



CENTRAL BANK of BELIZE

Belize Economic Update and Outlook

Economic activity is forecasted to expand by 2.7% in 2013, as the underlying factors that boosted activity in 2012 are expected to moderate. The projection, which is subject to sizeable downside risks such as commodity price shocks and weather-related setbacks, assumes that the gradual upturn in global growth to 3.5% (Source: IMF World Economic Outlook) continues to support the tertiary sector through the tourism channel. The primary sector is expected to return to low single digit growth owing largely to a return to normal crop cycles and a forecasted downturn in citrus output. The secondary sector is expected to eke out a small increase despite headwinds facing the petroleum and domestic electricity generation sub-sectors.

The economy maintained momentum in the fourth quarter of 2012 with the activity volumes exceeding that of the comparable quarter of 2011 by an estimated 2.5%. Banana and sugarcane continued to show impressive growth. Construction activity remained buoyant over the period due to ongoing infrastructural projects while the “Hotels and Restaurants”, “Wholesale and Retail” and “Transport and Communications” sub-sectors benefitted from the 15.9% growth in stay-over tourists. The latter was also bolstered by the surge in agriculture as well as BTL’s investment in 4G technology. On the other hand, citrus got off to a rocky start with orange deliveries falling significantly below the comparable quarter of 2011. Lower rainfall curtailed hydro generation and the downturn in petroleum extraction was steeper than expected.

Gross Domestic Product Annual Growth Rates

	2008	2009	2010	2011	2012 [£]	2013 [£]
REAL GDP Growth (%)	3.6	0.0	2.7	2.3	5.0	2.7
Primary Sector	0.8	-1.7	-0.4	-1.9	17.5	2.9
Agriculture	0.7	-4.8	-0.2	-3.4	15.4	1.8
Secondary Sector	9.7	11.2	0.5	1.1	-2.9	0.4
Manufacturing	4.9	6.1	-4.9	2.9	-5.9	-2.4
Petroleum	24.5	20.3	-6.2	-7.5	-26.8	-9.6
Electricity and Water Supply	3.1	17.1	19.7	1.6	-10.4	0.9
Construction	35.7	18.9	-5.7	-4.1	15.2	5.8
Tertiary Sector	3.4	-0.3	3.3	3.1	4.9	3.5
Wholesale, Retail Trade and Repairs	4.5	-6.9	6.2	4.8	5.5	3.8
Hotels and restaurants	-4.6	-4.5	5.5	4.7	6.1	5.3
Transport and Communication	1.7	-2.7	2.9	4.0	7.4	4.0
Inflation (%)	6.4	-1.1	0.9	1.7	1.2	2.0

[£] - Estimate, [£] - Forecast

Note: 2008 - 2011 data are sourced from the Statistical Institute of Belize
2012 - 2013 projections are from the Central Bank of Belize

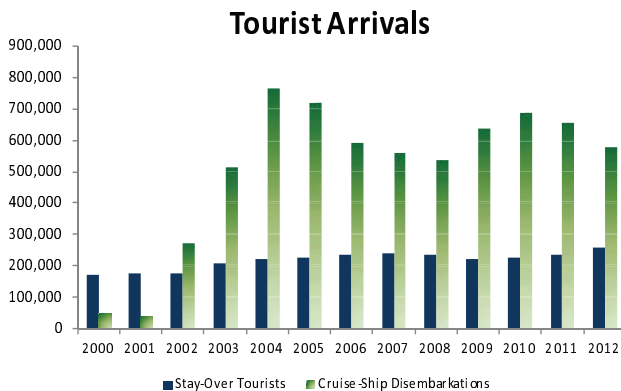
In 2013, the economy is forecasted to grow by 2.7% in real terms, just above the country’s long-term annual average of 2.5%. The forecast is predicated on several key assumptions.

- First among these is that agriculture and manufacturing (less petroleum) which, when combined, have accounted for roughly 17.0% of all economic activity since 2000, return to low single-digit growth. The double-digit growth in agriculture and agro-processing in 2012 came on the heels of the poor banana, citrus and sugarcane crop cycles of 2010/2011. With 2012 as the new base, banana, citrus and sugarcane will return to normal crop cycles and growth patterns. The sugarcane crop could benefit from

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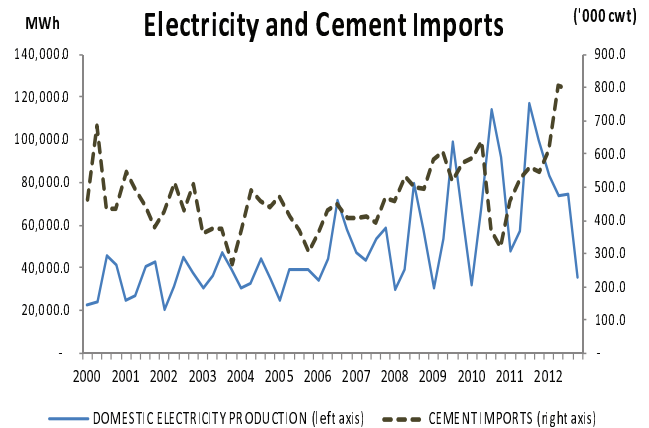
technological and knowledge-based transfers from American Sugar Refining and a solid banana crop is expected. However, citrus is facing headwinds from lower international prices and a cyclical crop downturn.

- Compared to its stellar growth of 10.0% in 2012, the expansion in the overnight tourism segment is expected to stabilize at 4.5% due to continued fragility and weak employment data in Belize's primary market, the United States. The tourism projection is conservative since the ramping up of marketing efforts by the Belize Tourism Board could potentially provide an upward tilt. As one of the pillars of economic performance, the overnight segment is likely to have positive offshoots across a number of sub-sectors, namely "Wholesale and Retail", "Hotels and Restaurants" and "Transport and Communications".



- Output of oil and electricity (including water supply) declined in 2012 and will likely face similar constraints and uncertainty in 2013. The petroleum industry has maintained its projection of a 10.0% reduction in extraction. Also, while domestic electricity generation is slated for positive growth with some

increase expected from BELCOGEN and other domestic suppliers, low reservoir levels at the hydro dams will prove to be a binding constraint.



- Construction activity is expected to decelerate. The value of cement imports, a leading indicator, rose to an all time high in 2012 on the backs of public sector infrastructural projects as well as construction of condominiums and other tourism-related development and residential housing. With respect to the latter, residential mortgage lending has been on an upsurge with declining lending rates inducing an increase in demand. Some of these projects are expected to continue in 2013, but others have ended or are near completion, while the scope and pace of new capital projects will be affected by Central Government's administrative and budgetary constraints.

Subsequent to its 6.4% spike in 2008, annual domestic inflation has hovered around 1.0%; however increasing international prices for basic food commodities such as grains (used as feed for cattle, chicken etc.) could pass through various channels to the domestic food supply and push inflation up to 2.0% in 2013. Fuel and energy prices, while highly unpredictable, are projected to fall against the backdrop of inventory buildup, a sluggish US recovery and EURO turmoil.

Belize Economic Update and Outlook (cont'd)

Regulatory reforms coupled with heightened supervisory oversight will continue to steer the financial system along the path of stability in 2013. The system continues to be highly liquid and while non-performing loans remain elevated, these are on a downward trajectory with further write-offs expected to occur. On the fiscal front,

the government's budgetary consolidation efforts are being complicated by mounting domestic pressures, the ever present maintenance needs of the social and physical infrastructure and the imperatives of addressing security concerns associated with high levels of domestic crime and cross border territorial encroachments.

Commercial Banks' Financial Indicators

	2009	2010	2011	2012/Qtr 1	2012/Qtr 2	2012/Qtr 3	2012/Qtr 4 ^P
Capital/Risk-Weighted Assets ¹	20.7	22.4	23.7	23.5	22.8	22.3	22.4
Excess Liquidity (\$mn)	105.0	160.1	221.1	281.7	267.2	249.1	312.6
NPLs/Total Loans ²	10.8	16.1	14.5	14.0	13.2	12.5	11.0
Provisions/NPLs ³	19.5	18.2	28.0	31.1	35.3	35.7	40.8
NPLs net of Provisions/Capital	50.9	74.2	70.9	68.3	66.3	60.2	55.2

¹ The required capital adequacy ratio is 9 percent.

² Net of specific provisions.

³ General and Specific Provisions.