



Highlights of Oman's General Budget for the Fiscal Year 2025

January 2025



Introduction

In an increasingly dynamic economic landscape, Oman’s fiscal strategy for FY25 aims to sustain stability and foster growth amidst global uncertainties. Faced with evolving economic developments and global financial pressures, the Omani government has outlined a detailed budget that emphasizes maintaining equilibrium while addressing socio-economic needs and promoting strategic investments.

The FY25 budget reflects projections and preliminary results from FY24, with a keen focus on revenue generation, prudent spending, and tackling the predicted fiscal deficit. By leveraging trends in global markets and adhering to sustainable financial practices, Oman is poised to navigate the complexities of the current and forthcoming fiscal periods.

This article serves as a critical guide, offering insights into the primary financial indicators, key allocations, and strategic initiatives that underpin Oman’s fiscal policy for FY25. By understanding these elements, stakeholders such as (Government Officials, Investors, Economists & Financial Institutions) can better grasp the government's approach to ensuring economic resilience and sustainable development.

Oman General Budget for FY25 – Executive Summary

IMF predicts **global growth to stabilize at 3.2%** in FY25 (emerging markets in ME region expected to expand by **3.9%**) and forecasts **global inflation to decline to 4.3% in FY25 (5.8% in FY24)**

- Data from NCSI shows for FY24:
- Oman’s inflation remains low at **0.6%**
 - **GDP growth** increased by **1.9% (2.7% at current prices)**
 - Trade **surplus** with an **8.7%** increase

- Surplus** of RO 540mn achieved in FY24 (compared to estimated deficit of RO 640mn):
- Revenue increased by **15.1%** increase in average oil price over budget
 - Increase in gas revenue by **14.3%**

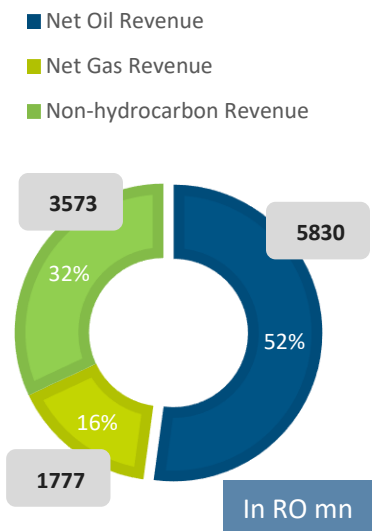
Focus of FY25 budget is to maintain stability:



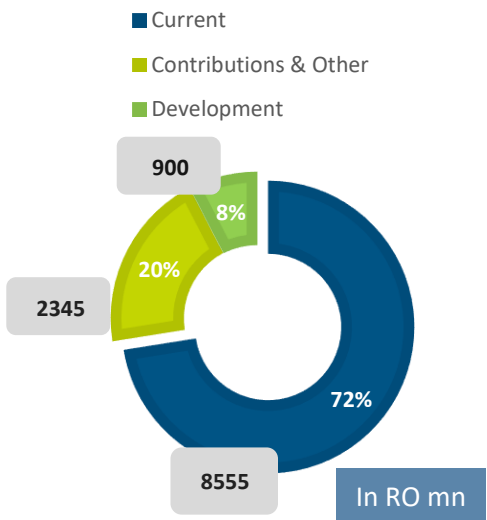
Estimates for FY25:

- Average Oil Price: USD 60 per barrel
- Revenue: RO 11.2bn
- Public spending: RO 11.8bn
- **Deficit: RO 620mn** (6% of revenue, 1.4% of GDP) to be covered from:
 - 35% from local and external borrowing
 - 65% through drawings from reserves

REVENUE ESTIMATES FOR FY25

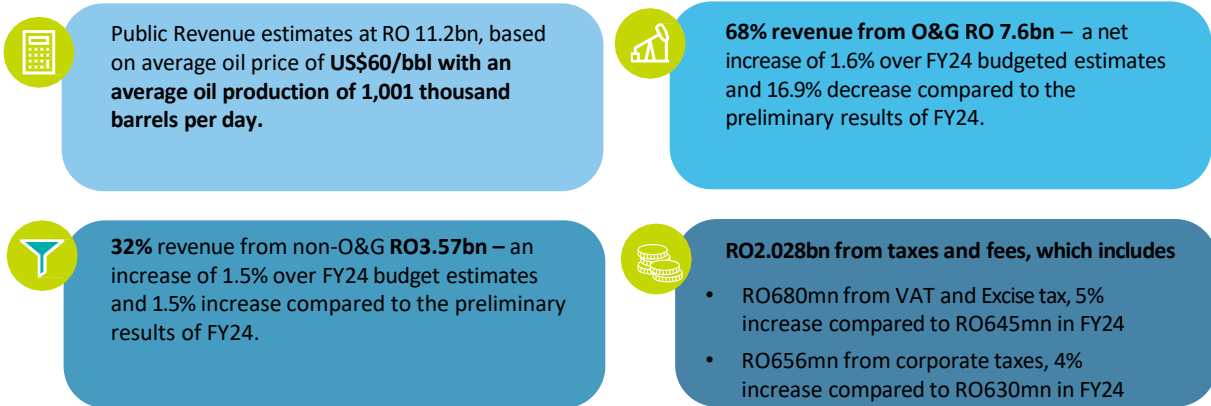


EXPENDITURE ESTIMATES FOR FY25



FY’25 Budget at a glance

Revenue



Expenditure

RO 11.8bn – an increase of 1.3% compared to FY24 budgeted estimates and 2.8% decrease compared to the preliminary results of FY24– key factors attributable the increase include:

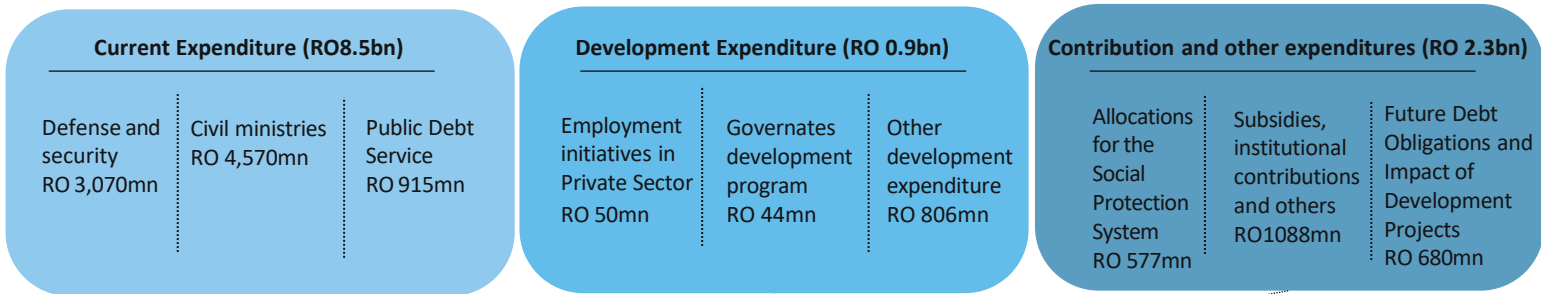
- 4.2% increase in approved budget (RO 5bn) on spending for the social sector and basic services
- Investment spending financed by OIA estimated at RO 1.8bn (44% increase from approved budget in FY24)

Deficit

RO 620mn i.e. (6%) of total revenues, and 1.4% of GDP.

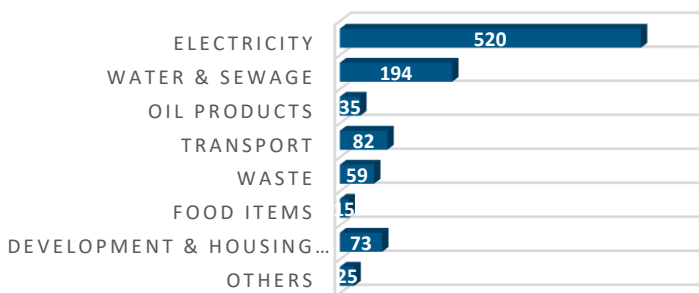
Deficit to be covered from:

- 35% of deficit to cover from local and external borrowing
- balance 65% through drawings from reserves

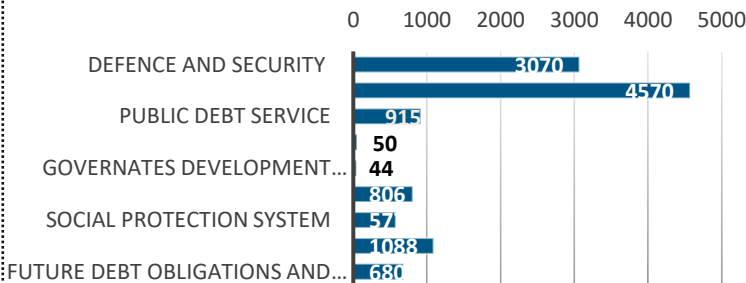


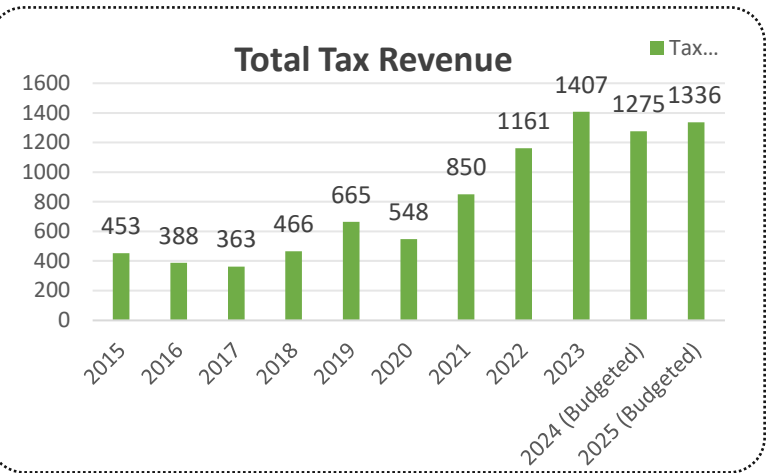
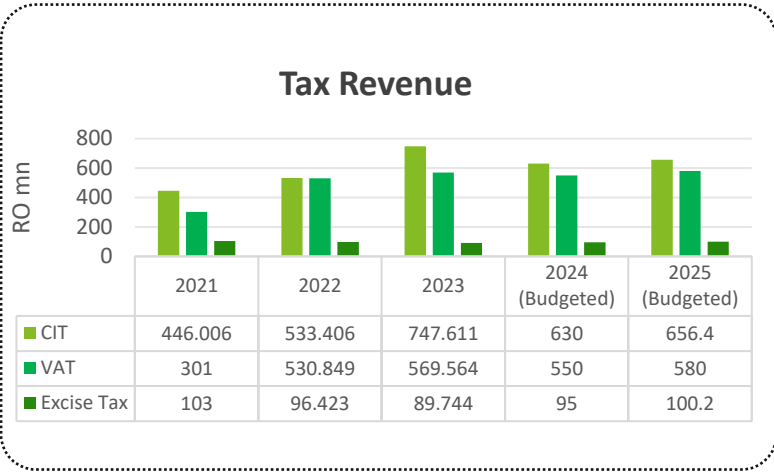
A thoughtful allocation reflecting Governments commitment to stimulate economy and growth

SUBSIDIES in RO mn



In RO mn





Global and Economical Developments

Global Economy:

- The global economy has experienced stable growth rate in 2024, despite remaining mediocre in comparison with pre-pandemic averages. This is attributable to several challenges that include tightening monetary policy, high inflation, elevated global debt, and ongoing geopolitical risks.

IMF projection of:

- Global economic growth rates:**
 - Global Growth: Stable at 3.2% in FY25
 - Advanced Economies: 1.8% in FY24
 - Emerging Markets & Developing Economies: 4.2% in FY24
 - Middle East & Central Asia: 2.4% in FY24; 3.9% in FY25
- Global Inflation Rate:** Decline from 5.8% in FY24 to 4.3% in FY25
- Global Oil Prices** (subject to fluctuations due to geopolitical factors):
 - 2024: USD 81.26 per barrel
 - 2025: USD 72.84 per barrel

National Economy (Oman):

- Contributors to overall GDP growth, investment and stimulation of local economy over the 10th FYP (2021 – 2025)**
 - Economic diversification
 - Increase in non-hydrocarbon revenue
 - Expansion of economy’s productive base

GDP Growth (By End of Q3 2024):

- Constant Prices:** RO 28,146mn (1.9% increase from Q3 2023)
 - Non-hydrocarbon activities: +4.2%
 - Hydrocarbon activities: -2.8%
- Current Prices:** RO 30,642mn (2.7% increase from Q3 2023)
 - Non-hydrocarbon Activities: +4.2%
 - Hydrocarbon Activities: +0.3%

Other key indicators:

- Inflation rate of 0.6% by Nov 2024 (0.9% decrease from Nov 2023)
- Foreign trade balance surplus of RO 6,562mn achieved by Oct 2024 driven by increase in export and re-export of oil and gas merchandise
- Market capitalization of Muscat Stock Exchange reached RO 27,400mn due to increase in number of listed companies and IPOs in FY24

Credit Ratings (revised):

- Moody’s:** Outlook revised to positive “Ba1” (Aug 2024)
- Standard & Poor’s:** Upgraded to “BBB-” with stable outlook (Sept 2024)
- Fitch:** Outlook revised to positive “BB+” (Dec 2024)

Global and Economical Developments

Preliminary results of Fiscal Year 2024

- **Public Revenue and Spending:**
 - Revenue surged by 15.1% attributed to higher average oil price.
 - Public Revenue: RO 12,674 million (**growth of 24.3% in net oil revenue, 14.3% in gas revenue**).
 - Public Spending: RO 12,134 million (4.1% increase due to subsidies and other expenses).
- **Surplus: RO 540 million:**
 - Overturned previous deficit forecast of RO 640 million
 - Factors: Rise in oil prices, increase in non-hydrocarbon revenue, fiscal consolidation measures, lower public debt service

Government Initiatives and Key Financial Indicators

- **Social Spending & Economic Growth:**
 - **RO 468 million** allocated to socio-economic needs
 - Enhanced social services and economic stimulation
- **Public Debt Management:**
 - **Reduced debt burden** and replaced high-cost loans with low-cost loans
 - Debt Reduction:
 - From RO 15.2 billion to RO 14.4 billion (down by 5.3%)
 - Public debt services reduced to RO 940 million (down by 10.4%)
 - Debt to GDP Ratio: **Down to 34%**
 - Repayments: **RO 355 million** in external loans and **RO 600 million** in government development bonds and sukus
 - Issuance: RO 705 million in development bonds and Ijara sukus

Monetary Indicators:

- **Banking Sector Deposits & Credit:**
 - Total deposits: **RO 31.9 billion** (increase by **13%**).
 - Total credit granted by commercial banks: **RO 31.9 billion** (increase by **4.8%**).
- **SME Support measures:**
 - **SME Support Measures:**
 - 532 SME loans exempted, totaling RO 6 million
 - RO 25 million agreement with Development Bank for SME loans
 - Increased tender values for SME Riyada card holders up to RO 25 thousand
 - Employment Initiatives: **Support for job seekers** in the private sector
 - National Local Content Policy: Implementation (2024-2030)

Priority and Focus sectors



National Programs

1 **Estidamah:** National Program for Fiscal Sustainability and Development

- Ministry of Finance: Enhance public finances and strengthen financial sector's role in supporting Oman Vision 2040 – by boosting competitiveness and providing various financing options.

4 **Nazdahir:** National Program for Investment and Export Development

- Ministry of Commerce, Industry, & Investment Promotion: Develop private sector and foreign trade.

2 **Tanwea'a:** National Program for Economic Diversification

- Ministry of Economy: Diversify economic sectors; expand production/export base, increase investment in high-value-added sectors.

5 **Tashgheel:** National Employment Program

- Ministry of Labor: Creates job opportunities; bridge knowledge and skills gap and align skills with labor market demands

3 **Tahawul:** Government Digital Transformation Program

- Ministry of Transport, Communications, and IT: Enhance efficiency of government entities through innovative digital solutions.

6 **Net Zero:** National Zero Neutrality Program

- Ministry of Energy and Minerals & Environment Authority: Aims for net-zero carbon neutrality by 2050.

Fiscal Performance Improvement

Projects and Systems to Improve Fiscal Performance

- 1. Sustainable Finance Framework (SFF):** Issuance of debt instruments for sustainable finance
- 2. Government Services Pricing:** Periodic review of service fees outlined in Fee Setting Policy Handbook to reduce costs, balance price, quality, and competitiveness for beneficiaries.
- 3. Revision of Financial Law & Its Executive Bylaws:** Ongoing review of financial law to enhance financial procedures.
- 4. Program-Based Budget (PBB):** Advanced financial planning system linking public spending to community-serving goals.

Systems to Improve Fiscal Performance

- 1. Government Financial System (MALIYAH):** Modern system for managing public finances.
- 2. Debt Management System (DMS):** Enhances public debt management.
- 3. Treasury Single Account (TSA):** Consolidates government bank accounts balances for optimal utilization of available cash resources.
- 4. National Assets Register (NAR):** Manages government assets to maximize benefits.
- 5. Maliyah Mobile Application:** Access Ministry of Finance services via smart devices.

Recent Legislative and Strategic Measures

Royal Decree no. (59/2024): Regulates the signing of state contracts and financial obligations of the State in relation to the following contracts:

1. Construction or other works
2. Supply of goods or purchase or rental of real estate
3. Issuance of bonds, guarantees, or any investment

Other programs designed/ adopted by Ministry of Finance

Public-Private Partnership Program (PPP)

- Designed by Ministry of Finance
- Expand private sector engagement in investment and innovation of infrastructure projects and public services.

Education

Health

Communication & IT

Government buildings

Partnership for Development Program (PFD) – Offset

- Aims to transfer advanced technologies and expertise through collaborating companies

Contacts

Our experts listed below would be happy to discuss the above matters in more detail or support you through a further discussion on your specific requirements.



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