CENTRAL BANK of BELIZE

2017 ANNUAL REPORT
& Statement of Accounts

CENTRAL BANK
of BELIZE

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

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

For the Year Ending 31 December 2017

Cataloging-in-Publication Data

Annual Report and Statement of Accounts for the year ending ... / Central Bank of Belize. Belize City, Belize : Central Bank of Belize, 2017.

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 2017

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Mission

To advance the well-being of Belize by facilitating sustained economic growth, protecting the value of the Belize dollar and assuring a safe, sound and efficient financial system.

Vision

An organization defined by a culture of excellence, leading financial transformation and enabling national development.

List of Acronyms and Abbreviations

Acronyms:

ACP	African, Caribbean and Pacific
AML/CFT	Anti-money Laundering and Combating the Financing of Terrorism
APSSS	Automated Payment and Securities Settlement System
BEL	Belize Electricity Limited
BGA	Banana Growers Association
BSI	Belize Sugar Industries Limited
BSSB	Belize Social Security Board
BTB	Belize Tourism Board
BTL	Belize Telemedia Limited
CAP	Common Agricultural Policy
CAR	Capital Adequacy Ratio
CARICOM	Caribbean Common Market
CARTAC	Caribbean Regional Technical Assistance Centre
CDB	Caribbean Development Bank
CEMLA	Center for Latin American Monetary Studies
CFZ	Corozal Free Zone
CIF	Cost, Insurance and Freight
CPBL	Citrus Products of Belize Limited
CPI	Consumer Price Index
EBS	Enterprise Business System
ECCB	Eastern Caribbean Central Bank
ECCU	Eastern Caribbean Currency Union
ECLAC	Economic Commission for Latin America and the Caribbean
EMS	Early Mortality Syndrome
EU	European Union
FDI	Foreign Direct Investment
FOB	Free on Board
FRN	Floating Rate Notes
FY	Fiscal Year
GDP	Gross Domestic Product
GST	General Sales Tax
IBRD	International Bank for Reconstruction and Development/World Bank
IDB	Inter-American Development Bank
IMF	International Monetary Fund
LDC	Less Developed Countries
MOF	Ministry of Finance
NPL	Non-performing Loans
NPL Ratio	Non-performing Loans (Net of Specific Provisions) to Total Loans
NPS	National Payment System
NRA	National Risk Assessment
OPEC	Organisation of Petroleum Exporting Countries
ROA	Return on Assets
ROC/Taiwan	Republic of China/Taiwan
ROE	Return on Equity
SEA	Securities Exchange Act
SDRs	Special Drawing Rights
SMS	Security Management System
SIB	Statistical Institute of Belize
UHS	Universal Health Services Limited
UK	United Kingdom
US	United States of America

Abbreviations:

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

Conventions:

1. Since May 1976, the Belize dollar has been fixed to the US dollar at the rate of US$1.00 = BZ$2.00
2. The 2017 figures in this report are provisional and the figures for 2016 have been revised.
3. Unless otherwise indicated, the Central Bank of Belize is the source of all tables and charts.

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Directors and Principals

At 31 December 2017

BOARD OF DIRECTORS

John Mencias - Chairman

Nestor Vasquez - Vice Chairman

Nigel Ebanks - Member

Vanessa Retreage - Member (June - December)

Amb. A. Joy Grant - Governor, Ex officio Member

Joseph Waight - Financial Secretary, Ex officio Member

Kareem Michael - Deputy Governor, Ex officio Member (November - December)

Marilyn Gardiner-Usher - Deputy Governor, (Alternate Deputy Governor)

Donna-Marie Neaves-Rostant - Secretary

PRINCIPAL OFFICERS

Amb. A. Joy Grant - Governor

Kareem Michael - Deputy Governor, Economic Intelligence

Marilyn Gardiner-Usher - Deputy Governor, Operations

Timothy Grant - Director, Human Resources

Angela Wagner - Director, Administration

Hollis Parham - Director, Finance

Diane Gongora - Director, Financial Sector Supervision

Azucena Quan-Novelo - Director, Research

I. Rabey Cruz - Director, Information Technology

Effie Ferrera - Director, Internal Audit

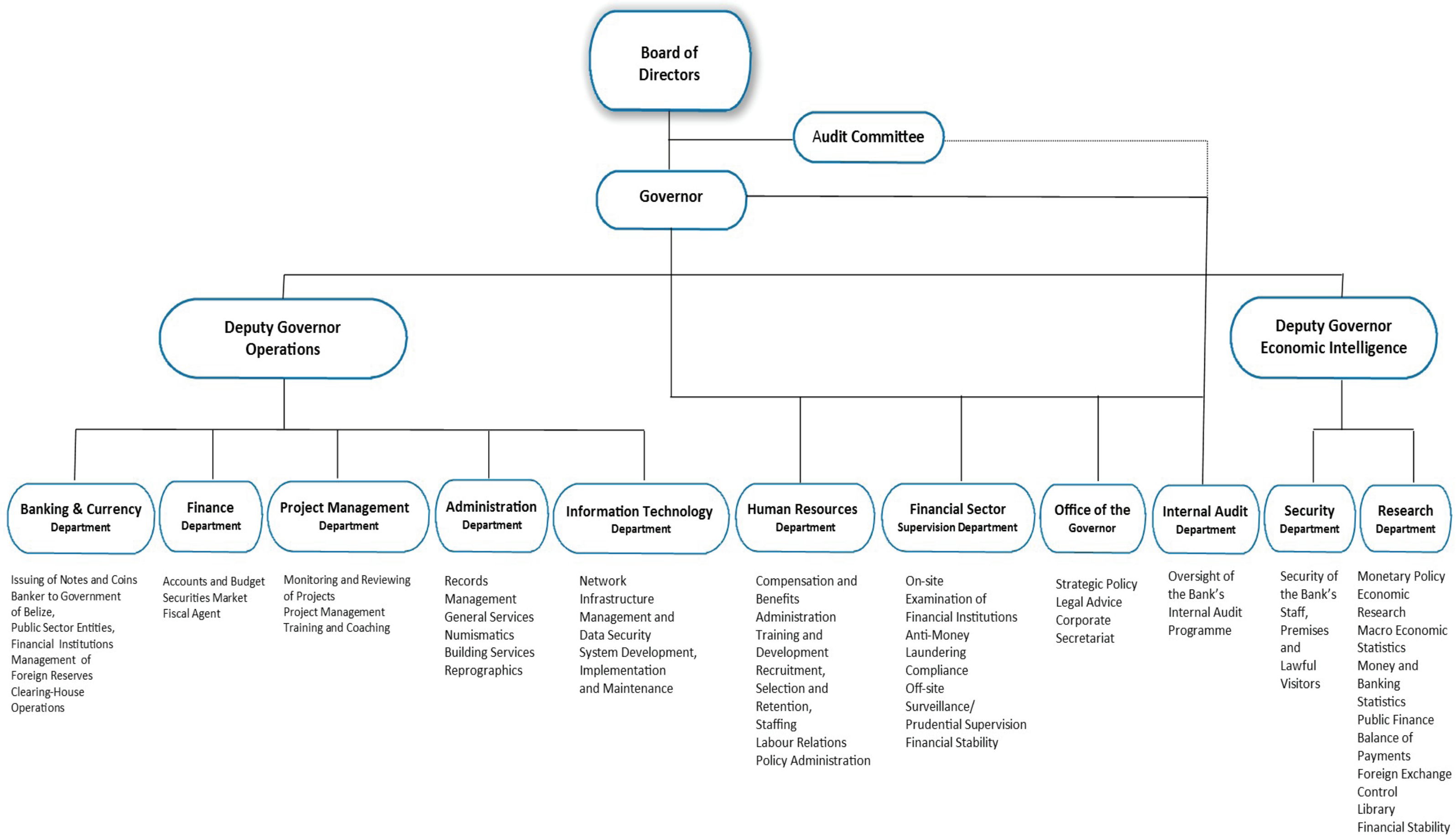
Francis Thomas - Director, Security

Michelle Estell - Director, Banking & Currency

Sheree Smiling Craig - Director, Project Management

Donna-Marie Neaves-Rostant - Legal Officer

Functional Chart



Central Bank Operations

Governance

The Board of Directors of the Central Bank of Belize (the Board) is comprised of three ex-officio members (the Governor, a Deputy Governor and the Financial Secretary) and four other members who are appointed by the Minister of Finance. During 2017, there were two changes to the membership of the Board. Mr. Alan Slusher's appointment expired, and Ms. Vanessa Retreage was appointed to the Board with effect from 1 June 2017 to replace him. Mrs. Christine Vellos, the Deputy Governor - Economic Intelligence, retired from the Central Bank, and Mr. Kareem Michael was appointed as the Deputy Governor - Economic Intelligence on 13 November 2017 to replace her.

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

In 2017, the Board met 12 times to consider 41 board decision papers and 78 information papers. All meetings were held at the Central Bank building in Belize City.

The attendance at meetings of the Board in 2017 was as follows:

John Mencias - Chairman	12
Nestor Vasquez - Vice-Chairman	11
Alan Slusher - Former Member	5
Vanessa Retreage - Member	6
Nigel Ebanks - Member	11
Amb. A. Joy Grant - Governor (ex officio)	12
Joseph Waight - Financial Secretary (ex officio)	11
Christine Vellos - Former Deputy Governor (ex officio)	8
Kareem Michael - Deputy Governor (ex officio)	2
Marilyn Gardiner-Usher - Deputy Governor (ex officio)	12

Conduct of Board Members

Members must satisfy general conditions of qualification of Directors as laid out in section 15 of the Central Bank of Belize Act.

Section 18 of the Central Bank of Belize Act prohibits members of the Board from disclosing information acquired in the exercise of their functions. Additionally, each member of the Board is required to comply with a Code of Conduct, which addresses the commitment of members of the Board to:

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

Audit Committee

The Central Bank's Audit Committee is comprised of one executive and two non-executive members. The Chief Internal Auditor (Mrs. Effie Ferrera) acts as secretary to the Committee. During the year, the two non-executive members of the Audit Committee changed. The chair changed from Mr. Alan Slusher to another non-executive director, Mr. John Mencias, and non-executive director, Mr. Nestor Vasquez, was replaced by the non-executive director, Ms. Vanessa Retreage. The Deputy Governor Operations (Mrs. Marilyn Gardiner-Usher) remained as the executive member on the Audit Committee.

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

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

During the year, the Audit Committee met with the Bank's external auditors to review and discuss the annual financial statements and the external auditor's letter of recommendation prior to Board submission.

Internal Audit

During 2017, Internal Audit conducted independent assessments and closely monitored the Bank's operations to provide assurance that its risk management, governance and internal control processes were operating effectively. Assurance audits were conducted on treasury functions, banking operations, securities auctions, staff benefits and fixed assets. Reports on the audits were shared with the Audit Committee, and the Audit Committee Chair updated the Board on the matters discussed and the Committee's recommendations.

Monetary and Financial Stability

The Central Bank focused on maintaining monetary and financial stability during the year. Notwithstanding a reduction in the foreign assets of the banking system, the Belize dollar remained pegged to the United States (US) dollar, while the overall health of domestic banks improved.

Liquidity tightened but was still notably in excess of statutory requirements, as the Government accessed funds from the domestic banking system to finance the final settlement payments for the acquisition of Belize Telemedia Limited (BTL). Further, domestic banks' credit to the private sector grew marginally due to loan write-offs, even as interest rates continued to decline. Consequently, the Central Bank kept the statutory and cash reserve requirements unchanged at 23.0% and 8.5%, respectively. In the Treasury bill market, roll-overs were largely undersubscribed for most of the year because of the low yields. The Central Bank, as buyer of last resort, bought the residual balances at a premium in order to nudge yields higher and encourage more participation. By year end, the weighted average yield had increased by 112 basis points to 1.17161%, and participation in the auctions expanded.

Government financed the BTL settlement payment through the sale of part of its shares in BTL and Belize Electricity Limited (BEL) and the net issuance of $190.0mn in new securities. As these securities and shares were bought by domestic banks, institutional investors and other entities, domestic banks' excess cash balances fell by 33.3% to a level that was 128.1% above the legal requirement. However, since the settlement payment was in US dollars, the foreign reserves were impacted. Consequently, international reserves declined from 4.5 months of merchandise import coverage in 2016 to 4.0 months by year end. The regional benchmark is 3.0 months of import coverage for goods and services.

In other developments, the restoration of correspondent banking services to all domestic banks returned cross-border payments largely to normalcy, although some services like the acceptance of US dollar cheques remained restricted. On the prudential front, the final set of write-offs on legacy loans associated with the 2011 loan loss provisioning standards occurred during the year. The resulting improvement in asset quality and profitability increased the stability index for domestic banks from 0.51 in 2016 to 0.68.

Strategic Initiatives

The Central Bank continued to execute its four-year strategic plan in 2017 with the following key objectives:

- Improve financial service regulations and infrastructure;
- Improve efficiency/effectiveness/timeliness of advice and banking services provided to the Government;
- Improve work output quality and quantity; and
- Assure readiness of human, information and organisational capital for strategy execution.

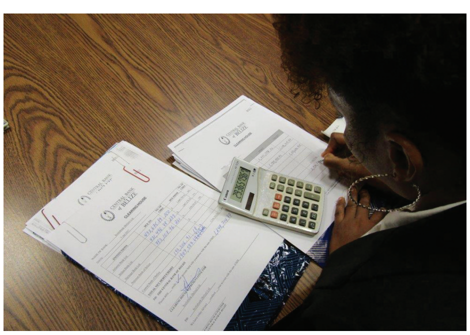
During the year, the Central Bank made notable progress in advancing its major strategic objectives:

- Automation of cheque processing under the National Payment System (NPS) project.
- Implementation of the human resource module of the Enterprise Business Solution (EBS) project.
- Selection of a solution for the Security Management System (SMS) project.
- Enhancement of security posture against cyberthreats.
- Integration of monetary and financial time series database into workflows.
- Initiation of a National Financial Literacy and Inclusion project and a Securities Exchange Act (SEA) project.

National Payment System Project

In July, the automation of cheque processing replaced the manual system, in which staff of the domestic banks met at the Central Bank to physically exchange cheques for clearing and settlement. The receipt of funds were available to recipients by the end of the next business day instead of the customary three to seven days. The Central Bank also conducted a public awareness campaign about the new service, to encourage the use of electronic payments and to contribute to financial literacy on

In July, automated cheque processing was implemented.



Final Manual Cheque Clearinghouse at the Central Bank of Belize

Lunch and Learn with the Business Community

this subject in Belize. With the enactment of the NPS Act in February, the Central Bank sought technical assistance to develop a sound oversight framework for payment systems.

Enterprise Business Solution Project

In 2017, the human resource module of the enterprise business system was implemented, which involved streamlining of daily processes. This new module enhances services to employees by improving data collection, reporting and decision-making.

Security Management System Project

The Central Bank's modern security management system, which will mitigate potential threats, progressed further in 2017. The design and procurement of the


Discussion on SMS Project between Consultant and Security Officers

"The Central Bank's modern security management system, which will mitigate potential threats, progressed further in 2017."

system's electronic backbone, which will be fully integrated with other internal networks, were completed during the year. The new system will use advanced authentication methods to improve overall security.

National Financial Literacy and Inclusion Project

A national financial literacy and inclusion programme was added to the slate of projects. The project aims to increase the public's knowledge on money matters as well as help individuals, households and businesses access/use financial services and make responsible financial decisions. Work began on identifying technical assistance for the development of a national strategy framework and implementation plan, which should be completed in the upcoming year.

"A national financial literacy and inclusion programme was added to the slate of projects."

Securities Exchange Act Initiative

To support the development of a domestic capital market, the Central Bank consulted on the feasibility of improving the depth and efficiency of the securities market in Belize. The Securities Exchange Act will govern the operation of a capital market and protect investors and market participants.

"The Securities Exchange Act will govern the operation of a capital market and protect investors and market participants."

Time Series Database Management System

The Time Series Database Management System completed its first year in production during which the focus was to end parallel processes with the previous systems, document the new processes and procedures, fine-tune operations and improve the business continuity readiness. By the end of the year, the routine processing of monetary and financial statistics was proceeding smoothly, and weekly, monthly and quarterly reports were being generated by the system.

Information Security Initiatives

The escalating threat of cyberattacks caused the Central Bank to ramp up countervailing security measures as well as heighten staff awareness of weaknesses exploited by such attacks. Email security improved with the ability to encrypt information exchanged with another organisation and with enhanced email scanning. In addition, the network operating and real time scanning systems were upgraded, while security checks were conducted on systems interfacing with the internet. In a related effort, SWIFT required that all member institutions comply with a number of mandatory security controls by the end of 2017 in response to the spate of cyberattacks against banks and its messaging systems. The Central Bank submitted its self-assessment indicating compliance with mandatory controls to SWIFT in November.

Human Resources

Guided by its objective of assuring human, information and organisational capital, the Central Bank maintained focus on fostering a highly engaged, motivated and satisfied workforce and building competency through specialised employee training.

Training and Development

Staff of the Financial Sector Supervision and Research Departments further strengthened their technical competencies by participating in trainings provided by the International Monetary Fund (IMF), US Federal Reserve, CEMLA and CARTAC in subject areas pertaining to supervision of banks and credit unions, fiscal sustainability, detection of financial crimes, financial sector interconnectedness and assessment of systemically important financial institutions as well as monetary and financial statistical frameworks. Similarly, staff of the Internal Audit Department received training on the detection of money laundering, and all heads of department participated in a risk management seminar for information systems. Banking and Currency Department staff attended seminars on coin management and financial market infrastructure, while staff of the Information Technology Department participated in training on CISCO switch implementation and Cyber Risk Regulatory Approach. To increase their versatility and background knowledge, Security Officers participated in first-aid training and on-line security safe-keeping exercises. Other staff at the professional, supervisory and auxiliary levels participated in various in-country and on-line training programmes covering emotional intelligence, financial programming, macroeconomic diagnostics, the Commonwealth Secretariat Debt Recording Management System, records management and human resources management.

Having successfully installed the time series database management system at the end of 2016, the Bank held a refresher training in Janaury for staff and the financial

Emotional Intelligence Training

institutions. The workshop expanded participants' knowledge of the web-based reporting platform and demonstrated new system features.

Staffing and Employee Relations

At year end, the Central Bank's staff complement was 194. Eighteen persons joined the Bank during the year. There were 10 promotions: one to the management grade, two to the professional grade one, two to professional grade two, one to security officer grade one and four to the senior auxiliary grade. The Bank's turnover rate for 2017 was 4.95%, compared to 4.55% in 2016.

At the Annual Employee Recognition Ceremony, employees who reached notable milestones during the period, 1 July 2016 to 30 June 2017, were recognised and rewarded. Twenty-two employees were rewarded for their commitment and long service to the Bank. Long service awards consisted of 10 employees for 10 years of service, four for 15 years, one for 20 years, four for 25 years and three for 30 years. Furthermore, with effective teamwork being promoted across the organisation, employees were recognised for their contribution to teams that completed strategic cross-functional projects.

Corporate Relations/Community Service

The Central Bank facilitated internships for seven students at the university and junior college levels to meet their core requirements for graduation. In addition, nine senior high school students completed work-study programmes at the Central Bank, and eight students pursuing their Bachelor's and Associate's Degrees were hired under the Summer Employment Programme and given the opportunity to develop their skills and gain practical job experience.

The Central Bank and its staff also donated to the annual Salvation Army Christmas Appeal, the Belize Cancer Society and the Kidney Association of Belize. Bank staff also participated in the Annual Cancer Walk in solidarity with those afflicted by cancer and participated in the Fifth Annual Labour Day Clean-up Campaign in Belize City.

As part of its Cultural Outreach Programme, Central Bank staff donated school supplies and office equipment to faculty and needy students of a primary school in the Belize District. The Staff Club organised social events that included the Family Day, Easter Egg Hunt for staff children and Christmas Party. The Banker's Christian Fellowship joined in these efforts, continuing to engage in monthly praise and worship services and community outreach throughout the year.

Caribbean Centre for Monetary and Finance XLIX Annual Monetary Studies Conference

The Central Bank, in collaboration with the Caribbean Centre for Money and Finance, hosted the XLIX Annual Monetary Studies Conference at the Radisson Fort George Hotel from 8 to 10 November 2017. Economic practitioners and academicians from across the Caribbean, as well as from financial institutions and universities in the United States, Europe and Belize, gathered to present and discuss research on economic and financial issues affecting the Caribbean region. The conference theme was "Repositioning Small States for New Global Realities: Prospects and Challenges", and presentations focused on topical issues such as financial system challenges, fiscal and debt management issues, investment and trade, and climate change and its impact on development. Economists from the Central Bank presented two papers at the Conference: "Assessing Debt Sustainability in Belize" by Emory Ford and Lylia Roberts and "An Analysis of Private Sector Credit Growth in Belize: A VECM Approach" by Paula Perez.

The Adlith Brown Memorial Lecture, which is a cornerstone event, was presented by the Honourable Dr. Carla Barnett, Minister of State in the Ministry of Finance and Natural Resources, past Deputy Governor of the Central Bank of Belize and a much accomplished Caribbean economist. Dr. Barnett's presentation focused on challenges facing small states, with specific reference to two key areas – the exclusion from the normal operations of international financial markets, as it relates to the challenges of correspondent banking relationships, and climate change and its potential widespread effects on socio-economic landscapes. Dr. Barnett was only the third woman to deliver the lecture in its 32-year history.

Participants at the XLIX Annual Monetary Studies Conference

Oversight of the Financial System

With the re-establishment of international correspondent banking and payment services for domestic and international banks, cross-border financial flows stabilised during the year. The Central Bank maintained its enhanced monitoring programme, which led to continued improvements in financial sector performance. Notable loan write-offs that finally brought all loans in conformity with the loan loss provisioning standards instituted in 2011 and 2013 improved the quality of the loan portfolio of the financial institutions. As a consequence, the ratio of non-performing loans (net of specific provisions) to total loans (NPL ratio) further decreased and stood below the international threshold of 5.0% for all sectors (domestic banks, credit unions and international banks) at year end. All sectors also remained profitable and above the minimum capital requirements.

"The Central Bank maintained its enhanced monitoring programme, which led to continued improvements in financial sector performance."

In other developments, the process to liquidate four inactive credit unions was initiated during the year with the objective of streamlining the sector.

Examinations

In fulfillment of its responsibilities to assure a safe, sound and efficient financial system, the Central Bank conducted on-site examinations of three domestic banks, two international banks and three credit unions during the year to assess compliance with the applicable laws, regulations and mandated prudential requirements, including compliance with anti-money laundering and combating the financing of terrorism (AML/CFT) legislation and guidelines. The on-site inspections were complemented by continuous off-site surveillance based on the regular submission of performance and other ad hoc reports by the regulated institutions.

Moneylenders

The Moneylenders (Amendment) Act, enacted on 1 April 2017, transferred oversight responsibilities for moneylenders from the Ministry of Finance to the Central Bank. The Moneylenders Regulations also became effective on 25 November 2017 and covered operational issues such as licensing requirements, licence fees and conditions, interest rate and fees, and disciplinary actions for compliance failures. As Registrar, the Central Bank is responsible to ensure that moneylenders operate transparently, soundly and in compliance with the law. The preceding will be done through on-site examinations, off-site surveillance and the provision of guidelines to assist moneylenders in meeting their legal obligations and implementing measures to identify and mitigate AML/CFT risks. Up to 31 December 2017, the Central Bank had licensed 42 moneylenders to operate moneylending businesses and/or pawn shops.

National Risk Assessment (NRA)

The work of the NRA in preparation for the Fourth Round of Mutual Evaluation by the Caribbean Financial Action Task Force continued in 2017. The Central Bank chaired the Banking Sector and Other Financial Services Sector Working Groups, which were responsible to assess money laundering and terrorist financing threats and vulnerabilities of these sectors.

Beginning March, all the NRA working groups embarked on a data collection process, which included questionnaires, on-site examinations and focus groups. As part of this work, the Central Bank conducted AML/CFT risk-focused on-site examinations of all domestic banks, international banks, credit unions, remittance service providers and 10 moneylenders. The examinations assessed the entities' operations and controls to deter money laundering and to comply with the requirements of the Money Laundering and Terrorism (Prevention) Act. Based on the findings, the relevant institutions were required to address deficiencies within a specified timeframe.

In December, working groups submitted individual sector reports to the Financial Intelligence Unit, chair of the NRA exercise. These will feed into the country NRA report due for completion in 2018.

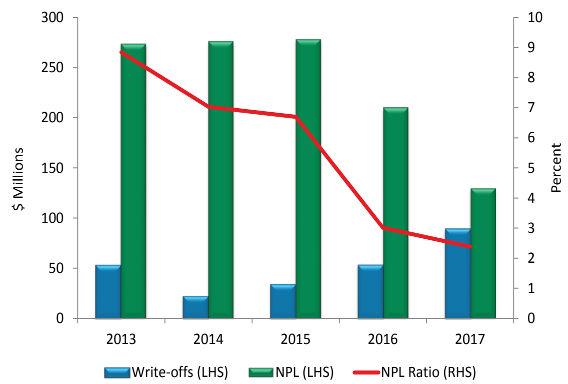
Resolution Plan

During the year, the Minister of Finance and the Central Bank approved the Resolution Regime for Banks (the Plan). The Plan resulted from an agreement between the Governors of the Caribbean Group of Banking Supervisors to have member countries develop national plans for the management of banking crises, especially in light of the 2007/2008 global financial crisis. Its objective is to preserve the stability of the country's financial system and mitigate potential contagion risk arising from a systemically important banking institution being in crisis. The Plan calls for the participation of a broad cross-section of stakeholders to effectively manage the banking crisis and sets out a strategy of coordinated intervention. Over time, it will have to be updated and expanded periodically to remain relevant and in line with developments in the banking system.

Domestic Banks

During the year, domestic banks continued to improve their balance sheets with the NPL ratio reducing even further from 3.0% to 2.4% due to loan write-offs of $88.9mn, which finally brought all loans in conformity with the loan loss provisioning standards implemented by the Central Bank on 1 December 2011. Since 2011, non-performing loans (NPL) have decreased by $202.7mn, setting the stage for greater resilience in domestic banks' performance.

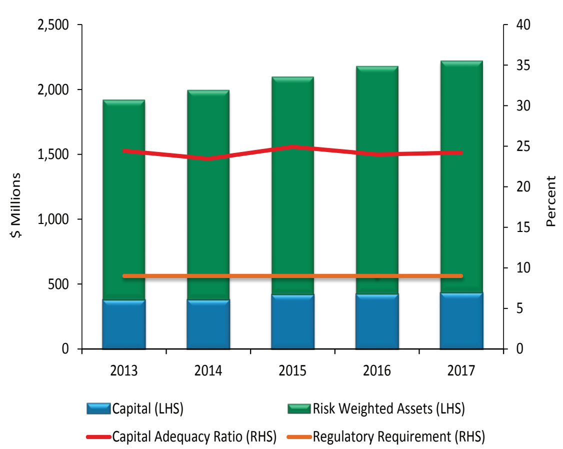
Chart 1.1: Domestic Banks - Asset Quality



The improvement in the banks' loan portfolios with the lowering of the NPL, a $36.0mn reduction in provisioning expenses, plus a $78.6mn increase in investments (mainly Treasury notes) contributed to a doubling of profits from $20.3mn in 2016 to $41.6mn. As a result, the annual return on assets (ROA) increased from 0.6% in 2016 to 1.3%, and return on equity (ROE) likewise rose from 4.8% in 2016 to 9.2%, compared to the international benchmark of 1.0% for both indicators.

Over the year, the aggregate capital of the banking system rose by $18.6mn to $463.1mn due to an expansion of $12.4mn in share capital and

Chart 1.2: Domestic Banks - Capital Adequacy



the modest growth in retained earnings after the repatriation of $24.0mn in profits. Consequently, the capital adequacy ratio (CAR) edged up from 24.0% in 2016 to 24.2%, compared to the 9.0% regulatory requirement. The system's CAR, nonetheless, continued to mask a wide disparity among banks, with CARs ranging from 14.1% to 107.4%.

Credit Unions

In 2017, the aggregate asset base of the sector increased by 4.0% to $943.4mn. This expansion was attributable, in large part, to a $36.0mn growth in investments (mostly Treasury notes) to $68.9mn, as loans grew by a modest $1.5mn

Chart 1.3: Credit Unions - Non-performing Loans

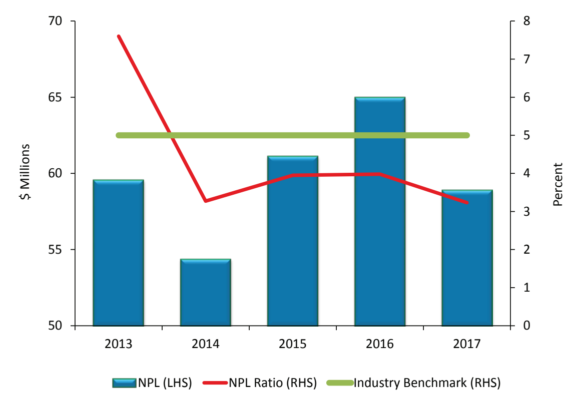
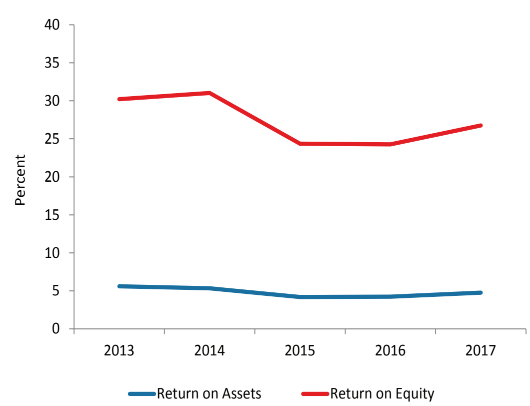


Chart 1.4: Credit Unions - Profitability



to \$623.3mn due to loan write-offs of \$7.9mn. The latter excision reduced NPL to \$58.9mn and the NPL ratio from 4.0% in 2016 to 3.2%, with each credit union now falling below the 5.0% benchmark.

With aggregate profits up by 11.9% to \$46.2mn year-on-year, improvements were recorded in the ROA (from 4.2% to 4.8%) and the ROE (from 24.3% to 26.8%). Credit unions remained adequately capitalised with the net institutional capital ratio increasing from 10.6% in 2016 to 11.6% and each institution being above the 10.0% legal requirement.

Box 1: Liquidation of Credit Unions

In 2017, the Central Bank made the decision to liquidate four insolvent credit unions. This decision was taken in light of these institutions reporting several years of losses and the erosion of capital due to high levels of NPL of members, large debts owed by the credit unions and significant unreconciled loan and deposit balances.

In March, pursuant to section 68 of the Credit Unions Act, the Registrar gave the notice of intent to liquidate the following credit unions:

1. Police Credit Union Limited;
2. Mount Carmel Credit Union Limited;
3. Citrus Growers and Workers Credit Union Limited; and
4. Civil Service Credit Union Limited.

The credit unions had 30 days within which to appeal the liquidation. With only one institution making an appeal, the liquidation procedure began for the other three institutions under the auspices of the liquidator appointed by the Registrar.

Having made an appeal, Civil Service Credit Union Limited (CSCU) had to present a comprehensive capital restoration and strategic plan to place the institution on viable footing. The plans submitted did not accomplish this, and the Registrar proceeded with CSCU's planned liquidation in September.

Since these entities were insolvent for many years, the impact of their liquidations was restricted to credit union members and employees. Currently, all four credit unions remain under liquidation, with the liquidator making every attempt to collect on outstanding loans in order to satisfy the credit unions' debts, and where possible, repay members' shares and deposits,

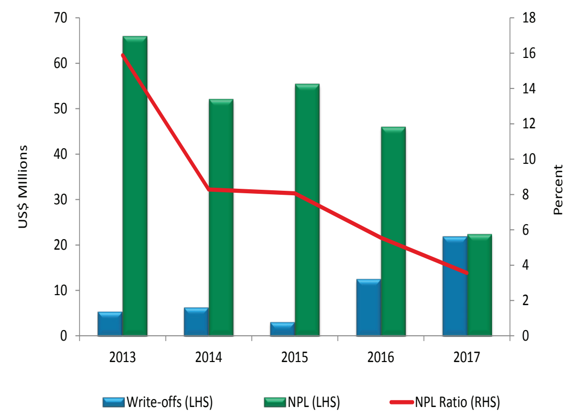
International Banks

As a result of the de-risking phenomenon sweeping the region in 2015 and 2016, international banks' deposits decreased in the two years by 38.4% to US$398.3mn by the end of 2016. However, with the re-establishment of correspondent banking relationships, this trend reversed and deposits rose by US$24.6mn to US$422.9mn in 2017.

Continued efforts to clean up balance sheets resulted in an additional US$21.9mn in loan write-offs. A further US$8.3mn in NPL was retired with funds obtained from the sale of collateralised properties. As a consequence, the group's loan portfolio declined from US$257.0mn in 2016 to US$209.0mn, and the NPL ratio fell below the 5.0% benchmark from 5.6% to 3.6%.

Profits notably increased by US$12.9mn to US$17.0mn, mostly due to a US$16.0mn reduction in provisioning expenses. As a result, improvements occurred in the ROA (from 0.8% in 2016 to 3.3%) and ROE (from 5.2% in 2016 to 20.2%). However, the aggregate capital remained virtually stable at US$70.5mn, since US$10.9mn was repatriated in dividends during the year. The group remained more than adequately capitalised

Chart 1.6: International Banks - Asset Quality



with a CAR of 22.5%, more than double the legal requirement of 10.0%. Of note, however, is the sizeable disparity in individual CARs, which ranged from 13.2% to 64.5%.

Central Bank's Financial Performance

After hovering at $1.2bn for three consecutive years, Central Bank's total assets declined by 10.0% to $1.1bn, with foreign assets decreasing by $129.3mn, while domestic assets increased by $9.4mn. The sharp plunge in foreign assets was mainly attributable to Government's final external payment of $197.2mn to the Ashcroft group of

Chart 1.5: International Banks - Asset and Liabilities

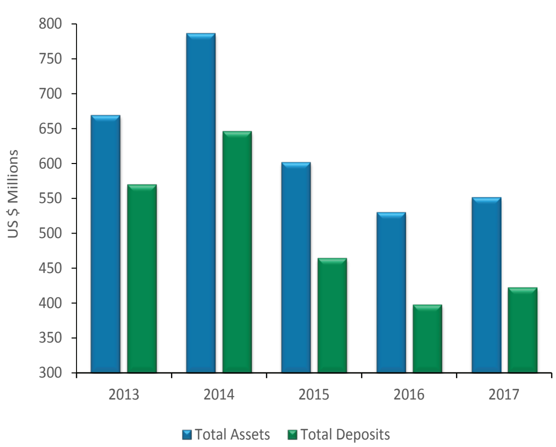


Chart 1.7: Central Bank of Belize Assets

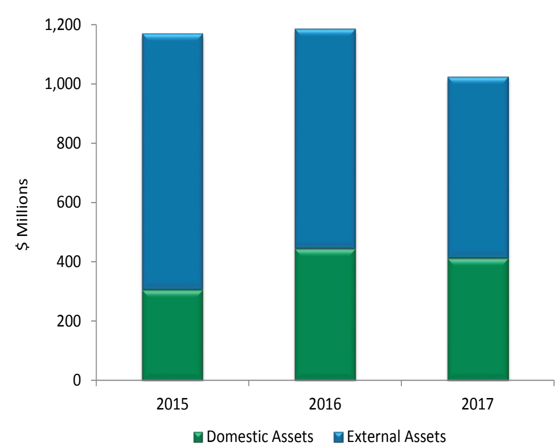
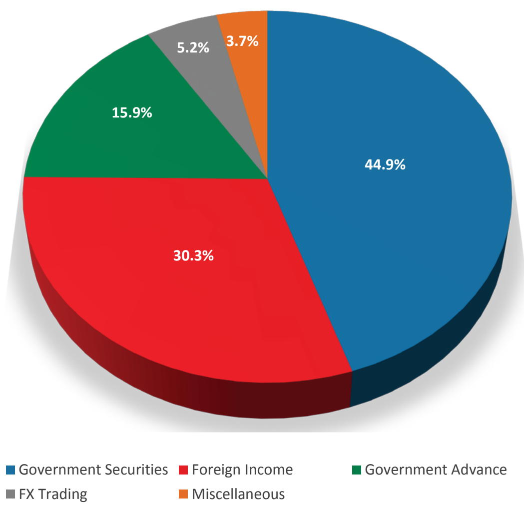


Chart 1.8: Foreign and Local Income



companies (Dunkeld International Investment Limited and The Trustees of the BTL Employees Trust) to settle liabilities for the acquisition of BTL in July and November.

In tandem with the reduction in assets, gross income decreased by $3.4mn to $28.2mn with 69.7% derived from local sources such as government securities, the Central Government's overdraft facility and foreign exchange trading. At 44.9%, Government securities contributed the largest share of income. Notwithstanding a 17.4% fall during the year, foreign assets accounted for 30.3% of total income. An improvement in international interest rates held the decline in foreign income earnings to just $0.6mn.

Expenditure rose by 0.6% to $20.8mn, with staff costs, interest and currency payments, and other administrative and operating outlays representing 53.7%, 12.5% and 33.8%, respectively. The amount expended was $4.0mn below budget due mostly to the rescheduling of strategic projects and vacant positions in the Bank. With lower earnings garnered from foreign and local sources, the Bank's net operating surplus decreased by $3.8mn to $7.1mn.

The surplus of $7.1mn will be distributed in accordance with the Central Bank of Belize Act, Section 8(4) (amended in 2016) and Section 9(1). As per Section 8(4), $0.2mn of the projected surplus will be used to complete the increase in the Bank's authorised capital from $10.0mn to $20.0mn. Of the remaining surplus, $6.2mn or the 90.0% that is Government's customary share will be paid into the Government's Consolidated Fund. The other $0.7mn, representing 10.0%, will be applied to the Central Bank's General Reserve Fund.

Foreign Exchange Operations

The Central Bank's foreign currency trading in US dollars, Canadian and Pounds Sterling with the Government, public sector entities, commercial banks, foreign government agencies and regional central banks resulted in net foreign currency sales of $132.9mn in 2017. The largest receipts came from the Republic of China (ROC)/ Taiwan (US$38.9mn), Belize Sugar Industries (US$36.3mn), the international ship and company registries (US$16.4mm) and Alba Petro-Caribe (US$8.9mm). An aggregate amount of US$28.6mn came from various multilateral lending agencies, which included the Caribbean Development Bank (CDB), the Organisation of Petroleum Exporting Countries (OPEC) Fund, the International Bank for Reconstruction and Development (IBRD) and the Inter-American Development Bank (IDB).

The largest external payments were to facilitate the Government's final settlement with Dunkeld International Investment (US$78.3mn) and the BTL Employees Trust (US$20.3mn) as well as the March and August interest payments, which summed to US$26.2mm, on the 2034 bond. The interest payment, which is customarily due on

Chart 1.9: Trade in Foreign Currency

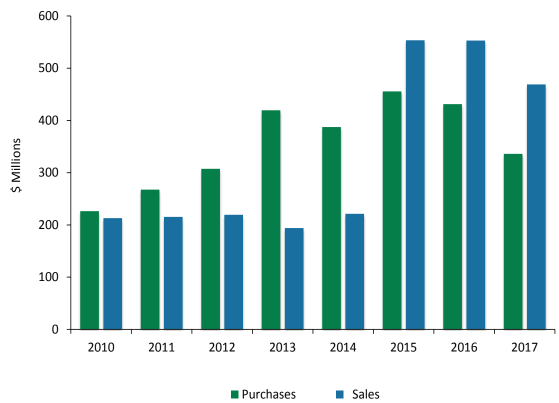
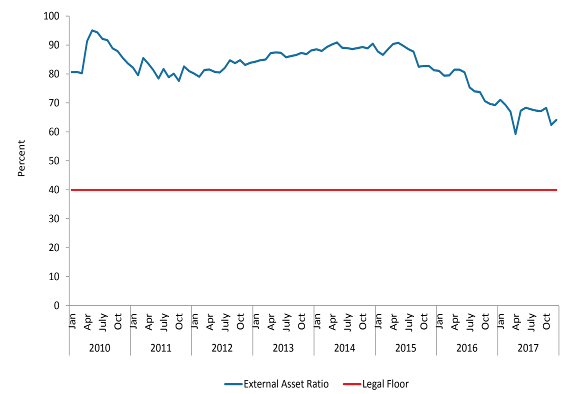


Chart 1.10: External Asset Ratio



the bond in February, was temporarily shifted to March because of the debt restructuring exercise.

Trading in CARICOM currencies resulted in annual net sales of $2.7mn, which were mostly for settlement of official transactions.

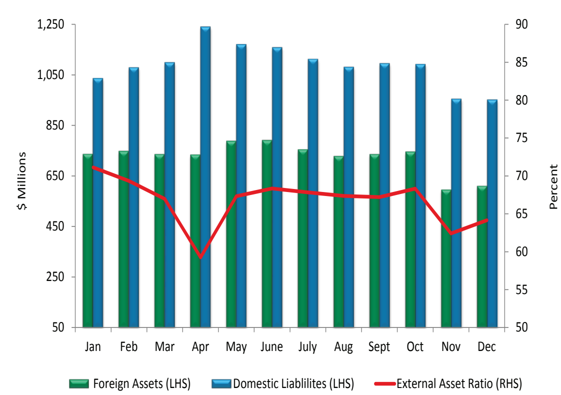
External Asset Ratio

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

The Central Bank began the year holding $741.4mn in foreign assets. During the first six months, holdings peaked at $792.7mn in June, after which they plummeted mostly due to the final BTL settlement payments. The first and smaller portion paid in July initiated the decline, and the lowest point of $596.9mn was reached in November, when the much larger portion of the settlement payment was made. Thereafter, modest gains raised the Bank's foreign assets by year end to $611.8mn, which was 17.5% lower than its December 2016 position. The Bank's holdings consisted of 84.8% in cash and fixed deposits, 2.9% in foreign securities and 12.2% in Special Drawing Rights (SDRs).

The external asset ratio began the year at its highest point of 71.1%. Thereafter, the ratio declined to its lowest point of 59.2% in April due to the semi-annual interest payment on the 2034 bond in March and a surge in Government deposits with the proceeds from the sale of $185.0mn in securities to the Central Bank. Sizeable external loan inflows in May, most of which came from Taiwan, contributed to a recovery in foreign

Chart 1.11: Monthly External Asset Ratio



assets, while domestic liabilities decreased with funds being used by bank and non-bank entities to purchase Government securities in May and June. As a consequence, the external asset ratio recovered to 68.3% in June.

The first BTL payment in July lowered the ratio to 67.8%, and this fell further in August to 67.4% with the second interest payment on the 2034 bond. A modest build-up in foreign assets, with domestic liabilities holding almost steady, pushed up the ratio to 68.3% by October. The second and final BTL settlement payment in November reduced the ratio by almost six percentage points to 62.4%, as foreign assets fell faster than domestic liabilities. In December, the ratio recovered somewhat due to a modest increase in foreign assets and a decrease in domestic liabilities, owing to an increase in currency held by the public. Consequently, the external asset ratio ended the year at 64.1%.

Domestic Banks' Cash Reserves

Domestic banks' cash reserve requirement remained fixed at 8.5% of average deposit liabilities throughout 2017. For the first four months of the year, excess cash holdings averaged $419.2mn. The purchase of $175.0mn in floating rate Treasury notes in May and June by bank and non-bank entities reduced excess cash holdings by 35.0% to an average of $272.3mn for the rest of the year. Excess cash balances ended the year at $284.0mn, following a modest increase from the lowest value of $259.4mn reached in July.

Currency Operations

The Central Bank is responsible for ensuring an adequate supply of notes and coins is available to meet public demand. As the sole issuer of the Belizean currency, the Bank continues to replace mutilated banknotes unfit for circulation. In 2017, unfit banknotes valued at $99.5mn were withdrawn from circulation, and $106.0mn in new banknotes was issued. By year end, the total value of banknotes in circulation had increased by 3.6% year-on-year to $352.4mn. Similarly, the total value of coins in circulation increased by 6.2% to $30.9mn. The total value of notes and coins in circulation at year end was $383.4mn, representing a year-on-year increase of 3.8%. The ratio of notes and coins remained constant, with banknotes accounting for 92.0% of the currency in circulation. With the notable growth of banknotes in circulation, mainly during the Christmas holidays, cash held in the vaults of the domestic banks and currency held with the public increased to $58.2mn and $325.2mn, respectively. The overall expansion in currency

Chart 1.12: Domestic Banks - Cash Reserves

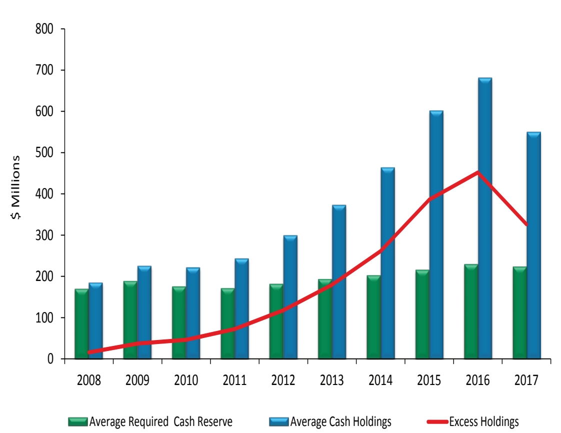
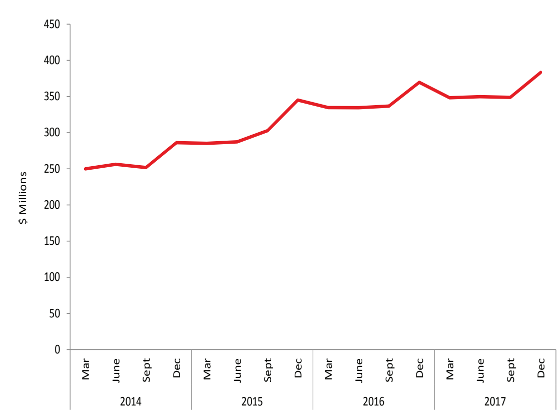


Chart 1.13: Currency in Circulation



in circulation in 2017 can be attributed in part to the infrastructural projects being undertaken throughout the country and increased employment in service industries, which tend to be the labour intensive, cash-wages sectors of the economy.

Inter-Bank Market

The inter-bank market was dormant throughout the year due to the excess liquidity in the banking system. There were no offers to lend or requests to borrow in 2017.

Transactions with Central Government

At 8.5% of current revenue collected during the preceding fiscal year, the ceiling on advances, which the Central Bank can legally extend to Central Government through the overdraft facility, was $85.3mn for the 2017/2018 fiscal year. The Government maintained the balance on its overdraft account comfortably within the legislated ceiling throughout the year mostly by the issuance of new securities, tax receipts, user fees from the international business company and ship registries and foreign loan disbursements.

In the first quarter of the year, the overdraft balance averaged $48.6mn, as the Government issued Treasury bills and notes in February and

Chart 1.14: Annual Inter-bank Market Activity

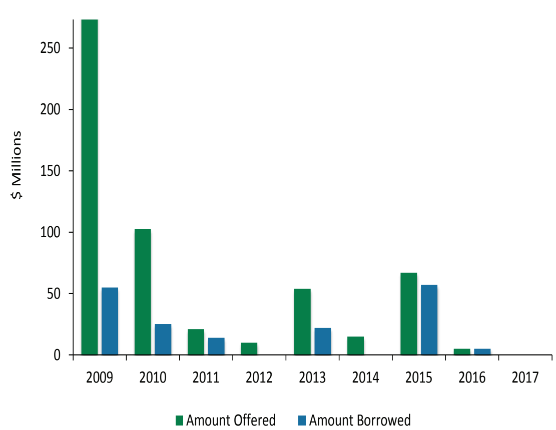
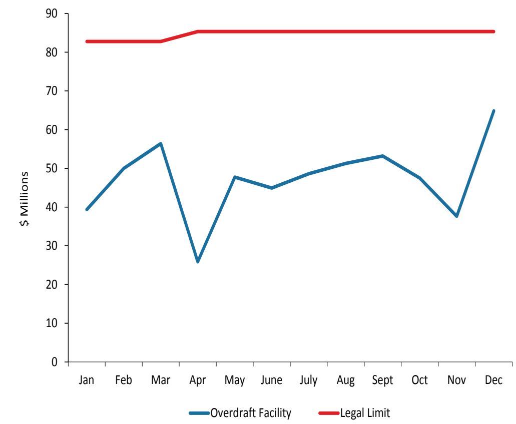


Chart 1.15: Overdraft Financing to Central Government



March to meet the deferred interest payment on the restructured 2034 bond in March and the customary settlement of year-end fiscal liabilities. The average balance declined to $39.5mn during the second quarter and reached its lowest point in April when $185.0mn in new Treasury notes and $50.0mn of government shares in the utility companies were sold. Subsequent pressures on the Government's finances to meet the second interest payment on the 2034 bond in August, the first and smaller portion of the BTL settlement amount, and other liabilities, raised the average balance to $51.0mn during the third quarter. The larger and final settlement payment for BTL was comfortably met in November from the proceeds of new securities issued earlier and the sale of Government shares in the utility companies. At the end of December, the overdraft balance stood at $47.2mn, which was 55.3% of the legal limit.

Treasury Bills

In preparation for the issuance of securities to raise funds to complete the BTL settlement payments in 2017, the Government adjusted the ceilings on Treasury bills to $400.0mn and Treasury notes to $1.0bn in February. The issuance of $30.0mn in six-month Treasury bills in the same month raised the outstanding amount to $245.0mn, where it remained for the rest of the year.

Given the high levels of liquidity in the banking system, Treasury bill yields started the year at very low rates, which considerably dampened appetites and left only two banks participating in the market for most of the year. In addition, some participants surrendered part or all of their holdings in favour of the higher-yielding Treasury notes, which were sold to bank and non-bank entities in January and May. All auctions during the year were undersubscribed. The Central Bank, as buyer of last resort, bought the residual amounts at a premium in order to nudge the yields upwards and attract more participants back into the market. As a result, the yield on Treasury bills started the year at 0.05% and gradually increased in successive auctions to 1.16% by August, after which the Bank bought the residual at the average yield. The year ended with the yield at 1.17% and an improvement in market participation with the addition of a third domestic bank and a credit union. Secondary trading in Treasury bills in very modest amounts with a few non-bank entities purchasing from the Central Bank also recommenced in November.

Chart 1.16: Treasury Bill Yield

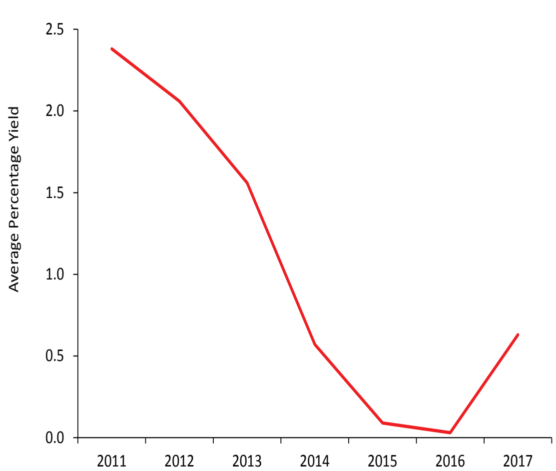
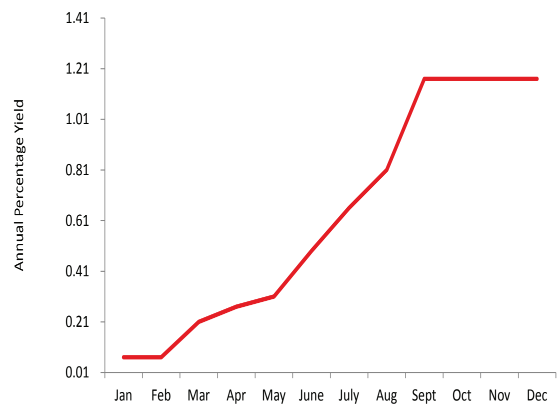
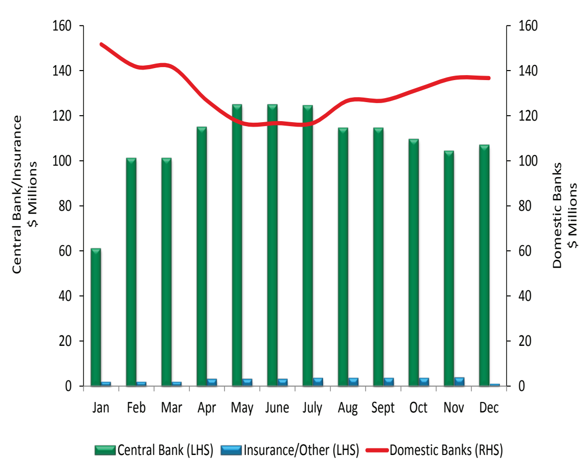


Chart 1.17: Treasury Bill Yield



In January, domestic banks held Treasury bills worth $151.7mn (70.6% of the total), which declined to a low of $116.7mn in May and remained at that level for June and July. Thereafter, holdings increased gradually to $136.7mn in December, which represented 55.8% of the total. In contrast, the Central Bank started January with holdings of $51.3mn (23.9% of the total), and its monthly holdings gradually increased to $124.9mn in May, remained steady for the next two months, and then successively decreased to end the year at $106.8mn (43.6%), as appetite for Treasury bills improved.

Chart 1.18: Allocations of Treasury Bills



Treasury Notes

The stock of Treasury notes increased by 33.3% ($160.0mn) to $640.0mn in 2017 with the Government issuing tranches in March, April and May to enable it to meet the second and final BTL payment. Following a $20.0mn issuance in March, the Government issued another $185.0mn in April, of which $50.0mn was retired in the same month using the proceeds from the sale of Government shares in the utility companies to the Belize Social Security Board (BSSB). In May, floating rate notes (FRN), indexed to the annual inflation rate, were introduced to the market in one, two, five, seven and 10-year tranches. While the offer was for $140.0mn, oversubscriptions were accepted that raised the FRN issuance to $175.0mn. The proceeds from these notes were used subsequently to retire $170.0mn in Treasury notes held by the Central Bank, including some of the higher-yielding fixed-rate notes. Meanwhile, the largest secondary trading occurred in January, when the Central Bank sold $37.5mn from its portfolio of Treasury notes. The attractive coupon rates in the current low-interest environment and limited investment options sparked interest in the Treasury notes. Market participants included the domestic banks, institutional investors (insurance companies, credit unions and pension funds) and other non-bank entities, including individuals.

Chart 1.19: Treasury Note Yield Curve

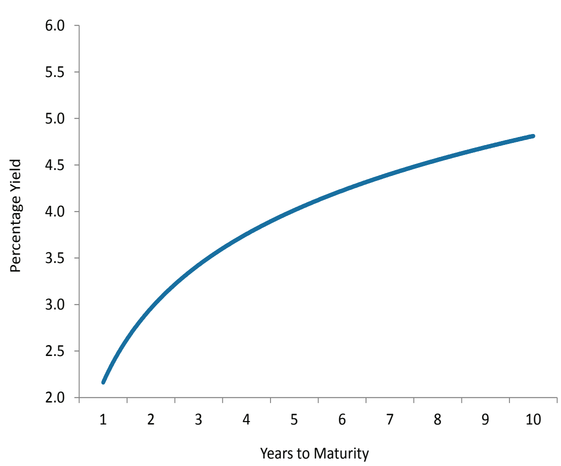
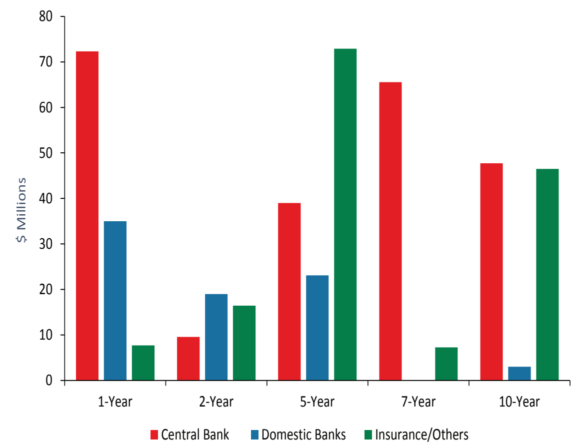


Chart 1.20: Allocation of Treasury Notes by Maturity and Subscribers



As a result of the annual trading, Central Bank and non-bank investors each held 36.6% of the total outstanding notes at year end, while domestic banks accounted for the remaining 26.8%. Maturing issues were rolled over during the year at lower coupon rates with interest rates on the one-year and two-year notes declining from 2.75% to 2.25% and from 3.25% to 3.0%, respectively.

Economic Review

Harvest Caye Image Courtesy of Belize Tourism Board

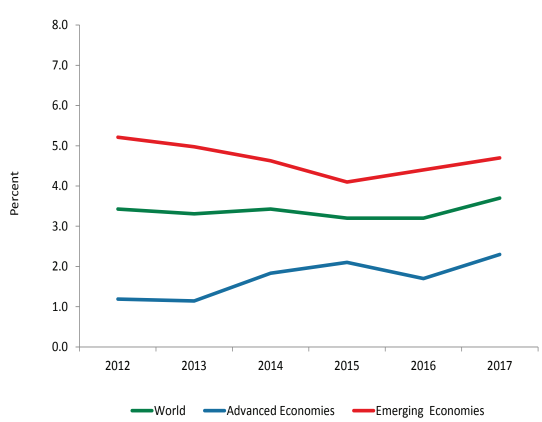
Cane Havesting Image Courtesy of Santander Group Ltd.

International Developments

Global growth expanded by 3.7% in 2017, up from 3.2% a year ago. The expansion was broad-based, reflecting a rebound in investment, manufacturing activity and global trade, against a backdrop of tighter monetary policy stances by major central banks, rising commodity prices and reduced slack in labour markets. The demand-driven push in world output improved growth and the external account positions for the Caribbean region.

In advanced economies, growth strengthened from 1.7% in 2016 to 2.3% in 2017. The US economy expanded by 2.3% in 2017, up from 1.5% in 2016, due to increases in nonresidential fixed investment and exports, which supported job gains that led to a 0.6% decline in the unemployment rate to a 17-year low of 4.1%. Concurrently, the normalisation of US monetary policy continued, with the federal funds rate raised three times by 25 basis points each to the target range of 1.25% to 1.5% at year end. GDP growth in the euro area (EA19) rose by 2.3%, fuelled by increased private consumption and exports, while the unemployment rate declined from 9.7% in December 2016 to 8.7% in December 2017 – the lowest rate since January 2009. The European Central Bank continued its accommodative monetary stance by keeping key interest rates unchanged over the year. Meanwhile, the United Kingdom's (UK) growth slowed to 1.7% due mostly to a deceleration in the value-added from services. Notwithstanding the uncertainty surrounding the UK's withdrawal from the European Union, the Bank of England raised the official bank rate from 0.25% to 0.5% in November. This rate increase was the first in the post financial crisis era (since July 2007) and was undertaken in view of the diminishing economic slack, historically low unemployment, strengthening global demand and above-target inflation.

Chart 2.1: GDP Growth Rate



Source: IMF

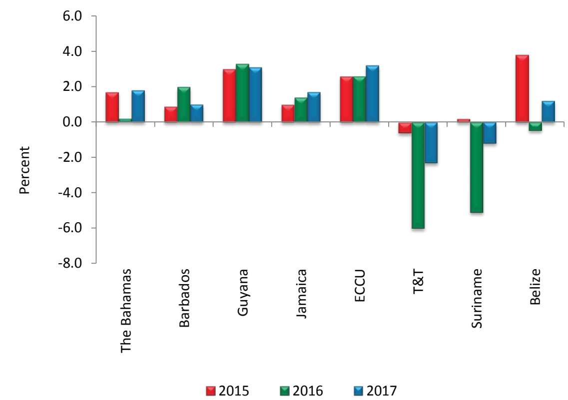
Growth amongst emerging market and developing economies also strengthened from 4.4% in 2016 to 4.7% in 2017, aided by the emergence of Russia and Brazil from their prolonged recessions. Leading growth were India and China with expansions of 6.7% and 6.8%, respectively. In the case of China, reforms to rebalance domestic consumption away from state-led investments continued.

__CARICOM__

Benefiting from higher global demand, the Caribbean eked out a 0.1% growth, following a 1.6% contraction in 2016. This turnaround, albeit weak, occurred despite two major catastrophic hurricanes and stronger fiscal consolidation measures undertaken by countries with major fiscal imbalances and high debt burdens.

Increased tourist arrivals supported growth in tourism-oriented economies. After stagnating in 2016, the Bahamian economy grew by 1.8%, as construction activities expanded with the resumption of work on the Baha Mar Resort and other tourism projects. In Jamaica, the economy grew by 1.7% on the back of a 12.1% increase in tourists to a record-high of 4.3mn. In contrast,

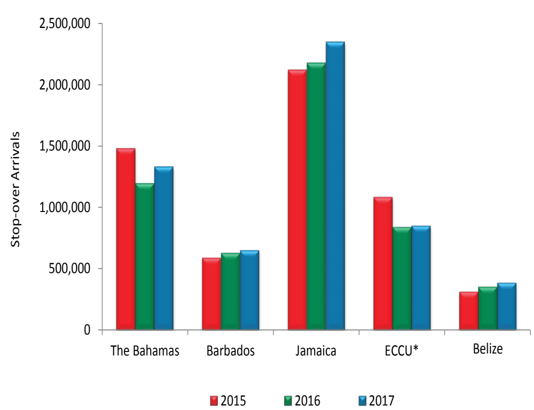
Chart 2.2: CARICOM - GDP Growth Rate



Sources: ECLAC, Central Banks of The Bahamas, Barbados, Belize, Guyana, Jamaica and ECCU.

growth in Barbados decelerated to 1.0%, owing to slowdowns in tourism and the non-tradeable sectors. Although Barbados' external current account deficit stabilised, its reserves plunged by 40.0% to US$205.0mn, representing 6.6 weeks of import cover at year end. Underpinned by strong construction and tourism activities, growth in the Eastern Caribbean Currency Union (ECCU) was resilient, following the passage of Hurricanes Irma and Maria in September. Growth strengthened to 3.2% from 2.6% in 2016, with faster growth rates across all member states, except Antigua and Barbuda and St. Kitts and Nevis.

Chart 2.3: CARICOM Tourism



Sources: The Bahamas Ministry of Tourism, Barbados Statistical Service, Jamaica Tourism Board, Belize Tourism Board and ECCB.
* Data at September 2017

For commodity exporters, the upturn in mineral and oil prices had mixed results. In the case of Trinidad and Tobago, declines in the petroleum and non-petroleum sectors caused the economy to contract by 2.3% in 2017, compared to the 6.0% downturn of 2016. Notwithstanding higher energy prices, lower supplies decreased revenues from the energy sector, and this contributed to continued external and fiscal imbalances. While the Government implemented new measures to reform the energy tax regime, reduce fuel subsidies and boost non-energy revenues to curb the fiscal imbalance, the country's gross reserves fell by US$1.0bn to US$8.4bn, amid continued foreign exchange shortages. Suriname remained under its 24-month IMF Stand-By Agreement, which commenced in May 2016. On the heels of a 5.1% decline in 2016, the economy contracted by a further 1.2% in 2017, even with improved prices for their major commodity exports. The country continued to struggle with structural reforms, including the floating of the exchange rate in March 2016 and fiscal adjustment measures aimed at improving internal and external imbalances. Against this backdrop, the external current account balance swung from a deficit of 2.8% of GDP in 2016 to a surplus of 9.4% of GDP and gross international reserves stood at 1.4 months of import cover in 2017. On the other hand, Guyana's economy grew by 3.1%, supported by expansions in public investment, gold mining and rice production.

Central America and Mexico

Growth in Central American economies expanded by 3.8% in 2017, bolstered by improved merchandise exports, steady remittance inflows and strong domestic demand, despite fiscal and political challenges. Panama outperformed all other Central American nations with a 5.5% expansion, largely attributed to trade flows through the Panama Canal. The influx of remittances from the US buttressed regional consumption, particularly for El Salvador and Guatemala. The latter registered record-high remittances notwithstanding the ongoing changes in US immigration policies. Closer to home, Mexico's GDP slowed from 2.9% in 2016 to 2.3% in 2017. While private consumption and non-oil exports increased, investments weakened amid uncertainty about Mexico's future trade relationship with the US under the North American Free Trade Agreement and depreciation of the peso, which fuelled inflation.

Domestic Overview

In 2017, Belize's economy expanded by 1.2%, following a 0.5% downturn in 2016. The recovery was driven by a 6.2% upswing in primary activities, as a rebound in export agriculture outweighed a decline in "*Fishing*". With citrus deliveries down due to citrus greening and hurricane damages, agricultural output expanded on the back of increased sugarcane and banana production. In contrast, marine production declined largely due to lower farmed shrimp production caused by continuing challenges in dealing with the Early Mortality Syndrome (EMS) disease. Growth was further buttressed by a broad-based increase of 2.5% in services, except "*Hotels and Restaurants*", whose marginal decline in value-added reflected an increased preference for alternative low-cost accommodations. Dampening growth was a 0.1% decline in secondary sector activities caused by a contraction in manufacturing, reflecting the continued downturn in crude oil extraction and lower production of beverages, citrus juices and flour.

The pickup in economic activity underpinned a decline in the average annual unemployment rate from 9.5% in 2016 to 9.3% in 2017. The improvement in the labour market was attributable to a 12.9% increase in employment in service industries. Meanwhile, the average annual inflation rate, as measured by the Consumer Price Index (CPI), was 1.1%, largely reflecting the pass-through of higher fuel prices and tax hikes on items such as bus fares, air fares, liquefied petroleum gas, house rentals, electricity, education, beer and rum.

During the year, fiscal policy tightened with the implementation of a package of fiscal consolidation measures aimed at achieving a 3.1% of GDP primary surplus for the 2017/2018 fiscal year (FY). These consisted of revenue enhancement measures equivalent to 2.2% of GDP and cost reductions summing to 1.5% of GDP. With nine months of these measures being in effect (April through December), revenues for the calendar year rose by 1.8%, while expenditures increased by 1.1% due to the final salary increase awarded to civil servants in April and domestic interest costs. As a result, the overall and primary deficits decreased from 3.3% of GDP in 2016 to 3.0% of GDP and from 0.6% of GDP in 2016 to 0.02% of GDP, respectively.

The financing gap was funded largely from domestic sources with the net issuance of $190.0mn in securities to meet the final compensation payment for BTL. In addition, the recognition of a $91.0mn award against the Government in favour of the Belize Bank Limited in November also increased domestic debt. Consequently, Government's domestic debt rose by $278.8mn to $1,026.5mn (27.7% of GDP), while the public sector external debt rose by 4.4% to $2,511.6mn (67.7% of GDP). In a notable development, a third restructuring of the super bond was completed in March with the main features being no principal haircut, a reduction in the annual interest rate from 6.767%

to 4.9375%, a shorter maturity period (from 2038 to 2034) and five equal principal repayments between 2030 and 2034.

The external current account of the balance of payments improved from a deficit of 8.3% of GDP in 2016 to a deficit of 7.0% of GDP in 2017. This improvement reflected a smaller trade deficit and higher earnings from tourism, which more than compensated for higher profit repatriation and lower reinsurance claims and official grant receipts. The surplus on the financial account edged down by $2.3mn, relative to 2016, as inflows from foreign direct investments and higher net loan disbursements to Government were just surpassed by the BTL compensation payments and higher net loan repayments by the private sector. The Central Bank's gross international reserves, consequently, fell by 17.0% to $0.6bn, the equivalent of 4.0 months of merchandise imports.

Monetary developments in 2017 were impacted by the final compensation payment for BTL and a surge in legacy loan write-offs of $88.9mn. Net credit to Central Government increased by $76.4mn (14.9%) with the net issuance of $190.0mn in Government securities to fund the final BTL settlement payment. Since the latter was required to be made in foreign currency, the Central Bank's net foreign assets took a hit. Consequently, broad money supply declined by 0.4%, largely due to a $123.5mn reduction in the Central Bank's net foreign assets, since net domestic credit increased by $81.4mn. Notwithstanding the write-offs, credit to the private sector rose by $6.6mn over the year. On the other hand, lending by the five largest credit unions dipped by $1.0mn, partly due to loan write-offs and tighter borrowing conditions.

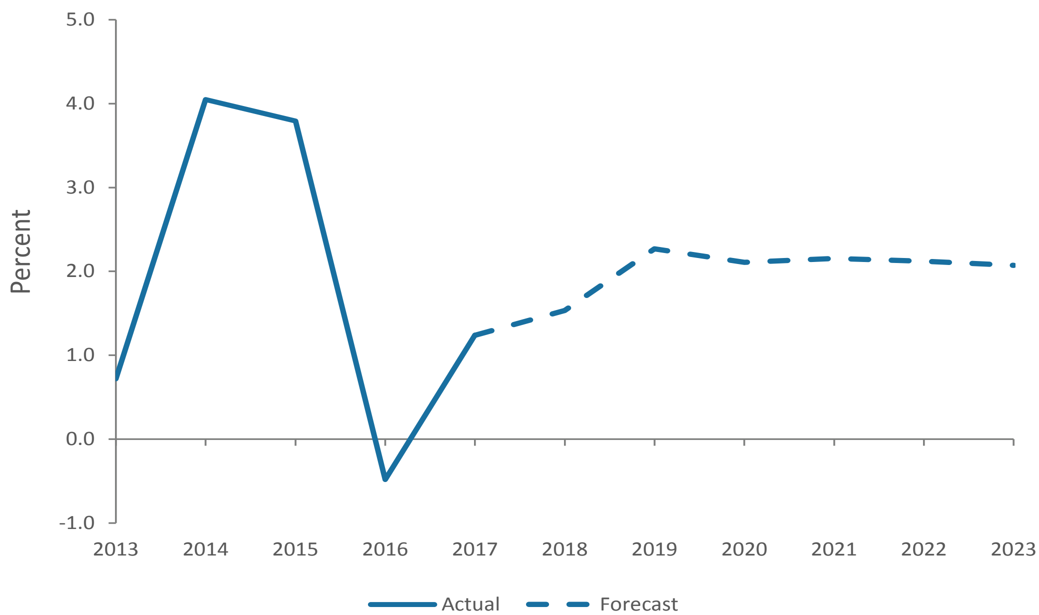
The marked increase in Government securities curbed liquidity growth in the domestic banking system. Over the year, domestic banks' holdings of excess liquid assets fell by 39.4% to 44.9% of the required level, while excess cash balances declined by 33.3% to 128.1% of requirements. Domestic banks' asset quality and profitability improved during the year. Their NPL ratio declined from 3.01% in 2016 to 2.38% in 2017, while the aggregate return on assets more than doubled from 0.60% in 2016 to 1.31%.

Looking ahead to 2018, GDP growth is expected to strengthen between 1.5% and 2.0%, buoyed by continued expansion in the primary and tertiary sectors, as secondary activities marginally contract. The primary sector growth of 3.8% is predicated on a marked increase in sugarcane production, which will more than compensate for modest downturns in banana and citrus. In addition, farmed shrimp production is expected to reverse its protracted decline, supported by new foreign direct investments in farms and implementation of tighter regulatory measures to control losses from the EMS disease. Meanwhile, the tertiary sector should grow by 2.2%, with modest expansions across all industries. Robust growth in tourist arrivals should underpin a lift in the "*Hotels and Restaurants*" and "*Transport and Communication*" industries. On the downside, the secondary sector should contract by 0.4%, precipitated by a decline in manufacturing activities, as electricity, water and construction activities expand. The drag on manufacturing will be from continued reductions in crude oil extraction and citrus juice processing.

On the external front, the current account deficit is expected to narrow from 7.0% of GDP in 2017 to 6.4% of GDP. The improvement reflects an expansion in tourism revenue, which eclipses a larger merchandise trade deficit, while balances on the primary and secondary income accounts remain relatively stable. With the completion of the nationalisation payments for the utilities, the surplus on the capital and financial accounts should improve, as inward foreign direct investments are expected to remain at average historical levels. The decline in Central Bank's gross official international reserves is, consequently, expected to decelerate and settle at 3.7 months of merchandise import cover at year end.

Downside risks include continued falls in farmed shrimp production, a steeper than anticipated decrease in citrus production, protectionism in the developed economies on which the country is dependent (for trade, tourism and foreign investments) and weather-related events.

Chart 3.1: Real GDP Growth Rate



Sources: SIB and CBB

Production

Following the modest economic contraction in 2016 caused by a plunge in primary sector output, GDP grew by 1.2% in 2017, lifted by a rebound in primary sector activities and continued expansion in the tertiary sector. Output in the primary sector increased by 6.2%, buoyed by agricultural production, since "*Fishing*" declined in tandem with lower farmed shrimp production caused by continued difficulties with the EMS disease. Agricultural output rose on the back of heightened sugarcane and banana production, as citrus output, stymied by citrus greening disease and fruit losses in the wake of Hurricane Earl, declined for the third consecutive year. The boost to sugarcane output came from a more than doubling in production from the Santander Group, while banana recovered from flood and hurricane damages suffered in the previous year.

A decline in manufacturing just outweighed increased hydro-electricity generation due to above-average rainfall in the fourth quarter and heightened construction activities, resulting in a 0.1% contraction in the secondary sector. With sugar and molasses production up, the performance of manufacturing was attributable to lower production of soft drink, beer, rum and crude oil extraction.

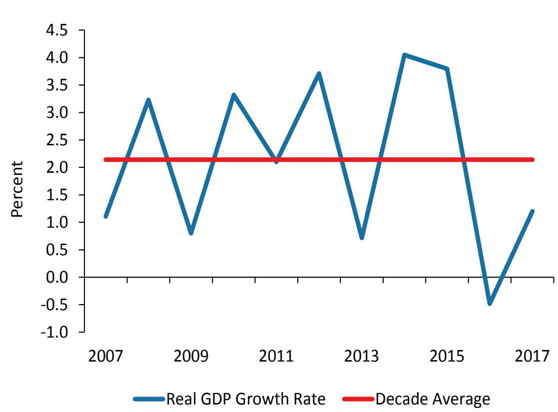
The tertiary sector (services) expanded by 2.5% with growth across all services, except "*Hotels and Restaurants*". The latter reflected the trend in moving to lower-cost accommodations other than the traditional hotels or resorts, which reduced the value-added from this subsector notwithstanding an increase in tourist arrivals. Constrained by a reduction in import activity, the distributive trade expanded modestly, while transport and communication services increased with the growth in tourist arrivals. Meanwhile, payment of the third and final negotiated wage increase to civil servants in April underpinned the growth in general government services and other private services.

Agriculture

Sugarcane

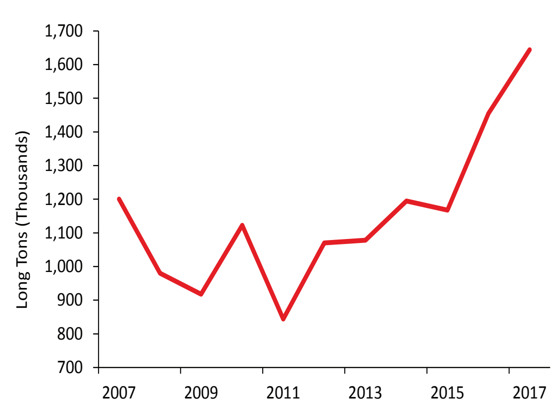
In the North, the 2016/2017 sugarcane harvest began on 5 December 2016 and continued for 29 consecutive weeks until 30 June 2017. Out West, the Santander Group began harvesting on 20 February 2017 for 23 weeks up to 3 July 2017. When combined, total sugarcane deliveries rose by

Chart 4.1: Annual Growth Rate of Real GDP



Source: SIB

Chart 4.2: Sugarcane Deliveries



Sources: BSI and Santander Group

13.0% to 1,644,405 long tons. Of the total, Belize Sugar Industries Limited (BSI) accounted for 1,270,036 long tons, while the Santander Group more than doubled their 2016 performance with deliveries of 374,369 long tons. Both processors reduced sugarcane grinding rates to increase sugar extraction. In the North, the average daily grinding rate fell by 4.1% from 6,399 long tons to 6,135 long tons, and in the West, the grinding rate decreased by 9.1% from 4,036 long tons to 3,670 long tons per day.

A reduction in global production during the 2016/2017 harvests underpinned an export price rally, which caused the average price paid to farmers to increase by 22.5% over the 2015/2016 crop to $64.00 per long ton of sugarcane.

Citrus

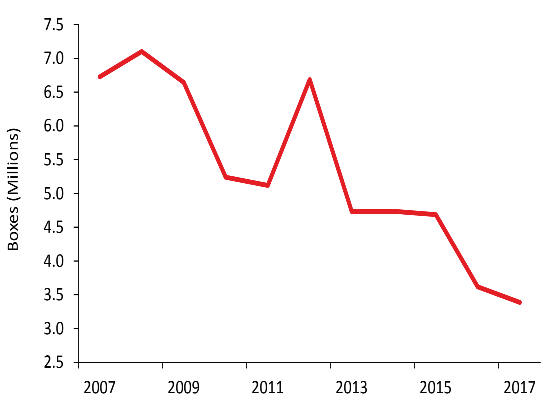
Fruit losses from Hurricane Earl delayed the opening of the citrus crop by a month and, along with citrus greening, caused citrus deliveries to decline by 6.4% to 3.4mn boxes for the 2016/2017 crop. Grapefruit, as the first crop to be harvested, took the brunt of the hurricane losses, and deliveries plummeted by 49.8% to 0.2mn boxes, the lowest level on record since 1983. On the other hand, orange deliveries dipped by only 1.4% to 3.2mn boxes due to a resilient second crop. Poor fruit maturation triggered by plant stress, however, remained an intermittent problem during the first months of the harvest.

The toll from citrus greening caused some US producers to reduce citrus production. As a consequence, the international market for citrus juices rallied, and this translated into domestic price increases of 20.2% for oranges from the $2.11 per pound solid (ps) paid in the previous crop year to $2.54 per ps and of 19.6% for grapefruit from $2.42 to $2.90 per ps.

Banana

In full recovery from flood and hurricane damages, annual banana production rebounded by 19.9% to 4.7mn boxes. Most of this increase was due to productivity gains, since the total acreage under production increased by only 0.7% to 6,975.6 acres. The average yield per acre rose from 562 boxes per acre in 2016 to 670 boxes per acre, but remained well below the historical high of 798 boxes per acre attained in 2012. At year end, 6,201.1 acres were under harvestable trees, and 649.5 acres were under plantilla (trees too young to harvest). In other developments, Swordus Ireland Holding Limited, a wholly-owned subsidiary of

Chart 4.3: Citrus Fruit Deliveries



Sources: CPBL and CGA

Chart 4.4: Banana Production

Source: BGA

Sumitomo Corporation, acquired the sole buyer of Belize's banana, Fyffes plc. The five-year exclusive marketing contract with Fyffes, which commenced on 1 January 2013, expired at the end of 2017. Subsequently, the Banana Growers Association (BGA) signed a one-year exclusive marketing contract with Fyffes, in which the price for a 40-pound box of fruit fell by an average of $0.50 to $20.00, as of 1 January 2018.

Other Agricultural Production

With the closure of the major domestic papaya producer in June 2016, the community of Little Belize was the sole exporter during 2017. As a result, the annual production of papaya fell by 53.1% to 3.5mn pounds.

Corn production rebounded by 36.2% to a record-high level of 197.4mn pounds, reflecting a full recovery from hurricane damages suffered in the previous year and improved yields from mechanised farms. Production of white and yellow corn increased by 47.8% to 11.7mn pounds and 35.5% to 185.6mn pounds, respectively. Meanwhile, rice production increased by 15.7% to 41.3mn pounds with a 17.1% expansion in acreage. Also recovering from hurricane damages, red kidney and black beans production expanded by 19.2% to 11.5mn pounds and 116.6% to 3.6mn pounds, respectively. Soybean production was also ramped up by 67.6% to 28.7mn pounds with the objective of substituting locally produced soybean meal for imported poultry feed.

Vegetable production had mixed performances in 2017. Unfavourable weather and lower acreage due to mixed cropping practices led to double-digit declines in the production of tomato, sweet pepper, carrot, sweet potato and string bean. In contrast, production increased markedly for cauliflower, broccoli, pumpkin, cabbage and hot pepper over the same period. Turning to root crops, harvests of Irish potato, cocoyam, and yam ballooned by 32.8%, 60.3% and 28.3%, respectively, while the outturn of sweet potato and cassava contracted by 12.2% and 9.2%, respectively. Coconut production increased by 3.9% due to an expansion in acreage.

To meet growing domestic demand, poultry production expanded by 3.8% to 43.3mn pounds dressed weight, while swine production increased by 5.4% to 3.9mn pounds dressed weight. Cattle slaughtered rose by 2.5% to 3.3mn pounds dressed weight, while milk production rose by 19.1% to 14.4mn pounds to facilitate heightened cheese production.

Marine Products

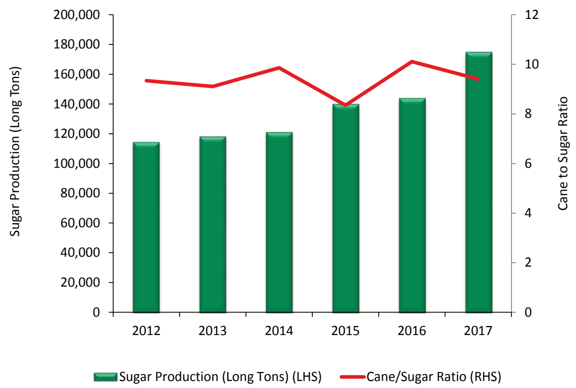
Marine production fell by 28.9% to 3.3mn pounds due to a plunge in farmed shrimp production and a less notable reduction in the conch catch, which outweighed increased lobster and whole fish output. Still grappling with the devastating EMS disease, shrimp farmers continued to test various strategies to control and manage the disease. Harvests from test ponds yielded 1.3mn pounds of farmed shrimp, down 47.1% relative to the previous year. In addition, the conch catch declined by 34.1% to 0.6mn pounds, after being impeded by heavy rains in the latter part of the year. On a brighter note, lobster production expanded by 7.5% to a record high of 1.0mn pounds, spurred by the entry of two marketing firms in the industry, while farmed fish production rose by 30.7% to 0.4mn.

Manufacturing

Sugar and Molasses

Sugar production expanded by 21.5% to 174,887 long tons, buoyed by the upswing in sugarcane deliveries, favourable weather and increased processing efficiency. A 0.8% increase in the crop's average sucrose content to 11.96% and

Chart 4.5: Sugar Production and Cane to Sugar Ratio



Sources: CPBL and CGA

a 2.8% improvement in factory time efficiency contributed to a 7.0% improvement in the cane/sugar ratio to 9.4. Molasses production also increased by 12.2% to 55,792 long tons.

Citrus Juices, Citrus Oil and Pulp

Hurricane Earl not only caused fruit losses but also contributed, along with citrus greening, to the degradation of fruit quality. The average juice outturn per box of fruit declined by 1.3% to 6.0 ps per box of orange and by 0.8% to 4.0 ps per box of grapefruit, relative to the previous crop. Consequently, citrus juice production fell by 6.0% to 20.0mn ps. The production mix reflected a 51.6% reduction in the outturn of grapefruit concentrate to 0.7mn ps, a 2.7% decrease in orange concentrate to 19.0mn ps and a 5.4% upturn in production of not-from-concentrate juices to 0.2mn ps. Meanwhile, the outturn of citrus by-products was mixed, as pulp output shrank by 31.0%, while citrus oil production edged up by 4.5%.

Other Manufacturing Production

The production of other manufactured items declined across the board. Output of soft drinks, beer and rum fell by 13.3%, 7.1% and 15.5%, respectively, as consumption declined in response to price increases caused by the raising of excise duties on these items. Flour production decreased by 0.8% for a fifth consecutive year of annual decline, which was partly attributable to a shift in consumption patterns to corn-based and imported substitutes, as well as competition from lower-priced contraband flour. Fertilizer production contracted by 6.0%, reflecting the sizeable slump in papaya production and lower demand from cash-squeezed citrus farmers.

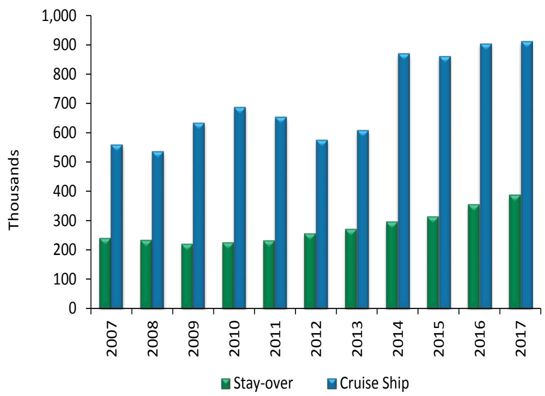
With the producing fields in the declining phase of their life cycle, annual petroleum extraction shrank by 19.8% to 360,212 barrels, as the average daily extraction rate fell by 19.6% to 987 barrels per day. However, the steady upturn in international oil prices caused testing of new equipment to restart in March at the Never Delay Field, which produced 2,731 barrels of crude oil. Meanwhile, production at the Spanish Lookout Field contracted further by 20.4% to 357,480 barrels. After 12 years of commercial operations, 11.4mn barrels of the 18.0mn barrels of recoverable crude oil reserves were extracted from that field.

Tourism

The World Tourism Organization estimated that international tourist arrivals grew by 7.0% to 1.2bn visitors in 2017. This expansion was fuelled by strong growth to Mediterranean destinations (which recorded an 8.0% increase in European arrivals), a 6.0% expansion to Asian and Pacific countries, and a 4.0% increase to the Central American and Caribbean region. Projections for 2018 assume the upward momentum will continue, as international growth gains firmer traction.

In Belize, annual arrivals of stay-over tourists increased by 9.1% (more than double the regional average of 4.0%) to 389,158 visitors, buoyed by increased airlift capacity, economic growth in

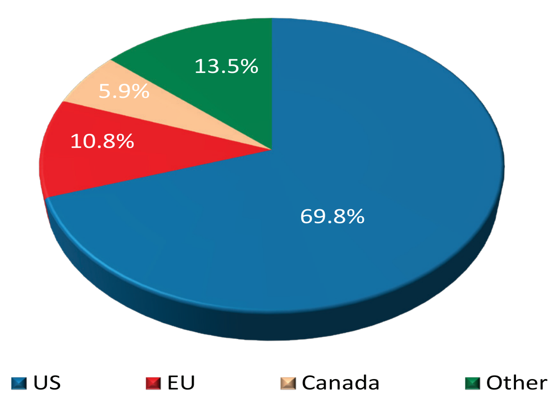
Chart 4.6: Tourist Visitors



Sources: BTB and CBB

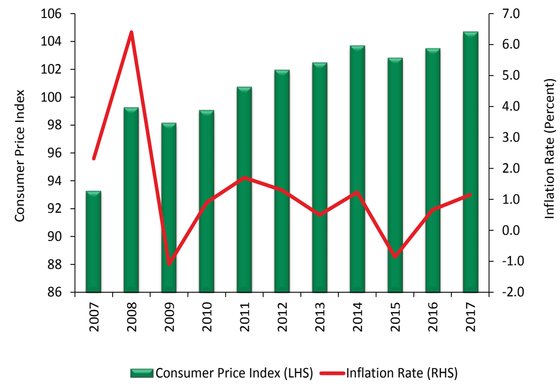
major source markets and sustained marketing efforts. Most of the growth was attributable to a 7.4% upturn in air arrivals, which was supported by additional flights from the US and Canada. Although arrivals of US visitors rose by 7.7%, the share of visitors from that country fell by 1.0 percentage point to 69.8% of stay-over arrivals. In contrast, an 18.5% and 19.8% increase in visitors from the European Union (EU) and Canada pushed the share of stay-over arrivals from those markets up from 10.0% in 2016 to 10.8% and from 5.4% in 2016 to 5.9%, respectively.

Chart 4.7: Composition of Stay-Over Tourist Arrivals



Sources: BTB and CBB

Chart 4.8: Consumer Price Index



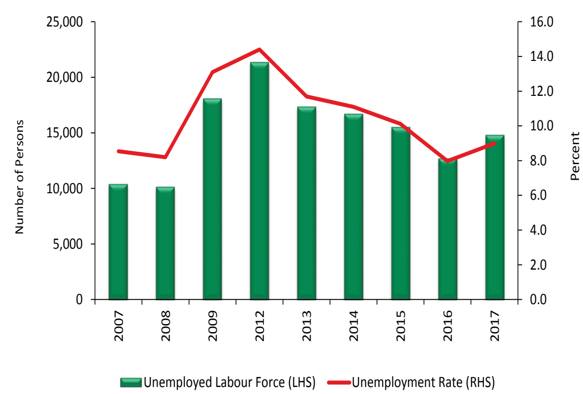
Source: SIB

Annual cruise ship disembarkations rose by 0.9% to 912,809 visitors. With the use of smaller ships of lower capacity, port calls increased by 13 to 336, of which calls to Belize City decreased by 54 to 252, while those to Harvest Caye increased by 67 ships to 84.

Prices

Annual inflation, as measured by the CPI, averaged 1.1% in 2017, which, in part, reflected higher fuel prices and the pass-through of higher tax rates from fiscal consolidation efforts. Prices for "*Transport*" rose by 9.7% due to higher fuel prices at the pump,

Chart 4.9: Unemployment



Source: SIB

airfares and bus fares. Price hikes for electricity, liquefied petroleum gas and house rentals raised prices for "*Housing, Water, Electricity, Gas and Other Fuels*" by 0.7%. In the case of electricity, the increase was due to the lowering of the ceiling at which electricity bills were levied the general sales tax, while higher import prices for fuels pushed up domestic gas prices. Concurrently, higher fees for primary and tertiary education raised prices for "*Education*" by 0.2%, while higher excise taxes on beer and rum production contributed to a 4.9% increase in the price of "*Alcoholic Beverages and Tobacco*".

In contrast, prices for "*Food and Non-alcoholic Beverages*" fell by 1.1%, influenced by meat, dairy products, oils and fats, while lower costs for cultural services accounted for a 1.8% decline in "*Recreation and Culture*". Smaller price declines were also recorded for "*Clothing and Footwear*" (0.3%), "*Furnishing, Household Equipment and Routine Household Maintenance*" (0.8%) and "*Health*" (0.3%).

Employment

Buoyed by activities in services, particularly tourism, the average annual unemployment rate edged down from 9.5% in 2016 to 9.3%. Employment gains strenghtened, as the average labour force participation rate expanded marginally from 64.0% in 2016 to 64.1% in 2017.

In April, which is a peak employment period, the unemployment rate rose by one percentage point year-on-year to 9.0%, as a 3.3% expansion in the labour force exceeded the 2.2% growth in job opportunities. During this period, job growth was concentrated in primary and secondary sector activities, as employment in the services sector contracted. In September, the unemployment rate stood at 9.7%, which was a 7.8% increase compared to April, but a 12.6% decline, when compared to September 2016. The year-on-year improvement reflected a 3.9% growth in jobs to 149,994, with most of the increase occurring in services.

Central Government Operations

Central Government's fiscal consolidation measures to achieve a 3.1% of GDP primary surplus for FY 2017/2018 reduced the overall and primary deficits from 3.3% of GDP in 2016 to 3.0% of GDP and from 0.6% of GDP in 2016 to 0.02% of GDP, respectively, in 2017. Implemented in April, these measures included spending cuts equivalent to 1.5% of GDP and a package of tax measures to yield an additional $80.0mn (2.2% of GDP) in revenues. Contrary to policy intentions, total expenditure and net lending edged up by 1.1% during the year, which included

Table 5.1: Revenue and Expenditure Summary

	Jan-Dec 2016	Jan-Dec 2017
Ratio to GDP (%)		
Current Revenue	27.5	27.7
Tax Revenue	25.1	25.4
Non-Tax Revenue	2.4	2.3
Current Expenditure	26.1	26.9
CURRENT BALANCE	1.4	0.7
Capital Revenue	0.1	0.1
Capital Expenditure (Capital II Local Sources)	2.6	2.3
OPERATING SURPLUS	-1.1	-1.5
Grants to GDP	0.9	0.6
Total Revenue and Grants	28.6	28.4
Total Capital Expenditure	5.6	4.5
Total Expenditure	31.8	31.4
Of which: Interest Payment on Public Debt	2.7	3.0
PRIMARY BALANCE TO GDP	-0.6	-0.02
PRIMARY BALANCE WITHOUT GRANTS TO GDP	-1.5	-0.7
OVERALL BALANCE TO GDP	-3.3	-3.0
OVERALL BALANCE WITHOUT GRANTS TO GDP	-4.2	-3.7

Sources: MOF and CBB estimates

Table 5.2: Revenue Enhancement Measures for FY 2017/2018

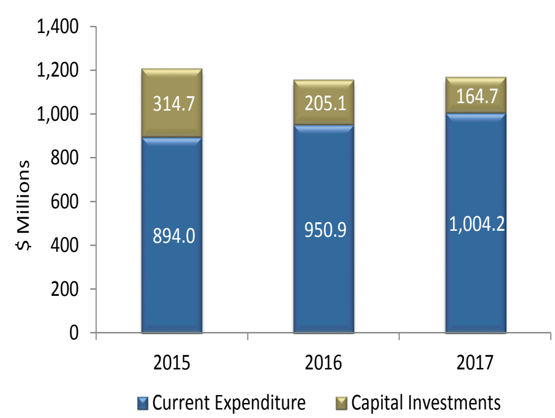
	Expected Revenue Increase as % of GDP Apr 2017 - Mar 2018	Actual Revenue Increase as % of GDP Apr - Dec 2017
a) Adjust the excise levy on aerated water, beer, stout, cement and fuel	0.77	0.50
b) Amend the departure fee (conservation fee) for non-Belizeans to $40	0.30	0.17
c) Increase environmental charge on imported goods by 1 percent	0.41	0.17
d) Increase social fee on Free Zone cigarettes to 20 percent	0.29	0.17
e) Lower the tax threshold for electricity consumption from $200 to $100	0.19	0.08
f) Amend by 50 basis points the stamp duty on foreign exchange permits	0.22	0.04
Total	2.18	1.13

Sources: MOF and CBB

nine months (April through December) of the FY 2017/2018. Meanwhile, the revenue enhancement measures from April through December garnered additional revenues equivalent to an estimated 1.1% of GDP. The net result was growth in tax revenues ($33.7mn) outpacing the increase in Government expenditures ($12.6mn), which improved the tax dependency ratio (ratio of tax revenue to government expenditure) from 78.9% to 80.9%.

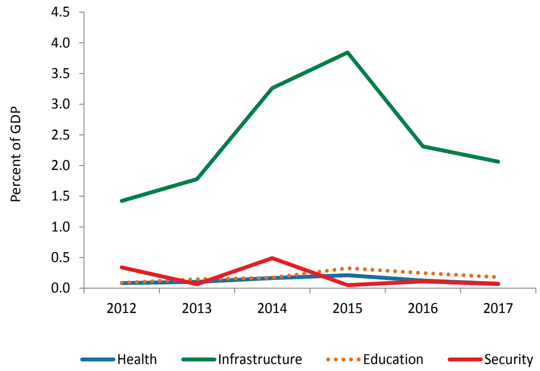
Total revenue and grants rose by 1.8% driven by an increase in tax revenue, which accounted for 89.6% of government receipts. The $33.7mn increase in tax receipts was mostly due to higher collections of business tax, personal income tax and excise duties. Additionally, contributing to the increase were higher collections of social fees, environmental receipts and stamp duties on foreign currency transactions, which reflected the new tax measures implemented in April. On the downside, the largest source of tax revenue, the General Sales Tax (GST) fell by 0.8%, after steadily growing over the past five years. This shortfall was linked to a decline in imports. Non-tax revenue also declined by 4.9% to $84.2mn, as property income fell by 39.1% due to lower dividends from BTL and the absence of the usual transfer of Central Bank's operating surplus. Following the amendment of the Central Bank Act, the latter was used instead to almost double the Bank's capital and facilitate its role as buyer of last resort for Government securities. At $24.1mn, grant receipts were 29.6% lower than 2016.

Chart 5.1: Current Expenditure and Capital Investment



Sources: MOF and CBB estimates

Chart 5.2: Development Expenditure



Sources: MOF and CBB estimates

Current expenditure rose by 5.6%, reflecting across-the-board increases, except for "Goods and Services". The final 3.0% increase in the negotiated wages for public servants contributed to expansions of 5.6% in personal emoluments, 15.3% in pensions and 5.2% in domestic transfers. As a result, the public sector wage bill rose from 52.1% of government's current revenue in 2016 to 57.3%. Furthermore, increased domestic borrowing to fund the final settlement payment for BTL contributed to a 14.6% hike in interest payments, when compared to the previous year.

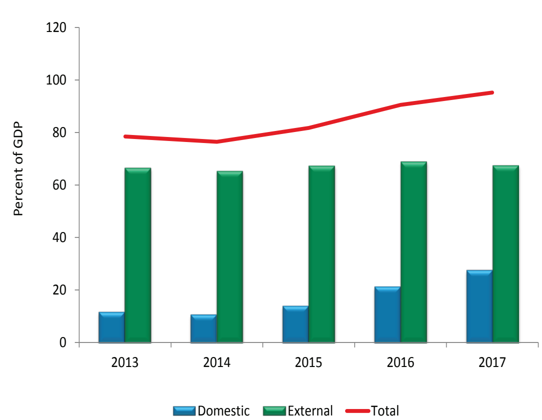
In contrast, cost controls on developmental spending reduced capital expenditure and net lending by $40.7mn to 4.5% of GDP. Approximately 46.5% of capital outlays went on infrastructural projects such as maintenance and rehabilitation of bridges, roads and highways, as well as the infrastructural works on the south side of Belize City, the Northern and Hummingbird highways and Macal Bridge. Another 11.3% was devoted to land management. Environmental and social projects accounted for 10.2%, education received 4.1%, and a medley of outlays on sports, health, tourism, agriculture, science, housing and security totalled another 8.0%. The remainder was allocated to finance Belize Infrastructure Limited, the purchase of furniture, equipment and the upgrading of office buildings.

The Government continued to rely heavily on domestic resources to finance the fiscal deficit and the nationalisation cost of BTL. The financing gap amounted to $407.5mn (consisting of the fiscal deficit, principal repayments and BTL settlement payments), of which domestic sources contributed 57.5% and new borrowings from foreign sources accounted for the remaining 42.5%. The bulk of domestic funding was raised through the net issuance of $190.0mn worth of new Government securities and proceeds from the sale of BEL and BTL shares. Consequently, the debt dependency ratio, denoted by the ratio of new borrowings to government expenditure, stood at 31.1%, which is above the 20.0% threshold that demarcates critical borderline sustainability. In a one-off development, the Government recognised the liability of $91.0mn to the Belize Bank Limited for a Caribbean Court of Justice award relating to the Universal Health Services loan guarantee, but has not yet effected the payment.

Public Sector Debt

Underpinned by the Government's payments for liabilities associated with the acquisition of

Chart 5.3: Public Sector Debt



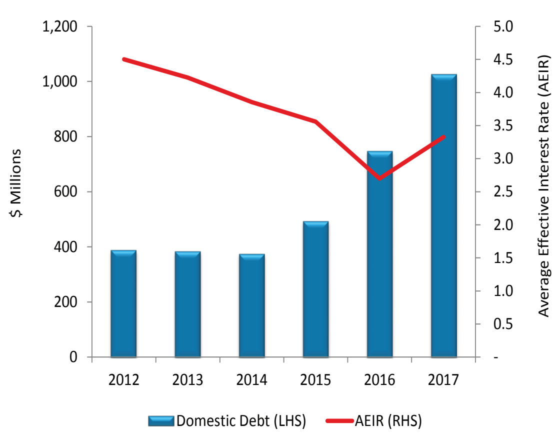
BTL and BEL since 2015, including the final installments to the Ashcroft Group in 2017, the debt-to-GDP ratio for the public sector climbed from 77.1% of GDP at the end of 2014 to 95.3% of GDP by the end of 2017. Since funding for the nationalisation payments came from domestic sources, the share of Central Government domestic debt to total public sector debt rose from 14.3% in 2014 to 29.0% in 2017, while the share of external debt fell from 85.7% in 2014 to 71.0 %.

Central Government Domestic Debt

To fund the second half of the BTL arbitral award, Government issued $410.0mn in new securities, consisting of $30.0mn in six-month Treasury bills in February and $380.0mn in Treasury notes between March and May. The latter amount included $175.0mn in FRN. In addition, the recognition of a $91.0mn award against the Government in favour of the Belize Bank in November also raised domestic debt. Consequently, Central Government's domestic debt rose by $278.8mn to $1,026.5mn and increased from 20.5% of GDP in 2016 to 27.5% of GDP in 2017.

Debt service payments (principal and interest) increased by $15.7mn to $34.1mn. While principal payments declined by $0.3mn to $1.3mn, interest payments rose by $16.0mn to $32.8mn with the surge in domestic borrowing. Amortisation payments were shared among the BSSB, one domestic bank, the Fort Street Tourism Village and the Debt for Nature Swap. In addition, $220.0mn worth of Treasury notes, which included the higher-yielding securities in the Central Bank's portfolio, was redeemed with the proceeds from the FRN and the sale of shares in BEL and BTL to the BSSB.

Chart 5.4: Domestic Debt



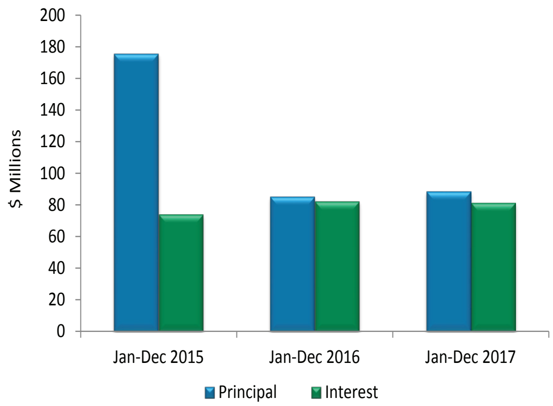
The annual effective interest rate rose from 2.7% in 2016 to 3.3% but remained below the five-year average of 3.8% on account of the steady decline in rates on the overdraft facility and the recent retirement of higher-yielding, long-term Treasury notes. Of the $32.8mn paid in interest, the Central Bank received $18.4mn on the overdraft and its holdings of securities, while non-bank entities and domestic banks received $8.7mn and $5.6mn, respectively.

The issuance and concurrent retirement of the long-term securities shortened the maturity structure of the domestic debt. Consequently, the share of debt with maturity of one year and below increased from 35.2% in 2016 to 42.5%, while the share of medium to long-term debt fell from 64.8% in 2016 to 57.5%. Furthermore, domestic banks and non-bank entities' shares of Central Government's domestic debt grew from 30.9% and 19.5% in 2016 to 39.1% and 23.2%, respectively, while the proportion held by the Central Bank was lowered from 49.6% in 2016 to 37.8%.

Public Sector External Debt

In a notable development, Government completed its third debt restructuring of the super bond on 21 March 2017. The exchange kept the face value of US$526.5mn for the super bond unchanged,

Chart 5.5: External Debt Service



lowered the interest rate to 4.9375% and postponed principal repayments until 2030, while shortening the maturity by four years to 2034.

During the year, the public sector external debt expanded by 4.4% to $2,511.6mn, as disbursements of $189.8mn exceeded amortisation payments of $88.7mn. The majority of disbursements went to Central Government, with the largest amount coming from bilateral lenders ($98.4mn), of which $50.0mn was from Mega International Commercial Bank Company Limited of Taiwan, $22.3mn from the Government of Venezuela and $20.9mn from the ROC/Taiwan. Multilateral disbursements summed to $91.4mn and included

Chart 5.6: External Debt

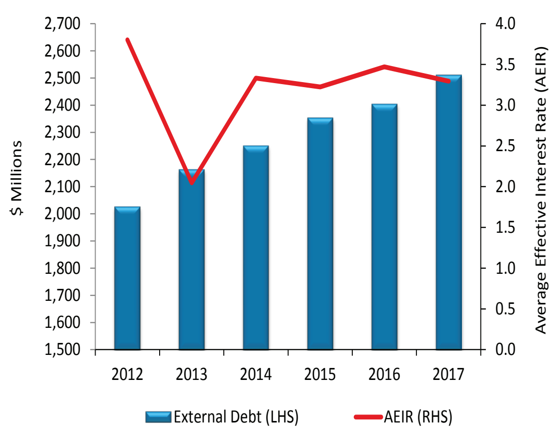
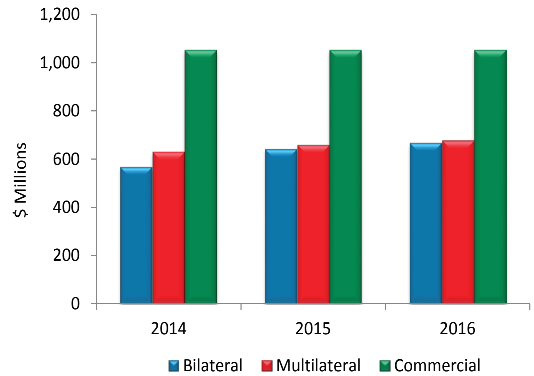


Chart 5.7: External Debt by Creditor Service



$35.5mn from the CDB, $22.8mn from OPEC Fund for International Development (OFID) and $15.9mn from the IDB for various projects such as Santa/Elena Bypass, Philip Goldson and George Price Highway upgrades, south side poverty alleviation and sustainable tourism projects. In addition, the CDB disbursed $9.0mn to the non-financial public sector and $5.0mn to the financial public sector.

Annual debt service payments edged up by 1.4% with principal payments increasing by 3.8% to $88.7mn, while interest payments fell slightly by 1.1% to $81.5mn. Central Government amortised $85.8mn, of which $51.4mn was paid to multilateral creditors, and $34.4mn went to bilateral lenders,

Chart 5.8: Sources of Central Government Domestic Debt

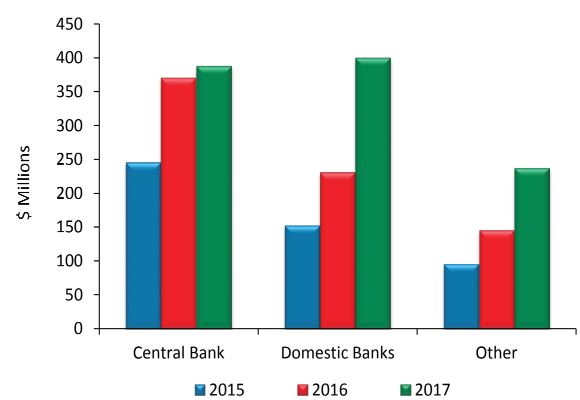
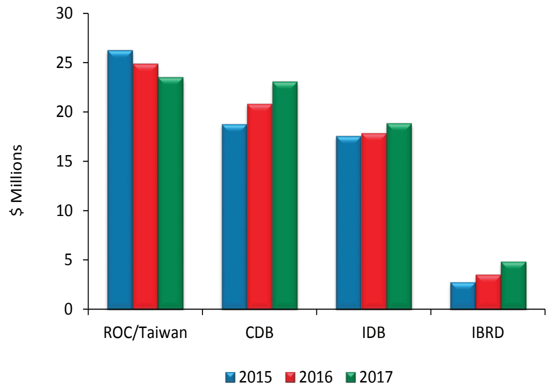


Chart 5.9: External Debt Principal Payment to Major Creditors



particularly the ROC/Taiwan. Loan repayments by the non-financial public sector amounted to $2.1mn, while the financial public sector repaid $0.9mn.

Of the $81.5mn paid in interest, $52.3mn was paid to the 2034 bond holders. Multilateral lenders were paid $18.6mn, and $10.6mn went to bilateral creditors. The average effective interest rate on the public sector external debt fell from 3.5% in 2016 to 3.3%, reflecting the marginal fall in interest rates on the newly contracted debt in the external debt portfolio.

The public sector external debt to GDP ratio remained stable at 67.4%, displaying only moderate annual variation around its 10-year average of 68.8%. The ratio of debt service payments to GDP was relatively stable at 4.6%, while the ratio of total external interest payments to GDP improved slightly from 2.3% in 2016 to 2.2%. The decline in the ratio of debt service to government current revenue from 16.9% in 2016 to 16.7% indicated marginally reduced pressures on Government's repayment capacity during the year. This outcome reflected the sanctions placed against Venezuela by the US Government at the end of August, which prevented debt service payments to that country since September, and the savings from the restructuring of the super bond. The latter resulted from the lowering of the interest rate to 4.9375% from the 6.767%, which was to begin in February.

Of total external debt outstanding, the share owed to bilateral creditors rose from 27.8% in 2016 to 29.4%, while the share of multilateral institutions remained relatively stable at 28.7%. The restructured 2034 bond accounted for 42.0% of the total, down from the 43.9% recorded in the previous year. At year end, Central Government held 96.2% of the outstanding external debt and the financial and non-financial public sector accounted for 2.9% and 0.9%, respectively. Within the next 12 months, $0.6mn of the present portfolio is scheduled to mature, and $244.2mn will mature during the next 10 years, leaving $2.2bn with a maturity schedule that exceeds 10 years.

Box 2: Belize External Debt Restructuring 2017

Belize restructured its commercial debt with external creditors three times within the last 10 years. Although the Government created some fiscal space after the second restructuring in 2013, debt dynamics remained weak, as Belize's economic growth was lacklustre, reflecting structural weaknesses and weather-related shocks. Additionally, the government faced mounting spending pressures due to the scheduled step-up in the interest rate (from 5.0% to 6.767% in February 2017) on the external bond and the acquisition costs for nationalised utility companies. Against this backdrop, the government announced, in the last quarter of 2016, plans to restructure the 2038 bond.

Table 2: Outcomes of Three Debt Restructurings

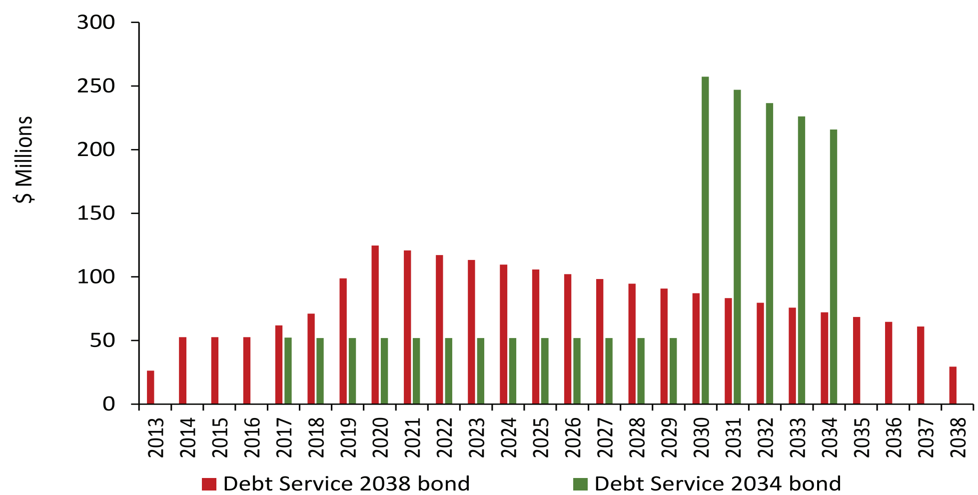
	Instrument (2007)	Instrument (2013)	Instrument (2017)
Instruments	2029 US bond	2038 US bond	2034 US bond
Face value (US$mn)	547	526	526
Face value haircut	0	10% (3%)[1]	0
Maturity	2029	2038	2034
Remaining maturity (years)	22	25	17
Coupon	4.25% until 2010, 6% until 2012, 8.5% until maturity	5.0% until 2017, 6.767% until maturity	4.9375% until maturity
Repayment profile	2019-2029	2019-2038	2030-2034
NPV reduction	29.0%	43.3%	28.0%

Sources: IMF and CBB

[1] While a haircut of 10.0% was negotiated on the face value of the bond, interest payments amounting to US$35.0mn were capitalised. The net result was a 3.0% reduction in the face value of the bond.

The debt was successfully exchanged in the first quarter of 2017 with 88.0% of creditors signaling agreement versus the required creditor participation rate of 75.0%. The main features of the exchange included a reduction in the coupon rate from 6.767% to 4.9375% as of March 2017, the shortening of the maturity profile by four years, from 2038 to 2034, and principal repayments to be made in five equal instalments starting in February 2030. Unlike 2013, no haircut was negotiated on the value of the bond.

Chart A: Comparative Debt Service Payment of 2038 vs 2034 Bonds



Box 2: Belize External Debt Restructuring 2017 continued

In contrast to the previous two restructurings, the Government committed to meeting specific fiscal targets – an improvement of 3.0% of GDP in the primary balance for the 2017/2018 FY, relative to the 2016/2017 FY – and the generation of a 2.0% primary surplus for the following three fiscal years. In the event that the government fails to meet the 2.0% primary surplus, a report detailing the reasons for the missed target must be submitted to the National Assembly. Additionally, the government will have to seek technical assistance from the IMF and publish the findings of any such assistance, as well as the Article IV Consultation. Finally, payment of the interest rate on the bond will change from twice a year to a quarterly basis for the 12-month period following the missed target.

The reduced coupon rate yielded a $9.5mn reduction in interest payments in 2017, and over the 17-year life of the bond, this should amount to $71.9mn. The maturity of the bond was shortened by four years and the principal payments, which were originally slated to begin in 2019 with 19 equal annual installments over the remainder of the bond, were slashed to five annual installments commencing in 2030. Upon completion of the debt exchange in March, Belize's credit rating was upgraded from 'D' to 'B-' by Standard and Poor's followed by an upgrade by Moody's in April, from 'Caa2' to 'B3'.

The issuance of Government securities to cover payments for the BEL and BTL nationalisations from 2015 through to 2017 inflated gross public sector debt. Going forward on the assumption that liabilities of such magnitude will not recur, the borrowing pressures on the Government should return to more normal levels as of 2018. The built-in fiscal targets of 2.0% of GDP for the primary surplus over the next three fiscal years will put the debt to GDP ratio on a declining path. While the country can 'stabilize' debt with a modest primary surplus to GDP ratio due to relatively low average real interest rates, a more aggressive fiscal target is needed to provide some buffer against a plethora of potential negative shocks. This emphasizes the need for a well-designed fiscal policy to ensure commitment to long-term debt sustainability.

Box 3: Major Fiscal Initiatives in 2017

2 February 2017 - The Income and Business Tax Act was amended to include Excise Duty on fuel products as a receipt for Business Tax purposes.

2 February 2017 - The Treasury Bills Act was amended to adjust the limit of principal sums represented by Treasury bills and Treasury notes outstanding at any one time, from $650.0mn to $400.0mn and from $500.0mn to $1.0bn, respectively.

18 March 2017 – The Free Zones (Social Fee) Order of 2017 states that a social fee on the value of goods and services imported into a Commercial Free Zone shall be charged as of 1 April 2017 as follows:

Description of Goods	Rates
Fuel	10.0%
Whiskey, brandy, rum and tafia, gin, vodka, liqueurs and cordials, wines, beer and stout	6.0%
Cigarettes	20.0%
All other goods not covered under previous categories	1.5%

31 March 2017 – The Protected Areas Conservation Trust Act was amended to introduce a development fee of $32.50 in Belizean currency, which subject to specified exceptions, is to be collected from every non-Belizean departing from any air border point, administered with support from the Protected Areas Conservation Trust.

31 March 2017 – The Customs and Excise Duties Act was amended to vary the rates of excise duty on certain items and to increase the scope of items subject to excise duty.

31 March 2017 – The Central Bank Act was amended to raise the limit of the amount of Treasury notes or securities that may be held by the Bank at any one time from 20 times to 30 times of the paid-up capital and General Reserve Fund of the Bank.

31 March 2017 – The Stamp Duties Act was amended to vary the rate of stamp duty applied to foreign exchange permits from 1.25% to 1.75%.

31 March 2017 – The General Sales Tax Act was amended to exempt the payment of General Sales Tax charged on the supply of electricity to consumers in any particular month whose value of such supply does not exceed $100 – down from the previous amount of $200.

31 March 2017 – The Environmental Tax Act was amended to vary the rate of environmental tax charged, levied and collected on goods imported into Belize other than vehicles and fuel, from 2.0% ad valorem to 3.0% ad valorem.

31 March 2017 – The Statutory Bodies (Development Contribution) Act was enacted to provide, in furtherance of national development, for specified statutory bodies to be required to transfer to the Consolidated Revenue Fund, on a yearly basis, 10.0% of their revenue.

21 July 2017 – The General Sales Tax Act was amended to include an administrative fee of $100 for the replacement of a GST certificate of registration, to provide a time limit for claiming a refund and to give the Commissioner the power to temporarily close a business for up to 30 days for repeated violations.

2 September 2017 – The Free Zone (Social Fee) Order was amended to reduce the social fee charged on cigarettes from 20.0% to 15.0%.

1 November 2017 – The Stamp Duties Act was amended to provide for stamp duty to be charged on transfers of land as follows:

Value of Land	Rates of Stamp Duty
Not exceeding $20,000	0% (EXEMPT)
On an amount in excess of $20,000	
a) Where the transferee of land, being a natural person, is a Citizen of Belize	5.0%
b) Where the transferee of land is a Belizean company	5.0%
c) Where the transferee of land is a CARICOM national, acting for purposes directly related to the exercise by that national of a right of establishment or the right to provide a service in Belize	5.0%
d) In the case of any person not specified in paragraph a), b) or c)	8.0%

Money and Credit

Government's sizeable borrowing from the domestic market and the associated foreign currency outflows for the final settlement payment for the BTL acquisition dominated monetary developments in 2017. With the plunge in net foreign assets eclipsing growth in net domestic credit, broad money supply (M2) edged down by 0.4%, marking the first decline since 2010 when a reduction of the same magnitude was recorded.

Although Government tapped into the local market to cover the BTL liability via the sale of securities and shares in utilities, the banking system remained very liquid. As a consequence, banks continued to realign the structure of their deposits to reduce costs. Time deposits, on which the highest interest rates are paid, declined by $98.6mn during the year, and its share of total deposits decreased from 30.0% in 2016 to 26.5%. Demand deposits, on which little or no interest is paid, expanded by $52.3mn to account for 46.4% of total deposits, up from 44.0% in 2016. On the other hand, the share of savings deposits remained virtually unchanged at 26.0%.

The one-off foreign currency payments to the former shareholders of BTL were largely

Chart 5.1: Deposit Growth

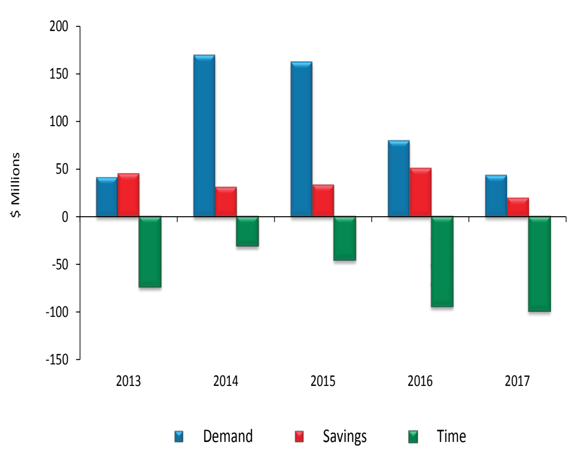
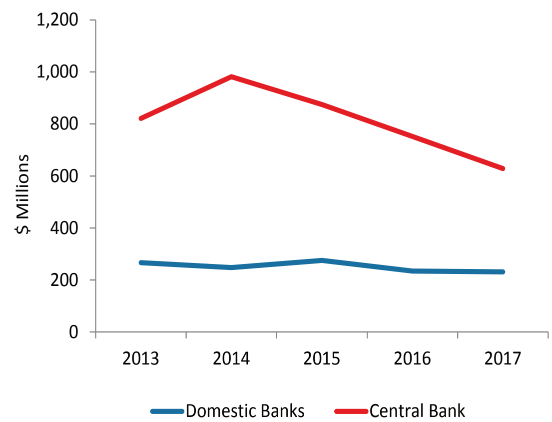


Chart 5.2: Net Foreign Assets



responsible for the 12.9% contraction in the net foreign assets of the banking system. The two final payments for the BTL acquisition in July and November and, to a much lesser extent, fees for the third restructuring of the super bond caused the Central Bank's net foreign assets to plunge by $123.5mn. Meanwhile, domestic banks' net holdings dipped by $3.7mn, mostly due to increased profit repatriation by foreign-owned businesses, outward transfers by regional organisations headquartered in Belize and a notable reduction in banks' short-term liabilities.

With the net issuance of $190.0mn in securities (consisting of $160.0mn in Treasury notes and $30.0mn in Treasury bills) to fund the BTL payments, net credit to Central Government rose by 14.9%. By year end, the Central Bank, domestic banks and non-bank entities had increased their holdings of securities by $18.7mn, $78.9mn and $92.4mn, respectively. However, credit growth to Central Government was tempered by a $27.4mn build up of deposits with the Central Bank and a $1.0mn reduction in the overdraft balance to $47.2mn, which stood at 55.3% of the legislated ceiling at year end.

Chart 5.3: Domestic Banks - Loan Distribution

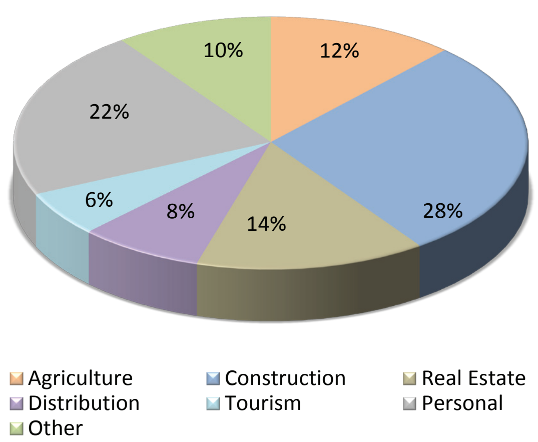
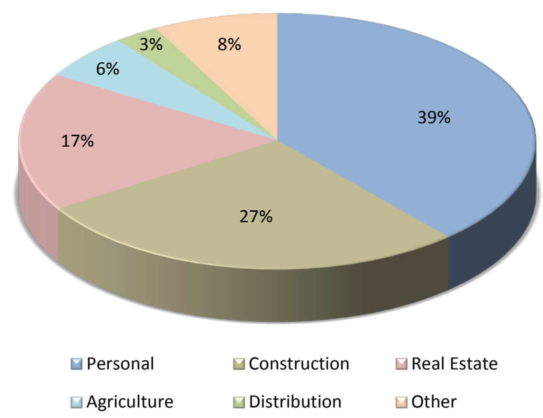


Chart 5.4: Credit Unions - Loan Distribution



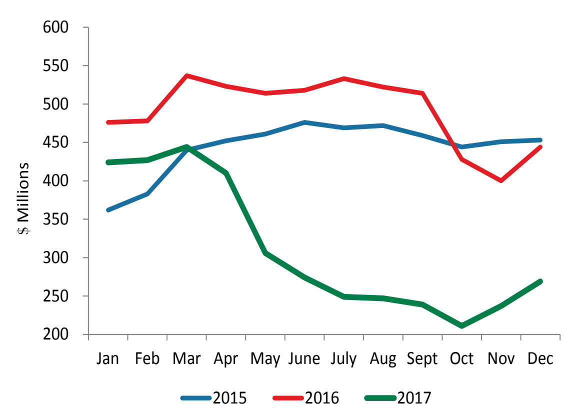
Domestic banks' credit to the private sector grew by $6.6mn (0.3%), as increased lending to productive enterprises was almost masked by $88.9mn in loan write-offs. The latter was the final set of write-offs for legacy NPL related to new loan provisioning requirements, which were instituted in 2011. Write-offs were concentrated in loans for tourism ($17.6mn), mining/exploration ($13.6mn), commercial construction ($11.4mn), land acquisition ($7.9mn), residential real estate ($5.2mn) and personal purposes ($11.8mn). Loan increases were mostly channelled into sugarcane production ($15.2mn), banana production ($12.0mn) and home construction ($12.6mn).

In contrast, lending by the five largest credit unions dipped by 0.2% after averaging annual growth of 10.0% between 2012 and 2016. Contributing to this decline were loan write-offs of $7.6mn. Lending decreases were recorded for home improvement ($4.7mn), sugarcane farming ($2.3mn) and personal purposes ($1.7mn), while increased credit occurred for residential construction ($9.6mn), manufacturing activities ($2.2mn), grain production ($1.1mn) and education ($0.7mn).

Government's sale of securities and a portion of its shares in BTL and BEL notably lowered domestic banks' excess liquid assets by 39.4% to $269.2mn, representing 44.9% of the required level. This was the largest annual decline since a 50.1% drop in 2002, which was due to a doubling in the cash reserve requirements from 3.0% to 6.0% of deposit liabilities. Concurrently, domestic banks' excess cash reserves fell by $142.1mn to $284.0mn and stood at 128.1% above requirements.

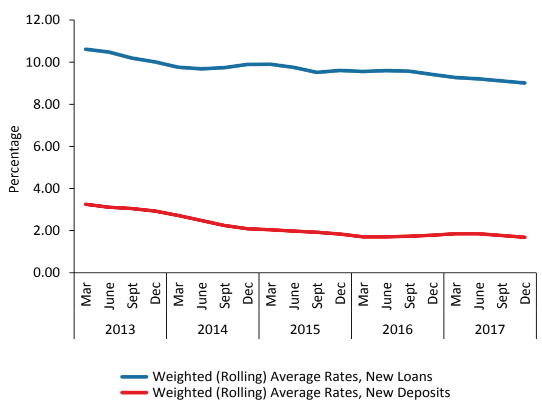
With the banking system still quite liquid, lending rates on new loans continued to decline, as banks

Chart 5.5: Excess Statutory Liquidity



pushed credit, particularly for agricultural and tourism activities. Over the year, the 12-month (rolling) weighted average lending rate (on new loans) fell by 41 basis points to 9.01%. Rate declines occurred on commercial loans (62 basis points to 8.85%) and personal loans (44 basis points to 10.01%). Additionally, rates on new residential construction loans dipped by one basis point to 6.98%. In contrast, the 12-month (rolling) weighted average rate on "other" loans climbed by 11 basis points to 6.55 %.

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



Similarly, the 12-month (rolling) weighted average deposit rate fell by 10 basis points year-on-year to 1.69%. While rates on demand deposits were relatively stable, rates on savings and time deposits declined by 39 basis points to 2.05% and eight basis points to 1.87%, respectively. In contrast, the savings/chequing deposit rate rose by 53 basis points to 1.38%, with the introduction of this savings product by one domestic bank. As a consequence, the weighted average spread fell by 30 basis points to 7.33%.

Box 4: Impact of Revised Loan Loss Provisioning Requirements

Following the onset of the 2008 global financial crisis, fragility in Belize's domestic banking system heightened, as NPL doubled from $109.2mn to $221.1mn between 2007 and 2008. Heavy reliance on collateralised lending underpinned the spike in NPL, since domestic banks readily extended loans on the basis of the real estate collateral rather than on the project's credit-worthiness. In addition, loans that were in arrears for more than 12 months but fully secured by collateral were not required to be written-off. Hence, when loans became delinquent during the economic slowdown, banks had little incentive to liquidate collateral whose market values had declined and continued to carry high levels of NPL on their books. This stance, however, was unsustainable, as the carrying cost of the high levels of NPL resulted in efficiency losses, increased fragility and the undermining of profitability and long-term viability.

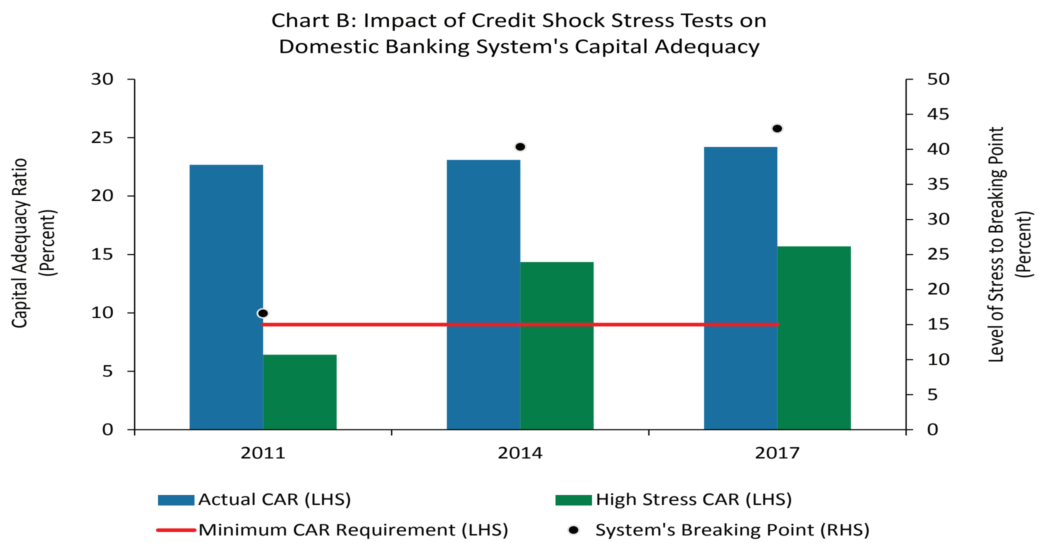
To address these issues, in December 2011, the Central Bank of Belize implemented new loan loss provisioning standards. Banks were required to set aside loan loss provisions of 70.0% (of the loan value) for fully secured loans, which had been non-performing for more than one year. This requirement was later reduced to 50.0% in January 2013 on the assumption that sale of the collateral would generate at least half of its appraised value. The provision for unsecured loans remained unchanged, that is, loan loss provisions of 100.0% (of loan value) had to be set aside for loans, which had been non-performing for more than one year. If loans continued to be non-performing, collateralised loans had to be written off within four years, while unsecured loans had a maximum write-off period of two years.

Between 2011 and 2014, the resulting increase in provisioning expenses eroded banks' profitability, but asset quality improved. The ratio of NPL to total loans (gross NPL ratio) fell from 19.0% in 2011 to 14.3% by 2014, while the NPL ratio decreased from 14.5% to 7.0% within the same period. The coverage of the provisions for non-performing loans increased from 28.0% to 58.1%, as banks raised the specific provisions set aside for loan losses by $61.7mn and wrote off $112.4mn in NPL. The clean up of banks' balance sheets caused the ROA to average -0.16% during this period.

By 2015, all domestic banks were in full compliance with the provisioning requirements. However, most still had NPL that had exceeded the one-year non-performing timeframe and were progressing to write-off status. By 2016 and 2017, the accelerated loan write-offs of $52.8mn and $88.9mn, respectively, further shrank the gross NPL ratio from 14.0% in 2015 to 6.4% in 2017, while the NPL ratio declined in tandem from 6.6% to 2.4%. Furthermore, concentration risks in the system (a measure of large loans extended by banks) declined from 142.7% in 2011 to 117.5% in 2017. A turnaround in profitability also began with ROA averaging 0.91% between 2015 and 2017 due to lower annual provisioning expenses. The latter declined from an annual average of $55.3mn (from 2011 to 2014) to $30.2mn (between 2015 and 2017).

The resiliency of the banking system to credit risks improved consistently over the six-year adjustment period, as measured by stress tests and the system's breaking point. The stress tests measured the impact on banks' aggregate CAR if 25.0% of all loans become non-performing. On the other hand, the system's breaking point indicated the level of credit shock required to cause its CAR to fall below the minimum 9.0% requirement.

The results of the high stress test (25.0% of all loans become non-performing) indicated that the system's CAR, before the changes in provisioning standards, would have fallen below the minimum 9.0% level to 6.4% in 2011. After implementation of the new standards, the credit shock reduced the CAR, but the buffers built up allowed the CAR to remain progressively higher than its minimum level, at 14.4% in 2014 and 15.7% in 2017. The system's capacity to absorb a large credit shock and still maintain its CAR above the required level had increased over time.



The system's improved resiliency and soundness were corroborated by the breaking point results. These showed that, in 2011, a credit shock equivalent to 16.6% of the current loan portfolio would cause domestic banks' CAR to fall below the 9.0% minimum requirement. By 2017, the magnitude of the credit shock required to push the CAR below its minimum level had increased to 43.0% of the loan portfolio.

Balance of Payments

The external current account deficit decreased from 8.3% of GDP in 2016 to 7.0% of GDP, as a lower merchandise trade deficit and higher tourism earnings more than compensated for increased profit repatriations to foreign shareholders and a decline in transfer payments to residents. The latter was due to the absence of insurance reimbursements issued in 2016 for hurricane claims. The surplus on the financial account fell slightly from $106.9mn in 2016 to $104.6mn, as the final compensation payments for the BTL acquisition and lower net foreign asset holdings by the domestic banks just outweighed inflows from foreign direct investments and a more than doubling in net loan disbursements to the Government. The current account deficit was financed by the surplus on the financial account and a drawdown of gross international reserves, which fell by 17.0% to $0.6bn, the equivalent of 4.0 months of merchandise imports.

Table 6.1: Balance of Payments

$mn

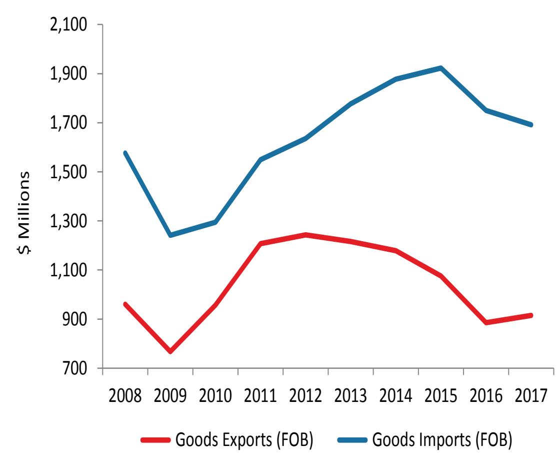
	2015 Net	2016 Net	2017 Net
CURRENT ACCOUNT	-343.5	-303.2	-261.8
Merchandise Trade	-846.7	-864.6	-776.7
Services	554.2	586.1	681.5
Primary Income	-190.3	-221.6	-310.8
Secondary Income	139.4	196.9	144.3
CAPITAL ACCOUNT	17.3	66.0	32.2
FINANCIAL ACCOUNT	-184.5	-106.9	-104.6
NET ERRORS AND OMMISSIONS	41.5	9.7	-4.2
FINANCING	-100.3	-120.7	-129.2
Memo Items:			
Monthly Import Coverage	5.0	4.5	4.0
Current Account/GDP Ratio (%)	-9.9	-8.3	-7.0

Chart 6.1: Current Account and Trade Deficit

Merchandise Trade

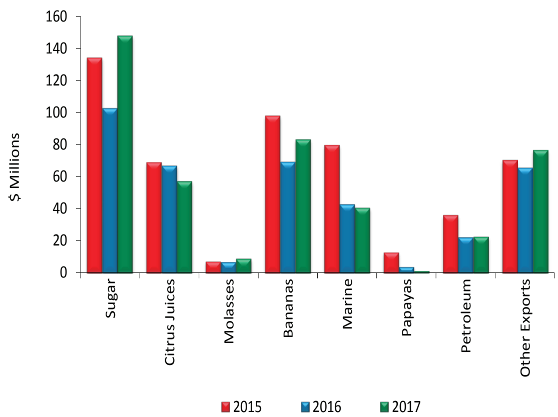
The merchandise trade deficit narrowed by 10.2% to $776.7mn (20.8% of GDP), with imports declining by 3.3% and exports growing by a similar 3.3%. The contraction in imports reflected lower purchases of "*Machinery and Transport Equipment*", "*Other Manufactured Goods*" and "*Food and Live Animals*", which outweighed higher expenditure on "*Mineral Fuels and Lubricants (including electricity)*" and "*Manufactured Goods*". The expansion in exports

Chart 6.2: Merchandise Exports and Imports



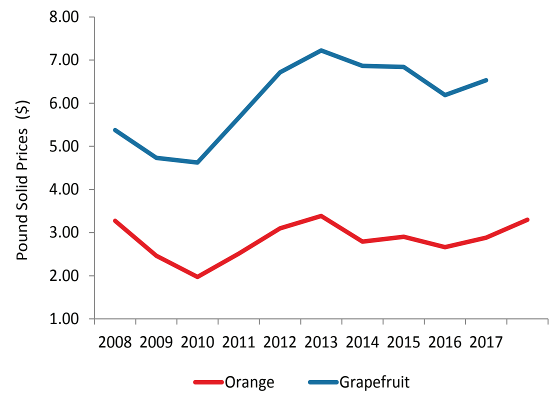
Source: SIB

Chart 6.3: Domestic Exports



Source: SIB

Chart 6.4: Citrus Prices



Source: CPBL

was due to a 15.3% growth in domestic exports coming from higher sales of sugar, molasses and bananas, since commercial free zone sales and re-exports declined.

Sugar and Molasses

Sugar export earnings rose by 43.8% to $148.1mn, due to a 27.0% increase in volume with the stepping up in the Santander Group's production and a modest rally in export prices caused by a transitory decline in global production. Sales to the EU increased by 17.4% to 140,558 long tons and by 31.0% to $128.1mn. All exports by the Santander Group, consisting of 25,393 long tons, went to the EU. The industry was allotted more US tariff-rate quota to meet shortfalls from elsewhere, which raised the volume sold to that market to 15,772 long tons, valued at $17.4mn. The remainder of 1,653 and 45 long tons went to regional and Canadian markets, respectively. Molasses exports increased by 40.7% to 42,980 long tons, while its revenue rose by 29.8% to $9.0mn.

Citrus Juices and Pulp

The export volume of citrus juices contracted by 24.3% to 17.2mn ps, marking the fourth consecutive annual decline. However, earnings fell by only 14.6% to $57.3mn, as prices strengthened by 12.9% on average.

Orange concentrate sales shrank by 20.7% in volume and by 9.0% in value to $53.2mn. With average export prices up by 13.3%, the Caribbean was the largest export market, accounting for 44.9% of sales volume and 50.5% of revenue. In contrast, sales to the US plunged by 44.2%, but receipts declined by only 34.7% due to a 17.1% price rally, which reflected lower juice inventories in Florida. Underpinned by a 13.1% increase in volume, revenue from the EU was up by 19.9% to $11.2mn. Meanwhile, there were no orange freeze concentrate exports to Japan, and sales of not-from-concentrate were minimal and amounted to $0.2mn.

Earnings from grapefruit concentrate plunged by 54.2% to $3.8mn, as a 4.0% increase in the average unit price could not compensate for the 55.9% downturn in export volume. Sales to the EU fell by 57.4% in volume and by 55.1% in value to $2.1mn. Meanwhile, the Caribbean recorded declines of 61.3% in volume and 61.1% in revenues. In the case of freeze concentrate juices, exports to Japan were minimal at 0.1mn ps, valued at $0.4mn.

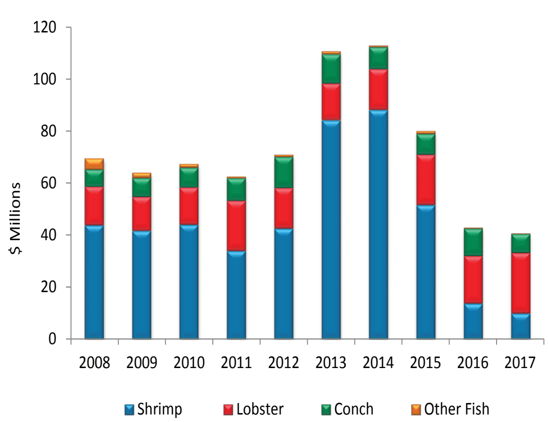
Banana

The rebound in banana production boosted export volume by 19.9% to 84,733 metric tons, while earnings increased by 20.0% to $83.4mn due to a marginal improvement in prices. With the five-year marketing agreement between the BGA and Fyffes ending in December 2017, a new one-year purchase agreement was signed between the two parties for 2018, which featured a $0.50 reduction in the average price per 40-pound box of fruit.

Marine Exports

Marine exports plunged by 15.9% to 2.9mn pounds, due to lower sale volumes for farmed shrimp, conch and fish, as that of lobster increased. With higher average prices for lobster and fish ameliorating the decline, earnings fell by only 5.0% to $40.8mn. Down for the fourth consecutive year, sales of farmed shrimp plummeted by 26.6% to 1.1mn pounds, as farmers reduced production further, while struggling to control the EMS bacterial disease. Receipts declined by 28.2% to $9.9mn due to a small dip in the average export prices. Likewise, conch revenue fell by 30.8% to $7.3mn on account of a 33.1% reduction in export volume. On the upside, lobster earnings grew by 27.9% to $23.3mn, bolstered by an increase in export volume to a record breaking 1.0mn pounds and an improvement in the average unit price. In the case of whole fish, revenue declined by 37.7% to $0.2mn because more sales were diverted to the local market.

Chart 6.5: Exports of Marine Products



Source: SIB

Other Major Exports

Despite a 20.3% decline in export volume, petroleum export receipts rose by 1.2% to $22.7mn, as the average price per barrel rose from US$33.54 in 2016 to US$42.58. The increase in international crude oil prices reflected tightened supplies from OPEC and higher global demand driven by more broad-based economic expansions.

Papaya export volume was down by 53.1% to 3.5mn pounds, compared to 2016 when the major producer was still operating up to June. Receipts fell in tandem to $1.5mn.

Non-Traditional Exports

Earnings from non-traditional exports rose by 16.9% to $76.9mn, boosted by higher revenues from orange oil, animal feed, pepper sauce, black-eyed peas and corn meal, since earnings from grapefruit oil, red kidney beans, sawn wood, fresh oranges and pulp cells fell. Export of citrus oils were mixed, as receipts from the sale of orange oil were up by 77.3% to $11.0mn, while earnings from grapefruit oil decreased by 36.0% to $0.8mn. With lower volumes of processed fruit, revenue from the sale of pulp cells plunged by 28.6% to $1.9mn. Bean exports also varied, as revenue from red kidney beans tumbled by 7.1% to $8.2mn as local production fell due to unfavourable weather, reducing amounts available for the export market.

Meanwhile, sales of black-eyed peas inched up by 0.4% to $5.8mn, with the majority being directed to Trinidad and Tobago. Having fully recovered from losses sustained to the second crop in the wake of Hurricane Earl, exports of corn by-products improved, with revenues for animal feed and corn meal up by 23.6% to $15.6mn and 6.8% to $1.8mn, respectively. Meanwhile, export receipts from pepper sauces grew by 12.6% to $3.7mn notwithstanding a 1.5% downturn in export volume. Exports of wooden products (posts, beams, doors and windows) expanded by a notable $3.6mn to $7.3mn.

Re-Exports

Earnings from the commercial free zone declined by 2.4% to $385.9mn, as the devaluation of the Mexican Peso and the April increase in the social fee on goods imported into the free zones reduced cross-border trade. In addition, the value of re-exports from the Customs territory decreased by 17.9%, as declines in "*Machinery and Transport Equipment*", "*Miscellaneous Manufactured Goods" and "Food and Live Animals*" exceeded higher sales of "*Minerals, Fuels & Lubricants" and "Chemical Products*". Consequently, total re-exports contracted by 5.8% to $474.7mn.

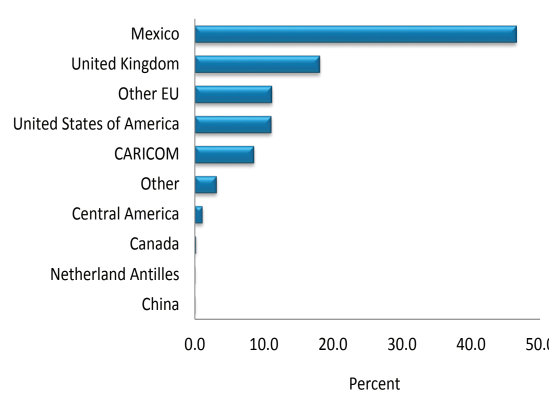
Imports

Gross imports (FOB) declined by 3.3%, with a 4.1% reduction in goods for domestic consumption outweighing a 0.6% increase in goods destined for the commercial free zone. Outlays on "*Machinery and Transport Equipment*" declined by 18.1%, largely due to lower spending on four-cylinder vehicles and on telecommunication equipment. The latter had increased in the previous year because of upgrades to the telecommunication infrastructure. With the winding up of works related to the building of sports stadiums countrywide and the completion of renovations by the brewery, expenditure on "*Other Manufactures*" contracted by 9.6%. In the latter category, spending decreased on prefabricated steel buildings, sports equipment, plastic bottles and laboratory equipment. "*Food and Live Animals*" recorded a 5.8% decline with lower imports of an array of food items, including soybean meal, wheat flour and coffee. These declines were somewhat offset by a 15.3% increase in expenditure on "*Mineral, Fuel and Lubricants*" due to higher international fuel prices and a 3.3% growth in "*Manufactured Goods*".

Direction of Visible Trade

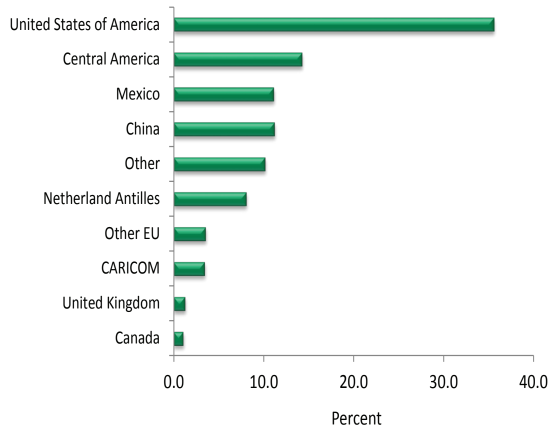
The re-export trade with Mexico through the commercial free zone kept Mexico as the principal destination for Belize's exports in 2017. Its share, however, declined from 49.3% in 2016 to 46.5%, with a fall in free zone sales. The share of exports to the US also decreased from 14.5% to 11.1% due to lower sales of citrus juices, marine products and papaya to that market. In contrast, the UK's portion of total exports increased from 17.2% to 18.1%, with higher sales of banana. Meanwhile, the share of exports to the rest of the EU expanded from 7.6% to 11.2% on account of higher sugar sales, while that to CARICOM also increased from 6.7% to 8.6% with higher purchases of citrus juices and marine products.

Chart 6.6: Direction of Visible Trade - Exports



Source: SIB

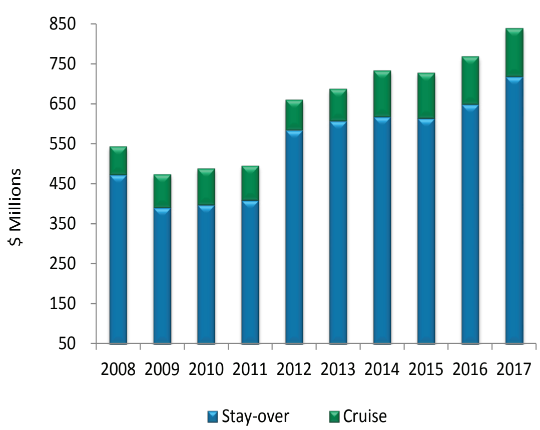
Chart 6.7: Direction of Visible Trade - Imports



Source: SIB

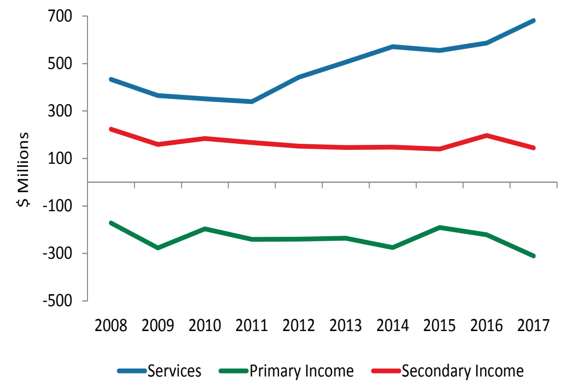
Even though its share dipped from 37.4% to 35.6%, the US was once again the main supplier of imports to Belize. Business activity between the commercial free zone and the Colon Free Zone in Panama edged down, so the share of imports from Central America decreased from 14.5% in 2016 to 14.3%. Similarly, China's share fell from 11.7% to 11.2%, while Mexico's share increased from 10.8% to 11.2%. The share of imports from the Netherland Antilles increased from 7.4% in 2016 to 8.1%, reflecting the higher volume and costs of imported fuels.

Chart 6.8: Tourism Expenditure



Sources: BTB and SIB

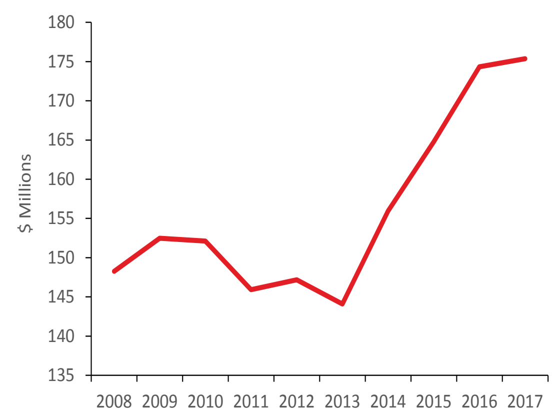
Chart 6.9: Net Balances of Service and Income Accounts



Services

Net earnings from services expanded by 16.3% to $681.5mn, as higher tourism earnings and lower freight costs outweighed larger outlays on other services. Increases of 9.1% and 0.9% in overnight and cruise ship visitors lifted net travel receipts up by 10.8% to $752.4mn. Meanwhile, net outflows for international freight fell by 25.7%, with the reduction in imports. However, the balance for other services swung from a small surplus of $0.9mn in 2016 to a negligible deficit of $1.2mn, mostly due to the one-off fees incurred for the restructuring of the super bond and higher insurance costs.

Chart 6.10: Remittance Inflows



Primary Income

Net outflows from the primary income account rose by 40.3% to $310.8mn, mostly as a result of increased profit repatriation by foreign-owned entities in the tourism, electricity and banking industries.

Secondary Income

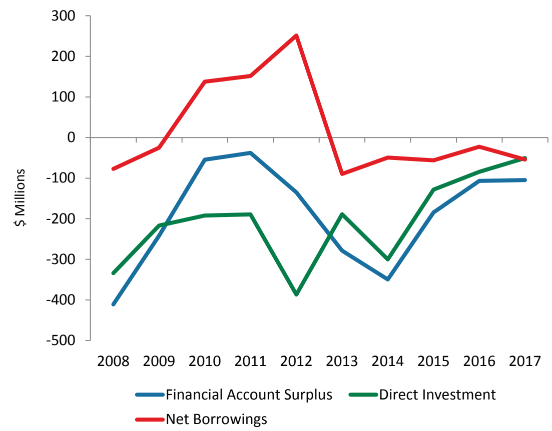
The surplus on the secondary income account plummeted by 26.7% to $144.3mn, as inflows to insurance companies deflated to normal levels, following the one-off surge in claim payments for hurricane damages in 2016. Furthermore, inflows decreased to religious organisations, and the one-off grant given to Government under the Central America Regional Security Initiative programme, which inflated inflows in 2016, did not recur.

Capital and Financial Accounts

With a moderation in grant funding from the multilateral financial institutions and the absence of the one-off revenue arising from the land sales to the US Embassy, the surplus on the capital account contracted from $66.0mn in 2016 to $32.2mn. Capital inflows came mostly from a $20.9mn grant from the ROC/Taiwan for budgetary support.

Meanwhile, the surplus on the financial account amounted to $104.6mn, supported by a net increase of $101.1mn in Government borrowings and net foreign direct investments inflows of

Chart 6.11: Main Components of the Financial Account



$50.6mn. The latter reflected gross inflows of $278.5mn and gross outflows of $228.0mn, which included $197.2mn repatriated to the former owners of BTL for the final settlement payment. Inward investments were channelled mainly into construction, real estate and tourism-oriented projects. Bumping up Government borrowings was a $50.0mn loan from ROC/Taiwan for budget support, which more than offset a fall in loan disbursements from Venezuela. On the other hand, net loan repayments by the private sector and the drawdown of currency and deposits by non-residents put a dent into the foreign asset position of domestic banks, which fell by a net $3.6mn.

Box 5: New EU Sugar Trading Regime and Post Brexit Challenges

The quota system for sugar production in the EU ended on 30 September 2017, as agreed between the European Parliament and Member States in the 2013 reform of the Common Agricultural Policy (CAP). A major objective of the CAP had been food self-sufficiency by encouraging agricultural production with remunerative and stable prices for farmers.

The abolition removes production caps on EU-produced sugar beet and isoglucose, which were limited to 13.5mn tonnes and 0.72mn tonnes, respectively, and opens the door for more sugar exports, as well as production of other types of sweeteners. As a consequence, producers of beet sugar and isoglucose are expected to increase their supply in the EU market by an estimated 20.0% during the first year. In terms of beet production, initial estimates indicate that the 2018 EU beet harvest could be around 20.1mn tonnes, as farmers devote more land to beet and benefit from favourable weather. Demand for imported sugar is projected, therefore, to fall by 50.0% from 3.2mn tonnes to around 1.6mn tonnes. An estimated 65.0% of that imported sugar is currently supplied by African, Caribbean and Pacific (ACP) countries and less developed countries, and it is too early to ascertain how these countries will be affected by any fall in demand. Given the more liberalised environment, sugar prices are also projected to decline within the EU and be more in line with global rates. The price declines could range between 20% and 40% due to the large volatility in worldwide sugar supplies, particularly with the increased EU production adding to global stocks.

To further complicate matters, the UK is slated to exit the EU on 29 March 2019. A notable amount of ACP sugar going to the EU is sold to the UK. Great uncertainty exists about the new post-Brexit trading rules between the UK and the EU and between the UK and ACP countries.

After Brexit, the UK could decide to carry on protecting its sugar beet industry in much the same way as now, the market could be fully liberalised, or a compromise could be made where British farmers continue to receive some form of support, but sugar refiners can trade more freely. With respect to its relationship with ACP sugar-producing countries, it is important that the UK continues to consider trade as essential in promoting economic growth in poorer countries, as it is one of the few high-income countries that complies with the United Nations' target of providing 0.7% of gross national income for overseas development assistance. As sugar sales by the ACP countries to the EU are governed by Economic Partnership Agreements (EPA), the most pragmatic approach would be to negotiate with the UK an agreement that continues with similar preferences and trade arrangements as the EPA.

On the home front, the new EU sugar regime and Brexit are likely to impact Belize's sugar exports to the EU via potential price and volume declines. On average, 90.0% of Belize's sugar exports was sold to the EU over the past five years. All exports went to the UK from the processor in the north, Box 5: New EU Sugar Trading Regime and Post Brexit Challenges continued

except in the previous two years when production from the Santander Group was sold to other EU countries. In 2017, 73.0% of sugar exports went to the UK and 16.0% went to other EU countries. To mitigate against potential price declines, the plan is to increase sales of value-added sugar products like direct consumption and bagged sugar, which fetch higher prices. To this end, both processors have invested in equipment to produce more or begin producing value-added products. To counter any possible fall in demand for ACP sugar in the EU, the northern sugar producer hopes to take full advantage of the trade benefits offered under CARICOM and substantially boost sales to that regional market. The Government of Belize through the Directorate General of Foreign Trade and the Ministry of Agriculture is assisting in this endeavour by lobbying for the establishment of a regional standard for refined sugar within CARICOM. The absence of this standard means that sugar is on CARICOM's List A, which makes provisions for the importation from third-party states below the Common External Tariff (CET) due to insufficient regional supply or quality issues. With the standard in place, Belize would be able to supply CARICOM countries with locally produced plantation white sugar, which would qualify as refined white sugar due to equivalent polarisation under international standards.

Statistical Appendix

Table A.1: Major Economic Indicators

	2009	2010	2011	2012	2013	2014	2015	2016	2017
POPULATION AND EMPLOYMENT (At April)									
Population (Thousands)	333.2	323.0	n.a.	338.9	347.8	356.9	366.3	375.9	385.8
Employed Labour Force (Thousands)	120.5	100.7	n.a.	126.7	131.4	134.6	138.1	146.9	150.1
Unemployment Rate (%)	13.1	23.3	n.a.	14.4	11.7	11.1	10.1	8.0	9.0
INCOME									
GDP at Current Market Prices ($mn)	2,673.9	2,794.2	2,973.4	3,147.3	3,225.1	3,407.9	3,557.1	3,640.3	3,727.7
Per Capita GDP ($, Current Market Prices)	8,025.0	8,651.6	8,937.3	9,285.9	9,272.4	9,547.4	9,710.9	9,684.0	9,663.1
Per Capita GDP (%)	-5.7	7.8	3.3	3.9	-0.1	3.0	1.7	-0.3	-0.2
Real GDP Growth (%)	0.8	3.3	2.1	3.7	0.7	4.0	3.8	-0.5	1.2
Sectoral Distribution of Constant 2000 GDP (%)									
Primary Activities	13.9	14.4	13.5	14.0	14.6	14.3	12.3	9.7	10.2
Secondary Activities	21.3	19.7	18.8	17.2	15.6	15.0	14.6	15.0	14.8
Services	59.8	60.4	60.3	60.3	60.0	59.9	62.0	66.2	67.0
MONEY AND PRICES ($mn)									
Inflation (Annual Average Percentage Change)	-1.1	0.9	1.7	1.3	0.5	1.2	-0.9	0.7	1.1
Currency and Demand Deposits (M1)	713.3	707.9	839.3	1,102.9	1,121.9	1,313.9	1,528.4	1,471.9	1,565.9
Savings and Time Deposits (Quasi-Money)	1,379.9	1,377.0	1,361.9	1,340.7	1,354.7	1,358.3	1,345.4	1,478.4	1,372.6
Annual Change of Money Supply (%)	6.4	-0.4	5.6	11.0	1.4	7.9	7.6	2.7	-0.4
Ratio of M2 to GDP (%)	78.3	74.6	74.0	77.6	76.8	78.4	80.8	81.0	78.8
CREDIT ($mn)									
Domestic Banks' Loans and Advances	1,805.4	1,762.0	1,756.5	1,802.6	1854.3	1,933.0	1,985.7	2,015.0	2,018.2
Public Sector	10.2	8.9	8.8	16.6	23.8	17.5	10.7	8.4	6.7
Private Sector	1,795.3	1,753.1	1,747.7	1,786.0	1830.5	1,915.5	1,979.2	2,010.9	2,017.5
INTEREST RATE (%)									
Weighted Average Lending Rate	14.0	13.8	12.9	11.9	11.1	10.7	10.0	9.7	9.3
Weighted Average Deposit Rate	6.1	5.6	3.7	2.6	2.2	1.7	1.5	1.3	1.2
Weighted Average Interest Rate Spread	7.9	8.2	9.2	9.4	9.0	8.9	8.6	8.4	8.1
CENTRAL GOVERNMENT FINANCES ($mn)									
Current Revenue	660.3	753.8	787.0	825.6	851.6	911.7	994.0	1,002.6	1,032.0
Current Expenditure	662.1	682.7	717.4	740.8	743.6	817.6	894.0	950.9	1,004.2
Current Account Surplus(+)/Deficit(-)	-1.8	71.0	69.6	84.8	108.0	94.1	100.0	51.6	27.7
Capital Expenditure	113.3	133.1	121.7	161.9	177.0	281.5	404.6	207.5	166.9
Overall Surplus(+)/Deficit(-)	-76.3	-46.3	-22.9	-25.1	-35.7	-98.7	-276.3	-119.1	-113.1
Ratio of Budget Deficit to GDP at Market Prices (%)	-2.9	-1.7	-0.8	-0.8	-1.1	-2.9	-7.8	-3.3	-3.0
Domestic Financing (Net)(1)	20.1	45.7	13.1	16.6	-148.0	-10.2	184.1	66.2	13.3
External Financing (Net)	63.1	7.1	17.8	15.5	183.9	104.1	100.2	47.1	90.0

Table A.1: Major Economic Indicators continued

	2009	2010	2011	2012	2013	2014	2015	2016	2017
BALANCE OF PAYMENTS (US $mn)									
Merchandise Exports (FOB)(2)	383.6	478.2	603.7	621.6	608.1	589.2	537.9	442.8	457.5
Merchandise Imports (FOB)	620.5	653.0	774.6	818.1	888.6	938.7	961.3	875.1	845.9
Trade Balance	-236.9	-174.8	-170.9	-196.5	-280.5	-349.6	-423.4	-432.3	-388.3
Remittances (Inflows)	76.2	76.1	73.0	73.6	72.0	78.0	82.4	87.2	87.9
Tourism (Inflows)	256.2	248.6	247.6	299.0	351.0	373.8	371.3	390.4	426.7
Services (Net)	182.6	174.9	169.1	221.6	253.0	285.6	277.1	293.1	340.8
Current Account Balance	-79.7	-46.5	-15.9	-19.3	-72.6	-127.8	-171.7	-151.6	-130.9
Capital and Financial Flows	135.5	32.8	42.6	84.3	174.0	218.6	100.9	86.4	68.4
Gross Change in Official International Reserves	47.3	4.3	18.1	55.4	113.6	81.8	-49.9	-60.3	-64.6
Gross Official International Reserves	213.7	218.0	236.1	291.5	405.1	486.8	436.9	376.6	312.0
Monthly Import Coverage	3.7	3.7	3.3	3.9	5.0	5.7	5.0	4.5	4.0
PUBLIC SECTOR DEBT									
Disbursed Outstanding External Debt (US $mn)	1,017.0	1,012.7	1,022.2	1,014.2	1082.7	1,125.9	1,177.3	1,202.8	1,255.8
Ratio of Outstanding Debt to GDP at Market Prices (%)	76.1	72.5	68.8	64.4	67.1	66.1	66.2	66.1	67.4
External Debt Service Payments (US $mn)(3)	81.2	76.6	81.4	79.0	61.9	76.3	125.0	83.9	85.1
External Debt Service Ratio **(%)**	14.3	11.7	10.5	9.4	7.2	8.7	15.3	11.4	10.7
Disbursed Outstanding Domestic Debt ($mn)	320.2	367.8	381.2	389.9	386.0	376.1	494.4	747.8	1,026.5
Domestic Debt Service Payments ($mn)	39.1	40.1	20.5	20.3	20.0	17.0	27.4	18.3	34.1

Sources: MOF, SIB and CBB

(1) Includes proceeds from the sale of BTL shares of $47.5 mn (2010) that make up part of domestic sources. A total of $135.3mn (2015), $196.5mn (2016) and $208.3 mn (2017) were deducted as payment for the acquisition of shares in the utility companies.

(2) Includes CFZ gross sales.

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

n.a. not available

Table A.2: List of Licensed Banks

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

Table A.3: List of Credit Unions

Belize Credit Union League	La Inmaculada Credit Union Ltd.*	Toledo Teachers Credit Union Ltd.
Blue Creek Credit Union Ltd.*	St. Francis Xavier 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 credit unions represent the five largest credit unions.

Table A.4: Capital for All Credit Unions

Capital Adequacy	Dec 2013	Dec 2014	Dec 2015	Dec 2016	Dec 2017
Total Capital/Deposits (%)	22.2	20.1	19.9	19.5	21.6
Total Capital/Total Assets (%)	17.9	16.6	16.4	16.0	17.5
Net Institutional Capital/Total Assets (%)	8.7	10.0	10.3	10.8	11.4
Total Capital ($mn)	129.7	127.6	137.3	143.1	165.1

Table A.5: Central Bank Dealings in Foreign Exchange 2017

$mn

Month	US $, Canadian $, and UK £			CARICOM Currencies		
	Purchases	Sales	Net	Purchases	Sales	Net
January	17.00	19.90	-2.90	0.00	0.08	-0.08
February	27.10	15.60	11.50	0.00	0.76	-0.76
March	48.20	60.50	-12.30	0.00	0.64	-0.64
April	18.10	20.40	-2.30	0.00	0.01	-0.01
May	64.40	11.30	53.10	0.24	0.11	0.13
June	35.30	32.50	2.80	0.00	0.00	-0.00
July	23.90	61.70	-37.80	0.00	0.32	-0.32
August	11.80	38.40	-26.60	0.00	0.00	-0.00
September	14.00	6.30	7.70	0.00	0.05	-0.05
October	26.40	15.90	10.50	0.00	0.66	-0.66
November	20.50	171.40	-150.90	0.00	0.01	-0.01
December	29.50	15.20	14.30	0.00	0.28	-0.28
Total	336.20	469.10	-132.90	0.24	2.93	-2.69

Table A.6: External Asset Ratio 2017

$mn

Month	Foreign Assets $mn	Domestic Liabilities $mn	External Asset Ratio (%)
January	738.13	1,037.80	71.12
February	749.41	1,080.76	69.34
March	737.25	1,100.92	66.97
April	735.63	1,241.60	59.25
May	789.50	1,172.60	67.33
June	792.70	1,160.00	68.34
July	755.86	1,114.34	67.83
August	729.48	1,082.89	67.36
September	737.27	1,097.14	67.20
October	747.31	1,093.87	68.32
November	596.96	956.39	62.42
December	611.77	953.72	64.15

Table A.7: Domestic Bank Balances with the Central Bank 2017

$mn

Month	Average Deposit Liability	Required Cash Reserve	Actual Cash Holdings	Excess/ (Deficit)
January	2,683.2	228.1	623.6	395.5
February	2,674.3	227.3	638.1	410.8
March	2,667.8	226.8	677.0	450.2
April	2,709.9	230.3	650.4	420.1
May	2,709.5	230.3	556.7	326.4
June	2,637.9	224.2	495.5	271.3
July	2,619.6	222.7	482.1	259.4
August	2,593.1	220.4	489.1	268.7
September	2,594.3	220.5	494.9	274.4
October	2,602.9	221.2	492.6	271.4
November	2,594.3	220.5	504.0	283.5
December	2,607.9	221.7	505.7	284.0
Average	2,641.0	224.1	550.1	326.0

Table A.8: Currency in Circulation 2017

$mn

Month	Notes	Coins	Total	Domestic Bank Vault Cash	Currency with the Public
January	315.4	29.2	344.6	47.0	297.7
February	316.7	29.3	346.0	46.6	299.4
March	318.8	29.4	348.2	47.9	300.3
April	322.2	29.5	351.7	48.6	303.1
May	323.2	29.8	353.0	53.1	299.9
June	319.9	29.9	349.8	47.3	302.5
July	319.1	30.1	349.1	43.6	305.5
August	322.1	30.3	352.4	51.6	300.8
September	318.3	30.4	348.7	43.8	305.0
October	318.8	30.5	349.3	49.7	299.6
November	325.9	30.6	356.6	54.0	302.6
December	352.4	31.0	383.4	58.2	325.2

Table A.9: Composition of Treasury Notes

$mn

Tenor	Amount	Allocation: Central Bank	Domestic Banks	Others	Previous Yield	Current Yield
1 Year	131.0	72.3	50.0	8.7	2.75%	2.25%
2 Year	58.7	9.6	31.0	18.1	3.25%	3.00%
5 Year	171.0	39.0	57.1	74.9	5.00%	4.00%
7 Year	94.4	65.5	15.0	14.6	7.00%	4.50%
10 Year	184.9	47.7	18.0	118.4	7.75%	5.25%
Total	640.0	234.1	171.1	234.7		

Table A.10: Central Bank Credit to Central Government 2017

$mn

Month	Treasury Bills ($mn)	Treasury Notes ($mn)	Treasury Bonds ($mn)	Overdraft Facility[1] ($mn)	A	B
January	61.3	233.0	0.0	39.3	3.12	5.37
February	101.3	237.2	0.0	50.0	4.49	3.78
March	101.3	262.2	0.0	56.4	4.01	5.88
April	115.1	397.2	0.0	25.9	3.98	2.87
May	125.1	231.0	0.0	47.7	3.90	2.60
June	125.1	231.0	0.0	44.9	3.89	2.52
July	124.7	231.0	0.0	48.6	3.89	4.48
August	114.7	231.0	0.0	51.3	3.89	6.06
September	114.7	232.0	0.0	53.2	4.58	2.52
October	109.7	232.0	0.0	47.5	5.12	6.54
November	104.6	231.9	0.0	37.6	5.07	6.86
December	107.2	234.1	0.0	64.8	5.70	6.29

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

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

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

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

Country	GDP Growth Rate (%)		Inflation Rate (%)		Unemployment Rate (%)	
	2016	2017	2016	2017	2016	2017
Advanced Economies	1.7	2.3	0.8	1.7	n.a.	n.a.
United States	1.5	2.3	2.1	2.1	4.7	4.1
Euro Area	1.8	2.3	1.1	1.4	9.7	8.7
United Kingdom	1.8	1.7	1.6	3.0	4.8	4.3
Canada	1.4	3.0	1.5	1.9	6.9	5.7
Japan	0.9	1.8	-0.1	0.5	3.1	2.8
Emerging and Developing Economies	4.4	4.7	5.2	4.4	n.a.	n.a.
China	6.7	6.8	2.0	1.8	4.0	4.0
India	7.1	6.7	4.5	3.8	3.5	3.4
Mexico	2.9	2.3	2.8	5.9	4.0	4.1
Russia	-0.2	1.8	7.0	4.2	5.7	5.8
Brazil	-3.5	1.1	8.7	3.7	12.0	12.7

Sources: IMF, Bureau of Labor Statistics, Bureau of Economic Analysis (US), European Central Bank, Office of National Statistics (UK), National Bureau of Statistics China, Statistics Canada, Focus Economics and United Nations (UN) World Economic Situation and Prospects

n.a. - not available

Table A.12: Key Indicators for Central America

Country	GDP Growth Rate (%)		Inflation Rate (%)		Unemployment Rate (%)		International Reserves (US $bn)	
	2016	2017	2016	2017	2016	2017	2016	2017
Guatemala	3.1	3.2	4.2	5.7	2.4	3.2	9.1	11.7
Honduras	3.6	3.7	2.7	3.9	6.3	5.6	3.9	4.8
El Salvador	2.4	2.4	0.6	1.0	6.3	6.4	2.9	3.3
Nicaragua	4.7	5.1	3.5	3.9	6.7	6.7	2.4	2.8
Costa Rica	4.2	3.2	0.0	1.6	9.5	8.6	7.6	7.1
Panama	5.0	5.5	0.7	0.9	3.8	4.4	4.5	3.5

Sources: ECLAC, UN, central banks of Guatemala, Honduras, El Salvador, Nicaragua and Costa Rica, statistical institutes of Panama and Costa Rica, Ministry of Economics and Finance of Panama and Central American Monetary Council.

Table A.13: Key Indicators for Selected Caribbean Countries

	GDP Growth Rate (%)		Inflation Rate (%)		Unemployment Rate (%)		International Reserves (US $mn)		Fiscal Balance (% of GDP)	
Country	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
The Bahamas	0.2	1.8	-0.4	2.4	11.6	9.9	902	1,408	-5.7	-3.5
Barbados(1)	2.0	1.0	1.5	4.0	9.7	10.2	342	205	-5.5	-4.1
Belize(2)	-0.5	1.2	0.7	1.1	11.1	9.7	377	312	-3.3	-3.0
ECCU(3)	2.6	3.2	-0.4	1.7	n.a.	n.a	1,690	1,782	-1.9	-0.6
Guyana(4)	3.3	3.1	1.4	1.5	12.5	11.3	616	580	-4.4	-5.6
Jamaica(2)	1.4	1.7	1.7	5.2	13.2	11.1	3,291	3,208	0.1	-0.9
Suriname	-5.1	-1.2	52.4	9.1	11.9	9.1	381	424	-7.9	-6.0
Trinidad and Tobago(2)	-6.0	-2.3	3.1	1.9	4.0	4.5	9,466	8,370	-5.3	-8.5

Sources: UN, IMF, ECLAC, IDB, CDB, central banks of Belize, The Bahamas, Barbados, Guyana, ECCU, Jamaica, Suriname, Trinidad and Tobago, statistical institutes of Belize, Trinidad and Tobago, Jamaica, The Bahamas and Bureau of Statistics of Guyana.

(1) Inflation estimate as at October 2017.
(2) Unemployment rate as at September 2017.
(3) International reserves and fiscal balance as at June 2017.
(4) International reserves data as at September 2017.
n.a. - not available

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

$mn

	2012	2013	2014	2015R	2016R	2017R
GDP at Current Market Prices	3,147.3	3,225.1	3,407.9	3,557.1	3,640.3	3,727.7
GDP at Constant 2000 Market Prices	2,595.3	2,613.9	2,719.7	2,822.9	2,809.3	2,844.1
Primary Industries	349.1	368.8	378.4	336.6	262.8	279.0
Agriculture, Hunting and Forestry	249.8	246.6	249.4	252.5	231.5	251.2
Fishing	99.3	122.2	129.0	84.1	31.3	27.8
Secondary Industries	458.2	419.2	418.9	421.5	432.4	432.1
Manufacturing (Including Mining and Quarrying)	282.5	229.4	211.5	187.5	180.5	174.5
Electricity and Water	115.7	127.3	132.1	136.7	145.2	149.1
Construction	60.0	62.5	75.3	97.3	106.7	108.5
Tertiary Industries	1,421.2	1,425.3	1,485.7	1,593.8	1,698.9	1,740.8
Wholesale and Retail Trade	399.7	422.3	432.9	461.5	538.8	547.0
Hotels and Restaurants	91.7	99.4	108.7	106.5	104.6	103.6
Transport and Communications	273.5	265.1	269.0	282.5	300.1	305.1
Other Private Services Excluding Financial Services Indirectly Measured	422.5	411.0	428.0	467.5	468.0	486.9
Producers of Government Services	233.8	227.5	247.1	275.8	287.4	298.2
All Industries at Basic Prices	2,228.6	2,213.2	2,282.9	2,351.7	2,394.2	2,451.9
Taxes Less Subsidies on Products	366.8	400.8	436.7	471.3	414.8	392.2

Source: SIB
R - Revised

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

Percentage

	2012	2013	2014	2015[R]	2016[R]	2017[P]
GDP at Current Market Prices	5.8	2.5	5.7	4.4	2.3	2.4
GDP at constant 2000 Market Prices	3.7	0.7	4.0	3.8	-0.5	1.2
Primary Industries	6.8	5.6	2.6	-11.0	-21.9	6.2
Agriculture, Hunting and Forestry	10.2	-1.3	1.1	1.2	-8.3	8.5
Fishing	-0.9	23.1	5.6	-34.8	-62.8	-11.2
Secondary Industries	-5.0	-8.5	-0.1	0.6	2.6	-0.1
Manufacturing (Including Mining and Quarrying)	-6.9	-18.8	-7.8	-11.3	-3.7	-3.3
Electricity and Water	-8.5	10.0	3.8	3.5	6.2	2.7
Construction	15.1	4.2	20.5	29.2	9.7	1.7
Tertiary Industries	4.8	0.3	4.2	7.3	6.6	2.5
Wholesale and Retail Trade	5.6	5.7	2.5	6.6	16.7	1.5
Hotels and Restaurants	11.3	8.4	9.4	-2.0	-1.8	-1.0
Transport and Communications	5.1	-3.1	1.5	5.0	6.2	1.7
Other Private Services Excluding Financial Services Indirectly Measured	1.9	-2.7	4.1	9.2	0.1	4.0
Producers of Government Services	6.0	-2.7	8.6	11.6	4.2	3.8
All Industries at Basic Prices	2.9	-0.7	3.1	3.0	1.8	2.4
Taxes Less Subsidies on Products	8.7	9.3	9.0	7.9	-12.0	-5.4

Source: SIB
[R] - Revised
[P] - Provisional

Table A.16: Sugar Cane Deliveries

	2014/2015	2015/2016	2016/2017
Deliveries (long tons)	1,167,427	1,455,053	1,644,405

Sources: BSI and Santander Group

Table A.17: Citrus Fruit Deliveries

	2014/2015	2015/2016	2016/2017
Deliveries (‘000 boxes)	4,686	3,618	3,387
Oranges	3,964	3,247	3,201
Grapefruits	722	371	186

Sources: CPBL and CGA

Table A.18: Production of Sugar and Molasses

	2014/2015	2015/2016	2016/2017
Sugar Processed (long tons)	140,051	143,937	174,887
Molasses Processed (long tons)	37,567	49,706	55,792
Performance			
Factory Time Efficiency	97.92	92.58	95.15
Cane Purity (%)	87.88	84.85	86.42
Cane/Sugar Ratio	8.35	10.11	9.40

Sources: BSI and Santander Group

Table A.19: Production of Citrus Juices and Pulp

	2014/2015	2015/2016	2016/2017
Production (‘000 ps)	28,465	21,285	19,998
Orange Concentrate	25,274	19,542	19,021
Grapefruit Concentrate	3,054	1,509	731
Not-from-concentrate	136	234	246
Production (‘000 pounds)			
Pulp	2,864	3,491	2,409
Citrus Oil	1,502	1,231	1,287

Source: CPBL

Table A.20: Labour Force Statistics

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

Source: SIB

Table A.21: Tourist Arrivals and Expenditure

	2014	2015	2016	2017
Stayover Arrivals				
Air	239,683	255,748	298,455	320,549
Land	49,207	51,601	51,460	60,803
Sea	8,534	7,529	6,634	7,806
Total Stayovers	297,424	314,878	356,550	389,158
Cruise Ship Disembarkations	871,318	862,178	904,855	912,809
Tourist Expenditure ($mn)	734.2	728.6	769.6	839.6

Sources: BTB, CBB and Immigration Department

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

		Average Annual Index			Average Annual
Major Commodity	Weights	2015	2016	2017	Change
Food and Non-Alcoholic Beverages	195.0	106.5	106.5	105.3	-1.1
Alcoholic Beverages and Tobacco	16.6	99.9	100.2	105.1	4.9
Clothing and Footwear	82.9	96.3	98.2	97.9	-0.3
Housing, Water, Electricty, Gas, and Other Fuels	264.8	102.4	103.0	103.7	0.7
Furnishing, Household Equipment and Routine Household Maintenance	69.3	101.7	101.9	101.1	-0.8
Health	41.4	111.2	113.8	113.4	-0.3
Transport	135.7	100.2	100.4	110.2	9.7
Communication	33.5	98.0	98.7	101.0	2.3
Recreation and Culture	69.4	106.3	106.9	105.0	-1.8
Education	32.5	102.6	103.4	103.6	0.2
Restaurants and Hotels	7.0	108.5	110.6	114.1	3.2
Miscellaneous Goods and Services	52.0	103.5	105.0	104.0	-1.0
All Items	1,000	102.8	103.5	104.7	1.1

Source: SIB

Table A.23: Central Government - Revenue and Expenditure

$'000

	Fiscal Year 2016/2017	Estimated Budget 2017/2018	Jan - Dec 2015	Jan - Dec 2016	Jan - Dec 2017
TOTAL REVENUE AND GRANTS (1+2+3)	1,052,133	1,186,770	1,022,291	1,039,419	1,057,999
1). Current Revenue	1,004,029	1,134,105	993,985	1,002,577	1,031,952
Tax Revenue	924,898	1,032,903	882,107	914,039	947,752
Income and Profits	261,707	270,781	263,411	260,185	267,195
Taxes on Property	6,799	6,230	5,276	6,638	6,510
Taxes on Goods and Services	490,192	551,881	356,217	456,462	517,396
International Trade and Transactions	166,200	204,011	257,204	190,754	156,650
Non-Tax Revenue	79,131	101,202	111,878	88,538	84,200
Property Income	16,742	31,025	34,034	21,946	12,752
Licenses	11,884	10,039	13,374	12,250	18,160
Transfers from Government Departments	24,397	25,270	25,326	25,665	23,418
Repayment of Old Loans	925	1,090	767	1,092	413
Rent and Royalties	25,182	33,777	38,378	27,585	29,457
2). Capital Revenue	2,522	5,984	6,773	2,671	1,982
3). Grants	45,581	46,682	21,533	34,172	24,066
TOTAL EXPENDITURE (1+2)	1,197,916	1,180,103	1,298,593	1,158,487	1,171,097
1). Current Expenditure	970,603	1,030,405	893,990	950,942	1,004,215
Wages and Salaries	403,054	422,373	372,187	398,437	420,932
Pensions	83,486	79,080	73,524	81,990	94,493
Goods and Services	215,510	235,564	201,964	212,292	206,420
Interest Payments	104,471	109,055	91,750	98,110	112,430
Subsidies and Current Transfers	164,082	184,333	154,565	160,113	169,940
2). Capital Expenditure	227,313	149,698	404,603	207,545	166,882
Capital II (Local Sources)	113,598	66,243	111,824	93,233	86,871
Capital III (Foreign Sources)	110,888	81,156	202,912	111,910	77,799
Capital Transfer and Net Lending	2,827	2,299	89,866	2,402	2,212
CURRENT BALANCE	33,426	103,700	99,995	51,635	27,736
OVERALL BALANCE	-145,784	6,667	-276,302	-119,068	-113,098
PRIMARY BALANCE	-41,313	115,722	-184,552	-20,958	-668
OVERALL BALANCE WITHOUT GRANTS	-191,365	-40,014	-297,835	-153,239	-137,164
PRIMARY BALANCE WITHOUT GRANTS	-86,894	69,040	-206,085	-55,129	-24,734

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

$’000

	Fiscal Year 2016/2017	Estimated Budget 2017/2018	Jan - Dec 2015	Jan - Dec 2016	Jan - Dec 2017
FINANCING	145,784	-6,667	276,302	119,068	113,098
Nationalisation	-196,522		-135,309	-196,522	-208,316
Domestic Financing	250,161		315,982	262,680	312,597
Central Bank	128,509		311,081	120,482	-9,738
Net Borrowing	152,116		101,532	124,708	17,668
Change in Deposits	-23,607		209,549	-4,226	-27,407
Domestic Banks	51,409		-17,774	96,713	87,172
Net Borrowing	59,893		-13,780	78,860	78,239
Change in Deposits	-8,484		-3,994	17,853	8,933
UHS liability					91,000
International Banks	4,738		-3,424	1,006	2,135
Other Domestic Financing	65,505		26,100	44,478	142,028
Financing Abroad	78,126		100,185	47,061	90,018
Disbursements	161,731		174,455	128,869	175,785
Amortisation	-83,605		-74,270	-81,809	-85,767
Other[1]	14,019		-4,556	5,849	-81,202

Sources: CBB and MOF

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

Table A.24: Central Government - Domestic Debt 2017[(1)]

$'000

	Disbursed Outstanding Debt 31/12/16[R]	*TRANSACTIONS THROUGH DECEMBER 2017* *Disbursement/ New Issue of Securities*	*Amortisation/ Reduction in Securities*	Interest	Net Change in Overdraft/ Securities	Disbursed Outstanding Debt 31/12/17[P]
Overdraft/Loans	48,221	0	0	4,498	(985)	47,235
Central Bank	48,221	0	0	4,498	(985)	47,235
Domestic Banks	0	0	0	0	0	0
Treasury Bills	215,000	30,000	0	1,449	0	245,000
Central Bank	51,792	30,000	0	698	25,031	106,823
Domestic Banks	151,700	0	0	733	(15,000)	136,700
Other	11,508	0	0	19	(10,031)	1,477
Treasury Notes	480,000	379,968	219,968	26,617	0	640,000
Central Bank	270,477	240,000	219,968	13,242	(56,409)	234,100
Domestic Banks	77,825	91,000	0	4,766	2,946	171,771
Other	131,698	48,968	0	8,609	53,463	234,129
Belize Bank Limited[(1)]		91,000				91,000
Heritage Bank Limited	1,732	0	712	141	0	1,020
Belize Social Security Board[(2)]	355	0	43	27	0	311
Fort Street Tourism Village	328	0	328	0	0	0
Debt for Nature Swap	2,147	0	178	60	0	1,970
Total	747,784	500,968	221,229	32,791	(985)	1,026,537

[P] - Provisional

[R] - Revised

[(1)] Caribbean Court of Justice award in November 2017 against the Government of Belize in favour of Belize Bank Limited, relating to the UHS loan guarantee.

[(2)] Government has an outstanding loan with BSSB for Hopeville Housing Project.

Table A.25: Public Sector External Debt by Source

$mn

	Outstanding Debt 31/12/2016[R]	Disbursements	Amortisation	Interest and Other Charges	Valuation Adjustments	Outstanding Debt 31/12/2017[P]
Bilateral	673.0	98.4	34.4	10.6	0.4	737.4
Multilateral	680.1	91.4	54.3	20.2	4.1	721.2
Bonds	1,053.0	0	0	52.3	0	1,053.0
Total	2,406.1	189.8	88.7	83.1	4.5	2,511.6

[R] - Revised
[P] - Provisional

Table A.26: Public Sector - External Debt 2017

$'000

	Disbursed Outstanding Debt 31/12/16R	*TRANSACTIONS THROUGH DECEMBER 2017* Disbursements	*Principal Payments*	*Interest & Other Payments*	*Parity Change*	Disbursed Outstanding Debt 31/12/17P
CENTRAL GOVERNMENT	2,323,487	175,785	85,767	81,855	1,612	2,415,118
Government of Venezuela[1]	406,210	22,349	8,945	3,062	0	419,615
Kuwait Fund for Arab Economic Development	22,532	5,180	1,924	826	398	26,187
Mega International Commercial Bank Company Ltd.	0	50,000	0	515	0	50,000
Republic of China	244,247	20,868	23,515	6,232	0	241,601
Caribbean Development Bank	244,452	35,493	20,140	8,007	0	259,804
Caricom Development Fund	1,610	0	812	93	0	799
European Economic Community	8,071	0	702	58	1,073	8,442
Inter-American Development Bank	231,486	15,853	18,861	5,915	0	228,478
International Fund for Agriculture Development	2,820	311	349	54	141	2,924
International Bank for Reconstruction and Development	33,189	2,929	3,875	1,017	0	32,242
OPEC Fund for International Development	52,645	22,801	4,872	2,411	0	70,574
Central American Bank for Economic Integration	23,221	0	1,774	1,343	0	21,447
Bank of New York	1,053,004	0	0	52,321	0	1,053,004
NON-FINANCIAL PUBLIC SECTOR	15,697	9,000	2,077	606	0	22,620
Caribbean Development Bank	15,697	9,000	2,077	606	0	22,620
FINANCIAL PUBLIC SECTOR	66,890	5,027	882	654	2,870	73,905
Caribbean Development Bank	18,666	5,027	847	585	0	22,845
European Investment Bank	0	0	0	68	0	0
European Economic Community	113	0	35	0	14	93
International Monetary Fund[2]	48,112	0	0	0	2,856	50,968
GRAND TOTAL	2,406,075	189,812	88,726	83,115	4,482	2,511,643

R - Revised
P - Provisional
(1) Since September 2017, debt service payments to Venezuela have been suspended due to U.S. sanctions on Petroleos de Venezuela, S.A. Unpaid debt service payments up to the end of December amount to principal of $4.2mn and interest of $1.0mn.
(2) The International Monetary Fund Special Drawing Rights allocation is included as part of the financial public sector's external debt obligation.

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

$mn

	Position as at			Changes During 2017
	Dec 2015	Dec 2016	Dec 2017	
Net Foreign Assets	1,150.1	986.5	859.3	-127.2
Central Bank	874.8	752.0	628.5	-123.5
Domestic Banks	275.3	234.5	230.8	-3.7
Net Domestic Credit	2,286.3	2,533.9	2,615.2	81.4
Central Government (Net)	296.4	514.6	591.0	76.4
Other Public Sector	10.7	8.4	6.7	-1.6
Private Sector	1,979.2	2,010.9	2,017.5	6.6
Central Bank Foreign Liabilities (Long-Term)	49.6	48.1	51.0	2.9
Other Items (Net)	513.0	522.0	485.0	-36.8
Money Supply (M2)	2,873.8	2,950.3	2,938.5	-11.9

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

Table A.28: Money Supply

$mn

	Position as at			Changes During 2017
	Dec 2015	Dec 2016	Dec 2017	
Money Supply (M2)	2,873.8	2,950.3	2,938.5	-11.9
Money Supply (M1)	1,528.4	1,471.9	1,565.9	94.0
Currency with the Public	291.2	311.1	325.2	14.1
Demand Deposits	1,072.6	1,160.0	1,212.3	52.3
Savings/Chequing Deposits	164.6	0.8	28.4	27.6
Quasi-Money	1,345.4	1,478.4	1,372.6	-105.9
Savings Deposits	470.7	686.2	678.9	-7.3
Time Deposits	874.7	792.2	693.7	-98.6

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

$mn

	Position as at			Changes During 2017
	Dec 2015	Dec 2016	Dec 2017	
Net Foreign Assets	1,150.1	986.5	859.3	-127.2
Central Bank	874.8	752.0	628.5	-123.5
Foreign Assets	882.5	759.2	630.3	-128.9
Foreign Liabilities (Demand)	7.7	7.2	1.8	-5.4
Domestic Banks	275.3	234.5	230.8	-3.7
Foreign Assets	309.4	251.7	235.9	-15.8
Foreign Liabilities (Short-Term)	34.1	17.2	5.1	-12.1

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

$mn

	Position as at			Changes During 2017
	Dec 2015	Dec 2016	Dec 2017	
Total Credit to Central Government	398.4	602.9	697.8	94.9
From Central Bank	245.8	370.5	388.1	17.7
From Domestic Banks	152.6	232.4	309.7	77.2
Less Central Government Deposits	102.0	88.3	106.8	18.5
Net Credit to Central Government	296.4	514.6	591.0	76.4
Plus Credit to Other Public Sector	10.7	8.4	6.7	-1.6
Plus Credit to the Private Sector	1,979.2	2,010.9	2,017.5	6.6
Net Domestic Credit of the Banking System	2,286.3	2,533.9	2,615.2	81.4

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

$mn

	Position as at			Changes During 2017
	Dec 2015	Dec 2016	Dec 2017	
PRIMARY SECTOR	252.0	257.8	277.3	19.5
Agriculture	202.9	202.8	240.4	37.6
Sugar	72.0	72.4	87.6	15.2
Citrus	14.8	12.2	14.7	2.5
Bananas	70.9	69.3	81.3	12.0
Other	45.2	48.9	56.8	7.9
Marine Products	30.6	36.2	33.6	-2.6
Forestry	0.7	1.0	0.5	-0.5
Mining and Exploration	17.8	17.8	2.8	-15.0
SECONDARY SECTOR	629.7	623.2	619.6	-3.6
Manufacturing	36.1	38.3	34.8	-3.5
Building and Construction	578.1	574.5	571.3	-3.2
Utilities	15.5	10.4	13.5	3.1
TERTIARY SECTOR	674.6	699.7	680.8	-18.9
Transport	48.5	54.6	57.3	2.7
Tourism	96.0	130.5	116.2	-14.3
Distribution	170.3	159.0	158.3	-0.7
Real Estate	293.2	293.4	290.9	-2.5
Professional Services	52.0	48.8	50.1	1.3
Other(1)	14.6	13.4	8.0	-5.4
PERSONAL LOANS	429.4	434.3	440.5	6.2
TOTAL	1,985.7	2,015.0	2,018.2	3.2

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

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

$mn

	Position as at			Changes During
	Dec 2015	Dec 2016	Dec 2017	2017
Holdings of Approved Liquid Assets	1,047.3	1,057.4	869.0	-188.4
Notes and Coins	77.1	75.4	75.5	0.1
Balances with Central Bank	666.9	656.3	507.8	-148.5
Money at Call and Foreign Balances (due in 90 days)	144.3	138.0	93.3	-44.7
Central Government Securities Maturing within 90 days[1]	150.0	178.0	159.0	-19.0
Other Approved Assets	9.0	9.7	33.4	23.7
Required Liquid Assets	594.0	613.7	599.8	-13.8
Excess/(Deficiency) Liquid Assets	453.3	443.7	269.2	-174.6
Daily Average Holdings of Cash Reserves	665.2	652.9	505.7	-147.2
Required Cash Reserves	219.5	226.8	221.7	-5.1
Excess/(Deficiency) Cash Reserves	445.7	426.1	284.0	-142.1
Actual Securities Balances[2]	150.0	151.7	136.7	-15.0
Excess/(Deficiency) Securities	150.0	151.7	136.7	-15.0

[1] Four week average of domestic banks' Treasury bill holdings.
[2] Face value of domestic banks' Treasury bill holdings at the end of the month.

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

Percentage

	Position as at			Changes During
	Dec 2015	Dec 2016	Dec 2017	2017
Weighted Lending Rates				
Personal Loans	11.60	11.63	11.31	-0.32
Commercial Loans	10.01	9.51	9.12	-0.39
Residential Construction	7.96	7.57	7.17	-0.40
Other	7.84	7.20	6.73	-0.47
Weighted Average	10.03	9.66	9.34	-0.32
Weighted Deposit Rates				
Demand	0.10	0.01	0.01	0.00
Savings/Chequing	2.56	0.62	0.49	-0.13
Savings	2.39	2.40	2.50	0.10
Time	2.45	2.20	2.08	-0.12
Weighted Average	1.46	1.28	1.21	-0.07
Weighted Average Spread	8.57	8.38	8.13	-0.25

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

Percentage

	Rolling Averages			Changes During
	Jan 2015 to Dec 2015	Jan 2016 to Dec 2016	Jan 2017 to Dec 2017	Dec 2016 to Dec 2017
Weighted Lending Rates				
Personal Loans	10.54	10.45	10.01	-0.44
Commercial Loans	9.87	9.47	8.85	-0.62
Residential Construction	6.78	6.99	6.98	-0.01
Other	6.69	6.44	6.55	0.11
Weighted Average	9.60	9.42	9.01	-0.41
Weighted Deposit Rates				
Demand	0.03	0.03	0.00	-0.03
Savings/Chequing	1.33	0.85	1.38	0.53
Savings	2.10	2.44	2.05	-0.39
Time	1.98	1.95	1.87	-0.08
Weighted Average	1.84	1.79	1.69	-0.10
Weighted Average Spread	7.76	7.63	7.33	-0.30

Table A.35: Balance of Payments - Merchandise Trade

$mn

	2015	2016	2017	Change
Goods Exports, FOB	1,075.8	885.6	915.0	3.3%
Of which: Domestic Exports	509.6	381.9	440.3	15.3%
CFZ Sales	451.1	395.5	385.9	-2.4%
Other Re-exports	115.1	108.2	88.8	-17.9%
Goods Imports, FOB	1,922.5	1,750.2	1,691.7	-3.3%
Of which: Domestic Economy	1,629.8	1,468.3	1,408.1	-4.1%
CFZ[1]	292.8	282.0	283.6	0.6%
Merchandise Trade Balance	-846.7	-864.6	-776.7	-10.2%

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

Table A.36: Domestic Exports

$mn

	2015	2016	2017
Traditional Exports	402.4	293.5	363.0
Sugar	134.5	103.0	148.1
Citrus Juices[1]	69.3	67.1	57.3
Citrus Concentrate	69.0	66.8	57.0
Not-from-concentrate	0.4	0.3	0.3
Molasses	7.4	7.0	9.0
Banana	98.4	69.5	83.4
Marine Products	80.0	43.0	40.8
Papaya	13.0	3.9	1.5
Petroleum	36.4	22.5	22.7
Non-traditional Exports	70.6	65.8	76.9
Total Exports	509.6	381.8	440.3

Sources: SIB, BSI, CPBL and CBB

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

Table A.37: Exports of Sugar and Molasses

	2015		2016		2017	
	Volume (long tons)	**Value ($'000)**	**Volume (long tons)**	**Value ($'000)**	**Volume (long tons)**	**Value ($'000)**
Sugar[1]	125,391	134,458	124,405	102,976	158,028	148,117
EU	97,168	103,580	119,710	97,778	140,558	128,075
US	24,563	27,125	2,411	2,555	15,772	17,352
CARICOM	3,592	3,650	2,239	2,575	1,653	2,537
Other	67	102	45	68	45	151
Molasses[2]	28,588	7,378	30,551	6,970	42,980	9,048

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

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

	2015	2016	2017
Concentrate ('000 ps)	25,126	22,695	17,165
Orange	23,347	20,329	16,122
Grapefruit	1,779	2,365	1,043
Concentrate Value ($mn)	69.0	66.8	57.0
Orange	62.0	58.5	53.2
Grapefruit	7.0	8.3	3.8
Not-from-concentrate Exports ('000 ps)	65.2	58.8	57.0
Orange	53.0	47.7	46.7
Grapefruit	12.2	11.1	10.3
Not-from-concentrate Value ($mn)	0.4	0.3	0.3
Orange	0.3	0.3	0.2
Grapefruit	0.1	0.1	0.1
Pulp Export ('000 pounds)	3,086	3,238	1,278
Pulp Value ($mn)	2.3	2.5	1.0

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.39: Exports of Banana

	2015	2016	2017
Volume (metric tons)	98,842	70,662	84,733
Value ($mn)	98.4	69.5	83.4

Source: BGA

Table A.40: Exports of Marine Products

	2015		2016		2017	
	Volume ('000 lbs)	Value ($'000)	Volume ('000 lbs)	Value ($'000)	Volume ('000 lbs)	Value ($'000)
Lobster Tail	742.4	19,345.4	823.2	18,259.4	1,043.8	23,349.2
Shrimp[(1)]	8,099.7	51,585.6	1,455.2	13,760.1	1,068.4	9,874.1
Conch	696.9	8,024.9	889.4	10,572.2	595.2	7,317.9
Whole/Fillet Fish	937.8	981.2	284.4	400.4	194.8	249.3
Other	16.4	101.4	3.6	41.6	2.4	47.3
Total	10,493.3	80,038.5	3,452.2	42,992.2	2,904.6	40,837.7

Sources: CBB and SIB

[(1)] Data reflect actual sales and not export shipments as reported by SIB.

Table A.41: Other Major Exports

	2015	2016	2017
Papaya			
Volume ('000 lbs)	30,741	7,500	3,520
Value ($mn)	13.0	3.9	1.5
Petroleum			
Volume (barrels)	404,490	335,183	267,071
Value ($mn)	36.1	22.5	22.7

Source: SIB

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

$mn

SITC Category	2013	2014	2015	2016	2017
0 Food and Live Animals	202.0	224.2	221.9	229.5	216.1
1 Beverages and Tobacco	31.7	39.2	40.0	38.4	35.3
2 Crude Materials	20.6	31.2	31.4	36.1	35.5
3 Fuels and Lubricants	357.9	337.6	263.1	211.5	260.0
Of which: Electricity	78.8	41.9	42.6	24.5	44.3
4 Animal and Vegetable Oils	13.3	16.0	17.6	13.7	16.4
5 Chemicals	166.1	166.9	182.9	172.0	174.5
6 Manufactured Goods	224.5	218.7	244.7	236.2	244.0
7 Machinery and Transport Equipment	320.0	342.8	435.8	458.7	375.5
8 Miscellaneous Manufactured Goods	134.4	140.8	158.2	178.6	161.4
9 Commodities - not classified elsewhere	0.0	0.6	1.6	0.6	0.3
Export Processing Zones	80.6	115.2	115.8	45.3	41.1
Personal Goods	6.9	6.5	5.0	3.9	3.5
Total	1,558.0	1,639.7	1,718.0	1,624.5	1,563.6
CFZ Direct Imports	332.8	327.1	317.1	305.5	307.2
Grand Total	1,890.8	1,966.8	2,035.1	1,930.0	1,870.8

Sources: SIB and CBB

Table A.43: Extended Balance of Payments Services Classification (EBOPS)

$mn

		Jan - Dec 2016	Jan - Dec 2017
Total Services	Net	586.1	681.5
	Credits	1,030.5	1,163.0
	Debits	444.4	481.4
Manufacturing Services	Net	0.1	0.0
	Credits	0.1	0.0
	Debits	0.0	0.0
Maintenance and Repair Services	Net	0.0	0.0
	Credits	0.0	0.0
	Debits	0.0	0.0
Transportation	Net	-93.9	-69.7
	Credits	54.0	58.8
	Debits	147.9	128.5
Travel	Net	679.1	752.4
	Credits	780.9	853.4
	Debits	101.8	101.0
Telecommunications, Computer and Information Services	Net	35.1	21.2
	Credits	52.4	43.3
	Debits	17.3	22.1
Construction Services	Net	0.0	0.0
	Credits	0.0	0.0
	Debits	0.0	0.0
Insurance and Pension Services	Net	-53.0	-80.2
	Credits	0.6	0.7
	Debits	53.7	80.9
Financial Services	Net	-13.2	5.1
	Credits	6.3	10.5
	Debits	19.5	5.4
Charges for the use of Intellectual Property, n.i.e.	Net	-5.3	-7.2
	Credits	0.0	0.0
	Debits	5.3	7.2
Other Business Services	Net	27.8	34.4
	Credits	98.1	121.4
	Debits	70.2	87.0
Personal, Cultural and Recreational Services	Net	-0.9	-1.1
	Credits	0.0	0.0
	Debits	0.9	1.1
Government Services, n.i.e.	Net	10.3	26.6
	Credits	38.1	74.9
	Debits	27.8	48.2

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

$mn

	2015			2016			2017		
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net
Services	996.9	442.7	554.2	1,030.5	444.4	586.1	1,163.0	481.4	681.5
Transportation	50.0	140.1	-90.1	54.0	147.9	-93.9	58.8	128.5	-69.7
Travel	742.5	94.6	647.9	780.9	101.8	679.1	853.4	101.0	752.4
Other Goods and Services	149.2	179.1	-29.8	157.5	166.9	-9.3	175.9	203.7	-27.8
Government Goods and Services, n.i.e	55.2	29.0	26.2	38.1	27.8	10.3	74.9	48.2	26.6
Primary Income	14.6	204.9	-190.3	14.5	236.1	-221.6	13.9	324.7	-310.8
Labour Income	4.7	13.3	-8.5	4.7	8.9	-4.2	4.7	11.8	-7.1
Investment Income[1]	9.8	191.6	-181.8	9.8	227.2	-217.4	9.2	312.9	-303.7
Secondary Income	219.7	80.3	139.4	287.4	90.5	196.9	238.2	93.9	144.3
Government	0	7.2	-7.2	13.8	6.9	6.8	0.0	11.0	-11.0
Private	219.7	73.1	146.6	273.7	83.6	190.1	238.2	83.0	155.2

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

Table A.45: Percentage Distribution of Visible Trade by Country/Area[1]

Percentage

	Exports[1]			Imports[1] [2]		
	2015	2016	2017	2015	2016	2017
US	20.5	14.5	11.1	33.7	37.4	35.6
Mexico	47.8	49.3	46.5	10.6	10.8	11.2
UK	16.5	17.2	18.1	2.3	1.3	1.3
Other EU	6.0	7.6	11.2	3.8	2.9	3.6
Central America	0.9	0.9	1.2	15.8	14.5	14.3
CARICOM	6.5	6.7	8.6	3.1	2.8	3.5
Canada	0.3	0.1	0.1	0.8	1.0	1.1
Netherland Antilles	0.0	0.0	0.0	8.8	7.4	8.1
China	0.0	0.0	0.0	10.1	11.7	11.2
Other	1.4	3.7	3.2	11.0	10.1	10.2
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
[2] Include electricity imports from Mexico.

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

$mn

	2015 Net	2016 Net	2017 Net
CAPITAL ACCOUNT	17.3	66.0	32.2
General Government	17.3	66.0	32.2
Other Sectors	0.0	0.0	0.0
FINANCIAL ACCOUNT	-184.5	-106.9	-104.6
Direct Investment Abroad	0.9	3.4	0.6
Direct Investment in Belize	129.2	88.0	51.3
Portfolio Investment Assets	0.0	0.0	0.0
Portfolio Investment Liabilities	0.0	0.0	0.0
Financial Derivatives Assets	0.0	0.0	0.0
Financial Derivatives Liabilities	0.0	0.0	0.0
Other Investment Assets	20.0	-66.1	-17.7
Monetary Authorities	-1.2	-1.2	1.2
General Government	0.0	0.0	0.0
Banks	24.5	-62.3	-15.8
Other Sectors	-3.3	-2.6	-3.1
Other Investment Liabilities	76.2	-43.8	36.3
Monetary Authorities	6.4	-0.4	-5.4
General Government	104.1	45.8	101.1
Banks	-1.7	-16.9	-12.1
Other Sectors	-32.6	-72.2	-47.2
NET ERRORS AND OMISSIONS	41.5	9.7	-4.2
CHANGES IN RESERVES	-100.3	-120.7	-129.2

Table A.47: Official International Reserves

	Position as at			Changes During 2017
	Dec 2015	Dec 2016	Dec 2017	
Gross Official International Reserves	873.8	753.1	624.0	-129.2
Central Bank of Belize	855.7	734.3	605.2	-129.2
Holdings of SDRs	55.5	53.8	57.1	3.3
IMF Reserve Tranche	11.7	16.7	17.7	1.1
Other	788.5	663.8	530.3	-133.5
Central Government	18.1	18.8	18.8	0.0
Foreign Liabilities	9.4	10.7	3.2	-7.5
CARICOM	0.4	0.0	0.6	0.6
Other	8.9	10.7	2.6	-8.1
Net Official International Reserves	864.4	742.4	620.8	-121.6

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

Economic Sectors	Disbursed Outstanding as at 31/12/2016	Transactions (Jan - Dec 2017) Disbursements	Principal Payments	Interest Payments	Disbursed Outstanding as at 31/12/2017
Agriculture	57,407	1,000	289	39	58,119
Arts, Entertainment and Recreation	1,700	0	0	0	1,700
Construction	48,722	0	5,975	5,472	42,748
Economic Diversification	778	0	222	35	556
Education	198	0	0	0	198
Electricity and Gas[2]	5,154	0	21	1,499	5,133
Financial and Insurance Activities	111	0	0	0	111
Fishing	89,214	0	7,093	1,977	82,121
Information and Communication	520	0	302	25	218
Real Estate Activities	1,258	0	0	0	1,258
Toursim Activities	40,263	0	0	0	40,263
Transportation	33,127	14,219	5,852	1,485	41,495
Wholesale and retail trade	1,086	0	14	7	1,072
Other	2	2,554	0	0	2,556
Total	279,541	17,774	19,767	10,538	277,547

(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, all companies had not submitted their balance sheets to the Central Bank of Belize.

Table A.49: Balance of Payments Summary

$mn

	2015	2016	2017
CURRENT ACCOUNT	-343.5	-303.2	-261.8
Goods: Exports FOB	1,075.8	885.6	915.0
Goods: Imports FOB	1,922.5	1,750.2	1,691.7
Trade Balance	-846.7	-864.6	-776.7
Services: Credit	996.9	1,030.5	1,163.0
Transportation	50.0	54.0	58.8
Travel	742.5	780.9	853.4
Other Goods and Services	149.2	157.5	175.9
Government Goods and Services	55.2	38.1	74.9
Services: Debit	442.7	444.4	481.4
Transportation	140.1	147.9	128.5
Travel	94.6	101.8	101.0
Other Goods and Services	179.1	166.9	203.7
Government Goods and Services	29.0	27.8	48.2
Balance on Goods and Services	-292.5	-278.5	-95.2
Primary Income: Credit	14.6	14.5	13.9
Compensation of Employees	4.7	4.7	4.7
Investment Income	9.8	9.8	9.2
Primary Income: Debit	204.9	236.1	324.7
Compensation of Employees	13.3	8.9	11.8
Investment Income[1]	191.6	227.2	312.9
Balance on Goods, Services and Income	-482.9	-500.1	-406.0
Secondary Income: Credit	219.7	287.4	238.2
Government	0.0	13.8	0.0
Private	219.7	273.7	238.2
Secondary Income: Debit	80.3	90.5	93.9
Government	7.2	6.9	11.0
Private	73.1	83.6	83.0
CAPITAL ACCOUNT, n.i.e.	17.3	66.0	32.2
Capital Account: Credit	17.3	66.0	32.2
Capital Account: Debit	0.0	0.0	0.0

Table A.49: Balance of Payments Summary continued

$mn

	2015	2016	2017
FINANCIAL ACCOUNT, n.i.e.	-184.5	-106.9	-104.6
Direct Investment Abroad	0.9	3.4	0.6
Direct Investment in Belize, n.i.e.	129.2	88.0	51.3
Net Direct Investment	-128.3	-84.5	-50.6
Portfolio Investment Assets	0.0	0.0	0.0
Portfolio Investment Liabilities, n.i.e.	0.0	0.0	0.0
Net Portfolio Investment	0.0	0.0	0.0
Financial Derivatives Assets	0.0	0.0	0.0
Financial Derivatives Liabilities	0.0	0.0	0.0
Net Financial Derivatives	0.0	0.0	0.0
Other Investment Assets	20.0	-66.1	-17.7
Other Investment Liabilities	76.2	-43.8	36.3
Net Other Investment	-56.2	-22.3	-54.0
NET ERRORS AND OMISSIONS	41.5	9.7	-4.2
RESERVE ASSETS	-100.3	-120.7	-129.2

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

Table A.50: International Investment Position

$mn

	Dec 2016	Dec 2017	Annual Change
Net position	-5,906.1	-6,148.9	-242.8
A. Assets	1,135.7	989.6	-146.2
1. Direct Investment Abroad	137.1	137.7	0.6
2. Portfolio Investment	39.1	34.8	-4.3
2.1 Equity Securities	16.4	20.4	4.0
2.2 Debt Securities	22.7	14.4	-8.3
3. Other Investment	206.4	193.2	-13.3
3.1 Trade Credits	-1.3	-1.3	0.0
3.2 Loans	8.6	6.2	-2.5
3.3 Currency and Deposits	235.4	236.4	1.0
3.4 Other Assets	15.0	7.1	-7.9
4. Reserve Assets	753.1	624.0	-129.2
4.1 Monetary Gold	0.0	0.0	0.0
4.2 Special Drawing Rights	53.8	57.1	3.3
4.3 Reserve Position in the Fund	16.7	17.7	1.1
4.4 Foreign Exchange	663.8	530.3	-133.5
4.5 Other Claims	18.8	18.8	0.0
B. Liabilities	7,041.9	7,138.5	96.6
1. Direct Investment	4,197.8	4,249.1	51.3
2. Portfolio Investment	1,053.0	1,053.0	0.0
2.1 Equity Securities	0.0	0.0	0.0
2.2 Debt Securities	1,053.0	1,053.0	0.0
3. Other Investment	1,791.1	1,836.5	45.4
3.1 Trade Credits	-2.6	-0.7	2.0
3.2 Loans	1,710.3	1,772.1	61.8
3.3 Currency and Deposits	81.0	64.4	-16.6
3.4 Other Liabilities	2.4	0.7	-1.7

Financial Statements 2017

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INDEPENDENT AUDITORS' REPORT

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

Opinion
We have audited the financial statements of Central Bank of Belize, (the Bank) which comprise the statements of financial position as at December 31, 2017 and 2016, and the statements of profit, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Central Bank of Belize as at December 31, 2017 and 2016, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Partners
Claude Burrell CPA CISA
Giacomo Sanchez CPA

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Independent Auditors' Report
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- Evaluate the overall presentation, structure and content of the financial statements including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Grant Thornton

Chartered Accountants
Belize City, Belize
April 27, 2018

Partners
Claude Burrell CPA CISA
Giacomo Sanchez CPA

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CENTRAL BANK OF BELIZE

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

ASSETS	**Notes**	**2017**	2016
APPROVED EXTERNAL ASSETS:			
Bank balances and deposits with foreign bankers – unrestricted	2h, 2i, 3	**$ 4,623,803**	$ 8,995,178
Reserve Tranche and balances with the International Monetary Fund	2h, 2j, 4	**74,769,792**	70,493,178
Other foreign credit instruments	2h, 2k, 5	**514,306,159**	598,098,673
Accrued interest and cash-in-transit	2h, 2L, 6	**3,793,085**	4,031,512
Marketable securities issued or guaranteed by foreign governments and international financial institutions	2h, 2m, 7	**14,285,714**	59,428,571
Total approved external assets		**611,778,553**	741,047,112
BALANCES WITH LOCAL BANKERS AND CASH ON HAND	2h, 2n	**301,986**	262,849
GOVERNMENT OF BELIZE SECURITIES	2h, 2o, 8	**340,922,789**	322,269,225
CONSOLIDATED REVENUE FUND	2h, 2p	**41,024,157**	48,220,569
OTHER ASSETS	2h, 2q, 9	**18,372,352**	19,166,550
EQUITY INSTRUMENTS	2h, 2r, 10	**20,000,000**	20,000,000
PROPERTY AND EQUIPMENT – NET	2s, 11	**30,084,320**	30,941,760
INTANGIBLE ASSETS – NET	2t, 12	**4,113,707**	4,597,609
TOTAL ASSETS		**$1,066,597,864**	$1,186,505,674

The notes on pages 11 to 45 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE

STATEMENTS OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

LIABILITIES, CAPITAL AND RESERVES	Notes	2017	2016
DEMAND LIABILITIES:			
Notes and coins in circulation		**$ 383,392,538**	$ 369,502,797
Deposits by licensed financial institutions	2h, 2u	**476,818,877**	624,817,243
Deposits by and balances due to Government and Public sector entities in Belize	2h, 2u	**91,736,331**	68,608,100
Deposits by international agencies	2h, 2u, 13	**1,210,294**	1,585,403
Total demand liabilities		**953,158,040**	1,064,513,543
BALANCES DUE TO CARICOM CENTRAL BANKS	2h	**561,529**	9,056
OTHER LIABILITIES	2h, 14	**15,244,552**	28,914,879
DEFINED BENEFIT PLAN NET OBLIGATION	2v, 26	**-**	877,855
IMF SDR ALLOCATIONS	2h, 15	**51,028,399**	48,128,947
COMMERCIAL BANKS' DISCOUNT FUND	2h, 16	**1,085,750**	923,383
TOTAL LIABILITIES		**1,021,078,270**	1,143,367,663
CAPITAL ACCOUNT:			
Paid - up capital (Authorized capital $20,000,000)	2x, 17	**20,000,000**	19,809,790
REVALUATION ACCOUNT	2y, 18	**2,387,028**	968,038
ASSET REVALUATION RESERVE	19	**164,531**	103,431
POST EMPLOYMENT OBLIGATION RESERVE	2v, 26	**(37,327)**	(37,327)
GENERAL RESERVE	2z, 20	**23,005,362**	22,294,079
TOTAL LIABILITIES, CAPITAL AND RESERVES		**$1,066,597,864**	$1,186,505,674

The financial statements on pages 4 to 10 were approved and authorized for issue by the Board of Directors on April 27, 2018 and are signed on its behalf by:

CHAIRMAN **GOVERNOR** **SENIOR MANAGER, CORPORATE SERVICES**

The notes on pages 11 to 45 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE

STATEMENTS OF PROFIT
YEARS ENDED DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

	Notes	2017	2016
CONTINUING OPERATIONS			
INTEREST INCOME:	2aa		
Approved external assets	21	**$ 8,542,084**	$ 7,372,596
Advances to Government of Belize		**4,497,527**	6,042,393
Local securities		**11,128,244**	13,136,679
		24,167,855	26,551,668
Other income:			
Discount on local securities		**778,995**	10,861
Dividends on equity instruments	10	**760,000**	1,120,000
Commissions and other income	22	**2,923,393**	3,213,405
(Loss) gain on disposal of securities		**(394,515)**	778,799
Total income		**28,235,728**	31,674,733
LESS: Interest expense		**(281,994)**	(57,991)
Total income		**27,953,734**	31,616,742
EXPENDITURE:			
Printing of notes and minting of coins	23	**(2,360,160)**	(2,827,437)
Salaries and wages, including superannuation contribution and gratuities	2w, 24	**(11,334,535)**	(11,512,592)
Depreciation and amortization expenses	2s, 2t, 11, 12	**(1,886,218)**	(1,397,510)
Administrative and general expenses	2bb, 25	**(5,259,996)**	(4,979,436)
Total expenditure		**(20,840,909)**	(20,716,975)
PROFIT FOR THE YEAR		**$ 7,112,825**	$10,899,767
Profit for the year attributable to:			
Owner of the Bank		**$ 7,112,825**	$10,899,767
Transfers:			
General Reserve Fund	2z, 2p	**$ 711,283**	$ 1,089,977
Capital Account	2x	**190,210**	9,809,790
Consolidated Revenue Fund	2z	**6,211,332**	-
		$ 7,112,825	$10,899,767

The notes on pages 11 to 45 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE

STATEMENTS OF OTHER COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

	Notes	2017	2016
PROFIT FOR THE YEAR		**$ 7,112,825**	$10,899,767
Other comprehensive income (loss):			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement losses	2v, 26	**-**	(3,378,501)
Appraisal of artwork		**61,100**	-
Items that will be reclassified subsequently to profit or loss			
Revaluation of financial assets	18	**1,418,990**	(770,779)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		**1,480,090**	(4,149,280)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**$ 8,592,915**	$ 6,750,487
Total comprehensive income attributable to:			
Owner of the Bank		**$ 8,592,915**	$ 6,750,487

The notes on pages 11 to 45 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE

STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

	Capital account	Revaluation account	Asset revaluation reserve	Post-employment obligation reserve	General reserve	Total
January 1, 2016	$10,000,000	$1,738,817	$103,431	$3,341,174	$21,204,102	$36,387,524
Comprehensive Income:						
Profit for the year	-	-	-	-	10,899,767	10,899,767
Other comprehensive income	-	(770,779)	-	(3,378,501)	-	(4,149,280)
Total comprehensive income	-	(770,779)	-	(3,378,501)	10,899,767	6,750,487
Transactions with owners of the Bank recognized directly in equity:						
Transfer to Capital Account	9,809,790	-	-	-	(9,809,790)	-
Transactions with owner of the Bank	9,809,790	-	-	-	(9,809,790)	-
December 31, 2016	**19,809,790**	**968,038**	**103,431**	**(37,327)**	**22,294,079**	**43,138,011**
January 1, 2017	19,809,790	968,038	103,431	(37,327)	22,294,079	$43,138,011
Comprehensive Income:						
Profit for the year	-	-	-	-	7,112,825	7,112,825
Other comprehensive income	-	1,418,990	61,100	-	-	1,480,090
Total comprehensive income	-	1,418,990	61,100	-	7,112,825	8,592,915
Transactions with owner of the Bank recognized directly in equity:						
Transfer to Capital Account	190,210	-	-	-	(190,210)	-
Transfer to Consolidated Revenue Fund	-	-	-	-	(6,211,332)	(6,211,332)
Transactions with owner of the Bank	190,210	-	-	-	(6,401,542)	(6,211,332)
December 31, 2017	**$20,000,000**	**$2,387,028**	**$164,531**	**$(37,327)**	**$23,005,362**	**$45,519,594**

The notes on pages 11 to 45 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

	Notes	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit for the year		**$ 7,112,825**	$ 10,899,767
Adjustments to reconcile comprehensive income to net cash provided by operating activities:			
- Amortization and impairment of intangible assets	12	**537,684**	297,042
- Depreciation of property and equipment	11	**1,348,534**	1,100,468
- Loss (gain) on disposal of property and equipment	22	**(6,938)**	1,905
Cash provided by operating activities before operating assets and liabilities		**8,992,105**	12,299,182
Changes in:			
Consolidated revenue fund		**7,196,412**	7,661,205
Government of Belize securities		**67,375,000**	(77,149,850)
Securities		**45,142,857**	81,142,858
Reserve tranche in the International Monetary Fund		**(988,363)**	(4,960,911)
Other assets		**855,298**	(3,901,015)
Other liabilities		**(13,670,324)**	1,750,441
Defined benefit plan net obligation		**(877,855)**	877,855
Revaluation account		**1,418,990**	(770,779)
Net cash provided by operating activities		**115,444,120**	16,948,986
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of intangible assets		**(53,782)**	(3,625,212)
Acquisition of property and equipment		**(523,256)**	(3,143,398)
Proceeds from sale of assets		**39,100**	-
Net cash used in investing activities		**(537,938)**	(6,768,610)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Balances due to Caricom Central Banks		**552,473**	(417,132)
Commercial Bank Discount Fund		**162,367**	162,367
Deposits by and balances due to Government and Public sector entities in Belize		**23,128,231**	20,710,642
Deposits by international agencies		**(375,109)**	110,176
Deposits by licensed financial institutions		**(147,998,366)**	(37,664,081)
IMF SDR allocations		**2,899,452**	(1,468,399)
Notes and coins in circulation		**13,889,741**	24,422,303
Pension reserve		**-**	(37,327)
Transfer to consolidated reserve fund		**(6,211,335)**	-
Net cash (used in) provided by financing activities		**$(113,952,546)**	$ 5,818,549

Continued on page 10.

The notes on pages 11 to 45 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE

STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

	2017	2016
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**$753,324,794**	$737,325,869
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**953,636**	15,998,925
CASH AND CASH EQUIVALENTS, END OF YEAR	**$754,278,430**	$753,324,794
CASH AND CASH EQUIVALENTS COMPRISE THE FOLLOWING:		
EXTERNAL ASSETS:		
Balances and deposits with foreign bankers	**$ 4,623,803**	$ 8,995,178
Other foreign credit instruments	**514,306,159**	598,098,673
Accrued interest	**3,701,813**	3,515,983
Cash-in-transit	**91,272**	515,529
Balance with the International Monetary Fund	**57,131,608**	53,843,357
	579,854,655	664,968,720
LOCAL ASSETS:		
Cash and bank balances	**301,986**	262,849
Current portion of Government of Belize securities	**174,121,789**	88,093,225
	174,423,775	88,356,074
	$754,278,430	$753,324,794

The notes on pages 11 to 45 are an integral part of these financial statements.

1. GENERAL INFORMATION

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Foreign investment policy – Section 25(1) of the Act requires that the Bank shall, at all times, hold assets of an amount in value sufficient to cover fully the value of the total amount of its notes and coins for the time being in circulation. As at December 31 2017, the value of total assets was $1,066,597,866 (2016: $1,186,505,674) while the value of notes and coins in circulation was $383,392,538 (2016: $369,502,797).

Section 25(2) of the Act requires that the Bank maintain at all times a reserve of external assets of not less than 40 percent of the aggregate amount of notes and coins in circulation and of the Bank's liabilities to customers in respect if its sights and time deposits. At December 31, 2017 and 2016 total approved external assets approximated 64.0 percent and 70.0 percent of such liabilities respectively.

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Significant accounting judgments and estimates (continued)

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

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

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

Standards/ Amendments	Pronouncement	When effective	Response
IFRS 9	IFRS 9, as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after January 1, 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to January 1, 2015. The release of IFRS 9 (2014) on July 24, 2014 moved the mandatory effective date of IFRS 9 to January 1, 2018. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. IFRS 9 (2014) supersedes IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013), but these standards remain available for application if the relevant date of initial application is before 1 February 2015.	January 1, 2018	The standard will be adopted when it becomes effective. Its effect, if any, will be quantified at that time.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Change in accounting policies (continued)

Standards/ Amendments	Pronouncement	When effective	Response
IFRS 15 Revenue from Contracts with Customers	IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. These include identifying the contract, performance obligations, and transaction price as well as allocating transaction price to the performance obligations and recognizing revenue when these are satisfied.	January 1, 2018	The standard will be adopted when it becomes effective. Its effect, if any, will be quantified at that time.
Clarification to IFRS 15 'Revenue from Contracts with Customers'	Amends IFRS 15 Revenue from Contracts with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.	January 1, 2018	The standard will be adopted when it becomes effective. Its effect, if any, will be quantified at that time.
IFRIC 22 Foreign Currency Transactions and Advance Consideration	The interpretation addresses foreign currency transactions or parts of transactions where: - there is consideration that is denominated or priced in a foreign currency; and - the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; - the prepayment asset or deferred income liability is non-monetary. The Interpretations Committee came to the following conclusion: - The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. - If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.	January 1, 2018	The standard will be adopted when it becomes effective. Its effect, if any, will be quantified at that time.
IFRS 17 Insurance Contracts	IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.	January 1, 2021	The amendment is not expected to have an impact on the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Change in accounting policies (continued)

Standards/ Amendments	Pronouncement	When effective	Response
IFRIC 23 Uncertaintity over Income Tax Treatments	The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: - Whether tax treatments should be considered collectively - Assumptions for taxation authorities' examinations - The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates - The effect of changes in facts and circumstances	January 1, 2019	The amendment is not expected to have an impact on the financial statements.
Prepayment Features with Negative Compensation (Amendments to IFRS 9)	Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.	January 1, 2019	The amendment is not expected to have an impact on the financial statements.
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	Clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 1, 2019	The amendment will be adopted when it becomes effective. Its effect, if any, will be quantified at that time.

Annual Improvements 2015-2017 Cycle - Makes amendments to the following standards for periods beginning on or after January 1, 2019.	When Effective	Response
IFRS 3 and IFRS 11 - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.	January 1, 2019	The amendment is not expected to have an impact on the financial statements.
IAS 12 - The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.	January 1, 2019	The amendment is not expected to have an impact on the financial statements.
IAS 23 - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.	January 1, 2019	The amendment is not expected to have an impact on the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Financial instruments –

Recognition, initial measurement and derecognition
Financial assets and financial liabilities are recognised when the Bank becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires

Classification and subsequent measurement of financial assets
For the purpose of subsequent measurement financial assets, other than those designated and effective as hedging instruments, are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss (FVTPL)
- held-to-maturity (HTM) investments available-for-sale (AFS) financial assets.

All financial assets except for those at FVTPL are reviewed for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Bank's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Financial assets at FVTPL
Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Financial instruments (continued)

All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

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.

HTM investments
HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the Bank has the intention and ability to hold them until maturity. The Bank currently holds listed bonds designated into this category.

HTM investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes in the carrying amount of the investment, including impairment losses, are recognised in profit or loss.

AFS financial assets
AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

The equity investment in Belize Telemedia Limited is measured at cost less any impairment charges, as its fair value cannot currently be estimated reliably. Impairment charges are recognised in profit or loss.

All other AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the AFS reserve within equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss. Interest calculated using the effective interest method and dividends are recognised in profit or loss within finance income.

Reversals of impairment losses for AFS debt securities are recognised in profit or loss if the reversal can be objectively related to an event occurring after the impairment loss was recognised. For AFS equity investments impairment reversals are not recognised in profit loss and any subsequent increase in fair value is recognised in other comprehensive income.

Classification and subsequent measurement of financial liabilities
The Bank's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Financial instruments (continued)

Financial liabilities are measured subsequently at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Section 35 of the Act permits the Bank to purchase or sell treasury bills or notes issued or guaranteed by the Government of Belize for a period of maturity not exceeding 10 years. The Central Bank of Belize Amendment Act No. 28 of 2017 amends Section 35(2) of the principal Act on March 31, 2017 to stipulate that the Bank shall not at any time hold Government of Belize securities in an aggregate amount exceeding thirty times the aggregate amount at that time of the paid up capital and general reserves of the Bank. At December 31 the Bank's aggregate holding of these Government of Belize Securities approximated 7.90 times (2016: 7.70), respectively, the amount of paid up capital and general reserves of the Bank.

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

q. Other assets –

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

s. Property & equipment –

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

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

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

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

t. Intangible assets –

Initial recognition of other intangible assets

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

v. Defined benefit plan (continued)

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

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

w. Short term employee benefits –

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

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

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

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

x. Capital account – Section 8 the Act specifies that the authorized capital of the bank shall be $10,000,000.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

As at December 31, 2017, the Bank's General Reserve Fund was at $23,005,362 which exceeded the paid up capital of $20,000,000. In accordance with the Act, transfer from the net profit of 10% was made to the General Reserve Fund.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

3. BANK BALANCES AND DEPOSITS WITH FOREIGN BANKERS – UNRESTRICTED

	2017	2016
Balances with other central banks and foreign banks	**$4,333,289**	$8,725,268
Foreign currency notes	**290,514**	269,910
	$4,623,803	$8,995,178

4. RESERVE TRANCHE AND BALANCES WITH THE INTERNATIONAL MONETARY FUND

Belize joined the International Monetary Fund on March 16, 1982. As at December 31, 2017 and 2016, its financial position in the IMF is as follows:

	2017	2016
SDR Holdings	**$57,131,608**	$53,843,357
Reserve Tranche	**17,638,184**	16,649,821
	$74,769,792	$70,493,178

SDRs are converted at an exchange rate of BZ$2.84827 to SDR 1.0 at December 31, 2017 (2016: BZ$2.688664 to SDR 1.0).

5. OTHER FOREIGN CREDIT INSTRUMENTS

	2017	2016
Fixed Deposits	**$357,731,405**	$521,429,448
Overnight Deposits	**156,574,754**	76,669,225
	$514,306,159	$598,098,673

6. ACCRUED INTEREST AND CASH-IN-TRANSIT

	2017	2016
Accrued Interest	**$3,701,813**	$3,515,983
Cash-in-Transit	**91,272**	515,529
	$3,793,085	$4,031,512

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

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

	2017	2016
US Treasury Notes	**$ -**	$44,000,000
Debentures	**2,000,000**	2,000,000
Bonds	**12,285,714**	13,428,571
	$14,285,714	$59,428,571

8. GOVERNMENT OF BELIZE SECURITIES

	2017	2016
Treasury Bills	**$106,822,789**	$ 51,792,075
Treasury Notes	**234,100,000**	270,477,150
	$340,922,789	$322,269,225

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

	2017	2016
Due within 1 year	**$174,121,789**	$ 88,093,225
Due within 1 year through 5 years	**65,576,000**	72,277,000
Due within 5 years through 10 years	**101,225,000**	161,899,000
	$340,922,789	$322,269,225

9. OTHER ASSETS

	2017	2016
Other assets consist of:		
Accounts receivable	**$ 102,938**	$ 106,773
Dividends receivable	**760,000**	1,120,000
Inventory of circulation notes and coins	**6,783,679**	4,084,590
Other	**434,327**	387,225
Prepayments and accrued interest	**4,936,176**	8,178,190
Collectible coins inventory	**1,109,936**	1,127,963
Staff loans receivable	**4,261,398**	4,188,139
	18,388,454	19,192,880
Less impairment for doubtful receivables and amortization of museum endowment fund:	**(16,102)**	(26,330)
	$18,372,352	$19,166,550
Impairment for doubtful receivables and amortization:		
Beginning balance, January 1	**$ 26,330**	$ 23,341
Additional impairment and amortization	**-**	12,704
Write-offs	**(10,228)**	(9,715)
Ending balance, December 31	**$ 16,102**	$ 26,330

10. EQUITY INSTRUMENTS

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 June 17, 2011 for 800,000 shares have been received by the Bank. The Bank is committed not to dispose of the shares for at least four years after the date of purchase under a "Share Purchase" agreement. Thereafter the Bank can dispose of the shares at the rate of one million shares per annum. If the Bank chooses to sell the shares, it shall offer the Government of Belize the right of the first refusal and the right to object to any buyer before concluding the sale of any of the shares. Belize Telemedia Limited declared dividends of $0.19 per share to shareholders on record on September 27, 2017.

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

11. PROPERTY AND EQUIPMENT

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

Cost	**Property**	**Furniture**	**Equipment**	**Vehicles**	**Work in Progress**	**Total**
Balance at, January 1, 2016	$30,926,558	$1,511,887	$ 8,701,160	$374,860	$ 4,215	$41,518,680
Additions	117,572	79,801	2,644,084	277,515	24,424	3,143,396
Disposals	-	(2,390)	(17,895)	-	-	(20,285)
Transfers	-	-	4,215	-	(4,215)	-
Balance at, December 31, 2016	31,044,130	1,589,298	11,331,564	652,375	24,424	44,641,791
Accumulated depreciation						
Balance at January 1, 2016	4,842,787	1,253,674	6,188,531	332,953	-	12,617,945
Depreciation charge for the year	322,485	53,493	677,931	46,559	-	1,100,468
Disposal	-	(2,390)	(15,990)	-	-	(18,380)
Balance at, December 31, 2016	5,165,272	1,304,777	6,850,470	379,512	-	13,700,033
Net book value						
December 31, 2016	**$25,878,858**	**$ 284,521**	**$ 4,481,094**	**$272,863**	**$24,424**	**$30,941,760**

12. INTANGIBLE ASSETS

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

December 31, 2016:	**Application Software and Licenses**	**Work in Progress**	**Total**
Cost			
Balance at, January 1, 2016	$1,923,228	$125,603	$2,048,831
Additions	3,481,440	143,772	3,625,212
Transfers	269,375	(269,375)	-
Balance at, December 31, 2016	5,674,043	-	5,674,043
Accumulated Depreciation			
Balance at, January 1, 2016	779,392	-	779,392
Amortization charge for the year	297,042	-	297,042
Balance at, December 31, 2016	1,076,434	-	1,076,434
Net Book Value			
December 31, 2016	**$4,597,609**	**$ -**	**$4,597,609**

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

13. DEPOSITS BY INTERNATIONAL AGENCIES

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

	2017	2016
Caribbean Development Bank	**$ 90,602**	$ 476,514
International Monetary Fund	**192,777**	181,974
Inter-American Development Bank	**897,175**	897,175
Int'l Bank for Reconstruction & Development	**29,740**	29,740
	$1,210,294	$1,585,403

14. OTHER LIABILITIES

	2017	2016
Abandoned property	**$ 6,645,234**	$ 6,364,389
Accounts payable	**335,412**	592,320
Belize City Municipal Bonds – Sinking Fund	**1,037,474**	694,138
Bond discount	**45,064**	884,726
Corozal Freezone Municipal Bonds – Sinking Funds	**122,411**	178,073
Deferred income	**790,425**	722,815
License international offshore financial institutions*	**2,606,000**	16,312,481
Other staff costs payable	**76,361**	729,364
Severance and gratuities	**3,539,786**	2,390,185
Unclaimed balances of Belize Unit Trust	**46,388**	46,388
	$15,244,555	$28,914,879

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

15. IMF SDR ALLOCATIONS

	2017	2016
A general allocation of Special Drawing Rights (SDRs) equivalent to approximately USD $250 billion became effective on August 28, 2009. The allocation is designed to provide liquidity to the global economic system by supplementing the Fund's member countries' foreign exchange reserves. The general SDR allocation was made to IMF members that are participants in the Special Drawing Rights Department (currently all 186 members) in proportion to their existing quotas in the Fund, which are based broadly on their relative size in the global economy. The Quota for the country of Belize is SDR 26,700,000 million. Based on this quota, the Bank received allocations of SDR 17,890,000. At December 31, 2017, the SDR's were revalued at SDR 2.848268 to BZD $1.00 (2016: 2.688664 to BZD $1.00).	**$50,967,634**	$48,111,639
Interest payable on the facility	**60,765**	17,308
	$51,028,399	$48,128,947

16. COMMERCIAL BANKS' DISCOUNT FUND

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

The USAID loan has the following terms:

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

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

	2017	2016
Loans receivable from institution	**$ (546,218)**	$ (695,419)
Interest paid to USAID	**(2,311,316)**	(2,311,316)
Interest received from institution	**3,943,284**	3,930,118
	$1,085,750	$ 923,383

17. CAPITAL ACCOUNT

	2017	2016
Authorized and issued share capital		
Authorized	**$20,000,000**	$20,000,000
Issued paid up capital as at December 31	**$20,000,000**	$19,809,790

18. REVALUATION ACCOUNT

	2017	2016
Balance at beginning of year	**$ 968,038**	$1,738,817
Gain (loss) from revaluations during the year	**1,418,990**	(770,779)
Balance at end of year	**$2,387,028**	$ 968,038

19. ASSET REVALUATION RESERVE

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

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2017 AND 2016 (IN BELIZE DOLLARS)

20. GENERAL RESERVE FUND

	2017	2016
Balance at beginning of year	**$22,294,079**	$21,204,102
Transfer from net profit	**711,283**	1,089,977
Balance at end of year	**$23,005,362**	$22,294,079

21. INTEREST ON APPROVED EXTERNAL ASSETS

	2017	2016
Interest earned on overnight deposits	**$2,293,693**	$ 393,759
Interest earned on marketable securities	**488,291**	1,566,781
Interest earned on balances and deposits with foreign bankers	**5,760,100**	5,412,056
	$8,542,084	$7,372,596

22. COMMISSIONS AND OTHER INCOME

	2017	2016
Commissions	**$1,672,830**	$1,843,347
Collectible coins sales	**8,020**	10,636
Interest on loans	**191,725**	187,766
License and examination fees	**908,795**	919,070
Cash shipment and other miscellaneous income	**135,085**	254,491
Gains (loss) on disposal of assets	**6,938**	(1,905)
	$2,923,393	$3,213,405

23. PRINTING OF NOTES AND MINTING OF COINS

	2017	2016
Currency notes	**$1,333,987**	$1,670,733
Circulation coins	**987,852**	1,110,015
Currency publicity campaign	**38,321**	46,689
	$2,360,160	$2,827,437

24. SALARIES AND WAGES, INCLUDING SUPERANNUATION CONTRIBUTION AND GRATUITIES

	2017	2016
Current service cost	**$ -**	$ 720,746
Net interest defined benefit plan	**-**	119,782
Pensions contributions	**446,908**	424,788
Salaries and wages	**10,734,162**	10,099,494
Social security costs	**153,465**	147,782
Employee benefits expense	**$11,334,535**	$11,512,592

25. ADMINISTRATIVE AND GENERAL EXPENSES

	2017	2016
Advertising	**$ 64,562**	$ 49,587
Amortization and impairment of other assets (P&L)	**-**	12,704
Audit fees	**73,776**	65,000
Bank charges	**368,274**	134,378
Bank publications	**45,550**	43,813
Books and publication	**30,783**	16,074
Building repairs and maintenance	**370,783**	452,082
Cash shipment	**4,210**	3,832
Computer software license	**595,405**	294,929
Conference	**76,791**	-
Directors' fees	**93,300**	92,429
Donations	**24,058**	49,530
Entertainment	**27,747**	10,872
Equipment maintenance	**59,987**	55,050
Firearm license and ammunition	**12,377**	5,399
Freight charges	**41,120**	39,173
Hurricane preparedness	**12,774**	13,184
Insurance expense	**93,598**	106,452
Legal fees	**219,286**	199,879
Membership fees	**110,495**	142,122
Motor vehicle	**65,181**	69,203
Other miscellaneous expense	**225,165**	193,858
Overseas meeting and conferences	**233,285**	220,554
Professional services and technical support	**1,154,723**	1,265,183
Small equipment purchases	**10,251**	13,334
Subscriptions	**89,933**	82,302
Supplies	**335,477**	312,278
Surveys	**12,275**	223,366
Travel (local)	**54,127**	34,075
Utilities expense	**754,703**	778,794
	$5,259,996	$4,979,436

26. DEFINED BENEFIT PLAN NET OBLIGATIONS

The Bank operates a defined benefit pension scheme which receives contributions from the Bank and its eligible employees. The scheme is financially separate from the Bank and is managed by a Board of Trustees. Under the plan, the employees are entitled to annual retirement benefits capped at a maximum of 66 percent of final pensionable salary on attainment of the retirement age of 60. In addition, the Bank provides an optional post-retirement medical benefit. During the year under review, the Bank contributed $446,908 (2016: $424,788) to the scheme.

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

26. DEFINED BENEFIT PLAN NET OBLIGATIONS (Continued)

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

Reconciliation of actuarial losses as at December 31, 2014:	
Surplus as at December 31, 2012	$ 3,341,174
Fair value of the plan assets	18,113,646
Present value of defined benefit obligation	(19,542,000)
Non-current pension liability as at December 31, 2014	(1,428,354)
Actuarial losses as at December 31, 2014	**(4,769,528)**
Presentation of Actuarial losses as at December 31, 2014:	
Amounts to recognize in Statement of Financial Position:	
Non-current pension liability as at December 31, 2014	(1,428,354)
Amounts to recognize in Statement of Other Comprehensive Income:	
Remeasurement losses	(4,769,528)
Reconciliation of actuarial losses as at December 31, 2016:	
Present value of the obligation at start of year	$19,542,000
Interest cost	1,023,470
Current service cost	1,213,834
Benefits paid	(572,872)
Remeasurement gain on obligation through OCI	(1,339,432)
Present value of the obligation at end of year	19,867,000
Fair value of the plan assets at start of year	18,113,646
Interest income on plan assets	903,688
Contributions	493,088
Benefits paid	(572,872)
Remeasurement gain on assets through OCI	51,595
Fair value of the plan assets at end of year	18,989,145
Net change in non-current pension liability for year ended December 31, 2016	**877,855**
Non-current pension liability January 1, 2016	1,428,354
Net interest cost	119,782
Current service cost	1,101,762
Contributions to the pension as per actuarial report	(381,016)
Remeasurement gain on obligation through OCI	(1,339,432)
Remeasurement gain on assets through OCI	(51,595)
Non-current pension liability December 31, 2016	**877,855**

26. DEFINED BENEFIT PLAN NET OBLIGATIONS (Continued)

Reconciliation of pension reserve:

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

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

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

27. RELATED PARTY TRANSACTIONS

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

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

	2017	2016
Short-term benefits	**$2,203,488**	$2,319,501
Post-employment benefits	**56,038**	51,390
Termination benefits	**541,014**	478,511
	$2,800,540	$2,849,402

27. RELATED PARTY TRANSACTIONS (Continued)

As part of its normal operations, the Bank also makes loans and advances to key management personnel who are not members of the Board of Directors. As at December 31 an amount of $640,857 (2016: $542,952) was receivable from key management personnel as approved advances made by the Bank. No impairment has been recognized in respect of loans given to related parties. The Bank has a residential mortgage loan program for qualifying permanent staff. This facility is available for a maximum period of 15 to 20 years with a variable interest rate initially set at 4.5%.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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27. RELATED PARTY TRANSACTIONS (Continued)

	Social Security Board	Development Finance Corporation	SSB Mortgage Securitization Proceeds	DFC Mortgage Securitization Proceeds	Financial Intelligence Unit	Belize Tourism Board	Belize Electricity Ltd.	National Bank of Belize Ltd.	BCC Sinking Fund Account	SSB Deposit Account	International Financial Services Commission	Consolidated Revenue Fund
Opening Balances	$(17,703)	$ (502,073)	$(367)	$(5,447)	$ (200,657)	$ (513,191)	$ (24,917)	$(10,602,086)	$ (694,138)	$(1,118)	$(13,996,372)	$ 48,220,569
Disbursements	84,672	12,161,029	367	5,000	2,207,517	2,779,652	339,104	32,353,105	16,685,475	-	5,070,964	1,020,811,736
Deposits	(122,038)	(12,912,221)	-	-	(2,065,359)	(2,854,810)	(339,112)	(34,089,779)	(17,028,810)	-	-	(1,028,008,148)
Closing Balances	**$ (55,069)**	**$ (1,253,265)**	**$ -**	**$(447)**	**$ (58,499)**	**$ (588,349)**	**$ (24,925)**	**$(12,338,760)**	**$(1,037,473)**	**$(1,118)**	**$(8,925,408)**	**$ 41,024,157**

December 31, 2017:	January 1, 2017	Contributions paid by the Bank to the Scheme	Contributions due to the Scheme	December 31, 2017
Contributions to the scheme	-	(424,788)	424,788	-

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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28. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS

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

At December 31, 2017	Financial assets at fair value through profit or loss	Financial assets at amortized costs	Financial assets at fair value through other comprehensive income	Total
Assets:				
Balances and deposits with foreign bankers (undiscounted)	$ -	$ -	$ 4,623,803	$ 4,623,803
Reserve Tranche and balances with the International Monetary Fund (undiscounted)	-	-	74,769,792	74,769,792
Other foreign credit instruments (undiscounted)	-	514,306,159	-	514,306,159
Accrued interest and cash transit (undiscounted)	-	3,793,085	-	3,793,085
Marketable securities issued or guaranteed by foreign government and international institutions		14,285,714	-	14,285,714
Balances with local bankers and cash on hand (undiscounted)	-	301,986	-	301,986
Government of Belize securities		340,922,789	-	340,922,789
Equity instruments (undiscounted)	20,000,000	-	-	20,000,000
Government Current Account (undiscounted)	-	41,024,157	-	41,024,157
Accrued interest and cash-in-transit	-	3,793,085	-	3,793,085
Other assets (undiscounted)	-	9,288,109	-	9,288,109
Total financial assets	**$20,000,000**	**$927,715,084**	**$79,393,595**	**$1,027,108,679**

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

At December 31, 2017	Financial liabilities at amortized costs	Financial liabilities at fair value through other comprehensive income	Total
Liabilities:			
Notes and coins in circulation (undiscounted)	$383,392,538	$ -	$ 383,392,538
Deposits by licensed financial institutions (undiscounted)	476,818,877	-	476,818,877
Deposits by and balances due to Government and public sector entities in Belize (undiscounted)	91,736,331	-	91,736,331
Deposits by international agencies (undiscounted)	1,210,294	-	1,210,294
Balances due to CARICOM central banks (undiscounted)	561,529	-	561,529
Other liabilities (undiscounted)	15,244,552	-	15,244,552
IMF SDR allocations (undiscounted)	-	51,028,399	51,028,399
Commercial bank discount fund (undiscounted)	1,085,750	-	1,085,750
Total financial liabilities	**$970,049,871**	**$51,028,399**	**$1,021,078,270**

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

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

At December 31, 2016	Financial assets at fair value through profit or loss	Financial assets at amortized costs	Financial assets at fair value through other comprehensive income	Total
Assets:				
Balances and deposits with foreign bankers (undiscounted)	$ -	$ -	$ 8,995,178	$ 8,995,178
Reserve Tranche and balances with the International Monetary Fund (undiscounted)	-	-	70,493,178	70,493,178
Other foreign credit instruments (undiscounted)	-	598,098,673	-	598,098,673
Accrued interest and cash transit (undiscounted)	-	4,031,512	-	4,031,512
Marketable securities issued or guaranteed by foreign government and international institutions		59,428,571	-	59,428,571
Balances with local bankers and cash on hand (undiscounted)	-	262,849	-	262,849
Government of Belize securities		322,269,225	-	322,269,225
Equity instruments (undiscounted)	20,000,000	-	-	20,000,000
Government Current Account (undiscounted)	-	48,220,569	-	48,220,569
Accrued interest and cash-in-transit	-	4,031,512	-	4,031,512
Other assets (undiscounted)	-	11,352,600	-	11,352,600
Total financial assets	**$20,000,000**	**$1,047,695,511**	**$79,488,356**	**$1,147,183,867**

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

At December 31, 2016	Financial liabilities at amortized costs	Financial liabilities at fair value through other comprehensive income	Total
Liabilities:			
Notes and coins in circulation (undiscounted)	$ 369,502,797	$ -	$ 369,502,797
Deposits by licensed financial institutions (undiscounted)	624,817,243	-	624,817,243
Deposits by and balances due to Government and public sector entities in Belize (undiscounted)	68,608,100	-	68,608,100
Deposits by international agencies (undiscounted)	1,585,403	-	1,585,403
Balances due to CARICOM central banks (undiscounted)	9,056	-	9,056
Other liabilities (undiscounted)	28,914,879	-	28,914,879
Defined benefit plan net obligation	-	877,855	877,855
IMF SDR allocations (undiscounted)	-	48,128,947	48,128,947
Commercial bank discount fund (undiscounted)	923,383	-	923,383
Total financial liabilities	**$1,094,360,861**	**$49,006,802**	**$1,143,367,663**

CENTRAL BANK OF BELIZE

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

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

In providing liquidity via the Bank's operation of wholesale payment systems, credit risk is mitigated by dealing with counterparties that meet appropriate credit and functional criteria, and by ensuring that Cash Reserves and Liquid Asset Requirements for licensed financial institutions are met. In addition, credit risk on the securities held by the Bank is managed by holding only high-quality securities, issued chiefly by governments, government agencies and supranational organizations. The following tables break down the Bank's main credit exposure at their carrying amounts, as categorized by geographical regions as of December 31, 2017. In Schedule A, the Bank has allocated exposure to regions based on the country of domicile of the counter parties.

Geographical concentration of assets:

Schedule A

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

Balance & Money at Call	**USA**	**UK**	**Canada**	**Europe**	**Total**
Depository Accounts & Money at Call	$ 3,075,351	$ 469,615	$138,768	$ 940,068	**$ 4,623,802**
Overnight Deposits	156,574,754	-	-	-	**156,574,754**
Fixed Deposits	98,880,785	87,789,682	-	171,060,938	**357,731,405**
Total Exposure	**$258,530,890**	**$88,259,297**	**$138,768**	**$172,001,006**	**$518,929,961**

29. FINANCIAL RISK MANAGEMENT (Continued)

Schedule B
Outline of other Local and Foreign Investments

Securities	**Local**	**Foreign**			
	GOB	**Barbados**	**Dominica**	**IBRD/SEK**	**US**
Treasury Bills	$106,822,789	$ -	$ -	$ -	$ -
Treasury Notes	234,100,000	-	-	-	-
Bonds	-	2,285,714	-	-	-
Debentures	-	-	2,000,000	10,000,000	-
Total Exposure	**$340,922,789**	**$2,285,714**	**$2,000,000**	**$10,000,000**	**$ -**

IFRS 7 also requires the Bank to include additional disclosures for credit risk as it relates to the following:

- maximum amount of exposure (before deducting the value of collateral), description of collateral, information about credit quality of financial assets that are neither past due nor impaired, and information about credit quality of financial assets whose terms have been renegotiated, if any;
- information about collateral or other credit enhancements obtained or called; and
- for financial assets that are past due or impaired, analytical disclosures are required.

These disclosures have been reflected as follows for staff loans amounting to $4,261,398.

	Principal Outstanding Dec 31, 2017	**Collateral**	
Loan Type		**Appraised Value**	**Stamped Value**
Mortgage loans	$2,876,221	$6,695,122	$4,179,806
CONSUMER LOAN			
Bills of Sale	62,833	222,305	196,587
Regular	1,322,344	-	-
Totals	**$4,261,398**	**$6,917,427**	**$4,376,393**

The staff loan portfolio is not impaired due to the Bank's ability to collect while persons are employed by the Bank. Upon separation and in the rare case that an obligation remains, the balance is moved to accounts receivable. Upon any event indicating possible non-recovery of that accounts receivable the balance is impaired.

Market and interest rate risk

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

29. FINANCIAL RISK MANAGEMENT (Continued)

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

Foreign Assets:	**Average rate of return**	**Average rate of return**
	2017	2016
Depository Accounts & Money at Call	0.29%	0.04%
Overnight Deposits	0.67%	0.18%
Fixed Deposits	1.6%	0.16%
Notes/Bonds	4.7%	3.18%
Debentures	3.5%	3.50%

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

The table below indicates the different fund allocations as of December 31, 2017:

	FOREIGN CURRENCY	**YEAR-END RATE**	**BELIZE DOLLAR VALUE**
Euro Fund	$ (230,242)	$2.3968	$ (551,844)
Canadian Fund	(94,992)	1.5940	(151,417)
SDR Fund	(26,348,964)	2.8483	(75,048,911)
USD Fund	(273,084,140)	2.0000	(546,168,280)
Sterling Fund	(52,459)	2.7046	(141,881)
BZ$ Fund	623,481,323	1.0000	623,481,323
Current Year Revaluation Loss			**$ 1,418,990**

	BELIZE DOLLAR VALUE
Revaluation balance, January 1	**$ 968,038**
Decrease in revaluation	**1,418,990**
Revaluation balance, December 31	**$2,387,028**

29. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk

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

Asset Type	1 Month	1-3 Months	3-6 Months	6-12 Months	1-5 Years	Over 5 Years
	$	$	$	$	$	$
Balances with local bankers and cash on hand	301,986	-	-	-	-	-
Depository Accounts & Money at Call	4,623,803	-	-	-	-	-
Fixed Deposits	-	173,840,200	-	183,891,204	-	-
Overnight Deposits	156,574,754	-	-	-	-	-
Treasury Bills	45,627,044	61,195,745	-	-	-	-
Treasury Notes	-	21,000,000	-	46,299,000	95,576,000	101,225,000
Bonds	-	-	-	-	2,285,714	-
Debentures	-	-	-	-	-	2,000,000
Equity instruments	-	-	-	-	-	20,000,000
	207,127,587	**256,035,945**	**-**	**230,190,204**	**97,861,714**	**123,225,000**

29. FINANCIAL RISK MANAGEMENT (Continued)

Liability Type	1 Month $	1-3 Months $	3-6 Months $	6-12 Months $	1-5 Years $	Over 5 Years $
Deposits by licensed financial institutions	-	-	-	476,818,877	-	-
Deposits by and balances due to Government and public sector entities in Belize	-	91,736,331	-	-	-	-
Deposits by international agencies		1,210,294	-	-	-	-
Balances due to CARICOM Central Banks	561,529	-	-	-	-	-
Commercial Bank discount fund	-	-	-	-	-	1,085,750
Other liabilities	-	15,244,555	-	-	-	-
IMF SDR Allocations	-	-	-	-	-	51,028,399
	561,529	**108,191,180**	**-**	**476,818,877**	**-**	**52,114,149**
	206,566,058	**147,844,765**	**-**	**(246,628,673)**	**97,861,714**	**71,110,851**

Operational risk

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

30. POST – REPORTING DATE EVENTS

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

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