# CENTRAL BANK OF BELIZE

## 30TH ANNIVERSARY

# 2011 Annual Report and Statement of Accounts

30 April 2012

Hon. Dean Barrow
Prime Minister and Minister of Finance & Economic Development
Ministry of Finance & Economic Development
Sir Edney Cain Building
Belmopan
BELIZE

Dear Prime Minister:

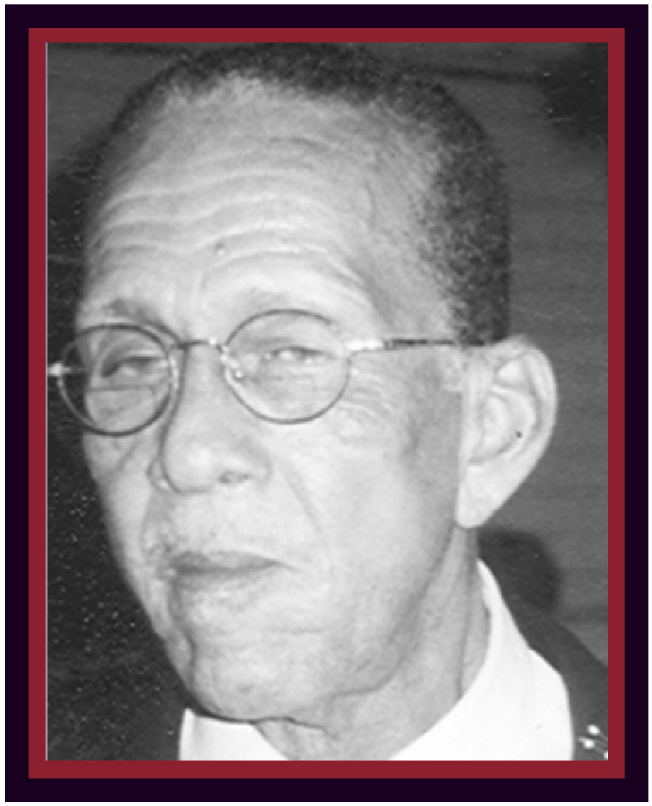
It is my honour to submit to you in your capacity as the Minister of Finance, the Annual Report of the Central Bank of Belize's operations for the year 2011, together with a copy of the Bank's Statement of Accounts as certified by the External Auditors, Castillo Sanchez & Burrell, LLP.

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

Respectfully,

**Glenford Ysaguirre**
*Governor*

# DEDICATION



**(1932 - 2012)**

The 2011 Annual Report is dedicated to Frank Garbutt Sr. who served the Central Bank of Belize for close to 19 years in various positions including Chief Accountant (eleven years), Deputy Governor (almost four years), General Manager (two years) and Consultant (two years). A career civil servant who worked in Central Government from January 1955 to October 1976, Mr. Garbutt was seconded to the Monetary Authority (the institution which preceded the Central Bank) on 1 November 1976 and was one of the founding members of staff when the Central Bank was established on 1 January, 1982. He maintained an unbroken record of exemplary service until his retirement on 6 January 1996.

The Board of Directors, Management and Staff of the Central Bank of Belize, and by extension the nation of Belize, acknowledge Mr. Garbutt for his dedicated years of leadership and direction to the Bank and people of Belize.

# MISSION AND VISION

"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 and exchange conditions conducive to the growth of the economy of Belize." Central Bank of Belize Act, 1982, Clause 6

## MISSION STATEMENT

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

## VISION STATEMENT

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

**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.

**Goals**

- Provide prompt and well-considered macroeconomic information and advice to the Government of Belize, the business sector and the general public.
- Provide efficient banking services to the commercial banks, the Government of Belize, various public sector bodies and regional and international organizations 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.

## Abbreviation and Conventions used in this Report

| | |
|---|---|
| ACLs | Adversely Classified Loans |
| AEIR | Annual Effective Interest Rate |
| AML | Anti Money Laundering |
| BAHA | Belize Agricultural Health Authority |
| BEL | Belize Electricity Limited |
| BFIA | Banks and Financial Institutions Acts, 1995 |
| BNE | Belize Natural Energy Limited |
| BNTF | Basic Needs Trust Fund |
| BPM | Balance of Payments Manual |
| BSI | Belize Sugar Industries Limited |
| BSSB | Belize Social Security Board |
| BTB | Belize Tourism Board |
| BTL | Belize Telemedia Limited |
| CARICOM | Caribbean Community and Common Market |
| CAR | Capital Adequacy Ratio |
| 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 | Commercial Free Zone |
| CFT | Combating the Financing of Terrorism |
| CGA | Citrus Growers Association |
| c.i.f. | Cost, Insurance and Freight |
| CPI | Consumer Price Index |
| CPBL | Citrus Products of Belize Ltd. |
| DFC | Development Finance Corporation |
| EBS | Enterprise Business System |
| ECCU | Eastern Caribbean Currency Union |
| ECLAC | Economic Commission for Latin America and the Caribbean |
| EU | European Union |
| FDI | Foreign Direct Investment |
| FINTRAC | Financial Transactions and Reporting Analysis Center |
| f.o.b. | Free on Board |
| fl. oz. | fluid ounce |
| FSAP | Financial Sector Assesment Program |
| GDP | Gross Domestic Product |
| GOB | Government of Belize |
| GST | General Sales Tax |
| IAS | International Accounting Standards |
| IBA | International Banking Act |
| IBRD | International Bank for Reconstruction and Development |
| IDB/IADB | Inter-American Development Bank |
| IFC | International Finance Corporation |
| IFRS | International Financial Reporting Standards |
| IFSC | International Financial Services Commission |
| IMF | International Monetary Fund |
| Imp. Gal. | Imperial Gallon |
| M2 | Broad Money Supply |
| MOU | Memorandum of Understanding |
| MW·h | Megawatt hour |
| NFC | Not from concentrate |
| NPLs | Non Performing Loans |
| NPS | National Payment Systems |
| OECD | Organisation for Economic Cooperation and Development |
| OIRSA | International Regional Organization for Agricultural Health |
| OPEC | Organisation of Petroleum Exporting Countries |
| PMO | Project Management Office |
| ps | Pound solid |
| ROA | Return on Assets |
| ROC/Taiwan | Republic of China/Taiwan |
| ROE | Return on Equity |
| SDR | Special Drawing Right |
| SIB | Statistical Institute of Belize |
| SIF | Social Investment Fund |
| SSS | Securities Settlement System |
| UK | United Kingdom |
| US/USA | United States of America |

Notes and Conventions:

-- $ refers to the Belize dollar unless otherwise stated
-- mn denotes million
-- bn denotes billion
-- The figures for 2011 in this report are provisional, and the figures for 2010 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, 2011

**BOARD OF DIRECTORS**

Rt. Hon. Sir Manuel Esquivel
**Chairman**

Ralph Feinstein
**Vice Chairman**

Damian Gough - **Member**

Darrell Bradley - **Member**

Glenford Ysaguirre - **Governor, Ex officio Member**

Joseph Waight - **Financial Secretary**, **Ex officio Member**

Christine Vellos - **Deputy Governor, Ex officio Member**

Marilyn Gardiner-Usher - **Deputy Governor, by invitation**

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**PRINCIPAL OFFICERS**

Glenford Ysaguirre
**Governor**

Christine Vellos
**Deputy Governor - Economic Intelligence**

Carol Hyde
**Director, Human Resources**

Hollis Parham
**Director, Finance**

Azucena Quan-Novelo
**Director, Research**

Effie Ferrera
**Director, Internal Audit**

Marilyn Gardiner-Usher
**Deputy Governor - Operations**

Angela Wagner
**Director, Administration**

Neri Matus
**Director, Financial Sector Supervison**

Rabey Cruz
**Director, Information Technology**

Stephen Heusner
**Chief of Security**

Michelle Estell
**Director**, **Banking & Currency**

# GOVERNANCE

**Board of Directors**

The Board comprises the Governor, a Deputy Governor, and the Financial Secretary as ex officio members and four other members who are appointed by the Minister of Finance. The chairman is appointed by the Minister and the vice-chairman is elected by the members. 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 terms of office for Mr. Alan Slusher, former Board chairman, and Mr. Kerry Belisle, expired in 2011. A new chairman, the Right Honourable Sir Manuel Esquivel, and a new member, Mr. Damian Gough, were appointed to the Board on 18 January 2011 and 1 April 2011, respectively.

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. In 2011, the Board met 11 times and considered 70 submissions.

| Attendance at Board Meetings in 2011 | |
|---|---|
| Rt. Hon. Sir Manuel Esquivel - **Chairman** | 10 |
| Mr. Ralph Feinstein - **Vice-Chairman** | 10 |
| Mr. Damian Gough - **Member** | 7 |
| Mr. Darrell Bradley - **Member** | 9 |
| Mr. Glenford Ysaguirre - **Governor (*ex officio*)** | 11 |
| Mr. Joseph Waight - **Financial Secretary (*ex officio*)** | 10 |
| Mrs. Christine Vellos - **Deputy Governor (*ex officio*)** | 11 |
| Mrs. Marilyn Gardiner-Usher - **Deputy Governor (*by invitation*)** | 10 |

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 set standard of conduct for directors and officers of the Bank.

Over and above these legislated requirements, members recognise their responsibility for maintaining a reputation of integrity and propriety on the part of the Board and the Bank in all respects. Directors commit to:

- Discharging their duties with care and diligence;
- Acting in good faith, and in the best interest of the Bank;
- Not using their position to benefit themselves or any other person, or to cause

detriment to the Bank or any person;
- Not using 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
- Declaring 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**

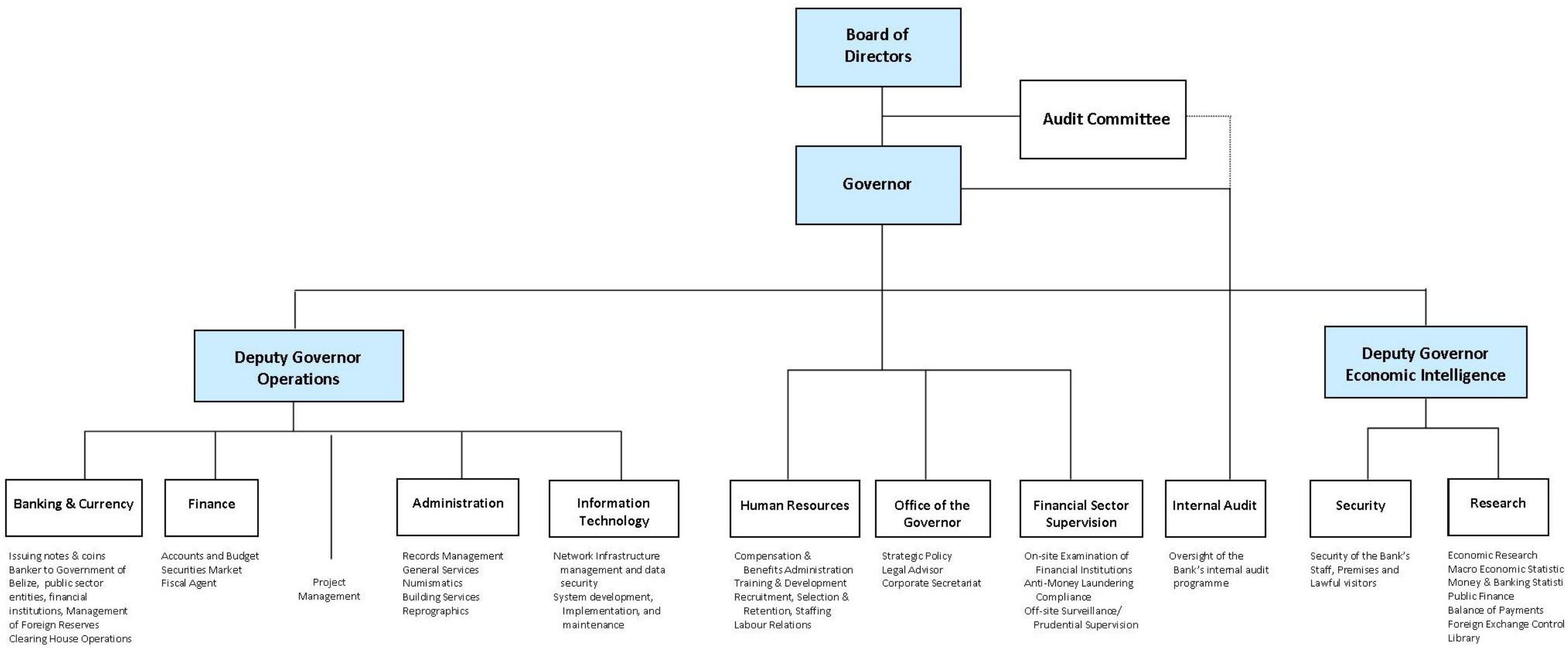
The objectives of the Audit Committee of the Board of Directors are to:

- 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 management, employee conflicts of interest, business ethics and prevention of fraud; and
- Enhance transparency of relation between management and the Internal Audit Department.

The Audit Committee is made up of two non executive board members, Mr. Damian Gough (Chairman) and Mr. Darrell Bradley as well as Mrs. Marilyn Gardiner-Usher (Deputy Governor Operations). Mrs. Effie Ferrera (Chief Internal Auditor) is secretary to the Committee.

The new Chairman of the Audit Committee was appointed in 2011. During the year the Committee considered the quarterly interim financial audits and the various audits and reviews conducted by the Internal Audit Department and made subsequent presentations to the Bank's Board.

# FUNCTIONAL CHART



# GOVERNOR'S FOREWORD

The Central Bank is marking its 30th year of existence against the backdrop of difficult world economic conditions and heightened challenges for domestic policy makers. Growth in the country's major trading partners has been weakening recently and there was some deceleration in the domestic economy in 2011 although GDP growth remained above that of other CARICOM countries except for Guyana and the Bahamas. The slowdown has been accompanied by continued sluggishness in private sector credit although strong foreign exchange inflows from public and private sources enabled the banking system to maintain a healthy level of foreign assets. At the end of 2011, the Central Bank's external asset ratio was 80.0% of its domestic demand liabilities or twice the amount legally required.

Temporary roadblocks impeding progress in the Bank's programme of monetary policy reform included the insufficiency of marketable securities, weaknesses in the domestic legislation and inadequate payments infrastructure. Nevertheless, given the continued buildup in domestic bank liquidity, the Central Bank's policy initiative to foster competitive activity in the market for short term government paper resulted in the continuation of a downward trend in Treasury bill yields; and the Bank's decision to lower the interest rate floor on savings deposits to 2.5% aimed at bringing down the lending rates of the commercial banks also yielded positive results as the notoriously sticky lending rates of the banks began to evince a declining trend during the year. The Central Bank also took steps to ensure that the interest paid to depositors on savings deposits was reflective of actual daily balances and fostered greater transparency on the part of commercial banks by requiring their disclosure of the annual effective interest rate on savings accounts.

Notable strides were made in 2011 toward improving the regulatory oversight of the financial system in order to strengthen its resiliency to various threats. Internationally, many of the rules and standards for financial system governance are being re-examined and upgraded in an effort to counteract the trend towards increased complexity and risk of financial institutions and markets. While many of these efforts are focused on the developed economies, small countries like Belize are also expected to adopt international "best practices" wherever these are considered relevant in order to remain in good standing internationally. Furthermore, given the interconnectedness of international financial institutions, there is a worldwide and regional push to elevate the quality of oversight in all jurisdictions in order to minimize systemic risk and contagion. It was therefore strategically important for Belize to undergo its first Financial Sector Assessment Programme (FSAP) in mid 2011 in order to identify any deficiencies in the regulatory framework and devise a programme of corrective measures to strengthen the governance of the financial system.

The results of the FSAP provide a cohesive framework for moving forward to assure the safety and soundness of the financial system. Hence, loan loss provisioning standards were upgraded in December to bring these into conformity with international best practices and to incentivize the banks to focus on borrowers' capacity to repay as well as to set aside adequate provisions to cover non-performing loans. Some of the recommended improvements to the regulatory framework hinge on the future enactment of several amendments to the legislation. Substantial work has been done to revise the Banks and Financial Institutions Act and the Credit Union by-laws and these draft revisions have been circulated to stakeholders for comments before submission to the legislature. The Central Bank has also been pushing forward with its efforts to reform the national payments system and establish a credit bureau, both of which are expected to have a positive developmental impact on the Belizean economy. The former is furthest advanced with a national payments system law having been drafted and a strategy paper prepared to carry the process forward. It is anticipated that the momentum of the payments system project will be maintained in 2012 as steps are taken to put in place the necessary financing arrangements.

Simultaneous with the Bank's increased attention to risk management in the domestic system and development of the financial infrastructure are its on-going efforts to protect the value of the Belize dollar. Legally mandated to protect Belize's fixed exchange rate, the Central Bank has maintained this as its primary goal during the cyclical peaks and troughs of the national economy. In addition to the fiscal and monetary adjustments periodically required, the fixed exchange rate has been buttressed for 35 years by exchange control regulations that govern foreign currency movements into and out of Belize. While this has yielded a generally low inflation environment that is suitable for investment and forward planning, the Central Bank is still being challenged from time to time by elements in the private sector who chafe at the restrictions. Increased priority must therefore be placed on public educational outreaches to build awareness and voluntary cooperation with this system which plays such a foundational role in Belize's long term stability and growth.

In taking stock of the international and domestic environment upon reaching the 30 year milestone, it becomes increasingly clear that strategic planning and efficient execution are a vital necessity if the country is to achieve its goal of economic growth and development. The Central Bank has therefore been committing more time and resources to this type of effort. In the last quarter of 2011, work began with a view to developing a corporate strategic plan for the Bank. The ultimate goal is an increase in the Central Bank's contribution and its effectiveness in the national effort to develop Belize.

**Glenford Ysaguirre**
*Governor*

# Overview of the Domestic Economy

The external environment took a slight downturn in 2011 as the growth momentum of the United States and other advanced economies decelerated. However, while growth in the domestic economy also slowed from 2.7% to 2.0%, this was principally due to bad weather and crop diseases with disputes at the managerial level and financial insolvency adding to the difficulties. Offsetting this were buoyant distribution activities, increased stay-over tourist arrivals, which translated into greater value added in hotel, restaurant, transportation and communication activities, and a rebound in manufacturing that reflected productivity hikes in sugar and citrus juice processing. On the downside, construction declined for a second consecutive year, the sugarcane harvest was the lowest in 23 years, banana yields fell due to storm damages, fishing output declined with the closure of the largest shrimp farm, and petroleum production decreased in line with the downturn in output of the major oilfield.

Domestic price pressures picked up slightly, underpinned by higher fuel acquisition costs. Even with the removal of the 12.5% general sales tax (GST) on fuel imports and its replacement with a fixed rate of import duty in March, the annual average inflation rate rose from 0.9% to 1.5%. Except for "Household Goods and Maintenance" and "Clothing and Footwear" which recorded price declines, increases were across the board with the largest occurring in “Personal Care” and "Transportation and Communications", the latter being due to higher prices at the pump for diesel and gasoline.

The current account deficit of the balance of payments narrowed for the third consecutive year, falling to 2.5% of GDP, as a notable reduction in profit repatriation masked a small increase in the merchandise trade deficit as well as lower net inflows from services and transfers. The surplus on the capital and financial account was larger as official capital flows helped to offset a marginal decrease in foreign direct investment and the twin effects of a reduction in commercial banks' foreign liabilities and an increase in their foreign asset holdings abroad. The net result was a $36.2mn increase in the gross international reserves to $472.2mn, which was equivalent to 4.3 months of merchandise imports.

Constrained by the heavy public sector debt overhang, Central Government continued to exercise fiscal restraint and its overall deficit consequently shrank from 1.7% of GDP to 0.3% of GDP, while the primary surplus rose from 1.8% to 3.3% of GDP. Heightened receipts from the petroleum industry and import duties contributed to a 5.1% growth in revenues. Expenditure rose by a marginal 0.1%, as a fall in capital outlays almost matched increased current spending. The latter included a 4.6% rise in the wage bill and 8.1% increase in interest payments that was due to the stepping up in the interest rate applied to the super bond from 4.5% to 6.0%.

Since its receipts from the oil industry were sequestered in a special account to meet payments on the super bond and funds from the sale of Belize Telecommunications Limited (BTL) shares were also being set aside to meet a pending settlement with the previous owner, Central Government relied on financing from the Central Bank's overdraft facility in order to meet current outlays. Its domestic debt consequently rose by 3.7% to $381.2mn (13.2% of GDP). The reclassification of $23.1mn from private to public sector debt following the nationalization of Belize Electricity Limited (BEL) in June was the predominant factor in a 1.2% rise in the public sector's external debt to $2,045.5mn (70.7% of GDP).

Broad money supply (M2) expanded by 5.6% and commercial bank liquidity maintained an upward trend during the year that reflected subdued credit demand and above average foreign inflows. While the banking system's net foreign assets ratcheted upward by 19.9%, net domestic credit contracted by 1.5%. The credit downturn was led by Central Government as the build-up in its deposits outweighed the increase in its borrowing. Credit to the private sector registered a marginal decline as a modest rise in commercial bank loan disbursements fell short of the quantum of their non-performing loan write-offs, which was one of the measures being taken to strengthen their balance sheets.

Against the backdrop of expanded liquidity that included statutory and cash holdings that were respectively some 46.8% and 54.8% in excess of requirements, interest rates began to gradually decline. This downward trend was reinforced by the Central Bank's decision to further lower the minimum interest rate on savings deposits from 3.5% to 2.5% in October. Annual declines of 196 basis points and 76 basis points were consequently recorded in the weighted average deposit and lending rates, respectively.

Developments in the banking system were framed by Central Bank measures to safeguard the system's stability given the continuing doldrums of the domestic construction and real estate sectors. In July, Belize underwent its first financial sector assessment programme (FSAP) and arising from this were several recommendations for improvements to the legislation and regulations applicable to commercial banks. Among the most important were upgrades to the standards for loan provisioning, loan classification and collateral valuation aimed at reducing systemic risks. For the banks, the year was therefore one of necessary adjustments, some of which resulted in short term losses that should ultimately reduce the difficulty and size of adjustments in the medium and long term.

Currently, the economy's near term outlook is cautiously optimistic. GDP is forecasted to grow between 2.0% and 2.5% in 2012 spurred by a turnaround in agricultural production and supplemented by continued buoyancy in tourism and free zone trade as well as an increase in domestic electricity generation. The main downside risks are the continued fragility of the tourism industry, rising cost of inputs and a sharper than anticipated decline in petroleum extraction. On the fiscal front, success in renegotiating the terms of the super bond could set the debt on a more sustainable path and provide some fiscal headroom to invest in the maintenance and, in some cases, the rebuilding of infrastructure that have been crumbling due to a lack of financial resources.

Assuming normal weather conditions, the primary sector is expected to expand by 4.2% reflecting increases in output of the major export crops. Assuming citrus greening is kept under control, the citrus industry should continue to benefit from higher international prices and a recovery from the lingering effects of hurricane damage. The banana harvest is also expected to fully recover from the storm-related damages of 2011 while sugarcane production is expected to rebound from its twenty-three year low. Following three consecutive years of contraction, marine production is forecasted to increase by 3.6% as the anticipated reopening of one of the larger shrimp farms supplements increases in farmed fish, conch and lobster output.

Growth in services is projected at around 3.0%, sustained by heightened cross border trade in the Commercial Free Zone (CFZ) as well as continued buoyancy in tourism with the latter being buttressed by increases of 3.6% in stay over tourists and 9.4% in cruise ship visitors. Transportation should be growing in tandem with activity in agriculture and tourism, while communication services are slated to expand due to the national telephone company's investment in the 4G broadband network. The outlook for the secondary sector is mixed since crude oil production is expected to continue its decline, whereas the domestic production of electricity should be boosted by a full year of uninterrupted operation by the cogeneration plant.

The balance of payments position is forecasted to deteriorate slightly in 2012 with the current account deficit increasing to 3.3% of GDP in response to an upswing in imports, increased profit repatriation by the tourism industry and the further hike in public sector interest payments attributable to the increase in the coupon rate on the super bond from 6.0% to 8.5%. The surplus on the capital and financial account is also projected to decline by 35.0% due to lower net official transfers. Consequently, the financing of the current account deficit will require the drawing down of official reserves thus reducing import coverage to 3.8 months of merchandise imports. There is however a possibility for improvement in the external sector picture though this is partly contingent on the realization of cost savings derived from a successful renegotiation of the terms of the super bond.

# INTERNATIONAL & REGIONAL OVERVIEW

Chart 3.1: Global Growth

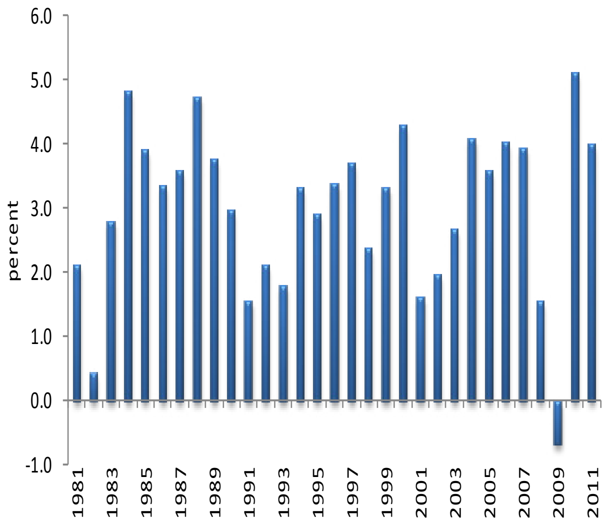
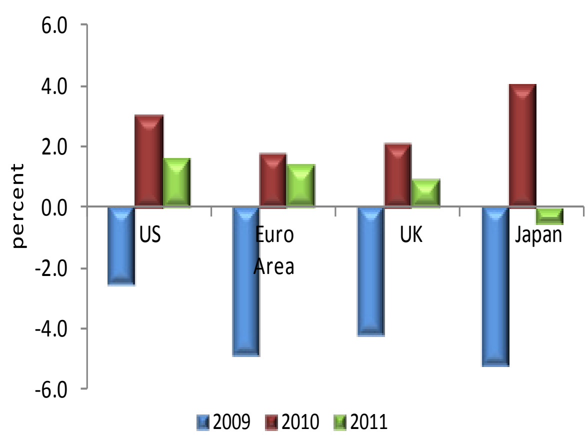



Chart 3.2: Selected Advanced Economies: GDP Growth Rate




Global growth decelerated to 4.0% in 2011 in the context of a deepening euro-zone crisis, a shaky US recovery, natural disasters in Japan and heightened volatility in global financial markets. Despite highly accommodative macroeconomic policies, US growth slowed from 3.0% to 1.6% with high oil prices, weakness in residential construction and supply chain disruptions in the automotive industry dampening household and business activities. However, there were some signs of a turnaround in the second half of the year as an uptick of investment in equipment and software as well as increased exports contributed to a fall in the unemployment rate to 9.1%. While major natural disasters resulted in a 0.5% contraction in the Japanese economy, there were also signs of recovery in the second half of the year as reconstruction efforts picked up pace.

In the UK, GDP growth decelerated to 0.9% against the backdrop of continued fiscal tightening, weakened business and consumer confidence and slowdown in export growth. Industrial output and construction were down, while growth in the services sector remained sluggish. Output in the entire euro area grew by 1.4%, however, the region's performance was uneven with stronger growth in Germany and Sweden being juxtaposed with the weaker performance of debt-ridden countries such as Portugal, Ireland and Greece. These latter were further constrained by the difficulties and slowness in implementing much needed fiscal adjustments and growth-enhancing reforms.

In contrast, the performance of the emerging and developing economies continued to be fairly strong with surging commodity prices coupled with increased domestic demand spurring growth in Latin America, while the Asian economies expanded at a robust pace, notwithstanding disruptions in

Chart 3.3: Selected Emerging Economies GDP Growth Rate

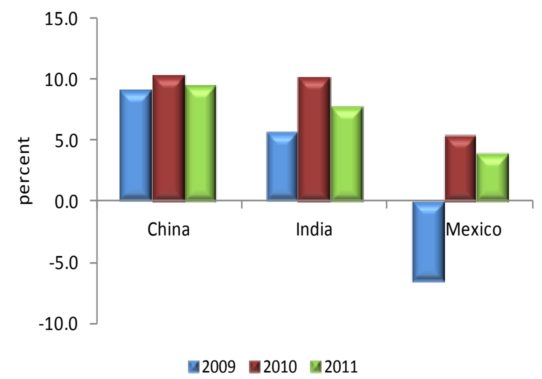



Chart 3.4: Caribbean Economies GDP Growth Rate

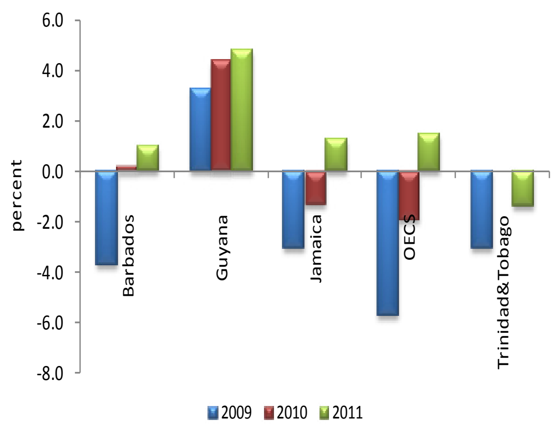
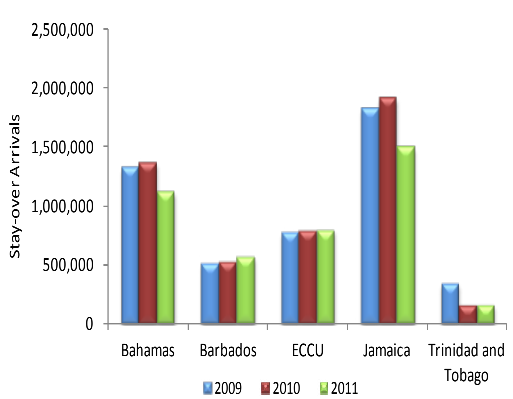



Chart 3.5: Caribbean Tourism




supply chains and ebbing demand from advanced economies. China reported growth of 9.5% on the back of strong industrial output, while private consumption was the driver of a 7.8% expansion in India. In both cases, there was a strengthening of inflationary pressure. Closer to home, Mexico's growth slackened to 4.0% as expansions in construction, services and manufacturing coincided with contractions in agriculture, exports and reduced growth in capital formation and private consumption.

In the Caribbean, regional growth accelerated marginally to 0.7% as countries continued to be constrained by the weak recovery in their major export markets, mounting public sector debt, weak tourism flows and rising consumer prices. Guyana led with a 4.8% increase supported by favourable weather, high commodity prices (particularly for gold, rice and sugar) and increased output from the manufacturing and services sectors. At the other extreme, Trinidad & Tobago experienced a 1.4% contraction, the third consecutive decline since 2009, due mostly to lower output from the crude oil and natural gas sectors. Barbados, the Eastern Caribbean Currency Union (ECCU) and The Bahamas benefitted from a slight upswing in tourism and grew by 1.0%, 1.5% and 2.0%, respectively, after posting negative or minimal growth over the past two years. Primary activities (mining and quarrying, agriculture, forestry and fishing) and, to a lesser extent, hotel and restaurant activities underpinned growth of 1.3% in Jamaica's GDP.

Caribbean governments continued to grapple with fiscal imbalances and high levels of public sector debt during the year. Unemployment levels were for the most part stubbornly high and the increased cost of

Chart 3.6: Caribbean Inflation

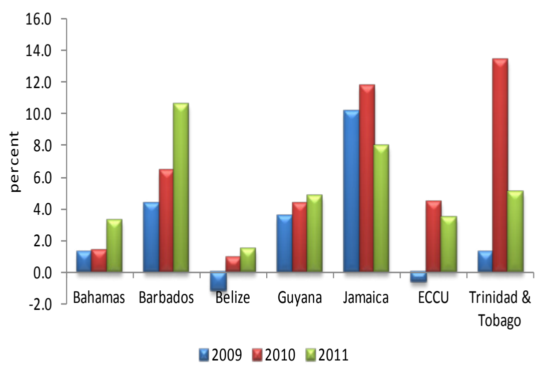



Chart 3.7: GDP Growth Rate

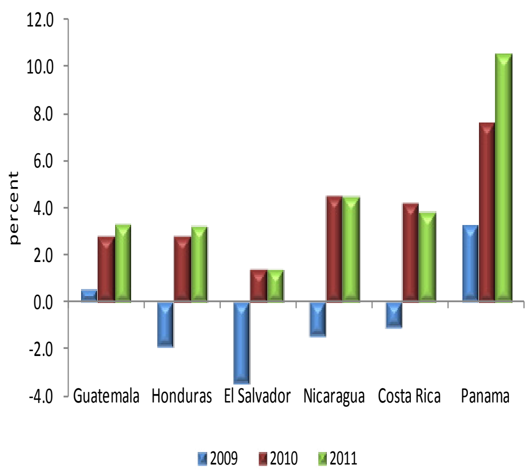
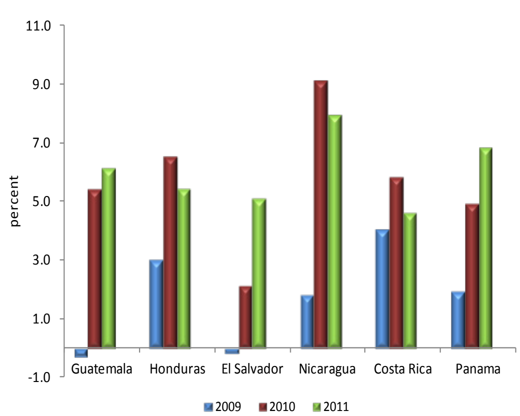



Chart 3.8: Central America Inflation




imported items, particularly food and fuel, pushed inflation upwards throughout the region ranging from 10.6% in Barbados to 3.2% in Bahamas. Guyana and Trinidad & Tobago experienced price hikes of 4.8% and 5.1%, respectively. Monetary policies were generally accommodative and aimed at lowering interest rates in the context of subdued private sector credit demand and high levels of bank liquidity. Meanwhile, balance of payments pressures led several countries to enter standby arrangements with the IMF including Jamaica, Antigua & Barbuda, and St. Kitts & Nevis. Jamaica also negotiated a debt exchange with its creditors which is anticipated to save the government US$400.0mn in interest expenses over the 2011/2012 fiscal year.

Countries in the Central American region showed more resiliency in the face of the sluggish nature of the recovery in the advanced economies. Panama led with a 10.5% expansion that was internally driven by public investment projects such as the expansion of the Panama Canal, the construction of a metro train system as well as various housing and highway projects. GDP growth in the other countries was more dependent on exogenous factors such as family remittances, US demand, fluctuating commodity prices and inflows from services, the most important being tourism. El Salvador, and to a lesser degree, Honduras and Guatemala were affected by Tropical Depression 12 (TD12) which inflicted damage to agricultural production. Since it was harder hit by TD12, the Salvadoran economy lagged behind the rest with growth of only 1.4%. Guatemala and Honduras were able to post GDP growth of 3.3% and 3.2% respectively, driven mainly by activity in mining, commerce and financial services in the case of Guatemala, and by telecommunications in

Honduras. Nicaragua and Costa Rica maintained momentum with growth of 4.5% and 3.8%, respectively, that was driven by foreign direct investment (FDI) into communications, construction and free zones.

Inflation in the region remained relatively high as supply shortages due to TD12 and the rise in crude oil prices pushed the cost of public transportation, food & beverages and fuel upwards. Price levels rose by 7.9% in Nicaragua, and by 6.8% and 6.1%, respectively, in Panama and Guatemala. Honduras, El Salvador and Costa Rica also reported inflation rates of 5.4%, 5.1% and 4.6%, respectively.

Attempts to rein in fiscal deficits were moderately successful with the average for the region edging downwards from 3.7% of GDP in 2010 to 3.5% of GDP in 2011, as all countries, except Honduras, recorded contractions. External current account deficits generally worsened due to a significant deterioration in merchandise trade balances. While exports were up moderately, imports grew faster, boosted by domestic demand and higher international prices of petroleum and industrial inputs. This was partly offset by a general increase in workers' remittances to the region, notwithstanding the uncertainties faced by Central American migrant labour in the United States. Meanwhile, FDI inflows that were mainly directed to manufacturing and telecommunications helped to finance the widening current account gaps. Costa Rica was the primary beneficiary as its telecommunications sector was opened to foreign competition.

In other developments, a free trade agreement between Mexico and Central America (excluding Panama) was signed in November. This agreement replaced previously signed bilateral agreements and should contribute to economies of scale and the sale of inputs to the Mexican automotive industry. Costa Rica also signed bilateral agreements with Peru and China, while in October 2011, the US approved the signing of a free trade agreement with Panama.

# The Financial System

During a three-week period in July, the financial system's regulatory framework was subjected to a comprehensive examination as a team of International Monetary Fund (IMF) and World Bank consultants conducted Belize's first financial sector assessment programme (FSAP). The focus was on identifying vulnerabilities and assessing the flexibility and suitability of domestic arrangements for managing threats to the stability of the financial system. Arising from the examination were several recommendations for legislative revisions to the Central Bank Act, the Banks and Financial Institutions Act (BFIA)and the International Banking Act (IBA) as well as for the effecting of immediate improvements in standards for commercial bank loan loss provisioning, loan classification and collateral valuation in order to ameliorate systemic risks. Recommendations were also made for the upgrade of the Central Bank's anti-money laundering/combating the financing of terrorism (AML/CFT) supervisory practices and for the preparation of an action plan geared to address balance sheet weaknesses arising from excessive exposure of some commercial banks to large non-performing loans.

### Strengthening of Regulatory Framework

Proceeding from this, and in the context of the heightened level of non-performing loans in the banking system, the Central Bank took steps to revise the prudential guidelines in order to bring these in line with international standards and compensate for the elevated risk levels. The purpose of the revisions was twofold: to ensure that in extending future credits, banks will prudently emphasize the financial and repayment capacity of their customers and not place undue reliance on the collateral offered, and second, to ensure that banks that have taken on unusually high levels of risk in the past are carrying the levels of provisions required to absorb potential losses.

The Central Bank consequently issued circulars under Section 81 of the BFIA and Section 45(1) of the IBA that revised the methodology for determining the appropriate classification of loans and other assets, prescribed new procedures for establishing and maintaining loan loss reserves and specified the appropriate accounting treatment of interest on loans and other interest bearing assets. The revised circulars became effective on 1 December 2011. In order to close a legal loophole in the IBA, the Central Bank also issued a circular to prohibit banks from acquiring assets for sale from borrowers in exchange for the settlement of their indebtedness and to require corrective action where any such transaction has already taken place.

The Central Bank also took action with a view to increasing the flexibility of the commercial banks and providing more scope for lending to the private sector on improved terms through a reduction in the minimum interest rate on savings deposits from 3.5% to 2.5% as of 1 October 2011. The domestic commercial banks were simultaneously instructed to calculate interest on the daily available closing balances held in savings accounts rather than on the minimum balance held in such accounts during a designated period, whether monthly, quarterly or annually, as had been the standard practice. In the interest of greater transparency, the commercial banks were also required to disclose their annual nominal and effective interest rates on savings deposits to customers and to the general public.

During the year, additional work was done to complete the draft revisions of the BFIA. Revisions were also done to the model by-laws for credit unions. Several sections of the document including those dealing with deposits, tenure of office and meetings of members were reviewed and discussed with stakeholders and it is expected that a completed draft will be submitted to the Minister for final approval as mandated by Section 16 (1) of the Credit Unions Act by June 2012. In the upcoming year, it will also be necessary to revise the Statutory Rules and Orders or the Credit Union Regulations as commonly known, which date back to 1948 and which are essentially obsolete and no longer beneficial as a tool for promoting the safety and soundness of credit unions.

### Supervision Issues

In fulfilment of its responsibility to ensure the safety and soundness of the financial system, the Central Bank undertook on-site examinations of one domestic bank, three international banks and three credit unions during the year. The examinations evaluated statutory compliance, adherence to AML/CFT regulations, institutional viability and prudential performance as it relates to solvency, liquidity, capital adequacy and risk management.

Ten applications for credit facilities that exceeded 25.0% of the banks' paid-up and unimpaired capital and reserves were submitted to the Central Bank in accordance with Section 21(2) of the BFIA. Approval was granted for five facilities that amounted to $38.1mn, as compared to the $70.3mn approved during the previous year.

The Central Bank continued its enhanced monitoring and regulatory oversight with a focus on transparency as well as safe and sound banking practices. To this end, it issued four directives to a domestic bank to address parallel banking practices, the reversal of in-kind shareholding contribution, preservation of capital and restoration of soundness, and large credit restrictions.

In June 2011, the Unit Trust Corporation (Belize) Limited requested and received the Central Bank's permission to voluntarily wind-up its operations. The voluntary winding up process is expected to be completed by 30 June 2012.

As stipulated by law, a Credit Union Appeals Tribunal was established with effect from 1 January 2011. Members were appointed by the Prime Minister and Minister of Finance after consultation with the Belize Credit Union League and will serve for a three-year term.

### Domestic Commercial Banks

Notwithstanding the writing off of some $45.0mn in non-performing loans, commercial banks' assets increased by 2.2% during the year with a 20.3% rise in cash and balances due from banks more than making up for a net fall in loans of 0.3%. Non-performing loans crept up by 3.3% even with the loan write-offs. To tackle this head-on while encouraging bankers to focus on the repayment

Chart 4.1: Commercial Banks' Assets, Loans and NPLs

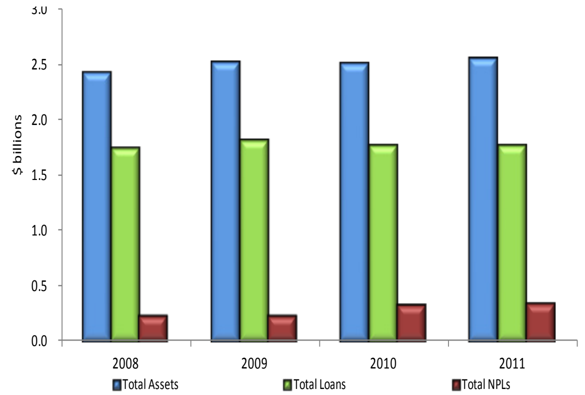



Chart 4.2: Commercial Banks' Capital Adequacy Ratios

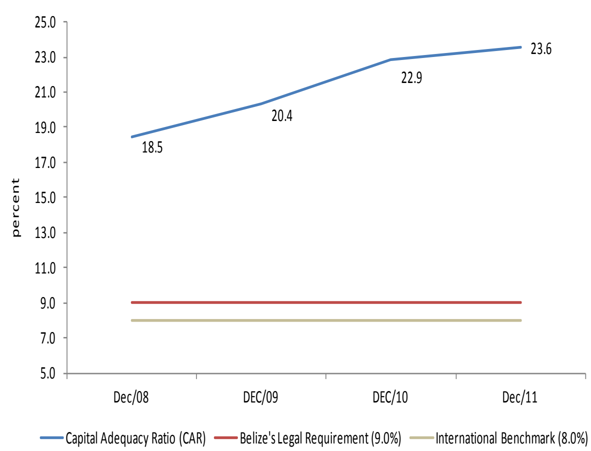
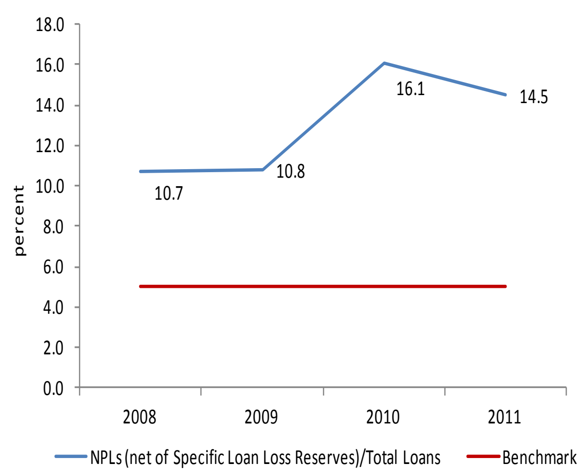



Chart 4.3: Non Performing Loans - Commercial Banks




capacity of borrowers rather than on the value of their collateral, the Central Bank directed the banks to increase their provisions for non-performing loans on 1 December. This was in line with recommendations stemming from the FSAP and brought the system into conformity with international prudential standards. The write-offs and increase in loan loss provisioning reduced the ratio of non-performing loans (net of specific provisions) to total commercial banks' loans and advances from 16.1% in 2010 to 14.5%.

On the liabilities side, deposits rose by 5.2%, and bank liquidity continued on an upward trend. Thus, while customers continued to hold the bulk of their money in time deposits, which comprised 53.9% of all deposits, this represented a reduction from the 60.6% share held at the end of December 2010 as some banks became increasingly reluctant to renew contracts for the more costly time deposits. The share of demand and savings deposits consequently increased to 22.7% and 23.4%, respectively.

Loan write-offs and more stringent loan loss provisions led to a 10.0% decline in the retained earnings of the commercial banks and, as a consequence, their primary capital fell by 2.7%, compared to the 3.6% growth registered for 2010. On the other hand, the capital adequacy ratio (CAR) of the domestic banking system improved by 3.1% to 23.6% due to the said write-offs and increased provisioning, with individual CARs ranging from 10.9% to 53.7% in relation to the mandated legal requirement of 9.0% and the minimum internationally accepted requirement of 8.0%. As commercial banks started the tough but necessary adjustments to deal with the high level of

Chart 4.4: Commercial Banks' Profitability Ratios

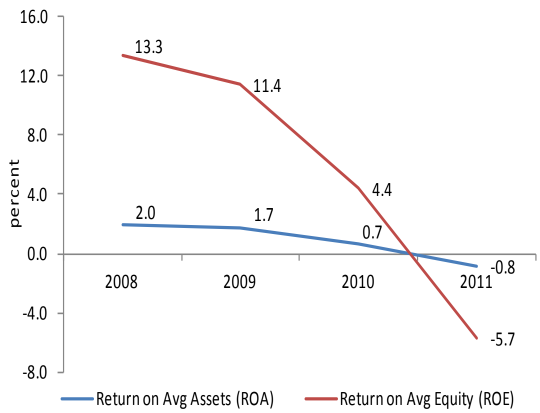



Chart 4.5: Commercial Banks' Efficiency Ratios

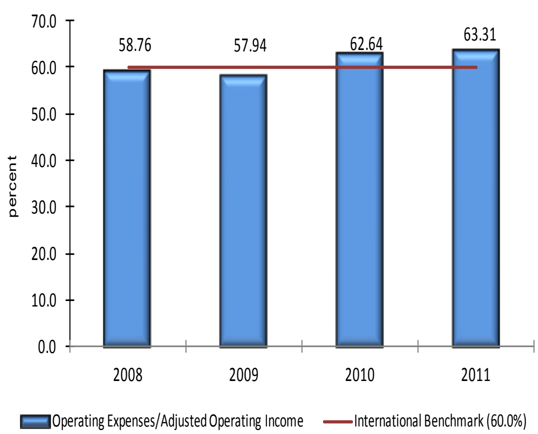
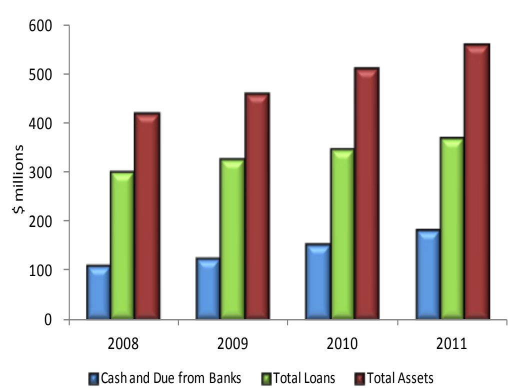



Chart 4.6: Five Largest Credit Unions - Loans, Assets and Cash and Due from Banks




non-performing loans in the system, the banking sector swung from a net profit of $20.7mn at the end of December 2010 to a net loss of $20.8mn. Consequently, return on equity (ROE) and return on assets (ROA) contracted by 5.7% and 0.8%, respectively. There was also an initial spike in expenses that caused the efficiency indicator to deteriorate further from 62.6% in 2010 to 63.3% in 2011, compared to the international benchmark ceiling of 60.0%.

## Credit Unions

Unlike the commercial banks, the activity of credit unions was unabated with the five largest credit unions (the Group) recording a 9.8% growth in assets, underpinned by increases of 19.9% in liquid assets (cash and balances due from banks) and 6.0% in loans and advances to customers. While the Group's aggregate non-performing loans rose by 6.9% over the year, their specific loan loss provisions increased by 21.4% and the net result was an improvement in the ratio of non-performing loans (net of specific provisions) to total loans from 4.1% for 2010 to 3.6%. On the other hand, a 25.2% fall in interest income decreased their net profits by 24.9% to $25.0mn and shrank the ROA from 6.9% in 2010 to 4.6% and the ROE from 36.4% to 23.3%

## International Banks

Almost on par with the previous year's 23.6% increase, growth in the assets of the international banks was 21.7%, underpinned by a combined increase of 45.2% in cash and balances due from banks and government securities/investments. As in the previous year, deposits grew by a robust 24.2% to US$461.7mn. Demand deposits accounted for 55.0% and time and savings deposits comprised

Chart 4.7: Five Largest Credit Unions' NPLs

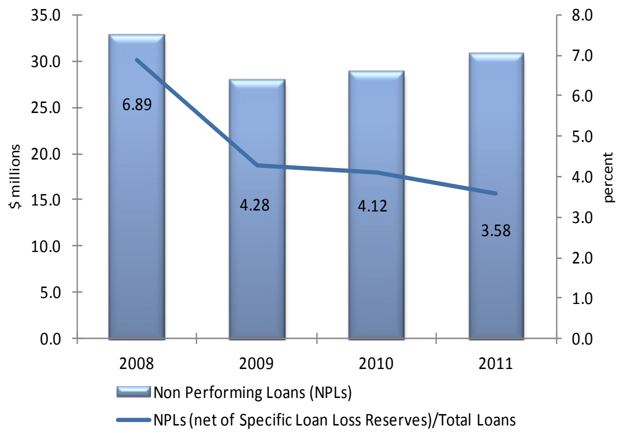



Chart 4.8: Five Largest Credit Unions - Profitability

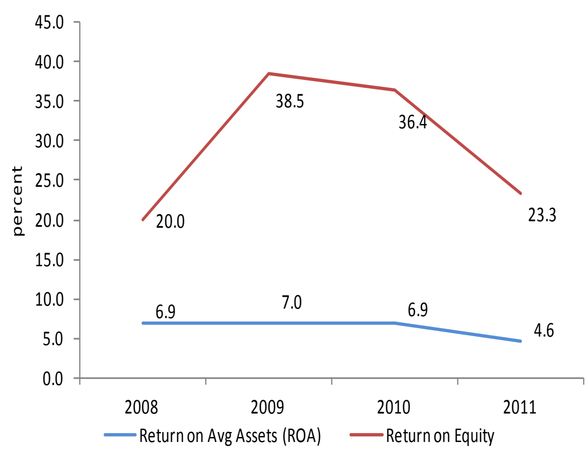
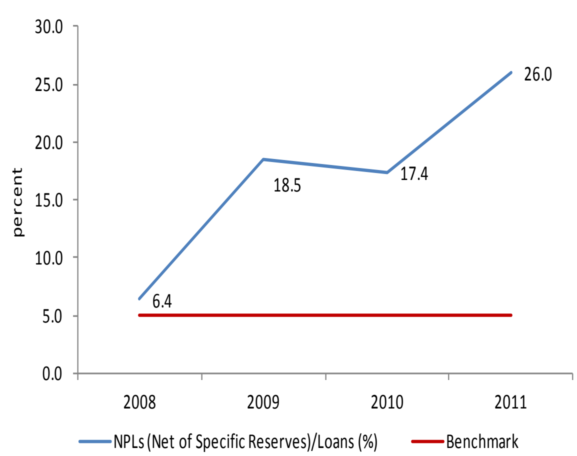



Chart 4.9: Non Performing Loans - Internatonal Banks




23.0% and 16.0%, respectively. Recovering rather weakly from the US$1.0mn decline of 2010, the international banks registered a US$2.3mn increase in total loans over the year. However, the aggregate level of non-performing loans rose by 73.1% (US$30.6mn), causing the ratio of non-performing loans (net of specific provisions) to total loans to worsen from 17.4% in 2010 to 26.0%. Total capital, nonetheless, edged up by 1.8%, resulting in a CAR of 25.6% with individual banks reporting ratios of 14.9% and higher, well above the legal requirement of 10.0% and the 8.0% minimum requirement established by BASEL, the global international standard.

Under pressure from a 9.8% drop in interest income due to the hike in non-performing loans, and a more than doubling in other expenses due to a marked increase in specific loan loss reserves, net income fell by 45.6% to US$6.6mn. ROE and ROA were consequently reported at 7.1% and 1.2%, respectively, with the former being below and the latter being borderline relative to the international benchmarks of 10.0% for the ROE and 1.0% for the ROA.

# Money & Credit

Chart 5.1: Excess Liquidity

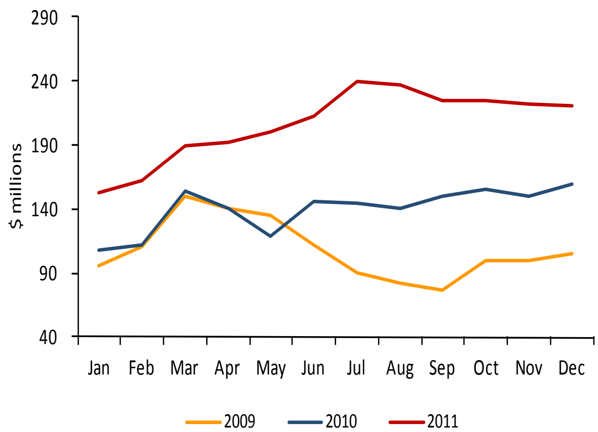
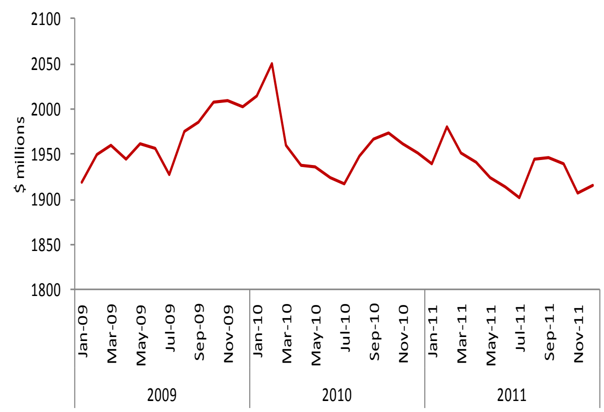



Chart 5.2: Net Domestic Credit




Bank liquidity continued on an upward trend, as robust growth in net foreign assets associated with a further improvement in the current account of the balance of payments coincided with sluggish credit demand. By year-end, the excess statutory liquid asset holdings of the banks had increased by 38.1% and stood some 46.8% in excess of the legal requirement. Excess cash balances were also 54.8% above the required level and significantly above the long term trend. The Central Bank consequently continued its efforts to bring interest rates more in line with current market and economic conditions by reducing commercial banks' costs and increasing their flexibility in liquidity management. On 1 February, the interest rate on loans granted to domestic commercial banks in its capacity as lender of last resort was lowered from 18.0% to 11.0% per annum. The mandatory securities requirement was also progressively reduced from 6.5% to 0.0% of average deposit liabilities and on 1 October, the minimum interest rate on savings deposits was further lowered from 3.5% to 2.5%. These policy changes set the stage for more aggressive loan marketing efforts by commercial banks accompanied by a downward trend in their lending rates.

Notwithstanding this, net credit contracted for the second year in a row as a modest up-turn in new loan disbursements was eclipsed by the writing off of some $45.0mn worth of non-performing loans in the banking system, the latter being part of the programmed effort to clean up and strengthen the balance sheets of some commercial banks. A $23.5mn contraction in net financing to Central Government accompanied decreases in credit to the private sector and statutory bodies of $5.2mn and $0.8mn, respectively. In the case of the Government, its increased reliance on Central Bank overdraft financing was eclipsed by growth in its deposits due to heightened receipts from oil production, loan disbursements and proceeds from the sale of BTL shares. Funds derived from the latter were notably being held in a special account pending the reaching

Chart 5.3: Private Sector Credit and Money Supply (Annual Percentage Growth)

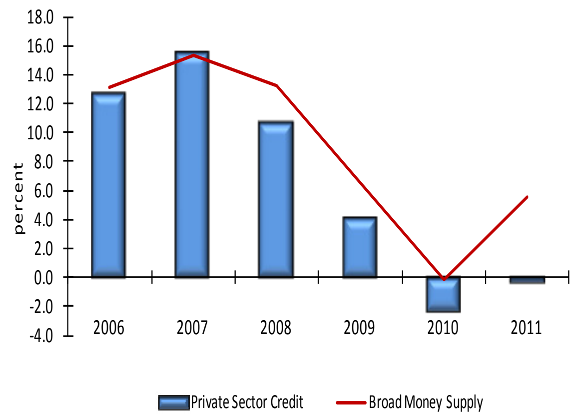



Chart 5.4: Commercial Banks' Loan Distribution

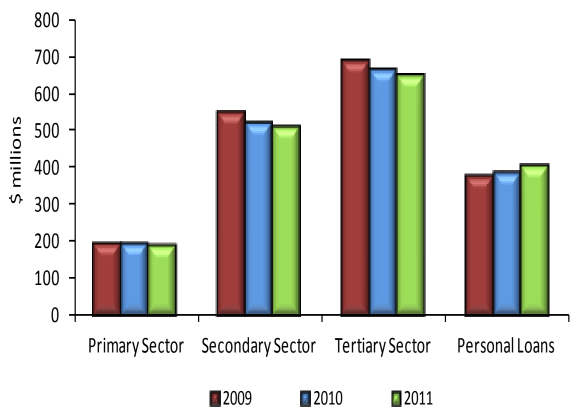
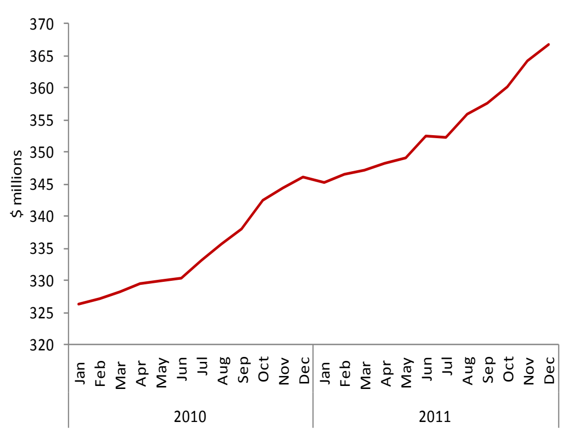



Chart 5.5: Credit Unions' Loans and Advances




of a settlement to compensate the previous owners of the telephone company.

As a result of the loan write-offs for entities involved in tourism, construction, agriculture and manufacturing, commercial bank credit declined across most sectors except for personal loans, which rose by $20.6mn, almost twice the increase over the same period of 2010. The largest decline ($12.4mn) was in the secondary sector as reductions for manufacturing and construction activities outpaced disbursements to utility providers. In the tertiary sector, repayments from merchandise distributors, transportation service providers and loan write-offs for tourism-related projects outweighed advances for real estate transactions. Meanwhile, loan activity by the five largest credit unions maintained an upward trend with a $20.8mn increase as compared to growth of $21.5mn in 2010. Most of these new loans went to finance home improvements and personal consumption.

Responding to the Central Bank's initiatives, the weighted average deposit rate fell by 196 basis points to 3.65%. Notably, the weighted average rate on time deposits declined by 205 basis points to 5.37%. Lagging somewhat, the weighted average lending rate declined by 76 basis points to 13.02% with the rates applied on residential mortgages and personal loans recording the largest reductions of 128 and 126 basis points, respectively. The slower pace of decline in lending rates largely reflected structural re-pricing rigidities of existing loan contracts since new borrowers benefitted from generally lower rates with the weighted average lending rate on new loans issued during the year falling by 257 basis points to 11.79%.

Chart 5.6: Weighted Average Deposit and Lending Rates

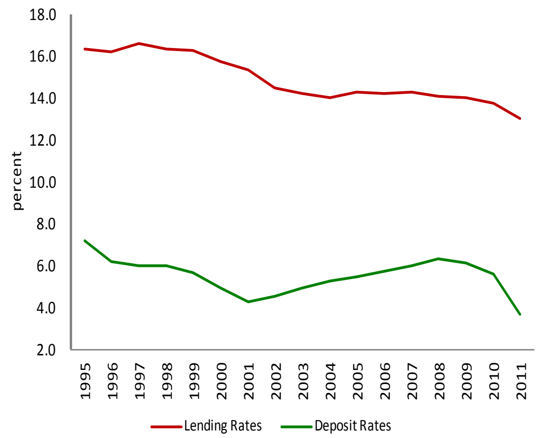
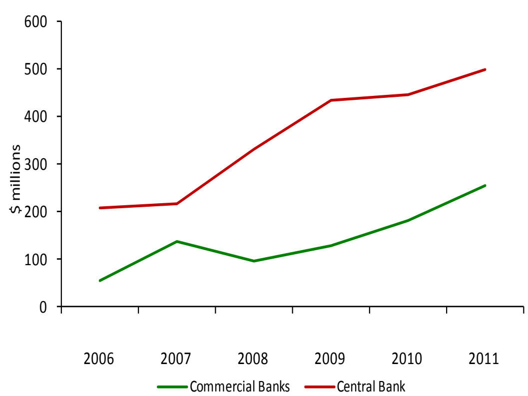



Chart 5.7: Annual Growth in Bank Deposits


Chart 5.8: Net Foreign Assets

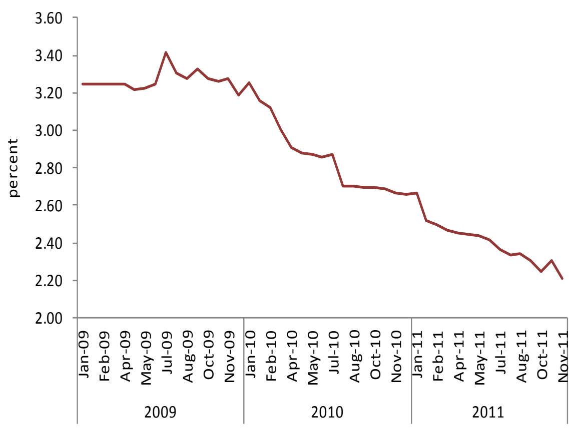



Given the slackness in credit, growth in M2 was driven by a 19.9% increase in net foreign assets. Reversing its 0.1% dip in 2010, M2 grew by 5.6% during the year. However, given the substantial build-up in their liquidity, some banks began refusing to accept new time deposit liabilities. Hence, while quasi-money declined by 4.4%, with the latter change encompassing a notable shift of $54.4mn by individuals from time to savings deposits, narrow money expanded by 18.6% with the bulk of the increase being in demand deposits, where interest rates were lower.

Notwithstanding the re-direction of their resources in order to increase loan loss provisioning and meet cash reserve requirements, the commercial banks were able to boost their foreign assets by 21.1% and reduce foreign liabilities by 53.8% due to heightened inflows from CFZ sales, tourism receipts and domestic exports. The Central Bank's foreign asset holdings also improved as foreign exchange purchases of $285.4mn outpaced sales of $233.9mn. Almost one-third of the foreign exchange receipts came from taxes and royalties on oil production, while loan disbursements, receipts from sugar exports and foreign exchange purchases from commercial banks accounted for 20.9%, 16.4% and 12.3%, respectively. Central Government accounted for approximately 75.0% of the Bank's foreign exchange outflows, most of which was allocated for external debt payments. The balance went to meet the needs of statutory bodies and commercial banks.

Activity in the Treasury bill market continued to be dominated by the commercial banks, and this was a reflection of the high levels of excess liquidity. The banks took steps to maintain their percentage

Chart 5.9: Treasury Bill Average Yield




share of available Treasury bills at approximately 83.7% over the twelve month period, even without the statutory requirement. At the end of December, their Treasury bill holdings were valued at $151.5mn, slightly higher than the amount held at the end of 2010. Against the backdrop of strong demand, the Treasury bill yield continued to drift downward over the year. The last issue for the year was rolled over at a yield of 2.21263%. This was lower than the 2.23969% registered for the previous issue and well below the 2.66172% yield recorded for the last issue of 2010.

Box 1: Monetary Policy Developments in 2011

| | |
|---|---|
| **1 January, 2011** - | The government securities' requirement was reduced from 6.5% to 5.0% of commercial banks' average deposit liabilities, while the cash reserve requirement and liquid asset ratio remained unchanged at 8.5% and 23.0%, respectively. |
| **1 February, 2011** - | Central Bank's discount rate as lender of last resort to commercial banks was reduced from 18.0% to 11.0% per annum. |
| **1 April, 2011** - | The government securities' requirement was reduced from 5.0% to 3.0% of commercial banks' average deposit liabilities, while the cash reserve requirement and liquid asset ratio remained unchanged at 8.5% and 23.0%, respectively. |
| **1 October, 2011** - | The minimum interest rate on savings deposit was reduced to 2.5% from 3.5%, previously set in November 2010. |
| **1 October, 2011** - | The Central Bank standardized the calculation of interest payable on savings deposits by mandating that interest be accrued on the closing available daily balance. In addition, commercial banks were required to publicly disclose their annual nominal and effective savings rates. |
| **1 October, 2011** - | The government securities' requirement was reduced from 3.0% of commercial banks' average deposit liabilities to 0.0%, with the cash reserve requirement and liquid asset ratio remaining unchanged at 8.5% and 23.0%, respectively. |

# Developments in the Real Economy

Chart 6.1: Annual GDP Growth


Source: Statistical Institute of Belize (SIB)

Table 6.1: Sugarcane Deliveries

| | 2009/10 | 2010/11 |
|---|---|---|
| Deliveries to BSI (long tons) | 1,122,765 | 843,786 |

Source: Belize Sugar Industries Ltd. (BSI)

In 2011, the economy was negatively affected by weather related crop losses and financial setbacks in fishing. Notwithstanding this, GDP grew by 2.0%, fuelled primarily by activity in the services sector and to a lesser extent, a slight rebound in manufacturing. Increases in domestic consumption, the free zone trade with Mexico, tourism and public sector activity underpinned growth in "Wholesale & Retail Trade", "Hotels & Restaurants", "Transportation & Communication" and "Government Services" that exceeded 4.0% on average in 2011. The rebound in manufacturing reflected an upward surge in production of sugar, citrus juices and other beverages that outweighed the fall-off in petroleum output. Production of electricity was marginally higher due to output from the co-generation plant. On the other hand, construction was down by 4.1% and primary sector activity also contracted with a 3.4% downturn in agriculture that reflected reduced output of sugarcane, papaya and banana. Despite boosts from new ventures in southern Belize, fishing activity subsided due to the first quarter closure of Belize Aquaculture Ltd., the country's largest producer of farmed shrimp.

## Agriculture

### *Sugarcane*

Even with an improved delivery system, sugarcane deliveries for the 2010/11 crop came in at 843,786 long tons, 24.8% lower than that of the previous year. Contributory factors included the late start of the crop year which was due to delays in finalizing crop financing arrangements, a disruption in operations lasting three and a half weeks due to the breakdown of the cogeneration plant's two steam turbines in early February, and reduced crop yields that were partly due to unfavourable weather. The situation was exacerbated by rat infestation in several areas and the premature harvesting of some sugarcane fields due to the extended 2009/10 crop year.

Farmers benefitted from improved prices as the payment received per long ton of sugarcane increased by 59.4% to $72.17. While the EU sugar price was unchanged at €335.14 per metric ton, raw sugar prices in the US were 86.5% higher. Prices were further enhanced as a result of the notable improvement in sugarcane quality.

Box 2: 2011 Update on Sugar Industry Developments

Belize Sugar Industries Limited (BSI), the country's sole sugar processor, started the 2010/2011 crop year in a financial quandary as its annual revolving credit facility with ING Bank was not renewed upon its maturity on September 30, 2010. BSI was subsequently given a period of six months to pay off the outstanding balance on the facility. ING's action was the culmination of its years of concern over the industry's long standing problems with insufficient and poor quality sugarcane and the adverse impact this was having on BSI's financial performance. In response to BSI's difficulties in obtaining short-term crop financing for the 2010/11 crop year, Central Government intervened with a partial bridge loan that was supplemented by pre-shipment financing from Tate & Lyle amounting to US$5.0mn.

With working capital for the 2010/11 crop year having been secured, BSI turned its attention to finding a solution to the six-month deadline stipulated by ING. This effort was facilitated by an improvement in industry performance that was associated with the implementation of a quality based payment, harvest and delivery system. Early in the year, BSI was consequently able to secure a six-month extension of the ING repayment deadline that took it up to September 2011. The company then contracted the services of Corporacion Interamericana para el Financiamiento de la Infraestructura to bring interested parties to the table and lead the negotiations for the refinancing and restructuring of its outstanding ING debt.

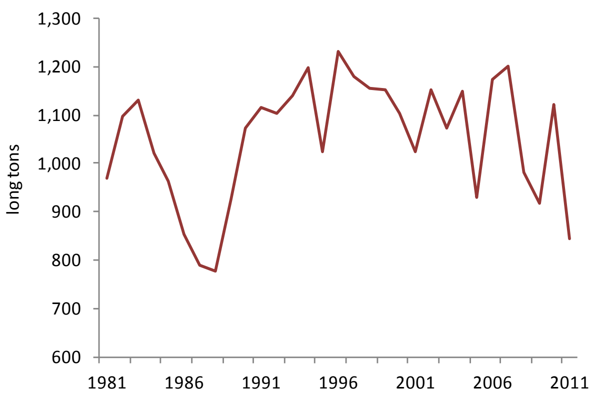
In this regard, representatives of Banco Atlantida of Honduras visited the factory in January, and a written proposal was submitted that outlined a phased, cumulative investment of US$90.0mn, which included the acquisition of 51.0% of BSI's shares, expansion of the processor's sugarcane production and the establishment of a fund to provide crop loans to farmers. The Belize Cane Farmers Association also expressed an interest in acquiring a controlling share in BSI and suggested that it could possibly arrange a syndicated loan for US$92.5mn to fund BSI's immediate debt obligations and pay for medium and long-term factory and production expansions. However, this was not backed by a written proposal. The third expression of investor interest came from American Sugar Refining, owner of Tate & Lyle, although in this case, a specific amount was not mentioned and a written proposal was also not submitted. Notwithstanding the expressions of interest, no deal was finalized during the year.

The proposals raised technical concerns regarding the handling of a BSI buyout, since 81.0% of the shares are owned by an Employees Trust. Furthermore, Banco Atlantida's plans to boost the factory's sugarcane production sparked sugarcane farmers' fears of displacement. Nevertheless, BSI was eventually able to get ING to reactivate its annual revolving credit facility and suspend the requirement to pay off its outstanding balance for the 2011/12 crop year based on the marked improvement in the 2011 industry performance.

Box 2: 2011 Update on Sugar Industry Developments (cont'd)

The tons-cane-to-tons-sugar ratio for the crop year was the lowest in over a decade (8.57) due to the quality assurance programme and good weather. While ING has indicated its willingness to remain as financier, the future renewal of this annual revolving credit line will depend on the continuation of industry measures to ensure the volume and quality of sugarcane deliveries. Looking ahead, BSI's main challenges will be to service the cogeneration plant's debt as well as to expand the factory's capacity. All things considered, the possibility of a joint venture partner will likely remain on the table as an option to safeguard the industry's long term viability.

Chart 6.2: Sugarcane Deliveries




Source: BSI

Table 6.2: Citrus Fruit Deliveries

| | 2009/10 | 2010/11 |
|---|---|---|
| **Deliveries ('000 boxes)** | 5,241 | 5,120 |
| Oranges | 3,851 | 4,447 |
| Grapefruits | 1,390 | 673 |

Source: Citrus Growers Association (CGA)

*Citrus*

Deliveries of citrus to the factory were 2.3% lower mainly due to losses sustained as a result of Hurricane Richard in October, 2010. The grapefruit harvest was the most severely impacted with deliveries for the crop year plummeting by 51.5% to 0.6mn boxes. Conversely, deliveries of orange (which are harvested later in the cycle) rose by 15.5% to 4.4mn boxes although this was still somewhat short of expectations. Rising cost of inputs, increased difficulty in obtaining migrant workers due to upturn in their home economies and higher incidences of disease contributed to the industry's less than stellar performance.

The overall reduction in the crop meant that farmers were not in a position to fully capitalize on the strengthening of international citrus prices due to the upswing in demand from the major importing countries. Influenced by the latter, the prices paid to farmers on a pound solid (ps) basis for orange and grapefruit were higher by 21.3% and 9.0%, respectively, in 2011.

Box 3: Update on Citrus Industry

Institutional conflicts within the citrus industry continued, notwithstanding a November 2011 ruling by the Supreme Court that the employment contract of the Chief Executive Officer of Citrus Products of Belize (CPBL) and his membership on the processing company's board of directors was valid. While the ruling resolved this specific two year dispute between the company and the Citrus Growers Association (CGA), the industrial disputes led several large growers to break away from the CGA and form another association. The institutional rift continued to plague the industry at a time when the focus should have been on consolidating and pooling scarce resources to produce germ free trees and provide research and extension services for farmers in order to control the spread of the devastating citrus greening (HLB), detected in 2009, and citrus leprosis, detected in 2011.

The Belize Agricultural Health Authority (BAHA) continued its efforts to control the spread of HLB through surveillance and chemical spraying of fields supported by the CGA and funding from OIRSA-Mexico. The authorities estimated that approximately 80.0% of the groves in the most infected areas (Stann Creek Valley, Coastal Road and Southern Stann Creek) were sprayed during 2011. With funding from OIRSA-Mexico ending in November, the larger farms undertook their own chemical spraying, while the CGA, through a revolving fund, enabled the smaller farmers to continue the spraying programme. In 2011, more than a year after the authorities had dismantled all citrus nurseries and destroyed their seedlings, five BAHA approved nurseries were constructed with one becoming fully operational by the end of the year. There is currently a significant shortfall in nurseries with the five nurseries having a combined annual seedling capacity of 200,000 plants compared to the industry's yearly demand of 500,000 plants. Going forward, more investment and funding is needed for research and development programs to combat disease threats. The CGA has secured technical assistance from the United Nations Food and Agricultural Organisation as well as the Taiwanese government for 2012. With the ending of OIRSA's funding, BAHA will also need budgetary support to effectively execute its regulatory role. One of the major challenges remains the building of consensus among farmers to gain support for a comprehensive and cooperative approach in actively pursuing the control of the HLB disease within their groves. Unfortunately, the splintering of the CGA and the atmosphere of distrust have undermined efforts to implement a cohesive industry-wide extension programme to educate farmers and effectively control the disease.

In August, another disease (citrus leprosis) surfaced in the Kendall area of the country. Citrus leprosis is a non-systemic disease, and therefore the pruning and removal of all fruit and diseased branches are effective controls, unlike citrus greening, which is a systemic disease and requires the removal of the entire tree.

Box 3: Update on Citrus Industry (cont'd)

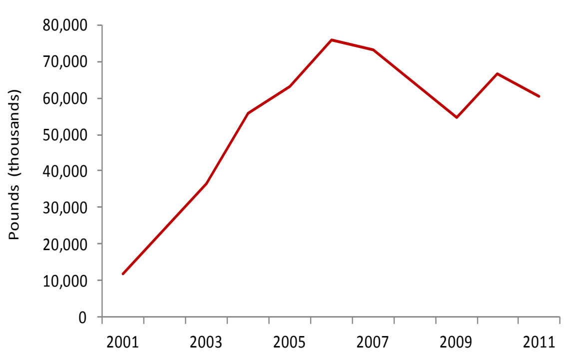
However, without a monitoring system and appropriate management practices, citrus leprosis can lead to extensive crop loss and tree debilitation. BAHA, along with the CGA, executed a chemical control plan, and supported by the internal quarantine on plant movement already in place due to citrus greening, it is believed that this disease can be contained.

The focus of the industry should be on increasing production and productivity by overcoming the institutional rifts to undertake the consolidated and coordinated approach required to effectively resolve the agronomic challenges facing the industry.

Chart 6.3: Banana Production


Source: Banana Growers Association (BGA)

Chart 6.4: Papaya Production




Source: SIB

*Banana*

Banana production fell by 4.8% to 4.1mn boxes due to losses from adverse weather. Extraordinarily cold conditions in December 2010 slowed bunch development and reduced yields for the February/ March harvest cycle. Productivity was further depressed by the very dry weather in the country between March and May. In addition, three consecutive days of thunderstorms in the first week of September damaged the harvestable crop and fruit trees and hindered production in the remainder of the year.

*Papaya*

Diseases and poor weather were contributory factors in the 9.3% decrease in papaya production to 60.5mn pounds. While the weather played an important part in hindering fruit development and output in the first quarter, uncontrolled viral infections gained ascendance and depressed fourth quarter production. The latter was linked to a new requirement of the U.S. Environmental Protection Agency that only chemicals specifically designated for papaya should be used on fruit exported into that market. Since local producers were not able to immediately identify a virus treatment option that was both suitable for domestic conditions and in accordance with the new phyto-sanitary restrictions, substantial losses were suffered.

**Other Agricultural Production**

Apart from corn, the output of the grain and bean crops was significantly lower in 2011. Sorghum production fell by 49.9% to 22.0mn pounds with the average yield being negatively affected by weather. Soybean output was down 54.8% to 13.1mn pounds as acreage devoted to its cultivation contracted by 47.6%. Heavy rains caused bean production to plunge by 21.9% to 20.0mn pounds, and notwithstanding the rise in mechanized acreage, rice output declined by 7.0% to 42.1mn pounds with some farmers scaling back production in response to the excess supply in the industry. On the upside, growth in local demand and in the Caribbean prompted increases in the acreage under mechanized production of corn and boosted output of this grain by 8.0% to 138.2mn pounds.

The performance of vegetable and root crops was mixed as sharp increases in Irish potato, hot pepper, squash and onion were countered by declines in carrot, cabbage, broccoli, cauliflower, pumpkin, cucumber, celery and tomato. The latter declines reflected double digit reductions in productive acreage which contrasted with the growth in acreage devoted to Irish potato and hot pepper that underpinned a more than doubling of output. Rebounding somewhat from its decline in the previous year, plantain production grew by 16.8% due to increases in both acreage and average yield. Cattle dressed weight and poultry registered production increases of 5.4% and 1.5%, respectively, and output of milk expanded by 18.5%. Contrasting with these improvements, egg production decreased by 12.4% and pig dressed weight fell by 3.4%.

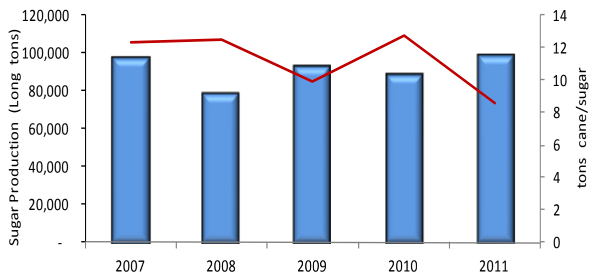
*Marine Products*

Output in the fishing industry was down 22.2% as a substantial reduction in aquacultural production due to the closure of major fish and shrimp farms outweighed increases in the wild capture of other marine species. The country's largest shrimp farm, which was financially strapped, closed its operations in the first quarter of the year. As a result of storm losses suffered in the latter part of the previous year, the cobia fish farm also suspended its operations for the first six months of the year. The impact of the closure of Fresh Catch, a large tilapia farm, in the latter part of 2010 was also a factor in the 88.3% plunge in farmed fish output during the year. Shrimp farming followed suit, recording a 24.3% decline in production to 11.1mn pounds with the largest producer leaving a 3.7mn pound void in the industry. On the upside, a cyclical upswing in reproduction increased the lobster catch by 21.8% to 0.7mn pounds, while conch output increased by 21.4% to 0.9mn pounds.

*Sugar and Molasses*

Notwithstanding operational issues with the cogeneration plant and the fact that the sugarcane crop was the smallest in the past ten years, output of sugar grew by 11.7% to a five year high of 98,482 long tons. Delivery schedules by appointment and test groups ensured the timely conveyance of sugarcane to the processor and consequently

Chart 6.5: Sugar Production & Cane to Sugar Ratio




Source: BSI

Table 6.3: Sugar and Molasses Production

| | 2009/2010 | 2010/11 |
|---|---|---|
| **Sugar Processed (long tons)** | 88,144 | 98,482 |
| **Molasses Processed (long tons)** | 54,248 | 28,727 |
| **Performance** | | |
| Factory Time Efficiency | 93.89 | 90.30 |
| Cane Purity (%) | 80.29 | 87.46 |
| Cane/Sugar Ratio | 12.73 | 8.57 |

Source: BSI

Table 6.4: Production of Citrus Juices and Pulp

| | 2009/10 | 2010/11 |
|---|---|---|
| **Production ('000 ps)** | 27,995 | 31,091 |
| Orange Concentrate | 22,023 | 28,047 |
| Grapefruit Concentrate | 5,023 | 2,644 |
| Not-from-concentrate (NFC) | 948 | 400 |
| **Production ('000 pounds)** | | |
| Pulp | 1,406 | 1,890 |
| Citrus Oil | 1,683 | 1,571 |

Source: Citrus Products of Belize Ltd.

improved the quality of the delivered product. In addition, an extended dry period improved the crop's sucrose content and resulted in a 32.7% reduction in the cane/sugar ratio to 8.57, the lowest value ever recorded in sugar production in Belize. Molasses output declined by 47.0%, reflecting its inverse relationship with sugar production.

*Citrus Juices, Citrus Oil and Pulp*

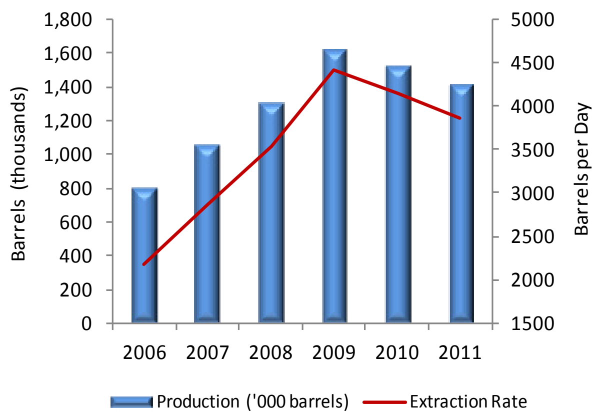
Citrus juice production rose by 11.1% to 31.1mn ps as the fall-off in fruit deliveries was offset by a 9.5% rise in the average juice out-turn per box of orange and a 2.2% increase per box of grapefruit.

While output of orange concentrate rose by 27.4% to 28.0mn ps, the marginal improvement in juice yield per box could not compensate for the plunge in grapefruit deliveries and this resulted in a 47.4% contraction in output of grapefruit concentrate to 2.6mn ps. NFC production accounted for only 1.3% of juice output and was 57.8% lower than that of the previous year. While pulp output grew by 34.4% to 1.8mn pounds, that of citrus oil declined by 6.6% to 1.6mn pounds.

## Other Manufacturing Production

Declines in petroleum, cigarette and fertilizer production were partly offset by moderate growth in the rest of the manufacturing sector. While flour and beer operations recorded moderate increases of 1.5% and 2.2%, respectively, soft drink manufacturing registered a double digit expansion boosted by the upswing in tourist arrivals. Conversely, with the temporary throttling back in Fair Trade funding, fertilizer output plummeted by 20.2% as demand subsided. Cigarette production shrank by 49.0%, as operations ceased during the second half of the year.

Table 6.6: Petroleum Production




Source: Geology & Petroleum Dept.

Petroleum production fell by 7.1%, as output from the Never Delay field, which came online in the first quarter, just partly compensated for a 13.5% fall in production from the Spanish Lookout field. The daily extraction rate from the Spanish Lookout field averaged 3,637 barrels, approximately 568 barrels less than 2010. Some 42.2% or 7.6mn of the 18.0mn barrels in extractable reserves (estimated at the end of December 2011) has been recovered from Spanish Lookout after six years of commercial production. Production from Never Delay is still uncertain, despite plans to drill additional wells (including directional) in 2012 to maximize the field's potential.

*Tourism*

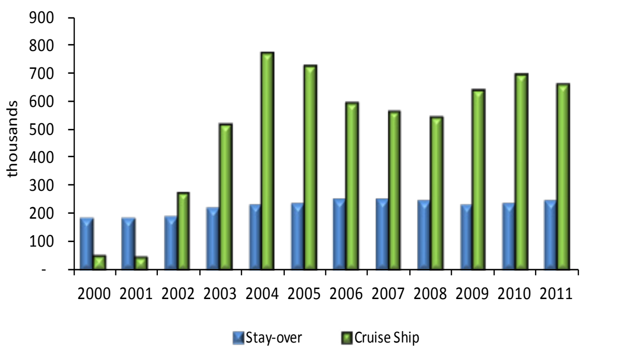
World tourism grew by 4.0% in 2011 against the backdrop of the continued economic fragility of the developed countries, natural disasters in Japan, major political upheavals in North Africa and the Middle East and sovereign debt problems. The World Tourism Organization reported that growth in visitor arrivals was highest in South Africa at 10.0%, while closer to home, Central America and the Caribbean recorded increases of 4.0%. In a reversal of the previous year's performance, the increase in arrivals was higher in advanced economies at 5.0%, compared to the 3.8% recorded for emerging nations. Current expectations are that international arrivals will continue to grow in 2012 and pass the one billion visitor milestone.

In Belize, overnight visitors entering the country through the sea ports and the Philip Goldson International Airport grew by 11.9% and 4.7% respectively, while arrivals through the land borders fell by 5.8%. The net result was a 3.0% rise in stay-over tourist arrivals to 233,401 visitors. While visitors from the US and other markets increased by 5.9% and 1.0%, respectively, there was an 8.3% downturn in visitors from the EU. The two largest sources of tourist visitors to Belize continued to be the US and EU, which accounted for 66.4% and 11.2%, respectively, of total stay-over tourists. Cruise ship disembarkations, on the other hand, fell by 4.8% to 654,790 due to the controversy at the start of the year between local tender operators and Carnival Cruise Line which resulted in the cancellation of eleven port calls.

*Prices*

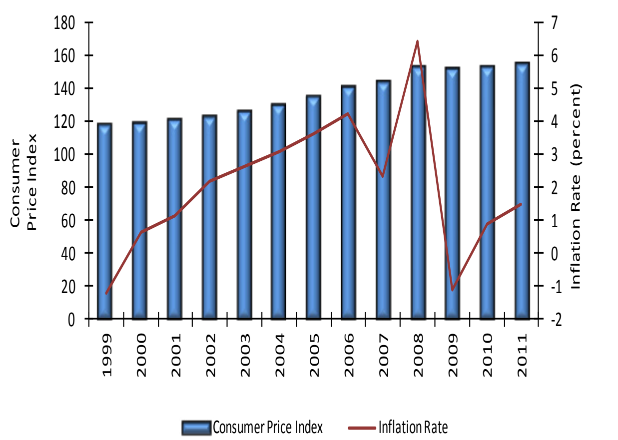
Rising international prices for food and petroleum were significant factors in the 1.5% average increase in the Consumer Price Index (CPI) during 2011. With double digit increases in pump prices for diesel and gasoline, "Transport and Communications" registered the largest annual price increase of 5.9%, and "Rent, Water Fuel and Power" rose by 1.5%, underpinned by a 6.3% escalation in butane prices. The upswing in fuel acquisition costs reflected sharp

Chart 6.7: Tourist Visitors




Sources: Belize Tourism Board (BTB) and Central Bank of Belize (CBB)

Chart 6.8: Consumer Price Index




Source: SIB

increases in international oil prices, much of which was due to speculative activities and fear of shortages sparked by geopolitical tensions in North Africa and the Middle East. The average monthly price of West Texas Intermediate (WTI) Crude, one major price indicator, consequently peaked at about US$110 per barrel in the first half of the year, approximately US$20 above its highest value in 2010. These increases were partly moderated by the replacement of the 2.5% GST on fuel imports with a fixed rate of import duty in March.

Higher import prices as indicated by the 8.1% increase in the US export price index underpinned a 3.0% increase in "Personal Care", while the 1.1% rise in "Food, Beverages and Tobacco" resulted from higher global commodity prices and the subsequent pass through to the local market. Somewhat mitigating these inflationary pressures, "Household Goods and Maintenance" and "Clothing and Footwear" prices fell by 2.2% and 0.2%, respectively.

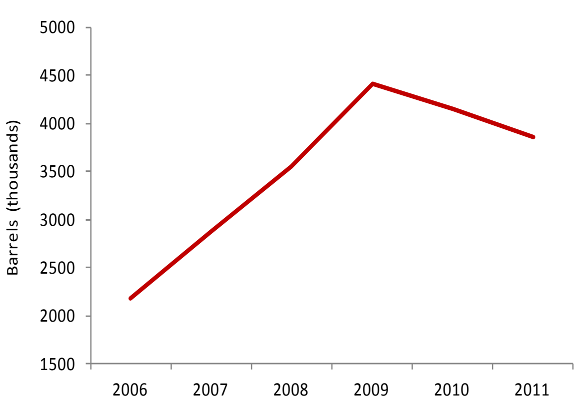
Box 4: Petroleum Industry

Since oil was first discovered in commercial quantities in mid-2005, its production has yielded significant fiscal revenues, employment and foreign exchange earnings for the economy.

To date, there have been two oil finds with total extractable reserves estimated at around 23 million barrels. The Spanish Lookout field with extractable reserves of some 18 million barrels of light sweet crude oil was commercialized in 2005. Up to 2011, 7.6 million barrels or 42.2% of the potential yield from this field have been extracted. Notwithstanding the addition of another three wells in 2011, bringing the total to nineteen, production at Spanish Lookout peaked in 2009 at a daily average yield of 4,408 barrels, and the 5.9% decline in annual production experienced in 2010 accelerated to a 13.5% fall in 2011. In view of the geological structure, the oil company plans to drill another two wells, including at least one more directional well, to maximize field output.

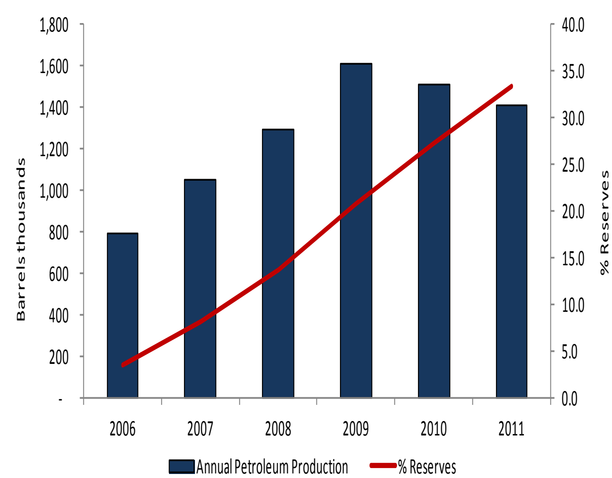
The smaller oilfield at Never Delay, which was commercialized in 2009, has extractable reserves estimated at 5 million barrels with ten months of production from nine developmental wells during 2011 totaling 97,383 barrels, an amount that was insufficient to offset the declining production from Spanish Lookout. To raise output levels, the plan is to increase the number of wells by another six during 2012 to bring the total to fifteen.

Chart A: Average Daily Extraction Rate




Source: Geology & Petroleum Dept.

Chart B: Petroleum Production & Percentage

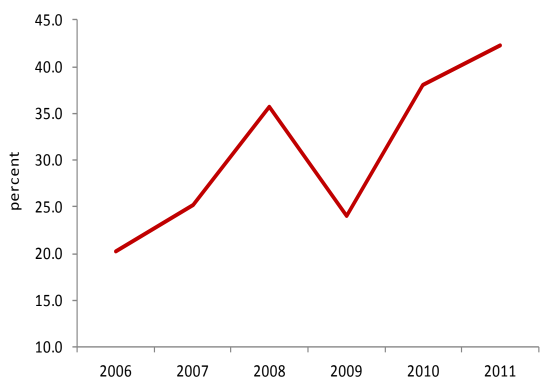



Source: Geology & Petroleum Dept.

Box 4: Petroleum Industry (cont'd)

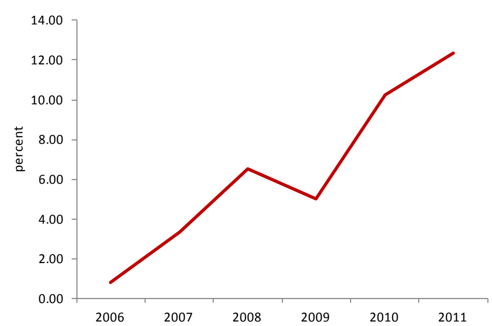
Elsewhere in southern Belize, Princess Petroleum Company unsuccessfully conducted exploratory drilling during 2011 and plans to carry out further tests and drilling in 2012. The Geology and Petroleum Department indicated that exploratory drilling should increase in 2012 as four different companies plan to drill in previously unexplored areas of the country. Seismic exploration was conducted by a few companies, including US Capital, Blue Creek Exploration and Perenco Belize Ltd. Going forward, the Department plans to change the exploration contracts and blocs to encourage greater activity. In other developments, the protest by conservation interest groups against offshore drilling has caused some companies that had offshore exploration contracts to relinquish these blocs to avoid potential litigation problems.

Chart C: Petroleum Revenues as Percent of Domestic Export Revenues




Sources: Geology & Petroleum Dept. and CBB

Chart D: Oil Receipts as Percent Fiscal Revenues

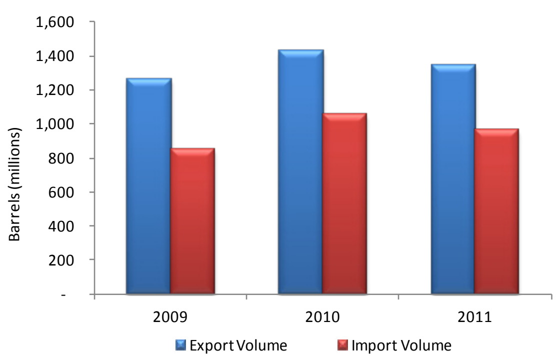



Sources: Geology & Petroleum Dept. and CBB

Since the inception of oil production, this commodity has rapidly surged to the forefront of domestic exports, and except for a 2009 hiccup when crude oil prices plunged with the global slowdown, its export revenues has grown consistently from 20.3% of the value of domestic exports in 2006 to 42.2% in 2011. On the fiscal front, oil receipts as a percent of government revenues have increased from 0.8% in 2006 to 12.4% in 2011, with the latter growth being buoyed by windfall taxes activated when the price rose above US$90 per barrel. In comparing imports of gasoline, diesel and kerosene with crude oil exports, the country was a net exporter between 2009 and 2011 in terms of volume and value. With production at the main oilfield in its declining phase, the buoyancy of the industry's performance has been sustained so far by price increases.

Box 4: Petroleum Industry (cont'd)

Chart E: Volume of Petroleum Exports and Imports




Source: Ministry of Finance

Chart F: Value of Petroleum Exports and Imports


Source: Ministry of Finance

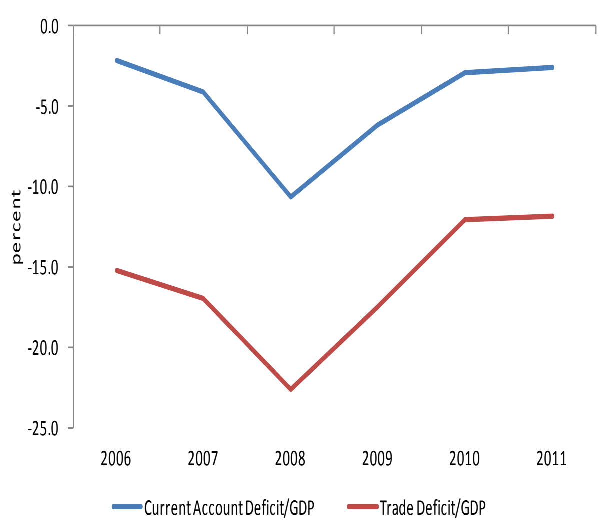
In conclusion, tax related receipts on domestic oil production particularly during this current global slowdown has provided the government with much needed fiscal headroom to meet burdensome external debt servicing, rein in the fiscal deficit and offset the sharp reduction in grant inflows.

# Foreign Trade & Payments

Table 7.1: Balance of Payments

| | 2009 Net | 2010 Net | 2011 Net |
|---|---|---|---|
| | | | $mn |
| **CURRENT ACCOUNT** | **-166.2** | **-80.1** | **-73.7** |
| Merchandise Trade | -473.7 | -337.8 | -341.4 |
| Services | 365.3 | 351.0 | 350.3 |
| Income | -216.5 | -277.0 | -250.7 |
| Current Transfers | 158.8 | 183.7 | 168.1 |
| **CAPITAL ACCOUNT** | **37.0** | **11.3** | **47.4** |
| **FINANCIAL ACCOUNT** | **234.1** | **55.6** | **34.3** |
| NET ERRORS & OMMISSIONS | -10.4 | 21.8 | 28.1 |
| OVERALL BALANCE | 94.5 | 8.6 | 36.2 |
| FINANCING | -94.5 | -8.6 | -36.2 |
| **Memo Items:** | | | |
| Import cover in months | **4.2** | **4.5** | **4.3** |
| Current Account/GDP Ratio (%) | **-6.2** | **-2.9** | **-2.5** |

Chart 7.1: Current Account & Trade Deficit

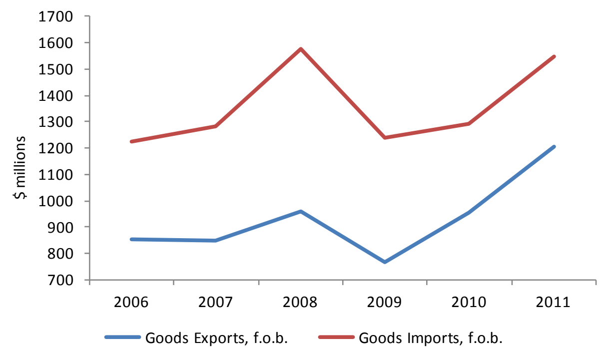



Belize's external current account deficit contracted for the third consecutive year, falling to 2.5% of GDP as a significant reduction in profit repatriation more than compensated for a marginal increase in the trade deficit and lower inflows from services and transfers. The surplus on the capital and financial account expanded by 22.2% to $81.7mn with grant inflows more than offsetting a net increase in the value of assets held abroad by the commercial banks and a marginal decline in foreign direct investment (FDI). The gross international reserves consequently rose by $36.2mn to $472.2mn, equivalent to 4.3 months of merchandise imports.

## Merchandise Trade

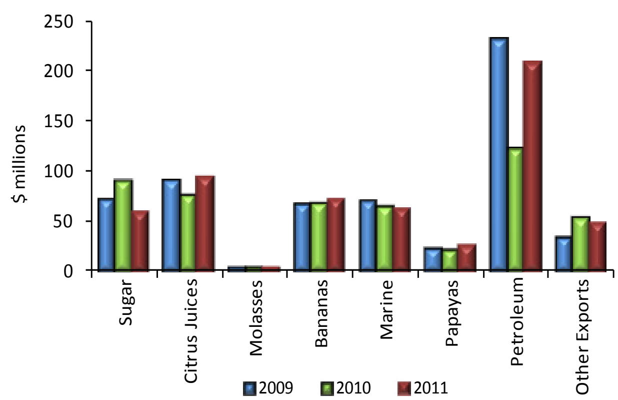
After improving significantly in the previous year, the merchandise trade deficit worsened slightly by 1.1% to $341.4mn (11.7% of GDP). Imports expanded by $253.5mn (19.6%) with a 12.5% increase in goods for domestic consumption, nearly half of which was accounted for by "Minerals, Fuels and Lubricants". CFZ imports were 50.7% higher as businesses successfully capitalized on the improvement in the Mexican economy with aggressive marketing efforts to stimulate cross border trade. Exports grew by $249.8mn (26.1%) with increases across the board in domestic exports, CFZ sales and re-exports. Escalating international oil prices substantially boosted petroleum revenues and higher earnings from citrus juices, sugar, marine products, sawn wood, and other miscellaneous commodities also contributed by offsetting lower revenues from banana and papaya.

Chart 7.2: Merchandise Exports and Imports



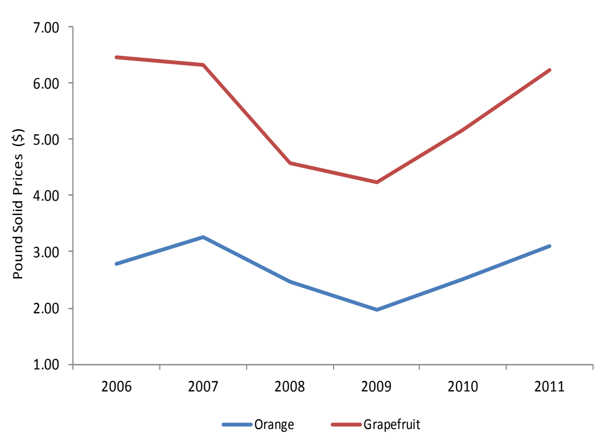

Source: SIB

Chart 7.3: Domestic Exports




Source: SIB

Chart 7.4: Citrus Prices




Source: CPBL

## Domestic Exports

*Sugar and Molasses*

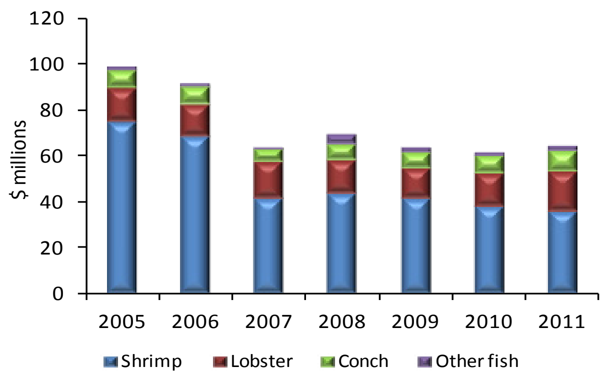
Receipts from sugar exports grew by 53.5% to $90.1mn, reflecting a 12.0% improvement in export volume and a price rally across all markets. The bulk of sales (67,900 long tons) were to the EU, and for the first time in four years, the US quota of 13,730 long tons was filled. The EU remained the preferred export destination as sales to that market enabled the industry to access approximately $7.0mn in Fair Trade grants, which were to be used to fund social and infrastructural projects in the sugarcane belt. With higher prices compensating for a halving in molasses export volume, earnings of $2.9mn were recorded.

*Citrus Juices and Pulp*

The impact of increased citrus juice production was somewhat offset by a reduced carry over of juice stocks from the previous year, hence, the volume of juice exports declined by 16.9% to 30.6mn ps, year-on-year. However, buoyant international juice prices more than offset the volume decline, and revenues rose by 1.5% to $95.1mn.

Despite good orange harvests and juice production in Florida and Brazil, prices for orange concentrate strengthened in response to an upswing in demand from the major importing countries. Revenues from orange concentrates consequently rose by 11.4% to $86.1mn notwithstanding a 9.8% reduction in export volume. While sales to the US market declined by 57.4%, the revenue loss was held to 51.0% and in the case of Europe, receipts were down by 47.3% in comparison with a 63.0% contraction in the volume sold. Revenues from sales to the Caribbean were

Chart 7.5: Exports of Marine Products




Source: SIB

up almost threefold to $42.3mn reflecting a more than doubling in the sale volume and a 12.4% price improvement. Sales of freeze concentrate juices to Japan yielded $16.8mn, a 150.8% increase over 2010 that reflected higher prices as well as volume.

Earnings from sales of grapefruit concentrate declined by 45.4% to $8.9mn with higher prices in some markets partly compensating for a 53.3% contraction in volume. While the EU accounted for a little more than half of sales, the export volume to this market was halved and earnings were down by 37.5% to $4.9mn. Receipts from Japan plummeted by 62.2% to $2.0mn mainly due to a 60.6% drop in export volume that was further exacerbated by a reduction in the average unit price. While exports to the Caribbean fell by 7.4%, revenues fell by a less than proportionate 2.7%. Exports of pulp amounted to 1.4mn pounds valued at $1.0mn compared to the previous year's outturn of 1.7mn pounds that had generated receipts of $1.2mn.

### Banana

Banana exports were down by 4.8% to 74,108 metric tons with a 0.5% fall in the average box price also contributing to the 5.2% fall in receipts to $67.9mn. The latter reflects the fact that while the three year marketing agreement with Fyffes provides for price stability, the export mix between the higher valued first class banana and the lower priced second class banana ultimately determines the final price received. Of overall exported volume, second class bananas accounted for 7.8% of the total in 2011, up from 7.0% in the previous year.

### Marine Products

Notwithstanding a reduction in shrimp sales, earnings from marine exports rose by 5.4% to $65.0mn during the year. While shrimp export volume contracted by 11.9%, producers focused on niche markets in Mexico and the Caribbean where demand and pricing arrangements were more favourable, hence, earnings declined by a lesser 6.1% to $36.1mn. Lobster receipts increased by 24.2% to $17.7mn, as export volume and the average unit price rose by 11.5%. Similarly, conch revenue increased by 17.1% to $8.9mn due to a rise in export volume and a minimal improvement in the average unit price. Reflecting a 24.8% rise in volume and an improvement in the average price of $0.37 per pound, export receipts from other fish rose to $2.2mn.

### Other Major Exports

Petroleum exports remained the lead export earner with a 50.8% improvement in the average unit price (from US$72.15 to US$108.38) overshadowing a 6.0% contraction in export volume. Receipts from oil exports consequently rose by 41.5% to $291.8mn.

Meanwhile, the volume of papaya exports declined by 9.3% with receipts contracting by 11.5% to $22.9mn.

### Non Traditional Exports

Earnings from non-traditional exports registered strong growth of 42.2% to $67.4mn, as higher receipts from sawn wood, orange oil, fresh oranges, pepper sauces and other miscellaneous exports outweighed lower income from grapefruit oil and veneer sheets. A higher volume accounted for the rise in sawn wood earnings, while improvements in prices and export volume boosted revenues from fresh orange and orange oil. Receipts from pepper sauces were higher as an improved price outweighed a fall in export volume.

### Re-Exports

Re-exports grew by 29.9%, reflecting higher sales from the CFZ as well as the customs area. At $438.6mn, receipts from CFZ sales were up by 25.0% as a substantial turnaround in the Mexican economy contributed to a pick-up in cross border trade. Other re-exports also expanded significantly due to higher sales of almost all major categories of goods but with “Minerals, Fuels and Lubricants” and “Beverages and Tobacco” being the most notable.

### Gross Imports

Gross Imports (f.o.b) surged upward by $253.4mn, and included increases in imports for domestic consumption and the CFZ of $131.8mn and $121.6mn, respectively. A $66.7mn hike in outlays on “Minerals, Fuels and Lubricants” that mostly reflected the sharp rise in fuel acquisition costs accounted for approximately half of the increased spending on imports for domestic consumption.

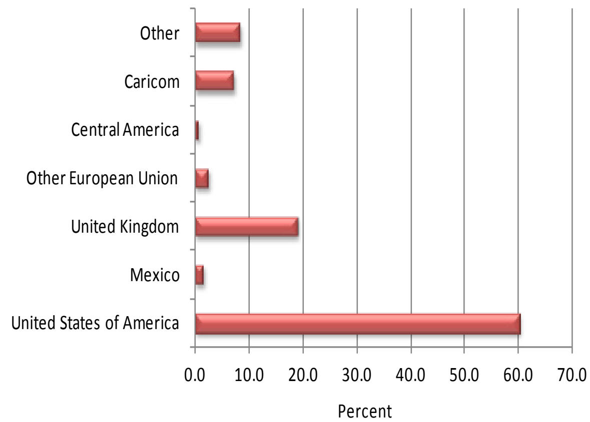
There was also an increased reliance on electricity imports from Mexico due to the extended dry season and sub-optimal performance of the co-generation plant. Since Mexican elecricity rates are indexed to international fuel prices, the heightened rates also helped to drive up the value of electricity imports by 40.6%. The next largest increase was in “Machinery and Transport Equipment”, outlays for which rose by $14.0mn. Imports of “Chemical Products” and “Other Manufactures” grew by 11.1% and 14.5%, respectively.

### Direction of Visible Trade

The US maintained its position as Belize’s principal export market with its share rising from 46.3% to 60.2% due to its increased purchases of petroleum, sugar and marine products such as lobster, conch and whole fish/fish fillet. With UK purchases of banana falling, its export share declined to 19.0%, while a fall off in sales of citrus juices accounted for a downward drift in the percentage share of exports to other EU countries from 5.3% to 2.7%. Central America accounted for only 0.8% of Belize’s exports, as for the first time in five years, there were no petroleum sales to that region. CARICOM’s share improved to 7.3% as shrimp producers strengthened their presence in niche markets for shrimp and whole fish in Trinidad and Jamaica. Since Mexico had hitherto been a target market for shrimp, the shift in marketing strategy resulted in a slight decline in its export share.

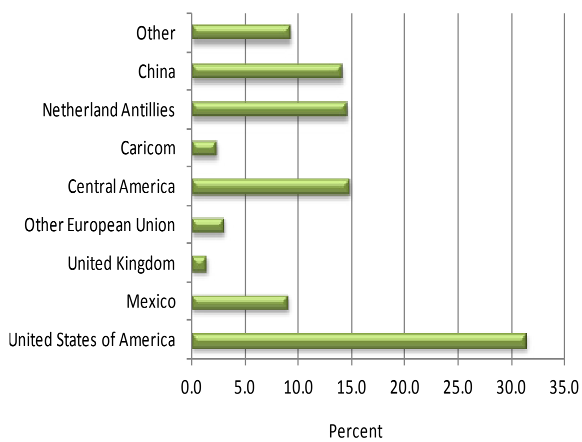
Imports continued to be sourced mainly from the US, which accounted for 31.4% of goods purchased from abroad. China’s share of imports rose from 10.6% to 14.6% as CFZ companies continued to source cheaper goods from there rather than from

Chart 7.6: Direction of Visible Trade in 2011 - Exports



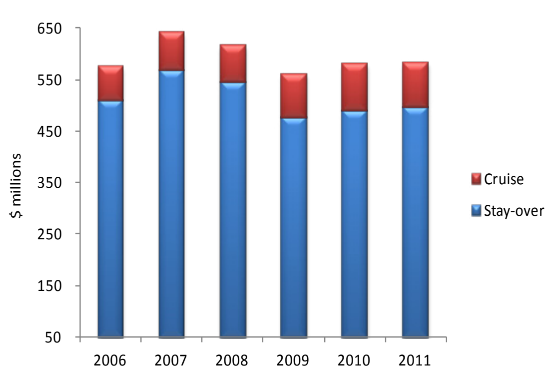

Source: SIB

Chart 7.7: Direction of Visible Trade in 2011 - Imports




Source: SIB

Chart 7.8: Tourism Expenditure




Sources: BTB and CBB

the Panama Free Zone. Thus, Central America's share moved slightly downward to 14.8%. Similarly, the share of imports from Mexico fell from 9.8% to 9.1%.

## Services

With outflows and inflows rising by $16.5mn and $15.8mn, respectively, net earnings from services edged down by 0.2% to $350.3mn. The former was attributed mostly to higher transportation costs materializing from the larger volume of international trade and hikes in freight charges due to rising fuel prices. Higher earnings from tourism and a modest fall-off in international travel by residents netted a 3.8% increase in travel inflows, and there was virtually no change in the performance of the other categories of services relative to the previous year.

## Income

Slumping citrus and banana harvests resulting in reduced need for foreign seasonal workers led to the third consecutive year of decline in net labour outflows, in this case by 13.6%. In a similar fashion, net outflows from investment income decreased by 9.4%, as lower profit remittances from the tourist industry and a sharp decline in commercial banks' retained earnings trumped the 17.1% growth in public sector interest expenses. The end result was $250.7mn in outflows from the income account, a year-on-year decline of $26.3mn.

## Current Transfers

A fall in Fair Trade receipts by the sugar industry and lower inflows to religious organizations, credit unions and insurance companies accounted for an 8.5% reduction in the surplus from current transfers. For a second consecutive year, family remittances edged downward, falling by 3.6% as high unemployment rates persisted in the developed

Chart 7.9: Net Balances for Services, Income and Current Transfers

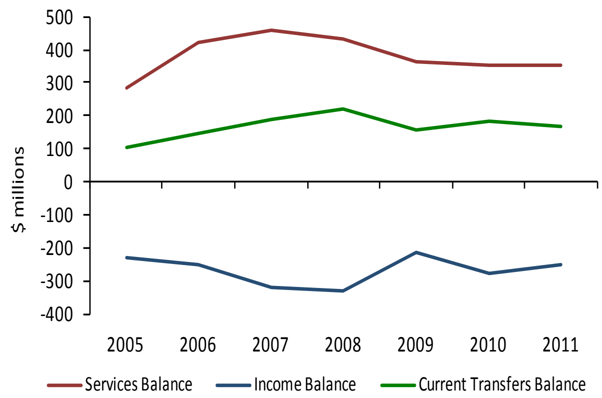



Chart 7.10: Remittance Inflows

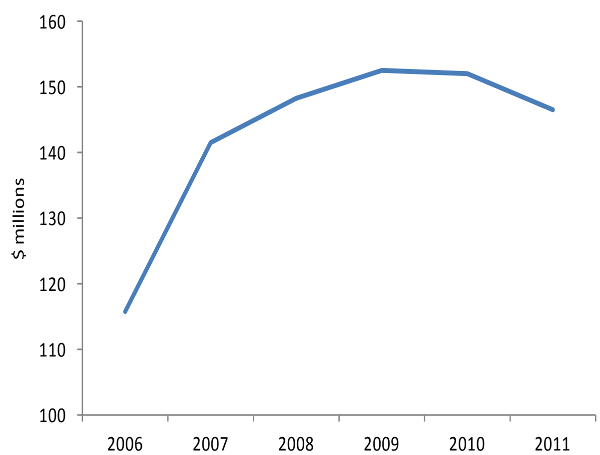
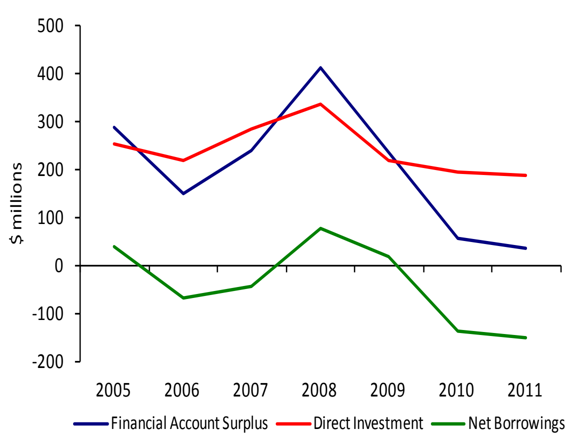



Chart 7.11: Main Components of the Financial Account

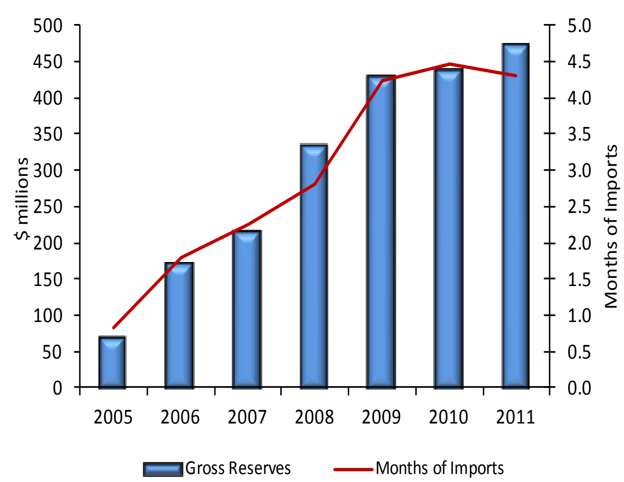



economies to which the country is closely linked. In other developments, the government recorded net outflows as grants were insufficient to offset routine transfers to international and regional organizations.

## Capital and Financial Accounts

The surplus on the capital account more than tripled to $47.4mn, beefed up by the final tranche of the UK's debt relief program and grant inflows for agricultural-based programs, capacity building and construction projects. In contrast, the surplus on the financial account almost halved to $34.3mn, as a fall in reinvested earnings reduced foreign direct investment by 3.4%, and the Central Bank purchased $14.0mn of an International Bank for Reconstruction and Development (IBRD) bond. In other developments, the commercial banks notably reduced their short-term foreign liabilities and built up their foreign asset holdings abroad.

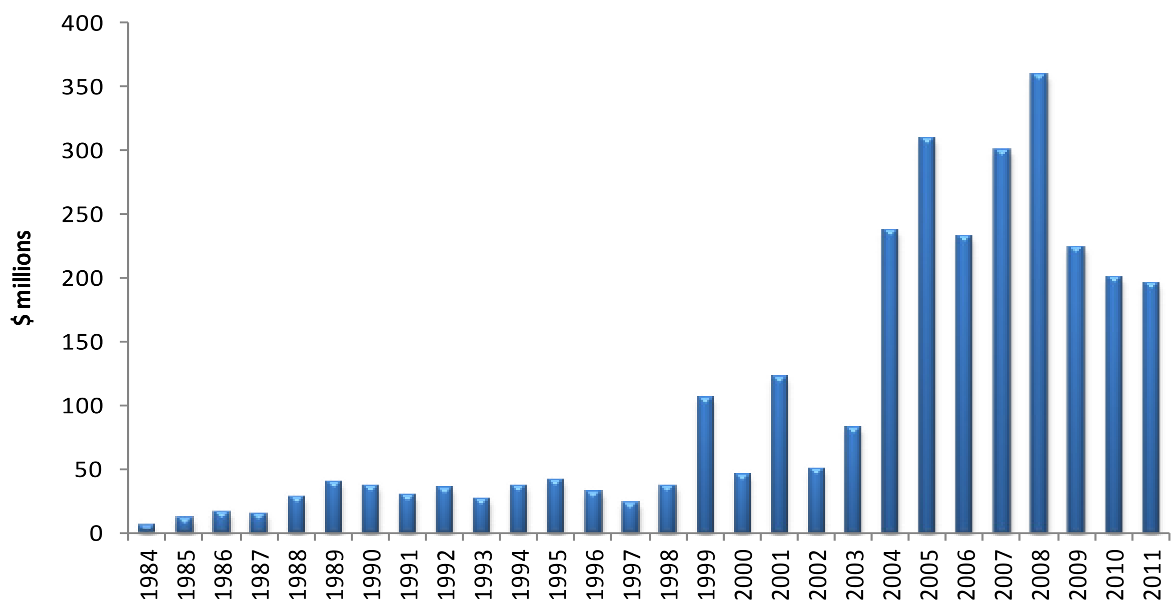
Chart 7.12: Gross Official International Reserves and Months of Imports



Box 5: Foreign Direct Investment in Belize

In view of the small size and general openness of its economy, Belize has actively welcomed FDI to provide a catalyst for economic growth since gaining political independence. Among the steps aimed at attracting foreign investors were the enactment of the Fiscal Incentives Act, International Business and Public Investment Companies Act, Export Processing Zone Act, the Commercial Free Zone Act and the International Banking Act in the late 1980's and 1990's. These measures have proved to be only moderately successful over the years, however. In the late 1980's, USAID funding of some US$2.5mn was used to establish an export development and investment promotion unit within the Belize Chamber of Commerce and Industry, but notwithstanding the stepping up of promotional efforts, investment inflows to the country did not immediately experience a sizeable increase comparable to some of its sister CARICOM states. The low level of national savings, the underdeveloped state of the country's basic infrastructure and its institutional bottlenecks appear to have been significant constraining factors. The latter is partly explained by deficiencies in governance, a lack of continuity in public investment strategy and the fact that Belize entered political independence at a comparatively lower level of economic development than several countries in the region. The need for FDI has nevertheless been a consistent theme of public policy across the political spectrum. When USAID funding for the investment promotion project terminated in 1993, the government saw the need in subsequent years to continue the initiative. Consequently, it eventually concentrated its investment promotion and export development functions in a specialized unit that has been operating since 1997.

Chart G: Foreign Direct Investment in Belize



Box 5: Foreign Direct Investment in Belize (cont'd)

Excluding unrecorded transactions, Belize has received cumulative FDI inflows totalling some $2.9 billion between 1984 and 2011 with the bulk being received in more recent years. Investment inflows received between 1984 and 1987 account for 1.7% of the total. The pace accelerated between 1988 and 1998 with investments into papaya, aquaculture, tourism, the commercial free zone and the partial privatizations of the telecommunications and the electricity utilities. A significantly higher plateau was reached between 1999 and 2011, a period which accounts for about 85.0% of FDI received by the country over the 28 year period. The upward surge was partly due to the 2001 repeal of the Alien Land Holdings Act, which had hitherto limited the amount of land that non-residents could own in town and rural areas. Subsequent loans by locally licensed international banks to assist non-residents to invest in domestic enterprises made a significant contribution to the surge in condominium and hotel developments. However, some deceleration has occurred in the financing of such projects since 2009 in the aftermath of the international financial crisis and continuing weakness in the recovery of the advanced economies.

A disaggregation of the data for 2001 through 2011 shows that 32.1% of investment inflows has been directed into tourism oriented condominium and hotel developments in major tourist destinations such as Ambergris Caye and Placencia. Real estate activities that consisted mostly of land purchases for the eventual construction of hotels and condominiums and speculative purposes accounted for another 16.1% of cumulative investment over the same time period. Financial intermediation has also accounted for 16.1% of foreign investments due to the retained earnings of foreign owned commercial banks. The latter have typically recorded positive retained earnings annually, except for 2011 when a net loss of $3.9 million was recorded due to the write-off of non-performing loans that had been building up in the system in recent years.

Seven percent of total investments went into "Mining & Quarrying" and were largely for petroleum exploration with the commercialization of the first oil find in 2005. Some of these funds have also been channelled into the search for other minerals such as gold, silver and granite, though not with the same degree of success. There were sizeable inflows into the telecommunications sub-sector between 2003 and 2006, however a significant portion of this was a reflection of the multiple changes of ownership of BTL, the major domestic telecommunications provider (GOB/Ashcroft Group/GOB/Prosser Group/GOB/Ashcroft Group). Other investments such as those that targeted the "Agriculture, Hunting, Forestry and Fishing" sub-sector involved the development of papaya plantations and construction of packing

Box 5: Foreign Direct Investment in Belize (cont'd)

facilities, and the establishment of a marine cage farming facility for the production of Cobia, the latter of which is temporarily in suspension due to damage inflicted by Hurricane Richard.

Investments into 'Electricity, Gas and Water Supply' included the privatization of the water utility and the construction of the Vaca Dam to expand hydroelectric facilities.

Table A: Foreign Investment Inflows by Industrial Classification

$mn

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Agriculture, Hunting, Forestry and Fishing | 0.0 | 0.0 | 3.1 | 1.3 | 2.0 | 23.2 | 14.7 | 18.9 | 3.1 | 1.3 | 4.4 |
| Mining and Quarrying | 0.0 | 0.0 | 0.0 | 6.3 | 14.7 | 0.3 | 2.4 | 55.6 | 10.1 | 24.3 | 50.0 |
| Electricity, Gas and Water Supply | 49.6 | 0.0 | 10.0 | 32.0 | 47.3 | 7.1 | 9.3 | 6.7 | 9.7 | 4.0 | 0.0 |
| Trade and Repair | 6.0 | 5.5 | 5.2 | 8.7 | 5.5 | 0.8 | 3.1 | 4.7 | 1.6 | 0.4 | 0.0 |
| Hotels and Restaurants | 29.6 | 9.4 | 19.3 | 51.3 | 115.2 | 97.8 | 93.7 | 141.7 | 53.1 | 57.8 | 80.5 |
| Transport, Storage and Communications | 0.0 | 0.0 | 8.6 | 78.1 | 65.4 | 3.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Financial Intermediation | 26.6 | 20.1 | 24.2 | 41.4 | 37.8 | 50.4 | 59.9 | 41.5 | 45.8 | 32.3 | -3.9 |
| Real Estate Activities | 3.3 | 6.1 | 6.4 | 11.0 | 7.7 | 21.8 | 49.8 | 59.4 | 83.5 | 71.6 | 54.9 |
| Miscellaneous | 7.2 | 10.1 | 7.0 | 10.0 | 20.0 | 28.6 | 67.7 | 31.3 | 18.1 | 9.8 | 10.9 |
| **Total** | **122.3** | **51.1** | **83.8** | **240.2** | **315.5** | **233.3** | **300.6** | **359.9** | **224.9** | **201.5** | **196.8** |

While FDI has had a positive impact on GDP growth, consideration must be given to the cyclical nature of the flows and the issue of sustainability as it relates to the balance of payments. The growth in number of foreign owned condominiums tends to lead to the siphoning off of business from the hotel sector and results in reduced inflows over the medium to long term. While the rise in FDI boosts capital and financial inflows in the first part of the cycle, as these investments mature, the level of profit repatriation increases. Over the past five years, it is notable that for every three dollars of FDI inflows to Belize, approximately two dollars have been repatriated as profits. The issue of the need for careful management to avoid giving foreign investors a competitive edge over local producers of the same product or service has also surfaced. Another pertinent issue is the fact that the tax breaks offered as investment incentives reduce the tax base and limit the fiscal space for much needed infrastructure maintenance and investment. This is an issue that other countries in the region have been recently revisiting, particularly in view of studies which show that fiscal incentives have not proven to be the determining factor in attracting foreign investment. In looking forward, strategic adjustments may need to be made to re-orient domestic policies in order to attract FDI that will trigger the transfer of technology, assist human capital formation and improve economic linkages with other sectors of the economy.

# Central Government Operations

Table 8.1: Summary of Revenue & Expenditure

| | Jan-Dec 2010 | Jan-Dec 2011 |
|---|---|---|
| **Ratio to GDP (%)** | | |
| **Current Revenue** | **26.9** | **27.4** |
| Tax Revenue | 23.1 | 23.3 |
| Non-Tax Revenue | 3.9 | 4.0 |
| **Current Expenditure** | **24.4** | **24.7** |
| of which Interest Payment | 3.4 | 3.6 |
| **CURRENT BALANCE** | **2.5** | **2.7** |
| Capital Revenue | **0.1** | **0.2** |
| **Capital Expenditure (Capital II)** | **2.7** | **2.4** |
| **OPERATING SURPLUS** | **0.0** | **0.5** |
| Grants | **0.4** | **0.3** |
| Total Revenue and Grants | **27.5** | **27.9** |
| **Total Capital Expenditure** | **4.8** | **3.5** |
| **Primary Balance** | **1.8** | **3.3** |
| **Primary Balance w/out Grants** | **1.3** | **3.0** |
| **Overall Balance** | **-1.7** | **-0.3** |
| **Overall Balance w/out Grants** | **-2.1** | **-0.6** |

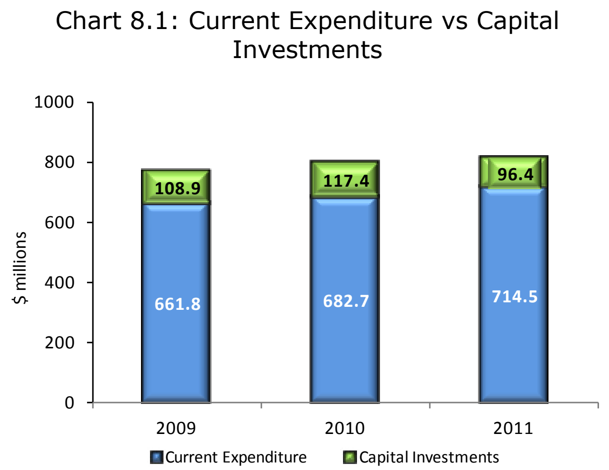
Sources: CBB and Ministry of Finance

Boosted by import duties and heightened receipts from the petroleum industry, revenues rose by 5.1% while total expenditure was held in check, edging up by only 0.1% ($0.7mn), year-on-year. As a consequence, the primary surplus  almost doubled from 1.8% to 3.3% of GDP and the overall deficit shrank from 1.7% to 0.3% of GDP. The latter was mostly financed from external sources and to a lesser extent, through the Central Bank overdraft facility and additional sales of BTL shares.

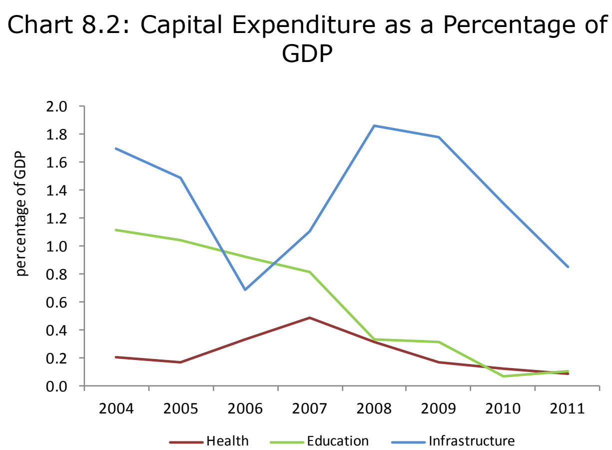
Current revenues grew by 5.2% to $792.9mn (27.4% of GDP), reflecting higher collections of petroleum related receipts, social fees, excise taxes and import duties. Although petroleum production declined, high international crude oil prices ramped up tax receipts and also triggered windfall taxes that become applicable when the US$90 per barrel threshold is exceeded. As a result, oil income accounted for 55.3% of the growth in current revenues and 12.4% of total revenue and grants.

The most notable development in the non-oil tax revenue was the government's decision to remove the GST from fuel imports and replace it with a fixed duty. GST receipts consequently fell by 3.2%, while import duties, boosted by higher demand and the fuel tax change, increased by 14.3%. Dividends from BTL and loan repayments by the Development Finance Corporation (DFC) more than offset a return to normalcy in the revenues of government departments that had experienced inflated receipts in 2010 due to income received from fines levied in a maritime case. After peaking at 11.2% of total revenues in 2007, grants fell to $9.8mn (1.2% of total revenues) in 2011, as it continued a downward trend, reflecting consecutive declines from 2008 onwards.

Current expenditure rose by 4.7% to $714.5mn, reflecting general spending increases with 40.7% of these outlays being accounted for by wages and salaries. The latter was up by $12.7mn, while higher payments on contractors, maintenance, materials and supplies bumped up spending on goods and services by $6.9mn. Subventions to students, non-




Source: Ministry of Finance




Source: Ministry of Finance

government organizations and non-profit entities accounted for a 1.4% growth in domestic subsidies and current transfers. The step-up to 6.0% in the interest rate on the external restructured debt was largely responsible for an 8.1% increase in annual interest payments.

Capacity constraints and administrative delays in accessing funds resulted in a 23.3% year-on-year reduction in capital spending. Outlays of $102.1mn were considerably below budget expectations, with expenditures on locally (Capital II) and externally (Capital III) funded projects down by 7.1% and 36.9%, respectively. Included in the backlog of major capital III projects were those for rural electrification, upgrade of medical buildings, the Macal and Kendall Bridges, the Belize/Mexico international crossing, EU sugar support, water systems, the Social Investment Fund (SIF) poverty alleviation, and assistance to small growers of papaya and cashew. Among the projects receiving significant disbursements during the year were the completion of the Southern Highway, the upgrading of the Placencia Road and infrastructural works in South-side Belize City, streets and drains that combined for a total of 25.6% of capital outlays. Waste management and land development projects accounted for 13.4% and 10.0% went on projects to protect the environment. Miscellaneous education, health and social development projects, security, purchases of furniture and equipment, and contributions to international agencies accounted for 28.5%, while the share for housing, tourism and agriculture projects was 13.4% and disbursements for youth, sports and culture combined for 6.6%.

## Central Government's Domestic Debt

Central Government's domestic debt rose by 3.7% to $381.2mn (13.2% of GDP) as amortization payments to Belize Social Security Board (BSSB), the Debt for Nature Swap, Fort Street Tourism Village and commercial banks were more than offset by a $14.1mn increase in overdraft financing and a new $1.5mn loan from a commercial bank. The latter was on-lent to the San Pedro Town Council to refurbish streets, while the hike in the Central Bank overdraft to $48.1mn (6.3% of the previous fiscal year's current revenue) facilitated the payment of salaries and increased outlays for debt servicing.

Table 8.2: Central Government's Domestic Debt

$mn

| Instrument | 2009 | 2010 | 2011 |
|---|---|---|---|
| Loans & Advances | 139.4 | 46.0 | 59.4 |
| Treasury Bills | 100.0 | 175.0 | 175.0 |
| Treasury Notes | 70.8 | 136.8 | 136.8 |
| Defence Bonds | 10.0 | 10.0 | 10.0 |
| **Total** | **320.2** | **367.8** | **381.2** |

Sources: CBB and Ministry of Finance

Chart 8.3: Sources of Central Government's Domestic Debt

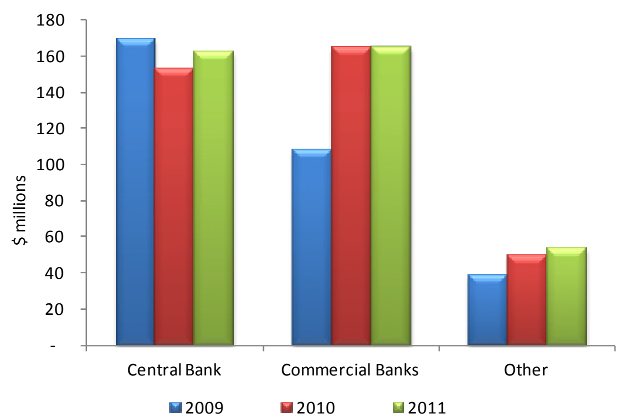
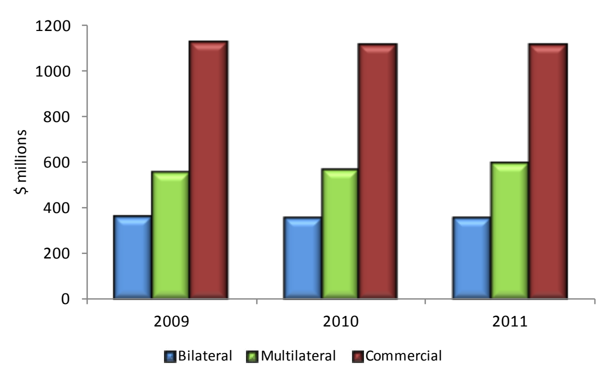



Chart 8.4: External Debt By Creditor Category




Benefitting from a full year of greater reliance on lower cost securities to meet its financing needs, the average effective interest rate on the government's domestic debt dropped from 5.3% to 4.9%. Of the $18.4mn paid in interest, $5.0mn went to the Central Bank for short-term credit provided by way of the overdraft and Treasury bills and $6.1mn was paid to the Bank on its holdings of long-term Treasury notes and Defence bonds. Commercial banks and non-bank entities earned $4.6mn and $1.7mn, respectively, on their holdings of government securities. Interest on loans amounted to $0.9mn and included payments to BSSB, the Debt for Nature Swap, commercial banks and an insurance company.

After surrendering $1.5mn to the Central Bank and non-bank entities, the commercial banks ended the year with 86.3% of the outstanding Treasury bills. In contrast, the Central Bank was the largest holder of Treasury notes, followed by the non-bank entities. At year-end, commercial banks held 43.2% of government's domestic debt, while the Central Bank and non-bank entities held 42.7% and 14.1%, respectively.

## Public Sector External Debt

A one-off shift of $23.1mn in liabilities from the private to the public sector due to the nationalization of BEL figured significantly in the $23.2mn increase in the external public sector debt during the year. At year-end, the debt stood at $2,045.5mn (70.6% of GDP) with other loan disbursements ($74.6mn) and amortization payments ($74.3mn) essentially offsetting each other. The value of the debt stock also registered a slight decline of $0.2mn due to the appreciation of the US dollar against the Euro and SDR. Three loans amounting to $1.5mn were retired,

Chart 8.5: External Debt Principal Payment by Major Creditors

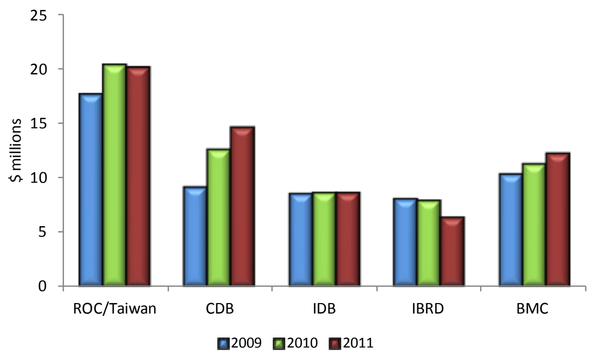
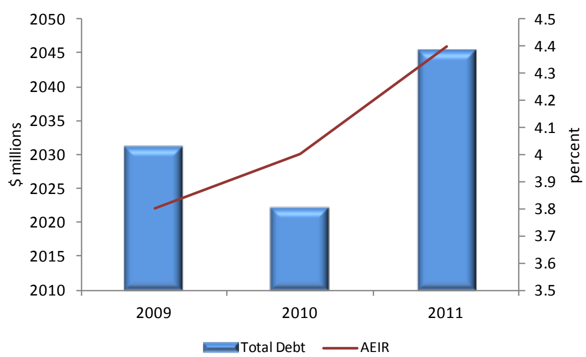



Chart 8.6: External Debt Annual Average Effective Interest Rate (AEIR)




leaving $9.4mn of the present portfolio to mature within the next twelve months, $177.6mn that will mature within the next ten years and $1.9bn with a maturity exceeding ten years.

Interest and other payments amounted to $88.8mn (3.1% of GDP), with Central Government accounting for 96.2%. The 6.0% interest rate on the super bond translated into interest payments of $66.1mn over the year and an increase in the annual average effective interest rate from 4.0% in 2010 to 4.4% in 2011.

Box 6: Major Fiscal Initiatives in 2011

**19 March, 2011** – The GST was amended to zero-rate gasoline (regular and premium), kerosene, diesel oil and gas oils, effective 12 March, 2011.

**19 March, 2011** – The Revenue Replacement Duty (RRD) on cigarettes was amended, effective 1 April, 2011 as follows:

| **Item** | **RRD Rate** |
|---|---|
| Cigarettes containing tobacco | CARICOM countries from $88.00 per lb to $65.00 per 1,000 cigarettes<br>Non-CARICOM countries from $117.50 per lb to $236.00 per 1,000 cigarettes |

**4 April, 2011** – (1) Several reductions in customs and excise duties became retroactively effective on 22 March 2012 in order to give effect to the Economic Partnership Agreement between CARIFORUM and the European Union and the Partial Scope Agreement between Guatemala and Belize.
(2) Due to the GST zero rating applied on gasoline, kerosene, diesel oil and gas oils, the rates of customs and excise duties on locally extracted crude oil and import duties on other motor spirits were amended retroactively to 22 March 2012 as follows:

a) Locally extracted crude oil from $1.00 to $2.00 per barrel (of 42 US gals.)
b) Application of duty rates on imported fuel:

| Description of Goods | Rate of Duties |
|---|---|
| Premium Gasoline | from $2.58 to $3.79 per Imp. Gal. |
| Regular Gasoline | from $2.46 to $3.66 per Imp. Gal. |
| Diesel Oil | from $1.52 to $2.58 per Imp. Gal. |
| Gas oils (other than Diesel oil) | from $1.52 to $2.58 per Imp. Gal. |

**20 June, 2011** – The Electricity Act, Chapter 221 of the Laws of Belize was amended to provide for assumption of control over electricity supply by the Government in the public interest, effective 20 June 2011.

**25 October, 2011** – The Belize Constitution was amended to ensure that the Government shall at all times have majority ownership and control of public utilities.

**29 December, 2011** – The Environmental Tax Act was amended to remove the tax on CARICOM imports, effective 3 January 2012.

# Operations

Chart 9.1: Assets

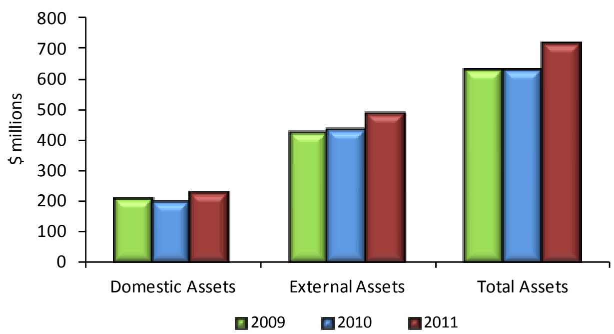
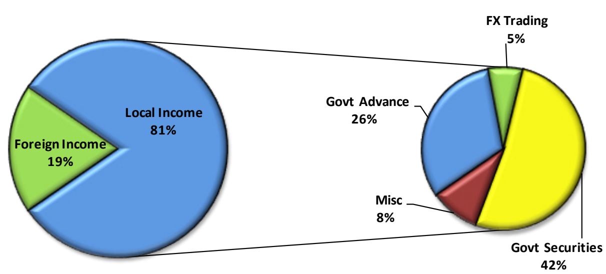



Chart 9.2: Foreign and Local Income




## Financial Performance

Growth in the Central Bank's assets increased to 13.0% in 2011 with foreign and domestic assets up by $51.0mn and $29.0mn, respectively. Expenditures were held steady and the Central Bank's net operating surplus more than doubled to $3.3mn due to a $1.5mn increase in income from credit extended to Government. This occurred as receipts from increased holdings of Treasury notes more than offset a decline in interest income from financing extended through the Government's overdraft account. Commissions and other income also increased when compared to the previous year, albeit at a smaller pace.

Gross income totalled $18.7mn with $15.1mn coming from domestic sources and foreign investment earnings amounting to $3.6mn. Notwithstanding strong growth in the Central Bank's foreign assets, there was no commensurate increase in foreign income due to the continued fall in international interest rates. Consequently, domestic operations accounted for 81.0% of the Central Bank's income with 42.0% coming from investment in Government securities and 26.0% derived from direct lending to Central Government. Current expenditure amounted to $15.3mn with staff costs, interest payments and other operating costs representing 54.0%, 4.0% and 42.0%, respectively. As provided for under section 9(1) and section 50 of the Central Bank Act, $0.33mn (10.0% of the net operating surplus less any revaluation loss) will be paid into the Central Bank General Reserve Fund. The balance of $3.01mn will be transferred to the Accountant General for Government's consolidated revenue fund.

## Foreign Exchange Operations

The Central Bank's foreign currency trade in dollars (US and Canadian) and Pound Sterling yielded net purchases of $52.1mn, which was nearly quadruple its net purchases in 2010. Among the largest receipts were US$44.0mn from Belize Natural Energy (BNE), US$23.4mn from Belize Sugar Industries and US$17.3mn from commercial banks. Other notable inflows included US$7.5mn, which was the second tranche of the Inter-American Development

Chart 9.3: Trade in Foreign Exchange

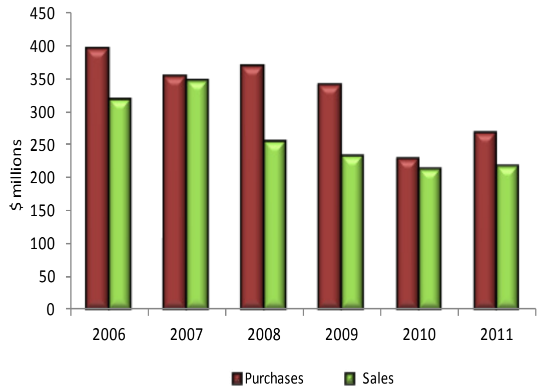



Chart 9.4: Monthly External Asset Ratio

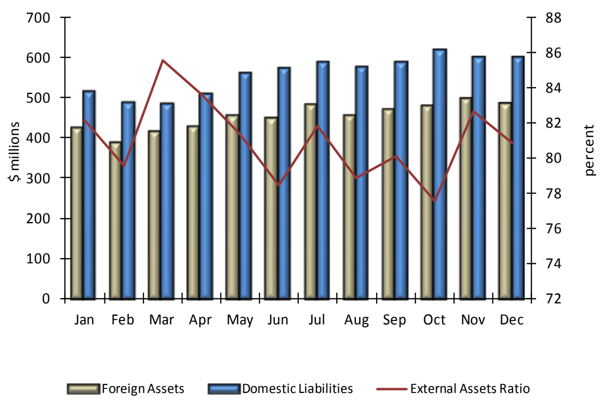



Chart 9.5: External Asset Ratio


Bank policy based loan and a US$10.0mn loan from the ROC/Taiwan. The largest external payments occurred in February and August to meet the semi-annual interest payments due to foreign holders of the super bond. As in previous years, trading in CARICOM currencies was mostly for settlement of official transactions and resulted in net sales of $2.5mn.

## External Assets Ratio

The Central Bank was fully compliant with Section 25(2) of the Central Bank of Belize Act 1982, which stipulates that it should maintain external assets amounting to at least 40.0% of the currency notes and coins in circulation and its domestic deposit liabilities.

After surging above 90.0% in the first half of the previous year, its external asset ratio closely fluctuated around the 80.0% level. For two-thirds of the year, the ratio was more than twice the legal threshold with its movements being mainly influenced by changes in the level of the Central Bank's domestic liabilities, and to a lesser extent, by shifts in foreign assets. Downward movements were associated with interest payments on the super bond in February and August, the bumping up of government's escrow deposits with proceeds from the sale of BTL shares to the Central Bank in June, and the surge in October of commercial banks' excess cash reserves held at the Central Bank. It peaked at 85.5% in March due to the receipt from BNE of its taxes and the government's annual working interest, which are paid in foreign currency, and reached another high point in November when inflows from foreign loans and grants coincided with a decrease in commercial banks' deposits. While the

Chart 9.6: Required & Excess Cash Balances

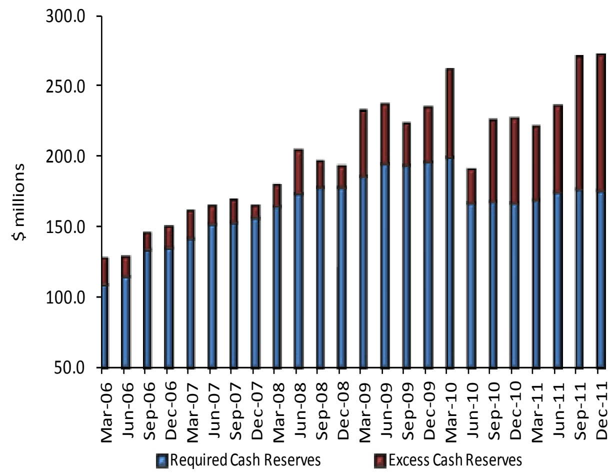
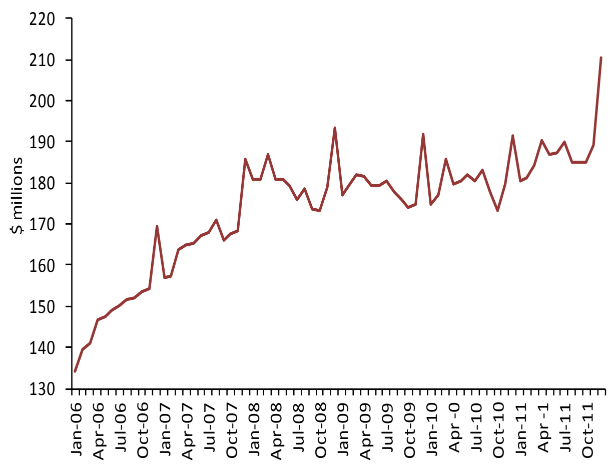



Chart 9.7: Currency in Circulation




unusually sharp increase of currency in circulation during the Christmas season and government's scheduled external debt payments exerted some downward pressure, the decline in the ratio was moderate as it closed the year at 80.9%. At year-end, the Central Bank's external assets amounted to $483.5mn that consisted of 72.1% in cash and fixed deposits, 12.5% in foreign securities and 15.4% in SDRs with the IMF.

*Commercial Banks Cash Balances*

The commercial banks' cash reserve requirement was unchanged at 8.5% of average deposit liabilities during the year. Given the continuing tepidity of loan demand, the banks' total holdings of cash reserves rose by $44.3mn (19.6%) with excess cash holdings increasing by $35.1mn (58.1%) over the year. The monthly excess averaged $72.2mn, which was $26.1mn above that of 2010. Somewhat atypically, the highest levels of excess liquidity were recorded in the second half of the year (a monthly average of $92.2mn) with October being the month in which the largest excess was posted.

### Currency Operations

The Central Bank issued $105.8mn in new notes and removed $86.4mn in notes considered unfit for circulation. At year-end, the total value of banknotes was up by 10.5% to $190.2mn, while the value of coins in circulation increased by 6.0% to $20.9mn. The ratio of notes to coins remained relatively constant with notes accounting for 90.0% of the currency issued.

After minimal changes in 2009 and 2010, currency in circulation took an upward surge of 9.9% to end the year at $210.6mn. In line with the normal seasonal pattern, most of the expansion was in December, with the increase in that month being particularly noteworthy, $21.3mn as compared to $11.9mn in December 2010. The approximately $19.0mn rise in currency during 2011 included a $5.5mn (16.2%) rise in commercial banks' vault cash, as  the banks built up balances to meet their customers' heightened demand for cash in contrast to the previous two years which were marked by consecutive declines.

Chart 9.8: Monthly Inter-bank Market Activity

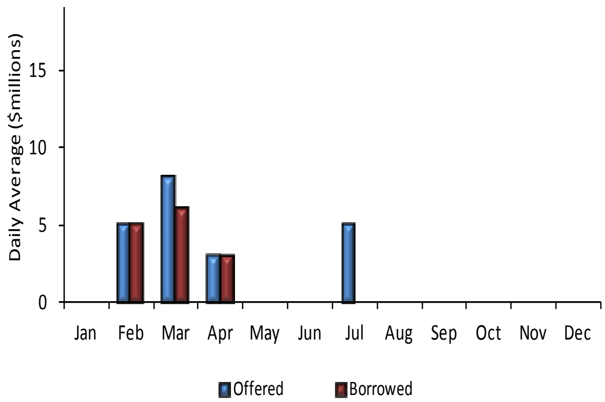



Chart 9.9: Inter-bank Market Activity

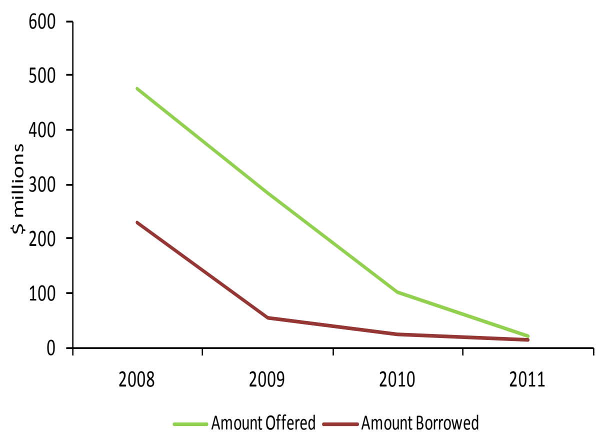
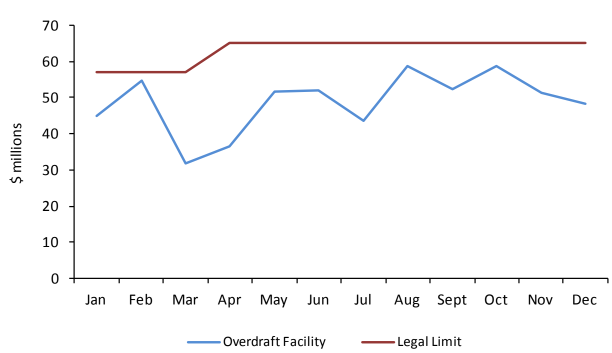



Chart 9.10: Overdraft Financing to Central Governemnt




## Inter-Bank Market

Partly as a result of the continuing build up of liquidity in the banking system, inter-bank lending activity contracted for the third consecutive year with offered funds plummeting by 79.5% (from $102.5mn to $21.0mn) and amounts taken up shrinking by 44.0% (from $25.0mn to $14.0mn). Offers were made in four months (February, March, April and July) at interest rates that ranged from 6.0% to 7.0%, compared to a range of 6.5% to 9.0% in 2010. Loans were contracted in February, March and April and were for an average duration of twelve days at 6.0% interest.

## Transactions with Central Government

At 8.5% of current revenue collected during the preceding fiscal year, the ceiling on advances which the Central Bank can legally extend to Central Government rose from $57.3mn to $65.1mn for the 2011/2012 fiscal year. The growth in revenues and relatively stable level of expenditure helped to keep the monthly overdraft facility comfortably below its legislated ceiling for much of the year. There were spikes in the overdraft in February and August when the interest on the super bond was paid. The facility reached its lowest point for the year ($31.8mn) in March due to the receipt of taxes and working interest from domestic oil production. The highest point ($58.7mn) was registered in October which was due to the coinciding of a fall in non-oil revenues with a modest increase in external debt payments. In the last two months of the year, the overdraft balance progressively declined to close the year at $48.1mn (6.3% of the current revenue of the previous fiscal year).

Chart 9.11: Treasury Bills Allocation

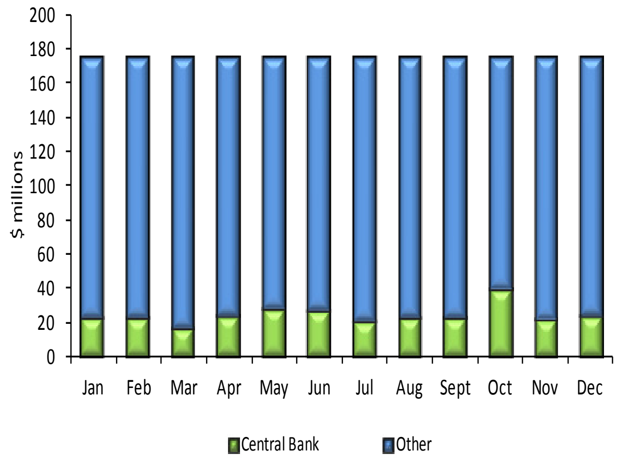



Chart 9.12: Treasury Bill Yield

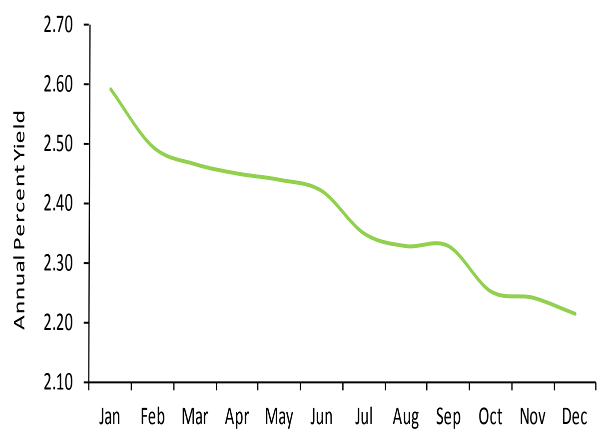
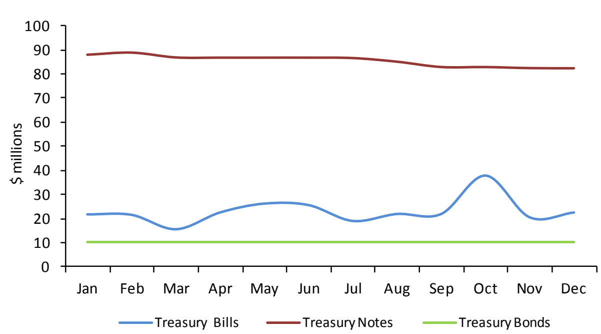



Chart 9.13: Central Bank's Holdings of Government Securities



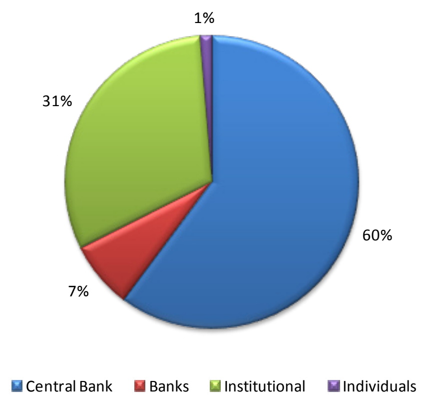

## Treasury Bills

The Central Bank continued to act on the Government's behalf in conducting Treasury bill operations. The amount outstanding remained at $175.0mn, the level to which it had been raised in the previous year. Having secured commercial banks' active participation in the securities market and with demand for government paper at elevated levels, the Central Bank progressively reduced the mandatory holdings of commercial banks to zero. In the context of a thin domestic financial market, continued sluggishness in private sector credit and low international interest rates, the commercial banks maintained their average holdings of Treasury bills at $153.0mn during the year. As the other key player, the Central Bank held the bulk of the remainder with its monthly holdings averaging $22.9mn. Mounting excess liquidity in the banking system stoked competition for the limited supply of Treasury bills, so the yield, which started the year at 2.67%, drifted gradually down to 2.21% by year-end.

## Treasury Notes

The stock of Treasury notes stood at $136.5mn in 2011, as there were no new issuances during the year. Upon their maturation in July, $31.5mn worth of five-year notes were rolled over for the same maturity with the interest rate falling from 9.0% to 7.5%, in line with the yield on more recently issued notes of similar duration. The Central Bank ended the year with holdings valued at $82.2mn, having sold some $5.7mn worth to institutional investors and thus decreasing its share of the total from 64.0% to 60.0%. As a result of their purchases, the share of notes held by institutional investors increased from 26.0% to 31.0%.

Chart 9.14: Treasury Notes Distribution
2011




**2010**

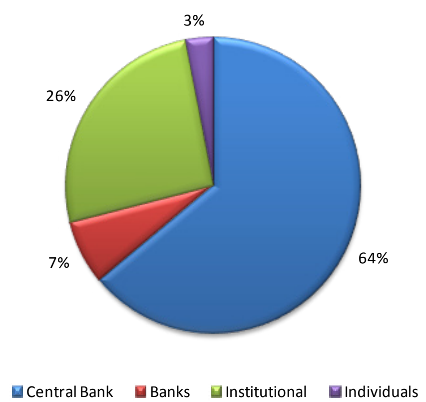
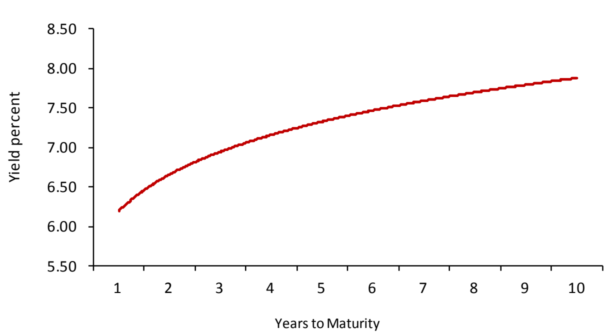



Chart 9.15: Treasury Notes Yield
on Issues for 2011




At year-end, the outstanding Treasury notes consisted of $25.0mn in one-year notes at 6.0%, $15.0mn in two-year notes at 7.0%, $66.5mn in five-year notes at 7.5% and $30.0mn in ten-year notes at 8.25%.

# Administration

### Information Systems

The Central Bank improved its security posture by upgrading its network operating environment and by deploying a new family of firewall and Intrusion Prevention System security solutions. And as a key component of its disaster/recovery preparedness strategy, a new backup wireless internet service was acquired to replace the satellite link that had become inoperable. New software applications were introduced during the year to aid in the management of staff loans and the Central Bank's library and these utilities were made available to staff via the intranet. There was also successful in-house production of software that enabled increased flexibility in the handling of data received electronically and facilitated improved monitoring of foreign exchange requests and responses. Apart from being the 30th anniversary of Belize's independence, 21 September 2011 also marked an important milestone for the Central Bank with the official launching of its new website. The latter represented the fruit of a 14-month long project to improve the content, navigability and user friendliness of this public portal. The website was developed using best practices for navigation and user experience, and a new governance structure was also implemented to maintain its functionality and content quality.

### Internal Audit

Internal Audit continued to closely monitor key operational areas and other general administrative functions to assess the effectiveness of internal controls. In addition, recommendations that were made in the previous year were monitored to ensure that they were fully implemented. Internal Audit was able to assure the Board and the public that established processes to identify, evaluate and manage the Central Bank's risk were effectively implemented throughout the year.

In fulfilling its oversight responsibilities, the Audit Committee liaised with external auditors and made recommendations to the Board on issues relating to risk management and internal controls. The Audit Committee also ensured that management appropriately addressed the issues raised by the external auditors. Based on the review of Internal Audit reports, the Audit Committee was able to verify and assure the Board that the Central Bank's affairs were being handled in a transparent and scrupulous manner that is supported by prudent accounting policies, internal controls and financial reporting practices.

### Project Management

With a view to facilitating successful management and completion of projects, the Project Management Office (PMO) focused on providing guidance and support to project managers and team members in the use of project management tools and application of standards and processes. These efforts were fruitful as advancements were made in several major projects, which had commenced in the previous year in accordance with approved project plans. These included a new website, national payments systems, credit bureau, an enterprise business system (EBS) and an external communication plan.

In addition to assisting with the successful development and launching of the Central Bank's new website, the PMO was involved in foundational work for the national payments systems (NPS) reform project that included the definition of the vision and drafting of the implementation plan and legal framework. These critical pillars of the NPS project are planned for completion during the first half of 2012. Activities related to the credit bureau project focused on improving stakeholder awareness through meetings in which the market assessment findings and recommendations of the International Finance Corporation (IFC) consultants were presented. The next tasks will be aimed at getting the completion of the national vision strategy in parallel with the draft legislation. The PMO also worked with the Central Bank's project team for external communications during the year in drafting a comprehensive plan, which is slated for further review and fine tuning before being fully implemented. Another important project involved the selection of electronic software to meet the expanded needs of the Central Bank and replace its accounting system which will soon be obsolete. The required specifications for an EBS for the Central Bank were drawn up and are currently being analyzed. EBS modules identified as priority areas are planned for implementation and production in 2012.

### Human Resources

Using management staff as the pilot group, the Human Resources Department embarked on a Competencies Project to align the performance and behaviour of employees with the objectives and core values of the Bank. The result of this exercise was the development of a matrix that defined Bank-wide and job-specific competencies (business, functional and technical), which will be a guide in developing the human resource framework required to implement the multiple initiatives that underpin the Central Bank's mission and vision.

In October, the Central Bank also commenced the first phase of a Corporate Strategic Plan Project utilizing the Balanced Scorecard methodology. The objective was to reshape the work environment and corporate culture with a view to engendering a sustained and long term improvement in the institution's all-round performance. Phase I included the completion of a culture survey, revisions of the Central Bank's mission and vision statements, preparation of a strategy map and Balanced Scorecard and a list of initiatives that will be prioritized for the commencement of Phase II of the Project.

### Staffing and Employee Relations

At year-end, the staff complement numbered 171, of whom 155 were permanent employees, 12 were on contract, and 4 were temporary. Seven persons joined the Central Bank during the year, four employees resigned, and two retired, one of whom had the distinction of being the longest serving member of staff that had been with the institution since its inception. At 2.4%, the relatively low turnover rate was evidence of the success of the Central Bank's staff recognition and retention programmes.

### Staff Activities

Staff promotions during the year included two to fill management positions and one to the professional level. At the Annual Employee Recognition Ceremony and Family Day, twenty two staff members were honoured for serving 10 or more years. Included in the recipients were eight persons who had served for 20 years, two who had been with the Central Bank for 25 years and Ms. Luisa Marin whose unbroken service of 30 years included a stint with the Monetary Authority, the institution that preceded the Central Bank of Belize.

As part of the Central Bank's community outreach, the Human Resources Department coordinated a gift drive aimed at making a positive impact on the "at-risk" residents of the Youth Hostel. Staff also continued to donate generously to the annual Salvation Army Christmas Appeal to assist the needy, participated in the annual Belize Cancer Society Walk to show solidarity with the victims of cancer, donated to the Ride Across Belize to create awareness for the Diabetes Association of Belize and contributed to the Belize Blood Bank volunteer drive. Several social, sporting and outreach activities were organized by the Central Bank's Staff Club throughout the year. This comprised cultural presentations and competitions during the month of September to highlight and celebrate the national holidays that included Belize's 30th anniversary of independence. The Club's activities also included the award of a scholarship to an underprivileged student and the donation of cash, food items and clothing to various needy schools.

### Training and Development

In-house training workshops were held to equip management staff with the knowledge and skills required to successfully develop and implement a Corporate Strategic Plan using the Balanced Scorecard methodology. Numerous other training and professional development opportunities were provided to staff to improve functional skills and strengthen technical competencies. These included customized trainings conducted by the University of the West Indies School of Continuing Studies (Belize) on Time & Stress Management, Interpersonal Skills and Team Building. Staff in the Human Resources Department received in-house training in Payroll Administration and a workshop for economists (Part II: Econometrics for Central Bankers) that covered various econometric modelling and forecasting techniques was also conducted. Other specialized trainings and conferences attended by Central Bank staff included the First Regional Payment Systems Workshop for Latin America & the Caribbean in Trinidad, Euromoney Training in Applying IFRS/IAS in New York, Central Bank Governance in Costa Rica, Monetary Policy, Exchange Rates and Capital Flows in Switzerland and Consolidated Supervision and Risk Integration in Jamaica.

Supervision of the financial sector was further strengthened through specialized staff training and participation at several major conferences. These included the International Anti-Money Laundering Compliance Training by FINTRAC, Small Countries Financial Management Programme, Supervising Operational Credit Risk, an On-Site Attachment Training with the National Credit Union Administration in Washington, D.C., the Third Caribbean Microfinance Forum, Credit Reporting and Risk Management and a Market Risk Seminar held in Trinidad. The Caribbean Regional Technical Assistance Centre, through a Supervisory Review Consultancy, provided assistance to the Central Bank to strengthen its supervisory framework for credit unions. Consequently, a training program was conducted for staff of the Financial Sector Supervision Department and credit union officers entitled, “History, Philosophy and Financial Standards for Credit Unions”.

Three employees who received full training awards from the Central Bank as part of its commitment to facilitate higher education successfully completed their degrees. In addition, six other employees, who had been supported and encouraged by the Bank in self-initiated study programmes, obtained higher degrees from local tertiary institutions.

### Corporate Relations

The Central Bank demonstrated its commitment to continuous development of national education through participation in tertiary level internship programmes. Seven students at the university and junior college levels were offered temporary employment to meet their core requirements for graduation. Furthermore, at the secondary level, nine senior high school students did their work study programmes at the Central Bank and nine tertiary level students had the opportunity to develop their practical skills and work experience under the Summer Employment Programme.

### Research Presentations

Economists from the Central Bank's Research Department completed four papers, which were presented in a forum that was held in November. Invited guests included members of the Central Bank Board of Directors, members of the Technical Committee as well as economists and other staff from the Ministry of Finance and the Ministry of Economic Development.

The presented papers included:
"Measuring the Real Effective Exchange Rate (REER) for Belize" by Candice Soutar and Jair Santoya;

"Financial Integration of Belize with Central America and CARICOM" by Shanon Sebastian;

"Determinants of Interest Rate Spreads in Belize" by Paula Perez (also presented at the Caribbean Centre for Money and Finance Conference);

"Price Rigidity in Belize" by Emory Ford.

# Statistical appendix

## Table A.1: Major Economic Indicators

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|---|
| **POPULATION AND EMPLOYMENT** | | | | | | | | |
| Population (Thousands) | 281.1 | 289.9 | 299.8 | 309.8 | 322.1 | 333.2 | 323.4 | 332.7 |
| Employed Labour Force (Thousands) | 95.9 | 98.6 | 102.2 | 111.8 | 114.5 | 120.5 | 100.7 | n.a. |
| Unemployment Rate (%)[1,2] | 11.6 | 11.0 | 9.4 | 8.5 | 8.2 | 13.1 | n.a.[8] | n.a. |
| **INCOME** | | | | | | | | |
| GDP at Current Market Prices ($mn) | 2,112.6 | 2,229.7 | 2,426.2 | 2,553.5 | 2,727.0 | 2,698.0 | 2,797.0 | 2,895.0 |
| Per Capita GDP ($, Current Mkt. Prices) | 7,515.1 | 7,691.9 | 8,093.6 | 8,243.5 | 8,466.3 | 8,097.2 | 8,649.8 | 8,701.5 |
| Real GDP Growth (%) | 4.6 | 3.0 | 4.7 | 1.3 | 3.6 | 0.0 | 2.7 | 2.0 |
| Sectoral Distribution of Constant 2000 GDP (%) | | | | | | | | |
| Primary Activities | 18.1 | 18.1 | 16.2 | 12.8 | 12.5 | 11.7 | 11.4 | 10.6 |
| Secondary Activities | 15.1 | 14.6 | 17.5 | 17.7 | 18.7 | 21.4 | 20.8 | 20.7 |
| Services | 57.8 | 58.7 | 57.5 | 59.9 | 60.2 | 53.7 | 54.1 | 54.9 |
| **MONEY AND PRICES ($mn)** | | | | | | | | |
| Inflation (Annual average percentage change) | 3.1 | 3.7 | 4.2 | 2.3 | 6.4 | -1.1 | 0.9 | 1.5 |
| Currency and Demand deposits (M1) | 492.2 | 516.1 | 617.9 | 704.4 | 706.2 | 713.3 | 707.9 | 839.4 |
| Quasi-Money (Savings and Time deposits) | 756.1 | 815.8 | 887.1 | 1,031.7 | 1,260.4 | 1,379.9 | 1,382.9 | 1361.9 |
| Annual Change of Money Supply (%) | 13.2 | 6.7 | 13.0 | 15.4 | 13.3 | 6.4 | -0.1 | 5.3 |
| Ratio of M2 to GDP (%) | 59.1 | 59.7 | 62.0 | 68.0 | 72.1 | 77.6 | 74.8 | 75.6 |
| **CREDIT ($mn)** | | | | | | | | |
| Commercial Bank Loans and Advances | 1,176.5 | 1,254.7 | 1,390.5 | 1,599.6 | 1,742.4 | 1,805.4 | 1,763.7 | 1756.5 |
| Public Sector | 46.3 | 62.4 | 48.6 | 40.8 | 19.1 | 8.0 | 6.1 | 8.8 |
| Private Sector | 1,130.2 | 1,192.3 | 1,342.8 | 1,558.8 | 1,723.3 | 1,797.4 | 1,757.6 | 1747.7 |
| **INTEREST RATE (%)** | | | | | | | | |
| Weighted Average Lending Rate | 14.0 | 14.3 | 14.2 | 14.3 | 14.1 | 14.0 | 13.8 | 13.0 |
| Weighted Average Deposit Rate | 5.2 | 5.5 | 5.8 | 6.0 | 6.4 | 6.1 | 5.6 | 3.7 |
| Weighted Average Interest Rate Spread | 8.8 | 8.8 | 8.5 | 8.3 | 7.8 | 7.9 | 8.2 | 9.4 |
| **CENTRAL GOVERNMENT FINANCES ($mn)** | | | | | | | | |
| Current Revenue | 451.9 | 511.5 | 566.0 | 651.5 | 729.4 | 653.9 | 753.8 | 792.9 |
| Current Expenditure | 474.1 | 561.2 | 550.8 | 636.1 | 617.9 | 661.8 | 682.7 | 714.5 |
| Current Account Surplus(+)/Deficit(-) | -22.2 | -49.7 | 15.2 | 15.3 | 111.5 | -7.9 | 71.0 | 78.4 |
| Capital Expenditure | 173.2 | 123.1 | 97.1 | 160.4 | 141.6 | 113.3 | 133.1 | 102.1 |
| Overall Surplus(+)/Deficit(-) | -133.6 | -152.3 | -46.7 | -30.8 | 41.2 | -76.3 | -46.3 | -8.1 |
| Ratio of Budget Deficit to GDP at mkt. Prices (%) | -6.3 | -6.8 | -1.9 | -1.2 | 1.5 | -2.8 | -1.7 | -0.3 |
| Domestic Financing (Net)[3] | -36.2 | -19.0 | -8.9 | 19.3 | -23.3 | 20.1 | 45.7 | 9.5 |
| External Financing (Net)[4] | 179.9 | 127.6 | 56.0 | -0.8 | -3.3 | 60.5 | 7.1 | 21.3 |
| **BALANCE OF PAYMENTS (US $mn)** | | | | | | | | |
| Merchandise Exports (f.o.b.)[5] | 308.4 | 325.2 | 427.1 | 425.6 | 480.1 | 383.9 | 478.3 | 603.3 |
| Merchandise Imports (f.o.b.) | 480.7 | 556.2 | 611.9 | 642.0 | 788.2 | 620.5 | 647.2 | 773.9 |
| Trade Balance | -172.3 | -231.0 | -184.8 | -216.5 | -308.2 | -236.6 | -168.9 | -170.7 |
| Remittances (Inflows) | 30.9 | 40.9 | 57.8 | 70.8 | 74.1 | 76.2 | 76.1 | 73.3 |
| Tourism (inflows) | 168.1 | 213.6 | 254.7 | 288.7 | 278.5 | 256.2 | 290.7 | 292.1 |
| Services (Net) | 88.2 | 143.0 | 210.7 | 229.9 | 216.9 | 182.6 | 175.5 | 175.1 |
| Current Account Balance | -154.9 | -151.2 | -25.4 | -52.1 | -144.9 | -82.8 | -40.0 | -36.84 |
| Capital and Financial Flows | 127.3 | 147.3 | 83.2 | 123.7 | 214.5 | 135.5 | 33.5 | 40.9 |
| Gross Change in Official International Reserves | -31.2 | -12.2 | 49.8 | -22.9 | -57.9 | -47.3 | -4.3 | -18.1 |
| Gross Official International Reserves[6] | 48.0 | 35.8 | 85.6 | 108.5 | 166.4 | 213.7 | 218.0 | 236.1 |
| Import Cover of Reserves (in months) | 1.4 | 0.8 | 1.8 | 2.3 | 2.8 | 4.2 | 4.5 | 4.3 |
| **PUBLIC SECTOR DEBT** | | | | | | | | |
| Disbursed Outstanding External Debt (US $mn) | 893.1 | 970.5 | 985.7 | 972.7 | 956.6 | 1,015.6 | 1,011.1 | 1022.7 |
| Ratio of Outstanding Debt to GDP at Mkt. Prices (%) | 84.5 | 87.1 | 81.3 | 76.2 | 70.2 | 75.3 | 72.3 | 70.7 |
| External Debt Service Payments (US $mn) | 96.8 | 88.9 | 134.3 | 133.4 | 96.9 | 81.2 | 76.6 | 81.5 |
| External Debt Service Ratio (%)[7] | 17.8 | 14.2 | 17.0 | 16.2 | 11.2 | 11.3 | 9.3 | 8.6 |
| Disbursed Outstanding Domestic Debt ($ mn) | 278.5 | 279.4 | 299.9 | 321.9 | 332.8 | 320.2 | 367.8 | 381.2 |
| Domestic Debt Service Payments ($ mn) | 18.8 | 23.1 | 27.5 | 30.4 | 47.7 | 39.1 | 40.1 | 20.5 |

Sources: MOF, SIB and the CBB

(1) Time series is at April except 2008, which is at May.
(2) 2010 Population & Housing Census yielded an unemployemnt rate of 23.3% which is comparable to the 20.3% unemployment rate of the 2000 population census.
(3) Includes proceeds from the sale of BTL shares with domestic sources.
(4) Includes privatization proceeds.
(5) Includes CFZ gross sales.
(6) Starting in 2005, these numbers have been revised to reflect only usable reserves as defined by BPM5.
(7) 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.
(8) n.a. denotes not available

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

| Country | GDP Growth Rate (%) | | Inflation Rate (%) | | External Current a/c Ratio (%) | | Unemployment Rate (%) | |
|---|---|---|---|---|---|---|---|---|
| | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 |
| ***Advanced Economies*** | 3.1 | 1.6 | 1.6 | 2.6 | -0.2 | -0.3 | 8.3 | 7.9 |
| United States | 3.0 | 1.6 | 1.6 | 3.0 | -3.2 | -3.1 | 9.6 | 9.1 |
| Euro Area | 1.8 | 1.4 | 1.6 | 2.7 | -0.4 | 0.1 | 10.1 | 9.9 |
| United Kingdom | 2.1 | 0.9 | 3.3 | 4.5 | -3.2 | -2.7 | 7.9 | 7.8 |
| Japan | 4.0 | -0.5 | -0.7 | -0.4 | 3.6 | 2.5 | 5.1 | 4.9 |
| ***Emerging and Developing Economies*** | | | | | | | | |
| China | 10.3 | 9.5 | 3.3 | 5.5 | 5.2 | 5.2 | 4.1 | 4.0 |
| India | 10.1 | 7.8 | 12.0 | 10.6 | -2.6 | -2.2 | n.a. | n.a. |
| Mexico | 5.4 | 4.0 | 4.2 | 3.4 | -0.5 | -1.0 | 5.4 | 4.5 |

Sources: World Economic Outlook , ECLAC and Eurostat

Table A.3: Key Indicators for Selected Caribbean Countries

| Country | GDP Growth Rate(%) | | Inflation Rate (%) | | Unemployment Rate (%) | | International Reserves (US$mn) | |
|---|---|---|---|---|---|---|---|---|
| | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 |
| Bahamas | 0.9 | 2.0 | 1.4 | 3.2 | n.a. | n.a. | 900 | 900 |
| Barbados | 0.2 | 1.0 | 6.5 | 10.6(1) | 10.8 | 11.5(2) | 803 | 782 |
| Belize | 2.7 | 2.0 | 0.9 | 1.5 | 23.3 | n.a. | 218 | 236 |
| Guyana | 4.4 | 4.8 | 4.4 | 4.8 | n.a. | n.a. | 780 | 742 |
| Jamaica | -1.3 | 1.3 | 11.8 | 8.0 | 12.4 | 12.6 | 1,900 | 2,914 |
| ECCU | -1.9 | 1.5 | 4.5 | 3.5 (3) | n.a. | n.a. | 921 | n.a. |
| Trinidad & Tobago | 0.0 | -1.4 | 13.4 | 5.1 | 5.9 | n.a. | 9,100 | 9,512 |

Sources: ECLAC, Central Bank of Barbados, Central Bank of Guyana, Central Bank of Jamaica, Central Bank of Trinidad & Tobago and Eastern Caribbean Central Bank
n.a. = not available
(1) As at year to date to November
(2) As per Quarter 3
(3) As at June

Table A.4: Key Indicators for Central America

| Country | GDP Growth Rate(%) | | Inflation Rate (%) | | Unemployment Rate (%) | | International Reserves (US$bn) | |
|---|---|---|---|---|---|---|---|---|
| | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 |
| Guatemala | 2.8 | 3.3 | 5.4 | 6.1 | 3.5 | 4.8 | 5.9 | 6.2 |
| Honduras | 2.8 | 3.2 | 6.5 | 5.4 | 6.4 | 6.8 | 2.7 | 2.8 |
| El Salvador | 1.4 | 1.4 | 2.1 | 5.1 | 6.8 | n.a. | 2.9 | 2.5 |
| Nicaragua | 4.5 | 4.5 | 9.1 | 7.9 | 9.7 | 6.3 | 1.6 | 1.7 |
| Costa Rica | 4.2 | 3.8 | 5.8 | 4.6 | 7.1 | 7.7 | 4.6 | 4.8 |
| Panama | 7.6 | 10.5 | 4.9 | 6.8 | 7.7 | 5.4 | 4.9 | 4.6 |

Source: ECLAC

Table A.5: List of Banks and Other Financial Institutions

| Domestic Banks | International Banks | Financial Institutions |
|---|---|---|
| Atlantic Bank Limited | Atlantic International Bank Ltd. | MicRoe Finance Company Ltd. |
| Belize Bank Limited | British Caribbean Bank International Ltd. | Development Finance Corporation |
| First Caribbean Int'l Bank (Barbados) Ltd. | Caye International Bank Ltd. | |
| Heritage Bank Ltd. | Choice Bank Ltd. | |
| Scotiabank (Belize) Ltd. | Handels Bank & Trust Company Ltd. | |
| | Heritage International Bank & Trust Ltd. | |
| | Market Street Bank Ltd. | |

Table A.6: 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.

Table A.7: Determinants of Money Supply

$mn

| | Position as at | | | Changes During |
|---|---|---|---|---|
| | Dec 2009 | Dec 2010 | Dec 2011 | 2011 |
| Net Foreign Assets | 564.3 | 627.7 | 752.4 | 124.8 |
| Central Bank | 434.6 | 445.6 | 498.5 | 52.9 |
| Commercial Bank | 129.7 | 182.1 | 253.9 | 71.9 |
| Net Domestic Credit | 2,002.3 | 1,950.7 | 1,915.3 | -29.5 |
| Central Government (Net) | 192.5 | 187.0 | 157.6 | -23.5 |
| Other Public Sector | 10.2 | 6.1 | 5.4 | -0.8 |
| Private Sector | 1,799.6 | 1,757.6 | 1,752.3 | -5.2 |
| Central Bank Foreign Liabilities (Long-term) | 70.8 | 69.6 | 69.4 | -0.2 |
| Other Items (net) | 402.6 | 418.0 | 397.0 | -20.6 |
| Money Supply M2 | 2,093.2 | 2,090.8 | 2,201.3 | 116.1 |

Table A.8: Money Supply

$mn

| | Position as at | | | Changes During |
|---|---|---|---|---|
| | Dec 2009 | Dec 2010 | Dec 2011 | 2011 |
| Money Supply (M2) | 2,093.2 | 2,090.8 | 2,201.3 | 116.1 |
| Money Supply (M1) | 713.3 | 707.9 | 839.4 | 131.3 |
| Currency with the Public | 154.5 | 157.8 | 171.3 | 13.5 |
| Demand Deposits | 376.7 | 355.6 | 456.4 | 100.7 |
| Savings/Cheque Deposits | 182.1 | 194.5 | 211.7 | 17.1 |
| Quasi-Money | 1,379.9 | 1,382.9 | 1,361.9 | -15.2 |
| Savings Deposits | 181.5 | 208.8 | 271.0 | 62.2 |
| Time Deposits | 1,198.4 | 1,174.1 | 1,090.9 | -77.4 |

Table A.9: Net Foreign Assets of the Banking System

$mn

| | Position as at | | | Changes During |
|---|---|---|---|---|
| | Dec 2009 | Dec 2010 | Dec 2011 | 2011 |
| Net Foreign Assets | 564.3 | 627.7 | 752.4 | 124.8 |
| Central Bank | 434.6 | 445.6 | 498.5 | 52.9 |
| Foreign Assets | 435.7 | 448.7 | 500.2 | 51.5 |
| Foreign Liabilities(Demand) | 1.1 | 3.1 | 1.7 | -1.4 |
| Commercial Banks | 129.7 | 182.1 | 253.9 | 71.9 |
| Foreign Assets | 203.9 | 226.5 | 274.4 | 48.0 |
| Foreign Liab. (Short-Term) | 74.2 | 44.4 | 20.5 | -23.9 |

Table A.10: Net Domestic Credit

$mn

| | Position as at | | | Changes During |
|---|---|---|---|---|
| | Dec 2009 | Dec 2010 | Dec 2011 | 2011 |
| Total Credit to Central Government | 281.6 | 318.2 | 327.4 | 9.2 |
| From Central Bank | 170.1 | 153.0 | 162.7 | 9.7 |
| From Commercial Banks | 111.5 | 165.2 | 164.7 | -0.5 |
| Less Central Government Deposits | 85.9 | 137.1 | 169.8 | 32.7 |
| Net Credit to Central Government | 195.7 | 181.2 | 157.6 | -23.5 |
| Plus Credit to Other Public Sector | 7.0 | 6.1 | 5.4 | -0.8 |
| Plus Credit to the Private Sector | 1,799.6 | 1,757.6 | 1,752.3 | -5.2 |
| Net Domestic Credit of the Banking System | 2,002.3 | 1,944.9 | 1,915.3 | -29.5 |

Table A.11: Sectoral Composition of Commercial Banks' Loans and Advances

$mn

| | Position as at | | | Changes Dec 2010 to Dec 2011 |
|---|---|---|---|---|
| | Dec 2009 | Dec 2010 | Dec 2011 | |
| PRIMARY SECTOR | 193.2 | 194.5 | 191.3 | -3.2 |
| Agriculture | 134.1 | 132.4 | 134.1 | 1.7 |
| Sugar | 17.8 | 13.0 | 13.4 | 0.4 |
| Citrus | 16.9 | 18.9 | 17.2 | -1.7 |
| Bananas | 77.0 | 78.4 | 78.2 | -0.2 |
| Other | 22.4 | 22.1 | 25.3 | 3.2 |
| Marine Products | 33.7 | 37.5 | 35.3 | -2.2 |
| Forestry | 2.4 | 1.6 | 1.6 | 0.0 |
| Mining & Exploration | 23.0 | 23.0 | 20.3 | -2.7 |
| SECONDARY SECTOR | 550.3 | 521.2 | 508.8 | -12.4 |
| Manufacturing | 49.6 | 47.2 | 35.1 | -12.1 |
| Building & Construction | 477.4 | 447.9 | 443.8 | -4.1 |
| Utilities | 23.3 | 26.1 | 29.9 | 3.8 |
| TERTIARY SECTOR | 687.5 | 661.4 | 650.9 | -10.5 |
| Transport | 75.9 | 57.9 | 51.7 | -6.2 |
| Tourism | 129.8 | 137.8 | 108.1 | -29.7 |
| Distribution | 222.6 | 217.7 | 213.0 | -4.7 |
| Other(1) | 259.2 | 248.0 | 278.1 | 30.1 |
| Personal Loans | 374.4 | 384.9 | 405.5 | 20.6 |
| TOTAL | 1,805.4 | 1,762.0 | 1,756.5 | -5.5 |

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

Table A.12: Commercial Banks' Holdings of Approved Liquid Assets

$mn

| | Position as at | | | Changes During |
|---|---|---|---|---|
| | Dec 2009 | Dec 2010 | Dec 2011 | 2011 |
| **Holdings of Approved Liquid Assets** | **551.3** | **608.2** | **693.8** | **85.7** |
| Notes and Coins | 50.6 | 64.6 | 57.9 | -6.7 |
| Balances with Central Bank | 230.3 | 225.6 | 268.4 | 42.8 |
| Money at Call and Foreign Balances (due 90 days) | 134.7 | 135.2 | 194.6 | 59.5 |
| Treasury Bills maturing in not more than 90 days | 98.0 | 150.9 | 156.9 | 6.0 |
| Other Approved assets | 37.7 | 31.9 | 16.0 | -15.9 |
| **Required Liquid Assets** | **446.3** | **448.1** | **472.7** | **24.7** |
| **Excess/(Deficiency) Liquid Assets** | **105.0** | **160.1** | **221.1** | **61.0** |
| Daily Average holdings of Cash Reserves | 234.1 | 226.1 | 270.4 | 44.3 |
| Required Cash Reserves | 194.1 | 165.6 | 174.7 | 9.1 |
| **Excess/(Deficiency) Cash Reserves** | **40.0** | **60.5** | **95.7** | **35.2** |
| Actual Securities Balances | 0.0 | 153.0 | 151.5 | **-1.5** |
| Required Securities Balances | 0.0 | 128.3 | 0.0 | **-128.3** |
| **Excess/(Deficiency) Securities** | **0.0** | **24.7** | **151.5** | **126.8** |

Table A.13: Commercial Banks' Weighted Average Interest Rates

Percent

| | Position as at | | | Changes Dec 2010 to |
|---|---|---|---|---|
| | Dec 2009 | Dec 2010 | Dec 2011 | Dec 2011 |
| **Weighted Lending Rates** | | | | |
| Personal Loans | 15.28 | 15.49 | 14.24 | -1.26 |
| Commercial Loans | 13.52 | 13.39 | 12.91 | -0.48 |
| Residential Construction | 13.26 | 13.18 | 11.88 | -1.28 |
| Other | 11.29 | 12.32 | 11.84 | -0.48 |
| **Weighted Average** | **13.98** | **13.78** | **13.02** | **-0.76** |
| **Weighted Deposit Rates** | | | | |
| Demand | 0.72 | 0.48 | 0.48 | 0.00 |
| Savings/ Cheque | 5.00 | 5.00 | 2.49 | -2.51 |
| Savings | 5.24 | 4.97 | 2.98 | -1.99 |
| Time | 8.17 | 7.42 | 5.37 | -2.05 |
| **Weighted Average** | **6.12** | **5.61** | **3.65** | **-1.96** |
| **Weighted Average Spread** | **7.86** | **8.17** | **9.37** | **1.20** |

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

$mn

| | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|
| **GDP at current market prices** | **2,553.5** | **2,727.0** | **2,698.0** | **2,797.0** | **2895.0** |
| **GDP at constant 2000 market prices** | **2,294.1** | **2,376.4** | **2,377.6** | **2,442.3** | **2490.1** |
| **Primary Industries** | **283.9** | **284.1** | **277.8** | **277.4** | **263.9** |
| Agriculture, hunting & forestry | 230.4 | 232.1 | 220.9 | 220.7 | 213.1 |
| Fishing | 53.5 | 52.0 | 56.9 | 56.7 | 50.9 |
| **Secondary Industries** | **415.2** | **456.5** | **507.7** | **508.9** | **514.6** |
| Manufacturing (incl. mining and quarrying) | 254.2 | 268.2 | 285.5 | 271.0 | 277.0 |
| Electricity & Water | 92.5 | 95.4 | 111.7 | 133.7 | 135.8 |
| Construction | 68.5 | 93.0 | 110.5 | 104.2 | 99.9 |
| **Tertiary Industries** | **1,252.1** | **1,292.9** | **1,275.8** | **1,322.9** | **1366.8** |
| Wholesale & retail trade | 332.9 | 347.7 | 325.0 | 343.7 | 360.1 |
| Hotels & restaurants | 91.4 | 85.9 | 81.8 | 87.9 | 92.0 |
| Transport & Communications | 258.2 | 262.5 | 255.4 | 262.8 | 273.3 |
| Other Private Services excl. FISIM | 373.8 | 392.0 | 400.8 | 401.8 | 407.4 |
| Producers of Government Services | 195.9 | 204.8 | 212.8 | 226.7 | 234.0 |
| **All Industries at basic prices** | **1,954.1** | **2,033.5** | **2,061.4** | **2,109.2** | **2145.4** |
| Taxes less subsidies on products | 340.0 | 342.9 | 316.2 | 333.1 | 344.7 |

Source: SIB

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

| | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|
| **GDP at current market prices** | **5.2%** | **6.8%** | **-1.1%** | **3.9%** | **3.5%** |
| **GDP at constant 2000 market prices** | **1.3%** | **3.6%** | **0.0%** | **2.7%** | **2.0%** |
| **Primary Industries** | **-20.7%** | **0.0%** | **-2.2%** | **-0.1%** | **-4.8%** |
| Agriculture, hunting & forestry | -1.4% | 0.7% | -4.8% | -0.1% | -3.4% |
| Fishing | -57.0% | -2.9% | 9.4% | -0.3% | -10.3% |
| **Secondary Industries** | **4.9%** | **9.9%** | **11.2%** | **0.2%** | **1.1%** |
| Manufacturing (incl. mining and quarrying) | 8.3% | 5.5% | 6.5% | -5.1% | 2.9% |
| Electricity & Water | 2.4% | 3.1% | 17.1% | 19.7% | 1.6% |
| Construction | -3.0% | 35.7% | 18.8% | -5.7% | -4.1% |
| **Tertiary Industries** | **5.0%** | **3.3%** | **-1.3%** | **3.7%** | **3.3%** |
| Wholesale & retail trade | 1.9% | 4.5% | -6.5% | 5.8% | 4.8% |
| Hotels & restaurants | 4.5% | -6.0% | -4.8% | 7.5% | 4.7% |
| Transport & Communications | 14.0% | 1.7% | -2.7% | 2.9% | 4.0% |
| Other Private Services excl. FISIM | 2.6% | 4.9% | 2.2% | 0.3% | 1.4% |
| Producers of Government Services | 4.4% | 4.6% | 3.9% | 6.5% | 3.2% |
| **All Industries at basic prices** | **-0.1%** | **4.1%** | **1.4%** | **2.3%** | **1.7%** |
| Taxes less subsidies on products | 10.3% | 0.9% | -7.8% | 5.3% | 3.5% |

Source: SIB

Table A.16: Bona Fide Tourist Arrivals & Expenditure

| | 2009 | 2010 | 2011 |
|---|---|---|---|
| **Stayover Arrivals** | | | |
| Air | 169,212 | 173,398 | 181,541 |
| Land | 42,560 | 43,452 | 40,916 |
| Sea | 9,883 | 9,782 | 10,944 |
| **Total stayovers** | **221,654** | **226,632** | **233,401** |
| **Cruise Ship Disembarkations** | **634,697** | **688,165** | **654,790** |
| | | | |
| **Tourist Expenditure ($mn)** | **501.9** | **518.5** | **495.1** |

Sources: Immigration Department, BTB and CBB

Table A.17: Quarterly Percentage Change in CPI Components
by Major Commodity Group

| Major Commodity | Weights | Feb-11 | May-11 | Aug-11 | Nov-11 | Inflation Rate |
|---|---|---|---|---|---|---|
| Food, Beverage and Tobacco | 346.6 | -2.0 | -0.8 | 3.3 | 3.8 | 1.1 |
| Clothing and Footwear | 92.0 | 0.3 | 0.6 | -0.5 | -1.3 | -0.2 |
| Rent, Water, Fuel and Power | 167.6 | -0.0 | 1.4 | 2.0 | 1.5 | 1.5 |
| Household goods & Maintenance | 85.3 | -2.8 | -4.2 | -2.8 | 0.9 | -2.2 |
| Medical Care | 20.1 | 1.0 | 1.1 | -0.8 | -0.2 | 0.2 |
| Transport and Communication | 170.1 | 3.5 | 3.6 | 4.2 | 8.2 | 5.9 |
| Recreation , Education, Culture | 80.4 | 1.1 | 0.9 | 0.2 | -0.8 | 0.3 |
| Personal Care | 37.9 | 0.4 | 3.1 | 3.9 | 4.3 | 3.0 |
| **All items** | **1000** | **-0.2** | **1.0** | **1.7** | **2.5** | **1.5** |

Source: SIB

Table A.18: Balance of Payments - Merchandise Trade

$mn

| | 2009 | 2010 | 2011 | Change |
|---|---|---|---|---|
| **Goods Exports, f.o.b.** | **767.3** | **956.7** | **1206.5** | **26.1%** |
| of which: Domestic Exports | 492.7 | 569.7 | 703.7 | 23.5% |
| CFZ sales | 255.5 | 350.8 | 438.6 | 25.0% |
| Other Re-exports | 19.1 | 36.2 | 64.2 | 77.3% |
| **Goods Imports, f.o.b.** | **1,241.0** | **1,294.4** | **1,547.9** | **19.6%** |
| of which: Domestic Economy | 1098.7 | 1,054.6 | 1,186.4 | 12.5% |
| CFZ(1) | 142.4 | 239.9 | 361.5 | 50.7% |
| **Merchandise Trade Balance** | **-473.7** | **-337.8** | **-341.4** | **1.1%** |

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

Table A.19: Domestic Exports

$mn

| | 2009 | 2010 | 2011 |
|---|---|---|---|
| **Traditional Exports** | **319.6** | **315.9** | **344.5** |
| Sugar | 89.1 | 58.7 | 90.1 |
| Citrus Juices(1) | 73.9 | 93.7 | 95.1 |
| *Citrus Concentrate* | *73.9* | *93.7* | *95.1* |
| *Not-from-Concentrate* | *0.1* | *0.0* | *0.0* |
| Molasses(1) | 3.9 | 4.3 | 3.4 |
| Bananas | 66.9 | 71.6 | 67.9 |
| Marine(1) | 64.1 | 61.7 | 65.0 |
| Papayas | 21.8 | 25.9 | 23.0 |
| **Petroleum** | **120.6** | **206.2** | **291.8** |
| **Non-traditional Exports** | **52.4** | **47.4** | **67.4** |
| **Total Exports** | **492.7** | **569.7** | **703.7** |

Sources: SIB, BSI, CPBL and CBB

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

Table A.20: Exports of Sugar and Molasses

| | 2009 | | 2010 | | 2011 | |
|---|---|---|---|---|---|---|
| | Volume (long tons) | Value ($'000) | Volume (long tons) | Value ($'000) | Volume (long tons) | Value ($'000) |
| **Sugar**[1] | **77,476** | **89,062** | **72,363** | **58,721** | **81,019** | **90,131** |
| E.U. | 77,378 | 88,963 | 72,243 | 58,607 | 67,900 | 67,926 |
| USA | 0 | 0 | 0 | 0 | 13,730 | 22,075 |
| CARICOM | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | 98 | 99 | 120 | 114 | 120 | 130 |
| **Molasses**[2] | **18,500** | **3,868** | **42,303** | **4,260** | **20,968** | **2,889** |

Sources: BSI and SIB

(1) Reflects value of export shipments.

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

Table A.21: Export Sales of Citrus Juices and Pulp[1]

| | 2009 | 2010 | 2011 |
|---|---|---|---|
| **Concentrate** ('000 ps) | **36,694** | **36,875** | **30,625** |
| Orange | 31,999 | 30,783 | 27,781 |
| Grapefruit | 4,695 | 6,092 | 2,844 |
| **Concentrate value** ($mn) | **73.9** | **93.7** | **95.1** |
| Orange | 63.2 | 77.3 | 86.1 |
| Grapefruit | 10.7 | 16.4 | 9.0 |
| **Not-from-concentrate Exports** ('000 ps) | **31.6** | **0.4** | **4.3** |
| Orange | 26.6 | 0.0 | 0.0 |
| Grapefruit | 5.0 | 0.4 | 4.3 |
| **Not-from-concentrate Value** ($mn) | **0.1** | **0.0** | **0.0** |
| Orange | 0.1 | 0.0 | 0.0 |
| Grapefruit | 0.0 | 0.0 | 0.0 |
| **Pulp Export** (‘000 pounds) | **2,928** | **1,654** | **1,433** |
| **Pulp Value** ($mn) | **2.1** | **1.2** | **1.0** |

Source: CPBL

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

Table A.22: Export of Bananas

| | 2009 | 2010 | 2011 |
|---|---|---|---|
| **Volume** (metric tons) | **80,424** | **77,826** | **74,108** |
| **Value** ($mn) | **66.8** | **71.6** | **67.9** |

Source: BGA

Table A.23: Export of Marine Products

| | 2009 | | 2010 | | 2011 | |
|---|---|---|---|---|---|---|
| | Volume *('000 lbs)* | Value *($'000)* | Volume *('000 lbs)* | Value *($'000)* | Volume *('000 lbs)* | Value *($'000)* |
| Lobster Tail | 519.8 | 13,011 | 600.1 | 14,313 | 668.4 | 17,770 |
| Shrimp(1) | 12464.3 | 41,664 | 11,637.8 | 38,404 | 10,254.9 | 36,074 |
| Conch | 665.5 | 7,282 | 704.8 | 7,645 | 821.3 | 8,949 |
| Whole/Fillet Fish | 1599.5 | 2,116 | 1,277.7 | 1,321 | 1,594.2 | 2,233 |
| Other | 0.0 | 0 | 0.0 | 0 | 0 | 0 |
| **Total** | **15,249.0** | **64,073** | **14,220.4** | **61,683** | **13,338.8** | **65,026** |

Sources: CBB and SIB

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

Table A.24: Other Major Exports

| | 2009 | 2010 | 2011 |
|---|---|---|---|
| **Papayas** | | | |
| Volume ('000 lbs) | 54,705 | 66,727 | 60,518 |
| Value ($mn) | 21.8 | 25.9 | 22.9 |
| **Petroleum** | | | |
| Volume (barrels) | 1,264,358 | 1,432,400 | 1,346,332 |
| Value ($mn) | 120.6 | 206.2 | 291.8 |

Source: SIB

Table A.25: Gross Imports (c.i.f.) by SITC Categories

$mn

| | SITC Category | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|
| 0 | Food and Live Animals | 135.6 | 160.4 | 156.5 | 155.5 | 167.8 |
| 1 | Beverages and Tobacco | 12.2 | 15.6 | 20.6 | 22.6 | 25.7 |
| 2 | Crude Materials | 12.9 | 12.7 | 14.1 | 11.8 | 14.2 |
| 3 | Fuels and Lubricants | 266.0 | 337.5 | 249.6 | 267.7 | 339.5 |
| | *Of which electricity* | *46.4* | *66.3* | *40.1* | *37.0* | *51.9* |
| 4 | Animal and Vegetable Oils | 4.0 | 5.8 | 5.4 | 6.6 | 11.2 |
| 5 | Chemicals | 102.0 | 118.1 | 125.2 | 125.0 | 138.9 |
| 6 | Manufactured Goods | 164.2 | 230.9 | 178.2 | 190.5 | 192.9 |
| 7 | Machinery and Transport Equipment | 251.2 | 351.6 | 266.9 | 232.6 | 248.1 |
| 8 | Miscellaneous Manufactured Goods | 101.8 | 100.0 | 94.8 | 94.4 | 108.1 |
| 9 | Commodities - not classified elsewhere | 0.0 | 1.6 | 0.5 | 0.6 | 0.7 |
| | Export Processing Zones | 98.5 | 91.8 | 104.9 | 63.0 | 65.0 |
| | Personal Goods | 3.3 | 3.3 | 3.4 | 2.8 | 3.7 |
| | **Total** | **1,151.8** | **1,429.1** | **1,220.0** | **1,173.1** | **1,315.8** |
| | CFZ Direct Imports | 263.3 | 311.7 | 156.4 | 262.5 | 397.3 |
| | **Grand Total** | **1,415.1** | **1,740.8** | **1,376.5** | **1,435.6** | **1,713.0** |

Sources: SIB and CBB

Table A.26: Balance of Payments - Service, Income and Current Transfers

$mn

| | 2009 | | | 2010 | | | 2011 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Credit | Debit | Net | Credit | Debit | Net | Credit | Debit | Net |
| **Services** | **688.8** | **323.5** | **365.3** | **676.0** | **325.0** | **351.0** | **691.8** | **341.5** | **350.3** |
| Transportation | 33.7 | 110.0 | -76.3 | 38.6 | 115.6 | -77.0 | 41.3 | 137.8 | -96.4 |
| Travel | 512.5 | 81.4 | 431.1 | 497.2 | 73.3 | 423.9 | 507.4 | 67.5 | 439.8 |
| Other Goods and Services | 88.9 | 115.7 | -26.8 | 83.1 | 118.5 | -35.4 | 84.8 | 118.7 | -33.9 |
| Govt. Goods and Services, N.I.E | 53.8 | 16.4 | 37.3 | 57.0 | 17.6 | 39.4 | 58.3 | 17.5 | 40.8 |
| **Income** | **8.9** | **225.5** | **-216.5** | **9.2** | **286.2** | **-277.0** | **9.5** | **260.2** | **-250.7** |
| Labour Income | 4.7 | 11.7 | -7.0 | 4.7 | 11.3 | -6.6 | 4.7 | 10.4 | -5.7 |
| Investment Income[1] | 4.2 | 213.8 | -209.5 | 4.5 | 274.9 | -270.4 | 4.8 | 249.8 | -245.0 |
| **Current Transfers** | **203.8** | **45.0** | **158.8** | **230.1** | **46.4** | **183.7** | **215.4** | **47.3** | **168.1** |
| Government | 4.5 | 7.7 | -3.2 | 2.2 | 8.7 | -6.5 | 1.4 | 7.1 | -5.7 |
| Private | 199.3 | 37.3 | 162.0 | 227.9 | 37.6 | 190.2 | 214.1 | 40.2 | 173.9 |

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

## Table A.27: Percentage Distribution of Visible Trade by Country/Area

Percent

| | Exports[1] | | | Imports[2] | | |
|---|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2009 | 2010 | 2011 |
| United States of America | 32.4 | 46.3 | 60.8 | 34.8 | 34.1 | 31.4 |
| Mexico | 2.2 | 2.8 | 1.7 | 10.3 | 9.8 | 9.1 |
| United Kingdom | 31.7 | 25.7 | 19.2 | 1.5 | 1.5 | 1.4 |
| Other EU | 5.0 | 5.3 | 2.6 | 4.5 | 3.1 | 3.0 |
| Central America | 18.4 | 8.2 | 0.8 | 18.8 | 16.8 | 14.8 |
| CARICOM | 5.4 | 6.2 | 7.3 | 2.0 | 2.1 | 2.3 |
| Canada | 0.4 | 0.2 | 0.3 | 0.9 | 0.8 | 0.8 |
| Netherland Antilles | 0.0 | 0.0 | 0.0 | 9.9 | 14.2 | 14.6 |
| China | 0.1 | 0.4 | 1.0 | 9.1 | 10.6 | 14.1 |
| Other | 4.2 | 4.9 | 6.3 | 8.3 | 6.9 | 8.5 |
| **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

## Table A.28: Balance of Payments - Capital and Financial Accounts

$mn

| | 2009 Net | 2010 Net | 2011 Net |
|---|---|---|---|
| **CAPITAL ACCOUNT** | **37.0** | **11.3** | **47.4** |
| General Government | 34.2 | 13.4 | 48.6 |
| Other Sectors | 2.8 | -2.2 | -1.2 |
| **FINANCIAL ACCOUNT** | **234.1** | **55.6** | **34.3** |
| Direct Investment Abroad | -0.9 | -2.2 | -1.3 |
| Direct Investment in Belize | 217.7 | 194.4 | 187.7 |
| Portfolio Investment Assets | -9.0 | -4.4 | -14.1 |
| Portfolio Investment Liabilities | -10.3 | -11.2 | -12.2 |
| Financial Derivatives Assets | 0.0 | 0.0 | 0.0 |
| Financial Derivatives Liabilities | 0.0 | 0.0 | 0.0 |
| Other Investment Assets | 27.0 | -26.2 | -47.1 |
| Monetary Authorities | 0.1 | 0.1 | 0.0 |
| General Government | -4.9 | -4.6 | 0.0 |
| Banks | 31.6 | -22.5 | -48.0 |
| Other Sectors | 0.3 | 0.9 | 0.8 |
| Other Investment Liabilities | 9.6 | -94.8 | -78.6 |
| Monetary Authorities | 67.5 | 2.0 | -1.4 |
| General Government | 50.5 | -0.8 | 7.6 |
| Banks | -66.0 | -29.3 | -23.4 |
| Other Sectors | -42.4 | -66.6 | -61.3 |
| **CHANGES IN RESERVES** (Minus = Increase) | **-94.5** | **-8.6** | **-36.2** |

Table A.29: Official International Reserves

$mn

| | Position as at | | | Changes during 2011 |
|---|---|---|---|---|
| | Dec-09 | Dec-10 | Dec-11 | |
| **Gross Official International Reserves**[1] | **427.3** | **436.0** | **472.2** | **36.2** |
| Central Bank of Belize | **411.4** | **419.2** | **455.4** | **36.2** |
| Holdings of SDRs | 63.2 | 62.0 | 61.7 | -0.3 |
| IMF Reserve Tranche | 13.3 | 13.0 | 13.0 | -0.1 |
| Other | 334.9 | 344.2 | 380.8 | 36.6 |
| **Central Government** | **15.9** | **16.7** | **16.7** | **0.0** |
| **Foreign Liabilities** | **1.1** | **3.1** | **1.7** | **-1.4** |
| CARICOM | 0.2 | 1.1 | 0.4 | -0.7 |
| Other | 0.9 | 2.0 | 1.3 | -0.7 |
| **Net Official International Reserves** | **426.3** | **432.9** | **470.5** | **37.6** |

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

Table A.30: Private Sector External Debt by Economic Sector[1]

$'000

| Economic Sectors | DOD as at 31/12/10 | Transactions During 2011 | | | DOD as at 31/12/11 |
|---|---|---|---|---|---|
| | | Disbursements | Principal Payments | Interest Payments | |
| Long Term: | | | | | |
| Agriculture | 68,834 | 9,026 | 4,212 | 1,570 | 73,125 |
| Arts, entertainment and recreation | 1,731 | 0 | 31 | 0 | 1,700 |
| Construction | 60,063 | 0 | 260 | 7,588 | 59,804 |
| Education | 223 | 0 | 40 | 1 | 213 |
| Electricity and Gas[2] | 108,629 | 0 | 9,469 | 1,836 | 75,926 |
| Financial and insurance activities | 111 | 0 | 0 | 0 | 111 |
| Fishing | 144,768 | 1,200 | 20,857 | 7,154 | 129,422 |
| Information and communication[3] | 0 | 0 | 0 | 0 | 0 |
| Real estate activities | 1,394 | 0 | 1,289 | 96 | 106 |
| Toursim activities | 43,626 | 22,988 | 18,054 | 1,626 | 48,560 |
| Transportation | 55,449 | 2,339 | 9,129 | 1,598 | 48,659 |
| Wholesale and retail trade | 1,592 | 0.0 | 368 | 76 | 1,225 |
| **Total** | **486,421** | **35,553** | **63,708** | **21,546** | **438,850** |

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

(2) In compliance with legislation issued on 21st June 2011, the Government of Belize acquired Belize Electricity Ltd. (BEL) as a public entity. BEL is no longer a private sector entity, thus reflecting a reduction in Disbursed Outstanding Debt (DOD) for the Electricity and Gas Sector as of June 2011.

(3) Belize Telemedia Ltd. (BTL) is no longer classified as a private sector entity. This was in accordance with Statutory Instrument No. 104 of 2009 dated August 29th, where the Government of Belize (GOB) acquired BTL.

## Table A.31: Balance of Payments Summary

$mn

| | 2009 | 2010 | 2011 |
|---|---|---|---|
| **CURRENT ACCOUNT** | **-166.2** | **-80.1** | **-73.7** |
| Goods: Exports f.o.b. | 767.3 | 956.7 | 1206.5 |
| Goods: Imports f.o.b. | -1,241.0 | -1,294.4 | -1,547.9 |
| *Trade Balance* | -473.7 | -337.8 | -341.4 |
| Services: Credit | 688.8 | 676.0 | 691.8 |
| Transportation | 33.7 | 38.6 | 41.3 |
| Travel[1] | 512.5 | 497.2 | 507.4 |
| Other Goods & Services | 88.9 | 83.1 | 84.8 |
| Gov't Goods & Services | 53.8 | 57.0 | 58.3 |
| Services: Debit | -323.5 | -325.0 | -341.5 |
| Transportation | -110.0 | -115.6 | -137.8 |
| Travel | -81.4 | -73.3 | -67.5 |
| Other Goods & Services | -115.7 | -118.5 | -118.7 |
| Gov't Goods & Services | -16.4 | -17.6 | -17.5 |
| *Balance on Goods & Services* | -108.5 | 13.2 | 8.9 |
| Income: Credit | 8.9 | 9.2 | 9.5 |
| Compensation of Employees | 4.7 | 4.7 | 4.7 |
| Investment Income | 4.2 | 4.5 | 4.8 |
| Income: Debit | -225.5 | -286.2 | -260.2 |
| Compensation of Employees | -11.7 | -11.3 | -10.4 |
| Investment Income[2] | -213.8 | -274.9 | -249.8 |
| *Balances on Goods, Services & Income* | -325.0 | -263.7 | -241.8 |
| Current Transfers: Credit | 203.8 | 230.1 | 215.4 |
| Government | 4.5 | 2.2 | 1.4 |
| Private | 199.3 | 227.9 | 214.1 |
| Current Transfers: Debit | -45.0 | -46.4 | -47.3 |
| Government | -7.7 | -8.7 | -7.1 |
| Private | -37.3 | -37.6 | -40.2 |
| **CAPITAL ACCOUNT, n.i.e.** | **37.0** | **11.3** | **47.4** |
| Capital Account: Credit | 37.6 | 13.4 | 48.6 |
| Capital Account: Debit | -0.6 | -2.2 | -1.2 |
| **FINANCIAL ACCOUNT, n.i.e.** | **234.1** | **55.6** | **34.3** |
| Direct Investment Abroad | -0.9 | -2.2 | -1.3 |
| Direct Investment in Belize, n.i.e. | 217.7 | 194.4 | 187.7 |
| Portfolio Investment Assets | -9.0 | -4.4 | -14.1 |
| Portfolio Investment Liabilities, n.i.e. | -10.3 | -11.2 | -12.2 |
| Financial Derivatives Assets | 0.0 | 0.0 | 0.0 |
| Financial Derivatives Liabilities | 0.0 | 0.0 | 0.0 |
| Other Investment Assets | 27.0 | -26.2 | -47.1 |
| Other Investment Liabilities | 9.6 | -94.8 | -78.6 |
| **NET ERRORS & OMISSIONS** | **-10.4** | **21.8** | **28.1** |
| **OVERALL BALANCE** | **94.5** | **8.6** | **36.2** |
| **RESERVE ASSETS** (Minus = increase) | **-94.5** | **-8.6** | **-36.2** |

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

## Table A.32: Government of Belize - Revenue & Expenditure

$'000

| | Fiscal Year 2010/2011 | Estimated Budget 2011/2012 | Jan-Dec 2009 | Jan-Dec 2010 | Jan-Dec 2011 |
|---|---|---|---|---|---|
| **TOTAL REVENUE & GRANTS (1+2+3)** | 782,976 | 843,630 | 698,787 | 769,522 | 808,416 |
| 1).Current revenue | 766,157 | 784,049 | 660,040 | 753,768 | 792,896 |
| Tax revenue | 659,347 | 687,267 | 576,883 | 644,982 | 675,870 |
| Income and profits | 240,128 | 256,742 | 202,726 | 239,063 | 244,852 |
| Taxes on property | 6,570 | 5,459 | 5,148 | 5,495 | 7,468 |
| Taxes on goods and services | 251,105 | 226,740 | 210,616 | 238,516 | 239,461 |
| Int'l trade and transactions | 161,544 | 198,325 | 158,393 | 161,908 | 184,088 |
| Non-Tax Revenue | 106,810 | 96,783 | 83,157 | 108,786 | 117,026 |
| Property income [1] | 29,729 | 12,229 | 17,303 | 32,013 | 35,961 |
| Licenses | 12,845 | 13,619 | 12,460 | 12,828 | 11,530 |
| Transfers from Gov Depts | 30,988 | 35,770 | 25,485 | 30,618 | 26,162 |
| Repayment of old loans | 3,867 | 6,322 | 5,899 | 3,886 | 8,768 |
| Rent & Royalties[2] | 29,380 | 28,843 | 22,009 | 29,441 | 34,605 |
| 2). Capital revenue | 4,689 | 5,286 | 4,468 | 3,979 | 6,164 |
| 3). Grants | 12,130 | 54,295 | 34,278 | 11,774 | 9,357 |
| **TOTAL EXPENDITURE (1+2)** | 817,098 | 889,787 | 775,087 | 815,864 | 816,544 |
| 1). Current Expenditure | 689,825 | 729,553 | 661,756 | 682,734 | 714,490 |
| Wages and Salaries | 279,053 | 300,368 | 268,530 | 278,293 | 290,969 |
| Pensions | 45,346 | 48,916 | 46,696 | 46,089 | 49,895 |
| Goods and Services | 164,844 | 168,444 | 159,378 | 164,075 | 170,961 |
| Interest Payments | 103,376 | 111,566 | 97,028 | 95,801 | 103,562 |
| Subsidies & current transfers | 97,205 | 100,259 | 90,124 | 98,476 | 99,102 |
| 2). Capital Expenditure | 127,273 | 160,234 | 113,331 | 133,130 | 102,054 |
| Capital II (local sources) | 73,083 | 47,994 | 67,939 | 74,748 | 69,460 |
| Capital III (foreign sources) | 37,635 | 107,281 | 40,998 | 42,691 | 26,941 |
| Capital Transfer & Net Lending | 16,555 | 4,959 | 4,394 | 15,692 | 5,654 |
| **CURRENT BALANCE** | **76,332** | **54,496** | **-1,716** | **71,034** | **78,406** |
| **OVERALL BALANCE** | **-34,122** | **-46,157** | **-76,300** | **-46,342** | **-8,128** |
| **PRIMARY BALANCE** | **69,254** | **65,410** | **20,728** | **49,459** | **95,435** |
| **OVERALL BALANCE W/OUT Grants** | **-46,252** | **-100,452** | **-110,578** | **-58,117** | **-17,484** |
| **PRIMARY BALANCE W/OUT Grants** | **57,124** | **11,115** | **-13,555** | **37,685** | **86,078** |
| **FINANCING** | **34,122** | **46,157** | **76,300** | **46,342** | **8,128** |
| Domestic Financing | 31,428 | | 20,094 | 45,726 | 9,458 |
| Central Bank | -72,475 | | -1,891 | -50,060 | -23,121 |
| Net Borrowing | -27,709 | | -42,203 | -16,972 | 9,639 |
| Change in Deposits | -44,765 | | 40,312 | -33,088 | -32,760 |
| Commercial Banks | 35,951 | | 7,160 | 35,596 | -487 |
| Net Borrowing | 59,352 | | 16,602 | 53,700 | -538 |
| Change in Deposits | -23,401 | | -9,442 | -18,104 | 51 |
| Other Domestic Financing [3] | 67,951 | | 14,826 | 60,190 | 33,065 |
| Financing Abroad | 9,507 | | 60,491 | 7,097 | 21,318 |
| Disbursements | 63,923 | | 129,951 | 61,761 | 74,266 |
| Amortization | 54,416 | | -69,460 | -54,663 | -52,948 |
| Other | -6,772 | | -4,285 | -6,441 | -22,648 |

Sources: Ministry of Finance and Central Bank of Belize

(1) Includes $6.1mn (2009), $10.2mn (2010) and $20.8mn (2011) as working interest fom Belize Natural Energy Ltd (BNE).

(2) Rent and royalties included $10.5mn (2009), $$16.0mn (2010) and $20.8mn (2011) from BNE.

(3) Proceeds from the sale of BTL shares included $43.3mn (2010), $28.0mn (2011) and $54.7mn (FY 10/11).

Table A.33: Central Government's Domestic Debt (1)

$'000

| | Disbursed Outstanding Debt 12/31/2010 | Transactions During 2011 | | | | Disbursed Outstanding Debt 12/31/2011 |
|---|---|---|---|---|---|---|
| | | Disbursement/ New Issues of Securities | Amortization/ Reduction in Securities | Interest Payment | Net Change in Overdraft/ Securities | |
| **Overdraft** | **34,046** | **0** | **0** | **4,444** | **14,085** | **48,130** |
| Central Bank | 34,046 | 0 | 0 | 4,444 | 14,085 | 48,130 |
| | | | | | | |
| **Treasury Bills** | **175,000** | **0** | **0** | **4,553** | **0** | **175,000** |
| Central Bank | 21,014 | 0 | 0 | 554 | 1,317 | 22,331 |
| Commercial Banks | 152,522 | 0 | 0 | 3,973 | -1,495 | 151,027 |
| Other | 1,464 | 0 | 0 | 25 | 178 | 1,642 |
| | | | | | | |
| **Treasury Notes** | **136,800** | **0** | **0** | **7,668** | **0** | **136,800** |
| Central Bank | 87,991 | 0 | **0** | 5,348 | -5,763 | 82,228 |
| Commercial Banks | 10,000 | 0 | 0 | 600 | 0 | 10,000 |
| Other | 38,809 | 0 | 0 | 1,720 | 5,763 | 44,572 |
| | | | | | | |
| **Defence Bonds** | **10,000** | **0** | **0** | **800** | **0** | **10,000** |
| Central Bank | 10,000 | 0 | 0 | 800 | 0 | 10,000 |
| Commercial Banks | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | |
| **Loans** | **11,920** | **1,500** | **2,162** | **887** | **0** | **11,259** |
| BSSB (2) | 4,374 | 0 | 869 | 318 | 0 | 3,505 |
| GOB/US Debt Swap | 3,747 | 0 | 693 | 45 | 0 | 3,054 |
| Heritage Bank Ltd | 2,743 | 0 | 474 | 379 | 0 | 2,269 |
| Atlantic Bank Ltd | 0 | 1,500 | 69 | 55 | | 1,431 |
| Fort Street Tourism Village | 56 | 0 | 56 | 0 | 0 | 0 |
| Guardian Life Bze | 1,000 | 0 | 0 | 90 | 0 | 1,000 |
| | | | | | | |
| **TOTAL** | **367,766** | **1,500** | **2,162** | **18,352** | **14,085** | **381,189** |

(1) Transactions associated with the Belize Bank loan to UHS are not included in this table due to ongoing litigation.

(2) GOB has outstanding loan with BSSB consisting of (i) Hopeville Housing Project and (ii) loan used to pay-off the DFC debt.

## Table A.34: Public Sector External Debt by Source

$mn

| | Outstanding Debt 12/31/2010 | Disbursement | Amortization | Interest & Other Charges | Valuation Adjustments | Outstanding Debt 12/31/2011 |
|---|---|---|---|---|---|---|
| **Bilateral** | **348.5** | 25.4 | 26.9 | 8.8 | 0.3 | **347.4** |
| **Bonds** | **1,112.3** | 0.0 | 12.2 | 67.4 | 0.0 | **1,100.1** |
| **Commercial Banks** | **0.8** | 0.0 | 2.6 | 0.1 | 0.0 | **10.6** |
| **Multilateral** | **560.6** | 49.2 | 32.6 | 12.4 | -0.5 | **587.4** |
| **Total** | **2,022.3** | **74.6** | **74.3** | **88.8** | **-0.2** | **2,045.5** |

## Table A.35: Public Sector External Debt by Creditors (1)

$'000

| | Disbursed Outstanding Debt 12/31/2010 | Disbursements | Principal Payments | Interest & Other Payments | Parity Change | Disbursed Outstanding Debt 12/31/2011 |
|---|---|---|---|---|---|---|
| **CENTRAL GOVERNMENT** | **1,889,134** | **74,266** | **52,947** | **85,470** | **-8** | **1,910,443** |
| Banco Nacional de Comercio Exterior | 4,764 | 0 | 1,059 | 273 | 0 | 3,705 |
| Government of the United States | 1,096 | 0 | 347 | 51 | 0 | 748 |
| Government of Venezuela(2) | 38,760 | 57 | 1,326 | 326 | 0 | 37,492 |
| Kuwait Fund for Arab Economic Dev | 16,930 | 5,362 | 2,210 | 803 | 267 | 20,350 |
| Republic of China | 280,884 | 20,000 | 20,144 | 7,173 | 0 | 280,740 |
| Caribbean Development Bank | 189,383 | 19,288 | 9,435 | 5,944 | 2 | 199,235 |
| European Economic Community | 14,903 | 0 | 690 | 93 | -418 | 13,795 |
| European Investment Bank | 91 | 0 | 93 | 2 | 2 | 0 |
| Inter-American Development Bank | 208,043 | 21,327 | 8,615 | 3,546 | 0 | 220,755 |
| International Fund for Agric. Dev. | 1,450 | 741 | 139 | 18 | 140 | 2,192 |
| Intl. Bank for Reconstruction & Dev. | 22,585 | 2,463 | 5,792 | 223 | 0 | 19,256 |
| Opec Fund for Int'l. Development | 14,849 | 5,029 | 2,232 | 744 | 0 | 17,645 |
| Central American Bank for Econ. Integ | 1,000 | 0 | 0 | 102 | 0 | 1,000 |
| Manufacturers & Traders Trust Co. | 865 | 0 | 865 | 25 | 0 | 0 |
| Bear Stearns & C0. Inc. | 5,916 | 0 | 0 | 0 | 0 | 5,916 |
| Bank of New York (New Bond Issue)(3) | 1,087,613 | 0 | 0 | 66,149 | 0 | 1,087,613 |
| **NON-FINANCIAL PUBLIC SECTOR** | **31,551** | **318** | **7,275** | **1,291** | **60** | **47,696** |
| Kuwait Fund for Arab Economic Dev | 4,603 | 0 | 720 | 165 | 60 | 3,944 |
| Deutsche Bank | 844 | 0 | 422 | 28 | 0 | 422 |
| Royal Merchant Bank (4) | 0 | 0 | 559 | 57 | 0 | 601 |
| The Bank of Nova Scotia (4) | 0 | 0 | 1,595 | 56 | 0 | 9,571 |
| European Investment Bank (4) | 0 | 0 | 0 | 0 | 0 | 2,646 |
| Int. Bank for Reconstruction & Dev (4) | 0 | 0 | 495 | 15 | 0 | 0 |
| Caribbean Development Bank (4)(5) | 26,104 | 318 | 3,485 | 970 | 0 | 30,513 |
| **FINANCIAL PUBLIC SECTOR** | **101,600** | **0** | **14,049** | **2,049** | **-222** | **87,330** |
| Caribbean Development Bank | 12,204 | 0 | 1,565 | 290 | 0 | 10,639 |
| European Economic Community | 423 | 0 | 40 | 4 | -6 | 377 |
| Paine Webber Real Estate Securities Inc. | 600 | 0 | 200 | 0 | 0 | 400 |
| Belize Mortgage Company (6) | 18,781 | 0 | 12,244 | 1,274 | 0 | 6,538 |
| International Monetary Fund(7) | 69,592 | 0 | 0 | 481 | -215 | 69,377 |
| **GRAND TOTAL** | **2,022,285** | **74,584** | **74,271** | **88,808** | **-169** | **2,045,469** |

(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) Effective June 21st 2011, the nationalization of BEL caused the increase ($23.1mn) in debt, which was matched by GOB's acquisition of assets of equal value.

(5) Effective October 3rd 2005 BWSL was reclassified as public sector debt as a result of GOB repurchasing of the company.

(6) BMC is the issuer of DFC/North American Securitization Loan through the Bank of New York.

(7) IMF SDR Allocation was included as part of the Financial Sector debt obligation.

Table A.36: Public Sector and Publicly Guaranteed Debt

| | 2009 | 2010 | 2011 |
|---|---|---|---|
| | **(in millions of BZ dollars)** | | |
| **Public Sector & Publicly Guaranteed Debt Outstanding (end of period)** | **2,406.0** | **2,416.9** | **2440.08** |
| **Public Sector Debt** | **2,361.6** | **2,395.2** | **2430.87** |
| **External:** | **2,031.2** | **2,022.3** | **2045.47** |
| Central Government | 1,882.1 | 1,889.1 | 1910.44 |
| Non-Financial Public Sector | 33.2 | 31.6 | 47.70 |
| Financial Public Sector | 115.9 | 101.6 | 87.33 |
| Development Finance Corporation | 45.1 | 32.0 | 17.95 |
| *Of which is Bonds:* | *30.0* | *18.8* | *6.54* |
| Central Bank of Belize | 70.8 | 69.6 | 69.38 |
| **Domestic:** | **326.7** | **373.0** | **385.40** |
| Central Government | 320.2 | 367.8 | 381.19 |
| Other Public Sector | 6.5 | 5.2 | 4.21 |
| **Publicly Guaranteed Debt** | **44.5** | **21.7** | **9.21** |
| **External:** | **43.5** | **20.7** | **8.21** |
| Privatized Enterprises | 18.2 | 13.9 | 1.42 |
| Belize Electricity Ltd | 16.3 | 12.2 | 0.00 |
| Belize Port | 1.9 | 1.7 | 1.42 |
| Private Enterprises | 21.7 | 6.8 | 6.79 |
| Intelco | - | 0.0 | 0.00 |
| LGS Services Ltd | 13.0 | 0.0 | 0.00 |
| Galleria Maya | 5.0 | 5.0 | 5.02 |
| Northern Property Mgmt | 3.7 | 1.8 | 1.77 |
| **Domestic:** | **1.0** | **1.0** | **1.0** |
| Private Enterprises | 1.0 | 1.0 | 1.0 |
| UHS | - | 0.0 | 0.0 |
| W&S Engineering Ltd | - | 0.0 | 0.0 |
| Northern Fishermen | 1.0 | 1.0 | 1.0 |
| | **(in percent of GDP)** | | |
| **Public Sector & Publicly Guaranteed Debt Outstanding (end of period)** | **88.5** | **86.4** | **84.29** |
| **Public Sector Debt** | **86.9** | **85.6** | **83.97** |
| **External:** | **74.7** | **72.3** | **70.66** |
| Central Government | 69.3 | 67.5 | 65.99 |
| Non-Financial Public Sector | 1.2 | 1.1 | 1.65 |
| Financial Public Sector | 4.3 | 3.6 | 3.02 |
| **Domestic:** | **12.0** | **13.3** | **13.31** |
| Central Government | 11.8 | **13.2** | **13.17** |
| Other Public Sector | 0.2 | 0.2 | 0.15 |
| **Publicly Guaranteed Debt** | **1.6** | **0.8** | **0.32** |
| **External:** | **1.6** | **0.7** | **0.28** |
| Other Public Sector | 0.0 | 0.0 | **0.00** |
| Debt for Privatized Enterprises | **0.7** | **0.5** | **0.05** |
| Private Enterprises | 0.8 | 0.2 | **0.23** |
| **Domestic:** | **0.0** | **0.0** | **0.03** |
| Private Enterprises | 0.0 | 0.0 | 0.03 |

Sources: Central Bank of Belize and Ministry of Finance

Table A.37: Central Bank Dealings in Foreign Exchange

$mn

| MONTH | US $, Canadian $ and UK £ | | | CARICOM Currencies | | |
|---|---|---|---|---|---|---|
| | Purchases | Sales | Net | Purchases | Sales | Net |
| January | 6.8 | 15.9 | -9.1 | 0.00 | 0.57 | -0.57 |
| February | 12.1 | 49.2 | -37.1 | 0.00 | 0.04 | -0.04 |
| March | 33.9 | 7.8 | 26.1 | 0.00 | 0.02 | -0.02 |
| April | 23.3 | 13.3 | 10.0 | 0.11 | 0.21 | -0.10 |
| May | 41.0 | 10.5 | 30.5 | 0.00 | 0.52 | -0.52 |
| June | 6.6 | 13.8 | -7.2 | 0.00 | 0.00 | 0.00 |
| July | 49.0 | 15.7 | 33.3 | 0.00 | 0.04 | -0.04 |
| August | 18.6 | 47.1 | -28.5 | 0.00 | 0.79 | -0.79 |
| September | 30.1 | 10.6 | 19.5 | 0.00 | 0.08 | -0.08 |
| October | 20.2 | 13.6 | 6.6 | 0.02 | 0.17 | -0.15 |
| November | 18.4 | 9.5 | 8.9 | 0.00 | 0.00 | 0.00 |
| December | 7.5 | 8.4 | -0.9 | 0.00 | 0.21 | -0.21 |
| **Total** | **267.5** | **215.4** | **52.1** | **0.13** | **2.65** | **-2.52** |

Table A.38: External Asset Ratio

| MONTH | Assets $mn | Liabilites $mn | External Asset Ratio (%) |
|---|---|---|---|
| **January** | 423.80 | 515.56 | 82.20 |
| **February** | 387.20 | 486.80 | 79.54 |
| **March** | 413.90 | 483.86 | 85.54 |
| **April** | 425.60 | 509.12 | 83.60 |
| **May** | 454.90 | 559.39 | 81.32 |
| **June** | 447.70 | 570.80 | 78.43 |
| **July** | 480.90 | 587.90 | 81.80 |
| **August** | 453.00 | 574.30 | 78.88 |
| **September** | 470.20 | 586.80 | 80.13 |
| **October** | 478.10 | 616.34 | 77.57 |
| **November** | 496.00 | 600.22 | 82.64 |
| **December** | 483.10 | 597.28 | 80.88 |

Table A.39: Commercial Bank Balances with the Central Bank

$mn

| MONTH | Average Deposit Liabilites | Required Cash Reserves | Actual Cash Holdings | Excess/ (Deficit) |
|---|---|---|---|---|
| January | 1,959.2 | 166.5 | 219.6 | 53.1 |
| February | 1,967.0 | 167.2 | 220.6 | 53.4 |
| March | 1,980.4 | 168.3 | 220.0 | 51.7 |
| April | 2,004.2 | 170.4 | 214.8 | 44.4 |
| May | 2,027.8 | 172.4 | 222.0 | 49.6 |
| June | 2,035.7 | 173.0 | 234.7 | 61.7 |
| July | 2,043.0 | 173.7 | 238.8 | 65.1 |
| August | 2,055.2 | 174.7 | 254.1 | 79.4 |
| September | 2,072.3 | 176.1 | 269.5 | 93.4 |
| October | 2,063.7 | 175.4 | 285.9 | 110.5 |
| November | 2,053.7 | 174.6 | 283.5 | 108.9 |
| December | 2,055.4 | 174.7 | 270.4 | 95.7 |

Table A.40: Currency in Circulation

$mn

| MONTH | Notes | Coins | Total | Commercial Bank Vault Cash | Currency with the Public |
|---|---|---|---|---|---|
| January | 160.7 | 19.7 | 180.4 | 26.9 | 153.5 |
| February | 161.6 | 19.8 | 181.4 | 27.7 | 153.7 |
| March | 164.4 | 19.9 | 184.3 | 33.9 | 150.5 |
| April | 170.2 | 20.1 | 190.3 | 30.9 | 159.3 |
| May | 166.8 | 20.2 | 187.0 | 20.3 | 166.8 |
| June | 166.9 | 20.4 | 187.3 | 32.4 | 154.9 |
| July | 169.6 | 20.4 | 190.0 | 33.6 | 156.4 |
| August | 164.7 | 20.5 | 185.2 | 31.6 | 153.6 |
| September | 164.3 | 20.6 | 184.9 | 31.4 | 153.5 |
| October | 164.4 | 20.6 | 185.0 | 34.3 | 150.7 |
| November | 168.5 | 20.6 | 189.1 | 33.6 | 155.5 |
| December | 189.6 | 20.9 | 210.5 | 35.4 | 175.1 |

Table A.41: Inter-bank Market Activity

$mn

| Daily Average | Offered | Borrowed |
|---|---|---|
| **January** | 0.0 | 0.0 |
| **February** | 5.0 | 5.0 |
| **March** | 8.0 | 6.0 |
| **April** | 3.0 | 3.0 |
| **May** | 0.0 | 0.0 |
| **June** | 0.0 | 0.0 |
| **July** | 5.0 | 0.0 |
| **August** | 0.0 | 0.0 |
| **September** | 0.0 | 0.0 |
| **October** | 0.0 | 0.0 |
| **November** | 0.0 | 0.0 |
| **December** | 0.0 | 0.0 |
| **Total** | **21.0** | **14.0** |

Table A.42: Credit to Central Government 2011

$mn

| Month | Treasury Bills | Treasury Notes | Treasury Bonds | Overdraft Facility | A | B |
|---|---|---|---|---|---|---|
| **January** | 21.6 | 88.0 | 10.0 | 45.03 | 4.23 | 5.88 |
| **February** | 21.4 | 88.9 | 10.0 | 54.61 | 4.26 | 7.13 |
| **March** | 15.4 | 86.8 | 10.0 | 31.81 | 3.97 | 4.15 |
| **April** | 22.4 | 86.8 | 10.0 | 36.61 | 4.22 | 4.78 |
| **May** | 26.1 | 86.8 | 10.0 | 51.57 | 4.35 | 6.73 |
| **June** | 25.5 | 86.8 | 10.0 | 51.85 | 4.33 | 6.77 |
| **July** | 18.9 | 86.6 | 10.0 | 43.56 | 4.09 | 5.69 |
| **August** | 21.8 | 85.0 | 10.0 | 58.87 | 4.14 | 7.68 |
| **September** | 21.8 | 82.8 | 10.0 | 52.45 | 4.06 | 6.85 |
| **October** | 37.8 | 82.7 | 10.0 | 58.74 | 4.62 | 7.67 |
| **November** | 20.4 | 82.3 | 10.0 | 51.30 | 3.99 | 6.70 |
| **December** | 22.4 | 82.2 | 10.0 | 48.13 | 4.06 | 6.28 |

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 percent of Government's estimated recurrent revenue of the previous fiscal year.

Table A.43: Government of Belize Treasury Bills Issues

| Issue Number | Issue Date | Maturity Date | Allotment $mn | Average Discount % | Average Yield % |
|---|---|---|---|---|---|
| 1/11 | 01/04/11 | 04/05/11 | 45.4 | 2.65 | 2.67 |
| 2/11 | 01/19/11 | 04/20/11 | 75.0 | 2.45 | 2.52 |
| 3/11 | 02/02/11 | 05/04/11 | 19.0 | 2.48 | 2.49 |
| 4/11 | 03/02/11 | 06/01/11 | 35.6 | 2.45 | 2.46 |
| 5/11 | 04/05/11 | 07/05/11 | 45.4 | 2.44 | 2.45 |
| 6/11 | 04/20/11 | 07/20/11 | 75.0 | 2.43 | 2.44 |
| 7/11 | 05/04/11 | 08/03/11 | 19.0 | 2.42 | 2.44 |
| 8/11 | 06/01/11 | 08/31/11 | 35.6 | 2.40 | 2.42 |
| 9/11 | 07/05/11 | 08/03/11 | 45.4 | 2.36 | 2.36 |
| 10/11 | 07/20/11 | 10/19/11 | 68.2 | 2.32 | 2.33 |
| 11/11 | 08/03/11 | 11/02/11 | 64.4 | 2.33 | 2.34 |
| 12/11 | 08/31/11 | 11/30/11 | 42.4 | 2.30 | 2.31 |
| 13/11 | 10/19/11 | 01/18/12 | 68.2 | 2.24 | 2.25 |
| 14/11 | 11/02/11 | 02/01/12 | 64.4 | 2.23 | 2.24 |
| 15/11 | 11/30/11 | 02/29/12 | 42.4 | 2.20 | 2.21 |

# 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, 2011 and 2010, the statements of income, statements 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 and the Central Bank of Belize Act. 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, 2011 and 2010, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the Central Bank of Belize Act.

Castillo Sanchez Burrell, LLP

**Chartered Accountants**
**February 24, 2012**

**CENTRAL BANK OF BELIZE**

**STATEMENTS OF FINANCIAL POSITION**
**DECEMBER 31, 2011 AND 2010 (IN BELIZE DOLLARS)**

| ASSETS | Notes | 2011 | 2010 |
|---|---|---|---|
| APPROVED EXTERNAL ASSETS: | | | |
| Bank balances and deposits with foreign bankers – unrestricted | | **$ 5,766,431** | $ 8,275,505 |
| Bank balances with foreign bankers – restricted | 4 | **20,000,000** | 10,000,000 |
| Reserve Tranche and balances with the International Monetary Fund | 5 | **74,606,409** | 74,972,141 |
| Other foreign credits instruments | 6 | **333,903,945** | 292,396,042 |
| Accrued interest and cash-in-transit | 7 | **1,623,878** | 11,884,149 |
| Marketable securities issued or guaranteed by foreign governments and international financial institutions | 8 | **47,221,429** | 34,100,000 |
| | | **483,122,092** | 431,627,837 |
| BELIZE GOVERNMENT SECURITIES | 9 | **114,559,241** | 119,005,134 |
| BELIZE GOVERNMENT CURRENT ACCOUNT | 10 | **45,120,655** | 33,045,643 |
| BALANCES WITH LOCAL BANKERS AND CASH ON HAND | | **166,923** | 217,018 |
| OTHER ASSETS | 11 | **12,784,335** | 11,975,274 |
| POST EMPLOYMENT OBLIGATIONS | 27 | **4,048,955** | 4,048,955 |
| INVESTMENT | 12 | **20,000,000** | - |
| PROPERTY AND EQUIPMENT | 13 | **28,099,915** | 28,474,976 |
| INTANGIBLE ASSETS | 14 | **523,583** | - |
| **TOTAL ASSETS** | | **$708,425,699** | $628,394,837 |

The notes on pages 10 to 52 are an integral part of these financial statements.

**CENTRAL BANK OF BELIZE**

**STATEMENTS OF FINANCIAL POSITION (CONTINUED)**
**DECEMBER 31, 2011 AND 2010 (IN BELIZE DOLLARS)**

| LIABILITIES, CAPITAL AND RESERVES | Notes | 2011 | 2010 |
|---|---|---|---|
| DEMAND LIABILITIES: | | | |
| Notes and coins in circulation | | **$210,578,509** | $191,602,557 |
| Deposits by licensed financial institutions | 15 | **264,700,936** | 223,568,961 |
| Deposits by and balances due to Government and Public sector entities in Belize | | **120,293,819** | 97,573,516 |
| Deposits by international agencies | 16 | **1,274,195** | 2,000,145 |
| | | **596,847,459** | 514,745,179 |
| BALANCES DUE TO CARICOM CENTRAL BANKS | | **425,195** | 1,080,127 |
| OTHER LIABILITIES | 17 | **5,338,635** | 6,944,982 |
| LOANS FROM FOREIGN INSTITUTIONS | 18 | **14,460,221** | 14,509,390 |
| IMF SDR ALLOCATIONS | 19 | **54,961,890** | 55,148,814 |
| COMMERCIAL BANKS' DISCOUNT FUND | 20 | **111,548** | 15,916 |
| **TOTAL LIABILITIES** | | **672,144,948** | 592,444,408 |
| CAPITAL ACCOUNT: | | | |
| Paid - up capital (Authorized capital $10,000,000) | | **10,000,000** | 10,000,000 |
| REVALUATION ACCOUNT | 21 | **3,548,001** | 3,552,091 |
| ASSET REVALUATION RESERVE | 26 | **102,235** | 102,235 |
| POST EMPLOYMENT OBLIGATION RESERVE | 27 | **4,048,955** | 4,048,955 |
| GENERAL RESERVE | 22 | **18,581,560** | 18,247,148 |
| **TOTAL LIABILITIES, CAPITAL AND RESERVES** | | **$708,425,699** | $628,394,837 |

The financial statements on pages 3 to 9 were approved and authorized for issue by the Board of Directors on April 13, 2012 and are signed on its behalf by:

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

The notes on pages 10 to 52 are an integral part of these financial statements.

## CENTRAL BANK OF BELIZE

**STATEMENTS OF INCOME**
**YEARS ENDED DECEMBER 31, 2011 AND 2010 (IN BELIZE DOLLARS)**

| | Notes | 2011 | 2010 |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| **INTEREST INCOME:** | | | |
| Approved external assets | 23 | **$ 3,600,514** | $ 3,583,440 |
| Advances to Government | | **4,801,665** | 6,071,864 |
| Local securities | | **7,309,311** | 4,634,162 |
| | | **15,711,490** | 14,289,466 |
| Discount on local securities | | **549,173** | 407,977 |
| Commissions and other income | | **2,454,472** | 1,763,722 |
| **Total income** | | **18,715,135** | 16,461,165 |
| LESS: Interest expense | | **(483,880)** | (1,559,643) |
| **Income from operations** | | **18,231,255** | 14,901,522 |
| **EXPENDITURE:** | | | |
| Printing of notes and minting of coins | | **(2,041,854)** | (2,072,944) |
| Salaries and wages, including superannuation contribution and gratuities | 24 | **(8,447,745)** | (7,615,973) |
| Depreciation and amortization | 13,14 | **(792,664)** | (766,176) |
| Administrative and general expenses | 25 | **(3,604,869)** | (3,335,273) |
| **Total expenditure** | | **(14,887,132)** | (13,790,366) |
| **Profit for the year from continuing operations** | | **$ 3,344,123** | $ 1,111,156 |
| **PROFIT FOR THE YEAR TRANSFERABLE TO THE GENERAL RESERVE FUND AND CONSOLIDATED REVENUE FUND** | | **$ 3,344,123** | $ 1,111,156 |
| Transfer to general reserve fund in accordance with Section 9(1) of the Act | 22 | **(334,412)** | (111,116) |
| Balance credited to the Accountant General for the consolidated revenue fund | | **$ 3,009,711** | $ 1,000,040 |
| **Profit for the year attributable to:** | | | |
| Owner of the Bank | | **$ 3,344,123** | $ 1,111,156 |
| **EARNINGS PER SHARE** | | | |
| From continuing operations: | | | |
| Basic and diluted | | **$ 3,344,123** | $ 1,111,156 |

The notes on pages 10 to 52 are an integral part of these financial statements.

**CENTRAL BANK OF BELIZE**

**STATEMENTS OF OTHER COMPREHENSIVE INCOME**
**DECEMBER 31, 2011 AND 2010 (IN BELIZE DOLLARS)**

| | | 2011 | 2010 |
|---|---|---|---|
| **PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS** | | **$ 3,344,123** | $ 1,111,156 |
| **Other comprehensive income:** | | | |
| Revaluation of financial assets | 21 | **(4,090)** | (123,445) |
| Actuarial gain on post-employment obligations | 27 | **-** | 1,995,955 |
| **Other comprehensive income for the year** | | **(4,090)** | 1,872,510 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | **$ 3,340,033** | $ 2,983,666 |
| **Total comprehensive income attributable to:** | | | |
| Owner of the Bank | | **$ 3,340,033** | $ 2,983,666 |

The notes on pages 10 to 52 are an integral part of these financial statements.

**CENTRAL BANK OF BELIZE**

**STATEMENTS OF CHANGES IN EQUITY**
**DECEMBER 31, 2011 AND 2010 (IN BELIZE DOLLARS)**

| | Paid-up capital | Revaluation account | Asset revaluation reserve | Post-employment obligation | General reserve | Accumulated profits |
|---|---|---|---|---|---|---|
| **January 1, 2010** | $10,000,000 | $3,675,536 | $102,235 | $2,053,000 | $18,136,032 | $ - |
| Profit for the year from continuing operations | - | - | - | - | - | 1,111,156 |
| Other comprehensive(loss) income | - | (123,445) | - | 1,995,955 | - | - |
| Transfer to Government of Belize | - | - | - | - | - | (1,000,040) |
| Balance credited to the Accountant for the Consolidated Revenue Fund | - | - | - | - | 111,116 | (111,116) |
| **December 31, 2010** | 10,000,000 | 3,552,091 | 102,235 | 4,048,955 | 18,247,148 | - |
| Profit for the year from continuing operations | - | - | - | - | - | 3,344,123 |
| Other comprehensive loss | - | (4,090) | - | - | - | - |
| Transfer to Government of Belize | - | - | - | - | - | (3,009,711) |
| Balance credited to the Accountant for the Consolidated Revenue Fund | - | - | - | - | 334,412 | (334,412) |
| **December 31, 2011** | **$10,000,000** | **$3,548,001** | **$102,235** | **$4,048,955** | **$18,581,560** | **$ -** |

The notes on pages 10 to 52 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE

**STATEMENTS OF CASH FLOWS**
**YEARS ENDED DECEMBER 31, 2011 AND 2010 (IN BELIZE DOLLARS)**

| | **2011** | 2010 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Profit for the year from continuing operations | **$ 3,344,123** | $ 1,111,156 |
| Adjustments to reconcile comprehensive income to net cash provided by operating activities: | | |
| - Amortization of museum endowment fund(Note 11) | **57,815** | 57,815 |
| - Depreciation of property and equipment (Note 13) | **758,094** | 766,176 |
| - Amortization of intangible asset (Note 14) | **34,570** | - |
| - Loss on disposal of property and equipment | **1,496** | 4,436 |
| Cash provided by operating activities before operating assets and liabilities | **4,196,098** | 1,939,583 |
| Changes in operating assets and liabilities: | | |
| Belize Government current account | **(12,075,012)** | 85,388,421 |
| Treasury notes – net | **(11,297,000)** | (31,860,000) |
| Securities | **(13,121,429)** | (4,100,000) |
| Reserve tranche in the International Monetary Fund | **40,151** | 233,318 |
| Other assets | **(866,876)** | (2,013,063) |
| Other liabilities | **(1,606,347)** | 1,959,522 |
| Revaluation account | **(4,090)** | (123,445) |
| Net cash (used in) provided by operating activities | **(34,734,505)** | 51,424,336 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Investment | **(20,000,000)** | - |
| Acquisition of property and equipment | **(384,529)** | (392,433) |
| Acquisition of intangible assets | **(558,153)** | - |
| Net cash used in investing activities | **(20,942,682)** | (392,433) |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | |
| Notes and coins in circulation | **18,975,952** | (370,629) |
| Transfer to Consolidated Reserve Fund | **(3,009,711)** | (1,000,040) |
| Deposits by licensed financial institutions | **41,131,975** | (11,960,647) |
| Deposits by and balances due to Government and Public Sector Entities | **22,720,303** | 12,575,975 |
| Deposits by international agencies | **(725,950)** | 1,113,084 |
| Balances due to Caricom Central Banks | **(654,932)** | 907,740 |
| Commercial Bank Discount Fund | **95,632** | (963,002) |
| IMF SDR allocations | **(186,924)** | (979,601) |
| IMF Enda facility | **(49,169)** | (258,185) |
| Net cash provided by (used in) financing activities | **$78,297,176** | $ (935,305) |

## CENTRAL BANK OF BELIZE

### STATEMENTS OF CASH FLOWS (CONTINUED)
### YEARS ENDED DECEMBER 31, 2011 AND 2010 (IN BELIZE DOLLARS)

| | **2011** | 2010 |
|---|---|---|
| **CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** | **$439,884,528** | $389,787,930 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | **22,619,989** | 50,096,598 |
| **CASH AND CASH EQUIVALENTS, END OF YEAR** | **$462,504,517** | $439,884,528 |
| **CASH AND CASH EQUIVALENTS COMPRISE THE FOLLOWING:** | | |
| **EXTERNAL ASSETS:** | | |
| Balances and deposits with foreign bankers | **$ 5,766,431** | $ 8,275,505 |
| Restricted bank balances | **20,000,000** | 10,000,000 |
| Other foreign credit instruments | **333,903,945** | 292,396,042 |
| Accrued interest | **1,164,234** | 1,218,154 |
| Cash-in-transit | **459,644** | 10,665,995 |
| Balance with the International Monetary Fund | **61,656,099** | 61,981,680 |
| | **422,950,353** | 384,537,376 |
| **LOCAL ASSETS:** | | |
| Cash and bank balances | **166,923** | 217,018 |
| Government of Belize Treasury Bills | **22,331,241** | 21,014,134 |
| Current portion of Treasury Notes | **17,056,000** | 34,116,000 |
| | **39,554,164** | 55,347,152 |
| | **$462,504,517** | $439,884,528 |

The notes on pages 10 to 52 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 includes 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. The address of the Bank's registered office is Gabourel Lane, Belize City, 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. 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.

b. Change in accounting policies – 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.

***New standards, interpretations and amendments thereof, adopted by the Bank***

The accounting policies adopted in the preparation of these financial statements are consistent with those followed for the year ended December 31, 2010, except for the adoption of new standards and interpretations as noted below:

- The Bank has early adopted IFRS 9 Financial Instruments issued in October 2010 with a date of initial application of December 31, 2011.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The requirements of IFRS 9 represent a significant change from the classification and measurement requirements in IAS 39 Financial Instruments: Recognition and Measurement in respect of financial assets. IFRS 9 contains two primary measurement categories for financial assets: amortised cost and fair value. Unless it is designated as measured at fair value, a financial asset is measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivables.

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied on a retrospective basis except as described below from January 1, 2011 without restatement of prior periods.

- Changes resulting from assessments made on the basis of facts and circumstances that existed at the date of initial application (December 31, 2011). The changes are measured as at the first date of the current reporting period (January 1, 2011).
- The assessment of whether a financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- The designation of certain investments in equity instruments that are not held for trading as at fair value through other comprehensive income.
- The determination of whether the existing designations of liabilities as at fair value through profit or loss would create or enlarge an accounting mismatch in profit or loss. As a result of this analysis no adjustments were required to be made.

Change resulting from assessments made at the date of initial application (December 31, 2011) and measured at the date of initial application – investments in unquoted equity instruments, which were previously accounted for at cost in accordance with IAS 39, are now measured at fair value. Differences between the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in opening retained earnings for the year ended December 31, 2011, i.e. as at January 1, 2011.

The provisions of IFRS 9 have not been applied to financial assets and financial liabilities derecognised before December 31, 2011.

The change in accounting policy had no impact on basic and diluted earnings per share for the period.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- IFRS 5 *Non-current Assets Held-for-sale and Discontinued Operations*
  The amendment to IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held-for-sale or discontinued operations. Disclosures in other IFRSs do not apply to such assets (or disposal groups) unless those IFRS require specific disclosures in respect of non-current assets (or disposal groups) classified as held-for-sale or discontinued operations; or disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of IFRS 5 and such disclosures are not already provided in the other notes to the financial statements. Effective January 1, 2011.

  The amendment has had no effect on the financial position or performance of the Bank.

- IAS 24 *Related Party Transactions* (Amendment)
  The IASB has issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships as well as clarifying in which circumstances persons and key management personnel affect related party relationships of an entity.

  Effective January 1, 2011.

  The adoption of the amendment did not have any impact on the financial position or performance of the Bank.

- IAS 32 Financial *Instruments: Presentation* (Amendment)
  The amendment alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity’s non-derivative equity instruments, to acquire a fixed number of the entity’s own equity instruments for a fixed amount in any currency. Effective February 1, 2010.

  The amendment has had no effect on the financial position or performance of the Bank.

- IFRIC 19 Extinguishing *financial liabilities with equity instruments*

  IFRIC 19 provides guidance on how to account for the extinguishment of a financial liability by the issue of equity instruments. The interpretation clarifies the requirement of IFRS when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity’s shares or other equity instruments to settle the financial liability fully or partially. (Effective July 1, 2010). The interpretation does not have a financial impact on the Bank’s financial statements.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- IFRS 7 *Financial Instruments — Disclosures*: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context. Effective date of January 1, 2011.

- IAS 1 *Presentation of Financial Statements*: The amendment clarifies that an option to present an analysis of each component of other comprehensive income may be included either in the statement of changes in equity or in the notes to the financial statements. Effective date of January 1, 2011.

- IAS 34 *Interim Financial Statements*: The amendment requires additional disclosures for fair values and changes in classification of financial assets, as well as changes to contingent assets and liabilities in interim condensed financial statements. Effective date of January 1, 2011. The Bank does not produce interim financial statements; however, if it so chooses in the future, this amendment will apply.

- IFRIC 14 *Prepayments of a Minimum Funding Requirement* (Amendment)**—**The amendment removes an unintended consequence when an entity is subject to minimum funding requirements (MFR) and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as pension asset. Effective for annual periods beginning January 1, 2011, with earlier application permitted.

  Pension plans are not subject to minimum funding requirements in Belize. The amendment to the interpretation therefore had no effect on the financial position or performance of the Bank. However, if the pension plans change in the future, the amendment will be applicable.

***Standards, interpretations and amendments, which might be relevant to the Bank and issued but not yet effective up to the date of issuance of the Bank's financial statements are listed below. They will be adopted when required.***

The Bank has not early adopted any of the following standards, interpretations and amendments that have been issued but are not yet effective:

- *IFRS 1 First-time Adoption of International Financial Reporting Standards (Amendment) — Severe hyperinflation and Removal of Fixed Dates for First-time Adopters*
  Effective for annual periods beginning on or after 1 July 2011. The amendment may be applied earlier than the effective date and this must be disclosed.

- *IFRS 7 Financial Instruments: Disclosures (Amendment)*
  Effective for annual periods beginning on or after 1 July 2011. The amendment may be applied earlier than the effective date and this must be disclosed. Comparative disclosures are not required for any period beginning before the effective date.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- *IFRS 7 Offsetting of financial assets and financial liabilities (Amendment)*
  Effective January 1, 2012.

- *IFRS 7 Disclosures on transition to IFRS 9 (Amendment)*
  Effective January 1, 2012.

- *IFRS 10 Consolidated Financial Statements/ IAS 27 Separate Financial Statements*
  Effective for annual periods beginning on or after January 1, 2013.

  The new standard is applied retrospectively in accordance with the requirements of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* for changes in accounting policy, with some modifications. An example of such modification is where an investor controls an investee that was not previously not consolidated, the investor applies acquisition accounting as of the date on which it obtained control. However, the standard provides relief when it is not practicable to apply IFRS 10 on a retrospective basis. In such cases, consolidation of the controlled investee (and acquisition accounting) is required from the earliest date practicable.

  Earlier application is permitted if the entity also applies the requirements of IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011) at the same time.

- *IFRS 11 Joint Arrangements/ IAS 28 Investments in Associates and Joint Ventures*
  Effective for annual periods beginning on or after January 1, 2013. IFRS 11 will be applied using a modified retrospective approach. For example, jointly controlled entities under current IAS 31 that will be classified as joint ventures under IFRS 11, will transition from proportionate consolidation to the equity method by aggregating the carrying values previously recorded, testing that amount for impairment and then using that amount as the deemed cost for applying the equity method going forward.

  Early application of IFRS 11 is permitted, provided that an entity also applies the requirements of IFRS 10, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011) at the same time.

- IFRS 12 disclosure of interests in other entities, effective January 1, 2013
  The objective of IFRS 12 is to require the disclosure of information that enables users of financial statements to evaluate:

  - the nature of, and risks associated with, its interests in other entities

  - the effects of those interests on its financial position, financial performance and cash flows.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

IFRS 12 is required to be applied by an entity that has an interest in any of the following:

- subsidiaries
- joint arrangements (joint operations or joint ventures)
- associates
- unconsolidated structured entities

- IFRS 13 fair value measurement, effective January 1, 2013

  IFRS 13

  - defines fair value
  - sets out in a single IFRS a framework for measuring fair value
  - requires disclosures about fair value measurements.

  IFRS 13 seeks to increase consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. The hierarchy categorises the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

- *IAS 1 Presentation of Items of Other Comprehensive Income — Amendments to IAS 1* Effective for annual periods beginning on or after July 1, 2012. These amendments are applied retrospectively in accordance with requirements of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* for changes in accounting policy. Earlier application is permitted and must be disclosed.

- *IAS 12 Income Taxes (Amendment) — Deferred Taxes: Recovery of Underlying Assets* Effective for annual periods beginning on or after January 1, 2012. This amendment is applied retrospectively, in accordance with requirements of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* for changes in accounting policy. Earlier application is permitted and must be disclosed.

- *IAS 19 Employee Benefits (Revised)* Effective for annual periods beginning on or after January 1, 2013. The revised standard is applied retrospectively in accordance with requirements of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* for changes in accounting policy.

- *IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine* Effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted and would need to be disclosed. This Interpretation is applied to production stripping costs incurred on or after the beginning of the earliest period presented. The Interpretation would not require full retrospective application. Instead it would provide a practical expedient for any stripping costs incurred and capitalised prior to that date.

Apart from some additional disclosures in certain cases, adoption of the above standards, interpretations and amendments are not expected to have any material effect on the financial performance or position of the Bank.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. Other accounting developments – Disclosures pertaining to fair values and liquidity risks for financial instruments: The Bank has applied *Improving Disclosures about Financial Instruments* (Amendments to IFRS 7) issued March 2009, that require enhanced disclosures about fair value measurements and liquidity risk in respect of financial instruments.

The amendments require that fair value measurement disclosures use a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values of financial instruments. Specific disclosures are required when fair value measurements are categorised as Level 3 (significant unobservable inputs) in the fair value hierarchy. The amendments require that any significant transfers between Level 1 and Level 2 of the fair value hierarchy be disclosed separately, distinguishing between transfers into and out of each level. Furthermore, changes in valuation techniques from one period to another, including reasons therefore, are required to be disclosed for each class of financial instruments. Revised disclosures are included in note 30.

Further, the definition of liquidity risk has been amended and is now defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The amendments require disclosure of a maturity analysis for non-derivative and derivative financial liabilities, but contractual maturities are required to be disclosed for derivative financials only when contractual maturities are essential for an understanding of the timing of cash flows. For issued financial guarantee contract, the amendments require the maximum amount of the guarantee to be disclosed in the earliest period in which the guarantee could be called.

Revised disclosures in respect of liquidity risk are included in note 29.

For all financial instruments measured at amortized cost, interest bearing financial assets classified as available-for-sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as 'Other operating income'. However, for a reclassified financial asset for which the Bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognized as an adjustment to the effective interest rate from the date of the change in estimate.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

d. Basis of presentation - 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. Use of estimates - 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.

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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Financial instruments: initial recognition and subsequent measurement

i. *Date of recognition*

The Bank initially recognizes loans and advances, deposits, debt securities issued and subordinated liabilities on the date at which they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognized on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

ii. Classification

Financial assets – Policy applicable from January 1, 2011

At inception a financial asset is classified as measured at amortised cost or fair value. A financial asset qualifies for amortised cost measurement only if it meets both of the following conditions:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows;
- and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If a financial asset does not meet both of these conditions, then it is measured at fair value.

The Bank makes an assessment of a business model at a portfolio level as this reflects best the way the business is managed and information is provided to management.

In making an assessment of whether an asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, the Bank considers:

- Management’s stated policies and objectives for the portfolio and the operation of those policies in practice;
- how management evaluates the performance of the portfolio;
- whether management’s strategy focus on earning contractual interest revenues;
- the degree of frequency of any expected asset sales;
- the reason for any asset sales; and
- whether assets that are sold are held for an extended period of time relative to their contractual maturity or are sold shortly after acquisition or an extended time before maturity.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

h. Financial instruments: initial recognition and subsequent measurement (Continued)

Financial assets held for trading are not held within a business model whose objective is to hold the asset in order to collect contractual cash flows.

The Bank has designated certain financial assets at fair value through profit or loss because the designation eliminates or significantly reduces an accounting mismatch, which would otherwise arise. Note 30 sets out the amount of each class of financial asset that has been designated at fair value through profit or loss. A description of the basis for each designation is set out in the note for the relevant asset class.

Note 30 also sets out reconciliation between financial asset classes and measurement categories.

Financial assets are not reclassified subsequent to their initial recognition, except when the Bank changes its business model for managing financial assets.

Financial assets – Policy applicable prior to January 1, 2011
At inception a financial asset was classified in one of the following categories:

- loans and receivables;
- held to maturity;
- available-for-sale; or
- at fair value through profit or loss and within the category as:
  - held for trading; or
  - designated at fair value through profit or loss.

The Bank designated financial assets at fair value through profit or loss in the following circumstances:

- the assets were managed, evaluated and reported internally on a fair value basis;
- the designation eliminated or significantly reduced an accounting mismatch, which would otherwise have arisen; or
- the asset contained an embedded derivative that significantly modified the cash flows that would otherwise have been required under the contract.

Note 30 sets out the amount of each class of financial asset that has been designated at fair value through profit or loss. A description of the basis for each designation is set out in the note for the relevant asset class.

Financial liabilities
The Bank classifies its financial liabilities as measured at amortized cost or fair value through profit or loss.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Financial instruments: initial recognition and subsequent measurement (Continued)

The Bank has designated financial liabilities at fair value through profit or loss when liabilities contain embedded derivatives that significantly modify the cash flows that would otherwise be required under the contract. Note 30 sets out the amount of each class of financial liabilities that has been designated at fair value through profit or loss. A description of the basis for each designation is set out in the note for the relevant liability class.

Financial guarantees and commitments to provide a loan at a below-market interest rate are subsequently measured at the higher of the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 Revenue.

Note 30 also sets out reconciliation between financial liability classes and measurement categories.

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 bonds issued by Barbados and Caribbean Development Bank.

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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Financial instruments: initial recognition and subsequent measurement (Continued)

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.

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.

iii. Derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability in the statement of financial position. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss. In addition, prior to January 1, 2011 any cumulative gain or loss that had been recognised in other comprehensive income was also recognised in profit or loss.
The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Financial instruments: initial recognition and subsequent measurement (Continued)

iv. Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

v. Amortized cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

vi. Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

The fair value of an instrument is measured using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, then the Bank establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Bank, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Bank calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Financial instruments: initial recognition and subsequent measurement (Continued)

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument, i.e. without modification or repackaging, or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Any difference between the fair value at initial recognition and the amount that would be determined at that date using a valuation technique in a situation in which the valuation is dependent on unobservable parameters is not recognised in profit or loss immediately but is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

vii. Identification and measurement of impairment

At each reporting date the Bank assesses whether there is objective evidence that financial assets carried at amortised cost are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Bank on terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Financial instruments: initial recognition and subsequent measurement (Continued)

The Bank considers evidence of impairment for loans and advances and investment securities measured at amortised costs at both a specific asset and collective level. All individually significant loans and advances and investment securities measured at amortised cost are assessed for specific impairment. All individually significant loans and advances and investment securities measured at amortised cost found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances and investment securities measured at amortised cost that are not individually significant are collectively assessed for impairment by grouping together loans and advances and investment securities measured at amortised cost with similar risk characteristics.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and advances.

When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

The Bank writes off loans and advances and investment securities when they are determined to be uncollectible.

**Impairment of financial assets - Policy applicable prior to January 1, 2011**

The Bank assesses at each statement of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganization, default or delinquency in interest or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Financial instruments: initial recognition and subsequent measurement (Continued)

i. Financial assets carried at amortized cost

For financial assets carried at amortized cost (such as amounts due from banks, loans and advances to customers as well as held-to-maturity investments), the Bank first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'Interest income'.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'Credit loss expense'.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. If the Bank has reclassified trading assets to loans and advances, the discount rate for measuring any impairment loss is the new effective interest rate determined at the reclassification date.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Financial instruments: initial recognition and subsequent measurement (Continued)

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

ii. Available-for-sale financial investments

For available-for-sale financial investments, the Bank assess at each statement of financial position date whether there is objective evidence that an investment is impaired.

In the case of debt instruments classified as available-for-sale, the Bank assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of ‘Interest income’.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the income statement.

In the case of equity investments classified as available-for-sale, objective evidence would also include a ‘significant’ or ‘prolonged’ decline in the fair value of the investment below its cost. The Bank treats ‘significant’ generally as 20% and ‘prolonged’ as greater than 6 months. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement – is removed from equity and recognized in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in the fair value after impairment are recognized directly in equity.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. Property and equipment, depreciation and amortization – Fixed assets are carried at Property and equipment, depreciation – 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% |

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing items and restoring the site on which they are located. The cost of software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets that are subject to depreciation are reviewed at each reporting date to assess whether there is any indication that an asset may be impaired. An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value (less costs to sell) and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of income.

Maintenance, repairs and renewals are charged against revenue in the year the expenditure is incurred; major renewals and improvements are capitalized.

When property, plant and equipment are disposed of by sale or scrapping, the cost and related accumulated depreciation are removed from the accounting records and any resulting gain or loss is included in the statement of income.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j. Intangible asset and amortization – Management has made certain judgments and assumptions when capitalizing intangible assets. Projects are assessed to determine compliance with established criteria in accordance with IFRS.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the income statement in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the intangible asset. Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized. Intangible assets for the bank comprise of a purchased website, software and related software licenses. A summary of the policies applied to the bank's intangible asset is as follows:

Useful life: Finite

Amortization: Amortized over the useful economic life of 5 years

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k. Impairment of non-financial assets -

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

The recoverable amount of the non-life insurance cash generating unit is determined based on a value–in-use calculation. The calculation requires the Bank to make an estimate of the expected future cash flows and discount these amounts using a suitable rate which reflects the risk of those cash flows in order to calculate the present value of those cash flows.

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 arm's 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.

l. 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 (amended to two weeks severance after ten years by the Labour (Amendment) Act on May 5, 2011) in addition to retirement benefits in accordance with the Central Bank of Belize Pension Scheme Trust Deed and Rules.

m. 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. As of January 1, 2011, new purchases of special coins are held as inventory and are charged against income when they are sold.

n. 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 19) when the Revaluation Account shows a net loss, but is first credited to the Revaluation Account in an amount sufficient to cover the loss.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o. 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.

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

q. 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.

r. 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, 2011, the Bank was in compliance as the value of total assets was $708,425,699 (2010: $628,394,837) while the value of notes and coins in circulation was $210,578,509 (2010: $191,602,557).

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 of its sights and time deposits.

   Management has developed internal controls to ensure compliance with the law. At December 31, 2011 and 2010, total approved external assets approximated 81percent and 84 percent of such liabilities respectively.

## 4. BANK BALANCE WITH FOREIGN BANKER – RESTRICTED

The Bank has an irrevocable standby letter of credit No. 23626469 in favour of Comision Federal De Electricidad, Subdireccion Del Centro Nacional De Control De Energia for an amount not to exceed in aggregate USD $10,000,000 (2010 - USD $5,000,000). Funds under this letter of credit are available to the beneficiary by sight payment with Citibank N.A. C/O at Citicorp North America. Currently the letter of credit is secured by a restricted USD $10,000,000 (2010 - USD $5,000,000) deposit at Citibank N.A.

## 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, 2011, 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 20,079,888 respectively. The Reserve Tranche which earns interest is included in approved external assets in the financial statements at the exchange rate of BZ$3.070540 SDR 1.0 at December 31, 2011 (2010 - BZ$3.080060 to SDR 1.0).

## 6. OTHER FOREIGN CREDIT INSTRUMENTS

| | **2011** | 2010 |
|---|---|---|
| At December 31, these instruments comprised: | | |
| Bank of America (Fixed Deposits) | **$ 20,006,250** | $118,407,700 |
| Commerzbank (Fixed Deposit) | **28,200,000** | - |
| Crown Agents Financial Services (Fixed Deposits) | **103,077,487** | 102,788,342 |
| Barclays Bank PLC (Fixed Deposits) | **90,380,208** | 50,000,000 |
| Federal Reserve Bank of New York (Overnight Deposit) | **91,000,000** | 19,200,000 |
| Bank of America (Overnight Deposit) | **1,040,000** | 800,000 |
| Citibank N.A. New York (Overnight Deposit) | **200,000** | 1,200,000 |
| | **$333,903,945** | $292,396,042 |

## 7. ACCRUED INTEREST AND CASH-IN-TRANSIT

Accrued interest and cash-in-transit consist of:

| | **2011** | 2010 |
|---|---|---|
| Accrued interest | **$1,164,234** | $ 1,218,154 |
| Cash-in-transit | **459,644** | 10,665,995 |
| | **$1,623,878** | $11,884,149 |

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

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

| | Face Value | Maturity Date |
|---|---|---|
| 3.50% Government of Dominica Debenture | **$ 2,000,000** | 2034 |
| 1.12% Caribbean Development Bank Bond | **20,000,000** | 2012 |
| 7.8% Government of Barbados | **8,000,000** | 2019 |
| 6.75% Government of Barbados | **3,221,429** | 2014 |
| 2.125% International Bank for Reconstruction and Development Bonds | **4,000,000** | 2016 |
| 1.375% International Bank for Reconstruction and Development Bonds | **10,000,000** | 2014 |
| | **$47,221,429** | |

## 9. BELIZE GOVERNMENT SECURITIES

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

| | **2011** | 2010 |
|---|---|---|
| Treasury Bills | **$ 22,331,241** | $ 21,014,134 |
| Treasury Notes | **82,228,000** | 87,991,000 |
| Belize Defence Bonds | **10,000,000** | 10,000,000 |
| | **$114,559,241** | $119,005,134 |

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

| | **2011** | 2010 |
|---|---|---|
| Due within 1 year | **$ 39,387,241** | $ 55,130,134 |
| Due within 1 year through 5 years | **45,578,000** | 33,875,000 |
| Due within 5 years through 10 years | **29,594,000** | 30,000,000 |
| | **$114,559,241** | $119,005,134 |

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 ten times the aggregate amount at that time of the paid up capital and general reserves of the Bank. Management has developed internal controls to ensure compliance with the law. At December 31, 2011 and 2010 the Bank's aggregate holding of Belize Government securities approximated 4.01 and 4.21 times respectively, the amount of paid up capital and general reserves of the Bank. Government securities are held at fair value.

## 10. BELIZE GOVERNMENT CURRENT ACCOUNT

The Central Bank of Belize (Amendment) Act 2010 section 4 specifies that such advances shall not exceed eight and one half percent of the current revenues of the Government collected during the preceding financial year. At December 31, 2011, the Bank was in compliance since advances to the Government of Belize totaled $45,120,655, 69% of $65,123,381 which represent eight and one half percent of the Government's revenues collected during fiscal year April 1, 2010 to March 31, 2011. (2010 - $33,045,643 being 58% of $57,341,000)

## 11. OTHER ASSETS

| | 2011 | 2010 |
|---|---|---|
| Other assets consist of: | | |
| Inventory of circulation notes and coins | **$ 3,055,092** | $ 5,066,563 |
| Special coins inventory | **1,192,878** | - |
| Prepayments and accrued interest | **3,742,432** | 2,737,906 |
| Accounts receivable | **95,799** | 115,552 |
| Staff loans receivable | **3,860,847** | 3,194,777 |
| Museum endowment fund | **578,150** | 578,150 |
| Bond premium | **107,222** | 148,505 |
| Education bond receivable | **182,741** | 111,592 |
| Other | **800,744** | 795,984 |
| | **13,615,905** | 12,749,029 |
| Less accumulated amortization: | **(831,570)** | (773,755) |
| | **$12,784,335** | $11,975,274 |

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

Included in other assets: other, is an amount of $216,912 due from Guyana under the Caricom Multilateral Clearing Facility (CMCF). Interest is not being recognized on this amount. The balance is expected to be received from CMCF and the HIPC Trust Fund; however, there is no set repayment date.

## 12. INVESTMENT

Investment represents the Bank’s investment of 4,000,000 shares in Belize Telemedia Limited at a price of $5.00 per share totaling $20,000,000. Share certificates numbered 3165, 3166, 3167, 2668 and 2669 dated June 17, 2011 for 800,000 shares each at par value of $1.00 per share have been received by the Bank. The Bank is committed by a “Share Purchase” agreement to not dispose of the shares for at least four years after the date of purchase. Thereafter the Bank can dispose of the shares at the rate of one million shares per annum. If the Bank chooses to sell the shares, it shall offer the Government of Belize the right of the first refusal and the right to object to any buyer before concluding the sale of any of the shares.

## 13. PROPERTY AND EQUIPMENT

| **Cost** | **Property** | **Furniture** | **Equipment** | **Vehicles** | **Total** |
|---|---|---|---|---|---|
| Balance at, January 1, 2011 | $30,441,554 | $1,287,756 | $6,359,917 | $396,031 | $38,485,258 |
| Additions | 9,270 | 34,104 | 196,587 | 144,568 | 384,529 |
| Disposals | - | (10,986) | (108,031) | - | (119,017) |
| Balance at, December 31, 2011 | 30,450,824 | 1,310,874 | 6,448,473 | 540,599 | 38,750,770 |
| **Accumulated depreciation** | | | | | |
| Balance at January 1, 2011 | 3,391,001 | 1,058,355 | 5,259,153 | 301,773 | 10,010,282 |
| Depreciation charge for the year | 280,709 | 39,992 | 368,224 | 69,169 | 758,094 |
| Disposal | - | (10,843) | (106,678) | - | (117,521) |
| Balance at, December 31, 2011 | 3,671,710 | 1,087,504 | 5,520,699 | 370,942 | 10,650,855 |
| **Net book value** | | | | | |
| **December 31, 2011** | **$26,779,114** | **$ 223,370** | **$ 927,774** | **$169,657** | **$28,099,915** |
| December 31, 2010 | $27,050,553 | $ 229,401 | $1,100,764 | $ 94,258 | $28,474,976 |

## 14. INTANGIBLE ASSETS

| | **2011** |
|---|---|
| **Cost** | |
| Balance at, January 1 | $ - |
| Additions | 558,153 |
| Disposals | - |
| Balance at, December 31 | 558,153 |
| **Accumulated Amortization** | |
| Balance at January 1 | - |
| Amortization charge for the year | 34,570 |
| Disposals | - |
| Balance at, December 31 | 34,570 |
| **Net Book Value** | |
| **December 31, 2011** | **$523,583** |

Intangible assets primarily comprise computer software and related cost.

## 15. DEPOSITS BY LICENSED FINANCIAL INSTITUTIONS

Under the revised provisions of Section 13 of the Banks and Financial Institutions Act 1995, licensed financial institutions are required to keep deposits with the Bank, in an amount equivalent to at least 8.5%, effective May 1, 2010, of their average deposit liabilities.

## 16. DEPOSITS BY INTERNATIONAL AGENCIES

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

| | **2011** | 2010 |
|---|---|---|
| Caribbean Development Bank | **$ 58,565** | $ 479,355 |
| International Monetary Fund | **147,177** | 147,634 |
| Inter-American Development Bank | **897,175** | 1,197,175 |
| Int'l Bank Reconstruction & Development | **29,740** | 29,740 |
| EU Banana Support Escrow | **141,538** | 146,241 |
| | **$1,274,195** | $2,000,145 |

## 17. OTHER LIABILITIES

| | **2011** | 2010 |
|---|---|---|
| Severance and gratuities | **$1,148,099** | $1,098,379 |
| Other staff costs payable | **506,411** | 469,674 |
| Abandoned property | **1,115,632** | 2,933,200 |
| License international financial institutions | **1,600,000** | 1,800,000 |
| Income deferred on license fees | **545,562** | 474,572 |
| Accounts payable | **381,352** | 169,157 |
| Bond discount | **41,579** | - |
| | **$5,338,635** | $6,944,982 |

*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.

## 18. 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 May 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, 2011, the loan was revalued at SDR 3.07540 to BZD $1.00 (2010 - SDR 3.080060 to BZD $1.00).

## 19. IMF SDR ALLOCATIONS

A general allocation of Special Drawing Rights (SDRs) equivalent to approximately USD $250 billion became effective on August 28, 2009. The allocation is designed to provide liquidity to the global economic system by supplementing the Fund's member countries' foreign exchange reserves. The general SDR allocation was made to IMF members that are participants in the Special Drawing Rights Department (currently all 186 members) in proportion to their existing quotas in the Fund, which are based broadly on their relative size in the global economy. The Quota for the country of Belize is SDR 18,800,000 million. Based on this quota, the Bank received allocations of SDR 17,890,000. At December 31, 2011, the SDR's were revalued at SDR 3.07540 to BZD $1.00 (2010 - 3.080060 to BZD $1.00).

## 20. 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.

| | **2011** | 2010 |
|---|---|---|
| Loans receivable from institution | **$(1,398,467 )** | $(1,465,000 ) |
| Interest paid to USAID | **(2,311,316 )** | (2,311,316 ) |
| Interest Received from institutions | **3,821,331** | 3,792,232 |
| | **$ 111,548** | $ 15,916 |

## 21. 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.

| | **2011** | 2010 |
|---|---|---|
| Balance at beginning of year | **$3,552,091** | $3,675,536 |
| Prior year exchange gains | **(1,407,840)** | (1,531,285) |
| Current year exchange gains | **(1,403,750)** | (1,407,840) |
| Loss from revaluation | **4,090** | 123,445 |
| Transfers in accordance with section 50 – current period | **-** | - |
| Balance at end of year | **$3,548,001** | $3,552,091 |

## 22. 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.

| | **2011** | 2010 |
|---|---|---|
| Balance at beginning of year | **$18,247,148** | $18,136,032 |
| Transfer from net profit | **334,412** | 111,116 |
| Balance at end of year | **$18,581,560** | $18,247,148 |

## 23. INTEREST ON APPROVED EXTERNAL ASSETS

| | **2011** | 2010 |
|---|---|---|
| Interest earned on overnight deposits | **$ 37,180** | $ 118,930 |
| Interest earned on marketable securities | **1,360,559** | 1,272,516 |
| Interest earned on balances and deposits with foreign bankers | **2,202,775** | 2,191,994 |
| | **$3,600,514** | $3,583,440 |

## 24. SALARIES AND WAGES, INCLUDING SUPERANNUATION CONTRIBUTION AND GRATUITIES

Expense recognized for employee benefits is analyzed below:

| | **2011** | 2010 |
|---|---|---|
| Salaries and wages | **$7,973,490** | $7,165,843 |
| Social security costs | **135,939** | 133,965 |
| Pensions - defined benefit plans | **338,316** | 316,165 |
| **Employee benefits expense** | **$8,447,745** | $7,615,973 |

## 25. ADMINISTRATIVE AND GENERAL EXPENSES

| | 2011 | 2010 |
|---|---|---|
| Advertising | **$ 52,050** | $ 30,061 |
| Audit fees | **64,856** | 54,371 |
| Amortization | **57,815** | 57,815 |
| Bank charges | **34,287** | 27,698 |
| Bank publications | **36,298** | 28,171 |
| Books and publication | **38,826** | 29,051 |
| Building repairs and maintenance | **428,567** | 426,446 |
| Cash shipment | **6,507** | 4,349 |
| Computer software license | **166,630** | 103,662 |
| Conference | **73,892** | - |
| Directors' fees | **29,900** | 30,300 |
| Donations | **36,092** | 62,713 |
| Entertainment | **12,960** | 10,736 |
| Equipment maintenance | **25,063** | 26,784 |
| Firearm license and ammunition | **10,680** | 9,000 |
| Freight charges | **8,700** | 11,888 |
| Hurricane preparedness | **44,400** | 8,133 |
| Insurance expense | **127,527** | 121,856 |
| Legal fees | **325,868** | 255,961 |
| Membership fees | **76,731** | 84,219 |
| Motor vehicle | **55,626** | 57,975 |
| Other miscellaneous expense | **219,401** | 342,534 |
| Overseas meeting and conferences | **213,137** | 206,192 |
| Professional services and technical support | **339,610** | 191,751 |
| Small equipment purchases | **11,012** | 15,627 |
| Supplies | **235,577** | 248,956 |
| Surveys | **26,800** | 26,580 |
| Travel (local) | **10,922** | 11,388 |
| Utilities expense | **835,135** | 851,056 |
| | **$3,604,869** | $3,335,273 |

## 26. 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.

## 27. POST EMPLOYMENT OBLIGATIONS

During the year under audit, the Bank contributed $338,316 (2010 - $316,165) 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 a minimum of once 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 IAS 19 valuation done at December 31, 2009 reported the present value of plan assets and past service liabilities to be $11,410,075 and $7,484,000 respectively.

Significant actuarial assumptions used in the valuation were:

I. A valuation rate of interest of 8% p.a.
II. Discount rate at end of year 8%.
III. A rate of escalation of pensionable salaries of 4% p.a.
IV. 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 continued recognition of a pension asset, based on a formal actuarial valuation that was carried out as at December 31, 2007. The next actuarial valuation for the year ended December 2010 will be completed in 2012.

## 27. POST EMPLOYMENT OBLIGATIONS (Continued)

| **Surplus to be recognized in the Statement of Financial Position** | **Asset** | **Post-retirement Medical Benefits** | **Total 2009** |
|---|---|---|---|
| Present value of the obligation | $ 5,544,000 | $1,940,000 | $ 7,484,000 |
| Fair value of plan assets | (11,410,075) | - | (11,410,075) |
| Net surplus | (5,866,075) | 1,940,000 | (3,926,075) |
| Unrecognized actuarial (gains) losses | (5,173) | (117,707) | (122,880) |
| Unrecognized past service cost - non-vested benefits | - | - | - |
| **Net Liability/(asset) recognized in statement of financial position** | $ (5,871,248) | $1,822,293 | $ (4,048,955) |
| **Amounts to be recognized in Statement of Income** | | | |
| Current service cost (Bank) | $ 324,589 | $ 137,347 | $ 461,936 |
| Interest cost | 406,785 | 152,771 | 559,556 |
| Expected return on plan assets | (826,871) | - | (826,871) |
| Net Actuarial (gain) loss recognized in year | - | - | - |
| Past service costs - non-vested benefits | - | - | - |
| Past service costs - vested benefits | - | - | - |
| Losses/(gains) on curtailment/settlement | - | - | - |
| **Total included in staff costs** | $ (95,497) | $ 290,118 | $ 194,621 |
| **Amounts to be recognized in Statement of Other Comprehensive Income** | | | |
| Liability | $ - | $1,822,293 | $ 1,822,293 |
| Assets | (5,871,248) | - | (5,871,248) |
| Net Liability/(asset) recognized in statement of financial position | (5,871,248) | 1,822,293 | (4,048,955) |
| Previous Net Liability/(asset) recognized in statement of financial position | | | (2,053,000) |
| **Surplus recognized in statement of other comprehensive income** | | | $ (1,995,955) |

## 27. POST EMPLOYMENT OBLIGATIONS (Continued)

**Other post-employment benefits**:

The Bank provides post-retirement medical benefits to its retirees. The entitlement to these benefits is available to employees who retire at normal retirement age (NRA) and to those who opt for early retirement. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued every three years by an independent qualified actuary.

**Liability to be recognized in the Statement of Financial Position:**

| | **2009** |
|---|---|
| Present value of the obligation | $1,940,000 |
| Fair value of plan assets | - |
| Net surplus | 1,940,000 |
| Unrecognized actuarial (gains) losses | (117,707) |
| Unrecognized past service cost - non-vested benefits | - |
| **Liability to be recognized in the Statement of Financial Position** | $1,822,293 |

## 28. 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.

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 | BTB/STP | SSB Deposit Account | GOB Current Acct. |
|---|---|---|---|---|---|---|---|---|---|
| Opening Balances | $(314) | $(4,953,480) | $(353,635) | $(1,009) | $(187,904) | $(257,000) | $(699,247) | $(473,141) | $ 33,045,643 |
| Deposits | (1,186,712) | (8,605,507) | (1,273,387) | (2,404,690) | (902,007) | (8,067,755) | (2,083,086) | (1,284,977) | (1,517,821,995) |
| Disbursements | 1,169,000 | 13,327,602 | 1,413,000 | 2,382,647 | 848,247 | 8,193,338 | 1,757,586 | 1,757,000 | 1,529,897,007 |
| Closing Balances | $ (18,026) | $ (231,385) | $ (214,022) | $ (23,052) | $ (241,664) | $ (131,417) | $(1,024,747) | $ (1,118) | $ 45,120,655 |

**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, 2011 and 2010, the number of key management personnel was 19 (2010 - 17).

## 28. RELATED PARTY TRANSACTIONS (Continued)

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

| | **2011** | 2010 |
|---|---|---|
| Short-term benefits | **$1,324,726** | $1,281,281 |
| Post-employment benefits | **40,641** | 38,669 |
| Termination benefits | **201,044** | 13,200 |
| | **$1,566,411** | $1,333,150 |

**Loans and advances to key management personnel**
As at December 31, 2011 an amount of $374,534 (2010 - $402,370) was receivable from key managerial personnel as approved advances made by the Bank. No provisions have been recognized in respect of loans given to related parties.

The Bank has a residential mortgage loan program for qualifying permanent staff. This facility is available for a maximum period of 20 years with a variable interest rate initially set at 4.5%.

## 29. FINANCIAL RISK MANAGEMENT

Credit risk

The Bank is exposed to credit risk, which is the risk of loss arising from the failure of a borrower, issuer, counterparty or customer to meet its financial obligations to the Bank. Credit risk arises in the Bank's management of its 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.

In providing liquidity via the Bank's operation of wholesale payment systems, credit risk is mitigated by dealing with counterparties that meet appropriate credit and functional criteria, and by ensuring that Cash Reserves and Liquid Asset Requirements for licensed financial institutions are met. In addition, credit risk on the securities held by the Bank is managed by holding only high-quality securities, issued chiefly by governments, government agencies and supranational organizations. The following tables break down the Bank's main credit exposure at their carrying amounts, as categorized by geographical regions as of December 31, 2011. In Schedule A, the Bank has allocated exposure to regions based on the country of domicile of the counter parties.

## 29. FINANCIAL RISK MANAGEMENT(CONTINUED)

**Geographical concentration of assets:**

Schedule A

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

| Balance & Money at Call | USA | Canada | UK | Germany | Total |
|---|---|---|---|---|---|
| Depository Accounts & Money at Call | $ 1,726,494 | $57,515 | $ 3,755,209 | $ 267,213 | **$ 5,806,431** |
| Overnight Deposits | 112,200,000 | - | - | - | **112,200,000** |
| Fixed Deposits | 110,386,458 | - | 103,077,487 | 28,200,000 | **241,663,945** |
| **Total Exposure** | **$224,312,952** | **$57,515** | **$106,832,696** | $28,467,213 | **$359,670,376** |

Schedule B

Outline of other Local and Foreign Investments

| Securities | Local | Foreign | | | |
|---|---|---|---|---|---|
| | **GOB** | **CDB** | **Barbados** | **Dominica** | **IBRD** |
| Treasury Notes | $ 82,228,000 | $ - | $ - | $ - | $ - |
| Treasury Bills | 22,331,241 | - | - | - | - |
| Bonds | 10,000,000 | 20,000,000 | 11,221,429 | - | 14,000,000 |
| Debentures | - | - | - | 2,000,000 | - |
| **Total Exposure** | **$114,559,241** | **$20,000,000** | **$11,221,429** | **$2,000,000** | **$14,000,000** |

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 the United States dollar.

## 29. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

| **Foreign Assets :** | **Average rate of return** | **Average rate of return** |
|---|---|---|
| | **2011** | **2010** |
| Depository Accounts & Money at Call | 0.7788% | 0.9550% |
| Overnight Deposits | 0.0215% | 0.0946% |
| Term Deposits | 0.4950% | 0.7600% |
| Bonds | 3.8340% | 5.6800% |
| Debentures | 3.5000% | 3.5000% |

Currency risk

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

The table below indicates the different fund allocations as of December 31, 2011:

| | **FOREIGN CURRENCY** | **YEAR-END RATE** | **BELIZE DOLLAR VALUE** |
|---|---|---|---|
| Euro Fund | $ (123,936) | 2.58820 | $ (320,771) |
| Canadian Fund | (29,318) | 1.96180 | (57,516) |
| SDR Fund | (1,656,382) | 3.07054 | (5,085,987) |
| USD Fund | (201,208,864) | 2.00000 | (402,417,728) |
| Sterling Fund | (562,861) | 3.09620 | (1,742,730) |
| BZ$ Fund | 408,220,982 | 1.00000 | 408,220,982 |
| **Current Year Revaluation Gains** | | | **(1,403,750)** |
| **Revaluation balance, January 1** | | | **3,552,091** |
| Prior Year Revaluation Gains | | | (1,407,840) |
| Current Year Revaluation Gains | | | (1,403,750) |
| **Loss on revaluation** | | | **4,090** |
| **Revaluation balance, December 31** | | | **$ 3,548,001** |

## 29. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk

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

Maturities of assets at December 31, 2011

| Asset Type | 1 Month | 1-3 Months | 3-6 Months | 6-12 Months | 1-5 Years | Over 5 Years |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| Depository Accounts & Money at Call | 5,806,430 | - | - | - | - | - |
| Fixed Deposits | - | 56,257,948 | 20,006,250 | 165,399,748 | - | - |
| Overnight Deposits | 112,200,000 | - | - | - | - | - |
| Treasury Bills | 16,949,524 | 5,381,717 | - | - | - | - |
| Treasury Notes | - | 3,000,000 | - | 14,056,000 | 35,578,000 | 29,594,000 |
| Bonds | - | - | 20,000,000 | - | 27,221,429 | 8,000,000 |
| Debentures | - | - | - | - | - | 2,000,000 |
| Investment in associate | - | - | - | - | - | 20,000,000 |
| | **134,955,954** | **64,639,665** | **40,006,250** | **179,455,748** | **62,799,429** | **59,594,000** |

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.

## 30. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortized cost. The principle accounting policies on pages 18 to 26 describe how financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognized. The following table analyses the financial assets and liabilities in the statement of financial position by the class of financial instrument to which they are assigned, and therefore by the measurement basis:

| **At December 31, 2011** | Financial assets and liability at fair value through profit or loss | Financial assets and liability at amortized costs | Financial assets and liability at fair value through other comprehensive income | Total |
|---|---|---|---|---|
| **Assets:** | | | | |
| Balances and deposits with foreign bankers and Crown agents | $ - | $ - | $ 5,766,431 | $ 5,766,431 |
| Bank balance with foreign banker – restricted | - | - | 20,000,000 | 20,000,000 |
| Reserve Tranche and balances with the International Monetary Fund | - | - | 74,606,409 | 74,606,409 |
| BALANCES WITH LOCAL BANKERS AND CASH ON HAND | 166,923 | - | - | 166,923 |
| Other foreign credit instruments – unrestricted | 333,903,945 | - | - | 333,903,945 |
| Marketable securities issued or guaranteed by foreign government and international institutions | - | 47,221,429 | - | 47,221,429 |
| INVESTMENT | 20,000,000 | - | - | 20,000,000 |
| BELIZE GOVERNMENT CURRENT ACCOUNT | 45,120,655 | - | - | 45,120,655 |
| PENSION ASSET | - | - | 4,048,955 | 4,048,955 |
| Accrued interest and cash transit | 1,623,878 | - | - | 1,623,878 |
| BELIZE GOVERNMENT SECURITIES | 114,559,241 | - | - | 114,559,241 |
| **Total financial assets** | 515,374,642 | 47,221,429 | 104,421,795 | 667,017,866 |
| Total non-financial assets | - | - | - | 41,407,833 |
| Total assets | $515,374,642 | $47,221,429 | $104,421,795 | $708,425,699 |

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

| **At December 31, 2011** | Financial assets and liability at fair value through profit or loss | Financial assets and liability at amortized costs | Financial assets and liability at fair value through other comprehensive income | Total |
|---|---|---|---|---|
| **Liabilities:** | | | | |
| Notes and coins in circulation | $210,578,509 | $ - | $ - | $210,578,509 |
| Deposits by licensed financial institutions | 264,700,936 | - | - | 264,700,936 |
| Deposits by and balances due to Government and public sector entities in Belize | 120,293,819 | - | - | 120,293,819 |
| Deposits by international agencies | 1,274,195 | - | - | 1,274,195 |
| BALANCES DUE TO CARICOM CENTRAL BANKS | 425,195 | - | - | 425,195 |
| COMMERCIAL BANK DISCOUNT FUND | 111,548 | - | - | 111,548 |
| OTHER LIABILITIES | - | 5,338,635 | - | 5,338,635 |
| LOANS FROM FOREIGN INSTITUTIONS | - | - | 14,460,221 | 14,460,221 |
| IMF SDR ALLOCATIONS | - | - | 54,961,890 | 54,961,890 |
| **Total financial liabilities** | 597,384,202 | 5,338,635 | 69,422,111 | 672,144,948 |
| Total non-financial liabilities | - | - | - | - |
| Total liabilities | $597,384,202 | $5,338,635 | $69,422,111 | $672,144,948 |

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

| At December 31, 2010 | Loans and receivables | Held to Maturity | Available for Sale | Total |
|---|---|---|---|---|
| **Assets:** | | | | |
| Balances and deposits with foreign bankers and Crown agents | $ 8,275,505 | $ - | $ - | $ 8,275,505 |
| Bank balance with foreign banker – restricted | 10,000,000 | - | - | 10,000,000 |
| Reserve Tranche and balances with the International Monetary Fund | - | 74,972,141 | - | 74,972,141 |
| BALANCES WITH LOCAL BANKERS AND CASH ON HAND | 217,018 | - | - | 217,018 |
| Other foreign credit instruments – unrestricted | - | 292,396,042 | - | 292,396,042 |
| Marketable securities issued or guaranteed by foreign government and international institutions | - | 34,100,000 | - | 34,100,000 |
| BELIZE GOVERNMENT CURRENT ACCOUNT | - | 33,045,643 | - | 33,045,643 |
| PENSION ASSET | - | 4,048,955 | - | 4,048,955 |
| Accrued interest and cash transit | 11,884,149 | - | - | 11,884,149 |
| BELIZE GOVERNMENT SECURITIES | - | - | 119,005,134 | 119,005,134 |
| **Total financial assets** | 30,376,672 | 438,562,781 | 119,005,134 | 587,944,587 |
| Total non-financial assets | - | - | - | 40,450,250 |
| Total assets | $30,376,672 | $438,562,781 | $119,005,134 | $628,394,837 |

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

| **At December 31, 2010** | Available for sale | Held to Maturity | Financial assets and liability at amortized costs | Total |
|---|---|---|---|---|
| **Liabilities:** | | | | |
| Notes and coins in circulation | $191,602,557 | $ - | $ - | $191,602,557 |
| Deposits by licensed financial institutions | - | - | 223,568,961 | 223,568,961 |
| Deposits by and balances due to Government and public sector entities in Belize | - | - | 97,573,516 | 97,573,516 |
| Deposits by international agencies | - | - | 2,000,145 | 2,000,145 |
| BALANCES DUE TO CARICOM CENTRAL BANKS | - | - | 1,080,127 | 1,080,127 |
| COMMERCIAL BANK DISCOUNT FUND | - | - | 15,916 | 15,916 |
| OTHER LIABILITIES | - | - | 6,944,982 | 6,944,982 |
| LOANS FROM FOREIGN INSTITUTIONS | - | 14,509,390 | - | 14,509,390 |
| IMF SDR ALLOCATIONS | - | 55,148,814 | - | 55,148,814 |
| **Total financial liabilities** | 191,602,557 | 69,658,204 | 331,183,647 | 592,444,408 |
| Total non-financial liabilities | - | - | - | - |
| Total liabilities | $191,602,557 | $69,658,204 | $331,183,647 | $592,444,408 |

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