

Oman's 2017 budget: An Analysis

9 January 2017



Ninth Five Year Plan (FYP9) [A snap shot]

	2016	2017	2018	2019	2020
	ROm				
Revenue					
Oil	4,560	5,490	5,480	6,020	6,010
(US\$/bbl)	45	55	55	60	60
Gas	1,590	1,675	1,840	1,950	2,050
Non-oil and gas	2,450	2,635	2,980	3,130	3,240
Total revenue	8,600	9,800	10,300	11,100	11,300
Expenditure					
Defense and security	(3,500)	(3,600)	(3,700)	(3,800)	(3,900)
Oil and gas production	(1,790)	(2,190)	(2,460)	(2,570)	(2,380)
Civil ministries	(4,620)	(4,670)	(4,820)	(4,970)	(5,170)
Development	(1,350)	(1,550)	(1,650)	(1,850)	(1,900)
Others	(640)	(690)	(670)	(710)	(750)
Total expenditure	(11,900)	(12,700)	(13,300)	(13,900)	(14,100)
Deficit	(3,300)	(2,900)	(3,000)	(2,800)	(2,800)
Deficit (% of total revenue)	38%	30%	29%	25%	25%

Comparing the 2017 budget with FYP9

	2017 Budget ROm	Change (%) from FYP9	FYP9 ROm
Oil and gas	6,110	(15)	7,165
(US\$/bbl)	45	(18)	55
Non-oil and gas	2,590	(2)	2,635
Total revenue	8,700	(11)	9,800
Defense and security	(3,340)	(7)	(3,600)
Oil and gas production	(1,820)	(17)	(2,190)
Civil ministries	(4,400)	(6)	(4,670)
Development	(1,340)	(14)	(1,550)
Others	(800)	16	(690)
Total expenditure	(11,700)	(8)	(12,700)
Deficit	(3,000)	3	(2,900)
Deficit (% of total revenue)	35%	17%	30%

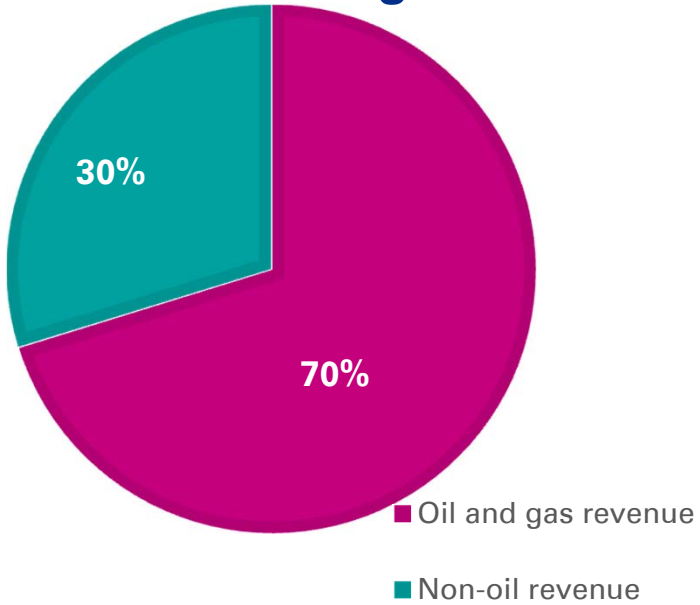
Comparing the 2017 budget with 2016 budget and actuals

	2017 budget	Change (%) 2016 budget	Change (%) 2016 actual	2016 budget	2016 actual	Change (%) 2016 budget
	ROm					
Revenue						
Net Oil	4,450	(2)	21	4,560	5,038	(18)
Gas	1,660	4		1,590		
Non-oil and gas	2,590	6	12	2,450	2,312	(6)
Total revenue	8,700	1	18	8,600	7,350	(15)
Expenditure						
Defense and security	(3,340)	(5)		(3,500)		
Oil and gas production	(1,820)	2		(1,790)		
Civil ministries	(4,400)	(5)		(4,620)		
Development	(1,340)	(1)		(1,350)		
Others	(800)	25		(640)		
Total expenditure	(11,700)	(2)	(8)	(11,900)	(12,650)	6
Deficit	(3,000)	(9)	(43)	(3,300)	(5,300)	61
Deficit (% of total revenue)	35%	(8)	(51)	38%	72%	89

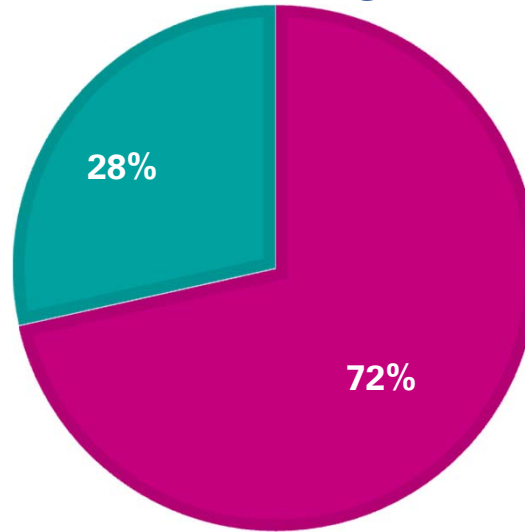


Revenue by sector

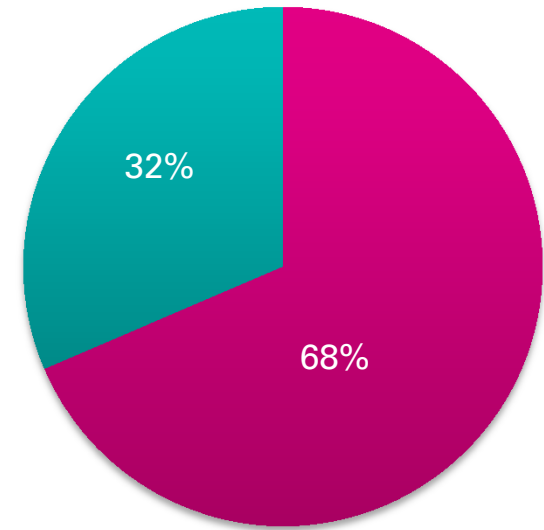
2017 budget



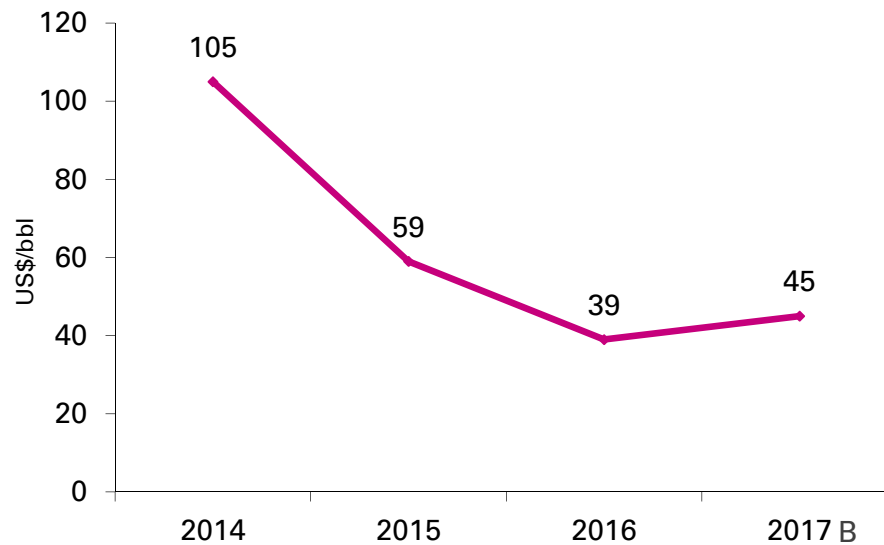
2016 budget



2016 actual



Average oil price



Analysis of non-oil and gas revenue

	2017 Budget (ROm)	Change (%) from 2016 budget	Change (%) from 2016 actual	2016 Budget (ROm)	2016 Actual (ROm)	Change (%) from 2016 budget
Corporate tax	400	(23)		520		
Non-Omani labour license fees	310	22		254		
Custom duties	370	18		313		
Others	343	42		242		
Tax and fees revenue	1,423	7		1,329		
Income from government investments	200	(60)		500		
Miscellaneous revenue	298	714		36		
Others	669	14		585		
Other than tax revenue	1,167	4		1,121		
Total non-oil and gas revenue	2,590	6	12	2,450	2,312	(6)

Non-oil and gas revenue

- Non-oil and gas revenue is estimated at RO2.59b compared to RO2.45b in 2016's budget and is 12% more than 2016 actual revenue of RO 2.31b
- A significant decline of RO 120m is budgeted for corporate tax revenue - almost the same as 2016's actual collections
- Expected amendments to corporate tax law in 2017:
 - Corporate income tax rate likely to rise from 12% to 15%
 - RO30,000 tax free limit likely to be removed
 - Scope of withholding taxes could be widened
 - Scope of tax exemptions likely to be reduced

Non-oil and gas revenue (cont.)

- Other tax and fees revenues are expected to increase significantly, including non-Omani labor license fees (up by 22 percent) and customs duties (up by 18 percent)
- Excise taxes (100 percent on tobacco and alcohol and 50 percent on soft drinks) are likely to be introduced in 2017 in conjunction with the other five GCC countries
- Income from government investments is budgeted to decline to RO200m from the RO500m budgeted in 2016
- Other measures to raise revenue: miscellaneous revenue (RO298m in 2017 compared to RO37m in 2016), revenue from airports (RO65m in 2017 compared to RO38m in 2016) and miscellaneous administrative fees and charges (RO 56m in 2017 compared to RO 39m in 2016)

Analysis of expenses

	2017 Budget (ROm)	Change (%) from 2016 budget	Change (%) from 2016 actual	2016 Budget (ROm)	2016 Actual (ROm)	Change (%) from 2016 budget
Defense and security	3,340	(5)		3,500		
Oil and gas production	1,820	2		1,790		
Development	1,340	(1)		1,350		
Education	1,585	(4)		1,645		
Health	612	(3)		633		
Social security and welfare	487	(5)		511		
Housing	504	(4)		527		
Public services	525	(3)		543		
Subsidies	395	(1)		400		
Interest on loans	265	194		90		
Others	827	(9)		911		
Total expenditure	11,700	(2)	(8)	11,900	12,650	6

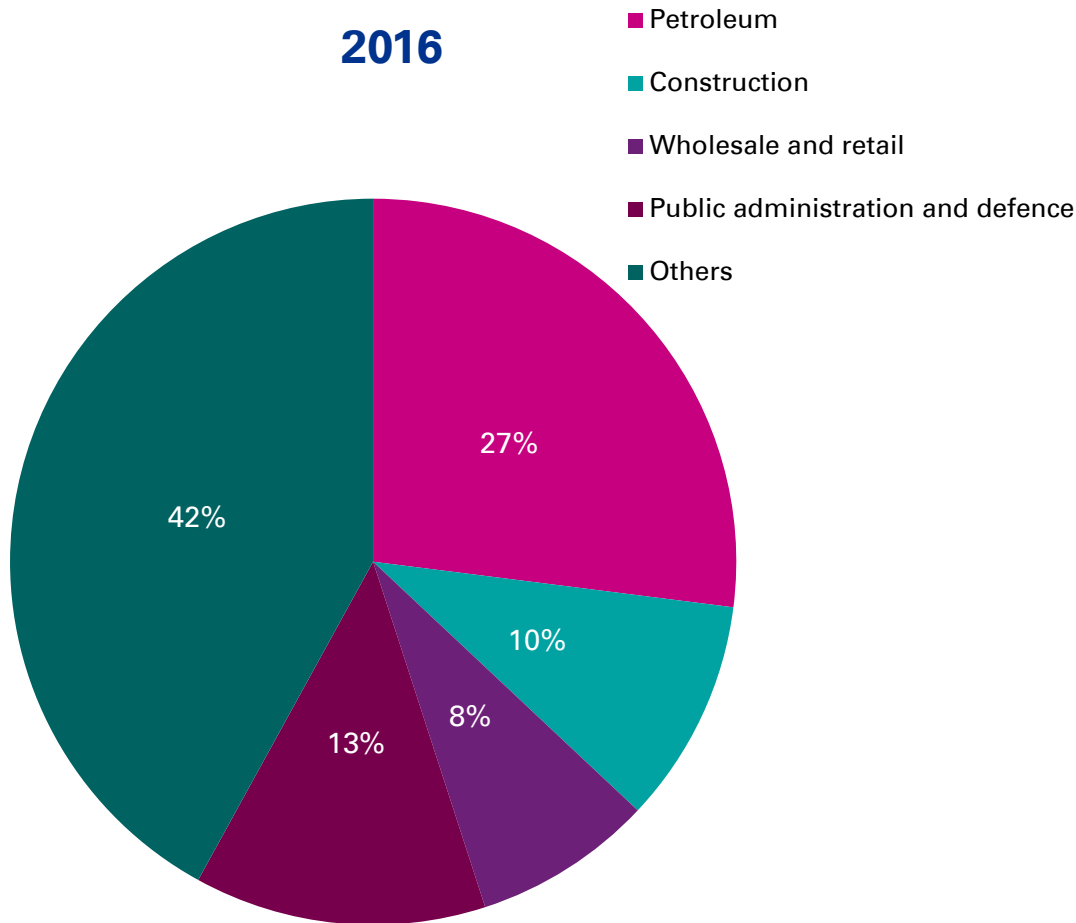


Other highlights

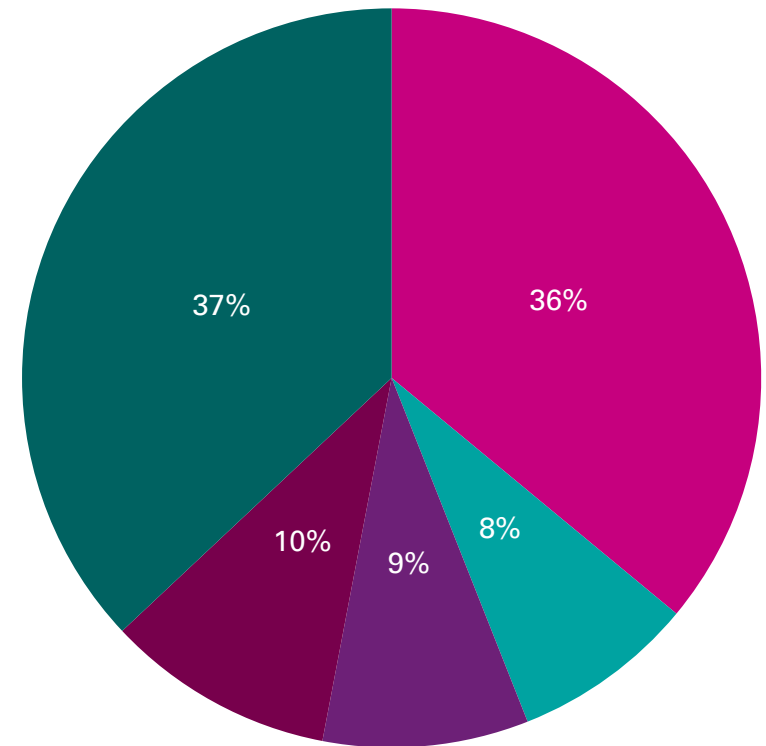
- Announcement made to sell government assets through privatization scheme
- Tanfeedh set to start this year and expected to:
 - Boost GDP by more than RO 1.7b
 - Create job for Omani nationals
- Estimated total expenditure < 8% Actual 2016
< 2% Budget 2016
- Overall spending allocated for the welfare sectors remain unchanged at 23 % of total expenditure
- Development expenditure remains unchanged from the 2016 budget

GDP by sector (June 2016)

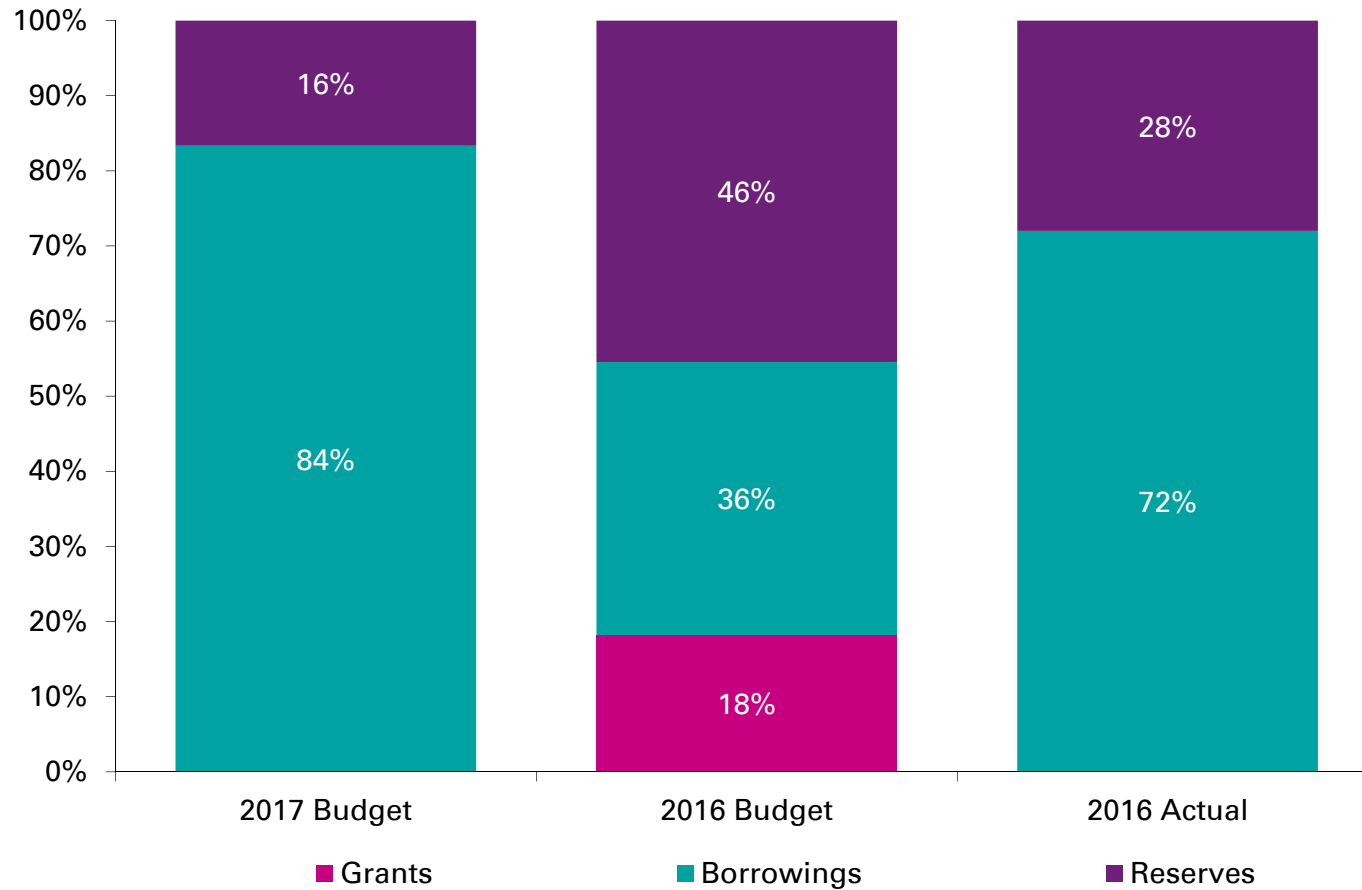
2016



2015

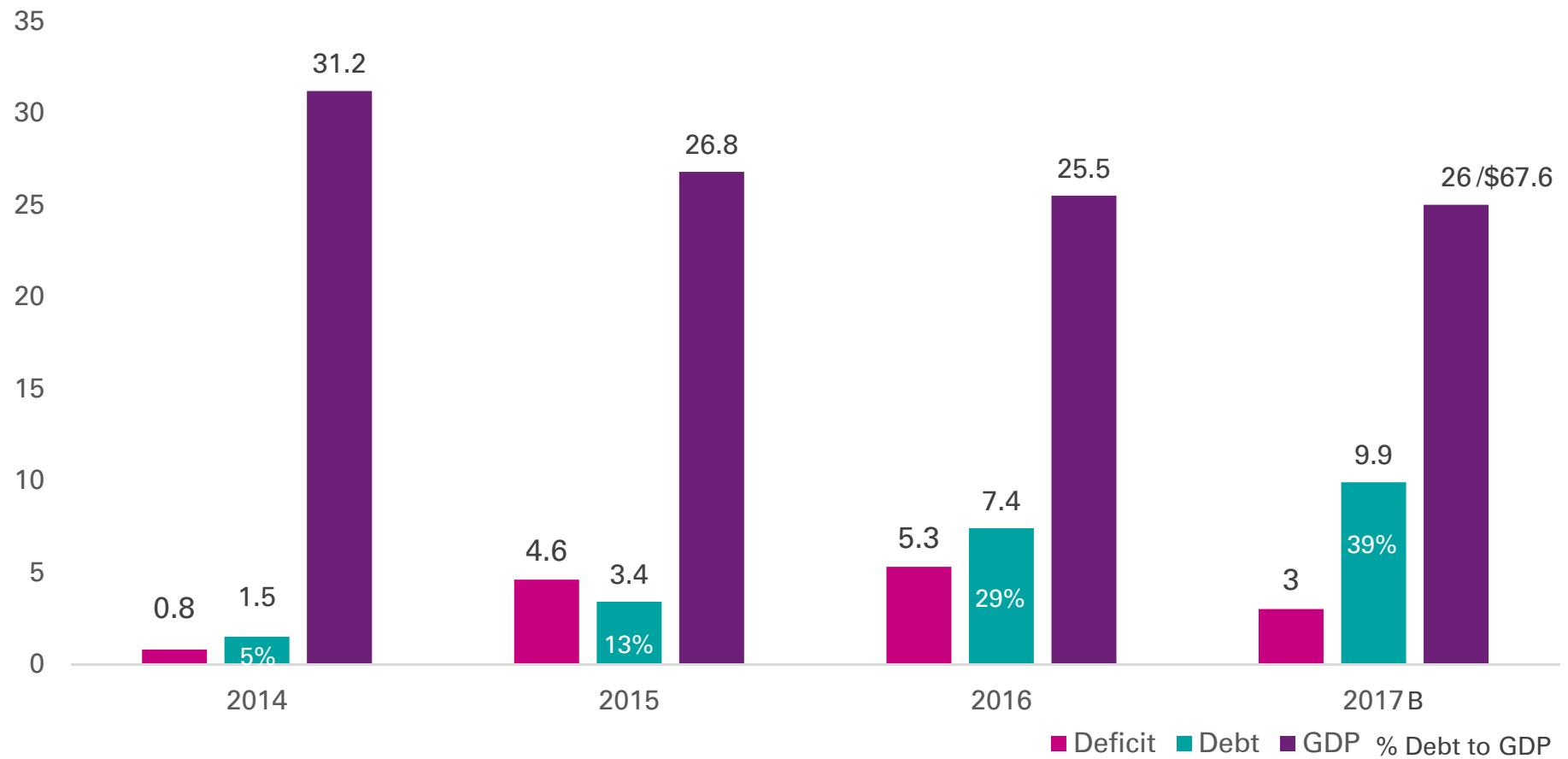


Deficit financing



Analysis of Oman GDP

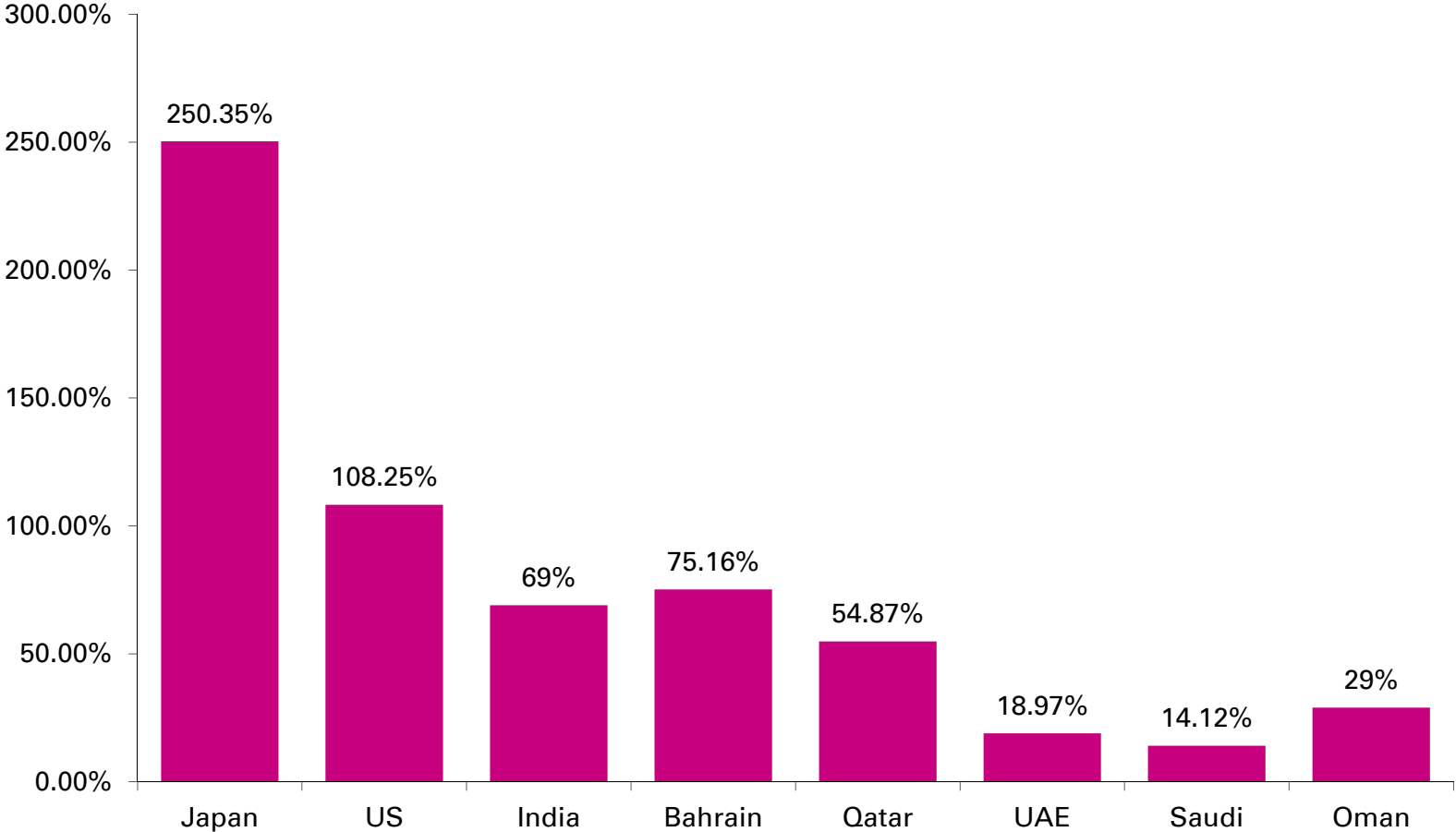
RO billion



FYP9 targets annual growth of 3%. GDP by 2020 is expected to be RO 28.7b



Comparing Oman's 2016 debt: GDP ratios with other countries



Fitch's ratings of Oman- Highlights

- Issuer Default Ratings (IDRs)

Particulars	Year	Ratings
Long term	2014	(A)
	2015	(A-ve)
	2016	(BBB - Stable outlook)
Short term	(F2)	
Country ceiling	(A-ve)	

- Credit rating has declined because of lower oil prices and increasing reliance on public financing
- Draw-downs from wealth funds to finance budget deficits will result in sovereign net foreign assets falling to 28% of GDP by 2018 from 48.5% of GDP at end-2016
- Fitch also forecast that the government's net domestic assets (mostly bank deposits minus local debt) will remain above 10% of GDP



Thank you



Source of the information: Statista 2017, National Centre for Statistics & Information (December 2016) and the 2017 budget

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