



भारत का राजदूतावास, बहरीन
Embassy of India, Bahrain

Building 1090, Road No.2819,
Block No.428, Al Seef, Bahrain

No. BAH/COM/201/1/2016

31st January, 2019.

Monthly Economic and Commercial Report

Enclosed please find the monthly economic and commercial report for December, 2018, for this mission.

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EMBASSY OF INDIA
BAHRAIN

MONTHLY ECONOMIC AND COMMERCIAL REPORT
FOR THE MONTH OF DECEMBER 2018

1. Name of the Country: BAHRAIN
2. Trade with India:

India - Bahrain Bilateral Trade Past 5 Years [April 2013 – March 2018]

Amount in Rs. Crores/US \$ Million

Details	April 2013- March 2014	April 2014- March 2015	April, 2015- March 2016	April, 2016- March, 2017	April 2017 – March, 2018
India's exports to Bahrain	Rs.3,763.21 (\$ 639.36)	Rs.2,896.51 (\$ 472.98)	Rs. 4,259.10 (\$ 654.10)	Rs.3,162.28 (\$ 471.71)	Rs.3,588.85 (\$556.82)
India's imports from Bahrain	Rs.3,448.88 (\$ 563.24)	Rs. 2,720.04 (\$ 446.25)	Rs. 2,338.66 (\$ 356.90)	Rs.1,950.85 (\$ 290.69)	Rs.2,782.93 (\$431.12)
Total trade	Rs. 7,212.09 (\$ 1 202.60)	Rs. 5,616.56 (\$ 919.23)	Rs. 6,597.77 (\$ 1 011.00)	Rs.5,113.43 (\$ 762.41)	Rs.6,371.78 (\$987.94)

Source : DGCIS

Comparison of Current Bilateral trade with Bahrain
for the same period in previous years

(Amount in Rs. Crores /US\$ Mn – as per DGCIS, New Delhi, as on 30.1.2019)

Details	April, 2016 - Nov, 2016	April, 2017 - Nov, 2017	April, 2018 –Nov 2018	Current Growth %
India's exports to Bahrain	Rs. 2,227.05 (\$ 332.37)	Rs.2,329.30 (\$ 361.10)	Rs 3,695.32 (\$ 526.81)	45.89%
India's imports from Bahrain	Rs. 1,426.87 (\$212.84)	Rs.1,791.63 (\$277.30)	Rs. 2,759.21 (\$ 395.53)	542.64%
Total Trade	Rs. 3,653.92 (\$545.21)	Rs.3356.63 (\$ 638.4)	Rs. 6,454.53 (\$922.34)	44.47 %

Source : DGCIS

Comparison of latest India-Bahrain non oil trade
- as per Bahraini Official Data - as on 30.1.2019

Details	Jan – Dec. 2016	Jan – Dec 2017	Jan – Dec. 2018	Current Growth %
India's exports to Bahrain	500.58	647.08	768.75	18.80%

India's imports from Bahrain	148.59	218.76	310.36	41.87%
Total Trade	649.17	865.84	1079.11	24.63%

India- Bahrain non oil trade as per Bahraini Official Data - as on 30.1.2019

Amount in US \$ Million

	2013	2014	2015	2016	2017	2018 (Jan to Dec.)
Bahrain's global exports	9526.67mn	8413.21mn	8766.29 mn	6685.53mn	6964.65mn	7354.18 mn
% Growth	-	-11.7	4.2	-23.7	4.17	5.59
Bahrain's export to India	252.38mn	178.05mn	134.92mn	148.59 mn	218.76mn	310.36 mn
% Growth	-	-29.5	-24.2	10.1	47.22	41.87
% Share	2.6	2.1	1.5	2.2	3.14	4.22%
Bahrain's global import	9997.02mn	12215.93mn	12407.55mn	11601.10mn	13145.39mn	14866.5 mn
% Growth	-	22.2	1.6	-6.5	13.31	13.09%
Bahrain's import from India	398.07mn	504.88mn	507.41mn	500.58mn	647.08 mn	768.75 mn
% Growth	-	26.8	0.5	-1.3	29.26	18.80%
% Share	3.9	4.1	4.1	4.3	4.92	5.17%
Bahrain's global Non-Oil trade	19523.69mn	20629.14mn	21173.84mn	18286.63mn	20110.04mn	22,220.68mn
% Growth	-	5.7	2.6	-13.6	9.97	10.49%
Bahrain's total Non-Oil trade with India	650.45mn	682.93mn	642.33mn	649.17mn	865.84 mn	1079.11 mn
% Growth	-	5	-5.9	7.9	33.38	24.63%
% share	3.3	3.3	3	3.5	4.3	4.8%

Source : Central Informatics Organisation

Comparison of Current (oil & non-oil) bilateral trade with Bahrain for same period (Jan.- Sept.) in previous year - Bahraini Official Data (as on 10/12/2018)

Details	Jan - Sept 2017	Jan - Sept 2018	Growth %
India's non oil exports to Bahrain	501.63 mn	586.8 mn	16.9
India's non -oil imports from Bahrain	129.57mn	204.98mn	58.20
Bahrain's oil export to India	280.20 mn	551.64 mn	96.87 %
Total Trade	911.4 mn	1343.42 mn	47.40 %

India- Bahrain Oil & Pertochemical trade as per Bahraini Official Data

Details	2012	2013	2014	2015	2016	2017	Jan –Sept. 2018
Exports to India	825.30mn	366.09mn	283.24mn	110.67mn	339.18mn	366.28 mn	\$551.64 mn
Imports fr. India	nil	nil	nil	nil	nil	nil	Nil
Total oil trade	825.30mn	366.09mn	283.24mn	110.67mn	339.18mn	366.28 mn	\$551.64 mn

Source : NOGA, Bahrain

Significant trends in our current bilateral trade are as follows :

- i. As per our Ministry of Commerce & Industry statistics for the financial year April, 2017-March, 2018, growth in our exports to Bahrain has been 18.04%, almost double as compared with overall growth rate of 9.98% of our global exports in same period last year. Bilateral trade also increased by 29.58%.
- ii. During the period April–Nov. 2018 also (as per our Ministry of Commerce & Industry), India’s exports to Bahrain has increased by 45.89% and the overall trade has also increased by 44.47%, as compared with same period last year. There is significant shift in items of exports to Bahrain from traditional items like food stuff, gems & jewellery etc. to nuclear reactors, boilers, machinery and mechanical appliances, parts thereof (40.53% increase); ships boat and structure; natural or cultured pearls, precious or semi precious stones, pre-metal, clad with pre-metal and atcls thereof, imitation jewelry, coin (96.50%) plastic & articles thereof (23.24.28%); mineral fuels, mineral oils & products of their distillation (139.09%) etc. Main items of import by India from Bahrain were aluminium and articles thereof; mineral fuels, mineral oils and products of their distillation; ores, slags and ashes; natural or cultured pearls, precious or semi precious stones, pre-metal, clad with pre-metal and atcls thereof, imitation jewelry, coin; iron and steel etc.
- iii. As per Bahraini statistics, India-Bahrain bilateral trade for 2017 [Jan-Dec] reached US\$1.232 bn - an increase of almost 25% for second consecutive year, compared with US\$ 981 mn in 2016 and US\$ 753 mn in 2015.
- iv. During the period January–November, 2018 also (as per Bahraini statistics, India’s non-oil exports to Bahrain has increased by 15.11% and the overall non-oil trade has also increased by 21.19%, as compared with same period last year.
- v. Bahraini statistics also show that, for the year 2017, as against the increase of approximately 10% in Bahrain’s overall non-oil trade, India’s non-oil trade with Bahrain has increased by almost 34% reaching US\$ 866 million, as against US\$ 650 million in 2016.
- vi. India’s share in Bahrain’s non-oil trade has also increased from 3% in 2015 to 4.9% during January–November, 2018. Share of India’s exports in overall global import by Bahrain has also increased from 4.1% in 2015 to 5.20% during January–November, 2018. During 2017 India had become 5th largest trading partner of Bahrain after Saudi Arabia, China, UAE and US. During the third quarter this year also, keeping in view the total volume of Bahrain’s global trade (import & exports), India remained fifth top trading partner of Bahrain as was the case during 2017 as a whole.

3. Trade Promotional Activities organized in December 2018 in Bahrain and activities planned in the next six months : Efforts are being made to facilitate B2B meetings among companies of both the countries by organizing a Round Table Meeting on Investment Opportunities in various economic sectors in coordination with business organizations of both the countries. Mission is also working on organizing an India-Bahrain Business Forum in the first quarter of 2019, where representatives of various economic sectors of India can

be invited to make presentations to promote bilateral trade and investment. Main sectors will be petrochemicals, healthcare, IT, real estate etc.

4. Trade & Commercial delegation from India to Bahrain and Trade & commercial delegation from Bahrain to India :

EDB organized an official delegation to Mumbai on 3.12.2018 and held a business forum for Bahraini delegates to discuss opportunities for increasing investment with Indian investors/sector representatives particularly in fintech, financial services and real estate sectors. On 4.12.2018 an MOU was signed between EDB and Indian state of Maharashtra for cooperation in development of fintech sector in line with EDB's aims of exploring greater synergies between India and Bahrain in fintech space and will last for an initial period of three years.

5. Important International Trade Fairs/Exhibitions in Bahrain. Report on recent such fairs/exhibitions, including details of Indian participation & response.

Barrel Technology Conference (BBTC) : It was held on 3.12.2018. At the event Oil Minister said that Bahrain will have one of the best oil refineries in the world in four years after the completion of Bapco refinery expansion project.

C5's Cloud10 Scalerator Pitch Day : it was held on 4.12.2018 by C5 Accelerate to help young and disruptive technology firms to scale-up their businesses and grow through the transformative power of the Amazon Web Services (AWS) cloud.

The third Agricultural Exhibition 2018 : it was organised by Bahrain Training Institute, a new agriculture-support platform, to focus on agricultural growth.

Accelerate ME programme : Six start-ups showcased innovative digital solutions ranging from differentiated service experiences, automated payment solutions, and alternative physical and digital platforms during the event.

6. Important Trade & Investment activities by other countries in Bahrain and Analysis of Export performance of competing countries :

Bahrain-US : In December, 2018, Newsweek magazine praised Bahrain's efforts in diversifying its economy, and highlighted growth in Bahrain's financial sector, it being home to 325 banks, financial firms and insurance companies. Bahrain was first country to sign FTA with US, enabling America to become second biggest trade partner for Manama.

Bahrain-China: Bahrain will host the largest Chinese trade exhibition in the Middle East - The China Heavy Machinery & Industry Exhibition – from 24-26 September, 2019. It will promote more than 60 companies from China and will be organised on behalf of Silk Road Steps Committee in China in partnership with Hilal Conference & Exhibitions (HCE).

Bahrain-Turkey: In December, 2018, CEO, Bahrain Tourism & Exhibitions Authority (BTEA), said at third UNWTO/UNESCO World Conf. on Tourism & Culture in Istanbul that BTEA wants to develop tourism sector as one of the leading economic sectors, contributing 6.9 pc of GDP, for further increasing employment rates and supporting the national economy.

Bahrain-Saudi Arabia: Saudi has consolidated its standing as the first trade partner and top investor in Bahrain. According to latest official statistics, overall Saudi investments in Bahrain have exceeded 13 billion Saudi riyals. The number of active companies with Saudi investments has so far reached 400.

7. Analysis of global non-oil exports & imports of Bahrain (top 10 countries), especially with respect to products of export and import interest to India. (January to December 2017) – Source: CIO, Bahrain

EXPORTS

S.No	Country	Amount in BD mn	Amount in US\$ mn
1	Saudi Arabia	696.05	1851.20
2	United States Of America	356.03	946.88
3	United Arab Emirates	311.95	829.68
4	Sultanate of Oman	183.91	489.11
5	China	121.46	323.04
6	Qatar	116.21	309.08
7	Turkey	94.81	252.17
8	India	82.25	218.76
9	Kuwait	77.75	206.78
10	Egypt	66.76	177.57

IMPORTS

S.No.	Country	Amount in BD mn	Amount in US\$ mn
1	China	621.8	1653.77
2	United Arab Emirates	494.26	1314.52
3	United States Of America	364.28	968.83
4	Saudi Arabia	336.28	894.35
5	Japan	303.67	807.64
6	India	243.30	647.08
7	Germany	226.31	601.88
8	Australia	220.46	586.33
9	Brazil	164.97	438.75
10	France	151.80	403.73
	Total	3127.13	8316.88

Bahrain's global non-oil imports/exports : Top 10 commodities - 2017 – source CIO, Bahrain
IMPORTS

Sl.No.	Commodity	Amount US\$m)
1	Other Aluminium Oxide	488.39
2	Non-Agglomerated Iron Ores and Concentrates	427.64
3	Jeeps, Current Year, Spark Ignition, Over 3000 Cc	341.74
4	Jewellery Of Gold	310.35
5	Telephones for Cellular Networks Or for Other Wireless Networks	288.12
6	Floating or Submersible Drilling Platforms	231.55
7	Gold Ingots	226.79
8	Private Cars, Current, Spark Ignition, 1501 To 3000 Cc	200.53
9	Tugs and Pusher Craft	200.22
10	Jeeps, Current, Spark Ignition, 1501 To 3000 Cc	183.32

EXPORTS

Sl.No.	Commodity	Amount in US\$ mn
1	Agglomerated Iron Ores And Concentrates	863.51
2	Aluminum Wire, Not Alloyed, Over 7 Mm Thick	708.88
3	Rectangular Alloyed Aluminum Plates, Over 0.2 Mm thick	405.02
4	Unwrought Aluminium Alloys	350.47
5	Other Semi-Finished Iron & Steel, Under 0.25 % Carbon	285.65
6	Jewellery Of Gold	195.82
7	Bridges and Bridge-Sections	177.96
8	Unwrought Aluminium, not Alloyed	158.54
9	Methanol (Methyl Alcohol)	154.49
10	Urea, Whether Or Not In Aqueous Solution	143.57

8. Market prospects in respect of major items of Indian export interests.

(i) Top 10 items Imported by Bahrain from India - as per Bahraini Official Data (During Jan. 2018 – Dec. 2018) - Amount in US \$ mn

Sl No	HS Code	Items	Amount
1	85	Electrical Machinery And Equipment And Parts Thereof; Sound Recorders And Reproducers, Television Image And Sound Recorders	57.94 mn
2	10	Cereals.	56.89 mn
3	39	Plastic And Articles Thereof.	54.65 mn
4	87	Vehicles Other Than Railway Or Tramway Rolling Stock, And Parts And Accessories Thereof.	51.87 mn
5	28	Inorganic Chemicals; Organic Or Inorganic Compounds Of Precious Metals, Of Rare-Earth Metals, Or Radi. Elem. Or Of Isotopes.	51.47 mn
6	84	Nuclear Reactors, Boilers, Machinery And Mechanical Appliances; Parts Thereof.	48.53 mn
7	76	Aluminium And Articles Thereof.	35.72 mn
8	72	Iron And Steel	31.05 mn
9	73	Articles Of Iron Or Steel	30.26 mn
10	8	Edible Fruit And Nuts; Peel Or Citrus Fruit Or Melons.	28.26 mn

(ii) Top 10 items Imported by Bahrain from India - as per DGCI, India (During Jan. 2018 – Nov. 2018) - Amount US \$ mn

Sl No	HS Code	Items	Amount
1	84	Nuclear Reactors, Boilers, Machinery And Mechanical Appliances; Parts Thereof.	73.73
2	89	Ships, Boats And Floating Structures.	63.66
3	27	Mineral Fuels, Mineral Oils And Products Of Their Distillation; Bituminous Substances; Mineral Waxes.	49.82
4	39	Plastic And Articles Thereof.	48.88
5	71	Natural Or Cultured Pearls, Precious Or Semiprecious Stones, Pre.Metals, Clad With Pre.Metal And Artcls	41.27
6	76	Aluminium And Articles Thereof.	34.75
7	87	Vehicles Other Than Railway Or Tramway Rolling Stock, And Parts And Accessories Thereof.	33.43
8	85	Electrical Machinery And Equipment And Parts Thereof; Sound Recorders And Reproducers, Television Image And Sound	30.4
9	73	Articles Of Iron Or Steel	26.33
10	72	Iron And Steel	25.01

**(iii) Top 10 top items Exported by Bahrain to India - as per Bahraini Official Data
(During Jan. 2018 – Dec. 2018) - Amount US \$ mn**

Sl No	HS Code	Items	Amount
1	26	Ores, Slag And Ash.	116.02
2	76	Aluminium And Articles Thereof.	68.89
3	31	Fertilisers.	40.30
4	72	Iron And Steel	33.37
5	28	Inorganic Chemicals; Organic Or Inorganic Compounds Of Precious Metals, Of Rare-Earth Metals	14.07
6	69	Ceramic Products.	5.75
7	70	Glass And Glassware.	5.49
8	27	Mineral Fuels, Mineral Oils And Products Of Their Distillation; Bituminous Substances; Mineral Waxes.	5.19
9	39	Plastic And Articles Thereof.	4.48
10	47	Pulp Of Wood Or Of Other Fibrous Cellulosic Material;	

**(iv) Top 10 items Exported by Bahrain to India - as per DGCI, India
(During Jan. 2018 – Nov. 2018) - Amount US \$ mn**

Sl No	HS Code	Items	Amount
1	76	Aluminium And Articles Thereof.	137.97
2	27	Mineral Fuels, Mineral Oils And Products Of Their Distillation; Bituminous Substances; Mineral Waxes.	111.93
3	26	Ores, Slag And Ash.	108.81
4	72	Iron And Steel	32.62
5	71	Natural Or Cultured Pearls, Precious Or Semiprecious Stones, Pre. Metals, Clad With Pre.Metal And Artels Thereof; Imit.Jewelry; Coin.	29.58
6	31	Fertilisers.	20.9
7	74	Copper And Articles Thereof.	12.73
8	70	Glass And Glassware.	10.2
9	47	Pulp Of Wood Or Of Other Fibrous Cellulosic Material; Waste And Scrap Of Paper Or Paperboard.	9.62
10	88	Aircraft Spacecraft And Parts Thereof	9.67

9. Trade Enquiries from India and Trade Enquiries from Bahrain: 23 trade enquiries were received and responded, covering around 28 business items.

10. Trade Complaints received during December, 2018 and follow up action on earlier complaints: Budhaeximp & HR Pvt Ltd, India against Almaaly Recruitment & Manpower Services; Mr. S.Sivakumar against Fast Track Cargo and Courier service.

11. Indian Investment in Bahrain (company-wise and sector-wise), and performance of existing Indian Subsidiaries/Joint Ventures/Collaborations, if any in Bahrain -

Indian investment in Bahrain: As per EDB (and MOIC&T), Bahrain, there are 23 branches of prominent Indian cos. registered in Bahrain and 3,181 cos. registered in Bahrain with Indian partnership (as highlighted during EDB's official delegation to Mumbai on 5.12.2018. As per FDI Intelligence reports, India's investment into Bahrain was valued at US\$ 1688.50 mn in September, 2017. As per media article on 15.8.2018 (quoting MOICT), total FDI in the Kingdom is close to BD 4 bn and the topmost investing country is India with 13,000 investors (with total BD 640 mn or US\$1702 mn appx.).

Bahrain's investment in India: As per RBI/DIPP statistics, cumulative FDI equity inflows from Bahrain into India have registered marked increase in recent years (US\$ 164.97 mn in June, 2018 – it being only US\$ 49.31mn in March, 2015) as highlighted in table below :

Period	cumulative FDI equity inflows from Bahrain into India (US\$ Mn)	% growth
March, 2018	164.60	13.58%
March, 2017	144.92	124.16%
March, 2016	64.65	31.10%
March, 2015	49.31	52.52%

March, 2014	32.33	
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Investcorp has acquired the private equity and real estate investment management businesses of IDFC Alternatives (a subsidiary of IDFC). Combined assets under management (AUM) of the businesses are approximately \$430 mn. Investcorp has plans for the years ahead particularly in grassroots consumption driven businesses within the healthcare, consumer products, financial services, food and agriculture, media and telecom sectors.

- 12. Status of ongoing major investments by Indian PSU's/Pvt Sector in Bahrain, and proposed Indian investments in Bahrain :** India-based real estate firms Ajmera Realty and Mayfair Housing entered into a JV with Kooheji Golden Gate (Kooheji Group) to build the tallest residential towers (with 746 apartments) overlooking views of Bahrain Bay under Golden Gate project. It is expected to bring total foreign investment of around \$212 mn to Bahrain.
- 13. Analysis of Investment opportunities in Bahrain : Bahrain has a large scale infrastructure and energy project pipeline and is also promoting diversification of economy,** which offers opportunities for Indian companies to invest in Bahrain. EDB, Mumtalakat Holding Co. and Investcorp are encouraging FDI. Bahrain is also promoting global innovation/start ups to become a fintech hub. BIIP, provides state of the art facilities for industrial development. EDB is promoting financial sector, ICT, logistics, manufacturing and tourism in particular. Real estate, renewable energy, healthcare and education sectors are also being developed.
- Speaking on the sidelines of a roadshow in Mumbai organised by the EDB on 5.12.2018, to promote trade and investment, Investcorp said that it plans to bring its Indian portfolio companies to the Kingdom. The current interaction would create a India-Bahrain corridor for Indian corporates and real estate developers.
- 14. Important policy changes by the government of Bahrain, especially with respect to trade, investment, aid/credit facilities etc.:** 5% VAT has been imposed on 1.1.2019.
- 15. Position of Bahrain on WTO/other important multilateral fora related issues. Recent important changes in policy & public opinion in these areas** - Bahrain is among countries including India which have won UN Investment Promotion Awards for excellence in boosting investment into sectors that will have social and economic benefits and help countries meet the Sustainable Development Goals (SDGs).
- 16. Major International Tenders & Bids invited in Bahrain :** in this regard upcoming infrastructure & energy projects may be useful to mention viz : Modernisation and Expansion of BIA; King Hamad causeway; light rail urban transit system; BAPCO Modernisation Programme for Sitra oil refinery modernization; Nogaholding's floating LNG terminal; Gas plant expansion project by BANAGAS; and construction of King Abdulla Bin Abdulaziz Medical City.

17. Aid/Assistance received by Bahrain from other countries/international agencies, funding organizations etc. - As per EDB's BEQ (Q3) report (as on 21.1.2019), active project pipeline supported by the GCC Development Fund is undergoing another phase of acceleration with the cumulative volume of tendered projects up 39.3% in YoY terms as of Q3. It now stands at just over USD5.7bn. The cumulative value of projects that have broken ground rose by an annual 12.7% to USD3.7bn. This suggest that the current build-up in activity is still at a relatively early stage and should be a key growth driver during the coming quarters. The cumulative cashflow reached just under USD2bn, up a remarkable 73.4% YoY. At a Cabinet session in November, 2018, chaired by Premier, it was announced that the overall volume of investments pumped into public development projects through government-run holding companies topped \$10 billion. The private sector also attracted \$15bn in overall investments, which went mainly to construction and development projects. The overall investment pumped through the Gulf Development Fund reached \$7.5bn. According to latest statistics, the volume of foreign investments grew 10-fold during 2015-2018, to stand at \$2.3bn.

Fiscal Balance Programme : Bahraini government has signed an agreement with the governments of Saudi Arabia, the UAE and Kuwait under which Bahrain will receive a US\$10bn fiscal support package from them and will undertake major reforms to enhance its fiscal position and maintain long-term economic stability. These reforms include cutting public expenditure, introducing a voluntary retirement scheme for government employees, streamlining distribution of cash subsidies and raising the level of non-oil revenue etc. 5% VAT has been implemented from 1.1.2019, in line with a GCC agreement. The government aims to eradicate its fiscal deficit, which reached 10.1% of GDP in 2017. According to EDB, Bahrain needs US\$20bn to balance its fiscal account by 2022.

18. Bahrain economy :

Fiscal policy : The budget will remain in deficit in coming years, even though global oil prices will maintain the gains that they have made in 2018, averaging US\$72.8/barrel in 2019, compared with US\$54.4/b in 2017. Despite diversification efforts, hydrocarbons still account for over 75% of fiscal revenue, making the public finances vulnerable to global oil price volatility. So far, the government has taken only limited steps to plug the budget deficit, by cutting subsidies on fuel in January 2016 and raising electricity and water prices for expatriates, among other things. However, following the announcement of the fiscal balance programme in early October, 2018 the government will undertake measures, such as a voluntary-retirement initiative for civil servants, which aim to slash the hefty public-sector payroll, a key target identified by the IMF. There are also plans to improve spending accountability and efficiency.

Brief on VAT: Value-Added Tax (VAT) has been implemented in Bahrain on 1.1.2019 at the agreed rate of 5%. It is expected to ease some fiscal pressures and consequently provide a boost to foreign reserves, as the government's need to use its foreign assets to finance persistent fiscal shortfalls will be reduced. The positive effect of VAT on government revenue will be compounded by a further rise in oil revenue, owing to a slight rise in global oil prices in 2019 (to US\$75.5/b). As a result, fiscal deficit may fall to 4.6%

of GDP in 2019, from an estimated 5.3% of GDP in 2018. Bahrain, along with all of the other GCC member states, had originally planned to implement VAT from the start of 2018, at an initial rate of 5%, after signing a GCC-wide agreement for its introduction in February 2017.

Effects : However, there remains the risk of rising domestic political tensions after its implementation. At a time when social tensions are already high, the potential for VAT to induce price rises and further stoke dissent is a cause of concern for the authorities. Nevertheless, given the difficult fiscal position the country is in currently (the budget deficit was 10.1% of GDP in 2017), the authorities have pushed ahead with the introduction of VAT on 1.1.2019. The tax is expected to generate about BD600m worth of **tax revenue in 2019**, providing a significant boost to government revenue as a whole. Inflation is expected to increase to an average of 3.8% in 2019 due to implementation of VAT (it being 2.1% during 2018).

Given the precarious condition of its foreign reserves, the kingdom is likely to postpone tapping international and domestic debt markets in 2019 to finance its fiscal shortfall, which in recent months has led to a fall in investor confidence. However, the US\$10bn of economic support announced in early October, 2018, by Kuwait, the UAE and Saudi Arabia, the first tranche of which is reported to have been disbursed, is set to boost investor confidence temporarily. As a result, stock of public debt will rise from an estimated 81.8% of GDP at the end of 2018 to 92.2% in coming years.

Monetary policy : Following a 25-basis-point increase in US policy interest rates in September, 2018, the CBB demonstrated its commitment to maintaining the Bahraini dinar's US dollar peg by immediately raising its own key policy rate—the oneweek deposit facility—from 2.25% to 2.5%. CBB will continue to support the currency peg by closely tracking US policy rates. The upward drift in interest rates will continue to constrain domestic liquidity in Bahrain. At the same time, however, higher interest rates will help Bahrain to attract portfolio investment and in part increase its foreign reserves, which have fallen to critically low levels, accounting for just under one month of import cover.

Economic growth : Bahrain's nominal GDP is 15,290 mn BD [40,664 mn US\$ - as on 21.1.2019]. The real GDP growth will increase to 3% in 2019 from an estimated 2.1% in 2018 (it was 3.7% in 2017), as the scheduled opening of the new potline at Aluminium Bahrain (Alba) in early 2019 raises the Kingdom's aluminium production capacity by over 50%. The majority state-owned smelter accounts for just under 10% of Bahrain's real GDP, indicating the significance of additional capacity to the economy. In addition, aluminium is the kingdom's second-largest export, after oil, making up over 7% of total exports. Moreover, a new pipeline linking the Bahrain Petroleum Company (Bapco) refinery and a Saudi Aramco plant in Saudi Arabia's Eastern Province will also boost growth. The pipeline will expand Bapco's processing capacity by about 35%, from 267,000 barrels/day (b/d) to 360,000 b/d over the coming years. Non-oil activity will largely be sustained by GCC funding.

Inflation : Inflation is expected to increase to an average of 3.8% in 2019, from an estimated average of 2% in 2018 as VAT has been introduced in the country. In addition, inflation will be boosted by a modest rise in global commodity prices. In 2020, as the effects of VAT start to fade and the major economies of the world experience a slowdown, inflation may fall, to 1.6%.

Exchange rates : Bahrain's currency peg to the dollar, set at BD0.376:US\$1, has come under pressure since the oil price collapse in mid-2014, which depressed the value of Bahrain's exports. As a result, Bahrain's foreign reserves have fallen to acutely low levels—just US\$1.5bn in September, 2018 (less than one month of import cover). Bahrain will maintain the peg to the dollar, given the economic stability that it brings to the country.

External sector : Current account will remain in deficit in 2019 to 2.3% of GDP as a result of stronger global oil prices (it being 2.1% of GDP in 2018). Services exports will remain constrained, even as financial services exports increase, partly reflecting the dampening effect of heightened domestic and regional political instability on tourist arrivals. Although primary income credits (mainly returns on the government's foreign assets) will increase, higher primary income debits will keep the overall account in deficit. An ongoing reliance on foreign labour by the construction sector, as well as the financial sector, will ensure that the deficit on the secondary income account remains large, reflecting a continued outflow of workers' remittances.

Foreign assets : According to latest Statistical Bulletin of CBB, it's foreign assets have rebounded in November, 2018, to BD656.7m (US\$1.7bn) after having fallen to BD521.1m in October, 2018. It reflects an inflow of a small part of the US\$10bn financial aid package promised by Bahrain's Gulf neighbours-Saudi Arabia, the UAE and Kuwait - among other factors. However, the reserves are sufficient to cover just under one month's worth of imports. Meanwhile, the net foreign assets of retail banks remained negative, at BD1.1bn in November, 2018, compared with a negative BD1.2bn in October, 2018.

FDI : as per latest data issued by EDB, 92 foreign companies invested a total of BD314 million (\$830m) in the Kingdom during 2018, viz. 14 pc increase over last year when 71 companies investing \$733m.

Latest in Oil and Gas sector : while speaking at Third Middle East Refining Technology Conference & Exhibition, held on 22.1.2019, Oil Minister announced that Bahrain's first liquefied natural gas (LNG) import terminal (\$990 mn project), having a capacity of 800m standard cubic feet per day, is set to be operational in the next few weeks. Oil Minister also announced that work on \$4.2 bn **Bapco Modernisation Programme** (BMP) for SITRA oil refinery's expansion has begun on 22.1.2019. Construction work began with a ground digging ceremony. The minister stressed the need for more investments and advanced technology and engineering solutions to the various challenges facing the refining industry.

Alba : On 18.12.2018, Alba, along with Bechtel, the EPCM contractor, have successfully produced the first hot metal at its Potline 6 Expansion Project, two weeks ahead of schedule. It precedes the gradual ramp-up of 424 pots in Potline 6 which upon completion will make Alba the largest smelter in the world.

19. Pending References from the Mission: All issues are being taken up timely.

20. Monthly progressive expenditure of the commercial Budget:

(Expenditure incurred until 3/1/2019)

Sr. No.	Month	Salaries	Medical	Travel Expenses	Office Expenses	RRT	Adv & Publicity	Trade Promotion	Total Exp.	Progressive Expenditure
1.	April 2018	293,598	-	5,625	44,166		-	-	343,390	343,390
2.	May 2018	163,956	68,744						232,700	576,090
3.	June 2018	170,654			51,577				222,230	798,320
4.	July 2018	170,800			59,666				230,466	1028,786
5.	Aug 2018	173,023	3,530		48,802				228,738	1257524
6.	Sep 2018	174,211	45,599	2,243	78,078				1,254,141	1,554,272
7.	Oct 2018	225,128	5,447		67,751				298,326	1,852,599
8.	Nov 2018	200,754			57,547				258,301	2,110,900
9.	Dec 2018	229,378			6,907				236,285	2,347,185

21. Any other relevant inputs: Project exports as well as exports of articles of iron & steel/construction material have significant potential for enhanced market access in Bahrain given a large infrastructure project pipeline.

On 30.1.2019, Ambassador arranged a get together at India House to launch the Indian Universities Alumni Bahrain to recognise foreign students as India's Goodwill Ambassadors. The event was attended by more than 25 notable dignitaries from various sectors in Bahrain. Ambassador said that the event aims to contribute towards further strengthening the existing deep-rooted relationship between India and Bahrain. Recent statistics reflect that 239 student visas were issued by the Indian Embassy in 2018 alone. Some of prominent dignitaries related to business sector in Bahrain appreciated Indian education system.

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