



BAHRAIN
ECONOMISTS
SOCIETY

SUMMARY OF BAHRAIN ECONOMIC QUARTERLY REPORT Q1 2021

Issued June 2021

The BEQ is issued quarterly by the Ministry of Finance and National Economy. It summarises the key economic developments during the first quarter of 2021.

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Internal Context

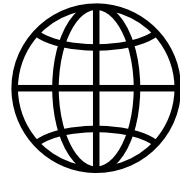
- On a quarterly basis, Bahrain's real GDP declined slightly by 0.1% while nominal GDP grew by 1.5%.
- On a yearly basis, Bahrain's real GDP declined by 2.1% and increased by 0.3% in nominal terms.
- The economic results reflect the continuing efforts by the government as more support is being provided under the financial and economic stimulus package coupled with a successful launch and management of the vaccination campaign.



External Context



The International Monetary Fund projects a robust rebound with 6% global growth in 2021 followed by 4.9% in 2022.



External Context



The Arab Monetary Fund predicts a growth of 2.8% in 2021 and 3.6% in 2022, supported by improved external global demand, anticipated rise in commodity prices and the positive impact of the economic stimulus efforts.

- A number of countries witnessed growth during Q4 2020:



Real GDP grew 6.4% in Q1 2021 YoY after the US announced its USD1.9 trillion relief package back in March 2021.



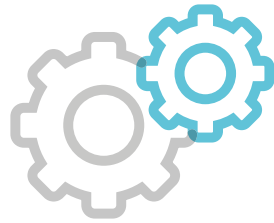
Real GDP grew 18.3% in Q1 2021 YoY and has been able to benefit from good progress in controlling the pandemic.



Real GDP declined 0.6% in Q1 2021 QoQ after initial delays in scaling up vaccination programs. The European Central Bank projects growth of 4.6% in the Eurozone during the year 2021.



Real GDP declined 3.0% in Q1 2021 YoY due to the decline in the growth of the oil sector by 11.7%.



Non-oil Sector

- On a quarterly basis, the non-oil sector recorded a decrease of 0.6% in real terms and 1.9% in nominal terms.

Biggest Winners in Q1 2021



Transport and
Communications

+6.5%



Social and Personal
Services

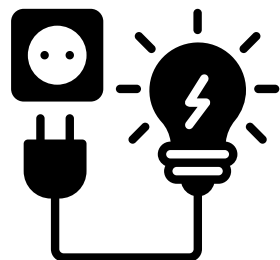
+3.8%



Real Estate and
Business Activities

+0.7%

Biggest Losers in Q1 2021



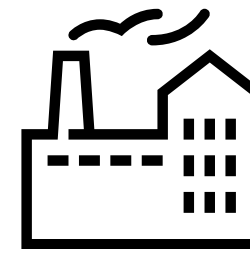
Electricity and
Water

-6.4%



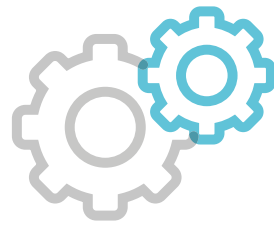
Financial
Corporations

-4.7%



Manufacturing

-4.5%

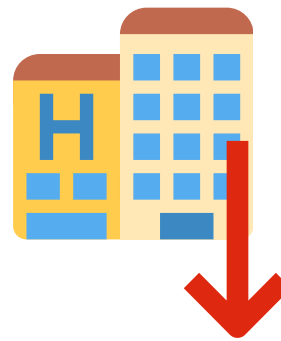


Non-oil Sector

- On a yearly basis, the non-oil sector recorded a decrease of 3.0% in real terms and 1.8% in nominal terms.



Financial Services registered the highest YoY growth both in real terms at 7.6% and in nominal terms at 9.4%.



Hotels and Restaurants remains the most significantly impacted sector due to the pandemic, as its nominal GDP declined by 20.4% YoY.



Non-oil sectors contributed 86.4% to nominal GDP

The Financial Corporations and the Manufacturing sector account for 17.9% each, followed by the Oil sector (13.6%) and the Government Services sector (13.3%).



Oil Sector

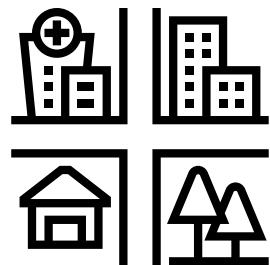
- On a quarterly basis, the Oil sector increased by 2.4% in real terms and by 29.3% in nominal terms.
- On a yearly basis, the Oil sector increased by 2.0% in real terms and by 16% in nominal terms.
- There has been an improvement in global oil prices, where the Brent average increased from USD50.4 in Q1 2020 to USD60.8 in Q1 2021.
- Total average production rose to 188,433 barrels per day, representing an increase of 4% YoY and 3.7% QoQ.
- Production from the off-shore Abu Saafah field averaged around 144,238 barrels per day, while the average onshore production from the Bahrain field was 44,194 barrels per day.
- The average production of natural gas and associated gas reached 210,443 million cubic feet in Q1 2021, which marked a 2.2% decrease YoY and a 0.9% decrease QoQ.



Oil Sector

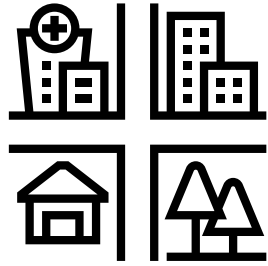
Investment activity in the oil and gas sector continued to grow despite the COVID-19-related disruptions to economic activity:

1. The flagship Bapco refinery modernization program is almost 70% completed, and is on track to be concluded by the fourth quarter of 2022.
2. Bahrain's National Oil & Gas Authority (NOGA) in January signed a memorandum of understanding with Italy's Eni Rewind to collaborate on a range of energy as well as water and soil projects to work toward sustainable development.



Infrastructure Projects

- Bahrain's Tender Board statistics for Q1 2021 reflect the awarding of 528 tenders and auctions with a combined value of BD606.9 million, marking a 23% YoY increase.
- The oil and gas sector saw the highest number of tenders, with an aggregate value of BD 289.2 million, followed by the aviation sector with an estimated value of BD144 million.



Infrastructure Projects

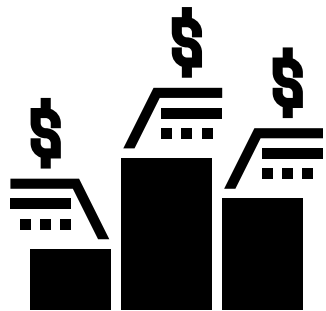
Several flagship infrastructure projects around the Kingdom are continuing to advance:

- Bahrain International Circuit (BIC), in co-ordination with the kingdom's Sustainable Energy Authority (SEA), launched a tender for a major solar plant to be developed. The grid-tied solar photovoltaic (PV) power plant will a minimum capacity of 3 MWac and will be installed as car park shades at the BIC.
- A bundle of environmental projects has been announced for Tubli Bay to clean and improve the water circulation in the area and to expand the water channels near Ma'ameer.
- Land reclamation and preparation of the land works have been completed in East Sitra Housing Project ahead of the commencement of the infrastructure works and the construction of the units.



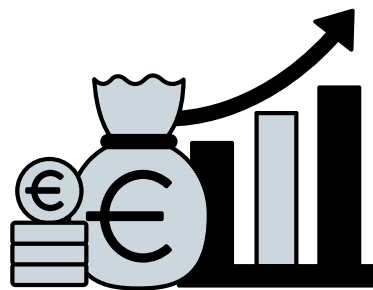
Financial Markets

- The Bahrain All Share Index closed at the end of the first quarter of 2021 at 1,458.03 points having been relatively flat throughout Q1.



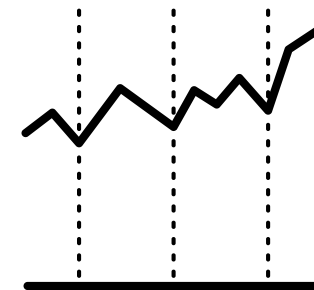
**Total Market Capital
reached BD 9.08bn**

6.8% YoY



**Value of Traded Shares
reached BD 60.4mn**

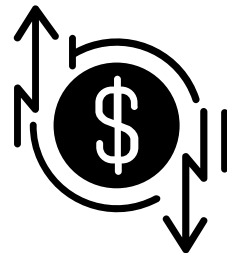
-5.1% YoY



**Volume of Traded Shares
reached 323.1mn**

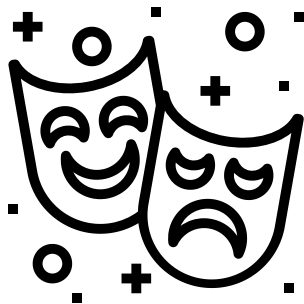
11.1% YoY

- The gains were concentrated in the services sub sector, which represented 38.1% of the total value of shares traded and 25.0% of the total volume of shares traded in Q1.
- Bahraini investors accounted for 77.7% of the total value of traded shares, while non-Bahraini investors accounted for 22.3%.

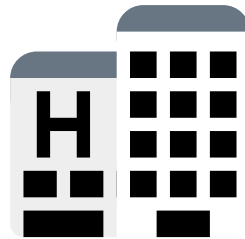


Inflation

- The consumer price index continues to show an overall deflationary trend, with prices in Q1 2021 down by 2.6% YoY.
- The rate of deflation was 2.7% in January, 3% in February and 2% in March.
- The sharpest depreciation (YoY) was observed in the following sectors:



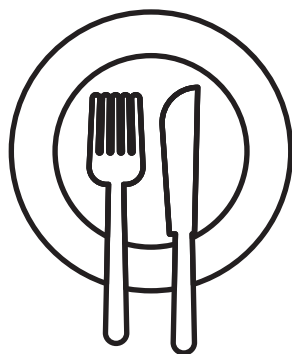
**Entertainment and
Culture**
-25.8%



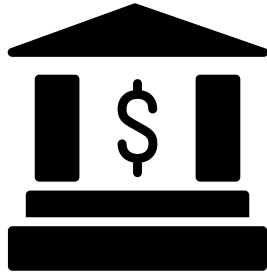
**Restaurants and
Hotels**
-8.4%



Clothes and Shoes
-6.5%



- Substantial inflationary pressures were seen in the food area, in reflection of global trends and supply chain disruptions. The price pressures were particularly pronounced with respect to meat (3.7%) and seafood (4.3%).



Bank Credit and Deposits

- The total value of outstanding loans issued by Bahraini retail banks stood at BD10.6 billion at the end of Q1 of 2021.
- Bank lending grew by 4.3% YoY and 1.4% QoQ.
- Credit growth was led by an 8.9% YoY in personal loans. Business loans grew by 0.2% YoY but decreased by 0.8% QoQ. Lending to the public sector witnessed an increase of 6.1% YoY and 26.7% QoQ.
- Total deposits in Bahraini Dinars increased by an annual rate of 7.9% and a quarterly rate of 1.3%.
- The average interest rate continued to decline in line with global trends, central bank policy decisions, and the ample liquidity in the banking sector. The average interest rate on commercial loans fell to 1.9% in March 2021, which marked a 54.6% decrease on the previous year. By contrast, the rates on personal loans have continued to show relative stability with a slight 0.8% increase to reach 4.8% as of the end of Q1.



Labour Markets

- The number of Bahrainis working in the public sector remained stable QoQ around 48.7 thousand workers, and their salary also remained consistent at BD825 (both figures saw a QoQ change of around 0.1%).
- The number of Bahraini workers in the private sector decreased slightly by 0.2%, to around 94 thousand and their average monthly salary increased by 1.7% to BD 771.
- The number of expatriate employees registered at the SIO increased by 0.6% QoQ, as did their average monthly wage which increased by 1.6%, to reach BD 262.












International Trade

- The trade deficit decreased by 3.8% at the end of Q1 2021.
- The total value of non-oil merchandise exports amounted to BD869.5 million, which was 7.0% higher than Q1 2020.



International Trade

- The value of exports of national origin rose to BD684.3 million, partly reflecting the positive dynamic in global commodity prices, including Bahraini staples such as aluminium. Base metals and articles of base metals accounted for nearly half the total national-origin exports and were up 16.4% YoY.
- The total value of Bahrain's non-oil merchant imports during the quarter amounted to BD1,312 million, up 3.1% YoY and thus mirroring the dynamic on the export side. The mineral products group saw the fastest growth during the period, up a remarkable 63.0% YoY.
- The following are the Kingdom's key trading partners over Q4 2020:

Imports			Exports		
% of Total	Country		% of Total	Country	
12.2%	China		20.5%	Kingdom of Saudi Arabia	
8.8%	Switzerland		12.4%	Malaysia	
7.1%	Australia		8.54	Sultanate of Oman	
7.1%	Kingdom of Saudi Arabia		7.4%	United States of America	
6.5%	United Arab Emirates		6.0%	United Arab Emirates	