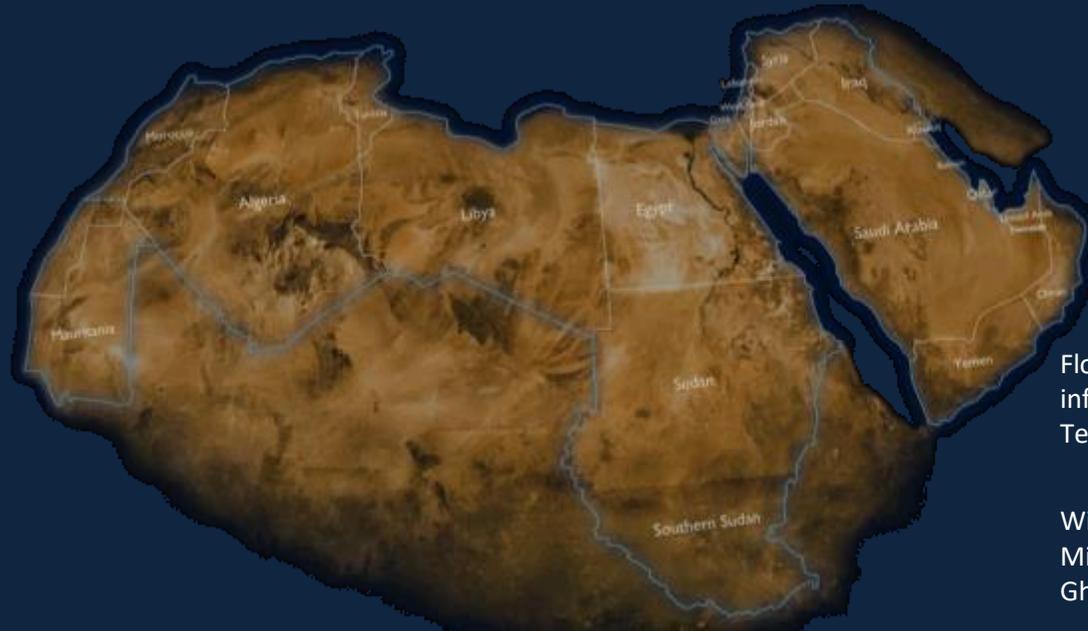




2019年末简述

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Bahrain: Stability achieved, but modest growth

B2/B+

- Economic activity in 2020 is expected to remain on par with 2019 driven by a steady non-oil economy, but the kingdom's fiscal situation still presents risks.
 - Growth in 2020 is forecast at 2.1%, barely up from 2% in 2019 and 1.8% in 2018. It will be supported by infrastructure projects, notably the Bapco (Bahrain Petroleum Company) Modernization Program, which plans to expand one of the oldest oil refineries in the GCC.
 - Other major projects include the recently inaugurated Line 6 expansion of the Alba project; resulting in the world's largest aluminium smelter and boosting current per-annum production by 54,000 metric tonnes, bringing total production over 1.5 million metric tonnes per year and creating around 3,200 jobs.
 - The pipeline also includes 15 hospitality projects, due to start construction next year and worth up to USD 10B in investment.
 - Bahrain's Ministry of Finance is trumpeting what it sees as encouraging progress on the fiscal front, saying it remains on track to eliminate deficits by 2022.
 - But while regional financial support has greatly reduced near-term pressures and there are improvements, we still find risks to the outlook to be on the downside.
 - The 2019-2020 national budget forecasts deficits for the two years at 4.6% and 4% of GDP, respectively.
 - We estimate, however, that deficits this year and next will be closer to the IMF forecasts of 8.4% and 7.7% of GDP, respectively, given that the kingdom's Fiscal Balance Program (FBP) is expected to weigh on the non-oil economy, which comprises over 80% of total economic activity.
 - Introduced in October 2018, the FBP aims to balance state finances by 2022, while reducing existing public debt. Key to this is lowering government spending, largely through a voluntary retirement scheme for public sector employees.
 - The authorities have halted, perhaps temporarily, subsidy reform plans amid concerns over their social impact. Subsidies continue to represent 20% of the budget.

| Bahrain Macroeconomic Indicators ¹ | | | | | |
|---|-------|-------|-------|-------|-------|
| | 2016 | 2017 | 2018 | 2019 | 2020f |
| Real GDP Growth (%) | 3.5 | 3.8 | 1.8 | 2.0 | 2.1 |
| Crude Oil Production (M bpd) | 0.20 | 0.20 | 0.19 | 0.19 | 0.19 |
| Oil GDP Growth (%) | -0.1 | -0.7 | -1.2 | 0.2 | 0.2 |
| Non-oil GDP Growth (%) | 4.3 | 4.9 | 2.5 | 2.2 | 2.5 |
| CPI Inflation (%) | 2.8 | 1.4 | 2.1 | 3.3 | 3.2 |
| Fiscal Balance (% of GDP) | -17.6 | -14.2 | -11.7 | -8.4 | -7.7 |
| C/A Balance (% of GDP) | -4.6 | -4.5 | -5.8 | -3.6 | -3.4 |
| Total Gov't. Gross Debt (% of GDP) | 81.3 | 88.2 | 93.4 | 100.2 | 103.6 |
| Total Gross Extrn'l Debt (% of GDP) | 183.6 | 181.2 | 184.7 | 189.9 | 188.5 |
| Gross Official Reserves (Mos. of Imports) | 1.2 | 1.2 | 0.9 | 0.9 | 0.8 |
| Nominal GDP (USD B) | 32.3 | 35.4 | 38.3 | 39.0 | 40.7 |
| Population (Millions) | 1.4 | 1.4 | 1.5 | 1.6 | 1.7 |

- Despite the flexibility provided by an aid package from GCC partners, we expect the FBP to face implementation constraints. A key constraint is the delicate socio-political situation that limits options for a more structural fiscal adjustment as observed in other GCC countries.
- In the private sector, a new USD 50M venture fund has launched in partnership with Bahrain Islamic Bank, Al Salam Bank and China-based MSA Capital.²
 - The Al Salam-MSA Bahrain Fund I (MEC), aims to improve Chinese technologies and business models within the MENA region by enabling the flow of assets and capital through Bahrain.
 - The fund will focus on FinTech, big data, artificial intelligence, cloud computing, logistics and networking systems.
 - MEC Ventures will be the first limited partnership under the newly introduced Bahraini Investment Limited Partnership Law, looking to join up Chinese and Middle East technology and capital markets, while also hoping to attract investments into the wider region.

¹ Arabia Monitor; IMF.

² MSA, founded in 2014, is a global venture capital firm with USD 1.5B under management, investing from seed to growth in AI, genomics, mobility, and SaaS companies.

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