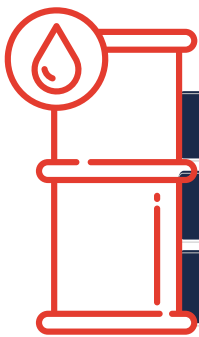




Fiscal Performance

A special bulletin on the first half of 2021



Average of Daily Oil Production
(Thousands bbl.)

Average Oil Price (US\$)

Net Oil Revenue (RO Million)

2020

First Half-Year

986.6

57.2

2,572.2

2021

First Half-Year

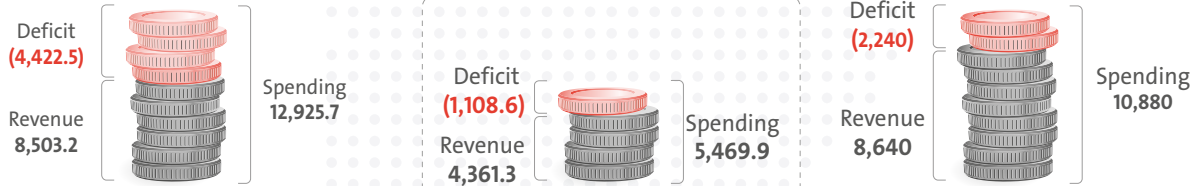
952

52

2,273.4

Fiscal performance in the first half of 2021 compared with actual figures of 2020 and approved budget of 2021

Preliminary Data RO Million



Actual Budget

First Half-Year of 2021

Approved Budget

2020

2021

51.3%

42.3%

25.1%

Revenue

Spending

Deficit

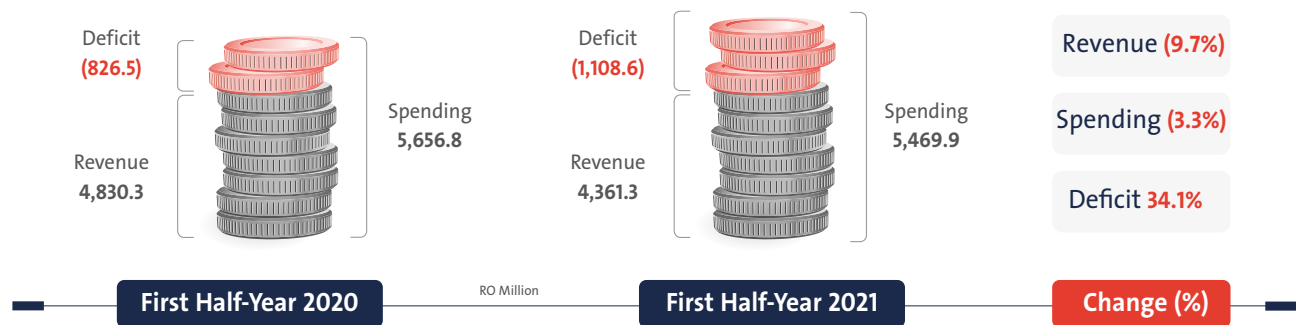
50.5%

50.3%

49.5%

Fiscal Performance in the First Half of 2021

Public Spending Decreases by 3.3% Versus the First Half of 2020



Public Revenue

By the end of first half of 2021, total revenue amounted to RO 4,361.3 million, down by 9.7% compared with the first half of 2020. Net oil revenue totaled RO 2,273.4 million, dropped by 11.6% over the same period of 2020. This is as a result of low oil price, a reduction in oil production in compliance to OPEC Plus deal and persistent consequences of COVID-19 pandemic.

Moreover, gas revenue reached RO 727 million as of end-June 2021, decreased by RO 14 million compared with the same period in 2020. This is due to low sales price of liquefied natural gas affected by the decline in global oil price.

The total current revenue was increased by 31% compared with the same period in 2020. The increase is driven by the dividends received from Oman Investment Authority (OIA) amounted to RO 413 million, and tax and fees which generated a sum of RO 656.2 million. The corporate income tax yielded up to 52.4% of total tax and fees revenue, whereas customs revenue represents

18% of the same. In addition, tax imposed on goods and services accounts for 5.3% of total tax and fees revenue.

However, capital revenue and repayments decreased during the first half of the current year when compared with the same period of 2020. It is worth noting that the privatization of Oman Electricity Transmission Company generated a yield of RO 365.4 million, which recorded in March 2020.

Statement (First Half-Year)	2020	2021	Change (%)
Net Oil Revenue	2,572.2	2,273.4	(11.6%)
Gas Revenue	740.8	727	(1.9%)
Current Revenue	1,020.8	1,336.8	31%
Capital Revenue & Repayments	496.5	24.1	-
Total	4,830.3	4,361.3	(9.7%)



Public Spending

Public spending saw a decline by 3.3% during the first half of 2021 compared with the same period of 2020. This comes in line with the measures taken by the Government to rationalize spending and mitigate economic consequences.

Defence and security expenditure represent 26% of total spending, while the expenditure of Government civil units account for 36% of total spending. In addition, debt servicing represents 7% of total spending.

The Government has introduced “Loan Repayment” as a new budget item within the spending in order to

repay future loans. The total funds allocated for such budget item amounted to RO 75 million as of end-June 2021, and to be increased to RO 150 million by the end of 2021.

In light of Energy Development Oman (EDO) is still in the process of being established, the Government continued to cover the expenses of oil and gas sectors, which amounted to RO 702.7 million as of end-June 2021. Such expenses appear as an additional allocation in 2021 budget. The EDO is expected to commence funding its operations starting from upcoming September.

Deficit

Over the first half of 2021, the deficit reached RO 1,108.6 million, representing 25.1% of actual deficit of 2020 and 49.5% of deficit approved for 2021.

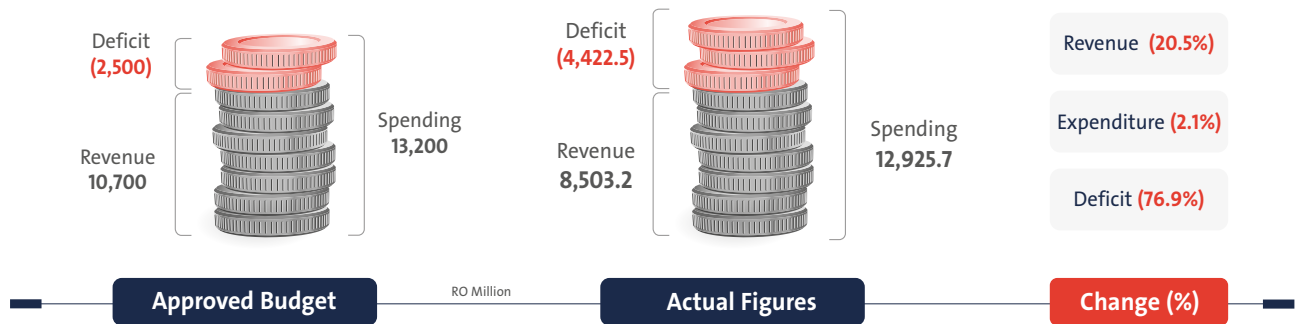
The total funding received amounted to RO 3,378.5 million including the amount withdrawn from OIA. On the other hand, an amount of RO 1,390.5 million repaid for external and local loans.

More than RO 575 million paid to private sector by the end of June 2021

During the first half of 2021, the Ministry of Finance has managed to settle the payments of private sector with an amount of OMR 575.6 million. This reflects the payment vouchers received through the e-financial system, and which have completed the documentary cycle.

Actual Performance of 2020 Budget (Final Account)*

Actual Spending Drops by 2.1% in 2020 Compared with Budget Estimates



Public Revenue

Total actual revenue amounted to RO 8,503.2 million in 2020, down by RO 2,196.8 million i.e. 20.5% as compared with 2020 Budget. This reduction is mainly due to a decline in oil and gas revenue by RO 1,902.3 million as a result of lower average crude oil price of US\$ 47.6 per barrel over the assumed price of US\$ 58 per barrel in 2020 Budget. This is in addition to the consequences triggered by COVID-19 pandemic.

Public Spending

Despite the commitment of the Government to pay the deferred payments from previous years with a value of RO 283 million, the actual total spending in 2020 remained lower than the budgeted figures by RO 274.3 million i.e. 2.1%. The public spending in 2020 totaled RO 12,925.7 million. This reduction comes in line with the precautionary measures taken by the Government to mitigate the effects of lower oil prices and COVID-19 pandemic. The measures have helped to reduce development expenditure of Government civil units by 11% compared with the approved budget.

On the other hand, subsidy and contributions saw a rise in 2020 by 29.5% as a result of meeting additional needs and settling pending payments of previous years. In addition, oil and gas production expenses increased by 12% reflected by a rise in gas procurement.

Deficit

The actual deficit in 2020 increased to RO 4,422.5 million, up by 76.9% as compared to 2020 budget deficit of RO 2,500 million due to a sharp drop in oil and non-oil revenues over the budgeted figures.

The total external and local funding obtained represents 88.7%, while an amount of RO 500 million was withdrawn from OIA to cover the remaining 2020 actual deficit i.e. 11.3% of total deficit.

* **Final Account:** refers to the financial statement that includes actual revenue and expenditure of the State of the previous financial year. Further details of the State's Final Account for FY 2020 will be published in the Official Gazette.



Global Economy

Global Economy to Grow by 6% in 2021

According to IMF's World Economic Outlook Update (July, 2021), the global economy is projected to grow 6% and 4.9% in 2021 and 2022, respectively. The 2021 global forecast is unchanged from the April 2021 WEO, but with offsetting revisions. Prospects for emerging market and

developing economies have been marked down for 2021, especially for Emerging Asia. By contrast, the forecast for advanced economies is revised up. These revisions reflect pandemic developments and changes in policy support.

Global Oil Market

According to a recent report released by U.S. Energy Information Administration (EIA), Brent crude oil spot prices averaged US\$ 73 per barrel in June, up US\$ 5 per barrel from May and US\$ 33 per barrel higher than in June of last year.

The EIA predicts that global oil production, largely from OPEC+ members, will increase by more than global oil consumption. It also expects rising production will keep

prices similar to current levels, averaging US\$ 72 per barrel during the second half of 2021. However, in 2022, EIA expects that continuing growth in production from OPEC+ and accelerating growth in U.S. tight oil production, along with other supply growth, will outpace growth in global oil consumption and contribute to declining oil prices. Based on these factors, EIA predicts Brent to average US\$ 67 per barrel in 2022.

National Economy

In 2021, the key credit rating agencies released their credit analysis on Oman's credit rating in light of the ongoing challenges faced by Oman. Such challenges reflected by fiscal consolidation measures and impacts of COVID-19 pandemic on national economy.

S&P Global Ratings affirmed, in its credit rating report released in last April, its 'B+/B' long- and short-term foreign and local currency sovereign credit ratings on Oman. The outlook is stable. S&P expects economic and fiscal pressures on Oman to ease from the current year.

In its report issued in May 2021, Fitch Affirmed Oman at 'BB-'. Fitch predicts that the budget deficit will narrow to 6.1% of GDP in 2021, and projects growth to strengthen to 3.3% in 2022.

Furthermore, Moody's upholds Oman's credit rating at Ba3 according to the report issued recently in July. Moody's projects real GDP growth from -2.6% in 2020 to 2.6% in 2021 and 3.5% in 2022. It also forecasts budget deficit to improve from -18.1% in 2020 to -3.6% in 2021.