CENTRAL BANK
of BELIZE

2020
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 2011.

Central Bank of Belize

Thirty-Ninth Annual Report

and

Statement of Accounts

For the Year Ending 31 December 2020

Cataloguing-in-Publication Data

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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:

AFSI	Aggregate Financial Stability Index
APSSS	Automated Payment and Securities Settlement System
AML/CFT	Anti-Money Laundering/Combatting the Financing of Terrorism
BBCL	Belize Bank Corporation Limited
BGA	Banana Growers Association
BNS	Bank of Nova Scotia
BSI	Belize Sugar Industries Limited/American Sugar Refining
CAR	Capital Adequacy Ratio
CBA	Central Bank of Belize Act
CARICOM	Caribbean Community
CARTAC	Caribbean Regional Technical Assistance Centre
CCCCC	Caribbean Community Climate Change Centre
CCS	Credit Conditions Survey
CDB	Caribbean Development Bank
CEMLA	Centre for Latin American Monetary Studies
CEO	Chief Executive Officer
CFZ	Commercial Free Zone
CGA	Citrus Growers Association
CMPU	Compliance Unit
COVID-19	Coronavirus Disease 2019
CPBL	Citrus Products of Belize Limited
CPI	Consumer Price Index
CRS	Credit Reporting System
CSP	Customer Security Programme
DBFIA	Domestic Bank and Financial Institutions Act
DI	Diffusion Index
DIC	Deposit Insurance Company
DIS	Deposit Insurance System
DTIs	Deposit-taking Institutions
ECCI	External Economic Climate Index
ECL	Expected Credit Loss
EMDEs	Emerging Market and Developing Economies
EU	European Union
FIDI	Financial Development Index
FOB	Free on Board
FSI	Financial Soundness Index
FVI	Financial Vulnerability Index
FY	Fiscal Year
GDP	Gross Domestic Product
GST	General Sales Tax
IAD	Internal Audit Department
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
ITD	Information Technology Department
M1	Narrow Money
M2	Money Supply
MSME	Micro, Small, and Medium-sized Enterprises
NFI	National Financial Inclusion
NPL ratio	Non-performing Loan ratio
OSM	Office of Strategy Management
PGIA	Philip S.W. Goldson International Airport
ROA	Return on Assets
ROC/Taiwan	Republic of China (Taiwan)
ROE	Return on Equity
SBL	Scotiabank (Belize) Limited
SCHL	Scotia Caribbean Holdings Limited
SDRs	Special Drawing Rights
SIB	Statistical Institute of Belize
SIL	Securities Industry Legislation
SSN	Shared Service Network
SWIFT	Society for Worldwide Interbank Financial Telecommunications
T-bills	Treasury bills
T-notes	Treasury notes
UK	United Kingdom
US	United States
WAIR	Weighted Average Interest Rate

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 2020 figures in this report are provisional and the figures for 2019 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 2020

BOARD OF DIRECTORS

Joey Montalvo - Chairman

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

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

Marilyn Gardiner-Usher - Deputy Governor, Financial Services

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

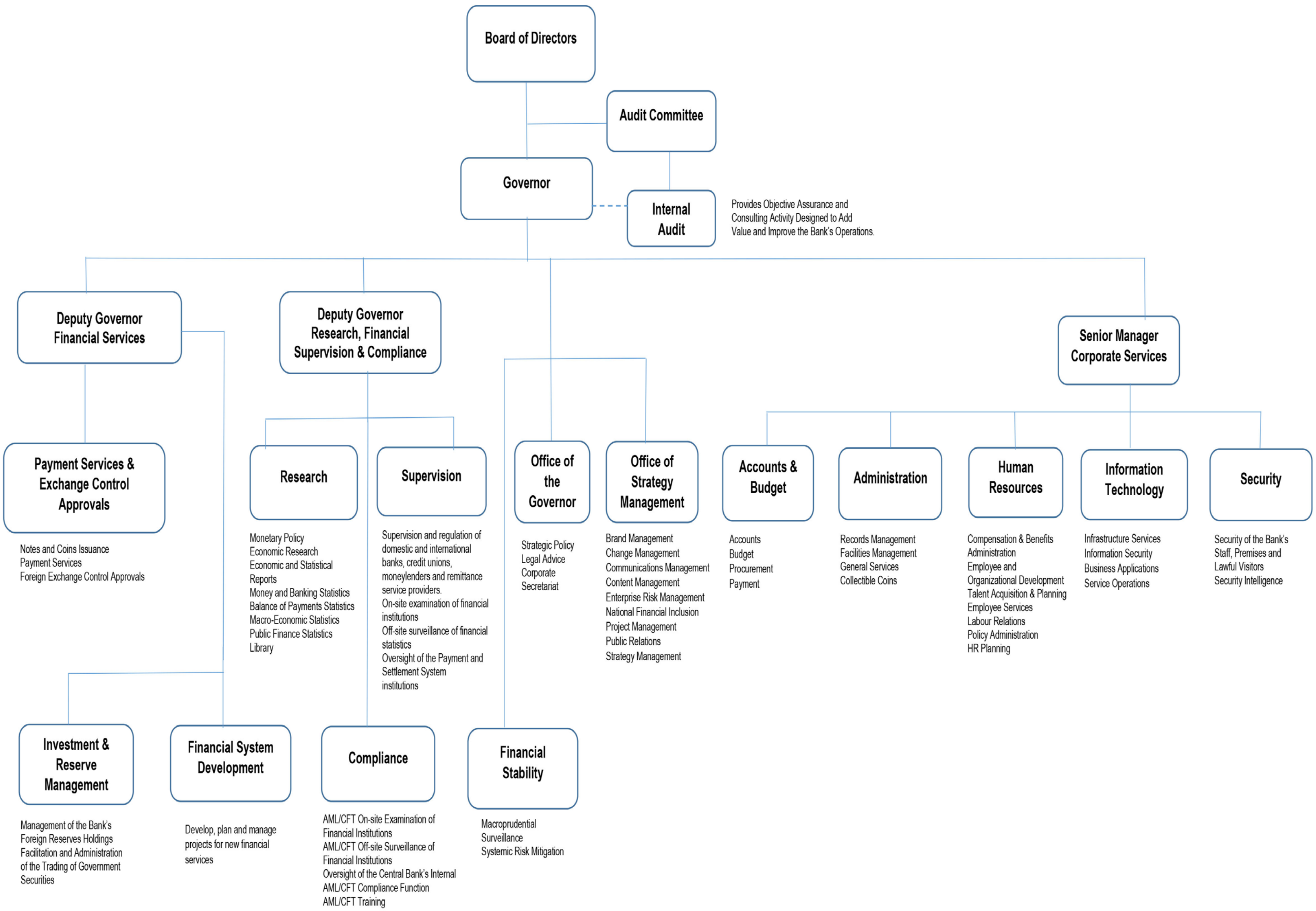
Effie Ferrera - Chief Internal Auditor

Diane Gongora - Manager, Supervision

Michelle Estell - Manager, Payment Services and Exchange Control Approvals

Sheree Smiling Craig - Manager, Office of Strategy Management

FUNCTIONAL CHART



I. ECONOMIC REVIEW

International Developments

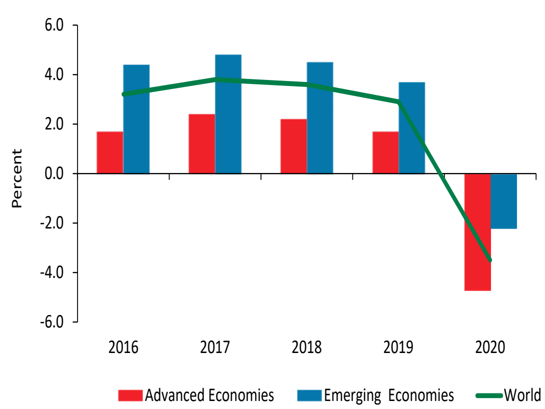
The coronavirus disease 2019 (COVID-19) was declared a pandemic on 11 March. The rapid rise in COVID-19 cases globally forced governments to take urgent action to contain the spread of the virus. Governments across the globe responded by instituting varying degrees of lockdown measures, which included travel restrictions, stay-at-home orders, curfews, and quarantines, to reduce the spread of COVID-19. In response to the severe economic fallout caused by lockdowns, many nations implemented massive fiscal and monetary policy interventions to mitigate the associated damage. In 2020, world output is estimated to have declined by 3.3% relative to 2019, marking the steepest economic contraction since the Great Depression.

Advanced and Emerging Economies

Output among advanced economies contracted by 4.7% in 2020 compared to 2019. The United States' (US) real GDP (gross domestic product) contracted by 3.5% in 2020 from 2019's annual level, owing to the adverse impact of the pandemic. Unemployment skyrocketed to 14.7% in April, the highest rate and the largest month-on-month increase on record. US monetary policy response to the impending crisis was swift and significant. Not only was the federal funds target rate reduced to near zero in March 2020, but several forms of emergency lending and asset purchase programmes were implemented beyond what was done during the financial crisis from 2007 to 2009. At over US$3.0 trillion, US fiscal policy response was approximately 14.5% of US GDP. This amount was significantly larger than the fiscal response in 2009 and effectively raised personal income in the second quarter of 2020. By year end, the rate of US job losses had tempered. Thus, the annual unemployment rate averaged 8.1% in 2020, up 4.4 percentage points from 2019. Furthermore, shocks to commodity markets kept inflation below the 2.0% policy target at 1.4%.

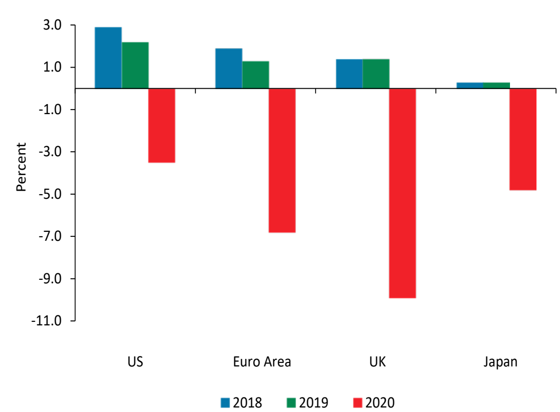
Euro area's economy shrank by 6.6% in 2020 compared to 2019 because of the pandemic. After reaching a trough in the first quarter, economic activity rebounded sharply, stimulated by coordinated and timely monetary and fiscal policy responses and the easing of lockdown measures. However, the emergence of a second wave of the virus was accompanied by tightened lockdown measures in some economies, which, in turn,

Chart 1.1: Global GDP Growth Rate



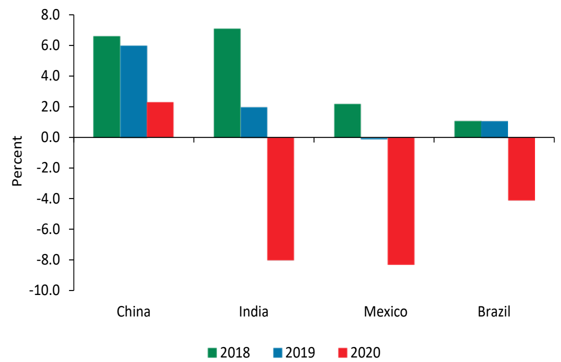
Source: IMF

Chart 1.2: Select Advanced Economies: GDP Growth Rates



Source: Bureau of Economic Analysis, Bureau of Labour Statistics, European Union Statistical Office, and Government of Japan.

Chart 1.3: Select Emerging Economies: GDP Growth Rates



Sources: National Bureau of Statistics of China, Indian Central Statistics Office, Mexican National Institute of Statistics and Geography, and Brazilian Institute of Geography and Statistics.

slowed the recovery in the fourth quarter. Hit by the pandemic shock and withdrawal effects from the European Union (EU) on the 31 January, the United Kingdom's (UK's) real GDP plummeted by 9.9% year on year in 2020. Meanwhile, the Japanese economy contracted by 4.8% relative to a 0.3% growth in 2019.

China was one of the few countries to record positive economic growth globally, expanding by 2.3% in 2020 on account of successful efforts to contain the virus in the first half of the year. In stark contrast, the Mexican, Indian, Brazilian, and Russian economies contracted by 8.3%, 8.0%, 4.1%, and 3.1%, respectively, as they grappled with rising cases of COVID-19. Altogether, output from emerging market and developing economies slid by 2.2% this year over the previous year.

Central America

Output in Central American nations declined by 6.0% year on year in 2020. Guatemala recorded the smallest contraction of 2.5% with flood damages adding to the deleterious effects of the pandemic. The Nicaraguan economy fell by 4.0%, as the pandemic impact was exacerbated by continued political instability. Costa Rica's output declined by 4.8%, while Panama's contraction was higher than the regional average, down 11.0% with reductions in tourism as well as activities in the Panama Canal and Colon Free Zone. Output in Honduras and El Salvador also fell sharply, down 8.0% and 8.6%, respectively, following damages sustained from Hurricanes Eta and Iota and from weakened growth in remittances.

Caribbean

In the Caribbean, tourism-dependent economies were disproportionately affected when compared to the region's net exporters of commodities. Whereas output in the former group contracted by 9.8% in 2020, outturns in the latter dipped by 0.2% compared to the year before.

The "sudden stop" in tourism after the pandemic outbreak led to a 17.6% year-on-year GDP collapse in Barbados in 2020. Although Barbados entered the crisis with good economic fundamentals, the Government borrowed an additional $90.0mn from the International Monetary Fund (IMF) through its Extended Fund Facility programme to help finance the country's fiscal deficit. As tourism-related revenues plummeted and COVID-19-related expenditures increased, Barbados' debt stock expanded by 24.0 percentage points to 144.2% of GDP. Following nine consecutive years of positive economic growth, output in the Eastern Caribbean Currency Union shrank by a similar margin of 16.2%, as inflows from tourism and the Citizenship by Investment programme were disrupted by the pandemic. The Bahamas' GDP contracted by 14.8% for the year, amid rebuilding efforts in the wake of Hurricane Dorian's destruction the year before. In line with global averages, stay-over arrivals to the island nation plunged by 72.1% compared to the previous year. As for Jamaica, its economy contracted by 9.9% with production down in both services and goods producing industries by 11.8% and 4.5%, respectively.

As for commodity-exporters, hydrocarbon exporting economies experienced deeper price volatility than food and metal exporters. Nevertheless, Suriname's output fell by 13.4% in 2020, dragged down by significant declines in private-sector service industries. Mining and quarrying activities had also slowed because of gold mine closures immediately following a COVID-19 outbreak. The falloff in activities was less severe in Trinidad and Tobago with downturns in both energy and non-energy activities leading to a 5.6% contraction. Weaker energy prices coupled with reduced demand limited output in the former, while lower outturns in contact-intensive service industries and agriculture impacted the latter. Guyana is set to be the only country in the region that would record an increase in annual output. The country's GDP is projected to grow by 26.2% in 2020, driven by the commencement of crude oil exports, and, to a lesser extent, heightened gold and rice exports. In turn, Guyana's external current account deficit narrowed by about 10 percentage points to 6.0% of GDP.

Domestic Overview

Belize's economy was among the hardest hit by the pandemic. The outbreak of COVID-19 and the accompanied mitigation measures to contain its spread resulted in severe economic dislocations, particularly in the tertiary (services) sector. With COVID-19-related travel restrictions implemented to varying degrees globally for most of the year, activities in the leisure and hospitality sector came to an almost stand still after March. Consequently, production in service industries collapsed by 17.0% over the year relative to 2019. Meanwhile, headwinds from lower demand, diseases, and adverse weather, caused primary output to fall by 2.4% year on year. Similarly, challenges posed by reduced consumption, disruptions to the supply of agro-produce, as well as lockdown measures and mobility restrictions suppressed manufacturing and construction output. However, a sharp rebound in hydroelectricity generation softened the overall decline in secondary production to 1.8% for the year. Consequently, Belize's real GDP fell by 14.1% for 2020 relative to 2019 on account of lower output across all three major sectors of the economy.

The ensuing economic downturn gravely affected employment. Jobs in contact-intensive service industries was hardest hit by the pandemic, with youths and females experiencing the largest shares of job losses. The unemployment rate at September increased to 13.7%, as the labour force participation rate dropped by 16.0 percentage points relative to the same period last year. The COVID-19 outbreak shocked international commodity prices, reducing costs of key imported items in the consumer basket, such as energy products. Thus, the annual inflation rate was muted at 0.1%.

The public health emergency and economic shock caused by COVID-19 had an unprecedented impact on public finances. Central Government's revenues and grants fell by 16.4% to $971.9mn, owing to lockdown and social distancing measures implemented in March. Despite new austerity measures, total expenditure grew by 2.4% to $1,338.5mn, strained by increased spending on COVID-19-related public health measures and unemployment assistance programmes. As a result, Central Government's primary deficit for the calendar year widened to 8.2% of GDP compared to 0.1% of GDP in 2019. Simultaneously, the overall deficit worsened to 10.7% of GDP, considerably higher than the 3.3% of GDP deficit recorded in the previous year.

The rise in overall deficit catapulted net public debt. Total public sector debt increased by $473.0mn in

2020 to $4,206.3mn or 123.3% of GDP. Funding sources to cover the gap were mixed, with majority stemming from foreign creditors. The outstanding public sector external debt expanded by $263.1mn to $2,893.1mn (84.8% of GDP), while Central Government's domestic debt increased by $209.9mn to $1,313.2mn (38.5% of GDP).

The pandemic shock to exports of goods and services was ameliorated by a reduction in import demand, reduced investment income payments (interests, profits, and dividends), and increased inward remittances. Thus, the current account deficit on the balance of payments improved to 7.5% of GDP in 2020 ($255.8mn) from 9.3% of GDP ($369.3mn) the year before. Financial inflows stemming from the sharp rise in net public borrowings raised the gross official international reserves by $140.4mn to $696.1mn, the equivalent of 5.2 months of merchandise imports.

In monetary developments, broad money supply (M2) expanded by 10.7%, boosted by strong increases in net foreign assets and net domestic credit of the banking system. The net foreign assets of the banking system strengthened by $183.2mn with increases of $133.2mn and $50.0mn in the Central Bank and domestic banks' holdings, respectively. Whereas the former was boosted by Central Government's loan disbursement proceeds and interest payment deferrals, the latter reflected outcomes from tighter foreign exchange management and reduced import demand. Furthermore, net domestic credit grew by 6.0% ($170.8mn) in 2020 led by increased bank lending to Central Government, primarily through purchases of debt securities for budget support and COVID-19 expenses. However, credit growth to other sectors had cooled. Private sector credit growth for consumption and investment activities slowed after the pandemic, as distressed borrowers shifted focus on obtaining temporary liquidity relief from lenders. Moreover, credit extended to other public sector entities contracted modestly, as two utilities used proceeds from their debt security issuances to reduce their domestic bank liabilities.

Liquidity in the banking system ballooned, driven by the two-percentage-point reduction in reserve requirements, the increase in domestic banks' foreign assets, and the slowdown in non-public sector borrowings. Key metrics of liquidity conditions showed that domestic banks' excess statutory liquid asset holdings increased by $219.5mn to 64.4% above requirements, while their excess cash balances grew by $158.0mn to 174.2% above requirements.

Interest rate outcomes were also influenced by the pandemic. With the prevailing reduction in private sector loan demand, the 12-month rolling weighted average interest rate (WAIR) on new loans contracted by 20 basis points from January to December of this year to 8.50% compared to a seven-basis-point increase in 2019. Average lending rates on personal, commercial, and residential construction loans all fell as the health and economic crises persisted. In contrast, the commensurate rate on new deposits increased by eight basis points in 2020 to 2.01%, climbing at a much slower pace relative to the 31-basis-point increase recorded in 2019. The increase in bank liquidity decelerated the rise in savings/chequing, savings, and time deposit rates after the unfolding of COVID-19.

As for credit unions, aggregate lending fell by $38.6mn in 2020, with marked reductions in personal, construction, and agricultural loans.

Economic Prospects

Belize's economy is projected to rebound modestly. The Central Bank projected that real

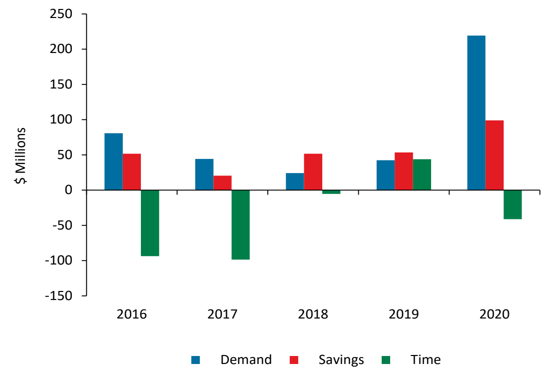
GDP would grow by 2.7% in 2021 but will remain well below 2019's level through the medium term. Much of the growth impetus in the near term will stem from a rebound in agriculture, fisheries, and livestock production from adverse weather events and weakened demand. Growth should also be lifted by a partial recovery in secondary activities, spurred by heightened output in the agro-manufacturing, electricity, and construction industries. A faint expansion is also projected among service industries, since tourism activities are expected to restart in a slow, cautious, and responsible manner, as vaccine inoculations become more widespread and travel restrictions are eased. Risks to the forecast are tilted downwards due to uncertainties surrounding the pandemic and the possible occurrence of severe weather events.

Monetary Developments

Money Supply

M2 grew by $341.5mn or 10.7% in 2020 when compared to the year before. The accelerated growth in money represented the largest nominal increase on record, and the fastest annual growth rate since 2012. Narrow money (M1), the more liquid component of M2, increased by $283.6mn (16.9%), accounting for 83.0% of the overall increase. This upswing was driven by rapid expansions in two of three subcomponents of M1. First, currency with the public grew by $64.0mn despite the aggregate fall in consumption and concerns about risks of virus transmission on banknotes. This paradox was partly due to the combination of several factors, including: (i) a heightened preference for cash as a precautionary response to the economic uncertainty of the pandemic, (ii) the ongoing mobility restrictions, and (iii) a rise in informal activities due to the elevated level of unemployment. Second, demand deposit growth skyrocketed, up $222.4mn during

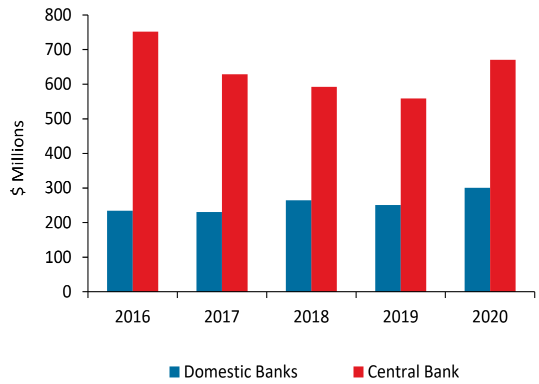
Chart 1.4: Deposit Growth



the year. The sharp rise in demand deposits reflected money accumulated from two sizeable debt security issuances by utilities as well as deposits amassed by business enterprises, owing in part to delays in obtaining foreign exchange to cover import payments. In contrast, savings/chequing deposits, the third subcomponent of M1, contracted by $2.8mn. Meanwhile, quasi-money grew by a lesser 3.8% ($57.9mn), as the $98.9mn growth in savings deposits was partially offset by a $40.9mn fall in time deposits, as banks shifted their deposits in face of declining revenues.

Synchronised monetary and fiscal policy responses to mitigate the adverse effects of COVID-19 were instrumental in shaping outcomes on the asset side of financial corporations' balance sheet. On the one hand, the countercyclical monetary policy response to loosen reserve requirements eased liquidity conditions in the banking system to support credit growth after the pandemic outbreak. On the other hand, the rapid increase in Central Government's borrowings from domestic sources spurred net domestic credit growth. In addition, proceeds from foreign borrowings and grants coupled with immediate cash relief obtained through forborne external interest payments contributed to the build-up in the net foreign assets of the banking system.

Chart 1.5: Net Foreign Assets



Net Foreign Assets

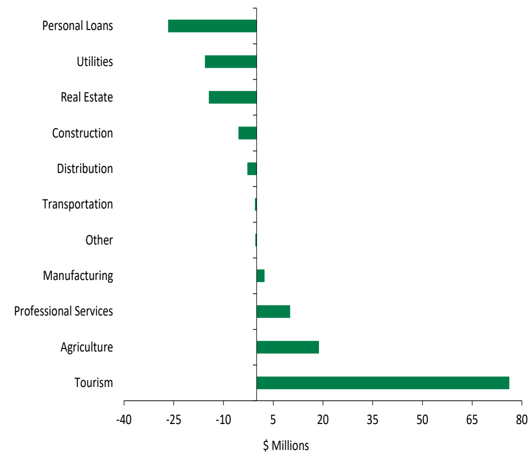
Reversing the five-year downward trend dating back to 2015, the net foreign assets of the banking system expanded by 22.6% in 2020, increasing by $183.2mn to $992.8mn. The $133.2mn growth in the Central Bank's net foreign assets, lifted its year-end position to $692.0mn, as foreign currency purchases exceeded sales.

Similarly, domestic banks' net foreign assets expanded robustly, up by 19.9% or $50.0mn in 2020 to $300.8mn. Gross foreign currency inflows into domestic banks contracted by 31.2% ($884.8mn) to $1,954.8mn, as the pandemic stymied inflows from tourism, the commercial free zones (CFZ), and foreign direct investments. Gross outflows declined by an even larger margin of 33.8% ($962.9mn) to $1,885.1mn. Tightened foreign currency management measures and reduced demand for foreign goods contributed to this outcome.

Net Domestic Credit

Net domestic credit expanded by 6.0% or $170.8mn to $3,039.8mn in 2020. Majority of this expansion was attributable to Central Government's pandemic borrowings to cover its deficits, as credit to other public sector entities

Chart 1.6: Annual Change in Domestic Bank Lending

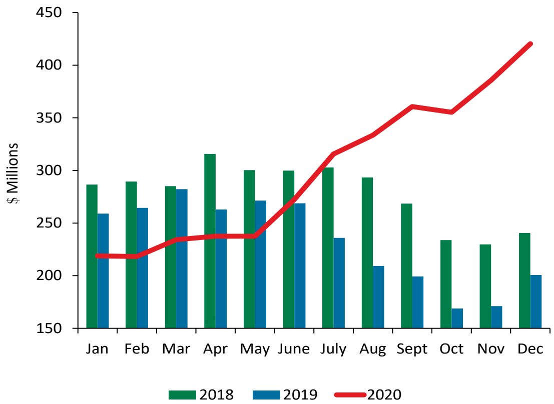


contracted, while the same to the private sector slowed. Net credit to Central Government amounted to $114.7mn, accounting for 67.2% of total credit growth. New borrowings mainly took the form of Treasury security sales to the banking system alongside a modest uptick in overdraft advances from the Central Bank. However, domestic bank lending to other public sector entities contracted by $12.8mn. Principal repayments of $16.9mn and $0.2mn by public utilities and other statutory bodies, respectively, were responsible for the decline. These amortisation payments easily eclipsed new disbursements of $4.1mn to local governments. Meanwhile, private sector credit slowed to 3.1% in 2020 at $68.9mn when compared to a 5.6% expansion in 2019. Almost two-fifths of the credit expansion, equalling $26.8mn, occurred in the first quarter before nationwide lockdown measures were implemented. The remaining portion of $42.1mn was extended thereafter and was somewhat reflective of domestic banks' COVID-19 moratoria to distressed borrowers.

Domestic Bank Liquidity

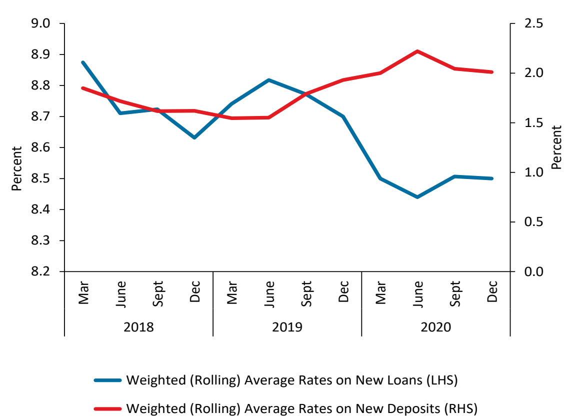
After narrowing for four consecutive years, bank liquidity reversed its downward trajectory in

Chart 1.7: Excess Statutory Liquidity



2020. This turnaround was supported by several factors, including (i) the two-percentage-point reduction in reserve requirements in April, (ii) the rise in domestic banks' foreign assets, (iii) monetisation of the fiscal deficit, and (iv) the slowdown in private sector credit. Accordingly, domestic banks' holdings of excess liquid assets grew by $219.5mn to $420.3mn (64.4% above requirements). Furthermore, excess cash reserves grew by $158.0mn to $351.9mn (174.2% above requirements). Domestic banks' uptake of government securities—in their search for safe assets after the onset of the pandemic—lessened the growth in excess cash reserves.

Chart 1.8: Annualised Interest Rates on New Loans and Deposits



Interest Rates

Against this backdrop, interest rate movements diverged. The 12-month (rolling) WAIR on new loans fell by 20 basis points to 8.50% from January through December. Notably, the WAIR fell by 27 basis points during the first half of the year, then increased by about six basis points in the second period as risks to credit exposures grew. Notwithstanding, the overall decline reflected reductions on personal, commercial, and residential construction loans of two, six, and 40 basis points, respectively. Only rates for other miscellaneous loans had increased, up 22 basis points over the referenced period.

In contrast, the 12-month WAIR on new deposits grew by eight basis points to 2.01% over the year. This trajectory was influenced by higher rates early in the year when bank liquidity was relatively tighter before the pandemic struck. Even though the upward momentum tapered, rates on savings/chequing, savings, and time deposits were still higher than their December 2019 position by nine, seven, and six basis points, respectively, at year end.

Credit Union Lending

Credit unions' aggregate lending declined by $38.6mn in 2020 to $639.9mn, the first annual contraction since 2017. Significant reductions in loan balances were reported in the following categories:

i. personal, $16.2mn,
ii. construction, $8.8mn,
iii. agriculture, $5.9mn, and
iv. entertainment, $3.1mn.

Finally, credit union write-offs summed to $3.9mn, a fraction of the $17.1mn amount recorded in 2019.

Chart 1.9: Annual Change in Credit Union Lending

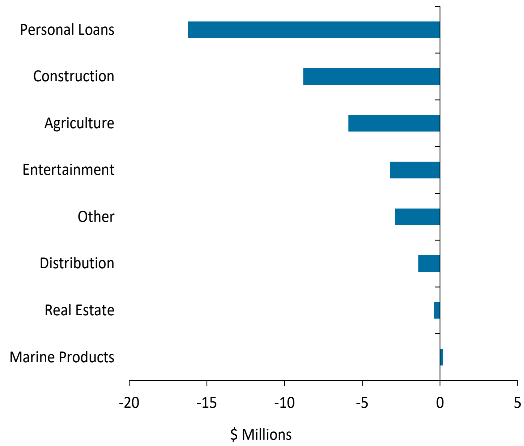
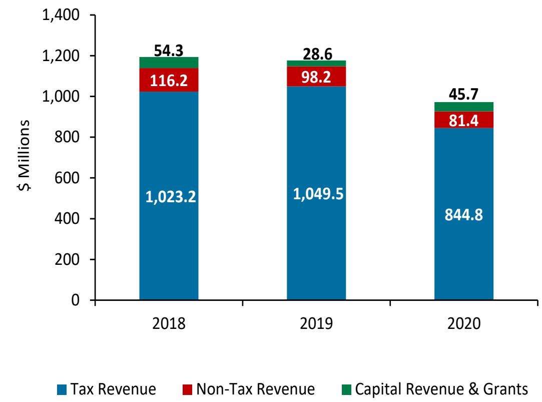


Chart 1.10: Central Government Revenue



Sources: MOF and Central Bank

Central Government Operations and Public Debt

Central Government Operations

Central Government's finances were severely strained by COVID-19 in 2020. The deep output contraction caused revenues to plunge, while unbudgeted expenses related to mitigating the crisis accumulated over time. Consequently, Central Government's operations generated a steep primary deficit of 8.2% of GDP ($278.4mn) in 2020 compared to a marginal shortfall of 0.1% of GDP ($5.7mn) in 2019. Furthermore, the overall deficit almost tripled, increasing from 3.3% of GDP ($130.3mn) in 2019 to 10.7% of GDP ($366.6mn) in 2020.

The economic fallout from the pandemic caused total revenue and grants to plunge by $204.5mn to $971.9mn over the calendar year. Both tax and non-tax revenues fell sharply, while foreign grants increased largely on account of the international assistance associated with combatting COVID-19. Tax collections contracted by 19.5%, down $204.6mn to $844.8mn, with collections in three of four major tax categories down. About 56.0% of the overall decline was attributable to a $114.3mn revenue reduction from "*Taxes on Goods and Services*". Within this category, general sales tax (GST) contracted by $65.5mn, marking the largest overall decrease across sub-items, owing to the steep decline in domestic consumption. Driven mainly by the fall in business tax, "*Income and Profits*" followed, plummeting by $57.3mn to $237.2mn. Furthermore, "*International Trade Transactions*" declined by $33.5mn to $128.8mn attributable to the slump in imports. On the upside, "*Taxes on Property*" registered a slight increase of $0.5mn to $6.9mn, boosted by efforts to fast-track property sales.

Meanwhile, non-tax revenue dropped by 17.2% relative to 2019, or by $16.9mn to $81.4mn. This downturn was largely on account of an $11.3mn reduction in licence fees, and, to a lesser extent, reduced income transfers from Government- owned corporations and departments.

Grants increased by $6.9mn to $28.5mn (or 0.8% of GDP) over the year. This transient upswing reflected intergovernmental assistance linked to the coordinated response to COVID-19.

Central Government expenditure grew by 2.4% to $1,338.5mn in 2020 relative to the previous

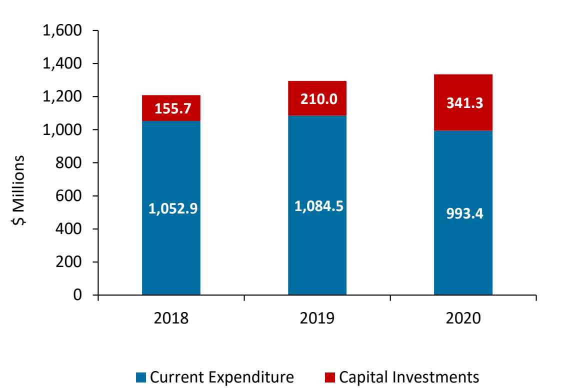
Table 1.1: Revenue and Expenditure Summary

Ratios to GDP (%)	Jan - Dec 2019	Jan - Dec 2020
Total Revenue and Grants	29.7	28.5
Current Revenue	28.9	27.1
Tax Revenue	26.5	24.7
Non-Tax Revenue	2.5	2.4
Capital Revenue	0.2	0.5
Grants	0.5	0.8
Total Expenditure	33.0	39.2
Current Expenditure	27.4	29.1
Capital Expenditure	5.6	10.1
Current Balance to GDP	1.6	-2.0
Primary Balance to GDP	-0.1	-8.2
Primary Balance without Grants to GDP	-0.7	-9.0
Overall Balance to GDP	-3.3	-10.7
Overall Balance without Grants to GDP	-3.8	-11.6

Sources: MOF and the Central Bank

year. The increase in total spending was driven by unanticipated COVID-19-related outlays, tempered by new fiscal consolidation measures. Current expenditure fell by 8.4% ($91.1mn) to $993.4mn, as Central Government implemented several cost-saving measures to address the collapse in revenue. Cutbacks in discretionary spending led to declines of $37.4mn and $18.0mn in "*Goods and Services*" and "*Subsidies and Current Transfers*". Furthermore, Government obtained immediate cash relief by deferring interest payments that fell due on the US dollar 2034 bond starting in August. This measure slashed "*Interest Payments*" by $36.4mn to $88.2mn. However, "*Wages and Salaries*" nudged up by 1.4% to $457.5mn even though wages were frozen since 1 April, the beginning of the new fiscal year (FY).

Chart 1.11: Current and Capital Expenditure

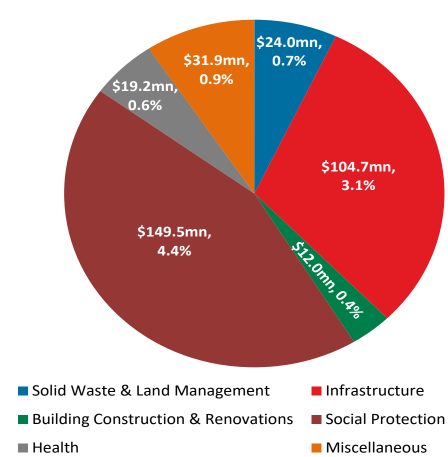


Sources: MOF and the Central Bank

Offsetting the reduction in current outlays, capital expenditure and net lending increased by $122.9mn (55.3%) to $345.1mn or 10.1% of GDP in 2020. The massive size of capital expenditure was much larger than in recent periods. For instance, total capital expenditure averaged 4.9% of GDP between 2017 and 2019.

Driven by COVID-19-emergency expenses on health services and social transfers, capital outlays rose by 62.6% to $341.3mn. COVID-19-related outlays summed to $141.2mn, representing 4.1% of GDP and 41.4% of total capital expenditure in 2020. Notably, recording of these outlays was split between Capital II ($99.8mn) and Capital III ($41.4mn) line items. Other capital outlays of $200.1mn were spent on various public projects, including $104.7mn on infrastructural works,

Chart 1.12: Shares of Development Expenditure Categories as a Percent of GDP



Sources: MOF and the Central Bank

$24.0mn on solid waste and land management, and $12.0mn on building renovations and construction.

The widening fiscal deficit generated by the COVID-19 shock led to an extraordinarily large gross financing gap (defined as the overall deficit plus amortisation payments) of $449.4mn. This high gross financing level equalled to 13.2% of GDP, exceeding the IMF's 10.0% benchmark for high risk of near-term sovereign stress. Approximately 55.4% of the funding mix to cover the overall fiscal deficit stemmed from external sources, while the balance originated from domestic sources.

Total Public Sector Debt

The weakened fiscal position raised the public sector's debt level and debt-to-GDP ratio to unprecedented heights, while exerting significant pressure on the country's future debt-carrying capacity. In 2020, the total public debt grew by $473.0mn to $4,206.3mn, as Central Government's domestic debt and the public sector's external debt expanded by $209.9mn and $263.1mn, respectively. The 12.7% growth in debt level generated a 29.1 percentage point rise in the public debt-to-GDP ratio to 123.3% of GDP at year end, easily breaching the IMF's high-risk threshold for near-term debt sustainability.

Central Government's Domestic Debt

Central Government's domestic debt expanded by 19.0% year on year in 2020, rising by $209.9mn to $1,313.2mn, representing 38.5% of GDP. New borrowings were largely contracted by way of Treasury note (T-note) issuances, which amounted to $217.8mn. In addition, Government received $5.7mn in additional overdraft advances from the Central Bank.

Domestic debt service payments (interest and principal repayments) summed to $40.9mn. Interest payments amounted to $40.3mn in 2020, $4.4mn higher than the year before. The growth in interest payments was due to the sizeable expansion in debt stock since the average effective interest rate was unchanged at 3.3%. Majority of Central Government's interest expense was on claims held by the Central Bank who received $18.7mn for its overdraft advances and Treasury security holdings. Non-bank entities and domestic banks were paid smaller amounts of $13.1mn and $8.5mn, respectively. Amortisation payments

Chart 1.13: Public Sector Debt

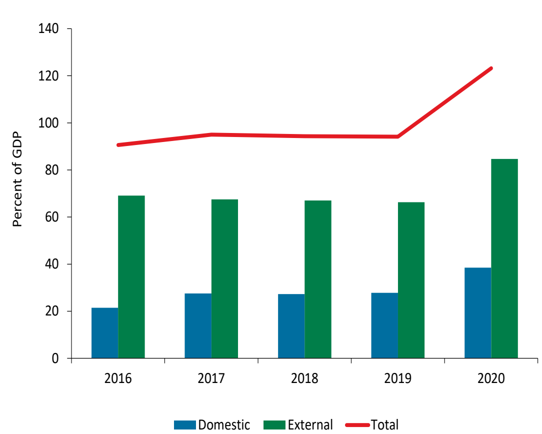


Chart 1.14: Domestic Debt

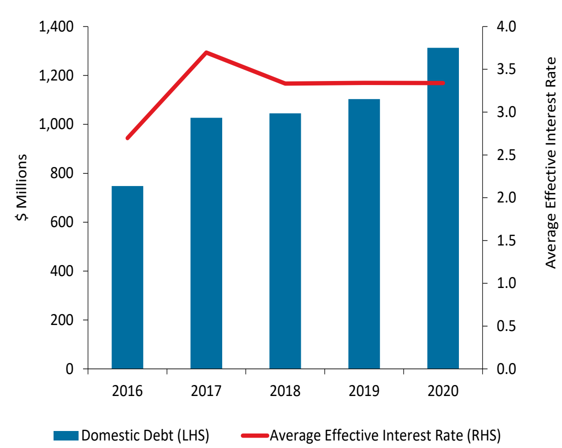
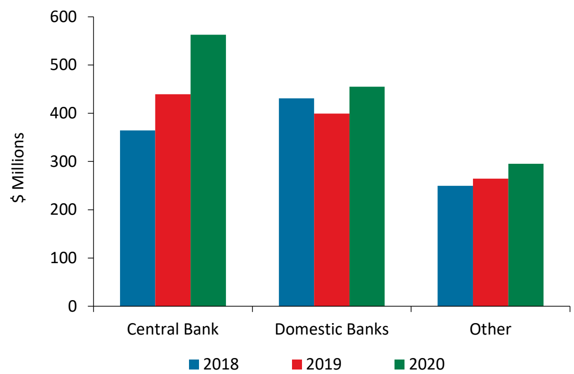


Chart 1.15: Sources of Central Government Domestic Debt



summed to only $0.6mn since all matured Treasury securities were rolled over during the reference period.

Central Government's domestic debt maturity structure hardly changed over the 12-month period. The share of short-term debt by original maturity (debt payable on demand or with a maturity of one year or less) in total outstanding domestic debt edged up by 1.9 percentage points to 47.9%. Meanwhile, the shares of medium-term debt (debt having a maturity of more than one year up to five years) and long-term debt (debt having a maturity of more than five years) on an original maturity basis accounted for 20.0% and 32.1%, respectively. The average remaining time to maturity of the domestic debt portfolio remained at 3.9 years, the same duration as last year.

The change in composition of the creditor base was also subtle. The Central Bank maintained its position as the largest domestic creditor to Central Government as its share of total domestic debt expanded by 3.0 percentage points to 42.9% during the year. In turn, the portions held by domestic banks and non-bank entities narrowed by 1.5 percentage points each to 34.7% and 22.5%, respectively.

Public Sector External Debt

The outstanding public sector external debt expanded by a larger nominal value of $263.1mn in 2020, up 10.0% to $2,893.1mn. At December end, the external public sector debt-to-GDP ratio stood at 84.8% of GDP.

New disbursements totalled $358.9mn in 2020 with Central Government receiving $348.0mn, equivalent to 97.0% of total pay outs. Almost half of Central Government's total external loan proceeds (47.4%) were allocated to public investment projects. Altogether, bilateral and multilateral creditors disbursed $164.8mn to fund infrastructural upgrades, as well as land management and construction of buildings and structures. A significant portion of new disbursements was also drawn to cover COVID-19-related expenses. External disbursements linked to the pandemic summed to $159.2mn, representing 45.7% of Central Government's total loan proceeds. These entailed:

i. $85.0mn to cover immediate emergency expenses;
ii. $39.6mn in capitalised interest on the 2034 US dollar bond to provide fiscal space for emergency spending; and
iii. $34.6mn from the US $30.0mn T-note issue for balance of payments support.

In addition, the Caribbean Community Climate Change Centre (CCCCC) purchased $24.0mn in domestic Treasury bills (T-bills) as part of its portfolio investment strategy to optimise earnings.

The financial and non-financial public sectors received $6.5mn and $4.3mn, respectively, from external creditors.

Box 1.1 | Major Fiscal Initiatives in 2020

18 January 2020 – Deposit Insurance Act, 2019 was passed for the establishment of a Deposit Insurance Corporation (DIC) and a Deposit Insurance Fund for the protection of insured deposits against the risk of loss within an insured limit of $20,000.00.

25 March 2020 – Treasury Bills (Amendment) Act, 2020 effectively increased the maximum tenor of Treasury Notes from 10 to 20 years.

3 April 2020 – The COVID-19 Unemployment Relief Programme was launched to provide direct cash transfers every two weeks over a 12-week period to persons whose employment were affected by COVID-19 as well as to those who were unemployed prior to COVID-19.

3 April 2020 – The Food Assistance Programme, supplied through local grocery stores countrywide, was launched to supplement the Food Pantry Programme. Those already receiving benefits from the Food Pantry Programme were able to benefit from the $12.00 waiver fee on a basket of goods being provided to households.

17 June 2020 – The Government of Belize received consent from the 2034 US dollar bondholders to capitalise interest payments falling due on 20 August 2020, 20 November 2020, and 20 February 2021.

30 June 2020 – Central Government implemented the following fiscal consolidation measures to rein in spending:

- A freeze to all new hires and the elimination of salary increments for the FY 2020/21;
- Cuts in allowances for senior public officers;
- Reductions in the number of officers on contract;
- A 25.0% reduction in the budget for goods and services for the FY 2020/21; and
- Capital expenditure deferrals up to $30.0mn.

1 August 2020 – The Micro, Small, and Medium-sized Enterprises Support Programme was launched with an allocation of $28.5mn to provide loans and cash grants to eligible firms. This programme was facilitated by BELTRAIDE.

3 August 2020 – Government announced that it will subsidise one percentage point of the 7.0% interest rate on loans provided under the Development Finance Corporation Tourism Sector Recovery Loan Programme.

25 August 2020 – The Labour (Amendment) Act, 2020 was revised to provide for employers to reduce wages where the working hours of an employee have been reduced in special circumstances, and to provide for leave of absence without pay in special economic circumstances.

Box 1.1 | Major Fiscal Initiatives in 2020 *continued*

5 October 2020 – The Treasury Bills (Amendment) (No. 2) Act, 2020 provided for the increase in the principal sums of T-notes outstanding to $1.2bn.

5 October 2020 – The Land Tax (Amendment) Bill, 2020 was passed to empower the Minister to remit land taxes in whole or part, including any arrears and interest, in the case of any disaster.

15 December 2020 – The Belize COVID-19 Cash Transfer Programme was launched as a temporary initiative to provide emergency cash to poor and vulnerable households countrywide.

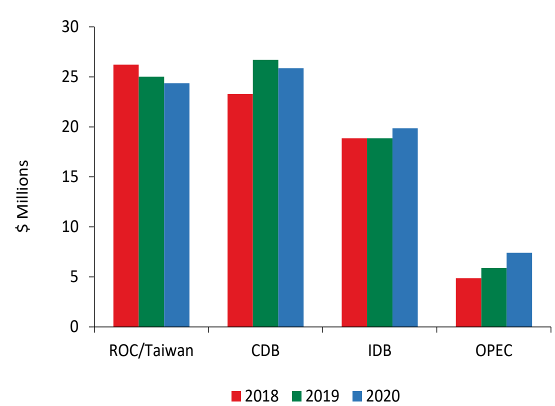
Debt service payments fell by 10.5% to $162.4mn during 2020. This outcome resulted as a 10.8% increase in amortisation payments was more than offset by a 30.6% decrease in interest payments. Nevertheless, the external debt service-to-exports ratio increased from 10.5% in 2019 to 14.9% in 2020, highlighting the country's vulnerability to volatility in export earnings, particularly from tourism services.

Principal repayments by the public sector equalled to $97.4mn in 2020. Central Government amortisation payments summed to $93.8mn, having repaid $66.8mn and $26.9mn to multilateral and bilateral creditors, respectively, while CCCCC redeemed $11.0mn in T-bills. Furthermore, the non-financial and financial public sectors repaid $2.4mn and $1.3mn, respectively, on their loans.

Interest and other payments amounted to $64.9mn or 2.0% of GDP in 2020, far lower than the $93.5mn recorded in 2019. This reduction in interest outlays mainly reflected the impact of the interest moratorium granted by US bondholders. Central Government's interest payments totalled $60.3mn (92.9%), comprising:

i. $27.0mn on commercial debt with payments of $1.0mn on its US $30.0mn T-note in December and $26.0mn on the 2034 US dollar bond in February. Notably, Central Government deferred $39.0mn in interest expense on bond payments falling due in August and November.
ii. $23.1mn on multilateral debt with Caribbean Development Bank (CDB) and Inter-American Development Bank (IDB) receiving $10.2mn and $6.0mn, respectively.
iii. $10.2mn on bilateral debt with Republic of China/Taiwan (ROC/Taiwan) and Kuwait getting $9.2mn and $1.0mn, respectively.

Chart 1.16: External Debt Principal Payments to Major Creditors



Meanwhile, the financial and non-financial public sectors paid $1.6mn and $3.0mn in interest on their outstanding liabilities.

The maturity structure and composition of the public sector's external debt also remained broadly similar to last year's outturn. An analysis by remaining maturity showed that $0.4mn of the outstanding public sector external debt is scheduled to mature in one year, $371.1mn in one to 10 years, and $2.4bn in more than 10 years. With regard to creditor composition, 61.0% is due to multilateral and bilateral lenders combined, while the remaining 39.0% is payable to commercial lenders. At year end, Central government held 94.8% of the total public debt; financial entities, 3.2%; and non-financial public corporations, 2.0%.

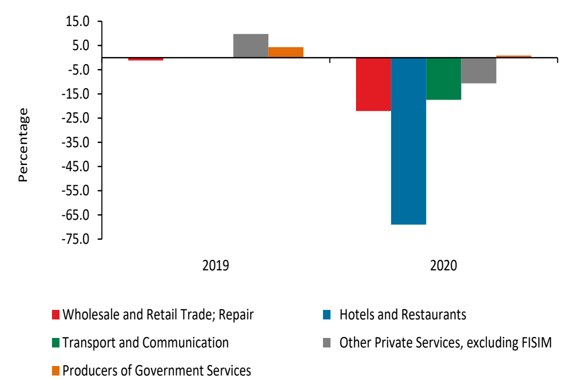
Production

Real Gross Domestic Product

Like other tourism-dependent economies, the COVID-19 pandemic propagated a severe output contraction in Belize. Accordingly, the country's GDP contracted by 14.1% in 2020 compared to the previous year, marking the largest annual output decline in the post-independence era.

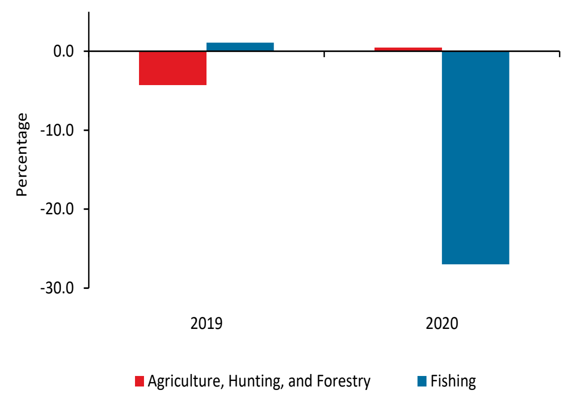
Lockdown measures and travel restrictions led to a 17.0% decline in the tertiary (services) sector, which accounted for 63.0% of total GDP the year before. All service industries had contracted deeply, except for "*Producers of Government Services.*" Production of Government Services expanded slightly by 0.9% compared to a year ago, as the lead indicator, wage payments to public workers, inched up. The temporary halt in international travel early in the year coupled with a slow resumption after restrictions were partially lifted resulted in a 69.0% drop in "*Hotels and Restaurants*" and a 17.4% downturn in "*Transport*

Chart 1.17: Percentage Change in Tertiary Industries



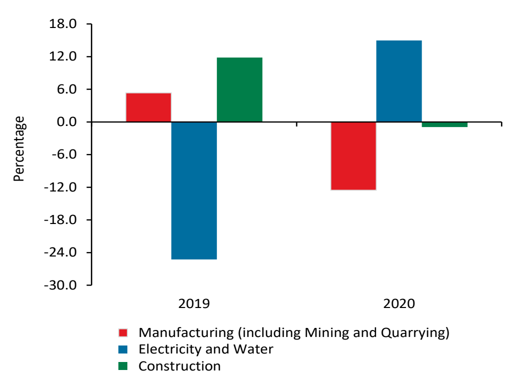
Source: SIB

Chart 1.18: Percentage Change in Primary Industries



Source: SIB

Chart 1.19: Percentage Change in Secondary Industries



Source: SIB

and Communication." Furthermore, the cutback in domestic consumption yielded a 22.1% decline in "*Wholesale and Retail Trade; Repair*".

Primary activities contracted by 2.4%, weighed down by a 27.0% plunge in "*Fishing*", as "*Agriculture, Hunting, and Forestry*" rebounded marginally by 0.5%. On the one hand, fishing activities decreased as spiny lobster and queen conch wild catches were interrupted by heavy rains, and farmed shrimp production was further decimated by the early mortality syndrome bacterial disease. On the other hand, agricultural production was lifted by a partial recovery in citrus deliveries (from citrus greening damage) and in banana yields (from unfavourable weather). However, these production gains were tempered by reduced sugarcane harvests, owing to 2019's drought effects.

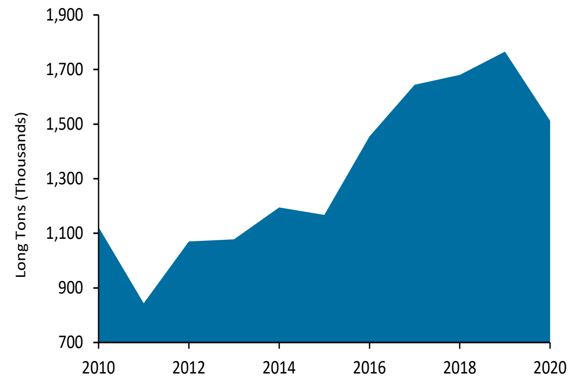
Secondary output declined by 1.8%. This outcome resulted as the reduction in value added contributions from manufacturing and construction activities outweighed the lift from higher electricity generation. "*Manufacturing*" outturns were set back by: (i) lower sugar production with the fall in sugarcane deliveries; (ii) reduced beverage production with the pandemic-induced cutback in consumption; and (iii) diminished crude oil extraction as output from matured commercial wells further lessened. "*Construction*" activities in the public and private sectors were slowed by the pandemic, as a result of hindrances, including delays, rescheduling, and funding constraints. On the upside, increased rainfall after the end of the prolonged drought period dating back to 2019 led to a 15.0% rebound in "*Electricity and Water*" output.

Agriculture

<u>*Sugarcane*</u>

Total sugarcane deliveries fell by 14.3% to 1,512,592 long tons. This outcome resulted as a 32.2% plunge in northern deliveries was ameliorated by a 35.0% expansion out west.

Chart 1.20: Sugarcane Deliveries



Sources: BSI and Santander Group

The northern region's 2019/2020 crop year began on 15 January 2020 and ended on 21 July 2020, spanning 189 days. Harvesting began 34 days later than the previous crop year, owing to drought damages that slowed the cane maturation process and reduced the harvest period by 26 days. Key metrics of operational efficiency also deteriorated, as the average daily grinding rate shrank by 22.8% to 4,654 long tons per day. Thus, sugarcane deliveries contracted by 32.2% to 879,549 long tons for this crop year. In comparison, the western region's harvest commenced on 20 February 2020 and ended on 31 July 2020, which was 51 days longer than the previous period at 163 days. The implementation of improved farm management techniques to mitigate drought effects alongside an increase in production acreage pushed deliveries up by 35.0% to 633,044 long tons. However, their grinding rate slowed by 7.2% to 3,884 long tons per day, hindered by heavy rains in the second half of the cycle.

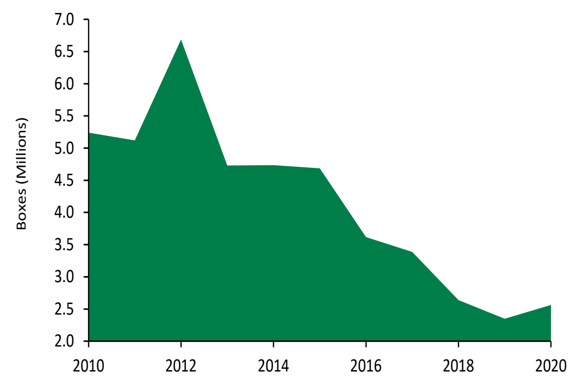
Farmers received a 10.2% hike in the average price per long ton of sugarcane delivered to the northern mill at $55.24 per unit for the 2019/2020 crop year. The upward price movement reflected the benefits of having a larger share of direct consumption sugar in the product mix as well as tightened production outcomes among top sugar exporters owing to unfavourable weather.

<u>*Citrus*</u>
After contracting for five successive years, citrus deliveries increased by 9.1% to 2.6mn boxes of fruit during the 2019/2020 crop year. This turnaround was due to a boon from late season blossoms attributable to favourable climatic conditions and yields from newly replanted orange groves that replaced those overtaken by citrus greening. As a result, the harvest period was extended by three months to a record 329 days. The lengthened season led to a 12.9% growth in orange deliveries to 2.4mn boxes. Nevertheless, grapefruit deliveries still fell by 27.2% to a mere 0.2mn boxes.

Farmers received $1.80 per pound solid (ps) of orange juice, reflecting a 20.5% drop in the final price relative to the $2.26 per ps collected in the previous year. Similarly, the average price paid to grapefruit growers contracted by 11.7% to $4.39 per ps.

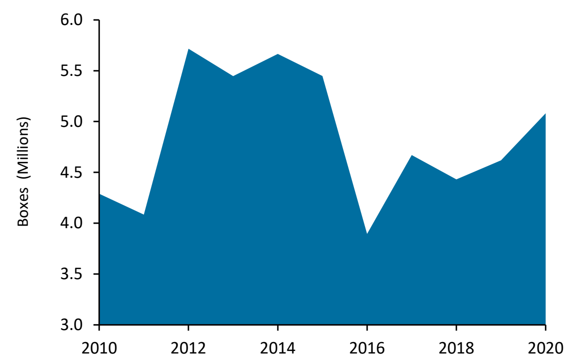
<u>*Banana*</u>
Increased investments in new cultivating acreages and better agronomic management lifted banana production by 8.6% to 5.0mn boxes in 2020. This outcome resulted despite the 673.6 acres of banana that were damaged by Hurricane Nana, which made landfall on 3 September in southern Belize. Between August 2019 and May 2020, the total commercial acreage of banana expanded by 2.7% or 203.1 acres to 7,852.4 acres, comprising 7,332.3 acres of harvestable trees, 245.0 acres of new shoots, and 275.1 acres of trees under rehabilitation. Consequently, the average yield per acre grew by 5.8% to 639 boxes compared to the year before.

Chart 1.21: Citrus Fruit Deliveries



Sources: CPBL and CGA

Chart 1.22: Banana Production



Source: BGA

The Banana Growers' Association (BGA) and Fyffes PLC signed a five-year exclusive marketing contract on 1 January 2019 that kept the average 40-pound box price at approximately $17.00 in 2020.

Marine Products

Marine production plummeted by 29.9% in 2020 to 2.4mn pounds. In aquaculture, farmed shrimp output declined by 35.5% to 0.7mn pounds, the lowest total observed since the series started in 2000, as measures undertaken to control the early mortality syndrome continued to disappoint. Additionally, farmed fish output nosedived, falling by 72.1% to a mere 0.1mn pounds. In fisheries, spiny lobster catch fell by 3.7% to 0.9mn pounds, stunted by stormy weather. Similarly, outturns of queen conch shrank by 31.6% to 0.7mn pounds, dampened by COVID-19 mobility restrictions in the first semester and unfavourable weather in the second semester.

Manufacturing

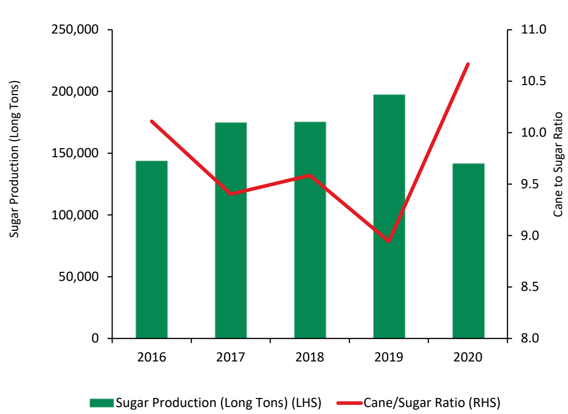
Sugar and Molasses

Sugar production plunged by 28.2% to 141,760 long tons for the 2019/2020 season. The disproportionate drop in sugar production relative to cane deliveries reflected a significant deterioration in cane quality. Average cane sucrose content fell by 8.9%, while the average factory time efficiency shrank by 4.5%. Thus, the industry's long tons cane to long ton sugar ratio worsened, up 19.3% to 10.7. The inferior cane quality led to a more favourable outturn of molasses, which was down by only 0.1% to 62,483 long tons.

Citrus Juices, Citrus Oil, and Pulp

The upswing in citrus deliveries translated into a 7.6% expansion in citrus juice production to 14.6mn ps during the 2019/2020 crop year.

Chart 1.23: Sugar Production and Cane to Sugar Ratio



Sources: BSI and Santander Group

This performance marked the first year-on-year increase in juice production since the 2014/2015 crop year.

In tandem with deliveries, orange concentrate juice production increased by 11.5% to 13.8mn ps, while grapefruit concentrate juice outturn plummeted by 32.0% to 0.7mn ps. Not-from-concentrate juice production remained minimal, sliding to 0.2mn ps. Furthermore, fruit quality deteriorated slightly, owing to the adverse effects of citrus greening. On average, orange juice yields contracted by 2.0% to 5.8 ps, while that of grapefruit fell by a larger margin of 5.9% to 4.1 ps.

Manufacturing of citrus by-products surged with citrus oil and pulp production up by 27.6% and 18.1%, respectively.

Petroleum

Crude oil extraction plummeted by 26.2% in 2020 to 194,435 barrels, reflecting a 190-barrel reduction in the average daily extraction rate. Output from wells at Spanish Lookout declined by 25.5% to 193,987 barrels. This downturn marked the 11th consecutive annual decline after peaking at 1,608,864 barrels in 2009. The drop in output at the Never Delay oilfield was even more severe, nosediving by 84.8% to 447 barrels. Production there was halted in March after international crude oil prices collapsed and compromised the financial viability of its operations. Approximately 2.1mn barrels of extractable crude oil reserves remain in current commercial wells.

Other Manufacturing Production

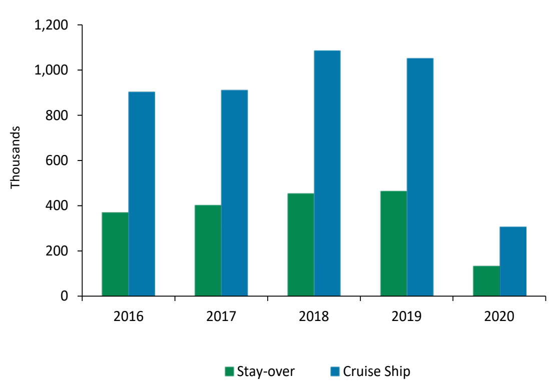
Fertiliser, beverage, and flour production all shrank in 2020 relative to a year ago because of the pandemic. Fertiliser output inched down by 1.3% to 23.1 metric tons and stood well above its five-year average of 16.9 metric tons. Output of wheat flour fell by 7.6%, down for the eighth consecutive year. Finally, beer and soft drink outturns shrank by 22.3% and 3.0%, respectively.

Tourism

COVID-19 led to widespread travel restrictions during 2020, crippling the global tourism industry with some nations suffering steeper contractions than others. The World Tourism Organisation estimated that global travel suffered the worst annual downturn in history as stay-over arrivals plunged by 74.0%. In Asia and the Pacific, where the pandemic first struck and where policy makers first imposed limitations on international traffic, there was a sizeable 84.0% contraction in arrivals. In keeping with the downward trend, the Middle East and Africa recorded a 75.0% plunge in international visitors, while arrivals in the largest market, Europe, fell by 70.0%. Closer to home, the decline in stay-over tourists was somewhat less severe, as arrivals in the Americas and Caribbean registered contractions of 69.0% and 67.0%, respectively, buoyed by a partial recommencement in tourism during the fourth quarter.

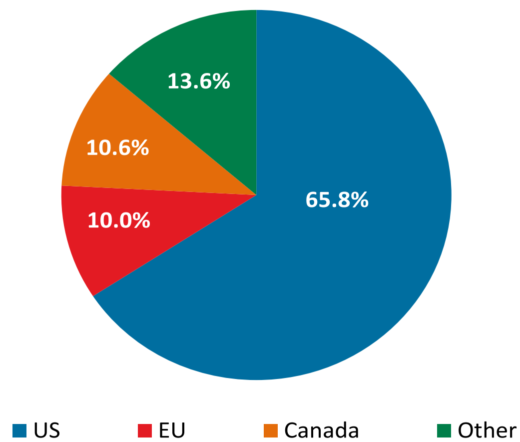
Belize's first COVID-19 case was confirmed on 21 March 2020. For public health reasons, all international points of entry were closed to non-essential travel at month's end. All borders remained shut for the remainder of the year, save for the Philip S.W. Goldson International Airport (PGIA), which reopened on 1 October. Against this backdrop, bona fide stay-over arrivals plummeted by 71.2% in 2020 relative to the year before to 133,583 visitors, less than one third of the all-time high of 464,086 arrivals in 2019. Notably, only 14,813 bona fide tourists were recorded over the last three months of the year after the PGIA reopened.

Chart 1.24: Tourist Visitors



Sources: BTB and the Central Bank

Chart 1.25: Shares of Stay-over Arrivals by Source Markets



Sources: BTB and the Central Bank

The main source markets of tourist visitors remained largely intact. Majority of international arrivals continued to originate from the US. Visitors from that country slid by only 1.6 percentage points to 65.8% this year. In contrast, those from Canada, the second largest source market, expanded by 3.7 percentage points to 10.6%. Market shares from the EU and other destinations narrowed slightly to 10.0% and 13.6%, respectively.

Cruise ship disembarkations suffered a historic 70.8% drop to 308,003 visitors, the lowest tally since 537,632 visitors were recorded in 2008, amidst the Global Financial Crisis. The last port call to Belize during the year was on 13 March when cruise operations were suspended in the US to avoid risks of spreading COVID-19. Consequently, disembarkations at the Belize City port collapsed by 73.8% to 187,849 visitors, with port calls down by 185 to 78 ships. Harvest Caye disembarkations also collapsed by 64.4% to 120,154 visitors, constrained by a 64-ship reduction in port calls to only 44 ships.

Employment

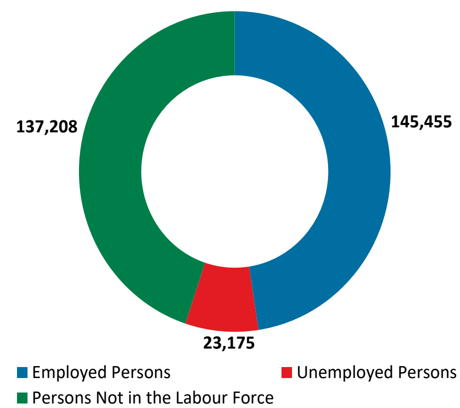
The unemployment rate was estimated at 13.7% in September 2020. Hindered by the pandemic, only one labour force survey was carried out in 2020 instead of the usual two. In this survey, updated definitions of key employment indicators were used to derive the estimates.

Under the new methodology, the labour force participation rate stood at 55.1%, which was 16.0 percentage points lower than the 71.1% that would have been reported under the previous framework. This change effectively removed 48,841 individuals from the labour force who were not actively seeking employment within the four-week period prior to the survey.

Amid the pandemic, 145,455 employed persons were classified as employed. Of this amount, 66.4% worked in service-oriented jobs and 15.8% in agriculture. Approximately 29.0% of employed persons worked for reduced hours on account of the pandemic.

Finally, 23,175 persons were counted as unemployed. More than half of these persons (12,244) attributed job losses to COVID-19. Unemployment rates were greater among females compared to males at 17.0% versus 11.6% and were highest among youths (persons 14 to 24 years old) at 23.0% relative to other age groups.

Chart 1.26: Labour Force Statistics: Working Age Population

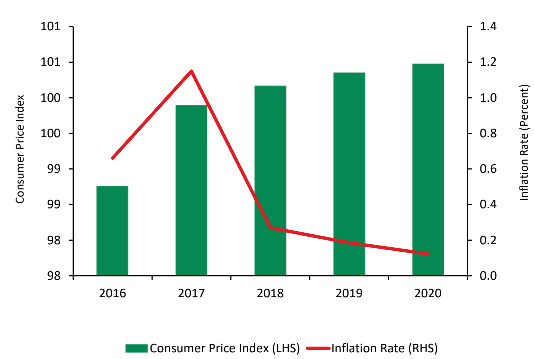


Source: SIB

Prices

The consumer price index edged up by 0.1% on average in 2020 relative to 2019, as the pandemic induced falloff in global demand kept international commodity prices low. This marked the lowest inflation rate since 2015 when a plunge in international fuel prices generated an annual contraction in price level. The marginal upward price momentum was mainly attributable to price increases for vegetables such as cabbage, lettuce, tomato, and onion. These food items drove up the "*Food and Non-Alcoholic Beverages*" sub-index

Chart 1.27: Consumer Price Index



Source: SIB

by 1.1% over the year. Additionally, a rise in house rent pushed "*Housing, Water, Electricity, Gas, and Other Fuels*" up by 0.6%. The mild inflationary pressure was tempered by reductions in fuel and lubricant prices and in hotel accommodation rates, both emanating from slackened demand. The former led to a 1.1% decline in "*Transport*", while the latter resulted in a 6.9% reduction in "*Restaurants and Accommodation Services*".

Balance of Payments

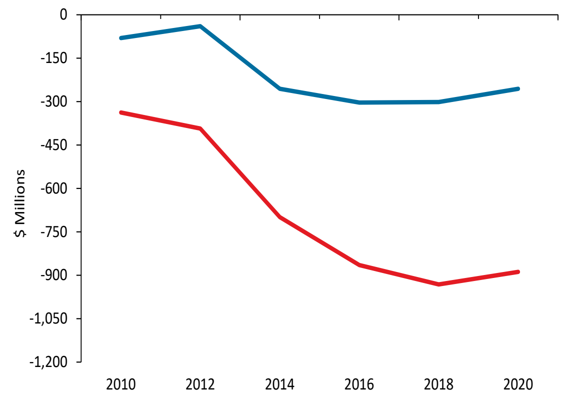
The current account deficit on the balance of payments contracted by 30.7% in 2020 relative to 2019 to $255.8mn or 7.5% of GDP. This improvement resulted as the deleterious impact of the pandemic shock on exports of goods and services was more than offset by: (i) contractions in imports of goods and services, (ii) declines in profit and dividend repatriation, (iii) reductions in external debt service interest payments, and (iv) a rise in remittances. Furthermore, one-off intergovernmental grants to support Government's COVID-19 response contributed to a $7.9mn expansion in net capital transfers. Net financial inflows expanded markedly, rising to $337.7mn boosted by a sizeable increase in external public sector borrowings, whilst other private investments were interrupted by the crisis. The acute build-up in financial inflows lifted the gross official international reserves by $140.4mn to $696.1mn, the equivalent of 5.2 months of merchandise imports, marking the strongest year-end position since 2014.

Table 1.2: Balance of Payments

$mn

	2018 Net	2019 Net	2020 Net
CURRENT ACCOUNT	-301.6	-369.3	-255.8
Merchandise Trade	-932.0	-1,086.4	-888.2
Services	764.4	885.0	514.1
Primary Income	-290.6	-327.0	-117.3
Secondary Income	156.6	159.2	235.6
CAPITAL ACCOUNT	48.0	20.7	28.5
FINANCIAL ACCOUNT	-231.3	-270.7	-337.7
NET ERRORS AND OMMISSIONS	-13.3	42.4	30.0
FINANCING	-35.6	-35.5	140.4
Memo Items:			
Monthly Import Coverage	3.6	3.2	5.2
Current Account/GDP Ratio (%)	-8.1	-9.3	-7.5

Chart 1.28: Current Account and Trade Deficit



Source: SIB

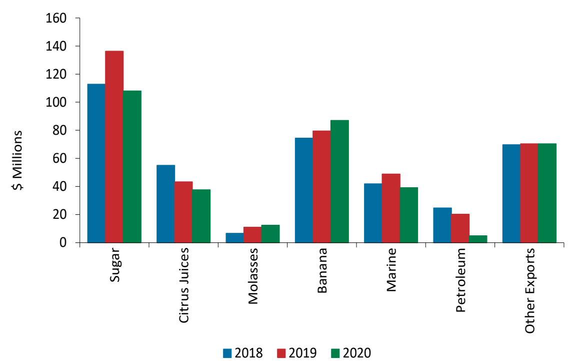
Merchandise Trade

The trade deficit on goods narrowed by 18.2% to $888.2mn in 2020, as the shocks to exports were more than offset by the falloff in import demand. Exports, FOB shrank by $275.9mn (32.4%) to $574.6mn, following strong declines in domestic exports, CFZ sales, and other re-exports. Imports, FOB collapsed by a larger margin of $474.1mn to $1,462.9mn with significant declines in domestic and CFZ imports.

<u>*Domestic Exports*</u>

Domestic exports contracted by 12.1% to $359.8mn in 2020, attributable largely to supply constraints, such as adverse weather effects and legacy disease problems, impacting the agricultural sector.

Chart 1.29: Domestic Exports

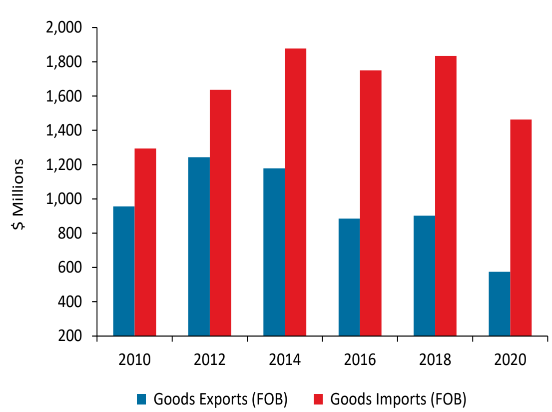


Source: SIB

Sugar and Molasses

Sugar export earnings declined by 20.8% to $108.0mn, owing to a 39.1% plunge in sale volume, whilst sugar prices strengthened modestly on international markets. Sales to the EU, the main destination for sugar exports, had fallen by 46.0% to 94,078 long tons. However, receipts were down by a smaller margin of 29.6% at $79.6mn, underscoring the impact of favourable price movements on that market. In contrast, sales to the US under the tariff-rate quota arrangement grew by 31.0% to 16,240 long tons, valued at $16.8mn. The rise in US demand for imported sugar was linked to the fall in US sugar stocks, owing to downturns in both beet and cane sugar production because of adverse weather. The remainder went to Caribbean Community (CARICOM) and Canada where 10,610 long tons and 290 long tons of sugar garnered $11.2mn and $0.3mn, respectively.

Chart 1.30: Merchandise Exports and Imports



Source: SIB

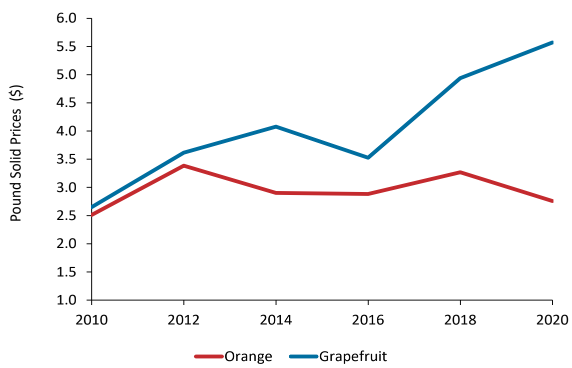
Molasses exports contracted by 18.3% to 43,839 long tons. However, molasses receipts had increased by 13.4% to $12.4mn, lifted by a 38.7% boost in average unit prices.

Citrus Juices and Pulp

Citrus juice exports grew by 3.8% to 13.0mn ps, registering the first annual increase since 2012. This outcome was due to an unanticipated rise in orange concentrate sale volume, which more than compensated for a severe drop in grapefruit concentrate sales. However, a slump in global demand pushed market prices down, causing citrus juice revenues to tumble by 13.1% to $37.6mn.

Even though orange concentrate exports grew by 8.1% in volume to 12.4mn ps, revenues fell by 7.8% to $34.1mn, dragged down by a 14.7% plunge in average unit prices. CARICOM remained the largest export market for orange concentrate juices, having received 48.9% of total orange concentrate sale volume (6.0mn ps) during the year. Reflecting a 7.7% price dip, CARICOM receipts amounted to $20.7mn. Revenue from the EU plummeted by 40.9% to $3.2mn, as a 26.2% drop in export volume to 1.3mn ps was also weakened by falling prices. In contrast, exports to the US more than doubled to 4.9mn ps, while receipts grew by an even larger margin of 112.9% to $9.9mn. Citrus prices on the US market had strengthened, as consumers' demand for vitamin C increased sharply amid the pandemic. Meanwhile, exports of orange concentrate to Japan and orange not-from-concentrate juices amounted to $0.3mn and $0.2mn, respectively.

Chart 1.31: Citrus Prices



Source: CPBL

Grapefruit concentrate export performance was even more dismal. Grapefruit concentrate sales plunged by 44.1% to 0.5mn ps, while its earnings fell by 46.3% to $3.2mn. Grapefruit export volume contracted across all markets for the year, while prices dipped by 4.0% on average. Shipments to CARICOM, the main market for this product, dropped by 18.0% to 0.3mn ps with receipts of $1.6mn. Sales to the EU halved to only 0.2mn ps and proceeds of $1.4mn. Exports to the US were miniscule valued at $0.2mn. Meanwhile, grapefruit not-from-concentrate exports amounted to only $0.1mn.

Pulp sales contracted by 16.8% to 1.1mn pounds valued at $0.8mn.

Banana

Banana exports rebounded strongly, expanding by 10.0% to 92,190 metric tons. Earnings grew by 9.5% to $87.0mn, tempered by a dip in commissions earned on preparing custom retail packages for supermarkets abroad.

Marine Exports

Marine exports plummeted by 25.5% to 2.3mn pounds in volume, precipitated by lower sale volume across all four major categories of fisheries. In tandem, marine export earnings contracted by 19.7% to $39.2mn. Lobster receipts, which accounted for almost two-thirds of total marine export receipts, dipped by 4.7% to $25.8mn. Lobster sales had contracted by 3.2% in volume to 0.9mn pounds, while the average unit price dipped by 1.6%. Conch receipts fell by a steeper margin, down 37.2% to $9.7mn following a 31.6% drop in its export volume. The falloff in farmed shrimp earnings was most pronounced, down 40.6% to $3.7mn with only 0.6mn pounds of product sold. There were no exports of whole fish.

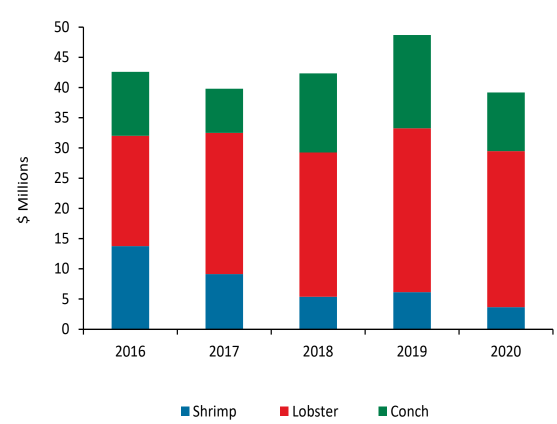
Crude Oil

Crude oil export volume nosedived by 64.4% to 74,920 barrels, while its receipts contracted by 76.2% to $4.8mn. The average price per barrel fell to US$32.26 in 2020 from US$61.73 in 2019. The price collapse on international markets reflected the impact of reduced global demand because of the pandemic.

Non-Traditional Exports

Revenue from non-traditional exports remained stable at $70.3mn. Reduced earnings from exports of red kidney bean, sawn wood, pulp cells, fresh orange, and grapefruit oil were almost neutralised

Chart 1.32: Exports of Marine Products



Source: SIB

by increased receipts from animal feed, black-eyed pea, pepper sauce, papaya, and cornmeal. Outcomes from grain exports were also mixed. On the downside, red kidney bean sales to CARICOM plummeted by 18.6% to $10.2mn, while black-eyed pea earnings grew by 16.8% to $6.4mn. Both orange and grapefruit oil exports declined, with the former down by 14.2% to $3.0mn and the latter by 20.7% to $1.3mn. Pulp cell sales also shrank by 10.3% to $0.9mn. On the upside, animal feed, pepper sauce, and cornmeal earnings increased to $15.2mn, $6.1mn, and $2.6mn, respectively.

Re-exports

Hindered by the pandemic, total re-exports contracted by 51.3% to $214.9mn in 2020. CFZ sales plunged by more than half (54.9%) to $172.9mn, as border closures halted retail sale activity to neighbouring countries. Re-exports from the free circulation area fell by 28.0% to $42.0mn with lower resales of jet fuel, and, to a much lesser extent, machine parts, jewellery, and clothing.

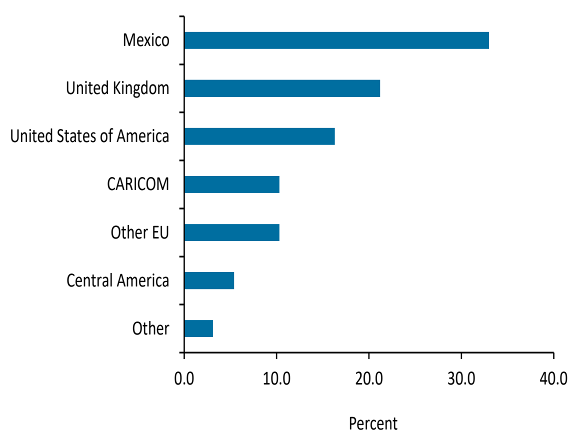
Imports

The economic falloff caused by the pandemic led to a 24.5% collapse in gross imports to $1,462.9mn. The value of imports fell across most major categories of goods. Over the year, imports in "*Mineral Fuels and Lubricants*" almost halved to $201.9mn with lower outlays on electricity and refined petroleum products. Purchases of goods captured under "*Commercial Free Zone*" shrank by 34.0% to $217.7mn, as retail sales were halted by the pandemic. "*Machinery and Transport Equipment*" and "*Manufactured Goods*" contracted by $120.6mn combined, reflecting reduced purchases of telecommunication parts and vehicles in the former, and lower outlays on building materials and steel coils in the latter. The falloff in spending was partly offset by modest increases in the "*Food and Live Animals*", "*Beverages and Tobacco*", "*Oils and Fats*", and "*Chemical Products*" categories, which grew by $16.6mn altogether.

Direction of Visible Trade

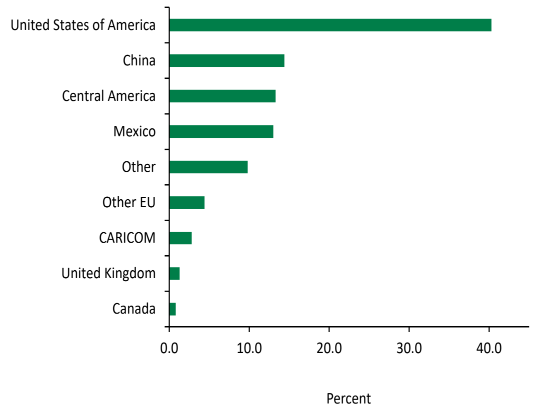
Mexico remained Belize's principal destination for merchandise exports even though the share of exports to that country fell from 44.4% in 2019 to 33.0% in 2020. The volume of trade to Mexico was weakened by the closure of the northern border since March 2020, which restricted trade with residents of the neighbouring country. The next major export destination was the UK. Approximately 21.2% of total exports went to that market, up from 18.9% in 2019. The modest uptick underscored higher sales of banana, and, to a lesser extent, direct consumption sugar to the UK. Following closely behind, 16.3% of total exports went to the US, reflecting a two-percentage point increase relative to last year. This uptick was due to heightened sales of sugar, orange juice concentrate, molasses, and frozen lobster over the period. The EU accounted for 10.3%, up from 6.9% in 2019, boosted by increased sugar exports to Spain and banana sales to Ireland. Lastly, higher sales of sugar, black-eyed peas, and corn products

Chart 1.33: Direction of Visible Trade - Exports



Source: SIB

Chart 1.34: Direction of Visible Trade - Imports



Source: SIB

drove up the share of exports to CARICOM to 10.3% from 9.9% in 2019.

Import shares from partner countries were broadly unchanged as well. The US remained the country's largest supplier of goods. This outcome resulted even though the share of total imports from the US inched down to 40.3% from 44.2% in 2019. The portion from China grew to 14.4% from 13.6% in 2019, on account of growing purchases by CFZ enterprises. Meanwhile, the share of goods purchased from Central America declined to 13.3% from 14.5% in 2019, as purchases of liquefied petroleum gas from Honduras and bunker fuel from Guatemala lessened. In contrast, the ratio of imports from Mexico expanded by 2.1 percentage points to 13.0% in 2020, as wholesale trading activities continued amid the pandemic.

Services

Trade in services netted $514.1mn in 2020, reflecting a 41.9% surplus decline relative to a year ago. This substandard performance was largely attributable to the COVID-19 impact on tourism earnings. Net travel receipts contracted by a stark 53.5% to $449.7mn, underpinned by double-digit declines in stay-over and cruise ship visitors.

Furthermore, freight rate hikes contributed to the reduced surplus, as net transportation payments increased by 6.3% to $71.6mn. Conversely, the balance on all other services swung from a deficit of $14.1mn in 2019 to a surplus of $136.0mn this year. This sharp turnaround was mainly due to heightened provision of call centre services and reduced payments for a host of foreign business services attributable in part to the economic slowdown.

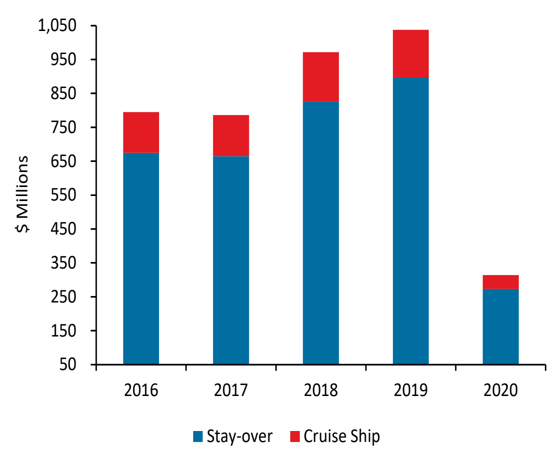
Primary Income

Net outflows on the primary income sub-account nosedived by 64.1% to $117.3mn. This outcome reflected reduced profit and dividend repatriations due in part to regulatory restrictions placed on banks and the downturn in economic activity, as well as external interest payment deferments.

Secondary Income

In contrast, net inflows on the secondary income sub-account almost doubled to $235.6m. This upsurge was due to a sharp rise in inward remittances as well as receipt of cash and in-kind donations of medical supplies to combat COVID-19.

Chart 1.35: Tourism Expenditure



Capital and Financial Accounts

The capital account surplus increased by $7.9mn to $28.5mn in 2020 compared to 2019. This increase in inward capital transfers was due to a rise in bilateral investment grants from development partners, including aid from ROC/Taiwan for several projects.

Net financial inflows also ballooned, expanding by $67.0mn over last year's outturn to $337.7mn. The sharp rise in capital inflows was mainly attributable to a $186.4mn increase in net external public borrowings, which totalled $249.2mn. Conversely, net external borrowing by non-public sector entities contracted modestly on account of significant repayments of trade credits, particularly for electricity imports. Net foreign direct investments of $143.5mn also contributed to the strong outturn, even though net foreign direct investments into Belize had contracted by $40.0mn relative to 2019. Notably, inward investments in tourism-related construction and real estate activities were significantly affected by the pandemic. However, the build-up on the financial account was moderated by a $50.0mn increase in domestic banks' net foreign assets.

Chart 1.36: Net Balances of Services and Income Accounts

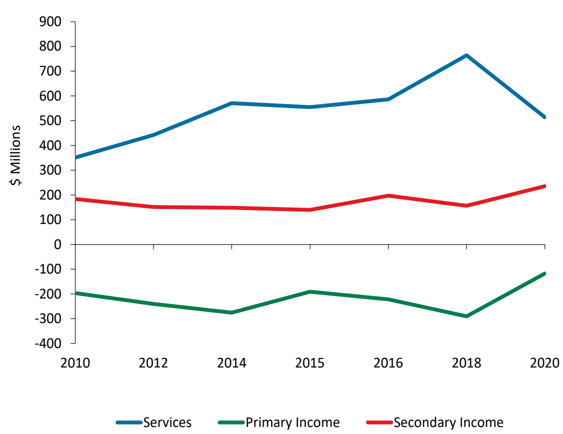
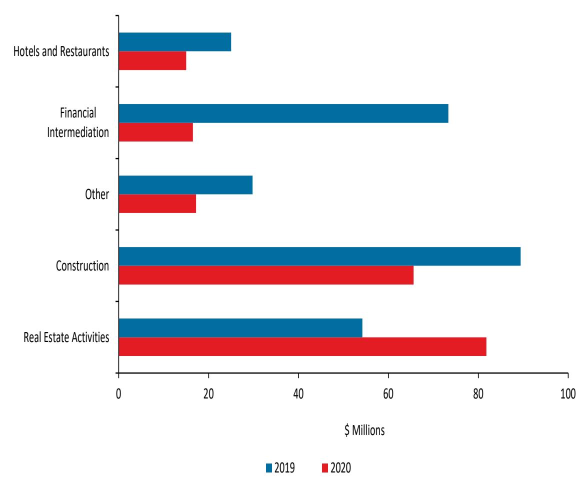


Chart 1.37: Foreign Direct Investment



II. MONETARY POLICY

Mandate

A primary objective of the Central Bank is to foster monetary stability. In this regard, monetary stability is synonymous with exchange rate stability, which must be maintained, while promoting credit and exchange conditions conducive to sustainable and inclusive economic growth. Since May 1976, the par value of the Belize dollar has been kept equivalent to fifty cents of a United States of America dollar, in accordance with Section 20 (1) of the Central Bank of Belize Act, 2011 (CBA). This long-standing commitment to maintain the peg has served as a pillar of macroeconomic strength even amid headwinds from unsustainable policy decisions.

Monetary policy, defined as an economic policy that manages the size and growth rate of money supply and credit, is implemented using direct or indirect policy tools. These tools are used along with exchange controls to manage the flow of financial resources in the economy.

Figure 2.1: Monetary Policy Tools

Direct Policy Tools

- **Interest Rate Controls:** The Central Bank's direct influence on the minimum and maximum interest rates and other charges that domestic banks may impose on credit and deposit facilities.
- **Credit Controls:** The measures placed by the Central Bank on the volume, terms, and conditions of domestic bank credit.
- **Lender of Last Resort:** The Central Bank's provision of credit, backed by collateral, to domestic banks to meet their short-term liquidity needs.

Indirect Policy Tools

- **Reserve Requirements:** The portion of customers' deposits that the Central Bank requires domestic banks to hold in approved liquid assets, including an amount that must be maintained at the Central Bank.
- **Open Market Operations:** The Central Bank's purchase or sale of government securities to bank and non-bank entities for management of money supply.

Monetary Policy Developments

The onset of COVID-19 in March 2020 led to a full national lockdown by April 2020, aimed at containing the spread of the virus. The ensuing mobility restrictions, border closures, curfews, and so forth produced a sudden, deep contraction in output and widespread unemployment and underemployment. In response, the Central Bank eased its monetary policy stance, utilising its customary indirect monetary policy instruments.

On 1 April 2020, the Central Bank reduced its reserve requirements for domestic banks. The minimum cash reserve requirement and minimum aggregate holdings of approved liquid assets were both lowered by two percentage points to 6.5% and 21.0% of average deposit liabilities. These adjustments provided domestic banks with approximately $55.4mn in additional cash liquidity to support future credit growth to the public and private sectors. Notably, this was the first adjustment to the reserve requirements since May 2010, when the cash requirement was lowered to 8.5%. The other two main active monetary policy instruments—open market operations and interest rate controls—were not invoked during the year.

Table 2.1: Active Monetary Policy Instruments

Instrument	Position	Action
Reserve Requirements	Expansionary	Statutory liquid asset and cash reserve requirements were lowered by two percentage points to 21.0% and 6.5% of average deposit liabilities, respectively.
Open Market Operations	Neutral	The Central Bank only purchased undersubscribed T-bills at average yields.
Interest Rate Controls	Neutral	The Central Bank maintained the interest rate floor on savings deposits at 2.5%.

Exchange Control Developments

As tourism halted with the closure of the international borders, domestic banks immediately encountered a sharp drop in their main source of foreign exchange inflows, tourism receipts. In response, several strategic measures were implemented to control the flow of foreign currency in the banking system. To curb the demand for foreign exchange, domestic banks with Central Bank support implemented the following measures:

i. Imposed stricter limits on international credit cards and suspended cash advances;
ii. Discontinued processing of foreign currency cheques and drafts; and
iii. Restricted foreign currency sales to the public to mostly essential items.

To ease administrative conditions to obtain foreign exchange, the Central Bank:

i. Amended Exchange Control Direction No. 5, 2020 to extend the period that an authorised dealer may use Single Administrative Documents and invoices for payment of imports from three to six months, and to allow for foreign exchange application forms to be processed by electronic mail;
ii. Amended the Exchange Control Regulations by removing the requirement for agents to obtain prior permission of the Central Bank and replaced it with the requirement to provide prior written notice instead when conducting transactions in securities and land involving non-residents; and
iii. Temporarily halted the approval of import prepayments and bonded imports during the 30-day state of emergency.

To ensure that there was sufficient foreign currency in the banking system to cover essential imports, the Central Bank suspended bank profit and dividend repatriations until June 2021.

Monetary Policy Outlook

The economic shock arising from the pandemic is expected to cascade into 2021. Thus, tightness in the foreign exchange and credit markets are likely to gain further traction during the year amid a weak economic recovery. So, the accommodative policy intervention measures that were implemented in the previous year should remain in place in the near term until the economic uncertainty surrounding the pandemic wanes. The two key metrics of foreign reserve adequacy—the merchandise import coverage ratio and the external assets ratio—are also expected to remain above their recommended thresholds.

In addition, the Central Bank's toolkit will be expanded in early 2021 with the passage of an amendment to the CBA, which will allow for the establishment of emergency lending programmes or facilities in unusual and exigent circumstances. Also, the Central Bank conducted its first credit conditions survey in March 2021 to gather information on credit conditions from lenders' perspective on loan supply and demand conditions, see Box 2.1. Finally, research is being carried out to further investigate the interactions of monetary and fiscal policy as well as the efficacy of the bank lending channel of monetary policy.

Chart 2.1: External Assets Ratio

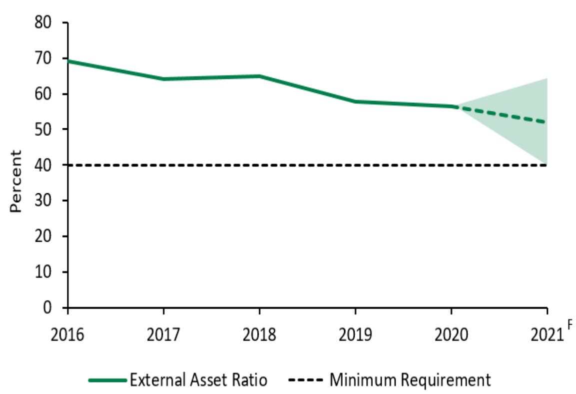
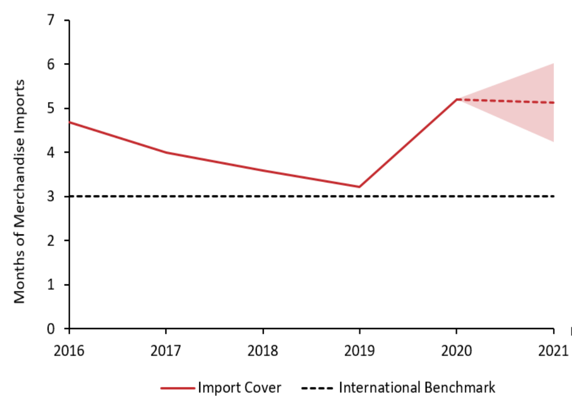


Chart 2.2: Merchandise Import Coverage Ratio



Note. The Central Bank must maintain a reserve of external assets of no less than forty percent of the aggregate amount of notes and coins in circulation and of the Bank's liabilities to customers at all times. The Central Bank also aims to conform to international standards by maintaining at least three months of merchandise imports in international reserves.

F- Forecast, upper and lower bounds are calculated using one standard deviation

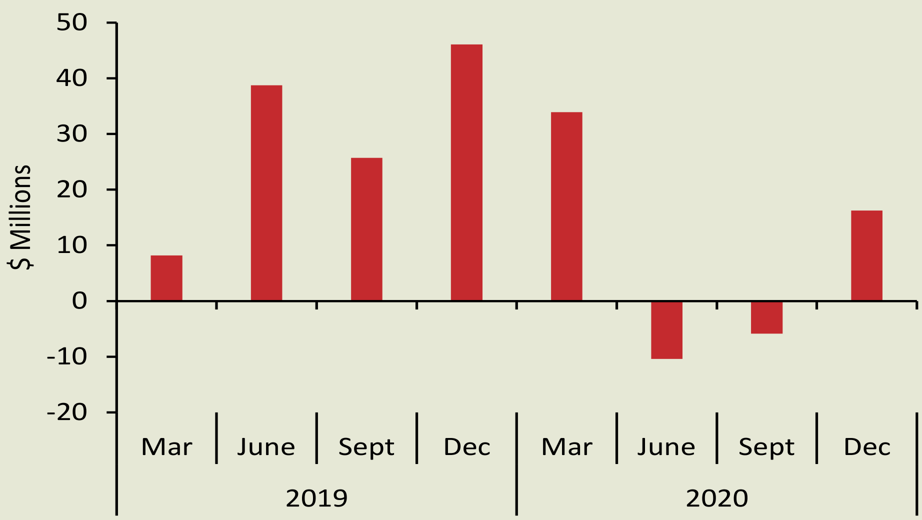
Box 2.1 | Credit Conditions Survey

The Central Bank launched its first bi-annual credit conditions survey (CCS) in the first quarter of 2021. The CCS is designed to deepen the Central Bank's understanding of credit market conditions to inform macroeconomic projections and monetary policy decisions. In this survey, deposit-taking institutions' (DTIs')[1] views of loan supply and demand conditions in the second half of 2020 (H2-20) and the credit outlook for the first half of 2021 (H1-21) were collected. Lenders representing 61.4% of the targeted credit market responded to the inaugural survey. Their responses were weighted and aggregated into a diffusion index (DI) to produce supply and demand indices that signal market trends or turning points of credit conditions. The DI converts qualitative responses to scores ranging from -1 to 1, with -1 representing the deepest negative sentiment on the symmetric five-point Likert scale and vice-versa.

Overall Credit Conditions

DTIs' credit to the private sector rose by a modest $33.9mn to $2,911.7mn in 2020, reflecting a marked slowdown from the $118.8mn growth registered in 2019. Majority of the credit growth occurred in the first quarter, since lending contracted in the next two quarters, then rebounded slightly in the fourth quarter, see Chart 2.3.

Chart 2.3: Change in DTI's Loans and Advances



Box 2.1 | Credit Conditions Survey *continued*

Loan Supply

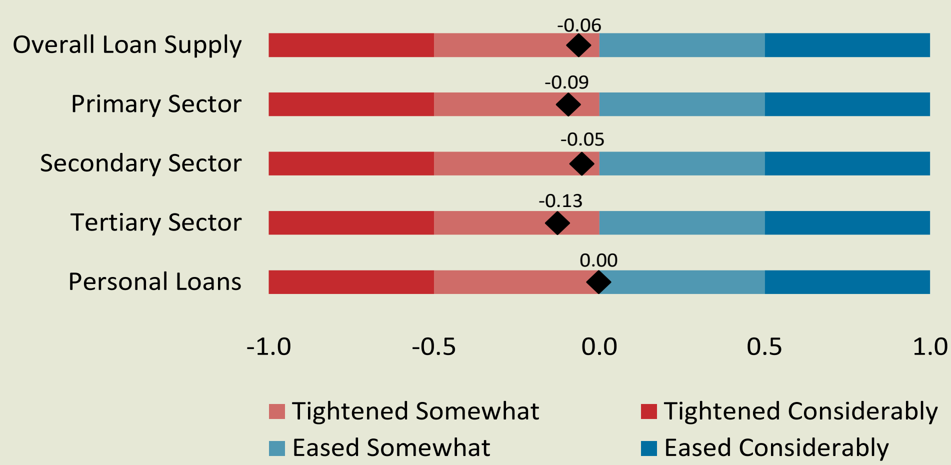
The survey produced a DI score of -0.06 for credit supply in H2-20. The result indicates that credit standards tightened somewhat across the three major sectors of the economy. The primary sector recorded a DI score of -0.09; the secondary sector, -0.05; and tertiary sector, -0.13, see Chart 2.4. Respondents cited several factors that contributed to tightened loan supply conditions. These comprised:

- Deteriorating economic prospects,
- Higher capital-related costs, and
- Lower risk appetites.

Credit standards for personal loans remained broadly unchanged in H2-20, even though outstanding personal loan balances trended downward in the previous year.

Lenders' credit goals were largely unmet. Most respondents indicated that less than half of their projected credit growth was realised in H2-20. More than half of DTIs had approved around three of every five loan applications, while the smaller portion approved around two of every five.

Chart 2.4: Loan Supply by Sector in H2-20

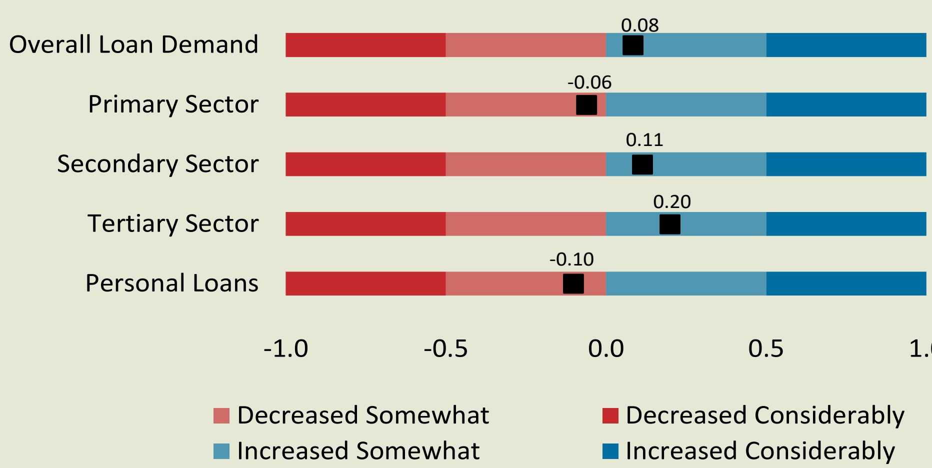


Box 2.1 | Credit Conditions Survey *continued*

Loan Demand

The credit demand DI score for H2-20 is 0.08, signalling a marginal pick up in loan demand. The results were mixed as enterprises in the secondary and tertiary sectors demanded more credit, while households[2] and primary sector firms demanded less, see Chart 2.5. All DTIs acknowledge that prevailing economic conditions influenced the overall increase in credit demand, particularly by those who were adversely affected by the COVID-19 pandemic. Distressed borrowers relied on loan refinancing schemes to cover their immediate cash needs. Conversely, high unemployment coupled with reduced household income, subdued demand for personal loans. The weak increase in credit demand alongside somewhat tighter credit standards on non-personal loans contributed to a six basis-point rise in the 12-month weighted average lending rate on new loans between June and December.

Chart 2.5: Loan Demand by Sector in H2-20



[2] Personal Loans

Box 2.1 | Credit Conditions Survey *continued*

Loan Outlook

In H1-21, credit standards are expected to ease somewhat across the three economic sectors as well as for personal loans. DTIs are poised to take a less risk-averse stance based on expectations of a mild economic rebound, as lockdown measures ease and international travel regains its momentum. In addition, respondents indicated that interest rates would remain steady or decrease by 0.1% to 2.0%, against the backdrop of the liquidity build-up in 2020. DTIs also expect loan demand to rise as the economy rebounds and borrowers' ability to repay loans improves. The positive sentiments expressed by lenders on near-term credit conditions indicate that there is some likelihood of stronger credit growth in H1-21 relative to H2-20.

Chart 2.6: Loan Supply and Demand Outlook for H1-21

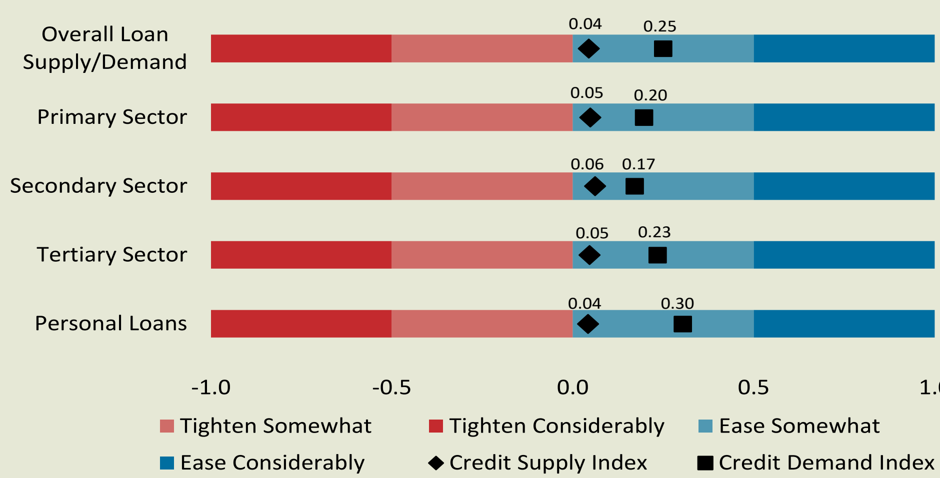


Figure 2.2: Summary of Credit Conditions

Credit growth decelerated in 2020.

Average lending rates rose marginally in H2-20.

Lenders became more risk averse with slightly tighter credit standards in H2-20.

Borrowers' demand for non-personal loans strengthened in H2-20.

Lenders' risk aversion is expected to moderate in H1-21 on the basis of an upturn in economic activities.

III. FINANCIAL SYSTEM OVERSIGHT

Domestic Bank Performance

In 2020, domestic banks' profitability deteriorated significantly, reflecting the adverse effects of the COVID-19 pandemic on the economy. Earnings from credit card fees, an assortment of commissions, plus revenue on foreign exchange transactions, plunged after the outbreak.

The sudden falloff in foreign currency receipts from tourism and other cross-border activities forced domestic banks to implement stricter management controls on foreign currency outflows, which included the reduction in credit card limits and the prioritisation of foreign exchange payments abroad. Thus, aggregate non-interest income fell by $39.2mn (35.6%) to $71.0mn, a sharp contrast from the $20.8mn increase recorded in 2019.

The implementation of forbearance programmes for borrowers adversely affected by the COVID-19 pandemic also impacted domestic banks' income. Interest accrued but not collected resulting from payment deferrals were largely responsible for the $10.2mn reduction in domestic banks' interest income to $213.4mn in 2020. However, deferred interest payments were still expected to be repaid in future periods and were usually added to outstanding loan balances. To counter the reduction in non-interest income, non-interest expenses were cut by $13.0mn to $165.7mn, achieved in part through a reduction in employees' salaries and benefits.

In anticipation of mounting COVID-19-related credit losses, provision expenses increased by several fold, rising from $3.0mn in 2019 to $24.1mn in 2020. Domestic banks' gross earnings margin contracted by $40.7mn (33.5%) to $80.6mn, while profits fell by $54.9mn to only $15.7mn. Furthermore, the sector's return on assets (ROA) and return on equity (ROE) nosedived from 2.0% and 13.3% in 2019 to merely 0.4% and 3.2% in 2020, respectively.

Domestic banks offered various forms of payment deferral programmes to borrowers affected by COVID-19, see Box 3.1. Forborne loans summed to $707.5mn, representing 30.4% of their aggregate loan portfolio. The largest domestic bank accounted for 51.7% of total loan forbearances. Borrowers in the tourism, distribution, and agricultural sectors received majority of the financial support, having benefitted from 57.3% of the total restructured loans.

Chart 3.1: Profitability

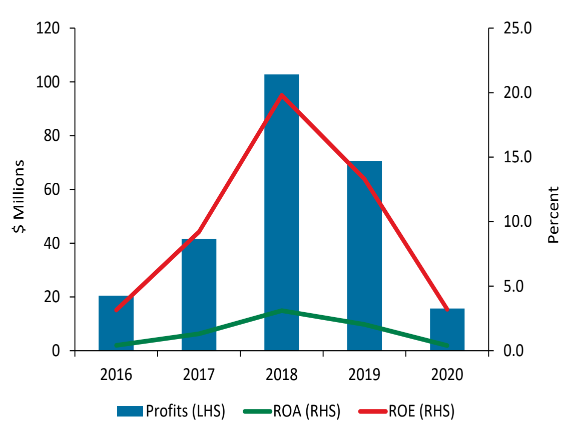
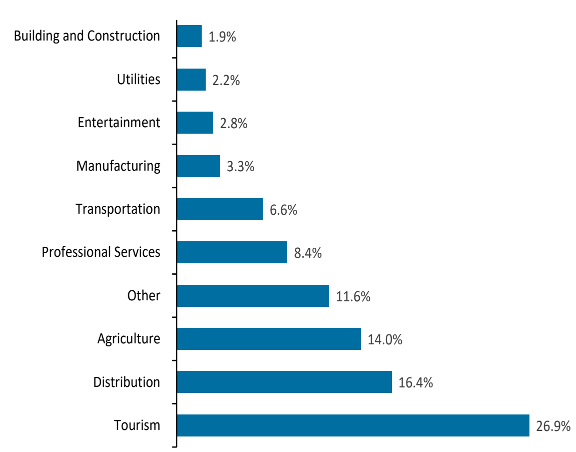


Chart 3.2: Restructured Loans by Industries



Against the backdrop of heightened economic uncertainty, net disbursements slowed to $40.1mn in 2020, ending the recent two-year trend of recording more than $100.0mn in new loans. Most of the credit growth in this reference period occurred in first quarter of the year. In view of the substantial loss in household and business incomes after the COVID-19 outbreak, banks adopted a more cautious stance, since risks associated with future credit losses accumulated, as the adverse effects of the pandemic persisted. In turn, domestic banks opted to acquire low-risk assets, mainly in the form of Government securities. A sectoral analysis of credit distribution revealed that the stock of personal loans fell by $60.8mn to $553.3mn, owing to reduced credit card limits, repayments, and reclassifications. Meanwhile, loans to the tourism and building and construction sectors increased by $76.2mn and $18.9mn to $266.0mn and $498.4mn, respectively. Notably, customers in those sectors benefitted from ongoing loan forbearance programmes. Underscoring the potential for a sudden rise in credit losses after the payment deferral periods end, domestic banks' non-performing loans (net of specific provisions) to total loans ratio (NPL ratio) increased from 2.4% in 2019 to 4.5% in 2020, hovering just below the 5.0% prudential benchmark.

Chart 3.3: Asset Quality

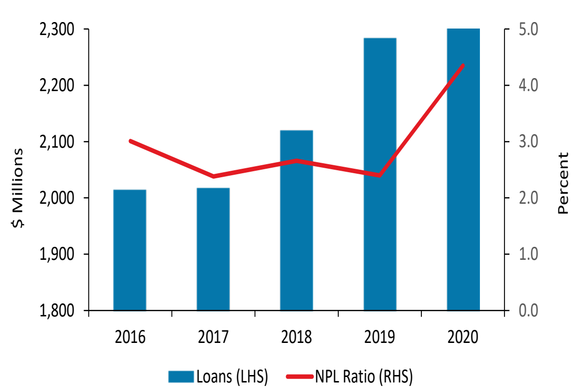
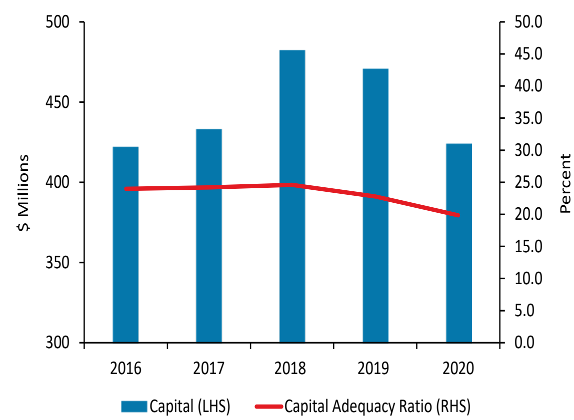


Chart 3.4: Capital and Capital Adequacy Ratio

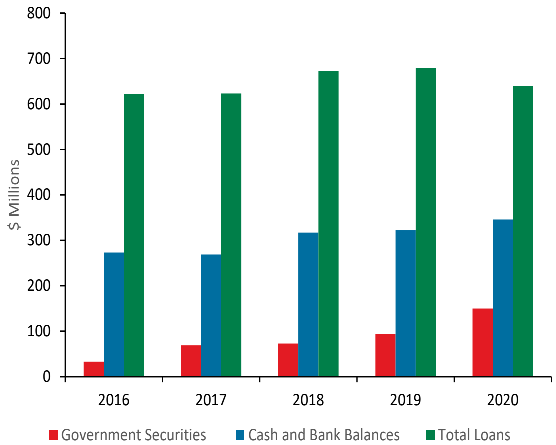


While staying within safe regulatory thresholds, domestic banks' aggregate capital also weakened. The domestic banking sector's aggregate capital declined by $46.5mn (9.9%) to $424.1mn in 2020 compared to an $11.6mn decline in the previous year. The contraction in domestic banks' aggregate capital base resulted as Scotiabank (Belize) Limited (SBL) moved $95.0mn from its retained earnings to payable dividends prior to the bank's sale, see Box 3.2. The adverse impact on capital levels, however, was softened by other banks' accumulation of retained earnings and other reserves to better absorb expected credit losses (ECLs) and the Central Bank's measures to relax prudential requirements. As a result, the capital adequacy ratio (CAR) fell modestly from 22.8% in 2019 to 19.8% in 2020. Domestic banks' CARs ranged from 15.6% to 65.2%, still exceeding the minimum regulatory requirement of 9.0% given the comfortable capital buffers that existed prior to the pandemic.

Credit Union Performance

Credit unions' total assets grew by $45.1mn (4.1%) to $1.1bn in 2020, representing a slight slowdown from the $51.5mn (4.9%) growth recorded in 2019. This year's asset growth was driven by a

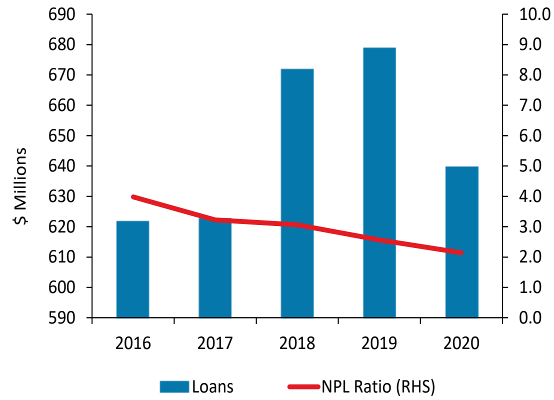
Chart 3.5: Asset Base



build-up in the credit unions' investment portfolio. In 2020, credit unions purchased $56.4mn worth of Government securities, comprising mostly of T-notes by one institution, raising their aggregate holdings to $150.1mn. The expansion in security holdings was partly offset by a $38.6mn decline in their loan portfolio to $639.9mn. The credit downturn was led by a $16.2mn reduction in personal loans, followed by declines in outstanding loans for building and construction, $8.8mn; and agriculture, $5.9mn.

Like domestic banks, credit unions also implemented COVID-19 forbearance programmes to assist affected members following the Central Bank's announcement of regulatory relief initiatives. Inter alia, these initiatives took the form of a temporary relaxation of loan classification and provisioning regulatory requirements. The value of credit union loans that was subject to COVID-19-related payment deferral schemes amounted to $150.8mn by year end, representing 23.6% of the sector's loan portfolio. Most of the restructured loans were for businesses and individuals whose revenues were generated from tourism. The largest credit union accounted for 43.8% of the total restructurings.

Chart 3:6: Asset Quality



Surprisingly, credit unions' aggregate NPL ratio improved from 2.6% in 2019 to 2.1% in 2020, despite the unprecedented economic shock. This outcome highlighted the heterogeneity among financial institutions in applying provision practices in context of COVID-19. Furthermore, forbearance programmes may have affected the identification and measurement of emerging credit risks. Whereas eight of the nine credit unions maintained an NPL ratio below the 5.0% prudential benchmark, one recorded no non-performing loans to date.

Amidst the ongoing debt restructuring activities and the associated contraction in loan portfolios, credit unions' aggregate profits fell by $1.5mn to

Chart 3.7: Profitability

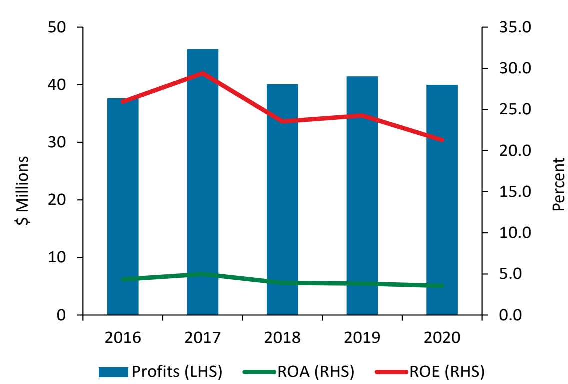


Chart 3.8: Total Capital and Net Institutional Capital Ratio

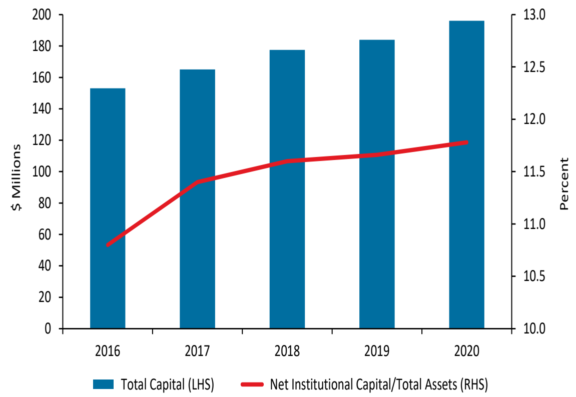
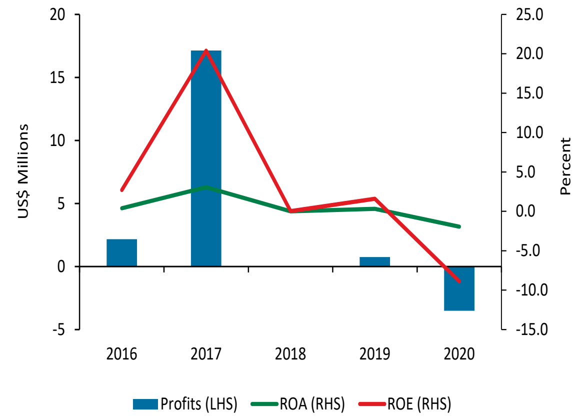


Chart 3.9: Profitability



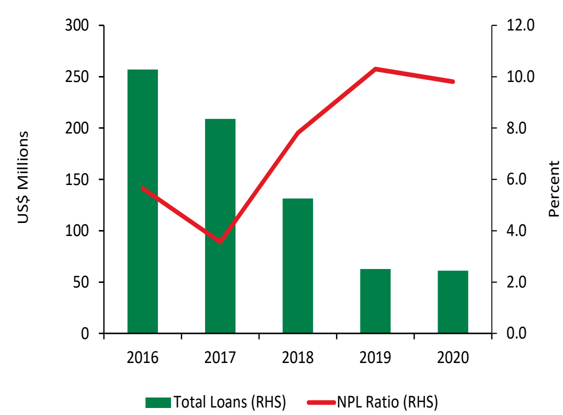
$40.0mn in 2020. This outturn contrasts with the $1.4mn increase recorded in the previous year. Consequently, the sector's ROA and ROE fell from 3.8% and 24.3% in 2019 to 3.6% and 21.3% in 2020, respectively.

Credit unions' capital base further expanded, increasing by $12.2mn (6.6%) to $196.6mn in 2020, almost doubling 2019's $6.5mn (3.6%) expansion. Like the previous year, this increase was mainly attributable to $7.4mn in profit transfers to legal reserves and retained earnings. However, the net institutional capital to total assets ratio remained on par with 2019's levels at 11.8% compared to 11.7% in 2019. This ratio remained stable as the 4.1% growth in total assets partly outstripped the expansion in the capital base. All credit unions maintained a net institutional capital to total assets ratio above the 10.0% regulatory requirement.

International Bank Performance

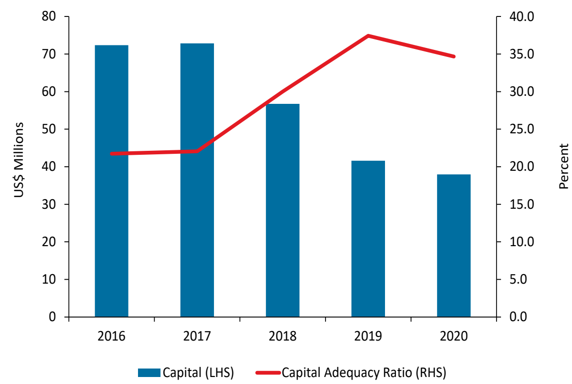
At the end of 2020, the international banking sector had restructured US$13.1mn in loans, representing 30.5% of their aggregate loan portfolio. Almost half of these restructured loans (49.1%) were attributable to individuals and businesses whose revenues were generated from tourism. Payment deferrals caused total interest income to decline by US$2.4mn to US$4.4mn. The reduction in interest income alongside higher provision expenses, which were required prior to the pandemic, resulted in losses of US$3.5mn for the sector in 2020. While one bank reported profits of US$0.3mn, the other two reported accumulated losses of US$3.8mn. As a result, the industry's ROA and ROE worsened to -2.0% and -8.9% in 2020 relative to 0.3% and 1.6% in 2019, respectively. Notwithstanding, the sector's NPL ratio improved marginally from 10.3% in 2019 to 9.8% in 2020. Two of the three banks reported NPL ratios that exceeded the 5.0% prudential benchmark.

Chart 3.10: Asset Quality



The international banks' CAR stood at 34.7% in 2020, down from the 37.4% in 2019. The drop in the sector's CAR mainly resulted from a US$3.6mn contraction in the capital base to US$38.0mn after netting US$3.5mn in losses.

Chart 3.11: Capital and Capital Adequacy Ratio



Box 3.1 | The Central Bank's Regulatory Response to the COVID-19 Pandemic

The COVID-19 pandemic triggered an unprecedented spike in unemployment and loss of income in Belize. In an effort to provide immediate support to borrowers affected by the crisis, the Central Bank introduced several regulatory relief measures to address the strain on the real economy and the financial system, while ensuring the safety and soundness of the system.

On 17 March 2020, the Central Bank initiated the following measures mainly to provide temporary liquidity relief to cash-strapped borrowers:

- Revised Practice Direction No. 2, Circular No. 1, and Credit Union Requirement No. 1 to extend the classification period for non-performing loans and other assets from three to six months for sectors adversely affected by the pandemic, such as the tourism, transportation, and distribution sectors up to 31 March 2021; and
- Encouraged institutions to be flexible with their customers' debt-service arrangements by providing grace periods on loan repayments, where commercially viable.

In addition, the Central Bank advised financial institutions to update their business continuity and cybersecurity plans and reduced risk weights for tourism loans from 100.0% to 50.0%.

On 1 April 2020, the Central Bank relaxed its monetary policy stance to maintain an adequate supply of funds in the banking system to facilitate future credit growth. Utilising its main instrument of monetary policy, the Central Bank did the following:

- Reduced the minimum aggregate holdings of approved liquid assets and cash reserve requirements by two percentage points to 21.0% and 6.5% of average deposit liabilities, respectively.

Box 3.1 | The Central Bank's Regulatory Response to the COVID-19 Pandemic *continued*

On 16 June 2020, the Central Bank issued a Guidance Notice to banks and credit unions in furtherance of measures announced on 17 March 2020. Through this directive, the following measures were effected:

- Broadened the extended repayment period for credit facilities to include all loans;
- Established conditions for institutions to grant forbearance measures to their customers, including the requirement to assess customers' repayment capacity on a case-by-case basis and to exercise restraint from increasing interest rates on restructured facilities; and
- Allowed forbearance measures to remain in place until 31 December 2020.

In December 2020, the Central Bank implemented the following measures to boost capital, liquidity, and further support borrowers amid the protracted economic downturn:

- Issued a second Guidance Notice to banks and credit unions in which the forbearance period was extended to 31 March 2021; and
- Issued a third Guidance Notice to banks advising of the temporary suspension of dividend payments and profit repatriations until 30 June 2021.

Based on the relief measures provided by the Central Bank, domestic and international banks and credit unions instituted a multitude of measures to ease their customers' debt service payments. These included, but were not limited to:

- Deferring and implementing moratorium on interest and/or principal payments;
- Consolidating and restructuring credit facilities to reduce payments and extend repayment periods;
- Reducing interest rates on loans and credit cards;
- Waiving loan and credit-related fees;
- Waiving penalty fees;
- Suspending foreclosure procedures; and
- Providing additional financing support for businesses.

The Central Bank established weekly reporting mechanisms to facilitate enhanced oversight and analysis of the financial system, as the real economy continued to be adversely impacted by the pandemic. The Central Bank also conducted periodic stress tests on restructured loans to determine how the pandemic affected the financial system. These exercises aimed to assess the potential impact of severe but plausible scenarios in context of the pandemic effects on the resilience of financial institutions and their ability to absorb future shocks.

Box 3.2 | Sale of Scotiabank (Belize) Limited to Caribbean Investment Holdings Limited

On 17 June 2020, the Central Bank received an application from the Bank of Nova Scotia (BNS) seeking its approval to sell 100.0% of the common shares held by Scotia Caribbean Holdings Limited (SCHL) in SBL to Caribbean Investment Holdings Limited (CIHL). Shortly thereafter, on 23 June 2020, CIHL, parent company of the Belize Bank Limited (BBL), applied to the Central Bank for approval to purchase SCHL's shares in SBL. CIHL also requested approval for the acquired entity to operate under the name Belize Bank Corporation Limited (BBCL) for an interim period of 12 to 18 months after closure of the transaction. Thereafter, BBCL's assets and liabilities would be transferred to BBL.

For some time now, BNS has been reducing its exposure to the Caribbean, Central American, and Asian markets. On 11 November 2019, BNS announced that it had finalised sale of its banking operations in Anguilla, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, St. Maarten, and St. Vincent and the Grenadines to Republic Financial Holdings Limited. Accordingly, the proposed sale of SBL was in line with BNS's strategic decision to restructure its international business and redeploy its capital to markets where it can achieve greater scale and deliver the best value for customers.

As regulator, the Central Bank is vested as the sole authority to grant licenses to banks and financial institutions in Belize and is responsible for advising the Government on these matters. The regulatory framework is provided by Section 27 of the Domestic Banks and Financial Institutions Act (DBFIA), which states that any fundamental change in a licensee's operations must be approved by the Central Bank. Furthermore, Sections 37 (1) and (2) of the CBA require the Central Bank to advise the Government on any matter relating to monetary, banking, and credit conditions in Belize.

The main objectives of the regulator with respect to any acquisition are clearly defined in Section 29 (5) of the DBFIA. This section states that the Central Bank must conduct a comprehensive assessment of the proposed transaction, inclusive of the benefits and potential risks and vulnerabilities, to ensure that it will not be detrimental to the interest of depositors and customers, and the stability of the financial system, and that subsequent to the acquisition, that the bank will: (i) have adequate financial strength; (ii) have management with sufficient expertise and integrity; and (iii) maintain public confidence in the delivery of fair financial services.

Based on the comprehensive assessment carried out on the application and all other relevant information submitted on 25 November 2020, the Central Bank granted approval relating to the application for BNS to sell 100.0% of the common shares held by SCHL in SBL to CIHL and for CIHL to purchase SBL's shares.

In line with its mandate to ensure financial system stability, the Central Bank will continue to maintain its regulatory oversight throughout the acquisition process.

AML/CFT Compliance

Anti-Money Laundering/Combatting the Financing of Terrorism (AML/CFT) compliance focussed on ensuring that regulated financial and non-bank financial institutions adhered to established AML/CFT legal framework and that the Central Bank's internal AML/CFT compliance programme was aligned to international standards.

AML/CFT compliance activities entailed on-site examinations, off-site surveillances, and trainings. In 2020, four on-site examinations were conducted to ensure compliance with established AML/CFT requirements, comprising one domestic bank, two credit unions, and one remittance service provider. In reaction to the COVID-19 pandemic, thematic desk reviews of non-bank financial institutions' management strategies were conducted to ensure that adequate compliance systems were implemented to deal with the adverse effects of the pandemic. In addition, one scheduled AML/CFT compliance training session for remittance service providers was facilitated before the planned annual external training programme was suspended due to COVID-19.

Also, Compliance Unit (CMPU) staff participated in several projects of national importance. The foremost was participation in Belize's National Risk Assessment of banks and other non-bank financial institutions, aimed at identifying, understanding, and mitigating money laundering and terrorist financing risks. This was done in preparation for Belize's 2023 Mutual Evaluation exercise, which will be undertaken by the Caribbean Financial Action Task Force. Along these lines, CMPU collaborated with them and the Financial Intelligence Unit to strengthen supervisory agencies across CARICOM. This required a self-evaluation of Belize's existing AML/CFT compliance regime to implement measures designed to strengthen AML/CFT oversight at the supervisory authority level. Finally, CMPU supported a National Financial Inclusion (NFI) project team mandated to develop tailored financial products and services for the diverse needs of the public.

Regulatory and Supervisory Projects

Basel II/III Capital Framework for Banks

In keeping with its financial stability mandate, the Central Bank continued to strengthen its regulatory and supervisory regime through the implementation of the Basel II/III Revised Capital Framework for Banks. This Caribbean Regional Technical Assistance Centre (CARTAC) assisted project, which began in October 2018, blends the requirements under Basel II: International Convergence of Capital Measurement and Capital Standards and Basel III: A Global Regulatory Framework for more Resilient Banks and Banking Systems. The project aims to promote enhanced risk management measures for capital assessments and encourage greater transparency in the supervisory review process. The revised capital framework is being implemented in three phases to mirror the three pillars of the Basel Capital Accords.

In 2020, the Central Bank fully implemented Phase I, *Pillar 1: Minimum Capital Requirements*, of the Revised Capital Framework. Phase I addressed minimum capital requirements based on the quantification of credit, market, and operational risks. As such, the Central Bank issued its finalised capital adequacy guideline to the industry in respect to Pillar 1's capital definition, and the standardised approach to measure credit, market, and operational risks.

The Central Bank also progressed with the commencement of Phase II, *Pillar 2: Supervisory Review Process*. Pillar 2 relates to the principles of supervisory review and banks' risk management. Importantly, it seeks to cover risks that are not captured under Pillar 1. It will require banks to have an internal process for assessing their overall capital adequacy and a strategy to maintain capital levels. Since Phase II also requires the Central Bank to assess this process, banks will be required to submit their Internal Capital Adequacy Assessment Process (ICAAP) report to the Central Bank annually. To this end, the Central Bank developed several risk management guidelines to assist banks to prepare their ICAAP reports.

Upon completion of Phase II, work will commence on Phase III, *Pillar 3: Market Discipline*. Pillar 3 mandates that banks disclose information pertaining to risk exposures, capital adequacy, and risk mitigation processes. The objective is to achieve greater transparency through disclosures that optimises the accessibility, consistency, and comparability of banks' financial information. This will allow market participants to better assess the health and soundness of institutions.

Unfortunately, the COVID-19 disruption pushed the completion date for revision of the capital framework into 2022.

International Financial Reporting Standards 9

The Central Bank also commenced a three-year project (2020-2022) to transition banks in disclosing financial information in accordance with International Financial Reporting Standards (IFRS) 9. This project has three phases. Marked progress was achieved in 2020, with the following deliverables completed under Phase I:

i. Issued directives for the endorsement of IFRS for financial reporting purposes. These directives required every licensee and financial holding company to use IFRS when preparing and maintaining financial statements, reports, and accounts for reporting to the regulator and for auditing purposes;
ii. Amended and issued Practice Direction No. 3 and Circular No. 2: Loan Loss Provisions and Reserves to the banking sector to distinguish between ECL provisioning for financial reporting purposes (required by IFRS) and regulatory provisioning and capital adequacy computation for regulatory purposes (required by the Central Bank);
iii. Prepared and issued guidance notes for the implementation of IFRS 9 in Belize to the banking sector, outlining minimum requirements for implementation; and
iv. Reviewed banks' initial IFRS 9 implementation plan.

Phase II is centred on the evaluation of banks' ECL models and the adequacy of banks' ECL provisions and capital. This segment is slated for completion by December 2021.

Box 3.3 | Development of a Financial Stability Index for Belize

Maintaining financial system stability is a key responsibility of the Central Bank. The importance of assessing financial system stability has grown given the rise in financial vulnerabilities, stemming from the adverse impact of COVID-19. For example, solvency concerns have intensified in the non-bank private sector, as corporate borrowers' indebtedness has increased to fund cash shortages during the pandemic-induced economic downturn. Fortunately, domestic banks have entered this crisis sufficiently capitalised to absorb adverse shocks. However, the Central Bank is faced with the difficult task of balancing the appropriate amount of support to provide to the financial system in the near term against containing the potential rise of medium-term macro-financial stability risks.

Schinasi (2004 p. 8) defines financial stability or the absence of financial instability in terms of the financial system's ability to:

i. Facilitate both an efficient allocation of resources—both spatially and especially intertemporally—and the effectiveness of other economic processes (such as wealth accumulation, economic growth, and ultimately social prosperity);
ii. Assess, price, allocate, and manage financial risks; and
iii. Maintain its ability to perform these key functions—even when affected by external shocks or by a build-up of imbalances—primarily through self-corrective mechanisms.

I. Assessing Financial Stability

Various techniques are used to assess financial stability. Since the financial system consists of a number of key sectors and the interactions among these sectors (Gadanecz and Jayaram, 2008), a composite index, such as the Aggregate Financial Stability Index (AFSI), is more useful in indicating the state of financial system stability compared to using individual variables. The Central Bank is developing a robust and methodologically sound AFSI for Belize designed to: (a) capture multiple dimensions of the economy through relevant and quantifiable individual economic indicators, and (b) analyse changes in financial stability conditions over time.

II. An Aggregate Financial Stability Index for Belize

The AFSI for Belize was calculated using an equal variance weight method. This technique requires the normalisation of each indicator and then the aggregation of sub-indices, with the overall index based on equal weights. An empirical normalisation approach allows each value within the data sample to be expressed between 0 and 1, where 0 signifies the most destabilising data point and 1 signifies the most stabilising data point. The indicator is subtracted from the minimum value in the sample, and the result is then divided by the sample range to normalise each observation. The normalised values are grouped into four indices:

Box 3.3 | Development of a Financial Stability Index for Belize *continued*

- Financial Development Index (FIDI),
- Financial Vulnerability Index (FVI),
- Financial Soundness Index (FSI), and
- External Economic Climate Index (EECI).

The AFSI is calculated by summing the sub-indices, while accounting for their respective assigned weights:

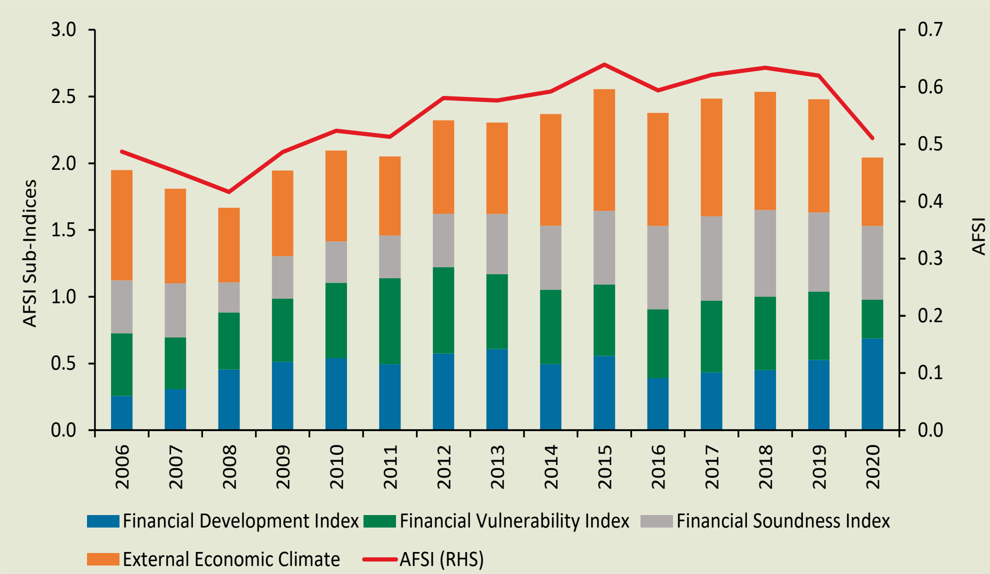
$$AFSI = (FIDI*0.25) + (FVI*0.25) + (FSI*0.25) + (EECI*0.25)$$

An increase in the AFSI translates to an improvement in the domestic banking sector's financial stability. At the same time, a decrease signifies a worsening in financial stability conditions.

III. Recent Movements in Belize's Financial Stability Index

Belize's AFSI fell by its largest margin in 2020 over the observed period, see Chart 3.12. The AFSI contracted by 17.6% from 0.6 in 2019 to 0.5 in 2020. This severe contraction reflected the adverse economic effects caused by the pandemic at home and abroad. However, the domestic banking sector remained resilient against the external shock, as the system showed signs of continued financial deepening amid the pandemic.

Chart 3.12: Belize's Aggregate Financial Stability Index



Box 3.3 | Development of a Financial Stability Index for Belize *continued*

The *Financial Development Index*, which measures the evolution of financial system development, strengthened over the year. The FIDI sub-index increased by 31.0% from 0.5 in 2019 to 0.7 in 2020 mainly on account of a rise in the credit-to-GDP ratio and, to a lesser extent, a dip in interest rate spread. In 2020, the credit-to-GDP ratio grew by 11.7 percentage points to 72.6%; however, most of this increase was attributable to the 14.1% contraction in real GDP since domestic bank loans and advances (excluding debt security purchases) inched up by only 1.8%. The interest rate spread continued its downward trend this year, as a drop in the annual average lending rate was amplified by an increase in average deposit rates.

The *Financial Vulnerability Index*, which evaluates the country's financial vulnerability and resistance to shocks, deteriorated considerably. The FVI sub-index almost halved its 2019 level, falling to 0.3 in 2020. Key ratios depicting the susceptibility of external shocks to the real economy— the fiscal primary balance to GDP, the net exports of goods to GDP, and the external current account balance to GDP— all weakened on account of the pandemic crisis. Notwithstanding, the broad money to international reserves ratio contracted, denoting the rapid rise in Central Bank's foreign assets, and signalling a reduction in near term foreign exchange rate risks. Supporting the aforementioned position, the foreign assets to total assets ratio for domestic banks also improved.

The *Financial Soundness Index*, which gauges liquidity and solvency conditions of domestic banks, weakened moderately over the year. The FSI sub-index contracted by 6.9% to 0.6 in 2020, reflecting some deterioration in banks' capital, profitability, and asset quality. However, domestic banks' liquidity coverage strengthened, owing to a rapid accumulation in deposits, whilst credit disbursements slowed.

The *External Economic Climate Index*, which captures changes in the external economic environment, dropped significantly relative to the previous year. The ECCI sub-index plummeted by 39.6% to 0.5 in 2020 on account of the pandemic. The adverse effects of the shock were transmitted worldwide, causing output to tumble in Belize, particularly through the tourism channel and among its main trading partners, including the US and UK. The heightened uncertainty surrounding the pandemic also weakened US consumer sentiment in 2020. On a positive note, as a net oil importer, Belize benefitted from the plunge in international oil prices, as demand for fuel for transportation purposes faltered after the pandemic outbreak.

References:

Gadanecz, B., & Jayaram, K. (2008). Measures of financial stability-A review. *Irving Fisher Committee Bulletin, 31*(1), 365-383.

Schinasi, G. (2004). *Defining financial stability.* (Working Paper No. 187). International Monetary Fund.

IV. CENTRAL BANK OPERATIONS

Governance

The Board of the Central Bank of Belize (the Board) is the policy-making organ of the institution. It consists of seven persons: three ex officio members (the Governor, a Deputy Governor, and the Financial Secretary) and four members appointed by the Minister of Finance. The Board oversees compliance with all legal requirements with regard to the Central Bank's regulatory roles, sets strategy and budget, makes key decisions on resourcing and appointments, and reviews performance and financial management.

Membership and Meetings

The Board membership saw these changes during the year:

- Mr. Patrick Andrews replaced Mr. Nestor Vasquez as a new board member on 22 September 2020.
- Members elected Mr. Nigel Ebanks as the new Vice-Chairman on 25 September 2020.
- Mr. Nigel Ebanks, Ms. Vanessa Retreage, and Mr. Patrick Andrews resigned from the Board in November 2020, followed by the Chairman, Mr. Joey Montalvo, in December 2020.

The Board convenes 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 Board meeting. Decisions are by majority votes cast, with the Chairman casting a second if votes are equal.

In 2020, the Board met 16 times and considered 25 decision papers and 53 information papers. All meetings were held at the Central Bank building in Belize City.

Table 4.1: Attendance at Board Meetings in 2020

Member	Position	Appointment Period	Meetings Attended
Amb. A. Joy Grant	Governor (ex officio)	January to December	16
Joseph Waight	Financial Secretary (ex officio)	January to December	15
Marilyn Gardiner-Usher	Deputy Governor (ex officio)	January to December	15
Kareem Michael	Deputy Governor (alternate)	January to December	14
Joey Montalvo	former Chairman	January to December	16
Nestor Vasquez	former Vice-Chairman	January to September	10
Nigel Ebanks	former Member/Vice-Chairman	January to November	12
Vanessa Retreage	former Member	January to November	12
Patrick Andrews	former Member	September to November	3

Conduct of Board Members

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

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

Audit Committee

The Central Bank's Audit Committee (the Audit Committee) is a subset of the Board. In 2020, the Audit Committee comprised the following members: (a) two non-executive board members—Chairman, Mr. Joey Montalvo and member, Mr. Nigel Ebanks; and (b) one executive board member—Deputy Governor Financial Services, Mrs. Marilyn Gardiner-Usher. The Chief Internal Auditor, Mrs. Effie Ferrera, served as secretary.

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

- Providing assurance to the Board that adequate arrangements are in place to track the Central Bank's exposure to material risks across its operations, and that there are regular and reasonably frequent reporting of risk exposures;
- Approving the Internal Audit Department's (IAD's) annual risk-based work plan and assessing its performance against the approved plan;
- Reviewing the effectiveness of the IAD, emphasising conformance with The Institute of Internal Auditors' International Standards for Professional Practice of Internal Auditing;
- Informing the Board of material findings and salient recommendations of audits and other activities;
- Reviewing all significant concerns with management and the external auditors, including litigation, contingencies, claims or assessments, and all material accounting issues affecting the financial and operational conditions of the Central Bank; and
- Reviewing the Central Bank's audited financial statements and letter of recommendation with the external auditors prior to Board submission.

Internal Audit

IAD conducted several operational and compliance audits across business units of the Central Bank. Results from these activities were communicated to the Audit Committee and senior management.

Operational audits were completed on:

i. the national payment system's certificate authority and token administration;
ii. pension, gratuity and severance administration;
iii. social security benefits administration; and

iv. management of foreign reserve investments and of foreign transactions processed through the Society for Worldwide Interbank Financial Telecommunications (SWIFT).

Compliance audits focussed on the Central Bank's adherence to:

i. SWIFT's Customer Security Controls;
ii. its legal and regulatory requirements of the CBA;
iii. AML/CFT processes; and
iv. treasury functions, government securities auctions, and account reconciliations.

Strategic Initiatives

Despite the exigencies brought on by the pandemic in 2020, the Central Bank made significant progress in its strategic initiatives planned for the period 2018-2022. See Box 4.1 below.

Box 4.1 | Strategic Initiatives

This strategic plan provides a basis for the Central Bank to assess and adjust the organisation's direction in response to the realities of its operating environment. Management utilises the strategic plan to guide projects and initiatives, which are then cascaded to departmental work programmes. The major accomplishments in 2020 and key areas of focus for 2021 are presented in the table below.

STRATEGIC THEME: IMPROVE BELIZEANS' FINANCIAL LITERACY AND INCLUSION		
Projects and Initiatives	**Accomplishments and Key Focus Areas**	**Percentage Complete**
National Financial Inclusion	Major accomplishments in 2020: • Evaluated proposals to roll out electronic money and mobile money financial services; • Drafted regulations to expand access to financial services using agents; • Developed a NFI Communications Strategy; • Contributed to primary school teachers' financial literacy training and curriculum development; • Engaged in legal drafting of financial consumer protection legislation in key areas, including disclosure/transparency and lending responsibility; • Updated and distributed the Bank Returns (BR15) and the Credit Unions Financial Access Survey (CUR15) form and guidelines to strengthen data collection; and • Developed financial education material for the business and education communities. Key areas of focus for 2021: • Engage in strategic public education; • Establish a Financial Inclusion Council; • Support NFI task forces in executing plans; • Arrange a 2021 NFI survey; and • Report on the progress of the NFI strategy.	15.0%

Box 4.1 | Strategic Initiatives *continued*

STRATEGIC THEME: IMPROVE BELIZEANS' FINANCIAL LITERACY AND INCLUSION		
Projects and Initiatives	**Accomplishments and Key Focus Areas**	**Percentage Complete**
Website Project	Major accomplishments in 2020: • Commissioned a new website; • Completed phase one: developed content strategy, created target state, formed content transformation plan, and published request for proposal for phase two; and • Contracted a website developer to execute phase two. Key focus areas for 2021: • Develop and rewrite content to educate the public; • Integrate statistical database for ease of access; and • Launch new website.	48.0%
Credit Reporting System (CRS)	Major accomplishments in 2020: • Drafted legislation to establish a CRS in Belize. Key focus areas for 2021: • Facilitate enactment of the CRS Bill; • Recruit and license a credit bureau operator; and • Launch a public awareness campaign.	36.0%

STRATEGIC THEME: PROVIDE MODERN FINANCIAL SYSTEM		
Projects and Initiatives	**Accomplishments and Key Focus Areas**	**Percentage Complete**
Deposit Insurance System	Major accomplishments in 2020: • Drafted and enacted the Deposit Insurance Act, 2020, which provides for the establishment of a DIC and a Deposit Insurance Fund to protect insured deposits against risk of loss within an insured limit; • Vetted members appointed to the Board of the DIC; • Planned a public awareness campaign; and • Initiated the recruitment process for a Chief Executive Officer (CEO) for the DIC. Key focus areas for 2021: • Establish the Board for the DIC; • Recruit the CEO; and • Launch a public awareness campaign.	61.0%

Box 4.1 | Strategic Initiatives *continued*

STRATEGIC THEME: PROVIDE MODERN FINANCIAL SYSTEM		
Securities Industry Legislation (SIL)	Major accomplishments in 2020: • Drafted the SIL Bill for capital market development to improve the depth and efficiency of the market for government securities and to encourage and facilitate private sector capital formation; and • Negotiated technical assistance from CARTAC for drafting regulations that will operationalise the law. Key focus areas for 2021: • Sponsor the enactment and commencement of the SIL Bill and related regulations.	61.0%
Shared Service Network (SSN)	Major accomplishments in 2020: • Specified and advised on the operational, technical, and security system requirements for the Belize Credit Union League to participate in the national payment system - Automated Payments and Securities Settlement System (APSSS), as an operator for participating credit unions; • Engaged the APSSS system provider in designing and implementing the system configuration changes and training the Central Bank's staff in the operations and oversight of the revised system design; and • Engaged the SSN operator in knowledge sharing. Key focus areas for 2021: • Connect the operator to APSSS; • Conduct unit, system, and user acceptance testing; • Train system users in APSSS operations; • Establish the oversight requirements; and • Launch SSN as an operator in APSSS.	51.0%

STRATEGIC THEME: ENHANCE FINANCIAL SYSTEM STABILITY		
Projects and Initiatives	**Accomplishments and Key Focus Areas**	**Percentage Complete**
Basel II/III Implementation	Major accomplishments in 2020: • Implemented phase 1 of the project - Pillar 1: Minimum Capital Requirements; • Conducted industry sensitisation for phase 2 of the project - Pillar 2: Supervisory Review Process; and • Conducted industry consultation on the minimum expectations for the management of credit risk and stress testing. Key focus areas for 2021: • Continue industry consultation on the minimum expectations for the management of interest rate risk in the banking book, market, and operational risks; • Conduct industry sensitisation and reporting on the ICAAP for banks; and • Consult on the disclosure measures under phase 3 of the project - Pillar 3: Disclosure Requirements.	40.0%

Box 4.1 | Strategic Initiatives *continued*

STRATEGIC THEME: ENHANCE FINANCIAL SYSTEM STABILITY

International Financial Reporting Standards 9	Major accomplishments in 2020: • Created and issued directives for the endorsement of IFRS 9 for the banking sector to produce and maintain financial statements, reports, and accounts submitted to the Central Bank; • Amended and issued Practice Direction No. 3 and Circular No. 2 for Loan Loss Provisions and Reserves for the banking sector; • Prepared and issued Guidance Notes for the implementation of IFRS 9 for the banking sector, which outlined the minimum requirements for implementing IFRS 9; and • Reviewed the banks' initial IFRS 9 implementation plan. Key focus areas for 2021: • Conduct Phase II to allow for the evaluation of banks' ECL models and the adequacy of banks' ECL provisions and capital.	61.0%

STRATEGIC THEME: FACILITATE CAPITAL MARKET DEVELOPMENT

Projects and Initiatives	Accomplishments and Key Focus Areas	Percentage Complete
Public Debt Management Software (Meridian) Project	Major accomplishments in 2020: • Committed to piloting the Commonwealth Secretariat's Meridian database, a new version of their debt recording management software; • Migrated data from CS-DRMS to the Meridian; • Conducted parallel run testing to check the robustness of the new system and provided timely feedback of concerns to the Secretariat. Key focus areas for 2021: • Conduct comprehensive checks to ensure data integrity and reporting accuracy; • Build staff capacity and resources to ensure that the Meridian is successfully implemented; and • On-board other users then go-live.	40.0%

Administration

Human Resources

Human resource activities during the year focussed mainly on online training and development, staffing, employee relations, labour relations, and community service. These undertakings aimed to foster a highly engaged, motivated, and satisfied workforce, while developing staff's technical and managerial competencies. In March, after the onset of COVID-19 outbreak, the Central Bank suspended all overseas travel and trainings.

Training and Development

Before overseas travel was suspended, staff from across departments strengthened their technical competencies through various overseas trainings, workshops, and seminars. An economist from the Research Department attended the Balance of Payments Statistics Workshop hosted jointly by the Center for Latin American Monetary Studies (CEMLA) and the Central Bank of The Bahamas. Furthermore, an economist from the Financial Stability Unit attended a CEMLA Financial Technology and Central Banking workshop held at the Bank of Jamaica. Additionally, a systems technician from the Facility Management Unit in the Administration Department participated in the 2020 International Air-Conditioning, Heating, and Refrigerating training.

Functional teams also received specialised overseas training. Management staff from the Investment & Reserve Management Unit, Internal Audit, Accounts & Budget Departments, and a professional staff from the Office of Strategy Management (OSM) attended a workshop on Safeguard Assessments hosted by CARTAC held in Bridgetown, Barbados.

Other staff members also benefitted from in-country training exercises and courses delivered by a host of external agencies. Bank examiners completed a week-long CARTAC workshop on Basel II/III Implementation. Staff also participated in two off-site in-country trainings. First, the National Bank of Belize Limited and Florida International Bankers Association hosted a seminar in AML/CFT Compliance in Belize City. Second, a Grade II Security Officer participated in a Unit Security Officer training hosted by the Belize Defense Force at its headquarters.

Employees successfully completed numerous specialised online courses, many of which were pursued whilst working from home. These included IMF trainings in Financial Development and Financial Inclusion and Compilation Basics for Macroeconomic Statistics, and a US Embassy training in Trade Based Money Laundering via Value Added Tax Fraud. A suite of other online trainings from EDX, Institute of Internal Auditors, ARMA, Coursera, Global Knowledge, LinkedIn Learning, and CEMLA were also pursued. Additionally, personnel from the Payment Services and Exchange Control Approvals Department and IAD completed a series of SWIFT Smart online training courses to meet SWIFT's requirements.

Employees also benefitted from in-house trainings. OSM conducted a training on Achieving and Maintaining the Target State: Content and Website Operations and hosted a Web Content Writing Workshop. CMPU conducted a webinar: Understanding Politically Exposed Persons to Mitigate Your Firm's Risk, to stakeholders. The Central Bank hosted a research seminar aimed at increasing communication and facilitating the dissemination of economic and financial research in which economists presented papers on relevant economic and policy-based issues. Finally, the Information Technology Department (ITD) rolled out a mandatory cybersecurity awareness training for all staff.

Staffing and Employee Relations

At year end, the Central Bank had a staff complement of 213. In 2020, seven persons joined the Central Bank, and eight persons left its employ, including three retirees. Consequently, the turnover rate remained at 3.8% in 2020.

There were six promotions:

- one to the Professional II grade,
- one to the Professional III grade,
- one to the Security Officer I grade,
- one to the Security Officer II grade, and
- two to the Senior Auxiliary grade.

The Central Bank recognised and rewarded employees who reached years-of-service milestones between 1 July 2019 and 30 June 2020. In light of social distance protocols and limits on public gatherings, no employee recognition ceremony was held. Notwithstanding, 20 employees were rewarded for their commitment and long service to the Central Bank. When disaggregated, six employees received long-service awards for 10 years of service, six for 15 years of service, five for 20 years of service, and three for 30 years of service.

Community Service and Staff Club Activities

As part of its social responsibility, the Central Bank invested in several programmes to help students and non-profit organisations. However, COVID-19 safety protocols limited the activities that the Central Bank's Staff Club (Staff Club) could undertake.

Before lockdown measures were implemented, the Central Bank provided internships to one junior college and two university students to help meet their core graduation requirements. Because of health and safety concerns, the summer employee programme was suspended. However, the Central Bank still provided monetary donations to the Kidney Association and the Salvation Army.

The Staff Club was influential in promoting camaraderie, staff morale, and a healthy work/social life balance. At year end, membership reached 91.2% of the total staff complement. Except for the annual Valentine's Day mixer, all other social activities were cancelled due to COVID-19. Notwithstanding, club members were gifted with birthday tokens, a combined Christmas/thanksgiving turkey dinner, a Christmas gift card, and a virtual year-end raffle. Also, Easter baskets were distributed to members' children.

The Staff Club organised fundraisers and donated money that was earmarked for social events to assist four staff members who needed specialised medical attention. Finally, the Central Bank's four-year High School Assistance Programme, which includes mentorship assistance, was expanded by one to 12 recipients, now comprising eight third formers, three second formers, and one first former.

Information Technology

The Central Bank strengthened its endpoint security posture with an updated and robust endpoint and anti-malware system. This system included an enhanced cybersecurity endpoint detection and response functionality designed to continuously monitor and respond to advance threats.

Consistent with SWIFT's Customer Security Programme (CSP), the Central Bank submitted its annual self-attestation in December, confirming full compliance with the organisation's mandatory security control requirements. IAD provided oversight of the internal reassessment exercise.

The Cyber Security Committee for the Financial System, comprising domestic and international banks, met three times over the year to collaborate on matters dealing with cyber threats to the financial system and other related issues. The committee was instrumental in elevating cybersecurity awareness, facilitating information sharing, and improving the security posture of their respective organisations. Other matters discussed were associated with SWIFT's CSP, ISO20022 training, national cybersecurity task-force developments, and APSSS.

The COVID-19 pandemic imposed new challenges and priorities, triggering ITD to execute parts of its disaster recovery plan. In response to the crisis, ITD tested and enabled critical systems, ensuring that they can be accessed securely and operated remotely on very short notice. To facilitate offsite work, ITD acquired new portable devices, while repurposing existing ones, upgraded internet bandwidths, acquired new endpoint security licenses, on-boarded collaboration tools, and deployed Microsoft 365 Teams to conduct virtual meetings.

Notwithstanding, ITD continued its operational and planned activities by implementing needed security upgrades, installing hardware replacements, and participating in the execution of key strategic projects. Furthermore, as part of its approach to address growing cybersecurity threats, the Central Bank required all staff to participate in a rigorous third-party training and security awareness programme.

ITD also initiated a Voice over Internet Protocol communications system project to replace its obsolete analog telephone system.

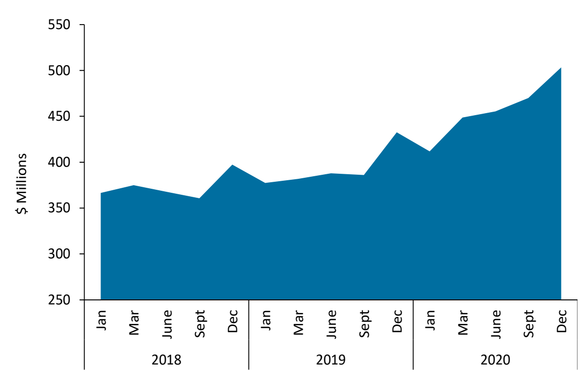
Currency and Foreign Exchange Transactions

Currency Operations

Banknotes and coins continued to be the primary medium of exchange to facilitate commerce and trade. The total value of banknotes in circulation increased by 17.5% to $467.6mn in 2020, up from $398.1mn in 2019. This growth was due partially to the uncertainty linked to the pandemic and the expansion in informal activities as unemployment grew. The $100.00 and $50.00 banknotes were most widely circulated, accounting for 54.4% and 27.8% of total notes in circulation, respectively. However, the change in outstanding value of coins in circulation was more modest, rising by 3.8% from $34.5mn in 2019 to $35.8mn in 2020. In aggregate, banknotes and coins in circulation rose by 16.1% to $503.3mn.

The proportion of banknotes and coins in circulation hardly changed relative to the previous year, with banknotes accounting for 92.9% and bank coins 7.1%. The seasonal growth of banknotes in circulation around the Christmas holiday also factored in raising the year-end value of cash held in the domestic banks' vault from $64.3mn in 2019 to $71.0mn in 2020. Currency with the public increased to $432.3mn in 2020, up from $368.3mn in the preceding year.

Chart 4.1: Currency in Circulation



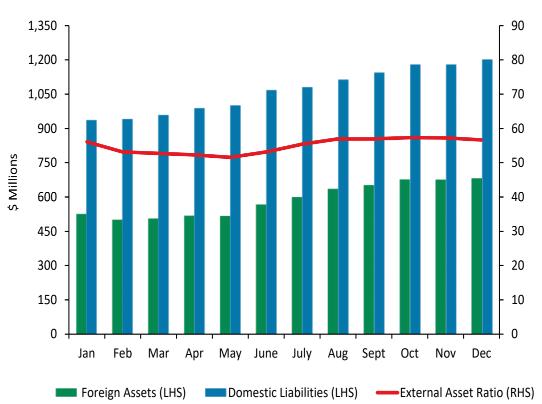
External Assets Ratio

The Central Bank was fully compliant with Section 25(2) of the CBA, which stipulates that the Central Bank should maintain external assets equivalent 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 external assets ratio remained comfortably above the legal requirement year-round. At the beginning of the year, the external assets ratio stood at 57.8%. It reached a trough of 51.5% in May and then inched up to 56.7% at December end.

Beginning the year with a balance of $540.8mn, the Central Bank's foreign assets declined to $500.8mn in February after the first semi-annual interest payment was paid on the US dollar 2034 bond. By June, the foreign asset position had strengthened significantly to $567.9mn with inflows predominantly from sale of US T-notes in support of the COVID-19 pandemic emergency fund and proceeds from a ROC/Taiwan loan. Thereafter, it grew robustly throughout the second half of the year and peaked at $681.7mn. This increase in foreign assets stemmed primarily from external loan and grant disbursements associated with the COVID-19 pandemic relief fund, sugar export receipts, income from the international registries, and debt service relief from reduced external payments on behalf of the Government. The foreign asset portfolio consisted of mainly cash and fixed deposits, 87.1%; Special Drawing Rights (SDRs), 11.2%; and foreign securities, 1.7%.

Chart 4.2: Monthly External Assets Ratio

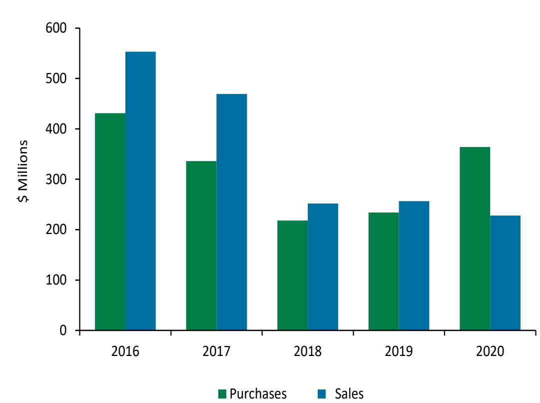


Foreign Exchange Transactions

Foreign currency operations resulted in net purchases of $136.1mn in 2020, reflecting a turnaround from net sales of $22.6mn in 2019. This upswing in net purchases was driven by a $130.1mn increase in foreign currency inflows to $364.1mn, stemming mainly from the following sources:

- Central Government's external loan disbursement proceeds, $205.3mn;
- Belize Sugar Industries Limited/American Sugar Refining (BSI), $45.3mn;
- The international business company and ship registries, $11.0mn; and
- Central Government's US dollar T-notes, $42.4mn.

Chart 4.3: Trade in Foreign Currency



Foreign currency sales amounted to $228.0mn this year, down $28.6mn compared to the year before. The largest singular payment this year was February's $26.0mn interest payment on the US dollar 2034 bond.

Trading in currencies from CARICOM resulted in net sales of $2.9mn in 2020. This deficit in regional settlements represented a 24.5% decline relative to 2019. Trades mainly comprised settlement of official transactions.

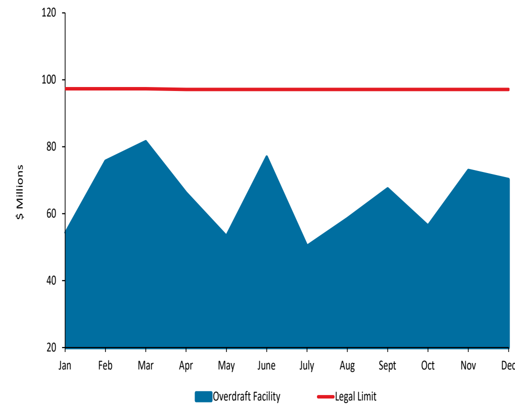
Relations with Central Government

Overdraft Advances

The Central Bank can legally extend advances to Central Government through an overdraft facility set at 8.5% of current revenues that Government collected in the preceding FY. The ceiling used for the FY 2020/21 was $97.1mn.

The level of direct advances to Central Government did not exceed the threshold at any one time. Moreover, the balance on the overdraft facility tended to trend downward over the period. In the first quarter, the balance on the overdraft facility averaged $70.4mn. However, in the second quarter, it dipped to an average of $65.4mn with proceeds of $125.0mn from several T-notes issuances linked to COVID-19. Thereafter, the average level dropped to $58.7mn from July to September. This reduction was supported by additional loan disbursements coupled with the interest forbearance on the US dollar 2034 bond in August, which suppressed international payment pressures. Between October and December, the average balance on the facility increased to $66.5mn, ending the year at around 72.3% of the prevailing legal limit.

Chart 4.4: Overdraft Financing to Central Government



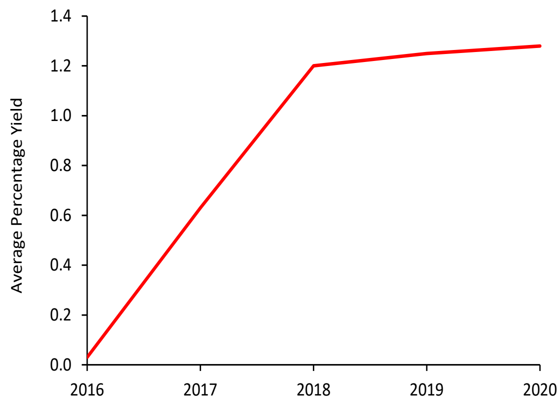
Treasury Bills

The outstanding face value of Government-issued T-bills at the end of December 2020 was $245.0mn. This amount has not changed since February 2017. However, the number of participants in the T-bill market decreased by one to nine whilst the composition changed, as the number of non-deposit-taking institutions lessened.

Competitive bidding was dominated by two domestic banks. Their aggressive bidding kept the weighted average yield relatively stable between 1.26% at the beginning of 2020 and 1.28% at the last auction in the year.

While the weighted average domestic T-bill yield started the period below the comparable US three-month T-bill yield, it ended the year well above the benchmark rate. The US three-month T-bill secondary market rate contracted by 145 basis points over the year, falling from 1.54% at the end of 2019 to 0.09% in December 2020. After the pandemic outbreak, the Federal Reserve System (the Fed) maintained its commitment to keep the target range for the federal funds rate at 0 to 0.25% until US labour market and inflation goals are met.

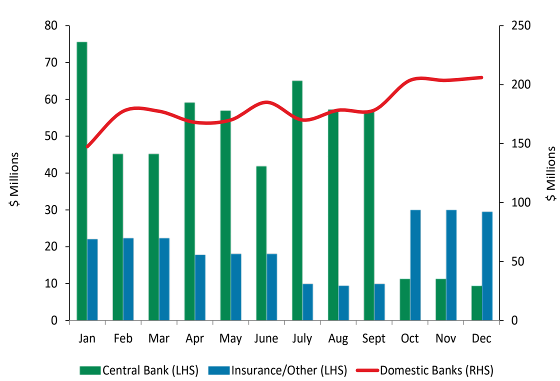
Chart 4.5: T-bill Yield



The Central Bank participated in nine of 14 T-bill auctions in 2020, which was one less tender than the year before. All bids were non-competitive offers aimed at taking up unsubscribed amounts at the prevailing weighted average yield. The average bid-to-cover ratio increased slightly from 0.8 in 2019 to 0.9 in 2020, reflecting a modest increase in demand for short-term securities, mainly in the last quarter of the year.

Domestic banks remained the largest T-bill holder, with their aggregate share increasing by $43.6mn to $206.0mn at year end, accounting for 84.1% of the outstanding par value. Similarly, the portion held by other institutional investors inched up by

Chart 4.6: Monthly T-bill Allocations



$3.6mn to $29.5mn or 12.0% of the total. In turn, the Central Bank's T-bill portfolio contracted by $47.2mn to $9.5mn, representing 3.9% of all allotments.

The secondary market was inactive throughout the year.

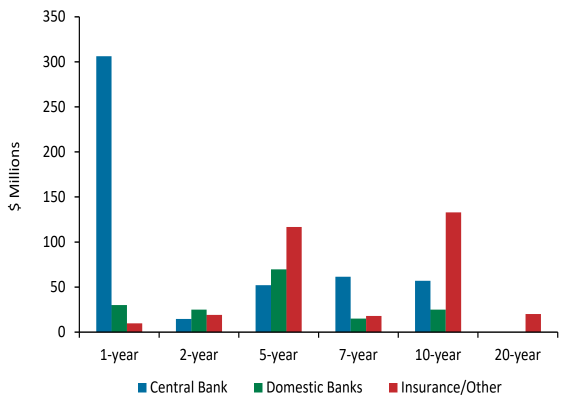
Treasury Notes

Central Government issued $252.4mn in T-notes in 2020, raising the outstanding principal value to $972.4mn at year end. Over the period, Central Government issued five tranches of one-year notes for budgetary support that summed to $135.0mn and one $75.0mn issue of various maturities in April to finance its emergency response to COVID-19. Notably, the maturity structure of the COVID-19 T-notes ranged from five to 20 years, as Government issued its first 20-year T-note, lengthening the average maturity structure of issued debt securities. Additionally, Government issued five-year T-notes denominated in US currency with a face value of US$30.0mn on the domestic market in June and raised US$21.2mn in the process for balance of payments support. To facilitate future borrowings, Government raised the principal value of T-notes that could be outstanding at any one time by $200.0mn to $1.2bn in October.

During the year, the yield for one-year T-notes remained unchanged at 2.25%. The yield for the longer 20-year T-notes was set at 5.75%, resulting in a 3.5% spread between maturities. Twelve one-year issues were rolled over at the coupon rate of 2.25%, and a 10-year issue was rolled over at 5.25%.

The distribution of T-notes by original maturity among main categories of holders varied widely at year end. The Central Bank held the bulk of

Chart 4.7: T-note Distribution by Maturity and Holder



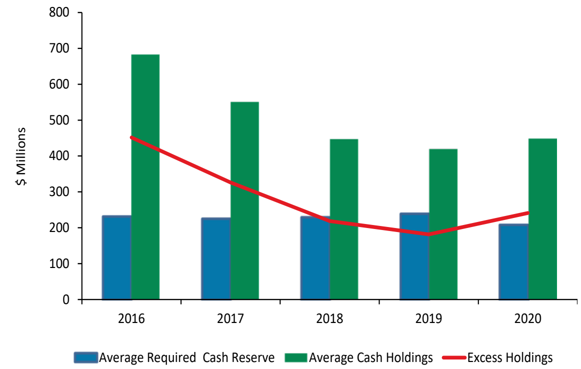
outstanding short-term notes, having $306.2mn in its portfolio, representing nine-tenths of outstanding one-year T-notes. Meanwhile, the Central Bank held $185.4mn in two- to 20-year T-notes accounting for three-tenths of T-notes with tenor of more than one year. In comparison, all other holders (domestic banks, insurance companies, and other investors) held $39.8mn in one-year T-notes and $441.0mn in longer-term T-notes.

Relations with Domestic Banks

Cash Reserves

Domestic banks' cash reserves requirement was lowered from 8.5% to 6.5% of average deposit liabilities on 1 April. The reduction in the primary reserve requirement sought to increase bank liquidity, and, in turn, ease credit conditions to stimulate lending amid the COVID-19 pandemic. The subsequent rise in bank liquidity led to a 6.9% or $29.1mn increase in domestic banks' monthly average cash holdings to $448.9mn for 2020, while their average monthly excess cash holdings grew by 32.9% or $59.6mn to $241.0mn. At year end, domestic banks' total excess cash holdings stood at $351.9mn.

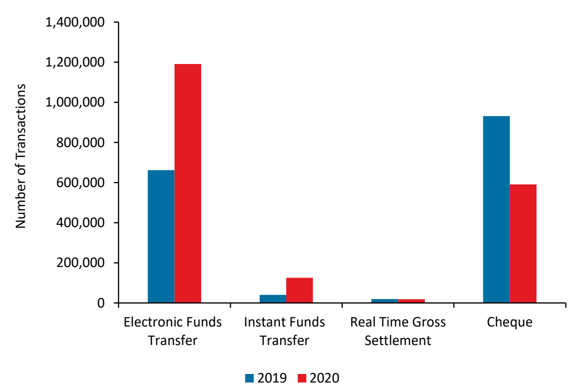
Chart 4.8: Cash Reserves



Automated Payment and Securities Settlement System

Digital payments became more widely used in an effort to contain the spread of COVID-19. In APSSS, 1.9mn transactions were processed in 2020, 16.6% above the 1.7mn transactions processed in 2019. This expansion was attributable to an 80.0% increase in electronic funds transfers, totalling 1.2mn transactions. Also, the number of instant funds transfers almost tripled to 0.1mn transactions. The marked rise in these two payment methods easily outweighed the 2.8% slide in real time gross settlement transactions and the 36.5% drop in cheques processed. The contraction in real time gross settlements was influenced by the acute downturn in economic activities, which

Chart 4.9: Non-Cash Payment Methods



led to fewer large value payments. Meanwhile, the steep falloff in cheque usage was due to the relatively higher processing costs and changes in payment preferences induced by the pandemic.

Interbank Market

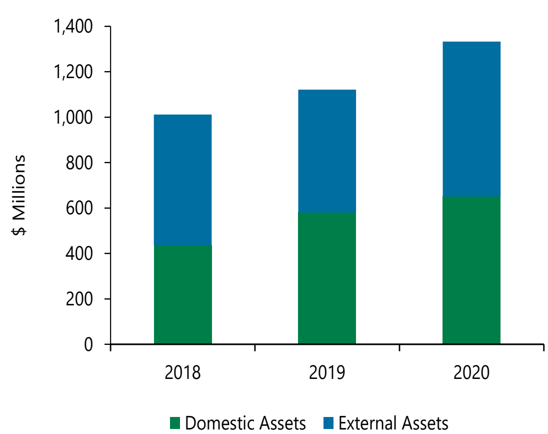
Against the backdrop of a rapid expansion in bank liquidity during the year, there were no offers or requests to borrow funds on the interbank market among banks in 2020.

Central Bank Financial Performance

Balance Sheet

The Central Bank's balance sheet expanded markedly over the review period, shaped by Central Government's financing strategy to fund its response to COVID-19. The Central Bank's total assets increased by 18.9% in 2020 compared to 2019 to $1.3bn. This increase was bolstered by a $140.9mn (26.0%) foreign asset expansion, supported by inflows mostly to finance public COVID-19 health and social relief measures. In addition, domestic assets grew by $70.5mn (12.1%), propped up by the Central Bank's uptake of COVID-19 emergency fund T-notes on the primary market.

Chart 4.10: Assets

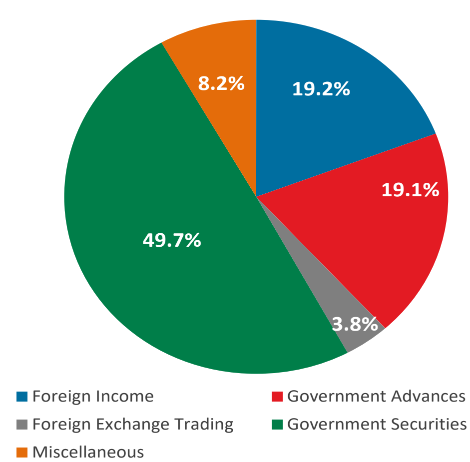


Income Statement

The Central Bank's gross income contracted by $4.0mn (12.5%) to $28.3mn in 2020, upending the upward two-year trend through 2019. The overall decline was attributable to a $6.5mn (54.4%) reduction in foreign income to $5.4mn, as the Fed lowered the target range for the federal funds rate to near zero. Nonetheless, the Central Bank continued to hold its foreign exchange reserves in very safe and liquid assets, mainly in the form of fixed deposits at foreign banks. The Central Bank earned an annual rate of return of 0.9% on an average of $584.4mn in foreign currency reserves for 2020, compared to an annual rate of return of 2.2% on an average of $532.9mn in 2019.

Softening the downturn in foreign earnings, local income grew by $2.5mn (12.0%) in 2020. At $22.9mn, local income accounted for 80.8% of Central Bank's total income for the financial year. Approximately 68.8% of total local income was sourced from interest earnings on Central Government's debt securities and its overdraft facility. The balance stemmed from commissions on foreign exchange trades and revenues from other miscellaneous sources, inclusive of fees from licensees.

Chart 4.11: Foreign and Local Income



Total expenditures contracted by $4.6mn (15.8%) to $24.5mn, with outlays down across all major operating expenditures categories on account of the pandemic. Staff costs accounted for more than half of this amount at 57.4% of total expenditures. Other administrative and operating outlays were 35.8% combined, and interest and currency costs, 6.8%.

As a result, the net operating surplus for the current year increased by $0.6mn to $3.8mn relative to 2019. In accordance with Section 9(1) of the CBA, $0.4mn (10.0%) will be paid into the Central Bank's General Reserve Fund. The remaining $3.4mn (90.0%) will be paid to the Accountant General for deposit into the Consolidated Revenue Fund.

Statistical Appendix

Table A.1: Major Economic Indicators

	2013	2014	2015	2016	2017	2018	2019^R	2020^P
POPULATION AND EMPLOYMENT (At April)								
Population (Thousands)	347.8	356.9	366.3	375.9	385.8	395.9	406.3	421.5
Employed Labour Force (Thousands)	131.4	134.6	138.1	146.9	150.1	155.9	164.8	145.5
Unemployment Rate (%)(1)	11.7	11.1	10.1	8.0	9.0	9.4	7.7	13.7
INCOME								
GDP at Current Market Prices ($mn)	3,158.8	3,334.7	3,443.4	3,578.6	3,717.1	3,831.8	3,965.0	3,413.3
Per Capita GDP ($, Current Market Prices)	9,081.7	9,342.3	9,400.4	9,519.9	9,635.5	9,679.1	9,759.8	8,098.6
Per Capita GDP (%)	-2.0	2.6	0.6	1.2	1.2	0.4	0.8	-16.6
Real GDP Growth (%)	1.3	4.0	2.6	-0.0	1.7	2.9	1.8	-14.1
Sectoral Distribution of Constant 2000 GDP (%)								
Primary Activities	14.2	14.4	12.4	9.7	10.3	9.7	9.2	10.4
Secondary Activities	16.2	15.7	14.6	14.8	14.7	14.4	13.5	15.5
Tertiary Activities	54.5	53.7	55.9	60.0	61.2	62.2	63.0	60.9
MONEY AND PRICES ($mn)								
Inflation (Annual Average Percentage Change)	0.5	1.2	-0.9	0.7	1.1	0.3	0.2	0.1
Currency and Demand Deposits (M1)	1,121.9	1,313.9	1,528.4	1,471.9	1,565.9	1,598.5	1,681.8	1,965.5
Quasi-Money (Savings and Time Deposits)	1,354.7	1,358.3	1,345.4	1,478.4	1,372.6	1,418.8	1,510.4	1,568.3
Annual Change of Money Supply (%)	1.4	7.9	7.6	2.7	-0.4	2.7	5.8	10.7
Ratio of M2 to GDP (%)	78.4	80.1	83.5	82.4	79.1	78.7	80.5	103.5
CREDIT ($mn)								
Domestic Banks' Loans and Advances	1,854.3	1,933.0	1,985.7	2,015.0	2,018.2	2,119.9	2,238.0	2,278.1
Public Sector	23.8	17.5	11.3	8.7	5.3	50.6	58.0	41.3
Private Sector	1,830.5	1,915.5	1,974.4	2,006.3	2,012.9	2,069.3	2,180.0	2,236.8
INTEREST RATE (%)								
Weighted Average Lending Rate	11.1	10.7	10.0	9.7	9.3	9.0	8.8	8.5
Weighted Average Deposit Rate	2.2	1.7	1.5	1.3	1.2	1.2	1.1	1.3
Weighted Average Interest Rate Spread	9.0	8.9	8.6	8.4	8.1	7.7	7.6	7.3
CENTRAL GOVERNMENT FINANCES ($mn)								
Current Revenue	851.6	911.7	994.0	1,002.6	1,047.9	1,139.4	1,147.7	926.2
Current Expenditure	743.6	817.6	894.0	950.9	1,005.8	1,052.9	1,084.5	993.4
Current Account Surplus(+)/Deficit(-)	108.0	94.1	100.0	51.6	42.1	86.5	63.2	-67.2
Capital Expenditure and Net Lending	177.0	281.5	404.6	207.5	171.8	168.4	222.2	345.1
Overall Surplus(+)/Deficit(-)	-35.7	-98.7	-276.3	-119.1	-103.4	-27.6	-130.3	-366.6
Ratio of Budget Deficit to GDP at Market Prices (%)	-1.1	-3.0	-8.0	-3.3	-2.8	-0.7	-3.3	-10.7
Domestic Financing (Net)(2)	-148.0	-10.2	184.1	66.2	13.3	-2.9	54.3	162.2
External Financing (Net)	183.9	104.1	100.2	47.1	90.0	23.1	37.2	201.7

Table A.1: Major Economic Indicators *continued*

	2013	2014	2015	2016	2017	2018	2019[R]	2020[P]
BALANCE OF PAYMENTS (US $mn)								
Merchandise Exports (FOB)[(3)]	608.1	589.2	537.9	442.8	457.2	450.8	425.3	287.3
Merchandise Imports (FOB)	888.6	938.7	961.3	875.1	848.3	917.2	968.5	731.4
Trade Balance	-280.5	-349.6	-423.4	-432.3	-391.1	-466.4	-543.2	-444.1
Remittances (Inflows)	72.0	78.0	82.4	87.2	87.9	89.7	94.5	118.3
Tourism (Inflows)	351.0	373.8	371.3	390.4	396.5	491.6	526.7	245.4
Services (Net)	253.0	285.6	277.1	293.1	300.3	417.0	442.5	257.0
Current Account Balance	-72.6	-127.8	-171.7	-151.6	-143.9	-126.6	-184.6	-127.9
Capital and Financial Flows	174.0	218.6	100.9	86.4	67.3	127.6	145.7	183.1
Gross Change in Official International Reserves	113.6	81.8	-49.9	-60.3	-64.6	-17.8	-17.8	70.2
Gross Official International Reserves	405.1	486.8	436.9	376.6	312.0	295.6	277.9	348.1
Monthly Import Coverage	5.0	5.7	5.0	4.5	4.0	3.6	3.2	5.2
PUBLIC SECTOR DEBT								
Disbursed Outstanding External Debt (US $mn)	1,084.7	1,127.9	1,179.1	1,204.1	1,256.9	1,284.5	1,315.0	1,446.5
Ratio of Outstanding Debt to GDP at Market Prices (%)	68.7	67.6	68.5	67.3	67.6	67.0	66.3	84.8
External Debt Service Payments (US $mn)[(4)]	65.1	77.5	126.9	83.2	85.9	85.8	90.7	81.2
External Debt Service Ratio (%)	7.6	8.9	15.6	11.3	11.3	9.9	10.5	14.9
Disbursed Outstanding Domestic Debt ($mn)	386.0	376.1	494.4	747.8	1,026.5	1,045.3	1,103.4	1,313.2
Domestic Debt Service Payments ($mn)	19.9	17.0	27.4	18.3	34.1	35.8	36.6	40.9

Sources: MOF, SIB, and Central Bank

(1) Unemployment rate at September 2020 using new definitions for key terms.

(2) 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.

(3) Includes CFZ gross sales.

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

P - Provisional

R - Revised

Table A.2: Key Indicators for Advanced, Emerging, and Developing Economies

Country	GDP Growth Rate (%)		Inflation Rate (%)		Unemployment Rate (%)	
	2019	2020[E]	2019	2020[E]	2019	2020[E]
Advanced Economies	1.6	-4.7	1.4	0.8	n.a.	n.a.
United States	2.2	-3.5	1.8	1.4	3.7	8.1
Euro Area	1.3	-6.6	1.3	-0.3	7.4	8.3
United Kingdom	1.4	-9.9	1.4	0.8	3.8	5.1
Canada	2.0	-5.4	2.2	0.7	5.7	8.8
Japan	0.3	-4.8	0.5	0.0	3.7	4.3
Emerging and Developing Economies	3.6	-2.2	5.1	5.0	n.a.	n.a.
China	6.0	2.3	2.9	2.5	5.5	4.7
India	4.0	-8.0	7.4	4.6	7.6	9.1
Mexico	-0.1	-8.3	2.8	3.2	3.5	4.4
Russia	2.0	-3.1	4.5	2.9	4.6	5.9
Brazil	1.1	-4.1	4.3	4.5	11.0	14.6

Sources: IMF, United Nations, US Bureau of Economic Analysis, USBureau of Labour Statistics, European Union, Statistical Office (Eurostat), National Bureau of Statistics of China, Indian Central Statistics Office, Mexican National Institute of Statistics and Geography, and the Brazilian Institute of Geography and Statistics.

[E] - Estimate

n.a. - not available

Table A.3: Key Indicators for Central America

Country	GDP Growth Rate (%)		Inflation Rate (%)		Unemployment Rate (%)		Net International Reserves (US $bn)	
	2019[R]	2020[P]	2019[R]	2020[P]	2019[R]	2020[P, 1]	2019[R]	2020[P]
Guatemala	3.8	-2.5	3.4	4.8	2.3	n.a.	14.8	18.4
Honduras	2.7	-8.0	4.1	4.0	5.7	n.a.	5.8	8.1
El Salvador	2.4	-8.6	0.0	-0.1	6.3	n.a.	3.9	2.9
Nicaragua	-3.9	-4.0	6.5	2.8	5.7	5.1	2.4	3.2
Costa Rica	2.1	-4.8	1.5	0.9	11.5	19.5	8.9	7.2
Panama	3.0	-11.0	-0.3	-1.3	5.8	n.a.	4.1	7.8

Sources: ECLAC, United Nations, Central Banks of Guatemala, Honduras, El Salvador, Nicaragua, and Costa Rica, and Statistical Institute of Panama.

[R] - Revised

[P] - Provisional

[1] - January to September

n.a. - not available

Table A.4: Key Indicators for Selected Caribbean Countries

Country	GDP Growth Rate (%)		Inflation Rate (%)		Unemployment Rate (%)		International Reserves (US $mn)		Fiscal Balance (% of GDP)	
	2019[R]	2020[E]	2019[R]	2020[E]	2019[R]	2020[E]	2019[R]	2020[E]	2019[R]	2020[E]
The Bahamas	1.2	-14.8	1.3	1.8	9.5	25.6	1,759	2,381	0.8	-3.8
Barbados	-0.1	-17.6	4.1	3.5	10.1	n.a.	1,481	2,662	3.1[a]	-0.4[a]
Belize	1.6	-14.1	0.2	0.1	10.4	13.7	278	348	-3.0	-7.0
ECCU	2.8	-16.2	0.1	-1.4	n.a.	n.a.	1,802	1,959	n.a.	n.a.
Guyana	5.4	26.2	2.1	1.2	n.a.	n.a.	576	681	0.2	-0.4
Jamaica	0.9	-9.9	6.2	6.4	7.2	10.7	3,631	4,081	7.0	n.a.
Suriname	0.3	-13.4	4.2	61.0	n.a.	n.a.	648	585	n.a.	n.a.
Trinidad and Tobago	-1.2	-5.6	1.0	0.6	n.a.	n.a.	6,929	6,954	-2.5	-11.0

Sources: IMF, ECLAC, IDB, CDB, Central Banks of Belize, Barbados, Guyana, ECCU, Jamaica, Suriname, The Bahamas, 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

n.a. - not available

[a] - Fiscal year, from 1 April to 31 December

Table A.5: Determinants of Money Supply[(1)]

$mn

	Position as at			Changes During 2020
	Dec 2018	Dec 2019	Dec 2020	
Net Foreign Assets	856.5	809.6	992.8	183.2
Central Bank	592.4	558.8	692.0	133.2
Domestic Banks	264.1	250.8	300.8	50.0
Net Domestic Credit	2,702.8	2,869.2	3,039.8	170.6
Central Government (Net)	579.2	607.6	722.3	114.7
Other Public Sector	49.5	71.8	58.9	-12.9
Private Sector	2,074.1	2,189.8	2,258.7	68.9
Central Bank Foreign Liabilities (Long-term)	49.8	49.5	51.5	2.0
Other Items (Net)	492.1	437.1	447.3	10.3
Money Supply (M2)	3,017.3	3,192.3	3,533.8	341.5

[(1)] Transactions associated with the Universal Health Services loan with BBL are not included in this table.

Table A.6: Money Supply

$mn

	Position as at			Changes During 2020
	Dec 2018	Dec 2019	Dec 2020	
Money Supply (M2)	3,017.3	3,192.3	3,533.8	341.5
Money Supply (M1)	1,598.5	1,681.8	1,965.5	283.6
Currency with the Public	335.4	368.3	432.3	64.0
Demand Deposits	1,236.4	1,291.3	1,513.6	222.4
Savings/Chequing Deposits	26.7	22.3	19.5	-2.8
Quasi-Money	1,418.8	1,510.4	1,568.3	57.9
Savings Deposits	730.4	784.1	883.0	98.9
Time Deposits	688.4	726.3	685.3	-40.9

Table A.7: Net Foreign Assets of the Banking System

$mn

	Position as at			Changes During 2020
	Dec 2018	Dec 2019	Dec 2020	
Net Foreign Assets	856.5	809.6	992.8	183.2
Central Bank	592.4	558.8	692.0	133.2
Foreign Assets	595.0	560.3	702.2	141.9
Foreign Liabilities (Demand)	2.6	1.5	10.2	8.7
Domestic Banks	264.1	250.8	300.8	50.0
Foreign Assets	271.1	258.1	321.7	63.6
Foreign Liabilities (Short-term)	7.1	7.3	21.0	13.6

Table A.8: Net Domestic Credit of the Banking System

				$mn
	Position as at			Changes During
	Dec 2018	Dec 2019	Dec 2020	2020
Total Credit to Central Government	708.0	751.6	927.1	175.5
From Central Bank	364.6	439.6	562.9	123.3
From Domestic Banks	343.4	312.0	364.2	52.2
Less Central Government Deposits	128.8	144.0	204.8	60.8
Net Credit to Central Government	579.2	607.6	722.3	114.7
Plus Credit to Other Public Sector	49.5	71.7	58.9	-12.8
Plus Credit to the Private Sector	2,074.1	2,189.8	2,258.7	68.9
Net Domestic Credit of the Banking System	2,702.8	2,869.0	3,039.8	170.8

Table A.9: Domestic Banks - Sectoral Composition of Loans and Advances

$mn

	Position as at			Changes During 2020
	Dec 2018	Dec 2019	Dec 2020	
PRIMARY SECTOR	200.8	220.7	241.3	20.6
Agriculture	171.4	191.7	210.5	18.8
Sugar	85.6	95.4	94.0	-1.4
Citrus	14.5	20.4	17.5	-2.9
Bananas	22.8	23.0	41.0	18.0
Other	48.5	52.9	58.0	5.1
Marine Products	25.1	24.6	24.3	-0.3
Forestry	0.8	1.2	1.1	-0.1
Mining and Exploration	3.5	3.2	5.4	2.2
SECONDARY SECTOR	731.8	617.0	622.7	5.7
Manufacturing	77.4	70.8	73.2	2.4
Building and Construction(1)	595.5	479.5	498.4	18.9
Utilities	58.9	66.7	51.1	-15.6
TERTIARY SECTOR	736.2	786.1	860.8	74.7
Transport	59.5	46.0	45.5	-0.5
Tourism	142.6	164.0	240.2	76.2
Distribution	177.7	175.0	167.2	-7.8
Real Estate	294.2	327.3	325.9	-1.4
Professional Services	49.7	59.2	69.3	10.1
Other(2)	12.5	14.6	12.7	-1.9
PERSONAL LOANS(3)	451.1	614.2	553.3	-60.9
TOTAL	2,119.9	2,238.0	2,278.1	40.1

(1) Changes due to reclassification from personal and distribution loans to construction and real estate in 2020.
(2) Includes government services, financial institutions, and entertainment.
(3) Changes due to reclassification from building and construction to personal loans in 2019.

Table A.10: Sectoral Composition of Credit Unions' Loans and Advances

$mn

	Position as at			Changes During 2020
	Dec 2018	Dec 2019	Dec 2020	
PRIMARY SECTOR	57.1	60.3	55.0	-5.3
Agriculture	48.9	51.2	45.3	-5.9
Sugar	6.8	6.1	6.2	0.1
Citrus	0.0	1.4	1.4	0.0
Bananas	0.0	3.9	1.9	-2.0
Other	42.1	39.8	35.8	-4.0
Marine Products	8.2	9.0	9.1	0.1
Forestry	0.0	0.1	0.1	0.0
Mining and Exploration	0.0	0.0	0.5	0.5
SECONDARY SECTOR	216.5	226.8	218.2	-8.6
Manufacturing	17.5	15.2	15.6	0.4
Building and Construction	199.0	208.1	199.3	-8.8
Residential	105.5	83.5	93.2	9.7
Home Improvement	88.7	100.8	88.3	-12.5
Commercial	4.8	19.3	14.8	-4.5
Infrastructure	0.0	4.4	3.0	-1.4
Utilities	0.0	3.5	3.3	-0.2
TERTIARY SECTOR	148.8	147.1	138.5	-8.6
Transport	2.0	2.6	1.6	-1.0
Tourism	0.2	0.7	0.9	0.2
Distribution	17.2	23.1	21.7	-1.4
Real Estate	108.3	99.6	99.2	-0.4
Residential	1.6	4.7	3.6	-1.1
Commercial	74.8	64.2	62.0	-2.2
Land Acquisition	31.9	30.7	33.6	2.9
Other(1)	21.1	21.1	15.1	-6.0
PERSONAL LOANS	251.0	244.3	228.1	-16.2
TOTAL	673.2	678.5	639.9	-38.6

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

Table A.11: Domestic Banks - Holdings of Approved Liquid Assets

$mn

	Position as at			Changes During 2020
	Dec 2018	Dec 2019	Dec 2020	
Holdings of Approved Liquid Assets	863.5	854.0	1,072.8	218.8
Notes and Coins	86.5	96.4	101.1	4.7
Balances with Central Bank	426.4	437.8	548.0	110.1
Money at Call and Foreign Balances (due in 90 days)	142.7	134.3	181.5	47.2
Central Government Securities Maturing within 90 days(1)	209.0	179.7	229.9	50.2
Other Approved Assets	-1.1	5.9	12.4	6.5
Required Liquid Assets	622.8	653.3	652.5	-0.8
Excess/(Deficiency) Liquid Assets	240.7	200.7	420.3	219.5
Daily Average Holdings of Cash Reserves	426.8	435.2	553.8	118.6
Required Cash Reserves	230.2	241.4	202.0	-39.5
Excess/(Deficiency) Cash Reserves	196.6	193.8	351.9	158.0
Actual Securities Balances(2)	187.7	162.4	206.0	43.6
Excess/(Deficiency) Securities	187.7	162.4	206.0	43.6

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

Table A.12: Domestic Banks - Weighted Average Interest Rates

Percentage

	Position as at			Changes During 2020
	Dec 2018	Dec 2019	Dec 2020	
Weighted Lending Rates				
Personal Loans	10.79	10.56	10.28	-0.28
Commercial Loans	8.68	8.61	8.36	-0.25
Residential Construction	7.01	6.71	6.77	0.06
Other	6.68	6.61	6.54	-0.06
Weighted Average	8.98	8.76	8.53	-0.23
Weighted Deposit Rates				
Demand	0.01	0.01	0.04	0.03
Savings/Chequing	0.48	0.49	0.50	0.01
Savings	2.72	2.64	2.66	0.02
Time	1.95	1.90	2.25	0.35
Weighted Average	1.24	1.14	1.26	0.12
Weighted Average Spread	7.74	7.62	7.27	-0.35

Table A.13: Domestic Banks - Weighted Average Interest Rates on New Loans and Deposits

Percentage

	Rolling Averages			Changes During
	Jan 2018 to Dec 2018	**Jan 2019 to Dec 2019**	**Jan 2020 to Dec 2020**	**Dec 2019 to Dec 2020**
Weighted Lending Rates				
Personal Loans	9.90	9.83	9.81	-0.02
Commercial Loans	8.38	8.30	8.24	-0.06
Residential Construction	7.11	8.08	7.68	-0.40
Other	6.42	6.05	6.27	0.22
Weighted Average	8.63	8.70	8.50	-0.20
Weighted Deposit Rates				
Demand	0.00	0.01	0.00	-0.01
Savings/Chequing	0.64	0.65	0.74	0.09
Savings	2.48	2.57	2.64	0.07
Time	1.93	2.42	2.48	0.06
Weighted Average	1.62	1.93	2.01	0.08
Weighted Average Spread	7.01	6.78	6.49	-0.28

Table A.14: Central Government - Revenue and Expenditure

	Fiscal Year 2019/2020	Estimated Budget 2020/2021	Jan - Dec 2018	Jan - Dec 2019	Jan - Dec 2020
TOTAL REVENUE AND GRANTS (1+2+3)	1,167,897	1,239,367	1,193,703	1,176,344	971,892
1). Current Revenue	1,141,949	1,205,987	1,139,369	1,147,700	926,223
Tax Revenue	1,045,812	1,106,710	1,023,194	1,049,455	844,828
Income and Profits	292,480	308,060	292,105	294,482	237,154
Taxes on Property	6,817	8,045	5,411	6,438	6,922
Taxes on Goods and Services	585,065	624,938	563,025	586,214	471,962
International Trade and Transactions	161,449	167,668	162,653	162,320	128,791
Non-Tax Revenue	96,137	99,277	116,175	98,245	81,395
Property Income	10,794	14,030	29,167	9,516	7,982
Licenses	28,195	25,711	25,113	28,723	17,411
Transfers from Government Departments	30,500	35,048	29,152	30,908	29,306
Repayment of Old Loans	1,013		1,015	1,114	881
Rent and Royalties	25,035		30,678	26,679	25,813
2). Capital Revenue	5,250	2,556	2,898	6,992	17,156
3). Grants	20,698	30,824	51,437	21,652	28,513
TOTAL EXPENDITURE (1+2)	1,346,698	1,387,101	1,221,276	1,306,670	1,338,531
1). Current Expenditure	1,094,265	1,108,324	1,052,851	1,084,504	993,421
Wages and Salaries	456,837	453,801	435,379	451,165	457,457
Pensions	92,084	95,867	96,126	93,610	88,065
Goods and Services	239,692	253,061	229,484	238,442	201,020
Interest Payments	125,182	121,455	118,425	124,638	88,221
Subsidies and Current Transfers	180,470	184,141	173,435	176,648	158,658
2). Capital Expenditure	252,433	278,777	168,425	222,166	345,110
Capital II (Local Sources)	94,837	138,770	61,173	90,872	185,635
Capital III (Foreign Sources)	145,737	137,708	94,528	119,079	155,672
Capital Transfer and Net Lending	11,859	2,299	12,723	12,215	3,803
CURRENT BALANCE	47,685	97,658	86,518	63,196	-67,199
PRIMARY BALANCE	-53,620	-26,284	90,853	-5,688	-278,419
OVERALL BALANCE	-178,801	-147,739	-27,573	-130,326	-366,640
OVERALL BALANCE WITHOUT GRANTS	-199,499	-178,558	-79,009	-151,978	-395,153
PRIMARY BALANCE WITHOUT GRANTS	-74,318	-57,103	39,416	-27,340	-306,932

Table A.14: Central Government - Revenue and Expenditure *continued*

	Fiscal Year 2019/2020	Estimated Budget 2020/2021	Jan - Dec 2018	Jan - Dec 2019	Jan - Dec 2020
FINANCING	178,801	147,739	27,573	130,326	366,640
Domestic Financing	72,063		-2,941	54,297	162,199
Central Bank	95,067		-37,247	83,110	58,115
Net Borrowing	79,562		-23,561	74,959	123,345
Change in Deposits	15,505		-13,686	8,151	-65,230
Domestic Banks	-46,225		22,102	-54,949	60,293
Net Borrowing	-33,617		30,417	-31,687	55,913
Change in Deposits	-12,608		-8,315	-23,262	4,380
International Banks	738		65	218	0
Other Domestic Financing	22,483		12,139	25,918	43,791
Financing Abroad	73,655		23,123	37,196	201,666
Disbursements	151,630		103,626	117,345	284,430
Amortisation	-77,976		-80,503	-80,149	-82,764
Other	33,083		7,391	38,833	2,774

Sources: the Central Bank and MOF

Table A.15: Central Government - Domestic Debt 2020

$'000

	Disbursed Outstanding Debt 31/12/19R	TRANSACTIONS THROUGH DECEMBER 2020				Disbursed Outstanding Debt 31/12/20P
		Disbursement/ New Issue of Securities	*Amortisation/ Reduction in Securities*	Interest	Net Change in Overdraft/ Securities	
Overdraft/Loans	56,161	0	0	5,410	5,683	61,844
Central Bank	56,161	0	0	5,410	5,683	61,844
Domestic Banks	0	0	0	0	0	0
Treasury Bills	234,000	0	0	2,842	-13,000	221,000
Central Bank	56,507	0	0	538	-47,071	9,436
Domestic Banks	162,280	0	0	2,105	43,446	205,726
Other	15,213	0	0	200	-9,375	5,838
Treasury Notes	720,000	217,800	0	32,006	0	937,800
Central Bank	326,889	163,153	0	12,788	1,429	491,471
Domestic Banks	145,941	11,000	0	6,393	1,494	158,435
Other	247,170	43,647	0	12,824	-2,923	287,894
Belize Bank Limited(1)	91,000	0	0	0	0	91,000
Belize Social Security Board(2)	213	0	55	15	0	158
Fort Street Tourism Village	379	0	379	0	0	0
Debt for Nature Swap	1,598	0	194	44	0	1,405
Total	1,103,351	217,800	627	40,318	-7,317	1,313,207

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 Universal Health Services loan guarantee.
(2) Government has an outstanding loan with BSSB for Hopeville Housing Project.

Table A.16: Public Sector External Debt by Creditor

$mn

	Outstanding Debt 31/12/2019[R]	Disbursements	Amortisation	Interest and Other Charges	Valuation Adjustments	Outstanding Debt 31/12/2020[P]
Bilateral	782.6	76.3	26.9	12.2	0.0	831.9
Multilateral	794.3	208.4	70.5	25.7	1.7	933.9
Bonds	1,053.0	39.6	0.0	26.0	0.0	1,092.6
Commercial	0.0	34.6	0.0	1.0	0.0	34.6
Total	2,629.9	358.9	97.4	65.0	1.6	2,893.1

[R] - Revised

[P] - Provisional

Table A.17: Public Sector - External Debt 2020

$'000

	Disbursed Outstanding Debt 31/12/19[R]	*TRANSACTIONS THROUGH DECEMBER 2020* Disbursements	*Principal Payments*	*Interest & Other Payments*	*Parity Change*	Disbursed Outstanding Debt 31/12/20[P]
CENTRAL GOVERNMENT	2,489,568	348,041	93,764	60,337	-247	2,743,598
Government of Venezuela[(1)]	429,697	23	0	23	0	429,720
Kuwait Fund for Arab Economic Development	33,239	3,875	2,572	957	-41	34,482
Mega International Commercial Bank Company Ltd.	50,000	0	2,857	2,202	0	47,143
Republic of China/Taiwan	234,676	72,415	21,507	7,046	0	285,584
Caribbean Development Bank	264,204	40,240	22,255	10,205	0	282,189
CARICOM Development Fund	873	3,000	873	46	0	3,000
European Economic Community	5,075	0	477	35	-287	4,311
Inter-American Development Bank	245,323	63,540	19,861	6,013	0	289,002
International Fund for Agriculture Development	5,031	1,495	320	113	81	6,287
International Bank for Reconstruction and Development	38,523	20,418	2,851	1,255	0	56,090
OPEC Fund for International Development	94,076	44,841	7,416	3,969	0	131,501
Central American Bank for Economic Integration	24,847	0	1,774	1,351	0	23,073
Bank of New York[(2)]	1,053,004	39,611	0	25,996	0	1,092,615
Caribbean Community Climate Change Centre	11,000	24,000	11,000	75	0	24,000
US $30.0mn Fixed-Rate Notes	0	34,600	0	1,049	0	34,600
NON-FINANCIAL PUBLIC SECTOR	55,010	4,333	2,356	3,001	0	56,987
Caribbean Development Bank	20,010	4,333	2,356	1,042	0	21,987
International Cooperation and Development Fund	35,000	0	0	1,959	0	35,000
FINANCIAL PUBLIC SECTOR	85,360	6,524	1,282	1,627	1,870	92,472
Caribbean Development Bank	33,630	6,524	1,265	1,475	0	38,889
European Economic Community	14	0	17	0	3	0
European Investment Bank	2,227	0	0	152	-189	2,038
International Monetary Fund	49,489	0	0	0	2,056	51,545
GRAND TOTAL	2,629,938	358,897	97,401	64,965	1,632	2,893,057

[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 2020 amounted to principal of $54.1mn and interest of $12.1mn.

(2) In accordance with the agreed amendments set forth in the Consent Solicitation Statement dated August 2020, disbursement of $38.9mn represents the capitalised interest up to December 2020.

Table A.18: GDP by Activity at Current and Constant 2000 Prices

$mn

	2015	2016	2017	2018	2019	2020
GDP at Current Market Prices	3,443.4	3,578.6	3,717.1	3,831.8	3,965.0	3,413.3
GDP at Constant 2000 Market Prices	2,704.2	2,703.3	2,750.5	2,830.0	2,880.9	2,475.1
Primary Industries	335.0	260.9	282.2	273.9	263.7	257.3
Agriculture, Hunting, and Forestry	252.5	231.5	253.7	246.5	236.0	237.0
Fishing	82.5	29.4	28.5	27.4	27.7	20.2
Secondary Industries	393.6	400.4	403.9	407.7	390.0	382.9
Manufacturing (Including Mining and Quarrying)	181.6	169.6	169.2	172.3	181.5	158.7
Electricity and Water	132.8	141.2	150.3	147.3	110.1	126.6
Construction	79.1	89.7	84.4	88.0	98.4	97.5
Tertiary Industries	1,511.1	1,621.7	1,685.0	1,761.6	1,815.5	1,507.2
Wholesale and Retail Trade; Repair	456.8	539.5	576.5	590.4	583.5	454.7
Hotels and Restaurants	105.6	104.7	108.3	122.3	122.2	37.8
Transport and Communication	206.7	223.8	232.7	242.5	242.2	200.1
Other Private Services (Excluding Financial Services Indirectly Measured)	467.2	467.4	469.0	479.1	526.1	470.0
Producers of Government Services	274.8	286.4	298.5	327.3	341.4	344.5
All Industries at Basic Prices	2,239.6	2,282.9	2,371.3	2,443.4	2,469.2	2,147.3
Taxes Less Subsidies on Products	464.6	420.3	379.2	386.7	411.8	327.8

Source: SIB

Table A.19: Annual Percentage Change in GDP by Activity at Current and Constant 2000 Prices

Percentage

	2015	2016	2017	2018	2019	2020
GDP at Current Market Prices	3.3	3.9	3.9	3.1	3.5	-13.9
GDP at Constant 2000 Market Prices	2.6	-0.0	1.7	2.9	1.8	-14.1
Primary Industries	-11.2	-22.1	8.2	-2.9	-3.7	-2.4
Agriculture, Hunting, and Forestry	1.2	-8.3	9.6	-2.8	-4.3	0.5
Fishing	-35.5	-64.4	-3.1	-3.9	1.1	-27.0
Secondary Industries	-3.1	1.7	0.9	0.9	-4.3	-1.8
Manufacturing (Including Mining and Quarrying)	-14.1	-6.6	-0.2	1.8	5.3	-12.5
Electricity and Water	3.4	6.3	6.5	-2.0	-25.3	15.0
Construction	19.0	13.3	-5.9	4.3	11.8	-0.9
Tertiary Industries	6.4	7.3	3.9	4.5	3.1	-17.0
Wholesale and Retail Trade; Repair	7.8	18.1	6.9	2.4	-1.2	-22.1
Hotels and Restaurants	-3.3	-0.9	3.4	12.9	-0.1	-69.0
Transport and Communication	1.2	8.3	4.0	4.2	-0.1	-17.4
Other Private Services (Excluding Financial Services Indirectly Measured)	7.3	0.0	0.4	2.1	9.8	-10.6
Producers of Government Services	11.1	4.2	4.2	9.6	4.3	0.9
All Industries at Basic Prices	1.6	1.9	3.9	3.0	1.1	-13.0
Taxes Less Subsidies on Products	7.7	-9.5	-9.8	2.0	6.5	-20.4

Source: SIB

Table A.20: Sugar Cane Deliveries

	2017/2018	2018/2019	2019/2020
Deliveries (long tons)	1,680,555	1,765,695	1,512,592

Sources: BSI and Santander Group

Table A.21: Citrus Fruit Deliveries

	2017/2018	2018/2019	2019/2020
Deliveries (‘000 boxes)	2,639	2,349	2,563
Oranges	2,433	2,127	2,401
Grapefruits	205	222	162

Sources: CPBL and CGA

Table A.22: Production of Sugar and Molasses

	2017/2018	2018/2019	2019/2020
Sugar Processed (long tons)	175,340	197,448	141,760
Molasses Processed (long tons)	51,669	62,563	62,483
Performance			
Factory Time Efficiency	88.73	95.77	91.42
Cane Purity (%)	86.31	86.34	83.07
Cane to Sugar Ratio	9.58	8.94	10.66

Sources: BSI and Santander Group

Table A.23: Production of Citrus Juices and Pulp

	2017/2018	2018/2019	2019/2020
Production (‘000 ps)	15,001	13,564	14,598
Orange Concentrate	13,918	12,343	13,757
Grapefruit Concentrate	779	960	652
Not-from-concentrate	304	262	189
Production (‘000 pounds)			
Pulp	1,714	1,437	1,696
Citrus Oil	832	683	872

Source: CPBL

Table A.24: Labour Force Statistics

Indicators	Sept 2020
Labour Force	168,630
Employed Population	145,455
Unemployed Population	23,175
Unemployment Rate (%)	13.7%
Labour Force Participation Rate (%)	55.1%

Source: SIB

Table A.25: Tourist Arrivals and Expenditure[1] [2]

	2017	2018	2019	2020
Stay-over Arrivals				
Air	320,549	360,405	374,759	107,561
Land	60,803	71,713	67,084	20,144
Sea	20,760	20,946	22,243	5,879
Total Stay-overs	402,112	453,064	464,086	133,583
Cruise Ship Disembarkations[1]	912,809	1,087,323	1,053,502	308,003
Tourist Expenditure ($mn)	786.3	971.3	1,037.3	314.1

Sources: BTB, the Central Bank, and Department of Immigration and Nationality Services.
[1] In April 2020, all points of entry were closed.
[2] On 1 October 2020, PGIA was reopened.

Table A.26: Annual Percentage Change in Consumer Price Index Components by Major Commodity Group

Major Commodity	Weights	Average Annual Index 2018	2019	2020	Average Annual Change
Food and Non-Alcoholic Beverages	195.0	97.3	97.9	99.0	1.1
Alcoholic Beverages, Tobacco, and Narcotics	17.0	100.5	101.0	100.6	-0.4
Clothing and Footwear	83.0	101.1	101.1	100.8	-0.4
Housing, Water, Electricty, Gas, and Other Fuels	265.0	99.6	99.8	100.4	0.6
Furnishing, Household Equipment, and Routine Household Maintenance	69.0	101.5	101.0	100.5	-0.5
Health	41.0	100.1	99.9	100.4	0.5
Transport	136.0	105.8	104.1	103.0	-1.1
Information and Communication	33.0	103.3	103.2	103.1	-0.1
Recreation, Sport, and Culture	69.0	97.5	99.3	98.7	-0.6
Education Services	32.0	94.6	97.7	99.7	2.0
Restaurants and Accommodation Services	7.0	113.6	114.4	106.5	-6.9
Insurance and Financial Services	21.0	96.9	99.4	100.0	0.6
Personal Care, Social Protection, and Miscellaneous Goods and Services	31.0	98.4	98.8	98.9	0.0
All Items	1,000.0	100.2	100.4	100.5	0.1

Source: SIB

Table A.27: Balance of Payments - Merchandise Trade

$mn

	2018	2019	2020	Change
Goods Exports, FOB	901.6	850.6	574.6	-32.4%
Of which: Domestic Exports	385.2	409.3	359.8	-12.1%
CFZ Sales	376.0	383.0	172.9	-54.9%
Other Re-exports	77.8	58.3	42.0	-28.0%
Goods Imports, FOB	1,834.5	1,937.0	1,462.9	-24.5%
Of which: Domestic Imports	1,535.4	1,627.6	1,263.0	-22.4%
CFZ[1]	299.0	309.4	199.8	-35.4%
Merchandise Trade Balance	-932.9	-1,086.4	-888.2	-18.2%

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

Table A.28: Domestic Exports

$mn

	2018	2019	2020	% Change
Traditional Exports	291.6	338.9	289.0	-14.7
Sugar	112.8	136.3	108.0	-20.8
Citrus Juices[1]	55.0	43.3	37.6	-13.1
Citrus Concentrate	54.7	43.0	37.3	-13.1
Not-from-concentrate	0.3	0.3	0.3	-14.9
Molasses[1]	6.6	10.9	12.4	13.4
Banana	74.4	79.5	87.0	9.5
Marine[1]	41.8	48.8	39.2	-19.7
Petroleum[2]	24.6	20.1	4.8	-76.2
Non-traditional Exports	69.0	70.4	70.3	-0.1
Total Exports	385.2	409.3	359.8	-12.1

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.29: Exports of Sugar and Molasses

	2019		2020	
	Volume (long tons)	Value ($'000)	Volume (long tons)	Value ($'000)
Sugar[1]	199,059	136,316	121,218	108,012
EU	174,059	113,142	94,078	79,635
US	12,401	12,434	16,240	16,829
CARICOM	12,520	10,637	10,610	11,215
Other	79	102	290	333
Molasses[2]	53,645	10,911	43,839	12,371

Sources: BSI, Santander Group, and SIB
[1] Reflects value of export shipments.
[2] Reflect actual sales as reported by the processors.

Table A.30: Exports of Citrus Juices and Pulp[1]

	2018	2019	2020	% Change
Concentrate ('000 ps)	16,369.8	12,481.1	12,953.1	3.8
Orange	15,600.1	11,456.0	12,379.7	8.1
Grapefruit	769.6	1,025.0	573.3	-44.1
Concentrate Value ($mn)	54.7	43.0	37.3	-13.1
Orange	50.9	37.0	34.1	-7.8
Grapefruit	3.8	5.9	3.2	-46.3
Not-from-concentrate Exports ('000 ps)	58.9	63.9	52.5	-17.9
Orange	48.2	53.1	41.5	-21.8
Grapefruit	10.6	10.8	10.9	1.2
Not-from-concentrate Value ($mn)	0.3	0.3	0.3	-14.9
Orange	0.2	0.3	0.2	-24.3
Grapefruit	0.1	0.1	0.1	26.1
Total Citrus Juice Exports ('000 ps)	16,428.6	12,545.0	13,005.5	3.7
Total Citrus Juice Receipts ($mn)	55.0	43.3	37.6	-13.1
Pulp Export ('000 pounds)	2,422.4	1,335.6	1,111.5	-16.8
Pulp Value ($mn)	1.8	1.0	0.8	-19.2

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.31: Exports of Banana

	2018	2019	2020
Volume (metric tons)	80,394	83,794	92,190
Value ($mn)	74.4	79.5	87.0

Source: BGA

Table A.32: Exports of Marine Products

	2018		2019		2020	
	Volume ('000 lbs)	Value ($'000)	Volume ('000 lbs)	Value ($'000)	Volume ('000 lbs)	Value ($'000)
Lobster	954	23,867.1	947	27,117.3	917	25,830.2
Shrimp	1,191	5,371.7	1,024	6,143.9	660	3,652.0
Conch	883	13,097.2	1,050	15,442.7	719	9,692.8
Whole/Fillet Fish	22	53.7	61	67.7	0	0
Other	0	0.0	0	0.0	0	0
Total	3,050	42,389.7	3,082	48,771.6	2,296	39,175.0

Source: SIB

Table A.33: Other Major Exports

	2018	2019	2020
Petroleum			
Volume (barrels)	199,649	210,741	74,920
Value ($mn)	24.6	20.1	4.8

Source: SIB

Table A.34: Gross Imports (CIF) by Standard International Trade Classification (SITC)

$mn

SITC Category	2018	2019	2020
0 Food and Live Animals	219.7	230.2	231.7
1 Beverages and Tobacco	37.9	39.9	48.4
2 Crude Materials	30.1	36.7	20.7
3 Mineral Fuels and Lubricants	347.1	394.4	192.6
Of which: Electricity	64.2	99.4	32.3
4 Oils and Fats	16.8	19.6	22.4
5 Chemicals Products	175.1	175.6	179.5
6 Manufactured Goods	244.4	267.5	227.0
7 Machinery and Transport Equipment	390.9	397.6	317.6
8 Other Manufactures	150.9	144.6	116.3
9 Commodities - n.i.e.	0.0	0.0	0.0
Designated Processing Areas[1]	38.8	31.9	30.3
Personal Goods	4.1	3.2	2.2
Total	1,655.8	1,741.3	1,388.7
CFZ Direct Imports	324.0	329.9	217.7
Grand Total	1,979.8	2,071.2	1,606.5

Sources: SIB and BEL

[1] Formerly Export Processing Zones.

Table A.35: Extended Balance of Payments Services Classification

$mn

		Jan - Dec 2019	Jan - Dec 2020
Total Services	Net	885.0	514.1
	Credits	1,354.4	854.8
	Debits	469.4	340.8
Manufacturing Services	Net	0.3	0.0
	Credits	0.3	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	-67.4	-71.6
	Credits	57.4	56.9
	Debits	124.7	128.5
Travel	Net	966.4	449.7
	Credits	1,053.3	490.7
	Debits	86.9	41.1
Telecommunications, Computer, and Information Services	Net	30.9	82.5
	Credits	58.4	99.0
	Debits	27.5	16.4
Construction Services	Net	0.0	0.0
	Credits	0.0	0.0
	Debits	0.0	0.0
Insurance and Pension Services	Net	-51.0	-41.0
	Credits	0.8	1.0
	Debits	51.8	42.0
Financial Services	Net	1.0	-2.7
	Credits	9.4	6.6
	Debits	8.4	9.3
Charges for the use of Intellectual Property, n.i.e.	Net	-14.9	-11.2
	Credits	0.0	0.0
	Debits	14.9	11.2
Other Business Services	Net	-35.2	41.8
	Credits	86.1	102.3
	Debits	121.2	60.5
Personal, Cultural, and Recreational Services	Net	-0.1	4.7
	Credits	2.4	5.9
	Debits	2.5	1.1
Government Services, n.i.e.	Net	55.0	61.8
	Credits	86.4	92.5
	Debits	31.4	30.7

Table A.36: Balance of Payments - Service and Income Balances

$mn

	2018			2019			2020		
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net
Services	1,268.6	434.7	833.9	1,354.4	469.4	885.0	854.8	340.8	514.1
Transportation	52.0	133.0	-81.0	57.4	124.7	-67.4	56.9	128.5	-71.6
Travel	983.2	104.5	878.6	1,053.3	86.9	966.4	490.7	41.1	449.7
Other Goods and Services	152.7	160.0	-7.3	157.3	226.4	-69.0	214.7	140.5	74.2
Government Goods and Services, n.i.e.	80.7	37.1	43.6	86.4	31.4	55.0	92.5	30.7	61.8
Primary Income	19.0	331.5	-312.5	19.9	346.9	-327.0	15.2	132.5	-117.3
Labour Income	4.7	11.3	-6.6	4.7	11.4	-6.7	4.7	12.0	-7.3
Investment Income[1]	14.3	320.2	-305.9	15.2	335.5	-320.3	10.5	120.5	-110.0
Secondary Income	259.7	101.3	158.3	250.6	91.4	159.1	322.4	86.8	235.6
Government	0.0	22.8	-22.8	0.0	14.9	-14.9	22.5	10.0	12.5
Private	259.7	78.6	181.1	250.6	76.5	174.0	299.9	76.8	223.1

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

Table A.37: Percentage Distribution of Visible Trade by Country/Area[1]

Percentage

	Exports			Imports		
	2018	2019	2020	2018	2019	2020
US	16.2	14.1	16.3	42.5	44.2	40.3
Mexico	48.2	44.4	33.0	10.8	10.9	13.0
UK	15.7	18.9	21.2	1.0	1.0	1.3
Other EU	6.1	6.9	10.3	2.6	2.9	4.4
Central America	3.2	3.1	5.4	15.3	14.5	13.3
CARICOM	8.2	9.9	10.3	2.6	2.4	2.8
Canada	0.0	0.1	0.3	1.9	0.8	0.8
China	0.2	0.1	0.1	12.0	13.6	14.4
Other	2.2	2.5	3.1	10.1	9.8	9.8
Total	100.0	100.0	100.0	100.0	100.0	100.0

Sources: SIB and the Central Bank
[1] Includes exports and imports by the CFZ.

Table A.38: Balance of Payments - Capital and Financial Accounts

			$mn
	2018 Net	**2019 Net**	**2020 Net**
CAPITAL ACCOUNT	51.4	20.7	28.5
Government	51.4	20.7	28.5
Other Sectors	0.0	0.0	0.0
FINANCIAL ACCOUNT	-203.8	-270.7	-337.7
Direct Investment Abroad	1.4	4.2	8.9
Direct Investment in Belize	236.6	187.8	152.4
Portfolio Investment Assets	0.0	0.0	0.0
Portfolio Investment Liabilities	0.0	11.0	13.0
Financial Derivatives Assets	0.0	0.0	0.0
Financial Derivatives Liabilities	0.0	0.0	0.0
Other Investment Assets	34.5	-17.2	62.7
Monetary Authorities	2.4	-1.7	1.7
General Government	0.0	0.0	0.0
Banks	35.2	-13.0	63.6
Other Sectors	-3.0	-2.5	-2.6
Other Investment Liabilities	3.2	58.9	243.9
Monetary Authorities	0.8	-1.1	8.7
General Government	56.1	51.8	236.2
Banks	2.0	0.3	13.6
Other Sectors	-55.6	7.9	-14.6
NET ERRORS AND OMISSIONS	-37.7	42.4	30.0
CHANGES IN RESERVES	-35.6	-35.5	140.4

Table A.39: Official International Reserves

$mn

	Position as at			Changes During 2020
	Dec 2018	Dec 2019	Dec 2020	
Gross Official International Reserves	591.2	556.4	697.9	141.5
Central Bank of Belize	572.6	536.9	677.3	140.4
Holdings of SDRs	56.0	55.9	58.3	2.4
IMF Reserve Tranche	17.4	17.2	17.9	0.6
Other	499.2	463.8	601.1	137.4
Central Government	18.7	19.5	20.6	1.1
Foreign Liabilities	2.6	2.3	4.5	2.2
CARICOM	0.3	0.1	0.6	0.5
Other	2.3	2.2	3.9	1.7
Net Official International Reserves	588.6	554.1	693.4	139.3

Table A.40: Long-Term Private Sector External Debt by Industry[(1) (2)]

$'000

Industries	Disbursed Outstanding as at 31/12/2019	Transactions (Jan - Dec 2020) Disbursements	Principal Payments	Interest Payments	Disbursed Outstanding as at 31/12/2020
Agriculture	32,699	0	0	0	32,699
Arts, Entertainment, and Recreation	0	0	0	0	0
Construction	28,292	0	2,691	2,490	25,600
Economic Diversification	113	0	111	3	2
Education	0	0	0	0	0
Electricity and Gas	4,149	11,000	30	1,460	15,119
Financial and Insurance	111	0	0	0	111
Fishing	8,801	0	148	12	8,653
Information and Communication	109	0	109	2	0
Real Estate	0	0	0	0	0
Tourism	40,816	2,209	0	0	43,025
Transportation	38,617	0	598	351	38,019
Wholesale and Retail Trade	2,179	0	283	77	1,896
Other	2,554	0	0	0	2,554
Total	158,441	13,209	3,971	4,396	167,678

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

Table A.41: Balance of Payments Summary

$mn

	2018	2019	2020
CURRENT ACCOUNT	-253.1	-369.3	-255.8
Goods: Exports FOB	901.6	850.6	574.6
Goods: Imports FOB	1,834.5	1,937.0	1,462.9
Trade Balance	-932.9	-1,086.4	-888.2
Services: Credit	1,268.6	1,354.4	854.8
Transportation	52.0	57.4	56.9
Travel	983.2	1,053.3	490.7
Other Goods and Services	152.7	157.3	214.7
Government Goods and Services	80.7	86.4	92.5
Services: Debit	434.7	469.4	340.8
Transportation	133.0	124.7	128.5
Travel	104.5	86.9	41.1
Other Goods and Services	160.0	226.4	140.5
Government Goods and Services	37.1	31.4	30.7
Balance on Goods and Services	-99.0	-201.4	-374.2
Primary Income: Credit	19.0	19.9	15.2
Compensation of Employees	4.7	4.7	4.7
Investment Income	14.3	15.2	10.5
Primary Income: Debit	331.5	346.9	132.5
Compensation of Employees	11.3	11.4	12.0
Investment Income(1)	320.2	335.5	120.5
Balance on Goods, Services, and Income	-411.5	-528.4	-491.4
Secondary Income: Credit	259.7	250.6	322.4
Government	0.0	0.0	22.5
Private	259.7	250.6	299.9
Secondary Income: Debit	101.3	91.4	86.8
Government	22.8	14.9	10.0
Private	78.6	76.5	76.8
CAPITAL ACCOUNT, n.i.e.	51.4	20.7	28.5
Capital Account: Credit	51.4	20.7	28.5
Capital Account: Debit	0.0	0.0	0.0

Table A.41: Balance of Payments Summary *continued*

$mn

	2018	2019	2020
FINANCIAL ACCOUNT, n.i.e.	-203.8	-270.7	-337.7
Direct Investment Abroad	1.4	4.2	8.9
Direct Investment in Belize, n.i.e.	236.6	187.8	152.4
Net Direct Investment	-235.1	-183.6	-143.5
Portfolio Investment Assets	0.0	0.0	0.0
Portfolio Investment Liabilities, n.i.e.	0.0	11.0	13.0
Net Portfolio Investment	0.0	-11.0	-13.0
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	34.5	-17.2	62.7
Other Investment Liabilities	3.2	58.9	243.9
Net Other Investment	31.3	-76.1	-181.1
NET ERRORS AND OMISSIONS	-37.7	42.4	30.0
RESERVE ASSETS	-35.6	-35.5	140.4

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

Table A.42: International Investment Position

	Dec 2019	Dec 2020	Annual Change
			$mn
Net position	-6,685.1	-6,882.3	-197.3
A. Assets	954.3	1,166.3	212.0
1. Direct Investment Abroad	141.1	149.9	8.9
2. Portfolio Investment	0.0	0.0	0.0
2.1 Equity Securities	0.0	0.0	0.0
2.2 Debt Securities	0.0	0.0	0.0
3. Other Investment	257.4	321.0	62.7
3.1 Trade Credits	-0.7	-0.7	0.0
3.2 Loans	0.0	0.0	0.0
3.3 Currency and Deposits	258.1	321.7	63.4
3.4 Other Assets	0.0	0.0	-0.7
4. Reserve Assets	555.7	696.1	140.4
4.1 Monetary Gold	0.0	0.0	0.0
4.2 Special Drawing Rights	55.9	58.3	2.4
4.3 Reserve Position in the Fund	17.2	17.9	0.6
4.4 Foreign Exchange	463.8	601.1	137.4
4.5 Other Claims	18.9	18.9	0.0
B. Liabilities	7,639.3	8,048.6	409.3
1. Direct Investment	4,662.6	4,815.0	152.4
2. Portfolio Investment	1,064.0	1,077.0	13.0
2.1 Equity Securities	0.0	0.0	0.0
2.2 Debt Securities	1,064.0	1,077.0	13.0
3. Other Investment	1,912.7	2,156.6	243.9
3.1 Trade Credits	37.1	20.6	-16.5
3.2 Loans	1,818.6	2,057.0	238.4
3.3 Currency and Deposits	55.3	77.7	22.5
3.4 Other Liabilities	1.8	1.2	-0.5

Table A.43: 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 A.44: 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	

* These represent the five largest credit unions

Table A.45: Capital for All Credit Unions

Capital Adequacy	Dec 2016	Dec 2017	Dec 2018	Dec 2019	Dec 2020
Total Capital/Deposits (%)	20.7	21.6	20.9	20.5	21.0
Total Capital/Total Assets (%)	16.9	17.5	17.0	16.8	17.2
Net Institutional Capital/Total Assets (%)	10.8	11.4	11.6	11.7	11.8
Total Capital ($mn)	153.1	165.1	177.5	183.9	196.1

Table A.46: Central Bank Dealings in Foreign Exchange 2020

$mn

Month	US $, Canadian $, and UK £			CARICOM Currencies		
	Purchases	Sales	Net	Purchases	Sales	Net
January	12.4	27.1	-14.7	0.0	0.6	-0.6
February	15.3	40.0	-24.7	0.2	0.0	0.2
March	17.5	11.6	5.9	0.0	0.6	-0.6
April	32.6	21.1	11.5	0.0	0.0	0.0
May	9.0	10.5	-1.5	0.0	0.5	-0.5
June	68.9	17.6	51.3	0.0	0.1	-0.1
July	57.5	27.7	29.8	0.0	0.5	-0.5
August	45.7	10.9	34.8	0.0	0.0	0.0
September	30.0	12.1	17.9	0.0	0.0	0.0
October	42.5	18.1	24.4	0.0	0.5	-0.5
November	9.9	11.8	-1.9	0.0	0.0	0.0
December	22.8	19.5	3.3	0.0	0.3	-0.3
Total	364.1	228.0	136.1	0.2	3.1	-2.9

Table A.47: External Asset Ratio 2020

Month	Foreign Assets $mn	Domestic Liabilities $mn	External Asset Ratio (%)
January	525.7	937.5	56.1
February	500.8	942.7	53.1
March	506.1	960.0	52.7
April	517.7	989.8	52.3
May	516.5	1,001.9	51.5
June	567.9	1,068.7	53.1
July	599.8	1,082.4	55.4
August	635.0	1,115.0	56.9
September	652.3	1,145.7	56.9
October	676.9	1,180.8	57.3
November	676.0	1,180.9	57.2
December	681.7	1,202.9	56.7

Table A.48: Domestic Bank Balances with the Central Bank 2020

$mn

Month	Average Deposit Liability	Required Cash Reserve	Actual Cash Holdings	Excess/ (Deficit)
January	2,871.7	244.1	424.6	180.5
February	2,895.3	246.1	421.2	175.1
March	2,915.2	247.8	448.0	200.2
April	2,960.1	192.4	382.1	189.7
May	2,943.3	191.3	378.5	187.1
June	2,932.9	190.6	404.6	214.0
July	2,946.7	191.5	428.9	237.4
August	2,986.7	194.1	444.6	250.4
September	3,022.6	196.5	477.4	280.9
October	3,057.0	198.7	500.8	302.0
November	3,078.9	200.1	522.5	322.4
December	3,107.2	202.0	553.8	351.9
Average	2,976.5	207.9	448.9	241.0

Table A.49: Currency in Circulation 2020

$mn

Month	Notes	Coins	Total	Domestic Bank Vault Cash	Currency with the Public
January	377.3	34.5	411.8	50.3	361.5
February	382.4	34.7	417.0	50.1	366.9
March	413.8	34.9	448.7	64.8	383.9
April	416.3	34.9	451.1	58.7	392.5
May	415.5	35.0	450.5	59.4	391.1
June	420.2	35.2	455.4	52.7	402.7
July	429.3	35.4	464.6	58.2	406.4
August	432.2	35.5	467.6	60.8	406.9
September	434.5	35.5	470.0	61.4	408.6
October	437.9	35.4	473.3	53.6	419.7
November	452.1	35.6	487.7	64.5	423.2
December	467.6	35.8	503.3	71.0	432.3

Table A.50: Composition of Treasury Notes

$mn

Tenor	Amount	Allocation: Central Bank	Domestic Banks	Others	Previous Yield	Current Yield
1-Year	346.0	306.2	30.0	9.8	2.75%	2.25%
2-Year	58.7	14.6	25.0	19.0	3.25%	3.00%
5-Year	196.0	52.2	62.1	81.7	5.00%	4.50%
5-Year[(1)]	42.4	0.0	6.0	36.4	n.a.	6.50%
7-Year	94.4	61.5	15.0	17.9	7.00%	4.50%
10-Year	214.9	57.0	18.5	139.4	7.75%	5.25%
20-Year	20.0	0.0	0.0	20.0	n.a.	5.75%
Total	972.4	491.6	156.6	324.2		

[(1)] US dollar denominated T-note issued on the domestic market.
n.a. - not applicable

Table A.51: Central Bank Credit to Central Government 2020

Month	Treasury Bills ($mn)	Treasury Notes ($mn)	Overdraft Facility[(1)] ($mn)	A	B (%)
January	45.2	326.9	54.0	8.6	4.7
February	72.1	326.9	75.6	9.2	6.6
March	72.1	351.9	81.5	9.8	7.1
April	56.9	405.0	66.2	10.7	5.4
May	41.9	404.6	53.2	10.3	4.3
June	41.9	429.6	76.9	10.9	6.3
July	32.2	427.7	50.2	10.6	4.1
August	31.7	427.7	58.5	10.6	4.8
September	31.7	427.7	67.4	10.6	5.5
October	11.4	457.7	56.3	10.8	4.6
November	9.5	457.7	72.9	10.8	5.9
December	9.5	491.6	70.2	11.6	5.7

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

Financial Statements
2020

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INDEPENDENT AUDITOR'S REPORT
TO THE BOARD OF DIRECTORS
CENTRAL BANK OF BELIZE

Report on the audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the **Central Bank of Belize (the Bank),** which comprise the statement of financial position as at 31 December 2020, the statement of comprehensive income, statement of changes in capital and reserves, statement of cash flows for the year then ended, and notes to the financial statements, comprising a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit 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 the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Belize, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to form a basis for our opinion.

Emphasis of Matter

We draw attention to the statement of other comprehensive income and Note 24 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 require any foreign exchange gains and losses on monetary assets and liabilities to be recognised 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.

Other Matters

The financial statements of the Bank for the year ended 31 December 2019, were audited by another auditor who expressed an unmodified opinion on those statements on 20 April 2020.

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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.

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 does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and 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 Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- 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 Bank'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 Bank 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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 identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Moore Magaña LLP.

Moore Magaña LLP
Chartered Accountants
Belize City, Belize
20 April 2021

CENTRAL BANK OF BELIZE
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020 AND 2019
(IN BELIZE DOLLARS)

	Notes	2020	2019
Approved external assets			
Bank balances and deposits with foreign banks	2h, 2i, 3	5,758,609	18,862,319
Reserve Tranche and balances with the International Monetary Fund	2h, 2j, 4	76,100,409	72,999,604
Other foreign credit instruments	2h, 2k, 5	585,922,676	430,270,961
Accrued interest and cash-in-transit	2h, 2l, 6	1,981,480	5,199,732
Marketable securities issued or guaranteed by foreign governments and international financial institutions	2h, 2m, 7	11,839,047	13,408,059
Total approved external assets		681,602,221	540,740,675
Domestic assets			
Balances with local banks and cash on hand	2h, 2n, 8	749,946	464,667
Government of Belize securities	2h, 2o, 9	501,057,960	383,395,697
Consolidated revenue fund	2h,2p	58,419,371	53,249,362
Other assets	2h, 2q, 10	32,653,225	90,756,988
Equity instruments	2h, 2r, 11	20,000,000	20,000,000
Property and equipment	2s, 12	34,939,503	29,397,674
Intangible assets	2t, 13	3,523,534	3,568,718
Total assets		1,332,945,760	1,121,573,781
Liabilities			
Demand liabilities			
Notes and coins in circulation	14	503,341,971	432,574,291
Deposits by licensed financial institutions	2h, 2u, 15	548,304,073	422,202,858
Deposits by and balances due to Government and public sector entities in Belize	2h, 2u, 16	141,053,734	80,681,569
Deposits by international agencies	2h, 2u, 17	2,408,017	1,427,484
Total demand liabilities		1,195,107,795	936,886,202
Balances due to CARICOM central banks	2h, 18	568,266	61,551
Other liabilities	2h, 19	36,573,694	87,362,987
Defined benefit plan net obligation	2v, 20	877,855	877,855
International Monetary Fund' SDR Allocations	2h, 21	51,553,984	49,553,375
Commercial banks' discount fund	2h, 22	1,572,850	1,410,484
Total liabilities		1,286,254,444	1,076,152,454
Capital and reserves			
Capital account	2x, 23	20,000,000	20,000,000
Revaluation account	2y, 24	2,522,843	1,609,625
Assets revaluation reserve	25	164,333	165,083
Post-employment obligation reserve	2v, 20	(37,327)	(37,327)
General reserve fund	2z, 26	24,041,467	23,683,946
Total capital and reserves		46,691,316	45,421,328
Total liabilities, capital and reserves		1,332,945,760	1,121,573,781

The accompanying notes form an integral part of these financial statements.

Approved and authorised for issue on behalf of the Board on 20 April 2021 and signed on its behalf by:

Chairman Governor Senior Manager Corporate Services

CENTRAL BANK OF BELIZE
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019
(IN BELIZE DOLLARS)

	Notes	2020	2019
Interest income	**2aa**		
Approved external assets	**27**	**5,427,141**	11,902,189
Advances to Government of Belize		**5,411,941**	5,416,673
Government of Belize securities	**28**	**13,535,571**	10,342,088
Interest expense	**29**	**(106,241)**	(538,708)
Net interest income		**24,268,412**	27,122,242
Other income			
Discount on Government of Belize securities		**521,566**	711,631
Commissions and other income	**30**	**3,400,619**	3,131,637
Dividends on equity instruments	**11**	**-**	820,000
Total other income		**3,922,185**	4,663,268
Other expenses	**2aa**		
Printing of notes and minting of coins	**31**	**(1,568,397)**	(1,981,173)
Salaries and wages, including superannuation contribution and gratuities	**32**	**(14,055,289)**	(14,141,899)
Depreciation and amortisation	**2s, 2t, 12,13**	**(2,436,250)**	(2,094,601)
Administrative and general expenses	**2ab, 33**	**(6,325,945)**	(10,332,850)
Total other expenses		**(24,385,881)**	(28,550,523)
Profit for the year		**3,804,716**	3,234,986
Transfers:			
General reserve fund	**2z, 26**	**380,472**	323,499
Consolidated revenue fund	**2p**	**3,424,244**	2,911,487
		3,804,716	3,234,986
Other comprehensive income/(loss)			
Items that will not be reclassified subsequently to profit or loss			
Artwork	**25**	**(750)**	552
Items that will be reclassified subsequently to profit or loss revaluation of financial assets			
Revaluation	**37 (ii)**	**913,218**	(167,810)
Other comprehensive income/(loss) for the year		**912,468**	(167,258)
Total comprehensive income for the year		**4,717,184**	3,067,728

The accompanying notes form an integral part of these financial statements.

CENTRAL BANK OF BELIZE
STATEMENT OF CHANGES IN CAPITAL AND RESERVES FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019
(IN BELIZE DOLLARS)

	Capital account	Revaluation account	Assets revaluation reserve	Post-employment obligation reserve	General reserve	Total
Balance as at 01 January 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 income/(loss)	-	(167,810)	552	-	-	**(167,258)**
Total comprehensive income	-	(167,810)	552	-	3,234,986	**3,067,728**
Transfer to consolidated revenue fund	-	-	-	-	(2,911,487)	**(2,911,487)**
Balance as at 31 December 2019	**20,000,000**	**1,609,625**	**165,083**	**(37,327)**	**23,683,946**	**45,421,327**
Balance as at 01 January 2020	20,000,000	1,609,625	165,083	(37,327)	23,683,946	**45,421,327**
Comprehensive income						
Profit for the year	-	-	-	-	3,804,716	**3,804,716**
Other comprehensive income/(loss)	-	913,218	(750)	-	(22,951)	**889,517**
Total comprehensive income	-	913,218	(750)	-	3,781,765	**4,694,233**
Transfer to consolidated revenue fund	-	-	-	-	(3,424,244)	**(3,424,244)**
Balance as at 31 December 2020	**20,000,000**	**2,522,843**	**164,333**	**(37,327)**	**24,041,467**	**46,691,316**

The accompanying notes form an integral part of these financial statements.

CENTRAL BANK OF BELIZE
STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019
(IN BELIZE DOLLARS)

		2020	2019
Cash flows from operating activities			
Profit for the year		**3,804,716**	3,234,989
Adjustments to reconcile profit to net cash provided by operating activities:			
Depreciation of property and equipment		**1,756,834**	1,506,572
Amortisation and impairment of intangible assets		**679,416**	588,029
(Gain)/loss on disposal of property and equipment		**(5,068)**	1,896
Cash provided by operating activities before operating assets and liabilities		**6,235,898**	5,331,483
Changes in:			
Consolidated revenue fund		**(5,170,016)**	(5,472,870)
Government of Belize securities		**21,852,000**	(8,893,000)
Marketable securities		**1,569,012**	175,673
Reserve Tranche and balances in the International Monetary Fund		**(711,443)**	98,667
Other assets		**58,103,763**	(70,838,218)
Other liabilities		**(50,789,293)**	62,197,462
Revaluation account		**912,467**	(167,810)
Net cash generated by/ (used in) operating activities		**32,002,388**	(17,568,613)
Cash flows from investing activities			
Acquisition of property and equipment		**(7,337,204)**	(444,993)
Acquisition of intangible assets		**(634,232)**	(781,614)
Proceeds from the sale of assets		**24,920**	-
Net cash used in investing activities		**(7,946,516)**	(1,226,607)
Cash flows from financing activities			
Balances due to CARICOM central banks		**506,715**	(253,687)
Commercial banks' discount fund		**162,367**	162,367
Deposits by and balances due to Government and public sector entities in Belize		**56,947,922**	(11,164,018)
Deposits by international agencies		**980,533**	(843,032)
Deposits by licensed financial institutions		**126,101,215**	22,978,799
International Monetary Fund' SDR allocations		**2,000,608**	(310,057)
Notes and coins in circulation		**70,767,680**	35,237,765
Net cash generated by financing activities		**257,467,040**	45,808,137
Cash and cash equivalents at the beginning of the year		**743,668,410**	716,655,493
Net increase in cash and cash equivalents		**281,522,912**	27,012,917
Cash and cash equivalents at the end of the year		**1,025,191,322**	743,668,410
Cash and cash equivalents comprise of the following:			
Approved external assets			
Bank balances and deposits with foreign banks	**3**	**5,758,609**	18,862,319
Other foreign credit instruments	**5**	**585,922,676**	430,270,961
Accrued interest	**6**	**1,820,267**	5,013,652
Cash-in-transit	**6**	**161,214**	186,080
SDR Holdings	**4**	**58,262,395**	55,873,034
		651,925,161	510,206,046
Domestic assets			
Balances with local banks and cash on hand	**8**	**749,946**	464,667
Current portion of Government of Belize securities		**372,516,215**	232,997,697
		373,266,161	233,462,364
		1,025,191,322	743,668,410

The accompanying notes form an integral part of these financial statements.

1. GENERAL INFORMATION

Central Bank of Belize (the Bank), was established under the Central Bank of Belize Act (the Act), Chapter 262 of the Substantive Laws of Belize. Legislation covering its operations includes the Central Bank of Belize Act and its related amendments, the Domestic Banks and Financial Institutions Act, the International Banking Act, Credit Unions Act, the Money Laundering and Terrorism (Prevention) Act, Treasury Bills Act, the Financial Intelligence Unit Act along with associated Statutory Instruments, Circular and Guidance Notes, the Exchange Control Regulations Act, the National Payment Systems Act along with associated Practice Directions, Circulars, Requirements and Statutory Instruments. The principal objectives of the Bank are to foster monetary salability, especially regarding 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, C.A.

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 the International Accounting Standards Board (IASB) and the financial reporting provisions of the Central Bank of Belize Act (the 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 investments and derivatives. Monetary amounts are expressed in Belize dollars (BZD). All amounts are rounded to the nearest dollar unless otherwise indicated. Due to rounding, numbers presented throughout this document may not sum precisely to the totals provided and percentages may not precisely reflect the absolute figures.

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 recognised 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.

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 the value of the total amount if its notes and coins fully for the time being in circulation. As at 31 December 2020, the value of total assets was BZD 1,332,945,760 (2019: BZD 1,121,573,781) while the value of notes and coins in circulation was BZD 503,341,971 (2019: 432,574,291).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Foreign investment policy (continued) - Section 25(2) of the Act requires that the Bank maintains at all times a reserve of external assets of not less than 40.0% 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. As at 31 December 2020 and 2019, total approved external assets approximated 56.2% and 58.0% 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 judgements and estimates - The preparation of the financial statements in conformity with IFRS requires management to make judgements, 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 the recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and amendments have become effective for the annual periods commencing on or after 01 January 2020 and have been adopted.

- Amendments to IAS 1 and IAS 8 - Definition of Material;
- Amendments to IFRS 3 - Definition of a Business;
- Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform;
- Revised Conceptual Framework for Financial Reporting.

Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting policies, changes in accounting estimates and errors' have clarified the definition of 'material' and aligned the definition used in the Conceptual Framework and the standards.

Amendments to IFRS 3 'Business combinations' have amended Appendix A 'Defined terms', the application guidance and the illustrative examples of IFRS 3.

The amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform - were triggered by the replacement of benchmark interest rates such as LIBOR and other interbank offered rates ('IBORs'). The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the IBOR reform.

Amendments to References to the Conceptual Framework in IFRS set out amongst other details, the objectives of general purpose financial reporting and the qualitative characteristics of useful financial information.

The adoption of standards and amendments stated above has not had any material impact on the disclosures or the amounts reported in these financial statements.

The following standards and amendments have become effective for the annual periods commencing on or after 01 January 2021.

- Amendments to IFRS 16 - Covid-19-Related Rent Concessions;
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform - Phase 2;
- Amendments to IAS 37 - Onerous contracts - Cost of Fulfilling a Contract;
- Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before intended use;
- Amendments to IFRS 3 - Reference to Conceptual Framework;
- Annual Improvements to IFRS Standards 2018-2020 Cycle;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. Change in accounting policies (continued) -

- Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and its associate or joint venture (Available for optional adoption/effective date deferred indefinitely);
- Amendments to IAS 1 - Classification of Liabilities as Current or Non-current;
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.

Amendments to IFRS 16 'Leases' provide a practical expedient that permits lessees to account for the rent concessions, that occur as a direct consequence of the COVID - 19 pandemic and meets specified conditions, as if they were not lease modifications. The amendments are applicable for annual periods commencing on or after 01 June 2020.

Amendments to IFRS 9, IFRS 39, IFRS 7, IFRS 4 & IAS 16 - Interest Rate Benchmark Reform – Phase 2. As a result of these amendments, among other matters, an entity:

- will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and
- will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The amendments are applicable for annual periods commencing on or after 01 January 2021.

Amendments to IAS 37 'Provisions, contingent liabilities and contingent assets' specify the costs that an entity includes when assessing whether a contract will be loss-making. The amendments are applicable for annual periods commencing on or after 01 January 2022.

Amendments to IAS 16 'Property, plant and equipment' require an entity to recognise the sales proceeds from selling items produced while preparing the property, plant and equipment for its intended use and the related costs in profit or loss, instead of deducting the amounts received from the cost of the asset. The amendments are applicable for annual periods commencing on or after 01 January 2022.

Amendments to IFRS 3 'Business combinations' update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The amendments are applicable for annual periods commencing on or after 01 January 2022.

Annual Improvements to IFRS Standards 2018–2020 amend:

- IFRS 1 to simplify the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences;
- IFRS 9 to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability;
- IFRS 16 illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements.
- IAS 41 to remove the requirement to exclude cash flows from taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in other accounting standards.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. Change in accounting policies (continued)

The amendments are applicable for annual periods commencing on or after 01 January 2022.

Amendments to IFRS 10 'Consolidated financial statements' and IAS 28 'Investments in associates' clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. Otherwise, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments are applicable for annual periods commencing on or after 01 January 2022.

Amendments to IAS 1 'Presentation of financial statements' clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. The meaning of settlement of a liability is also clarified. The amendments are applicable for annual periods commencing on or after 01 January 2023.

IFRS 17 'Insurance contracts' establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. IFRS 17 is effective for annual periods commencing on or after 01 January 2023.

The standards and amendments will be adopted when they become effective. Their effects, 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. Financial liabilities are derecognised when it is extinguished, discharged, cancelled or expired.

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 and 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Financial instruments (continued)

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.

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

Impairment of financial assets

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

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

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

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

The mechanics of the ECL calculations are outlined below and the key elements are as follows:
ECL = EAD x LGD x PD. See also note 37(i).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Financial instruments (continued)

Impairment of financial assets (continued)

EAD – The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

LGD – The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral.

PD – The Probability of Default is an estimate of the likelihood of default over a given period of time.

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 as follows.

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

Adoption of IFRS 9

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

The adoption of IFRS 9 has impacted the following areas:

- The classification and measurement of the Bank's financial assets. The Bank's financial assets are held to collect the associated cash flows. The bonds and securities previously classified as held-to-maturity (HTM) investments under IAS 39 continue to be accounted for at amortised cost as they meet the held to collect business model and contractual cash flow characteristics test in IFRS 9.
- Investments in unquoted equity instruments previously classified as available-for-sale (AFS) investments under IAS 39 are now measured at fair value through profit or loss as the cash flows are not solely payments of principal and interest (SPPI).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Financial instruments (continued)

Classification and measurement of financial liabilities (continued)
Adoption of IFRS 9 (continued)
The Bank did not elect to irrevocably designate any of the equity investments 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.

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

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

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

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

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

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

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

n. Balances with local banks 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. As at 31 December 2020 the Bank's aggregate holding of these Government of Belize Securities approximated 11.38 times (2019: 8.78), 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 recognised when cash is advanced. It is stated at amortised cost using the effective interest method. Loans receivable are derecognised 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 realisable 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 recognised when sales are made. As of 01 January 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 FVTPL. Fair value of equity instruments held by the Bank cannot currently be measured reliably; thus, the cost is considered the best estimate of fair value. Impairment charges are recognised in profit or loss.

s. Property and 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s. Property and equipment (continued)

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 capitalised 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%	Equipment 10% – 25%
Furniture 10%	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:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t. Intangible assets (continued)
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 an employee will receive on retirement is defined by reference to the employee's length of service and final salary. The legal obligation for any benefits remains with the Bank, even if plan assets for funding the defined benefit plan have been set aside.

The liability recognised in the statement of financial position for defined benefit plans is the present value of the defined benefit obligation (DBO) at the reporting date less the fair value of plan assets. Management estimates the DBO every three 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 recognised at the point of not being able to withdraw from the 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

x. Capital account – The Central Bank of Belize Amendment Act No. 19 of 2016 amends section 8 of the principal Act on 12 October 2016 to increase the authorised capital of the Bank to BZD 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 31 December 2020, the authorised capital of the Bank is BZD 20,000,000 (2019: BZD 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 that no profits shall be credited to the General Reserve Fund or paid to the Government of Belize under section 9 of the Act whenever the Revaluation Account shows a net loss. Such profits shall be credited to the Revaluation Account in an amount sufficient to cover the loss.

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

As at 31 December 2020, the Bank's General Reserve Fund was at BZD 24,041,467, which exceeded the paid-up capital of BZD 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 utilisation of the service or asincurred.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Bank has determined the Board of Directors as its chief operating decision-maker.

The Bank has one operating segment for financial reporting purposes.

3. BANK BALANCES AND DEPOSITS WITH FOREIGN BANKS

	2020	2019
Balances with other central banks and foreign banks	**5,531,607**	18,615,881
Foreign currency notes	**227,002**	246,438
	5,758,609	18,862,319

4. RESERVE TRANCHE AND BALANCES WITH THE INTERNATIONAL MONETARY FUND

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

	2020	2019
SDR Holdings	**58,262,396**	55,873,034
Reserve Tranche	**17,838,013**	17,126,570
	76,100,409	72,999,604

SDRs are converted at an exchange rate of BZD 2.88053 to SDR 1.0 as at 31 December 2020 (2019: BZD 2.76565 to SDR 1.0)

5. OTHER FOREIGN CREDIT INSTRUMENTS

	2020	2019
Fixed deposits	**390,122,247**	339,910,953
Overnight deposits	**195,849,473**	90,408,135
Expected credit losses	**(49,044)**	(48,127)
	585,922,676	430,270,961

Other foreign credit instruments are held with foreign banks and other foreign financial institutions.

Movements in expected credit losses on other foreign credit instruments were as follows:

	2020	2019
At the beginning of the year	**(48,127)**	(47,806)
(Charge) during the year	**(917)**	(321)
At the end of the year	**(49,044)**	(48,127)

6. ACCRUED INTEREST AND CASH-IN-TRANSIT

	2020	2019
Accrued interest on foreign credit instruments	**1,713,256**	4,825,172
Accrued interest on marketable securities issued and guaranteed by foreign government and foreign financial institutions	**94,212**	96,705
Accrued interest on balances with the International Monetary Fund	**12,798**	91,775
Cash-in-transit	**161,214**	186,081
	1,981,480	5,199,732

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

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

Amounts comprise debt securities at amortised cost:

	2020	2019
Bonds	**10,000,000**	11,409,510
Debenture	**1,840,000**	2,000,000
Expected credit losses	**(953)**	(1,451)
	11,839,047	13,408,059

Movements in expected credit losses on marketable securities issued or guaranteed by foreign governments and foreign financial institutions were as follows:

	2020	2019
At the beginning of the year	**(1,451)**	(130,554)
Release during the year	**498**	129,103
At the end of the year	**(953)**	(1,451)

Debenture represents a foreign government debenture that bears an interest of 3.5% and matures in 2034. Bonds represent bonds of a foreign financial institution that bear an interest of 1.6% and mature in 2022.

8. BALANCES WITH LOCAL BANKS AND CASH ON HAND

	2020	2019
Balances with local financial institutions	**465,720**	154,006
Cash on hand	**284,226**	310,661
	749,946	464,667

During 2020 and 2019, the expected credit losses on balances with local banks and cash on hand have not been recorded.

9. GOVERNMENT OF BELIZE SECURITIES

Amounts comprise debt securities at amortised cost:

	2020	2019
Treasury notes	**491,622,000**	326,889,000
Treasury bills	**9,435,960**	56,506,697
	501,057,960	383,395,697

During 2020 and 2019, the expected credit losses on Government of Belize securities have not been recorded.

10. OTHER ASSETS

	2020	2019
Financial assets		
Accounts receivable	**207,128**	345,643
Staff loans receivable	**4,478,039**	4,402,242
Expected credit losses and accounts receivable and staff loans	**(5,043)**	(3,941)
	4,680,124	4,743,944
Escrow accounts (Note 19) (i)	**15,564,320**	69,091,257
Accrued interest on GOB treasury notes	**4,661,310**	3,919,600
Accrued discount on GOB treasury bills	**46,637**	160,587
Dividends receivable	**-**	820,000
	20,272,267	73,991,444
Non-financial assets		
Inventory of circulation notes and coins	**4,979,435**	4,523,406
Collectible coins inventory	**1,086,511**	1,086,869
Prepayments	**1,099,142**	5,963,372
Supplies	**210,329**	191,684
Artwork	**165,133**	165,883
Other assets	**160,284**	90,386
	7,700,834	12,021,600
	32,653,225	90,756,988

(i) During 2020, significant funds held in escrow on behalf of Choice Bank Limited liquidation have been paid to depositors.

Movements in expected credit losses on accounts receivable and staff loans receivable were as follows:

	2020	2019
At the beginning of the year	**(3,941)**	(16,650)
(Charge) release during the year	**(1,102)**	1,200
Other assets written off during the year as uncollectible	**-**	11,509
At the end of the year	**(5,043)**	(3,941)

11. EQUITY INSTRUMENTS

	2020	2019
Belize Telemedia Limited	**20,000,000**	20,000,000
	20,000,000	20,000,000

The equity instruments represent the Bank's investment of 4,000,000 shares in Belize Telemedia Limited (BTL) at a par value of BZD 5.00 per share, totalling BZD 20,000,000. Share certificates numbered 3165, 3166, 3167, 2668 and 2669 dated 17 June 2011, for 800,000 shares each at par value of BZD 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 31 December 2020, BTL has not declared dividends for the fiscal year 2020 (2019 – BZD 0.205 per share).

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019
(IN BELIZE DOLLARS)

12. PROPERTY AND EQUIPMENT

Cost	Property	Furniture	Equipment	Vehicle	Work in progress	Total
Balance as at 01 January 2020	31,605,279	1,910,727	11,775,709	757,697	76,205	**46,125,617**
Additions	331,558	91,420	4,807,043	-	2,107,183	**7,337,204**
Disposals	-	(31,790)	(569,026)	(197,378)	-	**(798,194)**
Transfers	76,205	-	-	-	(76,205)	**-**
Balance as at 31 December 2020	**32,013,042**	**1,970,357**	**16,013,726**	**560,319**	**2,107,183**	**52,664,627**
Accumulated depreciation						
Balance as at 01 January 2020	(6,253,571)	(1,420,382)	(8,577,570)	(476,420)	-	**(16,727,943)**
Depreciation charge for the year	(400,505)	(79,470)	(1,174,642)	(102,217)	-	**(1,756,834)**
Disposals	-	28,697	562,250	168,701	-	**759,648**
Balance as at 31 December 2020	**(6,654,076)**	**(1,471,155)**	**(9,189,962)**	**(409,933)**	**-**	**(17,725,126)**
Net book value						
31 December 2020	**25,358,966**	**499,202**	**6,823,764**	**150,386**	**2,107,183**	**34,939,503**
Net book value						
31 December 2019	**25,351,708**	**490,345**	**3,198,139**	**281,277**	**76,205**	**29,397,674**

13. INTANGIBLE ASSETS

	Application software and licenses	Work in progress	Total
Cost			
Balance as at 01 January	6,060,152	270,090	**6,330,242**
Additions	502,407	131,825	**634,232**
Transfers	270,090	(270,090)	**-**
Balance as at 31 December	**6,832,649**	**131,825**	**6,964,474**
Accumulated amortisation			
Balance as at 01 January	(2,761,524)	-	**(2,761,524)**
Amortisation charge for the year	(679,416)	-	**(679,416)**
Disposal	-	-	**-**
Balance as at 31 December	**(3,440,940)**	**-**	**(3,440,940)**
Net book value as at 31 December 2020	**3,391,709**	**131,825**	**3,523,534**
Net book value as at 31 December 2019	**3,298,628**	**270,090**	**3,568,718**

14. NOTES AND COINS IN CIRCULATION

	2020	2019
Notes in circulation	**467,564,887**	398,120,870
Coins in circulation	**35,777,084**	34,453,421
	503,341,971	432,574,291

15. DEPOSITS BY LICENSED FINANCIAL INSTITUTIONS

At 31 December 2020 and 2019 deposits by local financial institutions comprised deposits of five licensed financial institutions located in Belize.

16. DEPOSITS BY AND BALANCES DUE TO GOVERNMENT AND PUBLIC SECTOR ENTITIES IN BELIZE

	2020	2019
Government of Belize accounts	**137,080,462**	73,745,638
Public sector entities accounts	**3,973,272**	6,935,931
	141,053,734	80,681,569

17. DEPOSITS BY INTERNATIONAL AGENCIES

The Bank acts as an agent for and accepts deposits from international financial agencies.

	2020	2019
Caribbean Development Bank	**1,711,000**	738,243
Inter-American Development Bank	**472,316**	472,316
International Monetary Fund	**194,961**	187,185
International Bank for Reconstruction and Development	**29,740**	29,740
	2,408,017	1,427,484

18. BALANCES DUE TO CARICOM CENTRAL BANKS

	2020	2019
Bank of Jamaica	**511,956**	61,551
Central Bank of Barbados	**53,160**	-
Central Bank of Trinidad and Tobago	**3,150**	-
	568,266	61,551

19. OTHER LIABILITIES

	2020	2019
Financial liabilities		
Escrow accounts (Note 10)	**15,564,320**	69,091,257
Abandoned property	**9,403,041**	9,392,987
Deposits by licensed international offshore financial institutions (i)	**4,112,993**	2,231,000
Belize City Municipal Bonds - Sinking Fund	**1,138,315**	231,183
Contribution (deposit insurance) (ii)	**1,000,000**	1,000,000
Corozal Freezone Municipal Bonds - Sinking Fund	**119,533**	176,470
Accounts payable	**103,243**	558,604
Unclaimed balances of Belize Unit Trust	**46,089**	46,089
Bond discount	**12,167**	23,133
	31,499,701	82,750,723
Non-financial liabilities		
Severance and gratuities	**3,690,588**	3,538,059
Other staff costs payable	**851,375**	577,689
Deferred income	**532,030**	496,516
	5,073,993	4,612,264
	36,573,694	87,362,987

19. OTHER LIABILITIES (CONTINUED)

(i) Under Section 21 A (1) of the International Banking Act, licensed international offshore financial institutions are required to maintain an account of a minimum balance of BZD 200,000 with the Bank. At 31 December 2020 total amount of such deposits included BZD 3,312,993 (2019: 1,631,000) that relate to balances with international offshore financial institutions with active licenses and BZD 800,000 (2019: BZD 800,000) that relate to the Bank's liabilities in respect of minimal balances of such financial institutions, whose licenses have been revoked/surrendered by the Bank.

(ii) In accordance with Section 19 of the Deposit Insurance Act, 2020, the Central Bank is holding in escrow its contribution due on the commencement of the Deposit Insurance Corporation.

20. DEFINED BENEFIT PLAN NET OBLIGATION

The Bank operates a defined benefit pension scheme that 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 the final pensionable salary on attaining the retirement age of 60. In addition, the Bank provides an optional post-retirement medical benefit. During the year under review, the Bank contributed BZD 578,924 (2019: BZD 540,710) 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 31 December 2015. The results of the valuation are captured below:

Reconciliation of actuarial losses as at 31 December 2014	
Surplus as at 31 December 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 31 December 2014	(1,428,354)
Actuarial losses as at 31 December 2014	4,769,528

Presentation of actuarial losses as at 31 December 2014	
Amounts to recognise in statement of financial position:	
Non-current pension liability as at 31 December 2014	(1,428,354)
Amounts to recognise in statement of other comprehensive income:	
Remeasurement losses	(4,769,528)

20. DEFINED BENEFIT PLAN NET OBLIGATION (CONTINUED)

Reconciliation of actuarial losses as at 31 December 2016	
Present value of the obligation at the start of the year	19,542,000
Interest cost	1,023,470
Current service cost	1,213,834
Benefits paid	(572,872)
Remeasurement gain on obligation through other comprehensive income	(1,339,432)
Present value of the obligation at the end of year	19,867,000
Fair value of the plan assets at the start of the year	18,113,646
Interest income on plan assets	903,688
Contributions	493,088
Benefits paid	(572,872)
Remeasurement gain on assets through other comprehensive	51,595
Fair value of the plan assets at the end of the year	18,989,145
Net change in non-current pension liability for the year ended 31 December 2016	**877,855**
Non-current pension liability 01 January 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 other comprehensive income	(1,339,432)
Remeasurement gain on assets through other comprehensive income	(51,595)
Non-current pension liability 31 December 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 BZD 173,707. Full revaluation of the plan will be done in the 2021 fiscal year.

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

21. INTERNATIONAL MONETARY FUND' SDR ALLOCATIONS

	2020	2019
International Fund' SDR allocations	**51,545,064**	49,489,264
Interest payable	**8,920**	64,111
	51,553,984	49,553,375

A general allocation of Special Drawing Rights (SDRs) equivalent to approximately USD 250 billion became effective on 28 August 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. Based on this quota, the Bank received allocations of SDR 17,894,000. At 31 December 2020, the SDR's were revalued at BZD 2.88054 to SDR 1.00 (2019: 2.76565 to SDR 1.00).

22. COMMERCIAL BANKS' DISCOUNT FUND

	2020	2019
Loan receivable from Development Finance Corporation	**(80,380)**	(238,759)
Interest paid to United States Agency for International Development	**(2,311,316)**	(2,311,316)
Interest received by the Bank	**3,964,546**	3,960,559
	1,572,850	1,410,484

Commercial Banks' Discount Fund (Fund) is a facility that 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 USD 5 million in loan funds up to 30 June 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 BZD 2 million and BZD 1.5 million from the reflows to the Fund could be used as a line of credit to the 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. The final payment to USAID was made in 2009.

22. COMMERCIAL BANKS' DISCOUNT FUND (CONTINUED)

In October 2009, the Bank approved a new 10-year discount facility, amount of BZD 1,465,000 at 2.0% interest per annum, to the Development Finance Corporation. The loan is to mature in June 2021.

23. CAPITAL ACCOUNT

	2020	2019
Authorised and paid-up capital	**20,000,000**	20,000,000
	20,000,000	20,000,000

Capital was authorised and fully paid up in accordance with Section 8 of the Central Bank Act (amended as of 12 October 2016).

24. REVALUATION ACCOUNT

	2020	2019
At the beginning of the year	**1,609,625**	1,777,435
Gain/(loss) from revaluation during the year	**913,218**	(167,810)
At the end of the year	**2,522,843**	1,609,625

25. ASSET REVALUATION RESERVE

Historical and contemporary pictures and paintings were revaluated in 2009 by an independent appraiser, Carlos Bardalez of Belize City, whose report is dated 09 November 2009. In 2020 and 2019, the value was adjusted to include disposed and additional artwork, respectively.

26. GENERAL RESERVE FUND

	2020	2019
At the beginning of the year	**23,683,946**	23,360,447
Loss due to restricted Barbados bonds	**(22,951)**	-
Transfer from net profit	**380,472**	323,499
At the end of the year	**24,041,467**	23,683,946

Section 9 (1) of the Central Bank of Belize Act provides for the establishment of a General Reserve Fund into which is paid 20 percent of the net profit of the Bank in each financial year until the fund is equal to the amount of the Bank's paid-up capital. Thereafter, 10 percent of the net profit of the Bank in each financial year is paid into the Fund. In 2020 and 2019, 10 percent of the net profit of the Bank was transferred into the Fund each year.

27. INTEREST ON APPROVED EXTERNAL ASSETS

	2020	2019
Fixed deposits with foreign international institutions	**4,625,669**	9,686,057
Overnight deposits with foreign financial institutions	**417,065**	1,258,459
Marketable securities issued or guaranteed by foreign governments and foreign financial institution	**240,973**	243,466
International Monetary Fund' facilities	**142,090**	701,370
Other balances with foreign financial institutions	**1,344**	12,837
	5,427,141	11,902,189

28. INTEREST ON GOVERNMENT OF BELIZE SECURITIES

	2020	2019
Treasury notes	**13,535,571**	10,342,088
	13,535,571	10,342,088

The interest earned in 2020 was due to an increase of BZD165 million in Bank's Treasury notes portfolio.

29. INTEREST EXPENSE

	2020	2019
International Monetary Fund' facilities	**100,129**	493,167
Other interest expense	**6,112**	45,541
	106,241	538,708

30. COMMISSIONS AND OTHER INCOME

	2020	2019
Commissions	**1,080,021**	1,073,571
Automated Payment and Securities Settlement System (APSSS) transaction fees	**1,186,743**	594,800
License and examination fees	**746,188**	928,564
Interest on staff loans	**203,312**	197,352
Cash shipment and other miscellaneous income	**144,869**	270,082
Gain on valuation of financial instruments	**25,418**	63,629
Sales of collectible coins	**9,000**	2,523
Gain on disposal of assets	**5,068**	1,116
	3,400,619	3,131,637

31. PRINTING OF NOTES AND MINTING OF COINS

	2020	2019
Printing of currency notes	**836,985**	980,030
Minting of circulation coins	**706,895**	969,129
Currency publicity campaign expenses	**24,517**	32,014
	1,568,397	1,981,173

32. SALARIES AND WAGES, INCLUDING SUPERANNUATION CONTRIBUTION AND GRATUITIES

	2020	2019
Salaries and wages	**9,640,099**	9,360,230
Employee benefits expenses	**3,574,851**	4,036,519
Pension contributions	**578,924**	540,710
Social security costs	**261,415**	204,440
	14,055,289	14,141,899

33. ADMINISTRATIVE AND GENERAL EXPENSES

	2020	2019
Professional services and technical support	**1,624,195**	2,119,268
Utilities expenses	**1,008,176**	1,077,710
Computer software licenses	**965,087**	962,116
Repairs and maintenance	**594,694**	671,450
Supplies and small equipment	**516,055**	525,969
Legal fees	**317,206**	1,963,897
Other miscellaneous expenses	**231,588**	316,162
Membership fees	**200,991**	174,836
Directors' fees	**113,791**	130,576
Insurance expenses	**109,612**	106,720
Subscriptions	**96,440**	69,406
Advertising	**96,280**	134,476
Audit fees	**88,875**	68,235
Freight charges	**63,686**	53,715
Business continuity	**62,854**	17,571
Bank charges	**54,872**	78,780
Travel expenses	**38,865**	52,503
Books and publications	**38,387**	33,140
Meetings and conferences	**29,731**	437,304
Donations	**18,997**	61,025
Firearm license and ammunition	**16,212**	17,455
Surveys	**13,245**	15,590
Assistance programme	**13,200**	-
Entertainment	**10,887**	18,851
Expected credit losses on financial instruments	**2,019**	226,095
Contribution (deposit insurance) (Note 19)	**-**	1,000,000
	6,325,945	10,332,850

34. RELATED PARTY TRANSACTIONS

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

34. RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions with key management personnel
Transactions with key management personnel include short-term benefits, post-employment benefits and termination benefits.

	2020	2019
Short-term benefits	**2,290,949**	2,146,436
Termination benefits	**268,294**	169,833
Post-employment benefits	**63,433**	65,288
	2,622,676	2,381,557

Transactions with the members of the Board of Directors
Transactions with key management personnel include short-term benefits.

	2020	2019
Short-term benefits	**105,903**	96,730
	105,903	96,760

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 31 December 2020, an amount of BZD 294,544 (2019: BZD 343,882) was receivable from key management personnel as approved advances made by the Bank. No expected credit losses have been recognised in respect of loans given to related parties. The amount of collateral in respect of loans to related parties as at 31 December 2020 BZD 754,625 (2019: BZD 654,625). 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 the Government of Belize and public sector entities in 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 the Government and other related public sector entities:

34. RELATED PARTY TRANSACTIONS (CONTINUED)

	01 January 2020	Disbursements	Deposits	31 December 2020
Social Security Board	(89,177)	36,065,006	(36,070,534)	(94,705)
Development Finance Corporation	(990,417)	7,746,538	(7,113,090)	(356,969)
DFC Mortgage Securitisation Proceeds	(447)	-	-	(447)
Financial Intelligence Unit	(376,047)	2,023,631	(1,760,000)	(112,415)
Belize Tourism Board	(1,797,556)	8,449,316	(6,709,366)	(57,606)
Belize Electricity Limited	(24,925)	1,777,896	(1,777,896)	(24,925)
Belize City Council - Sinking Fund	(231,183)	9,996,055	(10,903,187)	(1,138,315)
International Financial Services Commission	(3,657,362)	4,699,255	(4,368,079)	(3,326,185)
Government of Belize (current account)	56,160,843	591,820,030	(586,137,257)	61,843,616
	48,993,730	**662,577,727**	**(654,839,409)**	**56,732,028**

	01 January 2019	Disbursements	Deposits	31 December 2019
Social Security Board	(18,623)	-	(70,554)	(89,177)
Development Finance Corporation	(9,306)	8,013,119	(8,994,230)	(990,417)
DFC Mortgage Securitisation 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	(1,011,819)	5,780,809	(5,000,172)	(231,182)
International Financial Services Commission	(6,565,636)	2,908,274	-	(3,657,362)
Government of Belize (current account)	47,776,492	608,620,099	(600,235,748)	56,160,843
	39,798,143	**633,893,600**	**(624,698,013)**	**48,993,730**

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.

34. RELATED PARTY TRANSACTIONS (CONTINUED)

	01 January 2020	Contributions paid by the Bank to the Scheme	Contributions due to the Scheme	31 December 2020
Contributions to the Scheme	-	578,924	(578,924)	-
	-	**578,924**	**(578,924)**	**-**

	01 January 2019	Contributions paid by the Bank to the Scheme	Contributions due to the Scheme	31 December 2019
Contributions to the Scheme	-	540,708	(540,708)	-
	-	**540,708**	**(540,708)**	**-**

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35. 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 amortised cost. The principal accounting policies on Note 2g describe how financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. 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:

As at 31 December 2020	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Total
Financial assets:				
Balances and deposits with foreign banks	-	5,758,609	-	**5,758,609**
Reserve Tranche and balances with the International Monetary Fund	-	-	76,100,409	**76,100,409**
Other foreign credit instruments	-	585,922,676	-	**585,922,676**
Accrued interest and cash transit	-	1,981,480	-	**1,981,480**
Marketable securities issued or guaranteed by foreign governments and international institutions	-	11,839,047	-	**11,839,047**
Balances with local bankers and cash on hand	-	749,947	-	**749,947**
Government of Belize securities	-	501,057,960	-	**501,057,960**
Consolidated revenue fund	-	58,419,371	-	**58,419,371**
Other assets	-	20,272,267	-	**20,272,267**
Equity instruments	20,000,000	-	-	**20,000,000**
Total financial assets	**20,000,000**	**1,186,001,357**	**76,100,409**	**1,282,101,766**

35. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS (CONTINUED)

As at 31 December 2020	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised costs	Financial liabilities at fair value through other comprehensive income	Total
Financial liabilities:				
Notes and coins in circulation	-	503,341,971	-	**503,341,971**
Deposits by licensed financial institutions	-	548,304,073	-	**548,304,073**
Deposits by and balances due to Government and public sector entities in Belize	-	141,053,734	-	**141,053,734**
Deposits by international agencies	-	2,408,017	-	**2,408,017**
Balances due to CARICOM central banks	-	568,266	-	**568,266**
Other liabilities	-	31,499,701		**31,499,701**
International Monetary Fund's SDR allocations	-	-	51,553,984	**51,553,984**
Commercial banks' discount fund	-	1,572,850	-	**1,572,850**
Total financial liabilities	-	**1,228,748,612**	**51,553,984**	**1,280,302,596**

35. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS (CONTINUED)

As at 31 December 2019	Financial assets at fair value through profit or loss	Financial assets at amortised costs	Financial assets at fair value through other comprehensive income	Total
Financial assets				
Balances and deposits with foreign banks	-	18,862,319	-	18,862,319
Reserve Tranche and balances with the International Monetary Fund	-	-	72,999,604	72,999,604
Other foreign credit instruments	-	430,270,961	-	430,270,961
Accrued interest and cash-in-transit	-	5,199,732	-	5,199,732
Marketable securities issued or guaranteed by foreign governments and international institutions	-	13,408,059	-	13,408,059
Balances with local banks and cash on hand	-	464,667	-	464,667
Government of Belize securities	-	383,395,697	-	383,395,697
Consolidated revenue fund	-	53,249,359	-	53,249,359
Other assets	-	73,991,444	-	73,991,444
Equity instruments	20,000,000	-	-	20,000,000
Total financial assets	**20,000,000**	**978,842,238**	**72,999,604**	**1,071,841,842**

35. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS (CONTINUED)

As at 31 December 2019	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Financial liabilities at fair value through other comprehensive income	Total
Financial liabilities				
Notes and coins in circulation	-	432,574,291	-	432,574,291
Deposits by licensed financial institutions	-	422,202,858	-	422,202,858
Deposits by and balances due to Government and public sector entities in Belize	-	80,681,569	-	80,681,569
Deposits by international agencies	-	1,427,484	-	1,427,484
Balances due to CARICOM central banks	-	61,551	-	61,551
Other liabilities	-	82,750,723		82,750,723
International Monetary Fund' SDR allocations	-	-	49,553,375	49,553,375
Commercial banks' discount fund	-	1,410,484	-	1,410,484
Total financial liabilities	**-**	**1,021,108,960**	**49,553,375**	**1,070,662,335**

36. FAIR VALUE MEASUREMENT

Determination of fair value and fair value hierarchy

The Bank uses the following hierarchy for determining and disclosing their fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The Bank recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

36. FAIR VALUE MEASUREMENT (CONTINUED)

The following table provides the fair value measurement hierarchy of the Bank's assets and liabilities.

As at 31 December 2020	Note	Level 1	Level 2	Level 3	Total
Financial assets at FVOCI					
Reserve Tranche and balances with the International Monetary Fund	4	76,100,409	-	-	76,100,409
Financial assets at FVTPL		-	-	-	-
Equity instruments	11	-	-	20,000,000	20,000,000
Total financial assets measured at fair value		**76,100,409**	**-**	**20,000,000**	**96,100,409**

As at 31 December 2019	Note	Level 1	Level 2	Level 3	Total
Financial assets at FVOCI					
Reserve Tranche and balances with the International Monetary Fund	4	72,999,604	-	-	72,999,604
Financial assets at FVTPL		-	-	-	-
Equity instruments	11	-	-	20,000,000	20,000,000
Total financial assets measured at fair value		**72,999,604**	**-**	**20,000,000**	**92,999,604**

Fair value of financial instruments not carried at fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

Financial assets and liabilities with carrying values that approximate fair value

For financial assets and liabilities that are liquid or have a short-term maturity, it is assumed that the carrying amounts approximate to their fair value. For all other financial instruments, it is assumed that the carrying amounts also approximate to their fair value.

37. FINANCIAL RISK MANAGEMENT

By its nature, the Bank's activities are principally related to the use of financial instruments. The strategy for using these financial instruments is embedded in the mission of the Bank to foster an economic and financial environment conductive to sustainable economic growth and development.

The Bank has exposure to the following risks from its use of financial instruments:

- Credit risk
- Currency risk
- Liquidity risk
- Interest rate risk
- Operational risk

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. It has established two committees for this purpose:

(i) Investment Committee, which is responsible for providing oversight on the conversion of investment strategy into performance, risk exposure for the Bank's Foreign Reserves, financial structure, and performance of the portfolio and investments.

(ii) Audit Committee, which is responsible for monitoring compliance with the Bank's risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit Committee is assisted in these functions by the Internal Audit Department. This department undertakes both regular and ad hoc reviews of management controls and procedures, the results of which are reported to the Board of Directors and the Audit Committee.

(i) 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.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

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 12 months expected loss. Low credit risk are those with high-quality external credit ratings. The Bank has developed a model utilising 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:

As at 31 December 2020	**Maximum exposure**	**Stamped value**	**Appraised value**
Mortgage loans	2,679,845	4,047,241	6,198,689
Consumer loans (Bill of Sale)	347,634	568,547	645,345
Consumer loans (Regular)	1,450,560	25,000	28,307
	4,478,039	**4,640,788**	**6,872,341**

As at 31 December 2019	**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)	1,450,560	25,000	28,307
	4,496,378	**4,326,232**	**6,564,885**

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Significant increase in credit risk

The Bank continuously monitors all assets subject to ECL's. The Bank assess whether there has been a significant increase in credit risk since initial recognition to determine whether a financial instrument is subject to 12 months ECL or life-time ECL.

The following table details the gross carrying amounts and the corresponding ECL's by stage:

As at 31 December 2020	Notes	Stage 1	Stage 2	Stage 3	Total
Other foreign credit instruments	5	585,971,720	-	-	585,971,720
Expected credit loss		(49,044)	-	-	(49,044)
		585,922,676	-	-	585,922,676
Marketable securities issued or guaranteed by foreign governments and foreign financial institutions	7	11,840,000	-	-	11,840,000
Expected credit loss		(953)	-	-	(953)
		11,839,047			11,839,047
Other assets	10	4,685,167	-	-	4,685,167
Expected credit loss		(5,043)	-	-	(5,043)
		4,680,124	-	-	4,680,124
Total net amounts		**602,441,847**	**-**	**-**	**602,441,847**
ECL as a % of carrying amounts		**0.01%**	**-**	**-**	**0.01%**

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

As at 31 December 2019	Notes	Stage 1	Stage 2	Stage 3	Total
Other foreign credit instruments	5	430,319,088	-	-	430,319,088
Expected credit loss		(48,127)	-	-	(48,127)
		430,270,961			430,270,961
Marketable securities issued or guaranteed by foreign governments and foreign financial institutions	7	13,409,510	-	-	13,409,510
Expected credit loss		(1,451)	-	-	(1,451)
		13,408,059			13,408,059
Other assets	10	4,747,885	-	-	4,747,885
Expected credit loss		(3,941)	-	-	(3,941)
		4,743,944	-	-	4,743,944
Total net amounts		**448,422,964**	**-**	**-**	**448,422,964**
ECL as a % of carrying amounts		**0.01%**	**-**	**-**	**0.01%**

Geographical concentration

The following tables break down the Bank's main credit exposure at their carrying amounts, as categorised by geographical regions as of 31 December 2020 and 31 December 2019. The Bank has allocated exposure to regions based on the country of domicile of the counter parties.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

As at 31 December 2020

Financial assets	Belize	USA	Canada	UK	Europe	Dominica	Total
Balances and deposits with foreign banks	227,003	2,297,292	131,532	1,059,774	2,043,008	-	**5,758,609**
Reserve Tranche and balances with the International Monetary Fund	-	76,100,409	-	-	-	-	**76,100,409**
Other foreign credit instruments	-	415,331,915		93,451,579	77,139,182		**585,922,676**
Accrued interest and cash-in-transit	-	110,706	708,548	411,658	719,943	30,625	**1,981,480**
Marketable securities issued or guaranteed by foreign governments and international institutions	-	9,999,499	-	-	-	1,839,548	**11,839,047**
Balances with local banks and cash on hand	749,946	-	-	-	-	-	**749,946**
Government of Belize securities	501,057,960	-	-	-	-	-	**501,057,960**
Consolidated revenue fund	58,419,371	-	-	-	-	-	**58,419,371**
Other assets	20,272,267	-	-	-	-	-	**20,272,267**
Equity instruments	20,000,000	-	-	-	-	-	**20,000,000**
	600,726,547	**503,839,821**	**840,080**	**94,923,011**	**79,902,133**	**1,870,173**	**1,282,101,765**

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

As at 31 December 2020

Financial liabilities	Belize	USA	Barbados	Jamaica	Trinidad and Tobago	Total
Notes and coins in circulation	503,341,971	-	-	-	-	**503,341,971**
Deposits by licensed financial institutions	548,304,073	-	-	-	-	**548,304,073**
Deposits by and balances due to Government and public sector entities in Belize	141,053,734	-	-	-	-	**141,053,734**
Deposits by international agencies	-	697,017	1,711,000	-	-	**2,408,017**
Balances due to CARICOM central banks		-	53,160	511,956	3,150	**568,266**
Other liabilities	31,499,701	-	-	-	-	**31,499,701**
International Monetary Fund' SDR llocations	-	51,553,984	-	-	-	**51,553,983**
Commercial banks' discount fund	-	1,572,850	-	-	-	**1,572,850**
	1,224,199,479	**53,823,851**	**1,764,160**	**511,956**	**3,150**	**1,280,302,596**

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

As at 31 December 2019

Financial assets	Belize	USA	Canada	UK	Europe	Dominica	Barbados	Total
Balances and deposits with foreign banks	246,438	11,040,534	123,459	962,559	6,489,329	-	-	**18,862,319**
Reserve Tranche and balances with the International Monetary Fund	-	72,999,604	-	-	-	-	-	**72,999,604**
Other foreign credit instruments	-	255,213,096	-	90,982,524	84,075,341	-	-	**430,270,961**
Accrued interest and cash-in-transit	14,427	2,671,416	-	1,522,069	958,702	33,118	-	**5,199,732**
Marketable securities issued or guaranteed by foreign governments and international institutions	-	9,998,918	-	-	-	1,999,784	1,409,357	**13,408,059**
Balances with local bankers and cash on hand	464,667	-	-	-	-	-	-	**464,667**
Government of Belize securities	383,395,697	-	-	-	-	-	-	**383,395,697**
Consolidated revenue fund	53,249,362	-	-	-	-	-	-	**53,249,362**
Other assets	73,991,444	-	-	-	-	-	-	**73,991,444**
Equity instruments	20,000,000	-	-	-	-	-	-	**20,000,000**
	531,362,035	**351,923,568**	**123,459**	**93,467,152**	**91,523,372**	**2,032,902**	**1,409,357**	**1,071,841,845**

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Financial liabilities	Belize	USA	Barbados	Jamaica	Trinidad and Tobago	Total
Notes and coins in circulation	432,574,291	-	-	-	-	**432,574,291**
Deposits by licensed financial institutions	422,202,858	-	-	-	-	**422,202,858**
Deposits by and balances due to Government and public sector entities in Belize	80,681,569	-	-	-	-	**80,681,569**
Deposits by international agencies	-	689,241	738,243	-	-	**1,427,484**
Balances due to CARICOM central banks	-	-	-	61,551	-	**61,551**
Other liabilities	82,750,723	-	-	-	-	**82,750,723**
International Monetary Fund's SDR Allocations	-	49,553,375	-	-	-	**49,553,375**
Commercial banks' discount fund	-	1,410,484	-	-	-	**1,410,484**
	1,018,209,441	**51,653,100**	**738,243**	**61,551**	**-**	**1,070,662,335**

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Currency risk

Currency risk is the risk that the market value of, or cash flow from, financial instruments will vary because of exchange rate fluctuations. 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 and SDR allocations. Other external asset funds are kept at a minimum. Management seeks to manage this risk by monitoring the levels of exposure by currency.

As at 31 December 2020

Financial assets	**BZD**	**USD**	**SDR**	**EUR**	**CAD**	**GBP**	**Total**
Balances and deposits with foreign banks	-	3,933,162	-	1,620,337	131,532	73,578	**5,758,609**
Reserve Tranche and balances with the International Monetary Fund	-		76,100,409	-	-	-	**76,100,409**
Other foreign credit instruments	-	585,922,676	-	-	-	-	**585,922,676**
Accrued interest and cash-in-transit	-	1,857,886	12,798	23,330	75,123	12,343	**1,981,480**
Marketable securities issued or guaranteed by foreign government and international institutions	-	11,839,047	-	-	-	-	**11,839,047**
Balances with local banks and cash on hand	749,947	-	-	-	-	-	**749,947**
Government of Belize securities	501,057,960	-	-	-	-	-	**501,057,960**
Consolidated revenue fund	58,419,371	-	-	-	-	-	**58,419,371**
Other assets	13,077,199	7,195,068	-	-	-	-	**20,272,267**
Equity instruments	20,000,000	-	-	-	-	-	**20,000,000**
Total	**593,304,476**	**610,747,839**	**76,113,207**	**1,643,667**	**206,655**	**85,920**	**1,282,101,765**

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37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Currency risk (continued)

Financial liabilities	BZD	USD	SDR	EUR	CAD	GBP	Total
Notes and coins in circulation	503,341,971	-	-	-	-	-	**503,341,971**
Deposits by licensed financial institutions	548,304,073	-	-	-	-	-	**548,304,073**
Deposits by and balances due to Government and public sector entities in Belize	91,856,263	44,598,333	-	4,599,138	-	-	**141,053,734**
Deposits by international agencies	-	2,213,056	194,961	-	-	-	**2,408,017**
Balances due to CARICOM central banks	-	568,266	-	-	-	-	**568,266**
Other liabilities	24,304,633	7,195,068	-	-	-	-	**31,499,701**
International Monetary Fund' SDR allocations	-	-	51,553,984	-	-	-	**51,553,984**
Commercial banks' discount fund	1,572,850	-	-	-	-	-	**1,572,850**
Total	**1,169,379,790**	**54,574,723**	**51,748,945**	**4,599,138**	**-**	**-**	**1,280,302,596**
Net currency position	**(576,075,314)**	**556,173,116**	**24,364,262**	**(2,955,471)**	**206,655**	**85,921**	**1,799,169**

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Currency risk (continued)

As at 31 December 2019

Financial assets	**BZD**	**USD**	**SDR**	**EUR**	**CAD**	**GBP**	**Total**
Balances and deposits with foreign banks	-	12,070,712	-	6,068,001	123,459	600,147	**18,862,319**
Reserve Tranche and balances with the International Monetary Fund	-	-	72,999,604	-	-	-	**72,999,604**
Other foreign credit instruments	-	430,270,961	-	-	-	-	**430,270,961**
Accrued interest and cash-in-transit	-	5,093,653	91,775	5,843	8,461	-	**5,199,732**
Marketable securities issued or guaranteed by foreign government and international institutions	-	13,408,059	-	-	-	-	**13,408,059**
Balances with local banks and cash on hand	464,667	-	-	-	-	-	**464,667**
Government of Belize securities	383,395,697	-	-	-	-	-	**383,395,697**
Consolidated revenue fund	53,249,362	-	-	-	-	-	**53,249,362**
Other assets	73,991,444	-	-	-	-	-	**73,911,444**
Equity instruments	20,000,000	-	-	-	-	-	**20,000,000**
Total	**531,101,170**	**460,843,385**	**73,091,379**	**6,073,844**	**131,920**	**600,147**	**1,071,841,845**

Financial liabilities	**BZD**	**USD**	**SDR**	**EUR**	**CAD**	**GBP**	**Total**
Notes and coins in circulation	432,574,291	-	-	-	-	-	**432,574,291**
Deposits by licensed financial institutions	422,202,858	-	-	-	-	-	**422,202,858**
Deposits by and balances due to Government and public sector entities in Belize	65,283,594	10,262,746	-	5,135,229	-	-	**80,681,569**
Deposits by international agencies	-	1,240,299	187,185	-	-	-	**1,427,484**
Balances due to CARICOM central banks	-	61,551	-	-	-	-	**61,551**
Other liabilities	82,750,723	-	-	-	-	-	**82,750,723**
International Monetary Fund' SDR allocations	-	-	49,553,375	-	-	-	**49,553,375**
Commercial banks' discount fund	1,410,484	-	-	-	-	-	**1,410,484**
Total	**1,004,221,950**	**11,564,596**	**49,740,560**	**5,135,229**	**-**	**-**	**1,070,662,335**
Net currency position	**(473,940,780)**	**449,278,789**	**23,350,819**	**938,615**	**131,920**	**600,147**	**1, 179,510**

CENTRAL BANK OF BELIZE
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019
(IN BELIZE DOLLARS)

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Currency risk (continued)

Statement of revaluation as at 31 December 2020

	Foreign currency	Year-end rate	Belize dollar value
Euro Dollar Fund	(669,300)	2.45580	**(1,643,667)**
Canadian Fund	(131,410)	1.57260	**(206,655)**
SDR Fund	(26,423,270)	2.88054	**(76,113,286)**
USD Fund	(301,801,383)	2.00000	**(603,602,766)**
Sterling Fund	(31,465)	2.73060	**(85,918)**
Belize Dollar Fund	682,565,510	1.00000	**682,565,510**
Revaluation gain for the year	**-**	**-**	**913,217**
Revaluation balance, 01 January 2020			**1,609,625**
Increase in revaluation			**913,217**
Revaluation balance, 31 December 2020	-	-	**2,522,842**

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Currency risk (continued)

Statement of revaluation as at 31 December 2019

	Foreign currency	Year-end rate	Belize dollar value
Euro Dollar 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)**
Belize Dollar Fund	474,246,172	1.00000	**474,246,172**
Revaluation loss for the year	**-**	**-**	**(167,810)**
Revaluation balance, 01 January 2019	-	-	**1,777,435**
Decrease in revaluation			**(167,810)**
Revaluation balance, 31 December 2019	-	-	**1,609,625**

The following table demonstrates the sensitivity of profit and equity to a reasonably possible change in the foreign exchange rates, with all other variables held constant.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Currency risk (continued)

A 10% strengthening of the BZD against the following currencies as at 31 December would have increased/(decreased) equity and profit or loss by the following amounts:

	2020		2019	
	Profit or loss	Equity	Profit or loss	Equity
	Effect of 10% increase/(decrease)	Effect of 10% increase/(decrease)	Effect of 10% increase/(decrease)	Effect of 10% increase/(decrease)
Financial assets				
SDR	-	(97,148)	-	83,819
CAD	-	318	-	(584)
EUR	-	5,063	-	(7,602)
USD	-	-	-	-
GBP	-	446	-	2,050
	-	**(91,321)**	-	**77,683**

(iii) Interest rate risk

Interest rate risk arises from the possibility that changes in market interest rates will affect the future cash flows or fair values of financial instruments. CBB's objective in the management of interest rate risk is to reduce the sensitivity of its earnings and overall portfolio value to variations in interest rates. The strategy employed to achieve this involves keeping a significant portion of all financial assets in BZDs and USDs. The only other major category is SDRs that are necessary to meet Belize's requirements and quota with the IMF. Other financial assets are kept at a minimum.

The following table presents interest rate gap analysis at BZD'000.

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Interest rate risk (continued)

As at 31 December 2020	On demand/less than 1 month	1-3 Months	3-6 Months	6-12 Months	1-5 Years	Over 5 Years	Total
Rate sensitive assets							
Fixed deposits	-	10.9	17.7	28.4	-	-	57
Treasury bills	-	0.7	-	-	-	-	0.7
Treasury notes	-	5.8	10.8	60.6	130.5	159.2	366.9
Bonds	-	-	-	-	6	-	6
Debenture	-	-	-	-	-	5.5	5.5
Total rate sensitive assets	**-**	**17.4**	**28.5**	**89**	**136.5**	**164.7**	**436.1**
Rate sensitive liabilities							
IMF SDR allocations	-	-	-	-	-	77.3	77.3
Total rate sensitive liabilities	**-**	**-**	**-**	**-**	**-**	**77.3**	**77.3**
Interest sensitivity surplus	**-**	**17.4**	**28.5**	**89**	**136.5**	**87.4**	**358.8**

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Interest rate risk (continued)

As at 31 December 2019	On demand/less than 1 month	1-3 Months	3-6 Months	6-12 Months	1-5 Years	Over 5 Years	Total
Rate sensitive assets							
Fixed deposits	-	19.0	8.2	6.4	-	-	33.61
Treasury bills	-	1.5	-	-	-	-	1.5
Treasury notes	-	3.4	2.4	34.5	160.3	130.6	331.2
Bonds	-	-	-	-	6	-	6
Debenture	-	-	-	-	-	6	6
Total rate sensitive assets	**-**	**23.9**	**10.6**	**40.9**	**166.3**	**136.6**	**378.31**
Rate sensitive liabilities							
IMF SDR allocations	-	-	-	-	-	74.3	74.3
Total rate sensitive liabilities	**-**	**-**	**-**	**-**	**-**	**74.3**	**74.3**
Interest sensitivity surplus	**-**	**23.91**	**10.6**	**40.9**	**166.3**	**62.3**	**304.01**

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

	2020	2019
Balances and deposits with foreign bankers	**0.29%**	2.17%
Other foreign credit instruments - overnight deposits	**0.29%**	2.18%
Other foreign credit instruments - fixed deposits	**0.54%**	2.32%
Marketable securities - bonds	**1.63%**	1.63%
Marketable securities - debentures	**3.50%**	3.50%

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iv) Liquidity risk

Liquidity risk is the risk that the Bank will not be able to meet its financial liabilities as they fall due. Prudent liquidity management requires maintaining sufficient cash and marketable securities, and ensuring the availability of funding through an adequate amount of committed standby credit facilities to meet commitments.

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.

As 31 December 2020

Financial assets	**On demand/less than 1 month**	**1-3 months**	**4-6 months**	**6-12 months**	**1year - 5 years**	**Over 5 years**	**Total**
Balances and deposits with foreign bankers	5,758,609	-	-	-	-	-	5,758,609
Reserve tranche and balances with the IMF	-	-	-	-	-	76,100,409	76,100,409
Other foreign credit instruments	226,621,471	146,418,444	118,308,299	94,574,462	-	-	585,922,676
Accrued interest and cash-in-transit	1,981,480	-	-	-	-	-	1,981,480
Marketable securities issued or guaranteed by foreign governments and international institutions	-	-	-	-	9,999,499	1,839,548	11,839,047
Balances with local banks and cash on hand	749,946	-	-	-	-	-	749,946
Government of Belize securities	-	86,920,960	72,008,000	196,403,000	92,635,000	53,091,000	501,057,960
Consolidated revenue fund	-	58,419,371	-	-	-	-	58,419,371
Other assets	-	-	-	20,272,267	-	-	20,272,267
Equity instruments	-	-	-	-	-	20,000,000	20,000,000
Total	**235,111,506**	**291,758,774**	**190,316,299**	**311,249,729**	**102,634,499**	**151,030,957**	**1,282,101,765**

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iv) Liquidity risk

As 31 December 2020 (continued)

Financial liabilities	On demand/less than 1 month	1-3 months	4-6 months	6-12 months	1 year - 5 years	Over 5 years	Total
Notes and coins in circulation	-	-	-	-	-	503,341,971	503,341,971
Deposits by licensed financial institutions	-	-	-	548,304,073	-	-	548,304,073
Deposits by and balances due to Government and public sector entities in Belize	-	141,053,734	-	-	-	-	141,053,734
Deposits by international agencies	-	2,408,017	-	-	-	-	2,408,017
Balances due to CARICOM central banks	568,266	-	-	-	-	-	568,266
Other liabilities	-	-	-	31,499,701	-	-	31,499,701
International Monetary Fund' SDR allocations	-	-	-	-	-	51,553,984	51,553,984
Commercial banks' discount fund	-	-	-	-	-	1,572,850	1,572,850
Total	**568,266**	**143,461,751**	**-**	**579,803,774**	**-**	**556,468,805**	**1,280,302,596**
Net liquidity position	**(234,543,240)**	**148,297,024**	**190,316,299**	**(268,554,045)**	**102,634,499**	**(405,437,848)**	**1,799,170**

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iv) Liquidity risk (continued)

As 31 December 2019

Financial assets	On demand/less than 1 month	1 - 3 months	4-6 months	6 - 12 months	1 year - 5 years	Over 5 years	Total
Balances and deposits with foreign banks	18,862,319	-	-	-	-	-	18,862,319
Reserve Tranche and balances with the IMF	-	-	-	-	-	72,999,604	72,999,604
Other foreign credit instruments	101,013,589	253,649,896	54,485,355	21,122,121	-	-	430,374,019
Accrued interest and cash-in-transit	5,199,732	-	-	-	-	-	5,199,732
Marketable securities issued or guaranteed by foreign governments and international institutions	-	-	-	-	11,408,059	2,000,000	13,408,059
Balances with local bankers and cash on hand	464,667	-	-	-	-	-	464,667
Government of Belize securities	56,506,697	45,485,000	16,008,000	114,998,000	106,850,000	43,548,000	383,395,697
Consolidated revenue fund		53,249,362					53,249,362
Other assets	-	-	-	73,991,444	-	-	73,171,444
Equity instruments	-	-	-	-	-	20,000,000	20,000,000
Total	**182,047,004**	**352,384,258**	**70,493,355**	**209,394,623**	**118,258,059**	**138,547,604**	**1,071,124,903**

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iv) Liquidity risk (continued)

As 31 December 2019

Financial assets	On demand/less than 1 month	1 - 3 months	4-6 months	6 - 12 months	1 year - 5 years	Over 5 years	Total
Balances and deposits with foreign banks	18,862,319	-	-	-	-	-	18,862,319
Reserve Tranche and balances with the IMF	-	-	-	-	-	72,999,604	72,999,604
Other foreign credit instruments	101,013,589	253,649,896	54,485,355	21,122,121	-	-	430,374,019
Accrued interest and cash-in-transit	5,199,732	-	-	-	-	-	5,199,732
Marketable securities issued or guaranteed by foreign governments and international institutions	-	-	-	-	11,408,059	2,000,000	13,408,059
Balances with local bankers and cash on hand	464,667	-	-	-	-	-	464,667
Government of Belize securities	56,506,697	45,485,000	16,008,000	114,998,000	106,850,000	43,548,000	383,395,697
Consolidated revenue fund		53,249,362					53,249,362
Other assets	-	-	-	73,991,444	-	-	73,171,444
Equity instruments	-	-	-	-	-	20,000,000	20,000,000
Total	**182,047,004**	**352,384,258**	**70,493,355**	**209,394,623**	**118,258,059**	**138,547,604**	**1,071,124,903**

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(v) Operational risk (continued)

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.

38. COMMITMENTS AND CONTINGENCIES

(i) Claims and litigations

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 Bank.

(ii) Printing of notes and minting of coins

The Bank commits to order currency from several minters and printers. As at 31 December, the Bank was committed to the following payments for currency:

	2020	2019
Not later than one year	**3,722,059**	-
	3,722,059	-

39. SUBSEQUENT EVENTS

Subsequent events have been evaluated through 20 April 2021. Management is unaware of any events after that date that they believe would materially and adversely affect these financial statements. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.