



وزارة المالية والاقتصاد الوطني

Ministry of Finance
and National Economy

Economic Report

Kingdom of Bahrain

2022

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البحرين
BAHRAIN

SUMMARY

NON-OIL SECTOR CONTRIBUTION REACHED AN ALL-TIME HIGH

Bahrain's economic diversification initiatives have resulted in the highest ever recorded annual non-oil sector contribution to real GDP at 83.1% in 2022, reflecting the collaborative efforts of the public and private sectors in growing the non-oil economic sectors. According to the preliminary national accounts data produced by the Information and eGovernment Authority, Bahrain's economy recorded a significant growth rate of 4.9% in real terms in 2022.

- ◆ **Real GDP grew by 4.9% in 2022 compared to the previous year**, which is the highest real GDP growth rate since 2013. This was driven by the non-oil sector which grew by 6.2%, the highest growth rate recorded over the past ten years, thus, exceeding the 5.0% real growth target set in the Economic Recovery Plan.
- ◆ **Non-oil sectors witnessed YoY growth in 2022 in real terms**, with Hotels and Restaurants leading at 13.9%, followed by Government Services at 6.7%, Real Estate & Business Activities at 5.5%, Trade at 5.4%, Manufacturing at 4.9%, Transportation & Communications at 4.5%, Financial Corporations at 4.1%, and Construction at 1.4%.
- ◆ **In the fourth quarter of 2022, the real GDP growth reached 4.1% YoY**, while non-oil sector contribution to GDP rose to 83.5% according to preliminary data. The Government Services sector grew by 8.4% in real terms, and the Financial Corporations sector recorded a notable growth of 8.2%. Both Trade and Real Estate & Business Activities sectors recorded growths of 6.6% and 6.0%, respectively, while the Manufacturing sector grew by 4.9%.

BAHRAIN ECONOMIC OUTLOOK

	2021	2022 Prelim	2023 Forecast	2024 Forecast
Real GDP growth (%)	2.7%	4.9%	2.9%	3.1%
Non-hydrocarbons sector	3.3%	6.2%	3.5%	3.6%
Hydrocarbons sector	-0.3%	-1.4%	0.0%	0.3%
Nominal GDP growth (%)	13.5%	12.9%	2.0%	4.9%
Inflation (CPI %)	-0.6%	3.6%	2.5%	3.0%
Current account (% of GDP)	6.6%	15.4%	6.5%	6.2%

Source: Ministry of Finance and National Economy estimates

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GLOBAL CONTEXT

Global Prospects

Global economic activity slowed down in 2022 with the International Monetary Fund (IMF) estimating a 3.4% growth rate for the year following an exceptional 6% global growth in 2021. As per the latest World Economic Outlook (WEO) released in January 2023, the IMF projects an economic growth of 2.9% for the year 2023, and is expected to reach 3.1% in 2024, expecting a slightly better economic recovery in the years to come.

Many reasons contributed to the IMF's lower economic growth projections including: (1) the energy security situation in Europe caused by the Russian-Ukrainian war, (2) the residual effects of COVID-19, especially after China imposed stricter policies to confront the pandemic, which led to disruptions in global supply chains, despite their recent easing, and (3) high global inflation levels which led the US Federal Reserves to raise the interest rates.

The WEO January report forecasts global inflation to decline from 8.8% in 2022 to 6.6% in 2023, and to 4.3% in 2024. To combat these high levels of inflation, the US Federal Reserve pursued tighter monetary policy by imposing seven interest rates hikes over the course of 2022 starting with a 25-basis points increase in March, followed by a 50-basis points increase in May, then by an equal increase of 75-basis points in June, July, September, and November, and finally up by 50-basis points in December. Thus, federal funds rate increased from 0.25% to 4.50% in 2022.

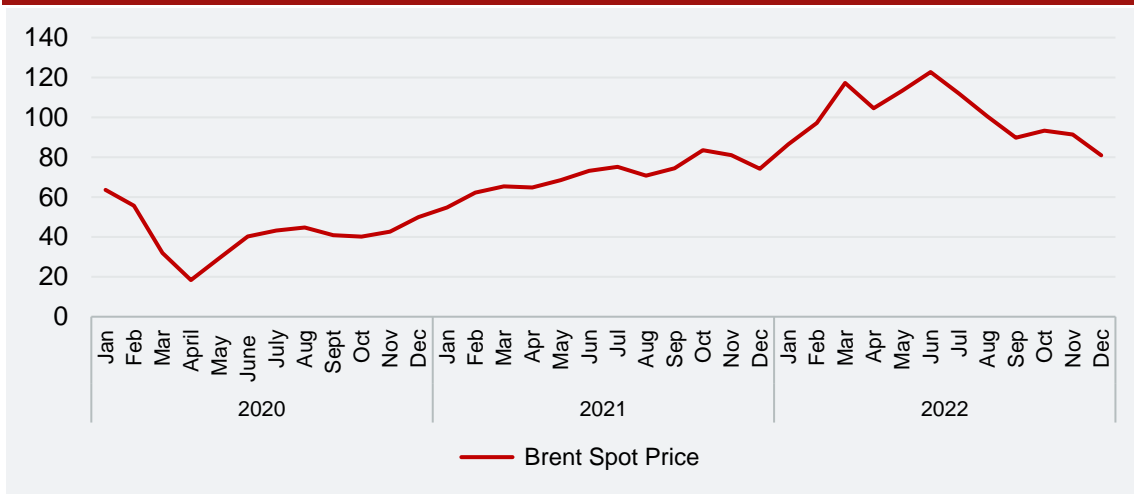
In terms of economic performance in 2022, the US real GDP recorded a 2.1% increase following a jump of 5.9% in 2021, while the Eurozone recorded a growth rate of 3.5% in 2022 after recording a growth rate of 5.3% in 2021. As for China's economy, GDP grew by a rate of 3.0% during 2022 compared to 8.4% in 2021, falling below official expectations, which aimed to exceed 5.5% growth in 2022.

The slowing global growth has exerted some downward pressure on oil prices since the sharp rally in Q1 2022. The Brent crude oil price fell to USD 80.9 in December from a monthly average of USD 122.7 per barrel in June 2022, resulting in vague oil demand predictions. This economic backdrop pushed the OPEC+ to maintain strict policies and cut its production quotas by 3 million barrels per day toward the end of the year. The Organization of the Petroleum Exporting Countries (OPEC) in its February 2023 report raised its global oil demand growth forecast for the year 2023 by 100 thousand barrels per day to 2.3 million barrels per day. This will bring the total daily demand to 101.9 million barrels per day.

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Europe Brent Spot Oil Price (USD per barrel)



Source: US Energy Information Administration

GCC Economic Performance

In spite of economic difficulties globally, the GCC economies posted growths in 2022, aided by improvements in the non-oil sector as well as rising oil prices. According to the IMF, GCC economies are estimated to have grown by 6.5% in 2022. This is expected to moderate to 3.6% in 2023 because of slower oil production growth.

According to The General Authority for Statistics in the Kingdom of Saudi Arabia, real GDP increased by 8.7% during 2022, with the oil sector recording an increase of 15.4% and the non-oil sector recording a 5.4% growth. In the UAE, real GDP expanded by 7.6% during 2022.

With regards to inflation rates in the GCC, the Consumer Price Index remained relatively stable, mainly due to local currencies being pegged to the US dollar which limited imported inflation. The year 2022, however, saw an increase in inflationary pressures in Qatar to 5.0%, while consumer prices in Kuwait reached 4.0%. Meanwhile, Saudi Arabia and Oman recorded inflation rates of around 2.5% and 2.8% respectively during 2022.

BAHRAIN

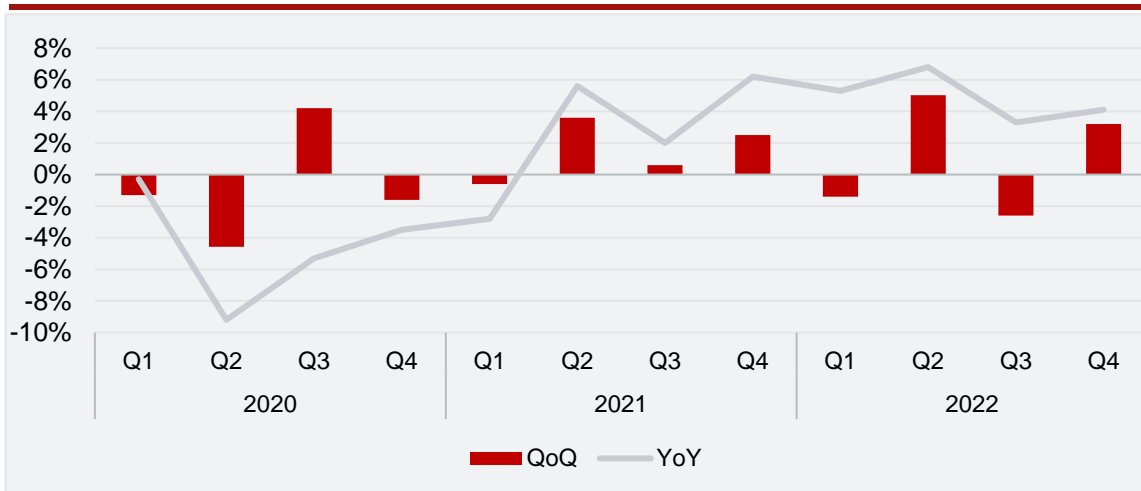
Economic Performance

As per the Information and e-Government Authority's preliminary National Accounts data, annual real growth in Bahrain accelerated to 4.9% in 2022, the fastest growth rate recorded since 2013. This strong rebound was driven by the non-oil sector which expanded by a remarkable 6.2% in real terms. The oil sector, in contrast, saw a small 1.4% decline.

Nominal GDP growth in 2022 reached 12.9%, led by a strong 33.7% expansion in the oil sector due to high oil prices. The non-oil sector grew by 9.4% in nominal terms during the year.

Real GDP growth in Q4 2022 reached 4.1% YoY. The non-oil sector expanding by 4.9% YoY while the oil sector posted a small 0.1% YoY increase.

Real GDP Growth (%)



Source: Information & eGovernment Authority

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Non-Oil Sector

A broad-based recovery in the non-oil sector drove a strong expansion with many sectors recording historic growth rates. The preliminary data for 2022 shows the fastest non-oil growth in ten years at 6.2% in real terms.

The Hotels & Restaurants sector achieved the fastest real growth rate in 2022, recording a growth of 13.9%, as activity normalized after COVID-related disruptions and regional tourism flows resumed. According to the Tourism Survey carried out by the Information and e-Government Authority and the Bahrain Tourism and Exhibitions Authority, inbound tourism increased by 175%, and the total value of inbound tourism revenues in 2022 amounted to about BHD 1.5Bn, an increase of 107%, while the number of tourism nights booked increased by 60% to reach 13Mn nights. The average occupancy rate of 5 and 4-star hotels increased by 5.7% to an average occupancy rate of 43%.

The Government Services sector ranked the second fastest growing sector in 2022, recording a real growth of 6.7%. The Real Estate and Business Activities sector expanded by 5.5% in real terms, aided by the increase in the value of real estate trading by 3.0%. The Trade sector posted a real growth of 5.4%, reflecting the positive indicators recorded including the increase in the value of Point-of-Sale and eCommerce transactions by 22.0%, the number of new corporate commercial registrations by 32.9%, the number of inward and outward trucks by 3.2%, and mall footfall by 29.1% during 2022.

The Manufacturing sector expanded by 4.9% in real terms in 2022, aided by the increase in Bahrain Petroleum Company's (Bapco) refinery production by 9.7%, while the output of the Bahrain National Gas Company (Banagas) rose by 6.5%, and that of Aluminum Bahrain (Alba) by 2.5%.

The Financial Corporations sector recorded the highest growth rate during Q4 2022, achieving a real growth of 8.2%. As for 2022, the sector recorded a growth of 4.1% due to the increase in the value of domestic deposits by 3.5%, the value of outstanding loans by retail banks by 3.6%, the balance sheet of the banking system by 3.0%. Also, the value of Electronic Fund Transfer System (EFTS) (Fawri+/Fawri/Fawateer) transactions increased by about 23.8%, reaching a total transactions value of BD 25.4Bn.

The Transport & Communications sector increased by 4.5%, and Construction sector rose by 1.4% in 2022, despite the decrease in the issued building permits by 13.5% and in built-up area by 26.8%.

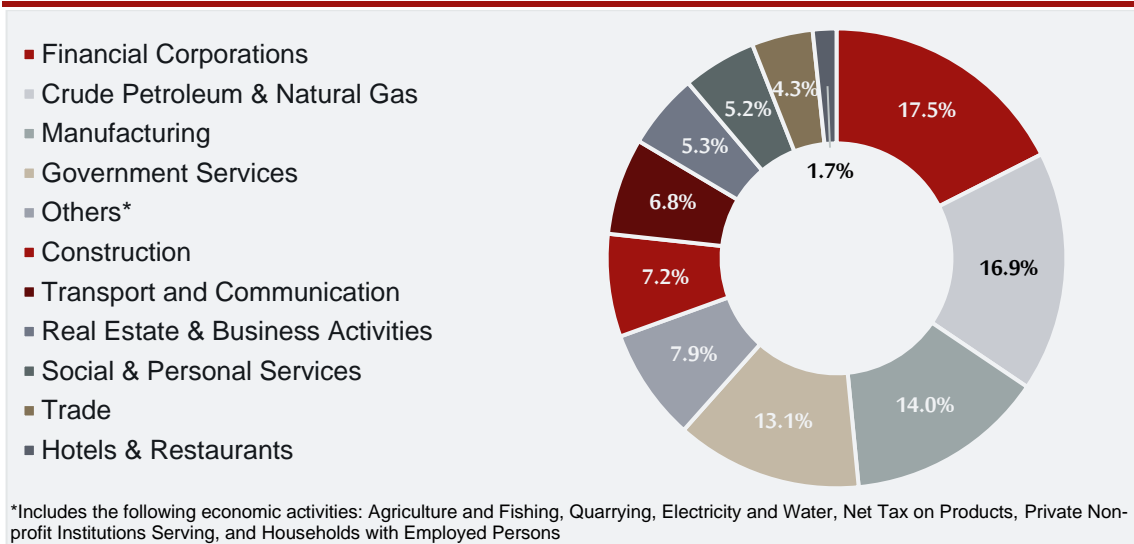
Real GDP Growth by Sector (YoY)

Year Sector	2021	2022				
	Annual	Annual	Q1	Q2	Q3	Q4
Crude Pet. & Nat. Gas	-0.3%	-1.4%	-4.7%	-2.2%	1.2%	0.1%
Manufacturing	0.7%	4.9%	4.3%	6.6%	3.9%	4.9%
Electricity & Water	3.0%	-0.2%	3.1%	0.0%	-0.7%	-2.7%
Construction	0.8%	1.4%	3.0%	2.6%	0.0%	0.1%
Trade	1.2%	5.4%	1.6%	7.5%	5.9%	6.6%
Hotels & Restaurants	7.6%	13.9%	26.6%	18.1%	14.7%	0.6%
Transp. & Comm's	11.3%	4.5%	13.2%	12.1%	-1.3%	-2.4%
Social & Pers. Serv.	-1.3%	-0.4%	-1.9%	-0.4%	0.5%	0.0%
Real Est. & Business Act.	3.3%	5.5%	4.7%	4.5%	6.8%	6.0%
Financial Corporations	6.3%	4.1%	3.9%	4.3%	0.0%	8.2%
Government Services	1.3%	6.7%	6.4%	7.1%	4.6%	8.4%
Other	6.2%	33.8%	46.7%	58.7%	26.2%	8.8%
GDP	2.7%	4.9%	5.3%	6.8%	3.3%	4.1%
Non-oil GDP	3.3%	6.2%	7.5%	8.8%	3.8%	4.9%

Source: Information & eGovernment Authority

In a landmark year for economic diversification, the real GDP contribution of the non-oil sectors reached an unprecedented high of 83.1%, led by Financial Corporations sector which accounted to 17.5% of total GDP, ahead of the oil sector for the first time whose share stood at 16.9%. The Manufacturing and Government Services sectors recorded the second and third largest contribution at 14.0% and 13.1%, respectively, followed by Construction with a rate of 7.2%, and Transport & Communications at 6.8%.

Sector Contribution to Real GDP – Full Year 2022



Source: Information & eGovernment Authority

Oil Sector

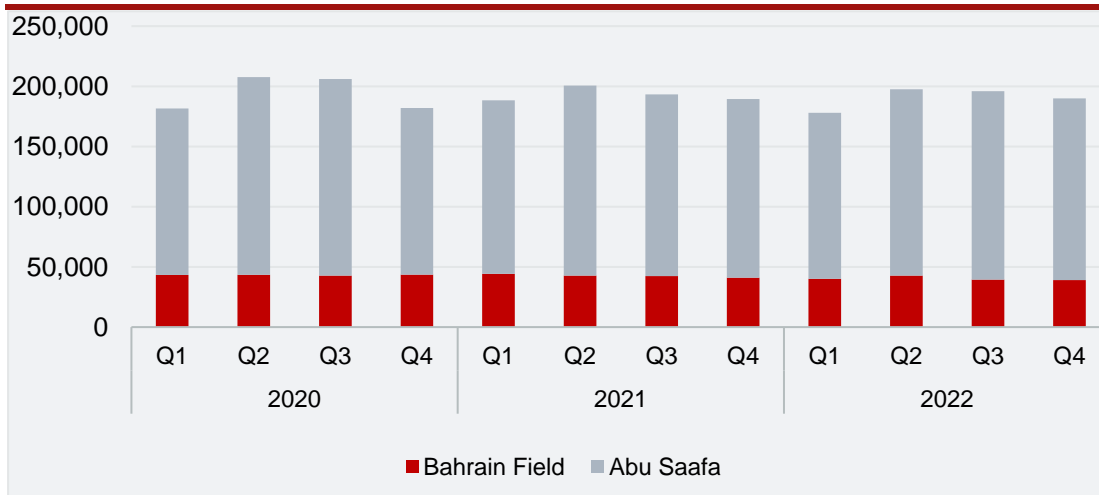
Bahrain's oil GDP posted a remarkable 33.7% annual growth in nominal terms during 2022, reflecting the global high oil prices as the Brent benchmark averaged \$100.8 per barrel for 2022, compared to an average of \$70.7 per barrel for 2021. By contrast, the real oil sector GDP declined marginally by 1.4%. In terms of contribution to GDP, the oil sector contributed by 16.9% in real terms in 2022 making it the second biggest sector in GDP after having surpassed all the other sectors for the past 40 years.

In Q4 2022, total oil production amounted to 17,482,030 barrels. The average production from the Abu Sa'afah field reached 150,920 b/d in the quarter, up by 1.7% YoY. On the other hand, the average oil production at the onshore Bahrain field recorded a decline of 4.9% YoY to reach 39,102 b/d. Production of natural and associated gas amounted to 223,415 million cubic feet, recording a slight decline of 1.1% compared to the same quarter of previous year. Local gasoline consumption increased by 10.9% YoY during Q4 2022, as mobility exceeded pre-pandemic levels.

The annual oil production from Abu Sa'afah field reached 54.7 million barrels in 2022, which accounted for 79% of the total oil production in the Kingdom of Bahrain. This marked a small 0.3% decrease compared to 2021, while total oil production from Bahrain field reached 14.4 million barrels, recording a decline of 7.2% YoY. On the other hand, total gasoline consumption reached 13.1%. Several important projects are underway in the oil sector:

- ◆ The Bapco Modernization Program (BMP) reached a completion rate of 88.8% as of the beginning of February 2023. The project aims to increase the refining capacity by around 42%, in addition to increasing its efficiency and improving the environmental impact of the facility.
- ◆ The Oil and Gas Holding Company B.S.C ("nogaholding") has appointed the Boston Consulting Group (BCG) in October 2022 to assist in the development of a National Energy Strategy for the Kingdom of Bahrain and build a supporting Operating Strategy for nogaholding and its portfolio companies. The contract value is approximately BHD 2Mn.

Average Crude Oil Production (bpd)

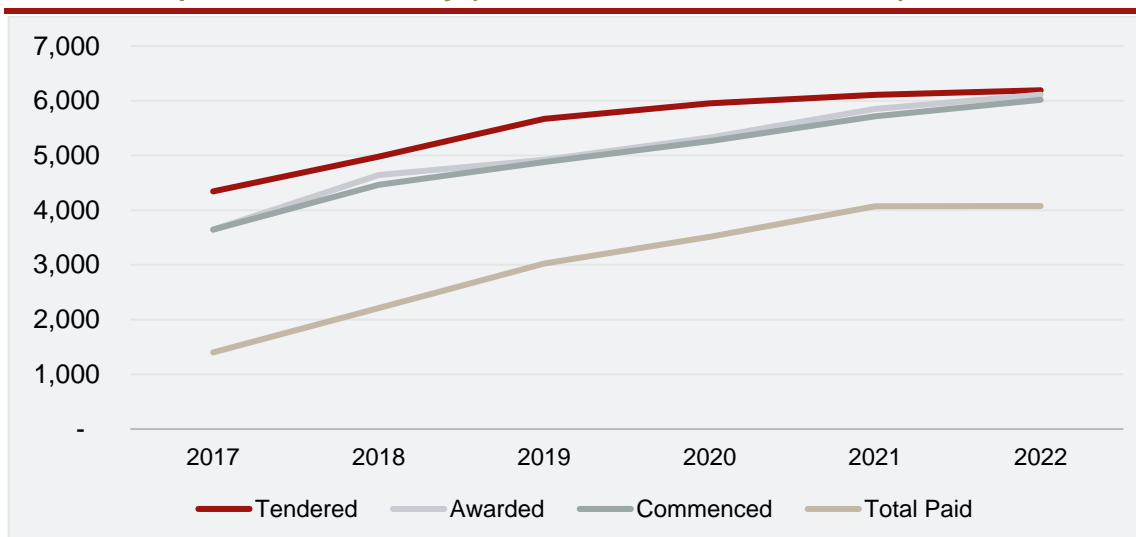


Source: Ministry of Oil & Environment

Developmental Projects

The development projects financed by the GCC Development Fund showed positive progress in Q4 2022 with projects valued at USD 5Mn being awarded. The total cumulative value of tendered projects to date reached USD 6.11Bn, an increase of 4.7% YoY. The contracts awarded in Q4 were for the Long-Stay Care Center at Muharraq, the Dialysis Unit at Riffa, and the Social Care Complex at Hamad Town.

GCC Development Fund Activity (USD million, cumulative totals)



Source: Ministry of Finance and National Economy

One of the main priorities of the Economic Recovery Plan, launched in late 2021, is the launch of strategic projects worth over USD 30Bn. The key highlights are:

- ◆ The King Hamad American Mission Hospital opened in January 2023 - a new 125-bed hospital which contains two sections, one dedicated to women and children, and the other to providing various medical and surgical multi-specialty services.
- ◆ Exhibition World Bahrain officially opened in November 2022, the largest exhibition center in the Middle East. It has a total area of 309,000 square meters to accommodate various types of events. It consists of 10 exhibition halls with a total area of 95,000 square meters, and a convention center that can accommodate 4,000 people.
- ◆ Jumeirah Gulf of Bahrain Resort and Spa opened in November 2022 with a total area of 52,000 sqm, which consists of 207 rooms.

Additional projects across various sectors have been announced in the past months, including:

- ◆ In January 2023, Bahrain Agricultural Foods Storage and Security (BAFCO) opened a factory specializing in the production and distribution of food grains locally and globally, with a construction and operational value of approximately USD 12Mn.
- ◆ Al Taawon Foodstuff factory opened in Salman Industrial City in February 2023 with an estimated area of 11,961 square meters, current production of 3,200 tons per month and a maximum production capacity of 8,000 tons per month. The factory

will produce grain mills, starch and starch products as well as other food products, including processing fruits and vegetables.

- ◆ Aluminium Bahrain (ALBA) announced the successful commissioning of the Forced Cooling Network (FCN) Project at Potlines 4 and 5 in January 2023.
- ◆ An Integrated Industrial Partnership was signed between Bahrain, UAE, Jordan, and Egypt, with an investment size of USD 2Bn. In relation to that, in February 2023, Bahrain's Alpha Biotech company has announced the signing of a Memorandum of Understanding with Jordan's Itqan Pharmaceutical to produce pharmaceutical products. Further, Bahrain's Gulf Biotech Company and Egypt's BioGeneric Pharma have signed a Memorandum of Understanding to build a USD 103Mn plant to produce raw materials for vaccines and other pharmaceutical products.

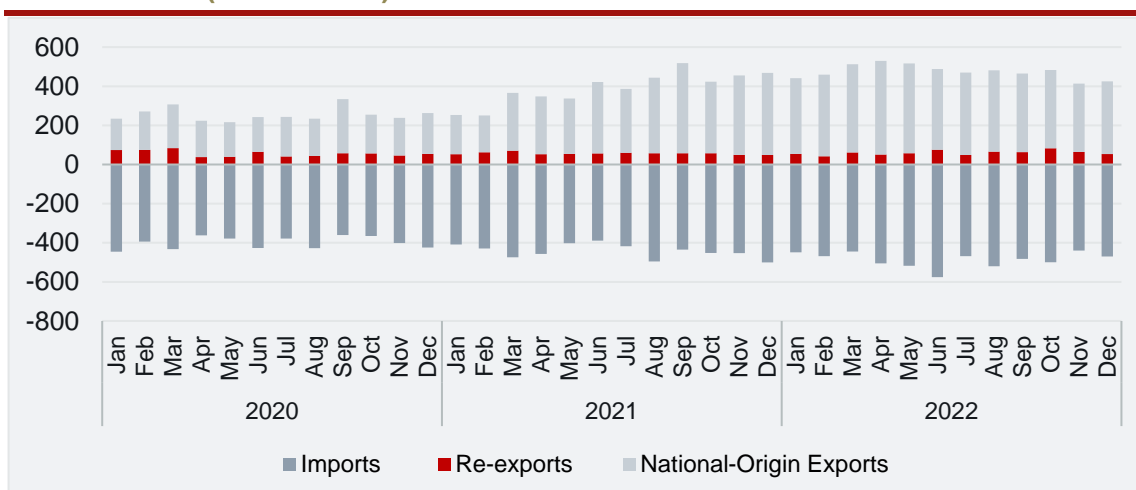
Balance of Payments

According to the balance of payments data issued by the Central Bank of Bahrain, the current account balance recorded a surplus of BHD 2,571.3Mn in 2022, a significant increase of 162.8% from BHD 978.5Mn in 2021. As a result, current account stood at 15.4% of GDP in 2022 compared to 6.6% in 2021. The higher surplus recorded is a reflection of the increase in the value of Bahraini exports from BHD 8,410.9Mn in 2021 to BHD 11,352.9Mn in 2022, an increase of 35.0%. The total oil exports expanded by 51.6% which is equivalent to BHD 5,665.9Mn in 2022 from BHD 3,737.7Mn in 2021, while the total non-oil exports amounted BHD 5,687.0Mn in 2022, recording a growth rate of 21.7%. Base metals and articles of base metals continued to be the most important non-oil exports of national origin, followed by mineral products, and chemical products.

On the other hand, total imports experienced an acceleration in 2022 by 25.7% to reach BHD 8,252.9Mn in 2022 from BHD 6,566.6Mn in 2021. Total oil imports reached BHD 2,995.0Mn, showing an increase of 68.0%. As for the value of the non-oil imports in 2022, it grew by of 9.9% to BHD 5,257.9Mn. Mechanical and electrical equipment was the top non-oil import commodity group in 2022, closely followed by mineral products, and chemical products.











The total net services traded amounted to BHD 1,228.9Mn, registering an increase of 18.8%. In terms of the net primary income, which represents the net payments of investment income, it showed a decline of 22.4% in 2022 to BHD 738.0Mn in comparison to BHD 950.5Mn in 2021. In addition, total workers' remittances in 2022 reached BHD 1,019.6Mn showing an increase of 7.3%.

Non-oil Trade (BHD million)



Source: Information & eGovernment Authority (preliminary data sources have been attained from Customs Affairs)

The following are the Kingdom's key trading partners in 2022:

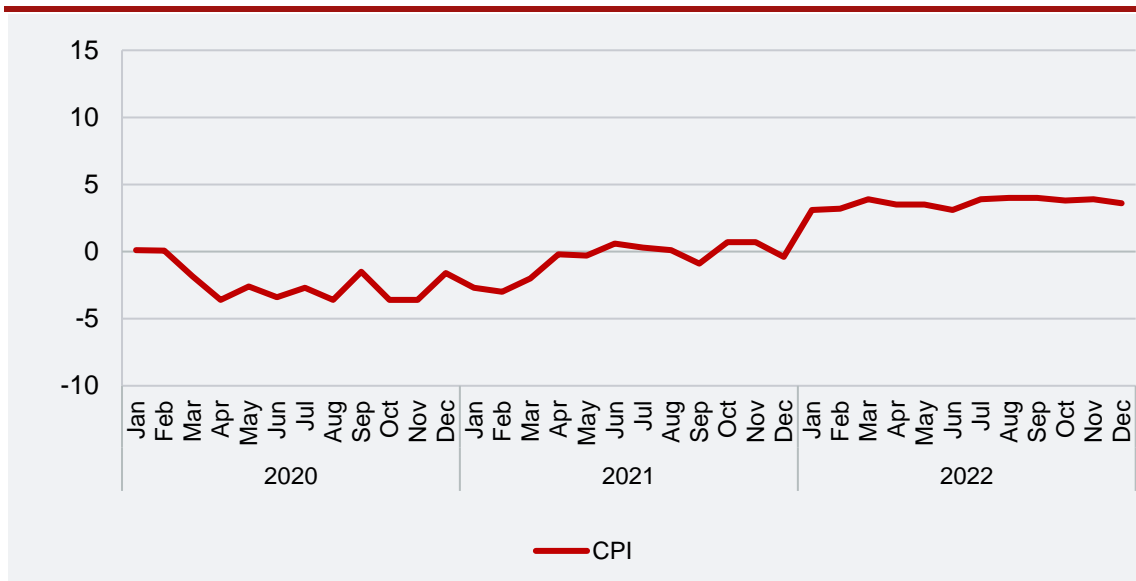
National Origin Exports		Imports	
Country	% of Total Exports	Country	% of Total Imports
 Kingdom of Saudi Arabia	19.8%	 China	14.5%
 United States of America	14.0%	 Brazil	10.6%
 United Arab Emirates	9.4%	 Australia	8.7%
 Netherlands	5.8%	 United Arab Emirates	8.3%
 Sultanate of Oman	4.7%	 United States of America	6.5%

Consumer Price Index

Despite global supply chain disruptions which has increased inflationary pressures, inflation levels in the Kingdom of Bahrain remained relatively stable, and relatively low during the current year compared to global levels. The inflationary pressures have been curbed by the strong Dollar as Bahraini Dinar is pegged to the USD which saw a strong appreciation in comparison to other main currencies. According to reports published by the Information and eGovernment Authority, average inflation prices in 2022 reached 3.6%.

The "Restaurant and Hotels" group recorded the highest increase in 2022 by 12.5%, followed by the "Food and Non-Alcoholic Beverages" by 10.4%, and the "Transport" group by 6.1%. Inflation rates in "Furnishing, Household Equipment and Routine Household Maintenance", "Communication" and "Education" increased by 3.5%, 2.9% and 1.9%, respectively. On the other hand, "Clothing and Footwear" and "Housing, Water, Electricity, Gas and Other Fuels" recorded YoY declines of 4.9% and 0.9%, respectively.

Consumer Price Index (%) YoY



Source: Information & eGovernment Authority

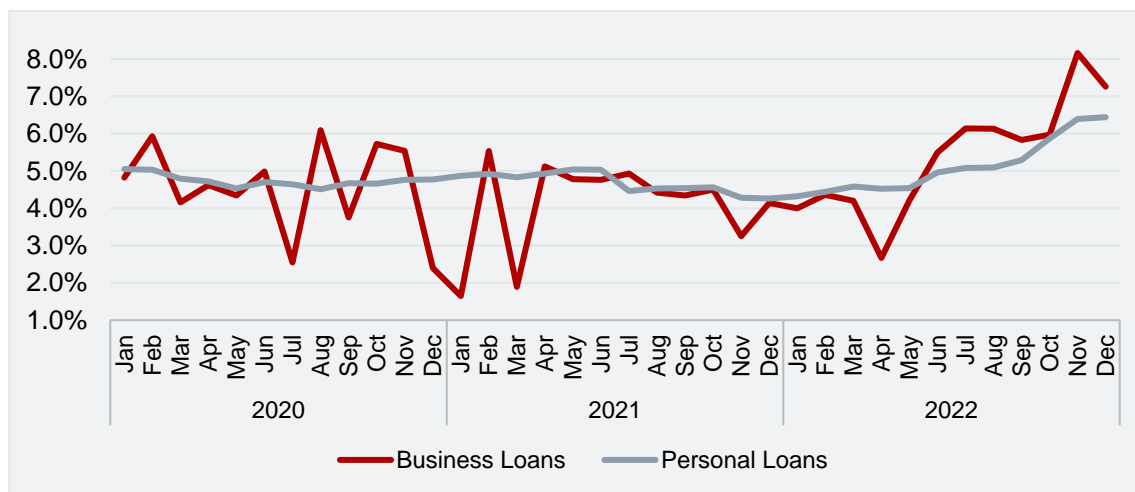
Bank Credit and Deposits

Considering the developments in the international financial markets during 2022, the Central Bank of Bahrain mirrored the rate hikes imposed by the US Federal Reserve and increased the rates seven time throughout 2022, to ensure financial stability in Bahrain.

The CBB Increased its policy interest rates twice during Q4 2022, by 75 basis points on the one-week deposit rate from 4.00% to 4.75% followed by a second hike by 50 basis points, which increased the rate to 5.25%. As a result of the two rounds of rate hikes, the overnight deposit rate increased from 3.75% to 5.00%, the four-week deposit rate from 4.75% to 6.00%, and the lending rate from 5.25% to 6.50%. Furthermore, interest rates for 91 days treasury bills increased during Q4 2022 from 4.50% to 5.70%.

The cost of borrowing in 2022 increased as a result of global tightening of the monetary policies that are being implemented to reduce inflation. Therefore, commercial loans average interest rate peaked at 8.16% in November, to then decrease by 90 basis points in December to reach 7.26% recording an increase of 312 basis points in 2022. The average interest rate for personal loans, excluding credit cards, increased by 218 basis points YoY, to reach 6.44% in December 2022.

Average Rate of Interest on Credit Facilities - Conventional Retail Banks

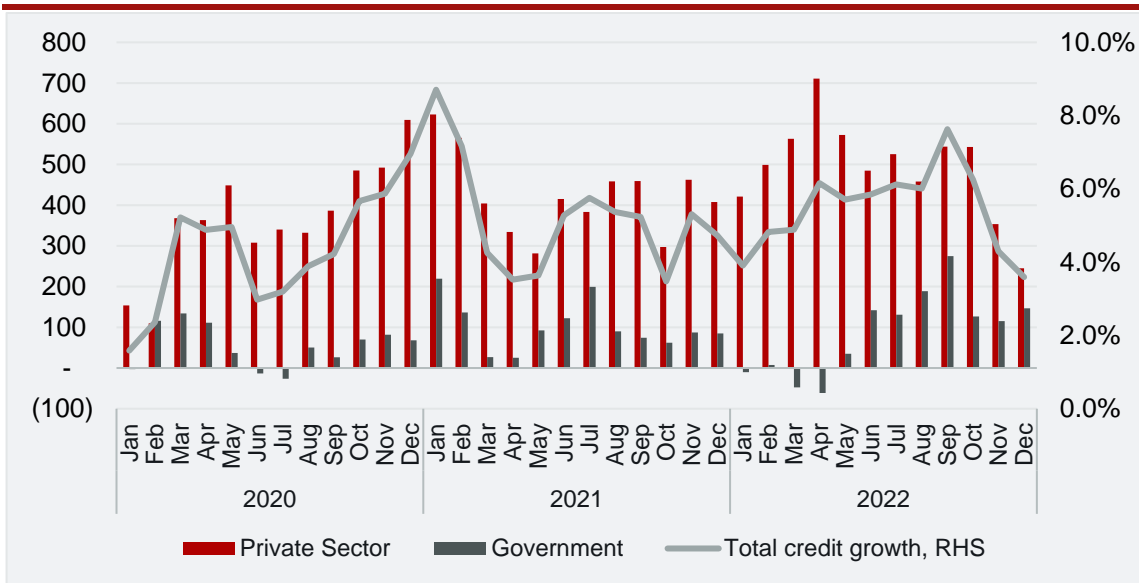


Source: Central Bank of Bahrain

Nonetheless, according to data from the Central Bank of Bahrain, the total value of outstanding loans issued by local retail banks increased by 3.6% in 2022 to amount to BHD 11.3Bn.

The total value of loans provided to individuals grew by 11.9% in 2022 to reach BHD 5.7Bn, which accounted for 50.6% of the total retail bank loan portfolio. By contrast, lending to businesses declined by 7.3% YoY to reach BHD 5.0Bn, accounting for 43.8% of total loans. Lending to governmental accounted for 5.6% of total loans, with aggregate value reaching BHD 0.6Bn.

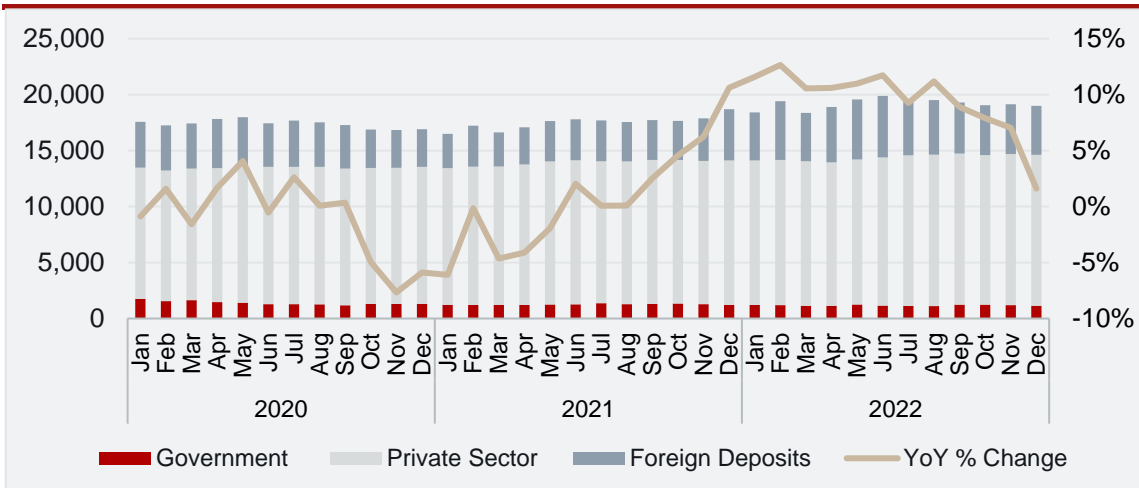
YoY Growth in Credit Issued by Retail Banks (BHD million)



Source: Central Bank of Bahrain

Bank deposits by non-bank institutions also witnessed an improvement in 2022, recording an increase by 1.6%, reaching a total value of BHD 19Bn. Deposits in Bahraini Dinars comprised around 59.8% of the total value.

Deposit Liabilities to Non-banks (BHD million)



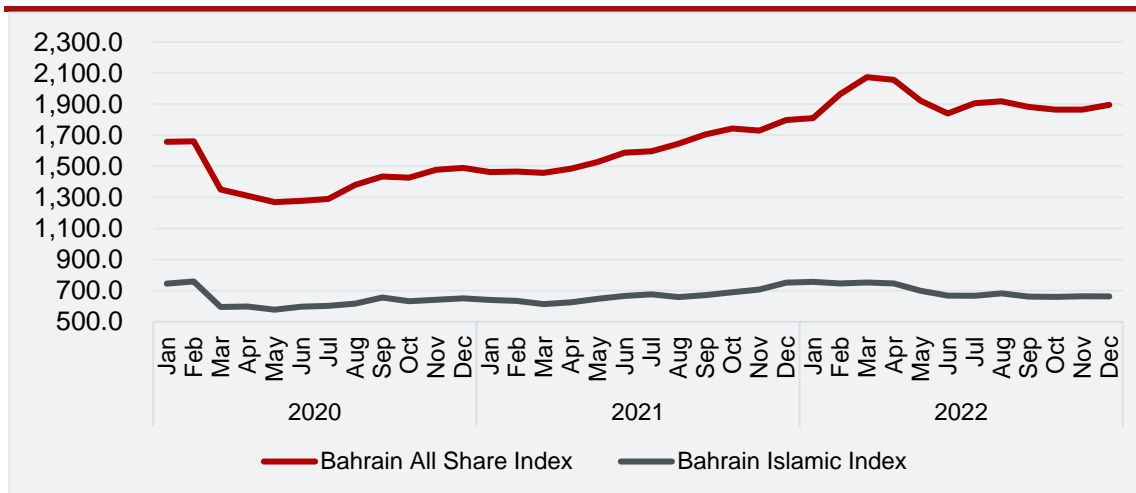
Source: Central Bank of Bahrain

Financial Markets

The Bahrain All Share Index closed at 1,895.27 points at the end of 2022, recording an increase of 5.5% YoY. The Bahrain Islamic Index stood at 663.13 points at the end of December 2022, an 11.8% decline. Total market capitalization by end of 2022 amounted to BHD 11.4Bn compared to BHD 10.8Bn by the end of 2021, representing an increase of 5.5%. The best performing sector during the year was Materials, which increased by 36.3%, followed by Consumer Discretionary which increased by 9.8%.

In 2022, the total value of stocks traded amounted to BHD 169.8Mn, which shows a decrease of 13.2% from BHD 195.7Mn in 2021. Most of the trading activity was concentrated in the financial sector with a total value of BHD 77.0Mn that captured 45.4% of the total value of shares traded during 2022.

Bahrain All Share Index and Bahrain Islamic Index



Source: Bahrain Bourse

Short-term Bond and Sukuk Issues Arranged by the Central Bank of Bahrain

Issue date	Issue	Value, BHD Mn	Maturity Days	Average Interest/ Profit Rate (%)	Avg Price (%)	Over-subscription (%)
5-Oct-22	Treasury Bills No. 1933	70	91	4.50	98.875	178
6-Oct-22	Sukuk Al Ijarah No. 206	26	182	4.70	-	188
12-Oct-22	Sukuk Al Salam No. 258	43	91	4.50	-	100
19-Oct-22	Treasury Bills No. 1934	70	91	4.73	98.817	129
20-Oct-22	Treasury Bills No. 97	100	364	5.83	94.432	135
26-Oct-22	Treasury Bills No. 1935	70	91	4.92	98.770	181
2-Nov-22	Treasury Bills No. 1936	70	91	5.12	98.721	110
3-Nov-22	Sukuk Al Ijarah No. 207	26	182	5.20	-	182
6-Nov-22	Treasury Bills No. 1937	35	182	5.67	97.211	102
9-Nov-22	Treasury Bills No. 1938	70	91	5.18	98.707	171
16-Nov-22	Sukuk Al Salam No. 259	43	91	5.18	-	100
23-Nov-22	Treasury Bills No. 1939	70	91	5.30	98.679	196
24-Nov-22	Treasury Bills No. 98	100	364	6.03	94.256	141
27-Nov-22	Treasury Bills No. 1940	35	182	5.84	97.133	122
30-Nov-22	Treasury Bills No. 1941	70	91	5.47	98.635	123
7-Dec-22	Treasury Bills No. 1942	70	91	5.60	98.603	134
8-Dec-22	Sukuk Al Ijarah No. 208	26	182	6.00	-	298
14-Dec-22	Sukuk Al Salam No. 260	43	91	5.60	-	100
21-Dec-22	Treasury Bills No. 1943	70	91	5.63	98.598	144
22-Dec-22	Treasury Bills No. 99	100	364	6.22	94.081	139
25-Dec-22	Treasury Bills No. 1944	35	182	6.09	97.015	149
28-Dec-22	Treasury Bills No. 1945	70	91	5.74	98.570	135

Source: Central Bank of Bahrain

International Rankings

- ◆ The **Women, Business, and the Law 2023** report published by the World Bank Group affirmed Bahrain's unwavering commitment towards enhancing the economic participation of Bahraini women. Bahrain's overall performance improved by 3.1 points to 68.1/100, with the Kingdom improving its score on the "Pension" indicator by 25 points to 100/100, as the World Bank recognized Bahrain's commitment to equality in this area. Bahrain also maintained its full score in both the "Pay" and "Entrepreneurship" indicators. Notably, this year's report highlighted that the Kingdom of Bahrain is among the fastest reformers, achieving annualized growth rates in the index's score.
- ◆ Bahrain's rank improved by one spot in The **Legatum Prosperity Index 2023** issued by the Legatum Institute ranking 62nd out of 167 countries. The Prosperity Index assesses countries on their promotion of inclusive societies, open economies, and empowering people. Bahrain performed best in the "Infrastructure and Market Access" pillar ranking 31st globally. The Kingdom also achieved the 1st position globally in 22 sub-indicators, including "Healthcare Coverage." Furthermore, the report highlighted Bahrain's 25-spot improvement in the "Social Capital Pillar" over the past decade.
- ◆ The Kingdom improved its position by one spot in the **Agility Emerging Markets Logistics Index 2023** issued by Agility, ranking 14th globally out of 50 countries. The index ranks countries according to factors that make them attractive to logistics providers, freight forwarders, shipping lines, air cargo carriers, and distributors. It measures logistics performance based on multiple areas: Business Fundamentals, Domestic Logistics Opportunities, International Logistics Opportunities, and Digital Readiness. Bahrain saw its biggest improvement in the "Digital Readiness" indicator improving by six spots to rank 16th globally. The Kingdom also ranked in the 6th position globally for "Business Fundamentals".
- ◆ Bahrain led the Arab World in the "Business Perception" indicator of the **Global Opportunity Index 2023** published by the Milken Institute. The index ranks the attractiveness of 124 countries to international investors by measuring five areas: Business Perception, Economic Fundamentals, Financial Services, Institutional Framework and International Standards, and Policy. The Kingdom maintained its 2nd position in the GCC in the overall rank of the index where it ranks 47th globally.
- ◆ Bahrain made its debut in the **World Talent Ranking 2022** published by the International Institute for Management Development's (IMD) World Competitiveness Centre placing it in the top 15 countries globally across 13 indicators. The ranking assesses the extent to which nations develop, attract & retain talent, ranking 63 countries across 3 factors: Investment & Development, Appeal, and Readiness. Bahrain ranked 35th globally, reinforcing the Kingdom's commitment to developing its human capital and competitively positioning its talent hub internationally. Bahrain ranked 5th globally in the "Skilled Labor" indicator. The Kingdom also led the Arab World ranking as 7th globally in the "Finance Skills" indicator, in addition to ranking 11th globally in the "Language Skills" indicator.

- ◆ Bahrain ranked 68th globally in the **Index of Economic Freedom 2023** issued by the Heritage Foundation. The Index assesses rule of law, government size, regulatory efficiency, and open markets in 176 countries. Bahrain continued to lead regionally in three components: Trade Freedom, Investment Freedom, and Financial Freedom. This year's report also highlighted that Bahrain continues to be a financial hub for dynamic economic activity and that its openness to global commerce is sustained by a competitive and efficient regulatory environment.
- ◆ The **Islamic Finance Development Report 2022**, published by Refinitiv, ranks 136 countries across five indicators: Financial Performance, Governance, Sustainability, Knowledge, and Awareness. Bahrain ranked 4th globally and is among the top five countries across 4 of the indicators. The Kingdom also ranked first globally in the "Regulations" sub-indicator which measures rules and guidelines of Islamic finance. Bahrain also ranked first in the "News" sub-indicator measuring the coverage and number of news in the field of Islamic finance. Also, the Kingdom is leading the Arab World and ranking 3rd globally in the "Education" sub-indicator which measures the number of Islamic finance course and degree providers.

Glossary

Term	Explanation
Real Growth Rate	The growth rate of a nation's Gross Domestic product (GDP) adjusted for the effects of price inflation.
Nominal Growth Rate	The growth rate of a nation's Gross Domestic Product (GDP) evaluated at current market prices.
Gross Domestic Product	The total value of goods and services produced within a country, i.e. total production less raw materials and other goods and services that were used as intermediate consumption during the production process over a specified period, usually annual (and/or) quarterly GDP.
Crude Petroleum and Natural Gas	Comprises of crude oil extracted as well as extraction of natural and associated gas.
Financial	Comprises units primarily engaged in financial transactions, i.e. transactions involving the creation, liquidation or change of ownership of financial assets. Also included are insurance and pension funding and activities facilitating financial transactions, and others.
Manufacturing	Comprises units engaged in the physical or chemical transformation of materials, substances, or components into new products, such as plants, factories or mills, etc Examples of manufacturing sector activities: Manufacturing of food and beverages, tobacco products. Manufacturing of textiles, wood and paper products, refined petroleum products, chemicals, furniture, etc.
Government	Comprises of all ministries and authorities in the state budget and other attached and independent bodies as per the consolidated final accounts, such as those entities involved in security, education, culture, development, and other entities that provide collective services.
Transport and Communications	Transport sector comprises activities related to providing passenger or freight transport, whether scheduled or not, by pipeline, road, water, or air. As well as, postal activities, storage, and telecommunication, etc
Construction	Comprises general construction -residential and non- residential buildings and roads- and special trade construction for buildings and civil engineering, building installation and building completion. It includes new work, repair, additions, and alterations, and also construction of a temporary nature.
Social and Personal Services	Comprises services provided by businesses and government units to individuals, other businesses or the community as a whole, such as private health and education services, others such as sports and entertainment activities, repairing of computers and households' equipment, etc.
Real Estate and Business Activities	Comprises real estate activities such as purchase or lease, that are mainly linked to the business sector. However, more or less all activities covered in this section can also be provided to private households, for example, renting of personal and household goods, database activities, legal activities, accounting or auditing services, interior decoration and photographic activities, etc.

Term	Explanation
Trade	Comprises wholesale and retail sale (sale without transformation) of any type of goods and rendering services incidental to the sale of merchandise.
Hotels and Restaurants	Comprises units providing customers with short-term lodging and/or preparing meals, snacks, and beverages for immediate consumption.

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