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Monetary and Financial Trends is produced quarterly by the Financial Stability Directorate, Central Bank of Bahrain. This edition focuses on the Fourth Quarter of 2007 and highlights developments in the following monetary and financial indicators: i) monetary aggregates; ii) domestic credit; iii) interest rates; iv) domestic prices; v) domestic public debt; vi) exchange rates; vii) official reserves; and viii) the stock market.

Highlights

Monetary Aggregates

- During 2007:Q4, narrow money (M1) expanded by 3.9% while broad money (M2) rose by 10.2%.
- Quasi-money (savings and time deposits) was the fastest growing component of the money stock during the quarter, increasing by 12.9%. Currency in circulation grew by 9.9% while demand deposits increased by 2.7%.
- The growth in money supply was driven primarily by net domestic assets (NDA) which rose by 34.3% during the fourth quarter.
- In contrast, net foreign assets (NFA) declined by 3.5%.

Credit Developments

- Total domestic credit grew by 8% to reach BD4186.1 million; this represented a slowdown in the growth of domestic credit when compared to the 12.3% growth recorded during the previous quarter
- Credit to the private sector increased by 7% (vs. 13.6% in Q3) alongside a 25.9% increase in lending to general government (vs. the 7.5% *decline* in the third quarter).
- A look at the components of private sector credit shows that business loans increased by 7.8% while personal loans rose by 5.8% during the quarter.
- Loans “with salary assignment” constituted the bulk of personal loans (45.5% of the total), slightly down from the 51.1% share recorded in the third quarter.
- Business loans were dominated by loans to the “construction and real estate” segment which accounted for 32.2% of the total.
- The *year-on-year* growth of private sector credit (38%) exceeded the 2006 growth of nominal GDP (17%), indicating that the boom in private sector lending persists, despite the slowdown experienced in the fourth quarter.

Interest Rates

- Short-term interest rates fell during the fourth quarter, reflecting the ongoing reductions in US interest rates.
- The 3-month and 6-month inter-bank rates fell to 4.9% and 4.8% respectively by the end of the quarter, while the 3-month Treasury bill yield declined to 4%.
- The CBB key policy rate was also reduced to 4% by the end of the quarter.

Domestic Prices

- In the fourth quarter of 2007, the Central Informatics Organisation (CIO) released new Consumer Price Index (CPI) figures, based on a revised basket of commodities (2006 base year).
- Available numbers for 2007:Q4 indicate that inflation as measured by the CPI was at 4.4%.
- However, this number is not directly comparable to inflation numbers from previous years, given the change in the underlying basket of commodities.

Domestic Public Debt

- In contrast to the downward trend of recent quarters, the stock of domestic public debt (securities only) increased during the quarter from BD520 million to BD616.6 million.
- The expansion in domestic public debt was driven largely by the BD96.6 million increase in the stock of Islamic leasing securities
- Both Treasury bills and Al Salam Islamic securities outstanding remained unchanged at BD90 million and BD18 million respectively.

Exchange Rates and Official Reserves

- The Bahraini dinar appreciated slightly against the Pound Sterling but depreciated against other key currencies (Euro, Yen, Swiss Franc).
- The latest available data for end-2007:Q3 indicates that the Real Effective Exchange Rate (REER) is still trending downwards,

suggesting continued improvements in Bahrain's international competitive position.

- The accumulation of official reserves accelerated during 2007:Q4, with reserves reaching BD1590.6 million, 50.4% higher than the level attained during the same period of 2006.

Stock Market

- Total market capitalization increased to BD10.2 billion, compared to the BD9.2 billion attained during the third quarter. Year-on-year, market capitalization was 28% higher than the level at the same period of 2006.
- Growth in market capitalization was attributable to the 19.3% expansion in the market capitalization of the "investment" segment.
- The BSE All-Share Index rose to 2755.27 points during 2007:Q4, compared to 2543.92 in the third quarter.
- Liquidity also improved during the quarter, with the turnover ratio standing at 1.7%, compared to 1% recorded at the end of the third quarter.

1. Monetary Aggregates¹

In the fourth quarter of 2007, *narrow money* (M1) increased by 3.9%, reversing the 9.3% decline witnessed during the third quarter (Table 1). *Year-on-year*, the level of M1 was 23.2% higher than its level for 2006:Q4. Corresponding to the turnaround in M1 growth, the growth of *broad money* (M2) accelerated to 10.2% during 2007:Q4, compared to the 6.7% expansion in the third quarter. *Year-on-year*, the level of M2 was 39.2% higher than its level for 2006:Q4.

Table 1: Developments in Monetary Aggregates

| | 2006:Q4 | 2007:Q1 | 2007:Q2 | 2007:Q3 | 2007:Q4 |
|----------------------|-------------|--------------|--------------|-------------|-------------|
| M1 (BD millions) | 1285.8 | 1481 | 1681.4 | 1525.5 | 1584.3 |
| <i>M1 Growth (%)</i> | <i>5.9%</i> | <i>15.2%</i> | <i>13.5%</i> | <i>-9.3</i> | <i>3.9</i> |
| M2 (BD millions) | 4035.9 | 4302.6 | 4777.7 | 5099.4 | 5622.0 |
| <i>M2 Growth (%)</i> | <i>5.2%</i> | <i>6.6%</i> | <i>11.0%</i> | <i>6.7</i> | <i>10.2</i> |

Source: Central Bank of Bahrain

Table 2 (next page) presents data on the different components of the money supply, providing further insights into the driving forces behind the movements in M1 and M2.

First, it shows that the observed reversal in the growth pattern of M1 was largely influenced by the 9.9% growth in currency outside banks during 2007:Q4, compared to a 3.5% *decline* during the third quarter. In addition, there was a 2.7% increase in the level of demand deposits from BD1292.5 million in the third quarter to BD1328.1 million by the end of the fourth quarter. The observed growth in M2 was therefore a result of this expansion of both components of M1 as well as the growth in savings and time deposits from BD3573.9 million in the third quarter to BD4037.7 million in 2007:Q4.

¹ M1 is the sum of currency and demand deposits. M2 equals M1 plus savings and time deposits.

Table 2: Developments in Components of Money Supply

| | 2006:Q4 | 2007:Q1 | 2007:Q2 | 2007:Q3 | 2007:Q4 |
|---|-------------|-------------|-------------|--------------|-------------|
| Currency outside banks (BD millions) | 227.7 | 232.7 | 241.5 | 233.0 | 256.2 |
| <i>Growth Rate (%)</i> | <i>10.2</i> | <i>2.2</i> | <i>3.8</i> | <i>-3.5</i> | <i>9.9</i> |
| Demand deposits (BD millions) | 1058.1 | 1248.3 | 1439.9 | 1292.5 | 1328.1 |
| <i>Growth Rate (%)</i> | <i>5.0</i> | <i>18.0</i> | <i>15.3</i> | <i>-10.2</i> | <i>2.7</i> |
| Savings and Time Deposits (BD millions) | 2,749.4 | 2,821.6 | 3096.3 | 3573.9 | 4037.7 |
| <i>Growth rate (%)</i> | <i>4.8</i> | <i>2.6</i> | <i>9.7</i> | <i>15.4</i> | <i>12.9</i> |

* Central government and the Social Insurance system

Source: Central Bank of Bahrain

Table 3: Contributions to Monetary Growth (% changes)

| | 2006:Q4 | 2007:Q1 | 2007:Q2 | 2007:Q3 | 2007:Q4 |
|----------------------------------|-------------|--------------|--------------|------------|-------------|
| Growth in M2 (%) | 5.2 | 6.6 | 11.0 | 6.7 | 10.2 |
| Net Foreign Assets (NFA) | 24.5 | 23.6 | 27.6 | 6.6 | -3.5 |
| <i>Central Bank of Bahrain</i> | 23.1 | 2.3 | 7.4 | 1.2 | 36.8 |
| <i>Retail banks</i> | 25.8 | 41.4 | 39.8 | 9.1 | -20.7 |
| Net Domestic Assets (NDA) | -2.4 | -12.8 | -11.6 | 7.7 | 34.3 |
| <i>Claims on government</i> | -7.4 | -19.1 | 21.8 | -0.03 | 6.9 |
| <i>Claims on private sector</i> | 6.4 | 6.7 | 6.7 | 12.7 | 8.2 |
| <i>Other assets (net)</i> | -24.8 | -42.6 | -40.0 | -14.2 | 16.4 |

Source: Central Bank of Bahrain

Examining the *sources of monetary expansion*, it is revealed that a 34.3% expansion in net domestic assets (NDA) was the key driver of the expansion in money supply during the fourth quarter (Table 3). In turn, the growth in NDA was primarily driven by the “other assets” category which witnessed a 16.4% reduction in the gap between assets and liabilities (compared to the 14.2% expansion in the deficit during 2007:Q3)². Claims on the private sector also rose by 8.2% while claims on government increased by 6.9%, further contributing to the expansion in net domestic assets.

² The “other assets, net” category refers to the balance of unclassified assets and liabilities of the central bank and commercial banks.

In contrast to developments in NDA, net foreign assets (NFA) declined by 3.5% during the fourth quarter, a reversal of the 6.6% growth recorded in the previous quarter. This was caused by a reduction in the net foreign assets of retail banks as speculation mounted that a revaluation of the dinar was imminent.

2. Credit Developments

During 2007:Q4, total domestic credit increased by 8% to BD4186.1 million, a slower growth rate when compared to the 12.3% growth of the previous quarter (Table 4). The major factor behind this trend was the slowdown in the growth of credit to the private sector from 13.6% in the third quarter to 6.9% in the fourth quarter. However, lending to general government rose sharply by 25.9%, reversing the 7.5% fall recorded during 2007:Q3.

Table 4: Trends in Domestic Credit (BD millions)

| | 2006:Q4 | 2007:Q1 | 2007:Q2 | 2007:Q3 | 2007:Q4 |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|
| Total Domestic Credit | 3033.4 | 3219.8 | 3453.6 | 3877.4 | 4186.1 |
| <i>Growth (%)</i> | <i>4.7%</i> | <i>6.1%</i> | <i>7.3%</i> | <i>12.3%</i> | <i>8.0%</i> |
| Credit to General Government | 161.5 | 152.1 | 213.0 | 197.0 | 248.2 |
| <i>Growth (%)</i> | <i>-15.9%</i> | <i>-5.9%</i> | <i>40.0%</i> | <i>-7.5%</i> | <i>25.9%</i> |
| Credit to Private Sector | 2871.9 | 3067.7 | 3240.6 | 3680.4 | 3937.9 |
| <i>Growth (%)</i> | <i>6.2%</i> | <i>6.8%</i> | <i>5.6%</i> | <i>13.6%</i> | <i>6.9%</i> |
| Memo Items | | | | | |
| Share of Private Sector Credit | 94.7% | 95.3% | 93.8% | 95% | 94.1 |
| Share of Public Sector Credit | 5.3% | 4.7% | 6.2% | 5% | 5.9 |

Source: Central Bank of Bahrain

Year-on-year, total domestic credit expanded by 38%, far exceeding the 17% growth rate of nominal GDP in 2006. Private sector credit shows a similar pattern, with year-on-year growth of 37%, indicating that the lending boom to households and business enterprises is persisting, despite the slowdown recorded during the fourth quarter.

In terms of composition, the private sector continues to receive the bulk of domestic credit, accounting for 94% during 2007:Q4, slightly down from the 95% recorded at the end of 2007:Q3. This slight decline reflects the acceleration of lending to the government and the slowdown in private sector lending during the last quarter of 2007.

A breakdown of private sector credit indicates that lending to business remains the primary driver of both “quarter-to-quarter” and “year-on-year” trends. Business credit slowed significantly during the fourth quarter, growing by 7.8% compared to the 26.2% recorded during 2007:Q3 (see Table 5, next page). Year-on-year, lending to business expanded by 51%. In contrast, personal loans increased by 5.8% during the quarter, reversing the 2.1% decline experienced during the third quarter. Year-on-year, personal loans rose by 19.2%.

Table 5 also presents a breakdown of lending to the private sector by activity. Personal loans stood at BD1493.3 million at the end of 2007:Q4, accounting for 38% of outstanding private sector credit. Personal loans “with salary assignment” represented the largest proportion of personal loans (45.5%), although this share has fallen compared to the 51.1% share attained in the third quarter.

Most of the growth in personal loans during 2007:Q4 occurred in the “credit card receivables” category, which expanded by 38.5% (compared to 8% in 2007:Q3), indicating a greater use of credit cards by Bahraini residents to finance their purchases. Loans “secured by property mortgage” also accelerated by 37.5%, remarkably higher than the 0.2% growth recorded in 2007:Q3.

Business loans stood at BD2444.6 million in 2007:Q4, representing 62% of outstanding private sector credit. Loans to the “construction and real estate” segment accounted for the largest share of business loans (32.2%), with the “trade” segment in second place at 30.2%. Most of the growth in business loans during 2007:Q4 occurred in the “non-bank financial” segment, which increased by 18.6% during the quarter. Notably, there were double-digit negative growth in loans to “transport and communication” (-14.6%), “hotels and restaurants” (-18.6%), “mining and quarrying” (-52.1%) and “other sectors” (-17.4%).

Table 5: Trends in Retail Private Domestic Credit (BD millions)

| | 2006:Q4 | 2007:Q1 | 2007:Q2 | 2007:Q3 | 2007:Q4 | 2007:Q4 GROWTH (%) |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|-----------------------|
| BUSINESS | 1619.0 | 1708.1 | 1798.3 | 2268.6 | 2444.6 | 7.8% |
| --Manufacturing | 312.3 | 296.4 | 290.6 | 369.0 | 425.4 | 15.3% |
| --Mining and Quarrying | 1.8 | 3.2 | 3.0 | 16.7 | 8.0 | -52.1% |
| --Agriculture, fishing and dairy | 6.5 | 6.5 | 6.0 | 5.7 | 6.4 | 12.3% |
| --Construction and real estate | 484.2 | 508.8 | 598.0 | 711.7 | 787.8 | 10.7% |
| --Trade | 551.5 | 597.2 | 540.9 | 650.4 | 737.7 | 13.4% |
| --Non-bank financial | 75.1 | 97.9 | 102.0 | 144.8 | 171.0 | 18.1% |
| --Transport and communication | 49 | 46.5 | 60.2 | 111.8 | 95.5 | -14.6% |
| --Hotels and restaurants | 22.0 | 24.1 | 35.7 | 54.4 | 44.3 | -18.6% |
| --Other sectors | 116.6 | 127.5 | 161.9 | 204.1 | 168.5 | -17.4% |
| PERSONAL | 1252.9 | 1359.6 | 1442.3 | 1411.8 | 1493.3 | 5.8% |
| --Secured by Property Mortgage | 232.0 | 262.6 | 272.9 | 273.4 | 376.0 | 37.5% |
| --Secured by Vehicle Title | 98.0 | 93.1 | 99.7 | 97.8 | 113.3 | 15.8% |
| --Secured by deposits | 15.5 | 28.2 | 26.6 | 28.7 | 25.7 | -10.5% |
| --With salary assignment | 729.7 | 762.4 | 777.9 | 721.5 | 679.3 | -5.8% |
| --Credit card receivables | 69.6 | 69.5 | 69.1 | 74.6 | 103.3 | 38.5% |
| Other | 108.1 | 143.8 | 196.1 | 215.8 | 195.7 | -9.3% |
| TOTAL | 2871.9 | 3067.7 | 3240.6 | 3680.4 | 3937.9 | 7.0% |

Source: Central Bank of Bahrain

3. Interest Rates

Short-term interest rates fell during 2007:Q4, reflecting the ongoing reductions in US interest rates (Table 6). Given the Bahraini dinar's peg to the US dollar, interest rates in Bahrain are required to closely track rates in the US.

The 3-month and 6-month inter-bank rates fell to 4.9% and 4.8% respectively by the end of the quarter, while the 3-month Treasury bill yield declined to 4%. The CBB key policy rate was also reduced to 4% by the end of the quarter.

Table 6: Structure of Interest Rates (%)

| | 2006:Q4 | 2007:Q1 | 2007:Q2 | 2007:Q3 | 2007:Q4 |
|--|---------|---------|---------|---------|---------|
| 3 month money market/inter-bank rate (BHIBOR)* | 5.2 | 5.1 | 5.2 | 5.2 | 4.9 |
| 6 month money market/inter-bank rate (BHIBOR)* | 5.2 | 5.1 | 5.2 | 5.2 | 4.8 |
| CBB Key policy rate (end-of-quarter) | 4.5 | 5.0 | 5.0 | 5.0 | 4.0 |
| 3 month treasury bill yield | 4.9 | 4.7 | 5.0 | 5.0 | 4.0 |
| 6 month treasury bill yield | 5.2 | 5.0 | 5.0 | 5.0 | 4.2 |
| Commercial bank lending rate—personal** | 8.9 | 9.1 | 9.0 | 9.3 | 9.3 |
| Commercial bank lending rate—business** | 7.6 | 7.6 | 8.0 | 7.6 | 6.9 |
| Commercial bank deposit rate (3-12 mths)** | 4.4 | 5.2 | 5.1 | 4.2 | 3.5 |

*BHIBOR was introduced in December 2006

** Weighted averages of rates during the last month of each quarter

Source: Central Bank of Bahrain

Corresponding to the reductions in the policy and other short-term rates, the weighted lending rate for business loans decreased by 70 basis points to 6.9% during the period (from 7.6% in 2007:Q3), although the rate for personal loans remained unchanged at 9.3%. However, average deposit rates (3-12 months) decreased from 4.2% to 3.5% during the quarter, resulting in a wider spread between deposit and lending rates.

Consequently, Bahraini individual account holders have not benefited from the recent reductions in interest rates as their borrowing rates remain unchanged while they have suffered a further reduction in their interest earnings on bank deposits.

4. Domestic Prices

In the fourth quarter of 2007, the Central Informatics Organisation (CIO) released Consumer Price Index (CPI) figures, based on a new basket of commodities (2006 base year). Available numbers for 2007:Q4 indicate that inflation as measured by the CPI was at 4.4%. However, this number is not directly comparable to inflation numbers from previous years, given the change in the underlying basket of commodities. Trend analysis of inflation rates will become easier in the coming months as a longer CPI time series develops.

5. Domestic Public Debt

In contrast to the downward trend of recent quarters, the size of Bahrain's domestic public debt (securities only) increased during the fourth quarter, rising by 18.5% to BD616.6 million (Table 7).

Table 7: Domestic Public Debt Outstanding (BD millions)

| | 2006:Q4 | 2007:Q1 | 2007:Q2 | 2007:Q3 | 2007:Q4 |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|
| Total Outstanding | 679.1 | 565.1 | 545.0 | 520.0 | 616.6 |
| --% of GDP* | 11.5 | 9.6 | 9.3 | 8.7 | 10.4 |
| Development bonds | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Treasury bills | 162.0 | 90.0 | 85.0 | 90.0 | 90.0 |
| Islamic leasing securities | 472.0 | 457.0 | 442.0 | 412.0 | 508.6 |
| Al Salam Islamic securities | 45.1 | 18.1 | 18.0 | 18.0 | 18.0 |

*Provisional 2006 GDP

Source: Central Bank of Bahrain

This change is mainly due to an expansion in the stock of Islamic leasing securities by BD96.6 million (23.4% increase). Both Treasury bills and Al Salam Islamic securities outstanding remained unchanged at BD90 million and BD18 million respectively.

Reflecting the increase in domestic public debt, the debt-GDP ratio rose to 10.4% by the end of 2007:Q4, compared to 8.7% as at end-Q3.

6. Exchange Rates and Official Reserves

During 2007:Q4, the Bahraini dinar appreciated against the Pound Sterling as the dollar strengthened against the Pound during December 2007. In contrast, the dinar depreciated against the Euro, Japanese Yen and Swiss Franc (Table 8).

Table 8: BD Exchange Rates Against Selected Currencies*

| | 2006:Q4 | 2007:Q1 | 2007:Q2 | 2007:Q3 | 2007:Q4 |
|----------------|---------|---------|---------|---------|---------|
| US Dollar | 0.376 | 0.376 | 0.376 | 0.376 | 0.376 |
| Pound Sterling | 0.736 | 0.739 | 0.752 | 0.758 | 0.751 |
| Euro | 0.493 | 0.501 | 0.506 | 0.532 | 0.554 |
| Japanese Yen** | 3.160 | 3.200 | 3.050 | 3.270 | 3.360 |
| Swiss Franc | 0.307 | 0.309 | 0.306 | 0.322 | 0.335 |

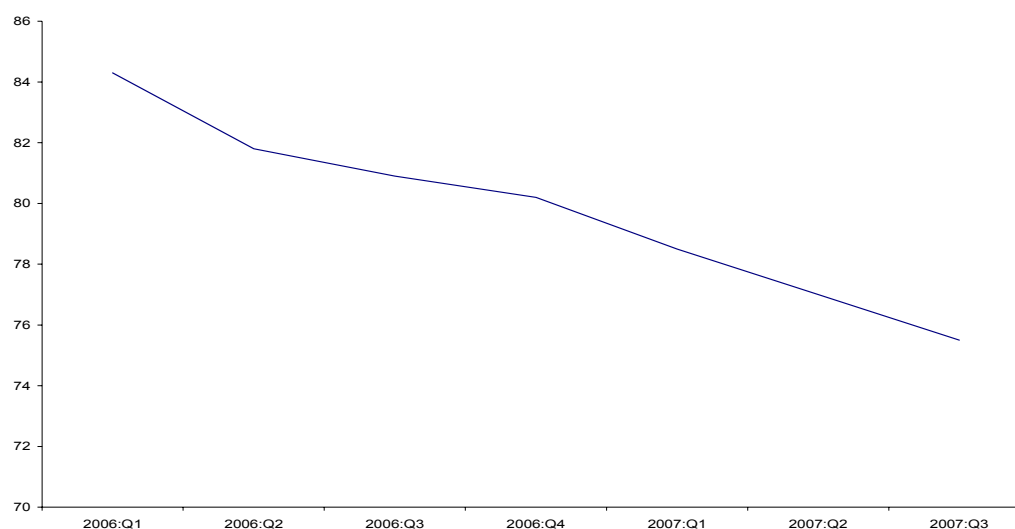
*Last working day of each period

** Per 1000 units

Source: Central Bank of Bahrain

Available data for end-2007:Q3 shows that Bahrain's Real Effective Exchange Rate (REER) is still trending downwards, suggesting continued improvements in the overall external competitive position (Chart 1).

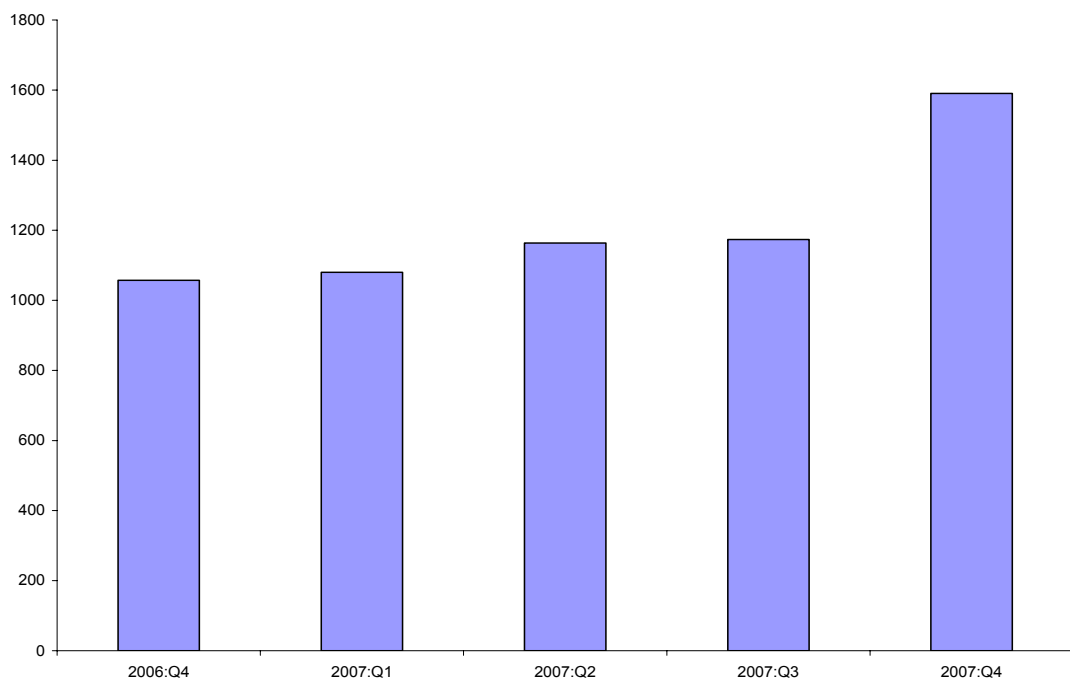
**Chart 1: Trends in Real Effective Exchange Rates
(2000=100; period averages)**



Source: IMF, International Financial Statistics, February 2008

The accumulation of official reserves accelerated during the fourth quarter, with the total level of reserves (gold, foreign exchange, SDR and IMF reserve position) standing at BD1590.6 million at the end of the quarter (Chart 2). This was 35.5% higher than the level at the end of the third quarter and 50.4% above the level attained during the same period of 2006.

Chart 2: Trends in Official Reserves—2006:Q4-2007:Q4 (BD millions)*



**Includes holdings of gold, foreign currencies, SDR and reserve position at the IMF*

Source: Central Bank of Bahrain

7. The Stock Market

During 2007:Q4, total market capitalization of the Bahrain Stock Exchange (BSE) rose to BD10.2 billion, compared to BD9.2 billion at the end of the third quarter (Table 9). Year-on-year, market capitalization was 28% higher than for the similar period of 2006. Growth in market size during 2007:Q4 was driven by the 19.3% expansion in the market capitalization of the “investment” segment.

Table 9: Market Capitalization on the Bahrain Stock Exchange (BD Million)*

| | 2006:Q4 | 2007:Q1 | 2007:Q2 | 2007:Q3 | 2007:Q4 | 2007:Q4 Growth (%) |
|-------------------|---------------|---------------|---------------|---------------|----------------|--------------------|
| Commercial banks | 2591.8 | 2546.8 | 3006.6 | 3122.6 | 3313.6 | 6.1% |
| Investment | 3680.4 | 3621.1 | 3874.6 | 4178.3 | 4983.5 | 19.3% |
| Insurance | 167.5 | 172.2 | 183.4 | 200.2 | 205.2 | 2.5% |
| Services | 1398.4 | 1227.1 | 1384.7 | 1519.7 | 1542.0 | 1.5% |
| Industrial | 16.8 | 16.0 | 16.2 | 16.7 | 16.6 | -0.6% |
| Hotel and Tourism | 108.1 | 113.4 | 117.9 | 119.5 | 124.0 | 3.8% |
| TOTAL | 7963.1 | 7696.8 | 8583.6 | 9157.0 | 10185.1 | 11.2% |

*end of quarter numbers

Source: Bahrain Stock Exchange

The BSE All-Share Index rose to 2755.27 points in the fourth quarter of 2007 (compared to 2543.92 in 2007:Q3)(Table 10). Measured year-on-year, the Index level during 2007:Q4 was 24.2% higher than the corresponding figure for 2006:Q4.

Table 10: Sectoral Indices of Bahrain All-Share Index*

| | 2006:Q4 | 2007:Q1 | 2007:Q2 | 2007:Q3 | 2007:Q4 |
|----------------------|----------------|----------------|----------------|----------------|----------------|
| Commercial banks | 2925.77 | 2876.03 | 3395.28 | 3526.30 | 3479.10 |
| Investment | 1848.22 | 1862.58 | 1993.65 | 2134.92 | 2546.61 |
| Insurance | 1883.96 | 1937.80 | 2065.76 | 2257.89 | 2315.99 |
| Services | 1957.76 | 1717.99 | 1938.63 | 2036.19 | 2031.39 |
| Industrial | 1456.41 | 1384.42 | 1411.59 | 1450.16 | 1438.47 |
| Hotel and Tourism | 2017.75 | 2117.57 | 2201.22 | 2231.37 | 2315.15 |
| OVERALL INDEX | 2217.58 | 2159.78 | 2409.27 | 2543.92 | 2755.27 |

*end of quarter numbers

Source: Bahrain Stock Exchange

Liquidity on the BSE improved during 2007:Q4, with the turnover ratio (value of trading as a share of market capitalization) rising to 1.7%, versus 1% during the previous quarter (Table 11). As in previous periods, trading was dominated by the “investment” and “commercial banks” segments which respectively accounted for 57.4% and 31.5% of the value of shares traded on the exchange during the period.

Table 11: Liquidity on the BSE

| | 2006:Q4 | 2007:Q1 | 2007:Q2 | 2007:Q3 | 2007:Q4 |
|---|---------|---------|---------|---------|---------|
| A. Overall Market Liquidity | | | | | |
| Value of Shares Traded (BD millions) | 88.5 | 41.0 | 92.0 | 94.8 | 175.2 |
| Market capitalization (BD millions) | 7963.1 | 7696.8 | 8583.6 | 9157.0 | 10185.1 |
| Turnover ratio* | 1.1 | 0.5 | 1.0 | 1.0 | 1.7 |
| B. Value of Shares Traded by Sector (% shares) | | | | | |
| Commercial banks | 46.3 | 36.7 | 34.5 | 39.1 | 31.5 |
| Investment | 48.6 | 48 | 44.2 | 45.8 | 57.4 |
| Insurance | 0.24 | 1.3 | 3.6 | 2.7 | 1.4 |
| Services | 4.7 | 7.9 | 11.2 | 11.1 | 9.0 |
| Industrial | 0.01 | 0.1 | 0.2 | 0.02 | 0.03 |
| Hotel and Tourism | 0.16 | 0.6 | 2.7 | 0.55 | 0.40 |

*Turnover ratio is calculated as value of shares traded as a percentage of total market capitalization

**Figures may not add to a hundred due to rounding

Source: Bahrain Stock Exchange

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