



Decide with Confidence

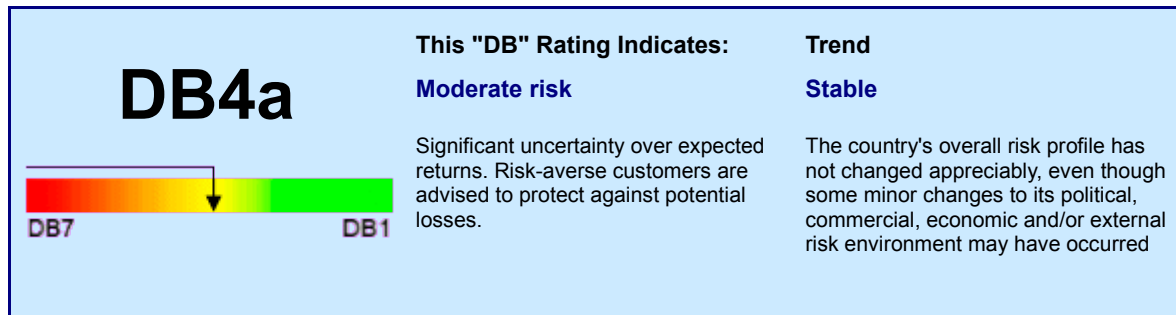
D&B Country RiskLine Report

BAHRAIN

Region : Middle East

Edition : July 2014

D&B Country Risk Indicator



The 'DB' risk indicator provides a comparative, cross-border assessment of the risk of doing business in a country and encapsulates the risk that country-wide factors pose to the predictability of export payments and investment returns over a two year time horizon. The 'DB' risk indicator is a composite index of four over-arching country risk categories:

Political risk - internal and external security situation, policy competency and consistency, and other such factors that determine whether a country fosters an enabling business environment;

Commercial risk - the sanctity of contract, judicial competence, regulatory transparency, degree of systemic corruption, and other such factors that determine whether the business environment facilitates the conduct of commercial transactions;

External risk - the current account balance, capital flows, FX reserves, size of external debt and all such factors that determine whether a country can generate enough FX to meet its trade and foreign investment liabilities;

Macroeconomic risk - the inflation rate, government balance, money supply growth and all such macroeconomic factors that determine whether a country is able to deliver sustainable economic growth to provide further expansion in business opportunities.

The DB risk indicator is divided into seven bands, ranging from DB1 through DB7. Each band is subdivided into quartiles (a-d), with an 'a' designation representing slightly less risk than a 'b' designation and so on. Only the DB7 indicator is not divided into quartiles.

Key Facts

Population:	1.33m
Surface area (sq km):	710
Capital:	Manama
Timezone:	GMT +03:00
Official language:	Arabic
Head of state:	King HAMAD bin Isa al-Khalifa
GDP (USD):	32.8bn
GDP per capita (USD):	24,615
Life expectancy (years):	75
Literacy (% of adult pop.):	86.5

Country Overview:

Bahrain is made up of a group of islands located in the Persian Gulf, and has been ruled by the al-Khalifa family since the 1780s. The kingdom gained independence from the UK in 1971 and is a member of the Gulf Co-operation Council.

Bahrain was the first Arab Gulf state to export oil commercially (1932), and petroleum production and processing still dominate the economy. However, Bahrain was also the first Gulf country to start the transition away from oil dependency. This transition has not been smooth; in the mid-1990s social and economic problems led to growing disillusionment and frustration, particularly among the majority Shi'a population (which has long complained of being discriminated against by the ruling Sunnis). These socio-economic problems, combined with calls for greater political freedom, have led to protests and sporadic anti-government violence, and have been one of the spurs for the economic and political reforms adopted in recent years.

Trade & Commercial Environment

Trade Terms

Minimum Terms:	SD
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The minimum form of documentation or trading method that D&B advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms:	LC
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D&B's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms:	30-60 days
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Normal period of credit associated with transactions with companies in the stated country.

Transfer Situation

Local Delays:	0-2 months
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The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays:	0-3 months
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The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.

Trade & Commercial Environment

In April, the World Trade Organisation delivered a positive appraisal on Bahrain for its 'relatively open trade and investment regime', and for the country never having been engaged in a trade dispute or resorting to measures such as anti-dumping. Ongoing reforms in customs procedures will include a single-window application. The World Bank's *Doing Business 2013* report ranked Bahrain 46th out of 189 countries, but 81st for trade and 122nd for enforcing contracts. Usual trade terms are 30-60 days, but political tension might sometimes put pressure on these. While the banking sector has healthy capital-adequacy ratios and relatively low non-performing loans, problems could arise if investor confidence weakens further against the backdrop of the uncertain political situation.

Export Credit Agencies

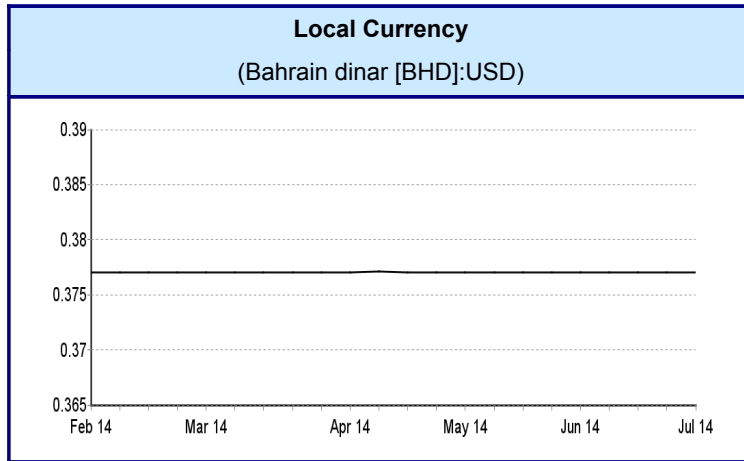
US Eximbank	Full cover available
Atradius	Full cover available
ECGD	Restrictions may apply
Euler Hermes UK	Full ST cover available

Economic Indicators

	2011	2012	2013	2014f	2015f
Real GDP growth, %	2.1	3.2	5.5	4.1	3.4
Inflation, annual ave, %	-0.4	2.8	3.2	2.2	2.6
Govt balance, % GDP	1.1	-2.0	-3.3	-4.2	-4.4
Oil price, USD/b	79.6	111.3	111.7	108.6	108.5
C/A balance, % GDP	11.2	7.3	7.8	10.5	9.0

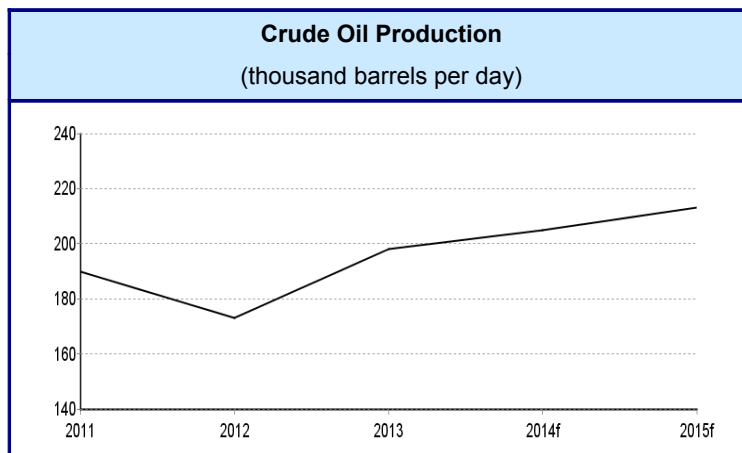
Currency Information

Exchange Rates	
(London, 07 Jul 14)	
EUR	0.5123
GBP	0.6465
JPY*	0.3693
USD	0.377
*(x 100)	



Local Currency (Bahrain dinar [BHD]:USD)						
	Feb 14	Mar 14	Apr 14	May 14	Jun 14	Jul 14
Week 1	0.377	0.377	0.377	0.377	0.377	0.377
Week 2	0.377	0.377	0.377	0.377	0.377	
Week 3	0.377	0.377	0.377	0.377	0.377	
Week 4	0.377	0.377	0.377	0.377	0.377	
Week 5		0.377				

Crude Oil Production



Data Table				
2011	2012	2013	2014f	2015f
190.0	173.0	198.0	205.0	213.0

Risk Factor

Recent developments mean that the risk level is 'moderate' with a stable outlook. There have been a number of negative political developments alongside one important positive, while on the economic side there are growing concerns about government finances. The political negatives revolve around parliament, which is dominated by government allies, given the withdrawal of the main Shi'a opposition party, Al-Wefaq, in 2011. In preparation for the possible return of Al-Wefaq (which previously held 18 of the 40 seats) in elections expected in November, the government is limiting parliament's power. Specifically, parliament increased the number of votes required to grill a minister in parliament from 50% to 68%, a nearly unobtainable threshold. It also abolished the municipal council in Manama, which Al-Wefaq dominates, in favour of an appointed body. Meanwhile, Al-Wefaq and other opposition parties say that they will boycott the elections (as they did in 2002) unless the government makes substantial concessions. There have also been continued human rights violations, including the killing of a 14 year old boy by police on 21 May. International organisations and governments continue to criticise Bahrain through various reports and at the UN Human Rights Council. The statements about Bahrain made there by EU countries caused the Gulf Co-operation Council (GCC) to cancel an EU-GCC foreign ministers meeting that had been planned in June.

The positive political development was the acquittal on 24 June of Khalid al-Marzooq, the deputy secretary general of Al-Wefaq, who had been arrested last September on charges of incitement to terrorism. His arrest, and the subsequent arrest of the secretary general, Ali Salam, undermined the national reconciliation process, which was eventually suspended. It is possible, but far from guaranteed, that his acquittal could create the conditions for a renewal of reconciliation negotiations. However, the process would have to move quickly to persuade Al-Wefaq to participate in elections.

On the economic side, concerns have been growing about Bahrain's government finances. Revenue declined by 3.0% in 2013 while current spending expanded by 14.0%. The deficit expanded to 3.3% of GDP (or 4.3% according to IMF calculations that included off-budget spending) and would have been significantly higher if a number of projects had not been delayed, resulting in a 35.0% fall in capital expenditure compared with 2012. Bahrain's public debt increased by 8 percentage points to 44% of GDP, according to the IMF, which has recommended that the government introduce a corporate income tax (a major concern for businesses) in an attempt to balance the budget. It is estimated that the fiscal break-even oil price is now USD125 per barrel.

Glossary & Definitions

DEFINITIONS

Minimum Terms:

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Recommended Terms:

D&B's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms:

Normal period of credit associated with transactions with companies in the stated country.

Local Delays:

The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

F/X Bank Delays:

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.

C/A (current account) balance, % GDP:

Part of the balance of payments that records a nation's exports and imports of goods and services, and income and transfer payments.

DSR (debt service ratio), %:

Annual interest and principal payments on a country's external debts as a percentage of exports of goods and services.

Govt balance, % GDP:

The balance of government expenditure and receipts.

Real GDP growth, %:

GDP adjusted for inflation.

Inflation, %:

The increase in prices over a given period.

GLOSSARY

CiA	Cash in Advance
CLC	Confirmed Letter of Credit
CWP	Claims Waiting Period
FX	Foreign Exchange
LC	Letter of Credit
LT	Long term
MT	Medium term
OA	Open Account
SD	Sight Draft
ST	Short term

Customer Service & Support

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D&B Country Risk Services

For information relating to D&B's Country Risk Services.

UK

Telephone: 01628 492700

Fax: 01628 492929

Email: CountryRisk@dnb.com

USA Inquiry

Telephone: 1-800 234-3867 option 1, 1 and then 2

Email: CountryRiskServices@dnb.com

Rest of World

Telephone: +44 1628 492700

Email: CountryRisk@dnb.com

D&B Customer Services

For all other information or queries relating to D&B products and services.

UK

Telephone: 0870 243 2344 (UK) / 1 890 923296 (IR)

Email: CustomerHelp@dnb.com

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