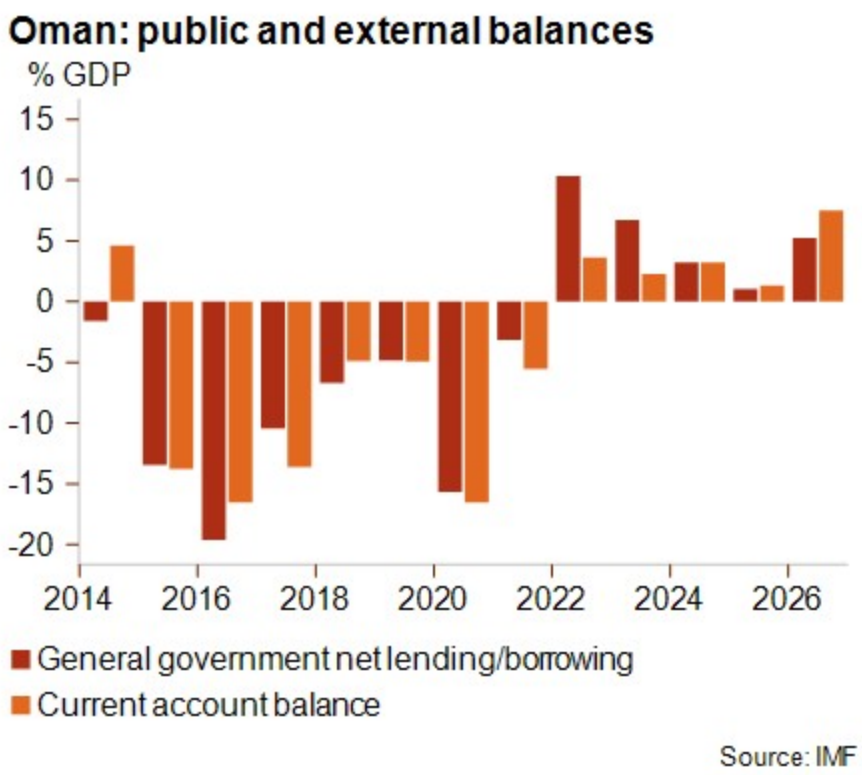
Oman: Middle East conflict and disruptions in the Strait of Hormuz highlight strategic opportunities and risks | Credendo

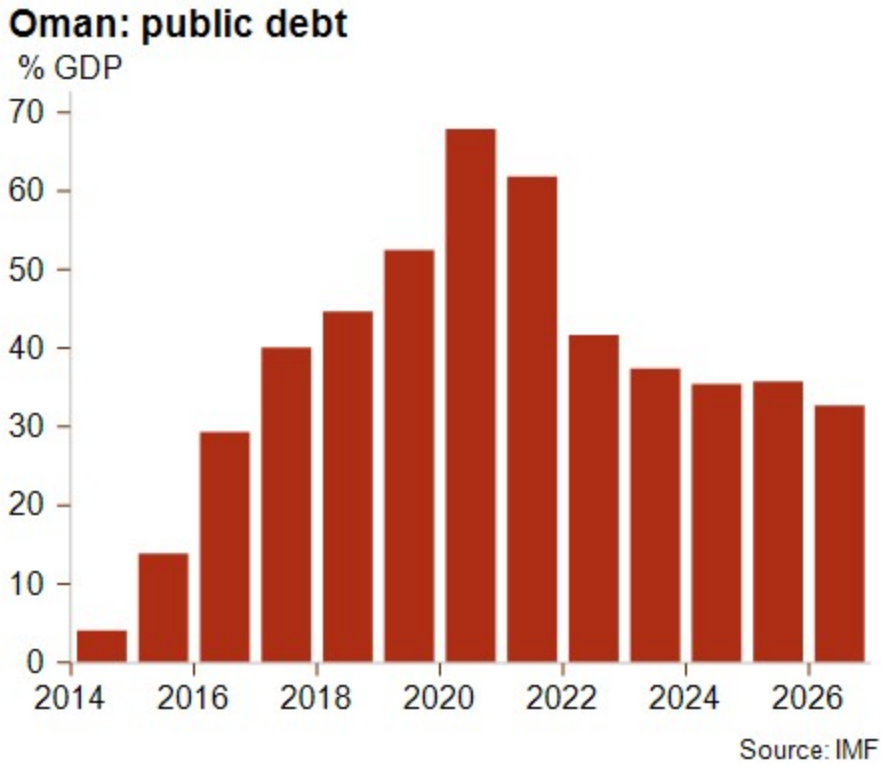
Event

Oman's location south of the Strait of Hormuz and its ports on the Arabian Sea, including Sohar and Duqm, make it the GCC (Gulf Cooperation Council) country least exposed to shipping disruptions through the strait. Additionally, it has not been among the primary targets of Iran's strikes.

Impact

In recent years, Oman's macroeconomic position has improved significantly, supported by high hydrocarbon prices and prudent macroeconomic policies. Amid the current Middle East conflict, these stronger macroeconomic buffers and, especially, the country's favourable geographical position are supporting its outlook. Oman is estimated to be benefitting from higher oil prices and has reportedly even increased oil production marginally.





Looking ahead, a key determinant of the medium- to long-term outlook will be how the hostilities are brought to an end and whether safe and free navigation through the Strait of Hormuz is restored. Given the high degree of uncertainty surrounding the conflict, it remains difficult to assess its long-term implications for Oman and the broader region. One potentially positive development is that the vulnerabilities exposed by disruptions at key maritime chokepoints, particularly the Strait of Hormuz, could enhance Oman's strategic importance as a hub for alternative trade and

shipping routes. However, developing such corridors would take time and remains subject to significant risks. Attacks on Oman's main ports, including Duqm and Salalah, underscore the vulnerability of the country's strategic assets to regional escalation. This suggests that both current infrastructure and any future alternative trade corridors could become targets in a deteriorating geopolitical environment.

Additionally, Oman is not insulated from developments in the broader region. Prolonged regional instability could weigh on the country's economic prospects by weakening investor confidence, raising financial risk premia and constraining sectors central to diversification efforts. Adverse spillovers from disruptions affecting key trading partners, notably Saudi Arabia, could further cloud the country's economic outlook. In this context, Credendo maintains a stable outlook for Oman's short-term and medium- to long-term political risk ratings, classified in categories 3 and 4 respectively.

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