

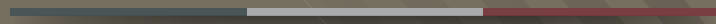


وزارة المالية والاقتصاد الوطني

Ministry of Finance
and National Economy



Bahrain Economic Quarterly Q3 2019



Issued in January 2020

SUMMARY

NON-OIL GROWTH REBOUND

While growth dynamics in Bahrain have been affected by the ongoing fiscal consolidation along with a region-wide period of historically moderate growth, the non-oil sector is displaying resilience. Indeed, growth in Q3 rebounded markedly from the soft spot observed in Q2.

- ◆ **Headline annual real growth in Bahrain reached 1.6% in Q3.** This marked a sharp acceleration from the (revised) 0.3% pace in Q2 and was entirely led by the non-oil sector. The oil sector posted a small 0.1% contraction whereas the non-oil sector grew by 2% YoY.
- ◆ **Growth during the first three quarters averaged an annual 1.4%.** This marked a slight deceleration from the (revised) 1.7% observed in 2018. The non-oil growth rate was, similarly, 1.2% with weaker growth dynamics due to a reduction in the government headcount and minimal – 0.1% YoY – growth in the oil sector.
- ◆ **Growth in Q3 was above all driven by a rebound in manufacturing.** The launch of Alba's Line 6 pushed up the YoY growth rate in manufacturing to 4.1%, while the hotels & restaurants sector continued to perform strongly with 6.3% YoY growth. Similarly, the transportation & communication sector saw its momentum accelerate to an annual 6.4%.
- ◆ **Global economic conditions have benefited from a reduction in perceived political risk along with a transition to more permissive monetary policy.** In particular, trade tensions linked to negotiations between the US and China saw at least a temporary respite when the Phase One agreement was signed in December. This helped unleash a powerful rally in the financial markets. At the same time, the cost of capital has continued to decline with gradual monetary easing by central banks, led by the US Federal Reserve.

Bahrain Economic Outlook

	2017	2018e	2019f	2020f
Real GDP growth (%)	4.1%	1.7%	2.1%	2.7%
Non-hydrocarbons sector	5.2%	2.3%	2.3%	3.1%
Hydrocarbons sector	-0.7%	-1.3%	1.4%	0.5%
Nominal GDP growth (%)	10.2%	6.4%	3.1%	5.0%
Inflation (CPI %)	1.4%	2.1%	1.0%	2.5%
Current account (% of GDP)	-4.5%	-5.9%	-3.2%	-2.0%
Fiscal balance (% of GDP)	-10.0%	-6.3%	-4.7%	-3.9%
Crude Oil Brent (USD)	54.1	71.3	63.4	62.0

*Historic GDP figures for 2018 and 2019 Q1-Q2 were revised according to latest statistics.

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EXTERNAL CONTEXT

Global Prospects

The global growth momentum remains subdued despite a looser monetary environment. However, some of the key political risk factors during the year have been somewhat resolved, by the Phase One trade deal between China and the US and a more decisive outcome to the UK general election than had been expected.

US growth remains robust by global standards, with 1.9% YoY GDP growth in line with the 2.0% seen in Q2. Economic data has been mixed, however, inflation has rebounded to the Federal Reserve's target range. The near-term outlook for monetary policy now appears to be one of continuity after three rate cuts in 2019.

Market confidence has rebounded following the settlement, however temporary, to the trade dispute between the US and China. This effectively eliminates the prospect of further tariff increases for now while halving some of the duties imposed by the US in September. China has agreed to boost its purchases of US agricultural products.

The growth momentum in China continues to weaken with the Chinese authorities signaling a growth target of around 6% for 2020 after 6.2% growth during the first three quarters of 2019. Higher infrastructure spending is expected to boost growth.

Oil prices remained relatively range-bound with Brent around USD 60-65 per barrel through to the end of 2019. This increase may be compounded by the OPEC+ group's previously announced plan to continue cuts to output in Q1 2020 in order to balance the market and meet slowing demand growth.

Brent Oil Price (USD per barrel)



Source: US Energy Information Administration

GCC Economic Outlook

Overall growth in the GCC has remained stable and lower than expected in 2019 due to lower oil output as agreed by the OPEC+ members. Saudi Arabia national accounts indicate GDP growth in Q3 2019 was 0.5% YoY due primarily to a decline in the oil sector

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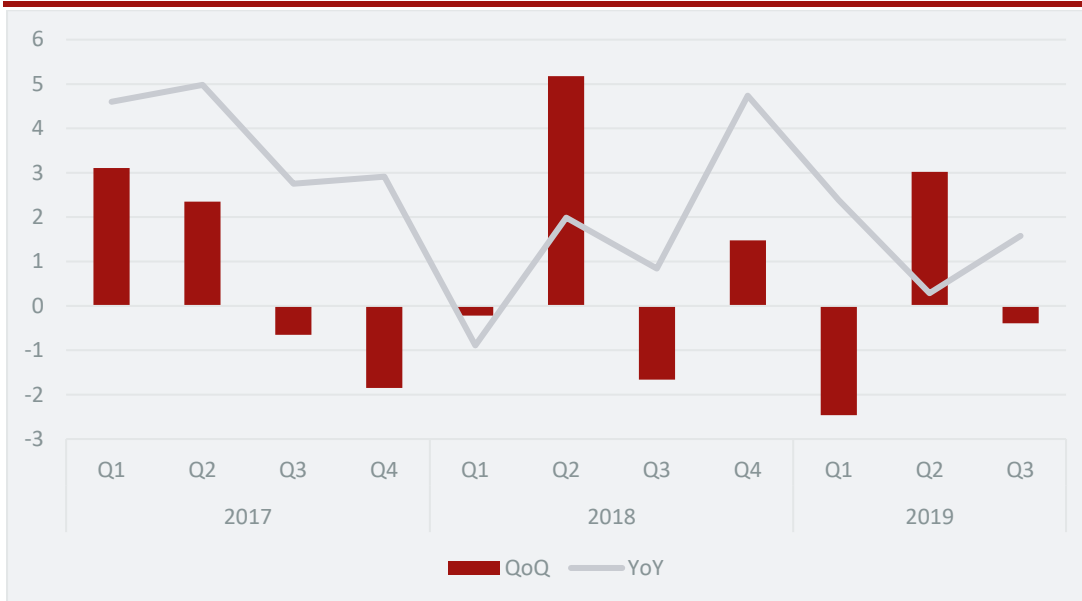
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by 6.5%. Non-oil growth was 3.6% over the same period. The United Arab Emirates Central Bank estimated real growth in Q3 2019 of 1.3%, with oil and non-oil growing by 2.0% and 0.9% respectively.

BAHRAIN

According to the preliminary National Accounts data from Q3 2019 published by the Information and eGovernment Authority, real GDP grew by 1.6% in Q3 2019. This marks a sharp rebound from the (revised) 0.3% pace seen in Q2. Non-oil growth in Q3 rebounded to 2.0% from the (revised) 0.5% pace seen in Q2. By contrast, the oil sector was almost flat with a 0.1% YoY contraction. Reflecting the continued decline in the public sector headcount the government services sector saw a 3.9% drop.

Real GDP Growth (%)



Source: Information & e-Government Authority

Non-oil Sector

Non-oil growth momentum was driven by a clear acceleration in the manufacturing sector following the launch of Alba's Line 6. The manufacturing sector reached an annual growth of 4.1%. This marked a clear acceleration from the annual pace of 0.1% during Q1-Q3 or the 1.9% growth seen in 2018.

The transport & communication sector saw a sharp acceleration in its growth to an estimated 6.4% YoY in Q3. This was supported, among other things, by the continued expansion of Gulf Air. In the telecommunications sector, Bahrain saw a 9% YoY increase in broadband subscriptions to 2.34 million in Q2. The broadband penetration rate increased from 143% to 156%. Mobile subscriptions totaled 2.08 million and the penetration rate was 139% to date according to the Telecommunications Regulatory Authority.

The hotels & restaurants sector continued to post strong numbers with 6.3% YoY growth in Q3. The number of overland arrivals from Saudi Arabia across the King Fahad Causeway increased by 0.3% YoY to just under 3.7 million. Airport arrivals posted a 2.9% increase to just over 800,000. However, the number of tourist visitors declined by 21% YoY to 2.5 million. There was a 24% drop in Causeway arrivals to 2.2 million and a 1% increase in airport tourist arrivals to 346,000. The number of tourist nights rose by an

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22% YoY to 3.5 million due to a 63% increase in the average stay to 3.6 nights. Spending by tourists dropped by 6% YoY to BHD 312 million. The average occupancy levels of 5-star hotels was 51% and that of 4-star facilities 48%.

Financial services real GDP grow by 1.8% YoY in Q3 2019, with total credit from retail banks increasing by 5.6% according to the CBB. Over the same period, social and personal services, retail trade, and construction grew by 2.7%, 1.8% and 1.5% respectively. The construction sector growth was reflected in a growth of issued building permits of 3.5% YoY.

Real estate and business services, and government services decreased YoY by 7.0% and 3.9% respectively in Q3 2019. The decline in government services was expected and is in line with the decrease in government employment based on the implementation of the voluntary retirement program.

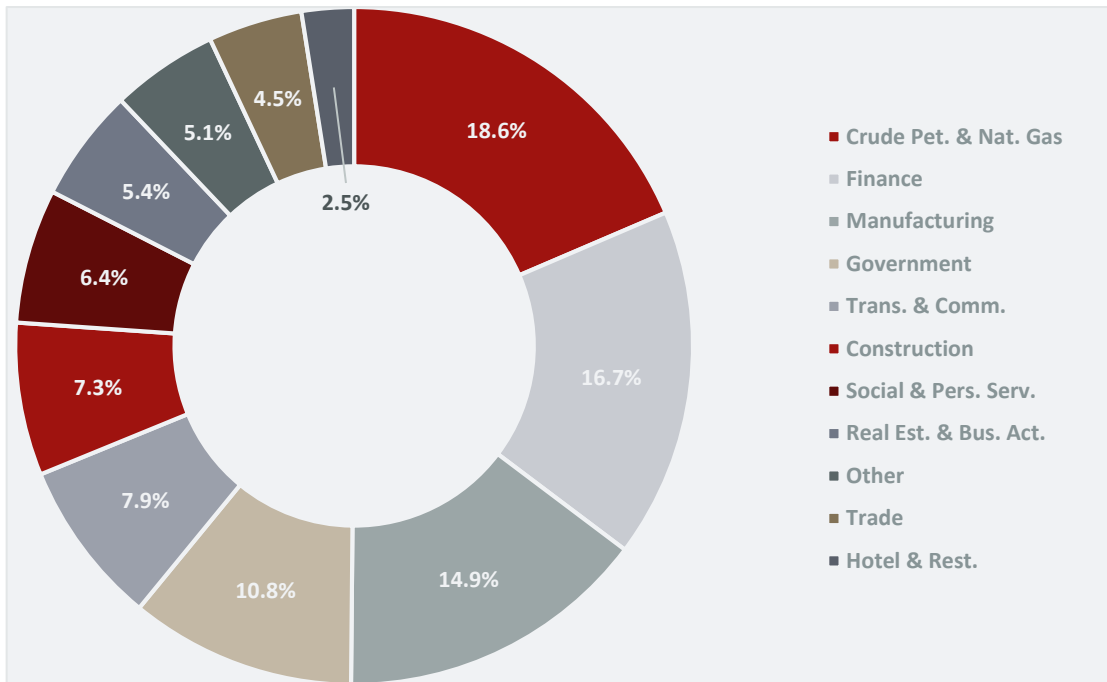
Sector Real Growth Rates, YoY

	2018					2019			Q1-Q3
	Annual	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Growth
Crude Pet. & Nat. Gas	-1.3%	-14.7%	0.8%	-1.5%	11.3%	9.2%	-0.8%	-0.1%	2.3%
Manufacturing	1.9%	2.7%	2.8%	1.2%	0.8%	-3.2%	-0.5%	4.1%	0.1%
Construction	5.6%	6.7%	6.6%	5.4%	3.9%	2.9%	4.0%	1.5%	2.8%
Trade	0.1%	-0.6%	-0.8%	-0.5%	2.1%	1.3%	1.1%	1.8%	1.4%
Hotels & Restaurants	-1.1%	-2.7%	-6.1%	-1.4%	6.1%	10.7%	8.7%	6.3%	8.5%
Transp. & Comm's	4.0%	6.5%	3.7%	1.8%	4.0%	0.0%	2.6%	6.4%	3.0%
Social & Pers. Serv.	3.0%	4.1%	3.1%	3.1%	1.7%	1.3%	1.7%	2.7%	1.9%
Real Est. & Bus. Act.	2.8%	3.7%	3.0%	2.9%	1.5%	-5.0%	-4.7%	-7.0%	-5.6%
Finance	0.9%	-0.1%	0.1%	0.8%	2.7%	3.5%	2.6%	1.8%	2.6%
Government	0.9%	1.4%	2.1%	-2.0%	2.0%	-2.1%	-4.1%	-3.9%	-3.4%
Other	8.0%	-1.1%	5.6%	5.7%	24.2%	16.6%	1.8%	12.6%	10.3%
GDP	1.7%	-0.9%	2.0%	0.8%	4.7%	2.4%	0.3%	1.6%	1.4%
Non-oil GDP	2.3%	2.2%	2.3%	1.4%	3.4%	1.1%	0.5%	2.0%	1.2%

Source: Information & e-Government Authority

In terms of the non-oil sector contributions to overall GDP for Q3 2019, the Financial Corporations sector continued to be the highest contributing sector with a 16.7% share of GDP, followed by the Manufacturing sector with a contribution of 14.9% and the Government Services sector with a contribution of 10.8%. Meanwhile, Transportation and Communication sector and the Construction sector contributions were 7.9% and 7.3% respectively.

Sector Contribution to GDP – Q2 2019



Source: Information & eGovernment Authority

Oil Sector

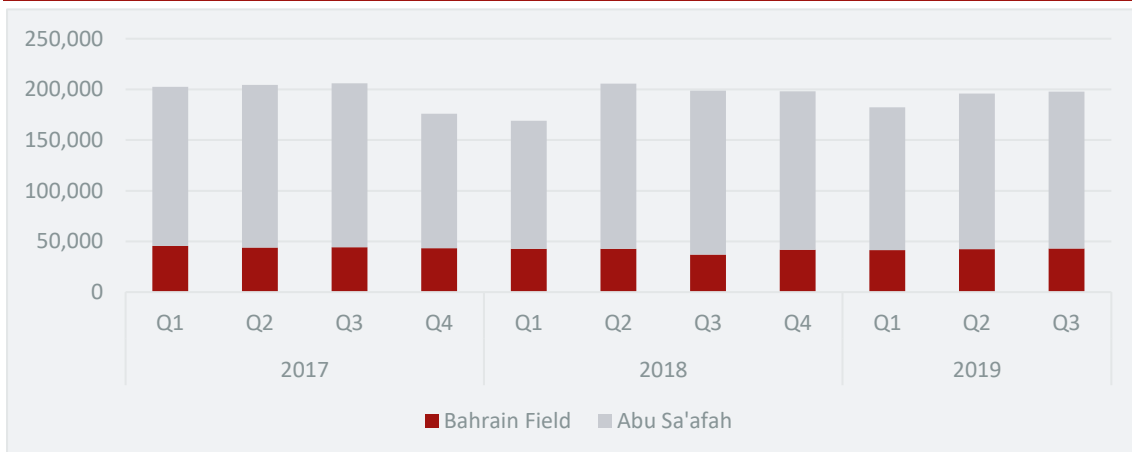
Oil production in Bahrain held broadly steady during Q3 with a 0.9% increase from Q2 to a total daily average output of 197,827 barrels. In year-on-year terms there was a marginal 0.5% decline.

The Bahraini share of production from the off-shore Abu Sa'afah field, which is equally shared with Saudi Arabia, reached 154,909 b/d, a 0.8% increase over the previous quarter and a 4.2% drop in YoY terms.

Extraction from the on-shore Bahrain field averaged 42,918 b/d. This was 1.5% higher than in Q2 and represented a significant increase of 3.2% YoY due to lower than usual output in Q3 2018.

Tatweer Petroleum and Italian oil company Eni are due to start drilling to seek deposits in the so-called offshore block one area, a 2,800 sq km area off the north coast of Bahrain.

Crude Oil Production (bpd)

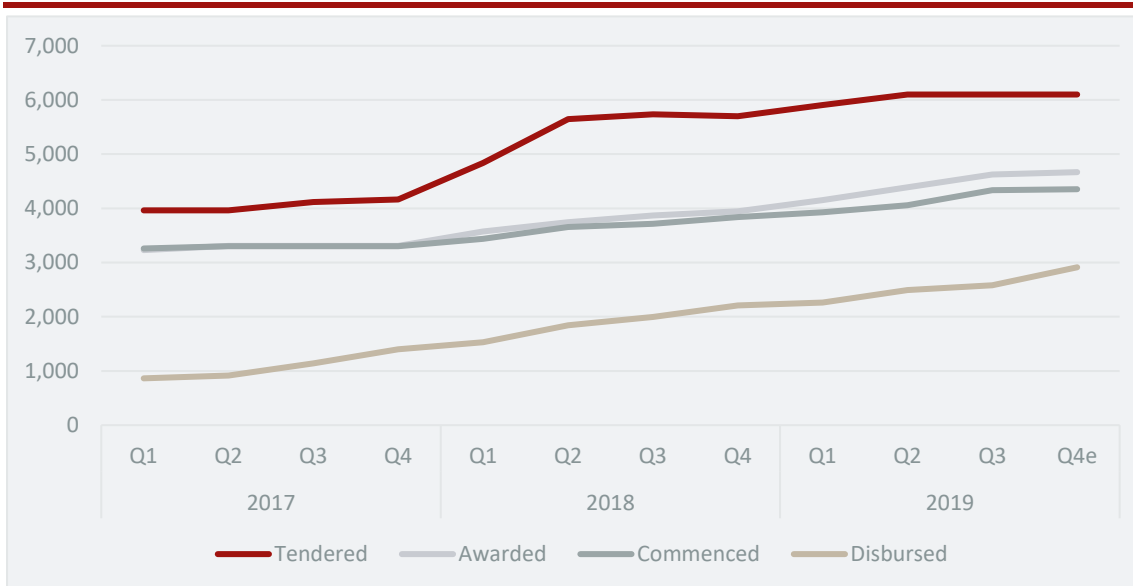


Source: National Oil and Gas Authority

Infrastructure Projects

Bahrain's unprecedented infrastructure project pipeline is continuing to make healthy progress. Projects funded by the GCC Development Fund have seen continued increases during Q3 with the cumulative total of tendered projects reaching USD 6.1 billion in a 6.3% YoY increase. The cumulative aggregate value of projects that have commenced rose by an annual 16.6% to USD 4.3 billion. Cumulative disbursed cash reached USD 2.6 billion, a 29.3% YoY gain.

GCC Development Fund Activity (USD million, cumulative totals)



Source: Ministry of Finance and National Economy

Several other projects have reached important milestones:

- ◆ Alba's Line 6 expansion was formally inaugurated by His Majesty King Hamad bin Isa Al Khalifa on 24 November 2019. The project has made Alba the largest aluminum smelter outside of China and it will boost annual production by 540,000 metric tons to 1.54 million metric tons. The USD 3 billion project also included a new 1,792 MW Power Station 5. Due to the progressive ramp-up of Line 6, Alba's production during 2019 is set to exceed 1.35 million metric tons.
- ◆ In late October, Bahrain and Saudi Arabia signed a SAR 11 billion (USD 2.9 billion) contract for the transitional phase of the King Hamad Causeway project connecting the two countries.
- ◆ Bahrain saw the launch of a national broadband network in October. The creation of BNET follows the recent separation of the national telecommunications provider Batelco into two companies. BNET will provide broadband services to all licensed operators in the country.
- ◆ The Cabinet in early December approved BHD 615 million worth of projects to expand Bahrain's electricity and water networks, linked to the Aldur 2 power plant.
- ◆ A new 3 MW solar plant developed by Tatweer Petroleum was opened in late November. Its production will power 300 homes.

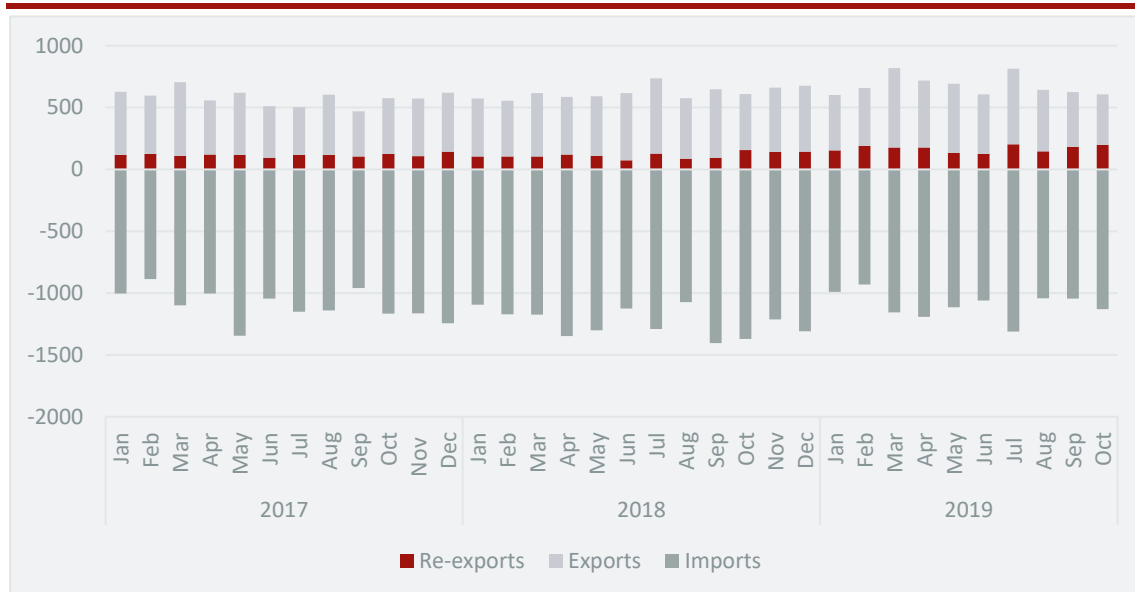
- ◆ Diyar al Muharraq in November appointed the main contractor for its Al Naseem project, a 328,000 sqm development composed of 300 villas and 500 apartments. Completion is expected by Q3 of 2021.
- ◆ Phase One of the BHD 58 million Ramli housing project was inaugurated in December. Infrastructure work is 94% complete. Once complete, Ramli will house 27,000 people. The first phase was funded by the GCC Development Fund, but the second phase, composed of 3,200 freehold apartments, will be developed jointly with the private sector.
- ◆ The Ministry of Housing in December signed a BHD 260 million deal with China Machinery Engineering Corporation (CMCE) for the construction of over 3,000 housing units in East Sitra. The project will be built over 72 months and comes with a seven-year financing facility.
- ◆ The Bapco Modernization Program has reached 35% completion, with full completion due mid-2022. Bapco also announced it had carried out projects worth USD 320 million to boost environmental sustainability.

International Trade

During the third quarter of 2019, Bahrain's overall non-oil exports reached just over BHD 786.3 million, a 6.2% increase over the same period in 2018. The improvement was above all led by an increase in re-exports. Exports of national origin contracted by an annual 6.0% to BHD 585.6 million. Re-exports posted an impressive 71.0% YoY increase to BHD 200.7 million. This is reflective of increased project activity, especially in Saudi Arabia.

Non-oil imports during the third quarter reached just under BHD 1.3 billion, a drop of 9.8% as compared to the same period of 2018. Developments during the quarter are reflective of a longer-term improvement in the non-oil merchandise balance.

Non-oil Trade (USD million)



Source: Information & eGovernment Authority, preliminary data from Customs Affairs

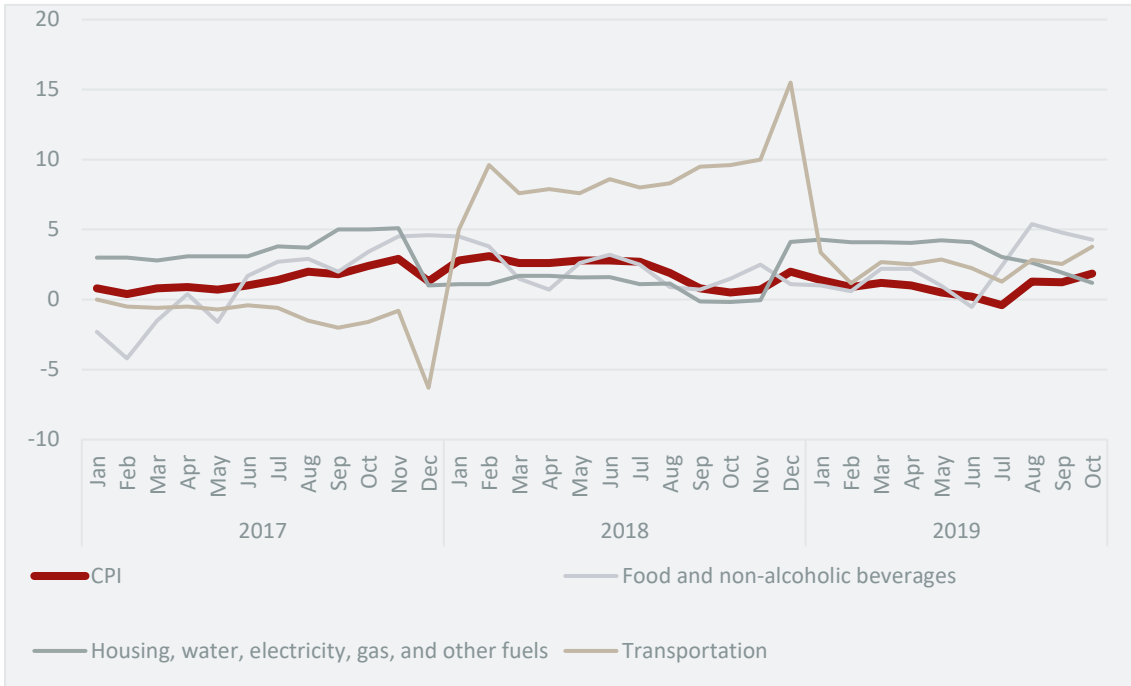
Main Non-oil Trading Partners to the Kingdom of Bahrain – Q3 2019

Imports		Exports	
Country	Share of Total (%) Imports	Country	Share of Total (%) Exports
China	%17.2	Kingdom of Saudi Arabia	%22.46
Australia	%6.7	United Arab Emirates	%16.27
Kingdom of Saudi Arabia	%6.4	United States	%9.68
United Arab Emirates	%6.0	China	%5.78
United States	%5.9	Netherland	%5.59

Inflation

Consumer price pressures increased somewhat during Q3 from a trough of -0.4% in July to 1.2% in September. Food prices were the key driver of inflationary pressures in Q3, with September witnessing a 4.8% increase led by a 26.7% spike in fish and 20.9% increase in vegetables. By contrast, and in line with recent trends, rentals have continued to show small YoY declines of -0.5% during Q3.

Consumer Price Inflation (%) YoY



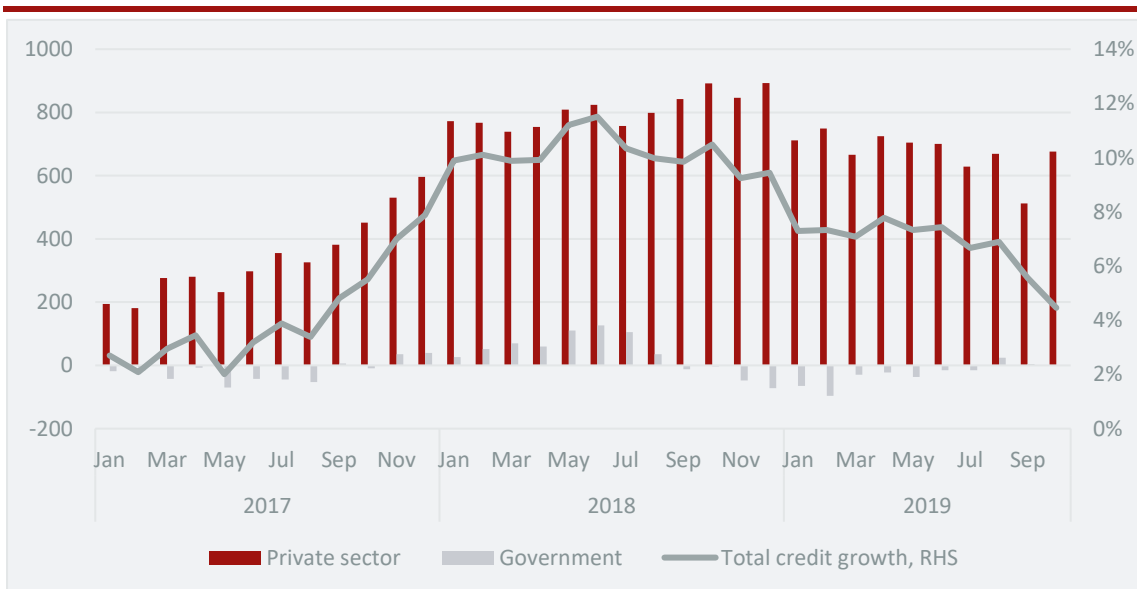
Source: Information & e-Government Authority

Bank Credit and Deposits

Lending by retail banks remains robust with the YoY pace of growth continuing to moderate in recent months reaching an 5.6% in September. The total portfolio of retail bank loans stood at just under BHD 9.8 billion in September. This compared to nearly BHD 9.9 billion in June and marked a 1.0% decline during the quarter.

Loan growth in recent months has been led by personal credit which rose to just over BHD 4.3 billion in Q3, 7.0% YoY. Business loans rose by an annual 4.6% to nearly BHD 5.2 billion. Growth was particularly strong in the manufacturing sector where a 23.5% YoY increase was observed. Loans to the construction and real estate sector rose by 3.0%. By contrast, lending to the trade sector dropped by 4.7% YoY. Similarly, lending to hotels and restaurants contracted by 23.3% YoY. Retail bank loans to the general government sector held steady, rising by an annual 1.5% to BHD 270.6 million.

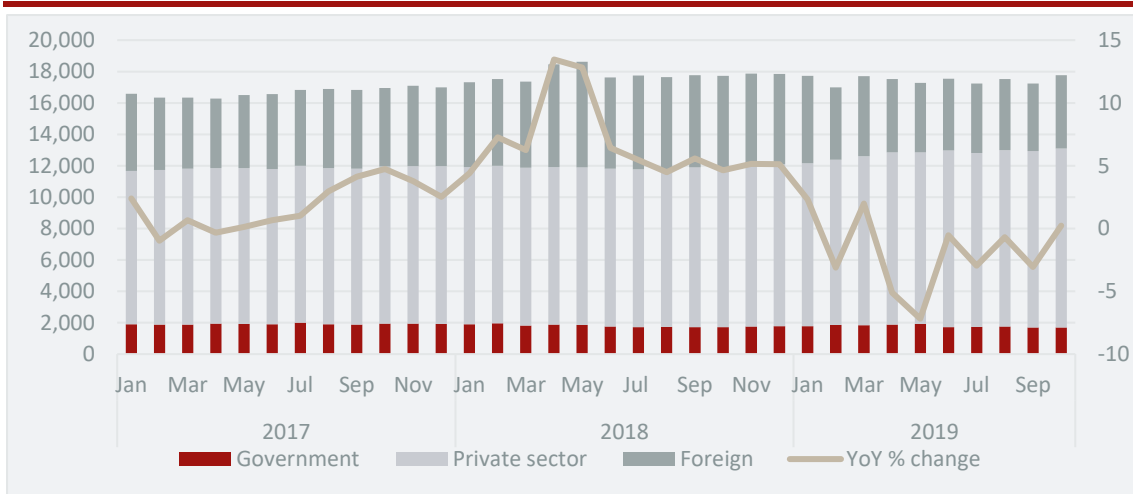
YoY Growth in Credit Issued by Retail Banks (BHD million)



Source: Central Bank of Bahrain

Deposit growth has been fairly stagnant in recent months with Q3 consistently seeing negative YoY changes. As of September, total deposits were down by an 3.1% YoY. Strong and consistent growth has been observed in private Bahraini Dinar deposits, which account for 64% of the deposit base. This category posted 10.3% YoY growth in Q3.

Deposit Liabilities to Non-banks (BHD million)



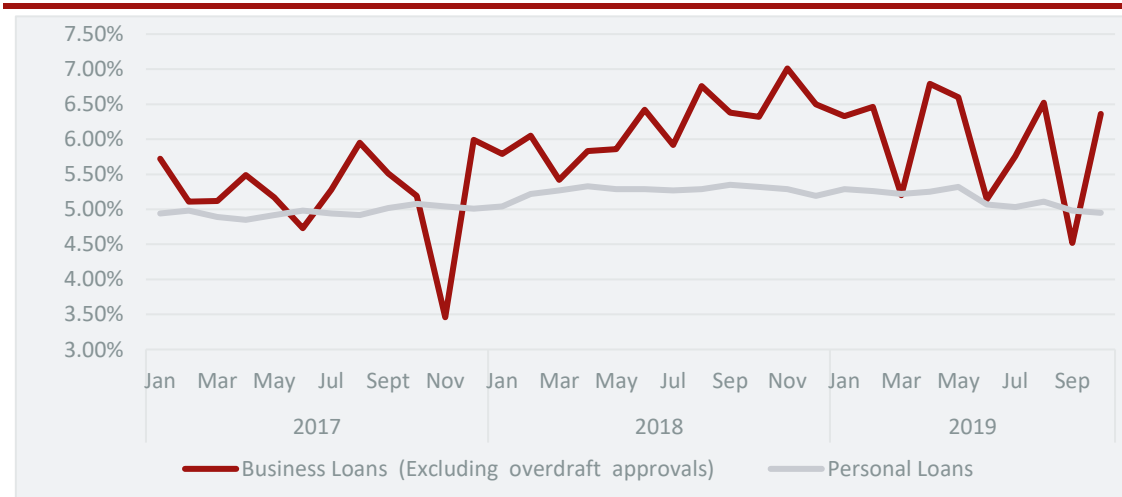
Source: Central Bank of Bahrain

The liquidity situation in the economy is generally positive with 8.4% annual growth observed in the M3 measure of money supply during Q3. The banking system balance sheet posted a 4.9% YoY increase.

The cost of borrowing has generally continued to trend down in spite of some volatility in the cost of business loans. The situation partly reflects the renewed commitment to monetary stimulus by the US Federal Reserve which has been transmitted to Bahrain through the Dollar peg of the Dinar. The CBB at the end of October cut its main policy rate by 25 bps. The rate of the one-week deposit facility was cut from 2.50% to 2.25%. The overnight deposit rate fell from 2.25% to 2.00%, the one-month deposit rate from 2.85% to 2.60%, and the lending rate from 4.25% to 4.00%.

The average cost of business loans charged by conventional retail banks declined to 4.5% in September 2019 before rebounding to 6.4% in October 2019. Recent months have seen unusual volatility in the pricing of business loans, albeit around a downward trend. The cost of credit to retail customers was fairly stable at around 5.0% from July through to September.

Average Rate of Interest on Credit Facilities - Conventional Retail Banks

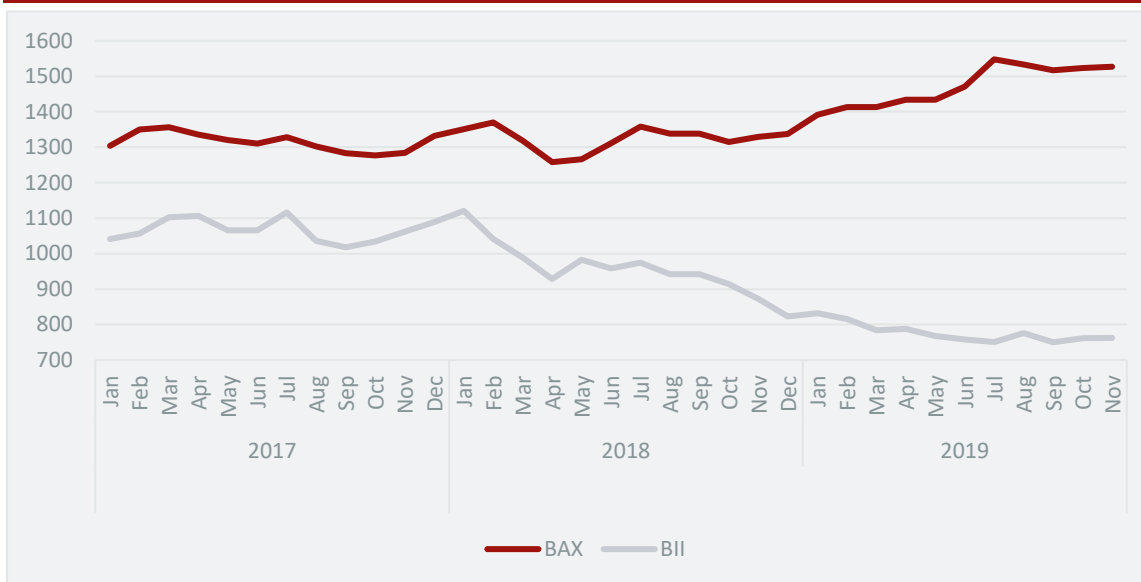


Source: Central Bank of Bahrain

Financial Markets

Bahrain Bourse has performed strongly during 2019 with the Bahrain All Share Index (BAX) growing by 13.3% YoY as of end of Q3 2019. The Bahrain Islamic Index, by contrast, saw a 20.4% during the same period. The total market capitalization of the Bourse stood at just over BHD9.5 billion at the end Q3 2019, an increase of 16.2%.

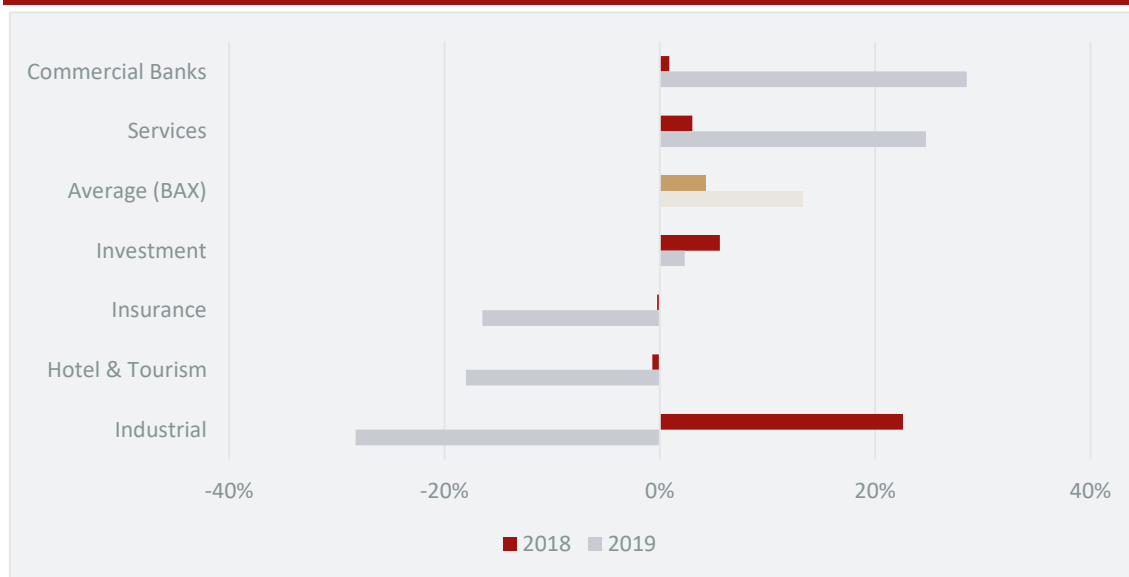
Bahrain All Share Index and Bahrain Islamic Index



Source: Bahrain Bourse

Commercial Banks has been the strongest sector year on year, posting a 28.5% gain. The Services sector gained 24.7%, and Investment 2.3%.

Q3 2019 YoY Changes in the Sector Indexes



Source: Bahrain Bourse

The Government of Bahrain raised USD 2 billion through an international US Dollar-denominated bond offering at the end of September. The issue was composed of a USD 1 billion sukuk due in 2027 offering a yield of 4.5% and a USD 1 billion conventional bond

with a maturity date of 2012. The coupon was set at 5.625%. The bond issue was arranged by BNP Paribas, Citi, Gulf International Bank, JP Morgan, National Bank of Bahrain, and Standard Chartered Bank.

The Standard & Poor's rating agency in December upgraded Bahrain's long-term sovereign rating from stable to positive while affirming the long- and short-term ratings at B+/B. The upgrade reflects the impact of the government's efforts to reduce the balance the budget through the Fiscal Balance Program.

The CBB placed a BHD 185 million five-year Government Development Bond in early November. The bond offers a coupon of 4%. The regular CBB issuance of short-term Treasury bills and sukuk has seen a gradual decline in interest / profit rates along with significant oversubscriptions.

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 (%)
1 Sep 2019	Treasury bill No. 1771	35	182	2.85	98.580	243
4 Sep 2018	Treasury bill No. 1772	70	91	2.84	99.288	194
11 Sep 2018	Treasury bill No. 1773	70	91	2.79	99.285	152
12 Sep 2019	Sukuk al ijarah No. 169	26	182	2.85	-	532
18 Sep 2019	Sukuk al salam No. 301	43	91	2.90	-	301
25 Oct 2019	Treasury bill No. 1774	70	91	2.82	99.293	146
26 Oct 2019	12-month Treasury bill No. 61	100	365	2.87	97.176	151
29 Sep 2019	Treasury bill No. 1775	35	182	2.85	99.579	282
2 Oct 2019	Treasury bill No. 1776	70	91	2.84	99.286	109
9 Oct 2019	Treasury bill No. 1777	70	91	2.83	99.289	143
10 Oct 2019	Sukuk al ijarah No. 170	26	182	2.86	-	641
16 Oct 2019	Sukuk al salam No. 222	43	91	2.83	-	308
23 Oct 2018	Treasury bill No. 1778	70	91	2.82	99.292	156
24 Oct 2019	12-month Treasury bill No. 62	100	365	2.82	97.225	177
30 Oct 2019	Treasury bill No. 1779	70	91	2.79	99.300	160
6 Nov 2019	Treasury bill No. 1780	70	91	2.65	99.333	156
7 Nov 2019	Sukuk al ijarah No. 171	26	182	2.65	-	468
10 Nov 2019	Treasury bill No. 1781	35	182	2.63	98.687	226
13 Nov 2019	Treasury bill No. 1782	70	91	2.59	99.350	121
20 Nov 2019	Sukuk al salam No. 223	43	91	2.60	-	144
27 Nov 2019	Treasury bill No. 1783	70	91	2.57	99.354	101
28 Nov 2019	12-month Treasury bill No. 63	100	365	2.63	97.409	204
1 Dec 2019	Treasury bill No. 1784	35	182	2.63	98.715	329
4 Dec 2018	Treasury bill No. 1785	70	91	2.58	99.353	100
11 Dec 2018	Treasury bill No. 1786	70	91	2.56	99.356	175
12 Dec 2019	Sukuk al ijarah No. 172	26	182	2.57	-	297

Source: Central Bank of Bahrain

Continuing its track record of innovation in the area of Islamic finance, the CBB in early December launched a single binding *wa'ad*-based structure facility which constituted a

Shariah-compliant performing a function similar to a foreign exchange forward. The new structure was jointly developed by the Bahrain-headquartered International Islamic Finance Market and the International Swaps and Derivatives Association (ISDA). It represents an attempt to improve the hedging mechanisms available to the Islamic finance sector.

In a major step for FinTech innovation, National Bank of Bahrain in December became the first bank in the Middle East and North African region to launch an open banking solution. The solution was developed with Tarabut Gateway, Bahrain's first licensed open banking FinTech provider. The new technology is designed to provide customers with a holistic view of their finances.

According to the Information and eGovernment Authority, Inward foreign direct investment into Bahrain reached BHD 10.9 billion in Q2, which marked a 1% increase on the previous quarter. FDI into financial services and insurance rose by 1.2% to just under BHD 8 billion. The ICT sector saw a 1% increase to BHD 342 million. Kuwait was the most important source of FDI with a 1.3% increase to BHD 3.6 billion. India saw the second-largest increase to BHD 433.2 million, followed by Saudi Arabia rising 0.8% to BHD 2.5 billion

Al Salam Bank Bahrain has partnered with Chinese-domiciled MSA Capital to launch a USD 50 million venture capital fund seeking to apply Chinese innovation in the MENA region through Bahrain. The fund will cover several sectors from e-commerce to FinTech and ecosystem enablers such as big data, artificial intelligence, cloud computing, and logistics and networking systems.

Labor Markets

The total number of employees registered by the Social Insurance Organisation contracted by 4.6% YoY in Q3 2019, with 618,095 workers registered. The drop from Q2 to Q3 was 1.1%. The fall in employment was led by Non-Bahraini private sector employment which fell by almost 24 thousand workers, or 0.7% YoY.

The Voluntary Retirement Program has also contributed to the fall in employment by reducing the number of public sector employees by 14% YoY to a total of 46,064 as of Q3. By contrast, Bahraini private sector employment continued its gradual rise, increasing 2% compared to Q2 2019 -- to a total of 94,997. The average salary of Bahraini contributors in the private sector rose by an 2.8% Q/Q to BHD 744. By contrast, the public sector average fell 7.9% to BHD 833, primarily in reflection of the retirement of relatively more senior employees.

Change in Contributors to the Social Insurance Organization (%)



Source: Social Insurance Organization

International Rankings

According to the World Bank's Doing Business 2020 report, Bahrain ranked among the top 10 most improved economies in the world registering the highest number of reforms in 9 out of the 10 areas measured by the report. Overall, Bahrain's ranking improved by 19 spots to 43rd out of 190 countries and ranking 2nd on the MENA region. Bahrain has implemented a comprehensive economic reform program which included a number of initiatives that led to Bahrain improving 69 spots in the indicator for Enforcing Contracts. Similarly, Bahrain implemented reforms in the other indicators such as Dealing with Construction Permits which improved 40 spots as a result of the "Benayat" system and an improvement of 33 spots in Resolving Insolvency, 18 spots in Getting Credit, 10 spots in Getting Electricity and 9 spots in Registering Property.

The Global Competitiveness Report 2019 published by the World Economic Forum assesses the drivers of productivity and long-term economic growth, and covers 12 pillars spread across four categories: Enabling Environment, Markets, Human Capital and Innovation Ecosystems. Overall, Bahrain improved 5 spots and ranked 45th out of 141 countries with a score above the global average. Regionally, Bahrain's GCC rank improved by one spot placing the Kingdom in the 4th position amongst Arab states listed in the report. Bahrain's results improved in more than 60 out of the 103 individual indicators measured by the report.

The Human Development Report 2019 published by the United Nations Development Programme (UNDP) consists of several indices and covers aspects of human development such as population trends, health outcomes, education achievements, national income and composition of resources. Bahrain ranked 45th out of 189 countries in the Human Development Index (HDI), as well as being ranked 4th amongst GCC countries and Arab states. As for the Gender Development Index (GDI), Bahrain registered a slight improvement. Furthermore, Bahrain attained the 47th spot out of 162 countries in the Gender Inequality Index (GII) reflecting an increased share of seats held by women in parliament as well as improving the proportion of female labor force participation.

Bahrain ranked 1st in the GCC according to the Human Freedom Index 2019 which is published by Fraser Institute and other research institutes measuring both economic and personal freedoms by capturing the degree to which people are free to enjoy the major freedoms often referred to as civil liberties—freedom of speech, and religion. Bahrain also ranked 4th in MENA region noting that Bahrain achieved a score above the MENA average. It is worth mentioning that Bahrain scored a full mark (10/10) in six underlying indicators of the Personal Freedom sub-Index.

Bahrain maintained its leading position in the Islamic Finance Development Report (IFDI) 2019 published by Refinitiv and the Islamic Corporation for the Development of the Private Sector by ranking 2nd globally out of 131 countries. Bahrain ranked 1st in three sub-indicators including Islamic Banking, Regulations and Sharia Governance as well as being among the top 5 performers globally in three pillars: Governance (2nd), Awareness (3rd) and Quantitative Development (4th).

According to the Trade 20 Index released by Standard Chartered Bank, Bahrain was identified among the top 20 markets with the greatest potential for future trade growth. The index examines 66 markets globally by the progress they have made to improve their potential for trade growth. Notably, Bahrain was named among the nations that have shown progression especially in terms of diversifying away from oil in sectors like manufacturing and financial services.

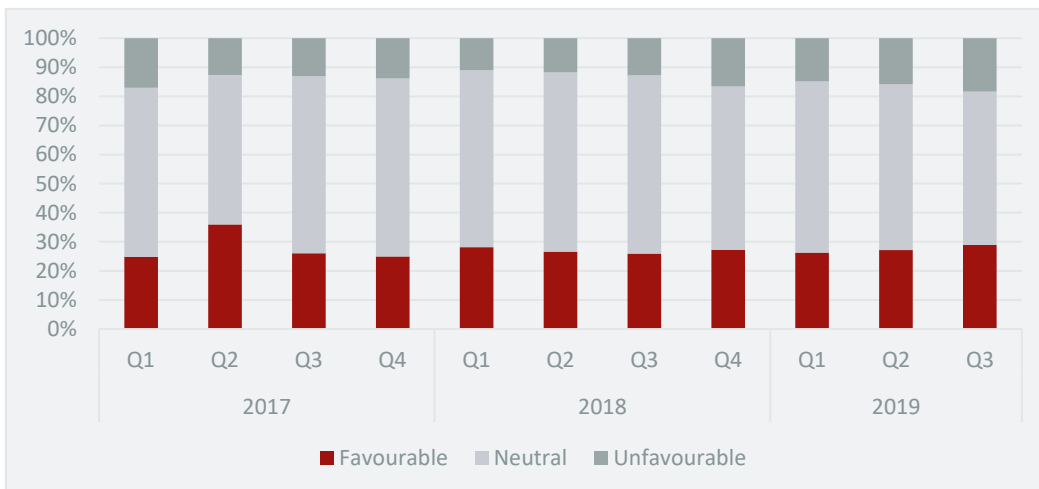
The Economic Freedom of the Arab World 2019 published by Fraser Institute measures the extent to which citizens of the nations of the Arab League are able to make their own economic decisions without barriers to opportunity and limitations. Bahrain was ranked 2nd out of 22 Arab countries. Bahrain led the ranks in two areas: Access to Sound Money, and Regulation of Credit, Labor and Business.

Business Confidence

Business confidence in Bahrain has continued to show resilience in the face of the ongoing economic transition. The Quarterly Business Perception Survey of the Information & eGovernment Authority suggests that most businesses in the country view the economic conditions as benign or neutral.

In terms of perceptions of the current situation, views have become somewhat more polarized in recent months with an increase in the share of optimists and pessimists alike. In Q3, 28.9% of the respondents viewed the business conditions as favourable while a majority of 52.7% were neutral. 18.3% of the respondents took an unfavourable view.

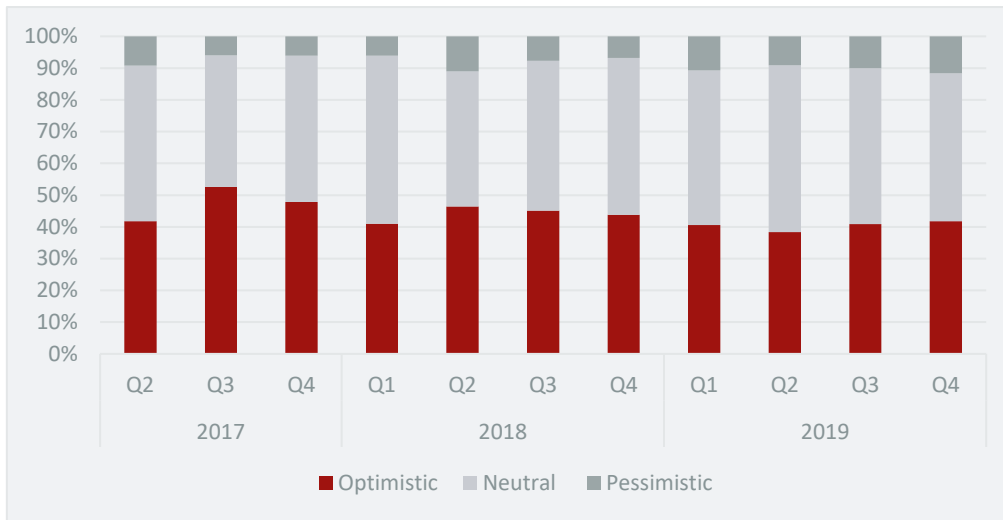
Opinions on Current Business Conditions



Source: Information & eGovernment Authority

Forward-looking expectations have shown a broadly similar dynamic. 41.8% of respondents were optimistic regarding the outlook for Q4. 46.6% were neutral and 11.6% held a negative view.

Forward-Looking Expectations



Source: Information & eGovernment Authority

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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