Oman’s economic freedom score is 56.6, making its economy the 108th freest in the 2022 Index. Oman is ranked 8th among 14 countries in the Middle East and North Africa region, and its overall score is below the regional and world averages.

Oman’s economy gained strength from 2017 through 2018, turned negative in 2019, and contracted further in 2020. Growth returned in 2021. Economic freedom has fluctuated over the past five years. With sharp score decreases in judicial effectiveness, fiscal health, business freedom, and trade freedom, Oman has registered a 5.5-point overall loss of economic freedom since 2017 and has fallen from the “Moderately Free” category to the “Mostly Unfree” category. Property rights and monetary freedom are strong points, but labor freedom is mediocre.

IMPACT OF COVID-19: As of December 1, 2021, 4,113 deaths had been attributed to the pandemic in Oman, and the government’s response to the crisis ranked 106th among the countries included in this Index in terms of its stringency. The economy contracted by 6.4 percent in 2020.

BACKGROUND: The relatively small kingdom of Oman is one of the least populous Arab countries. Sultan Qaboos bin Said Al-Said, who ruled from 1970 until his death in 2020, was replaced by his cousin, Haitham bin Tariq al-Said. During the 2011 Arab Spring protests, Sultan Qaboos changed cabinet ministers and implemented reforms by expanding government regulatory and legislative powers. As part of its efforts to decentralize authority and allow greater citizen participation in local governance, Oman conducted its first municipal council elections in 2012. Oman joined the World Trade Organization in 2000 and is heavily dependent on its dwindling oil resources, which generate about four-fifths of government revenue. Tourism, shipping, mining, manufacturing, and gas-based industries are key components of the government’s diversification strategy.
Although the legal system facilitates the acquisition and disposition of property, Oman does not recognize or enforce securitized interests in property. Foreigners are generally barred from owning real estate. The judiciary is competent but remains subordinate to the sultan and the Ministry of Justice. The legal code does not provide an effective framework for the prevention, exposure, and impartial prosecution of corruption.

There is no individual income tax, and the top corporate tax rate is 15 percent. There are no consumption or value-added taxes. The overall tax burden equals 2.6 percent of total domestic income. Government spending has amounted to 47.3 percent of total output (GDP) over the past three years, and budget deficits have averaged 10.8 percent of GDP. Public debt is equivalent to 81.1 percent of GDP.

Updates to Oman’s Commercial Companies Law, Foreign Capital Investment Law, Privatization Law, Public–Private Partnership Law, and Bankruptcy Law are intended to improve the business climate and open more sectors to private-sector competition. “Omanization” quotas mandate the hiring of Omani nationals who are legally very hard to dismiss. In 2021, the government increased subsidies for food commodities, fuel, electricity, and water.

Oman has four preferential trade agreements in force. The trade-weighted average tariff rate is 5.8 percent, and 19 nontariff measures are in effect. There is no general screening of foreign investment. Efforts to increase transparency and streamline the investment framework are ongoing. Most credit is offered at market rates, but the government uses subsidized loans to promote investment. The Muscat Securities Market is active and open to foreign investors.