



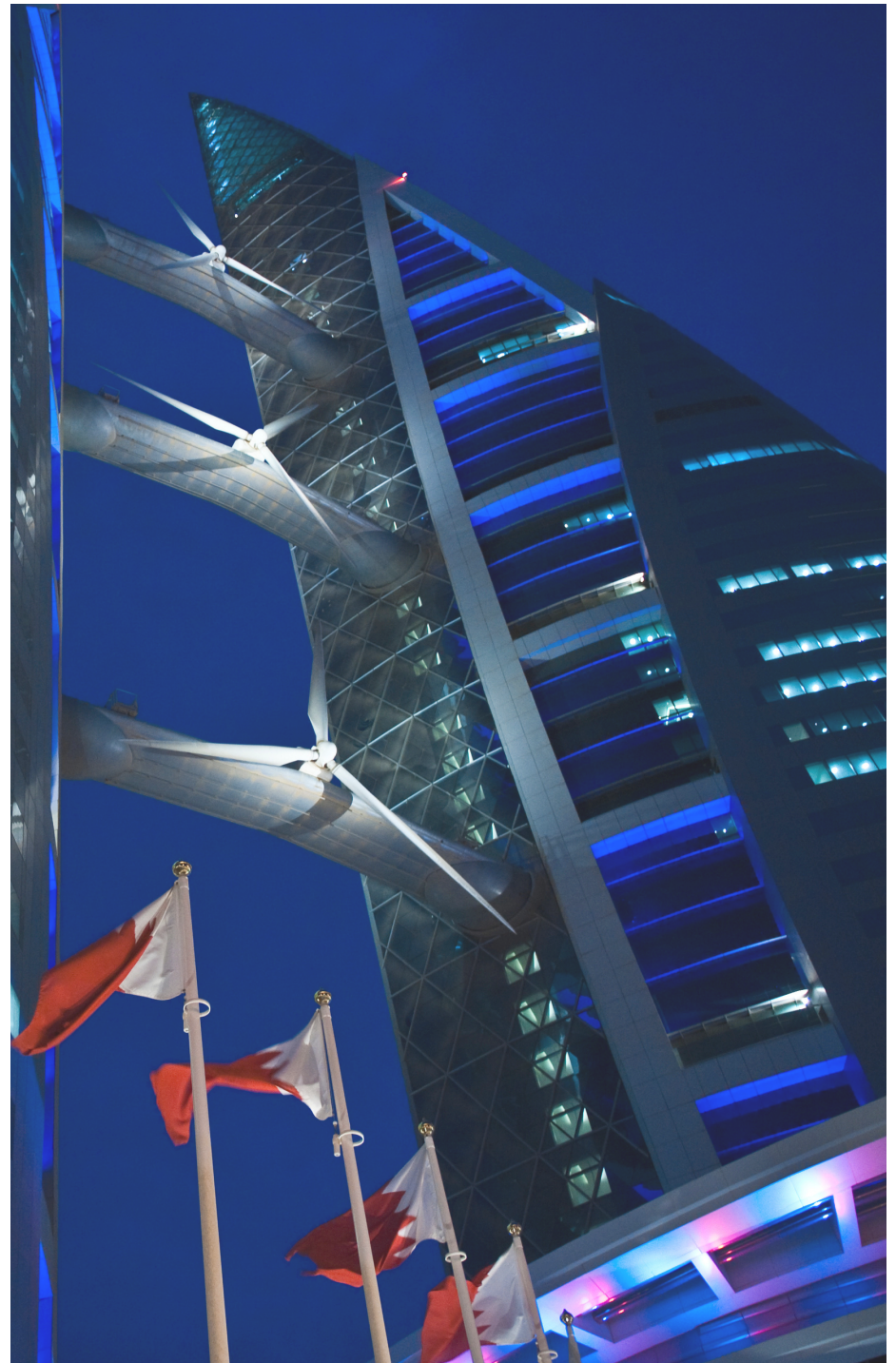
BAHRAIN
ECONOMISTS
SOCIETY

SUMMARY OF BAHRAIN ECONOMIC QUARTERLY REPORT Q4 2021

Issued March 2022

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

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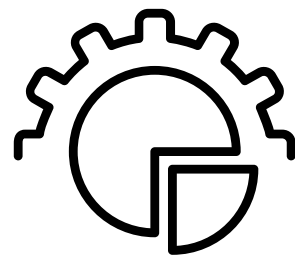


Internal Context

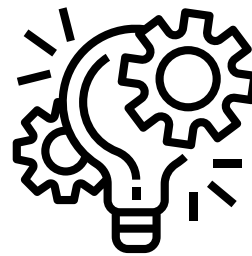
- Bahrain's real GDP grew by 2.2% while nominal GDP grew by 11.9% in **2021**.
- Bahrain's real GDP grew by 4.3% while nominal GDP grew by 18.4% in **Q4 2021**.
- The strong growth reflected the positive dynamic in commodity prices, notably oil and aluminum.
- The government of Bahrain has announced its economic recovery plan, which included 27 initiatives across 5 priority pillars in Q4 2021 including:



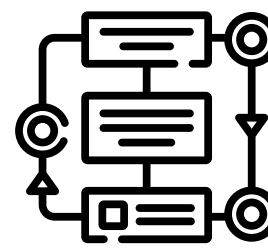
Creating quality jobs for Bahrainis to make them 'employee of choice'



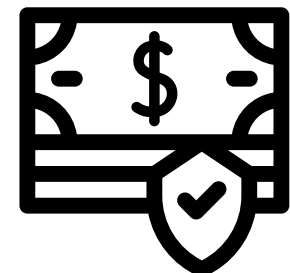
Launching major strategic projects



Developing strategic priority sectors



Simplifying and increasing the efficiency of the commercial procedures



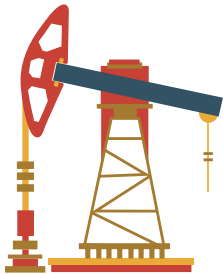
Achieving fiscal sustainability and economic stability by 2024.



External Context



The IMF forecasted a slow down in global growth from 5.9% in 2021, to 4.4% in 2022 and 3.8% in 2023 in its January 2022 World Economic Outlook report.



Oil markets have been experiencing increased demand as a result of robust global demand growth and slower-than-expected supply increases.

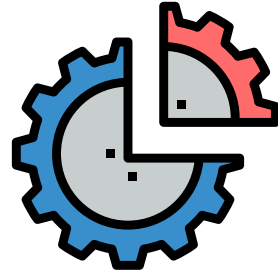
The military conflict between Russia and Ukraine has pushed Brent above USD105 per barrel and Texas crude to over USD102 a barrel.



The strengthening recovery along with continued supply chain challenges have caused inflation to reappear as a noticeable economic policy focus. The United States saw its CPI inflation reach a 40-year high of 7.5% for the year 2021.



The Federal Reserve has raised interest rates by 0.25% in March 2022 for the first time since 2018.

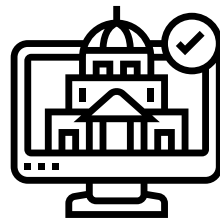


Non-oil Sector

- The non-oil sector recorded an increase of 2.8% in real terms and 7.3% in nominal terms in **2021**.
- The non-oil sector recorded an increase of 4.2% in real terms and 13% in nominal terms in **Q4 2021**.
- Non-oil sectors contributed 82.6% to real GDP:



Financial
Corporations
contributed
17.9%



Government
Services
contributed
13.0%



Manufacturing
Sector
contributed
13.9%

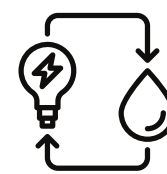
- Best performers in Q4 2021:



Hotels and
Restaurants
+31.7%



Transport and
Communications
+11.5%



Electricity and
Water
+9.6%



Oil Sector

- The Oil sector decreased by 0.3% in real terms and increased by 48.4% in nominal terms in **2021**.
- The Oil sector increased by 4.7% in real terms and increased by 64.1% in nominal terms in **Q4 2021**.



The Brent benchmark closed the year 2021 with an annual average of USD70.9 per barrel, up 68.9% on 2020, the largest increase ever recorded.



Average oil production from Abu Sa'afah's field amounted to 148,347 b/d representing an increase of 7.4% annually.

Average oil production from onshore Bahrain Field amounted to 41,114 b/d representing a decrease of 5.8% annually.



Oil Sector



Bahrain gas production rose by an annual 3.9% during **2021**.

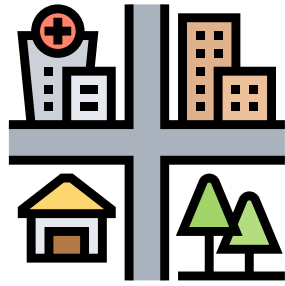
Gas production was up about 225,910 million cubic feet, an increase of 6.4% YoY and a 10.3% drop QoQ in **Q4 2021**.



Bapco

The current completion rate of the Bapco Modernization project is at 78.7% as of December 2021.

The project will increase Bapco's capacity from 267,000 to 380,000 barrels per day which will allow the company to be more efficient and competitive in the market.

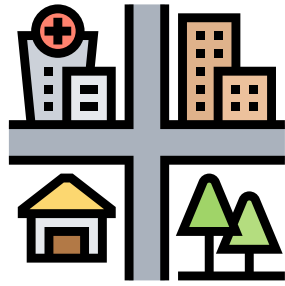


Infrastructure Projects

- The GCC Development Fund has contributed to the financing and implementation of many vital projects in the Kingdom of Bahrain.
- Additional projects have been awarded valued at USD30mn, bringing the total value of projects to about USD5.83bn out of a total of USD7.4bn, which represents an increase of 0.5% QoQ.
- Notable strategic projects include:

Wastewater treatment plant for King Abdulla Medical City, which falls under the umbrella of the Saudi Development Fund.

Successful completion of the royal directives to provide 40,000 housing units to citizens which included the construction of five new housing cities: **Salman City, Khalifa City, East Hidd City, East Sitra City, and Al Ramli Suburb**



Infrastructure Projects

A pre-qualification tender has been launched for the developers implementing the **first phase of the Bahrain Metro**, which will provide a new type of sustainable mobility in the Kingdom of Bahrain.











Diyar Al Muharraq and Eagle Hills Diyar signed a preliminary agreement with the Abu Dhabi Ports Group, to explore opportunities to develop and operate a **cruise ship terminal** and related infrastructure in the Kingdom of Bahrain.

The **first phase of the Al Jazayer Beach** was opened in November 2021 offering an area of 1.5 square kilometers and includes beaches, public facilities, and a series of restaurants and cafes.



International Trade

- The trade balance of non-oil goods recorded a clear improvement during 2021, as the trade gap decreased from BD 1.7bn in 2020 to BD 0.6bn in 2021.
- The total exports recorded a 53.3% YoY increase to USD 12.5bn.
- Non-oil merchandise exports produced locally reached USD 10.7bn during 2021, marking a 67.9% YoY increase.
- Non-oil merchandise imports in 2021 saw an 11.7% YoY increase to USD14.2bn.
- The following are the Kingdom's key trading partners:

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



Foreign Direct Investment

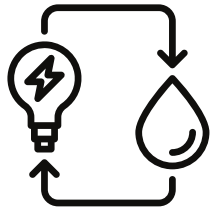
- FDI inflows into Bahrain during Q4 2021 reached approximately BD 26.3mn, which raised the value of FDI in 2021 to BD 12.6bn

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



Inflation

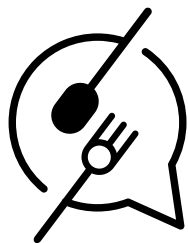
- Inflation during 2021 as a whole averaged -0.6% while the Q4 2021 average was a positive 0.3% in reflection of a slight pick-up in price pressures.
- The minimal inflationary pressures in the year are largely due to the structure of the CPI basket.



The most important single category – with a 25% weight – is housing, water, electricity, gas and other fuels costs which have seen deflation in most months since late 2019.



Transportation is another important category with a 17.8% weight and turned negative in the second half of 2021.



Food inflation has been more volatile but makes up a much smaller share of the CPI basket at 12.2%.



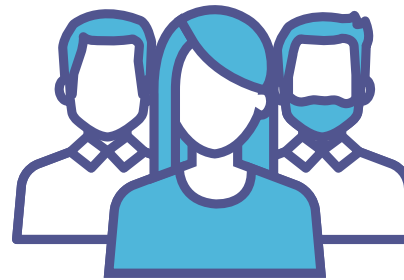
Bank Credit and Deposits

- As of December 2021, total loans by retail banks stood at BD 10.9bn which marked a 4.7% YoY increase and a 1.6% QoQ increase.



YoY growth of Business Lending

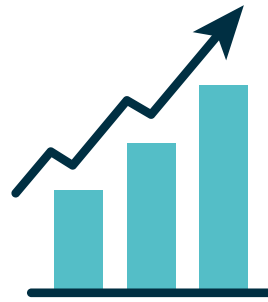
+0.3%



YoY growth of Personal Lending

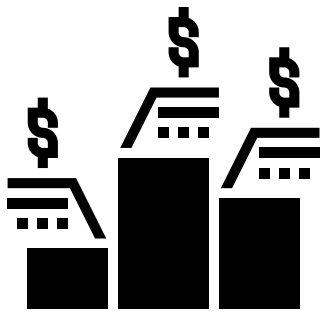
+8.3%

- As of December 2021, bank deposits were growing at an annual pace of 10.6% and stood at BD 18.7bn.
- The average cost of conventional business loans closed the year at 4.1% having temporarily peaked at 5.5% in February 2021.
- The average cost of conventional personal loans (excluding credit cards) declined to 4.3% in December 2021, down from a peak of just over 5% in May-June.



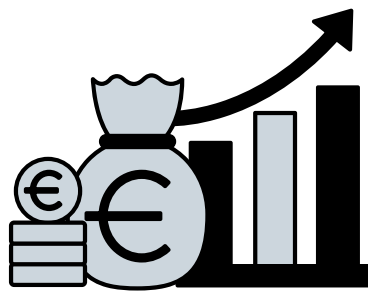
Financial Markets

- The Bahrain General Index closed at the end of 2021 at 1,797.25 points, an increase of 20.6% compared to the end of 2020



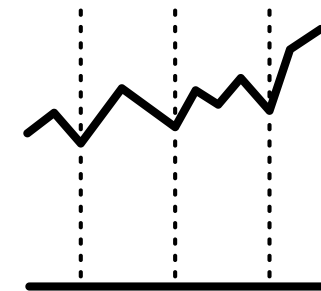
**Total Market Capital
reached BD 10.8bn**

+16.6% YoY



**Value of Traded Shares
reached BD D195.7mn**

-8.1% YoY



**Volume of Traded Shares
increased by**

+8.8% YoY



Labour Markets

- The total number of Bahraini workers increased by 1.3% QoQ reaching a total of 145,849 workers.
- The number of Bahrainis working in the public sector increased by 1.3% QoQ, bringing the number to 48,915 Bahrainis.
- The number of Bahrainis working in the private sector increased by 1.4% QoQ, bringing the total workers to 96,934 Bahrainis.
- The average monthly salary of Bahrainis in the public sector increased by 4.8% QoQ, which amounted to BD 867.
- The average monthly salary of Bahrainis in the private sector decreased by 0.8% QoQ, reaching an average monthly salary of BD 757.
- The number of non-Bahraini workers reached a total of 419,438, achieving an increase of 2.8% QoQ, with the average monthly wage decreasing by 1.1% to reach BD 263.



Labour Markets

- The second wave of the National Employment Program played a role in strengthening the joint national efforts to make the Bahraini citizen the first choice for employment in companies and private institutions.
- A total of 26,344 Bahrainis have been employed under the program in 2021, exceeding the expected number of 25,000, and employed within 6,826 organizations. The total number of those trained has reached 12,841 trainees, exceeding the target number of 10,000.