MASHREQ GLOBAL DIGEST
Bahrain
August 30 – September 5

المشرق mashreq

This edition of the Market Digest highlights Bahrain's latest macroeconomic and financial developments, alongside recent deals and key trends influencing the country's economic outlook.

Macroeconomic News

Bahrain GDP Contracts 3.8% in Q1 2026

Bahrain's economy contracted 3.8% year-on-year in Q1 2026, mainly as oil activity dropped 37.2% due to restrictions on maritime traffic through the Strait of Hormuz. The weakness was largely concentrated in hydrocarbons, while the non-oil economy grew 2.2% and accounted for 90.1% of real GDP. Financial and insurance activities grew 8.6%, while inward FDI increased 2.6% to BHD 17.6 billion. Overall, the figures suggest Bahrain's broader economy remained relatively resilient, with diversification helping cushion the impact of the sharp oil-sector contraction.

Reference: Arabian Business

Bahrain Inflation at 2.3% in June

Bahrain's inflation rate reached 2.3% year-on-year in June 2026, while prices rose 0.9% month-on-month. Transport costs increased 10.6%, food and non-alcoholic beverages 5.8%, and education 2.8%. Kamco Invest expects inflation to average 2.4% in 2026 before easing to 1.2% in 2027. Overall, inflation remains moderate, although transport and food costs are the main sources of pressure.

Reference: Alayam

Bahrain Posts BHD 20.6M Trade Surplus with Saudi Arabia

Bahrain recorded a BHD 20.63 million non-oil trade surplus with Saudi Arabia in June 2026. Saudi non-oil exports to Bahrain rose 6.9% to about SAR 478.7 million, while Saudi imports from Bahrain increased 4.2% to SAR 684 million. Saudi national exports to Bahrain were particularly strong, rising 36.5%, while re-exports declined. Overall, bilateral trade remained solid, with Bahrain continuing to record a surplus with Saudi Arabia.

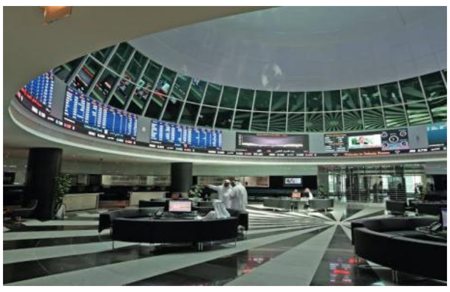
Reference: Albilad Press

Bahrain and GCC Strengthen Trade Supply-Chain Resilience

Bahrain's Interior Minister praised GCC states for launching a temporary logistics transit mechanism after the Strait of Hormuz closure, helping speed up the movement of goods, especially food and medical supplies. He also called for faster progress toward completing the GCC Customs Union. This strengthens regional trade resilience and reduces supply-chain disruption risks.

Reference: Alayam

Financial/Tech News



Bahrain Raises $133M Through Short-Term Sukuk

Bahrain raised BHD 50 million ($132.97 million) through a six-month government Islamic sukuk maturing in March 2027, with an expected return of 5.60%. The issuance was 172% covered, showing strong demand from investors. Overall, the strong subscription indicates continued appetite for Bahrain's government debt despite a challenging regional environment.

Reference: Al-Arabiya

Bahrain Digital Payments Reach $51.16B in H1 2026

Digital payments in Bahrain continued to expand in the first half of 2026, with 261.2 million transactions worth BHD 19.3 billion processed through the Electronic Fund Transfer System. Total value across bank channels and BenefitPay rose 6.1% year-on-year, while BenefitPay alone handled 246 million transactions worth BHD 5.4 billion. Overall, the figures point to continued growth in Bahrain's cashless economy and stronger adoption of digital financial services.

Reference: Zawya

Bahrain CDS Rises to 284 bps in August 2026

Bahrain's five-year sovereign CDS rose to 284 basis points, up 101 bps year-to-date, indicating higher perceived credit risk. Bahrain also had a 120% debt-to-GDP ratio in 2025 and a 9% budget deficit. Overall, Bahrain's credit risk remains higher than its GCC peers, although markets still expect regional support from Saudi Arabia and the UAE if needed.

Reference: AGBI

Bahrain Private Sector Credit Rises 4.9% in July

Bahrain's private sector credit increased 4.92% year-on-year in July 2026 to around BHD 12.77 billion, while broad money supply (M2) rose 10.2% to BHD 15.3 billion. The data point to continued growth in financing to businesses and households alongside higher liquidity in the economy. Overall, this suggests domestic credit conditions remained supportive, although stronger liquidity growth should still be watched for possible inflationary pressure.

Reference: Akhbar Alkhaleej

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STC Bahrain Partners with UiPath to Bring More Automation

STC Bahrain signed a strategic reseller partnership with UiPath to provide enterprise-grade automation solutions, including process discovery and workflow automation. The deal expands STC Bahrain beyond traditional connectivity services and is expected to create new revenue streams while helping businesses reduce costs and improve efficiency. This supports Bahrain's broader digital-transformation agenda and strengthens the role of technology services in the economy.

Reference: Zawya

Deals/Business Environment

Bahrain Development Projects Reach $6.6B By Q1 2026

Bahrain's awarded development projects reached around $6.6 billion in Q1 2026, up 2.9% year-on-year, after more than $95 million in new projects were awarded during the quarter. Major activity included infrastructure, housing, tourism, aviation and industrial projects. Overall, the figures show continued investment in Bahrain's infrastructure and economic diversification.

Reference: Alwatan News

Bahrain Makes Golden Residency Renewals Instant

Bahrain has digitized work permit renewals for Golden Residency holders, cutting processing time from 10 working days to immediate approval. Required documents were also reduced by 50%, while the number of approvals required to obtain the service has been reduced by 25%. Overall, the reform improves government efficiency and makes Bahrain more attractive to investors and skilled professionals.

Reference: Zawya

Bahrain Airport Wins Four ACI Awards

Bahrain International Airport received four ACI recognitions, including Level 5 Customer Experience Accreditation and Best Airport at Arrivals Globally for the second consecutive year. It was also recognized for public health readiness and accessibility. Overall, the awards reinforce Bahrain's position as a high-quality aviation hub and support tourism and business connectivity.

Reference: Zawya

Bahrain Launches Faster Building Permit System

Bahrain has launched a pilot project using Building Information Modelling (BIM) to speed up building permits and automatically check designs against engineering and planning requirements. The pilot will initially cover selected government and private projects before expanding nationwide. Overall, the initiative could reduce time and costs for developers and improve Bahrain's construction and investment environment.

Reference: Zawya

Markets

Market Dashboard

- The S&P 500 ended the week slightly higher, staying around 1% below its mid-August record high, despite a volatile week. Markets were driven mainly by changing expectations for the Federal Reserve, especially after stronger-than-expected U.S. jobs data pushed the probability of a September rate hike to around 60%. The 10-year Treasury yield rose to 4.78%, adding pressure on equities. Overall, stocks remained relatively resilient, but higher bond yields, rate-hike uncertainty and geopolitical tensions kept investors cautious.
- Bitcoin had a volatile week, briefly surging above $82,000 before reversing below $80,000 after stronger-than-expected U.S. jobs data revived expectations of a September Fed rate hike. Employers added 162,000 jobs in August, nearly triple forecasts, pushing bond yields and the dollar higher and weighing on crypto. Overall, Bitcoin remained near key resistance levels, but rate expectations continue to drive short-term volatility.
- Gold finished the week lower, with spot prices around $4,430/oz after falling more than 2% intraday on Friday. The drop followed a much stronger-than-expected U.S. jobs report, which pushed the probability of a September Fed rate hike to about 60%. Higher rate expectations lifted the dollar and bond yields, reducing the appeal of non-yielding gold. Overall, gold remained under pressure as stronger U.S. economic data shifted markets back toward a more hawkish Fed outlook.
- Oil prices ended the week sharply higher, with Brent crude up 7.8% to $96.28/barrel and WTI gaining nearly 10% to $91.48/barrel. The rally was driven mainly by renewed U.S.-Iran hostilities and continued disruption to Middle East shipping routes, with Strait of Hormuz traffic still well below normal levels. Overall, oil was one of the strongest-performing assets this week as geopolitical risk added a significant premium to prices.
- The U.S. dollar had a mixed week, strengthening against the euro, which ended around $1.1621, while weakening against the Japanese yen as the yen gained on expectations of further Bank of Japan tightening. The Dollar Index ended Friday higher at 99.17, supported by stronger-than-expected U.S. jobs data, but overall performance remained uneven across major currencies.

Indicators	28-Aug-26	4-Sep-26	% Change
S&P 500	7,711.76	7,718.60	0.09%
Bitcoin	77,830.29	79,671.97	2.37%
Gold	4,455.15	4,430.25	-0.56%
Crude Oil	89.31	96.28	7.80%
EUR/USD	1.1656	1.1621	-0.30%

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