

40 YEAR ANNIVERSARY

CENTRAL BANK OF BELIZE
2021 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
FORTIETH ANNUAL REPORT
&
STATEMENT OF ACCOUNTS

FOR THE YEAR ENDING
31 DECEMBER 2021

© 2021 Central Bank of Belize

CATALOGUING-IN-PUBLICATION DATA

Annual Report and Statement of Accounts for the year ending ... / Central Bank of Belize. Belize City, Belize : Central Bank of Belize, 2021.

v.; ill; 28 cm.

ISSN 2305 - 7106 (print)

2305 - 5529 (online)

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

HG 2728 C45a 2021

Central Bank of Belize
P.O. Box 852, Gabourel Lane
Belize City, Belize, Central America
Telephone: 501.223.6194 / Fax: 501.223.6219
Email: research@centralbank.org.bz
Website: www.centralbank.org.bz

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

APSSS	Automated Payment and Securities Settlement System	IDB	Inter-American Development Bank
AML/CFT	Anti-Money Laundering/ Combatting the Financing of Terrorism	IFRS9	International Financial Reporting Standard 9
BBCL	Belize Bank Corporation Limited	IMF	International Monetary Fund
BBL	Belize Bank Limited	MOF	Ministry of Finance
BIC	Belize Blue Investment, LLC	NPL ratio	Non-performing loan ratio
BSI	Belize Sugar Industries Limited/ American Sugar Refining	NPV	Net present value
CAR	Capital adequacy ratio	OPEC	Organisation of Petroleum Exporting Countries
CBA	Central Bank of Belize Act, 2011	PGIA	Philip S.W. Goldson International Airport
CARICOM	Caribbean Community	ROA	Return on assets
CARTAC	Caribbean Regional Technical Assistance Centre	ROE	Return on equity
CDB	Caribbean Development Bank	SBL	Scotiabank (Belize) Limited
CEMLA	Center for Latin American Monetary Studies	SCHL	Scotia Caribbean Holdings Limited
CFL	COVID-19 Financing Limited	SDR	Special Drawing Rights
CFZ	Corozal Free Zone	SIB	Statistical Institute of Belize
CGA	Citrus Growers' Association	SIL	Securities Industry Legislation
COVID-19	Coronavirus Disease 2019	SSN	Shared Service Network
CPBL	Citrus Products of Belize Limited	SWIFT	Society for Worldwide Interbank Financial Telecommunications
DTIs	Deposit-taking institutions	T-bills	Treasury bills
ECCU	Eastern Caribbean Currency Union	T-notes	Treasury notes
EU	European Union	TNC	The Nature Conservancy
FOB	Free on board	UK	United Kingdom
FSI	Financial soundness index	URP	Unemployment relief program
FVI	Financial vulnerability index	US	United States
FY	Fiscal year	WAIR	Weighted Average Interest Rate
GDP	Gross Domestic Product		

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 2021 figures in this report are provisional and the figures for 2020 have been revised.
3. Unless otherwise indicated, the Central Bank of Belize is the source of all tables and charts.

TABLE OF CONTENTS

FUNCTIONAL CHART	II
FUNCTIONS OF DEPARTMENTS AND UNITS	III
DIRECTORS AND PRINCIPALS	V
EXECUTIVE MANAGEMENT	VI
MANAGEMENT	VII
GOVERNOR'S FOREWORD	VIII
I. ECONOMIC REVIEW	01
International Developments	02
Advanced and Emerging Economies	02
Central America and Mexico	03
Caribbean	04
Domestic Overview	04
Economic Prospects	06
Monetary Developments	06
Money Supply	06
Net Foreign Assets	07
Net Domestic Credit	10
Domestic Bank Liquidity	10
Interest Rates	11
Credit Union Lending	11
Development Bank Lending	11
Central Government Operations and Public Debt	12
Central Government Operations	12
Total Public Sector Debt	14
Central Government Domestic Debt	14
Public Sector External Debt	15
Production	21
Real Gross Domestic Product	21
Agriculture	22
Sugarcane	22
Citrus	23
Banana	23
Marine Products	23
Manufacturing	24
Sugar and Molasses	24
Citrus Juices, Citrus Oil, and Pulp	24
Petroleum	24
Other Manufacturing Production	24
Tourism	24
Employment	25
Prices	26

TABLE OF CONTENTS

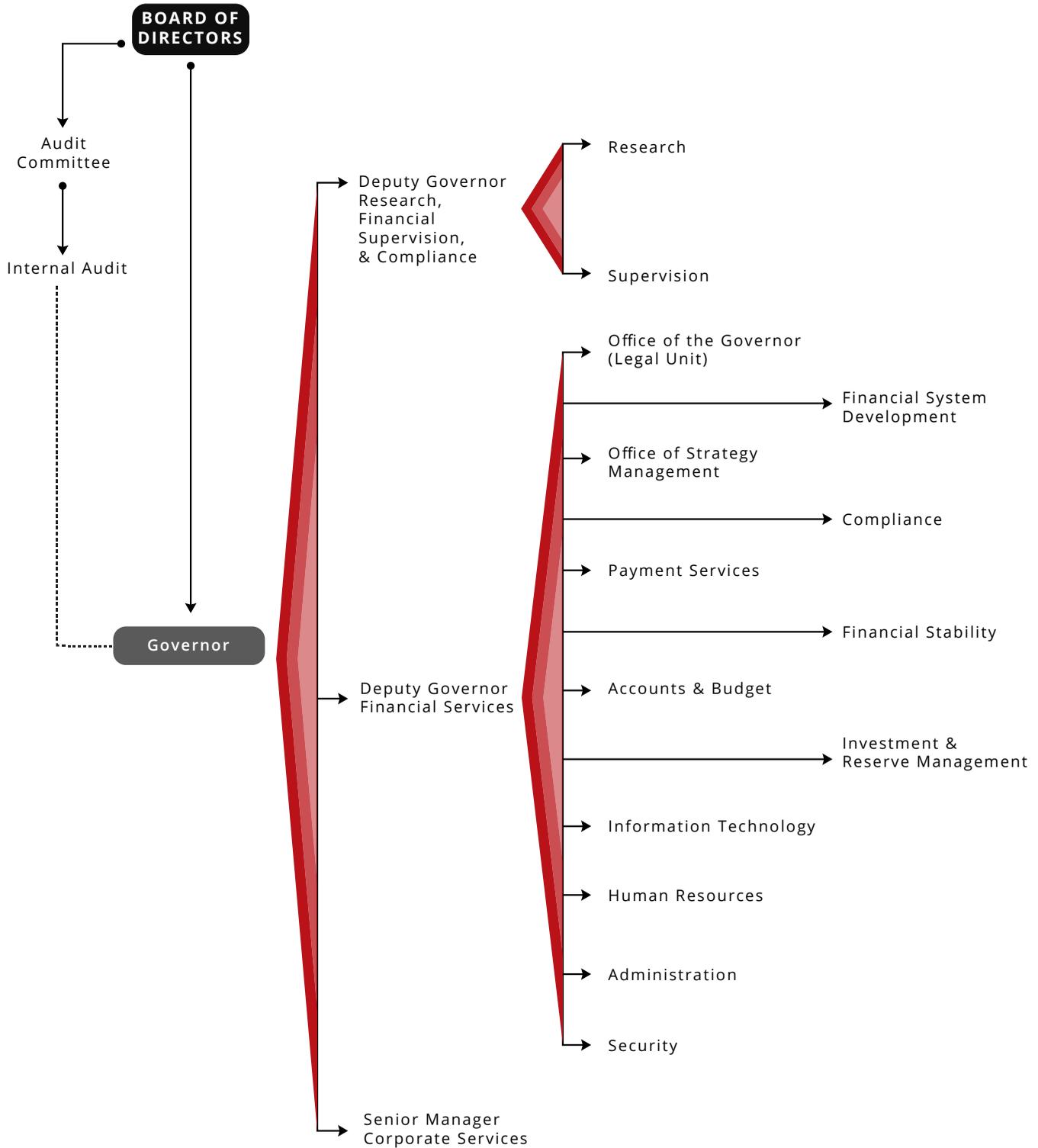
Balance of Payments	32
Merchandise Trade	32
Domestic Exports	32
Sugar and Molasses	33
Citrus Juices and Pulp	33
Banana	33
Marine Exports	33
Crude Oil	34
Non-Traditional Exports	34
Re-Exports	34
Imports	34
Direction of Visible Trade	34
Services	35
Primary Income	35
Secondary Income	36
Capital and Financial Accounts	36
International Investment Position	36
II. FINANCIAL SYSTEM OVERSIGHT	39
Examinations	40
Domestic Bank Performance	40
Credit Union Performance	45
International Bank Performance	46
AML/CFT Compliance	47
Regulatory and Supervisory Projects	47
Basel II/III Capital Framework for Banks	47
Risk-Based Supervision	48
International Financial Reporting Standard 9	48
III. CENTRAL BANK OPERATIONS	53
Governance	54
Membership	54
Meetings	55
Conduct of Board Members	55
Standing Committees	56
Audit Committee	56
Internal Audit	57
Strategic Initiatives	57
Administration	60
Human Resources	60
Training and Development	60

TABLE OF CONTENTS

Staffing and Employee Relations	61
Community Service and Staff Club Activities	62
Information Technology	63
Currency and Foreign Exchange Transactions	63
Currency Operations	63
External Assets Ratio	64
Foreign Exchange Transactions	65
Relations with Central Government	65
Overdraft Advances	65
Treasury Bills	65
Treasury Notes	66
Relations with Domestic Banks	67
Cash Reserves	67
Automated Payment and Securities Settlement System	67
Central Bank Financial Performance	68
Balance Sheet	68
Income Statement	68
IV. STATISTICAL APPENDIX	71
V. FINANCIAL STATEMENTS	103
Independent Auditor's Report	104
Financial Statements for the Years Ended 31 December 2021 and 2020	
Statements of Financial Position	107
Statements of Comprehensive Income	108
Statements of Changes in Capital and Reserves	109
Statements of Cash Flows	110
Notes to Financial Statements	111
LIST OF BOXES	
1.1 Belize's Special Drawing Rights	08
1.2 Major Fiscal Initiatives in 2021	13
1.3 Refinancing the 2034 US Dollar Bond with a Blue Loan	17
1.4 COVID-19: A Chronology of Major Events in Belize	28
2.1 The Central Bank's Regulatory Response to the COVID-19 Pandemic	42
2.2 Vestment of Caribbean Investment Holdings Ltd.	44
2.3 A Financial Stability Map for Belize	48
3.1 Strategic Initiatives	58
3.2 Emergency Business Support Program	59

FUNCTIONAL CHART

At 31 December 2021



FUNCTIONS OF DEPARTMENTS AND UNITS

At 31 December 2021

<p>Internal Audit Department Mr. Benedict Terry</p>	<ul style="list-style-type: none"> • Provides objective assurance and consultation services designed to add value and improve the Central Bank's operations
<p>Research Department Mr. Emory Ford</p>	<ul style="list-style-type: none"> • Supports monetary policy operations • Conducts periodic reviews of Belize's economy • Writes research papers and prepares other analytical pieces • Compiles, stores, and disseminates monetary, financial, private and public debt, balance of payments, and other economic statistics • Administrates exchange controls • Manages the library's resources
<p>Supervision Department Mrs. Diane Gongora</p>	<ul style="list-style-type: none"> • Supervises and regulates domestic and international banks, credit unions, financial institutions, moneylenders, and remittance service providers • Conducts on-site examination of financial institutions • Conducts off-site surveillance of financial institutions • Conducts oversight of the payment and settlement system
<p>Office of the Governor, Legal Unit Vacant</p>	<ul style="list-style-type: none"> • Provides legal advice • Provides strategic policy support • Provides corporate secretariat services
<p>Office of Strategy Management Dr. Sheree Smiling Craig</p>	<ul style="list-style-type: none"> • Oversees brand management • Implements change management • Manages Central Bank's communications and public relations • Manages content • Develops and administrates enterprise risk management • Oversees the National Financial Inclusion Strategy • Supports and executes project management • Manages strategy implementation
<p>Payment Services Department Ms. Michelle Estell</p>	<ul style="list-style-type: none"> • Manages the issuance of the Central Bank's notes and coins • Provides payment services
<p>Accounts & Budget Department Ms. Wendy Gillett</p>	<ul style="list-style-type: none"> • Manages accounts, budget, procurement, and payment services

FUNCTIONS OF DEPARTMENTS AND UNITS (Continued)

At 31 December 2021

<p>Information Technology Department Mr. I. Rabey Cruz</p>	<ul style="list-style-type: none"> • Manages the information technology infrastructure services • Provides protection of information and information systems against unauthorised access or modification of information • Provides business application support • Provides information technology support services
<p>Human Resources Department Mr. Timothy Grant</p>	<ul style="list-style-type: none"> • Administrates compensation and benefits for staff • Oversees employee and organisational development • Provides talent acquisition and planning services • Provides employee services • Oversees labour relations • Administrates staff-related policies • Oversees human resources management
<p>Administration Department Ms. Angela Wagner</p>	<ul style="list-style-type: none"> • Provides records management services • Oversees management of the Central Bank's facilities • Provides general service support • Manages the Central Bank's collectible coins
<p>Security Department Mr. Francis Thomas</p>	<ul style="list-style-type: none"> • Ensures security of the Central Bank's staff, premises, and lawful visitors • Provides security intelligence
<p>Investment & Reserve Management Unit Ms. Curlett Johnson</p>	<ul style="list-style-type: none"> • Supports the management of the Central Bank's foreign reserves • Facilitates and administrates the trading of Government's securities
<p>Compliance Unit Mrs. Carolyn Morris</p>	<ul style="list-style-type: none"> • Conducts AML/CFT on-site examination of financial institutions • Conducts AML/CFT off-site surveillance of financial institutions • Provides oversight of the Central Bank's internal AML/CFT compliance function • Provides AML/CFT Training
<p>Financial Stability Unit Mr. Barrington Sutherland</p>	<ul style="list-style-type: none"> • Conducts macroprudential surveillance • Monitors and mitigates systemic risks
<p>Financial System Development Unit Mrs. M. Laetitia Murillo</p>	<ul style="list-style-type: none"> • Develops, plans, and manages projects for new financial services

DIRECTORS AND PRINCIPALS

At 31 December 2021

Board of Directors

Mr. Sydney Campbell - Executive Chairman
Mr. Joseph Waight - Vice-Chairman/Financial Secretary (ex officio)
Mr. Kareem Michael - Governor (ex officio)
Mr. Hollis Parham - Deputy Governor (ex officio)
Mr. Giacomo Sanchez - Member
Mrs. Sol Espejo-Molina - Member
Mrs. Neri Matus - Member

Principal Officers

Mr. Kareem Michael - Governor
Vacant - Deputy Governor Research, Financial Supervision & Compliance
Mr. Hollis Parham - Deputy Governor, Financial Services
Vacant - Senior Manager, Corporate Services
Mr. Benedict Terry - Chief Internal Auditor, Internal Audit
Mr. Emory Ford - Manager, Research
Mrs. Diane Gongora - Manager, Supervision
Dr. Sheree Smiling Craig - Manager, Office of Strategy Management
Ms. Michelle Estell - Manager, Payment Services
Ms. Wendy Gillett - Manager, Accounts & Budget
Mr. I. Rabey Cruz - Manager, Information Technology
Mr. Timothy Grant - Manager, Human Resources
Ms. Angela Wagner - Manager, Administration
Mr. Francis Thomas - Manager, Security

EXECUTIVE MANAGEMENT



SYDNEY CAMPBELL
EXECUTIVE CHAIRMAN



KAREEM MICHAEL
GOVERNOR



HOLLIS PARHAM
DEPUTY GOVERNOR
FINANCIAL SERVICES

MANAGEMENT



BENEDICT TERRY
CHIEF INTERNAL AUDITOR
INTERNAL AUDIT



EMORY FORD
MANAGER
RESEARCH



DIANE GONGORA
MANAGER
SUPERVISION



**SHEREE SMILING
CRAIG**
MANAGER
OFFICE OF STRATEGY
MANAGEMENT



MICHELLE ESTELL
MANAGER
PAYMENT SERVICES



WENDY GILLET
MANAGER
ACCOUNTS & BUDGET



I. RABEY CRUZ
MANAGER
INFORMATION TECHNOLOGY



TIMOTHY GRANT
MANAGER
HUMAN RESOURCES



ANGELA WAGNER
MANAGER
ADMINISTRATION



FRANCIS THOMAS
MANAGER
SECURITY

GOVERNOR'S FOREWORD



I write this foreword in my first term as Governor of the Central Bank, which I assumed in 2021. I have, however, been a central banker for over 18 years. During this time, it has been my privilege to serve Belize in each capacity afforded me, whether as an economist, director of research, or part of the executive team.

The Central Bank's performance over the past year is a testament of its enduring commitment to promote monetary and financial systems' stability for the wellbeing of Belize. I am proud of the Central Bank's record and, more so, the dedicated staff, who continued to perform optimally in the face of the severe health and economic crises. Looking back over the

past year, more than ever before, the Central Bank's institutional values were reflected in all parts of the organisation, as the staff adjusted to new ways of working. Despite 50 percent of staff working remotely at times, the Central Bank safeguarded its critical operations, delivered essential outputs, and maintained payment system operations, validating the Central Bank's continuity plan.

The Central Bank continued to utilise various monetary and macroprudential tools to tackle the ongoing effects of the pandemic during the year. To ensure that the financial system functioned smoothly, the Central Bank performed periodic stress tests on COVID-19 restructured loans, established

risk management expectations for banks, and evaluated banks' provisioning and capital adequacy. In addition to preserving adequate capital and liquidity levels, forbearance measures and the suspension of cash dividend and profit repatriation payments, introduced in 2020, were extended through 2021.

The Central Bank also made significant strides with several strategic priorities, including:

- building an enterprise risk management programme,
- enhancing resilience against cyber security threats,
- drafting the new Securities Industry Legislation, passed into law in September 2021,
- engaging the community and stakeholders through redesigning its website,
- launching a financial inclusion education campaign, and
- publishing economic reports.

With regard to the Central Bank's financial performance, a net operating surplus of \$0.4mn was recorded. The meagre profit arose mainly from a drop in foreign income, owing to low interest rates on international investments.

In line with our core value of dependability, recapitalisation plans commenced to provide ample space for emergency liquidity lending to banks in keeping with the institution's traditional lender of last resort role during these unprecedented times.

The country's economic strategy in 2021 centred on fiscal consolidation after high pandemic-related spending in 2020. The Government sought to contain the ballooning debt by adopting a Medium-Term Recovery Plan in April 2021. This plan focused on reducing fiscal expenditure through targeted



spending cuts and a debt restructuring operation, completed in November 2021. Meanwhile, the Central Bank worked closely with the Government to support the Belizean economy. In November, the Central Bank actively participated in the launch of the Emergency Business Support Program, a joint initiative with the Government to help support businesses affected by the pandemic.

Furthermore, monetary stability was preserved, as an improvement in foreign exchange reserves bolstered Belize's capacity to weather the pandemic shock. In addition, the financial system remained stable, as deposit-taking institutions' capital and liquidity positions broadly strengthened.

Looking beyond our 40-year milestone, the Central Bank will renew and refresh its strategic vision to enhance communication and engagement with the public and stakeholders. The Central Bank plans to further its financial inclusion strategy to educate the public in understanding financial concepts and taking control of their financial lives, while forging ahead with modernising the financial system.

I want to acknowledge and thank the Board of Directors, Management, and external stakeholders for their continued support. I also extend my sincere appreciation to the Central Bank staff for their unwavering commitment in this challenging environment.





I. ECONOMIC REVIEW

INTERNATIONAL DEVELOPMENTS

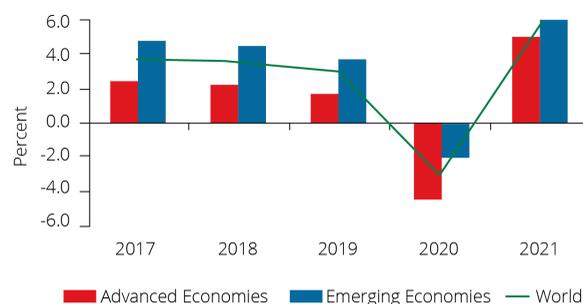
Global output strengthened in 2021 despite disruptions caused by the Coronavirus disease 2019 (COVID-19) in sensitive sectors and regions of the world. Following the 3.1% contraction in 2020, global real gross domestic product (GDP) was projected to rise by 5.9% in 2021, driven by significant policy support and a strong rebound in worldwide demand for manufactured goods and services. The divergence in recovery speeds among advanced and emerging market and developing economy groups was driven by access to vaccines, tests, and treatments; the scale of fiscal support; and dependence on contact-sensitive sectors as a share of GDP. Pandemic-induced demand-supply mismatches alongside persistent supply bottlenecks drove inflation to historic highs in many economies. Meanwhile, employment growth lagged the recovery in output and remained behind pre-pandemic levels worldwide.

Advanced and Emerging Economies

Output among advanced economies rose by 5.0% in 2021 compared to a pandemic-induced 4.5% contraction in 2020. United States (US) GDP increased by 5.7% in 2021, the strongest since 1984, reversing the 3.4% contraction in 2020. Supported by the reopening of the economy and sustained monetary and fiscal stimulus, the US GDP level surpassed annualised pre-COVID-19 trends since June 2021. Notably, service-producing industries led the increase in GDP, followed by goods-producing industries, and then the government sector. Over the year, the unemployment rate declined by 2.8 percentage points to 3.9%, and the number of unemployed persons decreased by 4.5mn to 6.3mn, lagging behind pre-COVID-19 measures. Meanwhile, inflation pressure mounted with sustained supply-side disruptions, clogged ports, and high demand for goods. US consumer price index (CPI) rose 7.0% for the 12 months ending December, the largest 12-month increase since

June 1982. The energy index rose 29.3% and the food index 6.3%, while all other items less food and energy grew by 5.5% over the 12-month period.

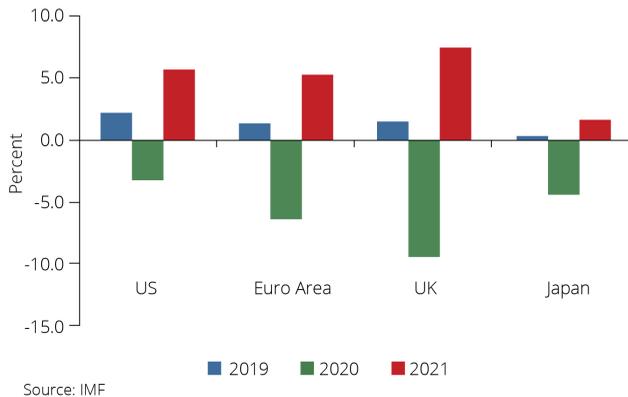
Chart 1.1: Global GDP Growth Rate



Source: IMF

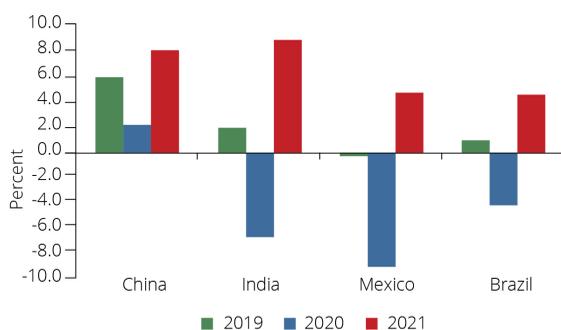
The United Kingdom (UK) GDP grew by 7.5% in 2021 as COVID-19 restrictions eased, following a 9.4% decline in 2020 when the pandemic hit and lockdowns were first introduced. Increased value-added contributions from human health and social work activities were primarily responsible for the positive outturn, as restrictions loosened amid an aggressive vaccination programme alongside broad fiscal and monetary support. Meanwhile, the euro area's economy registered a 5.3% growth after plummeting by 6.4% last year. Much of the growth impetus stemmed from (i) high vaccination rates that boosted consumer-facing activities, (ii) expansionary fiscal policies that kept consumption buoyant for households and firms in vulnerable sectors, and (iii) the continued purchasing of sovereign and corporate bonds to improve liquidity conditions. Output in Japan rose marginally by 1.6%, as the economic effects of sizeable stimulus packages were softened by a reduction in consumption and investment owing to sanitary restrictions.

Chart 1.2: Select Advanced Economies: GDP Growth Rate



In emerging economies, growth averaged 6.5% in 2021 relative to the 2.0% decline in 2020. India's performance led this grouping, with an 8.9% GDP expansion attributable to the resumption of contact-intensive services with favourable fiscal and monetary policies. Concurrently, China's economy rose by 8.1%, the best growth since 2011. A historic export performance drove this outcome amid heightened global demand. Lastly, output in Russia and Brazil increased by 4.7% and 4.6%, respectively. Government stimulus payments and rising oil prices propelled growth in the former. At the same time, the latter's outturn stemmed from recoveries in distribution activities and construction projects after movement restrictions were relaxed.

Chart 1.3: Select Emerging Economies: GDP Growth Rate



Sources: 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.

Central America and Mexico

Output in Central America rebounded by 5.5% in 2021 after falling 6.0% in 2020. Starting from the low base, the region's economic performance was supported by heightened commodity prices alongside historical remittance inflows, which provided significant support to households faced with severe economic hardship. All Central American nations grew though country performances varied. Nicaragua had the lowest growth in Central America at 2.5%, inhibited by internal issues and sanctions from the US. Despite an impressive full vaccination rate of 70.0%, Costa Rica rebounded by only 3.7%, as slowed tourism activities contributed to a 14.7% unemployment rate. Guatemala grew by 4.6%, triggered by historic remittance inflows of more than US\$15.0bn, sourced mainly from the US. However, growth was hindered by a surge in COVID-19 infections, precipitated by a low vaccination rate of 26.5%. Honduras' economy expanded by 5.0%, as prices for coffee—its main agricultural export—soared, and while strong remittance inflows stimulated spending in the retail and manufacturing sectors.

El Salvador and Panama were the strongest performers in the region, with growth rates of 7.5% and 12.0%, respectively. Heightened remittances were largely responsible for El Salvador's robust economic outturn. Interestingly, this influenced the Government to become the first country to adopt Bitcoin as a legal tender to strengthen financial inclusion and reduce transaction costs. Furthermore, an effective vaccination campaign yielded a take-up rate of 63.9%, second only to Costa Rica. Meanwhile, Panama's economy was catapulted by increased services in the Colón Free Zone, heightened investments, and record freight movements through the Panama Canal.

Closer to home, Mexico's GDP rebounded by 4.8% after a steep 8.2% contraction in 2020. Mexico's growth was linked to the US rebound, owing to strong trade, investment, and socioeconomic ties between the two countries.

Accordingly, the country's GDP was driven by solid agricultural and manufactured exports and record-high remittance inflows of US\$51.6bn.

Caribbean

The Caribbean's 3.0% recovery in 2021 was led by tourism-dependent countries (3.2%), which outperformed commodity exporters (2.7%). Growth was tempered by new COVID-19 variants, elevated inflation, and shocks to the productive sector. Consequently, most governments maintained an expansionary fiscal stance to support the health sector and economic recovery. Notwithstanding, the regional debt-to-GDP ratio contracted to 80.5% in 2021 from 82.5% in 2020, owing partly to successful debt restructuring outcomes.

Among tourism-based economies, The Bahamian economy is projected to grow by 2.0% in 2021, underpinned by a 94.9% upswing in overnight visitors coupled with heightened foreign direct investment inflows for construction activities. The Government's primary deficit is set to widen to -9.4% of GDP in 2021 from -4.1% in 2020. Similarly, Barbados reported a modest 1.4% growth for the year. Much of the growth impetus stemmed from a partial recovery in tourist activities alongside an uptick in manufacturing output, which bolstered employment. Notwithstanding, growth was hindered by the ongoing effects of COVID-19 and two natural disasters that worsened the Government's fiscal deficits. The Bank of Jamaica estimated that the country's economy would grow by 4.6% in 2021, driven by the tourism sector's recovery and high remittance inflows. However, increased inflationary pressures caused the country's monetary authority to raise its policy interest rate in October 2021 to tame inflation.

Finally, economic growth in the Eastern Caribbean Currency Union (ECCU) averaged 3.9% in 2021, as most member countries reported upswings in tourism activities. The positive performance of the bloc was

attributable to a substantial growth in Saint Lucia (6.8%) and Montserrat (6.7%), which were among the highest in the region.

Among commodity exporters, Guyana was once again the top performer. The country's output grew by 19.9%, supported by a boom in oil and gas production, alongside moderate gains in manufacturing pharmaceuticals, oxygen, and alcoholic beverages. Moreover, higher crude oil export receipts overshadowed increased import costs, fuelling a larger current account surplus. Trinidad and Tobago was one of the few regional economies that contracted in 2021. The twin-island's output slipped 2.9%, set back by declines in natural gas production in the energy sector and COVID-19 containment measures in the non-energy sector. Lastly, Suriname's output contracted 3.5% in 2021, attributable to heightened inflationary pressure, fiscal tightening, and prolonged pandemic-induced lockdowns. Despite successfully restructuring approximately US\$100.0mn in domestic debt during the year, Suriname had the second highest central government debt-to-GDP ratio in the region at 128.9%. Furthermore, two major currency devaluations prompted the country to abandon its fixed-exchange rate regime in June 2021.

DOMESTIC OVERVIEW

Belize's economy grew by 9.8% in 2021, following the pandemic-driven 16.7% contraction in 2020. The gradual easing of border and mobility restrictions and a robust vaccination campaign led to a resurgence in international visitors, service-based activities, and demand for goods. The tertiary (services) sector, which was most deeply affected by the pandemic, grew by 10.1%, with solid outturns in wholesale and retail distribution, transport and communication, and hotel and restaurant activities. Primary output also revived, up 11.2%. This performance was supported by strong outturns in agriculture, owing to favourable weather and an acceleration in cattle exports

after the temporary ban on cross-border trade was lifted. However, secondary sector output fell by 1.2%, as value-added losses stemming from reduced electricity generation exceeded construction and manufacturing gains, primarily because of lower rainfall. Compared to the year before the pandemic outbreak, GDP was 8.6% below 2019's level.

The strong economic rebound led to a 4.5 percentage-point reduction in the unemployment rate to 9.2% in September 2021 compared to September 2020. New hires were concentrated in service-based firms that either reopened or expanded business operations as COVID-19 restrictions eased. Meanwhile, the pass-through effects of spiralling global inflation and higher shipping costs were chiefly responsible for driving up energy and food prices. As a result, the average CPI increased by 3.2% in 2021, representing the most significant annual increase since 2008.

Public finances were strengthened by expenditure-side fiscal consolidation measures and the gradual economic rebound. Whereas the pick-up in economic activity helped drive revenues and grants up by 12.8%, deep cuts in current and capital spending underpinned a 12.1% contraction in total expenditure. Thus, Central Government's operations generated a primary surplus of 0.1% of GDP, a significant upswing relative to the deficit of 8.4% of GDP in 2020. Simultaneously, the overall deficit narrowed markedly to 1.9% of GDP in 2021 compared to 11.3% of GDP in 2020.

Central Government's strategy to restore public finances on a sustainable path included the refinancing of the "2034 US Dollar Bond" as a key objective. The debt reorganisation effort led to the largest global debt-for-nature swap, that lessened Government's debt burden. The debt exchange caused total public sector debt to contract by 5.4% to \$3,992.8mn or 111.2% of GDP. Accordingly, the public sector's external debt declined by 7.9% to \$2,677.0mn (74.5%

of GDP), while Central Government's domestic debt inched up by 0.2% to \$1,315.8mn (36.6% of GDP).

In the external sector, the current account deficit on the balance of payments expanded by \$76.1mn to 9.2% of GDP in 2021, up from 8.1% of GDP in 2020. The modest deterioration reflected increased payments on imports, international freight, and financial services, which outweighed heightened inflows from tourism, business processing services, and inward personal transfers. The capital account surplus ballooned to \$482.9mn, reflecting the debt forgiveness granted on the bond-for-loan swap and project-related grants to a lesser extent. Notably, the reduction in external public debt alongside a historic increase in net foreign assets generated a financial account surplus of \$85.9mn, the first occurrence since 1995. Boosted by a General Allocation of Special Drawing Rights (SDR) equivalent to \$72.6mn, the gross international reserves increased by \$132.2mn to \$830.1mn, the equivalent of 4.6 months of merchandise imports.

Turning to monetary developments, broad money supply accelerated by 12.3% in 2021, reflecting the fastest annual growth pace since 2008. An upsurge in net foreign assets fuelled the expansion as net domestic credit rose marginally. The net foreign assets of the banking system increased by \$444.1mn, of which \$295.7mn was attributed to domestic banks and the remaining \$148.4mn to the Central Bank. Influenced by the reopening of the economy and prudent foreign currency management, domestic banks' inflows stemmed primarily from heightened tourism earnings, commercial-free zone sales, remittances, and business process outsourcing services receipts. However, net domestic credit inched up by just 0.2% (\$7.5mn), as credit to private entities slowed, while advances to Central Government (net) and public sector enterprises declined.

The robust foreign asset accumulation boosted bank liquidity amid the credit slowdown to the real economy. Domestic banks' excess liquid assets rose by \$278.1mn to 93.9% above the statutory requirement, while their excess cash balances increased by \$63.8mn to 180.5% above the required level.

Swayed by the economic shock, domestic banks' 12-month (rolling) weighted average interest rate on new loans climbed 13 basis points during the year, with rate hikes in three of four major loan categories. Meanwhile, the uneven distribution of cash reserves spurred a marginal two-basis-point increase in the weighted average deposit rates during the year.

Finally, credit supply movements by other financial institutions varied. On the one hand, aggregate lending by credit unions fell by \$2.3mn in 2021 compared to a \$38.6mn reduction in 2020. This outcome reflected reductions in real estate and home improvement loans coupled with an uptick in loan write-offs. In contrast, the Development Finance Corporation's loan portfolio expanded by \$15.7mn, supported by a sizeable capital injection from Government. New disbursements were directed mainly to construction, tourism, professional services, and agricultural activities.

Economic Prospects

Looking ahead, the global growth momentum is expected to weaken in 2022. The economic recovery from the pandemic will likely be impeded by: (i) disruptions caused by COVID-19 flare-ups, and the emergence of new variants, (ii) high inflation underpinned by ongoing supply chain bottlenecks alongside rising energy and food prices, (iii) the unwinding of loose monetary and fiscal support, (iv) increased geopolitical hostilities with significant negative spillover effects, (v) large debt overhangs exacerbated by the crisis, and (vi) adverse climatic events.

Similarly, Belize's GDP growth is projected to moderate. The economy is expected to

expand by 5.8% in 2022 after bouncing back strongly from the low position a year ago. The performance across sectors will likely subside due to a confluence of factors. Agricultural and livestock production should slow in the primary sector as value-added gains from weather-related rebounds and trade restrictions dissipate in 2022. Meanwhile, secondary sector output is expected to turn positive based on an upturn in renewable energy production, while the growth in construction and manufacturing activities moderate. Also, the marked expansion in the service sector should temper as the growth in stay-over arrivals and cruise ship disembarkations further strengthen but from a significantly higher base.

On the external front, the current account deficit on the balance of payments is projected to widen mainly because of the growing trade imbalance in goods and an upturn in profit repatriation as the economy continues to recover. The country's external assets will also be squeezed by the resumption of external public debt service payments without the one-off factors that generated the sharp accumulation of foreign savings in 2021.

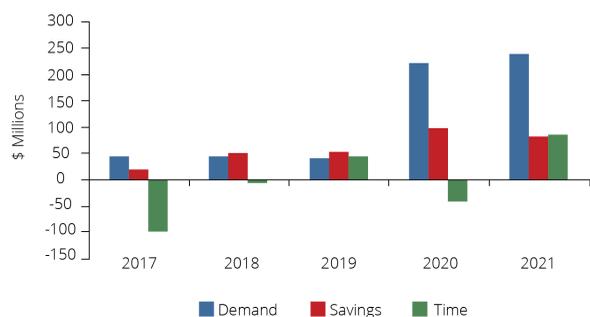
MONETARY DEVELOPMENTS

Money Supply

Propelled by an upsurge in net foreign assets, broad money supply grew at an unprecedented pace, as credit to the real economy slowed. Money supply soared 12.3% in 2021, the largest increase since 2008. Furthermore, the nominal equivalent of \$437.9mn was the largest annual increase on record, driven by robust expansions in narrow money and quasi-money. Narrow money ballooned by \$270.8mn, lifted by a \$240.5mn increase in demand deposits. The upsurge in demand deposits was attributable to: (i) the conversion of Scotiabank's (Belize) retained earnings to deposits after its sale; (ii) a substantial build-up of foreign currency deposits—two-thirds of which belonged to re-exporters, regional organisations, and

quasi-government institutions; and (iii) sizeable deposit accumulations by fuel companies for eventual repatriation and by investment vehicles to support large construction projects. Meanwhile, currency with the public and savings/chequing deposits, the other two sub-components of narrow money, grew at more modest paces, up \$24.6mn and \$5.7mn, respectively. Quasi-money rose by \$167.1mn, with time and savings deposits increasing by \$85.4mn and \$81.7mn, respectively. The solid increase in quasi-money reflected a portion of Scotiabank's (Belize) retained earnings and a further build-up in credit unions' time deposits.

Chart 1.4: Deposit Growth

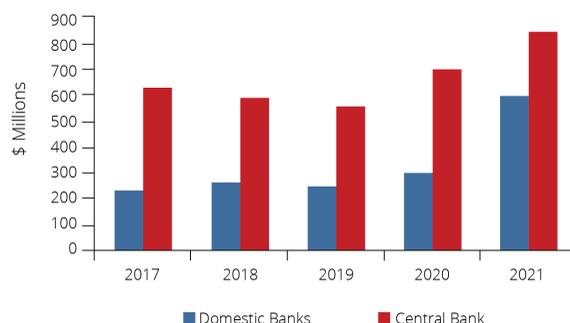


Net Foreign Assets

Net foreign asset accumulation occurred at a historic pace. Up 44.4% (or \$444.1mn) to \$1,444.2mn in 2021, the banking system's net foreign assets recorded its largest year-on-year expansion. The extraordinary performance reflected a near doubling in domestic banks' net foreign assets alongside the Central Bank's third largest annual increase in foreign balances. Accordingly, domestic banks' net foreign assets grew by 98.3% or \$295.7mn to \$596.5mn. Gross foreign currency inflows into domestic banks increased by 47.9%, as tourism receipts and commercial-free zone sales rebounded in response to the gradual relaxation of COVID-19 restrictions. In addition, remittances and business process outsourcing receipts increased to historic levels, stimulated by

COVID-19-related factors as well. Gross foreign currency outflows also picked up but by a lesser margin of 34.2% when compared to inflows. Maintenance of domestic banks' stringent foreign currency management measures and the regulator's dividend payout restrictions on banks throughout the year successfully contained leakages.

Chart 1.5: Net Foreign Assets



The Central Bank's net foreign assets grew by \$148.4mn to \$847.7mn, the highest year-end position since 2015. On the one hand, gross inflows rose by 5.6%, bolstered by loan proceeds of \$126.9mn, sugar export receipt purchases of \$87.7mn, and the IMF's general allocation of SDR 25.6mn, equivalent to \$72.6mn. On the other hand, gross outflows edged up by 5.0%, owing to a bump in Central Government's overseas payments. With inflows exceeding outflows, the gross international reserves rose by 19.2% to \$830.1mn. However, imports grew faster than reserves. Consequently, the merchandise import cover ratio slid from 5.2 months in 2020 to 4.6 months at December end.

BOX 1.1 BELIZE'S SPECIAL DRAWING RIGHTS

Special Drawing Rights (SDR) are interest bearing international reserve assets, created by the International Monetary Fund (IMF) in 1969 to supplement member countries official reserves. The SDR is neither a currency nor an asset, instead it represents a unit value based on a basket of the five strongest and leading currencies in the world, namely the US dollar, the euro, the Chinese renminbi, the Japanese yen, and the British pound sterling. During unprecedented shocks, the IMF disburses SDRs to provide emergency liquidity and boost the gross international reserves of their members. Countries can use the SDR allocations for three main purposes: (i) to boost foreign currency reserves, (ii) to sell or donate to member countries, or (iii) to exchange for freely usable currency, such as US dollars, to settle financial obligations, purchase goods and services, or for investment purposes. Members are paid interest on their SDR holdings and charged on their SDR allocations.

SDRs are allocated to member countries in proportion to their quota shares at the IMF, which is based on their relative size in the world economy. Belize joined the IMF on 7 September 1982 with a subscription of SDR 7.2mn valued \$15.2mn. Of this amount, SDR 1.3mn was paid in foreign currency (known as the Reserve Tranche) and the balance in Belize dollar currency and non-interest-bearing promissory notes. Since then, Belize has received three SDR allocations from the IMF—two in 2009 and one in 2021—summing to SDR 43.5mn or \$121.7mn. However, the accounting and statistical treatment for SDR allocations differ from reserve tranches. While subscriptions are treated only as assets, each SDR allocation is recorded as a simultaneous increase in the country's gross international reserves and long-term external liabilities, keeping the net international investment position unchanged. Allocations in 2009 amounted to SDR 17.9mn, of which SDR 13.9mn was to mitigate shocks from the Global Financial Crisis, and SDR 4.0mn was to fund expenses related to Tropical Storm Arthur, which made landfall over the country in 2008. The next distribution occurred in August 2021 when the IMF distributed SDR 456.5bn (US \$650.0bn) among members to boost global liquidity to mitigate the impact of the COVID-19 pandemic. From this allocation, Belize received SDR 25.6mn, valued at \$72.6mn, contributing to a 21.8% increase in the Central Bank's foreign assets, which stood at \$830.3mn at year end. Altogether, Belize has amassed assets of SDR 46.0mn, now valued at \$146.0mn, representing 17.6% of the Central Bank's foreign assets.

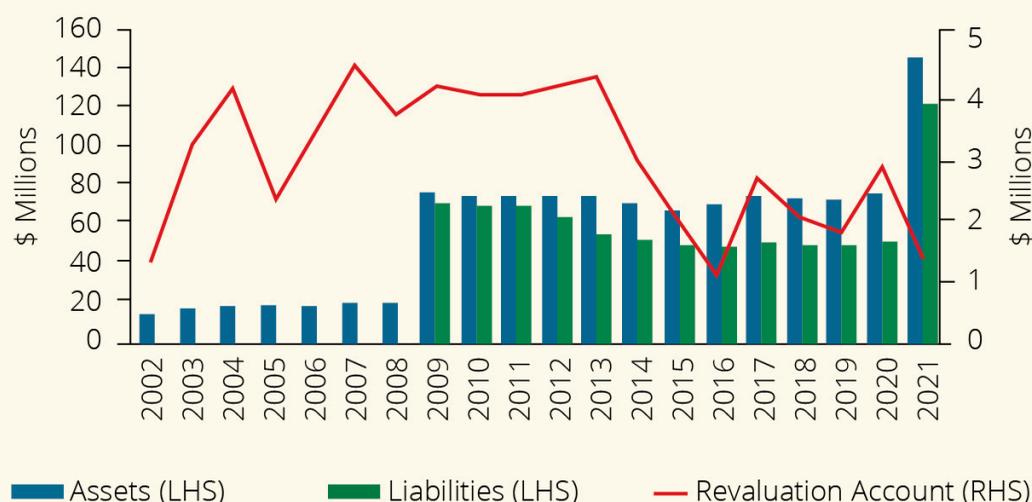
Table 1: IMF's SDR Allocations to Belize

Date	Allocation Type	SDR Amount in Millions	Value in Belize Dollars Millions	Purpose
7 September 1982	Subscription	7.2	\$15.2	Belize joined the IMF in 1982
28 August 2009	General allocation	13.9	\$43.7	Global Financial Crisis
9 September 2009	Special allocation	4.0	\$12.5	Emergency financing to recover from Tropical Storm Arthur in 2008
31 August 2021	General allocation	25.6	\$72.6	COVID-19 pandemic

BOX 1.1 BELIZE'S SPECIAL DRAWING RIGHTS (CONTINUED)

Furthermore, SDR assets outstripped SDR liabilities by SDR 8.5mn or \$24.2mn at the end of 2021. However, revaluation losses on SDR holdings due to adverse cross-exchange rate movements moderated in 2021. Historically, revaluation losses are most significant at the peak of a global crisis. Losses grow when investors flock to secure US dollar assets, causing the US dollar to appreciate and, in turn, other SDR currencies to depreciate. In this regard, revaluation losses contributed to the \$0.4mn decline on the Central Bank's revaluation account balance over the first two years of the pandemic to \$1.2mn at the end of 2021.

**Chart 1.6:
Value of SDR Assets, SDR Liabilities,
and the Revaluation Account**



The IMF intended members to enjoy a significant degree of freedom to manage their SDRs. The unique instrument is distributed to members to boost reserves, build confidence, and absorb shocks. However, the boon could potentially delay needed macroeconomic adjustments and reforms or be misused, mainly where there is a lack of accountability. In consultation with the IMF, the Central Bank and the Government of Belize are currently deliberating on utilising the country's SDR allocation to ensure prudent reserve management and reduce revaluation losses.

Net Domestic Credit

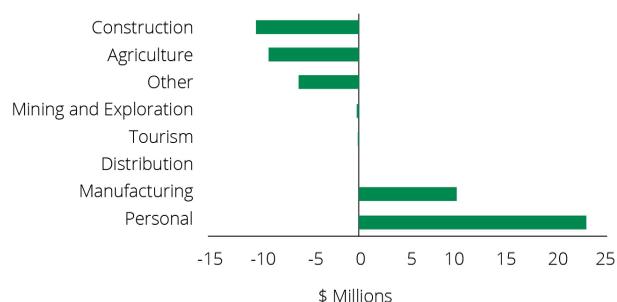
Net domestic credit grew by 0.2% to \$3,047.4mn in 2021, decelerating to a near halt, following a 6.0% expansion in 2020. The weakened \$7.5mn expansion was attributable to a curb in private sector credit growth alongside significant declines in credit to Central Government (net) and public sector corporations. Net credit to Central Government from the banking system contracted by \$35.0mn to \$687.2mn, as Central Government's borrowings from domestic sources receded after implementing significant expenditure-side consolidation measures. While net financing from the Central Bank moderated to \$34.2mn, domestic banks' credit to Central Government nosedived by \$69.4mn, precipitating the overall sectoral decline. Central Government's borrowings from the Central Bank subsided after the institution's acquisition of \$110.1mn in Government securities was primarily offset by (i) Central Government's \$61.8mn repayment to clear costly overdraft advances and (ii) a \$14.1mn deposit increase at the Central Bank. Meanwhile, the surrendering of \$38.4mn in Treasury securities combined with a \$31.0mn increase in Central Government's bank deposits was responsible for the marked decline in domestic bank credit.

Furthermore, bank lending to other public sector entities contracted by \$15.0mn to \$43.9mn. The sector's outstanding loan balances fell as amortisation payments by public utilities (\$15.9mn) and statutory bodies (\$0.2mn) and the redemption of \$1.5mn in private securities overshadowed net disbursements of \$0.5mn to local government.

Private sector credit growth weakened, down 0.5 percentage points to 2.6% (\$2,316.4mn) in 2021 compared to 2020. At \$57.7mn, the modest increase in net lending was channelled mainly to the tourism, construction, and agricultural industries, which rose by \$82.2mn combined. However, new disbursements were partially offset by declines of \$35.3mn and \$8.2mn in outstanding balances owed by households

and manufacturers, respectively, in wake of pandemic.

Chart 1.7: Annual Change in Domestic Bank Lending



Domestic Bank Liquidity

Driven by the extraordinary foreign asset expansion, bank liquidity ascended to historic heights amid the credit slump. Consequently, domestic banks' holdings of excess liquid assets elevated to 93.9% above secondary reserve requirements after rising by \$278.1mn to \$698.3mn. Notably, the level of excess liquid assets has more than tripled from \$200.7mn at the end of 2019, influenced by COVID-19-related factors. Furthermore, excess cash reserves ballooned to 180.5% above the primary (cash) reserve requirement, increasing by \$63.8mn to \$415.6mn.

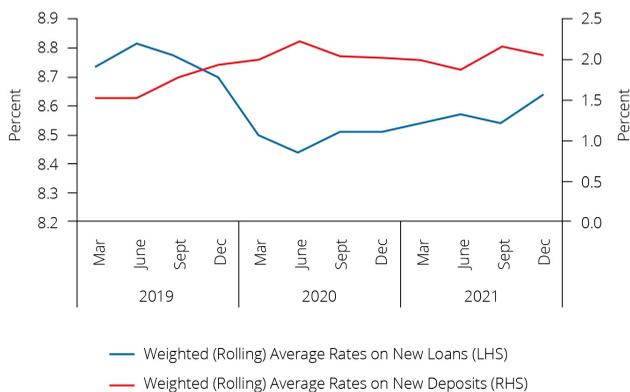
Chart 1.8: Excess Statutory Liquidity



Interest Rates

Interest rates moved upwards in 2021. At 8.64%, the 12-month (rolling) weighted average interest rate on new loans rose by 13 basis points. Average lending rates rose in three of the four major loan categories. Specifically, the personal, residential construction, and other lending rate categories recorded increases of 34, 73, and 60 basis points, respectively, underpinned by heightened risk aversion. In contrast, commercial loan rates fell by 16 basis points.

Chart 1.9: Annualised Interest Rates on New Loans and Deposits



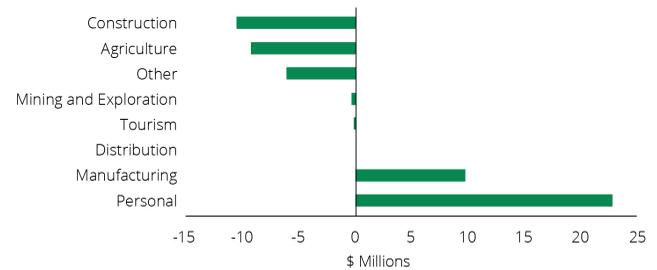
At 2.05%, the corresponding rate on new deposits inched up by two basis points in 2021 year-on-year. This reflected 27 and 15 basis-point increases in time and savings/chequing deposit rates, which outweighed a 19 basis-point decrease in savings deposit rates. Interestingly, demand deposit rates remained at 0.0% for the second consecutive year. Consequently, the weighted average interest rate spread widened by 11 basis points over the year to 6.59%.

Credit Union Lending

In other credit developments, aggregate credit union lending dipped by \$2.3mn in 2021, following a \$38.6mn reduction in 2020. Significant declines in real estate and home improvement loans, which contracted by \$28.8mn and \$12.1mn, respectively, caused the marginal downturn. However,

new disbursements of \$21.8mn and \$9.1mn for personal consumption and agricultural production softened the overall downturn. Write-offs of distressed loans summed to \$14.9mn, \$2.9mn more than the year before.

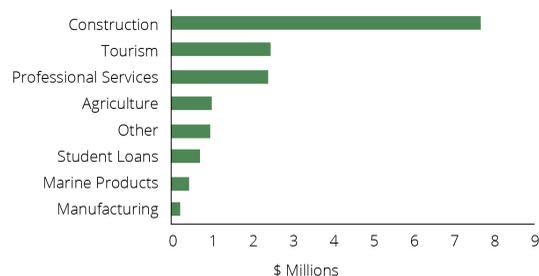
Chart 1.10: Annual Change in Credit Union Lending



Development Bank Lending

Development Finance Corporation's loan portfolio grew by \$15.6mn in 2021 to \$120.2mn. This expansion mirrored the largest annual increase since 2004 and was several folds larger than the \$2.8mn uptick in 2020. The credit supply boom coincided with a \$31.1mn equity injection by Central Government. The equity investment represented the largest ever made in the development bank, boosting its year-end capital and reserve position by 94.6%. New disbursements for construction (\$7.6mn), tourism (\$2.5mn), professional services (\$2.4mn), and agricultural activities (\$1.0mn) contributed to the substantial credit outturn.

Chart 1.11: Annual Change in Development Finance Corporation's Lending

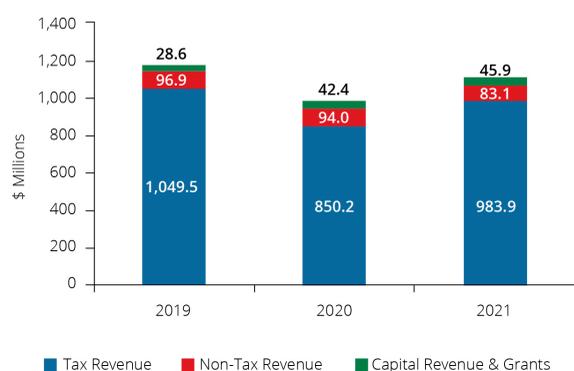


CENTRAL GOVERNMENT OPERATIONS AND PUBLIC DEBT

Central Government Operations

Fiscal operations were shaped by a substantial front-loaded fiscal consolidation programme amid a sharp turnaround in economic growth. In April, Central Government implemented a Medium-Term Recovery Plan to restore public finances on a sustainable path, as revenues fell, and expenditures soared during the first year of the pandemic. The expenditure-based consolidation strategy effected immediate spending cuts on public sector wages, goods and services, and transfers, while capital outlays were scaled back. Consequently, Central Government's total expenditure contracted by \$162.6mn to \$1,182.8mn in 2021. At the same time, the rapid upturn in economic activity contributed to a \$126.3mn revenue increase to \$1,112.9mn. These outcomes yielded a primary surplus of \$3.3mn (0.1% of GDP), reflecting a marked reversal from the \$265.3mn (8.4% of GDP) deficit recorded in 2020. Furthermore, the overall deficit improved to \$69.9mn (1.9% of GDP) from \$358.8mn (11.3% of GDP) last year.

Chart 1.12: Central Government Revenue



Total revenue and grants grew by 12.8% to \$1,112.9mn, driven by better-than-expected tax receipts and grants that overshadowed the slump in non-tax revenue collections. Strengthened by the economic recovery, taxes rebounded by 15.7% or \$133.6mn to \$983.9mn. About 75.0% (\$100.2mn) of this

increase stemmed from a rise in indirect tax collections, namely, general sales tax and excise duties, captured in "Taxes on Goods and Services." In addition, higher import duties and environmental tax receipts led to a \$37.0mn expansion in "International Trade Transactions" to \$165.9mn. However, reduced pay-as-you-earn (PAYE) intakes contributed to a \$4.6mn contraction in "Income and Profits," with employment lagging pre-pandemic levels.

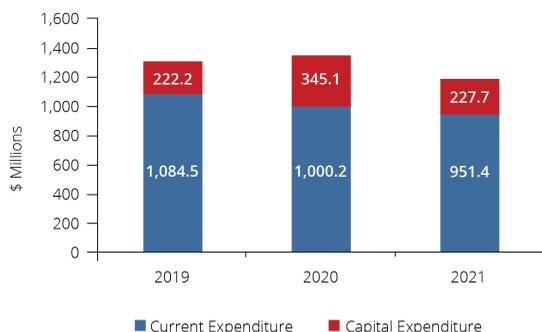
Meanwhile, non-tax revenue narrowed by \$10.9mn to \$83.1mn. This outcome resulted as a reduction in licence fees and receipts from international businesses outweighed an upturn in profit transfers from quasi-public corporations and other income transfers from various Government departments.

Furthermore, grants increased by \$16.3mn to \$41.6mn (or 1.2% of GDP). This upswing primarily reflected a one-off doubling of Republic of China/Taiwan's annual budget-support grant and a surge in project-related donations associated with the rehabilitation of the Coastal Road and Phillip Goldson Highway.

Total expenditure fell by 12.1% to \$1,182.8mn, owing to cuts in current expenditure and, to a larger extent, capital spending. Current expenditure contracted by 4.4% (\$43.8mn) to \$956.5mn. "Wages and Salaries" accounted for the steepest decline, down \$35.5mn, owing to the 10.0% cut in public officers' wages, whose emoluments were at or above the twelve-thousand-dollar threshold. This austerity measure, which took effect on 1 June, was implemented to contain the rise in public debt through the Public Sector Emoluments and Allowances Reduction Act, 2021. Interest payments fell by \$20.3mn as additional cost savings were obtained from the suspension of quarterly coupon payments due on the 2034 US Dollar Bond during the debt refinancing

operation. Furthermore, “Transfers and Subsidies” edged down by \$5.1mn. In contrast, the remainder of recurrent outlays expanded with “Goods and Services” and “Pensions,” rising by \$8.3mn and \$8.8mn, respectively.

Chart 1.13: Current and Capital Expenditure



Capital expenditure and net lending plunged by \$118.8mn (34.4%) to \$226.3mn or 6.3% of GDP. The steep cutback resulted as spending on COVID-19-related social safety net programmes wound down and planned capital expenditure did not fully materialise due to project delays. Development spending summed to \$223.9mn and was split between Capital II (\$134.1mn) and Capital III (\$89.8mn) line items. Of total outlays, 32.0% was spent on infrastructural works, 21.0% on COVID-19-related programmes, 15.0% on public services, including Hurricanes Eta and Iota recovery, and 13.0% on environmental and land management projects.

BOX 1.2 MAJOR FISCAL INITIATIVES IN 2021

15 March 2021 – Central Bank of Belize (Amendment) Act, 2021, allowed the Central Bank to provide emergency programs and facilities in unusual and exigent economic, financial, or systemic circumstances.

8 May 2021 – Land Utilization (Amendment) Act, 2021, empowered the Land Subdivision and Utilization Authority to issue guidelines and obtain expertise to enhance the performance of its functions and increase the penalty for regulation breaches.

8 June 2021 – Income and Business Tax (Amendment) Act, 2021, was amended to enhance Belize’s competitiveness and stimulate renewed international financial services sector growth.

7 July 2021 – Public Sector Emoluments and Allowances Reduction Act, 2021, reduced the salaries and allowances of certain public officers for the period 1 June 2021 to 31 March 2024, subject to an annual review. The legislation provided for the following measures:

- » Entertainment allowances paid to heads of departments and persons holding senior positions remained reduced by 25.0%;
- » No increments were to be accrued during the period;
- » Emoluments paid to ministers of Government remained reduced by 15.0%;
- » Allowances paid to ministers of Government were reduced by 50.0%; and
- » Emoluments equal to or greater than twelve thousand dollars per annum were reduced by 10.0%.

BOX 1.2 MAJOR FISCAL INITIATIVES IN 2021 (continued)

23 September 2021 – Tax Administration and Procedure (Amendment) Act, 2021, authorised the Director General to publish the names of tax defaulters (in the Gazette and any local newspaper) and amended the general provisions on the prosecution of tax offences.

24 September 2021 – Stamp Duties (Amendment) (No. 2) Act, 2021, was revised to exempt public officers from the stamp duty charges on certain instruments.

5 October 2021 – Public Sector Data Sharing Act, 2021, was passed to facilitate and promote data sharing between public sector agencies and other entities and established an Office for Data Analytics.

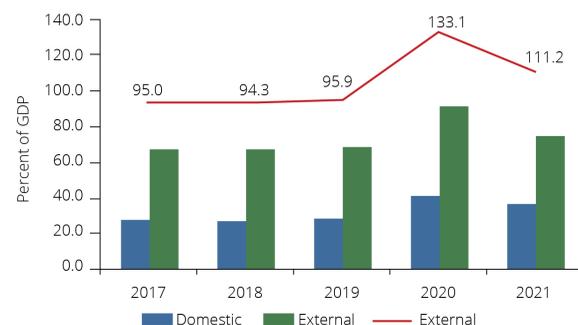
29 October 2021 – Blue Bonds Loan Act, 2021, authorised the Government of Belize to enter into the Blue Loan Agreement, Conservation Funding Agreement, and Ancillary Agreements for and on behalf of Belize and gave statutory effect to the terms and conditions of these Agreements.

29 November 2021 – Securities Industry Act, 2021, was passed to provide for the regulation of securities business in Belize. In December 2021, a commencement order was issued to allow for specific provisions for the operationalisation of the Commission, which would come into effect on 01 January 2022.

Total Public Sector Debt

Total public sector debt contracted by 5.4% or \$226.8mn to \$3,992.8mn in 2021, following the sharp increase in 2020 to finance Government's COVID-19 measures. The modest debt reduction was attributable to the completion of the 2034 US Dollar Bond refinancing to address medium-term solvency concerns. Furthermore, Central Government's expenditure restraint alleviated severe domestic financing pressures, generating a marginal uptick in Central Government's domestic debt. The combined effects of the economic rebound, the debt haircut on the restructured debt, and sizeable fiscal consolidation achievements reduced the public sector debt-to-GDP ratio by 21.9 percentage points to 111.2%.

Chart 1.14: Public Sector Debt



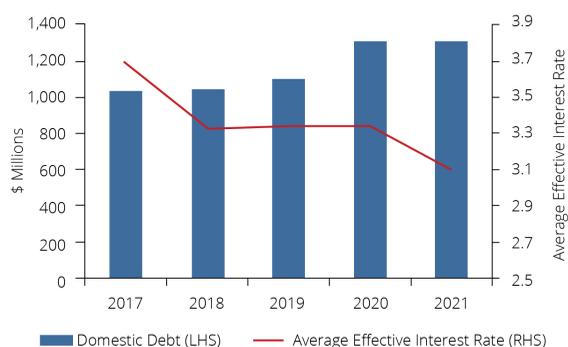
Central Government Domestic Debt

In 2021, Central Government's domestic debt stock edged up by 0.2% or \$2.6mn to

\$1,315.8mn, 36.6% of GDP. New disbursements included a \$40.0mn Treasury note issuance in March, of which \$30.0mn was used for budget support and \$10.0mn to establish an emergency business programme. Additionally, the Central Bank acquired \$24.0mn worth of Treasury bills (T-bills) from a non-resident regional organisation in April, triggering its reclassification from external to domestic debt to match the creditor’s residency. However, the Central Government’s repayment of \$61.8mn in Central Bank overdraft advances tempered the overall rise in claims.

Domestic debt service payments (interest and principal repayments) increased by 0.9% to \$41.3mn. Interest payments amounted to \$40.8mn, \$0.5mn more than 2020. Even though Central Government’s debt stock jumped the year before, its interest costs rose marginally. Moreover, the average annual effective interest rate slid to 3.1% from 3.3% in 2020, owing to the erasure of the Central Bank’s costly overdraft advances. Nevertheless, the Central Bank was paid \$18.9mn combined for use of its overdraft facility and on its Treasury holdings. In comparison, interest paid to non-bank entities and domestic banks on their loans to Central Government (mainly in the form of securities holdings) was less significant at \$13.1mn and \$8.8mn, respectively. Amortisation payments on various small loans summed to \$0.5mn.

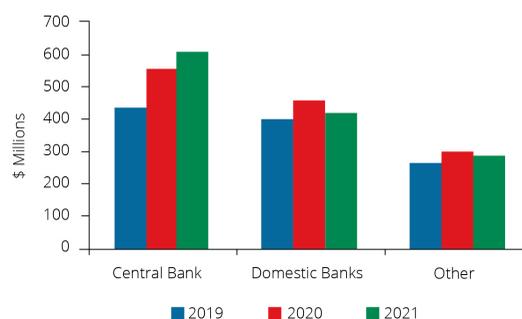
Chart 1.15: Domestic Debt



The maturity structure of Central Government’s domestic debt was broadly unchanged

compared to a year ago. Short-term debt by original maturity remained at 48.0% of total outstanding domestic debt. Furthermore, the weighted average maturity of the domestic debt portfolio remained relatively stable at 4.3 years, dropping slightly from 4.4 years in 2020. An analysis of remaining maturity showed that 51.6% of outstanding domestic debt would mature in 2022, 1.8 percentage points higher than the share a year ago. Meanwhile, 47.0% had a residual maturity between two and 10 years and 1.5% over 10 years.

Chart 1.16: Sources of Central Government Domestic Debt



Holding its position as Central Government’s largest domestic creditor, the Central Bank’s share of total domestic debt increased by 3.6 percentage points to 46.5% in 2021. In turn, the portions held by domestic banks and non-bank entities narrowed by 3.0 and 0.6 percentage points to 31.7% and 21.9%, respectively.

Public Sector External Debt

The completion of the debt-for-marine conservation swap dominated external debt developments in 2021. In November, Central Government repurchased and cancelled the outstanding principal of \$1,105.8mn on the 2034 US Dollar Bond with proceeds from a \$728.0mn “blue loan” issued by a subsidiary of The Nature Conservancy. Consequently, the outstanding public sector external debt contracted by \$229.4mn or 7.9% to \$2,677.0mn, easing the country’s debt burden. Moreover, the external public sector debt-to-GDP ratio turned

downward, tumbling 17.1 percentage points to 74.5% of GDP, improving the country's debt sustainability metrics.

In 2021, external loan disbursements amounted to \$989.5mn. Central Government received \$898.9mn or 90.8% of the total. This amount included \$728.0mn in blue loan proceeds coupled with February's \$13.5mn interest capitalisation on the 2034 US Dollar Bond. In addition, bilateral and multilateral creditors disbursed \$157.4mn to fund Government's COVID-19 measures and public investment projects. Inflows linked to the COVID-19 measures summed to \$57.6mn and entailed:

- i. \$13.3mn from the Organization of the Petroleum Exporting Countries (OPEC) to finance the Food Assistance Programme,
- ii. \$19.7mn from the Caribbean Development Bank (CDB) to cover debt service payment deferrals, and
- iii. \$23.3mn from the International Bank for Reconstruction and Development (IBRD) for the Belize COVID-19 Cash Transfer Program and support for agricultural households.

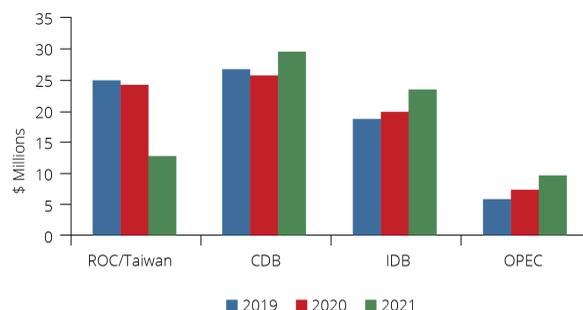
Meanwhile, disbursements for capital projects summed to \$99.8mn and included:

- i. \$5.0mn for the Sarteneja Road Project,
- ii. \$5.1mn for the Education Sector Reform Project,
- iii. \$6.4mn for the Philip Goldson Highway and Remate Bypass Upgrading Project,
- iv. \$10.0mn for the George Price Highway Rehabilitation Project,
- v. \$12.9mn for the Strengthening of Tax Administration Project,
- vi. \$16.1mn for the Coastal Road Project, and
- vii. \$23.4mn for the Caracol Road Upgrade Project.

In addition, the non-financial public sector received \$3.7mn, allocated to Belize Electricity Limited to fund its ongoing Electricity System Upgrade and Expansion Project. Furthermore, the financial public sector received \$87.0mn. Under this sector, the Central Bank received

the equivalent of \$72.6mn in SDRs from the IMF for liquidity support. The Development Finance Corporation also obtained \$9.0mn from CDB to buttress its consolidated line of credit and \$4.0mn from the Inter-American Development Bank (IDB) to support lending to the economy.

Chart 1.17: External Debt Principal Payments to Major Creditors



Debt service payments summed to \$1,251.3mn in 2021. Of this amount, the public sector made \$1,217.4mn in principal repayments. Central Government accounted for 99.4%, having paid \$1,105.8mn to external bondholders to repurchase and retire the 2034 US Dollar Bond. In addition, multilateral and bilateral creditors were repaid \$88.3mn and \$15.8mn, respectively. Also, the Caribbean Community Climate Change Centre redeemed \$24.0mn in T-bills, subsequently reclassified as domestic debt. Furthermore, the non-financial and financial public sectors repaid \$5.9mn and \$1.6mn, respectively.

Interest and other payments amounted to \$33.9mn, almost half of the \$65.0mn recorded in 2020. This reduction in interest outlays reflected February's capitalised interest on the 2034 US Dollar Bond and the suspension of the bond's second and third quarterly coupon payments due to the debt refinancing. As a result, Central Government's interest payments totalled \$29.2mn (86.0%), comprising:

- i. \$20.8mn on multilateral debt, of which CDB and OPEC were paid \$8.7mn and \$5.3mn, respectively;

- ii. \$6.1mn on bilateral debt, of which Republic of China/Taiwan and Kuwait were compensated \$5.1mn and \$1.0mn, respectively; and
- iii. \$2.3mn on the US\$30.0mn T-note.

Meanwhile, the non-financial and financial public sectors paid \$3.3mn and \$1.4mn in interest costs.

At year end, Central Government held 90.9% of total public debt, while the financial and non-financial public sectors accounted for 6.5% and 2.6%, respectively. As for the creditor composition, 71.5% was due to multilateral and

bilateral lenders combined, while 28.5% was payable to commercial lenders. An analysis of remaining maturity revealed that \$1.6mn of the outstanding public sector external debt was scheduled to mature within the next 12 months, \$288.2mn in one to 10 years, and \$2.2bn in more than 10 years—signalling low levels of potential liquidity risks to external creditors.

However, \$90.0mn or 3.5% of the outstanding public sector external debt is due for payment within the next 12 months, underscoring the significant debt service burden that still lies ahead.

BOX 1.3 REFINANCING THE 2034 US DOLLAR BOND WITH A BLUE LOAN

Belize completed its fourth external debt reorganisation operation in November 2021 through a debt-for-nature-conservation swap. The decision to restructure the 2034 US Dollar Bond was driven partly by the Government of Belize’s desire to restore debt sustainability and improve the country’s deteriorating debt dynamics, owing in part to the debt amassed to mitigate the adverse effects of COVID-19. In 2020, pandemic-related spending helped push the primary fiscal deficit to 8.4% of GDP and total public sector debt to 133.1% of GDP. Against this backdrop, on 14 September 2021, after extensive consultations with a sub-committee of bondholders, the Government launched a cash tender offer to purchase, redeem, and cancel all outstanding 2034 US Dollar Bonds.

Under this offer, bondholders received a cash payout of approximately 55 cents on each dollar of the outstanding bond, representing a 45.5% principal haircut. Bonds not tendered before the offer’s expiration date were redeemed and cancelled on the 5 November 2021 settlement date. The offer was successful, with 87.4% of creditors responding, surpassing the 75.0% threshold for creditor participation. Hence, creditors received a sum of \$602.5mn in exchange for bonds with a face value of \$1,105.8mn, leading to \$503.3mn in debt forgiveness.

Belize financed the 2034 US Dollar Bond purchase with funds provided by The Nature Conservancy’s (TNC’s) “Blue Bonds for Ocean Conservation” programme. Under this initiative, TNC issued a blue bond with underwriting from Credit Suisse and political risk insurance from the International Development Finance Corporation. In turn, the proceeds were lent to Belize in the form of a blue loan via a special purpose vehicle set up by TNC, named the Belize Blue Investment Company, LLC (BIC).

BOX 1.3

REFINANCING THE 2034 US DOLLAR BOND WITH A BLUE LOAN (continued)

The restructured facility provided the following benefits:

- » Obtained principal haircut: It provided a face value haircut of 45.5%. However, after discounting the amount borrowed to pay transaction fees and expenses and fund certain reserve accounts, the effective haircut realised was trimmed to 34.2%.
- » Extended the grace period for repayment: The loan repayment period was extended by two years with equal semi-annual principal amortisations starting in April 2032.
- » Lengthened the debt maturity structure: The maturity date was extended by six years to October 2040.
- » Re-established a step-up coupon structure: On 20 October, the annual interest rate was set at 3.0% for 2022, 3.55% for 2023, 5.15% for 2024-2025, then will rise to 6.04% until maturity.
- » Provided net present value (NPV) and market haircuts: Using a discount rate of 10.0%, the NPV was 32.0%, while the market haircut was 59.0%.

Table 1: Belize Debt Reorganisation: Deal Structure

	Old Instrument (2017)¹	New Instrument (2021)
Instruments	2034 US Dollar Bond	Blue loan
Face value (US\$m)	526.0	364.0
Face value haircut ²	0.0%	45.5% (34.2%)
Maturity	2034	2040
Remaining maturity (years)	17	19
Coupon	4.9375% until maturity	3.0% for 2022, 3.55% for 2023, 5.15% for 2024-2025, 6.04% until maturity
Repayment profile	2030-2034	2032-2040
NPV Haircut ^{3/4}	19.7% (29.9%)	32.0% (59.0%)

¹Old instrument data are taken from Asonuma et al. (2018)

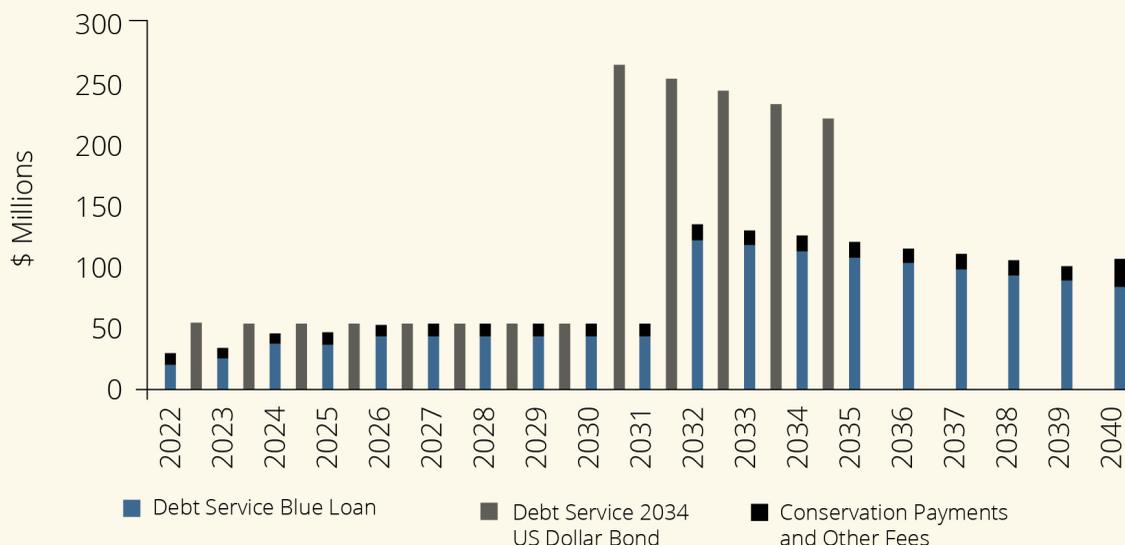
²While a haircut of 45.5% was negotiated on the face value of the bond, the principal amount of the new bond included transaction fees, expenses, and funds for reserve accounts. The net result was a 34.2% reduction in the face value of the bond.

³NPV haircut is defined as the present value of new debt/present value of old debt as in Sturzenegger and Zettelmeyer (2006, 2008). This includes fees paid in cash. The bracketed figures were the approximated market haircut, defined as the present value of new debt/face value of old debt.

⁴NPV calculation for the old instrument, the 2034 US Dollar Bond, was taken from Asonuma et al. (2018). A discount rate of 9.1% was used to reflect the exit yield. For the 2021 refinancing, a standard rate of 10.0% was used because the loan was not tradeable. This also helped with comparability, as switching the 10.0% with 9.1% produces similar results.

BOX 1.3 REFINANCING THE 2034 US DOLLAR BOND WITH A BLUE LOAN (continued)

Chart 1.18: Debt Service Payments on the 2034 US Dollar Bond versus the Sum of the Blue Loan and Conservation Payments



Under conditions precedent to the blue loan agreement, Belize had committed to implement several conservation actions, fund an Endowment Account, make Conservation Payments, and pay a Management Fee Reimbursement Amount, among other things. Under the Conservation Funding Agreement, Belize agreed to undertake the following initiatives:

- » Complete a legally enforceable Marine Spatial Plan and designate up to 30.0% of its sea in Biodiversity Protection Zones within five years of the agreement.
- » Designate public lands within the Belize Barrier Reef Reserve System as mangrove reserves.
- » Integrate a Coastal Zone Management Plan.
- » Apply to have at least three formally designated marine protected areas in Belize’s sea, listed as International Union for Conservation of Nature green list areas.

Other general conservation actions that Belize agreed to undertake in good faith without any commitment penalties were as follows:

- » Implement transparent, science-based, socially responsible regulations for a high-value, sustainable aquaculture, and mariculture industry on the landward side of the baseline of the territorial sea.
- » Implement a governance framework for domestic and high seas fisheries.
- » Develop and implement a national regulatory framework for blue carbon projects within the national carbon strategy.
- » Complete an independent evaluation of the Managed Access Program.
- » Finalise revisions to the Environmental Impact Assessment regulations.
- » Meet or exceed the minimum standards for development in World Heritage Sites.

BOX 1.3

REFINANCING THE 2034 US DOLLAR BOND WITH A BLUE LOAN (continued)

- » Develop a watershed management plan to address water quality monitoring, nutrient loading, and garbage disposal for at least two major watersheds.

Furthermore, Belize deposited US\$23.4mn into the Endowment Fund, using the blue loan proceeds on the borrowing date of the loan, 5 November 2021. Between January 2022 and October 2041, Belize will make quarterly payments into the Conservation Fund to BIC, totalling US\$84.2mn. Belize will be afforded grants from the Conservation Fund to fund marine and marine-related activities, supplementing the country's conservation expenditure. In addition, the Government must pay:

- i. a Management Fee Reimbursement Amount of US\$0.1mn semi-annually (January 2022 to October 2041),
- ii. a Parametric Insurance Premium Payment annually (January 2022 to January 2040), and
- iii. a Trust Agreement and Management Fee annually (July 2022 to July 2041) to BIC.

These costs should be covered by the debt savings received from the haircut in line with the refinancing - for - marine - conservation mechanism.

The debt-for-nature conservation swap will provide significant cash-flow relief to the

Government over the next 13 years. The principal haircut produces US\$171.5mn in debt savings. Due to substantially lower interest payments in the instrument's initial years, realised near-term cash savings translated into an approximate NPV haircut of 32.0%.

The effective haircut reduced total public sector debt by 10.0% of GDP, partially relieving the country's external debt burden. This outcome affirmed the Government's commitment presented in its Medium-Term Recovery Plan in April 2021 to reduce the public debt to 85.0% of GDP in 2025 and 70.0% in 2030.

Belize realised net savings of US\$59.6mn after subtracting total fiscal costs from the fourth debt refinancing operation while creating an opportunity to achieve significant marine conservation outcomes for biodiversity protection and sustainable economic development. Notwithstanding, the country remains vulnerable to external shocks, and its debt level is still high and well above established sustainability thresholds. Hence, the Government should support the debt refinancing outcome through a sustained fiscal consolidation programme as mapped in its recovery strategy and pursue additional growth-supporting initiatives. Implementing these measures should help Belize to repair its reputation as a serial debt defaulter.

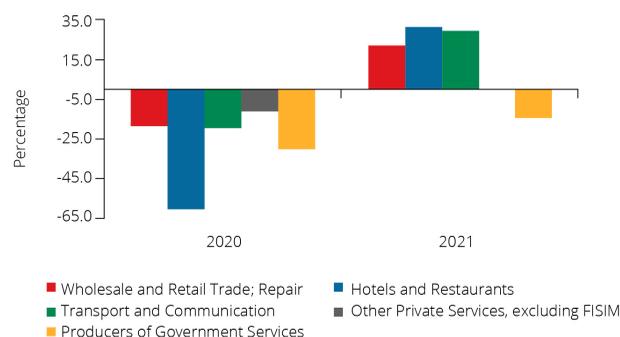
PRODUCTION

Real Gross Domestic Product

Belize's GDP expanded by 9.8% in 2021, the largest annual GDP growth since the turn of the millennium. The strong turnaround reflected the continued recovery from the ongoing COVID-19 pandemic that decimated the economy, leading to a 16.7% output contraction in 2020. At the same time, agricultural production bounced back from unfavourable weather events. Notwithstanding, the country's GDP remained 8.6% below 2019's pre-pandemic level.

The tertiary (services) sector—the hardest hit sector, which accounts for about three-fifths of GDP—rebounded by 10.1% in 2021, following an unprecedented 21.5% contraction in 2020. The Government's efforts to gradually ease border and public health restrictions prompted the resurgence of tourism and other related ancillary services that underpinned the turnaround. Hence, "Hotel and Restaurants" grew by 31.5%, stimulated by a substantial growth in stay-over arrivals after the half-year mark and the resumption of cruise arrivals in mid-July. Furthermore, "Wholesale and Retail Trade" jumped 22.0%, owing to the robust increase in domestic demand as the economy expanded. "Transportation and Communication" surged 29.6%, lifted by heightened road transportation services in the agricultural industry and sea transportation services associated with the restart of cruise ship services. Meanwhile, tightened fiscal expenditure caused "General Government Services" to contract by 14.7%, the only service-oriented industry to decline in 2021.

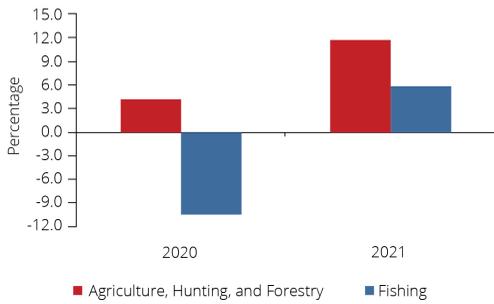
Chart 1.19: Percentage Change in Tertiary Industries



Source: SIB

Led by strong agricultural crop, livestock, and fisheries production, the primary sector expanded by 11.2%. "Agriculture, Hunting, and Forestry" grew by 11.8%, supported by favourable weather, increased domestic consumption, investments in new acreages, and the resumption in cross-border cattle trade. While sugarcane deliveries in the north recovered from lagged-drought effects, harvests in the west were driven by investments in new commercial acreages. Meanwhile, banana production reached a seven-year high, reflecting gains from improved husbandry practices and recovery from hurricane damages. However, a decline in citrus deliveries, owing to citrus greening, dampened the total value of agricultural GDP. Livestock production, a key component of agriculture, was robust. The value added for livestock was boosted by increased cattle exports, which expanded by 64.0% after temporary trade restrictions to Mexico and Guatemala were lifted in November 2020. In addition, poultry production grew by 4.9% as consumption strengthened in line with income. However, the availability of lower-priced substitutes caused pig production to contract by 7.4%, exerting a drag on livestock's contribution to GDP. "Fishing" expanded by 5.9%, as increased lobster catches and conch hauls compensated for another annual decline in farmed shrimp production.

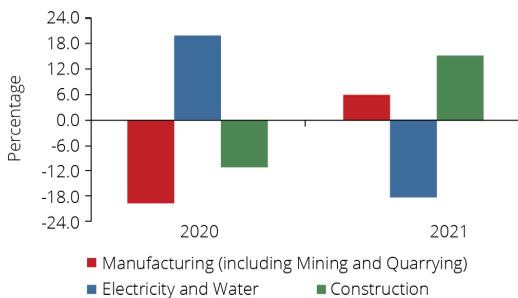
Chart 1.20: Percentage Change in Primary Industries



Source: SIB

Secondary sector production edged down by 1.2%, as gains from heightened manufacturing and construction activities were overshadowed by a sharp decline in electricity generation. Robust outturns of sugar, molasses, and beverage production contributed to a 5.7% increase in “Manufacturing,” despite a near halving in citrus juice production. Meanwhile, after stiff lockdown measures were eased, the quick restart of major public and private projects boosted “Construction” by 15.1%. Conversely, a steep reduction in renewable energy production led to an 18.2% contraction in “Electricity and Water,” weakening the sector’s performance.

Chart 1.21: Percentage Change in Secondary Industries



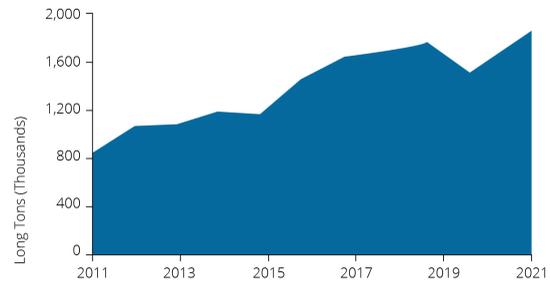
Source: SIB

Agriculture

Sugarcane

Total sugarcane deliveries for the 2020/2021 season increased by 23.2% to a record 1,863,756 long tons. The outstanding performance was supported by favourable weather, which facilitated the recovery from drought-related damages, and increased investments in new production acreages.

Chart 1.22: Sugarcane Deliveries



Sources: BSI and Santander Group

In the northern region, the 2020/2021 crop season began late. Heavy rains prompted concerns of high mud content in cane, postponing commencement of the harvest season to 28 December 2020, 18 days earlier than the previous crop. After 213 days of deliveries, the season closed on 28 July, 24 days longer than the last period. The mill received 1,198,072 long tons of sugarcane, representing a 36.2% increase over the previous crop. To maintain pace with deliveries, the factory’s average grinding rate increased by 20.9% to 5,625 long tons per day.

In the western region, the 2021 harvest began on 25 January 2021, 27 days earlier than the previous crop cycle. After 178 days of milling, the factory closed on 21 July, 15 days longer than the last season. Cane deliveries rose by 5.2% to 665,685 long tons, following a 17.0% acreage expansion. However, a fungal outbreak worsened cane quality and weakened the factory’s operational efficiency, as the average

grinding rate edged down by 3.7% to 3,740 long tons per day.

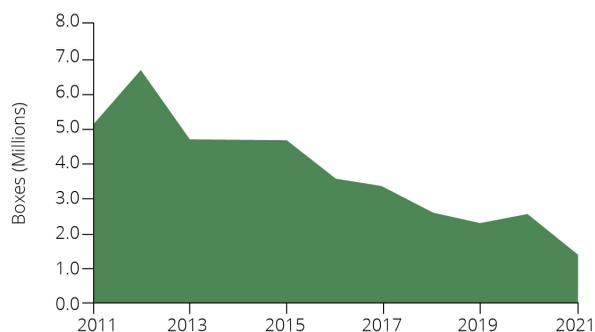
The final price paid to farmers for cane deliveries to the northern mill slid 1.2%, or \$0.68 to \$0.66 per longton. The price reduction was attributable to rising freight costs amid skyrocketing global fuel prices and shipping container shortages.

Citrus

The 2020/2021 citrus crop year began on 19 October 2020 and concluded on 30 September 2021, lasting a record high of 346 days. Harvesting was extended for nearly one year to accommodate sporadic fruit blossoms triggered by citrus greening and drought stress. Despite the effort, citrus deliveries still collapsed by 45.3% to 1.4mn boxes, with orange and grapefruit deliveries down 46.5% to 1.3mn boxes and 27.4% to 0.1mn boxes, respectively.

Increased demand for vitamin C-rich food alongside tighter supplies among some major producers contributed to an 18.8% or \$0.34 increase to \$2.14 per pound solid (ps) in the final price paid to farmers for orange juice. Conversely, subdued grapefruit juice demand led to a 13.3% or \$0.58 average price drop to \$3.81 per ps.

Chart 1.23: Citrus Fruit Deliveries

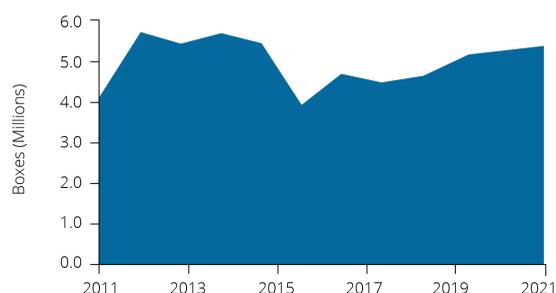


Sources: CPBL and CGA

Banana

Banana production increased by 5.7% to 5.4mn boxes in 2021, rebounding strongly from Hurricane Nana damages suffered early in September 2020, supported by improved husbandry practices. Despite the production increase, total acreage under banana production contracted by 0.8% or 64.4 acres to 7,788.0 acres. Consequently, the average yield per acre rose by 6.6% from 647 boxes to 690 boxes, while the acreage under rehabilitation more than halved to 112.7 acres. Thus, the number of harvestable trees rose by 2.5% to 7,518 acres, with 157.4 acres of plantilla (trees too young to harvest) underway.

Chart 1.24: Banana Production



Source: Banana Growers' Association

The five-year exclusive marketing contract between the Banana Growers' Association and Fyffes PLC commenced on 1 January 2019, completing its third year in 2021. The average price per 40-pound box of bananas remained fixed during the year.

Marine Products

Total marine production fell by 3.5% to 2.4mn pounds, owing to mixed results among the four major commodities. On the downside, farmed shrimp output contracted for the sixth consecutive year because of the destructive impact of the early mortality syndrome bacterial disease. Accordingly, farmed shrimp production plunged 43.9% to a record low of 0.4mn pounds.

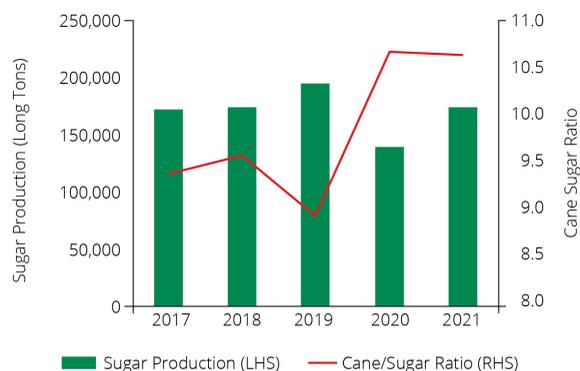
Meanwhile, farmed fish output shrank 56.3% to a diminutive 0.05mn pounds. On the upside, improved weather conditions and reduced mobility restrictions contributed to increased wild lobster and conch catches by 8.0% and 25.6%, respectively, to 1.0mn pounds each.

Manufacturing

Sugar and Molasses

Propelled by the surge in cane deliveries, sugar production soared by 23.5% to 175,065 long tons for the 2020/2021 crop year. The industry's overall cane quality metrics weakened slightly, as, as a marginal 0.5% improvement in cane purity to 83.5% was neutralised by a 2.6% downturn in sucrose content to 11.1%. Thus, even though factory operations boasted a 5.7% increase in time efficiency, the overall long tons cane to long ton sugar ratio worsened by 0.2% to 10.7. Total molasses production rose by 8.4% to 67,763 long tons.

Chart 1.25: Sugar Production and Cane to Sugar Ratio



Sources: BSI and Santander Group

Citrus Juices, Citrus Oil, and Pulp

Weighed down by reduced fruit deliveries, citrus juice production plummeted by 47.2% to 7.7mn ps for the 2020/2021 season. Orange concentrate production had collapsed by 48.2% to 7.1mn ps, while grapefruit concentrate output fell by 39.2% to 0.4mn ps. Juice outturns also weakened on account of citrus greening, as average orange and grapefruit juice yields

contracted by 2.2% and 10.7%, respectively.

Not-from-concentrate juice production dipped by 1.8% to 0.2mn ps, virtually the same amount as the previous period. Meanwhile, outturns of citrus by-products were down markedly, as citrus oil output halved to 0.4mn pounds and pulp production down 34.8% to 1.1mn pounds.

Petroleum

Crude oil extraction fell by 8.9% to a new low of 177,186 barrels. Down for the 12th consecutive year, the average daily extraction rate dropped by 46 barrels to 485 barrels per day. Oil production from Spanish Lookout's well dipped by 9.8% to 174,932 barrels, now passing through the final stage of its life cycle after 16 years of operations. However, the upturn in international crude oil prices triggered a restart in oil extraction at Never Delay in March. Total output from those wells amounted to 2,254 barrels, five times more than 2020's output. Approximately 1.9mn barrels of extractable crude oil reserves remained at year end.

Other Manufacturing Production

Goods manufactured for domestic consumption, namely fertilisers, wheat flour, and beverages, expanded as aggregate demand grew. In 2021, fertiliser production rose by 2.5% to 23.6 metric tons, while wheat flour production increased by 4.6% to 11,941.4 metric tons after declining for eight consecutive years. As for beverages, its production jumped 36.4% to a record high of 3.2mn gallons, owing to a ramp-up in beer output in line with the increase in international visitors. Furthermore, soft drink output rose by 8.4% to 8.0mn gallons, while rum production increased by 26.4% to 12,706 gallons.

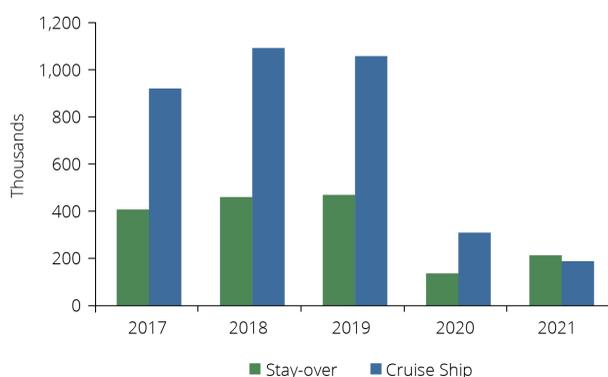
Tourism

During the second year of the COVID-19 pandemic, global travel increased by 4.0% in 2021 compared to 2020, leaving international tourist arrivals 72.0% below 2019's pre-pandemic level. Increased vaccine uptake alongside reduced travel restrictions worldwide unleashed pent-up demand for international travel. The recovery varied widely across regions, reflecting different

degrees of mobility restrictions, vaccination rates, and the spread of new variants. Europe recorded the most substantial improvement, up 19.0%, while the Americas and Africa followed with increases of 17.0% and 12.0%, respectively, relative to 2020. In contrast, visitors to the Middle East dropped by 24.0%, while Asia and the Pacific were still below 2020 levels. Within the Americas, international visitors to Central America and the Caribbean expanded by 54.0% and 63.0%, respectively, with the latter experiencing the best performance worldwide.

In Belize, stay-over arrivals grew by 59.0% to 212,568 visitors. However, international arrivals were still 54.2% below 2019's level. About 92.8% of stay-over visitors came by air through the Philip S.W. Goldson International Airport (PGIA) in 2021, compared to 80.8% in 2019. Arrivals through land and sea entry points made up the remaining 7.2%, totalling 15,307 visitors, 41.3% less than 2020. Notably, land and sea entry points were reopened much later than the international airport and generally had stricter entry requirements.

Chart 1.26: Tourist Visitors

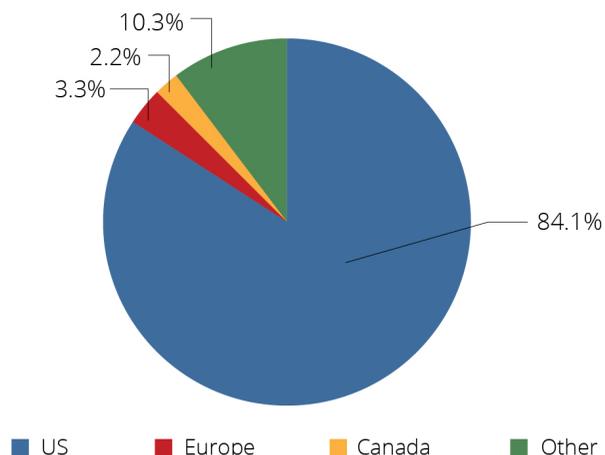


Sources: BTB and the Central Bank

The distribution of visitors from major source markets became more skewed. On the one hand, the share of visitors from the US rose by 18.4 percentage points to 84.1% of total stay-over arrivals. On the other hand, Europe, Canada, and all other nations fell by 6.7, 8.3,

and 3.4 percentage points to 3.3%, 2.2%, and 10.3% of total visitors, respectively.

Chart 1.27: Shares of Stay-over Arrivals by Source Markets



Sources: BTB and The Central Bank

Cruise ship services recommenced on 7 July, following a 16-month suspension of activities due to COVID-19 restrictions. Thus, with only six months of operations conducted, total disembarkations fell to 189,184 visitors, which was 38.7% below 2020, the lowest count in nearly two decades (2002). Contributing to the low outturn was a reduction in the average number of passengers per ship, from 2,531 passengers in 2020 to 1,802 in 2021, due to elevated travel fear. Consequently, disembarkations at the Belize City port dropped 17.0% to 156,572 passengers, despite a four-ship increase in port calls to 82 ships. Visitors at the Harvest Caye port collapsed by 72.9% to 32,613 visitors, with port calls almost halving to 23.

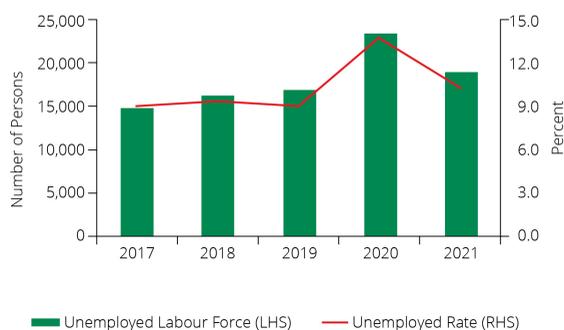
Employment

The unemployment rate fell to 9.2% in September 2021, 2.0 percentage points lower than the 11.2% reported in April. The improved labour outcome resulted as the increase in jobs outpaced an upswing in labour force

participation. Therefore, unemployed persons fell by 13.2% to 17,644, owing to relaxed lockdown measures that boosted consumer-facing jobs. Meanwhile, the labour force participation rate rose by 2.2 percentage points to 61.9%, driven by an upsurge of persons who re-joined the labour force after being displaced by the pandemic. Thus, the number of persons who reported job losses and business failures due to COVID-19 fell by 39.0% to 5,206.

Between April and September, the number of employed persons rose by 7.9% to 174,237. Employment growth was limited to the services sector, which rose by 16.5% to 118,204 persons on account of openings in the tourism, wholesale and retail trade, and real estate industries. However, the number of employed persons in the primary and secondary sectors fell by 1.2% and 10.4% to 28,004 and 27,782, respectively. Fewer jobs in agricultural activities explained the former, while the latter was attributable to losses in the manufacturing and construction industries.

Chart 1.28: Labour Force Statistics: Unemployment



Source: SIB

Prices

CPI rose on average by 3.2% in 2021 when compared to 2020. This year's headline inflation reflected the largest annual increase since 2008 and was 2.6 percentage points greater than the

preceding 10-year average (2011-2020). The escalation in price level was traced to subindices that captured rising costs of imported petroleum by-products and their pass-through effects on local food prices. Approximately three-fifths of the price level increase was attributable to hikes in petroleum-based items. The "Transport" sub-index rose by 9.6% because of price hikes for regular, premium, and diesel fuels. Meanwhile, a 1.8% upswing in "Housing, Water, Electricity, Gas, and Other Fuels" reflected increased costs for liquefied petroleum gas. Furthermore, "Food and Non-Alcoholic Beverages" increased by 4.8%, pressured by price increases for fresh produce, meats, and cereals. As a share of the annual inflation rate, these three indices alone accounted for 93.2% of the increase in price level.

The inflationary pressure was tempered by lower rates for mobile communication and internet access services, which drove down "Information and Communication" by 3.0%. Additionally, price dips for clothing and hotel accommodation led to declines in "Clothing and Footwear" and "Restaurant and Accommodation Services" by 0.2% and 3.5%, respectively.

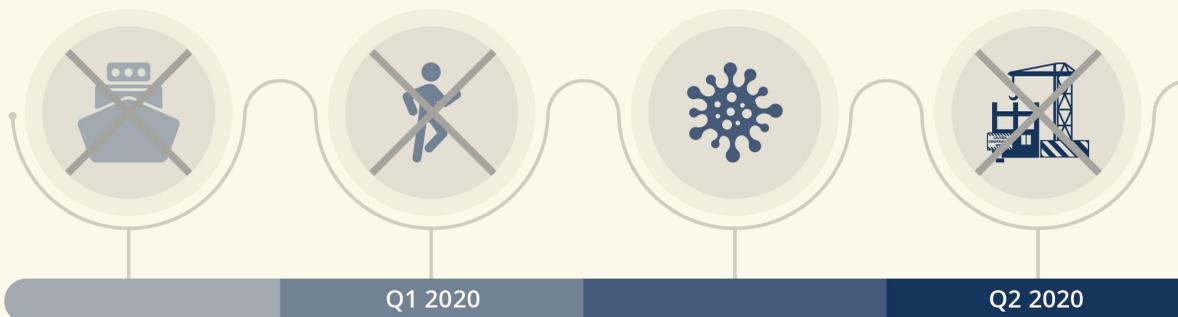
Chart 1.29: Consumer Price Index



Source: SIB



BOX 1.4 COVID-19: A CHRONOLOGY OF MAJOR EVENTS IN BELIZE



13 March 2020
Carnival, Royal Caribbean, and Norwegian announce a 30-day global suspension of cruise line services in response to the COVID-19 pandemic.

16 March 2020
The Economic Oversight Team is established to oversee the development and operationalisation of the Unemployment Relief Program (URP).

All schools are closed.

17 March 2020
The Central Bank of Belize announces a set of monetary and macro-prudential instruments to strengthen the resilience of the financial system against the pandemic.

21 March 2020
The Northern Border, inclusive of the Corozal Free Zone, is closed for non-essential travelling, but remains open for the movement of goods.

22 March 2020
An Ambergris Caye resident is Belize's first confirmed case of COVID-19.

23 March 2020
A 72-hour state of emergency is declared for Ambergris Caye. All residents are placed under mandatory quarantine and unauthorised vessels are banned from leaving or arriving on the island.

The PGIA is closed after the last scheduled flight departs.

25 March 2020
32 members of the "Henry Reeve" International Contingent of Cuban Health Professionals arrive in Belize to provide pandemic assistance.

2 April 2020
A 30-day country-wide state of emergency is implemented and includes a curfew from 8:00 p.m. to 4:59 a.m.

3 April 2020
Government announces the launch of the COVID-19 eServices portal that facilitates applications to the COVID-19 URP.

5 April 2020
A resident of San Ignacio becomes the first Belizean to die of COVID-19.

All borders are closed to Belizean nationals seeking to enter the country for non-essential purposes.

6 April 2020
44,000 URP applications are received via the COVID-19 eServices Portal, while an additional 7,000 hard-copy forms are entered into the system.

7 April 2020
A 14-day lockdown is announced for the Cayo District.

All private and commercial construction activities are suspended for 14 days throughout the country.

BOX 1.4 COVID-19: A CHRONOLOGY OF MAJOR EVENTS IN BELIZE



Q3 2020
Q4 2020

11 April 2020
The Government of Belize in tandem with the Embassy of the United States of America begin organising a repatriation exercise for persons who may have become displaced in Belize due to COVID-19.

5 June 2020
So far, 44,552 URP applications have been approved. Most of the applications came from individuals working within the tourism sector.

25 June 2020
The Prime Minister announces 15 August 2020 as the reopening of the PGIA.

3 July 2020
Government announces the rollout of the second phase of its COVID-19 Economic Relief Program that includes support for micro-, small-, and medium-sized enterprises (MSME).

5 August 2020
The reopening of the PGIA is delayed on account of rising COVID-19 cases in three districts.

The Minister of Education announces the postponement of the reopening of schools.

30 September 2020
Under the MSME program, 3,994 applications have been received.

1 October 2020
The PGIA re-opens after 6 months of closure.

13 October 2020
To date, 67,555 URP applications are received, of which 42,890 were approved.

Financial assistance of all approved individuals totalled \$38.6mn.

26 October 2020
In the Director of Health Services' address, it is revealed that over the past week, 332 new cases of COVID-19 were detected with 6 new deaths.

31 December 2020
At year end, 10,776 persons contracted COVID-19 and 248 deaths were reported.

BOX 1.4 COVID-19: A CHRONOLOGY OF MAJOR EVENTS IN BELIZE



Q1 2021 Q2 2021

28 January 2021
15 COVID-19 samples were sent to Baylor College of Medicine in Houston to determine what variant strains are in the country.

1 February 2021
The Corozal Free Zone reopens to Mexican nationals only after ten months of closure.

17 February 2021
Government launches The Belize COVID-19 Cash Transfer Program that will provide supplementary short-term emergency cash to households that have not qualified for other social assistance schemes.

24 February 2021
Belize receives its first shipment of COVID-19 vaccines from the Government of Barbados. In total, 1,000 Oxford-AstraZeneca doses were shipped.

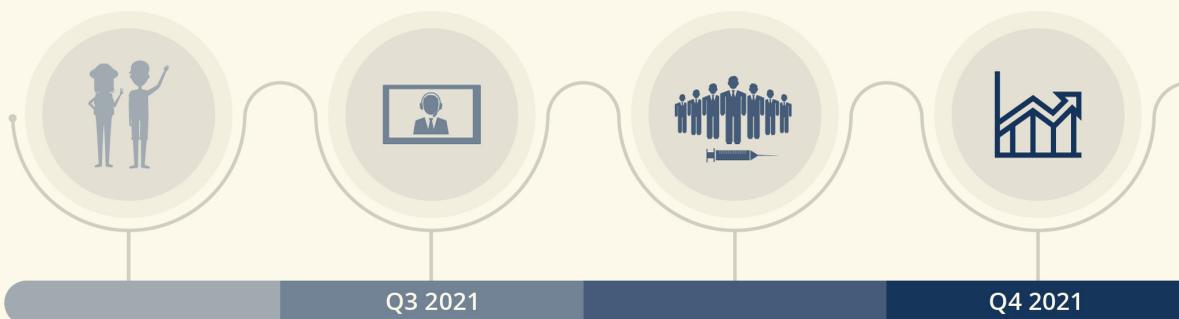
25 February 2021
Results from Baylor College of Medicine identify the presence of the first known COVID-19 UK variant in Belize.

31 March 2021
Belize receives the first set of COVID-19 vaccines from the COVAX facility. A total of 33,600 doses were purchased.

12 April 2021
55 schools return to the classroom after more than a year (391 days) of distance learning.

12 June 2021
Mexico donates 100,000 doses of the Oxford-AstraZeneca vaccine.

BOX 1.4 COVID-19: A CHRONOLOGY OF MAJOR EVENTS IN BELIZE



2 July 2021
A two-week lockdown is implemented for the southern communities of Barranco, Midway, and Conejo in response to rising COVID-19 cases. Government aims to provide a \$150.00 stipend to households.

7 July 2021
Carnival Cruise Line returns to Belize after a 16-month suspension dating back to 13 March 2020.

10 August 2021
The first known variants of Epsilon, Alpha V1, Delta, and Gamma V3 are detected in Belize.

14 August 2021
In response to high infection rates, schools at all levels will begin distance learning for the 2021-2022 academic year that commences towards the end of the month.

18 August 2021
Belize receives its first donation of Pfizer COVID-19 vaccines after 111,150 doses are shipped by the US government. This paves the way for youth between 12 to 17 years old to be immunised.

23 November 2021
To date, 48.5% and 44.7% of the population have received their first and second doses of various COVID-19 vaccines, respectively.

8 December 2021
50.0% of the population between 12 to 15 years old has been vaccinated.

13,000 Belizeans have received booster shots.

14 December 2021
Cabinet approves the reopening of land borders on 1 January 2022.

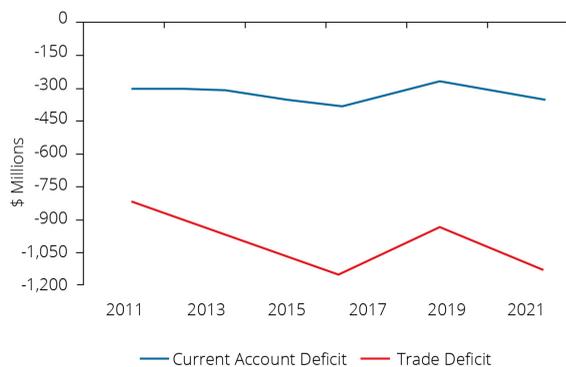
22 December 2021
Government announces that the reopening of the land borders and seaports has been postponed to February 2022.

31 December 2021
During 2021, 22,064 persons tested positive for COVID-19 and 358 deaths were recorded.

BALANCE OF PAYMENTS

The current account deficit on the balance of payments widened by \$76.1mn (29.7%) to \$331.9mn or 9.2% of GDP in 2021 compared to 8.1% of GDP in 2020. The external account deterioration was attributable to sharp increases in payments for imports, international freight, and financial services. The acceleration in outward payments exceeded the upturn in inflows arising from a resurgence in tourism services and, to a lesser extent, business processing services and inward personal transfers. However, the capital account surplus ballooned to \$482.9mn, reflecting the debt forgiveness received on the bond-for-loan swap. The reduction in net public debt alongside an unprecedented accumulation of net foreign assets generated a financial account surplus of \$85.9mn. Notably, a \$72.6mn SDR allocation helped boost the gross international reserves by \$132.2mn (19.0%) to \$830.1mn, the equivalent of 4.6 months of merchandise imports.

Chart 1.30: Current Account and Trade Deficit

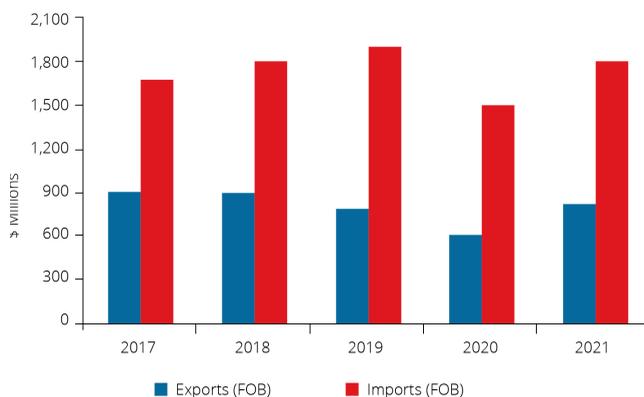


Merchandise Trade

The trade deficit expanded by 20.2% (\$178.9mn) to \$1,064.3mn in 2021, as imports grew faster than exports. Imports, FOB, rose by 30.7% (\$449.3mn) to \$1,912.2mn, driven by demand and price pressures associated with the economic recovery from the pandemic. Meanwhile, exports, FOB, increased by 46.8%

(\$270.4mn) to \$847.9mn, with increases in domestic exports (\$63.5mn), owing to improvements in supply-side factors alongside marked rebounds in commercial-free zone sales (\$181.0mn) and other re-exports (\$25.9mn) as businesses reopened from lockdown measures.

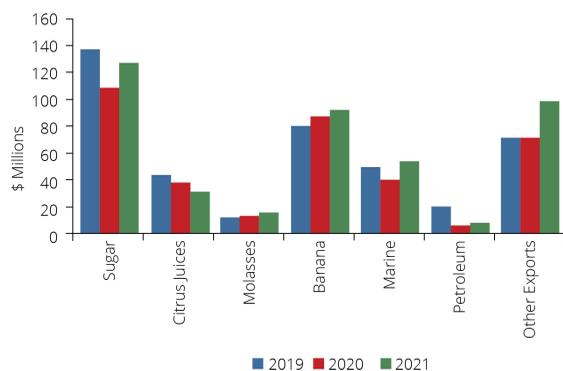
Chart 1.31: Merchandise Exports and Imports



Domestic Exports

Domestic exports grew by 17.7% (\$63.5mn) to \$422.8mn, driven by increased receipts from most major commodities such as sugar, molasses, banana, lobster, conch, and petroleum. However, revenues from citrus juice exports declined, moderating export growth.

Chart 1.32: Domestic Exports



Sugar and Molasses

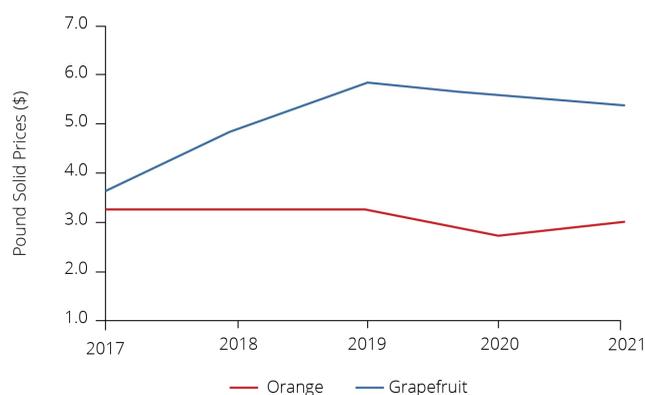
Sugar export revenue increased by 17.5% to \$126.9mn, spurred by a 23.0% rise in export volume to 149,103 long tons. Sugar prices weakened in critical markets, including Europe, the principal market for sugar exports, where beet sugar production rose. Still, 78.9% of total sugar shipments (or 117,663 long tons) went to Europe, valued at \$90.7mn. The US and CARICOM followed, accounting for 9.8% and 11.3% of sugar exports, respectively. Although US sales dipped 10.0% to 14,616 long tons under the tariff-rate quota regime, sugar revenues grew by 3.1% to \$17.3mn. US market prices strengthened as cane sugar stocks dropped after adverse weather in Brazil curbed the country's sugar production and, in turn, put upward price pressure on North American markets. Receipts from the Caribbean region escalated 67.8% to \$18.8mn, propelled by a 58.4% jump in export volume of higher-valued direct consumption sugar to 16,801 long tons. Molasses rose by 26.4% to 55,394 long tons valued at \$14.7mn.

Citrus Juices and Pulp

Dragged down by a lower sale volume, citrus juice sales contracted by 19.3% to \$30.4mn despite a 9.8% price improvement. While citrus greening caused citrus juice export volume to collapse by 26.5% to 9.6mn ps, heightened demand for vitamin-C-rich food amid the pandemic pressured orange concentrate prices upward on US markets. Hence, orange concentrate sales shrank by 18.9% in value to \$27.7mn after a 26.7% downturn in sale volume to 9.1mn ps. In contrast, grapefruit concentrate receipts declined by 25.2% to \$2.4mn, following a 23.1% slide in export volume to 0.4mn ps. Average grapefruit prices had weakened marginally, owing to a record crop year by major producers.

Not-from-concentrate sales remained minute at \$0.3mn. Similarly, pulp exports were modest, with sales of 2.0mn pounds valued at \$1.5mn.

Chart 1.33: Citrus Prices



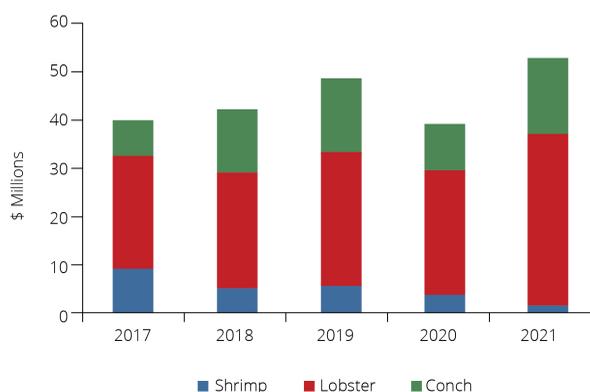
Banana

Banana exports grew by 4.6% to \$91.0mn, underpinned by a 5.7% rise in sale volume to 97,444 metric tons. The disproportionate revenue increase was due to reduced premiums on assembling customised fruit packages, with fruit prices remaining fixed.

Marine Exports

Marine export revenues grew by 35.3% to \$53.0mn, supported by favourable price movements alongside a 0.6% lift in volume to 2.3mn pounds. The revenue boost was due to heightened lobster and conch prices as demand for dining-out services picked up when mobility restrictions lightened. Lobster revenue expanded by 37.2% to \$35.4mn with a 6.3% expansion in export volume to 1.0mn pounds. Likewise, conch receipts surged 62.6% to \$15.8mn, augmented by a 33.4% volume expansion to 1.0mn pounds. Conversely, average farmed shrimp prices weakened by 16.1%, precipitating a 52.9% revenue plunge to \$1.7mn, with its export volume down 43.9% to 0.4mn pounds.

Chart 1.34: Exports of Marine Products



Crude Oil

Crude oil exports soared 75.6% to \$8.6mn despite a 0.7% volume dip to 74,358 barrels. Average prices rose by US\$25.09 to US\$57.73 per barrel, as rising crude oil demand outstripped crude oil supply during the global recovery, leading to higher oil prices.

Non-Traditional Exports

Non-traditional merchandise export revenue rose by 39.8% to a record high of \$98.3mn. This outcome was driven by increased receipts from animal feed (\$15.9mn) and, to a lesser extent, pre-fabricated houses (\$7.8mn), rum (\$3.0mn), red-kidney beans (\$1.8mn), and pepper sauce (\$1.3mn). The contribution from these goods was tempered by declines in black-eyed pea (\$2.2mn), fresh orange (\$0.7mn), grapefruit oil (\$0.6mn), and orange oil (\$0.4mn) exports.

Re-Exports

Total re-exports increased by 94.8% (\$206.9mn) to \$425.1mn, owing to the rebound in free zone sales and other re-exports. Commercial-free zone sales more than doubled to \$357.2mn, supported by the re-opening of storefronts in the Corozal Free Zone (CFZ) on 1 February 2021 after closing on 21 March 2020 for public health reasons. Other re-exports grew by 61.8% (\$25.9mn) to \$67.9mn, reflecting increased beer, cigarette, and jet fuel sales.

Imports

Imports, FOB, expanded by 30.7% (\$449.3mn) to \$1,912.2mn in 2021 compared to last year. “Mineral Fuels and Lubricants (including electricity)” soared 68.6% (\$132.2mn) to \$324.8mn, with increased volume and prices of energy products like gasoline, diesel, electricity, propane, and kerosene. “Manufactured Goods” climbed 51.8% (\$117.6mn) to \$344.6mn on heightened purchases of steel rods, metal pipes, kitchen appliances, glass, cement, and tires. “Machinery and Transport Equipment” registered a 29.7% (\$94.2mn) expansion to \$411.8mn, with higher outlays on food and beverage processing machinery, transformers, vehicles, vehicle accessories, and data processing cables. Lastly, “Commercial Free Zones” rose by 38.8% (\$84.5mn) to \$302.2mn, with increased spending on consumer goods, such as clothing, footwear, handbags, and other accessories.

Direction of Visible Trade

The share of merchandise exports disaggregated according to Belize’s major trading partners changed markedly in some instances. In 2021, the percentage of exports to Mexico, the country’s largest export destination, rose by 11.6 percentage points to 44.6% of total exports, with increased CFZ sales to the country. Conversely, the portion of exports to the UK fell by 7.3 percentage points to 13.9% because of reduced sugar sales. Change among other export destinations were relatively milder. Shipments to the US dipped by 3.1 percentage points to 13.1% of total exports. Europe (excluding the UK), Belize’s fourth primary export market, accounted for 11.0% of total exports, up 0.7 percentage point, with greater sugar, lobster, and orange concentrate juice sales. Rounding out the top five, CARICOM acquired 8.0% of total exports, down 2.3 percentage points despite a rise in the region’s purchase of sugar, red kidney bean, and corn products.

Movements among the top five trading partners for imported goods were less varied. The share

of total imports from the US, the country's primary source of foreign goods, declined by 4.8 percentage points to 35.5% despite more outlays on pine lumber, fuel products, chemicals, testing kits, motor vehicles, and cables. The second largest source, Central America, accounted for 16.7% of total imports, up 3.4 percentage points with significant purchases of fuel, construction materials, and food items. Following close behind, imports from China inched up 1.5 percentage points to 15.9%, underpinned by increased spending on clothing, steel pipes, machine parts, and glass bottles. Finally, the percentage of imports from Mexico slipped 0.1 percentage point to 12.9%, despite significant outlays on beer, steel, combustion equipment, trailers, and food items.

Chart 1.35: Direction of Visible Trade – Exports

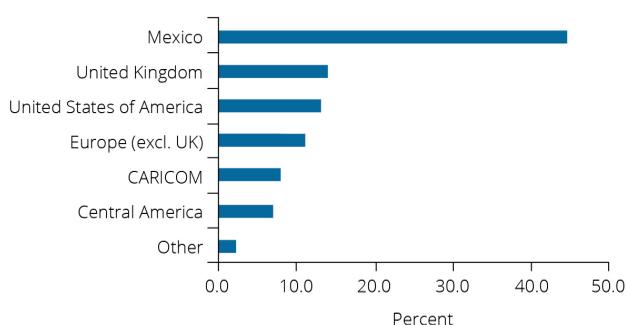
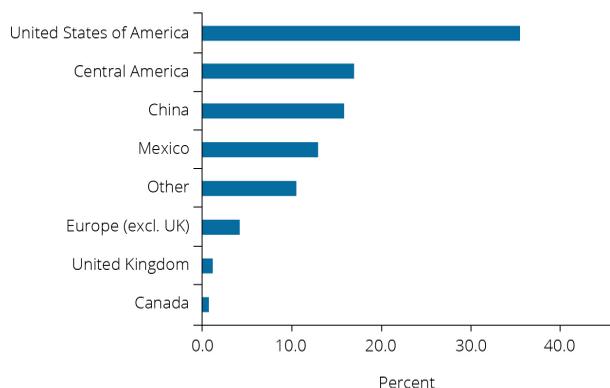


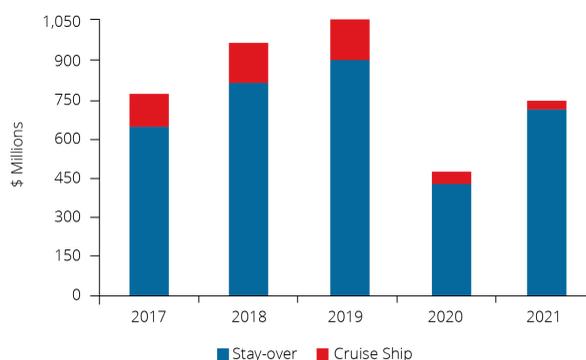
Chart 1.36: Direction of Visible Trade – Imports



Services

The services account surplus increased by 25.8% (\$132.1mn) to \$643.0mn. This strong performance was driven by substantial growth in tourism and business processing outsourcing revenues amid a sharp upturn in international transportation costs. Net transportation outflows more than doubled to \$193.2mn because of soaring global shipping costs due to mounting global supply-chain imbalances. However, tourism earnings rebounded by 49.8% (\$225.5mn) to \$678.6mn, driven by the resumption of international travel with the easing of border and health restrictions in Belize and key source markets. Furthermore, the net balance for all other services expanded by \$33.4mn to \$100.9mn, as the steady growth in revenue from business process outsourcing services was tempered by sizeable expenses related to refinancing the 2034 US Dollar Bond. Notably, net inflows from government goods and services lessened by \$5.2mn to \$56.6mn, with increased outward payments by regional organisations to fund climate-related activities.

Chart 1.37: Tourism Expenditure



Primary Income

Net outflows on the primary income account rose by 37.9% (\$44.4mn) to \$161.7mn. This outcome reflected the resumption of profit repatriation by firms in the energy and tourism industries alongside a near doubling in financial institutions' reinvested earnings. However, a reduction in Central Government's interest payments to external creditors tempered the growth in outflows.

Secondary Income

Net inflows on the secondary income account grew by 6.5% (\$15.2mn) to \$251.0mn. The rise in inflows was due to a \$29.4mn increase in personal remittance inflows to \$266.0mn, partly explained by (i) fiscal stimulus in host countries and (ii) the shift from informal to formal remittance channels due to travel restrictions and hesitancy during the pandemic.

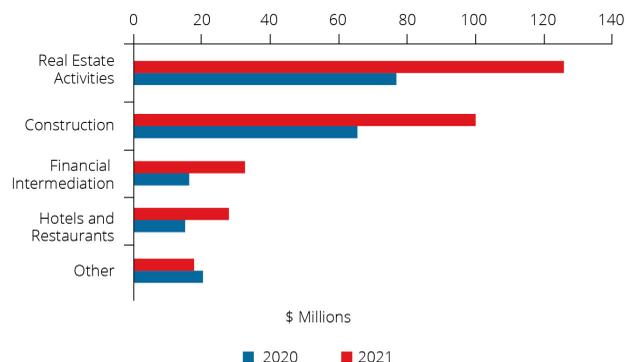
Capital and Financial Accounts

The capital account surplus skyrocketed to \$482.9mn, driven by the debt forgiveness received on the bond-for-loan swap. During the year, commercial creditors agreed to accept a 45.5% haircut on refinancing the 2034 US Dollar Bond, giving rise to \$503.3mn in debt forgiveness. The impact of the partial cancellation of the debt obligation was tempered by \$69.1mn in capital outflows to establish an Endowment Account (\$46.9mn) and a Debt Service Reserve Account (\$22.2mn) tied to the debt conversion agreement. In addition, capital inflows were boosted by project-related grants of \$48.7mn to fund, inter alia, the upgrading of the Philip Goldson Highway, Coastal Road, and Caracol Road.

The financial account recorded \$85.9mn in net lending in 2021, a turnaround from net borrowings of \$337.7mn in 2020. This modest surplus resulted as the foreign savings accumulated exceeded the foreign liabilities incurred. On the one hand, the country's net foreign assets grew by \$444.1mn, with domestic banks and the Central Bank's holdings rising by \$295.7mn and \$148.4mn, respectively. On the other hand, the net incurrence of liabilities arising from net foreign direct investments of \$252.6mn and net private external financing of \$112.0mn was moderated by a \$229.4mn reduction in external public sector debt. Notably, gross foreign direct investments rebounded strongly after mobility restrictions eased with marked inflows in tourism-related construction activities (\$128.0mn) and real estate (\$125.9mn), while net external loan advances to non-government

sectors (\$48.0mn) were also channelled to the tourism industry. Furthermore, the drop in Government's outstanding liabilities reflected the debt reduction obtained via the debt-for-nature-conservation swap.

Chart 1.38: Gross Foreign Direct Investment



International Investment Position

Belize's net international investment position was -\$6,734.1mn at year end, as foreign financial liabilities of \$8,411.3mn exceeded financial assets of \$1,677.2mn. The net position strengthened by \$85.9mn in 2021, as the \$464.7mn build-up in external financial assets surpassed the incurrence of \$378.8mn in net foreign liabilities. The sizeable foreign asset growth mainly reflected the accumulation of domestic banks' foreign assets and the Central Bank's reserves. Meanwhile, the rise in foreign liabilities was moderated by the Government's debt refinancing initiative, as foreign direct investments and the private sector's net external borrowings both expanded.

Chart 1.39: Net International Investment Position

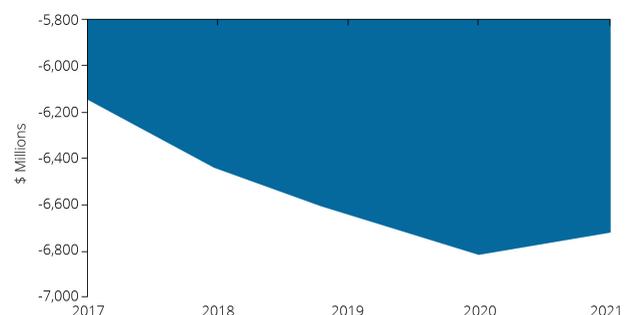








Photo credit: Leonardo Melendez Photography

II. FINANCIAL SYSTEM OVERSIGHT

EXAMINATIONS

The Central Bank’s regulatory oversight function emphasises an effective supervisory approach through constant off-site surveillance and on-site examinations of regulated institutions. The oversight function aims to promote the safety, soundness, and efficiency of Belize’s financial system. However, prevailing health protocols in the workplace forced the Central Bank to conduct most of its on-site examinations remotely in 2021.

During the year, risk-focused examinations were conducted on two domestic banks, two international banks, three credit unions, two remittance service providers, and one moneylender. All examinations assessed compliance with applicable laws, regulations, and prudential requirements. Examinations also focused on the impact of banks and credit unions’ forbearance measures implemented in response to the COVID-19 pandemic.

DOMESTIC BANK PERFORMANCE

Domestic banks’ profitability strengthened appreciably after nosediving the year before. In 2021, domestic banks’ profits increased by \$13.2mn to \$28.9mn, reaching about two-fifths of the industry’s pre-pandemic earnings in 2019. Bottom lines were shored up by increases in both interest income and non-interest income, which grew by \$15.3mn and \$10.7mn, respectively. The revenue boost outstripped expansions in interest and non-interest expenses of \$6.5mn and \$12.5mn, respectively, resulting in a \$6.6mn jump in aggregate net operating income to \$87.3mn. Turning to other profitability measures, domestic banks’ return on assets (ROA) and return on equity (ROE) also improved, rising from 0.4% and 3.2% in 2020 to 0.7% and 6.4% in 2021, respectively.

To further support borrowers facing short-term repayment difficulties, the Central Bank extended the deadline for banks and credit unions to grant forbearances from 31 March 2021 to 31 December 2021.

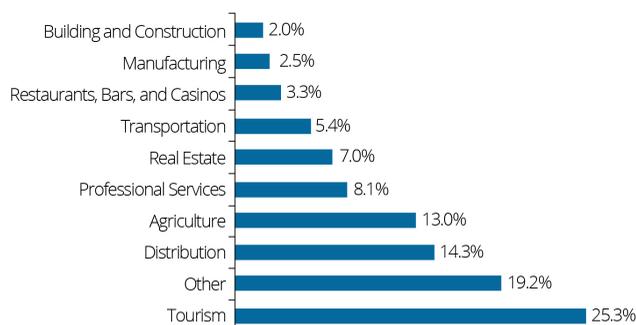
Chart 2.1: Profitability



Since moratoria measures were implemented in April 2020, forbore loans summed to \$1.1bn, representing 34.2% of total loans in the financial systems. Borrowers in the tourism, distribution, and agricultural industries accounted for the most significant shares of loan moratoria.

Domestic banks accounted for 81.3% or \$858.5mn of total forbore loans, with the largest domestic bank accounting for 50.4% of forbearances. Notably, creditors resumed payments on 61.9% of restructured loans at the end of 2021. Forbearance measures will be gradually phased out after 2021.

Chart 2.2: COVID-19 Restructured Loans by Sector for the Financial System



Furthermore, each domestic bank and credit union will be required to develop its exit strategy to unwind from the extraordinary support measures afforded to distressed borrowers during the crisis. These strategies will be based on detailed assessments of the severity of the crisis on financial institutions' balance sheets, see Box 2.1.

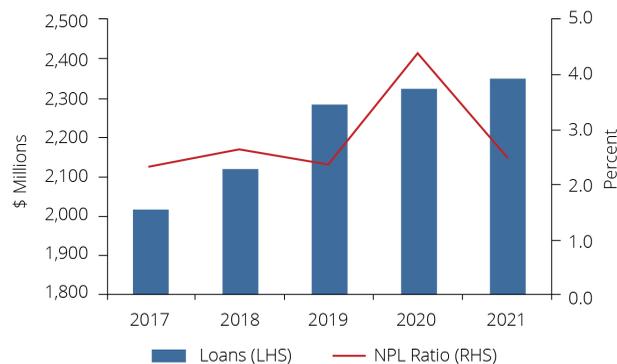
Credit growth moderated with net disbursements of \$34.9mn, down from the \$40.1mn expansion recorded in 2020. Domestic banks' risk aversion heightened in anticipation of the gradual phasing out of forbearance measures and the accumulation of potential credit losses. New disbursements were distributed mainly to the tourism (\$46.5mn), building and construction (\$25.0mn), and the agricultural (\$10.7mn) industries.

Loan write-offs doubled to \$36.4mn, with one domestic bank accounting for most of this amount. Write-offs contributed to a significant reduction in total non-performing loans. With total loans remaining relatively stable at \$2.3bn, domestic banks' non-performing loans (net of specific provisions) to total loans ratio (NPL ratio) contracted from 4.4% in 2020 to 2.5% in 2021, hovering near pre-pandemic levels and significantly below the 5.0% prudential benchmark.

Domestic banks' aggregate capital increased marginally, up 2.1% or \$8.8mn to \$432.9mn in 2021. Nevertheless, this performance reflected a significant turnaround from the \$46.5mn decline recorded in 2020, owing to the sale of

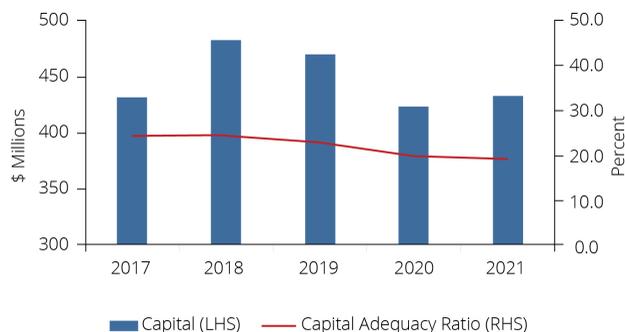
Scotiabank (Belize) Limited, see Box 2.2. The largest domestic bank was the main contributor to the uptick in aggregate capital.

Chart 2.3: Asset Quality



Notwithstanding, the capital adequacy ratio (CAR) remained closely on par with the previous year's level at 19.2% compared to 19.8% in 2020. Even with the dip, all banks maintained capital levels comfortably above the minimum regulatory requirement of 9.0%.

Chart 2.4: Capital and Capital Adequacy Ratio



BOX 2.1 THE CENTRAL BANK'S REGULATORY RESPONSE TO THE COVID-19 PANDEMIC

The Central Bank initiated several monetary and macro-prudential policy measures in 2020 to mitigate the adverse effects of COVID-19 on the financial system.

To provide further liquidity relief to borrowers who remained affected by the ongoing pandemic, the Central Bank extended the forbearance period that could be granted by banks and credit unions. This extension was done via the "Guidance Notice to Banks and Credit Unions: Forbearance Measures for Customers Affected by the COVID-19 Pandemic," issued on 17 December 2020. Through this instrument, the forbearance period was lengthened from 31 March 2021 to 31 December 2021. Moratoria granted during this time were applied on a case-by-case basis, subject to the following conditions:

- » Customers' repayment capacity be reassessed when their financial circumstances improve;
- » Institutions restrain from increasing interest rates on restructured facilities; and
- » Communication and full engagement with customers be ongoing.

Banks and credit unions were also strongly encouraged to adopt a forward-looking approach in identifying, managing, and mitigating heightened pandemic-related credit risks and to ensure adequate and timely allocation of loan loss provisions to cover expected credit losses.



BOX 2.1

THE CENTRAL BANK'S REGULATORY RESPONSE TO THE COVID-19 PANDEMIC (continued)

Banks were restricted from making dividend pay-outs to enhance bank resilience and support credit growth during the recovery. On 19 April 2021, the Central Bank issued the "Guidance Notice to Banks: Suspension of Dividend Payments," which ultimately shored up banks' capital and liquidity levels, while conserving foreign currency outflows. More specifically, the guidance notice:

- » Suspended the declaration and payment of cash dividends, repatriation of profits, and share buy-backs;
- » Required banks to provide prior notice to the Central Bank of all loans and advances to related parties and affiliates; and
- » Encouraged banks to review management fees arrangements to mitigate their effects on profitability and capital levels.

The Central Bank also maintained its weekly reporting mechanisms to facilitate continued oversight and assessment of the pandemic's impact on the financial system and the real economy. Periodic stress tests were also conducted on restructured loans. These tests gauged the potential impact of severe, but plausible scenarios that accounted for the pandemic's effects on financial institutions' resilience and ability to absorb future shocks.

Leading up to the expiration of the forbearance measures, the Central Bank met with banks and credit unions to discuss the design of strategic and orderly exit programmes from loan moratoria schemes. To this end, the Central Bank required all financial institutions to submit a diagnostic report containing a tailored exit strategy based on an assessment of the pandemic's impact on their operations. Furthermore, the information should assist institutions in restoring prudential provision and risk-weighting requirements to pre-pandemic levels. In more detail, each diagnostic report should do the following:

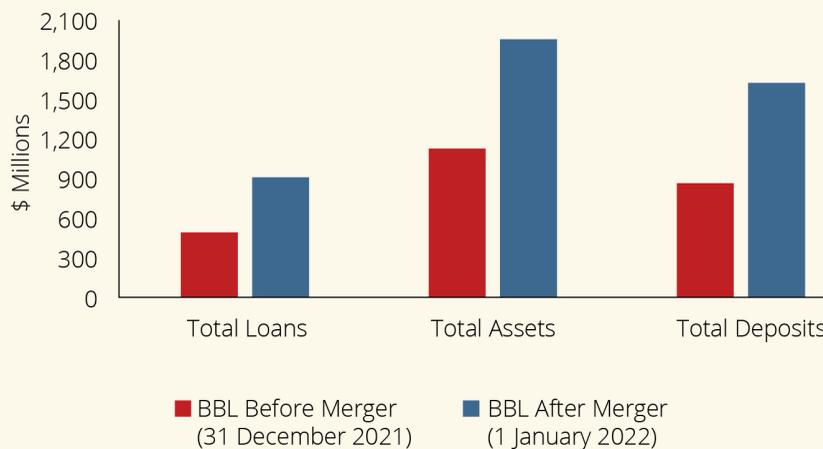
- » Provide a comprehensive assessment of the viability of each credit facility that was granted forbearance due to the pandemic;
- » Assess the impact on the institution's NPL ratio, earnings, capital adequacy, and liquidity levels under both normal and stressed scenarios;
- » Propose a phased approach for additional provisions, if necessary;
- » Indicate the financial institution's proposed exit strategy from forbearance measures; and
- » Indicate the financial institution's NPL management strategy to maintain the institution's integrity and the banking sector's stability.

BOX 2.2 VESTMENT OF CARIBBEAN INVESTMENT HOLDINGS LTD.

On 25 November 2020, the Central Bank granted Caribbean Investment Holdings Limited approval to acquire 100.0% of the common shares of Scotiabank (Belize) Limited (SBL) from Scotia Caribbean Holdings Limited. Permission was also granted for a name change from SBL to Belize Bank Corporation Limited (BBCL) during an interim period. On 31 March 2021, the acquisition was completed. At the close of business on that day, SBL surrendered its banking license, and the Central Bank issued a banking license to BBCL. On 31 December 2021, the undertakings of BBCL were vested in Belize Bank Limited (BBL), and, simultaneously, BBCL surrendered its license to the Central Bank.

As a result of the merger, BBL's total assets increased to \$1.9bn, overtaking Atlantic Bank Limited as the largest licensed bank at the start of 2022. Likewise, its deposits mushroomed to \$1.6bn, the largest holdings in the domestic banking sector. Nevertheless, after rising to \$924.7mn, BBL's loan portfolio was still second to Atlantic Bank Limited.

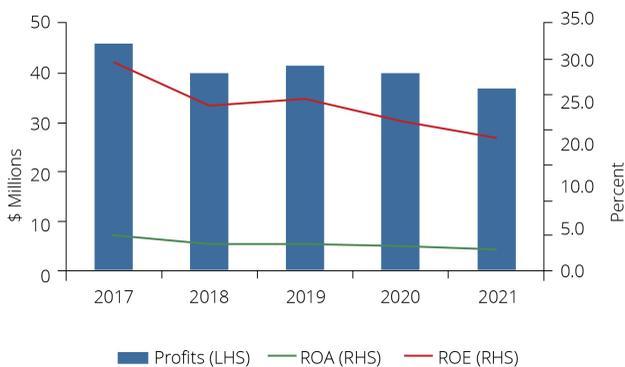
**Chart 2.5: Belize Bank Limited's Financial Position
Before and After the Merger**



CREDIT UNION PERFORMANCE

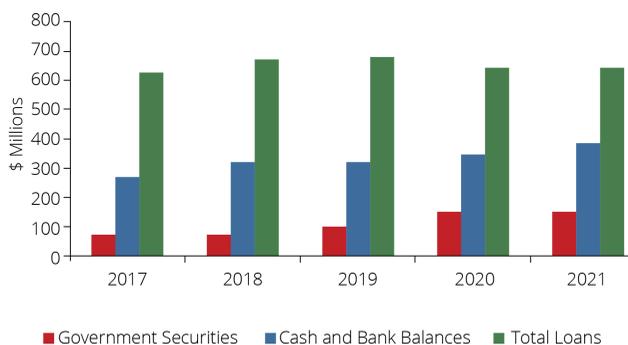
Credit unions' aggregate profits further contracted, sliding by \$3.1mn to \$36.9mn in 2021. This year's downturn was caused mainly by the allocation of additional loan loss provisions. Accordingly, the sector's ROA and ROE weakened from 3.6% and 21.3% in 2020 to 3.2% and 18.8% in 2021, respectively.

Chart 2.6: Profitability



The industry's loan portfolio contracted for the second consecutive year. Outstanding loans fell by \$2.4mn to \$637.6mn in 2021, reflecting a marked deceleration from the sizeable \$38.6mn decline in 2020. Similar to domestic banks, credit unions continued to extend forbearance measures to assist members affected by COVID-19, albeit to a lesser extent.

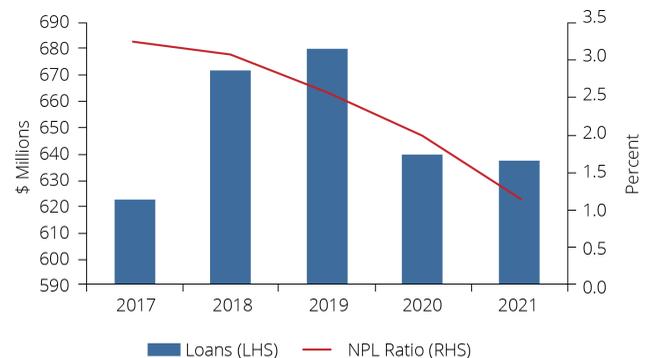
Chart 2.7: Asset Base



COVID-19 forbore loans increased by \$3.7mn in 2021 to \$154.5mn, 24.2% of the sector's aggregate loan portfolio. For the second consecutive year, loan payment moratoria were granted mainly to businesses and individuals whose revenues were derived from tourism activities. As expected, the largest credit union accounted for the majority (43.4%) of total restructurings. Notably, members resumed making repayments on 71.1% of forbore loans.

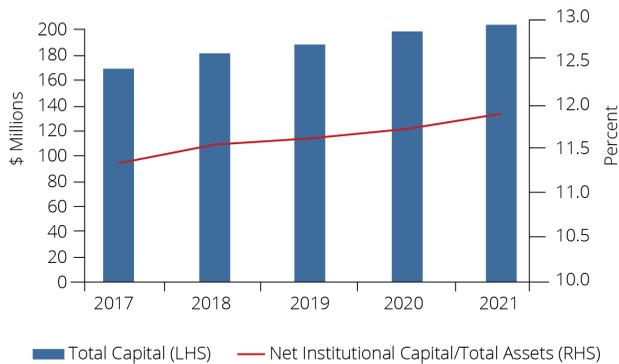
Credit unions' aggregate NPL ratio improved, shrinking from 2.0% in 2020 to 1.1% in 2021. This outturn was mainly due to a \$12.7mn (29.9%) reduction in NPLs to \$29.7mn after write-offs tripled to \$14.9mn. The largest credit union accounted for 83.3% of total write-offs. All credit unions' NPL ratios were below the 5.0% prudential benchmark, with one entity reporting no non-performing loans.

Chart 2.8: Asset Quality



Credit unions' capital expanded by \$8.8mn (4.5%) during the year to \$204.9mn, driven by profit transfers to both legal reserves and retained earnings. The modest capital increase raised the net institutional capital to total assets ratio slightly from 11.8% in 2020 to 11.9% in 2021. Except for one credit union, all others kept their net institutional capital to total assets ratio above the 10.0% regulatory requirement.

Chart 2.9: Total Capital and Net Institutional Capital Ratio



Most of the restructured loans were granted to borrowers with significant earnings stemming from agricultural and tourism activities. Customers resumed paying 72.8% of total forbore loans.

The industry's NPL ratio strengthened, sliding from 9.8% in 2020 to 8.7% in 2021. The payoff of a sizeable non-performing loan alongside write-offs of US\$4.2mn supported the overall improvement. One of the three banks reported an NPL ratio above the 5.0% prudential benchmark.

INTERNATIONAL BANK PERFORMANCE

Profitability in the international banking industry recovered modestly, swinging from a loss of US\$3.5mn in the first year of the pandemic to a marginal profit of US\$1.5mn in 2021. This turnaround was driven by a reduction in provisioning expenses, which declined from US\$3.1mn in 2020 to US\$0.1mn in 2021. Hence, the industry's ROA and ROE rebounded from -2.0% and -8.9% in 2020 to 0.8% and 3.8% in 2021, respectively.

Loan moratoria among international banks grew by US\$8.6mn in 2021 to US\$21.7mn, representing 41.3% of the industry's loan portfolio.

Chart 2.11: Asset Quality



Positioned well above the 10.0% regulatory requirement, international banks' CAR dipped slightly from 34.7% in 2020 to 34.3% in 2021. The downward movement reflected a US\$1.1mn capital decline to US\$36.9mn, owing to regulatory adjustments made in accordance with International Financial Reporting Standard 9 (IFRS 9).

Chart 2.10: Profitability

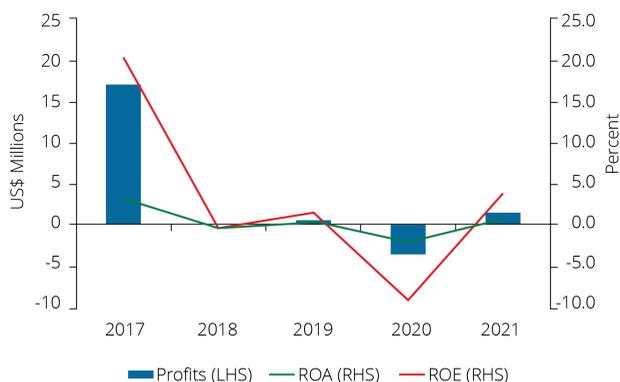
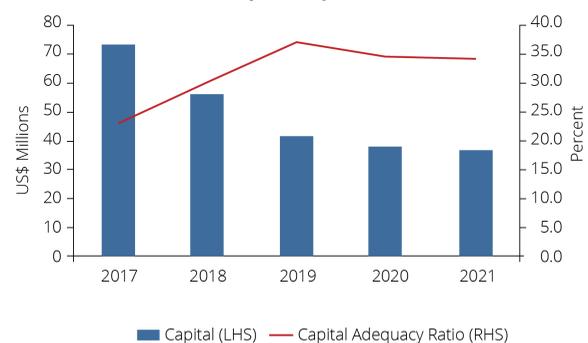


Chart 2.12: Capital and Capital Adequacy Ratio



AML/CFT COMPLIANCE

The anti-money laundering and combating the financing of terrorism (AML/CFT) function was established to ensure that regulated deposit-taking and non-bank financial institutions adhere to the AML/CFT legal framework and that the Central Bank's internal AML/CFT compliance programme aligns with the highest international standards.

In response to the Central Bank's guidance on mitigating and preventing the spread of COVID-19, AML/CFT examinations operations shifted from primarily on-site examinations to only desk reviews. In 2021, the Central Bank conducted 33 thematic desk reviews—comprising two domestic banks, one credit union, and 30 moneylenders—to ensure compliance with the AML/CFT legal framework. As well, four applications for the provision of e-wallet services were assessed to determine their suitability as non-bank payment service providers.

Activities surrounding the Central Bank's internal AML/CFT compliance included 69 due diligence requests. These investigations were conducted to ensure that business relationships between foreign legal or natural persons and the Government were safely managed. Additionally, the Central Bank conducted enhanced due diligence on 96 source of funds declarations on US dollar deposits that amounted to \$109.5mn and were transhipped on behalf of four domestic banks.

In collaboration with other counterparts, efforts to strengthen Belize's AML/CFT compliance regime continued on four projects: (i) Belize's National Risk Assessment, (ii) the National Financial Inclusion Strategy, (iii) the Caribbean Financial Action Task Force Self-Assessment Exercise, and (iv) the Financial Action Task Force Implementation Project.

REGULATORY AND SUPERVISORY PROJECTS

Basel II/III Capital Framework for Banks

The Central Bank of Belize is revising the existing capital framework to enhance risk management practices among banks. This revised framework will promote forward-looking risk assessments and a stronger capital base throughout the alignment of capital requirements with banks' underlying risks. The framework will be implemented in three phases that are aligned to the Pillars of the Basel Accords.

In 2021, the Central Bank made significant progress towards implementing Pillar 2: Supervisory Review Process to modernise the capital framework for banks. Pillar 2 complements the minimum capital requirements prescribed under Pillar 1, which specified minimum capital requirements by accounting for risks not captured through the quantitative computations. Moreover, Pillar 2 provides the platform for the Central Bank to further assess banks' risk management capabilities and capital adequacy relative to their risk profiles.

The Central Bank in 2021 also issued four guiding principles covering credit risk, operational risk, interest rate risk, and stress testing to formally establish the minimum expectations for risk management. These principles will enable banks to assess capital needs when developing their Internal Capital Adequacy Assessment Process Report. The revision of banks' capital framework is near the end of the second phase of a three-phase approach, mirroring the three Basel Capital Accord pillars on international best practices for risk management and capital allocation.

In addition to revising the capital framework, the Central Bank will complete the capital measurements by introducing the liquidity coverage ratio starting in 2022. This process will precede the project's final phase, Pillar 3: Market Discipline, which will promote market

disclosure, covering processes for a bank's risk management, capital assessment, and governance infrastructure. Furthermore, it will ensure greater transparency to optimise the accessibility, consistency, and comparability of a bank's financial information.

Risk-Based Supervision

The economic environment in which financial institutions and supervisors operate is constantly evolving. To keep pace, the Central Bank continues to review and strengthen its regulatory regime and supervisory oversight by adopting and gradually implementing an effective risk-based supervision framework. This framework is a structured supervisory process that entails allocating supervisory resources in accordance with the risk profile of each institution.

Furthermore, this enhanced approach seeks to identify the most critical risks financial institutions face, enabling supervisors to tailor their responses to address prioritised risks.

The risk profiling for banks and credit unions will commence in 2022. This activity entails a process linked to the Basel II/III implementation project through a supervisory review process.

International Financial Reporting Standard 9

The Central Bank continued to implement IFRS 9 in the banking sector. During Phase II's implementation in 2021, the Central Bank assessed banks' Expected Credit Loss Model Framework and evaluated their expected credit loss provisions and capital adequacy.

Phase III of the project is scheduled to be completed in 2022. All banks will be required to fully comply with the requirements of IFRS 9 by 31 December 2022.

BOX 2.3 A FINANCIAL STABILITY MAP FOR BELIZE

Financial stability continues to move to the forefront of the Central Bank's policy concerns. Measuring financial stability has always been conceptually difficult, mainly because there is no consensus on either a model or analytical framework for assessing financial system stability. In 2007, the IMF developed a new approach to measure financial stability using a "global financial stability map," featured in its April 2007 bi-annual Global Financial Stability Report (IMF, 2007). According to the report, "the global financial stability map presents an overall assessment of how changes in underlying conditions and risk factors are expected to bear on global stability in the period ahead." The map helped assess risks and conditions impacting the global financial system and markets during the global financial crisis.

1.0 Design of the Financial Stability Model

Financial stability maps that follow the IMF's methodology have grown increasingly important in the Caribbean.

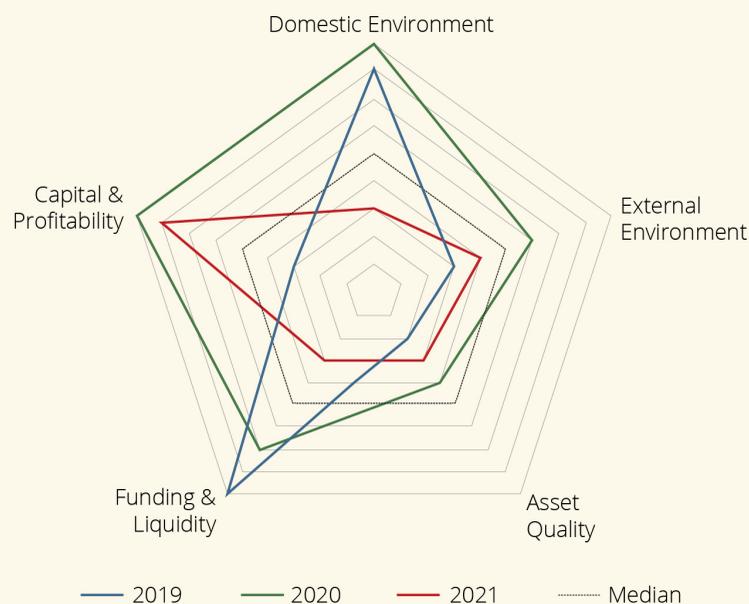
BOX 2.3 A FINANCIAL STABILITY MAP FOR BELIZE (continued)

In Belize, the Central Bank recently began utilising this analytical framework to assess financial stability risks in conjunction with other prudential tools. In this analysis, financial stability is measured along five dimensions: two risk dimensions linked to macroeconomic conditions and three risk dimensions relating to the health of the domestic banking system:

- » Domestic environment
- » External environment
- » Asset quality
- » Funding and liquidity
- » Capital and profitability

A score is calculated for each dimension based on the weighted average of a range of variables. Currently, 17 variables are used to construct scores for these five dimensions. Scores range from 0 to 9, with lower scores indicating a lower level of vulnerability and vice versa. The scores are then plotted on a cobweb-style diagram.

Figure 2.1: Financial Stability Cobweb Diagram



The farther away a score is from the centre of the cobweb diagram, the greater the potential risk that particular dimension presents to the banking system. Generally, low scores support a positive assessment of financial stability and imply low levels of existential threats to the banking system. Historical median outcomes are graphed as a black dotted line, which serves as a baseline and indicates how financial stability risks have changed over time.

BOX 2.3 **A FINANCIAL STABILITY MAP FOR BELIZE (continued)**

2.0 Results from the financial stability model

The Central Bank's financial stability cobweb model above shows that financial vulnerabilities affecting the resiliency and soundness of the domestic banking system subsided in 2021 after rising rapidly in 2020. Scores for all five dimensions improved over the year, supported by the domestic economic rebound, the ongoing global recovery, and a turnaround in the health of the three categories of deposit-taking institutions (DTIs)—domestic banks, credit unions, and international banks. However, the capital and profitability dimension remained well beyond the historical median line, signalling that insolvency risks have not yet retreated to normal levels and need to be closely monitored to ensure that financial institutions remain sound and prevent financial instability.

2.1 Macroeconomic dimension: domestic environment

The domestic environment dimension primarily captures the risk that economic developments will trigger a material rise in default rates, leading to substantial losses for DTIs. The solid rebound from the economic freefall in 2020, featuring an upturn in goods and services export and a surge in foreign assets, contributed significantly to the improvement in the domestic banking environment. However, rising inflation created headwinds during the economic recovery, exerting a potential drag on growth.

2.2 Macroeconomic dimension: external environment

The external environment dimension captures the risk that external shocks will result in credit losses for financial institutions in Belize. The external environment improved markedly in 2021, owing to the rebound in global GDP from the pandemic shock, including a robust recovery among Belize's major trading partners.

2.3 Prudential dimension: asset quality

The asset quality dimension assesses the level of credit risk within the system and its impact on the balance sheet of DTIs. Improvement in this dimension was attributable to a significant decline in non-performing loans, following sharp increases in write-offs against looming credit losses.

BOX 2.3

A FINANCIAL STABILITY MAP FOR BELIZE (continued)

2.4 Prudential dimension: funding and liquidity

The funding and liquidity dimension measures the risk of shifts in market liquidity, exposing domestic financial institutions to liquidity risks. Funding and liquidity risks were diminished in 2021. These risks were contained by (i) the sustained, loose monetary policy stance designed to expand bank liquidity and, in turn, support lending to the real economy during the recovery, (ii) the strong foreign asset accumulation that propelled bank liquidity, and (iii) heightened risk aversion, which weakened credit growth but preserved liquidity positions.

2.5 Prudential dimension: capital and profitability

The capital and profitability dimension is intended to capture the ability of the banking sector to absorb shocks on the asset side of their balance sheet and to withstand credit losses if necessary. Capital and profitability risks retreated in 2021 from extreme risks in 2020 when a mild downturn was deepened due to the health and economic crises caused by the advent of COVID-19. The capital adequacy for the DTIs declined, with the growth in aggregate assets outstripping the rise in capital coverage. This result occurred even though DTIs' regulatory capital rose from an upturn in retained earnings.

However, DTIs' profitability partially recovered in 2021, reducing the deterioration in the overall score, which still exceeded the historical median benchmark. Domestic and international banks' return on assets ratio strengthened, while the aggregate ratio for credit unions nudged down.

Conclusion

The financial stability map provides a graphical representation of changes in financial vulnerabilities to support the assessment of financial stability. The Central Bank's model shows that financial stability conditions improved in 2021 relative to 2020, but factors affecting capital and profitability warrant further monitoring to ensure continued financial stability.

References:

Bedford, P., & Bloor, C. (2009). A cobweb model of financial stability in New Zealand (No. DP2009/11). Reserve Bank of New Zealand.
Caribbean Regional Technical Assistance Centre (2017). CARTAC Annual Report 2017. Cartac.org. https://www.cartac.org/content/dam/CARTAC/AnnualReports/CARTAC_2017-Annual-Report_WEB.pdf
Dattels, P., McCaughrin, R., Miyajima, K., & Puig, J. (2010). Can you map global financial stability?. IMF Working Paper No. 10/145. <http://dx.doi.org/10.2139/ssrn.1627080>





Photo credit: Aquila Flores

III. CENTRAL BANK OPERATIONS

GOVERNANCE

The Central Bank of Belize Act, 2011 (the Central Bank Act) prescribes the framework for the governance of the Central Bank of Belize (the Central Bank). The Central Bank Act provides for the Governor-General, on the advice of the Prime Minister, to appoint the Governor. The Minister of Finance appoints the Board of Directors (the Board), comprising three ex officio members—the Governor, a Deputy Governor, and the Financial Secretary—and not less than three nor more than four other members. Appointed members are drawn from diverse backgrounds and are selected based on their competencies and qualifications, particularly in finance, accounting, economics, and law.

The Board is the policy-making organ of the Central Bank. The responsibility of the governing body is to (i) oversee compliance with all legal requirements regarding the Central Bank's regulatory roles, (ii) set strategy and budget, (iii) make critical decisions on resourcing and appointments, and (iv) review the performance and financial management of the organisation. The Governor is the chief executive officer of the Central Bank, and subject to the general policy decisions of the Board, is responsible for the strategic direction, management, and day-to-day operations of the Central Bank.

Membership

In January 2021, the Minister of Finance appointed a new Board of Directors, comprising the Executive Chairman, Mr. Sydney Campbell, and members: Mrs. Sol Espejo-Molina, Mr. Giacomo Sanchez, and Mrs. Neri Matus. Ex officio members—Governor, Ambassador A. Joy Grant; Deputy Governor, Mrs. Marilyn Gardiner-Usher; and the Financial Secretary, Mr. Joseph Waight—continued to serve on the Board. Mr. Joseph Waight was elected by the members as Vice Chairman at the Board's first meeting on 29 January 2021.

The Board's composition underwent several changes during the year. These included:

- On 1 April 2021, Mr. Gustavo Manuel Vasquez was appointed Governor of the Central Bank, replacing Ambassador A. Joy Grant.
- On 1 August 2021, Mr. Sydney Campbell was appointed Executive Chairman of the Central Bank.
- On 13 August 2021, Mr. Kareem Michael, who served as alternate Deputy Governor on the Board, was appointed Acting Governor of the Central Bank, replacing Mr. Gustavo Manuel Vasquez.



Board Meeting: seated from Left to Right: Hollis Parham, Giacomo Sanchez, Sheree Smiling Craig, Kareem Michael, Sydney Campbell, Joseph Waight, Neri Matus, Sol Espejo-Molina.

Table 3.1: Attendance at Board Meetings in 2021

Member	Position	Appointment Period	Attended
Mr. Sydney Campbell	Executive Chairman	January to December	14
Mr. Joseph Waight	Vice-Chairman/Financial Secretary (ex officio)	January to December	12
Mr. Kareem Michael	Governor (ex officio)	January to December	13
Mr. Hollis Parham	Deputy Governor (ex officio)	December	2
Mr. Giacomo Sanchez	Member	January to December	14
Mrs. Sol Espejo-Molina	Member	January to December	13
Mrs. Neri Matus	Member	January to December	13
Mrs. Marilyn Gardiner-Usher	Former Deputy Governor	January to September	10
Mr. Manuel Vasquez	Former Governor	April to August	5
Ambassador A. Joy Grant	Former Governor	January to March	3

- On 30 September 2021, Mrs. Marilyn Gardiner-Usher retired from the Central Bank after more than 34 years of service.
- On 1 December 2021, Mr. Kareem Michael was appointed Governor of the Central Bank.
- On 1 December 2021, Mr. Hollis Parham was appointed Deputy Governor of the Central Bank, replacing Mrs. Marilyn Gardiner-Usher.

Meetings

The Board is legally required to meet as often as required, but not less frequently than ten times yearly. Fourteen Board meetings were held in 2021 on the dates designated by the Chairman. The quorum of three members—one of whom must be the Governor or a Deputy Governor—was met for each meeting called. Decisions were made by votes cast using a simple majority rule, with the Chairman having a second if votes were equal. All sessions were held at the Central Bank’s headquarters in Belize City.

Conduct of Board Members

Members of the Board must satisfy general qualifications as laid out in Section 15 of the Central Bank Act. 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 the best interest of the Central Bank;
- Not use their position to benefit themselves or any other person, or cause detriment to the Central Bank or any person;
- Not use any information obtained by 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.

Standing Committees

Executive members are assigned to several standing committee meetings. As chairs, members are responsible for overseeing critical functional areas under their purview and proposing policies related to those sections to the Board.

Audit Committee

The Central Bank's Audit Committee (the Audit Committee) is a subset of the Board. In 2021, the Audit Committee comprised the following members: (a) two non-executive board members—Chairperson, Mrs. Sol Espejo-Molina and member, Mr. Giacomo Sanchez; and (b) one ex officio board member—Deputy Governor Financial Services, Mrs. Marilyn Gardiner-Usher. The Chief Internal Auditor, Mr. Benedict Terry, served as secretary.

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

- Assuring 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 reasonable reporting of risk exposures;
- Approving the Internal Audit Department's annual risk-based work plan and assessing its performance against the approved plan;
- Reviewing the effectiveness of internal audits, 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

Table 3.2: Attendance at Standing Committee Meetings in 2021

Committee	Chair	Mandate	Attended
Audit	Mrs. Sol Espejo-Molina, Director of the Board	To inform the Board of the Central Bank's exposure to material risks across its operations and performance through periodic reports.	5
Investment & Reserve Management	Mr. Kareem Michael, Governor	To advise the Board about needed changes in investment policy and strategy, and to disclose the performance of the reserve portfolio	19
Capital Projects	Mr. Kareem Michael, Governor	To provide oversight, while updating the Board on the performance of significant projects.	4
Pension Scheme	Mr. Hollis Parham, Deputy Governor	To advise the Board about the performance of the pension scheme, while ensuring optimal operation of the scheme.	4
Disposal	Mr. Hollis Parham, Deputy Governor	To obtain Board approval to dispose significant assets and property.	7

- Bank; and
- Reviewing the Central Bank’s audited financial statements and letter of recommendation with the external auditors before Board submission.

Internal Audit

The Internal Audit Department is an independent, objective assurance, and consulting unit designed to add value and improve the Central Bank’s operations. It helps the Central Bank accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve risk management, control, and governance processes. The internal audit’s function is guided by the profession’s code of ethics, its International Standards for the Professional Practice of Internal Auditing, and the Central Bank’s own Internal Audit Charter.

The internal auditors conducted 38 audit engagements and real-time observations across business units within the Central Bank.

Audit engagements covered:

- Management of foreign reserve investments;
- Society for Worldwide Interbank Financial Telecommunications (SWIFT) Customer Security Controls;
- Compliance with legal and regulatory requirements of the Act;
- Anti-money laundering/combating the financing of terrorism processes;
- Information technology operations, including change management, active directory management, network infrastructure controls, and backup and recovery;
- Supervision department’s annual plan;
- Fixed asset management; and
- Implementation of an Enterprise Risk Management (ERM) framework.

Real-time observations and monitoring of critical activities included:

- Treasury functions-government securities auctions and account reconciliations;

- Local currency activities – shipment, stock take, verification, and destruction;
- Foreign currency activities – packing and shipment; and
- Surprise verification of cash accounts and security weapons and ammunition.

Results from these activities were communicated to senior management and the Audit Committee.

Strategic Initiatives

In 2018, the Central Bank began implementing a four-year strategy to support its vision, “to be highly respected for our contributions to the stability of Belize’s monetary and financial systems.” Strategic management enabled the Central Bank to systematically coordinate resources and actions to execute strategic projects. This process enhanced the Central Bank’s statutory functions, as well as budgeting and operational activities. Key strategic initiatives that were implemented during the fourth year of the 2018-2022 strategic plan focused on (i) promoting financial system stability, (ii) improving financial inclusion, and (iii) reinforcing organisational infrastructure. The Central Bank will be planning its direction, goals, and indicators of success for the upcoming strategic cycle.



BOX 3.1 STRATEGIC INITIATIVES

The Central Bank launched several campaigns and programmes focused on strengthening stakeholders' engagement and the institution's regulatory framework. Key achievements in 2021 included:

Promoting financial system stability:

- » Established a special purpose vehicle to assist eligible beneficiary borrowers in recovering from the effects of the COVID-19 pandemic;
- » Launched phase two of the International Financial Reporting Standard 9 Project to ensure that all banks are fully compliant while maintaining regulatory provisions;
- » Launched the final phase of the Commonwealth Meridian Pilot Project to implement a new debt recording and management software that is superior in functional and technological form to its predecessor;
- » Drove the enactment of the Securities Industry Legislation Bill to develop capital markets in an orderly way; and
- » Launched phase two of the Basel II/III Implementation Project to strengthen the capital framework of domestic banks.

Improving financial inclusion:

- » Initiated the technical development phase of the Website Redesign Project to expand online communications and stakeholder engagement;
- » Participated in the Ministry of Education's Education Upliftment Project to identify teacher/student training needs and incorporate financial education in the high school curriculum; and
- » Launched the National Financial Inclusion Public Education Campaign Project to enable the public to evaluate and manage their finances effectively.

Reinforcing organisational infrastructure:

- » Launched the Enterprise Risk Management Project to identify, assess, treat, and mitigate the organisation's most significant risks; and
- » Initiated development of a Business Continuity Plan to achieve operational resilience.

BOX 3.2 EMERGENCY BUSINESS SUPPORT PROGRAM



On 15 March 2021, the Government of Belize (the Government) amended the Central Bank Act to establish emergency programmes or facilities in unusual and exigent circumstances. In partnership with the Government, a special purpose vehicle, COVID-19 Financing Limited (CFL), was incorporated to raise a maximum of \$50.0mn to fund and manage an emergency financing programme related to the health crisis. The Government provided \$10.0mn in seed capital.

The Emergency Business Support Program was officially launched on 1 November 2021. The Central Bank manages CFL's operations. CFL's management staff is accountable to the CFL's board, comprising representatives from the Central Bank and the Ministry of Finance. Under the programme, CFL may purchase up to 90.0% participation of eligible loans from participating lenders underwriting and managing the loans.

Currently, loans are available through participating financial institutions, particularly the Development Finance Corporation and domestic banks. Loan amounts range from a minimum of \$15,000 for micro-businesses to \$1.0mn or 25.0% of a company's gross annual revenue in 2019 for large businesses. Loan disbursements could be used to reinvest, restart, and recover business operations and to provide employment security to existing staff or even expand employment where possible. However, loan proceeds cannot be used to repay previous or existing outstanding loans and advances. Furthermore, eligible borrowers should not have any non-performing credit facilities before 31 March 2020. A maximum repayment period of six years is allowed.

CFL representatives promoted the programme by holding information-sharing sessions with participating financial institutions, conducting presentations with the business community, and appearing on a media outlet's talk show. By year-end, \$9.0mn was disbursed under the programme. Of this amount, 66.7% was from CFL, and 33.3% was from participating lenders. Loan applications will be accepted through 30 April 2022.

ADMINISTRATION

Human Resources

Human resource activities during the year focussed mainly on online training and development, staffing, employee relations, labour relations, and ensuring a COVID-19-safe work environment. These undertakings aimed to foster a highly engaged, motivated, and satisfied workforce, while developing staff's technical and managerial competencies.

Training and Development

Employees across departments and units strengthened their technical competencies through training by way of workshops and online seminars.

Employees from the Supervision Department, Compliance, Financial Stability, and Investment & Reserve Management Units benefitted from virtual workshops and trainings delivered by:

- the Association of Supervisors of Banks of the Americas,
- OECD International Academy for Tax Crime Investigation,
- Inter-American Development Bank,
- Toronto Centre,
- Federal Reserve Bank of New York and Bank for International Settlements, and
- CARTAC/IMF Institute for Capacity Development.

Employees successfully completed numerous specialised online courses, many of which were pursued whilst working from home. These included online training from the following providers:

- CARTAC,
- EDX,
- Institute of Internal Auditors,
- Deutsche Bundesbank Euro system,
- Coursera,
- Global Knowledge,
- SYMANTEC,

- Project Management Institute,
- Intuition Know-How, and
- CEMLA.

Additionally, personnel from the Payment Services, Accounts and Budget, and Internal Audit Departments completed a series of SWIFT Smart online training courses to meet SWIFT's compliance requirements; and the Office of Strategy Management's content analyst completed a certification in Storytelling and Content Strategy from the University of Washington Professional & Continuing Education.

Other employees also benefitted from in-house training. In collaboration with Galen University, the Office of Strategy Management conducted an online activity on financial literacy.



In-house Balance of Payments Review



Orientation Training

The Compliance Unit delivered several trainings, including an Introduction to Anti-Money Laundering at an employee orientation event and a Customer Due Diligence Requirements and Unusual Transaction Reporting course to select staff. The Human Resources Department conducted a session with security supervisors on Conducting Staff Performance. Additionally, the Information Technology Department continued its mandatory cybersecurity awareness training for all employees, building knowledge of phishing awareness within the organisation. Lastly, employees from the Accounts & Budget Department completed training in Advance QuickBooks.

Staffing and Employee Relations

At year-end, the Central Bank had a staff complement of 215. In 2021, 11 new employees joined the Central Bank, while ten employees left its employ, including four retirees and the sad passing of two dedicated employees. Consequently, the Bank's turnover rate increased to 4.7% in 2021 compared to 3.8% in 2020.

There were ten promotions:

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

The Central Bank recognised and rewarded 25 employees who reached years-of-service milestones between 1 July 2020 and 30 June 2021. Two employees received long-service awards for ten years of service, nine for 15 years of service, six for 20 years of service, two for 25 years of service, five for 30 years of service, and one for 35 years of service.



35-Year Awardee: Concepcion Flores



20-Year Awardee: Herman Flowers



Christmas Toy Drive

Community Service and Staff Club Activities

In 2021, the Central Bank continued its pro-social initiatives, notwithstanding fluid COVID-19 public health and social measures. One university student participated in the Central Bank's internship programme to help meet his core graduation requirements. The Central Bank also donated to the Cancer Society and the Salvation Army to support its social responsibility initiatives.

The Staff Club promoted camaraderie to support a healthy work-life balance, distributing baskets and treats to staff to celebrate Easter, and hosting competitions to test sportsmanship, including a Family Feud Game show and a family-oriented Scavenger Hunt.

Throughout the year, the Staff Club organised food, gifts, and activities to celebrate staff and culture on celebratory days, such as birthdays, Administrative Professionals Day, Bosses Day, Mother's Day, Father's Day, and Thanksgiving Day. The club also introduced Members Appreciation Day. For the Christmas season, Staff Club gave away gift certificates, held a virtual raffle, and treated employees to holiday-themed desserts.

With financial support from generous employees, the Staff Club assisted two employees who were in need of urgent medical attention, and provided monetary donations to St. Luke Methodist Primary School and Haven House. Gifts from the Christmas toy drive were distributed to Stella Maris School students and children living in underprivileged areas.

By year-end, 94.4% of the staff complement had joined the Staff Club, a noted growth in membership.



Easter Bunny Visit



Family Feud Game Show



Scavenger Hunt Day

Information Technology

The Information Technology Department undertook several initiatives that improved the Central Bank's security policies and information technology infrastructure. One such activity was the major upgrade to the endpoint and anti-malware security system, which effectively raised end-users' workstation protection. The annual self-attestation exercise was completed and submitted in December in conformity with SWIFT's Customer Security Programme. The results confirmed that the Central Bank fully complies with SWIFT's mandatory security control requirements, following internal audit's independent assessment of the controls in place.

The expanded use of digital tools and technologies was vital in maintaining workflow during the pandemic. To this end, the Central Bank deployed additional portable devices, increased endpoint security licenses, enabled other critical systems, extended end-user support to remote users, and increased security monitoring to support the business of all functional units. Several essential upgrades were conducted to enhance the Central Bank's information technology infrastructure, including enhancement of DNS hosting services, the deployment of new generation firewalls, and a significant upgrade to its enterprise business system. Furthermore, an external information security service provider was contracted to conduct security penetration testing exercises on the Central Bank's networks and systems.

The Cyber Security Committee for the Financial System, comprising banks, met four times over the year to discuss and collaborate on matters dealing with cyber threats to the financial system, national payment system, and other related issues. None of the participants reported any significant incidents. Two training campaigns targeting all staff were launched to advance its cybersecurity awareness training program. The training reinforced best practices in the wake of growing concerns related to ransomware

and phishing attacks. By 2022, the Central Bank should attain the overall proficiency level associated with the financial industry.

High-profile cybersecurity breaches skyrocketed worldwide during the year. These attacks have led to significant downtime of systems, monetary loss, and reputational damage globally. The emergence of new malicious ransomware variants targeting small- and medium-sized organisations have become increasingly worrisome. To reduce the organisation's vulnerability to supply-chain attacks, significant effort was dedicated to patching third party systems. This new wave of attacks impacted three supply chain systems during the year. Consequently, activities with two of these supply chain systems were suspended.

The Information Technology Department completed the design and procurement process for the Voice Over Internet Protocol (VoIP) communications system to replace the obsolete analogue telephone system. The high-availability system will be interconnected with other internal networks for optimal performance. Given that the installation and configuration of the new system have been completed, the new system will move to the production stage in early 2022.

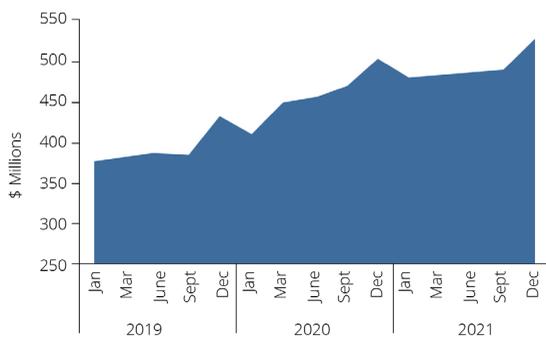
CURRENCY AND FOREIGN EXCHANGE TRANSACTIONS

Currency Operations

The total value of the currency in circulation increased by 4.9% in 2021 to \$527.8mn, after a 17.5% surge in 2020 when cash demand was high due to COVID-19-related developments. Banknotes in circulation rose by 4.9% to \$490.4mn at the end of 2021, up from \$467.6mn at the end of 2020. The \$50.00 and \$2.00 banknotes were most widely circulated, accounting for 23.2% and 19.5% of total notes in circulation, respectively. Similarly, the value of coins in circulation also expanded, rising by 4.5% from \$35.8mn at the end of 2020 to \$37.4mn at the end of 2021.

The proportion of cash as a share of total currency issued remained unchanged, with banknotes and coins accounting for 92.9% and 7.1% of total currency in circulation, respectively. The seasonal growth of banknotes in circulation during the Christmas season pushed up the value of cash held in the domestic banks' vault slightly from \$71.0mn in 2020 to \$70.9mn in 2021. Currency with the public stood at \$456.9mn, up from \$432.3mn in the preceding year.

Chart 3.1: Currency in Circulation

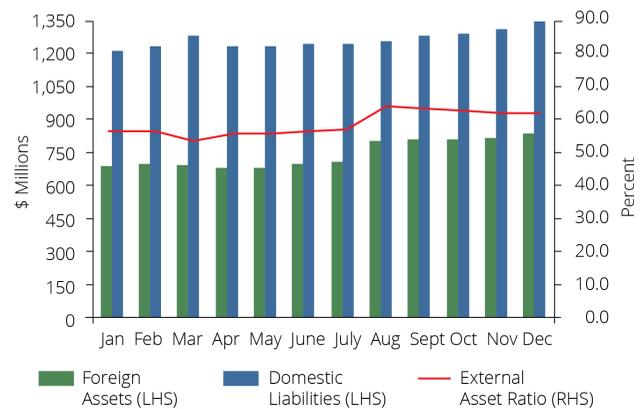


External Assets Ratio

The Central Bank was fully compliant with Section 25(2) of the Central Bank Act. The section states that the Central Bank shall always maintain external assets amounting to at least 40.0% of the currency notes and coins in circulation and its domestic deposit liabilities. This legal threshold is aimed to provide support and foster confidence in the policies for monetary and exchange rate management.

The external assets ratio remained comfortably above the legal requirement throughout the year. It rose steadily from 56.7% at the beginning of the year to 62.1% at year-end, ensuring that the Central Bank's currency issue was firmly backed by more than sufficient external assets.

Chart 3.2: Monthly External Asset Ratio



Movements in the Central Bank's foreign assets followed a similar upward trend. The most significant boost occurred in August, following the extraordinary general SDR allocation by the IMF valued at \$72.6mn. Foreign currency purchased from sugar export receipts (\$87.7mn), external loan disbursements (\$149.4mn), intergovernmental grants (\$48.7mn), and miscellaneous income drawn from public corporations, like the international registries, also contributed to the gradual lift. Outflows linked to external debt service payments were also lessened by several debt suspension initiatives granted to Central Government. Altogether, the impact of these transactions raised the Central Bank's foreign asset holdings from \$681.7mn at the beginning of the year to \$830.3mn at year-end.

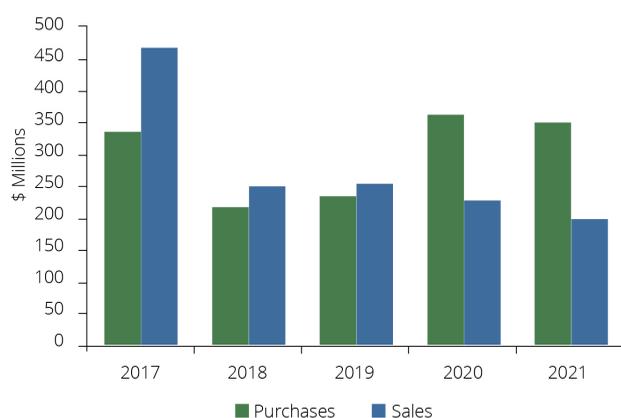
The Central Bank's foreign asset portfolio composition changed noticeably over the period. As a share of foreign assets, cash and fixed deposits declined markedly from 87.1% in 2020 to 53.7% in 2021. The less liquid currency mix highlighted a turn in reserve management strategy and investment objectives during the year. In contrast, the proportion of SDR and foreign securities held grew by 6.4 percentage points to 17.6% and by 27 percentage points to 28.7%, respectively.

Foreign Exchange Transactions

Foreign currency operations resulted in net purchases of \$151.3mn in 2021, up 11.2% compared to 2020. This outcome resulted as the decline in foreign currency purchases was smaller than the reduction in foreign currency sales relative to the year before. While the former contracted by 3.8% or \$13.8mn to \$350.3mn, the latter shrank by 12.7% or \$29.0mn to \$199.0mn.

Trading in CARICOM currencies resulted in net sales of \$4.8mn in 2021. The deficit in regional settlements increased by 15.8% relative to 2020. Trades mainly comprised settlements of official transactions.

Chart 3.3: Trade in Foreign Currency



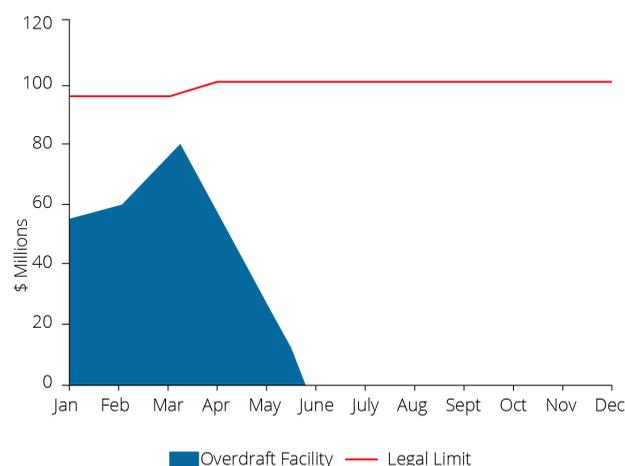
RELATIONS WITH CENTRAL GOVERNMENT

Overdraft Advances

Section 34 of the Central Bank Act allows the Central Bank to provide advances to the Government. Through an amendment of the Central Bank Act in March 2021, the Government raised the ceiling of advances that can be outstanding from 8.5% to 12.0% of current revenues collected during the preceding fiscal year. Using the new limit, the amount that can be outstanding at any one time during FY 2021/2022 is \$105.0mn, up modestly from \$97.1mn for the preceding fiscal period.

Under the by-law, Government did not breach the legislative ceiling. Instead, the Government wound down the balance on the overdraft facility in alignment with its new debt consolidation strategy. While the balance on the overdraft facility increased in the last quarter of the previous fiscal year (January through March) averaging \$75.4mn, the reverse happened thereafter. For the first quarter of the new fiscal year (April to June), the balance on the facility fell to an average of \$26.0mn, as Central Government cut spending to reduce its fiscal deficits. In early June, the Government paid off the facility, utilising the \$42.4mn raised from the US\$30.0mn T-note issuance in 2020. Then, the overdraft facility was kept at a zero balance from July to December.

Chart 3.4: Overdraft Financing to Central Government



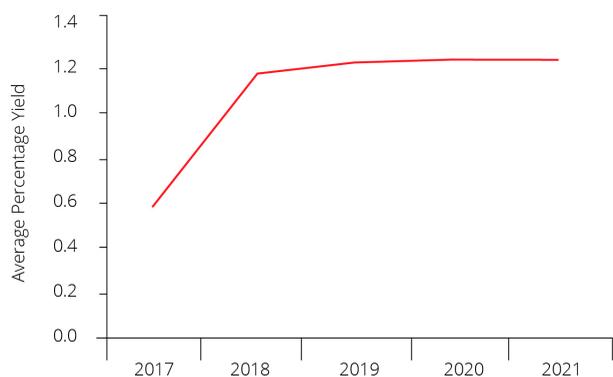
Treasury Bills

The outstanding face value of T-bills issued in 2021 was unchanged at \$245.0mn. This amount accounted for 61.3% of the current statutory limit of \$400.0mn, set in the Treasury Bills (Amendment) Act of 2017. Outstanding T-bills were issued in four uneven tranches, valued at \$83.2mn, \$64.4m, \$67.4mn, and \$30.0mn.

Like the year before, T-bills trading was dominated by two domestic banks. However, six smaller investors actively participated in the market as well. The Central Bank participated

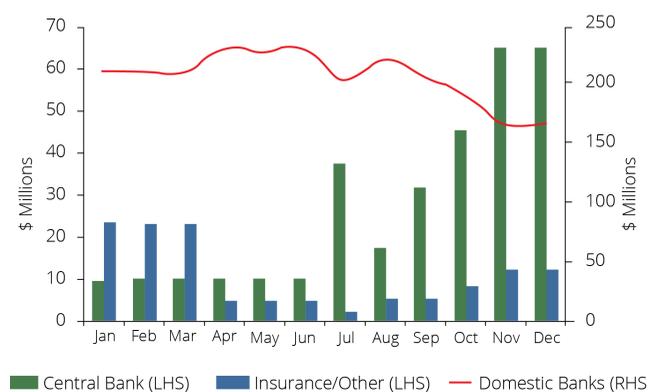
in four of 12 auctions held this year. Under a competitive bidding process, the weighted average T-bill yield was held steady, oscillating between 1.28% and 1.26%, resulting in a weighted average annual rate of 1.27% in 2021.

Chart 3.5: T-bill Yield



Domestic banks remained the largest T-bill holder though their holdings fell by \$47.0mn to \$167.8mn in 2021. At this level, domestic banks accounted for 68.5% of outstanding T-bills. Amounts held by other institutional investors decreased by \$17.3mn to \$12.2mn, representing 5.0% of the total. In contrast, the Central Bank's portfolio expanded by \$55.5mn to \$65.0mn, representing 26.5% of the total.

Chart 3.6: Monthly T-bill Allocations



T-bills trading in the secondary market was low, with only six trades conducted during the year.

Treasury Notes

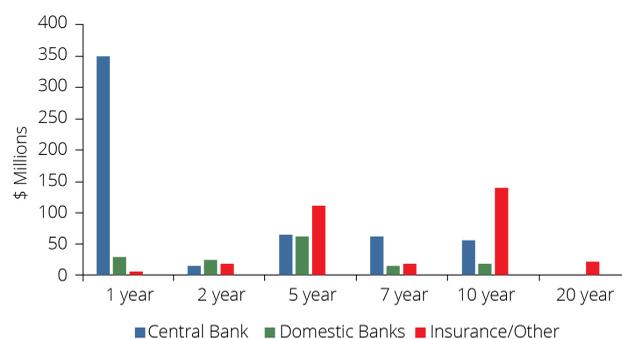
The authorised ceiling for the outstanding sum of T-notes remained at \$1.2bn, after rising by \$0.2bn in October 2020 via the Treasury Bills (Amendment) Act of 2020. In 2021, an additional \$40.0mn was issued in two tranches. First, on 12 March, \$30.0mn in one-year T-notes was issued to finance fiscal operations. Second, on 30 March, \$10.0mn in one-year notes was issued to finance the COVID-19 Emergency Business Financing Program. Hence, the total face value of outstanding T-notes increased from \$972.0mn at the end of 2020 to approximately \$1.0bn at the end of 2021.

During 2021, yields for the one-year and 20-year T-notes remained unchanged at 2.25% and 5.75%, respectively, resulting in a 3.50% spread between maturities. In addition, twelve one-year issues were rolled over, and two one-year tranches were issued at a price of 2.25%. Furthermore, five two-year issues were rolled over at 3.00%, and three five-year issues were rolled over at 4.50%.

The three categories of T-note holders were domestic banks, the Central Bank, and all other investors who held 15.0%, 54.0% and 31.0%, respectively. All T-note investors participated in the market via a non-competitive bidding process.

Chart 3.7: T-note Distribution by Maturity and Holder

An analysis of the distribution of T-notes by



original maturity showed that the Central Bank held majority of outstanding short-term notes. The Central Bank held T-notes valued \$349.5mn, representing 90.5% of one-year note issuances. Furthermore, the Central Bank held \$197.0mn in two-year to ten-year notes, accounting for 32.5% of those issuances. All other holders (domestic banks, insurance companies, non-financial firms, and individuals) held \$36.5mn in one-year notes and \$429.4mn in longer-term notes.

There were no secondary market T-note trades in 2021.

RELATIONS WITH DOMESTIC BANKS

Cash Reserves

Domestic banks' cash reserve requirement remained unchanged at 6.5% of average deposit liabilities throughout 2021, following the two-percentage point drop on 1 April 2020, which boosted bank liquidity. Against this backdrop, the monthly average cash holdings rose by 34.4% or \$154.3mn to \$603.2mn relative to 2020. In tandem, domestic banks' average monthly excess cash holdings increased by 59.3% (\$142.8mn) to \$383.8mn. At year-end, total excess cash holdings stood at \$415.6mn. Notably, this qualifies as the highest level since 2016 prior to the issuance of a large amount of Government debt securities to help cover one of the payments to nationalise the telecommunications company.

Only one interbank loan transaction occurred over the period. The persistently high liquidity level reduced liquidity funding costs by four basis points to 2.26% in 2021. Notwithstanding, the liquidity trade underscored the asymmetrical cash distribution among banks, particularly since credit to the real economy had curtailed.

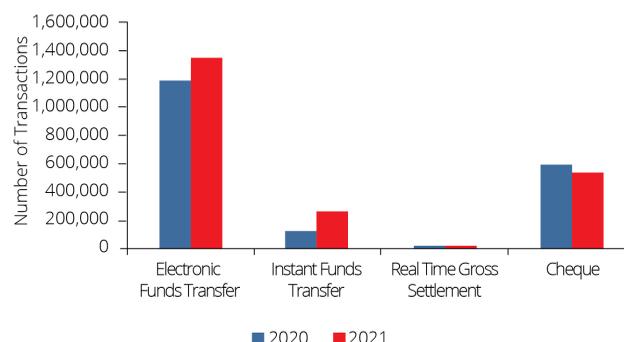
Chart 3.8: Cash Reserves



Automated Payment and Securities Settlement System

The use of digital credit transfers further accelerated into the first year of the pandemic. Transactions processed through the Automated Payment and Securities Settlement System (APSSS) increased by 12.3%, rising from 1.9mn in 2020 to 2.2mn in 2021. This sizeable expansion reflected (i) a 12.6% rise in electronic funds transfers to 1.3mn transactions, (ii) a more than two-fold increase in instant funds transfers to 0.3mn transactions, and (iii) a 3.8% growth in real-time gross settlement transfers to 0.02mn transactions. The ongoing trend deepened the decline in cheque usage as a means of payment, down 9.3% in 2021 relative to 2020.

Chart 3.9: Non-Cash Payment Methods



CENTRAL BANK FINANCIAL PERFORMANCE

Balance Sheet

The Central Bank's total assets grew by 14.7% to \$1.5bn in 2021, marking the third consecutive annual expansion. This year's build-up was mainly due to a \$147.9mn (21.8%) increase in foreign asset holdings, resulting primarily from external COVID-19-related funding. In comparison, the Central Bank's domestic assets rose by \$50.2mn (7.4%), lifted by T-note purchases on the primary and secondary markets.

Chart 3.10: Assets



Income Statement

In contrast, the Central Bank's profits fell for the second consecutive year. Gross income contracted by \$2.1mn (7.3%) to \$26.2mn in 2021, owing to a falloff in foreign revenue. Foreign income was down from \$3.4mn in 2020 to \$2.0mn in 2021, as the federal funds rate was kept near zero since March 2020 in response to COVID-19. The impact of low foreign interest rates on the Central Bank's income was mitigated by divesting from currency deposits into US

Treasuries during the last quarter of 2021. The Central Bank earned an average return rate of 0.3% on an average of \$738.0mn in foreign currency reserves in 2021, compared to 0.9% on \$584.4mn in 2020 and 2.2% on \$532.9mn in 2019.

Although the Central Bank's local income grew by \$1.4mn (5.7%) to \$24.3mn in 2021, revenue generated from the Government's current account was significantly lower than anticipated. This outcome was attributable to the Central Government's repayment of its overdraft advances in June. Local revenue accounted for 92.4% of the Central Bank's income. Approximately 72.0% of local income was sourced from interest earned on Treasury securities, primarily T-notes. The balance stemmed from income earned on Central Government's advances, commissions on foreign exchange trades, and revenue from other miscellaneous sources, including licencing fees.

Total expenditures increased by \$1.4mn (5.6%) to \$25.8mn. Outlays were up across all major operating expenditures categories, with the largest costs tied to staff expenses. Staff costs accounted for 58.7% of total expenditure. Administrative and operational expenses followed at 34.3%, then interest and currency costs at 7.0%.

The Central Bank's surplus of \$0.4mn will be distributed in accordance with Section 9 (1) of the Central Bank Act. Accordingly, \$0.04mn (10.0%) will be paid into the Central Bank's General Reserve Fund. The remaining \$0.36mn (90.0%) will be paid to the Accountant General for deposit into the Consolidated Revenue Fund.







IV. STATISTICAL APPENDIX

Table A.1: Major Economic Indicators

	2014	2015	2016	2017	2018	2019	2020 ^R	2021 ^P
POPULATION AND EMPLOYMENT								
Population (Thousands)	358.9	368.3	378.0	387.9	395.9	408.5	421.5	432.5
Employed Labour Force (Thousands)	134.6	139.3	145.6	150.1	155.9	167.7	145.5	174.2
Unemployment Rate (%) ⁽¹⁾	11.6	10.1	9.5	9.3	9.4	9.0	13.7	10.2
INCOME								
GDP at Current Market Prices (\$mn)	3,352.8	3,468.6	3,593.9	3,689.8	3,774.9	3,890.5	3,171.3	3,592.0
Per Capita GDP (\$, Current Market Prices)	9,342.2	9,417.9	9,508.6	9,513.0	9,535.5	9,524.4	7,524.4	8,304.9
Per Capita GDP (%)	2.6	0.8	0.9	0.0	0.2	-0.1	-20.0	7.8
Real GDP Growth (%)	4.5	2.9	-0.2	2.1	2.0	2.0	-16.7	9.8
Sectoral Distribution of Constant 2000 GDP (%)								
Primary Activities	14.6	12.7	10.1	10.6	10.0	9.4	11.5	11.4
Secondary Activities	15.1	14.3	14.5	14.3	13.9	13.0	14.8	13.6
Services	59.5	61.8	65.9	67.1	67.2	68.1	65.3	60.2
MONEY AND PRICES (\$mn)								
Inflation (Annual Average Percentage Change)	1.2	-0.9	0.7	1.1	0.3	0.2	0.1	3.2
Currency and Demand Deposits	1,313.9	1,528.4	1,471.9	1,565.9	1,598.5	1,681.8	1,965.5	2,233.1
Quasi-Money (Savings and Time Deposits)	1,358.3	1,345.4	1,478.4	1,372.6	1,418.8	1,510.4	1,568.3	1,735.5
Annual Change of Money Supply (%)	7.9	7.6	2.7	-0.4	2.7	5.8	10.7	12.3
Ratio of M2 to GDP (%)	79.7	82.9	82.1	79.6	79.9	82.1	111.4	110.5
CREDIT (\$mn)								
Domestic Banks' Loans and Advances	1,933.0	1,985.7	2,015.0	2,018.2	2,119.9	2,238.0	2,278.1	2,313.0
Public Sector	17.5	11.3	8.7	5.3	50.6	54.3	41.3	27.8
Private Sector	1,915.5	1,974.4	2,006.3	2,012.9	2,069.3	2,180.0	2,236.8	2,285.2
INTEREST RATES (%)								
Weighted Average Lending Rate	10.7	10.0	9.7	9.3	9.0	8.8	8.5	8.4
Weighted Average Deposit Rate	1.7	1.5	1.3	1.2	1.2	1.1	1.3	1.3
Weighted Average Interest Rate Spread	8.9	8.6	8.4	8.1	7.7	7.6	7.3	7.2
CENTRAL GOVERNMENT FINANCES (\$mn)								
Current Revenue	911.7	994.0	1,002.6	1,047.9	1,139.4	1,146.4	944.2	1,066.9
Current Expenditure	817.6	894.0	950.9	1,005.8	1,052.9	1,084.5	1,000.2	956.5
Current Account Surplus(+)/Deficit(-)	94.1	100.0	51.6	42.1	86.5	61.9	-56.0	110.5
Capital Expenditure & Net Lending	281.5	404.6	207.5	171.8	168.4	222.2	345.1	226.3
Overall Surplus(+)/Deficit(-)	-98.7	-276.3	-119.1	-103.4	-27.6	-131.6	-358.8	-69.9
Ratio of Budget Deficit to GDP at Market Prices (%)	-2.9	-8.0	-3.3	-2.8	-0.7	-3.4	-11.3	-1.9
Domestic Financing (Net) ⁽²⁾	-10.2	184.1	66.2	13.3	-2.9	54.3	162.2	-66.3
External Financing (Net)	104.1	100.2	47.1	90.0	23.1	37.2	201.7	75.3

Table A.1: Major Economic Indicators (continued)

	2014	2015	2016	2017	2018	2019	2020 ^R	2021 ^P
BALANCE OF PAYMENTS (US \$mn)								
Merchandise Exports (FOB) ⁽³⁾	589.2	537.9	442.8	457.2	450.8	425.3	288.8	424.0
Merchandise Imports (FOB)	938.7	961.3	875.1	848.3	917.2	968.5	731.4	956.1
Trade Balance	-349.6	-423.4	-432.3	-391.1	-466.4	-543.2	-442.7	-532.1
Remittances (Inflows)	78.0	82.4	87.2	87.9	89.7	94.5	118.3	133.0
Tourism (Inflows)	373.8	371.3	390.4	396.5	491.6	526.7	247.1	380.7
Services (Net)	285.6	277.1	293.1	300.3	417.0	442.5	255.5	321.5
Current Account Balance	-127.8	-171.7	-151.6	-143.9	-126.6	-184.6	-127.9	-166.0
Capital and Financial Flows	218.6	100.9	86.4	67.3	127.6	145.7	183.1	284.4
Change in Gross Official International Reserves	81.8	-49.9	-60.3	-64.6	-17.8	-17.8	70.2	66.1
Gross Official International Reserves ⁽⁴⁾	486.8	436.9	376.6	312.0	295.6	277.9	348.9	415.0
Monthly Import Coverage	5.7	5.0	4.5	4.0	3.6	3.2	5.2	4.6
PUBLIC SECTOR DEBT								
Disbursed Outstanding External Debt (US \$mn)	1,127.9	1,179.1	1,204.1	1,256.9	1,284.5	1,321.8	1,453.2	1,338.5
Ratio of Outstanding Debt to GDP at Market Prices (%)	67.3	68.0	67.0	68.1	68.1	68.0	91.6	74.5
External Debt Service Payments (US \$mn)	77.5	126.9	83.2	85.9	85.8	90.7	81.2	625.7
External Debt Service Ratio (%)	8.9	15.6	11.3	11.3	9.9	10.5	14.9	9.8
Disbursed Outstanding Domestic Debt (\$mn)	376.1	494.4	747.8	1,026.5	1,045.3	1,103.4	1,313.2	1,315.8
Domestic Debt Service Payments (\$mn)	17.0	27.4	18.3	34.1	35.8	36.6	40.9	41.3

Sources: MOF, SIB, and CBB

⁽¹⁾ The 2020 Unemployment rate was derived from a different methodology than in previous years.

⁽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⁾ Starting in 2005, these numbers have been revised to reflect only usable reserves as defined by BPM5.

^P - Provisional

^R - Revised

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

Country	GDP Growth Rate (%)		Inflation Rate (%)		Unemployment Rate (%)	
	2020	2021	2020	2021	2020	2021
Advanced Economies	-4.5	5.0	0.7	2.8	6.6	5.8
United States	-3.4	5.7	1.4	7.0	6.7	3.9
Euro Area	-6.4	5.3	-0.3	5.0	8.3	7.0
United Kingdom	-9.4	7.5	1.0	2.5	4.5	4.5
Canada	-5.2	4.6	0.7	4.8	9.5	7.5
Japan	-4.5	1.6	0.0	-0.2	2.8	2.8
Emerging and Developing Economies	-2.0	6.5	5.1	5.5	n.a.	n.a.
China	2.3	8.1	0.2	1.5	5.6	5.1
India	-6.6	8.9	4.6	5.6	9.1	7.9
Mexico	-8.2	4.8	3.2	7.4	4.4	4.1
Russia	-4.5	4.7	1.8	3.3	5.9	4.3
Brazil	-4.1	4.6	5.5	10.2	13.8	13.2

Sources: IMF, UN, Bureau of Economic Analysis (US), Bureau of Labour Statistics (US), European Union Statistical Office (Eurostat), Office for National Statistics (UK), 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.
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)	
	2020 ^(R)	2021 ^(P)	2020 ^(R)	2021 ^(P)	2020 ^(R)	2021 ^(P)	2020 ^(R)	2021 ^(P)
Guatemala	-1.5	4.6	3.2	4.8	2.2	n.a.	18.5	20.9
Honduras	-9.0	5.0	3.5	4.6	11.0	n.a.	8.1	8.8
El Salvador	-8.6	7.5	-0.4	3.6	5.0	n.a.	2.9	3.3
Nicaragua	-1.8	2.5	3.7	4.1	5.2	2.5	3.2	4.0
Costa Rica	-4.1	3.7	0.7	2.5	17.4	14.7	8.2	7.3
Panama	-17.9	12.0	-1.6	1.5	18.6	n.a.	9.6	11.2

Sources: World Bank, ECLAC, Central Banks of Guatemala, Honduras, El Salvador, Nicaragua, and Costa Rica

^R- Revised

^P-Provisional

Table A.4: Key Indicators for Selected Caribbean Countries

Country	GDP Growth		Inflation		Unemployment		International Reserves (US \$mn)		Primary Fiscal Balance (% of GDP)	
	2020 ^R	2021 ^E	2020 ^R	2021 ^E	2020 ^R	2021 ^E	2020 ^R	2021 ^E	2020 ^R	2021 ^E
The Bahamas	-16.2	2.0	0.0	3.0	25.6	21.5	2,382.2	2,459.2	-4.1	-9.4
Barbados	-14.0	1.4	3.0	3.1	17.9	12.4	1,330.4	1,529.4	-1.0	-0.7
Belize	-16.7	9.8	0.1	3.2	13.7	9.2	346.7	412.9	-8.4	0.1
ECCU	-17.0	3.9	-2.2	1.8	n.a.	n.a.	1,746.8	1,817.6	-3.7	-0.9
Guyana	43.5	19.9	0.8	5.0	16.4	16.4	680.6	810.8	-0.4	-6.4
Jamaica	-9.9	4.6	5.2	5.9	10.2	8.4	4,081.1	4,833.4	2.9	6.0
Suriname	-15.9	-3.5	34.9	59.1	11.1	11.2	584.7	992.2	-9.5	-1.8
Trinidad and Tobago	-7.4	-2.9	0.6	2.0	5.7	4.8	6,953.8	6,879.6	-11.2	-11.5

Sources: IMF, ECLAC, IDB, CDB, ILO, Central Banks of Belize, The Bahamas, Barbados, Guyana, ECCU, Jamaica, Suriname, Trinidad and Tobago, Statistical Institutes of Belize and Jamaica, Barbados Statistical Service, Central Statistical Office of Trinidad & Tobago, and Bureau of Statistics of Guyana

^R-Revised

^E - Estimate

n.a. - not available

Table A.5: Determinants of Money Supply¹

	Position as at			Changes During 2021
	Dec 2019	Dec 2020	Dec 2021	
Net Foreign Assets	810.0	1,000.1	1,444.2	444.1
Central Bank	558.8	699.3	847.7	148.4
Domestic Bank	250.8	300.8	596.5	295.7
Net Domestic Credit	2,869.0	3,039.8	3,047.4	7.5
Central Government (Net)	607.6	722.2	687.2	-35.0
Other Public Sector	71.7	58.9	43.9	-15.0
Private Sector	2,189.8	2,258.7	2,316.3	57.7
Central Bank Foreign Liabilities (Long-term)	49.5	51.5	121.7	70.2
Other Items (net)	437.2	454.5	401.4	-53.1
Money Supply	3,192.3	3,533.8	3,968.5	434.7

⁽¹⁾ Transactions associated with the Universal Health Services loan with the Belize Bank Limited are not included in this table, as no action has been taken to enforce the claim.

Table A.6: Money Supply

	Position as at			Changes During 2021
	Dec 2019	Dec 2020	Dec 2021	
Money Supply	3,192.3	3,533.8	3,968.5	437.9
Money Supply	1,681.8	1,965.5	2,233.1	270.8
Currency with the Public	368.3	432.3	456.9	24.6
Demand Deposits	1,291.3	1,513.6	1,750.9	240.5
Savings/Cheque Deposits	22.3	19.5	25.2	5.7
Quasi-Money	1,510.4	1,568.3	1,735.5	167.1
Savings Deposits	784.1	883.0	964.7	81.7
Time Deposits	726.3	685.3	770.8	85.4

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

	Position as at			Changes During 2021
	Dec 2019	Dec 2020	Dec 2021	
Net Foreign Assets	813.3	1,000.0	1,444.2	444.1
Central Bank	558.8	699.3	847.7	148.4
Foreign Assets	560.3	702.3	850.5	148.2
Foreign Liabilities (Demand)	1.5	3.0	2.8	-0.1
Domestic Banks	254.4	300.8	596.5	295.7
Foreign Assets	261.8	321.7	643.9	361.4
Foreign Liabilities (Short-term)	7.3	21.0	47.4	65.7

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

	\$mn			Changes During 2021
	Position as at			
	Dec 2019	Dec 2020	Dec 2021	
Total Credit to Central Government	751.6	927.1	937.0	9.9
From Central Bank	439.6	562.9	611.2	48.3
From Domestic Banks	312.0	364.2	325.8	-38.4
Less Central Government Deposits	144.0	204.8	249.9	45.1
Net Credit to Central Government	607.6	722.2	687.2	-35.0
Plus Credit to Other Public Sector	71.7	58.9	43.9	-15.0
Plus Credit to the Private Sector	2,189.8	2,258.7	2,316.4	57.7
Net Domestic Credit of the Banking System	2,869.1	3,039.9	3,047.4	7.5

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

	\$mn			Changes During 2021
	Position as at			
	Dec 2019	Dec 2020	Dec 2021	
PRIMARY SECTOR	220.7	241.3	251.8	10.5
Agriculture	191.7	210.5	221.2	10.7
Sugar	95.4	94.0	94.7	0.7
Citrus	20.4	17.5	17.0	-0.5
Banana	23.0	41.0	48.7	7.7
Other	52.9	58.0	60.8	2.8
Marine Products	24.6	24.3	24.5	0.2
Forestry	1.2	1.1	1.3	0.2
Mining & Exploration	3.2	5.4	4.8	-0.6
SECONDARY SECTOR	617.0	622.7	628.2	5.5
Manufacturing	70.8	73.2	65.0	-8.2
Building & Construction	479.5	498.4	523.4	25.0
Utilities	66.7	51.1	39.8	-11.3
TERTIARY SECTOR	786.1	860.8	915.0	54.2
Transport	46.0	45.5	48.9	3.4
Tourism	164.0	240.2	286.7	46.5
Distribution	175.0	167.2	171.2	4.0
Real Estate	327.3	325.9	327.2	1.3
Professional Services	59.2	69.3	66.2	-3.1
Other ¹	14.6	12.7	14.8	2.1
Personal Loans	614.2	553.3	518.0	-35.3
TOTAL	2,238.0	2,278.1	2,313.0	34.9

¹Includes government services, financial institutions, and entertainment.

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

\$mn

	Position as at			Changes During 2021
	Dec 2019	Dec 2020	Dec 2021	
PRIMARY SECTOR	60.3	55.0	63.9	8.9
Agriculture	51.2	45.3	54.4	9.1
Sugar	6.1	6.2	6.2	0.0
Citrus	1.4	1.4	1.4	0.0
Banana	3.9	1.9	0.7	-1.2
Grains	15.8	11.9	18.8	6.9
Poultry and Eggs	8.6	8.6	7.9	-0.6
Cattle and Dairy	4.0	4.7	4.7	0.0
Other	11.4	10.6	14.8	4.2
Marine Products	9.0	9.1	9.1	0.0
Forestry	0.1	0.1	0.1	0.0
Mining & Exploration	0.0	0.5	0.3	-0.2
SECONDARY SECTOR	226.8	218.2	216.0	-2.2
Manufacturing	15.2	15.6	25.4	9.8
Building & Construction	208.1	199.3	187.3	-12.0
Residential	83.5	93.2	94.1	0.9
Home Improvement	100.8	88.3	76.2	-12.1
Commercial	19.3	14.8	14.2	-0.6
Infrastructure	4.4	3.0	2.8	-0.2
Utilities	3.5	3.3	3.3	0.0
TERTIARY SECTOR	147.1	138.5	107.8	-30.7
Transport	2.6	1.6	1.2	-0.4
Tourism	0.7	0.9	0.8	-0.1
Distribution	23.1	21.7	21.7	0.0
Real Estate	99.6	99.2	70.4	-28.8
Residential	4.7	3.6	3.5	-0.1
Commercial	64.2	62.0	37.7	-24.3
Land Acquisition	30.7	33.6	29.2	-4.4
Other ¹	21.1	15.1	13.7	-1.4
Personal Loans	244.3	228.1	249.9	21.8
TOTAL	678.5	639.9	637.6	-2.3

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

Table A.11: Development Finance Corporation – Sectoral Composition of Loans and Advances

	Position as at			Changes During 2021
	Dec 2019	Dec 2020	Dec 2021	
	\$mn			
PRIMARY SECTOR	30.2	29.0	30.2	1.2
Agriculture	20.2	19.1	20.1	1.0
Sugar	0.4	0.4	3.3	2.9
Citrus	1.0	1.1	0.5	-0.6
Banana	3.2	2.8	2.8	0.0
Grains	5.9	5.4	2.8	-2.6
Cattle and Dairy	3.8	4.2	4.6	0.4
Other	5.9	5.2	6.0	0.8
Marine Products	9.4	9.3	9.6	0.3
Forestry	0.1	0.1	0.1	-0.1
Mining and Exploration	0.4	0.5	0.4	-0.0
SECONDARY SECTOR	28.2	29.2	37.0	7.8
Manufacturing	6.7	6.8	7.0	0.2
Building & Construction	21.5	22.4	30.0	7.6
TERTIARY SECTOR	28.9	31.0	36.9	5.9
Transport	1.8	1.8	1.7	-0.1
Tourism	12.1	15.6	18.0	2.5
Professional Services	13.3	12.1	14.4	2.4
Real Estate	0.6	0.6	0.9	0.3
Other ¹	1.1	0.9	1.8	0.9
Student Loans	14.8	15.4	16.1	0.7
TOTAL	102.0	104.7	120.2	15.6

¹ Includes financial institutions, distribution, personal loans, and entertainment.

Table A.12: Domestic Banks – Holdings of Approved Liquid Assets

	Position as at			Changes During 2021
	Dec 2019	Dec 2020	Dec 2021	
Holdings of Approved Liquid Assets	854.0	1,072.8	1,442.1	369.3
Notes and Coins	96.4	101.1	97.7	-3.4
Balances with Central Bank	437.8	548.0	644.6	96.7
Money at Call and Foreign Balances (due in 90 days)	134.3	181.5	487.0	305.5
Central Government Securities Maturing within 90 days	179.7	229.9	186.3	-43.5
Other Approved assets	5.9	12.4	26.4	14.0
Required Liquid Assets	653.3	652.5	743.7	91.2
Excess/(Deficiency) Liquid Assets	200.7	420.3	698.3	278.1
Daily Average Holdings of Cash Reserves	435.2	553.8	645.8	92.0
Required Cash Reserves	241.4	202.0	230.2	28.2
Excess/(Deficiency) Cash Reserves	193.8	351.9	415.6	63.8
Actual Securities Balances	162.4	206.0	167.8	-38.2
Excess/(Deficiency) Securities	162.4	206.0	167.8	-38.2

Table A.13: Domestic Banks – Weighted Average Interest Rates

	Position as at			Percentages
	Dec 2019	Dec 2020	Dec 2021	Changes During 2021
Weighted Lending Rates				
Personal Loans	10.56	10.28	10.17	-0.12
Commercial Loans	8.61	8.36	8.21	-0.15
Residential Construction	6.71	6.77	6.99	0.22
Other	6.61	6.54	6.47	-0.07
Weighted Average	8.76	8.53	8.43	-0.11
Weighted Deposit Rates				
Demand	0.01	0.04	0.10	0.06
Savings/Chequing	0.49	0.50	0.49	-0.01
Savings	2.64	2.66	2.64	-0.01
Time	1.90	2.25	2.25	0.00
Weighted Average	1.14	1.26	1.25	-0.01
Weighted Average Spread	7.62	7.27	7.17	-0.10

Table A.14: Domestic Banks – Weighted Average Interest Rates on New Loans and Deposits

	Rolling Averages			Percentages
	Jan 2019 to Dec 2019	Jan 2020 to Dec 2020	Jan 2021 to Dec 2021	Changes During Dec 2020 to Dec 2021
	Weighted Lending Rates			
Personal Loans	9.83	9.82	10.16	0.34
Commercial Loans	8.30	8.26	8.10	-0.16
Residential Construction	8.08	7.68	8.42	0.73
Other	6.05	6.27	6.87	0.60
Weighted Average	8.70	8.51	8.64	0.13
Weighted Deposit Rates				
Demand	0.01	0.00	0.00	0.00
Savings/Chequing	0.65	0.49	0.64	0.15
Savings	2.57	2.64	2.45	-0.19
Time	2.42	2.49	2.77	0.27
Weighted Average	1.93	2.03	2.05	0.02
Weighted Average Spread	6.78	6.48	6.59	0.11

Table A.15: Central Government – Revenue and Expenditure

\$'000

	Fiscal Year 2020/2021	Approved Budget 2021/2022	Jan - Dec 2019	Jan - Dec 2020	Jan - Dec 2021 ^(P)
TOTAL REVENUE AND GRANTS (1+2+3)	917,257	998,839	1,175,039	986,585	1,112,863
1). Current Revenue	874,594	965,460	1,146,395	944,221	1,066,937
Tax Revenue	789,144	884,421	1,049,455	850,245	983,883
Income and Profits	216,813	247,498	294,482	240,973	236,406
Taxes on Property	6,773	6,485	6,438	6,922	7,839
Taxes on Goods and Services	439,345	492,777	586,214	473,489	573,737
International Trade and Transactions	126,213	137,661	162,320	128,861	165,901
Non-Tax Revenue	85,449	81,039	96,940	93,976	83,054
Property Income	8,187	4,945	9,516	7,982	18,107
Licenses	13,178	13,071	28,723	17,413	13,629
Transfers from Government Departments	29,306	32,577	30,908	29,306	31,527
Repayment of Old Loans	376	1,022	1,114	461	416
Rent and Royalties	34,402	29,423	26,679	38,813	19,375
2). Capital Revenue	16,250	2,556	6,992	17,156	4,373
3). Grants	26,414	30,823	21,652	25,208	41,552
TOTAL EXPENDITURE (1+2)	1,273,083	1,203,151	1,306,670	1,345,380	1,182,774
1). Current Expenditure	947,664	903,177	1,084,504	1,000,246	956,457
Wages and Salaries	452,662	412,498	451,165	457,432	421,952
Pensions	88,703	90,818	93,610	88,065	96,900
Goods and Services	187,638	174,145	238,442	202,567	210,880
Interest Payments	65,189	68,345	124,638	93,524	73,176
Subsidies and Current Transfers	153,473	157,371	176,648	158,658	153,549
2). Capital Expenditure & Net Lending	325,419	299,975	222,166	345,134	226,316
Capital II (Local Sources)	195,438	108,466	90,872	185,647	134,071
Capital III (Foreign Sources)	126,188	183,210	119,079	155,684	89,791
Capital Transfer and Net Lending	3,793	8,299	12,215	3,803	2,454
CURRENT BALANCE	-73,071	62,283	61,891	-56,025	110,480
PRIMARY BALANCE	-290,637	-135,967	-6,993	-265,271	3,265
OVERALL BALANCE	-355,826	-204,312	-131,631	-358,795	-69,911
OVERALL BALANCE WITHOUT GRANTS	-382,240	-235,135	-153,283	-384,003	-111,463
PRIMARY BALANCE WITHOUT GRANTS	-317,051	-166,790	-28,645	-290,480	-38,287
FINANCING	355,826	204,312	131,631	358,795	69,911
Domestic Financing	171,923		54,297	162,199	-66,286
Central Bank	66,040		83,110	58,115	34,231
Net Borrowing	131,930		74,959	123,345	48,344
Change in Deposits	-65,890		8,151	-65,230	-14,113
Commercial Banks	75,439		-54,949	60,293	-69,279
Net Borrowing	74,333		-31,687	55,913	-38,306
Change in Deposits	1,106		-23,262	4,380	-30,973
International Banks	0		218	0	0
Other Domestic Financing	30,444		25,918	43,791	-31,238
Financing Abroad	186,646		37,196	201,666	75,292
Disbursements	271,285		117,345	284,430	155,383
Amortisation	84,640		-80,149	-82,764	-80,090
Other	2,743		40,138	-5,070	60,905

Sources: CBB and MOF

^(P): projected outcome

Table A.16: Central Government – Domestic Debt 2021

\$'000

	Disbursed Outstanding Debt 31/12/20 ^R	TRANSACTIONS THROUGH DECEMBER 2021				Disbursed Outstanding Debt 31/12/21 ^P
		Disbursement/ New Issue of Securities	Amortisation/ Reduction in Securities	Interest	Net Change in Overdraft/ Securities	
Overdraft/Loans	61,844	0	0	2,012	(61,844)	0
Central Bank	61,844	0	0	2,012	(61,844)	0
Domestic Banks	0	0	0	0	0	0
Treasury Bills	221,000	0	0	3,040	24,000	245,000
Central Bank	9,436	0	0	265	55,294	64,730
Domestic Banks	205,726	0	0	2,706	(38,155)	167,571
Other	5,838	0	0	70	6,861	12,699
Treasury Notes	937,800	40,000	0	35,702	0	977,800
Central Bank	491,471	40,000	0	16,616	15,044	546,515
Domestic Banks	158,435	0	0	6,053	0	158,435
Other	287,894	0	0	13,033	(15,044)	272,850
Belize Bank Limited ⁽¹⁾	91,000	0	0	0	0	91,000
Belize Social Security Board ⁽²⁾	158	0	58	12	0	100
Fort Street Tourism Village	0	957	255	0	0	702
Debt for Nature Swap	1,405	0	199	39	0	1,205
Total	1,313,207	40,957	513	40,804	(37,844)	1,315,807

^R - Revised^P - Provisional⁽¹⁾ Caribbean Court of Justice award in November 2017 against the Government of Belize in favour of Belize Bank Ltd. relating to the loan guarantee.⁽²⁾ Government has outstanding loan with BSSB for Hopeville Housing Project.

Table A.17: Public Sector – External Debt by Creditor

\$mn

	Outstanding Debt 31/12/2020 ^R	Disbursement	Amortisation	Interest and Other Charges	Valuation Adjustments	Outstanding Debt 31/12/2021 ^P
Bilateral	831.9	5.2	17.7	8.1	0.3	819.7
Multilateral	947.6	242.8	93.8	23.5	-1.8	1,094.8
Bonds	1,092.3	13.5	1,105.8	0.0	0.0	0.0
Commercial	34.6	728.0	0.0	2.3	0.0	762.6
Total	2,906.4	989.5	1,217.4	33.9	-1.5	2,677.0

^R - Revised^P - Provisional

Table A.18: Public Sector – External Debt 2021

\$'000

	Disbursed Outstanding Debt 31/12/20 ^R	TRANSACTIONS THROUGH DECEMBER 2021				Disbursed Outstanding Debt 31/12/21 ^P
		Disbursements	Principal Payments	Interest & Other Payments	Parity Change	
CENTRAL GOVERNMENT	2,743,273	898,866	1,209,893	29,195	789	2,433,035
Government of Venezuela ⁽¹⁾	429,692	0	0	0	0	429,692
Kuwait Fund for Arab Economic Development	34,482	185	2,995	972	301	31,974
Mega International Commercial Bank Company Ltd.	47,143	0	1,429	1,313	0	45,714
Republic of China/ Taiwan	285,584	5,000	11,369	3,836	0	279,216
Caribbean Development Bank	282,189	49,921	24,119	8,723	0	307,991
CARICOM Development Fund	3,000	0	0	90	0	3,000
European Economic Community	4,311	0	660	47	540	4,191
Inter-American Development Bank	289,002	33,625	23,632	4,126	0	298,996
International Fund for Agriculture Development	6,287	2,138	326	120	-53	8,046
International Bank for Reconstruction and Development	56,090	23,332	4,193	1,194	0	75,228
OPEC Fund for International Development	131,501	43,182	9,594	5,265	0	165,088
Central American Bank for Economic Integration	23,073	0	1,774	1,145	0	21,299
Bank of New York	1,092,319	13,483	1,105,802	0	0	0
Caribbean Community Climate Change Centre	24,000	0	24,000	57	0	0
Belize Blue Investment Company, LLC	0	728,000	0	0	0	728,000
US \$30mn Fixed-Rate Notes	34,600	0	0	2,308	0	34,600

Table A.18: Public Sector – External Debt 2021 (continued)

\$'000

	Disbursed Outstanding Debt 31/12/20 ^R	TRANSACTIONS THROUGH DECEMBER 2021				Disbursed Outstanding Debt 31/12/21 ^P
		Disbursements	Principal Payments	Interest & Other Payments	Parity Change	
NON-FINANCIAL PUBLIC SECTOR	71,143	3,654	5,915	3,289	0	68,881
Caribbean Development Bank	36,143	3,654	3,971	1,337	0	35,826
International Cooperation and Development Fund	35,000	0	1,944	1,952	0	33,056
FINANCIAL PUBLIC SECTOR	91,977	86,957	1,578	1,446	-2,251	175,106
Caribbean Development Bank	38,394	10,358	1,578	1,376	0	47,174
European Investment Bank	2,038	0	0	70	171	2,209
Inter-American Development Bank	0	4,000	0	0	0	4,000
International Monetary Fund ⁽²⁾	51,545	72,600	0	0	-2,422	121,723
GRAND TOTAL	2,906,393	989,478	1,217,386	33,930	-1,462	2,677,023

^R - Revised^P - Provisional

⁽¹⁾ Since September 2017, debt service payments for oil imports have been suspended due to U.S. sanctions on Petroleos de Venezuela, S.A. Unpaid debt service payments up to the end of December 2021 amounted to principal of \$74.0mn and interest of \$16.1mn.

⁽²⁾ The IMF's SDR allocation valued at \$72.6mn on 23 August 2021.

Table A.19: GDP by Activity at Current and Constant 2000 Prices

	\$mn					
	2016	2017	2018	2019	2020	2021
GDP at Current Market Prices	3,593.9	3,689.8	3,774.9	3,890.5	3,171.3	3,592.0
GDP at Constant 2000 Market Prices	2,724.7	2,782.8	2,839.9	2,895.4	2,410.5	2,645.6
Primary Industries	263.0	285.0	275.3	263.0	270.0	300.3
Agriculture, Hunting, and Forestry	233.5	256.4	247.8	235.3	245.2	274.0
Fishing	29.4	28.6	27.5	27.7	24.8	26.3
Secondary Industries	406.8	407.7	403.8	386.3	363.4	359.2
Manufacturing (Including Mining and Quarrying)	171.6	170.3	173.2	176.8	142.0	150.1
Electricity and Water	145.2	154.5	151.6	114.6	137.4	112.3
Construction	90.1	82.9	79.0	95.0	84.1	96.8
Tertiary Industries	1,634.4	1,710.4	1,778.7	1,842.7	1,446.4	1,591.8
Wholesale and Retail Trade; Repair	534.7	571.9	589.9	588.1	482.4	588.4
Hotels and Restaurants	104.7	108.3	117.2	116.8	45.6	59.9
Transport and Communication	238.6	250.9	258.2	252.0	200.7	260.0
Other Private Services Excluding Financial Services Indirectly Measured	470.0	479.5	484.9	545.9	482.4	482.7
Producers of Government Services	286.4	299.7	328.6	339.8	235.5	200.8
All Industries at Basic Prices	2,304.2	2,403.0	2,457.8	2,492.0	2,079.9	2,251.4
Taxes Less Subsidies on Products	420.5	379.8	382.1	403.4	330.6	394.3

Source: SIB

Table A.20: Annual Percentage Change in GDP by Activity at Current and Constant 2000 Prices

	Percentage					
	2016	2017	2018	2019	2020	2021
GDP at Current Market Prices	20.9	2.7	2.3	3.1	-18.5	13.3
GDP at Constant 2000 Market Prices	8.9	2.1	2.1	2.0	-16.7	9.8
Primary Industries	-19.5	8.4	-3.4	-4.5	2.7	11.2
Agriculture, Hunting, and Forestry	3.1	9.8	-3.4	-5.0	4.2	11.8
Fishing	-70.6	-2.9	-3.8	0.7	-10.4	5.9
Secondary Industries	-15.6	0.2	-1.0	-4.3	-5.9	-1.2
Manufacturing (Including Mining and Quarrying)	-43.5	-0.7	1.7	2.1	-19.7	5.7
Electricity and Water	14.8	6.4	-1.9	-24.4	19.9	-18.2
Construction	72.8	-8.0	-4.7	20.2	-11.4	15.1
Tertiary Industries	20.5	4.6	4.0	3.6	-21.5	10.1
Wholesale and Retail Trade; Repair	41.3	7.0	3.1	-0.3	-18.0	22.0
Hotels and Restaurants	27.1	3.5	8.2	-0.3	-61.0	31.5
Transport and Communication	-8.3	5.1	2.9	-2.4	-20.4	29.6
Other Private Services Excluding Financial Services Indirectly Measured	13.4	2.0	1.1	12.6	-11.6	0.1
Producers of Government Services	29.9	4.6	9.6	3.4	-30.7	-14.7
All Industries at Basic Prices	6.4	4.3	2.3	1.4	-16.5	8.2
Taxes Less Subsidies on Products	24.6	-9.7	0.6	5.6	-18.0	19.3

Source: SIB

Table A.21: Sugar Cane Deliveries

	2018/2019	2019/2020	2020/2021
Deliveries (long tons)	1,765,695	1,512,592	1,863,756

Sources: BSI and Santander Group

Table A.22: Citrus Fruit Deliveries

	2018/2019	2019/2020	2020/2021
Deliveries ('000 boxes)	2,329	2,563	1,401
Oranges	2,107	2,401	1,284
Grapefruits	222	162	118

Sources: CPBL and CGA

Table A.23: Production of Sugar and Molasses

	2018/2019	2019/2020	2020/2021
Sugar Processed (long tons)	197,448	141,760	175,065
Molasses Processed (long tons)	62,563	62,483	67,763
Performance			
Factory Time Efficiency	95.77	91.42	96.62
Cane Purity (%)	86.34	83.07	83.51
Cane/Sugar Ratio	8.94	10.67	10.65

Sources: BSI and Santander Group

Table A.24: Production of Citrus Juices and Pulp

	2018/2019	2019/2020	2020/2021
Production ('000 ps)	13,564	14,598	7,714
Orange Concentrate	12,343	13,757	7,131
Grapefruit Concentrate	960	652	396
Not-from-concentrate	262	189	186
Production ('000 pounds)			
Pulp	1,437	1,696	1,106
Citrus Oil	683	872	435

Source: CPBL

Table A.25: Labour Force Statistics

	Sept 2019	Sept 2020	Sept 2021
Labour Force	190,307	168,630	191,881
Employed Population	170,458	145,455	174,237
Unemployed Population	19,849	23,175	17,644
Unemployment Rate (%)	10.4	13.7	9.0
Labour Force Participation Rate (%)	70.1	55.1	61.9

Source: SIB

Table A.26: Tourist Arrivals and Expenditure

	2018	2019	2020	2021
Stay-over Arrivals				
Air	360,405	374,759	107,561	197,261
Land	71,713	67,084	20,144	12,644
Sea	6,106	22,243	5,991	2,663
Total Stay-overs	438,224	464,086	133,695	212,568
Cruise Ship Disembarkations ⁽¹⁾	1,087,323	1,053,502	308,789	189,194
Tourist Expenditure (\$mn)	878.6	966.4	453.1	678.6

Sources: BTB, CBB, and Immigration Department

⁽¹⁾ Tourists disembarking from the ships.**Table A.27: Annual Percentage Change in Consumer Price Index Components by Major Commodity Group**

Major Commodity	Weights	Average Annual Index			Annual Change
		2019	2020	2021	
Food and Non-Alcoholic Beverages	195	97.9	99.0	103.8	4.8
Alcoholic Beverages, Tobacco, and Narcotics	17	101.0	100.6	101.0	0.4
Clothing and Footwear	83	101.1	100.8	100.6	-0.2
Housing, Water, Electricity, Gas, and Other Fuels	265	99.8	100.4	102.1	1.8
Furnishing, Household Equipment and Routine Household Maintenance	69	101.0	100.5	100.7	0.2
Health	41	99.9	100.4	102.1	1.7
Transport	136	104.1	103.0	112.8	9.6
Information and Communication	33	103.2	103.1	100.1	-3.0
Recreation, Sport, and Culture	69	99.3	98.7	100.5	1.8
Education Services	32	97.7	99.7	99.9	0.3
Restaurants and Accommodation Services	7	114.4	106.5	102.8	-3.5
Insurance and Financial Services	21	99.4	100.0	100.0	0.0
Personal Care, Social Protection, and Miscellaneous Goods and Services	31	98.8	98.9	100.2	1.4
All Items	1,000	100.4	100.5	103.7	3.2

Source: SIB

Table A.28: Balance of Payments – Merchandise Trade

	\$mn			
	2019	2020	2021	% Change
Goods Exports, FOB	850.6	577.5	847.9	46.8
of which: Domestic Exports	409.3	359.3	422.8	17.7
CFZ Sales	383.0	176.2	357.2	102.7
Other Re-exports	58.3	42.0	67.9	61.8
Goods Imports, FOB	1,937.0	1,462.9	1,912.2	30.7
of which: Domestic Imports	1,627.6	1,263.0	1,645.6	30.3
CFZ ⁽¹⁾	309.4	199.8	266.5	33.4
Merchandise Trade Balance	-1,086.4	-885.4	-1,064.3	20.2

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

Table A.29: Domestic Exports

	\$mn			
	2019	2020	2021	% Change
Traditional Exports	318.8	284.2	316.0	11.2
Sugar	136.3	108.0	126.9	17.5
Citrus Juices ⁽¹⁾	43.3	37.6	30.4	-19.3
Citrus Concentrate	43.0	37.3	30.1	-19.4
Not-from-Concentrate	0.3	0.3	0.3	-5.9
Molasses ⁽¹⁾	10.9	12.4	14.7	19.1
Bananas	79.5	87.0	91.0	4.6
Marine	48.8	39.2	53.0	35.3
Petroleum ⁽²⁾	20.1	4.8	8.5	77.1
Non-traditional Exports	70.4	70.3	98.3	39.8
Total Exports	409.3	359.3	422.8	17.7

Sources: BSI, Santander Group, CPBL, BGA, Geology and Petroleum Department, and SIB

⁽¹⁾ Reflect actuals sales and not export shipments as reported by SIB.

⁽²⁾ Estimated FOB value of petroleum shipment.

Table A.30: Exports of Sugar and Molasses

	2019		2020		2021	
	Volume (long tons)	Value (\$'000)	Volume (long tons)	Value (\$'000)	Volume (long tons)	Value (\$'000)
Sugar ⁽¹⁾	199,059	136,316	121,218	108,012	149,103	126,901
Europe	174,059	113,142	94,078	79,635	117,663	90,680
US	12,401	12,434	16,240	16,829	14,616	17,351
CARICOM	12,520	10,637	10,610	11,215	16,801	18,814
Other	79	102	290	333	22	56
Molasses ⁽²⁾	53,645	10,911	43,839	12,371	55,394	14,736

Sources: BSI, Santander Group, and SIB

⁽¹⁾ Reflects value of export shipments.

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

Table A.31: Exports of Citrus Juices and Pulp⁽¹⁾

	2019	2020	2021	% Change
Concentrate ('000 ps)	12,481	12,953	9,511	-26.6
Orange	11,456	12,380	9,070	-26.7
Grapefruit	1,025	573	441	-23.1
Concentrate Value (\$mn)	43.0	37.3	30.1	-19.4
Orange	37.0	34.1	27.7	-18.9
Grapefruit	5.9	3.2	2.4	-25.2
Not-from-Concentrate Exports ('000 ps)	63.9	52.5	50.6	-3.6
Orange	53.1	41.5	41.5	0.0
Grapefruit	10.8	10.9	9.1	-17.2
Not-from-Concentrate Value (\$mn)	0.3	0.3	0.3	-5.9
Orange	0.3	0.2	0.2	-0.8
Grapefruit	0.1	0.1	0.1	-19.3
Total Citrus Juice Exports ('000 ps)	12,545	13,006	9,561	-26.5
Total Citrus Juice Receipts (\$mn)	43.3	37.6	30.4	-19.3
Pulp Export ('000 pounds)	1,336	1,111	1,984	78.5
Pulp Value (\$mn)	1.0	0.8	1.5	83.1

Source: CPBL

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

Table A.32: Exports of Banana

	2019	2020	2021
Volume (metric tons)	83,794	92,190	97,444
Value (\$mn)	79.5	87.0	91.0

Source: BGA

Table A.33: Exports of Marine Products

	2019		2020		2021	
	Volume ('000 lbs)	Value (\$'000)	Volume ('000 lbs)	Value (\$'000)	Volume ('000 lbs)	Value (\$'000)
Lobster	947	27,117.3	917	25,830.2	974	35,448.9
Shrimp	1,024	6,143.9	660	3,652.0	371	1,718.7
Conch	1,050	15,442.7	719	9,692.8	958	15,761.3
Whole/Fillet Fish	61	67.7	0	0.0	5	57.8
Total	3,082	48,771.6	2,296	39,175.0	2,308	52,986.6

Source: SIB

Table A.34: Other Major Exports

	2019	2020	2021
Petroleum			
Volume (barrels)	210,741	74,920	74,358
Value (\$mn)	20.1	4.9	8.6

Source: Geology and Petroleum Department

Table A.35: Gross Imports (CIF) by Standard International Trade Classification

	\$mn				
SITC Category	2017	2018	2019	2020	2021
Food and Live Animals	216.1	219.7	230.2	231.7	246.9
Beverages and Tobacco	35.3	37.9	39.9	48.4	65.7
Crude Materials	35.5	30.1	36.7	20.7	34.2
Mineral Fuels and Lubricants	265.3	347.1	394.4	192.6	324.8
of which: Electricity	44.3	64.2	99.4	32.3	56.6
Oils and Fats	16.4	16.8	19.6	22.4	23.1
Chemicals Products	174.5	175.1	175.6	179.5	225.5
Manufactured Goods	244.0	244.4	267.5	227.0	344.6
Machinery and Transport Equipment	375.5	390.9	397.6	317.6	411.8
Other Manufactures	161.4	150.9	144.6	116.3	160.2
Commodities not elsewhere specified	0.3	0.0	0.0	0.0	0.3
Designated Processing Areas	41.1	38.8	31.9	30.3	34.8
Personal Goods	3.5	4.1	3.2	2.2	3.8
Total	1,569.0	1,655.8	1,741.3	1,388.7	1,875.6
CFZ Direct Imports	307.2	324.0	329.9	217.7	302.3
Grand Total	1,876.2	1,979.8	2,071.2	1,606.5	2,177.8

Sources: SIB and Belize Electricity Limited

Table A.36: Extended Balance of Payments Services Classification

		\$mn	
		2020	2021
Total Services	Net	511.0	643.0
	Credits	851.7	1,236.2
	Debits	340.8	593.2
Manufacturing Services	Net	0.0	0.0
	Credits	0.0	0.0
	Debits	0.0	0.0
Maintenance and Repair Services	Net	0.0	0.5
	Credits	0.0	0.5
	Debits	0.0	0.0
Transportation	Net	-71.6	-193.2
	Credits	56.9	55.6
	Debits	128.5	248.7
Travel	Net	453.1	678.6
	Credits	494.2	761.5
	Debits	41.1	82.9
Telecommunications, Computer, and Information Services	Net	75.8	125.6
	Credits	92.2	148.3
	Debits	16.4	22.7
Construction Services	Net	0.0	0.0
	Credits	0.0	0.0
	Debits	0.0	0.0
Insurance and Pension Services	Net	-41.0	-46.2
	Credits	1.0	1.1
	Debits	42.0	47.3
Financial Services	Net	-2.7	-34.2
	Credits	6.6	7.5
	Debits	9.3	41.7
Charges for the use of Intellectual Property, n.i.e.	Net	-11.2	-18.5
	Credits	0.0	0.0
	Debits	11.2	18.5
Other Business Services	Net	42.0	68.8
	Credits	102.5	161.7
	Debits	60.5	92.9
Personal, Cultural, and Recreational Services	Net	4.7	4.9
	Credits	5.9	5.7
	Debits	1.1	0.8
Government Services, n.i.e.	Net	61.8	56.6
	Credits	92.5	94.2
	Debits	30.7	37.6

Table A.37: Balance of Payments – Service and Income Balances

	\$mn								
	2019			2020			2021		
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net
Services	1,354.4	469.4	885.0	851.7	340.8	511.0	1,236.2	593.2	643.0
Transportation	57.4	124.7	-67.4	56.9	128.5	-71.6	55.6	248.7	-193.2
Travel	1,053.3	86.9	966.4	494.2	41.1	453.1	761.5	82.9	678.6
Other Goods and Services	157.3	226.4	-69.0	208.1	140.5	67.6	324.9	223.9	100.9
Government Goods and Services, n.i.e	86.4	31.4	55.0	92.5	30.7	61.8	94.2	37.6	56.6
Primary Income	19.9	346.9	-327.0	15.2	132.5	-117.3	12.5	174.2	-161.7
Labour Income	4.7	11.4	-6.7	4.7	12.0	-7.3	4.7	12.6	-7.9
Investment Income ⁽¹⁾	15.2	335.5	-320.3	10.5	120.5	-110.0	7.8	161.6	-153.8
Secondary Income	250.6	91.4	159.1	322.6	86.8	235.8	336.3	85.3	251.0
Government	0.0	14.9	-14.9	22.5	10.0	12.5	10.0	8.9	1.1
Private	250.6	76.5	174.0	300.1	76.8	223.3	326.3	76.4	249.9

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

Table A.38: Percentage Distribution of Visible Trade by Country/Area

	Percentage					
	Exports			Imports		
	2019	2020	2021	2019	2020	2021
US	14.1	16.3	13.1	44.2	40.3	35.5
Mexico ⁽¹⁾	44.4	33.0	44.6	10.9	13.0	12.9
UK	18.9	21.2	13.9	1.0	1.3	1.0
Other EU	6.9	10.3	11.0	2.9	4.4	4.2
Central America	3.1	5.4	7.0	14.5	13.3	16.7
CARICOM	9.9	10.3	8.0	2.4	2.8	2.6
Canada	0.1	0.3	0.1	0.8	0.8	0.7
China	0.1	0.1	0.1	13.6	14.4	15.9
Other	2.5	3.1	2.2	9.8	9.8	10.5
Total	100.0	100.0	100.0	100.0	100.0	100.0

Sources: SIB and CBB

⁽¹⁾ Includes exports and imports by the CFZ

Table A.39: Balance of Payments – Capital and Financial Accounts

\$mn

	2019 Net	2020 Net	2021 Net
CAPITAL ACCOUNT	20.7	28.5	482.9
General Government	20.7	28.5	482.9
Other Sectors	0.0	0.0	0.0
FINANCIAL ACCOUNT	-270.7	-337.7	85.9
Direct Investment Abroad	4.2	8.9	3.1
Direct Investment in Belize	187.8	152.4	255.6
Portfolio Investment Assets	0.0	0.0	0.0
Portfolio Investment Liabilities	11.0	13.0	-1,129.8
Financial Derivatives Assets	0.0	0.0	0.0
Financial Derivatives Liabilities	0.0	0.0	0.0
Other Investment Assets	-17.2	62.7	324.8
Monetary Authorities	-1.7	1.7	-1.7
General Government	0.0	0.0	0.0
Banks	-13.0	63.6	322.2
Other Sectors	-2.5	-2.6	4.3
Other Investment Liabilities	58.9	243.9	1,116.1
Monetary Authorities	-1.1	8.7	-0.1
General Government	51.8	236.2	900.4
Banks	0.3	13.6	26.5
Other Sectors	7.9	-14.6	116.3
Special Drawing Rights	0.0	0.0	73.1
NET ERRORS AND OMISSIONS	42.4	30.0	67.2
CHANGES IN RESERVES	-35.5	140.4	132.2

Table A.40: Official International Reserves

\$mn

	Position as at			Changes During 2021
	Dec 2019	Dec 2020	Dec 2021	
Gross Official International Reserves	556.5	697.9	830.1	132.2
Central Bank of Belize	536.9	677.3	809.9	132.6
Holdings of SDRs	55.9	58.3	128.6	70.4
IMF Reserve Tranche	17.2	17.9	17.3	-0.5
Other	463.8	601.1	663.9	62.8
Central Government	19.6	20.6	20.2	-0.4
Foreign Liabilities	2.3	4.5	4.3	-0.2
CARICOM	0.1	0.6	0.5	-0.1
Other	2.2	3.9	3.7	-0.2
Net Official International Reserves	554.2	693.4	825.8	132.4

Table A.41: Long-Term Private Sector External Debt By Economic Sector^(1,2)

\$'000

Economic Sectors	DOD ⁽³⁾ as at 31/12/2020	Transactions (Jan - Dec 2021)			DOD as at 31/12/2021
		Disbursements	Principal Payments	Interest Payments	
Agriculture	30,068	0	4	0	30,064
Arts, Entertainment and Recreation	0	0	0	0	0
Construction	25,600	0	4,261	1,594	21,339
Economic Diversification	2	0	0	0	2
Education	0	0	0	0	0
Electricity and Gas	15,119	0	214	1,711	14,905
Financial and Insurance Activities	111	0	0	0	111
Fishing	9,355	0	0	0	9,355
Information and Communication	0	0	0	0	0
Real Estate Activities	0	0	0	0	0
Tourism Activities	43,025	48,000	0	1,140	91,025
Transportation	38,119	0	0	1,039	38,119
Wholesale and Retail Trade	1,320	0	89	61	1,231
Other	0	0	0	0	0
Total	162,719	48,000	4,569	5,545	206,150

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

⁽²⁾ At the time of reporting not all companies have submitted their balance sheets to the Central Bank of Belize.

⁽³⁾ Disbursed Outstanding Debt.

Table A.42: Balance of Payments Summary

\$mn

	2019	2020	2021
CURRENT ACCOUNT	-369.3	-255.8	-331.9
Goods: Exports FOB	850.6	577.5	847.9
Goods: Imports FOB	1,937.0	1,462.9	1,912.2
Trade Balance	-1,086.4	-885.4	-1,064.3
Services: Credit	1,354.4	851.7	1,236.2
Transportation	57.4	56.9	55.6
Travel	1,053.3	494.2	761.5
Other Goods and Services	157.3	208.1	324.9
Government Goods and Services	86.4	92.5	94.2
Services: Debit	469.4	340.8	593.2
Transportation	124.7	128.5	248.7
Travel	86.9	41.1	82.9
Other Goods and Services	226.4	140.5	223.9
Government Goods and Services	31.4	30.7	37.6
Balance on Goods and Services	-201.4	-374.4	-421.2

Table A.42: Balance of Payments Summary (continued)

	\$mn		
	2019	2020	2021
Primary Income: Credit	19.9	15.2	12.5
Compensation of Employees	4.7	4.7	4.7
Investment Income	15.2	10.5	7.8
Primary Income: Debit	346.9	132.5	174.2
Compensation of Employees	11.4	12.0	12.6
Investment Income ⁽¹⁾	335.5	120.5	161.6
Balances on Goods, Services, and Income	-528.4	-491.7	-582.9
Secondary Income: Credit	250.6	322.6	336.3
Government	0.0	22.5	10.0
Private	250.6	300.1	326.3
Secondary Income: Debit	91.4	86.8	85.3
Government	14.9	10.0	8.9
Private	76.5	76.8	76.4
CAPITAL ACCOUNT, n.i.e.	20.7	28.5	482.9
Capital Account: Credit	20.7	28.5	552.0
Capital Account: Debit	0.0	0.0	69.1
FINANCIAL ACCOUNT, n.i.e.	-270.7	-337.7	85.9
Direct Investment Abroad	4.2	8.9	3.1
Direct Investment in Belize, n.i.e.	187.8	152.4	255.6
Net Direct Investment	-183.6	-143.5	-252.6
Portfolio Investment Assets	0.0	0.0	0.0
Portfolio Investment Liabilities, n.i.e.	11.0	13.0	-1,129.8
Net Portfolio Investment	-11.0	-13.0	1,129.8
Financial Derivatives Assets	0.0	0.0	0.0
Financial Derivatives Liabilities	0.0	0.0	0.0
Net Financial Derivatives	0.0	0.0	0.0
Other Investment Assets	-17.2	62.7	324.8
Other Investment Liabilities	58.9	243.9	1,116.1
Net Other Investment	-76.1	-181.1	-791.3
NET ERRORS AND OMISSIONS	42.4	30.0	67.2
RESERVE ASSETS	-35.5	140.4	132.2

⁽¹⁾ Data include an estimate for profit repatriation from the tourism and petroleum industries.

Table A.43: International Investment Position

\$mn

	Position as at Dec 2020	Financial Account Transactions Jan - Dec 2021	Position as at Dec 2021
Net position	-6,820.0	85.9	-6,734.0
A. Assets	1,212.5	464.7	1,677.2
1. Direct Investment Abroad	146.3	3.1	149.4
2. Portfolio Investment	43.8	7.7	51.5
2.1 Equity Securities	34.7	0.0	34.7
2.2 Debt Securities	9.1	7.7	16.8
3. Other Investment	324.5	321.8	646.3
3.1 Trade Credits	-0.7	0.0	-0.7
3.2 Loans	3.5	-0.4	3.1
3.3 Currency and Deposits	321.7	322.2	643.9
3.4 Other Assets	0.0	0.0	0.0
4. Reserve Assets	697.9	132.2	830.1
4.1 Monetary Gold	0.0	0.0	0.0
4.2 Special Drawing Rights	58.3	70.4	128.6
4.3 Reserve Position in the Fund	17.9	-0.5	17.3
4.4 Foreign Exchange	601.1	62.8	663.9
4.5 Other Claims	20.6	-0.4	20.2
B. Liabilities	8,032.5	378.8	8,411.3
1. Direct Investment	4,815.0	255.6	5,070.7
2. Portfolio Investment	1,116.6	-1,116.6	0.0
2.1 Equity Securities	0.0	0.0	0.0
2.2 Debt Securities	1,116.6	-1,116.6	0.0
3. Other Investment	2,100.9	1,239.8	3,340.6
3.1 Trade Credits	20.6	14.8	35.3
3.2 Loans	2,001.3	1,092.0	3,093.3
3.3 Currency and Deposits	77.7	94.2	172.0
3.4 Other Liabilities	1.2	38.8	40.0

Table A.44: List of Licensed Banks

Domestic Banks	International Banks
Atlantic Bank Ltd.	Belize Bank International Ltd.
Belize Bank Ltd.	Caye International Bank Ltd.
Heritage Bank Ltd.	Heritage International Bank & Trust Ltd.
National Bank of Belize Ltd.	
Belize Bank Corporation Ltd.	

Table A.45: List of Credit Unions

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

*These represent the five largest credit unions

Table A.46: Capital for All Credit Unions

Capital Adequacy	Dec 2017	Dec 2018	Dec 2019	Dec 2020	Dec 2021
Total Capital/Deposits (%)	21.6	20.9	20.5	21.0	21.1
Total Capital/Total Assets (%)	17.5	17.0	16.8	17.2	17.3
Net Institutional Capital/Total Assets (%)	11.4	11.6	11.7	11.8	11.9
Total Capital (\$mn)	165.1	177.5	183.9	196.1	204.9

Table A.47: Central Bank Dealings in Foreign Exchange 2021

Month	US \$, Canadian \$, and UK £			CARICOM Currencies		
	Purchases	Sales	Net	Purchases	Sales	Net
January	16.8	18.3	-1.5	0.0	0.0	0.0
February	22.2	10.6	11.6	0.0	0.7	-0.7
March	13.8	17.5	-3.7	0.0	1.4	-1.4
April	22.4	32.5	-10.1	0.0	0.0	0.0
May	11.1	10.9	0.2	0.0	0.0	0.0
June	31.9	16.0	15.9	0.0	0.0	0.0
July	26.4	17.8	8.6	0.0	0.1	-0.1
August	108.3	12.0	96.3	0.0	0.7	-0.7
September	16.9	8.5	8.4	0.0	0.0	0.0
October	21.5	24.3	-2.8	0.0	0.6	-0.6
November	17.2	11.8	5.4	0.0	0.6	-0.6
December	41.8	18.8	23.0	0.0	0.6	-0.6
Total	350.3	199.0	151.3	0.0	4.8	-4.8

Table A.48: External Assets Ratio 2021

Month	Foreign Assets \$mn	Domestic Liabilities \$mn	External Asset Ratio %
January	680.2	1,203.4	56.5
February	691.7	1,226.7	56.4
March	686.7	1,278.3	53.7
April	679.3	1,229.0	55.3
May	680.3	1,228.6	55.4
June	693.6	1,237.0	56.1
July	702.3	1,240.4	56.6
August	798.7	1,250.7	63.9
September	805.5	1,273.9	63.2
October	803.4	1,285.2	62.5
November	807.4	1,308.4	61.7
December	830.3	1,336.4	62.1

Table A.49: Domestic Bank Balances with the Central Bank 2021

Month	Average Deposit Liabilities	Required Cash Reserves	Actual Cash Holdings	Excess/ (Deficit)
January	3,119.8	202.8	549.3	346.5
February	3,163.7	205.6	581.1	375.4
March	3,191.1	207.4	625.3	417.9
April	3,241.7	210.7	597.3	386.5
May	3,362.8	218.6	586.0	367.4
June	3,429.5	222.9	597.7	374.7
July	3,452.6	224.4	608.6	384.2
August	3,490.1	226.9	594.1	367.2
September	3,493.1	227.1	597.4	370.4
October	3,509.4	228.1	621.7	393.5
November	3,505.4	227.9	634.2	406.3
December	3,541.5	230.2	645.8	415.6
Average	3,375.1	219.4	603.2	383.8

\$mn

Table A.50: Currency in Circulation 2021

\$mn

Month	Notes	Coins	Total	Domestic Bank Vault Cash	Currency with the Public
January	444.3	35.7	480.0	60.6	419.4
February	441.3	35.7	477.0	56.7	420.4
March	450.1	35.7	485.8	66.5	419.3
April	447.1	35.8	482.9	63.0	420.2
May	455.0	36.0	491.0	65.0	426.0
June	452.0	36.1	488.1	68.0	420.1
July	452.0	36.3	488.3	60.5	427.8
August	455.2	36.5	491.8	68.8	423.0
September	453.7	36.7	490.5	70.1	420.4
October	452.2	36.8	489.0	63.4	425.6
November	459.8	37.0	496.8	66.9	429.9
December	490.4	37.4	527.8	70.9	456.9

Table A.51: Composition of Treasury Notes

\$mn

Tenor	Amount	Allocation			Previous Yield	Current Yield
		Central Bank	Domestic Banks	Others		
1 - Year	386.0	349.5	30.0	6.5	2.75%	2.25%
2 - Year	58.7	14.6	25.0	19.0	3.25%	3.00%
5 - Year	196.0	65.2	56.1	74.7	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	55.7	20.0	139.2	7.75%	5.25%
20 - Year	20.0	0.0	0.0	20.0	n.a	5.75%
Total	1,012.4	546.5	152.1	313.8		

⁽¹⁾ 5-Year T-note issued in US dollars.

Table A.52: Central Bank Credit to Central Government 2021

Month	Treasury Bills	Treasury Notes	Overdraft Facility ⁽¹⁾	\$mn	
				A	B
January	9.5	491.1	57.2	11.37	5.00
February	10.0	490.3	64.5	11.36	5.64
March	10.0	541.5	79.2	12.52	6.92
April	10.0	541.5	51.9	12.52	4.54
May	10.0	541.5	27.3	12.52	2.39
June	37.4	541.5	0.0	12.52	0.00
July	37.4	541.5	0.0	13.15	0.00
August	17.4	544.5	0.0	12.76	0.00
September	31.8	544.5	0.0	13.09	0.00
October	45.4	544.5	0.0	13.26	0.00
November	65.0	544.5	0.0	13.84	0.00
December	65.0	546.5	0.0	13.89	0.00

¹ Overdraft facility represents monthly averages rather than end-of-month position.

A: Central Bank's holdings of Government securities as a multiple of Central Bank's paid-up capital and reserves.

B: Advances to Government as a percentage of Government's recurrent revenues for the previous fiscal year.





V. FINANCIAL STATEMENTS



Moore Belize LLP
New Horizon Building
3 ½ Miles Philip S. W. Goldson Hwy
Belize City, Belize
T +501 223 2144
T +501 223 2139
E r.magana@moore-belize.bz
www.moore-belize.bz

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS OF THE CENTRAL BANK OF BELIZE

Report on the Audit of the Financial Statements

Opinion on International Financial Reporting Standards

We have audited the accompanying financial statements of **Central Bank of Belize (the Bank)**, which comprise the statement of financial position as at 31 December 2021, the statement of comprehensive income, the statement of changes in capital and reserves, the statement of cash flows for the year then ended and explanatory 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 2021, 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 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.

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.
- 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 Belize LLP.

Chartered Accountants
Belize City, Belize, C.A.
25 April 2022

Central Bank of Belize

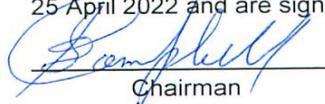
Statements of financial position as at 31 December 2021 and 2020

(in Belize dollars)

	Notes	2021	2020
Assets			
Approved external assets			
Balances and deposits with foreign banks	2h,2i,3	7,161,082	5,758,609
Reserve Tranche and balances with the International Monetary Fund	2h,2j,4	145,959,387	76,100,409
Other foreign credit instruments	2h,2k,5	437,542,124	585,922,676
Accrued interest and cash-in-transit	2h,2k,6	1,268,509	1,981,480
Marketable securities issued or guaranteed by foreign governments and international financial institutions	2h,2m,7	237,530,547	11,839,047
Total approved external assets		829,461,649	681,602,221
Domestic assets			
Balances with local banks and cash on hand	2h,2n,8	938,617	749,946
Government of Belize securities	2h,2o,9	611,245,303	501,057,960
Advances to Government of Belize	2h,2p	-	58,419,371
Other assets	2h,2q,2u,10	30,841,645	32,653,225
Equity instruments	2h,2r,11	20,000,000	20,000,000
Property and equipment	2s,2u,12	35,430,056	34,939,503
Intangible assets	2t,2u,13	3,101,910	3,523,534
Total assets		1,531,019,180	1,332,945,760
Liabilities			
Demand liabilities			
Notes and coins in circulation	14	527,779,890	503,341,971
Deposits by licensed financial institutions	2h,2v,15	630,854,923	548,304,073
Deposits by and balances due to Government and Public sector entities in Belize	2h,2v,16	168,434,145	141,053,734
Deposits by international agencies	2h,2v,17	2,324,565	2,408,017
Total demand liabilities		1,329,393,523	1,195,107,795
Balances due to CARICOM central banks	2h,18	517,090	568,266
Other liabilities	2h,2u,19	31,405,633	36,573,694
Defined benefit plan net obligation	2w,20	877,855	877,855
International Monetary Fund' SDR Allocations	2h,21	121,733,841	51,553,984
Commercial banks' discount fund	2h,22	1,654,033	1,572,850
Total liabilities		1,485,581,975	1,286,254,444
Capital and reserves			
Capital account	2y,23	20,000,000	20,000,000
Revaluation account	2z,24	1,229,993	2,522,843
Assets revaluation reserve	25	162,349	164,333
Post employment obligation reserve	2w,20	(37,327)	(37,327)
General reserve fund	2aa,26	24,082,191	24,041,467
Total capital and reserves		45,437,205	46,691,316
Total liabilities, capital and reserves		1,531,019,180	1,332,945,760

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

The financial statements on pages 8 to 65 were approved and authorised for issue by the Board of Directors on 25 April 2022 and are signed on its behalf by:


Chairman


Governor


Deputy Governor,
Financial Services

Central Bank of Belize

Statements of comprehensive income for the years ended 31 December 2021 and 2020

(in Belize dollars)

	Notes	2021	2020
Interest income	2ab		
Approved external assets	27	1,991,346	5,427,141
Advances to Government of Belize	2p,16	2,011,583	5,411,941
Government of Belize securities	28	16,735,547	13,535,571
		20,738,476	24,374,653
Interest expense	2ab,29	(42,706)	(106,241)
Net interest income		20,695,770	24,268,412
Other income			
Discount on Government of Belize securities		367,431	521,566
Commissions and other income	30	4,874,245	3,400,619
Dividends on equity instruments	11	269,600	-
Total other income		5,511,276	3,922,185
Other expenses			
Printing of notes and minting of coins	31	(1,756,905)	(1,568,397)
Salaries and wages, including superannuation contribution and gratuities	32	(15,154,188)	(14,055,289)
Depreciation and amortisation	2s,2t,12,13	(2,768,498)	(2,436,250)
Administrative and general expenses	2ac,33	(6,120,207)	(6,325,945)
Total other expenses		(25,799,798)	(24,385,881)
Profit for the year		407,248	3,804,716
Transfers:			
General reserve fund	2aa,26	40,725	380,472
Consolidated revenue fund	2aa	366,523	3,424,244
		407,248	3,804,716
Other comprehensive (loss) income			
Items that will not be reclassified subsequently to profit or loss			
Revaluation	24, 37(ii)	(1,292,850)	913,218
Artwork	25	(1,984)	(750)
Other comprehensive (loss) income for the year		(1,294,835)	912,468
Total comprehensive (loss) income for the year		(887,587)	4,717,184

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

Central Bank of Belize

Statements of changes in capital and reserves for the years ended 31 December 2021 and 2020
(in Belize dollars)

	Capital account	Revaluation account	Asset revaluation reserve	Post employment obligation reserve	General reserve	Total
Balance as at 01 January 2021	20,000,000	2,522,843	164,333	(37,327)	24,041,467	46,691,316
Comprehensive income						
Profit for the year	-	-	-	-	407,248	407,248
Other comprehensive (loss) income	-	(1,292,850)	(1,984)	-	-	(1,294,835)
Total comprehensive income	-	(1,292,850)	(1,984)	-	407,248	(887,587)
Transfer to consolidated revenue fund	-	-	-	-	(366,523)	(366,523)
Balance as at 31 December 2021	20,000,000	1,229,993	162,349	(37,327)	24,082,192	45,437,205
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

Statements of cash flows for the years ended 31 December 2021 and 2020

(in Belize dollars)

	Notes	2021	2020
Cash flows from operating activities			
Profit for the year		407,248	3,804,716
Adjustments to reconcile profit to net cash provided by operating activities:			
Depreciation of property and equipment	12	2,087,390	1,756,834
Amortisation of intangible assets	13	681,108	679,416
Loss (gain) on disposal of property and equipment		1,378	(5,068)
Revaluation account	*	(1,292,850)	912,467
Loss from change in fair value of marketable securities	7	638,121	-
Cash provided by operating activities before operating assets and liabilities		2,522,395	6,235,898
Changes in:			
Advances to Government of Belize		127,442,050	(5,170,016)
Government of Belize securities		(56,225,158)	21,852,000
Marketable securities issued or guaranteed by foreign governments and international financial institutions		(226,329,621)	1,569,012
Reserve tranche in the International Monetary Fund		503,761	(711,443)
Other assets		1,811,580	58,103,763
Other liabilities		(5,170,046)	(50,789,293)
Net cash (used in) provided by operating activities		(155,445,038)	32,002,388
Cash flows from investing activities			
Acquisition of property and equipment	12	(2,617,070)	(7,337,204)
Acquisition of intangible assets	13	(259,484)	(634,232)
Proceeds from sale of assets		37,749	24,920
Net cash used in investing activities		(2,838,805)	(7,946,516)
Cash flows from financing activities			
Net deposits (disbursements) made by CARICOM central banks		(51,176)	506,715
Proceeds from Development Finance Corporation in regards to Commercial Bank Discount Fund		81,183	162,367
Net deposits (disbursements) made by Government and Public sector entities in Belize		(42,008,792)	56,947,922
Net deposits (disbursements) made by international agencies		(83,453)	980,533
Net deposits (disbursements) made by licensed financial institutions		82,550,850	126,101,215
Net change in International Monetary Fund' SDR Allocations		70,179,857	2,000,608
Net change in notes and coins in circularisation		24,437,919	70,767,680
Net cash provided by financing activities		135,106,389	257,467,040
Cash and cash equivalents at the beginning of the year		1,025,191,322	743,668,410
Net (decrease) increase in cash and cash equivalents		(23,177,454)	281,522,912
Cash and cash equivalents at the end of the year		1,002,013,868	1,025,191,322
Cash and cash equivalents comprise of the following:			
External assets			
Balances and deposits with foreign banks	3	7,161,082	5,758,609
Other foreign credit institutions	5	437,542,124	585,922,676
Accrued interest	6	876,581	1,820,267
Cash-in-transit	6	391,929	161,214
SDR Holdings	4	128,625,135	58,262,395
		574,596,851	651,925,161
Domestic assets			
Balances with local banks and cash on hand	8	938,617	749,946
Current portion of Government of Belize securities		426,478,400	372,516,215
		427,417,017	373,266,161
		1,002,013,868	1,025,191,322

* Revaluation account was reclassified to adjustments to reconcile profit to net cash provided by operating activities.

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

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

1. General information

Central Bank of Belize (the Bank), was established under the Central Bank of Belize Act (the Act), Chapter 262 of the Substantive Laws of Belize. 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, Circulars 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 stability, 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. 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. All amounts are rounded to the nearest dollar unless otherwise indicated.

c. Functional and presentation currency

The financial statements are presented in Belize dollars, which is the Bank's functional currency and is being represented throughout these financial statements with the symbol \$.

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 of its notes and coins fully for the time being in circulation. As at 31 December 2021, the value of total assets was \$1,531,019,182 (2020: \$1,332,945,760) while the value of notes and coins in circulation was \$527,779,890 (2020: \$503,341,971).

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020
(in Belize dollars)

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 of its sights and time deposits. As at 31 December 2021, total approved external assets approximated 71.6% of such liabilities (2020: 64.8%).

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

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

f. Significant accounting judgments and estimates

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

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

Defined benefit obligation (DBO)

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

Useful lives of depreciable assets

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

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

2. Summary of significant accounting policies (continued)

g. Changes 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 amendments to IFRSs have become effective for the annual periods commencing on or after 01 January 2021 and have been adopted:

- Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 & IAS 39 - Interest Rate Benchmark Reform – Phase 2;
- Amendments to IFRS 16 - Covid-19-Related Rent Concessions.

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

The following standard and amendments will become effective for the annual periods beginning on or after 01 January 2022:

- Amendments to IFRS 16 - Covid-19-Related Rent Concessions;
- IFRS 17 - Insurance Contracts;
- Amendments to IAS 1 - Classification of Liabilities as Current or Non-current;
- Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before intended use;
- Amendments to IFRS 3 - Reference to the Conceptual Framework;
- Amendments to IAS 37 - Onerous Contracts – Cost of Fulfilling a Contract;
- Annual Improvements to IFRS Standards 2018–2020;
- Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and its associate or joint venture;
- Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies;
- Amendments to IAS 8 - Disclosure of Accounting Policies and Definition of Accounting Estimates;
- Amendments to IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction.

The standard 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 of financial assets:

Financial assets 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.

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).

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

2. Summary of significant accounting policies (continued)

h. Financial instruments (continued)

Classification and initial measurement of financial assets (continued):

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

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

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

Subsequent measurement of financial assets:

Financial assets at amortised cost (AC)

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. Fair value of assets stated at amortised cost is close to their carrying value as at the reporting date.

Financial assets at fair value through other comprehensive income (FVTOCI)

A debt instrument is measured at fair value through other comprehensive income only if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

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.

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

2. Summary of significant accounting policies (continued)

h. Financial instruments (continued)

Financial assets at fair value through profit or loss (FVTPL) (continued)

Impairment of financial assets:

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.

The Bank uses forward-looking information to recognise expected credit losses – the ‘expected credit loss (ECL) model’. 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:

$ECL = EAD \times LGD \times PD$. See also Note 37(i).

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.

The Bank recognises loss allowances for ECL on the following financial instruments that are not measured at the fair value through profit or loss:

- financial assets that are debt instruments;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

2. Summary of significant accounting policies (continued)

h. Financial instruments (continued)

Financial assets at fair value through profit or loss (FVTPL) (continued)

Impairment of financial assets (continued):

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.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally as a provision;
- debt instruments measured at fair value through other comprehensive income: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Recognition and derecognition of financial liabilities:

Financial liabilities are recognised when the Bank becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and measurement of financial liabilities:

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities, which are measured at amortised cost.

Financial liabilities are classified at fair value through profit or loss if they are either held for trading or they are otherwise designated within this classification. Gains and losses on such financial liabilities are recognised in the statement of comprehensive income.

A financial liability is classified as held for trading if (a) it has been acquired principally for the purposes of subsequent short-term repurchase; (b) on initial recognition it is part of a portfolio of identified financial instruments which have a pattern of short-term profit taking; or (c) it is a derivative financial instrument that is not designated and effective as a hedging instrument.

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using effective interest method, with interest expense recognised on an effective yield basis in the statement of comprehensive income.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

2. Summary of significant accounting policies (continued)

i. Bank balances and deposits with foreign bankers

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

j. Reserve tranche and balances with the International Monetary Fund (IMF)

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

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

k. Other foreign credit instruments

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

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

l. Accrued interest and cash in transit

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

m. Marketable securities issued or guaranteed by foreign governments and international financial institutions

Comprises of short-term financial assets including bonds, debentures and US Treasury notes with maturities beyond a year.

n. Balances with local bankers and cash on hand

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

o. Government of Belize securities

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

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020
(in Belize dollars)

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 amended Section 35(2) of the principal Act on 31 March 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 2021 the Bank's aggregate holding of these Government of Belize securities approximated 13.87 times (2020: 11.38 times), respectively, the amount of paid-up capital and general reserves of the Bank.

p. Advances to Government of Belize

Comprises of advances made to the Government of Belize as governed by section 33 and 34 of the Act. In June 2021 the GOB's current account was transformed from an overdraft to a deposit account, and continues to operate as a deposit account. All amounts were 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.

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

2. Summary of significant accounting policies (continued)

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.

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:

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

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

t. Intangible assets

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.

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020
(in Belize dollars)

2. Summary of significant accounting policies (continued)

t. Intangible assets (continued)

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

Subsequent measurement

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

Application software are 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.

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. Impairment of non-financial assets

At each reporting date, the Bank reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those non-financial assets have suffered an impairment loss. If any such indication exists, the recoverable of the non-financial asset is estimated in order to determine the extent of the impairment loss if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increase carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant non-financial asset is carried at a revalued amount, in which case the reversal of the impairment loss will be treated as an increase in the revaluation.

v. 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.

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

2. Summary of significant accounting policies (continued)

w. Defined benefit plan

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

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

x. 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 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.

y. 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 \$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 to the Accountant General for the Consolidated Revenue Fund until such time as the increase in capital is fully paid up. As at 31 December 2021, the authorised capital of the Bank was \$20,000,000 (2020: \$20,000,000). Subsequently paid-up capital was increased up to \$40,000,000 (Note 39).

z. 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 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 (Note 39).

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

2. Summary of significant accounting policies (continued)

aa. 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 2021, the Bank's General Reserve Fund was at \$24,082,191 which exceeded the paid-up capital of \$20,000,000. In accordance with the Act, transfer from the net profit of 10% was made to the General Reserve Fund. Subsequently, General Reserves Fund was amended to indicate that 30% of the Bank's profit will be paid into the General Reserves Fund and the remainder to the Accountant General for the Consolidated Revenue Fund (Note 39).

ab. 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.

ac. Administrative and general expense

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

ad. 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.

ae. Segment-reporting

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

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

3. Bank balances and deposits with foreign banks

	<u>2021</u>	<u>2020</u>
Balances with other central banks and foreign banks	6,947,458	5,531,607
Foreign currency notes	213,624	227,002
	<u>7,161,082</u>	<u>5,758,609</u>

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:

	<u>2021</u>	<u>2020</u>
SDR Holdings	128,625,135	58,262,396
Reserve Tranche	17,334,252	17,838,013
	<u>145,959,387</u>	<u>76,100,409</u>

SDRs are converted at an exchange rate of \$2.799188 to SDR 1.0 at 31 December 2021. (2020: \$2.880537 to SDR 1.0).

In 2021 quota for the country of Belize was increased with respective increase of the balance for the reporting period (Note 21).

5. Other foreign credit instruments

	<u>2021</u>	<u>2020</u>
Fixed deposits	389,100,020	390,122,247
Overnight deposits	48,490,795	195,849,473
Expected credit losses	(48,691)	(49,044)
	<u>437,542,124</u>	<u>585,922,676</u>

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:

	<u>2021</u>	<u>2020</u>
At the beginning of the year	(49,044)	(48,127)
Release/(charge) during the year	353	(917)
At the end of the year	<u>(48,691)</u>	<u>(49,044)</u>

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

6. Accrued interest and cash-in-transit

	2021	2020
Accrued interest on marketable securities issued and guaranteed by foreign governments and foreign financial institutions	614,594	94,212
Cash-in-transit	391,929	161,214
Accrued interest on foreign credit instruments	248,844	1,713,256
Accrued interest on balances with the International Monetary Fund	13,142	12,798
	1,268,509	1,981,480

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

7. Marketable securities issued or guaranteed by foreign governments and foreign financial institutions

Amounts comprise debt securities at fair value through other comprehensive income:

	2021	2020
US Treasury notes	226,489,758	-
Loss from change in fair value of US Treasury notes (Note 24)	(638,121)	-
	225,851,637	-

Amounts comprise debt securities at amortised cost:

Bonds	10,000,000	10,000,000
Debenture	1,680,000	1,840,000
Expected credit losses	(1,090)	(953)
	237,530,547	11,839,047

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

	2021	2020
At the beginning of the year	(953)	(1,451)
(Charge)/release during the year	(138)	498
At the end of the year	(1,091)	(953)

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.

US Treasury Notes represent securities issued by the government of the United States of America that bear a weighted average interest of 1.05% and mature through 2031.

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

8. Balances with local banks and cash on hand

	2021	2020
Balances with local financial institutions	674,340	465,720
Cash on hand	264,277	284,226
	938,617	749,946

9. Government of Belize securities

Amounts comprise debt securities at amortised cost:

	2021	2020
Treasury notes	546,515,000	491,622,000
Treasury bills	64,730,303	9,435,960
	611,245,303	501,057,960

10. Other assets

	2021	2020
<u>Financial assets</u>		
Staff loans receivable	4,756,195	4,478,039
Accounts receivable	426,030	207,128
Expected credit losses	(476)	(5,043)
	5,181,750	4,680,124
Escrow accounts (Note 19) (i)	9,564,320	15,564,320
Accrued interest on Government of Belize treasury notes	5,080,043	4,661,310
Accrued discount on Government of Belize treasury bills	200,347	46,637
	14,844,710	20,272,267
<u>Non-financial assets</u>		
Inventory of circulation notes and coins	5,304,422	4,979,435
Prepayments	3,785,675	1,099,142
Collectible coins inventory	1,084,846	1,086,511
Supplies	247,400	210,329
Artwork	163,148	165,133
Other assets	229,694	160,284
	10,815,186	7,700,834
	30,841,645	32,653,225

(i) During 2021, funds held in escrow on behalf of Choice Bank Limited liquidation were paid to depositors.

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020
(in Belize dollars)

10. Other assets (continued)

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

	<u>2021</u>	<u>2020</u>
At the beginning of the year	(5,043)	(3,941)
Release/(charge) during the year	4,567	(1,102)
Other assets written off during the year as uncollectible	-	-
At the end of the year	<u>(476)</u>	<u>(5,043)</u>

11. Equity instruments

	<u>2021</u>	<u>2020</u>
Belize Telemedia Limited	<u>20,000,000</u>	<u>20,000,000</u>

The equity instruments represent the Bank's investment of 4,000,000 shares in Belize Telemedia Limited at a value of \$5.00 per share totaling \$20,000,000. Share certificates numbered 3165, 3166, 3167, 2668 and 2669 dated 17 June 2011 for 800,000 shares each have been received by the Bank. The Bank is committed not to dispose of the shares for at least four years after the date of purchase under a "Share Purchase" agreement. Thereafter the Bank can dispose of the shares at the rate of one million shares per annum. If the Bank chooses to sell the shares, it shall offer the Government of Belize the right of 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 2021, BTL has declared dividends for the fiscal year 2021 and 2020 for \$0.062 and \$0.0054 per share respectively at the total amount of \$269,600.

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020
(in Belize dollars)

12. Property and equipment

	Property	Furniture	Equipment	Vehicles	Work in progress	Total
Cost						
Balance at 01 January 2021	32,013,042	1,970,357	16,013,726	560,319	2,107,183	52,664,627
Additions	193,304	119,062	921,347	119,000	1,264,357	2,617,070
Disposals	-	(127,850)	(744,865)	(145,337)	-	(1,018,052)
Transfers	469,151	-	318,083	-	(787,234)	-
Balance as at 31 December 2021	32,675,497	1,961,569	16,508,291	533,982	2,584,306	54,263,645
Accumulated depreciation						
Balance at 01 January 2021	6,654,076	1,471,155	9,189,962	409,933	-	17,725,126
Charge for the year	484,718	89,139	1,437,764	75,769	-	2,087,390
Disposals	-	(106,528)	(727,063)	(145,336)	-	(978,927)
Balance as at 31 December 2021	7,138,794	1,453,766	9,900,663	340,366	-	18,833,589
Net book value as at 31 December 2021	25,536,703	507,803	6,607,628	193,616	2,584,306	35,430,056

Central Bank of Belize

 Notes to the financial statements for the years ended 31 December 2021 and 2020
 (in Belize dollars)

12. Property and equipment (continued)

	Property	Furniture	Equipment	Vehicles	Work in progress	Total
Cost						
Balance 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 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
Disposal	-	(28,697)	(562,250)	(168,704)	-	(759,651)
Balance as at 31 December 2020	6,654,076	1,471,155	9,189,962	409,933	-	17,725,126
Net book value as at 31 December 2020	25,358,966	499,202	6,823,764	150,386	2,107,183	34,939,503

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

13. Intangible assets

	Application software and licenses	Work in progress	Total
Cost			
Balance at 01 January 2021	6,832,649	131,825	6,964,474
Additions	7,032	252,452	259,484
Transfers	117,761	(117,761)	-
Balance as at 31 December 2021	6,957,442	266,516	7,223,958
Accumulated amortisation			
Balance at 01 January 2021	(3,440,940)	-	(3,440,940)
Charge for the year	(681,108)	-	(681,108)
Balance as at 31 December 2021	(4,122,048)	-	(4,122,048)
Net book value as at 31 December 2021	2,835,394	266,516	3,101,910
Cost			
Balance at 01 January 2020	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 2020	6,832,649	131,825	6,964,474
Accumulated amortisation			
Balance at 01 January 2020	(2,761,524)	-	(2,761,524)
Charge for the year	(679,416)	-	(679,416)
Balance as at 31 December 2020	(3,440,940)	-	(3,440,940)
Net book value as at 31 December 2020	3,391,709	131,825	3,523,534

14. Notes and coins in circulation

	2021	2020
Notes in circulation	490,396,349	467,564,887
Coins in circulation	37,383,541	35,777,084
	527,779,890	503,341,971

15. Deposits by licensed financial institutions

At 31 December 2021 and 2020 deposits by local financial institutions comprised deposits of five licensed financial institutions located in Belize.

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020
(in Belize dollars)

16. Deposits by and balances due to Government and Public sector entities of Belize

	2021	2020
Government of Belize accounts	158,289,865	137,080,462
Public sector entities accounts	10,144,280	3,973,272
	168,434,145	141,053,734

17. Deposits by international agencies

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

	2021	2020
Caribbean Development Bank	1,633,054	1,711,000
Inter-American Development Bank	472,316	472,316
International Monetary Fund	189,455	194,961
International Bank for Reconstruction and Development	29,740	29,740
	2,324,565	2,408,017

18. Balances due to CARICOM central banks

	2021	2020
Bank of Jamaica	419,661	511,956
Central Bank of Barbados	86,999	53,160
Bank of Guyana	8,030	-
Central Bank of Trinidad and Tobago	2,400	3,150
	517,090	568,266

19. Other liabilities

	2021	2020
<u>Financial liabilities</u>		
Abandoned property	9,894,498	9,403,041
Escrow accounts (Note 10)	9,564,320	15,564,320
Deposits by licensed international offshore financial institutions (i)	3,942,993	4,112,993
Belize City Municipal Bonds – Sinking Fund	1,404,553	1,138,315
Contribution (deposit insurance) (ii)	1,000,000	1,000,000
Accounts payable	370,100	103,243
Corozal Freezone Municipals Bonds – Sinking Fund	120,520	119,533
Unclaimed balances of Belize Unit Trust	46,089	46,089
Bond discount	1,201	12,167
	26,344,275	31,499,701

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

19. Other liabilities (continued)

	<u>2021</u>	<u>2020</u>
<u>Non-financial liabilities</u>		
Severance and gratuities	3,766,314	3,690,588
Other staff costs payable	864,410	851,375
Deferred income	430,634	532,030
	5,061,358	5,073,993
	31,405,633	36,573,694

- (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 \$200,000 with the Bank. At 31 December 2021 total amount of such deposits included \$3,312,993 (2020: \$3,312,993) that relate to balances with international offshore financial institutions with active licenses and \$630,000 (2020: \$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 \$591,920 (2020: \$578,924) to the scheme.

Significant actuarial assumptions used in the valuation were:	<u>2016</u>	<u>2014</u>
I. Discount rate at the end of the 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 2016. The results of the valuation are captured as follows:

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

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020
(in Belize dollars)

20. Defined benefit plan net obligation (continued)

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)

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 the year 19,867,000

Fair value of the plain 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 income 51,595

Fair value of the plain 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 \$173,707. Full revaluation of the plan will be done in the 2022 fiscal year.

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

20. Defined benefit plan net obligation (continued)

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
	<u>(3,378,501)</u>
Reserve as at 31 December 2016	<u>(37,327)</u>

21. International Monetary Fund' SDR Allocations

	<u>2021</u>	<u>2020</u>
IMF SDR Allocations	121,722,701	51,545,064
Interest payable	11,139	8,920
	<u>121,733,841</u>	<u>51,553,984</u>

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. In 2021, the quota for the country of Belize was increased to SDR 45,952,185 (2020: SDR 26,700,000). Based on this quota, the Bank received allocations of SDR 43,485,004. At 31 December 2021, the SDR's were revalued at SDR 2.799188 to \$1.00 (2020: 2.88054 to \$1.00).

22. Commercial banks' discount fund

	<u>2021</u>	<u>2020</u>
Loan receivable from Development Finance Corporation	-	(80,380)
Interest paid to United States Agency for International Development	(2,311,316)	(2,311,316)
Interest received by the Bank	3,965,350	3,964,546
	<u>1,654,033</u>	<u>1,572,850</u>

Commercial Bank Discount Fund (Fund) is a facility which was established by an agreement signed in March 1983 by the Government of Belize and the United States of America, providing for a discount fund to be operated through the Bank. The United States Government acting through United States Agency for International Development (USAID) earmarked 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 \$2 million and \$1.5 million from the reflows to the Discount Fund could be used as a line of credit to National Development Foundation of Belize and Development Finance Corporation, respectively.

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

22. Commercial banks' discount fund (continued)

The USAID loan had 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.

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

23. Capital account

	<u>2021</u>	<u>2020</u>
Authorised and paid-up capital	<u>20,000,000</u>	<u>20,000,000</u>

Capital was authorised and fully paid up in accordance with Section 8 of the Central Bank Act (amended as of 12 October 2016). Subsequently paid-up capital was increased up to \$40,000,000 (Note 39).

24. Revaluation account

	<u>2021</u>	<u>2020</u>
At the beginning of the year	2,522,843	1,609,625
Loss from change in fair value of marketable securities (Note 7)	(638,121)	-
Revaluation of foreign funds	(654,729)	913,218
At the end of the year	<u>1,229,993</u>	<u>2,522,843</u>

25. Assets revaluation reserve

Historical and contemporary pictures and paintings were revaluated in 2009 by independent appraiser, Carlos Bardalez, of Belize City whose report is dated 09 November 2009. In 2021 and 2020, the value was adjusted to include disposed artwork.

26. General reserve fund

	<u>2021</u>	<u>2020</u>
At the beginning of the year	24,041,467	23,683,946
Loss due to restructured Barbados Bonds	-	(22,951)
Transfer from net profit	40,725	380,472
At the end of the year	<u>24,082,191</u>	<u>24,041,467</u>

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

26. General reserve fund (continued)

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 2021 and 2020 10 percent of the net profit of the Bank was transferred into the Fund in each year. Subsequently, General Reserves Fund was amended to indicate that 30% of the Bank's profit will be paid into the General Reserves Fund and the remainder to the Accountant General for the Consolidated Revenue Fund (Note 39).

27. Interest on approved external assets

	2021	2020
Fixed deposits with foreign financial institutions	986,704	4,625,669
Marketable securities issued or guaranteed by foreign government or foreign financial institutions	921,225	240,973
"International Monetary Fund' facilities"	53,224	142,090
Overnight deposits with foreign financial institutions	29,968	417,065
Other balances with foreign financial institutions	225	1,344
	1,991,346	5,427,141

28. Interest on Government of Belize securities

	2021	2020
Treasury notes	16,735,547	13,535,571

29. Interest expense

	2021	2020
International Monetary Fund' facilities	42,129	100,129
Other interest expense	577	6,112
	42,706	106,241

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

30. Commissions and other income

	<u>2021</u>	<u>2020</u>
Automated Payment and Securities Settlement System (APSSS) transaction fees	1,192,182	1,186,743
License and examination fees	908,916	746,188
Commissions	841,497	1,080,021
Miscellaneous income	480,775	51,772
Penalty fees	480,000	-
Cash shipment income	477,156	98,165
Gain on sale/purchase of financial instruments	290,383	25,418
Interest on staff loans	199,366	203,312
Sales of collectible coins	3,971	9,000
	<u>4,874,245</u>	<u>3,400,619</u>

31. Printing of notes and minting of coins

	<u>2021</u>	<u>2020</u>
Minting of circulation coins	865,563	706,895
Printing of currency notes	864,680	836,985
Currency publicity campaign expenses	26,661	24,517
	<u>1,756,905</u>	<u>1,568,397</u>

32. Salaries and wages, including superannuation contribution and gratuities

	<u>2021</u>	<u>2020</u>
Salaries and wages	10,322,561	9,640,099
Employee benefits expenses	3,976,139	3,574,851
Pension contributions	591,920	578,924
Social security costs	263,568	261,415
	<u>15,154,188</u>	<u>14,055,289</u>

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

33. Administrative and general expenses

	2021	2020
Professional services and technical support	1,401,626	1,624,195
Computer software licenses	1,032,046	965,087
Utilities expenses	973,099	1,008,176
Repairs and maintenance	679,243	594,694
Legal fees	506,094	317,206
Supplies and small equipment	443,703	516,055
Other miscellaneous expense	289,538	231,588
Membership fees	164,688	200,991
Insurance expenses	119,911	109,612
Audit fees	94,537	88,875
Directors' fees	86,665	113,791
Subscriptions	65,543	96,440
Advertising	54,379	96,280
Freight charges	53,836	63,686
Bank charges	47,532	54,872
Books and publications	45,153	38,387
Firearm license and ammunition	19,208	16,212
Entertainment	18,521	10,887
Travel expenses	11,174	38,865
Donations	8,067	18,997
Business continuity	5,506	62,854
Expected credit losses on financial instruments	138	2,019
Meetings and conferences	-	29,731
Surveys	-	13,245
Assistance programme	-	13,200
	6,120,207	6,325,945

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 The Governor of the Central Bank, members of the Board of Directors, key management personnel, Government of Belize and other related public sector entities and the Bank's Defined Benefit Plan. Unless otherwise stated, none of the transactions include special terms and conditions and no guarantees were given or received.

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020
(in Belize dollars)

34. Related party transactions (continued)

Transactions with key management personnel

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

	2021	2020
Short-term benefits	3,252,422	2,290,949
Termination benefits	332,195	268,294
Post-employment benefits	61,518	63,433
	3,646,135	2,622,676

Transactions with the members of the Board of Directors

Transactions with key management personnel includes short-term benefits.

	2021	2020
Short-term benefits	78,409	105,903
	78,409	105,903

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 2021, an amount of \$481,043 (2020: \$294,544) 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 2021 \$1,126,346 (2020: \$754,625). 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:

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

34. Related party transactions (continued)

Transactions with the Government of Belize and public sector entities in Belize (continued)

	01 January 2021	Disburse- ments	Deposits	31 December 2021
Social Security Board	(94,705)	166,092	(110,554)	(39,167)
Development Finance Corporation	(356,969)	6,848,059	(7,883,701)	(1,392,612)
DFC Mortgage Securitisation Proceeds	(447)	-	-	(447)
Financial Intelligence Unit	(112,415)	1,870,732	(1,810,003)	(51,686)
Belize Tourism Board	(57,606)	653,933	(1,526,732)	(930,405)
Belize Electricity Ltd.	(24,925)	1,182,007	(1,182,007)	(24,925)
Belize City Council Sinking Fund	(1,138,315)	7,712,453	(7,978,692)	(1,404,553)
Belize Water Services Limited Sinking Fund	-	3,986,566	(4,365,398)	(378,833)
International Financial Services Commission	(3,326,185)	-	-	(3,326,185)
Government of Belize (current account)	61,843,616	486,159,278	(617,025,572)	(69,022,678)
	56,732,049	508,579,118	(641,882,658)	(76,571,491)
	01 January 2020	Disburse- ments	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 Ltd.	(24,925)	1,777,896	(1,777,896)	(24,925)
Belize City Council Sinking Fund	(231,182)	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)	56,732,049

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.

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

34. Related party transactions (continued)

Transactions with the Central Bank of Belize Pension Scheme (continued)

	01 January 2021	Contributions paid by the Bank to the Scheme	Contributions due to the scheme	31 December 2021
Contributions to the scheme	-	591,920	(591,920)	-
	-	591,920	(591,920)	-

	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)	-

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 2h describes 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:

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

35. Analysis of financial assets and liabilities by measurement basis (continued)

As at 31 December 2021	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Financial assets at fair value through other compre- hensive income	Total
<u>Financial assets</u>				
Balances and deposits with foreign banks	-	7,161,082	-	7,161,082
Reserve Tranche and balances with the International Monetary Fund	-	-	145,959,387	145,959,387
Other foreign credit instruments	-	437,542,124	-	437,542,124
Accrued interest and cash-in-transit	-	745,464	523,045	1,268,509
Marketable securities issued or guaranteed by foreign governments and international financial institutions	-	11,678,910	225,851,638	237,530,548
Balances with local banks and cash on hand	-	938,617	-	938,617
Government of Belize securities	-	611,245,303	-	611,245,303
Other assets	-	20,026,459	-	20,026,459
Equity instruments	20,000,000	-	-	20,000,000
Total financial assets	20,000,000	1,089,337,959	372,334,070	1,481,672,029
<u>Financial liabilities</u>				
Notes and coins in circulation	-	527,779,890	-	527,779,890
Deposits by licensed financial institutions	-	630,854,923	-	630,854,923
Deposits by and balances due to Government and Public sector entities in Belize	-	168,434,145	-	168,434,145
Deposits by international agencies	-	2,324,565	-	2,324,565
Balances due to CARICOM central banks	-	517,090	-	517,090
Other liabilities	-	26,344,275	-	26,344,275
International Monetary Fund' SDR Allocations	-	121,733,841	-	121,733,841
Commercial banks' discount fund	-	1,654,033	-	1,654,033
Total financial liabilities	-	1,479,642,762	-	1,479,642,762

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020
(in Belize dollars)

35. Analysis of financial assets and liabilities by measurement basis (continued)

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 compre- hensive income	Total
Financial assets				
Bank 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-in-transit	-	1,981,480	-	1,981,480
Marketable securities issued or guaranteed by foreign governments and international financial 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
Advances to Government of Belize	-	58,419,371	-	58,419,371
Other assets	-	24,952,391	-	24,952,391
Equity instruments	20,000,000	-	-	20,000,000
Total financial assets	20,000,000	1,190,681,481	76,100,409	1,286,781,890
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' SDR Allocations	-	-	51,553,984	51,553,984
Commercial banks' discount fund	-	-	1,572,850	1,572,850
Total financial liabilities	-	-	1,280,302,596	1,280,302,596

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

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: quotes (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.

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

As at 31 December 2021	Notes	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVOCI</u>					
Reserve Tranche and balances with the International Monetary	4	145,959,387	-	-	145,959,387
Marketable securities issued or guaranteed by foreign governments and international financial institutions	7	225,851,638	-	-	225,851,638
Accrued interest and cash-in-transit	6	523,045	-	-	523,045
<u>Financial assets at FVTPL</u>					
Equity instruments	11	-	-	20,000,000	20,000,000
Total financial assets measured at fair value		372,334,070	-	20,000,000	392,334,070

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

36. Fair value measurement (continued)

Determination of fair value and fair value hierarchy (continued)

As at 31 December 2020	Notes	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVOCI</u>					
Reserve Tranche and balances with the International Monetary Fund	4	76,100,409	-	-	76,100,409
<u>Financial assets at FVTPL</u>					
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

Fair value of financial instruments 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.

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020
(in Belize dollars)

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 conducive 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.

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.

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020
(in Belize dollars)

37. Financial risk management (continued)

(i) Credit risk (continued)

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:

	Maximum exposure	Stamped value	Appraised value
At 31 December 2021			
Mortgage loans	3,089,709	4,515,115	6,753,358
Consumer loans (bills of sale)	317,617	545,250	627,263
Consumer loans (regular)	1,348,868	150,000	150,000
	4,756,195	5,210,365	7,530,621
At 31 December 2020			
Mortgage loans	2,679,845	4,047,241	6,198,689
Consumer loans (bills 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

Significant increase in credit risk

The Bank continuously monitors all assets subject to ECL's. The Bank assesses 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.

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020
(in Belize dollars)

37. Financial risk management (continued)**(i) Credit risk (continued)**Significant increase in credit risk (continued)

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

As at 31 December 2021	Notes	Level 1	Level 2	Level 3	Total
Other foreign credit instruments		437,590,815	-	-	437,590,815
Expected credit loss	5	(48,691)	-	-	(48,691)
		437,542,124	-	-	437,542,124
Marketable securities issued or guaranteed by foreign governments and foreign financial institutions		237,531,638	-	-	237,531,638
Expected credit loss	7	(1,090)	-	-	(1,090)
		237,530,548	-	-	237,530,548
Other assets		5,182,225	-	-	5,182,225
Expected credit loss	10	(476)	-	-	(476)
		5,181,749	-	-	5,181,749
Total net amounts		680,254,421	-	-	680,254,421
ECL as a % of carrying amounts		0.01%	-	-	0.01%

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020
(in Belize dollars)

37. Financial risk management (continued)

(i) Credit risk (continued)

Significant increase in credit risk (continued)

As at 31 December 2020	Notes	Level 1	Level 2	Level 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%

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 2021 and 31 December 2020. The Bank has allocated exposure to regions based on the country of domicile of the counterparties.

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020
(in Belize dollars)

37. Financial risk management (continued)

(i) Credit risk (continued)

Geographical concentration (continued)

As at 31 December 2021

Financial assets	Belize	USA	Canada	UK	Europe	Dominica	Total
Balances and deposits with foreign banks	213,624	2,138,089	60,158	2,599,593	2,149,618	-	7,161,082
Reserve Tranche and balances with the International Monetary Fund	-	145,959,387	-	-	-	-	145,959,387
Other foreign credit instruments	-	243,138,230	-	80,652,992	113,750,902	-	437,542,124
Accrued interest and cash-in-transit	-	1,034,515	-	135,543	70,489	27,962	1,268,509
Marketable securities issued or guaranteed by foreign Governments and international institutions	-	235,851,137	-	-	-	1,679,410	237,530,547
Balances with local banks and cash on hand	938,617	-	-	-	-	-	938,617
Government of Belize securities	611,245,303	-	-	-	-	-	611,245,303
Other assets	20,026,459	-	-	-	-	-	20,026,459
Equity instruments	20,000,000	-	-	-	-	-	20,000,000
	652,424,003	628,121,358	60,158	83,388,127	115,971,009	1,707,372	1,481,672,028

Central Bank of Belize

 Notes to the financial statements for the years ended 31 December 2021 and 2020
 (in Belize dollars)

37. Financial risk management (continued)
(i) Credit risk (continued)
Geographical concentration (continued)
As at 31 December 2021 (continued)

Financial liabilities	Belize	USA	Barbados	Jamaica	Guyana	Trinidad & Tobago	Total
Notes and coins in circulation	527,779,890	-	-	-	-	-	527,779,890
Deposits by licensed financial institutions	630,854,923	-	-	-	-	-	630,854,923
Deposits by and balances due to Government and Public sector entities in Belize	168,434,145	-	-	-	-	-	168,434,145
Deposits by international agencies	-	691,511	1,633,054	-	-	-	2,324,565
Balances due to CARICOM central banks	-	-	86,999	419,661	8,030	2,400	517,090
Other liabilities	26,344,275	-	-	-	-	-	26,344,275
International Monetary Fund' SDR Allocations	-	121,733,841	-	-	-	-	121,733,841
Commercial banks' discount fund	-	1,654,033	-	-	-	-	1,654,033
	1,353,413,233	124,079,385	1,720,053	419,661	8,030	2,400	1,479,642,762

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020
(in Belize dollars)

37. Financial risk management (continued)

(i) Credit risk (continued)

Geographical concentration (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 financial 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
Advances to Government of Belize	58,419,371	-	-	-	-	-	58,419,371
Other assets	24,952,391	-	-	-	-	-	24,952,391
Equity instruments	20,000,000	-	-	-	-	-	20,000,000
	605,406,671	503,839,821	840,080	94,923,011	79,902,133	1,870,173	1,286,781,889

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020
(in Belize dollars)

37. Financial risk management (continued)

(i) Credit risk (continued)

Geographical concentration (continued)

As at 31 December 2020 (continued)

Financial liabilities	Belize	USA	Barbados	Jamaica	Trinidad & 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 allocations	-	51,553,984	-	-	-	51,553,984
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

(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.

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020
(in Belize dollars)

37. Financial risk management (continued)

(ii) Currency risk (continued) As at 31 December 2021

Financial assets	BZD	USD	SDR	EUR	CAD	GBP	Total
Balances and deposits with foreign banks	-	5,498,800	-	1,484,589	60,158	117,535	7,161,082
Reserve Tranche and balances with the International Monetary Fund	-	-	145,959,387	-	-	-	145,959,387
Other foreign credit instruments	-	437,542,124	-	-	-	-	437,542,124
Accrued interest and cash-in-transit	-	1,139,333	13,142	25,939	85,052	5,043	1,268,509
Marketable securities issued or guaranteed by foreign governments and international financial institutions	-	237,530,548	-	-	-	-	237,530,548
Balances with local banks and cash on hand	938,617	-	-	-	-	-	938,617
Government of Belize securities	611,245,303	-	-	-	-	-	611,245,303
Advances to Government of Belize	-	-	-	-	-	-	-
Other assets	12,831,392	7,195,068	-	-	-	-	20,026,460
Equity instruments	20,000,000	-	-	-	-	-	20,000,000
	645,015,312	688,905,873	145,972,529	1,510,528	145,210	122,578	1,481,672,029

Central Bank of Belize

 Notes to the financial statements for the years ended 31 December 2021 and 2020
 (in Belize dollars)

37. Financial risk management (continued)
(ii) Currency risk (continued)
As at 31 December 2021 (continued)

Financial liabilities	BZD	USD	SDR	EUR	CAD	GBP	Total
Notes and coins in circulation	527,779,890	-	-	-	-	-	527,779,890
Deposits by licensed financial institutions	630,854,923	-	-	-	-	-	630,854,923
Deposits by and balances due to Government and Public sector entities in Belize	163,408,535	3,811,100	-	1,214,511	-	-	168,434,145
Deposits by international agencies	-	2,135,110	189,455	-	-	-	2,324,565
Balances due to CARICOM central banks	-	517,090	-	-	-	-	517,090
Other liabilities	19,149,208	7,195,068	-	-	-	-	26,344,276
International Monetary Fund' SDR Allocations	-	-	121,733,841	-	-	-	121,733,841
Commercial banks' discount fund	1,654,033	-	-	-	-	-	1,654,033
	1,342,846,590	13,658,367	121,923,295	1,214,511	-	-	1,479,642,763
Net currency position	(697,831,278)	675,247,506	24,049,233	296,017	145,210	122,578	2,029,266

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020
(in Belize dollars)

37. Financial risk management (continued)

**(ii) Currency risk (continued)
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 Governments and international institutions	-	11,839,047	-	-	-	-	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
Advances to Government of Belize	58,419,371	-	-	-	-	-	58,419,371
Other assets	17,757,323	7,195,068	-	-	-	-	24,952,391
Equity instruments	20,000,000	-	-	-	-	-	20,000,000
	597,984,600	610,747,839	76,113,207	1,643,667	206,655	85,921	1,286,781,889

Central Bank of Belize

 Notes to the financial statements for the years ended 31 December 2021 and 2020
 (in Belize dollars)

37. Financial risk management (continued)
(ii) Currency risk (continued)
As at 31 December 2020 (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
	1,169,379,790	54,574,723	51,748,945	4,599,138	-	-	1,280,302,596
Net currency position	(571,395,190)	556,173,116	24,364,262	(2,955,471)	206,655	85,921	6,479,293

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020
(in Belize dollars)

37. Financial risk management (continued)**(ii) Currency risk (continued)****Statement of revaluation as at 31 December 2021**

	Foreign currency	Year-end rate	Belize dollar value
Euro Dollar Fund	(666,782)	2.26540	(1,510,528)
Canadian Fund	(92,314)	1.57300	(145,210)
SDR Fund	(52,143,474)	2.79919	(145,959,387)
USD Fund	(341,199,353)	2.00000	(682,398,707)
Sterling Fund	(45,453)	2.69680	(122,578)
Belize Dollar Fund	829,481,680	1.00000	829,481,680
Revaluation gain for the year	-	-	(654,729)
Revaluation balance as at 01 January 2021	-	-	2,522,843
Loss from change in fair marketable securities	-	-	(638,121)
Decrease in revaluation	-	-	(654,729)
Revaluation balance as at 31 December 2021	-	-	1,229,993

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020
(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	-	-	913,218
Revaluation balance as at 01 January 2020	-	-	1,609,625
Increase in revaluation	-	-	913,218
Revaluation balance as at 31 December 2020	-	-	2,522,843

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.

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

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020
(in Belize dollars)

37. Financial risk management (continued)

(ii) Currency risk (continued)	2021		2020	
	Profit or loss Effect of 10% increase/(decrease)	Equity Effect of 10% increase/(decrease)	Profit or loss Effect of 10% increase/(decrease)	Equity Effect of 10% increase/(decrease)
Financial assets				
SDR	-	(85,955)	-	(97,148)
CAD	-	923	-	318
EUR	-	1,307	-	5,063
USD	-	-	-	-
GBP	-	455	-	446
	-	(83,270)	-	(91,321)

(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.

Central Bank of Belize

 Notes to the financial statements for the years ended 31 December 2021 and 2020
 (in Belize dollars)

37. Financial risk management (continued)
(iii) Interest rate risk (continued)

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

	As at 31 December 2021	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	-	67.3	38.7	100.3	-	-	-	206.3
Treasury bills	-	-	-	-	-	-	-	-
Treasury notes	-	-	-	-	139.2	238.3	-	377.5
Bonds	-	8.0	-	-	-	-	-	8.0
Debenture	-	-	-	-	-	8.4	-	8.4
Reserve Tranche and balances with the International Monetary Fund	-	-	-	-	-	-	364.9	364.9
Total rate sensitive assets	-	75.3	38.7	100.3	139.2	611.6	-	965.1
Rate sensitive liabilities								
International Monetary Fund' SDR Allocations	-	-	-	-	-	-	304.3	304.3
Total rate sensitive liabilities	-	-	-	-	-	-	304.3	304.3
Interest sensitivity surplus	-	75.3	38.7	100.3	139.2	307.3	-	660.8

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020
(in Belize dollars)

37. Financial risk management (continued)

(iii) Interest rate risk (continued)		1-3 Months	3-6 Months	6-12 Months	1-5 Years	Over 5 years	Total
As at 31 December 2020	On demand/less than 1 month						
Rate sensitive assets							
Fixed deposits	-	21.8	35.4	56.8	-	-	114.0
Treasury bills	-	-	-	-	-	-	-
Treasury notes	-	-	-	-	-	-	-
Bonds	-	-	-	-	12.0	-	12.0
Debenture	-	-	-	-	-	8.4	8.4
Reserve Tranche and balances with the International Monetary Fund	-	-	-	-	-	22.9	22.9
Total rate sensitive assets	-	21.8	35.4	56.8	12.0	31.3	157.3
Rate sensitive liabilities							
International Monetary Fund' SDR Allocations	-	-	-	-	-	15.5	15.5
Total rate sensitive liabilities	-	-	-	-	-	15.5	15.5
Interest sensitivity surplus	-	21.8	35.4	56.8	12.0	15.8	141.8

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020
(in Belize dollars)

37. Financial risk management (continued)

(iii) Interest rate risk (continued)

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

	2021	2020
Balances and deposits with foreign banks	0.05%	0.29%
Other foreign credit instruments - fixed deposits	0.15%	0.54%
Other foreign credit instruments - overnight deposits	0.05%	0.29%
Marketable securities - US Treasury notes	0.98%	0.00%
Marketable securities - bonds	1.63%	1.63%
Marketable securities - debentures	3.50%	3.50%

(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.

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020
(in Belize dollars)

37. Financial risk management (continued)

(iv) Liquidity risk (continued)

As 31 December 2021

Financial assets	On demand/less than 1 month	1-3 Months	4-6 Months	6-12 Months	1-5 Years	Over 5 years	Total
Balances and deposits with foreign banks	7,161,082	-	-	-	-	-	7,161,082
Reserve Tranche and balances with the International Monetary Fund	-	-	-	-	-	145,959,387	145,959,387
Other foreign credit instruments	169,443,779	103,480,898	64,637,822	100,453,698	-	-	438,016,198
Accrued interest and cash-in-transit	1,268,509	-	-	-	-	-	1,268,509
Marketable securities issued or guaranteed by foreign governments and international financial institutions	-	9,999,499	-	-	28,109,938	211,558,243	249,667,681
Balances with local banks and cash on hand	938,617	-	-	-	-	-	938,617
Government of Belize securities	48,990,200	139,739,200	66,008,000	171,741,000	171,389,000	13,622,000	611,489,400
Other assets	-	-	-	20,026,459	-	-	20,026,459
Equity instruments	-	-	-	-	-	20,000,000	20,000,000
Total	227,802,187	253,219,597	130,645,822	292,221,157	199,498,938	391,139,630	1,494,527,332

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020
(in Belize dollars)

37. Financial risk management (continued)

(iv) Liquidity risk (continued)

As 31 December 2021 (continued)

Financial liabilities	On demand/less than 1 month	1-3 Months	4-6 Months	6-12 Months	1-5 Years	Over 5 years	Total
Notes and coins in circulation	-	-	-	-	-	527,779,890	527,779,890
Deposits by licensed financial institutions	-	-	-	630,854,923	-	-	630,854,923
Deposits by and balances due to Government and public sector entities in Belize	-	168,434,145	-	-	-	-	168,434,145
Deposits by international agencies	-	2,324,565	-	-	-	-	2,324,565
Balances due to CARICOM central banks	517,090	-	-	-	-	-	517,090
Other liabilities	-	-	-	26,344,276	-	-	26,344,276
International Monetary Fund SDR allocations	-	-	-	-	-	121,733,841	121,733,841
Commercial banks' discount fund	-	-	-	-	-	1,654,033	1,654,033
Total	517,090	170,758,710	-	657,199,199	-	651,167,765	1,479,642,763
Net liquidity position	227,285,097	82,460,888	130,645,822	(364,978,042)	199,498,938	(260,028,135)	14,884,569

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020
(in Belize dollars)

37. Financial risk management (continued)

(iv) Liquidity risk (continued)

As 31 December 2020

Financial assets	On demand/less than 1 month	1-3 Months	4-6 Months	6-12 Months	1-5 Years	Over 5 years	Total
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	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
Advances to Government of Belize	-	58,419,371	-	-	-	-	58,419,371
Other assets	-	-	-	24,952,391	-	-	24,952,391
Equity instruments	-	-	-	-	-	20,000,000	20,000,000
Total	235,111,506	291,758,775	190,316,299	315,929,853	102,634,499	151,030,957	1,286,781,889

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020
(in Belize dollars)

37. Financial risk management (continued)

(iv) Liquidity risk (continued)

As 31 December 2020 (continued)

Financial liabilities	On demand/less than 1 month	1-3 Months	4-6 Months	6-12 Months	1-5 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	(263,873,921)	102,634,499	(405,437,848)	6,479,293

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020
(in Belize dollars)

37. Financial risk management (continued)

(v) Operational risk

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

Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

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:

	<u>2021</u>	<u>2020</u>
Not later than one year	2,822,324	3,722,059

39. Subsequent events

Subsequent events have been evaluated through 25 April 2022. Several legislative amendments were made to the Central Bank of Belize Act, approved on 31 March 2022 and gazetted on 02 April 2022. These include sections 3,8,9,25 and 40. In section 8 on 'Capital of the Bank', the authorised capital was increased to \$50,000,000, and the paid-up capital was increased to \$40,000,000. In addition, section 9 on General Reserves Fund was amended to indicate that 30% of the Bank's profit will be paid into the General Reserves Fund and the remainder to the Accountant General for the Consolidated Revenue Fund.

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.

