

## IMF Executive Board Concludes 2025 Article IV Consultation with The Kingdom of Bahrain

January 27, 2026

- Growth in Bahrain slowed slightly in 2024 but is expected to pick up over 2025–26, while inflation has remained low.
- The fiscal situation has worsened, heightening fiscal and macrofinancial vulnerabilities. Building on recently announced fiscal initiatives, additional fiscal measures and reforms are urgently needed to put debt on a durable downward path.

**Washington, DC:** On January 23, 2026, the Executive Board of the International Monetary Fund (IMF) concluded the 2025 Article IV consultation<sup>[1]</sup> with The Kingdom of Bahrain. The authorities have not consented to the publication of the Staff Report prepared for this consultation.<sup>[2]</sup>

Amid a contraction in oil output, Bahrain's real GDP growth moderated to 2.6 percent in 2024, supported by the nonhydrocarbon sector, which expanded by 3.7 percent, with financial services as the largest contributor. CPI inflation picked up modestly to 0.9 percent. However, the fiscal position continued to deteriorate in 2024, with the overall fiscal deficit to GDP rising to 11 percent and gross government debt to GDP increasing to 134 percent, above the 2020 recession peak. After rising to more than a quarter of GDP in 2024, the government's overdraft at the Central Bank of Bahrain (CBB) has come down, declining 8 percent through October 2025, while foreign exchange (FX) reserves increased 11 percent but remain low at just over two months of prospective nonhydrocarbon imports of goods and services. The 2024 current account remained in surplus but decreased to 4.8 percent of GDP. While banks remain profitable and well-capitalized, private credit growth was weak.

Looking forward, growth is anticipated to rise to 2.9 percent in 2025 and to 3.3 percent in 2026, with a recovery in crude oil production and



the expansion of refinery capacity coming fully online, as well as robust activity in financial services, tourism, logistics and digital economy.[4] (#\_ftn4) Over the medium-term, real GDP is expected to grow at around 3 percent, driven by the nonhydrocarbon sector, which is projected to account for nearly 90 percent of the economy by 2030. Reflecting recent deflationary pressures, consumer prices are projected to have remained flat in 2025, but CPI inflation is anticipated to then gradually rise toward 2 percent over the medium term. However, given high fiscal vulnerabilities from high debt and financing needs, downside risks—including lower hydrocarbon prices and tighter global financing conditions—remain large. Delayed or insufficient fiscal adjustment could exacerbate debt sustainability concerns and financing challenges.

### **Executive Board Assessment[5]** (#\_ftn5)

Executive Directors agreed with the thrust of the staff appraisal. They commended Bahrain's steady growth performance and continued efforts to diversify the economy toward greater nonhydrocarbon activity. However, given high and rising public debt against the backdrop of elevated global uncertainty and large downside risks, Directors stressed the need for well-designed and sustained medium-term fiscal consolidation to place debt on a firm downward path and reduce macrofinancial vulnerabilities.

Directors welcomed the authorities' recently announced fiscal initiatives—including a corporate income tax and other revenue-raising measures, and energy and utility price reforms—looking forward to their full and timely implementation. However, they emphasized that additional efforts remain necessary to lower government debt over the medium term. They encouraged the authorities to reduce extrabudgetary spending and bring it into the budget, further increase tax revenues, and reduce broad subsidies while targeting support to the most vulnerable households. They agreed that improving fiscal transparency, strengthening PFM, and establishing a robust medium-

term fiscal framework with a clear fiscal anchor would enhance fiscal credibility.

Directors agreed that the exchange rate peg to the dollar continues to serve Bahrain well as a monetary anchor. They welcomed the authorities' commitment to reduce monetary financing by gradually decreasing the government overdraft at the central bank, thus supporting the peg. They also encouraged the authorities to further strengthen international reserves and enrich the liquidity management toolkit. Directors saw the merits of developing the local bond market to facilitate liquidity management and further deepen Bahrain's financial markets.

Directors concurred that the banking system remains healthy with ample buffers. They stressed the need for continued close monitoring of financial stability risks and actions to further strengthen the macroprudential toolkit. They welcomed the authorities' progress in upgrading the bank resolution and crisis prevention frameworks and encouraged its timely adoption. Directors recommended maintaining vigilance over crypto assets to safeguard financial stability and integrity.

Directors noted that structural reforms to raise the productivity of Bahrain's human capital, and digital infrastructure investments, will play key roles in boosting medium-term growth and resilience, while easing the necessary fiscal adjustment. They also noted that further deepening intra-GCC trade and investment would support growth and resilience.

Directors commended the authorities for their efforts to further improve the quality and transparency of macroeconomic data. They emphasized the importance of incorporating the government's overdraft at the central bank into public debt figures. They appreciated the authorities' efforts to meet the conditions for subscription to Special Data Dissemination Standard (SDDS).

It is expected that the next Article IV consultation with The Kingdom of Bahrain will be held on the standard 12-month cycle.

### Bahrain: Selected Economic Indicators, 2021-26

(Quota: SDR 395 million)

(Population: 1.59 million, 2024)

(Per capita income: US\$ 29,653, 2024)

(Main exports: Crude oil and other refined products, and aluminum)

						Projections	
		2021	2022	2023	2024	2025	2026
<b>Real sector</b>							
Real GDP		4.4	6.2	3.9	2.6	2.9	3.3
Hydrocarbon (HC) real GDP		0.0	-1.5	-2.0	-3.3	0.2	1.8
Non-hydrocarbon (NHC) real GDP		5.4	7.9	5.0	3.7	3.3	3.5
Consumer price index (CPI) (period average)		-0.6	3.6	0.1	0.9	0.0	0.7
Nominal GDP (BD millions)		15,356	17,468	17,368	17,713	17,867	18,463
<b>Fiscal sector</b>							
Revenue		20.1	22.4	19.4	17.9	17.9	18.2
of which: HC revenue		11.7	14.0	11.9	10.4	9.7	9.3
Expenditure 1		30.6	28.4	29.0	28.9	29.4	28.9
Fiscal balance		-10.6	-6.0	-9.7	-11.0	-11.5	-10.6
Primary balance		-6.0	-1.6	-3.9	-4.5	-4.8	-3.5

NHC primary balance (percent of NHC GDP)		-20.9	-18.9	-18.6	-17.3		-16.5	-14.4
Government gross debt		122.3	111.6	123.0	134.0		145.1	149.7
<b>External sector</b>								
Goods exports		22.4	30.2	24.8	24.3		24.6	25.9
<i>of which:</i> NHC exports		12.4	15.1	12.4	12.4		12.8	13.2
Goods imports		17.5	21.9	20.3	20.7		21.5	22.8
Current account balance		2.6	6.8	2.7	2.3		1.8	1.7
<i>Current account (percent of GDP)</i>		<i>6.4</i>	<i>14.7</i>	<i>5.8</i>	<i>4.8</i>		<i>3.8</i>	<i>3.5</i>
Official reserve assets (end of period, US\$ billion) 2		4.7	4.5	4.8	4.6		5.5	6.3
In months of prospective imports of NHC goods and services		2.3	2.1	2.2	1.9		2.2	2.4
<b>Monetary sector</b>								
Broad money		4.9	3.9	5.0	0.4		3.3	4.3
<b>Exchange rates</b>								
Real effective exchange rate (percentage change)		-4.6	4.2	-2.0	-0.2		...	...
Sources: Central Bank of Bahrain; Ministry of Finance and National Economy; and IMF staff estimates and projections.								
1 Includes statistical discrepancy.								
2 Includes Special Drawing Rights and IMF Reserve Position.								

[1] (#\_ftnref1) Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

[2] (#\_ftnref2) Under the IMF's Articles of Agreement, publication of documents that pertain to member countries is voluntary and requires the member's consent.

[3] (#\_ftnref3) Historical macroeconomic data exhibited for 2024 and earlier years represent the latest available vintage (December 2025) when the staff report was finalized.

[4] (#\_ftnref4) Macroeconomic projections exhibited for 2026 were made before the announcement of new fiscal initiatives in late December 2025.

[5] (#\_ftnref5) At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: <http://www.IMF.org/external/np/sec/misc/qualifiers.htm>

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