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ECONOMIC AND POLITICAL OVERVIEW

ECONOMIC OVERVIEW

For the latest updates on the key economic responses from governments to address the economic impact of the COVID-19 pandemic, please consult the [IMF's policy tracking platform Policy Responses to COVID-19](#).

The Sultanate of Oman has had extraordinary economic development since 2004, primarily due to the exploitation of its oil reserves. Despite Omani authorities' swift attempts to contain the spread of Covid-19 pandemic, social distancing measures took their toll on the economy, which contracted by 3.2% in 2020, according to the IMF. Nonetheless, this was much smaller than an earlier projection of 10%, as oil production fell at a slower rate than initially expected. Oman's GDP was again in positive territory in 2021 (+3%) and 2022 (+4.4%). It is now expected to reach 4.1% in 2023, mainly supported by the oil industry, and 1.9% in 2024.

Oman has a relatively healthy economic and financial situation. Nonetheless, the government debt expanded to an estimated 69.7% of GDP in 2020 from 60.5% in 2019 amid higher social and health expenditure, and then 62.9% of GDP in 2022, before decreasing to 45.4% in 2022. Public debt is expected to decrease again to 41.1% in 2023 and 38.1% in 2024. Lower global oil prices, paired with weaker fiscal revenues pulled the current account deficit to 17% of GDP in 2020, but Omani authorities aimed to halve the deficit in 2021 through fiscal consolidation measures : it came back to 6.1% in 2021 and 6.2% in 2022. A 5% value-added tax was introduced in April 2021, along with an expansion of the excise tax base. Inflation, which was 1.5% in 2021 increased to 3.1% in 2022 and is forecasted to come down to 1.9% in 2023 and 2.1% in 2024. Oman's financial soundness indicators were healthy, according to IMF estimates, with banks' liquidity coverage ratio standing around 200% early in 2022, considerably higher than legally mandated levels. In a bid to improve management of oil and gas revenues, the government established a new holding company called Energy Development of Oman (EDO). At the same time, in order to decrease its dependence on raw materials, Oman has established reforms to liberalise and diversify its economy in the framework of its "[2040 Vision Plan](#)" (continuation of 2020 Vision Plan), which aims to increase investment in the tourism, financial services and port activity sectors. Such reforms are slowly paying off, as confirmed by the fact that non-oil and gas economy now accounts for more than two-thirds of GDP.

According to World Bank, unemployment rate reached 3.1% in 2021, one of the highest level in nearly 30 years. At the same time, roughly half of Oman's youths are unemployed. Besides, nearly two million jobs are taken by migrant workers (National Centre for Statistics). The government introduced initiatives to tackle the high share of expatriate workers, including bans on foreign worker visas, to promote employment of Omani citizens.

Oil price volatility and insufficient fiscal adjustment could worsen the twin deficits and increase gross financing needs. Fiscal consolidation could also give rise to social tensions, thus undermining the reform drive. On the upside, a further rise in oil prices accompanied with a successful implementation of the reforms would improve the outlook (World Bank, 2022).

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
GDP (billions USD)	114.67	108.28	112.35	114.94	118.31
GDP (Constant Prices, Annual % Change)	4.3	1.2	2.7	3.0	3.4

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
GDP per Capita (USD)	23,240	21,266	21,381	21,196	21,139
General Government Gross Debt (in % of GDP)	40.0	38.2	34.0	31.9	30.3
Inflation Rate (%)	n/a	1.1	1.7	2.0	2.0
Current Account (billions USD)	7.35	5.51	6.05	2.70	2.12
Current Account (in % of GDP)	6.4	5.1	5.4	2.3	1.8

Source: IMF – World Economic Outlook Database , October 2021

Country Risk

See the country [risk analysis](#) provided by [La Coface](#).

MAIN SECTORS OF INDUSTRY

Oman has a workforce of 2.25 million out of its 5.27 million population, of whom about 40% are expatriates. The share of expatriate workers has declined in recent years as Oman implemented a visa ban to boost hiring of Omani citizens. Prior to the discovery of oil fields, Oman was virtually a subsistence economy that was entirely based on agriculture and fisheries. Nowadays, the latter contributes only marginally to GDP (2.1%) and employs 4% of the workforce (World Bank, 2023). Agricultural production is mainly composed of dates, limes, bananas, and owing to the lack of fertile land the country needs to import from international markets.

The industrial sector accounts for 50.6% of GDP and employs 32% of the workforce (World Bank, 2023). Its share has increased considerably in the last two decades (employment in industries was as low as 11% in 2000) as Oman increasingly uses enhanced oil recovery techniques and supports mining and manufacturing. The manufacturing sector alone is estimated to contribute to 10% of GDP (World Bank). However, the country is heavily dependent on oil and gas resources, which generate between 68% and 85% of government revenue on average, depending on fluctuations in commodity prices.

The services sector accounts for 50.5% of GDP and 64% of the workforce (down from 82.4% in 2000). Oil-related activities comprise a significant share of the services sector; however, logistics (maritime transport in particular) and financial activities are growing steadily. Tourism is one of the sectors being developed in order for the Sultanate to build a sustainable non-oil future, and the number of tourists has more than doubled in the last decade (3.5 million in 2019, according to the National Centre for Statistics and Information) and just over 400 000 in 2022, recovering from the COVID-19 pandemic.

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
Employment By Sector (in % of Total Employment)	4.1	48.3	47.6
Value Added (in % of GDP)	1.8	57.0	44.5
Value Added (Annual % Change)	-9.7	5.1	4.2

Source: World Bank - Latest available data.

Monetary Indicators	2016	2017	2018	2019	2020
Omani Rial (OMR) - Average Annual Exchange Rate For 1 USD	0.38	0.38	0.38	0.40	0.38

Source: World Bank - Latest available data.

FOREIGN TRADE

Oman's economy is very open and trade represented more than 94% of the country's GDP in 2021 (World Bank, 2023). The Sultanate mainly exports hydrocarbons and petrochemicals, and in the past few years has been trying to diversify its economy, with a growing share of industrial products in total exports. Oman's economy is highly dependent on exports of oil (42% of total exports) and liquefied natural gas (26%). Other exports include chemicals, plastics and rubber products. The country's demand for consumer goods and equipment has been growing in the past few years. The main imports are led by petroleum oils, vehicles, electronics and iron.

The UAE is by far the largest receiver of Omani exports, accounting for more than 21% of the total, followed by Saudi Arabia (10.7%), the United States (9.3%) and India (7.2%). The Sultanate's main suppliers are United Arab Emirates (36%), China (7%), India (6.6%), Qatar and the United States (Comtrade 2022).

According to WTO data, in 2021, Oman exported goods for a total value of 44.59 billion USD, up from 31.68 billion USD the previous year, while imports of goods amounted to 30.99 billion USD, against 20.96 billion USD a year earlier. The country is a net importer of services and its trade balance is structurally positive (16.54 billion USD in 2021) but it is highly sensitive to hydrocarbon prices fluctuations. The country possesses many assets which facilitate the development of trade, such as its high-quality port facilities. However, slow procedures and rigid labour laws remain significant obstacles to trade. Customs duties are relatively low, and there are not many trade barriers in the country. Most goods produced in the Gulf Cooperation Council (GCC) member countries are duty-free if accompanied by a certificate of origin. However, imported alcoholic beverages, tobacco and pork products are subject to the highest custom fees (100%). The government hopes to ratify free trade agreements with the European Union, China and Japan, similar to the one that was signed with the United States in September 2006.

Foreign Trade Values	2018	2019	2020	2021	2022
Imports of Goods (million USD)	25,770	23,507	28,507	30,995	38,704
Exports of Goods (million USD)	41,761	38,724	33,479	44,591	66,456
Imports of Services (million USD)	11,729	12,112	8,177	8,453	10,607
Exports of Services (million USD)	4,591	4,898	2,237	1,733	2,787

Source: World Trade Organisation (WTO) ; Latest available data

Foreign Trade Indicators	2017	2018	2019	2020	2021
Foreign Trade (in % of GDP)	89.0	89.3	86.5	91.9	93.9
Trade Balance (million USD)	8,765	18,084	18,229	7,638	16,542
Trade Balance (Including Service) (million USD)	1,889	10,946	11,015	1,697	9,822
Imports of Goods and Services (Annual % Change)	13.8	-4.4	-3.4	-8.9	2.7
Exports of Goods and Services (Annual % Change)	-0.8	2.8	1.9	-14.6	14.2
Imports of Goods and Services (in % of GDP)	43.2	38.7	37.0	44.8	41.4
Exports of Goods and Services (in % of GDP)	45.7	50.6	49.5	47.1	52.5

Source: World Bank ; Latest available data

Foreign Trade Forecasts	2023	2024 (e)	2025 (e)	2026 (e)	2027 (e)
Volume of exports of goods and services (Annual % change)	9.2	9.9	1.2	2.9	3.4
Volume of imports of goods and services (Annual % change)	7.1	13.6	3.4	0.9	1.5

Source: IMF, World Economic Outlook ; Latest available data

Note: (e) Estimated Data

International Economic Cooperation

Oman is a member of the Arab League. The country is also part of the Greater Arab Free Trade Area (GAFTA) Agreement, a pact of the Arab League entered into force in January 2005 which aims to form an Arabic free trade area.

Member of the [WTO](#) (since Novembre 2000)

Member of the Gulf Council Cooperation

Main Partner Countries

Main Customers <i>(% of Exports)</i>	2021
United Arab Emirates	8.6%
Saudi Arabia	3.9%
United States	3.8%
India	3.0%
China	2.3%
See More Countries	78.4%

Main Suppliers <i>(% of Imports)</i>	2021
United Arab Emirates	35.6%
China	7.0%
India	6.6%
Qatar	6.4%
Brazil	4.9%
See More Countries	39.6%

Source: Comtrade, Latest Available Data

POLITICAL OUTLINE

Current Political Leaders

Sultan: Haitham bin Tariq al Said (since 11 January 2020)

Chairman of the Consultative Council: Khalid Al Maawali (since 28 October 2011)

Next Election Dates

Consultative Assembly: October 2023

Main Political Parties

Oman does not allow political parties. The only political organisation, Popular Front for the Liberation of Oman, was dissolved in 1992, and remains dormant to this day.

Executive Power

Oman is an absolute monarchy and the Sultan is both head of state and head of government. The hereditary Sultan appoints a cabinet to assist him and serves as the supreme commander of the armed forces, prime minister, and minister of defence, foreign affairs, and finance. The Sultan does not designate his own successor when alive. Instead, the ruling family designates a new ruler after the Sultan's death.

Legislative Power

The legislative branch is bicameral; however, it does not have full power over the law-making process. The Council of Ministers (appointed by the Sultan) must refer draft laws to the lower house of the Council of Oman (83 members) and the Consultative Assembly (86 members elected by universal suffrage). The draft law is then subject to the approval of the upper house, the State Council (all appointed by the Sultan). Bills must be approved and signed by the Sultan to become a law.

COVID-19 COUNTRY RESPONSE

Travel restrictions

Regularly updated travel information for all countries with regards to Covid-19 related entry regulations, flight bans, test and vaccines requirements is available on [TravelDoc Infopage](#).

To find information about the current travel regulations, including health requirements, it is also advised to consult Travel Regulations Map provided and updated on a daily basis by [IATA](#).

Import & export restrictions

A general overview of trade restrictions which were adopted by different countries during the COVID-19 pandemic is available on the [International Trade Centre's COVID-19 Temporary Trade Measures](#) webpage.

Economic recovery plan

For the general overview of the key economic policy responses to the COVID-19 pandemic (fiscal, monetary and macroeconomic) undertaken by the government of Oman, please consult the country's dedicated section in the [IMF's Policy Tracker platform](#).

Support plan for businesses

For an evaluation of impact of the Covid pandemic on SMEs and an inventory of country responses to foster SME resilience, refer to the OECD's [SME Covid-19 Policy Responses](#) document.

You can also consult the World Bank's [Map of SME-Support Measures in Response to COVID-19](#).