

# MASHREQ GLOBAL DIGEST

## Bahrain

April 19 – April 25



This edition of the Market Digest reviews Bahrain's recent macroeconomic and financial developments, along with its latest deals, highlighting the key trends shaping its economic outlook.

### Macroeconomic News

#### Bahrain's Economy Grows 3.5% in 2025

Bahrain's economy expanded by 3.5% in 2025, supported by a 4.1% increase in non-oil sectors, which account for 85.8% of GDP, offsetting weaker oil activity due to lower global prices last year. Growth accelerated toward the end of the year, with strong contributions from services, finance, and construction, highlighting the depth of the non-oil economy. Inflation remained subdued, while foreign direct investment rose by 1.8% year-on-year, bringing total FDI stock to around \$46.9 billion. Overall, the data reflects a steady shift toward a more diversified and resilient economic model.

Reference: [Arab News](#)



#### Bahrain Launches \$19B Support Package to Cushion War Impact

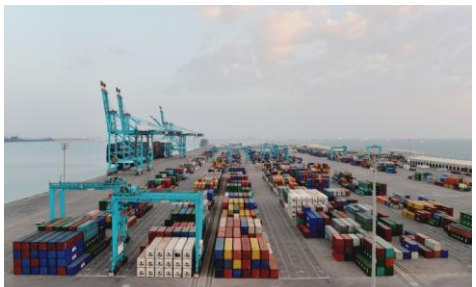
Bahrain introduced a sweeping \$19 billion economic support package to shield its economy from the fallout of the regional conflict, focusing heavily on the banking sector through liquidity injections and loan deferrals for individuals and businesses. Backed by \$18.6 billion in central bank support, the measures aim to ease pressure on lenders, boost liquidity, and sustain lending activity amid rising uncertainty. Despite prior economic resilience, the country faces growing fiscal challenges, with high debt levels, limited reserves, and increased vulnerability to prolonged geopolitical disruptions.

Reference: [AGBI](#)

#### Bahrain Imports Reach BD1.05B in Early 2026

Bahrain's imports rose to around BD1.05 billion (\$2.79 billion) in the first two months of 2026, reflecting strong trade activity and reliance on global supply chains. China remained the top supplier, followed by the UAE and other key partners, while imports were led by industrial inputs such as aluminum oxide, gold, and aircraft engine parts. The data highlights a diversified import structure spanning raw materials, industrial goods, and consumer products, underlining the economy's dependence on external trade.

Reference: [Al Bilad Press](#)



#### War Exposes Bahrain's Fiscal Fragility

The Iran war has intensified pressure on Bahrain's already weak fiscal position, with debt exceeding 130% of GDP and a budget deficit around 11%, leaving limited room to absorb shocks. Disruptions to energy infrastructure, trade routes, and tourism have weighed on economic activity, while hydrocarbon revenues—accounting for about half of government income—remain vulnerable to instability in the Strait of Hormuz. With the economy expected to contract and reserves under strain, Bahrain remains highly exposed to prolonged geopolitical tensions despite ongoing reforms and regional support.

Reference: [The National News](#)

#### Bahrain Supports Workers with BD94M Wage Plan

Bahrain approved a temporary measure to support over 105,000 private-sector workers by using the unemployment insurance fund to cover April wages, with an estimated cost of around BD94 million. The move aims to ease pressure on businesses facing cash flow challenges and prevent layoffs during the ongoing regional crisis. Additional proposals, including loan payment deferrals, were also introduced to help households manage financial strain and maintain economic stability.

Reference: [News of Bahrain](#)



#### Bahrain Sees Surge in Unemployment Appeals

Unemployment appeals in Bahrain have risen significantly, with nearly 20,000 cases recorded between 2023 and 2025, highlighting growing reliance on the system. More than 11,600 appeals were rejected, reflecting stricter eligibility criteria and procedural requirements, while accepted cases totaled over 7,600. The increase in applications and workload reflects higher activity within the system, alongside ongoing efforts to ensure processes are applied consistently and efficiently.

Reference: [News of Bahrain](#)

### Financial News

#### Bahrain Bonds Recover Despite War Pressures

Bahrain's bonds rebounded after initial war-related shocks, supported by strong investor demand and continued access to financing, including a 20 billion dirham (\$5.4 billion) currency swap agreement with the UAE that boosted liquidity. Market conditions remained solid, with Treasury bill issuances fully or over-subscribed and a sukuk sale recording over 225% subscription, reflecting sustained investor confidence and ample liquidity in the debt market.

Reference: [Asharq Business](#)



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### Bahrain Backs SMEs with New Department



Bahrain's Chamber of Commerce and Industry has launched a dedicated department for small and medium enterprises (SMEs) as part of efforts to strengthen private sector growth and improve the business environment. The initiative aims to provide advisory support, address challenges faced by SMEs, and enhance their contribution to the economy, alongside broader plans to improve representation, transparency, and engagement with businesses. The move reflects a push to support entrepreneurship and drive sustainable economic development.

Reference: [News of Bahrain](#)

## Rating

### Moody's Downgrades Bahrain Outlook to Negative Amid War Risks

Moody's revised Bahrain's outlook to "negative" due to rising risks from the Middle East conflict, particularly potential disruptions to shipping through the Strait of Hormuz and regional air travel. These pressures are weighing on key sectors like oil, aluminum exports, and tourism, while also straining government finances and already limited foreign-exchange reserves. Despite this, the agency affirmed Bahrain's rating at B2, highlighting the country's ongoing vulnerability to prolonged geopolitical instability.

Reference: [Zawya](#)

## Deals

### Bahrain and Switzerland Sign Investment Protection Agreement

Bahrain and Switzerland signed a new agreement to protect investors against political risks such as discriminatory measures and unlawful expropriation, while ensuring the free transfer of investment-related payments. The deal also allows disputes to be resolved through international arbitration, strengthening legal certainty for investors. Notably, Bahrain was the last Gulf Cooperation Council country to finalize such an agreement with Switzerland, marking a step forward in enhancing its investment environment and attracting foreign capital.

Reference: [Zawya](#)

### Bahrain Uses AI to Boost Oil Production Efficiency

Bahrain is using artificial intelligence to increase oil production from existing infrastructure, through a partnership between Bahrain's state energy company, Bapco, and US oilfield services giant SLB and US AI startup Geminus. The system uses machine learning to optimize operations in real time, helping boost efficiency and output without building new facilities, as part of a broader push in the region to maximize existing resources.

Reference: [Yahoo Finance](#)

## Markets

### Market Dashboard

- On Friday, US equities ended higher, with the S&P 500 up 0.8% to 7,165.08 and the Nasdaq rising 1.63% to 24,836.60, both hitting record closes, while the Dow fell 0.16% to 49,230.71. For the week, the S&P 500 and Nasdaq posted modest gains, while the Dow declined. The rally was driven by strong tech performance—especially semiconductors and names like Intel—alongside solid earnings, while optimism around potential US-Iran peace talks supported risk appetite, as investors priced in a possible easing of geopolitical tensions and lower energy pressure on equities.
- Bitcoin edged slightly higher as markets reacted to growing optimism around a potential breakthrough in US-Iran negotiations. Prices had already briefly crossed \$79,000 earlier in the week, driven by expectations that renewed diplomacy could ease geopolitical tensions and stabilize global markets. The move highlights how crypto is increasingly reacting to macro and geopolitical signals, with traders positioning for reduced risk if talks progress. However, uncertainty remains, as negotiations are still tentative and any setback could quickly reverse sentiment.
- Gold declined by more than 2% over the week, marking its first weekly loss in five weeks. The decline is mainly driven by rising oil prices, which are fueling inflation concerns and pushing bond yields higher, increasing the opportunity cost of holding gold. At the same time, a relatively strong dollar has made gold more expensive for global investors, reducing demand. Despite ongoing geopolitical uncertainty, markets are currently reacting more to inflation and interest rate expectations than to gold's traditional safe-haven appeal.
- Brent crude rose sharply over the week, gaining around 10% to settle near \$99 per barrel, despite a volatile session on Friday. The surge was driven by supply concerns linked to disruptions in the Strait of Hormuz, a key global oil route, which tightened market expectations. However, price swings remained high as optimism around potential US-Iran talks limited further upside, keeping markets caught between supply risks and hopes of easing tensions.
- The US dollar weakened against the euro on Friday, reflecting short-term pressure on the dollar from expectations of a more dovish Federal Reserve and optimism around potential US-Iran peace talks. However, on a weekly basis, the euro remained down about 0.48% indicating that the dollar still held overall strength during the week. This mixed performance highlights how currency markets are being pulled between easing rate expectations—which typically weaken the dollar—and ongoing geopolitical uncertainty, which continues to support it as a safe-haven asset.

Indicators	17-Apr-26	24-Apr-26	% Change
S&P 500	7,126.06	7,165.08	0.55%
Bitcoin	77,126.88	77,455.31	0.43%
Gold	4,830.43	4,709.25	-2.51%
Crude Oil	90.38	99.13	9.68%
EUR/USD	1.1783	1.1726	-0.48%

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