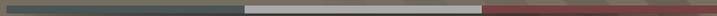




وزارة المالية والاقتصاد الوطني  
Ministry of Finance  
and National Economy



# Bahrain Economic Report 2019



2030  
البحرين  
BAHRAIN

## SUMMARY

### NON-OIL GROWTH REBOUND

The Kingdom of Bahrain recorded 1.8% year-on-year real growth<sup>1</sup> in 2019<sup>2</sup> and 2.4% in nominal terms, according to the latest figures published by the Information and eGovernment Authority. This compared to an annual growth rate of 1.8% in 2018 in real terms and 6.1% in nominal terms.

- ◆ **Real annual growth supported by growth in the Oil and Non-oil sectors.** The Oil sector rebounded in 2019, growing at an annual rate of 2.2%, having contracted by 1.3% in 2018 due to planned maintenance in Q1 2018. The Non-oil sector continued its positive growth, albeit at a slower pace, expanding at a rate of 1.7% (3.6% in nominal terms). The growth of the Non-oil sectors is a testament to the successful economic diversification and development initiatives pursued under the guiding principles of the Economic Vision 2030.
- ◆ **Non-oil growth in 2019 received a boost from Manufacturing and Hotels and Restaurants sectors.** Having recorded an annual growth rate of 4.7% in Q3 2019, the Manufacturing sector continued to grow by 5.2% in Q4 2019; spurred by the completion of Alba's Line 6. Moreover, the Hotels and Restaurants sector recorded the highest Non-oil sector annual growth at 6.8%.
- ◆ **Preliminary results point to a decline in growth in Q4 2019.** Despite negative growth of 0.4% in real terms and 0.3% in nominal terms during the final quarter of the year, the Non-oil private sectors<sup>3</sup> grew by 2.7% in real terms in Q4 2019 or 3.4% in nominal terms. The Government Services sector growth decelerated during the quarter at the back of government's implementation of fiscal measures to lower expenditure and improve the budget deficit.
- ◆ **After a bout of lower risks, the COVID-19 pandemic has emerged as a major disruption to the near-term economic outlook.** Despite the initial optimistic expectations for the economic growth in 2020, a global recession is now all but certain. Policymakers around the world – led by the U.S. Federal Reserve – have returned to aggressive stimulus measures. For Bahrain, this has entailed a monetary stimulus as interest rates have been reduced and the Government has adopted a BHD 4.3bn stimulus package to counter the effects of the crisis. Furthermore, oil prices have plunged significantly since their highs at the end of December 2019, adding more pressure on the global economy.

#### Bahrain 2019 Preliminary Results

	Total	Oil Sector	Non-oil Sector
Real GDP (constant prices)	1.8%	2.2%	1.7%
Nominal GDP (current prices)	2.4%	-3.9%	3.6%

<sup>1</sup> All references to growth in this report refer to the growth of the real (inflation-adjusted) GDP, unless otherwise stated.

<sup>2</sup> 2019 results are preliminary.

<sup>3</sup> Being all the non-Oil sectors except the Government Services sector.

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## EXTERNAL CONTEXT

### Global Prospects

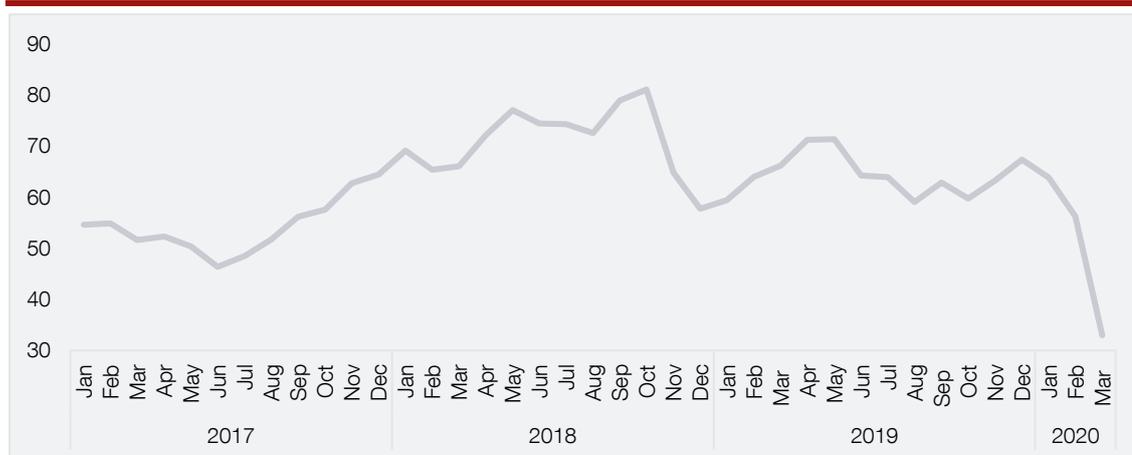
China's National Bureau of Statistics announced GDP growth of 6% YoY in Q4 2019 and 6.1% YoY in 2019, in line with expectations. Meanwhile in the United States, GDP increased at an annual rate of 2.1% in Q4 2019 and 2.3% YoY in 2019 as a whole, according to the estimates released by the Bureau of Economic Analysis.

The global outbreak of COVID-19 has significantly disrupted global economic activity and challenged the assumptions of policymakers and market participants. While economic growth prospects up until mid-February were characterized by relative continuity, the spread of the virus has raised fears about global growth, travel, supply chains, and commodity demand.

Policymakers across the globe have attempted to counter COVID-19 disruptions through renewed stimulus measures. China has led the way in this regard and since then many countries have followed suit. On 3 March 2020, the U.S. Federal Reserve approved an emergency 50 basis points (bps) rate cut in an attempt to shore up confidence, followed by an announcement on 16 March 2020 that it was to cut its target interest rate to near zero.

Towards the end of 2019, oil prices were holding steady; with Brent and WTI<sup>4</sup> gaining about 24% and 36% in 2019; backed by a breakthrough in U.S.-China trade talks and output cuts pledged by the Organization of Petroleum Exporting Countries (OPEC) and its allies (OPEC+). However, an OPEC+ deal which could have seen further cuts to production to counter the effects of the COVID-19 pandemic fell through. Both Brent and WTI have subsequently hit sub-\$30 oil prices in March 2020.

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



Source: US Energy Information Administration

<sup>4</sup> West Texas Intermediate.

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## *GCC Economic Outlook*

Saudi Arabia's national accounts have indicated GDP growth in 2019 of 0.3% YoY, compared to 2.4% in the previous year. While real economic growth in the Non-oil sector increased by 3.3%, mainly driven by growth in the Private sector (3.8%), economic activity in the Oil sector declined by 3.6% in 2019. The growth in the Non-oil sector originated mainly from the growth in "Wholesale & Retail Trade, Restaurants & Hotels" of 6.3%, "Finance, Insurance & Business Services" of 8.0%, and "Transport, Storage & Communication" of 5.6%.

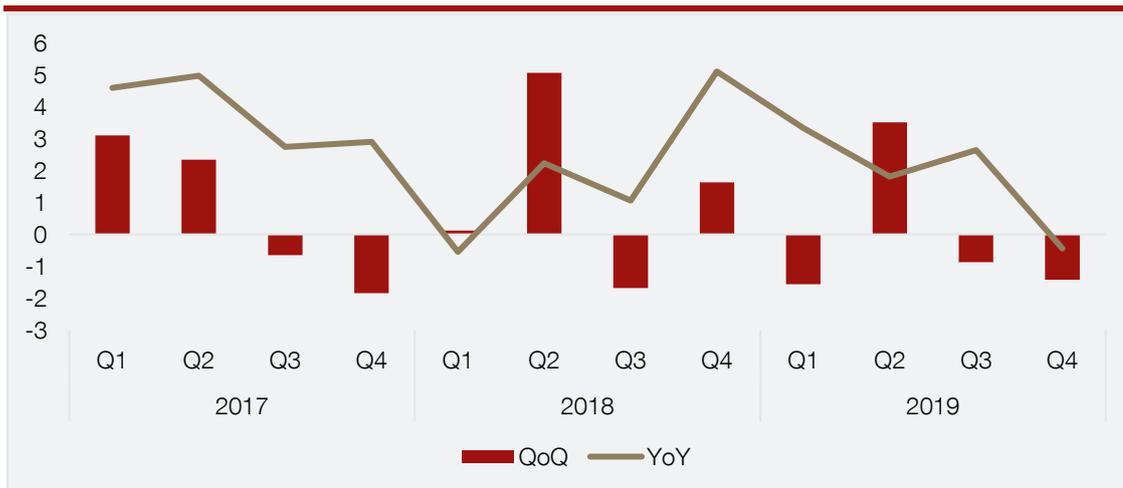
The United Arab Emirates Central Bank released its fourth quarter economic review report which stated that the UAE economy grew by 2.9% in 2019 compared to 1.7% in the previous year. The GDP growth is driven by growth in the Non-oil sector, estimated at 1.1%, as well as by the Oil sector, estimated at 7.6%; which was in turn driven by growth in condensates and natural gas production. The pickup in Non-oil activities is attributed to improved labour market indicators. The Central Bank further stated that the UAE economy grew 1.3% YoY in Q4 2019, slowing from a pace of 2.9% in Q3 2019.

## BAHRAIN

The Information and eGovernment Authority published its Q4 2019 preliminary national accounts for the Kingdom of Bahrain, which recorded a YoY real GDP growth in 2019 of 1.8% and 2.4% in nominal terms. According to the national accounts, the Oil sector GDP grew by 2.2% in 2019 in real terms and contracted by 3.9% in nominal terms; whilst the Non-oil sector grew by 1.7% in real terms and 3.6% in nominal term, with the private non-oil sector displaying high degree of continuity with a growth rate of 3.1% in real terms in 2019, and 5.2% in nominal terms.

According to the preliminary national accounts data for Q4, growth decelerated during the closing months of the year as the real GDP saw a decline of 0.4% in real terms, and 0.3% in nominal terms, due to the decline in the Non-oil sector by 0.9% compared to Q4 2018; despite a positive growth in the Oil-sector of 1.7%, both in real terms. The private non-oil sector saw an annual real growth rate of 2.7% and 3.4% in nominal terms in the quarter.

### Real GDP Growth (%)



Source: Information & eGovernment Authority

### Non-Oil sector

The Non-oil sector recorded solid growth of 1.7% in 2019. The fastest growing sector was the Hotels and Restaurants sector with an annual growth of 6.8% in 2019. The sector benefited from the increase in arrivals through the causeway by 3.8%, as well as the increase in arrivals through the airport by 5.5%. According to the data gathered by the Bahrain Tourism and Exhibitions Authority, the average tourist' stay during 2019 was 16.8% higher than the average in the previous year, while the average tourist spend per day was 1.1% higher. The occupancy rates of 4 and 5-star hotels increased also from 41% and 49%, respectively, in 2018 to 45% and 52%, respectively, in 2019.

The inauguration of Alba's Line 6 expansion project by H.M. King Hamad bin Isa Al-Khalifa in November 2019, which followed the phased ramp-up of the Line's production capacity over the year, contributed to the 1.6% growth in the Manufacturing sector in 2019.

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Alba's total production increased by 35% over the year, as reflected in the annual financial statements. Furthermore, the production levels of Banagas, GPIC, and Bapco's refinery increased by 69%, 9.4%, and 1.1%, respectively.

The Social and Personal Services sector grew by 2.9% in the year, with GDP from both private education services and private health services sub-sectors increasing by 6.5% and 2.6%, respectively. The Construction sector also recorded positive growth in GDP in 2019 at 2.6%, with the number of building permits issued increased by 5.6% compared to 2018, and with the support of ongoing infrastructure projects.

The performance of the Kingdom's largest Non-oil sector, the Financial Corporations sector, remained stable year-on-year, registering a slight deceleration of 0.3%. According to the figures published by the Central Bank of Bahrain in its monthly statistical bulletin, 2019 was a successful year with the overall balance sheet of the banking sector growing by 6.4%, money supply (M3) growing by 8.3%, non-bank deposits up 0.6% and loans to the private sector up 2.3%.

On the other hand, the Transportation and Communications sector saw a decline in its GDP by 5.7%. Both the transportation and communications sub-sectors witnessed positive developments in the year; with Gulf Air expanding its fleet and increasing its destinations as part of its "boutique" airline strategy which resulted in higher profits in the year, and the TRA reporting significant increases in revenues and profits.

With the Government making significant progress in the implementation of the Fiscal Balance Program and successfully reducing its expenditure in 2019 by BHD 128mn, as per the preliminary financial results announced in February 2020, the sector's GDP, measured by the expenditure in the year, predictably dropped 5.8%. Going forward, the Government hopes to become more reliant on the private sector as the main driver of economic growth.

The Real Estate & Business Activities sector contracted by 2.4% in 2019 in reflection of declining rentals. This is the result of a divergence between real estate supply and demand growth, a phenomenon observed across the region.

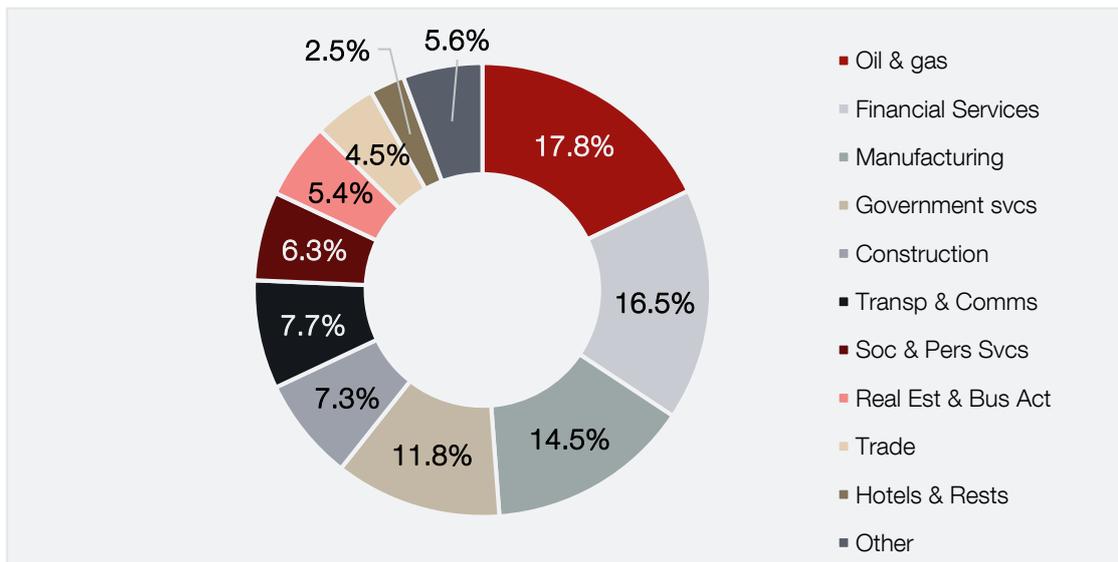
## Sector Real Growth Rates, YoY

	2018					2019				
	Annual	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4
Crude Pet. & Nat. Gas	-1.3%	-14.7%	0.8%	-1.5%	11.3%	2.2%	9.2%	-0.8%	-0.1%	1.7%
Manufacturing	1.9%	2.7%	2.8%	1.3%	0.8%	1.6%	-3.2%	-0.4%	4.7%	5.2%
Construction	5.6%	6.7%	6.6%	5.4%	3.9%	2.6%	2.9%	4.0%	1.5%	2.3%
Trade	0.1%	-0.6%	-0.8%	-0.5%	2.1%	1.1%	1.3%	1.1%	1.8%	0.0%
Hotels & Restaurants	-1.1%	-2.7%	-6.1%	-1.4%	6.1%	6.8%	10.7%	8.7%	8.3%	-0.1%
Transp. & Comm's	8.3%	13.4%	7.5%	6.6%	6.1%	-5.7%	-9.8%	-8.0%	0.4%	-5.4%
Social & Pers. Serv.	2.7%	3.7%	2.8%	3.1%	1.3%	2.9%	1.3%	1.7%	4.3%	4.3%
Real Est. & Bus. Act.	-0.6%	0.2%	-0.4%	-0.5%	-1.9%	-2.4%	-1.7%	-1.4%	-3.4%	-2.9%
Finance	3.4%	2.5%	2.7%	3.5%	4.9%	-0.3%	0.9%	0.0%	-0.8%	-1.1%
Government	1.6%	1.4%	2.0%	-1.8%	4.5%	-5.8%	0.6%	-2.1%	-0.5%	-20.3%
Other	-4.9%	-12.3%	-7.0%	-7.8%	10%	54.0%	65.6%	65.3%	46.1%	39.7%
<b>GDP</b>	<b>1.8%</b>	<b>-0.6%</b>	<b>2.0%</b>	<b>1.0%</b>	<b>4.8%</b>	<b>1.8%</b>	<b>3.3%</b>	<b>1.8%</b>	<b>2.7%</b>	<b>-0.4%</b>
<i>Non-oil GDP</i>	2.5%	2.6%	2.2%	1.5%	3.5%	1.7%	2.2%	2.4%	3.3%	-0.9%
<i>Private Non-oil GDP</i>	2.6%	2.8%	2.3%	2.1%	3.3%	3.1%	2.5%	3.3%	3.9%	2.7%

Source: Information & eGovernment Authority

In terms of each sector's contribution to GDP during 2019, the Financial Corporations sector remains the largest Non-oil sector, contributing 16.5% to the GDP, followed by the Manufacturing sector (14.5%) and the Government Services sector (11.8%).

## Sector Contribution to GDP – 2019



Source: Information & eGovernment Authority

## Oil Sector

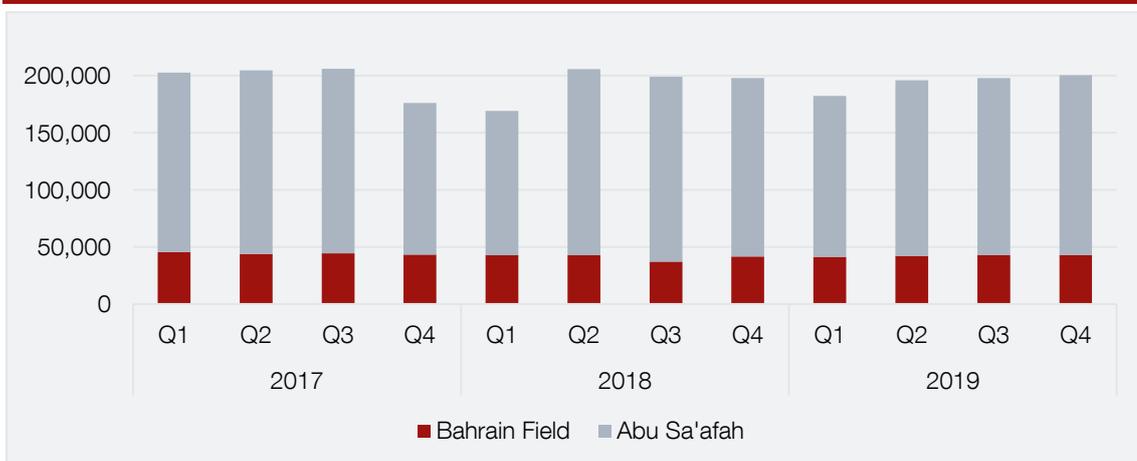
Oil sector GDP increased by 2.2% in 2019 compared to 2018, and contracted in nominal terms by 3.9%. Oil production levels in the Kingdom remained consistent year-on-year in 2019, in line with expectations. Production from the Bahrain field in 2019 averaged 42,379 barrels per day (bpd) and total production was 0.61% higher than production levels of 2018. On the other hand, production from the offshore Abu Sa'afah field averaged 151,830 bpd and total production slightly decreased by 0.15% compared to 2018.

During Q4 2019, both the productions from the Bahrain and Abu Sa'afah fields increased by 0.7% and 3.2%, respectively, compared to Q4 2018. The Oil sector GDP in Q4 2019 increased by 1.7% compared to Q4 2018.

In terms of key hydrocarbons projects:

- ◆ The Bapco Modernization Program (BMP), which is expected to increase in Bapco's refining capacity to 380,000 bpd from 267,000 bpd, enhance the company's product slate, improve its energy efficiency and increase its gross margin, has reached 40% completion mark, with the significant majority of the engineering work completed by the end of 2019. October 2019 saw the commencement of the vertical construction works on the site. The project is expected to be completed in 2022.
- ◆ The development of the Khalij Al-Bahrain basin achieved 40% completion. The project is expected to attract international companies interested in investing in unconventional oil.
- ◆ 42% of the exploration project in Umm Al Naasan has been completed as the project aims to evaluate the viability of Al Tuwaiq reservoir.
- ◆ Tatweer Petroleum is evaluating the in-place volumes in the Pre -Unayzah gas reservoirs as a number of wells are being drilled to provide an update on the size and viability of the reserves. The project is now 45% completed.

## Crude Oil Production (bpd)



Source: National Oil and Gas Authority

## Infrastructure Projects

The GCC Development Fund continued to post clear increases in its activity during 2019. Projects with a total value of USD 765mn were awarded in 2019, increasing the value of all awarded projects to the end of the year to USD 4.7bn, 19.4% higher than at the end of 2018. The awarded projects included the improvement of Al Fateh Highway, Al Ramli and Madinat Salman housing project as well as housing projects in Qalali and Wadi Al Sail, and the infrastructure for King Abdulla Medical City. Moreover, several projects were completed during 2019 including the construction of 1,560 housing units in Madinat Khalifa, the improvement of Shaikh Jaber Al Ahmed Al Subah Highway and the completion of Shaikha Moza bint Hamad Al Khalifa Comprehensive Girls School.

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



Source: Ministry of Finance and National Economy

Several other projects have reached important milestones:

- ◆ In January 2020, Bahrain LNG W.L.L., the developer and owner of the first LNG receiving and regasification terminal in the Middle East developed on a PPP basis, announced that it has completed the mechanical construction and commissioning of the LNG Terminal. The facility comprises of a floating storage unit, an offshore LNG receiving jetty and breakwater, an adjacent regasification platform, subsea gas pipelines from the platform to shore, an onshore gas receiving facility, and an onshore nitrogen production facility.
- ◆ Work is starting on the new exhibition and conference centre in Sakhir, next to the Formula 1 circuit. The 308,000 sqm facility is expected to be completed in mid-2022. The local company Cebarco submitted the winning BHD 79mn bid for the project.
- ◆ Construction work is due to start on the BHD 100mn King Abdullah Medical City near Askar in the south of the island. The new medical cluster will be built on a 1mn sq m plot of land. The city is due to have 288 private patient rooms as well as 74 clinics and 17 operating theatres.

- ◆ Key projects being undertaken by the Ministry of Works, Municipalities Affairs and Urban Planning over the coming years include the BHD 51.9mn Shaikh Jaber Al Ahmed Al Sabah highway, the BHD 30.9mn fourth Muharraq bridge preceded by BHD6.9mn worth of preparatory work, BHD 20.1mn worth of work on the Khalifa bin Salman highway, and revamps of major arteries such as Saar Avenue (BHD2.9mn), Sanabis roadworks (BHD 2.6mn), and Isa Town (BHD 2.4mn). BHD5.4mn is expected to be spent on the South Alba Sewage Water Plant.
- ◆ Key projects are to be delivered by Edamah, the real estate arm of Mumtalakat, include the Sa'ada waterfront development in Muharraq and a Salmaniya car park building. Work is also progressing on the Mayasem educational park in Isa Town and a new industrial area in Sitra.
- ◆ The Dannat al Luzi Housing Town, a project carried out on a PPP basis, was opened in late February with 303 homes.

## Preliminary Financial Results

In February 2020, the Ministry of Finance and National Economy announced preliminary fiscal results for 2019, highlighting a 24% estimated reduction in the budget deficit, decreasing it's levels from 6.3% of GDP in 2018 to 4.7% of GDP in 2019. Non-oil revenues increased 63% YoY, whilst government spending decreased BHD 128mn. The Kingdom's primary budget deficit (excluding interest payments) fell 85% YoY.

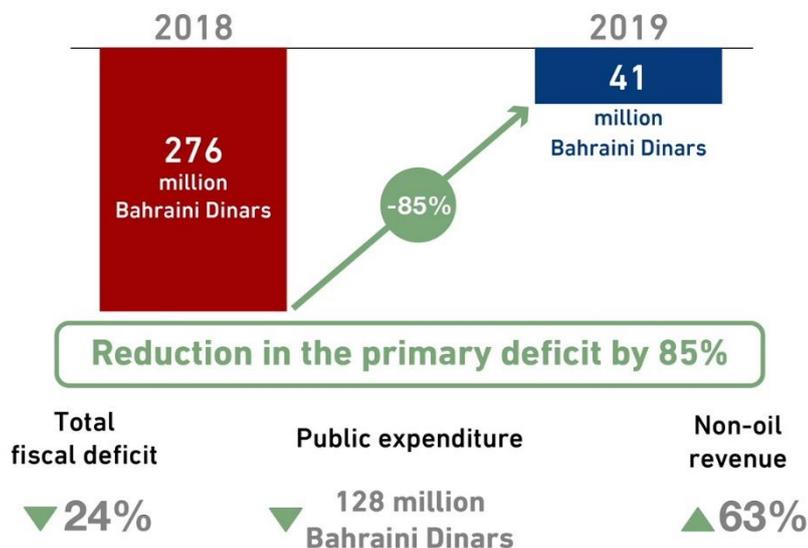
The fiscal improvements follow the implementation of a number of reform measures taken by the Government as part of the Fiscal Balance Program, launched in October 2018. The Fiscal Balance Program is a comprehensive program with 6 underlying initiatives that aim to achieve fiscal balance by 2022. Reforms implemented include a government wide spending review and dedicated spending efficiency taskforces, new spending controls, a voluntary retirement scheme for public sector workers and the implementation of VAT.



### Preliminary forecasts of the fiscal results for the year 2019



#### Reduction of the primary fiscal deficit



\* Primary fiscal deficit excluding public debt interest

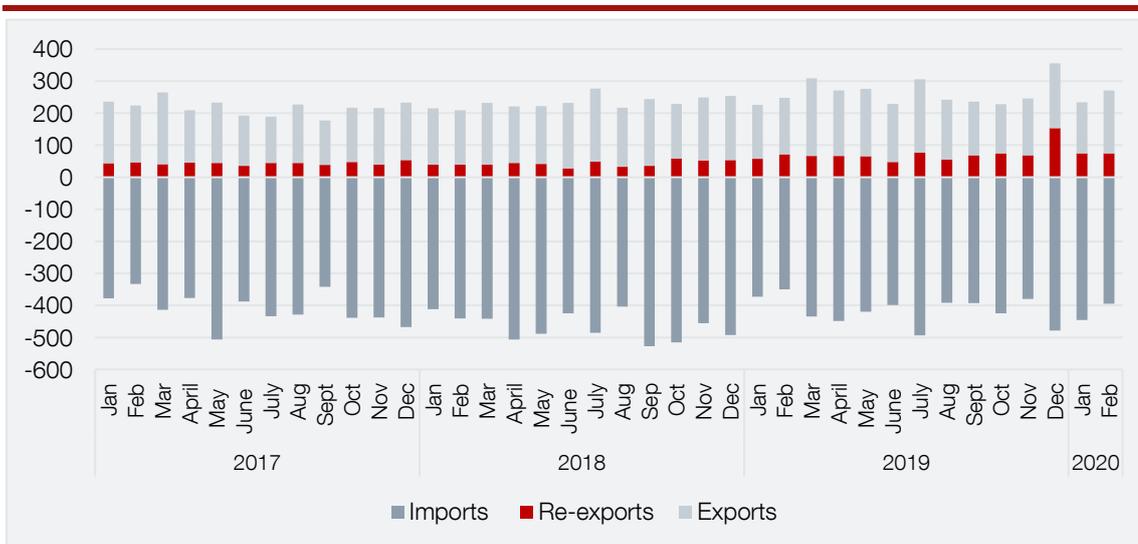
\* Total fiscal deficit including public debt interest

## International Trade

The non-oil merchandise trade balance posted a clear improvement over the course of 2019; with the deficit shrinking from BHD 2.8bn in 2018 to BHD 1.9bn in 2019. The main drivers of this improvement were a decline in imports along with a sharp increase in re-export trade.

The aggregate value of merchandise imports fell by an annual 10.9% to a total of BHD 5bn. Whilst the aggregate value of exports of national origin remained almost static with a 0.5% YoY increase to a total of BHD 2.3bn. By contrast, re-exports through Bahrain posted a 54.4% increase to a total of BHD 0.8bn.

### Non-oil Trade (BHD million)



Source: Information & eGovernment Authority

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

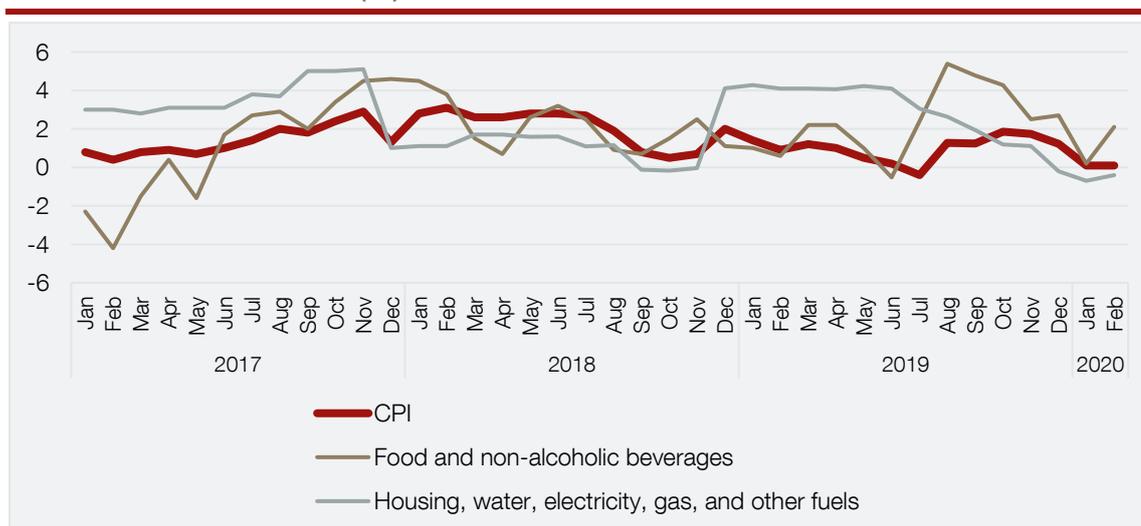
Imports		Exports	
Country	Share of Total (%)	Country	Share of Total (%)
China	15.6%	Kingdom of Saudi Arabia	23.2%
Australia	7.1%	United States	12.4%
United Arab Emirates	7.0%	United Arab Emirates	11.8%
Kingdom of Saudi Arabia	7.0%	Sultanate Oman	6.5%
Brazil	6.5%	Egypt	5.8%

## Inflation

The Consumer Price Index (CPI) averaged 1% in 2019. Consumer price dynamics generally continued to weaken during the year and by the end of December 2019, the annual monthly pace of inflation had moderated to 1.2%, off markedly from the 1.9% peak reached in October 2019. The deceleration was fairly broad-based, with food prices the only significant source of inflationary pressures. Food price inflation nonetheless dropped to 2.7% in December 2019, down from a peak of 5.4% in August 2019. Housing costs, the other main category of the CPI basket, posted a 0.2% YoY decline, down sharply from a 4.3% peak in January 2019. Rentals declined by an annual 0.8% in December.

The subdued inflationary dynamics continued into the new year with a mere 0.1% increase in the overall CPI basket in both January and February 2020. Food prices were almost flat in YoY terms whereas Housing costs posted a slight decline, led by a YoY drop in Rentals.

### Consumer Price Inflation (%) YoY



Source: Information & eGovernment Authority

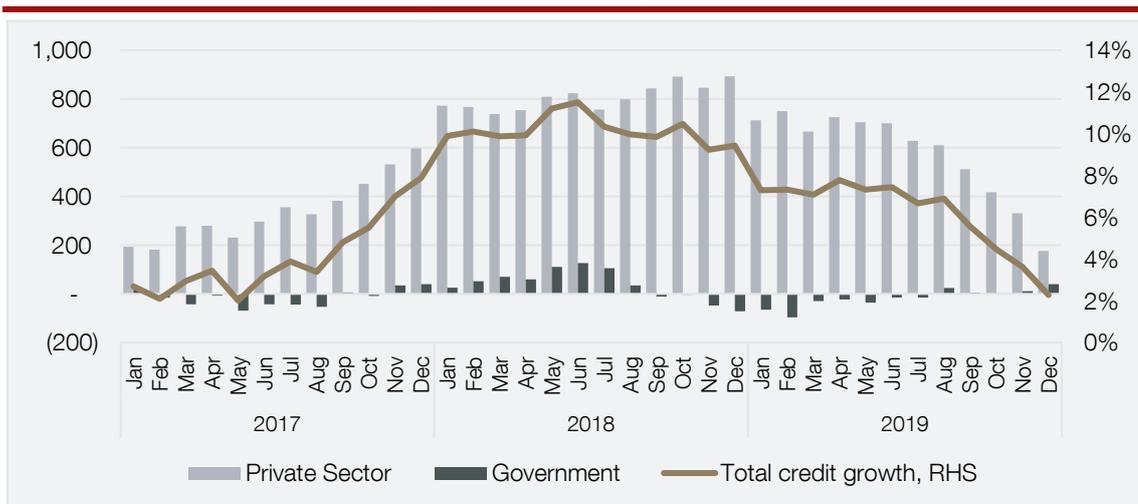
## Bank Credit and Deposits

Lending growth from local retail banks has continued to moderate, albeit from a strong base. The YoY rate of growth fell to 2.3% in December 2019, as compared to a recent high of 11.5% in June 2018 and 2019 peak of 7.8% in April. Credit growth during the year was led above all by lending to the private sector, although general Government loans also saw an increase of 15.5% YoY in December 2019. The total value of outstanding retail bank credit stood at BHD 9.7bn in December 2019.

Business loans totaled BHD 5.1bn at the end of December 2019, 0.8% higher than their levels at the end of 2018, and made up 52.8% of the local retail banks' total loan portfolio at the end of the year. Loans to construction and real estate companies accounted for 35.8% of business portfolio whilst loans to both the trade sector and the manufacturing sector each constituted 20.8% of all business credit.

Personal loans accounted for 44.1% of all retail bank loans at the end of 2019 and saw an increase of 3.2% on their level at the end of 2018. Mortgages made up 45.4% of the total personal loan portfolio as at the end of 2019, following an 8.6% YoY gain.

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

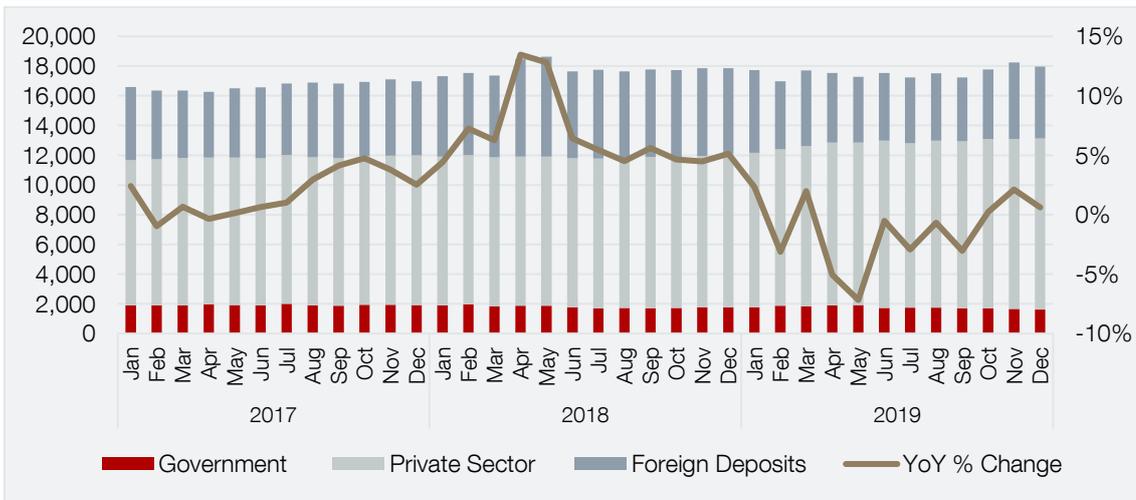


Source: Central Bank of Bahrain

Bank deposit growth remained subdued at the beginning of the year 2019 before accelerating during the last quarter, reaching an annual pace of 2.1% by November 2019 before slightly decreasing to 0.6% in December 2019.

Deposit growth has been particularly brisk in the segment of both local and foreign private deposits which posted a 11.6% YoY gain at the end of the year to a total of BHD 11.5bn. Overall retail bank deposits stood at BHD 18bn as of the end of December 2019.

Deposit Liabilities to Non-banks (BHD million)

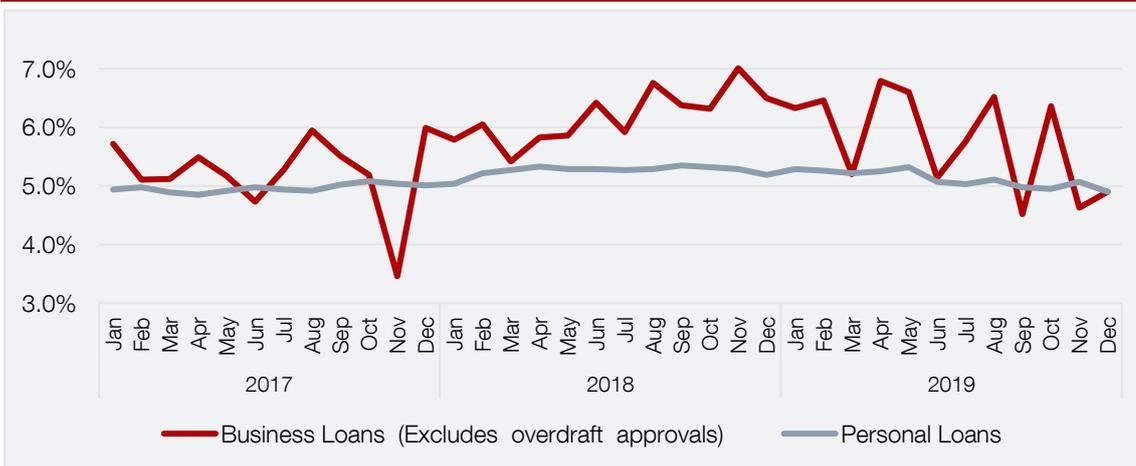


Source: Central Bank of Bahrain

The cost of bank loans has remained fairly stable in recent months, significant volatility in the rates of business loans notwithstanding. Reflecting recent dynamics in interest rates, the average cost of personal loans stood at 4.9% in December 2019. It has been hovering around the 5% mark for most of the year.

The average cost of business loans declined to 4.9% in December 2019; after it had been fluctuating in the range of 4.5% to 6.8% during the year.

Average Rate of Interest on Credit Facilities - Conventional Retail Banks



Source: Central Bank of Bahrain

The Central Bank of Bahrain has made significant progress in the implementation of its digital transformation strategy for the financial services sector:

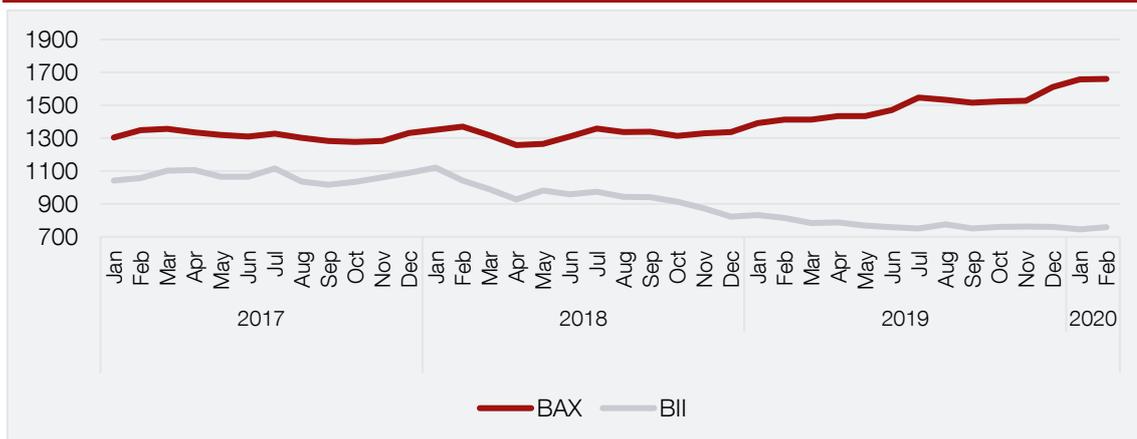
- ◆ The number of POS transactions with credit and debit cards rose by an annual 14.3% to a total of 73.7 million transactions in 2019. The value of such transactions increased by 23.1% to BHD 2.4bn. The number of POS terminals increased by 15% during the year to a total of 40,262.
- ◆ The Electronic Transfer System recorded strong growth with the aggregate amount transferred through the Fawri service increasing by 13.6% to BHD 12.7bn. Transfers through Fawri+ rose by 210.8% to BHD 542.9mn. Fawateer transfer posted a 118.9% YoY rise to BHD 291.4mn.
- ◆ The number of digital wallet transactions increased by an annual 566.7% to 8 million transactions in 2019. The amounts transferred increased by a remarkable 1,316.6% to BHD 409.4mn.

## Financial Markets

Bahrain Bourse continued to show considerable resilience with the Bahrain All-Share (BAX) Index posting a 20.4% gain in the course of 2019 whereas the Bahrain Islamic Index (BII) saw a 7.7% decline.

The market capitalization of Bahrain Bourse reached BHD 10.1bn in 2019, marking a 23.6% YoY increase.

### Bahrain All Share Index and Bahrain Islamic Index



Source: Bahrain Bourse

Commercial banks were the strongest sector of the market, posting a 42.5% gain in 2019 followed by the Services sector which made strong gains, posting an 18.4% increase during the year. The Investment index was the third best performer in 2019 with a 5% advance. The Industrial index was the weakest sector index in 2019 with a 29.9% drop. The Hotels & Tourism index declined by 12.8%, whilst the Insurance index shed 10% in 2019.

The Central Bank of Bahrain continued with its regular issuance of short-term papers which reflected the downtrend in the cost of capital. On 5 February 2020, the CBB cuts its one-month deposit rate by 15 bps from 2.60% to 2.45%. Rates for the other facilities were kept unchanged.

On 3 March 2020, the CBB cuts its key policy rate on the one-week deposit facility from 2.25% to 1.75%. The overnight rate was reduced from 2.00% to 1.50% and the one-month rate from 2.45% to 2.20%. The cost of the lending rate remained unchanged at 4.00%.

### 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 (%)
18-Dec-19	Sukuk Al Salam No. 224	43	91	2.56	-	154
25-Dec-19	Treasury Bills No. 1787	70	91	2.58	99.352	110
26-Dec-19	Treasury Bills No. 64	100	365	2.61	97.429	100
29-Dec-19	Treasury Bills No. 1788	35	182	2.57	98.717	101
01-Jan-20	Treasury Bills No. 1789	70	91	2.58	99.352	101
08-Jan-20	Treasury Bills No. 1790	70	91	2.61	99.344	120
09-Jan-20	Sukuk Al Ijarah No. 173	26	182	2.57	-	188
15-Jan-20	Sukuk Al Salam No. 225	43	91	2.61	-	190
22-Jan-20	Treasury Bills No. 1791	70	91	2.57	99.354	184
23-Jan-20	Treasury Bills No. 65	100	365	2.6	97.436	196
29-Jan-20	Treasury Bills No. 1792	70	91	2.55	99.36	217
02-Feb-20	Treasury Bills No. 1793	35	182	2.52	98.74	308
05-Feb-20	Treasury Bills No. 1794	70	91	2.56	99.358	128
06-Feb-20	Sukuk Al Ijarah No. 174	26	182	2.52	-	557
12-Feb-20	Treasury Bills No. 1795	70	91	2.5	99.373	183
19-Feb-20	Sukuk Al Salam No. 226	43	91	2.52	-	354
26-Feb-20	Treasury Bills No. 1796	70	91	2.49	99.374	100
27-Feb-20	Treasury Bills No. 66	100	365	2.56	97.476	169
01-Mar-20	Treasury Bills No. 1797	35	182	2.47	98.766	237
04-Mar-20	Treasury Bills No. 1798	70	91	2.45	99.385	100
11-Mar-20	Treasury Bills No. 1799	70	91	2.06	99.482	121
12-Mar-20	Sukuk Al Ijarah No. 175	26	182	2.1	-	427
18-Mar-20	Sukuk Al Salam No. 227	43	91	2.06	-	295
25-Mar-20	Treasury Bills No. 1800	70	91	2.06	99.482	100
26-Mar-20	Treasury Bills No. 67	100	365	2.87	97.181	100
29-Mar-20	Treasury Bills No. 1801	35	182	2.68	98.665	100

Source: Central Bank of Bahrain

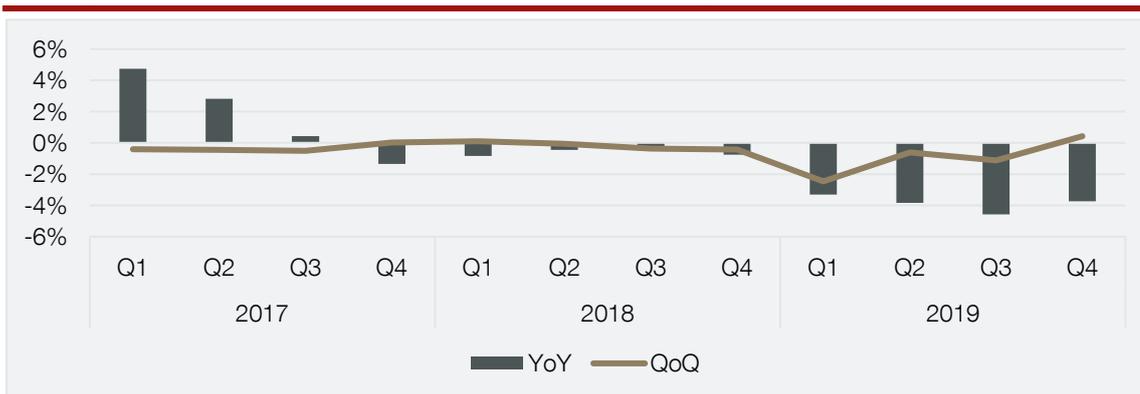
## Labour Market

After a period of declines, the Bahraini labour market was showing some signs of renewed stabilization in Q4 2019.

According to the latest quarterly report published by the Social Insurance Organization (SIO), private sector Bahraini employment remained the only labour market segment posting a YoY increase, expanding by 2.8% to 96,333. Bahraini employment in the public sector saw a 13.2% YoY drop as the total number of Bahrainis working stood at 46,639 at the end of Q4 2019. This reflected above all the implementation of the Voluntary Retirement Scheme introduced as part of the Fiscal Balance Program. On the other hand, the number of non-Bahrainis in the private sector decreased by 4% in the year.

Average salaries of Bahrainis working in the private sector increased by 2.4% to BHD 740, while the average salaries of Bahrainis working in the public sector decreased 7.9% to BHD 831. On the other hand, the average salary of non-Bahrainis in the private sector rose by 3.8% to BHD 245.

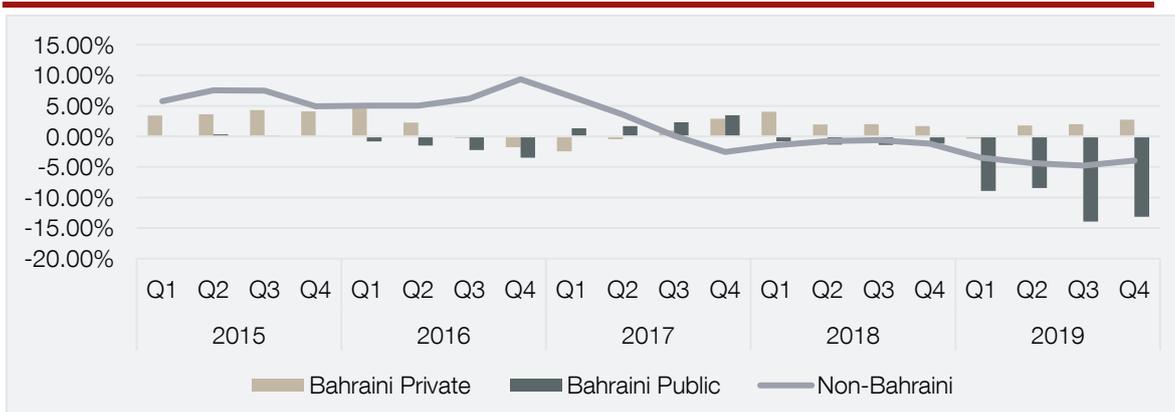
### Change in Contributors to the Social Insurance Organization (%)



Source: Social Insurance Organization

The number of total contributors to the SIO reached 620,713 as of Q4 2019. This marked a 3.7% YoY decline. There was a small 0.4% QoQ increase in this labour market segment, the first one since Q1 of 2018 when total contributors numbered 650,423.

### YoY Change in SIO Contributors by Market Segment (%)



Source: Social Insurance Organization

The National Employment Program was launched on 25 February 2019 to recruit Bahrainis, increase their opportunities in securing quality jobs in the private sector and to make citizens the first choice of employment.

The program had 4 key initiatives:

- ◆ Registration Campaign: which aimed at raising awareness and encouraging individuals to register on the unemployment database. Until 25 March 2020, 14,062 individuals had registered and 13,851 job seekers have been employed through the Ministry of Labour and Social Development.
- ◆ Increase unemployment benefit (duration & amount): Monthly unemployment compensation increased to BHD 200 for university graduates and BHD 150 for others. In addition, beneficiaries receive compensation for a maximum of 9 months, instead of the previous 6-month period. Since disbursements began in June 2019 and until the end of the year, 1,082 individuals received compensation, up 41% on the same period in 2018. The total aid also increased by 54% to BHD 8,683.
- ◆ Increase fees for Parallel System and Flexi Work Permit: The Parallel System fees increased from BHD 300 to BHD 500, which resulted in a reduction in the number of applications received and permits issued by 15% and 21%, respectively. On the other hand, the Flexi Work Permit fees increased from BHD 200 to BHD 500, resulting in a reduction in the number of applications received and permits issued by 39% and 41%, respectively.
- ◆ Re-designing Tamkeen's training and wage support programme: This is aimed at encouraging companies to hire Bahrainis. Tamkeen implemented the initiative in April 2019 and has since approved more than 1,800 applications at a cost exceeding BHD 9.5mn.

On 27 May 2019, the Ministry of Labour and Social Development implemented an initiative requiring employers who apply for new work permits in certain jobs to take a 2-week cooling off period to choose alternate candidates registered within the Ministry. Over 2,100 individuals have been employed through this mechanism.

## *International Rankings*

The **Index of Economic Freedom 2020**, published by the Heritage Foundation, ranks Bahrain as the 63<sup>rd</sup> freest economy among 180 countries, and ranks 4th among MENA region countries. Bahrain maintained a high performance in the “Tax Burden” component scoring 99.4%, mainly due to the Kingdom’s unique and attractive business environment, where the country imposes no taxes on personal income and corporates apart from companies working in the oil and gas sector. Furthermore, Bahrain improved 7.1 points in the “Property Rights” component, as the Government enforces property rights protections for property owners.

Bahrain was ranked 41<sup>st</sup> country out of 132 in the **Global Talent Competitiveness Index 2020** which is published by INSEAD and other partners. Bahrain maintained its position within the top ten performers in the North Africa and Western Asia region. Also, Bahrain is among the top ten performers in 5 out of 6 pillars covered by the index, including the “Attract” pillar, which measures attracting foreign valuable resources and creative people, in which Bahrain ranked 17th globally.

Bahrain was ranked as the 40<sup>th</sup> happiest country among 156 countries, and 3<sup>rd</sup> among GCC countries according to the latest **World Happiness Report 2020**, published by the Sustainable Development Solutions Network and other partners. The report measures how happy countries’ citizens are based on the Gallup World Poll.

Bahrain ranked 38<sup>th</sup> out of 137 countries, and 3<sup>rd</sup> in the GCC, in the **Global Entrepreneurship Index 2019**, published by Global Entrepreneurship and Development Institute. The Index measures countries across 14 entrepreneurial ecosystem pillars, and Bahrain recorded improvements in 7 pillars. Furthermore, Bahrain maintained its position earning a full score in the “High Growth” pillar, which measures the percentage of high-growth businesses that intend to employ at least 10 people and plan to grow by more than 50% in five years.

Bahrain improved one spot to rank 15<sup>th</sup> among 50 emerging markets according to the **Agility Emerging Market Logistics Index 2020**. The Index ranks countries based on factors that make them attractive to logistics providers, freight forwarders, shipping lines, air cargo carriers and distributors. Bahrain improved 3 spots in the “Business Fundamentals” sub-index, ranking 5<sup>th</sup> globally. This sub-index assesses a number of areas including the regulatory environment, inflation and price stability, and contract enforcement and anti-corruption frameworks. Bahrain topped all countries in easiness of paying taxes.

## 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.

<b>Real Estate and Business Activities</b>	Comprises real estate activities such as purchase or lease, that are mainly linked to the business sector. However, more or less all activities covered in this section can also be provided to private households, for example, renting of personal and household goods, database activities, legal activities, accounting or auditing services, interior decoration and photographic activities, etc.
<b>Trade</b>	Comprises wholesale and retail sale (sale without transformation) of any type of goods, and rendering services incidental to the sale of merchandise.
<b>Hotels and Restaurants</b>	Comprises units providing customers with short-term lodging and/or preparing meals, snacks, and beverages for immediate consumption.

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