Evaluating the role of tourism in the Bahraini economy

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Introduction

Bahrain’s millennia-long history as a trading hub has contributed to its evolution as an open, tolerant, and inclusive society. This remains an important element of the country’s appeal as a tourism destination, which is further amplified by its unique geography and historical legacy. Bahrain’s high degree of integration with the rest of the region serves as an important source visitor flows, including leisure and business tourists.

Openness has been a defining characteristic of Bahrain as a country and economy for centuries. Given the island’s long-standing role as a trading hub at the heart of the Gulf region, Bahrain has attracted visitors from other parts of region and beyond since pre-historic times. Openness remains integral to the Kingdom’s identity, culture, and prosperity today. Bahrain can also boast extensive, multi-modal connectivity with the rest of the Gulf region as well as beyond. Bahrain is home to one of the oldest airline operators in the Middle East, Gulf Air, and is also connected to the Kingdom of Saudi Arabia by the 25 km King Fahad Causeway.

Given this legacy of openness, it is hardly surprising that tourism constitutes an important part of the Kingdom’s economy. What is less clear, however, is the way tourism should be understood and measured in the Bahraini context. After all, tourism is not a standard sector in national account analysis. Nor is there a single, universally accepted definition of what constitutes tourism. While there is a steady influx of visitors through the causeway and the airport, not all of this qualifies as tourism, since for instance the causeway traffic involves significant numbers of people who commute daily for work or school.

This note seeks to map out the economic impact of these various external influences on Bahrain’s economy in connection with tourism-type activities. We recognise that coming up with an unequivocal definition of tourism in the Bahraini context is close to impossible. Bahrain’s high degree of integration with the rest of the region entails large-scale, ongoing visitor flows, often in ways that are not easily reconciled with standard definitions. For instance, Bahrain has a significant population of people who own or rent a residence on the island but do not use it full-time. For some, especially Saudi homeowners, their property in Bahrain is a weekend or holiday home. Others acquire properties primarily for investment purposes but do use them for occasional visits. It is also clear that the lifestyle and cost advantages of Bahrain mean that many individuals reside in Bahrain part- or full-time, even though their place of employment is in Saudi Arabia or other parts of the region. Some visitors to the Kingdom are business tourists or contract workers undertaking projects in Saudi Arabia but choosing to live in Bahrain. Therefore, an element of this traffic is not tourism-related, but a significant percentage of this diverse group of commuters are clearly tourists coming to Bahrain for leisure purposes.

In order to make sense of this complexity, this note seeks to understand what kinds of visitors the Kingdom attracts and assess their economic significance. This “tourism mapping” is to an extent a mosaic of elements which readers can combine as they prefer to come with their own working definition of tourism in Bahrain.
What is tourism?

Tourism is not an activity with a single, universally accepted definition. It has traditionally tended to be associated above all with travel for pleasure and the key activities linked to this in terms of attracting, accommodating, and entertaining such travelers. However, other types of tourism have grown in importance and involve, among other things, business, medical, and educational tourism.

In statistics, the most widely used technical definition is the one formulated by the United Nations World Tourism Organization (UNWTO): “tourism comprises the activities of persons traveling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes.”

While many traditional definitions of tourism have tended to include time limits, both minimum (at least a day) and maximum (up to a year), an older formulation by Hunziker and Krapf is more flexible and views tourism as “the sum of the phenomena and relationships arising from the travel and stay of non-residents, insofar as they do not lead to permanent residence and are not connected with any earning activity.”

In practice, many different types of activities fall under the umbrella of tourism. Typical examples of tourism-type activities include the following:

1 Walter Hunziker and Kurt Krapf, Grundriss der Allgemeinen Fremdenverkehrslehre, Schriftenreihe des Seminars für Fremdenverkehr an der Handels-Hochschule St. Gallen, 1, Zurich: Polygraphischer Verlag, 1942.
But the overall economic impact of tourism is far more extensive as several sectors of the economy are involved in delivering the goods and services associated with different types of tourism. Some of these are linked with transportation, others with accommodation, and yet others with entertaining or serving other needs of visitors. Among the relevant products and services, the following are generally recognised as central:

<table>
<thead>
<tr>
<th>Accommodation</th>
<th>Accessibility by</th>
<th>Venues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotels</td>
<td>Air</td>
<td>Convention</td>
</tr>
<tr>
<td>Sharing economy services</td>
<td>Land</td>
<td>Exhibition</td>
</tr>
<tr>
<td>Leisure attractions</td>
<td>Sea</td>
<td></td>
</tr>
<tr>
<td>Visitor experience enhancement products &amp; services</td>
<td>Services</td>
<td>Retail outlets</td>
</tr>
<tr>
<td>Event organizers</td>
<td>Ground transportation</td>
<td></td>
</tr>
<tr>
<td>Destination management companies</td>
<td>Professional conferences organizers</td>
<td>Sport &amp; leisure events</td>
</tr>
<tr>
<td>Restaurants / food services</td>
<td>Recreational activities</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Land</td>
<td>Maritime</td>
</tr>
</tbody>
</table>

These activities and assets are linked to many of the sectors identified in the standard national accounts methodology, although they do not in all cases fall neatly into individual categories.

The scale and nature of tourism-related activities is to a significant extent determined by efforts to develop visitor traffic around existing assets, whether natural or cultural, to strategies built around man-made assets. Much of the tourism activity in the GCC region, most notably key planks of Dubai’s tourism strategy, has fallen into the second category, and especially external perceptions of the region seem to be increasingly linked to real estate-driven tourism ventures, whether five-star hotels, shopping malls, or other man-made activities. Various events designed to attract visitors have been developed around this infrastructure and have generally grown in importance in recent years. However, there are also efforts to develop more activities around natural and cultural attractions, efforts that have tended to be championed above all in Oman and Bahrain, to an extent also elsewhere in the region.
The second approach has been particularly popular with advocates of what is known as ‘sustainable tourism.’ The World Tourism Organization defined such tourism as “leading to management of all resources in such a way that economic, social and aesthetic needs can be fulfilled while maintaining cultural integrity, essential ecological processes, and biological diversity and life support systems.”

The most immediate economic impact of tourism is determined by the provision of these different tourism-related products and services. However, tourism affects the economy in a multiplicity of ways that go far beyond these direct effects. In particular, efforts to develop the sector through product and infrastructure development can have substantial economic implications. Such activities tend to be primarily associated with investment, promotion, and purchases from various suppliers. In recognition of these different types of influence, the World Travel & Tourism Council (WTTC) employs a three-tiered classification to evaluate the economic impact of tourism. This methodology acknowledges the multi-faceted role tourism-related activities play in an economy by differentiating between the direct, indirect, and induced impact of tourism.

<table>
<thead>
<tr>
<th>DIRECT</th>
<th>INDIRECT</th>
<th>INDUCED</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>COMMODITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▶ Accommodation</td>
<td>▶ T&amp;T investment spending</td>
<td>(spending of direct and indirect employees)</td>
</tr>
<tr>
<td>▶ Transportation</td>
<td>▶ Government collective T&amp;T spending*</td>
<td></td>
</tr>
<tr>
<td>▶ Entertainment</td>
<td>▶ Impact of purchases from suppliers</td>
<td></td>
</tr>
<tr>
<td>▶ Attractions</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>INDUSTRIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▶ Accommodation services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>▶ Food &amp; Beverage Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>▶ Retail trade</td>
<td></td>
<td></td>
</tr>
<tr>
<td>▶ Transportation services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>▶ Cultural, sports &amp; recreational services</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>SOURCES OF SPENDING</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▶ Resident’s domestic T&amp;T spending</td>
<td></td>
<td></td>
</tr>
<tr>
<td>▶ Businesses’ domestic travel spending</td>
<td></td>
<td></td>
</tr>
<tr>
<td>▶ Visitor exports</td>
<td></td>
<td></td>
</tr>
<tr>
<td>▶ Individual government T&amp;T spending</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Defined as support for T&T through marketing and promotion, aviation, administration, security services, resort area sanitation services, etc.
Why tourism matters?

Tourism affects many sectors of the economy, serves as an important source of employment creation, and offers exceptional opportunities for entrepreneurship. It has evolved into a highly significant and dynamic sector accounting for roughly one-tenth of the global GDP. It is of particular importance for the GCC economies at a time when economic diversification and sustainable job creation are central priorities.

Whatever the technical definition of tourism used, there is widespread – and growing – recognition of the socio-economic impact of tourism-related activities. This is formally acknowledged by the Manila Declaration on World Tourism of 1980, which describes tourism as “an activity essential to the life of nations because of its direct effects on the social, cultural, educational, and economic sectors of national societies and on their international relations.”

Tourism has in recent decades established itself as a highly dynamic economic cluster whose growth has consistently outpaced the expansion of global GDP. According to estimates by UNWTO, international tourist arrivals have increased from 25mn in 1950, to 278mn in 1980, 527mn in 1995, and 1,133mn in 2014. Tourism receipts earned by destinations worldwide have risen dramatically from USD2bn in 1950 to USD104bn in 1980, USD415bn in 1995, and USD1,245bn in 2014. UNWTO foresees further growth in tourist arrivals globally at an annual rate of 3.3% between 2010 and 2030 to an annual total of 1.8bn.

The aggregate economic impact of tourism is substantial, estimated by the UNWTO at 9% of global GDP and by the World Travel & Tourism Council (WTTC) at 10% – some USD7.6trn. Tourism is now estimated to account for close to a third – 30% – of all global trade in services, and 6% of the aggregate exports of goods and services, some USD1.5trn.

In terms of the overall socio-economic impact, tourism is a sector with deep linkages to a broad range of economic activities:

- It is a fairly labor-intensive sector, which entails a significant impact on job creation, as well as education and training. The UNWTO estimates that tourism is responsible for one out of every 11 jobs globally. WTTC estimates total tourism-related employment of 277mn
- It is not a sector characterised by significant barriers to entry or economies of scale, which makes it well suited for entrepreneurship
- It indirectly supports economic activity in many other sectors.

  - Service industries that benefit from tourism include:
    - Transportation services: airlines, cruise ships, and taxicabs
    - Hospitality services: accommodations, eg hotels and resorts
    - Food services
    - Local art and handicrafts
    - Technology (eg apps)
o Retail outlets
o Tour guide and tour services
o Entertainment venues: amusement parks, casinos, shopping malls, music venues, and theatres

- Tourism benefits industries that manufacture the products that tourism-related establishments buy, whether souvenirs, clothing, or other goods
  ▶ Through its ability to attract visitors from other countries, tourism support the current account position of the economy
  ▶ Tourism is important for developing the name recognition and reputation of countries, regions, and cities. This in turn can help stimulate interest in other sectors of these economies
  ▶ Tourism has become an important driver of international integration

The Tourism Satellite Accounting Methodology developed by the United Nations Statistics Division (2008) for the purpose of quantifying the direct economic contribution of Travel & Tourism highlights the multi-faceted economic impact of tourism:

The multi-faceted nature of tourism is captured by the UN Tourism Satellite Account methodology.

Tourism is critical for prosperity in a number of countries around the world, especially in many small open economies. Even within the European Union, travel receipts alone accounted for 16.7% of GDP in Croatia, followed by 14.5% in Malta and 13.2% in Cyprus. These figures, compiled by Eurostat, capture only the core element of tourism, namely expenditure by non-resident visitors.

This exceptional potential of tourism as a driver of socio-economic development has elevated it to an increasingly central priority of policy makers in a growing number of countries around the world. Its potential is particularly evident in the GCC, where
economic diversification and sustainable job creation are among the overriding policy priorities. All the GCC economies have made important steps to develop their tourism sector which destinations such as Dubai and Muscat now constituting internationally recognised success stories. The economic visions and development strategies of all GCC countries explicitly recognise tourism as a high-potential diversification opportunity.
Tourism in Bahrain

In the past, tourism activity has not tended to be holistically monitored in Bahrain, a situation observed in many other countries as well. The most commonly used indicators of tourism-type activity have tended to be data on visitor numbers or specific economic sectors such as Hotels & Restaurants. Efforts to explicitly delineate tourism-type activities are complicated by the scale of regular commuting between Bahrain and the rest of the region. Some, but by no means all, of this involves tourism.

In spite of the data limitations, tourism has long been recognised as an important part of the economy in Bahrain. The country is home to one of the oldest airlines in the Gulf region, Gulf Air which began operations as Gulf Aviation Company in 1950. The King Fahd Causeway was opened in 1986 and created an overland link between Bahrain and the Eastern Province of Saudi Arabia. Cruise ships dock at Mina’ Salman, one of the Kingdom’s two seaports.

Given its geography, open culture, and liberal regulation, Bahrain receives external visitors from a number of different markets. In practice, tourists in the Kingdom can be grouped into several main categories as follows:

<table>
<thead>
<tr>
<th>Type</th>
<th>Importance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>International visitors</strong></td>
<td>Mainly leisure and business travellers from outside the region. It should be noted that many visitors from outside the GCC are not tourists, but rather expatriates working and living in Bahrain, and therefore residents of the Kingdom. Such people account for roughly 50% of the resident population and some 75% of the labour force.</td>
</tr>
<tr>
<td><strong>Regional visitors</strong></td>
<td>Primarily Saudi and Saudi-based families and individuals visiting Bahrain, typically for leisure and secondarily for business. Heavily focused on weekends and public/school holidays.</td>
</tr>
<tr>
<td><strong>Regional commuters</strong></td>
<td>A group of people using the Causeway (or in some cases the Airport) in connection with their daily or weekly work or business activities. Mainly involves people residing in Bahrain and working in Saudi Arabia or vice versa. Most of these people would not be considered tourists under standard definitions, but many have second homes, etc., which are linked to tourism-type activities.</td>
</tr>
<tr>
<td><strong>Hospitals and schools</strong></td>
<td>People commuting on a recurrent or occasional basis in connection with their education or health care needs.</td>
</tr>
<tr>
<td><strong>Domestic tourism</strong></td>
<td>People resident in Bahrain undertaking tourism-type activities within the Kingdom.</td>
</tr>
</tbody>
</table>
The role of regional visitors has been of critical importance in all these areas, even if measuring it involves some methodological complications. A significant percentage of the regional visits are very short in duration and hence could be excluded under some definitions. The same is true to commuters who tend to be operating "within their usual environment" and hence are not obviously tourists. However, they may include some people maintaining secondary residencies in Bahrain and visiting the Kingdom somewhat less frequently, which might be taken to be akin to business tourism. Nonetheless, the economic impact of day visitors in Bahrain is immense and excluding them would significantly distort any meaningful assessment of the impact of external, non-resident visitors.

Data on the nationality of visitors underscores the dominance of Saudis among inbound visitors to Bahrain. In fact, the numbers of Saudi nationals significantly underrepresent the scale of traffic between Saudi Arabia and Bahrain. A significant proportion of the visitors from Saudi Arabia are expatriate residents of the country.

Inbound visitors by nationality, 2014

Similarly, the market dynamics are reflective of the heavy dominance of overland arrivals through the King Fahd Causeway, which reflects and capitalises on Bahrain’s geographic location at the heart of the GCC region. A roughly 400-km radius around Bahrain covers three of the GCC capitals – Riyadh, Kuwait City, and Doha – as well as the main population centres of Saudi Arabia’s Eastern Province. The tri-city area of Dammam, al Khobar, and Dharan is all within an easy commuting distance for day trips. The industrial city of Jubail (with a population of over 220,000) is just over 150 km away. The population of the Eastern Province and Riyadh catchment area, which is considered to be within a driving distance, is just over 10mn people. Adding Kuwait and Qatar to that would increase the total to roughly 4mn and 2.2mn, respectively.

The resident population of areas within a driving distance of Bahrain is more than 15mn.
For many of the residents of this catchment area, Bahrain remains a relatively unique destination in terms of the variety of product and event offerings, not to mention the ease of access and the availability of accommodation options. In spite of its established nature as a destination, as well as its familiarity in the regional context, survey evidence consistently points to further growth opportunities in terms of the increased willingness of regional tourists to visit more often or for a longer period of time in response to easier access (primarily less congestion, shorter queuing times) and improved product offering.

The category of domestic tourism, which is explicitly recognised under most methodologies used to measure tourism, is even more amorphous. It is obvious that domestic tourism does exist and is of particular relevance in connection with events, as well as hotels and restaurants. However, evaluating such activity is complicated by a lack of clear definitions and data. Domestic tourism is an easier concept to understand than it is to clearly measure. A lot of Bahraini residents own or rent second residences which are primarily utilised for leisure purposes. The UN Tourism Satellite Account methodology explicitly includes secondary dwellings used as vacation homes (visited mainly for recreational purposes) under tourism, “regardless of how close they are to the usual place of residence, the frequency of the visits and duration of stay (provided such duration does not turn this secondary dwelling into the principal dwelling of the household).” A holiday spent at a domestic destination rather than traveling abroad is an obvious instance of domestic tourism. Discussions about domestic tourism also include concepts such as staycation. This is defined as a period during which an individual or family stays home and participates in leisure activities within driving distance, sleeping in their own beds at night. They might make day trips to local tourist sites, events, or various other leisure activities. It is typically associated with dining out more frequently than usual. WTTC has made an attempt to estimate the importance of
domestic tourism in Bahrain and puts it at a fairly substantial 31.4% of the total direct Travel & Tourism contribution to GDP.

Tourism in Bahrain, as in most countries, involves several different types of activities. The most important ones in recent years have tended to be the following:

<table>
<thead>
<tr>
<th>Type</th>
<th>Visitors</th>
<th>Key activities</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual leisure tourism</td>
<td>Families, Bachelors, GCC-based expatriates</td>
<td>Shopping, Restaurants, Cinemas, Hotels</td>
<td>Numerically the most important category. Weekly peak for the hotels and restaurants sector as well as shopping malls.</td>
</tr>
<tr>
<td>Leisure events</td>
<td>Local, Regional, International</td>
<td>Sporting events, Cultural festivals, Shows/Consumer</td>
<td>Represents some of the annual peaks of international visitors. The annual calendar still somewhat uneven.</td>
</tr>
<tr>
<td>Business events (MICE)</td>
<td>Local, Regional, International</td>
<td>Conferences, Exhibitions, Workshop</td>
<td>A fairly regular event schedule around peak conference seasons. Frequent company meetings locally and regionally. Supports the conference centre and hotels.</td>
</tr>
<tr>
<td>Heritage / Cultural tourism</td>
<td>Local, Regional, International</td>
<td>UNESCO world heritage sites, Museums, Archaeological sites</td>
<td>Common but not fully developed and structured. Significant efforts underway.</td>
</tr>
<tr>
<td>Education/Health and wellness</td>
<td>Primarily regional</td>
<td>Educational and training facilities, Clinics, Hospitals</td>
<td>Of some significance, but generally deemed to be below potential in the regional context.</td>
</tr>
</tbody>
</table>

Education and health care tourism is currently not systematically monitored in Bahrain and, again, does not necessarily meet the test of visits beyond “the usual environment.” Especially educational tourism can be challenging to fit into standard definitions as some of it involves daily or periodic commuting while part of it consists of long(er)-term residents. Nevertheless, the ability of Bahraini education and health care establishments to attract business from outside of the country is clearly of considerable importance in its own right and also strategically, since it represents a logical opportunity from such companies to scale up beyond their home market. Such activities have at times been of considerable significance in the past. However, regional
competition has intensified in recent years with substantial investments made in some of the neighboring countries in targeting regional and international visitors. Whether formally classified as tourism or not, such activity does involve foreign visitors with a significant economic impact on Bahrain.

Statistical measurement
Efforts to understand the role of tourism in Bahrain have been complicated by the lack of consistent statistics on tourism as a clearly defined category. Data is available on aspects and elements of tourism-type activities, which have often had to serve as a proxy for the broader sector.

Perhaps the most important single source of such information has been the balance of payments data. The two most relevant categories in the current account are the credits on the travel services account along with passenger travel-related credits on the transport services account. Both elements capture activities that are typically covered under the UN Tourism Satellite Account methodology, even though the two do not match perfectly.

Data on travel services constitutes a key measure of expenditure by non-resident visitors. It (calculated as % of GDP) is, for instance, a standard measure used by Eurostat as an indicator of international tourism. The available data points to a relatively consistent increase in credits, even allowing for some volatility since the onset of the global economic crisis. The total travel services credit is estimated to have exceeded BHD500mn in 2010 and once again overshot this figure in 2015. The compound annual growth rate of net travel receipts since 2011 has been 8.6%. The rate since 2000 was 6.5%.

Transportation services credit is another indicator widely used for tourism impact estimates as they pertain to the economic value added created by local companies to transport visitors into and out of the country. The value of this category rose quite rapidly during the opening years of the century before stabilising in a range of BHD250-300mn

N.B. The 2010 figure is an estimate.
Source: Central Bank of Bahrain

Travel services in the current account, BHD mn

Travel services credits from the current account are widely used as a measure of inbound foreign tourism.
for many years. The CAGR of transportation services credit has been 6.7% since 2000 and 1.7% since 2011.

Another widely used indicator of tourism is data on inbound visitors. These numbers have risen in a transformative fashion since the turn of the century from a neighbourhood of 4mn a year in 2000 to 11.6mn as of 2015. A clear break in the series was observed in 2010 but that figure was once again exceeded by another break in 2014. The CAGR over the time period has been a robust 7.1%.
The inbound visitors tend to arrive either through the Causeway or the International Airport. The numbers of visitors through both channels have undergone a fairly consistent increase in recent years. Arrivals through the airport have risen from a monthly average of 182,681 in 2013 to 216,623 in 2015 – an 18.6% gain. Causeway visitors have increased from 821,657 a month in 2013 to 904,975 in 2015 – an increase of 10.1%. Beyond this, Bahrain has in recent years worked to develop its involvement in cruise tourism, although this still represents a small percentage of the overall arrivals. The Kingdom is expecting to receive 32 calls from visiting cruise ships and a total of 68,000 passengers in 2015/16.

In terms of national accounts data, the Hotels and Restaurants sector has often been used as a proxy for overall tourism-related activities in Bahrain. While it clearly has a stronger link to tourism than any other economic sector, not all activity within the sector is tourism-related. The link tends to be strongest in the area hotel accommodation, which is almost all linked to business or leisure visitors. The aggregate real GDP contribution of the Hotels and Restaurants sector has increased fairly steadily from 1.4% of GDP at the beginning of the millennium to a peak of 2.7% in 2010. After a subsequent correction, the figure rebounded above 2.4% in 2015.

The composition of the sector has changed fairly markedly since 2011. Whereas hotels historically accounted for a clear majority of the value creation in the sector, 58.6% in 2010, the two segments have been virtually identical in size since 2011. This reflects a correction in the hotels sector by nearly a third in 2011 whereas the restaurants sector has continued to grow steadily throughout the period of the global downturn. The CAGR of the Hotels and Restaurants sector as a whole over the 2000-2015 period was 9.3% with the hotels component growing at 7.2% and restaurants at 12.3%. The sector has consistently been one of the fastest growing in the Kingdom.

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Another frequently used data source is hotel occupancy, although it should be noted that the available information pertains to a limited subset of hotels, not the entire sector. STR Global has compiled information covering the period since 2009 and this data roughly mirrors the dynamics of most other indicators of tourism-related activity. Occupancy has rebounded fairly consistently from the 2011 trough, although the positive dynamic has been curbed by new supply in recent years. Occupancy levels tend to peak at weekends thanks to visitors from Saudi Arabia and the rest of the region whereas they tend to be lower during the week.

Beyond these published statistics, a number of efforts have been made over the years to assess the economic impact of tourism in connection with various strategies and other assessments. These have typically been undertaken by consultancy firms or individual government departments. In practice, the range of estimates is wide and it is difficult, nay impossible, to assess the methodology used for individual estimates.

► The most established data series is that generated by the World Travel and Tourism Council (WTTC). The WTTC puts the direct contribution of
Travel & Tourism to Bahrain’s GDP at BHD465.1mn – or 4.3% of the total – in 2015. The figure is expected to rise by 5.3% in 2015 and by 4.7% p.a. in 2016-2026 to reach BHD771.8mn – or 5.2% of GDP. The total contribution (including indirect and induced) of Travel & Tourism to GDP was put at BHD1,113.7mn – or 10.6% of GDP – in 2015. This figure was forecast to rise by 4.8% a year in 2016-2026.

The WTTC estimate of the direct contribution of Travel & Tourism to employment in 2015 was 31,500 jobs, or 4.2% of the total employment. The projected growth until 2026 was 2.2% a year, to an expected total of 42,000. The total employment contribution (including the indirect impact) was put at 10.3% of all jobs, 77,500 employees, in 2015. This was projected to grow 5.9% in 2016 and an annual average of 3.1% thereafter to reach 112,000 jobs, or 12.2% if the total in 2026.

The WTTC estimates the current account contribution of tourism (“visitor exports”) at BHD633.0mn (just under 10% of total exports) in 2015. This was projected to grow by 4.6% in 2016 and a further 4.8% p.a. to reach BHD1,052.8mn in 2026 (some 11% of the total).

Source: World Travel & Tourism Council

WTTC estimates of the direct and total GDP contribution of Travel & Tourism as % of GDP
Source: World Travel & Tourism Council
A mature and dynamic sector

Bahrain, has for decades been a pioneer of both leisure and business tourism in the GCC region. The Kingdom has been at the forefront of developing connective infrastructure and offering products and services for tourists. But it has also been able to capitalise in this effort on its unique geography as well as its rich historical and cultural legacy.

Connective infrastructure

Bahrain has a long-standing role as a nod of travel and trade in both a regional and an international context. Bahrain began to receive international flights in the late 1920s with the first schedule commercial flight arriving in October 1932. The first airport terminal – Bahrain Marine Airport – began operations in 1937 and traffic shifted to the current Muharraq site by 1950. The airport saw two expansions in the 1970s and the launch of a British Airways Concorde service to London in 1976. A new USD100mn terminal was inaugurated in 1994. The airport is currently undergoing another major expansion and modernisation which will create a terminal with an annual capacity of 14mn passengers. The Bahrain International Airport currently serves 32 passenger and 11 cargo carriers. The airport services 51 destinations with 825 scheduled flights a week. Visa upon arrivals is available to more than 100 nationalities.

An overland connection between Bahrain and the Arabian Peninsula came into being in November 1986 with launch of the King Fahd Causeway which is a 25 km-long, four-lane highway. The cost of the project was USD800mn. By 2010, traffic on the causeway had reached a daily average of 25,104 vehicles and 52,450 passengers – an annual total of 19.1mn. Plans are currently underway to expand the capacity of the causeway by adding more lanes for passport control.

As the next major step in terms of improving connectivity between Bahrain and Saudi Arabia, there are advanced plans to build a new causeway parallel to the old one. While adding capacity for automotive transportation, the King Hamad Causeway would also provide a platform for a rail connection between the countries, thereby linking Bahrain to the GCC rail network.

Hotels, restaurants, and retail facilities

The development of a modern hospitality sector took a major step forward with opening of Gulf Hotel as a beachfront facility in 1968. Rapid growth of the sector ensued in line with improving connectivity.

As of 2015, Bahrain had a total of 113 hotels, 16 of which were in the five-star category and 50 in the four-star category. The total number of rooms was 10,100. Some 35.3% of them were in the five-star category while 44.1% were classified four-star. In recent years, especially five-star hotels have been a dynamic market segment with several high-profile launches taking place, including the Four Seasons, ART Rotana, and Rotana Downtown. Several others are due to follow in the near- to medium-term. The current total of key hospitality properties stands at 18 five-star hotels, 52 four-star hotels, 33 three-star hotels, and 70 serviced apartments.
Bahrain currently has close to 100 independent restaurants, some of them located in well-known clusters such as Block 338 in the Adliya neighborhood and the Al Aali Boulevard located next to the Al Aali Shopping Complex. Block 338 is a largely pedestrian district which, apart from a wide variety of international restaurants is home to art galleries and boutiques.

Major retail properties have established themselves as an important aspect of Bahrain’s offering to tourists. The flagship properties in the sector tend to be concentrated along the King Faisal Highway and Shaikh Khalifa bin Salman Highway that connects the Saudi Causeway with central Manama.

The main properties include the following, each of them linked to hotel accommodation as well:

- **Bahrain City Centre** opened in September 2008 and is operated by Majid Al Futtaim Properties. The three-level multi-purpose property has a floor area of 450,000 sq m, with some 350 retail outlets, a 20-screen cinema spread across 8,000 sq m, and the biggest indoor outdoor water park in the region along with a family entertainment center. The mall attracts over 385,000 visitors per week.

- **Seef Mall** opened in 1997 and is operated by Bahrain-domiciled Seef Properties. The two-level shopping center was built in three main phases and currently has a total floor area of 135,000 sq m. The mall includes 370 retail stores as well as over 50 food and beverage outlets. A major children’s play area as well as two cinemas with a total of 16 screens operate in the mall. The property attracts over 170,000 visitors per week.

- **Al Aali Shopping Complex** was the first major property of its kind to open in Bahrain in 1996. A high-end facility, it offers 52,000 sq m of floor area. Apart from its over 150 retail offerings, the mall hosts an annual art festival. Al Aali Boulevard currently clusters eight independent restaurants next to the mall itself.
Moda Mall is a 16,500 sq m facility located on the ground floor of the Bahrain World Trade Center commercial complex and is connected to the Sheraton Hotel. A luxury facility, it offers more than 150 retail outlets as well as food and beverage establishments.

December 2015 saw the opening of The Bahrain Dragon City, a large Chinese-themed mall hosting more than 500 Chinese businesses, in Diyar al Muharraq.

Another important property currently under construction is the Avenues Mall off the King Faisal Causeway in central Manama, overlooking Bahrain Bay. It is due to open for business in 2017. More than 30 other shopping complexes operate in different parts of the island.

**Cultural and historical attractions**

Bahrain’s millennia-long history as a trading hub, going back to its role as a key node between Mesopotamia and the Indus Valley, has left it with an unusually rich legacy of archaeological and historical sites. Among other things, Bahrain today boasts two UNESCO World Heritage Sites:

- **Qal’at al-Bahrain – Ancient Harbour and Capital of Dilmun** was inscribed on the UNESCO list in 2005. The 16-hectare area, roughly one quarter of which has been excavated to date, has had continuous human presence for nearly 4,500 years. Its immediate vicinity includes an ancient sea tower as well as a sea channel. The wall is the most complete known example of an intact stratigraphic sequence of time periods in the region. The main tourism attraction on the site is a Portuguese fort. Also an archeological museum operates on the site.

- **Pearling, Testimony of an Island Economy** became a UNESCO site in 2012. It is dedicated to describing the history of pearling which was an important business in Bahrain for centuries. The approximately two-mile path consists of 17 heritage buildings in the municipality of Muharraq, parts of the adjacent coastline, three offshore oyster beds, and the Qal’at Bu Mahir site. The architectural sites include residences of pearl merchants, shops, storehouses, and a mosque. An integral part of the project is **Souq al Qaisariya**, one of the oldest sections of the Muharraq Souq which is currently undergoing extensive restoration. The first phase of the project, which has been completed, includes a number traditional shops selling products such as pearls, spices, and tea.

Bahrain has several other significant archaeological and historical sites. These include the following:

- Several clusters of ancient burial mounds dating from the Dilmun and Tylos eras, most notably the royal burial mounds near the village of A’ali.

- The village of Barbar is home to a site composed of three temples built starting in the 3rd century BC.

- The Saar settlement, which dates from the 3rd millennium BC, includes well-preserved ruins of residential houses, a temple, and a cemetery.
Built around the year 692, Al Khamis Mosque is one of the oldest mosques in the Arab world. The most recent reconstruction, including twin minarets, dates from the 15th century.

Arad fort is a typical example of Omani military architecture from the turn of the 16th century. Restored using authentic materials, it is used to host events and festivals.

Sheikh Salman bin Ahmed Al Fateh Fort in Riffa, which overlooks the picturesque Al Haniniya Valley, houses an exhibition on the history of the ruling Al Khalifa family.

Bab al Bahrain was built in 1949 at the entrance of the Manama souq. Located on the one-time seafront, the building used to house the Government’s administrative offices. The building still serves as the entrance to the historic market district of Manama whose attractions include Little India, a development that reflects of the history of Bahrain’s Indian community and long-standing ties with the subcontinent. Among other things, the area includes a 200-year-old Indian temple.

Apart from archaeological and historic sites, Bahrain is home to a number of museums, most notably:

- The Bahrain National Museum, which opened in 1988, and is one of the oldest establishments of its kind in the Gulf. The collection covers six millennia of archaeological artifacts as well as exhibitions on local culture and traditions. A separate Natural History Halls contains exhibits of the natural environment of the island. The museum, which is renowned for its architecture and setting, also houses a permanent collection of works by local artists as well as temporary exhibitions. The adjoining cultural district is home to several other important cultural institutions, including the Bahrain National Theater.

- The nearby Bait al Quran museum houses a collection of Quranic manuscripts dating back to the 7th century as well as a 50,000-book library.

Bahrain’s unique identity as an island kingdom has contributed to a diversity of landscapes and natural environment. The north of the island has indigenous palm forests whereas the south is a diverse desert landscape. Bahrain has many different coastal ecosystems as well as natural reefs in the surrounding waters.

Located 20 km south-east of the main island of Bahrain, the Hawar Islands archipelago is a renowned wildlife reserve, including a wide variety of indigenous plant and animal species. Of particular note are Socotra cormorants, Arabian oryx, sand gazelle, and dugong.

**Events tourism**

Different types of business and leisure events have become a more important part of Bahrain’s tourism offering. The development of MICE tourism took a major step forward with the launch of a purpose-built, 8,000 sq m exhibition facility in 1991 – the Bahrain International Exhibition Centre. A second hall with 6,000 sq m of space was added in 1999 while a Convention Centre with 1,400 sq m of meeting space was inaugurated in 2003. The Bahrain International Exhibition and Convention Center is operated by the Bahrain Tourism & Exhibitions Authority. The center hosts a number of recurrent events.
conferences and exhibitions. Also many of the local hotels have conference centers and related facilities.

More structured efforts to develop Bahrain tourism offering have taken place over the past decade or so. Bahrain became the first Middle Eastern country to host the Formula 1 Grand Prix in 2004 and continues to do so at its purpose-built Bahrain International Circuit in Sakhir, which also serves as the venue for many other events. Early estimates put the economic contribution of F1 at USD600mn or 2.9% of GDP in 2008. The 2016 Grand Prix attracted nearly 90,000 visitors. The biannual Bahrain International Air Show has taken place since 2010. The 2016 edition received more than 30,000 guests.

Structured efforts to boost cultural offerings began with the Spring of Culture which has been held annually since 2006 and now constitutes the landmark cultural event in the Kingdom. It is composed of a series of concerts and performances by regional and international artists spread over the spring months. The calendar also includes art exhibitions and academic lectures. The Bahrain Summer Festival has been organised since 2008. An annual Shopping Festival was launched in 2014. This year, the event saw sales of some USD30mn. Other prominent local events include the annual Bahrain international Book Fair, and the Jewellery Exhibition, which continues to attract thousands of local and regional visitors.

Manama was nominated Arab Capital of Culture 2012 in a UNESCO initiative which involved a number of events throughout the year. The calendar featured events dedicated to arts, architecture, design, poetry, literature, translation, music, environment, theatre and homeland. Each month of the year is dedicated to a different type of activities. Manama was named Capital of Arab Tourism in 2013. 2016 came with the accolade of Manama Capital of Gulf Tourism. The year will see a number of different events showcasing Manama’s cultural history and other attractions.
Building the tourism map

Efforts to measure the economic impact of tourism in the Bahraini context have to date been complicated by the limited availability of the type of data that is typically used for such estimates. In particular, the framework for the Tourism Satellite Account remains work in progress, although significant progress has materialised. Three main types of data are currently available for measuring the economic impact of tourism in Bahrain:

- Current account data, which provides information primarily on tourism and transportation services
- National accounts data – sector and expenditure breakdowns
- Tourism survey data compiled by the Information & eGovernment Authority in 2015

At the moment, it is above all the current account data that can serve as a reasonable proxy for tourism impact estimates, in as much as a methodologically consistent time series linked to the expenditure of foreign visitors is available for a number of years. The national accounts data allows for tourism estimates only indirectly, while the Tourism Survey is only available for a short period of time.

At the heart of the current account-based estimates of tourism-related activity is the concept of visitor exports. This pertains to expenditure by non-resident international visitors on their trips within the country. An estimate of this can be produced by combining two elements of the balance of payments data:

<table>
<thead>
<tr>
<th>Transportation services credits, passengers</th>
<th>A measure of international passenger transportation services provided by local carriers to non-residents.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Travel services credits</td>
<td>A measure of expenditure by foreign tourists Bahrain. The Tourism Satellite Account methodology makes a correction for international education spending (subtracted) which is minor in the case of Bahrain.</td>
</tr>
</tbody>
</table>

The most unambiguous component within this classification is the ‘Travel services credits’ category which essentially captures the direct impact of spending by foreign travellers. In essence, this should provide a reasonably accurate measure of the expenditure by non-resident visitors on goods and services within the Kingdom of Bahrain.

Nominal visitor exports, BHD mn
Tourism service credits in the current account have risen from the neighbourhood of 3.6% to 4.9%.

The current account data methodology reveals that the core element of tourism – visitor imports – hovered around 3.6% of nominal GDP in 2011-2014 before rebounding to 4.9% on the 2015 data, a jump that is partly reflective of an oil-price led drop in nominal GDP but mainly of a clear jump in travel service credits.

The Tourism Satellite Account methodology further includes a measure for domestic tourism. This is estimated by the WTTC as equivalent to approximately 4.6% of consumer expenditure based on consumption data and benchmark economies. Domestic business tourism is taking as 0.4% of GDP. In the absence of unequivocally superior methods, these metrics are applied in this analysis as well. In practice, however, unequivocal measures of domestic tourism are difficult to establish and some analyses leave domestic tourism out of consideration altogether.
Estimates of domestic tourism expenditure

The net GDP contribution of tourism can be arrived at by calculating the value added generated by visitors’ exports and domestic tourism, in other words the overall expenditure minus the cost of imports purchased by the service providers. Again, sufficiently detailed data is not available to unequivocally establish the scale of such purchases. In their absence, we use the most recent estimates provided by the WTTC. In recent years, the value of such intermediate expenditure has been estimated at just under one-half of the total internal tourism consumption. These calculations provide us with an estimate of the direct net GDP contribution of tourism. Beyond this, tourism has a range of indirect and induced effects as well. These are typically taken to be somewhat greater than the direct impact of tourism. The WTTC estimates indirect tourism impact as roughly equivalent to the direct impact while the induced impact is roughly half of the indirect impact.

Nominal GDP contribution of tourism, BHD mn

Source: Information & eGovernment Authority, Central Bank of Bahrain, World Travel & Tourism Council
Based on this methodology, the direct GDP contribution of tourism has been hovering around 4% in recent years before rebounding to 5% in 2015. The overall contribution has been around 10% and rose just over 12% in 2015. In essence, therefore, the travel credits category of the current account appears to serve as a very good proxy for this more comprehensive estimate of the GDP impact of tourism.

The Tourism Survey undertaken by IGA constitutes another important source of information on foreign visitors. The available data provides indicative information on non-resident tourists in 2015. The survey methodology relies on a representative sample of non-resident inbound arrivals through the causeway and the airport. Among other things, the survey provides information on the average length of stay of inbound visitors, as well as on their average daily spending. At the time of writing, the most detailed information was available for Q2-3 of the year. According to the survey findings for 2Q15, Causeway visitors spent an average of two days in Bahrain with an average...
spend of BHD135. Airport visitors stayed for seven days with an average spend of BHD86. The numbers in 3Q15 were somewhat different. Causeway had the same duration of stay but an average spend of BHD116. Airport visitors stayed for five days with an average spend of BHD192.

The Bahraini National Accounts data is typically not granular enough to allow for precise estimates of the impact of tourism. However, it can be used to calibrate the breakdown of tourism-related activities in different sectors of the economy. Consistent with the Tourism Survey and other data, the sectors that tend to be most directly affected by visitors from outside of the Kingdom include Retail Trade, Hotels & Restaurants, Transportation & Communications, Private Education Services, Private Health Care Services, Other Social & Personal Services, and Real Estate. The combined GDP share of these activities was 24.5% in 2015. However, the proportion of tourism-related expenditure varies considerably from sector to sector.

This mapping seeks to calibrate the direct contribution of foreign tourists to these sectors. It represents an attempt to break down expenditure by foreign visitors (tourism service credits in the current account) by economic sector. The analysis here focuses on 2014, since we have final data on both the national accounts and the current account for that year. The estimated on tourism-related expenditure below are based on consultations with various national stakeholders as well as a review of available data sources. Given the data limitations that currently exist, these figures should be seen as indicative estimates only.

Nominal GDP of tourism-related sectors, BHD mn

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>% of 2015 GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tourism-related sectors</td>
<td>2,251</td>
<td>2,230</td>
<td>2,453</td>
<td>2,590</td>
<td>2,772</td>
<td>2,965</td>
<td>24.5%</td>
</tr>
<tr>
<td>Trade</td>
<td>452</td>
<td>449</td>
<td>478</td>
<td>493</td>
<td>522</td>
<td>539</td>
<td>4.5%</td>
</tr>
<tr>
<td>Hotels</td>
<td>153</td>
<td>92</td>
<td>124</td>
<td>133</td>
<td>139</td>
<td>142</td>
<td>1.2%</td>
</tr>
<tr>
<td>Restaurants</td>
<td>108</td>
<td>109</td>
<td>121</td>
<td>130</td>
<td>137</td>
<td>161</td>
<td>1.3%</td>
</tr>
<tr>
<td>Transportation</td>
<td>327</td>
<td>329</td>
<td>388</td>
<td>414</td>
<td>452</td>
<td>884</td>
<td>7.3%</td>
</tr>
<tr>
<td>Communications</td>
<td>320</td>
<td>332</td>
<td>339</td>
<td>350</td>
<td>374</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private Education Services</td>
<td>153</td>
<td>173</td>
<td>202</td>
<td>221</td>
<td>237</td>
<td>263</td>
<td>2.2%</td>
</tr>
<tr>
<td>Private Health Services</td>
<td>100</td>
<td>113</td>
<td>132</td>
<td>145</td>
<td>158</td>
<td>171</td>
<td>1.4%</td>
</tr>
<tr>
<td>Other Social &amp; Personal Services</td>
<td>189</td>
<td>214</td>
<td>237</td>
<td>256</td>
<td>286</td>
<td>323</td>
<td>2.7%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>449</td>
<td>419</td>
<td>432</td>
<td>448</td>
<td>467</td>
<td>482</td>
<td>4.0%</td>
</tr>
<tr>
<td>Other</td>
<td>7,417</td>
<td>8,691</td>
<td>9,111</td>
<td>9,780</td>
<td>9,956</td>
<td>9,157</td>
<td>75.5%</td>
</tr>
<tr>
<td>Nominal GDP</td>
<td>9,668</td>
<td>10,921</td>
<td>11,564</td>
<td>12,370</td>
<td>12,728</td>
<td>12,122</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Information & eGovernment Authority

**Trade**

The trade category in the national accounts comprises wholesale and retail trade, as well as some repair services. The impact of tourism in most obvious in the area of retail trade. Some of the landmark shopping malls in particular are recognised as important...
magnets for visitors from the rest of the region and activity levels at such establishments strongly correlate with the daily visitor flows across the causeway. Dramatic increases in footfall and expenditure are observed during weekends and holidays. Significant investments are currently targeting additional malls, often with the explicit expectations of capitalising on regional visitor flows.

Real GDP contribution of the Trade sector, BHD mn

Source: Central Informatics Organisation

Beyond the shopping malls, visitors tend to frequent retail trade outlets in several contexts such as:

- Shopping at the traditional souqs, especially in Manama and Muharraq. These have been increasingly actively promoted as tourism destinations
- Shopping-related events, such as farmers’ markets, fairs, and the annual Bahrain Shopping Festival
- Various retail facilities in the vicinity of hotels, apartments, or events used by tourists

In spite of its systemic significance at certain landmark establishments, we estimate that tourism-type activities involving foreign visitors account for clearly less than a
 tenth of the overall GDP contribution of the Trade sector. Our baseline estimate of the direct impact of foreign visitors around BHD36mn by the 2014 GDP data.

**Accommodation**

Hotels are establishments that are traditionally directly linked with tourism. They typically exist for the sole or primary purpose of accommodating visitors away from their regular domicile whether out of necessity (eg on business) or by choice (eg a weekend getaway). Beyond this, hotels provide a range of services that are used by individuals and businesses in ways that can be linked to tourism. These include:

- Restaurants and banquets
- Events
- Conferences and exhibitions
- Spas
- Shopping
- Administrative/office services (business centers, etc.)

Some activities provided by hotels may be less obviously linked to tourism but, on the other hand, they tend to represent a fairly insignificant proportion of their value added. These include basic services such as hairdressers and laundries/dry cleaners. Overall, we assume that accommodation services provided by hotels are almost entirely linked to tourism while the proportion is somewhat lower for other services.

Hotels are an important type of accommodation for visiting tourists but furnished apartments tend to be of comparable importance. In fact, the role of apartments, whether furnished, rented, or owned is significantly greater for causeway arrivals while hotels tend to dominate for airport arrivals.

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**Accommodation used by inbound tourists arriving through the Causeway, Q2 (inner) and Q3 (outer), 2015**

<table>
<thead>
<tr>
<th></th>
<th>Hotel</th>
<th>Furnished apartments</th>
<th>Friends and relatives</th>
<th>Rented apartments</th>
<th>Owned property</th>
<th>Others</th>
<th>Short stay</th>
</tr>
</thead>
</table>

**Source:** Tourism Survey, Information & eGovernment Authority

**Accommodation used by inbound tourists arriving through the Airport, Q2 (inner) and Q3 (outer), 2015**
Hotels and Restaurants has been a highly dynamic sector in recent years. Following a 17.2% dip in 2011, the sector grew by 11.2% in 2012, 5.6% in 2013, and 4.1% in 2014. It expanded by 3.0% in 2015.

We estimate that various types of accommodation accounts for the vast majority of the direct GDP impact of foreign visitors in the Kingdom. The overall direct tourism expenditure accommodation (hotels and furnished flats) is estimated BHD242mn by the 2014 GDP data. This represents the total output/revenues of the sector, not just the gross value added.

**Restaurants**

Restaurants have an obvious link to tourism because they are typically used by tourists to eat and drink during their travels. Many restaurants provide additional services such as take-away and home delivery, as well as catering. Such services are frequently used by tourists. Beyond this, food tourism has markedly increased in importance in recent years. In the Bahraini context, the growth of tourism is widely acknowledged as a key driver of the brisk pace of expansion of the Restaurants sector in recent years. Some restaurant clusters and individual establishments in the Kingdom enjoy a region-wide reputation and attract significant visitor flows.

We estimate that spending by foreign visitors in equivalent to up to a third of the value created by the Restaurants sector, in other words around BHD50mn by the 2014 GDP data.

**Transportation and communications**

Another sector with obvious ties to tourism-related activities is Transportation and Communications. The sector has been one of the most dynamic in the Bahraini economy since 2000 and has seen an increase in its GDP share from 4% in 2000 to 7% in 2014. The CAGR of the Transportation and Communications sector as a whole over the 2000-2014 period was 9.1% with the transportation component growing at 9.7% and communications at 8.0%. Much like Hotels and Restaurants, also the Transportation and Communications sector has consistently been among the faster growing in Bahrain.
Transportation is clearly essential for virtually all tourism-type activities as it is through the use of such services that a person becomes a tourist. In the Bahraini context, the relevant services currently include passenger air travel, car rentals, taxis, buses, and ferries/cruise ships.

Inbound visitors to Bahrain use communication services, an activity that has significantly risen in importance in recent years due to the universalisation of the personal computer and the mobile phone.

Overall, tourism revenues can be expected to account for less than a tenth of the value created within the sector, roughly BHD45mn by the 2014 GDP data.

We estimate that foreign visitor expenditure equals just under a tenth of the value created by the Communications sector, in other words some BHD23mn by the 2014 GDP data.

Private education
Bahrain has a well-established private education sector, which now provides more than 40% of the total education services provided in the Kingdom. Unequivocally defining tourism in this sector is more difficult than usual. It is clear that private educational establishments in Bahrain cater to the needs of significant groups of students that are not regular full-time residents of the island. These include the following:

- Non-residents who have temporarily moved to Bahrain to attend a course or to earn a qualification
- Students who commute to Bahrain on a daily or a less frequent basis to attend an educational institution
- Families who reside in Bahrain but work in Saudi Arabia in order to allow their children to benefit from the educational opportunities on the island
Based on the IGA Tourism Survey data, in 2Q15, 1% of the inbound visitors on the Causeway came to Bahrain for the purpose of education and training. Similarly, 1% of airport arrivals in Q3 came for the same purpose.

*We estimate that tourism-type activities are equivalent to 5-10% of the value created by the Private Education Services sector, an estimated BHD18mn by the 2014 GDP data.*

**Private health care**
As in education, Bahrain has also deliberately fostered the provision of private health care services, with broadly comparable consequences. Private provision now makes up more than 40% of all health care provision in the Kingdom. The role of tourism in private health care is several-fold:

► Private health care services used by tourists during their stay in Bahrain
► People who travel to Bahrain to use private health care services because of convenience, quality, price, or other factors

In 2Q15, 1% of the inbound visitors on the Causeway came to Bahrain for the purpose of health care. The portion of airport arrivals was 3%. 8% of airport arrivals reported health care as their reason for visiting in Q3.

*We estimate that tourism-type activities equal just under 5% of the value created by the Private Health Care Services sector, some BHD9mn by the 2014 GDP data.*

**Other social & personal services**
Other social and personal services category includes categories such as:

► activities of membership organisations
► recreational, cultural, and sporting activities
► hairdressing and other beauty treatments
► spas and comparable wellness activities

These categories do appeal to visitors, whether GCC nationals, expatriate residents of neighbouring countries, or visitors from elsewhere. The exact scale of tourism-related activity is very difficult to estimate with precision but does appear to constitute a somewhat significant secondary source of income for many establishments.

*We estimate that tourism-type activities equal some 5% of the value added by other Social & Personal Services, approximately BHD14mn by the 2014 GDP data.*

**Real estate and business activities**
The Bahraini real estate sector is an important beneficiary of the Kingdom’s high degree of integration in the regional economy. Rented apartments are an important type of accommodation for foreign visitors, especially for overland visitors. According to the CIO Tourism Survey, 34% of causeway arrivals in Q3 stayed in furnished apartments, whereas 3% of airport arrivals did so. 2% stayed in rented apartments, while 2% of airport arrivals made use of properties they owned. In Q2, 24% of causeway arrivals used furnished apartments and 8% stayed in rented apartments. Among the airport arrivals, 8% stayed in rented apartments, 7% in furnished apartments, and 2% in their own properties.
Real estate-related activities are of relevance for visitors who choose to maintain a second home in Bahrain as well as people who work in the rest of the GCC region but have a primary residence in Bahrain, whether for their own requirements or for their families. Bahrain has an estimated total of 2,800 GCC residents with utilities connections. This is estimated to be roughly ten times the number of GCC residents working in Bahrain. Similarly, the number of GCC residents living in Bahrain but working outside is substantially below this total. These figures suggest that a clear majority of the residences of the GCC residents in Bahrain are secondary.

According to estimates by the GCC State. A total of 13,951 citizens of other GCC countries owned property in Bahrain as of 2013. This number increased by 629 in 2013.

The number of citizens of other GCC countries acquiring property in Bahrain, 1995-2013

![Chart showing the number of citizens of other GCC countries acquiring property in Bahrain from 1995 to 2013.](chart)

*Source: Gulf Cooperation Council*

The business services category includes activities such as:

- ICT-related activities
- research and development
- legal profession
- accounting
- market research and polling
- business and management consultancy
- architectural and engineering activities
- advertising
- labor recruitment

Some of these activities are directly tourism-related, such as travel agencies, tour operators, and destination management companies.

In many of these categories, there is an obvious, sometimes significant dependency on the neighbouring countries. This does not directly involve tourism, although it can induce tourism in the form of casual and business visitors.

*We estimate that real estate and business services account for some BHD11mn of the total expenditure by foreign tourists in Bahrain.*
Other sectors

The exposure of other sectors of the economy to tourism is less obvious and extensive, albeit visitors do have an impact on most other sectors of the economy. These include areas such as:

- Government services, mainly public educational and health care facilities. Bahrain has at various times attracted fairly significant regional visitors to its higher educational facilities, for instance.
- Financial services. Visitors make use of banking, insurance, and payment services. Moreover, Bahrain’s history as a financial hub has attracted business from other parts of the region, although most of this is not obviously linked to tourism.

_We estimate that approximately BHD5mn of the spending by foreign tourists is attributable to other sectors of the economy._

The aggregate impact

<table>
<thead>
<tr>
<th>Sector</th>
<th>Value, BHD mn</th>
<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>36</td>
<td>Bahrain’s retail industry mainly depends on tourism, and also remains a shopping hub for majority of tourists from its neighbour, Saudi Arabia and also from Kuwait and Qatar. The malls offer world-renowned brand names and two of its largest shopping mall attract over 385,000 and 170,000 visitors per week. According to a tourism survey of Q3 2015, ‘Shopping’ remains the main purpose of visit for nearly 23% visitors (inbound tourists via causeway) in Bahrain.</td>
</tr>
<tr>
<td>Accommodation</td>
<td>242</td>
<td>Nearly 70% of its current hotel supply is dominated by luxury four-&amp;-five star hotels. There is a significant pipeline of new properties at various stages of planning or construction. Overall, Bahrain’s hospitality sector is expected to grow at a CAGR of 14.7% (2013-2018E); showing its commitment to drive hotel demand.</td>
</tr>
<tr>
<td>Restaurants</td>
<td>50</td>
<td>Restaurants remain an integral part of the travel &amp; tourism industry and directly deal with the residents as well as international tourists.</td>
</tr>
<tr>
<td></td>
<td>45</td>
<td>There are multiple daily outbound flights to the GCC with less than one hour of flight time. Globally, there are 51 destinations with outbound flights and around 825 flights per week.</td>
</tr>
<tr>
<td>Category</td>
<td>Description</td>
<td></td>
</tr>
<tr>
<td>--------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Transportation</td>
<td>Nearly 32 passenger airlines fly from Bahrain International Airport. The Kingdom has remained liberal with its visa policies, and provides one-month visa on arrival to citizens of nearly 100 countries, with a flexibility to renew for another three months. Recently, visa fees have been cut to BD 5 from BD 25.</td>
<td></td>
</tr>
<tr>
<td>Communications</td>
<td>Bahrain continues to focus on infrastructure investment in the telecom market – on Internet and broadband usage along with strengthening the well-developed mobile market. Inbound visitors for leisure as well as business purposes feel the ease to use communication services within the Kingdom; while some offer economical International calling cards to inbound tourists.</td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>Bahrain has four main public universities offering education to international students, alongside numerous private institutions offering degree programs. Efforts to boost accreditation standards are likely to increase the appeal of the sector even in the face of significant regional competition.</td>
<td></td>
</tr>
<tr>
<td>Private health care</td>
<td>According to a tourism survey of Q3 2015, ‘Healthcare’ remains the main purpose of visit for nearly 8% visitors (inbound tourists via airport) in Bahrain. According to a report from the Health Ministry in February 2016, a majority of inbound patients seeking medical treatment last year were Saudi nationals, some 58% of the total. Among other citizens – Qataris, Kuwaitis, Iraqis, Yemenis, Jordanians and Emiratis that travelled to Bahrain for medical care last year.</td>
<td></td>
</tr>
<tr>
<td>Other social and personal services</td>
<td>Cultural activities, membership organisations, recreational, and sporting activities are likely to benefit with increased inbound tourists. Also, activities related to arts &amp; music, beauty treatments would benefit.</td>
<td></td>
</tr>
<tr>
<td>Real estate and business activities</td>
<td>The real estate sector continues to take advantage of the rising inbound tourism from hospitality to business, or medical to shopping purposes. In terms of business activities, higher tourism indirectly benefits increased activities in legal profession, accounting, research and development, consultancy, engineering activities, advertising etc.</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>Visitors make use of Government services and also financial services such as banking, insurance, and payment services. These services are likely to be benefitted with the higher inbound arrivals.</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>453</strong></td>
<td></td>
</tr>
<tr>
<td><strong>3.56% of GDP</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**Employment impact**

Tourism-related activities are an important source of jobs everywhere in the world, as noted above. The strategic potential of the sector is particularly compelling for economies that are nearing the historic peak of their working age population, which is likely the case in the GCC. As with GDP estimates, also efforts to measure the job creation impact of tourism are complicated by data limitations.

Overall, sectors with significant elements of tourism-type activity employ some 260,463 people as of 2015. Assuming that the proportion of directly tourism-related jobs is comparable to our GDP estimates above, the number of tourism-related jobs in the Kingdom can be estimated at just over 42,000, a figure that compares to 31,500 direct and 77,500 total jobs estimates by WTTC. By comparison, employment within the Hotels & Restaurants sector, an area most closely associated with tourism, was some 38,400 as of 2015. Whichever of these figures we work with, it seems obvious that tourism is a much more important employer than Financial Services but likely much less significant than, for instance, Manufacturing.

### Total employment in tourism-related sectors

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade</td>
<td>109,569</td>
<td>108,127</td>
<td>114,950</td>
<td>120,680</td>
<td>127,248</td>
<td>130,243</td>
</tr>
<tr>
<td>Hotels &amp; Restaurants</td>
<td>32,329</td>
<td>32,498</td>
<td>33,538</td>
<td>36,071</td>
<td>37,939</td>
<td>38,407</td>
</tr>
<tr>
<td>Transportation &amp; Communications</td>
<td>20,213</td>
<td>20,077</td>
<td>20,462</td>
<td>19,093</td>
<td>19,780</td>
<td>20,602</td>
</tr>
<tr>
<td>Social &amp; Personal Services</td>
<td>20,266</td>
<td>21,419</td>
<td>22,843</td>
<td>24,403</td>
<td>26,068</td>
<td>26,863</td>
</tr>
<tr>
<td>Real Estate &amp; Business Activities</td>
<td>33,306</td>
<td>34,406</td>
<td>37,608</td>
<td>40,855</td>
<td>43,621</td>
<td>44,348</td>
</tr>
<tr>
<td>Nominal GDP</td>
<td><strong>215,683</strong></td>
<td><strong>216,527</strong></td>
<td><strong>229,401</strong></td>
<td><strong>241,102</strong></td>
<td><strong>254,656</strong></td>
<td><strong>260,463</strong></td>
</tr>
</tbody>
</table>

Source: Labour Market Regulatory Authority