



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

24<sup>th</sup> December, 2018

**Monthly Economic and Commercial Report**

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

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**EMBASSY OF INDIA  
BAHRAIN**

**MONTHLY ECONOMIC AND COMMERCIAL REPORT  
FOR THE MONTH OF NOVEMBER 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 (\$ 762.4)	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 27/11/2018)

Details	April, 2017 - Sept, 2017	April, 2018 –Sept 2018	Growth %
India's exports to Bahrain	Rs.1,802.02 (\$ 279.92)	Rs 1,994.41 (\$292.03)	4.32%
India's imports from Bahrain	Rs.1,092.93 (\$169.71)	1,864.73 (\$ 272.12)	60.34 %
Total Trade	Rs.2894.95 (\$ 449.63)	Rs. 3859.14 (\$564.15)	25.46 %

Source : DGCIS

**India- Bahrain non oil trade as per Bahraini Official Data**

Amount in US \$ Million

	2013	2014	2015	2016	2017	2018 (Jan to Sep)
Bahrain's global exports	9526.67mn	8413.21mn	8766.29 mn	6685.53mn	6964.65mn	5407.85mn
% Growth	-	-11.7	4.2	-23.7	4.17	6.7
Bahrain's export to India	252.38mn	178.05mn	134.92mn	148.59 mn	218.76mn	204.98mn
% Growth	-	-29.5	-24.2	10.1	47.22	57.44

						(Compared to same period last year)
% Share	2.6	2.1	1.5	2.2	3.14	3.8
Bahrain's global import	9997.02mn	12215.93mn	12407.55mn	11601.10 mn	13145.39mn	10980.85mn
% Growth	-	22.2	1.6	-6.5	13.31	13.4
Bahrain's import from India	398.07mn	504.88mn	507.41mn	500.58mn	647.08 mn	586.8 mn
% Growth	-	26.8	0.5	-1.3	29.26	16.9 (Compared to same period last year)
% Share	3.9	4.1	4.1	4.3	4.92	5.34
Bahrain's global Non-Oil trade	19523.69mn	20629.14mn	21173.84mn	18286.63 mn	20110.04mn	16388.7mn
% Growth	-	5.7	2.6	-13.6	9.97	11.95
Bahrain's total Non-Oil trade with India	650.45mn	682.93mn	642.33mn	649.17mn	865.84 mn	791.78mn
% Growth	-	5	-5.9	7.9	33.38	25.4
% share	3.3	3.3	3	3.5	4.3	4.83

Source : Central Informatics

**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 %

**Current non-oil bilateral trade with Bahrain for the same period in previous years as per Bahraini Official Data (As on 10/12/2018)**

	2015	2016	2017	2018 (Jan to Oct)
Bahrain's export to India	134.92mn	148.59 mn	218.76mn	239.15
Bahrain's import from India	507.41mn	500.58mn	647.08 mn	651.28
Bahrain's total Non-Oil trade with India	642.33mn	649.17mn	865.84 mn	890.43

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

Details	Jan - Oct 2017	Jan - Oct 2018	Growth %
India's exports to Bahrain	556.68 mn	651.28 mn	17
India's imports from Bahrain	154.91mn	239.15	54.37
Total Trade	711.59 mn	890.43	25.13 %

### 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–Sept. 2018 also (as per our Ministry of Commerce & Industry), India’s exports to Bahrain has increased by 4.32% and the overall trade has also increased by 25.46 %, 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 plastic & articles thereof (142.71%); mineral fuels, mineral oils & products of their distillation (1073.87%); cereals (8.44%); vehicles export (117.98%); articles of iron or steel (6.42%). Other items of export are nuclear reactors, boilers, machinery and mechanical appliances; parts thereof; electrical equipments & machinery; aluminium & articles thereof; etc. Main items of import by India from Bahrain were aluminium and articles thereof (18.04%); mineral fuels, mineral oils and products of their distillation (75.65%); ores, slag and ash (233.51%); iron and steel (51%); fertilisers (20.32%).
- (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) As per Bahraini statistics, during the third quarter of 2018, India remained fifth top global trading partner (import & exports) of Bahrain (102 mn US\$) as was the case during 2017 as a whole.
- (v) During the period January – Oct. 2018 also (as per Bahraini statistics, India’s exports to Bahrain has increased by 17 % and the overall trade (oil and non-oil) has also increased by 25.13%, as compared with same period last year.
- (vi) 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.
- (vii) India’s share in Bahrain’s non-oil trade has also increased from 3% in 2015 to 4.79% in 2018. During 2017 India had become 5<sup>th</sup> largest trading partner of Bahrain after Saudi Arabia, China, UAE and US.

**3. Trade Promotional Activities organized in November 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 :

- Mrs. D.R Suma, Scientist H, ISRO, Executive Director (Operations), ANTRIX and Mr. Rajiv R, Scientist SE, Manager, ANTRIX, visited Bahrain and participated in the 5<sup>th</sup> Bahrain International Airshow (BIAS), organised from 14-16 November, 2018, at Sakhir Air Base, by the Ministry of Transportation & Telecommunications, Kingdom of Bahrain.
- EDB organized an official delegation to Mumbai from 3.12.2018 to 5.12.2018 and held a business forum for Bahraini delegates to discuss opportunities for increasing investment with around 100 Indian investors/sector representatives particularly in financial services, financial technology and real estate sectors, and to showcase Bahrain as the ideal gateway to Gulf market, worth \$ 1.5 trillion. The visit was part of EDB's efforts to attract investments for creation of jobs in Bahrain.
- 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. MOU signed is for financial empowerment and technological advancement across entire financial services ecosystem to nurture globally competent Fintech firms. The aim is to bridge the gap between start-ups, financial institutions, technology vendors, incubators, accelerators and investors to accelerate deep technology innovation in the ecosystem. Under the MoU, Government of Maharashtra and EDB will support each other in promoting Fintech environment education programmes, delegation visits and facilitation/cooperation between relevant parties. It aims to identify new areas of growth within the financial services sector, explore innovative projects in areas such as digital and mobile payments, blockchains and distributed ledgers, big data flexible platforms(API), AML eKYC, amongst other new technologies. Main features of the MOU are :
  - Incubate at least 300 start-up in the next three years;
  - Facilitate venture capital funding for Fintech start-ups.
  - Be among top five emerging Fintech hubs worldwide within five years.
- Dr. Melswamy Anadurai, former Director, ISRO, visited Bahrain and delivered a lecture on 28.11.2018, organized by National Space Science Agency (NSSA) at the University of Bahrain he highlighted that ISRO can cooperate with Bahrain in learning how to manufacture nanoparticles, cubic satellites, etc. at a lower cost and shorter duration.

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

- **Bahrain FinTech Bay's global blockchain conference, BlockOn 2018** : It was held on 22.11. 2018 under EDB's patronage which was attended by global blockchain innovators, professionals, regulators, entrepreneurs, investors and financial industry executives.
- **The Bahrain International Airshow 2018 (BIAS)** : It was held from November 14 to 16, 2018, under the patronage of His Majesty King Hamad, **where 35** US companies from

across the aerospace and defence sectors participated and aerospace orders and commitments to the tune of \$5 billion were signed over the course of the event.

- **Gulf Property Show** : It was organized from 21-24 Nov., 2018 by Hilal Conferences and Exhibitions (HCE), and was inaugurated by CEO, BTEA. Nearly 15 leading exhibitors from the region showcased 50 projects worth about \$2 billion at the event.
- **Bahrain Association of Banks' (BAB) annual forum** : It was held to highlight the fact that Fintech has potential solutions to financial sector challenges like human capital, training, ecosystem, infrastructure and regulations. CBB governor highlighted key developments relating to fintech and the development of Bahrain's financial sector.
- **5<sup>th</sup> Middle East Maintenance & Reliability Conf. and Exhibition (Maintcon 2018)** : The four-day event was held from November 25 to 28, under the patronage of Oil Minister.
- **Government Forum 2018** : While addressing the Government Forum 2018, Crown Prince said that Bahrain's FDI forecast would be \$650 mn this year, up from \$65m in 2008. As such it will jump 10 times this year compared with a decade ago. He also said that Bahrain's Economic Vision 2030, launched in 2008, has been pursued in line with its three founding principles: Sustainability, competitiveness and fairness.

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

- **Bahrain-China:** As per EIU analysis eight agreements have been signed by an official Bahraini delegation with entities in the Chinese city of Shenzhen. Seven of them were signed by EDB with Chinese companies and one was signed between CCPIT SZ and BCCI.
- **Bahrain-Kuwait:** Bahrain and Kuwait governments have signed an agreement in the field of cloud computing to facilitate government processes, increase efficiency, speedy implementation of projects, maintaining security/confidentiality of information & data.
- **Bahrain-France** : Bahrain Airport Company (BAC) appointed French engineering company Egis as a consultant to provide design and supervision services for Bahrain International Airport's new (BIA) BD 22 million Cargo Area.
- **Bahrain-UK** : Investcorp, has announced acquired five industrial units in Scotland for about \$14.6 million. Bahrain-based Bank ABC has successfully arranged and closed a £250 million (\$321m) senior residential development facility in London.

#### 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	<b>India</b>	<b>82.25</b>	<b>218.76</b>

9	Kuwait	77.75	206.78
10	Egypt	66.76	177.57
	Total	2107.18	5604.27

**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
<b>6</b>	<b>India</b>	<b>243.30</b>	<b>647.08</b>
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

Bahrain's national origin exports during the third quarter this year amounted to BD621 million, increasing by 34pc compared with BD465m for the same period last year. With a value of BD176m Saudi Arabia was the top importer, followed by Oman (BD 87m), USA (73m), UAE (69m), Egypt (55m) and India (28m) ranked 6th among the top importer of Bahraini products. Agglomerated iron ores and concentrates emerged as the top product exported from Bahrain. Value of re-exports decreased by 9pc to when compared with same period of the previous year. Saudi Arabia was the leading market for re-exports from Bahrain with a value of BD43m followed by China (BD21m), UAE (BD 14m), followed by USA (BD 9mn) , Kuwait (BD6mn) and Singapore (BD 3mn) ranked sixth. Four-wheel drive vehicles emerged as the top product re-exported. Value of imports increased by 18pc. China was ranked as the top exporter to Bahrain with BD181m, followed by the US (BD132m),UAE (BD126m), KSA (BD99m),Australia (BD93m) and India raking sixth (BD74m). Aluminium oxide emerged as the top product imported by Bahrain. Keeping in view the total volume of Bahrain's global trade (import & exports), India remained fifth top trading partner of Bahrain (102 mn US\$) as was the case during 2017 as a whole. The top four trading partners of Bahrain were Saudi Arabia (275mn US\$); China (208 mn US\$); USA (204 mn US\$); and UAE (195mn US\$).

**8. Market prospects in respect of major items of Indian export interests -** Latest comparison of value of top 10 items of India's Export/Import with Bahrain: for the period April to Aug., 2018, with same period last year (In US \$ Million-MOCI)

**EXPORTS**

Sl No	HS Code	Items	Apr-Sept. 2017	Apr-Sept 2018	% Growth
1	39	PLASTIC AND ARTICLES THEREOF.	11.5	27.92	142.71
2	27	MINERAL FUELS, MINERAL OILS AND PRODUCTS OF THEIR DISTILLATION; BITUMINOUS SUBSTANCES; MINERAL WAXES.	2.04	23.99	1,073.87
3	10	CEREALS.	20.96	22.72	8.44
4	84	NUCLEAR REACTORS, BOILERS, MACHINERY AND MECHANICAL APPLIANCES; PARTS THEREOF.	28.06	18.98	-32.36
5	85	ELECTRICAL MACHINERY AND EQUIPMENT AND PARTS THEREOF; SOUND RECORDERS AND REPRODUCERS, TELEVISION IMAGE AND SOUND RECORDERS AND REPRODUCERS,AND PARTS.	20.47	18.45	-9.86
6	76	ALUMINIUM AND ARTICLES THEREOF.	43.92	17.41	-60.35
7	87	VEHICLES OTHER THAN RAILWAY OR TRAMWAY ROLLING STOCK, AND PARTS AND ACCESSORIES THEREOF.	6.64	14.47	117.98
8	72	IRON AND STEEL	16.73	13.12	-21.53
9	73	ARTICLES OF IRON OR STEEL	11.91	12.67	6.42
10	02	MEAT AND EDIBLE MEAT OFFAL.	19.68	11.64	-40.8

**IMPORTS**



SI No	HS Code	Items	Apr-Sept. 2017	Apr-Sept 2018	% Growth
1	76	ALUMINIUM AND ARTICLES THEREOF.	65.28	77.05	18.04
2	27	MINERAL FUELS, MINERAL OILS AND PRODUCTS OF THEIR DISTILLATION; BITUMINOUS SUBSTANCES; MINERAL WAXES.	39.35	69.12	75.65
3	26	ORES, SLAG AND ASH.	13.95	46.53	233.51
4	72	IRON AND STEEL	11.18	16.88	51
5	31	FERTILISERS.	9.82	11.81	20.32
6	88	AIRCRAFT, SPACECRAFT, AND PARTS THEREOF.	0	9.54	4,14,730.43
7	28	INORGANIC CHEMICALS; ORGANIC OR INORGANIC COMPOUNDS OF PRECIOUS METALS, OF RARE-EARTH METALS, OR RAD. ELEM. OR OF ISOTOPES.	6.15	8.71	41.64
8	74	COPPER AND ARTICLES THEREOF.	5.25	7.61	44.96
9	70	GLASS AND GLASSWARE.	1.63	7.14	338.81
10	39	PLASTIC AND ARTICLES THEREOF.	1.34	5.58	316.41

**9. Trade Enquiries from India and Trade Enquiries from Bahrain: 25** trade enquiries were received and responded, covering around 27 business items.

**10. Trade Complaints received during November, 2018 and follow up action on earlier complaints:** M/s NCBA Exports Pvt. Ltd. against M/s Al Hilal Corp. Pres Agencies Media.

**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 from 3.12.2018 - 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	

During a roadshow in Mumbai organised by the EDB on 5.12.2018 to promote trade and investment, Investcorp has said that Investcorp it will acquire India's IDFC Alternatives' private equity and real estate businesses, which manage about \$450 mn in investments. He said the firm would look to invest up to \$1bn in India over the next five to seven years across sectors.

- 12. Status of ongoing major investments by Indian PSU's/Pvt Sector in Bahrain, and proposed Indian investments in Bahrain :** Devji & Company, a Bahraini home-grown jewellery brand has invested more than BD8 mn (\$21.3m) in new manufacturing facilities in Hidd-based BIIP.

MCA, an India-based professional services firm, has opened a branch in Bahrain in partnership with Pyramid Specialised Management Consulting. It will offer services in taxation; governance, risk and compliance; transaction advisory; business strategy; supply chain; transformative technologies and corporate services.

- 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 promoting global innovation/start ups to become a fintech hub. BIIP, provides state of the art facilities for industrial development. Real estate, renewable energy, healthcare and tourism 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. :** Foreign companies and investors operating in oil spill treatment services sector have been granted full ownership rights (Cabinet has approved a memo in this regard). 5% VAT may be implemented in early 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 projects may be useful to mention viz : 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 (September, 2018), 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. It has been announced that Bahrain will introduce 5% VAT in early 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 :**

- Infrastructure projects continue to remain an important growth driver for Bahrain's economy. As per MEED Projects, total project value stood at USD87.3bn in mid-September, 2018 (3.8% YoY increase). Bahrain is working on projects supported by the GCC Development Fund, and also other energy projects, led by the USD4.2bn Bapco Modernization Program. Haliburton has been engaged to drill two wells on Khalij al Bahrain field (latest oil discovery). Work is also starting on the pre-Khuff gas where recovery is expected to exceed 5tn cu ft (total reserve 20tn). A 6mn tn capacity LNG terminal will be launched soon. A consortium led by Saudi Arabia's Acwa Power and Japan's Mitsui are preferred bidder for Al Dur 2 IWPP. Other projects include King Hamad Causeway (USD3-4bn project); 228 road construction (USD2.6bn projects); USD364mn project for expansion of Tubli waste water plant; cargo village to be built at BIC; and expansion of Khalifa bin Salman port. Bahrain has adopted a National Planning Development Strategy 2030, to achieve integration between urban development and transparency around land utilization.
- Bahrain's nominal GDP is 14,094 mn BD [37,485 mn US\$]. The real GDP growth will increase to 3.1% in 2019 from an estimated 2.2% in 2018 (it was 3.8% in 2017). Real GDP growth contracted in the first quarter of 2018 owing to the declining output in the hydrocarbons sector. Economic growth will be boosted during 2019-22, as industrial

projects are completed. Opening of new pipeline at Alba, with increased production capacity (by over 50%) will increase aluminium production and export volumes. The new pipeline linking BAPCO refinery and Saudi Aramco plant, will expand BAPCO's processing capacity by around 35%, from 267,000 b/d to 360,000 b/d. Non-oil activity will largely be sustained by GCC funding and expanding private-sector participation directed towards major infrastructure projects. Bahrain is aiming to attract foreign investment following the discovery of a large oil and gas field in early April, 2018. New bankruptcy law, an open data law and enhanced cyber-security regulations, will aid economic diversification and support non-oil growth.

- Bahrain's headline growth rate increased sharply in Q2, 2018 to an annual pace of 2.4pc underpinned by normalisation of oil production and non-oil growth (2.8pc), driven by the construction (up 6.7pc) and manufacturing sectors (up 4.5pc).
- **New pipeline linking BAPCO refinery and a Saudi Aramco plant :** On 26.11.2018 a new AB-4 oil pipeline has been launched between Bahrain and Saudi Arabia. 112km AB-4 pipeline will have a capacity averaging 358,000 bpd. The overall value of crude oil imported from Saudi Arabia would exceed \$10 bn per year in refined oil.
- **Fiscal policy :** The budget will remain in deficit in coming years, even though global oil prices will maintain gains they have made in 2018, averaging US\$75.1/barrel a year in 2019-23, compared with US\$54.4.8/b in 2017. Despite diversification efforts, hydrocarbons still account for over 75% of fiscal revenue. Under fiscal balance programme, a voluntary-retirement initiative and VAT will be introduced. Kingdom is likely to postpone tapping debt markets in near future, given precarious condition of its foreign reserves. Public debt stock can rise from an estimated 83.8% of GDP at end-2018 to 92.7% of GDP at end-2021.
- **Policy trends :** Government's priority in the near term will be to rein in public spending. A government austerity drive will be intensified in 2019 following the announcement of a fiscal balance programme. Expatriate workers in Bahrain will bear the brunt of these measures. Efforts will be made to strengthen Bahrain's private sector. \
- **Monetary policy :** Following 25-basis-point increase in US policy interest rates in Sept., 2018, CBB showed its commitment to maintaining Bahraini dinar's US\$ peg by immediately raising its own key policy rate from 2.25% to 2.5%.
- **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.
- **External sector :** Current-account deficit is expected to be around .8% in 2019 (from an estimated average of 1.1% in 2018). There will be a rise in demand for consumer/capital goods imports. Services exports will remain constrained, even as financial services exports increase, due to domestic/regional political instability on tourist arrivals. Overall primary income credits will also be in deficit. Ongoing reliance on foreign labour by construction sector will ensure that the deficit on the secondary income account remains large.

**Other economic facts are :**

- **Inflation :** Inflation is expected to increase to an average of 3.8% in 2019, from an estimated average of 2.5% in 2018 as VAT is introduced in the country.
- **As per CBB (September, 2018) :** Foreign reserves have fallen to extremely low levels, and now provide less than one month of import cover.

- Government will support growth of the financial and ICT sector.
- Fiscal deficit is expected to increase to an average of 4.4% in 2019, from an estimated average of 4.8% in 2018.
- Bahrain plans to roll out the National Health Insurance Scheme (Sehati).
- Export Bahrain, a new scheme to boost exports has been launched by SME Development board in co-operation with Tamkeen.
- GARMCO (USA), was granted with tariff exemptions on its imports from Bahrain.

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

**20. Monthly progressive expenditure of the commercial Budget:**

(Expenditure incurred until 4/12/2018)

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

**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.



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