



DOHA DATELINE
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A recap with a glimpse of 2013

The easing measures of central banks can bring rallies across global markets in 2013

AS WE WELCOME the new year, we have a review of the key developments, which impacted economies, banking and markets in 2012 and expectations for 2013. Eleven countries have published the final set of Basel III regulations effective from January 1. Some of them are Australia, China, India, Japan, Saudi Arabia and Singapore. US banks have raised concerns that they would need to come up with an additional \$800 billion to comply with Basel III. The US fiscal cliff still looms and a solution is needed to prevent any adverse consequences such as US recession, financial market collapse, or US sovereign downgrades. The US economy growth is expected to reach 2.2 per cent for 2012 and further economic development next year will be contingent on budget deficit.

The IMF expects growth in the Middle East will be stronger this year at 5.3 per cent as key oil producing countries boost production and Libya's economy rebounds from conflict in 2011, but it brought down its 2013 forecast to 3.6 per cent.

Saudi economy real GDP growth is expected to be six per cent in 2012 and 4.2 per cent in 2013. The UAE economy real GDP growth is expected to be four per cent in 2012 and three per cent in 2013. Oman economy real GDP growth is expected to be five per cent in 2012 and four per cent in 2013. Bahrain economy real GDP growth is expected to be two per cent in 2012 and three per cent in 2013. Qatar economy is expected to grow up by six per cent in 2012. In 2013, overall growth of Qatar is expected to moderate to 4.5 per cent. The non-hydrocarbon sector is seen maintaining momentum through to 2013, but oil and gas growth will taper off. The current account surplus of Qatar will remain above 20 per cent in 2013.

In Saudi Arabia lending is ex-



Skyscrapers are seen behind pedestrians in Dubai Marina. The UAE real GDP growth is expected to be four per cent in 2012. — Bloomberg

pected to rebound in public sector projects. Medium- and short-term credits have been given importance. Saudi banks will maintain profitability at high levels in 2012 despite increase in provisions. Diminishing margins will prompt Saudi banks to seek different core operating income sources. In the UAE banking sector interest rates fall, lending is slow and profit margins shrink. The regulations on cap of loans to government and state owned companies and liquidity asset ratios have been postponed. In Oman, lending picked up by 13.3 per cent YTD in the first 10 months of this year. Oman government continued focus on diversification towards non-oil income is estimated to bring in private sector investments, which would support growth momentum. More regulations have come to regulate the Islamic finance in Oman.

Many GCC banks diversified

their liability base by raising bonds. In Qatar lending growth was at 24 per cent till November 2012 with government as the leading sector. Real estate lending also witnessed 10 per cent growth till November 2012. Foreign currency lending and funding continue to prevail in Qatar.

Funding was planned for Greece this year, but fiscal and banking union issues are yet to be sorted out in the eurozone, which needs to be addressed in 2013. Eurozone is expected to contract by 0.4 per cent for 2012 and grow up by 0.2 per cent by 2013. UK economy fell into double dip recession in 2012 and has recovered, however, the process of recovery is still slow. In 2012 the financial services industry witnessed challenges such as the anti-money laundering (AML), compliance issues and Libor rigging issue. 2012 was a year of challenge for emerging



economies. India had concerns of inflation, current account deficit, fiscal deficit and threat of sovereign downgrades this year and will remain in 2013. Concerns of hard landing in China will remain in 2013 as well. The Japanese yen continues to weaken after more easing measures planned by Bank of Japan.

Oil prices have invariably remained at high levels in 2012 due

to Iran tension and in medium-term Brent can touch \$125/ a barrel and WTI at \$100/ a barrel. However, with Libya and Iraq opening up oil supplies this could result in correction in oil prices by end of 2013. Gold and silver prices recently continued to drop on concerns of US fiscal cliff, however, gold can cross \$2,000 per ounce and silver \$35 in 2013 if fiscal cliff is resolved. Germany and Indian capital markets were the leading performers in 2012. The easing measures of various central banks can bring rallies across different capital markets in 2013. However the challenges to such rallies include US fiscal cliff, euro problems, domestic economic growth and inflation issues.

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