

BAHRAIN

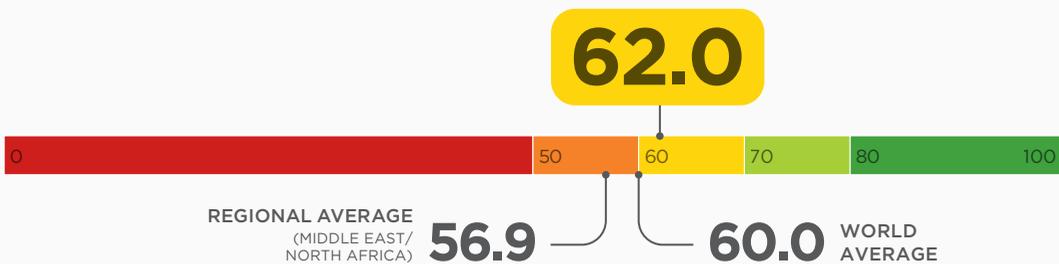
Bahrain's economic freedom score is 62.0, making its economy the 74th freest in the 2022 *Index*. Bahrain is ranked 4th among 14 countries in the Middle East and North Africa region, and its overall score is above the regional and world averages.

Economic growth in Bahrain has slowed; the compound annual growth rate for the past five years barely exceeds 1.0 percent. Economic freedom has declined during the same period as well. Dragged down by decreases in scores for **government integrity** and **labor freedom**, Bahrain has recorded a 6.5-point overall loss of economic freedom since 2017 and has fallen from the top half of the "Moderately Free" category to the lower half. Its **tax burden** score is excellent, but its **fiscal health** score is tied for the world's worst.

IMPACT OF COVID-19: As of December 1, 2021, 1,394 deaths had been attributed to the pandemic in Bahrain, and the government's response to the crisis ranked 133rd among the countries included in this *Index* in terms of its stringency. The economy contracted by 5.4 percent in 2020.



ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): -14.2

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
1.7 million

GDP (PPP):
\$73.8 billion
-5.4% growth in 2020
5-year compound annual growth 1.2%
\$48,766 per capita

UNEMPLOYMENT:
4.1%

INFLATION (CPI):
-2.3%

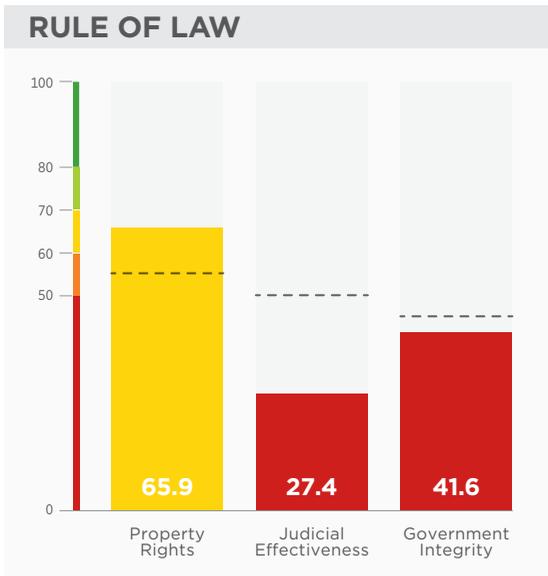
FDI INFLOW:
\$1.0 billion

PUBLIC DEBT:
132.9% of GDP

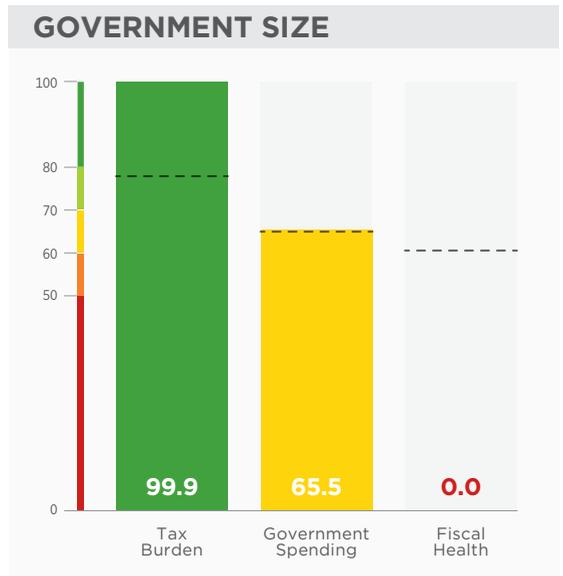
2020 data unless otherwise noted. Data compiled as of September 2021

BACKGROUND: Ruled since the 18th century by the Al-Khalifa family, initially as a British protectorate, Bahrain gained independence in 1971 and became a constitutional monarchy in 2002. In 2011, domestic unrest spearheaded by Shia political activists demanding a new constitution and greater political power led to a crackdown supported by Gulf Cooperation Council security forces. The crown prince's adoption of key reforms eventually eased tensions, but some opposition parties were banned in 2018. Oil revenues provide 85 percent of government revenues. Bahrain is a banking and financial services hub and the regional home for many multinational firms. A peace agreement with Israel was signed in September 2020, clearing the way for normalization of trade, investment, technological cooperation, and tourism between the two countries.

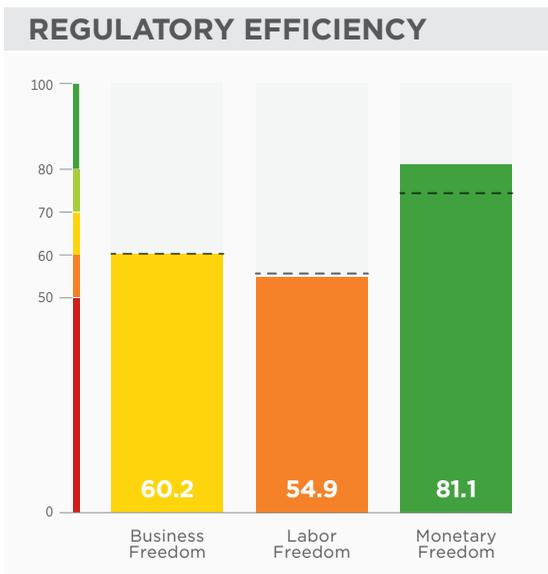
12 ECONOMIC FREEDOMS | BAHRAIN



Property rights are protected, and most land has a clear title. Land ownership is concentrated among a few royals. The Al-Khalifa royal family appoints all judges, and the judicial system is seen as corrupt with outcomes often depending on one's connections. Enforcement of anticorruption laws is weak. High-level corruption impedes businesses, especially in public procurement and extractive industries.



Bahrain imposes no taxes on personal income. Most companies are not subject to a corporate tax, but a 46 percent tax is levied on oil companies. The overall tax burden equals 3.0 percent of total domestic income. Government spending has amounted to 33.9 percent of total output (GDP) over the past three years, and budget deficits have averaged 13.1 percent of GDP. Public debt is equivalent to 132.9 percent of GDP.



The government maintains a pro-business commercial environment and supports business start-ups. The International Trade Union Confederation's *Global Rights Index* gives Bahrain its worst ranking on a scale of 1 to 5 for free association and workers' rights. The government has increased the funding of Bahrain's cumbersome and expensive but politically popular subsidy system.



Bahrain has four preferential trade agreements in force. The trade-weighted average tariff rate is 6.0 percent, and nine nontariff measures are in effect. The overall investment framework remains transparent, and foreign and domestic investors are treated equally. The financial system remains vibrant and generally free from government involvement. No restrictive measures have been implemented in the banking sector during the past year.