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Tamkeen Business Review

Economic Update
Q2 2024

Published October 2024

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Data Sources

Section	Data Indicator	Data Source	Released Date
Economic Development	Real Gross Domestic Product (GDP)	National Accounts, Information & eGovernment Authority	Q2-2024
	Sector Growth	National Accounts, Information & eGovernment Authority	Q2-2024
	GDP Breakdown by Sector	National Accounts, Information & eGovernment Authority	Q2-2024
	Inflation	CPI, Information & eGovernment Authority	July 2024
Financial Markets Trends	Average Rate of Interest	Statistical Bulletin, Central Bank of Bahrain	July 2024
	Bank Credits & Deposits	Statistical Bulletin, Central Bank of Bahrain	July 2024
Foreign Trade Overview	Non-Oil Trade Balance	Foreign Trade, Information & eGovernment Authority	Q2-2024
	Non-Oil Exports	Foreign Trade, Information & eGovernment Authority	Q2-2024
	Non-Oil National Origin Exports	Foreign Trade, Information & eGovernment Authority	Q2-2024
	Non-Oil Imports	Foreign Trade, Information & eGovernment Authority MOFNE Bahrain Economic Quarterly Report	Q2-2024
Labor Market Overview	Private Sector Employment	MOFNE Bahrain Economic Quarterly Report Social Insurance Organization	Q2-2024
	Private Sector Average Wages	MOFNE Bahrain Economic Quarterly Report Social Insurance Organization	Q2-2024
Global & Regional Context	Real GDP Growth	IMF, World Economic Outlook Update	July 2024
	Europe Brent Spot Price	US Energy Information Administration	August 2024
	GCC YoY Real GDP Growth	National Accounts, National Statistical Offices	Q2-2024
	GCC Inflation	CPI, National Statistical Offices	July 2024

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Bahrain's real GDP saw a 1.3% YoY increase in Q2-2024, led by the non-oil economy

Executive Summary

The non-oil sector continued to be the main driver of economic growth in Bahrain in Q2 - 2024, posting a 2.8% YoY increase. This follows a strong performance in 2023, where the non-oil sector expanded by a robust 4% YoY, reflecting the country's ongoing efforts to diversify its economy.

1. Global & Regional Context

- The global economy is beginning to show signs of slowing growth, bringing forward expectations of interest rate cuts and broader monetary loosening.
- Inflationary pressures have continued to moderate globally, boosting the case for a looser monetary policy.
- GCC growth dynamics have shown considerable resilience even amid continued OPEC+ output controls and historically high interest rates.
- GCC's non-oil activities saw positive performance in 2024. However, the oil sector has continued to contract due to the OPEC+ quota cuts.

2. Economic Developments in Bahrain

- The non-oil sector continued to drive economic growth in Bahrain as of Q2-2024, expanding by 2.8% YoY.
- The fastest growing sectors in Q2-2024 were Transportation & Storage, Information & Communication, and Accommodation & Food Services.

3. Financial Markets Trends

- Bahrain's Consumer Price Index (CPI) rose by an average of 1.7% YoY in Q2-2024, primarily driven by a 7.2% YoY rise in food prices.

- Average interest rates for both personal and business credit saw gradual declines in 2024, reflected the steady global shift towards lower rates amid easing inflationary pressures.
- Private sector deposit growth slower down in Q2-2024, while bank lending to the private sector increased by 3% between December 2023 and June 2024.

4. Foreign Trade Overview

- The value of non-oil goods exports of national origin declined by 6% YoY Q2-2024, mainly due to a drop in export volumes, despite an increase in the price of aluminum.
- While import volumes rose in Q2-2024, their aggregate value declined 4% YoY.

5. Labor Market Overview

- The number of Bahraini nationals working in the private sector rose by 2.4% YoY in Q2-2024.
- The monthly average wages of Bahraini employees working in the private sector rose by 3.5% YoY in Q2-2024.
- Labor market dynamics in Bahrain are shifting, with the number of Bahraini nationals employed in the private sector increasing significantly faster than that of non-Bahrainis.

Bahrain Q2-2024 Economic Highlights

Economic Development

Data Source: iGA, National Accounts, CPI, Q2-2024



BHD 3,721.9 Mn

Real GDP, Q2-2024



1.3%

YoY Growth in Real GDP, Q2-2024



85.2%

Non-Oil Real GDP Share, Q2-2024



2.8%

YoY Non-Oil Growth in Real GDP, Q2-2024



1.4%

Inflation, June 2024

Fastest Growing Sectors (YoY%)

Data Source: iGA, National Accounts, Q2-2024



12.9%

Transportation & Storage



11.2%

Information & Communication



10.6%

Accommodation & Food Services

Foreign Trade

Data Source: iGA, Foreign Trade, Q2-2024



BHD 894 Mn

Non-oil National Origin Exports, Q2-2024



BHD 205.9 Mn

Re-Exports, Q2-2024



BHD 1,100 Mn

Non-oil Exports, Q2-2024



BHD 1,268.7 Mn

Non-Oil Imports, Q2-2024



-4%

YoY Change in Non-Oil Trade Balance, Q2-2024

Labor Market

Data Source: MOFNE Bahrain Economic Quarterly Report Q2-2024 Social Insurance Organization

Private Sector Employment



102,473

Bahraini Employees

↑ YoY (2.4%)



457,737

Non-Bahraini Employees

↓ YoY (-2.1%)

Public Sector Employment



50,410

Bahraini Employees



BHD 855

Average Wage of Bahrainis

↑ YoY (3.5%)



BHD 979

Average Wage of Bahrainis

↑ YoY (3.1%)

Economic Developments in Bahrain

Key Takeaways

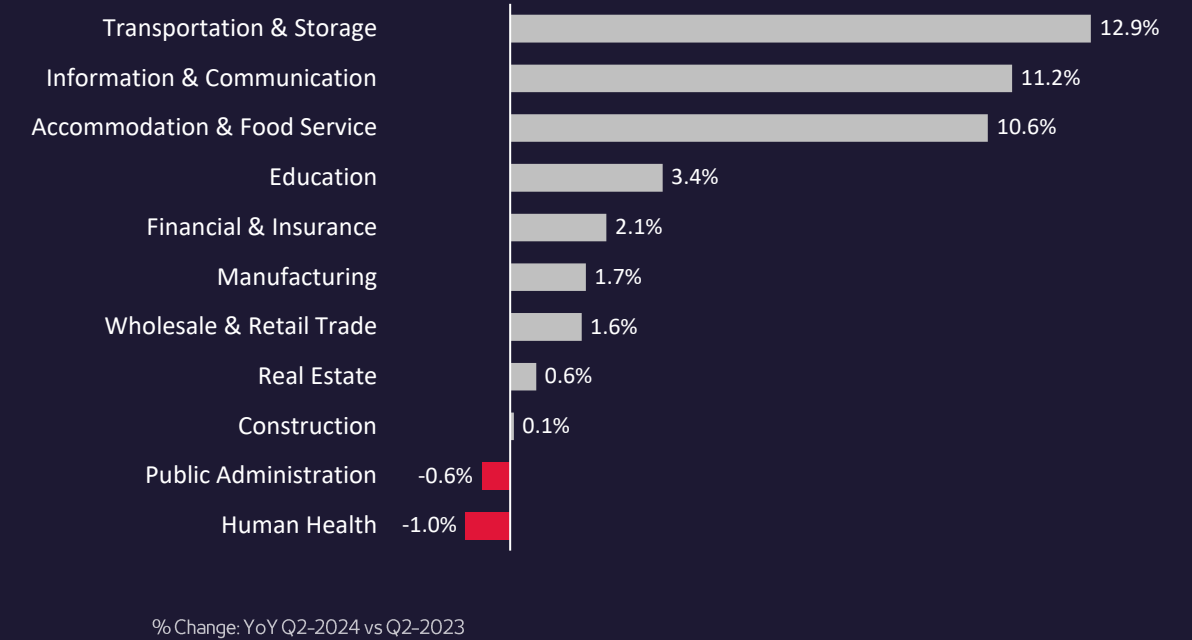
1. The non-oil sector continued to drive economic growth in Bahrain in Q2-2024, expanding by 2.8% YoY.
2. The fastest growing sectors in Q2-2024 were Transportation & Storage, Information & Communication, and Accommodation & Food Services.
3. The Financial and Insurance Activities sector remained the largest contributor to real GDP, accounting for 17.1% of the total in Q2 2024.

- Bahrain’s real GDP grew by 1.3% YoY in Q2-2024. This growth was driven by the non-oil sector, which expanded by 2.8% YoY and accounted for 85.2% of the Kingdom’s total real GDP. By contrast, the oil sector experienced a 7% YoY decline in Q2-2024.
- The fastest growing sector in Q2 – 2024 was observed in the Transportation & Storage sector which expanded by 12.9% YoY. This growth was driven by a rise in passengers and aircraft mobility during the start of the summer season. The Bahrain International Airport reported a 15.6% YoY increase in passengers and a 14.4% YoY rise in aircraft activity. Container throughput at Khalifa Bin Salman Port rose by 8.5% YoY in Q2-2024.
- The Information & Communication sector posted the fastest growth rate at 11.2% YoY. The number of mobile telephone subscribers increased from almost 2.3 million in Q2-2023 to approximately 2.5 million in Q2-2024, reflecting a 13-percentage point increase in mobile penetration to 159% in Q2-2024. Additionally, there was a 4.2% YoY increase in mobile broadband subscriptions, bringing the total to 2.4 million, with a penetration rate of 154%. This represented an 11-percentage point increase during the quarter.
- Accommodation & Food Services activities posted continued strong growth of 10.6% YoY in Q2-2024. The expansion was fueled by a 20.8% increase in overnight visitors and a 17.9% gain in same-day visitors. The total number of tourists during the quarter reached 3.7Mn tourists.

Bahrain’s non-oil sector continued to drive economic growth in Q2 with 2.8% YoY increase

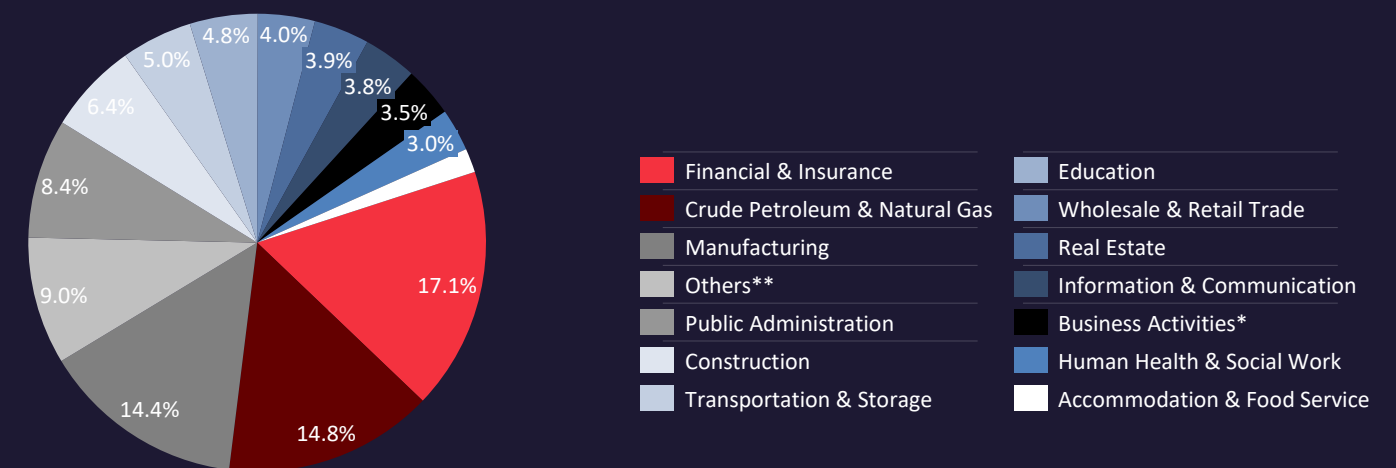
Bahrain’s YoY Real GDP Growth per Sector (% , Q2-2024)

Data Source: iGA, National Accounts, Q2-2024



GDP Breakdown by Sector (% , Q2-2024)

Data Source: iGA, National Accounts, Q2-2024

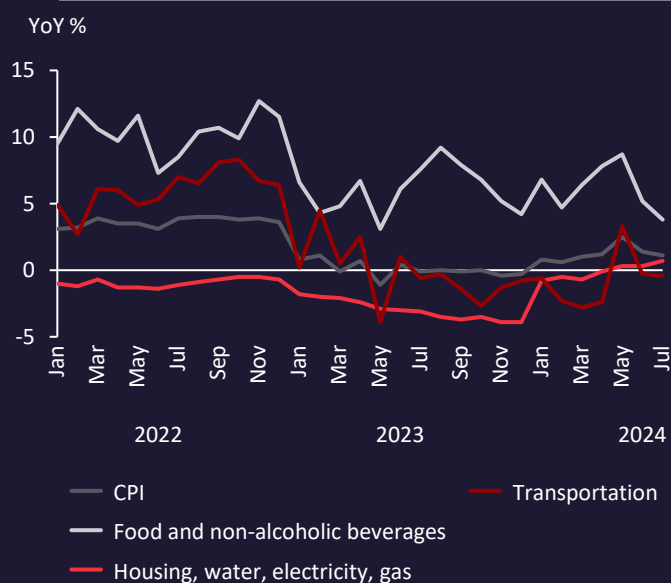


*Business Activities include Professional, Scientific, Technical Activities, and Administrative and Support Activities
 **Others include the Agriculture, Electricity, Water Supply, Other Service Activities, Activities of Household, Arts, Entertainment & Recreation, and Net Taxes on Products

Financial Markets Trends

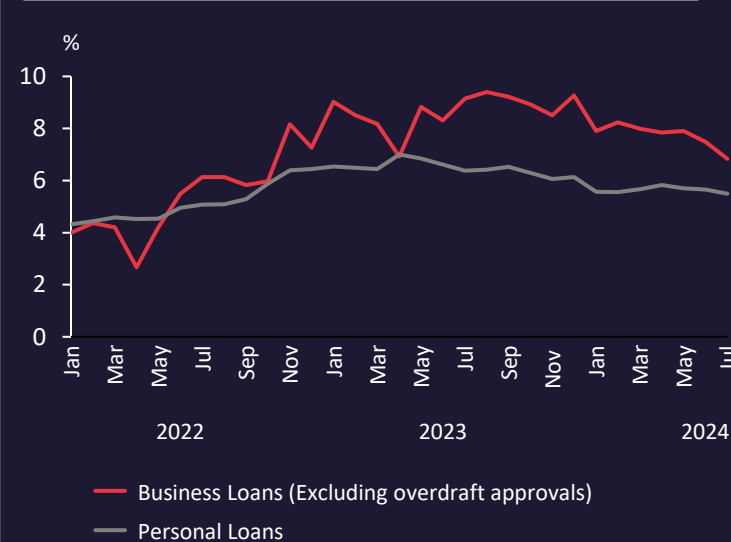
- A general decline in inflationary pressures in major economies has prompted central banks to begin to reduce their policy rates from recent highs. The US Federal Reserve in September joined the rate downcycle with a 50bps cut.
- Bahrain’s Consumer Price Index (CPI) saw an average increase of 1.7% in Q2-2024 compared to the same period last year, primarily driven by a 7.2% YoY rise in food prices.
- Housing and transportation costs showed little to no change on average in Q2-2024 compared to the same period last year, but recorded a small YoY decline in H1 2024.
- Interest rates for both personal and business loans experienced gradual declines in 2024. The average cost of business loans decreased by 1.9 percentage points and that of personal loan rates by 0.5 percentage point during the first half of the year. This trend reflected the gradual global shift towards lower rates amid easing inflationary pressures.
- Business loan rates have decreased more rapidly than personal loan rates, falling by 0.63 percentage point from Q1 to Q2-2024, while personal loan rates remained unchanged during the same period (albeit from a lower base).
- During Q2-2024 as a whole, the average interest rate on credit facilities in Bahrain stood at 7.4% for business loans and 5.6% for personal loans.
- Interest rate cuts are expected to create a more favorable environment for businesses, boosting the demand for credit and strengthening investor confidence.
- Bahrain saw a slowdown in private sector deposit activity in Q2-2024, with little change from the levels at the end of 2023. However, private sector loan activity increased by 3% between December 2023 and June 2024.
- Outstanding loans to the private sector in June 2024 were up by 2% in YoY terms.
- Overall YoY growth in bank credit growth reached 3.8% between December 2023 and June 2024.

Consumer Price Inflation (YoY%, Jan 2022 – Jul 2024)



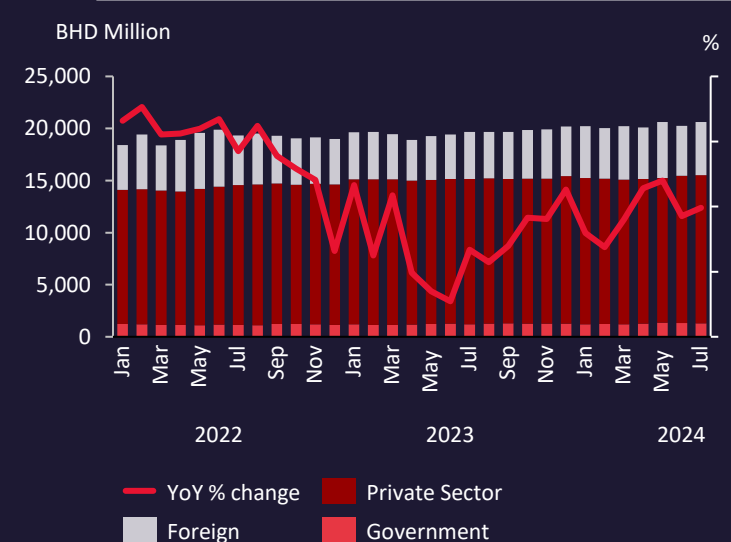
Data Source: iGA, Consumer Price Index, July 2024

Average Rate of Interest on Credit Facilities (% , Jan 2022 – Jul 2024)



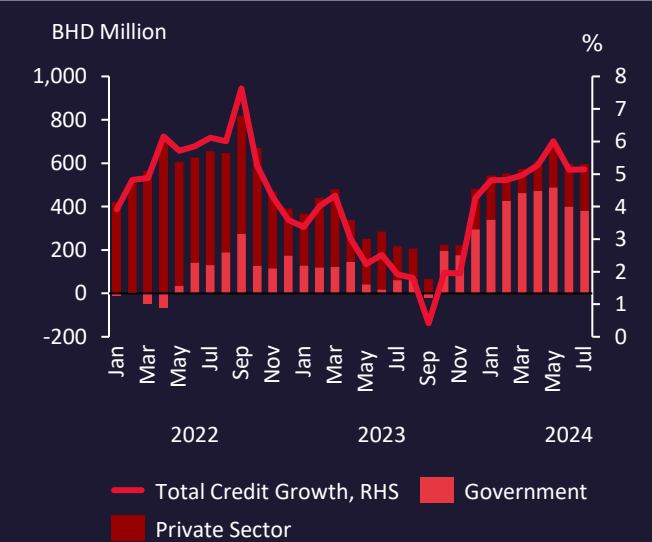
Data Source: CBB, Statistical Bulletin, Table 7, July 2024

Deposit Liabilities to Non-Banks (BHD Mn, %, Jan 2022 – Jul 2024)



Data Source: CBB, Statistical Bulletin, Table 19, July 2024

YoY Growth in Credit Issued by Retail Banks (BHD Mn, %, Jan 2022 – Jul 2024)



Data Source: CBB, Statistical Bulletin, Table 20, July 2024

Foreign Trade Overview

Key Takeaways

1. Non-oil merchandise exports of national origin declined by 6% YoY in value terms during Q2 – 2024. This was mainly due to falling volumes, even as the price of aluminum – the largest component of Bahrain’s export portfolio – increased.
2. While import volumes rose in Q2-2024, they recorded a 4% decrease in value terms.

- Bahrain’s non-oil merchandise trade deficit reached BHD 168.7 million in Q2-2024, reflecting a YoY decline of 4% from BHD 175 million in Q2-2023. This drop was driven by concurrent declines in both export and import values, which partly reflects waning inflationary pressures.
- Non-oil national-origin exports saw a YoY decline of 6% in both volume and value, totaling BHD 894.06 million in Q2-2024. The leading non-oil export continued to be unwrought aluminum alloys, accounting for 30% of total export value followed by agglomerated iron ores and concentrates, representing 18%. While aluminum prices rose by an average of 12% in Q2-2024 compared to 2023, lower volumes contributed to a decline in overall export values.
- Saudi Arabia remained the leading destination for Bahrain’s non-oil national-origin exports, accounting for a 22% share of the total.
- China remained the top source of imports to Bahrain, accounting for 13.6% of total imports.

Foreign Trade (BHD, %, Q2 -2024)

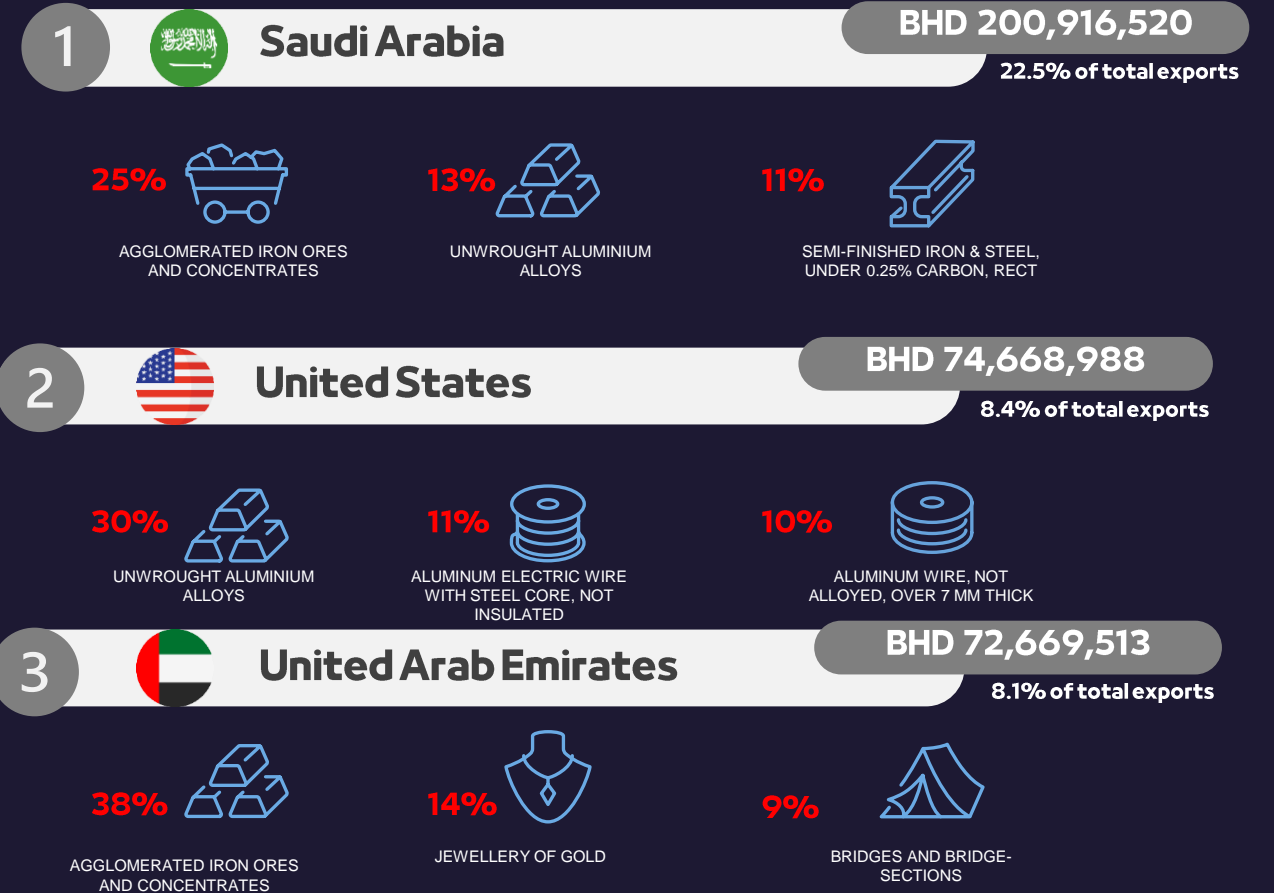
Q2-2024	Total (YoY change %)
Non-Oil National Origin Exports	BHD 894.06 Mn (-6%)
Re-Exports	BHD 205.9 Mn (4%)
Non-Oil Imports	BHD 1,268.7 Mn (-4%)

Data Source: IGA, Foreign Trade, Q2-2024
MOFNE Bahrain Economic Quarterly Report Q2-2024

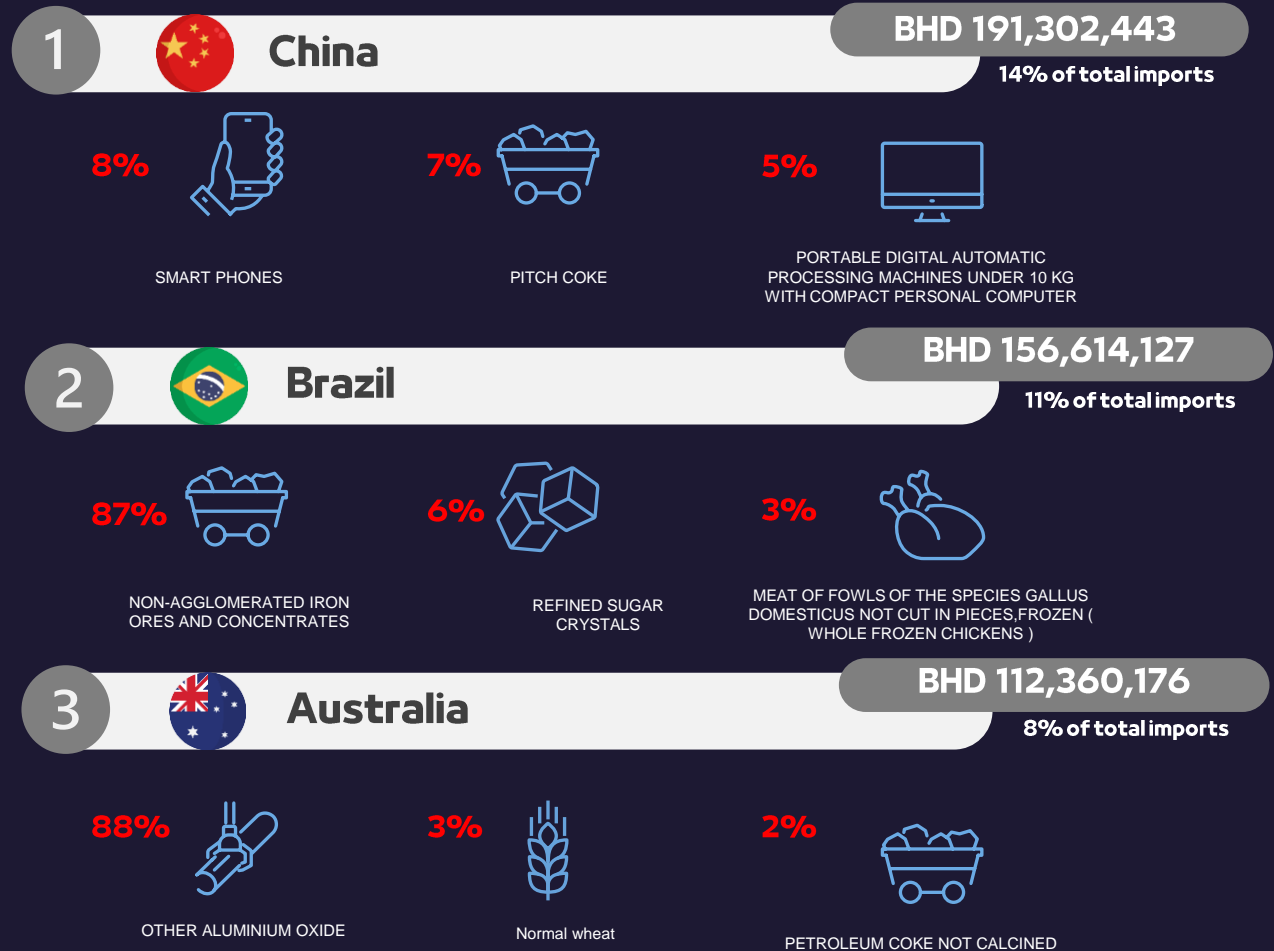
Saudi Arabia remained top non-oil national origin exports partner in Q2-2024

Data Source: IGA, Foreign Trade, Q2-2024

Leading Destinations of Non-oil Exports of National Origin in Q2 2024



Leading Sources of Merchandise Imports in Q2 2024



Labor Market Overview

Key Takeaways

1. The number of Bahraini nationals working in the private sector rose by 2.4% YoY in Q2 - 2024.
2. The monthly average wages of Bahraini employees working in the private sector increased by 3.5% YoY in Q2-2024.
3. Labor market dynamics are shifting, with the number of Bahraini employees in the private sector increasing at a faster pace compared to non-Bahrainis.

- In Q2-2024, the number of Bahraini private sector employees reached 102,473, representing a 2.4% YoY increase. By contrast, the total number of private sector employees experienced a 1% decline during the quarter, reaching 560,210. This was driven by a 2.1% YoY fall in the number of non-Bahraini employees in the private sector.
- The monthly average wages of Bahrainis working in the private sector increased by 3.5% YoY, reaching on average BHD855. This increase in part reflected an improvement in the quality of jobs as factors such as technology adoption drive productivity gains.
- Recent labor market trends in Bahrain highlight the growing role of the private sector as a key driver of Bahraini employment. The number of Bahraini employees in the private sector has been increasing at a faster pace than that of non-Bahrainis.

Bahraini employment recorded a growth of 2.4% YoY in Q2-2024

Labor Market Indicators (Q2-2024)



560,210

Total Employees in the private sector

YoY (-1%)



102,473

Bahraini Employees in the private sector

YoY (2.4%)



457,737

Non-Bahraini Employees in the private sector

YoY (-2.1%)



BHD 855

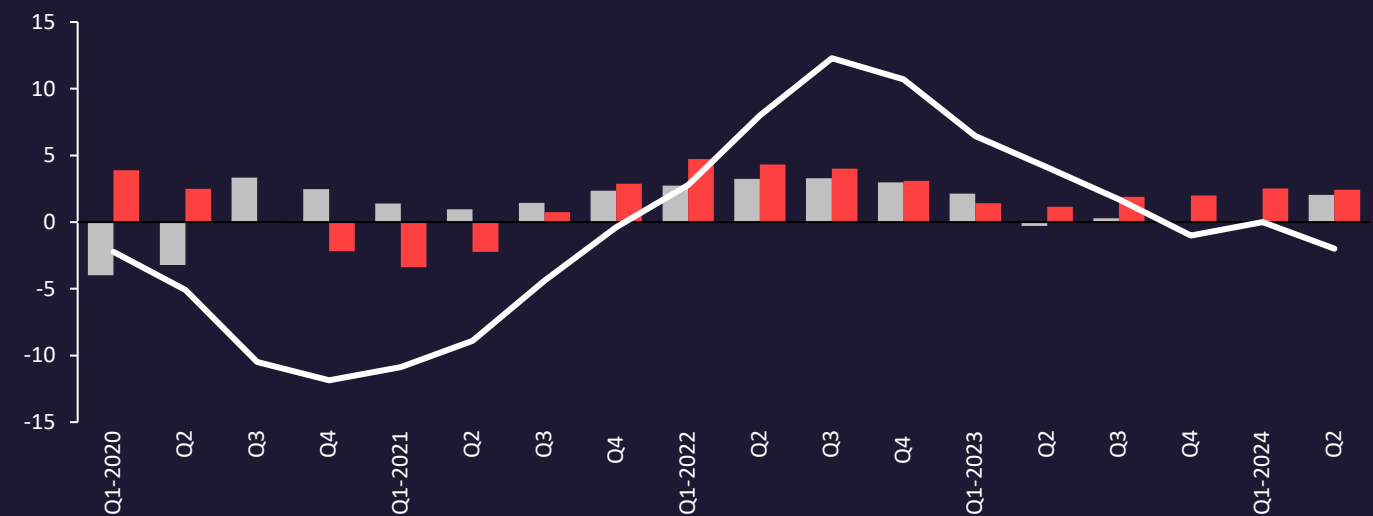
AVG Wages of Bahrainis in the private sector

YoY (3.5%)

Preliminary Data
Data Source: Q2-2024
MOFNE Bahrain Economic Quarterly Report
Social Insurance Organization

YoY Changes in Employment by Labor Market Segment (% , 2020 - Q2-2024)

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



Preliminary Data
Data Source: Q2-2024
MOFNE Bahrain Economic Quarterly Report
Social Insurance Organization

Note: Figures of non-Bahraini employees in the private sector are not available for Q1-2024

Global & Regional Context

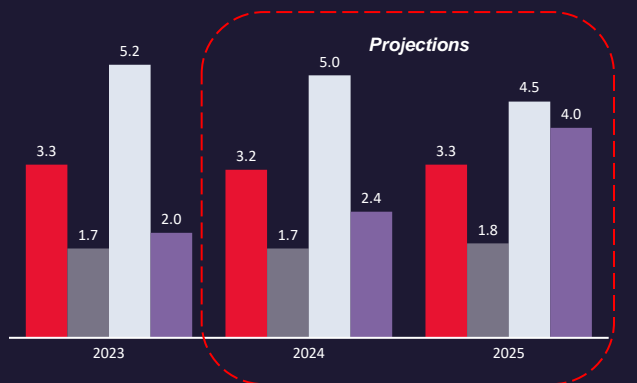
Global Context

- The global economy is beginning to show signs of slowing growth. These include increasing indications of a waning job market momentum in the US and persistent evidence of the weight of structural challenges in China. This is bringing forward expectations of interest rate cuts and monetary loosening.
- Despite generally mixed economic data, US GDP growth in Q2 was revised higher to 3% (annualized) in a marked increase from 1.4% in Q1. However, the job market has been mixed.
- Other major economies are also posting slower growth. Euro-zone economic growth slowed to 0.2% QoQ in Q2 from 0.3% in Q1. The Chinese economy grew by 4.7% YoY in Q2, down on 5.3% in Q1. Amid a prolonged real estate crisis, weak domestic demand, a falling Yuan, and growing trade tensions with the West, Q2 growth was the lowest since Q1-2023. This has prompted the Chinese authorities to unveil new stimulus measures.
- Inflationary pressures have continued to moderate globally, boosting the case for a looser monetary policy, even if the decline has been gradual and some pressures persist.
- Oil prices have seen renewed volatility amid mixed economic data as well as an unusual cluster of political risks. The Brent benchmark oil price averaged USD 80.4 per barrel in August. This marked a 5.6% MoM drop and was down 6.7% in YoY terms. The weakened market confidence reflects a reduced risk premium associated with conflicts in the region but also concerns over weak Chinese demand and slowing global oil consumption at a time when more supply might begin to return to the market. Expectations of global oil demand growth have been pared back by leading forecasters.

Regional Context

- GCC growth dynamics have shown considerable resilience even amid continued OPEC+ output controls and historically high interest rates. The strong non-oil GDP performance has coincided with generally robust business confidence, although there are indications that growth is beginning to moderate very gradually. Overall GDP growth stood at -2.7% YoY, up from -4.4% in Q4. This YoY declines reflect the OPEC+ oil production cuts
- Saudi Arabia's real GDP shrank by 0.3% YoY in Q2. The contraction was driven by an 8.8% decline in oil activities, while non-oil activities increased by 4.9% YoY.
- UAE GDP growth eased to 3.4% YoY in Q1. The oil sector posted positive growth for the first time in three quarters at 1.6% YoY despite a decline in crude extraction. Non-oil growth remained robust at 4.0% YoY.
- Provisional data showed Kuwait's non-oil GDP growing in Q1 at 4.7% YoY after a 2.3% drop in Q4-2023. Oil GDP registered a steep 9.8% YoY decline in Q1 reflecting OPEC-led supply cuts.
- Forward-looking indicators suggest that growth will remain resilient even if the OPEC+ chooses to unwind its cuts only gradually.
- Despite some continued volatility and variance among regional economies, GCC inflation has been generally moderating in recent months, broadly matching global trends. By the end of the summer, all Gulf economies had CPI readings of around 3% or less, broadly in line with the historical norm.

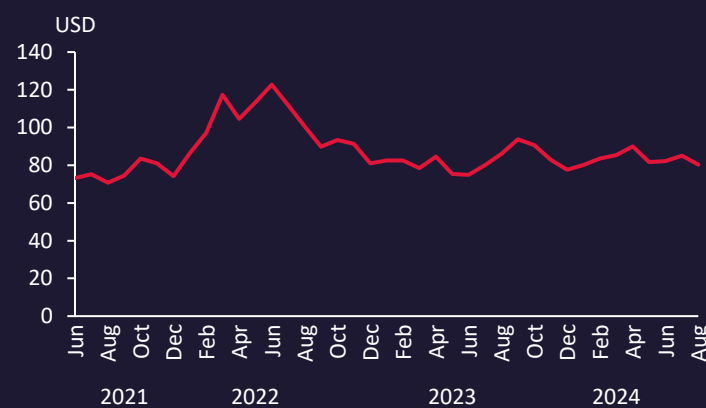
YoY Real GDP Growth (% , 2023 – 2025 Projections)



Legend: Global Economy (Red), Advanced Economies (Grey), China (White), Middle East & Central Asia (Purple)

Data Source: IMF, World Economic Outlook Update, July 2024

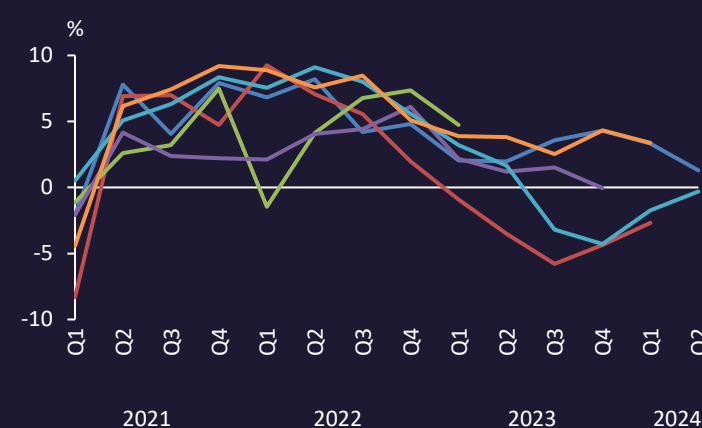
Europe Brent Spot Price (USD/bbl, Jun 2021 – Aug 2024)



Legend: USD per Barrel (Red)

Data Source: US Energy Information Administration, August 2024

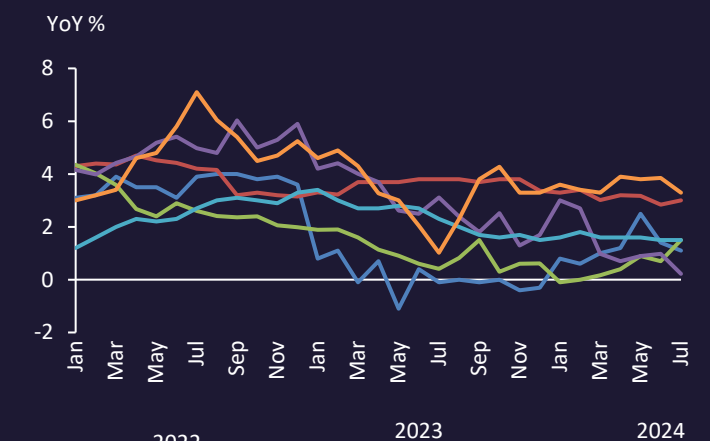
GCC YoY Real GDP Growth (% , 2021– Q2-2024)



Legend: Bahrain (Blue), Kuwait (Orange), Oman (Green), Qatar (Purple), Saudi Arabia (Cyan), UAE (Yellow)

Data Source: National Statistical Offices, Q2-2024

GCC Consumer Price Inflation (YoY % , Jan 2022 – Jul 2024)



Legend: Bahrain (Blue), Kuwait (Orange), Oman (Green), Qatar (Purple), Saudi Arabia (Cyan), UAE (Yellow)

Data Source: National Statistical Offices, July 2024

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	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.
Labor Market Entrants	Known as the new active employees registered for the first time in the private sector from the beginning of the year.
Monthly Average Wage	The average wage is the sum of the monthly wages of all individuals in a wage distribution divided by their numbers. The monthly average wage represents the wage that each person would receive on a monthly basis if total wage were distributed equally among them.
Non-Oil Trade Balance	The difference between the value of non-oil imports and non-oil exports during a certain period.
National Origin Exports	Exports including all commodities that were entirely produced or manufactured in Bahrain.
Re-Exports	Exports of commodities that have been imported previously.
Imports	Imports including all commodities that were produced or manufactured from a country abroad through foreign supplies and producers.
Million barrels per day (MBD)	Million barrels per day, a unit of measurement for oil production and consumption.



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