وزارة المالية والاقتصاد الوطني
Ministry of Finance
and National Economy

Bahrain Economic Quarterly

Q4 2021

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البحرين 2030
BAHRAIN

SUMMARY

STRONG CLOSE TO 2021

In fourth quarter of 2021, the government of Bahrain has announced its economic recovery plan, which included 27 initiatives across 5 priority pillars; creating quality jobs for Bahrainis to make the 'employee of choice' in the labour market, launching major strategic projects, developing strategic priority sectors, simplifying and increasing the efficiency of the commercial procedures and achieving fiscal sustainability and economic stability by 2024.

- **The Bahraini economy expanded by an estimated 4.3% in Q4 2021, making it the strongest quarter of the year**. Non-oil growth reached 4.2%, whereas the oil sector saw a 4.7% YoY increase despite a QoQ drop due to base effects. Non-oil growth was broad-based, fueled by strong rebounds in Transport & Communications as well as Hotels & Restaurants from a year earlier.

- **The Bahraini economy recorded an estimated 2.2% growth during 2021.** The steady recovery was led by the non-oil sector which posted 2.8% YoY growth. By contrast, the oil sector saw a small 0.3% YoY contraction. As with the quarterly sector results, the strongest recoveries for the year as a whole were posted in Transport & Communications, Hotels & Restaurants, and Financial Services sectors.

- **The regional growth dynamics recorded a comparable improvement in Q4 2021**. This reflected broad-base normalization in economic activity, in some cases supported by flagship events such as Dubai Expo2020. Moreover, the gradual increase in the OPEC+ quotas made the oil sector a positive growth driver.

- **The global economy saw continued normalization in economic activity which helped push up oil prices**. Even as the Omicron variant delayed the pace of normalization in some countries, high vaccination coverage and established protocols in dealing with the disease generally allowed the recovery to continue. After a period of subdued investment, the strong rebound in oil demand has pushed up prices despite some volatility.

Bahrain Economic Outlook

	2019	2020	2021 *Prelim*	2022 *Forecast*
Real GDP growth (%)	2.1%	-4.9%	2.2%	4.1%
Non-hydrocarbons sector	2.1%	-6.0%	2.8%	5.0%
Hydrocarbons sector	2.2%	-0.1%	-0.3%	0.0%
Nominal GDP growth (%)	2.3%	-10.2%	11.9%	5.6%
Inflation (CPI %)	1.0%	-2.3%	1.0%	2.5%
Current account (% of GDP)	-2.1%	-9.3%	6.7%	-1.0%
Crude Oil Brent (USD)	64.0	41.7	70.4	70.2

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EXTERNAL CONTEXT

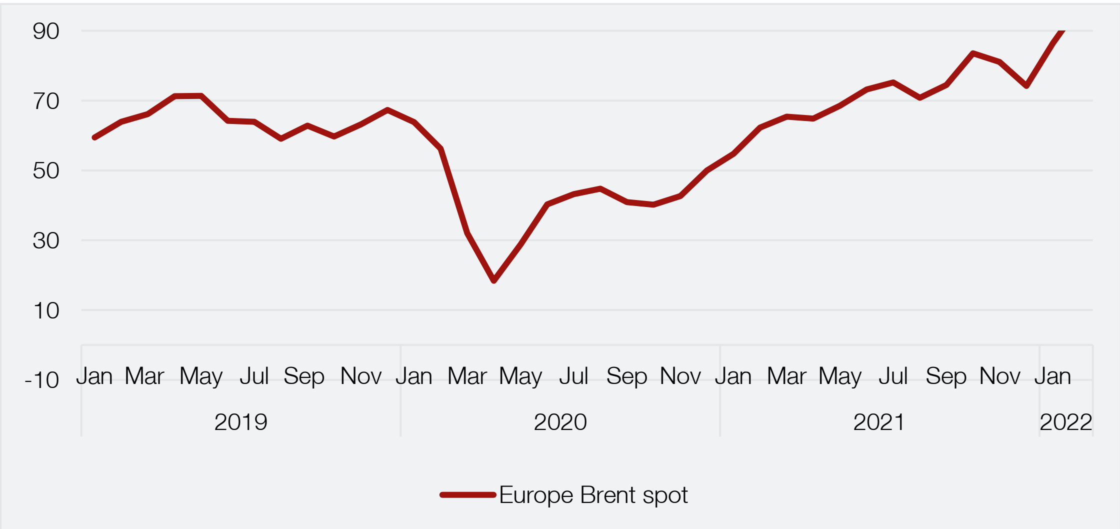
Global Prospects

Although the Omicron wave of the COVID-19 pandemic which emerged at the beginning of 2022 has presented new challenges including causing countries to impose new restrictions on mobility or to delay normalization, the global economic recovery is strengethening, generally due to the relative mildness of the new variant's symptoms alongside rising vaccination rates globally and the overall effectiveness of available treatments. Despite this, global growth rates have been forecasted to decelerate, partly linked to the scaling back of economic stimulus measures. The IMF, in its January 2022 World Economic Outlook report, forecasted a slow down in global growth from 5.9% in 2021, to 4.4% in 2022 and 3.8% in 2023.

The combination of a strengthening recovery along with continued supply chain challenges have caused inflation to reappear as a noticeable economic policy focus. The United States saw its CPI inflation reach a 40-year high of 7.5% for the year 2021. In an effort to contain inflation, the Federal Reserve has raised interest rates by 0.25 percent in March 2022 for the first time since 2018. China's economy expanded 8.1% YoY, however, saw only 4% growth in Q4 YoY, the slowest rate in a year and a half. With the ongoing contraction in the property sector, as well as the slow recovery of private consumption, the economy faces multiple headwinds.

Since the resumption of economic activity, oil markets have been experiencing increased demand as a result of robust global demand growth and slower-than-expected supply increases. The Brent benchmark closed the year 2021 with an annual average of USD70.9 per barrel, up 68.9% on 2020, the largest increase ever recorded. The Q4 2021 average of USD79.6 was up 79.8% in YoY terms. The military conflict between Russia and Ukraine has pushed brent above USD105 per barrel and Texas crude to over USD102 a barrel.

Europe Brent Spot Oil Price (USD per barrel)



Source: US Energy Information Administration

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GCC Economic Outlook

Saudi Arabia posted a YoY growth of 6.7% in Q4 2021, compared to QoQ growth of 1.6%.This is a direct result of the boost of the oil sector, which recorded a YoY growth of 10.9% , and a 1.8% gain on a QoQ basis.The non-oil economy expanded by 5.1% on a YoY basis, and 1.2% on a QoQ basis. Government activities recorded a growth of 2.4% on an annual basis and 1.5% QoQ. Compliance with the increasing OPEC+ quotas could deliver oil growth of more than 15% in 2022, while non-oil growth should reach at least 4%, leading to the 7.4% headline growth projection included by the government in the 2022 budget.

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BAHRAIN

The Bahraini economy closed 2021 with estimated 4.3% YoY real growth in Q4 2021; which made it the strongest quarter of the year. The non-oil sector posted almost comparable 4.2% YoY growth whereas the oil sector saw a 4.7% YoY gain thanks to base effects. Headline nominal growth during the quarter reached 18.4% YoY thanks to strong oil prices.

Real GDP Growth (%)

Source: Information & eGovernment Authority

The initial estimates suggest annual real growth of just over 2.2% during 2021. The recovery was led by the non-oil economy which posted a YoY gain of 2.8% in real terms. By contrast, the oil sector recorded a small 0.3% YoY drop. In nominal terms, the economy was an estimated 11.9% larger than the year before despite minimal domestic price pressures. The strong growth reflected the positive dynamic in commodity prices, notably oil and aluminum.

Non-Oil sector

The non-oil economy saw a strong YOY real growth of 4.2% in Q4 2021 compared to Q4 2020, while there was nominal growth of 13%. Preliminary data for 2021 indicates growth of 2.8% in real terms and 7.3% in nominal terms.

The closing three months of the year saw a rebound in economic activity across the non-oil economy. The normalization of activity was broad-based with the fastest pace of recovery seen in sectors most disrupted during the COVID-19 pandemic.

The fastest growing sector during Q4 2021 was Hotels & Restaurants that had seen the most marked decline in activity during 2020. The sector posted 31.7% YoY growth, resulting from the increase in visitors via the King Fahad Causeway and arrivals through Bahrain International Airport, reflecting a remarkable growth in hotel occupancy rates at a growth of 65.4% in 4 and 5 star hotels. The Transportation & Communications sector posted 11.5% growth during Q4 2021 following a swift pace of expansion in the 2 preceding quarters. The robust growth is reflective of the gradual normalization of travel which, in Q4 2021 was still held back to an extent because of the Omicron wave.

The Financial Services sector also saw strong growth during Q4 2021 with a 5.2% YoY expansion. While the sector has seen some volatility in growth, it continues to benefit from a favorable liquidity situation against the backdrop of growing demand for credit. The Central Bank of Bahrain's statistical bulletin revealed an increase in point of sales value by 40.4% in Q4 2021, compared to the same quarter in 2020, and total growth of loans of retail banks by 10.6%. The sector also witnessed growth in broad measure of money supply (M3) by 5.2%, banking system consolidated budget by 4.9%, and loans and facilities from retail banks by 4.7%.

The Real Estate & Business Activities sector posted 4.8% growth in Q4 2021, reflecting the progressive normalization of demand conditions in the real estate market. Growth also accelerated in the Construction sector which recorded a 3.1% YoY increase after several relative subdued quarters. The Social & Personal Services sector saw 2.9% growth.

The Trade sector benefited from increased activity, partly because of the ramping up of activity ahead of the VAT increase in January 2022 with YoY real growth reaching 2.9%. YoY real growth in Manufacturing reached 1.8% and the sector is beginning to see significant gains from increases in Bapco's production as the Modernization Program makes headway; with the Q4 2021 throughput of 24.9mn barrels up 35.5% in YoY terms but also 12.3% higher than in Q3 2021. Alba's output held almost steady with a small 0.4% QoQ gain.

During 2021, the real growth of the non-oil sector reached an estimated 2.8%. The fastest growing sectors were also Hotels & Restaurants at 7.6%, Transportation & Communications at 6.4%, Financial Services at 6.0% and Real Estate & Business Activities at 3.3%. The Government Services sector posted an estimated 2.0% growth, followed by Trade at 1.2%, Construction at 0.8%, and Manufacturing at 0.5%. Sectors that exceeded the 2019 level included Financial Services, Government Services, and Electricity & Water. The Construction sector remained a mere 0.1% below its 2019 level.

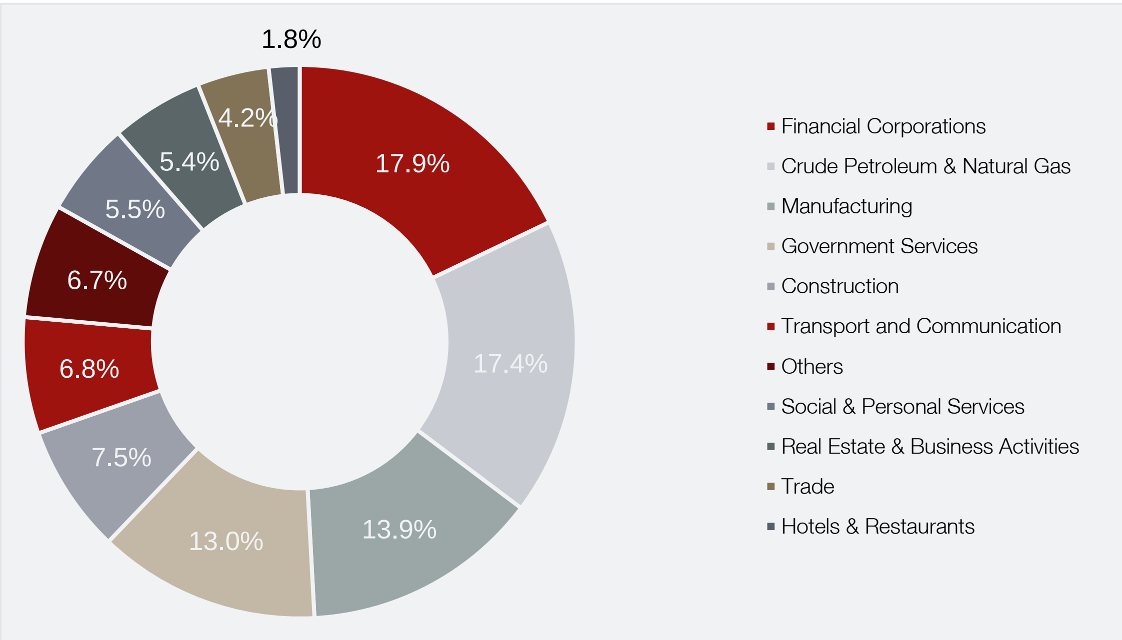
Real GDP Growth by Sector (YoY, %)

Year	2020	2021				
Sector	Annual	Annual	Q1	Q2	Q3	Q4
Crude Pet. & Nat. Gas	-0.1%	-0.3%	2.1%	-2.3%	-4.6%	4.7%
Manufacturing	-5.7%	0.5%	-1.9%	2.3%	-0.3%	1.8%
Electricity & Water	33.6%	3.0%	-4.9%	2.8%	4.4%	9.6%
Construction	-0.9%	0.8%	-0.9%	0.2%	0.7%	3.1%
Trade	-7.2%	1.2%	-6.2%	4.2%	4.5%	2.9%
Hotels & Restaurants	-43.5%	7.6%	-20.4%	45.2%	-5.6%	31.7%
Transp. & Comm's	-24.1%	6.4%	-26.8%	36.0%	25.8%	11.5%
Social & Pers. Serv.	-13.1%	-1.3%	-13.3%	3.2%	4.0%	2.9%
Real Est. & Bus. Act.	-6.9%	3.3%	-1.0%	4.7%	4.7%	4.8%
Financial Corporations	1.4%	6.0%	10.7%	12.4%	-2.7%	5.2%
Government Services	1.6%	2.0%	1.8%	1.2%	1.9%	3.1%
Other	0.0%	3.4%	-14.0%	11.2%	23.9%	-0.9%
GDP	-4.9%	2.2%	-2.8%	5.5%	2.1%	4.3%
Non-oil GDP	-6.0%	2.8%	-3.8%	7.4%	3.8%	4.2%

Source: Information & eGovernment Authority

In terms of each sector's contribution to GDP,, the Financial Services sector exceeded the Oil and Gas sector at a contribution of 17.9%, while Oil and Gas sector recorded at 17.4%. The Manufacturing sector follows at 13.9%, then Government Services at 13%, Construction at 7.5% and Transportation and Communication at 6.8%.

Real GDP Breakdown by Sector – Q4 2021



Source: Information & eGovernment Authority

Oil Sector

The oil sector real GDP witnessed a growth of 4.7% during Q4 2021 on an annual basis, reflecting the increase in the quantities of crude oil produced in the Abu Sa'afah and Bahrain fields, which increased by 4.2%. The oil sector achieved notable growth at current prices by about 64.1% supported by the recovery of crude oil prices globally, which averaged $79.8 in Q4 2021 in comparison to average Brent crude oil prices of $44.3 in Q4 2020.

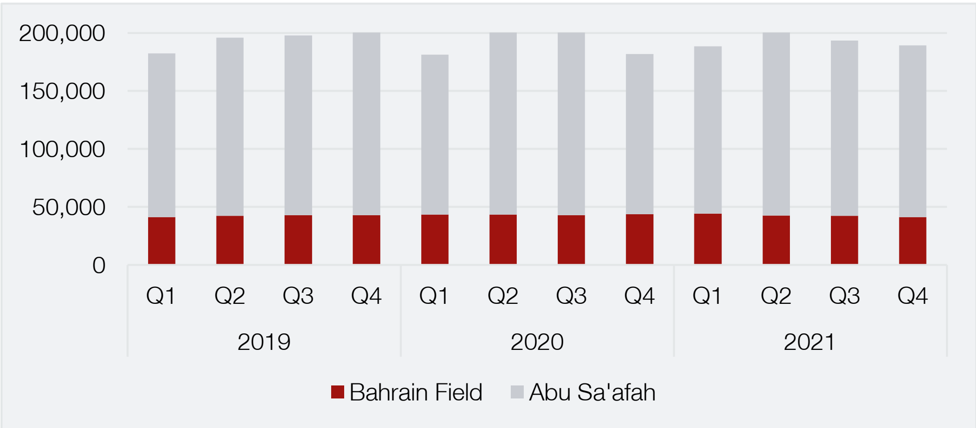
The sector witnessed a slight decline of 0.3% at real prices in 2021 as a while as a result of seasonal changes in production levels. On the other hand, the sector grew by 48.4% at nominal prices compared to 2020.

Average oil production from Abu Sa'afah's field amounted to 148,347 b/d representing an increase of 7.4% annually, while decreasing by 1.8% QoQ. The onshore Bahrain Field has seen a slight downtrend to an average of 41,114 b/d, 5.8% down in annual terms.

Bahrain gas production rose by an annual 3.9% during 2021. Q4 2021 gas production was up about 225,910 million cubic feet, an increase of 6.4% YoY and a 10.3% drop QoQ. About 34.1% of the total gas was reinjected in the oil sector.

The current completion rate of the Bapco Modernization project is at 78.7% as of December 2021. The project aims to increase the refinery's production capacity from 267,000 b/d to 380,000 b/d.

Crude Oil Production (bpd)

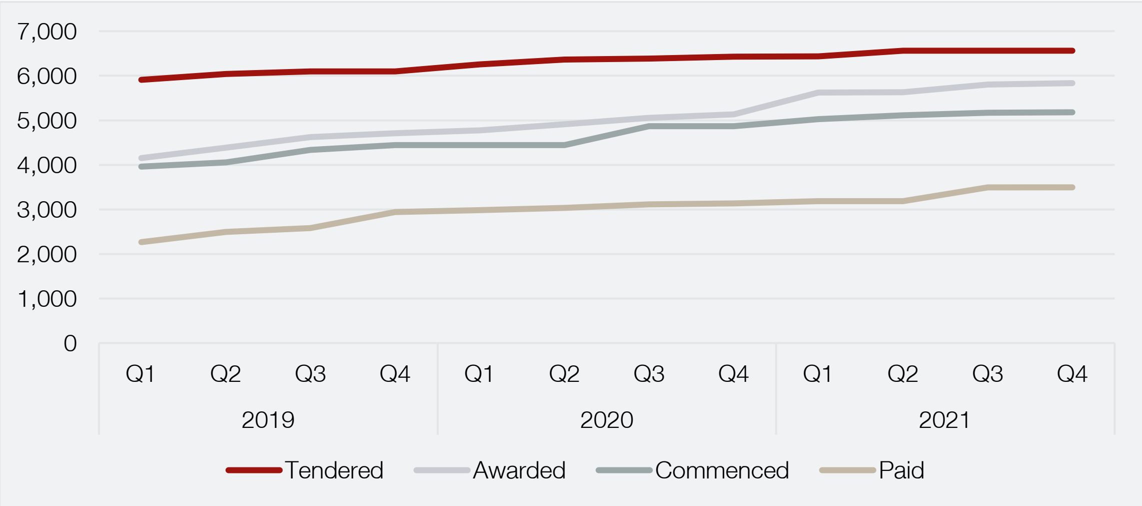


Source: Ministry of Oil

Infrastructure Projects

The GCC Development Fund has contributed to the financing and implementation of many vital projects in the Kingdom of Bahrain, with some of the major development projects financed by the fund witnessing notable growth in Q4 2021. Additional projects have been awarded valued at USD30mn, bringing the total value of projects to about USD5.83bn out of a total of USD7.4bn, which represents an increase of 0.5% QoQ. One of the largest projects announced in Q4 is a wastewater treatment plant for King Abdulla Medical City, which falls under the umbrella of the Saudi Development Fund.

GCC Development Fund Activity (USD million, cumulative totals)



Source: Ministry of Finance and National Economy

Other notable strategic projects include:

- Successful completion of the royal directives to provide 40,000 housing units to citizens which included the construction of five new housing cities: Salman City, Khalifa City, East Hidd City, East Sitra City, and Al Ramli Suburb, as well as building more than 40 residential complex projects in different regions and villages of the Kingdom. The "Sharaka" program, which was launched back in 2019, allows bidding on rights to develop government lands by private sector developers. The Ministry of Housing has already completed this project in the Al-Lawzi area, which consists of 132 houses. It is hoped that the “Sharaka” program will include more than 19,000 housing units, in partnership with the private sector, which will contribute to the provision of high-quality housing units.
- The foundation stone of the US Trade Zone located in Salman Industrial City was laid in February 2022. This will enhance economic, commercial and industrial cooperation, and advance bilateral trade and will allow American companies to operate in an area equipped for the exchange of goods and comprehensive logistical solutions, in addition to facilitating export operations through Khalifa Bin Salman Port, Bahrain International Airport, King Fahd Causeway and through any other port that is established in the future in the Kingdom.

- Saudi Arabia’s Public Investment Fund in December announced plans to invest USD5bn in projects in Bahrain.
- A pre-qualification tender has been launched for the developers implementing the first phase of the Bahrain Metro, which will provide a new type of sustainable mobility in the Kingdom of Bahrain, that will operate entirely on a driverless system based on technology. The metro will be 109 km and will be launched in 4 phases. The first phase will consist of two lines with a total length of 29 km, including 20 stations and will be constructed in partnership with the private sector.
- Diyar Al Muharraq and Eagle Hills Diyar signed a preliminary agreement with the Abu Dhabi Ports Group, to explore opportunities to develop and operate a cruise ship terminal and related infrastructure in the Kingdom of Bahrain. The development of the new cruise ship terminal will contribute to increasing the number of annual visitors to Bahrain. The terminal will also act as a vital center in the Arabian Gulf for attracting leading cruise ship lines.
- Alba has issued a notice with the Mitsubishi & SEPCO III Consortium, to be responsible for the engineering, procurement and construction (EPC) work of the fourth power complex at Power Plant 5. This will contribute to further reducing carbon emissions through high efficiency and lower greenhouse gas emissions. Power Complex 4 will also add 680.9MW to the production capacity of Power Plant 5, bringing the total production capacity to 2,480MW.
- The first phase of the Al Jazayer Beach was opened in November 2021 offering an area of 1.5 square kilometers and includes beaches, public facilities, and a series of restaurants and cafes. The approved general master plan for the project is designed to strike a balance between economic and social development alongside environmental sustainability, in line with the Kingdom’s commitment to reducing carbon emissions and reaching zero neutrality by 2060. Edamah is currently working on designing the plans for the second phase of the project, which will include investment opportunities at a value of USD80mn, and will include hotels, shops and residential units.

International Trade

According to the foreign trade data issued by the Information and e-Government Authority, the trade balance of non-oil goods recorded a clear improvement during 2021, as the trade gap decreased from BHD1.7bn in 2020 to BHD0.6bn in 2021. This improvement is attributed to the increase in the value of national exports of national origin. The total value of non-oil merchandise exports produced locally reached USD10.7bn during 2021, marking a 67.9% YoY increase. The value of re-exports rose by 1.3% during 2021 to reach USD1.8bn. The total exports thus recorded a 53.3% YoY increase to USD12.5bn. During Q4 2021, Bahraini exports of national origin more than doubled (+101.4%) in YoY terms to USD3.2bn. With re-exports virtually unchanged YoY, total exports posted a 80.1% YoY increase to USD3.6bn.

Non-oil merchandise imports in 2021 saw an 11.7% YoY increase to USD14.2bn. The pace of growth during Q4 2021 was 18% YoY.

Bahrain's non-oil merchandise trade balance improved sharply during the year, more than halving (-62.7%) to USD1.7bn. By Q4 2021, the deficit was almost eliminated, reaching USD117.9mn in an 89.8% YoY drop.

Non-oil Merchandise Trade (USD million)

Source: Information & eGovernment Authority

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

Imports		Exports	
% of Total	Country	% of Total	Country
14.1%	Brazil	18.8%	Kingdom of Saudi Arabia
13%	China	12%	United States of America
7.4%	United Arab Emirates	10.3%	United Arab Emirates
7.2%	Australia	6.7%	Egypt
6.8%	Kingdom of Saudi Arabia	4.7%	Sultanate of Oman

Balance of Payments

Bahrain's external position experienced a sharp positive reversal in the course of 2021. The current account balance swung from a BHD1.22bn deficit to an almost equally large BHD978.5mn surplus in 2021, driven by the improvement in export prices. The overall value of merchandise exports rose from BHD5.29bn in 2020 to BHD8.41bn in 2021 – a 59% increase. The value of oil exports rose by 67.4% to BHD3.74bn while non-oil exports recorded a 52.9% increase to BHD4.67bn. Merchandise imports saw a smaller 23.1% increase to BHD6.57bn. This delivered an overall merchandise trade surplus of BHD1.84bn in a sharp reversal from a small BHD50mn deficit in 2020. As for workers' remittances abroad, they decreased by 7.7% to reach BHD950mn during the year 2021, compared to BHD 1.03bn last year.

The positive momentum in the balance of payment continued throughout 2021 with Q3 and Q4 being the strongest quarters. The Q4 current account surplus reached BHD427.4mn, up 271.3% from a BHD249.5mn deficit the year earlier. In QoQ terms, there was a 10.5% decline in the surplus. The value of Bahrain's oil exports in Q4 reached BHD1.14bn, nearly doubling (+96.1%) YoY and increasing by 14.7% QoQ. The non-oil merchandise exports in Q4 were valued at BHD1.35bn, up 78.2% YoY and flat (-0.1%) in QoQ terms.

Foreign Direct Investment

Foreign direct investment (FDI) into Bahrain remained positive, according to the preliminary results of FDI survey for Q4 2021 done by IGA in cooperation with CBB and EDB. The survey showed an increase in FDI inflows into the Kingdom during Q4 by approximately BHD26.3mn, which raised the value of FDI in 2021 to BHD12.6bn.

According to the statistics, financial and insurance services and manufacturing sectors contributed the most to FDI. The financial and insurance services sector saw an increase of 0.4% over Q3, with a total amounting to BHD8.4bn. The manufacturing sector saw an increase of 1.2%, with FDI reaching 1.9 billion dinars. Meanwhile, FDI from the Kingdom of Saudi Arabia accounted for the highest value in terms of the balance of incoming FDI with a value of BHD3.7bn, followed by the United Arab Emirates with a total of BHD0.9bn.

The results of the balance of foreign investments in these sectors during Q4 of 2021 were as follows:

Sector	Inward Foreign Direct Investment Stocks (BDH Mn)	Share of Stocks
Finance and Insurance Activities	8,384.4	66.6%
Manufacturing Industries	1,857.9	14.8%
Wholesale and Retail trade	596.2	4.7%
Information and Communication	449.8	3.6%
Others	1,296.9	10.3%
Total	12,585.1	

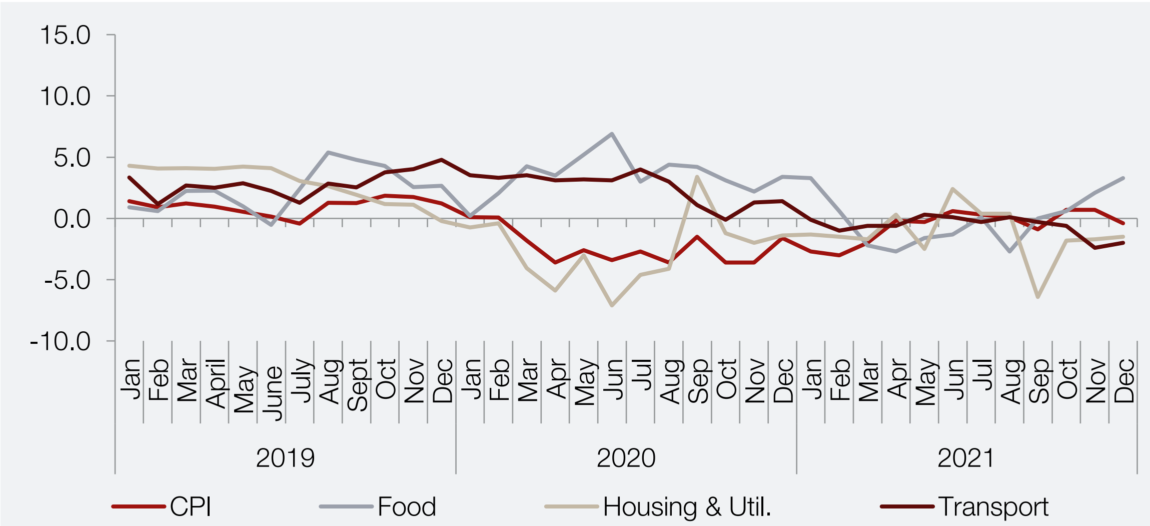
Inflation

Inflationary pressures in Bahrain, while showing some month-to-month volatility, remained relatively low in 2021 with the average rate during 2021 at -0.6%. The year closed in the deflationary territory with a 0.4% YoY drop in the Consumer Price Index in December 2021, and 0.07% in October and November.

The minimal inflationary pressures in the year are largely due to the structure of the CPI basket. The most important single category – with a 25% weight – is housing, water, electricity, gas and other fuels costs which have seen deflation in most months since late 2019. Transportation is another important category with a 17.8% weight and turned negative in the second half of 2021. Food inflation has been more volatile but makes up a much smaller share of the CPI basket at 12.2%.

As of December 2021, food price inflation was running at 3%, up from 0% as recently as September 2021, as a result of disruptions in global value chains and increasing transportation costs. Transportation costs were declining at an annual pace of 2% and housing costs at 1.5%. Inflation during 2021 as a whole averaged -0.6% while the Q4 2021 average was a positive 0.3% in reflection of a slight pick-up in price pressures.

Consumer Price Inflation (%) YoY



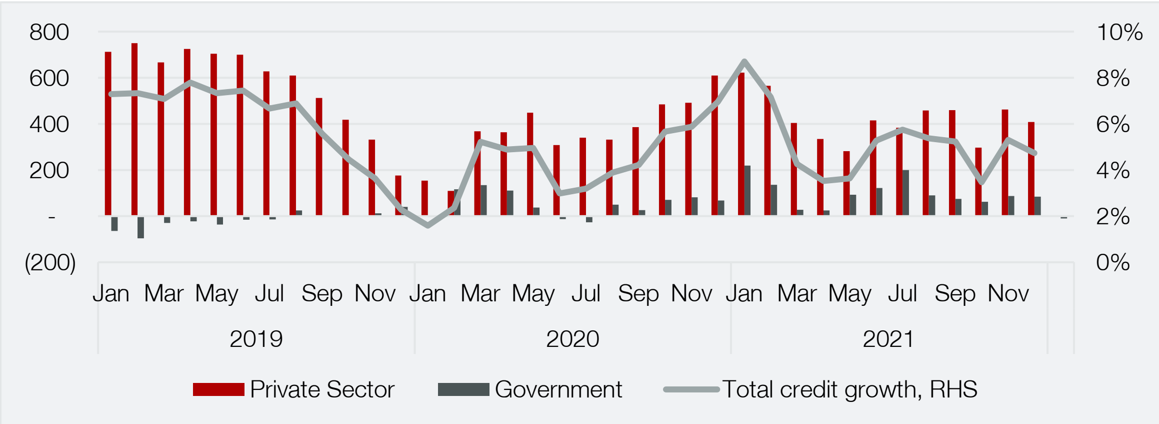
Source: Information & eGovernment Authority

Bank Credit and Deposits

The liquidity situation in the banking sector remains mild and bank lending growth relatively robust according to data issued by the Central Bank of Bahrain. As of December 2021, total loans by retail banks stood at just over BHD10.9bn which marked a 4.7% YoY increase and a 1.6% QoQ increase, broadly in line with the trend seen throughout the year.

The total value of loans provided to the business sector witnessed a growth of 0.3% compared to the same period in 2020, accounting for 49% of the total loans. In terms of personal loans, which have been the most dynamic part of the retail bank's portfolio in recent years, their value amounted to BHD5.1bn, equivalent to 46.9% of the total loans, with a remarkable annual growth of 8.3%.

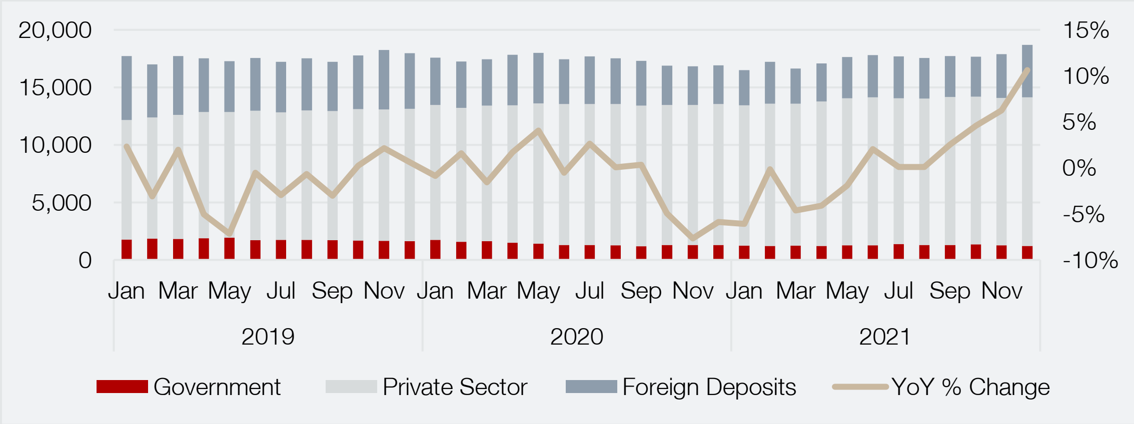
YoY Growth in Credit Issued by Retail Banks (BHD million)



Source: Central Bank of Bahrain

Bank deposits (by non-bank entities) has seen brisk growth in recent months, at an accelerating rate since August when the annual pace of change turned positive. As of December 2021, bank deposits were growing at an annual pace of 10.6% and stood at BHD18.7bn. Growth was observed in foreign currency deposits which were up by 36.6% in annual terms, largely in reflection of the stronger external position that has benefited from higher commodity prices, whereas local currency deposits achieved an annual growth rate of 4.2%.

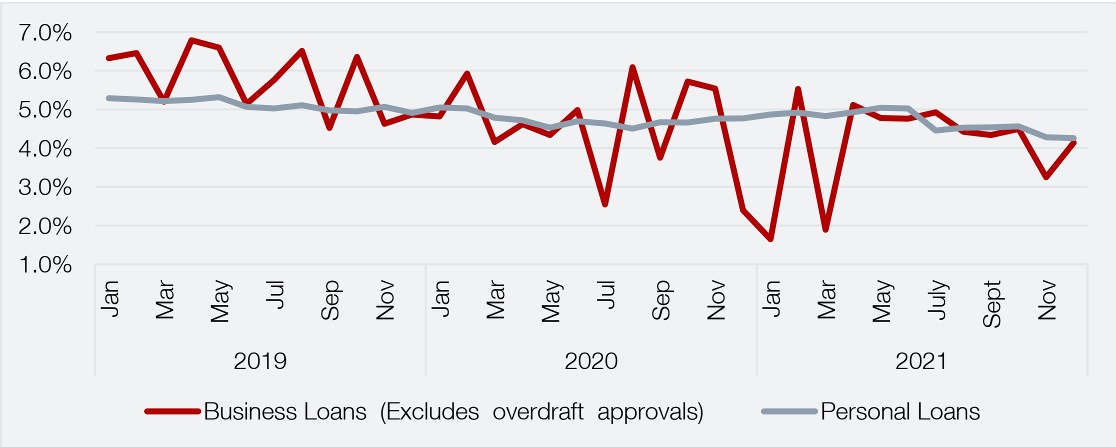
Deposit Liabilities to Non-banks (BHD million)



Source: Central Bank of Bahrain

The cost of credits has generally remained on a downtrend although the cost of business credit has continued to show volatility. The average cost of conventional business loans closed the year at 4.1% having temporarily peaked at 5.5% in February 2021. The average cost of conventional personal loans (excluding credit cards) declined to 4.3% in December 2021, down from a peak of just over 5% in May-June.

Average Rate of Interest on Credit Facilities - Conventional Retail Banks

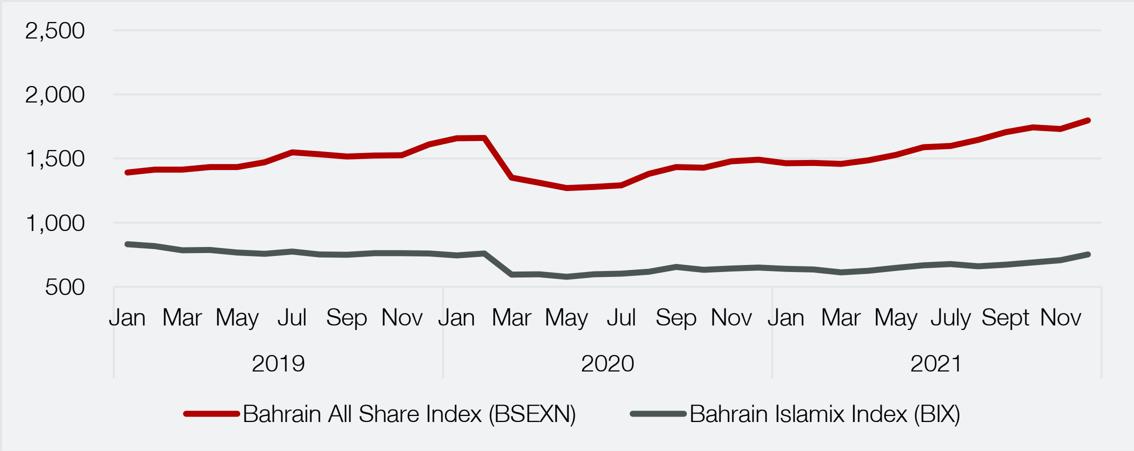


Source: Central Bank of Bahrain

Financial Markets

The Bahrain Stock Exchange witnessed good performance in 2021. The Bahrain General Index closed at the end of 2021 at 1,797.25 points, an increase of 20.6% compared to the end of 2020. The market capitalization amounted to BHD10.8bn, compared to BHD9.8bn at the end of 2020, an annual increase of 16.6%. The value of shares traded decreased from BHD212.8mn in 2020 compared to BHD195.7mn in 2021, recording a decrease of 8.1%. The number of transactions rose by 8.8%, with the financial sector representing about 54.1% of the total value of traded shares and about 75.6 of the number of traded shares.

Bahrain All Share Index and Bahrain Islamic Index



Source: Bahrain Bourse

The Central Bank of Bahrain announced Issuance No. 27 of the Government Development Bonds issued by the Central Bank of Bahrain on behalf of the Government of the Kingdom of Bahrain. The issue value is BHD200mn for a maturity period of two years, starting from October 14, 2021 to October 14, 2023. The interest rate for these bonds is 2.75% and has been oversubscribed by 247%.

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

Issue date	Issue	Value, BHDmn	Maturity Days	Average Interest/ Profit Rate (%)	Avg Price (%)	Over-subscription (%)
6-Oct-21	Treasury Bills No. 1881	70	91	1.40	99.647	216
7-Oct-21	Sukuk Al Ijarah No. 194	104	182	1.43	-	400
13-Oct-21	Sukuk Al Salam No. 246	110	91	1.40	-	256
14-Oct-21	Development Bond No. 27	495	730	2.75	-	247
20-Oct-21	Treasury Bills No. 1882	70	91	1.42	99.641	128
21-Oct-21	Treasury Bills No. 86	100	365	1.65	98.356	110
27-Oct-21	Treasury Bills No. 1883	70	91	1.40	99.646	134
3-Nov-21	Treasury Bills No. 1884	70	91	1.40	99.646	144
4-Nov-21	Sukuk Al Ijarah No. 195	131	182	1.43	-	504
7-Nov-21	Treasury Bills No. 1885	35	182	1.45	99.271	114
10-Nov-21	Treasury Bills No. 1886	70	91	1.44	99.636	115
17-Nov-21	Sukuk Al Salam No. 247	117	91	1.43	-	272
24-Nov-21	Treasury Bills No. 1887	70	91	1.48	99.627	101
25-Nov-21	Treasury Bills No. 87	100	365	1.66	98.346	109
28-Nov-21	Treasury Bills No. 1888	35	182	1.63	99.185	-
1-Dec-21	Treasury Bills No. 1889	70	91	1.48	99.627	115
8-Dec-21	Treasury Bills No. 1890	70	91	1.46	99.631	106
9-Dec-21	Sukuk Al Ijarah No. 196	144	182	1.63	-	552
15-Dec-21	Sukuk Al Salam No. 248	112	91	1.46	-	261
22-Dec-21	Treasury Bills No. 1891	70	91	1.47	99.630	118
23-Dec-21	Treasury Bills No. 88	100	365	1.71	98.295	-
26-Dec-21	Treasury Bills No. 1892	35	182	1.67	99.164	-
29-Dec-21	Treasury Bills No. 1893	70	91	1.45	99.635	180

The number of sales and e-commerce transactions reached just over 12.9mn in December 2021, which marked a 44.4% YoY increase. November 2021 alone witnessed an increase of 3.6% in purchases ahead of the VAT hike. This makes the total value of transactions BHD327.2mn, up 40.4% YoY and 3.2% MoM. The number of transactions on the Fawri electronic fund transfer system doubled with a YoY jump of 105%, reaching a total of BHD16.4mn, the aggregate value rising by 31% YoY to BHD2.2bn. In October 2021, the CBB launched electronic cheques (e-Cheques) as a part of the National Payment System, representing a breakthrough towards a cashless society and the promotion of the digital transformation.

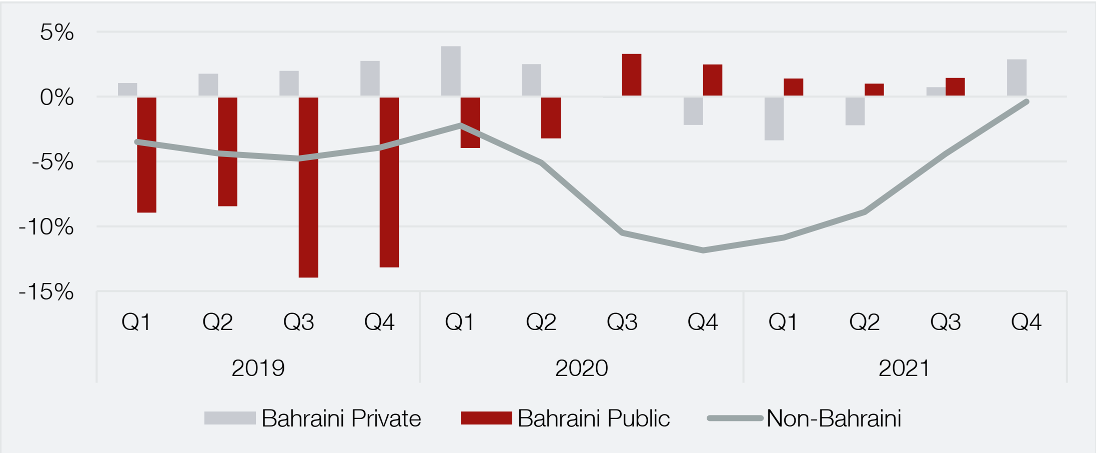
The CBB in December 2021 announced a revised Regulatory Sandbox Framework, which was originally introduced in 2017 as a key element in fostering the development of the FinTech ecosystem, in line with the Kingdom's strategy to transition to a diversified and digital economy. The sandbox is open to existing CBB licensees as well as new market entrants. The revisions are designed to facilitate participation and streamline the Sandbox experience to ensure a more phased and consistent approach. The framework also seeks to foster collaboration between FinTech companies and other start-ups.

Labour Markets

According to preliminary data issued by the Social Insurance Organization for Q4 2021, the total number of Bahraini workers increased by 1.3% compared to Q3, reaching a total of 145,849 workers. The number of Bahrainis working in the public and private sectors increased by close proportions, with a growth rate of 1.4 % for the private sector QoQ, bringing the total workers to 96,934 Bahrainis, and by 1.3% in the public sector, bringing the number to 48,915 Bahrainis. The average monthly salary of Bahrainis in the public sector also witnessed a QoQ increase of 4.8% by Q4, which amounted to BHD867. While the salaries of Bahrainis in the private sector decreased by 0.8% compared to Q3, reaching an average monthly salary of BHD757. On the other hand, the number of non-Bahraini workers reached a total of 419,438, achieving an increase of 2.8% QoQ, with the average monthly wage decreasing by 1.1% to reach BHD263.

The second wave of the National Employment Program played a role in strengthening the joint national efforts to make the Bahraini citizen the first choice for employment in companies and private institutions. The program aims to maintain and develop fair competition, as well as provide a work environment that contributes to the stability and growth of the labor market. A total of 26,344 Bahrainis have been employed under the program in 2021, exceeding the expected number of 25,000, and employed within 6,826 organizations. The total number of those trained has reached 12,841 trainees, exceeding the target number of 10,000.

YoY Changes in Employment by Labour Market Segment (%)



Source: Social Insurance Organization

International Rankings

The Kingdom of Bahrain showed its strong commitment to the advancement of gender equality on a social and economic level, through the results achieved in the Women, Business, and the Law 2022 report published by the World Ban; with the Kingdom's overall performance improving by 9.4 points to 65/100. The report examines laws and regulations that support women's economic inclusion in 190 countries. Bahrain recorded noticeable improvements in the areas of "Pay", which assesses gender equality legislations in the labor market, and "Entrepreneurship"; recording a perfect score of 100/100in both.

Bahrain's scores in ICT-related global indicators have also mirrored the Government's commitment to advancing the Kingdom's digital infrastructure. Bahrain ranked 1st globally in multiple indicators within the Network Readiness Index 2021 including in the share of the population covered by at least 3G mobile coverage, internet access at schools, and e-commerce legislation. Bahrain's overall rank in this index stood at 51st globally. Further, Bahrain's performance has improved to 3rd across the MENA countries in the Digital Transformation Index 2022 published by MEED Magazine. The index described Bahrain's digital ecosystem as bold with a robust infrastructure, regulatory approach and a clear path forward.

When it comes to the logistic sector, the Kingdom has maintained its position in the Agility Emerging Markets Logistics Index 2022 ranking 15th globally. The index assesses 50 of the world's emerging logistics markets, reflecting the complexity, connectedness, and opportunities each market provides. Bahrain's biggest improvement was seen in the Business Fundamentals Indicator where the Kingdom advanced to the 5th position globally due to a business-friendly ecosystem.

The Kingdom also ranked highly in the Business Perception indicator measured by the Global Opportunity Index 2022 ranking 1st among Arab countries and 39th globally. The Index issued by the Milken Institute assesses countries' attractiveness to international investors using a combination of economic, financial, institutional, and regulatory factors. Bahrain's overall rank is 45th out of 126 countries, 2nd among the GCC countries.

Further advancement was also seen in Bahrain's overall score in the Global Knowledge Index 2021 issued by the UNDP and Mohamed Bin Rashid Al Maktoum Knowledge Foundation. The Kingdom came in 1st position globally in the employment sub-pillar, which measures labor force participation rate with advanced education, and unemployment rate with advanced education. Bahrain also ranks 1st globally in the share of students enrolled in post-secondary vocational programs indicator, schools with access to computers in primary and secondary education indicators, among others. Overall, Bahrain ranked 55th out of 154 countries in the index.

Lastly, Bahrain maintained its MENA region rank coming in 4th place in the Index of Economic Freedom 2022 by the Heritage Foundation. The Index assesses rule of law, government size, regulatory efficiency, and open markets in 177 countries. Bahrain's strength was in the Open Market pillar as the Kingdom's score improved by 10 points in the Investment Freedom component to 85/100, as well as standing at 80/100 in financial freedom and 83/100 in trade freedom, all of which are the highest regionally.

Glossary

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

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

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