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Tamkeen

Tamkeen Business Review

Overview
of 2023

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Data Sources

Section	Data Indicators	Data Source	Released Date
Economic Development	Real Gross Domestic Product (GDP)	National Accounts, Information & eGovernment Authority	Q4, 2023
	Sector Growth	National Accounts, Information & eGovernment Authority	Q4, 2023
	GDP Breakdown by Sector	National Accounts, Information & eGovernment Authority	Q4, 2023
	Inflation	CPI, Information & eGovernment Authority	Dec 2023
	Average Rate on Interest Rates	Statistical Report, Central Bank of Bahrain	Dec 2023
	Bank Credits & Deposits	Statistical Report, Central Bank of Bahrain	Dec 2023
	Foreign Trade	Foreign Trade, Information & eGovernment Authority	2023
Labor Market	Private Sector Employment	Statistical Report, Social Insurance Organization	Q4, 2023
	New Labor Market Entrants	Statistical Report, Social Insurance Organization	Q3, 2023
Global Economic Context	Real GDP Growth	IMF, World Economic Outlook Update	Oct 2023
	Europe Brent Spot Price	US Energy Information Administration	Dec 2023

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Bahrain's economy demonstrated growth in 2023, with YoY increase in real GDP by 2.4%

Executive Summary

Bahrain's economy demonstrated growth in 2023, with year on year (YoY) increase in real GDP by 2.4%. The GCC faced a slowdown primarily due to oil production cuts. Despite the challenges in the region, Bahrain's non-oil sector demonstrated resilience with a YoY growth of 3.4%.

1. Global Economic Context Update

- The IMF in January upgraded its global growth expectation for 2024 to 3.1% (from 2.9% previously) on the back of stronger-than-expected performance in the US and China.
- GDP growth in the GCC moderated sharply from 7.6% in 2022 to just 0.5% in 2023. However, the slowdown was almost entirely due to significant cuts to oil production as the regional economies led the OPEC+ efforts to rebalance the oil market.

2. Bahrain Economic Development

- Bahrain's non-oil sector continues to grow with a YoY increase of 3.4% in 2023 compared to 2022.
- The fastest-growing sectors were Hotels & Restaurants, Financial & Insurance Activities, and Trade.

3. Foreign Trade Overview

- Bahrain's non-oil merchandise trade deficit shrank by 41.8% between 2019 and 2023—from BHD1.89 Bn in 2019 to BHD1.1 Bn in 2023.

- The trade position has also benefited from a slight reduction in imports. This is partly reflective of the easing of global supply chain bottlenecks and inflationary pressures.

4. Labor Market Overview

- The number of Bahrainis in the private sector reached a significant milestone by surpassing 100,000 registered individuals, demonstrating a 2% YoY increase in the total number of Bahraini employees in the private sector.
- The monthly average wage of Bahraini employees in the private sector increased by 4% in 2023 compared to 2022.
- In 2023, Bahraini female employment in the private sector increased by 2.2% YoY compared to the 1.2% YoY increase in Bahraini male employment.

The Bahraini economy has demonstrated considerable resilience in a higher-interest rate environment. The continuity in non-oil growth dynamics reflects both the benefits of a highly diversified economic structure as well as the substantial investments made in additional productive capacity. These have both bolstered private employment and significantly improved the non-oil merchandise trade balance of the country. These realities position the economy well for the prospect of lower interest rates and increased project activities in the near- to medium-term.

Bahrain 2023 Highlights

Economic Insights

Data Source: IGA, Open Data, National Accounts, CPI, FDI, Q4 2023/LMRA, Table 43, Q2 2023



BHD 13,661 M

Real GDP, 2023



2.4%

YoY Growth In Real GDP



84%

Non-Oil Real GDP Share 2023



3.4%

YoY Non-Oil Growth In Real GDP



-0.3%

Inflation, Dec 2023



74,154

Active CRs Q2 2023

Fastest Growing Sectors (YoY%)

Data Source: IGA Open Data, National Accounts, Q4 2023



8.0%

Hotels & Restaurants



5.7%

Financial & Services Activities



5.3%

Trade

Private Sector Employment

Data Source: SIO, Statistical Report, Q4 2023



101,522

Bahraini Employees



458,768

Non-Bahraini Employees



2%

65,296

Total Male Employees



3%

36,226

Total Female Employees



1%

413,731

Total Male Employees



11%

45,037

Total Female Employees



BHD 815

Average Wage of Bahrainis



BHD 262

Average Wage of Non-Bahrainis

Public Sector Employment

Data Source: SIO, Statistical Report, Q4 2023



50,137

Bahraini Employees



6%

BHD 951

Average Wage of Bahrainis

Bahrain Economic Development

Key Takeaways

1. Bahrain's non-oil sector continues to grow with a YoY increase of 3.4% in 2023 compared to 2022 due to government efforts in promoting various industries that contribute to sustained economic growth.
2. The fastest-growing sectors were Hotels & Restaurants, Financial & Insurance Activities, and Trade.
3. The non-oil sector contributed 83.9% to Bahrain's real GDP in 2023. Financial & Insurance activities led with 18%, followed by Manufacturing with 14% and Government Services at 13% each.

In 2023, global economic growth slowed amid interest rate hikes and a volatile political environment. The International Monetary Fund (IMF), in its World Economic Outlook, revised growth projections for 2023 and 2024. The Middle East and Central Asia region, which experienced a sharp slowdown in its real GDP in 2023, mainly due to reduced oil production, is expected to rebound from approximately 2% in 2023 to 3.4% in 2024.

Bahrain has shown continued resilience in its non-oil growth dynamics even amid higher interest rates with a YoY increase of 3.4% in 2023 compared to 2022.

Sector-specific growth patterns continue to reflect some of the ongoing post-COVID normalization of economic activity. The fastest growing sectors were Hotels & Restaurants, Financial & Insurance Activities, and Trade, posting YoY gains of 8.0%, 5.7%, and 5.3% respectively.

Hotels & Restaurants recorded the highest level of growth among non-oil sectors. This could be attributed to the 24.7% YoY increase in inbound tourism. In addition to the expansion of hotel capacity through recent project developments such as Jumairah Gulf of Bahrain Resort & Spa, Hilton Bahrain, The Address Beach Resort Bahrain, Vida Beach Resort Marassi AlBahrain, and Galleria Shopping Mall.

The Financial sector continues to play a vital role in the economy. Aimed consolidation in the industry, financial services continue to embrace areas of innovation in areas including fintech, decentralized finance, and open banking.

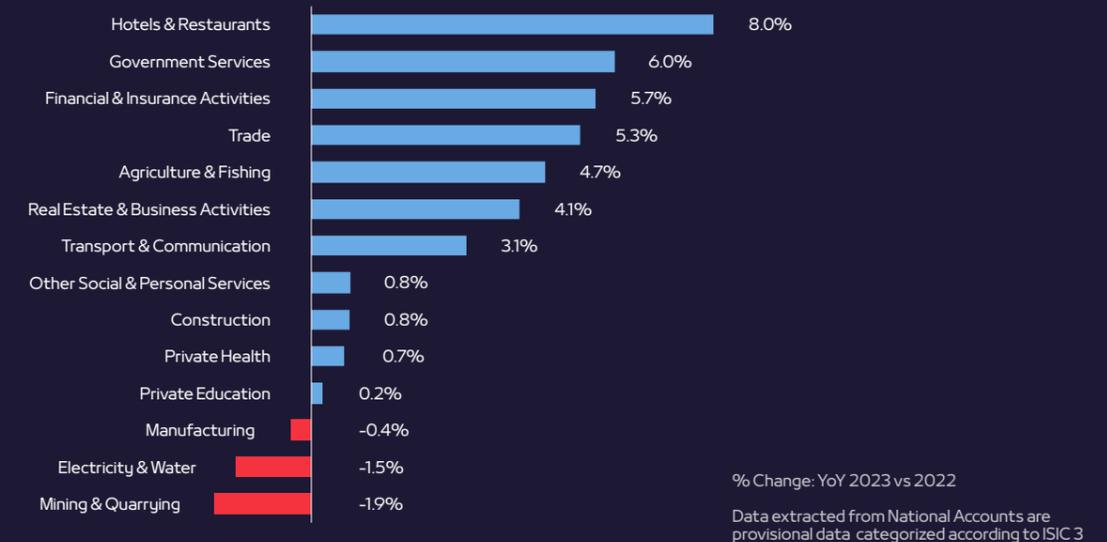
According to [MOFNE's Bahrain Economic Report 2023](#), the Trade sector experienced a growth of 5.3% YoY in 2023, driven by an increase of 9.6% in mall footfall, a 7.9% rise in the value of Point of Sale and e-commerce transactions, and a 5.6% increase in newly issued Company Commercial Registrations.



Bahrain has continued to see growth in non-oil economy with a YoY increase of 3.4%

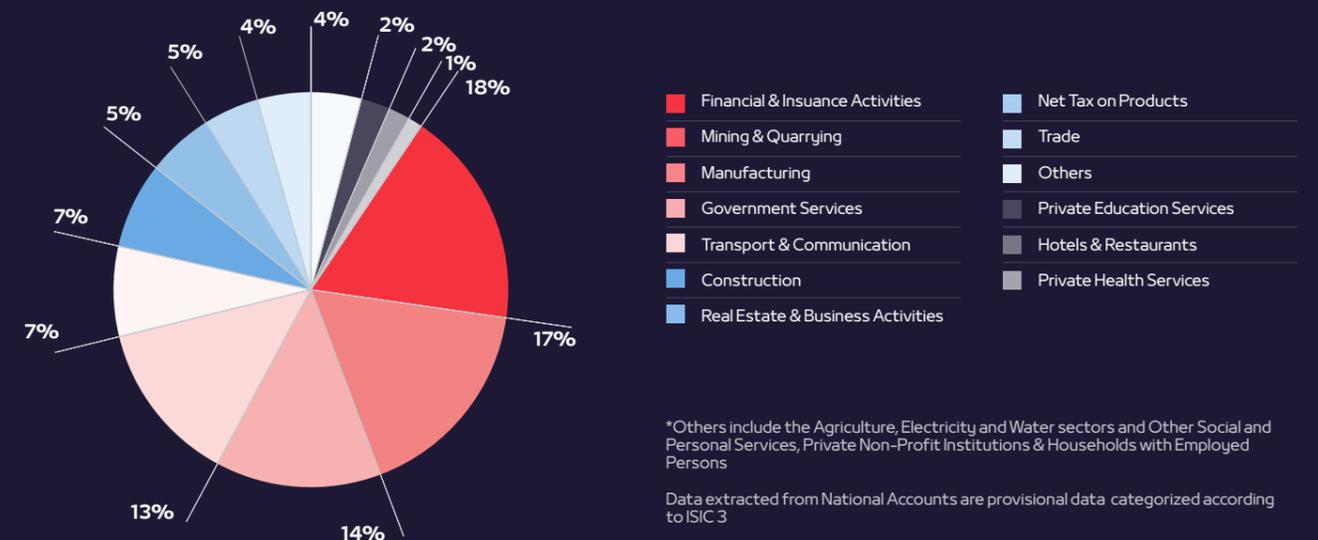
Bahrain's YoY Real GDP Growth per Sector (% , 2023)

Data Source: IGA, National Accounts, Q4 2023



GDP Breakdown by Sector (% , 2023)

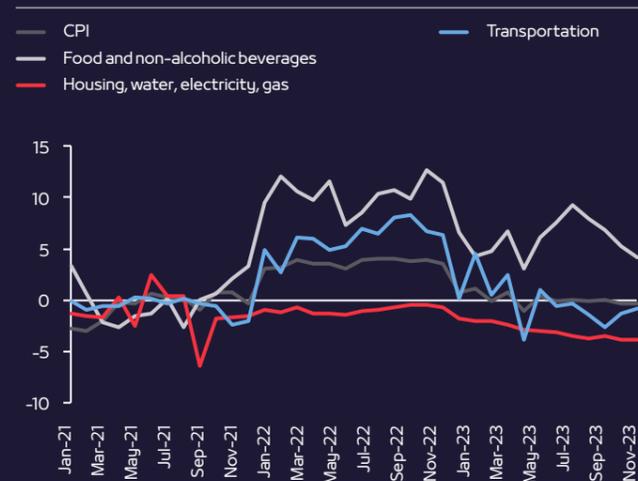
Data Source: IGA, National Accounts, Q4 2023



Bahrain Economic Development

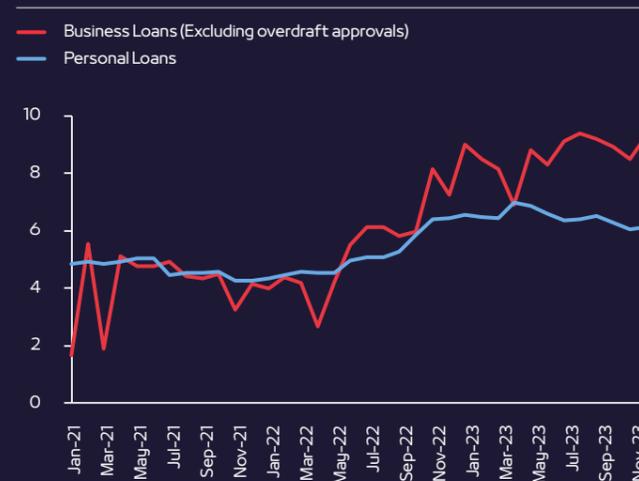
- Amid significant global inflationary pressures, price pressures eased in Bahrain during 2023. From averaging 3.6% in 2022, the annual pace of consumer price inflation moderated to less than 0.1% in 2023.
- Consumer price inflation in the recent past has been primarily driven by food prices, although the pace of inflation has moderated sharply. By contrast, the largest component of the CPI basket—housing costs—has remained mildly deflationary following a period during which housing supply growth outpaced demand dynamics.
- The cost of business loans were volatile over the past year than personal credit rates. The average interest rate on business loans stood at 9.3% in December, having averaged 8.7% during the year as a whole. This is in comparison to an average of 5.4% in 2022. The increased average interest rates on business loans indicate that companies may face higher borrowing cost and increased financial burden.
- The average rate of interest for personal loans averaged 6.5% in 2023 but began to gradually trend down towards the end of the year.
- Interest rates are expected to decline gradually across the world in 2024 with 2–3 reductions anticipated by the US Federal Reserve. These moves should be mirrored in Bahrain and will boost the liquidity situation as well as demand for credit.
- Liquidity is also benefiting from renewed deposit growth. Retail bank deposits totaled BHD20.2 Bn in December 2023, which marked 6.3% YoY growth. This follows a fairly steady acceleration from a low point of -2.3% in June.
- Bank credit growth moderated sharply in the course of 2023, in large part due to more subdued demand amid higher loan rates. After reaching a peak of 7.6% in September 2022, the YoY change in retail bank lending dropped to 0.4% a year later. However, loan growth picked up pace and ended the year at 4.3%, both in reflection of an acceleration in GDP growth and expectations of lower rates.

Consumer Price Inflation (YoY %, Jan 2021 – Dec 2023)



Data Source: iGA, Consumer Price Index, December 2023

Average Rate of Interest on Credit Facilities (% , Jan 2021 – Dec 2023)



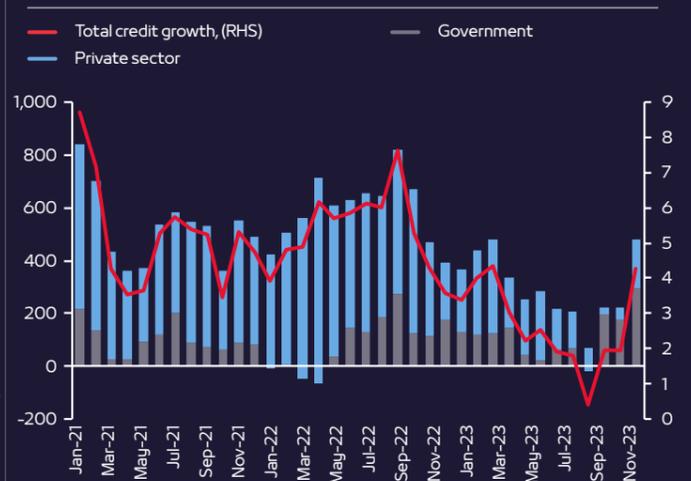
Data Source: CBB, Statistical Bulletin, Table 7, December 2023

Deposit Liabilities to Non-Banks (BHD Million, %, Jan 2021 – Dec 2023)



Data Source: CBB, Statistical Bulletin, Table 18, December 2023

YoY Growth in Credit Issued by Retail Banks (BHD Million, %, Jan 2021 – Dec 2023)



Data Source: CBB, Statistical Bulletin, Table 19, December 2023

Foreign Trade Overview

Key Takeaways

1. Bahrain's non-oil merchandise trade deficit shrank by 41.8% between 2019 and 2023—from BHD1.89 Bn in 2019 to BHD1.1 Bn in 2023.
2. While the external balance remains sensitive to commodity price variations, given the dominance of aluminum and related products in the export bundle, the improvement marks a significant increase in Bahrain's export capacity thanks to ALBA Line 6.
3. The trade position has also benefited from a slight reduction in imports. This is partly reflective of the easing of global supply chain bottlenecks and inflationary pressures. It also reflects a relative lull in major project activity.

The aggregate value of non-oil merchandise exports of national origin dropped by 21% to BHD3.91 Bn during 2023. The fall from BHD4.96 Bn in 2022 was primarily due to a decline in commodity prices. The global aluminum price fell by 17.6% during the year to an average of \$2,300 per metric ton. Aluminum and aluminum products dominate among Bahrain's exports.

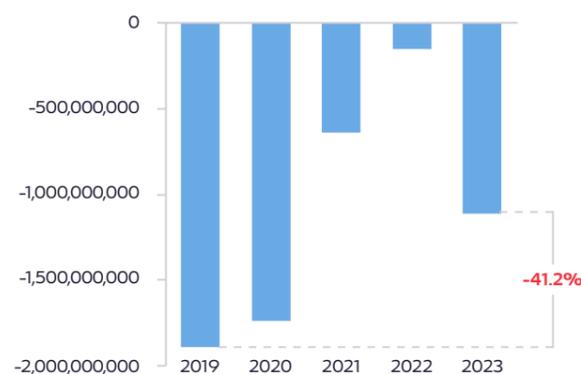
In 2023, 27% of national origin products exported were Unwrought Aluminum Alloys, followed by 18% Agglomerated Iron Ores & Concentrates.

In the course of 2023, BHD8.4 Mn worth of new products of national origin were exported for the first time.

In 2023, five new export destinations were added to Bahrain's list of trade partners: Moldova, Uzbekistan, French Polynesia, Turkmenistan, and Chad.

Bahrain's merchandise trade deficit reached BHD1.11 Bn in 2023. This marked an increase over a deficit of BHD155 Mn in 2022.

Non-Oil Trade Balance (BHD, Billions)



Data Source: iGA, Foreign Trade, 2023

*Tamkeen's calculations are based on the data that were extracted on the date and not the recent numbers of the previous years

Foreign Trade (BHD, %, 2023)

2023	Total (YoY change %)
Non-oil National Origin Exports	BHD 3.91 Bn (-21%) ↓
Re-Exports	BHD 755.8 Mn (5%) ↑
Non-Oil Imports	BHD 5.78 Bn (-1%) ↓
Non-Oil Trade Balance	BHD -1.11 Bn (-618%) ↓

Data Source: Tamkeen's Calculations*, iGA, Foreign Trade, 2023

*Tamkeen's calculations are based on the data that were extracted on the date and not the recent numbers of the previous years that were uploaded on iGA

Top National Origin Export Destinations in 2023

Data Source: Tamkeen's Calculations*, iGA, Foreign Trade, 2023

1

Saudi Arabia

BHD 936.6 Mn

24% of total exports

22%

Agglomerated iron ores and concentrates

15%

Unwrought aluminium alloys

10%

Semi-finished iron & steel, under 0.25% Carbon, rect

2

United Arab Emirates

BHD 443.8 Mn

11% of total exports

35%

Agglomerated iron ores and concentrates

19%

Jewelry of gold

13%

Bridges & bridges-sections

3

United States

BHD 371 Mn

9% of total exports

44%

Unwrought aluminium alloys

12%

Aluminum alloys flattened or grained coils & strips of a thickness between 0.4 Mm to 8 mm

8%

Aluminum electric wire with steel core, not insulated

Top Imports Trading Partners in 2023

1

China

BHD 808.4 Mn

14% of total imports

12%

Smart phones

6%

Pitch coke

3%

Portable digital automatic processing machines under 10 kg with compact personal computer

2

United Arab Emirates

BHD 546.7 Mn

9% of total imports

36%

Gold inglots

9%

Jewelry of gold

2%

Other paints from other polymers non-water base

3

Brazil

BHD 523.2 Mn

8% of total imports

91%

Non-agglomerated iron ores and concentrates

3%

Fresh or frozen meats of fowls

2%

Frozen cuts of fowl

Note: *Tamkeen's calculations are based on the data that were extracted on the date and not the recent numbers of the previous years that were uploaded on iGA

Labor Market Overview

Key Takeaways

1. Bahrainis in the private sector reached a significant milestone by surpassing 100,000 registered individuals, demonstrating a 2% YoY increase in the total number of Bahraini employees in the private sector.
2. The monthly average wage of Bahraini employees in the private sector increased by 4% in 2023 compared to 2022.
3. In 2023, Bahraini female employment in the private sector increased by 2.2% YoY compared to the 1.2% YoY increase in Bahraini male employment.
4. The total number of new labor market entrants in the private sector experienced a decline of 21% YoY, however, Bahraini new labor market entrants decreased by 5%.

The total number of employees in Bahrain's private sector experienced a 1% decline in Q4 2023 compared to Q4 2022, reaching 560,290. This is attributed to the fall in the number of non-Bahraini employees in the private sector.

In Q4 2023, the total number of registered Bahraini private sector employees reached 101,522. This represents a 2% YoY growth compared to Q4 2022.

The increase in the number of Bahraini private sector employees and the monthly average wages of Bahrainis could be attributed to Tamkeen's employment & career development support programs, including the wage increment program, which promote quality job creation and aim to strengthen the private sector in order to boost economic growth.

The total number of new labor market entrants in the private sector experienced a decline of 21% YoY, however, Bahraini new labor market entrants decreased by 5%. This drop can be primarily attributed to a slowdown in hiring activities following a significant YoY increase of 64% in 2021.

Bahraini women's participation in the private sector has reached 36% in Q4 2023, making a 1% increase compared to Q4 2022.

Labor Market Indicators (Q4, 2023)

Data Source: SIO, Statistical Report, Q4 2023



560,290

Total Employees in the private sector

YoY (-1%)



70,606

New Labor Market Entrants in the private sector

YoY (21%)



101,522

Bahraini Employees in the private sector

YoY (2%)



BHD 815

AVG Wages of Bahrainis in the private sector

YoY (4%)



BHD 262

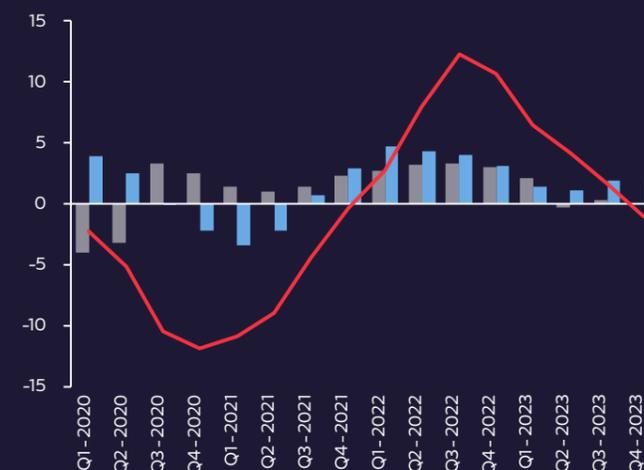
AVG Wages of Non-Bahrainis in the private sector

YoY (4%)



YoY Changes in Employment by Labor Market Segment (% , 2020 – Q4 2023)

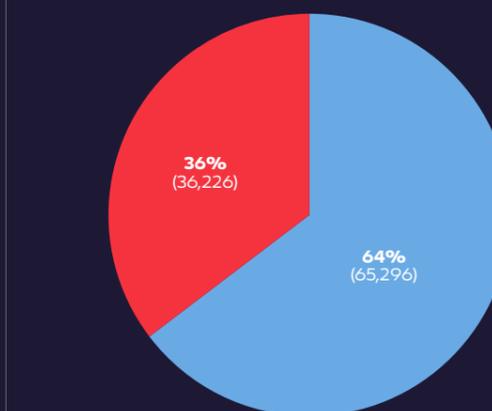
- Bahraini Employees (%) - Public Sector
- Bahraini Employees (%) - Private Sector
- Non-Bahraini Employees (%) - Private Sector



Data Source: SIO, Statistical Report, Q4 2023

Total Bahraini Employment by Gender in the Private Sector (% , Q4 2023)

- Male Employees
- Female Employees



Data Source: SIO, Statistical Report, Q4 2023

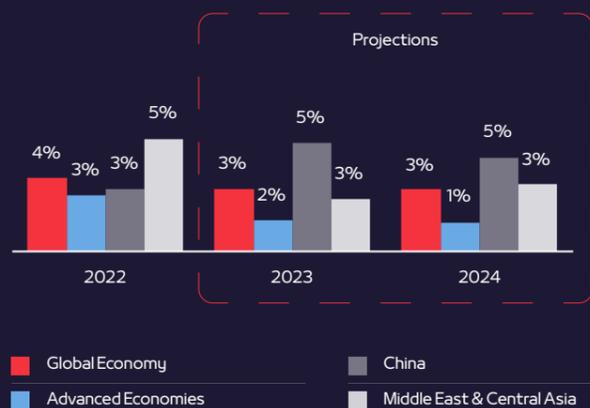
Global Economic Outlook

- The global economy has shown considerable resilience amid a very sharp tightening of monetary conditions since 2021 as well as significant political risk challenges. This has allowed many leading economies to achieve a soft landing while the prospect of lower inflation is expected to translate into renewed interest rate cuts later this year. China has shown increased willingness to use stimulus measures to support growth.
- The IMF in January upgraded its global growth expectation for 2024 to 3.1% (from 2.9% previously) on the back of stronger-than-expected performance in the US and China. US growth is seen at 2.1% (from 1.5%) while China will benefit from additional government stimulus steps, which should deliver growth of around 4.6% (up from 4.2%). Global growth is expected to accelerate slightly to 3.2% in 2025 while still remaining below the historical average of 2.8%.
- Headline GDP growth in the GCC witnessed a decrease, from 7.6% in 2022 to only 0.5%

in 2023. However, the slowdown was almost entirely due to significant cuts to oil production as the regional economies led the OPEC+ efforts to rebalance the oil market. Non-oil growth proved much more resilient at 3.7%, which nonetheless marked a slight deceleration from the robust post-COVID rebound by 5.3% in 2022. Non-oil growth is expected at 3.6% in 2024 while the oil sector is set to expand by some 1.5%, possibly lower, depending on the pace of rebalancing in the oil markets.

- The oil market showed considerable volatility in 2023 amid a relatively tight demand-supply balance and a usual cluster of uncertainties, both in terms of global growth and political risk factors linked above all to conflicts in Ukraine and Gaza. The Brent benchmark averaged \$82.41 per barrel, down from \$100.94 in 2022. Prices are likely to show continuity this year, although the tight demand-supply balance may deliver bouts of renewed volatility. The International Energy Agency expects global oil demand to increase by 1.2 mbd in 2024, following a 2.5 mbd gain in 2023.

YoY Real GDP Growth (% , 2022 – 2024 Projections)



Data Source: IMF, World Economic Outlook Update October 2023

Europe Brent Spot Price (USD/bbl, Jan 2021 – December 2023)



Data Source: US Energy Information Administration, December 2023



Economic Indicators and Definitions

Name	Definition
Economic Indicator	A set of data that serves as a tool for analyzing current economic conditions and future prospects. Usually classified according to their timing in relationship to the ups and downs of the business cycle, that is, whether they anticipate (lead), coincide with, or lag behind general business conditions.
Gross Domestic Product (GDP)	A primary indicator of macroeconomic performance that shows the overall health and size of an economy. It is the monetary value of all finished goods and services produced within a country during a specific time period. The GDP consists of four components: Consumption (C), Investment (I), Government Expenditure (G) and Net Exports (NX).
Gross Domestic Product at Current Price	GDP at current price is the GDP unadjusted for the effects of inflation; thus, this is at current market prices and known as the nominal GDP.
Gross Domestic Product at Constant Price	GDP at constant price is the GDP adjusted for the effects of inflation and known as the real GDP.
Gross Domestic Product – Growth Rate	The GDP growth rate (also refers to the percent change in real GDP) compares the year-over-year (or quarterly) change in a country's economic output, to measure how fast (or slow) an economy is growing.
Inflation	The rate at which the value of a currency is falling and, consequently, the general level of prices for goods and services is rising.
Consumer Price Index (CPI)	One of the most followed indicators to measure inflation. The Consumer Price Index measures the average change in prices over time that consumers pay for goods and services.
Non-Oil Sector	Includes all economic activities excluding oil sector activities.
Deposit Liabilities to Non-Banks	Includes deposits made in Bahraini Dinars or foreign currencies within retail banks, as well as local deposits from both government and private sectors (excluding banks) and foreign deposits.
Rate of Interest on Credit Facilities	Average interest rate on personal and business loans

Name	Definition
Labor Market Information	Data on job seekers, employment, unemployment, changes in industrial structure, technological changes, conditions of employment, wage rates, and other related data.
Labor Force	All employed and unemployed people within a country's economy.
Labor Market	Known as the job market and relates to the supply and labor demand in which the supply is provided by the workers and demand by the employers.
New Labor Market Entrants	Known as the new active employees registered for the first time in the private sector from the beginning of the year.
Million barrels per day (MBD)	Million barrels per day, a unit of measurement for oil production and consumption.



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