



وزارة المالية والاقتصاد الوطني

Ministry of Finance  
and National Economy

# Bahrain Economic Quarterly

Q1 2023



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# Overview of Bahrain's Economy

Q1 2023

## Real GDP Growth

(Year on Year)

Total GDP

▲ +2.0%

Non-oil GDP

▲ +3.5%

## Top growing Non-oil sectors

Q1 2023 (YoY)



Transport & Communication

▲ +11.2%



Real Estate & Business Activities

▲ +5.3%



Financial Corporations

▲ +4.9%



Hotels & Restaurants

▲ +4.3%

## Top economic indicators

Q1 2023 (YoY)



Total Aircraft Movement

▲ +32.1%



Value of Real Estate Transactions

▲ +17.0%



Value of Electronic Fund Transfers

▲ +17.6%



Hotel Occupancy Rate (4 & 5 Star)

▲ +8.4%

## Bahrain's Performance in Global Competitiveness Indicators

**IMD** World Competitiveness Ranking 2023

Ranked 25 Globally

▲ +5 Ranks

**WORLD BANK** Logistics Performance Index 2023

Ranked 34 Globally

▲ +25 Ranks



Trafficking in Persons Report 2023

**Tier 1** classification for combatting human trafficking for the **sixth** consecutive year

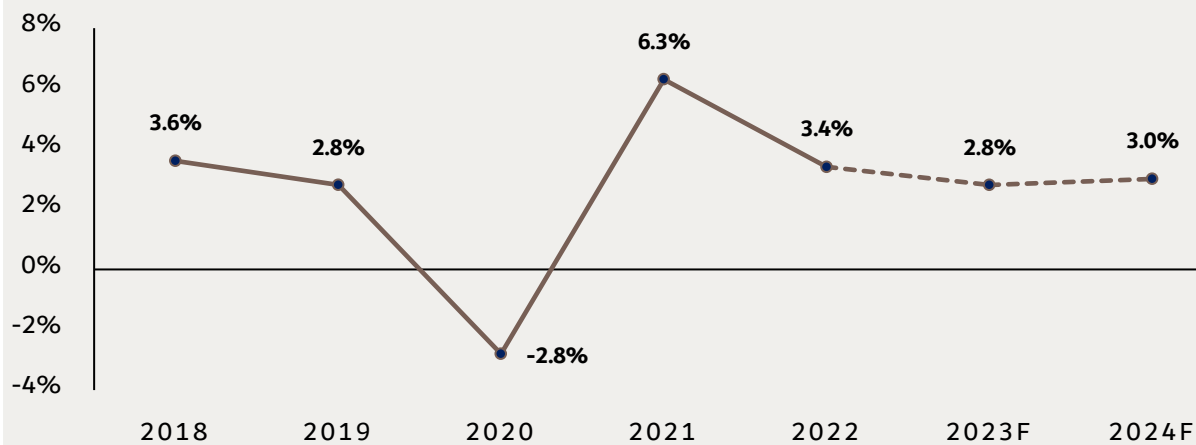
## Global Economy

- ◆ Global economic growth is expected to slow down to 2.8% this year before rising modestly to 3.0% in 2024
- ◆ World inflation is expected to gradually decline from 8.7% in 2022 to 7.0% this year

Following a strong recovery from the COVID-19 pandemic, the global economy has shown unexpected resilience despite elevated inflation that has triggered sharp monetary tightening by central banks.

According to the IMF's World Economic Outlook released in April 2023, global economic growth is expected to slow down from 3.4% in 2022 to 2.8% in 2023 before recovering to 3.0% in 2024. The slower growth reflects the transition from the post-COVID recovery but also the much tighter financial conditions due to the post-pandemic build-up in inflation. The IMF expects advanced economies to post a 1.3% growth this year, led by 1.6% in the US, while the Euro-zone is projected to see 0.8% growth. Emerging markets are expected to achieve a 3.9% growth led by a 5.2% rebound in China and a 5.9% growth in India.

**Gross Domestic Product Growth Projections (Constant Prices, YoY)**



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

Global inflation rate is also expected to gradually decline from 8.7% in 2022 to 7.0% this year, according to the report. Lower commodities prices, including fuel, contributed to a pull back from peak inflation levels driving down inflation rates in both advanced economies as well as emerging markets and developing economies to 4.7% and 8.6% this year, respectively. The improvement in inflation rates is a result of easing supply-chain disruptions as well as tighter monetary policies of raising interest rates by central banks around the world. For instance, US policy rates have risen from zero to 5.00%-5.25%, whereas the Euro-zone rates now stand at 3.5%. The monetary tightening was amplified by some bank failures in the US and Europe earlier in the year. However, there are growing indications that the monetary tightening is nearing its end with more central banks willing to evaluate the impact of much higher rates before taking further steps.

Oil markets continued to experience a decline in prices falling below last year's levels at around USD 80 per barrel. Accordingly, the OPEC+ alliance has introduced a number of production cuts including a reduction of at least 2 mbd between November 2022 to December 2023, with a further reduction extension to December 2024. However, global oil demand is projected to grow by 2.45 mbd in 2023 to reach a record total of 102.3 mbd, according to the International Energy Agency, driven by China's rebounded increase in oil demand which accounts for 60% of the global demand growth for this year.

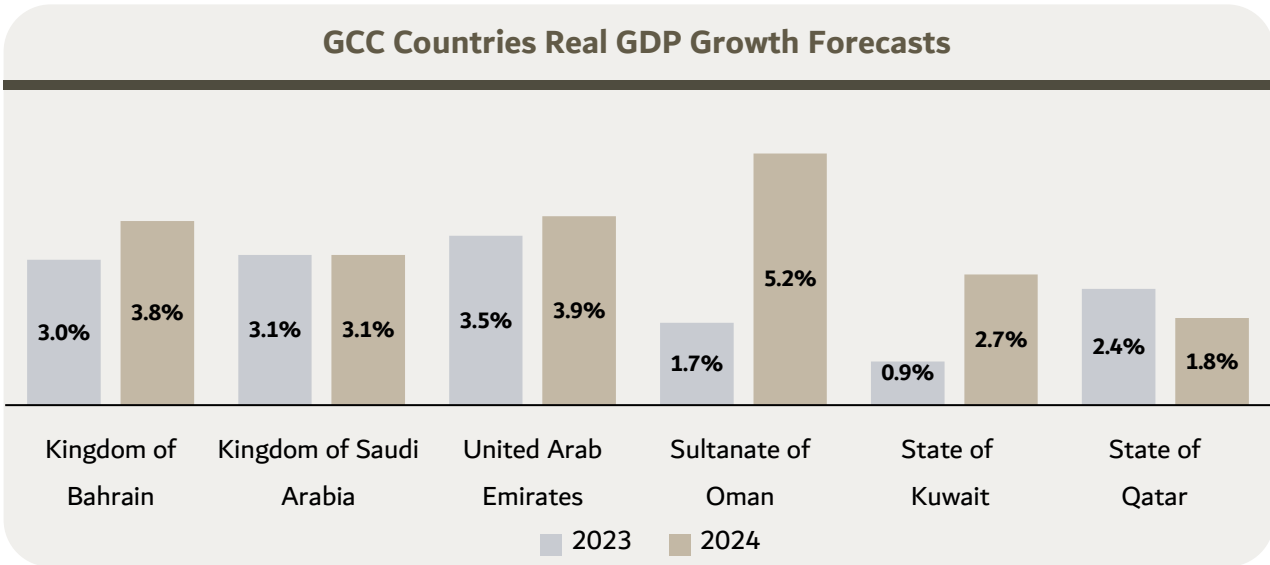
## Gulf Cooperation Council Economy

Saudi Arabia’s economy saw a 3.8% Real GDP growth in Q1 2023 YoY, according to the General Authority for Statistics, driven mainly by the Non-oil sector which grew by 5.4%, along with Government activities by 4.9%, while the Oil sector grew by 1.4% YoY.

According to the quarterly economic report published by the Central Bank of UAE for Q1 2023, the UAE’s economy is expected to grow in real terms by 3.3% in 2023. This growth is projected to be as a result of a 4.5% increase in Non-oil sector, while the Oil sector is projected to decrease by 0.3%.

As for the Sultanate of Oman, the data released by the National Center for Statistics and Information showed that Real GDP for Q1 2023 grew by 4.7%, driven by the development of the Non-oil activities by 4.6% and Oil GDP by 3.5%.

The GCC economies are projected to continue to see positive Non-oil sector driven growth rates, in spite of global post-pandemic economic normalization, according to the latest IMF forecasts for 2023. The UAE’s real GDP is expected to grow by 3.5%, while Saudi Arabia is projected to grow by 3.1%. As for Qatar, Oman, and Kuwait, real GDP is forecasted to grow by 2.4%, 1.7% and 0.9% respectively.



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

## Bahrain's Economic Performance

The preliminary National Accounts data for Q1 2023 released by the Information and eGovernment Authority shows that Bahrain's Real GDP grew by 2.0% YoY in Q1 2023, driven by the growth in the Non-oil sector by 3.5%. In contrast, the Oil sector saw a decrease of 5.9%, mainly due to the reduction in oil production caused by seasonal maintenance.

Nominal GDP contracted by 4.2% YoY in Q1 as a result of the Oil sector shrinking by 20.7%, which was driven by the drop in global oil prices by 19.1% as well as lower production levels. As for the Non-oil sector, it saw a slight contraction of 1.1% YoY.

According to the Ministry of Finance and National Economy's estimates, the economy is expected to revert to pre-COVID-19 levels, growing in the range of 3.0% in 2023 and 2024. Economic growth is likely to continue to be broad-based led by Non-oil economic activities, while the Oil sector is expected to remain stable.

### Forecasts of Key Economic Indicators

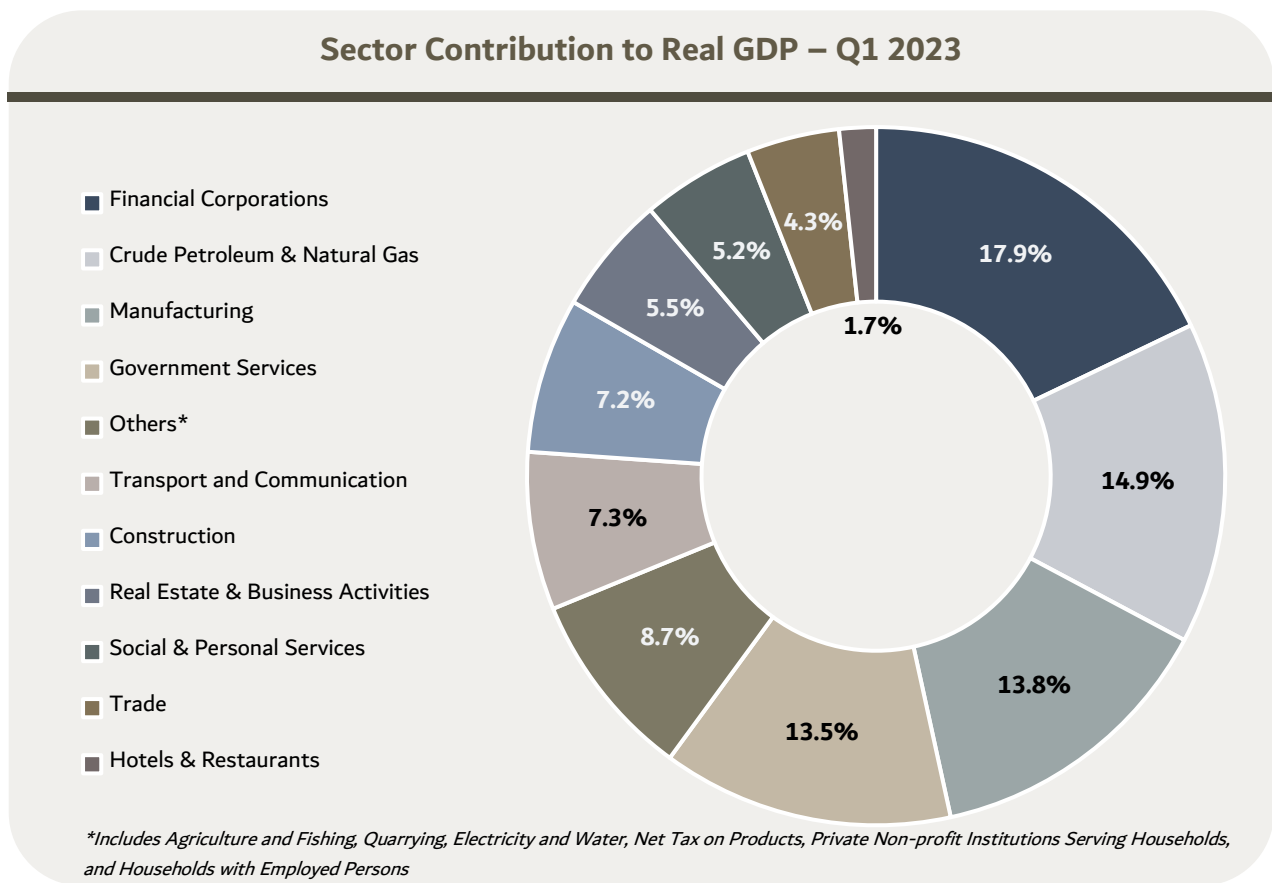
	<i>2021*</i>	<i>2022*</i>	<i>2023</i>	<i>2024</i>
	<i>Actual</i>	<i>Prelim</i>	<i>Forecast</i>	<i>Forecast</i>
Real GDP growth (%)	2.6%	4.9%	2.9%	3.2%
Non-hydrocarbons sector	3.2%	6.3%	3.5%	3.8%
Hydrocarbons sector	-0.3%	-1.4%	0.0%	0.0%
Nominal GDP growth (%)	13.5%	13.0%	0.9%	3.4%
Inflation (CPI%)	-0.6%	3.6%	2.0%	2.5%
Current account (% of GDP)	6.6%	15.4%	8.2%	11.0%

*\*Revised figures by the Information & eGovernment Authority*

*Source: Ministry of Finance and National Economy estimates*

### Non-oil Sector

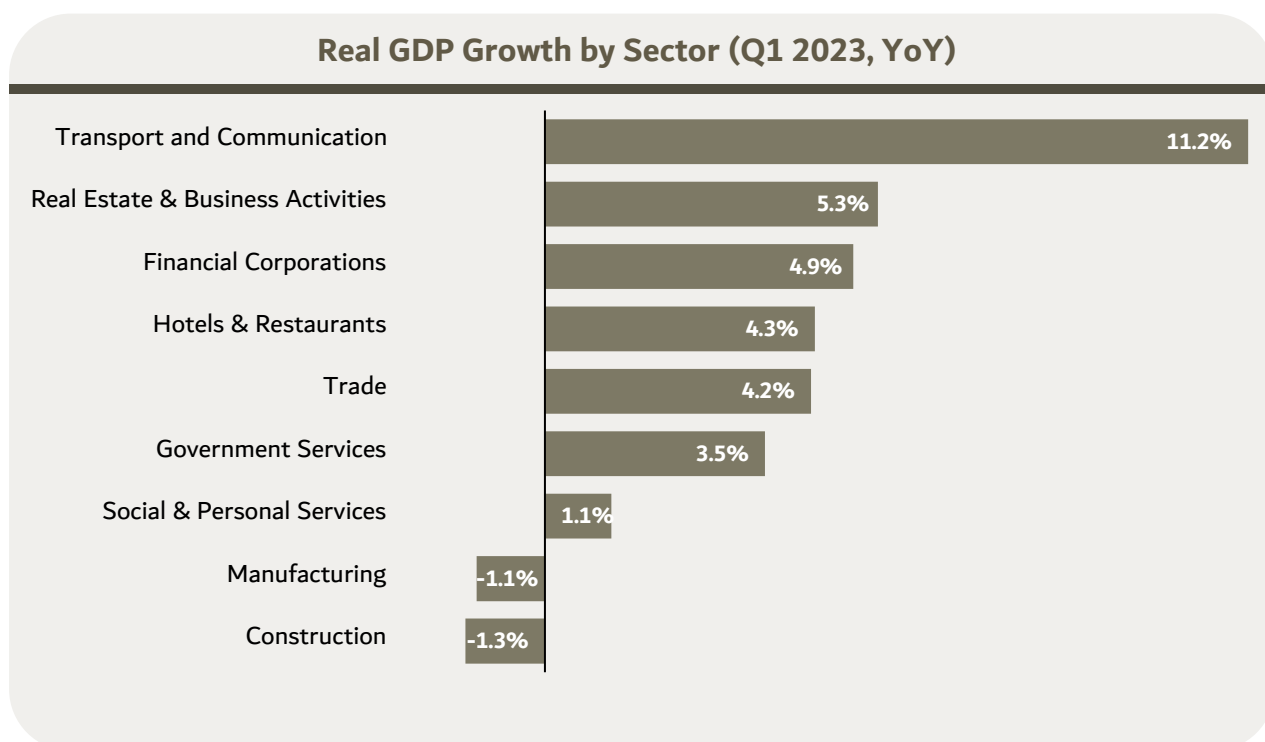
The Non-oil sector continues to be the main driver of the economy, with its contribution to Real GDP in Q1 2023 reaching 85.1%, marking a 2.0 percentage points increase compared to the year 2022 as a whole. For the second consecutive time, the Financial Corporations sector remained the highest contributor to Real GDP with a contribution of 17.9%, surpassing the Oil sector’s contribution of 14.9%. The second Non-oil sector in terms of contribution to GDP was Manufacturing at 13.8%, followed by Government Services at 13.5%. The Transportation and Telecommunications sector accounted for 7.3%, followed by the Construction sector at 7.2%, while the Real Estate and Business Activities sector and the Social and Personal Services had similar contributions of 5.5% and 5.2%, respectively. The Trade sector’s contribution stood at 4.3%, while the contribution of the Hotels and Restaurants sector was 1.7%.



Source: Information & eGovernment Authority



The Non-oil sector achieved a growth rate of 3.5% YoY in Q1 2023, as a result of economic diversification efforts driven collectively by the public and private sectors. Moreover, since launching the Economic Recovery Plan, the average quarterly growth rate of the Non-oil sector has been 5.7% YoY in real terms.



*Source: Information & eGovernment Authority*

### ◆ **Transportation and Telecommunications Sector**

Transportation and Telecommunications was the fastest growing sector in Q1 2023 with an increase of 11.2% YoY. This reflected the ongoing normalization of cross-border mobility, as the number of arrivals through Bahrain International Airport increased by 42.3% YoY, while aircraft movements rose by 32.1%. Further, container throughput at Khalifa Bin Salman port increased by 6.2% YoY.

As for telecommunications, the total number of mobile subscribers grew from almost 2Mn in 2022 to approximately 2.2Mn in Q1 2023, an increase of 8.1% YoY. This brought the mobile penetration in the market to 137%, up from 127% in Q1 2022. Additionally, the total number of mobile broadband subscribers increased by 5% to reach 2.3Mn subscriptions in Q1 2023, giving it a market penetration rate of 147.2%, an increase of 7.2 percentage points from Q1 2022.

**◆ Real Estate and Business Activities**

The Real Estate and Business Activities sector expanded by 5.3% in real terms in Q1 2023, aided by the increase in the value of real estate trading by 17.0% YoY.

**◆ Financial Services Sector**

The Financial Services Sector, the largest contributor to GDP, achieved a growth in real terms of 4.9% in Q1 2023, aided by the growth of several financial indicators including the value of total outstanding loans to non-bank residents, which grew by 4.3% to reach BHD 11.6Bn, the value of total non-bank deposits growing by 5.9% to reach BHD 19.5Bn, and total value of Electronic Funds Transfer System (Fawri+, Fawri, Fawateer) transactions growing by 17.6%.

**◆ Hotels and Restaurants Sector**

The Hotels and Restaurants sector posted 4.3% annual real growth in Q1 2023 in reflection of the continued normalization of tourism activity regionally and globally. The occupancy rate in 4-star and 5-star hotels increased by 8.4%, room sales went up by 25.4%, and total number of arrivals increased by 71.9% YoY. Also, Bahrain International Circuit has reported a record-breaking race attendance of 99,500 visitors at the 2023 Bahrain Grand Prix. Due to the significance of the sector in driving economic growth and diversification, the Government launched the Tourism Sector Strategy 2022-2026 as part of the Economic Recovery Plan.

**◆ Trade Sector**

The Trade sector grew by 4.2% in real terms in Q1 2023 compared to Q1 2022. The growth reflects the increase in the value of POS and e-commerce transactions by 11.3% to an all-time high of BHD 1.0Bn, as well as the increase in the number of new company Commercial Registrations (CRs) by 10.8%, and the increase in the number of incoming and outgoing trucks crossing the King Fahad Causeway by 16.0% YoY. Additionally, the volume of malls footfall increased by 22.2%.

◆ **Manufacturing Sector**

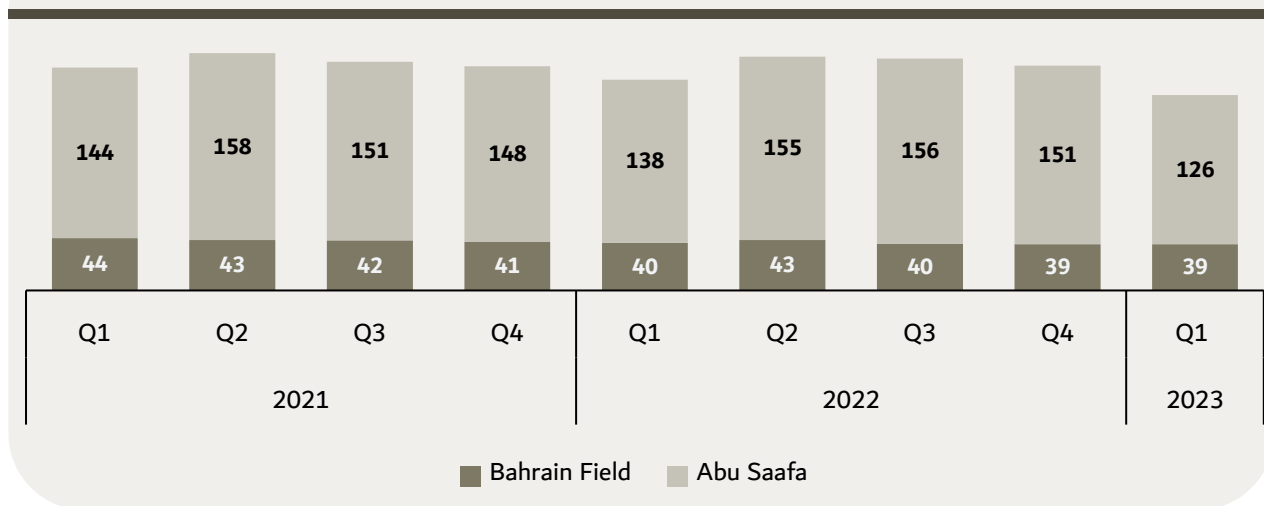
The Manufacturing sector, which is the second highest non-oil sector contributor to Real GDP, saw a small 1.1% YoY decline during Q1 2023. This decline is attributed to the reduction in Bapco Refining's production, where it decreased by 15.1% YoY, as well as the reduction in production of Banagas by 14.0%. On the other hand, the Gulf Petrochemical Industries Company (GPIC) recorded a remarkable production growth of 49.7% YoY, and the production of Aluminium Bahrain (Alba) also increased by 1.8% YoY, however the decline in global aluminium prices by 26.6% had a negative impact on the profitability of the sector. Moreover, Bapco Modernization Program – the largest project ever implemented in the history of the Kingdom of Bahrain and Bapco – reached a 91.6% completion. Upon conclusion, the refinery's production will increase by more than 42% to 380,000 barrels per day, in addition to increasing its efficiency and improving its environmental footprint.

## Oil Sector

- ◆ The Oil sector accounts for 14.9% of Real GDP
- ◆ The sector contracted by 5.9% YoY mainly due to the decrease in local production caused by routine maintenance

Bahrain’s Real Oil GDP recorded a decline of 5.9% YoY in Q1 2023. The sector’s contribution to Real GDP stood at 14.9%. As a result of the relatively lower oil prices, the sector recorded a decrease of 20.7% YoY in nominal terms, as the average prices of Brent crude reached USD 81.07 in Q1 2023, in comparison to an average price of USD 100.87 in Q1 2022.

**Bahrain’s Average Crude Oil Production (Thousands bpd)**



Source: Ministry of Oil and Environment

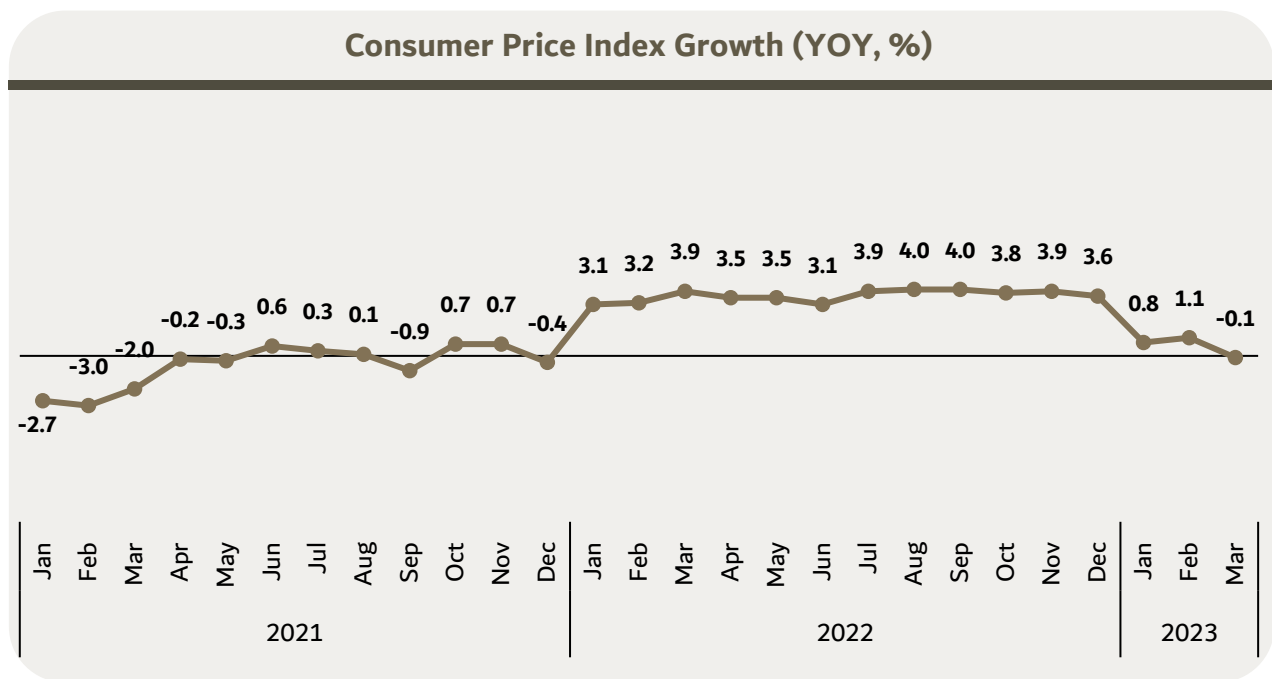
In Q1 2023, the average production in Abu Sa’afa field reached 126,092 barrels per day, decreasing by 8.4% YoY, while the average Bahrain field production reached 39,102 barrels per day, decreasing by 2.6% YoY. On the other hand, production of natural and associated gas during the quarter reached 212,838 cubic feet recording an increase of 2.5% compared to the same period last year. About 40.3% of total gas production has been reinjected.

**Other Oil sector updates:**

- ◆ Nogaholding launched its new brand identity “Bapco Energies.” Under this umbrella, the existing operating companies will be integrated and rebranded into seven businesses over the next three years. This will include three new ventures focused on maximizing enterprise value through trading as well as investments in new technologies and renewables in line with Bahrain’s 2060 net-zero targets.
- ◆ Bapco Upstream in cooperation with the Consulting Company, announced the preliminary results of the discoveries related to the natural gas reservoir located under the “Unayzah” reservoir. Accordingly, additional appraisal wells are scheduled to be drilled during 2023 and 2024 to support the potential development and extraction program, scheduled to start in late 2024.

## Consumer Price Index

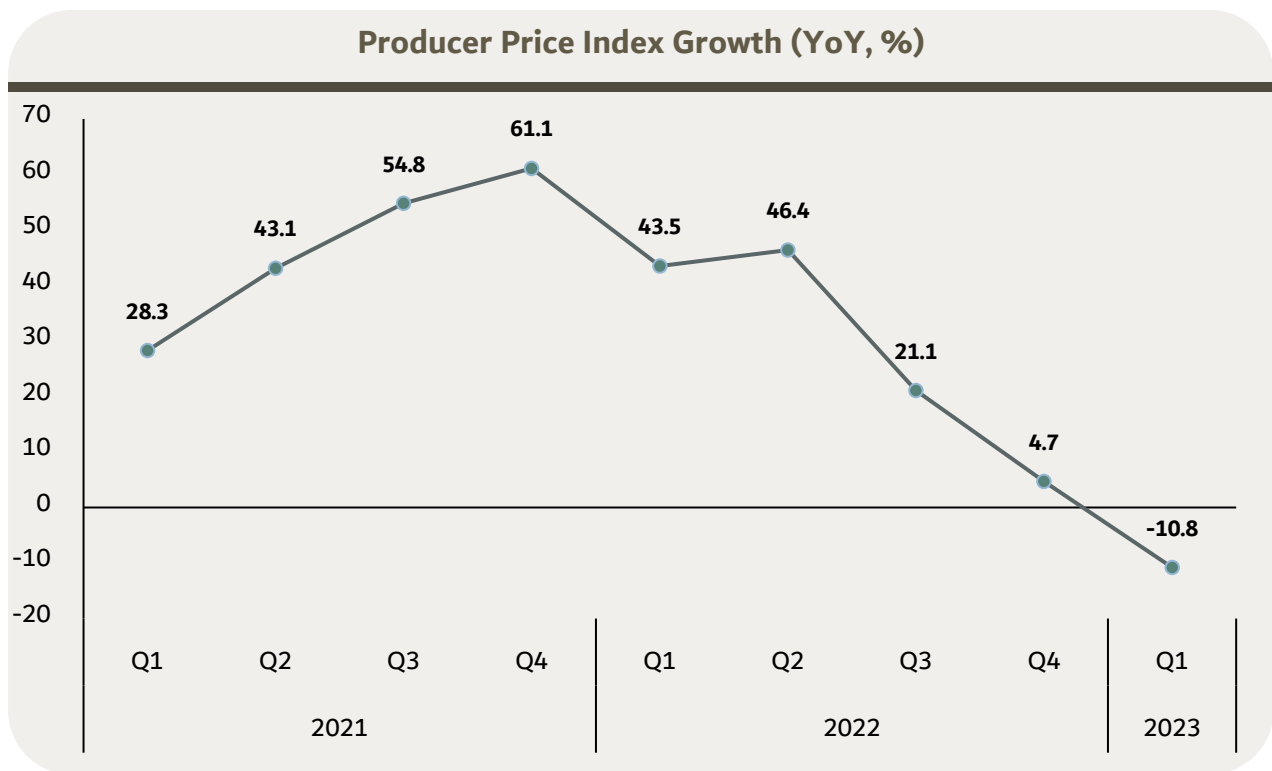
Inflationary pressures have eased considerably since a pronounced acceleration in 2022, signaling the start of global economic recovery and normalization of supply-chain activities. At a national level, economic policies adopted in the Kingdom of Bahrain have played an effective role in enhancing economic stability, such as tightening monetary policy as well as the peg of the Bahraini Dinar to the US Dollar which had ensured stability of the local currency. Based on Consumer Price Index (CPI) data issued by the Information and eGovernment Authority, CPI increased by an average of 0.6% in Q1 2023. In January and February, CPI increased slightly by 0.8% and 1.1%, respectively, while March saw a small 0.1% decline, all of which were the lowest in the region.



Source: Information & eGovernment Authority

## Producer Price Index

The global Producer Price Index (PPI) declined in 2023 after reaching its highest level in the past two years due to global supply chain disruptions. This represents a positive signal of improvement in the global markets, since the PPI is a key metric that affects consumer prices. In Q1 2023, the PPI published by the Information and eGovernment Authority decreased by 10.8% compared to Q1 2022, driven by the mining and quarrying industry, which recorded a drop of 13.8% YoY, as well as the drop in refined petroleum products prices by 9.1% due to the decrease in oil prices. In addition, the base metals industry recorded a decrease of 16.3% in prices driven by the decline in iron prices. The chemical industry and its associated products saw a 5.8% decrease in prices, mainly due to a decline in urea and methanol prices.

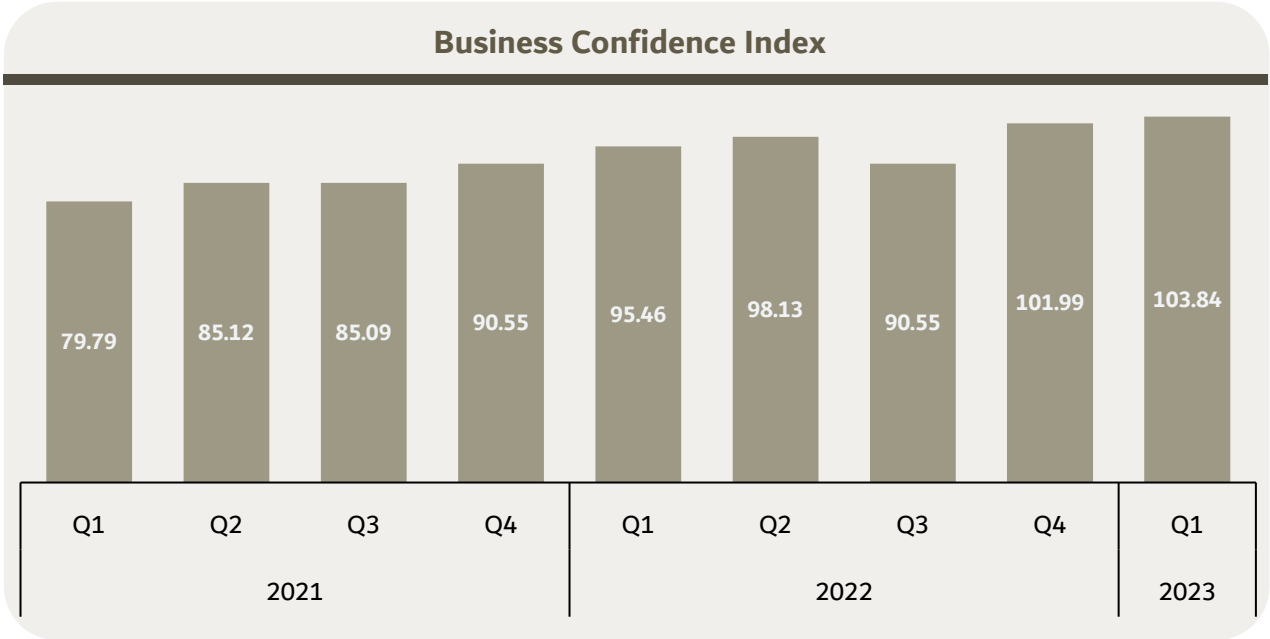


## Business Confidence Index

The Business Confidence Index is one of the most important economic indices that reflects the perception of corporations on the current and future state of the economy. The Business Confidence Indicators, published by the Information and eGovernment Authority in cooperation with the Central Bank of Bahrain, is based on an opinion survey for business owners, managers and investors from various institutions of different sizes and commercial activities on the current performance of their businesses and their expectations for the next quarter.

According to the Bahrain Business Confidence Index’s survey results for Q1 2023, 94.01% of commercial companies expected their performance to be stable/normal to satisfactory during the Q1 2023. In terms of actual performance, 87.81% of businesses witnessed stable/normal to satisfactory performance during Q4 2022.

As a center for entrepreneurship, innovation and investment, Bahrain’s overall Business Confidence Index for the Q1 2023 indicated a positive outlook among operating companies, as it recorded an increase from 95.46 in Q1 2022 to 103.84 in the Q1 2023, an increase of 8.38%, reflecting the growing confidence of the private sector in the Bahraini economy.

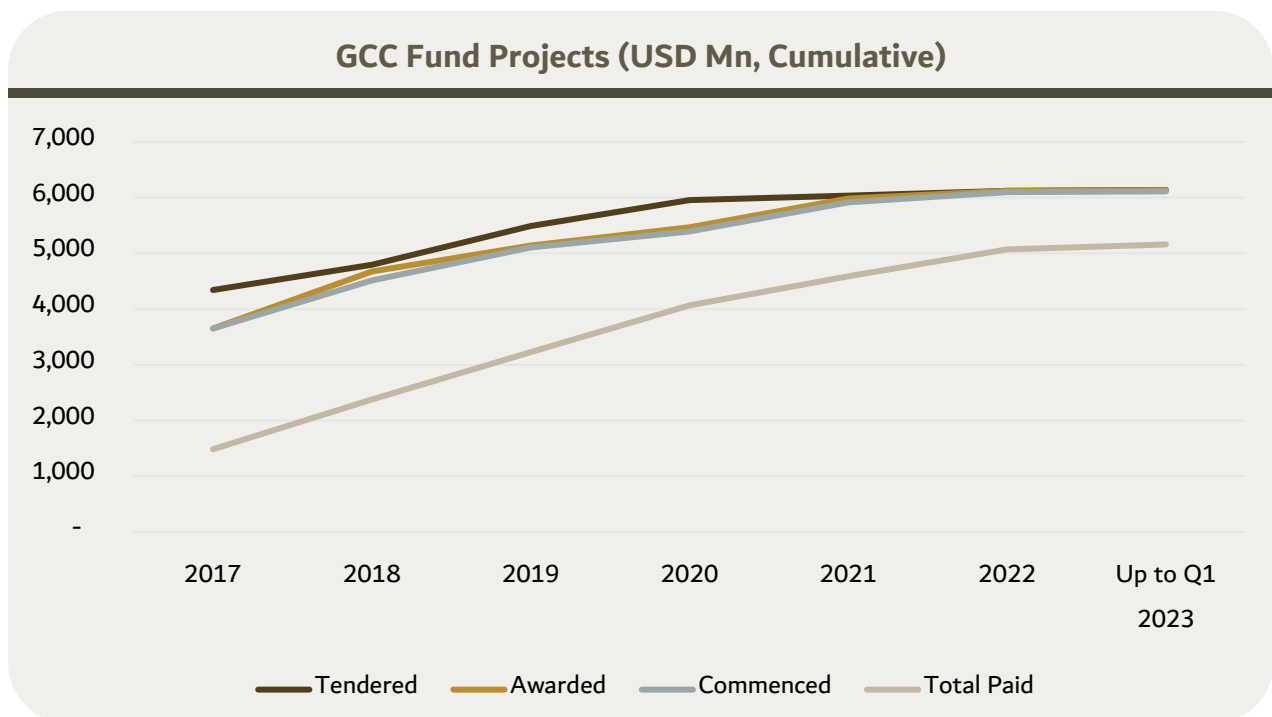


Source: Information & eGovernment Authority



## Developmental Projects

Bahrain’s large pipeline of priority development projects continued to advance in line with expectations in Q1 2023, aiding the creation of a supportive environment for economic growth and investment stimulation. With regards to the projects funded by the GCC Development Fund, there was an increase of USD 25Mn in awarded projects in Q1 2023 reaching a cumulative value of USD 6.14Bn in tendered projects since the launch of the fund, an increase of 2.1% compared to Q1 2022. The awarded contracts in Q1 2023 were for the Sports City project as well as the Dialysis Center project.



Source: Ministry of Finance and National Economy

There has been recent developments in a number of strategic projects launched as part of the Economic Recovery Plan.

### ◆ The Khaleej Cable:

Beyon announced an investment of USD 60Mn on a submarine telecommunications cable connecting 14 countries across 3 continents. This major project is expected to connect Bahrain and the Khaleej Cable by the second quarter of 2026.

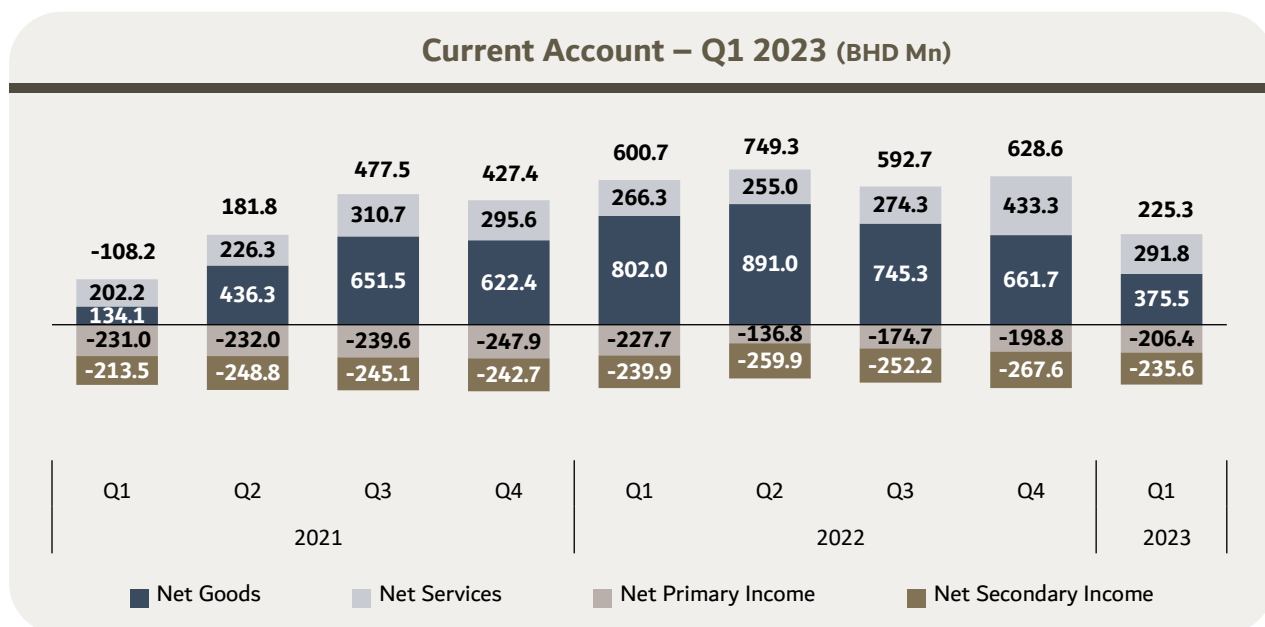
In addition to the above, the Kingdom of Bahrain has witnessed developments in several vital projects and initiatives, including:

◆ **Aldur 2 Station:**

The second phase of the Aldur 2 station was launched in May 2023, marking an important step in boosting the efficiency and scale of power generation and water desalination in the Kingdom. The plant will contribute to reducing carbon emissions and enabling sustainable development in the electricity sector. Aldur 2 station, which aims to generate 1,500 megawatts and 50Mn gallons of desalinated water per day, will cost more than \$1 Bn and will be developed jointly by companies from Bahrain, Saudi Arabia and Japan.

## Current Account

The preliminary Balance of Payments data issued by the Central Bank of Bahrain showed a current account surplus of BHD 225.3Mn in Q1 2023, despite recording an annual decrease of 62.5% compared to a surplus of BHD 600.7Mn in the Q1 2022. As such, the share of current account to Nominal GDP amounted to 5.7% in the Q1 2023.

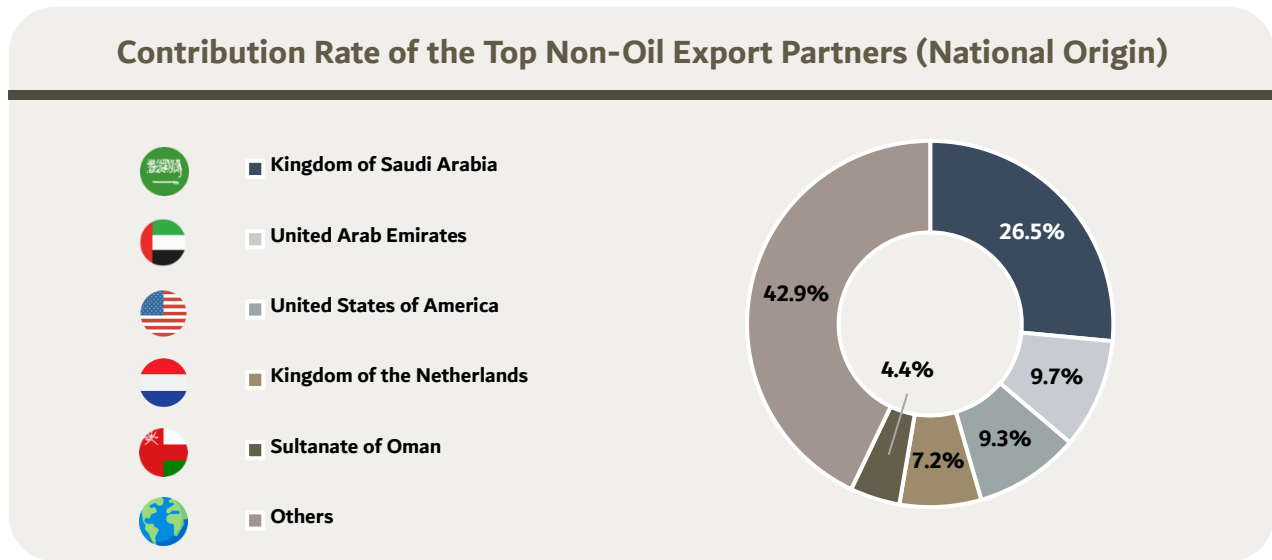


Source: Central Bank of Bahrain

The Kingdom of Bahrain's oil exports amounted to BHD 997.0Mn, while the value of non-oil exports stood at BHD 1,190.7Mn, down by 27.1% and 15.8%, respectively. Accordingly, the total exports of the Kingdom of Bahrain recorded a decline of 21.3% to reach BHD 2,187.7Mn.

According to the Foreign Trade data published by the Information & eGovernment Authority, basic metals and basic metal classes were the most exported commodities of national origin in Q1 2023, accounting for 58.7% of total non-oil national exports of national origin. Mineral products came in second place accounting for 15.4%, followed by chemicals, accounting for 6.6% of total non-oil exports. Further, animals and animal products and processed foodstuffs, beverages, and tobacco products accounted for 5.7% and 3.6% of non-oil exports of national origins, respectively.

As for trading partners, the Kingdom of Saudi Arabia is the top trading partner for non-oil exports of national origin, accounting for 26.5% of the total value, followed by the United Arab Emirates and the United States of America, accounting for 9.7% and 9.3%, respectively. National origin exports to the Kingdom of the Netherlands accounted for 7.2% of total national origin exports, followed by the Sultanate of Oman with 4.4%.

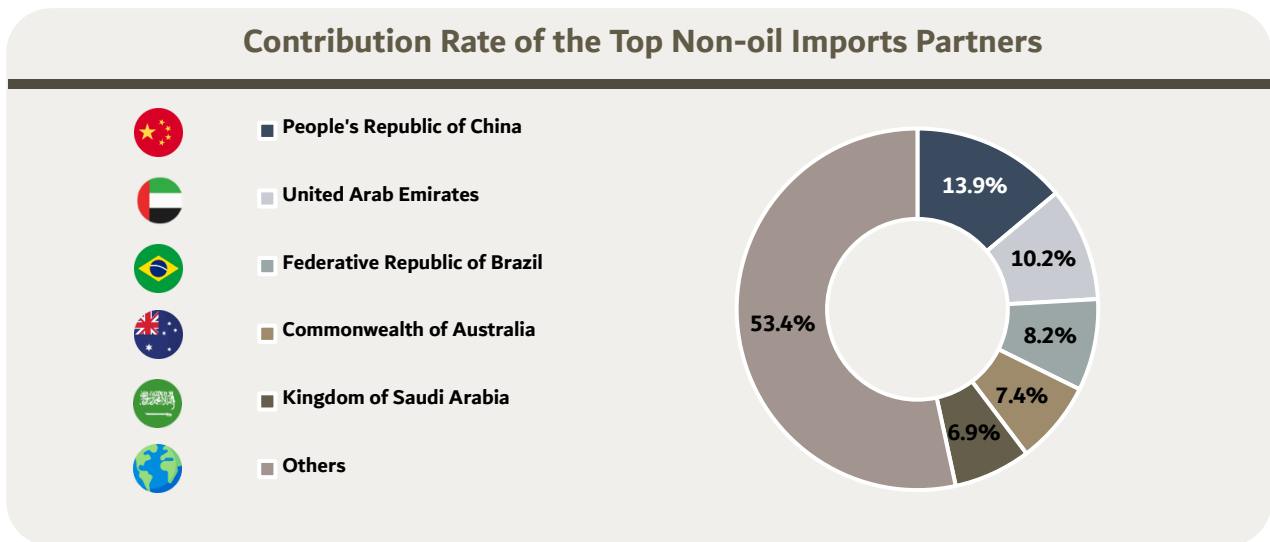


Source: Information & eGovernment Authority

On the other hand, the total value of imports decreased by 8.4%, recording BHD 1,812.2Mn in Q1 2023. This came as a result of the decrease in oil imports by 30.3%, amounting to BHD 524.1Mn, and non-oil by 5.0%, amounting to BHD 1,228.1Mn. In terms of imported goods, the Foreign Trade data published by the Information and eGovernment Authority revealed that mechanical and electrical equipment was the most imported commodity, representing 18.5% of total non-oil imports. Mineral products were next, representing 15.0% of total non-oil imports, followed closely by chemicals at 14.5%. Further, Imports of vehicles and transport equipment and base metals accounted for 8.3% and 6.6% of total non-oil imports, respectively.

In terms of import trading partners, the People's Republic of China accounted for the highest share of 13.9% of total non-oil imports. The United Arab Emirates came in second place comprising 10.2%, followed by Brazil in third place with 8.2% of total non-oil imports. Coming in at fourth was the

Commonwealth of Australia with 7.4%, while the Kingdom of Saudi Arabia rounded up the top 5 with 6.9% of non-oil imports.

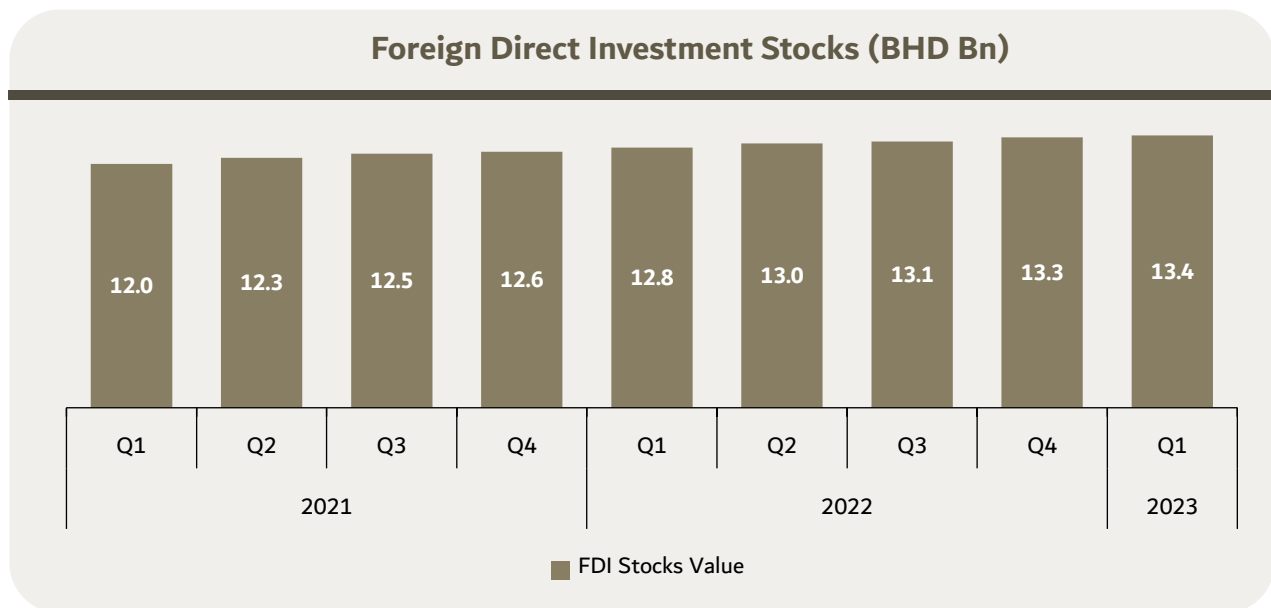


Source: Information & eGovernment Authority

As for net exports, the total value amounted to BHD 291.8Mn in Q1 2023, an increase of 9.6% YoY compared to BHD 266.3Mn in Q1 2022, while the net value of primary income, represented by investment income, declined by 9.4% to reach BHD 206.4Mn. The value of workers' remittance abroad registered a decrease of 1.8% YoY reaching BHD 235.6Mn in Q1 2023.

## Foreign Direct Investment (FDI)

Inward investments into the Kingdom of Bahrain continued to increase in Q1 2023, 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, as the cumulative FDI stock reached BHD 13.4Bn, recording a 4.8% increase from BHD 12.8Bn in Q1 2022.



In terms of economic activities, Financial and Insurance Services contributed around 61.4% of total FDI stocks, amounting to BHD 8.2Bn by the end of Q1 2023, recording an annual increase of 2.3%. The Manufacturing sector contributed approximately 15.4% of total FDI stocks, amounting to BHD 2.1Bn, an increase of 3.6% YoY.

In terms of investment origin, Kuwait was the highest country in terms of inward investments with BHD 4.0Bn, contributing 29.8% of total FDI stocks, followed by Saudi Arabia with investments of BHD 3.5Bn, contributing 25.9% of total FDI stocks. The UAE ranked third with close direct investments equal to BHD 1.5Bn, with a contribution rate of 11.1%.

### Economic Activities' Share of FDI Stock – Q1 2023

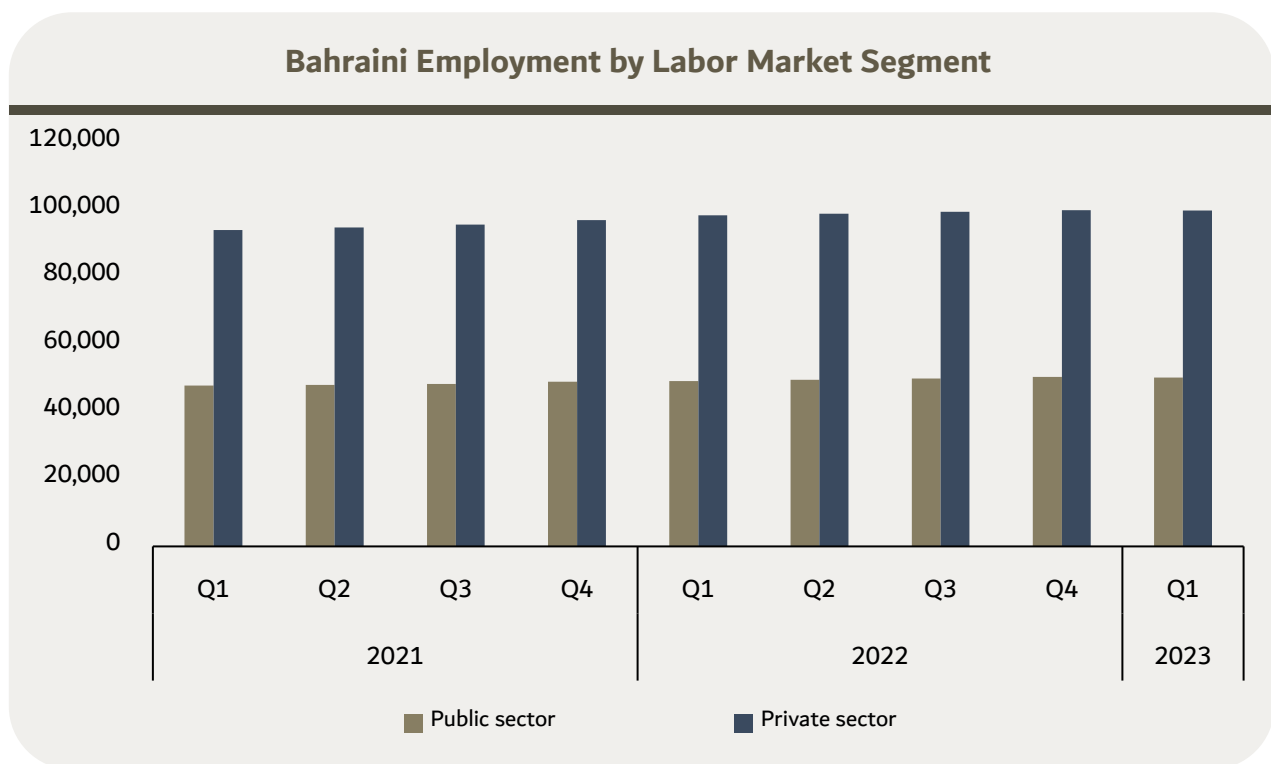


\*Includes 13 other activities such as Real Estate, Mining and Quarrying, Education, Construction, and Art, Entertainment and Recreation

Source: Information & eGovernment Authority

## Labor Market

According to data published by the Social Insurance Organization, the size of the labor market has grown in Q1 2023, as the number of Bahraini workers in the public sector reached 50,203, with an annual growth of 2.1%, while the number of Bahraini workers in the private sector increased to 99,811, registering a growth of 1.4% YoY. Bahraini private sector employees constituted about 66.5% of the total Bahraini workforce. Accordingly, the total number of registered Bahrainis in the public and private sectors reached 150,014, recording an annual growth rate of 1.6%.



Source: Social Insurance Organization

The average monthly wage of Bahrainis in the public and private sectors increased by 7.8% to BHD 870 by the end of Q1 2023. In the public sector, the average monthly wage of Bahrainis amounted to BHD 957, an increase of 10.5% YoY, while it amounted to BHD 828 in the private sector, an increase of 6.3% YoY. As for non-Bahraini workers, the average monthly wage witnessed an annual decrease of 1.1% to reach BHD261.



In terms of labor force participation, women constituted approximately 42% of the total number of Bahraini contributors in the public and private sectors, reaching 62,608 Bahraini women workers as of Q1 2023. Additionally, women comprised 55.6% of new recruits in the public sector and 51.6% of new recruits in the private sector, further echoing the growing impact of women in the national workforce.

Increasing the employability of Bahraini citizens is one of the main pillars of the Economic Recovery Plan which targets recruiting 20,000 Bahrainis and training 10,000 Bahrainis annually until 2024. In Q1 2023, 7,101 Bahrainis have been recruited under the National Employment Program and 2,084 Bahrainis have been trained.

## Monetary Policy and Financial Sector Developments

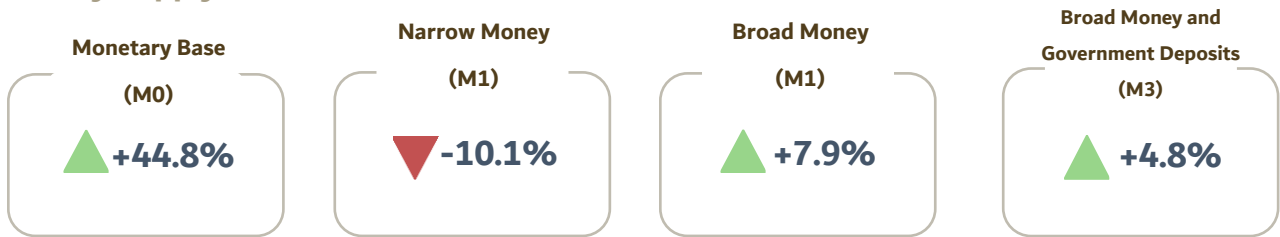
### Interest Rates



The Central Bank of Bahrain (CBB) has increased the interest rate for two consecutive times during Q1 2023 to ensure monetary and fiscal stability in the Kingdom of Bahrain. In February 2023, the CBB increased the one-week deposit rate from 5.25% to 5.50%, the overnight deposit rate from 5.00% to 5.25%, and the four-week deposit rate from 6.00% to 6.25%. Additionally, the CBB announced an increase in the lending rate from 6.50% to 6.75%.

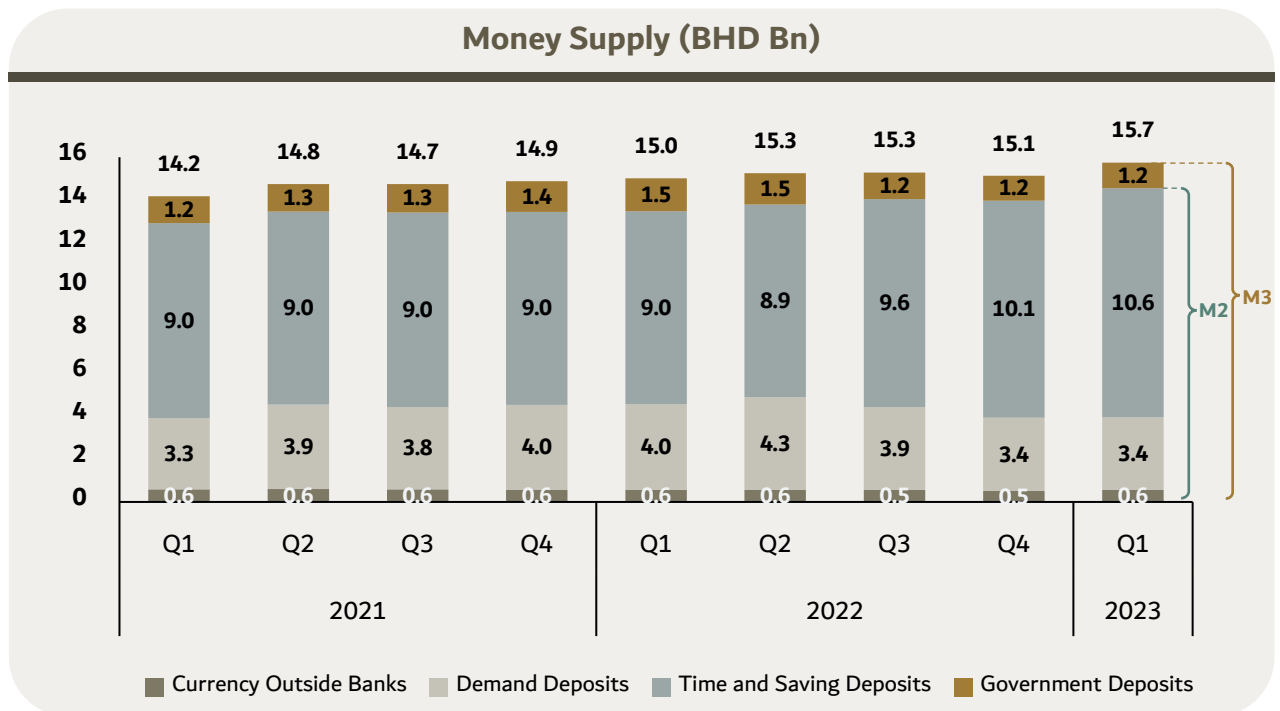
In March 2023, the CBB announced another interest rate hike of 25 basis points, raising the one-week deposit rate to 5.75%. Furthermore, the overnight deposit rate increased from 5.25% to 5.50%, and the four-week deposit rate rose from 6.25% to 6.50%. The CBB decided to keep the lending rate at 6.75%.

### Money Supply



The monetary base (M0) witnessed a significant increase of 44.8% in Q1 2023 to reach BHD 4.4Bn, led by an increase in banks deposits with the CBB. Meanwhile, M1 decreased by 10.1% YoY to reach BHD 3.0Bn, affected by the reduction in Demand Deposits in local currency.

On the other hand, M2 recorded a YoY growth rate of 7.9%, reaching BHD 14.6Bn, supported by Time and Saving Deposits that reached BHD 10.6Bn. Moreover, the M3 witnessed a YoY increase of 4.8% that amounted to BHD 15.7Bn in Q1 of 2023.



Source: Central Bank of Bahrain (CBB)

## Bank Credit and Deposits

### Business Loans Value

(Retail Banks)

 **+1.1%**

### Personal Loans Value

(Retail Banks)

 **+5.4%**

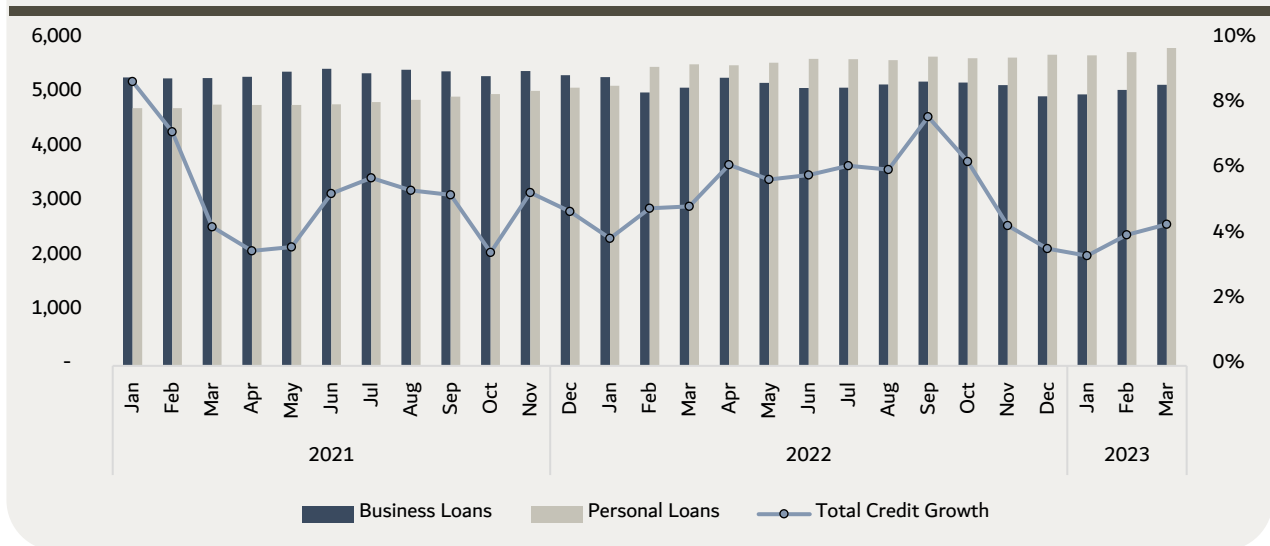
### Local Deposits

(BHD and FC)

 **+1.1%**

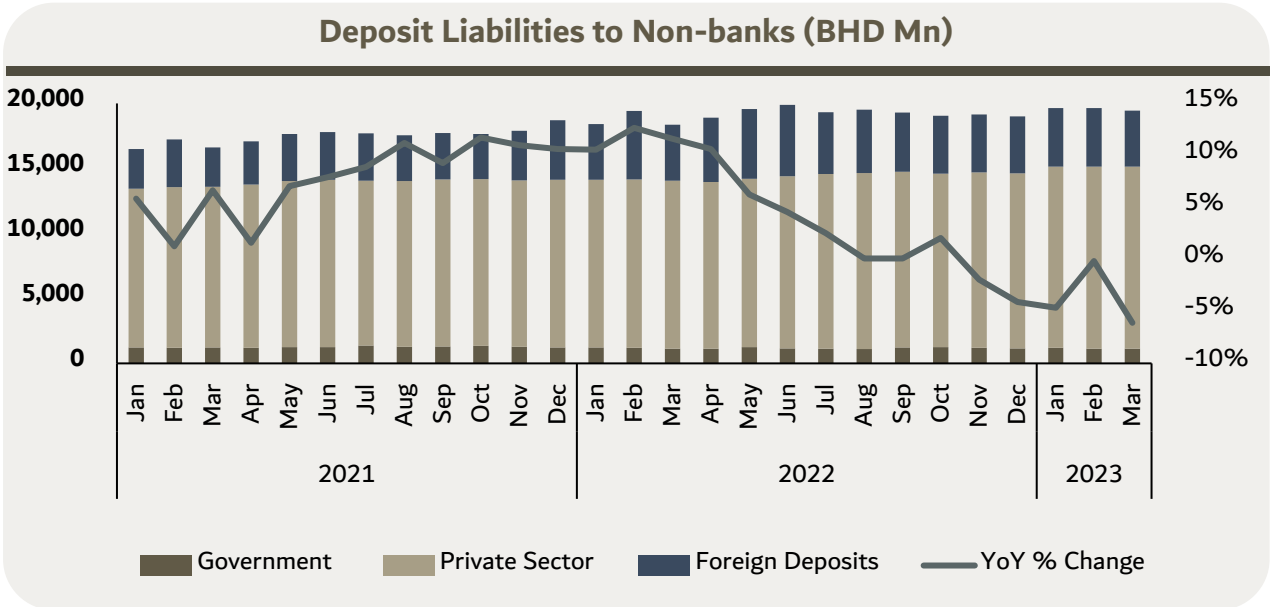
The total value of outstanding loans issued by retail banks amounted to BHD 11.6Bn in Q1 2023, which grew by 4.3% YoY. In terms of business loans, the total value has increased by 1.1% YoY, reaching BHD 5.2Bn, which accounts for 44.7% of the total loans provided by retail banks in Bahrain. Personal loans amounted to BHD 5.8Bn, recording a 5.4% growth YoY, which in turn represented 50.5% of total loans.

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



Source: Central Bank of Bahrain (CBB)

The total deposit from non-banks in Bahraini Dinars and Foreign Currencies amounted to BHD 19.5Bn, an increase of 5.9% YoY in Q1 2023. The domestic deposits from non-banks in Bahraini Dinars and Foreign Currencies reached BHD 15.1Bn, an increase of 7.7% YoY. The total foreign deposits in Bahraini Dinar and Foreign Currencies, amounted to BHD 4.3Bn by the end of Q1 2023. Additionally, the non-banks deposits amounted a total of BHD 1.1Bn for total government deposits.

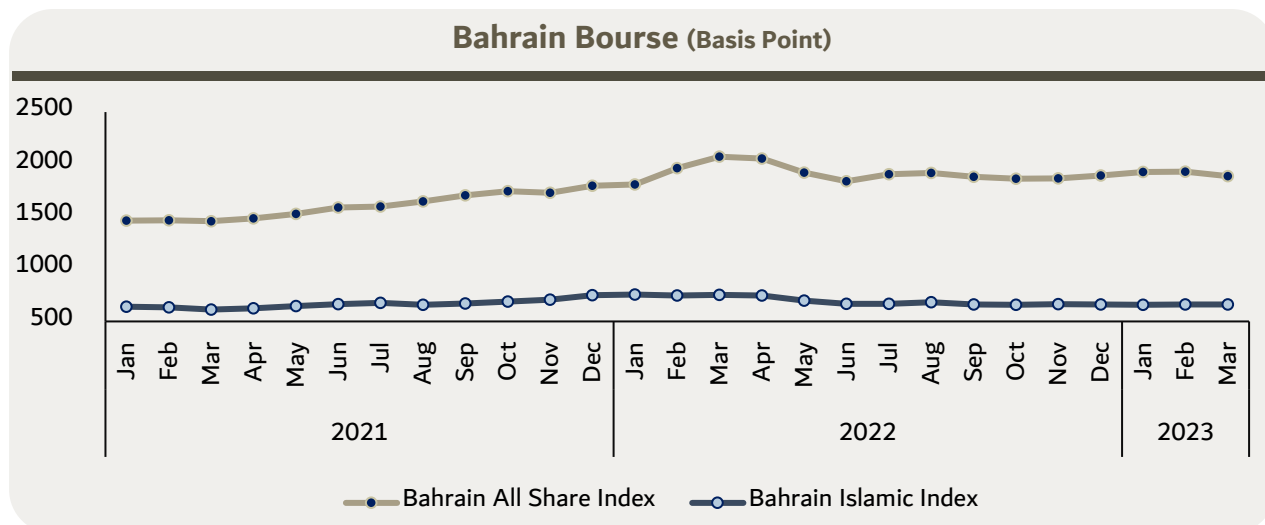


Source: Central Bank of Bahrain (CBB)

## Capital Markets

The Bahrain All Share Index closed at 1,886.6 points in Q1 2023, showing a decrease of 9.0% YoY. The Bahrain Islamic Index closed at 662.1 basis points, decreasing by 12.1% YoY. In Q1 2023, total market capitalization reached about BHD 11.4Bn compared to BHD 12.5Bn in Q1 2022, which decreased by 9.0% YoY. The Financial Services sector took the lead with a market capitalization of BHD 8.5Bn, representing 74.6% of the total market value. In terms of leading companies in the Financial Services sector, Ahli United Bank's total market capitalization stood at BHD 4.1Bn, comprising 36.0% of the total market capitalization. The market capitalization of the National Bank of Bahrain and the Bank of Bahrain and Kuwait reached BHD 1.3Bn, representing 11.8% of total market value, and BHD 844Mn, accounting for 7.4% of total market value, respectively.

In terms of the total amount of shares traded in Q1 2023, the Materials sector captured 45.3% of the total shares traded, with a value of BHD 29.5Mn, comprising 10.3% of the total volume of shares traded in the market.



Source: Bahrain Bourse

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

In Q1 2023, the CBB issued 22 bonds and Islamic sukuk, with a total value of BHD 1.3Bn. The highest interest rate on treasury bills (or profit rate) during Q1 2023, reached 6.31%, while the highest rate reached 5.8% on the Islamic Sukuk Al-Salam, and 6.13% on Sukuk Al Ijarah number 210, which achieved the highest over-subscription rate of 684% during the first quarter.

Issue date	Issue	Value, BHD Mn	Maturity Days	Average Interest/ Profit Rate (%)	Avg Price (%)	Over- subscription (%)
4-Jan-23	Treasury Bills No. 1946	70	91	5.72	98.575	188
5-Jan-23	Sukuk Al Ijarah No. 209	26	182	6.09	-	341
11-Jan-23	Sukuk Al Salam No. 261	43	91	5.72	-	258
18-Jan-23	Treasury Bills No. 1947	70	91	5.88	98.536	151
19-Jan-23	Treasury Bills No. 100	100	364	6.26	94.047	256
25-Jan-23	Treasury Bills No. 1948	70	91	5.84	98.545	208
29-Jan-23	Treasury Bills No. 1949	35	182	6.13	96.996	235
1-Feb-23	Treasury Bills No. 1950	70	91	5.83	98.549	193
2-Feb-23	Sukuk Al Ijarah No. 210	26	182	6.13	-	684
8-Feb-23	Treasury Bills No. 1951	70	91	5.80	98.555	282
15-Feb-23	Sukuk Al Salam No. 262	43	91	5.80	-	357
22-Feb-23	Treasury Bills No. 1952	70	91	5.80	98.554	215
23-Feb-23	Treasury Bills No. 101	100	364	6.31	94.007	253
26-Feb-23	Treasury Bills No. 1953	35	182	6.13	96.993	260
1-Mar-23	Treasury Bills No. 1954	70	91	5.79	98.558	221
8-Mar-23	Treasury Bills No. 1955	70	91	5.78	98.560	184
9-Mar-23	Sukuk Al Ijarah No. 211	26	182	6.13	-	574
15-Mar-23	Sukuk Al Salam No. 263	43	91	5.78	-	293
22-Mar-23	Treasury Bills No. 1956	70	91	5.75	98.567	141
23-Mar-23	Treasury Bills No. 102	100	364	6.17	94.126	184
26-Mar-23	Treasury Bills No. 1957	35	182	5.99	97.058	162
29-Mar-23	Treasury Bills No. 1958	70	91	5.82	98.551	136

Source: Central Bank of Bahrain (CBB)

## Bahrain's Global Competitiveness

### Economic Environment



- ◆ Improving 5 spots overall
- ◆ Improving 16 spots in the 'Economic Performance' factor ranking 23<sup>rd</sup> globally
- ◆ Ranking 1<sup>st</sup> globally in 7 indicators and among the top 10 countries worldwide in 36 indicators

Bahrain ranked 25<sup>th</sup> globally out of 64 countries, improving by five spots, in the **World Competitiveness Ranking 2023** issued by the Institute for Management Development (IMD). Bahrain witnessed a significant 16 spot improvement in the 'Economic Performance' factor ranking 23<sup>rd</sup> globally. The report showed that the Kingdom ranked first globally in seven indicators and was among the top 10 countries worldwide in 36 indicators. Bahrain ranked first globally in the qualified engineers indicator and third in both the flexibility and adaptability of the workforce along within the digital/technological skills indicators. Additionally, Bahrain reaffirmed its position as a global financial hub by ranking sixth globally in terms of financial skills of the workforce, and fourth globally in the skilled labor indicator. The executive opinion survey of the report highlighted the top two key contributing factors to Bahrain's competitiveness with 69.4% of executives surveyed finding that the business-friendly environment is a top factor while 61.3% of them pointed to the Kingdom's skilled workforce.



- ◆ FDI inflows increased by 9.7%
- ◆ Greenfield investment as a destination increased by 122.6%

According to the **World Investment Report 2023**, published by the United Nations Conference on Trade and Development (UNCTAD), Bahrain's FDI inflows increased by 9.7% to \$1,951Mn in 2022, from \$1,779Mn in 2021, despite a 12% decrease in the global flow of FDI. Bahrain's inward FDI stocks stood at \$35,436Mn in 2022, marking a 5.8% increase compared with 2021. Also, the value of Bahrain's Greenfield Investment as a destination increased by 122.6% reaching \$2,242Mn in 2022.



## Labor Market



- ◆ Tier 1 classification for combatting human trafficking for the sixth consecutive year
- ◆ The only MENA country to be classified as Tier 1

For the sixth consecutive year, Bahrain has retained its Tier 1 classification in combatting human trafficking according to the **Trafficking in Persons (TIP) Report 2023**, published by the US Department of State. Notably, the Kingdom is the only country in the MENA region to achieve the 'Tier 1' classification. This accomplishment affirms Bahrain's globally recognized efforts towards the prevention of human trafficking, through the implementation of progressive legislation and policy. The Kingdom's ongoing efforts in human trafficking prevention and labor market regulation have enhanced the presence of a well-organized workforce that contributes to economic growth.

## Logistics Sector



- ◆ Improving 25 spots overall
- ◆ Ranking 2<sup>nd</sup> in the Arab world
- ◆ Improving 58 spots in the 'Timeliness' indicator to rank 10<sup>th</sup> globally

Bahrain ranked second in the Arab World and 34<sup>th</sup> globally out of 139 countries in the **World Bank's 2023 Logistics Performance Index**, improving 25 spots globally. These results affirm the Kingdom of Bahrain's commitment to solidify the growth of the logistical sector through the implementation of robust strategies and initiatives. As such, Bahrain's Logistics Services Sector Strategy, as part of its wide-ranging Economic Recovery Plan, the strategy is aimed at capitalizing on Bahrain's strategic geographic location, while uplifting logistical capacity across several services and expanding offerings to position the Kingdom as one of the top global destinations for logistical services. The most notable improvement for Bahrain in this index was in the 'Timeliness' indicator which saw the Kingdom advance 58 spots to rank 10<sup>th</sup> globally, despite global supply chain disruptions. The Kingdom also witnessed an improvement in the 'Infrastructure' indicator by 38 spots, ranking 30<sup>th</sup> globally with the result attributable to efforts made in the development of facilities and logistical trade lines. Bahrain also improved its ranking by 32 spots to rank 31<sup>st</sup> globally in the 'Customs' indicator, which measures the efficiency of customs and border management clearance.

## Entrepreneurship



- ◆ One of the best ecosystems in the region for having experienced & talented workforce
- ◆ Manama's rank improving 23 spots

Bahrain's unique and attractive ecosystem for startups was acknowledged by **Global Startup Ecosystem Report 2023**, issued by Startup Genome and the Global Entrepreneurship Network. The Kingdom's efforts and initiatives helped building a sustainable and business-friendly environment for entrepreneurs to start their businesses in Bahrain, as reflected in the Kingdom's ranking within the top 10 MENA ecosystems for startups. Also, Bahrain is one of the best ecosystems in the region for having experienced and talented workforce.

## List of Abbreviations

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

## Glossary

Term	Description
<b>Economic Terms</b>	
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.
Business Confidence Index	The index provides an overall image of business confidence in Bahrain's economy based on the current situation and future prospects.
<b>Economic Sectors</b>	
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.

Term	Description
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 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, 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.
<b>Economic Transactions</b>	
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.

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

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

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