the economy. They would also need to recalibrate macroprudential policies and reinforce prudential oversight to safeguard financial stability.
Escalating Trade Measures and Prolonged Uncertainty. Rising trade barriers and prolonged policy uncertainty could reduce trade, investment, and growth. Inflationary pressures may re-emerge, especially in countries imposing tariffs. These effects can be amplified by strategic complementarities or bottlenecks in global value chains or inventory overhang.	**High**	**Medium** A global economic slowdown is likely to weigh on Oman's economy by depressing hydrocarbon revenues due to lower oil prices and dampening nonhydrocarbon activities, including tourism and logistics. This would put a drag on FDI inflows, growth, and fiscal and external positions.	Use available fiscal space to mitigate the impact of the shock on the economy, while strengthening prudential oversight and adjusting macroprudential policies as needed to safeguard financial stability. Accelerate regional trade integration, including by strengthening trade with GCC and other neighboring countries.
Commodity Price Volatility. Shifts in supply and demand—driven by geopolitical tensions and conflicts, OPEC+ actions, or the green transition—may fuel commodity price swings, intensifying external and fiscal pressures, social unrest, and macroeconomic instability.	**High**	**Medium** A decline in international oil and gas prices would reduce Oman's export and fiscal revenues and weaken 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 weaken, while the reform	Expedite the pace of fiscal reforms to mobilize nonhydrocarbon revenues and rationalize expenditures, particularly accelerating energy subsidy reforms. Continue building fiscal buffers underpinned by a credible medium-term fiscal framework. Accelerate structural reforms to diversify the economy and enhance its resilience to oil price fluctuations.

[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. The conjunctural shocks and scenarios highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

Nature/ Source of Main Risks	Likelihood	Expected Impact on the Economy if Risk is Realized	Policy Response
		momentum could slow down. Declining fiscal revenues may decrease government deposits in the banking sector, adversely affecting credit supply and growth. An increase in oil prices would have the opposite effect.	
		Global Risks (Structural)	
Cyberthreats. Cyberattacks on physical or digital infrastructure, technical failures, or misuse of AI technologies could trigger financial and economic instability.	**High**	**Medium/Low**	
		Large scale cyberattacks on banks, payment systems of CBO could interrupt financial transactions, cause data breaches affecting liquidity, capital flows and payment system outages thus leading to loss of confidence in the financial system. Attacks on critical energy infrastructure (refineries, pipelines, ports) halting production are less likely since Oman maintains a balanced geopolitical stance in the region.	Mandate regular cyber stress testing and robust risk management frameworks for banks and financial institutions. Enhance supervisory oversight of the financial system and require more vigilance in incident reporting.
		Domestic Risks	
Weaker reform momentum. While the authorities have so far shown strong commitment to their reform agenda, the recent improvement in macroeconomic fundamentals could reduce the sense of urgency about economic diversification, leading to a slowdown in reform momentum.	**Medium**	**Medium**	
		Weaker reform momentum could adversely affect growth and employment prospects. Fiscal and external vulnerabilities would re-emerge, which would be exacerbated if oil prices recede further, and investor confidence could deteriorate, resulting in rising external borrowing costs. The failure to turn reforms into jobs for Omanis in the private sector could lead to pressures to increase public employment, with negative implications for fiscal sustainability.	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 life, damage to infrastructure, food insecurity, supply disruptions, lower growth, and financial instability.	**Medium**	**Medium**	
		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.	Expedite implementation of the climate agenda, particularly by rolling out the adaptation actions of the National Strategy for Adaptation and Mitigation to Climate Change (2020-2040).

Annex V. Downside Oil Price Scenario[1]

This annex simulates the macroeconomic impact on Oman's economy of a temporary significant oil price shock.[2] The scenario assumes oil prices fall to an average of $40 per barrel in 2026, before gradually reverting to baseline. The shock would dampen nonhydrocarbon growth by 1.1 percentage points, drive the fiscal and external balances into deficits of 7.3 and 14.5 percent of GDP, and reduce government net financial assets by 9.8 percentage points. As oil prices begin to recover starting in 2027, nonhydrocarbon growth strengthens, and the fiscal balance turns into surplus in 2028, while the external balance turns positive from 2029 onward.

1. **Oil price shock.** Oil prices are assumed to fall to an average of $40 per barrel in 2026, before gradually approaching their baseline level of $67.3 per barrel by 2030. This shock corresponds to a decline in oil prices of about 36 percent compared to the baseline under November 2025 IMF staff macroeconomic framework. This shock is roughly equivalent to half the loss in oil prices recorded at the onset of the Global Financial Crisis. For simplicity, this simulation assumes that hydrocarbon GDP remains at its level under the baseline scenario. Similarly, growth in trading partners is maintained at its baseline level and the authorities are assumed to undertake no active policy response. The fiscal and current account balances are impacted through the decline in oil prices and the adjustment in nonhydrocarbon activities.

2. **Macroeconomic impact:**

- **Non-hydrocarbon GDP growth** is estimated to weaken to 2.6 percent in 2026 and 3.5 percent in 2027 (a reduction of 1.1 percentage points below baseline in 2026 and 0.3 percentage points in 2027), owing to a decline in real income and weaker sentiment. As the oil price shock dissipates, nonhydrocarbon growth approaches its baseline level of 4.0 percent by 2030.

- **The fiscal balance** deteriorates in 2026 before recovering gradually over the medium term. It turns into a deficit of 7.3 percent of GDP in 2026 (compared to a surplus of 0.1 percent of GDP under the baseline), particularly weighed down by the large decline in government hydrocarbon revenues. The fiscal balance remains in deficit in 2027 (-1.6 percent of GDP) before returning to surplus from 2028 onward.

- **Government's net financial assets** decline, assuming that the authorities utilize buffers to smooth the shock.[3] Drawing down deposits to finance the fiscal deficit while continuing transfers to FFO lowers net financial assets to about -12.0 percent of GDP in 2026 (-1.9 percent of GDP under the baseline) gradually improving to 4.6 percent in 2027, as fiscal balance recovers. As the

[1] Prepared by Mohamed Belkhir and Muhammad Ejaz.

[2] The analysis is conducted within a partial equilibrium framework and does not account for potential spillovers from a sharp decline in oil prices on trading partners

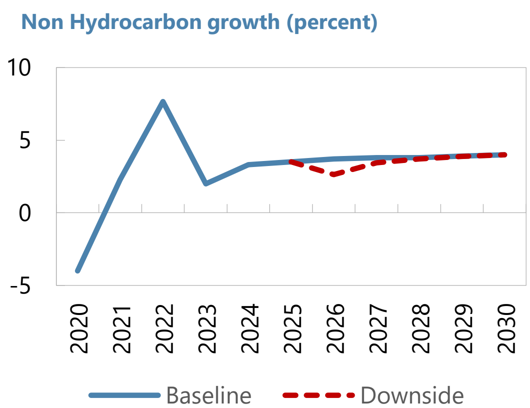
[3] It is assumed that the authorities would utilize available government cash deposits to finance the temporary fiscal deficit.

fiscal position improves, the government is expected to rebuild its buffers, driving net financial assets to improve by 7.2 percentage points over 2025-2030 — still 9.8 percentage points below their baseline level in 2030.

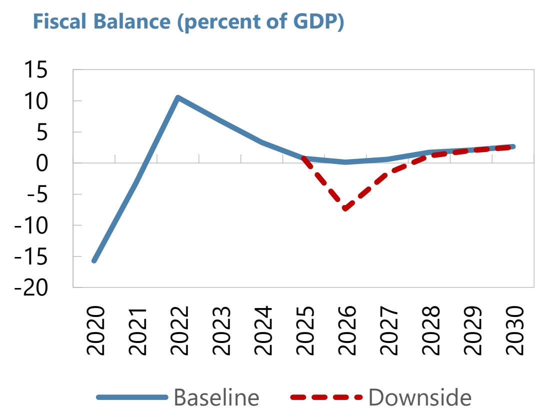
- The **current account balance** worsens markedly in 2026 before gradually improving. It posts a large deficit of 14.5 percent of GDP—estimated 11.4 percentage points wider than under the baseline— driven by significantly lower hydrocarbon revenues with a transition to near balance in 2028 and surplus from 2029 onward as oil prices recover.

Annex V. Figure 1. Oman: Macroeconomic Effects of Lower Oil Price Scenario

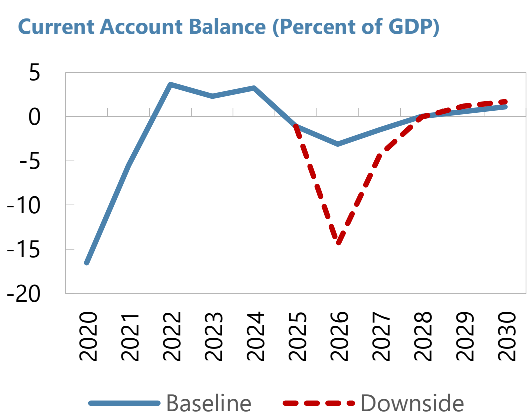
Nonhydrocarbon GDP growth slows down, amid deteriorating sentiment…



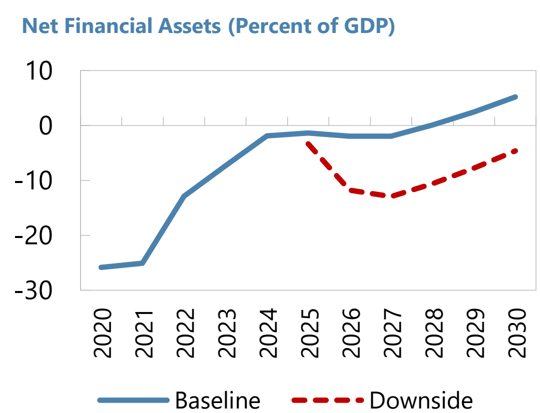
… the fiscal balance turns into deficit



…and the external account posts a large deficit.



Buffers decline as government deposits are drawn down to finance the deficit.



Source: IMF staff calculations.
Note: The scenario assumes that oil prices drop to an average of USD 40 per barrel in 2026, before gradually approaching their baseline level by 2030.

Annex VI. 2025 FSAP Key Recommendations

Topic	Agency	Priority	Timeline[1]
Systemic Risk Analysis			
1. Collect granular asset class data, enhance the horizontal capacity to assess solvency risks, and introduce Pillar II requirements to address concentration risks in the construction sector and large group exposures. Strengthen the monitoring and supervision of corporate sector vulnerabilities (permanent post-COVID scarring) and support reforms targeting corporate restructuring and debt resolution efficiency.	CBO	High	ST
2. Enhance the granularity of liquidity data and implement automated validation processes to improve accuracy and reduce operational burden. Strengthen monitoring of liquidity risks stemming from funding concentrations, and volatile liquidity metrics and consider introducing Pillar II measures to address such risks.	CBO	High	ST
3. Assess data gaps and improve data availability for climate risks; enhance analytical capacity for comprehensive climate-related risk analysis at CBO and FSA; and integrate that into regular financial sector risk monitoring and supervision.	CBO, FSA	Medium	MT
Macroprudential Policy Framework			
4. Publish a macroprudential strategy document and prepare a financial systemwide interconnectedness map.	CBO	High	ST
5. Introduce a positive neutral CCyB; re-evaluate the maximum limits for household Debt Service-to-Income (DSTI), Loan-to-Value (LTV) and FX net open position; remove interest rate ceilings on personal loans.	CBO	Medium	ST
Banking Supervision and Regulation			
6. Review the prudential framework and revise, update, and withdraw regulations and circulars to ensure that they remain effective and aligned with evolving industry practices and international standards.	CBO	High	MT
7. Prioritize the safety and soundness of banks and the banking system over the development mandate including by eliminating preferential risk weights for targeted economic sectors.	CBO	High	ST
8. Strengthen the CBO's independence and accountability in the medium term by excluding government officials from its Board, introducing term limits and cooling-off periods and communicating supervisory priorities publicly; in the short term the CBO should review budgetary processes to ensure that they do not create any operational challenges for banking supervision.	CBO	High	ST/MT
Systemic Liquidity			
9. Implement measures to strengthen CBO's liquidity management framework, including the methodology for assessing country risk premium, governance issues covering the management of international reserves and the operational framework (including for Sharia-compliant facilities).	CBO	High	ST
1/ I: Immediately; ST: short term = less than 1 year; MT: medium term = 1-5 years			

10. Finalize outstanding ELA policy issues, complete and publish the regulation and prepare detailed internal procedures.	CBO	High	I
Financial Integrity			
11. Continue efforts to fully operationalize the central Beneficiary Ownership (BO) registry by establishing and implementing verification mechanism of the submitted BO information, enforcing proportionate and dissuasive sanctions for non-compliance to reporting obligations, and ensuring public access.	MOCIP	High	ST
12. CBO and FSA should, in cooperation with the Financial Intelligence Unit (FIU), identify and disseminate sector-specific ML/TF typologies for more in-depth understanding of ML/TF risks. CBO and FSA should also continue monitoring evolving ML/TF risks leveraging data and align their supervisory practices with the identified risks, along with applying proportionate and dissuasive sanctions for non-compliance.	CBO; FSA; FIU	Medium	ST
Payment Systems			
13. Publish a National Payments System strategy and CBO Oversight Policy framework and conduct a self-assessment of the RTGS system as a financial market infrastructure.	CBO	Medium	MT
Financial Safety Nets and Crisis Management			
14. Support the JCFS by securing legislative backing, formalizing an inter-agency MoU to clarify roles and enhance information sharing. Implement a multi-year crisis simulation exercise (CSE) program at both inter- and intra-agency levels.	MOF; CBO; FSA; MOE; OIA JCFS	High	ST
15. Strengthen the legislative foundation of the bank resolution framework by formally integrating the CBO's BRF into the Banking Law and ensure full alignment with the FSB's Key Attributes. Fully operationalize the BRF, establish an autonomous and well-resourced resolution function covering any bank systemically critical in its failure, and relocate the DIS function alongside it.	CBO	High	MT
16. Strengthen the Deposit Insurance System (DIS) by establishing the Takaful Fund, operationalizing the framework for both funds to cover all deposit-taking institutions, expanding the DIS mandate to a paybox plus model, and securing formal public backstop funding arrangements.	MoF; CBO	Medium	ST
Financial Sector Development			
17. Eliminate mandatory lending quotas and adopt market-friendly alternatives such as partial credit guarantee products for priority sectors.	CBO, DB	High	MT
18. Continue efforts to enhance the transparency and predictability of government securities issuances.	MOF, CBO	Medium	MT

Annex VII. Artificial Intelligence: Readiness and Potential Economic Effects[1]

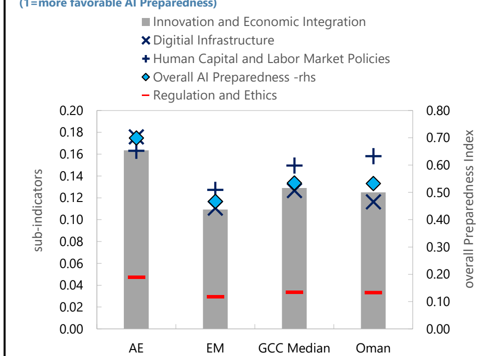
AI is rapidly emerging as a pivotal driver of improving productivity. Oman recognized this potential and, under Vision 2040, has put in place a robust institutional framework to harness artificial intelligence (AI) as part of its broader economic transformation agenda. While Oman's readiness for AI adoption compares favorably with GCC and EMs—particularly in human capital and policy dimensions—, further progress is needed to deepen digital access, quality, and usage. Against this background, this annex examines Oman's evolving AI ecosystem and assesses the degree to which various occupations are exposed to AI and whether these roles are complemented or risk being displaced by AI. While overall AI exposure in Oman's labor market remains modest but favorable, AI adoption in high skill jobs (managerial roles) and among female employees could potentially improve labor productivity.

A. Context: Oman's AI Readiness

1. **Oman's digital transformation program is a key enabler under Oman Vision 2040.** It aims to transition into a knowledge-based economy and establish a digital society with robust e-governance. The Government Digital Transformation Program (2025-2021) encompasses all essential components—from developing human capital and building the necessary infrastructure to implementing e-government practices, fostering trust, and creating a comprehensive legal and regulatory framework. Against this backdrop, Oman has embarked on its AI journey, positioning itself to harness AI-driven opportunities, while managing associated risks.

AI Preparedness Index 2023

(1=more favorable AI Preparedness)



Sources: IMF, staff calculations

Note: On a scale from 0 to 1. Higher values represent more favorable AI

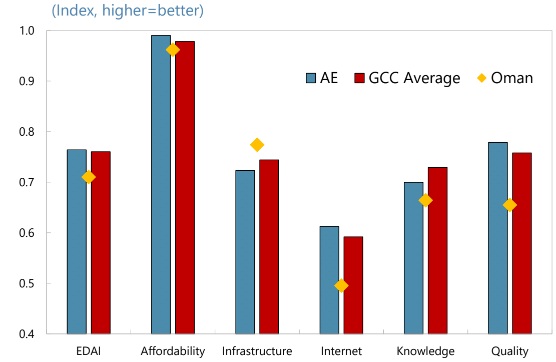
2. **Oman has put in place an institutional framework to pursue a national program for AI.** The National Program for Artificial Intelligence and Advanced Digital Technologies (2024-2026) is a cornerstone of Oman's strategy to build a future-ready digital economy. The program aims to develop AI capabilities through research centers, talent development, and support for startups, while promoting economic diversification by integrating AI across key sectors and fostering public-private partnerships. It also focuses on improving productivity through data-driven governance and industrial automation. Through initiatives such as the Oman Digital Triangle, AI Studio, Green AI Alliance, and the Fourth Industrial Revolution Center, the program seeks to position Oman as a regional hub for innovation, sustainability, and advanced technology adoption, aligned with Oman Vision 2040.

[1] Prepared by Muhammad Ejaz and Nareg Mesrobian.

3. Active efforts have positioned Oman ahead of its emerging market (EM) peers in AI readiness. On the IMF's AI Preparedness Index, Oman ranks broadly in line with other GCC economies—above the EMs average but below advanced economies (AEs). Notably, Oman performs above EM average in the human capital and labor market policies dimension, reflecting relatively stronger digital skills, greater workforce adaptability, and more comprehensive social protection coverage.

4. Digitalization is a key enabler for effective AI adoption, and Oman has significant opportunities to further enhance digital access, quality, and knowledge to strengthen overall readiness. The Enhanced Digital Access Index (EDAI) presents a mixed picture: Oman scores above both GCC and AE averages in digital infrastructure but remains below the GCC average in affordability and digital knowledge, while lagging quality of access and internet usage. These gaps limit the full potential of AI integration, making improvements in digital access and utilization essential to support Oman's broader AI readiness efforts.

EDAI Performance by Sub-index, 2021/22
(Index, higher=better)



Sources: "Digital Transformation in the GCC Economies"(IMF, *2025*), Staff calculations.

B. Quantifying the Impact of AI Adoption on Oman's Labor Market

5. Oman's labor market exhibits relatively low overall exposure to AI, yet reveals notable complementarities in managerial roles and female workforce. Staff analysis indicates that Oman's overall AI exposure remains modest at 26 percent—below the averages for EM (33 percent) and AEs (58 percent), and lower than leading GCC peers (Figure 1, Panel 1 and Panel 2). Between 2014 and 2023, employment in high-exposure, high-complementarity occupations such as "technicians" and "professionals" remained stagnant or declined, except for "managerial" positions, which recorded growth (Figure 1 Panel 3).[2] Moreover, employment in highly exposed but low-complementarity jobs has increased, reflecting the relatively limited dynamism of the private sector, as private sector employment grew by only 27.7 percent compared to about 86.5 percent in the public sector over the same period. By nationality, about 70 percent of Omani nationals' jobs are exposed to AI, much higher than that among non-Omani workers (30 percent) (Figure 1, panel 4). A positive dimension to this trend is that female employees are more concentrated in occupations with high-exposure and high-complementarities, signaling untapped potential for inclusive AI-driven female labor market transformation (Figure 1 Panel 4). The private sector has been the main driver of Oman's expanding high-skilled workforce. Between 2020 and 2024, Oman's total workforce

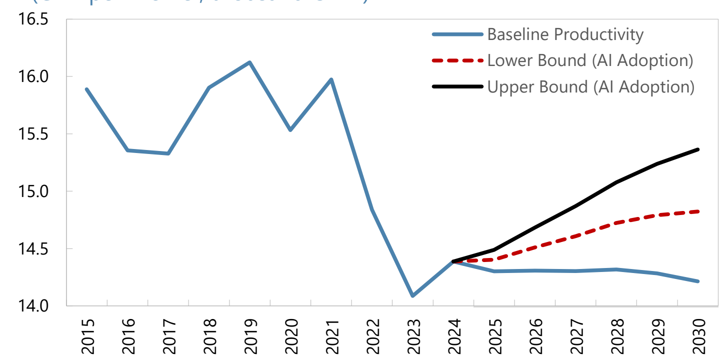
[2] Exposure refers to the extent to which an occupation's tasks overlap with current AI capabilities, thereby reflecting potential substitutability of AI for human labor. Complementarity captures the extent to which AI technologies can augment a worker's productivity in that occupation by automating routine components and enabling higher-value tasks. (Cazzaniga et al., 2024).

increased by 23 percent, with 81 percent of this growth in high-skilled, AI-benefiting occupations in the private sector (Figure 1 Panel 5).

6. Staff's empirical estimates suggest that AI could uplift Oman's labor productivity by up to 1 percentage point over medium term. Global estimates indicate that AI could add between 0.7 to 1.3 percentage points to annual productivity growth in emerging markets (Comunale and Manera, 2024). While these estimates are subject to uncertainty and are highly context-specific, they provide a useful benchmark for Oman. Applying these lower and upper bounds on AI-led productivity enhancement yields a plausible spectrum of potential productivity gains from AI adoption in Oman over the medium term. Under a conservative scenario (lower bound), AI adoption could raise labor productivity growth by about 0.5 percentage points by 2030, while under an optimistic scenario (upper bound), the gains could reach around 1 percentage point by 2030.

Labor Productivity in Oman

(GDP per Worker, thousand OMR)

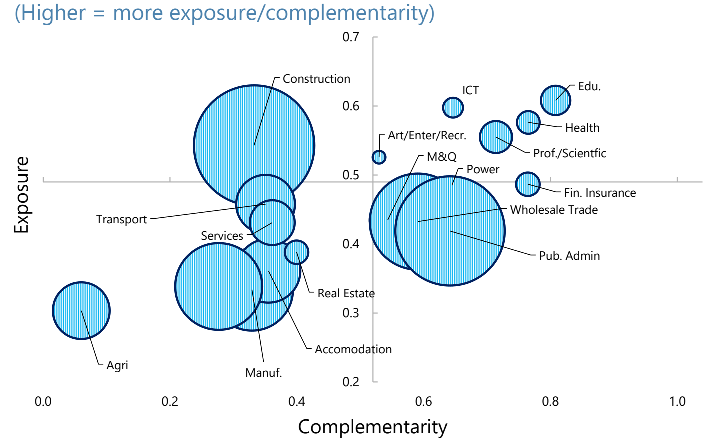


Sources: IMF World Economic Outlook, and IMF staff calculations.

7. Staff analysis indicates that a few sectors are most poised to benefit from AI-driven productivity gains. Mapping current occupations in the labor market across economic sectors in Oman, using AI exposure-complementarity matrix, reveals enabling sectors concentrate in health, education, ICT, and professional scientific and technical activities are better positioned to benefit from AI driven productivity gains. Moreover, employment in these sectors remains low, thus offering an opportunity for growth.

Potential Productivity Gains from AI Technologies

(Higher = more exposure/complementarity)



Sources: NCSI, IMF, and IMF staff calculations.

1/ Bubble size represents share in employment

C. Conclusion

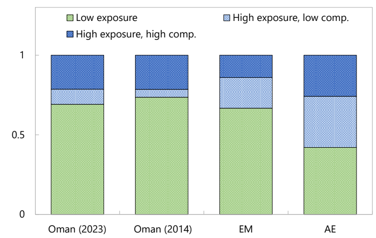
8. Oman's progress in building a robust institutional and policy framework has laid a foundation for advancing its AI ambitions under Vision 2040. The National Program for Artificial Intelligence and Advanced Digital Technologies aims to harness artificial intelligence to drive economic diversification and enhance productivity, paving the way for a future-ready digital economy. While Oman performs well on AI readiness—particularly in human capital and labor adaptability—, gaps in digital access and quality remain key constraints. Strengthening digital infrastructure and connectivity will be essential to fully realize the country's AI-driven growth potential.

9. Oman's evolving labor market dynamics reveal both challenges and opportunities in the context of AI adoption. Although overall AI exposure remains low compared to peers, the expansion of some high-skill jobs—particularly managerial positions—and the concentration of women in high-complementarity occupations point to areas of promising transformation. At the same time, the rising share of clerical positions, which are more susceptible to automation, underscores potential displacement risks. With targeted policies to stimulate private-sector dynamism and support workforce reskilling, these trends could translate into meaningful productivity gains, lifting Oman's labor productivity by up to 1 percentage point by 2030.

Annex VII. Figure 1. Oman: AI Exposure and Complementarities

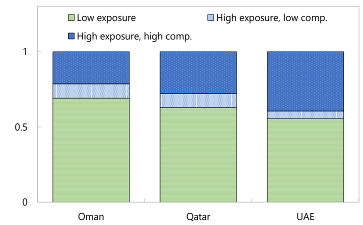
Oman's AI exposure is less compared to EM and AE

AI Exposure and Complementarity
(Share of employment)



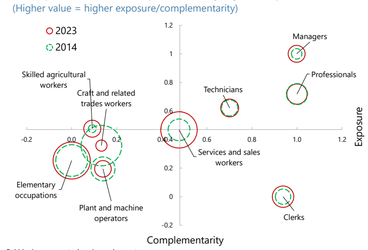
Relative to front runners in GCC, Oman's labor market is less exposed to AI

AI Exposure and Complementarity
(Share of employment)



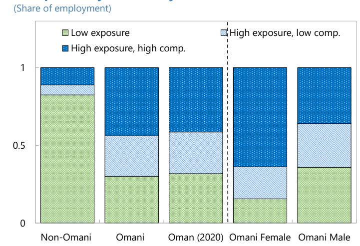
Share of high skilled occupations (managers) has increased

AI Exposure and Complemetarity by Occupation, 2023
(Higher value = higher exposure/complementarity)



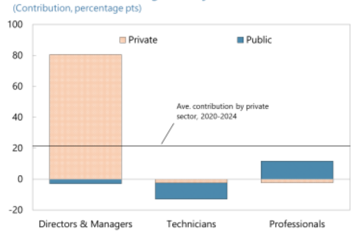
Omani nationals—especially women—face higher AI exposure but also stronger complementarity.

AI Exposure by Nationality and Gender, 2024
(Share of employment)



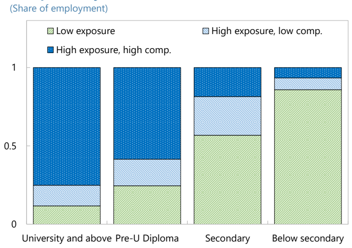
AI benefiting occupation grew in private sector.

Increase in AI-Benifiting Jobs by Sector, 2024 vs. 2020
(Contribution, percentage pts)



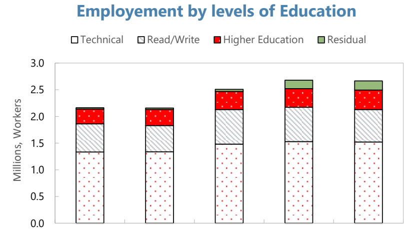
Workers in Oman with higher education have higher exposure but also higher complementarity.

AI Exposure by Education Level in Omani Workforce
(Share of employment)



The number of workers with higher education has increased by 31 percent over 2020-2024.

Employement by levels of Education



Sources: NCSI, IMF staff calculation.
Note: Higher Education= Ph.D/Masters/Bachelors, Technical=Higher diploma, general diploma, and less than general diploma. Residual=no qualification/not stated.

Sources: NCSI, ILO, IMF staff calculations.
Note: complementarity-exposure classification is based on analytical framework of Felten at. Al (2021) and Pizzinelli (et. Al) adopted in IMF Selected Issues Paper (SIP/2025/018).

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Pizzinelli, Carlo, Augustus Panton, Marina M. Tavares, Mauro Cazzaniga, and Longji Li. (2023) *Labor Market Exposure to AI: Cross-country Differences and Distributional Implications*. IMF Working Paper WP 23/216, International Monetary Fund, October 2023.

Annex VIII. Data Issues

Annex VIII. 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. While quarterly expenditure-based GDP and a detailed public-private investment breakdown are not yet available.
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, as the last update occurred in 2019.
Government Finance and Statistics. The coverage of fiscal data is currently restricted to the government budget. The publicly reported fiscal statistics have yet to be aligned with the Government Finance 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 through shareholder bridge facility with Energy Development Oman (EDO) and the allocation of oil revenues to dedicated government funds, among others. MoF consistently provides fiscal operations data and granular debt and debt services 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 considerable delays, albeit adequate for External Sector Assessment. The treatment of Free Trade Zones (FTZs) activities in the external sector statistics remains unclear, complicating the classification of related transactions as either goods or services. The financial account lacks detailed information, and data on the private sector external debt is not available. The CBO does not submit the Coordinated Direct Investment Survey (CDIS) and Coordinated Portfolio Investment Survey (CPIS), limiting the team's ability to verify the consistency of financial account data.
Monetary and Financial Sectors. The available statistics are sufficient for the team's assessment of financial stability risks. While data is broadly adequate, it lacks granularity, which is necessary to improve analysis 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 to the team but they are not published.

Changes since the last Article IV consultation. CBO is actively working on compiling and publishing quarterly BoP data while NCSI is undertaking a GDP rebasing to 2025.

Corrective actions and capacity development priorities.The authorities expressed interest in receiving technical assistance on the Producer Price Index (PPI) and on measuring the digital economy. They reaffirmed their commitment to aligning fiscal compilation and reporting with GFSM 2014 and to expanding the coverage of government finance statistics to the wider public sector, in line with the Fund's technical assistance recommendations. In line with previous Article IV committment, authorities presented an experimental quarterly BoP to Fund Staff as part of their efforts to improving the frequency of External Sector Statistics. The CBO also plans to enhance the compilation and dissemination of Financial Soundness Indicators (FSIs). The authorities have launched the National Strategy for Statistics and Information 2025–2030, to establish a comprehensive national framework to strengthen the statistical and information ecosystem in the Sultanate.

Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff. Staff does not use any data and/or estimates in the staff report in lieu of official statistics.

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

Annex VIII. 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.

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

As of Nov 18, 2025

	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	M	...	1M
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	Sep-25	Nov-25	M	M	M	M	1M	45D
Reserve/Base Money	Sep-25	Nov-25	M	M	M	...	2M	...
Broad Money	Sep-25	Nov-25	M	M	M	...	1Q	...
Central Bank Balance Sheet	Sep-25	Nov-25	M	M	M	...	2M	...
Consolidated Balance Sheet of the Banking System	Sep-25	Nov-25	M	M	M	...	1Q	...
Interest Rates[2]	Sep-25	Nov-25	M	M	M	M	...	45D
Consumer Price Index	Oct-25	Nov-25	M	M	M	M	2M	1M
Revenue, Expenditure, Balance and Composition of Financing[3]–General Government[4]	Sep-25	Nov-25	M	M	A	A	3Q	3Q
Revenue, Expenditure, Balance and Composition of Financing[3]–Central Government	Sep-25	Nov-25	M	M	Q	M	1Q	3M
Stocks of Central Government and Central Government-Guaranteed Debt[5]	Sep-25	Nov-25	Q	Q	Q	Q	2Q	2Q
External Current Account Balance	Jun-25	Nov-25	A	A	Q	A	1Q	6M
Exports and Imports of Goods and Services	Jun-25	Nov-25	A	A	M	M	12W	3M
GDP/GNP	Jun-25	Nov-25	Q	Q	Q	Q	1Q	3M
Gross External Debt	Sep-25	Nov-25	A	A	Q	Q	2Q	2Q
International Investment Position	Dec-24	Aug-25	A	A	A	A	3Q	3Q

[1] Includes net market value of 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 "..."

OMAN

December 11, 2025

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

Prepared By | Middle East and Central Asia Department

CONTENTS

FUND RELATIONS

(As of October 31, 2025)

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

General Resources Account:	**SDR Million**	**% Quota**
Quota	544.40	100.00
IMF's holdings of currency	402.74	73.98
Reserve tranche position	141.70	26.03

SDR Department:	**SDR Million**	**% Allocation**
Net cumulative allocation	700.60	100.00
Holdings	721.13	102.93

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	0.0	0.0	0.0	0.0
Total	0.0	0.0	0.0	0.0

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 October 30-November 13, 2024. The staff report was considered on a lapse of time basis and published by the Executive Board on January 22, 2025 (Country Report/25/13).

FSAP Participation, ROSCs, and OFC Assessments

A joint IMF-World Bank team visited Oman in May and August to conduct a Financial Sector Assessment Program (FSAP), providing an updated assessment of the financial sector since the previous FSAP undertaken in 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 and Forecasting	December 2024
ICD	Macroeconomic Framework	January 2025
STA	External Sector - BOP	December 2025
FAD	TADAT - workshop	December 2025

Resident Representative: No resident representative is stationed in Oman.

RELATIONS WITH THE WORLD BANK GROUP

(As of November 17, 2025)

World Bank Country Page:

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

Statement by Mohamed Maait, Executive Director for Oman, and Fadhila Alfaraj, Advisor to Executive Director
January 12, 2026

On behalf of the Omani authorities, we thank Mr. Alhassan and his team for the constructive policy discussions during the mission and the insightful Article IV consultation report. We also thank Mr. Laliotis and the FSAP mission team for the dynamic engagement and valuable recommendations. The authorities value the mission's productive discussion and exchange of views and look forward to continuing engagement with the Fund.

Recent Economic Developments and Outlook

Oman's economy has demonstrated strong resilience, supported by robust non-hydrocarbon growth amid multiple shocks and heightened uncertainty. The authorities have maintained their commitment to sustainable development through prudent fiscal discipline, strong governance and regulatory frameworks, and enhanced economic diversification. The overall economic growth was 1.6 percent in 2024 and 2.2 percent by September 2025. Notably, nonhydrocarbon growth reached 3.3 percent in 2024, up from 2 percent in 2023, and accelerated further to 3.4 percent by September 2025. This robust performance was fueled by expansions in manufacturing, wholesale and retail trade, logistics, construction, agriculture, and fishing. Inflation remained subdued at 0.6 percent in 2024 and 0.9 percent through November 2025, due to effective fiscal and monetary policies. Fiscal balance stood at 3.3 percent of GDP in 2024, improving to 4.5 percent by September 2025. Debt repayments maintained the debt-to-GDP ratio at 35.8 percent by September 2025.

On the external front, Oman achieved a current account surplus of 3.2 percent of GDP in 2024, driven by solid exports and increased reserves. The external position is set to strengthen over the medium term reinforcing external sustainability and the credibility of the USD peg. These gains contributed to the restoration of Oman's investment-grade rating by all three major agencies, signifying renewed investor confidence and macroeconomic stability.

In January 2026, Oman launched its 11th Five-Year Development Plan (2026–2030), a comprehensive economic roadmap designed to advance the nation's objectives under the Oman 2040 Vision. The plan marks a pivotal phase, built on a stable foundation using a collaborative and integrated approach. Central to this plan is the prioritization of high-impact sectors that promote trade diversification and generate employment, while simultaneously bolstering essential domains such as mining, food security, health and education, and renewable energy. Monitoring and accountability will be strengthened through advanced indicator dashboards, developed in partnership with ESCWA and the Decision Support Unit, to track progress and measure outcomes.

Looking forward, Oman's GDP growth is expected to accelerate, underpinned by strong policy buffers, prudent fiscal management, and ongoing reform momentum. Nevertheless, the authorities recognize that downside risks persist, particularly those stemming from oil price volatility and regional instability and remain vigilant in strengthening resilience through adaptive fiscal and economic strategies.

Fiscal Policy

The Omani authorities remain committed to prudent fiscal management and growth friendly consolidation. Phase one of the financial system “Maliya” was lunched in December 2025, introducing enhancement of the budgetary processes and overall Public Financial Management. Efforts continue to balance fiscal discipline with supportive economic development. The fiscal deficit of 15.7 percent of GDP in 2020 was reversed to a surplus of 1.9 percent in 2024 and is expected to maintain a positive fiscal balance of 0.7 percent in 2025. The authorities prioritized reducing the nonhydrocarbon primary deficit through targeted expenditure restraint and further phasing out of subsidies. Moving forward, the Medium-Term Fiscal Plan (MTFP) for 2026–2030, which is integrated into the *11th Development Plan*, aims to establish robust fiscal objectives with multi-year projections anchored by a fiscal rule designed to maintain public debt within safe limits and strengthen reserves.

Expenditure rationalization is a central pillar of Oman’s MTFP, with targeted measures to moderate public sector wages, operational costs, and improve subsidy efficiency. Significant restructuring has already reduced electricity subsidies to 43 percent of the total subsidy bill, while fuel subsidies have been largely phased out and expenditure ceilings established for water and sanitation services. The authorities remain committed to gradually phasing out remaining subsidies, emphasizing the importance of careful implementation to protect vulnerable groups through robust social protection programs. The recently introduced universal social protection scheme was designed for long-term sustainability and resilience, featuring automatic adjustment mechanisms to maintain fiscal balance and comprehensive coverage for all worker categories. The scheme expands benefits to include disability, sickness, and unemployment support, and incorporates advanced governance structures and full automation to promote transparency and efficiency. Substantial investments are being made to streamline operations and integrate data systems, with regular actuarial assessments and asset-liability evaluations planned to ensure evidence-based reforms and continuous improvement.

Revenue reforms are progressing under the Tax Administration Modernization Program (TAMP). Phases one and two completed and phase three now focus on operational, monitoring, and evaluation frameworks. In 2025, significant progress was made, including restructuring of the Oman Tax Authority, the adoption of advanced compliance risk management strategies, and the introduction of the Personal Income Tax focused on high-income earners (targeted for 2028). Tax revenues rose by 3 percent in Q3 2025, driven by expanded registrant numbers and improved compliance. Key ongoing initiatives include establishing a comprehensive taxpayer registry, implementing risk-based compliance measures, and upgrading IT systems to close collection gaps. E-invoicing is set to be completed by end-2026. Additional interim measures, such as human capital development and process enhancements, are aligned with IMF recommendations. In 2025, Oman also enacted legislation to implement Pillar II of the OECD/G20 BEPS framework, introducing a Domestic Minimum Top-Up Tax and Income Inclusion Rule, with further efforts are underway to fully align compliance and framework requirements. The OECD Global Forum on Transparency and Exchange of Information for Tax Purposes rated Oman as “Largely Compliant” in June 2025.

The authorities placed a strong emphasis on reducing public debt by implementing a comprehensive Debt Sustainability Framework. As a result, they achieved a significant decrease in the debt-to-GDP ratio, bringing it down from 67.9 percent in 2020 to 35.8 percent by September 2025. Interest payments also declined significantly, averaging 9 percent of total government expenditure between 2021 and 2024. The MTFP targets maintaining the debt-to-GDP ratio in the range of 31–40 percent of GDP through fiscal discipline and prudent financial management. The authorities are developing an asset-liability management framework, with progress expected through 2026. Oman's external position is stable, standing at 106 percent of the ARA metric, but the authorities remain committed to continuing to accumulate additional buffers.

Monetary and Financial Policy

The exchange rate peg remains appropriate for Oman's economic framework, serving as a reliable monetary anchor that supports inflation. The Central Bank of Oman (CBO) is maintaining the alignment of the policy rate with the U.S. Federal Reserve. Sustained official foreign reserves, ongoing fiscal discipline, and comprehensive structural reforms will further strengthen the credibility and resilience of the peg.

In January 2025, Oman enacted a new Banking Law that significantly expands the CBO's statutory mandate, providing a comprehensive and modern legal foundation for regulation and supervision. This legislation enhances the alignment of banking oversight with global standards, increases regulatory flexibility in setting prudential rules, and transitions supervisory inspections to a risk-based approach. Additionally, it establishes a consolidated supervision framework and strengthens the regulatory environment for financial institutions.

While maintaining monetary and exchange rate stability as core objectives, the new Banking Law introduces development objectives supporting broader financial stability and economic diversification. This is achieved by reducing market concentration and channeling credit toward non-oil sectors. Complementing these reforms, the 2025 Banking Law and the 2024 Bank Deposit Protection Law (BDPL) have further enhanced Oman's financial safety nets by incorporating international best practices, boosting depositor confidence, and reinforcing systemic stability. These legislative advancements have enhanced Oman's crisis management framework, including the establishment of a Financial Stability Committee, which is responsible for monitoring systemic risks, coordinating financial sector policies, and ensuring the overall stability and resilience of the financial system.

The 2025 voluntary FSAP assessment was initiated to further strengthen the resilience of Oman's financial sector. The assessment was conducted against the revised Basel Core Principles issued in April 2024 at the authorities' request, which introduced more rigorous standards within a compressed timeframe. Simultaneously, CBO is making significant progress in modernizing the regulatory landscape, with a clear focus on achieving full compliance with the latest Basel IV requirements. The ongoing Monetary Policy Enhancement Project (MPEP) features a systematic, phased transition toward an active liquidity management framework and enhancing the effectiveness of monetary operations. Efforts also continued to improve the monetary policy transmission through the implementation of the Treasury Single Account and the development of a local bond market.

The banking sector is well-capitalized, liquid, and largely resilient to severe shocks. Stress tests based on the Liquidity Coverage Ratio showed that most banks maintained strong liquidity, although a few had a minor overall shortfall. The Basel III frameworks including the LCR, NSFR, definition of capital, leverage ratio and a D-SIB framework have been implemented by the CBO. The CBO considers maintaining the interest rate cap on personal loans crucial for protecting individuals and households from excessive indebtedness and promoting financial well-being. This approach not only supports social protection, but it is also contingent upon ongoing enhancements to the credit rating framework and the effective activation of credit rating systems, ensuring that responsible lending practices are upheld and access to credit remains fair and sustainable. In the capital market, the authorities have advanced development by boosting liquidity and investor participation through increased non-bank corporate issuance through SOE IPOs and regulatory reforms. Efforts are also underway to enhance secondary market liquidity and promote initiatives such as the Alternative Investment Market.

Oman has strengthened its AML/CFT framework, as recognized by the 2024 FATF Mutual Evaluation Report. Key actions include deploying the Central Bank's STRIX risk assessment tool and improving geographic risk understanding in banking. Moreover, the CBO has modernized the National Payment System, introducing multi-currency RTGS, instant mobile payments, and Open Banking framework to support its Fintech Roadmap.

Structural Policy

Oman's State-Owned Enterprises (SOEs) have experienced substantial transformation, marked by robust governance reforms, enhanced transparency, and an active privatization agenda that has reduced full state ownership within its portfolio. These reforms have enabled SOEs to strengthen their fiscal positions, particularly through targeted deleveraging. Overall debt remains reasonable at 32.9 percent of GDP in 2025. However, Oman Investment Authority continues to demonstrate vigilant oversight and a focused commitment to improving the debt sustainability of these enterprises. Ongoing efforts are also underway to further advance governance standards and financial disclosure. In addition, SOEs are clearly mandated to support the development of the small and medium-sized enterprise (SME) ecosystem, attract foreign direct investment, and help deepen capital markets through multiple issuances, thereby contributing to broader economic diversification and resilience.

The Omani authorities' development of SMEs is crucial for job creation and economic diversification. Towards this end, on December 2025, they launched the *National SME Funding Strategy* to improve access to finance and drive growth potentials of SMEs. The strategy introduces digital lending channels, government-backed guarantees, and a centralized accreditation system to improve access to both debt and equity financing. These measures specifically target closing the OMR 1.6 billion SME funding gap and are expected to advance financial inclusion, stimulate innovation, and generate new employment opportunities. Additionally, the development of an SME credit scoring system, currently underway by Mala'a (the Credit Bureau), will further support responsible lending and provide SMEs with fairer access to credit.

Oman's labor policies are advancing with new regulations and an automated labor clearance system. Labor union strength has reached level 3, placing Oman among the top performers in the MENA and GCC regions. Efforts to regularize informal workers, in coordination with partner countries, have reduced expatriate numbers without impacting growth, as these workers were not formally integrated. The Wage Protection System (WPS) now covers 70 percent of the workforce, cutting noncompliance by 20 percent y-o-y as of June 2025. Additional reforms to boost women's participation include expanding flexible work options and extending maternity and parental leave. Moving forward, a key priority is partnering with the private sector to integrate vocational training into education, addressing skills mismatches and aligning workforce competencies with Oman 2040 Vision, particularly for sectors like green hydrogen and renewables.

Oman is well-positioned to advance its energy transition, capitalizing on abundant renewable resources and an ambitious national hydrogen program. This progress is underpinned by a strengthened climate governance framework, notably through the National Strategy for Adaptation and Mitigation to Climate Change (2020–2040) and the National Strategy for an Orderly Transition to Net Zero by 2050. The energy transition is being driven by an export-oriented strategy that is closely integrated with Oman's broader economic diversification agenda under the *11th Development Plan*. Key initiatives include localizing supply chains, developing facilities for green hydrogen production, and reinforcing all supporting supply networks to minimize operational delays. As part of these efforts, Oman is committed to generating 40 percent of its total power from renewables by 2040, up from over 20 percent in 2025. This is expected to support sector-wide efficiency gains and result in significant cost reductions. The 2025 FSAP assessment underscored the need for robust climate adaptation and continued risk monitoring. It is worth noting that, Oman had already launched its National Adaptation Plan with support from the Green Climate Fund prior to this assessment, demonstrating proactive commitment to climate resilience. Disaster risk reduction has also been strengthened through the implementation of a sophisticated National Multi-Hazard Early Warning System (NMHEWS).

Conclusion

Oman values its partnership with the Fund, recognizing its role in supporting the country's economic transformation. Despite some challenges, Oman's economy has shown resilience and sustained robust growth. The authorities remain committed to sound fiscal and monetary policies, financial system stability, and structural reforms aligned with Oman Vision 2040. These efforts advance inclusive growth, maintain macroeconomic stability, and address global and regional challenges.