

Fiscal Performance

Monthly Bulletin Published by the Ministry of Finance



As of end-February
2022

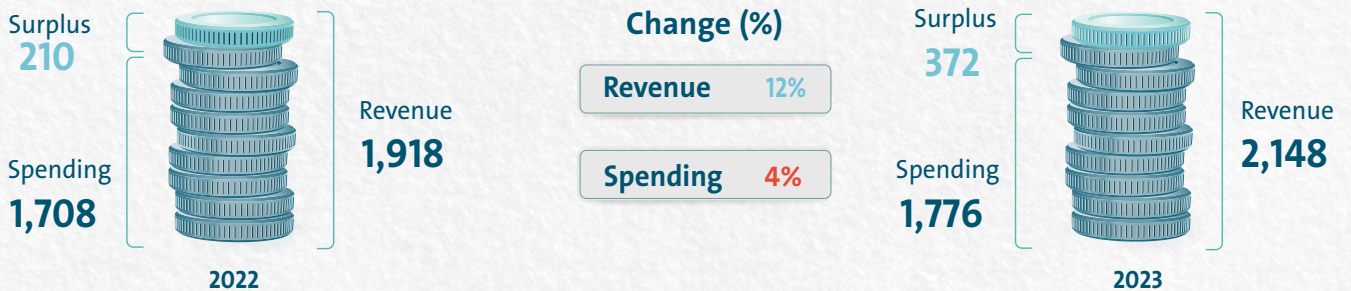


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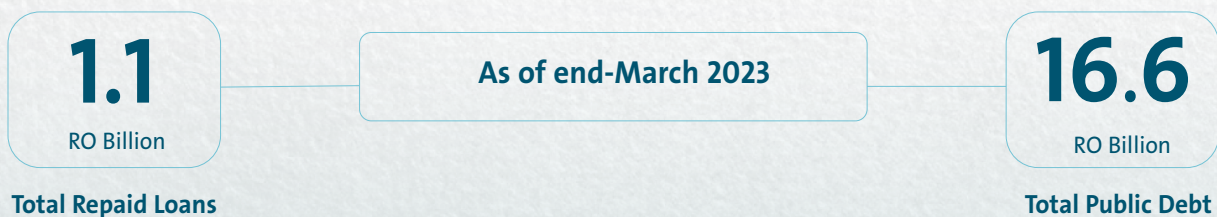
1,019	Average of Daily Oil Production (Thousand bbl)	1,064
81	Average Oil Price (US\$ per barrel)	86
1,094	Net Oil Revenue (RO Million)	1,153

► Fiscal Performance at the End of February

RO Million



The additional revenue was utilised to repay part of Government debt



Fiscal Performance

As of End-February 2023

► Public Revenue

At the end of February 2023, public revenue amounted to RO 2,148 million, up by 12% when compared to RO 1,918 million registered over the same period in 2022. **This is mainly due to an increase in oil and gas revenues, representing 78% of total public revenue, and an increase of current revenue by 51%.**

RO Million

Statement (As of end-February)	2022	2023	Change (%)
Net Oil Revenue	1,094	1,153	5%
Gas Revenue	509	521	2%
Current Revenue	311	471	51%
Capital Revenue & Repayments	4	3	25%
Total	1,918	2,148	12%

The following are the most important items of public revenue:

- **Net Hydrocarbon Revenue:** at the end of February 2023, net oil revenue amounted to RO 1,153 million, up by 5% when compared to RO 1,094 million achieved over the same period in 2022. This is driven by higher oil prices of US\$ 86 per barrel, as well as an increase in oil production to 1,064 thousand barrels per day. Furthermore, gas revenue increased to RO 521 million, up by 2% when compared to the same period in 2022.
- **Current Revenue:** at the end of February 2023, current revenue amounted to RO 471 million, up by RO 160 million when compared to RO 311 million registered over the same period in 2022.

Fiscal Performance

As of End-February 2023

► Public Spending

At the end of February 2023, public spending amounted to RO 1,776 million, up by RO 68 million, i.e. 4% when compared to the same period in 2022. This is mainly due to an increase in current expenditure and contributions and other expenses by RO 108 million, while gas purchase and transport expenditure declined by RO 132 million as a result of transferring such expenditure to Integrated Gas Company during 2023. **The followings are the most important items of public spending:**

- **Development Expenditure:** development expenditure of ministries and government units amounted to RO 50 million, representing 6% of total development spending, i.e. RO 900 million, allocated for 2023.
- **Current Expenditure:** at the end of February 2023, the current expenditure of civil ministries amounted to RO 643 million, up by RO 32 million, when compared to RO 611 million registered over the same period in 2022.
- **Contributions and other Expenses:** at the end of February 2023, total contributions and other expenses amounted to RO 133 million, up by 133.3% when compared to RO 57 million registered over the same period in 2022. Oil product subsidy and water sector subsidy amounted to RO 47 million and RO 17 million, respectively, by the end of February 2023. Additionally, an amount of RO 66 million transferred to future debt obligations budget-item.

► Deficit/Surplus

At the end of February 2023, the budget achieved a surplus of RO **372** million compared to a surplus of RO **210** million registered over the same period in 2022.

During the first quarter of 2023, the Government repaid RO 1.1 billion against public debt, reducing the total Government debt to RO 16.6 billion at the end of March 2023, as compared with RO 17.7 billion registered at the end of 2022.

Global and National Economic Performance



Global Economic

According to Fitch Ratings' Global Economic Outlook (GEO) (March, 2023), the world growth outlook in 2023 have improved significantly since December. This reflects China's reopening, a material easing of the European natural gas crisis and surprising near-term resilience in US consumer demand. The agency forecasts the world growth at 2.0% in 2023, revised up from 1.4% in the December 2022 GEO. Moreover, Fitch revised US and Eurozone growth to 0.8% from 0.2% and 1.0% from 0.2% respectively. Additionally, it raised China growth to 5.2% from 4.1%.

Global Oil Market

In a recent report released during the current month, Goldman Sachs Group has raised price forecasts for Brent crude futures after the announcement from OPEC+ to voluntarily reduce oil output further by more than one million barrels per day. According to Goldman Sachs, the Brent crude oil is expected to reach US\$ 95 per barrel by the end of 2023, and US\$ 100 per barrel by the end of 2024.

National Economic

In a report released last month, S&P Global Ratings revised Oman's Outlook to positive and affirmed its ratings at "BB". The agency said that the revised outlook came as a result of the reform measures undertaken by Oman in the financial and economic areas, which could strengthen the resilience of the national economy. S&P forecasts the real GDP to grow by 2.5% a year on average over 2023-2026. It also expects non-oil sector growth will average about 3.5% over 2025-2026.

From Fiscal Balance to Fiscal Sustainability

“We appreciate your response and your positive reaction to government measures under these financial and economic conditions undergone by the Sultanate of Oman with the purpose of rationalizing spending and shrinking fiscal deficit and public debt. The aim of these measures and plans is to achieve fiscal sustainability and to establish grounds for the implementation of strategic development projects in all parts of the Sultanate of Oman.

Despite the challenges faced by our economy, we are certain that the Fiscal Balance Plan and relevant measures, endorsed recently by the Government, will undoubtedly steer our economy to the shores of safety. During the upcoming five years, the economy will witness rates of growth that meet the expectations of all citizens of this dear country.”

Haitham bin Tarik
Sultan of Oman

Why Fiscal Balance (Tawazun)?

Since 2014 until 2020, the global energy crisis led to a sharp decline in global oil prices, which adversely affected Oman’s economy. The implications reflected by a decline in public revenue, higher annual deficit, accumulation of public debt and rising cost of debt servicing. Additionally, the COVID-19 pandemic posed greater challenges for the national economy. All these factors led to worsening of the fiscal position and lowering Oman’s credit ratings.

Ratings Agencies	2014	2015	2016	2017	2018	2019	2020	2021	2022
Moody's	A1	A1	BAA1	BAA2	BAA3	BA1	BA3	BA3	BA3
Standard and Poor's	A	BBB+	BBB-	BB	BB	BB	BB-	B+	BB-
Fitch	—	—	—	BBB-	BB+	BB+	BB-	BB-	BB

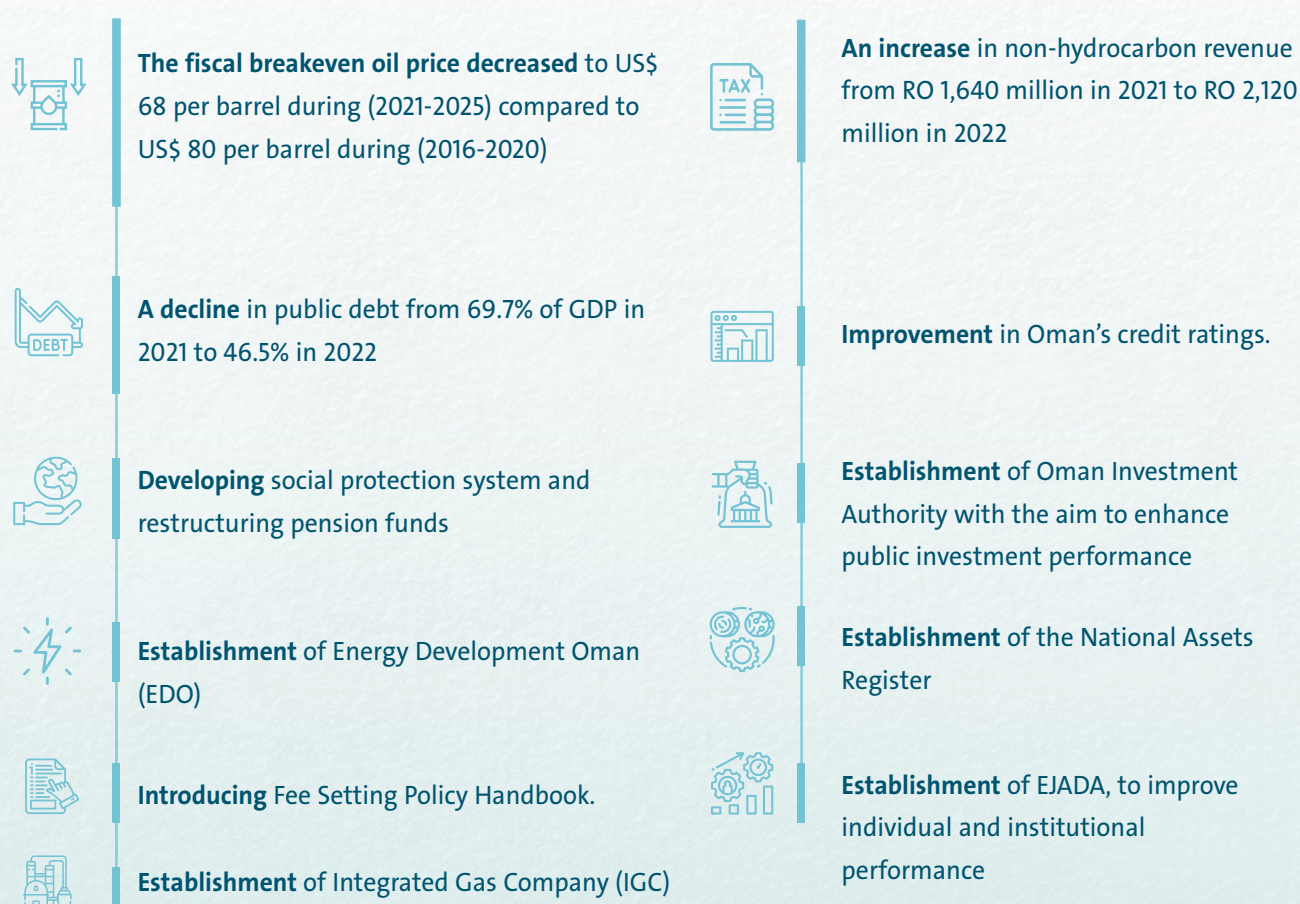
The beginning

On 22nd October 2020, the National Program for Fiscal Balance (**Tawazun**) launched the **Medium Term Fiscal Plan 2020-2024 (MTFP)**. The plan aimed at laying down the foundations for fiscal sustainability, striking a fiscal balance between revenue and spending and reducing public debt. In addition to enhancing spending efficiency, diversifying sources of income, and reducing fiscal deficit.

The Main Pillars of MTFP



The most significant results of MTFP during the first three years since implementation, as follows:



From Fiscal Balance to Fiscal Sustainability

The National Programme for Fiscal Sustainability and Financial Sector Development was launched with the aim to continue implementing the measures of fiscal balance. In addition to develop financial and banking sector by introducing initiatives and projects which help to ensure the achievement of economic objectives outlined by Oman Vision 2040.

Objectives

01

Continue improving public finance, and completing relevant initiatives

02

Strengthening readiness of financial sector

03

Improving the competitiveness of private financial sector and expand its participation

