CENTRAL BANK of BELIZE

2018

ANNUAL REPORT
& Statement of Accounts

CENTRAL BANK of BELIZE

Submitted to the Minister of Finance,
in accordance with Section 58 of the Central Bank
of Belize Act, Chapter 262, Revised Edition 2000.

Central Bank of Belize
Thirty-Seventh Annual Report
and
Statement of Accounts

For the Year Ending 31 December 2018

Cataloguing-in-Publication Data

Annual Report and Statement of Accounts for the year ending ... / Central Bank of Belize. Belize City, Belize : Central Bank of Belize, 2018.

v.; ill; 28 cm.

ISSN 2305 - 7106 (print)

2305 - 5529 (online)

1. Central Bank of Belize - Periodicals. 2. Finance - Periodicals - Belize. 3. Banks and Banking, Central - Periodicals - Belize. I. Title. II. Central Bank of Belize.

HG 2728 C45a 2018

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Mission

To promote monetary and financial systems' stability for the wellbeing of Belize.

Vision

To be highly respected for our contributions to the stability of Belize's monetary and financial systems.

List of Acronyms and Abbreviations

Acronyms:

AEOI	Automatic Exchange of Information
AML/CFT	Anti-Money Laundering/Countering the Financing of Terrorism
APSSS	Automated Payment and Securities Settlement System
ASR	American Sugar Refining
BEPS	Base Erosion and Profit Shifting
BBL	Belize Bank Limited
BCUL	Belize Credit Union League
BGA	Banana Growers Association
BSI	Belize Sugar Industries Limited
BTL	Belize Telemedia Limited
CAR	Capital Adequacy Ratio
CARICOM	Caribbean Community
CBL	Choice Bank Limited
CFATF	Caribbean Financial Action Task Force
CFZ	Commercial Free Zone
CIF	Cost, Insurance and Freight
CPBL	Citrus Products of Belize
CPI	Consumer Price Index
CRS	Common Reporting Standard
DDS-MMS	Direct Debit Scheme and Mandate Management System
EBS-HR	Enterprise Business Solution – Human Resource
EMS	Early Mortality Syndrome
EOIR	Exchange of Information on Request
EU	European Union
FATCA	Foreign Account Tax Compliance Act
FATF	Financial Action Task Force
FFI	Foreign Financial Institutions
FOB	Free on Board
FRN	Floating Rate Notes
FSTV	Fort Street Tourism Village
FSRB	FATF Style Regional Bodies
FY	Fiscal Year
GDP	Gross Domestic Product
GOB	Government of Belize
GST	General Sales Tax
IBA	International Banking Act
ICRG	International Cooperation Review Group
IDB	Inter-American Development Bank
IGA	Intergovernmental Agreements
IMF	International Monetary Fund
IRS	Internal Revenue Service
ITD	Information Technology Department
IT	Information Technology
LCIA	London Court of International Arbitration
M2	Broad Money
MOF	Ministry of Finance
NFIS	National Financial Inclusion Strategy
NRA	National Risk Assessment
NPL	Non-performing Loan
NPL ratio	Non-performing Loans (Net of Specific Provisions) to Total Loans
NPS	National Payment System
R.K.	Red Kidney
ROA	Return on Assets
ROC/Taiwan	Republic of China/Taiwan
ROE	Return on Equity
SDRs	Special Drawing Rights
SIB	Statistical Institute of Belize
SLCU	Spanish Lookout Credit Union Limited
SMS	Security Management System
T-bills	Treasury bills
T-notes	Treasury notes
UHS	Universal Health Services
US	United States
UK	United Kingdom
VPCA	Venezuela Petrocaribe Agreement

Abbreviations:

$	Belize dollar unless otherwise stated
bn	billion
mn	million
ps	pound solid
RHS	Right Hand Side
LHS	Left Hand Side

Conventions:

1. Since May 1976, the Belize dollar has been fixed to the US dollar at the rate of US$1.00 = BZ$2.00
2. The 2018 figures in this report are provisional and the figures for 2017 have been revised.
3. Unless otherwise indicated, the Central Bank of Belize is the source of all tables and charts.

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Directors and Principals

At 31 December 2018

BOARD OF DIRECTORS

John Mencias - Chairman

Nestor Vasquez - Vice Chairman

Nigel Ebanks - Member

Vanessa Retreage - Member

Amb. A. Joy Grant - Governor (ex officio)

Joseph Waight - Financial Secretary (ex officio)

Marilyn Gardiner-Usher - Deputy Governor, (ex officio)

Kareem Michael - Deputy Governor (alternate)

PRINCIPAL OFFICERS

Amb. A. Joy Grant - Governor

Marilyn Gardiner-Usher - Deputy Governor, Financial Services

Kareem Michael - Deputy Governor, Research, Financial Supervision and Compliance

Hollis Parham, Senior Manager, Corporate Services

Timothy Grant - Manager, Human Resources

Angela Wagner - Manager, Administration

I. Rabey Cruz - Manager, Information Technology

Francis Thomas - Manager, Security

Emory Ford - Manager, Research

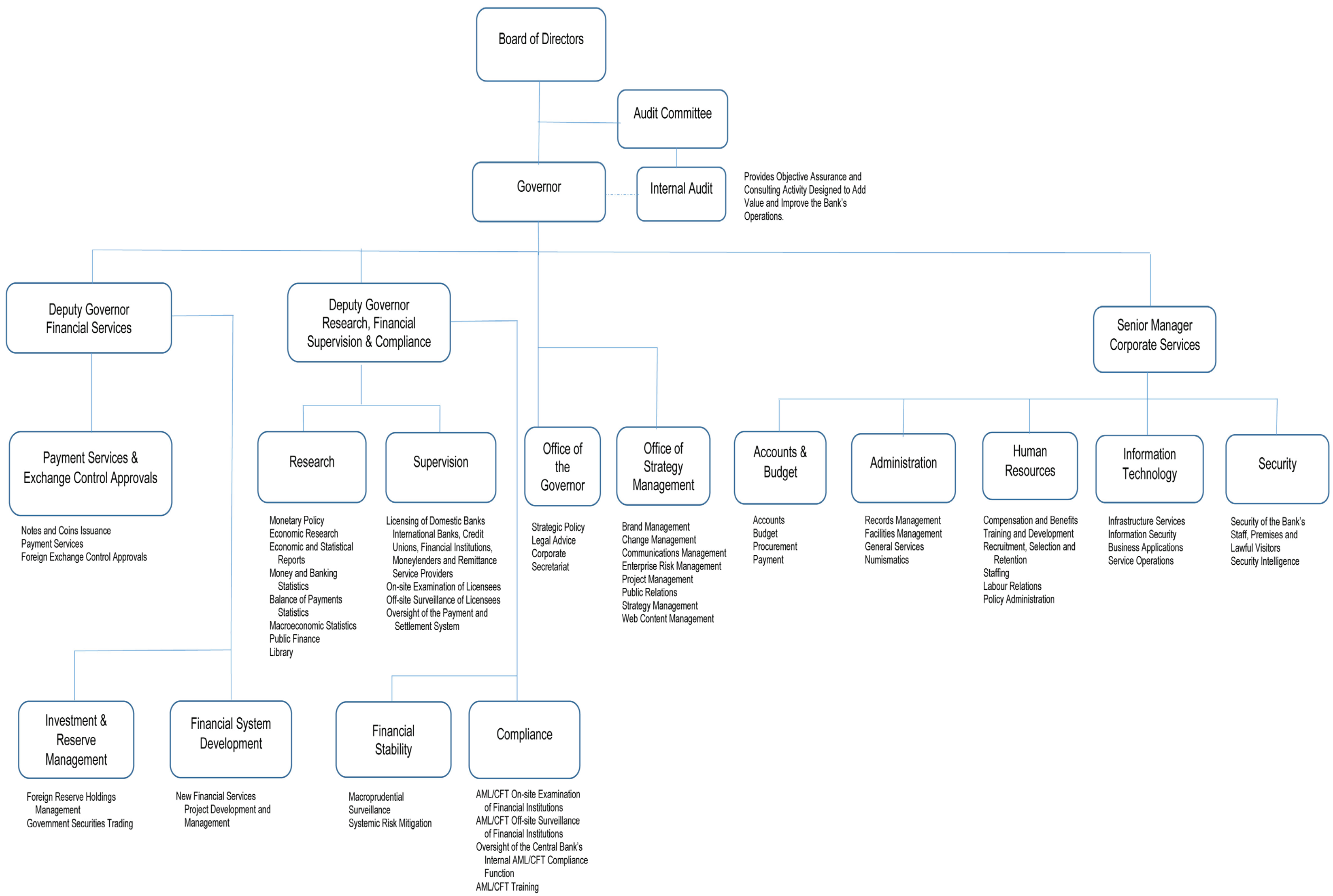
Diane Gongora - Manager, Supervision

Effie Ferrera - Chief Internal Audit

Michelle Estell - Manager, Payment Services and Exchange Control Approvals

Sheree Smiling Craig - Manager, Office of Strategy Management

Functional Chart



Central Bank Operations

Governance

The Board of the Central Bank of Belize comprises seven members, of which three are ex officio (the Governor, a Deputy Governor, and the Financial Secretary), and four are appointed by the Minister of Finance. There were no changes in Board membership during the year, and members re-elected the Vice-Chairman to continue serving in that capacity in February 2018.

Section 12 (1) of the Central Bank of Belize Act requires that the Board convene at least 10 meetings per year on dates designated by the Chairman. A quorum of three members, one of whom must be the Governor or a Deputy Governor, is required for each meeting of the Board. Board decisions are by majority of votes cast, with the presiding Chairman having a second or casting vote in the event that votes are equal.

In 2018, the Board met 17 times, during which consideration was given to 27 board decision papers and 71 information papers. All meetings were held at the Central Bank building in Belize City.

Attendance at Board meetings in 2018 was as follows:

John Mencias – Chairman	17
Nestor Vasquez – Vice-Chairman	15
Nigel Ebanks – Member	15
Vanessa Retreage – Member	16
Amb. A. Joy Grant – Governor (ex officio)	16
Joseph Waight – Financial Secretary (ex officio)	14
Marilyn Gardiner-Usher – Deputy Governor (ex officio)	16
Kareem Michael – Deputy Governor (alternate)	17
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Conduct of Board Members

Members must satisfy general qualification conditions for Directors as laid out in Section 15 of the Central Bank of Belize Act. Section 18(1) of the same Act prohibits Board members from disclosing information acquired in the exercise of their functions. Additionally, each Board member is required to comply with a Code of Conduct, which addresses Board members' commitment to:

- Discharge their duties with care and diligence;
- Act in good faith and in the best interest of the Central Bank;
- Not use their position to benefit themselves or any other person, or to cause detriment to the Central Bank or any person;
- Not use any information obtained by virtue of their position to benefit themselves or any other person, or to cause detriment to the Central Bank or any person; and
- Declare any material personal interest where a conflict arises with the interests of the Central Bank.

Audit Committee

The Central Bank of Belize's Audit Committee (Committee) comprises one executive and two non-executive members. The Committee is chaired by non-executive director, Mr. John Mencias. The other non-executive director is Ms. Vanessa Retreage, while Mrs. Marilyn Gardiner-Usher serves as the executive member. Chief Internal Auditor, Mrs. Effie Ferrera, acts as secretary to the Committee.

The Committee assists the Board in its efforts to exercise oversight of and in providing strategic direction to the management of the Bank's operations by:

- Providing assurance that adequate arrangements are in place to track the Central Bank's exposure to material risk across its operations, and that there is regular reporting to management on risk exposure;
- Reviewing and discussing the Central Bank's audited financial statements and letter of recommendation with the Central Bank's external auditors prior to Board submission; and
- Reviewing Internal Audit reports on internal controls.

The Committee also met with the Central Bank's external auditors to review and discuss the annual financial statements and their letter of recommendation.

Internal Audit

During the year, Internal Audit conducted independent assessments to provide objective assurances that the Central Bank's risk management, governance and internal control processes were operating effectively and efficiently. Compliance audits were conducted on information technology (IT) applications and internal operations to confirm compliance with applicable laws, rules and regulations, as well as internal policies and procedures. Assurance audits were also done to evaluate the adequacy, efficiency, and effectiveness of internal control environments relating to the Bank's treasury functions, auction of Government securities, staff benefits, and select IT processes.

The audit reports were submitted to the Audit Committee. Thereafter, the Committee's chair informed the Board of the matters discussed and the Committee's recommendations.

Monetary and Financial Stability

The Central Bank continued to play a crucial role in ensuring monetary and financial stability in Belize. In 2018, core monetary policy functions focused on supporting Belize's long-standing peg to the United States (US) dollar, while the Central Bank's financial stability objectives were broadened under its new five-year organisational strategy.

Monetary policy remained neutral during the year, while the Bank's reserves dipped but remained above benchmark. Statutory and cash reserve requirements, the main instruments of monetary policy, were kept at 23.0% and 8.5%, respectively, for domestic banks during the year. In securities trading, the Central Bank abstained from actively influencing money supply by purchasing only unsubscribed Treasury bills (T-bills) at average yields determined at auctions. Weighed down by sovereign debt service payments, Central Bank's net foreign assets contracted by $36.1mn to $592.4mn. Consequently, the gross international reserves declined to the equivalent of 3.6 months of merchandise imports, down from the equivalent of 4.0 months of merchandise imports a year ago but stood firmly above the three-month safety threshold. In addition, at 64.9%, the Bank's external asset ratio easily exceeded the 40.0% regulatory requirement at year end.

Despite rapid credit expansion and tightened liquidity conditions, domestic banks' foreign assets grew and interest rates declined. Net domestic credit grew by 3.3%, driven by increased lending to the private sector and other public entities, as Central Government's borrowing from the domestic banking system contracted. Even with increased lending, the net foreign assets of domestic banks rose by $33.2mn to $264.0mn, underpinned by an upsurge in tourism revenue. However, domestic banks' excess liquid assets and cash reserves contracted by $28.5mn to 38.6% above requirements and by $87.4mn to 85.4% above requirements, respectively, at year end. Notwithstanding, high domestic bank liquidity was pivotal in lowering average loan and deposit interest rates for the 11th consecutive year, marking the longest span of successive annual rate declines on record. In 2018, the 12-month rolling weighted average interest rates on new loans fell by 39 basis points year-on-year to 8.62%, while the corresponding interest rates on new deposits contracted by 25 basis points year-on-year to 1.46%.

The financial sector's performance was mixed, as a slippage in asset quality coincided with an expansion in domestic banks' profitability and a reduction in concentration risk. On the one hand, the industry's non-performing loan (net of specific provisions) ratio (NPL ratio) worsened slightly to 2.7% from 2.4% in 2017. On the other hand, domestic banks' return on assets (ROA) almost tripled to 3.1%, up sharply from 1.3% in 2017. This marked improvement was due mainly to an upsurge in Belize Bank Limited's (BBL's) earnings as a result of accrued interest income booked in relation to the London Court of International Arbitration (LCIA) Award. Concentration risk also improved as the level of large loans relative to regulatory capital fell to 96.5% from 117.5% in 2017, while capital adequacy remained stable at 24.6% of risk-weighted assets. In spite of these overall improvements, the sector continued to be heavily influenced by large swings in the performance of individual banks.

Financial sector regulation and supervision were also challenged. The licence of the largest international bank, Choice Bank Limited (CBL), was revoked in June because the licensee was carrying on business in a manner that was detrimental to the public's interest and had insufficient assets to cover liabilities. Despite new headwinds from an increasingly complex banking landscape, the Central Bank assures the safe functioning of Belize's banking system.

Strategic Initiatives

In the first quarter of 2018, the Central Bank revised its mission and vision to align with its new strategic goals and then deployed its 2018-2022 Strategic Plan. Later, the Bank redesigned its organisational structure to align functional units with the new Strategic Plan. The restructuring exercise sought to improve execution of new strategic priorities, rebalance workload across divisions, departments and units, and optimise job effectiveness.

This new plan has five strategic themes aimed at:

- Improving financial literacy and inclusion;
- Modernising the financial system infrastructure;
- Strengthening financial system stability;
- Enhancing foreign exchange access at the pegged rate; and
- Facilitating capital market development.

Under these themes, management created 20 strategic objectives and implemented five priority projects during the year. These included:

- Drafting a strategy for the National Financial Inclusion Project;
- Developing access criteria for direct operators of the Automated Payment and Securities Settlement System (APSSS);
- Drafting a strategy for the Direct Debit Scheme and Mandate Management System (DDS-MMS) component of APSSS;
- Developing an oversight framework and a capacity building plan to strengthen regulation of the National Payment System (NPS); and
- Installing structural elements for the new Security Management System (SMS).


World Bank's public consultation with stakeholders hosted at the Bank

National Financial Inclusion

The World Bank Group, with the Central Bank's assistance, drafted a National Financial Inclusion Strategy (NFIS) aimed at advancing Belize's financial inclusion objectives. Through a data driven and consultative process, the NFIS defined the current state of financial inclusion in the country; identified the obstacles and opportunities to achieve the vision of financial inclusion; developed an action plan; and established governance and monitoring arrangements. While the NFIS is aligned with Government's broad development objectives, it specifically aims to expand access to useful and affordable financial products and services to businesses and individuals.


Security Management Training at the Bank

Access Criteria for APSSS

The Central Bank, in partnership with the World Bank, developed criteria for operators with direct access to APSSS. The Central Bank accelerated this exercise in response to Belize Credit Union League's (BCUL) interest in facilitating its members' access to APSSS, while advancing their financial inclusion objectives. To this end, BCUL formed a limited liability company, Shared Services Network, to become an operator for credit unions in early 2020.

Security Management Training at the Bank

Direct Debit Scheme and Mandate Management System

The Central Bank commissioned the World Bank to develop a comprehensive strategy and road map to implement the direct debit and mandate management function of APSSS. The direct debit service will allow customers to instruct their banks to make recurrent payments from their accounts to recipients' accounts based on signed agreements (or mandates) between the transacting parties. The strategic plan featured an assessment of the current legal and regulatory environment, and proposed rules and regulations to govern delivery of direct debit services. In 2019, the Central Bank will collaborate with the APSSS vendor, financial institutions, and utility companies to implement the DDS-MMS component of APSSS.

Payment System Oversight Framework and Capacity Building Plan

Two years into production, the Central Bank received technical assistance from the World Bank to develop a comprehensive payment system oversight framework and capacity building plan for APSSS. The new framework aims to enhance the safety and efficiency of the payment and settlement system. It includes procedures, manuals, and methodologies for performing on-site and off-site oversight of payment systems, payment service providers (including non-bank providers), and payment instruments. Capacity building training will continue into 2019.

Security Management System

In preparation for the SMS project to modernise the Central Bank's security posture, a sub-project was undertaken to rewire the entire building. This smaller project elevated the Central Bank's cable network to a new standard, offering users increased capacity. The new infrastructure was designed for high availability and was fully integrated with the Bank's internal networks. Installation of new computer equipment and system software for the SMS project began in March 2018. In addition, a structured change management plan was implemented, which entailed training opportunities for security staff to enhance their technical skills before the system goes live in June 2019.

Information Technology

The Information Technology Department (ITD) spearheaded three major initiatives to combat cybersecurity threats.

First, efforts were made to address increased cybersecurity threats to the Central Bank's IT networks and data. In compliance with best practices, ITD conducted security penetration testing exercises on its networks and systems, using an external information security service provider. In addition, a Security Information and Event Management software was implemented to collect and aggregate data logged from network security devices, systems, and applications. This software categorises, correlates, and analyses incidents and events for threat detection and remediation.

Second, the Central Bank took measures to reduce cyber risks in the banking community for a safer and more reliable functional environment. To this end, the Bank commissioned a cybersecurity committee, whose goal was to develop minimum standards to mitigate cyber risks. The committee comprised senior officers in risk, IT, or operation functions from each domestic bank. The committee established a framework for sharing threat information among its members and adopted a Guidance Note on Cybersecurity. The Note was technology neutral, principle-based, and followed a risk-based approach. It was also complementary to banks' risk management processes and cybersecurity programme.

Third, the Central Bank submitted its second self-attestation to SWIFT in December, which was corroborated by Internal Audit. This exercise measured the Bank's compliance with SWIFT's mandated security controls under its Customer Security Program. All SWIFT users were required to comply with their revised set of mandatory security controls by the end of 2018.

Human Resources

Human resource activities focused mainly on training and development, staffing, employee relations, labour relations, and community service. These undertakings aimed to foster a highly engaged, motivated, and satisfied workforce and to develop staff's technical and managerial competencies.

Training and Development

Change management training was prioritised for executive, management, and professional staff in 2018. In preparation for the rollout of the 2018-2022 Strategic Plan, select staff attended an on-site change management certification program. To build skills in implementing systemic transformational change, directors, executives, management, and professional staff also participated in a workshop entitled, *Leading Innovation and Change.*

Across departments, staff's technical competencies were strengthened through overseas trainings, workshops, and seminars. Economists from the Research Department attended two courses hosted by the Caribbean Regional Technical Assistance Centre on Balance of Payments Statistics and Macroeconometric Forecasting. Economists also participated in the Central Bank of Trinidad & Tobago's revived Annual Research Review Seminar and the 50th Annual Monetary Studies Conference hosted by the Central Bank of Barbados. Similarly, staff from the Financial Stability Unit attended a course entitled Macro-prudential Regulation of Systemically Important Financial Institutions in the Caribbean, while those from the Supervision Department participated in a regional seminar on standardising approaches to Basel III and in a Core Curriculum Certificate Course at the Toronto Centre. Members from the Investment and Reserve Management Unit attended a workshop hosted by the Centre for Latin American Monetary Studies on International Reserves Management, and Internal Audit Department received training on Information Security Essentials for IT auditors. Furthermore, an officer from the Payment Services and Exchange Control Approval Department attended a regional payment systems workshop, while an executive attended a Consolidation of Laws Programme focused on portfolio management for central bankers.

Functional teams also received specialised overseas training. In particular, IT and Supervision staff jointly benefited from cybersecurity training, while staff from the Supervision and Payment Services and Exchange Control Approval Departments attended trainings on Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT), as well as the use of blockchain technology for Caribbean Financial Institutions. Meanwhile, the SMS Project team evaluated the prototype of the security managment system that would be implemented at the Central Bank. Likewise, the National Financial Inclusion Project team visited the Central Bank of Trinidad & Tobago to deepen their understanding of financial literacy programmes. In addition, the project leader attended a World Bank course on financial inclusion.

Furthermore, staff participated in various in-country training exercises and courses. For instance, security and facility management staff successfully completed courses in Basic First-Aid and Cardio Pulmonary Resuscitation, Introduction to Computers, as well as Report Writing and Effective Communication. Security officers also participated in advanced weaponry exercises. Other staff received training in library management and employing content strategy to enhance the Central Bank's website content.

Employees also successfully completed several specialised online courses to strengthen technical skills in macroeconomic diagnostics, financial programming and policies, financial market analysis, AML/CFT oversight, and business writing skills.

Staffing and Employee Relations

The Central Bank ended the year with a staff complement of 201. Eighteen persons joined the Bank during the year and nine persons left the employ of the Central Bank, including one retiree. Redesign of the Bank's organisational structure led to the creation of four new management positions with no job losses. Consequently, the Bank's turnover rate was 4.48% in 2018, down from 4.95% in 2017.

There were 20 promotions:

- one to the Senior Management grade,
- six to the Management grade,
- four to the Professional II grade,
- one to the Professional III grade,
- two to the Para-Professional grade,
- two to the Security Officer II grade, and
- four to the Senior Auxiliary grade.

Employees who reached years of service milestones between 1 July 2017 and 30 June 2018 were recognised and rewarded at the Annual Employee Recognition Ceremony. Twenty-eight employees were rewarded for their commitment and long service to the Central Bank. When disaggregated, nine employees received long-service awards for 10 years of service, 12 for 15 years of service, two for 20 years of service, two for 25 years of service, and three for 30 years of service. Employees who contributed to teams that successfully completed strategic cross-functional projects were also recognised for their efforts.

Corporate Relations and Community Service

As a socially responsible organisation, the Central Bank is committed to improving the standard of living and quality of life for Belizeans. The Central Bank provided internships to six university and junior college students who met their core graduation requirements. In addition, two senior high school students completed their work-study programmes, while 14 students in bachelor's and associate's degree programmes participated in the Summer Employment Programme. The part-time work programmes helped students to gain job skills and experience, while providing a small stipend.

Staff's social outreach included monetary donations to the annual Salvation Army Christmas Appeal, the Belize Cancer Society and the Belize Kidney Association, as well as participation in the Annual Kidney and Cancer Walk events.

The Central Bank's Staff Club was instrumental in fostering high staff morale, instilling camaraderie, and supporting a healthy work/social life balance. The Staff Club organised several signature events, including a Valentine's Day mixer, a Family Day trip to Rendevous Caye, Easter Egg Hunt for staff's children, Mother's and Father's Day events, and the annual Christmas Party. Other initiatives consisted of birthday tokens, boss' day surprises, multidisciplinary sporting events, a drama play entitled "*Roas Turkey*", toy drives for needy children, and staff socials with giveaways.

With support from the Staff Club, the Central Bank initiated a High School Assistance Programme. During the year, nine deserving primary school graduates received financial aid awards to partially cover high school expenses for their respective four-year programmes. Additionally, the Staff Club joined forces with the Bankers Christian Fellowship group to conduct weekly praise and worship devotions on Monday mornings.

Oversight of the Financial System

Revocation of Licence

During the year, the Central Bank revoked the licence of a troubled bank for the first time in its regulatory history. In January 2018, the Central Bank placed CBL, the largest licenced international bank, under enhanced supervision because of deficiencies and violations to the International Banking Act (IBA).

Exacerbating the bank's financial weaknesses, CBL's card processor suspended its licence for prepaid card services in April. Faced with tightened liquidity conditions, CBL suspended all deposit withdrawals, except for funds previously uploaded on prepaid cards.

CBL's actions to suspend customers' withdrawal of deposits and its subsequent failure to address outstanding regulatory deficiencies and violations under the IBA factored in the Central Bank's decision to revoke its licence. CBL's inability to resolve these issues were not only detrimental to depositors, creditors, and other stakeholders' interests but also placed Belize's banking industry's reputation at risk. Consequently, on 29 June 2018, the Central Bank revoked CBL's licence and appointed a liquidator to wind-up the bank.

Registration of New Credit Union

The Central Bank registered a new credit union named Spanish Lookout Credit Union Limited (SLCU) located in the Spanish Lookout Mennonite community. SLCU evolved from two unregistered and unregulated entities that provided loan and deposit services to the Spanish Lookout community. The principals registered SLCU and commenced operations in August 2018. Prior to SLCU, Toledo Teachers Credit Union was the last credit union that was registered. It opened in May 2001.

Examinations

To ensure that financial institutions licenced and registered by the Central Bank were operating in accordance with banking laws and other pertinent legal requirements, the Supervision Department conducted 10 risk-focused examinations in 2018, comprising five international banks, two domestic banks and three credit unions. All examinations included an assessment of the financial institution's compliance with AML/CFT requirements. On-site examinations were complemented by off-site surveillance of the financial system on a continuous basis.

Amendment of Practice Directions and Circulars

On 15 November 2018, the Central Bank amended the Domestic Banks and Financial Institutions Act Practice Directions No. 2 and No. 3 and IBA Circulars No. 1 and No. 2. While the Practice Directions prescribed the methodology for evaluating and classifying non-performing loans and other assets, the Circulars provided the procedures for determining banks' loan loss provisions and reserves. The amendments effectively relaxed non-performing loan (NPL) classifications and provision requirements for loans granted to the agriculture and marine industries. To ensure uniform alignment with domestic banks, the corresponding requirements for international banks were amended simultaneously. These amendments took effect on 1 November 2018.

Domestic Banks

The domestic banking sector's profits almost tripled, rising to $102.8mn in 2018 compared to $41.6mn in 2017. However, this upsurge was mainly on account of BBL's one-off recognition of $59.8mn in accrued interest income stemming from the LCIA Award. BBL booked the accrued interest after the Caribbean Court of Justice ordered the Government of Belize (GOB) to pay BBL a sum of $92.6mn, consisting of the LCIA Award plus accrued interest. Since BBL had already booked the principal amount of the LCIA Award as a GOB receivable, only the accrued interest portion remained. In turn, domestic banks' return on equity (ROE) increased sharply to 19.8% in 2018 from 9.2% in 2017, while their ROA rose to 3.1% from 1.3% in 2017.

Domestic banks' capital also expanded, rising by $49.0mn in 2018 with the upsurge in BBL's retained earnings following the recognition of the accrued interest component of the LCIA Award. However, this capital expansion was partly offset by a significant increase in risk-weighted assets for the three other banks whose loan portfolios grew during the year. Despite the marked increase in capital, domestic banks' capital adequacy ratio (CAR) improved marginally to 24.6% in 2018 from 24.2% in 2017. If the LCIA Award had not been recognised, domestic banks' CAR would have dropped to 21.6%, still well beyond the 9.0% requirement.

After registering record high write-offs of $88.8mn in 2017 to meet stricter loan-loss provisioning standards, domestic banks wrote off an additional $43.6mn in NPLs in 2018. One bank accounted

Chart 1.1: Domestic Banks - Profitability

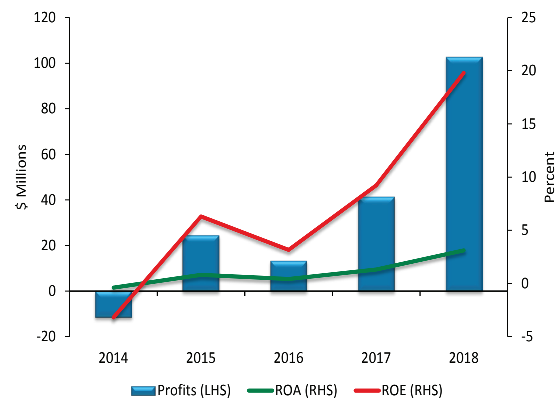


Chart 1.2: Domestic Banks - Capital Adequacy

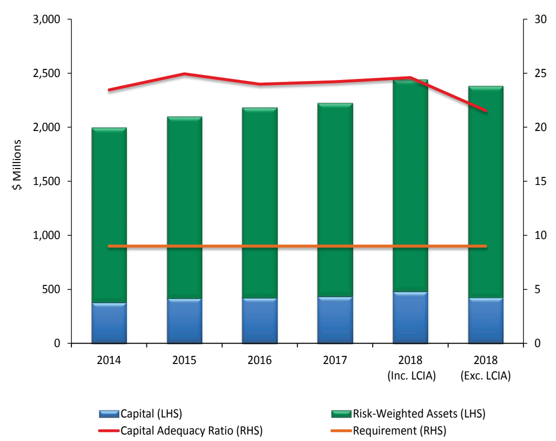
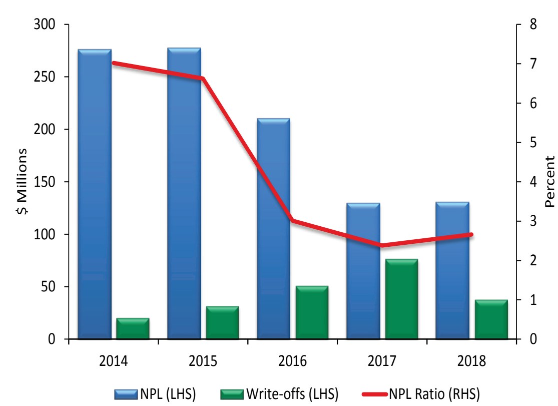


Chart 1.3: Domestic Banks - Asset Quality



for $23.7mn in write-offs alone, largely on account of losses incurred arising from the sale of a property below the book value of the NPL it had secured. Notwithstanding, domestic banks' NPL ratio increased slightly to 2.7% in 2018 from 2.4% in 2017, reversing the recent three-year downward trend between 2015 and 2017. The uptick in NPL ratio was due to a $1.2mn increase in NPLs, alongside a $7.1mn decline in specific provisioning. Nevertheless, the industry's average remained below the 5.0% benchmark.

Credit Unions

In 2018, credit unions' assets, which consisted mainly of loans, rose by $101.7mn (9.7%) to $1.1bn, while deposits grew by $86.2mn (10.1%) to $852.0mn at year end. SLCU, the newly registered credit union, accounted for majority of the growth, contributing $53.1mn in assets and $47.1mn in deposits to the year-end totals.

Profits fell by 15.2% to $40.1mn in 2018, owing to an $8.1mn increase in provisioning expenses. Furthermore, credit unions' ROA fell to 3.9% from 5.0% in 2017, while their ROE narrowed to 23.5% from 29.4% in 2017.

Although credit unions' NPLs rose by $0.9mn to $59.9mn in 2018, a $50.0mn expansion in loans helped strengthen their NPL ratio to 2.9% from 3.2% a year ago. Notably, each credit union maintained its respective NPL ratio below the 5.0% industry benchmark. Furthermore, their aggregate net institutional capital ratio was relatively stable at 11.7%, standing above the 10.0% legal requirement.

International Banks

De-risking remained an ongoing concern for the industry. Even though each international bank had at least one correspondent bank at the end of 2018, the phenomenon continued to adversely

Chart 1.4: Credit Unions - Asset and Liabilities

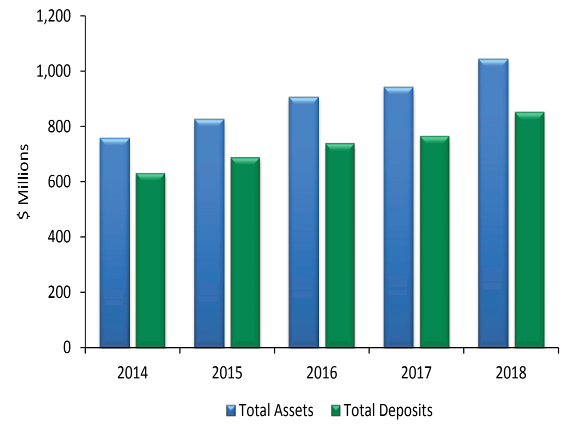


Chart 1.5: Credit Unions - Profitability

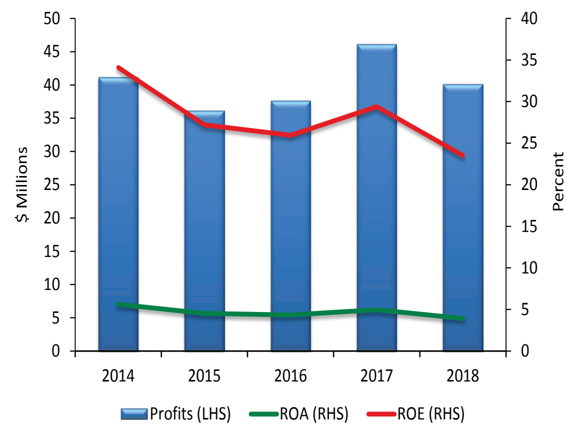
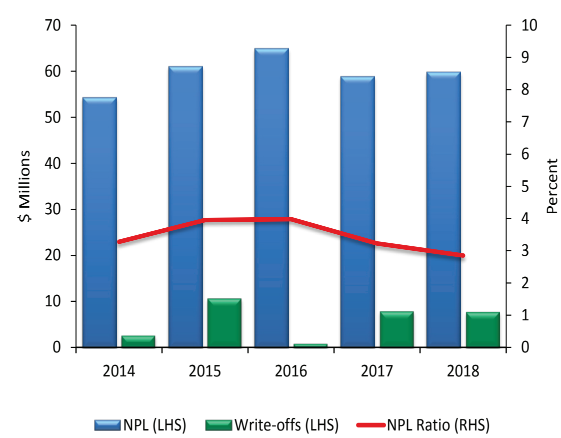


Chart 1.6: Credit Unions - Asset Quality



affect their performance. More specifically, the cost of doing business increased as correspondent banks raised processing costs, delayed transactions, and limited the volume and value of wire transfers. International banks' deposits, assets, and loans eroded significantly during the year, principally because of the winding-up of CBL. Total deposits and assets almost halved in 2018, declining by 44.3% and 45.4% to US$235.4mn and US$301.6mn, respectively. Total loans were down by 37.1% to US$131.4mn, as US$53.5mn in CBL loans was removed from the international banking system. In addition, a US$15.0mn loan facility was transferrred from one international bank to a domestic bank. Notwithstanding, international banks' NPL ratio worsened to 7.2% from 3.6% in 2017, far exceeding the 5.0% prudential benchmark.

As expected, the international banking sector's profits were virtually nil, as one bank's losses of US$1.1mn practically wiped out other banks' profits of US$1.12mn. The weakened performance caused the industry's ROA to shrink under 1.0% in 2018 from 3.1% in 2017, while their ROE plunged to less than 1.0% from 20.4% the year before.

International banks' liquid assets declined by US$120.7mn mainly as a result of the closure of CBL, who previously maintained the highest level of liquid assets in the system. Consequently, the industry's liquidity ratio contracted by over seven percentage points to 46.1%, down from 53.7% in 2017.

In contrast, the industry's CAR was positively impacted by CBL's exit. International banks' CAR improved to 30.0% in 2018 from 22.1% in 2017. This outcome resulted from a US$141.1mn plunge in risk-weighted assets, of which

Chart 1.7: International Banks - Asset and Liabilities

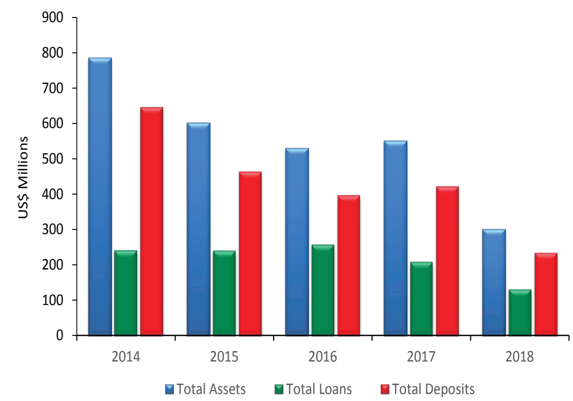


Chart 1.8: International Banks - Asset Quality

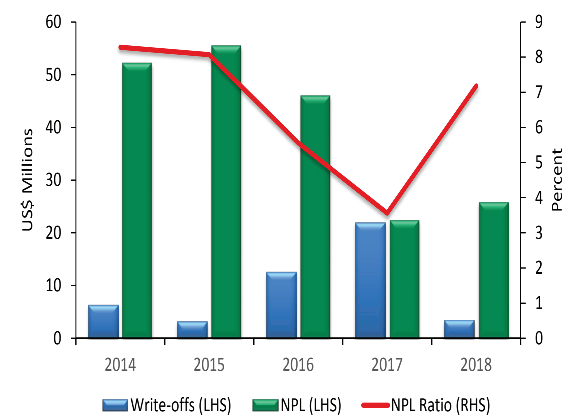
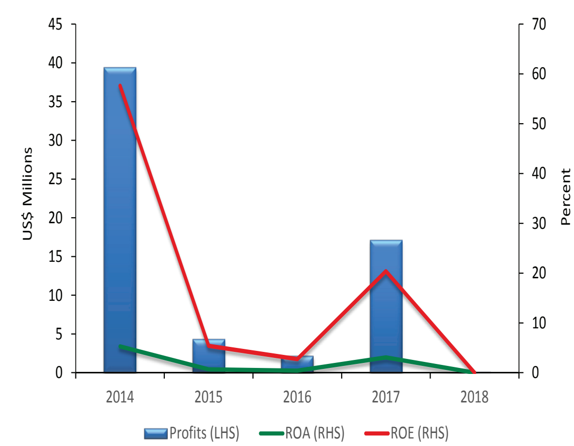


Chart 1.9: International Banks - Profitability



US$123.9mn belonged to CBL. The aggregate CAR continued to exceed the 10.0% threshold, since each institution was adequately capitalised. However, capital distribution among international banks was uneven. For instance, one bank's capital of US$23.4mn represented 41.2% of the industry's total, while another bank's capital of approximately US$3.0mn, which was slightly above the minimum regulatory requirement, accounted for just 5.8%.

Central Bank's Financial Performance

The Central Bank's balance sheet contracted for the second consecutive year, as its total assets declined by 5.3% in 2018 to $1.0bn following a 10.0% reduction in 2017. The modest contraction reflected declines in both foreign and domestic assets, which fell by $37.2mn and $18.8mn, respectively. The Bank's foreign asset position weakened as foreign currency outflows exceeded inflows. Foreign currency outflows were mainly used to service Government's external debt, while smaller portions were expended to cover other Government payments and Central Bank's overseas expenses.

Notwithstanding, Central Bank's gross income rose slightly by $0.1mn to $28.3mn. On the one hand, revenue from local sources—namely government securities, Central Government's overdraft facility, foreign currency transactions, and other miscellaneous items—accounted for 62.0% of gross income. The largest source of domestic revenue stemmed from interest income on Government's debt securities, which accounted for 40.0% of total domestic revenue. On the other hand, foreign asset earnings accounted for 38.0% of gross revenue with investments concentrated mainly in fixed-term deposits. Benefiting from the four federal funds rate hikes during the year, the average rate of return on the foreign asset portfolio rose to 1.85%, up from 1.05% in 2017.

Chart 1.10: International Banks - Capital Adequacy Ratio

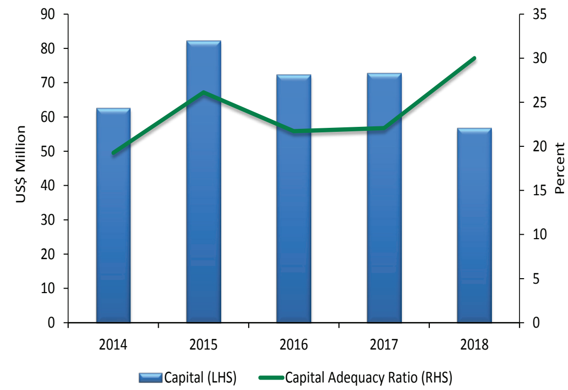


Chart 1.11: Central Bank of Belize's Assets

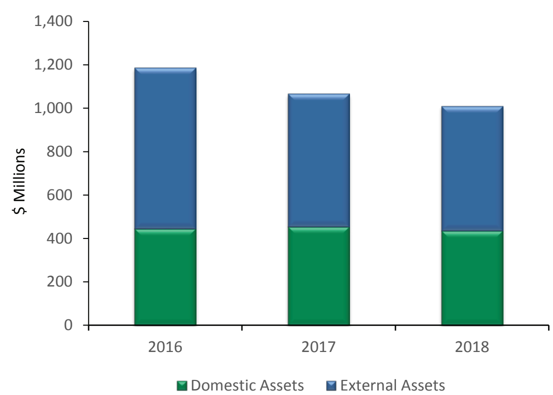
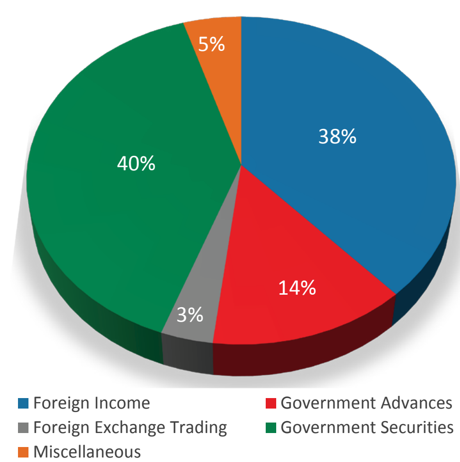


Chart 1.12: Foreign and Local Income



Driven by increases in workers' compensation, administrative expenses, and operating costs, expenditure rose by 11.5% to $23.5mn. Of total outlays, staff costs accounted for 52.7%, administrative and operating expenses for 36.8%, and interest and currency payments for 10.5%. Capital project delays and unfilled vacant positions caused expenditure to be $1.8mn lower than budgeted, resulting in a net operating surplus of $4.8mn. In accordance with Section 9(1) of the Central Bank of Belize Act, $4.3mn (90.0%) will be paid into the Government's Consolidated Fund, and the remaining $0.5mn (10.0%) will be transferred to Central Bank's General Reserve Fund.

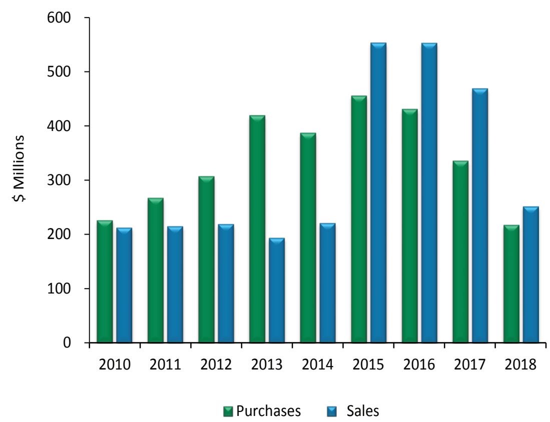
Foreign Exchange Operations

In 2018, Central Bank's foreign currency transactions with GOB, public sector entities, domestic banks, foreign government agencies, and regional central banks resulted in net sales of $33.9mn. This outcome was an improvement from the $132.9mn net decline recorded in 2017 as a result of the final settlement payment for nationalisation of Belize Telemedia Limited (BTL) in November of that year. Foreign currency inflows amounted to $218.1mn, stemming mainly from the following sources:

- American Sugar Refining/Belize Sugar Industries Limited (BSI), $51.4mn,
- Republic of China/Taiwan (ROC/Taiwan), $28.0mn,
- The international business company and ship registries, $20.0mn, and
- Central Government's external loan disbursement proceeds, $53.4mn.

Foreign currency outflows totalled $251.9mn. The most significant external payments were the February and August $26.0mn semi-annual interest payments on the 2034 bond.

Chart 1.13: Trade in Foreign Currency



Trading in Caribbean Community (CARICOM) currencies, which continued to be mostly for settlement of official transactions, resulted in annual net sales of $3.4mn, reflecting a 25.9% year-on-year increase.

External Asset Ratio

The Central Bank was compliant with Section 25(2) of the Central Bank of Belize Act, which stipulates that the Bank should maintain external assets amounting to at least 40.0% of the currency notes and coins in circulation and its domestic deposit liabilities. This legal threshold aims to ensure that the Bank maintains adequate levels of foreign reserves to meet the country's external obligations.

At the beginning of the year, the external asset ratio stood at 65.5%. By April, it gradually declined to its lowest point of 62.3% on account of a reduction in Central Bank's foreign assets. This decline was due to Government's debt service payments and an increase in domestic liabilities, arising from an expansion in domestic banks' deposits. In May, the external asset ratio improved to 65.8%, supported by foreign currency proceeds from a $20.0mn ROC/Taiwan loan and sugar export receipts from

BSI. In June, the ratio peaked at 67.1% resulting from increased foreign currency inflows, which stemmed from loan disbursements, sugar exports, and income from the international business company and ship registries that coincided with a reduction in domestic banks' deposits. However, the second semi-annual interest payment on the 2034 bond lowered the ratio to 65.6% in August. Thereafter, the ratio declined incrementally with further debt service payments, settling at 64.9% at year end.

Mirroring the changes above, the Central Bank's foreign assets also shrank in 2018. Beginning the year with a balance of $611.8mn, the Bank's foreign assets declined to $577.9mn in February after the first semi-annual interest payment on the 2034 bond. By July, the Bank's foreign asset position had strengthened to $597.9mn with inflows predominantly from loan disbursements and sugar export receipts, but then fell to $572.9mn in August after Government's debt service obligations and other miscellaneous payments were met. At year end, the Bank's foreign assets totalled $576.1mn, reflecting a 5.8% contraction over the 12-month period. The foreign asset portfolio consisted of mainly cash and fixed deposits (84.9%) as well as Special Drawing Rights (SDRs) (12.7%) and foreign securities (2.4%).

Domestic Banks' Cash Reserves

Domestic banks' cash reserve requirement was unchanged at 8.5% of average deposit liabilities in 2018. However, the average monthly cash holdings fell by 18.8% ($103.6mn) to $447.2mn when compared to 2017. Furthermore, the average monthly excess cash holdings contracted by $108.0mn to $218.7mn. This marked reduction in cash reserves was attributable to domestic banks' T-bill purchases and an increase in domestic bank lending, including $45.4mn to utility companies, $42.7mn to manufacturers, and

Chart 1.14: Monthly External Asset Ratio

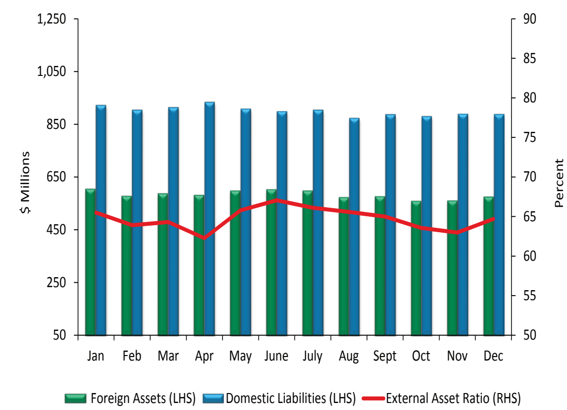


Chart 1.15: Domestic Banks' Cash Reserves

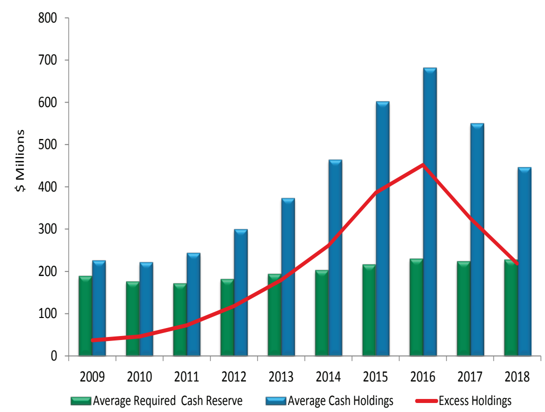
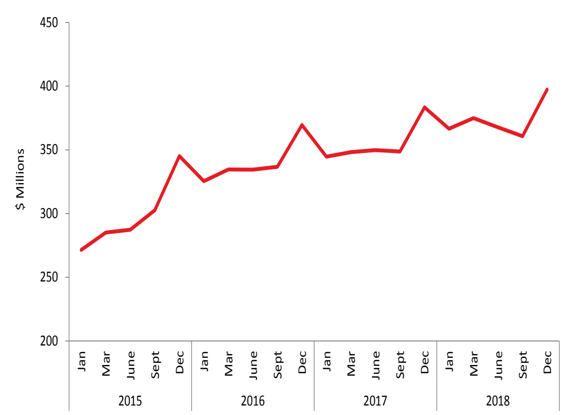


Chart 1.16: Currency in Circulation



$26.4mn to tourism enterprises. At year end, total excess cash holdings stood at $196.6mn.

Currency Operations

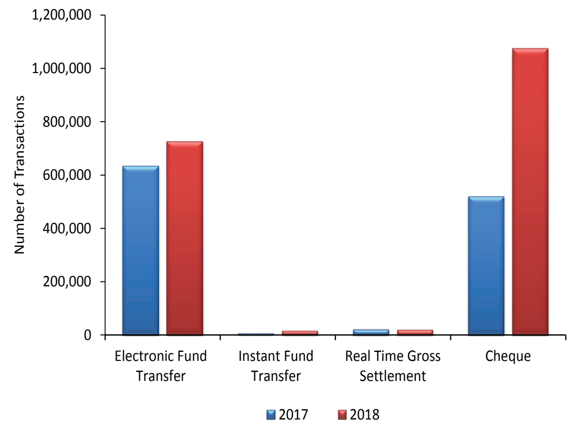
Currency remained the primary medium of exchange for transactional purposes in spite of the growth in use of non-cash payment methods. At year end, the total value of banknotes in circulation rose by 3.5% to $364.9mn, up from $352.4mn in 2017. The ratio of banknotes in circulation by denomination remained constant, with $50.00 notes accounting for 22.9% and $2.00 notes, 19.2%. In addition, the value of coins in circulation totalled $32.5mn, reflecting a 4.9% annual increase. As a result, the total value of notes and coins in circulation expanded by 3.6% to $397.3mn when compared to the year before. Notably, the overall growth pace of currency in circulation slowed marginally relative to the 3.8% increase recorded in 2017.

The ratio of notes and coins to currency in circulation was also stable with banknotes accounting for 91.8% and bank coins, 8.2%. The seasonal increase in demand for bank notes during the Christmas holidays was chiefly responsible for the $3.7mn uptick in domestic banks' vault cash to $61.9mn and the $10.3mn expansion in currency with the public to $335.4mn at the end of December.

Automated Payment and Securities Settlement System

Since its October 2016 launch, APSSS usage continued to grow countrywide. In 2018, domestic banks processed 1.8mn transactions through APSSS, reflecting a 50.0% increase over the 1.2mn transactions processed in 2017. This increase reflected a full year of automated cheque processing in 2018 compared to six months of transactions last year after the service was launched

Chart 1.17: Electronic Funds Transfer



in July 2017. Furthermore, instant fund transfers more than doubled to 15,156 transactions, while electronic fund transfers rose by 14.3% to 0.7mn transactions. Nevertheless, cheques remained the most widely used non-cash payment method in APSSS.

Interbank Market

The interbank market remained dormant for the second consecutive year because of the high liquidity in the banking system. Consequently, there were no offers to lend or requests to borrow funds among domestic banks in 2018.

Transactions with Central Government

At 8.5% of current revenue collected in the preceding fiscal year (FY), the ceiling on advances, which the Central Bank can legally extend to Central Government through the overdraft facility, was $91.7mn for FY 2018/2019. Throughout the year, Central Government maintained the balance on its overdraft account comfortably within the legislated ceiling. This was achieved mainly through tax receipts, foreign loan disbursement proceeds, external grants, the issuance of new securities, and income from the international business company and ship registries.

In the first quarter, the overdraft balance averaged $55.4mn. The overdraft was kept below the legal threshold with inflows from tax receipts and loan disbursement proceeds, with the latter including $9.8mn in disbursements under the Venezuela Petrocaribe Agreement (VPCA). During this period, outflows were due mainly to debt service payments, including February's $26.0mn interest payment on the 2034 bond, along with other miscellaneous payments on Central Government's behalf. In the second quarter, the overdraft facility's average fell to a trough of $31.7mn, with proceeds from the $19.6mn loan disbursement from ROC/Taiwan and increased tax collections owing to several tax-enhancement measures implemented at the start of the new FY. In the third quarter, the overall balance average crept up to $36.5mn, largely as a result of the August $26.0mn interest payment on the 2034 bond. Finally, in the fourth quarter, the average peaked at $59.3mn with a pickup in domestic payments, ending the year at $52.1mn, 56.8% of the legal limit.

Treasury Bills

In 2018, the value of outstanding T-bills was unchanged at $245.0mn. During the year, market participation for low risk, short-term instruments was lukewarm, despite persistently high domestic bank liquidity. With two domestic banks and five institutional investors placing competitive bids, the number of active market participants rose by one institution compared to the year before. In addition, the Central Bank, as buyer of last resort, took up unsubscribed T-bills at most auctions at the prevailing weighted average yield. Competitive bidding pushed the weighted average three-month T-bill yield up by approximately six basis points in 2018 to 1.22% from 1.17% at the end of 2017. In comparison, the three-month US T-bill yield rose by 103 basis points, increasing to 2.40% at the end of 2018 from 1.37% at the end of 2017.

Chart 1.18: T-bill Yield

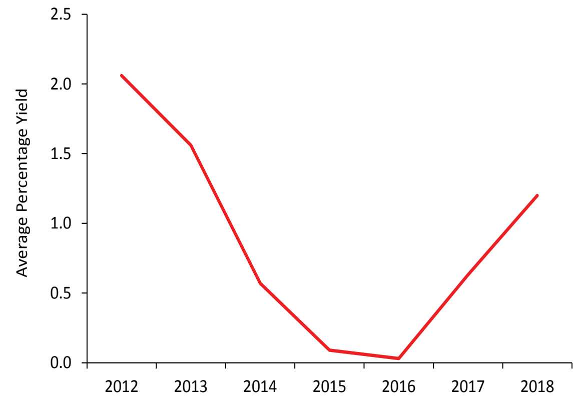


Chart 1.19: T-bill Allocations

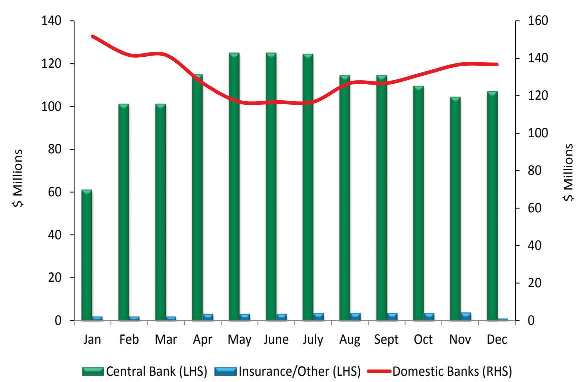
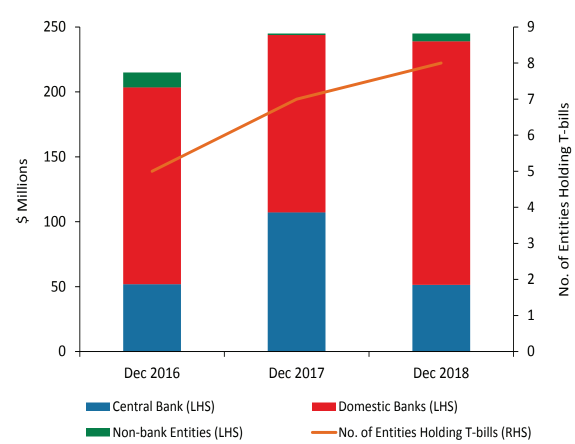


Chart 1.20: T-bill Distribution and Holders



Market participation was partly dampened by an upswing in domestic bank lending. While three domestic banks consistently participated in auctions during the first quarter, one bank withdrew in April to meet increased credit demand. Notwithstanding, the value and share of domestic banks' T-bill holdings grew, expanding from $136.7mn (55.8%) at the beginning of January to $187.7mn (76.6%) at the end of December. In contrast, the Central Bank's holdings fell from $77.9mn (31.8%) to $51.3mn (20.9%). Other institutional investors accounted for the remaining 2.5%. Secondary market trading was minimal, with only eight transactions reported for the year.

Treasury Notes

In 2018, the outstanding amount of Treasury Notes (T-notes) rose by $15.0mn to $655.0mn. This increase occurred in December when $25.0mn in one-year notes were issued and a portion, $10.0mn worth, was retired in the same month. In May, Central Government retired $16.0mn in floating rate notes (FRNs) and converted the prinicpal amount to one-year fixed-rate notes. In addition, eight one-year fixed-rate notes were rolled over during the year. Hence, the outstanding value of fixed-rate notes increased by $15.0mn to $496.0mn, while the amount of FRNs declined by the same to $159.0mn. At year end, the principal sum of outstanding T-notes stood at 66.5% of the $1.0bn legislative ceiling.

The T-note yield curve was broadly unchanged, as one-year and ten-year yields remained constant at 2.25% and 5.25%, respectively, resulting in a 3.0% spread.

Chart 1.21: T-note Allocations by Maturity Holders

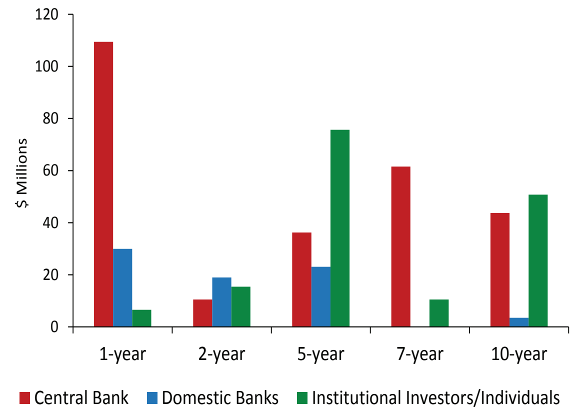
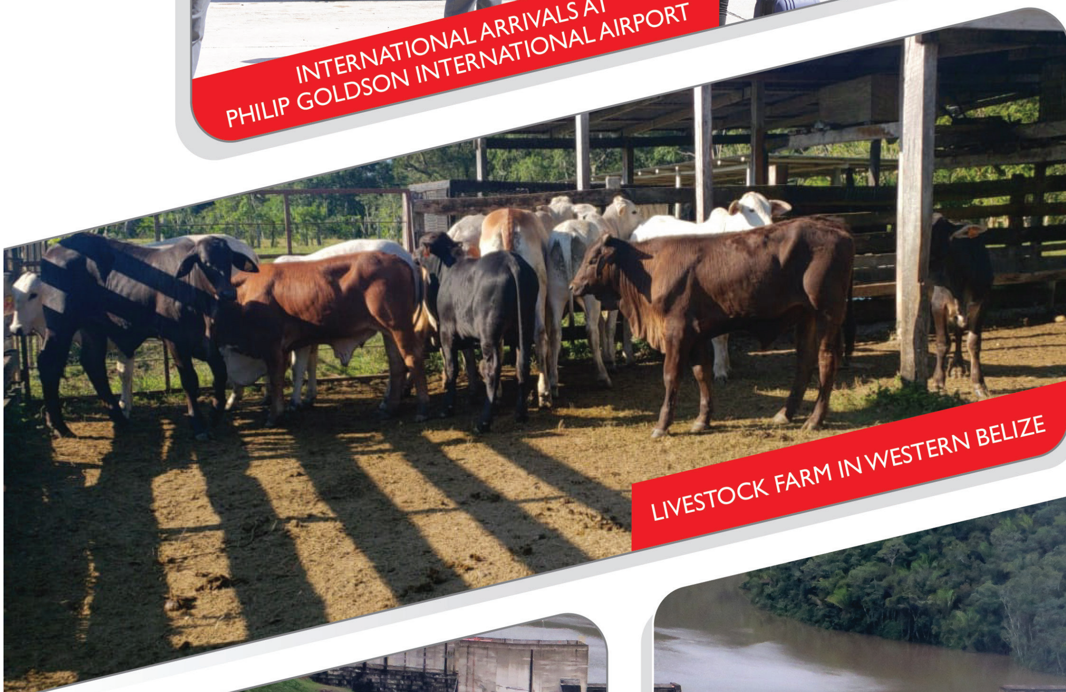
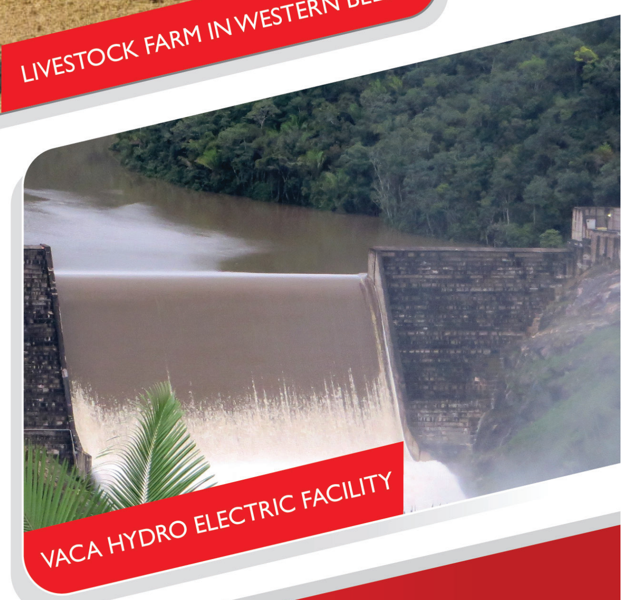


Chart 1.22: T-note Yield Curve

INTERNATIONAL ARRIVALS AT PHILIP GOLDSON INTERNATIONAL AIRPORT



LIVESTOCK FARM IN WESTERN BELIZE



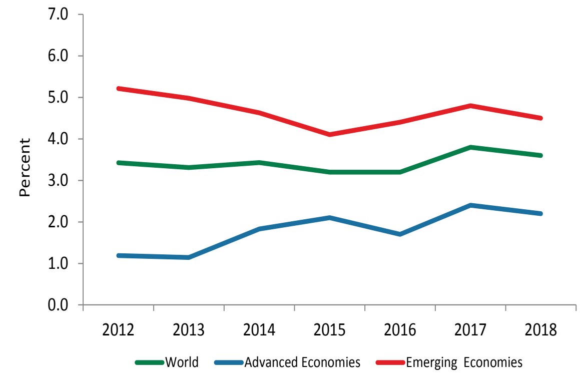
VACA HYDRO ELECTRIC FACILITY

International Developments

World output expanded by 3.6% in 2018, down slightly from 3.8% in 2017. The global growth momentum moderated amid a weakening in global manufacturing activity, a marked deceleration in global trade, heightened trade tension between the US and China, and tighter financial conditions. However, growth in the Caribbean strengthened on the back of robust tourism activity and increased construction activities in tourism-dependent countries, while higher natural gas and agricultural production supported growth in commodity exporters.

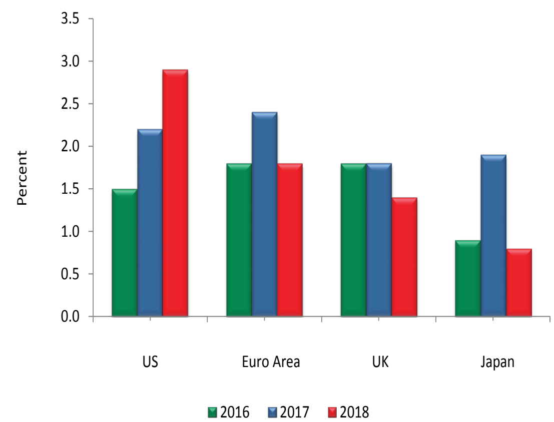
Growth in advanced countries weakened to 2.2% in 2018 compared to 2.4% in 2017. The US recorded the strongest growth among advanced economies, registering a 2.9% annualised increase in 2018. This economic expansion was boosted by procyclical fiscal stimulus in the form of tax cuts and higher federal spending, which led to increased personal consumption expenditures. Labour conditions further strengthened with the annual unemployment rate falling to 3.9%, while wages grew by 3.2% for the year. With inflation remaining near the symmetric 2.0% policy objective, the Federal Reserve raised the target range for the federal funds rate four times, ending the year at 2.25% to 2.50%. In contrast, euro area's real GDP growth moderated to 1.8% in 2018, down from 2.4% a year earlier. This slowdown reflected lower external demand, alongside a confluence of country-specific factors. For instance, Germany's output weakened to 1.5%, slowed by lower outturns from the automobile industry with the imposition of new auto emission standards. France's growth slipped to 1.5%, hindered by countrywide protests against fuel price increases and a planned fuel tax hike. Finally, lacklustre performances by Italy's industrial and agricultural sectors tempered their growth to 0.9%. As for the UK, their output decelerated to 1.4%, weighed down by heightened

Chart 2.1: GDP Growth Rate



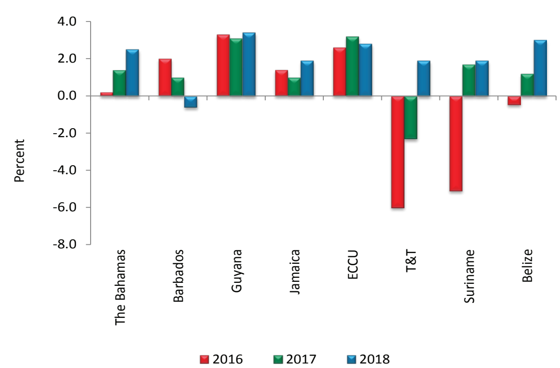
Source: IMF

Chart 2.2: Selected Advanced Economies: GDP Growth Rate



Source: IMF

Chart 2.3: CARICOM - GDP Growth Rate



Sources: ECLAC, central banks of The Bahamas, Barbados, Belize, Guyana, Jamaica and ECCU.

political uncertainty relating to the next steps in the Brexit process, including a disorderly "no deal" withdrawal. Japan's growth weakened to 0.8% compared to 1.9% in 2017 on account of a series of natural disasters, which suppressed domestic activity amid sluggish external demand.

Growth in emerging market and developing economies also slowed, easing to 4.5% in 2018, relative to the 4.8% increase the year before. China, which has been the largest single contributor to world growth since the global financial crisis of 2008, moved forward with implementing structural reforms aimed at ensuring a sustainable growth path. In 2018, China's real GDP growth decelerated to 6.6% on account of financial regulatory tightening to curb shadow banking activities and the adverse impact of the US trade dispute. India became the world's fastest growing emerging market economy, registering a 7.1% increase in output in 2018, buttressed by heightened investments and private consumption. Meanwhile, Brazil's recovery from the 2015-2016 recession stalled as their economy grew by 1.1%, the same growth rate recorded a year earlier.

CARICOM

Robust tourism growth and increased construction activities (related in part to reconstruction efforts from hurricane damages in 2017) lifted growth in tourism-dependent economies. Meanwhile, heightened agricultural and mining activities bolstered output among commodity exporters. Consequently, growth in the Caribbean rebounded to 1.9% in 2018 compared with a 0.2% increase in 2017.

Among tourism-dependent economies, growth in the Eastern Caribbean Currency Union (ECCU) was strong, recording a 2.8% expansion in 2018, supported by higher tourism, construction, manufacturing, and agricultural output. Still hampered by damages from the major hurricanes in 2017, Dominica was the only member of the ECCU that was projected to post negative growth of 4.4% in 2018. Conversely, growth among member countries was led by Antigua and Barbuda (5.3%) and Grenada (5.2%). The Bahamas' recovery strengthened to 2.5%, following a tepid 1.4% increase in 2017, driven by a rebound in tourism, improvements in the offshore financial services sector, and a pickup in tourism-related construction activities. Jamaica's economy expanded by 1.9%, driven by increases in mining and quarrying activities with the re-opening of Jamaica's largest alumina plant, as well as heightened construction and tourism activities. However, the Barbadian economy is projected to contract by 0.5%, as the impact of fiscal policy tightening on domestic consumption and reduced construction activities outweighed modest gains in tourism. The new Government that took office in May announced the undertaking of a comprehensive debt restructuring program on 1 June. In support of Barbados' Economic Recovery and Transformation plan, on 1 October, the International Monetary Fund (IMF) approved a four-year Extended Arrangement under the Extended Fund Facility for an amount equivalent to SDR 208.0mn (approximately US$290.0mn), of which SDR 35.0mn (approximately US$49.0mn) was immediately released.

As for commodity exporters, Trinidad and Tobago's economy was projected to rebound by 1.9% in 2018, following two consecutive years of negative growth. The energy sector is set to grow by 2.2%, after registering no growth in 2017, spurred by increased natural gas production, while oil extraction and refining activities declined. Strengthened fiscal consolidation efforts lowered the Government's budget deficit to 4.0% of GDP, while the country's net public debt improved to 60.9% of GDP. Output in Guyana was bolstered by increased agriculture production, including heightened rice, forestry, and poultry output, as well as increases in distributive trade and other services. However, construction activities moderated with declines in private and public investments. Suriname's economy is estimated to have grown by 1.9% for 2018, up slightly from 1.7% in 2017, buoyed by increased manufacturing and agricultural activities.

Central America and Mexico

Real output in Central America slowed to 2.0%, relative to the 3.9% increase recorded in 2017. This deceleration was due in part to reduced output in Costa Rica, arising from fiscal and political difficulties related to new tax reforms. Furthermore, Nicaragua's economy contracted by 4.1% as political instability caused a downturn in consumer demand and reduced investors' confidence. Conversely, Panama's economy grew by 4.2%, outperforming all other Central American countries for the second consecutive year amid a 30-day wage strike by construction workers. The remaining countries in the regional grouping had mixed performances, with most benefitting from increased remittances, which buoyed domestic demand. For example, Guatemala's private consumption soared on account of robust remittance inflows, which underpinned a 2.9% economic expansion.

Closer to home, Mexico's economy strengthened by 0.1% to 2.2%, as increases in household spending and service-based activities outweighed downturns in construction and mining. In other developments, the US-Mexico-Canada Free Trade Agreement was signed on 30 November, replacing the North America Free Trade Agreement.

Domestic Overview

In 2018, Belize's economy expanded by 3.0%, following a 1.4% rebound in 2017. The growth pace more than doubled with higher secondary and tertiary sector production, as primary output weakened. Primary production decelerated to 3.4% in 2018 from 9.8% the year before, as "*Agriculture*" slowed to 3.6%, hampered by adverse weather and the devastating effects of citrus diseases. However, double-digit increases in cattle and swine production boosted livestock's value-added contribution to agricultural output, while "*Fishing*" rebounded to 1.1%, buoyed by a turnaround in farmed shrimp production and an upsurge in conch wild catch. Secondary output rose by 0.5%, up from 0.1% in 2017, on account of the 5.9% expansion in "*Electricity and Water*", which overshadowed marginal declines in "*Manufacturing*" and "*Construction*". The tertiary sector provided the largest contribution to GDP growth, expanding by 3.6% with positive outturns in all service-based industries, except "*Other Private Services*". Notably, growth in "*Hotels and Restaurants*" and "*Transport and Communication*" were supported by stellar increases in overnight arrivals and cruise ship disembarkations, while "*Wholesale and Retail Trade*" was boosted by heightened commercial free zone (CFZ) sales.

In spite of the modest growth in economic activity, labour market conditions deteriorated slightly as the growth in labour force outpaced the creation of new employment opportunities among secondary and tertiary industries. Consequently, the unemployment rate edged up to 9.4% in April 2018 compared to 9.0% in April 2017. Inflation was low with the Consumer Price Index (CPI) averaging a 0.3% increase in 2018 in response to rising costs of fuel, house rent, and healthcare services.

In fiscal developments, Central Government's efforts to put public finances on a sustainable path were strengthened with tax enhancements to raise revenue by an additional 0.5% of GDP in April. The new revenue-enhancement measures contributed to the 9.0% increase in revenue and grants reported for the 2018 calendar year, while expenditure was restrained, rising by just 2.7% with cuts in capital spending. As a result, Central Government's primary surplus expanded to 2.1% of GDP in 2018 from 0.2% of GDP in 2017, while the overall deficit improved to 1.0% of GDP in 2018 from 2.8% of GDP in 2017.

The improved fiscal outturn along with the absence of compensation payments for BTL significantly reduced Central Government's gross financing needs relative to last year. In 2018, 69.4% of Central Government's financing requirements was funded by external creditors, while the remaining 30.6% stemmed from domestic creditors. Hence, the external public sector debt grew by 1.9% to $2,561.2mn (66.5% of GDP) and the domestic debt rose by 1.8% to $1,045.3mn (27.2% of GDP), resulting in a 1.9% increase in total public sector debt to $3,606.6mn (93.7% of GDP).

The external current account deficit widened to 8.0% of GDP in 2018 compared to 7.7% of GDP in 2017. This outcome was due to a larger trade deficit and higher profit repatriation, which overshadowed upturns in tourism earnings and remittance inflows. Supported mainly by EU grants, the capital account surplus rose by 49.1% to $48.0mn. At the same time, the financial account surplus more than doubled to $218.3mn, boosted by $239.1mn in inward foreign direct investments, channelled mainly into agriculture, real estate, and tourism-related construction activities. To cover the current account shortfall, the Central Bank's gross international reserves fell by 5.7% to $588.4mn, the equivalent of 3.6 months of merchandise imports.

In monetary developments, broad money supply (M2) expanded by 2.7%, driven by a 3.3% increase in net domestic credit, while the net foreign assets of the banking system contracted by 0.3%. The reduction in the system's net foreign asset position was due to a $36.1mn decline in Central Bank's holdings, since domestic banks' foreign balances rose by $33.2mn, underpinned by an upsurge in tourism earnings. The rise in net domestic credit was attributable to expansions in domestic bank lending to the private sector and other public sector entities, which rose by $56.6mn and $42.8mn, respectively, while net lending to Central Government contracted by $11.8mn. Loan write-offs by domestic banks more than halved to $43.6mn in 2018, as the transition period for meeting tighter provision standards ended in 2017. Credit union lending was also robust, registering an 8.0% increase in 2018, with majority of the growth originating from the newly registered credit union.

Domestic banks' uptake of additional Government securities and the expansion in credit curbed excess liquidity growth for the third consecutive year. In 2018, domestic banks' holdings of excess liquid assets fell by $28.5mn to 38.6% of the required level, while excess cash balances declined by $87.4mn to 85.4% of requirements. Notwithstanding, the excess liquidity in the banking system continued to place downward pressure on interest rates. Thus, the 12-month rolling weighted average interest rates for new loans and deposits fell by 39 and 25 basis points, respectively, resulting in a 14 basis-point decline in the weighted average spread to 7.2%. Domestic banks' financial performance was accentuated by a marked rise in its ROA to 3.1% from 1.3% in 2017. However, their net NPL ratio weakened slightly to 2.7% from 2.4% in 2017.

Going forward, Belize's GDP growth is expected to remain above trend but decelerate slightly to 2.8% in 2019. This slowdown will stem from lower growth by service industries and a mild contraction in secondary activities, as primary sector growth strengthens. Primary production is projected to expand by 8.6% based on improvements in agriculture and fishing. Agriculture production is projected to firm on expectations that contributions from increased sugarcane and banana yields will outweigh the impact of reduced citrus deliveries. In fishing, value-added gains from the anticipated rebound in farmed shrimp production are projected to cover losses stemming from cyclical downturns in wild captures of lobster and conch. In contrast, secondary sector output is expected to contract by 1.1%, underpinned by declines in hydroelectricity power generation, crude oil extraction, and citrus juice production. Tertiary sector output will likely moderate to 2.5%, precipitated by lower growth rates in key service-based industries. Notably, a tempering in stay-over and cruise ship visitors should dampen growth in "*Hotel and Restaurants*" and "*Transport and Communication*", while a softening in CFZ sales should curb "*Wholesale and Retail Trade*" activities.

On the external front, the current account deficit is projected to narrow by 0.6 percentage point of GDP to 7.4% of GDP in 2019. This improvement is based on the assumption that the growth in tourism revenue and cutback in profit repatriation will more than offset the expanding trade deficit. While inflows into the capital account are projected to decline in line with lower EU grants, the financial account surplus should expand, boosted by increased foreign direct investments, particularly in large scale tourism-related construction projects. Notwithstanding, Central Bank's gross official international reserves will likely decline to the equivalent of 3.2 months of merchandise import cover by year end.

Downside risks to this forecast include:

(i) adverse weather that could lead to significant output losses;
(ii) an outbreak or intensification of any disease that could weaken agricultural production;
(iii) a weak rebound in farmed shrimp production;
(iv) disruptions to global trade and growth that could hinder inward foreign direct investments and demand for Belize's goods and services; and
(v) any natural disaster.

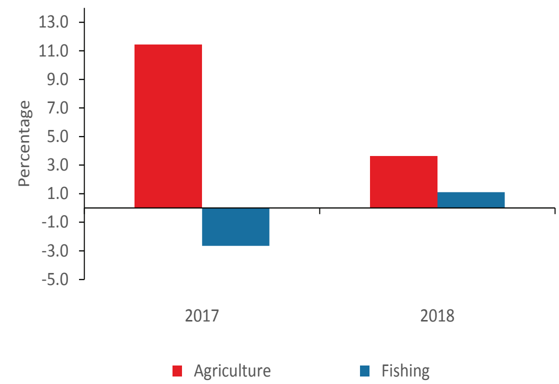
Production

Belize's real GDP expanded by 3.0% in 2018, following a 1.4% rebound in 2017. The acceleration in output was driven by higher growth in secondary and tertiary activities, as primary production was slowed by unfavourable weather and crop diseases.

Primary production rose by 3.4% in 2018 compared to a 9.8% increase in 2017. The sectoral growth momentum was tempered by the deceleration in "*Agriculture*", which slowed to 3.6% from 11.4% in 2017. Abnormally wet conditions early in the year adversely impacted sugarcane, banana, and citrus harvests, while excessively dry conditions depressed other cash crop yields later in the year. Along with unfavourable weather, citrus yields were also supressed by the prevalance of citrus greening and the resurgence of citrus leprosis. In contrast, double-digit increases in cattle and swine production contributed favourably to an upsurge in livestock output. "*Fishing*" rebounded to 1.1% relative to the 2.6% contraction in 2017, underpinned by increased conch and farmed shrimp production. In case of the former, suitable marine conditions and healthy stock recovery led to a 48.3% growth in queen conch catch. As for the latter, farmed shrimp production rose by a fragile 2.6%, reversing the four-year decline caused by the Early Mortality Syndrome (EMS) outbreak in 2015.

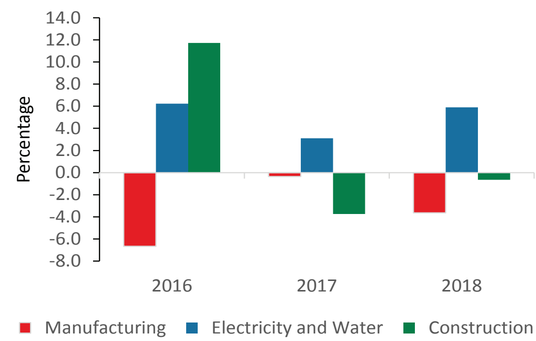
Secondary industries eked out a 0.5% expansion, owing to a 5.9% rise in "*Electricity and Water*", which outweighed value-added declines in manufacturing and construction. Manufacturing activities contracted by 3.6%, as a result of lower output of sugar, citrus juices, crude oil, flour, and rum, while soft drink and beer production rebounded. Meanwhile, the cut in public investment was partly responsible for the 0.7% decline in construction activities.

Chart 4.1: Percentage Change in Primary Industries



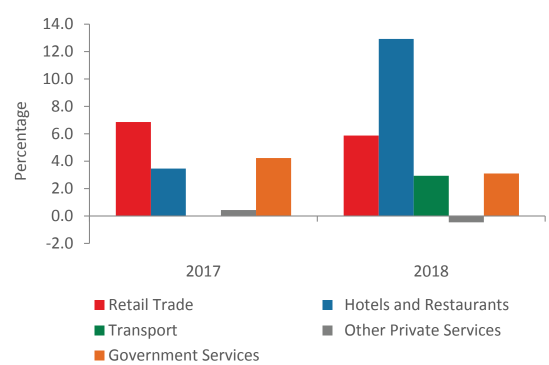
Source: SIB

Chart 4.2: Percentage Change in Secondary Industries



Source: SIB

Chart 4.3: Percentage Change in Tertiary Industries



Source: SIB

Supported by an upsurge in tourist arrivals, service industries grew by 3.6%. Strong growth in stay-over arrivals (12.6%) and cruise ship disembarkations (19.1%) lifted the contribution of tourism consumption in "*Hotels and Restaurants*" and "*Transport and Communication*", while a pickup in CFZ sales boosted "*Wholesale and Retail Trade*" by 5.9%. Furthermore, *"Producers of Government Services"* expanded by 3.1% with increased spending on public servants' emoluments, while *"Other Private Services"* edged down by 0.5%.

Agriculture

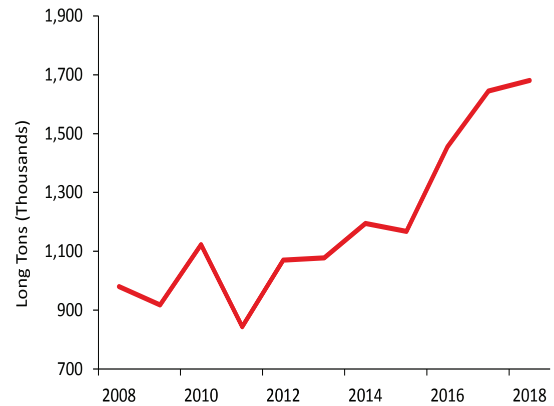
Sugarcane

In the North, sugarcane deliveries for the 2017/2018 crop year commenced on 7 December 2017 and ran for 29 consecutive weeks, ending on 27 June 2018. In contrast, the harvest season out West, which spanned from 7 March to 27 June 2018, lasted for only 16 weeks and was shortened by three weeks because of rain.

When combined, total sugarcane deliveries grew by 2.2% to a record high of 1,680,555 long tons. This improvement was driven by a 13.7% expansion in Santander Group's production, whose share of total deliveries grew to 25.3%. Santander's sugarcane harvest rose by 51,330 long tons to 425,699 long tons, reflecting a 3.8% uptick in the average daily grinding rate. Higher yields from Santander was more than sufficient to cover the 1.2% decline in sugarcane deliveries to BSI, which fell by 36,150 long tons to 1,254,856 long tons. BSI's weakened performance was partly attributable to excessive rains during the first few weeks of harvest, which raised mud content in cane deliveries and, in turn, lessened the factory's efficiency and farmers' cane quality.

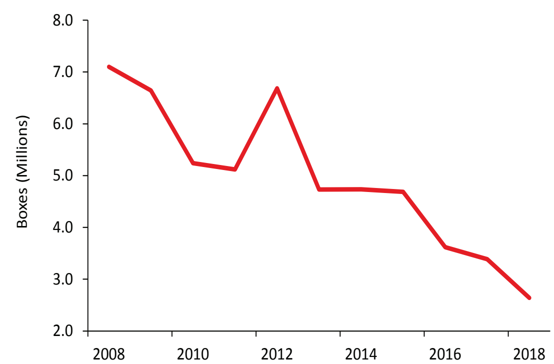
Abolition of the European Union (EU) sugar production quota system in September 2017

Chart 4.4: Sugarcane Deliveries



Sources: BSI and Santander Group

Chart 4.5: Citrus Fruit Deliveries



Sources: CPBL and CGA

Chart 4.6: Banana Production

Source: BGA

brought EU sugar prices closer in alignment with world market prices. This led to an acute 25.2% drop in the average price per long ton of sugarcane to a historic low of $47.90 for the 2017/2018 crop year.

Citrus

Citrus deliveries for the 2017/2018 crop year contracted by 22.1% to 2.6mn boxes, contributing to an average annual decline of 14.8% over the previous four crop years. This season's poor performance was attributable to excess rainfall during the blossoming period, which led to high blossom losses and poor fruit set. In addition, the widespread presence of citrus greening and citrus leprosis continued to decimate groves and exacerbate fruit losses. Consequently, orange deliveries fell by 24.0% to 2.4mn boxes, while a robust first crop pushed grapefruit deliveries up by 10.2% to 0.2mn boxes.

A flood of Brazilian frozen concentrate orange juice onto US markets from their 2016/2017 bumper crop weakened the final price for orange juice by 4.3% to $2.42 per pound solid (ps) from $2.53 per ps in the previous crop year. Conversely, the fall-off in US grapefruit production, caused by the widespread impact of citrus greening and Hurricane Irma's damage to Florida groves in September 2017, contributed to the 42.1% increase in final price for grapefruit juice to a recent high of $4.11 per ps from $2.89 per ps in the 2016/2017 crop year.

Banana

Banana production slipped by 5.1% to 4.4mn boxes, as unfavourable weather in late 2017 into early 2018 reduced yields significantly in the first half of the year. At September 2018, the average yield per acre fell by 5.1% to 635 boxes per acre when compared to 670 boxes per acre in August 2017. Total acreage under production contracted by 1.7 acres to 6,973.9 acres, with 6,394.4 acres of harvestable trees and 499.5 acres of plantilla (trees too young to harvest).

The one-year exclusive marketing contract between the Banana Growers Association (BGA) and Fyffes expired on 31 December 2018. Subsequently, the two parties signed a new five-year exclusive marketing contract, which became effective on 1 January 2019 and kept the average 40-pound box price at $20.00, the same average price in the previous contract.

Other Agricultural Production

Grain production was mixed in 2018, hampered by excessive rain in the wet season and abnormally dry conditions in the dry season. With regards to cereals, corn production contracted by 13.1% to 171.4mn pounds, with yellow corn harvest down by 15.5% to 157.0mn pounds, owing to a 17.1% decline in mechanically harvested acreage. However, the downturn in yellow corn harvest was partially offset by a 23.7% increase in white corn production, totalling 14.5mn pounds. Similarly, rice production declined by 28.7% to 29.5mn pounds, following the temporary withdrawal of a major producer during the planting cycle. As for legumes, red kidney (R.K.) bean yields expanded by 3.9% to 12.0mn pounds for domestic consumption, while black bean production was scaled up by 88.3% to 6.9mn pounds to supply domestic and CARICOM markets. In contrast, soybean production contracted by 9.7% to 26.0mn pounds, as average yields fell by 17.2%, owing to extended dry conditions.

Vegetable production was also mixed, as tomato, sweet pepper, cauliflower, pumpkin, and cabbage recorded double-digit declines, while carrot, hot pepper, and string bean production rose. As for root crops, Irish potato and sweet potato harvests expanded by 54.2% and 17.7%, respectively, while cocoyam and yam yields narrowed by 7.9% and 0.5%, respectively. With only one small export producer left, papaya production contracted for the fourth consecutive year, down by 15.0% to 2.7mn pounds. Conversely, coconut production expanded by 14.1% in tandem with a 14.0% increase in harvested acreage.

In livestock, poultry production increased by just 0.2% to 43.4mn dressed-weight pounds in response to tepid market demand. In contrast, swine and cattle production rose by 19.4% and 20.2% to 4.7mn dressed-weight pounds and 3.9mn dressed-weight pounds, respectively, to satisfy a surge in domestic consumption. Buoyed by higher production from processing plants, milk production expanded by 4.0%.

Marine Products

Marine production grew by 6.7% to 3.3mn pounds as a surge in conch catch and a slight upturn in farmed shrimp production outweighed declines in fish and lobster. Using a mix of new production strategies and enhanced farm management practices to combat EMS, farmed shrimp production turned around, rising by a faint 2.6% to 1.2mn pounds. Staging a strong recovery, conch production rose by 40.6% to 0.8mn pounds. However, lobster production fell by 3.2% to 1.0mn pounds, while farmed fish production shrank by 8.3% to 0.3mn pounds.

Manufacturing

Sugar and Molasses

Sugar production edged up by 0.3% to 175,340 long tons, despite a 0.1% deterioration in average sucrose content and a 6.7% downturn in average factory time efficiency. Reduced cane quality and factory efficiency caused the industry's long tons cane-to-long ton sugar ratio to weaken by 1.9% to 9.58. Molasses production declined by an even steeper margin of 7.4% to 51,669 long tons, as BSI remelted its molasses to extract residual sugar from the by-product.

Citrus Juices, Citrus Oil, and Pulp

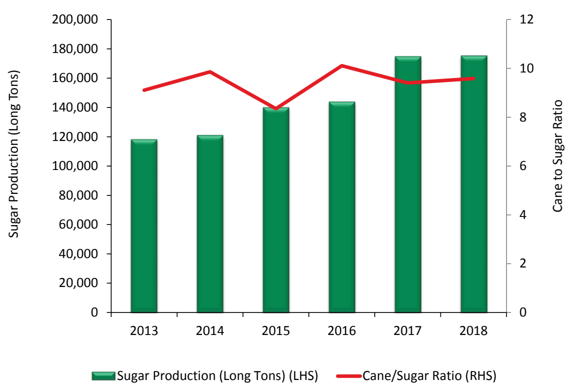
Lower processing fruit volume and poorer fruit quality caused citrus juice production to drop by 25.0% to 15.0mn ps in 2018. This marked contraction reflected a 26.8% plunge in orange concentrate production to 13.9mn ps that was partly offset by a 6.6% upturn in grapefruit concentrate production to 0.8mn ps. Consequently, the average juice outturn per box of fruit contracted by 3.0% to 5.8 ps per box of orange and by 1.8% to 4.0 ps per box of grapefruit. Not-from-concentrate juice production expanded by 23.6% to 0.3mn ps in alignment with plans to sell more value-added products into CARICOM to boost earnings. In line with the sizeable reductions in fruit processing volumes, citrus pulp and oil production were down by 28.9% to 1.7mn pounds and 35.4% to 0.8mn pounds, respectively.

Other Manufacturing Production

After two years of consecutive declines, fertiliser production rose by 18.1% in 2018. Meanwhile, beer and soft drinks production rebounded by 5.5% and 2.9%, respectively, in response to increased consumption. However, production of wheat flour contracted by 2.0%, reflecting the sixth consecutive annual decline as a result of shifts in consumer preferences and competition from lower-priced substitutes.

Petroleum extraction declined by 16.3% to 301,473 barrels in 2018, reflecting a 161-barrel reduction in the average daily extraction rate. In its 13th year of commercial operation, crude oil production at Spanish Lookout contracted by

Chart 4.7: Sugar Production and Cane to Sugar Ratio

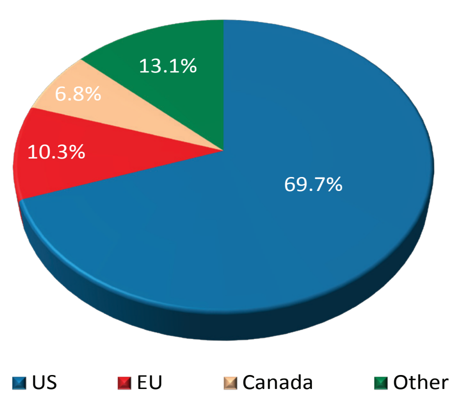


Sources: BSI and Santander Group

Chart 4.8: Tourist Visitors

Sources: BTB and CBB

Chart 4.9: Composition of Stay-over Tourist Arrivals



Sources: BTB and CBB

16.8% to 297,520 barrels. With 11.7mn barrels of recoverable petroleum extracted to date, Belize Natural Energy estimates that 2.6mn barrels of recoverable crude oil reserves remain. Still in the start-up phase, production at Never Delay rose by 44.7% to 3,953 barrels during the year.

Tourism

According to the World Tourism Organisation, international tourist arrivals rose by 6.0% to 1.4bn visitors in 2018. International tourist arrivals in Europe expanded by 6.0% to 0.7bn, boosted by exceptional growth across all major regions except Northern Europe, which was flat due to weaker arrivals in the UK. Meanwhile, Asia and the Pacific region netted 0.3bn arrivals, which was also 6.0% higher than last year. Closer to home, the Americas recorded a 3.0% increase to 0.2bn; tourists however, arrivals to Central America and the Caribbean decreased by 2.0%, as some island states were still recovering from the destruction caused by the major hurricanes in 2017.

In Belize, stay-over arrivals grew by 12.6% in 2018 to an industry high 438,224 visitors, surpassing the region's average by a wide margin. This robust growth pace was driven by the commencement of new direct flights to Belize, strengthened marketing efforts, and sustained economic growth in primary source markets. Additional flights from Calgary and Toronto resulted in a 30.8% increase in visitors from Canada, expanding the share of Canadian stay-over visitors to 6.8%. In addition, stay-over arrivals from the US and EU, Belize's main source markets, grew by 12.3% and 7.8%, respectively. However, the ratio of visitors from each slid slightly to 69.7% and 10.3%, respectively.

Cruise ship disembarkations surged by 19.1% to a record breaking 1,087,323 visitors, as the number of port calls grew by 56 to 392 ships.

Disembarkations at the Harvest Caye port increased by 36.5%, underpinned by a 25-ship increase in port calls that totalled 109 ships. At the same time, disembarkations at the Belize City port was up by 12.9%, reflecting a 31-ship increase in calls to 283.

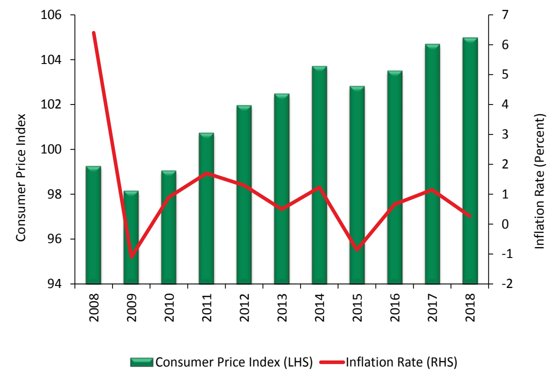
Prices

The CPI rose by 0.3% on average in 2018, driven mainly by rising costs for fuel, house rent and healthcare services. The sub-index for "*Housing, Water, Electricity, Gas and Other Fuels*" rose by 0.8%, as a result of increased prices for housing, liquefied petroleum gas, water, and electricity. "*Health*" rose by 3.3% with increased prices for pharmaceutical products and medical services. "*Education*" registered a 0.5% uptick on account of increased primary and tertiary education fees. Furthermore, "*Miscellaneous Goods and Services*" was up 0.9% due to upticks in insurance premiums, while "*Alcoholic Beverages and Tobacco*" expanded by 1.8% with higher beer and rum prices, stemming from the April 2017 excise tax adjustments. Finally, "*Furnishing, Household Equipment, and Routine Household Maintenance*" edged up by 0.1%, owing to upturns in household maintenance costs. Rising cost pressures were somewhat offset by price reductions for several items. Reduced airfares led to a 0.4% drop in "*Transport*", while lower prices for meat, seafood, and confectionery goods contributed to a 0.5% decline in "*Food and Non-Alcoholic Beverages*". "*Recreation and Culture*" also registered a 0.1% decrease.

Employment

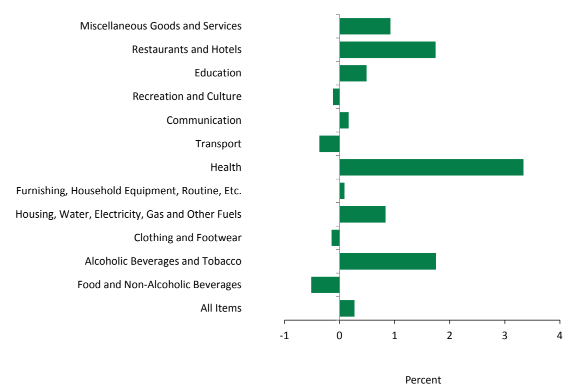
The unemployment rate rose by 0.4 percentage point to 9.4% in April 2018 compared to April 2017, as the number of unemployed persons rose to 16,136. This increase resulted as the 4.3% expansion in labour force outpaced the 3.9% growth

Chart 4.10: Consumer Price Index



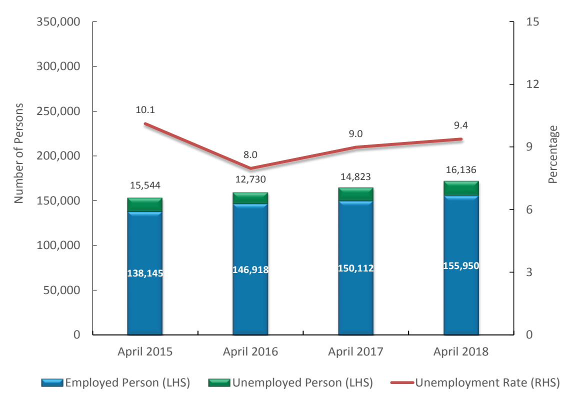
Source: SIB

Chart 4.11: Annual Percentage Change in Consumer Price Index



Source: SIB

Chart 4.12: Labour Force Statistics



Source: SIB

in employed persons. The number of employed persons rose by 5,838 to 155,950, as secondary and tertiary sector employment rose by 12.6% to 26,598 and by 5.5% to 100,841, respectively, while primary sector employment declined by 3.2% to 27,759. With more women entering the workforce, the labour force participation rate maintained its upward trend, rising to 65.5% from 64.3% in April 2017.

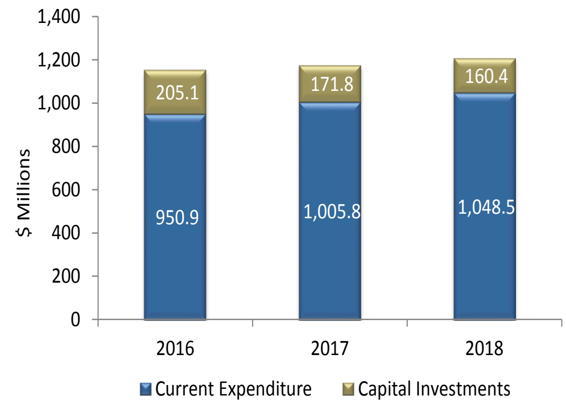
Central Government Operations

In keeping with terms of the 2034 US dollar bond covenant, Central Government remained on track to achieve a primary surplus equal to at least 2.0% of GDP for FY 2018/2019 – FY 2020/2021. For FY 2018/2019, Central Government aimed to achieve a slightly higher primary surplus of 2.2% of GDP and an overall deficit of 0.7% of GDP. As part of its fiscal consolidation strategy, Central Government implemented revenue-enhancement measures in April to raise $20.5mn (0.5% of GDP) in additional tax receipts by applying General Sales Tax (GST), excise duty, and social fee on new items, while increasing the social fee rate on certain CFZ goods.

Although the actual outturn for 2018, which included nine months of FY 2018/2019, trended slightly below budget targets, the main indicators of fiscal performance were in line with the minimum primary balance criterion established in the bond indenture. Central Government recorded a primary surplus of 2.1% of GDP in 2018, up significantly from 0.2% of GDP in 2017, while the overall deficit improved to 1.0% of GDP in 2018 compared to a deficit of 2.8% of GDP in 2017.

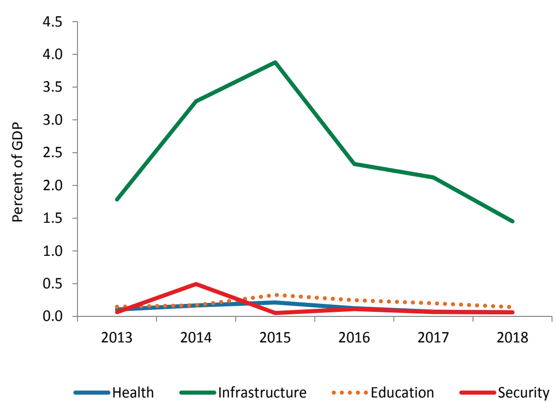
Revenue and grants grew by 9.0% to $1,170.5mn in 2018, supported by higher collections of tax, non-

Chart 5.1: Current and Capital Expenditure



Sources: MOF and CBB

Chart 5.2: Development Expenditure



Sources: MOF and CBB

tax revenue, and grants. Tax revenue rose by 6.1% to $1,012.2mn, owing to April's tax enhancements as well as stronger economic growth. Hence, contributions to overall revenue growth was more broadly based, stemming not only from higher collections of GST and excise duties but also from increased income tax, business tax, and stamp duty receipts. Furthermore, non-tax revenue expanded by 14.4% to $107.3mn, lifted by higher departure tax receipts and BTL dividend income. Meanwhile, grants almost doubled to $48.0mn, the majority of which was donated by the EU to fund the Banana and Sugar Support Programmes ($17.4mn) and the George Price Highway upgrade ($6.3mn).

Total expenditure grew by a mere 2.7% to $1,208.8mn in 2018, as the growth in current expenditure outpaced the decline in capital spending. Current expenditure rose by $42.6mn to $1,048.5mn (27.2% of GDP), driven by increased spending on goods and services, wages and salaries, and interest payments, which rose by $20.2mn, $13.6mn and $5.9mn, respectively. Notably, the 9.7% increase in expenditure on goods and services was due in part to the elimination of GST exemptions on Government's contracts, imports, and purchases since April. In addition, the 3.2% growth in public servants' emoluments was broadly in line with the average size of wage increments, while the 5.2% uptick in interest costs was attributable to last year's increase in Central Government's domestic and external debt stock.

Capital expenditure and net lending fell by $11.4mn to $160.4mn (4.2% of GDP), as the decline in capital lending was partly offset by an upturn in capital transfers. Capital transfer and net lending amounted to $12.7mn, up markedly from $2.2mn in 2017. The sizeable growth in transfers reflected the first half of the US$6.0mn settlement

Table 5.1: Revenue and Expenditure Summary

	Jan - Dec 2017	Jan - Dec 2018
Ratio to GDP (%)		
Current Revenue	28.1	29.1
Tax Revenue	25.6	26.3
Non-Tax Revenue	2.5	2.8
Current Expenditure	27.0	27.2
CURRENT BALANCE	1.1	1.8
Capital Revenue	0.1	0.1
Capital Expenditure (Capital II Local Sources)	2.3	1.6
OPERATING SURPLUS	-1.1	0.3
Grants to GDP	0.7	1.2
Total Revenue and Grants	28.8	30.4
Total Capital Expenditure	2.2	2.3
Total Expenditure	31.6	31.4
Of which: Interest Payment on Public Debt	3.0	3.1
PRIMARY BALANCE TO GDP	0.2	2.1
PRIMARY BALANCE WITHOUT GRANTS TO GDP	-0.4	0.8
OVERALL BALANCE TO GDP	-2.8	-1.0
OVERALL BALANCE WITHOUT GRANTS TO GDP	-3.4	-2.2

Sources: MOF and CBB

payment to NEWCO Belize Limited towards the outstanding arbitration award in October and the US$2.5mn settlement against the long-standing GDG Acquisitions Limited claim in December. Meanwhile, development expenditure contracted by $21.9mn (12.9%) to $147.6mn, with spending on key infrastructure projects accounting for 37.8% of the capital budget. Capital works included the general maintenance and rehabilitation of roads, culverts, drains, and bridges, as well as rehabilitation of the Philip Goldson and George Price Highways and construction activities relating to the Santa Elena/San Ignacio Bypass Project. In addition, investments in agriculture, primarily in the sugar and banana belts, accounted for 15.8%, while spending on land management and environmental projects represented 10.3% and 8.8%, respectively. The share spent on education and health accounted for 5.4% and a similar amount was spent on social projects. Outlays on sports, tourism, science, housing, and security accounted for 6.3%. The remainder was allocated to Belize Infrastructure Limited and spent on purchases of furniture, equipment, and office building upgrades.

The gross financing gap amounted to $142.5mn, which was 64.2% less than the amount required in 2017. This favourable outcome was due to a smaller overall fiscal deficit and the absence of nationalisation payments for BTL. External borrowings covered 69.4% of the gap, while the balance of 30.6% came from domestic sources. Consequently, the debt dependency ratio, denoted by the ratio of borrowings to government expenditure, was down to 11.6% from 31.1% in 2017, which was well below the 20.0% international threshold that demarcates critical borderline sustainability.

Total Public Sector Debt

The absence of nationalisation payment obligations and a tighter fiscal stance significantly reduced Central Government's borrowing needs. Hence, total public sector debt grew by just 1.9% to $3,606.6mn in 2018. In turn, the public sector debt-to-GDP ratio fell to 93.7% from 95.0% in 2017, as GDP growth outpaced the rise in public debt. Furthermore, the share of external debt-to-GDP tapered to 66.5% from 67.4% in 2017, while the domestic debt-to-GDP ratio dipped to 27.2% from 27.6% a year ago.

Central Government Domestic Debt

In 2018, Central Government's domestic debt grew by 1.8% to $1,045.3mn. With disbursements of $20.0mn, new borrowings mainly entailed low interest, short-term instruments. These consisted of $4.8mn in Central Government's overdraft balance, $15.0mn in one-year T-notes, and $0.2mn in credit for dredging services from Fort Street Tourism Village (FSTV).

Chart 5.3: Public Sector Debt

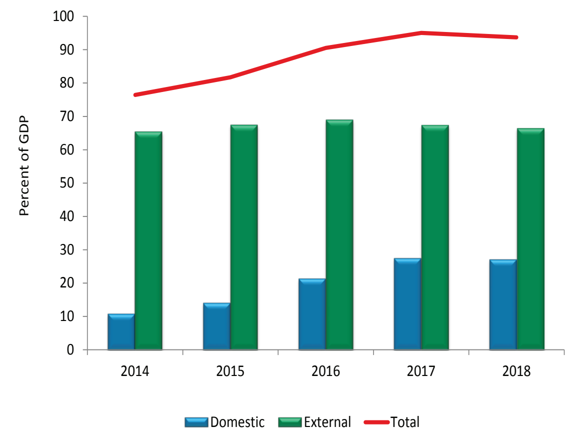
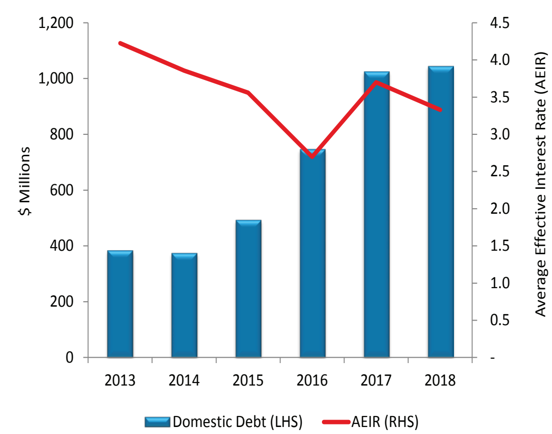


Chart 5.4: Domestic Debt



Debt service payments rose by 5.0% to $35.8mn, as the rise in interest payments exceeded the decline in principal payments. Interest payments totalled $34.5mn, reflecting a 5.3% growth when compared to last year. This modest increase was due a 16.8% expansion in size of the average debt stock and a six basis-point expansion in the weighted average T-bill yield over the 12-month period. However, the average effective interest rate fell to 3.3% compared to 3.7% in 2017, as a result of the gradual interest rate decline on Central Bank's overdraft facility and the retirement of higher-yielding T-notes in 2017. Having earned $14.1mn on its overdraft facility and securities holdings, Central Bank received the largest share of Central Government's interest payments. Non-bank entities and domestic banks followed with $12.2mn and $8.2mn, respectively, on their portfolios of loans and government securities.

Principal payments amounted to $1.2mn, down marginally from $1.3mn in 2017. Amortisation payments went to the Belize Social Security Board, the Debt for Nature Swap, Heritage Bank, and FSTV for dredging the mouth of the Belize River. Rolled-over maturing obligations comprised $16.0mn one-year FRNs that were converted to fixed-rate notes in May, as well as $20.0mn one-year fixed-rate T-notes in September.

A maturity breakdown of the domestic debt portfolio showed that majority (42.4%) included short-term instruments with original maturity of less than one year, consisting of three- and six-month T-bills, one-year T-notes with fixed and variable interest rates, and Central Government's overdraft facility. Medium-term instruments, consisting of T-notes maturing in more than one year up to five years, accounted for 30.7%, while long-term instruments, T-notes maturing in more than five years, made up the remaining 26.9%.

Chart 5.5: Sources of Central Government Domestic Debt

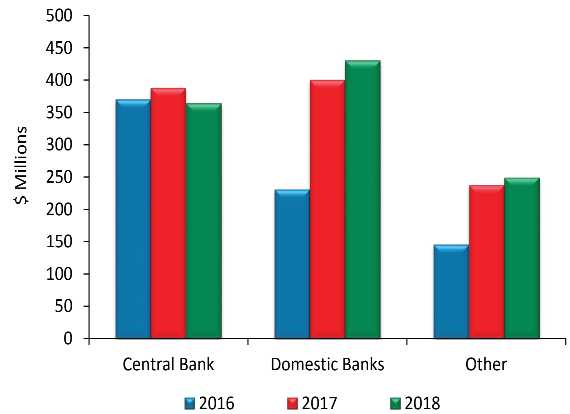
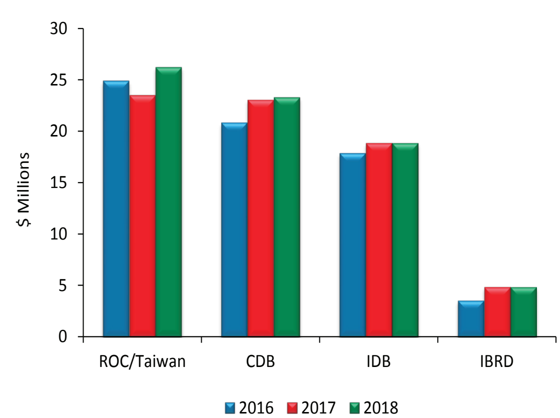


Chart 5.6: External Debt Principal Payment to Major Creditors



Composition of the domestic creditor base was relatively stable. Domestic banks were still the largest creditor to Central Government, as their share of domestic debt rose to 41.2% from 39.0% in 2017. The Central Bank was second with its portion narrowing to 34.9%, down from 37.8% in 2017. Conversely, the balance held by non-bank entities nudged up to 23.9% from 23.2% last year.

Public Sector External Debt

Compared to the previous year, the pace of external debt accumulation slowed significantly, as borrowings under the VPCA ended during the year and budget support funding declined. Hence, in 2018, the external public sector debt increased by only 1.9% to $2,561.2mn, as disbursements exceeded principal repayments and downward valuation adjustments with the appreciation of the US dollar vis-à-vis the euro, Kuwait Dinar, and SDRs.

Loan disbursements to the public sector totalled $133.8mn in 2018, which was markedly below the five-year average of $184.6mn. The sizeable reduction in disbursements to Central Government was partly offset by an upsurge in borrowing by non-financial public sector corporations.

Actual external disbursements to Central Government totalled $97.6mn. All disbursements were sourced from bilateral and multilateral creditors on concessional terms. Bilateral lenders disbursed $31.4mn for budget support, comprising $20.8mn from ROC/Taiwan and $9.8mn under the VPCA. Multilateral creditors disbursed $66.1mn, which included $23.3mn from the Caribbean Development Bank (CDB) for the Philip Goldson Highway upgrade, the Santa Elena/San Ignacio Bypass Project, the Education Sector Reform Project, and the Social Investment Fund programme. In addition, the Inter-American

Chart 5.7: External Debt Service

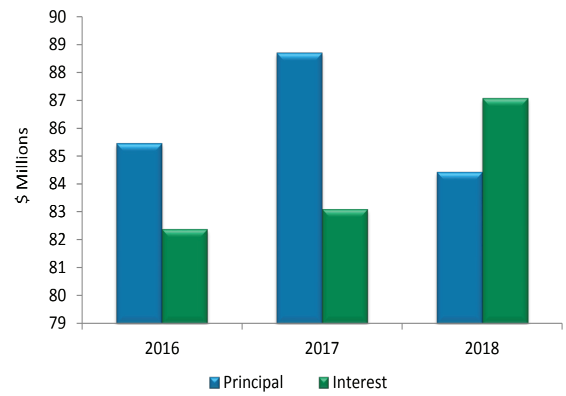
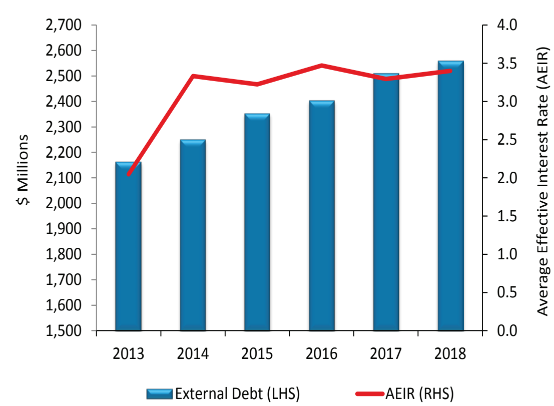


Chart 5.8: External Debt



Development Bank (IDB) expended $27.1mn for rehabilitation of the George Price Highway, the Solid Waste Management Project II, and several other projects.

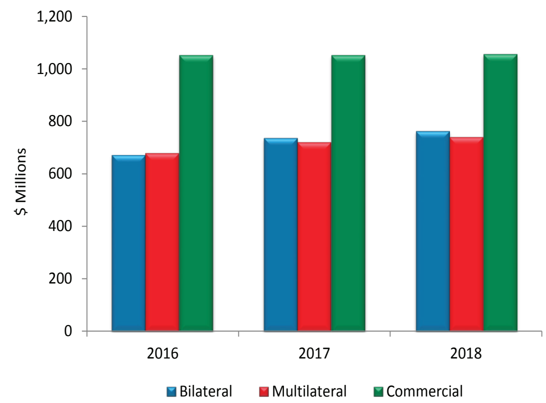
The non-financial public sector borrowed $27.1mn, comprising $0.5mn from CDB to Belize Electricity Limited, as well as $26.6mn jointly from Atlantic International Bank Limited and the International Cooperation & Development Fund to fund BTL's national network expansion project. As for the financial public sector, the Development Finance Corporation received $9.2mn from CDB.

Annual debt service payments dipped by 0.2% to $171.5mn with a 4.8% decline in principal payments ($84.4mn) barely offsetting a 4.7% rise in interest and other payments ($87.1mn). Central Government amortised $80.5mn in loans, of which $28.2mn and $52.4mn were paid to bilateral and multilateral lenders, respectively. Whereas most of the repayments to bilateral lenders went to ROC/Taiwan ($26.2mn), repayments to multilaterals were shared unevenly between CDB ($23.3mn) and IDB ($18.9mn). Meanwhile, the financial and non-financial public sectors amortised $0.9mn and $3.0mn in CDB loans, respectively.

Of total interest payments, $52.0mn went to the 2034 bond holders. Multilateral lenders received $24.0mn, of which $9.1mn went to CDB and $7.6mn to IDB. ROC/Taiwan accounted for most of the $11.0mn paid to bilateral creditors. The year-on-year effective interest rate averaged 3.4%, up somewhat from 3.3% recorded in 2017.

Select debt service ratios showed a reduction in debt-related risks relative to last year. The external debt-service-to-GDP ratio edged down to 4.5% from 4.6% in 2017, indicating a slightly

Chart 5.9: External Debt by Creditor Category



lower risk of debt distress. Likewise, the external debt-service-to-exports ratio, which indicates how much export revenue is used in servicing the public sector's external debt, improved to 10.1% compared to 11.3% in 2017. This was well below the 15.0% benchmark for developing countries.

Turning to composition of the external public sector debt, Central Government held 95.0% of the outstanding balance in 2018, while the financial and non-financial public sectors accounted for 3.2% and 1.8%, respectively. Notably, Central Government's portion has been steady over the last 10 years. A breakdown by remaining maturity showed that $6.8mn will mature in one year and $236.4mn will mature in more than one year up to 10 years, leaving $2,268.4mn to mature in more than 10 years.

Box 1: Major Fiscal Initiatives in 2018

24 March 2018 – The Free Zone (Social Fee) Order of 2018 was amended to increase the rate of social fee charged on the value of goods and services imported into a commercial free zone with effect from 1 April 2018 as follows:

Description of Goods	2017 Rates	2018 Rates
Fuel	10.0%	10.0%
Whiskey, brandy, rum and tafia, gin, vodka, liqueurs and cordials, wines, beer, and stout	6.0%	6.0%
Cigarettes	15.0%	15.0%
All other goods not covered under the categories above	1.5%	3.0%

29 March 2018 – The Customs and Excise Duties (Amendment) Act, 2018 was amended to implement the Customs and Excise Trade Classification based on the Harmonised System of Classification Version 2017; to implement the fourth phase of reduction of duties in accordance with the Economic Partnership Agreement; to vary the rates of excise duty on certain items; and to increase the scope of items subject to excise duty as follows:

To increase the rate of excise duty on fuel oils:

Description of Goods	2017 Rate	2018 Rate
Fuel Oils	$0.04/Imp. Gal	$3.57/Imp. Gal

To charge excise duty on illuminating kerosene by adding a new tariff sub-heading under Lights Oils and Preparation:

Tariff Heading	Description of Goods	Rate of Excise Duty
2710.20.10	Illuminating Kerosene	$1.27/imp. Gal.

31 March 2018 – The General Sales Tax (Amendment) Regulations 2018 was amended to require retailers registered for GST, whose annual income sales exceed $100,000.00, to utilise a point-of-sale system to record cash takings. This Regulation was enforced on 1 April 2018.

7 April 2018 – The General Sales Tax (Amendment of Schedules) Order, 2018 was amended to apply General Sales Tax on business processing outsourcing or call centre services; internet services; and goods and services supplied to the Government of Belize by way of contract except for those supplied by any foreign donor agency. In addition, the application of GST on the sale of new residential premises was no longer exempted. Furthermore, the sale of butane gas for domestic use was exempted from the application of GST. This Order was enforced on 1 April 2018.

4 December 2018 – The General Sales Tax (Amendment of Schedules) (No.2) Order, 2018 was amended to exclude from the zero-rated list of exported services: tours contractually supplied by tour operators to cruise line operators, retroactively from 1 July 2006.

20 December 2018 – The Income and Business Tax (Amendment) Act, 2018 made provisions for a tax regime for companies engaged in certain business activities; to set the rate of tax for these companies; and to exempt from tax the interests and dividends from certain trade or business as of 1 January 2019.

20 December 2018 – The Stamp Duties (Amendment) Act, 2018 excluded a certain category of international business companies from stamp duty charges, and clarified the interpretation of a Belizean company in regards to the excluded category of international business companies.

21 December 2018 – The Export Processing Zone Act, Chapter 280 was repealed and replaced with the Designated Processing Areas Act, 2018 to facilitate investment production of value added enterprises in Belize in national priority sectors; to ensure compliance with regulations and standards; and to stimulate employment, transfer of technology, and economic development.

Box 2: An Evaluation of Central Government's Progress in Achieving its Medium-Term Fiscal Targets

Belize's high level of public debt requires a sustained effort of fiscal consolidation to put debt on a declining path. High public debt level threatens the three primary functions of fiscal policy: (i) economic stabilisation to smooth economic cycles; (ii) resource allocation to foster long-term growth; and (iii) income redistribution to promote inclusiveness. Risks related to high public debt can be mitigated by way of revenue enhancements, expenditure cuts, and growth-enhancing structural and governance reforms.

In the March 2017 indenture to refinance Belize's commercial foreign debt with private bond holders, the Government of Belize agreed to consolidate public finances over the next four fiscal years. Among other things, the tenants of the agreement required Central Government to improve its primary balance by three percentage points of GDP in FY 2017/2018 relative to FY 2016/2017 and maintain a primary surplus of 2.0% of GDP for the next three consecutive FYs (FY 2018/2019 – FY 2020/2021). Subsequently, the Government announced plans to implement a medium-term fiscal consolidation strategy over a five-year period. This plan included seven quantitative targets and recognised the need for subsequent structural reforms to make the economy more productive and competitive.

Two years into the five-year consolidation strategy that began at the start of FY 2017/2018, Central Government has achieved two of the seven quantitative targets to date, which comprised:

(i) Increasing the primary surplus beyond 2.0% of GDP; and
(ii) Containing the fiscal deficit to 1.5% of GDP.

These two targets were achieved mainly by implementing revenue-enhancing measures and cutting capital expenditure. In FY 2017/2018, Central Government introduced new tax measures to boost revenue by 2.2% of GDP ($80.2mn). Furthermore, at the start of FY 2018/2019, new tax enhancements were implemented to raise an additional 0.5% of GDP ($20.5mn) in revenue. As a result, the primary balance is expected to grow to a surplus of 2.0% of GDP in FY 2018/2019, matching the 2.0% of GDP threshold in the bond agreement. Furthermore, the overall fiscal balance is projected to narrow to a deficit of 1.1% of GDP for FY 2018/2019 from a deficit of 4.0% of GDP in FY 2016/2017, which would exceed the 1.5% of GDP deficit target.

However, five quantitative targets outlined in the announced strategy are at risk of not being met within the five-year period. These include:

(i) Raising the ratio of revenue to GDP by two percentage points of GDP in two years;
(ii) Reducing current, non-interest expenditure by two percentage points of GDP over the next five years;

(iii) Improving debt management and keeping interest payments constant as a percentage of GDP;
(iv) Maintaining the level of capital spending at 5.0% of GDP; and
(v) Reducing the level of public debt-to-GDP ratio by 13 percentage points of GDP by 2022.

Notwithstanding the revenue-enhancement measures over the previous two fiscal years, the ratio of revenue to GDP is projected to increase by only 1.5 percentage points to 30.4% of GDP in FY 2018/2019. Consequently, the target to raise revenue by two percentage points of GDP in the first two years of the medium-term strategy will be missed. Between FY 2016/2017 and FY 2018/2019, current non-interest expenditure is expected to rise by 0.6 percentage points, instead of trending downward towards the objective of reducing this item by two percentage points of GDP by 2022. Similarly, interest payments as a percentage of GDP will likely rise by 0.2 percentage points to 3.1% of GDP for FY 2018/2019 from 2.9% of GDP in FY 2016/2017, as opposed to being held constant as planned. In addition, capital spending shrunk to 4.0% of GDP in FY 2017/2018 and then further to around 3.7% of GDP for FY 2018/2019, falling beneath the 5.0% of GDP threshold. Lastly, the level of public debt should edge up by 1.3 percentage points of GDP relative to the end of the FY 2016/2017, implying that Government would need to reduce its public debt-to-GDP ratio by 13.6 percentage points over the next three FYs to reach the safer 80.0% of GDP mark.

Eichengreen et al. (2019) defined successful debt consolidation episodes "as instances in which governments inheriting heavy debts ran primary surpluses for long periods in order to reduce those burdens to sustainable levels". Debt consolidation outcomes are usually more successful when (i) the initial adjustment is large; (ii) the adjustment emphasised spending reductions—in particular, on current expenditures; and (iii) the consolidation is governed by fiscal rules. To date, Central Government has been able to achieve some measure of fiscal consolidation success mainly through revenue-based adjustments and public investment spending cuts. However, more fiscal effort is needed to curb current expenditure growth, which tends to be rigid and politically difficult to accomplish. Studies show that expenditure-driven adjustments are more successful and lasting in producing favourable consolidation outcomes when compared to strategies that rely primarily on revenue-enhancements and public investment cuts. To ensure that Belize's fiscal consolidation efforts become durable over time, Central Government should strengthen its focus, inter alia, on reducing current expenditure, or risk that the current fiscal consolidation efforts will be short-lived, especially in absence of well-designed fiscal rules to support the medium-term objectives.

Box 2: An Evaluation of Central Government's Progress in Achieving its Medium-Term Fiscal Targets *continued*

Table 1: Central Government's Progress in Attaining Planned Fiscal Targets

Quantitative Targets	Time Frame		
	2016/2017	**2017/2018**	**2018/2019F**
1. Contain the fiscal deficit to 1.5% of GDP	-4.0	-1.6	-1.1
2. Increase the primary surplus beyond 2.0% of GDP	-1.1	1.4	2.0
3. Increase the ratio of revenue to GDP by 2 percentage points over the next two years	28.9	29.6	30.4
4. Reduce current, non-interest expenditure by 2 percentage points of GDP over the coming five years	23.8	24.2	24.4
5. Improve debt management and keep interest payments constant as a percentage of GDP	2.9	3.0	3.1
6. Maintain the level of capital spending at 5.0% of GDP	6.2	4.0	3.7
7. Reduce the level of public debt by 13 percentage points of GDP by 2022	92.3	94.0	93.6

Sources: MOF and CBB

Note: This table summarises the announced fiscal medium-term targets and provides a comparison between the fiscal outturns in the year before the start of the fiscal consolidation plan and actual outcomes two years into the programme.

F - Forecast

Money and Credit

Monetary developments were dominated by increased bank lending to private enterprises and utilities, while domestic banks' liquidity and interest rates maintained their downward trend.

Spurred by heightened economic activity, broad money supply (M2) rose by \$78.8mn in 2018 with expansions in narrow money and quasi-money. Narrow money grew by \$32.6mn with increases in both currency with the public and demand deposits, which rose by \$10.2mn and \$24.1mn, respectively, while balances in savings/chequing accounts contracted slightly by \$1.7mn. Quasi-money also expanded, rising by \$46.2mn on account of a \$51.5mn increase in savings deposits as time deposits fell by \$5.3mn. The reduction in time deposits reflected the ninth consecutive year-on-year decline, as banks continued to squeeze funding costs to improve profitability.

The 2.7% increase in M2 was attributable to the 3.3% expansion in net domestic credit, as net foreign assets of the banking system dipped by 0.3%. Increased lending to households, firms and utility companies was responsible for the \$87.6mn increase in net domestic credit in 2018. Private sector borrowing from domestic banks was up by \$56.6mn (2.8%), representing the largest growth in net lending to private entities since 2015. Net disbursements were concentrated in tourism (\$26.4mn), construction (\$24.2mn), and merchandise trade (\$19.4mn) and augmented by two sizeable extraordinary loan bookings, one from an offshore bank for a sugar producer and one from a foreign bank for a beverage manufacturer.

Conversely, net credit to Central Government from the banking system contracted by \$11.8mn, as a \$22.0mn build-up in bank deposits eclipsed a \$10.2mn increase in gross credit to Central Government. The modest increase in gross credit

Chart 5.1: Deposit Growth

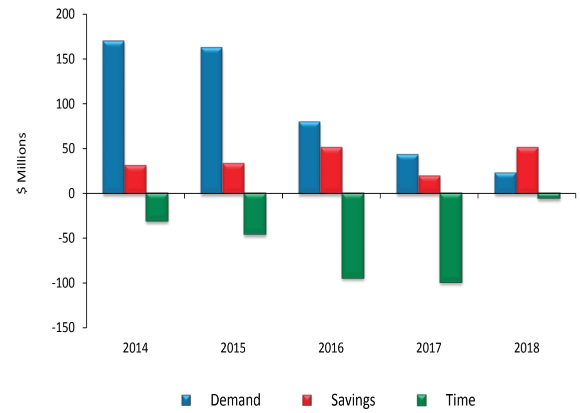
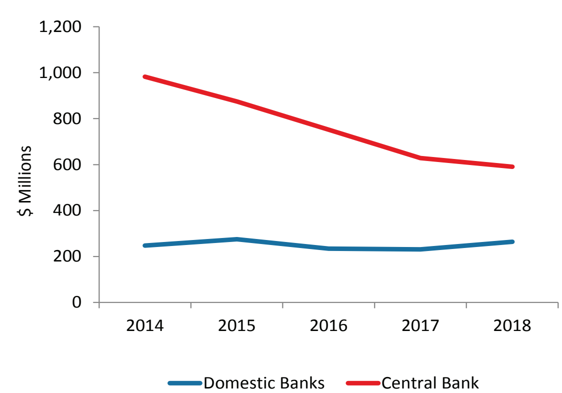


Chart 5.2: Net Foreign Assets



comprised $2.8mn in securities, $2.5mn in loans from domestic banks, and $4.8mn in Central Government's overdraft balance with the Central Bank, which ended the year at $52.1mn, 56.8% of the statutory limit. Meanwhile, lending to other public entities rose exponentially by $42.8mn to $49.5mn, as a result of increased borrowing by BTL to supplement funding for its national network expansion project.

With the transition period to meet tightened provision standards on legacy loans ending in 2017, write-offs more than halved to $43.6mn in 2018, down from $88.8mn the year before. The most prominent write-off was on an agricultural loan for banana production that amounted to $16.9mn, which represented the difference between the loan's book value and the realised sale value of the mortgaged property. Other loan write-offs were applied on loans for personal consumption, construction and, to a lesser extent, merchandise trade. However, domestic banks' NPL ratio increased to 2.7% in 2018, up from 2.4% in 2017, in spite of increased provisions for adverse agricultural and tourism loans.

Credit union lending expanded by 8.0% ($50.0mn) in 2018, following a modest 0.2% growth in 2017. The upturn in credit was mainly attributable to the new credit unions. Net disbursements were channelled primarily into construction ($26.4mn), grain production ($10.0mn), land acquisition ($5.1mn), and personal consumption ($4.8mn), which outweighed net repayments on loans for sugar production ($3.0mn). In addition, credit unions wrote-off loan losses of $6.7mn this year compared to $7.7mn last year.

Turning to net foreign assets, aggregate holdings in the banking system contracted by $2.8mn in 2018, as the reduction in Central Bank's holdings

Chart 5.3: Domestic Banks - Loan Distribution

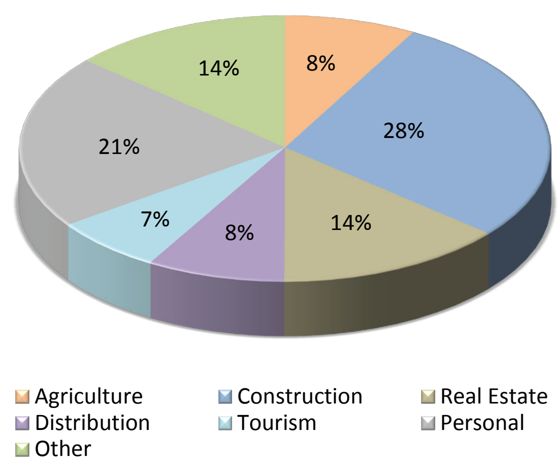
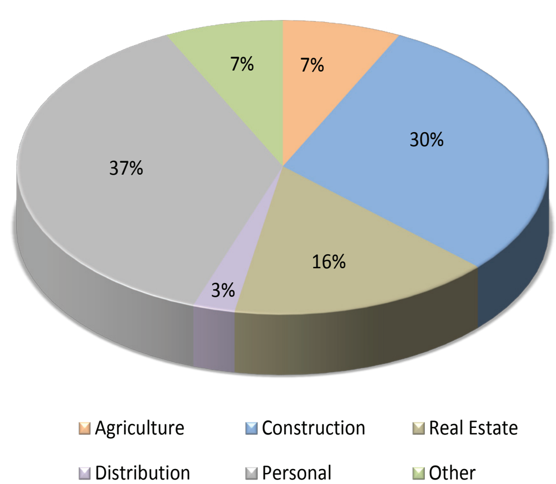


Chart 5.4: Credit Unions - Loan Distribution



eclipsed the increase in domestic banks' foreign balances. During the year, the Central Bank's net foreign assets contracted by $36.1mn to $592.4mn, as outflows exceeded inflows for the fourth consecutive year. Gross foreign currency inflows contracted by 24.0% to $222.9mn because of reduced proceeds from external loan disbursements, sugar export receipts, and all other sources combined. Meanwhile, gross foreign currency outflows contracted by 45.1% to $258.3mn with the culmination of nationalisation payments for BTL last year. Central Government accounted for 88.0% of total outflows, most of which were used to cover external debt service payments. Conversely, domestic banks' net foreign assets expanded by $33.2mn to $264.0mn, buoyed by a strong growth in tourism revenue.

Additional T-bill purchases by domestic banks coupled with the pickup in lending to non-government entities tightened the system's liquidity for the third year in a row. In 2018, domestic banks' excess statutory liquid assets fell by $28.5mn to $240.7mn, resting at 38.6% above statutory requirements at year end. Similarly, excess cash reserves decreased by $87.4mn to $196.6mn, but stood firmly at 85.4% above the legal requirement. However, the distribution of excess cash balances became more uneven with one bank alone accounting for more than half (55.3%) of the system's total.

Against this backdrop, interest rates maintained their steady downward trend in 2018. The 12-month rolling weighted average interest rate on new loans fell by 39 basis points to 8.62%. Accounting for the decline were interest rate reductions on loans for personal, commercial, and "*other*" purposes of 11, 47, and five basis points, respectively, as rates on loans for home construction increased by 13 basis points. The corresponding rate on new deposits fell for the ninth consecutive year, decreasing by 25 basis points to 1.46%. This reduction stemmed from respective interest rate declines of 74 and 15 basis points on savings/chequing and time deposits, which outweighed a 43 basis-point increase on savings deposits. Consequently, the weighted average interest rate spread narrowed by 14 basis points to 7.17%.

Chart 5.5: Excess Statutory Liquidity

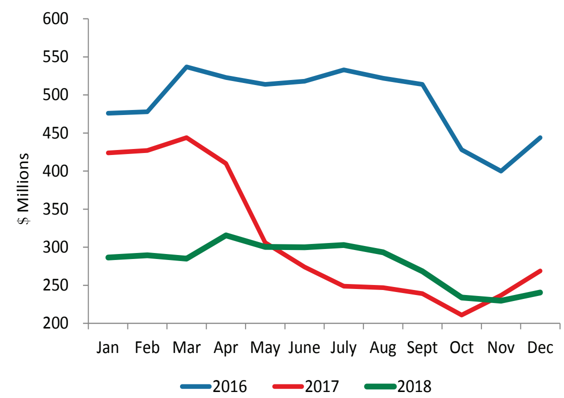
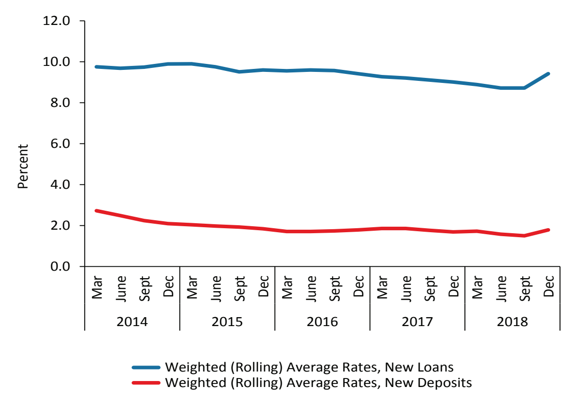


Chart 5.6: Interest Rates on New Loans and Deposits (12-Month Rolling Average)



Box 3: International Regulatory and Tax Requirements:
Implications for Belize

International regulatory and tax requirements contain three broad agendas: financial regulatory, tax evasion, and tax avoidance; see Table 2. Increasing pressures to meet international measures for regulatory and tax compliance have heightened reputational risk and increased compliance costs for the financial system.

Table 2: Overview of International Compliance Requirements

International Financial Regulatory Agenda	International Tax Evasion Agenda	International Tax Avoidance Agenda
• AML/CFT Framework: Financial Action Task Force • Other International Regulatory Standards, including Basel Committee Standards on Banking Supervision; International Organisation of Securities Commissions Objectives; International Association of Insurance Supervisors • US International Narcotics Control Strategy Report	• US Foreign Account Tax Compliance Act • International Standards for the Exchange of Information on Request for tax purposes • International Standards for the Automatic Exchange of Information for tax purposes • OECD/G20 Process for Listing 'Uncooperative' Jurisdictions	• EU Listing of 'Non-cooperative' Jurisdictions for Tax Purposes • Other 'Tax Haven' Listing Processes • The Base Erosion and Profit Shifting Project

Source: Commonwealth Secretariat (2017)

International Financial Regulatory Agenda

The international financial regulatory agenda is focused on strengthening the international financial architecture. Belize is one of 25 member states of the Caribbean Financial Action Task Force (CFATF) whose main objective is to achieve effective implementation of, and compliance with the Financial Action Task Force (FATF) Recommendations.

Caribbean Financial Action Task Force

The current National Risk Assessment (NRA) exercise is a prerequisite for the CFATF fourth round of mutual evaluations. The exercise assesses the country's money laundering and terrorism financing threats, vulnerabilities, and consequential risks, with the aim of applying a risk-based approach to allocate resources and implement measures to mitigate illicit financial flows and transactions.

A country's application and implementation of the FATF Standards, as set out in the FATF Recommendations and Interpretive Notes, are assessed during the mutual evaluation process. The FATF conducts peer reviews of each member and present their findings in a Mutual Evaluation Report. This report contains an assessment of each country's technical compliance with the FATF Recommendations and the effectiveness of their AML/CFT system to prevent criminal abuse, as well as recommendations on how their system could be strengthened.

Jurisdictions that have not taken adequate action to rectify identified deficiencies; or those that are cited for non-participation in CFATF, FATF, or FATF style regional bodies (FSRB); or those that do not allow their evaluation reports to be published in a timely manner; or those that are nominated by a FATF, CFATF, or another FSRB are referred to CFATF's International Cooperation Review Group (ICRG). ICRG sanctions include being listed in a public statement calling on member countries to: i) consider the risk arising from the deficiencies associated with the jurisdiction; ii) apply enhanced due diligence measures proportionate to the risks arising from the deficiencies associated with the jurisdiction; or iii) apply countermeasures to protect their financial systems from the money laundering and terrorist financing risks posed by the jurisdiction identified as having strategic deficiencies in its AML/CFT regime. Being named in a public statement can severely hinder a country's international financial relations, as Belize experienced in 2013, and may result in being suspended or terminated as a member. Belize's AML/CFT regime will be reviewed in 2021, as part of the CFATF Fourth Round Mutual Evaluation Exercise.

International Tax Evasion Agenda

The international tax evasion agenda is framed around tax transparency initiatives and includes regimes such as the Foreign Account Tax Compliance Act (FATCA), the international standards for the Exchange of Information on Request (EOIR), and the Automatic Exchange of Information (AEOI) for tax purposes.

US Foreign Account Tax Compliance Act

FATCA was enacted by US Congress to combat tax evasion by US persons holding accounts and other financial assets outside the US. FATCA requires foreign financial institutions (FFIs) to report information to the IRS about financial accounts held by US taxpayers, or foreign entities in which US taxpayers hold substantial ownership interest. FFIs have the option to select between Model 1, signing on by way of Intergovernmental Agreements (IGA), or Model 2, registering directly with the IRS.

Belize has subscribed to Model 2, which requires relevant financial institutions to report information directly to the US Internal Revenue Service (IRS). To date, the domestic banks, international banks, and the largest credit union have signed individual agreements with the IRS for the provision of information. Non-compliance under FATCA can result in a 30% withholding tax on payments made from certain US sources.

OECD/G20 Process for Listing 'Uncooperative' Jurisdictions with Respect to Tax Transparency

Listing under the OECD/G20 process for '*uncooperative*' jurisdictions with respect to tax transparency is based on meeting two of the three international tax transparency standards: (i) EOIR; (ii) AEOI; and (iii) Spontaneous Exchange of Information.

Based on the first round of review for the EOIR, Belize was classified as largely compliant and is subject to a next round of review in the second half of 2019. Under the AEOI, Belize has implemented the Common Reporting Standard (CRS), Multilateral Competent Authority Agreement, and the Convention on Mutual Administrative Assistance in Tax Matters. According to OECD reports, Belize has engaged in the automatic exchange of information with 47 jurisdictions in 2018. G20 leaders have indicated that '*defensive measures*' would be considered against those jurisdictions that do not comply with the automatic exchange of information.

International Tax Avoidance Agenda

The tax avoidance agenda is aimed at curbing '*aggressive*' tax avoidance through legal tax planning practices, including tax avoidance strategies that exploit tax rules to shift profits to low or non-tax locations where the business has little or no economic activity, referred to as base erosion and profit shifting (BEPS).

OECD/G20 BEPS Project and The EU List of Non-cooperative Jurisdictions

The BEPS Project consists of 15 actions to address tax avoidance and ensure that profits are taxed where economic activities generating the profits are performed. The Action Plan on BEPS is base on three fundamental pillars: (i) introducing coherence in domestic rules that affect cross-border activities; (ii) reinforcing substance requirements in the existing international standards; and (iii) improving transparency, as well as certainty for businesses that do not have an aggressive position.

The EU listing process targets both international tax evasion and tax avoidance. However, their tax avoidance agenda is closely aligned to the BEPS Project. Jurisdictions are screened based on three criteria: (i) compliance with global tax transparency standards; (ii) adherence to the EU's fair taxation standards, including harmful taxation criteria and the requirement to cease the facilitation of offshore structures, or attracting profits which are not generated from the country; and (iii) participation in the BEPS Project.

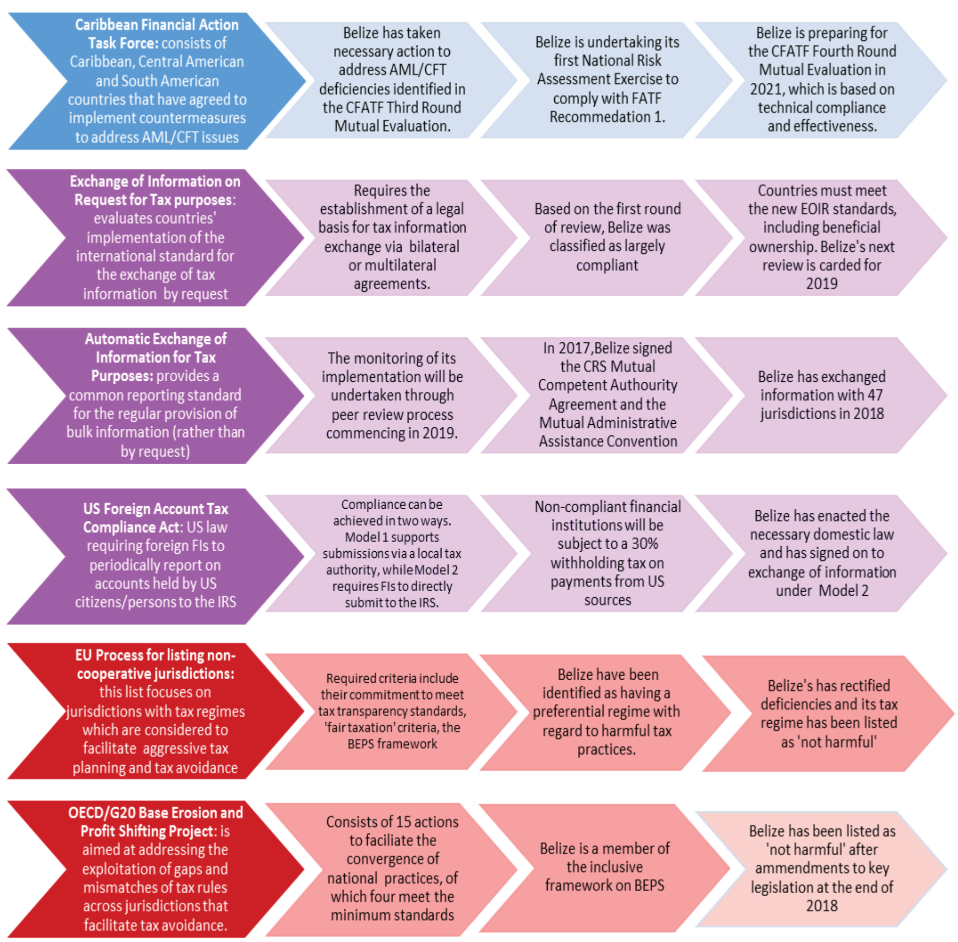
Having been identified as having a preferential regime, Belize implemented legislative changes to the International Business Companies Act, the Designated Processing Areas Act (formerly, the Export Processing Zone Act), and the Income and Business Tax Act to comply with international standards on transparency and fair taxation.

For listed countries, the EU has indicated that the following sanctions may be applied: (i) the discontinuation of specific funding channelled through entities in the jurisdiction (including the European Fund for Sustainable Development, the European Fund for Strategic Investment, and the External Lending Mandate); (ii) increased reporting requirements for multinational enterprises with activities in listed jurisdictions; and (iii) the possibility of coordinated sanctions to be applied at the national level.

Conclusion

Belize's banks and financial institutions have faced significant changes in the regulatory landscape over the last few years. This has resulted in larger transaction fees, increased compliance costs, and enhanced regulatory oversight. For instance, domestic financial institutions that rely on correspondent banks have spent more than US$2.0mn in compliance costs to strengthen their compliance systems and keep pace with the rapid changes in the international regulatory environment.

Chart A: Current State of Play for Various International Regulatory and Tax Requirements



Balance of Payments

The external current account deficit increased to 8.0% of GDP from 7.7% of GDP in 2017. The marginal deterioration was due to a larger trade deficit and higher profit repatriation, which overshadowed an upsurge in tourism revenue and, to a much lesser extent, an increase in workers' remittances. While the capital account surplus ($48.0mn) was boosted by EU grants, the financial account balance more than doubled to $218.3mn, reflecting increased foreign direct investments and the absence of last year's final compensation payments for BTL. Notwithstanding, the gross international reserves declined by 5.7% to $588.4mn, the equivalent of 3.6 months of merchandise imports.

Merchandise Trade

The merchandise trade deficit widened by 13.9% to $890.8mn (23.1% of GDP), as imports rose and exports declined. Gross imports expanded by 5.7% to $1,793.9mn, driven by higher outlays on "*Mineral Fuels and Lubricants (including electricity)*", "*Machinery and Transport Equipment*", and "*Commercial Free Zone*" goods, which outweighed lower spending on "*Other Manufactures*" and "*Crude Materials*". In contrast, exports fell by 1.2% to $903.1mn as domestic exports and other re-exports contracted, while CFZ sales rebounded by 13.6% to $438.5mn. Domestic exports shrank by 12.0% to $386.8mn with lower receipts from all major commodities, except crude oil, lobster, and conch. Other re-exports fell by 12.4% to $77.8mn.

Sugar and Molasses

Even though sugar export volume remained virtually unchanged at 158,898 long tons, sugar export receipts plummeted by 24.3% to $112.1mn because of the steep reduction in EU sugar prices. Sales to the EU rose by 2.0% to 143,360 long tons (86.5% of total sugar exports), but earnings fell by

Table 6.1: Balance of Payments

$mn

	2016 Net	2017 Net	2018 Net
CURRENT ACCOUNT	-303.2	-287.8	-309.9
Merchandise Trade	-883.0	-782.2	-890.8
Services	603.9	600.6	790.1
Primary Income	-221.6	-250.5	-361.9
Secondary Income	196.9	144.3	152.7
CAPITAL ACCOUNT	66.0	32.2	48.0
FINANCIAL ACCOUNT	-106.9	-102.4	-218.3
NET ERRORS AND OMMISSIONS	10.3	24.1	8.0
FINANCING	-120.7	-129.2	-35.6
Memo Items:			
Monthly Import Coverage	4.5	4.0	3.6
Current Account/GDP Ratio (%)	-8.3	-7.7	-8.0

Chart 6.1: Current Account and Trade Deficits

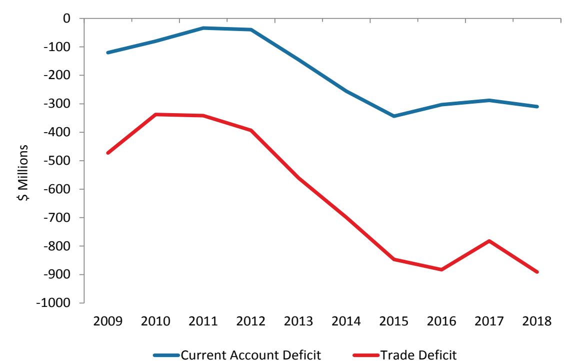
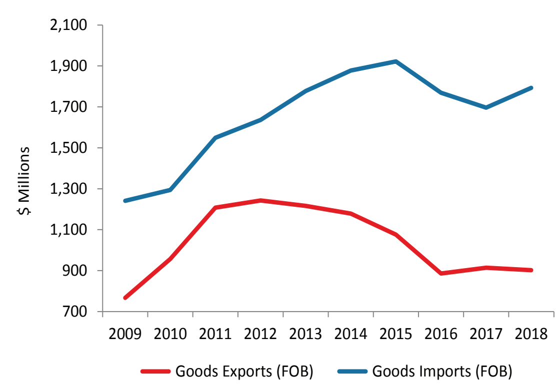


Chart 6.2: Merchandise Exports and Imports



Source: SIB

25.2% to $95.8mn after the abolition of the EU sugar quota regime in September 2017. Sales to the US, under the tariff-rate quota regime, declined by 31.1% to 10,868 long tons with receipts down by 32.9% to $11.6mn. Conversely, exports of bagged brown sugar to regional markets more than doubled to 4,532 long tons valued at $4.5mn, while 138 long tons went to Canada. Meanwhile, molasses exports fell by 4.2% to 41,161 long tons with its revenue down by 26.9% to $6.6mn.

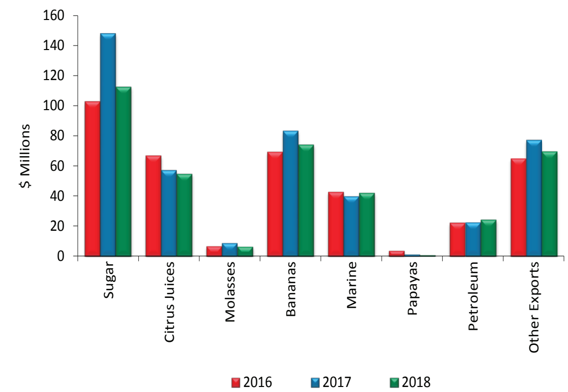
Citrus Juices and Pulp

Citrus juice export volume declined for the fifth consecutive year, contracting by 4.6% to 16.3mn ps in 2018. However, a 0.5% average price improvement softened the overall decline in export earnings to 4.1% at $55.0mn.

Orange concentrate sales shrank by 3.2% in volume and 4.4% in value to $50.9mn. For the second year in a row, the largest share of orange citrus juice exports went to the Caribbean, which accounted for 46.2% of total sale volume valued at $27.0mn. Sales to the US rose by 12.5% to 5.6mn ps, but receipts grew by only 1.4% to $15.4mn, as increased Brazilian juice supply caused a 9.8% reduction in the average unit price. In contrast, exports to the EU fell by 30.6%; however, the 6.4% market price improvement tempered the slide in revenue to 26.1% with earnings of $8.3mn. Not-from-concentrate sales remained minimal at $0.3mn.

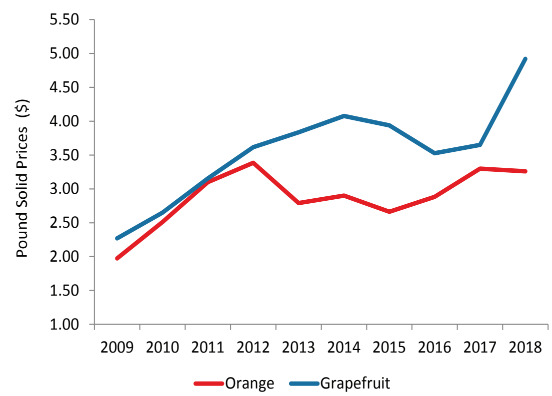
Grapefruit concentrate exports plunged by an even steeper margin of 26.2% to 0.7mn ps, although its earnings dipped by just 0.5% to $3.8mn as a result of higher average prices across markets. Hence, export receipts from the Caribbean rose by 19.1% to $1.5mn even with a 15.0% reduction in export volume to 0.3mn ps. Similarly, earnings from the EU contracted by 24.8% with a disproportionate

Chart 6.3: Domestic Exports



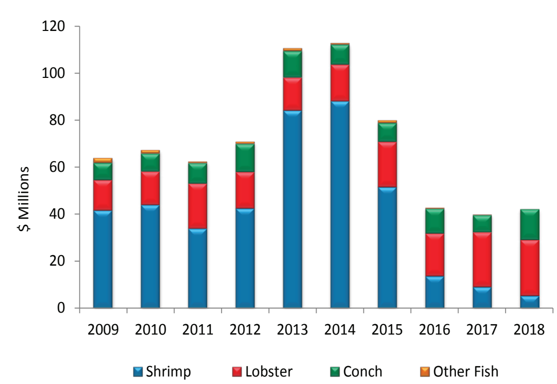
Source: SIB

Chart 6.4: Citrus Prices



Source: CPBL

Chart 6.5: Exports of Marine Products



Source: SIB

39.9% drop in export volume to 0.4mn ps. Freeze concentrate sales to Japan amounted to only 0.1mn ps valued at $0.6mn.

Banana

Inclement weather in late 2017 into early 2018 was responsible for the 5.1% reduction in banana export volume to 80,394 metric tons. Receipts fell by a larger margin of 10.9% to $74.4mn, reflecting a 6.1% dip in the average unit price. Notably, this price reduction was closely aligned to the negotiated price decline in the industry's one-year contract with the marketer for 2018. In the new five-year contract between BGA and Fyffes, which took effect on 1 January 2019, the average price per 40-pound box of banana was unchanged at $20.00. This outcome provided farmers with medium-term price stability to inform investment decisions and enhance productivity growth.

Marine Exports

Marine exports eked out a 1.9% increase to 3.0mn pounds, driven by higher conch and shrimp sales, as fish and lobster exports declined. Conch exports rose by 48.3% to 0.8mn pounds, while better prices contributed to a 79.0% upturn in revenues to $13.1mn. Following four years of successive decline, farmed shrimp sales grew by just 2.6% to 1.2mn pounds. However, shrimp earnings still nosedived by 41.2% to $5.3mn. In keeping with its production lifecycle, lobster exports declined by 8.6% to 0.9mn pounds, but firmer prices pushed earnings up by 2.2% to $23.9mn. Finally, whole fish sales were negligible with revenue of $0.1mn as farmed fish harvests were mostly sold on local markets at competitive prices.

Other Major Exports

Crude oil exports declined by 25.2% to 199,649 barrels, with only three shipments in 2018 compared to four in 2017. However, petroleum receipts rose by 8.4% to $24.6mn, supported by a 45.0% improvement in the average price per barrel to US$61.19 from US$42.21 mainly because of US sanctions on Iran and reduced Venezuelan production.

Non-Traditional Exports

Revenue from non-traditional exports declined by 5.5% to $66.7mn, as lower sales of orange oil, black-eyed peas, animal feed, and pulp cells overshadowed increased exports of R.K. beans, grapefruit oil, pepper sauce, corn meal, and citrus juice squash. Citrus oil exports were mixed with earnings from orange oil sales down by 38.5% to $6.8mn on the one hand, while grapefruit oil receipts doubled to $1.6mn on the other hand. In line with the reduction in processed fruit volume, pulp cell sales contracted by 30.5% to $1.3mn. As for grains, black-eyed pea revenue fell by 26.8% to $4.2mn. Conversely, the value of R.K. bean exports to CARICOM rose by 15.3% to $9.4mn. Furthermore, revenue from the sale of animal feed dipped slightly to $15.0mn, and earnings from corn meal grew by 12.1% to $2.1mn. Meanwhile, pepper sauce exports expanded by 23.2% to $4.6mn.

Re-Exports

Total re-exports grew by 8.7% to $516.2mn, as the upturn in CFZ sales more than compensated for the reduction in other re-exports. New marketing campaigns and six store openings led to a 3.1% rise in visitors to the CFZ area, which contributed to the 13.6% rise in CFZ sales to $438.5mn. Conversely, re-exports from the free circulation area declined by 12.4% to $77.8mn, with lower sales across all major categories of goods, except "*Mineral Fuels and Lubricants*", "*Manufactured Goods*", and "*Personal Goods*".

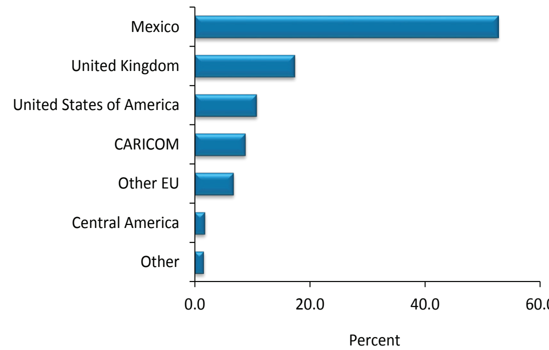
Imports

Increases in both domestic and CFZ imports pushed gross imports (FOB) up by 5.7% to \$1,793.9mn in 2018. The largest increase across the main product categories occurred in "*Mineral Fuels and Lubricants*", which rose by 28.0% mainly owing to an upsurge in fuel prices. Goods imported into free zone areas rose by 5.5% with increased purchases of cigarettes, bags, and sportswear. Outlays on "*Machinery and Transport Equipment*" grew by 4.1% with the acquisition of aviation and telecommunications equipment and four-cylinder vehicles. Reduced imports of single-use plastics, laboratory plastics and bottles, in preparation for the upcoming ban in use of single plastics and styrofoam in April 2019, along with lower imports of prefabricated steel buildings and gaming machines all contributed to a 6.5% contraction in "*Other Manufactures*". Expenditure on "*Crude Materials*" fell by 15.2% with lower imports of pasture grass seeds, wooden utility poles, and asphalt.

Direction of Visible Trade

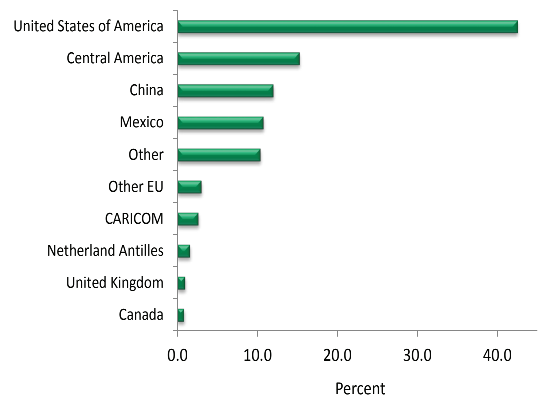
Mexico remained Belize's largest export trading partner in 2018, owing to the retail sale of goods at the Corozal Free Zone adjacent to Mexico's border. The share of merchandise exports to Mexico grew to 52.7% of total exports, up markedly from 46.3% in 2017. The next top market for Belize's goods was the UK whose share shrank marginally to 17.4% from 18.0% in 2017 on account of lower banana sales. The US followed receiving 10.8% of total exports, down from 11.1% in 2017 with lower sales of citrus juices and marine products. The value of exports to the EU also contracted, falling to 6.8% from 11.2% in 2017 with the downturn in sugar receipts from that market. Conversely, increased sales of citrus products and marine products lifted the share of exports to CARICOM to 8.9% from 8.5% in 2017.

Chart 6.6: Direction of Visible Trade - Exports



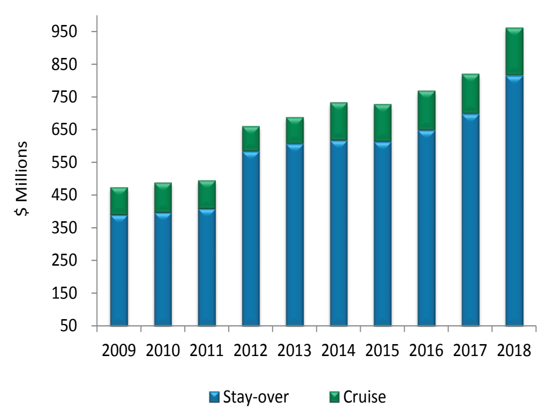
Source: SIB

Chart 6.7: Direction of Visible Trade - Imports



Source: SIB

Chart 6.8: Tourism Expenditure



Sources: BTB and SIB

The main source of Belize's imports was the US, with 42.5% of total imports originating from there in 2018. Central America was the next major supplier of goods to Belize. The share of imports from this region edged up to 15.3% from 15.1% in 2017, buoyed by increased purchases from Panama's Colon Free Zone. China lagged closely behind, accounting for 12.0% of the import basket compared to 11.2% in 2017. On the downside, the portion of goods imported from Mexico slid to 10.8% relative to 11.1% in 2017, while the cut in Venezuelan oil imports lowered the ratio of imports from the Netherland Antilles to 1.6% from 8.1% in 2017.

Services

Net earnings from service exports grew by 31.6% to $790.1mn, driven by a significant increase in net travel tourism receipts and a modest expansion in net inflows to Government agencies. Net travel receipts expanded by a robust 26.9% to $878.4mn, underpinned by double-digit increases in both overnight and cruise ship visitors. At the same time, net inflows for government services rose by 63.8% to $43.6mn on account of increased inflows to foreign embassies and military units stationed in Belize. However, the expansion in cross-border inflows from these services were partly offset by increases in net outflows for transportation services and other miscellaneous services. Net transportation payments for international freight rose by 19.3% on account of the increase in merchandise imports. Meanwhile, net outflows for other miscellaneous services expanded slightly to $48.3mn, with lower earnings from the provision of business and computer services to non-residents.

Primary Income

Net outflows on the primary income account ballooned by 44.5% to $361.9mn. The sharp expansion in outflows resulted from higher profit repatriation by foreign-owned firms in the tourism, electricity, and banking sectors.

Chart 6.9: Net Balances of Service and Income Accounts

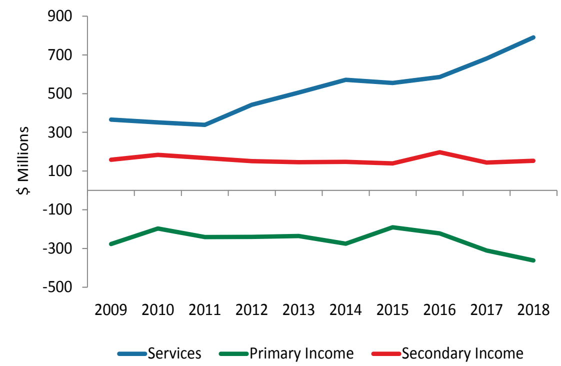


Chart 6.10: Remittance Inflows

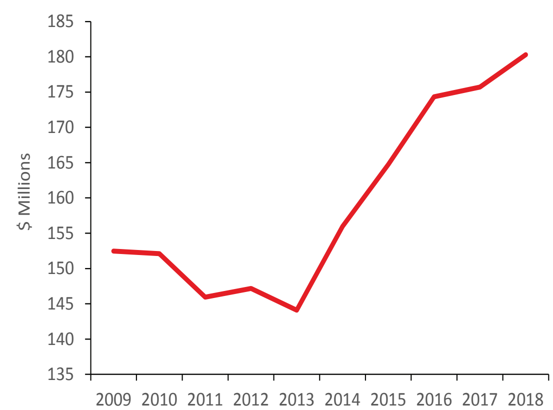
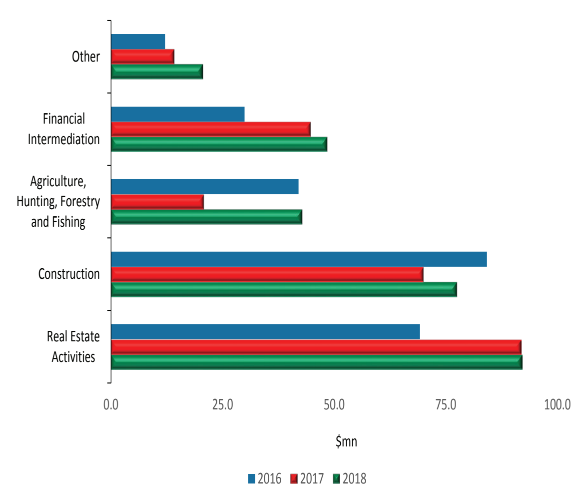


Chart 6.11: Foreign Direct Investment



Secondary Income

Net inflows on the secondary income account grew by 5.9% to $152.7mn. This modest increase in inward transfers stemmed from higher workers' remittances and foreign contributions to religious and other non-profit organisations.

Capital and Financial Accounts

The capital account surplus rose by 49.3% to $48.0mn, buoyed by increased EU grant assistance to fund investments in the banana and sugar industries, as well as major road construction projects.

The financial account surplus more than doubled to $218.3mn from $102.4mn in 2017, reflecting a sharp upturn in net direct investments, as net loan disbursements to Central Government contracted and domestic banks' foreign asset balances expanded abroad. Net direct investments rebounded to $237.6mn from $48.3mn in 2017, on account of increased inward foreign direct investments in real estate, agriculture, and tourism–related construction activities, and absence of the $197.7mn compensation payment for BTL in late 2017. However, net inflows from loan disbursements to the public sector more than halved to $44.2mn, relative to the $101.1mn received in 2017, owing to a downturn in Central Government's borrowings for budget support from bilateral creditors. Net financial inflows were partly offset by a $36.9mn expansion in domestic banks' net foreign asset holdings abroad and $16.2mn in net loan repayments by private entities to foreign creditors.

Box 4: Impact of Airbnb on Belize's Hotel Industry

The recent disconnect between growth rates in stay-over arrivals and hotel occupancy has been a cause for concern for stakeholders and policymakers. Between 2015 and 2017, stay-over arrivals grew by an annual average of 9.8%, while hotel occupancy rates averaged a 4.1% decline in the same period. Similarly, the "*Hotels and Restaurants*" sub-category of GDP declined by an annual average of 0.2% from 2015 to 2017, which was significantly lower than the 4.4% growth in real tourism revenue recorded in the same three-year period. The underperformance of Belize's hotel sector was widely blamed on the emergence of budget-friendly rentals available on the online accommodation platform, Airbnb.

Airbnb claims that its accommodation rentals are considerably different from "*mainstream*" hotels. These rentals allow users to access authentic local experiences outside of hotel districts, and the client profile consists of mainly young, adventurous, and budget-conscious tourists. According to Airbnb, 74% of its properties are located outside main hotel districts and therefore complement, rather than substitute, traditional types of accommodation.

The nexus between Airbnb and Belize's hotel industry was recently investigated in a study by Leslie and Waight (2018). Using data obtained from AirDNA, spanning from January 2016 – August 2018, they identified that 2,480 Airbnb properties with 4,352 bedrooms existed in Belize at the end of 2017. The highest concentration of Airbnb properties was situated in the districts of Belize (inclusive of Ambergris Caye), Stann Creek, and Cayo, which were the main destination hubs for international arrivals. When compared to traditional properties, 841 registered hotels supplied almost double the amount of bedrooms totalling 8,196 at the end of the same year. Like Airbnbs, hotels were mostly concentrated in Ambergris Caye and along coastal areas of the Stann Creek district. However, the spatial distribution of hotels was less widespread or more concentrated than Airbnb listings.

As shown in Table 3, income earned by Airbnb properties totalled $48.9mn in 2017, which was equivalent to 18.5% of annual hotel revenue of $263.7mn. When disaggregated into quintiles based on the value of average daily rates, the dominant share of total Airbnb revenue in 2017 stemmed from luxury listings (37.1%), with economy type listings accounting for the smallest portion at 4.6%.

Table 3: Airbnb Revenue by Quintile

$mn

Period	Total	Budget	Economy	Midscale	Upscale	Luxury
Jan - Dec 2016	9.2	0.5	1.2	1.7	2.5	3.3
Jan - Dec 2017	48.9	2.3	5.0	8.6	14.9	18.1
Jan - Aug 2018	56.0	2.4	4.9	8.9	18.3	21.4

Leslie and Waight (2018) used an ordinary least square panel estimation model with fixed effects to quantify the direct financial impact of Airbnb rental income on hotel revenue. Their findings show that aggregate Airbnb rental income has a positive but statistically insignificant relationship with total hotel revenue in Belize at conventional levels. However, closer analysis by quintile groups showed different results. As shown in Table 4, budget and economy type Airbnbs negatively impacted earnings of hotels by almost five and nine percent, respectively. In addition, upscale listings, inclusive of beach-front villas, reduced hotel revenue by nearly three percent at marginally significant levels. These results challenge the view that Airbnb rentals are not a disruptive threat to the accommodation sector and indicate that Airbnb rentals are directly competing with budget, economy, and luxury hotels in popular tourist destinations in Belize.

Table 4: Impact on Hotel Revenue, GDP, and Employment

Variable	Fixed Effects	Outcome	Significance
Budget Airbnb Rental	-0.054	↓ 5%	5%
Economy Airbnb Rental	-0.098	↓ 9%	5%
Upscale Airbnb Rental	-0.025	↓ 2%	10%
GDP Growth Rate	0.114	↑ 11%	10%
Unemployment Rate	-0.004	↓ 0.4%	10%
Dependent Variable: Hotel Revenue		**R^2: 0.775**	

Airbnb rentals present a new opportunity for the Belizean tourism industry to attract budget-oriented visitors. Thus, proper regulation would serve to level the playing field with the hotel industry and close tax loopholes.

Statistical Appendix

Table A.1: Major Economic Indicators

	2011	2012	2013	2014	2015	2016	2017[R]	2018[P]
POPULATION AND EMPLOYMENT (At April)								
Population (Thousands)	n.a.	338.9	347.8	356.9	366.3	375.9	385.8	395.9
Employed Labour Force (Thousands)	n.a.	126.7	131.4	134.6	138.1	146.9	150.1	155.9
Unemployment Rate (%)	n.a.	14.4	11.7	11.1	10.1	8.0	9.0	9.4
INCOME								
GDP at Current Market Prices ($mn)	2,973.4	3,147.3	3,216.9	3,385.9	3,525.0	3,613.3	3,725.2	3,849.8
Per Capita GDP ($, Current Market Prices)	8,937.3	9,285.9	9,248.6	9,485.8	9,623.2	9,612.1	9,656.7	9,724.6
Per Capita GDP (%)	3.3	3.5	-0.4	2.4	1.4	-0.1	0.4	0.7
Real GDP Growth (%)	2.1	3.7	3.8	3.7	3.4	-0.6	1.4	3.0
Sectoral Distribution of Constant 2000 GDP (%)								
Primary Activities	13.1	14.0	14.2	14.0	12.0	9.3	10.1	10.1
Secondary Activities	19.3	17.2	16.2	15.3	14.3	14.6	14.4	14.1
Tertiary Activities	54.2	60.3	54.5	54.8	57.0	60.8	61.9	62.3
MONEY AND PRICES ($mn)								
Inflation (Annual Average Percentage Change)	1.7	1.3	0.5	1.2	-0.9	0.7	1.1	0.3
Currency and Demand deposits (M1)	839.3	1,102.9	1,121.9	1,313.9	1,528.4	1,471.9	1,565.9	1,598.5
Quasi-Money (Savings and Time Deposits)	1,361.9	1,340.7	1,354.7	1,358.3	1,345.4	1,478.4	1,372.6	1,418.8
Annual Change of Money Supply (%)	5.6	11.0	1.4	7.9	7.6	2.7	-0.4	2.7
Ratio of M2 to GDP (%)	74.0	77.6	77.0	78.9	81.5	81.7	78.9	78.4
CREDIT ($mn)								
Domestic Bank's Loans and Advances	1,756.5	1,802.6	1854.3	1,933.0	1,985.7	2,015.0	2,018.2	2,119.9
Public Sector	8.8	16.6	23.8	17.5	11.3	8.7	5.3	50.6
Private Sector	1,747.7	1,786.0	1830.5	1,915.5	1,974.4	2,006.3	2,012.9	2,069.3
INTEREST RATE (%)								
Weighted Average Lending Rate	12.9	11.9	11.1	10.7	10.0	9.7	9.3	9.0
Weighted Average Deposit Rate	3.7	2.6	2.2	1.7	1.5	1.3	1.2	1.2
Weighted Average Interest Rate Spread	9.2	9.4	9.0	8.9	8.6	8.4	8.1	7.7
CENTRAL GOVERNMENT FINANCES ($mn)								
Current Revenue	787.0	825.6	851.6	911.7	994.0	1,002.6	1,047.9	1,119.5
Current Expenditure	717.4	740.8	743.6	817.6	894.0	950.9	1,005.8	1,048.5
Current Account Surplus(+)/Deficit(-)	69.6	84.8	108.0	94.1	100.0	51.6	42.1	71.1
Capital Expenditure	121.7	161.9	177.0	281.5	404.6	207.5	171.8	160.4
Overall Surplus(+)/Deficit(-)	-22.9	-25.1	-35.7	-98.7	-276.3	-119.1	-103.4	-38.4
Ratio of Budget Deficit to GDP at Market Prices (%)	-0.8	-0.8	-1.1	-2.9	-7.8	-3.3	-2.8	-1.0
Domestic Financing (Net)[(1)]	13.1	16.6	-148.0	-10.2	184.1	66.2	13.3	-2.2
External Financing (Net)	17.8	15.5	183.9	104.1	100.2	47.1	90.0	17.0

Table A.1: Major Economic Indicators *continued*

	2011	2012	2013	2014	2015	2016	2017[R]	2018[P]
BALANCE OF PAYMENTS (US $mn)								
Merchandise Exports (FOB)[(2)]	603.7	621.6	608.1	589.2	537.9	442.8	457.2	451.5
Merchandise Imports (FOB)	774.6	818.1	888.6	938.7	961.3	875.1	848.3	897.0
Trade Balance	-170.9	-196.5	-280.5	-349.6	-423.4	-432.3	-391.1	-445.4
Remittances (Inflows)	73.0	73.6	72.0	78.0	82.4	87.2	87.9	90.2
Tourism (Inflows)	247.6	299.0	351.0	373.8	371.3	390.4	396.5	486.7
Services (Net)	169.1	221.6	253.0	285.6	277.1	293.1	300.3	395.0
Current Account Balance	-15.9	-19.3	-72.6	-127.8	-171.7	-151.6	-143.9	-154.9
Capital and Financial Flows	42.6	84.3	174.0	218.6	100.9	86.4	67.3	133.2
Gross Change in Official International Reserves	18.1	55.4	113.6	81.8	-49.9	-60.3	-64.6	-17.8
Gross Official International Reserves	236.1	291.5	405.1	486.8	436.9	376.6	312.0	294.2
Monthly Import Coverage	3.3	3.9	5.0	5.7	5.0	4.5	4.0	3.6
PUBLIC SECTOR DEBT								
Disbursed Outstanding External Debt (US $mn)	1,022.2	1,014.2	1082.7	1,125.9	1,177.3	1,202.8	1,255.8	1,280.6
Ratio of Outstanding Debt to GDP at Market Prices (%)	68.8	64.4	67.3	66.5	66.8	66.6	67.4	66.5
External Debt Service Payments (US $mn)[(3)]	81.4	79.0	61.9	76.3	125.0	83.9	85.9	85.8
External Debt Service Ratio (%)	10.5	9.4	7.2	8.7	15.3	11.4	11.3	10.1
Disbursed Outstanding Domestic Debt ($mn)	381.2	389.9	386.0	376.1	494.4	747.8	1,026.5	1,045.3
Domestic Debt Service Payments ($mn)	20.5	20.3	20.0	17.0	27.4	18.3	34.1	34.5

Sources: MOF, SIB and CBB

(1) A total of $135.3mn (2015), $196.5mn (2016), and $208.3mn (2017) were deducted as payment for the acquisition of shares in the utility companies.

(2) Includes CFZ gross sales.

(3) Reflects actual 2013 debt service payment which excludes the $107.9mn haircut on the then (2013 debt exchange) restructured 2038 bond.

P - Provisional

R - Revised

n.a. not available

Table A.2: List of Licensed Banks

Domestic Banks	International Banks
Atlantic Bank Limited	Atlantic International Bank Limited
Belize Bank Limited	Belize Bank International Limited
Heritage Bank Limited	Caye International Bank Limited
National Bank of Belize Limited	Heritage International Bank & Trust Limited
Scotiabank (Belize) Limited	

Table A.3: List of Credit Unions

Belize Credit Union League	La Inmaculada Credit Union Limited	Spanish Lookout Credit Union Limited
Blue Creek Credit Union Limited	St. Francis Xavier Credit Union Limited	Toledo Teachers Credit Union Limited
Evangel Credit Union Limited	St. John's Credit Union Limited	
Holy Redeemer Credit Union Limited	St. Martin's Credit Union Limited	

Table A.4: Capital for All Credit Unions

Capital Adequacy	Dec 2014	Dec 2015	Dec 2016	Dec 2017	Dec 2018
Total Capital/Deposits (%)	20.1	19.9	20.7	21.6	20.9
Total Capital/Total Assets (%)	16.6	16.4	16.9	17.5	17.0
Net Institutional Capital/Total Assets (%)	10.0	10.3	10.8	11.4	11.6
Total Capital ($mn)	127.6	137.3	153.1	165.1	177.9

Table A.5: Central Bank Dealings in Foreign Exchange 2018

$mn

Month	US $, Canadian $, and UK £ Purchases	Sales	Net	CARICOM Currencies Purchases	Sales	Net
January	13.40	22.60	-9.30	0.00	0.01	-0.01
February	12.30	38.00	-25.70	0.00	0.02	-0.02
March	17.20	7.80	9.40	0.00	0.60	-0.60
April	15.90	21.20	-5.30	0.00	1.20	-1.20
May	31.30	14.00	17.30	0.24	0.02	0.22
June	19.40	13.60	5.80	0.00	0.25	-0.25
July	16.00	20.80	-4.80	0.00	0.04	-0.04
August	17.70	40.90	-23.20	0.00	0.22	-0.22
September	13.00	8.80	4.20	0.00	0.65	-0.65
October	12.10	29.00	-16.90	0.00	0.09	-0.09
November	13.70	13.00	0.70	0.00	0.38	-0.38
December	36.20	22.20	14.00	0.00	0.16	-0.16
Total	218.10	251.90	-33.80	0.24	3.64	-3.40

Table A.6: External Asset Ratio 2018

$mn

Month	Foreign Assets $mn	Domestic Liabilities $mn	External Asset Ratio (%)
January	604.29	922.53	65.50
February	577.91	904.22	63.91
March	587.63	913.78	64.31
April	581.45	933.84	62.26
May	597.59	908.30	65.79
June	602.82	899.10	67.05
July	597.90	904.30	66.12
August	572.90	873.55	65.58
September	576.79	887.41	65.00
October	559.15	879.85	63.55
November	560.05	889.17	62.99
December	576.14	887.77	64.90

Table A.7: Domestic Bank Balances with the Central Bank 2018

$mn

Month	Average Deposit Liability	Required Cash Reserve	Actual Cash Holdings	Excess/ (Deficit)
January	2,636.4	224.1	484.6	260.5
February	2,658.6	226.0	472.5	246.5
March	2,672.8	227.2	475.9	248.7
April	2,689.4	228.6	477.7	249.1
May	2,703.3	229.8	453.7	223.9
June	2,690.6	228.7	440.5	211.8
July	2,681.1	227.9	440.1	212.2
August	2,688.7	228.5	428.6	200.1
September	2,699.1	229.4	416.0	186.6
October	2,707.4	230.1	423.0	192.8
November	2,716.5	230.9	426.6	195.7
December	2,707.8	230.2	426.8	196.6
Average	2,687.6	228.5	447.2	218.7

Table A.8: Currency in Circulation 2018

$mn

Month	Notes	Coins	Total	Domestic Bank Vault Cash	Currency with the Public
January	355.5	31.0	366.5	56.1	310.4
February	334.3	31.1	365.4	54.0	311.5
March	343.7	31.2	375.1	51.0	324.0
April	337.6	31.3	369.0	48.0	321.0
May	344.3	31.6	375.9	58.2	317.7
June	336.0	31.8	367.3	50.2	317.6
July	337.1	31.8	368.9	56.3	313.0
August	331.1	32.0	363.6	49.1	314.6
September	328.6	32.1	360.7	47.8	312.9
October	328.0	32.1	360.3	51.8	308.5
November	334.1	32.3	366.5	47.3	319.1
December	364.9	32.5	397.3	61.9	335.1

Table A.9: Composition of Treasury Notes

$mn

Tenor	Amount	Allocation: Central Bank	Allocation: Domestic Banks	Allocation: Others	Previous Yield	Current Yield
1 Year	146.0	109.4	30.0	6.6	2.75%	2.25%
2 Year	45.0	10.5	31.0	17.1	3.25%	3.00%
5 Year	135.0	36.2	57.1	77.7	5.00%	4.00%
7 Year	72.0	61.5	15.0	17.9	7.00%	4.50%
10 Year	98.0	43.7	18.0	122.7	7.75%	5.25%
Total	655.0	261.5	151.6	242.0		

Table A.10: Central Bank Credit to Central Government 2018

$mn

Month	Treasury Bills ($mn)	Treasury Notes ($mn)	Treasury Bonds ($mn)	Overdraft Facility[1] ($mn)	A	B
January	77.8	263.3	0.0	46.5	7.94	4.63
February	72.8	263.3	0.0	59.8	7.82	5.95
March	83.8	236.3	0.0	60.0	7.45	5.98
April	118.9	235.9	0.0	37.6	8.26	3.53
May	63.1	251.9	0.0	27.6	7.33	2.59
June	63.1	241.8	0.0	29.9	7.10	2.81
July	72.1	241.8	0.0	31.9	7.31	2.99
August	55.7	241.2	0.0	36.4	6.91	3.42
September	56.7	246.3	0.0	41.1	7.05	3.85
October	54.1	246.3	0.0	50.5	6.99	4.73
November	51.6	247.2	0.0	62.4	6.95	5.86
December	51.3	261.5	0.0	65.2	7.28	6.11

(1) Overdraft facility represents monthly averages rather than end of month position.
A: Central Bank’s holdings of Government securities as a multiple of Central Bank’s paid-up capital and reserves.
B: Advances to Government as a percentage of Government’s estimated recurrent revenues for the previous fiscal year.

Table A.11: Key Indicators for Advanced, Emerging and Developing Economies

Country	GDP Growth Rate (%)		Inflation Rate (%)		Unemployment Rate (%)	
	2017	2018	2017	2018	2017	2018
Advanced Economies	2.4	2.2	1.7	2.0	n.a.	n.a.
United States	2.2	2.9	2.1	1.9	4.1	3.9
Euro Area	2.4	1.8	1.5	1.8	9.1	8.2
United Kingdom	1.8	1.4	2.7	2.0	4.3	3.9
Canada	3.0	1.8	1.9	2.0	5.8	5.6
Japan	1.9	0.8	0.5	1.0	2.7	2.4
Emerging and Developing Economies	4.8	4.5	4.3	4.8	n.a.	n.a.
China	6.8	6.6	1.8	1.9	3.9	3.8
India	7.2	7.1	2.5	4.5	2.6	2.5
Mexico	2.1	2.2	6.8	4.8	3.3	3.5
Russia	1.6	2.3	2.5	4.3	5.2	4.8
Brazil	1.1	1.1	3.0	3.8	12.8	12.3

Sources: IMF, UN, Bureau of Labor Statistics (US), Bureau of Economic Analysis (US), Central Banks of Russia and Brazil, Office of National Statistics (UK), National Bureau of Statistics China, Statistics Canada, European Union Statistical Office, Institute of National Statistics, Geography and Informatics Mexico, and Statistics Bureau of Japan.

n.a. - not available

Table A.12: Key Indicators for Central America

Country	GDP Growth Rate (%)		Inflation Rate (%)		Unemployment Rate (%)		International Reserves (US $bn)	
	2017(R)	2018(P)	2017(R)	2018(P)	2017(R)	2018(P)	2017(R)	2018(P)
Guatemala	2.8	2.9	5.7	4.3	2.5	2.8	11.8	12.4
Honduras	4.8	3.7	4.7	4.7	6.7	5.7	5.0	4.9
El Salvador	2.3	2.4	2.0	1.4	6.8	6.9	3.6	4.0
Nicaragua	4.9	-4.1	5.7	4.8	5.2	6.1	2.6	2.1
Costa Rica	3.3	3.0	2.6	2.0	9.0	9.7	7.2	6.7
Panama	5.3	4.2	0.5	1.1	6.1	6.0	3.5	2.8

Sources: ECLAC, UN, Central Banks of Guatemala, Honduras, El Salvador, Nicaragua and Costa Rica, Statistical Institutes of Panama and Costa Rica, Ministry of Economics and Finance of Panama, and Central American Monetary Council.

R - Revised

P - Provisional

Table A.13: Key Indicators for Selected Caribbean Countries

Country	GDP Growth Rate (%)		Inflation Rate (%)		Unemployment Rate (%)		International Reserves (US $mn)		Fiscal Balance (% of GDP)	
	2017	2018[E]	2017	2018[E]	2017	2018[E]	2017	2018[E]	2017	2018[E]
The Bahamas	1.4	2.5	2.4	2.2	9.9	10.7	704	598	-3.5	-3.3
Barbados	1.0	-0.5	4.0	3.7	10.2	9.7	205	525	-4.1	0.3
Belize	1.4	3.0	1.1	0.3	9.0	9.4	312	294	-1.8	-1.0
ECCU	3.2	2.8	1.7	-0.5	n.a.	n.a.	1,745	1,852	-0.6	-0.2
Guyana	3.2	3.4	1.5	1.5	11.3	n.a.	580	453	-5.6	5.4
Jamaica	1.0	1.9	5.2	2.4	11.1	8.4	3,208	3,500	-0.9	0.3
Suriname	1.7	1.9	9.1	5.4	9.1	8.4	334	476	-6.0	-7.5
Trinidad and Tobago	-2.3	1.9	1.9	1.0	4.5	5.0	8.370	7,400	-8.5	-6.3

Sources: UN, IMF, ECLAC, IADB, CDB, Central Banks of Belize, The Bahamas, Barbados, Guyana, ECCU, Jamaica, Suriname, Trinidad and Tobago, Statistical Institutes of Belize, Trinidad and Tobago, Jamaica, The Bahamas, and Bureau of Statistics of Guyana.

[E] Estimate

n.a. - not available

Table A.14: GDP by Activity at Current and Constant 2000 Prices

$mn

	2013	2014	2015	2016	2017	2018
GDP at Current Market Prices	3,216.9	3,385.9	3,525.0	3,613.3	3,725.2	3,849.8
GDP at Constant 2000 Market Prices	2,597.7	2,693.6	2,786.0	2,769.6	2,809.8	2,895.1
Primary Industries	368.4	377.4	335.0	258.7	284.1	293.6
Agriculture, Hunting and, Forestry	246.6	249.4	252.5	229.2	255.4	264.6
Fishing	121.9	128.0	82.6	29.4	28.7	29.0
Secondary Industries	420.6	411.6	399.0	404.9	405.5	407.6
Manufacturing (Including Mining and Quarrying)	229.5	211.5	181.7	169.6	169.0	162.8
Electricity and Water	127.3	132.1	136.7	145.2	149.7	158.5
Construction	63.8	68.0	80.7	90.2	86.8	86.2
Tertiary Industries	1,416.6	1,476.3	1,586.9	1,684.5	1,739.3	1,802.6
Wholesale and Retail Trade	414.2	423.6	456.8	539.4	576.4	610.2
Hotels and Restaurants	99.4	109.2	105.6	104.7	108.3	122.3
Transport and Communication	265.1	269.0	282.5	286.6	286.5	294.9
Other Private Services Excluding Financial Services Indirectly Measured	410.7	427.3	466.5	466.7	468.7	466.5
Producers of Government Services	227.4	247.2	275.6	287.2	299.4	308.6
All Industries at Basic Prices	2,205.7	2,265.2	2,321.0	2,348.1	2,429.0	2,503.9
Taxes Less Subsidies on Products	392.0	428.4	465.1	421.5	380.9	391.2

Source: SIB

Table A.15: Annual Percentage Change in GDP by Activity at Current and Constant 2000 Prices

Percentage

	2013	2014	2015	2016	2017	2018
GDP at Current Market Prices	8.2	5.3	4.1	2.5	3.1	3.3
GDP at Constant 2000 Market Prices	3.8	3.7	3.4	-0.6	1.4	3.0
Primary Industries	12.7	2.4	-11.2	-22.8	9.8	3.4
Agriculture, Hunting, and Forestry	8.8	1.1	1.2	-9.2	11.4	3.6
Fishing	21.6	5.0	-35.5	-64.3	-2.6	1.1
Secondary Industries	-12.8	-2.1	-3.0	1.5	0.1	0.5
Manufacturing (Including Mining and Quarrying)	-24.4	-7.8	-14.1	-6.7	-0.4	-3.6
Electricity and Water	0.7	3.7	3.5	6.2	3.1	5.9
Construction	22.5	6.6	18.7	11.7	-3.7	-0.7
Tertiary Industries	4.5	4.2	7.5	6.2	3.2	3.6
Wholesale and Retail Trade	9.5	2.3	7.8	18.1	6.9	5.9
Hotels and Restaurants	20.6	9.9	-3.3	-0.9	3.5	12.9
Transport and Communication	1.9	1.5	5.0	1.5	0.0	2.9
Other Private Services Excluding Financial Services Indirectly Measured	-0.9	4.0	9.2	0.0	0.4	-0.5
Producers of Government Services	3.1	8.7	11.5	4.2	4.2	3.1
All Industries at Basic Prices	1.9	2.7	2.5	1.2	3.4	3.1
Taxes Less Subsidies on Products	16.1	9.3	8.6	-9.4	-9.6	2.7

Source: SIB

Table A.16: Sugar Cane Deliveries

	2015/2016	2016/2017	2017/2018
Deliveries (long tons)	1,455,053	1,644,405	1,680,555

Sources: BSI and Santander Group

Table A.17: Citrus Fruit Deliveries

	2015/2016	2016/2017	2017/2018
Deliveries (‘000 boxes)	3,618	3,387	2,639
Oranges	3,247	3,201	2,433
Grapefruits	371	186	205

Sources: CPBL and CGA

Table A.18: Production of Sugar and Molasses

	2015/2016	2016/2017	2017/2018
Sugar Processed (long tons)	143,937	174,887	175,340
Molasses Processed (long tons)	49,706	55,792	51,669
Performance			
Factory Time Efficiency	92.58	95.15	88.73
Cane Purity (%)	84.85	86.42	86.31
Cane/Sugar Ratio	10.11	9.40	9.58

Sources: BSI and Santander Group

Table A.19: Production of Citrus Juices and Pulp

	2015/2016	2016/2017	2017/2018
Production (‘000 ps)	21,285	19,998	15,001
Orange Concentrate	19,542	19,021	13,918
Grapefruit Concentrate	1,509	731	779
Not-from-concentrate	234	246	304
Production (‘000 pounds)			
Pulp	3,491	2,409	1,714
Citrus Oil	1,231	1,287	832

Source: CPBL

Table A.20: Labour Force Statistics

Indicators	Apr 2015	Sept 2015	Apr 2016	Sept 2016	Apr 2017	Sept 2017	Apr 2018
Labour Force	153,689	156,383	159,648	162,254	164,935	166,049	172,086
Employed Population	138,145	140,475	146,918	144,302	150,112	149,994	155,950
Unemployed Population	15,544	15,907	12,730	17,952	14,823	16,056	16,136
Unemployment Rate (%)	10.1	10.2	8.0	11.1	9.0	9.7	9.4
Labour Force Participation Rate (%)	63.5	63.4	63.7	64.3	64.3	64.0	65.5

Source: SIB

Table A.21: Tourist Arrivals and Expenditure

	2015	2016	2017	2018
Stay-over Arrivals				
Air	255,748	298,455	320,549	360,405
Land	51,601	51,460	60,803	71,713
Sea	7,529	6,634	7,806	6,106
Total Stay-overs	314,878	356,550	389,158	438,224
Cruise Ship Disembarkations	862,178	904,855	912,809	1,087,323
Tourist Expenditure ($mn)	728.6	769.6	839.6	960.9

Sources: BTB, CBB, and Immigration Department

Table A.22: Annual Percentage Change in CPI Components by Major Commodity Group

Major Commodity	Weights	Average Annual Index 2016	2017	2018	Average Annual Change
Food and Non-Alcoholic Beverages	195.0	106.5	105.3	104.8	-0.5
Alcoholic Beverages and Tobacco	16.6	100.2	105.1	107.0	1.8
Clothing and Footwear	82.9	98.2	97.9	97.8	-0.1
Housing, Water, Electricty, Gas, and Other Fuels	264.8	103.0	103.7	104.6	0.8
Furnishing, Household Equipment, and Routine Household Maintenance	69.3	101.9	101.1	101.2	0.1
Health	41.4	113.8	113.4	117.2	3.3
Transport	135.7	100.4	110.2	109.8	-0.4
Communication	33.5	98.7	101.0	101.1	0.2
Recreation and Culture	69.4	106.9	105.0	104.9	-0.1
Education	32.5	103.4	103.6	104.2	0.5
Restaurants and Hotels	7.0	110.6	114.1	116.1	1.7
Miscellaneous Goods and Services	52.0	105.0	104.0	104.9	0.9
All Items	1,000	103.5	104.7	105.0	0.3

Source: SIB

Table A.23: Central Government - Revenue and Expenditure

$'000

	Fiscal Year 2017/2018	Estimated Budget 2018/2019	Jan - Dec 2016	Jan - Dec 2017	Jan - Dec 2018
TOTAL REVENUE AND GRANTS (1+2+3)	1,111,100	1,183,327	1,039,419	1,074,233	1,170,464
1). Current Revenue	1,079,441	1,134,915	1,002,577	1,047,930	1,119,538
Tax Revenue	967,445	1,022,580	914,039	954,129	1,012,234
Income and Profits	270,223	277,322	260,185	267,534	282,660
Taxes on Property	6,384	6,421	6,638	6,510	5,411
Taxes on Goods and Services	533,031	568,542	456,462	522,681	562,048
International Trade and Transactions	157,808	170,296	190,754	157,405	162,115
Non-tax Revenue	111,995	112,335	88,538	93,801	107,304
Property Income	20,832	30,021	21,946	12,752	22,956
Licences	20,343	16,947	12,250	18,160	25,112
Transfers from Government Departments	24,391	24,977	25,665	23,419	30,198
Repayment of Old Loans	489	642	1,092	413	560
Rent and Royalties	45,940	39,748	27,585	39,057	28,478
2). Capital Revenue	1,799	3,301	2,671	1,982	2,898
3). Grants	29,860	45,111	34,172	24,320	48,028
TOTAL EXPENDITURE (1+2)	1,172,420	1,208,717	1,158,487	1,177,593	1,208,834
1). Current Expenditure	1,020,542	1,051,354	950,942	1,005,828	1,048,466
Wages and Salaries	425,868	431,681	398,437	421,123	434,756
Pensions	94,672	91,428	81,990	94,493	96,126
Goods and Services	214,776	238,375	212,292	207,841	228,078
Interest Payments	112,500	111,901	98,110	112,430	118,316
Subsidies and Current Transfers	172,725	177,968	160,113	169,940	171,189
2). Capital Expenditure	151,878	157,364	207,545	171,766	160,368
Capital II (Local Sources)	58,882	61,921	93,233	86,374	60,845
Capital III (Foreign Sources)	91,819	93,144	111,910	83,180	86,800
Capital Transfer and Net Lending	1,177	2,299	2,402	2,212	12,723
CURRENT BALANCE	58,899	83,561	51,635	42,103	71,072
OVERALL BALANCE	-61,320	-25,390	-119,068	-103,361	-38,370
PRIMARY BALANCE	51,180	86,511	-20,958	9,069	79,946
OVERALL BALANCE WITHOUT GRANTS	-91,180	-70,501	-153,239	-127,681	-86,399
PRIMARY BALANCE WITHOUT GRANTS	21,320	41,400	-55,129	-15,251	31,917

Table A.23: Central Government - Revenue and Expenditure continued

$'000

	Fiscal Year 2017/2018	Estimated Budget 2018/2019	Jan - Dec 2016	Jan - Dec 2017	Jan - Dec 2018
FINANCING	61,320	25,390	119,068	24,155	38,370
Nationalisation	-208,316		-196,522	-196,522	0
Domestic Financing	302,378		262,480	221,592	-2,249
Central Bank	-39,805		120,482	-9,738	-36,819
Net Borrowing	-47,015		124,708	17,668	-23,561
Change in Deposits	7,210		-4,226	-27,407	-13,258
Domestic Banks	124,329		96,513	87,167	22,366
Net Borrowing	107,922		78,660	78,234	30,681
Change in Deposits	16,407		17,853	8,933	-8,315
UHS Liability	91,000		0	91,000	0
International Banks	2,000		1,006	2,135	65
Other Domestic Financing	124,853		44,478	142,028	12,139
Financing Abroad	61,050		47,061	90,018	17,039
Disbursements	145,015		128,869	175,785	97,557
Amortisation	-83,965		-81,809	-85,767	-80,518
Other[1]	-93,792		6,049	-90,934	23,581

Sources: CBB and MOF

[1] In 2017, this line item reflects the recognition of the $91.0mn award against the government for the UHS loan, which has not yet been paid.

Table A.24: Central Government - Domestic Debt 2018[1]

$'000

	Disbursed Outstanding Debt 31/12/17[R]	TRANSACTIONS THROUGH DECEMBER 2018				Disbursed Outstanding Debt 31/12/18[P]
		Disbursement/ New Issue of Securities	*Amortisation/ Reduction in Securities*	Interest	Net Change in Overdraft/ Securities	
Overdraft/Loans	47,235	0	0	3,874	4,828	52.064
Central Bank	47,235	0	0	3,874	4,828	52,064
Domestic Banks	0	0	0	0	0	0
Treasury Bills	245,000	0	0	1,926	0	245,000
Central Bank	106,823	0	0	592	-55,753	51,070
Domestic Banks	136,700	0	0	1,323	50,856	187,556
Other	1,477	0	0	11	4,897	6,374
Treasury Notes	640,000	51,008	36,008	28,579	0	655,000
Central Bank	234,100	40,808	9,808	9,643	-3,636	261,464
Domestic Banks	171,771	10,000	25,000	6,845	-4,653	152,118
Other	234,129	200	1,200	12,090	8,289	241,418
Belize Bank Limited[1]	91,000	0	0	0	0	91,000
Heritage Bank Limited	1,020	0	786	66	0	234
Belize Social Security Board[2]	311	0	47	27	0	264
Fort Street Tourism Village	0	215	215	0	0	0
Debt for Nature Swap	1,970	0	183	55	0	1,787
Total	1,026,537	51,223	37,240	34,524	4,828	1,045,349

[R] - Revised
[P] - Provisional
(1) Caribbean Court of Justice award in November 2017 against the GOB in favour of BBL, relating to the loan guarantee.
(2) Government has an outstanding loan with BSSB for Hopeville Housing Project.

Table A.25: Public Sector External Debt by Creditor

$mn

	Outstanding Debt 31/12/2017^R	Disbursements	Amortisation	Interest and Other Charges	Valuation Adjustments	Outstanding Debt 31/12/2018^P
Bilateral	737.7	54.0	28.2	11.1	-0.1	763.4
Multilateral	723.0	75.8	56.3	24.0	-1.7	740.8
Bonds	1,053.0	0.0	0.0	52.0	0.0	1,053.0
Commercial	0.0	4.0	0.0	0.0	0.0	4.0
Total	2,513.7	133.8	84.4	87.1	-1.8	2,561.2

R - Revised
P - Provisional

Table A.26: Public Sector - External Debt 2018

$'000

	Disbursed Outstanding Debt 31/12/17[R]	*TRANSACTIONS THROUGH DECEMBER 2018* *Disbursements*	*Principal Payments*	*Interest & Other Payments*	*Parity Change*	Disbursed Outstanding Debt 31/12/18[P]
CENTRAL GOVERNMENT	2,417,162	97,557	80,518	85,352	-612	2,433,589
Government of Venezuela[(1)]	419,615	9,835	0	633	0	429,450
Kuwait Fund for Arab Economic Development	26,512	818	1,925	878	-141	25,264
Mega International Commercial Bank Company Limited	50,000	0	0	2,154	0	50,000
Republic of China/Taiwan	241,601	20,771	26,229	7,390	0	236,143
Caribbean Development Bank	259,751	23,288	23,294	9,050	0	259,745
CARICOM Development Fund	2,571	0	836	68	0	1,735
European Economic Community	8,442	0	850	62	-352	7,240
Inter-American Development Bank	228,478	27,119	18,861	7,595	0	236,736
International Fund for Agriculture Development	2,924	0	330	66	-119	2,475
International Bank for Reconstruction and Development	32,242	4,586	1,547	1,123	0	35,282
OPEC Fund for International Development	70,574	4,192	4,872	2,949	0	69,894
Central American Bank for Economic Integration	21,447	6,947	1,774	1,393	0	26,621
Bank of New York	1,053,004	0	0	51,992	0	1,053,004
NON-FINANCIAL PUBLIC SECTOR	22,620	27,072	3,027	776	0	46,665
Caribbean Development Bank	22,620	510	3,027	772	0	20,103
Atlantic International Bank Limited	0	4,000	0	3	0	4,000
International Cooperation and Development Fund	0	22,562	0	0	0	22,562
FINANCIAL PUBLIC SECTOR	73,905	9,178	900	957	-1,196	80,988
Caribbean Development Bank	22,845	9,178	863	932	0	31,160
European Investment Bank	0	0	0	24	0	0
European Economic Community	93	0	37	1	-2	54
International Monetary Fund[(2)]	50,968	0	0	0	-1,193	49,774
GRAND TOTAL	2,513,687	133,807	84,445	87,085	-1,807	2,561,242

R - Revised
P - Provisional
(1) Since September 2017, debt service payments for oil imports have been suspended due to US sanctions on Petroleos de Venezuela, S.A. Unpaid debt service payments up to the end of December 2018 amounted to principal of $19.8mn and interest of $4.6mn.
(2) International Monetary Fund Special Drawing Rights allocation is included as part of the financial public sector external debt obligation.

Table A.27: Determinants of Money Supply[1]

$mn

	Position as at			Changes During 2018
	Dec 2016	Dec 2017	Dec 2018	
Net Foreign Assets	986.5	859.3	856.5	-2.8
Central Bank	752.0	628.5	592.4	-36.1
Domestic Banks	234.5	230.8	264.0	33.2
Net Domestic Credit	2,533.9	2,615.2	2,702.8	87.6
Central Government (Net)	514.6	591.0	579.2	-11.8
Other Public Sector	8.4	6.7	49.5	42.8
Private Sector	2,010.9	2,017.5	2,074.1	56.6
Central Bank Foreign Liabilities (Long-term)	48.1	51.0	49.8	-1.2
Other Items (Net)	522.0	485.0	492.1	7.1
Money Supply (M2)	2,950.3	2,938.5	3,017.3	78.8

[1] Transactions associated with the UHS loan with the BBL are not included in this table.

Table A.28: Money Supply

$mn

	Position as at			Changes During 2018
	Dec 2016	Dec 2017	Dec 2018	
Money Supply (M2)	2,950.3	2,938.5	3,017.3	78.8
Money Supply (M1)	1,471.9	1,565.9	1,598.5	32.6
Currency with the Public	311.1	325.2	335.4	10.2
Demand Deposits	1,160.0	1,212.3	1,236.4	24.1
Savings/Chequing Deposits	0.8	28.4	26.7	-1.7
Quasi-Money	1,478.4	1,372.6	1,418.8	46.2
Savings Deposits	686.2	678.9	730.4	51.5
Time Deposits	792.2	693.7	688.4	-5.3

Table A.29: Net Foreign Assets of the Banking System

$mn

	Position as at			Changes During 2018
	Dec 2016	Dec 2017	Dec 2018	
Net Foreign Assets	986.5	859.3	856.5	-2.8
Central Bank	752.0	628.5	592.4	-36.1
Foreign Assets	759.2	630.3	595.0	-35.3
Foreign Liabilities (Demand)	7.2	1.8	2.6	0.8
Domestic Banks	234.5	230.8	264.0	33.2
Foreign Assets	251.7	235.9	271.1	35.2
Foreign Liabilities (Short-term)	17.2	5.1	7.1	2.0

Table A.30: Net Domestic Credit of the Banking System

$mn

	Position as at			Changes During 2018
	Dec 2016	Dec 2017	Dec 2018	
Total Credit to Central Government	602.9	697.8	708.0	10.2
From Central Bank	370.5	388.1	364.6	-23.5
From Domestic Banks	232.4	309.7	343.4	33.7
Less Central Government Deposits	88.3	106.8	128.8	22.0
Net Credit to Central Government	514.6	591.0	579.2	-11.8
Plus Credit to Other Public Sector	8.4	6.7	49.5	42.8
Plus Credit to the Private Sector	2,010.9	2,017.5	2,074.1	56.6
Net Domestic Credit of the Banking System	2,533.9	2,615.2	2,702.8	87.6

Table A.31: Domestic Banks - Sectoral Composition of Loans and Advances

$mn

	Position as at			Changes During 2018
	Dec 2016	**Dec 2017**	**Dec 2018**	
PRIMARY SECTOR	257.8	277.3	200.7	-76.6
Agriculture	202.8	240.4	171.3	-69.1
Sugar	72.4	87.6	85.6	-2.0
Citrus	12.2	14.7	14.5	-0.2
Bananas	69.3	81.3	22.8	-58.5
Other	48.9	56.8	48.4	-8.4
Marine Products	36.2	33.6	25.1	-8.5
Forestry	1.0	0.5	0.8	0.3
Mining and Exploration	17.8	2.8	3.5	0.7
SECONDARY SECTOR	623.2	619.6	731.9	112.3
Manufacturing	38.3	34.8	77.5	42.7
Building and Construction	574.5	571.3	595.5	24.2
Utilities	10.4	13.5	58.9	45.4
TERTIARY SECTOR	699.7	680.8	736.2	55.4
Transport	54.6	57.3	59.5	2.2
Tourism	130.5	116.2	142.6	26.4
Distribution	159.0	158.3	177.7	19.4
Real Estate	293.4	290.9	294.2	3.3
Professional Services	48.8	50.1	49.7	-0.4
Other[1]	13.4	8.0	12.5	4.5
PERSONAL LOANS	434.3	440.5	451.1	10.6
TOTAL	2,015.0	2,018.2	2,119.9	101.7

[1] Includes government services, financial institutions, and entertainment.

Table A.32: Domestic Banks - Holdings of Approved Liquid Assets

$mn

	Position as at			Changes During 2018
	Dec 2016	Dec 2017	Dec 2018	
Holdings of Approved Liquid Assets	1,057.4	869.0	863.5	-5.5
Notes and Coins	75.4	75.5	86.5	11.0
Balances with Central Bank	656.3	507.8	426.4	-81.4
Money at Call and Foreign Balances (due in 90 days)	138.0	93.3	142.7	49.4
Central Government Securities Maturing within 90 days[1]	178.0	159.0	209.0	50.0
Other Approved Assets	9.7	33.4	-1.1	-34.5
Required Liquid Assets	613.7	599.8	622.8	23.0
Excess/(Deficiency) Liquid Assets	443.7	269.2	240.7	-28.5
Daily Average Holdings of Cash Reserves	652.9	505.7	426.8	-78.9
Required Cash Reserves	226.8	221.7	230.2	8.5
Excess/(Deficiency) Cash Reserves	426.1	284.0	196.6	-87.4
Actual Securities Balances[2]	151.7	136.7	187.7	51.0
Excess/(Deficiency) Securities	151.7	136.7	187.7	51.0

[1] Four-week average of domestic banks' T-bill holdings.
[2] Face value of domestic banks' T-bill holdings at month end.

Table A.33: Domestic Banks - Weighted Average Interest Rates

Percentage

	Position as at			Changes During 2018
	Dec 2016	Dec 2017	Dec 2018	
Weighted Lending Rates				
Personal Loans	11.63	11.31	10.79	-0.52
Commercial Loans	9.51	9.12	8.68	-0.44
Residential Construction	7.57	7.17	7.01	-0.16
Other	7.20	6.73	6.68	-0.05
Weighted Average	9.66	9.34	8.98	-0.36
Weighted Deposit Rates				
Demand	0.01	0.01	0.01	0.00
Savings/Chequing	0.62	0.49	0.48	-0.01
Savings	2.40	2.50	2.72	0.22
Time	2.20	2.08	1.95	-0.13
Weighted Average	1.28	1.21	1.24	0.03
Weighted Average Spread	8.38	8.13	7.74	-0.39

Table A.34: Domestic Banks - Weighted Average Interest Rates on New Loans and Deposits

Percentage

	Rolling Averages			Changes During
	Jan 2016 to Dec 2016	**Jan 2017 to Dec 2017**	**Jan 2018 to Dec 2018**	**Dec 2017 to Dec 2018**
Weighted Lending Rates				
Personal Loans	10.45	10.01	9.90	-0.11
Commercial Loans	9.47	8.85	8.38	-0.47
Residential Construction	6.99	6.98	7.11	0.13
Other	6.44	6.47	6.42	-0.05
Weighted Average	9.42	9.02	8.62	-0.39
Weighted Deposit Rates				
Demand	0.03	0.00	0.00	0.00
Savings/Chequing	0.85	1.38	0.64	-0.74
Savings	2.44	2.05	2.48	0.43
Time	1.95	1.92	1.77	-0.15
Weighted Average	1.79	1.70	1.46	-0.25
Weighted Average Spread	7.63	7.31	7.17	-0.14

Table A.35: Balance of Payments - Merchandise Trade

$mn

	2016	2017	2018	Change
Goods Exports, FOB	885.6	914.4	903.1	1.2%
Of which: Domestic Exports	381.9	439.6	386.8	-12.0%
CFZ Sales	395.5	385.9	438.5	13.6%
Other Re-exports	108.2	88.8	77.8	-12.4%
Goods Imports, FOB	1,750.2	1,696.5	1,793.9	5.7%
Of which: Domestic Economy	1,468.3	1,412.9	1,494.8	5.8%
CFZ[1]	282.0	283.6	299.0	5.5%
Merchandise Trade Balance	-864.6	-782.2	-890.8	13.9%

[1] CFZ excludes fuel and goods obtained from the free circulation area.

Table A.36: Domestic Exports

$mn

	2016	2017	2018
Traditional Exports	293.6	339.5	290.9
Sugar	103.1	148.1	112.1
Citrus Juices[1]	67.1	57.3	55.0
Citrus Concentrate	66.8	57.0	54.7
Not-from-concentrate	0.3	0.3	0.3
Molasses	7.0	9.0	6.6
Banana	69.5	83.4	74.4
Marine Products	43.0	40.1	41.8
Papaya	3.9	1.5	1.0
Petroleum	22.5	22.7	24.6
Non-traditional Exports	65.2	77.4	71.3
Total Exports	381.3	439.6	386.8

Sources: SIB, BSI, Santander Group, and CPBL

[1] Reflect actual sales and not export shipments as reported by SIB.

Table A.37: Exports of Sugar and Molasses

	2016		2017		2018	
	Volume (long tons)	Value ($'000)	Volume (long tons)	Value ($'000)	Volume (long tons)	Value ($'000)
Sugar[1]	124,405	102,976	158,028	148,117	158,898	112,093
EU	119,710	97,778	140,558	128,075	143,360	95,800
US	2,411	2,555	15,772	17,352	10,868	11,636
CARICOM	2,239	2,575	1,653	2,537	4,532	4,493
Other	45	68	45	151	138	165
Molasses[2]	30,551	6,970	42,980	9,048	41,161	6,611

Sources: BSI, Santander Group, and SIB
(1) Reflects value of export shipments.
(2) Relect actual sales as reported by the processors.

Table A.38: Exports of Citrus Juices and Pulp[1]

	2016	2017	2018
Concentrate ('000 ps)	22,695	17,165	16,370
Orange	20,329	16,122	15,600
Grapefruit	2,365	1,043	770
Concentrate Value ($mn)	66.8	57.0	55.0
Orange	58.5	53.2	50.9
Grapefruit	8.3	3.8	3.8
Not-from-concentrate Exports ('000 ps)	58.8	57.0	58.9
Orange	47.7	46.7	48.2
Grapefruit	11.1	10.3	10.6
Not-from-concentrate Value ($mn)	0.3	0.3	0.3
Orange	0.3	0.2	0.2
Grapefruit	0.1	0.1	0.1
Pulp Export ('000 pounds)	3,238	1,351	2,422
Pulp Value ($mn)	2.5	1.1	1.8

Source: CPBL
(1) Reflects actual sales as reported by the processor and not the value of export shipments as reported by SIB. Export shipments go to inventory for sale at a later point in time.

Table A.39: Exports of Banana

	2016	2017	2018
Volume (metric tons)	70,662	84,733	80,394
Value ($mn)	69.5	83.4	74.4

Source: BGA

Table A.40: Exports of Marine Products

	2016		2017		2018	
	Volume ('000 lbs)	Value ($'000)	Volume ('000 lbs)	Value ($'000)	Volume ('000 lbs)	Value ($'000)
Lobster Tail	823	18,259.4	1,044	23,349.2	954	23,867.1
Shrimp[(1)]	1,455	13,760.1	1,068	9,874.1	1,073	4,831.1
Conch	889	10,572.2	595	7,317.9	883	13,097.2
Whole/Fillet Fish	284	400.4	195	249.3	22	53.7
Other	4	41.6	0	6.4	0	0.0
Total	3,456	43,033.7	2,902	40,796.8	2,932	41,849.1

Sources: Shrimp Growers and SIB

[(1)] Data reflect actual sales reported by shrimp growers.

Table A.41: Other Major Exports

	2016	2017	2018
Petroleum			
Volume (barrels)	335,183	267,071	199,649
Value ($mn)	22.5	22.7	24.6

Source: SIB

Table A.42: Gross Imports (CIF) by Standard International Trade Classification (SITC)

$mn

SITC Category	2014	2015	2016	2017	2018
0 Food and Live Animals	224.2	221.9	229.5	216.1	219.7
1 Beverages and Tobacco	39.2	40.0	38.4	35.3	37.9
2 Crude Materials	31.2	31.4	36.1	35.5	30.1
3 Mineral Fuels and Lubricants	337.6	269.8	211.5	265.3	347.1
Of which: Electricity	41.9	49.2	24.5	44.3	64.2
4 Animal and Vegetable Oils	16.0	17.6	13.7	16.4	16.8
5 Chemicals	166.9	182.9	172.0	174.5	175.1
6 Manufactured Goods	218.7	244.7	236.2	244.0	244.4
7 Machinery and Transport Equipment	342.8	435.8	458.7	375.5	390.9
8 Other Manufactures	140.8	158.2	178.6	161.4	150.9
9 Commodities - not classified elsewhere	0.6	1.6	0.6	0.3	0.0
Export Processing Zones	115.2	115.8	45.3	41.1	38.8
Personal Goods	6.5	5.0	3.9	3.5	4.1
Total	1,639.6	1,724.9	1,624.6	1,569.0	1,655.8
CFZ Direct Imports	327.1	317.1	305.5	307.2	324.0
Grand Total	1,411.3	1,662.5	1,808.1	1,876.2	1,979.8

Sources: SIB and Belize Electricity Limited

Table A.43: Extended Balance of Payments Services Classification

$mn

		Jan - Dec 2017	Jan - Dec 2018
Total Services	Net	600.6	790.1
	Credits	1,082.5	1,252.4
	Debits	481.9	462.3
Manufacturing Services	Net	0.0	0.0
	Credits	0.0	0.0
	Debits	0.0	0.0
Maintenance and Repair Services	Net	0.0	0.0
	Credits	0.0	0.0
	Debits	0.0	0.0
Transportation	Net	-70.1	-83.6
	Credits	58.8	50.4
	Debits	128.9	133.9
Travel	Net	692.0	878.3
	Credits	793.0	973.4
	Debits	101.0	95.1
Telecommunications, Computer, and Information Services	Net	21.2	20.7
	Credits	43.3	38.3
	Debits	22.1	17.6
Construction Services	Net	0.0	0.0
	Credits	0.0	0.0
	Debits	0.0	0.0
Insurance and Pension Services	Net	-80.3	-84.9
	Credits	0.7	0.8
	Debits	81.0	85.7
Financial Services	Net	5.1	2.2
	Credits	10.5	7.6
	Debits	5.4	5.4
Charges for the use of Intellectual Property, n.i.e.	Net	-7.2	-15.9
	Credits	0.0	0.0
	Debits	7.2	15.9
Other Business Services	Net	14.4	31.2
	Credits	101.4	101.2
	Debits	87.0	70.0
Personal, Cultural, and Recreational Services	Net	-1.1	-1.6
	Credits	0.0	0.0
	Debits	1.1	1.6
Government Services, n.i.e.	Net	26.6	43.6
	Credits	74.9	80.7
	Debits	48.2	37.1

Table A.44: Balance of Payments - Service and Income Balances

$mn

	2016			2017			2018		
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net
Services	1,048.2	444.4	603.9	1,082.5	481.9	600.6	1,252.4	462.3	790.1
Transportation	54.0	147.9	-93.9	58.8	128.9	-70.1	50.4	133.9	-83.6
Travel	780.9	101.8	679.1	793.0	101.0	692.0	973.4	95.1	878.4
Other Goods and Services	175.3	166.9	8.4	155.9	203.8	-48.0	147.8	196.1	-48.3
Government Goods and Services, n.i.e	38.1	27.8	10.3	74.9	48.2	26.6	80.7	37.1	43.6
Primary Income	14.5	236.1	-221.6	13.9	264.4	-250.5	19.0	380.9	-361.9
Labour Income	4.7	8.9	-4.2	4.7	12.1	-7.3	4.7	11.3	-6.6
Investment Income[1]	9.8	227.2	-217.4	9.2	252.3	-243.1	14.3	369.6	-355.3
Secondary Income	287.4	90.5	196.9	238.2	93.9	144.3	257.9	105.2	152.7
Government	13.8	6.9	6.8	0.0	11.0	-11.0	0.0	22.8	-22.8
Private	273.7	83.6	190.1	238.2	83.0	155.2	257.9	82.4	175.5

[1] Data include an estimate for profit remittances from the tourism and petroleum industries.
n.i.e. - not included elsewhere

Table A.45: Percentage Distribution of Visible Trade by Country/Area

Percentage

	Exports[1]			Imports[2]		
	2016	2017	2018	2016	2017	2018
US	14.5	11.1	10.8	37.4	35.8	42.5
Mexico	49.3	46.3	52.7	10.8	11.1	10.8
UK	17.2	18.0	17.4	1.3	1.3	1.0
Other EU	7.6	11.2	6.8	2.9	3.6	3.0
Central America	0.9	1.2	1.8	14.5	15.1	15.3
CARICOM	6.7	8.5	8.9	2.8	2.6	2.6
Canada	0.1	0.1	0.2	1.0	1.1	0.9
Netherland Antilles	0.0	0.0	0.0	7.4	8.1	1.6
China	0.0	0.0	0.0	11.7	11.2	12.0
Other	3.7	3.2	1.4	10.1	10.1	10.4
Total	100.0	100.0	100.0	100.0	100.0	100.0

Sources: SIB and CBB
[1] Data include exports by the CFZ
[2] Data include imports into the CFZ and electricity imports from Mexico

Table A.46: Balance of Payments - Capital and Financial Accounts

$mn

	2016 Net	2017 Net	2018 Net
CAPITAL ACCOUNT	66.0	32.2	48.0
General Government	33.0	32.2	48.0
Other Sectors	33.0	0.0	0.0
FINANCIAL ACCOUNT	-106.9	-102.4	-218.3
Direct Investment Abroad	3.4	0.6	1.4
Direct Investment in Belize	88.0	49.0	239.1
Portfolio Investment Assets	0.0	0.0	0.0
Portfolio Investment Liabilities	0.0	0.0	0.0
Financial Derivatives Assets	0.0	0.0	0.0
Financial Derivatives Liabilities	0.0	0.0	0.0
Other Investment Assets	-66.1	-17.7	32.2
Monetary Authorities	-1.2	1.2	0.0
General Government	0.0	0.0	0.0
Banks	-62.3	-15.8	35.2
Other Sectors	-2.6	-3.1	-3.0
Other Investment Liabilities	-43.8	36.3	12.9
Monetary Authorities	-0.4	-5.4	0.8
General Government	45.8	101.1	44.2
Banks	-16.9	-12.1	2.0
Other Sectors	-72.2	-47.2	-34.1
NET ERRORS AND OMISSIONS	10.3	24.1	8.0
CHANGES IN RESERVES	-120.7	-129.2	-35.6

Table A.47: Official International Reserves

$mn

	Position as at			Changes During 2018
	Dec 2016	Dec 2017	Dec 2018	
Gross Official International Reserves	753.1	624.0	588.4	-35.6
Central Bank of Belize	734.3	605.5	570.2	-35.3
Holdings of SDRs	53.8	57.1	56.0	-1.2
IMF Reserve Tranche	16.6	17.6	17.2	-0.4
Other	663.8	530.3	496.3	-34.0
Central Government	18.8	18.8	18.8	0.0
Foreign Liabilities	10.7	3.2	11.1	7.9
CARICOM	0.0	0.6	0.3	-0.2
Other	10.7	2.6	10.7	8.1
Net Official International Reserves	742.4	620.8	577.4	-43.4

Table A.48: Long-Term Private Sector External Debt by Industry[1,2]

$'000

Industries	Disbursed Outstanding as at 31/12/2017	Transactions (Jan - Dec 2018) Disbursements	Principal Payments	Interest Payments	Disbursed Outstanding as at 31/12/2018
Agriculture	42,984	185	4	0	43,164
Arts, Entertainment, and Recreation	1,700	0	0	0	1,700
Construction	42,682	0	6,589	4,729	36,093
Economic Diversification	556	0	220	24	335
Education	0	0	0	0	0
Electricity and Gas	5,133	0	32	2,000	5,101
Financial and Insurance Activities	111	0	0	0	111
Fishing	53,503	0	27,852	1,043	25,651
Information and Communication	175	0	65	3	109
Real Estate Activities	106	0	0	0	106
Toursim Activities	25,263	0	0	0	25,263
Transportation	37,908	11,293	4,787	1,881	44,414
Wholesale and Retail Trade	1,072	0	35	8	1,037
Other	2,554	0	0	0	2,554
Total	213,747	11,478	39,585	9,689	185,640

(1) The loans only cover that portion of the private sector debt that is reported to the CBB.
(2) At the time of reporting, all companies had not submitted their balance sheets to the CBB.

Table A.49: Balance of Payments Summary

$mn

	2016	2017	2018
CURRENT ACCOUNT	-303.2	-287.8	-309.9
Goods: Exports FOB	885.6	914.4	903.1
Goods: Imports FOB	1,768.6	1,696.5	1,793.9
Trade Balance	-883.0	-782.2	-890.8
Services: Credit	1,048.2	1,082.5	1,252.4
Transportation	54.0	58.8	50.4
Travel[(1)]	780.9	793.0	973.4
Other Goods and Services	175.3	155.9	147.8
Government Goods and Services	38.1	74.9	80.7
Services: Debit	444.4	481.9	462.3
Transportation	147.9	128.9	133.9
Travel	101.8	101.0	95.1
Other Goods and Services	166.9	203.8	196.1
Government Goods and Services	27.8	48.2	37.1
Balance on Goods and Services	-279.1	-181.6	-100.7
Primary Income: Credit	14.5	13.9	19.0
Compensation of Employees	4.7	4.7	4.7
Investment Income	9.8	9.2	14.3
Primary Income: Debit	236.1	264.4	380.9
Compensation of Employees	8.9	12.1	11.3
Investment Income[(2)]	227.2	252.3	369.6
Balance on Goods, Services, and Income	-500.7	-432.1	-462.6
Secondary Income: Credit	287.4	238.2	257.9
Government	13.8	0.0	0.0
Private	273.7	238.2	257.9
Secondary Income: Debit	90.5	93.9	105.2
Government	6.9	11.0	22.8
Private	83.6	83.0	82.4
CAPITAL ACCOUNT, n.i.e.	66.0	32.2	48.0
Capital Account: Credit	66.0	32.2	48.0
Capital Account: Debit	0.0	0.0	0.0

Table A.49: Balance of Payments Summary continued

$mn

	2016	2017	2018
FINANCIAL ACCOUNT, n.i.e.	-106.9	-102.4	-218.3
Direct Investment Abroad	3.4	0.6	1.4
Direct Investment in Belize, n.i.e.	88.0	49.0	239.1
Net Direct Investment	-84.5	-48.3	-237.6
Portfolio Investment Assets	0.0	0.0	0.0
Portfolio Investment Liabilities, n.i.e.	0.0	0.0	0.0
Net Portfolio Investment	0.0	0.0	0.0
Financial Derivatives Assets	0.0	0.0	0.0
Financial Derivatives Liabilities	0.0	0.0	0.0
Net Financial Derivatives	0.0	0.0	0.0
Other Investment Assets	-66.1	-17.7	32.2
Other Investment Liabilities	-43.8	36.3	12.9
Net Other Investment	-22.3	-54.0	19.3
NET ERRORS AND OMISSIONS	10.3	24.1	8.0
RESERVE ASSETS	-120.7	-129.2	-35.6

(1) Tourism earnings were based on Visitor Expenditure Surveys.
(2) Data include an estimate for profit remittances from the tourism and petroleum industries.

Table A.50: International Investment Position

			$mn
	Dec 2017	**Dec 2018**	**Annual Change**
Net position	-6,149.6	-6,400.7	-251.2
A. Assets	989.6	979.2	-10.4
1. Direct Investment Abroad	137.7	139.1	1.4
2. Portfolio Investment	34.8	22.9	-11.9
2.1 Equity Securities	20.4	15.3	-5.1
2.2 Debt Securities	14.4	7.6	-6.8
3. Other Investment	193.2	228.7	35.6
3.1 Trade Credits	-1.3	-1.3	0.0
3.2 Loans	6.2	5.8	-0.4
3.3 Currency and Deposits	181.2	214.3	33.2
3.4 Other Assets	7.1	9.9	2.8
4. Reserve Assets	624.0	588.4	-35.6
4.1 Monetary Gold	0.0	0.0	0.0
4.2 Special Drawing Rights	57.1	56.0	-1.2
4.3 Reserve Position in the Fund	17.7	17.4	-0.4
4.4 Foreign Exchange	530.3	496.3	-34.0
4.5 Other Claims	18.8	18.8	0.0
B. Liabilities	7,139.2	7,379.9	240.8
1. Direct Investment	4,249.1	4,488.1	239.1
2. Portfolio Investment	1,053.0	1,053.0	0.0
2.1 Equity Securities	0.0	0.0	0.0
2.2 Debt Securities	1,053.0	1,053.0	0.0
3. Other Investment	1,837.1	1,838.8	1.7
3.1 Trade Credits	0.0	3.3	3.3
3.2 Loans	1,772.1	1,779.2	7.1
3.3 Currency and Deposits	64.4	55.4	-9.0
3.4 Other Liabilities	0.7	0.9	0.2

Financial Statements 2018

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Independent Auditors' Report
Page 2

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; to design and perform audit procedures responsive to those risks; and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during the audit.

Grant Thornton

Chartered Accountants
Belize City, Belize
April 18, 2019

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Page 2

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Grant Thornton

Chartered Accountants
Belize City, Belize
April 18, 2019

Partners
Claude Burrell CPA CISA
Giacomo Sanchez CPA

Audit • Tax • Advisory
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CENTRAL BANK OF BELIZE

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

ASSETS	**Notes**	**2018**	2017
APPROVED EXTERNAL ASSETS:			
Bank balances and deposits with foreign bankers	2h, 2i, 3	**$ 19,086,062**	$ 4,623,803
Reserve Tranche and balances with the International Monetary Fund	2h, 2j, 4	**73,200,648**	74,769,792
Other foreign credit instruments	2h, 2k, 5	**463,998,441**	514,306,159
Accrued interest and cash-in-transit	2h, 2L, 6	**6,269,035**	3,793,085
Marketable securities issued or guaranteed by foreign governments and international financial institutions	2h, 2m, 7	**13,583,732**	14,285,714
Total approved external assets		**576,137,918**	611,778,553
BALANCES WITH LOCAL BANKERS AND CASH ON HAND	2h, 2n	**297,950**	301,986
GOVERNMENT OF BELIZE SECURITIES	2h, 2o, 8	**312,533,594**	340,922,789
CONSOLIDATED REVENUE FUND	2h, 2p	**47,776,492**	41,024,157
OTHER ASSETS	2h, 2q, 9	**19,918,218**	18,372,352
EQUITY INSTRUMENTS	2h, 2r, 10	**20,000,000**	20,000,000
PROPERTY AND EQUIPMENT – NET	2s, 11	**30,124,528**	30,084,320
INTANGIBLE ASSETS – NET	2t, 12	**3,711,754**	4,113,707
TOTAL ASSETS		**$1,010,500,454**	$1,066,597,864

CENTRAL BANK OF BELIZE

STATEMENTS OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

LIABILITIES, CAPITAL AND RESERVES	**Notes**	**2018**	2017
DEMAND LIABILITIES:			
Notes and coins in circulation		**$ 397,336,526**	$ 383,392,538
Deposits by licensed financial institutions	2h, 2u	**399,224,059**	489,157,638*
Deposits by and balances due to Government and Public sector entities in Belize	2h, 2u	**88,934,100**	79,379,754*
Deposits by international agencies	2h, 2u, 13	**2,270,516**	1,210,294
Total demand liabilities		**887,765,201**	953,140,224
BALANCES DUE TO CARICOM CENTRAL BANKS	2h	**315,238**	561,529
OTHER LIABILITIES	2h, 14	**25,165,525**	14,384,513*
DEFINED BENEFIT PLAN NET OBLIGATION	2v, 26	**877,855**	877,855*
IMF SDR ALLOCATIONS	2h, 15	**49,863,432**	51,028,399
COMMERCIAL BANKS' DISCOUNT FUND	2h, 16	**1,248,117**	1,085,750
TOTAL LIABILITIES		**965,235,368**	1,021,078,270
CAPITAL ACCOUNT:			
Paid - up capital (Authorized capital $20,000,000)	2x, 17	**20,000,000**	20,000,000
REVALUATION ACCOUNT	2y, 18	**1,777,435**	2,387,028
ASSET REVALUATION RESERVE	19	**164,531**	164,531
POST EMPLOYMENT OBLIGATION RESERVE	2v, 26	**(37,327)**	(37,327)
GENERAL RESERVE FUND	2z, 20	**23,360,447**	23,005,362
TOTAL LIABILITIES, CAPITAL AND RESERVES		**$1,010,500,454**	$1,066,597,864

* Reclassified for comparative purposes.

The financial statements on pages 4 to 9 were approved and authorized for issue by the Board of Directors on April 17, 2019 and are signed on its behalf by:

CHAIRMAN

GOVERNOR

SENIOR MANAGER,
CORPORATE SERVICES

CENTRAL BANK OF BELIZE

STATEMENTS OF PROFIT
YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

	Notes	2018	2017
CONTINUING OPERATIONS			
INTEREST INCOME:	2aa		
Approved external assets	21	**$10,838,440**	$ 8,542,084
Advances to Government of Belize		**3,872,315**	4,497,527
Local securities		**9,559,641**	11,128,244
		24,270,396	24,167,855
Other income:			
Discount on local securities		**861,814**	778,995
Dividends on equity instruments	10	**820,000**	760,000
Commissions and other income	22	**2,378,347**	2,923,393
Gain (loss) on disposal of securities		**5,096**	(394,515)
Total income		**28,335,653**	28,235,728
LESS: Interest expense		**(509,953)**	(281,994)
Total income		**27,825,700**	27,953,734
EXPENDITURE:			
Printing of notes and minting of coins	23	**(1,952,622)**	(2,360,160)
Salaries and wages, including superannuation contribution and gratuities	2w, 24	**(12,407,188)**	(11,334,535)
Depreciation and amortization expenses	2s, 2t, 11, 12	**(1,990,306)**	(1,886,218)
Administrative and general expenses	2bb, 25	**(6,711,872)**	(5,259,996)
Total expenditure		**(23,061,988)**	(20,840,909)
PROFIT FOR THE YEAR		**$ 4,763,712**	$ 7,112,825
Profit for the year attributable to:			
Owner of the Bank		**$ 4,763,712**	$ 7,112,825
Transfers:			
General Reserve Fund	2p, 2z, 20	**$ 476,371**	$ 711,283
Capital Account	2z	**-**	190,210
Consolidated Revenue Fund	2z	**4,287,341**	6,211,332
		$ 4,763,712	$ 7,112,825

CENTRAL BANK OF BELIZE

STATEMENTS OF OTHER COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

	Notes	2018	2017
PROFIT FOR THE YEAR		**$ 4,763,712**	$ 7,112,825
Other comprehensive income (loss):			
Items that will not be reclassified subsequently to profit or loss			
Appraisal of artwork		-	61,100
Items that will be reclassified subsequently to profit or loss			
Revaluation of financial assets	18	**(609,593)**	1,418,990
OTHER COMPREHENSIVE (LOSS) INCOME FOR THE YEAR		**(609,593)**	1,480,090
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**$ 4,154,119**	$ 8,592,915
Total comprehensive income attributable to:			
Owner of the Bank		**$ 4,154,119**	$ 8,592,915

CENTRAL BANK OF BELIZE

STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

	Note	Capital account	Revaluation account	Asset revaluation reserve	Post-employment obligation reserve	General reserve	Total
January 1, 2017		$19,809,790	$ 968,038	$103,431	$(37,327)	$22,294,079	$43,138,011
Comprehensive Income:							
Profit for the year		-	-	-	-	7,112,825	7,112,825
Other comprehensive income		-	1,418,990	61,100	-	-	1,480,090
Total comprehensive income		-	1,418,990	61,100	-	7,112,825	8,592,915
Transactions with owners of the Bank recognized directly in equity:							
Transfer to Capital Account		190,210	-	-	-	(190,210)	-
Transfer to Consolidated Revenue Fund		-	-	-	-	(6,211,332)	(6,211,332)
Transactions with owner of the Bank		190,210	-	-	-	(6,401,542)	(6,211,332)
December 31, 2017		**$20,000,000**	**$2,387,028**	**$164,531**	**$(37,327)**	**$23,005,362**	**$45,519,594**
January 1, 2018		$20,000,000	$2,387,028	$164,531	$(37,327)	$23,005,362	$45,519,594
Adjustment from adoption of IFRS 9	2h					(121,286)	(121,286)
Comprehensive Income:							
Profit for the year		-	-	-	-	4,763,712	4,763,712
Other comprehensive loss		-	(609,593)	-	-	-	(609,593)
Total comprehensive income		-	(609,593)	-	-	4,763,712	4,154,119
Transactions with owner of the Bank recognized directly in equity:							
Transfer to Capital Account		-	-	-	-	-	-
Transfer to Consolidated Revenue Fund		-	-	-	-	(4,287,341)	(4,287,341)
Transactions with owner of the Bank		-	-	-	-	(4,287,341)	(4,287,341)
December 31, 2018		**$20,000,000**	**$1,777,435**	**$164,531**	**$(37,327)**	**$23,360,447**	**$45,265,086**

CENTRAL BANK OF BELIZE

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit for the year		**$ 4,763,712**	$ 7,112,825
Adjustments to reconcile comprehensive income to net cash provided by operating activities:			
- Amortization and impairment of intangible assets	12	**555,327**	537,684
- Depreciation of property and equipment	11	**1,434,979**	1,348,534
- Loss (gain) on disposal of property and equipment	22	**222**	(6,938)
Cash provided by operating activities before operating assets and liabilities		**6,754,240**	8,992,105
Changes in:			
Consolidated revenue fund		**(6,752,335)**	7,196,412
Government of Belize securities		**25,296,000**	67,375,000
Securities		**580,696**	45,142,857
Reserve tranche in the International Monetary Fund		**412,947**	(988,363)
Other assets		**(1,545,866)**	855,298
Other liabilities		**10,781,012**	(14,530,363)*
Revaluation account		**(609,593)**	1,418,990
Net cash provided by operating activities		**34,917,101**	115,461,936
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of intangible assets		**(153,374)**	(53,782)
Acquisition of property and equipment		**(1,479,563)**	(523,256)
Proceeds from sale of assets		**4,154**	39,100
Net cash used in investing activities		**(1,628,783)**	(537,938)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Balances due to Caricom Central Banks		**(246,291)**	552,473
Commercial Bank Discount Fund		**162,367**	162,367
Deposits by and balances due to Government and Public sector entities in Belize		**9,554,346**	10,771,654*
Deposits by international agencies		**1,060,222**	(375,109)
Deposits by licensed financial institutions		**(89,933,579)**	(135,659,605)*
IMF SDR allocations		**(1,164,967)**	2,899,452
Notes and coins in circulation		**13,943,988**	13,889,741
Transfer to consolidated reserve fund		**(4,287,341)**	(6,211,335)
Net cash used in financing activities		**$ (70,911,255)**	$(113,970,362)

* Reclassified for comparative purposes.

CENTRAL BANK OF BELIZE

STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

	2018	2017
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**$754,278,430**	$753,324,794
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(37,622,937)**	953,636
CASH AND CASH EQUIVALENTS, END OF YEAR	**$716,655,493**	$754,278,430
CASH AND CASH EQUIVALENTS COMPRISE THE FOLLOWING:		
EXTERNAL ASSETS:		
Balances and deposits with foreign bankers	**$ 19,086,062**	$ 4,623,803
Other foreign credit instruments	**463,998,441**	514,306,159
Accrued interest	**5,883,657**	3,701,813
Cash-in-transit	**385,378**	91,272
Balance with the International Monetary Fund	**55,975,411**	57,131,608
	545,328,949	579,854,655
LOCAL ASSETS:		
Cash and bank balances	**297,950**	301,986
Current portion of Government of Belize securities	**171,028,594**	174,121,789
	171,326,544	174,423,775
	$716,655,493	$754,278,430

1. GENERAL INFORMATION

Central Bank of Belize, (the Bank), was established under the Central Bank of Belize Act (the Act), Chapter 262 of the Substantive Laws of Belize. Legislation covering its operations includes the Central Bank of Belize Act and its related amendments, the Domestic Banks and Financial Institutions Act, the International Banking Act, the Money Laundering and Terrorism (Prevention) Act, Treasury Bill Act, the Financial Intelligence Unit Act along with associated Statutory Instruments, Circulars and Guidance Notes, the Exchange Control Act and the National Payment Systems Act.

The principal objectives of the Bank are to foster monetary stability especially in regards to the exchange rate, and to promote banking, credit and exchange conditions conducive to the growth of the economy of Belize. The address of the Bank's registered office is Gabourel Lane, Belize City, Belize.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance – The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB) and the financial reporting provisions of the Central Bank of Belize Act. These and any amendments thereto have been used as a model for the presentation and disclosure framework to provide additional information and analysis of key items in the financial statements.

b. Basis of preparation – The financial statements have been prepared on an accrual basis and under the historical cost convention except for the revaluation of properties, investments, and derivatives. Monetary amounts are expressed in Belize Dollars (BZD).

c. Functional and presentation currency – The financial statements are presented in Belize dollars, which is the Bank's functional currency.

d. Foreign currency transactions and translations – Transactions in foreign currencies are translated into Belize dollars at exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at year-end exchange rates are recognized in the Statement of Other Comprehensive Income.

   Non-monetary items are not retranslated at year-end and are measured at historical cost, except for non-monetary items measured at fair value which are translated using the exchange rates when fair value was determined.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Foreign investment policy – Section 25(1) of the Act requires that the Bank shall, at all times, hold assets of an amount in value sufficient to cover fully the value of the total amount of its notes and coins for the time being in circulation. As at December 31 2018, the value of total assets was $1,010,500,454 (2017: $1,066,476,578) while the value of notes and coins in circulation was $397,336,526 (2017: $383,392,538).

Section 25(2) of the Act requires that the Bank maintain at all times a reserve of external assets of not less than 40 percent of the aggregate amount of notes and coins in circulation and of the Bank's liabilities to customers in respect if its sights and time deposits. At December 31, 2018 and 2017 total approved external assets approximated 65.0 percent and 64.0 percent of such liabilities respectively.

Section 25(3) of the Act requires that the reserve shall consist of any of the following:

- Gold in any form and at such a valuation as may be determined by the Bank,
- Foreign exchange in the form of demand or time deposits with foreign central banks, agents and correspondents, documents and instruments customarily used for making payments or transfers in international transactions,
- Notes and coins
- Securities of, or guaranteed by foreign governments or international financial institutions.
- Belize's drawing facility equivalent to its reserve position in the International Monetary Fund
- Belize's holdings of special drawing rights in the International Monetary Fund.

f. Significant accounting judgments and estimates – The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ materially from those estimates.

Information about estimates and assumptions that may have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Defined benefit obligation (DBO)
The estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

Useful lives of depreciable assets
Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change IT equipment and software.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Significant accounting judgments and estimates (continued)

Fair value measurement
Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

g. Change in accounting policies – The accounting policies adopted are consistent with those used in the previous financial year except that the Bank has adopted the following standards, amendments and interpretations which did not have a significant effect on the financial performance or position of the Bank. Some, however, may give rise to additional disclosures or changes to the presentation of the financial statements in future periods.

The following standards, amendments and interpretations are now effective and have been adopted.

Standards/ Amendments	Pronouncement	When effective	Response
IFRS 9	IFRS 9, as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after January 1, 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to January 1, 2015. The release of IFRS 9 (2014) on July 24, 2014 moved the mandatory effective date of IFRS 9 to January 1, 2018. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. IFRS 9 (2014) supersedes IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013), but these standards remain available for application if the relevant date of initial application is before February 1, 2015.	January 1, 2018	The Bank has adopted new guidance for accounting for financial instruments. This guidance was applied using the transitional relief allowing the entity not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement, and impairment are recognised in retained earnings.

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Change in accounting policies (continued)

Standards/ Amendments	Pronouncement	When effective	Response
IFRS 15 Revenue from Contracts with Customers	IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. These include identifying the contract, performance obligations, and transaction price as well as allocating transaction price to the performance obligations and recognizing revenue when these are satisfied.	January 1, 2018	The standard was adopted, but has no current impact on the financial statements.
Clarification to IFRS 15 'Revenue from Contracts with Customers'	Amends IFRS 15 Revenue from Contracts with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.	January 1, 2018	The amendment was adopted, but has no current impact on the financial statements.
IFRIC 22 Foreign Currency Transactions and Advance Consideration	The interpretation addresses foreign currency transactions or parts of transactions where: - there is consideration that is denominated or priced in a foreign currency; and - the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; - the prepayment asset or deferred income liability is non-monetary. The Interpretations Committee came to the following conclusion: - The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. - If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.	January 1, 2018	The standard was adopted, but has no current impact on the financial statements.

Annual Improvements 2014-2016 Cycle - Makes amendments to the following standards for periods beginning on or after January 1, 2018.	When Effective	Response
IFRS 1 - Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose	January 1, 2018	The annual improvement was adopted, but has no current impact on the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Change in accounting policies (continued)

Standards issued but not yet effective
The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the financial statements are disclosed below.

Standards/ Amendments	Pronouncement	When effective	Response
Prepayment Features with Negative Compensation (Amendments to IFRS 9)	Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.	January 1, 2019	The standard will be adopted when it becomes effective. Its effect, if any, will be quantified at that time.
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	The amendments in Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) are: - If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. - In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.	January 1, 2019	The amendment will be adopted when it becomes effective. Its effect, if any, will be quantified at that time.
Amendments to References to the Conceptual Framework in IFRS Standards	Together with the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.	January 1, 2020	The standard will be adopted when it becomes effective. Its effect, if any, will be quantified at that time.
Definition of Material (Amendments to IAS 1 and IAS 8)	The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.	January 1, 2020	The amendment will be adopted when it becomes effective. Its effect, if any, will be quantified at that time.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Financial instruments –

Recognition and derecognition:
Financial assets and financial liabilities are recognised when the Bank becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets:
Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable). Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented the Bank does not have any financial assets categorised as FVOCI. The classification is determined by both:

- the Bank's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within administrative and general expenses.

Subsequent measurement of financial assets:
Financial assets at amortised cost
Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Bank's investments and securities fall into this category of financial instruments which were previously classified as held-to-maturity under IAS 39.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Financial instruments (continued)

Financial assets at fair value through profit or loss (FVTPL)
Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. The Bank's investment in an unquoted equity instrument falls into this category and was previously classified as available for sale under IAS 39.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Impairment of financial assets:
IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included investments and securities measured at amortised cost.

Recognition of credit losses is no longer dependent on the Bank first identifying a credit loss event. Instead the Bank considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument. In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

The Bank utilizes an expected credit loss model following the Probability of Default approach where ECL = EAD x LGD x PD. See also note 29.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Classification and measurement of financial liabilities
As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Bank's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Financial instruments (continued)

The Bank's financial liabilities include deposits held, balances due to third parties and other liabilities. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Bank designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Adoption of IFRS 9:
In adopting IFRS 9, the Bank has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement, and impairment are recognised in retained earnings.

The adoption of IFRS 9 has impacted the following areas:

- The classification and measurement of the Bank's financial assets. The Bank's financial assets are held to collect the associated cash flows. The bonds and securities previously classified as held-to-maturity (HTM) investments under IAS 39 continue to be accounted for at amortised cost as they meet the held to collect business model and contractual cash flow characteristics test in IFRS 9, refer to Note 4.17.

- Investments in unquoted equity instruments previously classified as available-for-sale (AFS) investments under IAS 39 are now measured at fair value through profit or loss as the cash flows are not solely payments of principal and interest (SPPI). The Bank did not elect to irrevocably designate any of the equity investment at fair value with changes presented in other comprehensive income.

- The impairment of financial assets applying the expected credit loss model. This affects the financial assets measured at amortised cost. For regular receivables, the Bank applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing component. Refer to Note 4.17.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Financial instruments (continued)

On the date of initial application, January 1, 2018, the financial instruments of the Bank were reclassified as follows:

	Measurement category		Carrying amounts		
Financial asset	**Original IAS 39 Category**	**New IFRS 9 Category**	**Closing balance December 31, 2017 (IAS 39)**	**Adoption of IFRS 9**	**Opening balance January 1, 2018 (IFRS 9)**
Balances and deposits with foreign bankers	Held to Maturity	Amortised Cost	$ 4,623,803	$ -	$ 4,623,803
Reserve Tranche and balances with the International Monetary Fund	Held to Maturity	Amortised Cost	74,769,792	-	74,769,792
Other foreign credit instruments	Held to Maturity	Amortised Cost	514,306,159	(43,654)	514,262,505
Accrued interest and cash transit	Held to Maturity	Amortised Cost	3,793,085	-	3,793,085
Marketable securities issued or guaranteed by foreign government and international institutions	Held to Maturity	Amortised Cost	14,285,714	(72,631)	14,213,083
Balances with local bankers and cash on hand	Held to Maturity	Amortised Cost	301,986	-	301,986
Government of Belize securities	Held to Maturity	Amortised Cost	340,922,789	-	340,922,789
Equity instruments	Available for sale	FVTPL	20,000,000	-	20,000,000
Consolidated revenue fund	Held to Maturity	Amortised Cost	41,024,157	-	41,024,157
Other assets	Held to Maturity	Amortised Cost	9,300,407	(5,001)	9,295,406
Total financial assets			$1,023,327,892	$(121,286)	$1,023,206,606

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Bank balances and deposits with foreign bankers – unrestricted – Comprises of cash at overseas correspondent banks and demand deposits including highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

j. Reserve Tranche and balances with the International Monetary Fund (IMF) – The Reserve Tranche represents the difference between the assigned quota and the IMF currency holdings. The Reserve Tranche can be accessed at any time without fees or economic reform conditions. The remainder of the quota is held in Special Drawing Rights (SDR) which is a supplementary international reserve asset.

The SDR interest rate provides the basis for calculating the interest charged and the interest paid to members of the IMF for the use of their resources for regular (non-concessional) IMF loans. It is also the interest paid to members on their SDR holdings and charged on their SDR allocation. The SDR interest rate is determined weekly and is based on a weighted average of representative interest rates on short-term debt instruments in the money markets of the SDR basket currencies.

k. Other foreign credit instruments – Comprises of short term financial assets including fixed deposits and overnight deposits held at overseas financial institutions with maturities of a year or less. The Bank's intention is to hold these until maturity.

Other foreign credit instruments are measured at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, by reference to external credit ratings, the instrument is then measured at the present value of its estimated future cash flows.

l. Accrued interest and cash in transit – Comprises of interest earned but not yet received on other foreign credit instruments and marketable securities issued or guaranteed by foreign governments and international financial institutions along with and cash on hand held for shipment and in transit.

m. Marketable securities issued or guaranteed by foreign governments and international financial institutions – Comprises of short term financial assets including bonds and debentures with maturities beyond a year.

n. Balances with local bankers and cash on hand – Comprises of cash on hand and deposits held at local financial institutions that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Government of Belize securities – Comprises of locally held financial assets including treasury bills and treasury notes issued and guaranteed by the Government of Belize.

Section 35 of the Act permits the Bank to purchase or sell treasury bills or notes issued or guaranteed by the Government of Belize for a period of maturity not exceeding 10 years. The Central Bank of Belize Amendment Act No. 28 of 2017 amends Section 35(2) of the principal Act on March 31, 2017 to stipulate that the Bank shall not at any time hold Government of Belize securities in an aggregate amount exceeding thirty times the aggregate amount at that time of the paid up capital and general reserves of the Bank. At December 31 the Bank's aggregate holding of these Government of Belize Securities approximated 7.21 times (2017: 7.90), respectively, the amount of paid up capital and general reserves of the Bank.

p. Consolidated revenue fund – Comprises of advances made to the Government of Belize as governed by section 33 and 34 of the Act. All amounts are short term and their net carrying value is considered a reasonable approximation of fair value as these financial assets are callable.

q. Other assets –

Loans and other receivables
Loans are recognized when cash is advanced. It is stated at amortised cost using the effective interest method. Loans receivable are derecognized when the rights to receive cash flows from the financial assets have expired or extinguished. Their net carrying value is considered a reasonable approximation of fair value as these financial assets are callable.

Provision for doubtful debt is recognized using the allowance method. Provisions for the full amount impaired are established one year after amounts due and unpaid.

Inventory of notes and coins
Inventory of notes and coins are measured at cost upon initial recognition. After initial recognition, they are measured at the lower of cost and net realizable value. Cost is determined on the weighted average cost method.

Supplies
Stationary, computer, building, kitchen and administrative supplies are held at cost expensed when used.

Collectible coins inventory
Collectible coins, which are minted or packaged as collector items, are legal tender. However, no liability is recorded in respect of these coins since they are not expected to be placed in circulation as currency. Minting cost is charged against income in the year incurred. Income is recognized when sales are made. As of January 1, 2011, new purchases of special coins are held as inventory and are charged against income when they are sold.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

r. Equity instruments – Equity instruments are measured at cost less any impairment charges, as its fair value cannot currently be estimated reliably. Impairment charges are recognised in profit or loss.

s. Property & equipment –

Land
Land held for use in the ordinary course of business is stated at costs. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction.

Property (Buildings), Equipment, Vehicles
Buildings, equipment and vehicles are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Bank's management. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing items and restoring the site on which they are located. The cost of software that is integral to the functionality of the related equipment is capitalized as part of that equipment. Buildings, equipment and vehicles are subsequently carried at cost less accumulated depreciation and impairments. Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of the asset. The following rates are applied:

Property	1% – 5%
Furniture	10%
Equipment	10% – 25%
Vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets that are subject to depreciation are reviewed at each reporting date to assess whether there is any indication that an asset may be impaired. An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value (less costs to sell) and value in use. Gains or losses arising on the disposal of property and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

t. Intangible assets –

Initial recognition of other intangible assets

Application software and licenses
Costs that are directly attributable to acquiring application software and licenses asset are recognised as intangible assets, provided they meet the following recognition requirements:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

t. Intangible assets (continued)

- the costs can be measured reliably
- the asset is technically and commercially feasible
- the Bank intends to and has sufficient resources to complete the asset and the Bank has the ability to use or sell the application or licenses
- the software will generate probable future economic benefits.

Costs not meeting these criteria for capitalisation are expensed as incurred.

Subsequent measurement
All finite-lived intangible assets are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing annually.

Application software are amortized over a useful life of 3-10 years. Application licenses are amortized over the period the license is granted. Amortisation has been included within depreciation, amortisation and impairment of non-financial assets

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or other expenses.

u. Deposits – comprised of deposits accepted on behalf of licensed banks, other licensed financial institutions including Government of Belize and Public Sector entities. Their carrying value is considered a reasonable approximation of fair value.

Under the revised provisions of Domestic Banks and Financial Institutions Act (No. 11 of 2012), it stipulates that every licensed bank shall maintain on account in its name with the Central Bank a minimum balance which on average shall be equivalent to at least five per centum of its average deposit liabilities represented by demand deposits, plus at least three per centum of its average deposit liabilities not represented by demand deposits, or such higher proportion of such demand deposits or other deposit liabilities as may from time to time be prescribed or specified by the Central Bank.

v. Defined benefit plan – Under the Bank's defined benefit plan, the amount of pension benefit that an employee will receive on retirement is defined by reference to the employee's length of service and final salary. The legal obligation for any benefits remains with the Bank, even if plan assets for funding the defined benefit plan have been set aside.

The liability recognised in the statement of financial position for defined benefit plans is the present value of the defined benefit obligation (DBO) at the reporting date less the fair value of plan assets. Management estimates the DBO every 3 years with the assistance of independent actuaries. This is based on standard rates of inflation, salary growth rate and mortality.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

v. Defined benefit plan (continued)

Discount factors are determined close to each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

Service cost on the Bank's defined benefit plan is included in employee benefits expense. Employee contributions, all of which are independent of the number of years of service, are treated as a reduction of service cost. Net interest expense on the net defined benefit liability is included in finance costs. Gains and losses resulting from remeasurements of the net defined benefit liability are included in other comprehensive income and are not reclassified to profit or loss in subsequent periods.

w. Short term employee benefits –

Gratuity - The Bank is liable to pay gratuity for contract employees who are not eligible to participate in the pension scheme. In order to meet this liability, a provision is carried forward in the statements of financial position equivalent to an amount calculated on 20% of the annual salary for each completed year of service, commencing from the first year of service.

The resulting difference between the brought forward provision at the beginning of a year and the carried forward provision at the end of a year is dealt within the statement of income. The gratuity liability is neither funded nor actuarially valued.

Severance benefits payable – Severance obligations are recognized at the point of not being able to withdraw from provision of the benefit to qualifying employees. The provision is calculated in accordance with the Labour Act of Belize Chapter 297.

Other short term employee benefits – Short-term employee benefits, including holiday entitlement, are current liabilities included in pension and other employee obligations, measured at the undiscounted amount that the Bank expects to pay as a result of the unused entitlement.

x. Capital account – The Central Bank of Belize Amendment Act No. 19 of 2016 amends section 8 of the principal Act on October 12, 2016 to increase the authorized capital of the Bank to $20,000,000 and that the increase shall be paid from the retention of the share of the net profits of the Bank that would have otherwise been paid into the Consolidated Revenue fund until such time as the increase in capital is fully paid up. Consequently, $190,210 of the Bank's profit for the year ended December 31, 2017 was allocated to the Bank's paid up capital thereby increasing it to $20,000,000. No further allocations were made for the 2018 financial year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

y. Revaluation account – Section 50 of the Act permits the Bank to exclude profits or losses from any revaluation of the Bank's net assets or liabilities from the computation of the annual profits and losses of the Bank. All such profits or losses are carried in a special account called the Revaluation Account.

The Act also requires than no profits shall be credited to the General Reserve Fund or paid to Government of Belize under section 9 of the Act whenever the Revaluation Account shows a net loss. Such profits shall be credited to the Revaluation Account in an amount sufficient to cover the loss.

z. General reserve fund – The profits of the Bank shall be distributed in accordance with the Central Bank of Belize Act, Chapter 262, Section 8(4) (Amendment 2016) and Section 9(1).

As at December 31, 2018, the Bank's General Reserve Fund was at $23,360,447 which exceeded the paid up capital of $20,000,000. In accordance with the Act, transfer from the net profit of 10% was made to the General Reserve Fund.

aa. Interest income and expense – Interest income and expense for all interest-bearing financial instruments are recognised in the statement of profit or loss at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest to discount the future cash flows for the purpose of measuring the impairment loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

bb. Administrative and general expense – Administrative and general expense are recognised in the profit or loss upon utilization of the service or as incurred.

cc. Taxation – In accordance with Section 52 of the Central Bank of Belize Act, the Bank is exempt from the provision of any law relating to income tax or customs duties and from the payment of stamp duty.

dd. Segment reporting – Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Bank has determined the Board of Directors as its chief operating decision maker. The Bank has one operating segment for financial reporting purposes.

3. BANK BALANCES AND DEPOSITS WITH FOREIGN BANKERS

	2018	2017
Balances with other central banks and foreign banks	**$18,635,604**	$4,333,289
Foreign currency notes	**450,458**	290,514
	$19,086,062	$4,623,803

4. RESERVE TRANCHE AND BALANCES WITH THE INTERNATIONAL MONETARY FUND

Belize joined the International Monetary Fund on March 16, 1982. As at December 31, its financial position in the IMF is as follows:

	2018	2017
SDR Holdings	**$55,975,411**	$57,131,608
Reserve tranche	**17,225,237**	17,638,184
	$73,200,648	$74,769,792

SDRs are converted at an exchange rate of BZ$2.781584 to SDR 1.0 at December 31, 2018 (2017: BZ$2.84827 to SDR 1.0).

5. OTHER FOREIGN CREDIT INSTRUMENTS

	2018	2017
Fixed deposits	**$393,263,401**	$357,731,405
Overnight deposits	**70,782,846**	156,574,754
Expected credit losses	**(47,806)**	-
	$463,998,441	$514,306,159

6. ACCRUED INTEREST AND CASH-IN-TRANSIT

	2018	2017
Accrued interest	**$5,883,657**	$3,701,813
Cash-in-transit	**385,378**	91,272
	$6,269,035	$3,793,085

7. MARKETABLE SECURITIES ISSUED OR GUARANTEED BY FOREIGN GOVERNMENT AND FOREIGN FINANCIAL INSTITUTIONS

These securities, which are carried at cost, consist of the following:

	2018	2017
Debentures	**$ 2,000,000**	$ 2,000,000
Bonds	**11,714,286**	12,285,714
Expected credit losses	**(130,554)**	-
	$13,583,732	$14,285,714

8. GOVERNMENT OF BELIZE SECURITIES

	2018	2017
Treasury Bills	**$ 51,069,594**	$106,822,789
Treasury Notes	**261,464,000**	234,100,000
	$312,533,594	$340,922,789

The following table classifies the Bank's investments in Belize Government securities by the contractual maturity date of the security:

	2018	2017
Due within 1 year	**$171,028,594**	$174,121,789
Due within 1 year through 5 years	**97,772,000**	65,576,000
Due beyond 6 years	**43,733,000**	101,225,000
	$312,533,594	$340,922,789

9. OTHER ASSETS

	2018	2017
Other assets consist of:		
Accounts receivable	**$ 192,778**	$ 102,938
Staff loans receivable	**4,367,112**	4,261,398
	4,559,890	4,364,336
Less impairment for doubtful receivables and amortization of museum endowment fund:	**(16,650)**	(16,102)
	4,543,240	4,348,234
Accrued interest on local securities	**3,832,813**	4,176,071
Dividends receivable	**820,000**	760,000
Inventory of circulation notes and coins	**6,471,310**	6,783,679
Other	**527,010**	434,328
Prepayments	**2,626,875**	760,104*
Collectible coins inventory	**1,096,970**	1,109,936
	$19,918,218	$18,372,352
Impairment for doubtful receivables and amortization:		
Beginning balance, January 1	**$ 16,102**	$ 26,330
Additional impairment and amortization	**5,141**	-
Write-offs	**(4,593)**	(10,228)
Ending balance, December 31	**$ 16,650**	$ 16,102

10. EQUITY INSTRUMENTS

The equity instruments represents the Bank's investment of 4,000,000 shares in Belize Telemedia Limited at a par value of $5.00 per share totaling $20,000,000. Share certificates numbered 3165, 3166, 3167, 2668 and 2669 dated June 17, 2011 for 800,000 shares each have been received by the Bank. The Bank is committed not to dispose of the shares for at least four years after the date of purchase under a "Share Purchase" agreement. Thereafter the Bank can dispose of the shares at the rate of one million shares per annum. If the Bank chooses to sell the shares, it shall offer the Government of Belize the right of the first refusal and the right to object to any buyer before concluding the sale of any of the shares. Belize Telemedia Limited declared dividends of $0.205 (2017: $0.19) per share to shareholders on record on September 27, 2018.

11. PROPERTY AND EQUIPMENT

Cost	**Property**	**Furniture**	**Equipment**	**Vehicles**	**Work in Progress**	**Total**
Balance at, January 1, 2018	$31,072,609	$1,637,542	$11,201,190	$669,712	$118,500	$44,699,553
Additions	537,469	227,074	486,979	75,486	152,555	1,479,563
Disposals	-	(36,880)	(485,471)	(72,500)	-	(594,851)
Transfers	-	9,366	109,134	-	(118,500)	-
Balance at, December 31, 2018	31,610,078	1,837,102	11,311,832	672,698	152,555	45,584,265
Accumulated depreciation						
Balance at January 1, 2018	5,356,901	1,342,429	7,553,689	362,214	-	14,615,233
Depreciation charge for the year	278,050	62,636	1,015,005	79,288	-	1,434,979
Disposal	-	(36,767)	(481,208)	(72,500)	-	(590,475)
Balance at, December 31, 2018	5,634,951	1,368,298	8,087,486	369,002	-	15,459,737
Net book value						
December 31, 2018	**$25,975,127**	**$ 468,804**	**$3,224,346**	**$303,696**	**$152,555**	**$30,124,737**

Cost	**Property**	**Furniture**	**Equipment**	**Vehicles**	**Work in Progress**	**Total**
Balance at, January 1, 2017	$31,044,130	$1,589,298	$11,331,564	$652,375	$24,424	$44,641,791
Additions	49,772	63,743	184,931	106,310	118,500	523,256
Disposals	(21,293)	(26,938)	(328,290)	(88,973)	-	(465,494)
Transfers	-	11,439	12,985	-	(24,424)	-
Balance at, December 31, 2017	31,072,609	1,637,542	11,201,190	669,712	118,500	44,699,553
Accumulated depreciation						
Balance at January 1, 2017	5,165,272	1,304,777	6,850,470	379,512	-	13,700,031
Depreciation charge for the year	326,316	64,095	886,448	71,675	-	1,348,534
Disposal	-	(26,443)	(317,916)	(88,973)	-	(433,332)
Transfers	(134,687)	-	134,687	-	-	-
Balance at, December 31, 2017	5,356,901	1,342,429	7,553,689	362,214	-	14,615,233
Net book value						
December 31, 2017	**$25,715,708**	**$ 295,113**	**$3,647,501**	**$307,498**	**$118,500**	**$30,084,320**

12. INTANGIBLE ASSETS

December 31, 2018:	**Application Software and Licenses**	**Work in Progress**	**Total**
Cost			
Balance at, January 1, 2018	$5,702,869	$29,006	$5,731,875
Additions	81,909	71,465	153,374
Transfer	29,006	(29,006)	-
Balance at, December 31, 2018	5,813,784	71,465	5,885,249
Accumulated Depreciation			
Balance at, January 1, 2018	1,618,168	-	1,618,168
Amortization charge for the year	555,327	-	555,327
Balance at, December 31, 2018	2,173,495	-	2,173,495
Net Book Value			
December 31, 2018	**$3,640,289**	**$71,465**	**$3,711,754**

December 31, 2017:	**Application Software and Licenses**	**Work in Progress**	**Total**
Cost			
Balance at, January 1, 2017	$5,674,043	$ -	$5,674,043
Additions	24,776	29,006	53,782
Balance at, December 31, 2017	5,698,819	29,006	5,727,825
Accumulated Depreciation			
Balance at, January 1, 2017	1,076,434	-	1,076,434
Amortization charge for the year	537,684	-	537,684
Balance at, December 31, 2017	1,614,118	-	1,614,118
Net Book Value			
December 31, 2017	**$4,084,701**	**$29,006**	**$4,113,707**

Intangible assets primarily comprise of qualifying computer software and related costs.

13. DEPOSITS BY INTERNATIONAL AGENCIES

The Bank acts as an agent for and accepts deposits from international financial agencies. At December 31, deposits consisted of:

	2018	2017
Caribbean Development Bank	**$1,155,338**	$ 90,602
International Monetary Fund	**188,263**	192,777
Inter-American Development Bank	**897,175**	897,175
Int'l Bank for Reconstruction & Development	**29,740**	29,740
	$2,270,516	$1,210,294

14. OTHER LIABILITIES

	2018	2017
Abandoned property	**$ 8,151,779**	$ 6,645,234
Accounts payable	**1,294,445**	335,409
Belize City Municipal Bonds – Sinking Fund	**1,011,820**	1,037,474
Bond discount	**34,099**	45,064
Corozal Freezone Municipal Bonds	**178,933**	140,227**
Deferred income	**635,976**	790,425
License international offshore financial institutions*	**10,742,942**	2,606,000
Other staff costs payable	**79,416**	76,361
Severance and gratuities	**2,990,026**	2,661,931
Unclaimed balances of Belize Unit Trust	**46,089**	46,388
	$25,165,525	$14,384,513

*Under Section 21 A (1) of the International Banking Act, offshore licensed financial institutions are required to maintain an account of a minimum balance of $200,000 with the Bank.

**Reclassified for comparative purposes.

15. IMF SDR ALLOCATIONS

	2018	2017
A general allocation of Special Drawing Rights (SDRs) equivalent to approximately USD $250 billion became effective on August 28, 2009. The allocation is designed to provide liquidity to the global economic system by supplementing the Fund's member countries' foreign exchange reserves. The general SDR allocation was made to IMF members that are participants in the Special Drawing Rights Department (currently all 186 members) in proportion to their existing quotas in the Fund, which are based broadly on their relative size in the global economy. The Quota for the country of Belize is SDR 26,700,000 million. Based on this quota, the Bank received allocations of SDR 17,890,000. SDRs are converted at an exchange rate of BZ$2.78158 to SDR 1.0 at December 31, 2018 (2017: BZ$2.84827 to SDR 1.0).	**$49,774,373**	$50,967,634
Interest payable on the facility	**89,059**	60,765
	$49,863,432	$51,028,399

16. COMMERCIAL BANKS' DISCOUNT FUND

Commercial Bank Discount Fund (Fund) is a facility which was established by an agreement signed in March 1983 by the Government of Belize and the United States of America, providing for a discount fund to be operated through the Bank. The United States Government acting through United States Agency for International Development (USAID) earmarked US$5 million in loan funds up to June 30, 1987 to finance this facility. The facility enabled commercial banks in Belize to discount with the Bank up to 100% of loans made to sub-borrowers for projects approved by the Bank and USAID. The Bank is expected to accumulate significant net interest earnings over the repayment term of the USAID loan to form a permanent fund. In 1993, USAID and the Bank agreed that BZ$2 million and BZ$1.5 million from the reflows to the Discount Fund could be used as a line of credit to National Development Foundation of Belize (the Foundation) and Development Finance Corporation (DFC), respectively.

The USAID loan has the following terms:

Interest rate of 2% for the first ten years and 3% thereafter. The loan was repayable within 25 years with a grace period of 9-12 years and 31 equal semi-annual principal payments for 15 ½ years. Final payment to USAID was made in 2009.

In October 2009, the Bank approved a new 10-year discount facility, amount of $1,465,000 at 2% interest per annum, to the Development Finance Corporation.

	2018	2017
Loans receivable from institution	**$ (394,018)**	$ (546,218)
Interest paid to USAID	**(2,311,316)**	(2,311,316)
Interest received from institution	**3,953,451**	3,943,284
	$1,248,117	$1,085,750

17. CAPITAL ACCOUNT

	2018	2017
Authorized and paid up capital		
Authorized	**$20,000,000**	$20,000,000
Paid up capital as at December 31	**$20,000,000**	$20,000,000

18. REVALUATION ACCOUNT

	2018	2017
Balance at beginning of year	**$2,387,028**	$ 968,038
Gain (loss) from revaluations during the year	**(609,593)**	1,418,990
Balance at end of year	**$1,777,435**	$2,387,028

19. ASSET REVALUATION RESERVE

Historical and contemporary pictures and painting were revaluated in 2009 by independent appraiser, Carlos Bardalez, of Belize City whose report is dated November 9, 2009.

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

20. GENERAL RESERVE FUND

	2018	2017
Balance at beginning of year	**$23,005,362**	$22,294,079
Adjustment from adoption of IFRS 9	**(121,286)**	-
Transfer from net profit	**476,371**	711,283
Balance at end of year	**$23,360,447**	$23,005,362

21. INTEREST ON APPROVED EXTERNAL ASSETS

	2018	2017
Interest earned on overnight deposits	**$ 1,787,047**	$2,293,693
Interest earned on marketable securities	**262,027**	488,291
Interest earned on balances and deposits with foreign bankers	**8,789,366**	5,760,100
	$10,838,440	$8,542,084

22. COMMISSIONS AND OTHER INCOME

	2018	2017
Commissions	**$1,021,207**	$1,672,830
Collectible coins sales	**7,668**	8,020
Interest on loans	**194,893**	191,725
License and examination fees	**964,205**	908,795
Cash shipment and other miscellaneous income	**181,845**	135,085
(Loss) gains on disposal of assets	**(222)**	6,938
Gains on financial instruments valuation	**8,751**	-
	$2,378,347	$2,923,393

23. PRINTING OF NOTES AND MINTING OF COINS

	2018	2017
Currency notes	**$1,073,122**	$1,333,987
Circulation coins	**843,589**	987,852
Currency publicity campaign	**35,911**	38,321
	$1,952,622	$2,360,160

24. SALARIES AND WAGES, INCLUDING SUPERANNUATION CONTRIBUTION AND GRATUITIES

	2018	2017
Pensions contributions	**$ 494,699**	$ 446,908
Salaries and wages	**11,746,622**	10,734,162
Social security costs	**165,867**	153,465
Employee benefits expense	**$12,407,188**	$11,334,535

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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25. ADMINISTRATIVE AND GENERAL EXPENSES

	2018	2017
Advertising	**$ 84,460**	$ 64,562
Audit fees	**73,457**	73,776
Bank charges	**56,319**	368,274
Bank publications	**30,855**	45,550
Books and publication	**55,524**	30,783
Building repairs and maintenance	**396,257**	370,783
Cash shipment	**4,145**	4,210
Computer software license	**745,307**	595,405
Conference	**-**	76,791
Credit losses on financial instruments	**70,966**	-
Directors' fees	**92,100**	93,300
Donations	**25,168**	24,058
Entertainment	**27,901**	27,747
Equipment maintenance	**112,653**	59,987
Firearm license and ammunition	**15,903**	12,377
Freight charges	**44,203**	41,120
Hurricane preparedness	**17,888**	12,774
Insurance expense	**97,946**	93,598
Legal fees	**411,799**	219,286
Membership fees	**187,072**	110,495
Motor vehicle	**74,183**	65,181
Other miscellaneous expense	**289,441**	225,165
Overseas meeting and conferences	**492,554**	233,285
Professional services and technical support	**1,989,927**	1,154,723
Small equipment purchases	**22,700**	10,251
Subscriptions	**45,000**	89,933
Supplies	**386,084**	335,477
Surveys	**-**	12,275
Travel (local)	**65,925**	54,127
Utilities expense	**796,135**	754,703
	6,711,872	$5,259,996

26. DEFINED BENEFIT PLAN NET OBLIGATIONS

The Bank operates a defined benefit pension scheme which receives contributions from the Bank and its eligible employees. The scheme is financially separate from the Bank and is managed by a Board of Trustees. Under the plan, the employees are entitled to annual retirement benefits capped at a maximum of 66 percent of final pensionable salary on attainment of the retirement age of 60. In addition, the Bank provides an optional postretirement medical benefit. During the year under review, the Bank contributed $494,699 (2017: $446,908) to the scheme.

26. DEFINED BENEFIT PLAN NET OBLIGATIONS (Continued)

Significant actuarial assumptions used in the valuation were:	**2016**	**2014**
I. Discount rate at the end of year (pa)	5.0%	5.0%
II. Future salary increases (pa)	3.5%	3.5%
III. Future pension increases (pa)	0.0%	0.0%

The Bank has performed an actuarial valuation on its defined benefit pension scheme for the year ended December 31, 2015. The results of the valuation are captured below:

Reconciliation of actuarial losses as at December 31, 2014:	
Surplus as at December 31, 2012	$ 3,341,174
Fair value of the plan assets	18,113,646
Present value of defined benefit obligation	(19,542,000)
Non-current pension liability as at December 31, 2014	(1,428,354)
Actuarial losses as at December 31, 2014	**(4,769,528)**
Presentation of Actuarial losses as at December 31, 2014:	
Amounts to recognize in Statement of Financial Position:	
Non-current pension liability as at December 31, 2014	(1,428,354)
Amounts to recognize in Statement of Other Comprehensive Income:	
Remeasurement losses	(4,769,528)
Reconciliation of actuarial losses as at December 31, 2016:	
Present value of the obligation at start of year	$19,542,000
Interest cost	1,023,470
Current service cost	1,213,834
Benefits paid	(572,872)
Remeasurement gain on obligation through OCI	(1,339,432)
Present value of the obligation at end of year	19,867,000
Fair value of the plan assets at start of year	18,113,646
Interest income on plan assets	903,688
Contributions	493,088
Benefits paid	(572,872)
Remeasurement gain on assets through OCI	51,595
Fair value of the plan assets at end of year	18,989,145
Net change in non-current pension liability for year ended December 31, 2016	**877,855**

26. DEFINED BENEFIT PLAN NET OBLIGATIONS (Continued)

Non-current pension liability January 1, 2016	$ 1,428,354
Net interest cost	119,782
Current service cost	1,101,762
Contributions to the pension as per actuarial report	(381,016)
Remeasurement gain on obligation through OCI	(1,339,432)
Remeasurement gain on assets through OCI	(51,595)
Non-current pension liability December 31, 2016	**877,855**

Reconciliation of pension reserve:	
Reserve as at December 31, 2012	$ 3,341,174
Actuarial losses December 31, 2014	(4,769,528)
Remeasurement gain on obligation through OCI	1,339,432
Remeasurement gain on assets through OCI	51,595
	(3,378,501)
Reserve as at December 31, 2016	**$ (37,327)**

Post-retirement Medical Benefit:
The Bank provides post-retirement medical benefits to its retirees. The entitlement to these benefits is available to employees who retire at normal retirement age (NRA) and to those who opt for early retirement. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. The last actuarial valuation of this benefit was recognized as at December 31, 2012 which resulted in actuarial gains of $117,707 and reduced the obligations as at that date as follows:

	2012
Liability to be recognized in the Statement of Financial Position:	
Present value of the obligation	$1,940,000
Fair value of the plan assets	-
Net obligation	1,940,000
Actuarial gains	(117,707)
Liability recognized in the statement of financial position for the pension at December 31, 2012	$1,822,293

27. RELATED PARTY TRANSACTIONS

The Bank considers a party to be related if control or significant influence over the Bank is exercised. The Bank's related parties include key management personnel, Government of Belize and other related public sector entities and the Bank's Defined Benefit Plan. Unless otherwise stated, none of the transactions include special terms and conditions and no guarantees were given or received.

Transactions with key management personnel:
Transactions with key management personnel includes short-term benefits, post-employment benefits and termination benefits. The following is an analysis of these amounts:

	2018	2017
Short-term benefits	**$2,269,194**	$2,203,488
Post-employment benefits	**62,433**	56,038
Termination benefits	**168,026**	541,014
	$2,499,653	$2,800,540

As part of its normal operations, the Bank also makes loans and advances to key management personnel who are not members of the Board of Directors. As at December 31 an amount of $540,335 (2017: $640,857) was receivable from key management personnel as approved advances made by the Bank. No impairment has been recognized in respect of loans given to related parties. The Bank has a residential mortgage loan program for qualifying permanent staff. This facility is available for a maximum period of 20 years with a variable interest rate initially set at 4.5%.

Transactions with Government of Belize:
Receivables and payables to the Government of Belize and other related public sector entities arise mainly from the Bank carrying out one of its key functions as a fiscal agent for all transactions with International financial institutions (Section 31, 33, 34 and 35 of the Central Bank of Belize Act Revised Edition 2011). Section 24 also permits the Bank to make direct advances to the Government of Belize. Below is an analysis of the transactions with Government and other related public sector entities:

27. RELATED PARTY TRANSACTIONS (Continued)

	Social Security Board	Development Finance Corporation	DFC Mortgage Securitization Proceeds	Financial Intelligence Unit	Belize Tourism Board	Belize Electricity Ltd.	National Bank of Belize Ltd.	BCC Sinking Fund Account	International Financial Services Commission	Consolidated Revenue Fund
Opening Balances	$ (55,069)	$ (1,253,265)	$(447)	$ (58,499)	$ (588,349)	$ (24,925)	$(12,338,761)	$(1,037,473)	$(8,925,408)	$ 41,024,157
Disbursements	107,000	12,399,974	-	1,830,995	3,135,724	1,506,236	26,932,356	8,153,424	2,359,772	591,190,016
Deposits	(70,554)	(11,156,015)	-	(1,982,000)	(2,685,464)	(1,506,236)	(24,222,289)	(8,127,770)	-	(584,437,681)
Closing Balances	**$(18,623)**	**$ (9,306)**	**$(447)**	**$ (209,504)**	**$ (138,089)**	**$ (24,925)**	**$ (9,628,694)**	**$(1,011,819)**	**$(6,565,636)**	**$ 47,776,492**

Transactions with the Central Bank of Belize Pension Scheme:

The Bank accumulates the pension contributions for the Scheme's members and remits it to the Scheme on a monthly basis along with its own contributions. In addition, the Bank acts as an intermediary for payments of benefits to the Scheme's members and payment of professional fees. The Scheme periodically reimburses the Bank for such expenses. A summary of the transactions with the Bank for the year ended December 31, 2018 is included below:

December 31, 2018:	January 1, 2018	Contributions paid by the Bank to the Scheme	Contributions due to the Scheme	December 31, 2018
Contributions to the scheme	-	494,699	(494,699)	-

CENTRAL BANK OF BELIZE

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28. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortized cost. The principle accounting policies on Note 2g describe how financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognized. The following table analyses the financial assets and liabilities in the statement of financial position by the class of financial instrument to which they are assigned, and therefore by the measurement basis:

At December 31, 2018	Financial assets at fair value through profit or loss	Financial assets at amortized costs	Financial assets at fair value through other comprehensive income	Total
Assets:				
Balances and deposits with foreign bankers (undiscounted)	$ -	$ 19,086,062	$ -	$ 19,086,062
Reserve Tranche and balances with the International Monetary Fund (undiscounted)	-	-	73,200,648	73,200,648
Other foreign credit instruments (undiscounted)	-	463,998,441	-	463,998,441
Accrued interest and cash transit (undiscounted)	-	6,269,035	-	6,269,035
Marketable securities issued or guaranteed by foreign government and international institutions		13,583,732	-	13,583,732
Balances with local bankers and cash on hand (undiscounted)	-	297,950	-	297,950
Government of Belize securities		312,533,594	-	312,533,594
Equity instruments (undiscounted)	20,000,000	-	-	20,000,000
Government Current Account (undiscounted)	-	47,776,492	-	47,776,492
Accrued interest and cash-in-transit	-	6,269,035	-	6,269,035
Other assets (undiscounted)	-	9,212,703	-	9,212,703
Total financial assets	**$20,000,000**	**$879,027,044**	**$73,200,648**	**$972,227,692**

28. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS (Continued)

At December 31, 2018	Financial liabilities at amortized costs	Financial liabilities at fair value through other comprehensive income	Total
Liabilities:			
Notes and coins in circulation (undiscounted)	$397,336,526	$ -	$397,336,526
Deposits by licensed financial institutions (undiscounted)	399,224,059	-	399,224,059
Deposits by and balances due to Government and public sector entities in Belize (undiscounted)	88,934,100	-	88,934,100
Deposits by international agencies (undiscounted)	2,270,516	-	2,270,516
Balances due to CARICOM central banks (undiscounted)	315,238	-	315,238
Other liabilities (undiscounted)	21,460,107	-	21,460,107
IMF SDR allocations (undiscounted)	-	49,863,432	49,863,432
Commercial bank discount fund (undiscounted)	1,248,117	-	1,248,117
Total financial liabilities	**$910,788,663**	**$49,863,432**	**$960,652,095**

28. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS (Continued)

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortized cost. The principle accounting policies on Note 2d describe how financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognized. The following table analyses the financial assets and liabilities in the statement of financial position by the class of financial instrument to which they are assigned, and therefore by the measurement basis:

At December 31, 2017	Financial assets at fair value through profit or loss	Financial assets at amortized costs	Financial assets at fair value through other comprehensive income	Total
Assets:				
Balances and deposits with foreign bankers (undiscounted)	$ -	$ 4,623,803	$ -	$ 4,623,803
Reserve Tranche and balances with the International Monetary Fund (undiscounted)	-	-	74,769,792	74,769,792
Other foreign credit instruments (undiscounted)	-	514,306,159	-	514,306,159
Accrued interest and cash transit (undiscounted)	-	3,793,085	-	3,793,085
Marketable securities issued or guaranteed by foreign government and international institutions		14,285,714	-	14,285,714
Balances with local bankers and cash on hand (undiscounted)	-	301,986	-	301,986
Government of Belize securities		340,922,789	-	340,922,789
Equity instruments (undiscounted)	20,000,000	-	-	20,000,000
Government Current Account (undiscounted)	-	41,024,157	-	41,024,157
Accrued interest and cash-in-transit	-	3,793,085	-	3,793,085
Other assets (undiscounted)	-	9,300,407	-	9,300,407
Total financial assets	**$20,000,000**	**$932,351,185**	**$74,769,792**	**$1,027,120,977**

28. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS (Continued)

At December 31, 2017	Financial liabilities at amortized costs	Financial liabilities at fair value through other comprehensive income	Total
Liabilities:			
Notes and coins in circulation (undiscounted)	$383,392,538	$ -	$ 383,392,538
Deposits by licensed financial institutions (undiscounted)	489,157,638	-	489,157,638
Deposits by and balances due to Government and public sector entities in Belize (undiscounted)	79,379,754	-	79,379,754
Deposits by international agencies (undiscounted)	1,210,294	-	1,210,294
Balances due to CARICOM central banks (undiscounted)	561,529	-	561,529
Other liabilities (undiscounted)	10,855,796	-	10,855,796
IMF SDR allocations (undiscounted)	-	51,028,399	51,028,399
Commercial bank discount fund (undiscounted)	1,085,750	-	1,085,750
Total financial liabilities	**$965,643,299**	**$51,028,399**	**$1,016,671,698**

29. FINANCIAL RISK MANAGEMENT

Credit risk

The Bank is exposed to credit risk, which is the risk of loss arising from the failure of a borrower, issuer, counterparty or customer to meet its financial obligations to the Bank. Credit risk arises in the Bank's management of its financial assets, for example in the investment of the Bank's own funds and in the course of the banking services it provides to its customers and employees.

Credit risk is managed on a portfolio basis consisting of both foreign, local and internal designations. Credit risk in respect of foreign designations, are managed via diversification of investments and held by major reputable financial institutions. In respect of local securities, the Bank transacts primarily with or investments related to the Government of Belize. Internal designations are managed using internal policies of eligibility and security for employee loans.

In measuring the expected credit losses, the Bank's foreign and local investments are considered to have low credit risk and the loss allowance recognised is based on the remaining months expected loss. Low credit risks are those with high quality external credit ratings. The Bank has developed a model utilizing external credit ratings to develop the probability of default (PD) against a loss given default (LGD).

Security

The Bank holds collaterals in respect of its internally designated financial assets as follows:

		Collateral	
	Maximum exposure	Appraised value	Stamped value
Mortgage loans	$2,843,566	$6,418,058	$3,940,840
Consumer loans (Bill of Sale)	285,529	222,305	196,587
Consumer loans (Regular)	1,238,017	28,307	25,000
	$4,367,112	$6,668,670	$4,162,427

Changes in loss allowance:	
Loss allowance as at January 1 calculated under IAS 39	$ 16,102
Amounts restated through opening retained earnings (general fund)	121,286
	137,388
Loss allowance recognized during the year 2018	70,966
Write-offs during the year	(4,593)
Loss allowance unused and reversed during the year	(8,751)
Loss allowance as at December 31, 2018	$ 195,010

29. FINANCIAL RISK MANAGEMENT (Continued)

The following tables break down the Bank's main credit exposure at their carrying amounts, as categorized by geographical regions as of December 31, 2018. In Schedule A, the Bank has allocated exposure to regions based on the country of domicile of the counter parties.

Geographical concentration of assets:

Schedule A

Depository and Money at Call, Overnight Deposits and Fixed Deposits by location:

Balance & Money at Call	**USA**	**UK**	**Canada**	**Europe**	**Total**
Depository Accounts & Money at Call	$ 11,439,197	$ 844,207	$172,571	$ 6,630,087	**$ 19,086,062**
Overnight Deposits	70,782,846	-	-	-	**70,782,846**
Fixed Deposits	150,560,641	89,163,649	-	153,539,111	**393,263,401**
Total Exposure	**$232,782,684**	**$90,007,856**	**$172,571**	**$160,169,198**	**$483,132,309**

Schedule B
Outline of other Local and Foreign Investments

Securities	**Local**		**Foreign**	
	GOB	**Dominica**	**IBRD/SEK**	**Barbados**
Treasury Bills	$ 51,069,594	$ -	$ -	$ -
Treasury Notes	261,464,000	-	-	-
Bonds	-		10,000,000	1,714,286
Debentures	-	2,000,000		-
Total Exposure	**$312,533,594**	**$2,000,000**	**$10,000,000**	**$1,714,286**

Market and interest rate risk
The Bank is exposed to market risk, principally through changes in the relative interest rates received on its assets and paid on its liabilities. Limited exposure may also be incurred due to changes in exchange rates and to shifts in general market conditions, such as the liquidity of asset markets. The Bank manages this minimal exposure to market risk by projecting all liabilities without the dependence of interest earned on its assets. Also, the Bank's exposure to market risk as a result of changes in exchange rates is mitigated by having minimum required deposits in foreign currencies other than United States dollar.

29. FINANCIAL RISK MANAGEMENT (Continued)

The table below analyses the average interest rates for the Bank's foreign deposit accounts and investments.

Foreign Assets:	**Average rate of return**	**Average rate of return**
	2018	2017
Depository Accounts & Money at Call	1.07%	0.29%
Overnight Deposits	1.84%	0.67%
Fixed Deposits	2.10%	1.60%
Notes/Bonds	4.71%	4.71%
Debentures	3.50%	3.50%

Currency risk

The Bank takes on exposure to fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Because of its conservative nature, the Bank's exposure is limited since a significant portion of its external assets are held in US funds and in SDR funds necessary to meet Belize's quota with the IMF, SDR Loan and Allocation obligations. Other external asset funds are kept at a minimum.

The table below indicates the different fund allocations as of December 31, 2018:

	FOREIGN CURRENCY	**YEAR-END RATE**	**BELIZE DOLLAR VALUE**
Euro Fund	$ (249,327)	$2.28940	$ (570,809)
Canadian Fund	(221,988)	1.46640	(325,524)
SDR Fund	(8,399,880)	2.78158	(23,364,972)
USD Fund	(238,296,226)	2.00000	(476,592,452)
Sterling Fund	(238,753)	2.55820	(610,778)
BZ$ Fund	500,854,942	1.00000	500,854,942
Current Year Revaluation Loss			**$ (609,593)**

	BELIZE DOLLAR VALUE
Revaluation balance, January 1	**$2,387,028**
Decrease in revaluation	**(609,593)**
Revaluation balance, December 31	**$1,777,435**

29. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk
IFRS 7 requires an analysis of the Bank's assets and liabilities at the Statements of Financial Position date into relevant maturity groupings based on the remaining period to the contractual maturity date. This requirement is not relevant to the Central Bank which is the ultimate source of Belize dollar liquidity. In managing the foreign currency liquidity risk, the Bank makes every effort to hold appropriate cash balances by forecasting and monitoring liquidity through cash flow matching and holding a portfolio of liquid foreign exchange reserves. The table below analyses the Bank's assets into relevant maturity grouping based on the remaining period at the statements of financial position date to the contractual maturity date.

Asset Type	1 Month	1-3 Months	3-6 Months	6-12 Months	1-5 Years	Over 5 Years
	$	$	$	$	$	$
Balances with local bankers and cash on hand	297,950	-	-	-	-	-
Depository Accounts & Money at Call	19,086,062	-	-	-	-	-
Overnight Deposits	70,782,846	-	-	-	-	-
Fixed Deposits	10,000,000	268,127,822	-	115,087,773	-	-
Treasury Bills	31,069,594	20,000,000	-	-	-	-
Treasury Notes	1,000,000	32,000,000	16,008,000	70,951,000	97,772,000	43,733,000
Bonds	-	-	-	-	10,000,000	1,714,286
Debentures	-	-	-	-	-	2,000,000
Equity instruments	-	-	-	-	-	20,000,000
	132,236,452	**320,127,822**	**16,008,000**	**186,038,773**	**107,772,000**	**67,447,286**

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

29. FINANCIAL RISK MANAGEMENT (Continued)

Liability Type	1 Month $	1-3 Months $	3-6 Months $	6-12 Months $	1-5 Years $	Over 5 Years $
Deposits by licensed financial institutions	-	-	-	399,224,059	-	-
Deposits by and balances due to Government and public sector entities in Belize	-	88,934,100	-	-	-	-
Deposits by international agencies		2,270,516	-	-	-	-
Balances due to CARICOM Central Banks	315,238	-	-	-	-	-
Commercial Bank discount fund	-	-	-	-	-	1,248,117
Other liabilities	-	25,165,525	-	-	-	-
IMF SDR Allocations	-	-	-	-	-	49,863,432
	315,238	**116,370,141**	**-**	**399,224,059**	**-**	**51,111,549**
	131,921,214	**203,757,681**	**16,008,000**	**(213,185,286)**	**107,772,000**	**16,335,737**

Operational risk

The Bank is exposed to operational risk which can lead to financial losses through error, fraud or inefficiencies. The Bank mitigates this risk by constantly revisiting internal controls, adhering to its fraud policy and reliance on the internal audit function.

30. POST – REPORTING DATE EVENTS

No adjusting or significant non-adjusting events have occurred between the December 31 reporting date and the date of authorisation.

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