SUMMARY

A BRIGHTER OUTLOOK

Against a backdrop of continued global uncertainty, Bahrain saw a pronounced acceleration in its GDP growth in the second quarter of the year. This highlights strengthening domestic demand drivers which are likely to remain in place even during a period of renewed global volatility.

► The global outlook is characterized by growing divergence among the leading economies. While the United States has continued to experience a fairly broad-based, gradual recovery, the Euro-zone is facing renewed weakness. In response, the policy stances of the leading central banks are also moving in opposite directions with US tapering coinciding with monetary easing in Europe. In addition, several emerging economies are facing significant structural problems.

► The global oil market continues to be marked by potent opposite forces. Global oil supply has been challenged by disruptions in several key producer nations as well as increased political risk considerations in important production or transport regions. However, increasing output has highlighted the vulnerability of prices to reductions in the risk premium which has resulted in a period of lower prices.

► GCC economies continue to post robust non-oil growth. Unprecedented levels of project spending in the face of benign financial market conditions have allowed the GCC to emerge as one of the most dynamics regions of the global economy. The momentum of the non-oil economy looks likely to continue in the medium term.

► The Bahraini economy saw a pronounced pick-up in growth in Q2. Following a fairly lackluster Q1, growth accelerated significantly in the spring. While the oil sector somewhat unexpectedly led the way, the rebound was broad-based and likely reflects an overall boost to confidence provided by the launch of a number of important infrastructure projects.

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<td>100.0</td>
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Source: Bahrain Economic Development Board
GLOBAL ECONOMY

PROGRESS AGAINST HEADWINDS

While the global economy is generally continuing to display signs of improving health, the progress is neither even nor particularly impressive. The US recovery is looking increasingly robust but weak points seem to be emerging above all in the Euro-zone and in China. This unevenness has been reflected in renewed softness in the global commodities markets which have corrected sharply in recent weeks, falling to a five-year low. The monetary policy backdrop, in spite of ongoing tapering by the US Federal Reserve, remains very loose. Indeed, the European Central Bank is moving toward more direct market interventions and additional loosening is likely also from the monetary authorities in China and Japan. The International Monetary Fund (IMF) currently projects 3.4% global growth this year in a slight acceleration from 3.2% in 2013. This pace is set to pick up further to 4% in 2015.

Real GDP growth, select countries (%)

Source: International Monetary Fund, World Economic Outlook, July 2014 Update

While the global stock markets remain near their all-time highs, the strong positive momentum of the first half of the year has been tested somewhat by political risks and renewed concern over the global demand outlook. Apart from the overall loss of momentum, the performance of individual markets has varied markedly. The main positive has involved reduced political risk perceptions as tensions in eastern Ukraine have abated and the Scottish independence referendum delivered a majority for the status quo. In another encouraging sign, although the Federal Reserve took the step of reducing its monthly asset purchases by a further USD10bn to USD15bn, it signalled that interest rates would not be raised for a considerable time even after the expected completion of its quantitative easing program next month.

The general resilience of equities contrasts with renewed weakness in the commodity markets which have fallen to their lowest level since the onset of the global crisis. Some of the weakness mirrors the recent strength of the US Dollar, which makes commodities more expensive for non-Dollar buyers. However, it also reflects renewed anxiety about the economic outlook for China, a country that has served as the key driver of incremental demand for many commodities. The benchmark excess return Bloomberg Commodity Index has contracted by more than 12% since
the end of June. Among other things, expectations of a bumper grain harvest in North America have depressed soft commodity prices. Soybean prices have fallen more than 30% and wheat by 16%.

MSCI regional indices (Base Jan 2012=100)

Source: MSCI

The US recovery helps support the Dollar in spite of Federal Reserve Bank caution

The US recovery seems to be back on track after an unexpected 2.1% real GDP contraction in 1Q14, which was largely due to an unusually harsh winter. Driven by increased consumer spending and business restocking, US real GDP rebounded by an annual 4.6% in Q2. Consumer spending, which accounts for 70% of US economic activity, grew by 2.5% in Q2, which was more than double the 1.2% pace seen in Q1. This acceleration was attributed to spending on automobiles, furniture and recreational goods, implying that Americans are spending more on bigger-ticket durables in a potential show of confidence about the economy. The rebound in economic activity was on par with the consensus analyst estimate of 4.6% and has boosted optimism regarding the outlook for the rest of 2014. The Institute for Supply Management Purchasing Managers’ Index points to a pick-up in manufacturing activity to a three-year high in July 2014 as the index reading rose to 57.1 from 55.3 in June. This increased further to 59 in August.

Currently, slow wage growth remains one of the most significant brakes on US growth. Even as headline unemployment numbers have continued to improve, decreasing from 6.6% in January 2014 to 6.1% in August, employment levels remains historically low. This has limited the need for businesses to increase wages in order to attract new employees. Nevertheless, employment growth is continuing with monthly job creation remaining above 200,000 for six straight months. Private employers added 204,000 jobs in August, which was a slight decrease from 218,000 in July.

The improving condition of the US economy has enabled the Federal Reserve to further continue with the tapering measures that were announced in December of 2013, whereby the bank is cutting back its monthly asset purchases by USD10bn each month. Monetary tightening is likely to prove gradual with inflationary pressures remaining fairly subdued. The most recent reading of core inflation stood at 1.7%. The continuing recovery of the US economy, along with the policy of
tapering, has pushed the US Dollar to new highs at a time when other major advanced economies look likely to maintain a very loose monetary stance and in some cases loosen it further.

**US open unemployment rate (%)**

![Graph showing US open unemployment rate from January 2012 to July 2014.](image)

*Source: Bureau of Labor Statistics*

**Renewed anxiety in Europe**

The economic recovery in the Euro-zone remains subdued and fragile with even the core economies showing renewed signs of weakness. The Euro-zone GDP remained flat in Q2 after a modest 0.2% expansion in Q1. The YoY growth rate moderated from 0.9% in Q1 to 0.7% in Q2. Europe’s largest economy, Germany, in fact contracted by 0.2% in Q2, due to falling net exports and investment. Italy fell into a technical recession. The September flash reading of the Markit PMI index points to a slight loss in momentum in spite of continuing expansion. The September reading of 52.3 was a nine-month low. In a sharp reversal of fortunes, the most encouraging news in the Euro-zone has tended to come from some of the peripheral nations that were previously bailed out. The Irish economy in Q2 grew at an annual pace of 7.7% with the government now expecting growth of 4.5% during the year as a whole. Spain has used fiscal consolidation and labor market reform to lay the foundation for renewed growth.

**Eurozone Inflation (%)**

![Graph showing Eurozone inflation from January 2012 to August 2014.](image)

*Source: Eurostat*
The lack of momentum in the Euro-zone has gone hand in hand with extremely subdued inflationary pressures and mounting concern about the possibility of deflation. After a slight upward revision, the August inflation reading for the Euro-zone was 0.4%, equal to the July figure. Looking forward, the ECB expects annual inflation of 0.6% this year, far below its 2% inflation target.

Economic activity and sentiment in Europe have been hit by tensions with Russia and the subsequent introduction of international sanctions. Among other things, the situation has created uncertainty about the supply of Russian gas via Ukraine. The EU receives about a quarter of its gas from Russia. Approximately 80% of this is supplied through Ukraine.

In response to this threat, the European Central Bank is taking steps to loosen monetary policy. ECB President Mario Draghi has signaled that the ECB is prepared to launch a program of quantitative easing if the inflation outlook worsens. The European Central Bank launched its Targeted Longer-Term Refinancing Operations in September, although take-up during the initial allocation – EUR82.6bn – fell significantly short of expectations. In an attempt to counter the threat of economic stagnation across the Eurozone, the ECB has cut its benchmark main refinancing rate to 0.05% from 0.15%. The ECB also announced that it will charge lenders 0.2%, an increase from the previous 0.1% rate for their deposits parked at the bank.

**Concerns over China cloud the outlook for Asia**

Worries about China’s growth outlook have become a key focus of investor anxiety after several years of China servings as the main driver of global growth. There are growing indications that the country’s growth may be slipping below the government’s 7.5% growth, although for instance the IMF recently noted that the country has the necessary tools to maintain growth above 7%, projecting growth of 7.4% this year.

One of the main areas of concern in China is the country’s real estate market where a significant price correction is underway. According to estimates by Moody’s, real estate and related sectors account for more than a quarter of China’s GDP with significant linkages across the rest of the economy. Real estate transactions fell by an annual 8.3% during the first eight months of the year in space terms. The growing inventories have depressed investment growth to a five-year low of 13.2% of the same period.

In a bid to stimulate economic activity, the People’s Bank of China in September injected USD81bn into the five leading banks of the country through loans. At the same time, credit terms were relaxed. However, some observers suggest that sluggish loan growth is more due to weak demand than any real supply constraints. The annual pace of bank credit growth in August was 13.3%, the slowest pace since 2005.

Japan’s economy experienced a sharp slowdown in growth following a new sales tax increase in April. The country’s real GDP contracted by 6.8% YoY in Q2 the sharpest fall since 2011. At the same time, the data on industrial output, employment, and prices suggested that the recent reforms in the country have not shaken off the prospect of continued stagnation in Japan. Bank of Japan Governor Haruhiko Kuroda recently noted that the bank stood ready to adjust policy if meeting the 2% inflation target in 2015 looked unlikely. Core consumer price inflation recently decelerated to 1.3%.
Emerging market concerns multiply

The outlook for emerging markets has become less even as the crisis-era stimulus measures have waned and tapering policies introduced by the US Federal Reserve have increased the volatility of global capital flows. Mid-September saw a sharp sell-off in emerging market assets following signs of US tightening and concern over China’s growth outlook. The International Institute of Finance (IIF) this year estimated that an expected increase in US interest rates from 0.25% to 0.75% would reduce capital flows into emerging markets by about USD100bn. In August 2014, net portfolio flows to emerging markets were USD9.3bn, the lowest since January 2014.

Most of the recent optimism in the emerging markets space has linked to Indian, which saw a rebound in growth to 5.7% YoY during Q2. This marked a clear acceleration compared to the 4.4% pace seen a year earlier. The renewed dynamism of financial markets in the country has been fueled by expectations that the new Indian government will push forward with economic reform. Also other economic indicators have boosted confidence. The Reserve Bank of India has been successful at bringing consumer price inflation to around 7% YoY, down from an average of roughly 11% during 2013. The country’s current account deficit has also dropped significantly.

By contrast, other emerging markets are facing more significant challenges. Russia’s growth prospects have been dented by the imposition of international sanctions. Following 1.3% growth in 2013, most observers expect a contraction by 1% or more this year. Also the Brazilian economy has been stagnant this year. The country’s GDP decreased by 0.9% YoY during Q2 in spite of the country playing host to the 2014 FIFA World Cup which saw many visitors enter the country. Also Q1 growth was revised from a 0.2% YoY expansion to a 0.2% YoY contraction. The weak sentiment in the country has hit investment which fell by 5.3% YoY in Q2.

Renewed oil market softness

After a long period of relative stability, crude oil prices have manifested increased volatility in recent months. A period of increased risk aversion followed the escalation of tensions in Ukraine and Iraq, as well as other disruptions in production. However, the sentiment has been reversed in recent weeks, pushing prices some 15% below their June peak. A number of factors account for this turnaround, among them the following:

► Oil supply is continuing to grow faster than expected, especially in the unconventional fields of North America. The combined output of the US and Canada increased by 51% over the past five years to 12.2 mbd with Canada now looking to export more across the Atlantic. Also OPEC’s oil production rose by 891,000 b/d in August to a total of 31 mbd. 60% of the biggest monthly output gain was due to the African producers Nigeria and Angola

► The global demand outlook has become more pessimistic, partly due to the worries about China’s ability to meet its growth targets. For instance, the International Energy Agency (IEA) recently revised down its demand projection for the year. The Agency now expects global oil demand to expand by 0.9 mbd, which is 300,000 b/d less than its July projection

► Seasonal factors point to sluggish demand as the summer holiday season nears its end, depressing transport demand, and the winter peak in the northern hemisphere is still some
The political risk premiums appear to have abated as the impact of political disputes in key producer and transit nations on oil supplies has been less than feared. At the same time, for instance Libya’s output is set rise to 800,000 b/d on the Sharara field which is resuming operations.

The recent strength of the US Dollar has depressed prices by curbing demand for Dollar-denominated commodities. In spite of the pronounced price correction, even the near-term outlook for prices remains uncertain as some of these market drivers are subject to potential change. At the same time, the lower prices are likely to fuel demand by tactical and strategic buyers. Similarly, the high marginal cost of production along with the short life span of many unconventional wells is laying the foundation for potential longer-term supply concerns as lower prices adversely affect investment.

### Crude oil prices (USD/barrel)

![Crude oil prices graph](image)

**Source:** US Energy Information Administration

### Global oil demand and supply dynamics (mbd)

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**Source:** International Energy Agency, Organization of the Petroleum Exporting Countries, US Energy Information Administration
Implications for Bahrain

The global economic outlook, while generally positive, is raising some potential challenges for the GCC economies and Bahrain.

► The completion of US tapering is pushing the Fed toward raising interest rates. While this should be good for the Gulf currencies, it will also likely increase the cost of capital through higher US rates and downward pressure on capital flows.

► Concerns over China’s growth outlook may test the sentiment toward emerging economies and dampen trade and investment flows.

► A protracted period of lower oil prices could adversely affect the fiscal situation. In general, more volatile oil market will complicate fiscal planning.
THE GCC REGION

NON-OIL GROWTH UNDERPINNED BY CONFIDENCE

The underlying growth drivers in the GCC region remain robust, even if the uncertainties of the international oil market continue to raise questions about the relative contribution of the oil sector. Especially Saudi Arabia saw a significant positive contribution from its oil sector in the first half of the year as output was ramped up in response to disruptions elsewhere in the world. However, the more balanced market conditions may reduce the need for this in the coming months.

At the same time, the underlying market drivers in the non-oil sector of the regional economies remain robust as the ‘golden age of project spending’ continues and demographic pressures drive capacity expansion against the backdrop of benign credit and liquidity conditions across the region. Recent national accounts data from GCC statistical agencies points to significant continuity in terms of headline growth rates, which should position the region for another strong year even in the face of global uncertainty. The International Institute of Finance expects real GDP growth in the region to match last year’s 4.2% this year before moderating somewhat to 4.0% in 2015. However, the performance of the non-oil economy is likely to remain robust with the annual pace set to persist at around 5.4% in the coming years.

Composition GCC real growth (%)

Regional growth remains brisk

In spite of recurrent uncertainty about the outlook for the regional oil sector, non-oil growth in the region is powered along with strong structural drivers in the form of infrastructure build-up and further underpinned by benign monetary and financial market conditions. Under the circumstances, non-oil growth at close to what now appears its trend rate looks likely to provide backbone for the continued expansion of the GCC economy in the years ahead.

Recent national data releases across the region have broadly confirmed this positive picture. The Saudi economy grew by an annual 5.1% in Q1, close to the 5.0% pace seen in 4Q13. Contrary to
previous expectations, the hydrocarbons sector made a strong contribution to the headline figure, expanding by 6.1% YoY as the Kingdom exercised its swing producer function in response to disruptions elsewhere. Non-oil growth stood at 4.5%. Headline growth subsequently slowed down to an annual pace of 3.8% in Q2, above all due to a loss of momentum in the oil sector. This represented an unusual 1.3% QoQ drop in growth but was comparable to the pace seen a year earlier in 2Q13. YoY growth in the hydrocarbons sector slowed to 2.5% as Q2 oil output rose by an annual 1.9% to 9.7 mbd. Non-oil growth moderated somewhat to 4.2% and was led by the utilities sector expanded by 8%, This was followed by manufacturing at 6.7%, transport and communications at 6.1%, and construction at 5.9%. Total growth this year is likely to exceed 4%.

Composition of quarterly Saudi real GDP growth

The growth of the UAE federal economy reached 5.2% in 2013 according to the official release by the National Bureau of Statistics. This figure was ahead of most private sector projections. The expansion was above driven by the non-oil economy, led by real estate, financial services, and government services, all of which posted annual rates of expansion of close to 10%. The positive momentum appears to be continuing. The Dubai economy expanded by an annual 4.2% in Q1, which represented a marginal deceleration from the 4.6% pace recorded in 4Q13. The fastest growth was observed in manufacturing (6.2%) followed by transport, storage & communications, and real estate & business activities. Real growth in the UAE is expected to remain in excess of 4% a year in the near term, with the non-oil economy expanding by more than 5%.

The Qatari economy posted real growth of 6.5% in 2013 led by a 11.4% gain in the non-oil sector, which was fuelled by strong investment and population growth. The resident population of Qatar increased by 10.9% in 2013. Hydrocarbons growth, by contrast, stalled to 0.1% following the completion of key development projects. Real growth in Q1 reached an annual 6.2% in a pick-up from the 5.5% pace seen in 4Q13. Growth was above all led by a 19.6% annual pace of expansion in the building and construction space which accounted for more than a third of the GDP increment in a clear acceleration on last year. The financial, insurance & business services sector expanded by 14.6%. The hydrocarbons sector saw a temporary decline in production, contracting by 1.2% in annual terms. Qatari oil and condensate production in 2012-2013 was flat at 2.0 mbd. Gas production role slightly from 135.7 to 142.7mn tn to support domestic demand. The IIF projects
Qatari growth of 6.1% this year and 7.2% in 2015 thanks to double-digit growth in the non-oil economy.

Kuwait’s nominal GDP rose by 2.3% in 2013, thanks to 10.6% nominal growth in the non-oil sector of the economy. This was led above all by a 33.5% gain in the manufacturing sector. The trade sector advanced by 12.9%. The nominal oil GDP fell by 1.5%, albeit after two years of very strong growth. The average output during the year was 2.9 mb/d. The oil sector still accounts for 66% of Kuwait’s GDP. In real terms, the IIF expects the Kuwaiti economy to expand by 2.6% this year following an estimated 2.1% gain in 2013. The pace is expected to further accelerate to 2.9% next year thanks to greater project activity. In contrast to minimal growth in the oil sector, growth in Kuwait’s non-oil economy is expected to reach 4.5% this year and 5.5% in 2015.

Forward-looking indicators echo the intermediate national accounts data. The regional Purchasing Managers’ Index readings remain at a historically high level. The headline figure of the SABB Markit index for Saudi Arabia rose from 60.1 to 60.7 in August – the peak reading in more than three years. Also, the UAE index rose, in fact to an all-time high for the HSBC Markit series of 58.4 from 58.0 in July. However, there is some concern that the pick-up in activity in pushing up raw material and labour costs.

**Price dynamics in the regional real estate sector are generally moderating, allaying bubble concerns**

**Bubble concerns easing somewhat**

Following a period of mounting analysis concern about an emerging real estate bubble in parts of the region, the market dynamics over the summer seem be allaying the worries somewhat. For instance in Dubai, Knight Frank reported an annual price growth slip from 11.7% to 6.3% in 2Q14. Dubai Land Department’s financial reports indicated that real estate transactions topped AED113bn in the first half of 2014, which represented a 4.6% increase of the AED108bn total recorded in 1H13. Some market segments, most notably mid-range villas, have actually seen renewed price declines. This left the annual rate of price increases in the segment at 1.2% as of August, which represents a slow rate by recent standards. By contrast, price of higher-end villas still rose by a more robust 4.9% as of August, but much more slowly than in recent months. Apartment prices are rising faster but even this segment is seeing a deceleration with a YoY pace.
of around 24% for low-end apartments and some 15% for mid- and high-end apartments. Sales prices across the different market segments are 14-23% below their 2008 peaks. Similar dynamics are evident in Abu Dhabi, although the rate of price increases still remains faster with low-end villa prices up 40.2% YoY and low-end apartments by 55.7%.

The Real Estate Price Index published by the Qatar Central Bank put the average price of land, commercial, and residential property at 20% over its September 2008 peak in June 2014. The index increased by 21.5% in the first half of 2014. Kuwait presents a more mixed picture with considerable volatility in overall sales volumes in recent months. However, the price dynamics have been generally positive, with residential prices increasing by roughly a quarter in annual terms as of July 2014.

Housing costs under the CPI indices of GCC countries

![Chart showing housing costs under the CPI indices of GCC countries]

**Source: National statistical offices**

### Oil sector dynamics may be reversing

Regional oil output trends have been heavily influenced by Saudi Arabia’s role as the global swing producer. During a period of output disruptions in several key producer nations, the Kingdom ramped its output by more than 5% as compared to the levels seen in 2013. Saudi Arabia’s output according to the Joint Organisations Data Initiative (JODI) actually exceeded 10 mbd in July, although some secondary estimated are lower with, for instance, OPEC quoting 9.8 mbd. The average Saudi output during the first seven months of the year was 9.76 mbd.

The picture has been less positive in the rest of the region. The UAE production has reportedly fluctuated just under 2.8 mbd during the summer and the numbers for Kuwait have been almost identical. Oman saw a 5.2% YoY fall in its crude exports in Q1. The average daily output during the first half of the year was some 1,300 b/d short of the 945,000 b/d target set by the 2014 budget. The Qatari output has remained effectively flat with OPEC citing estimates of 725,000 b/d for July.

The recent patch of oil price softness may trigger some reversal in the regional output dynamics. In particular, Saudi Arabia has to date stood ready to modify its output in response to price weakness. At the same time, a more systematic cut in OPEC quotas remains a possibility, although calls to that effect have been resisted by several member states. In any event, a market correction...
could potentially begin to reverse itself very quickly by threatening investment at a time when the marginal cost of extraction is very high.

Monthly oil production by the leading GCC producers ('000 b/d)

Regional price outlook flat in spite of growing concern

Price pressures in the region have remained relatively steady this year. The annual pace of consumer price growth in July varied between a modest 0.7% in Oman and 3.1% in Qatar. Oman has consistently seen the lowest inflation rate in the region with a year-to-date average of less than 1.1%. The fastest price increases have been observed in Qatar, which also saw a slight acceleration to inflation to 3.8% in July. The upward momentum has been primarily linked to rising rentals. The average rate during the year to date has been just over 2.9%. Kuwait has posted an almost comparable annual average pace of 2.8% and Saudi Arabia 2.7%. CPI inflation in the UAE averaged 1.9% during the first eight months of the year.

Consumer price inflation in GCC countries (% YoY)
Regional bank lending trends continue to converge

In general, while asset growth by GCC banks remains strong, the strong momentum of recent years is showing signs of waning. Deposit growth remains robust with annual growth varying between 6.6% in Kuwait and 14.7% in Qatar as of May. The annual pace of bank lending growth varied with the relatively narrow range of 7.0% in Kuwait and 11.7% by Qatar, which marks considerable convergence by recent history standards. Credit growth in Kuwait accelerated further to an annual 8.3% in June, the fastest pace since 2009. Deposit growth, with the expectation of Kuwait, has continued to outpace lending growth in recent months. Consequently, loan-to-deposit ratios remain in the double digits across the region with the sole exception of Qatar.

YoY growth of domestic bank credit (%)

Equity markets display greater volatility

Mirroring global trends, the GCC equity markets have maintained their positive momentum during the summer months with the S&P GCC index gaining 10.1% over the June-August period. However, the performance of the regional bourse has been far from uniform. In particular, the Dubai and Abu Dhabi exchanges corrected sharply in June, by 25% and 7.6%, respectively, due to concerns over the real estate sector and especially Arabtec. Also Qatar Exchange experienced a temporary correction following in a rally in the run-up to its inclusion in the MSCI Emerging Markets index. Kuwait has, similarly, lost ground, while the other regional exchanges have generally continued to post gains. In spite of its recent volatility, the Dubai Financial Market remains the regional top performer, having gained 50.2% during the first eight months of the year. Qatar posted a 31.0% gain while Saudi Arabia advanced 30.2%. The Abu Dhabi exchange recorded a 18.5% increase while Oman rose by 7.9%. The Kuwait Stock Exchange is the only regional bourse to have shed value with a 1.6% YTD decline.

Following the MSCI effect on the UAE and Qatari markets, Saudi Arabia has also benefited from growing investor interest following the July announcement by the Kingdom’s Capital Market Authority that Tadawul would be opened up to direct investment by foreign financial institutions in the first half of 2015. Saudi Arabia will implement a program of licensing Qualified Foreign Financial Institutions (QFFI) which, according to the draft rules, should have assets under
management in excess of USD5bn. The overall level of foreign ownership will be capped, with QFFIs jointly allowed to hold no more than 10% of the overall market capitalization and at most 20% of individual stocks. The capitalization of the Saudi market, at around USD590bn, is comparable to Russia and accounts for roughly half the total capitalization of the GCC exchanges.

GCC equity market indices (Jan 2011=100)

Source: Bahrain Bourse, Kuwait Stock Exchange, Muscat Securities Market, Qatar Exchange, Tadawul, Abu Dhabi Securities Exchange, Dubai Financial Market

The strong momentum of the regional exchanges has triggered a long awaited revival in IPO activity with several key public offerings taking place during the year so far. Ten GCC companies have conducted IPOs during the year to date. Tadawul was the most active market with four offerings, followed by three in Muscat, two in Dubai, and one in London. The aggregate value of the regional IPOs was just under USD2.5bn in a marked increased over USD864.6mn during the corresponding period in 2013. In volumes terms, Dubai has been the most important market this year thanks to a USD1.4bn offering by the Emaar Malls Group in September. 15.4% of the company was floated in the largest UAE equity offering since the financial crisis. Other recent offerings include Oman’s Al Maha Ceramics, a manufacturer of ceramic tiles, in September 2014. The IPO raised USD21mn through the sale of a 40% stake.

Important pipeline offerings include the National Commercial Bank of Saudi Arabia which is due to launch its IPO in October. The bank is planning to float 15% of its capital while an additional 10% will be transferred to the Public Pension Agency. The Saudi Arabian Mining Company’s Ma’aden is due to return to the market with a USD1.5bn rights issue. The UAE property developer Nakheel indicated that it was also considering an IPO following the Emaar success.
The GCC fixed income markets continue forward progress

The regional fixed income market has continued to perform strongly with a number important offerings in the sovereign and corporate space and new steps in terms of broadening the product and issuer universe.

Activity in the conventional space has picked up markedly from last year with a total of 67 GCC offerings raising USD24.4bn by late September. This compares to 44 primary issues worth USD17.7bn over the corresponding period in 2013. The UAE was the most active jurisdiction with 30 offerings worth USD11.5bn. Qatar raised USD5.4bn through six offerings and Kuwait USD4.3bn through 23 bonds.

The landmark primary issue in recent months have included a USD500mn perpetual bond by Emirates NBD and USD680mn raised by Abu Dhabi Commercial Bank. The Kuwaiti issuance has been primarily Central Bank paper with the exceptional of a USD250mn five-year bond by the Kuwait Energy Company.

GCC sukuk issuance during the year to date has involved 40 offerings worth a total of USD20.3bn. This compares to 48 offerings worth USD15.4bn during the corresponding period of 2013. Saudi Arabia has been the dominant market this year with 13 sukuk worth USD11.5bn. UAE issuance consisted of seven offerings worth USD4.4bn. Qatar saw two sukuk worth USD3bn, while Bahrain accounted for the rest. The most important individual offerings in recent months have been a USD1.5bn sukuk by the Islamic Development Bank in September, preceded by a USD1bn offering in July. Both have a five-year tenor.

The UAE saw the emirate of Sharjah issued its inaugural USD750mn 10-year sukuk in September. The A3-rated offering had a rental rate of 3.764% and 50% of it was taken up by Middle Eastern investors. 31% was bought by Europeans and 14% by Asians. The Qatari issuance consisted of government sukuk with tenors of three and five years, respectively.
Implications for Bahrain

In spite of increased volatility in the oil sector, the regional growth outlook remains generally benign, which should be generally supportive of growth in Bahrain.

► The conditions in the regional financial markets remain favorable, which should support investment flows and project spending

► Increasing disposable incomes will continue to drive regional tourism and should build further on the positive momentum of recent months
BAHRAIN

ECONOMIC GROWTH GATHERS PACE

Bahrain’s economy experienced a pronounced acceleration in growth during 2Q14 thanks to increased activity in the non-hydrocarbon sector as well as unexpectedly high output gains in the hydrocarbon sector. The Kingdom’s real GDP growth of 5.6% during Q2 stands in sharp contrast to the 3.2% pace recorded during the first three months of the year. The QoQ increase in GDP was 2.3%. This marked improvement reflected a broad-based acceleration in activity across the economy. The non-oil sector grew by 4.7% YoY while the oil sector expanded by 9.3%. These compare to 3.0% and 4.1%, respectively, in Q1.

The Q2 data put the pace of expansion in the economy ahead of our previous projections for the year as a whole. The headline rate of real GDP growth during the first half of the year taken together reached 4.4% with the oil sector expanding by 6.7% and the non-oil sector by 3.9%. While the launch of many infrastructure projects can push up the pace of non-oil growth further in the second half of the year, a reversal to capacity in the oil sector would entail a loss of momentum in hydrocarbons GDP growth.

Real GDP quarterly growth

In reflection of these dynamics, we have revised our GDP projections for the year as a whole. We now expect the Kingdom’s real GDP to advance by 3.7% during 2014. We project a steady acceleration in non-oil growth during the second half of the year as project activity should pick up momentum. Our current forecast for non-oil growth this year is 4.3%. By contrast, we assume that hydrocarbons production for the year as whole will remain at capacity, which would translate into 1.3% growth, far slower than the pace seen in 1H14. The main upside risks to this projection come from a faster pace of project spending and, potentially, from the oil sector, provided some of the recent positive momentum is maintained in the second half. In 2015, we expect oil production to remain flat while non-oil growth should accelerate further to 5.0%. This would translate into a headline real growth rate of 4.0%.
Projected GDP growth

<table>
<thead>
<tr>
<th>Year</th>
<th>Hydrocarbons</th>
<th>Non-oil GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>-3%</td>
<td>1%</td>
</tr>
<tr>
<td>2013</td>
<td>-2%</td>
<td>3%</td>
</tr>
<tr>
<td>2014</td>
<td>0%</td>
<td>5%</td>
</tr>
<tr>
<td>2015f</td>
<td>2%</td>
<td>6%</td>
</tr>
<tr>
<td>2016f</td>
<td>4%</td>
<td>8%</td>
</tr>
</tbody>
</table>

Source: Central Informatics Organisation, EDB estimates

Diversified growth expected to continue through 2014

While the acceleration of growth in the non-oil economy in Q2 was fairly broad-based, the fastest pace of expansion was observed in services. The hotels and restaurants sector, followed by social and personal services, and transportation and communications, all posted higher than average growth. Growth in the hospitality sector was in excess of 10%, continuing the strong momentum seen in Q1. Social and personal services experienced a clear acceleration to 8.2%, while transportation and communications, similarly, rebounded to 6.2%.

Overall, the non-oil private sector remains firmly on the forefront of driving growth in the economy. It accounted for 3.7 percentage points of growth in Q1 in an increase from 2.4 percentage points in Q1. At the same time, the contribution of the hydrocarbons sector doubled from 0.8 percentage points in Q1 to 1.8 in Q2. The government services contribution remains fairly modest: 0.3 percentage points in Q1 and 0.4 in Q2.

Breakdown of quarterly growth (in real terms, YoY)

Source: Central Informatics Organisation

Among other things, the economy has benefited from a positive dynamic in visitor numbers. While the holy month of Ramadan saw some slowdown, this was more than made up for by a strong
influx during the Eid al Fitr holidays. The tourism sector in the Kingdom is set to benefit from the launch of a number of important hotel projects as well as renewed expansion by the national carrier. The first half of 2014 has been a major turnaround period for Gulf Air as the company posted a YoY increase in revenue by 10% and cut its losses by 30%. The company has expanded its network to include Athens and Moscow as well increasing the frequency of flights to existing destinations such as Cairo and Kuwait. Tourism should further benefit from new visa rules that extends visa on arrival facility to nationals of about 100 countries. The policy will enable visitors from these countries to obtain a one month visa on arrival, with the ability to renew for an additional three months.

Monthly tourist arrivals in Bahrain by port of entry, 2014

Source: Ministry of Interior

A favourable dynamic in the oil sector has been one the main positive surprises for the economy during the first half of the year. The combined output from onshore and offshore production reached a daily average of 202,444 barrels in 1H2014, which represented a fairly pronounced 6.6% increase over the corresponding period of 2013. Production in the Bahrain field grew by roughly 4.9% YoY to an average of 48,822 b/d. In the offshore Abu Sa’afah field, the Bahraini share of production rebounded to 153,622 b/d, which represented a 7.1% advance in YoY terms. These figures are partly reflective of seasonal maintenance in the field in the spring of 2013; the Q2 output grew by an annual 12%. But the figure also reflects an acceleration of production from Q1 to Q2, by about 7%. Also gas production increased in the first half with a 15% YoY gain in total (natural and associated gas) production in Q2 to 180,642 mn cu ft.
We expect the positive momentum in the non-oil economy to continue throughout the second half of the year and, indeed, beyond. Importantly, although the construction sector picked up speed from 1.4% in Q1 to 3.6% in Q2, further acceleration looks extremely likely in view of the projected increases in infrastructure spending. Overall, we expect the construction sector to post growth of roughly 8% during 2014 compared to 2013. This growth should also stimulate activity in other sectors of the economy as well as boosting overall confidence.

### YoY real growth of key sectors, 2012-2014

<table>
<thead>
<tr>
<th>YoY growth</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Annu.</td>
<td>Q1</td>
<td>Q2</td>
</tr>
<tr>
<td>Crude pet. &amp; Gas</td>
<td>-8.5%</td>
<td>-4.3%</td>
<td>-15.1%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>4.7%</td>
<td>8.7%</td>
<td>8.8%</td>
</tr>
<tr>
<td>Construction</td>
<td>4.1%</td>
<td>1.4%</td>
<td>5.8%</td>
</tr>
<tr>
<td>Retail</td>
<td>6.2%</td>
<td>5.8%</td>
<td>8.1%</td>
</tr>
<tr>
<td>Hotel &amp; rest.</td>
<td>11.2%</td>
<td>13.5%</td>
<td>20.7%</td>
</tr>
<tr>
<td>Trans. &amp; Comm.</td>
<td>4.5%</td>
<td>6.1%</td>
<td>3.2%</td>
</tr>
<tr>
<td>Social &amp; pers. Serv.</td>
<td>12.7%</td>
<td>13.3%</td>
<td>12.3%</td>
</tr>
<tr>
<td>Real est. and Bus. Act.</td>
<td>3.6%</td>
<td>1.2%</td>
<td>3.4%</td>
</tr>
<tr>
<td>Finance</td>
<td>4.0%</td>
<td>4.3%</td>
<td>3.7%</td>
</tr>
<tr>
<td>Government</td>
<td>12.1%</td>
<td>13.5%</td>
<td>12.5%</td>
</tr>
<tr>
<td>Other</td>
<td>11.2%</td>
<td>10.0%</td>
<td>11.7%</td>
</tr>
<tr>
<td>GDP</td>
<td>3.4%</td>
<td>4.9%</td>
<td>2.9%</td>
</tr>
</tbody>
</table>

Source: Central Informatics Organisation

### Important new infrastructure projects across a range of sectors will boost the productive potential of the economy

**Key infrastructure projects announced**

Large infrastructure projects are likely to emerge as a key driver of economic activity in the years ahead. Continuing the string of positive announcements in recent months, a number of important developments were confirmed during the summer months:

- Aluminium Bahrain (Alba) has received government approval for the gas allocation needed to support its sixth production line. The new facility is expected to begin operations in 2018. Line...
6 is expected to add a further 400,000 tn to the smelter’s current capacity of 890,000 tn. The project has an estimated cost of USD2.5bn.

► A new BHD31mn national oncology center is to be built at the King Hamad University Hospital. The 120-bed facility is scheduled to be completed by May 2016

► The Ministry of State for Electricity and Water Affairs announced a BHD280mn plan to construct three major power plants in Hidd, Umm al Hassam, and Riffa

► An agreement has been signed to construct the first phase of the BHD18mn East Hidd housing project which is financed by the GCC Development Program as part of a plan to construct 4,000 housing units in the area

► The US company Chevron Lummus in September won a USD82.8mn contract to build a residue hydrocracker at the Bapco refinery as part of ongoing efforts to boost the output of the facility. Also, a FEED contract was awarded to Italy’s Technip for the upgrading of the refinery from 267,000 to more than 400,000 b/d. The deal involves updates and changes to 17 refinery units, each with a value of USD250mn to USD1bn

Bank credit growth remains steady

The pace of bank credit growth during the first half of 2014 has remained largely in line with the measured growth seen since the beginning of 2013. Aggregate outstanding loans and advances by Bahraini retail banks rose by 4.5% in May 2014 compared to a year earlier. The pace has moderated since then, reaching 2.2% YoY, but this is reflective of methodological revision. The Central Bank of Bahrain reclassified a handful of financial institutions, moving them away from the retail banks category, which distorted the growth figures.

Credit growth in recent months has continued to come primarily from the expansion of personal loans. Total personal loans stood at BHD2.9bn in July and accounted for 39.4% of overall bank lending. The share of personal mortgages was 12.9% of all bank lending. The share of loans to businesses was 56.9% – a total of BHD4.1bn. Loans to the construction and real estate sector were 20.1% of all bank lending and manufacturing loans 7.2%. Both figures are below recent trends and are expected to rebound as infrastructure activity gathers momentum.
Bank deposits have remained on a fairly steady upward trajectory in recent months. Total deposits in July stood at BHD15.7bn, which represented annual growth of 12.7%. The continued brisk pace of deposit accumulation against the backdrop of measured lending growth has brought the loan-to-deposit ratio in the Kingdom down to 46.3% as of June. This compares to 51% a year earlier.

**Indicators of money supply have continued to grow at a brisk pace of 7.2-7.7% as of July**

Measures of money supply in Bahrain have continued their steady upward momentum. The narrowest measure of money, M1, which includes currency in circulation and demand deposits, increased by an annual 7.2% as of July. M2, which also include time and savings deposits, expanded by a slightly faster 7.6% YoY to a total of BHD9.7bn. The broadest measure of money supply, M3, which also comprises general government and Social Insurance Organisation deposits, saw an annual growth rate of 7.7%, which took it to a total of just over BHD11.6bn as of July.

Source: Central Bank of Bahrain
In spite of some volatility, the cost of capital has continued its trend of relative stability for both business lending as well personal loans. Interest rates for business loans (excluding overdraft facilities) have fluctuated within the range of 3.6% to 5.4% with an average of 4.7% during the first seven months of the year. Interest rates for personal loans have varied within a much narrower range of 5.7% to 6.2%, with an average of 6.0% during the seven-month period. Throughout the year, the cost of capital in the Kingdom has remained broadly comparable to the conditions observed in 2013.

Average rate of interest on credit facilities (conventional retail banks)

Source: Central Bank of Bahrain

Steady consumer price growth

Consumer price pressures in the Kingdom have remained relatively steady throughout the year, with the annual pace of consumer price inflation fluctuating between a spring-time low of 2% and a high of 3.7% observed at the beginning of the year. The headline reading of CPI inflation reached 3.1% YoY in August 2014. Food prices experienced significantly diminishing upward pressure towards the third quarter of 2014. Housing costs remain the main driver of inflation with the annual pace standing at 5% in July-August. This is nonetheless below the 7% reading seen at the...
beginning of the year. Food price inflation stood at 2% YoY in August, in marked contrast to the 5.3% reading in January. Transportation, by contrast, witnessed increased price pressures with a reading of 5.2% YoY in August, an increase from almost no inflation during 1Q14.

**Sector-specific consumer price inflation indicators (YoY, %)**

![Graph of consumer price index](image)

*Source: Central Informatics Organisation*

**Increased capital market activity**

Bahrain Bourse has continued its measured but fairly steady progress in recent months. By late September, the All-share Index was up by just over 17% since the beginning of the year, which was around the regional average. The strongest performing sectors during the January-August period were Investment and Services, which gained 22% and 19%, respectively. Commercial Banks, as well as the Hotels & Tourism sector, both posted 11% year-to-date gains. The Industrial index gained 3% while the Insurance sector was flat.

**Bahrain All-Share Index**

![Graph of Bahrain All-Share Index](image)

*Source: Bahrain Bourse*

Bahrain is also witnessing a welcome revival in IPO activity after a lengthy lull. Zain Bahrain, a telecommunications company which was founded as a closed joint stock company in 2003, offered 15% of its issued share capital in early September 2014. The company holds a license to install, operate, and manage a telecommunications operation and operates in mobile and fixed
telecommunications services. The IPO consists of an offer of 48mn new shares and is targeting institutional and retail investors in Bahrain as well as institutional investors in the GCC. The issuance of these shares were managed by Gulf International Bank, which will also be the underwriter, and co-managed by NBK Capital. Zain is hoping to use the proceeds from the public offering to upgrade its network infrastructure.

Sectoral stock market indices, 2013-2014

![Graph of sectoral stock market indices, 2013-2014](image)

**Source: Bahrain Bourse**

Bahrain Bourse recently introduced new market rules in order to boost trading activity. The new rules allow non-Bahraini brokers licensed by the capital market regulators of their home countries to trade on the Bourse without having a representative office in Bahrain, provided an authorised clearing member has been appointed to settle the transactions executed at the Bourse. The new rules also allow margin trading and organise the licensing procedures for brokers. New investment instruments such as options, ETFs, and REITS will be introduced to the Bourse. The new market rules further outline a general framework for market makers and the mechanisms that should be used to organise their buy and sell transactions. Altogether, these new improvements further encourage listing to take advantage of its increased openness to capital.

Bahrain Bourse recently also launched its new X-stream platform which is designed by Nasdaq OMX. The new platform will enable rapid execution and settlement of transactions at the Bourse as well as provide more services to its clients, including issuers and investors. In addition, the technology of the new platform will allow investors to trade in derivatives, options, future options, as well as other investment instruments.

Fixed income activity in the Kingdom has involved a landmark bond by the Government as well as ongoing short-term issuance by the Central Bank for liquidity management purposes. The Government of Bahrain broke new ground in September with an unprecedented 30-year bond issue. The offering raised USD1.25bn and met with strong investor demand with orders reportedly reaching USD5.75bn. The bond was priced to yield 6%, at the bottom of the expected range thanks to a significant recent improvement in market conditions. The proceeds from the bond are used for general budgetary purposes. The issue was arranged by Citigroup, Gulf International Bank, Bank Mitsubishi, and Standard Chartered.

Bahrain Bourse has revised its rules through initiatives to boost access and liquidity
In the corporate space, Bahrain Steel (previously known as Gulf Industrial Investment Company) closed a USD340mn loan syndication. The deal consists of a USD300mn seven-year amortising term loan and a USD40mn revolving credit facility.

Labour market continuity

Labour market conditions in Bahrain were characterized by relative continuity during the second quarter of 2014. According to the latest data from the Labour Market Regulatory Authority (LMRA), the annual pace of private sector job creation (excluding domestic workers) contracted by 0.3% in Q2. However, the pace is expected to accelerate again during the remainder of the year as project activity in the Kingdom gathers pace.

LMRA data indicates that the total workforce in Bahrain reached 667,112 as of Q2, which represented an annual gain of 0.8%. The annual growth of Bahraini national employment stood at 1.6% whereas expatriate employment expanded by 0.6%. The number of new work permits dropped by an annual 3.3% to 31,134, some 49.5% of them awarded to micro-enterprises with fewer than 10 employees.
According to the Ministry of Labour, the Kingdom’s official unemployment rate has decreased from 4.1% in 1Q14 to 3.7% 2Q14. This is partly reflective of a cyclical pattern seen in the unemployment numbers of recent years but seems to parallel the strong seasonal rebound that than observed last year in spite of a gradual decline in the officially recorded number of vacancies. This is partly reflective of increased efforts by both public and private sector employers to provide more opportunities for job seekers. Graduate training programs and improvements in job matching schemes have helped more Bahrainis join the workforce. In addition, the Ministry of Labour’s initiative titled “Employment and Training of Bahrainis – 2” started in June as part of an effort to continuously improve human capital and enable Bahrainis to find jobs that match their skills.

Unemployment rate (%)

Source: Ministry of Labour

In a consolidated effort to develop Bahraini human capital, Bahrain’s national carrier Gulf Air signed a Memorandum of Understanding (MoU) with Tamkeen, which focuses on training local workers. The MoU aims to provide on-the-job training for Bahrainis who wish to pursue careers in aviation. The joint program will allow aircraft technicians and trainee engineers to undergo a one- or two-year comprehensive training program. This agreement comes in line with the Kingdom’s goal to stay committed to developing the skills and capabilities of Bahrainis and providing them with hands-on training.
Favorable external assessments

For the second year in a row, Bahrain has been named the GCC’s leading Islamic finance market and second out of 92 countries worldwide by the ICD-Thomson Reuters Islamic Finance Development Indicator (IFDI). As well as being highly ranked in terms of commitment to research and training as well as local awareness of the industry, Bahrain was also seen as having the best governance in Islamic finance in the world. The report praised the well-established regulatory framework covering all sub-sectors, as well as high levels of disclosure. The IFDI is a measure of five key components that combine to depict the overall state of Islamic finance in 92 countries: quantitative development, governance, corporate social responsibility, and knowledge and awareness.

According to the Global Competitiveness Report issued by the World Economic Forum, the Kingdom of Bahrain occupies the 44th position out of 144 countries in the Global Competitiveness Index. As in past years, Bahrain continues to benefit from high quality of infrastructure (31st), specifically excellent quality of port (15th) and road infrastructure (22nd). The Kingdom is characterized by a highly efficient goods market (21st) and labor market (26th) with very good capacity to attract talent (11th) and retain it (18th). Bahrain’s institutional framework (29th) remains a strength for the country. The Kingdom’s competitiveness reflects a developed financial market (31st), particularly evident in the ease of access to loans (8th), affordability of financial services (15th), and the availability of venture capital (18th).

The Kingdom has experienced an improvement in the Global Innovation Index (GII) issued by Cornell University, INSEAD, and WIPO. The index looks at several aspects of the economy such as institutions, infrastructure, human capital and research, and creative outputs. Bahrain moved up five positions to the 62nd rank out of 143 economies. The country’s infrastructure (29th) plays a significant role in the improvement as Bahrain has continued the development of its information and communications technologies (21st) by further enabling access (27th), usage (37th), government online services (9th), and e-participation (19th). Additionally, Bahrain’s business environment (22nd) is an area of strength for the country. It is also ranked the number one country in terms of joint venture-strategic alliance deals.
The Kingdom’s ranking has also improved in the E-government Development Index released by the United Nations Public Administration Network. The index is based on a survey of the online presence of the 193 member states whereby the implementation of e-government policies and strategies in specific sectors as well as national websites are assessed. Bahrain took the 18th position in the index, moving up 18 places from the previous ranking 2012. This is a result of Bahrain’s open government data policy where it made datasets available via the Open Government Data Portal, thus allowing everyone to develop web or mobile applications that contribute to improving government transparency and public participation. The government has also established a National Health System (i-seha) and the National Contact Centre contributing further to Bahrain’s improved global position. Bahrain held the Bahrain International e-government forum in 2013 which deals with issues such as mobile trends and cloud computing.

In fighting against money-laundering and terrorism financing, the Anti-Money Laundering (AML) Index was first released by the Basel Institute of Governance in 2012 and now covers 162 countries. The AML Index is considered the only rating of country money laundering/terrorist financing risk by an independent non-profit institution. Lower scores are reflected through a higher ranking indicating a country that is less vulnerable to money laundering. Bahrain recorded a 5.57 score in the 2014 index placing it in the 94th position globally. Bahrain has continued to improve in this index since 2012 where it occupied the 77th position followed by the 89th in 2013.

The 2014 Human Development Report, titled “Sustaining Human Progress: Reducing Vulnerabilities and Building Resilience”, looks at the factors that contribute to the risks facing human development and discusses ways in which resilience could be strengthened in order to reach sustainable human development. In this report, the Kingdom of Bahrain occupies the 44th position globally with an HDI value of 0.815, making it stand in the 4th position among the rest of the GCC countries. The Kingdom’s position places it in the ‘very high human development’ category where it features the countries in the top 50 positions. Between 1980 and 2013, Bahrain’s HDI value increased from 0.677 to 0.815, an increase of 20.4% or annual increase of about 0.56%. Over this period, Bahrain’s life expectancy at birth increased by 7.1 years, mean years of schooling by 5.3 years, and expected years of schooling by 4 years, while GNI per capita decreased by approximately 43.4%.
Bahrain news

► A new BHD31mn national oncology center is to be built at King Hamad University Hospital. An agreement has been signed with G P Zachariades to build the 120-bed center which is scheduled to be completed by May 2016.

► Bahrain issued a new visa policy that extends visa on arrival facility to nationals of about 100 countries. The policy, which is to be implemented during 2015, will enable visitors from these countries to obtain a one month visa on arrival, with the ability to renew for an additional three months.

► New hotel chains, Le Meridien and Westin, started operation at the two hotel towers at Bahrain City Center. Combined, the two hotels feature a total of 460 guest rooms.

► The GCC countries and the European Free Trade Association signed an agreement to expand co-operation and boost the volume of trade in several fields including tourism, agriculture, and financial services.

► Plans are underway to construct a BHD6mn shelter complex that will house six government shelters to help child abuse victims, distressed migrant workers, and juveniles. The complex is expected to be operational by 2017.

► Kuwait Finance House - Bahrain has signed a strategic partnership agreement with Bahrain International Circuit to become its official banking partner. This partnership will allow Kuwait Finance House to sponsor more motor sports events.

► Alba, Aluminium Bahrain, continues to build momentum with its production figures up by 2.5% YoY to 464,000 metric tonnes in 1H14.

► The Bahrain Economic Development Board and the Islamic Corporation for the Development of the Private Sector signed a memorandum of understanding to promote the growth of SMEs in Bahrain by providing support in training and Sharia-compliant financing.

► Ministry of State for Electricity and Water Affairs announced a BHD280mn plan to construct three major power plants in Bahrain which will financed by the GCC Development Program.

► A plan for a new learning facility at Salmaniya Medical Complex for young cancer patients has been approved by the Ministry of Health. The facility will include classrooms, recreational rooms, and rooms for the parents.

► An agreement has been signed to construct the first phase of the BHD18mn East Hidd housing project which is financed by the GCC Development Program as part of a plan to construct 4,000 housing units in that area.

► Bahrain Institute of Banking and Finance (BiBF) signed and MoU with the University of Bolton to develop and MBA in Islamic banking. As per the MoU, BiBF will act as lead content provider for Islamic finance subjects and will supervise all dissertations while the University of Bolton faculty will deliver the core MBA subjects.
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