CENTRAL BANK OF BELIZE

Annual Report 2009

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April 30, 2010

Hon. Dean Barrow
Prime Minister and Minister of Finance
New Administration Building
Belmopan
BELIZE

Dear Prime Minister:

It is my honour to submit to you in your capacity as the Minister of Finance, the Annual Report of the Central Bank of Belize's operations for the year 2009, together with a copy of the Bank's Statement of Accounts as certified by the External Auditors, Castillo Sanchez & Burrell, LLP.

These reports are submitted in accordance with Section 58 of the Central Bank of Belize Act, Chapter 262, Revised Edition 2000.
Sincerely,

Yours sincerely,

Glenford Ysaguirre
Governor

CENTRAL BANK OF BELIZE

Twenty-eighth Annual Report

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Statement of Accounts

For the Year Ending 31 December 2009

Abbreviations and Conventions used in this Report

ACP	African, Caribbean and Pacific
BAHA	Belize Agricultural and Health Authority
BFIA	Banks and Financial Institutions Acts, 1995
BMC	Belize Mortgage Company
BNE	Belize Natural Energy Limited
BPM	Balance of Payments Manual
BSI	Belize Sugar Industries Limited
BSSB	Belize Social Security Board
BTB	Belize Tourism Board
BTIA	Belize Tourism Industry Association
BTL	Belize Telemedia Limited
BWSL	Belize Water Services Limited
CARICOM	Caribbean Community and Common Market
CABEI	Central American Bank for Economic Integration
CARTAC	Caribbean Regional Technical Assistance Centre
CBB	Central Bank of Belize
CCMF	Caribbean Centre for Money and Finance
CDB	Caribbean Development Bank
CEMLA	Centre of Monetary Studies for Latin America
CFZ	Corozal Free Zone
CGA	Citrus Growers Association
CGBS	Caribbean Group of Banking Supervisors
c.i.f.	Cost, Insurance and Freight
CLICO	Colonial Life Insurance Company Limited
CPI	Consumer Price Index
CPBL	Citrus Products of Belize Ltd.
CMCF	Caricom Multilateral Clearing Facility
CSDRMS	Commonwealth Secretariat Debt Recording and Management System
CUMIS	Credit Union Management Information System
DFC	Development Finance Corporation
ECCB	Eastern Caribbean Central Bank
ECLAC	Economic Commission for Latin America and the Caribbean
ENDA	Emergency National Disaster Assistance
EPA	Economic Partnership Agreement
EPZ	Export Processing Zone
EU/EEC	European Union
FATF	Financial Action Task Force
FIU	Financial Intelligence Unit
fl. oz.	fluid ounce
f.o.b.	Free on Board
FSSD	Financial Sector Supervision Department
FY	Fiscal Year
GDP	Gross Domestic Product
GOB	Government of Belize
GST	General Sales Tax
HRD	Human Resources Department
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IBA	International Banking Act
IBRD	International Bank for Reconstruction and Development
IDB/IADB	Inter-American Development Bank
IMF	International Monetary Fund
Imp. Gal.	Imperial Gallon
ITD	Information Technology Department
ITVET	Institute for Technical and Vocational Education Training
KHMH	Karl Heusner Memorial Hospital
MLTPA	Money Laundering and Terrorism (Prevention) Act
MW·h	Megawatt hour
NFC	Not from concentrate
NGO	Non Governmental Organization
NPLs	Non Performing Loans
OECD	Organisation for Economic Cooperation and Development
OECS	Organisation of Eastern Caribbean States
OPEC	Organisation of the Petroleum Exporting Countries
PEARLS	Protection, Effective Financial Structure, Asset Quality, Rates of Return and Cost, Liquidity, Signs of Growth
PGIA	Phillip Goldson International Airport
PIC	Public Investment Company
ps	Pound solid
pps	Per pound solid
RECONDEV	Reconstruction and Development Corporation
ROC/Taiwan	Republic of China/Taiwan
ROE	Return on Equity
RRD	Revenue Replacement Duty
SDRs	Special Drawing Rights
SIB	Statistical Institute of Belize
SIF	Social Investment Fund
TIRF	Tourism Industry Relief Fund
VLANs	Virtual Local Area Networks
VPN	Virtual Private Network
UK	United Kingdom
US/USA	United States of America
VEMS	Visitor Expenditure Motivation Survey
WTI	West Texas Intermediate

Notes and Conventions:
-- $ refers to the Belize dollar unless otherwise stated
-- mn denotes million
-- bn denotes billion
-- The figures for 2009 in this report are provisional, and the figures for 2008 have been revised.
-- Since May of 1976 the Belize dollar has been fixed to the US dollar at the rate of US$1.00 = BZ$2.00.
-- Totals in tables do not always equal the sum of their components due to rounding.

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DIRECTORS AND PRINCIPALS

At December 31, 2009

BOARD OF DIRECTORS

ALAN SLUSHER
Chairman

RALPH FEINSTEIN
Vice Chairman

KERRY BELISLE

DARRELL BRADLEY

GLENFORD YSAGUIRRE
Ex-officio Member

CHRISTINE VELLOS
Ex-officio Member

JOSEPH WAIGHT
Ex-officio Member

PRINCIPAL OFFICERS

Glenford Ysaguirre
Governor

Christine Vellos
Deputy Governor - Economic Intelligence

Marilyn Gardiner-Usher
Deputy Governor - Operations

Ornel Brooks
Chief of Security

Carol Hyde
Director, Human Resources

Rabey Cruz
Director, Information Technology

Angela Wagner
Director, Administration

Michelle Estell
Director, Banking & Currency

Neri Matus
Director, Financial Sector Supervision

Effie Ferrera
Director, Internal Audit

Hollis Parham
Director, Finance

Azucena Quan-Novelo
Director, Research

OVERVIEW OF THE BANK

"*Within the context of the economic policy of the Government, the Bank shall be guided in all its actions by the objectives of fostering monetary stability especially as regards stability of the exchange rate and promoting credit conditions conducive to the growth of the economy of Belize.*" Central Bank of Belize Act, 1982, Clause 6

MISSION STATEMENT

To regulate and encourage the development of the financial system and to formulate economic policies that foster monetary and financial stability, confidence and economic growth. The Bank is committed to serving the interest of the people of Belize through highly motivated and skilled professionals who operate under the ethos of integrity, efficiency and transparency.

In the pursuit of its mission, the Bank sets a number of goals and operating objectives. These are listed below:

GOALS

- Provide prompt and well-considered macroeconomic information and advice to the Government, the business sector and the general public.
- Provide efficient banking services to the commercial banks, the government and various public sector bodies and regional and international organisations that hold accounts at the Bank.
- Provide guidelines to the banking community on matters such as money supply, interest rates, credit and exchange rates.
- Set high standards of efficiency and organisation so as to encourage higher levels of attainment in the Bank.

OBJECTIVES

- Promote monetary stability.
- Regulate the issue and availability of money and its international exchange.
- Regulate and maintain the integrity and reputation of the financial system.

ORGANIZATION AND FUNCTIONS

The Bank's mission and objectives are pursued through its various departments with core functions as follows:

Office of the Governor

- Executive management of the operations of the Bank in advancement of the stated objectives of fostering monetary and exchange rate stability, promotion of credit and economic growth.
- Corporate Governance in accordance with the relevant laws, policies and directives of the Board.
- Strategic planning and leadership to develop and promote environment and culture that is supportive of stated goals and objectives.
- Public Relations and external communications to foster national and international confidence, promote financial stability, literacy and institutional credibility.

Administration

- Procuring supplies, and conducting stock keeping and inventory exercises.
- Managing the Bank's records management system.
- Disseminating information produced by the Bank, particularly economic reports and bulletins, research papers, relevant acts and regulations and related guidelines.
- Managing the Bank's numismatic operations.
- Maintaining the Bank's facilities, plant and equipment.
- Providing reprographic services to the Bank.
- Managing meeting and conferences.

Human Resources

- Advising on personnel policy matters.
- Promoting the conditions necessary for staff development and training.
- Providing employee assistance.
- Administering and processing of staff compensation and benefits.
- Recruiting and selecting suitable staff.
- Fostering healthy industrial relations between the Bank and its employees' unions.

Finance

- Advising the Governor on the state of the finances of the Central Bank.
- Preparing the Bank's budget while monitoring and controlling the Bank's financial activities in the context of a risk management framework.
- Overseeing the development and implementation of goals, policies, priorities, and procedures necessary for auditing, budgeting, financial analysis and property management.
- Producing all financial reports, including special analyses and requested information reports.
- Performing fiscal agent functions on behalf of the Central Government and other public sector entities for the trading of securities.

Banking and Currency

- Issuing notes and coins.
- Providing banking services to Central Government, other public sector entities and financial institutions.
- Managing the Central Bank's foreign reserve holdings.
- Conducting clearing-house operations for the domestic banking system.

Financial Sector Supervision

- Screening and processing applications for financial institutions, domestic and international bank licenses and registration of credit unions.
- Supervising and regulating banks, financial institutions and credit unions through on-site examination and off-site surveillance.
- Processing of applications for large credit exposures under section 21(2) of the Banks and Financial Institutions Act (BFIA) and 21(2) 2 of the International Banking Act (IBA).
- Promoting and conducting anti-money laundering surveillance of financial institutions licensed under BFIA, IBA and the Credit Unions Act.

Research

- Monitoring economic activities in Belize on a continuing basis.
- Conducting focused economic research on the Belizean economy and aspects pertaining to its development.
- Managing the Bank's library.
- Preparing monthly, quarterly and annual economic reports.
- Processing and monitoring foreign exchange transactions of the financial system.
- Producing appropriate statistics.

Internal Audit

- Verifying Central Bank compliance with accounting policies, laws and regulations.
- Evaluating and verifying the operational effectiveness of internal controls to safeguard assets and to ensure the integrity of financial reports.
- Reviewing operations and programs to ascertain if goals and objectives are being achieved.

Security Services

- Analyzing potential threats to the Bank's security and devising strategies for avoiding or mitigating all such risks.
- Ensuring the security of the Bank's premises, staff and visitors.

Information Technology

- Monitoring and maintaining the Bank's information technoIntroducing and maintaining appropriate automated information systems for the Bank and administering controls to protect the integrity, security, accuracy, and confidentiality of information.
- Ensuring proper functioning and business continuity of the Bank's ICT infrastructure.

GOVERNANCE

The Central Bank of Belize Board

The Board comprises the Governor, a Deputy Governor, and the Financial Secretary as ex officio members and four other members, including the Chairman and Vice-Chairman, appointed by the Minister of Finance, a total of seven. There was no change in the composition of the Board during the year.

Section 12 (1) of the Central Bank Act requires the Board to meet no less than 10 times in each year, on dates designated by the Chairman. A quorum for any meeting of the Board is three members one of whom must be the Governor or a Deputy Governor. Decisions of the Board are by majority of votes cast with the presiding Chairman having a second or casting vote in the event of a tie.

The Board met 11 times and considered 61 submissions in 2009. All meetings were held at the Central Bank building in Belize City.

Board Meetings in 2009 and Attendance by Members	
Alan Slusher (Chairman)	11
Ralph Feinstein (Vice-Chairman)	10
Glenford Ysaguirre (Governor)	11
Joseph Waight (Ex-officio)	8
Kerry Belisle	11
Darrell Bradley	10
Christine Vellos (Ex-officio)	10
Marilyn Gardiner-Usher (by invitation)	11

Conduct of Central Bank of Belize Board Members

On appointment to the Board, each member is required under Section 18 (1) of the Central Bank of Belize Act to maintain confidentiality in relation to the affairs of the Board and the Bank. Further, members must meet and maintain general conditions of qualification of directors as laid out in Section 15 of the Central Bank Act and also subscribe to that sets standards of conduct for directors and officers of the Bank. Over and above these legislated requirements, members recognise their responsibility for maintaining a reputation for integrity and propriety on the part of the Board and the Bank in all respects. Directors commit to:

- discharge their duties with care and diligence;
- act in good faith, and in the best interest of the Bank;
- not use their position to benefit themselves or any other person, or to cause detriment to the 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 Bank or any person; and
- declare any material personal interest where a conflict arises with the interests of the Bank.

Ex-officio directors who are also executives of the Bank are further subjected to the Code of Conduct adopted by the Bank that provides a number of general principles as a guide for their conduct in fulfilling their duties and responsibilities as employees of the Bank.

Audit Committee

The objectives of the Audit Committee of the Board of Directors are to:

- assist in the selection of the external auditors and recruitment of internal audit staff;
- ensure a high-quality, independent and effective audit process;
- assist the Governor and the Board in fulfilling their obligations relating to financial reporting, compliance with laws and regulations, internal control and risk assessment, employee conflicts of interest, business ethics and prevention of fraud; and
- enhance transparency of contact between management and the Internal Audit Department.

The Audit Committee is made up of two non executive board members, Mr. Kerry Belisle (Chairman) and Mr. Darrel Bradley. Other members of the Committee are Mrs. Marilyn Gardiner-Usher (Deputy Governor) and Mrs. Effie Ferrera (Chief Internal Auditor).

During 2009, the Committee met on five occasions. The Audit Committee also met three times with the external auditors in the absence of other management. At its March 2010 meeting, the Committee considered the draft financial statements for the year ended 31 December 2009 and agreed that the statements be presented to the Bank Board with its endorsement.

FUNCTIONAL CHART

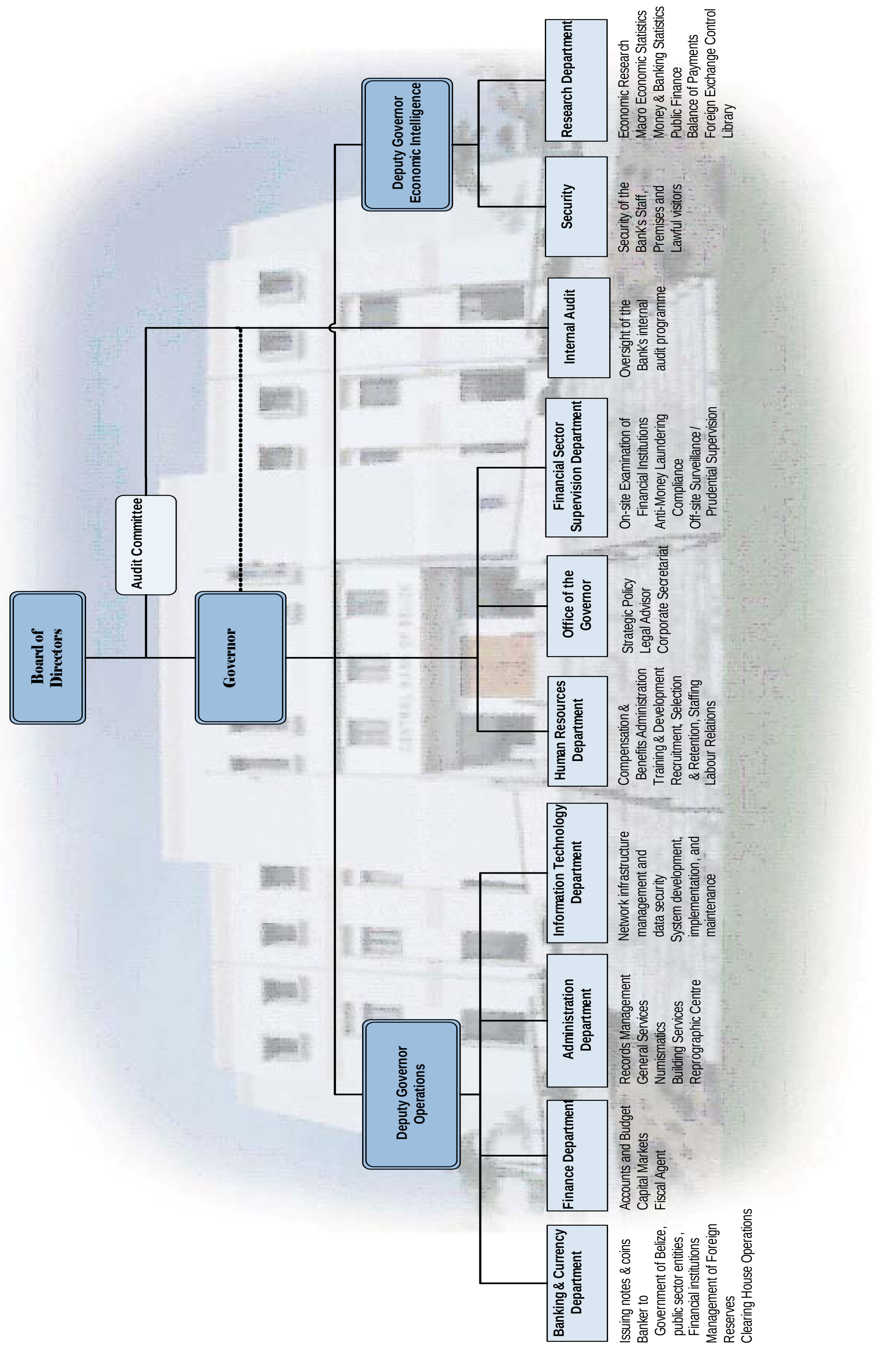


Table 1: Major Economic Indicators

	2002	2003	2004	2005	2006	2007	2008	2009
POPULATION AND EMPLOYMENT								
Population (Thousands)	262.7	271.1	281.1	289.9	299.8	309.8	322.1	333.2
Employed Labour Force (Thousands)	84.7	89.2	95.9	98.6	102.2	111.8	114.5	120.5
Unemployment Rate (%)[1]	10.0	12.9	11.6	11.0	9.4	8.5	8.2	13.1
INCOME								
GDP at Current Market Prices ($mn)	1,865.4	1,976.4	2,112.6	2,229.7	2,426.2	2,563.2	2,717.4	2,707.0
Per Capita GDP ($, Current Mkt. Prices)	7,100.7	7,290.3	7,515.1	7,691.9	8,093.6	8,274.8	8,436.5	8,124.2
Real GDP Growth (%)	5.1	9.3	4.6	3.0	4.7	1.2	3.6	0.0
Sectoral Distribution of Constant 2000 GDP (%)								
Primary Activities	13.3	16.9	18.1	18.1	16.2	12.8	12.5	11.7
Secondary Activities	17.2	15.2	15.1	14.6	17.5	17.7	18.7	21.4
Services	55.2	53.7	57.8	58.7	57.5	59.9	60.2	53.7
MONEY AND PRICES ($mn)								
Inflation (Annual average percentage change)	2.2	2.6	3.1	3.7	4.2	2.3	6.4	-1.1
Currency and Demand deposits (M1)	358.1	442.6	492.2	516.1	617.9	704.4	706.2	713.3
Quasi-Money (Savings and Time deposits)	705.3	659.7	756.1	815.8	887.1	1,031.7	1,260.4	1,379.9
Annual Change of Money Supply (%)	2.2	3.7	13.2	6.7	13.0	15.4	13.3	6.4
Ratio of M2 to GDP (%)	57.0	55.8	59.1	59.7	62.0	67.7	72.4	77.3
CREDIT ($mn)								
Commercial Bank Loans and Advances	904.6	1,056.6	1,176.5	1,254.7	1,390.5	1,599.6	1,742.4	1,805.4
Public Sector	16.0	30.0	46.3	62.4	48.6	40.8	19.1	8.0
Private Sector	888.6	1,026.6	1,130.2	1,192.3	1,342.8	1,558.8	1,723.3	1,797.4
INTEREST RATE (%)								
Weighted Average Lending Rate	14.5	14.2	14.0	14.3	14.2	14.3	14.1	14.0
Weighted Average Deposit Rate	4.5	4.9	5.2	5.5	5.8	6.0	6.4	6.1
Weighted Average Interest Rate Spread	10.0	9.3	8.8	8.8	8.5	8.3	7.8	7.9
CENTRAL GOVERNMENT FINANCES ($mn)								
Current Revenue	425.8	422.2	451.9	511.5	566.0	651.5	729.4	653.9
Current Expenditure	333.4	393.0	474.1	561.2	550.8	636.1	617.9	661.8
Current Account Surplus(+)/Deficit(-)	92.3	29.1	-22.2	-49.7	15.2	15.3	111.5	-7.9
Capital Expenditure	260.3	276.4	173.2	123.1	97.1	160.4	141.6	113.2
Overall Surplus(+)/Deficit(-)	-108.8	-216.0	-133.6	-152.3	-46.7	-30.8	41.2	-76.2
Ratio of Budget Deficit to GDP at mkt. Prices (%)	-5.8	-10.9	-6.3	-6.8	-1.9	-1.2	1.5	-2.8
Domestic Financing (Net)	-180.9	-62.4	-36.2	-19.0	-8.9	19.3	-23.3	16.9
External Financing (Net)[2]	278.3	380.7	179.9	127.6	56.0	-0.8	-3.3	60.5
BALANCE OF PAYMENTS (US $mn)								
Merchandise Exports (f.o.b.)[3]	309.7	315.5	308.4	325.2	427.1	425.6	480.1	381.9
Merchandise Imports (f.o.b.)	496.9	522.3	480.7	556.2	611.9	642.0	788.2	620.5
Trade Balance	-187.2	-206.8	-172.3	-231.0	-184.8	-216.5	-308.2	-238.7
Remittances (Inflows)	24.3	29.3	30.9	40.9	57.8	70.8	74.1	76.4
Tourism (Inflows)	121.5	149.7	168.1	213.6	254.7	288.7	278.5	256.2
Services (Net)	46.0	71.1	88.2	143.0	210.7	229.9	216.9	183.2
Current Account Balance	-165.3	-184.3	-154.9	-151.2	-25.4	-52.1	-132.4	-93.3
Capital and Financial Flows	168.0	188.5	127.3	147.3	83.2	123.7	235.7	118.1
Gross Change in Official International Reserves	-5.4	-30.1	-31.2	-12.2	49.8	22.9	57.9	47.3
Gross Official International Reserves[4]	114.7	84.6	48.0	35.8	85.6	108.5	166.4	213.7
Import Cover of Reserves (in months)	3.2	2.1	1.4	0.8	1.8	2.3	2.8	4.2
PUBLIC SECTOR DEBT								
Disbursed Outstanding External Debt (US $mn)	632.8	805.9	893.1	970.5	985.7	972.7	957.8	1,015.6
Ratio of Outstanding Debt to GDP at Mkt. Prices (%)	67.8	81.6	84.5	87.1	81.3	75.9	70.4	75.0
External Debt Service Payments (US $mn)	77.3	82.8	96.8	88.9	134.3	133.4	96.9	79.9
External Debt Service Ratio (%)[5]	15.7	15.7	17.8	14.2	17.0	16.2	11.2	11.1
Disbursed Outstanding Domestic Debt ($ mn)	171.9	256.5	278.5	279.4	299.9	321.9	332.8	317.0
Domestic Debt Service Payments ($ mn)	19.2	13.7	18.8	23.1	27.5	30.4	47.7	39.1

Sources: Ministry of Finance, Statistical Institute of Belize, and the Central Bank of Belize

(1) Time series is at April except 2008, which is at May

(2) Includes Privatization Proceeds

(3) Includes CFZ gross sales

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

(5) Excludes refinancing of US$99.2mn (2002), US$50.2mn (2003), US$95.4mn (2004), US$136.7mn (2005), the restructuring amount of US$541.0mn in 2007, US$0.8mn in 2008 and US$1.0mn in 2009.

ECONOMIC OVERVIEW & PROSPECTS

Residual effects of the international financial upheaval continued to be broadly felt in 2009 with the world economy experiencing a contraction of 3.5%. However, there were some hopeful signs that global production was beginning to rebound in the second half of the year led mainly by the buoyancy of newly industrialized Asian economies. Given the more modest scale of recovery in advanced economies, foreign direct investment and tourism in the region continued to be negatively affected and this played a significant role in the slowing down of the domestic economy, which registered zero growth in 2009 after its 3.6% increase in the previous year. The deceleration in GDP also reflected some negative carryover effects on Belize's major export crops from the two floods that occurred in 2008. Agriculture's lackluster performance caused a dip in activity that was exacerbated by contractions in 'Wholesale & Retail Trade', 'Hotels & Restaurants' and 'Transport & Communications'. Rather fortuitously, the situation was ameliorated by continuing strong growth in construction, petroleum extraction and production of electricity.

As a consequence of the economic downturn, the unemployment rate increased from 8.2% (May 2008) to 13.1% (April 2009), with an 11.2% expansion in the labour force outpacing a 5.3% growth in jobs. In a reversal of the previous year's inflation spike, the general price level fell by 1.1% as the substantial lowering in fuel acquisition costs during the first three quarters of the year underpinned a 5.6% price decline for 'Transportation & Communications'. Price increases for the 'Food, Beverages & Tobacco' category were held to a modest 1.3% (as compared to the 13.3% hike in the previous year) mainly due to reduced costs for agricultural inputs used in the production of staple foods such as rice, flour, eggs and chicken.

On the external front, the trade deficit shrank as weaker demand and lower international prices reduced the import bill by a greater amount than the fall in export earnings. The external current account deficit also narrowed, as the smaller trade gap and reduced outflows for profit repatriation and payments to seasonal workers offset the lowering of net earnings from tourism and other services. Although a sharp fall in foreign direct investment resulted in a more than 50.0% cut in the financial account surplus, sizeable inflows to the public sector that included the new International Monetary Fund (IMF) allocation of Special Drawing Rights (SDRs) played a pivotal role in effecting a 28.4% boost to the gross official reserves, which rose to $427.4mn.

The government's fiscal position deteriorated with revenues taking a hit from the downturn in domestic consumption and international crude oil prices while expenditures were marginally higher. An overall deficit amounting to 2.8% of GDP was recorded for the calendar year while the primary surplus shrank from 5.4% to 0.8% of GDP. The revenue decline reflected the almost halving of foreign grant inflows and decreases in petroleum and General Sales Tax (GST) collections. Although expenditure on capital projects was down by 28.4%, total expenditure rose by 2.0% mainly due to higher current outlays for salaries and other emoluments, purchases of goods and services and subsidies to statutory bodies. To cover the fiscal gap, financing was obtained from foreign and domestic sources with greater emphasis being placed on the former.

Measures to reduce its Central Bank overdraft balance and retire several outstanding loans from domestic commercial banks earlier than originally scheduled resulted in a 4.7% year on year decline in Central Government's domestic debt. During the year, foreign loan disbursements to the entire public sector summed to $200.5mn with some $84.7mn being repaid. The public external debt consequently rose by 6.0% to $2.0bn (75.0% of GDP) with borrowings remaining confined to bilateral and multilateral entities that offered concessional terms as well as certain conditionalities due to the pre-existing heavy debt burden.

No change was effected to the monetary policy stance as weakened credit growth and a slowing economy caused the Central Bank to maintain commercial banks' cash and liquid asset requirements at 10.0% and 23.0%, respectively, of average deposit liabilities notwithstanding persistently high levels of excess liquidity. During the year, commercial banks' cash and liquid asset holdings exceeded legal requirements by an average of 19.5% and 24.8%, respectively, and this contributed to a 23 basis points reduction in the weighted average deposit rate. The 12 basis points decline in lending rates fell short of this and the interest rate spread of the banks consequently widened to 7.86%. Notably, while growth in broad money was lower (6.4% as compared to 13.3% in 2008), the net foreign assets of the banking system strengthened by 32.7%, underpinned by the build-up in gross official reserves as well as improvement in the net position of the commercial banks, several of whom took steps to reduce balances owed to foreign correspondents.

Leaving behind some of the specific challenges of 2009, the outlook for 2010 currently appears to be more positive. In the wake of an admittedly fragile global recovery, Belize is expected to achieve a 1.5% increase in GDP resulting from a substantial surge in domestic electricity generation, a tenuous revival in distributive trade and modest increase in petroleum production. The main downside risks to growth are the continued fragility of the tourism industry and rising international fuel prices. In August, the interest rate on the 'super bond' is scheduled to rise from 4.5% to 6.0% and this heightens the need for strategic management to maintain fiscal and debt sustainability while safeguarding the exchange rate peg. The upcoming increase in the GST from 10.0% to 12.5% in April and other government revenue measures may also have a dampening effect on consumption while adding to inflationary pressures. With the latter being pushed upward due to the progressive rise in international crude oil prices, current estimates are that the average inflation rate should be in the vicinity of 3.0% for the year.

As already intimated, growth is expected to be driven by the secondary sector, which should see a 32.0% hike in domestic electricity generation as the cogeneration plant and Vaca Dam hydroelectric plant add some 25 Megawatt hours (MWh) to national capacity. Production of crude oil is also expected to increase by 2.0%

to 1.6mn barrels with the stabilization of output from the Spanish Lookout field and the start-up of pumping from the Never Delay field in the latter half of the year. Even though it is likely that bleak employment conditions in the US economy will continue to depress tourism activity in the stay-over market, the services sector is still expected to make a modest contribution to growth due to a measure of resiliency in government, financial, social and real estate services.

Contrasting with this, a net decline is being projected for the primary sector mainly due to a 2.5% contraction in marine output that reflects lower production of farmed fish and a cyclical decline in the lobster catch. Agricultural production is expected to increase marginally due to a modest recovery in the major export crops, citrus being the notable exception to this with projected declines of 10.5% and 14.8% in factory deliveries and juice output, respectively. Sugarcane deliveries for the 2009/2010 crop are being estimated at 950,000 long tons, a 3.5% increase, while papaya and banana should post respective increases of 5.0% and 1.5% assuming normal weather conditions. Output of livestock should also increase with expansions in cattle, pig and poultry.

While the economy should rebound slightly in 2010, this is likely to be accompanied by a widening of the external current account deficit due to lower tourism receipts, increased profit repatriation by the oil industry and a larger trade deficit as imports rise. Domestic export earnings should remain relatively stable as gains from petroleum and citrus exports (expected to be around 40.0% and 10.0%, respectively) offset lower revenues from sugar and marine products. While domestic citrus production will be lower, export earnings will be boosted by sales from inventory as well as the strong rally in orange juice prices that has been occurring recently. Notwithstanding this, the impact of the projected 38.4% fall in sugar export earnings will be particularly severe as the decline in export volume coincides with the full application of the final scheduled cut in the European Union (EU) price.

In the context of a wider external current account gap, the immediate concern is how this will be financed. Current expectations are that the modest increase in the capital and financial account surplus is unlikely to be sufficient to cover the deficit and will thus require some drawing down of the official foreign reserves. The result is likely to be a reduction in reserve coverage from 4.2 months to 3.6 months of merchandise imports, which is still notably in excess of balances in recent years.

INTERNATIONAL & REGIONAL DEVELOPMENTS

Advanced Economies

Evidence of an incipient world economic recovery emerged in the second half of the year driven by strong performances of the newly industrialized Asian countries and a more modest uptick in activity in the advanced economies. However, these welcome signs could not mask the severe impact of the financial crisis on world trade, industrial production, asset prices and credit markets. Economic output for advanced economies suffered a 3.2% contraction (compared to 0.5% growth in the previous year) with unemployment soaring and consumer demand weakening significantly. While almost all economies were affected, the negative effects were most pronounced in Japan and the United Kingdom (UK), which experienced GDP declines of 5.3% and 4.8%, respectively.

Strong, sustained and, in some cases, unconventional public sector stimulus packages were implemented, admittedly with varying results, but nevertheless providing a needed catalyst for the nascent recovery. Massive fiscal expansion coincided with central bank monetary injections while interest rates were progressively lowered, in some cases to zero, in an effort to prop up demand, ease tight financial conditions and lower uncertainty in the investment market. In Japan, the economic rebound in the third quarter was in response to an aggressive fiscal stimulus package that fuelled business investments, consumer spending and exports. In the UK, official interest rates were cut to record low levels. The Bank of England injected significant amounts of liquidity while focusing its purchases on government bonds. In addition, the government implemented a fiscal stimulus package of around 1.4% of GDP, injected capital into several large banks and extended debt guarantees for troubled banks. The United States (US) experienced a steep downturn in the first half of the year but achieved stability in consumer spending as well as in the housing and financial markets through unprecedented fiscal and monetary policy measures. The Federal Reserve intervened in markets for mortgage-backed securities, commercial

Table 2: Selected Indicators for Advanced, Emerging and Developing Economies

Country	GDP Growth Rate (%)		Inflation Rate (%)		Current a/c Ratio (%)		Unemployment Rate (%)	
	2008	2009	2008	2009	2008	2009	2008	2009
Advanced Economies	**0.5**	**-3.2**	**3.4**	**0.1**	**-1.3**	**-0.7**	**5.8**	**8.2**
United States	0.4	-2.5	3.8	-0.4	-4.9	-2.6	5.8	9.3
United Kingdom	0.5	-4.8	3.6	1.9	-1.7	-2.0	5.5	7.6
Japan	-1.2	-5.3	1.4	-1.1	3.2	1.9	4.0	5.4
Emerging and Developing Economies	**6.1**	**2.1**	**9.2**	**5.2**	**4.8**	**3.8**	**n.a.**	**n.a**
China	9.6	8.7	7.2	-3.1	9.8	7.8	4.1	4.4
India	7.3	5.6	6.3	2.6	-2.2	-2.2	7.2	9.5
Mexico	1.3	-6.8	9.2	5.2	-1.5	0.0	3.5	5.7

Sources: World Economic Outlook, OECD, and World Bank

n.a. = not available

paper and debt for government-sponsored enterprises, while also providing funding and some protection for investors in mortgage-backed securities. This, in turn, helped to trigger a turn in inventory cycles and stimulated growth in the second half of the year. Notwithstanding all this, the US economy registered an overall contraction of 2.5% in 2009.

Given the depth of the crisis and the scale of efforts required to address weaknesses in the global financial system, recovery is expected to continue in 2010 but at a less than vigorous pace. Tight credit conditions, weak employment and sizeable spare capacity should continue to characterize the global economic landscape. The IMF projects that advanced economies should grow by around 2.1% in 2010, triggered by a rebound in manufacturing, as inventory cycles turn, commodity prices improve and sustained public policies continue to spur demand. The key challenge for policy makers will be choosing the appropriate time to end the various fiscal stimulus programs, since premature actions could abort the recovery as consumption and investment remain weak while excessive delay could fuel inflation and negatively affect long term growth. Admittedly, the sluggish pace of the recovery makes it likely that inflation will remain subdued over the medium term, however, the severity of fiscal indebtedness is a major complicating factor with a potential to engender price instability via transactions in bond markets and currency fluctuations.

Emerging and Developing Economies

Emerging and developing economies have been negatively affected by the crisis chiefly through the sharp reductions in consumer demand and investment. The slowdown worsened as declining export demand, commodity prices and capital flows intensified. Growth in these economies consequently decelerated from 6.1% in 2008 to 2.1% in 2009.

Mexico experienced a particularly severe downturn with its economy contracting by 6.8%, one of its worst economic performances in the past seventy five years. The outturn reflected Mexico's high trade dependence on the United States as well as the negative impact of the A(H1N1) flu outbreak on the tourism sector. The peso fell to record lows as Mexican exports collapsed in the first half of the year. Unemployment rose to 5.7% with the situation being exacerbated by a 15.7% fall in remittances. In contrast, while experiencing some deceleration, China and India still posted robust growth of 8.7% and 5.6%, respectively, buffered by rising industrial production particularly in the electronics sector and financially sound banking systems.

In an attempt to cushion the impact of the external shocks, monetary and fiscal measures were implemented to stimulate economic activity across the board, though with varying degrees of success. In China, interest rates were lowered and credit ceilings reduced to encourage credit expansion and consumption received an upward boost from a US$586bn fiscal stimulus package. Similarly, the Mexican central bank reduced its policy rate from 8.25% to 4.50% since February of 2009 while the government implemented a fiscal stimulus package that totaled 1.6% of GDP.

The economic outlook for these economies seems very encouraging at this time. In spite of remaining challenges, growth is expected to accelerate to 6.0% and be a contributing factor in the global economic recovery. Much of this is attributable to the stabilization of international financial markets, renewed capital inflows, a positive shift in inventory cycles and general increase in consumer demand. As in the case of the advanced economies, authorities will need to meet the challenge of devising credible strategies for unwinding monetary support so as to anchor expectations and dampen potential fears of inflation even while fiscal policies need to be remain supportive due to the frail nature of the recovery.

Caribbean

In the Caribbean, the impact of the global financial crisis and economic downturn was severe due to the region's dependence on the US and other industrialized economies for foreign direct investment, remittances, commodity export earnings and tourism. The Economic Commission for Latin America and the Caribbean (ECLAC) estimates that the region may have contracted by 2.1% during 2009, with contractions ranging from 1.4% in Guyana to 7.4% in the Organization of Eastern Caribbean States (OECS). Trinidad and Tobago, Barbados and Jamaica experienced declines of 5.6%, 5.3% and 2.5%, respectively.

Tourism was notably impacted, with nearly all countries registering declines in overnight visitors. In certain cases, this was partially offset by increased arrivals of cruise ship tourists the latter being partly due to increased substitution of long haul destinations for short-haul points, rising airfare costs and the A(H1N1) scare in Mexico that caused a shift in the pattern of port calls. Jamaica and Guyana stood out with increases in overnight visitors as intensified marketing efforts and aggressive price concessions (specifically in the case of Jamaica) paid off. Overnight visitors to Barbados fell by 11.0% while cruise ship visitors were up by 6.0%.

Chart 1: Real GDP Growth for Selected Caribbean Countries

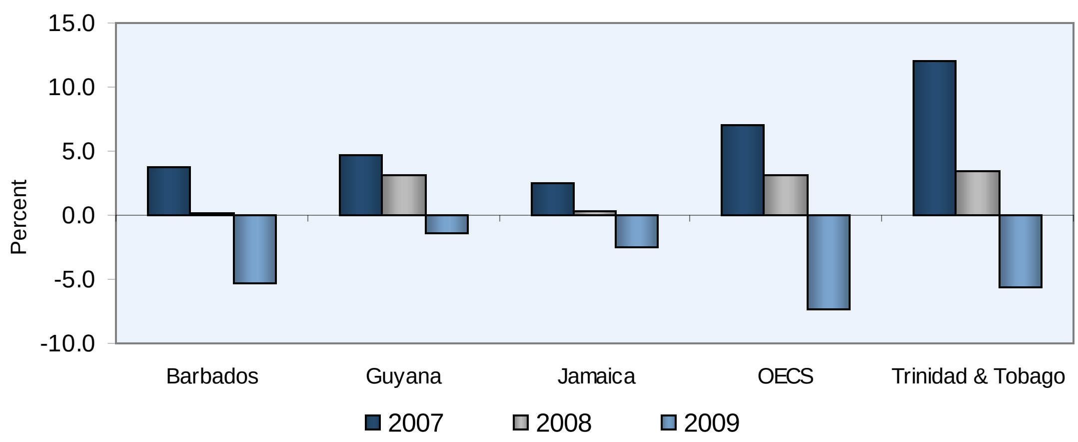
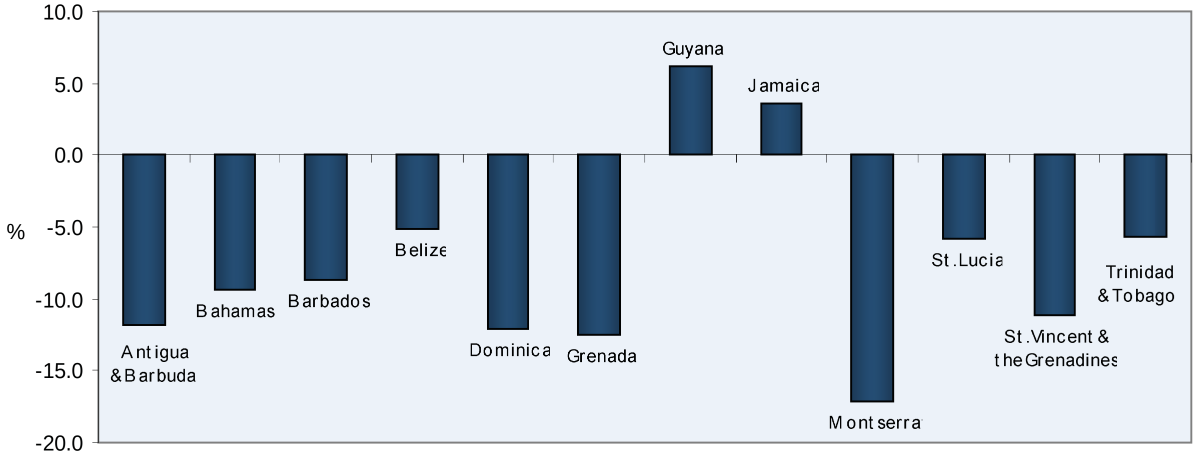


Chart 2: Change in Over-night Tourist Arrivals

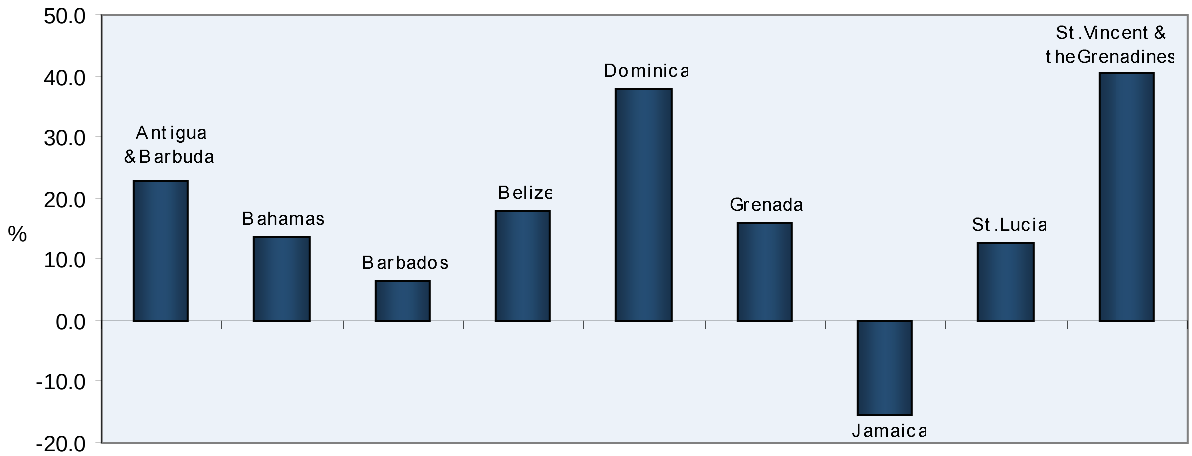


The Bahamas also experienced a 9.3% reduction in overnight visitors while cruise ship visitors rose by 13.8%. In general, there were sharp declines in overnight visitors from major markets such as the US, UK and Europe, with Canada being the notable exception.

Shrinking output was recorded in economic sectors such as mining and quarrying, manufacturing, construction and tourism, while agriculture, forestry and fishing posted modest increases. With waning activity in tourism and construction and lower levels of private investment, unemployment rates rose. Barbados and Guyana recorded levels of just over 10.0% and 9.0%, respectively, while Trinidad's unemployment rate rose from 4.6% in 2008 to 5.8% in the third quarter. As in the case of the 2001 recession, there were labour force declines across the board as individuals exited the labour market, a development that may pose a threat to the region's recovery.

With the lowering of international prices for petroleum and food as well as the softening in consumer demand, inflationary pressures subsided considerably. Trinidad

Chart 3: Change in Cruise Passenger Arrivals



and Tobago's inflation rate fell from 14.3% to 1.3%, Jamaica saw its rate of inflation fall from 16.8% to 10.2%, and the 3.1% price increase in Barbados was considerably lower than the previous year's 8.6% price level rise.

Government revenues were depressed everywhere in the wake of the economic downturn and fiscal positions were further weakened as expenditure levels were maintained or heightened as a countercyclical measure.

Barbados pumped funding into social support programs such as the Tourism Industry Relief Fund (TIRF) and the Employment Stabilisation Scheme which assisted businesses with operational costs in exchange for employee retention. Trinidad & Tobago raised taxes on alcohol, tobacco and motor vehicle licenses but also increased subsidies for new home construction and raised the value of houses qualifying for preferential mortgage rates. In Jamaica, however, public backlash limited a proposed hike in taxes and government expenditures were curtailed to offset falling revenues. The widening of fiscal gaps generally led to an increased reliance on external borrowing during the year. In recognition of the stress being placed on economies around the world, new SDR allocations were assigned by the IMF that were particularly timely in buttressing official foreign reserves in the region. However, the difficulties being experienced in Jamaica and five of the OECS member countries reached a critical stage with the latter receiving IMF assistance during the year and Jamaica commencing negotiations for a US$800.0mn IMF standby arrangement.

Financial systems remained generally sound, though pressures rose with increases in non-performing loans, declining profitability and the debacles of the Colonial Life Insurance Company Limited (CLICO) and Stanford groups. The latter incidents cast a negative shadow on the region's offshore sector which was already under intense international scrutiny.

Current expectations are that the effects of the international financial crisis will continue to be felt in the short to medium

Table 3: Selected Indicators for Selected Caribbean Countries

Country	GDP Growth Rate%		Inflation Rate (%)		Unemployment Rate (%)		International Reserves US$mn	
	2008	2009	2008	2009	2008	2009	2008	2009
Barbados	0.2	-5.3	8.6	3.1	8.1	10.0	678	744
Belize	3.6	0.0	6.4	-1.1	8.2	13.1	166	214
Guyana	3.1	-1.4 (1)	7.8	3.4 (2)	n.a.	9.0 (2)	352 (2)	589 (2)
Jamaica	0.3(2)	-2.5	16.8	0.2	11.1	n.a.	1,773	1,729
OECS	3.1	-7.4	3.9	-0.6	n.a.	n.a.	2,006	2,154
Trinidad & Tobago	3.5	-5.6 (2)	14.3	1.3	4.6	5.8 (2)	8,520	8,652

Sources: ECLAC, Central Bank of Barbados, Central Bank of Guyana, Bank of Jamaica, Central Bank of Trinidad & Tobago, and Eastern Caribbean Central Bank

n.a. = not available

(1) as at the end of second quarter of 2009.

(2) as at the end of third quarter 2009.

(3) as at November 2009.

term, with a resurgence in regional growth hinging upon a rebound in commodity prices, tourism and related spin-off industries. In the case of Trinidad & Tobago, some gains have already been realized with the rally in crude oil and natural gas prices. However, the tourism outlook for CARICOM territories remains less than optimistic as weak conditions in the main tourist markets seem likely to persist in 2010. The situation could be further affected by a recovery in the Mexican market following the A(H1N1) scare and the relaxation of restrictions on US residents that wish to travel to Cuba. The region may need to devise creative stategies to mitigate these threats.

Central America

GDP growth in the Latin countries of Central America contracted almost across the board in 2009 with the impact of the economic fallout being most evident in the first half of the year. The sharpest decline was in Honduras, which also had to deal with domestic political upheaval resulting from the ousting of President Zelaya and the subsequent international sanctions placed on aid and financing. Panama was the only country to register positive growth with its resiliency being linked to ongoing works on the Panama Canal, heightened activities in the Free Zone and an uptick in tourism.

External shocks were manifested through lower export earnings caused by the weakening in commodity prices, reductions in foreign direct investments ranging from 9.5% in Guatemala to 51.0% in Nicaragua, declines in workers' remittances reflecting the rather bleak employment conditions in the US and reductions in tourism earnings in all countries except Panama.

Guatemala, El Salvador, Nicaragua and Panama were also faced with agricultural declines caused by inclement weather induced by the El Niňo weather phenomenon. A higher perception of risk coupled with reduced foreign inflows resulted in the lowering of private sector investment and general contractions in business activity that pushed unemployment levels up across the region. The sectors experiencing the largest decreases in output were construction, manufacturing, distribution and hotel and restaurants. During the

Table 4: Selected Indicators for Central America

Country	GDP Growth Rate (%)		Inflation Rate (%)		Current a/c Deficit US$bn		Net International Reserves US$bn	
	2008	s 2009	2008	2009	2008	2009	2008	2009
Guatemala	4.0	-1.0	9.4	-0.7	-1.9	-0.6	4.7	5.1
Honduras	4.0	-3.0	10.8	3.5	-2.0	-1.1	2.7	2.3
El Salvador	2.5	-2.5	5.5	-1.6	-1.7	-0.5	2.5	2.6
Nicaragua	3.2	-1.5	13.8	-0.1	-1.5	- 0.8	1.1	1.5
Costa Rica	2.6	-1.2	13.9	4.0	-2.7	-1.2	3.8	4.7
Panama	10.7	2.5	6.8	0.7	-2.8	-2.0	1.8	1.9

Source: ECLAC

period, inflationary pressures subsided considerably in response to lower international prices for fuel and food as well as some curtailing in domestic demand with the fall in remittances. Deflations were registered in El Salvador (1.6%), Guatemala (0.7%) and Nicaragua (0.1%).

In response to the economic downturn, a number of countercyclical fiscal measures were adopted in the various countries that included food subsidies, higher public wages, the widening of the social safety net to include unemployment benefits for the most vulnerable, transport subsidies and tax rebates. With increased fiscal outlays coinciding with falling revenues, there were general increases in the ratios of fiscal deficits to GDP. In the case of Costa Rica and Honduras, the fiscal deficit was mostly financed internally but other countries resorted to external financing from multilateral institutions or through placement of international bonds. El Salvador experienced particular difficulty due to the deterioration in government finances. This eventually led to the issuance of an international bond to refinance its short-term external debt and also, as a precautionary measure, to its signing on to an IMF program that is to disburse US$800.0mn over a three year period if considered necessary.

On a more positive note, external balance of payments positions improved for several of the countries with trade and current account deficits shrinking. Financial and capital surpluses helped to boost international reserves positions for Costa Rica, Nicaragua and Panama. On the other hand, both Honduras and Guatemala registered declines. With some economies already showing signs of a nascent recovery in late 2009, current projections point to a rally in regional GDP growth to an average of 3.0% for 2010. This growth is obviously sensitive to the timing, magnitude and pace of the global recovery and is also premised on relatively low interest rates and a supportive fiscal stance. A build up in inflationary pressure is considered unlikely and current account deficits are also expected to remain manageable over the next year.

MONETARY & FINANCIAL DEVELOPMENTS

Reflective of the downturn in economic activity, growth in broad money slowed in 2009 with lending to the private sector registering its smallest increase in seventeen years. There was, however, a significant improvement in the net foreign asset position of the banking system due to a narrowing of the external trade deficit and heightened bilateral and multilateral inflows that included an IMF disaster assistance loan and new SDR allocations. In light of the significant weakening in credit demand, bank excess liquidity expanded further, ending the year 24.8% above the level recorded at the end of the previous year.

Continuing the trend of the previous two years, deposit growth was dominated by a 9.5% increase in term deposits. Individuals also continued to account for the largest share of the increase in term deposits even when not factoring in a substantial lateral shift of funds to that category via unusually large Belize Telemedia Limited (BTL) dividend pay-outs just prior to the Government takeover. Holdings by businesses, credit unions and the Belize Social Security Board (BSSB) were also notably higher. Contrasting somewhat, the growth in narrow money was held to 1.0% due to the economic slackening and resulting decline in business transactions as well as substantial payments for fuel imports in December. While demand deposits and currency held by the public were up by 2.3% and 0.4%, respectively, savings/checking deposits contracted by 1.2%.

With a noteworthy boost coming from official sources, net foreign assets registered an overall expansion of 32.7%. Developments included a 36.1% improvement in the net position of the commercial banks that reflected a 13.4% reduction in foreign asset holdings as well as a 47.1% decrease in outstanding liabilities to head offices and other affiliates. Meanwhile, shored up by inflows to the government sector, the Central Bank recorded a 30.8% ($102.5mn) increase in foreign assets. Inflows totalled $344.4mn with multilateral and bilateral sources accounting for 56.4%, led by

Chart 4: Private Sector Credit and Money Supply Growth

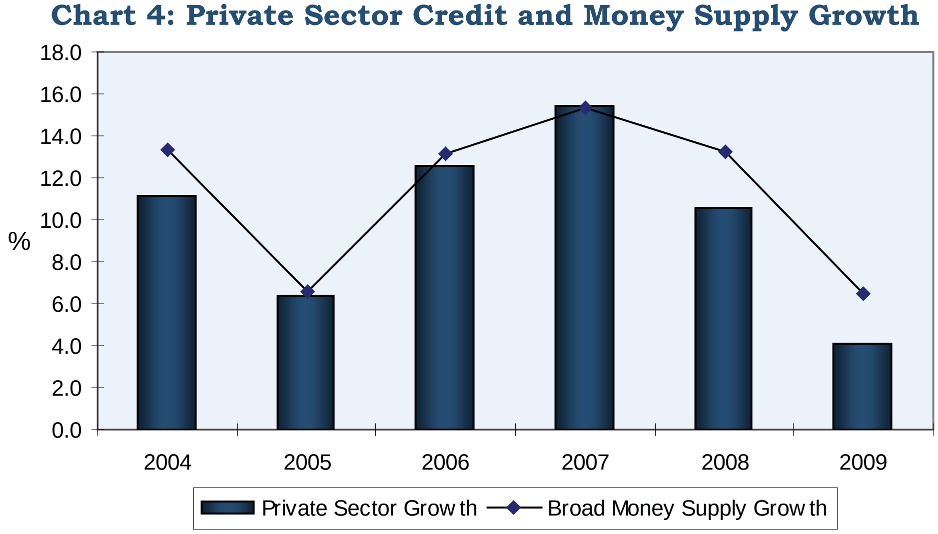
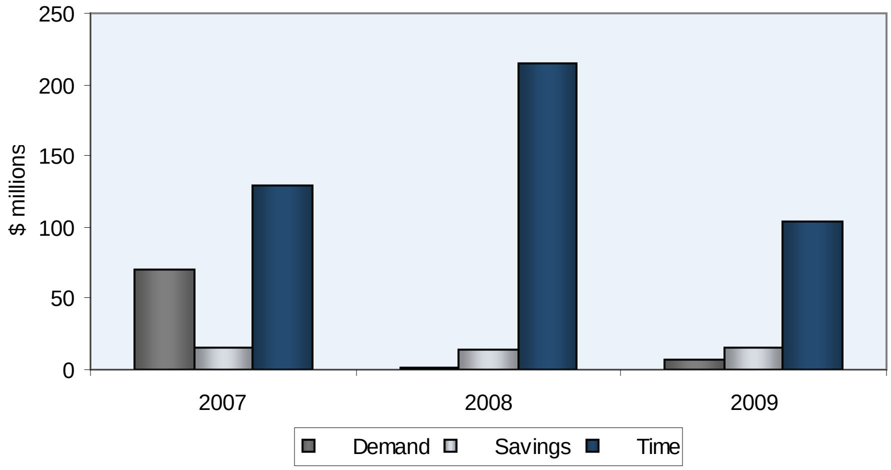


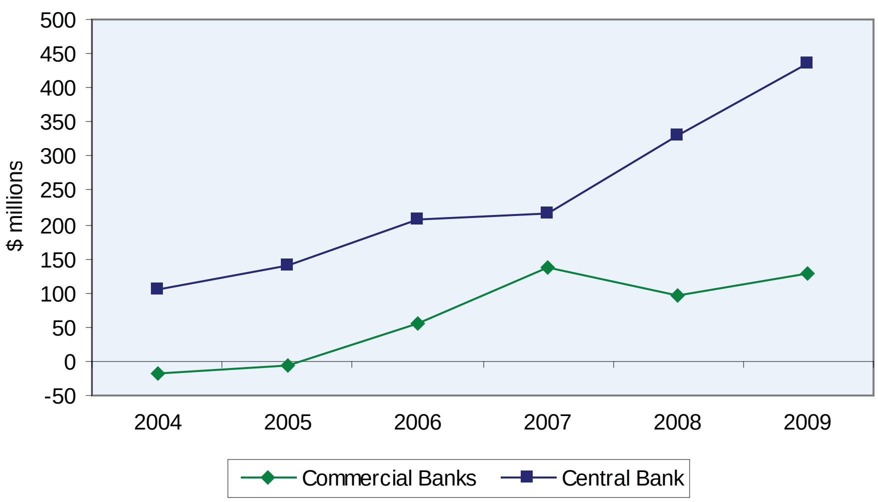
Chart 5: Growth in Commercial Bank Deposits



loan disbursements from ROC/Taiwan, Caribbean Development Bank (CDB), Inter-American Development Bank (IDB), the IMF's Emergency National Disaster Assistance (ENDA) facility as well as the allocation of $56.1mn in new SDRs by the IMF in the third quarter. Sugar export earnings and Belize National Energy (BNE) tax and royalty payments accounted for 13.4% and 9.5%, respectively, and the remainder came from commercial banks, statutory bodies, proceeds from the sale of Venezuelan fuel under the PETROCARIBE Initiative, investment earnings and net revaluation gains. Outflows summed to $241.9mn, and as in the case of inflows, were some 10.6% lower, year on year. While the amount allocated for external loan payments fell, Central Government remained the largest user of reserves, accounting for 71.8% of total outflows. Sales to commercial banks accounted for 11.5% and the balance was allocated for Venezuelan fuel import payments, sales to statutory bodies and bilateral payments.

Although expanding at a slower rate (4.1% compared to 10.6% in 2008), private sector lending continued to account for the bulk of the growth in net domestic credit, as

Chart 6: Net Foreign Assets of the Banking System



Central Government's use of net financing from the banking system amounted to only $2.2mn, and credit to statutory bodies declined by $2.7mn. Activity in the secondary market for government paper picked up as commercial bank purchases of Treasury bills increased to compensate for a thin investment market and weak loan demand. The Central Bank's holdings of government securities fell by $36.0mn, while commercial banks increased their holdings of Treasury bills and notes by $9.8mn and $10.0mn, respectively.

In 2009, commercial bank loans were focused on the secondary sector, which recorded a 17.4% increase that was in contrast to across the board contractions in personal loans and credit for the primary and tertiary sectors. Whereas the latter were particularly vulnerable to the general economic malaise, the construction sector maintained its buoyancy and accounted for the bulk of commercial bank disbursements. New allocations to support investments in electricity generation and bridge financing for agricultural processors and manufacturers of beer and soft drinks also contributed to activity in the secondary sector. There was a net lowering of indebtedness by entities in distributive trade and tourism, the latter doing so for the second consecutive year, and the contraction in primary sector loans featured repayments from citrus and banana growers as well as entities engaged in mining and exploration.

While conforming to the usual seasonal trends, growth in excess liquidity was considerably higher in 2009, resulting in an end of year position that was 58.2% above the average of the previous four years and some 23.5% above the legal requirement. With lower credit to the private sector coinciding with a backlog of fuel import payments there was a build-up of local currency deposits in the early months of the year that contributed to the accumulating excess in the banks' position. At the end of the first quarter, excess liquidity stood at $149.6mn, which was in the vicinity of levels last reached in 2002 when the system was saturated through the substantial rise in government expenditure and foreign loan inflows. After

Chart 7: Commercial Banks' Loan Distribution

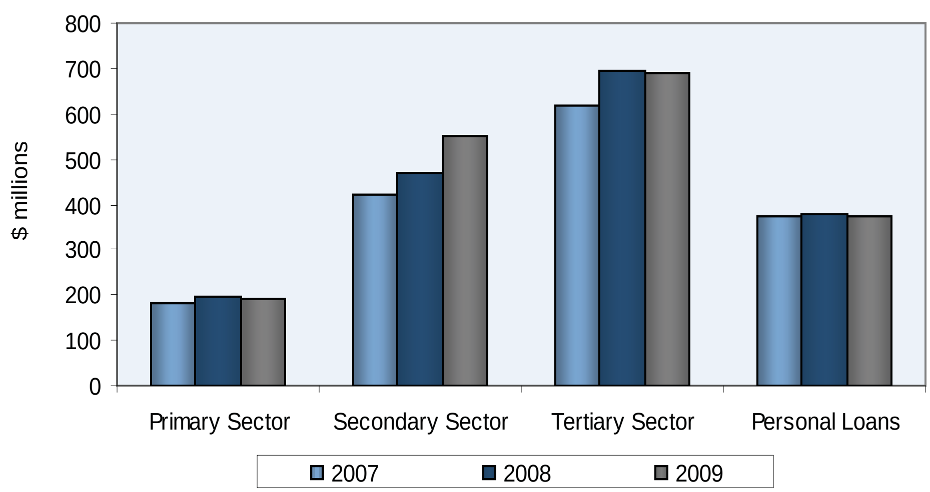
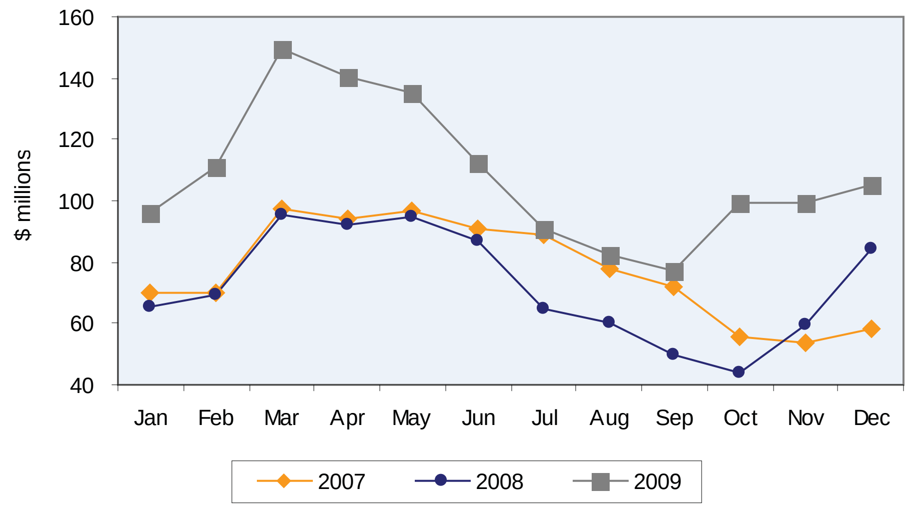


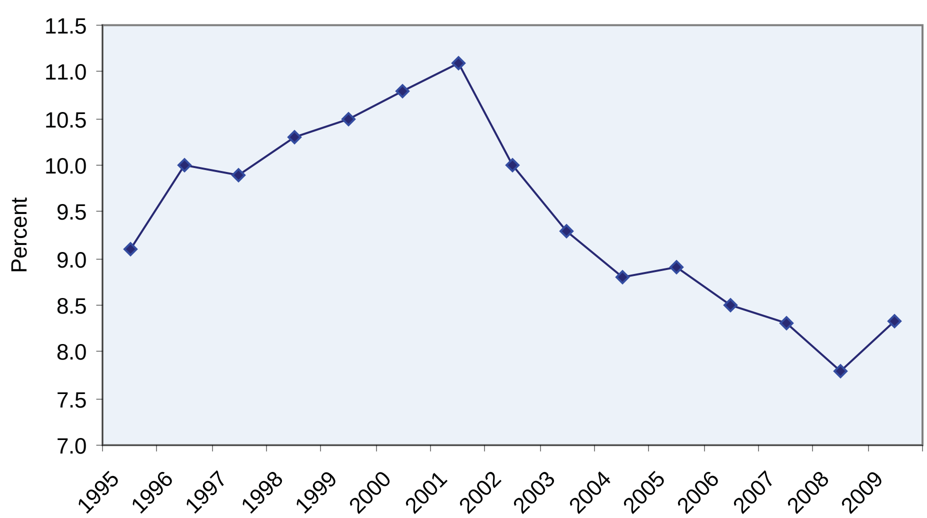
Chart 8: Monthly Excess Liquidity



declining in the second and third quarters as a result of a slight rebound in lending to the private sector and a tightening in the foreign asset position, liquidity growth resumed in the final quarter, as lending decelerated and foreign exchange inflows rallied with the start of the tourism season.

Even in the climate of sluggish credit demand and high levels of excess liquidity, the risk averse behaviour of commercial banks resulted in softer than expected drops in interest rates with those on new loans and deposits easing down by 37 and 31 basis points, respectively, during the year. The average weighted rate on all deposits in the banking system fell by 23 basis points to 6.12%, while the weighted average lending rate declined by 12 basis points to 13.98%. The weighted average interest rate spread consequently rose by 11 basis points to 7.86%, marking the first increase after consecutive declines in the previous three years.

Chart 9: Commercial Banks' Weighted Average Interest Rate Spread



Box 1: The Monetary Policy Reform Project

Keeping in view its principal objectives of defending the fixed exchange rate and fostering monetary stability, the Central Bank implemented the first phase of a project intended to enhance its capacity to manage liquidity in the banking system with the process slated to involve a gradual shift from heavy reliance on commercial bank reserve requirements to a more proactive market based approach. The project was first initiated late in 2006 when the Bank invited a team from the IMF Monetary and Capital Markets (MCM) division to examine its monetary policy framework and come up with suggestions for improvement. A follow-up mission in 2007 provided assistance in developing the outlines of a more comprehensive and country-specific liquidity monitoring and forecasting framework. Subsequent progress has been at a measured pace since it necessitates certain changes in Central Government's approach to cash flow management, arrangements for financing the fiscal deficit and the process for disseminating information. These changes have been gradually forthcoming thereby enabling some forward steps to be taken.

Aside from the ongoing efforts to improve the monitoring and forecasting of liquidity, two key measures were implemented, one of which was the liberalization of the short-term yield on treasury bills that had been fixed by the Ministry of Finance at 3.25% since 2002. Given conditions of high and expanding commercial bank excess liquidity, the result was a downward movement in the Treasury bill discount rate in the second half of the year even as the banks significantly increased their Treasury bill holdings. Rather than continuing its practice of specifically fixing the interbank lending rate, the Central Bank instituted an upper ceiling on the lending rate and encouraged the commercial banks to negotiate the terms and interest rate on funds loaned to each other with a view to encouraging interbank activity and reducing the banks' cost of funds. However, high systemic liquidity militated against any significant increase in interbank lending transactions during the year although those that did occur were well below the 11.0% ceiling rate.

The project was still essentially in the infancy stage in 2009 with several significant milestones yet to be achieved. The next phase is scheduled for implementation in 2010. Among the hoped for results of reduced reliance on commercial bank reserve requirements is the establishment of incentives for liquidity management that are more equitable and fair for these institutions and that would also be conducive to a more sustainable path for credit growth. Traditionally, the effect of Central Bank alterations in reserve requirements has been found to be short-term and to have an uneven impact due to variations in institutional sizes and liquidity positions. The shift to increased reliance on price signals for portfolio management should therefore be of benefit to the individual banks, which increases the likelihood that the process of transition will be generally smooth. There are, understandably, several other factors that have a bearing on the matter, but it is nevertheless felt that the efficiency gains afforded to the banks at the various stages of the project should ultimately provide an avenue for interest rate reductions on loans provided to their customers.

DOMESTIC PRODUCTION, PRICES & EMPLOYMENT

Production

Adverse effects from the 2008 floods continued to hinder production and the economy was also hobbled by the global economic recession, the impact of which was transmitted through trade and investment channels. The worse effects were felt during the first half of the year, after which a slight pickup in activity occurred, leaving real GDP growth for 2009 stalled at 0.0%, compared to the 3.6% expansion in 2008.

Amongst the hardest hit sectors were services and agriculture. Activity in 'Wholesale & Retail Trade', 'Hotels & Restaurants' and 'Transportation & Communications' contracted by 7.1%, 4.5% and 2.7%, respectively, as stay-over tourist arrivals declined for the second consecutive year, cross border trade with Mexico via the commercial free zone dwindled and domestic demand weakened as a result of lower transfers from abroad and higher unemployment. Putting a further damper on growth was the lingering effects of the 2008 floods which underpinned the lackluster performance of export agriculture. 'Agriculture, Hunting & Forestry' contracted by 5.1%, as a strong upswing in grain production, particularly rice and

Table 5: Annual Percent Change in Selected Indicators

	2007	2008	2009
GDP at Current Market Prices	5.3	6.4	-0.4
Real GDP (2000 prices)	1.3	3.6	0.0
Primary Activities	**-19.8**	**0.8**	**-2.4**
of which: Agriculture, Hunting & Forestry	-1.4	0.7	-5.1
Fishing	-57.0	-2.9	9.4
Secondary Activities	**2.3**	**9.7**	**11.5**
of which: Construction	-3.0	35.7	18.8
Electricity & Water	2.4	3.1	17.1
Services	**5.4**	**3.4**	**-1.4**
of which: Restaurant & Hotel	5.2	-4.6	-4.5
Trade	1.6	4.5	-7.1
Public Administration	4.7	4.6	4.1
Transport & Communication	13.1	1.7	-2.7
Consumer Price Index			
Average	2.3	6.4	-1.1
End of period	4.1	4.4	-0.4

Source: Statistical Institute of Belize

Table 6: Sugarcane Deliveries

	2006/07	2007/08	2008/09
Deliveries to BSI (long tons)	1,200,429	980,114	917,728

Source: Belize Sugar Industries Ltd.

corn, was insufficient to offset production downturns in the major export crops.

The impact of the declines in agriculture and services was somewhat softened by the buoyancy of the secondary sector and fishing. The latter was up by 9.4%, as an expansion in shrimp production outweighed declines in finned fish. The growth in secondary activities was broad based with 'Manufacturing' (including mining and quarrying) growing by 6.9%, boosted by a 24.3% increase in petroleum production, while 'Construction', into which most of the annual growth in private sector credit was channeled, expanded by 18.8%. The 'Electricity & Water' subsector also grew by 17.1%, as a 19.2% expansion in the domestic production of electricity was achieved with the addition of generation capacity from a local shrimp farm and the modest start of operations from Belize Sugar Industries (BSI) cogeneration plant.

Agriculture

Sugarcane

The expected rebound in the 2008/2009 sugarcane crop failed to materialize as replanting efforts were insufficient to mitigate the damages from the October 2008 floods. The harvest therefore came in at 917,728 long tons, the smallest since 1988. Deliveries by farmers suffered a 7.3% decline and amounted to 848,670 long tons, however, those from BSI's cane growing project were up by 7.3% with the company achieving higher yields per acre due to its extensive replanting efforts.

Notwithstanding the European Union (EU) sugar price cut effective since October 2008, the final price received by farmers for the 2008/2009 crop increased by 21.6% to $67.14 per long ton. This was made possible because of a significant reduction in international freight rates, exchange rate gains from the average Euro price negotiated on the futures market, the higher sugar outturn per unit of sugarcane and the sale of virtually all the available sugar supply (99.8%) to the EU where the highest export prices were realized.

Citrus

Following the previous year's bumper crop, citrus production entered a cyclical downturn with yields falling by 7.7% to 6.8mn boxes of fruit. Approximately 97.9% of the crop was processed,

Table 7: Citrus Fruit Deliveries

	2006/07	2007/08	2008/09
Deliveries ('000 boxes)	6,726	7,102	6,643
Oranges	5,221	5,661	5,519
Grapefruits	1,505	1,441	1,124

Source: Citrus Growers Association

Box 2: Sugar Industry Update

As a member of the African, Caribbean and Pacific (ACP) nation states, Belize has traditionally benefitted from preferential access to the EU market. However, these benefits have been progressively undermined as the preferential sugar regime has been subjected to intense pressure from World Trade Organization challenges initiated by Brazil, Thailand and Australia. In response to these pressures and also to ensure a sustainable EU market balance consistent with its international commitments, the EU implemented a 36% price cut that was phased in over a four year period starting 1 July, 2006 and ending in October 2009. These four years provided a small window within which the necessary improvements in productivity and efficiency were to be effected in order to ensure the long term viability of the local sugarcane industry.

Securing additional EU market access to cushion the impact of the steep price cuts was a key requirement for the industry's survival. This was achieved by way of the EU/Cariforum Economic Partnership Agreement (EPA) that was executed on 1 January, 2008, but which came into operation at the end of September 2009 with the expiration of the EU/ACP Sugar Protocol. Under this new trade arrangement, Belize sugar exports have quota free, duty free access into the EU market. The new trade opportunities further highlighted the need for the industry to increase the efficiency of sugarcane production and processing to take advantage of the widened EU market.

Domestically, several strategic initiatives were undertaken such as the amendment of the Sugar Industry Act, the overhaul of the sugarcane licensing system and the implementation of a 24-hour factory delivery system. In general, however, progress on reforms has been slow. The achievement of Fair Trade certification, one of the significant developments in 2008, provided the Belize Sugarcane Farmers Association with additional funding of US$60 per metric ton of sugar sold to the EU. These funds were to be disbursed for developmental projects designed to improve the industry's efficiency and productivity and also to enhance social development in the sugarcane belt. However, although these benefits were to have been carried over into 2009, a setback was suffered when certification was lost as a result of failure to adhere to several Fair Trade guidelines. By the end of the year, the issues in question had been addressed and certification was renewed for 2010.

Another strategic but unsuccessful endeavour involved the implementation of a core sampler at the start of the 2008/2009 crop year to facilitate payment for sugarcane deliveries on the basis of quality. The change in the payment methodology was intended to provide an incentive for improvements in field husbandry, sugarcane harvesting and delivery practices in an attempt to overcome the problems of low field production and poor sugarcane quality. However, the core sampler was met with widespread opposition from the farmers, culminating in a two week strike led by the farmers' association. The strike ended with an agreement for its removal.

Box 2: Sugar Industry Update (cont'd)

Since then, an alternative quality improvement plan is yet to be implemented. In the interim, the focus is on improving the sugarcane delivery system to the factory through an improved delivery schedule.

In another notable development, the country's first sugarcane cogeneration plant was launched in October 2009 aimed at increasing the factory's profitability by utilizing the waste bagasse to generate electrical power for its use and with the surplus power being sold to the domestic market. By upping the amount of power supplied to the factory, the plant will enable an increase in its grinding capacity and also make a significant contribution to the development of the domestic power sector. However, in the first two months of its operations the cogeneration plant experienced significant teething problems and the plant was only able to generate 1.0 MWh of energy during that period. Assuming that the mechanical difficulties are dealt with satisfactorily, it is expected that some 9.0 MWh will be generated for sale to the national grid and 4.5 MWh for internal factory use in 2010. Meanwhile, notwithstanding the industry's achievements up to 2009, an urgent need remains for an acceleration of its adjustment programme to address inefficiencies in the production chain if the goals of competitiveness and long-term viability are to be achieved.

0.4% went into fresh fruit exports and 1.7% was rejected at the factories.

The smaller crop led to a 6.5% decline in factory deliveries with orange contracting by 2.5% to 5.5mn boxes, while grapefruit fell more sharply by 22.0% to 1.1mn boxes. The performance of the orange crop was linked to lower field inputs as well as the natural phenomenon of a lower blossom set after the upsurge in fruit production in the previous year. In the case of grapefruit, the decline was triggered by the second consecutive year of weak crop prices that discouraged harvesting and yield enhancing investments.

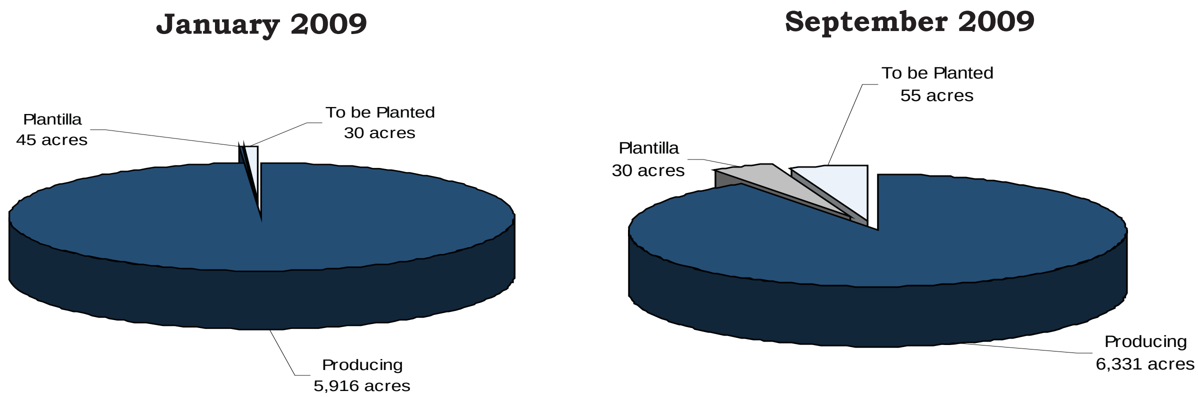
Although well below pre-2007 levels, grapefruit export prices edged up modestly in response to lower production in Florida. In contrast, high beginning juice stocks and a good orange harvest in Florida weakened orange juice export prices. The final prices paid to local farmers for the 2008/2009 crop were $1.06 per pound solid for orange, compared to $1.41 in the previous year, and $0.94 per pound solid for grapefruit, compared to $0.89 in the previous crop year.

Banana

Banana production fell marginally by 0.7% to 4.4mn boxes as poor agronomic conditions in the first half of the year depressed yields. The production gap of the first semester was narrowed by a productivity spurt in the second half of the year resulting from favourable weather.

The industry has maintained relatively constant banana acreage of around 6,000 acres over the past five years. Currently, any increase in production is expected

Chart 10: Banana Acreage



to come from improvements in field productivity rather than acreage expansion. At the start of the year, 6,145 acres had harvestable trees and 45 acres were under plantilla (young, non-harvestable trees). By September, the acreage under cultivation had increased by 3.0% to 6,331 acres, of which 30 acres were under plantilla.

Papaya

Notwithstanding an 11.1% increase in acreage, papaya production contracted by 22.7%. The lingering effects from extremely wet conditions late in the previous year reduced fruit quality and volume in the first half of the year, and this outweighed moderate improvements in the latter half of the year. Some 674 acres had harvestable trees, of which 96.0% was cultivated with large papayas and 4.0% was under the small solo variety. Groves remained concentrated in the Corozal district with the Cayo and Orange Walk districts accounting for only 14 and 10 acres, respectively.

Other Agricultural Production

With the exception of sorghum, production of all major grains increased as favourable weather throughout the year resulted in a recovery from the 2008 floods that was much stronger than expected. Corn, the grain hardest hit by the floods, rebounded by 66.2% to 135.5mn pounds with harvested area and average yield per acre up by 32.7% and 43.0%, respectively. Rice also experienced a bumper crop, as output grew by 61.2% to 48.2mn pounds with the doubling of acreage under mechanization and irrigation and a 45.0% increase in average yields per acre. An expansion from 45 acres to 150 acres caused a fourfold increase in soybean production to 0.3mn pounds, and strong export demand underpinned an 18.5% surge in bean production to 18.6mn pounds that reflected a 5.7% rise in harvested acreage and 13.6% increase in average yields. Given the inverse relationship between sorghum and corn, which are animal feed substitutes, output of sorghum registered a 23.3% decline to 18.1mn pounds.

The results for vegetables, root crops and plantains were rather mixed in 2009. While output of tomato, sweet pepper, carrot, lettuce, cucumber, Irish potato, cassava, squash and yampi rose, decreases were recorded for sweet potato, yam, onion, cabbage, okra, pumpkin and celery.

Notwithstanding a 16.8% fall in acreage, plantain output increased by 31.0% to 0.5mn bunches with a 57.3% increase in yields.

There was an across the board improvement in livestock production with the exception of cattle dressed weight, which was down by 15.4% to 7.1mn pounds. Following its 25.9% decline in 2008, poultry dressed weight was up by 2.9% to 28.6mn pounds, and pig dressed weight increased by 12.0% to 2.6mn pounds. Output of milk surged upward by 28.6% to 8.3mn pounds, while egg production increased by a marginal 1.6%.

Marine Products

Generally, 2009 was a challenging year for the fishing industry due to key markets being affected by the global downturn. Lobster, cobia and shrimp, which are viewed as 'high end' commodities, were especially hard hit, as the slump in the international dining out markets put downward pressure on demand and prices. Tilapia prices also weakened during the year with the recovery in China's production from the harsh winter that had disrupted production and temporarily boosted prices. Notwithstanding these market developments, fishing output grew by 4.0%, buoyed by an expansion in farmed shrimp that outweighed significant shortfalls in cobia and tilapia. The latter two experienced setbacks that resulted in a 40.2% contraction in production of farmed fish. At 14.2mn pounds, output of shrimp was up by 12.6%, as the industry ramped up production to mitigate the effects of lower prices and maintain some modicum of profitability. The conch catch also rose by 19.9% to 0.7mn pounds with the cooperatives being granted permission to increase their harvest quota, while the outturn for lobster remained stable.

Manufacturing

Sugar and Molasses

While sugarcane deliveries were at a twenty year low, this was partially ameliorated by a significant heightening of the crop's sucrose content due to the relatively dry weather experienced in the first half of the year. In addition to increasing the crop's quality, the drier harvest period improved its purity, which impacted positively on the factory's performance and translated

Chart 11: Cane to Sugar Ratio

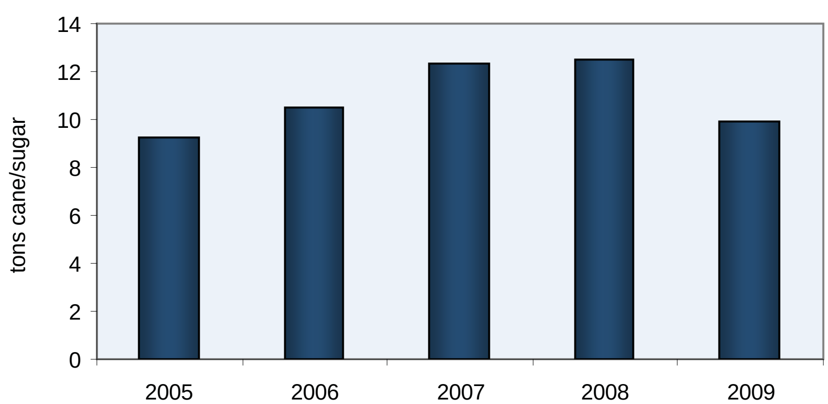


Table 8: Sugar & Molasses Production

	2006/07	2007/08	2008/09
Sugar Processed (long tons)	97,161	78,235	92,325
Molasses Processed (long tons)	47,118	40,204	28,473
Performance			
Factory Time Efficiency	91.19	88.46	93.27
Cane Purity (%)	80.38	80.47	84.81
Cane/Sugar Ratio	12.36	12.53	9.94

Source: Belize Sugar Industries Ltd.

into an improvement in the cane/sugar ratio from 12.53 to 9.94. Output of sugar consequently rose by 18.0% to 92,325 long tons. Molasses output contracted by 29.2% to 28,473 long tons, reflecting its inverse relationship with sugar production.

Citrus Juices, Citrus Oil and Pulp

With fruit deliveries down by 6.5%, the reduction in juice production was whittled down to 2.5% due to a higher average juice outturn per box of fruit. The average yield of pound solids (ps) per box of orange increased by 3.5% and masked a marginal decline (0.9%) in that of grapefruit. Virtually all deliveries went into the production of orange and grapefruit concentrate, which accounted for 87.6% and 11.4%, respectively, of juice production. Output of orange concentrate increased by 2.1% to 34.1mn ps, while that of grapefruit concentrate plummeted by 23.1% to 4.5mn ps due to the fall-off in processing volume. Only 0.4mn ps of not-from-concentrate (NFC) juices were produced, a decline of 49.6% that was mainly due to its less attractive profit margin and sluggish market demand.

In contrast, output of by-products such as pulp and oil soared with the

Table 9: Production of Citrus Juices and Pulp

	2006/07	2007/08	2008/09
Production (‘000 ps)	36,054	39,927	38,923
Orange Concentrate	29,414	33,400	34,100
Grapefruit Concentrate	5,392	5,793	4,453
Not-from-concentrate (NFC)	1,249	734	370
Production (‘000 pounds)			
Pulp	2,079	1,904	3,012
Citrus Oil	1,537	2,006	2,357

Source: Citrus Products of Belize Ltd.

Box 3: Citrus Industry: Institutional Challenges

In addition to weathering the vagaries of export price fluctuations and the global economic downturn, the citrus industry had to contend as well with continuing, internal challenges dealing with the institutional structure of the industry.

The composition of the Board of Directors of the processing company, Citrus Products of Belize Limited (CPBL) became a major issue of contention during the year. A Barbadian company, currently owns 46.5% of CPBL, while the Citrus Growers Association (CGA) through its investment arm, the Belize Citrus Growers Association Investment Company Limited (ICL), owns 51.0%. In mid 2009, the CGA sought to replace three of its five directors on the CPBL board, one of whom was the CPBL's Chief Executive Officer on the grounds that these directors were not properly representing the CGA's interests but were acting more at the behest of the minority shareholder. This move was blocked by a court injunction that prevented the shareholders meeting requested by the CGA from being held. The situation remained unresolved throughout the year. The deep division in the CGA's membership on whether their interests are being properly represented by the directors in question harks back to the original dispute on the CPBL's sale of shares, where some members felt that the sale price was undervalued and questioned whether it was in the strategic best interests of the industry.

The CPBL board dispute had further ramifications as several large growers determined to remove their support from the CGA in retaliation for its stand where the three directors were concerned. The organization suffered a major blow when these growers were victorious in a law suit in which it was argued that their constitutional right of association was being violated in being forced to become members of the CGA and in being required to pay a cess to the CGA for each box of fruit delivered to the processing facilities. Since the bulk of the citrus is produced by only a few large growers, the CGA is heavily dependent on those growers for operational financing. The small growers, which form the majority, account for only about 10% of the harvest. The large bone of contention within the CGA concerns the voting rights of members with large growers wanting voting power to be determined by production share, whereas others are lobbying for the continuation of the existing arrangement wherein each member is entitled to a single vote. The situation is complicated by the fact that the funds which sustain the association come from a fee levied per box of fruit and is not a flat rate applied to each member.

These internal disputes are poorly timed as they occur just when the focus of the industry should be on ramping up production, productivity and competitiveness. The threatened splintering of the CGA may lead to the following:

- Reduced viability of the CGA through loss of membership fees;
- The undermining of the CGA's capacity to undertake necessary industry-wide activities such as control of the devastating greening disease and other serious diseases, production of germ free trees, research and the provision of services to small farmers such as extension, harvesting and factory delivery;

Box 3: Citrus Industry: Institutional Challenges (cont'd)

- The further marginalization of small farmers; and
- The loss of focus on improving productivity and competitiveness.

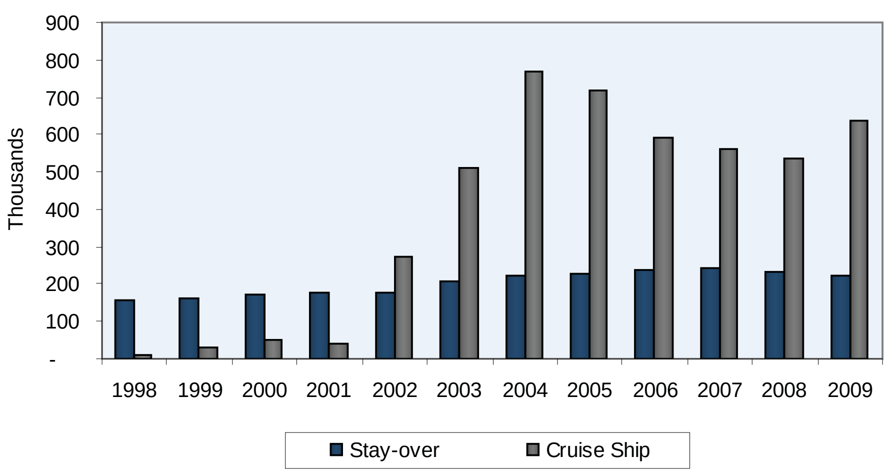
It is to be hoped that the industry is able to overcome these challenges and continue to develop sustainably into the future.

processor's drive to maximize value added. Pulp production increased by 58.2% to 3.0mn pounds and oil production rose by 17.5% to 2.4mn pounds.

Other Manufacturing Production

The rest of the manufacturing sector was marked by uneven performance as production of soft drinks, beer and fertilizer declined, while that of cigarettes and flour expanded. Demand for fertilizer remained subdued in the first two quarters, notwithstanding the respite in price pressures. Higher prices in the latter half of the year exacerbated the situation, and annual production consequently fell by 24.2%. Beer and soft drink output declined by 10.6% and 2.9%, respectively, partly due to the slump in the tourist market as well as the economic downturn that led to more conservative spending by consumers. In other developments, cigarette production expanded by 1.3% as domestic demand recovered in response to the fall in excise taxes in mid-2008, while output of flour grew by 1.2% to 30.2mn pounds (lbs). Even with the weaker performance of the weightier components of the manufacturing sector (citrus products and beverages), value added for this sector increased by 6.9% largely due to the statistical practice of including petroleum extraction in the measurement of manufacturing. Continuing the growth trend exhibited over the last three years, crude oil output increased by 24.3% to 1,608,864 barrels. Average production increased by 12.9% to 4,390 barrels a day, with the installation of three additional production wells that brought the total to ten in operation.

Chart 12: Stay-over and Cruise Ship Visitor Arrivals



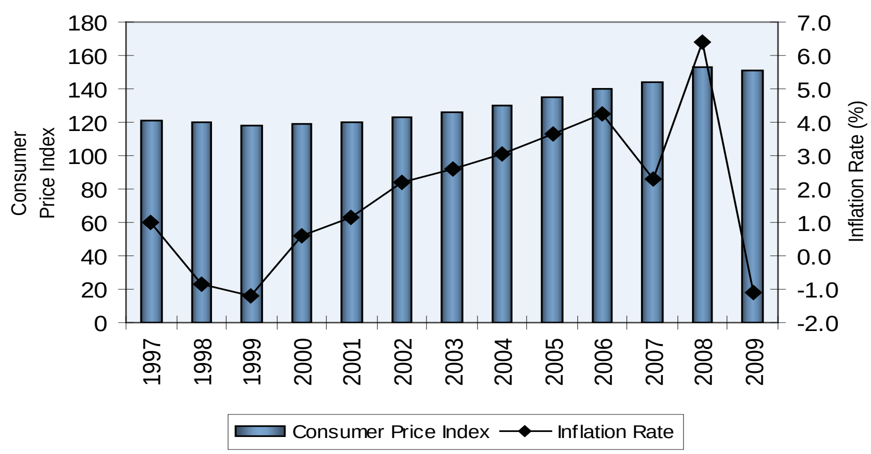
Tourism

The World Tourism Organization estimated that international tourist arrivals fell by 4.3% in 2009 with global tourism demand cooling significantly in response to the economic slowdown in key source markets as well as the travel scare brought on by the A(H1N1) influenza outbreak. All world regions posted negative growth, Africa being the only exception. The Americas were hit particularly hard by the slowdown. North and Central America registered declines of 6.0% and 5.7%, respectively, while the Caribbean sustained a smaller decline of 2.4% due to an upswing in arrivals in the last four months of the year. Reflective of the economic distress in Belize's major source markets, long-stay arrivals and their nights spent in the country declined by 5.6% (to 221,654 persons) and 3.7%, respectively. The number of overnight visitors entering the country through the Phillip Goldson International Airport (PGIA) and the land borders decreased by 5.5% and 7.7%, respectively, while sea arrivals increased by 3.6%. Visitors from the US, which accounted for 63.8% of all stay-over arrivals, were down by 5.2%. Arrivals from the EU fell by 12.6%, reducing its share of total long stay tourists to 12.8%, while tourists from other destinations fell by 2.3%. The industry's slump was further evident from the 15.6% fall in total hotel room revenue in consonance with a 13.3% decrease in hotel occupancy. In contrast, cruise ship disembarkations rose by 18.1% to 634,697 in 2009, a turnaround from the contractions of 4.1% and 5.1% recorded in 2008 and 2007, respectively. The upswing in cruise activity resulted from the diversion of some ships from Mexico to Belize because of the swine flu scare and an aggressive marketing drive by the cruise ship industry to counter the economic slowdown.

Prices

After spiking at 6.4% in 2008, prices subsided during the year to register a deflation of 1.1%, the lowest average annual change in the Consumer Price Index (CPI) in a decade. The CPI's reduction reflected lower international commodity prices (particularly crude oil) as well as the toning down of food price increases with the drop in the costs of agricultural inputs.

Chart 13: Consumer Price Index and Annual Inflation Rate



Box 4: Tourism Developments and Prospects

The impact of the global recession on Belize's key source markets continued to hinder the performance of the tourism industry as overnight tourist arrivals declined by 5.6% resulting in a 4.5% decline in value added for the hotel and restaurant subsector.

During the year, the Belize Tourism Board (BTB) intensified its marketing campaign to counter the effects of the economic slowdown with new advertisements and documentary footage highlighting Belize's diversity and niche market being launched in the US and Canada. In strengthening its presence at trade shows, the Board focused particularly on Europe and the emerging markets of Mexico and Central America. In another development, while working closely with the BTB, the private sector markedly increased its attendance at trade shows in Europe and Canada. During the year, the BTB also courted key airline marketing groups aimed at obtaining an increase in the airlift capacity to Belize as well as more affordable packages for consumers. Attempts were made to boost domestic tourism with a marketing campaign entitled "I am Belize" that sought to build public awareness of the industry.

Occurring alongside these developments was a project to build the in-country capacity of tourism operators to deliver quality services. A trade education programme was launched to teach wholesalers and travel agents about Belize and how to sell Belize. The second phase of the 'Small Business Competitiveness' project to improve local business capacity and product was also carried out in the first part of the year.

Work to enhance the physical infrastructure and improve the quality of visitors' stay in the country continued with projects such as the paving of the Placencia road and the commencement of the sustainable tourism project which saw the development of the Belize City Waterfront Strategy.

During 2010, major developments in the tourism industry are expected to include:

a. The commencement of the San Pedro Sunset Boardwalk and Belize City Pedestrian Link.
b. Establishment of a Tourism Investment office in conjunction with Belize Trade and Investment Development Service (BELTRAIDE).
c. Construction of a Placencia cruise visitor facility.
d. Expected commencement of the Municipal Airport Development Project to upgrade all municipal airports.
e. Negotiations by the Aviation Development Committee to attract low cost carriers for direct flights into Western Canada and the US East coast.
f. The continuation of the paving of the Placencia road.
g. Implementation of the border improvement project to renovate all major ports of entry.

Table 10: Labour Force Statistics

	April 2007	May 2008	April 2009	Sept 2009
Labour Force	122,258	124,637	138,604	144,364
Employed Population	111,835	114,465	120,511	126,188
Unemployed Population	10,423	10,172	18,093	18,176
Unemployment Rate	**8.5**	**8.2**	**13.1**	**12.6**

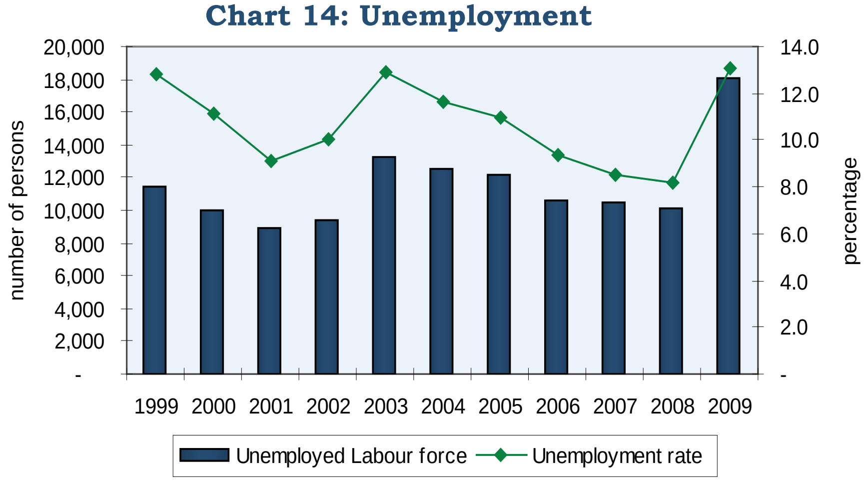
Source: Statistical Institute of Belize

The largest decline of 5.6% occurred in 'Transportation & Communication', which benefitted from double digit declines in gasoline and diesel prices as the average price of the West Texas Intermediate (WTI) crude oil plunged by 37.8% to US$61.95 in line with weaker global conditions. In like fashion, 'Rent, Water, Fuel & Power' prices fell by 3.9%, influenced by an 18.4% slump in butane costs. Modest declines of 0.9% and 0.2% also occurred in 'Clothing & Footwear' and 'Household Goods & Maintenance', categories with a high import content. Following the 13.3% increase in 2008, prices for 'Food, Beverages & Tobacco' rose by a moderate 1.6% due to the cyclical downturn in commodity prices following a boom, the deceleration in global growth and an improvement in supplies. Price pressures substantially eased, particularly during the third and fourth quarters, with the lowering in the costs of agricultural inputs such as wheat, fertilizers and feed that lowered costs for local producers. This was reflected in lower prices for food staples such as rice, flour, cooking oil, eggs and whole chicken. Positive price movements were also evident for the categories 'Personal Care', 'Medical Care' and 'Recreation, Education & Culture', which were up by 1.1%, 0.9% and 0.8%, respectively.

Employment

The economic slowdown resulted in an increase in the unemployment rate from 8.2% in May 2008 to 13.1% in April 2009 that interrupted a five year

Chart 14: Unemployment



declining trend. The labour force grew by 11.2% to 138,604 persons, while job opportunities expanded by a slower 5.3%. By September, the labour force had grown by 4.2% to 144,363 persons, reflecting the influx of school leavers joining the workforce. The recovery in economic activities in the second half of the year underpinned a 4.7% growth in jobs to 126,188, so the unemployment rate decreased to 12.6%.

FOREIGN TRADE & PAYMENTS

After surging to 9.7% of GDP in 2008 on the back of a spike in imports driven by record high fuel costs and substantial capital investments, the external current account deficit contracted to 6.9% of GDP as a smaller trade deficit and lower outflows for profit repatriation more than compensated for falling inflows from tourism and current transfers. Although the surplus on the capital and financial accounts also contracted significantly because of lower foreign direct investments and net loan repayments by the banks and private sector, it was nonetheless sufficient to finance the current account deficit and boost gross international reserves to $427.4mn, the equivalent of 4.2 months of merchandise imports.

Merchandise Trade

Imports declined at a faster pace than exports, and the merchandise trade deficit consequently shrank by 22.6% to $477.3mn (17.6% of GDP). Total exports fell by 20.5% with across the board declines in domestic exports, Commercial Free Zone (CFZ) sales and re-exports. The plunge in petroleum revenues due to lower international prices was the most significant contributing factor to the decline in domestic exports. Earnings from citrus, marine products and papaya were also down and eclipsed higher receipts from sugar, molasses, banana and other miscellaneous exports. Total imports fell by 21.3% with imports for domestic consumption and the Commercial Free Zone (CFZ) contracting by 15.0% and 49.8%, respectively. The fall in the former

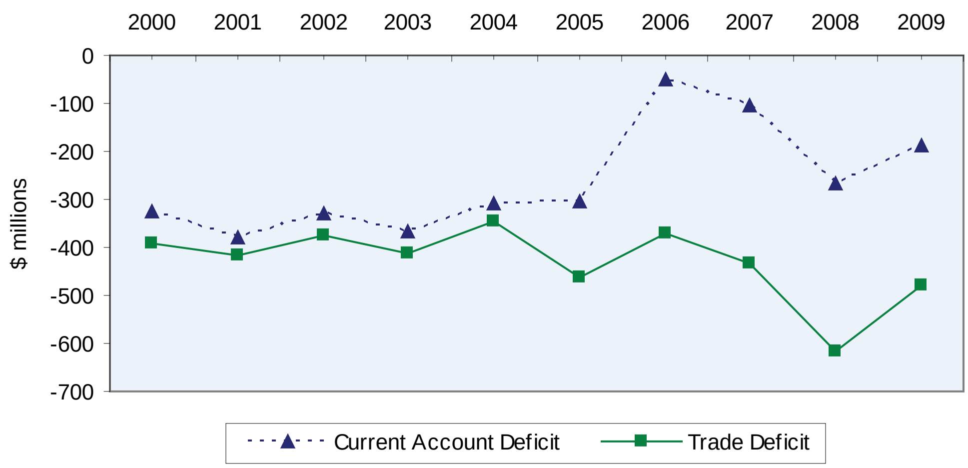
Table 11: Balance of Payments - Summary and Financing Flows

$mn

	2007 Net	2008 Net	2009 Net
CURRENT ACCOUNT	**-104.2**	**-264.7**	**-186.6**
Merchandise Trade Balance	-432.9	-616.3	-477.3
Services	459.8	433.7	366.4
Income(1)	-317.9	-305.2	-234.9
Current Transfers	186.8	223.1	159.2
CAPITAL ACCOUNT	**8.2**	**18.1**	**37.0**
FINANCIAL ACCOUNT	**239.1**	**453.3**	**203.0**
NET ERRORS & OMMISSIONS	-97.3	-90.9	41.1
OVERALL BALANCE	45.8	115.8	94.5
FINANCING	-45.8	-115.8	-94.5
Memo Items:			
Import cover in months	**2.3**	**2.8**	**4.2**
Current Account/GDP Ratio (%)	**4.1**	**9.7**	**6.9**

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

Chart 15: Current Account Deficit and Trade Balance



was due to much lower expenditures on fuels, electricity and durable goods, while the latter reflected a substantial decline in cross border trade due to the negative impact of the peso's depreciation against the US dollar on Mexican purchasing power.

Domestic Exports

Domestic exports nosedived by 16.9% as weakened international demand put downward pressure on prices for petroleum, citrus concentrates and marine products that overshadowed the rise in quantity exported. Receipts from papaya were also down but mainly due to local supply factors that resulted in reduced export volume. Providing some offset to these sizeable contractions, earnings for sugar, banana and non-traditional products rose due to volume increases and/or some measure of price stability within the framework of Belize's trade arrangements. In the case of molasses, revenues were boosted by a price rally due to tighter international supplies.

Chart 16: Domestic Exports by Commodities

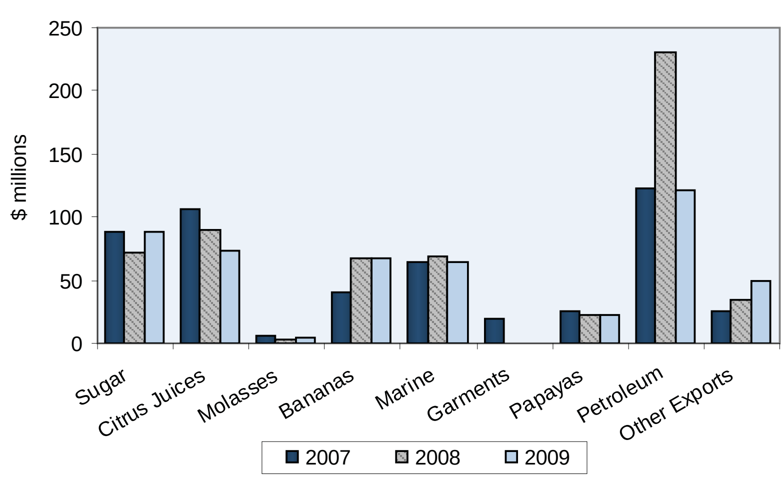
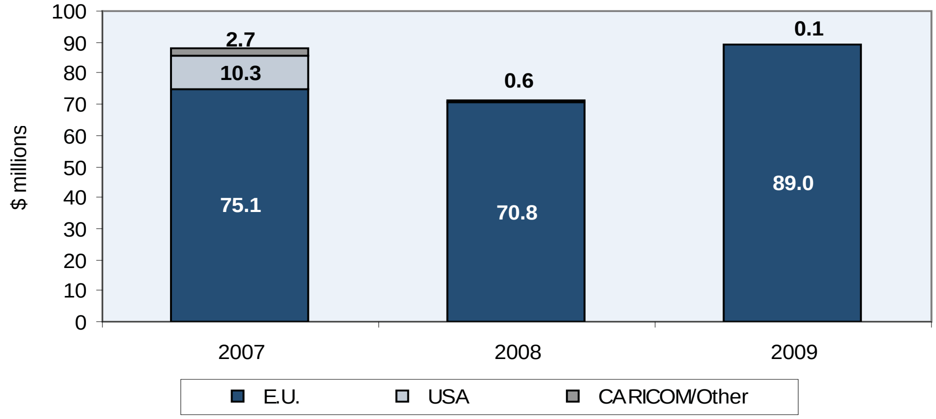


Chart 17: Sugar Exports by Market



Sugar and Molasses

Receipts from sugar exports rose by 24.8% to $89.1mn, underpinned by a 16.9% expansion in export volume, and with virtually all sales (77,357 long tons) going to the EU, which remained the most lucrative market even with the scheduled 9.7% price cut that affected 2009 sales. All of the remainder (139 long tons) was sold to Canada.

Since sugar is sold on a c.i.f. basis, revenue gains from the higher export volume were further tapped up by a 6.9% increase in the price that was due to a marked decline in freight rates and exchange rate gains of the euro versus the US dollar. Another overriding incentive to sell into the EU was the opportunity to access the Fair Trade premium paid on sugar sales, which can be used to fund developmental projects in the sugarcane production belt. The shortfall in available sugar supplies due to lower domestic production meant that EU demand could only be met by sacrificing all sales to CARICOM and, in a repeat performance of 2008, all US sales.

Molasses exports declined by 32.5% to 22,178 long tons, however, earnings rose by 8.7% to $3.9mn, as the average price increased from $108.36 to $174.41 per long ton in response to lower production from Asian suppliers such as India and Pakistan.

Citrus Juices and Pulp

Resulting from the decline in juice production, the export volume of citrus juices dipped by 1.1% to 36.7mn ps with revenues plummeting by 17.5% to $73.9mn due to lower orange concentrate prices across all major markets. Annual sales consisted of mostly concentrates with neglible amounts of the not-from-concentrates product being sold.

Exports of orange concentrate increased by 3.2% to 32.0mn ps, while lower prices caused receipts to buckle by 17.5% to $63.2mn. In the US market, higher juice inventories at the start of the season pressured the average price per pound solid down by $0.62. Consequently, a 3.1% decline in volume was accompanied by an even larger 29.2% fall in earnings to $34.1mn. Likewise, earnings from the European market decreased by 75.5% to $1.7mn, as export volume contracted by 64.4% to 0.9mn ps and the average unit price declined by 31.1%. On the other hand, receipts from Caribbean sales were up 13.3% to $21.2mn as a 26.3% increase in volume outweighed a 10.3% fall in the average unit price. Sales of freeze concentrate juices to Japan almost tripled to 2.3mn ps valued at $6.0mn.

In contrasting developments, prices for grapefruit juices increased by 6.1% on average, as higher US per capita consumption coincided with a smaller Florida grapefruit crop. However, the benefits of higher prices in Europe and the Caribbean was outweighed by a 23.1% reduction in the volume of grapefruit concentrates exported and resulted in total receipts falling by 18.5% to some $10.7mn. Europe remained the principal market even with a 27.3% decrease in sales volume. At $6.0mn, earnings from that market were only 20.0% lower due to the offsetting effect of a $0.19 improvement in the average price. Sales to Japan, the second largest market, were down 18.5% and a 4.1% decline in prices caused receipts of $2.7mn to be 21.9% lower, year on year. Exports to the Caribbean also declined by 10.9% to 0.5mn ps with a lower fall in receipts (9.5% to $1.9mn) due to a small price gain. An increase in pulp production resulted in higher exports of this by-product from 1.7mn pounds to 2.9mn pounds valued at $2.1mn.

Banana

Reduced banana production caused a 1.0% slippage in export volume to 80,424 metric tons. For the second consecutive year, EU tonnage was shared between two buyers, Fyffes (84.6%) and Dole (15.4%). The non-recurrence of the out-of-quota tariff penalty this year was mostly responsible for a marginal 0.8% improvement in the average box price to US$7.54. After adjusting for a 12.4% increase in quality penalties to $0.3mn, receipts dipped by 0.03% to remain almost flat at $66.8mn.

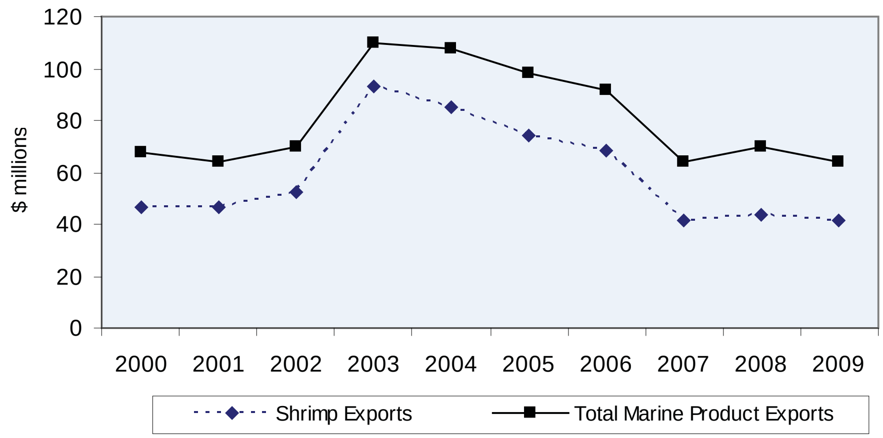
Marine Products

Marine exports suffered from lower consumer spending in the US and prospects for the immediate future partly hinge on the success of current marketing campaigns designed to attract and retain customers in that country's dining out market. Given the slow pace of recovery and weakening of international prices, overall revenues for shrimp, lobster and fish products declined by 7.9% to $64.1mn in 2009 even with a 7.0% upswing in export volume.

The focus of shrimp producers during the year was on keeping businesses afloat by combating the declining trend in international prices through higher export volumes and a greater reliance on Mexican and European markets. However, the 18.9% growth in export volume was undermined by an $0.83 fall in the average price per pound and earnings consequently declined by 4.9% to $41.7mn. The price drop partly reflected the larger share (from 64.0% of total export volume in 2008 to 72.8% in 2009) of the lower valued head-on shrimps in the export mix. As was the case in 2008, most of those sales went to Mexico (which remained the chief market for this product even with the peso's depreciation) and Europe, with value added products such as headless and quick frozen shrimps going to the US.

Boosted by carry-over stocks from the

Chart 18: Exports of Shrimp and Total Marine Products



previous year, exports of lobster grew by 15.7% to 0.5mn pounds. However, the difficulties in the US, its principal market, caused a 24.1% collapse in the average price to $25.03 per pound. Earnings therefore contracted by 12.1% to $13.0mn. In the case of fish exports, the combination of a 40.2% slump in volume and an 18.5% fall in the price per pound reduced receipts by 51.1% to $2.1mn. Conch was the sole bright spot with a 2.6% increase in export volume to 0.7mn pounds and earnings up by 9.7% to $7.3mn.

Other Major Exports

With production being hampered in the second half of the year by excessive rainfall, floods and diseases that thrive in those conditions, the volume and value of papaya exports declined further by 14.1% to 54.7mn pounds and 2.7% to $21.8mn, respectively. The revenue loss was softened by a 13.4% price improvement that was caused by a rise in US per capita consumption of papaya that coincided with a downturn in US imports of the fruit from Brazil, Guatemala, Dominican Republic and Jamaica.

Petroleum was once again the highest export earner with revenues of $120.6mn though this was 47.8% below earnings in 2008. The downturn in global growth and demand for crude oil caused large price swings during the year that eventually averaged out to a 57.6% decline to US$47.81 (f.o.b.) per barrel. Partially ameliorating the revenue decline was a 23.2% increase in export volume to 1,261,600 barrels.

Non-Traditional Exports

Export revenues from non-traditional commodities were up by 47.0% to $49.8mn with generally higher volumes being exported.

Earnings from red kidney beans and black eye peas rose by 16.8% to $8.8mn, as a 45.3% surge in volume more than offset a 19.6% fall in the average unit price. An aggressive marketing push that raised the volume of citrus oils by 77.8% staved off a 31.2% price decline and resulted in export revenues rising by 22.2% to $4.6mn. Similarly, an almost doubling in the volume of fresh oranges to 6.3mn pounds yielded a 46.7% revenue increase to $2.5mn and masked a 26.0% drop in the unit price. Proceeds from sawn woods also rose by 22.6% to $2.7mn as the tripling in volume was undermined by a 62.7% fall in the average price per board foot caused partly by a shift to more lower valued woods in the export mix. Pepper sauces did well, with a 6.6% volume increase and 12.2% price hike expanding revenues by 19.6% to $2.0mn. A notable development was the resumption of cocoa bean exports on a modest scale after a hiatus of three years.

Re-exports

Re-exports declined by 26.6% as sales from the CFZ and the customs area contracted significantly.

CFZ sales fell by 22.7% to $255.5mn with the depreciation of the peso causing a substantial decline in cross border trade. Business activity was also hampered by the A(HIN1) influenza scare in May that precipitated a six day shutdown of the free zone. Other re-exports contracted by 53.8% to $19.1mn mainly due to fewer transactions by EPZ companies and, to a lesser extent, lower sales of 'Machinery & Transport Equipment', "Manufactured Goods' and 'Food & Live animals'.

Gross Imports

Gross imports (f.o.b.) plummeted as the value of goods brought into the customs territory and the CFZ shrank by $194.1mn and $141.3mn, respectively. All categories of imports were lower with the exception of 'Export Processing Zones', 'Beverages & Tobacco', 'Crude Materials', 'Chemical Products' and 'Personal Goods'. The largest decline was in 'Minerals, Fuels & Lubricants', which fell by $82.3mn as a significant reduction in fuel acquisition costs more than offset a higher import volume. In related developments, a 12.9% decline in volume and lower Mexican electricity rates, which are indexed to international oil prices, pushed electricity imports down by $26.2mn. Lower purchases of aircrafts, excursion boats, motor cars and transformers led to a $77.1mn decline in imports of 'Machinery & Transport Equipment', while 'Manufactured Goods' registered a $46.6mn reduction due to lower outlays on tubes, tyres, carton boxes and plywood. Expenditure on 'Oils & Fats' declined by a marginal 0.4%.

EPZ companies increased their foreign purchases by $11.9mn mainly due to the acquisition of farm equipment by the main papaya producer. Imports of 'Beverages and Tobacco' and 'Crude Materials' increased by $4.6mn and $1.3mn, respectively. Closing out the review, outlays on 'Chemical Products' grew by 6.0% and imports of 'Personal Goods' were 3.3% higher.

Direction of Visible Trade

The US maintained its position as the country's primary export market notwithstanding a reduction in export share from 42.4% to 32.4% that reflected the fall in sales of petroleum, citrus juices, papayas and marine products such as lobster, whole fish and fish fillet. Meanwhile, the share of exports going to the UK market rose sharply to 31.7% due to higher sugar sales as banana exports remained flat. The export share of other EU countries dipped from 7.2% to 5.0% mainly due to lower citrus juice sales.

Table 12: Percentage Distribution of Visible Trade by Country/Area

Percentage

	Exports(1)			Imports(2)		
	2007	2008	2009	2007	2008	2009
United States of America	26.6	42.4	32.4	32.7	34.2	33.7
Mexico	1.9	1.7	2.2	12.6	12.8	12.9
United Kingdom	18.0	19.8	31.7	1.5	1.5	1.4
Other EU	14.4	7.2	5.0	3.9	3.7	3.7
Central America	28.4	20.6	18.4	19.3	18.5	18.2
CARICOM	7.0	5.2	5.4	2.0	1.5	1.9
Canada	0.1	0.4	0.4	1.0	0.8	0.9
Other	3.5	2.7	4.4	27.1	27.0	27.3
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Sources: SIB, and CBB

(1) exclude CFZ sales

(2) include electricity imports from Mexico

Petroleum sales to Central America helped to keep this region's share at a relatively constant 18.4% and an increase in shrimp sales to Mexico raised its share from 1.7% to 2.2%. CARICOM's share of exports improved slightly to 5.4% as a result of higher citrus juice and bean sales.

Unlike exports, the direction of trade for imports remained relatively stable. The US remained the principal source of imports with its market share dipping modestly from 34.2% to 33.7%. The share of imports from Mexico remained practically unchanged at 12.9%, notwithstanding a steep contraction in the value of electricity imports. The share of imports from Central America fell from 18.5% to 18.2% as the general slowdown in CFZ activities was reflected in a fall in imports from the Panama Free Zone. The import share of other miscellaneous countries remained constant at 27.3% reflecting a significant drop in the acquisition cost of petroleum and a minimal rise in imports from China.

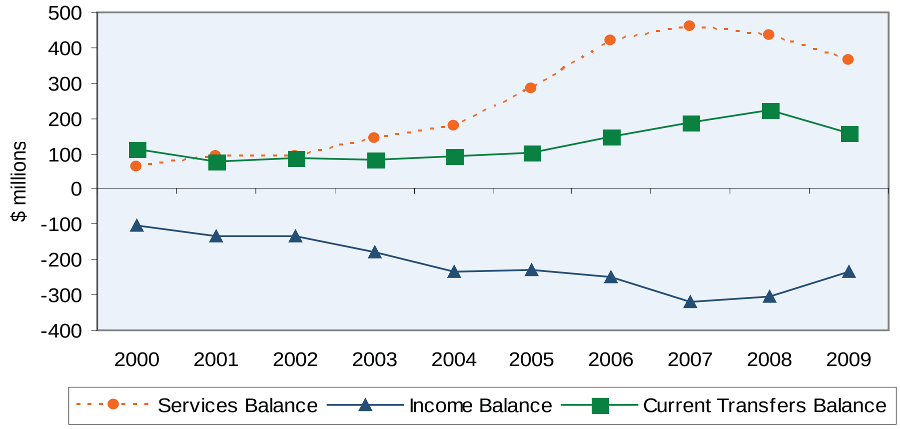
The share of imports from the UK and other EU countries were stable at 1.4% and 3.7%, respectively.

Services

Net income received from services declined by 15.5% with a $15.7mn contraction in outflows failing to compensate for an $83.0mn fall in earnings. The latter reflected lower inflows from tourism, transportation, other services as well as funds channeled through foreign embassies and other international entities. With the decline in stay-over visitors outweighing an increase in cruise ship visitors, tourism earnings were down by 9.3% to $431.1mn. Lower commissions from the smaller volume of international trade and lower inflows to shipping agents led to a 32.4% fall in receipts from transportation services.

Concurrently, payments to foreign service suppliers fell by 4.6%, mostly due to a 20.7% reduction in international

Chart 19: Net Balance for Services, Income, and Current Transfers



transportation costs that reflected lower freight rates and shipping volumes. Albeit marginal, further cuts were identified in outlays by residents travelling abroad, embassies and military units. These savings were more than enough to offset a 14.1% rise in external payments on communications and miscellaneous business services.

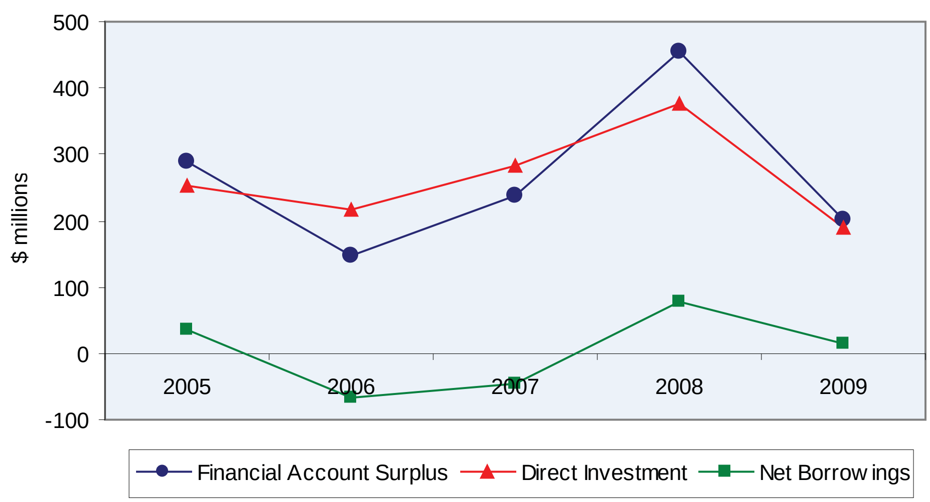
Income

Lower earnings by foreign seasonal agricultural workers yielded a 10.3% decline in net labour outflows. Similarly, net outflows from investment income fell by 23.4% as decreases in dividend payments and in public sector interest payments of 40.9% and 12.0%, respectively, outweighed a 10.4% rise in retained earnings by commercial banks. The net result of these transactions was $234.9mn in net outflows from the income account, a year on year decline of $70.3mn.

Current Transfers

Net inflows from current transfers

Chart 20: Main Components of the Financial Account

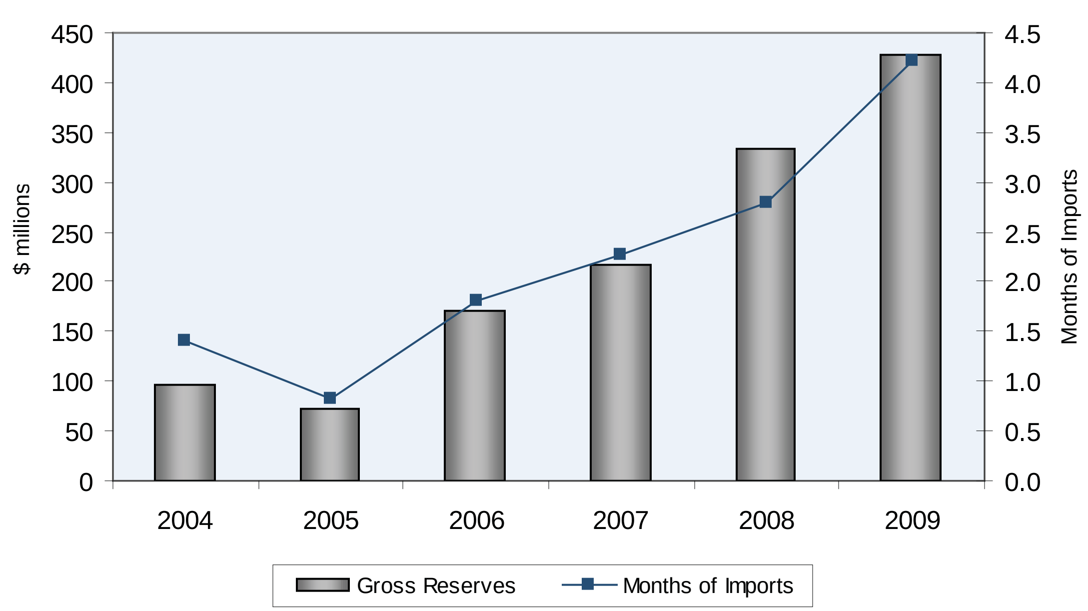


were 28.6% lower as the government, in contrast to the previous two years, recorded net outflows, while the private sector experienced an 8.7% decline in net inflows. The turnaround in the government position was due to the shrinkage in grants receipts to the extent that these were insufficient to offset routine outlays related to subscriptions to international institutions. On the private sector side, transfers to religious organizations, credit unions and insurance companies contracted significantly, while family remittances from abroad were somewhat unexpectedly up by 3.1%.

Capital and Financial Accounts

Debt forgiveness of some $5.0mn from the British Government and $18.0mn in grants from the CARICOM Petroleum Fund (earmarked for infrastructural flood rehabilitation projects) enabled the capital account surplus to increase by $18.9mn to $37.0mn. On the other hand, after almost doubling in 2008, the surplus on the financial account plunged by 55.2% and stood at $203.0mn, as foreign direct investments into the petroleum industry, agriculture and tourism plummeted. The contraction was further exacerbated by the acquisition of a Government of Barbados issued bond valued at $8.1mn. The private sector also made net loan repayments which were in contrast to the net loan disbursements received in 2008, and domestic commercial banks made substantial reductions in their external liabilities during the year. On the upside, the government saw positive net inflows as loan disbursements were higher than debt repayments with inflows being considerably boosted through IMF disbursements by way of a disaster relief loan and new SDR allocations of $56.1mn. The latter transactions contributed to a significant improvement in the level of international reserves and import coverage.

Chart 21: Gross Official International Reserves and Months of Imports



CENTRAL GOVERNMENT FISCAL OPERATIONS & PUBLIC DEBT

Central Government Operations

Sizeable contractions in grants and revenues from the oil industry as well as the slowing economy underpinned a 12.7% fall in government revenues in 2009. Annual expenditure was up by 2.0% with significant increases in outlays on goods, services and emoluments that outweighed a contraction in capital spending, particularly on externally funded projects. Consequently, the Central Government's operations yielded an overall deficit of 2.8% of GDP and a reduced primary surplus of 0.8% of GDP (down from 5.4% of GDP in 2008). The deficit was financed mainly from external sources with some $60.5mn in net loan disbursements, while net funding from the domestic system totaled $16.9mn. Although significantly lower than the previous year, grants continued to play a critical role in supporting the fiscal position. When not factored in, the overall deficit deepens to 4.1% of GDP, and the primary surplus evaporates, becoming a deficit of 0.5% of GDP.

Table 13: Government of Belize - Summary of Revenue and Expenditure

$mn

	Jan-Dec 2007	Jan-Dec 2008	Jan-Dec 2009	Change during 2009
Current Revenue	651.5	729.4	653.9	-75.5
Tax Revenue	577.0	616.6	576.9	-39.7
Non-Tax Revenue	74.4	112.8	77.0	-35.8
Current Expenditure	636.1	617.9	661.8	43.9
CURRENT BALANCE	**15.3**	**111.5**	**-7.9**	**-119.4**
Capital Revenue	28.4	8.6	10.6	2.0
Capital Expenditure (Capital II local sources)	77.7	69.1	67.9	-1.2
OPERATING SURPLUS	**-34.0**	**51.1**	**-65.2**	**-116.2**
Total Grants	85.8	62.7	34.3	-28.4
Total Revenue and Grants	765.7	800.7	698.8	-101.9
Total Capital Expenditure	160.4	141.6	113.2	-28.4
Total Expenditure	796.5	759.5	775.0	15.5
of which Interest Payment on Public Debt	134.9	105.2	97.0	-8.2
PRIMARY BALANCE	**104.0**	**146.5**	**20.8**	**-125.7**
PRIMARY BALANCE W/OUT GRANTS	**18.2**	**83.8**	**-13.5**	**-97.3**
OVERALL BALANCE	**-30.8**	**41.2**	**-76.2**	**-117.4**
OVERALL BALANCE W/OUT GRANTS	**-116.7**	**-21.4**	**-110.5**	**-89.1**
FINANCING REQUIREMENTS	**30.8**	**-41.2**	**76.2**	**117.4**
Net Privatization Proceeds	0.0	0.0	0.0	0.0
Domestic Financing	19.3	-23.3	16.9	40.2
Financing Abroad	-0.8	-3.3	60.5	63.7
Other	12.3	-14.6	-1.2	13.5
Current Expenditure	**24.9**	**22.7**	**24.4**	**1.7**
Capital Expenditure (Capital II local sources)	**3.0**	**2.5**	**2.5**	**-0.0**
Total Capital Expenditure	**6.3**	**5.2**	**4.2**	**-1.0**
of which Interest Payment on Public Debt	**5.3**	**3.9**	**3.6**	**-0.3**
PRIMARY BALANCE TO GDP	**4.1**	**5.4**	**0.8**	**-4.6**
PRIMARY BALANCE W/OUT GRANTS TO GDP	**0.7**	**3.1**	**-0.5**	**-3.6**
OVERALL BALANCE TO GDP	**-1.2**	**1.5**	**-2.8**	**-4.3**
OVERALL BALANCE W/OUT GRANTS TO GDP	**-4.6**	**-0.8**	**-4.1**	**-3.3**

Sources: Central Bank of Belize, and Ministry of Finance

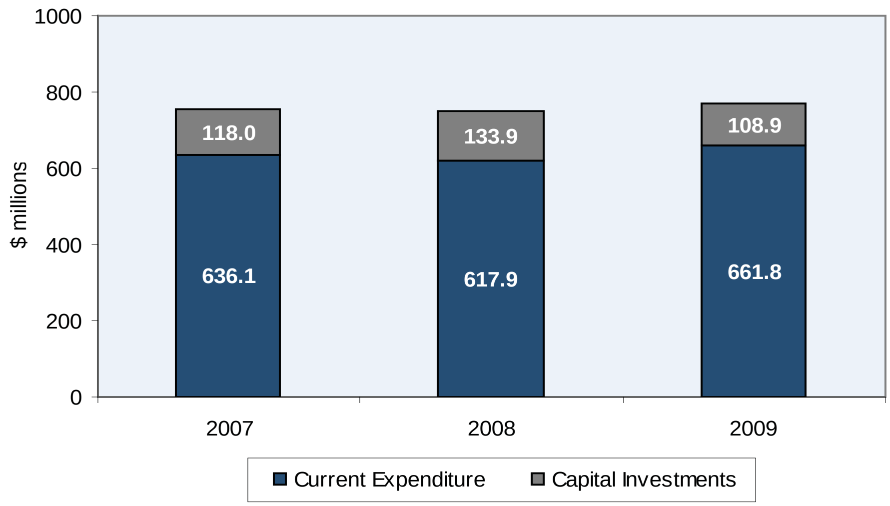
Hit hard by the economic downturn, current revenues shrank by 10.4% to $653.9mn (24.2% of GDP). About fifty percent of the decline was a result of lower tax collections from goods and services, with the GST experiencing a $34.1mn contraction due to the import slump and overall cutbacks in business and consumer spending. An $18.1mn tumble in petroleum taxes was linked to the industry's lower export earnings. A more modest decline of $3.4mn was recorded in receipts from international trade & transactions as the flat tax increase on fuel imports bumped up import duties by $19.4mn but fell short of compensating for declines in the Revenue Replacement Duty (RRD), social fees and environmental tax. Excluding company taxes on petroleum operation, across the board increases in all other categories yielded a $2.6mn increase in taxes on income and profits with the latter benefitting from a notable increase in collections of business tax arrears from a commercial bank and the rate hike on banks operating under Public Investment Company (PIC) status. Non-tax revenues were also down by 31.7% mostly due to an $8.0mn drop in petroleum royalties and the non-recurrence of transactions in 2008 involving the refund of Venezuelan grant monies that had been initially deposited at the Belize Bank.

Capital revenue rose by a modest $2.0mn as a first time payment of $6.1mn in working interest from the oil company more than offset lower land sales and stalled repayments by a local telephone company for equipment bought from the Government. Notwithstanding a 45.3% slump in grants, there were notable receipts from the CARICOM Petroleum Fund for emergency rehabilitations ($18.0mn), the EU for banana and sugar support programs ($6.7mn), United Kingdom Commonwealth Debt Initiative ($5.0mn), and the Government of Venezuela for agricultural purposes ($2.0mn).

Current expenditure grew by 7.1% with outlays on wages, salaries and pensions accounting for 47.6% of the total. In particular, the wages and salaries bill was up 9.3% during the year and by 16.7% in the two years following the unfreezing of increments for civil servants in 2007. Outlays for goods and services increased by 17.7%, as payments to contractors more than doubled and purchases of materials and supplies rose by almost one-third. Subventions to statutory bodies, such as Karl Heusner Memorial Hospital (KHMH), Statistical Institute of Belize (SIB), and the Belize Agricultural and Health Authority (BAHA) as well as transfers to educational institutions were responsible for a 7.7% growth in subsidies and transfers. Partially offsetting these increases, interest payments contracted by 7.8% ($8.2mn) with the retirement of four external loans, a reduction in CDB interest rates and the lowering of interest on loans subject to Libor rates.

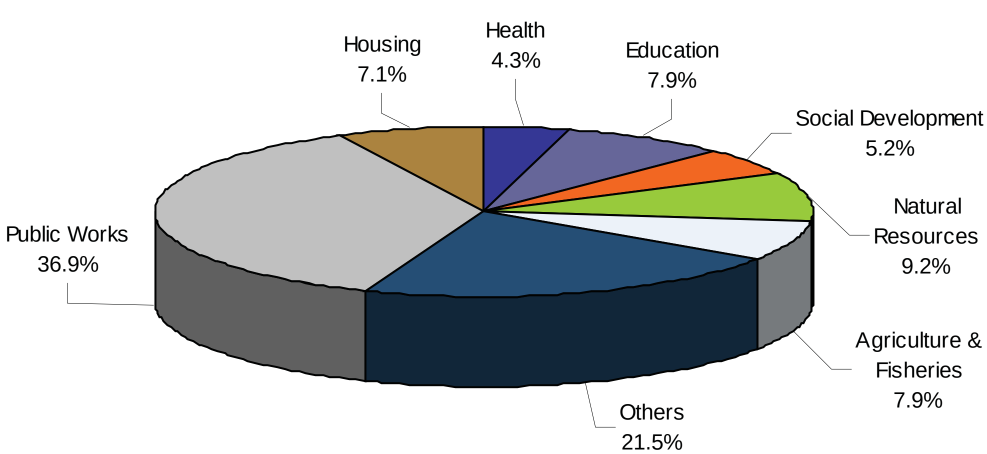
Higher current outlays cut into the resources available for capital spending and the latter registered a 20.0% contraction during the year that involved a 1.7% slippage on locally funded projects and 36.8% nosedive in outlays on externally funded projects. Infrastructural works accounted for 36.9% of the total and included the completion of the Southern Highway, maintenance of roads, culverts and causeways, rural electrification, poverty alleviation projects and the upgrading of the Placencia Road. Housing

Chart 22: Current Expenditure versus Capital Investments



that was funded by the Venezuelan grant accounted for another 7.1%. Some 9.2% of the capital budget was allocated for land development and management programs and the initiation of a solid waste management project. Agricultural and educational projects received similar allocations with each accounting for 7.9% of outlays. Most of the financing for the former was provided by the EU, which targeted the banana and sugar support programs as well as rural development. The Technical and Vocational Training project was the major educational investment. Health and social development projects accounted for a further 4.3% and 5.2%, respectively, with the former focusing on health reform and the latter benefitting from funds channeled through the Commonwealth Debt Initiative and Social Investment Fund. Contributions to international agencies and outlays for fire fighting equipment, vehicles and parts and the renovation of office buildings made up the remainder.

Chart 23: Development Expenditure for 2009



Central Government's Domestic Debt

Central Government's domestic debt contracted by 4.7% to $317.0mn (11.7% of GDP) as loan repayments, the retirement of $5.0mn in Defence bonds and a $6.2mn reduction in the overdraft balance at the Central Bank outweighed the December issuance of $5.0mn in new Treasury notes, most of which was taken up by the Central Bank. Amortization payments of $9.6mn included the accelerated retirement of a Belize Bank loan for infrastructural development ($6.2mn) and the RECONDEV Cohune Walk Housing Loan ($1.3mn). Other smaller scheduled repayments went to the Debt for Nature Swap and BSSB for the Hopeville Housing Loan.

Of the $24.5mn in interest payments, $13.7mn went to the Central Bank for short-term credit provided through the overdraft and its Treasury bill holdings and $3.5mn being paid in respect of longer-term Treasury notes and Defence bonds held by the Bank. The commercial banks and the non-bank entities received $4.6mn and $2.0mn, respectively, on their portfolio of government securities. Interest payments on loans summed to $0.8mn and included payments to the BSSB, the Debt for Nature Swap, a commercial bank and an insurance company.

The commercial banks ended the year holding 98.4% of the Treasury bills available after buying $9.8mn from the Central Bank. The Central Bank's holdings of the longer-term Treasury notes also fell by $26.1mn, with commercial banks and non-bank entities acquiring $10.0mn and $21.2mn, respectively. At year-end, the Central Bank held 53.6%, commercial banks 34.2% and non-bank entities 12.2% of Central Government's domestic debt.

Public Sector External Debt

At the end of the year, the external debt stood at $2,031.3mn (75.0% of GDP), an increase of 6.0% as disbursements of $200.5mn exceeded amortization payments of $84.7mn and downward valuation adjustments of $0.1mn. Of the loans retired during the year, the most notable were a Central Bank loan from the US government and a BWS Finance Ltd. loan that had facilitated Central Government's repurchase of Belize Water Service Ltd. in 2005. Before the end of 2010, $9.0mn of present portfolio will mature, whilst 12.5% will be amortized in the next one to ten

Table 14: Central Government's Domestic Debt

$mn

Instrument	2007	2008	2009
Loans & Advances	151.2	152.0	136.2
Treasury Bills	100.0	100.0	100.0
Treasury Notes	55.8	65.8	70.8
Defence Bonds	15.0	15.0	10.0
Total	**322.0**	**332.8**	**317.0**

Sources: Ministry of Finance and Central Bank of Belize

Box 5: Major Fiscal Initiatives in 2009

03 February, 2009 – The Development Finance Corporation Act, Chapter 279 (2000-2003) was repealed and a new Act was passed aimed at insulating the Corporation from the excessive political interferance that resulted in its recent insolvency. In order to improve its governance, the new Act provides for DFC's Board of Directors to be comprised mainly of private sector representatives and for the institution to be subject to the Central Bank's supervision.

28 March, 2009 – Five loans totaling $23.2mn were gazetted and intended to (1) improve solid waste management practices and reduce health and environmental hazards (OPEC funds US$3.3mn); (2) provide a line of credit to assist the Government to finance a Program of Lending through the Development Finance Corporation (CDB US$10.0mn); (3) rehabilitate, stabilize and protect road infrastructure affected by Tropical Depression No. 16 (IDB US$5.0mn) and (4) provide increased access to small farmers and rural poor population to inclusive and sustainable financial services to improve productivity and income (CABEI US$1.9mn and IFAD US$3.0mn).

30 March, 2009 – The Custom and Excise Act was amended to vary the rates of customs duties on certain goods and to vary the rates of excise duty on locally refined fuel products as follows:

(1) Application of duty rates on imported fuel:

Description of Goods	Rate of Duties
Premium Gasoline	from $1.38 to $2.58 per Imp. Gal.
Regular Gasoline	from $1.26 to $2.46 per Imp. Gal.
Diesel Oil	from $0.32 to $1.52 per Imp. Gal.
Gas Oils (other than diesel oil)	$1.52 per Imp. Gal.

(2) Application of excise duty on locally refined fuel products:

Premium Gasoline	from $1.52 to $2.76 per Imp. Gal.
Regular Gasoline	from $1.42 to $2.64 per Imp. Gal.
Diesel and Gas Oils	from $0.49 to $1.70 per Imp. Gal.

30 March, 2009 – The Environmental Tax was amended on certain imported fuel products, effective 01 April.

Description of Goods	Rate of Environmental Tax
Aviation Spirit	from 2% ad val. to $0.18 per Imp. Gal.
Premium Gasoline	from 2% ad val. to $0.18 per Imp. Gal.
Regular Gasoline	from 2% ad val. to $0.18 per Imp. Gal.
Kerosene (Jet Fuel)	from 2% ad val. to $0.18 per Imp. Gal.
Illuminating Kerosene	from 2% ad val. to $0.18 per Imp. Gal.
Diesel Oil	from 2% ad val. to $0.18 per Imp. Gal.
Gas Oils (other than Diesel Oil)	from 2% ad val. to $0.18 per Imp. Gal.

Box 5: Major Fiscal Initiatives in 2009 (cont'd)

30 July, 2009 – The Income and Business Tax was amended to enable the relevant Minister to enter into Tax Information Exchange Agreements with other countries; abolish the withholding tax on royalties and commissions paid to non-residents; and to lower the business tax rate on casinos or licensed gaming premises from 15.0% to 8.0%.

30 July, 2009 – The Customs and Excise Duties Act was amended to implement the CARICOM Common External Tariff and to vary customs and excise duties on the following goods.

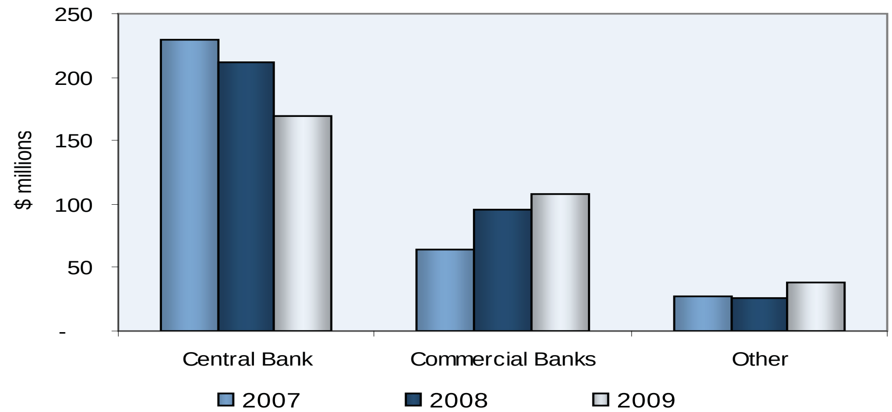
Description of Goods	Rate of Excise Duty
Rum (any strength or proof)	from $90.00/imp. Gal. to $90.00/Gal.
Tobacco:	
a) Weighing not more than 5lbs per 1,000 cigars	$0.30 per 100 cigars
b) Cigarettes carton	from $18.00 to $12.00 per carton
c) Manufactured, other kind	$3.00 per pack
Aerated Waters:	
a) Not exceeding 12 fl oz.	from $0.0975 to $0.0650 per pint
b) Exceeding 12 fl oz but not exceeding 33.7802 fl oz.	from $0.1224 to $0.08 per pint
c) Exceeding 33.7802 fl oz.	from $0.2448 to $0.1632 per pint
Methylated spirits:	
Any methylated or denatured alcohol made in Belize from rum distilled in Belize	$0.15 per Imp. Gal.

25 August, 2009 – In the interest of the public, the GOB assumed control over the BTL as per Act No 9 of 2009 that amended the Belize Telecommunications Act.

17 October, 2009 – Two loans from the IDB were gazetted which are intended to execute (1) the Land Management Program III (US $2.5mn) and (2) Agricultural Services Program (US $5.0mn).

Sources: Belize Gazette, GOB Press Office, and the Laws of Belize

Chart 24: Sources of Central Government's Domestic Debt



years leaving 87.0% (or $1.8bn) in which maturity is greater than 10 years. At year-end, Central Government held 92.7% of the outstanding debt and financial and non-financial statutory bodies accounted for 5.7% and 1.6%, respectively.

Bilateral and multilateral disbursements to Central Government totaled $59.0mn and $68.8mn, respectively. Included were $25.0mn from the CDB as the second tranche of a policy based loan, $40.0mn from the ROC/Taiwan for budget support, $17.0mn from Venezuela in the form of short and long term credit on fuel and $15.0mn from the IDB for a social policy support program. An additional $28.8mn was sourced from various multilateral agencies to fund projects such as health sector reform programs, social investment funds, the Placencia Road upgrade, emergency road rehabilitation, solid waste management and the Southside Poverty Alleviation projects. Of the remaining $8.0mn in untendered Bear Stearns notes, $2.1mn was exchanged for the 'super bond' during the year. The Central Bank also received $70.6mn from the IMF consisting of $13.9mn for an emergency disaster assistance loan and $56.1mn in new SDR allocations for balance of payments support.

Included in the $37.4mn that Central Government paid in amortization to bilateral creditors in 2009 were $14.0mn to Venezuela and $17.5mn to ROC/ Taiwan. Its multilateral creditors received $25.0mn with $8.4mn going to the IDB, $7.9mn to the IBRD and $6.1mn to

Table 15: Public Sector External Debt by Source

$mn

	Outstanding Debt 31/12/2008	Disbursement	Amortization	Interest & Other Charges	Valuation Adjustments	Outstanding Debt 31/12/2009
Bilateral	**335.5**	59.0	38.4	11.2	-0.8	**355.3**
Bonds	**1,133.8**	2.1	12.4	50.1	0.0	**1,123.5**
Commercial Banks	**6.8**	0.0	5.3	0.6	0.0	**1.5**
Multilateral	**439.5**	139.4	28.6	15.2	0.7	**551.0**
Total	**1,915.6**	**200.5**	**84.7**	**77.2**	**-0.1**	**2,031.3**

the CDB. Loan repayments by the the DFC to the BMC in respect of the North American securitization liabilities totaled $10.3mn. The financial public sector also paid $1.9mn to multilateral creditors, while non-financial public sector entities amortized a total of $2.4mn to CDB, the Deutsche Bank and the Government of Kuwait.

Interest and other payments summed to $77.2mn during the year with Central Government accounting for 94.0%. At $46.9mn, interest on the 'super bond' continued to account for the bulk of such payments by the latter. In comparison, the government's bilateral and multilateral creditors received $11.1mn and $14.0mn, respectively. The financial public sector paid $3.6mn to the BMC and multilateral lenders, while the non-financial public sector paid $1.0mn to CDB, Government of Kuwait and Deutsche Bank.

The value of the outstanding debt stock decreased marginally as the US dollar depreciated against the Euro and SDRs, causing upward valuation of $0.7mn to the loans denominated in these currencies, while loans denominated in the Kuwait dinar were valued downward by $0.8mn.

Table 16: Public Sector and Government Guaranteed Debt

	2007	2008	2009
(in millions of BZ dollars)			
Public Sector & Government Guaranteed Debt Outstanding (end of period)	**2,404.9**	**2,304.3**	**2,405.7**
Public Sector Debt	**2,283.3**	**2,256.3**	**2,361.2**
External:	**1,945.4**	**1,913.3**	**2,031.3**
Central Government	1,824.0	1,819.8	1,882.5
Non-Financial Public Sector	38.3	35.2	32.6
Financial Public Sector	83.1	58.3	116.3
Development Finance Corporation	82.2	57.8	45.5
Of which is Bonds:	*49.7*	*40.3*	*30.0*
Central Bank of Belize	0.9	0.5	70.8
Domestic:	**337.9**	**343.0**	**330.0**
Central Government	322.0	332.8	317.0
Other Public Sector	15.9	10.2	12.9
Government Guaranteed Debt	**121.6**	**48.0**	**44.4**
External:	**80.5**	**47.0**	**43.5**
Other Public Sector	0.4	0.4	0.4
Privatized Enterprises	54.1	22.5	19.0
Private Enterprises	26.1	24.1	24.1
Domestic:	**41.1**	**1.0**	**0.9**
Private Enterprises	41.1	1.0	0.9
(in percent of GDP)			
Public Sector & Government Guaranteed Debt Outstanding (end of period)	**93.8**	**84.8**	**88.9**
Public Sector Debt	**89.1**	**83.0**	**87.2**
External:	**75.9**	**70.4**	**75.0**
Central Government	71.2	67.0	69.5
Non-Financial Public Sector	1.5	1.3	1.2
Financial Public Sector	3.2	2.1	4.3
Domestic:	**13.2**	**12.6**	**12.2**
Central Government	12.6	12.2	11.7
Other Public Sector	0.6	0.4	0.5
Government Guaranteed Debt	**4.7**	**1.8**	**1.6**
External:	**3.1**	**1.7**	**1.6**
Other Public Sector	0.0	0.0	0.0
Debt for Privatized Enterprises	2.1	0.8	0.7
Private Enterprises	1.0	0.9	0.9
Domestic:	**1.6**	**0.0**	**0.0**
Private Enterprises	1.6	0.0	0.0

Sources: CBB, and Ministry of Finance

SUPERVISION OF BANKS, FINANCIAL INSTITUTIONS & CREDIT UNIONS

Commercial Banks' Performance

Faced with the challenges of a contracting economy and sluggish credit demand, domestic commercial banks recorded a 3.9% increase in their consolidated asset base as compared to the 14.0% expansion achieved in the previous year. The deceleration in lending was a key factor with growth in loans and advances falling from 8.9% to 3.6%, year on year. While the aggregate level of non-performing loans (NPLs) registered a marginal decline of 0.1% and stood at $220.9mn when the year ended, there was a slight increase in the ratio of NPLs (net of specific provisions) to total loans (from 10.7% to 10.8%) due to a decline in the specific provisions that resulted from the writing off of some loans. Reflective of the lower volume of business activity, growth in deposit liabilities slowed from the 13.7% increase of 2008 to 7.4% in 2009.

The primary capital of the banks expanded by 10.6% during the year spurred by a 14.5% rise in retained earnings and additional capital injections. This represented a considerable improvement over the 1.1% growth of the previous year. The domestic commercial banks also reported capital adequacy ratios ranging from 9.4% to 24.9%, well above the 8.0% minimum requirement established by BASLE.

While interest income registered a 4.2% increase, net interest income was down by 0.4% due mostly to a 9.1% rise in interest expenses on deposit liabilities, growth which exceeded that of loans and advances. Net income before taxes was however buttressed by a 3.9% reduction in non-interest expenses and consequently edged up by 1.1% to $61.7mn. On the other hand, net income after taxes fell by 8.1% to a total of $42.2mn as a result of the government's decision to raise the business tax from 8.0% to 12.0% for those banks operating under PIC status. The consolidated return on equity for the domestic banks was consequently reported at 11.4%, 1.9 percentage points below the previous year's level, while their return on assets decreased from 2.0% at the end of 2008 to 1.7 %.

On-site Examinations

To ensure the safety and soundness of the financial system, the Central Bank

Table 17: List of Banks and Financial Institutions

Domestic Banks	International Banks	Financial Institutions
Alliance Bank of Belize Ltd.	Atlantic International Bank Ltd.	MicRoe Finance Company Ltd.
Atlantic Bank Ltd.	British Caribbean Bank Int'l Ltd.	Unit Trust Corp. (Belize) Ltd.
Belize Bank Ltd.	Caye International Bank Ltd.	
FirstCaribbean Int'l Bank (Barbados) Ltd.	Choice Bank Ltd.	
Scotiabank (Belize) Ltd.	Handels Bank & Trust Company Ltd.	
	Market Street Bank Ltd.	
	Provident Bank & Trust of Belize Ltd.	
	Scotiabank (Belize) Int'l Ltd.	

continued its risk focused approach to supervision through on-site examinations of two domestic banks, one international bank, six credit unions and one financial institution. The reviews evaluated statutory compliance, adherence to anti-money laundering/counter-terrorist financing regulations, institutional viability and prudential performance relating to solvency, liquidity, capital adequacy and risk management.

Large Credit Facilities

Six applications for the extension of credit facilities that exceeded 25.0% of the banks' paid-up and unimpaired capital and reserves were processed by the Central Bank with approval being granted for four of these applications that summed to $150.3mn in accordance with Section 21(2) of the BFIA.

Licensing

Two new institutions commenced operations during the year and one completed the process of voluntary liquidation. Holder of a Class 1 financial institution license issued in October 2008, MicRoe Finance Company Limited commenced operations in January, while Scotiabank (Belize) International Limited began business in October after receiving its A Class international banking license in the previous month. In July, Oxxy Bank Limited satisfactorily fulfilled all of the Central Bank's conditions for its voluntary liquidation as prescribed by Section 38 (1) of the International Banking Act. This bank was consequently removed from the list of licensed international banks in Belize as displayed on the Central Bank's website.

Authorization was granted for three banks to change their registered names. In August, the Belize Bank International Limited changed its name to "British Caribbean Bank International Limited". Permission was also granted in November for Alliance Bank of Belize Limited and Provident Bank and Trust of Belize Limited to be renamed as "Heritage Bank Limited" and "Heritage International Bank & Trust Limited", respectively. The new names are scheduled to take effect in January 2010.

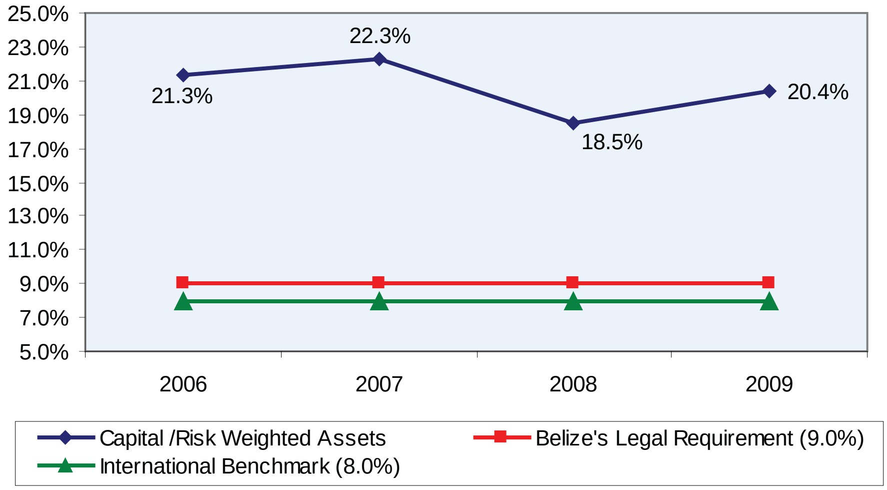
Enhanced Oversight

Mindful of the uncertainties in the current international and domestic environment, the Central Bank heightened its prudential supervision in August to further assure the soundness of Belize's financial system. In line with this initiative, all banks, financial institutions and credit unions were required to submit a monthly report of delinquent loans, in addition to the more detailed, semi-annual reporting of delinquent accounts. The international banks were also required to submit their balance sheets and income statements on a monthly, rather than quarterly basis. The increased frequency of reporting is expected to facilitate quicker identification and responses to perceived threats to the viability of the financial sector.

National Crisis Management Plan

Subsequent to the collapse of the CLICO and Stanford groups and bearing in mind the region's vulnerability to international financial developments, Governors of the CARICOM central banks gave a mandate to the Caribbean Group of Banking Supervisors (CGBS), of which Belize is a member, to craft a Regional Crisis Management Plan that would assist

Chart 25: Domestic Banking System - Capital Adequacy



member countries in resolving systemic crises within the Caribbean region. The regional plan is intended to strengthen preparedness in times of normalcy and also reduce contagion during periods of crisis by employing coordinated and orderly solutions. A prerequisite to the formulation of the regional plan was for member states to each have in place their own National Crisis Management Plan. The Central Bank is therefore currently in the process of drafting a National Crisis Management Plan for Belize's financial system that should be completed in 2010.

The principal objectives of the National Crisis Management Plan are to:

1. Strengthen preparedness in normal times by establishing a monitoring regime of early warning indicators in order to identify and define financial crises.

2. Manage crises by involving all stakeholders and by addressing the situation as early as possible.

Chart 26: Domestic Banking System - Efficiency

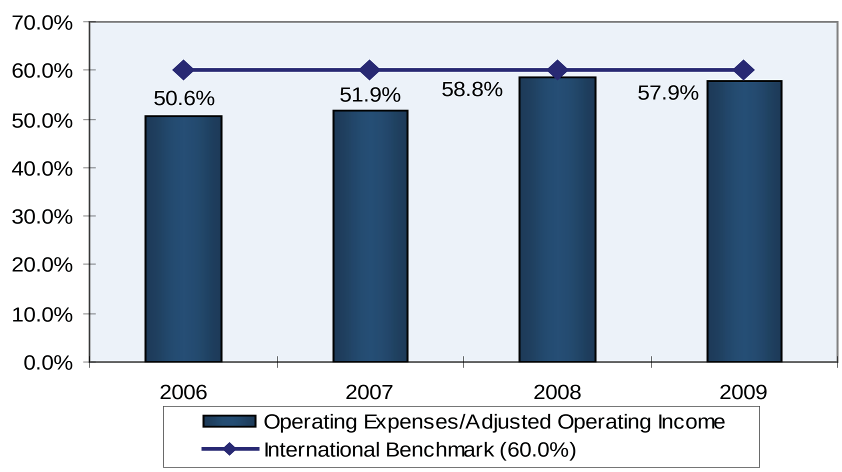
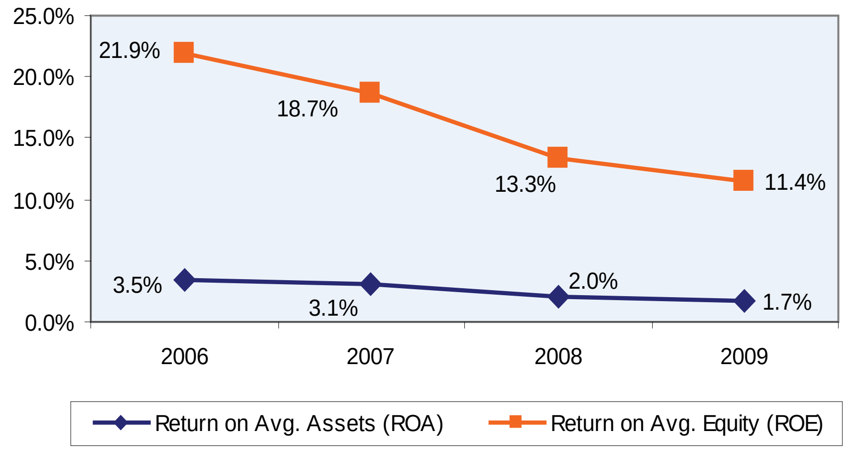


Chart 27: Domestic Banking System - Profitability



3. Share information with regional regulatory authorities and determine the most appropriate solutions.

4. Resolve the crisis and resume normal banking system operations.

Credit Unions' Performance

At the end of December, the consolidated balance sheet of the five largest credit unions showed an asset base of $459.3mn, a 9.8% growth that compared favorably with the 11.0% increase of the previous year. Pumping up asset growth was an 8.7% expansion in loan and advances to $324.5mn. In a major turnaround from the previous year's growth of 9.5% ($2.9mn), the aggregate level of NPLs decreased by 15.1% to $27.9mn during the year. Given the credit expansion and reduction in NPL, the ratio of NPL (net of specific provisions) to total loans decreased significantly from 6.9% in 2008 to 4.3%.

For the second consecutive year, net profits for these credit unions expanded strongly with an 11.9% increase to $30.8mn, compared to growth of 12.7% in 2008. As a result, return on assets increased from 6.9% to 7.0%.

PEARLS

With the help of the IDB's project for the Institutional Strengthening of the Credit Union Sector that is being implemented with the support of the Belize Credit Union League, credit unions countrywide and relevant Central Bank examiners and personnel from the Research Department were trained in the use of the PEARLS monitoring and rating system during April and May. The PEARLS system, developed in the 1980's by the World Council of Credit Unions, consists of 46 quantitative financial ratios that are used to effectively assess the financial performance of credit unions. In addition to being a regulatory and management tool, PEARLS can also be used to compare peer institutions within a country or across countries and to rank institutions. The full implementation of this system should deliver the following benefits:

1. Improved compliance with the requirements of the Credit Unions Act, regulations and guidelines;

2. The implementation of standardized financial ratios and prudential standards;

3. Improved management and statutory financial reporting;

4. Greater sector collaboration and networking;

5. Overall improvement in credit union governance, operations and financial disciplines; and

6. Consolidation of the sector where it is considered advantageous to system development and stability.

As a baseline measurement, the Central Bank analyzed the year-end positions of eleven out of the thirteen active credit unions and assigned a composite rating that ranged from one to five, with one being the highest. None of these credit unions were assigned a rating of one. The Central Bank will continue its efforts to assist all credit unions, regardless of size, to become one-rated institutions with strong performance and sound operations that are more resilient to external economic or financial disturbances and require minimal supervision.

Anti-Money Laundering Measures

The revised Money Laundering and Terrorism (Prevention) Act, 2008 (MLTPA) came into effect on 12 January, 2009. The revisions brought the Act in line with the FATF's (Financial Action Task Force) "*40 Recommendations and Special Recommendations on Terrorist Financing*". Important changes include new and improved provisions for the investigation and prosecution of money laundering, terrorism and related crimes, procedures for the forfeiture of criminal proceeds and terrorist property and the requirements for relevant entities to take preventative measures to help combat money laundering and terrorist financing. The scope of crimes determined to be serious offences was broadened, and stiffer penalties were introduced for contraventions of the Act.

Under the new MLTPA, the Central Bank was appointed as the Supervisory Authority for commercial banks, international banks, financial institutions and credit unions and was given the power to issue sanctions for non-compliance with certain provisions of the Act. This widened

Table 18: List of Credit Unions

Belize Credit Union League	Holy Redeemer Credit Union Ltd.(1)	St. John's Credit Union Ltd.(1)
Blue Creek Credit Union Ltd.(1)	La Inmaculada Credit Union Ltd.(1)	St. Martin's Credit Union Ltd.
Citrus Growers & Workers Credit Union Ltd.	Mount Carmel Credit Union Ltd.(2)	Toledo Teachers Credit Union Ltd.
Civil Service Credit Union Ltd.	Police Credit Union Ltd.(2)	Wesley Credit Union Ltd.
Evangel Credit Union Ltd.	St. Francis Xavier Credit Union Ltd.(1)	

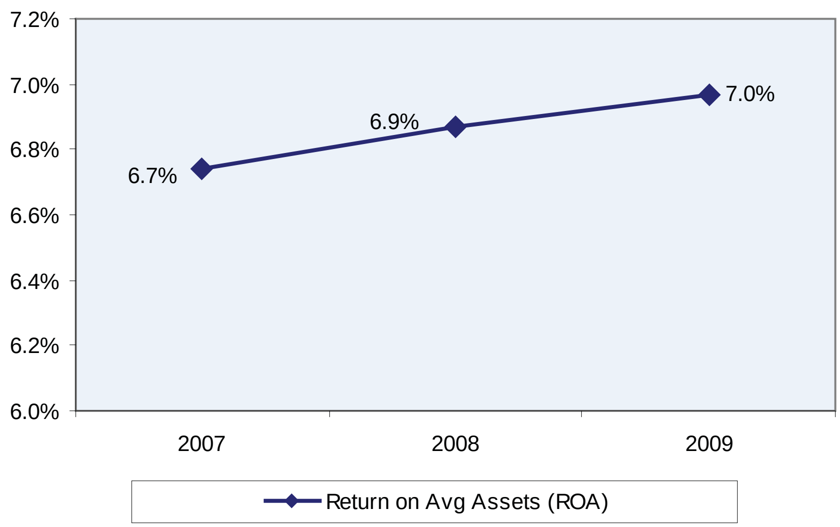
(1) These credit unions represent the five largest credit unions in the industry.
(2) Registered active credit unions remained at fourteen, although Mount Carmel Credit Union Ltd. and Police Credit Union Ltd. are under administration.

the scope of Central Bank supervision to cover compliance by licensees with specific provisions of the Act. The Central Bank continued its close collaboration with the Financial Intelligence Unit (FIU) to ensure that the fight against money laundering and terrorist related activities was coordinated and effective.

Training and Development

The Central Bank's continued efforts to strengthen supervision of the financial sector included the hiring of additional staff, targeted training and participation at several major conferences during the year. These included: Bank Analysis and Examination, Annual Conference of the Caribbean Group of Banking Supervisors, Caribbean Confederation of Credit Unions 52nd Annual International Convention and 38th Annual General Meeting, Strengthening Financial Regulation & Basel II in Response to the Financial Crisis, Crisis Preparedness Program, CUMIS (Credit Union Management Information System) Workshop for Examiners, Development of a Regional Financial Crisis Management Plan and Workshop on Risk-Based Supervision.

Chart 28: Five Largest Credit Unions - Profitability



OPERATIONS

Foreign Exchange Operations

Foreign currency trading in dollars (US and Canadian) and pound sterling yielded net purchases of $107.3mn for the Central Bank with its purchases exceeding sales in seven out of the twelve months. Some US$34.7mn was received from the IMF in new SDR allocations and an ENDA loan for balance of payments support. Other notable inflows included a grant of US$9.0mn from the CARICOM Petroleum Fund for infrastructural rehabilitation as well as loan disbursements of US$12.5mn from the CDB (as the second tranche of a policy based loan), US$20.0mn received from the ROC/Taiwan and US$7.5mn received from IDB. The largest external payments consisted of the semi annual interest paid in February and August to foreign bond holders of government's restructured commercial debt. Trading in CARICOM currencies was mostly for settlement of official transactions and resulted in net sales of $1.8mn.

External Assets Ratio

The Central Bank was in full compliance throughout the year with Section 25(2) of the Central Bank 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.

While there was some fluctuation, the external asset ratio maintained an upward trend, closing out the year at 82.6%, a six year high. In February, the ratio was at 64.3%, its lowest point for the year, due mostly to sizeable payments made on Central Government's behalf to external creditors that included holders of the superbond. After a marginal dip in June, the position improved substantially in July, buoyed by loan disbursements from ROC/Taiwan. A further upward surge was experienced in September and October with the ratio reaching its peak of 83.3% in the latter month, due in part to the injection of foreign assets from the IMF SDR allocations and in part to a sharp fall in domestic deposit liabilities as commercial banks boosted their holdings

Chart 29: Central Bank Net Purchases of Foreign Exchange

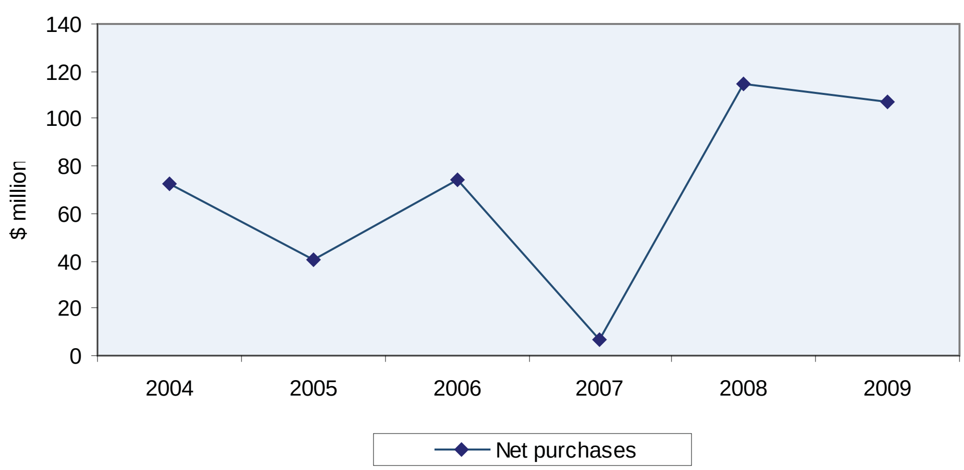
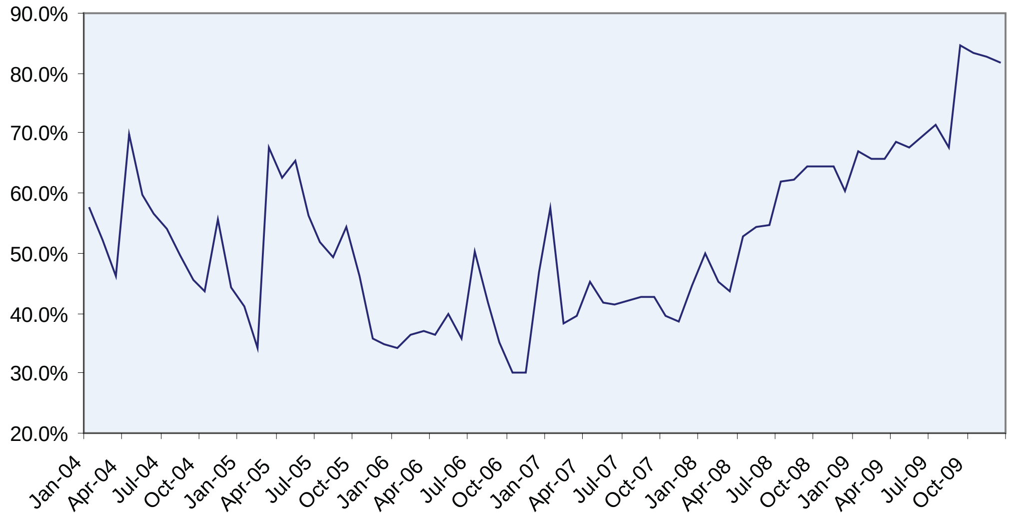


Chart 30: External Asset Ratio



of government securities, while reducing cash deposits at the Central Bank. There was some levelling off nearing the end of the year with a sharp rise in currency in circulation during the Christmas season, US dollar sales to commercial banks to assist with fuel payments and a downward valuation in the SDRs. At the end of December, the Central Bank's external assets amounted to $419.6mn that consisted of 74.7% in cash and fixed deposits, 7.1% in foreign securities and 18.2% in SDRs with the IMF.

Relations with Commercial Banks

Cash Balances

The commercial banks' cash reserve requirement remained fixed at 10.0% throughout 2009 while their excess monthly cash holdings averaged $37.0mn, more than double the $15.1mn level at the start of the year. In the first quarter, the banks' cash reserves with the Central Bank increased steadily, as sluggish credit demand and foreign inflows into the banking system from export activity resulted in their monthly excess holdings reaching a peak of some $47.2mn in March. Thereafter, lending activity and investment in government securities caused a reduction and excess cash holdings hovered close to the monthly average for the rest of the year. January and September were the months with the smallest excess due to the commercial banks' increased purchases of government securities. Having already acquired virtually all of the Treasury bills available to the market and deposit growth continuing to exceed lending, the banks' excess cash holdings resumed an upward trend in the last quarter, ending the year at some $40.0mn. Due to the significant build-up in liquidity, there was little need for the commercial banks to sell foreign exchange to the Central Bank to meet reserve requirements.

Currency Operations

In 2009, the Central Bank issued $87.7mn in new banknotes and removed some

Table 19: Commercial Bank Balances with the Central Bank

$mn

MONTH	Average Deposit Liabilites	Required Cash Reserves	Actual Cash Holdings	Excess/ (Deficit)
January	1,802.6	180.3	200.7	20.4
February	1,821.3	182.1	217.4	35.3
March	1,841.2	184.1	231.3	47.2
April	1,878.3	187.8	227.9	40.1
May	1,918.9	191.9	228.9	37.0
June	1,933.8	193.4	235.4	42.0
July	1,950.6	195.1	231.2	36.1
August	1,925.8	192.6	229.3	36.7
September	1,925.4	192.5	222.8	30.3
October	1,904.5	190.4	227.9	37.5
November	1,923.3	192.3	233.4	41.1
December	1,940.6	194.1	234.1	40.0

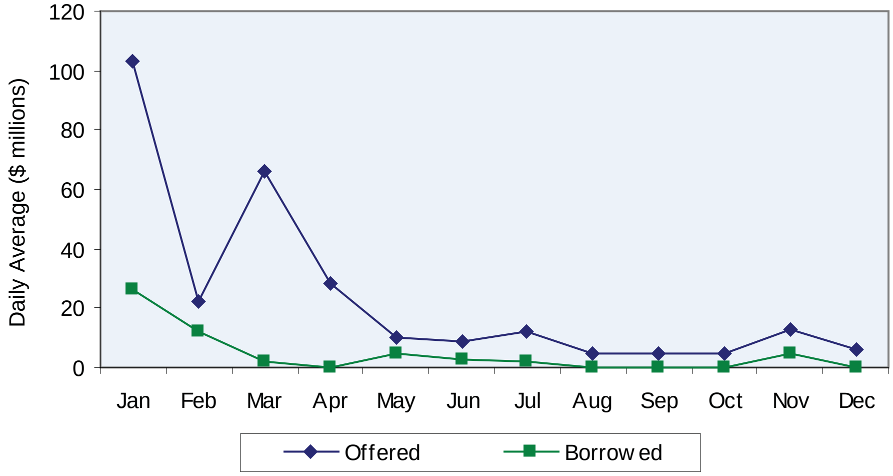
$96.4mn in banknotes considered unfit for circulation. At year-end, currency in circulation stood at $192.0mn, $1.2mn (0.6%) below that of December 2008 with a decrease of $1.8mn in commercial banks' vault cash being partly offset by an increase of $0.6mn in currency held by the public. Currency held by the public averaged $149.0mn monthly with a high of $154.5mn in December and a low of $143.1mn in September. Commercial banks' vault cash fluctuated marginally during the year until December, when holdings rose sharply by $9.9mn (35.9%) to its highest level. The ratio of notes and coins was relatively constant with notes accounting for approximately 90.0% of the currency issue. The demand for currency

Table 20: Currency in Circulation

$mn

MONTH	Notes	Coins	Total	Commercial Bank Vault Cash	Currency with the Public
January	158.8	18.2	177.0	27.7	149.3
February	161.3	18.2	179.5	28.4	151.1
March	163.8	18.3	182.1	33.6	148.5
April	163.1	18.5	181.6	31.0	150.6
May	160.8	18.5	179.3	30.1	149.2
June	160.7	18.5	179.2	31.2	148.0
July	161.9	18.6	180.5	29.2	151.3
August	159.2	18.6	177.8	28.7	149.1
September	157.2	18.7	175.9	32.8	143.1
October	155.3	18.6	173.9	28.2	145.7
November	156.3	18.6	174.9	27.6	147.3
December	173.1	18.9	192.0	37.5	154.5

Chart 31: Inter-bank Market Activity



peaked in July and December, the vacation and Christmas seasons.

Inter-Bank Market

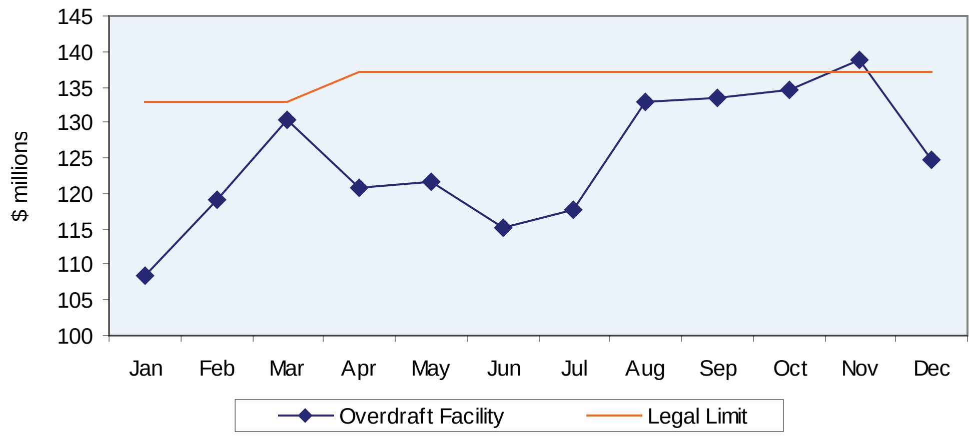
High levels of liquidity in the banking system caused a slowing of activity in the interbank market with the amount offered and taken up declining by some 40.0% to $284.0mn and 75.0% to $55.0mn, respectively, when compared to the previous year. The bulk of the funds proffered for lending in 2009 (83.7%) was in the first semester with banks borrowing only one-fifth of this in order to maintain the required minimum balances with the Central Bank. During the second half of the year only 2.4% of the funds offered was taken up. While offers were made every month, borrowing occurred in just seven of the twelve months. Some 43 offers were made and 12 loans that averaged $4.6mn for periods averaging fourteen days were executed. This compared with loans that averaged $5.2mn extended over an average period of fifteen days in 2008. In August, approval was granted for commercial banks to place funds at a rate lower than 11.0%. While this resulted in interest rates ranging between 7.0% and 10.0% for the remainder of the year, no demonstrable increase in interbank trading occurred due to the system's generally high level of excess liquidity.

Transactions with Central Government

The Central Bank may legally extend advances to the government up to a maximum of 20.0% of current revenue collected by the government during the preceding financial year. As at March, the legal ceiling was $132.9mn and this rose to $142.0mn in April where it stood until it was revised downward to $137.3mn in December.

After dropping to a low of $108.5mn in January, the government's overdraft balance rapidly climbed to $130.3mn by the end of March, largely to meet external debt servicing and domestic payments due at the end of the fiscal year. During the next three months the level of advances subsided to $115.2mn, facilitated by the fiscal surplus that the government maintained even in the face of waning revenues. Predictably, the August super-bond payments pushed the overdraft balance near to its legal limit. There were

Chart 32: Central Bank Overdraft Financing to Central Government



further increases thereafter until a peak, slightly in excess of the legal limit, was reached in November as government's finances tightened with the continued decline in revenues and unabated level of expenditures. The receipt of an IDB loan disbursement helped to significantly reduce the overdraft balance to $124.8mn by the end of December.

Treasury Bills

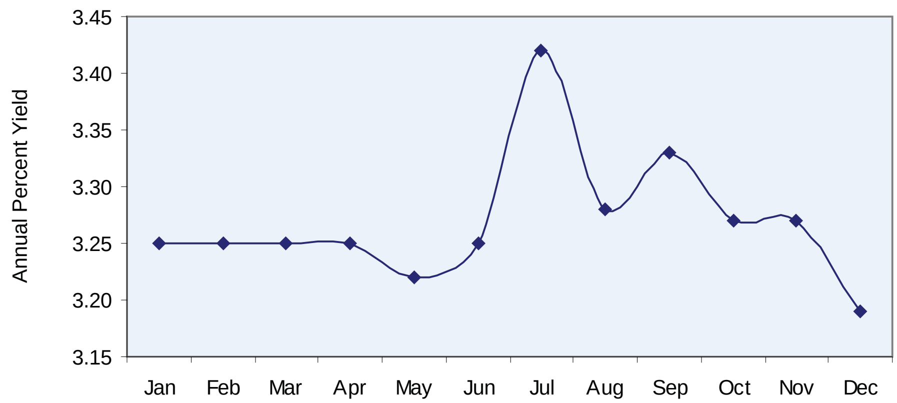
As the Government's fiscal agent, the Central Bank continued to conduct Treasury bill operations on its behalf during the year. The value of the outstanding Treasury bill issue remained unchanged at $100.0mn, the level to which it had been raised in 2006. In May, the discount rate, which had been fixed at 3.25% since November 2002, was removed and bidding was opened to competitive tenders. During the subsequent period in which market participants adjusted to the operational change, there was significant variation in the tenders received. The market eventually settled and after reaching a high of 3.42% in July, yields began to drift downward, reaching 3.19% in December due to the continuing expansion in commercial bank liquidity.

During the year, the Central Bank's monthly holdings of Treasury bills averaged $6.0mn, significantly below the $38.7mn average monthly holdings of the previous year. The commercial banks and Central Bank continued to dominate transactions in the market, although three insurance companies also participated on a limited scale. In an environment of generally high liquidity, very low international interest rates and sluggish credit growth, the commercial banks held onto the bulk of these securities throughout the year, raising their holdings to almost the entire issue in five of the twelve months. The Central Bank held $7.0mn at the start of the year, and its holdings peaked in July at $19.1mn and thereafter fell rapidly to negligible amounts as banks maximized their purchases.

Treasury Notes

When the year began, the outstanding Treasury note issue stood at $66.8mn and this was raised to $71.8mn in December when the government issued another

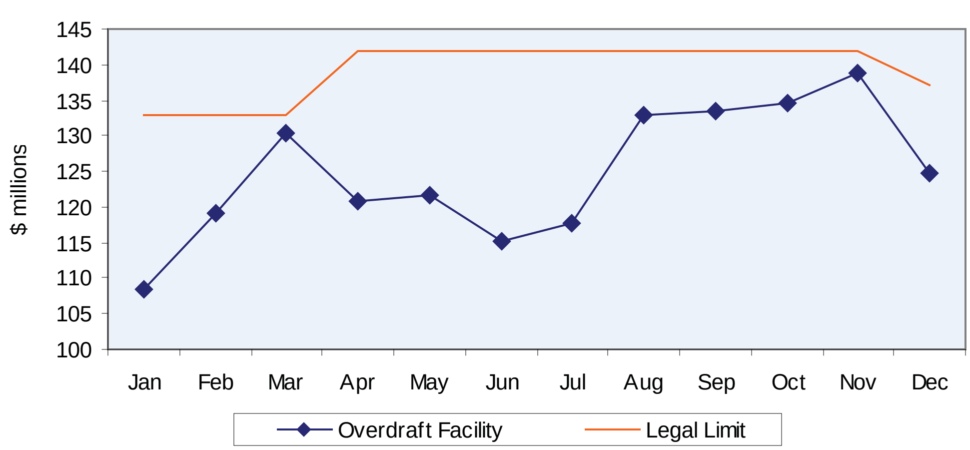
Chart 33: Treasury Bill Yield Curve



$5.0mn in one-year notes, all of which were initially taken up by the Central Bank. The number and volume of trades increased in comparison to the previous year with more participation in the market by institutional and individual investors. The BSSB held $9.5mn, while institutional pension funds bought $5.8mn. Insurance companies also purchased these securities to use as statutory deposits ($4.8mn), while the number of small investors in the market increased from thirty in 2008 to more than fifty. The Central Bank's holdings in January stood at $56.2mn, and this gradually declined during the year to $15.5mn in October and November. In December, the new $5.0mn issue as well as the decision by two commercial banks not to reinvest in maturing issues pushed the Bank's holdings up to $35.0mn at year-end. Holdings by commercial banks peaked at $23.0mn in November, but by year-end, had reduced to $10.0mn.

At the end of the year the outstanding Treasury note issue consisted of $25.0mn in one-year notes at 6.0%, $15.0mn in two-year notes at 7.0% and $31.8mn in five-year notes at 9.0%.

Chart 34: Central Bank Holdings of Government Securities



Information Systems

In continuing efforts to fend off increasingly sophisticated threats to the security of the Bank's information, the Information Technology (IT) Department increased the stringency of the Central Bank's network security policies. The automated patch management system was upgraded, and a new monitoring and reporting utility tool was introduced to monitor security warnings and alarms. The segmentation of the Bank's network, which began in 2008, was completed with the deployment of the final four virtual local area networks (VLANs). An independent security penetration testing exercise was also conducted by an external security consultant to identify potential weaknesses in the Bank's network infrastructure with the final report scheduled for delivery in January 2010.

The IT project aimed at facilitating remote connectivity to the Bank's network using virtual private network (VPN) technology was completed during the year. The completion of this project means that Central Bank staff will be able to conduct long distance work since documents may be downloaded and uploaded even while away from the office. The commercial banks will also be expected to begin using this new infrastructure to submit their reports to the Central Bank in early 2010. Upgrades were implemented for the building and security management information systems and software was acquired to facilitate the management of the Bank's internal loan portfolio, which should be implemented in the first half of 2010.

ADMINISTRATION

Financial Performance

The Central Bank's financial statements for the year ended December 31, 2009, with comparative figures for the previous year, are attached to this report. During the year, the Central Bank's assets increased by 12.6% to $624.4mn. This reflected an increase of $108.2mn in approved external assets and a decrease of $38.3mn in domestic assets.

A net operating surplus of $7.0mn, which was $2.6mn below the previous year's performance, was recorded. With total expenses remaining comparatively stable, this largely reflected a reduction in income, particularly from foreign sources due to the fall in global interest rates that resulted from the international downturn.

Gross earnings totaled $22.5mn, which included $19.2mn and $3.3mn in domestic and foreign income, respectively. Domestic operations contributed 85.2% of the Bank's total income with some 59.2% being derived from its financing of Central Government operations.

Chart 35: Assets

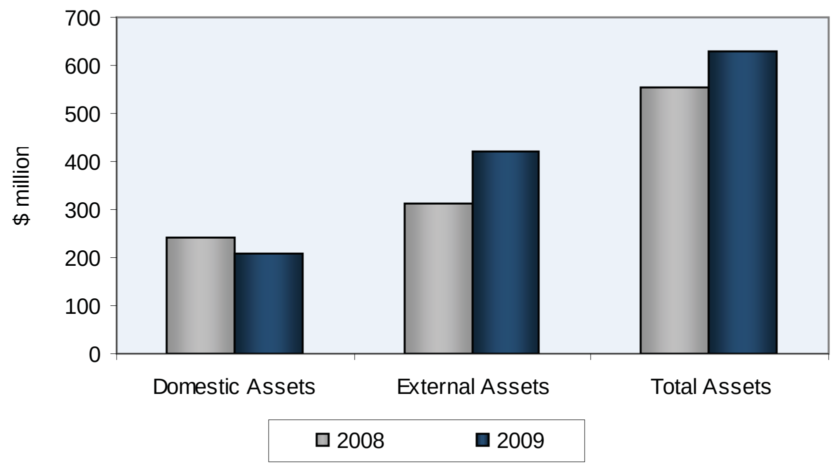
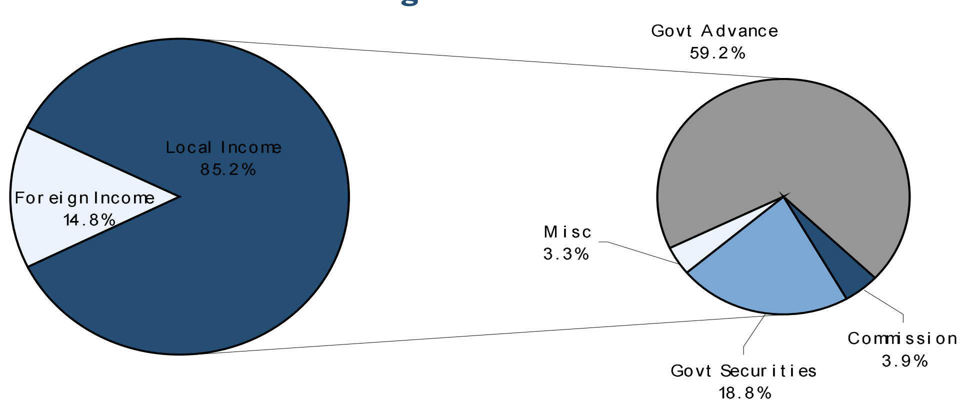


Chart 36: Foreign and Local Income



Current expenditure totaled $15.5mn with staff costs, interest payments and other operating costs accounting for 49.0%, 13.4% and 37.6%, respectively.

As provided for under Section 9(1) and section 50 of the Central Bank Act, $0.7mn (10.0% of the net operating surplus less any revaluation loss) will be paid into the Central Bank's General Reserve Fund. The balance of $6.3mn will be transferred to the Accountant General for the Government's Consolidated Revenue Fund.

Internal Audit

In 2009, Internal Audit carried out a continuous review of the Central Bank's internal operational controls in addition to its general administrative functions that include observation of currency destruction, routine monitoring of stocktaking exercises and information systems back up processes. Audits were also conducted on the reconciliation process for the Bank's 2008 financial accounts, the accounts of the Staff Club, the Central Bank's pension fund, its building supplies and art inventories as well as an assessment of the functionality of the GIOS telecommunications management software. Other audits dealt with BSSB sickness benefits, accruals of severance and gratuity payables, and the systems and processes for currency operations in order to minimize the Bank's exposure to potential fraud.

With a view to ensuring that the Central Bank's management responds appropriately to any issues raised by its external auditor, the Audit Committee reviewed the Bank's 2009 annual audited financial statements with its associated management letter and the general computer controls audit report. This formed the basis for further discussion and clarification with the Board of Directors with a view to assuring its members that all outstanding issues had been satisfactorily addressed.

Human Resources

The Human Resources Department (HRD) continued to work toward the provision of the services necessary to create a positive work environment that is conducive to excellence in staff and organizational performance. In keeping with this theme, the HRD embarked on several projects to develop and fine tune the Bank's policies and procedures relevant to staff well being. Included among these were staff training and development, and health and safety policies.

Staffing and Employee Relations

At the end of 2009, the Central Bank's staff complement totaled 166 employees, comprised of 150 permanent, 12 contract and 4 temporary personnel. The turnover rate reduced considerably during the year from 5.1% in 2008 to 1.3%. As one of the lowest rates ever recorded by the Bank, the latter is partly indicative of the positive impact of the Central Bank's retention policies aimed at deepening the staff's commitment to the organization.

In the last quarter of the previous year, a residential mortgage scheme had been introduced for staff, the objectives of which were to reduce their dependence on financial institutions supervised by the Central Bank and avoid potential conflict of interest, and also to improve staff retention. The first mortgages were disbursed in January 2009 with a total of thirteen being processed during the year. It is expected that the number of staff subscribing to this programme will increase during the next year.

Staff Activities

Activities organized by the Bank's Staff Club included the Annual Staff Christmas Party, the children's Easter Egg Hunt, cultural presentations, intramural games, and the Bank's Family Day. For the first time, the Employee Recognition Ceremony was celebrated with the Family Day to enable employees to receive recognition for their long years of service in the presence of co-workers and families. In addition, the Bankers' Christian Fellowship engaged in monthly praise and worship services and community outreach activities during the year. This group has also developed into a source of support for staff who may temporarily be experiencing difficulties of various kinds in their lives.

Staff members were permitted to celebrate national holidays by dressing in ethnic attire and teams were formed that represented the Bank in several local sporting tournaments. The staff was also active in the national diabetes awareness promotion, the annual Belize Cancer Society's Walk and the Belize Blood Bank volunteer drive. At the end of the year, staff's contributions to the annual Salvation Army Christmas Appeal surpassed all donations made in previous years.

Training and Development

Four employees were awarded with part-time scholarships based on their performance, supervisory responsibilities and years of service. This initiative was designed to assist incumbents in managerial positions to obtain the academic qualifications required for such posts. Of further note, two staff members, who were granted full scholarships from the Central Bank, returned from the United Kingdom after successfully completing their master's degree. Additional learning opportunities were facilitated through in-house, local and international courses intended to develop the personal and organizational skills, knowledge and abilities of employees.

The Central Bank hosted training provided by the Caribbean Regional Technical Assistance Centre (CARTAC) on "Macroeconomic Statistics for Economists: An Introduction to Macroeconomic Statistical Systems". The objective of the training, which was conducted between 12 and 16 January, 2009, was to enhance participants' understanding of macroeconomic statistics and strengthen their analytical and technical capabilities in macroeconomic analysis and management. Twenty-one persons from Bahamas, St. Lucia and Belize participated in the training, which was facilitated by two US experts.

At the request of the Central Bank, the Commonwealth Secretariat's Debt Management Section conducted a workshop on "Debt Sustainability and Debt Strategy" from October 19 to 28, 2009. Two experts and a debt management adviser from the Commonwealth Secretariat were the facilitators, and participants consisted of economists from the Research Department and technical staff from the Ministry of Finance. The objective was to develop the institutional capacity to analyze debt sustainability and formulate a sovereign debt strategy that should enable the country to align its debt management and growth objectives.

Corporate Relations

In support of the development of national education, four students at the university and junior college levels were offered temporary employment to meet their core requirements for graduation. Ten senior high school students participated in the work study programmes at the Central Bank and eight tertiary level students were also given the opportunity to develop their practical skills under the Central Bank's Summer Employment Program.

The **XX Annual Conference of Regional Central Banks' Information Systems Specialists** was hosted by the Bank during June 8-12, 2009 under the theme *"Information Technology: Advancing Effective Communications in Central Banking"*. Ten regional central banks participated in the conference during which technical papers were exchanged and presentations made on a wide range of topics pertinent to the current state of information technology.

The Central Bank hosted the annual CARTAC Steering Committee meeting on 12 November, 2009. The Committee reviewed CARTAC's activities and results during the past year, agreed on its future work focus and discussed the funding status for phase III of the project. A draft mid-term evaluation report on CARTAC was also presented and discussed.

Box 6: Meetings and Conferences Attended by the Governor and Deputy Governors

Name of Meeting/Conference	Month	Place
Thirteenth Meeting of the Council for Finance and Planning (COFAP)	January	Barbados
Caribbean Centre for Money & Finance (CCMF) Executive Committee Meeting	July	Trinidad & Tobago
CCMF 13th Annual Senior Level Policy Seminar	September	Jamaica
XXX Meeting of the Latin American Network of Central Banks & Finance Ministries	October	Washington, D.C, U.S.A
Portfolio Review and Debt Sustainability Workshop (Commonwealth Secretariat)	October	Belize
33rd Bi-Annual Meeting of Central Bank Governors of CARICOM	October/November	Haiti
Caribbean Regional Technical Assistance Centre (CARTAC) Steering Committee Meeting	November	Belize

APPENDICES

A. Monetary Policy Developments

1998 - **(01 November)** Commercial banks' liquid asset and cash reserve ratios were lowered from 26% to 24% and from 7% to 5%, respectively. The Central Bank also authorized the inclusion of new loans for residential construction (up to 5% of deposit liabilities) as part of commercial banks approved liquid assets.

2000 - **(03 April)** Commercial banks' cash reserve requirement on savings and time deposits was lowered from 5.0% to 3.0%. New commercial bank loans for non-traditional, export-oriented enterprises became classifiable as approved liquid assets.

2002 - **(02 January)** Amendments to the Exchange Control Regulations that allowed the licensing and operations of Casas de Cambios became effective.
(01 October) The Offshore Banking Act was amended to enable domestic companies with EPZ and CFZ status to conduct banking transactions with offshore banks licensed in Belize. The Act was also renamed "The International Banking Act".
(28 September) Commercial banks' cash reserve requirements were raised from 3.0% to 5.0% on average savings and time deposit liabilities and from 5.0% to 7.0% on average demand deposit liabilities.
(01 November) The cash reserve requirements on demand, savings and time deposit liabilities were harmonized at 6.0%.

2004 - **(29 January)** The Export Processing Zone Act was amended to disallow the use of Belize currency within an EPZ, require that all transactions be conducted in US dollars and specify that EPZ's are subject to the Exchange Control Regulations.
(01 April) The Central Bank disallowed the inclusion of residential construction loans as part of commercial banks' approved liquid assets, a move that coincided with the reduction of the liquid asset ratio from 24% to 19%.
(01 November) The International Banking Act was amended to eliminate the co-mingling of resident and non-resident deposits in domestic banks. The Central Bank decreed that commercial banks' loans from affiliates must not exceed 10% of domestic deposit liabilities.
(01 December) Commercial banks' cash and liquid asset ratios were increased from 6% to 7% and from 19% to 20%, respectively.

2005 - **(01 May)** Commercial banks' cash and liquid asset ratios were raised from 7% to 8% and from 20% to 21% respectively.
(01 May) The Central Bank disallowed the inclusion of long-term loans to Central Government as part of the commercial banks' approved liquid assets.
(11 July) Amendment to the Exchange Controls Regulations to repeal the licensing of Casas de Cambios.
(01 July) Commencement of the new Commercial Free Zone Act to make new and better provisions with respect to free zones.
(**01 December)** Amendment of the Credit Unions Act to provide for the appointment of the Governor of the Central Bank as Registrar of credit unions.

2006 - **(01 January)** Commercial banks' cash and liquid asset ratios were raised from 8% to 9% and from 21% to 22% respectively.

(01 January) The Central Bank disallowed the process of co-mingling domestic and offshore deposits and required the commercial banks to transfer all foreign currency deposits belonging to non-residents to their offshore branches as stipulated under the International Banking Act.

(**01 September)** Commercial banks' cash and liquid asset ratios were raised from 9% to 10% and from 22% to 23% respectively.

2009 - **(06 May)** The short term yield on Treasury bills that had been fixed by the Ministry of Finance at 3.25% since 2002 was liberalized with a reversion to the system of competitive bidding.

(26 August) The fixed interest rate for interbank loans was removed and replaced by an 11.0% ceiling rate. Commercial banks were subsequently allowed to offer and place funds at market determined rates below this upper threshhold.

B: Statistical Appendix

Table A.1: Factors Responsible for Money Supply Movements

$mn

	Position as at			Changes During
	Dec 2007	Dec 2008	Dec 2009	2009
Net Foreign Assets	**351.1**	**425.4**	**564.3**	**139.0**
Central Bank	215.1	330.0	434.6	104.6
Commercial Bank	136.0	95.4	129.7	34.4
Net Domestic Credit	**1,799.6**	**1,931.9**	**2,002.4**	**70.6**
Central Government (Net)	220.4	190.5	192.6	2.2
Other Public Sector	15.9	12.9	10.2	-2.7
Private Sector	1,563.3	1,728.5	1,799.6	71.1
Central Bank Foreign Liabilities (Long-term)	**0.0**	**0.0**	**70.8**	**70.8**
Other Items (net)	**414.6**	**390.7**	**402.7**	**12.3**
Money Supply M2	**1,736.1**	**1,966.6**	**2,093.2**	**126.5**

Table A.2: Money Supply

$mn

	Position as at			Changes During
	Dec 2007	Dec 2008	Dec 2009	2009
Money Supply (M2)	**1,736.1**	**1,966.6**	**2,093.2**	**126.5**
Money Supply (M1)	**704.4**	**706.2**	**713.3**	**7.0**
Currency with the Public	153.4	153.9	154.5	0.6
Demand Deposits	381.3	368.0	376.7	8.6
Savings/Cheque Deposits	169.7	184.3	182.1	-2.2
Quasi-Money	**1,031.7**	**1,260.4**	**1,379.9**	**119.5**
Savings Deposits	151.6	165.4	181.5	16.0
Time Deposits	880.1	1,095.0	1,198.4	103.5

Table A.3: Net Foreign Assets of the Banking System

$mn

	Position as at			Changes During
	Dec 2007	Dec 2008	Dec 2009	2009
Net Foreign Assets	**351.1**	**425.4**	**564.3**	**139.0**
Central Bank	**215.1**	**330.0**	**434.6**	**104.6**
Foreign Assets	217.5	333.2	435.7	102.5
Foreign Liabilities(Demand)	2.4	3.2	1.1	-2.1
Commercial Banks	**136.0**	**95.4**	**129.7**	**34.4**
Foreign Assets	203.3	235.5	203.9	-31.6
Foreign Liab. (Short-Term)	67.3	140.1	74.2	-66.0

Table A.4: Net Domestic Credit

$mn

	Dec 2007	Position as at Dec 2008	Dec 2009	Changes During 2009
Total Credit to Central Government	**294.3**	**307.2**	**278.5**	**-28.7**
From Central Bank	229.5	212.3	170.1	-42.2
From Commercial Banks	64.8	94.9	108.4	13.5
Less Central Government Deposits	73.9	116.7	85.9	-30.9
Net Credit to Central Government	**220.4**	**190.5**	**192.6**	**2.2**
Plus Credit to Other Public Sector	**15.9**	**12.9**	**10.2**	**-2.7**
Plus Credit to the Private Sector	**1,563.3**	**1,728.5**	**1,799.6**	**71.1**
Net Domestic Credit of the Banking System	**1,799.6**	**1,931.9**	**2,002.4**	**70.6**

Table A.5: Sectoral Composition of Commercial Bank's Loans an Advances

$mn

	Dec 2007	Position as at Dec 2008	Dec 2009	Changes Dec 2008 to Dec 2009
PRIMARY SECTOR	**182.0**	**197.9**	**193.2**	**-4.7**
Agriculture	120.8	135.8	134.1	-1.7
Sugar	13.4	17.6	17.8	0.2
Citrus	18.6	18.7	16.9	-1.8
Bananas	73.9	79.0	77.0	-2.0
Other	14.9	20.5	22.4	1.9
Marine Products	27.4	28.1	33.7	5.6
Forestry	1.8	2.3	2.4	0.1
Mining & Exploration	32.0	31.7	23.0	-8.7
SECONDARY SECTOR	**422.7**	**468.7**	**550.3**	**81.6**
Manufacturing	32.0	41.3	49.6	8.3
Building & Construction	365.2	411.6	477.4	65.8
Utilities	25.5	15.8	23.3	7.5
TERTIARY SECTOR	**619.6**	**695.1**	**687.5**	**-7.6**
Transport	55.8	75.9	75.9	0.0
Tourism	133.2	132.8	129.8	-3.0
Distribution	193.9	227.8	222.6	-5.2
Other(1)	236.7	258.6	259.2	0.6
Personal Loans	**375.3**	**380.7**	**374.4**	**-6.3**
TOTAL	**1,599.6**	**1,742.4**	**1,805.4**	**63.0**

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

Table A.6: Commercial Banks' Holdings of Approved Liquid Assets

$mn

	Position as at			Changes During
	Dec 2007	Dec 2008	Dec 2009	2009
Holdings of Approved Liquid Assets	**416.7**	**491.3**	**551.3**	**59.9**
Notes and Coins	42.5	47.0	50.6	3.6
Balances with Central Bank	167.8	194.3	230.3	35.9
Money at Call and Foreign Balances (due 90 days)	124.4	149.3	134.7	-14.6
Treasury Bills maturing in not more than 90 days	34.8	79.4	98.0	18.6
Other Approved assets	47.2	21.3	37.7	16.4
Required Liquid Assets	**358.2**	**407.3**	**446.3**	**39.1**
Excess/(Deficiency) Liquid Assets	**58.5**	**84.0**	**105.0**	**20.8**
Daily Average holdings of Cash Reserves	164.4	192.2	234.1	41.9
Required Cash Reserves	155.7	177.1	194.1	17.0
Excess/(Deficiency) Cash Reserves	**8.7**	**15.1**	**40.0**	**24.9**

Table A.7: Commercial Banks' Weighted Average Interest Rates

Percentage

	Position as at			Changes Dec 2008 to
	Dec 2007	Dec 2008	Dec 2009	Dec 2009
Weighted Lending Rates				
Personal Loans	16.17	15.94	15.28	-0.66
Commercial Loans	13.80	13.55	13.52	-0.03
Residential Construction	13.14	12.78	13.26	0.48
Other	13.52	13.45	11.29	-2.16
Weighted Average	**14.30**	**14.10**	**13.98**	**-0.12**
Weighted Deposit Rates				
Demand	1.13	1.10	0.72	-0.38
Savings/ Cheque	5.16	5.09	5.00	-0.09
Savings	5.23	5.28	5.24	-0.04
Time	8.38	8.51	8.17	-0.34
Weighted Average	**5.97**	**6.35**	**6.12**	**-0.23**
Weighted Average Spread	**8.33**	**7.75**	**7.86**	**0.11**

Table A.8: GDP by Acitivity at Current and Constant 2000 Prices

$mn

	2005	2006	2007	2008	2009
GDP at current market prices	**2,229.6**	**2,426.2**	**2,553.5**	**2,717.4**	**2,707.0**
GDP at constant 2000 market prices	**2,163.1**	**2,263.8**	**2,294.1**	**2,377.7**	**2,377.6**
Primary Industries	**382.4**	**358.1**	**283.9**	**284.1**	**277.1**
Agriculture, hunting & forestry	235.5	233.7	230.4	232.1	220.2
Fishing	146.9	124.4	53.5	52.0	56.9
Secondary Industries	**315.9**	**395.8**	**415.2**	**456.5**	**508.9**
Manufacturing (incl. mining and quarrying)	179.9	234.8	254.2	268.2	286.7
Electricity & Water	64.0	90.4	92.5	95.4	111.7
Construction	72.0	70.6	68.5	93.0	110.5
Tertiary Industries	**1,172.7**	**1,192.5**	**1,252.1**	**1,294.2**	**1,275.8**
Wholesale & retail trade	322.6	326.6	332.9	347.7	323.0
Hotels & restaurants	88.1	87.5	91.4	87.2	83.3
Transport & Communications	218.8	226.4	258.2	262.5	255.4
Other Private Services excl. FISIM	345.1	364.3	373.8	392.0	400.8
Producers of Government Services	198.0	187.7	195.9	204.8	213.3
All Industries at basic prices	**1,878.0**	**1,955.4**	**1,954.1**	**2,034.8**	**2,061.8**
Taxes less subsidies on products	285.1	308.3	340.0	342.9	315.8

Source: SIB

Table A.9: Annual Percentage Change in GDP by Activity at Current and Constant 2000 Prices

Percentage

	2005	2006	2007	2008	2009
GDP at current market prices	**6.8%**	**8.8%**	**5.2%**	**6.4%**	**-0.4%**
GDP at constant 2000 market prices	**4.6%**	**4.7%**	**1.3%**	**3.6%**	**0.0%**
Primary Industries	**9.5%**	**-6.4%**	**-20.7%**	**0.0%**	**-2.4%**
Agriculture, hunting & forestry	11.9%	-0.8%	-1.4%	0.7%	-5.1%
Fishing	5.5%	-15.3%	-57.0%	-2.9%	9.4%
Secondary Industries	**7.2%**	**25.3%**	**4.9%**	**9.9%**	**11.5%**
Manufacturing (incl. mining and quarrying)	11.8%	30.5%	8.3%	5.5%	6.9%
Electricity & Water	-1.5%	41.3%	2.4%	3.1%	17.1%
Construction	4.6%	-2.0%	-3.0%	35.7%	18.8%
Tertiary Industries	**3.2%**	**1.7%**	**5.0%**	**3.4%**	**-1.4%**
Wholesale & retail trade	-0.1%	1.2%	1.9%	4.5%	-7.1%
Hotels & restaurants	8.3%	-0.7%	4.5%	-4.6%	-4.5%
Transport & Communications	5.0%	3.5%	14.0%	1.7%	-2.7%
Other Private Services excl. FISIM	5.3%	5.6%	2.6%	4.9%	2.2%
Producers of Government Services	1.3%	-5.2%	4.4%	4.6%	4.1%
All Industries at basic prices	**5.2%**	**4.1%**	**-0.1%**	**4.1%**	**1.3%**
Taxes less subsidies on products	1.4%	8.1%	10.3%	0.9%	-7.9%

Source: SIB

Table A.10: Bona Fide Tourist Arrivals & Expenditure

	2007	2008	2009
Stay-over Arrivals			
Air	184,332	179,032	169,212
Land	47,253	46,135	42,560
Sea	9,990	9,540	9,883
Total stay-overs	**241,575**	**234,706**	**221,654**
Cruise Ship Arrivals[(1)]	**560,478**	**537,632**	**634,697**
Tourist Expenditure ($mn)	*567.2*	*545.1*	*501.9*

Sources: Immigration Department, Belize Tourism Board, and Central Bank of Belize

(1) Arrivals measure tourists disembarking from the cruise ship

Table A.11: Quarterly Percentage Change in CPI Components by Major Commodity Group

Percentage

Major Commodity	Weights	Feb-09	May-09	Aug-09	Nov-09	Inflation Rate
Food, Beverage and Tobacco	346.6	11.9	3.3	-3.0	-4.5	1.6
Clothing and Footwear	92.0	-1.5	-1.2	-0.6	-0.2	-0.9
Rent, Water, Fuel and Power	167.6	-3.9	-5.6	-4.4	-1.7	-3.9
Household Goods & Maintenance	85.3	0.7	-0.7	-0.9	0.1	-0.2
Medical Care	20.1	1.6	0.8	-0.4	1.6	0.9
Transport and Communication	170.1	-12.3	-9.6	-7.6	8.6	-5.6
Recreation, Education, Culture	80.4	1.5	0.7	0.5	0.5	0.8
Personal Care	37.9	2.8	1.4	0.3	0.1	1.1
All items	**1000**	**1.5**	**-1.7**	**-3.6**	**-0.4**	**-1.1**

Source: SIB

Table A.12: Balance of Payments - Merchandise Trade

$mn

	2007	2008	2009	Change
Goods Exports, f.o.b.	**851.1**	**960.2**	**763.7**	**-20.5%**
of which: Domestic Exports	496.6	588.5	489.1	-16.9%
CFZ sales	310.5	330.3	255.5	-22.7%
Other Re-exports	44.0	41.3	19.1	-53.8%
Goods Imports, f.o.b.	**1,284.0**	**1,576.5**	**1,241.0**	**-21.3%**
of which: Free Circulation Area	1044.5	1,292.8	1,098.7	-15.0%
CFZ[(1)]	239.6	283.7	142.4	-49.8%
Merchandise Trade Balance	**-432.9**	**-616.3**	**-477.3**	**-22.6%**

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

Table A.13: Domestic Exports

$mn

	2007	2008	2009
Traditional Exports	**348.9**	**324.5**	**319.6**
Sugar	88.1	71.4	89.1
Citrus Juices[1]	106.1	90.4	73.9
Citrus Concentrate	*106.1*	*89.7*	*73.9*
Not-from-Concentrate	*0.0*	*0.7*	*0.0*
Molasses[1]	5.8	3.6	3.9
Bananas	39.8	66.9	66.8
Marine[1]	64.2	69.6	64.1
Garments	18.8	0.3	0.0
Papayas	26.1	22.4	21.8
Petroleum[2]	**122.1**	**230.9**	**120.6**
Non-traditional Exports	**25.6**	**33.9**	**49.8**
Total Exports	**496.6**	**588.5**	**489.1**

Sources: SIB, BSI, CPBL, and CBB

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

(2) Estimated f.o.b. value of petroleum shipment.

Table A.14: Exports of Sugar and Molasses

	2007		2008		2009	
	Volume (long tons)	Value ($'000)	Volume (long tons)	Value ($'000)	Volume (long tons)	Value ($'000)
Sugar[1]	**83,132**	**88,142**	**66,277**	**71,384**	**77,496**	**89,081**
E.U.	55,377	62,108	65,645	70,770	77,357	88,950
USA	24,953	23,299	0	0	0	0
CARICOM	2,215	2,160	310	302	0	0
Other	588	575	321	311	139	132
Molasses[2]	**41,097**	**5,805**	**32,843**	**3,559**	**22,178**	**3,868**

Sources: BSI, and SIB

(1) Reflects value of export shipments.

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

Table A.15: Export Sales of Citrus Juices and Pulp[1]

	2007	2008	2009
Concentrate ('000 ps)	**32,399**	**37,115**	**36,694**
Orange	28,819	31,012	31,999
Grapefruit	3,580	6,103	4,695
Concentrate value ($mn)	**106.1**	**89.7**	**73.9**
Orange	94.3	76.6	63.2
Grapefruit	11.9	13.1	10.7
Not-from-concentrate Exports ('000 ps)	**0.0**	**1.5**	**0.0**
Orange	0.0	1.5	0.0
Grapefruit	0.0	0.0	0.0
Not-from-concentrate Value ($mn)	**0.0**	**0.7**	**0.1**
Orange	0.0	0.0	0.1
Grapefruit	0.0	0.0	0.0
Pulp Export ('000 pounds)	**2,287**	**1,726**	**2,928**
Pulp Value ($mn)	**1.5**	**1.3**	**2.1**

Source: CPBL

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

Table A.16: Export of Bananas

	2007	2008 [1]	2009
Volume (metric tons)	**61,987**	**81,267**	**80,424**
Value ($mn)	**39.8**	**66.9**	**66.8**

Source: SIB, BGA

(1) Adjusted for the US $0.24 per 40 pound box to cover out of quota tariff costs for the 2007 shipments.

Table A.17: Export of Marine Products

	2007		2008		2009	
	Volume *('000 lbs)*	Value *($'000)*	Volume *('000 lbs)*	Value *($'000)*	Volume *('000 lbs)*	Value *($'000)*
Lobster Tail	443	15,997	429.91	14,665	519.75	13,011
Lobster Head	15	99	19.2	144	0	0
Shrimp[1]	11,885	41,741	10,467	43,790	12,454	41,664
Conch	526	5,389	649	6640	666	7282
Whole/Fillet Fish	363	928	2673	4,325	1599	2,116
Other	3	20	0	0	0	0
Total	**13,235**	**64,174**	**14,238**	**69,564**	**15,239**	**64,073**

Source: SIB

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

Table A.18: Other Major Exports

	2007	2008	2009
Garments			
Volume (mn lbs)	1.68	0.03	0.00
Value ($mn)	18.8	0.3	0.0
Papayas			
Volume ('000 lbs)	72,943	63,716	54,705
Value ($mn)	26.1	22.4	21.8
Petroleum[(1)]			
Volume (barrels)	956,476	1,024,269	1,261,600
Value ($mn)	122.1	230.9	120.6

Source: SIB

(1) Quality differentials and international transportation cost was taken out of the c.i.f. value as reported by the SIB to derive a f.o.b. value.

Table A.19: Gross Imports (c.i.f.) by SITC Categories

$mn

SITC Category	2005	2006	2007	2008	2009
0 Food and Live Animals	120.7	118.2	135.6	160.4	156.5
1 Beverages and Tobacco	10.5	11.2	12.2	15.6	20.6
2 Crude Materials	9.1	10.9	12.9	12.7	14.1
3 Fuels and Lubricants	236.0	246.5	266.0	337.5	249.6
Of which electricity	*40.3*	*33.2*	*46.4*	*66.3*	*40.1*
4 Animal and Vegetable Oils	3.2	3.9	4.0	5.8	5.4
5 Chemicals	88.7	93.6	102.0	118.1	125.2
6 Manufactured Goods	138.9	164.2	164.2	230.9	178.2
7 Machinery and Transport Equipment	199.8	219.1	251.2	351.6	266.9
8 Miscellaneous Manufactured Goods	101.1	102.4	101.8	100.0	94.8
9 Commodities - not classified elsewhere	0.0	0.0	0.0	1.6	0.5
Export Processing Zones	124.7	157.9	98.5	91.8	104.9
Personal Goods	2.7	3.4	3.3	3.3	3.4
Total	**1,035.4**	**1,131.4**	**1,151.8**	**1,429.1**	**1,220.0**
CFZ Direct Imports	190.7	222.6	263.3	311.7	156.4
Grand Total	**1,226.1**	**1,354.0**	**1,415.1**	**1,740.8**	**1,376.5**

Sources: SIB, and CBB

Table A.20: Balance of Payments - Service, Income and Current Transfers

$mn

	2007			2008			2009		
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net
Services	**796.2**	**336.3**	**459.8**	**773.0**	**339.2**	**433.7**	**689.9**	**323.5**	**366.4**
Transportation	59.8	113.8	-54.0	50.0	138.9	-88.8	33.7	110.0	-76.3
Travel	577.3	85.5	491.8	557.0	81.6	475.4	512.5	81.4	431.1
Other Goods and Services	100.7	118.7	-18.0	104.0	101.4	2.6	88.8	115.7	-26.9
Govt. Goods and Services, N.I.E	58.3	18.3	40.0	62.0	17.4	44.6	54.9	16.4	38.5
Income	**13.9**	**331.8**	**-317.9**	**11.9**	**317.1**	**-305.2**	**8.9**	**243.8**	**-234.9**
Labour Income	4.7	10.4	-5.7	4.7	12.5	-7.8	4.7	11.7	-7.0
Investment Income(1)	9.2	321.4	-312.2	7.1	304.6	-297.4	4.2	232.2	-227.9
Current Transfers	**273.1**	**86.3**	**186.8**	**282.2**	**59.1**	**223.1**	**204.2**	**45.0**	**159.2**
Government	81.9	50.3	31.6	56.5	11.3	45.1	4.5	7.7	-3.2
Private	191.2	36.0	155.2	225.7	47.7	178.0	199.7	37.3	162.4

(1) Data include an estimate for profit remittances from the tourism industry.

Table A.21: Balance of Payments - Capital and Financial Accounts

$mn

	2007	2008	2009
	Net	Net	Net
CAPITAL ACCOUNT	**8.2**	**18.1**	**37.0**
General Government	6.9	16.8	34.2
Other Sectors	1.3	1.3	2.8
FINANCIAL ACCOUNT	**239.1**	**453.3**	**203.0**
Direct Investment Abroad	-2.0	-5.5	-0.9
Direct Investment in Belize	286.3	381.7	190.8
Portfolio Investment Assets	-0.8	5.8	-9.0
Portfolio Investment Liabilities	158.3	-5.5	-10.3
Financial Derivatives Assets	0.0	0.0	0.0
Financial Derivatives Liabilities	0.0	0.0	0.0
Other Investment Assets	9.4	-27.6	26.9
Monetary Authorities	37.1	0.1	0.1
General Government	-3.8	-3.9	-4.9
Banks	-22.9	-32.2	31.6
Other Sectors	-0.9	8.3	0.3
Other Investment Liabilities	-212.1	104.5	5.5
Monetary Authorities	0.0	0.8	67.5
General Government	-175.8	-15.9	50.5
Banks	-58.5	72.8	-66.0
Other Sectors	22.2	46.8	-46.5
CHANGES IN RESERVES (Minus = Increase)	**-45.8**	**-115.8**	**-94.5**

Table A.22: Official International Reserves

$mn

	Position as at			Changes during 2009
	Dec-07	Dec-08	Dec-09	
Gross Official International Reserves[1]	**217.1**	**332.9**	**427.4**	**94.5**
Central Bank of Belize	**197.6**	**311.4**	**411.4**	**100.0**
Holdings of SDRs	6.8	7.1	63.2	56.1
IMF Reserve Tranche	13.4	13.0	13.3	0.2
Other	177.4	291.2	334.9	43.7
Central Government	**19.4**	**21.5**	**16.0**	**-5.5**
Foreign Liabilities	**2.4**	**3.2**	**1.1**	**-2.1**
CARICOM	0.0	0.9	0.2	-0.8
Other	2.4	2.2	0.9	-1.3
Net Official International Reserves	**214.7**	**329.7**	**426.3**	**96.6**

(1) These numbers reflect only usable reserves as defined by BPM5.

Table A.23: Balance of Payments Summary

$mn

	2007	2008	2009
CURRENT ACCOUNT	**-104.2**	**-264.7**	**-186.6**
Goods: Exports f.o.b.	851.1	960.2	763.7
Goods: Imports f.o.b.	-1284.0	-1,576.5	-1,241.0
Trade Balance	-432.9	-616.3	-477.3
Services: Credit	796.2	773.0	689.9
Transportation	59.8	50.0	33.7
Travel(1)	577.3	557.0	512.5
Other Goods & Services	100.7	104.0	88.9
Gov't Goods & Services	58.3	62.0	54.9
Services: Debit	-336.3	-339.2	-323.5
Transportation	-113.8	-138.9	-110.0
Travel	-85.5	-81.6	-81.4
Other Goods & Services	-118.7	-101.4	-115.7
Gov't Goods & Services	-18.3	-17.4	-16.4
Balance on Goods & Services	27.0	-182.6	-110.9
Income: Credit	13.9	11.9	8.9
Compensation of Employees	4.7	4.7	4.7
Investment Income	9.2	7.1	4.2
Income: Debit	-331.8	-317.1	-243.9
Compensation of Employees	-10.4	-12.5	-11.7
Investment Income(2)	-321.4	-304.6	-232.2
Balances on Goods, Services & Income	-291.0	-487.8	-345.7
Current Transfers: Credit	273.1	282.2	204.2
Government	81.9	56.5	4.5
Private	191.2	225.7	199.7
Current Transfers: Debit	-86.3	-59.1	-45.0
Government	-50.3	-11.3	-7.7
Private	-36.0	-47.7	-37.3
CAPITAL ACCOUNT, n.i.e.	**8.2**	**18.1**	**37.0**
Capital Account: Credit	10.2	20.8	37.6
Capital Account: Debit	-2.0	-2.7	-0.6
FINANCIAL ACCOUNT, n.i.e.	**239.1**	**453.3**	**203.0**
Direct Investment Abroad	-2.0	-5.5	-0.9
Direct Investment in Belize, n.i.e.	286.3	381.7	190.8
Portfolio Investment Assets	-0.8	5.8	-9.0
Portfolio Investment Liabilities, n.i.e.	158.3	-5.5	-10.3
Financial Derivatives Assets	0.0	0.0	0.0
Financial Derivatives Liabilities	0.0	0.0	0.0
Other Investment Assets	9.4	-27.6	26.9
Other Investment Liabilities	-212.1	104.5	5.5
NET ERRORS & OMISSIONS	**-97.3**	**-90.9**	**41.1**
OVERALL BALANCE	**45.8**	**115.8**	**94.5**
RESERVE ASSETS (Minus = increase)	**-45.8**	**-115.8**	**-94.5**

(1) Tourism earnings were based on Visitor Expenditure Surveys.
(2) Data include an estimate for profit remittances from the tourism industry.

Table A.24: Government of Belize - Revenue & Expenditure

$'000

	Fiscal Year 2008/2009	Estimated Budget 2009/2010	Jan-Dec 2007	Jan-Dec 2008	Jan-Dec 2009
TOTAL REVENUE & GRANTS (1+2+3)	777,844	807,330	765,671	800,695	698,787
1).Current revenue	706,415	751,271	651,467	729,394	653,898
Tax revenue	593,960	670,112	577,020	616,573	576,883
Income and profits	196,674	210,472	164,671	200,077	202,726
Taxes on property	6,323	7,706	5,985	6,490	5,148
Taxes on goods and services	236,703	261,525	231,789	248,190	210,616
Int'l trade and transactions	154,259	190,409	174,576	161,816	158,393
Non-Tax Revenue	112,455	81,158	74,447	112,821	77,014
Property income	24,113	10,734	12,643	14,247	11,161
Licenses	14,684	9,447	12,276	14,516	12,460
Transfers from Gov Depts	23,515	23,995	27,041	23,474	25,485
Repayment of old loans	21,022	7,567	541	29,689	5,899
Rent & Royalties(1)	29,121	29,416	21,945	30,895	22,009
2). Capital revenue(2)	4,383	5,600	28,366	8,630	10,611
3). Grants	67,046	50,459	85,839	62,672	34,278
TOTAL EXPENDITURE (1+2)	767,480	856,426	796,508	759,464	775,000
1). Current Expenditure	633,842	689,760	636,121	617,861	661,756
Wages and Salaries	250,104	276,521	230,045	245,729	268,530
Pensions	47,528	43,916	40,490	47,788	46,696
Goods and Services(3)	148,721	169,386	158,417	135,442	159,378
Interest Payments	102,344	105,942	134,885	105,245	97,028
Subsidies & current transfers	85,144	93,996	72,284	83,656	90,124
2). Capital Expenditure	133,638	166,665	160,387	141,604	113,244
Capital II (local sources)	78,766	63,379	77,728	69,107	67,939
Capital III (foreign sources)	51,666	100,078	40,253	64,756	40,912
Capital Transfer & Net Lending	3,207	3,208	42,405	7,741	4,394
CURRENT BALANCE	**72,574**	**61,510**	**15,346**	**111,534**	**(7,859)**
OVERALL BALANCE	**10,364**	**-49,096**	**-30,837**	**41,231**	**(76,213)**
PRIMARY BALANCE	**112,709**	**56,846**	**104,048**	**146,476**	**20,814**
OVERALL BALANCE W/OUT Grants	**-56,682**	**-99,555**	**-116,676**	**-21,441**	**(110,492)**
PRIMARY BALANCE W/OUT Grants	**45,663**	**6,386**	**18,210**	**83,805**	**(13,464)**
FINANCING	**-10,364**		**30,837**	**-41,231**	**76,213**
Domestic Financing	-24,205		19,316	-23,342	16,905
Central Bank	-79,858		7,741	-70,922	(1,936)
Net Borrowing	-91,305		696	-17,300	(42,203)
Change in Deposits	11,446		7,045	-53,621	40,267
Commercial Banks	47,299		23,725	40,974	4,015
Net Borrowing	53,758		22,037	30,177	13,457
Change in Deposits	-6,459		1,688	10,797	(9,442)
Other Domestic Financing	8,354		-12,150	6,605	14,826
Financing Abroad	7,354		-786	-3,253	60,491
Disbursements	88,890		1,202,296	85,226	129,951
Amortization	-81,536		-1,203,082	-88,479	-69,460
Other	6,487		12,306	-14,636	-1,182

Sources: Ministry of Finance, and Central Bank of Belize

(1) Rent and royalties included $10.5mn (2009), $18.4mn (2008) and $$9.2mn (2007) in royalties from Belize Natural Energy Ltd (BNE).

(2) In 2009 GOB received $6.1mn in working interest from BNE.

(3) In 2007, goods & service category was bumped up by expenditure pertaining to prepaid insurance and financial fees amounting to $26.1mn associated with the new Bear Stearns bond offering.

Table A.25: Central Government's Domestic Debt

$'000

	Disbursed Outstanding Debt 12/31/2008	Transactions During 2009: Disbursement/ New Issues of Securities	Amortization/ Reduction in Securities	Interest Payment	Net Change in Overdraft/ Securities	Disbursed Outstanding Debt 12/31/2009
Overdraft	**130,960**	**0**	**0**	**13,322**	**-6,191**	**124,769**
Central Bank	130,960	0	0	13,322	-6,191	124,769
Treasury Bills	**100,000**	**0**	**0**	**3,225**	**0**	**100,000**
Central Bank	10,069	0	0	355	-9,911	158
Commercial Banks	88,625	0	0	2,841	9,795	98,420
Other	1,306	0	0	29	116	1,422
Treasury Notes	**65,800**	**5,000**	**0**	**5,916**	**0**	**70,800**
Central Bank	61,197	4,081	**0**	2,735	-30,182	35,096
Commercial Banks	0	0	0	1,710	10,000	10,000
Other	4,603	919	0	1,471	20,182	25,704
Defence Bonds	**15,000**	**0**	**5,000**	**1,250**	**0**	**10,000**
Central Bank	10,000	0	0	800	0	10,000
Commercial Banks	100	0	100	9	0	0
Other	4,900	0	4,900	441	0	0
Loans	**21,061**	**0**	**9,581**	**779**	**0**	**11,480**
BSSB (2)	6,126	0	749	438	0	5,377
GOB/US Debt Swap	6,419	0	1,316	161	0	5,103
Reconstruction & Development(3)	1,278	0	1,278	23	0	0
BBL (Infrastructure dev.)(3)	6,238	0	6,238	67	0	0
Guardian Life Bze	1,000	0	0	90	0	1,000
TOTAL	**332,820**	**5,000**	**14,581**	**24,493**	**-6,191**	**317,048**

(1) Transactions associated with UHS loan with the Belize Bank is not included in this table due to ongoing litigation.
(2) GOB has outstanding loan with BSSB consisting of (1) Hopeville Housing Project and (2) loan used to pay-off the DFC debt.
(3) Both loans to the RECONDEV and the Belize Bank were paid down before time in February 2009.

Table A.26: Public Sector External Debt by Creditors[1]

$'000

	Disbursed Outstanding Debt 31/12/2008	Disbursements	Principal Payments	Interest & Other Payments	Parity Change	Disbursed Outstanding Debt 31/12/2009
CENTRAL GOVERNMENT	**1,822,165**	**129,951**	**69,460**	**72,606**	**-190**	**1,882,464**
Banco Nacional de Comercio Exterior	6,881	0	1,038	403	0	5,844
Fondo de Financ. de las Exportaciones	109	0	109	3	0	0
Government of the United States	2,578	0	845	104	0	1,733
Government of Trinidad and Tobago	8	0	4	0	-0	4
Government of Venezuela(2)	36,494	17,035	14,002	27	0	39,511
Kuwait Fund for Arab Economic Dev	19,102	1,987	2,166	778	-629	18,293
Republic of China	258,660	40,000	17,511	9,579	0	281,148
Caribbean Development Bank	135,802	41,523	6,089	4,519	0	171,237
European Economic Community	17,353	0	832	122	396	16,917
European Investment Bank	284	0	97	6	9	195
Inter-American Development Bank	188,522	24,387	8,382	7,338	0	204,526
International Fund for Agric. Dev.	994	0	128	45	34	901
Intl. Bank for Reconstruction & Dev.	38,456	0	7,955	1,361	0	30,502
Opec Fund for Int'l. Development	13,116	2,931	1,533	608	0	14,514
BWS Finance Limited	4,961	0	4,961	496	0	0
Manufacturers & Traders Trust Co.	4,325	0	1,730	221	0	2,595
Provident Bank & Trust of Belize (TN)	1,000	0	0	90	0	1,000
Bear Stearns & C0. Inc.	7,994	0	2,078	0	0	5,916
Bank of New York (New Bond Issue)(3)	1,085,525	2,089	0	46,904	0	1,087,613
NON-FINANCIAL PUBLIC SECTOR	**35,162**	**16**	**2,408**	**969**	**-219**	**32,551**
Kuwait Fund for Arab Economic Dev	5,791	0	343	110	-219	5,228
Deutsche Bank	818	0	347	50	0	471
Caribbean Development Bank	28,553	16	1,718	810	0	26,851
FINANCIAL PUBLIC SECTOR	**58,290**	**70,572**	**12,828**	**3,632**	**281**	**116,265**
Caribbean Development Bank	14,919	0	1,174	278	0	13,695
European Economic Community	529	0	39	2	11	501
European Investment Bank	1,022	0	690	17	0	332
Paine Webber Real Estate Securities Inc.	1,100	0	200	8	0	900
Belize Mortgage Company (4)	40,267	0	10,272	3,241	0	29,995
International Monetary Fund(5)	0	70,572	0	76	270	70,842
Government of the United States	454	0	454	10	0	0
GRAND TOTAL	**1,915,617**	**200,540**	**84,697**	**77,208**	**-128**	**2,031,280**

(1) Excludes contingent liabilities of the Central Government.
(2) Disbursements of $17.0mn were for petroleum imported under the Petrocaribe Initiative, with the last shipment ocurring at the end of April 2009 and the initiative was placed on pause.
(3) The new 'super bond' was exchanged for various commercial bonds and loans.
(4) BMC is the issuer of DFC/North American Securitization Loan through the Bank of New York.
(5) IMF SDR Allocation was included as part of the Financial Sector debt obligation.

Table A.27: Central Bank Dealings in Foreign Exchange

$mn

Month	US $, Canadian $, and UK £			CARICOM Currencies		
	Purchases	Sales	Net	Purchases	Sales	Net
January	33.7	11.8	21.9	0.00	0.02	-0.02
February	28.2	40.1	-11.9	0.00	0.37	-0.37
March	10.8	16.6	-5.8	0.00	0.12	-0.12
April	35.4	10.7	24.7	0.00	0.66	-0.66
May	16.9	18.5	-1.6	0.00	0.01	-0.01
June	8.3	14.3	-6.0	0.10	0.01	0.09
July	70.9	20.1	50.8	0.00	0.11	-0.11
August	52.6	39.1	13.5	0.00	0.05	-0.05
September	23.7	5.8	17.9	0.00	0.05	-0.05
October	18.4	20.6	-2.2	0.00	0.23	-0.23
November	15.1	10.5	4.6	0.00	0.21	-0.21
December	25.7	24.3	1.4	0.00	0.09	-0.09
Total	**339.7**	**232.4**	**107.3**	**0.10**	**1.93**	**-1.83**

Table A.28: External Asset Ratio

MONTH	Assets $mn	Liabilites $mn	External Asset Ratio (%)
January	332.90	507.50	65.60
February	320.40	498.20	64.31
March	314.90	483.24	65.16
April	339.80	495.16	68.62
May	338.90	497.09	68.18
June	332.90	490.40	67.88
July	383.70	536.91	71.46
August	397.80	551.92	72.08
September	416.60	503.26	82.78
October	414.60	497.75	83.29
November	420.20	508.08	82.70
December	419.60	513.56	81.70

Table A.29: Inter-bank Market Activity

$mn

Daily Average	Offered	Borrowed
January	103.0	26.0
February	22.0	12.0
March	66.0	2.0
April	28.0	0.0
May	10.0	5.0
June	9.0	3.0
July	12.0	2.0
August	5.0	0.0
September	5.0	0.0
October	5.0	0.0
November	13.0	5.0
December	6.0	0.0
Total	**284.0**	**55.0**

Table A.30: Central Bank Credit to Central Government

$mn

Month	Treasury Bills	Treasury Notes	Treasury Bonds	Overdraft Facility	A	B
January	7.1	56.2	10.0	108.49	2.67	19.27
February	16.1	55.2	10.0	119.07	2.96	21.15
March	0.0	43.3	10.0	130.32	1.94	23.15
April	0.0	40.2	10.0	120.85	1.83	18.18
May	6.1	37.2	10.0	121.58	1.94	18.29
June	12.7	36.7	10.0	115.21	2.16	17.34
July	19.1	25.9	10.0	117.60	2.01	17.69
August	8.1	22.8	10.0	132.94	1.49	20.00
September	1.0	18.7	10.0	133.53	1.08	20.09
October	0.1	15.5	10.0	134.52	0.93	20.24
November	1.6	15.5	10.0	138.83	0.99	20.89
December	0.2	35.1	10.0	124.77	1.65	18.77

A: Central Bank Holdings of Government Securities as a multiple of Central Bank's paid up Capital and Reserves
B: Advance to Government as a percentage of Government's estimated recurrent revenue fiscal year
Proposed estimates for Fiscal 2007/2008 $562,944,828 (January - March 2009)
Revised estimates for Fiscal 2008/2009 $664,606,668 (April - December 2009)

Table A.31: Government of Belize Treasury Bills Issues

Issue Number	Issue Date	Maturity Date	Allotment $mn	Average Discount %	Average Yield %
1/09	01/02/09	04/03/09	45.4	3.22	3.25
2/09	01/21/09	04/22/09	13.2	3.22	3.25
3/09	02/04/09	05/06/09	5.8	3.22	3.25
4/09	03/04/09	06/03/09	35.6	3.22	3.25
5/09	04/03/09	07/03/09	45.4	3.22	3.25
6/09	04/22/09	07/22/09	13.2	3.22	3.25
7/09	05/06/09	08/05/09	5.8	3.19	3.22
08/09	06/03/09	09/02/09	35.6	3.22	3.25
09/09	07/03/09	10/02/09	45.4	3.39	3.42
10/09	07/22/09	10/21/09	13.2	3.28	3.31
11/09	08/05/09	11/04/09	5.8	3.25	3.28
12/09	09/02/09	12/02/09	35.6	3.30	3.33
13/09	10/02/09	01/04/10	45.4	3.25	3.28
14/09	10/21/09	01/20/10	13.2	3.23	3.26
15/09	11/04/09	02/03/10	5.8	3.25	3.27
16/09	12/02/09	03/03/10	35.6	3.17	3.19

FINANCIAL STATEMENTS

CENTRAL BANK OF BELIZE

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Central Bank of Belize:

Report on the Financial Statements

We have audited the accompanying financial statements of Central Bank of Belize, which comprise the statements of financial position as of December 31, 2009 and 2008, the statements of income, statement of other comprehensive income, statements of changes in equity, and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the Central Bank of Belize Act and the Bank and Financial Institutions Act of Belize. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Central Bank of Belize as of December 31, 2009 and 2008, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards, the Central Bank Act, and the Bank and Financial Institutions Act of Belize.

Castillo Sanchez & Burrell, LLP

Chartered Accountants
February 19, 2010

CENTRAL BANK OF BELIZE

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2009 AND 2008 (IN BELIZE DOLLARS)

ASSETS	**Notes**	**2009**	2008
APPROVED EXTERNAL ASSETS:			
Balances and deposits with foreign bankers	4	**$ 7,713,848**	$ 8,312,704
Reserve Tranche and balances with the International Monetary Fund	5	**76,459,976**	20,116,361
Other foreign credits instruments	6	**304,062,057**	258,819,171
Accrued interest and cash-in-transit	2n,7	**1,355,798**	2,107,826
Marketable securities issued or guaranteed by foreign government and international financial institutions	8	**30,000,000**	22,000,000
		419,591,679	311,356,062
BELIZE GOVERNMENT SECURITIES	9	**45,253,945**	81,265,901
BELIZE GOVERNMENT CURRENT ACCOUNT	10	**118,434,064**	122,947,200
BALANCES WITH LOCAL BANKERS AND CASH ON HAND		**181,085**	152,926
OTHER ASSETS	11	**10,020,026**	9,545,451
PENSION ASSET	25	**2,053,000**	-
PROPERTY AND EQUIPMENT	2i,12	**28,853,155**	29,227,521
TOTAL ASSETS		**$624,386,954**	$554,495,061

CENTRAL BANK OF BELIZE

STATEMENTS OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2009 AND 2008 (IN BELIZE DOLLARS)

LIABILITIES, CAPITAL AND RESERVES	Notes	2009	2008
DEMAND LIABILITIES:			
Notes and coins in circulation		**$191,973,186**	$193,195,838
Deposits by licensed financial institutions	13	**237,329,608**	189,228,842
Deposits by and balances due to Government and Public sector entities in Belize		**84,997,541**	133,230,370
Deposits by international agencies	14	**887,061**	2,218,779
		515,187,396	517,873,829
BALANCES DUE TO CARICOM CENTRAL BANKS		**172,387**	948,316
OTHER LIABILITIES	15	**3,185,460**	2,295,668
LOANS FROM FOREIGN INSTITUTIONS	16	**14,767,575**	-
IMF SDR ALLOCATIONS	17	**56,128,415**	-
COMMERCIAL BANKS' DISCOUNT FUND	18	**978,918**	1,929,746
TOTAL LIABILITIES		**590,420,151**	523,047,559
CAPITAL ACCOUNT			
Paid - up capital (Authorized capital $10,000,000)		**10,000,000**	10,000,000
REVALUATION ACCOUNT	19	**3,675,536**	4,015,306
REVALUATION – ASSET	24	**102,235**	-
PENSION RESERVE	25	**2,053,000**	-
GENERAL RESERVE FUND	20	**18,136,032**	17,432,196
TOTAL LIABILITIES, CAPITAL AND RESERVES		**$624,386,954**	$554,495,061

The financial statements on pages 3 to 9 were approved and authorized for issue by the Board of Directors on March 30, 2010 and are signed on its behalf by:

) GOVERNOR
)
)
) DIRECTOR
)
)
) DEPUTY GOVERNOR,
OPERATIONS

The notes on pages 10 to 35 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2009 AND 2008 (IN BELIZE DOLLARS)

	Notes	2009	2008
Continuing operations			
INTEREST INCOME:			
Approved external assets	21	**$ 3,343,608**	$ 5,741,168
Advances to Government		**13,321,839**	11,938,269
Local securities		**3,940,232**	4,810,113
		20,605,679	22,489,550
Discount on local securities		**287,449**	1,428,733
Commissions and other income		**1,629,780**	1,749,391
Total income		**22,522,908**	25,667,674
LESS: Interest expense		**(2,080,404)**	(2,065,137)
Income from operations		**20,442,504**	23,602,537
EXPENDITURE:			
Printing of notes and minting of coins		**(1,971,322)**	(2,157,553)
Salaries and wages, including superannuation contribution and gratuities	22	**(7,579,935)**	(7,452,237)
Depreciation		**(736,171)**	(984,806)
Administrative and general expenses	23	**(3,116,716)**	(3,384,953)
Total expenditure		**(13,404,144)**	(13,979,549)
Profit for the year from continuing operations		**$ 7,038,360**	$ 9,622,988
PROFIT FOR THE YEAR TRANSFERABLE TO THE GENERAL RESERVE FUND AND CONSOLIDATED REVENUE FUND		**7,038,360**	9,622,988
Transfer to revaluation account in accordance with Section 50 of the Act	19	**-**	(720,237)
Transfer to general reserve fund in accordance with Section 9(1) of the Act	20	**(703,836)**	(890,275)
Balance credited to the Accountant General for the consolidated revenue fund		**$ 6,334,524**	$ 8,012,476
Profit for the year attributable to:			
Owner of the Bank		**$ 7,038,360**	$ 9,622,988
EARNINGS PER SHARE			
From continuing operations:			
Basic and diluted		**$ 7,038,360**	$ 9,622,988

The notes on pages 10 to 35 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE

STATEMENTS OF OTHER COMPREHENSIVE INCOME
DECEMBER 31, 2009 AND 2008 (IN BELIZE DOLLARS)

	2009	2008
PROFIT FOR THE YEAR	**$ 7,038,360**	$ 9,622,988
Other comprehensive income:		
Revaluation of financial assets (notes 19)	**(339,770)**	(720,237)
Revaluation asset (note 24)	**102,235**	-
Actuarial gain on defined benefit scheme	**2,053,000**	-
Other comprehensive income (loss) for the year	**1,815,465**	(720,237)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**$ 8,853,825**	$ 8,902,751
Total comprehensive income attributable to:		
Owner of the Bank	**$ 8,853,825**	$ 8,902,751

The notes on pages 10 to 35 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE

STATEMENTS OF CHANGES IN EQUITY
DECEMBER 31, 2009 AND 2008 (IN BELIZE DOLLARS)

	Share capital	Revaluation account	Revaluation asset	Pension reserve	General reserve	Accumulated profits
January 1, 2008	$10,000,000	$4,015,306	$ -	$ -	$16,541,921	$ -
Profit for the period	-	-	-	-	-	9,622,988
Other comprehensive income	-	(720,237)	-	-	-	-
Transfer to the revaluation account	-	720,237	-	-	-	(720,237)
Transfer to general reserve fund	-	-	-	-	890,275	(890,275)
Transfer to Government of Belize	-	-	-	-	-	(8,012,476)
December 31, 2008	10,000,000	4,015,306	-	-	17,432,196	-
Profit for the period	-	-	-	-	-	7,038,360
Other comprehensive income	-	(339,770)	102,235	2,053,000	-	-
Transfer to general reserve fund	-	-	-	-	703,836	(703,836)
Transfer to Government of Belize	-	-	-	-	-	(6,334,524)
December 31, 2009	**$10,000,000**	**$3,675,536**	**$102,235**	**$2,053,000**	**$18,136,032**	$ -

The notes on pages 10 to 35 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 AND 2008 (IN BELIZE DOLLARS)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Total profit for the year	**$ 7,038,360**	$ 9,622,988
Adjustments to reconcile comprehensive income to net cash provided by operating activities:		
- Amortization of intangible assets	**180,827**	(354,286)
- Depreciation of property and equipment	**736,171**	984,806
- Loss on disposal of property and equipment	**6,466**	1,491
Cash provided by operating activities before operating assets and liabilities	**7,961,824**	10,254,999
Changes in operating assets and liabilities:		
Belize Government current account	**4,513,136**	(22,823,716)
Treasury notes – net	**8,327,000**	425,000
Securities	**(8,000,000)**	(20,000,000)
Reserve tranche in the International Monetary Fund	**(231,293)**	337,239
Collateral deposits with foreign bankers	**(655,402)**	-
Other assets	**992,027**	1,623,410
Other liabilities	**(339,770)**	(4,210,485)
Net cash provided by (used in) operating activities	**12,567,522**	(34,393,553)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	**(368,271)**	(466,566)
Proceeds from property and equipment	**-**	30,000
Net cash used in investing activities	**(368,271)**	(436,566)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Notes and coins in circulation	**(1,222,652)**	7,422,689
Transfer to Consolidated Reserve Fund	**(6,334,524)**	(8,012,476)
Transfer to Revaluation Reserve Fund	**-**	(720,237)
Deposits by licensed financial institutions	**48,100,766**	39,746,708
Deposits by and balances due to Government and Public Sector Entities	**(48,232,829)**	51,223,637
Deposits by international agencies	**(1,331,718)**	(159,615)
Balances due to Caricom Central Banks	**(775,929)**	925,142
Commercial Bank Discount Fund	**(950,828)**	(464,084)
Proceeds from IMF SDR allocations	**56,128,415**	-
Proceeds from IMF Enda facility	**14,767,575**	-
Net cash provided by financing activities	**60,148,276**	89,961,764

CENTRAL BANK OF BELIZE

STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2009 AND 2008 (IN BELIZE DOLLARS)

	2009	2008
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**$317,440,403**	$262,308,758
NET INCREASE IN CASH AND CASH EQUIVALENTS	**72,347,527**	55,131,645
CASH AND CASH EQUIVALENTS, END OF YEAR	**$389,787,930**	$317,440,403
CASH AND CASH EQUIVALENTS COMPRISE THE FOLLOWING:		
EXTERNAL ASSETS:		
Balances and deposits with foreign bankers	**$ 7,713,848**	$ 8,312,704
Other foreign credit instruments	**304,062,057**	258,819,171
Accrued interest	**1,097,172**	757,106
Cash-in-transit	**258,626**	1,350,720
Balance with the International Monetary Fund	**63,236,197**	7,123,875
	376,367,900	276,363,576
LOCAL ASSETS:		
Cash and bank balances	**181,085**	152,926
Government of Belize Treasury Bills	**157,945**	10,068,901
Current portion of Treasury Notes	**13,081,000**	30,855,000
	$389,787,930	$317,440,403

The notes on pages 10 to 35 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 1982, Chapter 262 of the Substantive Laws of Belize, and has its principal place of business in Belize City, Belize. Legislation covering its operations include the Central Bank of Belize Act, the 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 and the Exchange Control 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Following is a summary of the more significant accounting policies adopted by the Bank in preparing its financial statements in accordance with International Financial Reporting Standards (IFRS), the Central Bank of Belize Act and the Banks and Financial Institutions Act.

a. 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, give rise to additional disclosures or changes to the presentation of the financial statements.

Adoption of New Standards, Amendments and Interpretations Effective from January 1, 2009:

- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction', provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Bank is in compliance with this standard.
- IFRS 8, 'Operating segments', replaces IAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This standard has no impact on the number of reportable segments presented, since the Bank's segments have been reported in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present restated statements of financial position as at the beginning comparative period in addition to the current requirement to present statements of financial position at the end of the current period and comparative period.

  The revision of the Standard produces changes in both the terminology and presentation of the financial statements. However, the new terms do not affect the rules of recognition, measurement or disclosures of specific transactions and all other events which are required by other standards. The adoption of the revised standard transformed the structure and description in the presentation of the financial statements without altering the financial position of the Bank.

- IAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009). The amendment did not impact the financial position of the Bank.

  - The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.

  - The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.

  - The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.

  - IAS 37, 'Provisions, contingent liabilities and contingent assets, requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent with IAS 37.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- There are a number of minor amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 8, 'Accounting policies, changes in accounting estimates and errors', IAS 10, 'Events after the reporting period', IAS 18, 'Revenue' and IAS 34, 'Interim financial reporting.' These amendments did not impact the financial statements of the Bank.
- IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009). Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The amendment did not impact the financial statements of the Bank.
- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009). This amendment did not have an impact on the Bank's income statement.
  - This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.
  - The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition.
  - The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cites a segment as an example of a reporting entity. This means that in order for hedge accounting to be applied at segment level, the requirements for hedge accounting are currently required to be met by the applicable segment. The amendment removes the example of a segment so that the guidance is consistent with IFRS 8, 'Operating segments', which requires disclosure for segments to be based on information reported to the chief operating decision-maker.
  - When re-measuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) are used.
- IAS 1 (Amendment), 'Presentation of financial statements' (effective from 1 January 2009). The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. The amendment did not have an impact on the Bank's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New standards, amendments, and interpretations effective in 2009 that is not applicable at present on the operations of the Bank:

- ***IAS 32: Financial Instruments: Presentation and IAS 1: Presentation of Financial Statements – Amendment 2008: Puttable Financial Instruments and Obligations Arising on Liquidation (effective from January 1st, 2009)***
  These amendments address the classifications of some puttable financial instruments as well as instruments or their components that impose to the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation. The above mentioned amendments are not applicable at present for Bank activities.

- ***Amendments of IAS 27: Consolidated and Separate Financial Statements and IFRS1 First-Time adoption of International Financial Reporting Standards with reference to cost of investments in subsidiaries, joint ventures and associates***
  This amendment mainly addresses the issue that the cost of investments in subsidiaries, associates and joint ventures, in the standalone financial statements of an entity, is no longer affected by profit distribution formulated prior to the purchase date of these investments. This amendment has also led to changes in IAS 36: «Impairment of Assets», with the addition of indications on the impairment of investments based on the effect on equity due to dividend distribution of such companies to companies that have invested in them. As far as first-time adoption of IFRSs is concerned and in terms of simplifying the process of producing these financial statements, the amendment offers alternative ways for determining the cost of investments in subsidiaries, joint ventures and associates based on the fair value of these investments or their nominal value from previously effective accounting standards.

- ***IAS 39: Revision: Eligible Hedged Items (effective from July 1st, 2009)***
  The amendment to IAS 39 provides guidance on the particular cases in which a hedged risk or segment of cash flows can constitute eligible hedged items in a hedging relationship. The application of the amendment is not expected to affect the Bank's financial statements.

- ***IFRIC 15: Agreements for the Construction of Real Estate (effective from January 1st, 2009)***
  IFRIC 15 provides guidance on whether agreements for construction of real estate are within the scope of IAS 11 or IAS 18 as well as when the income arising from agreements for construction of real estate shall be recognized. The Interpretation is not applicable to Bank activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- ***IFRIC 16: Hedges on a Net Investment in a Foreign Operation (effective for annual periods commencing on or after 1st October 2008)***
  The Interpretation provides guidance on the nature of hedged risks and the amount recognized in the hedged item for which hedged relationship has been defined as well as which amounts shall be reclassified from the equity to the income statements for both the hedging instrument and the hedged item. The current Interpretation is applied only to net investments in foreign operations while it does not apply to other types of hedges such as, for instance, fair value or cash flows hedges. So far, the Interpretation is not applicable to the Bank's activities.

New standards, amendments and interpretations issued but not yet adopted. These are not expected to impact the operations or financial position of the Bank.

- ***IFRS 3: "Business Combinations" – Revised 2008 and subsequent amendments in IAS 27, 28 and 31 (effective the first annual reporting period beginning on or after July 1st, 2009)***
  The revised standard introduces significant amendments for the application of the acquisition method for business combinations. Among other changes the standard introduces the possibility of minority interests being measured at fair value. Furthermore, the revised standard requires that the acquirer of a subsidiary recognizes the assets acquired and liabilities assumed as a transaction with owners of the business and any difference should be recognized in equity. The revised IFRS 3 applies for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1st, 2009, while no consolidation adjustments are required for the period before the revised standard will become effective.

- ***IFRIC 17: Distribution of Non-Cash Assets to Owners (effective for annual periods commencing on or after 1st July 2009)***
  When an entity announces distribution of non-cash assets to owners, it shall recognize a liability for the distributed dividends. The Interpretation provides guidelines pertaining to when an entity shall recognize dividends payable, how they shall be measured and how it shall account for the difference between the carrying amount of distributed assets and the carrying amount of the dividends paid in case the entity settles dividends payment.

- ***IFRIC 18: Transfers of Assets from Customers (effective for annual periods commencing on or after 1st July 2009)***
  IFRIC 18 is aimed at clarifying the requirements of IFRSs pertaining to agreements under which an entity receives from a client a segment of fixed assets (land plots, building facilities or equipment that the entity shall use either when a client constitutes a part of a network or a client shall obtain constant access to provision of goods or services (such as, for instance, provision of electricity or water). The IFRIC is applied mainly to utility entities and is not applicable to the Bank's activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- ***IFRS 9: Financial Instrument (1 January 2013 is the effective date of IFRS 9, with early adoption permitted starting in 2009)***
  On 12 November 2009, the IASB issued IFRS 9 Financial Instruments as the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for classifying and measuring financial assets that must be applied starting 1 January 2013, with early adoption permitted. The IASB intends to expand IFRS 9 during 2010 to add new requirements for classifying and measuring financial liabilities, de-recognition of financial instruments, impairment, and hedge accounting. By the end of 2010, then, IFRS 9 will be a complete replacement for IAS 39.

  IFRS 9 divides all financial assets that are currently in the scope of IAS 39 into two classifications – those measured at amortised cost and those measured at fair value, depending on the business model but also the characteristics of financial assets. The embedded derivative concept of IAS 39 is not included in IFRS 9. Consequently, embedded derivatives that under IAS 39 would have been separately accounted for at FVTPL because they were not closely related to the financial host asset will no longer be separated. Instead, the contractual cash flows of the financial asset are assessed in their entirety, and the asset as a whole is measured at FVTPL if any of its cash flows do not represent payments of principal and interest. For debt instruments, reclassification is required between FVTPL and amortised cost, or vice versa, if and only if the entity's business model objective for its financial assets changes so its previous model assessment would no longer apply.

b. Form of presentation of the financial statements - Adopted IFRS and the Central Bank of Belize Act 1982 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.

c. Change in accounting policies – There were no changes in accounting policies during the year. All policies have been applied on a basis consistent with the prior year.

d. The financial statements are prepared on the historical cost basis, modified to include the revaluation of certain assets and liabilities as identified in specific accounting policies below.

e. All accounting estimates and assumptions that are used in preparing the financial statements are consistent with the Bank's latest approved budgeted forecast where applicable. Judgments are based on the information available at each statements of financial position date. Although these estimates are based on the best information available to management, actual results may ultimately differ from those estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Revenue and expenses – Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. Expenses are recognized in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the Bank and in maintaining property, plant and equipment in a state of efficiency has been charged to income, thereby arriving at the profit for the year.

   Miscellaneous income and expenses are recognized on an accrual basis.

g. Inventories – Inventories are carried at lower of cost or net realizable value. Cost is determined on a first-in-first-out basis.

h. Financial instruments – Financial assets and financial liabilities are recognized on the Bank's statements of financial position when the Bank becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all of the risks and rewards of ownership.

   <u>Classification – financial assets</u>
   The Bank classifies its financial assets in the following categories: loans and advances; financial assets at fair value through profit or loss and financial assets that are available for sale. The Bank determines the classification of its investments at initial recognition.

   <u>Loans and advances</u>
   Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides money or services directly to a counterparty with no intention of trading the receivable. Loans and advances and investments are classified as held to maturity and are carried at amortised cost less a provision for impairment where necessary

   <u>Financial assets at fair value through profit or loss</u>
   A financial asset is classified in this category if it is acquired principally for the purpose of selling in the short term or if so designated by management. Treasury bills are classified as held at fair value through profit and loss. Because these securities are traded in a non-formal market, fair value has been assumed to approximate to amortised cost. This basis is reasonable as there is no objective evidence of impairment of these securities. Gains and losses arising from changes in the fair value of assets classified as at fair value through profit or loss are included in the Income Statement in the period in which they arise.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Available for sale
Available for sale investments are debt securities intended to be held for an indefinite period of time, which may be sold as part of the Bank's official operations or otherwise. These are comprised of Treasury Notes and Belize Defence Bonds. Gains and losses arising from changes in the fair value of financial assets that are available for sale are recognised directly in equity until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the Income Statement. Any premium or discount paid on the purchase of those assets is amortised through the Income Statement.

International Monetary Fund balances
As fiscal agent and depository, the Bank is authorized in its own right rather than as an agent for the Government of Belize, to carry out transactions with the International Monetary Fund (IMF) and to maintain the Fund's currency holdings. Accordingly, all transactions by the Bank with the IMF have been included in these financial statements.

Belize's Reserve Tranche position with the IMF is recorded by the Bank as a foreign asset. Exchange gains and losses arising on revaluation of IMF assets at the exchange rate applying at the statements of financial position date as published by the IMF are recognized in the Revaluation account in accordance with section 50 of the Central Bank of Belize Act 1982.

Foreign Marketable Securities
These consist of debentures issued by the Governments of Dominica and Barbados, and Caribbean Development Bank bonds that are classified as held-to-maturity based on the Bank's positive intent and ability to hold these securities to maturity.

Belize Government Securities
The Bank's investment portfolio includes treasury bills treasury notes and Belize Defence Bonds issued by the Government of Belize.

Loans to Government
Loans to Government represent direct provisional advances to Government of Belize under Section 34 of the Central Bank of Belize Act 1982.

Loans to Public Sector
Loans to the public sector are carried at the original amount less an allowance for any uncollectible amounts. A provision for loan impairment is established if there is objective evidence that the Bank will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the estimated recoverable amount.

Other Financial Assets and Liabilities
Local and foreign currency cash, deposits and short term advances are recognized on settlement date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. Property and equipment, depreciation and amortization – Fixed assets are carried at cost, and are depreciated on a straight line basis over their estimated useful lives. Land is not depreciated.

Depreciation is charged at the following rates:

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

j. Employee benefits

Pension
The Bank operates a defined benefit pension scheme for employees. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement. The legal obligation for any benefits remains with the Bank, even if plan assets for funding the defined benefit plan have been set aside. Contributions are made by the Bank and employees to a separately administered fund. The cost of providing benefits under this plan is determined using an accrued benefit valuation method.

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. This item is grouped under “Other liabilities” in the Statements of Financial Position.

Severance
With effect January 1, 2005, an employee with a minimum of ten years of continuous service who resigns his employment is eligible to one week severance pay for each year of service in addition to retirement benefits in accordance with the Central Bank of Belize Pension Scheme Trust Deed and Rules.

k. Sale of special coins – Special 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l. Foreign currency translation and exchange gains and losses – The Bank's financial statements are presented in Belize dollars (BZD), which is the Bank's functional and presentational currency.

   i. Assets and liabilities

   Foreign currency balances at the statements of financial position date are translated at the rates of exchange ruling at that date.

   ii. Income and expenses

   Income and expenses in foreign currencies are translated at the rate of exchange ruling on the transaction date.

   iii. Revaluation

   Section 50 of the Central Bank of Belize Act 1982 stipulates that gains or losses from any revaluation of the Bank's net assets or liabilities in gold, special drawings rights (SDR), foreign exchange or foreign securities as a result of any change in the par value of the Belize dollar or any change in the par value of the currency unit of any other country shall be excluded from the computation of the annual profits and losses of the Bank. All such gains or losses are credited in a special account called Revaluation Account. Profit is not carried to the General Reserve Fund or paid to the Government under Section 9 (see note 18) when the Revaluation Account shows a net loss, but is first credited to the Revaluation Account in an amount sufficient to cover the loss.

m. Valuation of securities – Securities are stated at the lower of cost or market value. Realized and unrealized gains and losses arising from changes in the market value of securities or the par value of the Belize dollar are transferred to the Revaluation Account.

n. Accrued interest and cash in-transit – Accrued interest and cash in-transit in respect of foreign assets are shown as part of external assets.

o. 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.

p. Cash and cash equivalents – The Bank classifies as cash equivalents financial instruments with an original maturity of three months or less, and other balances that are readily marketable or convertible. The Bank's cash management and investment policies are of a conservative nature and as a result, investments are made in high grade liquid securities. The carrying value of cash and cash equivalents approximates fair value.

3. CENTRAL BANK OF BELIZE ACT SECTION 25 COMPLIANCE

Section 25 of the Act stipulates that:

1. 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.

Management has developed internal controls to ensure compliance with the law. As at December 31, 2009, the Bank was in compliance as the value of total assets was $624,386,954 while the value of notes and coins in circulation was $191,973,186.

2. The Bank shall maintain at all times a reserve of external assets of not less that 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.

Management has developed internal controls to ensure compliance with the law. At December 31, 2009 and 2008 total approved external assets approximated 81 percent and 60 percent of such liabilities respectively.

4. BALANCES AND DEPOSITS WITH FOREIGN BANKERS

There were no restricted foreign or domestic deposits for 2009 and 2008 respectively.

5. RESERVE TRANCHE AND BALANCES WITH THE INTERNATIONAL MONETARY FUND

Belize became a member of the International Monetary Fund in 1982 with a subscription of SDR 7,200,000 of which SDR 1,320,600 was paid in foreign currency (Reserve Tranche) and the remainder in Belize dollars made up of currency and non-interest bearing promissory notes.

In 1982, this Reserve Tranche was purchased by the Bank from the Government of Belize.

At December 31, 2009, Belize's subscriptions to the International Monetary Fund amounted to SDR 18,800,000 The Reserve Tranche amounted to SDR 4,238,690 and the IMF's currency holdings amounted to SDR 19,262,242 (14,562,242 plus the recent IMF ENDA facility of 4,700,000) respectively. The Reserve Tranche which earns interest is included in approved external assets in the financial statements at the exchange rate of BZ$3.13538 to SDR 1.0 at December 31, 2009 (2008 - BZ$3.0805 to SDR 1.0).

6. OTHER FOREIGN CREDIT INSTRUMENTS

	2009	2008
At December 31, these instruments comprised:		
Bank of America (Fixed Deposits)	**$ 48,000,000**	$ 40,000,000
Crown Agents Bank (Fixed Deposits)	**112,582,057**	61,139,170
Federal Reserve Bank of New York (Overnight Deposit)	**130,400,000**	145,800,000
Bank of America (Overnight Deposit)	**2,500,000**	1,300,001
Citibank N.A. New York (Overnight Deposit)	**10,580,000**	10,580,000
	$304,062,057	$258,819,171

7. ACCRUED INTEREST AND CASH-IN-TRANSIT

Accrued interest and cash-in-transit consist of:

	2009	2008
Accrued interest	**$1,097,172**	$ 757,106
Cash-in-transit	**258,626**	1,350,720
	$1,355,798	$2,107,826

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

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

	Face Value	Maturity Date
3.25% Government of Dominica Debenture	**$ 2,000,000**	2034
2.5% Caribbean Development Bank Bond	**$20,000,000**	2010
7.8% Government of Barbados	**$ 8,000,000**	2019

The Bank has the positive intent and ability to hold these securities to maturity.

9. BELIZE GOVERNMENT SECURITIES

As at December 31, holdings of Belize Government securities consisted of:

	2009	2008
Treasury Bills	**$ 157,945**	$10,068,901
Treasury Notes	**35,096,000**	61,197,000
Belize Defence Bonds	**10,000,000**	10,000,000
	$45,253,945	$81,265,901

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

	2009	2008
Due within 1 year	**$13,238,945**	$40,923,901
Due within 2 year through 5 years	**22,015,000**	30,342,000
Due within 6 years through 10 years	**10,000,000**	10,000,000
	$45,253,945	$81,265,901

Section 35(2) of the Central Bank Act stipulates that the Bank shall not at any time hold Belize Government securities in an aggregate amount exceeding five times the aggregate amount at that time of the paid up capital and general reserves of the Bank, subsequently amended to seven times in April 2006. Management has developed internal controls to ensure compliance with the law. At December 31, 2009 and 2008 the Bank's aggregate holding of Belize Government securities approximated 1.61 times and 2.96 times, respectively, the amount of paid up capital and general reserves of the Bank. Government securities are classified as held-to-maturity based on the Bank's ability to hold the securities to maturity. As these securities are not publicly traded, fair values have been estimated based on present values of the expected cash flows.

10. BELIZE GOVERNMENT CURRENT ACCOUNT

In accordance with Section 34 of the Central Bank Act, the Bank may make direct advances to the Government provided that at any one time the total outstanding amount of direct advances shall not exceed twenty percent of the current revenues of the Government collected during the preceding financial year or the sum of fifty million dollars, whichever is greater. Management has developed internal controls to ensure compliance with the law. At December 31, 2009 and 2008 advances to Government represent approximately 88 percent and 91 percent of the authorized limit respectively.

11. OTHER ASSETS

	2009	2008
Other assets consist of:		
Inventory of circulation notes and coins	**$ 4,998,158**	$ 4,982,229
Prepayments and accrued interest	**1,234,389**	2,340,957
Accounts receivable	**95,841**	702,797
Staff loans receivable	**3,031,209**	1,369,850
Museum endowment fund	**578,150**	578,150
Other	**798,219**	106,581
	10,735,966	10,080,564
Less amortization:	**(715,940)**	(535,113)
	$10,020,026	$ 9,545,451

Museum endowment fund is being amortized over 10 years commencing 2004.

Included in accounts receivable for 2008 was an amount of $585,945 due from Guyana under the Caricom Multilateral Clearing Facility (CMCF). Interest has not been recognized on the loan since October 2004. The decision was made by CMCF to write-off a proportional share as agreed with the Highly Indebted Poor Countries (HIPC) initiative in three equal payments of $123,011. The write-off was completed by December 2009; the remaining balance is expected to be received from CMCF and the HIPC Trust Fund.

12. PROPERTY AND EQUIPMENT

Cost	Property	Furniture	Equipment	Vehicles	Total
Balance at, January 1, 2009	$30,441,554	$1,249,787	$5,955,639	$396,031	$38,043,011
Additions	-	41,102	327,169	-	368,271
Disposals	-	(10,252)	(50,073)	-	(60,325)
Balance at, December 31, 2009	30,441,554	1,280,637	6,232,735	396,031	38,350,957
Accumulated depreciation					
Balance at January 1, 2009	2,829,749	999,927	4,778,950	206,864	8,815,490
Depreciation charge for the year	280,626	35,724	372,422	47,400	736,171
Disposal	-	(9,496)	(44,363)	-	(53,859)
Balance at, December 31, 2009	3,110,375	1,026,155	5,107,009	254,264	9,497,802
Net book value					
December 31, 2009	**$27,331,179**	**$ 254,482**	**$1,125,726**	**$141,767**	**$28,853,155**
December 31, 2008	$27,611,805	$ 249,860	$1,176,689	$189,167	$29,227,521

13. DEPOSITS BY LICENSED FINANCIAL INSTITUTIONS

Under the revised provisions of Section 13 of the Banks and Financials Institutions Act 1995, licensed financial institutions are required to keep on deposits with the Bank an amount equivalent to at least 10%, effective September 2, 2006, of their average deposit liabilities.

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

These deposits are interest free and are comprised as follows:

	2009	2008
Commercial banks	**$235,529,608**	$187,228,842
International financial institutions	**1,800,000**	2,000,000
	$237,329,608	$189,228,842

14. DEPOSITS BY INTERNATIONAL AGENCIES

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

	2009	2008
Commission of the European Communities	**$ -**	$ 586,866
Caribbean Development Bank	**-**	103,910
International Monetary Fund	**150,285**	147,656
Inter-American Development Bank	**74,859**	876,100
IDB	**472,316**	472,316
IBRD	**31,931**	31,931
EU Banana Support Escrow	**157,670**	-
	$887,061	$2,218,779

15. OTHER LIABILITIES

	2009	2008
Severance and gratuities	**$1,017,789**	$ 881,626
Abandoned property	**1,028,482**	479,369
Other	**1,139,189**	934,673
	$3,185,460	$2,295,668

16. LOANS FROM FOREIGN INSTITUTIONS

Effective February 18, 2009, the Executive Board of the International Monetary Fund (IMF) approved SDR 4.7 million (about US$6.9 million) in financing under emergency assistance for natural disasters to support the nation's recovery from the economic after-effects of serious storm damage and flooding in 2008. Under the Financial Terms of IMF Credit, the loan is classified as emergency assistance with a basic rate of charge, no surcharge and 50 basis points service charge. The basic rate of charge fluctuates with the market rate for the SDR which is calculated on a weekly basis. Principal payments for the Facility start February 20, 2012 with final payment due on February 20, 2014. The loan was converted at rate SDR 2.950997 to the BZD on February 20, 2009. At December 31, 2009, the loan was revalued at SDR 3.13538 to the BZD.

17. IMF SDR ALLOCATIONS

A general and special allocation of Special Drawing Rights SDRs equivalent to approximately USD $284 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 18,800,000 million. Based on this quota, the Bank received allocations of SDR 13,936,624 and SDR 3,957,631 converted at SDR 3.127840 and 3.148260 to the BZD respectively. These SDRs can be converted to any liquid currency at anytime. At December 31, 2009, the allocations were revalued at SDR 3.13538 to the BZD.

18. 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 discount facility, amount of $1,465,000 at 2% interest per annum, to the Development Finance Corporation.

	2009	2008
Loan payable to USAID	**$ -**	$ 453,848
Interest paid to USAID	**(2,311,316)**	(2,301,079)
Interest received from institutions	**3,778,234**	3,776,977
Loan receivable from DFC	**(488,000)**	-
	$ 978,918	$1,929,746

19. REVALUATION ACCOUNT

The Revaluation Account has been set up in compliance with Section 50 of the Central Bank of Belize Act 1982, where all profits or losses are carried to a special account called Revaluation Account.

	2009	2008
Balance at beginning of year	**$4,015,306**	$4,015,306
Prior year exchange gains	**(1,871,054)**	(2,591,291)
Current year exchange gains	**(1,531,284)**	(1,871,054)
Loss from revaluation	**339,770**	720,237
Transfers in accordance with section 50 – current period	**-**	(720,237)
Balance at end of year	**$3,675,536**	$4,015,306

20. GENERAL RESERVE FUND

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

	2009	2008
Balance at beginning of year	**$17,432,196**	$16,541,921
Transfer from net profit	**703,836**	890,275
Balance at end of year	**$18,136,032**	$17,432,196

21. INTEREST ON APPROVED EXTERNAL ASSETS

	2009	2008
Interest earned on overnight deposits	**$2,460,436**	$5,073,344
Interest earned on marketable securities	**759,411**	116,575
Interest earned on balances and deposits with foreign bankers	**123,761**	551,249
	$3,343,608	$5,741,168

22. SALARIES AND WAGES, INCLUDING SUPERANNUATION CONTRIBUTION AND GRATUITIES

Expense recognized for employee benefits is analyzed below:

	2009	2008
Wages and salaries	**$7,154,434**	$7,041,093
Social security costs	**131,783**	127,171
Pensions - defined benefit plans	**293,718**	283,973
Employee benefits expense	**$7,579,935**	$7,452,237

23. ADMINISTRATIVE AND GENERAL EXPENSES

	2009	2008
Advertising	**$ 30,384**	$ 23,251
Audit fees	**45,540**	45,513
Bad debt write off	**180,827**	180,827
Bank charges	**97,610**	28,815
Bank publications	**18,309**	16,414
Books and publication	**40,905**	22,617
Building repairs and maintenance	**389,716**	441,672
Cash shipment	**24,663**	44,714
Computer software license	**72,067**	85,634
Conference	**83,282**	-
Directors' fees	**30,600**	25,600
Donations	**40,113**	69,282
Entertainment	**9,056**	15,737
Equipment maintenance	**21,383**	43,104
Security supplies	**10,341**	5,183
Freight charges	**17,578**	9,666
Hurricane preparedness	**19,614**	5,261
Insurance expense	**120,950**	116,234
Legal fees	**39,308**	113,703
Membership fees	**83,300**	67,608
Motor vehicle	**43,126**	67,617
Other miscellaneous expense	**196,438**	451,478
Overseas meeting and conferences	**147,863**	228,853
Professional services and technical support	**226,079**	149,899
Small equipment purchases	**26,316**	4,954
Supplies	**250,870**	197,487
Surveys	**30,327**	63,596
Travel (local)	**11,473**	7,407
Utilities expense	**808,678**	852,827
	$3,116,716	$3,384,953

24. REVALUATION – ASSET

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.

25. PENSION ASSET

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 retirement benefits varying between 60 and 70 percent of final salary on attainment of a retirement age of 60. No other post-retirement benefits are provided.

During the year under review, the Bank contributed $293,718 (2008 - $283,973) to the scheme.

An asset or liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated by independent actuaries every three years using the projected unit cost method. Actuarial gains and losses are recognised in full in the year in which they occur within other comprehensive income.

The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of long-term government bonds that are denominated in the currency in which the benefits will be paid, and which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the employees' expected average remaining working lives, where these amounts represent an excess over the 10% corridor.

The last actuarial valuation done at December 31, 2007 reported the present value of past service liabilities and plan assets to be $7,039,000 and $9,092,000 respectively.

Significant actuarial assumptions used in the valuation were:

I. A valuation rate of interest of 7% p.a.
II. A rate of escalation of pensionable salaries of 5% p.a.
III. Pension will not increase in the course of payments.

The Board's adoption of IAS 19 and IFRIC 14: IAS 19, effective January 1, 2009, herein referred to as the transition date, resulted in the recognition of a pension asset, based on a formal actuarial valuation that was carried out as at December 31, 2007. The next actuarial valuation will be completed for December 2010.

25. PENSION ASSET (Continued)

Liability (Surplus) to be recognized in the Statement of Financial Position

	December 31, 2007
Present value of the obligation	$ 7,039,000
Fair value of plan assets	(9,092,000)
Net surplus	(2,053,000)
Unrecognized past service cost	-
Unrecognized actuarial losses	-
Surplus to be recognized	$(2,053,000)

26. RELATED PARTY TRANSACTIONS

Transactions with Governmental Departments

In the normal course of its operations, the Bank enters into transactions with related parties. Related parties include the Government of Belize and various government departments and entities. All transactions are carried out with reference to market criteria.

Transactions entered into include:

a. Acting as the fiscal agent, banker and financial advisor to the government; the Bank is the depository of the government, its agents and institutions, and provide banking services to government and government departments.

b. Acting as the agent of the government, its agencies, and institutions, the Bank provides guarantees, and participates in loans to government and related institutions.

c. The Bank does not ordinarily collect any commission, fees, or other charges for services it renders to the government or related entities, except in the case of banking and financial services.

26. RELATED PARTY TRANSACTIONS (Continued)

d. Acting as the agent of government, the Bank issues government securities, purchases unsubscribed portions of any issue and amounts set aside for the Bank.

e. As the agent of the government, the Bank manages public debt and foreign reserves.

Transactions with related party during the period were as follows:

	Social Security Board	Development Finance Corporation	SSB Mortgage Securitization Proceeds	DFC Mortgage Securitization Proceeds	Financial Intelligence Unit	Belize Tourism Board	SSB Deposit Account	GOB Current Acct.
Opening Balances	$ (1,991)	$ (202,680)	$ (379,337)	$ (2,266)	$ (46,485)	$ (292,080)	$(32,141,070)	$ 122,947,200
Deposits	(1,186,711)	(3,249,916)	(1,412,650)	(3,206,266)	(1,117,875)	(7,415,963)	(4,790,799)	1,056,096,457
Disbursements	1,188,000	3,401,680	1,791,000	3,207,522	684,544	7,464,471	11,246,942	1,060,609,593
Closing Balances	$ (702)	$ (50,916)	$ (987)	$ (1,009)	$ (479,816)	$ (243,572)	$(25,684,927)	$ 118,434,064

Key management personnel

The following information is presented only in respect of those employees of the Bank who would be considered as key management personnel, as defined under IAS 24 (Related Party Disclosures). This comprises the Governor and Deputy Governors, other members of the Board, and non-executive Directors. At December 31, 2009 and 2008, the number of key management personnel was 17.

Compensations of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	2009	2008
Short-term benefits	**$1,261,932**	$1,156,614
Post-employment benefits	**43,364**	34,280
Termination benefits	**24,005**	84,862
	$1,329,301	$1,275,756

Loans and advances to key management personnel

As at December 31, 2009 an amount of $401,129 (2008 - $279,815) was receivable from key managerial personnel as approved advances made by the Bank. No provisions have been recognised in respect of loans given to related parties.

In November 2008, the Bank enhanced its remuneration package with the introduction of a residential mortgage loan program for qualifying permanent staff. This facility is available for a maximum period of 15 years with a variable interest rate initially set at 4.5%.

27. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms-length transaction. When a financial instrument is traded in an organized and liquid market that is able to absorb a significant transaction without moving the price against the trader, quoted market values represent fair value.

Financial assets and liabilities

All financial assets and liabilities are valued at either quoted market prices or prices derived from market yield curves, as described in the Bank's accounting policies, except as detailed below:

Currency in circulation

The fair value of currency in circulation is considered to be its face value as reported in the financial statements.

Deposits

The carrying amounts of deposits are considered to approximate their fair value as they are payable on demand.

The carrying amounts of cash and cash equivalents, and other short-term instruments and obligations at the statements of financial position date estimate fair value because of the relative short-term maturities of these assets and liabilities. Long-term obligations have been contracted at market terms and their carrying amounts approximate fair value to the extent it is practicable to estimate.

28. 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 Statements of Financial Position, for example in the investment of the Bank's own funds and in the course of the banking services it provides to its customers.

28. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

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 categorised by geographical regions as of December 31, 2009. In Schedule A, the Bank has allocated exposure to regions based on the country of domicile of the counter parties.

Geographical concentration of assets:

Schedule A
Depository and Money at Call, Overnight Deposits and Fixed Deposits by location

Balance & Money at Call	**USA**	**Canada**	**Europe**	**Total**
Depository Accounts & Money at call	$ 688,539	$63,849	$ 6,552,794	**$ 7,305,182**
Overnight Deposits	143,480,000	-	-	**143,480,000**
Fixed Deposits	48,000,000	-	112,582,057	**160,582,057**
Total Exposure	**$192,168,539**	**$63,849**	**$119,134,851**	**$311,367,239**

Schedule B
Outline of other Local and Foreign Investments

Securities	**Local**		**Foreign**	
	GOB	**CDB**	**Barbados**	**Dominica**
Treasury Notes	$35,096,000	$ -	$ -	$ -
Treasury Bills	157,945	-	-	-
Bonds	10,000,000	20,000,000	8,000,000	
Debentures	-	-	-	2,000,000
Total Exposure	**$45,253,945**	**$20,000,000**	**$8,000,000**	**$2,000,000**

28. FINANCIAL RISK MANAGEMENT (Continued)

Market and interest rate risk

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

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

Foreign Assets	**Average rate of return**	**Average rate of return**
	2009	**2008**
Depository Accounts & Money at Call	1.544%	1.711%
Overnight Deposits	0.113%	1.655%
Term Deposits	1.602%	2.773%
Bonds	5.150%	2.500%
Debentures	3.500%	3.500%

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.

28. FINANCIAL RISK MANAGEMENT (Continued)

Currency risk (Continued)

The table below indicates the different fund allocations as of December 31, 2009:

	FOREIGN CURRENCY	YEAR-END RATE	BELIZE DOLLAR VALUE
Euro Fund	(221,122)	2.88320	(637,539)
Canadian Fund	(33,453)	1.90860	(63,849)
SDR Fund	(1,747,453)	3.13538	(5,478,929)
USD Fund	(169,965,246)	2.00000	(339,930,492)
Sterling Fund	(71,486)	3.22800	(230,757)
BZ$ Fund	344,810,282	1.00000	344,810,282
Current Year Revaluation Gains			**(1,531,284)**

Revaluation balance, January 1	$(4,015,306)
Prior Year Revaluation Gains	(1,871,054)
Current Year Revaluation Gains	(1,531,284)
Loss on revaluation	339,770
Revaluation balance, December 31	**$(3,675,536)**

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.

28. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (continued)

Maturities of assets and liabilities at December 31, 2009

Asset Type	1 Month	1-3 Months	3-6 Months	6-12 Months	1-5 Years	Over 5 Years
	$	$	$	$	$	$
Depository Accounts & Money at Call	7,894,933	-	-	-	-	-
Fixed Deposits	-	20,000,000	20,000,000	120,582,058	-	-
Overnight Deposits	143,480,000	-	-	-	-	-
Treasury Bills	-	158,000	-	-	-	-
Treasury Notes	-	-	-	13,081,000	22,015,000	-
Bonds	-	-	-	-	20,000,000	8,000,000
Debentures	-	-	-	-	-	2,000,000
	151,374,933	**20,158,000**	**20,000,000**	**133,663,058**	**42,015,000**	**10,000,000**

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.

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