



## BELIZE

Memorandum for The Bank of New York Mellon, as Trustee

By Facsimile Transmission (212-815-5875) and  
Registered U.S. Mail (postage prepaid)

September 10, 2021

The Bank of New York Mellon  
240 Greenwich Street, Floor 7E  
New York, New York 10286

Attention: Peter Lopez  
Corporate Trust

With a copy to:

Holders of Belize's \$526,502,100 U.S. Dollar Bonds due 2034  
(CUSIP Nos: 07782GAG8 and P16394AG6)

Re: Trust Indenture dated as of March 20, 2013, as amended on  
March 21, 2017, August 18, 2020 and June 16, 2021, between Belize, as  
Issuer and the Bank of New York Mellon, as Trustee

Ladies and Gentlemen:

We refer to the Trust Indenture referenced above (the "Indenture"), relating to the issuance by Belize of its U.S. Dollar Bonds due 2034 (the "Bonds"). Capitalized terms used but not defined in this letter have the meanings given to those terms in the Indenture.

Pursuant to Section 11.6(a) of the Indenture and Paragraph 24(e)(i) of the Terms and Conditions of the New Bonds, we hereby provide you with the information below (for onward distribution to the Holders of the debt securities referred to in the next sentence) in connection with Belize's intent to seek the consent from eligible Holders of its Bonds to a Reserve Matter Modification consisting, among other things, of the cancellation of all obligations under the Bonds through the purchase or redemption of the Bonds by Belize.

1. The main reason that Belize will be seeking such consent is that, since the start of 2020, Belize's tourism industry (which in recent years has

accounted for approximately 60% of foreign exchange earnings and over 40% of Belize's economic activity and has been a critical factor in Belize's economic growth) has collapsed due to both the rapid deterioration of worldwide economic conditions and the lockdown measures governments have imposed to slow the spread of the COVID-19 pandemic. Such measures, which have been successful in slowing the spread in Belize of the outbreak, have caused significant disruptions in economic activity. In 2020, with the decline in travel associated with the pandemic, Belize experienced a 72% decline in tourist arrivals, resulting in a contraction of real GDP by 14.1% and a 15% decline in employment. As a result of such events, we are seeking from Holders cash flow relief in order to allow the government to allocate all available funds to address health, social and economic needs in the country.

2. Belize does not have a standby arrangement, arrangement under the extended fund facility or similar program with the International Monetary Fund (the "IMF") and none is currently contemplated.
3. Attached hereto as Exhibit A is a copy of the debt sustainability analysis provided by the IMF and published on June 7, 2021.
4. In addition to the Bonds, Belize has three other broad classes of public debt: bilateral, multilateral and domestic debt obligations. Belize's bilateral creditors are Venezuela (as part of the *Petro-Carib Program*) and the Republic of China (Taiwan). Belize has been unable to make any payments to Venezuela since 2017 as a result of the financial sanctions imposed on that country by the United States of America. For its part, Taiwan has indicated its willingness to provide fresh budget support for Belize in an initial amount of \$40 million during the current fiscal year. Belize expects that over time its multilateral creditors will also be net new lenders to Belize. Belize proposes to continue normal debt servicing of loans from its multilateral lenders in light of the concessionary pricing of most of these facilities and the need to preserve Belize's eligibility to borrow from these institutions during this difficult period. In addition, Belize continues to be able to fund itself by borrowing at competitive interest rates in the domestic debt market in Belize Dollars. Therefore, Belize expects that outstanding Government bills and notes will be rolled over upon their maturity. No change in policy is expected in connection with such local borrowings. Accordingly, Belize believes that any attempt to restructure amounts owed to Taiwan or multilateral or domestic creditor groups would, on balance, impair Belize's overall debt dynamics. No such attempt is therefore being made.

This Memorandum will be published on the website of the Central Bank of Belize at <https://www.centralbank.org.bz/news/details?newsid=306>, where more information on Belize can also be found by Holders.

\* \* \* \*

A copy of this letter is being published on the website of the Central Bank of Belize. Please feel free to contact me with any questions you may have.

*[signature page follows]*

Very truly yours,



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By: Joseph Waight  
Title: Financial Secretary

**Exhibit A**

Debt Sustainability Analysis

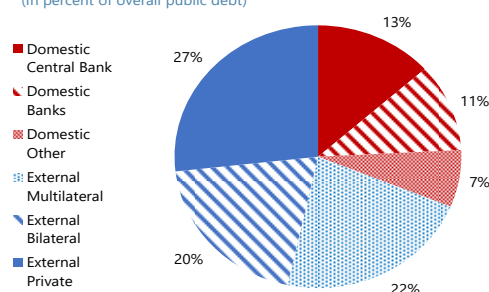
## Annex II. Debt Sustainability Analysis

Belize's public debt increased by 30 percentage points to 127 percent of GDP in 2020 as the pandemic pushed the economy into a recession and weakened the fiscal position. Under current policies, the debt-to-GDP ratio is projected to peak at 132 percent in 2021 and fall gradually after to 111 percent in 2031, which is assessed as unsustainable as it remains above the 70 percent of GDP sustainability threshold. Restoring debt sustainability requires balanced and sustained fiscal consolidation, growth-enhancing structural reforms, and debt restructuring. With prominent downside risks to the outlook, debt dynamics will remain vulnerable to adverse shocks to growth, interest rates, or the fiscal position.

**1. The COVID-19 pandemic and necessary containment measures led to a deep recession in 2020.** Belize has been hit hard by the pandemic, having one of the highest numbers of COVID-19 cases and deaths per capita in the Caribbean. Tourist arrivals declined by 72 percent in 2020, hurting the tourism industry that accounts for about 40 percent of GDP, while containment measures hurt contact-intensive sectors. Consequently, real GDP contracted by 14.1 percent in 2020.

**2. The fiscal position deteriorated in 2020 from already weak levels.** Belize's fiscal position was weak before the pandemic, with the primary fiscal deficit averaging 1.5 percent of GDP between FY2014/15 and FY2019/20, and public debt rising to 97.5 percent of GDP in 2019. The pandemic led to a further widening of the primary deficit to 8.4 percent of GDP in FY2020/21, and an increase in public debt to 127.4 percent of GDP in 2020, of which 69 percent was external (22 percent with multilateral creditors, 20 percent with bilateral creditors, and 27 percent with private creditors) and 31 percent domestic (13 percent with the central bank, 11 percent with domestic banks, and 7 percent with other domestic creditors).

**Composition of Public Debt in 2020**  
(In percent of overall public debt)



Sources: Central Bank of Belize and IMF staff calculations.

**3. The fiscal position is projected to remain weak in the medium term despite significant fiscal consolidation measures approved in the FY2021/22 budget.** The budget contains about 2 percent of GDP in fiscal consolidation measures, including a 10 percent cut in the wage bill and a 30 percent cut in purchases of goods and services relative to the FY2020/21 budget. These, together with the expected recovery of revenues and the unwinding of pandemic-related expenditure, are projected to raise the primary balance from -8.4 percent of GDP in FY2020/21 to 0.8 percent of GDP over the medium term, while public debt is projected to rise to 132 percent of GDP in 2021 and fall gradually after to 111 percent in 2031. Public external debt is projected to fall from 88 percent of GDP in 2020 to 51 percent in 2031 reflecting more limited access to external financing, while public domestic debt is projected to rise from 40 percent of GDP in 2020 to 60 percent in 2031, with higher financing from the central bank, domestic banks, and other creditors. Gross financing needs are projected to surpass 15 percent of GDP during some years over the next decade even though it is

assumed that the government will continue to borrow at low interest rates. Staff assesses Belize's public debt as unsustainable as it remains above the 70 percent of GDP threshold in the DSA framework during the next 10 years. Restoring debt sustainability will require large and sustained fiscal consolidation, growth-enhancing structural reforms, and debt restructuring.

**4. With risks to the outlook tilted to the downside, debt dynamics will remain vulnerable to shocks to growth, interest rates, and the fiscal position.** Historically, economic growth and fiscal performance in Belize have been volatile, making baseline projections highly uncertain. Stress testing the baseline scenario indicates that Belize's debt burden exceeds the benchmark for emerging market economies in several areas. The heat map highlights significant risks to debt sustainability arising from the level of public debt, changes in market perception, and the currency composition of debt. The fan charts show the possible evolution of debt over the medium term under symmetric and asymmetric distributions of risk, indicating that public debt could exceed 133 percent of GDP over the medium term with a probability of more than 10 percent.

**5. Stress tests confirm the vulnerability of public debt to adverse shocks.** Public debt is particularly sensitive to an exchange rate shock since 69 percent of it is denominated in foreign currency. A real exchange rate depreciation of 12 percent would increase public debt by 8 percent of GDP in the first year and keep the debt ratio about 11 percentage points of GDP more than in the baseline scenario by 2031. Similarly, if real GDP growth declines by one standard deviation, the debt-to-GDP ratio would end up about 27 percentage points higher than the baseline projection by 2031. A financial sector contingent liability shock that increases public spending by the equivalent of 10 percent of banking sector's assets associated with recapitalization needs of a few banks would raise the debt-to-GDP ratio to 121 percent in 2031.

**6. The fiscal position and debt dynamics are highly vulnerable to the impact of natural disasters and climate change.** To illustrate this vulnerability, it is assumed that a natural disaster causes 6 percent of GDP in economic damages, about half of the damage inflicted by Hurricane Earl in 2016. Following this disaster, real GDP falls by 3 percent in the year of the disaster relative to the baseline, by a further 1 percent in the next year, and it increases by 0.5 percent in the following two years (reflecting reconstruction activity). The scenario assumes that the cost for the government is 4 percent of GDP (two-thirds of the economic damage). The associated recovery and reconstruction spending are spread over three years: 2 percent of GDP in the first year, and 1 percent of GDP in each of the next two years, respectively. The shock has a material impact on public debt, shifting the entire trajectory up by around 9 percent of GDP above the baseline, with the debt-to-GDP ratio reaching 120 percent by 2031. Belize is also exposed to adverse effects of climate change, which could weaken long-term potential growth and increase pressure on debt dynamics.

**7. External debt is projected to fall from 88 percent of GDP in 2020 to 51 percent in 2031, reflecting more limited access to external financing because of debt sustainability concerns.<sup>1</sup>** Bounds tests suggest that external debt is sensitive to exchange rate and current account shocks. A 30 percent currency depreciation in 2021 raises external debt to 130 percent of GDP in 2021 and

<sup>1</sup> In the absence of data on private external debt, the external DSA coverage is limited to external public debt.

77 percent in 2031, while a widening of the non-interest current account balance pushes external debt to 69 percent of GDP in 2031. A half standard deviation shock to real GDP growth or interest rates would have smaller effects on external debt. A combined one-quarter standard deviation shock would increase external debt to 66 percent of GDP in 2031.



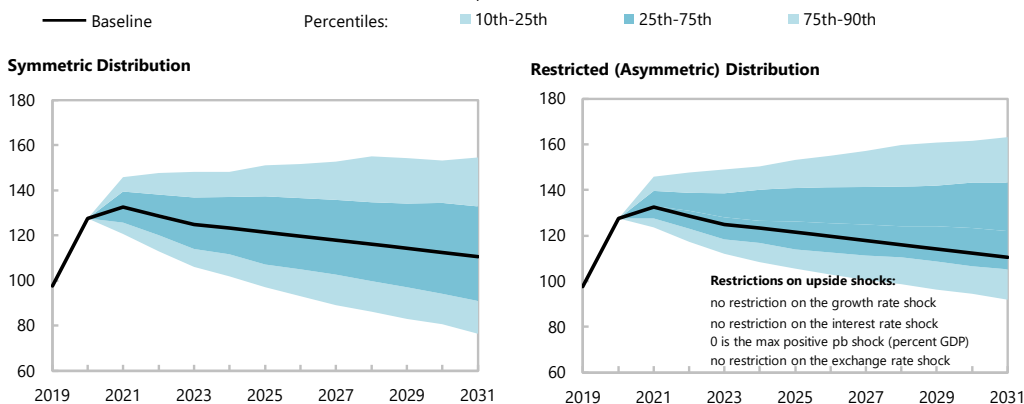
**Figure 1. Belize: Public Sector Debt Sustainability Analysis (DSA) Risk Assessment**

**Heat Map**

|                                     |                       |                                 |  |                                   |                            |
|-------------------------------------|-----------------------|---------------------------------|--|-----------------------------------|----------------------------|
| Debt level <sup>1/</sup>            | Real GDP Growth Shock | Primary Balance Shock           | Real Interest Rate Shock               | Exchange Rate Shock               | Contingent Liability shock |
| Gross financing needs <sup>2/</sup> | Real GDP Growth Shock | Primary Balance Shock           | Real Interest Rate Shock               | Exchange Rate Shock               | Contingent Liability Shock |
| Debt profile <sup>3/</sup>          | Market Perception     | External Financing Requirements | Change in the Share of Short-Term Debt | Public Debt Held by Non-Residents | Foreign Currency Debt      |

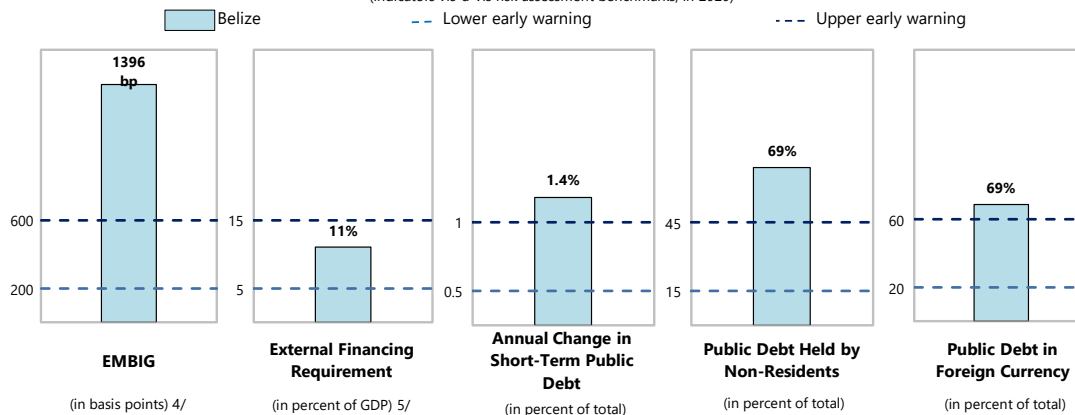
**Evolution of Predictive Densities of Gross Nominal Public Debt**

(in percent of GDP)



**Debt Profile Vulnerabilities**

(Indicators vis-à-vis risk assessment benchmarks, in 2020)



Source: IMF staff.

1/ The cell is highlighted in green if debt burden benchmark of 70% is not exceeded under the specific shock or baseline, yellow if exceeded under specific shock but not baseline, red if benchmark is exceeded under baseline, white if stress test is not relevant.

2/ The cell is highlighted in green if gross financing needs benchmark of 15% is not exceeded under the specific shock or baseline, yellow if exceeded under specific shock but not baseline, red if benchmark is exceeded under baseline, white if stress test is not relevant.

3/ The cell is highlighted in green if country value is less than the lower risk-assessment benchmark, red if country value exceeds the upper risk-assessment benchmark, yellow if country value is between the lower and upper risk-assessment benchmarks. If data are unavailable or indicator is not relevant, cell is white.

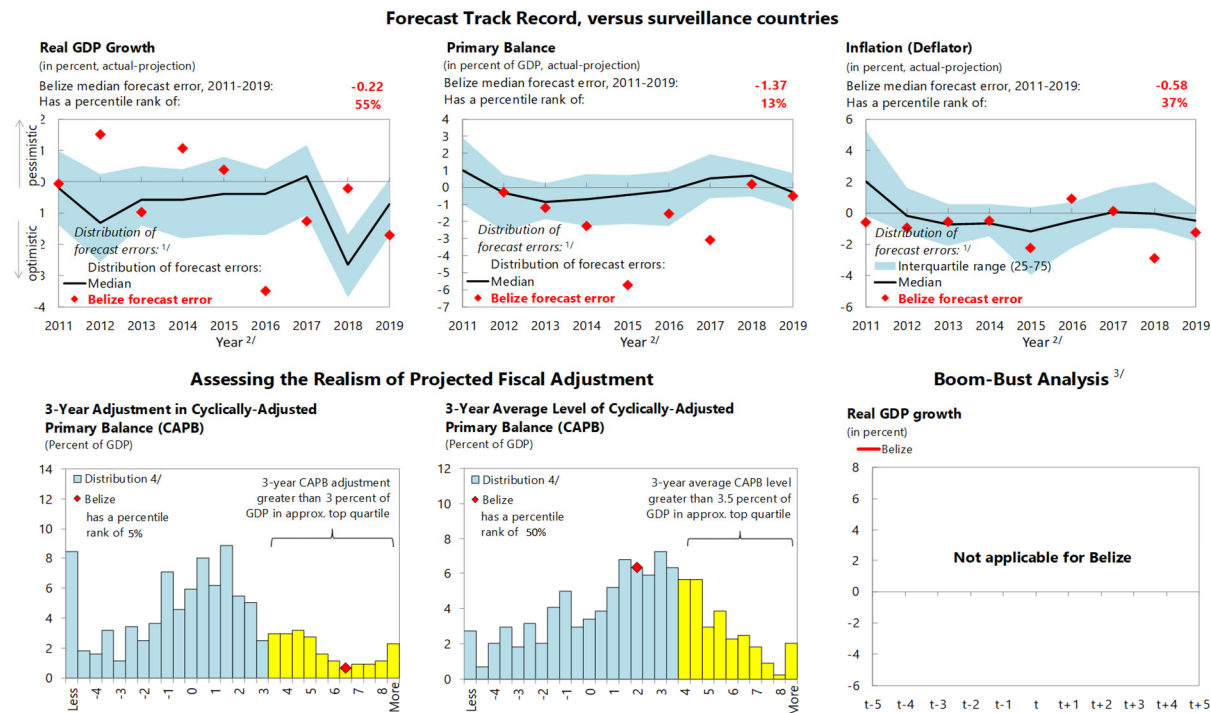
Lower and upper risk-assessment benchmarks are:

200 and 600 basis points for bond spreads; 5 and 15 percent of GDP for external financing requirement; 0.5 and 1 percent for change in the share of short-term debt; 15 and 45 percent for the public debt held by non-residents; and 20 and 60 percent for the share of foreign-currency denominated debt.

4/ EMBIG, an average over the last 3 months, 27-Oct-20 through 25-Jan-21.

5/ External financing requirement is defined as the sum of current account deficit, amortization of medium and long-term total external debt, and short-term total external debt at the end of previous period.

**Figure 2. Belize: Public Sector DSA – Realism of Baseline Assumptions**

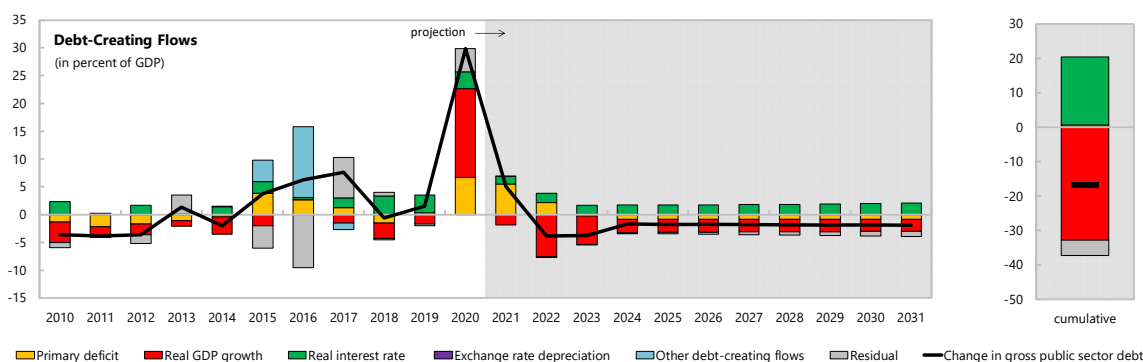


Source : IMF Staff.  
 1/ Plotted distribution includes surveillance countries, percentile rank refers to all countries.  
 2/ Projections made in the spring WEO vintage of the preceding year.  
 3/ Not applicable for Belize, as it meets neither the positive output gap criterion nor the private credit growth criterion.  
 4/ Data cover annual observations from 1990 to 2011 for advanced and emerging economies with debt greater than 60 percent of GDP. Percent of sample on vertical axis.

**Figure 3. Belize: Public Sector DSA – Baseline Scenario**  
(In percent of GDP unless otherwise indicated)

| Debt, Economic and Market Indicators <sup>1/</sup> |                         |      |       |             |       |       |       |       |       |       |       |       | As of January 25, 2021 |                   |               |         |         |       |
|--|-------------------------|------|-------|-------------|-------|-------|-------|-------|-------|-------|-------|-------|------------------------|-------------------|---------------|---------|---------|-------|
|  | Actual                  |      |       | Projections |       |       |       |       |       |       |       |       |                        | Sovereign Spreads |               |         |         |       |
|  | 2010-2018 <sup>2/</sup> | 2019 | 2020  | 2021        | 2022  | 2023  | 2024  | 2025  | 2026  | 2027  | 2028  | 2029  | 2030                   | 2031              | EMBIG (bp) 3/ | Ratings | Foreign | Local |
| Nominal gross public debt                          | 86.0                    | 97.5 | 127.4 | 132.4       | 128.6 | 124.9 | 123.2 | 121.4 | 119.7 | 117.9 | 116.0 | 114.2 | 112.4                  | 110.5             | 1447          |         |         |       |
| Public gross financing needs                       | 7.4                     | 9.9  | 17.6  | 19.7        | 16.8  | 14.0  | 13.1  | 13.2  | 13.1  | 13.7  | 14.4  | 15.2  | 20.4                   | 21.8              |               |         |         |       |
| Real GDP growth (in percent)                       | 2.4                     | 1.8  | -14.1 | 1.5         | 6.2   | 4.2   | 2.0   | 2.0   | 2.0   | 2.0   | 2.0   | 2.0   | 2.0                    | 2.0               |               | B3      | B3      |       |
| Inflation (GDP deflator, in percent)               | 1.8                     | 0.2  | 0.1   | 2.0         | 2.0   | 2.0   | 2.0   | 2.0   | 2.0   | 2.0   | 2.0   | 2.0   | 2.0                    | 2.0               |               | CCC     | CCC     |       |
| Nominal GDP growth (in percent)                    | 4.2                     | 2.0  | -14.0 | 3.5         | 8.3   | 6.3   | 4.0   | 4.0   | 4.0   | 4.0   | 4.0   | 4.0   | 4.0                    | 4.0               |               | n.a.    | n.a.    |       |
| Effective interest rate (in percent) <sup>4/</sup> | 3.6                     | 3.5  | 2.8   | 3.1         | 3.5   | 3.5   | 3.5   | 3.5   | 3.6   | 3.6   | 3.7   | 3.8   | 3.9                    | 4.0               |               |         |         |       |

| Contribution to Changes in Public Debt            |           |      |      |             |      |      |      |      |      |      |      |      |      |      |            |  |
|---|-----------|------|------|-------------|------|------|------|------|------|------|------|------|------|------|------------|--|
|   | Actual    |      |      | Projections |      |      |      |      |      |      |      |      |      |      | cumulative | debt-stabilizing primary balance <sup>9/</sup> |
|   | 2010-2018 | 2019 | 2020 | 2021        | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |            |  |
| Change in gross public sector debt                | 0.6       | 1.5  | 29.9 | 5.0         | -3.8 | -3.8 | -1.7 | -1.7 | -1.8 | -1.8 | -1.8 | -1.8 | -1.8 | -1.9 | -16.9      |  |
| Identified debt-creating flows                    | 1.2       | 1.8  | 25.7 | 5.0         | -3.8 | -3.7 | -1.5 | -1.5 | -1.4 | -1.3 | -1.2 | -1.1 | -1.0 | -0.9 | -12.3      |  |
| Primary deficit                                   | -0.1      | 0.3  | 6.7  | 5.5         | 2.2  | -0.3 | -0.8 | -0.8 | -0.8 | -0.8 | -0.8 | -0.8 | -0.8 | -0.8 | 0.7        | -0.1   |
| Primary (noninterest) revenue and grants          | 29.0      | 30.6 | 29.3 | 28.1        | 29.4 | 30.8 | 31.3 | 31.3 | 31.3 | 31.3 | 31.3 | 31.3 | 31.3 | 31.3 | 338.6      |  |
| Primary (noninterest) expenditure                 | 28.9      | 30.9 | 36.0 | 33.7        | 31.6 | 30.5 | 30.4 | 30.4 | 30.4 | 30.4 | 30.4 | 30.4 | 30.4 | 30.4 | 339.3      |  |
| Automatic debt dynamics <sup>5/</sup>             | -0.5      | 1.5  | 19.0 | -0.5        | -5.9 | -3.4 | -0.6 | -0.6 | -0.6 | -0.5 | -0.4 | -0.3 | -0.2 | -0.1 | -13.1      |  |
| Interest rate/growth differential <sup>6/</sup>   | -0.5      | 1.5  | 19.0 | -0.5        | -5.9 | -3.4 | -0.6 | -0.6 | -0.6 | -0.5 | -0.4 | -0.3 | -0.2 | -0.1 | -13.1      |  |
| Of which: real interest rate                      | 1.5       | 3.2  | 3.0  | 1.4         | 1.6  | 1.7  | 1.8  | 1.7  | 1.8  | 1.8  | 1.9  | 1.9  | 2.0  | 2.1  | 19.7       |  |
| Of which: real GDP growth                         | -1.9      | -1.7 | 16.0 | -1.8        | -7.6 | -5.1 | -2.4 | -2.4 | -2.3 | -2.3 | -2.3 | -2.2 | -2.2 | -2.2 | -32.8      |  |
| Exchange rate depreciation <sup>7/</sup>          | 0.0       | 0.0  | 0.0  | ...         | ...  | ...  | ...  | ...  | ...  | ...  | ...  | ...  | ...  | ...  | ...        |  |
| Other identified debt-creating flows              | 1.7       | 0.0  | 0.0  | 0.0         | 0.0  | 0.0  | 0.0  | 0.0  | 0.0  | 0.0  | 0.0  | 0.0  | 0.0  | 0.0  | 0.0        |  |
| Privatization and drawdown of deposits (negative) | -0.3      | 0.0  | 0.0  | 0.0         | 0.0  | 0.0  | 0.0  | 0.0  | 0.0  | 0.0  | 0.0  | 0.0  | 0.0  | 0.0  | 0.0        |  |
| Contingent liabilities                            | 2.0       | 0.0  | 0.0  | 0.0         | 0.0  | 0.0  | 0.0  | 0.0  | 0.0  | 0.0  | 0.0  | 0.0  | 0.0  | 0.0  | 0.0        |  |
| Residual, including asset changes <sup>8/</sup>   | -0.6      | -0.3 | 4.2  | 0.0         | -0.1 | -0.1 | -0.2 | -0.3 | -0.4 | -0.5 | -0.6 | -0.7 | -0.8 | -1.0 | -4.5       |  |



Source: IMF staff.

1/ Public sector is defined as the Central Government and Other Public Sector.

2/ Based on available data.

3/ EMBIG.

4/ Defined as interest payments divided by debt stock (excluding guarantees) at the end of previous year.

5/ Derived as  $[(r - \pi(1+g) - g + ae(1+r))/(1+g+\pi+gt)]$  times previous period debt ratio, with  $r$  = interest rate;  $\pi$  = growth rate of GDP deflator;  $g$  = real GDP growth rate;

$a$  = share of foreign-currency denominated debt; and  $e$  = nominal exchange rate depreciation (measured by increase in local currency value of U.S. dollar).

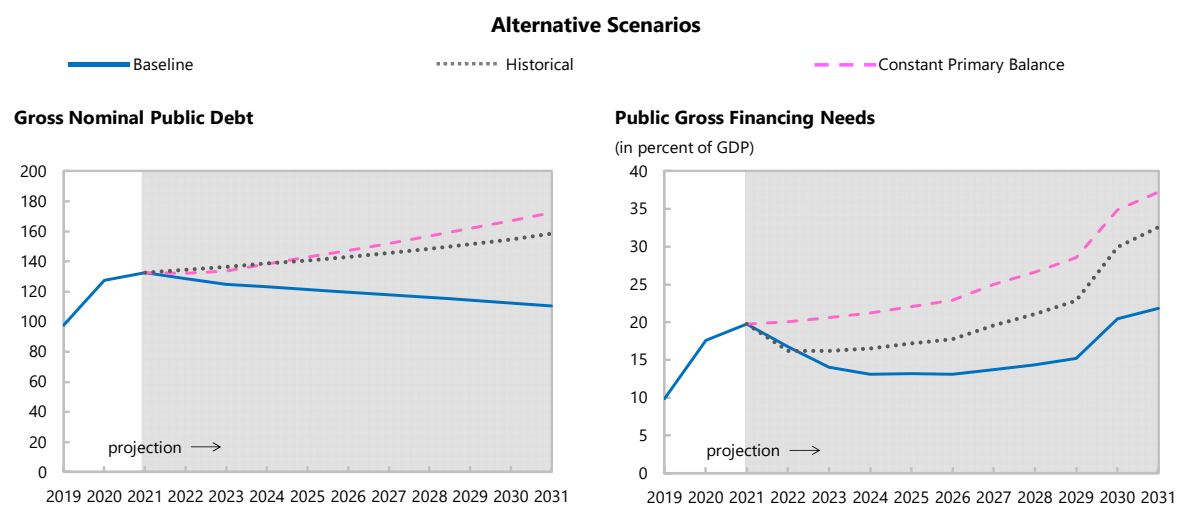
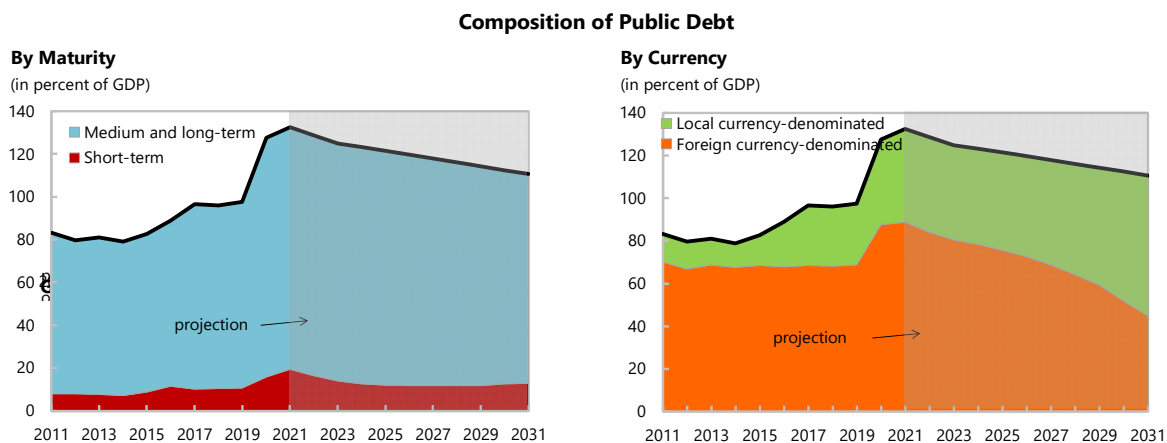
6/ The real interest rate contribution is derived from the numerator in footnote 5 as  $r - \pi(1+g)$  and the real growth contribution as  $-g$ .

7/ The exchange rate contribution is derived from the numerator in footnote 5 as  $ae(1+r)$ .

8/ Includes asset changes and interest revenues (if any). For projections, includes exchange rate changes during the projection period.

9/ Assumes that key variables (real GDP growth, real interest rate, and other identified debt-creating flows) remain at the level of the last projection year.

**Figure 4. Belize: Public Sector DSA – Composition of Public Debt and Alternative Scenarios**



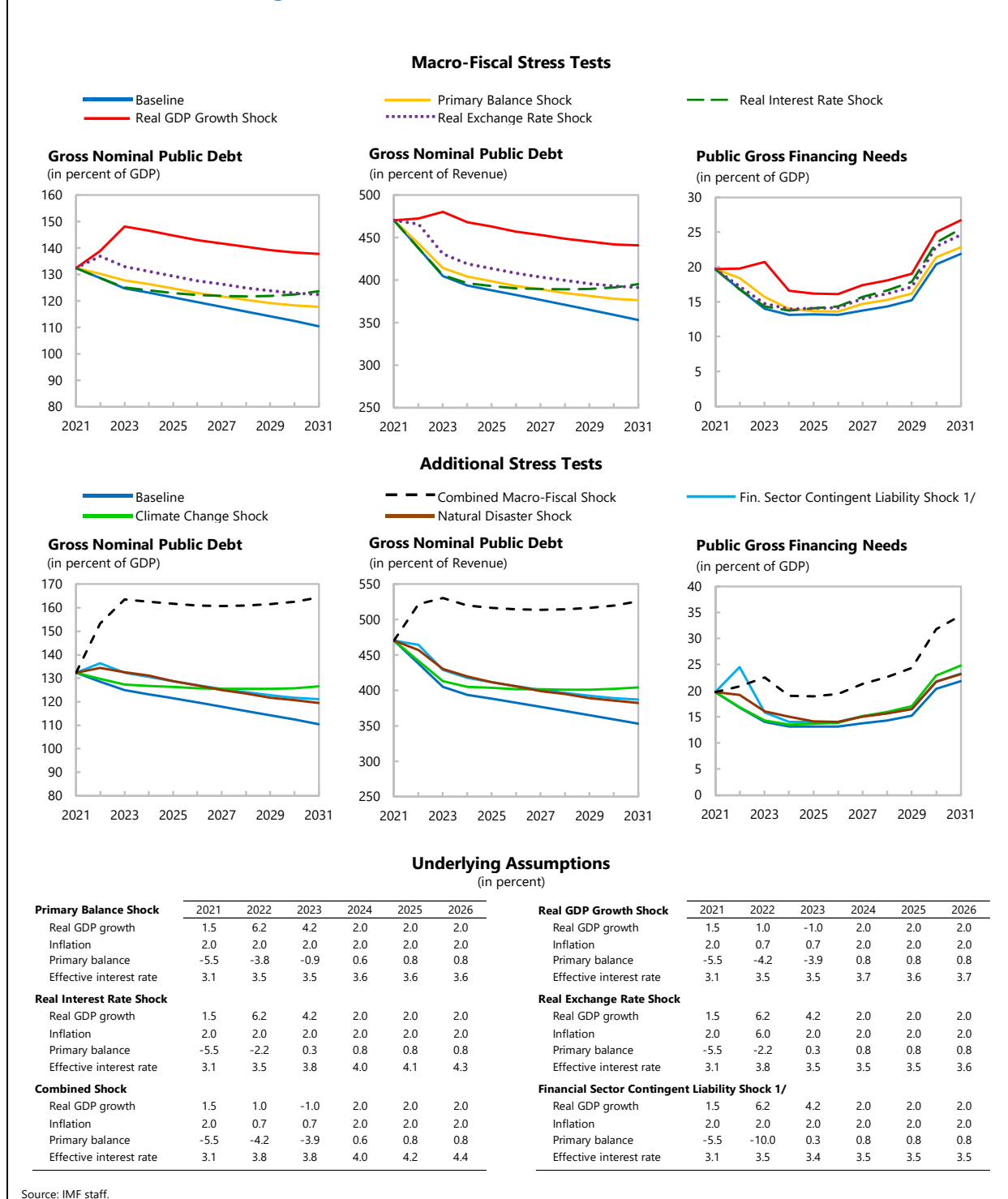
### Underlying Assumptions

(in percent)

| Scenario                                 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|--|------|------|------|------|------|------|
| <b>Baseline Scenario</b>                 |      |      |      |      |      |      |
| Real GDP growth                          | 1.5  | 6.2  | 4.2  | 2.0  | 2.0  | 2.0  |
| Inflation                                | 2.0  | 2.0  | 2.0  | 2.0  | 2.0  | 2.0  |
| Primary Balance                          | -5.5 | -2.2 | 0.3  | 0.8  | 0.8  | 0.8  |
| Effective interest rate                  | 3.1  | 3.5  | 3.5  | 3.5  | 3.5  | 3.6  |
| <b>Constant Primary Balance Scenario</b> |      |      |      |      |      |      |
| Real GDP growth                          | 1.5  | 6.2  | 4.2  | 2.0  | 2.0  | 2.0  |
| Inflation                                | 2.0  | 2.0  | 2.0  | 2.0  | 2.0  | 2.0  |
| Primary Balance                          | -5.5 | -5.5 | -5.5 | -5.5 | -5.5 | -5.5 |
| Effective interest rate                  | 3.1  | 3.5  | 3.4  | 3.5  | 3.4  | 3.5  |
| <b>Historical Scenario</b>               |      |      |      |      |      |      |
| Real GDP growth                          | 1.5  | 0.5  | 0.5  | 0.5  | 0.5  | 0.5  |
| Inflation                                | 2.0  | 2.0  | 2.0  | 2.0  | 2.0  | 2.0  |
| Primary Balance                          | -5.5 | -0.8 | -0.8 | -0.8 | -0.8 | -0.8 |
| Effective interest rate                  | 3.1  | 3.5  | 3.5  | 3.6  | 3.7  | 3.7  |

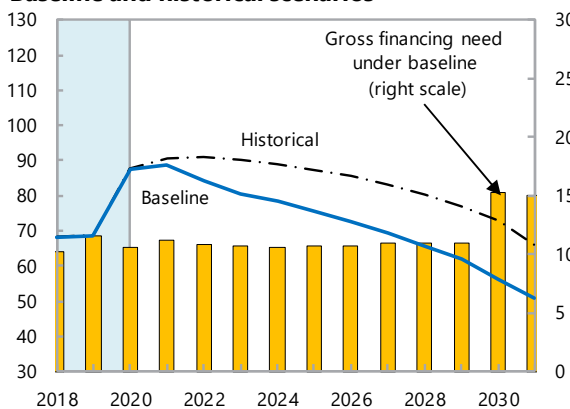
Source: IMF staff.

Figure 5. Belize: Public Sector DSA – Stress Tests

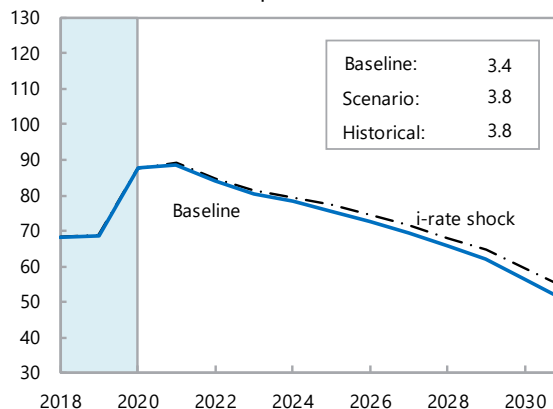


**Figure 6. Belize: External Debt Sustainability: Bound Tests 1/2/**  
(External debt in percent of GDP)

**Baseline and historical scenarios**

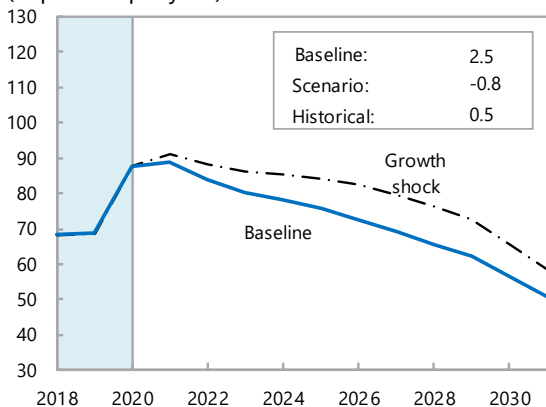


**Interest rate shock (in percent)**



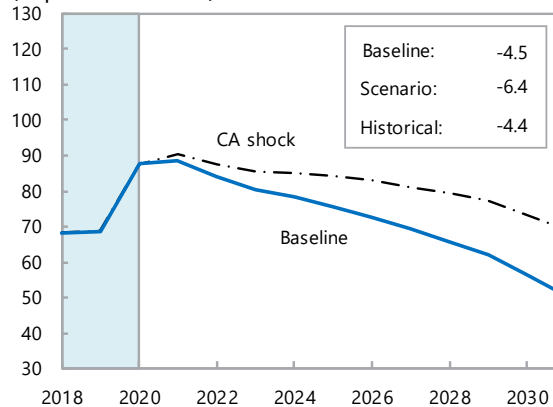
**Growth shock**

(in percent per year)

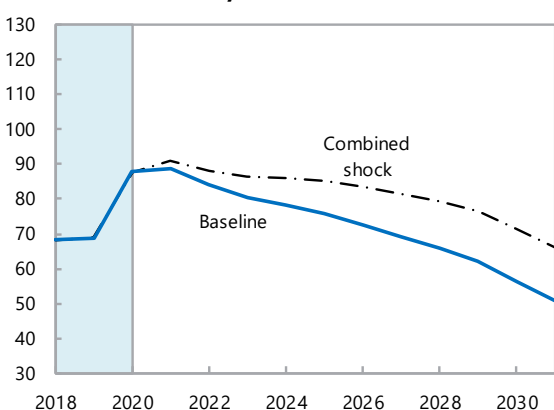


**Non-interest current account shock**

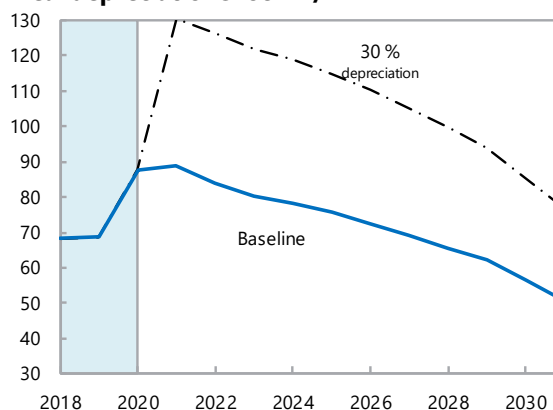
(in percent of GDP)



**Combined shock 3/**



**Real depreciation shock 4/**



Sources: International Monetary Fund, Country desk data, and staff estimates.  
 1/ Shaded areas represent actual data. Individual shocks are permanent one-half standard deviation shocks. Figures in the boxes represent average projections for the respective variables in the baseline and scenario being presented. Ten-year historical average for the variable is also shown.  
 2/ For historical scenarios, the historical averages are calculated over the ten-year period, and the information is used to project debt dynamics five years ahead.  
 3/ Permanent 1/4 standard deviation shocks applied to real interest rate, growth rate, and current account balance.  
 4/ One-time real depreciation of 30 percent occurs in 2031.

**Table 1. Belize: External Debt Sustainability Framework 2016–2026**  
(In percent of GDP, unless otherwise indicated)

|   | Actual |       |       |       |             | Projection            |                       |             |             |             |             | Debt-stabilizing<br>non-interest<br>current account 6/<br>-4.7 |      |
|---|--------|-------|-------|-------|-------------|-----------------------|-----------------------|-------------|-------------|-------------|-------------|--|------|
|   | 2016   | 2017  | 2018  | 2019  | 2020        | 2021                  | 2022                  | 2023        | 2024        | 2025        | 2026        |  |      |
| <b>1 Baseline: External debt</b>                                    | 67.9   | 68.6  | 68.2  | 68.8  | 87.6        | <b>88.7</b>           | <b>84.1</b>           | <b>80.4</b> | <b>78.3</b> | <b>75.7</b> | <b>72.7</b> |  |      |
| 2 Change in external debt   | -0.5   | 0.7   | -0.3  | 0.5   | 18.9        | 1.1                   | -4.7                  | -3.6        | -2.2        | -2.6        | -3.0        |  |      |
| 3 Identified external debt-creating flows (4+8+9)                   | 5.6    | 4.7   | -0.2  | 2.7   | 16.1        | 2.9                   | -1.4                  | 0.0         | 1.4         | 1.0         | 1.1         |  |      |
| 4 Current account deficit, excluding interest payments              | 6.9    | 6.4   | 5.7   | 6.6   | 6.0         | 5.1                   | 4.3                   | 4.0         | 4.1         | 4.2         | 4.3         |  |      |
| 5 Deficit in balance of goods and services                          | 9.2    | 3.1   | 4.5   | 5.3   | 10.9        | 8.5                   | 5.4                   | 2.7         | 2.7         | 2.7         | 2.7         |  |      |
| 6 Exports   | 54.6   | 56.2  | 56.9  | 58.8  | 46.8        | 50.2                  | 54.3                  | 57.7        | 57.7        | 57.7        | 57.7        |  |      |
| 7 Imports   | 63.8   | 59.4  | 61.4  | 64.2  | 57.7        | 58.7                  | 59.7                  | 60.4        | 60.4        | 60.4        | 60.4        |  |      |
| 8 Net non-debt creating capital inflows (negative)                  | -1.7   | -1.7  | -6.4  | -5.2  | -3.1        | -3.5                  | -3.5                  | -3.5        | -3.9        | -4.3        | -4.3        |  |      |
| 9 Automatic debt dynamics 1/  | 0.4    | 0.1   | 0.6   | 1.3   | 13.2        | 1.3                   | -2.1                  | -0.5        | 1.1         | 1.0         | 1.0         |  |      |
| 10 Contribution from nominal interest rate                          | 2.3    | 2.3   | 2.4   | 2.6   | 2.0         | 2.6                   | 3.0                   | 2.8         | 2.7         | 2.5         | 2.4         |  |      |
| 11 Contribution from real GDP growth                                | 0.0    | -1.2  | -1.9  | -1.2  | 11.3        | -1.3                  | -5.1                  | -3.3        | -1.5        | -1.5        | -1.5        |  |      |
| 12 Contribution from price and exchange rate changes 2/             | -1.9   | -1.0  | 0.1   | -0.1  | -0.1        | —                     | —                     | —           | —           | —           | —           |  |      |
| 13 Residual, incl. change in gross foreign assets (2-3) 3/          | -6.1   | -4.0  | -0.1  | -2.1  | 2.7         | -1.8                  | -3.3                  | -3.6        | -3.5        | -3.6        | -4.0        |  |      |
| External debt-to-exports ratio (in percent)                         | 124.3  | 121.9 | 119.9 | 116.9 | 187.1       | 176.7                 | 154.8                 | 139.3       | 135.6       | 131.0       | 125.9       |  |      |
| <b>Gross external financing need (in billions of US dollars) 4/</b> | 0.2    | 0.2   | 0.2   | 0.2   | 0.2         | 0.2                   | 0.2                   | 0.2         | 0.2         | 0.2         | 0.2         |  |      |
| in percent of GDP   | 11.6   | 11.0  | 10.3  | 11.5  | 10.6        | 11.2                  | 10.9                  | 10.7        | 10.6        | 10.7        | 10.8        |  |      |
| <b>Scenario with key variables at their historical averages 5/</b>  |        |       |       |       | <b>87.6</b> | <b>90.8</b>           | <b>91.2</b>           | <b>90.0</b> | <b>88.4</b> | <b>86.6</b> | <b>84.7</b> | <b>-4.4</b>  |      |
| <b>Key Macroeconomic Assumptions Underlying Baseline</b>            |        |       |       |       |             | Historical<br>Average | Standard<br>Deviation |             |             |             |             | For debt<br>stabilization                                      |      |
| Real GDP growth (in percent)  | 0.0    | 1.8   | 2.9   | 1.8   | -14.1       | 0.5                   | 5.2                   | 1.5         | 6.2         | 4.2         | 2.0         | 2.0  | 2.0  |
| GDP deflator in US dollars (change in percent)                      | 2.9    | 1.6   | -0.2  | 0.2   | 0.1         | 1.5                   | 1.4                   | 2.0         | 2.0         | 2.0         | 2.0         | 2.0  | 2.0  |
| Nominal external interest rate (in percent)                         | 3.5    | 3.4   | 3.5   | 3.9   | 2.5         | 3.8                   | 0.8                   | 3.1         | 3.6         | 3.5         | 3.4         | 3.3  | 3.3  |
| Growth of exports (US dollar terms, in percent)                     | -6.3   | 6.4   | 3.9   | 5.4   | -31.5       | 0.1                   | 12.6                  | 11.0        | 17.2        | 12.9        | 4.0         | 4.0  | 4.0  |
| Growth of imports (US dollar terms, in percent)                     | -4.3   | -3.9  | 6.2   | 6.7   | -22.7       | 2.2                   | 10.7                  | 5.3         | 10.2        | 7.5         | 4.0         | 4.0  | 4.0  |
| Current account balance, excluding interest payments                | -6.9   | -6.4  | -5.7  | -6.6  | -6.0        | -4.4                  | 3.5                   | -5.1        | -4.3        | -4.0        | -4.1        | -4.2   | -4.3 |
| Net non-debt creating capital inflows                               | 1.7    | 1.7   | 6.4   | 5.2   | 3.1         | 5.5                   | 3.3                   | 3.5         | 3.5         | 3.5         | 3.9         | 4.3  | 4.3  |

1/ Derived as  $[r - g - r(1+g) + ea(1+r)] / (1+g+r+g)$  times previous period debt stock, with  $r$  = nominal effective interest rate on external debt;  $r$  = change in domestic GDP deflator in US dollar terms,  $g$  = real GDP growth rate,

$e$  = nominal appreciation (increase in dollar value of domestic currency), and  $a$  = share of domestic-currency denominated debt in total external debt.

2/ The contribution from price and exchange rate changes is defined as  $[-r(1+g) + ea(1+r)] / (1+g+r+g)$  times previous period debt stock.  $r$  increases with an appreciating domestic currency ( $e > 0$ ) and rising inflation (based on GDP deflator).

3/ For projection, line includes the impact of price and exchange rate changes.

4/ Defined as current account deficit, plus amortization on medium- and long-term debt, plus short-term debt at end of previous period.

5/ The key variables include real GDP growth; nominal interest rate; dollar deflator growth; and both non-interest current account and non-debt inflows in percent of GDP.

6/ Long-run, constant balance that stabilizes the debt ratio assuming that key variables (real GDP growth, nominal interest rate, dollar deflator growth, and non-debt inflows in percent of GDP) remain at their levels of the last projection year.