

MASHREQ GLOBAL DIGEST

Bahrain

February 1 – February 7



This edition of the Market Digest covers recent macroeconomic and financial developments in Bahrain, alongside key deals, offering a clear snapshot of the country's evolving economic landscape.

Macroeconomic News

IMF Warns on Debt as Bahrain's Growth Improves

The IMF concluded its 2025 Article IV consultation with Bahrain, noting that economic growth slowed to 2.6% in 2024 due to lower oil output but is expected to rebound to 2.9% in 2025 and 3.3% in 2026, driven mainly by non-oil sectors such as financial services, tourism, logistics, and the digital economy. Inflation has remained low, but the IMF warned that Bahrain's fiscal position has deteriorated, with the deficit reaching 11% of GDP and public debt rising to 134% of GDP. While welcoming recent fiscal initiatives, the IMF stressed the urgent need for sustained fiscal consolidation, stronger revenue measures, and subsidy reform to place debt on a durable downward path and reduce macro-financial vulnerabilities amid global uncertainty.

Reference: [IMF](#)



Bahrain Leads the Region's Diversification Shift

Bahrain is positioned alongside the United Arab Emirates as a leader in the GCC's economic diversification drive, according to the Global Economic Diversification Index released at the World Governments Summit 2026. This recognition reflects the Kingdom's sustained focus on financial services, digitalization, and regulatory agility, underscoring that successful diversification is driven by policy clarity and execution rather than economic size. These efforts have strengthened economic resilience, positioning Bahrain to compete effectively in a global economy increasingly shaped by technology and disruption.

Reference: [Economy Middle East](#)



Bahrain Strengthens Its Position as a Global Investment Hub

Bahrain reinforced its role as a bridge between East and West after hosting an investment delegation from 26 countries with annual capital flows exceeding \$200 billion. The forum brought together more than 180 local and international business leaders across multiple strategic sectors, enabling direct engagement with government entities and Bahraini counterparts. Early investment outcomes and strong participation highlight growing international confidence in Bahrain's business-friendly environment and its position as a regional gateway for foreign investment.

Reference: [Alayam](#)



Bahrain VAT Revenue Tops BD 600M in 2024

Bahrain's annual value-added tax (VAT) collections increased by about 10.2% to BD 603 million in 2024, up from BD 547 million in 2022, according to the National Bureau for Revenue (NBR) in a parliamentary reply. The VAT system in the kingdom is fully digital, covering registration, filing and payments. The largest share of revenue came from wholesale and retail trade, followed by financial and insurance activities, accommodation and food services, information and communications, and professional and technical fields. Several sectors, including healthcare, education, basic food items, transport, and construction services for new properties, are zero-rated or exempt, as are residential and commercial real estate transactions and sovereign government services.

Reference: [News of Bahrain](#)



Bahrain Advances Sewerage and Road Projects

Bahrain is advancing a broad pipeline of sewerage and road infrastructure projects as part of its long-term development strategy, with over BD11 million in sewerage works currently under way. Key initiatives include a major sewerage transmission project linked to the Shaikh Isa Bin Salman Highway, with a total cost exceeding BD35 million, aimed at expanding coverage and supporting future urban growth. Additional sewerage networks serving more than 1,500 properties are scheduled for completion through 2026–2027, while over BD24 million has been invested in road infrastructure, including preparations for the Shaikh Jaber Al Ahmad Al Sabah Highway expansion.

Reference: [Zawya](#)



Financial News

Bahrain Raises \$2.1B in Dual Sukuk-Bond Offering

Bahrain successfully priced a \$2.1 billion dual-tranche US dollar issuance, comprising an \$800 million eight-year sukuk and a \$1.3 billion 12-year conventional bond, reflecting strong investor demand despite tighter global financing conditions. Order books exceeded \$3.7 billion for the sukuk and \$4.4 billion for the bond, allowing pricing to tighten from initial guidance, with the sukuk yielding 6.125% and the bond 7.10%. The deal highlights continued market access and investor appetite for Bahraini sovereign debt, with both tranches set to be listed on the London Stock Exchange's Main Market.

Reference: [Zawya](#)



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NBB Raises \$450M to Support Strategic Growth

The National Bank of Bahrain has secured its first \$450 million syndicated loan facility, strengthening its funding diversification and supporting its long-term growth strategy. Arranged by a consortium of regional and international banks, the facility will be used for general corporate funding and strategic initiatives, underscoring strong lender confidence in NBB's financial resilience, market position, and future expansion plans.

Reference: [Zawya](#)



Deals/Trade

France and Bahrain Sign Defense Cooperation Agreement



France and Bahrain have signed a bilateral defense agreement that covers strategic information sharing and opens the door to deeper industrial cooperation in the defense sector, the French presidency announced. Signed in Paris, the deal is designed to strengthen coordination and solidarity between the two countries amid heightened regional and global geopolitical tensions, while also creating new opportunities for joint defense-related projects and long-term strategic collaboration.

Reference: [Reuters](#)

UAE and Bahrain Launch First Strategic Financial Dialogue

The UAE hosted its first Strategic Financial Dialogue with Bahrain in Dubai, marking a key step in implementing the financial cooperation MoU between the two countries. Led by senior officials from both finance ministries, the dialogue aims to deepen financial integration through structured policy coordination, technical expertise exchange, joint initiatives, and continuous follow-up. The discussions underscored the countries' shared commitment to building a long-term, sustainable framework for financial collaboration, supporting competitiveness, digital transformation, and expanded cooperation in areas such as investment, fintech, and economic development.

Reference: [Gulf Today](#)

Bahraini Pearls See Record Price Surge

Bahrain's natural pearl prices have risen by more than 40% over the past year, fueled by growing global demand for rare and authentic assets as lab-grown gemstones become more widespread. According to Bahrain Institute for Pearls and Gemstones (Danat), investors and consumers are increasingly favoring naturally scarce pearls harvested through traditional methods, viewing them as both luxury items and long-term investment assets. With limited supply, strong certification standards, and sustainability efforts, Bahrain is positioning its pearls to maintain upward momentum in international markets.

Reference: [Zawya](#)

Markets

Market Dashboard

- U.S. markets ended the week mixed, as a strong rally on Friday offset earlier losses driven by AI-related concerns. For the week, the Dow Jones rose 2.5%, outperforming as investors rotated into non-tech and value stocks, while the S&P 500 slipped slightly by 0.1%. The Nasdaq fell 1.9%, weighed down by volatility in large technology and software names. Overall, the week reflected ongoing repositioning within markets rather than broad risk-off sentiment, with AI spending remaining a key driver of both optimism and caution.
- Bitcoin erased all of its post-Trump election gains this week, sliding below \$61,000 at its lowest point before rebounding sharply on Friday to trade above the \$70,000 level. The pullback was driven by thin market liquidity, rising volatility, and broader investor caution amid uncertainty over U.S. interest rates and stretched tech valuations. Analysts warned that reduced liquidity is amplifying price swings, though some see early signs that selling pressure may be easing, with investors increasingly debating whether the market is nearing a short-term bottom.
- Gold managed to recover over the week and closed about 2% higher, as investors returned to the metal amid continued geopolitical uncertainty, reinforcing its role as a safe haven. Silver, on the other hand, remained under pressure despite a late rebound, ending the week down more than 8%. The contrasting performance highlights how cautious sentiment and high volatility are still shaping moves across precious metals, with traders selectively favoring gold over more speculative metals.
- Oil prices moved lower as markets reacted to news that the U.S. and Iran agreed to hold talks, easing immediate fears of supply disruptions from the region. While geopolitical risks remain, the prospect of diplomacy reduced concerns around Iranian crude availability and calmed markets temporarily. At the same time, uncertainty over the scope and outcome of the talks kept volatility high, with broader pressures from a strong dollar, shifting trade flows, and global supply dynamics continuing to weigh on oil sentiment.
- The U.S. dollar ended the week stronger against the euro, supported by safe-haven demand earlier in the week and shifting expectations around U.S. interest rates. Although the euro recovered toward the end of the period, it was not enough to offset the dollar's gains, leaving the greenback higher on a weekly basis as markets adjusted to evolving risk sentiment and monetary policy signals.

Indicators	30-Jan-26	6-Feb-26	% Change
S&P 500	6,939.03	6,932.30	-0.10%
Bitcoin	84,128.66	70,555.39	-16.13%
Gold	4,865.35	4,961.15	1.97%
Crude Oil	70.69	68.05	-3.73%
EUR/USD	1.1966	1.1778	-1.57%

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