

Sultanate of Oman
Ministry of Finance



The Sultanate of Oman

Path to Fiscal Consolidation – September 2022

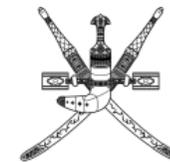
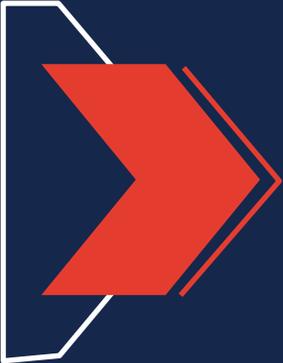


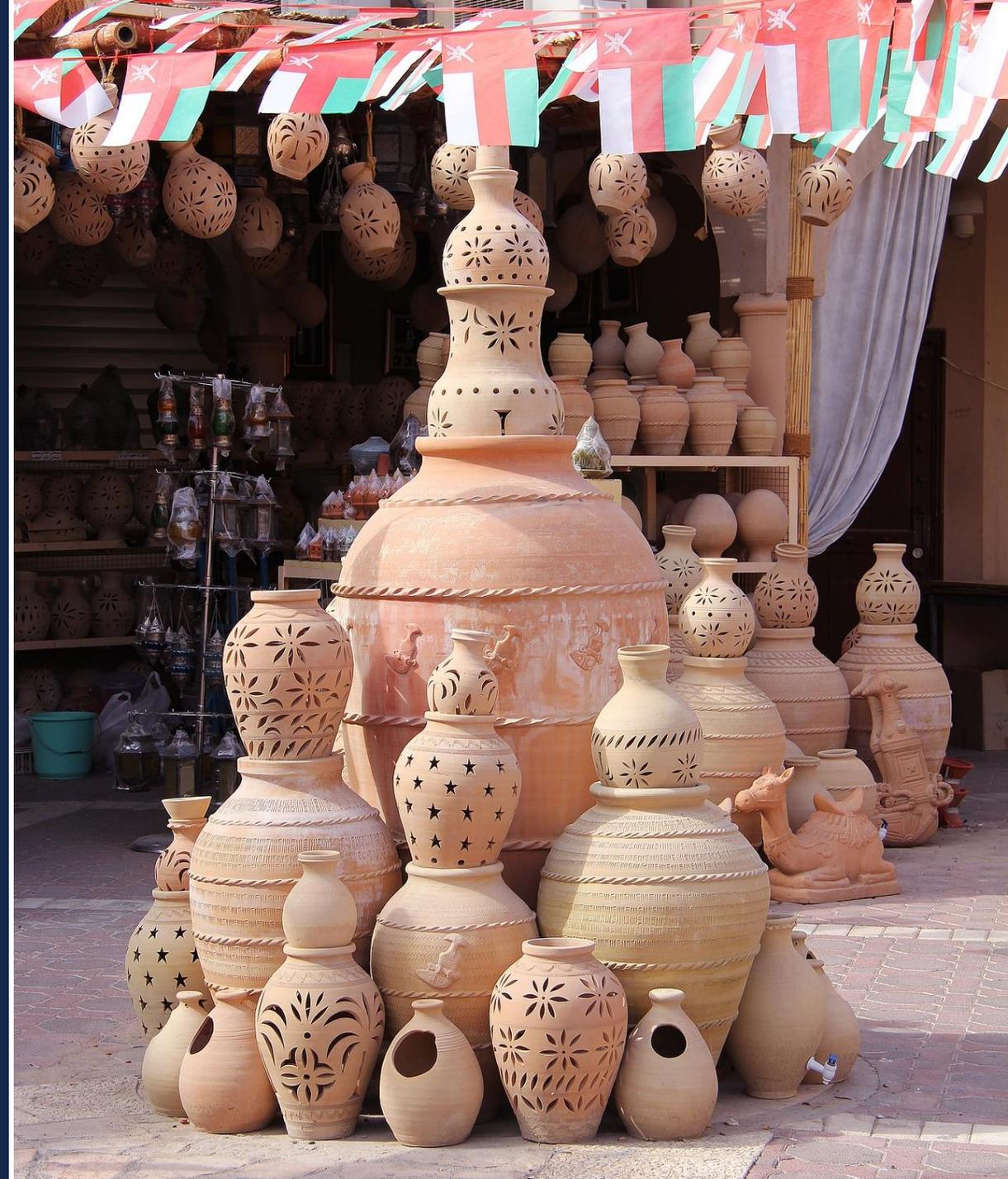
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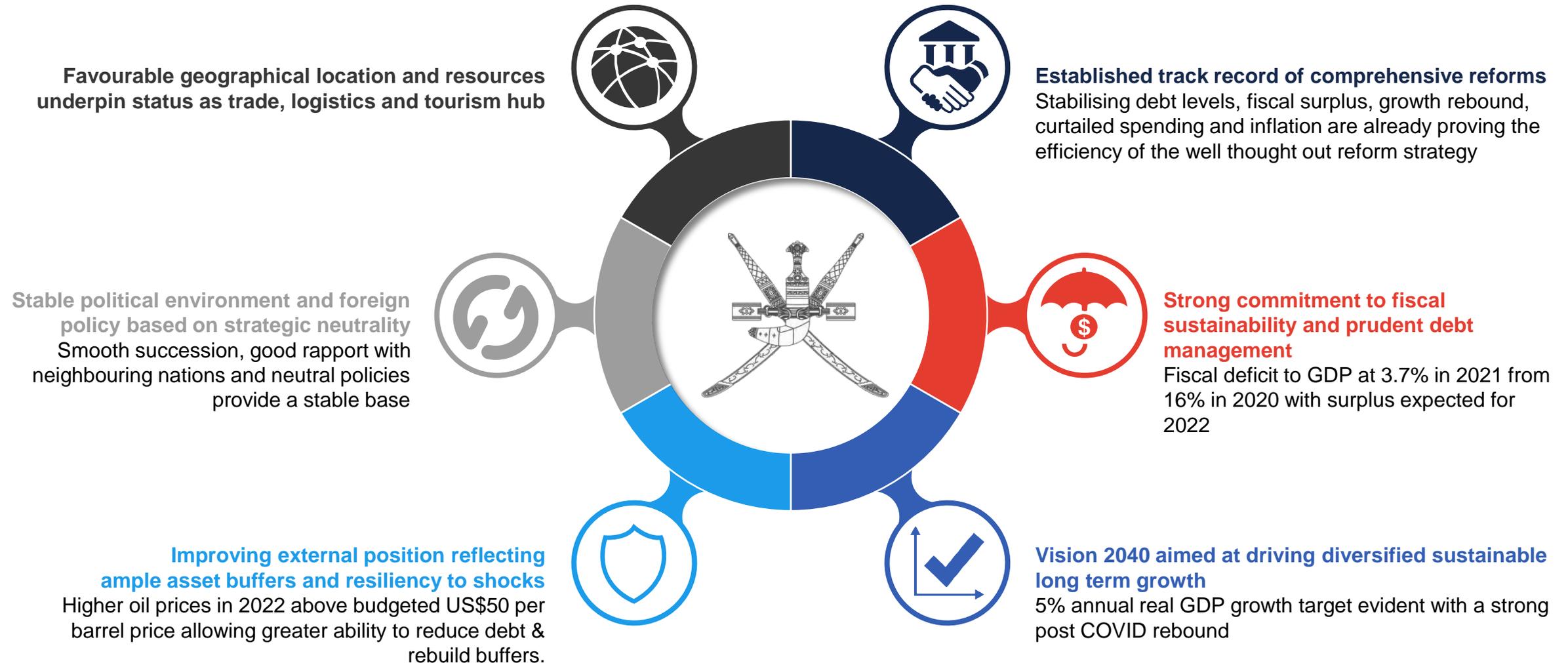


Key Credit Highlights and Ratings Overview





Key Credit Highlights





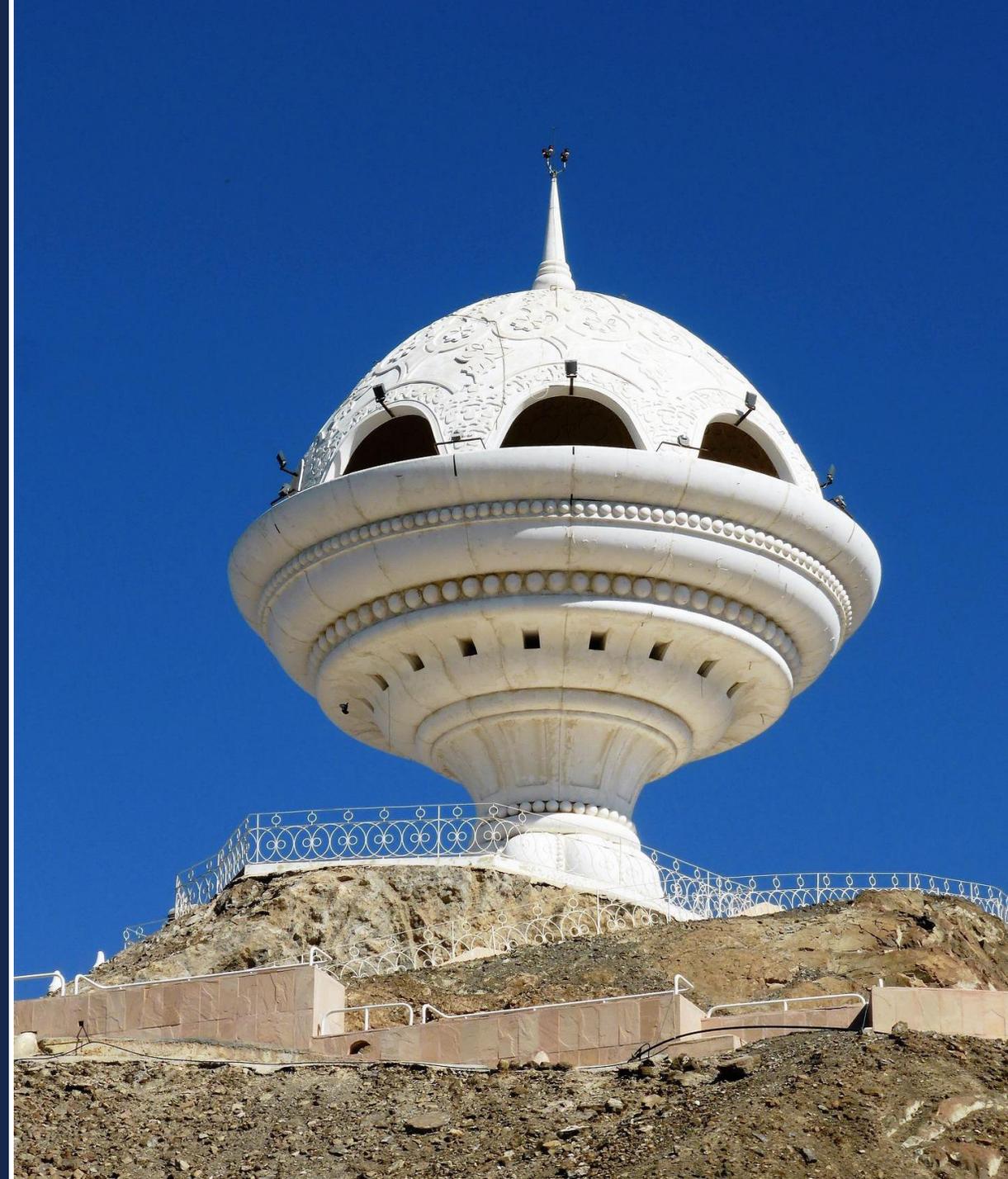
Positive Credit Rating Actions

In Aug 2022, Fitch upgraded Oman’s Sovereign Credit rating from BB- to BB with Stable Outlook, and earlier, in Apr 2022, S&P upgraded Oman’s rating from B+ to BB-, recognizing Oman’s reform implementation and the positive impact of higher crude oil prices.

	MOODY'S	S&P Global Ratings	FitchRatings
Rating Action	<ul style="list-style-type: none"> Credit Rating : Ba3 Stable Outlook (14 October 2021) Recent Rating Action: Outlook upgraded from Neg. to Stable 	<ul style="list-style-type: none"> Credit Rating: BB- Stable Outlook (1 April 2022) Recent Rating Action: Rating upgraded from B+ to BB- 	<ul style="list-style-type: none"> Credit Rating: BB Stable Outlook (15 August 2022) Recent Rating Action: Rating upgraded from BB- to BB
Credit Strengths	<ul style="list-style-type: none"> High level of per-capita income Well-capitalized banking sector, limited contingent liability risks Comparatively robust liquid sovereign assets and central bank reserves 	<ul style="list-style-type: none"> Fiscal surplus anticipated in 2022, the first since 2014 Continued implementation of MTFP underpinned by cuts to subsidies, public wage reforms, and rationalization of spending Strong government liquid assets at 47% of GDP in 2022 	<ul style="list-style-type: none"> Fiscal Surplus in 2022, and an anticipated 2023 surplus as well. Improvements in, and expected evolution of, key fiscal metrics including government debt/GDP and the budget deficit Progress in implementation of the MTFP¹
Recent Commentary	<p><i>“The change of outlook to stable reflects the significant easing of government liquidity and external financing pressures, mainly as a result of significantly higher oil prices since the middle of 2020, and Moody’s expectation that oil prices will average above \$60/barrel during the next several years, increasing the likelihood that these pressures will remain contained.”</i></p> <p>14 October 2021</p>	<p><i>“Higher oil prices, rising hydrocarbon production, and the government’s fiscal reform program are improving Oman’s fiscal and external trajectory”</i></p> <p><i>“We expect the government’s reform momentum will continue, supporting economic growth over 2022-2023”</i></p> <p><i>“We expect Oman will achieve a fiscal surplus of 5.7% of GDP this year, from the budgeted deficit of 4.6% of GDP”</i></p> <p>1 April 2022</p>	<p><i>“The upgrade reflects significant improvements in Oman’s fiscal metrics, a lessening of external financing pressures and ongoing efforts to reform public finances. Higher oil revenue will underpin budget surpluses in 2022 and 2023 and a sharp fall in government debt/GDP to below the “BB” median.”</i></p> <p>15 August 2022</p>



Robust Growth Prospects





COVID-19 Crisis is Behind the Sultanate

As of August 2022, Oman has fully vaccinated nearly 91% of its population, and around 25% received the Booster dose.

Successful Vaccination rollout

Oman expanded its vaccine supply base to extensively cover its population (as of 17 August 2022)

Persons vaccinated with 1 plus dose	3,255,607
Total vaccinations (as % targeted group)	90.7%
Persons vaccinated 1 plus dose	96.9%
Persons fully vaccinated	90.7%
Booster Dose Administered	25.2 %

Economic Stimulus Plan Has Aided Recovery

Taxes and Fees

- Five-year tax exemption for new businesses
- Suspension of withholding tax on dividends and interest for five years from 2020

Business Environment and Investment Climate

- Permit business to obtain provisional license
- Funding scheme by Oman Development Bank

Small and Medium-Sized Enterprises

- Corporate tax reduction of 3% for tax years 2020-2021
- Postponement of payment of loan instalments by SMEs to AI Raffd Fund until end 2021

Banking Sector

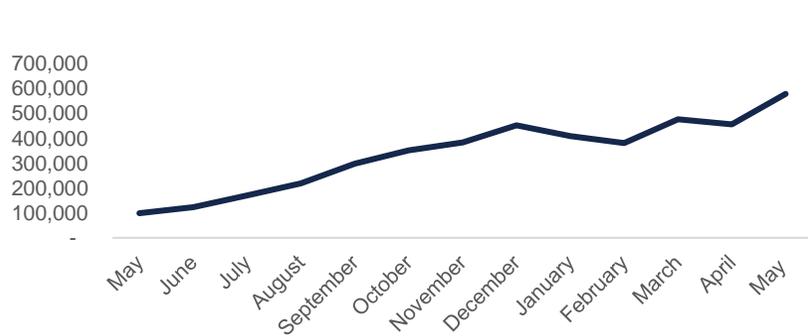
- Maintain credit-related incentive packages
- Rescheduling of loans to match borrowers' cash flows

Labour Market and Employment

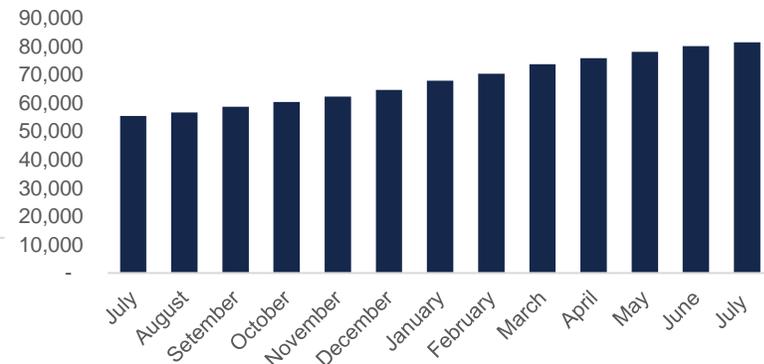
- Allocated OMR 20 million in the 2021 budget to train job-seekers
- Reduce fees for expat workforce recruitment permits

Post COVID Rebound is Already Apparent

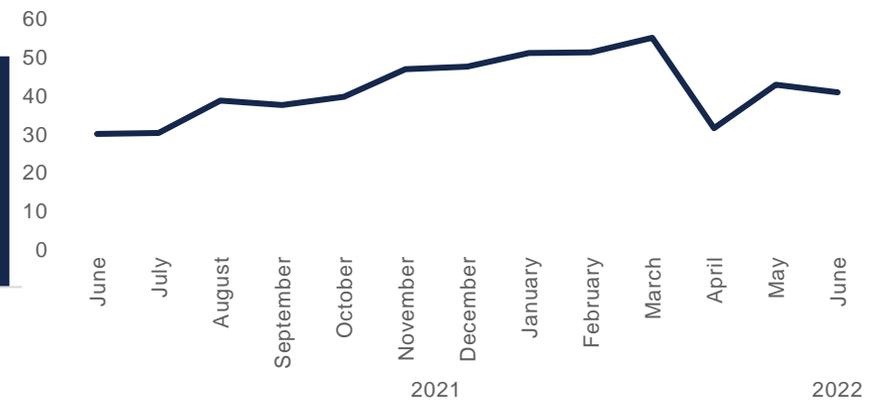
Rising Passenger Numbers at Muscat International Airport ('000s) – 486% rise in passenger numbers at Muscat Airport in May 2022 from May 2021



of Small and Medium Enterprises (Cumulative) – 46% increase in SME establishment in 2021-2022 and still growing



Improving Hotel Occupancy Rates – 30% rise in occupancy levels as at June 2022 from June 2021

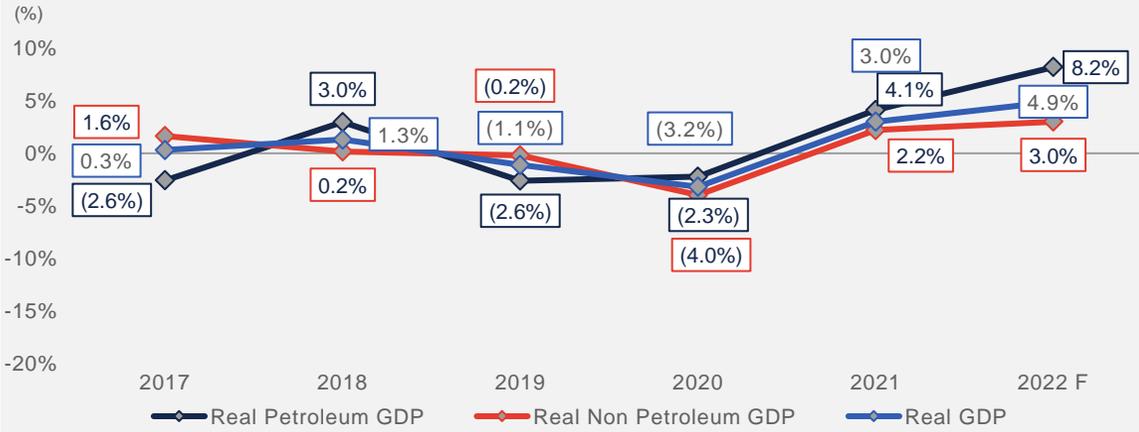




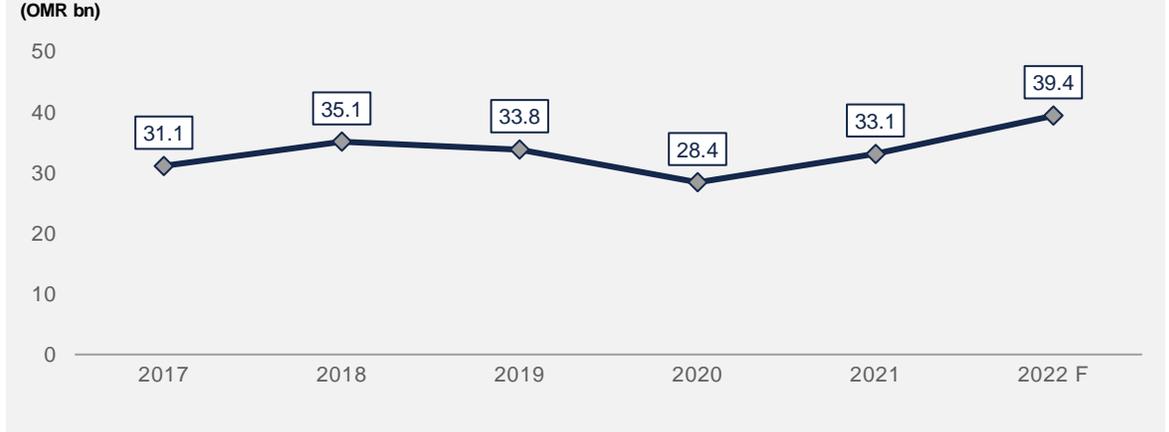
Robust Growth Prospects

The Omani economy has been strengthened by implementing reforms into diversification efforts, while energy sector investments and rising hydrocarbon revenues support the growth outlook.

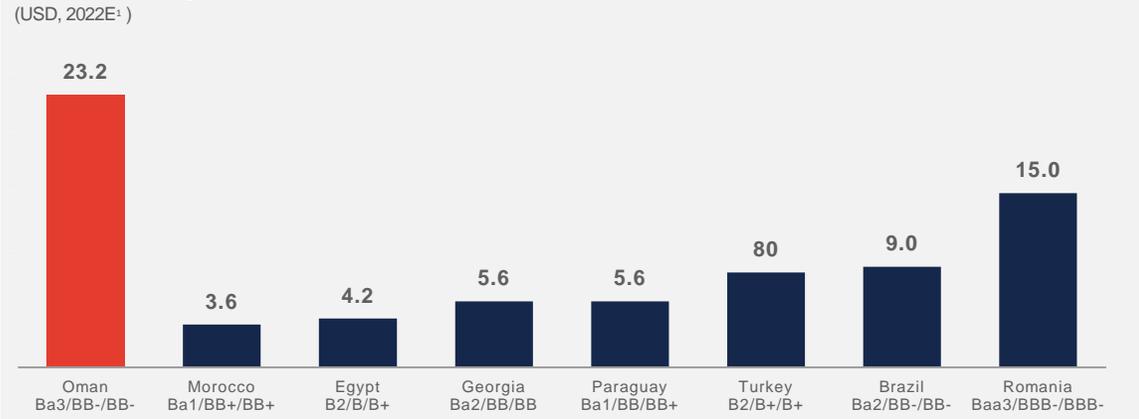
Real GDP growth



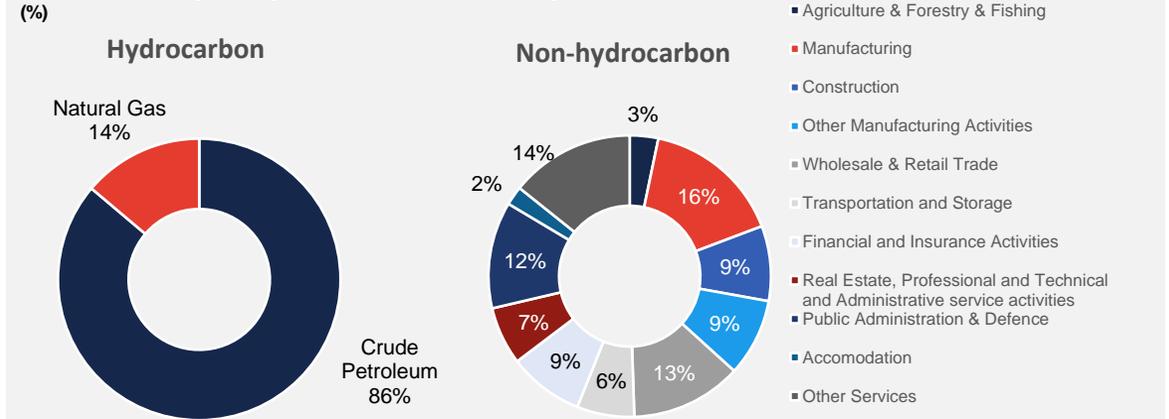
Nominal GDP



GDP Per Capita vs Peers



Real GDP Split by Economic Activity in 2022 Q1





Public Finances and Reforms

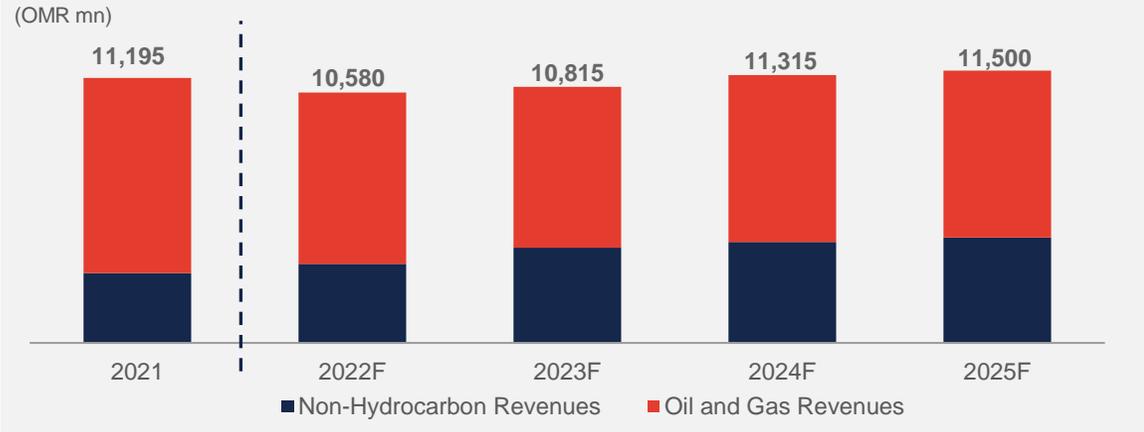




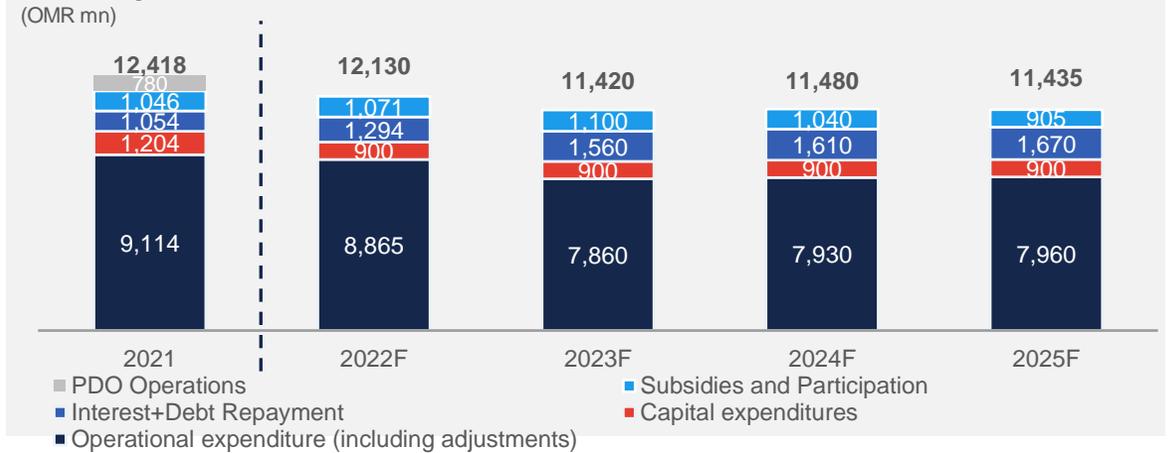
Fiscal Adjustment Under MTFP

The Government is targeting a balanced budget by 2025, leading to reduced borrowing needs and structural improvement in fiscal accounts. The MTFP target is based on an oil price assumption of US\$50/bbl in 2022 over the remaining period.

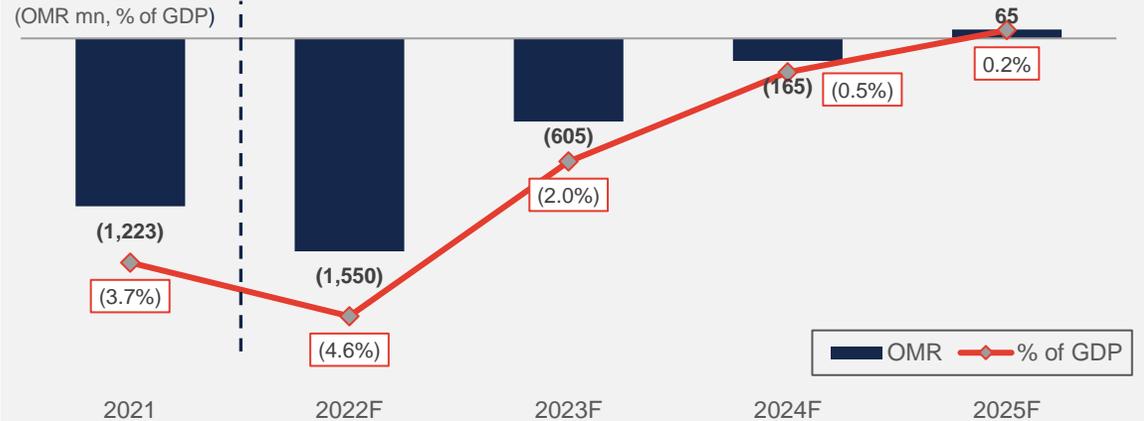
Total Revenues Forecast



Total Expenditure Forecast



Fiscal Balance Forecast



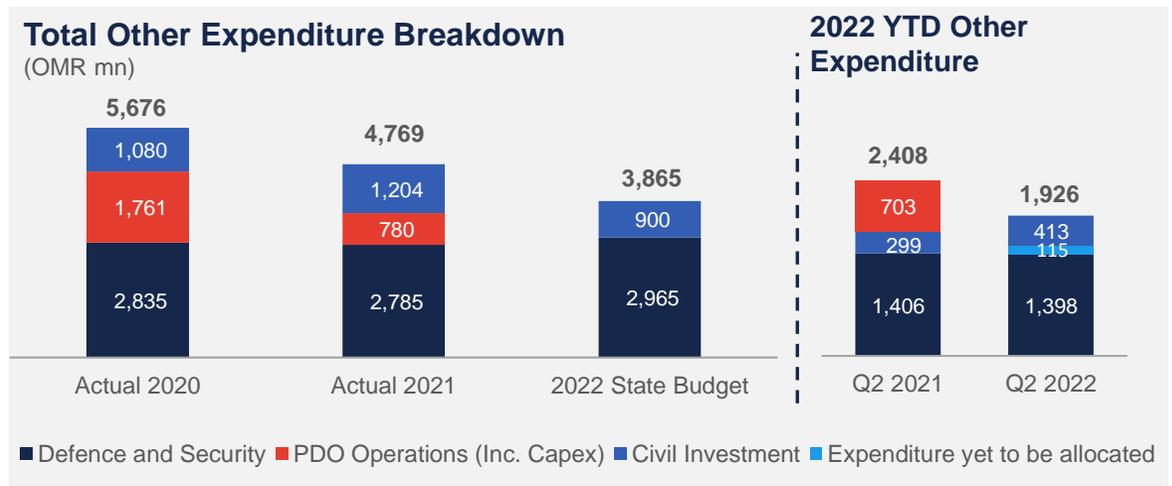
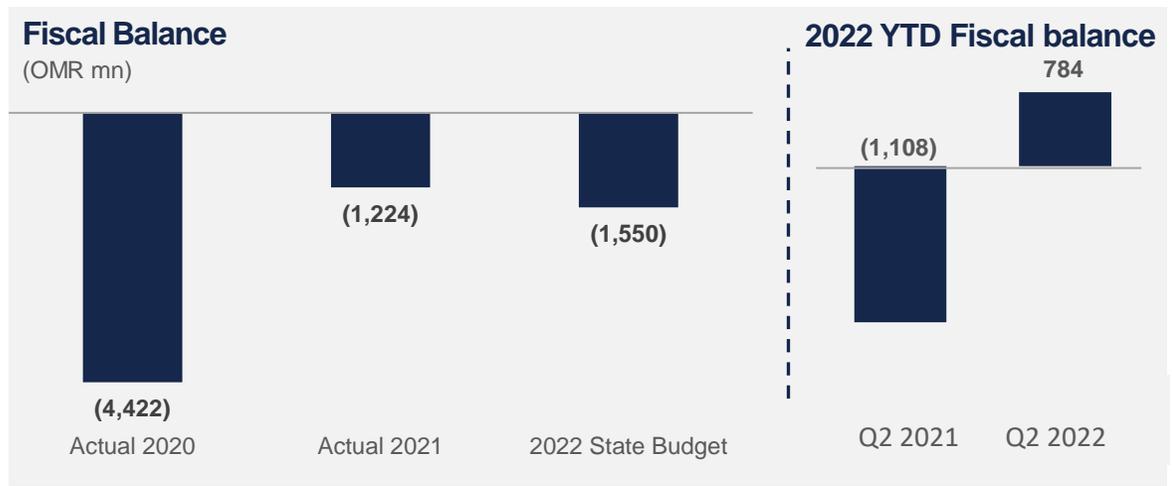
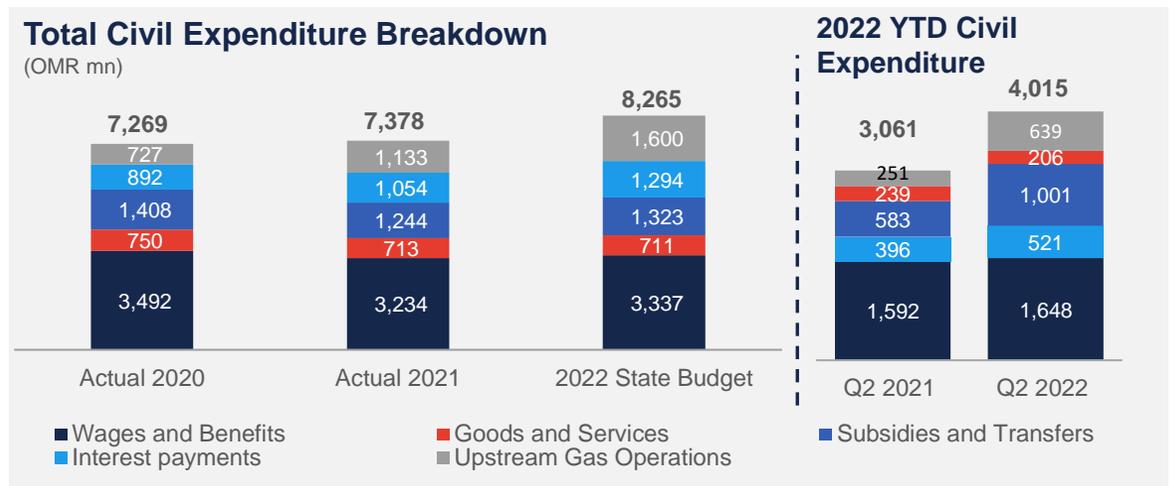
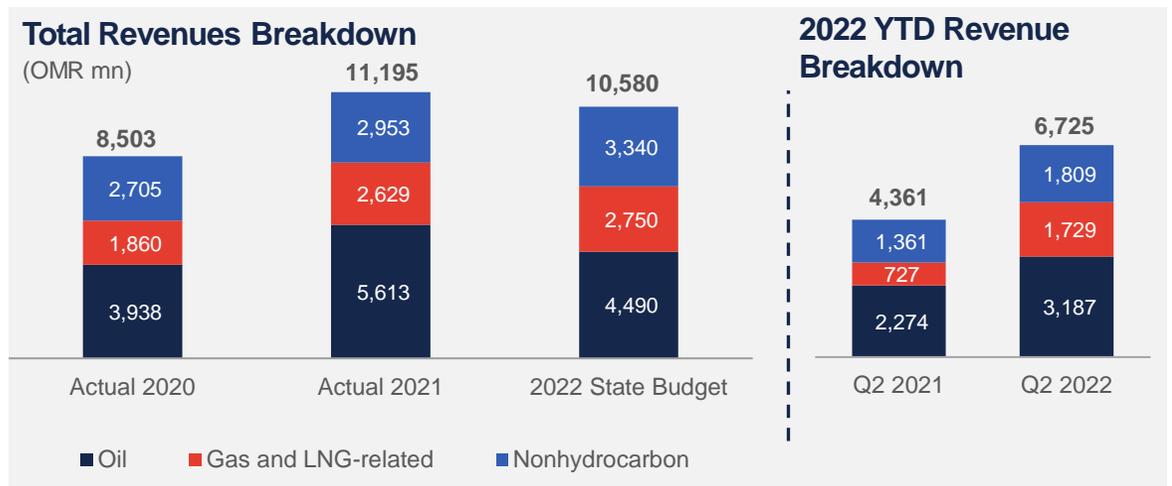
Total Government Debt Forecast





Outperformance across all Metrics

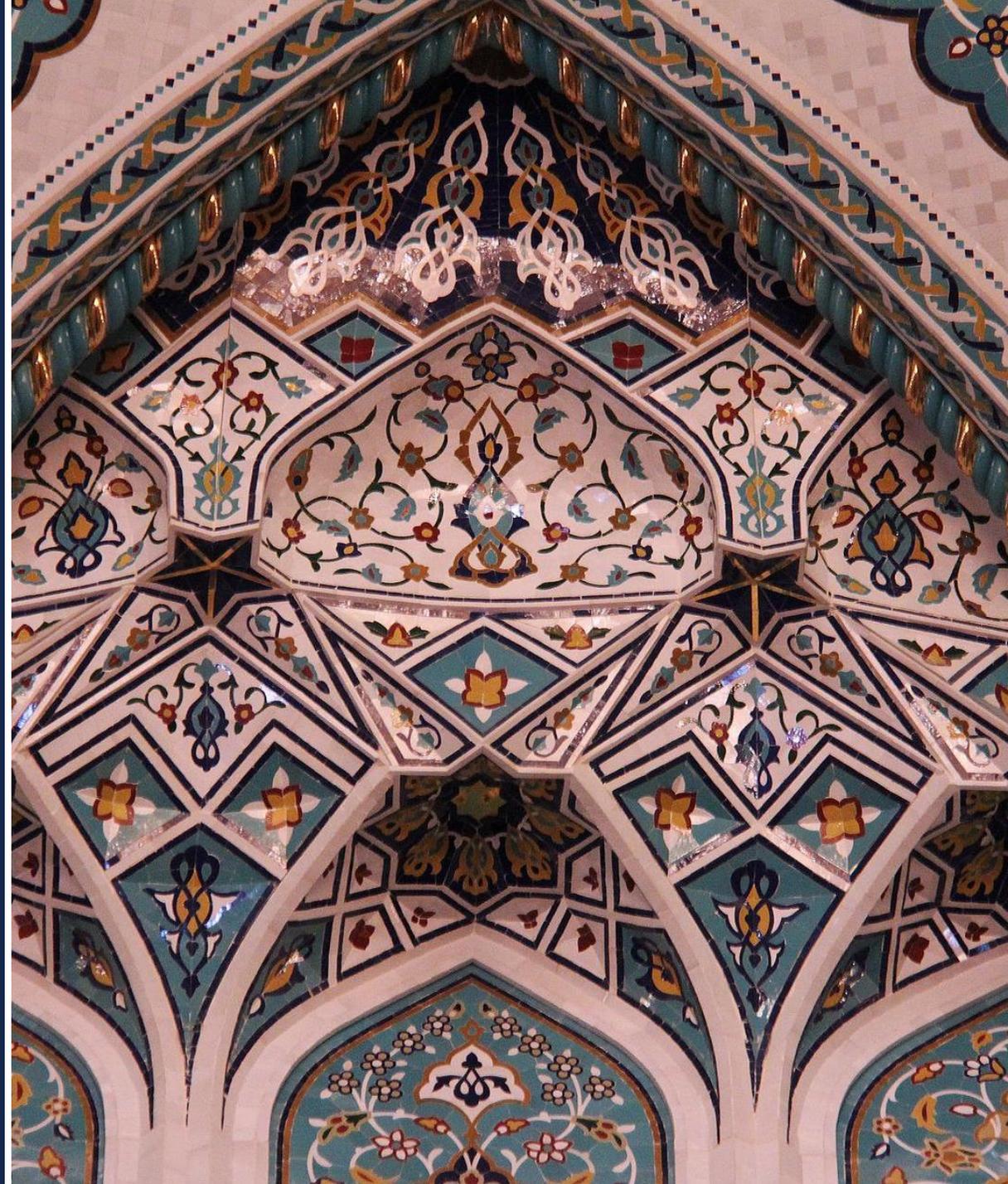
Increased oil prices, continued spending restraint and relief measures to support economic activity are boosting public finances



Source: Ministry of Finance
Numbers may not add up due to rounding



Prudent Debt Management Strategy





Prudent Funding & Debt Management Strategy

Oman’s debt management strategy is to ensure the government’s financing needs and payment obligations are met at the lowest possible cost over the medium to long term, consistent with a prudent degree of risk.

2022 Borrowing Plan

As per Budget	OMR mn	USD mn ¹
Budgeted Fiscal Deficit in 2022	1,550	4,031
Debt Amortization and Maturities	2,712	7,053
Total Funding Requirements	4,262	11,085
Total Funding from Internal Sources	400	1,040
Total Domestic Debt ²	1,079	2,806
Total External Debt	2,783	7,238
Total Borrowing and Funding	4,262	11,085

2022 – Completed funding transactions

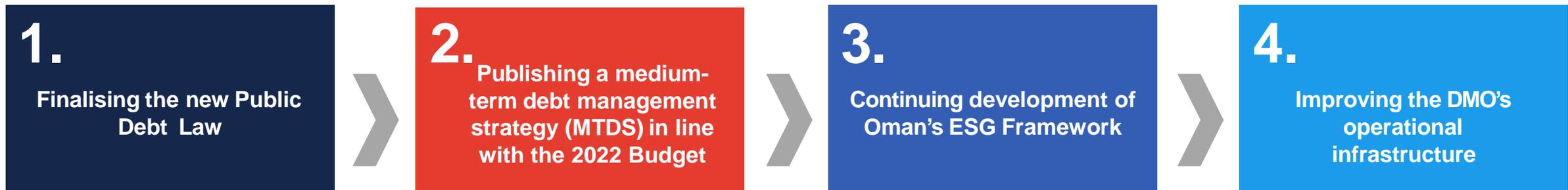
Format	Date	Currency	Size	Tenor
Loan Closed	21 Mar	USD	4.0 bn	7 years (WAL: 5 years)
Local Sukuk	30 June	OMR	0.15 bn	7 years

2022 – Maturities including pre-payments made from own sources

Bonds Repaid	8 Mar	USD	1.0 bn	5 years
	1 July	USD	0.7 bn	-
Loans Repaid	10 Mar	USD	2.2 bn	2 years
	26 Apr	USD	3.6 bn	5 years
	13 July	USD	1.3 bn	7 years

- ✓ As at end June 2022, Oman recorded a fiscal surplus of OMR 784mn ~ US\$ 2.03 bn
- ✓ Oman has reduced its debt levels by repaying US\$ 8.8bn of loan and bond obligations so far in 2022; including US\$ 2.2bn syndicate loan, as well as a US\$ 1.3bn pre export facility prior to its maturity date.
- ✓ Oman may strategically undertake domestic funding exercise(s) to develop its yield curve

Strategic Initiatives



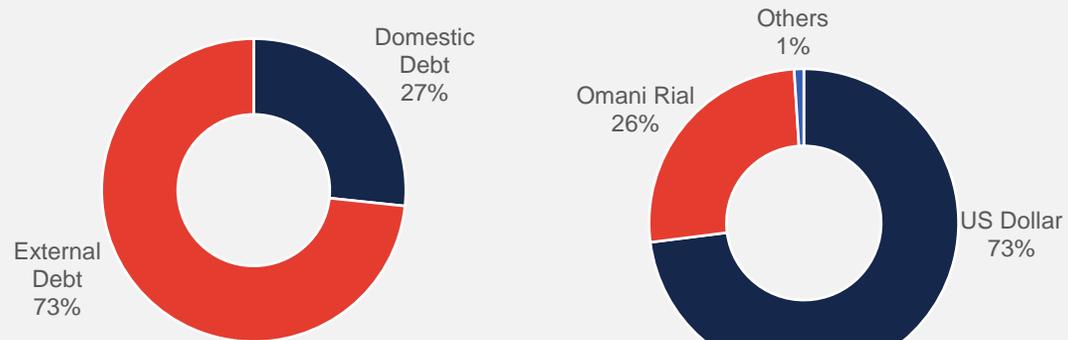


Prudent Funding & Debt Management Strategy II

The DMO monitors, evaluates and works to mitigate the potential risks embedded within the central government debt portfolio. Oman remains conservative yet proactive in its debt management operations, working to reduce refinancing risks and developing a broader investor base.

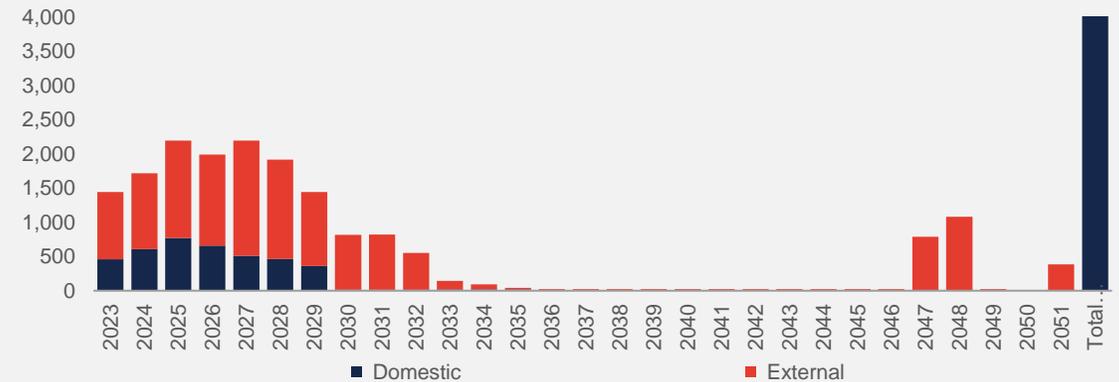
Government Debt

(% of Total, June 2022)



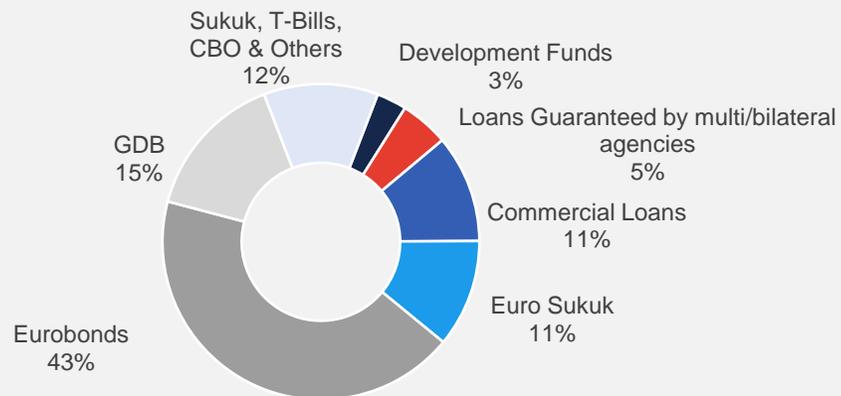
Government Maturity Profile

(OMR mn, June 2022)



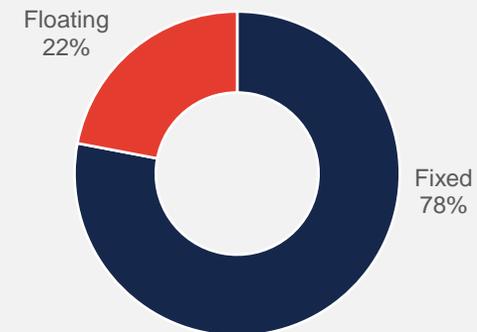
Total Debt Instruments

(% of Total, June 2022)



Government Interest Rate Exposure

(% of Total, June 2022)





Government Assets Provide Substantial Buffers

Oman has strong asset buffers, thanks to proactive and prudent management of its oil wealth over the years.

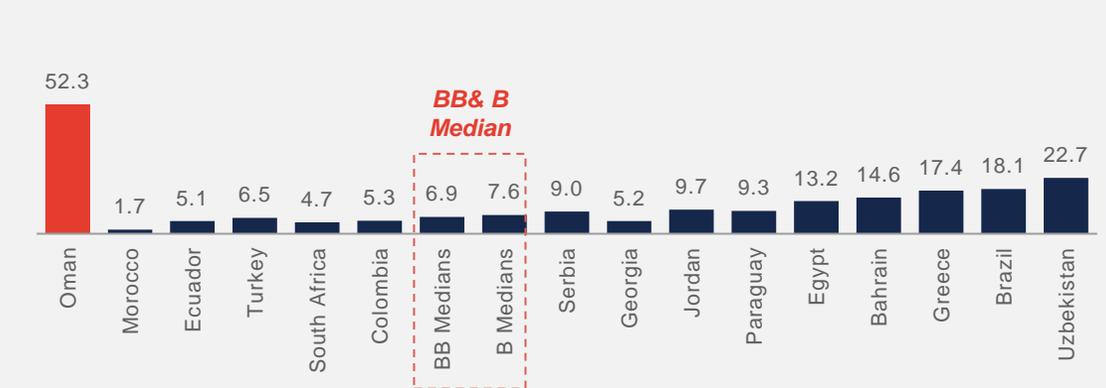
Government Foreign Reserves

(OMR bn, % of GDP)



High Liquid Assets to GDP Ratio *

(% of GDP, 2021)



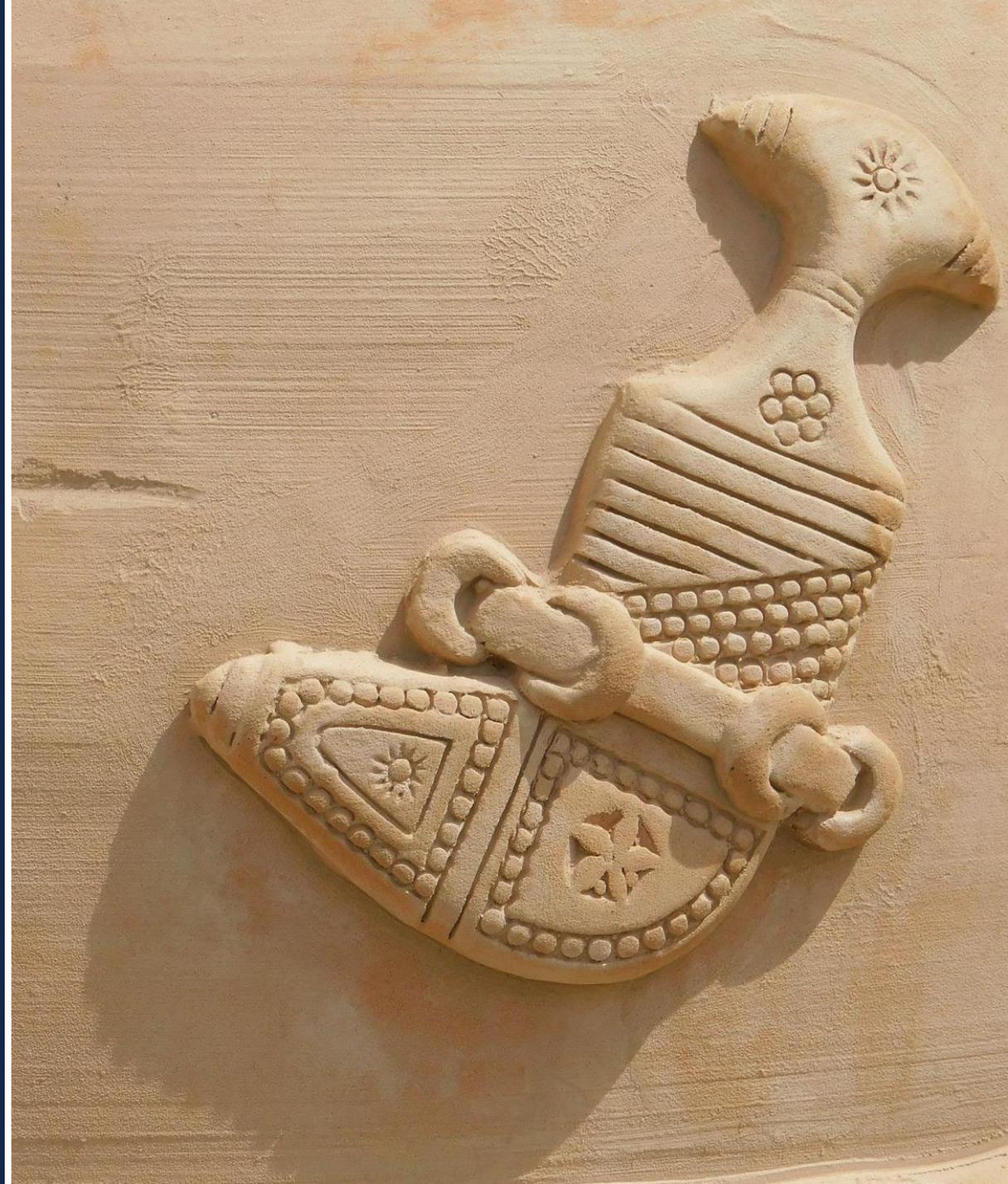
Government Financial Assets

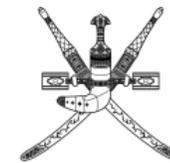
April 30 th 2022	OMR (mn)	USD (mn) ¹
Central Bank of Oman (comprised of FX reserves and PRF)	6,474	16,816
Sovereign Assets	17,087	44,381
Of which: Liquid External Assets	4,332	11,251
Infrastructure Project Finance Account	8	21
Government deposits in the domestic banking sector	6,319	16,413
Total Assets	29,888	77,631

Source: Ministry of Finance, Central Bank of Oman; * Source: S&P as of April 11, 2022; ¹ USD/OMR Conversion Rate: 0.385
 Note: Historical Foreign Reserves Data from 2015 to 2020 based on SGRF, then OIA



Credit Strengths Recap





Credit Strengths – Oman Remains Flexible and Resilient

Fiscal Discipline Throughout the Cycle

- Oman remains committed to the principles of fiscal consolidation under the MTFP
- 2022 Budget foresees continued deficit reduction
- Progress on VAT implementation and tax collection upgrades will support revenues
- Outperformance of oil & gas revenues will be used to reduce deficit
- Growth in expenditures will remain contained through 2025. Ongoing expenditures measures include efforts to restrain wage bill and continued reforms to subsidies

Prudent Funding and Liquidity Strengths

- Market access remains favourable and continued monthly surplus will lower funding needs
- 2022 Funding has been primarily fulfilled, with external funding requirements being met by the end of Q1
- Government assets will remain sizeable throughout the adjustment period, an outlier among similarly and higher rated peers as well

Strong Near-Term Growth Prospects

- Higher-than-expected oil prices and the global economic recovery tilt growth prospects upwards
- Oman achieved almost 91% double vaccination by August this year, with third vaccinations underway. The gradual resumption of global tourism year will support growth
- Continued investment in oil & gas sector drives stable production volumes

Favourable Long-Term Growth Prospects

- Economic reforms and fiscal consolidation strategies underpin long-term growth target of 5%, in line with Vision 2040
- Private sector non-hydrocarbon growth to be driven by improved investment conditions for Manufacturing, Tourism and Transportation/Logistics
- 10th Five-Year Plan provides sound near-term implementation framework

Enhanced Governance and Transparency

- Oman's publication of the IMF Article IV report is a milestone for transparency
- Oman's governance performance assessed by third parties remains a positive outlier and among similarly rated peers¹
- Oman continues to develop an ESG Framework, in line with Vision 2040