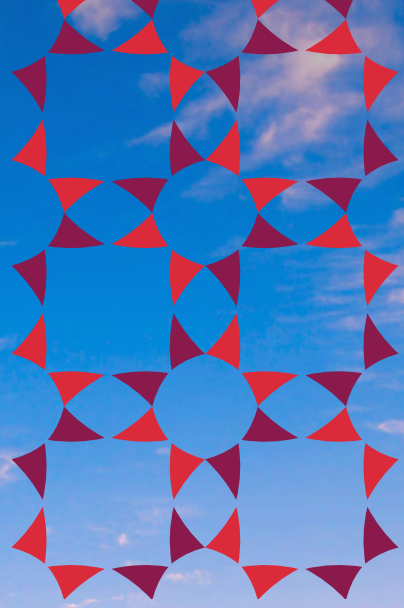


غرفة البحرين
BAHRAIN CHAMBER



Overview of the Local Economy

Q2 - 2023



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of Economic Sectors

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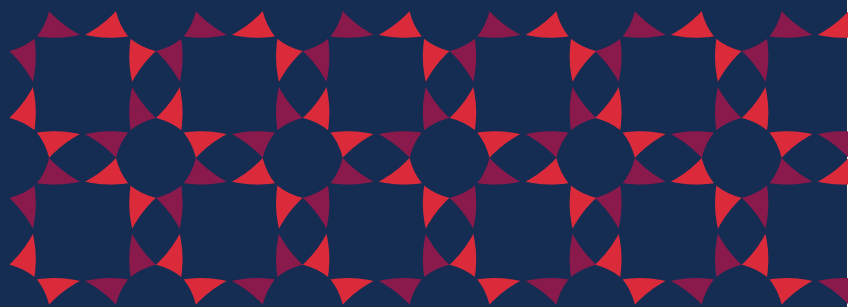
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1

Executive Summary

Introduction

Real GDP grew by 2.0% in the Kingdom of Bahrain in Q2 2023 YoY, driven by 2% growth in the non-oil sector, and 2.2% growth in the oil sector. The sectors that witnessed the highest real growth rates are Transport and Communication at 13.3%, Hotels and Restaurants at 9.6% and the Real Estate and Business Activities at 4.9%. The Financial Corporations sector retains its position as the highest contributor to real GDP at 17.3%, ranking ahead of the oil sector, followed by the Crude Petroleum & Natural Gas Sector at 17.10% and the Government Services Sector at 14.10%.

Trade between Bahrain and GCC countries has decreased by 5% in Q2 2023 YoY, from 2.1 billion USD in Q2 2022 to 2 billion USD in Q2 2023. Saudi Arabia retains its position as Bahrain's top export partner, while China retains its position as Bahrain's top import partner.

Furthermore, the value of POS transactions in Bahrain increased by 5% in Q2 2023, from 975 million BHD in Q2 2022 to 1.026 billion BHD in Q2 2023. Fawri+ transactions have increased by 19% YoY in Q2 2023 as well.

The IMF forecasts an increase in the Real GDP in the Middle East and Central Asia from 2% in 2023 to 3.4% in 2024. Furthermore, the IMF forecasts a decrease in global inflation from 6.9% in 2023 to 5.8% in 2024.

Key Indicators in Q2 2023

GDP Growth (YoY)



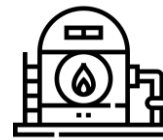
Real GDP Growth

2.0%



Non-Oil GDP Growth

2%



Oil GDP Growth

2.2%

Top Growing Non-Oil Sectors (YoY)



Transport
& Communication

13.3%



Hotels
& Restaurants

9.6%



Real Estate
& Business Activities

4.9%



Financial
Corporations

4.7%



Trade

4.7%

Trade Exchange

Bahrain's Top Import Partners

Country	Total Value of Imports (USD)
 China	517,888,372
 Brazil	429,961,008
 United Arab Emirates	401,070,269
 Australia	320,205,750
 Saudi Arabia	228,575,232

Bahrain's Top Export Partners

Country	Total Value of Exports (USD)
 Saudi Arabia	731,114,093
 United Arab Emirates	412,341,462
 United States	262,021,544
 Netherlands	119,073,570
 Turkey	98,890,325

Source: Information and eGovernment Authority

Key Indicators in Q2 2023

Local Economic Outlook



POS Transactions

5% YoY



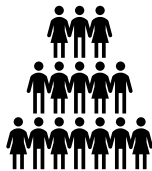
Fawri+ Transactions

19% YoY



CPI June 2023

0.4% YoY



Labor Market Contributors

3% YoY

Sector	%
Trade	9.35%
Construction & Real Estate	9.06%
Manufacturing	8.12%
Other	7.79%

Interest Rates on Business Loans June 2023

Bahrain's Ranking in Global Indices



in Financial Attractiveness on the Airinc Surveys Global 150 Cities Index 2023



Increase in Bahrain's FDI in 2022

Global Economic Outlook



IMF Global Real GDP Expectation 2024

3%



IMF Global Inflation Expectation 2024

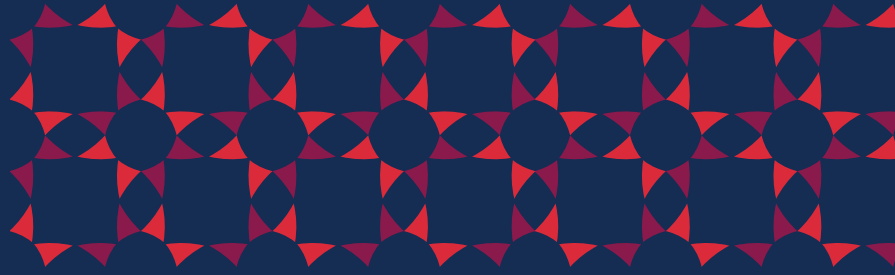
5.8%

Oil Type	Price - June 2023
WTI	\$70.64
Brent	\$74.90

WTI and Brent Oil Price Change June 2023

35% and 33% YoY

Source: Information and eGovernment Authority, SIO, IMF, CBB, Bloomberg, World Investment Report 2023, Airinc Surveys Global 150 Cities Index 2023



2

Growth and GDP Contribution of Economic Sectors

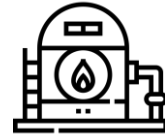
Transport and Communication is the fastest growing sector at 13.3% YoY in Q2 2023



Real GDP Growth
+2.0%



Non-Oil GDP Growth
+2.0%



Oil GDP Growth
+2.2%

Real GDP Growth by Sector Q2 2023 YoY

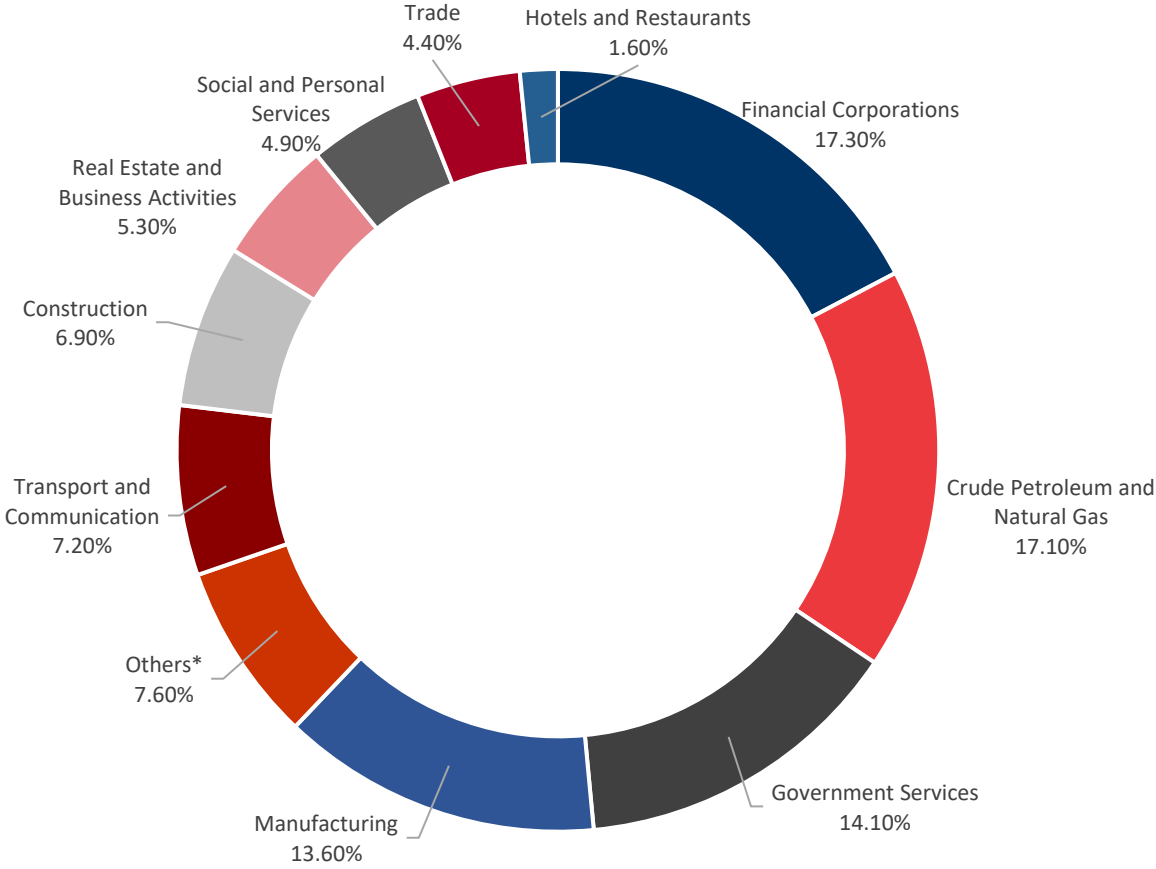
Sector	YoY Growth
Transport and Communication	▲ 13.30%
Hotels & Restaurants	▲ 9.60%
Real Estate & Business Activities	▲ 4.90%
Trade	▲ 4.70%
Financial Corporations	▲ 4.70%
Government Services	▲ 4.40%
Crude Petrol and Natural Gas	▲ 2.20%
Electricity and Water	▲ 0.30%
Construction	▼ -0.50%
Manufacturing	▼ -0.90%

Bahrain's real GDP grew by 2.0% YoY in Q2 2023, propelled by a 2.0% growth in the non-oil sector and a 2.2% growth in the oil sector. The Transport and Communication sector witnessed the highest YoY growth by 13.3%. The second fastest growing sector is Hotels and Restaurants at 9.6% YoY, followed by Real Estate and Business Activities at 4.9% YoY.

Source: Information and eGovernment Authority - Ministry of Finance and National Economy

Financial Corporations sector is the highest contributor to real GDP at 17.3% in Q2 2023

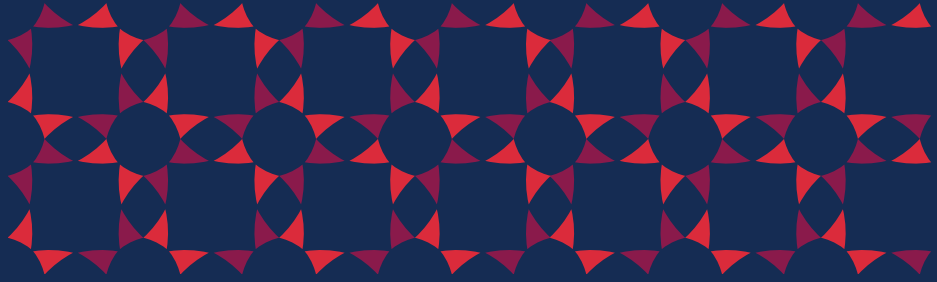
Real GDP Contribution by Sector Q2 2023



**Includes Agriculture and Fishing, Quarrying, Electricity and Water, Net Tax on Products, Private Non-profit Institutions Serving Households, and Households with Employed Persons*

The Financial Corporations Sector is the highest contributor to GDP in Q2 2023 at 17.3%, followed by the Crude Petroleum & Natural Gas Sector at 17.10% and Government Services at 14.10%.

Source: Information and eGovernment Authority - Ministry of Finance and National Economy



3

Trade Exchange

5% decrease in volume of trade between Bahrain and GCC countries in Q2 2023 YoY

Volume of Trade between Bahrain and GCC (billion USD)



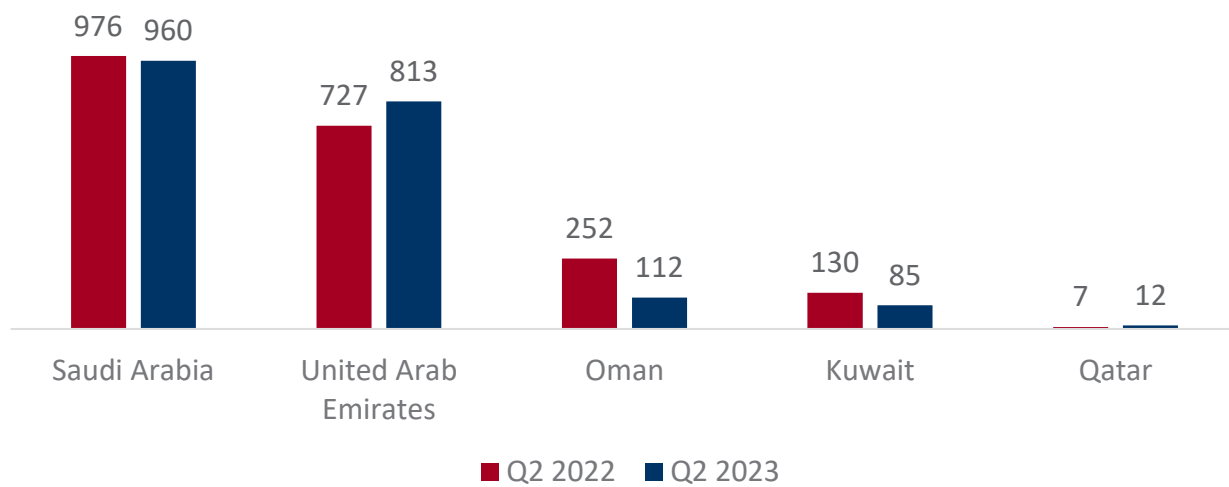
Q2 2021	Q2 2022	Q2 2023	% Change from 2022 to 2023
1,694,682,663	2,092,646,722	1,982,693,554	-5%

There is a slight decrease in the volume of trade exchange between Bahrain and GCC countries in Q2 2023 compared to the same period in 2022. Trade decreased by 5% from 2.09 billion USD in Q2 2022 to 1.98 billion USD in Q2 2023.

Source: Information and e-Government Authority

Saudi Arabia remains Bahrain's top GCC trade partner in Q2 2023 with 960 mn USD of trade exchange

Volume of Trade (million USD)



Country	Q2 2021	Q2 2022	Q2 2023	% Change from 2022 to 2023
Saudi Arabia	781,234,192	975,948,816	959,689,325	-2%
United Arab Emirates	672,268,470	727,103,880	813,411,731	12%
Oman	141,581,800	252,439,354	111,804,420	-56%
Kuwait	99,249,233	129,877,640	85,320,474	-34%
Qatar	348,968	7,277,032	12,467,603	71%

Source: Information and e-Government Authority



Saudi Arabia remains Bahrain's top GCC trade partner in Q2 2023 with 960 mn USD of trade exchange

-2%

Saudi Arabia

Saudi Arabia has the highest volume of trade exchange with Bahrain in Q2 2023. The volume of trade between KSA and Bahrain was 976 million USD in Q2 2022 and slightly decreased by 2% to 960 million USD in Q2 2023.

12%

United Arab Emirates

The United Arab Emirates has the second-highest volume of trade exchange with Bahrain among GCC countries in Q2 2023. The volume of trade between the two countries increased by 12% from 727 million USD in Q2 2022 to 813 million USD in Q2 2023.

-56%

Oman

Trade levels between Oman and Bahrain decreased by 56% in Q2 2023 compared to Q2 2022, from 252 million USD in Q2 2022 to 112 million USD in Q2 2023.

-34%

Kuwait

Trade between Bahrain and Kuwait also decreased by 34% from 130 million USD in Q2 2022 to 85 million USD in Q2 2023.

71%

Qatar

Trade between Bahrain and Qatar increased by 71% from 7 million USD in Q2 2022 to 12 million USD in Q2 2023.

Source: Information and e-Government Authority

Bahrain's Top Import Partners in Q2 2023

Country	Total Value of Imports in Q2 2023 (USD)	Top Imported Commodity	Commodity Value (USD)	% of Total Imports from the Country
China	517,888,372	Smartphones	54,229,357	10%
Brazil	429,961,008	Non-Agglomerated Iron Ores and Concentrates	403,627,369	94%
United Arab Emirates	401,070,269	Gold Ingots	164,432,269	41%
Australia	320,205,750	Other Aluminum Oxide	298,503,283	93%
Saudi Arabia	228,575,232	Other Aluminum Oxide	13,938,791	6%

China maintains its position as Bahrain's top import partner in Q2 2023

China is still Bahrain's top import partner with a total import value of 518 million USD. The top imported commodity was smartphones, with a total value of 54 million USD. This commodity accounts for 10% of total imports from China.

Brazil was Bahrain's second largest import partner in Q2 2023, with the total value of imports reaching 430 million USD. The top imported commodity was Non-Agglomerated Iron Ores and Concentrates, valued at 404 million USD, and it accounts for 94% of total imports.

The United Arab Emirates was Bahrain's third largest import market, with a total import amount of 401 million USD. The top commodity imported was Gold Ingots at 164 million USD and it accounts for 41% of imports from the UAE.

Australia was the fourth top import partner to Bahrain with an imports value of 320 million USD. The top imported commodity was Other Aluminum Oxide, valued at 299 million USD and accounting for 93% of total imports from Australia.

Total imports from the Saudi Arabia reached 229 million USD in Q2 2023. The top imported commodity was Other Aluminum Oxide, valued at 14 million USD and constituting 6% of total imports from KSA.

Source: Information and e-Government Authority

Bahrain's Top Export Partners in Q2 2023

Country	Total Value of Exports in Q2 2023 (USD)	Top Exported Commodity	Commodity Value (USD)	% of Total Exports from the Country
Saudi Arabia	731,114,093	Agglomerated Iron Ores and Concentrates	155,767,614	21%
United Arab Emirates	412,341,462	Agglomerated Iron Ores and Concentrates	77,740,696	19%
United States	262,021,544	Unwrought Aluminum Alloys	124,056,646	47%
Netherlands	119,073,570	Unwrought Aluminum Not Alloyed	45,137,922	38%
Turkey	98,890,325	Unwrought Aluminum Not Alloys	81,085,008	82%

Saudi Arabia maintains its position as Bahrain's top export partner in Q2 2023

Saudi Arabia has maintained its position as the largest export market for Bahraini commodities in Q2 2023, with the total value of exports reaching 731 million USD. The top exported commodity was Agglomerated Iron Ores and Concentrates at 156 million USD, accounting for 21% of total exports to Saudi Arabia.

The United Arab Emirates was Bahrain's second largest export partner, with the total value of exports amounting to 412 million USD. The top exported commodity was Agglomerated Iron Ores and Concentrates at 78 million USD, accounting for 19% of exports.

Total exports from the United States amounted to 262 million USD, making it Bahrain's third-largest export partner. The top exported commodity was Unwrought Aluminum Alloys at 124 million USD, accounting for 47% of exports to the US.

Total exports from the Netherlands amounted to 119 million USD. The top exported commodity was Unwrought Aluminum not Alloyed at 45 million USD, which constitutes 38% of total exports to the Netherlands.

Turkey was Bahrain's fifth largest export partner in Q2 2023, with the total value of exports reaching 99 million USD. The top exported commodity was Unwrought Aluminum Not Alloys at 81 million USD, and it accounts for 82% of total exports.

Source: Information and e-Government Authority



Bahrain's Top Traded Commodities in Q2 2023

Top Imports in Bahrain

Commodity	Import Value (USD)
Other Aluminum Oxide	312,663,923
Non-Agglomerated Iron Ores and Concentrates	248,749,990
Gold Ingots	178,161,199
Parts for Aircrafts Engines	91,500,830
Smartphones	72,759,761

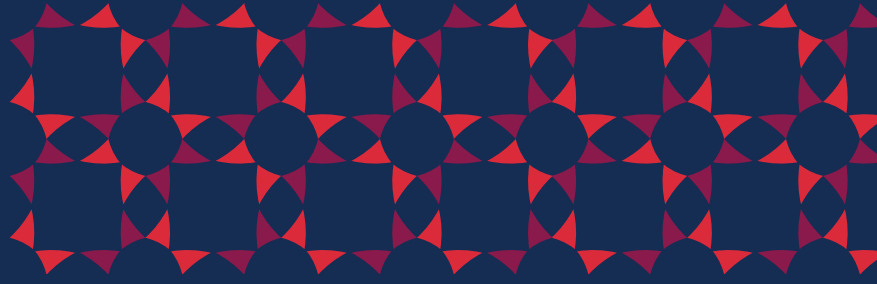
The top imported commodity in Q2 2023 was Other Aluminium Oxide, with the total value of imports reaching 313 million USD. This is followed by Non-Agglomerated Iron Ores and Concentrates and Gold Ingots, with the total value of imports reaching 249 million USD and 178 million USD, respectively.

Top Exports from Bahrain

Commodity	Export Value in (USD)
Unwrought Aluminum Alloys	757,797,312
Agglomerated Iron Ores and Concentrates	446,920,705
Aluminum Wire, Not Alloyed, Over 7 MM Thick	153,972,262
Unwrought Aluminum Not Alloyed	102,862,487
Bridges and Bridge – Sections	92,236,195

The top exported commodity in Q2 2023 was Unwrought Aluminium Alloys, with the total value of exports reaching 758 million USD. The second and third top exported commodities are Agglomerated Iron Ores and Concentrates and Aluminium Wire, Not Alloyed, over 7 MM Thick, with the total value of exports reaching 447 million USD and 154 million USD, respectively.

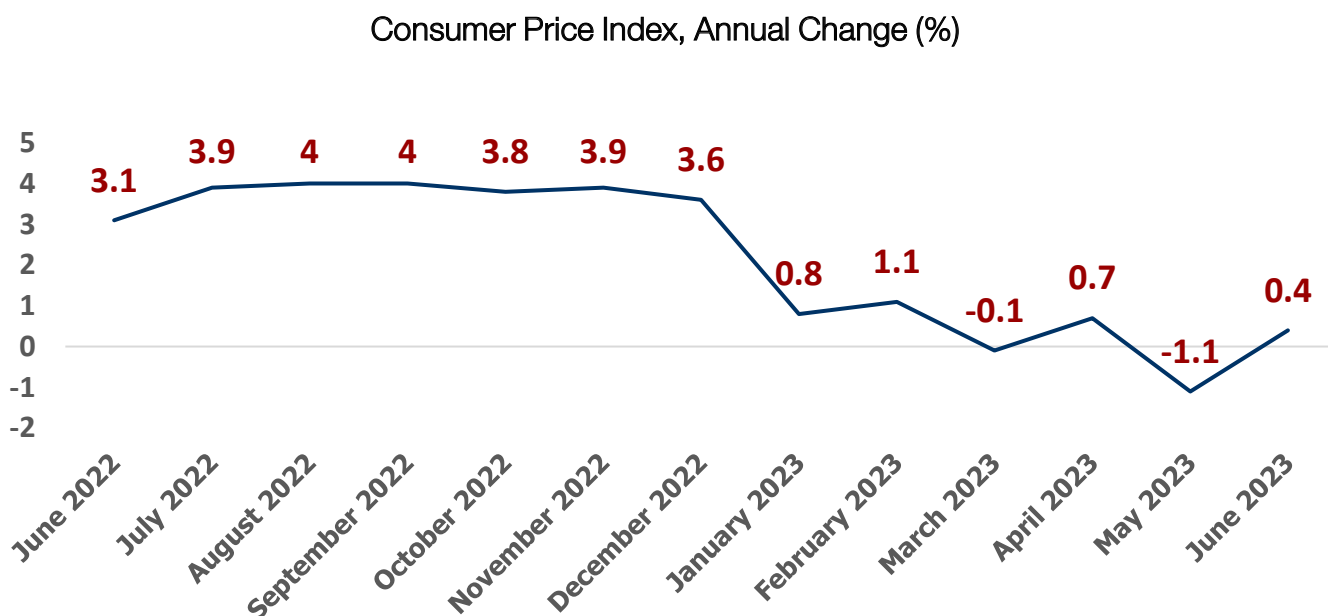




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Local Economic Outlook

0.4% increase in Consumer Price Index (CPI) in June 2023 compared to June 2022

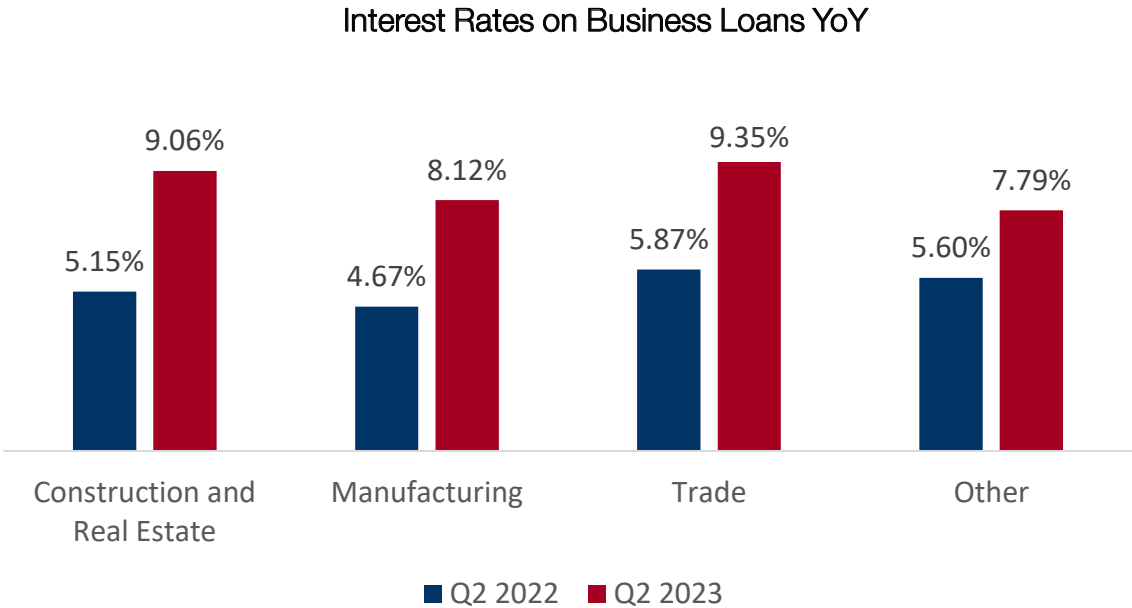


In June 2023, all item index increased by 0.4% compared with June 2022. The most notable changes in the year were:

- 6.1% increase in food and non-alcoholic beverages group.
- 6.1% increase in recreation and culture group.
- 2.4% increase in miscellaneous goods and services group.
- 4.8% decrease in clothing and footwear group.

Source: Information and e-Government Authority

Increase in interest rates on business loans in all sectors in Q2 2023 YoY

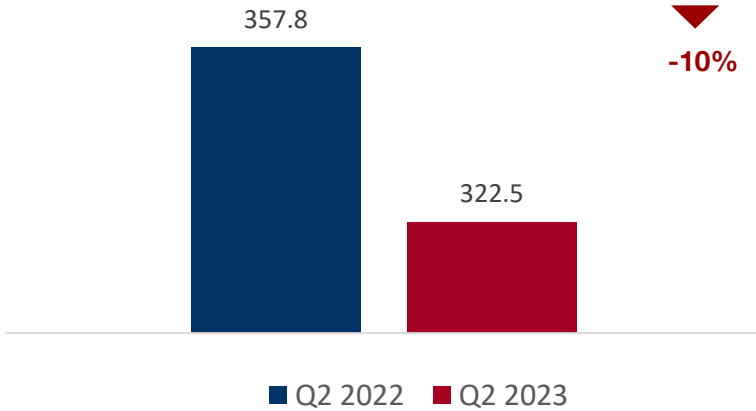


Interest rates on business loans increased in all sectors during Q2 2023 on an annual basis. In the Construction and Real Estate sector, the interest rate increased from 5.15% in Q2 2022 to 9.06% in Q2 2023. It also increased from 4.67% to 8.12% in the Manufacturing sector, and from 5.87% to 9.35% in the Trade sector.

Source: Central Bank of Bahrain

10% decrease in ATM withdrawal values in Q2 2023 compared to the same period in 2022

Value of ATM Withdrawals (Million BHD)

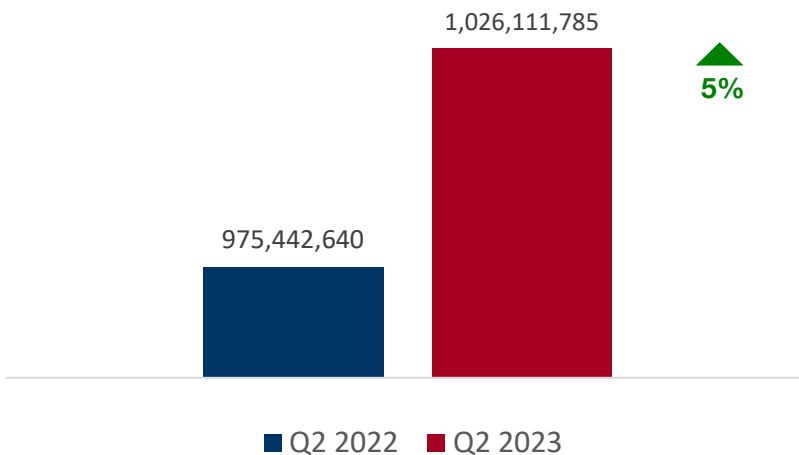


The dual impact of the pandemic and increased digitalization has led to a decrease in ATM withdrawals. The value of ATM withdrawal transactions decreased by 10% in Q2 2023, from 357.8 million BHD in 2022 to 322.5 million BHD in 2023.

Source: Central Bank of Bahrain

5% increase in the value of POS transactions recorded in Q2 2023 compared to the same period in 2022

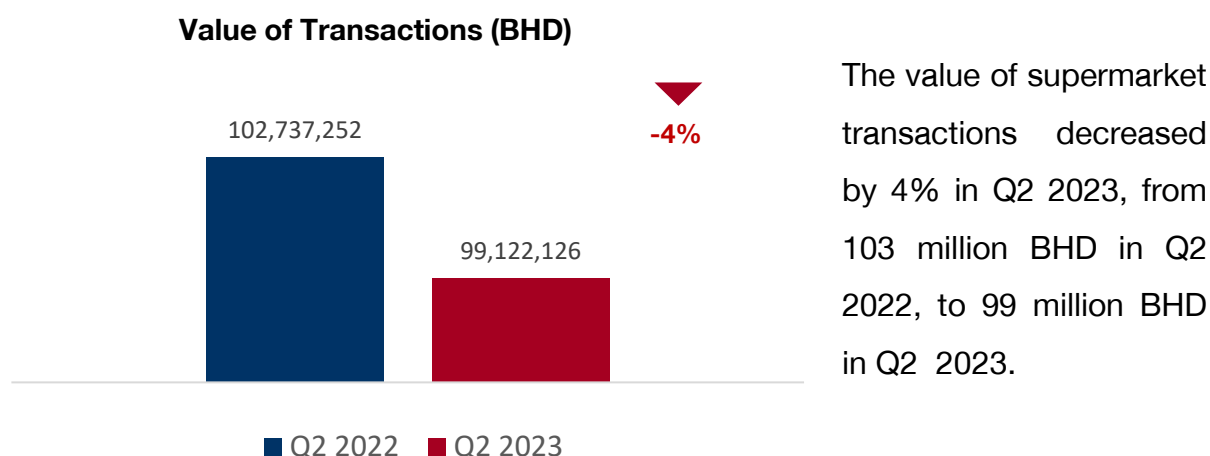
Value of POS Transactions (BHD)



In contrast to ATM withdrawals, Point of Sale transactions have been on the rise. The value of POS transactions increased by 5% in Q2 2023, from 975 million BHD in Q2 2022 to 1.026 billion BHD in Q2 2023.

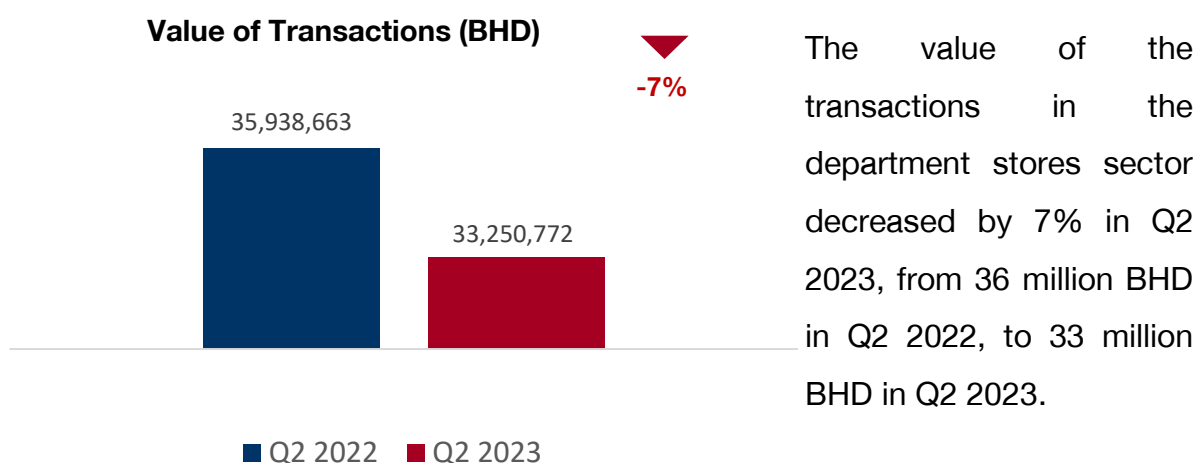
Source: Central Bank of Bahrain

4% decrease in value of supermarket transactions in Q2 2023 compared to the same period in 2022



Source: Central Bank of Bahrain

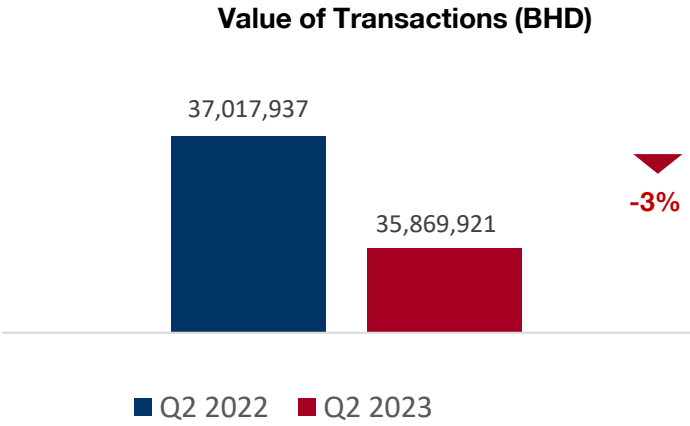
7% decrease in value of department store transactions in Q2 2023 compared to the same period in 2022



Source: Central Bank of Bahrain



3% decrease in value of jewelry store transactions in Q2 2023 compared to the same period in 2022

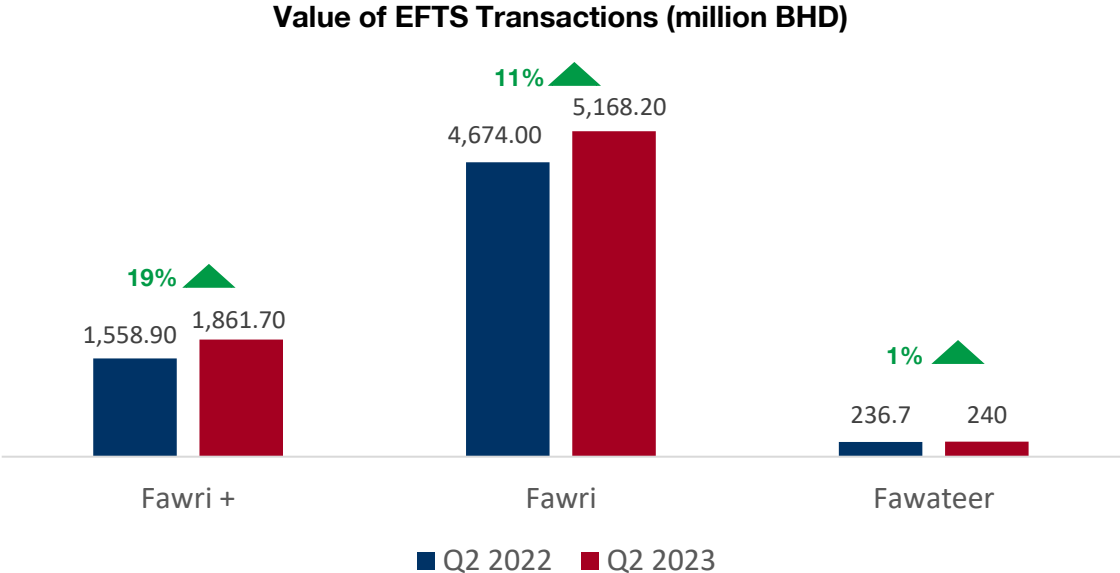


The value of the transactions in the jewelry stores sector decreased by 3% in Q2 2023, from 37 million BHD in Q2 2022, to 36 million BHD in Q2 2023.

Source: Central Bank of Bahrain

19% increase in transfers via Fawri+ in Q2 2023 compared to the same period in 2022

The value of EFTS transactions through the Fawri+ system increased by 19% from 1.6 billion BHD in Q2 2022 to 1.9 billion BHD in Q2 2023. There was also a 11% increase in transfers via Fawri from 4.7 billion BHD in Q2 2022 to 5.2 billion BHD in Q2 2023. Fawateer transactions increased by 1% from 237 million BHD in Q2 2022 to 240 million BHD in Q2 2023.

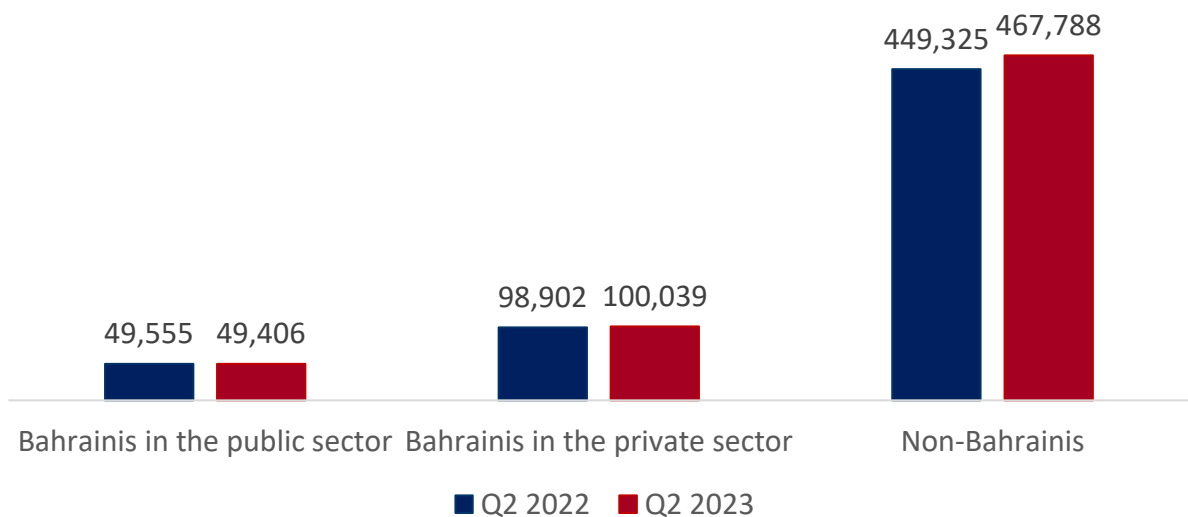


Source: Central Bank of Bahrain

3% increase in labor market contributors in Q2 2023 YoY

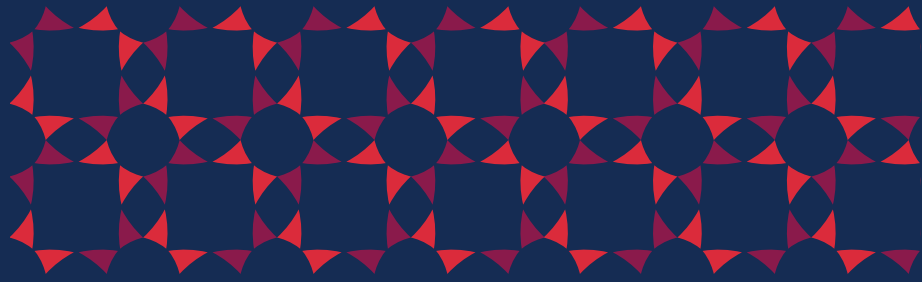
The total number of insured employees in the labor market increased by 3.3% in Q2 2023 YoY, from 597,782 to 617,233. The number of Bahrainis in the private sector increased by 1.1% in Q2 2023 YoY, while the number of non-Bahrainis increased by 4.1% during the same time period. However, the number of Bahrainis in the public sector decreased slightly by 0.3% in Q2 2023 YoY.

Number of Insured Employees in the Labor Market



	Q2 2022	Q2 2023	YoY Growth
Bahrainis in the public sector	49,555	49,406	-0.3%
Bahrainis in the private sector	98,902	100,039	1.1%
Non-Bahrainis	449,325	467,788	4.1%
Total	597,782	617,233	3.3%

Source: Social Insurance Organization



5

Bahrain's Ranking in Global Indices

Manama has ranked 1st globally in Financial Attractiveness on the Airinc Surveys Global 150 Cities Index 2023

Manama has ranked 1st globally in Financial Attractiveness on the Airinc Surveys Global 150 Cities Index 2023, for the fifth year in a row. This is an indication of Bahrain's robust financial sector which is attractive for investment. It is also a testament to Bahrain's business-friendly environment, which has competitive operating and living costs, high levels of financial freedom, and a highly skilled workforce.

GCC Country Rankings

Financial Rank	City, Country
1 st	Manama, Bahrain
5 th	Riyadh, Saudi Arabia
7 th	Kuwait City, Kuwait
8 th	Abu Dhabi, U.A.E.
13 th	Dubai, U.A.E.
20 th	Doha, Qatar
22 nd	Muscat, Oman

Source: Airinc Surveys Global 150 Cities Index 2023



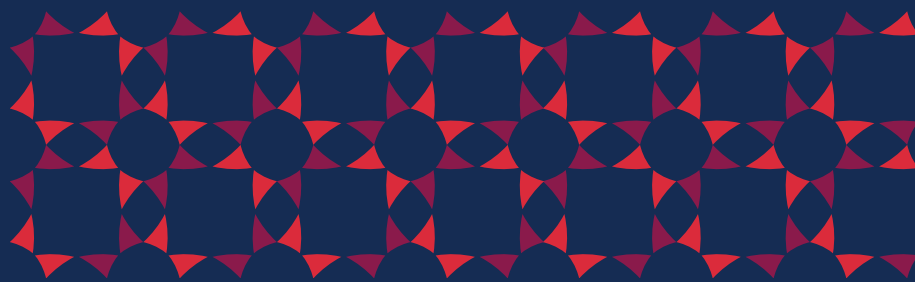
9.7% increase in Bahrain's FDI Inflows in 2022 YoY

Bahrain's FDI inflows increased by 9.7% from \$1,779 million in 2021 to \$1,951 million in 2022, according to the World Investment Report 2023 published by the United Nations Conference on Trade and Development (UNCTAD). On the other hand, the global flow of FDI decreased by 12% to \$1.3 trillion in 2022. Furthermore, Bahrain's inward FDI stocks increased by 5.8% in 2022 compared to the previous year, reaching \$35,436 million.

FDI Inflows (Million USD)						
Country	2017	2018	2019	2020	2021	2022
United Arab Emirates	10354	10385	17875	19884	20667	22737
Oman	2988	6455	4237	2889	4021	37160
Saudi Arabia	1419	4247	4563	5399	19286	7886
Bahrain	1426	1654	1548	1021	1779	1951
Kuwait	348	204	351	240	567	758
Qatar	986	-2186	-2813	-2434	-1093	76

c Estimates

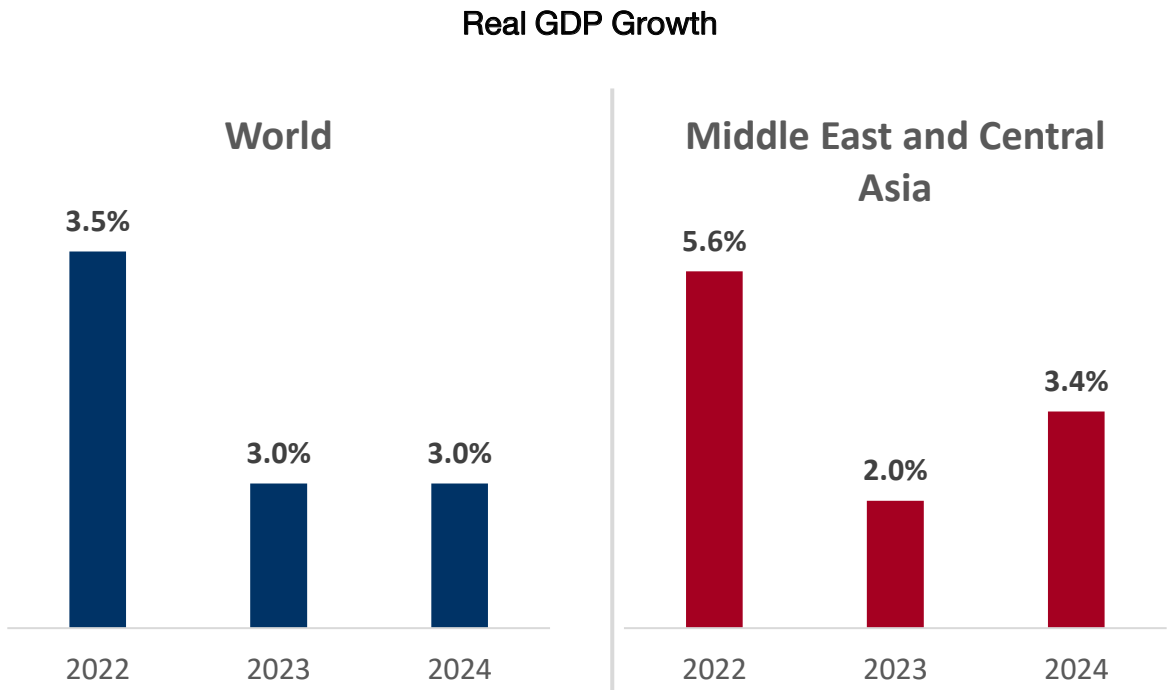
Source: World Investment Report 2023



6

Global Economic Outlook

IMF expects real GDP growth to reach 3% globally and 3.4% in the Middle East and Central Asia in 2024



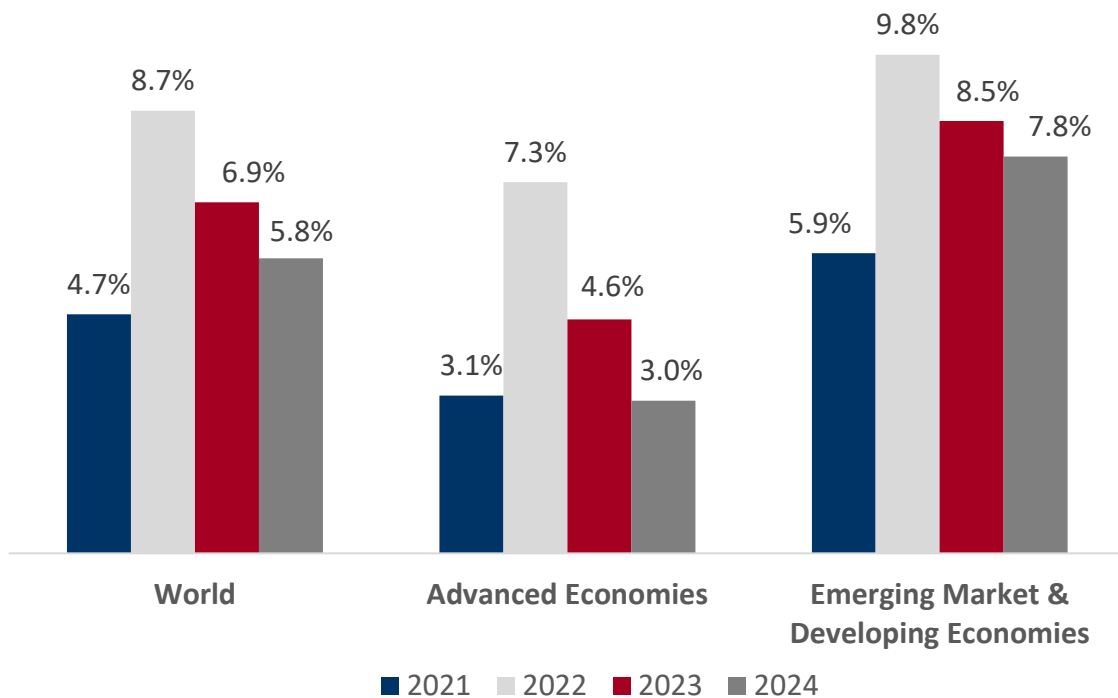
According to the IMF’s “World Economic Outlook” report released in October 2023, global real GDP growth is expected to decrease from 3.5% in 2022 to 3% in 2023, and in 2024. In the Middle East and Central Asia, real GDP growth is expected to decrease from 5.6% in 2022 to 2% in 2023. Economic output is then expected to rise to 3.4% in 2024.

Source: IMF – World Economic Outlook October 2023



IMF forecasts a decrease in global inflation from 6.9% in 2023 to 5.8% in 2024

Annual Average Inflation

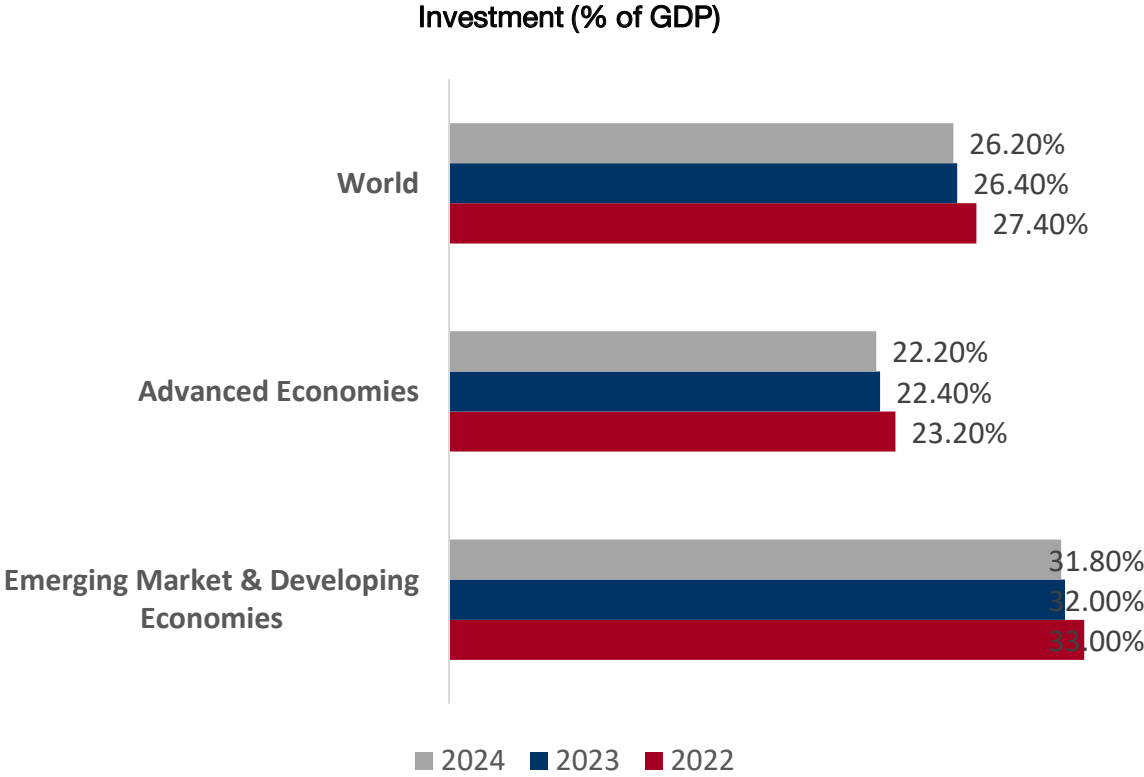


According to the IMF, global inflation is expected to decrease from 8.7% in 2022 to 6.9% in 2023. It is then projected to further decrease to 5.8% in 2024. In advanced economies, inflation is expected to decrease from 7.3% in 2022 to 4.6% and 3% in 2023 and 2024, respectively. Emerging market and developing economies have relatively higher inflation projections, such that inflation is expected to decrease from 9.8% in 2022 to 8.5% in 2023. Inflation is then expected to further decrease to 7.8% in 2024.

Source: IMF – World Economic Outlook October 2023



IMF expects global investment rate to average 26.7% between 2022 and 2024



IMF forecasts that investment rates will remain generally consistent worldwide between 2022 and 2024. The global investment rate (as a percentage of global GDP) is expected to average around 26.7%. The investment rate is expected to average 22.6% in advanced economies and 32.3% in emerging market and developing economies.

Source: IMF – World Economic Outlook October 2023

35% and 33% decrease in WTI and Brent oil price, respectively in June 2023 YoY

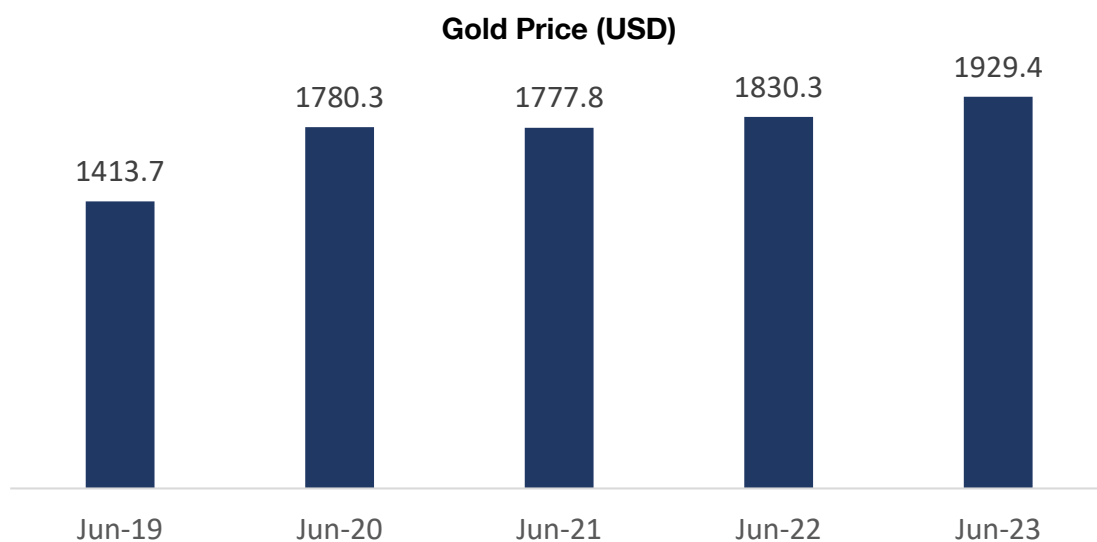
Oil Prices (USD per barrel)

Oil Type	June 2022	June 2023	Percentage Change
WTI	108.43	70.64	35% ▼
Brent	111.63	74.90	33% ▼

The price of a barrel of WTI crude has decreased by 35% in June 2023 compared to June 2022 from \$108.43 per barrel in 2022 to \$70.64 per barrel in 2023. The price of Brent crude oil has also decreased by 33% in June 2023 compared to June 2022, from \$111.63 per barrel in 2022 to \$74.90 per barrel in 2023.

Source: Bloomberg

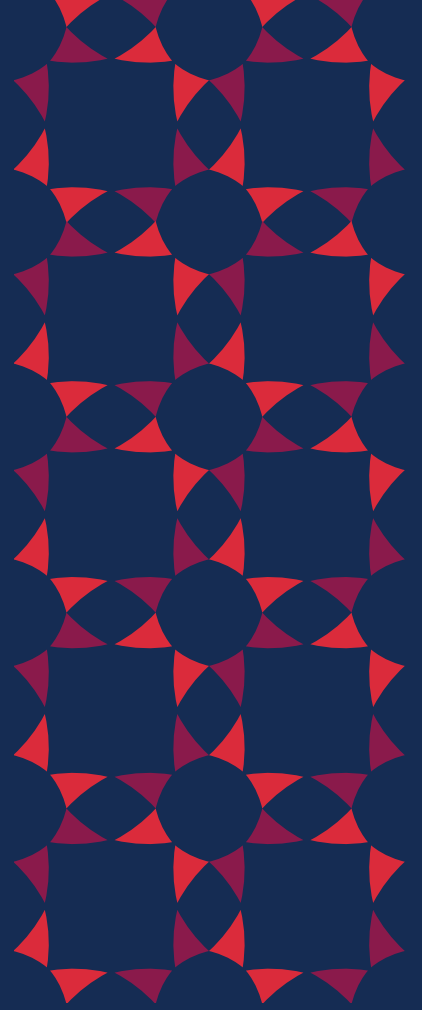
36% increase in gold price over 5-year period



The price of gold reached \$1929.4 USD in June 2023, an increase of 36% compared to \$1413.7 USD in June 2019.

Source: Bloomberg





غرفة البحرين BAHRAIN CHAMBER

Since its inception in 1939, the Bahrain Chamber of Commerce and Industry (BCCI) played a prominent role in shaping the national economy of Bahrain and creating a vigorous private sector.

It has kept abreast of the fast-paced economic and social developments, and consolidated its efforts to stimulate the growth and expansion of the private sector and empower its role in the economic development of the country alongside the public sector.

The confidence bestowed upon the chamber by the wise leadership reinforced its influence on economic decisions and streamlined its endeavor to create an attractive ecosystem that fosters the flourish of businesses. In addition, the growing base of its members contributed to reinstating its standing as the sole representative of the private sector and an advocate of its interest.