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**BANK OF CYPRUS
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ECONOMIC BULLETIN

World economy

The International Monetary Fund's latest World Economic Outlook Update (WEO Update - January 2013), reports that the world economy grew at a rate of about 3,0% in the third quarter of 2012, with economic conditions improving modestly, mainly aided by emerging market economies where activity picked up. Global financial conditions improved further in the fourth quarter of 2012, however indicators suggest that global growth did not.

The IMF reports that policy actions have lowered acute crisis risks in the euro area and the United States, but in the euro area, the return to recovery, after a protracted contraction is delayed. At the same time, policies have supported a modest growth pickup in some emerging market economies, although others continue to struggle with weak external demand and domestic bottlenecks.

In case crisis risks do not materialize and financial conditions continue to improve, global growth may well be stronger than projected, the IMF reports. However, it is stressed that downside risks remain significant, including renewed setbacks in the euro area and risks of excessive near-term fiscal consolidation in the United States. The IMF estimates that the world economy has grown by 3,2% in 2012, while it projects that world GDP is to grow by 3,5% in 2013, and by 4,1% in 2014.

For the United States, GDP growth reached 2,3% in 2012, while it is forecast to average 2% in 2013, rising above trend in the second half of the year. For 2014, GDP growth for the U.S. economy is

According to the International Monetary Fund, global growth economic conditions improved during the 3rd quarter of 2012, but growth did not during the 4th quarter of the year.

Downside risks remain significant, including a renewed setback in the euro area.

The IMF projects that for 2012, the world economy has grown by 3,2%, while for 2013 it will edge slightly higher, at 3,5%.

projected at 3,0%. In the euro area, progress in national adjustment and a strengthened EU-wide policy response to the euro area crisis seem to have reduced tail risks and improved financial conditions for sovereigns in the periphery. Thus, while a GDP contraction of – 0,4% is estimated to have been registered in 2012, activity is projected to contract by –0,2% in 2013 and return in positive territory in 2014 (GDP growth of +1,0%).

	GDP (%)		Consumer Price Index (%) ¹		Unemployment (%) ²	
	2012	2013	2012	2013	2012	2013
World Economy	3,2	3,5				
USA	2,3	2,0	2,0	1,8	8,2	8,1
Euroarea	-0,4	-0,2	2,3	1,6	11,2	11,5
Germany	0,9	0,6	2,2	1,9	5,2	5,3
France	0,2	0,3	1,9	1,0	10,1	10,5
Italy	-2,1	-1,0	3,0	1,8	10,6	11,1
Spain	-1,4	-1,5	2,4	2,4	24,9	25,1
United Kingdom	-0,2	1,0	2,7	1,9	8,1	8,1
Russia	3,6	3,7	5,1	6,6	6,0	6,0
China	7,8	8,2	3,0	3,0	4,1	4,1
India	4,5	5,9	10,2	9,6	-	-
Greece	-6,4	-4,4	1,0	-0,8	24,7	27,0
Cyprus	-2,3	-3,5	3,1	1,5	12,1	13,7

¹ Movements in consumer prices are shown as annual averages.

² National definitions of unemployment may differ.

Sources: International Monetary Fund – World Economic Outlook Update, January 2013 and World Economic Outlook, October 2012, European Commission: European Economic Forecast Winter 2013.

Cyprus economy

The Cyprus economy registered negative growth of –3,1% year-on-year, during the last quarter of 2012.

GDP for the whole of 2012 is estimated at –2,3% (preliminary estimate). Throughout the year, a rapid deterioration was observed in local and regional economic indicators and prospects.

Successive credit rating downgrades of the Republic of Cyprus throughout 2011 and 2012 to eventually ‘junk’ status, along with considerable losses incurred by the major local banks on their Greek debt exposure and the briskly deteriorating fiscal metrics of the country, led Cyprus to officially request a financial rescue package from the European Union, in June 2012.

The GDP growth of the Cyprus economy for the final quarter of 2012 was negative and amounted to –3,1%, year-on-year. The negative GDP growth rate for the Cypriot economy was registered for the sixth consecutive quarter, as the economy fell in recession as from the third quarter of 2011. During the last quarter of 2012, the secondary sector of the economy (construction, manufacturing), as well as the retail trade sector, transport sector and the services sector exhibited a negative performance. A positive contribution was made by the Legal and Accounting Services sector.

GDP growth for the whole of 2012 is preliminary estimated at –2,3%. Within the year, local and regional economic indicators and prospects deteriorated rapidly. The major banks in the country suffered huge losses on their sizeable Greek holdings (following the ‘haircut’ on Greek government bonds). Meanwhile, the inconclusive election result in Greece in May 2012, cast a heavier shadow over the gloomy euro area short-term economic outlook, with fears intensifying in relation to Greece’s possible exit from the eurozone. The June 17 new vote gave the New Democracy Party a marginal lead and the right to form a new coalition government.

The Cypriot government had lost market access following successive credit rating downgrades throughout 2011 and 2012, eventually to junk status by the three main credit rating agencies. Cypriot banks’ considerable losses incurred following the ‘haircut’ on Greek debt, coupled with the continuously and briskly deteriorating fiscal metrics of the Republic of Cyprus, rendered the Cypriot government the fifth eurozone Member State to formally request a financial bailout from the European Union, in June 2012.

Harmonised Index of Consumer Prices (HCPI) for 2012 at 3,1%.

Consumer Price Index (CPI) at 2,4% for the whole of 2012.

Registered unemployed persons at the end of December 2012 rose by 28,6% compared to December 2011 levels.

The government's fiscal balance is estimated to have ended in a deficit of -5,5% of GDP at the end of 2012, compared to -6,3% of GDP at the end of 2011.

Public debt expected to have reached 86,5% of GDP by the end of 2012.

Tourist arrivals rose by 3,0% in 2012. Tourist receipts in the period from January – November 2012 were also improved by 10,4%.

The main economic indicators of the Cyprus economy within 2012, are outlined below.

The **Harmonised Index of Consumer Prices (HCPI)** for the period **January – December 2012**, increased by **3,1%**, year-on-year. For the same 12-month period of 2012, the **Consumer Price Index (CPI)** increased by **2,4%** year-on-year.

Registered unemployed persons at the end of December 2012 rose to 41.625. Compared to December 2011 there was a marked increase of 8.730 persons, or 26,5%, which may be attributed mainly to the trade, construction, hotel and restaurant sectors, the manufacturing, public administration sectors, as well as to the new entrants in the labour force (an increase of 674 unemployed persons). The average number of unemployed persons during 2012 rose to 36.362, compared to 28.276 in 2011, an increase by 28,6%. The unemployment rate is expected to have reached 12,1% for the whole of 2012, compared to 7,9% in 2011.

The **fiscal balance** based on the recent European Commission's Winter 2013 Forecasts is estimated to have reached by the end of **2012** a **deficit of -5,5% of GDP**, compared to a deficit of -6,3% of GDP for 2011. The European Commission comments that the government deficit improved just slightly, despite the sizeable consolidation implemented in 2012.

The **Public debt** is expected to have reached **86,5%** of GDP at the end of 2012 (European Commission Winter 2013 Forecasts), from **71,1%** of GDP at end-2011.

Over the period from **January to December 2012** **tourist arrivals**

The risks prevailing for the Cyprus economy are numerous and tilted to the downside. The conclusion of a macro-economic adjustment programme for the country is expected to contribute towards greater economic stability.

The new President elected securing 57,5% of the vote in the second round of the country's Presidential elections seems committed to work hard in order to deal with the difficult economic issues before him.

Projections for 2013 and 2014 for the Cyprus economy point to a prolonged recession, on the back of further expected declines in domestic demand and investment activity.

reached 2.464.908 compared to 2.392.228 over the corresponding 2011 period, registering an **increase of +3,0%**. Over the 11-month period of 2012 from January - November, **tourist income** is estimated to have reached €1.886,1 million, compared €1.707,7 million over the corresponding 2011 period, registering an increase of **10,4%**. It should be noted that over the period from January – November 2012, **per capita tourist spending** reached €767,4 compared to €733,9 over the corresponding 2011 period, registering an increase by 4,6%.

Outlook

The risks prevailing for the Cyprus economy in the short to medium term are numerous and tilted to the downside. The conclusion of a macro-economic adjustment programme for the country is expected to provide a necessary ingredient towards stabilizing the economy. As from the 24th of February, Cyprus has a new President, who was elected securing 57,5% of the vote in the second round of the island's presidential elections. The new President appears committed to work hard in order to deal with the onerous economic issues tantalizing the country.

However, projections of the economic outlook for 2013 and 2014 point to a prolonged recession for the Cyprus economy, on the back of expected further declines in domestic demand and investment activity. As the European Commission also points out, the effects of much-needed fiscal consolidation (including measures affecting public sector wages, social outlays, increases in employee contributions and indirect taxes), coupled with increasing unemployment, are to heavily weigh on household disposable income.

On 25 January 2013 Fitch Ratings, after successive downgrades further downgraded the Cyprus Republic's long-term Issuer Default Rating (IDR) to 'B', with the outlook remaining negative.

Moody's Investors Service downgraded the Cyprus economy on 10 January 2013, to 'Caa3' from 'B3', with the outlook remaining negative. Cyprus' short-term government bond rating of 'Not Prime' was affirmed.

Furthermore, on the back of banks' deleveraging and the deceleration of credit growth, gross fixed capital formation is expected to decline further, thus sustaining the negative growth rates of the construction activity over the medium term.

Fitch Ratings downgraded the Republic of Cyprus' long-term and local currency Issuer Default Ratings (IDRs) to 'B' from 'BB-', on 25 January 2013. The Short-term IDR was affirmed at 'B'. The outlook on the Long-Term IDRs is Negative. Fitch simultaneously affirmed the Country Ceiling for Cyprus at 'AAA'. Fitch announced at the time that the downgrade of Cyprus's sovereign ratings partially reflected the agency's view that the size of the government support to the banking sector is likely to be higher than previous Fitch estimates. Fitch also noted that negotiations between the Troika and the authorities have been protracted, with lingering uncertainty about the timing and details of an EU-IMF rescue programme. A request for official aid by the Cypriot government was made in June 2012. While agreement has been reached on the size and type of the fiscal adjustment, disagreements remain on the potential privatization of state owned enterprises and the bank recapitalisation costs.

Moody's Investors Service also downgraded on 10 January 2013 Cyprus' government bond rating to Caa3 from B3, the outlook on the rating being negative. This rating action concluded the review for possible downgrade that was initiated on 16 November 2012. Cyprus's short-term government bond rating of 'Not Prime' was affirmed. As Moody's reported, the key driver of the downgrade was the anticipated rise in the Cypriot government's debt burden, driven principally by the increased recapitalisation needs of its banking system, following distressed exchanges on Greek government debt and rising delinquencies on loans to Greek and

Standard & Poor's downgraded the long term sovereign rating of the Cyprus economy on 20 December 2012 by two notches to 'CCC+', with the outlook remaining negative.

Cypriot obligators. According to Moody's the negative outlook assigned to the rating reflected Moody's view that the situation could significantly deteriorate over the next 12 to 18 months due to the ongoing liquidity concerns, the uncertainty over the exact size of the necessary bank recapitalisations and the uncertainty about the upcoming finalisation and signing of a Memorandum of Understanding (MoU) with the Troika.

Standard & Poor's (S&P) downgraded Cyprus' long-term sovereign ratings on 20 December 2012 by two notches to 'CCC+', the outlook being negative. The U.S. agency said that the two-notch downgrade was due to a considerable and rising risk that the country - one of the 17 European Union countries that use the euro - may default. It also maintained the negative outlook on the country, signaling that further downgrades are possible. S&P reported that the downgrade reflected the fact that the Cypriot government is running out of money, while uncertainty remains over the terms of a bailout that the country is trying to negotiate with international lenders and its euro partners.

Note: The above bulletin takes into consideration economic data and facts valid as at the end of February 2013.



Main Economic Indicators

	2009	2010	2011	2012 ¹	2013
<i>G.D.P. (real growth - %)</i>	-1,9	+1,3	0,5	-2,3	-3,5
<i>Unemployment (%)</i>	5,5	6,5	7,9	12,1	13,7
<i>Harmonised Index of Consumer Prices - %</i>	0,2	2,6	3,5	3,1	1,5
<i>Fiscal balance (% GDP)</i>	-6,1	-5,3	-6,3	-5,5	-4,5
<i>Public debt (% GDP)</i>	58,5	61,3	71,1	86,5	-
<i>Current Account Balance (% GDP)</i>	-10,7	-9,2	-4,2	-6,0	-1,7
<i>ECB marginal lending facility (31 Dec.-%)</i>	1,75	1,75	1,75	1,75	1,50

*ECB marginal lending facility

Sources of statistical data for Cyprus' economy: International Monetary Fund, European Commission, Ministry of Finance, Central Bank of Cyprus & Statistical Service.

Calendar 2012: The main economic, financial and political events in Cyprus, Greece and the world

In the table below the major economic and political events that took place within 2012, mostly in Cyprus and Greece, but also internationally are listed. It should be noted that this table is by no means exhaustive of all important events of the said year that took place in the world.

January	<i>Protests intensify in Syria</i>	An 88-member Arab Parliament called for the immediate withdrawal of Arab League monitors in Syria because the government continued to crackdown on opponents, despite the monitors being in the country. On January 6, a bomb exploded in Damascus, killing 25 people and injuring dozens more. It was the second attack in the capital within a period of two weeks. On January 11, President Bashar al-Assad appeared in public for the first time since the uprising began, thanking the crowd for supporting him.
	<i>European Union Agrees to Impose Oil Embargo on Iran</i>	The countries within the European Union agreed to impose an embargo on Iranian oil. France stressed the importance for sanctions and an embargo, as a way to get Iran to halt uranium enrichment and end its nuclear weapon efforts.
	<i>Cruise ship capsizes off Italian coast</i>	The Costa Concordia, a cruise ship, slammed into a rock and capsized near the island of Giglio, which is off the coast of Italy. The accident caused the cruise industry's safety issues to fall under global scrutiny.
	<i>Standard & Poor's downgrades Cyprus, Outlook negative</i>	Standard & Poor's Ratings Services lowered on 13 January its long-term and short-term sovereign credit ratings on the Republic of Cyprus by two notches to 'BB+' from 'BBB', and 'B' from 'A-3', the outlook being negative.
	<i>Fitch Ratings downgrades Cyprus, Outlook negative</i>	On 27 January 2012, Fitch Ratings downgraded the Republic of Cyprus' Long-term Issuer Default Rating (IDR) to 'BBB-' from 'BBB', with a negative outlook. The sovereign's Short-term IDR was affirmed at 'F3'.
February	<i>Russia and China prevent U.N. Action in Syria</i>	Russia and China vetoed an effort by the United Nations Security Council to end the violence in Syria. The veto happened just hours after the Syrian military had launched an assault on the city of Homs. The Security Council voted 13 to 2 for a resolution backing an Arab League peace plan for Syria. China and Russia voted against the resolution, seeing it as a violation of Syria's sovereignty. Up to that time, Syria's 11-month uprising had caused more than 5.000 casualties.
	<i>Protest turn violent over austerity measures in Greece</i>	Demonstrations in Athens turned violent the day before Parliament was set to approve Greece's new austerity measures. At least 80.000 people protested. Demonstrators threw rocks at the police. By nightfall protestors started using Molotov cocktails. More than 40 buildings were set on fire. On February 13, the Greek Parliament voted and approved the harsh, new austerity measures. The measures were the only way foreign lenders would loan Greece the money it needed to keep the country from defaulting on its debt.
	<i>People stranded by floods in Australia</i>	Tens of thousands of people were stranded by floods in the Australian states of New South Wales and Queensland.

	<i>Queen Elizabeth II marks her 60th anniversary to the throne</i>	Queen Elizabeth II, marked her 60 th anniversary of becoming Britain's Monarch, becoming only the second to do so.
	<i>President of Germany resigns</i>	The President of Germany, Christian Wuff, resigned over a corruption scandal.
March	<i>Moody's downgrades Greece, no outlook assigned to the ratings</i>	Moody's Investors Service downgraded on 2 March, 2012, Greece's local and foreign currency bond ratings to 'C' from 'Ca' and had not assigned an outlook to the ratings.
	<i>EU signs new fiscal compact</i>	New fiscal compact to prevent excessive debt was signed by 25 out of 27 European Union members.
	<i>Putin wins Presidential election in Russia</i>	Vladimir Putin won the presidential election in Russia, claiming 64% of the vote. On March 5, however, observers from the Organization for Security and Cooperation in Europe challenged the election, saying Putin won because he had no competition and government spending at his disposal. The United States and the European Union called for an investigation into fraud allegations. Meanwhile, thousands of demonstrators in Moscow hit the streets, claiming a 'Russia without Putin'.
	<i>Greece secures debt-restructuring</i>	Greece secured debt-restructuring deal with private lenders.
	<i>Toyota recalls vehicles on safety concerns</i>	Toyota recalled 700.000 vehicles on March 8, over safety concerns.
	<i>Moody's downgrades Cyprus</i>	Moody's Investors Service downgraded Cyprus' government debt to 'Ba1' from 'Baa3' on 13 March 2012.
	<i>Assad agrees to cease-fire</i>	On March 21, the UN Security Council issued a presidential statement backing a plan outlined by former UN Secretary – General Kofi Annan that largely mirrored the proposal brokered in November 2011 by the Arab League. The plan called on the Syrian government to stop killing civilians, engage in talks with the opposition, withdraw forces from the streets, and begin a transition to a democratic, political system. Russia and China, which had previously vetoed resolutions condemning Bashar al-Assad, endorsed the document. Assad accepted the statement and agreed to a cease-fire. He later said he would withdraw troops from cities by April 10. Many observers were skeptical, however, that he would make good on his promises. The UN estimated that about 9.000 people had been killed in the fighting up to that point in Syria.
	<i>Encyclopedia Britannica discontinues its print edition</i>	On March 13, after 244 years since its first publication, the Encyclopedia Britannica discontinued its print edition.
	<i>China records record trade deficit</i>	China recorded its highest trade deficit in over a decade.
	<i>Wendy's overtakes Burger King</i>	Wendy's overtook Burger King to become the second best selling hamburger chain in the United States.
	<i>Harsh austerity in Spain</i>	The Spanish Government cut €27 billion from its budget in one of its toughest austerity driver in history.

	<i>Mastercard and VISA announce security breach</i>	Mastercard and VISA announced a massive breach in security with over ten million compromised credit card numbers.
April	<i>Further protests in Athens</i>	A 77 year-old pensioner's suicide outside Greece's parliament prompted further protests in Athens.
	<i>Uncertain cease-fire in Syria</i>	On April 12, a United Nations backed cease-fire began in Syria. No attacks by government forces were reported. On the following day, thousands of Syrians protested across the country. The demonstrations were seen as a test for the day-old cease-fire. A few days later, and while UN representatives attempted to reach an agreement with Syria on how to monitor the cease-fire, government forces attacked the city of Homs.
	<i>Earthquakes trigger tsunami warnings in Indonesia</i>	On April 11, two earthquakes hit off the coast of Indonesia, triggering tsunami warnings. The first quake hit with a magnitude of 8,6, sending tremors through India, Malaysia, Singapore and Thailand. A second quake, the largest of many aftershocks, hit with the magnitude of 8,2, but there was no tsunami and no serious damage.
	<i>Greece's Prime Minister resigns</i>	Prime Minister of Greece, Lucas Papademos, resigned and called an election for May 6.
	<i>North Korean rocket testing results in failure</i>	North Korean long range rocket testing ended in failure after the rocket broke up short after launch.
	<i>China loosens monetary policy</i>	China loosened its monetary policy and allowed the Yuan to fluctuate up to 1% against the US dollar.
	<i>Netherlands' Prime Minister resigns</i>	Netherlands' Prime Minister, Mark Rutte, tendered resignation, paving the way for early elections in the country.
	<i>One World Trade Center becomes the tallest building in New York</i>	The unfinished One World Trade Center overtook the Empire State building to become the tallest building in New York.
May	<i>President Obama and Karzai sign agreement</i>	On the first anniversary of the killing of Osama bin Laden, President Obama made a surprise visit to Afghanistan. During his visit, Obama signed an agreement with President Karzai that promised the U.S. would provide Afghanistan development assistance for 10 years after troops withdraw in 2013.
	<i>Francois Hollande becomes President for France</i>	Francois Hollande defeated Nicolas Sarkozy to become President of France. With the victory, Hollande became the first Socialist president since Francois Mitterand's term ended in 1995. Hollande's victory was seen as a sign that France had grown weary of Germany's dominance with the economic austerity policy in the euro zone.
	<i>Putin becomes President of Russia for the third time</i>	The day before Vladimir Putin's third inauguration as Russia's president, demonstrations turned violent with 20.000 antigovernment demonstrators battling police near the Kremlin. The fighting included smoke bombs, bottles and sticks. On May 7, while Putin officially took office, the protests continued and the police arrested 120 people. The violence was a dramatic shift because even though antigovernment protests had been going on for months, the demonstrations had been peaceful up to that time.

	<i>Attack in Syria kills dozen of children</i>	Thirty-two children under age ten were killed when the Syrian government attacked the village of Houla. The United Nations blamed the deaths on government tanks and artillery, saying many of the victims were executed in their homes. President Assad, however, claimed terrorists carried out the attack. Eleven nations, including the U.S., expelled Syrian diplomats, and the UN Security Council unanimously criticized the outrageous use of force against residents and the government's role in the attack.
	<i>Greece fails to form a coalition government</i>	Greece's fifth attempt to form a coalition government failed and new June elections were scheduled.
	<i>Facebook shares go public to disappointing results</i>	On May 17, Facebook became a public company, raising \$14 billion in its initial public offering, at \$38 a share, which gave the company a value of \$104 billion. This made Facebook the third-largest public offering in the history of the U.S., behind General Motors and Visa. On the following day, Facebook shares started selling at \$42,05, but closed at \$38,23, only 0,6% above the I.P.O. price, a disappointing start to going public.
	<i>A 6,0 magnitude earthquake strikes Northern Italy</i>	A 6,0 magnitude earthquake hit the northern region of Emilia Romagna, killing at least five people. Dozens more were injured and many historic buildings were damaged. At least 3.000 people were left homeless. A 5,1 magnitude aftershock caused further damage to the region.
	<i>Tokyo Skytree opens to the public</i>	On May 22, Tokyo Skytree, the tallest self-supporting tower in the world, at 634 metres high, was opened to public.
June	<i>Mubarak sentenced to life in prison</i>	Former President of Egypt, Hosni Mubarak, was sentenced to life in prison for being an accomplice in the killing of unarmed protestors during the January 2011 demonstrations. The Judge dismissed corruption charges against Mubarak because the statute of limitations had run out. Lower level officials were acquitted. Angry over the verdict, thousands of demonstrators hit the streets in Cairo and other cities. Egypt's military-led government announced it would appeal the verdict.
	<i>Fitch downgrades Spain</i>	Credit rating agency Fitch downgraded on June 7, Spain's credit rating to 'BBB' in the wake of international bailout speculation. Two days later, it was announced that up to \$125 million in loans would be given to aid Spain's struggling banks.
	<i>United Nations declares civil war in Syria</i>	United Nations monitors found evidence of mass atrocity in the small village of Quebeir. The monitors posted footage online, providing the first visual evidence from a neutral source of the crimes occurring in Syria. Troops clashed with rebel fighters on June 9, in Dara'a. At least 17 people were killed including women and children.
	<i>Moody's further downgrades Cyprus</i>	Moody's Investors Service downgraded Cyprus' government debt to 'Ba3' from 'Ba1' on 13 June, placing the sovereign ON WATCH for possible further downgrade.

	<i>A new government forms in Greece</i>	On June 17, the center-right New Democracy party prevailed in Greece's parliamentary elections, winning 29,7% of the vote. The far-left Syriza party, which strongly opposed the terms of the EU bailout, took 26,9% and Pasok, the Greek Socialist party, placed well behind with 12,3%. On June 20, New Democracy quickly formed a coalition with Pasok and the Democratic Left, and Antonis Samaras, the Leader of New Democracy, was sworn in as prime minister. Samaras, who had been cool to the austerity measures and had advocated a course of growth rather than cuts, said he planned to renegotiate some of the terms of the country's bail-out packages.
	<i>Morsi declared President of Egypt</i>	Election regulators declared the Muslim Brotherhood Candidate Mohamed Morsi the winner of Egypt's first competitive presidential election. Morsi became the country's fifth president and first from outside the military. Morsi, who won with 51,7% of the vote, is also the first Islamist elected leader of an Arab state.
	<i>Moody's downgrades 15 major banks</i>	Moody's Investor Services downgraded on June 21, 15 major banks in the UK, US, Canada and Europe.
	<i>Fitch downgrades Cyprus to 'BB+', Outlook negative</i>	On 25 June, Fitch Ratings downgraded the Republic of Cyprus' Long-term foreign and local currency Issuer Default Rating (IDRs) to 'BB+' from 'BBB-'. The Short-term IDR was also downgraded to 'B' from 'F3'. The Outlook on the Long-term IDRs was Negative.
July	<i>Unrest continues in Syria as soldiers defect</i>	In one of the largest military defections since the uprising in Syria began, eighty-five Syrian soldiers fled to southern Turkey. The defecting soldiers included one general and over a dozen lower-ranking officers.
	<i>Libya holds first National Election since Qaddafi</i>	On July 7, for the first time since Muammar Qaddafi was ousted, Libyans voted in a national election. At least two people were killed due to armed assaults on voting centers. In the city of Kufur, some voting centers closed due to an ongoing battle between tribes. Despite these obstacles, turnout was over 60%.
	<i>Tallest building in Europe opens</i>	The Shard, the tallest building in Europe, was opened and stands at 309,6 metres (1.016 ft).
	<i>China's economic growth drops to 7,6%</i>	China's economic growth dropped to 7,6%, its lowest level for three years.
	<i>Russia and China veto U.N. sanctions on Syria</i>	On July 19, Russia and China vetoed a United Nations Security Council resolution to impose sanctions on the Syrian government. The proposed U.N. sanctions were intended to push Syria into putting a peace plan into action and ending its 17-month-old conflict. The resolution was proposed by Britain and backed by ten other council members, including France and the United States.
	<i>New president elected in India</i>	Pranab Mukherjee was elected President of India.
	<i>2012 Summer Olympic Games open with an unconventional ceremony in London</i>	On July 27, some 80.000 people in Olympic Stadium and billions worldwide watched as Britain celebrated its milestones and points of pride, from the Industrial Revolution to its National Health System.

	<i>India hit by massive power failure</i>	On July 30, more than half of India's population – 700 million people living in 22 out of the country's 28 states – lost power. The cause of the power failure was not determined. For the most part, Indians took the blackout in stride, as such events are not unusual in a country whose power grid is still in development.
	<i>European Central Bank cuts lending rates to a record low</i>	In an effort to prevent further deterioration of the euro zone crisis, the European Central Bank cut its benchmark rate from 1% to 0,75%. The cut brought the bank's lending rate to its lowest point ever. The hope was that the move would unblock the flow of credit.
	<i>Physicists find elusive key to universe particle</i>	Ending what had become the most expensive and longest search in science, physicists discovered a new subatomic particle. The particle appears to be the Higgs boson, the elusive last key to understanding why we have life and diversity in the universe. The Higgs boson is the missing part of the Standard Model equations that have stood as law of the cosmos for thirty-five years. The announcement came from physicists at CERN, the world's largest particle physics laboratory, located in Geneva, Switzerland.
	<i>More than one hundred die in Russia due to floods</i>	A major rainstorm created massive flooding and killed at least 104 people. One of the worst weather-related disasters to hit Russia in years, the storm unleashed 11 inches of rain on Russia's Black Sea coast. State television reported that it was one of the country's worst weather-related disasters in years.
August	<i>Syria sinks further into civil war</i>	Kofi Annan resigned as UN special envoy to Syria, citing the Syrian government's refusal to implement his peace plan, intensifying violence by rebels, and discord within the Security Council. On August 6, Prime Minister Riyad Farid Hijab and at least two other ministers defected to Jordan and announced that they would support the opposition. These were the highest-level defections up to that time and were clear signs that Assad's hold on power was dwindling. On August 15 the crisis in Syria spilled into Lebanon when more than 20 Syrians were kidnapped in Lebanese territory. The following day the United Nations Security Council terminated its observer mission in Syria due to the increasing violence. On August 20, President Obama vowed military action against the Syrian government if biological or chemical weapons in Syria were moved. It was the biggest threat of U.S. intervention up to the time.
	<i>Oscar Pistorius fist amputee to compete at the Olympics</i>	South African Oscar Pistorius became first amputee athlete to compete at the Olympics.
	<i>Summer Olympics completed</i>	On August 12, the 2012 Summer Olympics closing ceremony completed the games.
	<i>Punk band is convicted of hooliganism in Russia</i>	On August 17, the three members of the all-female punk band Pussy Riot were convicted of hooliganism and sentenced to two years in a penal colony for performing an anti-Putin song on the altar of Moscow's main Orthodox cathedral.
	<i>U.S. military death toll reaches 2.000 in Afghanistan</i>	On August 21, the United States military reached 2.000 deaths in Afghanistan, based on The New York Times' Department of Defense records. It was an unfortunate milestone in the nearly 11-year-old war.

	<i>Russia enters the World Trade Organization</i>	On August 22, after 19 years of negotiations, Russia became the newest member of the World Trade Organization, along with Vanuatu. Russia had cut tariffs on imports and set limits on export duties as part of a series of reforms enacted to qualify for entry into the international trading arena. Expectations of membership included an increase of 3% in the Russian GDP, more foreign investment, and a doubling of U.S. exports to Russia – as long as trade relations were normalized through the lifting of the 1974 Jackson-Vanik amendment.
	<i>Rover lands on Mars</i>	On August 5, a plutonium-powered rover named Curiosity successfully landed on Mars. Larger than earlier rovers, Curiosity was planned to spend two years examining the land, looking for evidence that conditions on Mars are fit for life. NASA celebrated the mission with a post-landing news conference.
	<i>Floods submerge Manila</i>	On August 7, floods from torrential rains submerged Manila, capital of the Philippines and its suburbs. More than 50 people were killed in the storms and flooding. At least 250.000 were evacuated in the worst flood the area had seen since 2009, when two storms killed more than 900 people.
	<i>Hurricane Isaac hits the Gulf Coast</i>	On August 29, exactly seven years after Katrina battered the Gulf Coast, Hurricane Isaac hit the same area. Declared a Category 1, Isaac’s winds roared at 80 miles per hour and the hurricane moved slowly across the region, but it lacked the strength of Katrina. Around 3.000 people evacuated Plaquemines Parish, an area 95 miles from New Orleans. In Louisiana, more than 600.000 residents lost power, but the city of New Orleans avoided any major damage.
September	<i>Violence continues in Syria</i>	On September 1, opposition fighters seized an air base in Deir el-Zour. Along with the base, they captured 16 Syrian soldiers, weapons, and ammunition. On September 4, the United Nations reported that more than 100.000 people fled Syria in August. The surge accounted for 40% of the 234.000 people who had registered with the United Nations for assistance since the fighting in Syria began. The surge of refugees coincided with President Bashar al Assad’s government increase in attacks on areas in Syria where the opposition was strong. On September 5, Iran resumed sending military equipment to Syria to aid the government in its fight against the opposition. Iran is using Iraq’s airspace to send the supplies. Iraq’s role in the operation showed what little influence the United States had over them. The Obama administration had pressed Iraq to shut down the air corridor that Iran used to ship the supplies to Syria.
	<i>New DNA Discovery provides crucial data on complex diseases</i>	On September 5, scientists discovered that gene switches, once thought of as junk in DNA, actually play vital roles in how cells, organs and tissues behave. The discovery was considered a major scientific breakthrough. Many diseases such as diabetes and high blood pressure appear to be caused by tiny changes within these gene switches. The discovery will also provide clues to how the environment affects disease risk and how one identical twin gets a disease like cancer, while the other remains healthy.
	<i>Moody’s warn US of risk to lose its AAA rating</i>	The US was warned by Moody’s that it’s AAA rating is at risk if lawmakers failed to produce a long-term debt reduction plan.

	<i>Japan to phase out nuclear energy by 2030</i>	Japan announced that it would phase out nuclear energy by the 2030s.
	<i>Canada officially cuts diplomatic ties with Iran</i>	Canada officially cut diplomatic ties with Iran by closing its embassy in Tehran and ordered the expulsion of Iranian diplomats from Ottawa, over support for Syria, nuclear plans and human rights abuses.
	<i>New president of the House of Representatives elected in the Netherlands</i>	Annouchka van Miltenburg was elected President of the House of Representatives in Netherlands.
	<i>Terrorist attacks worldwide</i>	A series of terrorist attacks were directed against United States diplomatic missions worldwide, as well as missions of Germany, Switzerland and the United Kingdom. In the U.S., opinions were divided over whether the attacks were a reaction to a YouTube trailer for the film 'Innocence of Muslims'.
	<i>General strike called in Greece</i>	On September 26 th , Greek trade unions called a general strike to protest against austerity measures.
October	<i>Hurricane Sandy wreaks havoc</i>	Sandy, which blew into the Caribbean as a tropical storm, was upgraded to hurricane status as it hit Cuba, Haiti and Jamaica. A Category 2 hurricane, Sandy left 44 dead in the region. Later on Hurricane Sandy blew through the Bahamas. As it approached Florida and the East coast of the U.S., it collided with a midlatitude trough (a storm system that causes severe winter weather). The storm system grew as it barreled up the East Coast, spreading to some 1.000 miles wide. Hurricane Sandy made landfall in Atlantic City, New Jersey and was re-classified as a post-tropical cyclone. New Jersey, New York, and Connecticut were hardest hit by Sandy, and about 8 million people lost power as a result of the storm. Sandy had caused at least 100 deaths and an estimated \$30 billion in damages, making it the second costliest hurricane in the United States, behind Katrina.
	<i>Hugo Chavez wins third term</i>	On October 7, Hugo Chavez won the presidential election in Venezuela. He received 54% of the vote. His opponent, Henrique Capriles Radonski, received 45%. Even though it was the narrowest margin of victory, Chavez still won easily. That will be Chavez third six-year term as a President.
	<i>Lebanon is dragged into war in Syria</i>	A bomb exploded in Beirut's Christian section. Eight people were killed and at least 80 were wounded.
	<i>Moody's downgrades Cyprus for the third successive time within 2012</i>	Moody's Investors Service downgraded Cyprus' government debt to 'B3' from 'Ba3' on 08 October.
	<i>Further protests in Greece</i>	Tens of thousands protested against austerity measures in Greece once again.
	<i>Protests in Madrid</i>	Thousands demonstrated in Madrid against proposed budget cuts.
	<i>World largest publisher emerges after merger</i>	Publishing companies Penguin and Random House merged to form the world's largest publisher.

November	<i>New proposal presented to end conflict in Syria</i>	<p>On November 1, China, one of the Syrian government’s main allies, presented a new proposal to end the conflict in Syria. The plan called on stronger international support for refugees and a truce brought about in phases. The proposal did not call for President Bashar al-Assad to step down. On November 11, Syria’s opposition groups agreed to form a new governing body that would unify the many rebel groups under one umbrella. The 50-person body, called The Syrian National Initiative, would replace the Syrian National Council, which had come under fire for being largely ineffective and having few leaders living in Syria. The new organization would include younger leaders and would have strong representation inside the country. It would also oversee the opposition’s military and would manage the distribution of weapons and funds. The group’s leader, Sheikh Ahmad Moaz al-Khatib, said he hoped that the new body would be viewed with legitimacy and receive financial assistance and weapons from the international community. On November 12, tanks from Israel fired on Syrian artillery units in response to mortar fire near an army post in the Israeli-held Golan Heights. The following day, France became the first Western country to officially recognize the new Syrian rebel coalition. On November 14, the government in Syria called France’s recognition of the Syrian rebel coalition an ‘immoral act’. Meanwhile, for the third day in a row, Syrian authorities ordered airstrikes on the area near their border with Turkey. On November 26, the Syrian rebels seized a key military base and airport near Damascus. They also took control of a hydroelectric dam on the Euphrates River. On November 29, commercial air traffic was stopped and internet access was unavailable throughout Syria. U.S. government officials said that the Obama administration was getting closer to recognizing the National Coalition of Syrian Revolutionary and Opposition Forces, as well as considering more intervention to remove al-Assad from power.</p>
	<i>Israel kills Hamas commander in Gaza attack</i>	<p>In one of its biggest attacks on Gaza since the invasion four years earlier, Israel launched an aerial attack and hit at least 20 targets. One of those targets was a Hamas military commander. He was killed while traveling through Gaza in a car. The airstrikes were in response to recent, repeated rocket attacks by Palestinian militants located in Gaza. After continued attacks for several days by Israel, on November 21, Egypt’s foreign minister, Mohamed Kamel Amr and U.S. Secretary of state Hillary Clinton announced that a cease-fire had been signed. Both sides agreed to end hostilities toward each other and Israel said it would open Gaza border crossings, allowing the flow of products and people into Gaza, potentially lifting the 5-year blockade that had caused much hardship to those living in the region.</p>

	<p><i>UN approves non-member state status for Palestine</i></p>	<p>The United Nations General Assembly approved an upgrade from the Palestinian Authority's current observer status to that of a non-member state. The vote came after Palestinian President Mahmoud Abbas spoke to the General Assembly and asked for a 'birth certificate' for his country. Of the 193 nations in the General Assembly, 138 voted in favor of the upgrade in status. While the vote was a victory for Palestine, it was a diplomatic setback for the U.S. and Israel. Having the title of 'non-member observer state' will allow Palestine access to international organizations such as the International Criminal Court (ICC). If they join the ICC, Palestine can file complaints of war crimes against Israel. In response to the UN vote, Israeli Prime Minister Benjamin Netanyahu announced that Israel would not transfer about \$100 million in much needed tax revenue owed to the struggling Palestinian Authority and would resume plans to build 3,000-unit settlement in an area that divides the north and the south parts of the West Bank, thereby denying the Palestinians any chance for having a contiguous state.</p>
	<p><i>Barack Obama wins re-election</i></p>	<p>On November 6, President Obama was re-elected, narrowly defeating Republican nominee Mitt Romney. Obama prevailed in both the electoral college (303 to 206) and the popular vote (50% to 48%), buoyed largely by taking several crucial battle states.</p>
	<p><i>Series of protests across Europe</i></p>	<p>A series of protests occurred against austerity measures across Europe, including Spain, Portugal and Greece.</p>
	<p><i>The U.S. economy approaches possible fiscal cliff</i></p>	<p>On November 29, after president Obama's re-election, the focus in Washington shifted quickly toward the Federal Budget and a possible approaching fiscal cliff. The Congress session begun in late November 2012 and faced the Bush-era tax cuts as well as Obama's stimulus measures expiring on December 31, 2012. These measures and cuts were set to expire just as the government planned to severely cut federal spending. The Congressional budget office predicted that the economy would fall back into a recession if the planned \$500 billion in spending cuts were taken out of a still struggling economy at the same time that stimulus measures expired, thus sending the U.S. economy over a fiscal cliff. Obama's proposal asked for a \$1,6 million tax increase over ten years, refinancing of home mortgages, an end to Congressional control over statutory borrowing limits, and \$50 billion for immediate stimulus spending. If Republicans agreed to his proposal, Obama would in return work to save \$400 billion from Medicare and other domestic programs, but with no guarantees. Republicans reacted immediately to Obama's proposal with very strong resistance.</p>
	<p><i>Moody's Investors Service places Cyprus ON WATCH for a possible further downgrade</i></p>	<p>Moody's Investors Service announced on November 16 that it placed Cyprus' credit ratings ON WATCH signaling a potential further downgrade of the sovereign (which came about in January 2013).</p>
	<p><i>Fitch Ratings downgrades Cyprus to 'BB-' from 'BB+', Outlook Negative</i></p>	<p>On 21 November, Fitch Ratings downgraded the Republic of Cyprus' Long-term foreign and local currency Issuer Default Rating (IDRs) to 'BB-' from 'BB+'. The Short-term IDR was affirmed at 'B'. The Outlook on the Long-term IDRs was Negative.</p>

	<i>Eurozone announces amount to be paid out to Greece</i>	On November 27, the eurozone announced that it would pay out €43,7 billion in Loans to Greece.
December	<i>New President in Mexico</i>	Enrique Pena Nieto was sworn in as President of Mexico on December 1 st .
	<i>New Italian Prime Minister elected</i>	Pier Luigi Bersani was elected Italian Prime Minister.
	<i>Egypt's new constitution continues to cause unrest</i>	While the Muslim Brotherhood organized hundreds of thousands of supporters for Egyptian President Mohamed Morsi at Cairo University, several thousand protestors rallied in Tahrir Square, to oppose the new constitution. Despite the unrest, Morsi continued to move forward with the new constitution, setting December 15 th as the date for the national referendum on it.
	<i>Fundamental Physics Prize won by Stephen Hawkin</i>	British physicist, Stephen Hawking, won the \$3 million Fundamental Physics Prize, the most lucrative academic prize in the world.
	<i>North Korea successfully launches rocket</i>	On December 12, North Korea's attempt to put a satellite into orbit was not a failure. The successful launch of the rocket indicated that the country is inching closer toward developing the expertise to build an intercontinental ballistic missile. The launch took the world by surprise and prompted a call for another round of sanctions.
	<i>Gunman kills 26 at elementary school</i>	On December 14, Adam Lanza, age 20, forced his way into Sandy Hook Elementary School in Newtown, Connecticut, and killed 26 people. The victims included 20 children between the ages of six and seven. Then Lanza took his own life, while still inside the school. Before going to the school, Lanza had shot and killed his own mother, Nancy Lanza, in the home they shared.

Sources: www.infoplease.com, <http://en.wikipedia.org/wiki/2012>.