

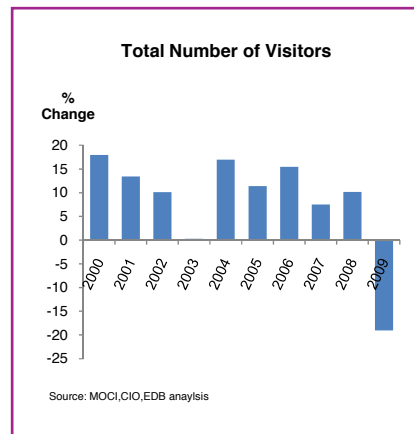
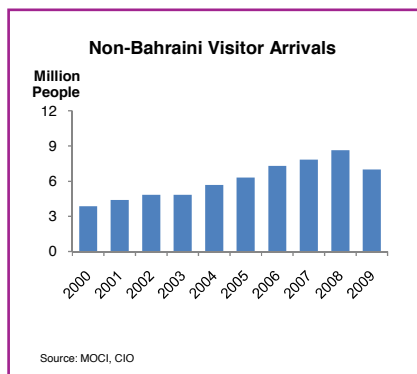
8. TOURISM SECTOR PERFORMANCE

OVERVIEW 2009

The tourism sector in Bahrain contributed positively to the country's economic growth in 2009. Proxied by hotels and restaurants, total output through the year expanded by 10% in real terms in 2009 compared to 2008, despite a 19% decline in non-Bahraini visitor arrivals (tourists)²⁰, which dropped to 7 million visitors compared to 8.6 million in 2008.

Hotels and restaurants accounted for 3.2% of total 2009 GDP, real terms.

Jobs in this same industry also increased in 2009 compared to the previous year. According to the 2009 GOSI private sector statistical report the number of people employed by hotels and restaurants totalled 30,739 in 2009, which is up by 5% compared to 2008 (29,285 people). This accounts for a share of 7% of the total insured employees in the private sector.



VISITOR ARRIVALS

According to the Ministry of Culture and Information, nearly 54% of the total number of visitors to the Kingdom were tourists in 2009.

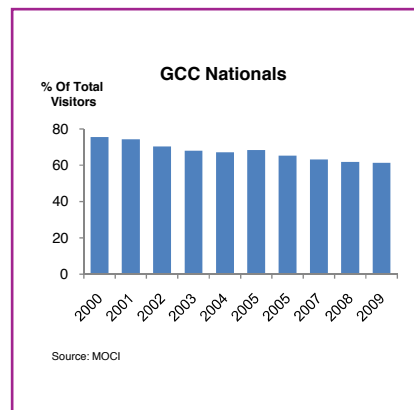
Overall arrivals in Bahrain fell by 19% in 2009 compared to the previous year. The

number of visitors from all nationalities decreased, except for those from Central America and the Mediterranean.

VISITOR ARRIVALS BY MAJOR MARKETS

GCC nationals, South Asians, and non-GCC Arabs dominated the visitors market and were the top three in terms of number of visitors in 2009. In more detail, these numbers can be broken up as the following:

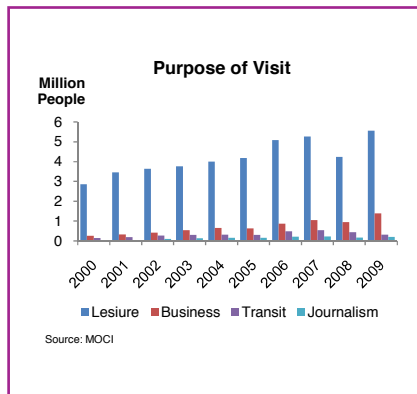
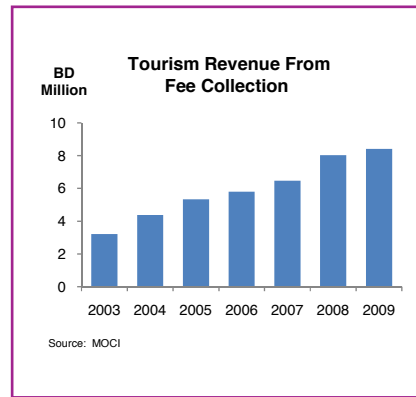
- GCC nationals constituted 61.4% of the total visitors to the Kingdom compared to 61.9% in 2008.
- South Asians constituted 16.6% of the total visitors compared to 15% in 2008.
- Non-GCC Arabs constituted 8.6% of the total visitors compared to 7.4% in 2008.
- Nearly 16% of Non-GCC visitors came for leisure, with the other 84% for business and journalism.



²⁰ Tourist includes visitors for leisure and business purposes.

■ TOURISM REVENUE FROM FEES COLLECTION

Tourism revenue from fees collection, such as issuance and renewal of tourism licenses and the mandatory 5% hotel services tax, amounted to BD 8.4 million in 2009.



■ PURPOSE OF VISIT

Statistics show that the majority of visitors to Bahrain came for business activities and leisure.

Total number of business arrivals rose by 47% in 2009 compared to the previous

year. The number of people visiting for leisure rose by 31%, and for journalism by 18%, whereas number of visitors rose by 26%.

■ HOTEL INDUSTRY PERFORMANCE BY TIER

Considering the limitations of our 2009 data regarding hotel performances in general (only 4 and 5 star hotels information were available), the numbers show that the biggest hit in terms of occupancy rate and number of hotel residents was experienced by the 5 star hotels. Their room revenues have decreased, especially as their charges decreased by an average of 14% in this past year.

Occupancy rates in 5 star hotels for 2009 went down by 14%, the number of hotel residents went up by 9%, the number of rooms sold went down by 13% and the number of nights went down by 8%. At the same time, the average rate of the hotel rooms fell by 14% and revenue from these rooms decreased by 12% over 2009.

Occupancy rates in 4 star hotels for 2009 also went down, by 9%. The number of hotel residents dropped by 7% compared to 2008, the number of rooms sold went down by 1% and the number of nights went down by 4%. At the same time, the average rate of these hotel rooms increased by 8% and revenue from the rooms increased by 6% compared to 2008.

■ CRUISE STATISTICS

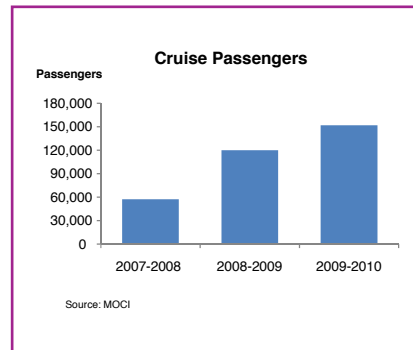
In Bahrain, the cruise season starts in October and ends in March.

Between 2007 and 2009, Bahrain saw an increase in the number of cruise ships and cruise passengers landing in the country, The increase in the number of cruise ships was noticeable when comparing the cruise season of 2007-2008 to the 2008-2009 season, where the rate of increase is 67%.

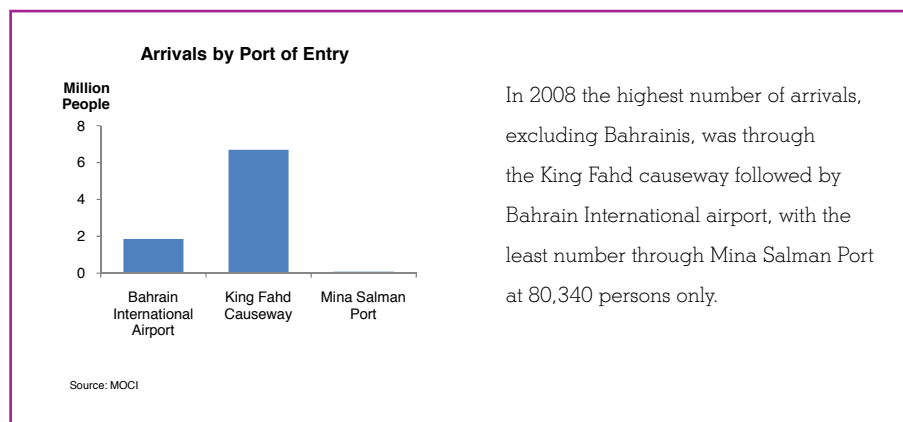
There has also been an increase in the number of cruise passengers coming to Bahrain, reaching 109% over the same period.

The new port of Sheikh Khalifa bin Salman which began operation in April 2009 is expected to help increase the number of cruise ships docking in Bahrain given its capacity to accommodate large cruise ships.

The following table shows the change in the number of cruise ships and the number of tourist arrivals by these cruise ships to the Kingdom from 2007 to 2010.



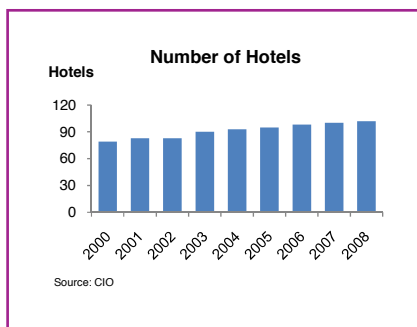
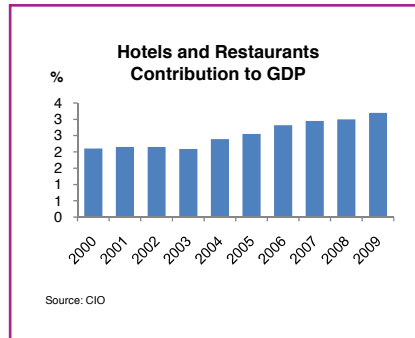
	2007-2008	2008-2009	2009-2010
NO. OF CRUISE SHIP PASSENGERS	57,400	120,050	151,850
NO. OF CRUISE SHIPS	3	5	6
NO. OF CRUISE SHIP CALLS	46	54	64
% CHANGE IN PASSENGERS		109%	27%
% CHANGE IN CRUISE SHIPS		67%	20%
% CHANGE IN CRUISE SHIP CALLS		17%	19%



In 2008 the highest number of arrivals, excluding Bahrainis, was through the King Fahd causeway followed by Bahrain International airport, with the least number through Mina Salman Port at 80,340 persons only.

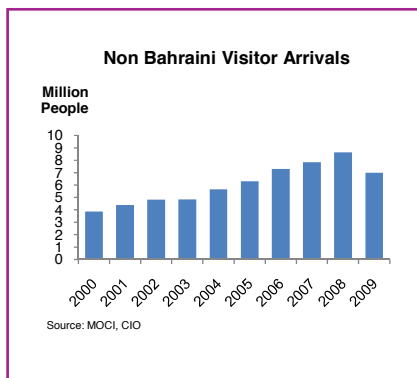
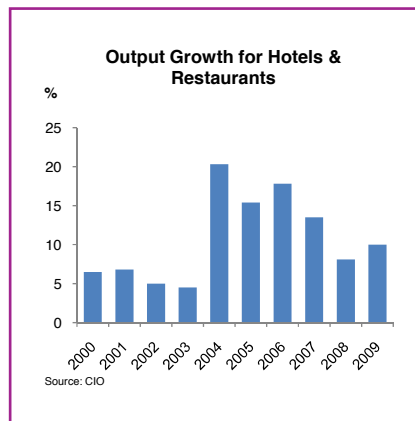
■ THE TOURISM SECTOR OVER THE LAST DECADE

Over the last decade, the tourism sector (proxied by hotels and restaurants) grew by 156% in real prices. The sector's contribution to GDP grew from 2% in 2000 to 3.2% in 2009 at real prices.



The number of hotels in 2008 has increased by 29% compared to 8 years previously, in 2000. The length of stay has increased by 34% over the same period.

In the last 7 years government revenue from tourism fees collection (issuance and renewal of tourism licenses and 5% hotel services tax) has also increased, by 161%, between the years 2003 and 2009.



Over these last 10 years, the number of non-Bahraini visitors has increased by 81%, with the number of GCC visitors increasing by 47% as well.