

TAMKEEN BUSINESS REVIEW

- Embarking on a recovery

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Data Sources

| Section | Data Indicators | Data Source | Released date |
|------------------------------|-----------------------------------|---------------------------------------------------------------------------------------------------------|-------------------------------------|
| Economic Development | Bahrain's Economic Outlook | • MoFNE Bahrain Economic Quarterly Report | • Q4-2021 |
| | GCC Economic Outlook | • IMF Economic Prospects & Policy Challenges for the GCC Countries | • December 2021 |
| | Real Gross Domestic Product (GDP) | • National Accounts, Information & eGovernment Authority | • Q4-2021 |
| | Sector Growth | • National Accounts, Information & eGovernment Authority | • Q4-2021 |
| | GDP Breakdown by Sector | • National Accounts, Information & eGovernment Authority | • Q4-2021 |
| | Inflation | • CPI, Information & eGovernment Authority | • December 2021 |
| | Foreign Trade | • Foreign Trade – Information & eGovernment Authority | • January 2022 |
| Corporate Sector Development | Financial Market | • Financial Stability Report, Central Bank of Bahrain • Statistical Report, Central Bank of Bahrain | • September 2021 • December 2021 |
| | Commercial Registrations | • Bahrain Labor Market Regulatory Authority | • Q1-2021 |
| | Startup Funding | • MAGNiTT | • Q1-2021 |
| Labor Market | Total Workforce | • Statistical Report, Social Insurance Organization | • Q4-2021 |
| | Unemployment | • IMF – Data Mapper | • October 2021 |
| | Private Sector Employment | • Statistical Report, Social Insurance Organization • Bahrain Labor Market Regulatory Authority | • Q4-2021 • Q1-2021 |
| | Average Wages | • Bahrain Labor Market Regulatory Authority | • Q1 2021 |
| | Labor Productivity | • Bahrain Labor Market Regulatory Authority • National Accounts, Information & eGovernment Authority | • Q1 2021 • Q1 2021 |
| | New Labor Market Entrants | • Statistical Report, Social Insurance Organization • Bahrain Labor Market Regulatory Authority | • Q4-2021 • Q1-2021 |

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Economic Context

Real GDP Growth %
2021
2.2%



Real GDP Growth %
2022F*
4.1%

Data Source: IGA, National Accounts, Q4-2021

F = forecast. – Data Source: MoFNE, Bahrain Economic Quarterly, Q4-2021

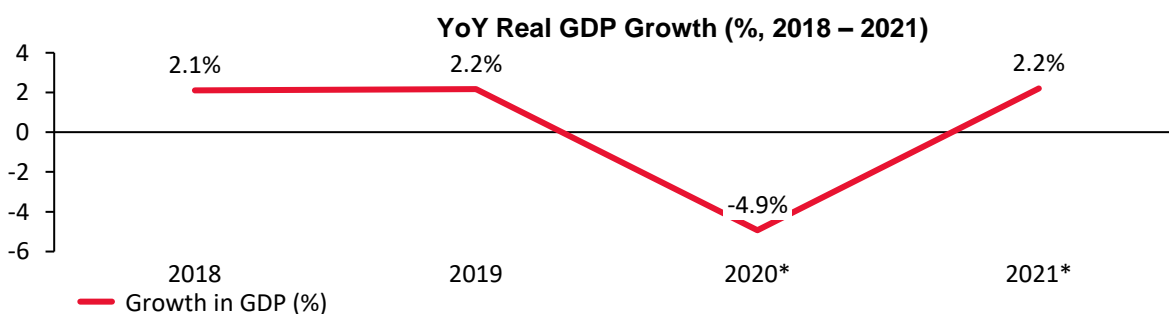
- **The GCC region experienced a gradual economic recovery in 2021.** Non-oil GDP in the GCC is estimated to have grown by 3.8% in 2021. The oil sector saw marginal growth of approximately 0.3%, leaving headline GDP growth at some 2.5%. Regional recovery is set to accelerate sharply in 2022 thanks to broad-based normalization of economic activity along with higher oil prices and production. Oil sector growth this year is projected at 5.3%. The improving regional outlook entails positive spillovers for Bahrain through more trade, investment and tourism.
- **Growth in Bahrain has broadly mirrored regional trends.** The normalization of economic activity accelerated in Q4 with 4.3% YoY GDP growth, leaving headline growth at an estimated 2.2% in 2021. The rebound has benefited from high vaccination rates along with a progressive normalization of intra-regional and international travel. Economic growth is likely to accelerate sharply in 2022 and looks likely to exceed 4%.
- **The Government's Economic Recovery Plan presented in November 2021 will contribute to the rebound.** The program is composed of five pillars: 1) creating quality jobs for Bahrainis, 2) launching major strategic projects, 3) developing strategic priority sectors, 4) simplifying and increasing the efficiency of commercial procedures, and 5) achieving fiscal sustainability and economic stability. The program links to the revised Fiscal Balance Program which is designed to achieve a balanced budget by 2024.

GCC Economic Outlook (% , 2020 – 2022F)

| Real GDP Growth | 2020 | 2021E | 2022F |
|-------------------------|------|------------|------------|
| Bahrain | -5.1 | 2.4 | 3.1 |
| Kuwait | -8.9 | 0.9 | 4.3 |
| Oman | -2.8 | 2.5 | 2.9 |
| Qatar | -3.6 | 1.9 | 4.0 |
| Saudi Arabia | -4.1 | 2.8 | 4.8 |
| United Arab Emirates | -6.1 | 2.2 | 3.0 |
| Real Non-oil GDP Growth | 2020 | 2021 Proj. | 2022 Proj. |
| Bahrain | -5.5 | 3.0 | 3.7 |
| Kuwait | -7.5 | 3.0 | 3.5 |
| Oman | -3.9 | 1.5 | 2.3 |
| Qatar | -4.5 | 2.0 | 4.7 |
| Saudi Arabia | -2.3 | 4.7 | 3.6 |
| United Arab Emirates | -6.2 | 3.2 | 2.8 |
| Consumer Price Index | 2020 | 2021 Proj. | 2022 Proj. |
| Bahrain | -2.3 | 1.0 | 2.7 |
| Kuwait | 2.1 | 3.2 | 3.0 |
| Oman | -0.9 | 3.0 | 2.7 |
| Qatar | -2.7 | 2.5 | 3.2 |
| Saudi Arabia | 3.4 | 3.2 | 2.2 |
| United Arab Emirates | -2.1 | 0.6 | 2.2 |

F = forecast. E = expected

Data Source: IMF, Economic Prospects and Policy Challenges for the GCC Countries, December 2021



*Provisional data are preliminary data that may not yet be complete.

Source: IGA, National Accounts, Q4-2021

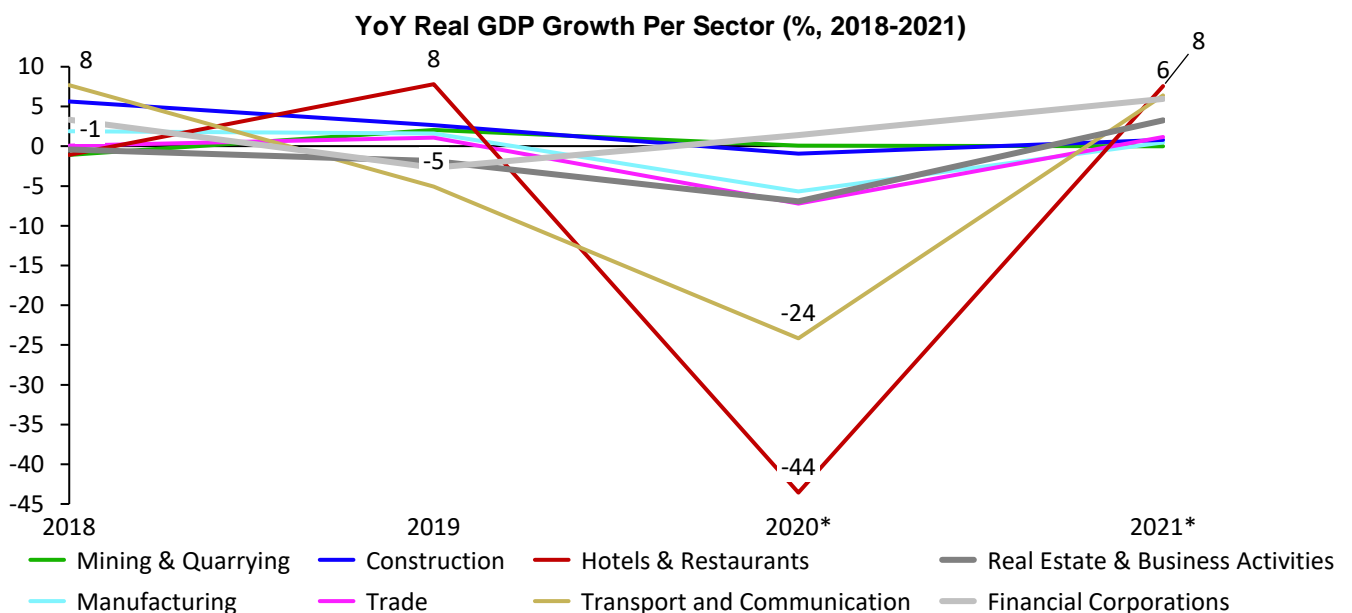
Sector Growth

- **Non-oil sectors are experiencing an accelerating recovery with broad-based growth in Q4-2021 that allowed the non-oil economy as a whole growth by 4.2% YoY.**
- **The largest shifts were seen in high-contact sectors that experienced the sharpest disruptions during the pandemic. Sectors such as hotels and restaurants demonstrated the highest increase in GDP growth rates (+31.66% YoY).** This rebound reflected a rapid normalization of activity, supported by pent-up demand, as most restrictions on social interactions and travel were lifted. The re-opening of the King Fahad has driven a rapid increase in regional visitors.
- **The transportation & communications sector recorded the second-fastest growth rate with an increase of 11.54% in Q4-2021 compared to its corresponding quarter, due to the normalization of all cross-border travel.**
- **The growth momentum is likely to remain strong in 2022 as the economy transitions post-COVID in an environment of high oil prices.**

Real GDP Per Sector (2021)

| Sector | Real GDP (BHD Million Constant Price, 2021) | YoY Real GDP Growth (% 2020-2021) |
|-----------------------------------|---------------------------------------------|-----------------------------------|
| Hotels & Restaurants | 195.22 | 31.66% |
| Transportation & Communications | 807.27 | 11.54% |
| Agriculture & Fishing | 38.24 | 10.24% |
| Electricity & Water | 197.26 | 9.59% |
| Health | 478.87 | 7.88% |
| Financial Corporations | 2,237.24 | 5.15% |
| Real estate & Business Activities | 675.60 | 4.78% |
| Mining & Quarrying | 2,402.25 | 4.78% |
| Construction | 944.33 | 3.14% |
| Trade | 539.42 | 2.89% |
| Manufacturing | 1,767.60 | 1.79% |
| Education | 571.84 | 1.68% |
| Other Government Services | 1,086.09 | 1.03% |

Source: IGA, National Accounts, Q4-2021



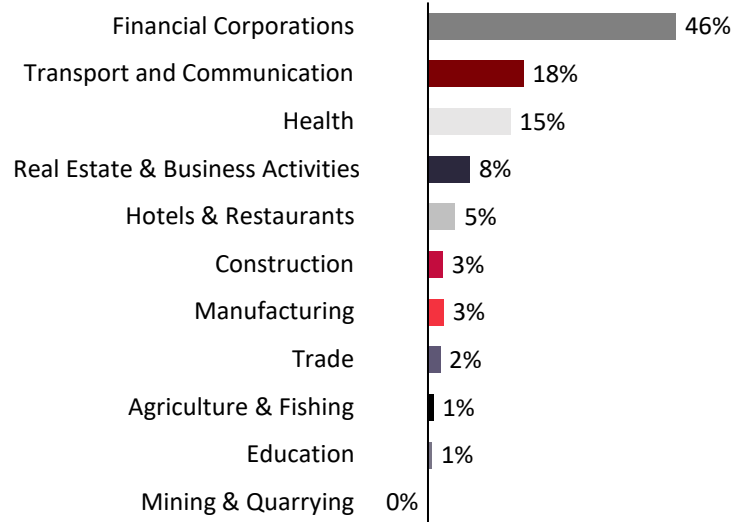
*Provisional data are preliminary data that may not yet be complete.

Source: IGA, National Accounts, Q4-2021

Sector Contribution to GDP

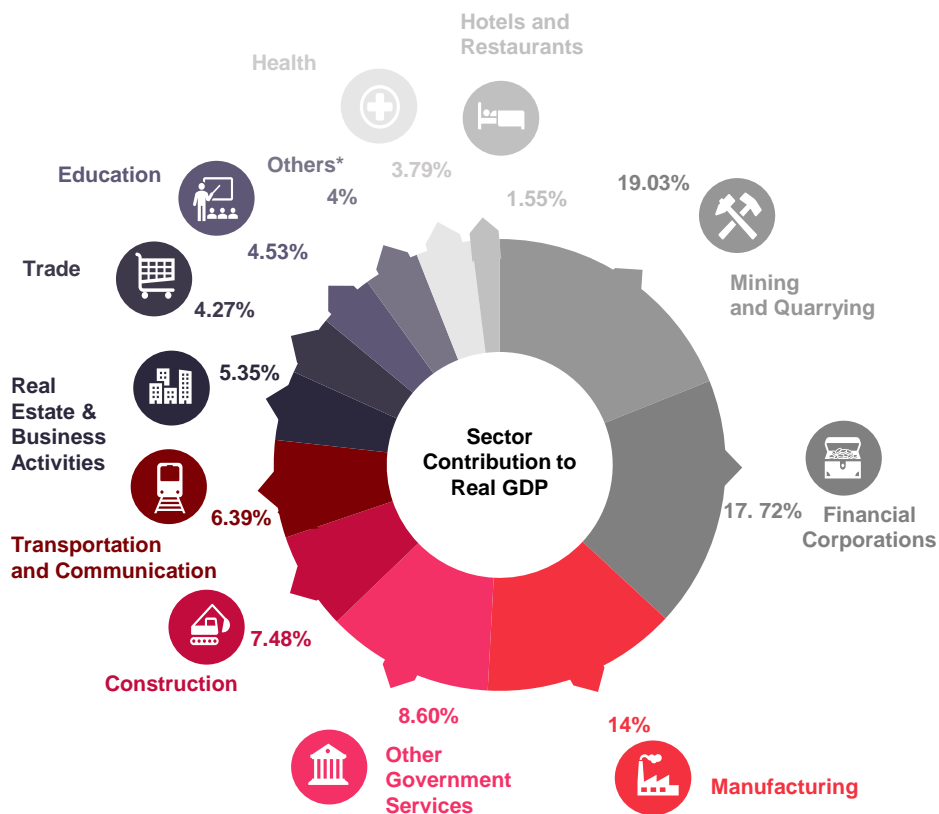
- The Financial sector is considered the largest non-oil contributor to Bahrain's real GDP. The sector contributed to 17.72% of Bahrain's real GDP in 2021, making it one of the key drivers of growth in the Kingdom.
- Strong growth in financial services meant that the sector contributed 46% of the growth in GDP in 2021. Transport and Communication demonstrated the second highest sector that contributed 18% of the growth in real GDP in 2021.
- Manufacturing is the second largest non-oil contributor to real GDP at 14%. However, the YoY growth in sector contribution to real GDP was 3%.

YoY Growth in Sector Contribution to Real GDP (% , 2020-2021)



Source: IGA, National Accounts, Q4-2021

Real GDP by Sector Contribution (% , 2021)



*Others includes the Agriculture, Electricity and Water sectors and Other Social and Personal Services.

Source: IGA, National Accounts, Q4-2021

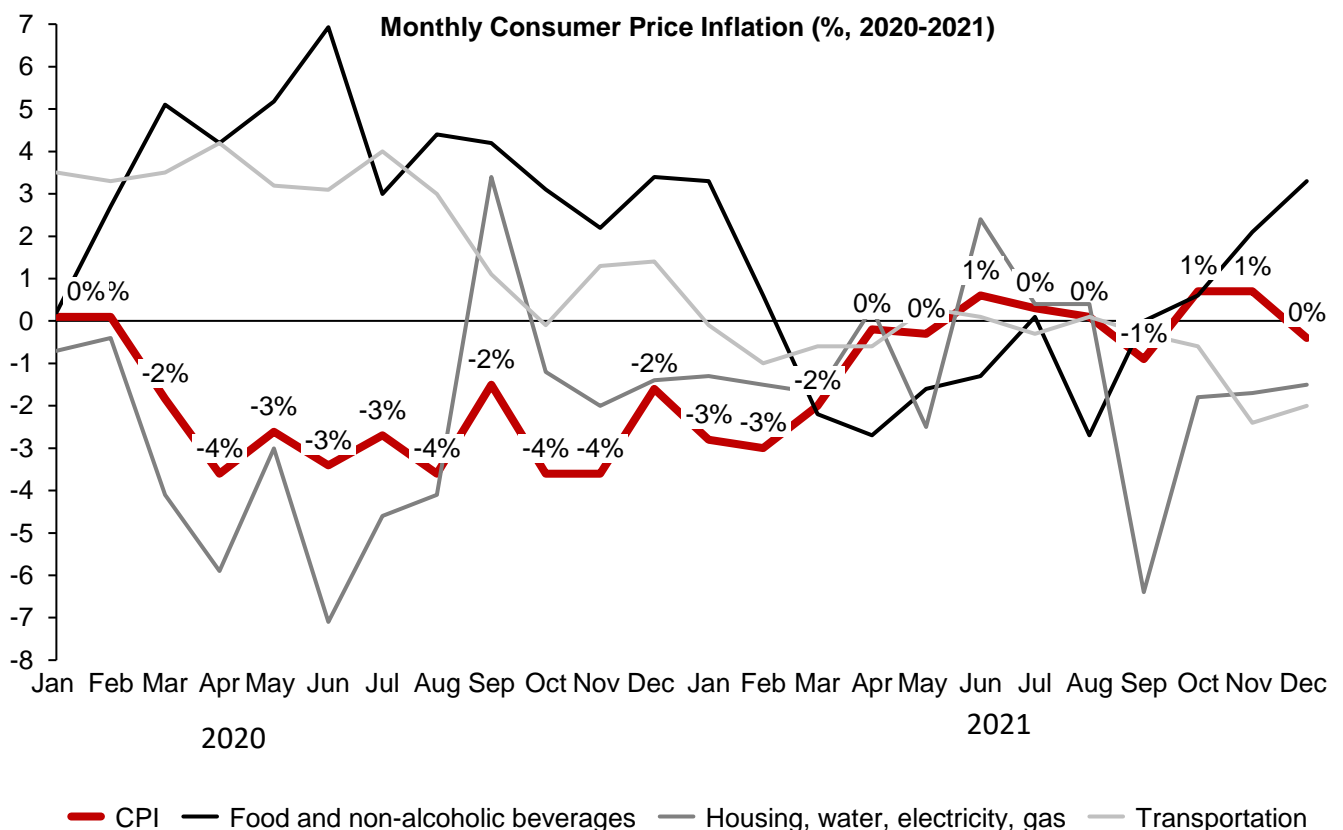
Inflation

Despite a build-up of global inflationary pressures, price dynamics in Bahrain remained subdued throughout 2021. However, the earlier deflationary trend is being reversed due to several reasons:

- Continued global supply chain disruptions.
- Increased cost pressures due to utilities tariff, and value added tax (VAT) increase (5% to 10% in 2022).
- Inflation in global food price pushed up the cost of food and non-alcoholic beverages (most are imported) by 3.3% in Dec 2021, further driving inflation.
- Minimal price pressures in housing costs remained a major check on overall inflation. Bahrain has seen a period of slow demand growth while supply has continued to expand. Housing costs declined by 6.4% in YoY terms in Sep 2021.

With global inflationary pressures are showing signs of persisting for longer than expected, faster price inflation may have implications for Bahrain-based businesses as well:

- Global supply chain disruptions underscore the importance of proactive risk management, potentially including increased local production and storages in certain areas.
- Mitigating cost pressures are becoming more important for businesses through better cost management, business model overhauls, and increased digitalization.



Data Source: IGA, CPI, December 2021

Highlights

- **Bahrain's non-oil merchandise trade balance improved significantly in 2021**, reflecting improvements in commodity prices, notably aluminum, which dominates the export bundle.
- **As illustrated below, Q3-2021 exports were larger than imports for the first time since 2018, deflating the trade deficit by 45%.** This is due to national origin exports, which comprised of 83% of total exports in that quarter. During that quarter, the total value of exports was BHD 1.4 Bn – of which value of national origin exports was BHD 1.2 Bn.
- **Bahrain's national origin exports recorded a significant increase of 67%**, signifying a jump from BHD 2.4 Bn to BHD 4 Bn in 2021 compared to 2020.
- **Bahrain exported its locally produced merchandise to 14 new markets in 2021, compared to 2020.** The value of exports to such markets was small (BHD 1.9 Mn) in comparison to older markets. Those new markets included Honduras, Iran, Niger, Saint Lucia, Bolivia, Brunei, Kazakhstan, Luxembourg, Monaco and others. Products exported included, unwrought aluminum alloys, fencing of aluminum wire, resin mastics for technical usages, wood pallets, crisps (such as pop corn and chips), personal household appliances, perfume, among others.
- **The following countries are the fastest growing markets in terms of value of exports of national origin exports (over 2000% increase in value, combined value of BHD 41.3 Mn) in 2021, in comparison to 2020:**

- | | |
|-------------------|------------|
| 1. Libya | 5. Croatia |
| 2. Argentina | 6. Israel |
| 3. Czech Republic | 7. Syria |
| 4. Slovakia | |

| 2021 | Total (YoY change) | |
|----------------------------------------|--------------------|---|
| Non-oil National Origin Exports | BHD 4 Bn (67%) | ▲ |
| Re-Exports | BHD 679 Mn (1%) | ▲ |
| Non-Oil Imports | BHD 5.3 Bn (11%) | ▲ |
| Trade Balance | BHD 1.3 Bn (45%) | ▼ |

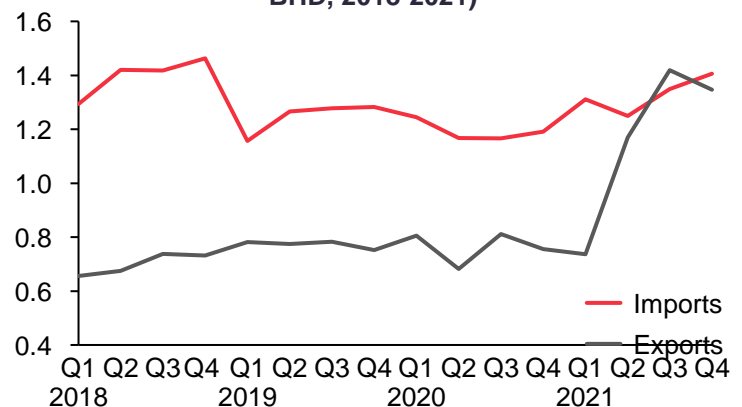
Data Source: IGA, Foreign Trade, 2021

Value of Non-Oil National Origin Exports & Re-Exports (Billion BHD, 2018-2021)



Data Source: IGA, Foreign Trade, 2021

Value of Non-Oil Imports & Exports* (Billion BHD, 2018-2021)



*Exports include both national origin and re-exported products
Data Source: IGA, Foreign Trade, 2021

Leading non-oil merchandise exports

- **During 2021, Bahrain exported 534 new national origin products to various markets, when compared to 2020.**
- **The top 20 new products** in terms of export value are highlighted below:
 - 1) Sodium
 - 2) Lithium Batteries
 - 3) Jellyfish
 - 4) Other human blood, animal blood, vaccines, toxins and similar products
 - 5) Ingots of iron and non-alloy steel
 - 6) Parts for aircraft engines
 - 7) Other unalloyed aluminum plates
 - 8) Fluorides of Aluminum
 - 9) Other types of graphite
 - 10) Carpets and rugs
 - 11) Fire extinguishers
 - 12) Construction workers' helmets
 - 13) Transformer and circuit breaker oils
 - 14) Grill, netting and fencing
 - 15) Cruise ships / ferry-boats
 - 16) Additives / glues
 - 17) Other reciprocating positive displacement pumps
 - 18) Plain unbleached manmade woven fabrics
 - 19) Clams, cockles and ark shells
 - 20) Oxydiethanol

Top 10 Exported Products by Value (2021)

| National Origin Exports | BHD | % out of Export |
|-------------------------------------------------------------------|---------------|-----------------|
| 1. Unwrought Aluminium Alloys | 1,009,621,050 | 25% |
| 2. Agglomerated Iron Ores And Concentrates | 862,743,440 | 22% |
| 3. Unwrought Aluminium, Not Alloyed | 202,981,585 | 5% |
| 4. Semi-finished Iron And Steel, Under 0.25 Percent Carbon, Rect. | 188,521,562 | 5% |
| 5. Aluminum Wire, Not Alloyed, Over 7 Mm Thick | 183,360,509 | 5% |
| 6. Rectangular Alloyed Aluminum Plates, Over 0.2 Mm Thick | 159,573,676 | 4% |
| 7. Urea, Whether Or Not In Aqueous Solution | 124,363,841 | 3% |
| 8. Processed Cheese, Not Grated Or Powdered | 102,101,281 | 3% |
| 9. (U, I, H) Sections, Partially-worked, Under 80 Mm High | 97,871,176 | 2% |
| 10. Bridges And Bridge-sections | 84,753,031 | 2% |

Top 10 Imported Products by Value (2021)

| Imported Product | BHD | % out of Imports |
|--------------------------------------------------------------------|-------------|------------------|
| 1. Non-agglomerated Iron Ores And Concentrates | 840,691,234 | 16% |
| 2. Other Aluminium Oxide | 377,761,448 | 7% |
| 3. Parts For Aircraft Engines | 110,925,267 | 2% |
| 4. Jeeps, Current Year, Spark Ignition, Over 3000 Cc | 97,959,598 | 2% |
| 5. Gold Ingots | 92,061,788 | 2% |
| 6. Telephones For Cellular Networks Or For Other Wireless Networks | 91,515,154 | 2% |
| 7. Jewellery Of Gold | 88,541,104 | 2% |
| 8. Petroleum Coke Not Calcined | 73,789,726 | 1% |
| 9. Other Medicaments Put In Forms Or Packings For Retail Sale | 67,324,642 | 1% |
| 10. Private Cars, Current, Spark Ignition, 1501 To 3000 Cc | 49,558,062 | 1% |

Top Import Sources in 2021

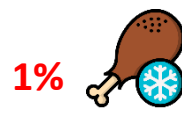
1  **Brazil** **BHD 750,945,420**
14% of total imports



NON-AGGLOMERATED IRON ORES AND CONCENTRATES



FRESH OF FROZEN MEATS OF FOWLS



FROZEN CUTS OF FOWL

2  **China** **BHD 692,132,995**
13% of total imports



CELLULAR TELEPHONES



PITCH COKE

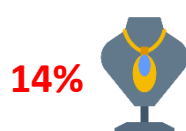


PORTABLE DIGITAL AUTOMATIC DATA PROCESSING MACHINES

3  **United Arab Emirates** **BHD 393,632,324**
7% of total imports



GOLD INGLOTS



JEWELLERY OF GOLD

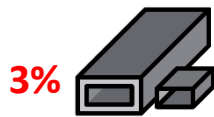


CEMENT CLINKERS

4  **Australia** **BHD 384,890,995**
7% of total imports



OTHER ALUMINIUM OXIDE



ALUMINIUM WASTE AND SCRAP

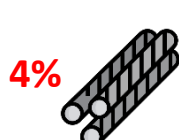


Normal wheat

5  **Saudi Arabia** **BHD 363,358,727**
7% of total imports



OTHER ALUMINIUM OXIDE



HOT-ROLLED STEEL BARS




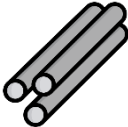
FRESH OF FROZEN MEATS OF FOWLS


Top Export Destinations in 2021

1  **Saudi Arabia** **BHD 925,219,348**

20% of total exports


22% 
AGGLOMERATED IRON
ORES AND
CONCENTRATES

13% 
UNWROUGHT ALUMINIUM
ALLOYS


7% 
SEMI-FINISHED IRON AND STEEL,
UNDER 0.25% CARBON,

2  **United Arab Emirates** **BHD 610,389,910**

13% of total exports

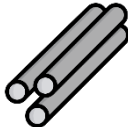
30% 
AGGLOMERATED IRON
ORES AND
CONCENTRATES


12% 
GOLD INGLOTS

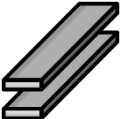
6% 
BRIDES AND BRIDGE
SECTIONS

3  **United States of America** **BHD 502,229,963**

11% of total exports


43% 
UNWROUGHT ALUMINIUM
ALLOYS

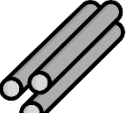
13% 
ALUMINUM WIRE, NOT
ALLOYED, OVER 7 MM THICK


9% 
RECTANGULAR ALLOYED
ALUMINUM PLATES

4  **Egypt** **BHD 274,429,281**

6% of total exports


66% 
AGGLOMERATED IRON
ORES AND
CONCENTRATES


10% 
UNWROUGHT ALUMINIUM
ALLOYS

10% 
ALUMINUM WIRE, NOT
ALLOYED, OVER 7 MM THICK

5  **Sultanate Oman** **BHD 214,220,092**

5% of total exports

65% 
AGGLOMERATED IRON
ORES AND
CONCENTRATES

6% 
APPARATUS FOR ELECTRICAL
CONTROL 1000 V OR LESS

4% 
FERROUS PRODUCTS FROM THE
DIRECT REDUCTION OF IRON ORE

Note: Exported products include both national origin and re-exported products.
Data Source: IGA, Foreign Trade, 2021

Overview

- Since the beginning of the global outbreak of COVID-19, CBB issued directives as part of the preventative measures to contain the virus. The Central Bank of Bahrain (CBB) issued a policy for loan deferrals that was renewed three times since the beginning of the pandemic.

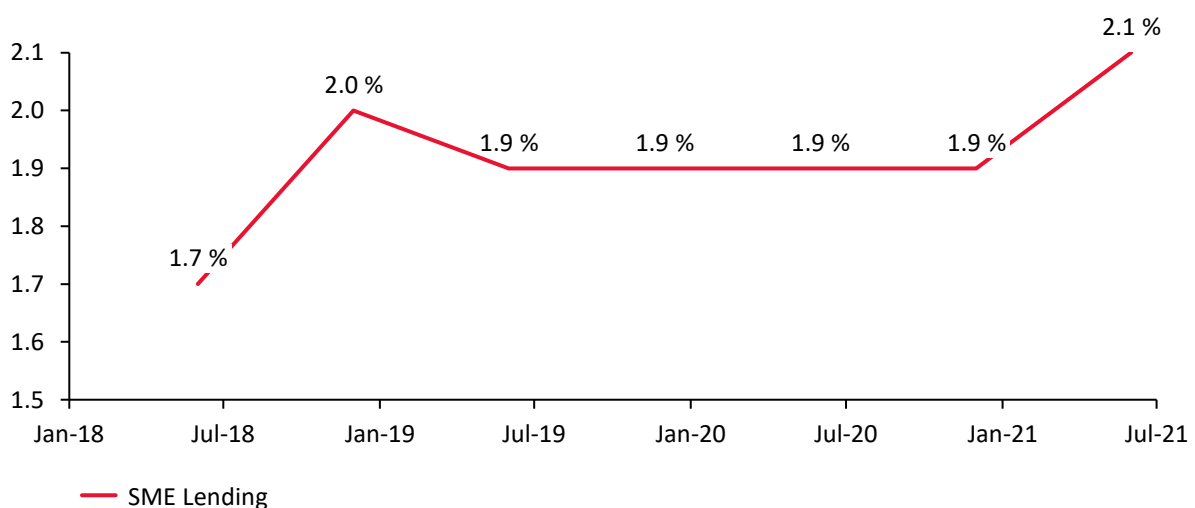
Loan Deferment Phase 4 (Jul 2021- Dec 2021)

| | Total Outstanding Loans BHD | Deferred Installments BHD |
|----------------------------------|-----------------------------|---------------------------|
| Total | 2,821,604 | 382,771 |
| Retail | 1,612,237 | 138,906 |
| Corporate | 1,209,367 | 243,865 |
| % of Total Deferred Loans | 25.0% | 13.6% |

Data Source: CBB, Financial Stability Report, September 2021

- The total value of SME loans remains low as loans (as a % of total loans) increased by 0.2 percentage points, reaching 2.1% in Q2-2021 compared to 1.9% in Q2-2020.
- Non-performing loans (NPLs) of SMEs decreased by 3.6% reaching to 9% in Q2-2021 compared to Q2-2020 due to the global pandemic and after a contraction in economic activity in 2020. CBB's loan deferrals managed to prevent defaults by individuals and business that suffered temporary cashflow challenges. With the expected economic recovery to continue, banks need to remain prudent in monitoring any deteriorations in lending portfolios once the loan deferral program ends due to concerns of a lagged effect on NPLs.

Value of SME Lending to Total Loans (% , January 2018 – July 2021)






Data Source: CBB, Financial Stability Report, September 2021

Highlights

- The profitability of the banking sector is approaching pre-pandemic levels and is set to benefit from the increase in interest rates, although some increase in NPLs is likely after the pandemic.
- The Manufacturing sector saw the highest cost of credit in Dec 2021, reaching a total of 8.5%.

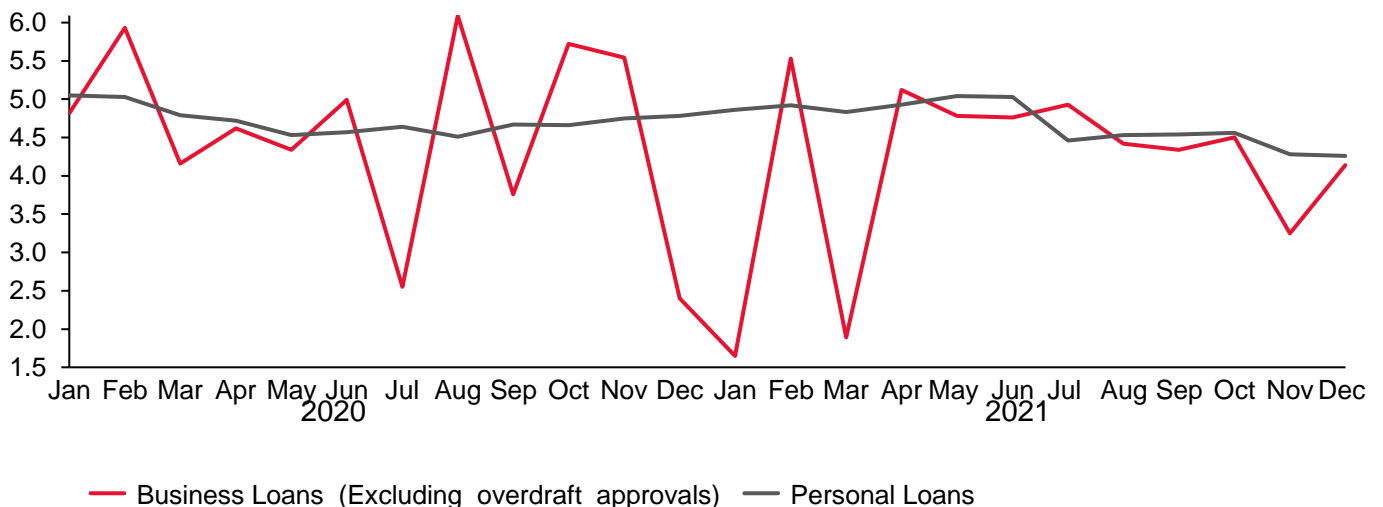
Highest & Lowest Interest Rates on Business Loans (% , December - 2021)

| |  |  |  |
|---------|------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| | Manufacturing | Construction | Trade |
| Highest | 8.50% | 5.75% | 5.28% |
| Lowest | 2.50% | 0.67% | 1.12% |
| Average | 3.71% | 3.13% | 4.84% |

Data Source: CBB, Statistical Report, January 2022

- According to MoFNE Bahrain Economic Report, the cost of credits has remained on a steady decline although the cost of business credit has continued to show volatility. The average cost of conventional business loans was 4.1% at the end of the year, temporarily peaking at 5.5% in Feb 2021.
- The average cost of conventional personal loans (excluding credit cards) decreased to 4.3% in Dec 2021, from a peak of just over 5% in May-Jun 2021.

Average Rate of Interest on Credit Facilities - Conventional Retail Banks (% , 2020 – 2021)



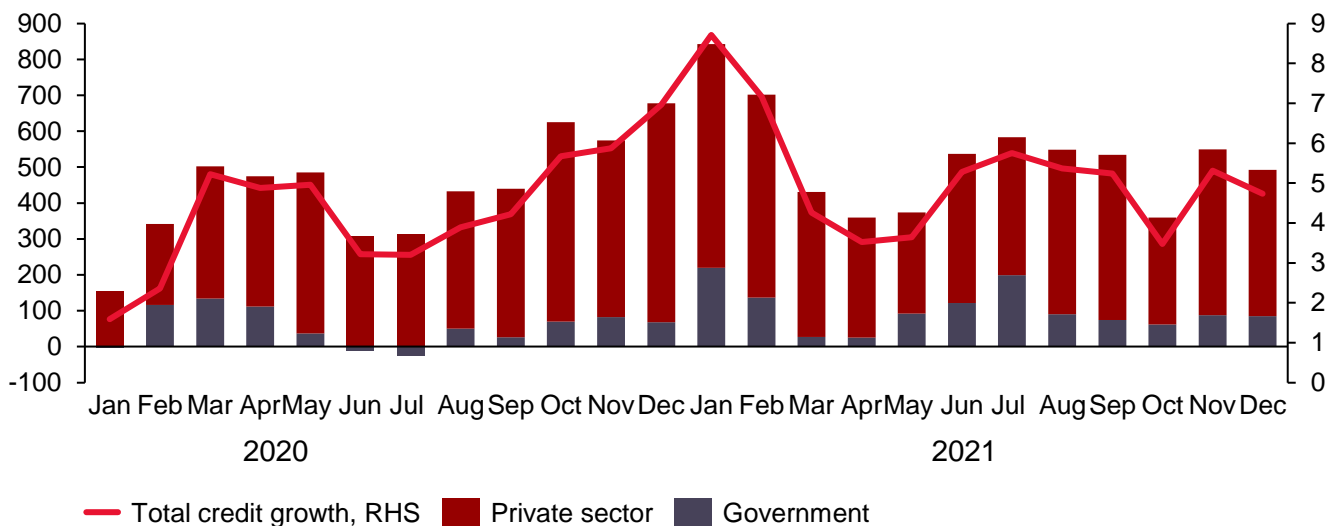
— Business Loans (Excluding overdraft approvals) — Personal Loans

Data Source: CBB, December 2021 / MoFNE, Bahrain Economic Quarterly, Q4-2021

Bank Credit and Deposits

- The banking sector has witnessed a benign liquidity situation with a solid bank lending growth. Total loans by retail banks remained at BHD10.9 billion in Dec 2021, representing a YoY increase of 4.7%.
- Personal loans have been the most dynamic part of the retail banks' portfolio in recent years and made up 46.9% of the total. Business loans accounted for 49% of overall lending, while lending to the government stood at 4.2% of the total.

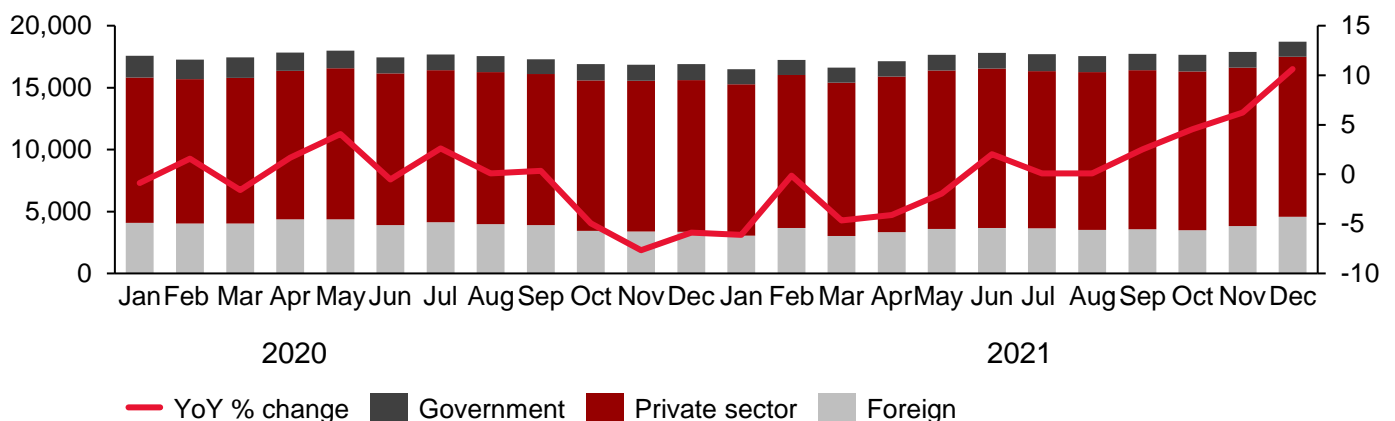
YoY Growth in Credit Issued by Retail Banks (BHD million, %, 2020 - 2021)



Data Source: CBB, December 2021 / MoFNE, Bahrain Economic Quarterly, Q4-2021

- Bank deposits (by non-bank entities) have increased sharply in recent months at an accelerating rate since Aug 2021 when the annual pace of change turned positive. As of Dec 2021, Bank deposits remained at BHD18.7 billion, rising at an annual rate of 10.6%. Foreign currency deposits grew at a particularly rapid pace, increasing by 36.6% YoY, this is largely due to the stronger external position that has benefited from higher commodity prices.

Deposit Liabilities to Non-banks (BHD million, %, 2020 - 2021)



Data Source: CBB, December 2021 / MoFNE, Bahrain Economic Quarterly, Q4-2021

Implications

Economic Context

- The Bahraini economy is expected to experience an accelerating recovery in 2022 thanks to concerted efforts in the Economic Recovery Plan, increasing economic activity across the Gulf region, and higher oil prices. Bahrain is also expected to benefit from strong global demand for metal products, especially aluminum.
 - In manufacturing, there are opportunities to stretch out value chains by encouraging and enabling more downstream activity.
- Overall fiscal balances are expected to improve with higher oil prices. The combination of higher oil prices, economic recovery, and more targeted fiscal support should drive a more benign liquidity situation providing easier access to financing even if at higher interest rates following expected increases by the US Federal Reserve are a countervailing force.
 - The robust liquidity in the banking sector and lending growth in bank deposits indicate that banks have access to low-cost funding to finance new projects.
- The improving regional outlook provides a favorable environment for investment and exporting opportunities. Additionally, the infrastructure projects initiated by the Economic Recovery Plan are an important source of new business activity.
 - Enterprises will consider new growth opportunities including setting up in neighboring countries or exporting to them.
 - The new infrastructure projects will provide new business opportunities for enterprises to provide inputs (products or services) to the investment projects.
- Changes in consumer behavior and business practices accelerated by the pandemic have benefited sectors and enterprises that invested in digital technology before and during the pandemic. This has been a source of resilience and flexibility. In some cases, it has triggered more comprehensive business model transformations. Tamkeen's Go Digital program has been specifically designed to support enterprises through their digital transformation journey.
 - Continued digitalization efforts will likely boost productivity and broader economic development.
- In line with Bahrain's National Economic Recovery Plan, Tamkeen will support enterprises, especially in high potential sectors, in securing access to finance while raising their potential growth and competitiveness. Tamkeen's new programs have been designed to address challenges made more pressing by the pandemic, such as fiscal sustainability, business resilience and growth; and help enterprises be part of a sound and dynamic private sector.

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Highlights

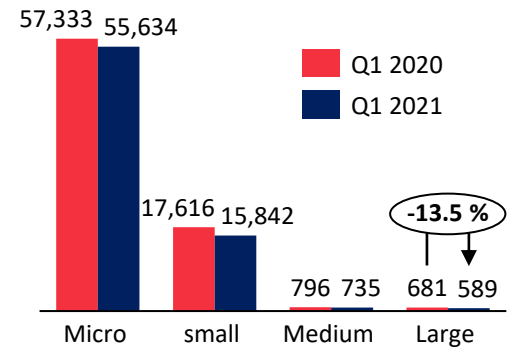
- The total number of Commercial Registrations (CRs) in Bahrain declined by an annual 5% in Q1-2021 (a total of 3,626 enterprises) due to pandemic disruptions.
- In Q1-2021, micro enterprises represented 80% of the total number of CRs, while small enterprises made up 18% of the total.
- Sectors that recorded the highest number of new entrants in Q1-2021 were Trade (854), Hotels & Restaurants (228), and Manufacturing (222). However, the number of new entrants is increasing by 47% in Q1 2021 compared to Q2 2020.
- The number of new CRs issued in Q1-2021 was down 21% YoY. Manufacturing recorded a particularly large 77% drop down to 222 new CRs as of Q1-2021. This is mainly attributed to the reluctance to start capital-intensive ventures during disruptions in global supply chains increasing cost and risk.
- The highest number of enterprises that closed in Q1-2021 compared to Q1-2020 were those from the Sale & Trade (909), Construction (554), Manufacturing sectors (519).
- The highest decline by percentage was in large enterprises (-13.5% of total large enterprises in Q1-2021). The bulk of enterprises were in: Accommodation and Food Services (25 enterprises), Construction (22), and Sales and Trade (14).



Total No. CRs
Q1-2021
72,800
YoY (5%) ▼

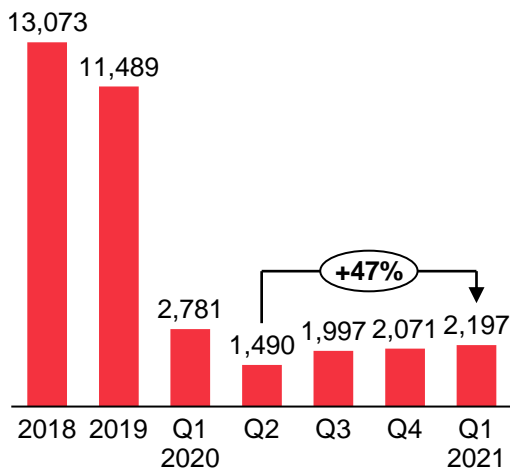
Data Source: LMRA, Table 43, Q1-2021

YoY Total enterprises by size (2020 – 2021)



Data Source: LMRA, Table 43, Q1-2021

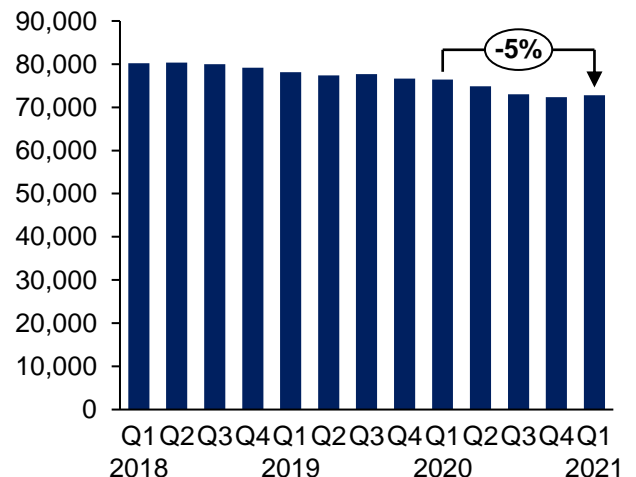
New Commercial Registrations (2018 – Q1-2021)



■ Number of New CRs

Data Source: LMRA, Table 39, Q1-2021

Total Active CRs by Quarter (2018 - Q1-2021)

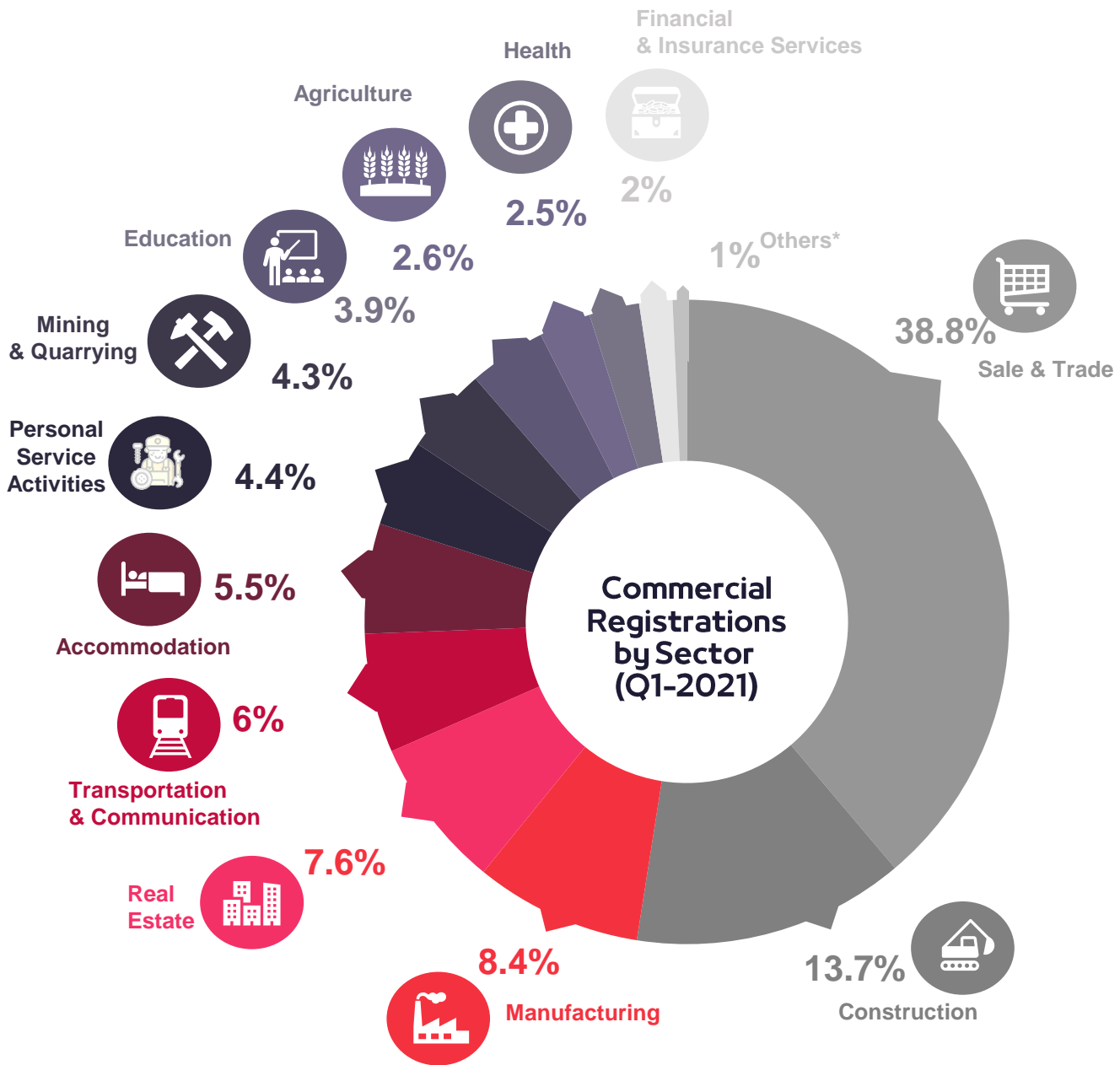


■ Number of Active CRs

Data Source: LMRA, Table 43, Q1-2021

Private Sector Composition

Total Active CRs by Sector (% , Q1-2021)



- Most enterprises fall under the following sectors: Sale & Trade (39%), followed by Construction (14%) and Manufacturing (8%).
- Below identifies the sectors that recorded the highest growth in number of CRs and the ones that witnessed a decrease in number of CRs in Q1-2021 when compared with Q1-2020:

- | | |
|---------------------------------------------------------|--------------------------------------------------------|
| ▲ Professional, scientific & technical activities (16%) | ▼ Human health & social work activities (12%) |
| ▲ Administrative & support service activities (15%) | ▼ Personal service activities; Repair Activities (11%) |
| ▲ Mining & Quarrying (9%) | ▼ Education (10%) |

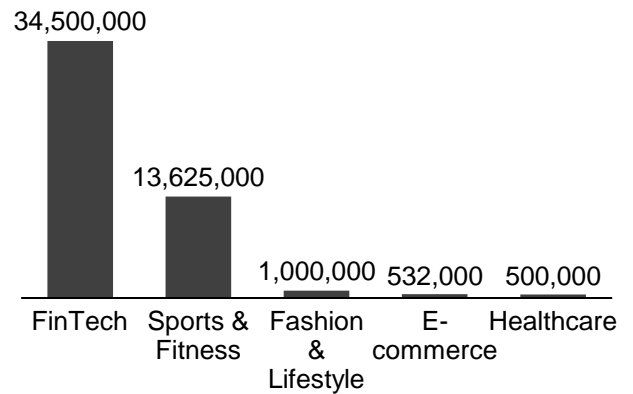
'Others' sector includes Arts, entertainment, sports & recreation, Administrative & support service activities, Electricity, gas, steam & air conditioning, Water supply, Information & communication, and Professional, scientific & technical activities

Data Source: LMRA, Table 43, Q1-2021

Startup Funding

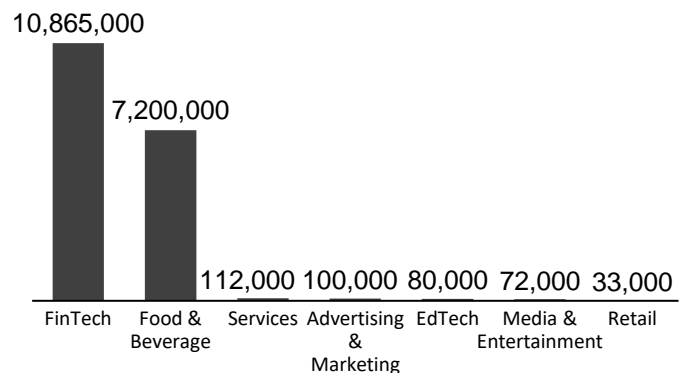
- In 2021, Bahraini startups were able to secure funding of USD 50 Mn (15 disclosed deals in total) in comparison to USD 18.4 Mn (24 disclosed deals in total) raised in 2020, highlighting a significant increase of 172% in terms of amount raised.
- FinTech startups continue to lead in value funding from 2019 to 2021, (65% of total funding value, USD 47.9 Mn in the three years combined), following a similar trend observed in the MENA region across its emerging venture markets.
- FinTech startups raised USD 34.5 Mn in 2021, in comparison to USD 10.8 Mn in 2020. This increase has been driven by several initiatives; including CBB's Regulatory Sandbox, FinTech Bay, and the Kingdom's overall efforts to position itself as a FinTech hub in the region.

Amount Raised by Industry (USD, 2021)



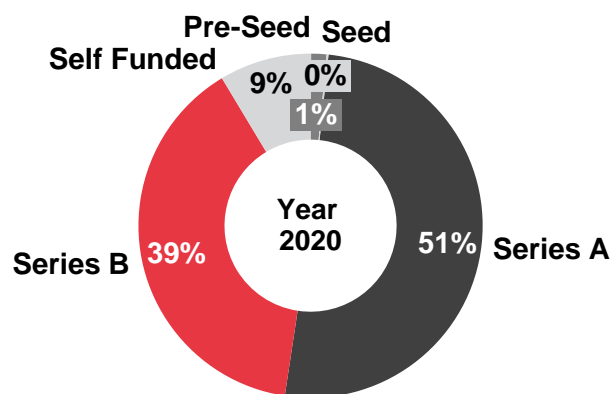
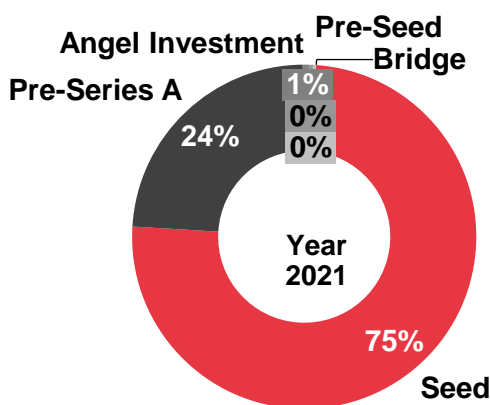
Data Source: MAGNiTT

Amount Raised by Industry (USD, 2020)



Data Source: MAGNiTT

Amount Raised by Funding Stage (% , 2020 - 2021)



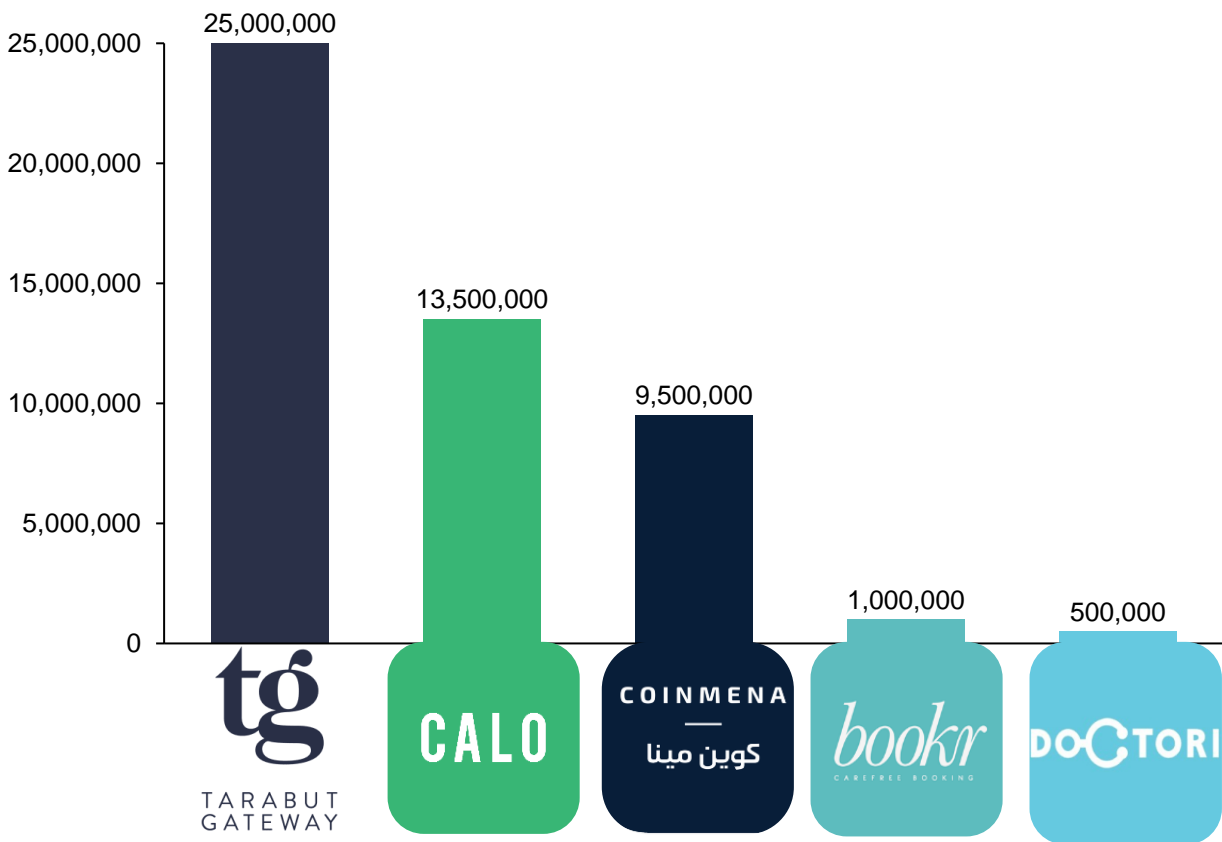
Data Source: MAGNiTT

- In terms of value of funding by stage of funding, Bahrain-based startups in 2021 were mainly able to secure early-stage investments (Seed & Pre-Seed A). In 2020, investors showed more interest in later stage deals (Series A & B) to support growing and scaling startups. The positive track record in 2020 might have incentivized startups to further approach investors for funding.
- Tamkeen's support for accelerators was the starting journey of an investment ecosystem for startups in Bahrain. Due to Tamkeen's support for accelerators (Flat6labs and Brinc), startups were able to access funding of over USD 950K since 2019.

Startup Funding

- In 2020 Bahrain-based cryptocurrency platform, Rain, secured the only Series A funding in Bahrain (worth USD 9.4 Mn) and in 2022 Rain successfully secured USD 110 Mn in Series B funding from various investors. Marking itself as the first “soonicorn” emerging in Bahrain, Rain is also the first scale-up headquartered in Bahrain that raised over USD 100 Mn in 2022.
- A steady increase in funding patterns has been observed, which helped open doors for new emerging businesses to grow in Bahrain, such as Tarabut Gateway (MENA's first and largest regulated open banking platform). This has been driven by government initiatives and policies, including Bahrain's first-ever Open Banking regulation in MENA region, which was introduced in 2018.

Highest Investment Rounds Raised by Company
(USD, 2021)



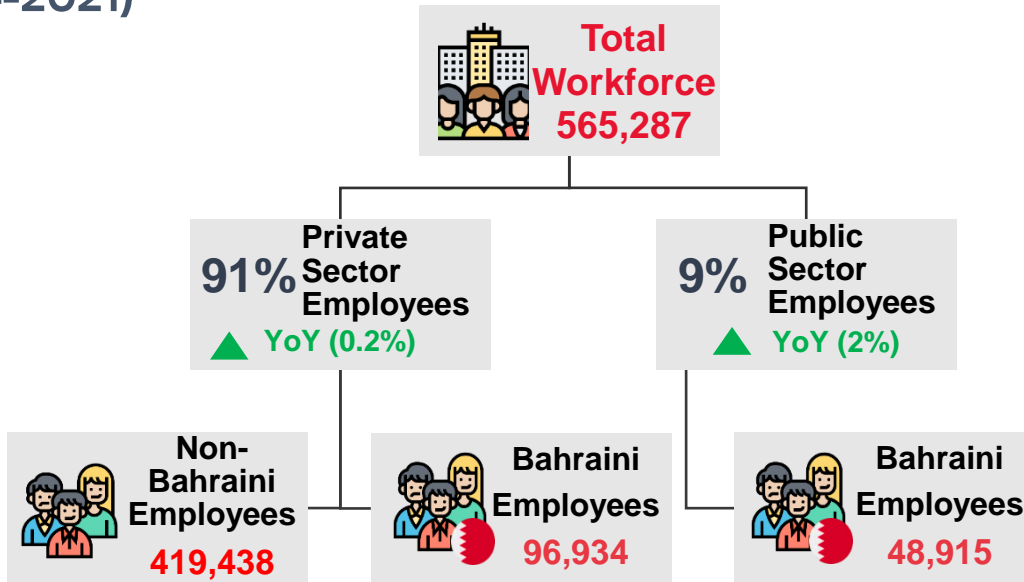
Implications

- The business environment in Bahrain is showing signs of improvement as economic activity is recovering across the region. Enterprises interested in innovating their business models and finding sustainable growth opportunities can take advantage of the many support options available to them.
 - New market entrants with unique business ideas will have the opportunity to explore new business ventures that focus on productivity and innovation to establish and grow.
- Enterprises that transformed their business models during the pandemic were able to mitigate the effects caused by the disruptions. This emphasized the importance of adaptability and building enterprise resilience. Through the integration of automation, digitization and advanced technologies, enterprises can also unlock their growth potential and ensure their scalability. Tamkeen's programs will focus on offering support to enterprises that need digital transformation or require a turnaround strategy to help increase their resilience to future market shocks and ensure their sustainability in the market.
- There is a growing strategic opportunity to increase SME funding and support towards enterprise growth, especially in high potential sectors. Product innovation and increased access to SME financing will further increase diversification and ROI.
- There has been a significant increase in the size and value of startup funding in Bahrain with success stories such as Rain, Tarabut Gateway and Calo.
 - For this momentum to continue, it is important to consider ways to increase startup funding and ensure access to funding at various stages in a start-up lifecycle.

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Total Workforce (Q4-2021)



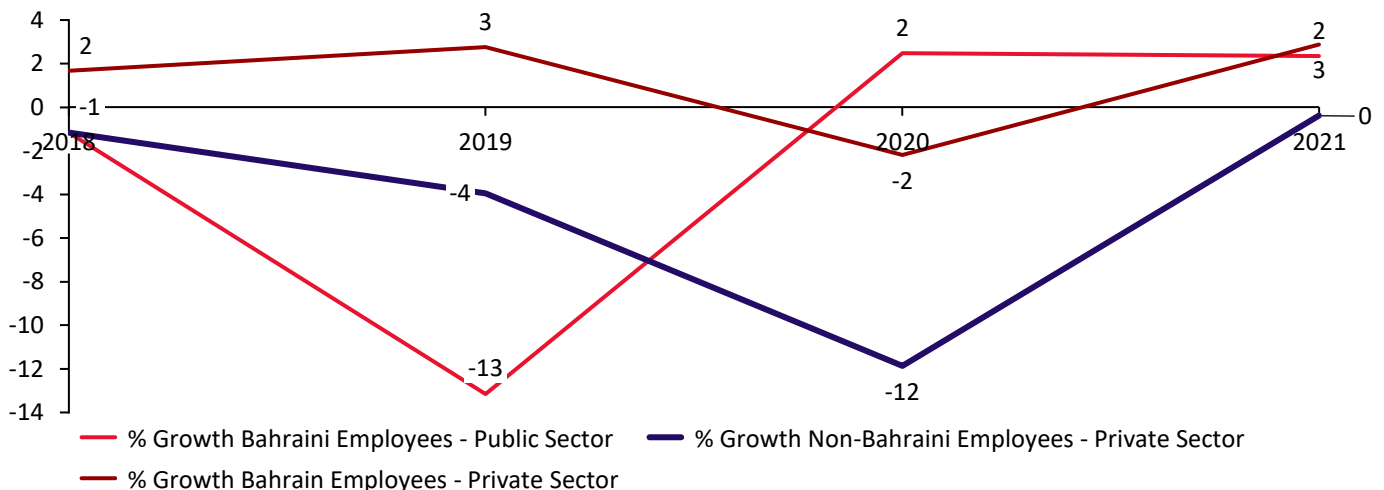
*% Change: Year on year Q4 2021 vs Q4,2020

Data Source: SIO, Statistical Report, Q4,2021

Employment Growth

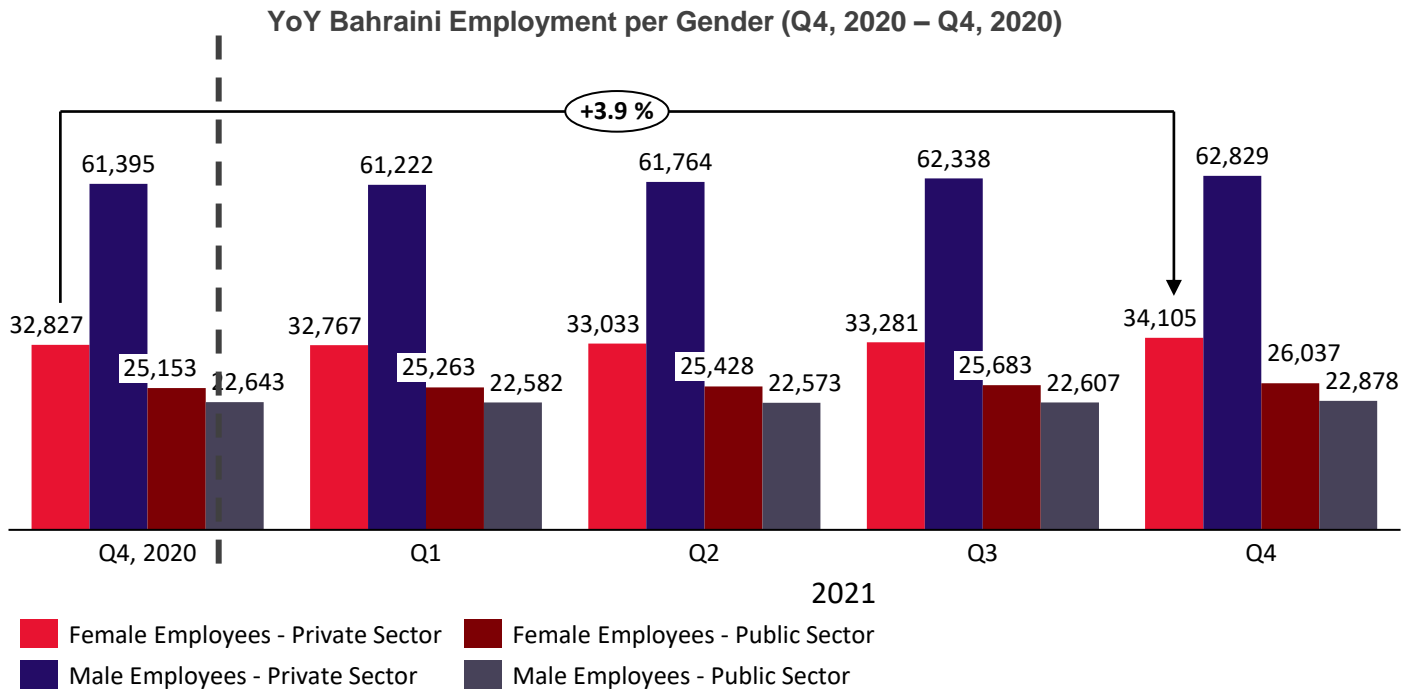
- Government support measures during 2020 were designed to minimize the impact of the pandemic on Bahraini jobs. This allowed a high degree of continuity in Bahraini employment during the pandemic, until recruitment dynamics normalized across the board in the second half of 2021.
- Total employment in Bahrain declined by an annual 0.4% in 2021, reaching a total of 565,287 employees in 2021. Overall private sector employment rose by 0.2% in 2021. The employment of Bahraini nationals in the private sector rose by 3% to a total of 96,934 employees in 2021. Non-Bahraini employment continued to decline at a decelerating pace – by an annual 0.4% in 2021. The number of non-Bahrainis registered with the Social Insurance Organization (SIO) stood at 419,438.
- Partly in reflection of emergency requirements during the pandemic, public sector employment rose by 2% in 2021.

Employment Growth Rate in the Private and Public Sector (% , 2018 – 2021)



Data Source: SIO, Statistical Report, Q4,2021

Bahraini Employment



Data Source: SIO, Statistical Report, Q4,2021

- Bahraini employment showed considerable resilience during the pandemic and expanded in both the private and public sector in 2021.
- In Q4-2021 the female employment in the private sector increased by 3.9% YoY in comparison to Q4-2020. This is reflective of the normalization of economic activities as well as the National Employment Program introduced by the government.

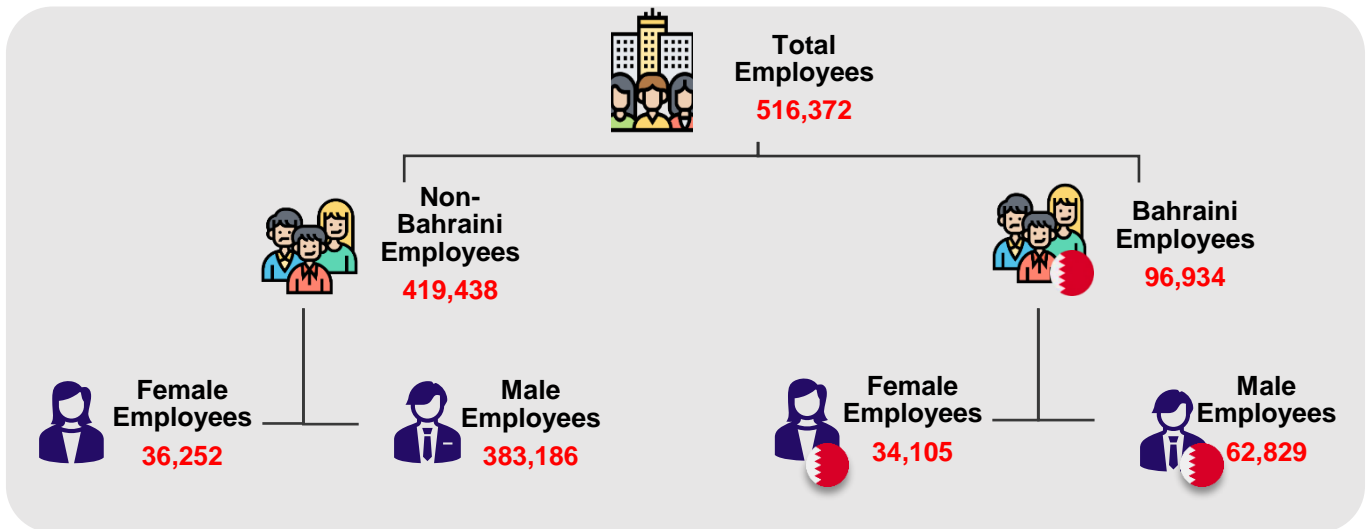
Bahraini Women Contribution

| | Private Sector 2021 | YoY (%, 2020-2021) |
|-----------------------------------------------------------|------------------------|-----------------------|
| Bahraini Women Contribution % (out of total workforce) | 6.6% | ▲ 0.8% |

Data Source: SIO, Statistical Report, Q4,2021

- Bahraini women contribution in the private sector increased by 0.8% in 2021 compared to 2020.

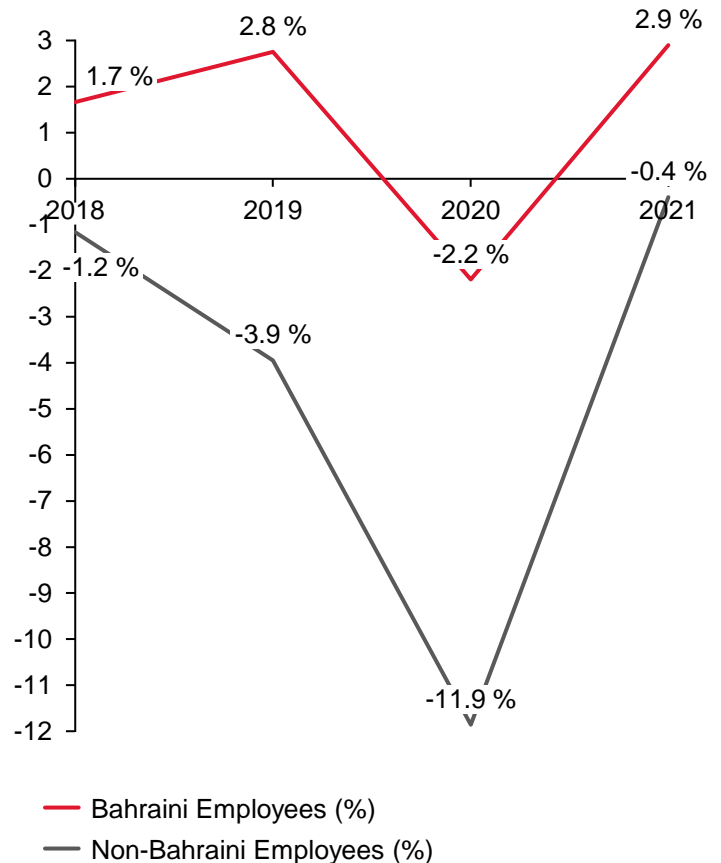
Private Sector Employment



Data Source: SIO, Q4, 2021

- The Bahraini private sector labor market is slowly recovering to its pre-pandemic levels. In 2021, Bahraini private sector employment grew by an annual 3%, partly due to the National Employment Program.
- Although the total employment of non-Bahrainis has not yet returned to pre-pandemic levels, it has rebounded sharply from the major dip that occurred in 2020, shrinking from -11.9% to -0.4% in 2021.
- This positive progress is due to the government initiatives that were implemented to support continuity in private sector activity during the pandemic as well as adaptation in business models
- The share of female employment in the private sector rose by an annual 0.6% in 2021 and reached 13.6% of the total.

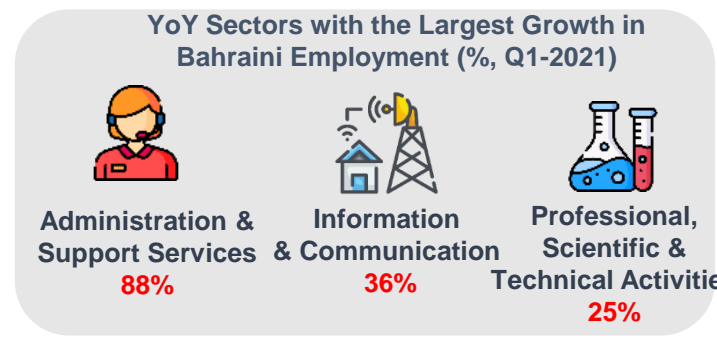
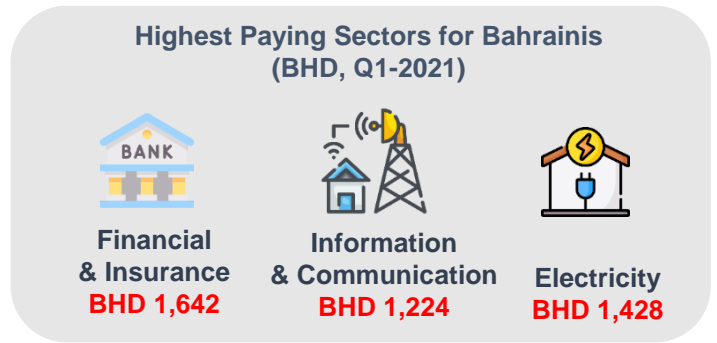
YoY Employment Growth Rates by citizenship (% , 2018 – 2021)



Data Source: SIO, Q4, 2021

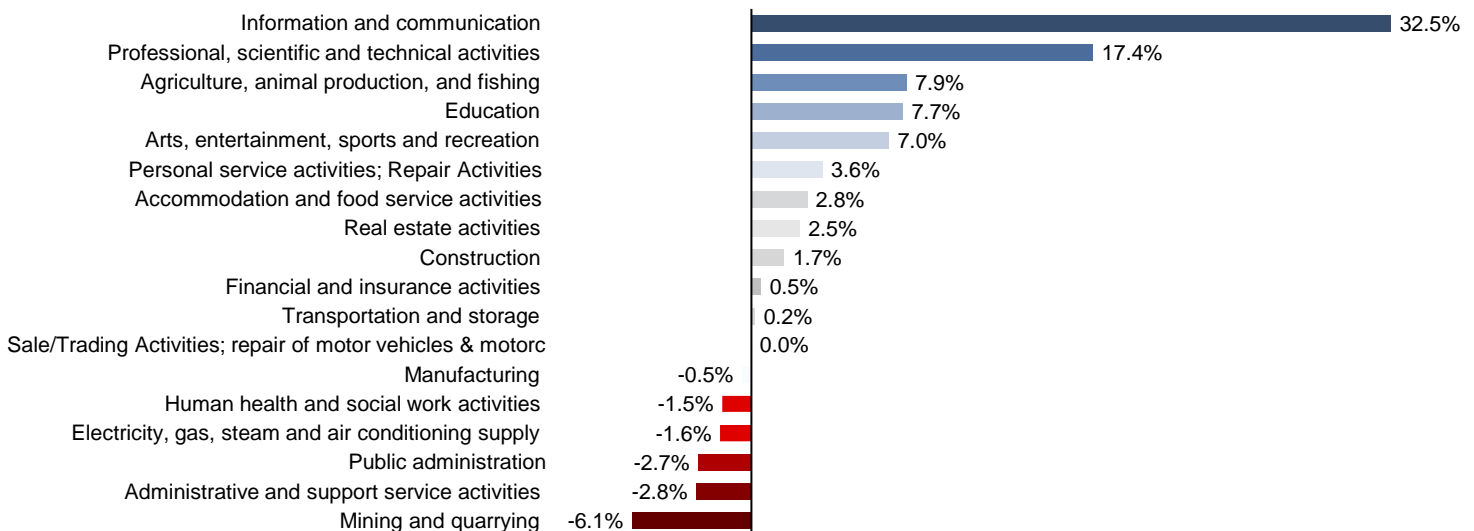
Private Sector Employment

- The Sale & Trade sector is the largest employer of Bahrainis in the private sector with a total of 19,117 employees in Q1-2021.
- Financial & Insurance and Information & Communication offer the highest average salaries for Bahrainis, in reflection of their high labor productivity
- The progressive digitalization of economic activities is reducing the labor-intensity of many business and giving rise to more skill-based employment opportunities for Bahrainis across the sector spectrum.
- The largest YoY increase in Bahraini average wages was seen in the Information & Communication sector: a gain of 32.5% in Q1-2021. By contrast, the Mining and Quarrying saw a 6.1% YoY decrease in wages in 2021. Despite lower wages, the sector saw the addition of 61 Bahraini workers in Q1-2021, increasing the total number of Bahrainis in the Mining and Quarrying sector to 838.



Data Source: LMRA, Table 6 & Table 22, Q1 2021
 *% Change: YoY Q1 2021 vs Q1 2020

YoY Growth in Bahraini Average Wages by Sector (% , 2020-2021)



Data Source: LMRA, Table 22, Q1 2021

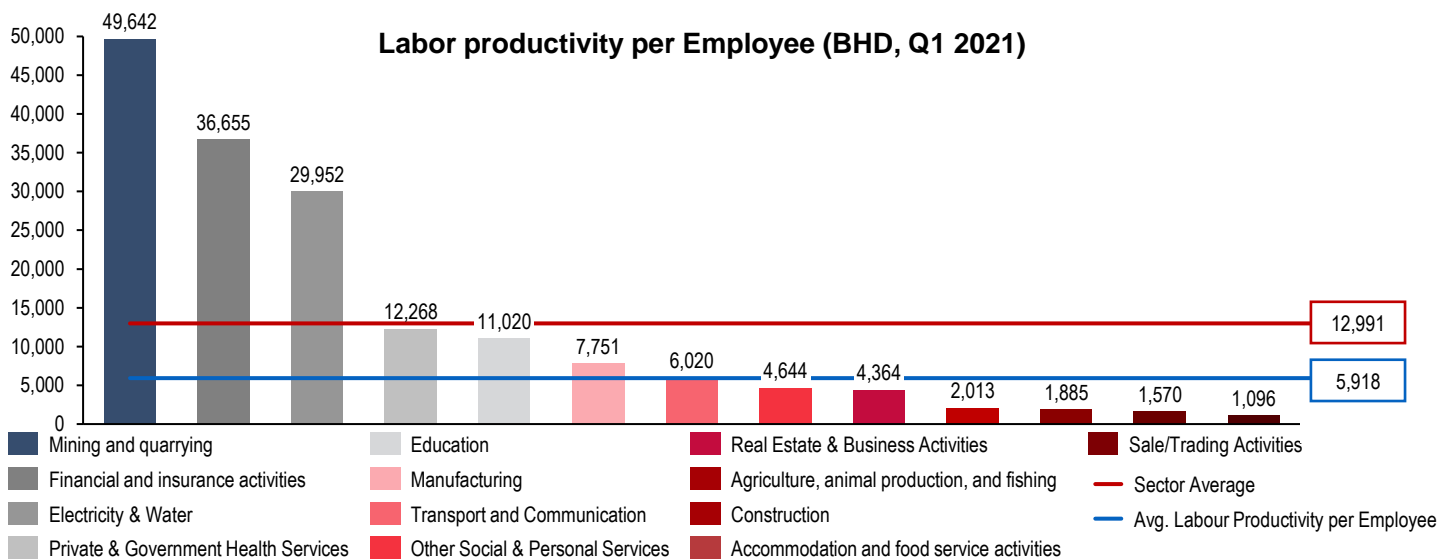
Labor Productivity

- Labor productivity tends to be highest in capital intensive sectors.
- Some sectors have seen increases in labor productivity due to reductions in their labor intensity. Partly because of disruptions during the pandemic, partly due to digitalization reducing the reliance on unskilled labor.
- YoY change in labor productivity is expected to be positive when headcount declines (all things remaining equal). However, in Q1-2021, the YoY change in labor productivity of the 'Transport & Communication' and 'Personal Service Activities' sectors decreased by 19% and 20% respectively. This exception was due to the drop in GVA; 27% for Transport & Communication, and 33% for Personal Service Activities.

| | Private Sector Workforce (Q1-2021) | YoY Change in Labor Productivity (%; Q1-2021 – Q1-2020) | YoY Change in Number of Employees (%; Q1-2021 – Q1-2020) |
|------------------------------------------------|------------------------------------|---------------------------------------------------------|----------------------------------------------------------|
| Construction | 123,862 | ▲ 12% | ▼ 11% |
| Sale/Trading Activities | 121,157 | ▲ 3% | ▼ 9% |
| Manufacturing | 56,138 | ▲ 7% | ▼ 8% |
| Real Estate Activities | 37,999 | ▲ 11% | ▼ 11% |
| Transport & Communication | 30,863 | ▼ 19% | ▼ 10% |
| Accommodation & Food Service Activities | 27,778 | 0% | ▼ 20% |
| Financial & Insurance Activities | 14,883 | ▲ 17% | ▼ 5% |
| Education | 12,982 | ▲ 10% | ▼ 8% |
| Mining & Quarrying | 11,605 | ▼ 5% | ▲ 7% |
| Personal Service Activities; Repair Activities | 10,946 | ▼ 20% | ▼ 16% |
| Human Health & Social Work Activities | 9,659 | ▲ 20% | ▼ 6% |
| Agriculture, Animal Production, & Fishing | 4,581 | ▲ 7% | ▼ 6% |
| Electricity & Water | 1,473 | ▲ 2% | ▼ 7% |

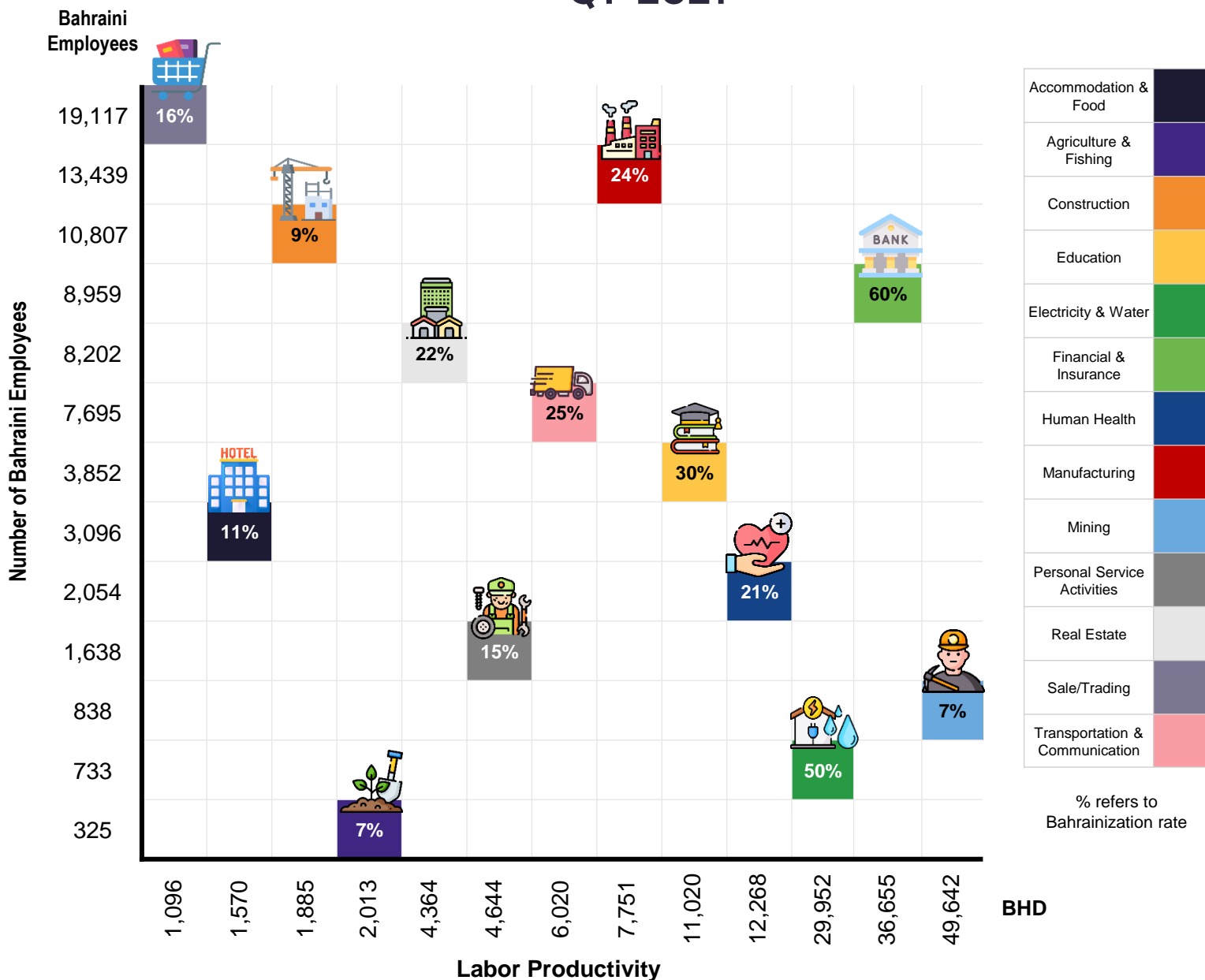
To standardize data classification:

- The private sector workforce under 'Electricity' and 'Water Supply' sectors were combined.
- The private sector workforce under 'Transportation & Storage' and 'Information & Communication' sectors were combined.
- Arts & Entertainment / Administration & Support / Professional, Scientific & Technical sectors are not illustrated.



Data Source: LMRA – Q1-2021 / IGA, National Accounts, Q1-2021

Labor Productivity and Bahraini Private Sector Employment, Q1-2021



- Although Bahrainization tends to correlate positively with labor productivity, many lower-productivity sectors employ substantial numbers of Bahrainis. This is often reflective of the overall headcount of the sectors which entails significant numbers of also middle- and higher-value job opportunities.
- Labor productivity is highest in capital-intensive sectors; such as Mining, Financial & Insurance, and Electricity & Water.

To standardize sector classification:

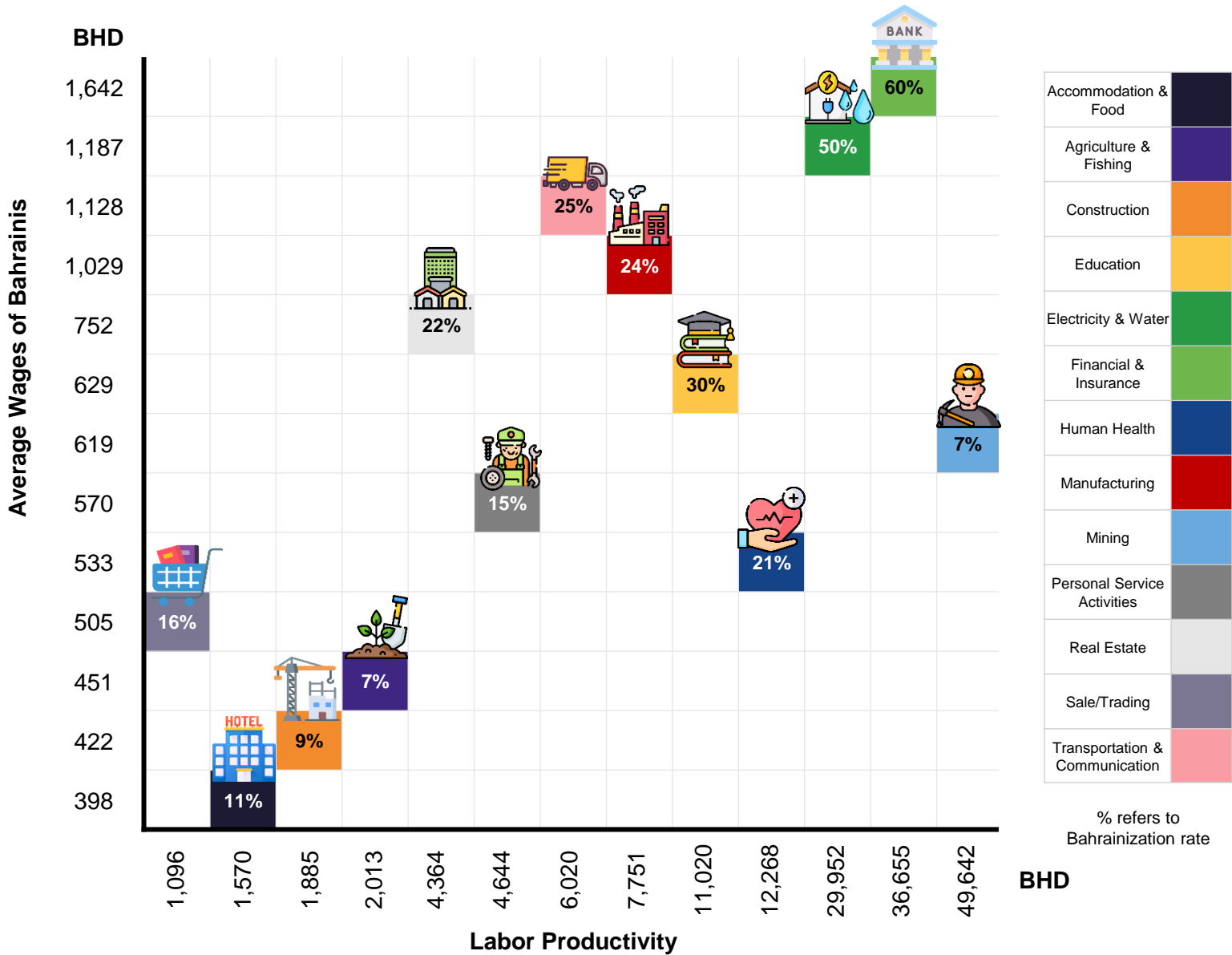
The number of Bahrainis under the Electricity, and Water Supply sectors were combined.

The number of Bahrainis under Transportation & Storage, and Information & Communication sectors were combined.

Arts & Entertainment, Administration & Support, and the Professional, Scientific & Technical sectors are not illustrated.

Data Source: LMRA, Table 6, Table 22, Q1-2021 / IGA, National Accounts, Q1 - 2021

Labor Productivity and Average Wages of Bahrainis in the Private Sector (Q1 -2021)



- There is a strong positive correlation between labor productivity and sector-specific average wages of Bahrainis in the private sector. The higher the average wages of Bahrainis, the higher the labor productivity. This underscores the importance of encouraging productivity as a driver of higher wages
- Labor productivity is the highest in capital-intensive sectors; such as Electricity & Water, Mining, and Financial & Insurance. Such sectors typically create high value of jobs for Bahrainis, except for Mining where the average is lower.

To standardize sector classification:

The average wages of Bahrainis under Electricity and Water Supply sectors were combined.

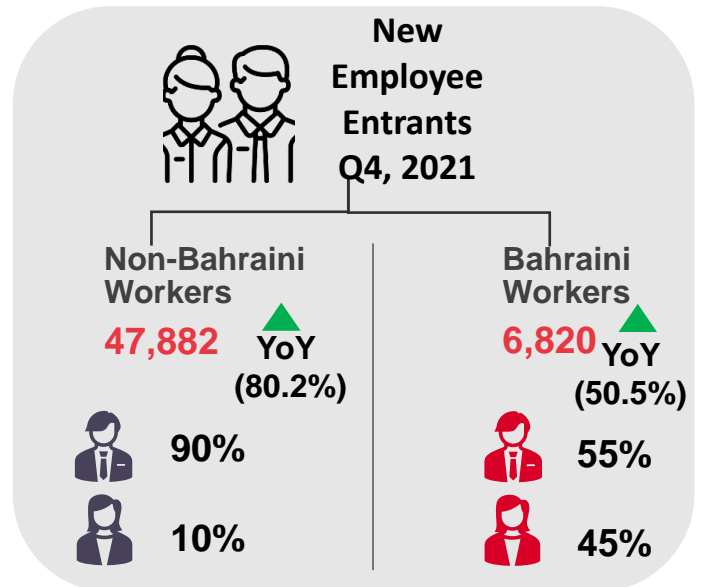
The average wages of Bahrainis under Transportation & Storage, and Information & Communication sectors were combined.

Arts & Entertainment, Administration & Support, and the Professional, Scientific & Technical sectors are not illustrated.

Data Source: LMRA, Table 6, Table 22, Q1-2021 / IGA, National Accounts, Q1 - 2021

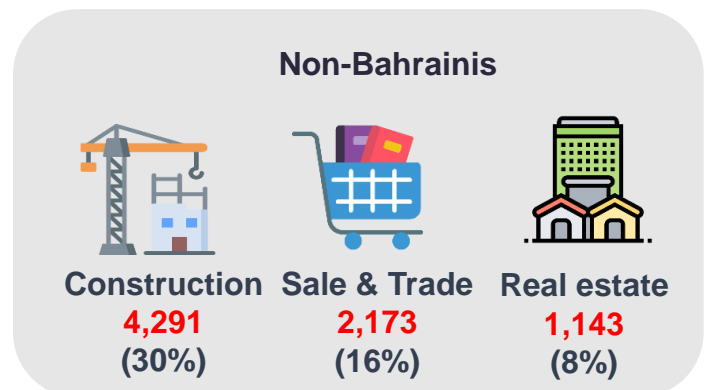
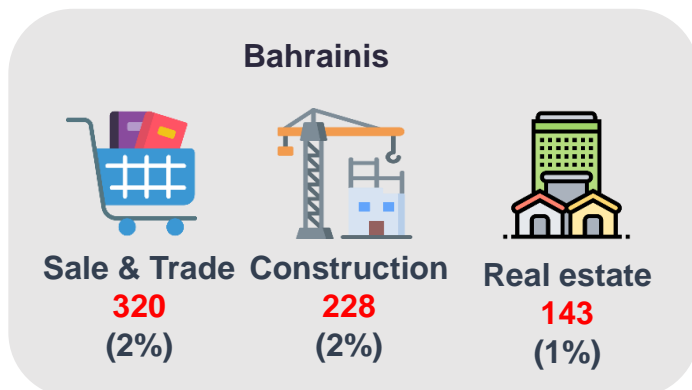
New Labor Market Entrants

- Thanks to the normalization of economic activities, private sector recruitment in Bahrain is gathering momentum. The number of new Bahraini labor market entrants showed a sharp 50.5% YoY increase in Q4-2021. In 2021, 7,660 jobs were created under the auspices of the National Employment Program.
- There was an 80.2% YoY rebound in the number of non-Bahraini employees which marked significant normalization following considerable disruptions during the pandemic.
- The normalization in recruitment is broad-based, although primarily led by the more labor-intensive sectors that experienced the sharpest disruptions during the pandemic.



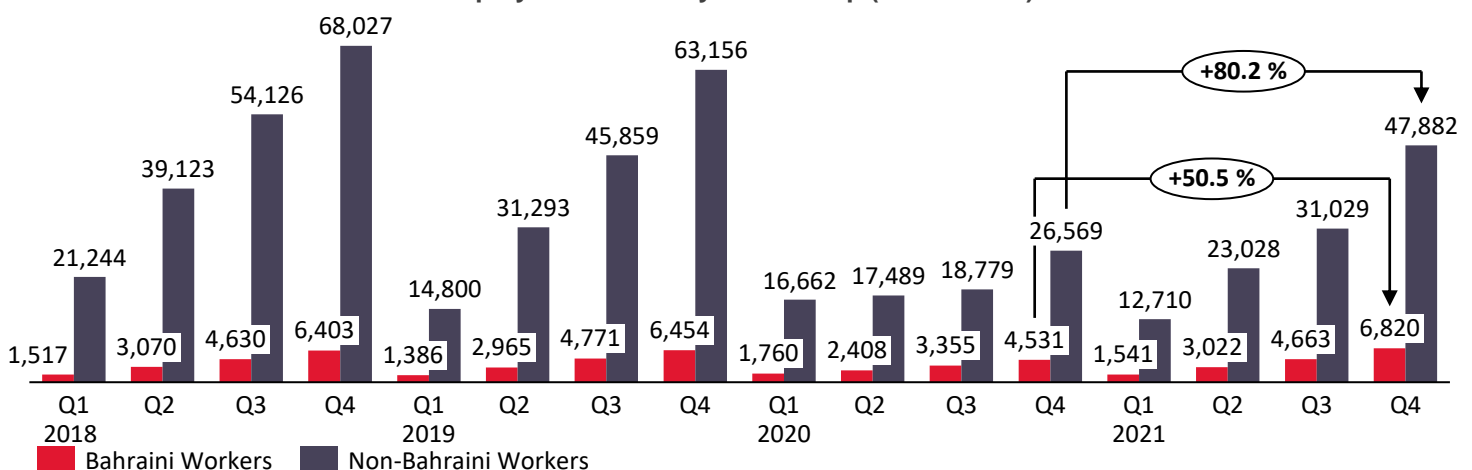
Data Source: SIO, Statistical Report, Q4,2021
 *% Change: Year on year Q4 2021 vs Q4 2020

Sectors with most new labor entrants (% , Q1-2021)



Data Source: LMRA, Table 55, Q1-2021

New Employee Entrants by Citizenship (2018 – 2021)



Data Source: SIO, Statistical Report, Q4 - 2021

Implications

- Bahrain's labor market has shown considerable resilience during the pandemic thanks to government support measures and the large number of nationals working in the public sector. The National Employment Program has served as a further support to private sector recruitment
- There was a marked increase in technology adoption during the pandemic as enterprises sought to ensure market access and manage other disruptions. This shift is making many private sector businesses less labor-intensive and more productive. In a growing number of cases, this has pushed companies toward broader business model overhauls that has left them less reliant on low-skilled labor and more receptive to automation and digital solutions. This is gradually shifting them towards more skilled employment
- With the nature of work changing rapidly due to technological change, Tamkeen under its new strategy recognizes the importance of supporting labor market participation by working with enterprises on their digitization needs and associated training requirements. There is growing demand for skills in areas such as data science, data analytics, AI, programming and software development.
- Tamkeen also recognizes the need for increased access to technical, management and financial skills programs, not least for entrepreneurs
- Despite recent increases in participation rates among Bahraini nationals, especially women and the youth, women remain relatively underrepresented in the workplace. Female employment in the private sector remains approximately a third of male employment
- To increase labor market inclusion, targeted initiatives towards underrepresented market segments can encourage the acquisition of entrepreneurship skills but also need to be twinned with sustained efforts to boost access to capital. Initiatives such as entrepreneurship training, coaching and mentoring programs, and support in building entrepreneurial networks.
- Increased flexibility in the labor market through innovative working arrangements may offer increased economic participation for traditionally underrepresented groups and may in some areas pave the way for more far-reaching changes in the way people work. Globally, a few alternative work arrangements have gained popularity during the pandemic. Such flexibility has been found to be an effective tool of boosting labor market participation

Economic Indicators and Definitions

| Indicator | Name | Definition |
|------------------------|-------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | <i>Economic Indicator</i> | <ul style="list-style-type: none"> 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. |
| GDP | <i>Gross Domestic Product</i> | <ul style="list-style-type: none"> 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). |
| GDP _r | <i>Gross Domestic Product at Current Price</i> | <ul style="list-style-type: none"> 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. |
| GDP _c | <i>Gross Domestic Product at Constant Price</i> | <ul style="list-style-type: none"> GDP at constant price is the GDP adjusted for the effects of inflation and known as the real GDP. |
| GDP Growth Rate | <i>Gross Domestic Product – Growth Rate</i> | <ul style="list-style-type: none"> 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. |
| N | <i>Inflation</i> | <ul style="list-style-type: none"> The rate at which the value of a currency is falling and, consequently, the general level of prices for goods and services is rising. |
| CPI | <i>Consumer Price Index</i> | <ul style="list-style-type: none"> 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 a goods and services. |
| IM | <i>Imports</i> | <ul style="list-style-type: none"> Imports are defined as goods produced outside the boundaries of one country, which are then purchased by that country. |
| EX | <i>Exports</i> | <ul style="list-style-type: none"> Exports are defined as movable goods produced within the boundaries of one country, which are traded with another country. |
| NX | <i>Trade Balance (or Net Exports)</i> | <ul style="list-style-type: none"> The net difference between a country's value of imports and exports and shows whether there is a trade surplus or a trade deficit. A country's trade balance is positive (meaning that it registers a surplus) if the value of exports exceeds the value of imports. Conversely, a country's trade balance is negative, or registers a deficit, if the value of imports exceeds that of exports. The trade balance is the official term that is used for net exports in the current account. |
| LMI | <i>labor Market Information</i> | <ul style="list-style-type: none"> Data on job seekers, employment, unemployment, changes in industrial structure, technological changes, conditions of employment, wage rates and other related data. |
| L | <i>labor Force</i> | <ul style="list-style-type: none"> All employed and unemployed people within a country's economy. |
| LM | <i>labor Market</i> | <ul style="list-style-type: none"> 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. |
| LF- Participation Rate | <i>labor Force Participation Rate</i> | <ul style="list-style-type: none"> A measure of the proportion of a country's working-age population that engages actively in the labor market, either by working or looking for work. Provides an indication of the size of the supply of labor available to engage in the production of goods and services, relative to the population at working age. |
| R | <i>Unemployment Rate</i> | <ul style="list-style-type: none"> The total number of unemployed as a percent of the total labor force (employed plus unemployed). Workers are considered unemployed if they currently do not work, even though they are able and willing to do so. |
| LP | <i>labor Productivity</i> | <ul style="list-style-type: none"> Represents the total volume of output (measured in terms of GDP) produced per unit of labor (measured in terms of the number of employed persons) during a given time reference period. In a nutshell, it's the hourly output of a country's economy. Economic growth in a country can be ascribed either to increased employment or to more effective work by those who are employed. The latter effect can be described as an increase in labor productivity. labor productivity therefore is a key measure of economic performance and is largely driven by investment in capital, technological progress, and human capital development. |