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July 14, 1983

To: Members of the Executive Board
From: The Secretary
Subject: Bahrain - Staff Report for the 1983 Article IV Consultation

Attached for consideration by the Executive Directors is the staff report for the 1983 Article IV consultation with Bahrain, which will be brought to the agenda for discussion on a date to be announced.

If Executive Directors have technical or factual questions relating to this paper prior to the Board discussion, they should contact Mr. Taha, ext. (5)7112 until August 2, 1983, or Mr. McLenaghan, ext. 73192, after July 31, 1983.

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INTERNATIONAL MONETARY FUND

BAHRAIN

Staff Report for the 1983 Article IV Consultation

Prepared by the Staff Representatives for the
1983 Article IV Consultation with Bahrain

Approved by S.H. Hitti and Subimal Mookerjee

July 13, 1983

I. Introduction

The 1983 Article IV consultation discussions with Bahrain were held in Manama during the period May 25-June 1, 1983. The Bahraini representatives included the Minister of Finance and National Economy; the Minister of Development and Industry; the Minister of Commerce and Agriculture; the Governor of the Bahrain Monetary Agency; and senior officials of these ministries and other government organizations. The staff representatives were Messrs. J. B. McLenaghan (Head--STAT), M. Arif (MED), P. L. Clawson (MED), F. Drees (MED), and R. Porter (CBD), and Mrs. V. E. Harvey (Secretary--ETR).

Bahrain accepted the obligations of Article VIII, Sections 2, 3, and 4 of the Articles of Agreement on March 20, 1973.

II. Background

Bahrain's economy has grown vigorously over much of the 1970s and early 1980s. Although Bahrain is not a major oil producer, its overall economic performance has been linked in part to favorable developments in oil producing countries. Bahrain has also begun to reap the benefits of wide-ranging efforts initiated in the 1970s to diversify the economy. The results of this diversification, which have involved establishment of a modern infrastructure, and development of the manufacturing and services sectors, can be seen in the decline in the share of the oil sector (excluding refining) in GDP, from two fifths in the early 1970s to about one quarter in 1982.

The oil sector encompasses production of crude oil from a small onshore field, a share in the output of an offshore field operated by Saudi Arabia, and the refining of crude petroleum. There is also exploitation of natural gas reserves. Bahrain has been an oil producer since the early 1930s, but the output of the onshore field has been declining for many years as recovery becomes more difficult and costly. In recent years onshore crude oil production, for 1983 estimated at

about 42,000 barrels per day (b/d), has fallen by about 5 per cent per annum, a trend that is expected to continue. Recoverable reserves are estimated at about 200 million barrels, and at current production levels are sufficient to last for about 13 years. Offshore production is derived from the Abu Saafa field, from which Bahrain receives one half of the net revenues. In recent years, Bahrain's share of Abu Saafa output, in volume terms, has exceeded onshore production by about 20 per cent. Natural gas production is utilized mainly for domestic purposes. At current rates of utilization, Bahrain's gas reserves are estimated to last for about 50 years. The capacity of Bahrain's oil refinery (250,000 b/d) is taken up to the extent of less than 20 per cent by domestic crude production and its operation therefore depends heavily on imported crude from Saudi Arabia.

In implementing its development plans, the Government has pursued an ambitious program to improve basic infrastructural facilities in the fields of power, water, and roads. Considerable resources have also been directed through public sector expenditures to upgrade the country's housing. When coupled with the growth of private sector construction, both residential and nonresidential building (especially offices and hotels), this sector has contributed significantly to overall growth. The Government's industrial strategy has centered on the development of joint ventures involving some large projects, in some cases in cooperation with government and private sector interests in neighboring countries through the coordination of the Gulf Organization for Industrial Consulting. Perhaps the most recent evidence of Bahrain's rapid growth and diversification is its evolution as a major international financial center. By 1982 there were 72 active offshore banking units (OBUs) in Bahrain. In addition, there was a large and growing number of investment banks and representative banking offices, as well as Exempt Companies (ECs)--companies which received a waiver from the requirements of the Companies Law (stipulating majority Bahraini ownership) provided that their activities were offshore. These companies, apart from providing financial services, are active in such fields as trading and transportation.

Following a period of restraint, relatively expansionary fiscal and monetary policies were pursued by the Government in 1980 and 1981, a period of buoyant oil revenues and accelerated government expenditures which followed the oil price increases of 1979-80. While the year 1979 was one of negative growth, GDP grew by 8-9 per cent in real terms during the next two years. Sizable surpluses, equivalent to 8.5 per cent of GDP in 1980 and 11.1 per cent of GDP in 1981, were recorded in the overall fiscal accounts. The rate of growth of the supply of domestic liquidity (money plus quasi-money) rose from 2 per cent in 1979 to 27 per cent in 1980 and to 29 per cent in 1981. Consumer price increases which were moderate in 1980, accelerated in the following year, with the rise concentrated in the cost of services, especially rents. The external accounts became very favorable for Bahrain in 1980 and 1981; petroleum export earnings, which almost doubled between 1979 and 1981, were largely responsible. Also of importance was the

increase in net invisible receipts which more than doubled in the same period, reflecting the rising level of external reserves and interest rates and signifying, as well, the growing contribution of the services sector in Bahrain's balance of payments. Overall balance of payments surpluses equivalent to 14 per cent and 18 per cent of GDP were recorded in 1980 and 1981, respectively.

Bahrain maintains a liberal exchange and trade system. Customs duties are low, except for selected consumer products, e.g., automobiles and tobacco products. The Bahrain dinar is pegged to the SDR at $BD\ 0.47619 = SDR\ 1$, within margins of ± 7.25 per cent. The authorities have followed a policy of maintaining a stable relationship between the dinar and the U.S. dollar; a rate of $BD\ 1 = US\$2.66$ has been in effect since December 1980.

III. Economic Policies and Prospects

1. Production and prices

Bahrain experienced the effects of the less favorable conditions and lower prices that characterized world oil markets in 1982. The direct and indirect effects of these conditions resulted in a growth of the economy in 1982 somewhat less than in 1981. This deceleration appears likely to continue in 1983. Domestic crude production continued to decline (by 5 per cent) and there was also a fall (by 11 per cent) in 1982 in production from the Abu Saafa field. Throughput of the refinery was below capacity in 1982 as supplies were curtailed in the face of the weakening demand. The output of refined products in 1982 was some 25 per cent lower than in the previous year. Faced with further reductions in oil revenues and export earnings from petroleum products in 1983, the Government is negotiating for the lease of spare refinery capacity of 70,000 b/d, which it is hoped will bring the refinery close to full capacity utilization, thereby reducing production costs to more competitive levels. Nonetheless, oil and gas revenues are expected to decline substantially in 1983.

In reviewing their development plans in 1983-84, and beyond, the Bahraini authorities have taken into account the less favorable circumstances of the oil sector, and of the world economy in general, than was the case at the time projects now being implemented, or about to commence, were under consideration. Several of these projects, including the Gulf Aluminium Rolling Mill (a six-nation joint venture), the Arab Iron and Steel Company (a four-nation joint venture with public and private sector participation), and the Gulf Petrochemical Industries Company (a joint venture by the Bahrain Government with Saudi Arabian and Kuwaiti interests to produce methanol and ammonia), are due to be completed and commence production in the course of the next two to three years. The Bahraini representatives emphasized that they remained firmly committed to the strategy of diversifying the economy, wherever possible taking advantage of opportunities presented

through joint ventures coming under the aegis of the Gulf Cooperation Council (GCC). They consider, however, that the period ahead should be one of consolidation, given the major investments undertaken in the last few years, and that this approach is appropriate in view of the currently less favorable environment in the world economy. For these reasons, it is the Government's intention to delay or to re-evaluate projects still at the planning stage.

Consistent with this approach, the Bahraini authorities have also recently decided to stretch out the Economic and Social Investment Program which was originally established for the four-year period 1982-85, for a further two years. In support of this decision, the Bahraini representatives pointed out that the need to slow down the implementation of the program, which will involve delays in on-going projects (including infrastructural projects), as well as the commencement of others, arose not only in order to ensure that budgetary expenditures remained within manageable bounds, but also as a means of avoiding excessive pressure on available resources. The program targets in individual sectors have therefore been scaled down in the years immediately ahead.

The authorities are now giving close attention to the likely economic consequences for Bahrain of the opening of the causeway now under construction between Bahrain and Saudi Arabia. The causeway, 25 kilometers in length and costing US\$700 million, is being financed by Saudi Arabia and is expected to be completed in January 1986. In order to assess the implications of this project for Bahrain's economy, an interministerial committee is reviewing a number of issues including the movement of goods and people; the prevailing price differentials between the two countries; the potential for greater economic integration between eastern Saudi Arabia and Bahrain; the additional demands on port and airport facilities in Bahrain; and, more generally, the effects on trade, commerce, and tourism in Bahrain.

An acceleration of domestic prices in 1981 was followed in 1982 by a modest growth in consumer prices (2 per cent excluding rents) when lower import costs were reflected in the prices of a range of imported goods. Based on developments through the first few months of 1983, prices are expected to show little movement in the current year. There will, however, be an exception in some administered prices. While no major changes are planned at present in the list of food items benefiting from government subsidies, prices of petroleum products were raised substantially in April 1983, resulting in an increase of 75 per cent in the price of regular gasoline since March 1982. ^{1/} The authorities are also planning to raise charges for electricity and water.

^{1/} The retail price for regular gasoline now is US\$0.71 per U.S. gallon, which is about 80 per cent of the ex-refinery price in the Persian Gulf area.

2. Domestic financial policies

a. Fiscal policy

Government finances in Bahrain, in addition to transactions under the government budget, at times include large extrabudgetary transactions covering the financing of certain public enterprises, selected external capital transactions of the Government, as well as miscellaneous government expenditures and the return on government investments. Any assessment of fiscal developments, therefore, needs to take into account the impact of these extrabudgetary operations.

Domestic financial policies in 1982 were designed to maintain a steady growth in the economy while avoiding the re-emergence of inflationary pressures. There was some weakening of the budgetary situation in 1982, although it was much less than projected in the 1982 budget estimates, the first year of the 1982-83 biennial budget period. Total receipts grew by some 3 per cent in 1982, with oil and gas revenues little changed on their 1981 level and non-oil revenues rising by more than 20 per cent. Budgetary cash grants provided by certain neighboring countries and earmarked for the budget continued at a level only slightly lower than in 1981. Budgetary expenditures were almost 19 per cent above their 1981 level, but fell well short of the original budget provision; this shortfall was entirely in capital expenditures. The Bahraini representatives noted that the budgeted increase of 75 per cent on capital spending had been overambitious, and that delays had been experienced in implementing many projects. Net extrabudgetary operations in 1982 involved a substantial drain on resources. Extrabudgetary income from domestic investments was down sharply (mainly from the oil refinery and the aluminum complex). Extrabudgetary expenditures were substantially greater than in the previous year and included investments abroad by the Government, the final repayment of a US\$300 million Eurodollar loan of 1980 related to the purchase of a 60 per cent share in the oil refinery, and extraordinary expenditures abroad related to security. The overall fiscal deficit in 1982 was equivalent to 4 per cent of estimated GDP.

In light of the less favorable outlook for the world economy, especially for countries reliant on the oil industry, the Bahraini authorities recognized that in the absence of corrective action, the overall fiscal deficit in 1983 would reach unacceptably high levels. Accordingly, they are introducing a number of expenditure reducing and revenue raising measures in 1983 and 1984. Two measures already implemented include the increase in gasoline prices and higher customs duties on tobacco products, alcoholic beverages, and automobiles. Other new or increased fees and charges, higher municipal taxes, and registration fees on companies, are planned for 1984. On the expenditure side, an increase of 5 per cent in civil service salaries became effective in January 1983, the first such increase since mid-1981. On the other hand, restraints on current expenditures have been implemented through a freeze on new staff hiring, and more careful scrutiny of

expenditure requests by government departments. The mission observed that these measures would help not only to inject a greater element of fiscal discipline into the Government's financial operations, but would also increase efficiency and resource allocation; in addition, they would provide a welcome broadening of the revenue base which would support the Government's longer-term efforts to strengthen its finances.

The revised budget for 1983 provides for a lower level of capital spending when compared with the original budget (approved in late 1981) but still involves a large increase in capital spending over the actual level reached in 1982. The revisions to the budget, which take into account the recent decision to delay certain projects as a result of the stretching out of the Economic and Social Program to six years, will provide an opportunity to re-evaluate the viability of some projects. Noting that there was still considerable "front loading" of expenditures under the program, the mission considered that a more even distribution of expenditures over the period of the program would better meet the needs of sound economic management. The mission also stressed the importance of identifying the extent to which government expenditures, both budgetary and extrabudgetary, are made abroad; separation of domestic and external spending would contribute to a better assessment of the domestic impact of government expenditures. The mission also encouraged the authorities to seek ways to include, to the extent possible, the present extrabudgetary operations within the budgetary accounts. The revised budget for 1983 is estimated by the authorities to result in a deficit equivalent to 2.6 per cent of projected GDP, but it might in fact be considerably smaller, given that the authorities expect significant shortfalls in capital spending. Barring further extraordinary outlays, extrabudgetary receipts and expenditures are projected to be in balance. In financing the deficit, the Government is planning to issue development bonds--for the first time since 1978--in an amount of BD 30 million, with a maturity of five years.

In preparing the 1984-85 biennial budget, the authorities intend to exercise restraint over expenditures and to seek additional revenues from the non-oil sector. New accounting procedures being implemented with technical assistance from the Fund are proving beneficial in the formulation of the budget. Measures under consideration at present would yield an increase of 20 per cent in non-oil revenues. Recurrent expenditures in 1984 are to be held at their 1983 level, while capital expenditures would be contained in accordance with the revised Economic and Social Investment Program.

b. Monetary and credit policies

Monetary developments in Bahrain in 1982 were influenced significantly by events in international and regional capital markets. The Bahrain Monetary Agency (BMA) continued to accommodate the liquidity needs of the commercial banks in Bahrain through the operation of a

U.S. dollar/dinar swap arrangement and through rediscounting of eligible paper. The narrowing of interest spreads between Bahrain and abroad resulted in a shift from foreign currency denominated deposits to dinar deposits, and an easing of pressures on bank liquidity, leading to a marked drop in the banks' recourse to swap arrangements. In August 1982, reacting to the decline in Eurocurrency rates, the BMA lowered its recommended interest rate ceiling on dinar deposits by 1 percentage point, and introduced a new recommended rate for dinar certificates of deposit. Also, for the first time, banks were asked to observe a maximum margin of 1 per cent over their cost of funds for loans to prime customers. In January 1983, a further reduction of 1 percentage point was announced in the recommended deposit interest rate ceilings which, except for deposits with a maturity of more than 15 months, now range from 6.5-9 per cent. Most loans carry interest rates of 10-12 per cent.

In view of the liquid conditions of the banks, the BMA paid special attention to discouraging banks from lending for speculative purposes. In December 1981, offshore banking units (OBUs) and investment banks were requested by the BMA to avoid the discounting or purchase of postdated checks from residents of Kuwait in Kuwaiti dinars and other currencies. In April 1982, the banks were cautioned against lending for speculative purposes in the financing of share purchases and the purchase of real estate. These measures were to prove timely in view of the developments that took place in the Kuwait stock market in 1982. Under conditions established by the BMA, locally-owned Bahrain commercial banks were authorized to provide short-term financing, on a 95 per cent margin basis, on behalf of individual applications for several new share issues in the first half of 1982 in respect of newly registered companies in Bahrain, including financial institutions. The cash deposits of 5 per cent accepted by the banks were redeposited immediately with the BMA. Coinciding with an upsurge in share prices in Bahrain, these share issues generated substantial oversubscriptions. The associated increase in bank lending resulted in extraordinary profits for the banks. The Bahraini representatives, noting the special circumstances of these lending operations, which had been completed by mid-1982, pointed out that they had led to a substantial strengthening of the banks' capital base. The demand for credit by other sectors was accommodated without strain; in the manufacturing sector it was noted that a decline in outstanding bank loans in 1982 reflected the reduced credit needs for several large companies. Over 1982 as a whole, liquidity rose by 15 per cent, appreciably less than in the previous year.

Demand for credit has been subdued in the early months of 1983 and bank liquidity has remained high. The Bahraini representatives foresee little change in these conditions over the remainder of the year. Uncertainties relating to world oil markets, the less expansionary fiscal policy, and a slackening of construction activity are seen as factors likely to slow the growth of credit to the private sector.

After several years of strong growth, the assets of Bahrain's OBUs grew more slowly in 1982, by 16 per cent; this was followed by a modest decline in total assets in the first quarter of 1983. By early 1983, the number of operating OBUs was 72, compared with 64 at the end of 1981 but a greater selectivity was being applied in the licensing of new OBUs. The Bahraini authorities see 1983 as a period of consolidation for the OBUs, in line with the current experience in other major financial centers in light of conditions in international markets and the decline in interbank deposits resulting in part from concerns over country exposure. Recognizing the significant contribution now being made by OBUs to the Bahrain economy, including the balance of payments, the authorities are conscious of the need for them to remain competitive in this consolidation phase and to provide new financial services. As a partial offset to the slower growth of OBUs, there has been an expansion in investment banking.

3. External sector policies

After a record surplus in 1981, the balance of payments weakened in 1982. The estimated current account surplus was US\$265 million (5 per cent of estimated GDP compared with 8 per cent in 1981), but, as explained below, there are indications that there was a deterioration in the current account appreciably larger than that shown in the balance of payments estimates. The reduction in the overall surplus, from US\$808 million in 1981 to US\$172 million in 1982, was also substantial. The decline in the surplus in oil trade was a major factor in the deterioration in the current account. Unfortunately, detailed analysis of balance of payments developments is hindered by continuing data deficiencies in the trade and services accounts. In reviewing the trade results the Bahraini representatives agreed with the mission that the trade surplus in 1982 was most likely overstated, possibly by a considerable amount. Together with an overstatement of net invisible receipts and unrecorded expenditures abroad for security purposes, these factors were probably responsible for the sharp turnaround in errors and omissions between 1981 and 1982.

For 1983, a weakening in the trade account is likely, with the surplus on oil trade sharply lower and a widening of the deficit in non-oil trade, despite further strong growth in non-oil exports. Reduced earnings from services, including lower investment income, are estimated to result in a deficit in the current account, perhaps as much as 5 per cent of GDP. Net capital inflows will benefit from lower loan repayments abroad; however, during the second half of the year the Government will make the first payment (equivalent to US\$72 million) of Bahrain's subscription to the Gulf Investment Corporation. The projected small overall deficit in the balance of payments would be enlarged to the extent that further extraordinary expenditures are incurred.

Bahrain's external public debt, equivalent to about 5 per cent of GDP at end 1982, is comfortably small. Since the loans were obtained on concessional terms, debt service payments are less than 1 per cent of export earnings.

Gross official reserves at the end of 1982 were equivalent to five months of total imports and eleven months of non-oil imports at their 1982 levels. About 80 per cent of official reserves are held in deposits of up to six months or in certificates of deposit, reflecting the policy of the authorities in their reserve management to emphasize liquidity and security.

Exchange rate policy has continued to place importance on the maintenance of a stable relationship between the Bahrain dinar and the U.S. dollar. Despite the dollar's strength since early 1981, the dinar/U.S. dollar rate has remained unchanged since December 1980. The authorities view the rise in the nominal effective rate for the dinar (on an import-weighted basis) of 10.8 per cent in 1981 and 7.7 per cent in 1982 as appropriate, particularly in view of the downward pressure this has exerted on domestic prices. The dinar has remained outside the margin of 7.25 per cent on the peg to the SDR for some time; the authorities view this as a temporary phenomenon that is likely to be reversed. With regard to trade policy, the Bahrain representatives noted that in accordance with a decision of the Gulf Cooperation Council (GCC), tariffs on trade within the GCC countries on locally produced goods (those with value added of 40 per cent or more) were abolished in March 1983. A common external tariff, ranging from 4-20 per cent, is to be introduced by the GCC over the next five years. Consideration is also being given to the introduction of protective tariffs for selected products of infant industries.

IV. Staff Appraisal

Although the Bahrain economy is influenced significantly by developments in the oil industry and is subject to the effects of variations in oil prices and output, the authorities have made strenuous and largely successful efforts to pursue a policy of diversification in order to reduce this dependence. Policies have been directed toward exploiting the at times buoyant revenues from the oil sector to establish, in cooperation with neighboring countries, large-scale, export-oriented industrial enterprises in both the oil and non-oil sectors. The Government has recognized that, at least in the early stages of this process, it must play a prominent role in the process of development. Paralleling this effort, the authorities have nurtured the evolution of Bahrain as a major services center, with particular emphasis on the provision of financial services for nonresidents of Bahrain. In pursuing these objectives, the authorities have been able to avoid the pressures on prices and resources that were present in 1974-78. In the longer term, the authorities look to a greater involvement by the private sector in broadening the economic base.

Bahrain seems likely to experience a lower rate of growth and a tightened financial situation in 1983 and 1984. The authorities are therefore taking steps, rightly in the staff's view, to ensure that the Government's financing requirements do not outstrip the available resources. The stretching out of the Economic and Social Investment Program from four years to six will help to ensure that development of the social and economic infrastructure proceeds at a sustainable pace. The staff also welcomes efforts to strengthen the budget through the introduction of higher charges and fees, including measures to reduce subsidies for energy and water consumption, and to place a stricter control over recurrent expenditures. These steps will strengthen public finances and will help to increase efficiency and resource allocation. These efforts would be aided by further improvements in data on the fiscal and external accounts as well as in other areas of economic statistics in Bahrain.

Given the openness of the Bahrain economy, domestic monetary conditions are sensitive to developments in international financial markets. In some respects, 1982 was a testing year for monetary policy, in part because of the unsettled conditions in regional financial markets, and actions taken by the authorities were responsive to changing financial conditions. In the staff's view, the present stance of monetary policy seems appropriate to the needs of the economy. However, the room for maneuver in monetary policy in Bahrain is not large and the range of policy instruments is limited. A continued flexible approach by the authorities would be called for should private sector activity commence to weaken unduly as a result of a more restrained fiscal policy and the changed outlook for the oil sector.

The emergence of Bahrain as a financial center, with the presence of major international banks as well as regionally and domestically owned banks operating as OBUs, has been an important factor in the recent growth performance of the economy. The authorities are conscious of likely slower growth of the OBUs in the period ahead and appear ready to support efforts by the OBUs and investment banks to extend the range of available financial services.

Bahrain's external reserve position is relatively comfortable. Although the immediate balance of payments outlook is less favorable, it is not of sufficient concern as to warrant a change in external policies. In the medium term, through efforts to build up revenues from non-oil exports and to increase the earnings of the services sector, there are good prospects for effecting necessary structural changes in the balance of payments, changes which would be consistent with the Government's longer-term objective of a broader based economy.

It is recommended that the next Article IV consultation with Bahrain be held on an 18-month cycle.

Bahrain: Fund Relations 1/

Date of membership: September 7, 1972.

Status: Article VIII.

Quota: SDR 30 million; proposed new quota, SDR 48.9 million.

Use of Fund resources: Bahrain made one purchase of SDR 5 million in August 1976 within its reserve tranche position.

Fund holdings of currency: SDR 14.5 million, equivalent to 48.3 per cent of quota.

SDR position: SDR holdings amounted to SDR 16.7 million, equivalent to 269.4 per cent of net cumulative allocation.

Trust Fund: Not eligible for loans.

Direct distribution of profits from gold sales: US\$1.57 million.

Gold distribution: Bahrain received 8,558 fine ounces of gold.

Exchange system: The Bahrain dinar is pegged to the SDR at BD 0.476190 = SDR 1, with margins of 7.25 per cent. Since December 1980, the buying and selling rates for the U.S. dollar have been BD 0.375 and BD 0.377, respectively.

Technical assistance: At present, one expert is assigned to the Bahrain Monetary Agency under CBD auspices and another to the Ministry of Finance and National Economy under FAD auspices.

Last Article IV consultation: February 6-13, 1982. The Staff Report (SM/82/61) was discussed by the Executive Board on June 7, 1982.

1/ As of May 31, 1983.

Bahrain: Basic Data

Area	678 square kilometers
Population	351,000 (1981 Census)
Total work force	140,150 (1982 estimate)
Of which: non-Bahraini	81,600 (1982 estimate)
Gross domestic product (current prices)	US\$4,516 million (1981 estimate)
GDP per capita	US\$12,874 (1981 estimate)

1978 1979 1980 1981 1982

(In millions of barrels)

Petroleum production					
Onshore crude oil	20	19	18	17	16
Refined products	88	89	88	94	71
Offshore crude oil (Bahrain's half share)	26	25	21	20	17

(In millions of Bahrain dinars)

Monetary survey (end of year)					
Money	171	186	192	233	267
Quasi-money	231	226	332	444	513
Net foreign assets	210	234	445	749	814
Of which: Government	(20)	(66)	(149)	(270)	(278)
Claims on private sector	325	376	435	488	545
Claims on Government (net)	-96	-136	-280	-466	-386
Other items (net)	37	62	76	94	192

1979 1980 1981 Prov. Budget
1982 1983

(In millions of Bahrain dinars)

Government finances					
Revenues and grants	304	446	537	555	530
Oil revenues	(214)	(320)	(398)	(401)	(366)
Other revenues	(64)	(69)	(80)	(97)	(107)
Foreign grants	(26)	(57)	(58)	(56)	(56)
Expenditures	258	321	385	457	580
Current expenditures	(157)	(192)	(231)	(279)	(317)
Capital expenditures	(98)	(126)	(150)	(174)	(260)
Interest	(3)	(3)	(4)	(4)	(3)
Surplus or deficit (-)	46	125	151	97	-50
Net extrabudgetary operations <u>1/</u>	-18	--	38	-174	...
Overall surplus or deficit (-)	28	125	189	-77	...

Bahrain: Basic Data (Concluded)

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
	(In millions of Bahrain dinars)				
Balance of payments					
Trade balance	-69	-17	70	104	45
Exports, f.o.b.	737	871	1,335	1,591	1,365
Petroleum	(590)	(751)	(1,207)	(1,460)	(1,182)
Other <u>2/</u>	(147)	(119)	(128)	(131)	(183)
Imports, c.i.f.	-806	-888	-1,265	-1,487	-1,320
Crude oil	(-339)	(-476)	(-750)	(-935)	(-694)
Non-oil <u>2/</u>	(-467)	(-412)	(-515)	(-552)	(-626)
Services and private transfers (net)	-102	-45	-22	31	54
Current balance	-172	-62	48	135	100
Capital (net) <u>3/</u>	215	86	164	169	-35
Overall balance	43	24	212	304	65
	(In millions of SDRs)				
SDR equivalents					
Exports, f.o.b. <u>2/</u>	1,520	1,767	2,721	3,589	3,288
Imports, c.i.f. <u>2/</u>	-1,662	-1,801	-2,578	-3,354	-3,180
Current balance	-354	-126	98	305	241
Overall balance	89	49	432	686	157
International reserves (gross official, end of period)	390	475	833	1,373	1,421
	(In SDRs per Bahrain dinar)				
Exchange rates					
Period average	2.0614	2.0289	2.0384	2.2555	2.4090
End of period	1.9997	2.0135	2.0853	2.2850	2.4110
	(In per cent)				
Changes in main indicators					
Onshore oil production	-5	-7	-5	-5	-5
Oil revenues	6	12	50	25	1
Government expenditures	10	-11	25	20	19
Current expenditures	17	14	22	21	21
Capital expenditures	4	-34	29	20	16
Money and quasi-money	13	2	27	29	15
Claims on private sector	5	15	16	12	12
Total exports <u>4/</u>	1	18	53	19	-14
Non-oil imports <u>2/4/</u>	2	...	25	7	13
GDP (at constant prices)	11	-2	8	9	...
Of which: (non-oil GDP)	14	-1	11	14	...

1/ Residual reflecting mainly Reserve Fund transactions. Minus sign denotes net expenditure.

2/ Starting 1979 excludes goods transshipped through Bahrain.

3/ Includes official grants, errors and omissions, and counterpart items.

4/ Calculated from values in Bahrain dinars; imports exclude gold.