

Letter From Oman

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Our first visit to Oman last week was remarkable in several respects. We were reminded again how regional countries – whether in Europe, Asia, or MENA – can be so similar yet so different.

Oman, like Saudi Arabia, Kuwait, Qatar and the UAE, is a monarchy, yet is unique in being a sultanate. It is also the oldest independent state in the Middle East. Its tourism sites are as spectacular as they are relative unknown [[link](#)]. The most popular beverage is Mountain Dew, which could account for the high energy level we noted among residents.

The economy of Oman, with a population of 5.5 million, is centered around oil, travel, agriculture, and infrastructure. Its Vision 2040 aims to diversify and modernize the country socially, culturally, and economically. Helping to implement this is the Oman Investment Authority (OIA). Its prime responsibility “encompasses the prudent management of the Sultanate of Oman’s funds and assets, with a strategic focus on optimizing returns.”

By regional standards, Oman’s sovereign wealth fund at \$60 billion is not large. Its components are the Future Generations Fund (FGF), which includes “OIA’s international assets as well as investments in both public and private markets.” The second is National Development Fund (NDF) which promotes “economic diversification and the growth of targeted sectors within Oman” and is a holding entity for a wide spectrum of assets and businesses.”

In a like manner, the government has streamlined ten of its pension funds into one, the Social Protection Fund (SPF). Its mission is to provide a safety net for Omanis.

Stock and bond markets aren’t deep here because many businesses stayed in the families. Banks were the main providers for financing these businesses, not much private or public capital. Many large companies have never issued a bond. A common MENA thread is that families still control the economy. Large companies are family or government owned.

A recent capital markets conference signaled change is coming. The CEO of the Muscat Stock Exchange reported that five government divestments and fresh IPO activity will raise trading activity, demonstrating “Oman’s capital market is well-equipped to absorb opportunities.”

Alternatives are a major investment theme. Institutional investors like the consistent income stream and act like endowments and sovereign wealth funds. Their liabilities are limited, even those of pension plans which are far in the future. This allows room for less-liquid assets.

Private capital’s future has fewer barriers in the Middle East. With the concentration of family wealth, support for growth capital comes from family offices and foundations.

The challenge is that growth is capped with family-owned businesses. They need far more flexible finance, and that would be accomplished more effectively with more corporate-style organized structures. Time will tell how

long it takes for that change to take place.