



وزارة المالية والاقتصاد الوطني  
Ministry of Finance  
and National Economy

# Bahrain Economic Quarterly

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البحرين  
BAHRAIN

## SUMMARY

### CONTINUED STEADY RECOVERY

The Bahraini economy is continuing its steady recovery from Coronavirus (COVID-19)-related disruptions. The preliminary national account estimates for Q3 2021 point to nominal growth of 10.2% YoY during the quarter; reflecting higher oil prices, while in real terms growth reached 2.1% YoY. These positive growth results for the quarter coincide with the ongoing announcements of programs under the Economic Recovery Plan which aims to drive economic growth and fiscal sustainability over the coming years.

- ◆ **The Bahraini economy is continuing to emerge from the COVID-19 disruptions.** Estimated nominal economic growth in Q3 2021 reached 10.2% while the real growth was 2.1%, with the expansion led by 5.9% nominal and 3.8% real YoY growth in the non-oil sector. By contrast, the oil sector expanded by 39.9% in nominal terms as a result of higher oil prices, however, the sector contracted by 4.6% YoY in real terms. Following two successive quarters of expansion, the Bahraini economy in Q1-3 2021 taken together was 1.5% larger than during the first three quarters of 2020.
- ◆ **The non-oil sector is posting a broad-based rebound.** Estimated real non-oil growth of 3.8% in Q3 represented a high degree of normalization in sectors disrupted during the pandemic. The Transportation & Communications sector expanded by 25.8% YoY, followed by a 4.7% gain in Real Estate & Business Activities, 4.5% in Trade, and 4.0% in Social & Personal Services. Manufacturing was almost flat at -0.3% YoY while Financial Corporations contracted by 2.7%.
- ◆ **The regional context is looking very favorable.** Across the Gulf region, economies have returned to growth supported by a combination of increased oil extraction and a broad-based non-oil rebound. For instance, Saudi Arabia saw an estimated 7% YoY growth in Q3. The IMF projects GCC growth of 2.7% in 2021.
- ◆ **The global context is looking more uneven with increased inflationary pressures and pandemic-related risks.** A strong global recovery is continuing to benefit from permissive economic policy and increasing vaccination rates. However, disruptions in supply chains and labor markets, along with high liquidity, have fueled inflationary pressures. Furthermore, economic activity continues to be challenged by recurrent COVID-19 infection spikes.
- ◆ **Global growth projections by the IMF were revised in October from the summer outlook.** In its October 2021 World Economic Outlook, the IMF projected global economic growth to reach 5.9% in 2021, 0.1% lower than in the July forecast, and 4.9% in 2022. Correspondingly, the Ministry of Finance and National Economy, revised its forecasts based on the preliminary estimates for the first three quarters of the year. The year-end annual GDP growth rate is expected to be 2.6%, with the non-oil sector expected to grow at 3.2%. Looking into 2022, the forecast growth is expected to reach 4.1%, underlining a recovery in the non-oil economic sector by 5%.

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Bahrain Economic Outlook				
	2019	2020	2021	2022
			<i>Forecast</i>	<i>Forecast</i>
Real GDP growth (%)	2.1%	-4.9%	2.6%	4.1%
Non-hydrocarbons sector	2.1%	-6.0%	3.2%	5.0%
Hydrocarbons sector	2.2%	-0.1%	0.0%	0.0%
Nominal GDP growth (%)	2.3%	-10.2%	9.1%	5.6%
Inflation (CPI %)	1.0%	-2.3%	1.0%	2.5%
Current account (% of GDP)	-2.1%	-9.3%	0.0%	-1.0%
Crude Oil Brent (USD)	64.0	41.7	70.4	70.2

## EXTERNAL CONTEXT

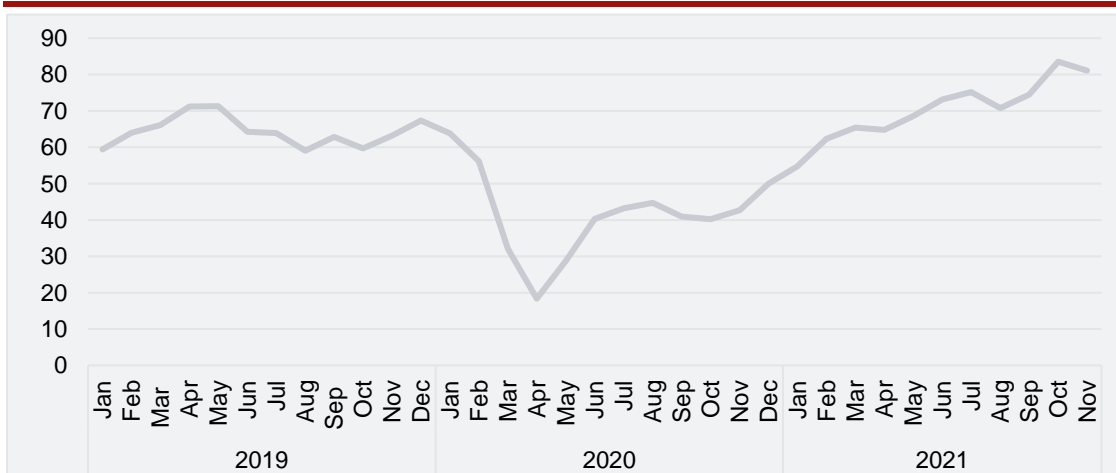
### Global Prospects

The global economy continued to see a steady recovery with increasing vaccination rates, although the sharpest rebound seems to be giving way to a more measured pace. The IMF, in its October 2021 World Economic Outlook report, projected global growth of 5.9% in 2021 and 4.9% in 2022, down from 6% for 2021 but unchanged for 2022, compared to its forecasts in July 2021. The United States economy rebounded above its pre-pandemic level with annual growth of 2.1% in Q3 2021, whereas in China growth lost its momentum reaching an annual pace of 4.9% in the quarter.

While the announcement in November 2021 of the seemingly exceptionally transmissible Omicron variant of the COVID-19 virus has emerged as a new risk, the policy environment is generally beginning to turn less permissive because of inflation rising to a four-decade high in the US (6.8% in November). This is in response to significant supply chain disruptions and structural changes in the labor markets at a time of more lenient monetary policy. Also the Euro-zone has seen a pick-up in price pressures due to higher energy costs, notably for natural gas.

The oil markets tightened sharply in the autumn months as the demand recovery continued apace, partly because of increased oil use as a substitute for natural gas in Europe. Simultaneously, the OPEC+ alliance remained disciplined about restoring its supply having agreed to deliver 400,000 barrels per day monthly. Higher demand pushed prices to their highest levels since 2014. On the other hand, uncertainty around the Omicron variant led to a sharp correction in late November 2021 but the OPEC+ producers have to date maintained their stance. Even with the new risks, the prospect of Brent prices averaging around USD70 in 2021 and 2022 is beginning to look increasingly realistic.

### Europe Brent Spot Oil Price (USD per barrel)



Source: US Energy Information Administration

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## *GCC Economic Outlook*

The GCC economy continued to recover strongly thanks to high vaccination coverage and positive oil market dynamics. The regional PMI indices have rebounded to pre-pandemic levels while the normalization of OPEC quotas has supported activity in the oil sector. The Saudi Arabian PMI averaged 57.7 in September-November 2021 while the UAE reading reached 55.0.

Real economic growth in Saudi Arabia reached 7.0% in Q3 YoY, led by 9.3% growth in the oil sector thanks to increased quotas. Non-oil sector grew by 6.3% with petroleum refining activities recording the highest growth rates at 19.2% YoY and 1.4% QoQ, followed by Financial, Insurance, and Business Services activities with a growth of 13.4% YoY and 12.7% QoQ. Wholesale & Retail Trade and Restaurants & Hotels activities grew at 10.8% YoY and 2.7% QoQ. On the other hand, Manufacturing -excluding petroleum refining activity- recorded a positive growth of 4.8% YoY but declined by 1.6% QoQ. The Saudi government estimates 2021 growth at 2.9% followed by 7.4% in 2022. Despite the sharp pick-up in growth, price pressures have remained moderate. Following 3.4% inflation in 2020 (due to higher VAT), headline inflation in the year-to-October 2021 was running at only 0.8%.

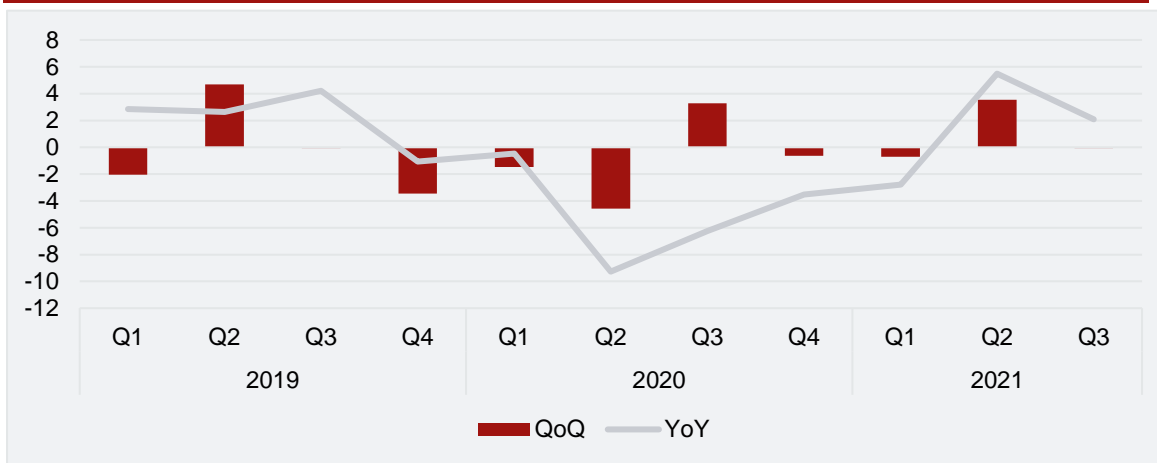
The United Arab Emirates Central Bank released its Q3 2021 Quarterly Economic Review which projected real GDP growth in 2021 at 2.1%, with the non-oil sector growing by 3.8% and the oil sector declining by 2%. The Central Bank expects real GDP to grow by 4.2% overall in 2022, with an increase in non-oil GDP by 3.9% and oil GDP by 5%.

## BAHRAIN

The Bahraini economy continued to grow in YoY terms during Q3 2021, with the provisional national accounts data published by the Information & eGovernment Authority pointing at YoY headline real growth rate in Q3 of 2.1%, despite a very slight 0.05% drop in real terms from the strong rebound seen in Q2 2021. During the first three quarters of 2021 the economy was 1.5% larger in real terms than during the corresponding period in 2020.

In nominal terms, YoY growth in Q3 reached 10.2%, reflecting the much higher oil price environment as compared to 2020. During the first three quarters of 2021, the economy was 9.7% larger than a year earlier in nominal terms.

### Real GDP Growth (%)



Source: Information & eGovernment Authority

Growth during Q3 2021 was led by the non-oil economy expanding at an estimated 3.8% in YoY real terms. The oil sector saw a 4.6% YoY decline in the quarter, largely in reflection of exceptionally high production levels in Q3 2020.

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## Non-Oil sector

The provisional national accounts data point to a 5.9% annual nominal growth in Q3 2021. Furthermore, the non-oil sector grew by 3.8% YoY in real terms, showing signs of a broad-based gradual rebound in Q3 2021 as most of the sector are showing an increase in YoY GDP estimates.

The fastest growing individual sector in Q3 2021 was Transportation & Communications, expanding by 25.8% YoY in real terms due to the progressive normalization of cross-border travel, as well as good performance by transport companies and other supporting activities. Transportation & Communications had been one of the hardest-hit sectors in 2020 and contracted by 24.1% during the year as a whole. By contrast, the Hotels & Restaurants sectors, which recorded a spectacular 45.2% YoY rebound in Q2, posted an estimated 5.6% YoY contraction, mainly due to seasonal factors and base effects. Going forward, the tourism sector is set to benefit from a new Tourism Strategy for 2022-2026 unveiled by the Ministry of Industry, Commerce, and Tourism. The strategy aims to have 14.1mn inbound visitors annually until 2026, increase the sector's GDP contribution from 7.0% to 11.4%, and further emphasize the role of major tourism projects in driving economic growth.

The Real Estate Activities & Business Services sector followed in terms of growth, registering a solid 4.7% real gain on an annual basis, with the nominal annual gain coming in at 3.6%. The recovery within the sector was led by a 24.4% annual increase in the number of real estate transactions with the Survey and Land Registration Bureau.

The Trade sector, after a sharp 7.2% contraction in 2020, witnessed a 4.5% gain in Q3 2021, backed by growth in the number of newly issued commercial registrations by 13.6%, and trucks activity across the King Fahd Causeway by 15.8% YoY.

The Social & Personal Services sector recorded 4.0% growth, due to ongoing strong demand for private healthcare services, partly because of the increased involvement of private providers in COVID testing and related activities.

The largest non-oil sectors, Financial Corporations and Manufacturing, saw a 2.7% and 0.3% contraction YoY, respectively. Within Manufacturing, Alba recorded a 1.9% increase in its output to 385,638 tn. On the other hand, Bapco's refinery production was 3.5% down YoY but marked a robust 24.5% increase on Q2. Banagas also recorded a strong 11.1% QoQ gain but remained 11.2% below the level of 2Q20.

Non-oil activity is set to receive a major boost from the Economic Recovery Plan which prioritizes six sectors – oil and gas; tourism; logistics; financial services; telecommunications, information technology, and digital economy; and manufacturing – and aims to deliver an annual non-oil growth of 5% by 2022. Among other things, the plan envisages USD30bn investments in strategic projects while seeking to attract USD2.5bn in foreign direct investment by 2023. The plan also adjusts the Fiscal Balance Program with the target of a balanced budget by 2024.

## Real GDP Growth by Sector (YoY, %)

Year Sector	2020					2021		
	Annual	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Crude Pet. & Nat. Gas	-0.1%	1.8%	3.2%	3.4%	-8.6%	2.1%	-2.3%	-4.6%
Manufacturing	-5.7%	-0.1%	-6.1%	-6.9%	-9.2%	-1.9%	2.3%	-0.3%
Electricity & Water	33.6%	31.0%	36.5%	33.8%	33.2%	-4.9%	2.8%	4.4%
Construction	-0.9%	0.3%	-2.1%	0.2%	-2.1%	-0.9%	0.2%	0.7%
Trade	-7.2%	-0.1%	-9.0%	-10.1%	-9.6%	-6.2%	4.2%	4.5%
Hotels & Restaurants	-43.5%	-32.6%	-61.3%	-36.6%	-44.3%	-20.4%	45.2%	-5.6%
Transp. & Comm's	-24.1%	-6.2%	-43.1%	-36.8%	-21.0%	-26.8%	36.0%	25.8%
Social & Pers. Serv.	-13.1%	1.2%	-15.2%	-19.3%	-18.5%	-13.0%	3.2%	4.0%
Real Est. & Bus. Act.	-6.9%	-3.9%	-8.5%	-7.1%	-8.1%	-1.0%	4.7%	4.7%
Financial Corporations	1.4%	-5.0%	-6.2%	11.5%	5.2%	10.7%	12.4%	-2.7%
Government Services	1.6%	-5.7%	-1.0%	-0.4%	15.9%	1.8%	1.2%	1.9%
Other	0.0%	22.2%	-19.5%	-25.1%	38.3%	-14.0%	11.2%	23.9%
<b>GDP</b>	<b>-4.9%</b>	<b>-0.5%</b>	<b>-9.3%</b>	<b>-6.2%</b>	<b>-3.5%</b>	<b>-2.8%</b>	<b>5.5%</b>	<b>2.1%</b>
<b>Non-oil GDP</b>	<b>-6.0%</b>	<b>-0.9%</b>	<b>-12.0%</b>	<b>-8.3%</b>	<b>-2.4%</b>	<b>-3.8%</b>	<b>7.4%</b>	<b>3.8%</b>

Source: Information & eGovernment Authority

## Nominal GDP Growth by Sector (YoY, %)

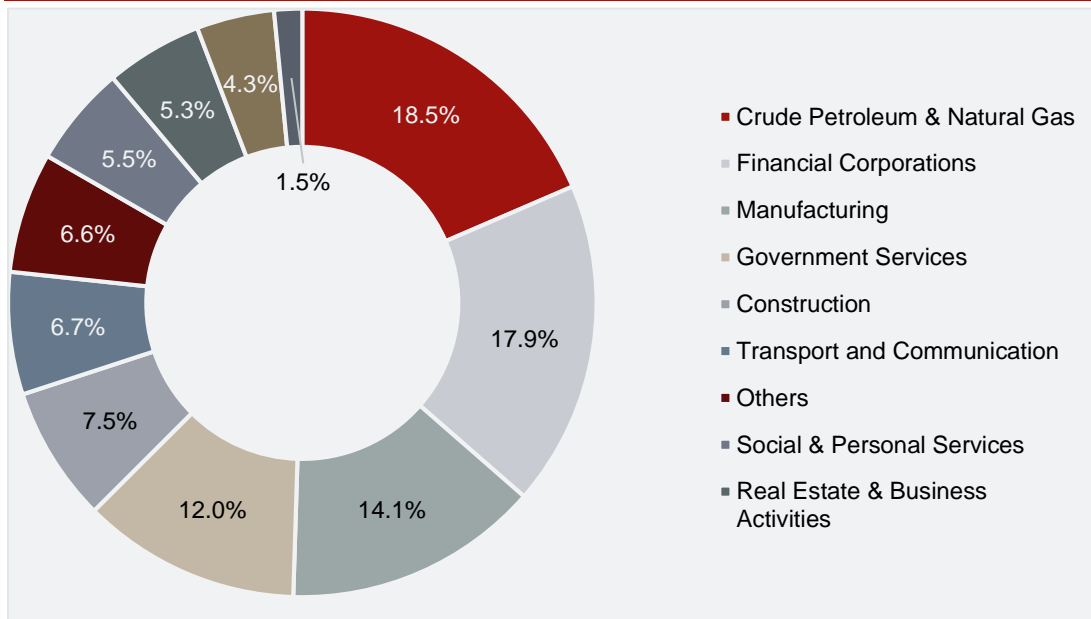
Year Sector	2020					2021		
	Annual	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Crude Pet. & Nat. Gas	-28.5%	-11.5%	-47.9%	-20.8%	-30.9%	13.2%	93.3%	39.9%
Manufacturing	-7.6%	-6.7%	-15.5%	-8.6%	0.8%	7.5%	24.2%	15.6%
Electricity & Water	8.8%	7.7%	11.0%	11.9%	4.4%	-0.2%	1.1%	-1.8%
Construction	-9.5%	-0.3%	-16.2%	-10.5%	-10.9%	-10.3%	7.2%	2.5%
Trade	-5.8%	2.3%	-8.0%	-9.8%	-7.4%	-6.4%	2.7%	3.4%
Hotels & Restaurants	-43.2%	-31.0%	-60.3%	-37.2%	-44.7%	-22.0%	40.7%	-6.1%
Transp. & Comm's	-22.9%	10.3%	-41.3%	-34.9%	-23.2%	-27.2%	33.5%	14.7%
Social & Pers. Serv.	-12.8%	1.6%	-16.6%	-17.2%	-18.2%	-10.8%	7.7%	6.6%
Real Est. & Bus. Act.	-6.4%	-2.8%	-7.4%	-8.8%	-6.6%	-1.9%	3.0%	2.6%
Financial Corporations	2.7%	-6.0%	-7.1%	14.7%	9.1%	13.9%	15.3%	-4.3%
Government Services	-0.7%	-5.2%	-5.1%	-3.4%	12.8%	1.8%	2.3%	3.0%
Other	-7.0%	19.3%	-27.5%	-34.8%	32.8%	-16.0%	14.8%	28.6%
<b>GDP</b>	<b>-10.2%</b>	<b>-3.2%</b>	<b>-20.1%</b>	<b>-10.9%</b>	<b>-5.8%</b>	<b>-0.5%</b>	<b>20.6%</b>	<b>10.2%</b>
<b>Non-oil GDP</b>	<b>-7.2%</b>	<b>-2.0%</b>	<b>-15.5%</b>	<b>-9.3%</b>	<b>-1.6%</b>	<b>-2.3%</b>	<b>13.2%</b>	<b>5.9%</b>

Source: Information & eGovernment Authority

In terms of each sector's contribution to GDP during Q3 2021, the Financial Corporations sector remains the largest non-oil sector, contributing 17.9% to the GDP, followed by the Manufacturing sector (14.1%) and the Government Services sector (12%).



## Sector Contribution to Real GDP – Q3 2021



Source: Information & eGovernment Authority

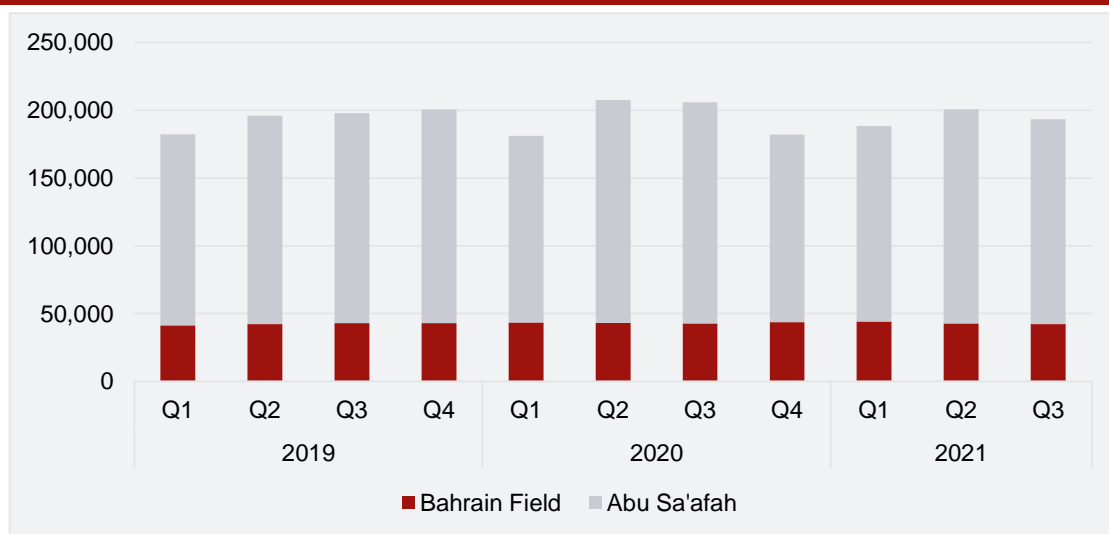
## Oil Sector

The oil sector posted an estimated 4.6% YoY decline in Q3 2021, in real terms. This was mainly the result of base effects from exceptionally high production levels in Q3 2020, although it expanded in nominal prices by 39.9%.

Bahrain's oil production levels held broadly steady in Q3 with average daily production of 193,375 barrels. Well within the normal quarter-to-quarter variation, this figure was 0.9% lower than the Q2 total and down 1% as compared to a year earlier. Crude extraction from the offshore Abu Sa'afah field averaged 151,038 barrels per day (b/d) in Q3, in line with the historical capacity of 150,000 b/d. Nonetheless, this total marked a 4.4% drop from the Q2 figure which had marked the highest quarterly production since Q3 2020. In YoY terms, Abu Sa'afah extraction was down 7.5% compared to the exceptionally strong Q3 2020. The output from the onshore Bahrain field was 42,337 b/d, a small 0.1% increase from Q2 and a 1% fall in YoY terms.

The extraction of natural and associated gas in Q3 2021 reached 251,920mn cubic feet, showing a 5.9% YoY increase. Some 30% of the total production was re-injected within the hydrocarbons sector.

### Crude Oil Production (bpd)



Source: National Oil and Gas Authority

The oil and gas sector remains a leading driver of project activity in the Kingdom. The Bapco Modernization Program (BMP), the largest project the Kingdom has ever seen with a value of USD 6.9bn, is 74.9% completed as at the end of Q3 2021. The project is expected to be completed in 2023. More recently:

- ◆ Canada's TDE Overseas won a USD288.4mn EPC contract from Tatweer for the construction of 20 remote gas dehydration units over a five-year period until 2025, with the first eight expected to be completed by the end of April 2022.
- ◆ Schlumberger was recently awarded a USD224.8mn contract for the Tatweer Petroleum Future Production Enhancement Scheme.
- ◆ Canadian Enerflex recently won a USD214.7mn contract for the construction of compression facilities in order to boost non-associated gas production for re-

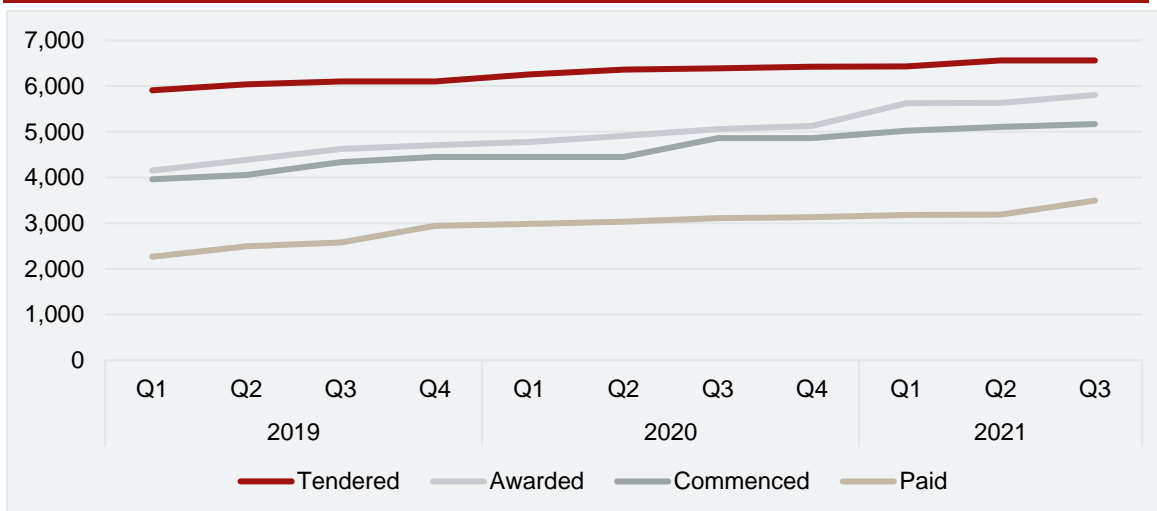
injection into oil fields.

- ◆ Halliburton won a USD28.9mn five-year contract to improve recovery from oil reservoirs.
- ◆ The first exploratory well in the 2,800 sq km offshore Block 1 has become active.
- ◆ Tatweer Petroleum is beginning to award EPSAs this year for the three remaining offshore hydrocarbon blocks following the completion of detail geological and geophysical surveys.

## Infrastructure Projects

Infrastructure projects underpinned growth in Bahrain in the past several months. During Q3 2021, infrastructure projects funded by the GCC Development Fund continued to see progress with projects worth USD172mn awarded, a slight increase of 3.1% compared to the previous quarter, bringing the cumulative total value of awarded projects to USD5.8bn. The awarded projects included the construction and maintenance of apartment units in Madinat Salman and Southern Bahrain Loop Road (stage 1).

### GCC Development Fund Activity (USD million, cumulative totals)



Source: Ministry of Finance and National Economy

The project pipeline around the country is making good progress:

- ◆ The Ministry of Transportation and Telecommunications announced the launch of Bahrain Metro Project (Phase One) Pre-Qualification Tender for local and international companies with relevant expertise in the field of public transportation to design, build, finance, operate, maintain and transfer the project. The first phase of the project will be carried out with the private sector as an integrated PPP.
- ◆ Bahrain Airport Company is proceeding with plans to develop its Cargo Village project at Bahrain International Airport. The project is of strategic importance for Bahrain as it supports the recently launched logistics sector strategy, which includes making Bahrain the region's fastest multi-modal logistics hub. The Bahrain Global Sea-Air Hub relies on streamlined clearance procedures, optimised logistics and full digitisation.
- ◆ The Al-Sahel resort in the southwest coast is 80% complete and expected to be launched in 2022. Operated by the Jumeirah Group, it will have 1.25 mn of beach and offers rooms and villas along with a range of leisure and entertainment options as well as conference services.
- ◆ Aleastur of Spain, a major European metal producer announced launching the GCC's first state-of-the-art aluminium grain refiners and master alloys production hub at its new Middle East base in Bahrain. The Bahrain facility will be exporting approximately 85% of its annual production to regional players in the industry.

## International Trade and Investment











Bahrain has seen a strong export-led rebound in foreign trade volumes during 2021. The total value of Bahraini exports of national origin reached BHD1.2bn in Q3. This marked an impressive 75.5% YoY increase, partly because of stronger commodity prices. For instance, aluminum prices rose by 61.9% between the end of Q3 2020 and the end of Q3 2021. The value of re-exports in Q3 attained BHD174.7mn, up 22.3% on BHD142.9mn a year earlier. This is reflective of stronger regional demand as the non-oil economy rebounded. The value of Bahraini imports stood at BHD1.3bn in Q3, up 15.7% YoY. As a result, the non-oil merchandise trade deficit shrank markedly to BHD0.61mn, as compared to a deficit of BHD354.7mn a year earlier.

### Non-oil Merchandise Trade (USD million)



Source: Information & eGovernment Authority

The following are the Kingdom's key trading partners over Q3 2021:

Imports			Exports		
% of Total	Country		% of Total	Country	
15.9%	Brazil		20.1%	Kingdom of Saudi Arabia	
12.4%	China		18.0%	United States of America	
7.0%	United Arab Emirates		9.2%	United Arab Emirates	
6.5%	Kingdom of Saudi Arabia		6.2%	Egypt	
6.0%	Australia		4.6%	Netherlands	

According to the provisional balance of payments data, Bahrain's current account registered a BHD477.5mn surplus in Q3 2021 – a sharp reversal from a BHD268.4mn deficit a year earlier.

## Foreign Direct Investments (FDI)

Foreign direct investment into Bahrain remained positive throughout the year, totaling BHD59.1mn in Q3 2021. During the first three quarters of the year, FDI flows accumulated to BHD606.6mn, a 59.8% increase from the same period in 2020. The total inward FDI stock in Q3 2021 slightly exceeded BHD12.5bn, a 5.1% higher than a year earlier. Approximately 67% of all inward FDI was in financial services and 14.8% in manufacturing. The majority of Bahrain's FDI stock came from Saudi Arabi (29.9%) and Kuwait (29%).

The stocks of foreign direct investments during Q3 2021 were as follows:

Sector	Inward Foreign Direct Investments Stocks (BDH Mn)	Share of Sectors (%)
Finance and Insurance Activities	8,389.4	67.0%
Manufacturing	1,850.2	14.8%
Wholesale and Retail trade	619.8	4.9%
Information and Communication	444.7	3.5%
Others	1,223.5	9.8%
<b>Total</b>	<b>12,527.7</b>	

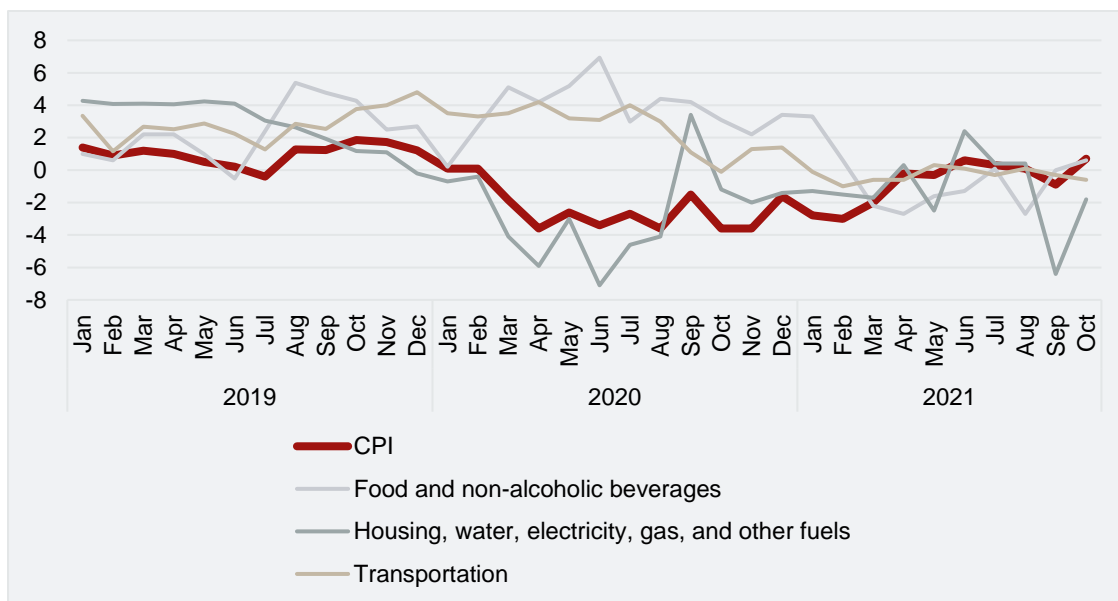
## *Inflation*

Inflationary dynamics have shown unusual volatility in recent months, partly in reflection of the normalization of economic activity in combination with persistent global supply chain disruptions. After a pandemic-induced period of deflation between March 2020 and May 2021, the consumer price index turned mildly positive with the exception of another dip below zero in September 2021. The annual pace of consumer price changes fell to 0.9% having fluctuated in the range of -3.0% to 0.6% earlier in the year.

Furthermore, the main components of the CPI have shown significant month-to-month volatility. Food prices in September 2021 were flat after a sharp 2.7% YoY drop in August, in reflection of base effects from the price pressures in 2020. The monthly pace of food price inflation has varied between -2.7% and 0.6% in the course of the first three quarters of the year.

Housing costs were sharply down, by 6.4%, in YoY terms in September 2021, mainly in reflection of a temporary spike a year earlier. Housing costs earlier in the year varied between -2.5% and 2.4%. Housing rentals have been declining in YoY terms since mid-2019 and fell by 2.3% YoY in September.

### Consumer Price Inflation (%) YoY



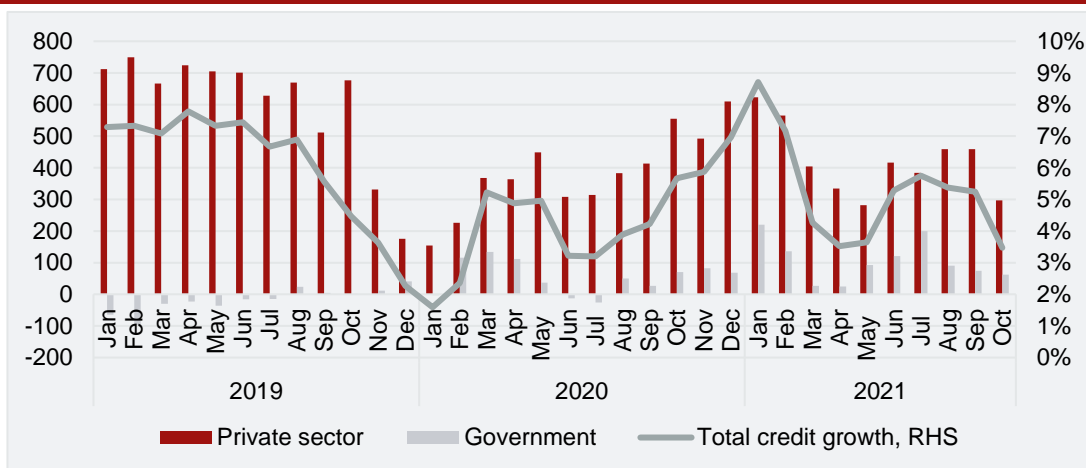
Source: Information & eGovernment Authority

### Bank Credit and Deposits

The total value of credit facilities extended by Bahraini commercial banks rose to BHD10.73bn at the end of Q3 2021, marking a 5.24% YoY increase but was only 0.1% up from the end of Q2 2021.

Business loans accounted for 50.4% of the total retail bank loan portfolio at the end of Q3 after 2.0% YoY growth to BHD5.4bn. Lending to the construction and real estate sector rose by an annual 5.9% to BHD2.0bn, while loans to the manufacturing sector were 14.3% higher in YoY and stood at BHD1.3bn. Personal loans totaled BHD4.9bn after 7.6% YoY growth and made up 46.1% of the total. The growth of mortgage lending has been particularly brisk and following a 13.0% YoY growth, residential mortgages totaled BHD2.2bn.

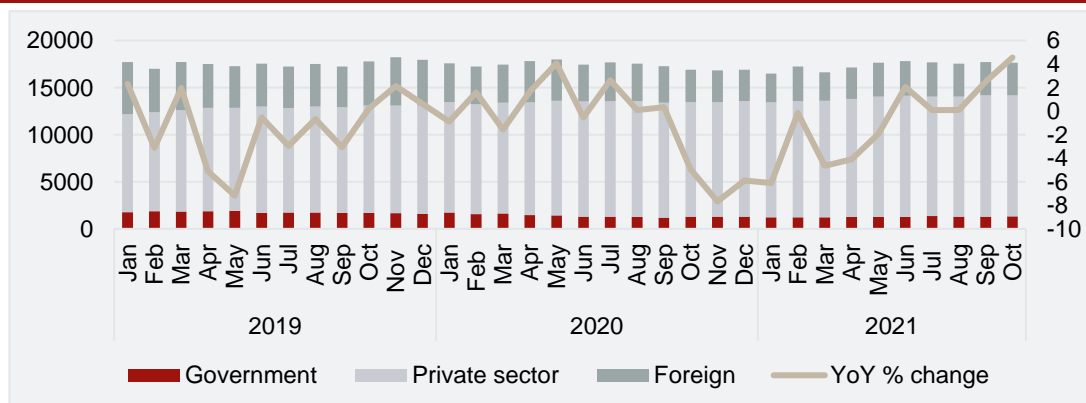
#### YoY Growth in Credit Issued by Retail Banks (BHD million)



Source: Central Bank of Bahrain

Bank deposits (by non-bank entities), which have shown considerable volatility during the pandemic, experienced renewed growth during Q3 with a 2.5% YoY gain to BHD17.7bn. Particularly pronounced growth has been observed in local currency private deposits which rose by an annual 5.3% to BHD12.9bn. Foreign currency deposits rebounded by 10% to BHD1.3bn.

#### Deposit Liabilities to Non-banks (BHD million)

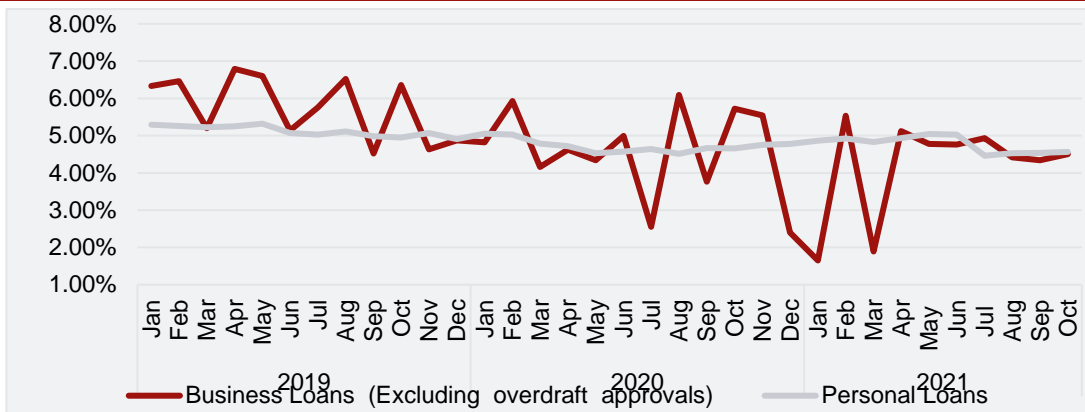


Source: Central Bank of Bahrain



After a slight uptrend during the second half of 2020 and the first half of 2021, interest rates of loans facilities extended by local commercial banks generally declined in Q3 2021. At the same time, the rates of business and personal loans effectively converged. The average cost of business loans during Q3 2021 was 4.56%, which marked a decline over 4.89% in Q2 2021 but was slightly higher than the 4.13% average in Q3 2020. The interest rate on personal credit facilities averaged 4.51% in Q3, down on 5% in Q2 and on 4.61% a year earlier.

### Average Rate of Interest on Credit Facilities - Conventional Retail Banks

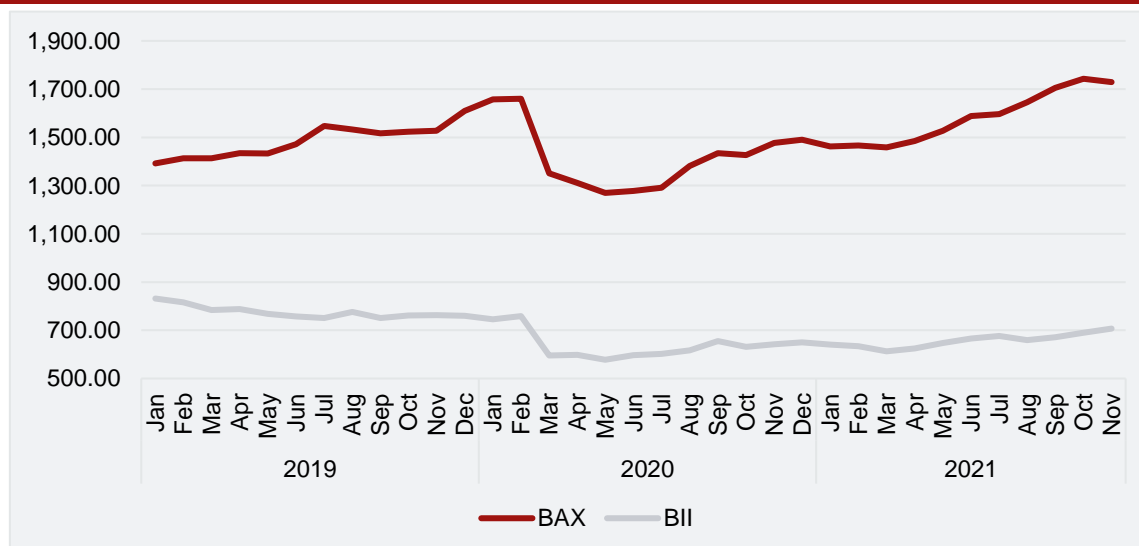


Source: Central Bank of Bahrain

### Financial Markets

In Q3 2021, the Bahrain All Share Index closed at 1,705.56 points. This marked a 7.4% QoQ gain and was up 14.80% YTD. This was 18.9% higher than a year earlier in Q3 2020. The Bahrain Islamic Index closed Q3 at 671.28 following a 0.7% QoQ and a 2.4% YoY gain. All the sectoral indices gained ground during the first three quarters of the year, led by Financials that advanced 10.18% YTD. Materials rose by 7.20% and Real Estate by 7.18%. The total market capitalization amounted to some BHD10.2bn, up 15.3% YoY.

### Bahrain All Share Index and Bahrain Islamic Index



Source: Bahrain Bourse

The Central Bank of Bahrain continued its regular issuance of bonds and sukuk with the average interest/profit rate holding more or less steady. Notable oversubscriptions were seen especially in the sukuk segment.

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

Issue date	Issue	Value, BHD million	Maturity Days	Average Interest/ Profit Rate (%)	Avg Price (%)	Over-subscription (%)
7 Ju 2021	Treasury Bills No. 1868	70	91	1.45	99.635	272
8 Jul 2021	Sukuk Al Ijarah No. 191	190	182	1.59	-	732
14 Jul 2021	Sukuk Al Salam No. 243	255	91	1.45	-	592
21 Jul 2021	Treasury Bills No. 1869	70	91	1.36	99.658	119
22 Jul 2021	Treasury Bills No. 83	100	365	1.75	98.258	100
28 Jul 2021	Treasury Bills No. 1870	70	91	1.36	99.658	113
1 Aug 2021	Treasury Bills No. 1871	35	182	1.51	99.242	237
4 Aug 2021	Treasury Bills No. 1872	70	91	1.46	99.633	112
5 Aug 2021	Sukuk Al Ijarah No. 192	128	182	1.51	-	491
5 Aug 2021	Development Bond No. 26	218	1,095	3.20	-	145
11 Aug 2021	Treasury Bills No. 1873	70	91	1.50	99.623	161
18 Aug 2021	Sukuk Al Salam No. 244	175	91	1.50	-	407
25 Aug 2021	Treasury Bills No. 1874	70	91	1.49	99.625	143
26 Aug 2021	Treasury Bills No. 84	100	365	1.71	98.296	100
29 Aug 2021	Treasury Bills No. 1875	35	182	1.49	99.254	278
1 Sep 2021	Treasury Bills No. 1876	70	91	1.48	99.626	149
2 Sep 2021	Treasury Bills No. 1877	70	91	1.42	99.642	250
8 Sep 2021	Sukuk Al Ijarah No. 193	177	182	1.49	-	680
15 Sep 2021	Sukuk Al Salam No. 245	146	91	1.42	-	340
16 Sep 2021	Treasury Bills No. 1878	70	91	1.42	99.642	137
19 Sep 2021	Treasury Bills No. 85	100	365	1.66	98.352	171
22 Sep 2021	Treasury Bills No. 1879	35	182	1.43	99.282	128
29 Sep 2021	Treasury Bills No. 1880	70	91	1.44	99.638	100

### Labour Markets

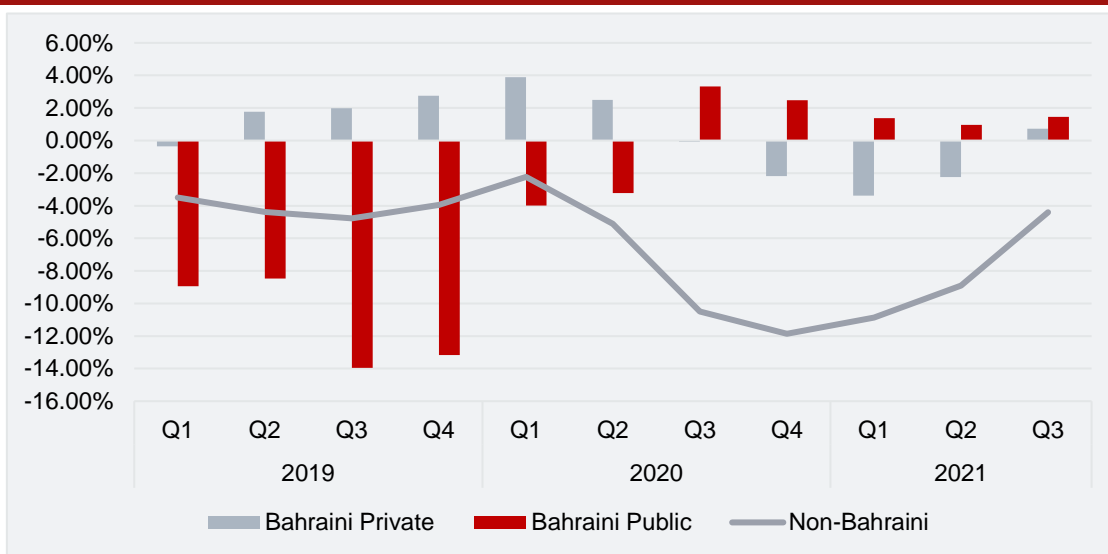
The Q3 2021 data published by the Social Insurance Organization reflects recovery most particularly pronounced among Bahraini nationals among whom both private and public sector job creation recorded small YoY gains in Q3. Expatriate employment is still declining in YoY terms, albeit at a progressively slower rate.

Bahraini private sector employment rose by an annual 0.7% to a total of 95,619, the highest reading since Q2 2020. Bahraini public sector employment saw a 1.4% YoY gain to 48,290. By contrast, expatriate employment declined by 4.4% to 408,159.

The average salary of Bahrainis employed in the private sector reached BHD763 in Q3. The public sector average stood at BHD827. By contrast, the average expatriate salary reached BHD266.

As part of the National Employment Program 2.0, a total of 26,344 jobseekers have been employed across 6,826 enterprises, exceeding the set target of 25,000 new jobs. On the other hand, 12,841 individuals received training opportunities, exceeding the initial target of 10,000. The strong recovery in the market is likely to continue as the government's economic recovery plan seeks to create 20,000 jobs and train 10,000 people a year until 2024.

#### YoY Changes in Employment by Labour Market Segment (%)



Source: Social Insurance Organization

## *International Rankings*

### **Economic Environment**

Over the past year, global Indicators have reflected the Kingdom of Bahrain's strong economic performance. In the Economic Freedom of the World 2021 index released by Fraser Institute, Bahrain's ranking improved to 65th out of 165 jurisdictions and its overall score improved to 7.33 out of 10. The index which measures the degree to which countries' policies and institutions are supportive of economic freedom ranks Bahrain 1st on the GCC level and 2nd in the Arab World. Additionally, Bahrain ranked 22nd globally in the sub-indicator related to labor market laws and regulations.

Further, Bahrain's implementation of sound economic and social policies has contributed to greater prosperity. Recently, Bahrain's rank improved by 2 spots in the Prosperity Index 2021 issued by the Legatum Institute standing at the 56th position out of 167 countries. The index assesses countries on their promotion of inclusive societies, open economies, and empowered people. Bahrain's top performing area is "Burden of Regulations," ranking 5th globally which reflects the time and effort required for businesses to comply with government requirements for doing business, such as issuing business permits, tax compliance and other procedures. Bahrain also performed well in the "Social Capital" area, ranking 1st in the MENA region and 17th globally.

### **Financial Services**

Bahrain's financial services sector continues to receive global recognition, especially in the Islamic finance domain, as shown in the Islamic Finance Development Report 2021 released by Refinitiv where the Kingdom came in the 4th position globally out of 135 countries. The report assesses key areas of Islamic finance across five main indicators: Quantitative, Knowledge, Governance, Awareness, and CSR. Bahrain came in the 2nd position globally in both the "Awareness" and "Governance" indicators. The report highlights that Bahrain is among countries that facilitate the expansion of fintech and digital banking. Additionally, for the second year in a row, Bahrain ranked 1st amongst Arab countries in terms of anti-money laundering/combating the financing of terrorism in the Basel AML Index 2021 released by the Basel Institute on Governance, reflecting a robust regulatory environment.

### **Innovation and Human Capital**

Given that innovation is a key driver of economic growth; key steps were taken towards establishing a strong innovative ecosystem. The Global Innovation Index 2021 issued by WIPO and other partners ranks countries based on their ability to drive innovation. Bahrain's ranking in the index improved to 78th out of 132 economies.

Necessary to innovation is human capital development which is considered as one of the strongest assets of the Kingdom. This year, Bahrain is ranked within the top 10 regional performers in the Global Talent Competitiveness Index 2021 issued by INSEAD. Bahrain improved its score in the index by 2.11 points to 52.46/100 and is

ranked 44th out of 134 countries. Bahrain also ranked 21st globally in the 'Attract' pillar which measures areas such as FDI, attracting talent, social inclusion and gender equality.

### **Sustainable Development**

Bahrain achieved a 19-spot improvement in the World Energy Trilemma Index 2021 issued by the World Energy Council and Oliver Wyman. The index assesses three dimensions: Energy Security, Energy Equity and Environmental Sustainability. Bahrain is listed among the top 10 performers in the Energy Equity dimension where it ranks 2nd globally. The report highlights that one of the pillars of Bahrain's Economic Vision 2030 is sustainability, with an important goal linked to affordable clean energy, and renewable energy targets set until 2035, with major projects in solar power initiatives underway.

Further, Bahrain improved by 12 spots to rank 15th out of 84 countries in the fDi Greenfield Performance Index 2021 issued by the Financial Times. To be included in the index a county must have received at least 10 greenfield FDI projects in 2020. The index ranks Bahrain as 2nd in the Middle East for FDI greenfield performance.

## Glossary

Term	Explanation
<b>Real Growth Rate</b>	The growth rate of a nation's Gross Domestic product (GDP) adjusted for the effects of price inflation.
<b>Nominal Growth Rate</b>	The growth rate of a nation's Gross Domestic Product (GDP) evaluated at current market prices.
<b>Gross Domestic Product</b>	An aggregate measure of production (all finished goods and services produced), which equal to the sum of the gross values added of all resident institutional units engaged in production (plus any taxes, and minus any subsidies) within a country's borders in a specific time period, in this bulletin for instance it is a three months period
<b>Crude Petroleum and Natural Gas</b>	Comprises of crude oil extracted as well as extraction of natural and associated gas.
<b>Financial</b>	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.
<b>Manufacturing</b>	Comprises units engaged in the physical or chemical transformation of materials, substances, or components into new products, such as plants, factories or mills, etc Examples of manufacturing sector activities: Manufacturing of food and beverages, tobacco products. Manufacturing of textiles, wood and paper products, refined petroleum products, chemicals, furniture, etc.
<b>Government</b>	Comprises of all ministries and authorities in the state budget and other attached and independent bodies as per the consolidated final accounts, such as those entities involved in security, education, culture, development and other entities that provide collective services.
<b>Transport and Communications</b>	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
<b>Construction</b>	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.
<b>Social and Personal Services</b>	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.
<b>Real Estate and Business Activities</b>	Comprises real estate activities such as purchase or lease, that are mainly linked to the business sector. However, more or less all activities covered in this section can also be

	provided to private households, for example, renting of personal and household goods, database activities, legal activities, accounting or auditing services, interior decoration and photographic activities, etc.
<b>Trade</b>	Comprises wholesale and retail sale (sale without transformation) of any type of goods, and rendering services incidental to the sale of merchandise.
<b>Hotels and Restaurants</b>	Comprises units providing customers with short-term lodging and/or preparing meals, snacks, and beverages for immediate consumption.

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