CENTRAL BANK of BELIZE

2019

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-Eighth Annual Report
and
Statement of Accounts

For the Year Ending 31 December 2019

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, 2019.

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 2019

Central Bank of Belize

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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:

ABD	Accounts and Budget Department
AIBL	Atlantic International Bank Limited
AML/CFT	Anti-Money Laundering/Combatting the Financing of Terrorism
APSSS	Automated Payment and Securities Settlement System
ASBA	Association of Supervisors of Banks for the Americas
BEL	Belize Electricity Limited
BGA	Banana Growers' Association
BTL	Belize Telemedia Limited
BSI	American Sugar Refining/Belize Sugar Industries Limited
CAR	Capital Adequacy Ratio
CARICOM	Caribbean Community
CARTAC	Caribbean Regional Technical Assistance Centre
CEMLA	Centre for Latin American Monetary Studies
CRS	Credit Reporting System
CSP	Customer Security Program
CU	Compliance Unit
DIA	Deposit Insurance Act
EU	European Union
FATF	Financial Action Task Force
FIU	Financial Intelligence Unit
FRB	Federal Reserve Bank
FTC	Federal Trade Commission
FITF	Financial Inclusion Task Force
FOB	Free on Board
FSU	Financial Stability Unit
FY	Fiscal Year
IAD	Internal Audit Department
IBA	International Banking Act
IDB	Inter-American Development Bank
IFRS	International Financial Reporting Standards
ITD	Information Technology Department
IT	Information Technology
IMF	International Monetary Fund
MOF	Ministry of Finance
NFI	National Financial Inclusion
NFIS	National Financial Inclusion Strategy
NPL	Non-Performing Loan
NPL ratio	Non-Performing Loans (Net of Specific Provision) to Total Loans
NPS	National Payment System
OSIPP	Office of the Supervisor of Insurance & Private Pensions
PSED	Payment Services and Exchange Control Approval Department
ROA	Return on Assets
ROC/Taiwan	Republic of China/Taiwan
ROE	Return on Equity
SDRs	Special Drawing Rights
SIB	Statistical Institute of Belize
SMS	Security Management System
SSN	Shared Service Network
SUPD	Supervision Department
T-bills	Treasury bills
T-notes	Treasury notes
US	United States
UK	United Kingdom

Abbreviations:

$	Belize dollar unless otherwise stated
bn	billion
mn	million
ps	pound solid
RHS	Right Hand Side
LHS	Left Hand Side
n.a.	not applicable
n.i.e.	not included elsewhere

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 2019 figures in this report are provisional and the figures for 2018 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 2019

BOARD OF DIRECTORS

Joey Montalvo - 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)

PRINCIPAL OFFICERS

Amb. A. Joy Grant - Governor

Marilyn Gardiner-Usher - Deputy Governor, Financial Services

Vacant - 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

Wendy Gillett - Manager, Accounts and Budget

Emory Ford - Manager, Research

Francis Thomas - Manager, Security

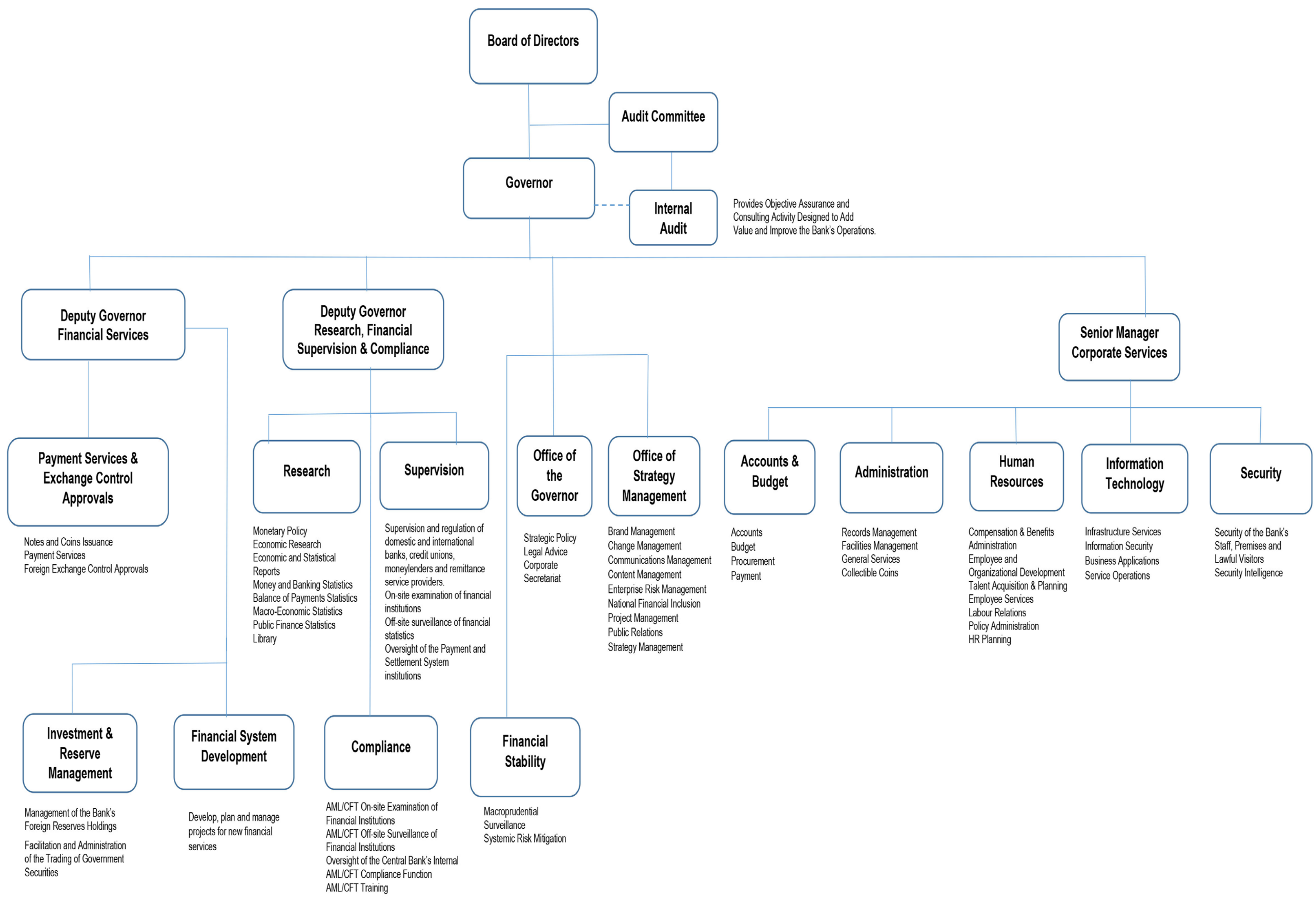
Effie Ferrera - Chief Internal Auditor

Diane Gongora - Manager, Supervision

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 (the Board) comprises seven members. Three are ex officio (the Governor, a Deputy Governor, and the Financial Secretary), and four are appointed by the Minister of Finance. There was one change in Board membership during the year: Mr. Joey Montalvo was appointed as the new Chairman of the Board on 1 April, replacing Mr. John Mencias.

Section 12 (1) of the Central Bank 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 if votes are equal.

In 2019, the Board met 12 times and considered 27 board decision papers and 64 information papers. All meetings were held at the Central Bank building in Belize City.

Number of meetings attended by Board members in 2019:

Joey Montalvo – Chairman	9
Nestor Vasquez – Vice-Chairman	9
Nigel Ebanks – Member	11
Vanessa Retreage – Member	11
Amb. A. Joy Grant – Governor (ex officio)	12
Joseph Waight – Financial Secretary (ex officio)	9
Marilyn Gardiner-Usher – Deputy Governor (ex officio)	12
John Mencias – former Chairman (Jan to March)	3
Kareem Michael – Deputy Governor – Alternate (January to July)	6

Conduct of Board Members

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

- Discharge their duties with care and diligence;
- Act in good faith and in the best interest of the Central Bank of Belize (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's Audit Committee (Audit Committee) is composed of one executive and two non-executive members. The Chief Internal Auditor, Mrs. Effie Ferrera, acts as secretary to the Audit Committee. During the year, two of the Audit Committee's non-executive members changed. Mr. Joey Montalvo replaced the former chair, Mr. John Mencias, while Mr. Nigel Ebanks took the place of Ms. Vanessa Retreage. The Deputy Governor, Financial Services, Mrs. Marilyn Gardiner-Usher, remained as executive member of the Audit Committee.

The Audit Committee assists the Board in overseeing and providing strategic direction for the Central Bank's operations by:

- Ensuring that adequate arrangements are in place to track the Central Bank's exposure to material risk across its operations, and reporting regularly to management on risk exposure;
- Reviewing the Central Bank's audited financial statements and letter of recommendation with the external auditors; and
- Reviewing audit reports on internal controls.

The Audit Committee met with the Central Bank's external auditors to review the 2018 annual financial statements and accompanying letter of recommendation prior to Board submission.

Internal Audit

In 2019, the Internal Audit Department (IAD) conducted operational audits on the supervision of financial institutions, administration of exchange controls, management of foreign reserve investments, and oversight of the National Payment System (NPS). The IAD also performed compliance audits on the Central Bank's anti-money laundering processes, treasury functions, government securities auctions, and staff's compensation and benefit package.

The IAD presented audit reports to the Audit Committee, then the Audit Committee Chair informed the Board of material findings and salient recommendations.

Monetary and Financial Stability

The Central Bank remained steadfast in its mission to promote monetary and financial stability. Monetary policy continued to support measured credit expansion, while preserving the long-standing pegged exchange rate that serves as nominal anchor. Recent balance sheet and profitability indicators underscored the health and financial soundness of the banking sector, while the Central Bank launched new measures to fortify the strength of the financial system.

In 2019, monetary conditions were largely impacted by a $166.3mn upsurge in net domestic credit, channelled largely to the private sector. This credit expansion, the largest increase since 2008, tightened domestic bank liquidity for the fourth consecutive year. This year, domestic banks' excess liquid assets and cash reserves fell by 16.6% and 1.4%, respectively.

Statutory and cash reserve requirements, the main instruments of monetary policy, were kept at 23.0% and 8.5%, respectively. These rates have remained unchanged since 2006 and 2010, respectively. Banks faced with temporary liquidity shortages opted to access funds on the interbank market, then made capital injections to alleviate shortages over longer horizons.

Considering that aggregate excess statutory and cash reserves hovered well above statutory requirements, open market operations to fine-tune quantitative monetary targets focussed on purchasing unsubscribed Treasury bills (T-bills) at average yields. Competition for T-bills heightened as the number of non-bank participants rose by 33.3% and the bid-to-cover ratio improved by

11.7%, although the ratio remained low at 0.8. Nevertheless, the weighted average yield for T-bills inched up for the third consecutive year, rising by three basis points over 12 auctions during the period.

The persistent liquidity tightening exacerbated the uneven distribution of reserves in the first half of the year, fuelling banks' competition for deposits in the second. The reinvigorated demand for deposits in turn raised the weighted average interest rates on new deposits, marking the first annual increase since 2008. The weighted average interest rate on new deposits grew by 31 basis points to 1.93%, while the corresponding interest rate on new loans rose by seven basis points to 8.70% in 2019.

Downward pressure on the net foreign assets of the banking system intensified in 2019. Higher public sector debt service payments partly caused the Central Bank's net foreign assets to decline by $33.2mn to $559.2mn. Concurrently, a widening current account deficit led to a $13.3mn contraction in domestic banks' foreign balances to $250.8mn. Notwithstanding, the gross international reserves remained above the three-month threshold at the equivalent of 3.2 months of merchandise imports at the end of December.

Despite recent challenges in the financial industry, key metrics of the sector's performance remained favourable when compared to international benchmarks. Domestic banks' non-performing loans (net of specific provisions) to total loans (NPL ratio), a measure of asset quality, improved from 2.7% in 2018 to 2.4% in 2019, strengthened by $32.3mn in NPL write-offs. Domestic banks' return on assets ratio (ROA) amounted to 2.0% in 2019, doubling the international threshold of 1.0%. Domestic banks' capital adequacy ratio (CAR) remained more than twice the 9.0% industry requirement, even after posting a slight decline to 22.8% from 24.6% in 2018 because of heightened profit repatriation. Concentration risks however, improved slightly to 94.5% from 96.5% a year earlier, as two banks injected capital, which reduced their exposure to large loans. Additionally, domestic banks' continued loan growth led to a contraction in the sector's liquid-asset ratio (liquid assets to total assets) to 24.3% from 25.8% in the preceding year.

The financial stability regulatory framework was strengthened through several initiatives. These included: introduction of a deposit insurance system, amendments to the International Banking Act (IBA), and implementation of the first phase of a new Basel II/III capital framework.

Strategic Initiatives

In 2019, the Central Bank undertook six of its 20 strategic objectives, aimed at accomplishing the following:

- Increase Financial System Modernity and Stability;
- Optimise Financial Literacy and Inclusion;
- Strengthen Central Bank Compliance;
- Build Organisation Infrastructure;
- Improve Access to other Financial Systems Services; and
- Execute Strategic Legislation.

Eight priority projects were implemented in pursuit of these objectives.

1. Credit Reporting System: *Increase Financial System Modernity and Stability*

The Credit Reporting System (CRS) project will establish a secure and effective system for sharing objective credit information among banks and other financial institutions, which will allow more efficient assessment of credit worthiness. The CRS comprises three main components: a credit bureau, supporting legislation (CRS Act and Regulations), and a regulatory authority. The goal is to enact the new CRS legislation and to select a service provider to own and operate a credit bureau in Belize.

Drafting of the CRS Bill commenced in 2019. The CRS Bill will establish the legal framework for credit reporting in Belize. It will also set out procedures that meet the needs of commerce for credit information in a manner that is fair and equitable to consumers. A public awareness campaign is scheduled to be launched in 2020.

2. National Financial Inclusion: *Optimise Financial Literacy and Inclusion*

The National Financial Inclusion (NFI) project seeks to help individuals and enterprises in Belize make full use of accessible, quality, and affordable financial services. With technical assistance from the World Bank, the Central Bank led the development of a data- and stakeholder-driven NFI Strategy (NFIS). The NFIS provides a series of specific, delineated, and sequenced actions for a wide range of public and private sector stakeholders to execute. See Box 1.1 for more details.

3. Payment System Oversight: *Strengthen Central Bank Compliance*

The Central Bank oversees the payment and settlement systems in Belize, ensuring that they are safe, reliable, and efficient. The effective oversight of the payment system infrastructure is vital to monetary and financial stability. In 2019, the Central Bank developed a payment system procedures manual and a payment system oversight framework. It also conducted needed capacity-building training.

LAUNCH OF NATIONAL FINANCIAL INCLUSION STRATEGY

GOVERNOR AMB. JOY GRANT AND HON. PATRICK FABER AT THE LAUNCH

SECURITY MANAGEMENT CENTRE

4. Security Management System: *Build Organisation Infrastructure*

The Security Management System (SMS) project will implement a modern security platform to strengthen the Central Bank's security posture to avoid or mitigate potential threats. This system provides an integrated solution that improves security operations and surveillance functionality, using advanced access card technologies, and video and intrusion detection systems.

In 2019, the Central Bank installed modern security equipment, including cameras, beams, sensors, and access-controlled doors. The security control room was renovated and equipped with ergonomic monitors, equipment, and furniture. In addition, new access control, key management, and video surveillance systems were operationalised. Staff attended several change management sessions to build awareness of the updated security environment. Work not yet completed included installation of add-on systems, while security operations staff prepared for certification.

5. Shared Service Network: *Improve Access to Other Financial Systems Services*

The Shared Service Network (SSN), a subsidiary of the Belize Credit Union League (the League), applied to be licensed as a payment system operator for credit unions with direct participation in the Automated Payment and Securities Settlement System (APSSS). Its access will reduce credit unions' dependency on banks to provide payment and settlement services and will increase members' access to more financial service products. To date, seven credit unions have invested in the SSN: Blue Creek Credit Union, Holy Redeemer Credit Union, La Inmaculada Credit Union, St. Francis Xavier Credit Union, St. John's Credit Union, St. Martin's Credit Union, and Toledo Teachers Credit Union.

In 2019, Directors approved SSN's license subject to satisfying specific access criteria. SSN has been working to fulfil these criteria and to develop the required technical and operational capacity. The League reported that three of the seven credit unions have already met these criteria and the other four are working with their core banking system providers to satisfy them.

Meanwhile, the project team negotiated with Montran, the APSSS system provider, on the deliverables and a timeline for integrating SSN. A business research study is scheduled to start in January 2020. Once the detailed requirements are specified, the project team will evaluate the readiness of SSN and schedule configuration and customisation works.

6. Deposit Insurance System: *Execute Strategic Legislation*

A deposit insurance system was launched to provide a safety net for depositors. The Deposit Insurance Bill, along with other explanatory documents, was submitted to the Financial Secretary for the Minister of Finance's review. The enactment procedure is expected to be completed in January 2020. See Box 6.1 for more information.

7. International Banking (Amendment) Act: *Execute Strategic Legislation*

The Central Bank ramped up its efforts to strengthen the efficacy of the IBA. The IBA had limited the Central Bank's enforcement ability to govern related party transactions, provide funding support to international banks, and appoint a Statutory Administrator to rehabilitate or restructure a licensee without the need to revoke a bank's license.

The IBA amendments improved the measures for supervision of international banks, while enhancing procedures for the intervention in the affairs of international banks. These amendments now align the supervisory powers of the Central Bank with those governing the domestic banking sector.

8. Securities Industry Legislation: *Execute Strategic Legislation*

The securities industry legislation seeks to provide a regulatory framework for securities in Belize that is consistent with international standards and practices. The objective of the Bill is to facilitate the development of Belize's financial market, while ensuring proper protection of investors, the public, and the jurisdiction's reputation.

In 2019, the Caribbean Regional Technical Assistance Centre (CARTAC) approved technical assistance for the Central Bank to draft the legislation and its attendant regulations. The project team also developed and negotiated terms of reference and scope of work for a legal consultant, who will deliver the Bill, consequential amendments, Cabinet memo, and memorandum of objects and reasons.

Information Technology

The Information Technology Department (ITD) completed several strategic initiatives aimed at strengthening security of the Central Bank's facilities and its resilience against cybersecurity threats.

For the third consecutive year, the Central Bank submitted its self-attestation of compliance with the mandatory security controls in December 2019. This practice is consistent with SWIFT's ongoing Customer Security Program, focussed on battling growing cyber threats to the financial system. All security controls were reviewed by the IAD.

The ITD launched several initiatives to address the vulnerabilities identified by the network security penetration testing exercises conducted on its networks and systems. These tests were completed in early 2019 and were conducted by an external information security service provider. Remediation included replacement of the endpoint security protection software on all desktops, portable computers, and servers. It also entailed deployment of a new cybersecurity technology, endpoint detection and response system, that addressed continuous monitoring and response to advance threats.

In its capacity as financial system regulator, the Central Bank continued to employ measures to address cyber threats to the banking community. Now in its second year, the Cybersecurity Committee, commissioned in 2018, was instrumental in raising cybersecurity awareness, improving information sharing, and strengthening the security posture of banks in 2019.

The ITD also conducted several other critical upgrades to the Central Bank's infrastructure, including email systems, security monitoring systems, firewalls, virtualisation software, backup systems, and data storage systems.

Human Resources

In 2019, human resource activities focussed 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

Across departments, staff strengthened their technical competencies through overseas trainings, workshops, and seminars. From the Research Department, an economist and a statistical officer attended the Commonwealth Meridian and Public Debt Management launch hosted by the

Box 1.1: Belize's National Financial Inclusion Strategy

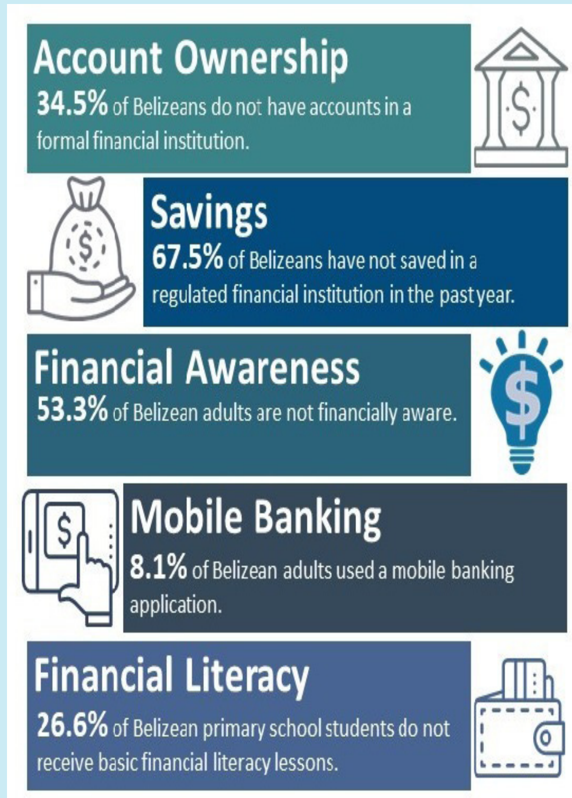
Globally, close to one-third of adults or 1.7 billion adults remain unbanked and not participating in the formal financial system[1]. In Belize, almost three of every ten citizens are unbanked, which compares favourably to the 46.5% regional average reported for Latin America and the Caribbean. Most of the unbanked adults consist of women, people from poor households, rural areas, or out of the labour force. These people lack the access to financial services that can help improve their income-earning potential thereby driving development and reducing poverty. This is why financial inclusion is important. Financial inclusion means that underserved people and small businesses have access to and use of formal financial services. It also means that people will know how to use these services.

Belize's policymakers have made financial inclusion a key priority in its national development framework[2]. The Central Bank, likewise, has prioritised financial inclusion in its 2018-2022 strategic plans as a means to improve economic growth and ensure financial stability in Belize.

In 2017, the Central Bank partnered with the Ministry of Finance (MOF) to develop a national financial inclusion programme. With technical assistance from the World Bank Group, public and private stakeholders collaborated to draft Belize's NFIS, a roadmap for the country to promote financial inclusion.

Stakeholders identified four policy objectives: (i) financial system stability, (ii) market development, (iii) financial capability, and (iv) consumer protection.

Figure 1.1: Financial Inclusion Survey Results

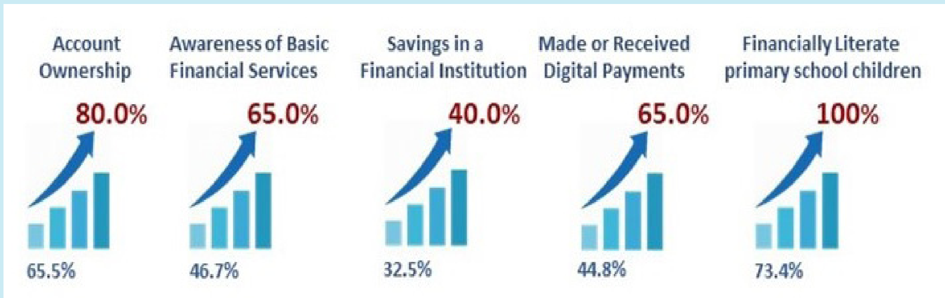


The next step in developing the NFIS was collecting key data and diagnostics. This step was critical in assessing the current state of affairs. The Central Bank collaborated with the Statistical Institute of Belize (SIB) to include a financial inclusion module in the Labour Force Survey of April 2019. The survey results in Figure 1.1 revealed the state of financial inclusion in Belize and assisted stakeholders to identify obstacles and opportunities in developing the NFIS.

With the objectives and data in hand, stakeholders outlined 25 actions in response to the identified obstacles and opportunities. Each action is critical to achieving the vision set forth in the NFIS. The

Box 1.1: Belize's National Financial Inclusion Strategy ***continued***

Figure 1.2: Key Financial Inclusion Targets for 2022



NFIS envisions a future where citizens, especially the underserved population, are equipped to make full use of accessible, quality, and affordable financial services. In addition to individuals, the NFIS also targets farmers and micro, small, and medium enterprises requiring specialised financial products.

To achieve the NFIS vision, a well-designed governance structure was established to ensure that the plans and objectives are realised. Four thematic Financial Inclusion Task Forces (FITFs) were commissioned to implement the NFIS actions. The four NFIS thematic task forces are: (i) Enabling/Supporting ICT and Financial Infrastructure; (ii) Tailored Financial Products and Innovation; (iii) Financial Consumer Protection and Financial Literacy; and (iv) Data Collection, Analysis, and Reporting. The FITF members have already submitted business cases, formalising their plans to execute specific actions in 2020. The Central Bank also established a NFIS Secretariat to coordinate, monitor, and report on the project's status. The National Financial Inclusion Council will (NFIC) be co-chaired by representatives from the Central Bank, MOF, Ministry of Economic Development, Ministry of Education, while the Office of the Prime Minister will provide high-level policy guidance and oversight to the NFIS.

Launched officially on 17 September 2019, the NFIS aims to deliver the following key results shown in Figure 1.2 in the next three years:

- Increasing account ownership from 65.5% to 80.0%;
- Ensuring that 100.0% of primary school children receive a basic financial education (up from 73.4%);
- Increasing the number of Belizean adults who will have a savings account from 32.5% to 40.0%; and
- Expanding the number of Belizean adults who will have a basic understanding of financial services from 46.7% to 65.0%.

As implementation begins, the Central Bank, MOF, other public entities, and the private sector have reaffirmed their commitment to accelerating financial inclusion to improve the wellbeing of Belizeans.

[1] The Global Findex Database, World Bank Group.
[2] See for example, Horizon 2030 and the Growth and Sustainable Development Goals 2016-2019.

Commonwealth Secretariat. A senior economist received training in advanced forecasting methods at the International Monetary Fund's (IMF's) Headquarters, while the assistant manager of economic data management benefitted from training in compiling monetary and financial statistics hosted by the Centre for Latin American Monetary Studies and Banco Central De Costa Rica. An economist also represented the Central Bank at the 163rd National Development Course hosted by the National Defence University of Taiwan, Fu Hsing Kang College.

From the Financial Stability Unit, an economist attended a CARTAC workshop entitled Financial Network Analysis for Regional Macro-Prudential Surveillance held at the Central Bank of The Bahamas and also participated in a course on financial soundness indicators at the IMF's Headquarters.

From the Supervision Department (SUPD), bank examiners attended workshops hosted by CARTAC on improving supervisory oversight and systemic risk monitoring of banking groups and financial conglomerates in the region, and by the Toronto Centre named International Leadership Program for Banking Supervisors in Leadership in Times of Fintech. Bank examiners and compliance officers also participated in three courses hosted by the Federal Reserve Bank (FRB) focussed on anti-money laundering risks, bank analysis examinations, and effective communication, with the latter done in collaboration with the Association of Supervisors of Banks of the Americas (ASBA). Compliance officers attended the Anti-Money Laundering/Combatting the Financing of Terrorism (AML/CFT) training at the Office of the Comptroller of the Currency. They also attended ASBA's seminar on Efforts in Reducing the Negative Impact of Loss of Correspondent Banking Relationships in the Caribbean: The Supervisors and Financial Institutions' Role.

From ITD, a system analyst and the assistant manager attended a Fundamentals of Information System Audit and Assurance course, covering the essential components and steps needed to perform an information system audit, whilst gaining a sound understanding of audit objectives and controls. The manager attended a regional CARTAC workshop, aimed at providing guidance on the development of practical tools and strategies to enhance cyber resilience and mitigate cyber risk exposures.

From the IAD, internal auditors received training entitled Tools and Techniques II for Lead Auditors from the Institute of Internal Auditors. Staff from the Accounts and Budget Department (ABD) attended a Euromoney Learning International Financial Reporting Standards (IFRS) training, while the Senior Manager, Corporate Services, attended the Master International Financial Reporting Standards 9 course.

Functional teams also received specialised overseas training. Management staff from the Payment Services and Exchange Control Approval Department (PSED) and the Compliance Unit (CU) attended a FRB forum on Currency Services Risk Management. In addition, management staff from ITD and SUPD benefitted from the 2019 Cybersecurity Supervision Workshop: Approaches and Tools to Build Cyber Resilience hosted at IMF's Headquarters.

Staff benefitted from in-country training exercises and courses delivered by a host of external agencies as well. Bank examiners completed two CARTAC courses. The first was an asset quality review to equip examiners with the knowledge of how to review loan portfolios. The second, done with the assistance of the Toronto Centre, comprised a technical assistance workshop on planning and executing on-site examinations, preparing risk-focussed examination reports, and communicating the results to management. The Toronto Centre also conducted a course, Introduction to Risk-Based Supervision for bank examiners. To build and enhance written communication skills, management and professional staff participated in a workshop entitled Written Communications for Economists, Researchers, and Technical Advisors. In addition, the World Bank facilitated a training for the payment system oversight unit of the SUPD to strengthen their capabilities to develop, implement, and carry out payment system oversight functions. Dr. Daniel Jarrett of Clear Future Inc. trained economists on how to conduct time series analysis, econometric modelling, and forecasting with E-Views. ITD strengthened its back-up and recovery solution strategy by completing an IBM Spectrum Protect 8.1.4 Advanced, Tuning, and Troubleshooting online training with Global Knowledge. Security officers, systems analysts, and building service personnel completed a certification training with Genetec to become certified in managing the Central Bank's newly commissioned SMS.

Staff also participated in several off-site in-country trainings. The International Business and Economic Forum held an Advanced Financial Modelling Dashboard Excel training that had the participation of economists, accounts supervisor, and the Senior Manager, Corporate Services. Administrative staff also attended an Effective Business Writing course and an Effective Communication workshop, while compliance officers completed a Financial Action Task Force (FATF) training hosted by the Financial Intelligence Unit (FIU).

Other employees successfully completed several specialised online courses. These included

trainings in QuickBooks, Financial Programming and Policies Part I, Statistics on International Trade in Services, and Financial Development and Financial Inclusion. Personnel from the ABD as well as PSED completed a series of SWIFT Smart online training courses to meet SWIFT's requirements.

Finally, employees also benefitted from in-house trainings conducted by PSED. The CU conducted 21 AML/CFT training sessions to participants from the financial sector, select government ministries, and the Central Bank.

Staffing and Employee Relations

The Central Bank ended the year with a staff complement of 214. In 2019, 21 persons joined the Central Bank and eight persons left its employ, including one retiree. Thus, the consequential turnover rate was 3.7% in 2019, a slight improvement over the 4.5% recorded in 2018.

There were 12 promotions:

- three to the Management grade,
- two to the Professional I grade,
- three to the Professional II grade,
- one to the Professional III grade,
- one to the Para-Professional grade, and
- two to the Senior Auxiliary grade.

The Central Bank recognised and rewarded employees who reached years-of-service milestones between 1 July 2018 and 30 June 2019 at the Annual Employee Recognition Ceremony. Twenty-one employees were rewarded for their commitment and long service to the Central Bank. When disaggregated, five employees received long-service awards for 10 years of service, six for 15 years of service, three for 20 years of service, one for 25 years of service, three for 30 years of service, and, for the first time, three for 35 years

STAFF SUPPORTING KIDNEY WALK DRIVE

RECIPIENTS OF 4-YEAR HIGH SCHOOL ASSISTANCE PROGRAMME

ANNUAL SALVATION ARMY KETTLE DRIVE

of service. The Central Bank also recognised employees for their contributions to successfully completed strategic cross-functional projects.

Community Service and Staff Club Activities

As part of its social responsibility, the Central Bank invested in a number of programmes to help students and non-profit organisations.

The Central Bank provided internships to six university and junior college students to help them meet their core graduation requirements. In addition, seven senior high school students completed their work-study programmes, while 12 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.

The Central Bank's Staff Club was influential in promoting camaraderie, staff morale, and a healthy work/social life balance. The Staff Club coordinated various fun activities, which included the annual Valentine's Day mixer, Easter egg hunt, family day, Mother's and Father's Day events, Christmas party, and a New Year's Eve mixer. For the first time, a staff-only trip was arranged, affording staff the privilege to experience Jaguar Paw's cave tubing and jungle zip line attraction.

The Staff Club organised several outreach activities, providing support to advocacy programmes, financial assistance to children, and performing volunteer work. This year, the Central Bank assisted the Kidney Association, the Diabetes Association, Cancer Society, Salvation Army, and the Dorothy Menzies Child Care Centre with their toy drive and gifts programme. The number of recipients in the Central Bank's four-year High School Assistance Programme, which now includes mentorship assistance, expanded to 11. The positive impact from these momentous activities and events helped drive Staff Club's membership to an all-time high of 93.0% of total staff complement.

Oversight of the Financial System

Bank Resolution

In 2019, the Central Bank revoked its second international banking license after having revoked that of Choice Bank Limited in 2018. In November 2018, the Central Bank became aware that the Federal Trade Commission (FTC) listed Atlantic International Bank Limited (AIBL) as a defendant in a case involving the sale of properties at Sanctuary Bay, a proposed luxury development in southern Belize.

AIBL was charged with assisting and facilitating the Sanctuary Bay scam and for violating US Telemarketing Sales Rules. Through US Courts, the FTC levied a temporary restraining order that initially froze all of AIBL's assets held in US financial institutions. The temporary restraining order was subsequently reduced from US$22.0mn to US$10.0mn. Without access to these funds, AIBL's normal operations were severely disrupted. Depositors were unable to withdraw their funds upon request and long queues developed. With no new capital injection, AIBL's liquidity eventually fell below the statutory requirement on 13 November 2018.

AIBL informed the Central Bank that the Chief Executive Officer resigned on 25 March 2019. In addition, AIBL sought the Central Bank's immediate intervention to undertake the winding-up and liquidation of the bank. Determining that the situation was untenable given the rapid increase in withdrawal requests, the deteriorating balance sheet position, and the bank's inability to satisfy local demands, the Central Bank, in the best interest of depositors, revoked AIBL's license on 12 April 2019.

Correspondent Banking Relationships

While banks in Belize have been able to maintain correspondent banking relationships throughout the year, the threat of the de-risking phenomenon imposed on the region since 2014 continues to be of concern. The basis for the de-risking was unclear, but the most part, the rationale for severing ties with respondent banks in Belize were linked to changes in risk appetite, and profitability concerns since the volume and value of transactions did not allow correspondent banks to maximise economies of scale.

Being aware of the critical role correspondent banks play from an economic and financial context, both the Central Bank and respondent banks have undertaken measures geared towards strengthening the financial system. This was done with a view to promote depositors' and stakeholders' confidence, enhance the financial system infrastructure, and strengthen the supervisory and compliance functions in accordance with local and international standards. The Central Bank instituted the following measures:

- Drafted its own AML/CFT Policy and AML compliance procedures to govern various internal processes, implemented using a phased approach;
- Adopted the SWIFT Sanctions Screening tool, which screens incoming and outgoing messages against the latest sanctions lists to strengthen monitoring of financial transactions; and
- Adopted the SWIFT KYC Registry—a secure, global platform for sharing customer due diligence information—to provide greater transparency of domestic AML compliance programmes, banks' structure, and high-level corporate information.

The Central Bank also took steps to strengthen the regulatory framework through the implementation of Basel II/III standards. While some components of the framework have already been instituted, full implementation is targeted for December 2021. This framework entails an assessment of not only credit risks but also market and operational risks. It also promotes and encourages the adoption of strong risk management practices, market participation, and discipline.

Examinations

To complement its off-site surveillance framework, the Central Bank routinely conducts risk-based examinations of financial institutions under its purview to ensure that banks and other regulated financial institutions are safe and sound. Notably, these examinations included assessments of the respective institution's compliance with established AML/CFT requirements. In 2019, the SUPD and CU performed 12 risk-based examinations, comprising:

- three domestic banks,
- one international bank,
- five credit unions, and
- three remittance service providers.

Implementation of the Basel II/III Capital Framework for Banks

In February 2019, the Central Bank announced its plan to revise the existing capital framework for banks to enhance the resiliency and stability of the financial system. This revised capital framework promotes enhanced risk management measures that are aligned with international best practices.

Revisions to the capital framework will be implemented in three phases, which are aligned to the Pillars of the Basel Accords. In 2019, the Central Bank concentrated its efforts on phase one, the implementation of Pillar I: Minimum Capital Requirements. Although the current regulatory regime focusses solely on the assessment of credit risk, the revised capital framework will expand the requirements for assessing credit risk and will incorporate measurements of market and operational risks.

Phase two, scheduled to begin in March 2020, will focus on Pillar II: Supervisory Review Process to ensure that other vulnerabilities not factored within Pillar I are accounted for when banks conduct their internal risk assessment. The Central Bank will develop risk management guidelines to institute its minimum expectations for banks' management of credit, market, operational, and interest rate risks, along with stress testing recommendations. Under Pillar II, banks will conduct internal assessments and submit Internal Capital Adequacy Assessment Reports, which will be incorporated into the Central Bank's supervisory review and evaluation process.

The final phase of the project, Pillar III: Disclosure Requirements, requires banks to publicly disclose information relating to their risks, capital adequacy, and policies for managing risks. The aim is to promote market discipline that will encourage the dissemination of relevant information about banks' operations to the public. The complete revision of the Basel II/III capital framework for banks is projected for completion by the end of 2021.

Domestic Banks

Domestic banks' profits contracted by 31.2% to $70.8mn in 2019 when compared to the exceptionally high profits of $102.8mn recorded

Chart 1.1: Domestic Banks - Profitability

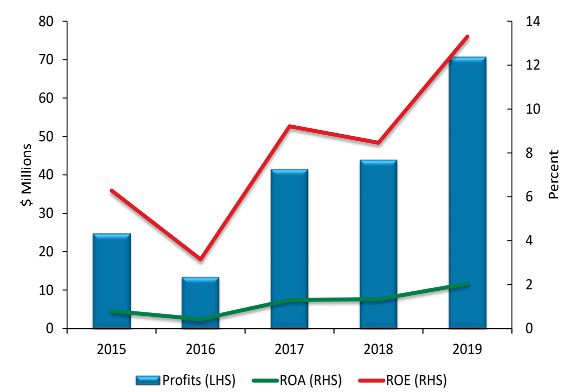


Chart 1.2: Domestic Banks - Capital

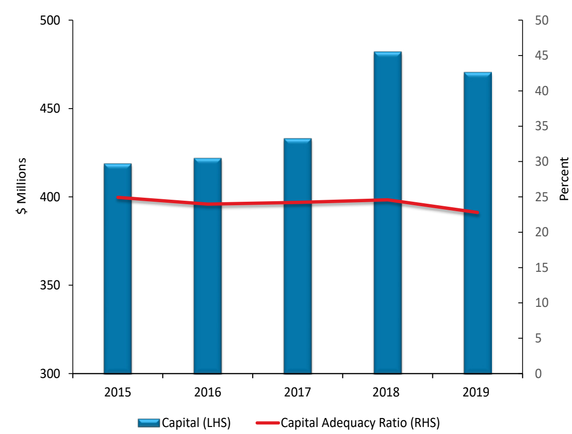
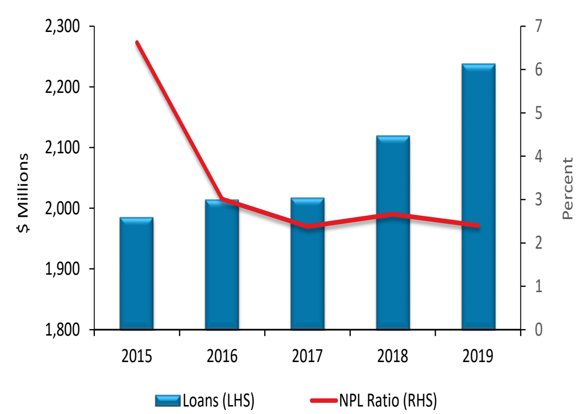


Chart 1.3: Domestic Banks - Loan Portfolio



a year earlier. In 2018, profits were inflated when the Belize Bank Limited booked $58.8mn in accrued interest income following the Caribbean Court of Justice's November 2017 judgement. The Appellate Court's decision permitted the bank to enforce the 2013 Arbitration Award made by a Tribunal of the London Court of International Arbitration against the Government of Belize. The marked reduction in profits was responsible for the sizeable declines in the domestic banking system's return on equity (ROE), which fell from 19.8% in 2018 to 13.3% in 2019, and its ROA, which fell from 3.1% in 2018 to 2.0% in 2019.

Domestic banks also recorded a capital decline of $11.6mn to $470.6mn. This modest contraction reflected a combination of the aforementioned retained profits and capital injection of $13.6mn against dividend pay outs of $81.0mn. Notably, profits repatriated this year exceeded the $74.0mn remitted over the previous four-year period (2015-2018). As a result, the industry's CAR fell from 24.6% to 22.8% but remained well above the 9.0% prudential requirement.

For the second consecutive year, domestic banks' loan growth surpassed the $100.0mn mark at $118.1mn in 2019, reflecting the largest increase since 2008. After adjusting for write-offs of $32.3mn, the lowest amount recorded since 2015, the industry's the NPL ratio fell by 26 basis points to 2.4%, reflecting the lowest level since 2017.

Credit Unions

After posting a $6.1mn decline in 2018, credit unions' profits edged up by $1.4mn in 2019 to $41.5mn. The largest credit union—ranked fourth in size among all financial institutions—accounted for $24.5mn or 61.2% of the total. The upturn in profits pushed the industry's ROE up from 23.5% in 2018 to 24.3% in 2019. However, its ROA

Chart 1.4: Credit Unions - Profitability

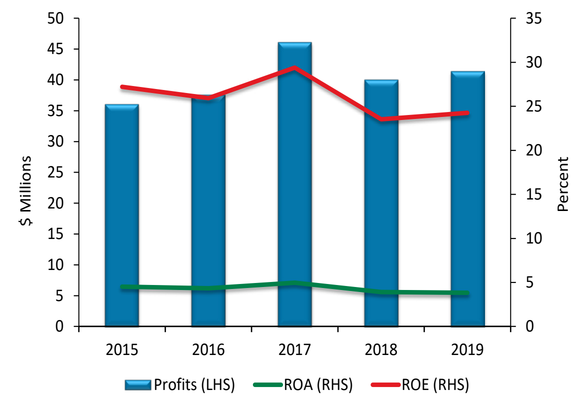


Chart 1.5: Credit Unions - Capital

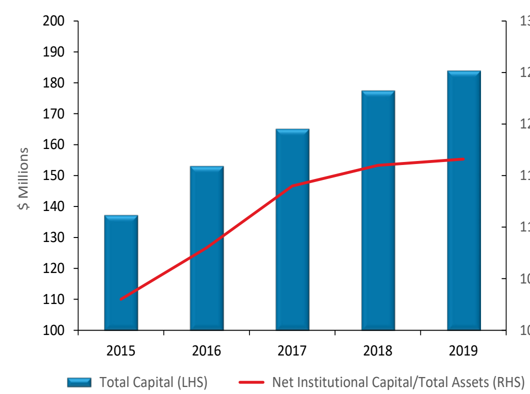
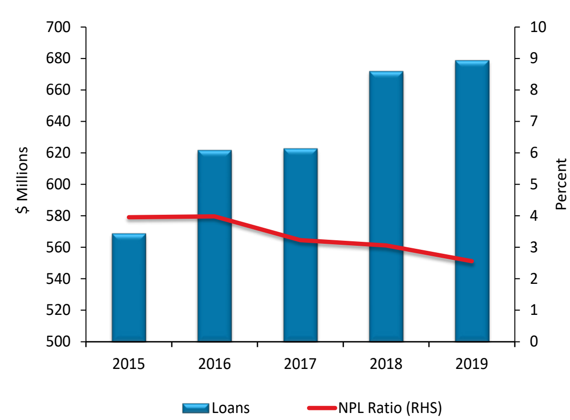


Chart 1.6: Credit Unions - Loan Portfolio



dipped from 3.9% in 2018 to 3.8% in 2019, as the impact from the marginal profit expansion was outweighed by new equity injection.

Credit unions' capital expanded further, rising by $6.4mn to $183.9mn in 2019. However, their net institutional capital to total assets ratio increased by only six basis points to 11.7% as a result of a similar increase in assets.

International Banks

At 31 December 2019, the international banking industry comprised only three banks after AIBL's license was revoked in April 2019. Before the revocation, AIBL was the second largest international bank. Of the three remaining, the largest now accounts for 62.9% of the industry's assets.

The international banking sector's financial performance improved, supported by the sale of collateral held for NPLs and a reduction in provisioning expenses relative to the year before. Profits increased to US$1.1 million in 2019, up from US$0.2mn in 2018. Consequently, the industry's ROA and ROE also strengthened from 0.1% in 2018 to 0.5% in 2019 and from 0.4% in 2018 to 2.5% in 2019, respectively.

AIBL's exit reduced the sector's capital from $56.7mn in 2018 to $41.8mn in 2019 and shrank aggregate risk-weighted assets from $189.1mn in 2018 to $111.5mn in 2019. Like the year before, the decline in risk-weighted assets outweighed the reduction in capital, causing the industry's CAR to improve markedly from 30.0% in 2018 to 37.4% in 2019—more than triple the 10.0% legal requirement. However, the CAR for individual international banks varied widely, with one institution having a CAR of 80.6%, while the other two averaged slightly over 25.0%.

Chart 1.7: International Banks - Profitability

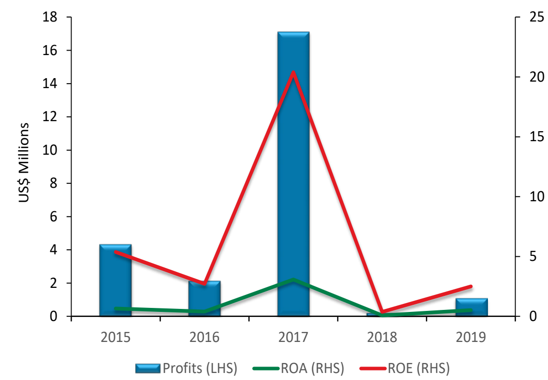


Chart 1.8: International Banks - Capital

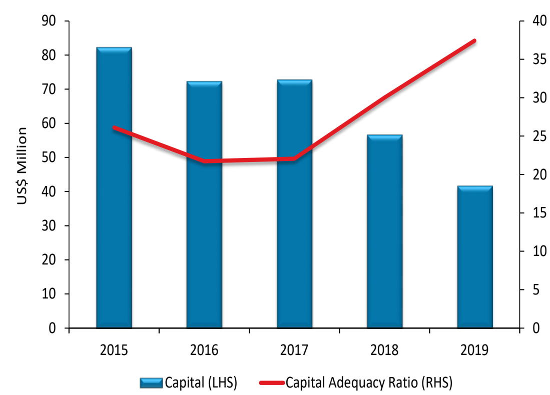
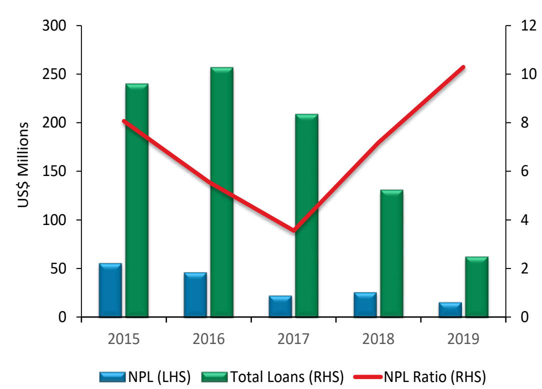


Chart 1.9: International Banks - Loan Portfolio



Central Bank's Financial Performance

Influenced by major developments in the banking system, the Central Bank's balance sheet grew by 10.9% to $1.1bn in 2019, reversing the declines recorded in 2018 and 2017. This robust expansion was solely attributable to an increase in domestic assets, which grew by $146.5mn (33.7%). The upsurge reflected an expansion in Government securities holdings and a rise in custodial funds stemming from the liquidation of an international bank. In contrast, the Central Bank's level of foreign assets declined by $35.3mn (6.1%) to $541.1mn at year end, as foreign currency outflows exceeded inflows.

The Central Bank's gross income increased by $4.0mn (14.1%) to $32.3mn, of which $20.4mn (63.2%) was derived from domestic sources. Local income was generated from interest income on Central Government's securities and overdraft facility, commission on foreign exchange trades, as well as revenue from licensees and other miscellaneous sources. Interest earnings on Treasury notes (T-notes) provided the largest stream of domestic revenue, accounting for 50.8% of the total.

Foreign income grew by $1.1mn (9.7%) to $11.9mn during the financial year. However, its contribution waned in the last quarter following three 25-basis point cuts in the federal funds rate between September and December 2019. Portfolio investment decisions on foreign asset placements remained conservative, taking the form of fixed deposits at foreign banks in most instances. The Central Bank's foreign reserves averaged $532.9mn in 2019, from which an average rate of return of 2.2% was earned.

Central Bank's expenditure rose by $4.7mn (23.4%) to $29.1mn. Staff costs accounted for

Chart 1.10: Central Bank of Belize's Assets

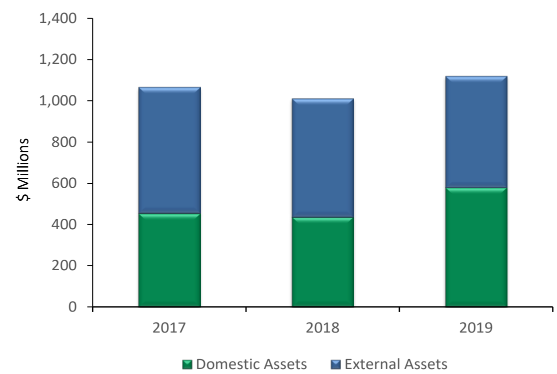
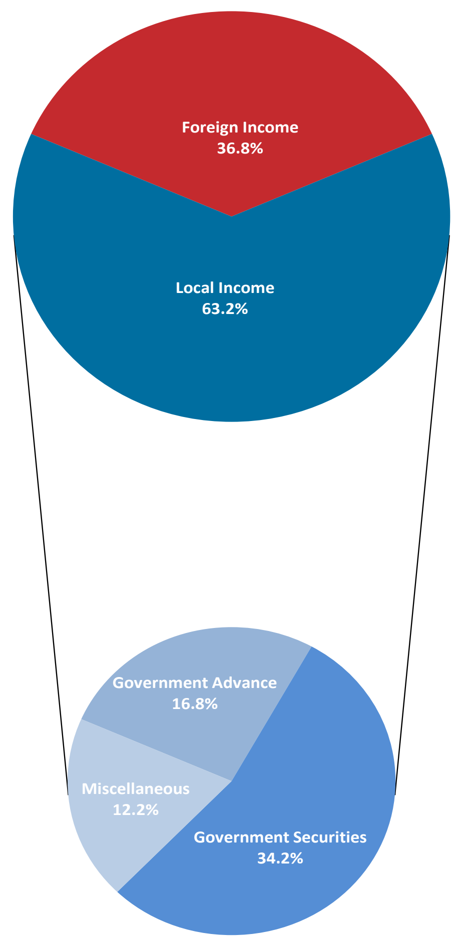


Chart 1.11: Foreign and Local Income



almost half of total outlays at 48.6% of the amount. The balance comprised interest and currency costs (8.7%), as well as other administrative and operating outlays (42.7%). Increases in employees' emoluments, administrative costs, and operating expenses led to a $1.5mn reduction in the net operating surplus, which amounted to $3.2mn.

This surplus will be distributed in accordance with Section 9(1) of the Central Bank of Belize Act. Accordingly, $0.3mn (10%) will be paid into the Central Bank's General Reserve Fund, and the remaining $2.9mn (90%) will be paid to the Accountant General for deposit into the Consolidated Revenue Fund.

Foreign Exchange Operations

In 2019, Central Bank's foreign currency transactions with Central Government, public sector entities, domestic banks, foreign government agencies, and regional central banks resulted in net sales of $22.6mn. This overall decline was not as steep as net sales of $33.8mn recorded in 2018. Foreign currency inflows amounted to $234.0mn, stemming mainly from the following sources:

- American Sugar Refining/Belize Sugar Industries Limited (BSI), $53.8mn,
- Republic of China/Taiwan (ROC/Taiwan), $20.0mn,
- The international business company and ship registries, $16.0mn, and
- Central Government's external loan disbursement proceeds, $78.8mn.

Foreign currency outflows totalled $256.6mn. The most significant external payments were the February and August $26.0mn semi-annual interest payments on the 2034 bond.

Trading in Caribbean Community (CARICOM) currencies, which continued to be mostly for

Chart 1.12: Trade in Foreign Currency

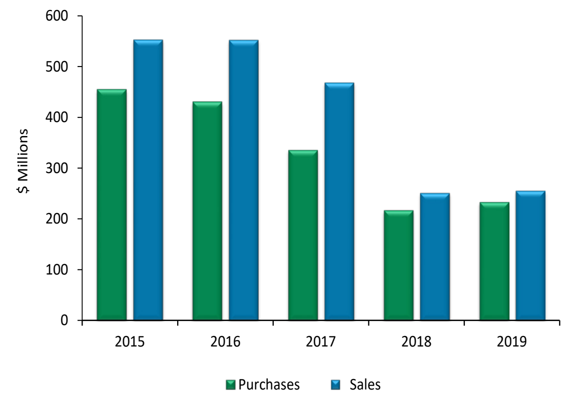


Chart 1.13: Monthly External Asset Ratio

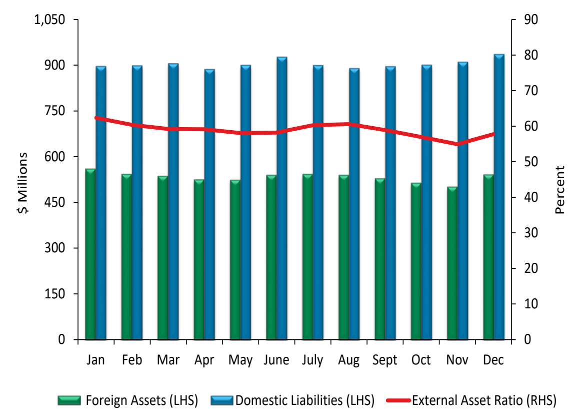
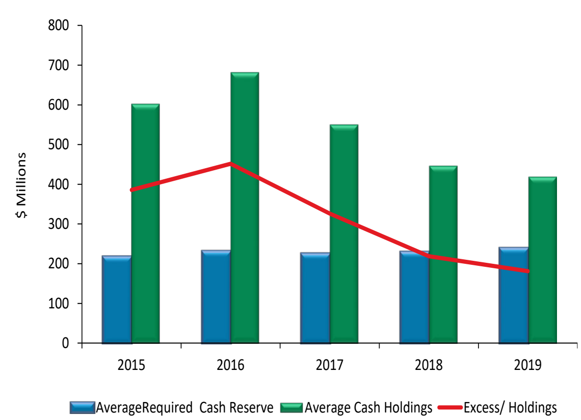


Chart 1.14: Domestic Banks' Cash Reserves



settlement of official transactions, resulted in annual net sales of $2.3mn, reflecting a 32.6% decrease from 2018.

External Asset Ratio

The Central Bank was fully compliant with Section 25(2) of the Central Bank of Belize Act. The section stipulates that the Central 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 is aimed at ensuring that the Central Bank maintains foreign reserves at adequate levels to meet the country's external obligations.

The foreign asset ratio remained comfortably above the legal requirement throughout the year. At 62.3% in January, the foreign asset ratio started the year at its highest point. Thereafter, it declined incrementally through May, then inched up slightly from June to August. In September, it trended downward again, reaching its lowest point of 55.0% in November, settling at 57.8% at year end.

Central Bank's foreign asset movements followed a similar trend. Foreign currency inflows stemmed primarily from external loan disbursements, the international registries, and sugar export receipts. Foreign currency outflows were mainly used to service the public sector's external debt in addition to other overseas public expenditure and Central Bank's own expenses for foreign goods and services. After peaking at $559.6mn in January, the level of foreign assets inched down monthly into May. Notably, the largest monthly decline of $16.7mn occurred in February when the first semi-annual interest payment on the 2034 bond was made. Slight upticks over the next two months, raised the foreign asset level to $542.8mn in July. The level of foreign assets reached a trough of $501.0mn in November, then grew by $40.1mn to $541.1mn at the end of December.

The foreign asset portfolio mainly comprised cash and fixed deposits (84.0%), Special Drawing Rights (SDRs) (13.5%), and foreign securities (2.5%).

Domestic Banks' Cash Reserves

Domestic banks' cash reserve requirement remained unchanged at 8.5% of average deposit liabilities throughout 2019. The monthly average cash holding fell by 6.1% ($27.4mn) to $419.8mn compared to 2018. Owing to an acceleration in domestic bank lending, average monthly excess cash holdings decreased by 17.1% ($37.4mn) to $181.4mn. At year end, total excess cash holdings stood at $193.9mn.

Currency Operations

Currency continued to be the primary medium of exchange for trade and commerce, as the use of non-cash payment methods fell by 5.6% in 2019. The total value of banknotes in circulation rose by 9.1% to $398.1mn, up from $364.9mn in 2018. The $50.00 and $2.00 banknotes were most widely circulated, accounting for 23.9% and 19.2% of total notes in circulation, respectively. Similarly, the value of coins in circulation also expanded, rising from $32.5mn at the end of 2018 to $34.5mn at the end of 2019. In sum, the total value of banknotes and coins in circulation rose by 8.9% to $432.6mn.

The proportion of banknotes and coins remained unchanged, with banknotes accounting for 92.0% and bank coins 8.0% of total currency in circulation. The seasonal growth of banknotes in circulation around Christmas pushed up the value of cash held in the domestic banks' vault from $61.9mn in 2018 to $64.3mn in 2019. Currency with the public stood at $368.3mn, up from $335.4mn in 2018.

Automated Payment and Securities Settlement System

In 2019, participants processed 1.7mn transactions in APSSS, resulting in a 10.0% decline relative to the 1.8mn transactions processed in 2018. The moderate downturn reflected an 8.8% reduction in electronic funds transfers, tempered by expansions in instant funds transfers and real time gross settlement payments. The latter had increased by 166.3% and 0.7%, respectively. Cheques remained the most widely used non-cash payment instrument, even though its usage fell by 13.5% when compared to the year before.

Interbank Market

The interbank market was more active in 2019 compared to recent years. In particular, one domestic bank sought funding on the interbank market repeatedly to ensure compliance with its liquidity requirements. Six offers were placed and accepted during the second and third quarters of the year at an average rate of 2.1%.

Transactions with Central Government

The Central Bank can legally extend advances to Central Government through an overdraft facility. The ceiling is set at 8.5% of current revenue in the preceding fiscal year (FY), equivalent to $97.3mn for FY 2019/2020.

In the first quarter, the balance on the overdraft facility averaged $62.4mn, reflecting a $7.0mn increase when compared to the same period of 2018. During this three-month period, inflows stemmed from a mix of tax receipts, sugar proceeds, loan disbursement receipts, and tourism tax proceeds, while outflows were mainly related to debt service payments, including February's $26.0mn interest payment on the 2034 bond.

For the second quarter, the overdraft facility's average fell to $53.8mn. The lower balance reflected the impact of $21.6mn in loan proceeds

Chart 1.15: Currency in Circulation

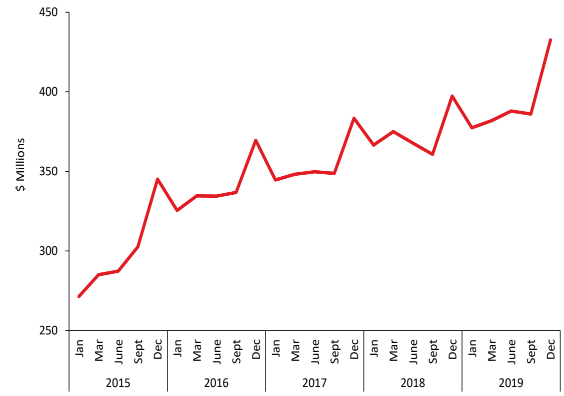


Chart 1.16: Non-Cash Payment Methods

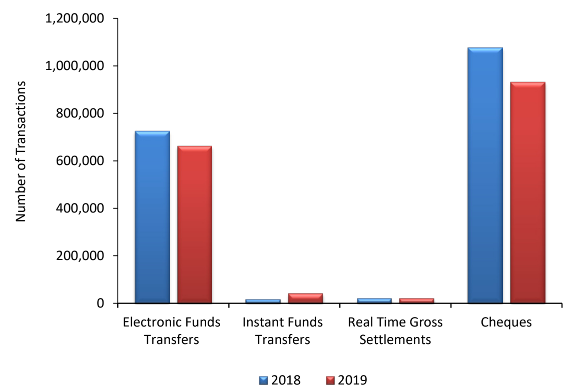
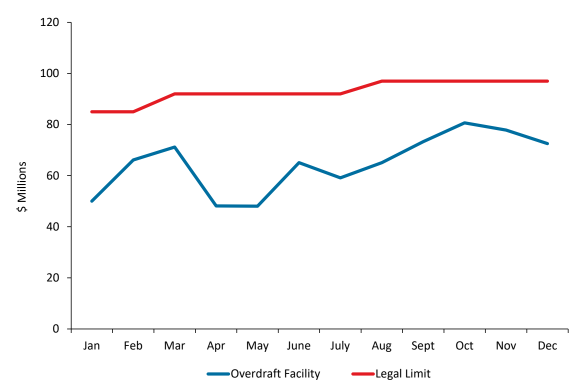


Chart 1.17: Overdraft Financing to Central Government



from development partners to fund a litany of public investment projects. In contrast to last year, there were no new tax-enhancement measures that were implemented to boost tax receipts.

In the third quarter, the overdraft facility's average balance widened to $65.8mn, owing principally to the $26.0mn August interest payment on the 2034 bond. The overdraft facility's average balance expanded further to $77.0mn in the fourth quarter, ending the year at $72.6mn, which represented 74.6% of the legal limit.

Treasury Bills

The outstanding value of T-bills remained at $245.0mn in 2019, reflecting the same position held since February 2017. Market participants expanded from eight to 10, as two non-financial institutions joined in the bidding for T-bills. Notwithstanding, competitive bidding was lukewarm with T-bill yields inching up by three basis points from 1.22% in December 2018 to 1.25% at year end. Domestic T-bill yields remained below the comparable US three-month T-bill yield, which declined by 83 basis points from 2.37% at the end of 2018 to 1.54% in December 2019. As buyer of last resort, the Central Bank continued to participate in T-bill auctions, purchasing unsubscribed amounts at the prevailing weighted average yield.

Only two domestic banks actively participated in the T-bills market. Appetite waned as domestic banks opted to surrender their T-bill holdings to support an upswing in lending. Nevertheless, domestic banks continued to dominate the T-bill market. In aggregate, their holdings fell from $177.4mn (72.4%) at the start of the year to $162.4mn (66.3%) at year end. Likewise, the Central Bank's holdings contracted from $61.1mn (24.9%) in January to $56.7mn (23.1%) in December. Conversely, amounts held by other

Chart 1.18: T-bill Yield

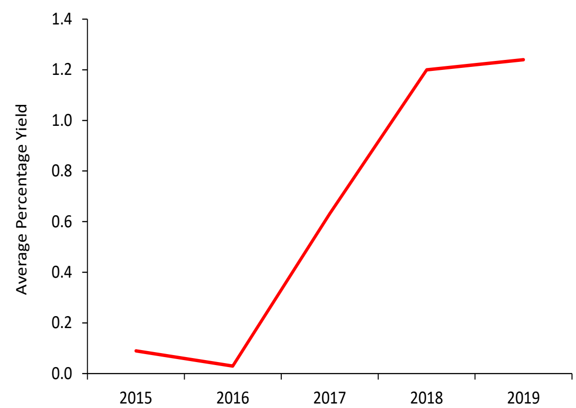


Chart 1.19: Monthly T-bill Allocations in 2019

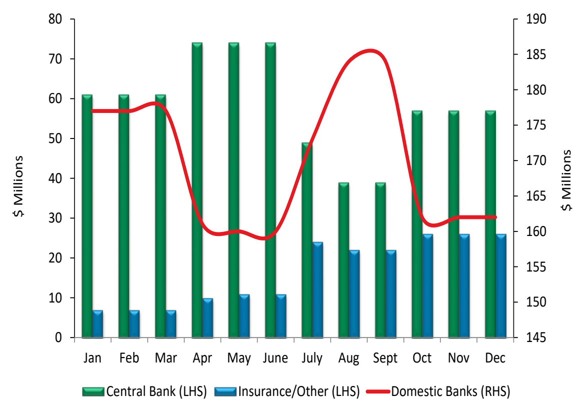
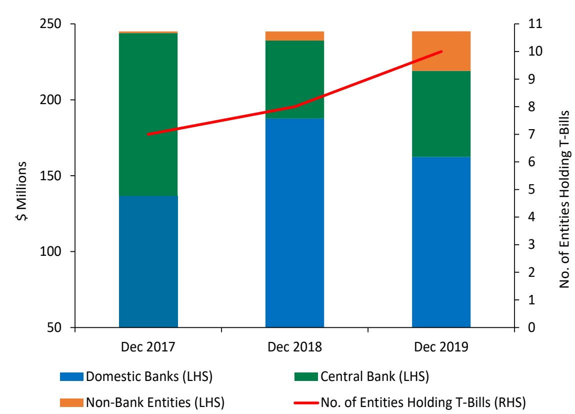


Chart 1.20: T-bill Distribution



institutional investors expanded, reaching a face value of $25.9mn, representing 10.6% of total issuances at December end.

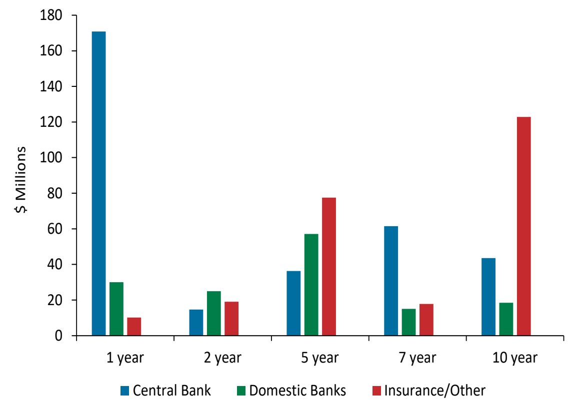
There was no secondary market trading during the year.

Treasury Notes

The authorised ceiling for T-notes remained at $1.0bn throughout 2019. During the year, an additional $65.0mn in notes were placed on the market, raising the total notes issued and outstanding to $720.0mn or 72.0% of the authorised principal amount. The additional $65.0mn was issued in three one-year tranches of $20.0mn each in March and November, and $25.0mn in December.

The yield for one-year T-notes was 2.25%, while the yield for ten-year T-notes was 5.25%, resulting in a 3.0% spread between maturities. Nine one-year issues were rolled over at the coupon rate of 2.25%, and four two-year issues were rolled over at 3.00%.

Chart 1.21: T-note Distribution by Maturity and Holder



ECONOMIC REVIEW

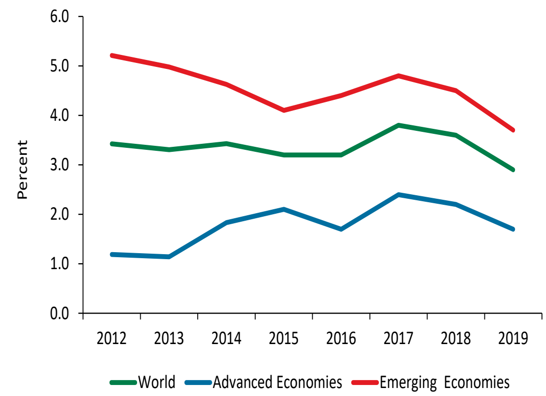
TOP LEFT - FARMER HARVESTING CORN
TOP RIGHT - MARKET DAY

LOWER LEFT - TOURISTS AT CAYE CAULKER
LOWER RIGHT - CRAFT MARKET

International Developments

World growth slowed in 2019. Global manufacturing and trade were suppressed by reduced business confidence and private investment arising from trade policy uncertainty, geopolitical tension, and adversity in emerging market economies. World real gross domestic product (GDP) was estimated to decelerate to 2.9%, the lowest growth rate posted since the Global Recession of 2008.

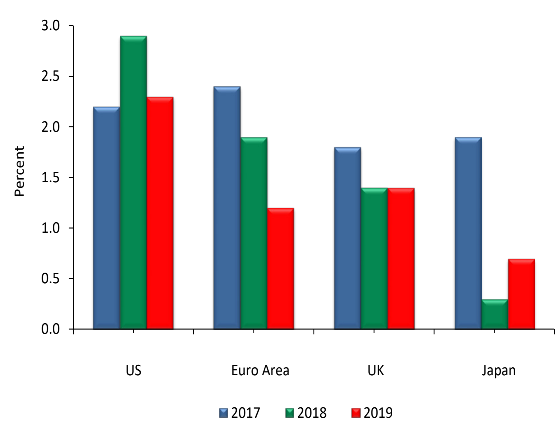
Chart 2.1: GDP Growth Rate



Source: IMF

Among advanced economies, growth decelerated to 1.7% in 2019 from 2.2% in 2018, reflecting a broad-based weakening in output. In the US, growth slowed by 0.6 percentage points to 2.3%, as personal consumption, private investments, and exports slackened. The US Federal Reserve reversed its policy stance midyear by lowering the Federal Funds rate in July, September, and October to the target range of 1.5% to 1.75% at year end. The euro area economy grew by 1.2% in 2019 after registering growth of 1.9% in 2018, reflecting ongoing weaknesses in private investment and the manufacturing sector. The United Kingdom's (UK's) economy expanded by 1.4% between 2018 and 2019, undermined by uncertainty around the planned exit from the European Union (EU), which impeded manufacturing and business services activity.

Chart 2.2: Selected Advanced Economies: GDP Growth Rate



Source: IMF

The slowdown in activity was more pronounced across emerging market and developing economies, whose collective output decreased from 4.5% in 2018 to 3.7% in 2019. A slower growth pace was recorded in Brazil, Russia, India, China, and South Africa, which accounted for almost one-fourth of the world's gross product. China's GDP growth slowed to 6.2% in 2019 from 6.6% in 2018, weighed down by necessary financial regulatory reforms to rein in debt and lower external demand amid trade tensions with the US. India, one of the world's fastest growing economies in recent years, experienced a two-percentage point reduction in output to 4.8% when compared to 2018. The country's growth was hindered by tightened financial conditions, on-going financial sector difficulties, and reform issues such as the implementation of a nation-wide goods and services tax.

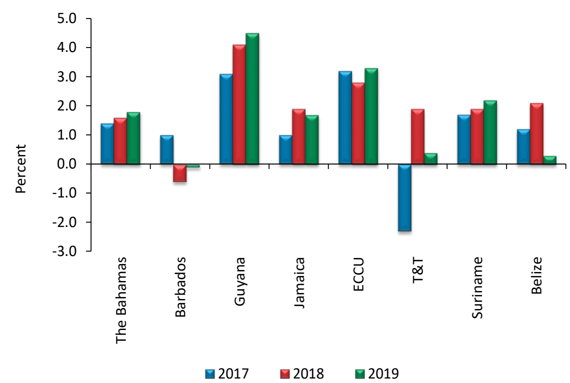
Central America and Mexico

In Central America, real output decelerated to 1.7% in 2019 relative to 2.0% in the previous year. The downturn was mainly attributed to Nicaragua, whose economy contracted by 5.7% in 2019 after declining by 3.8% in 2018. The severe contraction occurred as a planned social security reform sparked social unrest that eroded confidence and caused large capital and bank deposit outflows. The Honduran economy cooled slightly to 3.4%, owing mainly to reduced consumption and investment. Slowing to 2.0%, Costa Rica's economy was adversely affected by a public sector strike against fiscal reform measures aimed at restoring fiscal sustainability. In contrast, Panama recorded the highest regional growth rate, expanding by 4.3% supported by strong public investment. Guatemala followed with its output rising by 3.4%, buoyed by higher private consumption. Closer to home, Mexico's economic growth decelerated to 0.4% in 2019, owing to slackening in the industrial sector and tighter monetary conditions.

CARICOM

Economic growth in the Caribbean region decelerated to 1.0% in 2019 compared to 1.6% in 2018. Regional economies were impacted by the softening in global economic activity, ongoing fiscal consolidation efforts, and severe weather-related shocks. However, broad-based improvements in tourism performance, as well as buoyant construction activities, cushioned the adverse impact of downside factors.

Chart 2.3: CARICOM - GDP Growth Rate



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

Despite the slowdown in global demand, output in service-based economies was supported by increased tourism activities. In The Bahamas, Hurricane Dorian devastated parts of the Grand Bahama and Abaco islands in 2019, resulting in a sharp decline in tourism activities in the affected areas. Notwithstanding, a gradual recovery in visitors to other unaffected islands led to a 10.2% year-on-year growth in international arrivals through October, exceeding the 8.2% increase recorded in the same period of 2018. Barbados' Economic Recovery and Transformation plan, aimed at restoring fiscal and debt sustainability, rebuilding reserves, and increasing growth, entered its second year of implementation. A 3.0% growth in tourism activities cushioned the mild contraction in economic output, estimated at 0.1% in 2019 vis-à-vis a 0.6% decline in 2018. The improvement resulted in spite of a 9.0% increase in government expenditure cuts to achieve a 6.0% primary surplus target for the 2019/2020 FY under the home-grown programme. Average growth in the Eastern Caribbean Currency Union (ECCU) accelerated to 3.9% in 2019 from 3.3% in 2018, as all ECCU island states registered positive growth. The robust performance of the tourism sector, as well as public investment inflows via the

Citizenship by Investment programme, supported growth.

Growth in the Caribbean commodity-based economies was generally higher than the tourism-dependent economies but also varied. Guyana's economic growth sped up to 4.5% in 2019, up from 4.1% in 2018. The construction sector made the largest contribution to growth, reflecting an increase in both private and government investments ahead of the anticipated 2020 oil boom. Trinidad and Tobago posted a marginal 0.4% growth in 2019, marking the first year of economic expansion since 2015. The economic turnaround was supported by increased natural gas production, rising public sector infrastructural investment, as well as heightened distribution and finance activities in the non-energy sectors. In contrast, Suriname's growth weakened to 2.2% in 2019 compared to 2.6% in 2018. Increased agriculture, hunting and forestry, and manufacturing activities contributed to the expansion in output, as unemployment fell, inflation moderated, and the exchange rate remained stable amid rising concerns of debt sustainability, owing to large fiscal deficits. Jamaica concluded six and one-half years of continuous engagement with the IMF over two successive programmes. While the programmes succeeded in restoring macroeconomic stability and implementing needed reforms, the country's growth remained low. Jamaica's GDP reduced to 1.7% in 2019, slightly lower than the 1.9% recorded in 2018. The sluggishness was attributable to a contraction in goods-producing industries, except for manufacturing.

Domestic Overview

Belize's real GDP was estimated to expand by 0.3% in 2019, as weather-related shocks and disruptions to tourism almost brought the economy to a standstill. In the primary sector, below average rainfall suppressed production of short-cycle, rain-fed crops, such as corn and other seasonal vegetables, while diseases further depressed citrus and farmed shrimp output. Investments in expanding production acreage bolstered cane and banana harvests, softening the sectoral decline to 0.7%. The downturn in the secondary sector was more severe, down by 11.7% for the year. The contraction reflected a drought-induced plunge in hydroelectricity generation together with a deep downturn in construction. These activities were tempered by marginal improvements in manufacturing. The tertiary sector was more resilient, expanding by 2.6% despite a sharp deceleration in growth pace of international visitors. Growth in bona fide tourist arrivals were negatively impacted by large mats of sargassum on the shoreline in the first half of the year, then by heightened concerns about crime in the second. As a result, output in the accommodation industry curtailed, while other service-based activities, like distributive and government services, expanded.

The average unemployment rate stood at 9.1% in 2019, with employment gains primarily in agricultural and service-related industries. Inflation was flat, as the Consumer Price Index (CPI) averaged a faint 0.2% increase for 2019.

Central Government operations yielded a primary deficit of 0.1% of GDP in 2019 compared to a primary surplus of 2.4% of GDP in 2018. The weakened fiscal outturn resulted as total revenues fell by 1.9% to $1,171.4mn with downturns in non-tax revenue and grants. Concurrently, total expenditure grew by 6.5% to $1,300.9mn, owing to a sharp rise in capital investments. Thus, the overall deficit widened to 3.5% of GDP, up significantly from 0.7% of GDP in 2018.

The overall deficit was funded from both domestic and external creditors. Net domestic financing of

$54.3mn was provided principally by the Central Bank, while net external financing summed to $117.3mn and reflected net borrowings from bilateral and multilateral development partners. In turn, Central Government's domestic debt rose by 6.6% to $1,114.4mn (29.8% of GDP), and the external public sector debt grew by 1.9% to $2,618.9mn (69.9% of GDP). The total public sector debt increased by 3.3% to $3,733.3mn (99.7% of GDP).

The external current account balance widened to 9.5% of GDP in 2019 compared to 8.1% of GDP in the previous year. The deterioration in external balance mainly reflected the burgeoning trade deficit in goods and increased profit repatriation, particularly by domestic banks. The $354.2mn deficit was funded mainly by intergovernmental grants, foreign direct investments, external private and public sector loans, and withdrawals from domestic banks' foreign asset holdings. In addition, $35.5mn was drawn down from the gross international reserves, which at year end stood at $555.7mn, the equivalent of 3.2 months of merchandise imports.

In monetary developments, the expansion in broad money supply was robust, fuelled by a sharp rise in net domestic credit as the net foreign assets of the banking system fell. Net domestic credit expanded by 6.2% or $166.3mn, reflecting heightened bank lending to private entities ($115.7mn), public corporations ($22.2mn), and Central Government ($28.4mn). However, the sharp rise in credit growth was partly responsible for the downward pressure on the net foreign assets of the banking system. The net foreign assets of the Central Bank and domestic banks contracted by $33.2mn and $13.3mn, respectively, over the year. Whereas, Central Government's external debt service burden weakened the Central Bank's external reserves, increased payments for foreign goods and services, as well as commercial banks' profit repatriation, weighed heavily on domestic banks' foreign balances.

Leakages from the rapid credit expansion dampened liquidity in the banking system. In 2019, domestic banks' excess statutory liquid asset holdings contracted by $40.0mn to 30.7% above the statutory requirement. Excess cash reserves were disproportionately impacted, down by only $2.8mn to 80.3% above the required level, as banks surrendered T-bills to top up cash balances at the Central Bank.

Nominal interest rates increased with the tightening in liquidity conditions. Domestic banks' 12-month rolling weighted average interest rates for new loans and deposits rose by seven and 31 basis points, respectively, through December. Consequently, the weighted average spread declined by 24 basis points to 6.8%, as banks' competition for time deposits intensified. Furthermore, domestic banks' profitability weakened, with their average ROA down markedly to 2.0% compared to 3.1% a year ago. However, domestic banks' aggregate NPL ratio improved modestly to 2.4% relative to 2.7% in 2018.

Credit unions' contribution to credit growth was less pronounced, registering a meagre 0.8% increase in 2019.

Economic Prospects for 2020

Early in the year, the Central Bank expected Belize's real GDP to contract by 0.4% in 2020. This projection assumed that the cascading effects of drought conditions into 2020 would result in a mild economic downturn in the first half of the year. The prolonged drought effects was expected to hinder crop, agro-processing, and energy production, restraining primary and secondary sector output for the second year in a row. In addition, international visitor arrivals growth would have weakened relative to the year before, curbing growth in tourism-related activities.

However, containment and social-distancing measures implemented at home and abroad to contain the novel coronavirus disease pandemic will worsen this outlook. While determining the size of the economic fallout is difficult given the uncertainty surrounding the duration and gravity of the outbreak, tourism activities is expected to be severely hampered by border closures and lockdown measures. These factors will significantly reduce the number of international visitors to Belize, and output from direct and indirect activities linked to the tourism sector will be depressed.

The current account deficit on the balance of payments is also expected to widen. The deterioration in external deficit will stem mainly from reduced foreign exchange inflows from merchandise exports, tourism, and remittances. Capital inflows will also recede as credit conditions weaken. Consequently, the foreign assets of the banking system will be under immense pressure to pay for essential goods and services and to cover external debt service obligations.

Fiscal balances will likely deteriorate as the economic downturn reduces Central Government's revenue, while Government spending on public health services and social transfers rise. The widened fiscal imbalance will result in higher than planned public borrowings from both domestic and external sources, elevating debt sustainability concerns.

Production

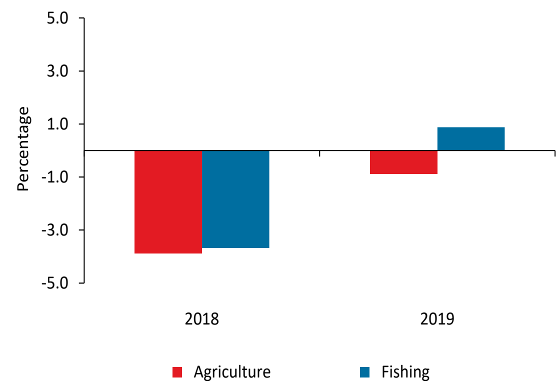
Belize's real GDP growth decelerated to 0.3% in 2019 compared to 2.1% the year before. Economic growth was stifled by a severe drought shock that depressed agricultural and hydroelectricity production in the primary and secondary sectors, respectively. However, tertiary sector output expanded modestly despite a weakening in tourism activities.

Primary sector output contracted by 0.7%, as a 0.9% downturn in "*Agriculture, Hunting, and Forestry*" was partly offset by a 0.9% upturn in "*Fishing.*" Agricultural production was hampered by drought stress, which decimated corn and other vegetable harvests. However, the water deficit in the late stage of the cane growth cycle factored in raising both cane deliveries and sugar yields. Meanwhile, the combined effects of citrus greening and citrus leprosis continued to supressed citrus fruit production. Conversely, fishing activities rebounded faintly as increased capture of conch and whole fish more than compensated for a fall-off in farmed shrimp production.

The drought effects were even more pronounced in the secondary sector, which contracted by 11.7% during the year. Reduced rainfall caused hydroelectricity generation to nosedive, resulting in a 23.5% decline in "*Electricity and Water.*" "*Construction*" also plummeted, down by 18.4%, as a leading indicator of construction activities, cement imports, fell. These declines were cushioned by a 1.9% improvement in "*Manufacturing*" output, as increased outturns of sugar, molasses, beverage, and fertiliser outweighed reductions in citrus juice and crude oil production.

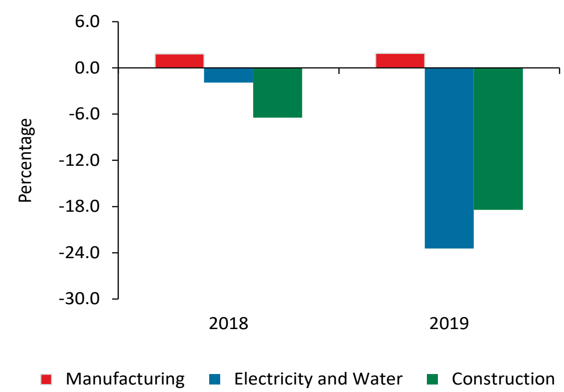
Output in the tertiary sector expanded by 2.6% despite a slowdown in tourism. Stay-over arrivals growth moderated, hindered by supply side and climatic factors. Hence, "*Hotels and Restaurants*" contracted by 0.6%, as hotel revenue dipped.

Chart 3.1: Percentage Change in Primary Industries



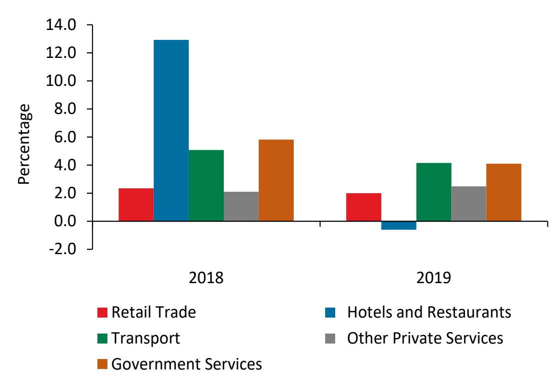
Source: SIB

Chart 3.2: Percentage Change in Secondary Industries



Source: SIB

Chart 3.3: Percentage Change in Tertiary Industries



Source: SIB

Growth in this sector was driven by moderate expansions in other service-based activities, particularly retail and wholesale distribution, transport and communication activities, as well as financial and government services.

Agriculture

Sugarcane

The northern sugarcane crop year ran for 31 weeks, spanning from 13 December 2018 to 15 July 2019. This crop year was 12 days longer than the previous one, as the prolonged dry spell favoured harvesting conditions. The western harvest period was shorter, running from 20 February to 11 June. It lasted for 16 consecutive weeks, one day less than the previous season.

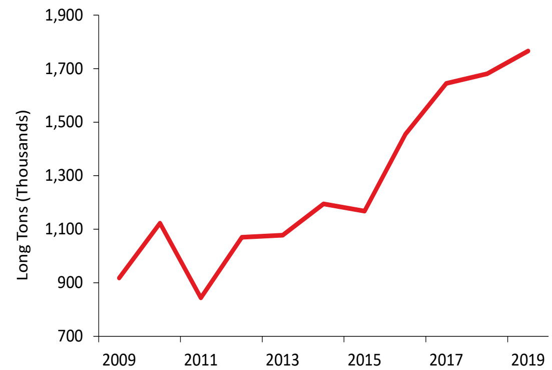
Total sugarcane deliveries expanded by 5.1% to 1,765,695 long tons. Cane yields rose to new record highs in both regions, with deliveries up by 3.3% to 1,296,816 long tons in the north and by 10.1% to 468,879 long tons in the west. Factors that influenced milling speeds for better efficiency varied between producers. While in the north the average daily grinding rate contracted by 2.5% to 6,060 long tons per day, the same for the Santander Group increased by 11.1% to 4,224 long tons per day.

Improvements in sugar yields and international market prices led to a 4.6% rise in the average price per long ton of cane delivered to $50.12 for the 2018/2019 crop year.

Citrus

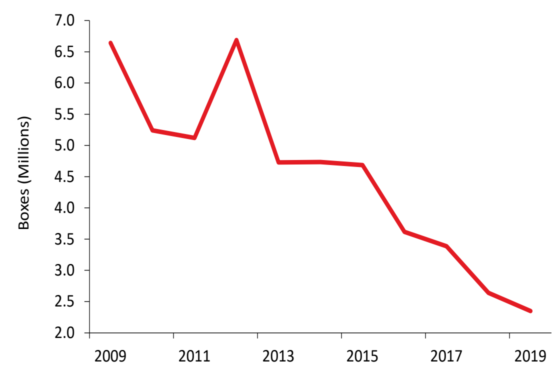
Citrus deliveries for the 2018/2019 crop year contracted by 11.0% to 2.3mn boxes, marking the fifth consecutive annual decline. The continued presence of citrus greening and citrus leprosis slashed orange deliveries by 12.6% to 2.1mn boxes. However, for the second consecutive crop

Chart 3.4: Sugarcane Deliveries



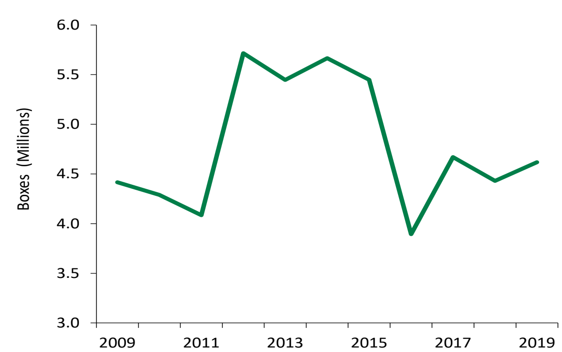
Sources: BSI and Santander Group

Chart 3.5: Citrus Fruit Deliveries



Sources: CPBL and CGA

Chart 3.6: Banana Production



Source: BGA

cycle, yields from greening resistant trees lifted grapefruit deliveries, up now by 8.3% to 0.2mn boxes.

Higher juice supplies from Brazilian and Floridian producers, alongside lower demand by American and European consumers, weighed down international orange juice prices. Thus, the final price for oranges to farmers shrank by 6.6% to $2.27 per pound solid (ps) from $2.42 per ps in the previous year. In contrast, a shortfall in supply of grapefruit juice (due to unfavourable weather and citrus greening) led to a 21.0% increase in the final price for a box of delivered grapefruit to $4.98 per ps.

Banana

A significant increase in production acreage contributed to a 4.2% rise in banana production to 4.6mn boxes in 2019. Total acreage under production expanded by 9.7% to 7,649.4 acres, with 6,821.5 acres of harvestable trees and 827.9 acres under plantilla (trees too young to harvest). Notwithstanding, the adverse drought impact caused the average yield to drop by 5.0% to 604 boxes per acre compared to 635 boxes per acre in 2018.

On 1 January 2019, a new five–year exclusive marketing contract between the Banana Growers' Association (BGA) and Fyffes PLC went into effect. The new contract kept the average price per 40-pound box at $20.00 for a two-year period up to 2021. Negotiations will commence in 2020 to set prices for the remaining three years under the five–year marketing agreement.

Marine Products

Total marine production grew by 2.2% to 3.4mn pounds in 2019, as higher outturns of conch and farmed fish compensated for downturns in farmed shrimp and lobster production. On the upside, conch rose by 24.9% to a record high catch of 1.0mn pounds, supported by favourable weather, particularly in the second half of the year. At the same time, farmed fish production grew by 17.7% to 0.4mn pounds. On the downside, Early Mortality Syndrome disease continued to ravage the shrimp industry. Farmed shrimp production declined by 14.1% to 1.0mn pounds, a significant drop from the peak of 16.0mn pounds produced in 2014 before the presence of this pathogenic bacteria. Following a historic catch a year ago, lobster hauls fell marginally by 3.0% to 0.9mn pounds.

Manufacturing

Sugar and Molasses

Sugar production expanded by 12.6% to a record high of 197,448 long tons. The unprecedented outturn was supported mainly by favourable harvesting weather and increased production acreage. Improvements in average factory time efficiency and average sucrose content, which grew by 7.9% and 5.3% respectively, also supported the overall outcome. Hence, the industry's long tons-cane-to-long-ton sugar ratio strengthened by 6.7% to 8.94. Molasses production grew by 21.1% to 62,563 long tons.

Citrus Juices, Citrus Oil, and Pulp

Citrus juice production contracted by 9.6% to 13.6mn ps. When disaggregated, orange concentrate production contracted by 11.3% to 12.3mn ps, while grapefruit concentrate output rose sharply by 23.2% to 1.0mn ps. Improvements in juice yields somewhat ameilorated the impact of reduced fruit deliveries. On average, the yield for oranges inched up by 1.6% to 5.9 ps, while that for grapefruit increased by 10.2% to 4.4 ps, boosted by production from recently planted greening resistant groves.

Production of not-from-concentrate juices declined by 13.8% to only 0.3mn ps, as weak demand on foreign markets suppressed its production. Outturns of citrus by-products also declined, with pulp and oil production down by 16.2% and 17.9%, respectively.

Other Manufacturing Production

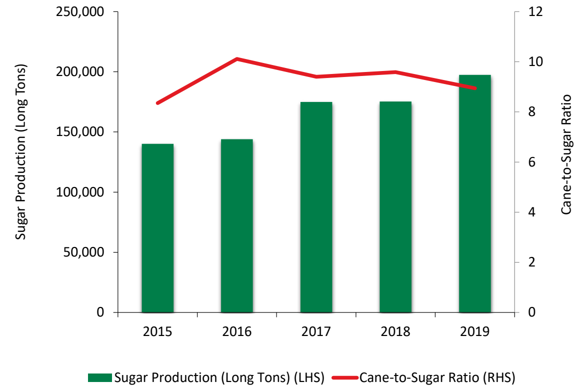
Goods manufactured for domestic consumption expanded for the most part in 2019. Fertiliser production increased by 35.3%, as its use skyrocketed as farmers sought to mitigate the harsh drought effects. On a milder note, beer and soft drink production grew by 4.7% and 1.1%, respectively, in line with consumption trends. In contrast, manufacturing of wheat flour dipped by 0.9%, reflecting the seventh consecutive annual decline as consumers continued to shift to lower-priced foreign substitutes.

Crude oil extraction fell by 12.7% to 263,313 barrels in 2019 with the average daily extraction rate down by 105 barrels to 722 barrels per day. Production at both oilfields were down. Output from the Never Delay oilfield plummeted by 25.3% to 2,952 barrels, as the two production wells advanced to the declining stage of their life cycle. Production from the Spanish Lookout oilfield diminished by 12.5% to 260,361 barrels, as it nears the end of the declining stage of its life cycle. After 14 years of commercial operations and 12.0mn barrels of petroleum extracted at year end, only 2.3mn barrels of extractable crude oil reserves is projected to remain.

Tourism

The World Tourism Organisation estimated that the number of international tourist visitors grew by 4.0% worldwide to 1.5bn in 2019. However, regional growth rates varied. For instance, international arrivals in advanced economies grew

Chart 3.7: Sugar Production and Cane-to-Sugar Ratio

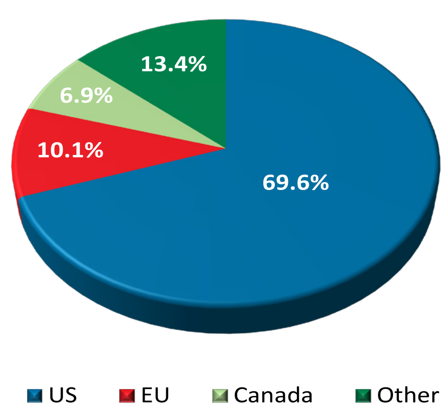


Sources: BSI and Santander Group

Chart 3.8: Tourist Visitors

Sources: BTB and CBB

Chart 3.9: Shares of Stay-over Arrivals by Source Markets



Sources: BTB and CBB

by 1.9% compared to 6.1% in emerging economies. International arrivals in the Americas rose by 2.0%, as a 3.1% reduction in South America (amid civil unrest in some Latin American economies) dampened growth over the two continents. The Caribbean registered a 4.9% growth in arrivals, reflecting a strong rebound from the devastation caused by major hurricanes in 2017.

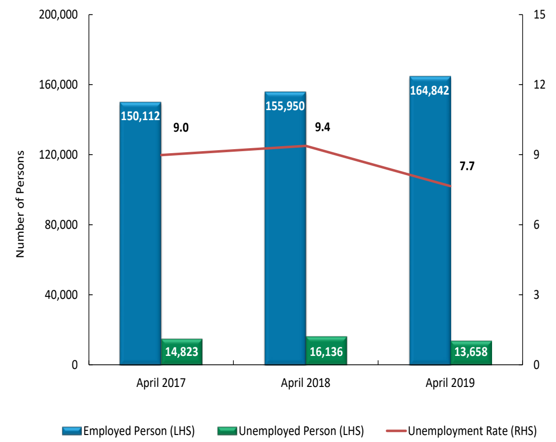
In Belize, bona fide stay-over arrivals grew by 2.0% in 2019 to a new high of 447,068 visitors. However, the growth pace had slowed significantly when compared to the 12.6% expansion recorded a year earlier. Demand was adversely impacted by heightened security concerns, the resurgence of large sargassum mats along the coastline, and the moderation in global growth. The US remained Belize's primary tourism source market, accounting for 69.6% of international visitors to Belize, registering a 1.9% increase in 2019. The EU was second, representing 10.1% of the market, as the growth in visitors from that region flattened. Conversely, arrivals from Canada and other source markets grew stronger, expanding by 2.9% and 3.7%, respectively. In turn, their market shares increased by 0.1% to 6.9% and 0.2% to 13.4%, respectively.

Cruise ship disembarkations contracted by 3.1% to 1,053,502 visitors in 2019, with port calls down by 21 to 371 ships. Disembarkations contracted for the second consecutive year, down by 5.7% at the Belize City Port, following a 20-ship reduction in port calls that reached 263 ships. However, dockings of relatively larger vessels at Harvest Caye fuelled a 2.8% upturn in disembarkations even though port calls fell by one to 108 ships.

Employment

The average annual unemployment rate stood at 9.1% in 2019. Job gains were supported by heightened output in service-based industries, particularly in distributive activities. Employment grew despite a slight increase in the labour force participation rate.

Chart 3.10: Labour Force Statistics



Source: SIB

In April, during the peak employment period, the unemployment rate fell to a historic low of 7.7%, 1.7 percentage points lower than a year earlier. This decrease occurred as a 5.7% growth in employed persons outpaced a 3.7% expansion in the labour force. The number of employed persons rose by 8,892 to 164,842, as primary and tertiary sector employment grew by 5.3% to 29,225 and by 8.9% to 109,768, respectively. However, secondary sector employment decreased by 5.7% to 25,075.

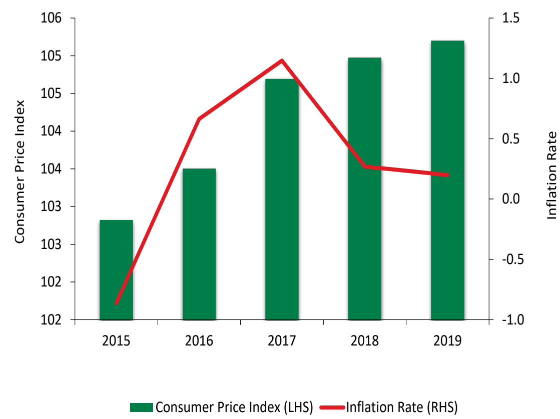
In September, the unemployment rate stood at 10.4%, as the number of persons who entered the work force far outweighed the amount of jobs created. In keeping with past trends, unemployment is normally higher in the second half of the year, owing to a decline in seasonal job opportunities coupled with an increase in unemployed graduates. From April to September, the labour force grew by 11,807 persons, outpacing the 5,616 jobs that were added.

Prices

The **CPI** rose by 0.2% on average in 2019, 0.1 percentage point lower than in the previous year. The low inflationary trend was supported by higher prices for seasonal vegetables, such as tomatoes, plantains, sweet peppers, and onions, which underpinned a 0.6% upswing in the "*Food and Non-Alcoholic Beverages*" category. In addition, higher tertiary tuition costs pushed "*Education*" up by 3.3%. Higher admission fees for sporting events resulted in a 1.3% uptick in "*Recreation and Culture*," while an increase in health and vehicular insurance contributed to a 1.3% lift in "*Miscellaneous Goods and Services*." Lastly, increased costs for liquefied petroleum gas raised "*Housing, Water, Electricity, Gas, and Other Fuels*" by 0.2%.

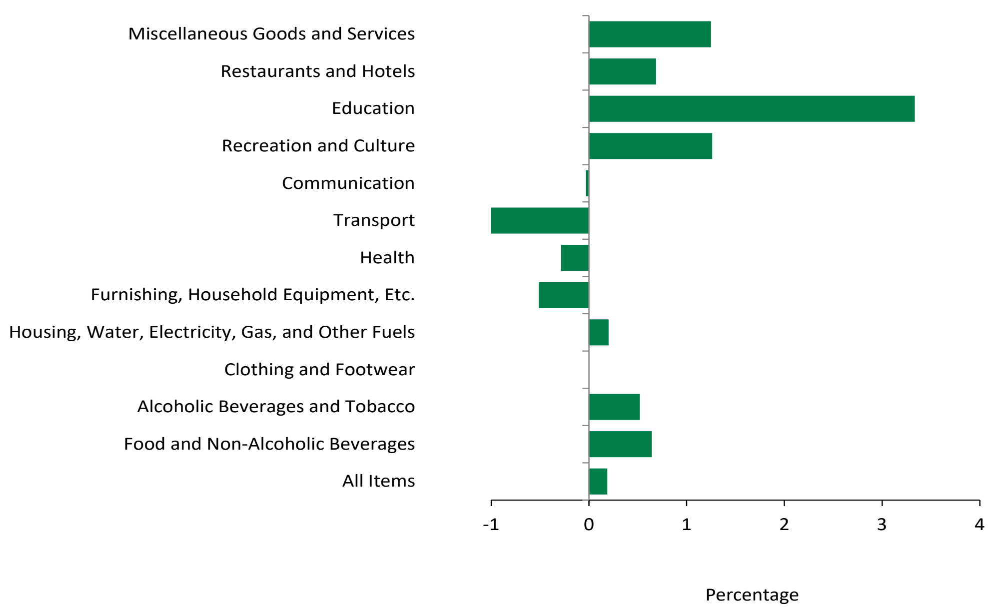
Upward cost pressure was dampened by a 1.6% decline in "*Transport*," with reduced prices for fuels and lubricants; a 0.5% reduction in "*Furnishing, Household Equipment, and Routine Household Maintenance*," with lower costs for household textiles; and a 0.3% dip in "*Health*," with a downturn in medical costs.

Chart 3.11: Consumer Price Index



Source: SIB

Chart 3.12: Annual Percentage Change in Consumer Price Index



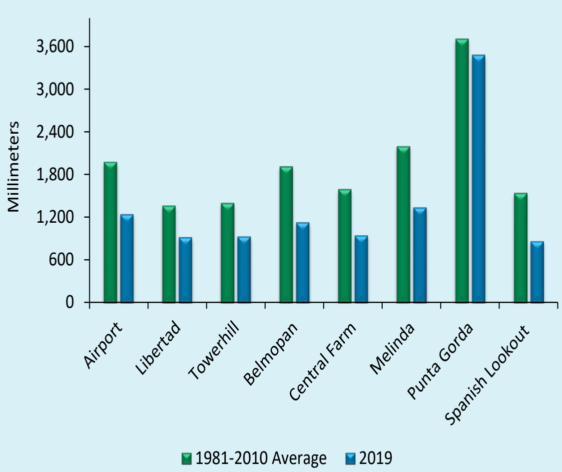
Source: SIB

Box 3.1: 2019 Drought: Impact and Policy Response

Figure 3.1: Farmer using irrigation system to manage drought risk.

Belize's economy was adversely affected by a severe, countrywide drought in 2019. Between February and August, the average rainfall level had contracted by 40.0%-60.0% over the six-month period. Abnormally dry weather conditions were most prevalent in the northern districts of Orange Walk and Corozal, as well as the central districts of Cayo and Belize. Accumulated rainfall at all nine selected rainfall stations were comparatively lower than their corresponding 30-year average from 1981 to 2020. Based on the Standardised Precipitation Index, the 2019 drought was one of the most severe meteorological droughts observed on instrumental record. Its intensity was similar to the droughts of 2014 and 1975.

Chart 3.13: Rainfall Values for 2019 Compared to 30-year Average



The impact of the unprecedented water deficit was widespread. The effects adversely impacted agricultural, hydrological, and ecological systems, while exerting harsh socioeconomic effects on affected parts of the population. More than half of the approximately 8,000 farms and 7,000 farmers registered in the Belize Agriculture Information Management System were severely affected by this climate hazard. See Table 3.1.

Direct agricultural drought losses were large, estimated at 2.9% of GDP. Reduced soil moisture resulting from below-average precipitation produced substantial economic losses to crops, livestock, and pastures. These damages amounted to at least $81.3mn, equivalent to 64.0% of identified losses in this assessment. Short duration crops, such as vegetables, roots and tubers, legumes, and fodder perished before harvest under the hot and prolonged dry weather. Corn and soybean harvests were among the hardest hit with cumulative losses of $28.8mn. Of the 40,607 acreage of corn under production during the year, 20,653 acres were lost, and 19,874 acres were partially ruined, resulting in $22.2mn in damages. At the same time, 8,798 acres of soybean were lost, valued at $6.7mn. As for vegetables, 4,088 acres belonging to 692 farmers across four districts were destroyed, resulting in $11.6mn in losses. Average banana yields shrank by 5.0% in 2019 compared to a year ago, resulting in $4.3mn in foregone revenues, all else being equal.

Economic losses also extended to longer duration crops. Heat stress on crops with longer

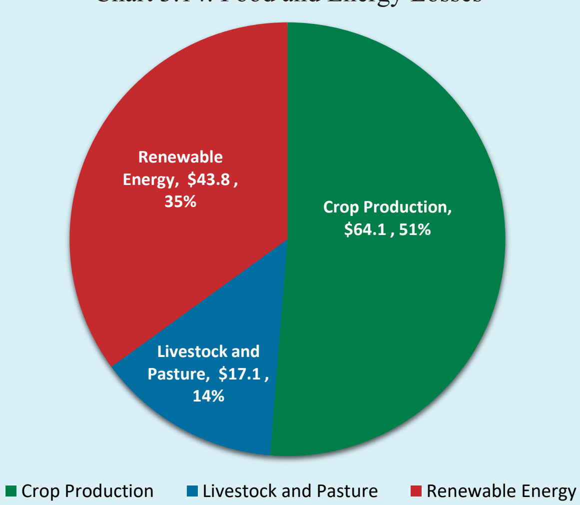
Box 3.1: 2019 Drought: Impact and Policy Response *continued*

establishment to harvest cycles, like sugarcane and citrus, worsened over time, culminating in severe losses in future harvest cycles. It was estimated that 27,218 acres of cane were lost, valued at $19.4mn, leading to a consequent 13.5% reduction in projected sugarcane deliveries to BSI in 2020. Similarly, citrus harvests (orange and grapefruit deliveries) will likely record a double-digit decline in the 2019-2020 crop year, impacted by dual shocks stemming from the drought and citrus diseases.

Reduced precipitation also threatened livestock operations. The severe decline in grass and water availability forced farmers and ranchers to cull or sell their animals to match available resources. Approximately, 87,941 animals were impacted, costing 1,400 cattle ranchers nearly $6.6mn in value, assuming a 50-pound drought-induced weight loss per animal. Nutrient requirements and intake for livestock diminished as $10.6mn in grazing pastures were lost to drought stress.

The energy sector received the second largest economic damages. Energy production from renewable resources was restrained, recording cumulative losses of $43.8mn—representing 36.0% of identified losses or 1.6% of GDP. The onset of hydrological drought conditions, which occurs when river stream flow and water storage in aquifers, lakes, or reservoirs fall below long-term mean, caused hydroelectric power generation to nosedive. Net generation by BECOL and Hydro Maya contracted by 70.1% in 2019 compared to a year earlier. This steep fall-off in production represented $41.3mn in financial losses, using an average cost of $0.24 per kilowatt hour. Furthermore, lower sugarcane production in the north will likely reduce cogeneration energy production from bagasse by 12.5% in 2020 for a loss of $2.5mn at $0.22 per kilowatt hour.

Chart 3.14: Food and Energy Losses



Government's response to the crisis featured an unprecedented, coordinated financial and fiscal policy response. The Central Bank implemented three key financial measures aimed at softening credit conditions to the affected sector and easing supervisory controls to help domestic banks absorb loan losses. These measures comprised: (i) encouraging financial institutions to restructure or refinance agricultural loans; (ii) extending NPL classifications from six to 18 months for loans directly affected by the drought; and (iii) reducing affected loan risk weights from 100% to 50%.

Government's response took several dimensions. On 29 September, Government announced a partial state of emergency over the afflicted area—the Corozal, Orange Walk, Belize, and Cayo districts—to unlock access to external financial assistance. Government's direct financial relief summed to $3.3mn, comprising $1.3mn from its own resources and $2.0mn from CDB. The funds were distributed among sugarcane farmers ($2.0mn), vegetable

Box 3.1: 2019 Drought: Impact and Policy Response *continued*

producers ($0.7mn), and cattle ranchers ($0.4mn). Limited tax and duty exceptions on agricultural inputs and equipment were also provided to affected farmers.

The 2019 drought dealt a severe blow to the water-energy-food nexus, threatening livelihoods and the environment. However, the full extent of the catastrophic damages is still underestimated. This is because drought-related damages may not be easily visible due to the lingering and gradual effects of the hazard known as the creeping phenomenon. In addition, damages to other sectors of the economy, for example, tourism and fisheries, as well as wider indirect effects, have been excluded from this impact assessment. With an El Nino Southern Oscillation (neutral) pattern forecasted to continue into 2020, the meteorological office projected that dry conditions will likely occur through the dry season (up to May 2020) over vast areas of the country. Thus, widespread adaptation of risk management strategies is essential to employ timely mitigation, preparedness, and response intervention measures to reduce drought risk.

Table 3.1: Food and Energy Losses

Product	Economic Loss ($mn)	Impact	Farmers/Ranchers Affected	Relief Provided
Grains	28.8	20,653 acres lost, 19,874 acres partially affected	648	Loan roll over/refinancing
Vegetables	11.6	4,088 acres lost	692	$0.7mn for coupon/certificate, inputs, and irrigation materials
Sugarcane	19.4	27,218 acres lost at average yield of 18 tons per acre at $49.50 per ton		$2.0mn divided evenly between a replanting and Boost programme
Banana	4.3	5.0% reduction in yield		
Honey	0.1	25.0% production decline at $3.40 per pound		
Pasture	10.6	87,941 acres at $120 per acre		
Livestock	6.6	87,941 animals with average weight loss of 50 pounds each	1,400	$0.4mn for cattle feed and water troughs
Hydropower	41.3	175,097,754 KWH reduction in generation at $0.24 per KWH		
Cogeneration	2.5	11,512,779 KWH reduction in generation at $0.22 per KWH		
Total	**125.1**			

Sources: Ministry of Agriculture and CBB

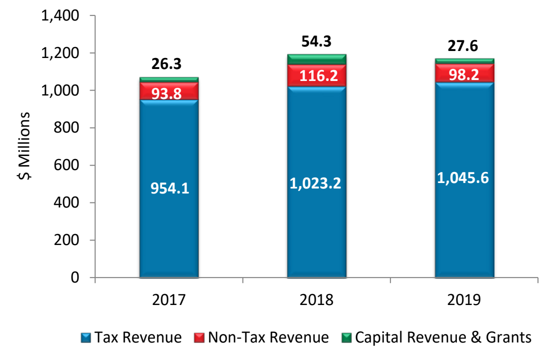
Central Government Operations

Central Government widened its fiscal stance, leading to a significant deterioration in Government's finances. In 2019, Central Government's operations yielded a primary deficit of 0.1% of GDP compared to a primary surplus of 2.4% of GDP in 2018. At the same time, the overall deficit deteriorated to 3.5% of GDP relative to 0.7% of GDP in 2018. The weakened position threatens Government's ability to meet the 2.0% primary surplus target set for the 2019/2020 FY.

Revenue and grants fell by 1.9% to $1,171.4mn (31.3% of GDP) in 2019, as a marginal rise in tax revenue was more than offset by significant reductions in non-tax revenue and grants. With no new revenue enhancement measures implemented in the 2019/2020 FY, tax revenue increased by 2.2% to $1,045.6mn in 2019. Increased tax collection was recorded across most of the major revenue line items with personal income tax up by 4.8%, stamp duties 8.9%, excise duties 1.1%, and general sales tax 3.7%. Conversely, business tax and import duties contracted by 2.5% and 1.9%, respectively. Meanwhile, non-tax revenue fell by 15.5% to $98.2mn, as the reduction in income transfers from the Belize Telemedia Limited (BTL) and the ship registry outweighed revenue increases from licenses, arising mainly from higher lottery fees and other items. Grants amounted to only $20.6mn, down by 60.0% compared to 2018. The EU and ROC/Taiwan provided support for the majority of the grant-funded capital projects in 2019.

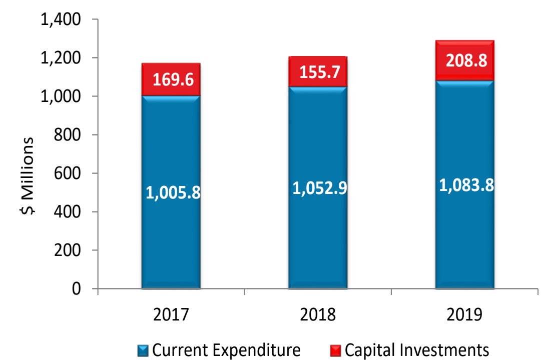
Total expenditure grew by 6.5% to $1,300.9mn (34.7% of GDP) in 2019, driven by increases in current and capital outlays. Current expenditure

Chart 4.1: Central Government Revenue



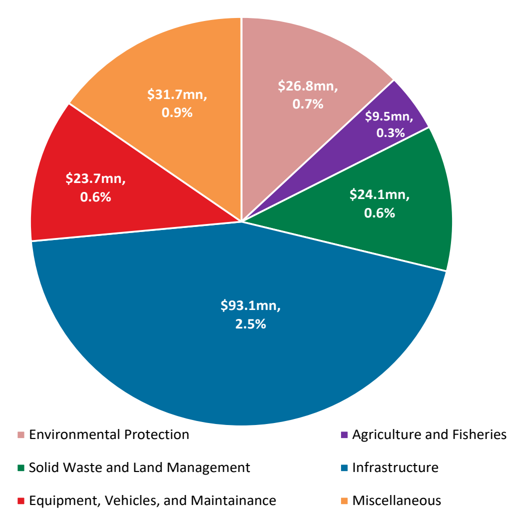
Sources: MOF and CBB

Chart 4.2: Current and Capital Expenditure



Sources: MOF and CBB

Chart 4.3: Shares of Development Expenditure Categories as a Percent of GDP



Sources: MOF and CBB

rose by 2.9% ($31.0mn) to $1,083.8mn, with modest increases across all major expense categories, except pensions. Spending on wages and salaries rose by the largest dollar amount, up $15.8mn (3.6%) to $451.2mn, largely on account of salary increment awards. The rise in emoluments was followed by an $8.6mn (3.8%) expansion in spending on goods and services to $238.1mn, a $6.2mn (5.2%) increase in interest expense to $124.6mn, and a $2.9mn (1.6%) growth in subsidies and transfers to $176.3mn. Notably, outlays on pensions contracted slightly by $2.5mn (2.6%) to $93.6mn.

A rapid growth in capital investment boosted capital expenditure and net lending by 28.9% to $217.0mn (5.8% of GDP). Development expenditure rose by 34.1% to $208.8mn with 44.6% spent on infrastructural projects. Major capital works included rehabilitation of three major highways, construction of the international airport link road, maintenance of bridges, infrastructural works in Belize City, and housing improvement projects. In addition, investments in land management accounted for 11.5% and environmental projects 12.8% of total spending. Outlays on sports, education, health, and social protection summed to 9.2%, while tourism and agricultural projects accounted for 4.1% and 4.5%, respectively. The remaining 13.3% went on a medley of items, including security, furniture, equipment, and office building upgrades. Meanwhile, capital transfers and net lending amounted to $8.2mn, down from $12.7mn in 2018, owing to a reduction in payments of settlement claims.

The widening fiscal deficit led to a gross financing gap of $209.3mn. Underscoring the high degree of volatility in government spending, this year's gap was 51.8% higher than that of 2018. External borrowings covered 63.0% of the shortfall, down

Table 4.1: Revenue and Expenditure Summary

	Jan - Dec 2018	Jan - Dec 2019
Ratio to GDP (%)		
Total Revenue and Grants	31.9	31.3
Current Revenue	30.4	30.5
Tax Revenue	27.3	27.9
Non-Tax Revenue	3.1	2.6
Capital Revenue	0.1	0.2
Grants to GDP	1.4	0.6
Total Expenditure	32.6	34.7
Capital Expenditure	4.5	5.8
Current Expenditure	28.1	28.9
Of which: Interest Payment on Public Debt	3.2	3.3
CURRENT BALANCE	2.3	1.6
Primary Balance to GDP	2.4	-0.1
Primary Balance without Grants to GDP	1.1	-0.7
Overall Balance to GDP	-0.7	-3.5
Overall Balance without Grants to GDP	-2.1	-4.0

Sources: MOF and CBB

from 84.5% in 2018, indicating a stronger reliance on Central Bank deficit financing to meet Central Government's needs. Taken together, the ratio of total borrowings to government expenditure (or the debt dependency ratio) increased to 14.3% from 10.0% in 2018.

Total Public Sector Debt

Total public sector debt rose by 3.3% to $3,733.3mn, raising the debt-to-GDP ratio to 99.7% of GDP in 2019, well above the maximum sustainable level of 60% of GDP. Over the year, the share of domestic debt grew by 3.2 percentage points to 29.8%, facilitated by heightened Central Bank financing. At the same time, the share of borrowings from non-residents fell by 1.3 percentage points to 70.2%, as funding for development projects temporarily slowed.

Central Government Domestic Debt

The widening fiscal deficit led to a sizeable increase in domestic borrowing. Over 2019, the domestic debt stock increased by 6.6% to $1,114.4mn, 29.8% of GDP.

New borrowings totalled $69.0mn and consisted of only short-term instruments that were either payable on demand or with maturity of one year or less. In 2019, the Central Bank provided most of Central Government's domestic funding requirements. Central Bank financing consisted of $4.1mn in overdraft credit and $65.0mn in T-note proceeds. The Fort Street Tourism Village also advanced $0.5mn in suppliers' credit for dredging the mouth of the Belize River. Consequently, the share of short-term debt by original maturity increased by 3.6 percentage points to 46.0%, while the share of medium- to long-term debt with original maturity of more than one year fell by the same margin to 54.0%. In turn, the average time to maturity for the domestic debt portfolio dipped slightly to 3.9 years from 4.1 years in 2018.

Loan amortisation payments were minimal at $0.7mn. Principal repayments were made to Heritage Bank Limited ($0.2mn), Fort Street Tourism Village ($0.2mn), the Belize Social Security Board (BSSB) ($0.1mn), and Debt for Nature Swap ($0.2mn).

The continued expansion in outstanding principal raised Central Government's annual interest payments by $1.2mn to $36.0mn, equivalent to 1.0% of GDP. Interest rate risks were subdued as the average annual effective interest rate remained unchanged at 3.3% in 2019. The Central Bank received the largest share of Central Government's interest payments, earning $16.2mn on the overdraft facility and its Treasury holdings. This compares to non-bank entities and domestic banks, who received $12.0mn and $7.7mn, respectively, on their investments in Government securities. Interest payments on various small loans summed

Chart 4.4: Public Sector Debt

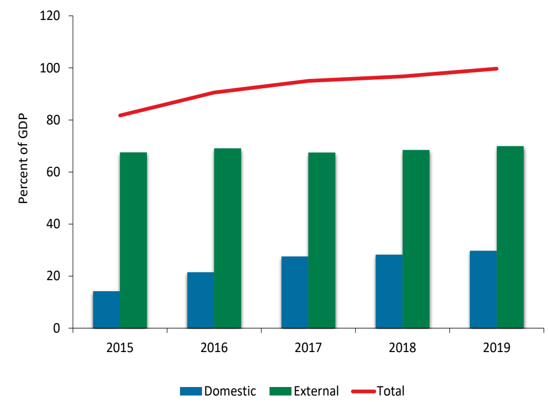
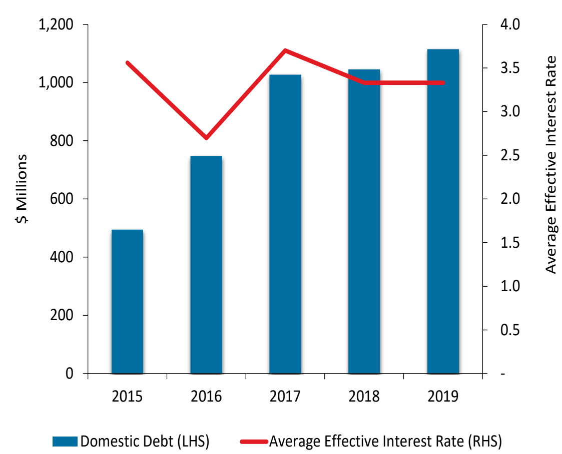


Chart 4.5 Domestic Debt



to $0.1mn and were distributed among BSSB, the Debt for Nature Swap, and Heritage Bank Limited.

The Central Bank became the largest domestic creditor to Central Government, as its share of total domestic debt increased by 4.5 percentage points over the year to 39.4% at December 2019. Concurrently, the amount held by non-bank entities inched up by 0.8 percentage points to 24.7%, while domestic banks' share narrowed by 5.4 percentage points to 35.8%.

Public Sector External Debt

The public sector external debt grew by 1.9% ($49.9mn) to $2,618.9mn (69.9% of GDP) in 2019, as loan proceeds from development partners exceeded amortisation payments.

External loan disbursements totalled $139.7mn. Of this amount, Central Government received $119.3mn, accounting for 85.4%. With no access to international capital markets, new disbursements to Central Government stemmed only from bilateral and multilateral sources. Over the year, bilateral lenders disbursed $31.5mn. This amount included $23.5mn from the ROC/Taiwan for the Downtown Rejuvenation Project and budgetary support and $7.7mn from the Government of Kuwait for rehabilitation of the Hummingbird Highway. Multilateral institutions loaned $87.9mn for various projects. These entailed $27.3mn from the CDB for the Philip Goldson Highway upgrade, the Santa Elena/San Ignacio By-pass Project, and the Education Sector Reform Project. In addition, the Organisation of the Petroleum Exporting Countries Fund for International Development (the OPEC Fund) disbursed $28.6mn for the Hummingbird Highway upgrade and the International Airport Link Road Project. Also, the Inter-American Development Bank (IDB)

Chart 4.6: Sources of Central Government Domestic Debt

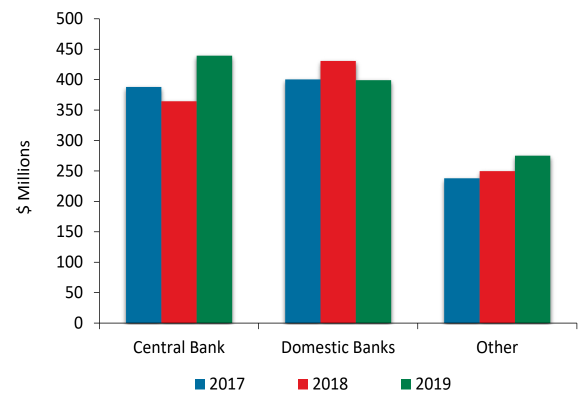
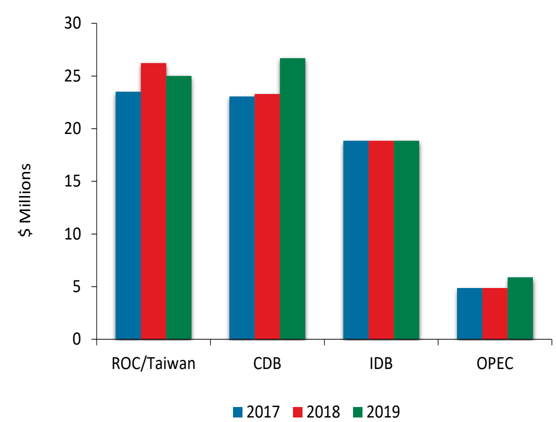


Chart 4.7: External Debt Principal Payment to Major Creditors



disbursed $26.3mn towards the Solid Waste Management Project, the George Price Highway upgrade, and the Education Quality Improvement Programme. Furthermore, the International Fund for Agriculture Development expended $2.8mn on the Resilient Rural Belize Project.

The non-financial public sector received $14.8mn in loan proceeds. The Belize Water Services Limited obtained $2.3mn from CDB for the Placencia Peninsula Wastewater Project, while BTL received $12.4mn from the International Cooperation and Development Fund for the national broadband project. Among financial public sector enterprises, the Development Finance Corporation received $5.6mn, with $3.1mn from CDB for project support and $2.5mn from the European Investment Bank for its micro, small, and medium enterprises loan programme.

External debt service payments rose by 5.8% to $181.5mn, as principal and interest payments grew by 4.1% and 7.4%, respectively. As a ratio of GDP, debt service payments increased by 0.2 percentage points to 4.8% from 4.6% in 2018, underscoring the mounting pressure on the country's international reserves to service the public sector's debt.

Principal payments amounted to $87.9mn (2.3% of GDP), with Central Government accounting for $80.1mn. Central Government's repayments to bilateral lenders were $27.0mn, with ROC/Taiwan receiving $25.0mn, while $53.2mn was paid down on multilateral loans, including $22.9mn to CDB and $18.9mn to IDB. The financial public sector repayments totalled $0.7mn, most of which went to CDB. Non-financial public sector entities repaid $7.1mn, split between CDB ($3.1mn) and AIBL ($4.0mn).

Interest and other payments summed to $93.6mn (2.5% of GDP), with Central Government accounting for 96.0%. At $52.0mn, interest on the 2034 bond accounted for more than half (55.6%) of total interest expense. Multilateral creditors received $27.7mn, of which $12.4mn went to CDB and $9.0mn went to IDB. Interest payments to bilateral lenders amounted to $13.8mn, the bulk of which went to ROC/Taiwan. The year-on-year effective interest rate averaged 3.6%, up slightly from 3.3% in 2018.

Composition and maturity characteristics of the external public debt stock remained virtually unchanged. At year end, 59.8% of the public sector external debt was owed to multilateral and bilateral creditors and the balance of 40.2% to the 2034 bondholders. Central Government held 94.6%, financial entities 3.3%, and non-financial public corporations 2.1%. Within one year, $1.2mn of the outstanding public sector external debt is scheduled to mature, $269.2mn in one to 10 years, and $2.3bn in more than 10 years.

Box 4.1: Major Fiscal Initiatives in 2019

12 January 2019 – The Social Security (Non-Contributory Pension for Persons 65 years or Over) (Amendment) Regulations, 2019 provided restrictions on the entitlement of non-contributory pension. A non-contributory pension will only be payable to one registered female person or registered male person of a household.

27 March 2019 – The International Financial Services Commission (Amendment) Act, 2019 aimed to strengthen provisions relating to international financial services and to set criteria for physical presence of persons licensed by the International Financial Services Commission.

27 March 2019 – The International Business Companies (Amendment) Act, 2019 removed the option by a company to meet physical presence requirements and to institute mandatory physical presence of such international companies.

19 June 2019 – The Social Security (Collection of Contribution) (Amendment) Regulations, 2019 increased the rates of weekly contributions payable by employed persons and employers who work for eight hours or more a week. This Regulation provided for a phased approach, with changes occurring over a three-year period beginning 1 July 2019. Table 4.1 shows the approved increase in contribution rate and the increase in wage ceiling.

Table 4.1: Approved Changes in Social Security Contribution Rate and Wage Ceiling from 2019-2021

Effective Date	2019 (Previous)	1 July 2019	6 January 2020	January 2021
Contribution Rate	8.0%	8.5%	9.0%	10.0%
Wage Ceiling	$320/week	$440/week	$480/week	$520/week

Source: BSSB

10 July 2019 – The Customs and Excise Duties (Amendment) Act, 2019 implemented the fifth and sixth stage reduction of customs duties in accordance with the Economic Partnership Agreement between CARIFORUM and the EU.

10 July 2019 – The Tax Administration and Procedure Act, 2019 harmonised, rationalised, and simplified the operation of tax administration and procedure in Belize's tax laws. The Act applied specifically to taxes collected under the General Sales Tax Act and Income and Business Tax Act. The Act also established a Belize Tax Service Department, which will be responsible for the mutual administration and collection of those taxes.

Box 4.1: Major Fiscal Initiatives in 2019 *continued*

4 September 2019 – The National Liquefied Petroleum Gas Project Act, 2019 created a public-private partnership agreement for the establishment, operation, and transfer of a liquefied petroleum gas terminal and related facilities for the supply and pricing of petroleum gas.

17 September 2019 – The Land Tax (Partial Remission of Arrears) Act, 2019 provided for the partial remission of land tax and speculation tax arrears. The rate of remission of tax was set at 25% of tax arrears for that financial year. This Act came into force on 1 June 2019 and remained in effect for six months.

17 September 2019 – The Belize City Council (Municipal Paper) Act enabled the Belize City Council to issue municipal papers; to establish a Belize City municipal fund so the Council can discharge its functions; and, further, to establish an interest reserve fund for repaying interest payable to municipal paper holders in the event the Council is unable to meet interest payments.

11 October 2019 – The International Financial Services Commission (Amendment) (No.2) Act, 2019 substituted the criteria for physical presence with substantial presence in Belize. It aslo indemnified the Commission from legal liability for actions taken in good faith, while setting disciplinary measures for the unauthorised sharing of information.

11 October 2019 – The International Business Companies (Amendment) (No.2) Act, 2019 clarified the status of physical presence as a component of economic substance that an international business company must satisfy.

12 October 2019 – The Economic Substance Act, 2019 made provisions for substantial economic presence to be fulfilled by certain entities, while providing reporting requirements in certain instances.

23 December 2019 – The Income and Business Tax (Amendment) Act, 2019 provided for taxation of foreign-source receipts under the business tax. This Act came into effect on 1 January 2020.

Money and Credit

Developments in the domestic banking system were dominated by a strong growth in private sector borrowings, which led to tighter liquidity conditions, a lower foreign asset position, and higher interest rates. Despite a slowdown in economic activities, broad money supply accelerated at its fastest pace since 2015, rising by 5.8% ($175.0mn) in 2019. In turn, narrow money and quasi-money expanded faster than their most recent three-year average, up by 5.2% and 6.5%, respectively. The $83.3mn growth in narrow money was attributable to increases in both currency with the public and demand deposits of $32.9mn and $54.9mn, respectively. The growth in these two deposit sub-categories easily outweighed the $4.4mn reduction in savings/chequing deposits. Meanwhile, quasi-money rose by $91.6mn with growth in both savings and time deposits of $53.7mn and $37.9mn, respectively. The modest upturn in time deposits reversed the downward annual trend that persisted over the past 10 years when domestic banks were positioned to reduce funding costs.

Underpinning the robust broad money expansion was a 6.2% ($166.3mn) surge in net domestic credit, which eclipsed a 5.4% ($46.5mn) contraction in net foreign assets of the banking system in 2019. Increased borrowings by the private sector and, to a much lesser extent, the public sector accounted for the $166.3mn expansion in net domestic credit. Domestic banks' credit to the private sector increased by $115.7mn, marking the largest upswing in non-government borrowings since 2008. Credit growth to the private sector was broad-based, with sizeable loan facilities channelled into all three major economic sectors. New loans were extended for sugarcane ($9.8mn) and citrus ($5.9mn) production in the primary sector, construction ($12.4mn) in the secondary sector, and personal consumption

Chart 5.1: Deposit Growth

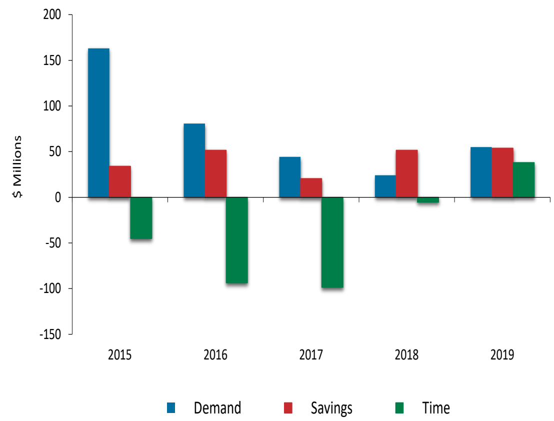
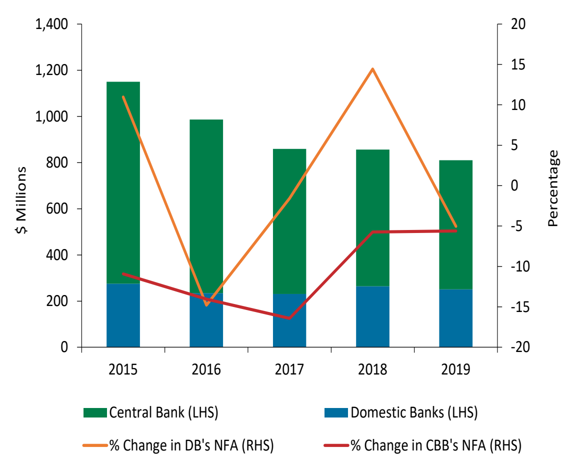


Chart 5.2: Net Foreign Assets

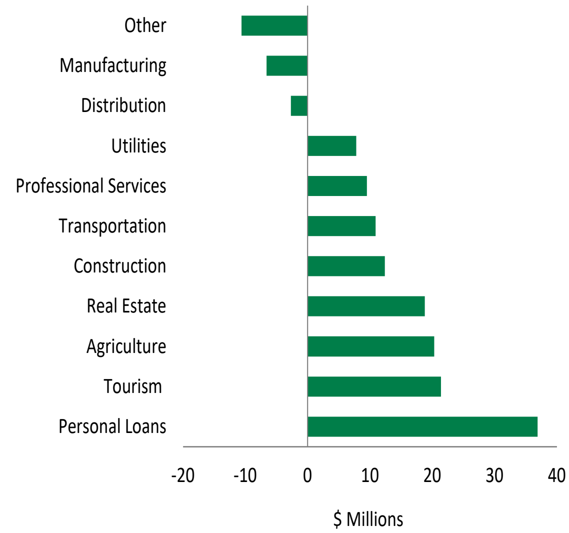


($36.9mn), tourism ($21.4mn), real estate ($18.8mn), transport ($10.5mn), and professional services ($9.5mn) in the tertiary sector. Bad debt write-offs totalled $32.3mn, down from $43.6mn in the previous year. These were mostly applied against uncollectable personal ($14.9mn) and construction ($12.0mn) loans.

On the public sector front, net credit to Central Government from the domestic banking system rose by $28.4mn, following an $11.8mn contraction in 2018. Central Government relied chiefly on Central Bank funding, as credit from domestic banks curtailed. Central Bank financing to Central Government expanded by $83.1mn, as the monetary authority increased its Government securities holdings by $70.9mn, while Central Government reduced its deposits by $8.1mn, and drew down an additional $4.1mn from its overdraft account. Hence, the Central Government's overdraft account ended the year at $56.2mn—the equivalent of 57.8% of the statutory limit. Conversely, Central Government's borrowings from domestic banks declined by $54.7mn, as domestic banks relinquished $31.5mn in Treasury securities, while Government increased its commercial bank deposits by $23.3mn. However, credit to other public sector entities expanded for the second consecutive year, rising by $22.2mn to $71.7mn, spurred by increased lending to BTL and Belize Electricity Limited (BEL).

On the downside, the net foreign assets of the banking system contracted for the fifth consecutive year, falling by $46.5mn to $810.0mn at year-end, stemming from declines in the Central Bank and domestic banks' foreign balances. The Central Bank's net foreign assets fell by $33.2mn to $559.2mn, as foreign currency payments exceeded receipts. Whereas gross foreign currency receipts grew by 8.8% or $19.6mn to $242.6mn—buoyed by higher inflows from all major sources, except loan disbursements—gross foreign currency payments expanded at a slightly slower pace of 7.2% or $18.7mn to $277.0mn. Approximately 83.0% of total outflows were used by Central Government to cover its external debt service obligations and other overseas expenditures. Concurrently, domestic banks' net foreign assets decreased by $13.3mn to $250.8mn, weighed down by increased payments for imported goods and services.

Chart 5.3: Domestic Banks - Loan Distribution



The rapid credit growth coupled with the downturn in foreign assets caused liquidity conditions to tighten for the fourth year in a row. In 2019, domestic banks' excess statutory liquid holdings contracted by $40.0mn (16.6%) to $200.7mn, settling at 30.7% above the statutory requirement. However, an increase in bank capital cushioned the fall in domestic banks' excess cash holdings. Excess cash reserves fell by only $2.8mn (1.4%) to $193.8mn, 80.3% above the required level. Notwithstanding, the uneven distribution of excess cash holdings persisted, resulting in six inter-bank transactions to bridge liquidity shortfalls during the year.

Against this backdrop, deposit rates rose faster than lending rates, narrowing the weighted average interest rate spread by 24 basis points to 6.78%. The 12-month rolling weighted average interest rates on new deposits rose for the first time in 10 years, up by 31 basis points to 1.93% through December. Deposit rates inched up across all four deposit categories, with time deposits recording the largest increase, rising by 48 basis points over the period. Demand and savings/chequing deposit rates grew by one basis point each, while savings deposit rates rose by eight basis points. As for loans, the weighted average interest rate on new loans rose by seven basis points to 8.70% at year end, boosted by a 97-basis-point increase in mortgage rates. The rate spike on residential construction loans was partly offset by a 37-basis-point rate reduction on loans for "*other*" purposes and a seven-basis-point decline on both personal and commercial loans.

Turning to credit unions, aggregate credit growth slowed markedly to 0.8% in 2019 compared to a boon of 8.0% in 2018, which was due to the entrance of the Spanish Lookout Credit Union. New disbursements funded a variety of economic activities, including construction ($9.1mn), merchandise trade ($5.9mn), banana ($3.9mn), telecommunication ($3.5mn), and residential real estate ($3.1mn). However, the expansion in loan growth was dampened by an upsurge in bad debt write-offs, which almost tripled to $17.1mn compared to $6.7mn in 2018. Write-offs were mostly applied to commercial real estate ($10.6mn) and personal ($6.7mn) loans.

Chart 5.4: Excess Statutory Liquidity

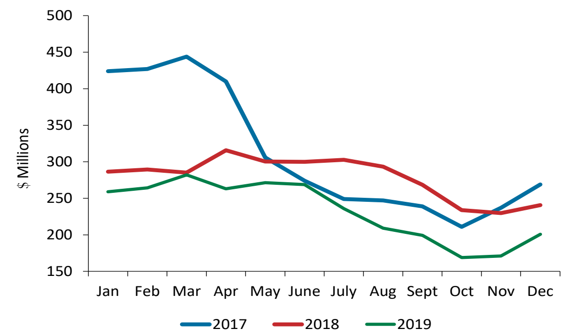


Chart 5.5: Annualised Change in Interest Rates on New Loans and Deposits

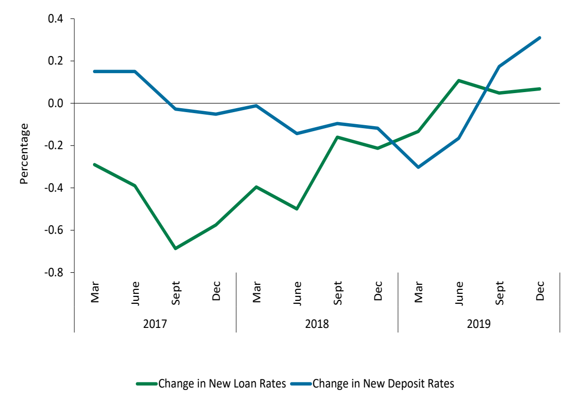
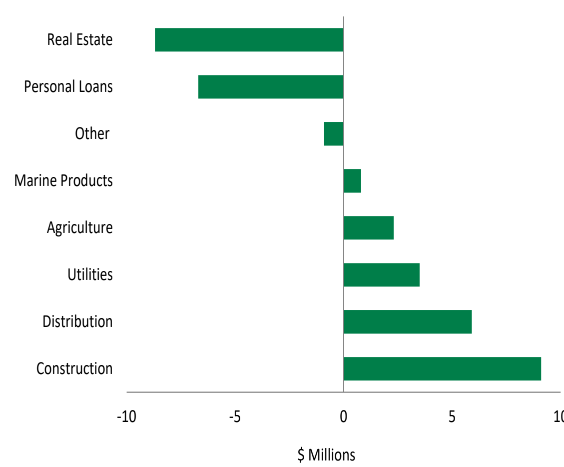


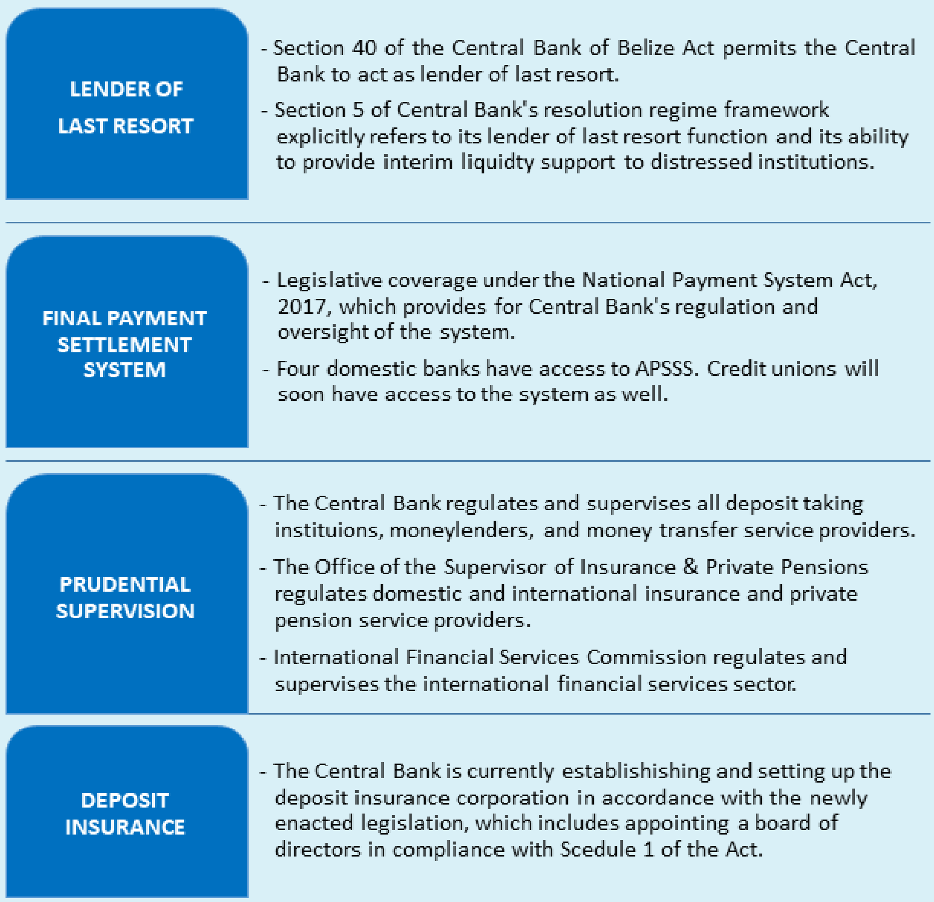
Chart 5.6: Credit Unions - Loan Distribution



Box 5.1: Establishing a Deposit Insurance Scheme for Belize

Deposit insurance aims to protect depositors against the loss of their deposits if a bank or credit union cannot meet its obligations due to a failure. It is one of four key elements recommended to support a safe and sound financial system. Belize has successfully addressed three of the four elements: the lender of last resort function, the riskless settlement payments system, and the sound regulation and supervision of financial sector entities. (See Figure 5.1 for a summary of the four elements.) In 2019, the Central Bank embarked on a project to establish a deposit insurance scheme to address inherent factors in Belize's financial sector such as high levels of interconnectedness, concentration risk, and contagion risk. The recent failure of two international banks also underpinned the importance of a deposit insurance system.

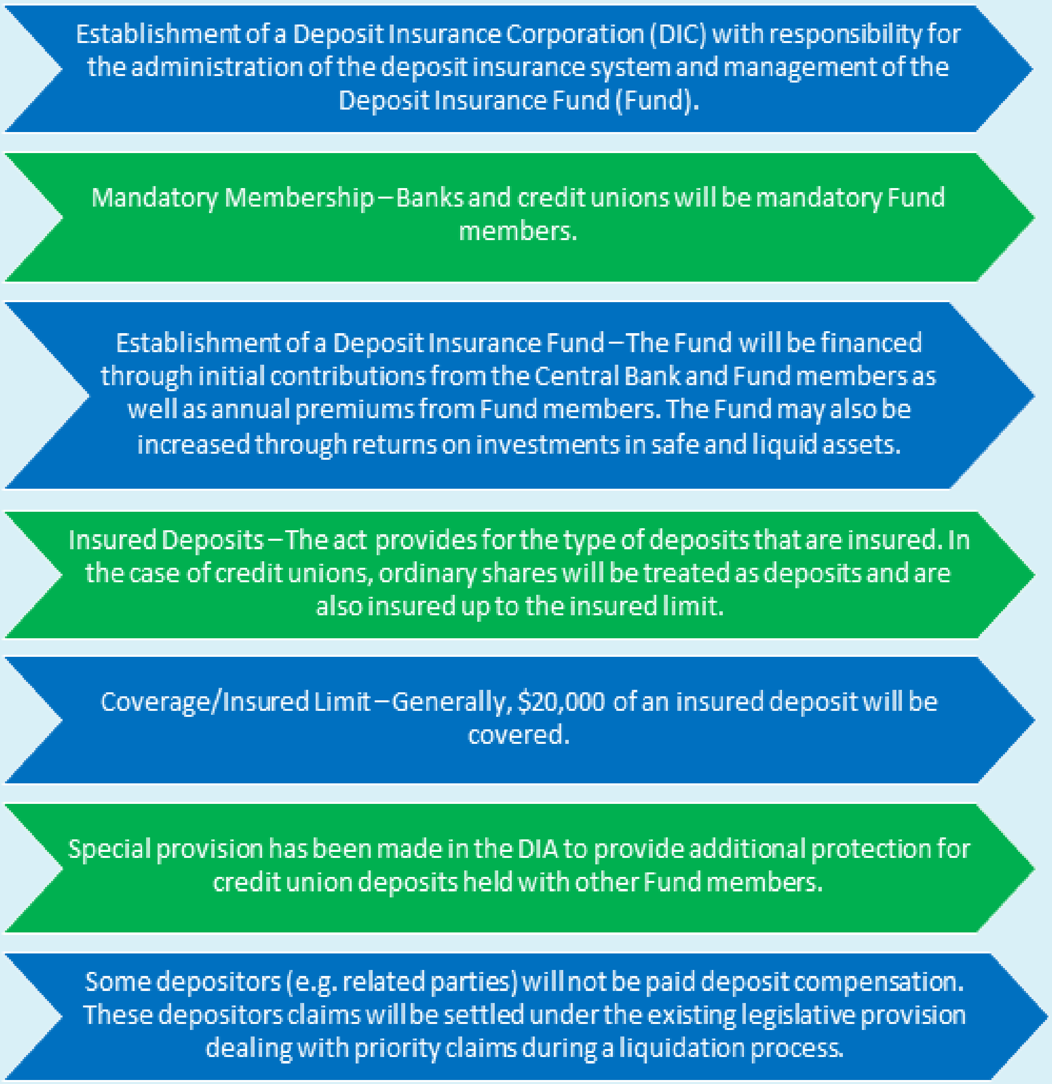
Figure 5.1: Elements of Belize's Financial Safety Net



The Deposit Insurance Bill was approved by Parliament on 20 December 2019 and was later passed by the Senate on 23 December 2019. Subsequently, on 10 January 2020, the Deposit Insurance Act, 2020 (DIA) was signed into law by the Governor General. The DIA establishes the legal framework for deposit insurance in Belize to protect the depositors of domestic banks and credit unions. Figure 5.2 shows the main elements of the deposit insurance system that were introduced by the passage of the DIA.

Box 5.1: Establishing a Deposit Insurance Scheme for Belize *continued*

Figure 5.2: Elements of Belize's Deposit Insurance System



The coverage limit of $20,000 established by the DIA is high enough to provide confidence to general depositors that their deposits are secure and to deter a bank run. However, the limit is not high enough to deter depositors (especially large depositors) from exercising market discipline or for banks to manage risk. The prescribed limit would cover over 94.1% of accounts belonging to customers of domestic banks and 96.9% of account holders at credit unions.

Box 5.1: Establishing a Deposit Insurance Scheme for Belize *continued*

Chart 5.7: Number of Accounts Covered for Deposit Insurance

Domestic Banks | Credit Unions

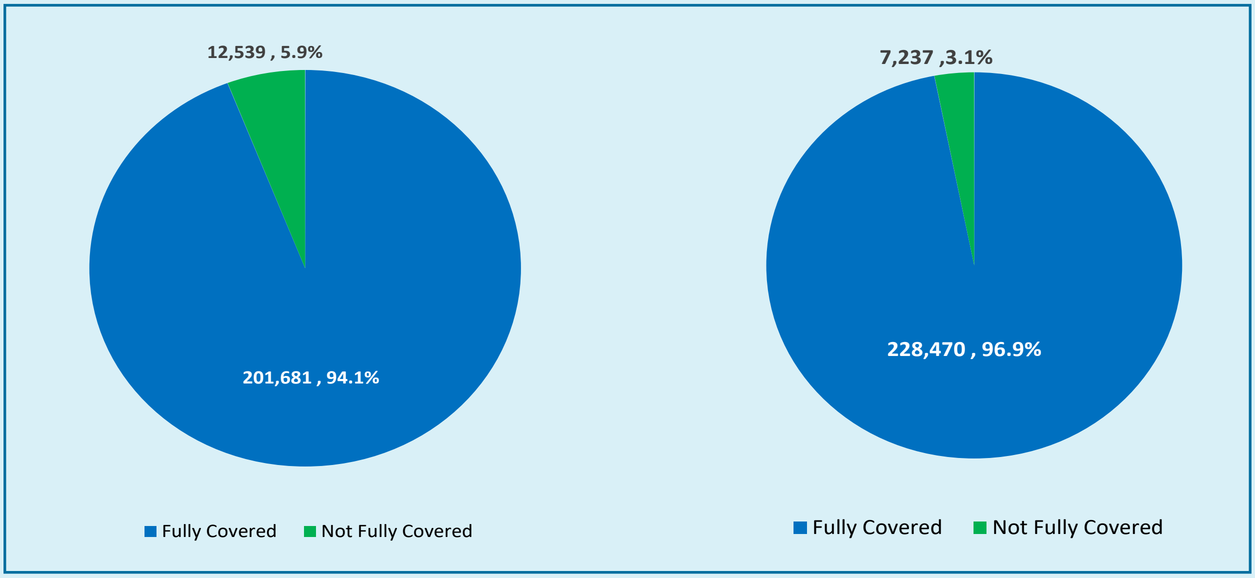
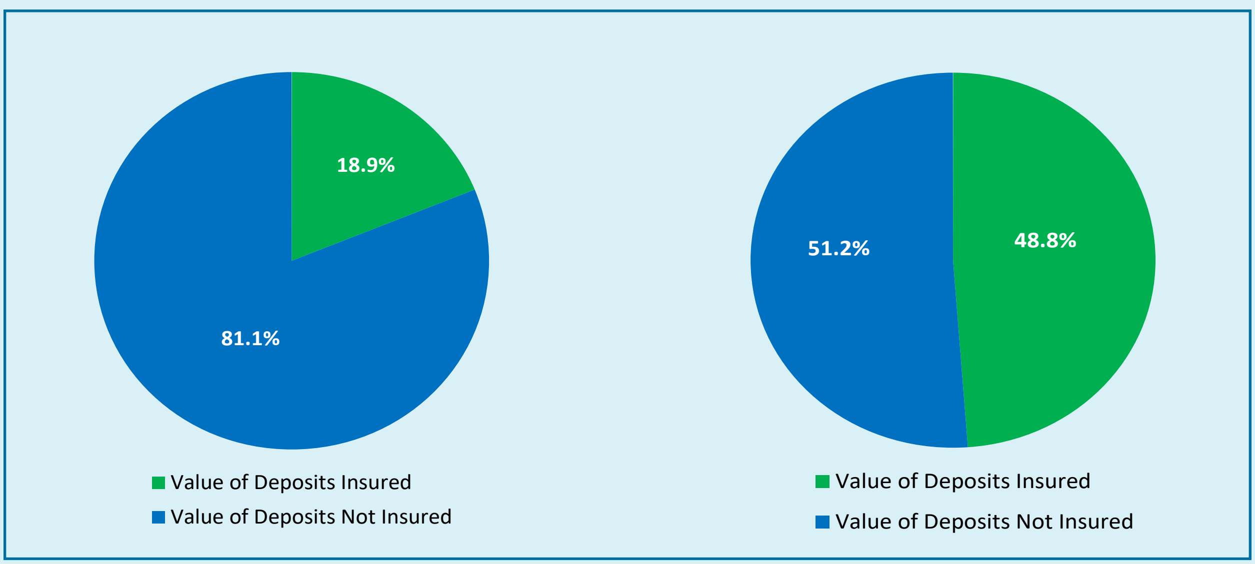


Chart 5.8: Value of Deposits Covered Under Deposit Insurance

Domestic Banks | Credit Unions



The corresponding value of these deposits represent 18.9% or $510.9mn of total domestic banks' deposits and 48.8% or $429.2mn of total deposits held by credit unions.

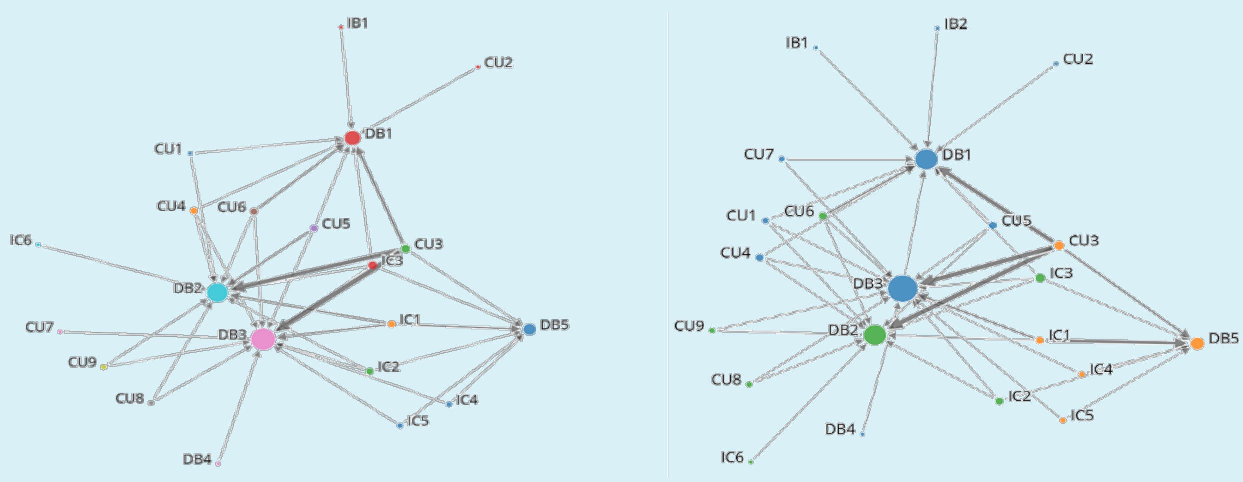
Box 5.2: Network Analysis

Network analysis is the mapping and measuring of relationships and flows within a group of agents. Many of the techniques and ideas in this field have come from disciplines ranging from computer science, social network, infrastructure, ecology, and epidemiology. Network analysis has been employed with greater importance in economics and finance following the Global Financial Crisis of 2007-2008. The related literature and techniques used within economics and finance could be divided into two approaches. The first approach utilises simulation techniques that are used to model transmission of shocks in a financial network. The second approach, which will be used in this analysis, explores key facts and characteristics of networks derived from actual data.

This analysis entails comparison of network maps of Belize's banking system at December 2018 and December 2019. Each network map depicts deposits held within the domestic banking sector by various financial institutions within Belize, namely domestic banks (DB), international banks (IB), credit unions (CU), and insurance companies (IC). Through the network maps, the level of interconnectedness among participants can be traced.

Figure 5.3: Network Maps of Financial Institution Deposits Held Within Domestic Banks

December 2018 | December 2019



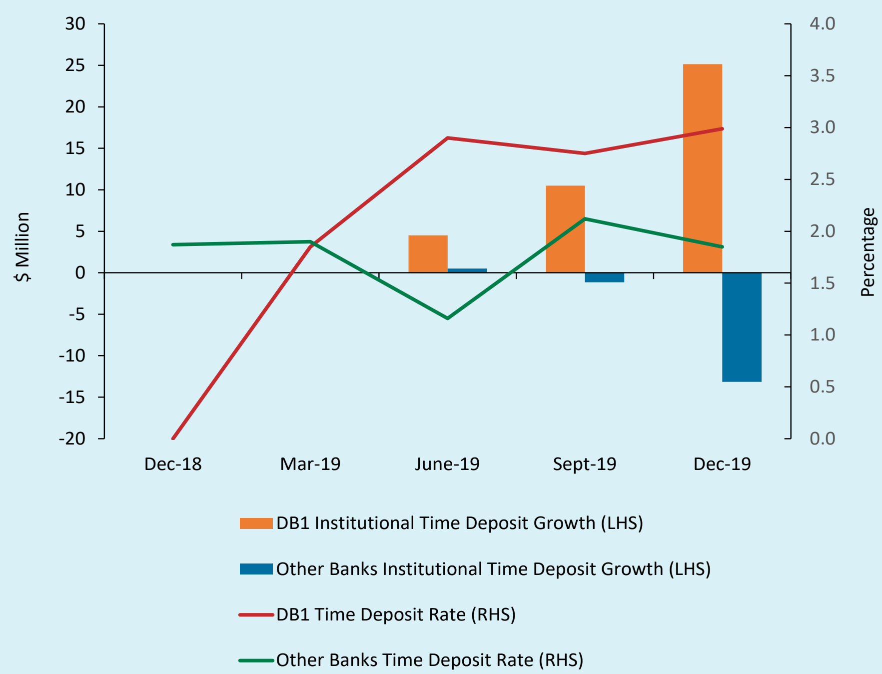
The network maps generated for the two periods, shown in Figure 5.3 above, are explained via common network terms and techniques. The thickness of the edges (connecting lines) indicates the relative value of deposits held by one institution in another institution. Networks can be directed or non-directed, where the direction shown by the arrows signify which institution holds the deposits and which institution has claim on the deposit holdings. The direction depicted is from the claiming institution to the deposit holding institution. Each institution is denoted by a node or a circle in the case of the visualisation generated. The size of the node is indicated by the number and strength of connections or degree per institution. Lastly, the colour of the node signifies more closely related institutions by grouping.

Box 5.2: Network Analysis *continued*

Interconnectedness serves as a basic indicator of the systemic risk or importance that an institution exhibits within the system. The two network maps of the banking system provide a visualisation of the diversification of financial institutions' deposits held with the domestic banks. The more concentrated these holdings are with a particular bank, the more vulnerable the network is towards that bank. In addition, the systemic importance of the bank increases.

Average deposits held in domestic banks for the financial institutions within the network examined grew from $74.3mn at the end of 2018 to $78.4mn at the end of 2019. This reflected a $20.8mn increase in deposits held among domestic banks for network participants. Another key finding is that the deposit concentration has shifted. This notable change stems from a shift in deposits from one domestic bank to another, prompted by a rise in time deposit rates, as indicated in Chart 5.9. Although deposit holdings in the network have largely been diversified, there is evidence of a gradual shift in the financial network's deposit structure. The analysis indicates a rise in deposit concentration in one bank, underpinned by more favourable interest rates.

Chart 5.9: Time Deposit Interest Rate and Quarterly Growth



This exercise shows how a network map can provide a snapshot of the overall banking system and contribute to the discovery of risks or new characteristics of the financial system. The network maps provide a visualisation of increased deposit concentration in one bank. If examined over time, network maps can also provide a timely signal of emerging threats. In this example, the impact of how changing deposit rates influence deposit concentration among deposit takers can be later investigated to identify any potential systemic vulnerability.

Balance of Payments

The current account deficit on the balance of payments increased to 9.5% of GDP in 2019 compared to 8.1% of GDP in 2018. The external deficit widened as increased payments for foreign goods, services, and capital outweighed modest increases in tourism receipts, revenue from other exported services, inbound remittances, and other current transfers. The $354.2mn gap was filled mainly by intergovernmental grants, foreign direct investments, external loans, and foreign assets from the banking system. While inward capital transfers and foreign direct investments to cover the gap fell, external borrowings by the private and public sectors and usage of domestic banks' foreign assets rose over the period. The drawdown in gross international foreign reserves was virtually unchanged at $35.5mn relative to the year before, settling at $555.7mn at year end, the equivalent of 3.2 months of merchandise imports.

Merchandise Trade

The merchandise trade deficit widened by 8.7% to $1,012.7mn (25.3% of GDP), as imports grew faster than exports. Gross imports rose by 5.5% to $1,937.0mn, driven by higher outlays on "*Mineral Fuels & Lubricants*," "*Manufactured Goods*," "*Food and Live Animals*," "*Crude Materials*," and "*Commercial Free Zone*" (CFZ) goods. Increased spending on these categories of goods exceeded lower spending on "*Other Manufactures*" and "*Designated Processing Areas.*" Total exports rose by 2.3% to $924.3mn, as domestic exports grew, while other re-exports contracted. Domestic exports expanded by 5.8% to $409.6mn, with higher sales of sugar, molasses, marine products, and banana, which outweighed declines in citrus juices and petroleum.

Sugar and Molasses

Sugar exports increased by 25.3% to a record high of 199,059 long tons. Sugar sales expanded

Table 6.1: Balance of Payments

$mn

	2017 Net	2018 Net	2019 Net
CURRENT ACCOUNT	-287.8	-301.6	-354.2
Merchandise Trade	-782.2	-932.0	-1,012.7
Services	600.6	764.4	807.5
Primary Income	-250.5	-290.6	-316.8
Secondary Income	144.3	156.6	167.7
CAPITAL ACCOUNT	32.2	48.0	20.6
FINANCIAL ACCOUNT	-102.4	-231.3	-292.7
NET ERRORS AND OMMISSIONS	24.1	-13.3	5.4
FINANCING	-129.2	-35.6	-35.5
Memo Items:			
Monthly Import Coverage	4.0	3.6	3.2
Current Account/GDP Ratio (%)	-8.1	-8.1	-9.5

Chart 6.1: Current Account and Trade Deficit

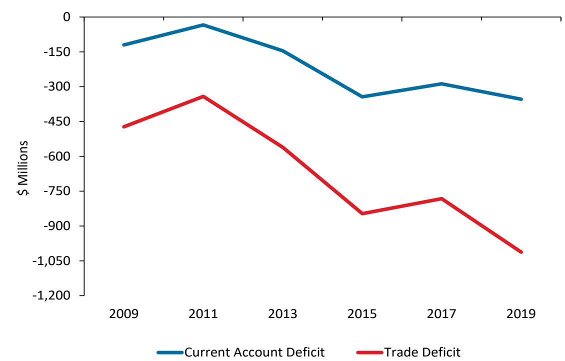
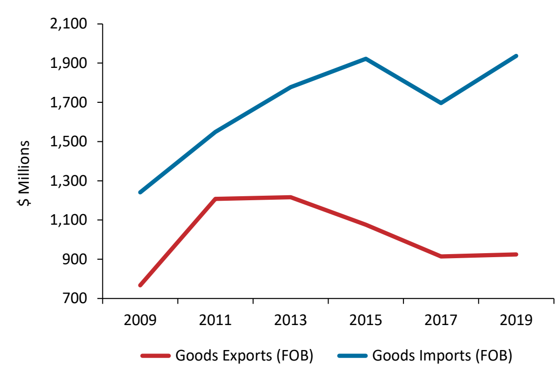


Chart 6.2: Merchandise Exports and Imports



Source: SIB

across all major markets. Exports to the EU, Belize's principal market for raw sugar, grew by 21.4% to 174,059 long tons, accounting for 87.44% of the total. Reflecting measured success to increase regional sales, exports to CARICOM grew by almost three folds to 12,519 long tons. Exports to the US under the tariff-rate quota regime expanded by 14.1% to 12,401 long tons, while 79 long tons of bagged brown sugar went to Canada. Sugar export earnings expanded by a lesser 21.6% to $136.3mn, as market prices dipped in response to higher global sugar stocks, with global production outpacing consumption. Sugar earnings from the EU, CARICOM, and US amounted to $113.1mn, $10.6mn, and $12.4mn, respectively, reflecting modest average unit price declines of 2.7%, 14.3%, and 6.4% on each respective market.

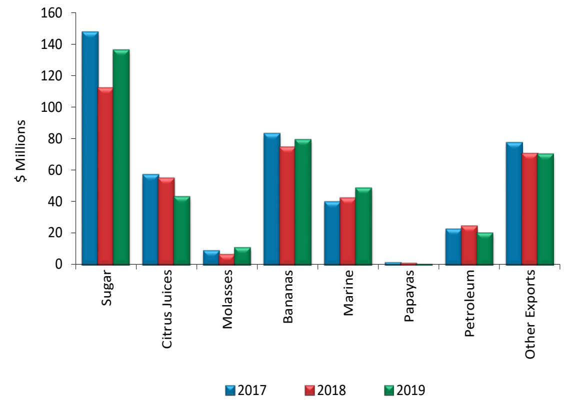
Molasses exports expanded by 30.3% to 53,645 long tons, with receipts rising by 65.1% to $10.9mn. The sharp increase in revenue was in response to increased molasses demand for food and ethanol production.

Citrus Juices and Pulp

Citrus juice exports declined for the sixth consecutive year amid the devastating effects of citrus greening. In 2019, the export volume and value of citrus juices were down by 23.6% to 12.5mn ps and by 21.2% to $43.3mn, respectively.

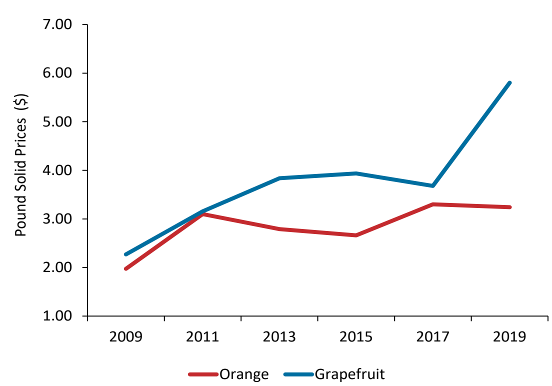
Orange concentrate exports shrank by 26.6% to 11.5mn ps, resulting in a 27.2% reduction in earnings to $37.0mn with lower sales across major markets. The bulk of orange juice exports, 57.2% of total sale volume, went to the Caribbean. Regional sales, which were directed mostly to Jamaica, Barbados, and Trinidad and Tobago, edged down by 0.9% to 7.1mn ps valued at $26.5mn. A strong rebound in US juice production that was

Chart 6.3: Domestic Exports



Source: SIB

Chart 6.4: Citrus Prices



Source: CPBL

due to improved disease management practices weakened prices significantly on that market. Hence, US sales were cut by 57.2% to 2.4mn ps, which yielded $4.6mn in earnings. EU sales contracted by 33.0% to 1.8mn ps. This translated to a 32.8% falloff in revenue to $5.5mn. Not-from-concentrate sales remained minimal at $0.3mn.

Grapefruit concentrate sales increased by 33.2% to 1.0mn ps, with earnings up by 57.0% to $5.9mn. Exports to the Caribbean grew by 34.9% to 0.4mn ps, boosting receipts by 37.6% to $2.0mn. Similarly, sales in the EU expanded by 28.1% to 0.5mn ps, lifting revenues by 68.5% to $2.7mn.

Pulp sales contracted by 44.9% to 1.3mn pounds valued at $1.0mn.

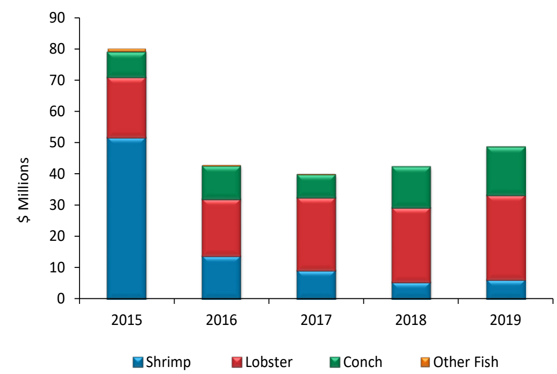
Banana

Banana production rebounded strongly in the first half of the year but was weakened by abnormally dry weather for the rest of the year. Banana exports expanded by 4.2% to 83,794 metric tons, resulting in earnings of $79.5mn. Receipts grew by 6.3% year-on-year, boosted by premiums for packaging market-ready containers of fruit.

Marine Exports

Marine exports inched up by 1.0% to 3.1mn pounds valued at $48.8mn. The marginal rise in export volume was driven by higher conch and whole fish sales, which compensated for declines in farmed shrimp and lobster exports. Conch exports rose by 18.9% to 1.1mn pounds, garnering $15.4mn, while whole fish sales increased by a miniscule $0.1mn. In contrast, persistent difficulties in curbing the devastating effects of the EMS disease caused farmed shrimp exports to contract by 14.0% to 1.0mn pounds valued at $6.1mn. Although lobster export volume dipped by 0.7% to 0.9mn pounds, higher lobster tails prices pushed earnings up by 13.6% to $27.1mn.

Chart 6.5: Exports of Marine Products



Source: SIB

Other Major Exports

Despite a 5.6% growth in the volume of crude oil exports to 210,741 barrels, receipts declined by 17.5% to $20.3mn. The average price per barrel of oil contracted by $13.51 to US$48.22 from US$61.73 in 2018 because of reduced demand from the gradual global slowdown that coincided with increased supply from higher US petroleum production. These two factors limited upward price pressure arising from the attack on energy installations in Saudi Arabia, announcement cuts from OPEC, and US sanctions on Iran and Venezuela.

Non-Traditional Exports

Export earnings from non-traditional commodities inched down by 0.4% to $70.4mn. The marginal dip in revenue resulted from lower earnings of sawn wood, papaya, orange oil, animal feed, and pulp cells, which outweighed increased sales of red kidney bean, black-eyed peas, grapefruit oil, pepper sauce, and corn meal. Citrus oil exports was broadly in line with fruit production. Grapefruit oil receipts soared by 67.9% to $2.8mn, while orange oil sales shrank by 47.8% to $3.5mn. Sales of pulp cells contracted by 22.1% to $1.0mn. Grain exports also varied. Black-eyed peas sales grew by 30.1% to $5.5mn, while red kidney beans exported to CARICOM expanded by 33.9% to $12.6mn. As for corn by-products, animal feed receipts contracted by 24.2% to $11.4mn, while corn meal earnings grew by 15.4% to $2.4mn. Pepper sauce sales further expanded, increasing by 16.6% to $5.4mn.

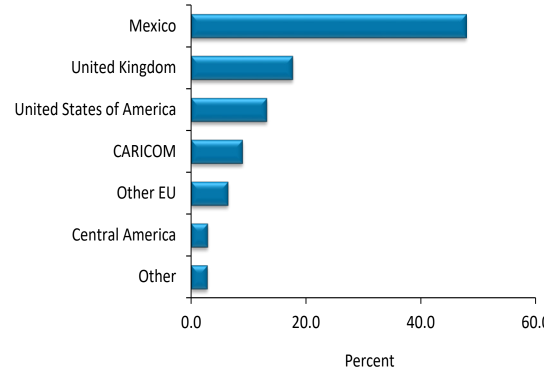
Re-Exports

Total re-exports edged down by 0.3% to $514.7mn, as a slight uptick in CFZ sales by 0.7% to $441.8mn was outweighed by a reduction in other re-exports. Re-exports from the free circulation area fell by 6.3% to $72.9mn, dragged down by lower sales of goods in the "*Machinery and Transport Equipment*," "*Commercial Free Zone*," and "*Mineral, Fuels, and Lubricants*" categories.

Imports

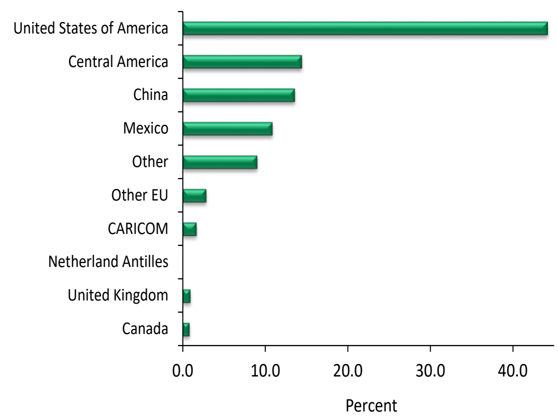
Increases in both domestic imports and CFZ goods pushed gross imports, free on board (FOB) up by 5.5% ($101.6mn) to $1,937.0mn in 2019. "*Mineral, Fuels, and Lubricants*" grew by the largest nominal value, up by $47.3mn, spurred by a surge in electricity imports to compensate for the drought-induced reduction in hydroelectricity generation. Outlays on "*Manufactured Goods*" grew by $23.1mn (9.5%) with increased purchases of metal structures, fuel tankers, and tires. Expenditures on "*Crude Materials*" increased by $6.6mn (21.9%) on account of higher purchases of pine lumber for construction purposes, as well as fruit seeds and calcium sulphates to mitigate the drought effects. Increased purchases of milk, cream, margarine, and lard explained the $10.5mn (4.8%) rise in "*Food and Live Animals*," while larger purchases of men's apparel were responsible for the $5.9mn (1.8%) uptick in "*Commercial Free Zone*." Reduced imports of single-use plastics and polystyrene foam products owing to the ban that was implemented in April 2019, along with fewer purchases of lighting

Chart 6.6: Direction of Visible Trade - Exports



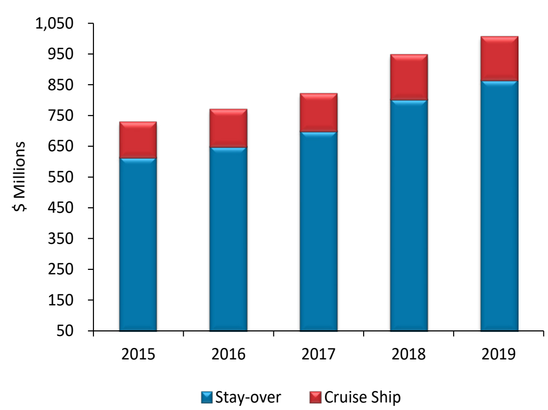
Source: SIB

Chart 6.7: Direction of Visible Trade - Imports



Source: SIB

Chart 6.8: Tourism Expenditure



Sources: BTB and SIB

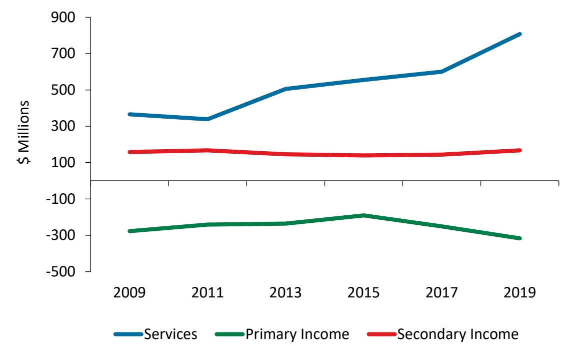
fixtures and surveying equipment, lowered "*Other Manufactures*" by 4.2%. Lastly, lower expenditure on food processing machinery, filtering equipment, and fruit concentrate accounted for the 17.8% reduction in imports for "*Designated Processing Areas.*"

Direction of Visible Trade

Mexico remained Belize's largest export destination for goods in 2019 when including retail sales to visitors in the CFZ area near the northern border. Using this metric, almost half of Belize's merchandise exports (47.9%) went to Mexico. The UK trailed, accounting for 17.7%, reflecting a two-percentage point increase based on upturns in banana and sugar sales. The US was the third major destination having received 13.2%, shaving three percentage points off from its 2018 position because of the steep reduction in orange concentrate juice sales into that market. In contrast, increased sugar exports lifted the proportion of goods sold to the EU to 6.4%, up slightly from 6.1% in 2018. Similarly, heightened sales of citrus juices and sugar raised the ratio of goods sold to CARICOM to 9.0% from 8.2% in 2018.

The share of US imports into Belize expanded to 44.2% relative to 42.5% in 2018. Central America was the next major source market for goods. However, the share of goods coming from this region inched down to 14.5% from 15.3% in 2018, owing to a decline in imported liquefied petroleum gas from Honduras and clothing from Panama's Colon Free Zone. China followed, accounting for 13.6% compared to 12.0% in 2018, with increased purchases of Chinese construction materials. Goods from Mexico accounted for 10.9%, while imports from the Netherland Antilles were nil with the cessation of oil imports from Venezuela.

Chart 6.9: Net Balances of Services and Income Accounts



Services

Buoyed largely by higher tourism revenue, net earnings from service exports rose by 5.6% to $807.5mn. Net expenditure on goods and services by visitors to Belize (net travel receipts) grew by 8.1% to $932.6mn, supported by a 2.0% expansion in overnight arrivals. Improvements in the transportation and government services sub accounts also contributed to the larger surplus. Net outlays for transportation services fell by 18.4% ($15.2mn) to $67.4mn because of a reduction in freight payments, alongside a simultaneous increase in receipts for tendering services. Net inflows for government services rose by 27.3% ($11.8mn) to $55.0mn, with higher inflows to foreign embassies and international agencies stationed in Belize. However, net outflows for all other services more than doubled to $112.7mn, with increased payments for insurance, engineering, head office, and other miscellaneous services.

Primary Income

Net outflows on the primary income account grew by 9.0% ($26.2mn) to $316.8mn. This sizeable increase was driven by higher profit repatriation and reinvested earnings by domestic banks and, to a lesser extent, upticks in interest payments on foreign public and private sector debt.

Secondary Income

Conversely, a pickup in inward remittances was largely responsible for the 7.1% ($11.1mn) increase in net inflows on the secondary income account to $167.7mn.

Capital and Financial Accounts

The surplus on the capital account fell to $20.6mn as compared to a year ago, owing to a steep reduction in public investment grants made by governments (ROC/Taiwan) and international organisations.

The financial account surplus expanded by $61.4mn to $292.7mn relative to 2018. The majority of the financial inflows stemmed from net foreign direct investments that amounted to $201.5mn. When compared to the previous year, net foreign direct investments contracted by $41.1mn, as higher inflows arising from tourism-related construction projects were dampened by reductions in agricultural and real estate investments. Additional financing also emanated from net borrowings by the public sector, which rose by $49.8mn, inclusive of the T-note purchase by the Caribbean Community Climate Change Centre. Furthermore, net borrowings by other sectors grew by $31.0mn, led by a rise in trade credit for electricity imports from Mexico. The accumulation in external foreign liabilities were partially offset by the $35.2mn rise in domestic banks' foreign asset balances over the year.

Chart 6.10: Remittance Inflows

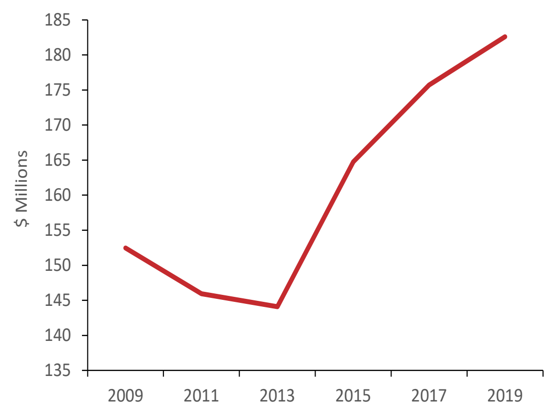
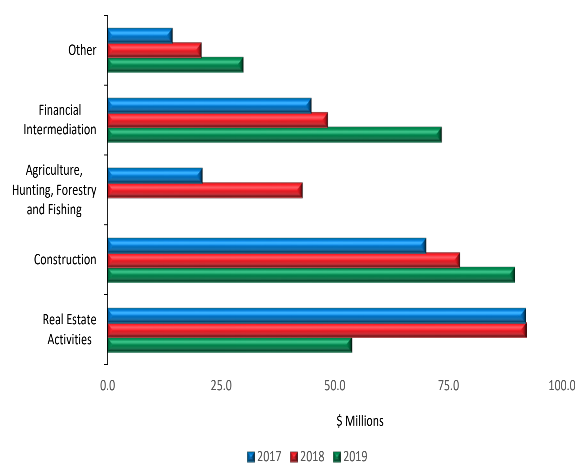


Chart 6.11: Foreign Direct Investment



Statistical Appendix

Table 1: Major Economic Indicators

	2012	2013	2014	2015	2016	2017	2018[R]	2019[P]
POPULATION AND EMPLOYMENT (At April)								
Population (Thousands)	338.9	347.8	356.9	366.3	375.9	385.8	395.9	410.7
Employed Labour Force (Thousands)	126.7	131.4	134.6	138.1	146.9	150.1	155.9	164.8
Unemployment Rate (%)	14.4	11.7	11.1	10.1	8.0	9.0	9.4	7.7
INCOME								
GDP at Current Market Prices ($mn)	3,147.3	3,216.9	3,325.6	3,447.6	3,550.2	3,673.2	3,742.4	3,745.3
Per Capita GDP ($, Current Market Prices)	9,285.9	9,248.6	9,316.9	9,411.8	9,444.3	9,521.8	9,453.3	9,119.4
Per Capita GDP (%)	3.5	-0.4	0.7	0.9	0.3	0.8	-0.7	-3.3
Real GDP Growth (%)	3.7	3.8	5.0	2.9	0.1	1.9	2.1	0.3
Sectoral Distribution of Constant 2000 GDP (%)								
Primary Activities	14.0	14.2	14.4	12.2	9.6	10.3	9.7	9.6
Secondary Activities	17.2	16.2	15.7	14.8	15.0	14.9	14.4	12.7
Tertiary Activities	60.3	54.5	53.7	55.8	59.9	61.0	62.2	63.6
MONEY AND PRICES ($mn)								
Inflation (Annual Average Percentage Change)	1.3	0.5	1.2	-0.9	0.7	1.1	0.3	0.2
Currency and Demand deposits (M1)	1,102.9	1,121.9	1,313.9	1,528.4	1,471.9	1,565.9	1,598.5	1,681.8
Quasi-Money (Savings and Time Deposits)	1,340.7	1,354.7	1,358.3	1,345.4	1,478.4	1,372.6	1,418.8	1,510.4
Annual Change of Money Supply (%)	11.0	1.4	7.9	7.6	2.7	-0.4	2.7	5.8
Ratio of M2 to GDP (%)	77.6	77.0	80.4	83.4	83.1	80.0	80.6	85.2
CREDIT ($mn)								
Domestic Bank's Loans and Advances	1,802.6	1854.3	1,933.0	1,985.7	2,015.0	2,018.2	2,119.9	2,238.0
Public Sector	16.6	23.8	17.5	11.3	8.7	5.3	50.6	58.0
Private Sector	1,786.0	1830.5	1,915.5	1,974.4	2,006.3	2,012.9	2,069.3	2,180.0
INTEREST RATE (%)								
Weighted Average Lending Rate	11.9	11.1	10.7	10.0	9.7	9.3	9.0	9.0
Weighted Average Deposit Rate	2.6	2.2	1.7	1.5	1.3	1.2	1.2	1.3
Weighted Average Interest Rate Spread	9.4	9.0	8.9	8.6	8.4	8.1	7.7	7.7
CENTRAL GOVERNMENT FINANCES ($mn)								
Current Revenue	825.6	851.6	911.7	994.0	1,002.6	1,047.9	1,139.4	1,143.8
Current Expenditure	740.8	743.6	817.6	894.0	950.9	1,005.8	1,052.9	1,083.8
Current Account Surplus(+)/Deficit(-)	84.8	108.0	94.1	100.0	51.6	42.1	86.5	60.0
Capital Expenditure	161.9	177.0	281.5	404.6	207.5	171.8	168.4	217.0
Overall Surplus(+)/Deficit(-)	-25.1	-35.7	-98.7	-276.3	-119.1	-103.4	-27.6	-129.5
Ratio of Budget Deficit to GDP at Market Prices (%)	-0.8	-1.1	-3.0	-8.0	-3.4	-2.8	-0.7	-3.5
Domestic Financing (Net)[(1)]	16.6	-148.0	-10.2	184.1	66.2	13.3	-2.9	54.3
External Financing (Net)	15.5	183.9	104.1	100.2	47.1	90.0	23.1	37.2

Table 1: Major Economic Indicators *continued*

	2012	2013	2014	2015	2016	2017	2018[R]	2019[P]
BALANCE OF PAYMENTS (US $mn)								
Merchandise Exports (FOB)[(2)]	621.6	608.1	589.2	537.9	442.8	457.2	451.8	462.2
Merchandise Imports (FOB)	818.1	888.6	938.7	961.3	875.1	848.3	917.7	968.5
Trade Balance	-196.5	-280.5	-349.6	-423.4	-432.3	-391.1	-466.0	-506.3
Remittances (Inflows)	73.6	72.0	78.0	82.4	87.2	87.9	90.2	94.5
Tourism (Inflows)	299.0	351.0	373.8	371.3	390.4	396.5	478.9	510.3
Services (Net)	221.6	253.0	285.6	277.1	293.1	300.3	382.2	403.8
Current Account Balance	-19.3	-72.6	-127.8	-171.7	-151.6	-143.9	-150.8	-177.1
Capital and Financial Flows	84.3	174.0	218.6	100.9	86.4	67.3	139.7	156.7
Gross Change in Official International Reserves	55.4	113.6	81.8	-49.9	-60.3	-64.6	-17.8	-17.8
Gross Official International Reserves	291.5	405.1	486.8	436.9	376.6	312.0	295.6	277.8
Monthly Import Coverage	3.9	5.0	5.7	5.0	4.5	4.0	3.6	3.2
PUBLIC SECTOR DEBT								
Disbursed Outstanding External Debt (US $mn)	1,014.2	1082.7	1,126.1	1,177.3	1,202.8	1,256.9	1,284.5	1,309.5
Ratio of Outstanding Debt to GDP at Market Prices (%)	64.4	67.3	67.7	68.3	67.8	68.4	68.6	69.9
External Debt Service Payments (US $mn)[(3)]	79.0	61.9	76.3	125.0	83.9	85.9	85.8	90.7
External Debt Service Ratio (%)	9.4	7.2	8.7	15.3	11.4	11.3	10.3	10.5
Disbursed Outstanding Domestic Debt ($mn)	389.9	386.0	376.1	494.4	747.8	1,026.5	1,045.3	1,114.4
Domestic Debt Service Payments ($mn)	20.3	20.0	17.0	27.4	18.3	34.1	35.9	36.6

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 payments, which exclude the $107.9mn haircut on the 2013 debt exchange for the 2038 bond.

P - Provisional

R - Revised

Table 2: List of Licensed Banks

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

Table 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 4: Capital for All Credit Unions

Capital Adequacy	Dec 2015	Dec 2016	Dec 2017	Dec 2018	Dec 2019
Total Capital/Deposits (%)	19.9	20.7	21.6	20.9	20.5
Total Capital/Total Assets (%)	16.4	16.9	17.5	17.0	16.8
Net Institutional Capital/Total Assets (%)	10.3	10.8	11.4	11.6	11.7
Total Capital ($mn)	137.3	153.1	165.1	177.5	183.9

Table 5: Central Bank Dealings in Foreign Exchange 2019

$mn

Month	US $, Canadian $, and UK £ Purchases	Sales	Net	CARICOM Currencies Purchases	Sales	Net
January	11.30	20.30	-9.00	0.00	0.05	-0.05
February	22.00	42.70	-20.70	0.00	0.03	-0.03
March	11.70	9.10	2.60	0.00	0.80	-0.80
April	13.70	25.20	-11.50	0.00	0.02	-0.02
May	15.20	16.20	-1.00	0.00	0.50	-0.50
June	27.50	12.00	15.50	0.00	0.01	-0.01
July	23.70	19.90	3.80	0.00	0.01	-0.01
August	36.10	38.70	-2.60	0.00	0.04	-0.04
September	4.60	15.70	-11.10	0.00	0.50	-0.50
October	9.50	25.20	-15.70	0.00	0.30	-0.30
November	4.80	17.20	-12.40	0.00	0.01	-0.01
December	53.90	14.40	39.50	0.00	0.03	-0.03
Total	234.00	256.60	-22.60	0.00	2.29	-2.29

Table 6: External Asset Ratio 2019

$mn

Month	Foreign Assets $mn	Domestic Liabilities $mn	External Asset Ratio (%)
January	559.6	897.8	62.3
February	542.9	899.6	60.4
March	536.8	906.2	59.2
April	524.9	887.9	59.1
May	523.5	901.5	58.1
June	539.9	927.8	58.2
July	542.8	900.7	60.3
August	539.8	891.1	60.6
September	528.4	897.2	58.9
October	513.8	901.7	57.0
November	501.0	911.7	54.9
December	541.1	937.0	57.7

Table 7: Domestic Bank Balances with the Central Bank 2019

$mn

Month	Average Deposit Liability	Required Cash Reserve	Actual Cash Holdings	Excess/ (Deficit)
January	2,704.5	229.6	406.4	176.7
February	2,722.9	231.4	413.3	181.9
March	2,754.0	234.1	422.0	187.9
April	2,794.2	237.5	410.6	173.0
May	2,819.9	239.7	407.9	168.2
June	2,846.1	241.9	432.1	190.2
July	2,843.6	241.7	423.7	182.0
August	2,832.8	240.8	419.4	178.6
September	2,827.6	240.3	418.3	177.9
October	2,835.5	241.0	413.6	172.6
November	2,836.5	241.6	435.0	193.3
December	2,840.4	241.3	435.2	193.9
Average	2,804.8	238.4	419.8	181.4

Table 8: Currency in Circulation 2019

$mn

Month	Notes	Coins	Total	Domestic Bank Vault Cash	Currency with the Public
January	344.8	32.6	377.4	53.9	323.5
February	350.4	32.7	383.1	53.9	329.2
March	349.0	32.8	381.8	49.5	332.3
April	360.1	33.1	393.2	55.9	337.3
May	358.2	33.3	391.5	53.5	338.1
June	354.3	33.6	387.9	48.3	339.7
July	356.2	33.8	390.0	56.4	333.6
August	349.6	33.8	383.4	43.8	339.7
September	352.1	34.0	386.0	46.5	339.6
October	352.7	34.1	386.8	51.1	335.7
November	363.4	34.2	397.7	45.1	352.6
December	398.1	34.5	432.6	64.3	368.3

Table A.9: Composition of Treasury Notes

$mn

Tenor	Amount	Allocation: Central Bank	Domestic Banks	Others	Previous Yield	Current Yield
1-Year	211.0	170.8	30.0	10.2	2.75%	2.25%
2-Year	58.7	14.6	25.0	19.0	3.25%	3.00%
5-Year	171.0	36.4	57.1	77.5	5.00%	4.00%
7-Year	94.4	61.5	15.0	17.9	7.00%	4.50%
10-Year	185.0	43.5	18.5	122.9	7.75%	5.25%
Total	720.0	326.9	145.6	247.5		

Table A.10: Central Bank Credit to Central Government 2019

$mn

Month	Treasury Bills ($mn)	Treasury Notes ($mn)	Treasury Bonds ($mn)	Overdraft Facility[1] ($mn)	A	B
January	61.1	261.5	0.0	50.0	7.5	4.4
February	61.1	281.6	0.0	66.1	8.0	5.8
March	61.1	281.6	0.0	71.2	8.0	6.2
April	74.1	281.6	0.0	48.1	8.3	3.9
May	74.1	281.0	0.0	48.0	8.3	3.9
June	74.1	286.7	0.0	65.1	8.4	5.3
July	54.6	285.9	0.0	59.1	7.9	4.8
August	38.6	285.9	0.0	65.1	7.6	5.3
September	38.6	285.9	0.0	73.3	7.6	6.0
October	56.7	283.9	0.0	80.7	7.9	6.6
November	56.7	303.9	0.0	77.8	8.4	6.3
December	56.7	326.9	0.0	72.6	8.9	5.9

[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 (%)	
	2018	2019^{E}	2018	2019^{E}	2018	2019^{E}
Advanced Economies	2.2	1.7	2.0	1.4	n.a.	n.a.
United States	2.9	2.3	2.4	1.8	3.9	3.7
Euro Area	1.9	1.2	1.7	1.4	8.2	7.7
United Kingdom	1.4	1.4	2.4	1.9	4.0	4.0
Canada	2.0	1.6	2.3	2.1	5.8	5.6
Japan	0.3	0.7	1.0	0.7	2.4	2.4
Emerging and Developing Economies	4.5	3.7	4.8	5.1	n.a.	n.a.
China	6.6	6.2	2.1	2.6	3.7	3.6
India	6.8	4.8	4.9	4.1	2.6	2.5
Mexico	2.1	0.4	4.9	3.5	3.6	3.7
Russia	2.5	1.3	2.9	4.4	4.8	4.5
Brazil	1.3	1.1	3.7	3.6	14.2	14.3

Sources: IMF, UN, Bureau of Labor Statistics (US), Bureau of Economic Analysis (US), and European Union Statistical Office.

^{E} - Estimate

Table A.12: Key Indicators for Central America

Country	GDP Growth Rate (%)		Inflation Rate (%)		Unemployment Rate (%)		Net International Reserves (US $bn)	
	2018$^{(R)}$	2019$^{(P)}$	2018$^{(R)}$	2019$^{(P)}$	2018$^{(R)}$	2019$^{(P)}$	2018$^{(R)}$	2019$^{(P)}$
Guatemala	3.1	3.4	2.3	3.4	2.8	2.5	12.8	14.8
Honduras	3.7	3.4	4.2	4.1	3.9	3.3	4.9	5.8
El Salvador	2.5	2.5	0.4	0.0	7.0	7.0	3.4	3.9
Nicaragua	-3.8	-5.7	3.9	7.0	7.5	8.7	2.0	2.4
Costa Rica	2.7	2.1	2.0	1.5	10.3	11.8	7.5	9.0
Panama	3.7	4.3	0.2	0.8	6.0	6.1	2.9	3.5

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)	
	2018[R]	2019[E]	2018[R]	2019[E]	2018[R]	2019[E]	2018[R]	2019[E]	2018[R]	2019[E]
The Bahamas	1.6	1.8	2.2	2.6	10.7	9.5	1,199	1,759	-3.3	-2.3
Barbados	-0.6	-0.1	3.7	4.0	9.7	10.1	416	565	-0.3	3.3
Belize	2.1	0.3	0.3	0.2	9.4	9.1	296	278	-0.7	-3.5
ECCU	3.3	3.9	1.3	0.7	n.a	n.a	1,852	1,628	1.3	1.4
Guyana	4.1	4.5	1.6	2.1	n.a	n.a.	528	576	-5.0	-0.7
Jamaica	1.9	1.7	2.4	6.2	8.4	7.2	3,532	3,162	0.3	0.2
Suriname	2.6	2.2	5.4	4.2	8.4	7.3	581	648	-8.5	-9.8
Trinidad and Tobago	-0.2	0.4	1.0	1.0	5.0	4.8	7,400	7,100	-6.3	-3.1

Sources: UN, IMF, ECLAC, IADB, CDB, CBB, The Bahamas, Barbados, Guyana, ECCU, Jamaica, Suriname, Trinidad and Tobago, Statistical Institute of Belize and Jamaica, Central Statistical Office of Trinidad and Tobago, Bureau of Statistics of Guyana, and the Government of The Bahamas - Department of Statistics.

[R] - Revised

[E] - Estimate

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

$mn

	2014	2015	2016	2017	2018	2019
GDP at Current Market Prices	3,325.6	3,447.6	3,550.2	3,673.2	3,742.4	3,745.3
GDP at Constant 2000 Market Prices	2,628.4	2,703.4	2,705.6	2,756.2	2,813.6	2,821.2
Primary Industries	377.4	330.1	258.7	283.9	273.0	271.1
Agriculture, Hunting and, Forestry	249.4	247.6	229.3	255.3	245.5	243.3
Fishing	128.0	82.5	29.4	28.6	27.5	27.7
Secondary Industries	411.5	399.0	405.0	410.6	405.1	357.8
Manufacturing (Including Mining and Quarrying)	211.4	181.6	169.6	169.3	172.3	175.6
Electricity and Water	132.1	136.6	145.2	154.5	151.6	116.0
Construction	68.0	80.7	90.2	86.8	81.2	66.2
Tertiary Industries	1,411.7	1,509.6	1,621.7	1,682.5	1,748.8	1,794.8
Wholesale and Retail Trade	423.6	455.2	539.4	576.5	590.1	601.9
Hotels and Restaurants	109.2	105.6	104.7	108.3	122.3	121.6
Transport and Communication	204.3	206.7	223.8	228.6	240.2	250.2
Other Private Services Excluding Financial Services Indirectly Measured	427.3	466.5	466.7	469.7	479.6	491.5
Producers of Government Services	247.2	275.5	287.2	299.3	316.7	329.7
All Industries at Basic Prices	2,200.6	2,238.7	2,285.3	2,377.0	2,426.9	2,423.6
Taxes Less Subsidies on Products	427.9	464.6	420.3	379.2	386.7	397.6

Source: SIB

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

Percentage

	2014	2015	2016	2017	2018	2019
GDP at Current Market Prices	11.8	3.7	3.0	3.5	1.9	0.1
GDP at Constant 2000 Market Prices	5.0	2.9	0.1	1.9	2.1	0.3
Primary Industries	15.5	-12.5	-21.6	9.8	-3.8	-0.7
Agriculture, Hunting, and Forestry	10.1	-0.7	-7.4	11.4	-3.9	-0.9
Fishing	27.7	-35.5	-64.4	-2.9	-3.7	0.9
Secondary Industries	-14.6	-3.0	1.5	1.4	-1.3	-11.7
Manufacturing (Including Mining and Quarrying)	-30.3	-14.1	-6.6	-0.2	1.8	1.9
Electricity and Water	4.5	3.4	6.3	6.4	-1.9	-23.5
Construction	30.5	18.7	11.8	-3.8	-6.5	-18.4
Tertiary Industries	8.9	7.5	6.2	3.3	0.5	2.6
Wholesale and Retail Trade	12.0	7.5	18.5	6.9	2.3	2.0
Hotels and Restaurants	32.6	-3.3	-0.9	3.5	12.9	-0.6
Transport and Communication	-21.5	1.2	8.3	2.2	5.1	4.1
Other Private Services Excluding Financial Services Indirectly Measured	3.1	9.2	0.0	0.7	2.1	2.5
Producers of Government Services	12.1	11.4	4.2	4.2	5.8	4.1
All Industries at Basic Prices	1.6	1.7	2.1	4.0	2.1	-0.1
Taxes Less Subsidies on Products	26.8	8.6	-9.5	-9.8	2.0	2.8

Source: SIB

Table A.16: Sugar Cane Deliveries

	2016/2017	2017/2018	2018/2019
Deliveries (long tons)	1,644,405	1,680,555	1,765,695

Sources: BSI and Santander Group

Table A.17: Citrus Fruit Deliveries

	2016/2017	2017/2018	2018/2019
Deliveries (‘000 boxes)	3,387	2,639	2,349
Oranges	3,201	2,433	2,127
Grapefruits	186	205	222

Sources: CPBL and CGA

Table A.18: Production of Sugar and Molasses

	2016/2017	2017/2018	2018/2019
Sugar Processed (long tons)	174,887	175,340	197,448
Molasses Processed (long tons)	55,792	51,669	62,563
Performance			
Factory Time Efficiency	95.15	88.73	95.77
Cane Purity (%)	86.42	86.31	86.34
Cane/Sugar Ratio	9.40	9.58	8.94

Sources: BSI and Santander Group

Table A.19: Production of Citrus Juices and Pulp

	2016/2017	2017/2018	2018/2019
Production (‘000 ps)	19,998	15,001	13,564
Orange Concentrate	19,021	13,918	12,343
Grapefruit Concentrate	731	779	960
Not-from-concentrate	246	304	262
Production (‘000 pounds)			
Pulp	2,409	1,714	1,437
Citrus Oil	1,287	832	683

Source: CPBL

Table A.20: Labour Force Statistics

Indicators	Apr 2017	Sept 2017	Apr 2018	Sept 2018	Apr 2019	Sept 2019
Labour Force	164,934.7	166,049	172,086	n.a.	178,500	190,307
Employed Population	150,111.8	149,994	155,950	n.a.	164,842	170,458
Unemployed Population	14,822.9	16,056	16,136	n.a.	13,658	19,849
Unemployment Rate (%)	9.0	9.7	9.4	n.a.	7.7	10.4
Labour Force Participation Rate (%)	64.3	64.0	65.5	n.a.	66.4	70.1

Source: SIB

Table A.21: Tourist Arrivals and Expenditure

	2016	2017	2018	2019
Stay-over Arrivals				
Air	298,455	320,549	360,405	373,365
Land	51,460	60,803	71,713	67,279
Sea	6,634	7,806	6,106	6,424
Total Stay-overs	356,550	389,158	438,224	447,068
Cruise Ship Disembarkations	904,855	912,808	1,087,323	1,053,502
Tourist Expenditure ($mn)	769.6	820.7	946.7	1,004.54

Sources: BTB, CBB, and Department of Immigration and Nationality Services.

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

Major Commodity	Weights	Average Annual Index 2017	2018	2019	Average Annual Change
Food and Non-Alcoholic Beverages	195.0	105.3	104.8	105.5	0.6
Alcoholic Beverages and Tobacco	16.6	105.1	107.0	107.5	0.5
Clothing and Footwear	82.9	97.9	97.8	97.8	0.0
Housing, Water, Electricty, Gas, and Other Fuels	264.8	103.7	104.6	104.8	0.2
Furnishing, Household Equipment, and Routine Household Maintenance	69.3	101.1	101.2	100.6	-0.5
Health	41.4	113.4	117.2	116.9	-0.3
Transport	135.7	110.2	109.8	108.1	-1.6
Communication	33.5	101.0	101.1	101.1	0.0
Recreation and Culture	69.4	105.0	104.9	106.2	1.3
Education	32.5	103.6	104.2	107.6	3.3
Restaurants and Hotels	7.0	114.1	116.1	116.9	0.7
Miscellaneous Goods and Services	52.0	104.0	104.9	106.2	1.3
All Items	1,000	104.7	105.0	105.0	0.2

Source: SIB

Table A.23: Central Government - Revenue and Expenditure

	Fiscal Year 2018/2019	Estimated Budget 2019/2020	Jan - Dec 2017	Jan - Dec 2018	Jan - Dec 2019
TOTAL REVENUE AND GRANTS (1+2+3)	1,186,789	1,226,771	1,074,233	1,193,703	1,171,415
1). Current Revenue	1,144,116	1,198,916	1,047,930	1,139,369	1,143,772
Tax Revenue	1,034,212	1,088,786	954,129	1,023,194	1,045,550
Income and Profits	287,578	305,023	267,534	292,105	295,202
Taxes on Property	5,525	6,440	6,510	5,411	6,438
Taxes on Goods and Services	577,298	610,304	522,681	563,025	581,865
International Trade and Transactions	163,810	167,019	157,405	162,653	162,045
Non-Tax Revenue	109,904	110,130	93,801	116,175	98,222
Property Income	20,231	14,030	12,752	29,167	9,516
Licenses	27,576	22,052	18,160	25,113	28,721
Transfers from Government Departments	30,182	74,048	23,419	29,152	30,886
Repayment of Old Loans	1,102		413	1,015	1,114
Rent and Royalties	29,059		39,057	30,678	26,679
2). Capital Revenue	5,690	2,556	1,982	2,898	6,998
3). Grants	36,983	25,299	24,320	51,437	20,645
TOTAL EXPENDITURE (1+2)	1,231,676	1,256,209	1,177,593	1,221,276	1,300,867
1). Current Expenditure	1,063,259	1,077,001	1,005,828	1,052,851	1,083,819
Wages and Salaries	439,423	440,596	421,123	435,379	451,173
Pensions	98,747	97,113	94,493	96,126	93,610
Goods and Services	229,230	251,213	207,841	229,484	238,111
Interest Payments	124,830	114,032	112,430	118,425	124,638
Subsidies and Current Transfers	171,029	174,046	169,940	173,435	176,287
2). Capital Expenditure	168,417	179,208	171,766	168,425	217,048
Capital II (Local Sources)	66,394	74,778	86,374	61,173	90,857
Capital III (Foreign Sources)	88,728	96,132	83,180	94,528	117,976
Capital Transfer and Net Lending	13,294	8,299	2,212	12,723	8,215
CURRENT BALANCE	80,857	121,915	42,103	86,518	59,953
PRIMARY BALANCE	79,944	84,594	9,069	90,853	-4,814
OVERALL BALANCE	-44,887	-29,438	-103,361	-27,573	-129,452
OVERALL BALANCE WITHOUT GRANTS	-81,870	-54,737	-127,681	-79,009	-150,097
PRIMARY BALANCE WITHOUT GRANTS	42,961	59,295	-15,251	39,416	-25,459

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

	Fiscal Year 2018/2019	Estimated Budget 2019/2020	Jan - Dec 2017	Jan - Dec 2018	Jan - Dec 2019
FINANCING	44,887	29,438	24,155	27,573	129,452
Nationalisation			-196,522	0	0
Domestic Financing	-7,482		221,592	-2,941	54,297
Central Bank	7,033		-9,738	-37,247	83,110
Net Borrowing	41,436		17,668	-23,561	74,959
Change in Deposits	-34,403		-27,407	-13,686	8,151
Commercial Banks	-28,314		87,167	22,102	-54,949
Net Borrowing	-2,785		78,234	30,417	-31,687
Change in Deposits	-25,529		8,933	-8,315	-23,262
UHS liability[1]			91,000	0	0
International Banks	-276		2,135	65	218
Other Domestic Financing	14,075		142,028	12,139	25,918
Financing Abroad	18,285		90,018	23,123	37,196
Disbursements	101,561		175,785	103,626	117,345
Amortisation	-83,276		-85,767	-80,503	-80,149
Other[1]	34,083		-90,934	7,391	37,959

Sources: CBB and MOF

[1] In 2017, this line item reflects the $91.0mn award against the Government for the UHS loan.

Table A.24: Central Government - Domestic Debt 2019

$'000

	Disbursed Outstanding Debt 31/12/18[R]	*TRANSACTIONS THROUGH DECEMBER 2019*				Disbursed Outstanding Debt 31/12/19[P]
		Disbursement/ New Issue of Securities	*Amortisation/ Reduction in Securities*	Interest	Net Change in Overdraft/ Securities	
Overdraft/Loans	52,064	0	0	5,417	4,097	56,161
Central Bank	52,064	0	0	5,417	4,097	56,161
Domestic Banks	0	0	0	0	0	0
Treasury Bills	245,000	0	0	2,837	0	245,000
Central Bank	51,070	0	0	650	5,437	56,507
Domestic Banks	187,556	0	0	1,904	-25,276	162,280
Other	6,374	0	0	283	19,839	26,213
Treasury Notes	655,000	65,000	0	27,630	0	720,000
Central Bank	261,464	65,000	0	10,119	425	326,889
Domestic Banks	152,118	0	0	5,754	-6,177	145,941
Other	241,418	0	0	11,757	5,752	247,170
Belize Bank Limited(1)	91,000	0	0	0	0	91,000
Heritage Bank Limited	234	0	233	4	0	0
Belize Social Security Board(2)	264	0	51	19	0	213
Fort Street Tourism Village	0	568	189	0	0	378
Debt for Nature Swap	1,787	0	188	50	0	1,598
Total	1,045,349	65,568	662	35,957	4,097	1,114,351

R - Revised
P - Provisional
(1) Caribbean Court of Justice award in November 2017 against the Government of Belize in favour of BBL, relating to the UHS 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 31/12/2018R	Disbursements	Amortisation	Interest and Other Charges	Valuation Adjustments	Outstanding Debt 31/12/2019P
Bilateral	765.6	43.9	27.0	13.8	0.1	782.6
Multilateral	746.5	95.9	57.0	27.7	-2.0	783.3
Bonds	1,053.0	0.0	0.0	52.0	0.0	1,053.0
Commercial	4.0	0.0	4.0	0.1	0.0	0.0
Total	2,569.1	139.7	87.9	93.6	-1.9	2,618.9

R - Revised

P - Provisional

Table A.26: Public Sector - External Debt 2019

$'000

	Disbursed Outstanding Debt 31/12/18[R]	*TRANSACTIONS THROUGH DECEMBER 2019* *Disbursements*	*Principal Payments*	*Interest & Other Payments*	*Parity Change*	Disbursed Outstanding Debt 31/12/19[P]
CENTRAL GOVERNMENT	2,440,743	119,349	80,149	89,815	-1,372	2,478,570
Government of Venezuela[(1)]	429,450	247	0	247	0	429,697
Kuwait Fund for Arab Economic Development	27,424	7,660	1,948	894	105	33,241
Mega International Commercial Bank Company Limited	50,000	0	0	2,598	0	50,000
Republic of China/Taiwan	236,143	23,546	25,012	8,813	0	234,676
Caribbean Development Bank	259,765	27,347	22,908	10,095	0	264,204
CARICOM Development Fund	1,735	0	862	43	0	873
European Economic Community	7,240	0	704	46	-1,461	5,075
Inter-American Development Bank	237,873	26,312	18,861	9,010	0	245,323
International Fund for Agriculture Development	2,565	2,800	317	104	-16	5,031
International Bank for Reconstruction and Development	37,598	2,802	1,877	1,282	0	38,523
OPEC Fund for International Development	71,327	28,635	5,887	3,144	0	94,076
Central American Bank for Economic Integration	26,621	0	1,774	1,547	0	24,847
Bank of New York	1,053,004	0	0	51,992	0	1,053,004
NON-FINANCIAL PUBLIC SECTOR	47,328	14,757	7,075	2,151	0	55,010
Caribbean Development Bank	20,766	2,319	3,075	878	0	20,010
Atlantic International Bank Limited	4,000	0	4,000	70	0	0
International Cooperation and Development Fund	22,562	12,438	0	1,203	0	35,000
FINANCIAL PUBLIC SECTOR	80,987	5,643	706	1,587	-564	85,360
Caribbean Development Bank	31,160	3,141	671	1,454	0	33,630
European Economic Community	53	0	35	0	-4	14
European Investment Bank	0	2,502	0	133	-275	2,227
International Monetary Fund	49,774	0	0	0	-285	49,489
GRAND TOTAL	2,569,057	139,749	87,930	93,553	-1,936	2,618,940

[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 2019 amounted to principal of $37.0mn and interest of $8.4mn.

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

$mn

	Position as at			Changes During 2019
	Dec 2017	Dec 2018	Dec 2019	
Net Foreign Assets	859.3	856.5	810.0	-46.5
Central Bank	628.5	592.4	559.2	-33.2
Domestic Banks	230.8	264.1	250.8	-13.3
Net Domestic Credit	2,615.2	2,702.8	2,869.0	166.3
Central Government (Net)	591.0	579.2	607.6	28.4
Other Public Sector	6.7	49.5	71.7	22.2
Private Sector	2,017.5	2,074.1	2,189.8	115.7
Central Bank Foreign Liabilities (Long-term)	51.0	49.8	49.5	-0.3
Other Items (Net)	485.0	492.1	437.2	-54.8
Money Supply (M2)	2,938.5	3,017.3	3,192.3	175.0

(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 2019
	Dec 2017	Dec 2018	Dec 2019	
Money Supply (M2)	2,938.5	3,017.3	3,192.3	175.0
Money Supply (M1)	1,565.9	1,598.5	1,681.8	83.3
Currency with the Public	325.2	335.4	368.3	32.9
Demand Deposits	1,212.3	1,236.4	1,291.3	54.9
Savings/Chequing Deposits	28.4	26.7	22.3	-4.4
Quasi-Money	1,372.6	1,418.8	1,510.4	91.6
Savings Deposits	678.9	730.4	784.1	53.7
Time Deposits	693.7	688.4	726.3	37.9

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

$mn

	Position as at			Changes During 2019
	Dec 2017	Dec 2018	Dec 2019	
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 2019
	Dec 2017	Dec 2018	Dec 2019	
Total Credit to Central Government	697.8	708.0	751.6	43.6
From Central Bank	388.1	364.6	439.6	75.0
From Domestic Banks	309.7	343.4	312.0	-31.4
Less Central Government Deposits	106.8	128.8	144.0	15.2
Net Credit to Central Government	591.0	579.2	607.6	28.4
Plus Credit to Other Public Sector	6.7	49.5	71.7	22.2
Plus Credit to the Private Sector	2,017.5	2,074.1	2,189.8	115.7
Net Domestic Credit of the Banking System	2,615.2	2,702.8	2,869.0	166.3

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

$mn

	Position as at			Changes During 2019
	Dec 2017	Dec 2018	Dec 2019	
PRIMARY SECTOR	277.3	200.8	220.7	19.9
Agriculture	240.4	171.4	191.7	20.3
Sugar	87.6	85.6	95.4	9.8
Citrus	14.7	14.5	20.4	5.9
Bananas	81.3	22.8	23.0	0.2
Other	56.8	48.5	52.9	4.4
Marine Products	33.6	25.1	24.6	-0.5
Forestry	0.5	0.8	1.2	0.4
Mining and Exploration	2.8	3.5	3.2	-0.3
SECONDARY SECTOR	619.6	731.8	617.0	-114.8
Manufacturing	34.8	77.4	70.8	-6.6
Building and Construction	571.3	595.5	479.5	-116.0
Utilities	13.5	58.9	66.7	7.8
TERTIARY SECTOR	680.8	736.2	786.1	49.9
Transport	57.3	59.5	46.0	-13.5
Tourism	116.2	142.6	164.0	21.4
Distribution	158.3	177.7	175.0	-2.7
Real Estate	290.9	294.2	327.3	33.1
Professional Services	50.1	49.7	59.2	9.5
Other(1)	8.0	12.5	14.6	2.1
PERSONAL LOANS(2)	440.5	451.1	614.2	163.1
TOTAL	2,018.2	2,119.9	2,238.0	118.1

(1) Includes government services, financial institutions, and entertainment.

(2) In 2019, loans for Building and Construction ($128.4 mn) and Transport ($24.4mn) were reclassified as Real Estate ($14.3mn) and Personal Loans ($126.2mn).

Table A.32: Sectoral Composition of Credit Unions' Loans and Advances

$mn

	Position as at			Changes During 2019
	Dec 2017	Dec 2018	Dec 2019	
PRIMARY SECTOR	41.5	57.1	60.3	3.2
Agriculture	34.1	48.9	51.2	2.3
Sugar	9.8	6.8	6.1	-0.7
Citrus	0.0	0.0	1.4	1.4
Bananas	0.0	0.0	3.9	3.9
Other	24.3	42.1	39.8	-2.3
Marine Products	7.4	8.2	9.0	0.8
Forestry	0.0	0.0	0.1	0.1
Mining and Exploration	0.0	0.0	0.0	0.0
SECONDARY SECTOR	191.2	216.5	226.8	10.3
Manufacturing	17.8	17.5	15.2	-2.3
Building and Construction	173.4	199.0	208.1	9.1
Residential	90.3	105.5	83.5	-22.0
Home Improvement	82.6	88.7	100.8	12.1
Commercial	0.5	4.8	19.3	14.5
Infrastructure	0.0	0.0	4.4	4.4
Utilities	0.0	0.0	3.5	3.5
TERTIARY SECTOR	144.4	148.8	147.1	-1.7
Transport	1.3	2.0	2.6	0.6
Tourism	0.1	0.2	0.7	0.5
Distribution	17.6	17.2	23.1	5.9
Real Estate	103.3	108.3	99.6	-8.7
Residential	0.6	1.6	4.7	3.1
Commercial	75.9	74.8	64.2	-10.6
Land Acquisition	26.8	31.9	30.7	-1.2
Other(1)	22.1	21.1	21.1	0.0
PERSONAL LOANS	246.2	251.0	244.3	-6.7
TOTAL	623.2	673.2	678.5	5.3

(1) Includes government services, financial institutions, professional services, and entertainment.

Table A.33: Domestic Banks - Holdings of Approved Liquid Assets

$mn

	Position as at			Changes During 2019
	Dec 2017	Dec 2018	Dec 2019	
Holdings of Approved Liquid Assets	869.0	863.5	854.0	-9.5
Notes and Coins	75.5	86.5	96.4	9.9
Balances with Central Bank	507.8	426.4	437.8	11.4
Money at Call and Foreign Balances (due in 90 days)	93.3	142.7	134.3	-8.4
Central Government Securities Maturing within 90 days[1]	159.0	209.0	179.7	-29.3
Other Approved Assets	33.4	-1.1	5.9	7.0
Required Liquid Assets	599.8	622.8	653.3	30.5
Excess/(Deficiency) Liquid Assets	269.2	240.7	200.7	-40.0
Daily Average Holdings of Cash Reserves	505.7	426.8	435.2	8.4
Required Cash Reserves	221.7	230.2	241.4	11.2
Excess/(Deficiency) Cash Reserves	284.0	196.6	193.8	-2.8
Actual Securities Balances[2]	136.7	187.7	162.4	-25.3
Excess/(Deficiency) Securities	136.7	187.7	162.4	-25.3

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

Table A.34: Domestic Banks - Weighted Average Interest Rates

Percentage

	Position as at			Changes During 2019
	Dec 2017	Dec 2018	Dec 2019	
Weighted Lending Rates				
Personal Loans	11.31	10.79	10.24	-0.55
Commercial Loans	9.12	8.68	8.87	0.19
Residential Construction	7.19	7.01	7.34	0.32
Other	6.74	6.68	6.56	-0.11
Weighted Average	9.34	8.98	8.97	-0.01
Weighted Deposit Rates				
Demand	0.01	0.01	0.01	0.00
Savings/Chequing	0.50	0.48	0.49	0.01
Savings	2.50	2.72	2.64	-0.07
Time	2.08	1.95	2.07	0.12
Weighted Average	1.21	1.24	1.26	0.02
Weighted Average Spread	8.14	7.74	7.71	-0.02

Table A.35: Domestic Banks - Weighted Average Interest Rates on New Loans and Deposits

Percentage

	Rolling Averages			Changes During
	Jan 2017 to Dec 2017	Jan 2018 to Dec 2018	Jan 2019 to Dec 2019	Dec 2018 to Dec 2019
Weighted Lending Rates				
Personal Loans	10.01	9.90	9.83	-0.07
Commercial Loans	8.85	8.38	8.30	-0.07
Residential Construction	6.98	7.11	8.08	0.97
Other	6.47	6.42	6.05	-0.37
Weighted Average	9.02	8.63	8.70	0.07
Weighted Deposit Rates				
Demand	0.00	0.00	0.01	0.01
Savings/Chequing	1.38	0.64	0.65	0.01
Savings	2.05	2.48	2.57	0.08
Time	1.92	1.93	2.42	0.48
Weighted Average	1.70	1.62	1.93	0.31
Weighted Average Spread	7.31	7.01	6.78	-0.24

Table A.36: Balance of Payments - Merchandise Trade

$mn

	2017	2018	2019	Change
Goods Exports, FOB	914.4	903.5	924.3	2.3%
Of which: Domestic Exports	439.6	387.1	409.6	5.8%
CFZ Sales	385.9	438.5	441.8	0.7%
Other Re-exports	88.8	77.8	72.9	-6.3%
Goods Imports, FOB	1,696.5	1,835.4	1,937.0	5.5%
Of which: Domestic Imports	1,412.9	1,536.4	1,632.5	6.3%
CFZ[(1)]	283.6	299.0	304.5	1.8%
Merchandise Trade Balance	-782.2	-931.9	-1,012.7	8.7%

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

Table A.37: Domestic Exports

$mn

	2017	2018	2019	% Change
Traditional Exports	339.2	291.8	318.9	9.3
Sugar	147.9	112.1	136.3	21.6
Citrus Juices[(1)]	57.3	55.0	43.3	-21.2
Citrus Concentrate	57.0	54.7	43.0	-21.4
Not-from-concentrate	0.3	0.3	0.3	4.3
Molasses[(1)]	9.0	6.6	10.9	65.1
Banana	83.4	74.7	79.5	6.3
Marine[(1)]	40.1	42.4	48.8	15.1
Papayas	1.5	1.0	0.3	-69.2
Petroleum[(2)]	22.7	24.6	20.3	-17.5
Non-traditional Exports	77.6	70.7	70.4	-0.4
Total Exports	439.6	387.1	409.6	5.8

Sources: SIB, BSI, Santander Group, and CPBL
[(1)] Reflect actual sales and not export shipments as reported by SIB.
[(2)] Estimated FOB value of petroleum shipment.

Table A.38: Exports of Sugar and Molasses

	2017		2018		2019	
	Volume (long tons)	Value ($'000)	Volume (long tons)	Value ($'000)	Volume (long tons)	Value ($'000)
Sugar[1]	157,831	147,875	158,897	112,093	199,059	136,316
EU	140,558	128,075	143,360	95,800	174,059	113,142
US	15,772	17,352	10,868	11,636	12,401	12,434
CARICOM	1,456	2,295	4,532	4,493	12,519	10,637
Other	45	151	138	165	79	102
Molasses[2]	42,980	9,048	41,161	6,611	53,645	10,911

Sources: BSI, Santander Group, and SIB

(1) Reflects value of export shipments.

(2) Reflect actual sales as reported by the processors.

Table A.39: Exports of Citrus Juices and Pulp[1]

	2017	2018	2019	% Change
Concentrate ('000 ps)	17,164.8	16,369.8	12,481.1	-23.8
Orange	16,122.0	15,600.1	11,456.0	-26.6
Grapefruit	1,042.8	769.6	1,025.0	33.2
Concentrate Value ($mn)	57.0	54.7	43.0	-21.4
Orange	53.2	50.9	37.0	-27.2
Grapefruit	3.8	3.8	5.9	57.0
Not-from-concentrate Exports ('000 ps)	57.0	58.9	63.9	8.6
Orange	46.7	48.2	53.1	10.2
Grapefruit	10.3	10.6	10.8	1.8
Not-from-concentrate Value ($mn)	0.3	0.3	0.3	4.3
Orange	0.2	0.2	0.3	6.1
Grapefruit	0.1	0.1	0.1	-2.9
Total Citrus Juice Exports ('000 ps)	17,221.8	16,428.6	12,545.0	-23.6
Total Citrus Juice Receipts ($mn)	57.3	55.0	43.3	-21.2
Pulp Export ('000 pounds)	1,351.0	2,422.0	1,335.6	-44.9
Pulp Value ($mn)	1.1	1.8	1.0	-43.1

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.40: Exports of Banana

	2017	2018	2019
Volume (metric tons)	84,733	80,394	83,794
Value ($mn)	83.4	74.7	79.5

Source: BGA

Table A.41: Exports of Marine Products

	2017		2018		2019	
	Volume ('000 lbs)	Value ($'000)	Volume ('000 lbs)	Value ($'000)	Volume ('000 lbs)	Value ($'000)
Lobster Tail	1,044	23,349.2	954	23,867.1	947	27,117.3
Shrimp	1,161	9,137.6	1,191	5,371.7	1,024	6,143.9
Conch	595	7,317.9	883	13,097.2	1,050	15,442.7
Whole/Fillet Fish	195	249.3	22	53.7	61	67.7
Other	0	6.4	0	0.0	0	0
Total	2,995	40,060.4	3,050	42,389.7	3,082	48,771.6

Sources: Shrimp Growers and SIB

Table A.42: Other Major Exports

	2017	2018	2019
Petroleum			
Volume (barrels)	267,071	199,649	210,741
Value ($mn)	22.7	24.6	20.3

Source: SIB

Table A.43: Gross Imports (CIF) by Standard International Trade Classification (SITC)

$mn

SITC Category	2015	2016	2017	2018	2019
0 Food and Live Animals	221.9	229.5	216.1	219.7	230.2
1 Beverages and Tobacco	40.0	38.4	35.3	37.9	39.9
2 Crude Materials	31.4	36.1	35.5	30.1	36.7
3 Mineral Fuels and Lubricants	263.1	211.5	265.3	347.1	394.4
Of which: Electricity	42.6	24.5	44.3	64.2	99.4
4 Oils and Fats	17.6	13.7	16.4	16.8	19.6
5 Chemicals Products	182.9	172.0	174.5	175.1	175.6
6 Manufactured Goods	244.7	236.2	244.0	244.4	267.5
7 Machinery and Transport Equipment	435.8	458.7	375.5	390.9	397.6
8 Other Manufactures	158.2	178.6	161.4	150.9	144.6
9 Commodities - n.i.e.	1.6	0.6	0.3	0.0	0.0
Designated Processing Areas[1]	115.8	45.3	41.1	38.8	31.9
Personal Goods	5.0	3.9	3.5	4.1	3.2
Total	1,718.2	1,624.6	1,569.0	1,655.8	1,741.3
CFZ Direct Imports	317.1	305.5	307.2	324.0	329.9
Grand Total	2,035.3	1,930.1	1,876.2	1,979.8	2,071.2

Sources: SIB and BEL

[1] Formerly Export Processing Zones.

Table A.44: Extended Balance of Payments Services Classification

$mn

		Jan - Dec 2018	Jan - Dec 2019
Total Services	Net	764.4	807.5
	Credits	1,240.1	1,334.9
	Debits	475.7	527.4
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	-82.6	-67.4
	Credits	50.4	57.4
	Debits	133.0	124.7
Travel	Net	862.7	932.6
	Credits	957.8	1,020.6
	Debits	95.1	88.0
Telecommunications, Computer, and Information Services	Net	15.4	23.0
	Credits	41.4	58.0
	Debits	26.1	35.0
Construction Services	Net	0.0	0.0
	Credits	0.0	0.0
	Debits	0.0	0.0
Insurance and Pension Services	Net	-88.7	-101.2
	Credits	0.8	0.8
	Debits	89.5	102.0
Financial Services	Net	2.2	1.0
	Credits	7.6	9.4
	Debits	5.4	8.4
Charges for the use of Intellectual Property, n.i.e.	Net	-15.8	-14.9
	Credits	0.0	0.0
	Debits	15.8	14.9
Other Business Services	Net	29.6	-20.5
	Credits	101.9	100.1
	Debits	72.3	120.6
Personal, Cultural, and Recreational Services	Net	-1.6	-0.1
	Credits	0.0	2.4
	Debits	1.6	2.5
Government Services, n.i.e.	Net	43.2	55.0
	Credits	80.3	86.4
	Debits	37.1	31.4

Table A.45: Balance of Payments - Service and Income Balances

$mn

	2017			2018			2019		
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net
Services	1,082.5	481.9	600.6	1,240.1	475.7	764.4	1,334.9	527.4	807.5
Transportation	58.8	128.9	-70.1	50.4	133.0	-82.6	57.4	124.7	-67.4
Travel	793.0	101.0	692.0	957.8	95.1	862.7	1,020.6	88.0	932.6
Other Goods and Services	155.9	203.8	-48.0	151.6	210.5	-58.9	170.6	283.3	-112.7
Government Goods and Services, n.i.e.	74.9	48.2	26.6	80.3	37.1	43.2	86.4	31.4	55.0
Primary Income	13.9	264.4	-250.5	19.0	309.6	-290.6	19.9	336.7	-316.8
Labour Income	4.7	12.1	-7.3	4.7	11.3	-6.6	4.7	11.4	-6.7
Investment Income[1]	9.2	252.3	-243.1	14.3	298.3	-284.0	15.2	325.3	-310.1
Secondary Income	238.2	93.9	144.3	257.9	101.3	156.6	259.1	91.4	167.7
Government	0.0	11.0	-11.0	0.0	22.8	-22.8	0.0	14.9	-14.9
Private	238.2	83.0	155.2	257.9	78.6	179.3	259.1	76.5	182.6

[1] Data include an estimate for profit remittances from the tourism and petroleum industries.

Table A.46: Percentage Distribution of Visible Trade by Country/Area

Percentage

	Exports[1]			Imports[2]		
	2017	2018	2019	2017	2018	2019
US	11.1	16.2	13.2	35.8	42.5	44.2
Mexico	46.3	48.2	47.9	11.1	10.8	10.9
UK	18.0	15.7	17.7	1.3	1.0	1.0
Other EU	11.2	6.1	6.4	3.6	2.6	2.9
Central America	1.2	3.2	2.9	15.1	15.3	14.5
CARICOM	8.5	8.2	9.0	2.6	2.6	2.4
Canada	0.1	0.0	0.2	1.1	1.9	1.7
Netherland Antilles	0.0	0.0	0.0	8.1	1.6	0.0
China	0.0	0.2	0.0	11.2	12.0	13.6
Other	3.2	2.2	2.9	10.1	10.1	9.1
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.47: Balance of Payments - Capital and Financial Accounts

			$mn
	2017 Net	**2018 Net**	**2019 Net**
CAPITAL ACCOUNT	32.2	48.0	20.6
Government	32.2	48.0	20.6
Other Sectors	0.0	0.0	0.0
FINANCIAL ACCOUNT	-102.4	-231.3	-292.7
Direct Investment Abroad	0.6	1.4	4.2
Direct Investment in Belize	49.0	244.1	205.8
Portfolio Investment Assets	0.0	0.0	0.0
Portfolio Investment Liabilities	0.0	0.0	11.0
Financial Derivatives Assets	0.0	0.0	0.0
Financial Derivatives Liabilities	0.0	0.0	0.0
Other Investment Assets	-17.7	36.2	-16.5
Monetary Authorities	1.2	2.4	-1.7
General Government	0.0	0.0	0.0
Banks	-15.8	35.2	-13.0
Other Sectors	-3.1	-1.4	-1.8
Other Investment Liabilities	36.3	24.8	63.7
Monetary Authorities	-5.4	0.8	-1.1
General Government	101.1	56.1	50.1
Banks	-12.1	2.0	0.3
Other Sectors	-47.2	-34.1	14.4
NET ERRORS AND OMISSIONS	24.1	-13.3	5.4
CHANGES IN RESERVES	-129.2	-35.6	-35.5

Table A.48: Official International Reserves

$mn

	Position as at			Changes During 2019
	Dec 2017	Dec 2018	Dec 2019	
Gross Official International Reserves	625.9	591.2	555.7	-35.5
Central Bank of Belize	605.5	570.2	536.3	-33.9
Holdings of SDRs	57.1	56.0	55.9	-0.1
IMF Reserve Tranche	17.7	17.4	17.2	-0.1
Other	532.6	499.2	463.8	-35.5
Central Government	18.5	18.7	18.8	0.1
Foreign Liabilities	3.2	2.6	2.3	-0.3
CARICOM	0.6	0.3	0.1	-0.3
Other	2.6	2.3	2.2	-0.1
Net Official International Reserves	622.8	588.6	553.4	-35.3

Table A.49: Long-Term Private Sector External Debt by Industry[1,2,3]

$'000

Industries	Disbursed Outstanding as at 31/12/2018	Transactions (Jan - Dec 2019) Disbursements	Principal Payments	Interest Payments	Disbursed Outstanding as at 31/12/2019
Agriculture	31,342	7,455	1,098	47	37,699
Arts, Entertainment, and Recreation	0	0	0	0	0
Construction	35,714	0	7,422	3,894	28,292
Economic Diversification	335	0	222	9	113
Education	0	0	0	0	0
Electricity and Gas	4,165	0	16	828	4,149
Financial and Insurance Activities	111	0	0	0	111
Fishing	8,801	0	0	0	8,801
Information and Communication	109	0	0	0	109
Real Estate Activities	0	0	0	0	0
Tourism Activities	3,931	0	504	408	3,427
Transportation	33,731	8,566	3,680	2,375	38,617
Wholesale and Retail Trade	606	1,600	27	5	2,179
Other	2,554	0	0	0	2,554
Total	121,401	17,620	12,970	7,565	126,051

(1) The loans only cover that portion of the private sector debt that is reported to the CBB.

(2) In compliance with legislation issued on 21 June 2011, the GOB acquired BEL as a public entity. BEL is no longer a private sector entity, thus reflecting a reduction in disbursed outstanding debt for the electricity and gas sectors as of June 2011.

(3) At the time of reporting, not all companies have submitted their balance sheets to the CBB.

Table A.50: Balance of Payments Summary

$mn

	2017	2018	2019
CURRENT ACCOUNT	-287.8	-301.6	-354.2
Goods: Exports FOB	914.4	902.5	924.3
Goods: Imports FOB	1,696.5	1,834.5	1,937.0
Trade Balance	-782.2	-932.0	-1,012.7
Services: Credit	1,082.5	1,240.1	1,334.9
Transportation	58.8	50.4	57.4
Travel(1)	793.0	957.8	1,020.6
Other Goods and Services	155.9	151.6	170.6
Government Goods and Services	74.9	80.3	86.4
Services: Debit	481.9	475.7	527.4
Transportation	128.9	133.0	124.7
Travel	101.0	95.1	88.0
Other Goods and Services	203.8	210.5	283.3
Government Goods and Services	48.2	37.1	31.4
Balance on Goods and Services	-181.6	-167.6	-205.2
Primary Income: Credit	13.9	19.0	19.9
Compensation of Employees	4.7	4.7	4.7
Investment Income	9.2	14.3	15.2
Primary Income: Debit	264.4	309.6	336.7
Compensation of Employees	12.1	11.3	11.4
Investment Income(2)	252.3	298.3	325.3
Balance on Goods, Services, and Income	-432.1	-458.1	-521.9
Secondary Income: Credit	238.2	257.9	259.1
Government	0.0	0.0	0.0
Private	238.2	257.9	259.1
Secondary Income: Debit	93.9	101.3	91.4
Government	11.0	22.8	14.9
Private	83.0	78.6	76.5
CAPITAL ACCOUNT, n.i.e.	32.2	48.0	20.6
Capital Account: Credit	32.2	48.0	20.6
Capital Account: Debit	0.0	0.0	0.0

Table A.50: Balance of Payments Summary *continued*

$mn

	2017	2018	2019
FINANCIAL ACCOUNT, n.i.e.	-102.4	-231.3	-292.7
Direct Investment Abroad	0.6	1.4	4.2
Direct Investment in Belize, n.i.e.	49.0	244.1	205.8
Net Direct Investment	-48.3	-242.6	-201.5
Portfolio Investment Assets	0.0	0.0	0.0
Portfolio Investment Liabilities, n.i.e.	0.0	0.0	11.0
Net Portfolio Investment	0.0	0.0	-11.0
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	-17.7	36.2	-16.5
Other Investment Liabilities	36.3	24.8	63.7
Net Other Investment	-54.0	11.4	-80.2
NET ERRORS AND OMISSIONS	24.1	-13.3	5.4
RESERVE ASSETS	-129.2	-35.6	-35.5

(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.51: International Investment Position

	Dec 2018	Dec 2019	Annual Change
			$mn
Net position	-6,374.7	-6,680.0	-292.7
A. Assets	990.8	972.5	-18.3
1. Direct Investment Abroad	139.1	143.4	4.2
2. Portfolio Investment	32.9	43.1	10.2
2.1 Equity Securities	15.3	26.0	10.7
2.2 Debt Securities	17.6	17.1	-0.5
3. Other Investment	230.3	230.3	-0.1
3.1 Trade Credits	0.4	0.0	-0.4
3.2 Loans	5.8	5.2	-0.5
3.3 Currency and Deposits	214.3	218.9	4.5
3.4 Other Assets	9.9	6.2	-3.7
4. Reserve Assets	591.2	555.7	-35.5
4.1 Monetary Gold	0.0	0.0	0.0
4.2 Special Drawing Rights	56.0	55.9	-0.1
4.3 Reserve Position in the Fund	17.4	17.2	-0.1
4.4 Foreign Exchange	496.3	463.8	-32.5
4.5 Other Claims	18.8	18.9	0.1
B. Liabilities	7,365.5	7,659.9	281.9
1. Direct Investment	4,472.9	4,678.7	205.8
2. Portfolio Investment	1,053.0	1,064.0	11.0
2.1 Equity Securities	0.0	0.0	0.0
2.2 Debt Securities	1,053.0	1,064.0	11.0
3. Other Investment	1,839.6	1,917.3	65.1
3.1 Trade Credits	3.3	35.8	19.9
3.2 Loans	1,779.2	1,825.0	45.8
3.3 Currency and Deposits	56.2	54.7	-1.5
3.4 Other Liabilities	0.9	1.8	0.9

Financial Statements 2019

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of:
Central Bank of Belize:

Opinion

We have audited the financial statements of Central Bank of Belize, (the Bank) which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of profit, statements of comprehensive income, statements of changes in capital and reserves and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Central Bank of Belize as at December 31, 2019 and 2018, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audits in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Central Bank of Belize in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to the Statements of Other Comprehensive Income and Note 18 to the financial statements, which show the effects of Section 50 of the Central Bank of Belize Act Revised Edition 2011 which requires the profits or losses from any revaluation of the Bank's net assets or foreign securities to be excluded from the computation of the annual profits and losses of the Bank. International Financial Reporting Standards requires any foreign exchange gains and losses on monetary assets and liabilities to be recognized in profit or loss contrary to Section 50 of the Central Bank of Belize Act. Considering the immaterial effects on the financial statements, our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

hlb.bz
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HLB BELIZE
AUDIT TAX ADVISORY

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 auditor's 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.

HLB Belize LLP

Chartered Accountants
Belize City, Belize
April 20, 2020

CENTRAL BANK OF BELIZE

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

	Notes	2019	2018
APPROVED EXTERNAL ASSETS:			
Bank balances and deposits with foreign bankers	2h, 2i, 3	**$ 18,862,319**	$ 19,086,062
Reserve Tranche and balances with the International Monetary Fund	2h, 2j, 4	**72,999,604**	73,200,648
Other foreign credit instruments	2h, 2k, 5	**430,270,961**	463,998,441
Accrued interest and cash-in-transit	2h, 2L, 6	**5,199,732**	6,269,035
Marketable securities issued or guaranteed by foreign governments and international financial	2h, 2m, 7	**13,408,059**	13,583,732
Total approved external assets		**540,740,675**	576,137,918
BALANCES WITH LOCAL BANKERS AND CASH ON HAND	2h, 2n	**464,667**	297,950
GOVERNMENT OF BELIZE SECURITIES	2h, 2o, 8	**383,395,697**	312,533,594
CONSOLIDATED REVENUE FUND	2h, 2p	**53,249,362**	47,776,492
OTHER ASSETS	2h, 2q, 9	**90,756,988**	19,918,218
EQUITY INSTRUMENTS	2h, 2r, 10	**20,000,000**	20,000,000
PROPERTY AND EQUIPMENT - NET	2s, 11	**29,397,674**	30,124,528
INTANGIBLE ASSETS - NET	2t, 12	**3,568,718**	3,711,754
TOTAL ASSETS		**$1,121,573,781**	$1,010,500,454

CENTRAL BANK OF BELIZE

STATEMENTS OF FINANCIAL POSITION
YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

LIABILITIES, CAPITAL AND RESERVES	**Notes**	**2019**	2018
DEMAND LIABILITIES:			
Notes and coins in circulation		**$ 432,574,291**	$ 397,336,526
Deposits by licensed financial institutions	2h, 2u,	**422,202,858**	399,224,059
Deposits by and balances due to Government and Public sector entities in Belize	2h, 2u,	**80,681,569**	88,934,100
Deposits by international agencies	2h, 2u, 13	**1,427,484**	2,270,516
Total demand liabilities		**936,886,202**	887,765,201
BALANCES DUE TO CARICOM CENTRAL BANKS	2h,	**61,551**	315,238
OTHER LIABILITIES	2h, 14	**87,362,987**	25,165,525
DEFINED BENEFIT PLAN NET OBLIGATION	2v, 26	**877,855**	877,855
IMF SDR ALLOCATIONS	2h, 15	**49,553,375**	49,863,432
COMMERCIAL BANKS' DISCOUNT FUND	2h, 16	**1,410,484**	1,248,117
TOTAL LIABILITIES		**1,076,152,454**	965,235,368
CAPITAL ACCOUNT:			
Paid - up capital (Authorized capital $20,000,000)	2x, 17	**20,000,000**	20,000,000
REVALUATION ACCOUNT	2y, 18	**1,609,625**	1,777,435
ASSET REVALUATION RESERVE	19	**165,083**	164,531
POST EMPLOYMENT OBLIGATION RESERVE	2v, 26	**(37,327)**	(37,327)
GENERAL RESERVE FUND	2z, 20	**23,683,946**	23,360,447
TOTAL LIABILITIES, CAPITAL AND RESERVES		**$1,121,573,781**	$1,010,500,454

The financial statements on pages 3 to 9 were approved and authorized for issue by the Board of Directors on March 25, 2020 and are signed on its behalf by:

CHAIRMAN

GOVERNOR

SENIOR MANAGER
CORPORATE SERVIES

CENTRAL BANK OF BELIZE

STATEMENTS OF PROFIT

YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

CONTINUING OPERATIONS	Notes		2019	2018
INTEREST INCOME:	2aa			
Approved external assets		21	**$ 11,902,189**	$ 10,838,440
Advances to Government of Belize			**5,416,673**	3,872,315
Local securities			**10,342,088**	9,559,641
			27,660,950	24,270,396
Other income:				
Discount on local securities			**711,631**	861,814
Dividends on equity instruments		10	**820,000**	820,000
Commissions and other income		22	**3,131,636**	2,378,347
Gain on disposal of securities			**-**	5,096
Total income			**32,324,217**	28,335,653
LESS: Interest expense			**(538,708)**	(509,956)
Total income			**31,785,509**	27,825,697
EXPENDITURE:				
Printing of notes and minting of coins		23	**(1,981,173)**	(1,952,622)
Salaries and wages, including superannuation contribution and gratuities	2w,	24	**(14,141,899)**	(12,407,188)
Depreciation and amortization expenses	2s,2t,	11, 12	**(2,094,601)**	(1,990,306)
Administrative and general expenses	2y,	25	**(10,332,850)**	(6,711,869)
Total expenditure			**(28,550,523)**	(23,061,985)
PROFIT FOR THE YEAR			**$ 3,234,986**	$ 4,763,712
Transfers:				
General Reserve Fund	2z,2p,	20	**323,499**	476,371
Capital Account	2z		**-**	-
Consolidated Revenue Fund	2z		**2,911,487**	4,287,341
			$ 3,234,986	$ 4,763,712

CENTRAL BANK OF BELIZE

STATEMENTS OF OTHER COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

	Notes	2019	2018
PROFIT FOR THE YEAR		**$ 3,234,986**	$ 4,763,712
Other comprehensive income (loss):			
Items that will not be reclassified subsequently to profit or loss appraisal of artwork		**552**	-
Items that will be reclassified subsequently to profit or loss revaluation of financial assets	18	**(167,810)**	(609,593)
OTHER COMPREHENSIVE LOSS FOR THE YEAR		**(167,258)**	(609,593)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**$ 3,067,728**	$ 4,154,119

CENTRAL BANK OF BELIZE

STATEMENTS OF CHANGES IN CAPITAL AND RESERVES
YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

	Capital Account	Revaluation Account	Asset revaluation reserve	Post-employment obligation reserve	General Reserve	Total
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	-	-	-	-	(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 owners 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**
January 1, 2019	$ 20,000,000	$ 1,777,435	$ 164,531	$ (37,327)	$ 23,360,447	**$ 45,265,086**
Comprehensive Income:						
Profit for the year	-	-	-	-	3,234,986	**3,234,986**
Other comprehensive loss	-	(167,810)	552	-	-	**(167,258)**
Total comprehensive income	-	(167,810)	552	-	3,234,986	**3,067,728**
Transactions with owners of the Bank recognized directly in equity:						
Transfer to Capital Account	-	-	-	-	-	-
Transfer to Consolidated Revenue Fund	-	-	-	-	(2,911,487)	**(2,911,487)**
Transactions with owner of the Bank	-	-	-	-	(2,911,487)	**(2,911,487)**
December 31, 2019	**$ 20,000,000**	**$ 1,609,625**	**$ 165,083**	**$ (37,327)**	**$ 23,683,946**	**$ 45,421,327**

CENTRAL BANK OF BELIZE

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the year	**$ 3,234,986**	$ 4,763,712
Adjustments to reconcile comprehensive income to net cash provided by operating activities:		
- Amortization and impairment of intangible assets	**588,029**	555,327
- Depreciation of property and equipment	**1,506,572**	1,434,979
- Loss on disposal of equipment	**1,896**	222
Cash provided by operating activities before operating assets and liabilities	**5,331,483**	6,754,240
Changes in:		
Consolidated revenue fund	**(5,472,870)**	(6,752,335)
Government of Belize securities	**(8,893,000)**	25,296,000
Securities	**175,673**	580,696
Reserve tranche in the International Monetary Fund	**98,667**	412,947
Other assets	**(70,838,218)**	(1,545,866)
Other liabilities	**62,197,462**	10,781,012
Revaluation account	**(167,810)**	(609,593)
Net cash (used in) provided by operating activities	**(17,568,613)**	34,917,101
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of intangible assets	**(444,993)**	(153,374)
Acquisition of property and equipment	**(781,614)**	(1,479,563)
Proceeds from sale of assets	**-**	4,154
Net cash used in investing activities	**(1,226,607)**	(1,628,783)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Balances due to Caricom Central Banks	**(253,687)**	(246,291)
Commercial Bank Discount Fund	**162,367**	162,367
Deposits by and balances due to Government and Public sector entities in Belize	**(11,164,018)**	5,267,005
Deposits by international agencies	**(843,032)**	1,060,222
Deposits by licensed financial institutions	**22,978,799**	(89,933,579)
IMF SDR allocations	**(310,057)**	(1,164,967)
Notes and coins in circulation	**35,237,765**	13,943,988
Net cash provided by (used in) financing activities	**$ 45,808,137**	$ (70,911,255)

CENTRAL BANK OF BELIZE

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

	2019	2018
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**$ 716,655,493**	$ 754,278,430
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**27,012,917**	(37,622,937)
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 743,668,410**	$ 716,655,493
CASH AND CASH EQUIVALENTS COMPRISE THE FOLLOWING:		
EXTERNAL ASSETS:		
Balances and deposits with foreign bankers	**$ 18,862,319**	$ 19,086,062
Other foreign credit instruments	**430,270,961**	463,998,441
Accrued interest	**5,013,652**	5,883,657
Cash-in-transit	**186,080**	385,378
Balance with the International Monetary Fund	**55,873,034**	55,975,411
	510,206,046	545,328,949
LOCAL ASSETS:		
Cash and bank balances	**464,667**	297,950
Current portion of Government of Belize securities	**232,997,697**	171,028,594
	233,462,364	171,326,544
	$ 743,668,410	$ 716,655,493

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

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 in 1982. 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.

CENTRAL BANK OF BELIZE

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 2019, the value of total assets was $1,121,573,781(2018: $1,010,500,454) while the value of notes and coins in circulation was $432,574,291 (2018: $397,336,526).

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, 2019 and 2018 total approved external assets approximated 58.0 percent and 65.0 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Significant accounting judgments and estimates (continued)

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 information technology equipment and software.

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.

Prepayment Features with Negative Compensation (Amendments to IFRS 9)
Effective for annual periods beginning on or after 1 January 2019
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.
The amendment was adopted, but has no current impact on the financial statements.

Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
Effective for annual periods beginning on or after 1 January 2019
Clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

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)

Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)
Effective for annual periods beginning on or after 1 January 2019
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.

The amendment was adopted, but has no current impact on the financial statements.

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:

Definition of Material (Amendments to IAS 1 and IAS 8)
Effective for anual reporting periods beginning on or after 1 January 2020
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
The amendment will be adopted when it becomes effective. Its effect, if any, will be quantified at that time.

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)
Effective for annual reporting periods beginning on or after 1 January 2022
The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.
The amendment will be adopted when it becomes effective. Its effect, if any, will be quantified at that time.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Financial instruments (continued)

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).

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Financial instruments (continued)

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 recognize 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 notes 5, 7,9 and 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

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.
• Investments in unquoted equity instruments previously classified as available-forsale (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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Bank balances and deposits with foreign bankers – 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 (nonconcessional) 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Government of Belize securities (continued)

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 8.78 times (2018: 7.21), 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.

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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%
Motor 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 –

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) –

Initial recognition of other intangible assets

- 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

v. Defined benefit plan (Continued)

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.

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. As at December 31, 2019, the paid up capital of the Bank is $20,000,000.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2019, the Bank's General Reserve Fund was at $23,683,945 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.

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

ac 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.

ad 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

3. BANK BALANCES AND DEPOSITS WITH FOREIGN BANKERS

	2019	2018
Balances with other central banks and foreign banks	**$ 18,615,881**	$ 18,635,604
Foreign currency notes	**246,438**	450,458
	$ 18,862,319	$ 19,086,062

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:

	2019	2018
SDR Holdings	**$ 55,873,034**	$ 55,975,411
Reserve Tranche	**17,126,570**	17,225,237
	$ 72,999,604	$ 73,200,648

SDRs are converted at an exchange rate of BZ$2.76565 to SDR 1.0 at 31 December 2019 (2018: BZ$2.78158 to SDR 1.0).

5. OTHER FOREIGN CREDIT INSTRUMENTS

	2019	2018
Fixed deposits	**$ 339,910,953**	$ 393,263,401
Overnight deposits	**90,408,135**	70,782,846
Expected credit losses	**(48,127)**	(47,806)
	$ 430,270,961	$ 463,998,441

6. ACCRUED INTEREST AND CASH-IN-TRANSIT

	2019	2018
Accrued interest	**$ 5,013,652**	$ 5,883,657
Cash-in-transit	**186,080**	385,378
	$ 5,199,732	$ 6,269,035

Due to the short-term nature of the acrued interest, their carrying amount is considered to be the same as their fair value.

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

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

	2019	2018
Debentures	**$ 2,000,000**	$ 2,000,000
Bonds	**11,409,510**	11,714,286
Expected credit losses	**(1,451)**	(130,554)
	$ 13,408,059	$ 13,583,732

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

8. GOVERNMENT OF BELIZE SECURITIES

	2019	2018
Treasury Bills	$ 56,506,697	$ 51,069,594
Treasury Notes	326,889,000	261,464,000
	$ 383,395,697	$ 312,533,594

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

	2019	2018
Due within 1 year	$ 232,997,697	$ 171,028,594
Due within 2 years through 5 years	106,850,000	97,772,000
Due beyond 6 years	43,548,000	43,733,000
	$ 383,395,697	$ 312,533,594

9. OTHER ASSETS

	2019	2018
Accounts receivable	$ 345,643	$ 192,778
Staff loans receivable	4,402,242	4,367,112
	4,747,885	4,559,890
Less expected credit losses:		
	(3,941)	(16,650)
	4,743,944	4,543,240
Accrued interest on local securities	4,080,187	3,832,813
Dividends receivable	820,000	820,000
Inventory of circulation notes and coins	4,523,406	6,471,310
Other	69,539,210	527,010
Prepayments	5,963,372	2,626,875
Collectible coins inventory	1,086,869	1,096,970
	$ 90,756,988	$ 19,918,218

9. OTHER ASSETS (Continued)

Expected credit losses:		2019		2018
Beginning balance, January 1	**$**	**16,650**	$	16,102
Additional impairment and amortization		**(1,200)**		5,141
Write-offs		**(11,509)**		(4,593)
Ending balance, December 31	**$**	**3,941**	$	16,650

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 at par value of $1.00 per share 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. These instruments are secured by the Government of Belize with no valuation exposure to the Bank. As at December 31, 2019, the Bank has not decided on any disposition of shares. Belize Telemedia Limited declared dividends of $0.205 (2018 - $0.205) per share to share holders on record on November 21, 2019.

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

11 PROPERTY AND EQUIPMENT

Cost	Property	Furniture	Equipment	Motor Vehicle	Work in Progress	Total
Brought forward, January 1, 2019	**$31,610,078**	**$ 1,837,102**	**$ 11,311,832**	**$ 672,698**	**$ 152,555**	**$45,584,265**
Additions	-	95,101	603,446	6,862	76,205	781,614
Disposals	-	(21,476)	(218,786)	-	-	(240,262)
Transfer	(4,799)	-	79,217	78,137	(152,555)	-
Carried forward, December 31, 2019	**31,605,279**	**1,910,727**	**11,775,709**	**757,697**	**76,205**	**46,125,617**
Accumulated Depreciation						
Brought forward, January 1, 2019	5,634,951	1,368,298	8,087,486	369,002	-	15,459,737
Additions	618,620	72,605	707,929	107,418	-	1,506,572
Disposals	-	(20,521)	(217,845)	-	-	(238,366)
Carried forward, December 31, 2019	**6,253,571**	**1,420,382**	**8,577,570**	**476,420**	**-**	**16,727,943**
Net Book Value						
December 31, 2019	**$25,351,708**	**$ 490,345**	**$ 3,198,139**	**$ 281,277**	**$ 76,205**	**$29,397,674**

Cost	Property	Furniture	Equipment	Motor Vehicle	Work in Progress	Total
Brought forward, 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)
Transfer		9,366	109,134	-	(118,500)	-
Carried forward, December 31, 2018	31,610,078	1,837,102	11,311,832	672,698	152,555	45,584,265
Accumulated Depreciation						
Brought forward, January 1, 2018	5,356,901	1,342,429	7,553,689	362,214	-	14,615,233
Additions	278,050	62,636	1,015,005	79,288	-	1,434,979
Disposals	-	(36,767)	(481,208)	(72,500)	-	(590,475)
Carried forward, 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**	**$30,124,528**

CENTRAL BANK OF BELIZE

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12. INTANGIBLE ASSETS

Cost	Application Software and Licenses	Work in Progress	Total
January 1, 2019	$ 5,813,784	$ 71,465	$ 5,885,249
Additions	174,903	270,090	444,993
Transfer	71,465	(71,465)	-
December 31, 2019	6,060,152	270,090	6,330,242
Accumulated Depreciation			
January 1, 2019	2,173,495	-	2,173,495
Amortization	588,029	-	588,029
December 31, 2019	2,761,524	-	2,761,524
Net Book Value			
December 31, 2019	**$ 3,298,628**	**$ 270,090**	**$ 3,568,718**

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

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:

	2019	2018
Caribbean Development Bank	**$ 738,243**	$ 1,155,338
International Monetary Fund	**187,185**	188,263
Inter-American Development Bank	**472,316**	897,175
Int'l Bank for Reconstruction & Development	**29,740**	29,740
	$ 1,427,484	$ 2,270,516

14. OTHER LIABILITIES

	2019	2018
Abandoned property	**$ 9,392,987**	$ 8,151,779
Accounts payable	**558,604**	1,294,445
Belize City Municipal Bonds – Sinking Fund	**231,183**	1,011,820
Bond discount	**23,133**	34,099
Corozal Freezone Municipal Bonds – Sinking Fund	**176,470**	178,933
Deferred income	**496,516**	635,976
Deposit Insurance- Contribution	**1,000,000**	-
License international offshore financial institutions*	**71,522,257**	10,742,942
Other staff costs payable	**577,689**	79,416
Severance and gratuities	**3,338,059**	2,990,026
Unclaimed balances of Belize Unit Trust	**46,089**	46,089
	$ 87,362,987	$ 25,165,525

*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.

15. IMF SDR ALLOCATIONS

	2019	2018
A general allocation of Special Drawing Rights (SDRs) equivalent to approximately US$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 17,894,255. SDRs are converted at an exchange rate of BZ$2.76565 to SDR 1.0 at December 31, 2019 (2018: BZ$2.78158 to SDR 1.0).	**$ 49,489,264**	$ 49,774,373
Interest payable on the facility	**64,111**	89,059
	$ 49,553,375	$ 49,863,432

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 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 BZ$1,465,000 at 2% interest per annum, to the Development Finance Corporation.

	2019	2018
Loans receivable from institution	**$ (238,759)**	$ (394,018)
Interest paid to USAID	**(2,311,316)**	(2,311,316)
Interest received from institution	**3,960,559**	3,953,451
	$ 1,410,484	$ 1,248,117

17. CAPITAL ACCOUNT

	2019	2018
Authorized and paid up capital:		
Authorized and paid up capital as as at December 31,	**$ 20,000,000**	$ 20,000,000

18. REVALUATION ACCOUNT

	2019	2018
Balance beginning of year	**$ 1,777,435**	$ 2,387,028
Gain from revaluations during the year	**(167,810)**	(609,593)
Balance at end of year	**$ 1,609,625**	$ 1,777,435

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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. In 2019, the value was adjusted to include additional artwork.

20. GENERAL RESERVE FUND

	2019	2018
Balance at beginning of year	**$ 23,360,447**	$ 23,005,362
Adjustment from adoption of IFRS 9	**-**	(121,286)
Transfer from net profit	**323,499**	476,371
Balance at end of year	**$ 23,683,946**	$ 23,360,447

21. INTEREST ON APPROVED EXTERNAL ASSETS

	2019	2018
Interest earned on Overnight Deposits - USD	**$ 1,258,459**	$ 1,787,047
Interest earned on marketable securities	**243,466**	262,027
Interest earned on balances and deposits with foreign bankers	**10,400,266**	8,789,366
	$ 11,902,191	$ 10,838,440

22. COMMISSIONS AND OTHER INCOME

	2019	2018
Commissions	**$ 1,073,571**	$ 1,021,207
Collectible coins sales	**2,523**	7,668
Interest on loans	**197,352**	194,893
License and examination fees	**928,563**	964,205
Cash shipment and other miscellaneous income	**864,882**	181,845
Gain (loss)on disposal of assets	**1,117**	(222)
Gains on financial instruments valuation	**63,629**	8,751
	$ 3,131,637	$ 2,378,347

23. PRINTING OF NOTES AND MINTING OF COINS

	2019	2018
Currency notes	**$ 980,030**	$ 1,073,122
Circulation coins	**969,129**	843,589
Currency publicity campaign	**32,014**	35,911
	$ 1,981,173	$ 1,952,622

24. SALARIES AND WAGES, INCLUDING SUPERANNUATION CONTRIBUTION AND GRATUITIES

	2019	2018
Pension contributions	**$ 540,710**	$ 494,699
Salaries and wages	**9,360,230**	8,146,782
Social security costs	**204,440**	165,867
Employee benefits expense	**4,036,519**	3,599,840
	$ 14,141,899	$ 12,407,188

25. ADMINISTRATIVE AND GENERAL EXPENSES

	2019	2018
Advertising	**$ 134,476**	$ 84,460
Audit fees	**68,235**	73,457
Bank charges	**78,780**	56,319
Bank publications	**11,990**	30,855
Books and publication	**21,150**	55,524
Building repairs and maintenance	**530,210**	396,257
Cash shipment	**27,915**	4,145
Computer software license	**962,116**	745,307
Conference	**77,611**	-
Contribution (deposit insurance)	**1,000,000**	-
Credit losses on financial instruments	**226,095**	70,966
Directors' fees	**130,576**	120,198
Donations	**61,025**	25,168
Entertainment	**18,851**	27,901
Equipment maintenance	**46,565**	112,653
Firearm license and ammunition	**17,455**	15,903
Freight charges	**53,715**	44,203
Hurricane preparedness	**17,571**	17,888
Insurance expense	**106,720**	97,946
Legal fees	**1,963,897**	411,799
Membership fees	**174,836**	187,072
Motor vehicle	**94,674**	74,183
Other miscellaneous expense	**288,247**	261,340
Overseas meeting and conferences	**359,693**	492,554
Professional services and technical support	**2,119,268**	1,989,927
Small equipment purchases	**15,126**	22,700
Subscriptions	**69,406**	45,000
Supplies	**510,843**	386,084
Surveys	**15,590**	-
Travel (local)	**52,503**	65,925
Utilities expense	**1,077,711**	796,135
	$ 10,332,850	$ 6,711,869

26. DEFINED BENEFIT PLAN NET OBLIGATION

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 $540,710 (2018: $494,699) to the scheme.

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 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

26. DEFINED BENEFIT PLAN NET OBLIGATION (Continued)

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**
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**

Revaluation of the pension plan is done on a 3 year rotation. An IAS 19 evaluation was done during 2019 for the 2018 fiscal year which shows a defined benefit plan net obligation of the plan of $173,707. Full revaluation of the plan will be done in 2020 fiscal

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:

26. DEFINED BENEFIT PLAN NET OBLIGATION (Continued)

Liability to be recognized in the Statement of Financial Position:	2012
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	$ 1,822,293

27. RELATED PARTY TRANSACTIONS

The Bank considers a party to be related if control or significant influence over the Bank is excercised. 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:

	2019	2018
Short-term benefits	**$ 2,146,436**	$ 2,269,194
Post-employment benefits	**65,288**	62,433
Termination benefits	**169,833**	168,026
	$ 2,381,557	$ 2,499,653

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 $343,882 (2018: $540,335) 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:

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YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

27. RELATED PARTY TRANSACTIONS (Continued)

	Opening Balance	Disbursements	Deposits	Closing Balance
Social Security Board	$ (18,623)	$ -	$ (70,554)	$ (89,177)
Development Finance Corporation	(9,306)	8,013,119	(8,994,230)	$ (990,417)
DFC Mortgage Securitization Proceeds	(447)	-	-	$ (447)
Financial Intelligence Unit	(209,504)	1,899,457	(2,066,000)	$ (376,047)
Belize Tourism Board	(138,089)	5,018,991	(6,678,458)	$ (1,797,556)
Belize Electricity Ltd.	(24,925)	1,652,851	(1,652,851)	$ (24,925)
Belize City Council Sinking Fund Accounts	(1,011,819)	5,780,809	(5,000,172)	$ (231,182)
International Financial Services Commission	(6,565,636)	2,908,274	-	$ (3,657,362)
Consolidated Revenue Fund	47,776,492	605,708,612	(600,235,748)	$ 53,249,356
	$ 39,798,143	$ 630,982,113	$ (624,698,013)	$ 46,082,243

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, 2019 is included below:

December 31, 2019:	January 1, 2019	Contributions paid by the Bank to the Scheme	Contributions due to the Scheme	December 31, 2019
Contributions to the scheme	**$ -**	**$ 540,708**	**$ (540,708)**	**$ -**

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

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 2h 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, 2019	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)	$ -	$ 18,862,319	$ -	$ 18,862,319
Reserve Tranche and balances with the International Monetary Fund (undiscounted)	-	-	72,999,604	72,999,604
Other foreign credit instruments (undiscounted)	-	430,270,961	-	430,270,961
Accrued interest and cash transit (undiscounted)	-	5,199,732	-	5,199,732
Marketable securities issued or guaranteed by foreign government and international institutions	-	13,408,059	-	13,408,059
Balances with local bankers and cash on hand (undiscounted)	-	464,667	-	464,667
Government of Belize securities	-	383,395,697	-	383,395,697
Equity instruments (undiscounted)	20,000,000	-	-	20,000,000
Government Current Account (undiscounted)	-	53,249,362	-	53,249,362
Other assets (undiscounted)	-	9,648,072	-	9,648,072
Total financial assets	**$ 20,000,000**	**$ 914,498,869**	**$ 72,999,604**	**$ 1,007,498,473**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

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

At December 31, 2019	Financial liabilities at amortized costs	Financial liabilities at fair value through other comprehensive income	Total
Liabilities:			
Notes and coins in circulation (undiscounted)	$ 432,574,291	$ -	$ 432,574,291
Deposits by licensed financial institutions (undiscounted)	422,202,858	-	422,202,858
Deposits by and balances due to Government and public sector entities in Belize (undiscounted)	80,681,569	-	80,681,569
Deposits by international agencies (undiscounted)	1,427,484	-	1,427,484
Balances due to CARICOM central banks (undiscounted)	61,551	-	61,551
Other liabilities (undiscounted)	82,950,723	-	82,950,723
IMF SDR allocations (undiscounted)	-	49,553,375	49,553,375
Commercial bank discount fund (undiscounted)	1,410,484	-	1,410,484
Total financial liabilities	**$ 1,021,308,960**	**$ 49,553,375**	**$ 1,070,862,335**

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 2h describe how financial instruments are measured, and how income and expenses, incuding 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	Financial assets	Financial assets at	**Total**
Assets:				
Balances and deposits with foreign bankers	$ -	$ 19,086,062	$ -	$ 19,086,062
Reserve tranche and balances with the International	-	-	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	-	13,583,732	-	13,583,732

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

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

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
Consolidated revenue fund (undiscounted)	-	47,776,492	-	47,776,492
Other assets (undiscounted)	-	9,212,703	-	9,212,703
Total financial assets	**$ 20,000,000**	**$ 872,758,009**	**$ 73,200,648**	**$ 965,958,657**

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	$ 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**

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 of 25%.

Security

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

		Collateral	
	Maximum exposure	Stamped value	Appraised value
Mortgage loans	$ 2,737,616	$ 3,861,141	$ 6,096,487
Consumer loans (Bill of Sale)	308,202	440,091	440,091
Consumer loans (Regular)	1,356,424	25,000	28,307
	$ 4,402,242	$ 4,326,232	$ 6,564,885

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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29. FINANCIAL RISK MANAGEMENT (Continued)

Changes in loss allowance:

Beginning balance	$	137,388
Loss allowance recognized during the year 2018		70,966
Loss allowance unused and reversed during the year		(8,751)
Write-offs during the year		(4,593)
Loss allowance as at December 31, 2018	$	195,010
Loss allowance recognized during the year 2019	$	(63,629)
Loss allowance unused and reversed during the		321
Write-offs during the year		(78,182)
Loss allowance as at December 31, 2019	$	53,520

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**	**Canada**	**UK**	**Europe**	**Total**
Depository Accounts & Money at	$ 11,286,973	$ 123,459	$ 962,559	$ 6,489,329	$ 18,862,320
Overnight Deposits	90,408,135	-	-	-	$ 90,408,135
Fixed Deposits	164,828,299	-	90,995,407	84,087,247	$339,910,953
Total Exposure	$266,523,407	$ 123,459	$ 91,957,966	$ 90,576,576	$449,181,408

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

Schedule B

Outline of other Local and Foreign Investments:

Securities	**Local GOB**	**Dominica**	**Foreign IBRD/SEK**	**Barbados**
Treasury Bills	$ 56,506,697	$ -	$ -	$ -
Treasury Notes	326,889,000	-	-	-
Bonds	-	-	10,000,000	1,409,509.00
Debentures	-	2,000,000	-	-
Total Exposure	$383,395,697	$ 2,000,000	$ 10,000,000	$ 1,409,509

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.

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**
	2019	2018
Depository Accounts & Money at	2.17%	1.07%
Overnight Deposits	2.18%	1.84%
Fixed Deposits	2.32%	2.10%
Notes/Bonds	1.625%	4.71%
Debentures	3.50%	3.50%

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

29. FINANCIAL RISK MANAGEMENT (Continued)

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, 2019:

	FOREIGN CURRENCY	YEAR-END RATE	BELIZE DOLLAR VALUE
Euro Fund	$ (417,645)	2.24740%	$ (938,615)
Canadian Fund	(85,752)	1.53840%	$ (131,921)
SDR Fund	(8,466,336)	2.76565%	$ (23,414,931)
USD Fund	(224,664,184)	2.00000%	$(449,328,368)
Sterling Fund	(227,122)	2.64240%	$ (600,147)
BZ$ Fund	474,246,172	1.00000%	$ 474,246,172
Current Year Revaluation Loss			$ (167,810)

	BELIZE DOLLAR VALUE
Revaluation balance, January 1	$ 1,777,435
Decrease in revaluation	(167,810)
Revaluation balance, December 31	$ 1,609,625

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	$ 464,668	$ -	$ -	$ -	$ -	$ -
Depository Accounts & Money at Call	18,862,320	-	-	-	-	-
Overnight Deposits	90,408,135	-	-	-	-	-
Fixed Deposits	10,605,454	253,649,896	54,485,355	21,225,179	-	-
Treasury Bills	46,571,805	9,934,892	-	-	-	-
Treasury Notes	56,506,697	45,485,000	16,008,000	114,998,000	106,850,000	43,548,000
Bonds	-	-	-	-	10,000,000	-
Debentures	-	-	-	-	-	2,000,000
Equity instruments	-	-	-	-	-	20,000,000
	$223,419,079	$ 309,069,788	$ 70,493,355	$ 136,223,179	$116,850,000	$ 65,548,000

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

29. FINANCIAL RISK MANAGEMENT (Continued)

Deposits by licensed financial institutions	$ -	$ -	$ -	$ 422,202,858	$ -	$ -
Deposits by and balances due to Government and public sector entities in Belize	-	80,681,568	-	-	-	-
Deposits by international agencies	-	1,427,483	-	-	-	-
Balances due to CARICOM	61,551	-	-	-	-	-
Commercial Bank discount fund	-	-	-	-	-	1,410,483
Other liabilities	-	87,362,987	-	-	-	-
IMF SDR Allocations	-	-	-	-	-	49,553,376
	61,551	169,472,038	-	422,202,858	-	50,963,859
	$223,357,528	$ 139,597,750	$ 70,493,355	$(285,979,679)	$116,850,000	$ 14,584,141

29. FINANCIAL RISK MANAGEMENT (Continued)

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 COMMITMENTS AND CONTINGENCIES

The Bank is subject to certain legal proceedings and claims that arise in the ordinary course of business operations. Management believes that the amount of liability, if any, from these actions would not have a material effect on the financial statement of the Central Bank of Belize.

31 SUBSEQUENT 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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