



وزارة المالية والاقتصاد الوطني

Ministry of Finance
and National Economy

Bahrain Economic Report

2023



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Bahrain Economic Report 2023

Real GDP Growth

According to preliminary data released by the iGA

Total GDP

▲ +2.4%

Non-Oil GDP

▲ +3.4%

Top Growing Sectors

(YoY)



Hotels
& Restaurants

▲ +8.0%



Financial
Corporations

▲ +5.7%



Trade

▲ +5.3%



Real Estate
& Business Activities

▲ +4.1%

Top Economic Indicators

(YoY)



Inbound
Tourism Flows

▲ +24.7%



Value of Electronic
Fund Transfers

▲ +15.6%



Value of POS
& E-Commerce

▲ +7.9%



Real Estate
Transactions

▲ +24.1%

Bahrain's Performance in Global Competitiveness Indicators

The
Heritage Foundation

Index of Economic
Freedom 2024

Bahrain is 1st in the MENA region in Trade Freedom, Investment Freedom, and Financial Freedom

Agility

Emerging Markets
Logistics Index 2024

Bahrain ranks 8th globally in the "Business Fundamentals" Pillar



Human Development
Report 2023-2024

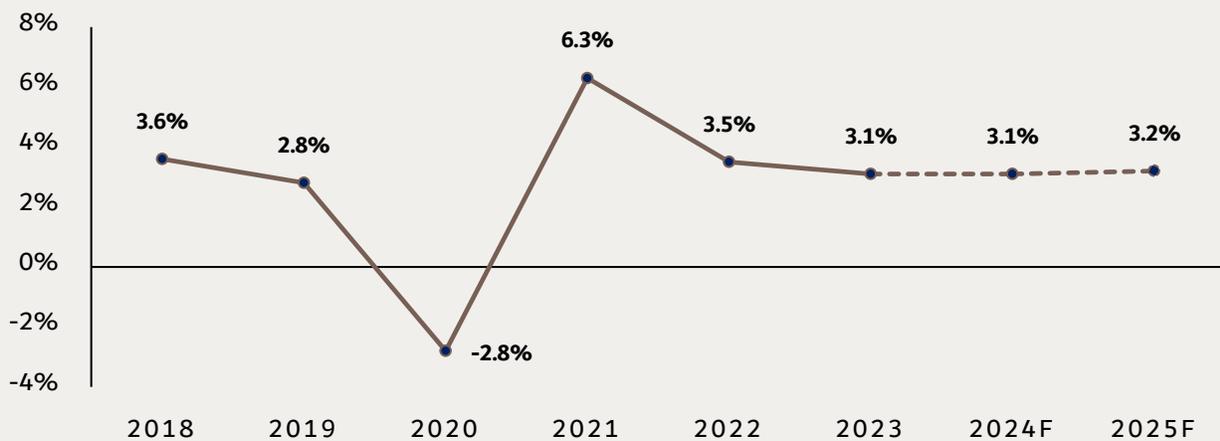
Bahrain remains a country with a "Very High Level of Human Development"

Global Economy

- ◆ Global growth is projected at 3.1% in 2024 and 3.2% in 2025 as a result of a decline in inflation, easing of monetary policy, and overall economic growth resilience.
- ◆ The global inflation rate is projected to decline from an estimated 6.8% in 2023 to 5.8% in 2024 and further decline to 4.4% in 2025.

According to the IMF’s World Economic Outlook (WEO) report published in January 2024, global growth is estimated at 3.1% in 2023 with projections to remain at 3.1% in 2024 before slightly increasing to 3.2% in 2025. The increase is attributed to steady resilience by the United States of America, several emerging markets and developing economies, as well as fiscal stimulus measures implemented in China. Additionally, the slowdown in inflation rates coupled with sustained economic growth has significantly minimized the likelihood of severe economic contractions and other risks that could negatively impact global sustainable growth. However, the projected growth for 2024-2025 falls below the historical average of 3.8% observed between 2000 and 2019. This is primarily due to higher central bank interest rates aimed at combating inflation, a reduction in fiscal support amid high levels of debt and limited underlying productivity growth impacting economic activity.

Global GDP Growth Projections (Constant Prices, YoY)



Source: World Economic Outlook January 2024, International Monetary Fund (IMF)

The global inflation rate is projected to decline from an estimated 6.8% in 2023 to 5.8% in 2024 and further decline to 4.4% in 2025. This decline in inflation is happening at a faster pace than initially anticipated in most regions, with minimal impact on employment and economic activity. These trends can be attributed to positive developments on the supply side and the implementation of tighter monetary policy by central banks, effectively anchoring inflation expectations.

In terms of the economic performance in 2023, the US economy exhibited an acceleration in growth, expanding by 2.5% compared to the 1.9% growth recorded in 2022. In contrast, the Eurozone experienced a deceleration in economic performance, with growth slowing down to 0.5% from 3.4% in 2022. On the other hand, China's economy demonstrated robust growth, surpassing its 2022 growth rate of 3.0% with an impressive 5.2% growth rate in 2023.

As for the oil market, the International Energy Agency (IEA) revised its global oil demand projection for the year in its March 2024 report, indicating an increase of 110,000 bpd compared to the previous projection, reaching 1.3 Mn bpd. However, this represents a decline of one million barrels from last year where total demand stood at 2.3 Mn bpd in 2023. This decline is primarily attributed to the decrease in China's demand as well as the redirection of Russian crude oil to destinations outside the European Union. These factors have impacted overall demand and offset the effects of supply cuts implemented by OPEC+.

In terms of crude oil prices, the geopolitical tensions, demand uncertainties, and voluntary production cuts by Saudi Arabia have all contributed to fluctuations in prices over the course of the year. By the end of 2023, prices settled at USD 82.4 per barrel, and moving into 2024 it is anticipated to average USD 78.0 per barrel, reflecting continued slowdown in global oil demand growth, with China, India, and Brazil serving as the primary drivers of this slowdown.

Gulf Cooperation Council Economy

Despite the continued decline in oil production by OPEC+ countries, the Gulf Cooperation Council economies witnessed a strong performance in the Non-oil sector, driving economic growth in the region, supported by increasing economic diversification plans outlined in the countries economic visions and significant investments in Non-oil sectors. According to the “Global Economic Prospects” report published in Jan 2024 by the World Bank, the GCC economies are projected to grow at a rate of 3.6% in 2024 and 3.8% in 2025.

According to the General Authority for Statistics, in Saudi Arabia, the economy slightly contracted by 0.8% YoY in real terms during 2023, primarily due to a 9.0% YoY decline in the Kingdom’s oil GDP. Driven by Saudi Vision 2030, there has been a significant increase in investment in Non-oil sectors, leading to a robust growth of 4.4% YoY in the Non-oil GDP in 2023.

The National Statistical and Information Centre of the Sultanate of Oman reported that real GDP grew by 1.3% YoY in 2023, reinforced by the growth of Non-oil activities, which saw an increase of 2.4% YoY. The oil sector, however, only managed a slight growth of 0.4% YoY.

The Central Bank of the United Arab Emirates (CBUAE) maintained its GDP growth estimates for 2023 at 3.1% with the Non-oil sector registering a growth of 5.9%, while the oil sector saw a slight decrease of 3.9%. According to the Quarterly Economic Review Q4 2023, the CBUAE projects real GDP growth to rebound to 4.2% in 2024, and to increase to 5.2% in 2025. The Non-oil GDP growth is expected to record a 4.7% growth in 2024 and 2025. On the other hand, oil GDP growth is forecasted at 2.9% in 2024, to further expand by 6.2% in 2025.

Bahrain's Economic Performance

Bahrain's GDP recorded a growth of 2.4% YoY in real terms during 2023, driven primarily by a 3.4% expansion in the Non-oil sector, according to the preliminary data released by the Information and eGovernment Authority, while the Oil sector witnessed a YoY decline of 2.4%.

In nominal terms, GDP declined by 2.7% YoY during 2023, primarily driven by a 14.5% YoY decline in the oil sector, which was influenced by the decrease in global oil prices. Additionally, the Non-oil sector saw a slight decrease of 0.2%.

While in Q4 2023, real GDP recorded a growth of 3.5% YoY in real terms. The Non-oil sector expanded by 4.0% YoY, while the oil sector saw a 0.5% YoY increase compared to Q4 2022. On QoQ basis, real GDP increased by 4.6%, as the non-oil sector witnessed an increase of 5.1% QoQ. The oil sector grew by 1.9 compared to the third quarter of 2023.

The Ministry of Finance and National Economy projects an annual real GDP growth of 3.0% in 2024 driven primarily by the Non-oil sector which is expected to grow by 3.8%. As for 2025, real GDP growth is projected to accelerate by 3.8%, with the Non-oil sector experiencing a growth of 4.5%.

Key Economic Indicators

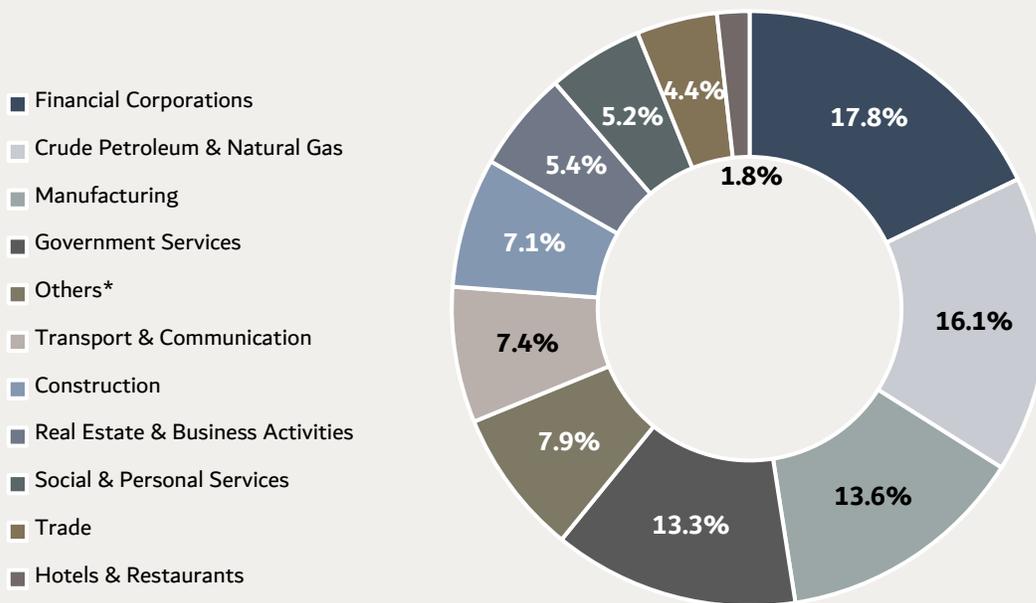
	<i>2022</i>	<i>2023</i>	<i>2024</i>	<i>2025</i>
	<i>Actual</i>	<i>Prelim</i>	<i>Forecast</i>	<i>Forecast</i>
Real GDP growth	5.2%	2.4%	3.0%	3.8%
Non-oil sector	6.6%	3.4%	3.8%	4.5%
Oil sector	-1.4%	-2.4%	-1.0%	0.0%
Nominal GDP growth	13.2%	-2.7%	4.8%	4.8%
CPI	3.6%	0.1%	1.0%	1.5%
Current account (% of GDP)	15.4%	6.2%	9.0%	9.5%

Source: Ministry of Finance and National Economy estimates

Non-oil Sector

The non-Oil sector plays a significant role in driving economic growth, leading to a record high contribution to GDP of 83.9% in real terms in 2023. The Financial Corporations sector maintained its position as the largest contributor to GDP in 2023, accounting for 17.8% of GDP. The Manufacturing sector comprised 13.6% of GDP, followed by Government Services sector at 13.3%. The Transportation and Communication sector constituted 7.4%, with the Construction sector following closely at 7.1%. Real Estate and Business Activities sector contributed 5.4% to GDP, while Social and Personal Activities and Trade accounted for 5.2% and 4.4%, respectively. Additionally, Hotels and Restaurants contributed by 1.8%.

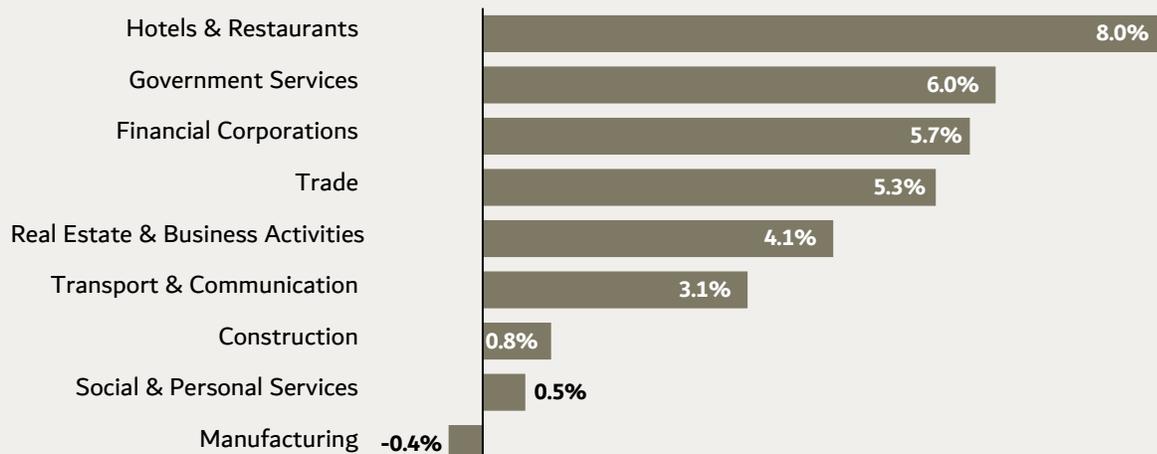
Sectors Contribution to Real GDP – FY 2023



*Includes Agriculture and Fishing, Quarrying, Electricity and Water, Net Tax on Products, Private Non-profit Institutions Serving Households, and Households with Employed Persons

Source: Information & eGovernment Authority

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



Source: Information & eGovernment Authority

Real GDP Growth Rates by Sector (YoY)

Year	2022		2023				
	Sector	Annual	Q1	Q2	Q3	Q4	Annual
Crude Pet. & Nat. Gas		-1.4%	-5.9%	2.2%	-6.8%	0.5%	-2.4%
Manufacturing		4.3%	-1.5%	-1.4%	0.6%	0.7%	-0.4%
Construction		1.4%	-1.3%	-0.5%	1.7%	3.2%	0.8%
Trade		5.4%	4.2%	4.7%	5.9%	6.4%	5.3%
Hotels & Restaurants		13.9%	4.3%	9.6%	9.4%	8.7%	8.0%
Transp. & Comm's		12.2%	6.5%	8.9%	1.1%	-2.7%	3.1%
Social & Pers. Serv.		3.3%	1.5%	-3.6%	-0.2%	4.4%	0.5%
Real Est. & Business Act.		5.7%	5.3%	4.9%	2.8%	3.6%	4.1%
Financial Corporations		2.7%	0.3%	10.3%	8.4%	3.9%	5.7%
Government Services		5.9%	4.8%	5.0%	6.1%	8.2%	6.0%
Others		25.8%	6.4%	-10.5%	7.8%	9.4%	2.8%
GDP		5.2%	1.0%	2.7%	2.4%	3.5%	2.4%
Non-oil GDP		6.6%	2.4%	2.7%	4.4%	4.0%	3.4%

According to preliminary estimates, the Non-oil sector maintained a strong performance, experiencing a growth of 3.4% YoY during 2023, and the sectors' performance was as follows:

◆ **Hotels and Restaurants**

The Hotels and Restaurants sector emerged as the fastest growing sector in 2023, achieving a significant growth of 8.0% YoY. According to the tourism survey carried out by the Information and eGovernment Authority and the Bahrain Tourism and Exhibition Authority, there was a significant increase of 24.7% YoY in the number of inbound tourism arrivals in 2023, totaling to 12.4Mn tourist. Moreover, the total revenue generated from inbound tourism experienced a substantial YoY growth of 31.6%, amounting to BHD 1.9Bn. It is worth noting that the total number of overnight stays surged by 46.0% YoY, reaching a total of 19.0Mn nights. Additionally, the hotel occupancy rate for 5 and 4-star hotels witnessed around 5-percentage points increase, averaging 49.3% in 2023.

◆ **Financial Corporations**

The Financial Corporations Sector, the largest contributor to GDP, demonstrated a growth of 5.7% YoY during 2023. This growth can be attributed to several positive 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 29.4Bn. Moreover, the aggregate balance sheet of the banking system expanded by 6.4%, and the total value of deposits from non-banks increased by 6.3% YoY, totaling BHD 20.2Bn. The total value of outstanding loans provided by retail banks increased by 4.3% YoY to approximately BHD 11.8Bn in 2023.

◆ **Trade**

The Trade sector experienced a growth of 5.3% YoY in 2023, driven by an increase of 9.6% in mall footfall, a 7.9% rise in the value of Point of Sale and e-commerce transactions, and a 5.6% increase in newly issued Company Commercial Registrations.

◆ **Real Estate and Business Activities**

The Real Estate and Business Activities sector grew by 4.1% YoY in real terms during 2023. According to the data reported by the Survey and Land Registration Bureau (SLRB), the value of real estate trading decreased slightly by 1.2% YoY to reach BHD 1.1Bn. However, the volume of real estate transactions grew by 24.1% YoY.

◆ Transportation and Communication

The Transportation and Communication sector witnessed a YoY increase of 3.1% in 2023. This growth can be attributed to several factors, including a 26.3% YoY increase in total passengers at Bahrain International Airport and a 5.4% YoY rise in container throughput at Khalifa bin Salman Port. Furthermore, total aircraft movement at Bahrain International Airport grew by 13.5% YoY.

◆ Construction

The Construction sector grew by 0.8% YoY in real terms during 2023. The growth was mainly driven by the increased total built up area by 23.4%, while the number of issued building permits dropped by 10.8%.

◆ Manufacturing

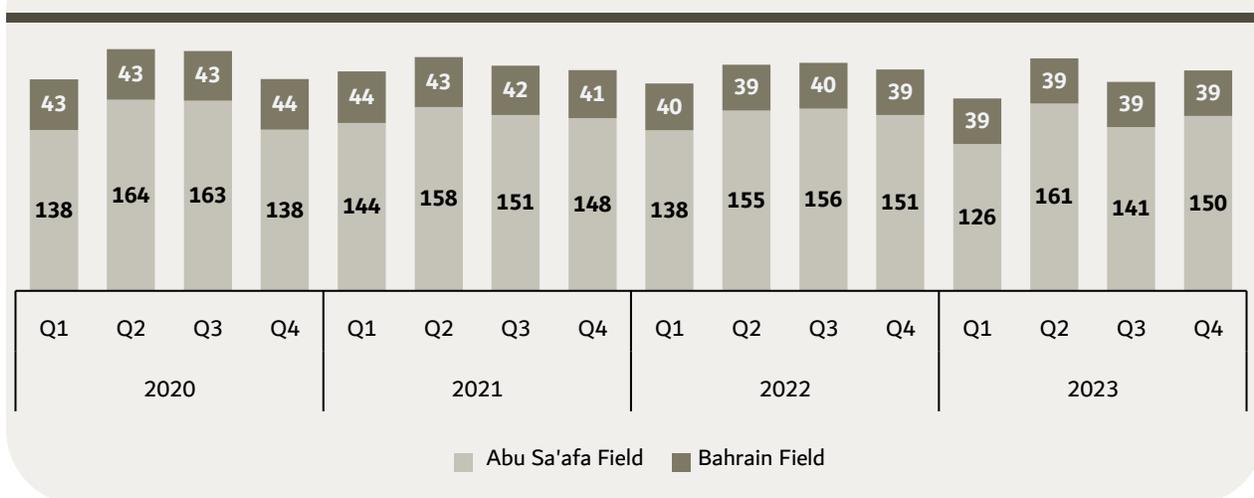
As for the Manufacturing sector, it declined by 0.4%. Across the main players of the sector, the Gulf Petrochemical Industries Company (GPIC) recorded a strong 10.8% increase in its output. Aluminum Bahrain's (Alba) Production also increased by 2.2% and Bapco Refining production went up by 2.1%. However, Bapco Gas production decreased by 1.4%.

Oil Sector

- ◆ The Oil sector accounted for 16.1% of Bahrain’s real GDP.
- ◆ The sector experienced a decline of 2.4% YoY due to maintenance activities at the Abu Sa’afa field.

The Oil sector recorded a contribution of 16.1% to real GDP in 2023, while the sector’s performance declined by 2.4% 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 2023 was USD 82.4, showing a significant decrease of 18.3% compared to the average price of USD 100.9 in 2022.

Bahrain’s Average Crude Oil Production (Thousands bpd)

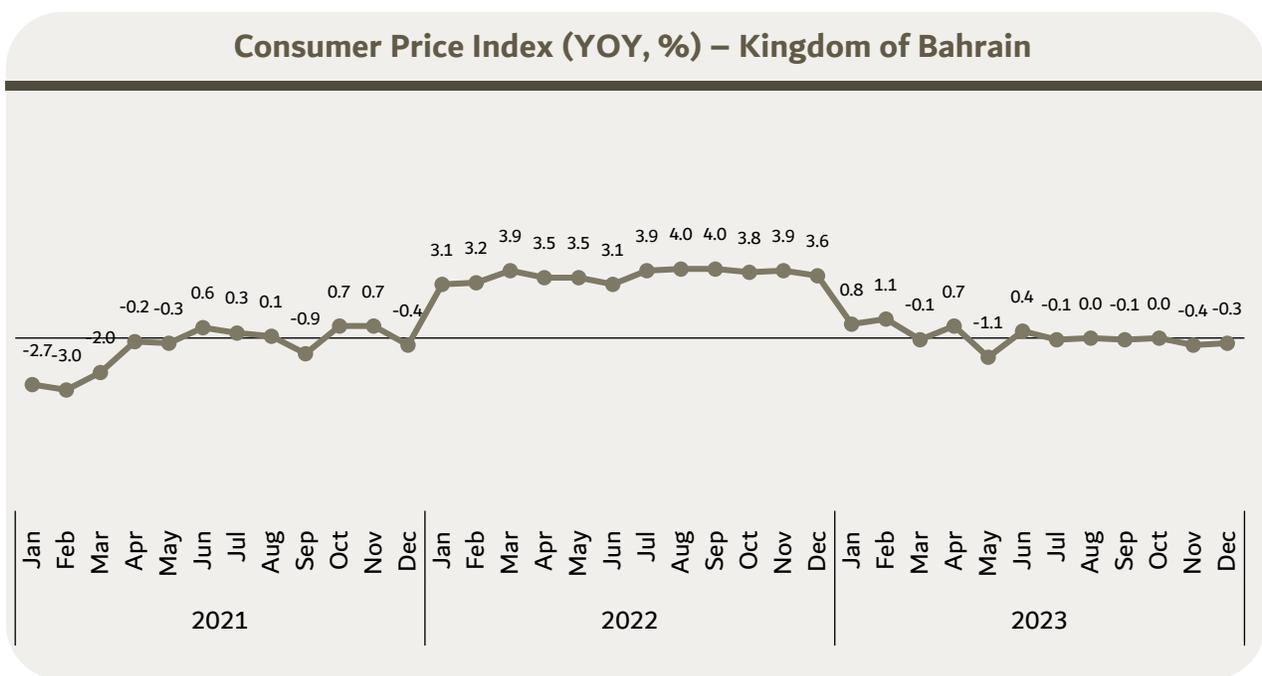


Source: Ministry of Oil and Environment

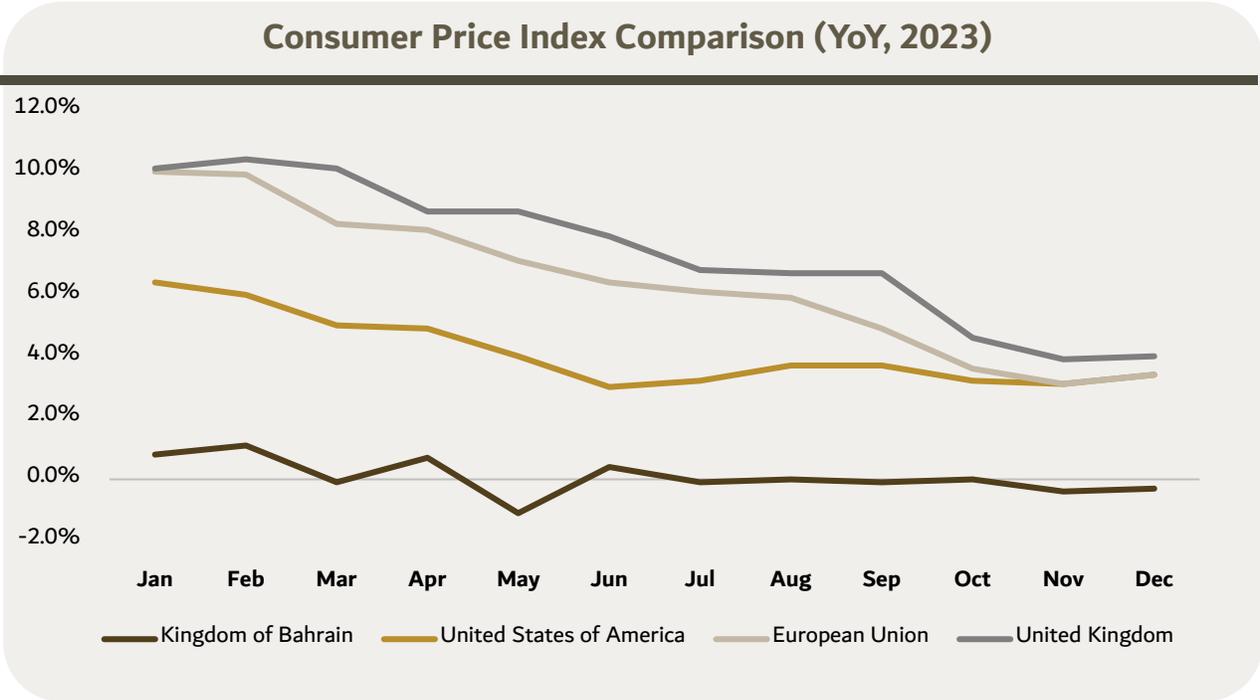
The average daily oil production from the offshore Abu Sa’afa field during 2023 experienced a YoY decline of 3.6%, reaching 144,558 bpd. Similarly, extraction from the onshore Bahrain field also saw a 1.5% decrease compared to 2022, averaging 38,925 bpd. The production of natural gas and associated gas increased by 3.8% compared to the 2022, totaling 941,464 Mn cubic feet during 2023.

Consumer Price Index

Following the peak levels of global inflation in 2022, prices began to stabilize in 2023. According to the Information and eGovernment Authority, the CPI saw an average increase of 0.1% for the year 2023. This figure compares favorably not only within the region but also globally. In comparison, the average inflation rates for 2023 were 7.8% in the United Kingdom, 7.0% in the European Union, and 4.5% in the United States.



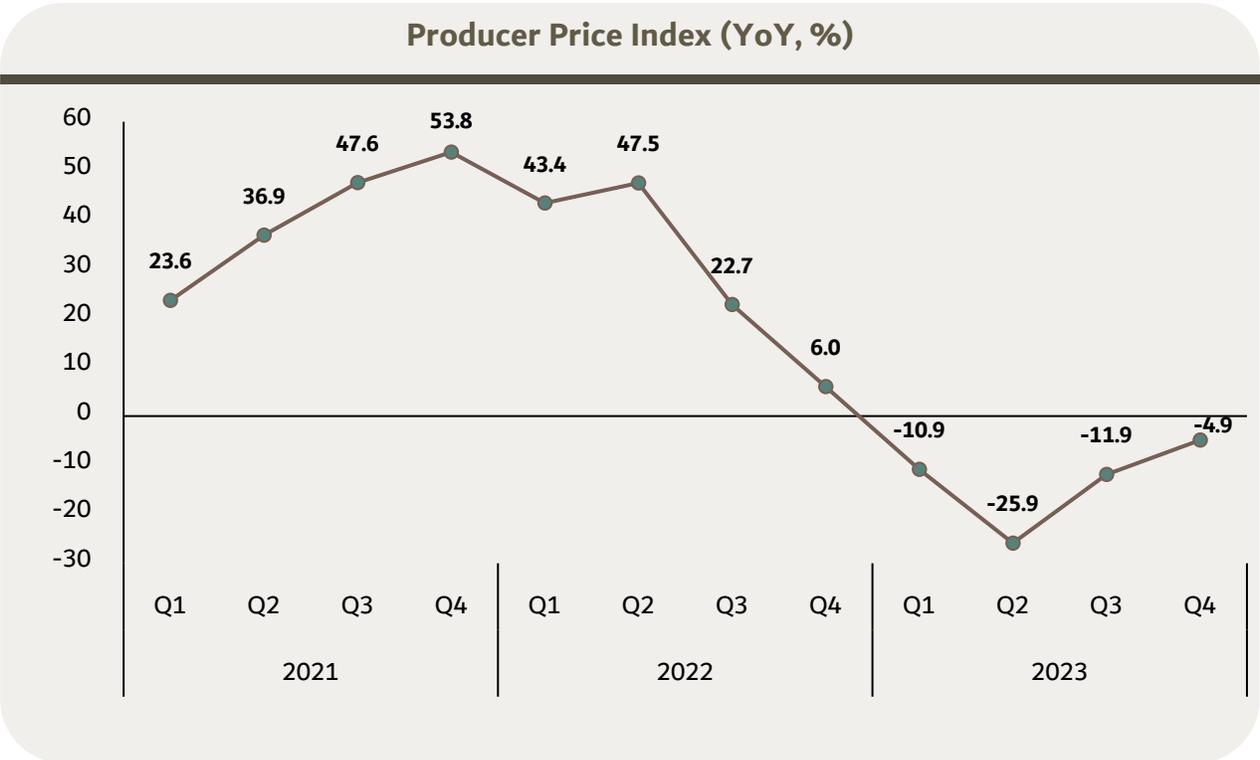
Source: Information & eGovernment Authority



Source: Bloomberg

Producer Price Index

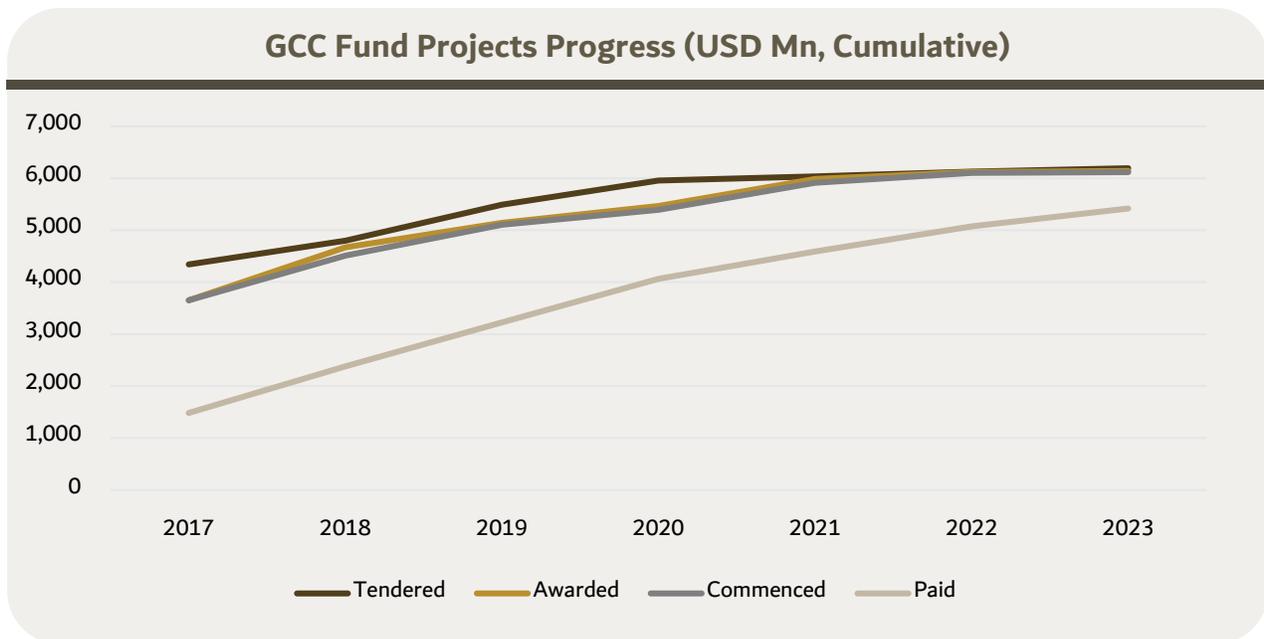
According to the preliminary data released by the Information and eGovernment Authority, Bahrain’s Producer Price Index (PPI) experienced a decline of 14.0% in 2023. This decline was primarily driven by the mining and quarrying industry which recorded a drop of 15.5% YoY due to the decrease in global oil prices. Additionally, the prices of refined petroleum products decreased by 14.5%, while the prices of basic metals – which includes aluminum – decreased by 16.1% YoY due to the decline in global aluminum prices.



Source: Information & eGovernment Authority

Development Projects

- ◆ Marassi Galleria, located at Marassi Al Bahrain, officially opened in February 2024, and set to become one of the leading tourism, hospitality and shopping destinations within the Kingdom. Spanning across an area of 114,000 sqm.
- ◆ Four new Golden License were awarded to new projects across diverse sectors in 2024, including Bahrain Titanium, the first facility of its kind in the region set to be established by Switzerland-based Interlink Metals & Chemicals, the construction of the first greenfield head office of National Bank of Kuwait (NBK) outside of Kuwait, the installation of a data center facility and regional submarine cable by Bahrain-born technology company Beyon, and finally, the vibrant urban waterfront development Bahrain Marina. Bahrain reported a total of USD 2.4 billion in investment stemming from 9 major projects.
- ◆ By the end of 2023, a notable progress was observed in the major projects financed by the GCC Development Fund, resulting to a total project value of approximately USD 6.14Bn. This represents a slight increase of 0.5% YoY.



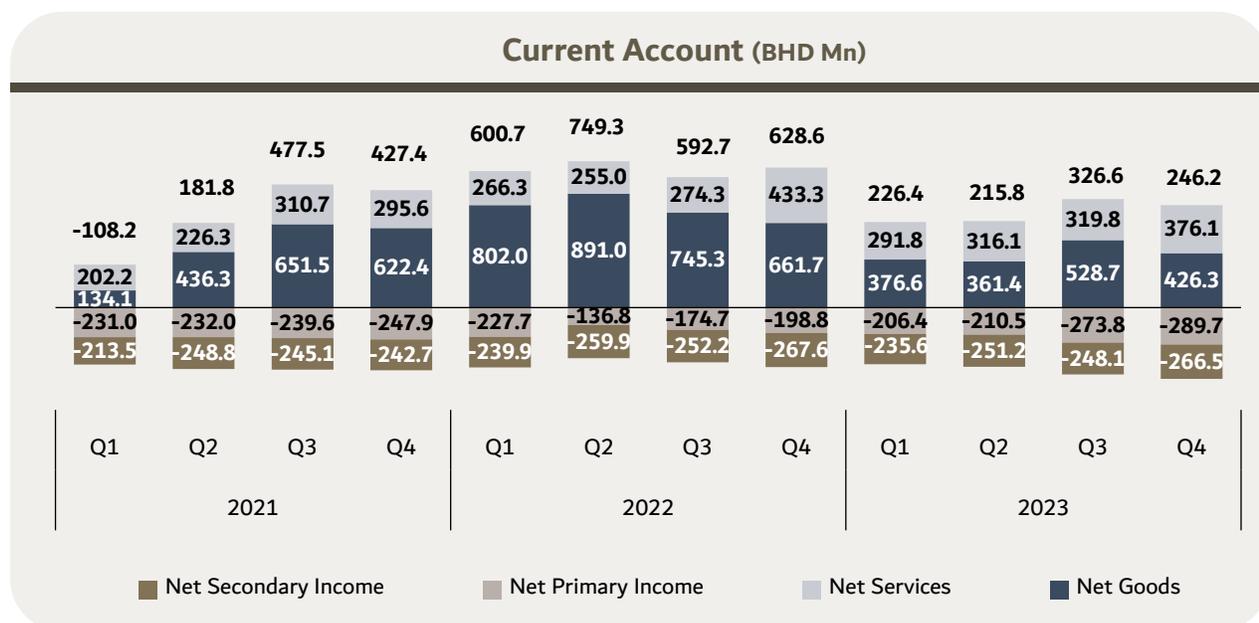
Source: Ministry of Finance and National Economy

Regarding the latest development of other developmental projects:

- ◆ Emirates Steel Arkan entered into a five-year agreement with Bahrain Steel Company in January 2024, for the supply of iron-ore pellets. This contract, with an estimated value of around USD 2Bn was finalized as part of the Industrial Partnership for Sustainable Economic Growth initiative
- ◆ Saudi Arabia's Public Investment Fund (PIF) and Mumtalakat Holding Company signed an MoU to expand cooperation between the two parties and enable new and promising investment opportunities in the Kingdom of Bahrain. The MoU followed the opening of an office in Manama for the Saudi-Bahraini Investment Company, a PIF subsidiary created with the aim of investing up to USD 5bn in the Bahraini economy.
- ◆ Edamah, in collaboration with Abu Dhabi-based Eagle Hills, has signed an agreement to establish a new real estate development company named Binaa Al Bahrain. This initiative involves a substantial investment of USD 4Bn. Binaa Al Bahrain aims to undertake a range of real estate development projects across different areas in Bahrain, contributing to the growth and advancement of the country's real estate sector. As the primary developer in the Kingdom, Binaa Al Bahrain will have an extensive portfolio of prominent real estate projects strategically located in various governorates, including the Northern Governorate, Southern Governorate, Muharraq Governorate, and Capital Governorate.

Current Account

According to the preliminary balance of payments data released by the Central Bank of Bahrain, there was current account surplus of BHD 1,015Mn for the year ending 2023 compared to a surplus of BHD 2,571.3Mn in 2022. Consequently, the current balance as share of nominal GDP ratio stood at 6.2% in 2023.

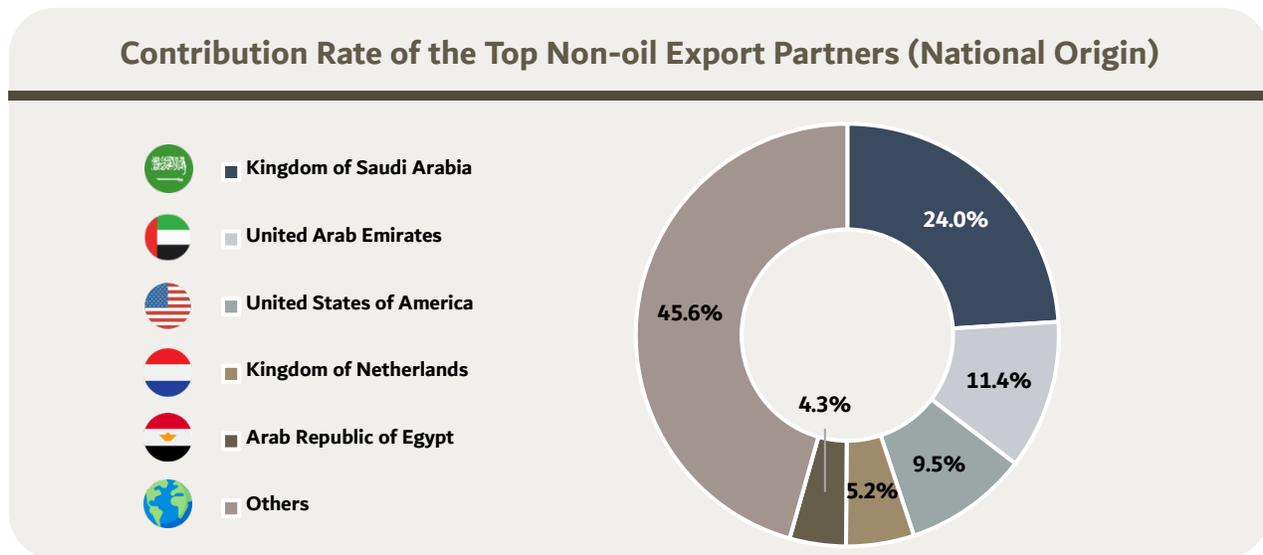


Source: Central Bank of Bahrain

The value of Non-oil exports totaled BHD 4,665.0Mn in 2023 representing a decline of 18.0% YoY. The value of Oil exports totaled BHD 4,664.9Mn, declining by 17.7% YoY. Accordingly, total exports for the Kingdom of Bahrain in 2023 registered an annual decline of 17.8% with an amount of BHD 9,329.9Mn.

According to the foreign trade statistics released by the Information and e-Government Authority for the year 2023, basic metals and basic metal classes constituted 57.2% of the total Non-oil exports of national origin. Mineral products followed closely, contributing 17.9% of the total value, while chemicals contributed 6.6%. Animal and animal products held a notable share, comprising 5.3%, with natural pearls, precious stones, semi-precious stones, and metals following with 2.9%.

In terms of trade partners, the Kingdom of Saudi Arabia is the primary partner of Non-oil national origin exports, holding a share of 24.0%. The United Arab Emirates accounted for 11.4% of the total, securing the second position. The United States of America ranked third, contributing 9.5% to the total value of Non-oil exports. The Kingdom of the Netherlands came in fourth, with a contribution of 5.2% of the total value. The Arab Republic of Egypt held the fifth position, with a contribution of 4.3%.

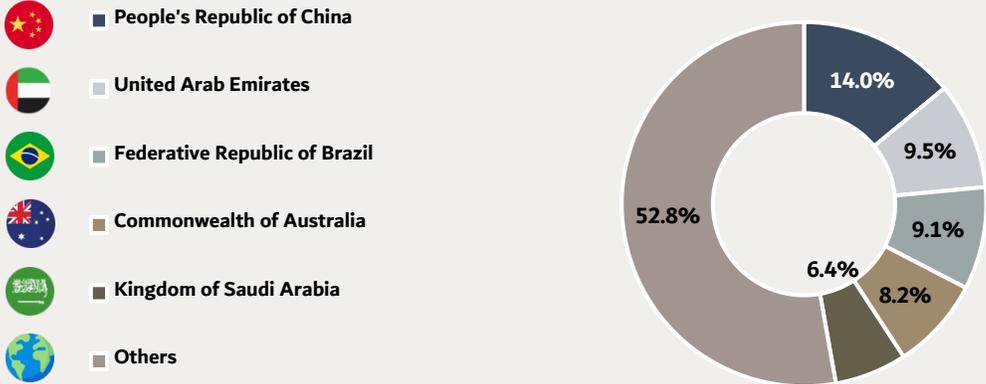


Source: Information & eGovernment Authority

On the other hand, the total value of merchandise imports in 2023 amounted to BHD 7,636.9Mn, which marked a 7.5% YoY decline. This decline was driven by a decrease in oil imports, which saw a drop of 18.6% and amounted to BHD 2,436.7Mn. Non-oil imports also witnessed a decline of 1.1%, totaling to BHD 5,200.2Mn. Mechanical and electrical equipment emerged as the foremost imported category, comprising 19.8% of the total Non-oil imports, followed by chemicals at 15.4%, and mineral products at 14.8%. Additionally, vehicles and transport equipment constituted 8.4% of Non-oil imports, while base metals and related articles contributed 6.4%.

The People's Republic of China continued to lead in terms of non-oil imports, accounting for 14.0% of the total Non-oil import value. Subsequently, the United Arab Emirates followed closely with a 9.5% share, while the Federative Republic of Brazil secured the third position at 9.1%. The Commonwealth of Australia held the fourth spot with an 8.2% share, and the Kingdom of Saudi Arabia rounded out the top five, contributing 6.4% to the overall value of Non-oil imports.

Contribution Rate of the Top Non-oil Imports Partners



Source: Information & eGovernment Authority

In 2023, the net value of services exports rose by 6.1% YoY to a total of BHD 1,303.8Mn. Furthermore, the net value of primary income surged by 32.8% YoY to a total of BHD 980.4Mn. By contrast, workers' remittances sent abroad declined by 1.8% to total of BHD 1,001.4Mn.

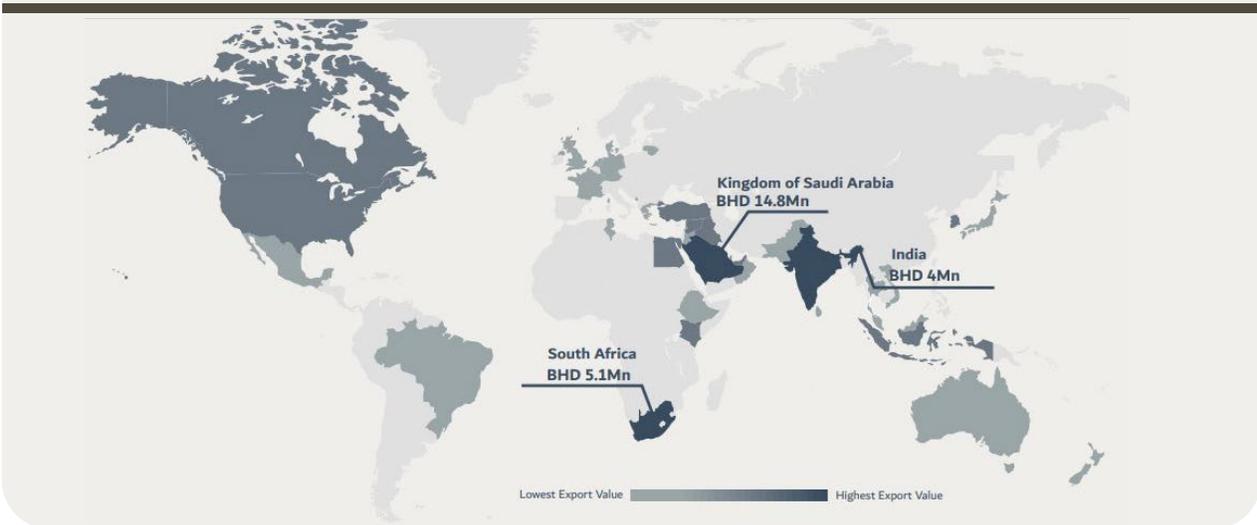
Small and Medium Enterprises (SMEs) Performance

SMEs constituted 93% of all enterprises in Bahrain as of 2023, totaling 77,723 businesses. This marks a 4.6% increase compared to 2022. Among these enterprises, 79% of the total SMEs are owned by Bahrainis, 40% of the total SMEs are owned by women, and 25% of the total SMEs are owned by young entrepreneurs of both genders.

In 2023, SMEs played a pivotal role in national origin exports, contributing 10%, exporting nearly BHD 396Mn worth of goods during the year, and contributing significantly to employment, as the total number of Bahrainis employed in SMEs reached 44,086 marking an increase of 1.6% compared to 2022.

In 2023, the total export value of products and services facilitated by "Export Bahrain" reached BHD 161Mn, marking a substantial increase of 23.8% compared to 2022. The Kingdom of Saudi Arabia emerged as the top export destination in 2023, with about BHD 14.8Mn worth of exports. South Africa followed with BHD 5.1Mn worth of exports, with India closely behind at BHD 4.0Mn worth of exports. Furthermore, the manufacturing sector dominated the export landscape, with over BHD 46.7Mn worth of exported goods and services, while in terms of its exported commodities, paper and packaging products led the way with BHD 16.1Mn, followed by processed foods with BHD 10.3Mn, while aluminum downstream rounded up the top 3 with exports of BHD 5.9Mn.

Primary Markets for "Export Bahrain" Partners – 2023

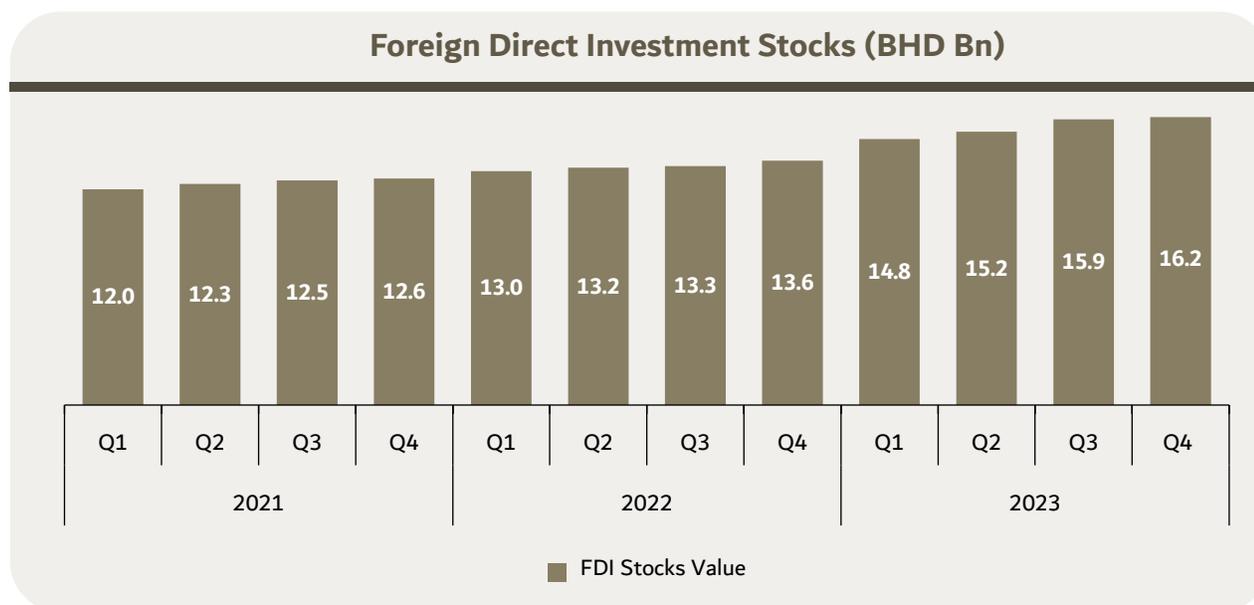


Source: Export Bahrain

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 investment into the Kingdom of Bahrain continued to increase in 2023. The cumulative inward FDI stock grew by 18.9% YoY to reach BHD 16.2Bn in 2023, up from BHD 13.6Bn at the end of 2022.

The total FDI flows during 2023 reached BHD 2.6Bn, surging by 147.8% YoY. The Financial and Insurance Services recorded the highest increase with FDI flows of BHD 2.7Bn. The Wholesale and Retail Trade sector recorded flows of BHD 29.9Mn during the year, while the Information and Communication sector and Real Estate Activities recorded inward foreign investments of BHD 19.4Mn and BHD 18.6Mn respectively.

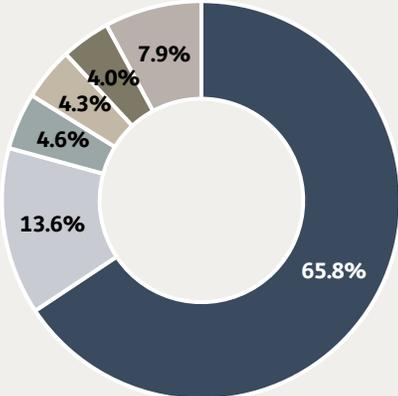


Source: Information & eGovernment Authority

In terms of economic activities, Financial and Insurance Services had the highest contribution of the total inward FDI Stock with 65.8%, with a total of BHD 10.7Bn as of the end of 2023, an increase of 33.4% YoY. The Manufacturing sector contributed approximately 13.6% of the total inward FDI stocks at BHD 2.2Bn, a decrease of 2.8% YoY.

Economic Activities' Share of FDI Stock – FY 2023

- Financial And Insurance Activities (Banks And Non-Banks)
- Manufacturing
- Wholesale And Other Retail Trade
- Professional, Scientific & Technical Activities
- Electricity, Gas, Steam And Air Conditioning Supply
- Others*



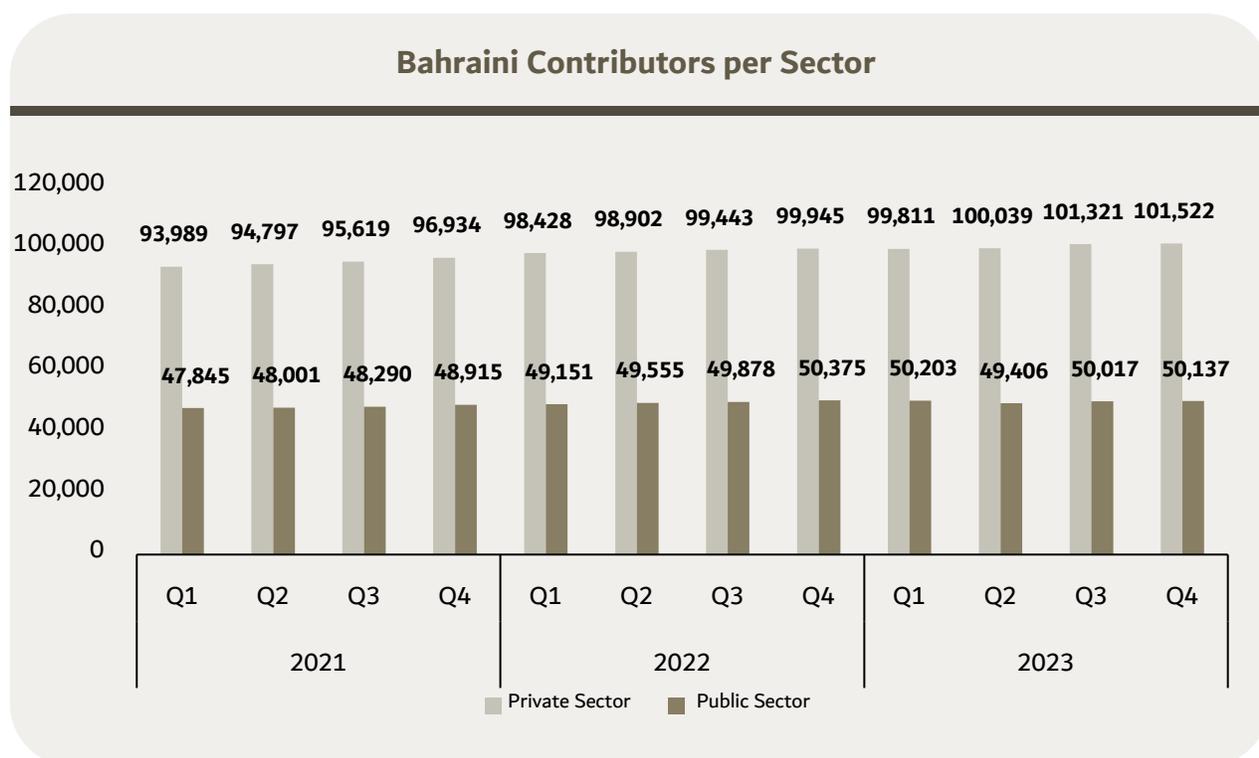
**Includes 13 other activities such as Real Estate, Mining and Quarrying, Education, Construction, and Art, Entertainment and Recreation*

Source: Information & eGovernment Authority

In terms of investment origin, Kuwait was the leading country, with inward investments totaling BHD 5.9Bn, accounting for 36.5% of the total FDI stocks, followed by Saudi Arabia with investments amounting to BHD 3.7Bn, contributing 23.0% to the total FDI stocks. The United Arab Emirates ranked third with investments amounting BHD 1.7Bn, representing a contribution rate of 10.5%.

Labor Market

According to the data published by the Social Insurance Organization (SIO) for 2023, the total number of Bahrainis employed in the private sector grew by 1.6% YoY to reach 101,522 registered workers, representing 67.0% of the total Bahrainis registered in SIO. In the public sector, the total number of employed Bahrainis decreased slightly by 0.5% YoY to reach 50,137. Accordingly, the combined number of Bahrainis working in both sectors reached 151,659 increasing slightly by 0.9% YoY. The total number of Bahraini women registered by the SIO by the end of 2023 reached 63,889. This constituted approximately 42% of the total number of Bahraini contributors in the public and private sectors. Conversely, the total non-Bahrainis in the workforce totaled 458,768 workers, decreasing by 1.2% YoY.



Source: Social Insurance Organization

By the end of 2023, the overall average monthly wages of Bahrainis in both sectors increased by 6.3% YoY to reach BHD 859. In the public sector, the average monthly wage of Bahrainis was BHD 951, an

increase of 9.4% YoY, while in the private sector, the average monthly wage amounted to BHD 815, an increase of 4.5% YoY. Average wage for non-Bahrainis rose by 3.6% YoY to reach BHD 262.

The median wage of total Bahrainis in the private sector amounted to BHD 450, while the median wage of total Bahrainis in the public sector amounted to BHD 792. In terms of the median wage in the public sector, the median wage of Bahraini women amounted to BHD 801, rising significantly by 14.6% YoY, while the median wage for Bahraini men rose by 9.9% to reach BHD 768. Within the private sector on the other hand, the median wage for Bahraini women remained unchanged compared to 2022, remaining at BHD 450, while the median wage for Bahraini men grew by 5.3% YoY to reach BHD 474.

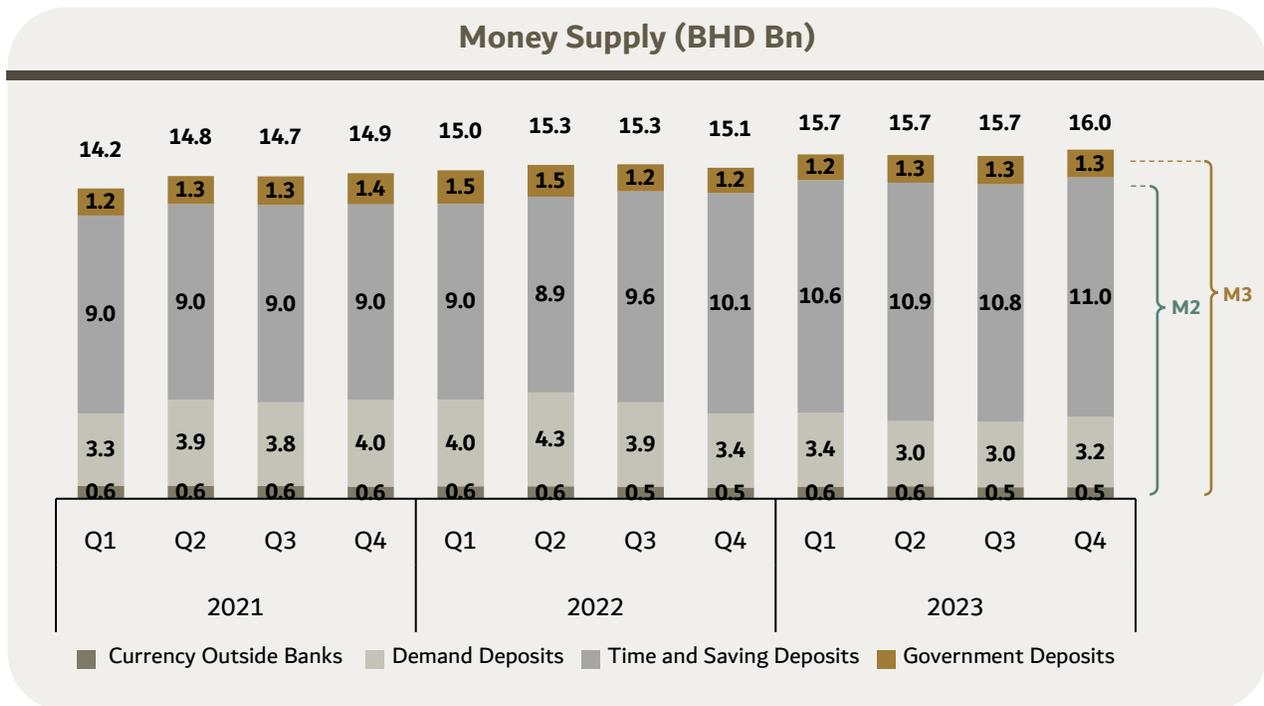
As for the National Employment Program, which aims to create promising job opportunities and make Bahrainis the first choice in the labor market by employing 20,000 Bahrainis annually and training 10,000 Bahrainis each year until 2024, statistics indicated that 29,533 Bahrainis were employed in 2023, equivalent to 148% of the target. As for training, the total number of Bahrainis trained through the program reached 11,078 in 2023, constituting about 111% of the target.

Monetary Policy and Financial Sector Developments

Money Supply



According to data from the Central Bank of Bahrain for 2023, monetary base (M0) surged by 31.4% YoY to BHD 5.1Bn, compared to the BHD 3.9Bn in 2022. However, narrow money (M1) experienced a decline of 7.5% and was recorded at BHD 2.8Bn. On the other hand, broad money (M2) showed a more positive trend, expanding by 5.0% YoY to reach BHD 14.7Bn. This growth was primarily driven by an 8.6% increase in Time and Savings deposits, which reached BHD 11.0Bn. Inclusive of M2 and government deposits, broad money (M3) also exhibited growth, reaching BHD 16.0Bn, indicating a 5.5% increase YoY.



Source: Central Bank of Bahrain (CBB)

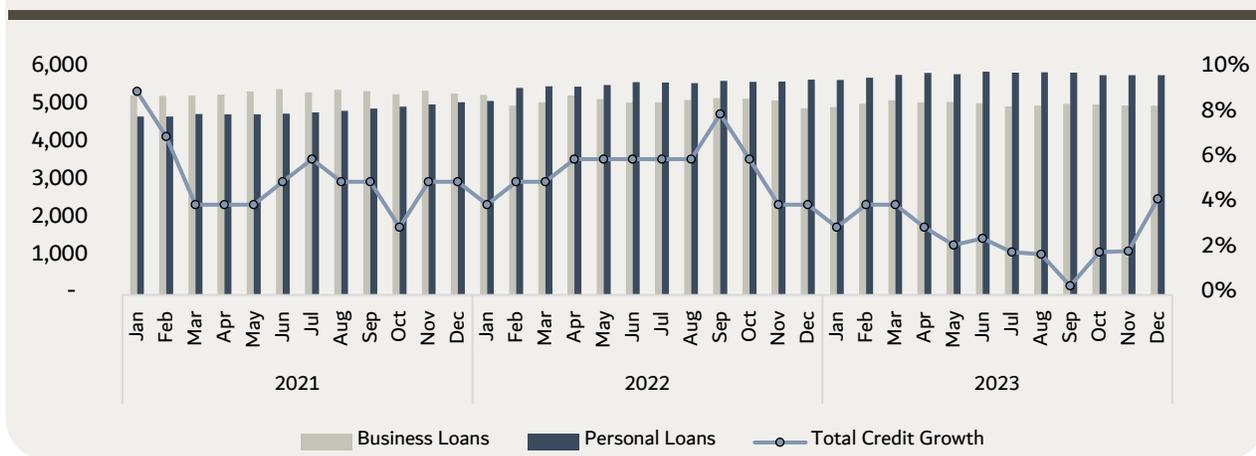
Bank Credit and Deposits



Lending and deposit rates witnessed a noticeable increase in 2023 compared to 2022, as the total loans provided by retail banks reached approximately BHD 11.8Bn, an annual growth of 4.3%.

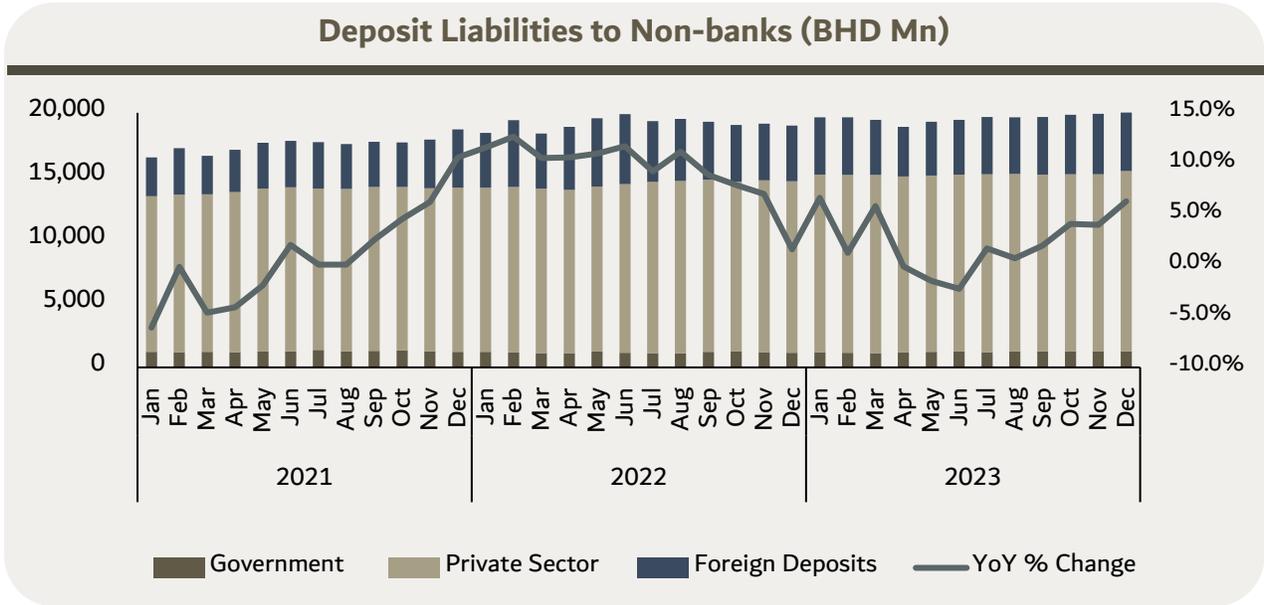
The total value of loans provided by retail banks in 2023 amounted to approximately BHD 11.8Bn, indicating a YoY growth of 4.3%. Loans granted to individuals, accounting for 49.5% of the total loans, reached a value of BHD 5.8Bn, indicating an increase of 2.1% YoY. Additionally, loans provided to the business sector experienced an increase of 1.4% YoY, reaching a value of approximately BHD 5.0Bn, equivalent to 42.6% of the total loans provided by retail banks. Loans extended to the government sector by retail banks constituted 7.9% of the total loans, amounting BHD 925.4Mn in 2023.

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



Source: Central Bank of Bahrain (CBB)

Total deposits from non-banks in both Bahraini dinars and foreign currencies witnessed positive YoY growth of 6.3%, reaching BHD 20.2Bn in 2023. Similarly, the value of total domestic deposits from non-banks recorded a growth of 5.5% YoY, recording a value of BHD 15.4Bn. Foreign deposits from non-banks recorded a growth of 8.9% YoY, reaching BHD 4.8Bn.



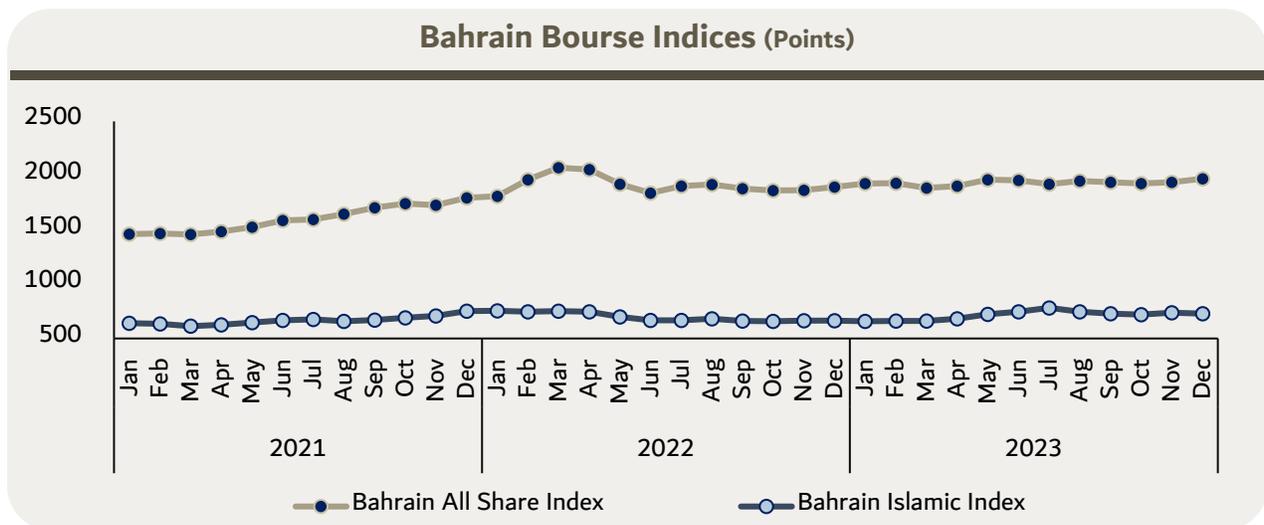
Source: Central Bank of Bahrain (CBB)

Capital Markets

The Bahrain All Share Index closed at 1,971.49 points as of the end of 2023, which increased by 4.0% compared to 2022. Simultaneously, the Bahrain Islamic Index closed at 728.91 points, experiencing a YoY growth of 9.9%. The market capitalization recorded at BHD 8.7Bn.

The Financial sector maintained its position as a leader in terms of market capitalization and the value of shares traded, with a market value of BHD 4.7Bn, contributing 59.9% to the total market. Moreover, the value of shares traded in this sector reached BHD 97.3Mn, marking a YoY increase of 26.3%. This sector's performance was supported by the market capitalization of the National Bank of Bahrain and the Bank of Bahrain and Kuwait, which collectively constituted 17.4% and 11.2% of the total market value, respectively.

The Materials sector followed in second place with a market value of BHD 1.6Bn, contributing 20.7% to the total market. The value of shares traded in this sector reached BHD 72.8Mn, reflecting a growth rate of 15.6% compared to 2022. Notably, Aluminum Bahrain (Alba) continued to lead among the listed companies in terms of market capitalization, with its contribution to the total market value reaching 20.9%.



Source: Bahrain Bourse

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

The Central Bank of Bahrain issued 23 bonds and Islamic Sukuks during Q4 of 2023 with a total value of approximately BHD 1.5Bn. The highest value and interest rate among these issues were towards the Government Development Bond no. 34, issued at a value of BHD 200Mn and an interest rate of 6.50% with a maturity period of 3 years. As for the highest over subscription rate during Q4 2023, Sukuk Al-Ijarah No. 220 recorded the highest rate of 462%.

Issue date	Issue	Value, BHD Mn	Maturity Days	Average Interest/Profit Rate (%)	Average Price (%)	Over-subscription (%)
4 Oct 2023	Treasury Bills No. 1985	70	91	6.49	98.387	270
5 Oct 2023	Sukuk Al Ijarah No. 218	26	182	6.39	-	457
11 Oct 2023	Sukuk Al Salam No. 270	43	91	6.40	-	382
15 Oct 2023	Development Bonds No. 34	200	1095	6.50	-	359
18 Oct 2023	Treasury Bills No. 1986	70	91	6.44	98.399	218
19 Oct 2023	Treasury Bills No. 109	100	365	6.46	93.866	160
25 Oct 2023	Treasury Bills No. 1987	70	91	6.4	98.409	211
1 Nov 2023	Treasury Bills No. 1988	70	91	6.35	98.420	179
2 Nov 2023	Sukuk Al Ijarah No. 219	26	182	6.39	-	431
5 Nov 2023	Treasury Bills No. 1989	35	182	6.39	96.873	160
8 Nov 2023	Treasury Bills No. 1990	70	91	6.33	98.424	144
15 Nov 2023	Sukuk Al Salam No. 271	43	91	6.33	-	236
22 Nov 2023	Treasury Bills No. 1991	70	91	6.33	98.425	111
23 Nov 2023	Treasury Bills No. 110	100	365	6.40	93.925	206
26 Nov 2023	Treasury Bills No. 1992	35	182	6.38	96.875	113
29 Nov 2023	Treasury Bills No. 1993	70	91	6.42	98.403	125
6 Dec 2023	Treasury Bills No. 1994	70	91	6.44	98.399	129
7 Dec 2023	Sukuk Al Ijarah No. 220	26	182	6.38	-	462
13 Dec 2023	Sukuk Al Salam No. 272	43	91	6.35	-	299
20 Dec 2023	Treasury Bills No. 1995	70	91	6.27	98.441	110
21 Dec 2023	Treasury Bills No. 111	100	365	6.29	94.021	133
24 Dec 2023	Treasury Bills No. 1996	35	182	6.31	96.908	162

Source: Central Bank of Bahrain (CBB)

Bahrain’s Global Competitiveness

Economic Competitiveness

- Improved ranking by 14 spots
- Scoring above both the world and regional averages
- Leading the MENA region in trade freedom, investment freedom, and financial freedom



Bahrain ranked 54th globally out of 184 countries, improving by 14 spots in the Index of Economic Freedom 2024, published by the Heritage Foundation. Bahrain’s overall score of 63.4 out of 100 is above both the world and regional averages. Bahrain maintained its position, ranking 1st in the MENA region in trade freedom, investment freedom, and financial freedom. The report highlighted that Bahrain continues to be a dynamic business hub, and its openness to global commerce is sustained by a competitive regulatory environment. Furthermore, the report added that Bahrain’s overall investment is streamlined, and the commercial law system is relatively straightforward.

Human Capital

- Maintained its classification as a country with “Very High Human Development”
- Ranking 34th globally and 2nd in the Arab world



Bahrain maintained its classification as a country with “Very High Human Development” in the Human Development Report 2023-2024, published by UNDP. The report measures the state of human development with the Human Development Index focused on standards of living, health, and education. Bahrain ranked 34th globally out of 193 countries and ranked 2nd among Arab countries. The report also covers the Gender Inequality Index, where Bahrain ranked 45th globally, improving its position by one spot.

Logistics Sector



Bahrain ranked 16th globally out of 50 countries in the Agility Emerging Markets Logistics Index 2024, published by Agility.

- Ranking 16th globally in the overall index
- Ranking 8th globally in “Business Fundamentals”

The index measures countries’ performance across four main pillars: Domestic Logistics Opportunities, International Logistics Opportunities, Business Fundamentals, and Digital Readiness. Bahrain ranked 8th globally in “Business Fundamentals” pillar. The report highlighted the Bahrain is among countries that are encourage recycling and sustainable production, and performing best in circularity and cutting waste, as well as lowering consumption. Additionally, the report mentions that in its continuous efforts towards enhancing the use of cloud computing, Bahrain moved 85% of its data to the cloud in 2022.

Digital Infrastructure

- Scoring above the regional average in all 4 pillars
- Ranking 1st globally in 3 different indicators



PORTULANS
— INSTITUTE —



Bahrain improved its ranking by 3 spots to 51st globally out of 134 countries in the Network

Readiness Index 2023, published by the Portulans Institute and partners. Bahrain outperformed the regional average in all four main pillars measured by the index, which are Technology, People, Governance, and Impact. It is worth noting that Bahrain ranked 1st globally in 3 different indicators: Population Covered By at Least 3G Mobile Network, Internet Access in Schools, and E-Commerce Legislations.

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.

