



وزارة المالية والاقتصاد الوطني
Ministry of Finance
and National Economy

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Q3 2023



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Overview of Bahrain's Economy

Q3 2023

Real GDP Growth

According to preliminary data released by the iGA

Total GDP

▲ +2.5%

Non-Oil GDP

▲ +4.5%

Top Growing Sectors

(YoY)



Hotels
& Restaurants

▲ +9.4%



Financial
Corporations

▲ +8.4%



Trade

▲ +5.9%



Real Estate
& Business Activities

▲ +2.8%

Top Economic Indicators*

(YoY)



Hotel Occupancy
Rate (4 & 5 Star)

▲ +2 Percentage
Points



Value of Electronic
Fund Transfers

▲ +15.6%



Value of POS
& E-Commerce

▲ +5.1%



Value of
Real Estate Trading

▲ +7.1%

Bahrain's Performance in Global Competitiveness Indicators



Islamic Finance
Development Report 2023

Ranked 4th Globally



ICT Development
Index 2023

Ranked 7th Globally

BASEL INSTITUTE ON
GOVERNANCE

Basel AML Index
2023

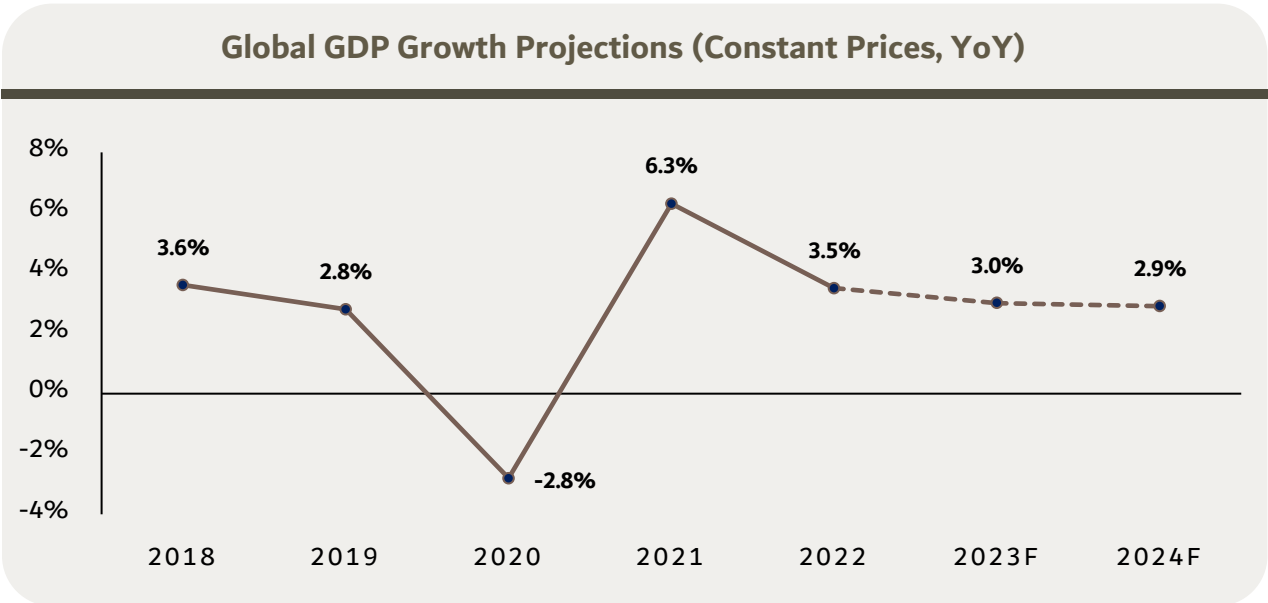
Ranked 1st in the GCC

Global Economy

- The global economy continues to exhibit slower growth compared to its pre-pandemic trajectory, with anticipated growth rates of 3.0% in 2023 and 2.9% in 2024.
- Global inflationary pressures are projected to gradually decline from 8.7% in 2022 to 6.9% in 2023, and further down to 5.8% in 2024.

According to the October 2023 World Economic Outlook (WEO) released by the IMF, the global economy continues to recover from the COVID-19 pandemic, with varying growth trajectories across the world. The report highlights that the global economic landscape will be shaped by factors such as the lingering impacts of the pandemic, geopolitical tensions, and cyclical factors. Projections indicate a slowdown in global growth, from 3.5% in 2022 to 3.0% in 2023 and further to 2.9% in 2024.

The report emphasizes that emerging markets and developing economies are expected to be the primary drivers of global growth, with a projected growth rate of 4.0% in 2023. This growth is expected to be led by the Republic of India’s economy at 6.3% in 2023 due to its robust domestic investments, followed by the People’s Republic of China’s economy at 5.0% despite some economic challenges. In contrast, advanced economies are projected to experience a slowdown from 2.6% in 2022 to 1.5% this year.



Source: World Economic Outlook October 2023, International Monetary Fund (IMF)

The global inflation rate is expected to decline from 8.7% in 2022 to 6.9% in 2023 to 5.8% in 2024, according to the report. Moreover, inflation levels are expected to go further down in 2025 as service activities are expected to go down gradually in 2024 having already peaked this year. On the other hand, monetary policies are expected to ease in some countries.

As for the oil market, the International Energy Agency (IEA) forecasts global oil demand to reach 102 mbd in 2023, as per its December 2023 report. The US Energy Information Administration anticipates oil prices to rise to USD 90.3 per barrel in the fourth quarter of 2023, reaching an average price of USD 82 for the year. However, the tightening of global oil markets, driven by Saudi Arabia's voluntary production cuts and the reduced output targets of other OPEC+ members, is expected to result in further increases in oil prices in 2024 to an average price of USD 83.

Gulf Cooperation Council Economy

In spite of the decline in oil production levels, the Gulf Cooperation Council (GCC) economies continue to see strong non-oil sector performance driving economic growth in the region, bolstered by continued private consumption, strategic investments in fixed assets. Purchasing Managers' Index (PMI) of the Kingdom of Saudi Arabia and the United Arab Emirates continue to perform positively, surpassing their long-term averages. The Kingdom of Saudi Arabia rose to 58.4 in October 2023, from 57.2 the previous month, whereas the United Arab Emirates rose to 57.7 from 56.7 in the previous month. Moreover, Inflationary pressures across the region have been easing up.

According to the General Authority for Statistics, in Saudi Arabia, the economy contracted by 4.4% YoY in real terms in the third quarter of 2023 due to the decline in the Kingdom's oil GDP. Saudi Arabia has been implementing an obligatory reduction of 500,000 barrels per day as part of the OPEC+ alliance since November 2022, which will continue until the end of 2024, and another voluntary reduction of 1 million barrels per day that began in early July 2023 and will end in March 2024. As a result, the Kingdom's oil GDP declined by 17.0% YoY and 8.5% QoQ in real terms. The non-oil GDP grew by 3.5% YoY.

As for the Sultanate of Oman, the data released by the National Center for Statistics and Information showed that the real GDP recorded a growth of 2.2%, reinforced by the growth of non-oil activities, which saw an increase of 3.9% due to strong performance in various sectors of economic diversification and services, the value added in diverse sectors such as agriculture, fishing, transportation, storage, real estate activities, information and communications, healthcare, and education has increased. However, the oil sector witnessed a decline of 0.9% due to the reduction in oil production rates by oil-exporting countries in accordance with the policies adopted by the OPEC+ group to maintain oil market stability.

According to the UAE Central Bank's Quarterly Economic Review report, the growth projections for the year 2023 have been revised downward to 3.1% from the previous estimate of 3.3%. However, the growth forecast for the year 2024 has been increased to 5.7%, up from the previous projection of 4.3%. The oil sector is projected to experience a contraction of 3.4% this year, primarily attributed to output cuts. However, with the resumption of production in 2024, oil GDP growth is expected to rebound significantly,

reaching 8.1%. On the other hand, the non-oil sector growth has been revised upward to 5.9% and 4.7% for the years 2023 and 2024.

Bahrain's Economic Performance

According to the preliminary data released by the Information and eGovernment Authority, Bahrain's GDP recorded a growth of 2.5% YoY in real terms in Q3 2023. This growth was primarily driven by a 4.5% expansion in the Non-oil sector. However, the Oil sector experienced a decline of 6.8% compared to Q3 2022.

In nominal terms, GDP grew slightly by 1.1% YoY despite the decline of the Oil Sector by 14.5% YoY. On a positive note, the Non-oil sector exhibited a strong performance expanding by 4.8% YoY.

The Ministry of Finance and National Economy projects an annual real GDP growth of 2.6% in 2023 driven primarily by the Non-oil sector which is expected to grow 3.4%. This positive non-oil growth will offset the decline in the oil sector as a result of maintenance in the Abu Sa'afah field in both the first and third quarters. As for 2024, real GDP growth is projected to accelerate by 3.5%, with Non-oil sector experiencing a growth of 3.9%. This is expected to reflect the gradual relaxation of monetary policy conditions and improved liquidity in the market.

Forecasts of Key Economic Indicators

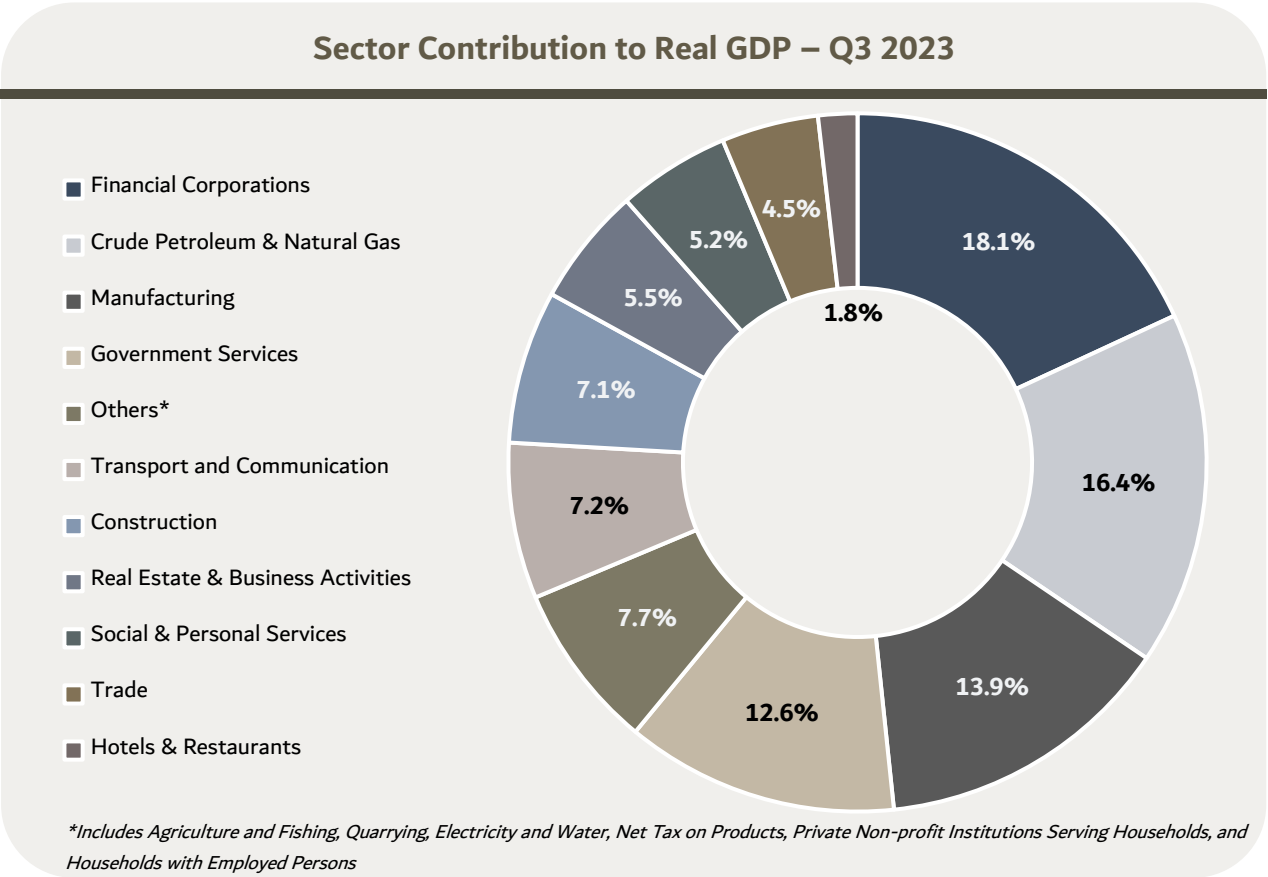
	2021*	2022*	2023	2024
	Actual	Prelim	Forecast	Forecast
Real GDP growth	2.6%	5.1%	2.6%	3.5%
Non-oil sector	3.2%	6.6%	3.4%	3.9%
Oil sector	-0.3%	-1.4%	-1.3%	1.4%
Nominal GDP growth	13.5%	13.1%	0.1%	4.4%
CPI	-0.6%	3.6%	0.3%	1.5%
Current account (% of GDP)	6.6%	15.4%	6.9%	8.0%

**Revised figures by the Information & eGovernment Authority*

Source: Ministry of Finance and National Economy estimates

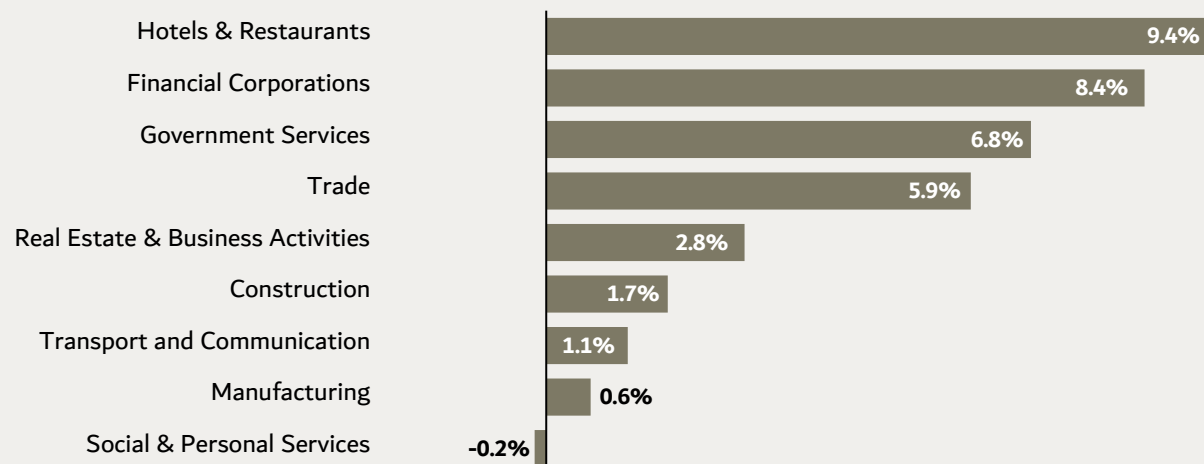
Non-oil Sector

Expansion of the Non-oil sector continued as a result of the ongoing diversification efforts, leading to a substantial contribution to GDP of 83.6% by Non-oil sectors in real terms. The Financial Corporations sector maintained its position as the largest non-oil sector contributing to GDP for the fourth consecutive time, accounting for 18.1% of the overall share. The Manufacturing sector comprised 13.9% of GDP, followed by Government Services sector at 12.6%. The Transportation and Communication sector constituted 7.2%, with Construction sector closely after at 7.1%. Real Estate and Business Activities contributed 5.5% to GDP, while Social and Personal Activities and Trade accounted for 5.2% and 4.5%, respectively. Additionally, Hotels and Restaurants contributed by 1.8%.



Source: Information & eGovernment Authority

Real GDP Growth by Non-oil Sector (Q3 2023, YoY)



Source: Information & eGovernment Authority

Real GDP Growth Rates by Sector (YoY)

Year	2022					2023		
	Annual	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Crude Pet. & Nat. Gas	-1.4%	-4.7%	-2.2%	1.2%	0.1%	-5.9%	2.2%	-6.8%
Manufacturing	4.3%	3.6%	6.1%	3.5%	3.8%	-1.5%	-1.4%	0.6%
Electricity & Water	-0.2%	3.1%	0.0%	-0.7%	-2.7%	-1.5%	-3.0%	0.5%
Construction	1.4%	3.0%	2.6%	0.0%	0.1%	-1.3%	-0.5%	1.7%
Trade	5.4%	1.6%	7.5%	5.9%	6.6%	4.2%	4.7%	5.9%
Hotels & Restaurants	13.9%	26.6%	18.1%	14.7%	0.6%	4.3%	9.6%	9.4%
Transp. & Comms.	12.2%	18.2%	17.6%	3.7%	11.5%	6.5%	8.9%	1.1%
Social & Pers. Serv.	2.9%	2.1%	3.0%	3.7%	2.9%	1.3%	-3.5%	-0.2%
Real Est. & Business Act.	5.7%	4.7%	4.5%	6.8%	6.8%	5.3%	4.9%	2.8%
Financial Corporations	2.7%	2.5%	2.8%	-1.5%	6.9%	0.3%	10.3%	8.4%
Government Services	5.9%	6.3%	5.5%	5.3%	6.4%	4.8%	5.0%	6.8%
Other	33.7%	46.7%	58.7%	26.1%	8.8%	8.0%	-12.1%	9.6%
GDP	5.1%	5.5%	6.8%	3.6%	4.7%	1.0%	2.7%	2.5%
Non-oil GDP	6.6%	7.7%	8.8%	4.2%	5.7%	2.3%	2.7%	4.5%

Source: Information & eGovernment Authority

According to preliminary estimates, the Non-oil sector maintained a strong performance, experiencing significant YoY growth of 4.5% during Q3 2023, and the sectors' performance was as follows:

- **Hotels and Restaurants**

The Hotels and Restaurants sector experienced a significant annual real growth of 9.4% in Q3 2023. According to the tourism survey carried out by the Information and eGovernment Authority and the Bahrain Tourism and Exhibition Authority, inbound tourism flows witnessed a YoY increase of 7.0% in Q3 2023. Additionally, total inbound tourism receipts rose by 1.9% YoY, reaching BHD 466 Mn. Notably, total overnight stays increased by 17.9% YoY, totaling 4.8 Mn. Moreover, hotel occupancy for 5 and 4-star hotels saw a growth of 2 percentage points, averaging 49% in Q3 2023.

- **Financial Corporations**

The Financial Corporations sector demonstrated notable growth of 8.4% YoY during Q3 2023. This growth can be attributed to several positive financial indicators, including a 15.6% YoY increase in the total value of the Electronic Fund Transfer System (Fawri+, Fawri, and Fawateer), reaching a total of BHD 7.2 Bn. Additionally, the aggregate balance sheet of the banking system expanded by 3.8%. Moreover, the total value of deposits from non-banks experienced a slight growth of 2.0% YoY, totaling BHD 19.7 Bn.

- **Trade**

The Trade sector experienced a growth of 5.9% YoY in Q3 2023, driven by an increase of 5.6% in mall footfall, a 5.1% rise in the value of Point of Sale and e-commerce transactions, and a 4.9% increase in newly issued Company Commercial Registrations.

As for entrepreneurship indicators, Bahraini women played a vital role as they held 58% of the active Virtual Commercial Registrations (Sijili) held by all Bahrainis in Q3 2023, as well as 49% of the total active Individual Commercial Registrations held by all Bahrainis.

- **Real Estate and Business Activities**

The Real Estate and Business Activities sector grew by 2.8% YoY in real terms during Q3 2023, underpinned by the strong Real Estate activities, which recorded a 5.4% YoY. According to the data reported by the Survey and Land Registration Bureau (SLRB), the value of real estate trading grew by 7.1% YoY to reach BHD 272Mn, while the volume of real estate transactions grew by 8.8%.

- **Construction**

The Construction sector expanded by 1.7% YoY in real terms in Q3 2023. The growth was mainly driven by the increased total built up area and number of building permits issued by 78.7% and 20.2% respectively.

- **Transportation and Communication**

The Transportation and Communication sector witnessed a YoY increase of 1.1% in Q3 2023. This growth can be attributed to several factors, including an 11.7% YoY increase in total passengers at Bahrain International Airport and a 10.0% YoY rise in container throughput at Khalifa bin Salman Port. Furthermore, total aircraft movement at Bahrain International Airport grew by 8.6% YoY.

- **Manufacturing**

The Manufacturing sector experienced a slight YoY growth of 0.6%. Particularly noteworthy was the increase in the number of factories by 2.1%, and the rise in the value of investments in new factories by 2.7% YoY. Additionally, manufacturing exports witnessed a notable increase of 5.0% YoY.

In terms of production, Bapco Refining demonstrated a significant 15.3% YoY increase in production. Meanwhile, Aluminum Bahrain (Alba) experienced a slight improvement of 1.2% in production, despite an 8.5% decrease in global aluminum prices. On the other hand, the Gulf Petrochemical Industries Company (GPIC) witnessed a slight decline of 1.3% in production compared to the previous year.

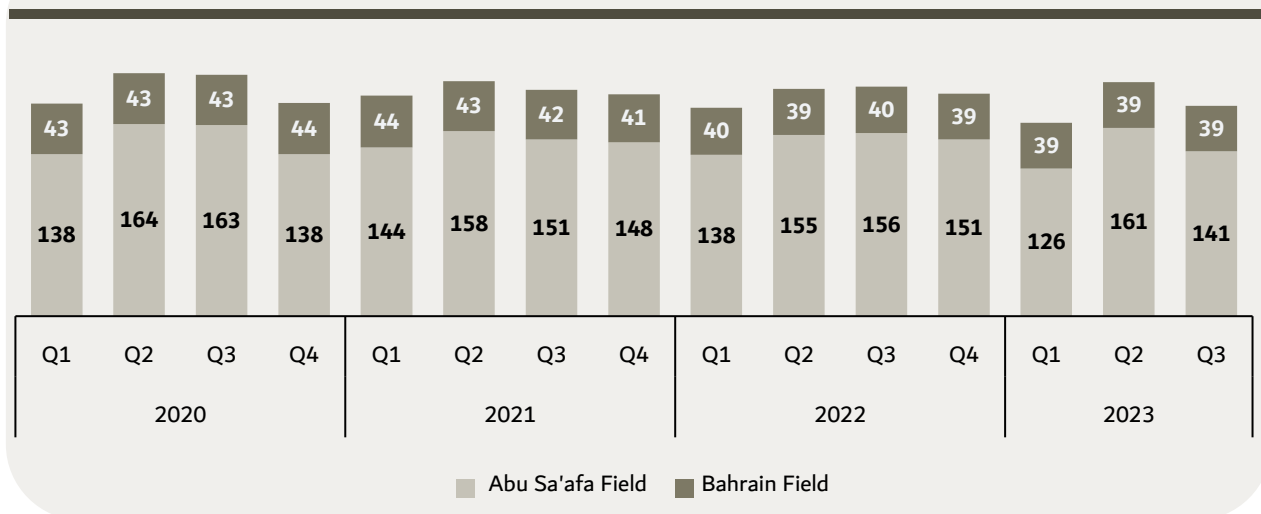
With respect to Bapco Modernization Program, the largest project ever implemented in the history of the Kingdom of Bahrain and Bapco. It reached a total completion rate of approximately 94% by the end of October 2023. Upon conclusion, the refinery's production will increase by more than 42% to 380,000 barrels per day, in addition to increasing its efficiency and improving its environmental footprint.

Oil Sector

- The Oil sector accounts for 16.4% of Bahrain’s real GDP.
- The sector experienced a decline of 6.8% YoY due to maintenance activities at the Abu Sa'afa field.

The oil sector maintained a contribution of 16.4% to real GDP during Q3 2023, while the sector’s performance declined by 6.8% YoY, primarily due to maintenance activities at the Abu Sa’afa field. Furthermore, in nominal terms, the oil sector contracted by 14.5% YoY, primarily influenced by the downward trend in global oil prices. The average price of Brent crude in Q3 2023 was USD 86.66, showing a significant decrease of 14% compared to the average price of USD 100.71 in Q3 2022.

Bahrain’s Average Crude Oil Production (Thousands bpd)

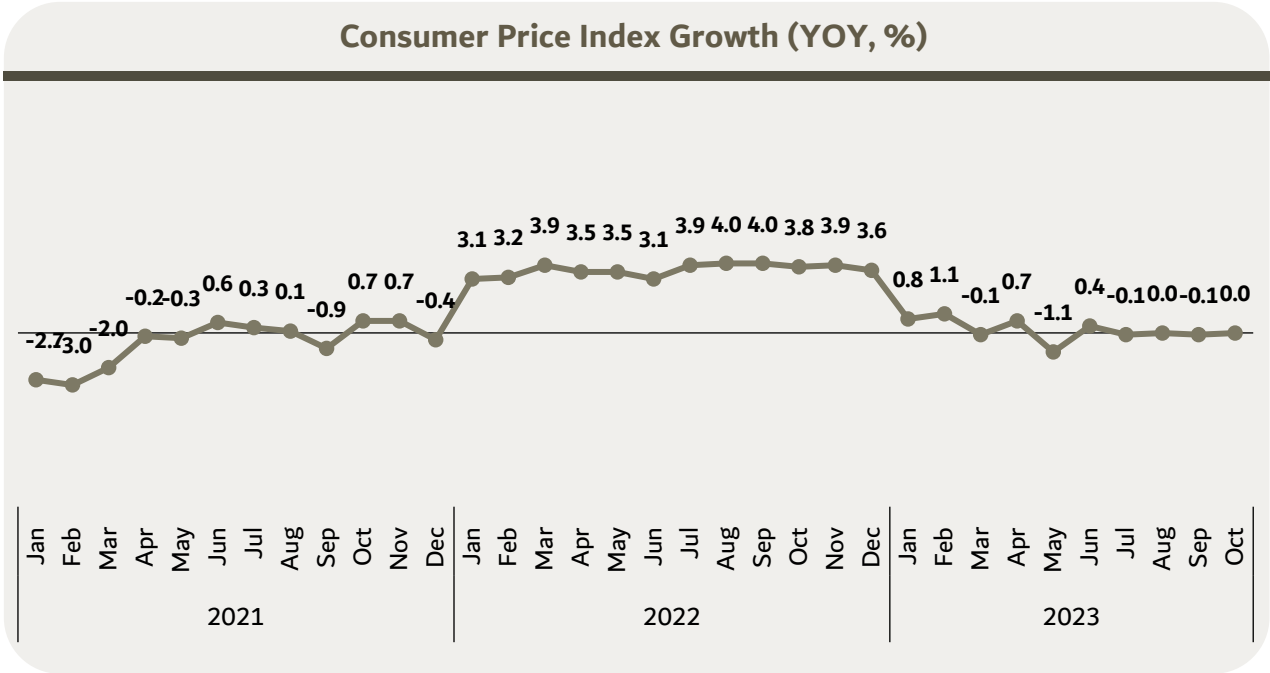


Source: Ministry of Oil and Environment

The average daily oil production from the offshore Abu Sa'afa field experienced a YoY decline of 10.0%, reaching 140,741 bpd. Similarly, extraction from the onshore Bahrain field also saw a 1.7% decrease compared to the previous year, averaging 38,820 bpd. The production of natural gas and associated gas increased by 6.4% during the quarter however, totaling 258,100 Mn cubic feet, with approximately 35.0% of it being reinjected.

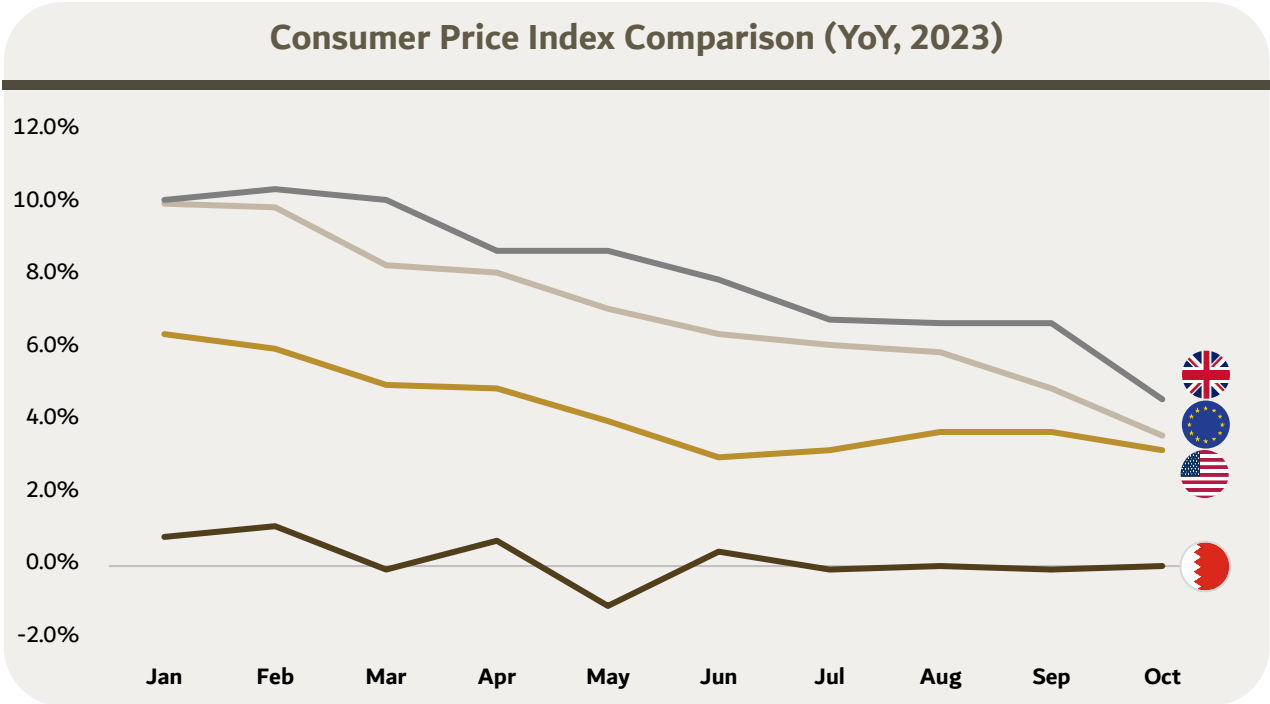
Consumer Price Index

Bahrain’s Consumer Price Index (CPI) remained much more stable during Q3 2023. According to the Information & eGovernment Authority, the CPI experienced a YoY decline of 0.1% during Q3 2023, while it increased slightly by 0.2% during the first ten months of the year.



Source: Information & eGovernment Authority

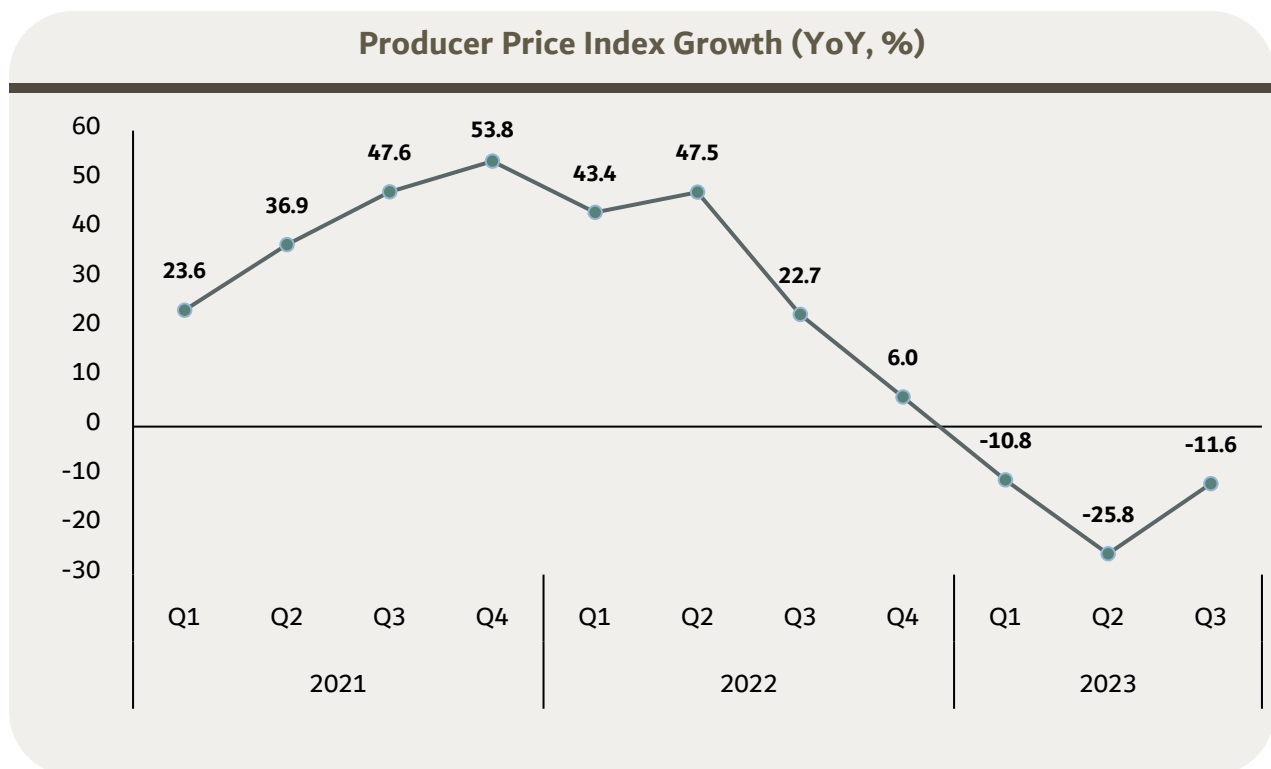
While inflation continued to decline regionally and globally reflecting the positive impact of tighter monetary policy, inflation levels remained high in certain countries. Between January and September of this year, the average inflation rate in the United Kingdom stood at 8.1% YoY, 7.0% in the European Union, and 4.3% in the United States.



Source: Bloomberg

Producer Price Index

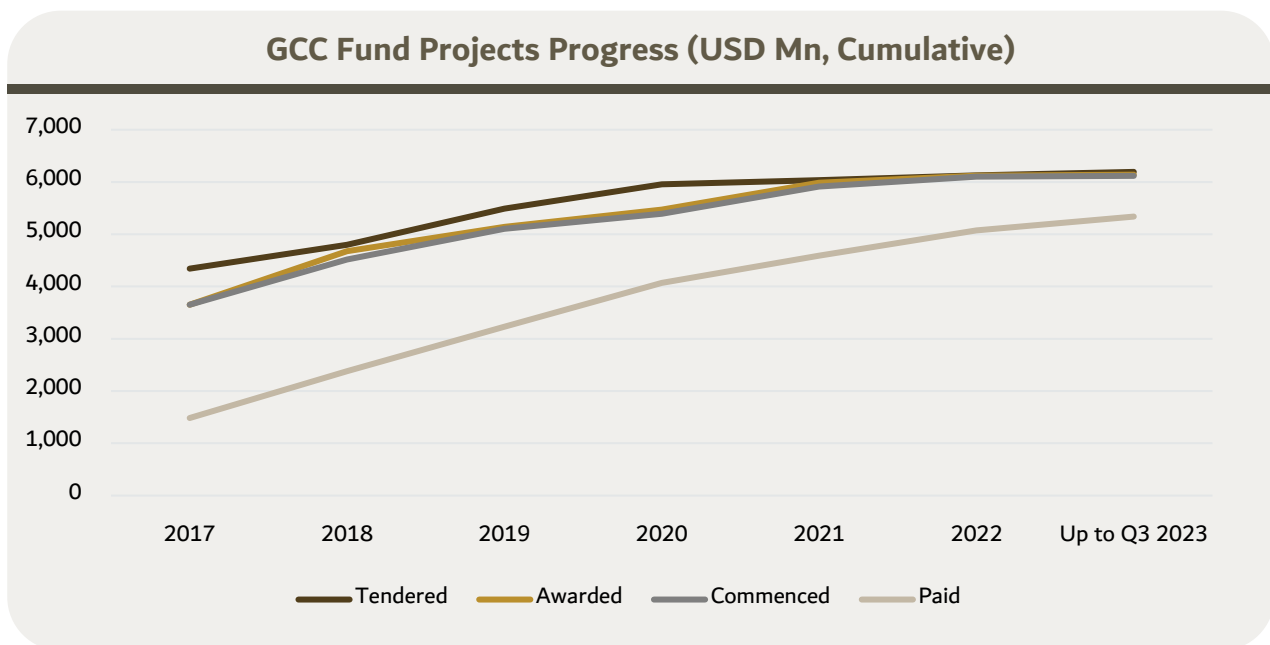
According to the preliminary data released by the Information and eGovernment Authority, Bahrain’s Producer Price Index (PPI) experienced a decline of 11.6% YoY in Q3 2023. This decline was primarily driven by the mining and quarrying industry which recorded a drop of 14.6% YoY due to the decrease in global oil prices. Additionally, the prices of refined petroleum products decreased by 9.5%, while the prices of basic metals – which includes aluminum – decreased by 14.7% YoY, due to the decline in global aluminum prices.



Source: Information & eGovernment Authority

Developmental Projects

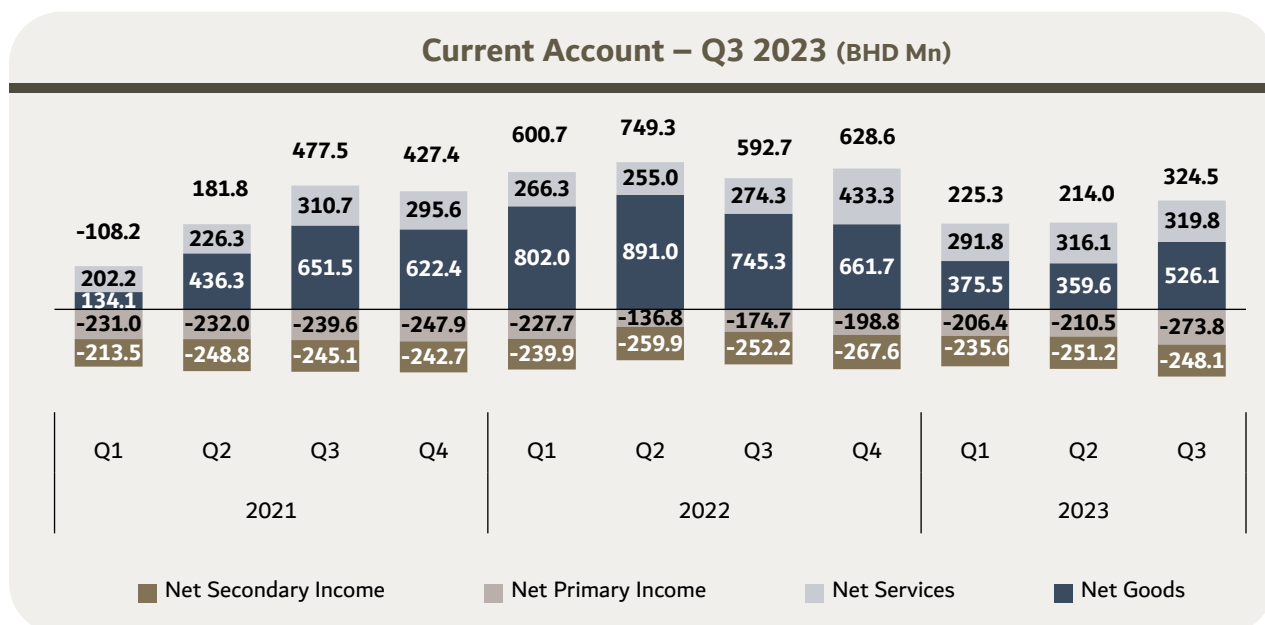
- Bahrain Marina:** The construction works of the Bahrain Marina project have begun, with an investment cost of BHD 200 Mn. The project extends over an area of up to 256,000 square meters. The project includes, 192 retail outlets, 1,769 underground parking spaces, 235 berths for yachts and boats, 235 residential units, a hotel covering 68,637sqm with 304 rooms, and beach resort area covering 37,814sqm. The first phase is expected to be completed by September 2026.
- US Trade Zone:** The infrastructure works for roads and sewage for the first phase of the United States Trade Zone began in September 2023. The tender was awarded for a value of BHD 3.1 Mn, and it is expected to be completed by September 2024.
- GCC Fund Projects:** Progress of major projects funded by the GCC Development Fund continued in Q3 2023, bringing the total value of projects awarded to approximately USD 6.14Bn. This represents a slight increase of 0.6% compared to the same period last year. In the third quarter, a contract was awarded for one of the packages associated with the social care complex at the Hamad Town project.



Source: Ministry of Finance and National Economy

Current Account

According to the preliminary balance of payments data released by the Central Bank of Bahrain, the current account recorded a surplus of BHD 324.5Mn during Q3 2023 compared to a surplus of BHD 592.7Mn in Q3 2022. As such, the current balance as share of nominal GDP ratio stood at 8.0% during Q3 2023.

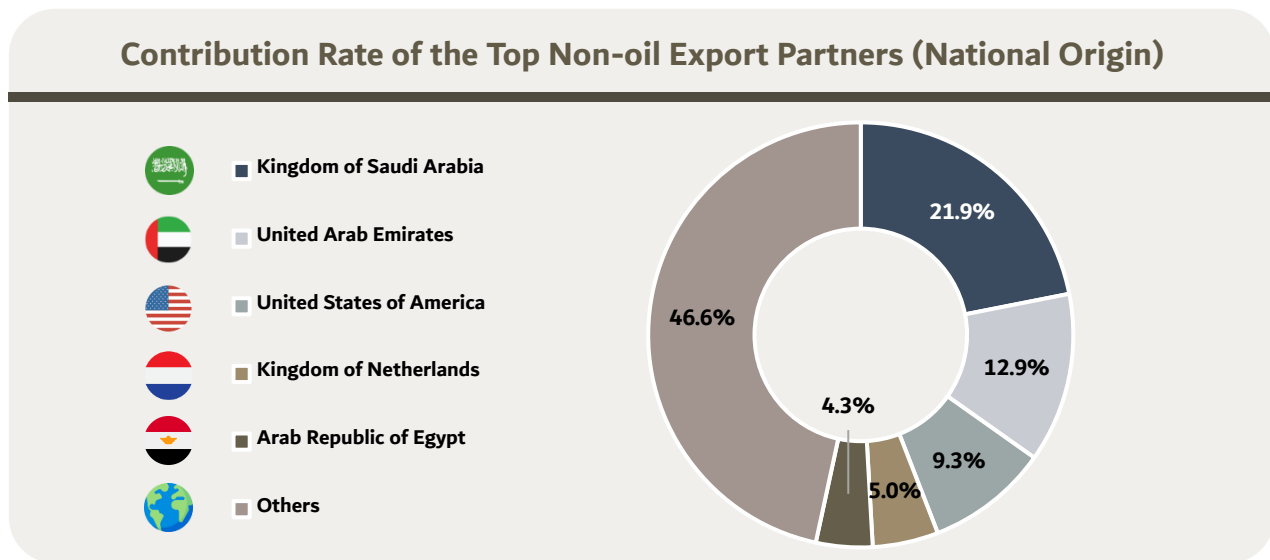


Source: Central Bank of Bahrain

The Kingdom of Bahrain witnessed a decline in both its Oil and Non-oil exports during Q3 2023. The value of Non-oil exports totaled BHD 1,127.2Mn in Q3 2023, representing an annual decline of 20.4%. The value of Oil exports amounted to BHD 1,313.9Mn, declining slightly by 4.5% YoY. Accordingly, total exports for the Kingdom of Bahrain in Q3 2023 registered an annual decline of 12.6% with an amount of BHD 2,441.1Mn.

According to the foreign trade statistics released by the Information and e-Government Authority, basic metals and basic metal classes constituted 56.2% of the total Non-oil exports of national origin during Q3 2023. Mineral products secured the second spot, contributing 18.5% of the total value, while chemicals ranked third at 6.6%. Animal and animal products held the fourth position, while natural pearls, precious stones, semi-precious stones, and metals held the fifth position with respective contributions of 5.9% and 3.1%.

The Kingdom of Saudi Arabia emerged as the primary destination for Non-oil merchandise exports of national origin, holding a share of 21.9%. The United Arab Emirates accounted for 12.9% of the total, securing the second position. The United States of America ranked third, contributing 9.3% to the total value of Non-oil exports. The Kingdom of the Netherlands came in fourth, with a contribution of 5.0% of the total value. The Arab Republic of Egypt held the fifth position, with a contribution of 4.3%.

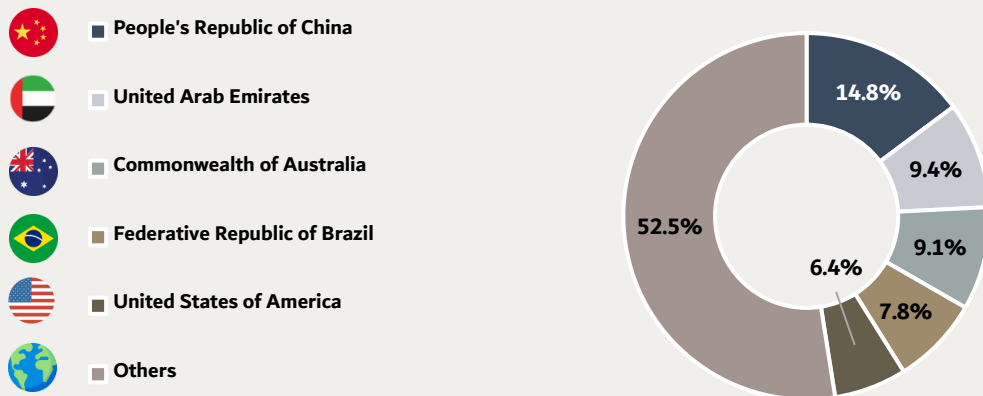


Source: Information & eGovernment Authority

On the other hand, the total value of merchandise imports amounted to BHD 1,914.5 Mn, which marked a 6.5% annual decrease. This decline was driven by a decrease in oil imports, which saw a drop of 9.7% and amounted to BHD 652.6Mn. Non-oil imports also experienced a decrease of 4.7%, totaling BHD 1,261.9Mn. Mechanical and electrical equipment was the most imported commodity, accounting for 20.3% of the total Non-oil imports. Chemicals followed with a contribution of 16.4%, while mineral products accounted for 13.0%. Rounding up the top five was Vehicles and transport equipment with 8.5% of Non-oil imports and base metals and articles of base metal with a contribution of 6.7%.

The People's Republic of China maintained its position as the primary source of imports, accounting for 14.8% of the total value of Non-oil imports. The United Arab Emirates was the next highest source of imports with a share of 9.4%. The Commonwealth of Australia ranked third, accounting for 9.1% of the total value, while the Federative Republic of Brazil held the fourth position with a 7.8% share. The United States of America rounded up the top five, contributing 6.4% of the overall value of Non-oil imports.

Contribution Rate of the Top Non-oil Imports Partners



Source: Information & eGovernment Authority

During Q3 2023, the net value of services exports surged by 16.6% YoY to total BHD 319.8Mn, compared to the total of BHD 274.3Mn during Q3 2022. On top of that, the net value of primary income also grew 56.7%YoY to total BHD 273.8Mn. By contrast, workers' remittances sent abroad declined by 1.6% to total of BHD 248.1Mn in Q3 2023.

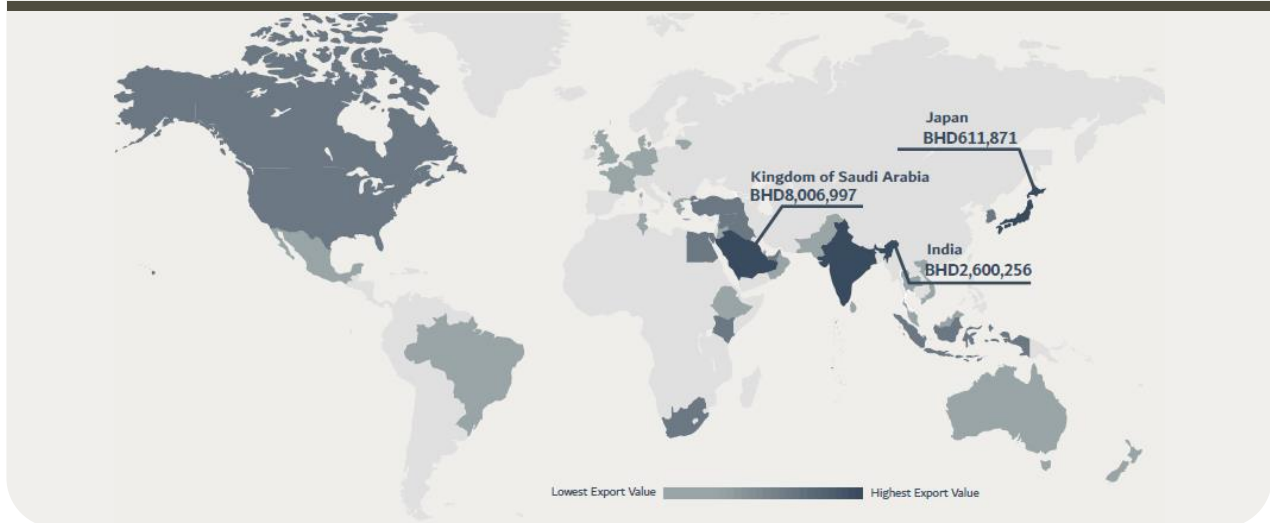
Small and Medium Enterprises (SMEs) Performance

The Kingdom of Bahrain continues to streamline procedures and implement initiatives that aim to promote the role of SMEs in the development of the economy. In Q3 2023, SMEs played a pivotal role in national origin exports, contributing 11% and exporting nearly BHD 103Mn worth of goods during the quarter. As of the end of Q3, the total number of Bahrainis employed in SMEs reached 44,138 employees.

SMEs constituted 93% of all enterprises in Bahrain as of Q3 2023, totaling 76,315 businesses. This marks a 4.0% increase compared to the same period in 2022. Among these enterprises, 80% of the total SMEs are owned by Bahrainis, 40% of the total SMEs are owned by women, and 27% of the total SMEs are owned by young entrepreneurs of both sexes. To improve services to entrepreneurs and emerging companies, the Ministry of Industry and Commerce has granted 31 incubator licenses so far, resulting in the incubation of over 2,200 startup companies as of Q3 2023.

During Q3 2023, the total export value of products and services facilitated by “Export Bahrain” amounted to BHD 15Mn, with the top exporting destinations being the Kingdom of Saudi Arabia, with BHD 8.0Mn of the exports, followed by the Republic of India, with BHD 2.6Mn worth of exports, and Japan with BHD 612K. The Manufacturing sector dominated the exported goods and services, contributing over 75% of the total export value, while in terms of commodities, paper products were the top exported commodity with a value of BHD 6.7Mn, followed by aluminum downstream products, and processed and packaged foods with values of BHD 2.8 Mn and BHD 2.1Mn respectively.

Primary Markets for “Export Bahrain” Partners – Q3 2023

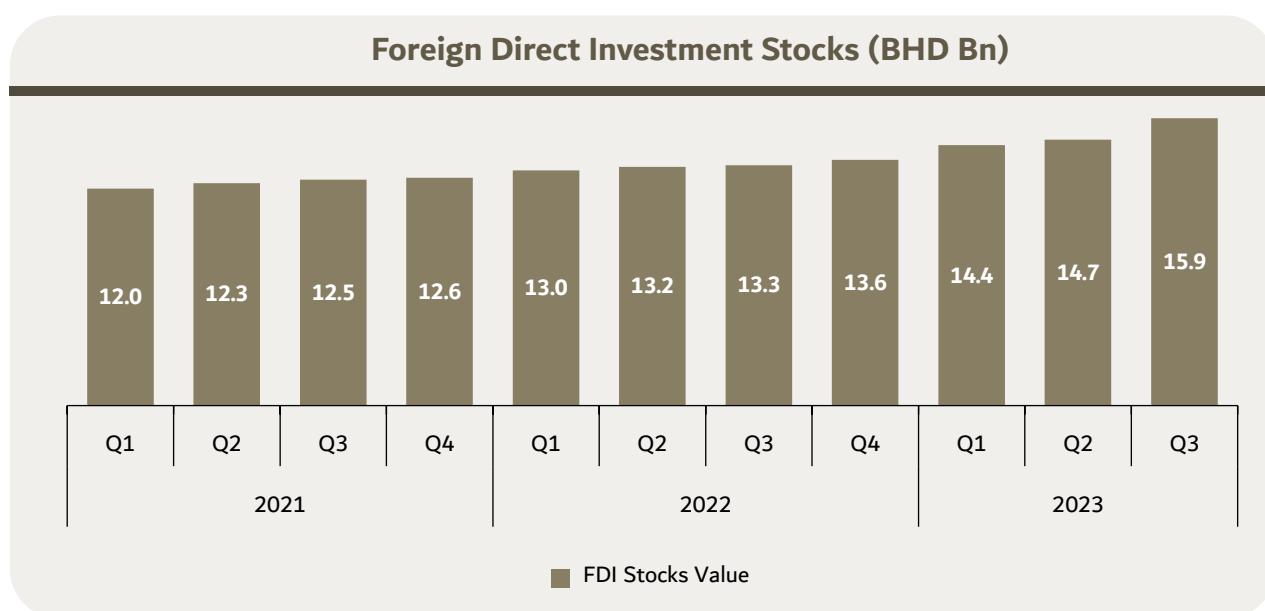


Source: Export Bahrain

Foreign Direct Investment (FDI)

According to the preliminary results of the FDI survey carried out by the Information and eGovernment Authority in collaboration with the Central Bank of Bahrain, inward investments into the Kingdom of Bahrain continued to increase in Q3 2023. The cumulative inward FDI stock grew by 19.4% YoY to reach BHD 15.9Bn in Q3 2023, up from BHD 13.3Bn during the same period in 2022.

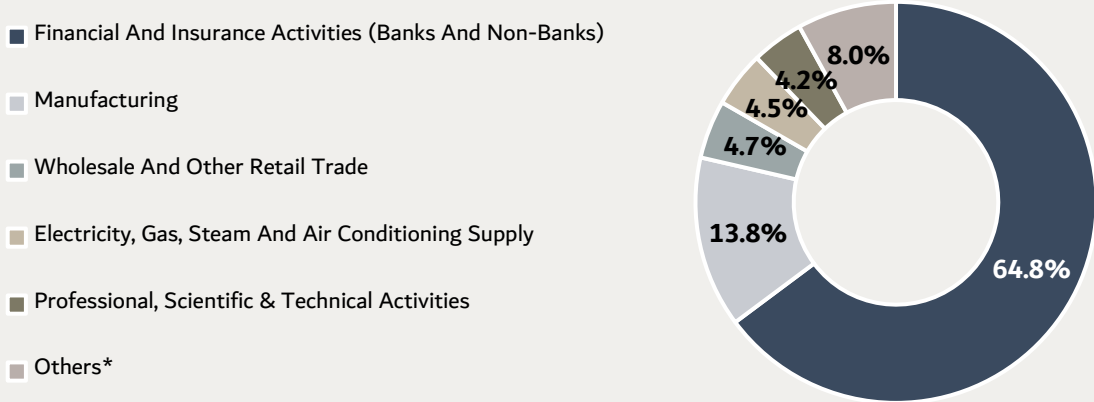
The total FDI flows during Q3 2023 reached BHD 1.2Bn, surging by 639.5% YoY. The Financial and Insurance Services recorded the highest increase with FDI flows of BHD 1,092.1Mn. The Manufacturing sector recorded flows of BHD 53.2Mn during the quarter, while the Wholesale and Retail Trade, Repair of Motor Vehicles and Motorcycles sector recorded inward foreign investments of BHD 21.9Mn.



Source: Information & eGovernment Authority

In terms of economic activities, Financial and Insurance Services had the highest contribution of the total inward FDI Stock with 64.8%, with a total of BHD 10.3Bn as of the end of Q3 2023, an increase of 29.3% YoY. The Manufacturing sector contributed approximately 13.8% of the total inward FDI stocks at BHD 2.2Bn, an increase of 3.3% YoY. Meanwhile, the Water Supply, Sewage Waste Management and Remediation Activities sector recorded the highest growth in inward FDI during Q3 2023, increasing by 102.5% YoY to reach BHD 35.8Mn.

Economic Activities' Share of FDI Stock – Q3 2023



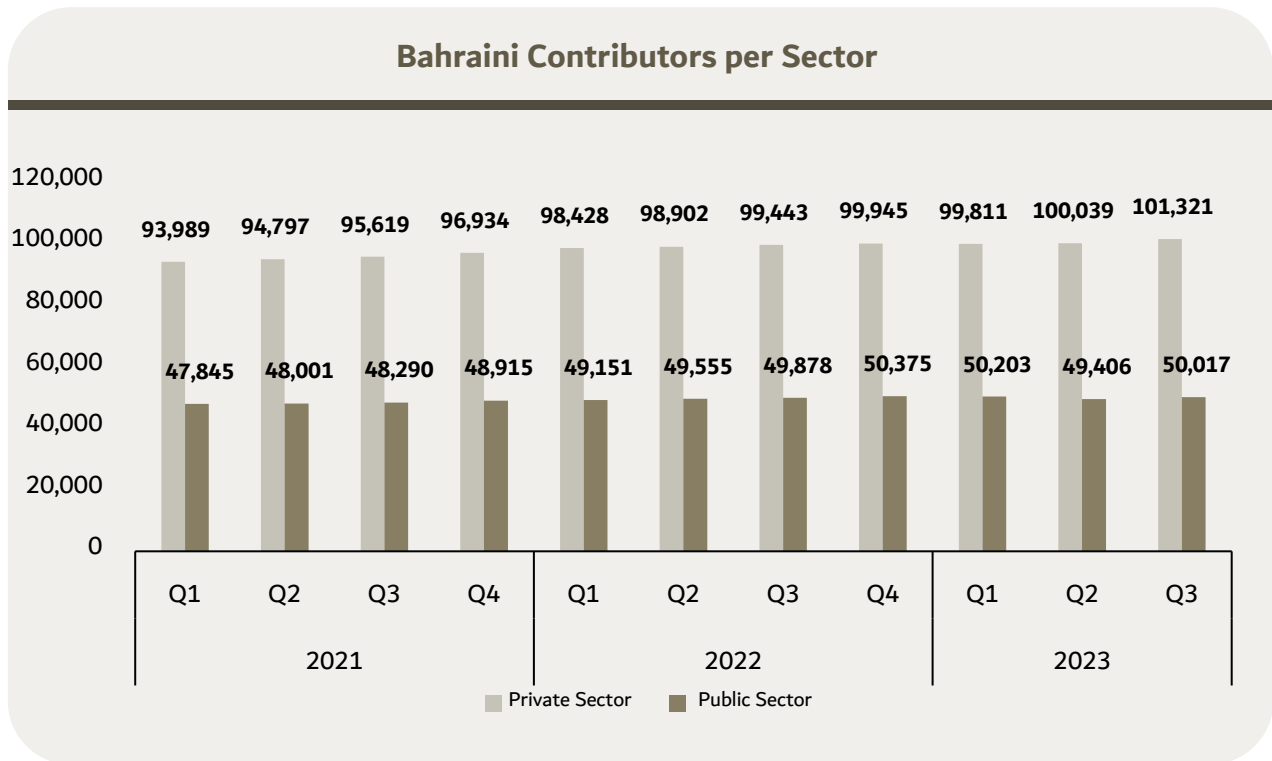
**Includes 13 other activities such as Real Estate, Mining and Quarrying, Education, Construction, and Art, Entertainment and Recreation*

Source: Information & eGovernment Authority

The inward investments of the State of Kuwait were BHD 5.8Bn, contributing 36.2% of total FDI stocks. The Kingdom of Saudi Arabia came in second with investments of BHD 3.7Bn, contributing 23.0% of total FDI stocks, followed by the United Arab Emirates with investments worth BHD 1.7Bn, contributing 10.7% of total FDI stocks.

Labor Market

According to the data published by the Social Insurance Organization (SIO) for Q3 2023, the total number of Bahrainis employed in the private sector grew by 1.9% YoY to reach 101,321 registered workers, which represents 67% of the total Bahrainis registered in SIO. In the public sector, the total number of employed Bahrainis saw a slight increase of 0.3% YoY, reaching total of 50,017 workers. Accordingly, the combined number of Bahrainis working in both sectors reached 151,338 reflecting an increase of 1.4% YoY. On the other hand, the total non-Bahrainis in the workforce totaled 466,090 workers, which represents an increase of 1.7% YoY.



Source: Social Insurance Organization

The overall average monthly wages of Bahrainis in both sectors increased by 5.8% YoY to reach BHD 857 by the end of Q3 2023. In the public sector, the average monthly wage of Bahrainis was BHD 945, an increase of 8.7% YoY. In the private sector, the average monthly wage amounted to BHD 815, an increase of 4.2% YoY. Average non-Bahraini wages increased by 2.0% YoY to BHD 260.

The median wage of total Bahrainis in the public sector amounted to BHD 450, while the median wage of total Bahrainis in the private sector amounted to BHD 785. As for the monthly median wage of Bahraini women in the public sector during Q3 2023 amounted to BHD 798, marking a significant YoY increase of 14.0%, while the monthly median wage for Bahraini men in the public sector rose by 9.7% to reach BHD 767. On the other hand, the monthly median wage for Bahraini women in the private sector remained unchanged compared to Q3 2022, staying at BHD 450, while Bahraini men in the private sector experienced a 3.3% YoY increase in their monthly median wage, reaching BHD 465.

The total number of Bahraini women registered by the SIO by the end of Q3 2023 reached 63,594. This constituted approximately 42% of the total number of Bahraini contributors in the public and private sectors (55% of total Bahrainis in the public sector, and 35.6% of total Bahrainis in the private sector). As for the new contributors during Q3 2023, women comprised 64.3% of the new recruits in the public sector and 51.3% of new recruits in the private sector, reflecting their growing economic participation and contribution to development.

One of the main pillars of the Economic Recovery Plan is to increase the employment opportunities of Bahraini citizens, targeting a recruitment of 20,000 Bahrainis and providing training for 10,000 Bahrainis on an annual basis until 2024. In Q3 2023, 7,755 Bahrainis have been recruited in the private sector under the National Employment Program 2.0, bringing the cumulative total to 21,918 Bahrainis by the end of Q3 2023. This represents 110% of the set target. Additionally, 4,095 Bahrainis were trained during Q3 2023, bringing the total up to 11,332 by the end of Q3 2023, representing a 113% of the set target.

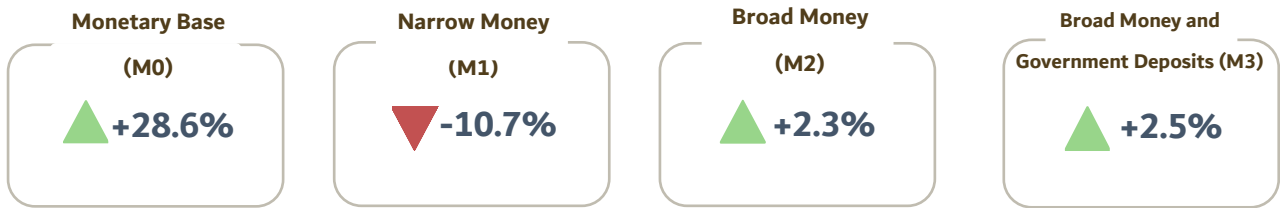
Monetary Policy and Financial Sector Developments

Interest Rates

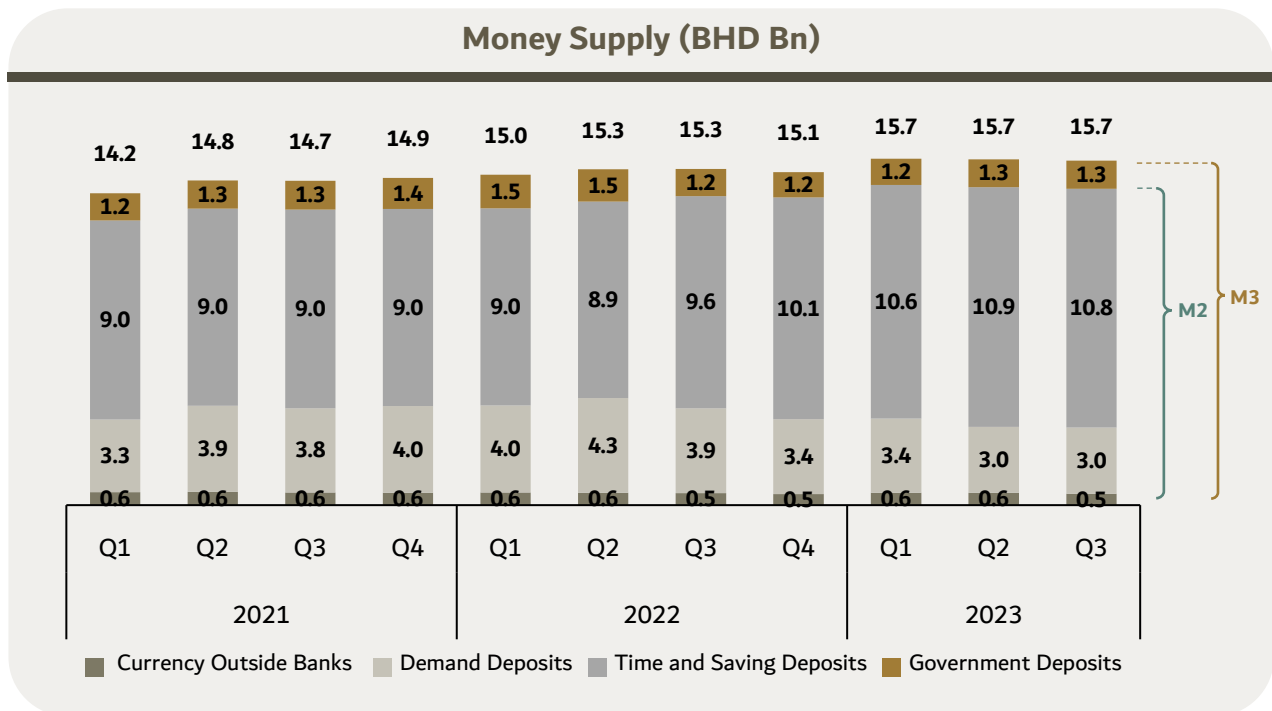


During Q3 2023, the Central Bank of Bahrain implemented one interest rate increase by 25 basis points in July 2023, following the US Federal Reserve policy rate increase. The interest rate on the one-week deposits was raised to 6.25%, while the interest rate on overnight deposits has increased from 5.75% to 6.00%. The interest rate for four-week deposits remains unchanged at 6.75%. Additionally, the interest rate on lending facilities provided to retail banks has been maintained at 7.00%.

Money Supply

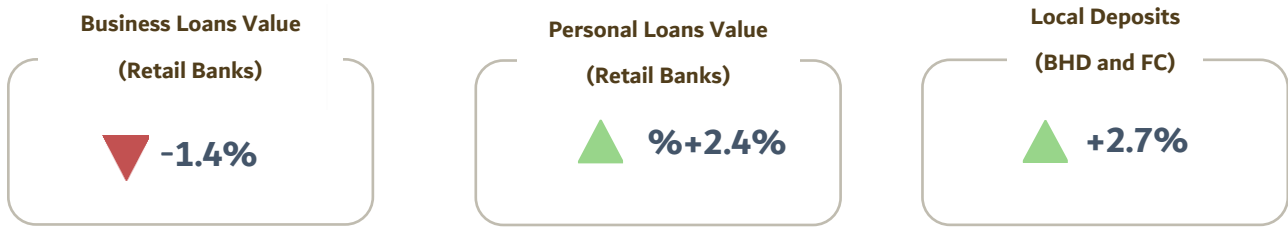


According to data from the Central Bank of Bahrain for Q3 2023, monetary base (M0) surged by 28.6% YoY to BHD 5.2 Bn, compared to the BHD 4.0Bn during the same period in 2022. However, narrow money (M1) experienced a decline of 10.7%, amounting to BHD 2.8 Bn. This decrease can be attributed to a drop in demand deposits. On the other hand, broad money (M2) showed a more positive trend, expanding by 2.3% YoY to reach BHD 14.4 Bn. This growth was primarily driven by a 12.5% increase in Time and Savings deposits, which reached BHD 10.9 Bn. Inclusive of M2 and government deposits, broad money (M3) also exhibited growth, reaching BHD 15.7 Bn, indicating a 2.5% increase YoY.

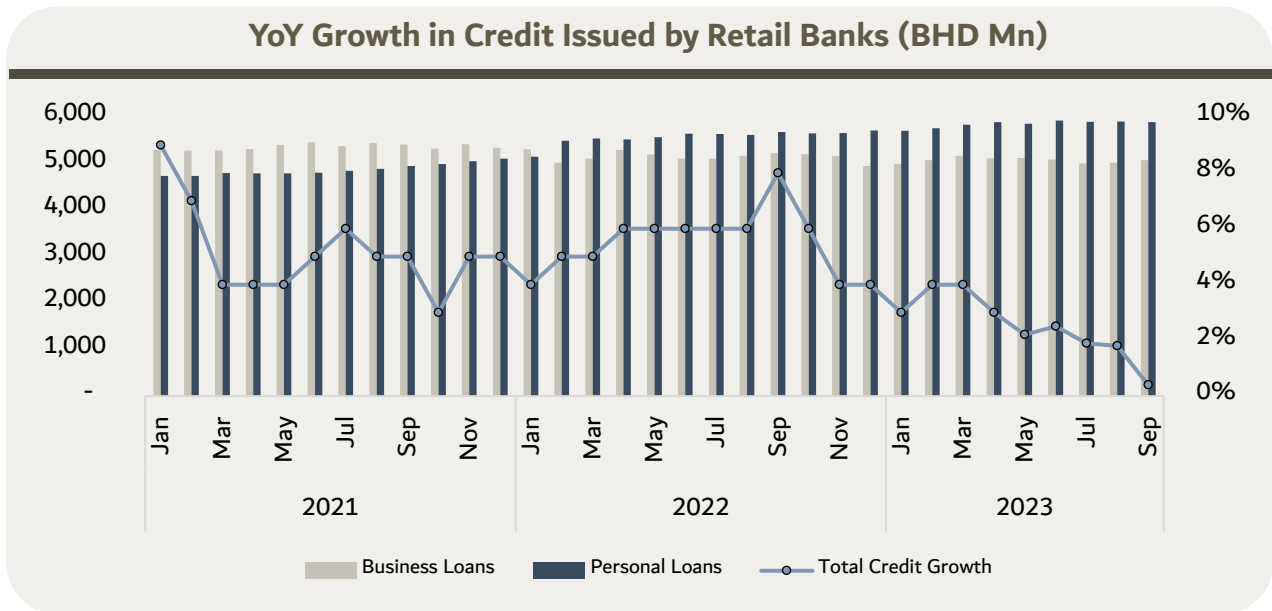


Source: Central Bank of Bahrain (CBB)

Bank Credit and Deposits

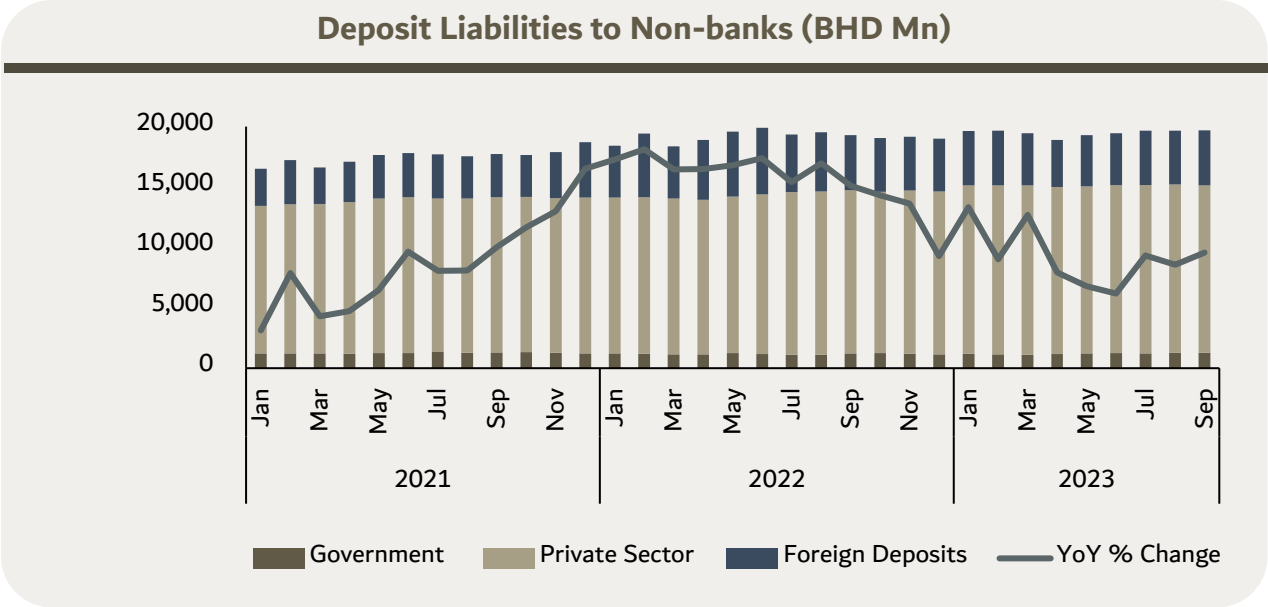


The total value of loans provided by retail banks in Q3 2023 amounted to approximately BHD 11.6 Bn, indicating a YoY growth of 0.4%. Loans granted to individuals, accounting for 50.2% of the total loans, reached a value of BHD 5.8 Bn, showing a 2.4% YoY. In contrast, loans provided to the business sector experienced a slight decline of 1.4% YoY, reaching a value of approximately BHD 5.2 Bn. This decrease can be attributed to the impact of rising interest rates. These loans constituted 44.4% of the total loans offered by retail banks. Loans extended to the government sector by retail banks witnessed a decrease from BHD 646.2 Mn in Q2 2022 to BHD 627.0 Mn in Q3 2023, reflecting a YoY decrease of 3.0%.



Source: Central Bank of Bahrain (CBB)

Total deposits from non-banks in both Bahraini dinars and foreign currencies witnessed positive YoY growth of 2.0%, reaching approximately BHD 19.7Bn. Similarly, the value of total domestic deposits from non-banks recorded a growth of 2.7% YoY, recording an approximate value of BHD 15.1Bn. Foreign deposits from non-banks amounted to BHD 4.5Bn, and Government deposits equated to BHD 1.3Bn at the end of Q3 2023.



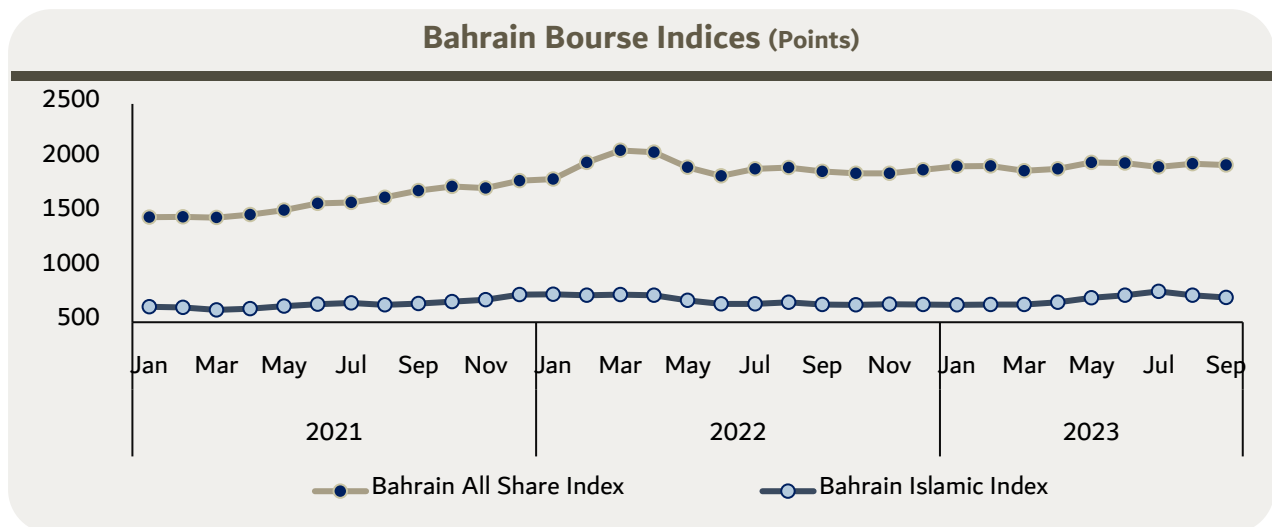
Source: Central Bank of Bahrain (CBB)

Capital Markets

During Q3 2023, Bahrain Bourse’s market capitalization stood at approximately BHD 7.6Bn. The Bahrain All Share index closed at 1,939.13 points, demonstrating a positive 3.0% YoY increase. The Bahrain Islamic Index also delivered positive results, closing at 727.78 points, and marking an impressive 9.9% YoY growth.

According to the quarterly bulletin report published by Bahrain Bourse, the financial sector maintained its dominant position, contributing 60.6% to the overall market capitalization. Following closely behind were the Materials sector and the Telecommunications sector, contributing 20.4% and 11.7%, respectively. In terms of the total value of shares traded, the financial sector took the lead once again, accounting for 55.8% of the total value, equivalent to approximately BHD 22.7Mn.

Among the notable companies, Bahrain Aluminum Company (Alba) continued to hold its position at the top of the market capitalization list, boasting a market value of BHD 1.6Bn and representing approximately 20.4% of the total market capitalization on the Bahrain Bourse. The National Bank of Bahrain retained its second-place position, while the Bank of Bahrain and Kuwait secured third place with market capitalizations of 17.8% and 11.5%, respectively.



Source: Bahrain Bourse

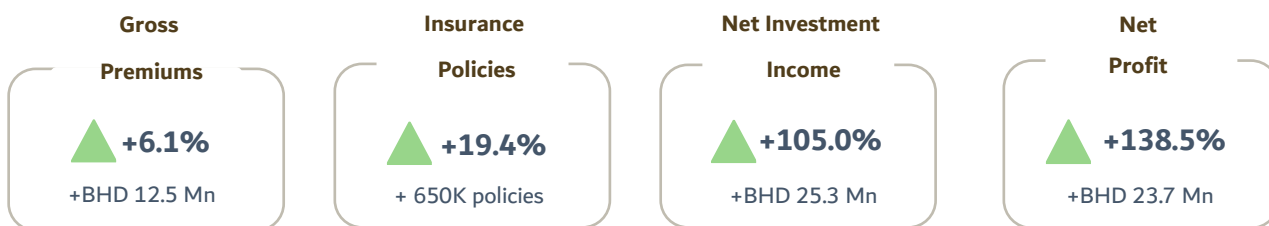
Short-term Bond and Sukuk Issued by the Central Bank of Bahrain

The Central Bank of Bahrain announced the issuance of 22 bonds and Islamic Sukuk at valued of BHD 1.3 Bn in the third quarter of the year. Treasury bill No. 1980, which was issued with a total value of BHD 70Mn, recorded the highest average profit during Q3 2023 with a rate of 6.72%. In terms of the short-term Islamic Sukuk, the Sukuk Al-Salam and Sukuk Al-Ijarah, the highest profit rate accounted for 6.4% and 6.46%, respectively. As for the highest over subscription rate during Q3 2023, Sukuk Al-Ijarah No. 217 recorded the highest rate of 593%.

Issue date	Issue	Value, BHD Mn	Maturity Days	Average Interest/Profit Rate (%)	Average Price (%)	Over- subscription (%)
5 Jul 2023	Treasury Bills No. 1972	70	91	6.14	98.471	143
6 Jul 2023	Sukuk Al Ijarah No. 215	26	182	6.15	-	329
12 Jul 2023	Sukuk Al Salam No. 267	43	91	6.10	-	173
19 Jul 2023	Treasury Bills No. 1973	70	91	6.07	98.489	146
20 Jul 2023	Treasury Bills No. 106	100	364	6.43	93.891	190
26 Jul 2023	Treasury Bills No. 1974	70	91	6.05	98.493	180
30 Jul 2023	Treasury Bills No. 1975	35	182	6.43	96.851	111
2 Aug 2023	Treasury Bills No. 1976	70	91	6.14	98.471	123
3 Aug 2023	Sukuk Al Ijarah No. 216	26	182	6.30	-	294
9 Aug 2023	Treasury Bills No. 1977	70	91	6.30	98.432	121
16 Aug 2023	Sukuk Al Salam No. 268	43	91	6.25	-	319
23 Aug 2023	Treasury Bills No. 1978	70	91	6.45	98.395	100
24 Aug 2023	Treasury Bills No. 107	100	364	6.44	93.883	223
27 Aug 2023	Treasury Bills No. 1979	35	182	6.46	96.835	183
30 Aug 2023	Treasury Bills No. 1980	70	91	6.72	98.330	100
6 Sep 2023	Treasury Bills No. 1981	70	91	6.59	98.361	291
7 Sep 2023	Sukuk Al Ijarah No. 217	26	182	6.46	-	593
13 Sep 2023	Sukuk Al Salam No. 269	43	91	6.40	-	359
20 Sep 2023	Treasury Bills No. 1982	70	91	6.55	98.371	284
21 Sep 2023	Treasury Bills No. 108	100	364	6.46	93.867	257
24 Sep 2023	Treasury Bills No. 1983	35	182	6.39	96.869	366
27 Sep 2023	Treasury Bills No. 1984	70	91	6.51	98.380	149

Source: Central Bank of Bahrain (CBB)

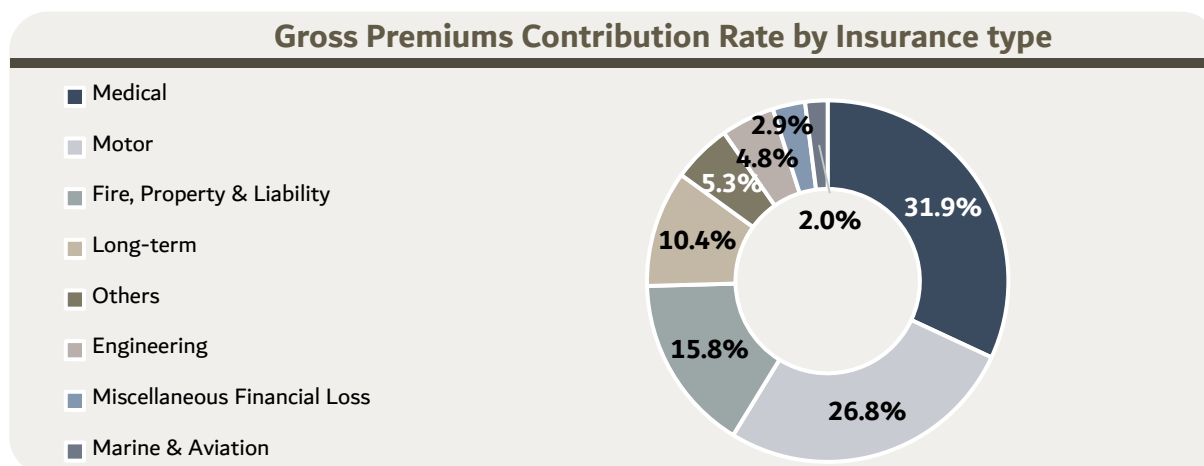
Insurance Sector



As revealed by the Central Bank of Bahrain in its quarterly report, the insurance sector exhibited robust growth in Q3 of 2023 as the number of insurance policies reached 4.0Mn, marking 19.4% YoY increase. The overall value of gross premiums experienced a 6.1% YoY rise, reaching BHD 217.5Mn, driven by heightened demand for insurance coverage. Particularly noteworthy was the engineering insurance segment, which recorded the highest YoY growth in gross premiums, increasing by 54.2% to reach BHD 10.5Mn

The sector's profitability showed significant improvement in Q3 2023. Net investment income witnessed remarkable growth, escalating to BHD 49.3Mn in Q3 2023, reflecting a robust YoY growth rate of 105.0%. Furthermore, conventional insurance firms reported a significant increase in net profit, rising to BHD 40.8Mn in Q3 2023, a remarkable increase of 138.5% YoY.

Analyzing the contribution of different insurance types to the total value of insurance gross premiums, medical insurance maintained its lead, accounting for BHD 69.5Mn and constituting 31.9% of the total gross premiums. Motor insurance gross premiums followed closely, representing a share of 26.8% with a value of BHD 58.3Mn. Fire, property, and liability insurance premiums secured the third position, contributing 15.8% with a value of BHD 34.4Mn.



Source: Central Bank of Bahrain (CBB)

Bahrain's Global Competitiveness

Human Capital

- Improving by 5 places
- Ranking 5th in “Digital Skills” indicator
- Ranking 5th regionally out of 18 countries



Bahrain ranked 44th globally out of 134 countries, improving by 5 places, in the **Global Talent Competitiveness Index 2023** issued by INSEAD. The index measures how countries across the world grow, attract, and retain talent. Regionally, Bahrain ranked 5th among 18 countries in the Northern Africa and Western Asia region. Bahrain achieved the best performance in the “Attract” pillar, ranking 29th globally. It is worth mentioning that Bahrain ranked among the top 10 countries in 6 indicator including ranking 5th globally “Digital Skills”.

Financial Sector

- Improving by 10 places
- 1st in the GCC



BASEL INSTITUTE ON
GOVERNANCE

Bahrain improved its rank by 10 spots in the **2023 Basel AML Index** published by the Basel Institute on Governance and maintained its rank as 1st in the GCC. The Basel AML index is an annual ranking that assesses the risk of money laundering and terrorist financing (ML/TF) in 152 jurisdictions across five domains. Bahrain also maintained its rank as the 1st in the GCC in the AML/CFT Framework domain.

- 4th Globally in the main index
- 1st globally in the “Regulations” and “News” sub-indicators
- 1st in GCC in the Islamic Banking sub-indicator



LSEG

The Kingdom of Bahrain ranked 4th globally in **The Islamic Finance Development Report 2023**,

published by the Islamic Corporation for the Development of the Private Sector and the London Stock Exchange Group which ranks 136 countries across five indicators: Financial Performance, Governance, Sustainability, Knowledge, and Awareness. The Kingdom ranked first globally in the “Regulations” sub-indicator, which measures rules and guidelines of Islamic finance. Bahrain additionally ranked first in the “News” sub-indicator measuring the coverage and number of news in the field of Islamic finance. Also, the Kingdom ranks 4th globally and first in the GCC in the Islamic Banking sub-indicator.

Information and Communication Technology

- Ranking among the top 10 countries in 9 indicators, including Cybersecurity and Communication Technology indicators



Bahrain ranked 38th out of 64 countries in the World Digital Competitiveness Ranking 2023 published by the

International Institute for Management Development (IMD). The report assesses the extent to which countries adopt and explore digital technologies. Bahrain ranked among the top 10 countries in 9 indicators, including ranking 3rd globally the Digital/Technological skills, 5th globally in Cyber security, and 6th globally in Communication Technology.

- 7th globally and 3rd in the Arab World
- Full score in 5 indicators



Bahrain scored 96.5 out of 100 points in the **ICT Development Index (IDI) 2023** published by the International Telecommunications Union (ITU). Bahrain is placed among the top 10 countries globally, achieving the 7th spot globally and the 3rd spot among Arab states in the overall index. In its latest release with an entirely new methodology, the index assesses 169 countries based on several indicators in the field of ICT. Bahrain achieved a perfect score (100) on 5 of the indicators and they are: Individuals Using the Internet (%), Households with Internet access (%), 3G Network Coverage (%), 4G/ LTE Network Coverage (%), and Individuals Owning a Mobile Phone (%).

List of Abbreviations

Acronym	Description
ALBA	Aluminium Bahrain
Bapco	BAPCO Refining
BHD	Bahraini Dinar
BMP	Bapco Modernization Programme
Bn	Bn
Bpd	Barrel per day
Bps	Basis Points
CBB	Central Bank of Bahrain
CPI	Consumer Price Index
FDI	Foreign Direct Investment
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
IGA	Information and eGovernment Authority
IMF	International Monetary Fund
MBHD	Mn Barrels per Day
Mn	Mn
MoM	Month on Month
OPEC	Organization of the Petroleum Exporting Countries
POS	Point of Sale
PPI	Producer Price Index
QoQ	Quarter on Quarter
RHS	Right Hand Side
SMEs	Small and Medium-sized Enterprises
Sqm	Square Meter
USD	United States Dollar
WEO	World Economic Outlook
YoY	Year on Year
YTD	Year to Date

Glossary

Term	Description
Economic Terms	
National Accounts	Description of coherent, consistent and integrated set of macroeconomic accounts in the context of a set of internationally agreed concepts, definitions, classifications and accounting rules.
Gross Domestic Product by Production Approach	The total value of goods and services produced within a country, over a specified period, usually annual (and/or) quarterly GDP.
Gross Domestic Product by Expenditure Approach	The total value of the final private and public purchases within a country, over a specified period, usually annual (and/or) quarterly GDP.
Real Growth Rate	GDP growth rate at constant prices, which eliminate inflation's effect between the current year and the base year (2010).
Nominal Growth Rate	GDP growth rate at current market prices, which is affected by inflation.
Inflation	The overall increase in prices of goods and services within a specific period.
Consumer Price Index	The index measures the change in the average level of prices of consumptions goods and services acquired or used by households
Producer Price Index	The index measures the change in the average level of selling prices received by domestic producers for their output.
Economic Sectors	
Oil sector	Comprises of crude oil extracted as well as extraction of natural and associated gas.
Non-oil sector	Includes all economic activities excluding the oil sector activities.
Financial Corporations	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.
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.
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

Term	Description
	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 Services	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, health, 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 and services that can be provided to private households.
Economic Transactions	
Balance of Payments	A statistical statement that systematically summarizes, for a specific period, the economic transactions of an economy with the rest of the world.
Current Account	It covers all the imported and exported goods and services, primary and secondary income accounts in the balance of payments.
Capital Account	It covers capital transfers
Financial Account	It covers the changes in external financial assets and liabilities of a country and the corresponding records of these changes, it calculates the nets of the direct investment, portfolio investment, other investment, and reserve assets.
Trade Balance	The difference between the value of imports and exports during a certain period, which is a surplus if the value of exports exceeds imports, or a deficit in the opposite case.

Term	Description
Total exports	Includes national exports and exports of foreign goods (re-exports) from any part of the statistical territory.
National Exports	Exports include all commodities that were completely produced or manufactured locally, or on which industrial operations were made that changed the shape and value of the commodity.
Re-exports	Includes exports of foreign goods previously registered as imports.
Total Imports	Imports of foreign goods and re-importing of local goods.
Services Trade	The value of services exchanged between residents and non-residents of an economy, including services provided through foreign affiliates established abroad.
Commodity Trade	The process of sourcing, buying, transporting, storing, transforming and selling physical commodities, including the management of associated risks, as well as operating physical assets in this context.
Foreign Direct investment Survey	It is one of the IGA's most important publications, it helps identify foreign investment stocks and flows.
Point of Sales Transactions	Payments made by debit and credit cards (issued inside or outside Bahrain)
Monetary Terms	
Basis Point	A measurement unit equals to 0.01% used to measure interest rates and percentages. For example, 50 basis points equals 0.5%.
Standing Facilities	A set of deposit and lending instruments that retail banks can obtain from the Central Bank of Bahrain to meet their liquidity needs in Bahraini Dinars.
Deposit Liabilities to Non-Banks	Includes deposits in Bahraini Dinars or foreign currencies in retail banks, and includes local deposits from the government and private sectors (except for banks) and foreign deposits.
Aggregated Balance Sheet of the Banking System	The aggregate balance sheet covers all the banking system (Retail, wholesale, and Islamic) excluding the balance sheet of The Central Bank of Bahrain.
Public Debt Instruments	Treasury bills and securities issued by The Central Bank of Bahrain on behalf of The Government of Bahrain
Treasury Bills	Short-term debt instruments whose value is determined by the Ministry of Finance and National Economy for maturities not exceeding one year.

Term	Description
Government Development Bonds	Long-term bonds issued in Bahraini dinars or US dollars, with maturities from 2 to 30 years. The fixed interest rate is set by the Monetary Policy Committee of the Central Bank of Bahrain.
Al Salam Sukuk	An investment instrument issued in accordance with Islamic Sharia standards, with maturities of three months. The fixed return is determined by the Monetary Policy Committee of the Central Bank of Bahrain.
Short Term Ijara Sukuk	An investment instrument issued in accordance with Islamic Sharia standards, with maturities of six months. The fixed return is determined by the Monetary Policy Committee of the Central Bank of Bahrain.
Long Term Ijara Sukuk	An investment instrument issued in accordance with Islamic Sharia standards in Bahraini Dinar or US Dollars, with maturities from 2 to 10 years. The fixed return is determined by the Monetary Policy Committee of the Central Bank of Bahrain.
Money Supply	Money supply is the total value of money in an economy.
M0	Monetary base of the economy. (Currency in circulation + Bank deposits in the Central Bank of Bahrain)
M1	Money supply that consists of the most liquid portions of money. (Currency in Circulation + Demand deposits)
M2	Broader measure of money supply (M1 + Time and Saving deposits)
M3	The broadest definition of money supply and it includes the least liquid portions of money. (M2 + General Government Deposits).
Monetary Survey	It displays the components of M3 in terms of net foreign assets and domestic assets.

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