CENTRAL BANK of BELIZE


# 2016

## ANNUAL REPORT & STATEMENT OF ACCOUNTS

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

# Central Bank of Belize

# Thirty-Fifth Annual Report

# and

# Statement of Accounts

For the Year Ending 31 December 2016

**Cataloging-in-Publication Data**

Annual Report and Statement of Accounts for the year ending ... / Central Bank of Belize. Belize City, Belize : Central Bank of Belize, 2016.

v.; ill; 28 cm.

ISSN 2305 - 7106 (print)

2305 - 5529 (online)

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

HG 2728 C45a 2016

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

# Mission

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

# Vision

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

# List of Acronyms and Abbreviations

## Acronyms:

| | |
|---|---|
| ACH | Automated Clearing House |
| ACP | African, Caribbean and Pacific |
| AML/CFT | Anti-money Laundering and Combating the Financing of Terrorism |
| APSSS | Automated Payment and Securities Settlement System |
| BAHA | Belize Agricultural Health Authority |
| BAL | Belize Aquaculture Limited |
| BCB | British Caribbean Bank |
| BEL | Belize Electricity Limited |
| BGA | Banana Growers Association |
| BNE | Belize Natural Energy |
| BSI | Belize Sugar Industries Limited |
| BSSB | Belize Social Security Board |
| BTB | Belize Tourism Board |
| BTL | Belize Telemedia Limited |
| CAP | Common Agricultural Policy |
| CAR | Capital Adequacy Ratio |
| CARTAC | Caribbean Regional Technical Assistance Centre |
| CARICOM | Caribbean Common Market |
| CBR | Correspondent Banking Relations |
| CDB | Caribbean Development Bank |
| CFATF | Caribbean Financial Action Task Force |
| CFZ | Commercial Free Zone |
| CIF | Cost, Insurance and Freight |
| CPBL | Citrus Products of Belize Limited |
| CPI | Consumer Price Index |
| CSD | Central Securities Depository |
| DBFIA | Domestic Banks and Financial Institutions Act, 2012 |
| DFC | Development Finance Corporation |
| EBS | Enterprise Business System |
| ECCB | Eastern Caribbean Central Bank |
| ECCU | Eastern Caribbean Currency Union |
| ECLAC | Economic Commission for Latin America and the Caribbean |
| EFT | Electronic Funds Transfer |
| EMS | Early Mortality Syndrome |
| EU | European Union |
| FDI | Foreign Direct Investment |
| FCIB | First Caribbean International Bank (Barbados) Limited |
| FOB | Free on Board |
| FY | Fiscal Year |
| GDP | Gross Domestic Product |
| GST | General Sales Tax |
| HBL | Heritage Bank Limited |
| IBRD | International Bank for Reconstruction and Development/World Bank |
| IDB | Inter-American Development Bank |
| IMF | International Monetary Fund |
| IT | Information Technology |
| MOF | Ministry of Finance |
| NPLs | Non-performing Loans |
| NPL Ratio | non-performing loans (net of specific provisions) to total loans |
| NPS | National Payment System |
| NRA | National Risk Assessment |
| RTGS | Real Time Gross Settlement System |
| ROA | Return on Assets |
| ROC/Taiwan | Republic of China/Taiwan |
| ROE | Return on Equity |
| SDRs | Special Drawing Rights |
| SIB | Statistical Institute of Belize |
| UK | United Kingdom |
| US | United States of America |
| VAT | Value Added Tax |
| VPCA | Venezuelan Petrocaribe Agreement |

## Abbreviations:

| | |
|---|---|
| $ | the Belize dollar unless otherwise stated |
| bn | billion |
| mn | million |
| mt | metric tons |
| n.a. | not available |
| n.i.e. | not included elsewhere |
| ps | pound solid |

## Conventions:

1. Since May 1976, the Belize dollar has been fixed to the US dollar at the rate of US$1.00 = BZ$2.00
2. The 2016 figures in this report are provisional and the figures for 2015 have been revised.
3. Unless otherwise indicated, the Central Bank of Belize is the source of all tables and charts.

# Table of Contents

# Directors and Principals

At 31 December 2016

BOARD OF DIRECTORS

John Mencias - Chairman

Nestor Vasquez - Vice Chairman

Alan Slusher - Member

Nigel Ebanks - Member

Amb. A. Joy Grant - Governor, Ex officio Member, (October - December 2016)

Glenford Ysaguirre - Former Governor, Ex officio Member, (January - September 2016)

Joseph Waight - Financial Secretary, Ex officio Member

Christine Vellos - Deputy Governor, Ex officio Member

Marilyn Gardiner-Usher - Deputy Governor, (Alternate)

PRINCIPAL OFFICERS

Amb. A. Joy Grant - Governor

Christine Vellos - Deputy Governor, Research

Marilyn Gardiner-Usher - Deputy Governor, Operations

Timothy Grant - Director, Human Resources

Angela Wagner - Director, Administration

Hollis Parham - Director, Finance

Diane Gongora - Acting Director, Financial Sector Supervision

Azucena Quan-Novelo - Director, Research

I. Rabey Cruz - Director, Information Technology

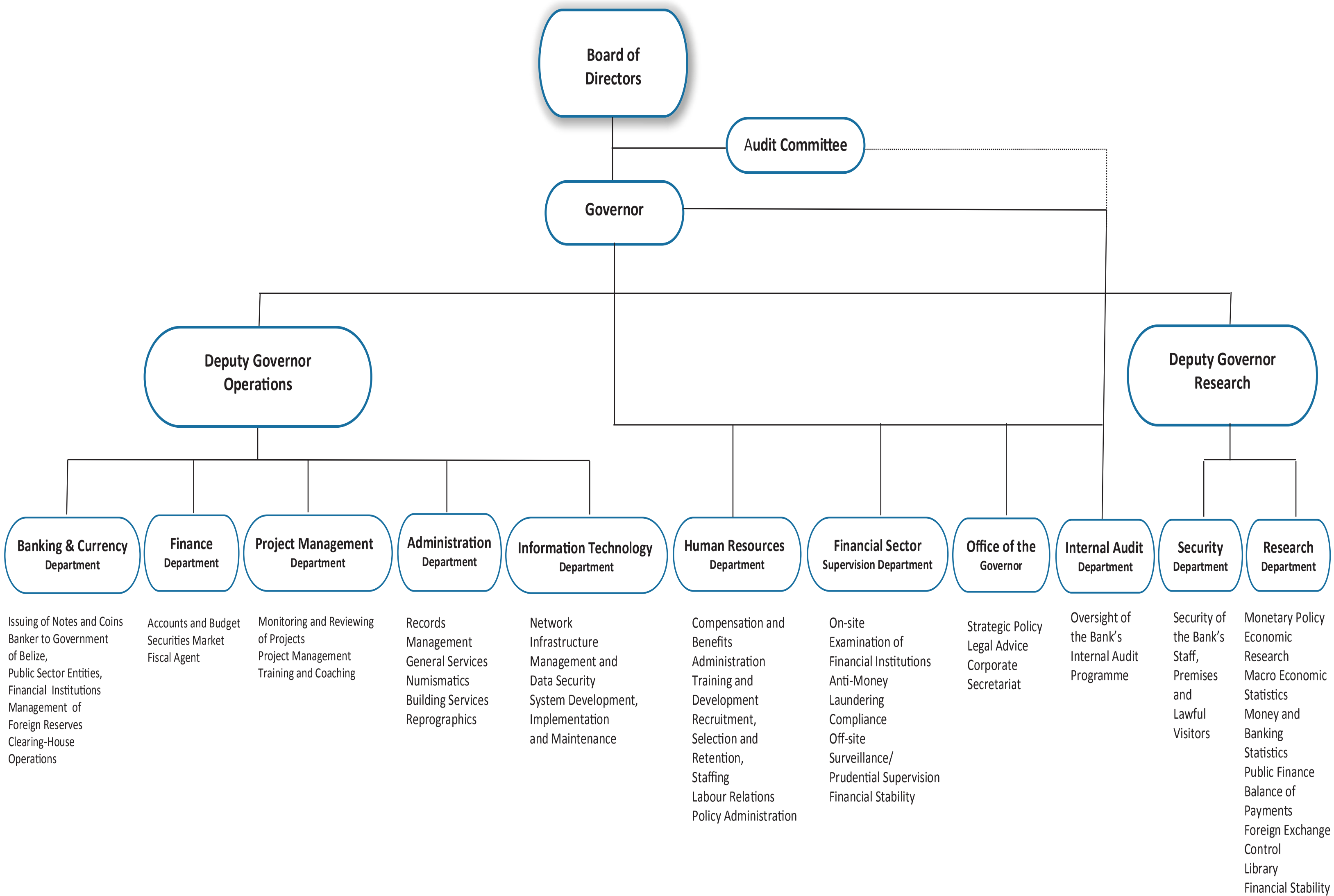
Effie Ferrera - Director, Internal Audit

Francis Thomas - Director, Security

Michelle Estell - Director, Banking & Currency

Sheree Smiling Craig - Director, Project Management

# Functional Chart



# Governor's Statement

During the year, the country faced substantial challenges stemming from the continuing problems banks were experiencing in maintaining their correspondent relationships. Adding to the financial challenges were a sharp reduction in export earnings and larger than expected foreign payments by the public sector that led to a weakening of the Government's financial position and an increased need for borrowing from the domestic financial system. As these events unfolded, the authorities acknowledged the need for fiscal consolidation and indicated that this would be undertaken in 2017.

Correspondent relationships were eventually arranged for all banks nearing the end of the year, however, the links were not as extensive and the range of services less than those previously provided. Businesses and the general public therefore continued to face delays in making international payments, increased transactions costs, less favourable credit terms and intensified scrutiny of transactions. Belize's difficulties with international correspondent banking relationships form part of a global problem affecting banks and financial institutions that are not headquartered in the developed countries. For reasons that have still not been fully clarified, but which are related to changes in the regulatory stance of the developed countries with respect to infractions of various kinds, large first-tier banks are now less willing to engage in relationships with overseas institutions, especially those in small developing countries where the likely gains from transaction fees and charges are relatively small.

Given the threat posed by difficulties or delays in effecting international payments, efforts to strengthen correspondent banking arrangements are continuing at the global small-states' level with the involvement of the international development institutions. The very existence of countries that are dependent on trade is on the line.

Turning the focus more specifically to Belize's international trade performance, disease and adverse weather conditions caused shortfalls in agricultural and marine production, and petroleum output declined further during the year. This resulted in reduced earnings from exports of goods that were only partially offset by continuing growth in tourism inflows. Meanwhile, although there were tentative signs that marine production would recover, the outlook for the banana and citrus industries was uncertain, and confirmation was received that the prospective decline in European sugar prices would indeed occur in the latter part of 2017.

Facing these challenges, the Central Bank of Belize rose to the occasion, putting in place arrangements to reallocate foreign exchange supplies among the domestic banks in order to satisfy customer requirements, and also selling from its holdings to cover some of the needs of the domestic system. While the situation had not returned to full normalcy by year-end, it was much improved; bearing in mind that full normalcy would require fully functional international correspondent relationships. The Bank maintained effective dialogue with domestic banks on the financing of productive sector operations, in recognition of the need for expansion

# Governor's Statement *continued*

in domestic exports if the country's import requirements are to be satisfied into the future. Arrangements were also made to facilitate the larger than expected public sector financing requirements, funded mainly through an increase of Government securities that were taken up by institutional investors, the commercial banks and the Central Bank itself. While foreign holdings declined, at 69.0%, the Bank's external assets ratio remained comfortably above the minimum required level of 40.0%, and its gross official reserves were sufficient to cover an estimated 4.5 months of merchandise imports, which is above the 3-month international benchmark.

After five years of effort directed at reducing non-performing loans in the system, the success of the Central Bank's provisioning policy for domestic banks was apparent. At year-end, the ratio of non-performing loans (net of specific provisions) to total loans in the banking system stood at 3.0%, below the 5.0% international benchmark and well below the double-digit level at the start of policy implementation.

For 2016, the Central Bank is also able to point to successful completion in some cases, and progress in others, of a number of major projects, some of them internal, but all designed to improve or increase efficiency and effectiveness in the conduct of its operations. A centerpiece of its National Payment System (NPS) reform effort was the October launch of the Automated Payments and Securities Settlement System (APSSS), which enables funds to be transferred electronically between banks. Parliament's approval of the NPS bill and consequential amendments to the Electronic Transactions Act, the Central Bank of Belize Act, and the Domestic Banks and Financial Institutions Act were also important milestones. The Bank's centralized database for monetary and financial statistics went live at year-end and its work on the draft legal framework for a credit reporting system is also substantially complete. The planned projects for 2017 include: financial literacy outreach; money and capital markets development and the related legal frameworks; and increasing involvement with the community. The Central Bank's portfolio of responsibilities is also being expanded to include supervision of moneylenders during 2017.

The Bank is fully aware of the critical importance of its role in managing the financial system, and of the important part it plays in the economic and social development of Belize. Its intention in the year ahead and into the future will be to support further the broadening and deepening of the financial system; to increase system robustness and resilience; to strengthen public confidence in the financial system; and, most importantly, to preserve the stability of the domestic currency.

For all efforts to date in this regard, I want to thank the Board of Directors and staff of the Central Bank for their dedication and hard work.

Amb. A. Joy Grant
Governor

# Central Bank Operations

## Governance

The Board of the Central Bank of Belize is comprised of three ex-officio members (the Governor, a Deputy Governor, and the Financial Secretary) and four other members who are appointed by the Minister of Finance. On 15 February 2016, Mr. Nigel Ebanks was appointed to the Board to replace Director Ms. Vanessa Retreage, who had left in November 2015 to take up a new appointment as Belize's Attorney General. Ambassador A. Joy Grant replaced Mr. Glenford Ysaguirre as Governor at the beginning of October 2016.

Section 12 (1) of the Central Bank of Belize Act requires no less than ten Board meetings in each year, on dates designated by the Chairman. A quorum requires three members, one of whom must be the Governor or a Deputy Governor. Board decisions are by majority of votes cast with the presiding Chairman having a second or casting vote in the event of a tie.

In 2016, the Board met 15 times during which consideration was given to 14 board decision papers and 61 information papers. All meetings were held at the Central Bank building in Belize City.

Attendance at Board Meetings in 2016:

| | |
|---|---|
| John Mencias - Chairman | 15 |
| Nestor Vasquez - Vice-Chairman | 14 |
| Alan Slusher - Member | 14 |
| Nigel Ebanks - Member | 11 |
| Amb. A. Joy Grant - Governor (ex officio) | 5 |
| Glenford Ysaguirre - Former Governor (ex officio) | 10 |
| Joseph Waight - Financial Secretary (ex officio) | 14 |
| Christine Vellos - Deputy Governor (ex officio) | 15 |
| Marilyn Gardiner-Usher - Deputy Governor (alternate) | 15 |

## Conduct of Board Members

On taking up appointment, 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. Members must satisfy general conditions of qualification of Directors as laid out in Section 15 of the Central Bank of Belize Act, and adhere to the standard of conduct for Board Members and Code of Conduct for members who are Executives of the Central 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:

- Discharge their duties with care and diligence;
- Act in good faith, and in the best interest of the Central Bank;

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

## Audit Committee

The Central Bank's Audit Committee is chaired by non-executive director, Alan Slusher, and is comprised of one other non-executive director, Nestor Vasquez, and the Deputy Governor Operations (Marilyn Gardiner-Usher). The Chief Internal Auditor (Effie Ferrera) acts as secretary to the Committee.

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

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

## Internal Audit

Internal Audit conducted independent assessments to provide assurance that the Bank's risk management, governance and internal control processes were operating effectively during the year. Assurance audits were conducted on treasury functions, banking operations, securities auctions and fixed assets. Special audits were done on staff benefits, physical security and information technology general computer controls. The reports were shared with the Audit Committee, whose Chair subsequently updated the Board on the findings.

The Audit Committee also met with key personnel of the Bank and the external auditors to review and discuss the annual financial statements and the external auditor's letter of recommendation prior to Board submission.

## Monetary and Financial Stability

The exchange rate peg to the United States (US) dollar is the anchor for domestic prices. The Central Bank therefore continued to focus on monetary and exchange rate stability as its highest priority. During the year, even with high levels of liquidity and declining interest rates, bank credit to the private sector grew at a rather slow pace. The Central Bank, therefore, chose to maintain the statutory and cash reserve requirements at 23.0% and 8.5%, respectively. In the Treasury bill market, notwithstanding the sizeable liquidity overhang, there were signs of waning interest in Treasury bill rollovers with some being undersubscribed mainly due to the extremely low yields. Consequently, the Central Bank began to gradually lower its bidding price for residual balances to gently nudge the yield higher. After declining steadily up to April when it bottomed out at 0.02503%, the yield gradually recovered to end the year at 0.05487%. New issuances of Government paper ($255.0mn in Treasury notes and $15.0mn in Treasury bills) in several tranches had only a modest impact on bank liquidity. Their excess cash balances dipped by 4.4% to a level that was 153.0% above the legal requirement. Approximately 56.0% of the new Treasury notes were taken up by the domestic banks, other financial institutions and institutional investors, and the balance was purchased by the Central Bank.

The sale of securities facilitated the Government's payment of the first half of balances owed for the Belize Telemedia Limited (BTL) nationalization, and since this payment was in US dollars, the negative impact on the foreign reserves was immediate. After averaging 5.1 months of merchandise imports in the first half of the year, the gross official reserves fell to 4.5 months of import coverage at year-end. The regional benchmark is 3 months of coverage. The banking system also had to reckon with the negative impact of the loss of correspondent bank relationships, as this affected the management of foreign reserves, as well as the viability of the international banking and money transfer service sectors. There was, however, some easing in the third quarter of the year, as correspondent relations were restored for all domestic banks. Additionally, with balance sheet improvements in capital and asset quality, the stability index for the domestic banks improved during the year.

"The Bank's concerted marshalling of resources using the project management discipline paid off with major advances on several strategic projects during the year".

## Strategic Initiatives

The Central Bank continued to execute its three-year strategic plan in 2016 with the following key objectives:

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

The Bank's concerted marshalling of resources using the project management discipline paid off with major advances on several strategic projects during the year. Foremost among them was the launching of the electronic backbone of the National Payment System (NPS) project (to provide effective systems for the exchange of money between transacting parties from an account at one bank to an account at another bank) and a central securities depository (CSD) (for electronic management and registration of government securities). The Time Series Database Management System (TSDMS) project (aimed at improving the efficiency of storage and management of monetary and financial statistics in a central database) and the Heat Ventilation Air Conditioning System (HVAC) project (to improve the efficient management of the Bank's internal environment) were also completed, and both systems went live at the end of the year. Other accomplishments included the continued rollout of the Bank's enterprise business solution (EBS) with the implementation of the payroll module.

"Foremost among them was the launching of the electronic backbone of the national payment system project..."

*NPS Project*

The objectives of the NPS reform and development project are: to provide effective mechanisms for the exchange of money between transacting parties; to enable the management, reduction and containment of systemic and other payment-related risks; and to promote systems that effectively contribute to Belize's financial stability, economic growth and financial inclusion.

The NPS reform thus far has achieved two major milestones – the electronic funds transfer (EFT) infrastructure and the legal framework. The EFT infrastructure includes an automated clearing house (ACH) for low-value payments and a real-time gross settlement system (RTGS) for high value payments, linked to a CSD. The CSD supports Government's debt management operations by enabling automated primary auction and registration of Government securities. Together, these components comprise a single system named the Automated Payments and Securities Settlement System (APSSS) of Belize. In order to ensure uninterrupted operations, system redundancy and the highest level of network security, management and resiliency, APSSS is supported by a robust information technology and communication infrastructure, which meets international security and disaster recovery standards.

"APSSS was launched on 21 October 2016, and domestic banks are now able to operate at a higher level of efficiency in providing payment services..."

APSSS was launched on 21 October 2016, and domestic banks are now able to operate at a higher level of efficiency in providing payment services, while customers have more payment options and access points through a fast, safe and reliable system. The cheque processing function of the ACH is slated to go live in July 2017.

In December 2016, Parliament approved the bills for the NPS, along with consequential amendments to the Electronic Transactions Act, the Central Bank of Belize Act and the Domestic Banks and Financial Institutions Act. The amendment to the Treasury Bill Rules was also completed. The NPS Act provides for the

APSSS Launch

Central Bank to establish, own and operate a payment system and delineates the Bank's oversight role. The amended Treasury Bill Rules provides for auction of Government securities, as well as registration of their ownership in electronic format. Work also continued on drafting the regulations for the NPS and CSD, with the aim of completing this exercise in the second quarter of 2017.

*EBS Project*

The objective of the EBS project is to provide timely enterprise-wide information for coordination of the Bank's operations. The system comprises the General Ledger, Accounts Payable, Inventory, Supply Chain, Fixed Asset, Enterprise Budgeting, Payroll and Human Resources Modules, of which the latter is expected to be completed in 2017. The Payroll Module was rolled out during the year, while ground work on data gathering, job analysis and other implementation activities continued on the Human Resources Module.

*TSDMS Project*

Originally scheduled for launching at the end of March, the TSDMS project aims to establish a centralized database for economic, monetary and financial statistics so as to improve the efficiency of the Central Bank's data management processes. The database replaces the legacy excel-based system, and its built-in functionalities facilitate easier access to information and time-series analysis that will enhance policy formulation and prudential regulation. The database employs a platform that is more robust and offers a higher level of data integrity and security. The system went live at the end of 2016, and refresher training for financial institutions' participants and Central Bank staff will continue into the first part of 2017.

The TSDMS went live at the end of 2016..."

The installation of the HVAC System 2016

*HVAC Project*

A new HVAC system was fully commissioned in September 2016 to replace the Bank's outdated system. The main objectives were to improve energy efficiency and to deliver thermal comfort in the working environment. Since its commissioning, the hoped for energy efficiency gains have been realized, as in addition to providing stable and reliable temperature, the HVAC system has the added facility for temperature control within individual work areas.

*Security*

A project to modernize the Bank's security management system to avoid and mitigate potential threats progressed in 2016. The Central Bank initiated a structured evaluation process to define the development approach, scope of work, budget estimates and the cost of professional security design and consulting services. The Bank's project coordinators expect to move forward in 2017 by hiring a consultant in the first quarter and a vendor by the third quarter.

*Website*

The effort to improve the effectiveness of the Central Bank's website continued with preparations for the undertaking of a qualitative audit and analysis of the site content in 2017. Through 2016 and early 2017, the Central Bank partnered with its website developer to provide training to strengthen staff's capacity to conduct a strategy review and content audit.

## Human Resources

Guided by its objective of assuring readiness of human, information and organizational capital, the Central Bank maintained focus on fostering an engaged, motivated and satisfied workforce and building competency through specialized training.

### *Training and Development*

The staff of the Financial Sector Supervision and Research Departments participated in specialized training provided by the World Bank, International Monetary Fund (IMF), US Federal Reserve and CARTAC in subject areas pertaining to supervision of banks and credit unions, the compilation of balance of payments statistics, national accounts, payment systems and detection of financial crimes. With a view to increasing the effectiveness and breadth of its coverage, Internal Audit Department staff received training to facilitate the detection of money laundering as well as in auditing methods tailored to information technology systems. Staff of the Information Technology Department participated in seminars on SQL databases and CISCO implementation and security, and other Bank staff at the professional, supervisory and auxiliary levels participated in various in-country and on-line training programmes covering emotional intelligence, financial programming, monetary policy, records management, labour negotiation and security procedures.

In a ground-breaking cooperative endeavor to strengthen the Central Bank's Security Department, all Security Officers underwent training by the Police Department and were subsequently sworn in as Special Constables. Among the subject areas covered

Security Officers' Swearing-in Ceremony as Special Constables were powers/methods of arrest, justifiable force or harm, degrees of crime and criminal liability, and observation and perception.

The Bank's outreach to other domestic financial institutions included training sessions in the use of the time series database interface to facilitate submission of the required reports and the process of migrating national payment methods from the traditional manual approach to APSSS, the automated payment systems platform.

CARTAC consultants visited during the year to provide technical assistance designed to strengthen and build the Bank's capacity for effective surveillance of the financial system's stability. The specific areas of focus were requirements for implementation of BASEL II and the development of financial stability indicators for the credit unions.

### *Staffing and Employee Relations*

At year end, the Central Bank's staff complement was 180, of which four were employed on contracts of service, four were temporary staff and two were part-time workers. Eleven persons joined the Bank during the year, and eight persons left its employ, including two retirees. There were eight promotions: two to the management grade, one to professional grade one, three to professional grade two, one to security officer grade two and one to the senior auxiliary grade.

At the Annual Employee Recognition Ceremony, employees who reached notable milestones during the period, 1 July 2015 to 30 June 2016, were recognized and

Emotional Intelligence Training

rewarded. Twenty-eight employees were rewarded for their commitment and long service to the Bank, the largest number since the Bank started this award. Long service awards for employees consisted of ten employees for ten years of service, eight for 15 years, two for 20 years, six for 25 years and two for 30 years. The Bank continued to promote effective teamwork across the organization, and employees were recognized for their contribution to teams that completed strategic cross-functional projects.

### *Compensation Study*

The Hay Group was engaged in the third quarter of 2015 to undertake a comprehensive study of compensation packages at other organizations in Belize. The Central Bank is now in receipt of its report and is considering the recommendations.

### *Corporate Relations/Community Service*

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

Concern for the needy inspired the Central Bank and its staff to donate to the annual Salvation Army Christmas Appeal, the Belize Cancer Society and the Kidney Association of Belize. Bank staff also participated in the Annual Cancer Walk in solidarity with those afflicted by cancer and participated in the 5th Annual Labour Day Clean-up Campaign in Belize City.

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

## Oversight of the Financial System

Notwithstanding challenges to the system as a result of the loss of correspondent banking relationships, the Central Bank's enhanced monitoring programme led to continued improvements in financial sector performance. By the end of 2016, the domestic and international banks had further improved their asset base and reduced the level of their non-performing loans (NPLs). On the down side, the credit unions recorded growth in NPLs due to the reclassification of some loans to non-performing status. In general, the financial institutions (domestic banks, international banks and credit unions) remained profitable and above the minimum capital requirements.

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

### *Acquisition of FCIB Branch*
The acquisition of the local branch of FirstCaribbean International Bank (Barbados) Limited (FCIB) by Heritage Bank Limited (HBL) was completed in a smooth and seamless fashion in the month of January. While the acquisition boosted HBL's assets and liabilities, and strengthened some aspects of its prudential performance such as lowering its NPL ratio, in ranking, it remained the fourth largest bank in the domestic system.

**"The acquisition of FCIB by Heritage Bank Limited was completed in a smooth and seamless fashion in the month of January."**

### *Moneylenders*
As mandated by the National Anti-Money Laundering Committee, the Central Bank participated in an interagency working group to strengthen the legal framework for moneylenders. At the end of the year, Parliament passed the Moneylenders (Amendment) Act, which transfers oversight responsibilities for moneylenders from the Ministry of Finance to the Central Bank. The Act is slated to take effect on 1 April 2017.

As a result of the new legislation, the regulatory regime for moneylenders is being modernized with regulatory, supervisory and enforcement powers conferred on the Central Bank that are consistent with international standards. The change in oversight body is expected to bring about additional focus on monitoring and the implementation of measures to identify and mitigate AML/CFT risks in the sector. The highlights of the legislation include fit and proper requirements, as well as powers to supervise, to issue regulations and guidelines and to take enforcement action, issue directives and impose administrative penalties.

### *National Risk Assessment (NRA)*
In July 2016, Belize embarked on its first National Risk Assessment, as the country

began preparation for the 4th Round of Mutual Evaluation by the Caribbean Financial Action Task Force, which is scheduled for 2021. The NRA project is led by the National Anti-Money Laundering Committee and is coordinated by the Financial Intelligence Unit.

The NRA review is divided into six areas, each of which is assigned a working group. As the supervisory authority, the Central Bank is tasked with the responsibility of chairing both the Banking Sector and the Other Financial Services and Securities Sector Working Groups. The main objective of each working group is to better understand the money laundering and terrorist financing threats and vulnerabilities of the sector and to develop and implement an action plan that will strengthen the sector's AML/CFT controls. The assessment will require the input and cooperation of institutions/stakeholders in each sector and is expected to be completed by 2018.

*Correspondent Banking Relations (CBR)*

The de-risking measures of global correspondent banks that negatively impacted the banking system in 2015 continued to disrupt the cross border flow of funds and hinder the provision of associated financial services by the country's international and domestic banks in 2016. It was notable that the original spate of CBR losses in 2015 occurred at a time when the Caribbean Financial Action Task Force had recently recognized Belize as having obtained a significant level of compliance with AML/CFT standards. Although the correspondent banks' rationale for severing the CBRs was not clearly cited, the reasons proffered were generally linked to a change in risk appetite, profitability margins and the unwillingness of correspondent banks to bear the cost of account monitoring, given the limited business returns to be reaped from small jurisdictions like Belize.

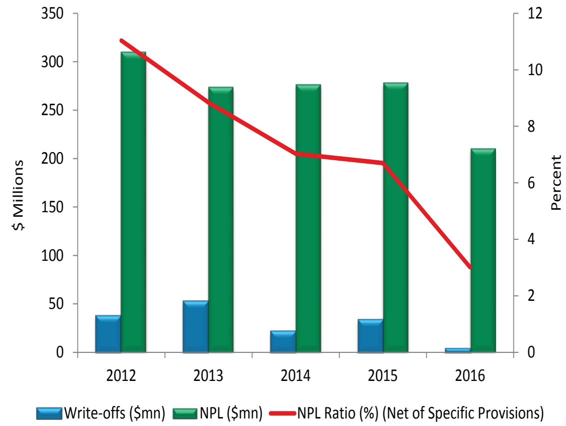
"The de-risking measures of global correspondent banks that negatively impacted the banking system in 2015 continued to disrupt the cross border flow of funds..."

During 2016, the Government and the Central Bank worked with the domestic and international banks to facilitate cross border payments and re-establish CBRs, which are necessary for international trade and the promotion of the country's economic, financial, exchange rate and social stability.

*Domestic Banks*

During the year, domestic banks were challenged by the disruptions to cross border financial payments and services, the substantial liquidity overhang and slow credit growth. Nonetheless, they continued to improve their balance sheets with the non-performing loans (net of specific provisions) to total loans ratio (NPL ratio) reducing from 6.7% to 3.0% over the year due to loan write-offs of $52.8mn, additional provisions of $4.6mn and loan growth of $29.3mn. Since the Central Bank's implementation of new standards for loan loss provisioning on 1 December 2011,

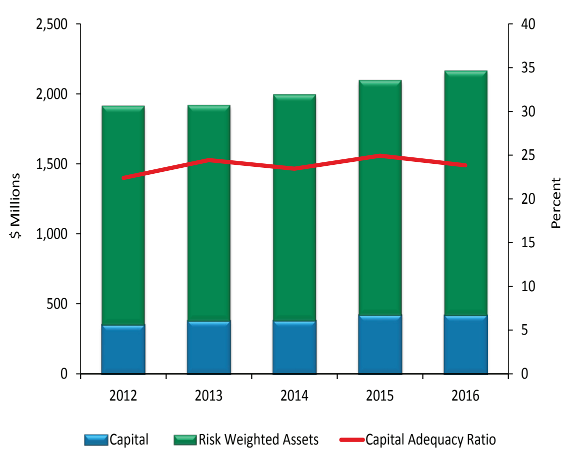
Chart 1.1: Domestic Banks - Asset Quality




NPLs have fallen by $129.3mn, with the largest reduction of $67.9mn occurring in 2016.

The improvement in the banks' loan portfolios underpinned a second consecutive year of operating in the black with reported profits of $20.1mn that were 24.0% lower than that of the previous year primarily due to provisions for loans that became non-performing. The increase in provisions contributed to declines in the annual return on assets (ROA) from 0.85% to 0.62% and return on equity (ROE) from 6.23% to 4.79%, compared to the international benchmark of 1.0% for both indicators.

Chart 1.2: Domestic Banks - Capital Adequacy




The aggregate capital of the system also edged down by 1.8% to $417.3mn as a result of the expensing of provisions for the NPLs. The capital adequacy ratio (CAR) consequently dipped from 24.9% in 2015 to 23.8%, which was still more than two and a half times the 9.0% regulatory requirement. Of note was the fact that the system's CAR masked a sizeable disparity among banks, with CARs ranging from 12.5% to 107.3%.

## *Credit Unions*

In 2016, the five largest credit unions accounted for 94.6% of the assets of all credit unions and generated almost all (95.5%) of the $37.4mn of annual sectoral profits. The aggregate asset base for this sector rose by 8.6% to $906.3mn with loans accounting for 68.4%. During the year, credit union loans rose by $50.8mn and profits were up by $3.5mn. As a result, improvements were recorded in both ROA (from 4.18% to 4.26%) and ROE (from 24.36% to 24.50%).

On the down side, NPLs worsened and raised the NPL ratio (net of specific provisions) from 3.9%

Chart 1.3: Credit Unions - Profitability

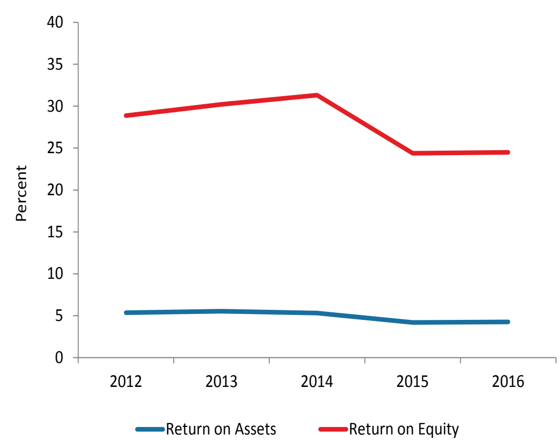
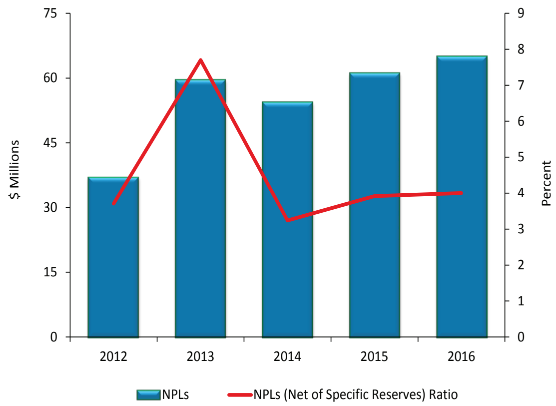


Chart 1.4: Credit Unions - Non-performing Loans




to 4.0%, which was still below the international benchmark of 5.0%. While the aggregate ratio was below the threshold, two credit unions exceeded the 5.0% benchmark, with the classification of certain legacy loans by one of the two being a main contributor. Credit unions are legally required to maintain a net institutional capital ratio of 10.0%. While most credit unions showed improvements, the aggregate net institutional capital ratio, nevertheless, edged down from 10.7% to 10.6%.

### *International Banks*

Isolated difficulties in obtaining correspondent banking relations continued to negatively affect

Chart 1.5: International Banks - Asset and Liabilities

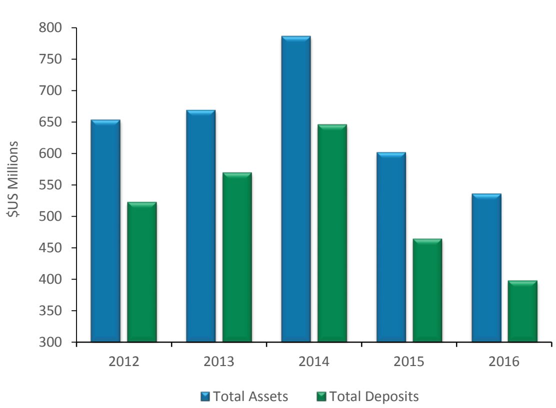
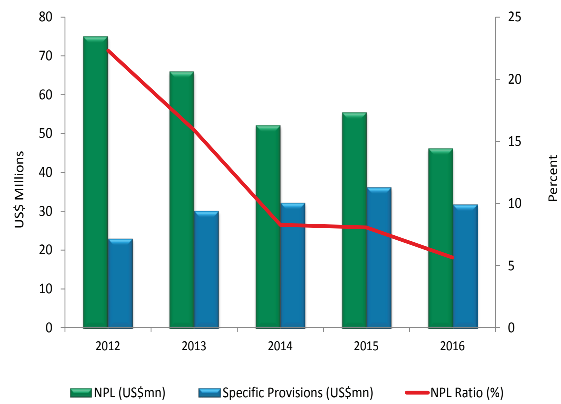



Chart 1.6: International Banks - Assets Quality



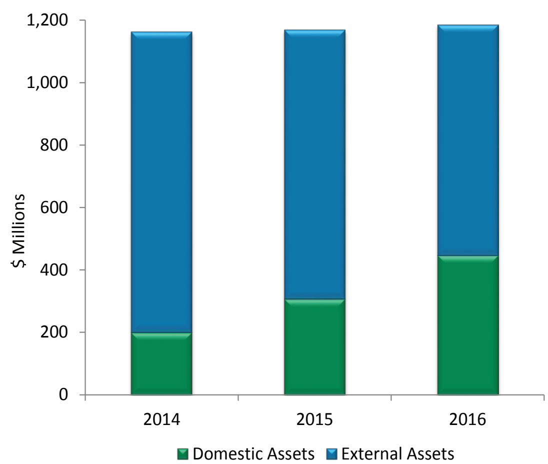

the performance of the international banks during 2016, as customers further reduced their deposits in the affected banks by 14.3%. The aggregate assets of the sector consequently decreased by 10.3% to US$539.9mn, a second year of decline, even as total lending expanded by 7.0% to US$257.0mn.

The continuation of the effort to clean-up balance sheets included US$20.2mn in loan write-offs that caused the group's NPL ratio to fall from 8.1% to 5.7%, which is just above the 5.0% international benchmark. Their gross NPLs closed the year at US$46.3mn. The write-offs caused aggregate profits to decline from $5.1mn in the previous year to US$4.2mn, so that ROA consequently dipped by one basis point to 0.76% and ROE decreased from 6.21% to 5.24%. At 24.6%, the capital adequacy ratio of these banks was well in excess of the 10.0% legal requirement and provided a good buffer for the credit risk on their existing portfolios.

## Financial Performance

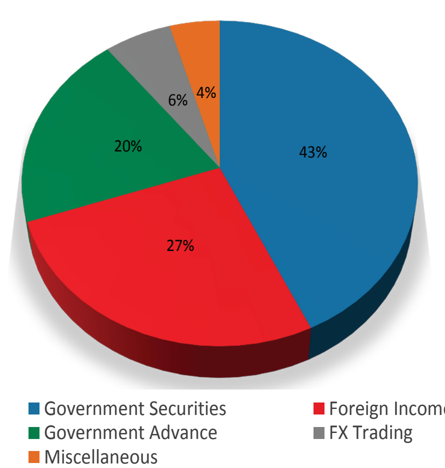
For the third consecutive year, the Central Bank's total assets remained at $1.2bn with a $139.0mn increase in its domestic assets being matched by an almost equal decline in foreign assets. The latter was mainly attributable to Government's external

Chart 1.7: Assets




payments of $204.0mn to the Ashcroft group of companies (Dunkeld International Investment Ltd. and The Trustees of the BTL Employees Trust) to settle liabilities for the acquisition of BTL. While total assets remained virtually stable, the share of the higher yielding domestic assets rose from 26.6% in 2015 to 37.6% due to increased financing provided to Government via the purchase of securities and greater usage of the overdraft facility. Consequently, gross income rose by $4.4mn to $31.6mn with 73.3% derived

Chart 1.8: Foreign and Local Income




from local sources, such as government securities, Central Government's overdraft facility and foreign exchange trading.

At year-end, foreign assets had declined by 14.3% and accounted for 26.7% of total income. While still at historically low levels, international interest rates edged up and helped to keep foreign interest income just marginally below the level of the previous year. Apart from the traditional investments in fixed deposits, the Central Bank realized some capital gains from the timely trading in US securities.

Expenditure rose by 12.4% to $20.7mn, with staff costs, interest and currency payments, and other administrative and operating outlays representing 51.5%, 13.9% and 34.6%, respectively. The amount expended was $2.2mn below budget, mostly due to the rescheduling of strategic projects and vacant positions in the Bank. With higher income from Government securities and the overdraft account, the Bank's net operating surplus increased by $2.1mn to $10.9mn.

During the year, Section 8 of the Central Bank of Belize Act was amended to enable the Central Bank to hold more Government securities in support of Government's debt operations, especially in view of its need to increase the issuance of securities to finance the final BTL settlement payment in the following year. Pursuant to this amendment and Section 9(1), $9.8mn of the surplus, representing the 90.0% that is Government's customary share, will be transferred to the Bank's capital account to pay a significant portion of the required $10.0mn increase in the Bank's authorized capital. The remaining $1.1mn, representing 10.0%, will be applied to the Central Bank's General Reserve Fund.

Chart 1.9: Trade in Foreign Currency

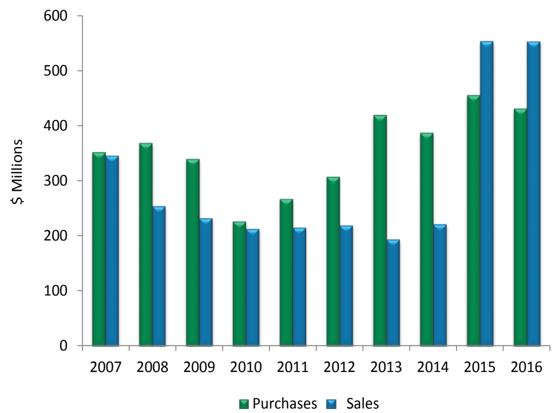
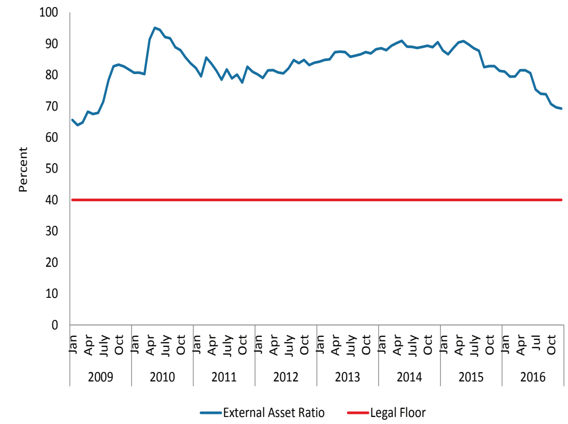



Chart 1.10: External Asset Ratio




## Foreign Exchange Operations

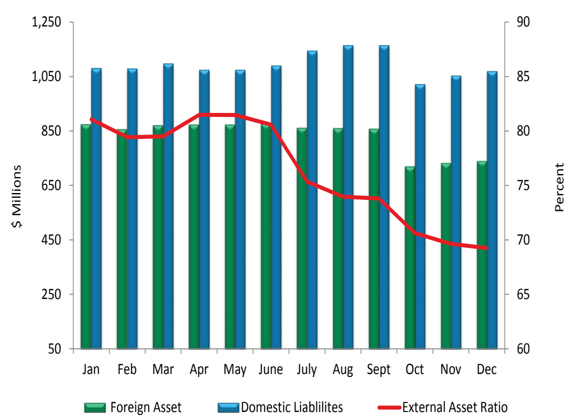
The Central Bank's foreign currency trading with the Government, public sector entities, commercial banks, foreign governments and agencies and regional central banks resulted in net foreign currency sales of $122.0mn in 2016. The largest inflows were from Belize Sugar Industries Limited (US$27.2mn), Alba Petro-Caribe (US$19.8mn), the Caribbean Development Bank (US$23.0mn) and the Republic of China/ Taiwan (US$10.0mn). An aggregate amount of US$18.5mn came from the international company and ship registries, the International Bank for Reconstruction and Development and the Inter-American Development Bank (IDB). The largest outflows were to facilitate the Government's settlements with Dunkeld International Investment (US$74.3mm), the Belize Telemedia Employees Trust (US$23.8mn) and the two interest payments, which summed to US$26.4mn on the 2038 bond. Trading in CARICOM currencies resulted in net sales of $2.0mn during the year that were mainly for the settlement of official transactions.

## External Asset Ratio

The Central Bank was fully compliant with Section 25(2) of the Central Bank of Belize Act 1982, which stipulates that the Bank should maintain external assets amounting to at least 40.0% of the currency notes and coins in circulation and its domestic deposit liabilities. This legal threshold is aimed at ensuring that the bank maintains foreign reserves at adequate levels to meet the country's external obligations.

The Central Bank began 2016 holding $864.4mn in foreign assets. In the first six months holdings rose to $878.4mn; however, the BTL settlement payments subsequently accounted for a sizeable reduction. Payment of the first and smaller

Chart 1.11: Monthly External Asset Ratio



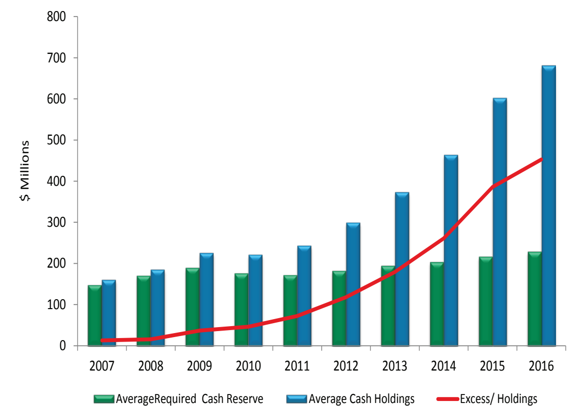
portion in July commenced the decline and the lowest point of $721.4mn was reached in October, when a substantially larger portion of the BTL settlement payment was made. Thereafter, there were modest gains that raised the Bank's foreign assets to $741.0mn at year-end, 14.2% lower than its December 2015 position. The Bank's holdings were comprised of 82.5% in cash and fixed deposits, 8.0% in foreign securities and 9.5% in special drawing rights (SDRs).

The external asset ratio fluctuated closely around the 80.0% level in the first half of the year. During the remainder of the year, the ratio moved downward to end the year at 69.3%, with the downward movement reflecting, in the first instance, a fall in foreign assets while domestic liabilities increased, and later on, faster growth in domestic liabilities relative to foreign assets.

The generally upward movements were in the second quarter when the ratio peaked at 81.5%. The boost to the ratio was associated with loan inflows from Alba Petro Caribe, sugar receipts from BSI, taxes and royalties from Belize Natural Energy (BNE), US dollar cheque clearing services provided to commercial banks, loan/grant receipts from Republic of China/Taiwan (ROC/Taiwan) and revenues from the international ship and business company registries.

The payments for BTL caused the ratio to sink by five percentage points to 75.3% in July and by three percentage points to 70.6% in October. There were also dips in February and August associated with the semi-annual interest payments on the 2038 bond. Since the foreign currency payment in October was matched by a corresponding decline in domestic banks' local currency deposits, this also caused the Central Bank's domestic liabilities to fall in that month. The foreign asset

Chart 1.12: Domestic Banks - Cash Reserves




ratio reached its lowest point in December due primarily to external payments for debt servicing and an increase in domestic liabilities reflecting an upswing in the deposits of the domestic banks plus an increase in notes and coins in circulation.

## Domestic Banks' Cash Reserves

The cash reserve requirement of the domestic banks remained fixed at 8.5% of average deposit liabilities throughout 2016. After averaging $463.8mn in the first half of the year, the average excess cash of the banks fell to $442.0mn in the second half. An overall decline of 4.4% ($19.7mn) was recorded for the year, partly due to the sale of $141.5mn in Treasury notes to financial institutions and institutional investors. Most of the reduction was in the latter months, when the local currency portion of the BTL settlement payment was removed from deposits. After falling to a low of $388.5mn in November, the excess cash reserves of the banks rose in December to finish the year at $426.0mn.

## Currency Operations

The Central Bank of Belize is responsible for ensuring that the supply of notes and coins is adequate for the needs of the public. As issuer of the domestic currency, the Bank regularly

Chart 1.13: Currency in Circulation

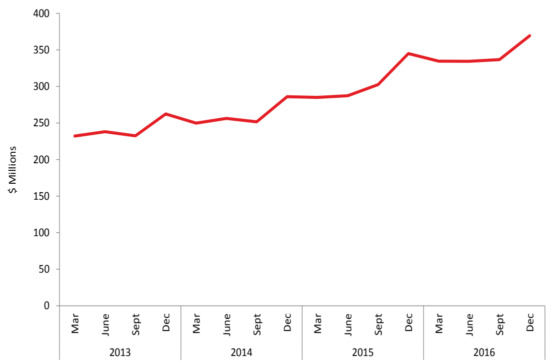
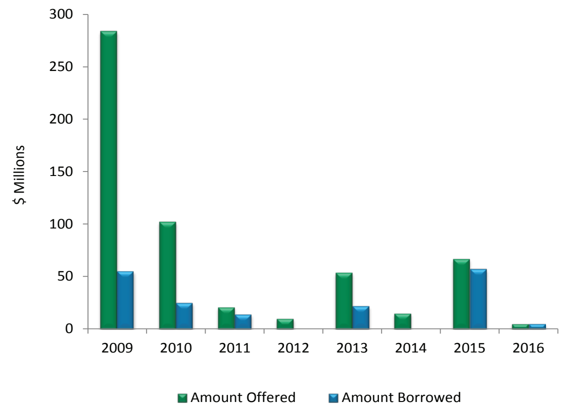



Chart 1.14: Annual Inter-bank Market Activity




replaces worn-out and mutilated banknotes that are unfit for circulation. During the year, banknotes valued at $98.8mn were removed from circulation (compared to $115.0mn in 2015) and $111.3mn new banknotes were issued (compared to $168.2mn in 2015). By the end of the year, the total value of banknotes in circulation had increased by 7.1% to $340.4mn, while coins in circulation had risen by 7.0% to $29.1mn.

Currency in circulation increased by 7.1% to $369.5mn during the year. The increase was partly attributable to employment growth in the labour intensive, cash-wages sectors of the economy, such as tourism and construction. Vault cash held by domestic banks rose by 7.8% to $58.1mn (compared to $53.9mn in 2015), and holdings by the public rose by 6.9% to $311.4mn (compared to $291.2mn in 2015). The ratio of notes and coins remained relatively constant with banknotes comprising 92.0% of total currency in circulation.

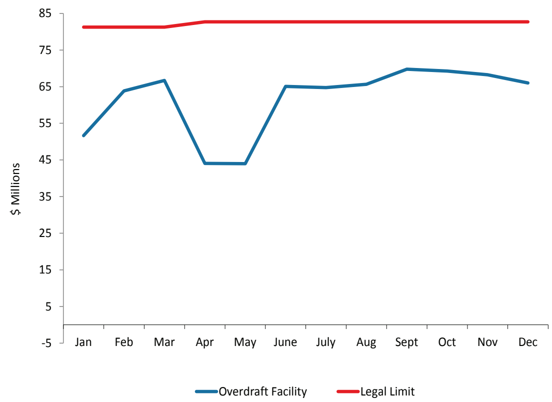
## Inter-Bank Market

Following a minor rally in the second half of 2015, inter-bank market activities reverted to dormancy in 2016, except for one placement. One offer of $5.0mn at an interest rate of 2.5% was made and successfully taken up. The interest rate was on par with the average rate for 2015.

## Transactions with Central Government

At 8.5% of current revenue collected during the preceding fiscal year, the ceiling on advances, which the Central Bank can legally extend to Central Government through the overdraft facility, was $82.7mn for the 2016/2017 fiscal year. The government maintained the balance on its overdraft account within the legislated ceiling throughout the year mostly by the issuance of new securities, tax receipts and funds obtained under the debt for nature swap and Venezuelan Petrocarobe Agreement (VPCA). In the first quarter of the year, the overdraft balance averaged $60.7mn, as the Government issued new Treasury notes in tranches of $20.0mn each in February and March to cover the first interest payment on the 2038 bond and the customary settlement of liabilities at the end of the fiscal year. The average balance declined to $51.0mn during the second quarter with tax receipts and the transfer of profits from the Central Bank contributing to a reduction to its lowest point in May. Following this, the added pressures on the Government's finances to meet several notable obligations in the third quarter caused the average overdraft balance to rise to $66.7mn. In July, $200.0mn in new Government securities were issued and the proceeds were deposited into the overdraft facility, from which

Chart 1.15: Overdraft Financing to Central Government




the requisite payments were executed. In addition to the BTL settlements, the latter included the second interest payment on the 2038 bond in August. In the last quarter, the monthly average registered a slight increase to $67.8mn with the December issuance of new Treasury notes valued at $30.0mn, and reimbursements from the VPCA and debt for nature swap facilities helping to keep the account within the legislated ceiling. At the end of December, the overdraft balance stood at $48.2mn, which was 58.3% of the legal limit.

## Treasury Bills

An additional issuance of Treasury bills raised the total outstanding from $200.0mn to $215.0mn

Chart 1.16: Treasury Bill Yield Curve

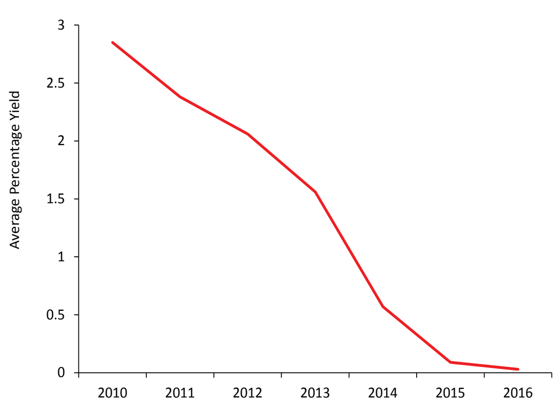
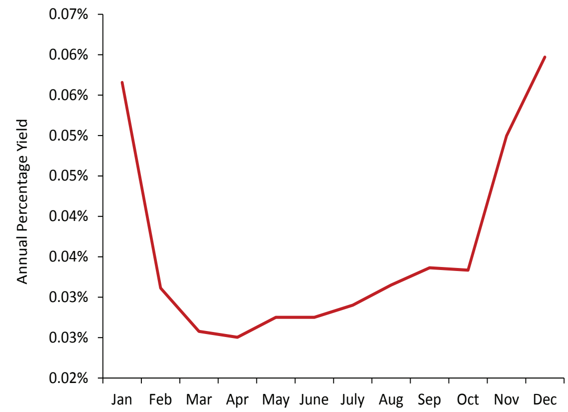
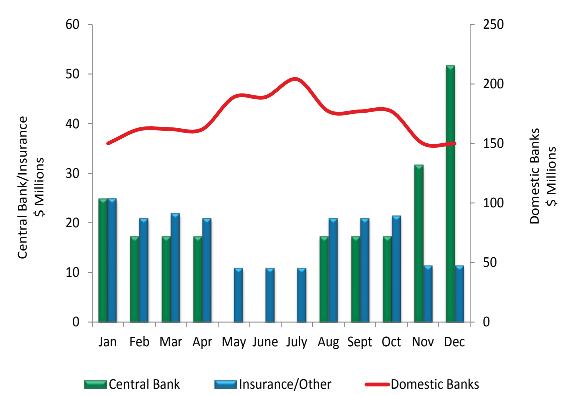



Chart 1.17: Treasury Bill Yield Curve - 2016




in 2016. High levels of liquidity in the domestic banking system kept yields very much lower than the US Treasury Bill Rate, which had started the year at 0.25% and increased to 0.52% in December. In comparison, the yield on domestic Treasury bills started the year at 0.06%, held at around 0.03% from February through October and then rose to 0.05% in November and to 0.06% in December, with the Central Bank bidding at a small premium for remaining balances after all other bids were satisfied. As a result of the exceedingly low yields, market participation by domestic banks decreased, though they remained the dominant players with only one insurance company and one institutional investor competing for allotments.

Chart 1.18: Allocations of Treasury Bills - 2016



The domestic banks held an average of $171.0mn in Treasury bills during 2016, starting off with a low of $150.0mn in January that increased to a peak of $204.0mn in July, which declined thereafter to end the year at $151.7mn. As buyer of last resort, the Central Bank held the residual amounts not taken up by other market participants throughout the year except for May through July. The Bank held $25.0mn in January and its monthly holdings averaged $17.4mn up to October, after which its holdings successively increased to $51.8mn (24.1% of the total) by the end of the year. At this point, one insurance company remained in the Treasury bill market, with 5.0% of the total. In December, the authorized ceiling on Treasury bills was raised to $400.0mn.

## Treasury Notes

The stock of Government Treasury notes increased by 113.3% to $480.0mn in 2016 with the Government issuing tranches of $20.0mn each in February and March, and an additional $185.0mn in July to enable it to meet the first half of the BTL settlement award due in 2016. In December, a further $30.0mn was issued to support fiscal operations, bringing the total increase to $255.0mn for the year. In April, the Central Bank sold $20.1mn from its portfolio of Treasury notes to domestic banks. To ensure that its holdings of securities did not exceed the maximum allowable by legislation, the Bank further divested by auctioning $95.0mn worth to financial institutions and other investors in July. In December, the Bank sold $12.5mn more, which was fully taken up by a financial institution. As a result of these sales, the Central Bank's holdings stood at 56.3% ($270.5mn) of the total at year-end, while domestic banks held 16.2% and that of other institutional and individual investors accounted for the remaining 27.5%. New and maturing issues were rolled over at lower coupon rates.

While the maximum authorized ceiling for Treasury notes was raised to $500.0mn during the year, an amendment was tabled in December to raise this ceiling to $1.0bn in preparation for the final BTL award payment due in 2017.

Chart 1.19: Treasury Note Yield Curve - 2016

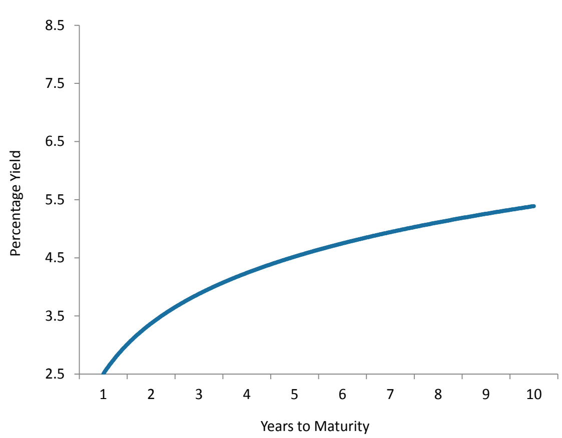
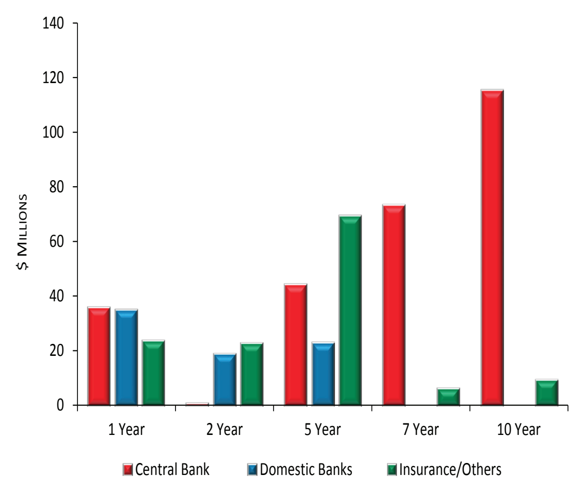



Chart 1.20: Allocation of Treasury Notes by Maturity and Subscribers



## Economic Review

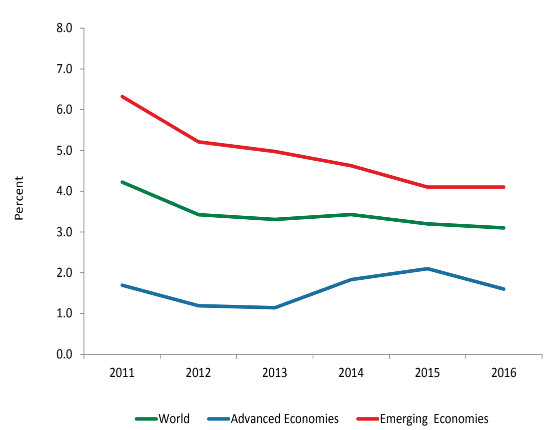
# International Developments

Risks and uncertainty increased in the advanced economies as a result of strategic pockets of geopolitical instability, a burgeoning refugee crisis and security concerns. The situation was further exacerbated by the tumultuous US presidential elections and the Brexit vote in the United Kingdom (UK). Where the developing countries were concerned, in particular, those with small open economies, the challenges were even greater due to low commodity prices, sluggish global demand, and the aggressive de-risking programme of the large international correspondent banks. For such countries, the external environment was neither welcoming nor favourable.

Emerging economies continued to outpace the more advanced economies during the year, maintaining an average expansion of 4.1% while growth in the latter slackened from 2.1% to 1.6%. As a result, global growth once again failed to gain traction, dipping from 3.2% to 3.1% with several countries remaining below their growth potential.

In the United States (US), GDP growth decelerated from 2.6% to 1.6% with declines in investment and consumption spending. However, against the backdrop of a slight uptick in inflation and marginal drop in unemployment, the US Federal Reserve took another step toward the unwinding of the monetary stimulus by raising its interest rate by 25 basis points to 0.75% in December. In the Euro Area, growth decelerated to 1.7% notwithstanding the continuation of accommodative monetary policies and increased consumption. Meanwhile, the dire predictions as to the negative impact of the Brexit vote failed to materialize in the UK. Supported by accommodative monetary policies, its economy expanded by 1.8% with improved performances in manufacturing and services.

Chart 2.1: GDP Growth Rate




*Source*: IMF

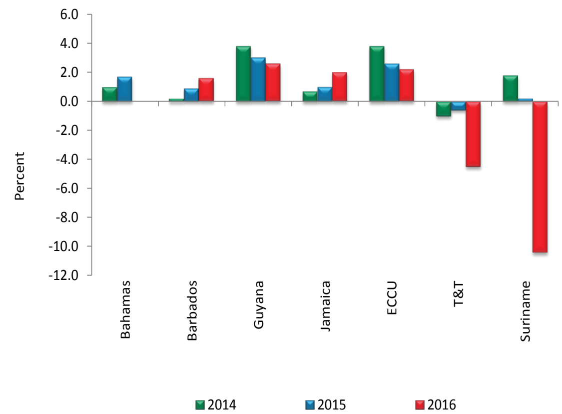
Closer to home, Mexico's growth decelerated from 2.6% to 2.2% with exports down, and consumption also being dampened by a decrease in public investment as fiscal consolidation efforts continued. In the rest of Central America the growth rate slowed from 4.7% to 3.6%. Low energy prices supported the economic expansion for net oil importers; however, exports were negatively impacted by a slackening in external demand and lower commodity prices. The results of the various fiscal consolidation efforts aimed at achieving debt sustainability were mixed, and much of the boost to private consumption in the region came from the growth of remittances that helped to compensate for the contractionary impact of the less-than-stellar performance of the external sector.

*CARICOM*

In CARICOM countries, large debt overhangs, unsustainable fiscal imbalances and hurricane damages were some of the principal challenges in 2016. While increases in visitor arrivals helped to boost economic activity in the tourism-oriented economies, the commodity producers were hit hard by falling prices.

Jamaica managed to grow by 1.1% due to increases in agriculture and tourism, but its fiscal challenges continued to be formidable with a debt to GDP ratio of 124.0%. Having achieved the targets under an IMF Extended Fund Facility, the Government agreed to a new three-year precautionary agreement with the Fund for US$1.6bn as a buffer against unforeseen shocks. Barbados recorded a 1.4% increase buoyed by tourism, construction and lower fuel prices. With its fiscal deficit at 8.2% of GDP and public sector debt at 108.0% of GDP, the key priorities were fiscal adjustment and debt management efforts.

Chart 2.2: CARICOM - GDP Growth Rate

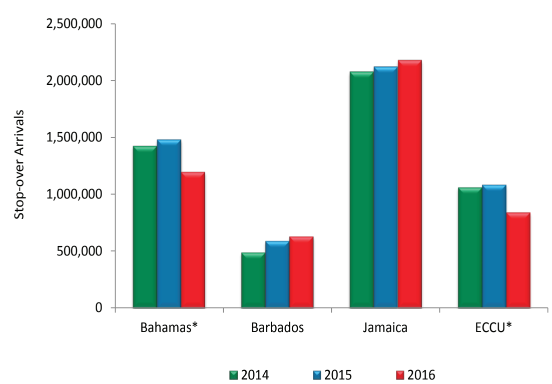



*Sources*: ECLAC, Central Banks of Barbados, Guyana, Jamaica and ECCU

In The Bahamas, there was no growth in 2016, which followed a 1.7% contraction in 2015. Hurricane and construction delays affected major tourism projects. On the positive side, increased tourism and receipts from the value added tax (VAT) underpinned reductions in its fiscal and external current account deficits. In the Eastern Caribbean Currency Union (ECCU), growth slackened from 2.6% to 2.2% as an increase in tourism and construction activities in some member states was partly offset by the losses Hurricane Matthew inflicted on others. Most of these countries pursued fiscal consolidation, which led to reduced fiscal deficits or actual surpluses. However, the 75.4% debt-to-GDP ratio remained a point of vulnerability.

Things were not much better in the commodity producers. Guyana was the best performer with its GDP growth decelerating from 3.0% to 2.6% as bad weather and low commodity prices negatively affected its forestry, rice and sugarcane industries. However, there was an upswing in gold and bauxite production, which boosted earnings from mineral exports. Going forward, growth prospects are favourable as a third offshore oil well was recently discovered. In contrast, Trinidad and Tobago's economy contracted by 4.5% in 2016, as its energy sector battled with low international prices, natural gas supply shortages and maintenance disruptions, while activity in manufacturing and agriculture also declined. The situation in Suriname was worse as its economy contracted by 10.4% with low commodity prices negatively impacting mining activities, particularly the bauxite industry. Following a 54.0% devaluation of the currency, inflation soared from 25.1% to approximately 52.4%, and the country needed to boost its international reserves, which had fallen to critical levels, by drawing down on funds under an IMF Stand-by Arrangement.

Chart 2.3: CARICOM Tourism




*Sources*: The Bahamas Ministry of Tourism, Barbados Statistical Service, Jamaica Tourism Board and ECCB.
* Data at September 2016

# Domestic Overview

Initial estimates are that Belize's GDP contracted by 0.8% in 2016 with the primary sector shrinking by almost 24.9% due to the travails of disease, flooding and damages from Hurricane Earl. Production of all major export crops was down, except for sugarcane. In addition to contractions in citrus, banana, and farmed shrimp, there were losses in corn and rice due to the hurricane, and papaya production plummeted due to the voluntary closure of operations by the major producer. The secondary sector fared better than a year earlier, but the growth was very modest, as lower output from manufacturing activities, especially involving the extraction of petroleum, somewhat offset expansions in "*Electricity and Water Supply*" and "*Construction*". The tertiary/services sector provided a bright note with its 3.1% expansion, as a 13.2% upsurge in overnight visitors boosted activity in "*Hotels and Restaurant*", and "*Transport and Communication*". "*General Government Services*" also contributed to the positive outturn for the sector.

Even with an uptick in the labour force participation rate, the average unemployment rate declined from 10.1% to 9.5%, mainly underpinned by the expansion in services activity. Meanwhile, the general price level, as measured by the Consumer Price Index (CPI), increased by 0.7% on average with higher costs for goods and services, including fuels, clothing, rent, health and education.

A substantial 40.4% decline in Government capital investment led to an improvement in the major indicators of its fiscal performance during the year with the overall and primary deficits shrinking from 7.9% to 3.3% of GDP and from 5.3% to 0.5% of GDP, respectively. Government's total expenditure and net lending fell from 37.3% to 32.7% of GDP. While tax receipts generally rose, this was mostly offset by lower revenues from oil, resulting in a marginal increase in total revenues and grants.

As was the case in the previous year, Central Government relied heavily on domestic financing, issuing $270.0mn worth of new securities to cover some of the outstanding liabilities for the BTL nationalization and other budgetary obligations. This pushed its domestic debt upward by 51.2% to $747.8mn (21.5% of GDP). In comparison, the public sector external debt rose by only 1.9% to $2,398.4mn (68.9% of GDP), as disbursements under the VPCA were down by 51.4% relative to 2015.

Transactions with the rest of the world generated an external current account deficit of some 9.4% of GDP, a slight improvement from the 9.9% of GDP recorded for 2015. The narrowing of the deficit reflected a notable improvement in inflows from services, particularly tourism, due to the marked increase in visitors, reinsurance claims paid out after Hurricane Earl, as well as increases in remittances and official grant receipts. These net inflows partly compensated for a widening of the merchandise trade deficit caused by a much sharper decline in exports relative to the fall in imports. Meanwhile, the surplus on the financial account almost halved due to the external payments for the BTL acquisition and lower foreign loan disbursements to the Government. The Central Bank's official reserves consequently declined by 13.8% to a level equivalent to 4.5 months of merchandise imports.

Domestic growth in M2 (the broad measure of money) slowed from 7.5% to 2.7%. While net credit was up by a robust 10.8%, this was dominated by Government financing, as bank lending to the private sector decelerated to a modest 1.6%, part of the latter being due to an increase in loan write-offs. Concurrently, the net foreign assets of the banking system contracted by 14.2%, as the compensation payments for BTL, reduced loan inflows to Government, poor export performance, the interruption to foreign flows due to the correspondent banking issues and payment for the takeover of an international bank branch by a local bank took a toll on the system's net foreign asset position.

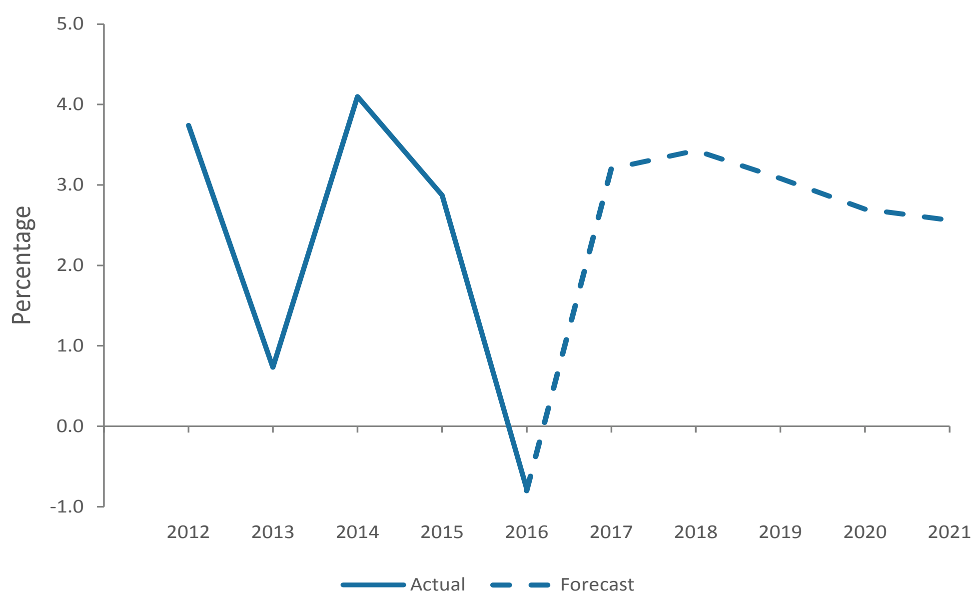
As regards system liquidity, the increased supply and take-up of Government securities caused the domestic banks' holdings of excess cash and statutory liquid assets to move down by 4.4% and 2.1%, respectively. This made only a slight dent in the liquidity overhang, as daily average cash holdings ended the period at $652.9mn, almost double the requirement, and approved liquid asset holdings of $1,057.4mn were 72.3% above the statutory limit. Consequently, interest rates continued their downward drift with a 19 basis points reduction in the 12–month (rolling) weighted average interest rate for new loans whereas the rate for deposits fell by five basis points. This brought the weighted average spread marginally lower to 7.63%.

In other developments, the aggregate indicators for domestic banks showed the sector to be well capitalised at 23.8%, compared to the 9.0% regulatory requirement. Further balance sheet clean-up, particularly of legacy loans, caused the NPL ratio to improve from 6.7% to 3.0% , the first time the system has been below the 5.0% cautionary threshold since the new loan loss provisioning standards were implemented in November 2011.

Looking ahead, GDP growth is expected to rebound to 3.1% in 2017, fuelled by a recovery in the primary sector and modest growth in services. After two consecutive years of contractions, primary production is forecasted to grow by 8.1% on the back of strong growth in sugarcane deliveries, a full recovery in banana production from flood and hurricane damages, and a modest expansion in corn output. The partial recovery of farmed shrimp should also provide a positive boost. In the case of the services sector, a 2.0% increase is forecasted with growth across all major categories, except "*Wholesale and Retail Trade, Repair*", which is expected to contract marginally due to higher import costs and a deceleration in stay-over tourist arrivals. The Government's payment of its deferred 3.0% wage increase will underpin the expansion in *"General Government Services"*, while the increase in agricultural harvest and tourist activities should boost "*Transport and Communication*". In contrast, the secondary sector is expected to contract by 1.9%, with declines in production of citrus juices, petroleum extraction and electricity generation eclipsing higher output of sugar and beverages, as well as an increase in construction activity.

The upturn in domestic economic activity is expected to coincide with a worsening of the country's external current account deficit to 9.7% of GDP, as significantly lower net inflows on the secondary income account and a small decline in net service inflows outweigh a reduction in the merchandise trade deficit and lower net primary income outflows. There should be a considerable improvement in the capital and financial account due to a surge in net foreign direct investment inflows, as compensation payments for the telecommunications utility are projected to be significantly lower than in 2016. Notwithstanding this, the official reserves are expected to decline for the third consecutive year to 3.8 months of merchandise imports cover, as capital and financial inflows will be insufficient to cover the deficit on the current account of the balance of payments.

Chart 3.1: Real GDP Growth Rate

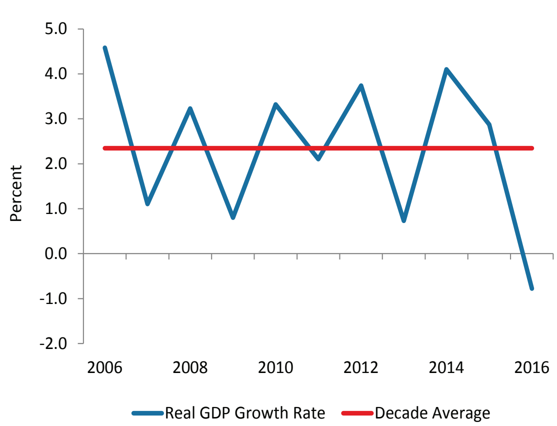


# Production

GDP contracted by 0.8% in 2016, as the shrinkage of production in the primary sector outweighed modest increases in the secondary and tertiary (services) sectors. Output plummeted for farmed shrimp and nearly all the major export crops (sugarcane excepted), and this resulted in a 24.9% drop in the value added of the primary sector. In addition to the loss of supply capacity due to the closure of the Meridian group of banana farms and citrus greening, Hurricane Earl wreaked havoc in early August across the citrus and banana belts, destroying an offseason crop of citrus and flattening large swaths of banana acreage. Adding to the downturn, the closure of the largest producer decimated papaya production. The woes continued with farmed shrimp production shrinking to historically low levels following an outbreak of the Early Mortality Syndrome in 2015, which scaled down output to test trial quantities during 2016.

The secondary sector grew by 1.1%, underpinned by strong growth in output of electricity that included increased diesel generation in the aftermath of Hurricane Earl, construction, and upticks in beverage and molasses production.

Chart 4.1: Annual Growth Rate of Real GDP




*Source*: SIB

These increases outweighed lower outturns in citrus juices and sugar and the continuation of the downward trajectory of petroleum extraction. The tertiary sector also expanded by 3.1% due to tourism, which boosted "*Hotels and Restaurants*" by 6.7%, and to the associated positive spillovers that heightened activities in "*Wholesale and Retail Trade, Repairs*", "*Communications" and "Transport*". "*General Government Services*" was also up by 6.1% due to the effect of the salary increase paid in July of the previous year.

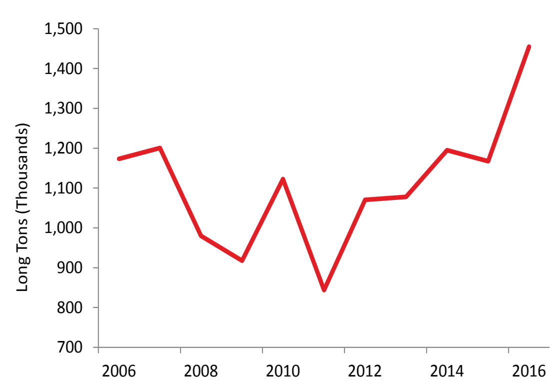
## Agriculture

*Sugarcane*

Following two consecutive years of delayed starts, the 2015/2016 Northern sugarcane harvest returned to its normal cycle commencing early in December, seven weeks earlier than the 2014/2015 crop. The harvest ran for 29 weeks and ended on 26 June 2016. Santander, the new entrant, harvested from early March through May. Cumulatively, national sugarcane deliveries rose by 24.6% to 1,455,053 long tons, of which the North and Santander accounted for 1,292,515 long tons and 162,538 long tons respectively.

In the North, an estimated 150,000 long tons of sugarcane were left standing in the field at the

Chart 4.2: Sugarcane Deliveries




*Source*: BSI

end of the harvest, and the average daily grinding rate of the factory fell by 7.9% to 6,399 long tons, compared to the previous crop year. Santander's daily grinding rate at the end of the season stood at 4,036 long tons, following a rocky milling start.

Despite a 10.7% growth in deliveries in the North, depressed prices prevented farmers from realizing gains from the increase. The average price they received plummeted by 45.3% to $52.24 per long ton, following the anticipated downturn in preferential sugar prices on the European Union (EU) market and notwithstanding a 50.0% increase in the local price of plantation white sugar.

*Citrus*

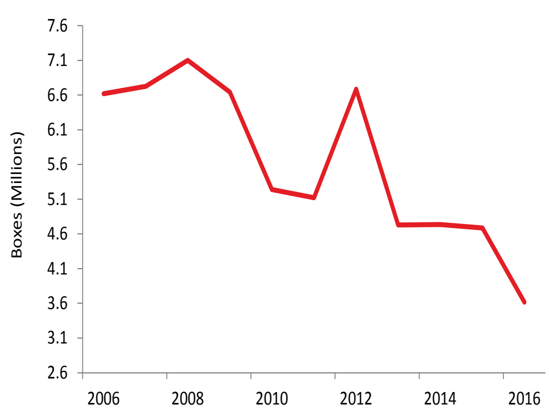
After two years of relatively stable output, citrus deliveries plummeted by 22.8% to 3.6mn boxes for the 2015/2016 crop year, as further ground was lost to the ravages of citrus greening and hurricane damage. Grapefruit deliveries declined by 48.6% to 0.4mn boxes, the lowest level in thirty-three years due to the culling of hundreds of acres of grapefruit trees for replanting, following outbreaks of citrus greening and greasy spot rind blotch disease, which negatively affected fruit quality. Orange deliveries fell by 18.1% to a twenty-year low of 3.2mn boxes, as a problem of low sugar levels in the fruit, most likely linked to citrus greening, caused the processor to suspend deliveries for 26 days between March and April in an attempt to improve the quality of fruit deliveries.

Citrus greening also took a heavy toll on groves in Brazil and Florida and lowered the international production of citrus juices. The market for orange and grapefruit juices consequently rallied, and the average price paid to local orange farmers rose from the $1.75 per pound solid (ps) of the previous crop year to $2.11 per ps, while prices paid to grapefruit farmers increased from $2.31 per ps to $2.42 per ps.

*Banana*

A confluence of factors caused a 28.5% lowering in annual banana production to 3.9mn boxes. These included the enforced closure of the Meridian group of farms in late 2015 that reduced the industry's productive capacity. During the first part of the year, production was also negatively affected by the lingering effects of flood damage from late 2015, and Hurricane Earl flattened some southern farms and caused significant fruit losses across the industry in August. Total acreage under

Chart 4.3: Citrus Fruit Deliveries




*Source:* CPBL

Chart 4.4: Banana Production


*Source*: BGA

cultivation inched up by 1.2% to 6,929.9 acres, of which 6,107.3 acres were under cultivation, and 779.6 acres were under plantilla (plants too young to harvest from). However, the average yield per acre fell from 796 40-pound boxes per acre to 562 40-pound boxes per acre. In other developments, the Banana Growers Association (BGA) and Fyffes completed the fourth year of their five-year exclusive marketing contract, which had commenced on 1 January 2013.

*Other Agricultural Production*

The closure of the largest producer in mid-June caused papaya output to plunge by 75.6% to 7.5mn pounds in 2016. In the second half of the year, the community of Little Belize continued to export, though at a very low level.

Harsh weather, including Hurricane Earl, inflicted much damage on corn production in the west of the country, where losses amounted to as much as 36.9%. However, higher output in the north compensated for this, and national corn production actually rose by 14.0% to 145.0mn pounds. Following the drought of the previous year, farmers increased the acreage devoted to rice production by 13.7% and boosted output by 28.0% to 35.7mn pounds to meet domestic demand. In the case of red kidney and black beans, however, the loss of market share in Jamaica and hurricane damage to fields factored into reductions of 54.4% and 74.6%, respectively. In contrast, the acreage devoted to soybean and black-eyed peas expanded, and production vaulted upward by 52.6% and 52.3%, respectively.

The 2016 outturn for vegetable production was mixed with production of tomato, sweet pepper, carrot, cabbage, hot pepper, broccoli and string bean increasing, while output of cauliflower, pumpkin, sweet potato and Irish potato declined due to lower acreage and an increase in mixed cropping. Coconut production also increased by 30.1%, benefiting from a 32.3% expansion in acreage.

Following the successful eradication of Avian influenza in the previous year, poultry production edged up by 2.3% to 41.7mn pounds dressed weight. However, cattle dressed weight decreased by 9.5% to 3.2mn pounds, and there was only a modest 3.2% increase in swine dressed weight to 3.7mn pounds following its notable expansion in the previous year. Output of milk fell by 4.0% to 12.1mn pounds with small scale processors accounting for 6.1mn pounds and the large processing plants providing the balance.

## Marine Products

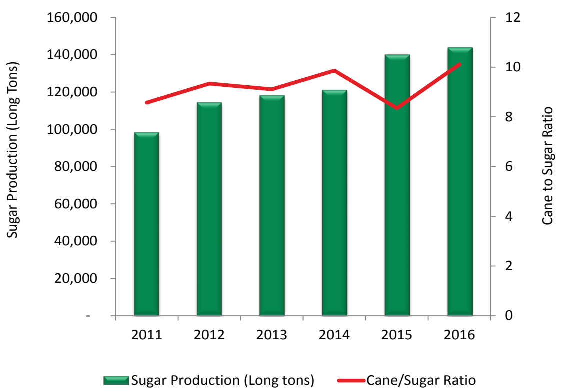
The outbreak of Early Mortality Syndrome (EMS) in 2015 caused farmed shrimp production to come to a virtual standstill, as farms tested various strategies for coping with the bacterial disease. With farmed shrimp production plunging by 71.7%, total marine output shrank by 60.1% to a record low of 4.7mn pounds in 2016. Whole fish and fillet production also plummeted by 73.8% due to market challenges faced by the largest farmed fish (tilapia) producer. On the other hand, the wild capture of lobster and conch increased by 19.8% and 31.2%, respectively, with conch achieving its annual quota ceiling.

## Manufacturing

*Sugar and Molasses*

Despite the 24.6% surge in sugarcane deliveries, production of sugar was up by only 2.8% to 143,937 long tons, as rainy weather at the start of the harvest increased the mud content of the crop in the North and caused a 5.5% fall in factory efficiency. The crop's average sucrose level declined by 1.7 percentage points to 11.84%

Chart 4.5: Sugar Production and Cane to Sugar Ratio




*Source*: BSI

due to the high level of stand-over sugarcane in deliveries. Meanwhile, teething problems in the West also affected its factory out-turn. The result was a 21.1% deterioration in the average cane/sugar ratio to 10.11, following the record performance of 8.35 achieved for the 2014/2015 crop year.

*Citrus Juices, Citrus Oil and Pulp*

In addition to the downturn in production, the level of fruit sweetness proved problematic for the 2015/2016 citrus crop, resulting in declines in average juice out-turns of 4.8% to 6.1 pound solids (ps) per box in the case of orange and 9.1% to 3.9 ps per box in the case of grapefruit. Citrus juice output consequently fell by 25.2% to 21.3mn ps, with grapefruit concentrate plummeting by 50.6% to 1.5mn ps, and orange concentrate contracting by 22.7% to 19.5mn ps. On the other hand, production of not-from-concentrate juices reversed four years of consecutive declines to increase by 71.7% to 0.2mn ps, though this was equivalent to only 1.1% of juice output. Production of citrus pulp increased by 21.9%, while that of citrus oils shrank by 18.0%.

*Other Manufacturing Production*

The outturn for other manufacturing was uneven, as production of soft drinks and beer increased, while that of flour, fertilizer and petroleum contracted. Following an upgrade in manufacturing capacity in late 2015, output of soft drinks and beer grew by 9.6% and 8.4%, respectively. In the case of fertilizer, an 18.6% decline reflected the slowdown in production of major export crops and grains throughout 2016. Flour production fell by 2.6%, the fourth consecutive year of decline due to strong competition from lower-priced contraband flour and a shift in consumption patterns to corn-based substitutes.

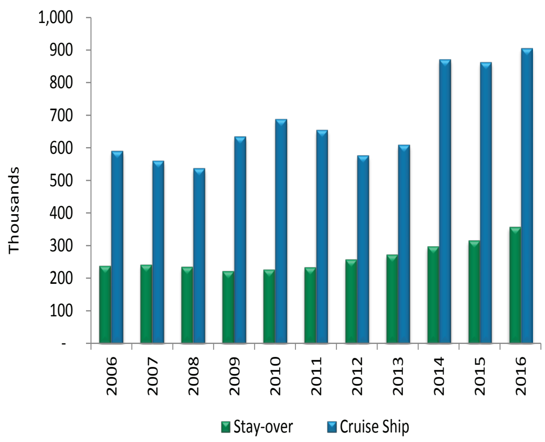
Petroleum extraction saw a further decline of 14.9% to 449,249 barrels, as the daily average extraction rate fell by 15.2% to 1,228 barrels per day. Low international oil prices did not make it feasible to operate the Never Delay Field, so all production came from the Spanish Lookout Field. After 11 years of operation, cumulative production from the Spanish Lookout Field amounted to 11.0mn barrels of the 18.0mn of extractable reserves.

## Tourism

The World Tourism Organization estimated that international tourist visitors expanded by 3.9% to 1.2bn in 2016, led by increases of 8.0% in Africa and in Asia and the Pacific region. Growth was more muted for the Caribbean and North America, which posted a 4.0% increase. Projections for 2017 remain optimistic, notwithstanding concerns for safety, security, higher oil prices and socio-political tensions.

In Belize, the ramping up of marketing efforts in major source markets, expansions in airlift capacity and lower international airfares boosted the number of overnight tourist arrivals by 13.2% to 356,550 persons, well above the average increase for the Caribbean and North America. During the first part of the year, arrivals posted double-digit increases, but this gradually tapered off towards

Chart 4.6: Tourist Visitors




*Sources*: BTB and CBB

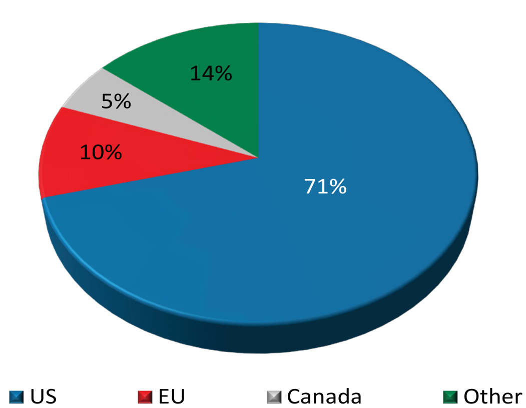
the end of the year with a shift to the use of smaller planes. Visitor arrivals from the US increased by 17.9%, boosting its share of stay-over tourists by 2.8 percentage points to 70.8%. The number of visitors from the European Union (EU) rose by 4.1%, while Canadian visitors decreased by 9.4%, even with the addition of direct flights from Canada in the latter half of 2016.

Tourism's buoyancy was further fueled by a 4.9% increase in cruise ship disembarkations to 904,855, as the use of ships with larger passenger capacities more than compensated for two fewer port calls. In other developments, Harvest Caye, a cruise ship docking and terminal facility that is owned and operated by Norwegian Cruise Line, commenced operations in November.

## Prices

Following the deflation of 2015, the CPI rose by 0.7% with prices up across all major categories of goods and services in the basket. Import costs, as proxied by the US export price index, were 1.1% higher, and this contributed to the 2.0% heightening of prices for "*Clothing and Footwear*", while rising house rental rates underpinned a 0.6% increase in the "*Housing, Water, Electricity, Gas and Other Fuels*" category. Prices for medical and paramedic services rose, pushing up the "*Health*" category by 2.3%, while higher deductibles for health and transport insurances accounted for a 1.4% increase in "*Miscellaneous Goods and Services*". With higher fuel prices at the pump being partly offset by lower air transport costs, there was only a 0.2% rise in the price level for "*Transport*". Upticks in pre-primary and primary education bumped up the "*Education*" category by

Chart 4.7: Composition of Stay-Over Tourist Arrivals




*Sources*: BTB and CBB

Chart 4.8: Consumer Price Index


*Source*: SIB

0.7%, while the rising costs of telecommunication, recreational and cultural services boosted prices of "*Communication*" and "*Recreation and Culture*" by 0.7% and 0.6%, respectively.

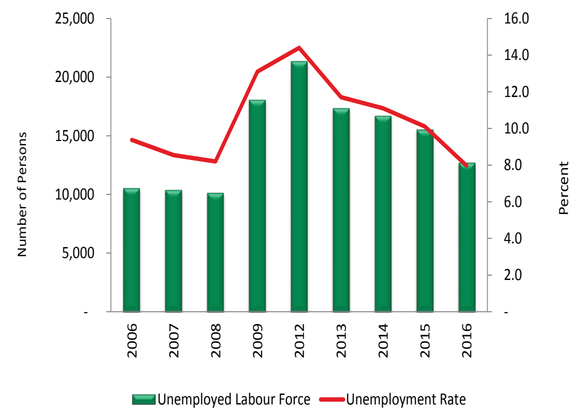
The price change for "*Food and Non-alcoholic Beverages*" category was minimal at 0.1%, and the increases for "*Furnishing, Household Equipment and Routine Household Maintenance*" and "*Alcoholic Beverages and Tobacco*" were also marginal at 0.2% and 0.3%, respectively.

## Employment

Buoyed by activity in services, particularly tourism, which accounted for 55.2% of job growth, the average unemployment rate for the year fell from 10.1% to 9.5%. The improvement was achieved even with a small increase in the participation rate (the share of working age population seeking jobs), though a marginal uptick in the underemployment rate to 13.5% somewhat offset this.

In April, a peak employment period, the rate of unemployment fell by 2.1 percentage points year-on-year to 8.0%, with most of the new jobs generated by the primary and tertiary sectors. The number of workers rose by 6.4% to 146,918, and growth in labor-intensive jobs accounted for 86.2% of all new employment opportunities. In September, unemployment rose to 11.1%, (up from 10.2% in 2015), which was reflective of a 0.7% decline in job opportunities during the tourism offseason as well as an increase in job seekers entering the market after completing school.

Chart 4.9: Unemployment




*Source*: SIB

Box 1: Shrimp Industry Production Strategy

The shrimp industry continued to grapple with the bacterial infection that affected farms in 2015 in the quest to devise a commercially viable production strategy. While many attempts were made in 2015 and 2016 with varying degrees of success, the main industry stakeholders, in close collaboration with the Belize Agricultural Health Authority (BAHA), eventually agreed on a common approach to combat and prevent a major re-occurrence of the EMS or any other disease. The current strategy evolved from analysing the existing body of available research, bringing into the country international experts to develop the local response, and visits by shrimp farmers to other producing countries to witness first-hand how their producers have confronted the disease. As a result, the industry's initial two-prong strategy, which consisted of genetic improvement and biological control, was expanded to a four-prong approach, which now encompasses change in farming practices and investment in new production technology.

Box 1: Shrimp Industry Production Strategy continued

Producers began by introducing a disease-tolerant genetic stock into the ponds. The brood stock was initially obtained from the USA, but this strain became contaminated by exposure to Vibriosis at the supplier's facility. As a result, the animals did not survive in the ponds, and this further delayed the recovery process. Since then, the industry has imported brood stock from Thailand and Panama that have better survival rates and should therefore result in improvement in 2017 production levels. In order to assure the genetic safety of the industry, BAHA conducted risk analysis on the imported brood stocks to assess the health and guarantee full traceability of the animal.

The second issue addressed was biological control. Since the EMS is a virulent strain of a bacteria called Vibrio Parahaemolyticus, an option was to find another bacteria to compete with it in the ponds. Research has demonstrated that Tilapia and the green water that comes from its production act as natural controls for the vibrio strain, consequently, several farmers introduced Tilapia into their pond production cycle.

The third area of improvement was a change in management practices. Stakeholders recognized that the technical aspects of shrimp farming required improvement. Updated management practices focused on three key steps to improve pond hygiene and render the environment less conducive for bacterial growth:

a) Ensure that only clean and healthy post larvae enter the production system.
b) Ensure that only clean water enters the hatcheries and production ponds.
c) Ensure that ponds bottoms are clean by utilizing automatic feeders and employing pond designs that allow for quick cleaning.

The fourth area of improvement was investment in new and emerging production technologies. Significant investment was undertaken by the industry to shift from 20-acre ponds to ponds between 1 and 2.5 acres in size. The experience of other countries that have successfully dealt with EMS indicated that the pond design best suited to increase animal survival rates is small, lined and with a central drainage system.

Another positive development to increase the response time to possible disease outbreaks in the future was the establishment of a Shrimp Aquaculture Unit under BAHA, which will enable BAHA to closely monitor the health of the national shrimp stock.

The summary outlook is that the implementation of the four prong production approach and the establishment of the Shrimp Aquaculture Unit in BAHA improves the medium term prospects and optimism for the industry's future.

# Central Government Operations

The major indicators of fiscal performance improved in 2016 with the Government's overall and primary deficits declining from 7.9% to 3.3% of GDP and from 5.3% to 0.5% of GDP, respectively. These outturns were largely determined by a significant reduction in capital expenditure during the year. As a percentage of GDP, Central Government's revenue and grants edged up from 29.3% to 29.4%, driven mainly by taxes on goods and services. Total expenditure and net lending fell from 37.3% to 32.7% of GDP, with the 53.2% decline in capital outlays outweighing a 6.4% increase in recurrent expenditure. The scaling back of expenditure caused the tax dependency ratio (ratio of tax revenue to government expenditure) to rise from 67.9% to 80.1%. Tax revenue grew by 3.6% ($31.6mn) with higher collections from the General Sales Tax (GST), personal income tax and excise duty. In the case of the latter, the more-than-five-fold increase was linked to its substitution for the import duties on fuel and revenue replacement duties (RRD) on CARICOM goods as well as an increase in its coverage. Non-tax revenues declined by 20.9% to $88.5mn, mostly due to the reduction in oil revenues, the share of which in total revenues shrank further from 1.2% to 0.5%, and the return of BTL dividend receipts to normal levels after the retroactive payout of dividends in 2015.

Table 5.1: Revenue and Expenditure Summary

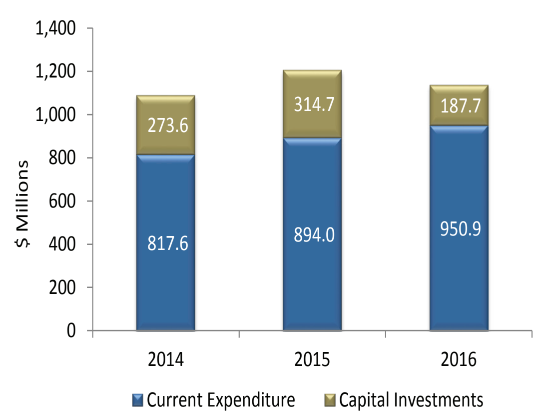
| | Jan-Dec 2015 | Jan-Dec 2016 |
|---|---|---|
| Ratio to GDP (%) | | |
| Current Revenue | 28.5 | 28.8 |
| Tax Revenue | 25.3 | 26.2 |
| Non-Tax Revenue | 3.2 | 2.5 |
| Current Expenditure | 25.7 | 27.3 |
| CURRENT BALANCE | 2.9 | 1.5 |
| Capital Revenue | 0.2 | 0.1 |
| Capital Expenditure (Capital II Local Sources) | 3.2 | 2.7 |
| OPERATING SURPLUS | -0.1 | -1.1 |
| Grants to GDP | 0.6 | 0.6 |
| Total Revenue and Grants | 29.3 | 29.4 |
| Total Capital Expenditure | 11.6 | 5.4 |
| Total Expenditure | 37.3 | 32.7 |
| Of which: Interest Payment on Public Debt | 2.6 | 2.8 |
| Primary Balance to GDP | -5.3 | -0.5 |
| Primary Balance without Grants to GDP | -5.9 | -1.1 |
| Overall Balance to GDP | -7.9 | -3.3 |
| Overall Balance without Grants to GDP | -8.5 | -3.9 |

*Sources*: MOF and CBB estimates

Current expenditure rose by 6.4% to $950.9mn (27.3% of GDP) with across-the-board increases in all categories of outlays, except foreign transfers, which dipped by 1.2%. The negotiated wage increase for civil servants contributed to increases of 7.1% in wages/salaries, 11.5% in pensions and 3.8% in domestic transfers. The cumulative impact of the aggregate 14.0% wage increase over the past two years raised the public wage bill (salaries and pensions) from 63.9% of government's current revenue in 2013 to 72.2% in 2016, compared to the internationally acceptable level of 40.0%.

In contrast, capital spending and net lending plunged by 53.2% to $189.5mn with a sizeable

Chart 5.1: Current and Capital Expenditure

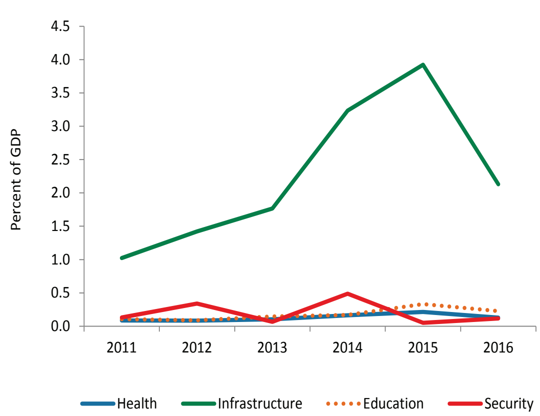



*Sources*: MOF and CBB estimates

factor being the non-recurrence of the one-off payment in 2015 to retire the loan to BTL from British Caribbean Bank. Spending on developmental projects was also slashed by 40.4% as a result of the tapering down of loan inflows from the VPCA. Approximately 39.5% of capital outlays went on the general maintenance and rehabilitation of roads, highways, bridges and drains, as well as the infrastructural works on the south side of Belize City, the Southern Highway, Macal Bridge and the Santa Elena International Crossing. Environmental projects accounted for another 12.7%, and 8.6% was devoted to land management. Education and health accounted for 6.6%, social protection for 4.9%, and a medley of outlays on sports, tourism, science, agriculture, housing and security accounted for another 4.8%. The remainder was allocated to finance Belize Infrastructure Limited, the purchase of furniture, equipment and the upgrading of office buildings.

For the second consecutive year, the Government relied heavily on domestic resources to finance the fiscal deficit and the outstanding cost for the nationalization of BTL. The financing gap amounted to $393.6mn (consisting of the fiscal deficit, loan amortization and BTL settlement payments), and domestic sources contributed 67.2%, up from its 43.2% share for 2015, while the proportion of new borrowings from foreign sources decreased. The bulk of the domestic funding was raised through the issuance of $270.0mn worth of new Government securities. Consequently, the debt dependency ratio, denoted by the ratio of new borrowings to government expenditure, surged from 23.6% to 33.1%, which exceeded the 20.0% threshold that demarcates critical borderline sustainability.

Chart 5.2: Development Expenditure as a Percentage of GDP




*Sources*: MOF and CBB estimates

## Public Sector Debt

The ratio of the public sector's debt to GDP rose from 81.7% to 90.4% during the year, a notable increase that reflected the addition of sizeable liabilities to the Ashcroft group following a series of court judgements. The Government agreed that it would pay the outstanding BTL acquisition costs in two equal instalments in 2016 and 2017. As the increase was mostly funded from domestic sources, the share of external debt in the total debt declined from 82.6% to 76.2%, while that of the domestic debt increased from 17.4% to 23.8%.

## Central Government Domestic Debt

With the balance on its overdraft facility with the Central Bank falling by $15.5mn, the bulk of the funding to cover the Government's obligations came via the issuance of $270.0mn in securities. It was necessary for the statutory ceilings to be raised in order to accommodate four new issues of Treasury notes ($20.0mn each in February and March, $185.0mn in July and $30.0mn in December) and $15.0mn in Treasury bills in July. In February, the ceiling on Treasury bills was raised from $200.0mn to $400.0mn, and this was upped further to $650.0mn in October, while the Treasury notes ceiling was raised from $225.0mn to $450.0mn in February and thence to $500.0mn

Chart 5.3: Public Sector Debt

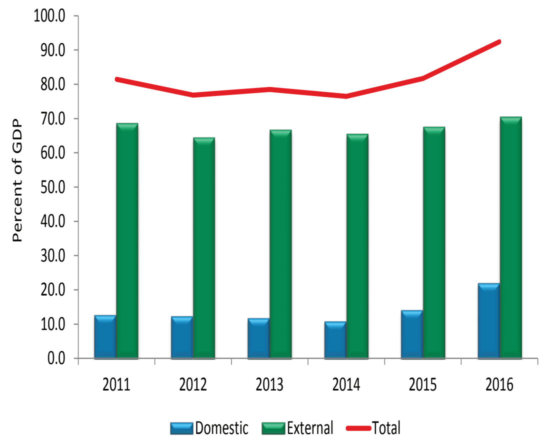
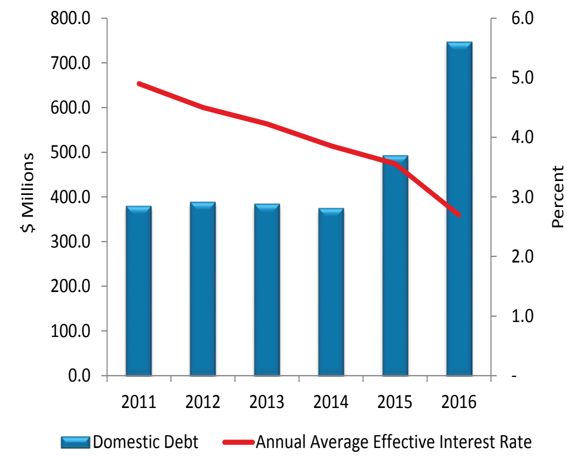



Chart 5.4: Domestic Debt



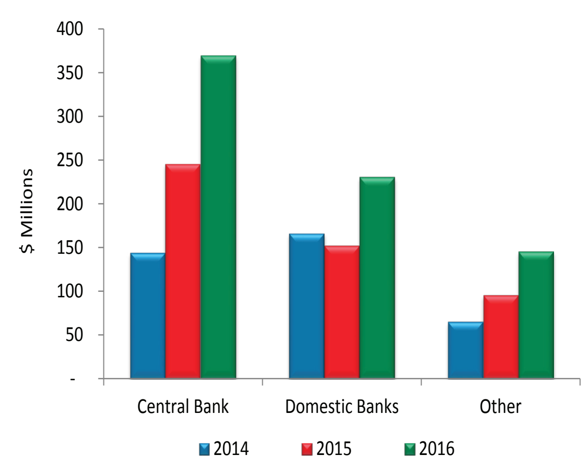

in October. The domestic debt consequently rose by 51.2% to $747.8mn (21.5% of GDP).

With the new issuance of securities, the share of the Government's medium to long-term debt rose from 46.5% to 64.8%, almost all of which (99.1%) was accounted for by Treasury notes. The portion that was short-term fell from 53.5% to 35.2%. Amortization payments amounted to $1.6mn, of which $0.9mn went to the domestic banks for infrastructural loans, $0.5mn to Fort Street Tourism Village for dredging the mouth of the Belize River, and the remainder to the Belize Social Security Board (BSSB) and Debt for Nature Swap.

Annual interest payments increased by $1.3mn to $16.8mn. Among these were payments to the Central Bank of $6.0mn for short-term credit provided through the overdraft facility and $5.1mn on its holdings of Treasury notes. The domestic banks and non-bank entities received $1.7mn and $3.9mn, respectively, for credit provided by way of securities and loans. Meanwhile, the lowering of yields on Treasury notes upon rollover, the slight decline in the interest rate on the overdraft facility to an average of 9.78%, and the fact that most of the interest payment on the new Treasury notes which carried lower coupons, did not fall due in 2016, caused the average effective interest rate on the domestic debt to decline from 3.6% to 2.7%.

At year end, the shares of Government's domestic debt held by the Central Bank, the domestic banks and the non-bank sector were unchanged at 49.6%, 30.9% and 19.5%, respectively, in comparison to the previous year.

Chart 5.5: Sources of Central Government Domestic Debt



## Public Sector External Debt

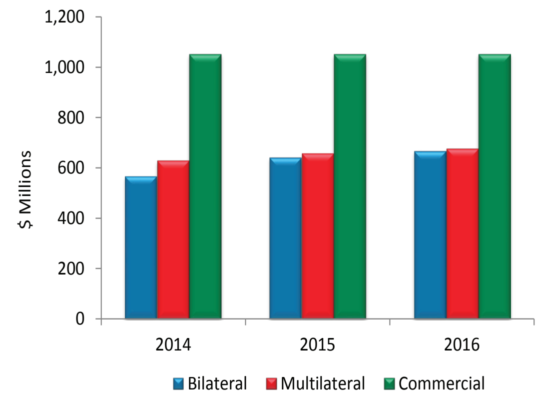
During the year, external loan disbursements exceeded amortization payments and downward valuation adjustments of $1.9mn that resulted from the appreciation of the US dollar against the Euro, Kuwait Dinar and Special Drawing Rights. The public sector external debt consequently rose by 1.9% to $2,398.4mn (68.9% of GDP)

Loan disbursements totalled $131.2mn, which included $41.3mn (31.5%) from the Government of Venezuela. The bilateral disbursements received during the year were mainly for budgetary support and accounted for 46.7% of the total. Of the $69.9mn received from multilateral lenders, $41.7mn came from the Caribbean Development Bank (CDB) for the Santa Elena Bypass, Road Safety project, the Philip Goldson Highway upgrade and a line of credit for the Development Finance Corporation. Another $9.1mn came from the OPEC Fund for International Development for the solid waste management project and reconstruction of the Hummingbird Highway.

Debt service payments amounted to $169.1mn (4.9% of GDP) shared evenly between principal and interest. Central Government's repayments to bilateral lenders, principally the (ROC)/ Taiwan, totalled $35.5mn, while its repayments to multilateral creditors, such as the CDB and the IDB, summed to $46.1mn. Repayments to CDB by the financial and non-financial public sector totalled $0.8mn and $2.4mn, respectively.

The effective interest rate on the external debt averaged 3.5% during the year, up marginally from the 3.2% rate of 2015. Interest and other payments totalled $83.7mn, and of this, approximately 63.0% went to holders of the 2038 bond. Multilateral lenders received $18.1mn, including $7.8mn for CDB and $5.6mn for the IDB, while ROC/

Chart 5.6: External Debt by Creditor Category




Taiwan accounted for most of the $12.9mn paid to the bilateral creditors.

The external debt service ratios in 2016 were broadly in line with trend and below critical thresholds. As a result of the non-recurrence of 2015's sizeable payment to British Caribbean Bank (BCB) on BTL's behalf, the ratio of debt service payments to GDP declined from 7.2% to 5.0%, and at the end of the year, the ratio of external debt service to exports of goods and services was 8.7%, which is below the 15.0% threshold of the International Monetary Fund (IMF) for developing countries.

Chart 5.7: External Debt Principal Payment to Major Creditors

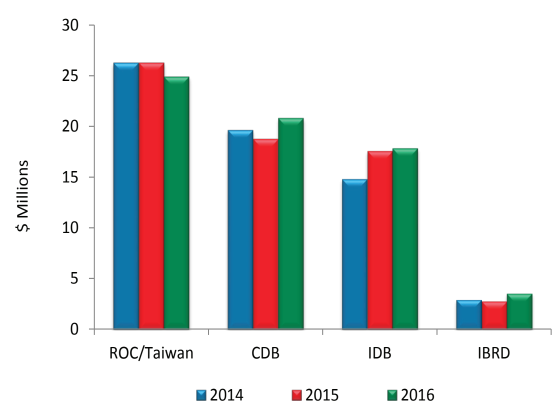


Chart 5.8: External Debt Service

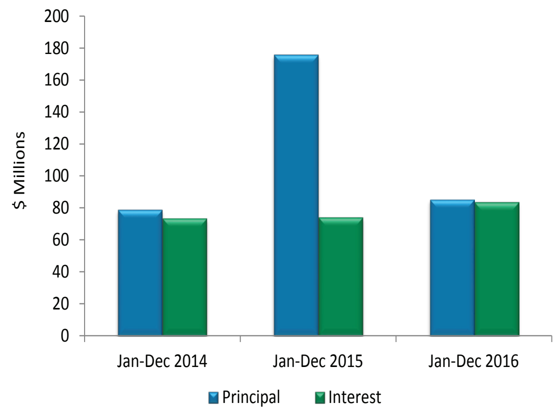
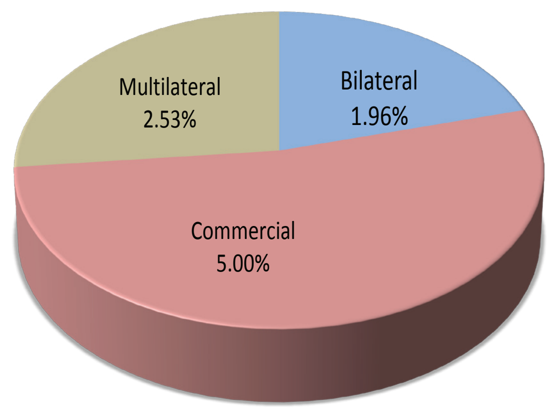



Chart 5.10: Effective Interest Rates by Creditor Category 2016




The 2038 bond accounted for 43.9% of the external debt, the largest component. Loans from the multilateral funding agencies accounted for 28.2%, with CDB and IDB being the major creditors and the share of bilateral institutions was up slightly from 27.3% to 27.8%. While the flurry of borrowing from Venezuela, which started in earnest in 2013, has since gradually tapered off with disbursements in 2016 being about half the 2015 level, its share of bilateral debt is now 60.8% compared to 10.6% at the end of 2012. Of the outstanding amounts owed by the public sector, $2.2mn is scheduled to mature during 2017, $256.1mn will mature during the next ten years, and $2.1bn will mature after ten years.

Chart 5.9: External Debt

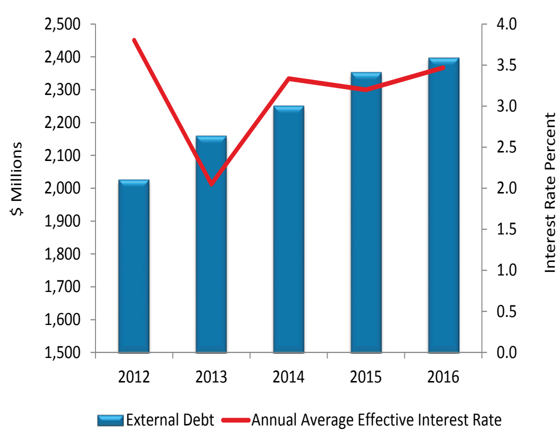
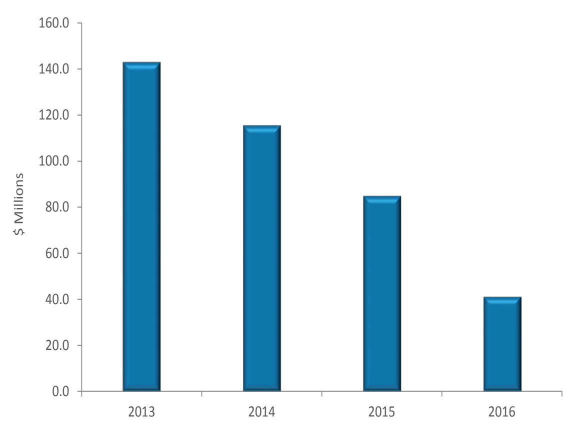



Chart 5.11: VPCA Annual Disbursements



Box 2: Major Fiscal Initiatives in 2016

24 February 2016 – The Treasury Bills Act was amended to raise the limit of principal sums represented by Treasury bills and Treasury notes outstanding at any one time from $200.0mn to $400.0mn and from $225.0mn to $450.0mn, respectively.

14 April 2016 – The Customs and Excise Duties Act was amended to provide for the removal of revenue replacement duty on CARICOM goods and to increase the scope of goods subject to excise duty, of which the rates of duty on imported fuel was adjusted as follows:

| Description of Goods | Rates of Duties |
|---|---|
| Motor Spirit (Gasoline) | From $3.28 to $3.64 per Imp. Gal. |
| Gasoline 90 octane or more (Premium) | From $3.56 to $4.04 per Imp. Gal. |
| Diesel Oil | From $2.30 to $3.26 per Imp. Gal. |

14 April 2016 – The Brewery Act was amended to provide for the duty payable on local beer to be the same as that of other CARICOM countries.

12 October 2016 – The Treasury Bills Act was amended to raise the limit of principal sums represented by Treasury bills and Treasury notes outstanding at any one time from $400.0mn to $600.0mn and from $450.0mn to $500.0mn, respectively.

12 October 2016 – The Central Bank of Belize Act was amended to increase the authorized capital of the Central Bank of Belize from $10.0mn to $20.0mn, to raise the amount of Treasury bills, Treasury notes or other securities that may be held by the Bank at any one time from 10 times to 20 times the Bank's paid up capital and General Reserve Fund and to expressly provide for the extension of the ancillary powers of the Bank.

# Money and Credit

The ratcheting up of net domestic credit to the Government with attendant foreign exchange outflows for international payments to settle liabilities for the BTL acquisition were notable occurrences in 2016. Coinciding with this was a mild contraction in economic activity that caused growth in the broad money supply (M2) to decelerate from 7.5% to 2.7%.

Bank liquidity persisted at very high levels, which led to the continuation of efforts by the banks to realign the structure of deposit liabilities and reduce costs amid substantial loan write-offs to clear the backlog of legacy non-performing loans. At year end, the volume of time deposits had decreased by $82.5mn, the seventh consecutive year of decline, which lowered its share of deposits from 33.3% in 2015 to 29.7%. The share represented by demand deposits, on which little or no interest is paid, increased from 40.8% of deposits to 43.5% and savings deposits made up the remaining 25.7%, as savings/chequing deposits were virtually eliminated.

Pressured downward by sizeable payments and reduced inflows, the net foreign assets of the banking system declined by 14.2% during the year. The Central Bank recorded a contraction of $122.9mn as a result of reduced inflows (prominent among which was the 51.4% slump in disbursements under the VPCA), while payments on behalf of the Government were ramped up for debt servicing and the BTL settlements. The net holdings of the domestic banks also contracted by $40.8mn with downward pressure coming from the marked drop in export earnings, disruptions in cross border flows due to correspondent banking difficulties, and the one-off payment for the acquisition of the local branch of FCIB.

Chart 6.1: Deposit Growth

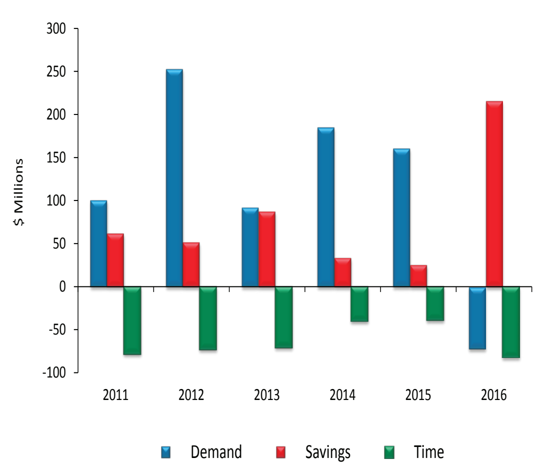
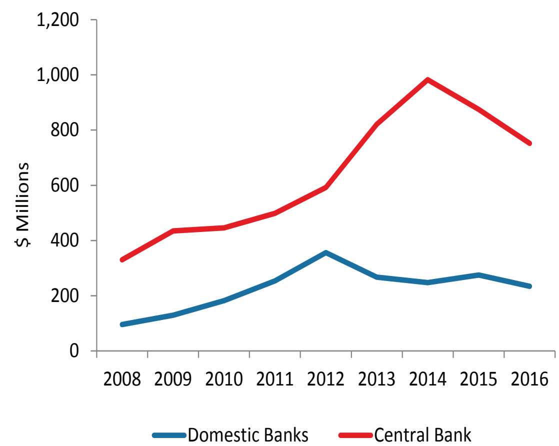



Chart 6.2: Net Foreign Assets




The flip side of the upswing in foreign payments to the Ashcroft group was an escalation of 73.6% in net credit from the banking system to the Government. This was effected mainly via the issuance of securities and, to a lesser extent, the drawdown of deposits. Of the $270.0mn in new securities placed on the market by the Government, the Central Bank and domestic banks took up 51.9% and 29.4%, respectively, and the balance went to institutional investors. In contrast to the burgeoning of credit to the Government, growth in bank lending to the private sector decelerated from 3.1% to 1.6% partly due to the dampening effect of

Chart 6.3: Domestic Banks - Loan Distribution

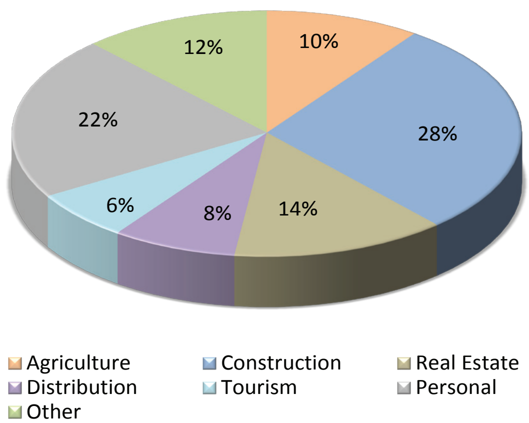
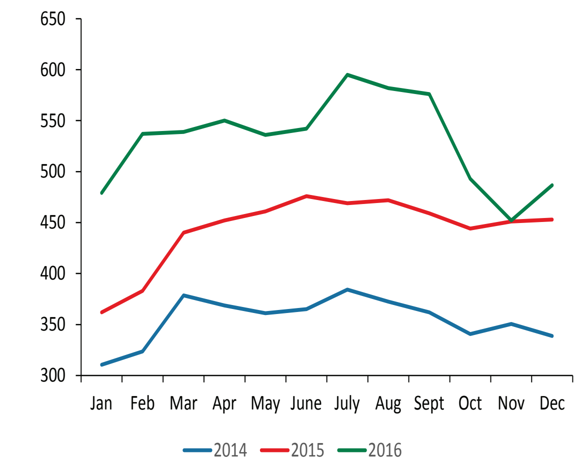



Chart 6.5: Excess Statutory Liquidity




increased loan write-offs that summed to $52.8mn in 2016. Funds were allocated mainly for tourism-related construction activities, home construction and personal loans. Meanwhile, the volume loaned by the five largest credit unions expanded by $49.0mn as compared to the $35.1mn increase in the previous year with disbursements focusing on personal, real estate, residential construction and home improvement loans.

One result of the sale of Government securities (principally Treasury notes at the longer end of the maturity spectrum) to financial institutions and institutional investors in April, July and December was the interruption of the upward climb in liquidity. The excess cash reserves of the banks declined by $19.6mn to $426.1mn, which was still almost double the legal requirement, while a net decline of $9.6mn was recorded in excess holdings of statutory liquid assets, though these holdings continued to exceed requirements by 72.3%.

With the banking system still flush with liquidity, interest rates continued on a downward trend for the eighth year with the 12-month rolling (weighted) average interest rate on new loans

Chart 6.4: Credit Unions - Loan Distribution

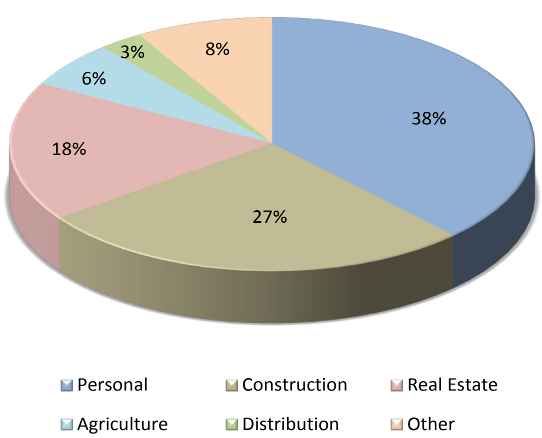
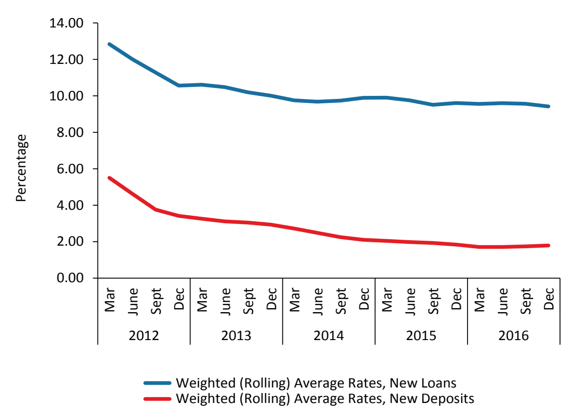



Chart 6.6: Interest Rates on New Loans and Deposits (12-Month Rolling Average)



falling by 19 basis points to 9.42%. After seven years of decline, the weighted average rate on home construction loans rose by 21 basis points to 6.99%, but this was outweighed by reductions ranging between 9 and 40 basis points on commercial loans, personal loans and "*other*" loans. The corresponding rate on new deposits fell by five basis points to 1.79%, due to interest rate declines of 47 basis points and six basis points on savings/chequing and time deposits, respectively, which outweighed an increase in the savings rate of 34 basis points. Consequently, the weighted average spread tightened by 13 basis points to 7.63%.

## Balance of Payments

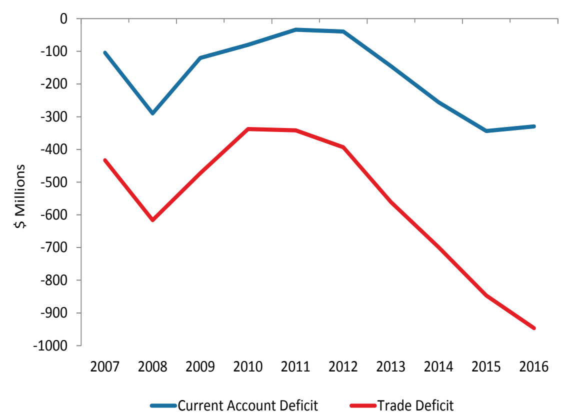
A sizeable expansion in the merchandise trade deficit and higher outflows for interest payments and profit repatriation were partly offset by increased earnings from services and grant receipts during the year. Consequently, the external

Table 7.1: Balance of Payments

$mn

| | 2014 Net | 2015 Net | 2016 Net |
|---|---|---|---|
| CURRENT ACCOUNT | -255.6 | -343.5 | -326.9 |
| Merchandise Trade | -699.1 | -846.7 | -946.7 |
| Services | 571.1 | 554.2 | 620.1 |
| Primary Income | -275.6 | -190.4 | -217.1 |
| Secondary Income | 148.0 | 139.4 | 216.8 |
| CAPITAL ACCOUNT | 87.9 | 17.3 | 66.0 |
| FINANCIAL ACCOUNT | -338.0 | -184.5 | -98.9 |
| NET ERRORS AND OMMISSIONS | -18.1 | 41.5 | 41.4 |
| FINANCING | 163.5 | -100.3 | -120.7 |
| Memo Items: | | | |
| Monthly Import Coverage | 5.7 | 5.0 | 4.5 |
| Current Account/GDP Ratio (%) | -7.5 | -9.9 | -9.4 |

Chart 7.1: Current Account and Trade Deficit

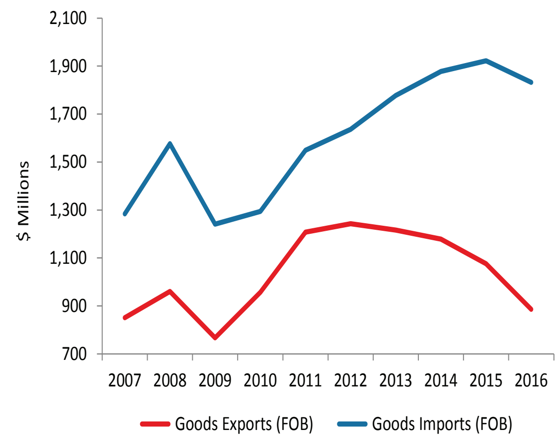



current account deficit improved slightly relative to the previous year from 9.9% to 9.4% of GDP. Meanwhile, the substantial settlement payment for the BTL acquisition, a reduction in loan inflows to Government, higher loan repayments by the private sector and a decrease in deposits held abroad by the domestic banks caused the surplus on the financial account to plummet from $184.5mn to $98.9mn. As a result, the gross international reserves contracted by 13.8% to $0.7bn, equivalent to 4.5 months of merchandise imports.

### Merchandise Trade

With exports declining at a faster rate than imports, the merchandise trade deficit rose by 11.8% to $946.7mn (27.2% of GDP). Exports contracted by 17.7% with across-the-board decreases in domestic commodity exports, commercial free zone sales and re-exports. In the case of domestic exports, the performance reflected a combination of lower volumes as well as lower prices. Imports contracted by 4.7%, as increases in machinery/ transport equipment and other manufactured goods were outweighed by reductions in fuels (including electricity) and goods destined for the export processing zones and commercial free zones (CFZs).

Chart 7.2: Merchandise Exports and Imports




*Source*: SIB

## *Sugar and Molasses*

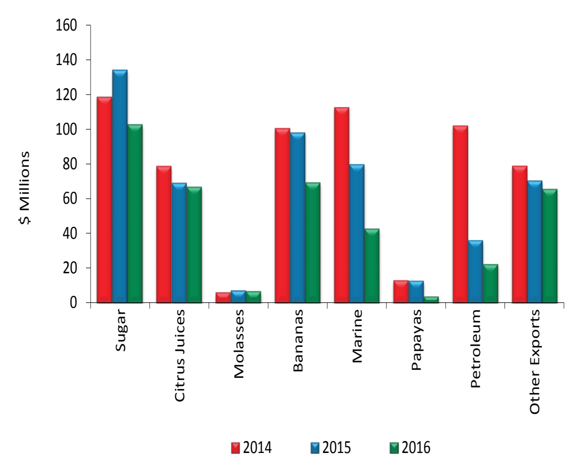
Sugar export earnings declined by 23.4% to $103.0mn, mostly due to a 22.8% plunge in the average unit price, since volume was down by only 0.8%. Sales to the EU rebounded with a 23.2% increase to 119,710 long tons, of which the new entrant, Santander, accounted for 12,303 long tons. However, a shift to more market-determined prices caused a 23.4% drop in the average unit price received, and earnings consequently fell by 5.6% to $97.8mn. Although the US sugar quota for 2016 had been pre-sold in 2015, the industry benefited from a quota re-allocation and sold 2,411 long tons valued at $2.6mn on this market. The balance of 2,239 and 45 long tons went to the regional and Canadian markets, respectively. Exports of molasses increased by 6.9% to 30,551 long tons, while revenues declined by 5.5% to $7.0mn.

## *Citrus Juices and Pulp*

Citrus juice export volume fell by 9.7% in 2016, the fourth consecutive annual decline. However, receipts were down by only 3.2%, as lower earnings from orange concentrate were partly offset by an increase from grapefruit. Receipts from orange concentrate shrank by 5.7% to $58.5mn with a 13.4% decline in earnings from the US market, where lower sales volume outweighed an improvement in prices. Elsewhere, Caribbean sales remained almost flat, while revenues from Europe edged down by 1.9% due to lower prices. Sales of not-from-concentrate and freeze concentrate products to Japan were minimal, yielding $0.3mn each.

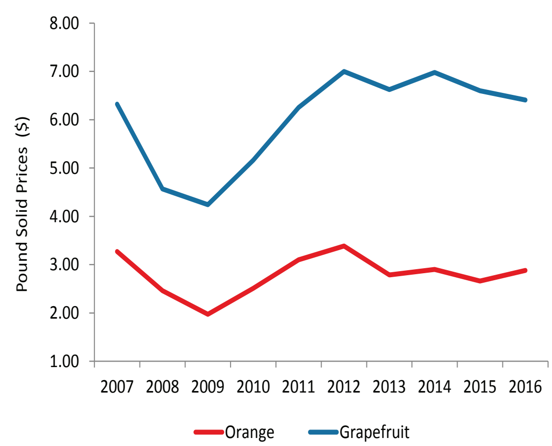
Earnings from grapefruit concentrate increased by 19.2% to $8.3mn with a 33.0% expansion in export volume more than compensating for a decline in the

Chart 7.3: Domestic Exports




*Source*: SIB

Chart 7.4: Citrus Prices




*Source*: CPBL

average unit price. This was notably the case in the European market where, notwithstanding weaker prices, earnings rose by 9.8% to $4.8mn as a result of increased export volume. In the Caribbean, prices held steady, and sales volume and receipts therefore rose in tandem by approximately 75.0%. As in the case of orange, exports of grapefruit freeze concentrate juice to Japan were insignificant at 0.1mn ps valued at $0.4mn.

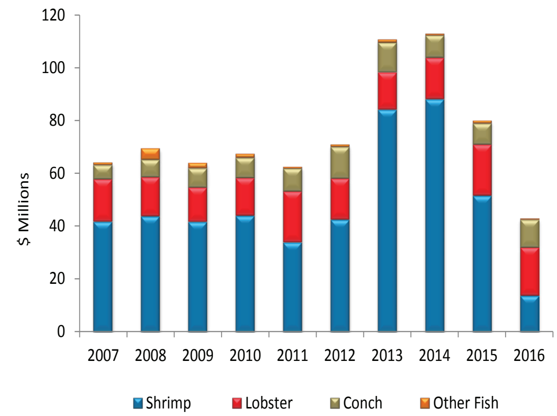
*Banana*

With banana production down for the second consecutive year, annual exports contracted by 28.5% to 70,662 metric tons. Receipts declined by 29.3% to $69.5mn, as a lower amount of fruit was shipped during weeks when the unit price was higher. The five-year marketing agreement between the BGA and Fyffes will conclude at the end of 2017. Its terms specify that payments are based on a weekly delivery schedule in which a higher price is paid for fruit shipped from weeks one to 20.

*Marine Exports*

The struggles of the farmed shrimp industry continued in 2016 and as a result, the volume of marine exports suffered a sharp decline of 67.1% to 3.5mn pounds. Receipts were down by 46.3% to $43.0mn, with the less than proportionate earnings decline being due to conch, which experienced a 31.7% spike in revenues to $10.6mn, reflecting higher sales volume and better average unit prices. Producers of farmed shrimp conducted a series of tests during the year in the hope of successfully addressing the bacterial infection that had brought production to a virtual halt in 2015. Against this backdrop, farmed shrimp exports plummeted by 82.0% to 1.5mn pounds, while receipts declined by the lesser amount of 73.3% to $13.8mn due to a modest price increase. Earnings from lobster fell by 5.6% to $18.3mn, as lower prices undercut an

Chart 7.5: Exports of Marine Products




*Source*: SIB

uptick in sales volume, and revenues from sales of whole fish more than halved to $0.4mn due to a significant price decline in Mexico. The latter caused the largest tilapia farm to halt production and commence searching for an alternative market.

*Other Major Exports*

Receipts from petroleum exports declined by 37.7% to $22.5mn, as export volume declined, and global imbalances between demand and supply caused the average price per barrel to fall from US$44.58 in 2015 to US$33.54. Meanwhile, with the major producer ceasing operations in June, the volume of papaya exports plunged by 75.6% to 7.5mn pounds, and receipts shrank by 69.9% to $3.9mn.

*Non-Traditional Exports*

Earnings from non-traditional exports fell by 7.2% to $58.5mn during the year, as lower sales of citrus oils, red kidney beans and corn meal outweighed increases in animal feed, pepper sauce, black-eyed peas and pulp cells. Receipts from the sale of orange and grapefruit oils were down by 24.8% to $6.2mn and by 53.6% to $1.2mn, respectively. In the case of red kidney beans, a shift in consumer preferences in the regional market toward a smaller bean variety caused a 12.8% contraction in export volume with receipts shrinking by 21.2% to $8.8mn. There was also a notable decrease in sales of corn meal with proceeds down by 42.9% to $1.8mn. In contrast, earnings from animal feed increased by 6.7% to $12.7mn, and income from black-eyed peas rose by 4.8% to $5.8mn, as it benefitted from a one-off boost in the volume sold to Asian markets that more than outweighed a reduction in average prices. Revenues from sales of citrus pulp stood at $2.5mn, while income from sales of pepper sauce surged upward by 30.6% to $3.3mn.

*Re-Exports*

The revenues generated by the CFZ declined by 12.3% to $395.5mn, as the devaluation of the Mexican Peso adversely affected cross-border trade. Earnings from other re-exports also fell by 6.0%, as the sale of all categories of goods declined, except "*Animals and Vegetable Oils*", "*Machinery and Transport Equipment*" and "*Miscellaneous Manufactured Goods*". The net result was an 11.0% decline in all re-exports to $503.7mn.

*Imports*

Gross imports (FOB) declined by 4.7% with goods for domestic consumption and those destined for the CFZ contracting by 3.6% and 11.0%, respectively. With investments for the Santander sugar operations wrapped up, and the input needs of shrimp farms plunging in line with the lowering of their activity, imports for export processing zone companies almost halved to $63.2mn. There was also a 42.3% drop in electricity imports during the year and outlays on "*Mineral, Fuel and Lubricants*" were 21.0% lower due to the reduction in international petroleum prices. Expenditure on "*Chemical Products*" declined by 7.4% due to lower fertilizer imports.

Contrasting with these declines, imports of "*Other Manufactures*" increased by 12.5%, while "*Machinery and Transport Equipment*" rose by 6.2%. There were also increases of 3.4% in "*Food and Live Animals*" and 13.1% in "*Crude Materials*".

*Direction of Visible Trade*

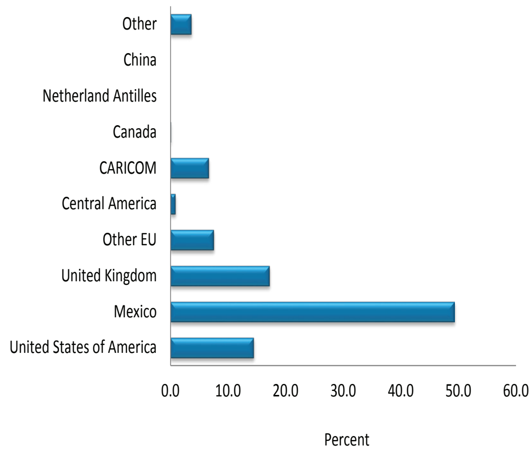
The re-export trade with Mexico through the CFZ once again pushed it to the forefront as Belize's principal export market with its share rising from 47.8% to 49.3%. Meanwhile, as a result of the contraction in exports of sugar, citrus juice and papaya, the US share of Belize's exports declined from 20.5% to 14.5%. The UK's share rose, on the other hand, from 16.5% to 17.2% as a result of the increase in sugar sold to that market and the share for the rest of the EU also improved from 6.0% to 7.6%. CARICOM's share held steady at around 6.7%.

In the case of imports, the US cemented its status as Belize's main supplier with its share rising from 33.7% to 36.9%. Central America's share stood at 14.3%, slightly down from 15.8% in the previous year, largely due to reduced transactions between the CFZ and the Colon Free Zone in Panama. In contrast, China's share rose from 10.1% to 11.7%, while Mexico's share remained stable at 10.6%. The decline in international petroleum prices caused the share of imports from the Netherland Antilles to fall from 8.8% to 7.2%.

## Services

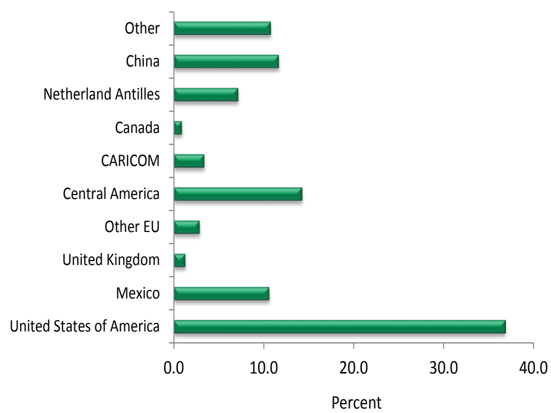
Net earnings from services grew by a robust 11.9% to $620.1mn, reflecting higher tourism earnings, lower freight costs and an upswing in earnings from other services. Increases of 13.2% and 4.9% in overnight and cruise ship visitors boosted net travel receipts by 4.3% to $675.9mn. International freight charges declined by 11.9% in line with

Chart 7.6: Direction of Visible Trade - Exports



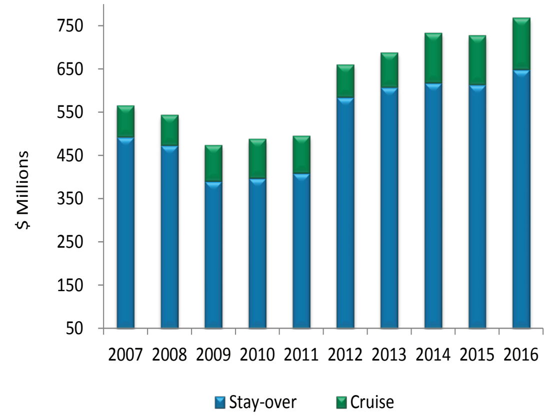

*Source*: SIB

Chart 7.7: Direction of Visible Trade - Imports



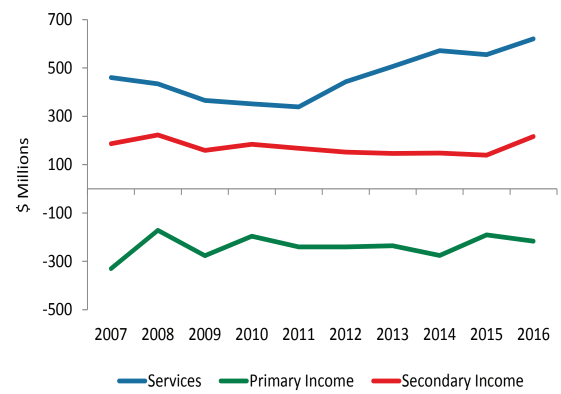

*Source*: SIB

Chart 7.8: Tourism Expenditure




*Sources*: BTB and SIB

Chart 7.9: Net Balances of Service and Income Accounts




the fall in international trade volumes, while net inflows for other services swung from a deficit of $3.6mn in 2015 to a surplus of $23.4mn, partly due to higher earnings by data processing businesses.

## Primary Income

Net outflows under the primary income account increased by $26.7mn to $217.1mn due to increased repatriation of profits by foreign shareholders of local businesses. Tourism, petroleum and electricity companies accounted for 44.6% of all such profit outflows.

## Secondary Income

A heightening of remittance inflows, reinsurance receipts, and funds for religious organizations and other entities, as well as a turnaround in inflows to Government boosted the surplus on the secondary income account by 55.5% to $216.8mn. Inflows from remittances were up by 13.0% to $108.2mn, while compensation for damages from Hurricane Earl caused inflows to insurance companies to almost quadruple to $42.6mn. Funds received by religious organizations and other entities increased by 64.0% to $54.5mn, and donations received from

Chart 7.10: Remittance Inflows

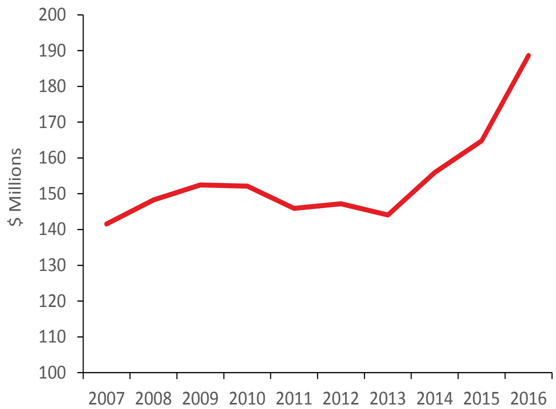
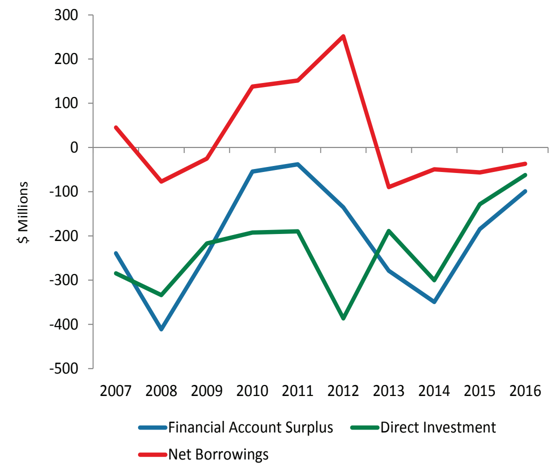



Chart 7.11: Main Components of the Financial Account




the US, particularly through the Central America Regional Security Initiative program yielded a modest net inflow to Government, compared to the net outflow recorded for 2015.

## Capital and Financial Accounts

The surplus on the capital account rose from \$17.3mn to \$66.0mn, reflecting increased grant receipts, including \$10.0mn from the ROC/Taiwan for budgetary support, as well as development aid from several multilateral donors. Capital inflows were also boosted by the sale of land to the US embassy for a substantial sum. On the other hand, the surplus on the financial account almost halved to \$98.9mn due to a drop in net foreign direct investment (FDI) inflows, a reduction in Government's foreign borrowing, an increase in loan repayments by the private sector and a decrease in deposits held abroad by domestic banks. The Government's payment of \$196.5mn to the Ashcroft group in settlement of its acquisition of BTL caused net FDI inflows to more than halve to \$62.0mn. The reduction in net loan disbursements to the Government from \$104.1mn to \$45.8mn was largely accounted for by the winding down of Venezuelan loan inflows. On the other hand, the private sector made net loan repayments of \$21.4mn, and the foreign asset holdings of the domestic banks declined by \$62.3mn, largely due to the sharp decline in exports receipts, the purchase of the local branch of FCIB and disruptions to international correspondent banking services.

Box 3: Changes in European Union Sugar Import Regime in 2017

The EU is the world's leading producer of beet sugar, accounting for about half of global production. In 1968, under its Common Agricultural Policy (CAP), rules were established to govern the EU's sugar market in which a support price was offered for domestic producers that was significantly above the world market price, while a maximum production ceiling was set. Since then, the sugar import regime has undergone several reforms (in 1992, 2006 and, most recently, in 2013) with a view to reducing subsidies to domestic sugar farmers and bringing the EU sugar market in line with market forces. The timeline for the planned changes culminates in late 2017. The 1992 reform reduced the level of the EU support price and introduced a direct payment to support farmers' incomes. During 2006 to 2010, the introduction of a system of voluntary compensation resulted in the closure of approximately 80 sugar beet producing factories. Under the 2013 CAP reform, agreement was reached on the abolition of internal sugar quotas by the end of 2017.

The EU's current sugar policy encompasses three major elements:

- A minimum price floor – By current EU law, there is a set minimum price that sugar factories must pay sugar producers for in-quota sugar.

- Production quotas – Currently, the EU has a domestic production quota of 13.5 million tons of sugar. This production quota encompasses all sugar produced by its 19 member states.

- Import quotas and tariffs – The EU has become a net importer of sugar post-2006 sugar reforms, with the majority of its imports coming from African, Caribbean and Pacific states (ACP) and Least Developed Countries (LDC), which enjoy duty-free and quota-free access to the EU market under the Everything-But-Arms agreement for the LDCs and the Economic Partnership Agreements for the ACPs. Tariffs remain high to countries outside these initiatives.

The current system is viewed as responsible for creating artificial sugar shortages in Europe and limiting EU exports due to world trade rules on unfair subsidies. Furthermore, the price and quota regime insulates producers and end-users from price fluctuations in the world market. The EU's lifting of domestic quotas will boost production of beet sugar and may likely transform the industry into a leading sugar exporter, especially as intensive research and development work has improved the production efficiency and yields of the beet crop. While Europe produced approximately 14mn tonnes of beet sugar in the 2015-16 crop year, experts say production could rise by as much as 15% to 20% post-2017 with a corresponding downward pressure on sugar imports.

While the minimum price for beet sugar will disappear, the existing import restrictions will remain in place. This means that LDCs and selected ACP countries will continue to benefit from tariff-free access to the EU market. While it is expected that the region's prices will more closely reflect movements in the world market sugar prices, it is also expected that the remaining import restrictions will provide some buffer that will allow EU prices to fluctuate about 15% to 30% higher than world prices.

# Statistical Appendix

Table A.1: Major Economic Indicators

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|---|---|
| **POPULATION AND EMPLOYMENT** | | | | | | | | |
| Population (Thousands) | 333.2 | 323.0 | 332.7 | 338.9 | 347.8 | 356.9 | 366.3 | 375.9 |
| Employed Labour Force (Thousands) | 120.5 | 100.7 | n.a. | 126.7 | 131.4 | 134.6 | 138.1 | 146.9 |
| Unemployment Rate as at April (%) | 13.1 | 23.3 | n.a. | 14.4 | 11.7 | 11.1 | 10.1 | 8.0 |
| **INCOME** | | | | | | | | |
| GDP at Current Market Prices ($mn) | 2,673.9 | 2,794.2 | 2,973.4 | 3,147.2 | 3,227.4 | 3,413.0 | 3,485.1 | 3,482.2 |
| Per Capita GDP ($, Current Market Prices) | 8,025.0 | 8,651.6 | 8,939.0 | 9,287.1 | 9,339.7 | 9,625.4 | 9,395.3 | 9,263.4 |
| Per Capita GDP (%) | -5.7 | 7.8 | 3.3 | 3.9 | 0.6 | 3.1 | -2.4 | -1.4 |
| Real GDP Growth (%) | 0.8 | 3.3 | 2.1 | 3.7 | 0.7 | 4.1 | 2.9 | -0.8 |
| Sectoral Distribution of Constant 2000 GDP (%) | | | | | | | | |
| Primary Activities | 13.9 | 14.4 | 13.5 | 13.9 | 14.6 | 14.3 | 12.3 | 9.4 |
| Secondary Activities | 21.3 | 19.7 | 18.8 | 17.2 | 15.6 | 15.0 | 14.2 | 14.5 |
| Services | 59.8 | 60.4 | 60.3 | 60.3 | 60.0 | 59.9 | 62.0 | 64.2 |
| **MONEY AND PRICES ($mn)** | | | | | | | | |
| Inflation (Annual average percentage change) | -1.1 | 0.9 | 1.7 | 1.3 | 0.5 | 1.2 | -0.9 | 0.7 |
| Currency and Demand deposits (M1) | 713.3 | 707.9 | 839.3 | 1,102.9 | 1,121.9 | 1,313.9 | 1,528.4 | 1,471.9 |
| Quasi-Money (Savings and Time deposits) | 1,379.9 | 1,377.0 | 1,361.9 | 1,340.7 | 1,354.7 | 1,358.3 | 1,345.4 | 1,478.4 |
| Annual Change of Money Supply (%) | 6.4 | -0.4 | 5.6 | 11.0 | 1.4 | 7.9 | 7.5 | 2.7 |
| Ratio of M2 to GDP (%) | 78.3 | 74.6 | 74.0 | 77.6 | 76.7 | 78.3 | 82.5 | 84.7 |
| **CREDIT ($mn)** | | | | | | | | |
| Domestic Bank's Loans and Advances | 1,805.4 | 1,762.0 | 1,756.5 | 1,802.6 | 1854.3 | 1,933.0 | 1,985.7 | 2,015.0 |
| Public Sector | 10.2 | 8.9 | 8.8 | 16.6 | 23.8 | 17.5 | 11.3 | 8.7 |
| Private Sector | 1,795.3 | 1,753.1 | 1,747.7 | 1,786.0 | 1830.5 | 1,915.5 | 1,974.4 | 2,006.3 |
| **INTEREST RATE (%)** | | | | | | | | |
| Weighted Average Lending Rate | 14.0 | 13.8 | 12.9 | 11.9 | 11.1 | 10.7 | 10.0 | 9.7 |
| Weighted Average Deposit Rate | 6.1 | 5.6 | 3.7 | 2.6 | 2.2 | 1.7 | 1.5 | 1.3 |
| Weighted Average Interest Rate Spread | 7.9 | 8.2 | 9.2 | 9.4 | 9.0 | 8.9 | 8.6 | 8.4 |
| **CENTRAL GOVERNMENT FINANCES ($mn)** | | | | | | | | |
| Current Revenue | 660.3 | 753.8 | 787.0 | 825.6 | 851.6 | 911.7 | 994.0 | 1,002.2 |
| Current Expenditure | 662.1 | 682.7 | 717.4 | 740.8 | 743.6 | 817.6 | 894.0 | 950.9 |
| Current Account Surplus(+)/Deficit(-) | -1.8 | 71.0 | 69.6 | 84.8 | 108.0 | 94.1 | 100.0 | 51.3 |
| Capital Expenditure | 113.3 | 133.1 | 121.7 | 161.9 | 178.5 | 281.5 | 404.6 | 189.5 |
| Overall Surplus(+)/Deficit(-) | -76.3 | -46.3 | -22.9 | -25.1 | -37.2 | -98.7 | -276.3 | -115.4 |
| Ratio of Budget Deficit to GDP at Market Prices (%) | -2.9 | -1.7 | -0.8 | -0.8 | -1.2 | -2.9 | -7.9 | -3.3 |
| Domestic Financing (Net)[1] | 20.1 | 45.7 | 13.1 | 16.6 | -148.0 | -10.2 | 184.1 | 70.8 |
| External Financing (Net) | 63.1 | 7.1 | 17.8 | 15.5 | 183.9 | 104.1 | 100.2 | 42.4 |

## Table A.1: Major Economic Indicators continued

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|---|---|
| **BALANCE OF PAYMENTS (US $mn)** | | | | | | | | |
| Merchandise Exports (FOB)(2) | 383.1 | 478.2 | 603.6 | 621.6 | 608.1 | 589.2 | 537.9 | 442.8 |
| Merchandise Imports (FOB) | 620.1 | 653.0 | 774.6 | 818.1 | 888.6 | 938.7 | 961.3 | 916.1 |
| Trade Balance | -237.0 | -174.8 | -170.9 | -196.5 | -280.5 | -349.6 | -423.4 | -473.3 |
| Remittances (Inflows) | 76.2 | 76.1 | 73.0 | 73.6 | 72.0 | 78.0 | 82.4 | 94.3 |
| Tourism (inflows) | 237.8 | 244.9 | 242.4 | 292.4 | 344.4 | 367.1 | 352.1 | 376.8 |
| Services (Net) | 182.7 | 174.9 | 167.8 | 221.6 | 253.0 | 285.6 | 277.1 | 310.0 |
| Current Account Balance | -65.6 | -46.5 | -16.6 | -19.3 | -72.6 | -127.8 | -171.7 | -164.7 |
| Capital and Financial Flows | 139.4 | 32.8 | 49.8 | 90.1 | 174.0 | 212.9 | 100.9 | 82.5 |
| Gross Change in Official International Reserves | 47.3 | 4.3 | 26.1 | 52.8 | 113.8 | 81.8 | -50.1 | -60.3 |
| Gross Official International Reserves(3) | 213.7 | 218.0 | 236.1 | 291.5 | 405.1 | 486.8 | 436.9 | 376.6 |
| Monthly Import Coverage | 3.7 | 3.7 | 3.3 | 3.9 | 5.0 | 5.7 | 5.0 | 4.5 |
| **PUBLIC SECTOR DEBT** | | | | | | | | |
| Disbursed Outstanding External Debt (US $mn) | 1,017.0 | 1,012.7 | 1,022.2 | 1,014.2 | 1082.7 | 1,125.9 | 1,177.3 | 1,199.2 |
| Ratio of Outstanding Debt to GDP at Market Prices (%) | 76.1 | 72.5 | 68.8 | 64.5 | 67.1 | 66.0 | 67.6 | 68.9 |
| External Debt Service Payments (US $mn)(4) | 81.2 | 76.6 | 81.4 | 80.1 | 80.8 | 76.3 | 126.6 | 84.6 |
| **External Debt Service Ratio (%)(4)** | 11.2 | 9.4 | 8.6 | 7.7 | 5.9 | 7.1 | 12.2 | 8.7 |
| Disbursed Outstanding Domestic Debt ($mn) | 320.2 | 367.8 | 381.2 | 389.9 | 386.0 | 376.1 | 494.4 | 747.8 |
| Domestic Debt Service Payments ($mn) | 39.1 | 40.1 | 20.5 | 20.3 | 20.0 | 17.0 | 27.4 | 18.3 |

Sources: MOF, SIB and CBB

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

(2) Includes CFZ gross sales.

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

(4) Reflects actual 2013 debt service payment which excludes the $107.9mn haircut on the restructured bond due 2038.

P - Provisional

R - Revised

n.a. not available

### Table A.2: List of Licensed Banks

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

### Table A.3: List of Credit Unions

| | | |
|---|---|---|
| Belize Credit Union League | Holy Redeemer Credit Union Ltd.* | St. John's Credit Union Ltd.* |
| Blue Creek Credit Union Ltd.* | La Inmaculada Credit Union Ltd.* | St. Martin's Credit Union Ltd. |
| Civil Service Credit Union Ltd. | Mount Carmel Credit Union Ltd. | Toledo Teachers Credit Union Ltd. |
| Evangel Credit Union Ltd. | St. Francis Xavier Credit Union Ltd.* | |

* These credit unions represent the five largest credit unions.

### Table A.4: Capital for Five Largest Credit Unions

| CAPITAL ADEQUACY | Dec 2012 | Dec 2013 | Dec 2014 | Dec 2015 | Dec 2016 |
|---|---|---|---|---|---|
| Total Capital/Deposits (%) | 22.0 | 22.2 | 20.1 | 19.9 | 19.5 |
| Total Capital/Total Assets (%) | 17.9 | 17.9 | 16.6 | 16.4 | 16.0 |
| Net Institutional Capital/Total Assets (%) | 10.7 | 8.7 | 10.0 | 10.3 | 10.8 |
| Total Capital ($mn) | 118.0 | 129.7 | 127.6 | 137.3 | 143.1 |

Table A.5: Central Bank Dealings in Foreign Exchange 2016

$mn

| Month | US $, Canadian $, and UK £ Purchases | Sales | Net | CARICOM Currencies Purchases | Sales | Net |
|---|---|---|---|---|---|---|
| January | 38.70 | 27.20 | 11.50 | 0.00 | 0.13 | -0.13 |
| February | 24.60 | 42.80 | -18.20 | 0.01 | 0.02 | -0.01 |
| March | 31.80 | 18.00 | 13.80 | 0.00 | 0.75 | -0.75 |
| April | 26.00 | 23.80 | 2.20 | 0.00 | 0.01 | -0.01 |
| May | 25.30 | 23.60 | 1.70 | 0.00 | 0.96 | -0.96 |
| June | 32.00 | 28.90 | 3.10 | 0.00 | 0.12 | -0.12 |
| July | 86.90 | 102.90 | -16.00 | 0.00 | 0.06 | -0.06 |
| August | 40.10 | 41.10 | -1.00 | 0.00 | 0.08 | -0.08 |
| September | 39.30 | 41.60 | -2.30 | 0.24 | 0.03 | 0.21 |
| October | 14.50 | 151.50 | -137.00 | 0.00 | 0.06 | -0.06 |
| November | 49.40 | 37.10 | 12.30 | 0.00 | 0.03 | -0.03 |
| December | 22.60 | 14.60 | 8.00 | 0.00 | 0.00 | 0.00 |
| Total | 431.20 | 553.10 | -121.90 | 0.25 | 2.25 | -2.00 |

Table A.6: External Asset Ratio 2016

$mn

| Month | Foreign Asset $mn | Domestic Liabilities $mn | External Asset Ratio (%) |
|---|---|---|---|
| January | 875.89 | 1,080.46 | 81.07 |
| February | 857.64 | 1,079.80 | 79.43 |
| March | 872.79 | 1,097.86 | 79.50 |
| April | 875.51 | 1,074.35 | 81.49 |
| May | 875.50 | 1,074.55 | 81.48 |
| June | 878.38 | 1,089.93 | 80.59 |
| July | 862.92 | 1,145.19 | 75.35 |
| August | 861.83 | 1,165.10 | 73.97 |
| September | 859.62 | 1,164.82 | 73.80 |
| October | 721.41 | 1,021.41 | 70.63 |
| November | 733.55 | 1,053.50 | 69.63 |
| December | 741.05 | 1,070.09 | 69.25 |

## Table A.7: Domestic Bank Balances with the Central Bank 2016

$mn

| Month | Average Deposit Liability | Required Cash Reserve | Actual Cash Holdings | Excess/ (Deficit) |
|---|---|---|---|---|
| January | 2,600.2 | 221.0 | 672.7 | 451.7 |
| February | 2,394.7 | 203.6 | 682.3 | 478.7 |
| March | 2,581.9 | 219.5 | 711.0 | 491.5 |
| April | 2,690.2 | 228.7 | 689.5 | 460.8 |
| May | 2,711.1 | 230.4 | 679.2 | 448.8 |
| June | 2,723.5 | 231.5 | 682.8 | 451.3 |
| July | 2,729.7 | 232.0 | 683.4 | 451.4 |
| August | 2,779.6 | 236.3 | 711.5 | 475.2 |
| September | 2,803.4 | 238.3 | 732.3 | 494.0 |
| October | 2,796.2 | 237.7 | 654.4 | 416.7 |
| November | 2,765.2 | 235.0 | 623.5 | 388.5 |
| December | 2,668.8 | 226.9 | 652.9 | 426.0 |

## Table A.8: Currency in Circulation 2016

$mn

| Month | Notes | Coins | Total | Domestic Bank Vault Cash | Currency with the Public |
|---|---|---|---|---|---|
| January | 298.2 | 27.2 | 325.4 | 42.3 | 283.2 |
| February | 297.3 | 27.4 | 324.7 | 42.0 | 282.7 |
| March | 306.9 | 27.7 | 334.6 | 53.3 | 281.2 |
| April | 299.3 | 27.9 | 327.2 | 40.4 | 286.8 |
| May | 309.5 | 28.1 | 337.6 | 51.8 | 285.8 |
| June | 306.3 | 28.1 | 334.4 | 53.1 | 281.3 |
| July | 307.7 | 28.4 | 336.0 | 44.9 | 291.1 |
| August | 310.0 | 28.6 | 338.6 | 48.6 | 290.0 |
| September | 308.0 | 28.7 | 336.7 | 46.4 | 290.3 |
| October | 306.6 | 28.8 | 335.3 | 43.5 | 291.8 |
| November | 319.1 | 28.9 | 348.0 | 53.7 | 294.3 |
| December | 340.4 | 29.1 | 369.5 | 58.1 | 311.4 |

Table A.9: Composition of Treasury Notes

$mn

| | | Allocation | | | | |
|---|---|---|---|---|---|---|
| Tenor | Amount | Central Bank | Domestic Banks | Others | Previous Yield | Current Yield |
| 1 Year | 95.0 | 36.0 | 35.0 | 24.0 | 3.00% | 2.75% |
| 2 Year | 45.0 | 1.0 | 19.0 | 25.0 | 4.00% | 3.25% |
| 5 Year | 135.0 | 44.5 | 23.1 | 67.4 | 5.00% | 4.00% |
| 7 Year | 80.0 | 73.5 | | 6.5 | 7.00% | 4.50% |
| 10 Year | 125.0 | 115.5 | | 9.5 | 7.75% | 5.25% |
| Total | 480.0 | 270.5 | 77.1 | 132.4 | | |

Table A.10: Central Bank Credit to Central Government 2016

$mn

| Month | Treasury Bills ($mn) | Treasury Notes ($mn) | Treasury Bonds ($mn) | Overdraft Facility[1] ($mn) | A | B |
|---|---|---|---|---|---|---|
| January | 1.1 | 86.6 | 10.0 | 51.6 | 3.12 | 5.37 |
| February | 13.9 | 116.4 | 10.0 | 63.8 | 4.49 | 3.78 |
| March | 0.0 | 115.2 | 10.0 | 51.6 | 4.01 | 5.88 |
| April | 3.0 | 111.5 | 10.0 | 44.0 | 3.98 | 2.87 |
| May | 0.5 | 111.5 | 10.0 | 44.0 | 3.90 | 2.60 |
| June | 0.0 | 111.5 | 10.0 | 65.1 | 3.89 | 2.52 |
| July | 0.0 | 111.5 | 10.0 | 64.8 | 3.89 | 4.48 |
| August | 0.0 | 111.5 | 10.0 | 65.6 | 3.89 | 6.06 |
| September | 0.0 | 139.0 | 4.3 | 69.8 | 4.58 | 2.52 |
| October | 0.0 | 160.0 | 0.0 | 69.3 | 5.12 | 6.54 |
| November | 0.0 | 158.5 | 0.0 | 68.2 | 5.07 | 6.86 |
| December | 16.9 | 161.3 | 0.0 | 66.0 | 5.70 | 6.29 |

[1] Overdraft facility represents monthly averages rather than end of month position.
A: Central Bank holdings of Government securities as a multiple of Central Banks's paid up capital and reserves.
B: Advances to Government as a percentage of Government's estimated recurrent revenues for the previous fiscal year.

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

| Country | GDP Growth Rate (%) 2015 | 2016 | Inflation 2015 | Rate (%) 2016 | Unemployment Rate (%) 2015 | 2016 |
|---|---|---|---|---|---|---|
| Advanced Economies | 2.1 | 1.6 | 0.3 | 0.8 | n.a. | n.a. |
| United States | 2.6 | 1.6 | 0.7 | 2.1 | 5.0 | 4.7 |
| Euro Area | 2.0 | 1.7 | 0.2 | 1.1 | 11.0 | 9.6 |
| United Kingdom | 2.2 | 1.8 | 0.1 | 1.6 | 5.4 | 4.8 |
| Canada | 0.9 | 1.4 | 1.0 | 1.5 | 7.1 | 6.9 |
| Japan | 1.2 | 0.9 | 0.7 | 0.3 | 3.5 | 3.1 |
| Emerging and Developing Economies | 4.1 | 4.1 | 4.7 | 4.5 | n.a. | n.a. |
| China | 6.9 | 6.7 | 1.4 | 2.1 | 4.1 | 4.0 |
| India | 7.6 | 7.1 | 4.9 | 5.5 | 4.9 | 5.0 |
| Mexico | 2.6 | 2.2 | 2.7 | 2.8 | 4.3 | 4.0 |
| Russia | -2.7 | -0.2 | 12.9 | 5.6 | 5.6 | 5.6 |
| Brazil | -3.8 | -3.5 | 9.0 | 9.0 | 8.5 | 11.2 |

*Source*: IMF, Bureau of Labor Statistics, Bureau of Economic Analysis (US), European Union Central Bank, Office of National Statistics (UK), China National Statistics Office, Statistics Canada and Focus Economics

n.a. - not available

Table A.12: Key Indicators for Central America

| Country | GDP Growth Rate (%) 2015R | 2016P | Inflation Rate (%) 2015R | 2016P | Unemployment Rate (%) 2015R | 2016P | International Reserves (US $bn) 2015R | 2016P |
|---|---|---|---|---|---|---|---|---|
| Guatemala | 4.1 | 3.1 | 3.1 | 4.2 | 2.7 | 3.1 | 7.8 | 9.2 |
| Honduras | 3.6 | 3.5 | 2.4 | 3.3 | 8.8 | 8.9 | 3.8 | 3.9 |
| El Salvador | 2.5 | 2.5 | 1.0 | -0.9 | 6.5 | 6.4 | 2.7 | 2.9 |
| Nicaragua | 4.9 | 4.8 | 3.1 | 3.1 | 6.9 | 7.0 | 2.5 | 2.4 |
| Costa Rica | 4.7 | 4.3 | -0.8 | 0.8 | 9.6 | 9.5 | 7.8 | 7.6 |
| Panama | 5.8 | 5.8 | 0.3 | 1.5 | 5.1 | 5.5 | 3.9 | 4.5 |

*Sources*: ECLAC, United Nations (UN), Central Banks of Guatemala, Honduras, El Salvador, Nicaragua and Costa Rica, Statistical Institutes of Panama and Costa Rica, Ministry of Economics and Finance of Panama and Central American Monetary Council

R - Revised

P - Provisional

## Table A.13: Key Indicators for Selected Caribbean Countries

| Country | GDP Growth Rate (%) | | Inflation Rate (%) | | Unemployment Rate (%) | | International Reserves (US $mn) | | Fiscal Balance (% of GDP) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2016[E] | 2015 | 2016[E] | 2015 | 2016[E] | 2015 | 2016[(1)] | 2015 | 2016[E] |
| Bahamas | -1.7 | 0.0 | 1.5 | 0.8 | 14.8 | 11.6 | 812 | 902 | -4.4 | -3.0 |
| Barbados[(1)] | 0.5 | 1.4 | -1.1 | -0.8 | 11.3 | 10.0 | 927 | 681 | -8.1 | -8.2 |
| Belize[(2)] | 2.9 | -0.8 | -0.9 | 0.7 | 10.1 | 8.0 | 441 | 380 | -7.8 | -1.9 |
| ECCU[(3)] | 2.6 | 2.2 | 0.3 | -0.2 | n.a. | n.a. | n.a. | n.a. | n.a | n.a |
| Guyana | 3.0 | 2.6 | -1.8 | 1.2 | 12.5 | 12.5 | 597 | 616 | -1.4 | -5.4 |
| Jamaica | 1.0 | 1.1 | 3.7 | 1.7 | 13.5 | 12.9 | 2,473 | 2,719 | 0.8 | 10.2 |
| Suriname | -2.0 | -10.4 | 25.1 | 52.4 | 8.9 | 11.9 | 330 | 381 | -6.3 | -4.1 |
| Trinidad and Tobago[(4)] | 0.2 | -4.5 | 4.7 | 3.1 | 3.5 | 4.4 | 9,788 | 9,757 | -1.7 | -5.0 |

Sources: ECLAC, IADB, Central Banks of Belize, The Bahamas, Barbados, Guyana, ECCU, Jamaica, Surinam, Trinidad and Tobago, Statistical Institutes of Belize, Trinidad and Tobago, Jamaica, The Bahamas and Bureau of Statistics of Guyana

[(1)] Inflation estimate at June 2016

[(2)] Fiscal data at September 2016 and Unemployment rate at April 2016

[(3)] Inflation estimate at September 2016

[(4)] International reserves data at October 2016 and Unemployment rate at June 2016

[E] - Estimate

n.a. - not available

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

$mn

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|
| GDP at Current Market Prices | 2,973.4 | 3,147.2 | 3,227.4 | 3,413.0 | 3,485.1 | 3,482.2 |
| GDP at constant 2000 Market Prices | 2,502.4 | 2,596.0 | 2,615.0 | 2,722.2 | 2,800.4 | 2,778.6 |
| Primary Industries | 326.8 | 349.1 | 368.7 | 378.3 | 335.1 | 251.6 |
| Agriculture, Hunting and Forestry | 226.6 | 249.8 | 246.6 | 249.4 | 251.0 | 224.8 |
| Fishing | 100.2 | 99.3 | 122.2 | 128.9 | 84.1 | 26.8 |
| Secondary Industries | 482.1 | 458.2 | 419.4 | 419.1 | 409.0 | 413.4 |
| Manufacturing (including Mining and Quarrying) | 303.5 | 282.5 | 229.5 | 211.5 | 187.5 | 176.9 |
| Electricity and Water | 126.5 | 115.8 | 127.4 | 132.2 | 136.6 | 144.2 |
| Construction | 52.1 | 60.0 | 62.5 | 75.4 | 84.9 | 92.3 |
| Tertiary Industries | 1,356.0 | 1,421.9 | 1,426.1 | 1,488.1 | 1,584.0 | 1,633.0 |
| Wholesale and Retail Trade | 378.3 | 399.8 | 422.3 | 432.8 | 461.3 | 468.0 |
| Hotels and Restaurants | 82.4 | 91.5 | 99.4 | 109.2 | 105.6 | 112.7 |
| Transport and Communications | 260.2 | 273.4 | 265.1 | 269.0 | 283.0 | 292.6 |
| Other Private Services excluding Financial Services Indirectly Measured | 414.5 | 422.6 | 411.0 | 427.8 | 453.1 | 461.8 |
| Producers of Government Services | 220.5 | 234.6 | 228.3 | 249.3 | 280.9 | 298.0 |
| All Industries at basic prices | 2,164.9 | 2,229.3 | 2,214.2 | 2,285.5 | 2,328.0 | 2,297.9 |
| Taxes Less Subsidies on Products | 337.5 | 366.8 | 400.8 | 436.8 | 472.4 | 480.7 |

*Source*: SIB

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

Percentage

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|
| GDP at Current Market Prices | 11.2 | 5.8 | 2.5 | 5.8 | 2.1 | -0.1 |
| GDP at constant 2000 Market Prices | 5.5 | 3.7 | 0.7 | 4.1 | 2.9 | -0.8 |
| Primary Industries | 2.2 | 6.8 | 5.6 | 2.6 | -11.4 | -24.9 |
| Agriculture, Hunting and Forestry | 7.8 | 10.3 | -1.3 | 1.1 | 0.6 | -10.4 |
| Fishing | -8.5 | -1.0 | 23.0 | 5.6 | -34.8 | -68.1 |
| Secondary Industries | -6.6 | -4.9 | -8.5 | -0.1 | -2.4 | 1.1 |
| Manufacturing (including Mining and Quarrying) | -9.9 | -6.9 | -18.8 | -7.8 | -11.3 | -5.7 |
| Electricity and Water | 16.9 | -8.5 | 10.1 | 3.8 | 3.3 | 5.5 |
| Construction | -26.7 | 15.1 | 4.2 | 20.6 | 12.6 | 8.8 |
| Tertiary Industries | 7.1 | 4.9 | 0.3 | 4.3 | 6.4 | 3.1 |
| Wholesale and Retail Trade | 17.8 | 5.7 | 5.6 | 2.5 | 6.6 | 1.4 |
| Hotels and Restaurants | 5.5 | 11.0 | 8.7 | 9.8 | -3.3 | 6.7 |
| Transport and Communications | 6.2 | 5.1 | -3.1 | 1.5 | 5.2 | 3.4 |
| Other Private Services excluding Financial Services Indirectly Measured | 3.3 | 1.9 | -2.8 | 4.1 | 5.9 | 1.9 |
| Producers of Government Services | -0.3 | 6.4 | -2.7 | 9.2 | 12.7 | 6.1 |
| All Industries at basic prices | 3.0 | 3.0 | -0.7 | 3.2 | 1.9 | -1.3 |
| Taxes Less Subsidies on Products | 25.2 | 8.7 | 9.3 | 9.0 | 8.2 | 1.8 |

*Source*: SIB

Table A.16: Sugar Cane Deliveries

| | 2013/2014 | 2014/2015 | 2015/2016 |
|---|---|---|---|
| Deliveries to BSI (long tons) | 1,194,932 | 1,167,427 | 1,455,053 |

*Source*: BSI

Table A.17: Citrus Fruit Deliveries

| | 2013/2014 | 2014/2015 | 2015/2016 |
|---|---|---|---|
| Deliveries ('000 boxes) | 4,735 | 4,686 | 3,618 |
| Oranges | 4,159 | 3,964 | 3,247 |
| Grapefruits | 576 | 722 | 371 |

*Source*: CGA

Table A.18: Production of Sugar and Molasses

| | 2013/2014 | 2014/2015 | 2015/2016 |
|---|---|---|---|
| **Sugar Processed (long tons)** | 121,137 | 140,051 | 143,937 |
| **Molasses Processed (long tons)** | 42,839 | 37,567 | 49,706 |
| **Performance** | | | |
| Factory Time Efficiency | 95.24 | 97.92 | 92.58 |
| Cane Purity (%) | 84.79 | 87.88 | 84.85 |
| Cane/Sugar Ratio | 9.86 | 8.35 | 10.11 |

*Source*: BSI

Table A.19: Production of Citrus Juices and Pulp

| | 2013/2014 | 2014/2015 | 2015/2016 |
|---|---|---|---|
| Production ('000 ps) | 27,636 | 28,465 | 21,285 |
| Orange Concentrate | 25,060 | 25,274 | 19,542 |
| Grapefruit Concentrate | 2,315 | 3,054 | 1,509 |
| Not-from-concentrate | 260 | 136 | 234 |
| Production ('000 pounds) | | | |
| Pulp | 2,420 | 2,864 | 3,491 |
| Citrus Oil | 1,660 | 1,502 | 1,231 |

*Source*: CPBL

Table A.20: Labour Force Statistics

| Indicators | Apr 2014 | Sept 2014 | Apr 2015 | Sept 2015 | Apr 2016 | Sept 2016 |
|---|---|---|---|---|---|---|
| Labour Force | 151,317 | 153,000 | 153,689 | 156,383 | 159,648 | 162,254 |
| Employed Population | 134,587 | 134,521 | 138,145 | 140,475 | 146,918 | 144,302 |
| Unemployed Population | 16,730 | 18,479 | 15,544 | 15,907 | 12,730 | 17,952 |
| Unemployment Rate (%) | 11.1 | 12.1 | 10.1 | 10.2 | 8.0 | 11.1 |
| Labour Force Participation Rate (%) | 63.8 | 64.3 | 63.5 | 63.4 | 63.7 | 64.3 |

*Source*: SIB

Table A.21: Tourist Arrivals and Expenditure

| | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|
| Stayover Arrivals | | | | |
| Air | 224,146 | 239,683 | 255,748 | 298,455 |
| Land | 39,141 | 49,207 | 51,601 | 51,460 |
| Sea | 8,968 | 8,534 | 7,529 | 6,634 |
| Total Stayovers | 272,255 | 297,424 | 314,878 | 356,550 |
| Cruise Ship Disembarkations[1] | 609,612 | 871,318 | 862,178 | 904,855 |
| Tourist Expenditure ($mn) | 688.9 | 734.2 | 728.6 | 769.6 |

*Sources*: BTB, CBB and Immigration Department
[1] Tourists disembarking from the ships.

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

| | | Average Annual Index | | | Average Annual |
|---|---|---|---|---|---|
| Major Commodity | Weights | 2014 | 2015 | 2016 | Change |
| Food and Non-Alcoholic Beverages | 195.0 | 106.9 | 106.5 | 106.5 | 0.1 |
| Alcoholic Beverages and Tobacco | 16.6 | 100.4 | 99.9 | 100.2 | 0.3 |
| Clothing and Footware | 82.9 | 96.5 | 96.3 | 98.2 | 2.0 |
| Housing, Water, Electricty, Gas, and Other Fuels | 264.8 | 102.5 | 102.4 | 103.0 | 0.6 |
| Furnishing, Household Equipment and Routine Household Maintenance | 69.3 | 100.5 | 101.7 | 101.9 | 0.2 |
| Health | 41.4 | 108.6 | 111.2 | 113.8 | 2.3 |
| Transport | 135.7 | 108.3 | 100.2 | 100.4 | 0.2 |
| Communication | 33.5 | 98.4 | 98.0 | 98.7 | 0.7 |
| Recreation and Culture | 69.4 | 105.5 | 106.3 | 106.9 | 0.6 |
| Education | 32.5 | 101.5 | 102.6 | 103.4 | 0.7 |
| Restaurants and Hotels | 7.0 | 107.8 | 108.5 | 110.6 | 1.9 |
| Miscellaneous Goods and Services | 52.0 | 101.5 | 103.5 | 105.0 | 1.4 |
| All Items | 1,000 | 103.7 | 102.8 | 103.5 | 0.7 |

*Source*: SIB

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

$'000

| | Fiscal Year 2015/2016 | Estimated Budget 2016/2017 | Jan-Dec 2014 | Jan-Dec 2015 | Jan-Dec 2016 |
|---|---|---|---|---|---|
| **TOTAL REVENUE AND GRANTS (1+2+3)** | 1,000,724 | 1,088,540 | 1,000,384 | 1,022,291 | 1,024,971 |
| 1). Current Revenue | 972,886 | 1,041,042 | 911,688 | 993,985 | 1,002,227 |
| Tax Revenue | 864,299 | 936,597 | 798,695 | 882,107 | 913,689 |
| Income and Profits | 255,643 | 256,051 | 261,992 | 263,411 | 260,035 |
| Taxes on Property | 5,457 | 5,682 | 5,314 | 5,276 | 6,638 |
| Taxes on Goods and Services | 354,371 | 366,187 | 330,266 | 356,217 | 456,311 |
| International Trade and Transactions | 248,827 | 308,677 | 201,123 | 257,204 | 190,704 |
| Non-Tax Revenue | 108,588 | 104,445 | 112,993 | 111,878 | 88,539 |
| Property Income(1) | 39,892 | 20,064 | 17,020 | 34,034 | 21,946 |
| Licenses | 14,014 | 12,646 | 12,083 | 13,374 | 12,251 |
| Transfers from Government Departments | 25,818 | 27,194 | 29,945 | 25,326 | 25,665 |
| Repayment of Old Loans | 827 | 2,739 | 1,111 | 767 | 1,092 |
| Rent and Royalties(2) | 28,036 | 41,802 | 52,834 | 38,378 | 27,585 |
| 2). Capital Revenue | 6,259 | 5,916 | 5,557 | 6,773 | 2,671 |
| 3). Grants | 21,579 | 41,581 | 83,139 | 21,533 | 20,073 |
| **TOTAL EXPENDITURE (1+2)** | 1,262,676 | 1,151,104 | 1,099,118 | 1,298,593 | 1,140,384 |
| 1). Current Expenditure | 912,439 | 959,193 | 817,570 | 893,990 | 950,917 |
| Wages and Salaries | 384,012 | 402,731 | 329,884 | 372,187 | 398,444 |
| Pensions | 77,199 | 67,169 | 61,480 | 73,524 | 81,990 |
| Goods and Services | 197,246 | 224,536 | 188,028 | 201,964 | 212,260 |
| Interest Payments | 93,170 | 99,030 | 87,355 | 91,750 | 98,110 |
| Subsidies and Current Transfers | 160,812 | 165,726 | 150,823 | 154,565 | 160,113 |
| 2). Capital Expenditure | 350,236 | 191,911 | 281,548 | 404,603 | 189,467 |
| Capital II (Local Sources) | 99,623 | 93,432 | 118,900 | 111,824 | 93,536 |
| Capital III (Foreign Sources) | 160,772 | 95,973 | 154,727 | 202,912 | 94,115 |
| Capital Transfer and Net Lending | 89,842 | 2,507 | 2,920 | 89,866 | 1,816 |
| Unidentified Expenditure (3) | 0 | 0 | 5,000 | 0 | |
| CURRENT BALANCE | 60,447 | 81,849 | 94,118 | 99,995 | 51,310 |
| OVERALL BALANCE | -261,952 | -62,565 | -98,734 | -276,302 | -115,413 |
| PRIMARY BALANCE | -168,781 | 36,465 | -11,379 | -184,552 | -17,303 |
| OVERALL BALANCE WITHOUT GRANTS | -283,530 | -104,146 | -181,873 | -297,835 | -135,486 |
| PRIMARY BALANCE WITHOUT GRANTS | -190,360 | -5,115 | -94,518 | -206,085 | -37,376 |

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

$'000

| | Fiscal Year 2015/2016 | Estimated Budget 2016/2017 | Jan-Dec 2014 | Jan-Dec 2015 | Jan-Dec 2016 |
|---|---|---|---|---|---|
| FINANCING | 261,952 | 62,565 | 98,734 | 276,302 | 115,413 |
| Nationalization | -135,309 | 0 | 0 | -135,309 | -196,522 |
| Domestic Financing | 336,778 | | -10,190 | 319,406 | 267,339 |
| Central Bank | 313,910 | | -8,071 | 311,081 | 120,482 |
| Net Borrowing | 104,323 | | -9,301 | 101,532 | 124,708 |
| Change in Deposits | 209,587 | | 1,231 | 209,549 | -4,226 |
| Commercial Banks | 23,512 | | -5,408 | -17,774 | 96,713 |
| Net Borrowing | 4,233 | | -3,706 | -13,780 | 78,860 |
| Change in Deposits | 19,279 | | -1,702 | -3,994 | 17,853 |
| Other Domestic Financing | -644 | | 3,289 | 26,100 | 50,144 |
| Financing Abroad | 67,979 | | 104,067 | 100,185 | 42,408 |
| Disbursements | 142,273 | | 171,552 | 174,455 | 124,019 |
| Amortization | -74,294 | | -67,485 | -74,270 | -81,610 |
| Net Reduction | 0 | | 0 | | |
| Other | -7,496 | | 4,857 | -7,980 | 2,188 |

*Sources*: CBB and MOF

(1) Includes $4.7mn (2014), $2.0mn (2015) and $1.0mn (2016) as working interest from BNE.

(2) Rent and royalties included $13.6mn (2014), $7.8mn (2015) and $2.3mn (2016) from BNE.

(3) Estimates

## Table A.24: Central Government - Domestic Debt 2016

$'000

| | Disbursed Outstanding Debt 31/12/15R | *TRANSACTIONS THROUGH DECEMBER 2016* Disbursement/ New Issue of Securities | Amortization/ Reduction in Securities | Interest | Net Change in Overdraft/ Securities | Disbursed Outstanding Debt 31/12/16P |
|---|---|---|---|---|---|---|
| Overdraft/Loans | 63,759 | 0 | 0 | 6,042 | (15,538) | 48,221 |
| Central Bank | 63,759 | 0 | 0 | 6,042 | (15,538) | 48,221 |
| Domestic Banks | 0 | 0 | 0 | 0 | 0 | 0 |
| Treasury Bills | 200,000 | 15,000 | 0 | 72 | 0 | 215,000 |
| Central Bank | 24,996 | 15,000 | 0 | 7 | 11,796 | 51,792 |
| Domestic Banks | 149,982 | 0 | 0 | 59 | 1,718 | 151,700 |
| Other | 25,022 | 0 | 0 | 5 | (13,514) | 11,508 |
| Treasury Notes | 225,000 | 255,000 | 0 | 10,326 | 0 | 480,000 |
| Central Bank | 157,026 | 255,000 | 0 | 5,107 | (141,549) | 270,477 |
| Domestic Banks | 0 | 0 | 0 | 1,430 | 77,825 | 77,825 |
| Other | 67,974 | 0 | 0 | 3,789 | 63,724 | 131,698 |
| Atlantic Bank Limited | 241 | 0 | 241 | 8 | 0 | 0 |
| Heritage Bank Limited | 2,374 | 0 | 642 | 210 | 0 | 1,732 |
| Belize Social Security Board | 395 | 0 | 40 | 30 | 0 | 355 |
| Fort Street Tourism Village | 355 | 438 | 464 | 0 | 0 | 328 |
| Debt for Nature Swap | 2,320 | 0 | 173 | 65 | 0 | 2,147 |
| Total | 494,445 | 270,438 | 1,560 | 16,754 | (15,538) | 747,784 |

R - Revised
P - Provisional

## Table A.25: Public Sector External Debt by Source

$mn

| | Outstanding Debt 12/31/2015[R] | Disbursement | Amortization | Interest and Other Charges | Valuation Adjustments | Outstanding Debt 12/31/2016[P] |
|---|---|---|---|---|---|---|
| Bilateral | 642.4 | 61.3 | 36.2 | 12.9 | (0.1) | 667.4 |
| Multilateral | 659.1 | 69.9 | 49.3 | 18.1 | (1.8) | 677.9 |
| Bonds | 1,053.0 | - | - | 52.7 | - | 1,053.0 |
| Total | 2,354.5 | 131.2 | 85.5 | 83.7 | (1.9) | 2,398.4 |

[R] - Revised

[P] - Provisional

## Table A.26: Public Sector - External Debt 2016

$'000

| | Disbursed Outstanding Debt 31/12/15[R] | *TRANSACTIONS THROUGH DECEMBER 2016* Disbursements | *Principal Payments* | *Interest & Other Payments* | *Parity Change* | Disbursed Outstanding Debt 31/12/16[P] |
|---|---|---|---|---|---|---|
| CENTRAL GOVERNMENT | 2,273,796 | 124,018 | 81,610 | 82,623 | -440 | 2,315,765 |
| Government of Venezuela | 373,262 | 41,341 | 8,701 | 3,739 | 0 | 405,902 |
| Kuwait Fund for Arab Economic Development | 19,300 | 0 | 1,904 | 3,922 | -99 | 17,296 |
| Republic of China | 249,150 | 20,000 | 24,903 | 5,240 | 0 | 244,247 |
| Caribbean Development Bank | 227,685 | 34,499 | 17,663 | 6,745 | 0 | 244,519 |
| Caricom Development Fund | 2,398 | 0 | 589 | 90 | 0 | 1,810 |
| European Economic Community | 8,893 | 0 | 565 | 51 | -257 | 8,071 |
| Inter-American Development Bank | 240,023 | 9,330 | 17,868 | 5,594 | 0 | 231,486 |
| International Fund for Agriculture Development | 2,685 | 814 | 444 | 44 | -84 | 2,970 |
| International Bank for Reconstruction and Development | 25,202 | 8,959 | 3,568 | 864 | 0 | 30,592 |
| Opec Fund for International Development | 47,908 | 9,076 | 4,339 | 2,252 | 0 | 52,645 |
| Central American Bank for Economic Integration | 24,286 | 0 | 1,065 | 1,432 | 0 | 23,221 |
| Bank of New York | 1,053,004 | 0 | 0 | 52,650 | 0 | 1,053,004 |
| NON-FINANCIAL PUBLIC SECTOR | 16,499 | 2,227 | 3,033 | 578 | 4 | 15,697 |
| Kuwait Fund for Arab Economic Development | 658 | 0 | 662 | 17 | 4 | 0 |
| Caribbean Development Bank[(1) (2)] | 15,841 | 2,227 | 2,371 | 561 | 0 | 15,697 |
| FINANCIAL PUBLIC SECTOR | 64,209 | 5,000 | 834 | 475 | -1,484 | 66,890 |
| Caribbean Development Bank | 14,466 | 5,000 | 800 | 474 | 0 | 18,666 |
| European Economic Community | 149 | 0 | 34 | 1 | -2 | 113 |
| International Monetary Fund[(3)] | 49,593 | 0 | 0 | 0 | -1,482 | 48,112 |
| GRAND TOTAL | 2,354,504 | 131,246 | 85,478 | 83,676 | -1,920 | 2,398,352 |

[R] - Revised
[P] - Provisional
[(1)] Effective 21 June 2011, the nationalization of Belize Electricity Limited caused an increase ($23.1mn) in debt, which was matched by Government's acquisition of assets of equal value.
[(2)] Effective 3 October 2005, loans to BWSL were reclassified as public sector debt as a result of Government of Belize's repurchase of the company.
[(3)] International Monetary Fund Special Drawing Rights allocation is included as part of the financial public sector external debt obligation.

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

$mn

| | Position as at | | | Changes During 2016 |
|---|---|---|---|---|
| | Dec 2014 | Dec 2015 | Dec 2016 | |
| Net Foreign Assets | 1,230.0 | 1,150.1 | 986.5 | -163.7 |
| Central Bank | 982.0 | 874.8 | 752.0 | -122.9 |
| Domestic Banks | 248.0 | 275.3 | 234.5 | -40.8 |
| | | | | |
| Net Domestic Credit | 1,939.4 | 2,286.3 | 2,533.9 | 247.6 |
| Central Government (Net) | 3.0 | 296.4 | 514.6 | 218.2 |
| Other Public Sector | 16.0 | 10.7 | 8.4 | -2.3 |
| Private Sector | 1,920.4 | 1,979.2 | 2,010.9 | 31.7 |
| | | | | |
| Central Bank Foreign Liabilities (Long-Term) | 51.9 | 49.6 | 48.1 | -1.5 |
| Other Items (Net) | 445.3 | 513.0 | 522.0 | 8.9 |
| Money Supply (M2) | 2,672.2 | 2,873.8 | 2,950.3 | 76.5 |

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

## Table A.28: Money Supply

$mn

| | Position as at | | | Changes During 2016 |
|---|---|---|---|---|
| | Dec 2014 | Dec 2015 | Dec 2016 | |
| Money Supply (M2) | 2,672.2 | 2,873.8 | 2,950.3 | 76.5 |
| | | | | |
| Money Supply (M1) | 1,313.9 | 1,528.4 | 1,471.9 | -56.5 |
| Currency with the Public | 237.4 | 291.2 | 311.1 | 19.9 |
| Demand Deposits | 920.4 | 1,072.6 | 1,160.0 | 87.4 |
| Savings/Chequing Deposits | 156.1 | 164.6 | 0.8 | -163.8 |
| | | | | |
| Quasi-Money | 1,358.3 | 1,345.4 | 1,478.4 | 133.0 |
| Savings Deposits | 445.2 | 470.7 | 686.2 | 215.5 |
| Time Deposits | 913.1 | 874.7 | 792.2 | -82.5 |

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

| | | | | $mn |
|---|---|---|---|---|
| | Position as at | | | Changes During 2016 |
| | Dec 2014 | Dec 2015 | Dec 2016 | |
| Net Foreign Assets | 1,230.0 | 1,150.1 | 986.5 | -163.7 |
| | | | | |
| Central Bank | 982.0 | 874.8 | 752.0 | -122.9 |
| Foreign Assets | 983.3 | 882.5 | 759.2 | -123.3 |
| Foreign Liabilities (Demand) | 1.3 | 7.7 | 7.2 | -0.4 |
| | | | | |
| Domestic Banks | 248.0 | 275.3 | 234.5 | -40.8 |
| Foreign Assets | 283.8 | 309.4 | 251.7 | -57.7 |
| Foreign Liabilities (Short-Term) | 35.8 | 34.1 | 17.2 | -16.9 |

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

| | | | | $mn |
|---|---|---|---|---|
| | Position as at | | | Changes During 2016 |
| | Dec 2014 | Dec 2015 | Dec 2016 | |
| Total Credit to Central Government | 310.5 | 398.4 | 602.9 | 204.5 |
| From Central Bank | 144.2 | 245.8 | 370.5 | 124.7 |
| From Domestic Banks | 166.3 | 152.6 | 232.4 | 79.8 |
| | | | | |
| Less Central Government Deposits | 307.5 | 102.0 | 88.3 | -13.7 |
| | | | | |
| Net Credit to Central Government | 3.0 | 296.4 | 514.6 | 218.2 |
| Plus Credit to Other Public Sector | 16.0 | 10.7 | 8.4 | -2.3 |
| Plus Credit to the Private Sector | 1,920.4 | 1,979.2 | 2,010.9 | 31.7 |
| Net Domestic Credit of the Banking System | 1,939.4 | 2,286.3 | 2,533.9 | 247.6 |

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

$mn

| | Position as at | | | Changes During Dec 2015 to Dec 2016 |
|---|---|---|---|---|
| | Dec 2014 | Dec 2015 | Dec 2016 | |
| PRIMARY SECTOR | 252.0 | 252.0 | 257.8 | 5.8 |
| Agriculture | 200.9 | 202.9 | 202.8 | -0.1 |
| Sugar | 67.3 | 72.0 | 72.4 | 0.4 |
| Citrus | 15.7 | 14.8 | 12.2 | -2.6 |
| Bananas | 68.8 | 70.9 | 69.3 | -1.6 |
| Other | 49.1 | 45.2 | 48.9 | 3.7 |
| Marine Products | 28.8 | 30.6 | 36.2 | 5.6 |
| Forestry | 1.9 | 0.7 | 1.0 | 0.3 |
| Mining and Exploration | 20.4 | 17.8 | 17.8 | 0.0 |
| SECONDARY SECTOR | 570.3 | 629.7 | 623.2 | -6.5 |
| Manufacturing | 21.8 | 36.1 | 38.3 | 2.2 |
| Building and Construction | 525.1 | 578.1 | 574.5 | -3.6 |
| Utilities | 23.4 | 15.5 | 10.4 | -5.1 |
| TERTIARY SECTOR | 668.1 | 674.6 | 699.7 | 25.1 |
| Transport | 43.9 | 48.5 | 54.6 | 6.1 |
| Tourism | 96.1 | 96.0 | 130.5 | 34.5 |
| Distribution | 183.7 | 170.3 | 159.0 | -11.3 |
| Real Estate | 278.0 | 293.2 | 293.4 | 0.2 |
| Professional Services | 47.5 | 52.0 | 48.8 | -3.2 |
| Other[1] | 18.9 | 14.6 | 13.4 | -1.2 |
| PERSONAL LOANS | 442.6 | 429.4 | 434.3 | 4.9 |
| TOTAL | 1,933.0 | 1,985.7 | 2,015.0 | 29.3 |

[1] Includes government services, financial institutions and entertainment.

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

$mn

| | Position as at | | | Changes During 2016 |
|---|---|---|---|---|
| | Dec 2014 | Dec 2015 | Dec 2016 | |
| Holdings of Approved Liquid Assets | 902.9 | 1,047.3 | 1,057.4 | 10.1 |
| Notes and Coins | 71.4 | 77.1 | 75.4 | -1.7 |
| Balances with Central Bank | 542.4 | 666.9 | 656.3 | -10.6 |
| Money at Call and Foreign Balances (due in 90 days) | 110.4 | 144.3 | 138.0 | -6.3 |
| Treasury bills maturing in not more than 90 days | 162.8 | 150.0 | 151.7 | 1.7 |
| Other Approved Assets | 15.9 | 9.0 | 36.0 | 27.0 |
| of which: Treasury notes | 0.0 | 0.0 | 26.3 | 26.3 |
| Required Liquid Assets | 564.2 | 594.0 | 613.7 | 19.7 |
| Excess/(Deficiency) Liquid Assets | 338.7 | 453.3 | 443.7 | -9.6 |
| Daily Average Holdings of Cash Reserves | 544.3 | 665.2 | 652.9 | -12.3 |
| Required Cash Reserves | 208.5 | 219.5 | 226.8 | 7.3 |
| Excess/(Deficiency) Cash Reserves | 335.8 | 445.7 | 426.1 | -19.6 |
| Actual Securities Balances | 162.9 | 150.0 | 151.7 | 1.7 |
| Excess/(Deficiency) Securities | 162.9 | 150.0 | 151.7 | 1.7 |

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

Percentages

| | Position as at | | | Changes During Dec 2015 to Dec 2016 |
|---|---|---|---|---|
| | Dec 2014 | Dec 2015 | Dec 2016 | |
| Weighted Lending Rates | | | | |
| Personal Loans | 12.44 | 11.60 | 11.63 | 0.03 |
| Commercial Loans | 10.69 | 10.01 | 9.51 | -0.51 |
| Residential Construction | 8.80 | 7.96 | 7.57 | -0.39 |
| Other | 8.48 | 7.84 | 7.20 | -0.64 |
| Weighted Average | 10.66 | 10.03 | 9.66 | -0.37 |
| Weighted Deposit Rates | | | | |
| Demand | 0.29 | 0.10 | 0.01 | -0.08 |
| Savings/Chequing | 2.57 | 2.56 | 0.62 | -1.94 |
| Savings | 2.35 | 2.39 | 2.40 | 0.01 |
| Time | 2.72 | 2.45 | 2.20 | -0.24 |
| Weighted Average | 1.73 | 1.46 | 1.28 | -0.18 |
| Weighted Average Spread | 8.93 | 8.57 | 8.38 | -0.19 |

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

Percentages

| | Rolling Averages | | | Changes During |
|---|---|---|---|---|
| | Jan 2014 to Dec 2014 | Jan 2015 to Dec 2015 | Jan 2016 to Dec 2016 | Dec 2015 to Dec 2016 |
| Weighted Lending Rates | | | | |
| Personal Loans | 11.54 | 10.54 | 10.45 | -0.09 |
| Commercial Loans | 9.91 | 9.87 | 9.47 | -0.40 |
| Residential Construction | 7.13 | 6.78 | 6.99 | 0.21 |
| Other | 7.66 | 6.69 | 6.44 | -0.25 |
| Weighted Average | 9.89 | 9.60 | 9.42 | -0.19 |
| Weighted Deposit Rates | | | | |
| Demand | 0.02 | 0.03 | 0.03 | 0.00 |
| Savings/Chequing | 1.59 | 1.33 | 0.85 | -0.47 |
| Savings | 2.07 | 2.10 | 2.44 | 0.34 |
| Time | 2.15 | 1.98 | 1.92 | -0.06 |
| Weighted Average | 2.10 | 1.84 | 1.79 | -0.05 |
| Weighted Average Spread | 7.80 | 7.76 | 7.63 | -0.13 |

Table A.35: Balance of Payments - Merchandise Trade

$mn

| | 2014 | 2015 | 2016 | Change |
|---|---|---|---|---|
| Goods Exports, FOB | 1,178.36 | 1,075.8 | 885.6 | **-17.7%** |
| Of which: Domestic Exports | 612.4 | 509.6 | 381.9 | -25.1% |
| CFZ sales | 469.2 | 451.1 | 395.5 | -12.3% |
| Other Re-exports | 96.7 | 115.1 | 108.2 | -6.0% |
| Goods Imports, FOB | 1,877.5 | 1,922.5 | 1,832.3 | **-4.7%** |
| Of which: Domestic Economy | 1,671.6 | 1,629.8 | 1,571.6 | -3.6% |
| CFZ(1) | 205.8 | 292.8 | 260.6 | -11.0% |
| Merchandise Trade Balance | -699.1 | -846.7 | -946.7 | **11.8%** |

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

Table A.36: Domestic Exports

$mn

| | 2014 | 2015 | 2016 |
|---|---|---|---|
| Traditional Exports | 431.0 | 402.4 | 293.5 |
| Sugar | 118.8 | 134.5 | 103.0 |
| Citrus Juices(1) | 79.0 | 69.3 | 67.1 |
| Citrus Concentrate | 78.7 | 69.0 | 66.8 |
| Not-from-Concentrate | 0.3 | 0.4 | 0.3 |
| Molasses(1) | 6.3 | 7.4 | 7.0 |
| Bananas | 100.8 | 98.4 | 69.5 |
| Marine(1) | 112.9 | 80.0 | 43.0 |
| Papayas | 13.3 | 13.0 | 3.9 |
| Petroleum(2) | 102.3 | 36.4 | 22.5 |
| Non-traditional Exports | 79.1 | 70.6 | 65.8 |
| Total Exports | 612.4 | 509.6 | 381.9 |

*Sources*: SIB, BSI, CPBL and CBB

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

(2) Estimated FOB value of petroleum shipment.

### Table A.37: Exports of Sugar and Molasses

| | 2014 | | 2015 | | 2016 | |
|---|---|---|---|---|---|---|
| | Volume (long tons) | Value ($'000) | Volume (long tons) | Value ($'000) | Volume (long tons) | Value ($'000) |
| Sugar[1] | 106,531 | 118,834 | 125,391 | 134,458 | 124,405 | 102,976 |
| EU | 103,034 | 115,342 | 97,168 | 103,580 | 119,710 | 97,778 |
| US | 0 | 0 | 24,563 | 27,125 | 2,411 | 2,555 |
| CARICOM | 2,955 | 2,872 | 3,592 | 3,650 | 2,239 | 2,575 |
| Other | 542 | 620 | 67 | 102 | 45 | 68 |
| Molasses[2] | 32,780 | 6,288 | 28,588 | 7,378 | 30,551 | 6,970 |

*Sources*: BSI and SIB

[1] Reflects value of export shipments.

[2] Relect actual sales as reported by the processor.

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

| | 2014 | 2015 | 2016 |
|---|---|---|---|
| Concentrate ('000 ps) | 26,416 | 25,126 | 22,695 |
| Orange | 24,549 | 23,347 | 20,329 |
| Grapefruit | 1,868 | 1,779 | 2,365 |
| Concentrate Value ($mn) | 78.7 | 69.0 | 66.8 |
| Orange | 71.1 | 62.0 | 58.5 |
| Grapefruit | 7.6 | 7.0 | 8.3 |
| Not-from-Concentrate Exports ('000 ps) | 52.2 | 65.2 | 58.8 |
| Orange | 43.7 | 53.0 | 47.7 |
| Grapefruit | 8.5 | 12.2 | 11.1 |
| Not-from-Concentrate Value ($mn) | 0.3 | 0.4 | 0.3 |
| Orange | 0.2 | 0.3 | 0.3 |
| Grapefruit | 0.1 | 0.1 | 0.1 |
| Pulp Export ('000 pounds) | 2,053 | 3,086 | 3,238 |
| Pulp Value ($mn) | 1.6 | 2.3 | 2.5 |

*Source*: CPBL

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

Table A.39: Exports of Banana

| | 2014 | 2015 | 2016 |
|---|---|---|---|
| Volume (metric tons) | 102,782 | 98,842 | 70,662 |
| Value ($mn) | 100.8 | 98.4 | 69.5 |

*Source*: BGA

Table A.40: Exports of Marine Products

| | 2014 | | 2015 | | 2016 | |
|---|---|---|---|---|---|---|
| | **Volume (‘000 lbs)** | **Value ($’000)** | **Volume (‘000 lbs)** | **Value ($’000)** | **Volume (‘000 lbs)** | **Value ($’000)** |
| Lobster Tail | 575.0 | 15,613.6 | 742.4 | 19,345.4 | 823.2 | 18,259.4 |
| Shrimp[1] | 14,319.9 | 88,090.5 | 8,099.7 | 51,585.6 | 1,455.2 | 13,760.1 |
| Conch | 758.5 | 8,534.2 | 696.9 | 8,024.9 | 889.4 | 10,572.2 |
| Whole/Fillet Fish | 276.7 | 558.2 | 937.8 | 981.2 | 284.4 | 400.4 |
| Other | 26.4 | 86.8 | 16.4 | 101.4 | 0.00 | 0.05 |
| Total | 15,956.5 | 112,883.3 | 10,493.3 | 80,038.5 | 3,452.2 | 42,992.2 |

*Sources*: CBB and SIB
[1] Data reflect actuals sales and not export shipments as reported by SIB.

Table A.41: Other Major Exports

| | 2014 | 2015 | 2016 |
|---|---|---|---|
| Papayas | | | |
| Volume (‘000 lbs) | 34,175 | 30,741 | 7,500 |
| Value ($mn) | 13.3 | 13.0 | 3.9 |
| Petroleum[1] | | | |
| Volume (barrels) | 588,839 | 404,490 | 335,183 |
| Value ($mn) | 102.3 | 36.4 | 22.5 |

*Source*: SIB
[1] Quality differentials and international transportation cost was taken out of the CIF value as reported by the SIB to derive a FOB value.

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

$mn

| SITC Category | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| 0 Food and Live Animals | 193.2 | 202.9 | 225.9 | 222.7 | 230.3 |
| 1 Beverages and Tobacco | 40.2 | 45.8 | 54.5 | 55.0 | 55.8 |
| 2 Crude Materials | 17.1 | 20.6 | 31.2 | 32.1 | 36.3 |
| 3 Fuels and Lubricants | 359.1 | 354.5 | 343.1 | 268.9 | 213.2 |
| Of which: Electricity | 85.9 | 78.8 | 41.9 | 42.6 | 24.5 |
| 4 Animal and Vegetable Oils | 14.2 | 13.3 | 16.0 | 17.6 | 13.7 |
| 5 Chemicals | 159.4 | 167.6 | 171.1 | 186.7 | 172.9 |
| 6 Manufactured Goods | 203.1 | 228.7 | 223.9 | 249.7 | 238.6 |
| 7 Machinery and Transport Equipment | 294.1 | 345.1 | 390.7 | 469.8 | 499.0 |
| 8 Miscellaneous Manufactured Goods | 106.2 | 135.5 | 144.4 | 159.5 | 179.4 |
| 9 Commodities - not classified elsewhere | 0.0 | 0.0 | 0.6 | 1.6 | 0.6 |
| Export Processing Zones | 64.9 | 80.6 | 219.3 | 115.8 | 68.5 |
| Personal Goods | 5.4 | 6.9 | 6.5 | 5.0 | 3.9 |
| Total | 1,456.8 | 1,601.6 | 1,827.1 | 1,784.5 | 1,712.2 |
| CFZ Direct Imports | 351.3 | 332.8 | 223.0 | 317.1 | 282.4 |
| Grand Total | 1,808.1 | 1,934.4 | 2,050.1 | 2,101.6 | 1,994.5 |

*Sources*: SIB and CBB

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

$mn

| | | Jan - Dec 2015 | Jan - Dec 2016 |
|---|---|---|---|
| Total Services | Net | 554.2 | 620.1 |
| | Credits | 996.9 | 1,051.5 |
| | Debits | 442.7 | 431.4 |
| Manufacturing Services | Net | 0.0 | 0.1 |
| | Credits | 0.0 | 0.1 |
| | Debits | 0.0 | 0.0 |
| Maintenance and Repair Services | Net | 0.0 | 0.0 |
| | Credits | 0.0 | 0.0 |
| | Debits | 0.0 | 0.0 |
| Transportation | Net | -90.1 | -79.3 |
| | Credits | 50.0 | 56.0 |
| | Debits | 140.1 | 135.2 |
| Travel | Net | 647.9 | 675.9 |
| | Credits | 742.5 | 781.6 |
| | Debits | 94.6 | 105.7 |
| Telecommunications, Computer and Information Services | Net | 5.5 | 35.1 |
| | Credits | 17.1 | 52.4 |
| | Debits | 11.7 | 17.3 |
| Construction Services | Net | 0.0 | 0.0 |
| | Credits | 0.0 | 0.0 |
| | Debits | 0.0 | 0.0 |
| Insurance and Pension Services | Net | -63.6 | -48.8 |
| | Credits | 0.6 | 0.6 |
| | Debits | 64.2 | 49.5 |
| Financial Services | Net | -16.4 | -13.2 |
| | Credits | 7.7 | 6.3 |
| | Debits | 24.1 | 19.5 |
| Charges for the use of Intellectual Property, n.i.e. | Net | -8.3 | -5.3 |
| | Credits | 0.0 | 0.0 |
| | Debits | 8.3 | 5.3 |
| Other Business Services | Net | 53.8 | 46.2 |
| | Credits | 123.8 | 116.4 |
| | Debits | 69.9 | 70.2 |
| Personal, Cultural and Recreational Services | Net | -0.8 | -0.9 |
| | Credits | 0.0 | 0.0 |
| | Debits | 0.8 | 0.9 |
| Government Services, n.i.e. | Net | 26.2 | 10.2 |
| | Credits | 55.2 | 38.1 |
| | Debits | 29.0 | 27.8 |

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

$mn

| | 2014 | | | 2015 | | | 2016 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Credit | Debit | Net | Credit | Debit | Net | Credit | Debit | Net |
| Services | 974.6 | 403.4 | 571.2 | 996.9 | 442.7 | 554.2 | 1,051.5 | 431.4 | 620.1 |
| Transportation | 50.4 | 135.6 | -85.2 | 50.0 | 140.1 | -90.1 | 56.0 | 135.2 | -79.3 |
| Travel | 747.7 | 80.2 | 667.5 | 742.5 | 94.6 | 647.9 | 781.6 | 105.7 | 675.9 |
| Other Goods and Services | 118.0 | 163.7 | -45.7 | 149.2 | 179.1 | -29.8 | 175.9 | 162.7 | 13.2 |
| Government Goods and Services, n.i.e | 58.5 | 23.9 | 34.6 | 55.2 | 29.0 | 26.2 | 38.1 | 27.8 | 10.2 |
| Primary Income | 16.7 | 292.3 | -275.6 | 14.6 | 204.9 | -190.3 | 14.5 | 231.6 | -217.1 |
| Labour Income | 4.7 | 13.5 | -8.8 | 4.7 | 13.3 | -8.5 | 4.7 | 10.0 | -5.2 |
| Investment Income(1) | 12.0 | 278.8 | -266.8 | 9.8 | 191.6 | -181.8 | 9.8 | 221.6 | -211.9 |
| Secondary Income | 213.1 | 65.2 | 147.9 | 219.7 | 80.3 | 139.4 | 307.3 | 90.5 | 216.8 |
| Government | 0.3 | 8.6 | -8.3 | 0.0 | 7.2 | -7.2 | 13.8 | 6.9 | 6.8 |
| Private | 212.8 | 56.6 | 156.2 | 219.7 | 73.1 | 146.6 | 293.5 | 83.6 | 209.9 |

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

## Table A.45: Percentage Distribution of Visible Trade by Country/Area(1)

Percentage

| | Exports(1) | | | Imports(1) (2) | | |
|---|---|---|---|---|---|---|
| | 2014 | 2015 | 2016 | 2014 | 2015 | 2016 |
| US | 19.4 | 20.5 | 14.5 | 31.1 | 33.7 | 36.9 |
| Mexico | 48.1 | 47.8 | 49.3 | 10.8 | 10.6 | 10.6 |
| UK | 16.5 | 16.5 | 17.2 | 1.3 | 2.3 | 1.3 |
| Other EU | 6.4 | 6.0 | 7.6 | 3.3 | 3.8 | 2.9 |
| Central America | 0.9 | 0.9 | 0.9 | 15.4 | 15.8 | 14.3 |
| CARICOM | 6.6 | 6.5 | 6.7 | 3.5 | 3.1 | 3.4 |
| Canada | 0.2 | 0.3 | 0.1 | 0.8 | 0.8 | 0.9 |
| Netherland Antilles | 0.0 | 0.0 | 0.0 | 12.4 | 8.8 | 7.2 |
| China | 0.2 | 0.0 | 0.0 | 10.8 | 10.1 | 11.7 |
| Other | 1.6 | 1.4 | 3.7 | 10.5 | 11.0 | 10.8 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

*Sources*: SIB and CBB
(1) Includes exports and imports by the CFZ
(2) Include electricity imports from Mexico.

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

$mn

| | 2014 Net | 2015 Net | 2016 Net |
|---|---|---|---|
| CAPITAL ACCOUNT | 87.9 | 17.3 | 66.0 |
| General Government | 87.9 | 17.3 | 66.0 |
| Other Sectors | 0.0 | 0.0 | 0.0 |
| FINANCIAL ACCOUNT | -338.0 | -184.5 | -98.9 |
| Direct Investment Abroad | 5.5 | 0.9 | 3.4 |
| Direct Investment in Belize | 294.1 | 129.2 | 65.5 |
| Portfolio Investment Assets | 0.0 | 0.0 | 0.0 |
| Portfolio Investment Liabilities | 0.0 | 0.0 | 0.0 |
| Financial Derivatives Assets | 0.0 | 0.0 | 0.0 |
| Financial Derivatives Liabilities | 0.0 | 0.0 | 0.0 |
| Other Investment Assets | -18.7 | 20.0 | -66.3 |
| Monetary Authorities | -1.6 | -1.2 | -1.2 |
| General Government | 0.0 | 0.0 | 0.0 |
| Banks | -13.7 | 24.5 | -62.3 |
| Other Sectors | -3.3 | -3.3 | -2.8 |
| Other Investment Liabilities | 30.7 | 76.2 | -32.7 |
| Monetary Authorities | -0.1 | 6.4 | -0.4 |
| General Government | 89.9 | 104.1 | 45.8 |
| Banks | 7.3 | -1.7 | -21.1 |
| Other Sectors | -66.4 | -32.6 | -53.7 |
| NET ERRORS AND OMISSIONS | -18.1 | 41.5 | 41.4 |
| CHANGES IN RESERVES | 163.5 | -100.3 | -120.7 |

Table A.47: Official International Reserves

| | Position as at | | | Changes |
|---|---|---|---|---|
| | Dec 2014 | Dec 2015 | Dec 2016 | During 2016 |
| Gross Official International Reserves | 973.7 | 873.8 | 753.1 | -120.7 |
| Central Bank of Belize | 956.0 | 855.7 | 734.3 | -121.4 |
| Holdings of SDRs | 58.0 | 55.5 | 53.8 | -1.6 |
| IMF Reserve Tranche | 12.2 | 11.7 | 16.7 | 5.0 |
| Other | 885.8 | 788.5 | 663.8 | -124.7 |
| Central Government | 17.7 | 18.1 | 18.8 | 0.7 |
| Foreign Liabilities | 1.4 | 9.4 | 10.7 | 1.3 |
| CARICOM | 0.0 | 0.4 | 0.0 | -0.4 |
| Other | 1.4 | 8.9 | 10.7 | 1.8 |
| Net Official International Reserves | 972.2 | 864.4 | 742.4 | -122.0 |

## Table A.48: Private Sector External Debt by Economic Sector[1,3]

| Economic Sectors | Disbursed Outstanding as at 31/12/15 | Transactions (Jan - Dec 2016) Disbursements | Principal Payments | Interest Payments | Disbursed Outstanding as at 31/12/2016 |
|---|---|---|---|---|---|
| Long Term: | | | | | |
| Agriculture | 55,244 | 1,057 | 1,205 | 236 | 55,096 |
| Arts, Entertainment and Recreation | 1,700 | 0 | 0 | 0 | 1,700 |
| Construction | 54,231 | 0 | 5,509 | 6,087 | 48,722 |
| Economic Diversification | 1,000 | 0 | 222 | 40 | 778 |
| Education | 198 | 0 | 0 | 0 | 198 |
| Electricity and Gas[2] | 5,173 | 0 | 19 | 1,481 | 5,154 |
| Financial and Insurance Activities | 111 | 0 | 0 | 0 | 111 |
| Fishing | 94,628 | 1,630 | 7,043 | 2,180 | 89,214 |
| Information and Communication | 904 | 0 | 384 | 52 | 520 |
| Real Estate Activities | 1,274 | 0 | 16 | 7 | 1,258 |
| Toursim Activities | 40,351 | 0 | 88 | 1 | 40,263 |
| Transportation | 34,887 | 0 | 3,709 | 1,440 | 31,178 |
| Wholesale and Retail Trade | 1,086 | 0 | 0 | 9 | 1,086 |
| Other | 8 | 0 | 7 | 0 | 1 |
| Total | 290,793 | 2,687 | 18,201 | 11,534 | 275,280 |

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

Table A.49: Balance of Payments Summary

$mn

| | 2014 | 2015 | 2016 |
|---|---|---|---|
| CURRENT ACCOUNT | -255.6 | -343.5 | -326.9 |
| Goods: Exports FOB | 1,178.4 | 1,075.8 | 885.6 |
| Goods: Imports FOB | 1,877.5 | 1,922.5 | 1,832.3 |
| Trade Balance | -699.1 | -846.7 | -946.7 |
| Services: Credit | 974.6 | 996.9 | 1051.5 |
| Transportation | 50.4 | 50.0 | 56.0 |
| Travel(1) | 747.7 | 742.5 | 781.6 |
| Other Goods and Services | 118.0 | 149.2 | 175.9 |
| Government Goods and Services | 58.5 | 55.2 | 38.1 |
| Services: Debit | 403.4 | 442.7 | 431.4 |
| Transportation | 135.6 | 140.1 | 135.2 |
| Travel | 80.2 | 94.6 | 105.7 |
| Other Goods and Services | 163.7 | 179.1 | 162.7 |
| Government Goods and Services | 23.9 | 29.0 | 27.8 |
| Balance on Goods and Services | -128.0 | -292.5 | -326.6 |
| Primary Income: Credit | 16.7 | 14.6 | 14.5 |
| Compensation of Employees | 4.7 | 4.7 | 4.7 |
| Investment Income | 12.0 | 9.8 | 9.8 |
| Primary Income: Debit | 292.3 | 204.9 | 231.6 |
| Compensation of Employees | 13.5 | 13.3 | 10.0 |
| Investment Income(2) | 278.8 | 191.6 | 221.6 |
| Balances on Goods, Services and Income | -403.6 | -482.9 | -543.7 |
| Secondary Income: Credit | 213.1 | 219.7 | 307.3 |
| Government | 0.3 | 0.0 | 13.8 |
| Private | 212.8 | 219.7 | 293.5 |
| Secondary Income: Debit | 65.2 | 80.3 | 90.5 |
| Government | 8.6 | 7.2 | 6.9 |
| Private | 56.6 | 73.1 | 83.6 |
| CAPITAL ACCOUNT, n.i.e. | 87.9 | 17.3 | 66.0 |
| Capital Account: Credit | 87.9 | 17.3 | 66.0 |
| Capital Account: Debit | 0.0 | 0.0 | 0.0 |

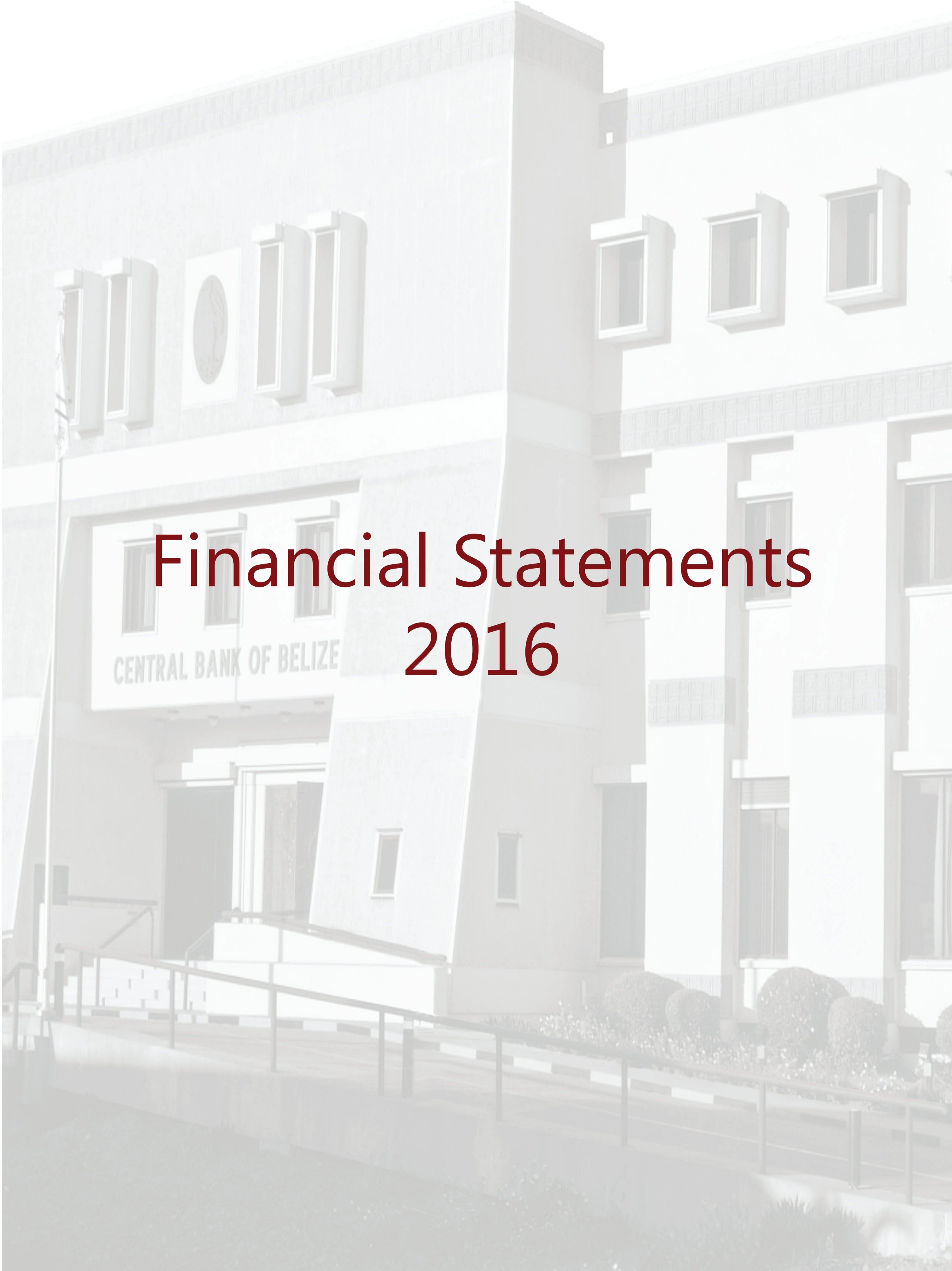
Table A.49: Balance of Payments Summary continued

$mn

| | 2014 | 2015 | 2016 |
|---|---|---|---|
| FINANCIAL ACCOUNT, n.i.e. | -338.0 | -184.5 | -98.9 |
| Direct Investment Abroad | 5.5 | 0.9 | 3.4 |
| Direct Investment in Belize, n.i.e. | 294.1 | 129.2 | 65.5 |
| Net Direct Investment | -288.6 | -128.3 | -62.0 |
| Portfolio Investment Assets | 0.0 | 0.0 | 0.0 |
| Portfolio Investment Liabilities, n.i.e. | 0.0 | 0.0 | 0.0 |
| Net Portfolio Investment | 0.0 | 0.0 | 0.0 |
| Financial Derivatives Assets | 0.0 | 0.0 | 0.0 |
| Financial Derivatives Liabilities | 0.0 | 0.0 | 0.0 |
| Net Financial Derivatives | 0.0 | 0.0 | 0.0 |
| Other Investment Assets | -18.7 | 20.0 | -66.3 |
| Other Investment Liabilities | 30.7 | 76.2 | -29.4 |
| Net Other Investment | -49.4 | -56.2 | -36.9 |
| NET ERRORS AND OMISSIONS | -18.1 | 41.5 | 41.4 |
| RESERVE ASSETS | 163.5 | -100.3 | -120.7 |

(1) Tourism earnings were based on Visitor Expenditure Surveys.
(2) Data include an estimate for profit remittances from the tourism and petroleum industries.
n.i.e. not included elsewhere

# Financial Statements 2016



Grant Thornton, LLP
40 A Central American Boulevard
Belize City
Belize
T +501 227 3020
F +501 227 5792
E info@bz.gt.com
www.grantthornton.bz

**INDEPENDENT AUDITORS' REPORT**

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

**Opinion**

We have audited the financial statements of Central Bank of Belize, (the Bank) which comprise the statements of financial position as at December 31, 2016 and 2015, and the statements of profit, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Central Bank of Belize as at December 31, 2016 and 2015, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

**Basis for Opinion**

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

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

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

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

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

Grant Thornton
An instinct for growth™

**Independent Auditors' Report**
**Page 2**

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

Grant Thornton

**Chartered Accountants**
**Belize City, Belize**
**April 4, 2017**

## CENTRAL BANK OF BELIZE

STATEMENTS OF FINANCIAL POSITION
**DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)**

| **ASSETS** | **Notes** | **2016** | 2015 |
|---|---|---|---|
| APPROVED EXTERNAL ASSETS: | | | |
| Bank balances and deposits with foreign bankers – unrestricted | | **$ 8,995,178** | $ 7,464,307 |
| Reserve Tranche and balances with the International Monetary Fund | 5 | **70,493,178** | 67,181,865 |
| Other foreign credit instruments | 6 | **598,098,673** | 645,725,851 |
| Accrued interest and cash-in-transit | 7 | **4,031,512** | 3,448,767 |
| Marketable securities issued or guaranteed by foreign governments and international financial institutions | 8 | **59,428,571** | 140,571,429 |
| Total approved external assets | | **741,047,112** | 864,392,219 |
| BALANCES WITH LOCAL BANKERS AND CASH ON HAND | | **262,849** | 197,666 |
| BELIZE GOVERNMENT SECURITIES | 9 | **322,269,225** | 182,022,473 |
| GOVERNMENT CURRENT ACCOUNT | 10 | **48,220,569** | 55,881,774 |
| OTHER ASSETS | 11 | **19,166,550** | 15,265,535 |
| DEFINED BENEFIT PLAN NET ASSET | 27 | **-** | 3,341,174 |
| EQUITY INSTRUMENTS | 12 | **20,000,000** | 20,000,000 |
| PROPERTY AND EQUIPMENT – NET | 13 | **30,941,760** | 28,900,735 |
| INTANGIBLE ASSETS – NET | 14 | **4,597,609** | 1,269,439 |
| **TOTAL ASSETS** | | **$1,186,505,674** | $1,171,271,015 |

The notes on pages 10 to 44 are an integral part of these financial statements.

## CENTRAL BANK OF BELIZE

STATEMENTS OF FINANCIAL POSITION (CONTINUED)
**DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)**

| LIABILITIES, CAPITAL AND RESERVES | Notes | 2016 | 2015 |
|---|---|---|---|
| DEMAND LIABILITIES: | | | |
| Notes and coins in circulation | | **$ 369,502,797** | $ 345,080,494 |
| Deposits by licensed financial institutions | 15 | **624,817,243** | 662,481,324 |
| Deposits by and balances due to Government and Public sector entities in Belize | | **68,608,100** | 47,897,458 |
| Deposits by international agencies | 16 | **1,585,403** | 1,475,227 |
| Total demand liabilities | | **1,064,513,543** | 1,056,934,503 |
| BALANCES DUE TO CARICOM CENTRAL BANKS | | **9,056** | 426,188 |
| OTHER LIABILITIES | 17 | **28,914,879** | 27,164,438 |
| DEFINED BENEFIT PLAN NET OBLIGATION | 27 | **877,855** | - |
| IMF SDR ALLOCATIONS | 18 | **48,128,947** | 49,597,346 |
| COMMERCIAL BANKS' DISCOUNT FUND | 19 | **923,383** | 761,016 |
| **TOTAL LIABILITIES** | | **1,143,367,663** | 1,134,883,491 |
| CAPITAL ACCOUNT: | 20 | | |
| Paid - up capital (Authorized capital $20,000,000) | | **19,809,790** | 10,000,000 |
| REVALUATION ACCOUNT | 21, 30 | **968,038** | 1,738,817 |
| ASSET REVALUATION RESERVE | 26 | **103,431** | 103,431 |
| DEFINED BENEFIT PLAN NET OBLIGATION | 27 | **(37,327)** | 3,341,174 |
| GENERAL RESERVE | 22 | **22,294,079** | 21,204,102 |
| **TOTAL LIABILITIES, CAPITAL AND RESERVES** | | **$1,186,505,674** | $1,171,271,015 |

The financial statements on pages 3 to 9 were approved and authorized for issue by the Board of Directors on April 10, 2017 and are signed on its behalf by:

**CHAIRMAN** **GOVERNOR** **DEPUTY GOVERNOR, OPERATIONS**

The notes on pages 10 to 44 are an integral part of these financial statements.

## CENTRAL BANK OF BELIZE

STATEMENTS OF PROFIT
**YEARS ENDED DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)**

| | Notes | 2016 | 2015 |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| **INTEREST INCOME:** | | | |
| Approved external assets | 23 | **$ 7,372,596** | $ 7,341,065 |
| Advances to Government of Belize | | **6,042,393** | 4,382,808 |
| Local securities | | **13,136,679** | 8,466,887 |
| | | **26,551,668** | 20,190,760 |
| **Other income:** | | | |
| Discount on local securities | | **10,861** | 3,159 |
| Dividends on equity instruments | 12 | **1,120,000** | 2,860,000 |
| Commissions and other income | | **3,213,405** | 3,314,797 |
| Capital gain on securities investment | | **778,799** | 844,992 |
| **Total income** | | **31,674,733** | 27,213,708 |
| LESS: Interest expense | | **(57,991)** | (16,649) |
| **Income from operations** | | **31,616,742** | 27,197,059 |
| **EXPENDITURE:** | | | |
| Printing of notes and minting of coins | | **(2,827,437)** | (2,801,613) |
| Salaries and wages, including superannuation contribution and gratuities | 24 | **(11,512,592)** | (10,528,763) |
| Depreciation and amortization | | **(1,397,510)** | (1,116,901) |
| Administrative and general expenses | 25 | **(4,979,436)** | (3,997,384) |
| **Total expenditure** | | **(20,716,975)** | (18,444,661) |
| **Profit for the year from continuing operations** | | **$10,899,767** | $ 8,752,398 |
| **PROFIT FOR THE YEAR** | | **$10,899,767** | $ 8,752,398 |
| Transfer to general reserve fund in accordance with Section 9(1) of the Act | 22 | **(1,089,977)** | (875,240) |
| Transfer to paid up capital in accordance with Central Bank of Belize Amendment Act No. 19 of 2016 amending section 8 of the principal Act | | **$ 9,809,790** | $ 7,877,158 |
| **Profit for the year attributable to:** | | | |
| Owner of the Bank | | **$10,899,767** | $ 8,752,398 |
| **EARNINGS PER SHARE** | | | |
| From continuing operations: | | | |
| Basic and diluted | | **$10,899,767** | $ 8,752,398 |

The notes on pages 10 to 44 are an integral part of these financial statements.

## CENTRAL BANK OF BELIZE

STATEMENTS OF OTHER COMPREHENSIVE INCOME
**DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)**

| | Note | 2016 | 2015 |
|---|---|---|---|
| **PROFIT FOR THE YEAR** | | **$10,899,767** | $ 8,752,398 |
| **Other comprehensive income (loss):** | | | |
| **Items that will not be reclassified subsequently to profit or loss** | | | |
| Remeasurement losses | 27 | **(3,378,501)** | - |
| **Items that will be reclassified subsequently to profit or loss** | | | |
| Revaluation of financial assets | 21 | **(770,779)** | (839,651) |
| **Other comprehensive loss for the year** | | **(4,149,280)** | (839,651) |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | **$ 6,750,487** | $ 7,912,747 |
| **Total comprehensive income attributable to:** | | | |
| Owner of the Bank | | **$ 6,750,487** | $ 7,912,747 |

The notes on pages 10 to 44 are an integral part of these financial statements.

**CENTRAL BANK OF BELIZE**

STATEMENTS OF CHANGES IN EQUITY
**DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)**

| | Paid-up capital | Revaluation account | Asset revaluation reserve | Post-employment obligation reserve | General reserve | Accumulated profits |
|---|---|---|---|---|---|---|
| **January 1, 2015** | $10,000,000 | $2,578,468 | $103,431 | $3,341,174 | $20,328,862 | $ - |
| ***Comprehensive Income:*** | | | | | | |
| Profit for the year | - | - | - | - | - | 8,752,398 |
| Other comprehensive income | - | (839,651) | - | - | - | - |
| **Total comprehensive income** | - | (839,651) | - | - | - | 8,752,398 |
| ***Transactions with owners of the Bank recognized directly in equity:*** | | | | | | |
| Transfer to General Reserve Fund | - | - | - | - | 875,240 | (875,240) |
| Balance credited to the Accountant General for the Government Current Account | - | - | - | - | - | (7,877,158) |
| **Transactions with owner of the Bank** | - | - | - | - | 875,240 | (8,752,398) |
| **December 31, 2015** | **10,000,000** | **1,738,817** | **103,431** | **3,341,174** | **21,204,102** | - |
| **January 1, 2016** | 10,000,000 | 1,738,817 | 103,431 | 3,341,174 | 21,204,102 | - |
| ***Comprehensive Income:*** | | | | | | |
| Profit for the year | - | - | - | - | - | 10,899,767 |
| Other comprehensive loss | - | (770,779) | - | (3,378,501) | - | - |
| **Total comprehensive income** | - | (770,779) | - | (3,378,501) | - | 10,899,767 |
| ***Transactions with owner of the Bank recognized directly in equity:*** | | | | | | |
| Transfer to General Reserve Fund | - | - | - | - | 1,089,977 | (1,089,977) |
| Transfer to paid up capital of the bank | 9,809,790 | - | - | - | - | (9,809,790) |
| **Transactions with owner of the Bank** | 9,809,790 | - | - | - | 1,089,977 | (10,899,767) |
| **December 31, 2016** | **$19,809,790** | **$ 968,038** | **$103,431** | **$ (37,327)** | **$22,294,079** | **$ -** |

The notes on pages 10 to 44 are an integral part of these financial statements.

## CENTRAL BANK OF BELIZE

STATEMENTS OF CASH FLOWS

**YEARS ENDED DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)**

| | 2016 | 2015 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Profit for the year | **$ 10,899,767** | $ 8,752,398 |
| Adjustments to reconcile comprehensive income to net cash provided by operating activities: | | |
| - Amortization and impairment of other assets (Note 11) | **-** | 3,399 |
| - Amortization and impairment of intangible assets (Note 14) | **297,042** | 252,625 |
| - Depreciation of property and equipment (Note 13) | **1,100,468** | 864,276 |
| - Loss (gain) on disposal of property and equipment | **1,905** | (1,607) |
| Cash provided by operating activities before operating assets and liabilities | **12,299,182** | 9,871,091 |
| Changes in operating assets and liabilities: | | |
| Government Current Account | **7,661,205** | (15,471,885) |
| Belize Government securities | **(77,149,850)** | (117,173,150) |
| Securities | **81,142,858** | 51,142,857 |
| Reserve tranche in the International Monetary Fund | **(4,960,911)** | 532,092 |
| Other assets | **(3,901,015)** | (5,083,585) |
| Other liabilities | **1,750,441** | 17,632,854 |
| Defined benefit plan net obligation | **877,855** | - |
| Revaluation account | **(770,779)** | (839,651) |
| Net cash provided by (used in) operating activities | **16,948,986** | (59,389,377) |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Acquisition of property and equipment | **(3,143,398)** | (1,875,768) |
| Proceeds from sale of assets | **-** | 35,954 |
| Acquisition of intangible assets | **(3,625,212)** | (465,712) |
| Net cash used in investing activities | **(6,768,610)** | (2,305,526) |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | |
| Balances due to Caricom Central Banks | **(417,132)** | 378,878 |
| Commercial Bank Discount Fund | **162,367** | 162,367 |
| Deposits by and balances due to Government and Public sector entities in Belize | **20,710,642** | (201,880,920) |
| Deposits by international agencies | **110,176** | 249,045 |
| Deposits by licensed financial institutions | **(37,664,081)** | 132,691,514 |
| IMF SDR allocations | **(1,468,399)** | (2,257,780) |
| Notes and coins in circulation | **24,422,303** | 59,045,612 |
| Pension reserve | **(37,327)** | - |
| Transfer to consolidated reserve fund | **-** | (7,879,698) |
| Net cash provided by (used in) financing activities | **$ 5,818,549** | $ (19,490,982) |

Continued on page 9.

The notes on pages 10 to 44 are an integral part of these financial statements.

# CENTRAL BANK OF BELIZE

STATEMENTS OF CASH FLOWS (CONTINUED)
**YEARS ENDED DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)**

| | 2016 | 2015 |
|---|---|---|
| **CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** | **$737,325,869** | $818,511,754 |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | **15,998,925** | (81,185,885) |
| **CASH AND CASH EQUIVALENTS, END OF YEAR** | **$753,324,794** | $737,325,869 |
| **CASH AND CASH EQUIVALENTS COMPRISE THE FOLLOWING:** | | |
| **EXTERNAL ASSETS:** | | |
| Balances and deposits with foreign bankers | **$ 8,995,178** | $ 7,464,307 |
| Other foreign credit instruments | **598,098,673** | 645,725,851 |
| Accrued interest | **3,515,983** | 2,896,163 |
| Cash-in-transit | **515,529** | 552,604 |
| Balance with the International Monetary Fund | **53,843,357** | 55,492,955 |
| | **664,968,720** | 712,131,880 |
| **LOCAL ASSETS:** | | |
| Cash and bank balances | **262,849** | 197,666 |
| Current portion of Treasury Notes | **88,093,225** | 24,996,323 |
| | **88,356,074** | 25,193,989 |
| | **$753,324,794** | $737,325,869 |

The notes on pages 10 to 44 are an integral part of these financial statements.

## CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS
**YEARS ENDED DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)**

### 1. GENERAL INFORMATION

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

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

b. Basis of 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.

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

| *Annual Improvements 2010-2012 Cycle made amendment to the following standard for periods beginning on or after July 1, 2014.* | **Response** |
|---|---|
| IFRS 13 - Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only). | Short-term receivables and payables are measured on an undiscounted basis. Revisions have been made to Note 2d and 29. |

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

c. Change in accounting policies (continued) –

**Standards issued but not yet effective**

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

| Standard | Pronouncement | When Effective | Response |
|---|---|---|---|
| Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11) | Amends IFRS 11 Joint Arrangements to require an acquirer of an interest in a joint operation in which the activity constitutes a business. The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation. | January 1, 2016 | The amendment will not have an impact on the financial statements. |
| Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28) | Amends IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures (2011) to address issues that have arisen in the context of applying the consolidation exception for investment entities. | January 1, 2016 | The amendment will not have an impact on the financial statements. |
| IFRS 14 Regulatory Deferral Accounts | IFRS 14 permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. | January 1, 2016 | The amendment will not have an impact on the financial statements. |
| Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38) | Amends IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets to clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. | January 1, 2016 | The amendment will not have an impact on the financial statements. |

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

c. Change in accounting policies (continued) –

| Standard | Pronouncement | When Effective | Response |
|---|---|---|---|
| Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41) | Amends IAS 16 Property, Plant and Equipment and IAS 41 Agriculture to include 'bearer plants' within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16 and to clarify that produce growing on bearer plants remains within the scope of IAS 41. | January 1, 2016 | The amendment will not have an impact on the financial statements. |
| Disclosure Initiative (Amendments to IAS 1) | Amends IAS 1 Presentation of Financial Statements to address perceived impediments to preparers exercising their judgement in presenting their financial reports. | January 1, 2016 | The amendment will be adopted when it becomes effective and its effect, if any, will be quantified at that time. |
| Equity Method in Separate Financial Statements (Amendments to IAS 27) | Amends IAS 27 Separate Financial Statements to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements. | January 1, 2016 | The standard is not expected to have an impact on the financial statements. |
| Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) | Amends IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture. The amendment is applicable on a prospective basis to a sale or contribution of assets. | January 1, 2016 | The standard is not expected to have an impact on the financial statements. |
| IFRS 15 Revenue from Contracts with Customers | IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. These include identifying the contract, performance obligations, and transaction price as well as allocating transaction price to the performance obligations and recognizing revenue when these are satisfied. | January 1, 2017 | The standard is not expected to have an impact on the financial statements. |

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

c. Change in accounting policies (continued) –

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

| *Annual Improvements 2012-2014 Cycle makes amendments to the following standards for periods beginning on or after July 1, 2016.* | Response |
|---|---|
| IFRS 5 — Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued | Improvements will not have an impact on the financial statement. |
| IFRS 7 — Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements | Improvements will not have an impact on the financial statement. |
| IAS 19 — Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid | Improvements will not have an impact on the financial statement. |
| IAS 34 — Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference | Improvements will not have an impact on the financial statement. |

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

d. Financial instruments –

*Initial recognition and measurement*
The Bank initially recognizes financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) 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. Transaction cost directly attributable to acquisition of the financial assets or liabilities at fair value through profit or loss are recognized immediately in profit or loss.

*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.

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.

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

d. Financial instruments (continued)

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.

As allowed by IFRS 9 certain financial instruments can be designated as 'fair value through other comprehensive income' or have the changes in fair value presented in other comprehensive income.

*Classification*
**Financial assets**
After initial recognition a financial asset is measured at amortised cost or fair value.

*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.

*Effective interest method*
The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) or future cash payments through the expected life of the instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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:

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

d. Financial instruments (continued)

- 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.

The Bank has designated certain financial assets at amortized cost. Note 29 sets out the amount of each class of financial asset that has been designated at amortized cost. Due to their short-term nature, some cash and receivable balances are held on an undiscounted basis.

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 29 sets out the amount of the 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. Based on statutory requirements some financial assets are measured at fair value through other comprehensive income. See also note 2(n).

*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. 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.

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

d. Financial instruments (continued)

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 receivable balances when they are determined to be uncollectible (see note 11).

*Derecognition of financial assets*
The Bank derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and associated liability for amounts it may have to pay.

If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognizes a collateralized borrowing for proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in the other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Bank retains an option to repurchase part of the transferred asset), the Bank allocates the previous carrying amount of the financial asset between the part it continues to recognize under the continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount and the allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

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

d. Financial instruments (continued)

**Financial liabilities**
Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities at amortized cost'. The Bank classifies its financial liabilities as measured at amortised cost. Based on statutory requirements some financial liabilities are measured at fair value through other comprehensive income. See also note 2(l) and note 2(n).

*Derecognition of financial liabilities*
The Bank derecognizes financial liabilities when and only when, the Bank's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and is payable is recognized in profit or loss.

Note 29 also sets out the reconciliation between financial liability classes and measurement categories. Due to their short-term nature, certain payable balances are held on an undiscounted basis.

Below are descriptions of some of the main financial assets and financial liabilities of the Bank.

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.

Foreign Marketable Securities
These consist of debentures issued by the Governments of Dominica and bonds issued by the United States, Sweden, Barbados and IBRD.

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

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

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. There are currently no loans to any public sector entity.

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

d. Financial instruments (continued)

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.

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

e. Intangible Assets
**Initial recognition**
Acquired application software:
At initial recognition, acquired application software are recognized at purchase cost including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and any directly attributable cost of preparing the asset for its intended use.

**Internally generated intangible asset - Website costs**:
Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably
- the project is technically and commercially feasible
- the Bank intends to and has sufficient resources to complete the project
- the Bank has the ability to use or sell the software
- the software will generate probable future economic benefits.

Development costs not meeting these criteria for capitalisation are expensed as incurred. Directly attributable costs include employee costs incurred on software development along with an appropriate portion of relevant overheads.

**Subsequent measurement**
All finite-lived intangible assets are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing. Intangible assets are amortized over the useful economic life of 3 to 10 years. Subsequent expenditures on intangible assets are expensed as incurred. When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or other expenses. 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.

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

f. 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.

g. 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.

h. Investment in securities – This investment is carried at cost. Cost is based on the fair value of the consideration given in exchange for the asset. Dividends earned are included in operations.

i. Property and equipment –

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

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

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

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

## 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 3 to 10 years.

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

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

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. The gratuity liability is neither funded nor actuarially valued. This item is grouped under "Other liabilities" in the Statements of Financial Position.

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

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.

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

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

*Revaluation*
Section 50 of the Central Bank of Belize Act 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.

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

n. Foreign currency translation and exchange gains and losses (continued)
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 21) when the Revaluation Account shows a net loss, but is first credited to the Revaluation Account in an amount sufficient to cover the loss.

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

## 3. 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, the Bank was in compliance as the value of total assets was $1,186,505,674 (2015: $1,171,271,015) while the value of notes and coins in circulation was $369,502,797 (2015: $345,080,494).

2. The Bank shall maintain at all times a reserve of external assets of not less than 40 percent of the aggregate amount of notes and coins in circulation and of the Bank's liabilities to customers in respect if its sights and time deposits.

   Management has developed internal controls to ensure compliance with the law. At December 31, 2016 and 2015 total approved external assets approximated 70.0 percent and 82.0 percent of such liabilities respectively.

## 4. SIGNIFICANT NON-CASH TRANSACTIONS

During the year, the Bank experienced revaluation losses of $770,779 (2015: $839,651 loss) on its foreign currency balances and IMF funds. In addition, Central Bank Amendment Act No. 19 of 2016 allows an increase of the Bank's paid up capital to a maximum of $20,000,000. Consequently, $9,809,790 of the Bank's profit for the year ended December 31, 2016 was allocated to the Bank's paid up capital thereby increasing it to $19,809,790.

## 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, 2016, Belize's subscriptions to the International Monetary Fund amounted to SDR 18,800,000. The Reserve Tranche amounted to SDR 6,213,690 (2015: 4,238,690) and the IMF's currency holdings amounted to SDR 20,026,064 (2015: 20,023,004) respectively. The Reserve Tranche which earns interest is included in approved external assets in the financial statements at the exchange rate of BZ$2.68866 to SDR 1.0 at December 31 (2015: BZ$2.77146 to SDR 1.0).

## 6. OTHER FOREIGN CREDIT INSTRUMENTS

| | **2016** | 2015 |
|---|---|---|
| **At December 31, these instruments comprised of:** | | |
| Fixed Deposits | **$521,429,448** | $449,621,052 |
| Overnight Deposits | **76,669,225** | 196,104,799 |
| | **$598,098,673** | $645,725,851 |

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

| | **2016** | 2015 |
|---|---|---|
| Accrued Interest | **$3,515,983** | $2,896,163 |
| Cash-in-Transit | **515,529** | 552,604 |
| | **$4,031,512** | $3,448,767 |

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

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

| | **2016** | 2015 |
|---|---|---|
| US Treasury Notes | **$44,000,000** | $ 64,000,000 |
| Debentures | **2,000,000** | 2,000,000 |
| Bonds | **13,428,571** | 74,571,429 |
| | **$59,428,571** | $140,571,429 |

## 9. BELIZE GOVERNMENT SECURITIES

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

| | **2016** | 2015 |
|---|---|---|
| Treasury Bills | **$ 51,792,075** | $ 24,996,323 |
| Treasury Notes | **270,477,150** | 157,026,150 |
| | **$322,269,225** | $182,022,473 |

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

| | **2016** | 2015 |
|---|---|---|
| Due within 1 year | **$ 88,093,225** | $ 70,758,323 |
| Due within 1 year through 5 years | **72,277,000** | 86,265,150 |
| Due within 5 years through 10 years | **161,899,000** | 24,999,000 |
| | **$322,269,225** | $182,022,473 |

Section 35(2) of the Central Bank of Belize Act stipulates that the Bank shall not at any time hold Belize Government securities in an aggregate amount exceeding five times the aggregate amount at that time of the paid up capital and general reserves of the Bank, subsequently amended to seven times in April 2006, ten times in March 2010 and twenty times in October 2016. Management has developed internal controls to ensure compliance with the law. At December 31, 2016 the Bank's aggregate holding of Belize Government securities approximated 7.7 times (2015: 6.00), respectively, the amount of paid up capital and general reserves of the Bank.

# CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
**YEARS ENDED DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)**

## 10. 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 of Belize collected during the preceding financial year. At December 31, 2016, the Bank was in compliance since advances to the Government of Belize totaled $48,220,569.00 which is 58% of $82,766,117 which represents eight and one half percent of the Government's revenues collected during April 1, 2015 and March 31, 2016. (2015 - $55,881,771.00 being 69% of $81,274,006.00)

## 11. OTHER ASSETS

| | **2016** | 2015 |
|---|---|---|
| Other assets consist of: | | |
| Accounts receivable | **$ 106,773** | $ 156,475 |
| Bond premium | **-** | 1,548 |
| Dividends receivable | **1,120,000** | - |
| Inventory of circulation notes and coins | **4,084,590** | 4,662,240 |
| Other | **387,225** | 336,763 |
| Prepayments and accrued interest | **8,178,190** | 4,651,462 |
| Collectible coins inventory | **1,127,963** | 1,137,267 |
| Staff loans receivable | **4,188,139** | 4,343,121 |
| | **19,192,880** | 15,288,876 |
| Less impairment for doubtful receivables and amortization of museum endowment fund: | **(26,330)** | (23,341) |
| | **$19,166,550** | $15,265,535 |

| Impairment for doubtful receivables and amortization: | **2016** | 2015 |
|---|---|---|
| Beginning balance, January 1 | **$ 23,341** | $ 19,942 |
| Additional impairment and amortization | **12,704** | 3,399 |
| Write-offs | **(9,715)** | - |
| Ending balance, December 31 | **$ 26,330** | $ 23,341 |

## 12. EQUITY INSTRUMENTS

The investment represents the Bank's investment of 4,000,000 shares in Belize Telemedia Limited at a value of $5.00 per share totaling $20,000,000. Share certificates numbered 3165, 3166, 3167, 2668 and 2669 dated June 17, 2011 for 800,000 each have been received by the Bank. The Bank is committed not to dispose of the shares for at least four years after the date of purchase under a "Share Purchase" agreement. Thereafter the Bank can dispose of the shares at the rate of one million shares per annum. If the Bank chooses to sell the shares, it shall offer the Government of Belize the right of the first refusal and the right to object to any buyer before concluding the sale of any of the shares. Belize Telemedia Limited declared dividends of $0.28 per share to shareholders on record on September 30, 2016.

## 13. PROPERTY AND EQUIPMENT

| **Cost** | **Property** | **Furniture** | **Equipment** | **Vehicles** | **Work in Progress** | **Total** |
|---|---|---|---|---|---|---|
| Balance at, January 1, 2016 | $30,926,558 | $1,511,887 | $ 8,701,160 | $374,860 | $ 4,215 | $41,518,680 |
| Additions | 117,572 | 79,801 | 2,644,084 | 277,515 | 24,424 | 3,143,396 |
| Disposals | - | (2,390) | (17,895) | - | - | (20,285) |
| Transfers | - | - | 4,215 | - | (4,215) | - |
| Balance at, December 31, 2016 | 31,044,130 | 1,589,298 | 11,331,564 | 652,375 | 24,424 | 44,641,791 |
| **Accumulated depreciation** | | | | | | |
| Balance at January 1, 2016 | 4,842,787 | 1,253,674 | 6,188,531 | 332,953 | - | 12,617,945 |
| Depreciation charge for the year | 322,485 | 53,493 | 677,931 | 46,559 | - | 1,100,468 |
| Disposal | - | (2,390) | (15,990) | - | - | (18,380) |
| Balance at, December 31, 2016 | 5,165,272 | 1,304,777 | 6,850,472 | 379,512 | - | 13,700,033 |
| **Net book value** | | | | | | |
| **December 31, 2016** | **$25,878,858** | **$ 284,521** | **$ 4,481,094** | **$272,863** | **$24,424** | **$30,941,760** |
| December 31, 2015 | $26,083,771 | $ 258,213 | $ 2,512,629 | $ 41,907 | $ 4,215 | $28,900,735 |

## 14. INTANGIBLE ASSETS

| **Cost** | **Intangible Assets** | **Work in Progress** | **Total** |
|---|---|---|---|
| Balance at, January 1 | $1,923,228 | $125,603 | $2,048,831 |
| Additions | 3,481,440 | 143,772 | 3,625,212 |
| Transfers | 269,375 | (269,375) | - |
| Balance at, December 31 | 5,674,043 | - | 5,674,043 |
| **Accumulated Depreciation** | | | |
| Balance at, January 1 | 779,392 | - | 779,392 |
| Amortization charge for the year | 297,042 | - | 297,042 |
| Balance at, December 31 | 1,076,434 | - | 1,076,434 |
| **Net Book Value** | | | |
| December 31, 2016 | **$4,597,609** | **$ -** | **$4,597,609** |
| December 31, 2015, restated | $1,143,836 | $125,603 | $1,269,439 |

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

## CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
**YEARS ENDED DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)**

### 15. DEPOSITS BY LICENSED FINANCIAL INSTITUTIONS

Under the revised provisions of Section 39 of the Domestic Banks and Financial Institutions Act (No. 11 of 2012 licensed –financial institutions are required to keep deposits with the Bank, equivalent to at least 8.5% of their average deposit liabilities.

### 16. DEPOSITS BY INTERNATIONAL AGENCIES

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

| | **2016** | 2015 |
|---|---|---|
| Caribbean Development Bank | **$ 476,514** | $ 415,470 |
| International Monetary Fund | **181,974** | 132,842 |
| Inter-American Development Bank | **897,175** | 897,175 |
| Int'l Bank for Reconstruction & Development | **29,740** | 29,740 |
| | **$1,585,403** | $1,475,227 |

### 17. OTHER LIABILITIES

| | **2016** | 2015 |
|---|---|---|
| Severance and gratuities | **$ 2,390,185** | $ 2,007,873 |
| Other staff costs payable | **729,364** | 1,181,468 |
| Abandoned property | **6,364,389** | 5,084,443 |
| License international offshore financial institutions* | **16,312,481** | 14,694,714 |
| Deferred income | **722,815** | 657,225 |
| Accounts payable | **592,320** | 1,678,419 |
| Unclaimed balances of Belize Unit Trust | **46,388** | 46,388 |
| Bond discount | **884,726** | 130,660 |
| Belize City Municipal Bonds – Sinking Fund | **694,138** | 1,683,248 |
| Corozal Freezone Municipal Bonds – Sinking Funds | **178,073** | - |
| | **$28,914,879** | $27,164,438 |

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

## 18. IMF SDR ALLOCATIONS

| | **2016** | 2015 |
|---|---|---|
| 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, 2016, the SDR's were revalued at SDR 2.688664 to BZD $1.00 (2015: 2.77146 to BZD $1.00). | **$48,111,639** | $49,593,212 |
| Interest payable on the facility | **17,308** | 4,134 |
| | **$48,128,947** | $49,597,346 |

## 19. COMMERCIAL BANKS' DISCOUNT FUND

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

The USAID loan has the following terms:

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

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

| | **2016** | 2015 |
|---|---|---|
| Loans receivable from institution | **$ (695,419)** | $ (841,680) |
| Interest paid to USAID | **(2,311,316)** | (2,311,316) |
| Interest received from institution | **3,930,118** | 3,914,012 |
| | **$ 923,383** | $ 761,016 |

## 20. CAPITAL ACCOUNT

| | **2016** | 2015 |
|---|---|---|
| **Authorized and issued share capital** | | |
| Authorized | **$20,000,000** | $10,000,000 |
| Issued paid up capital as at December 31, | **$19,809,790** | $10,000,000 |

Central Bank of Belize Amendment Act No. 19 of 2016 amends section 8 of the principal Act on October 12, 2016 to stipulate that an increase in the authorised capital or paid up capital, as the case may be, shall be paid from the retention of the share of the net profits of the Bank that would have otherwise been paid into the Consolidated Revenue fund until such time as the increase in capital is fully paid up. Consequently, $9,809,790 of the Bank's profit for the year ended December 31, 2016 was allocated to the Bank's paid up capital thereby increasing it to $19,809,790.

## 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 gains or losses are carried to a special account called Revaluation Account through other comprehensive income.

| | **2016** | 2015 |
|---|---|---|
| Balance at beginning of year | **$1,738,817** | $2,578,468 |
| Loss from revaluation | **(770,779)** | (839,651) |
| Balance at end of year | **$ 968,038** | $1,738,817 |

## 22. GENERAL RESERVE FUND

Section 9. -(1) of the principal acts stipulates that the Bank shall establish a General Reserve Fund into which shall be paid twenty per cent of the net profit made by the Bank during each financial year and the remainder of such profit after deducting any sum paid into reserve under this subsection shall be paid by the Bank to the Accountant General for the Consolidated Revenue Fund. Provided that whenever the General Reserve Fund is equal to or exceeds the amount of the paid up capital of the Bank, ten percent of the net profit of the Bank shall be paid into the General Reserve Fund and the remainder shall be paid by the Bank to the Accountant General for the Consolidated Revenue Fund. As at December 31, 2015, the Bank's General Reserve Fund was at $21,204,102 which exceeded the paid up capital at December 31, 2016 of $19,809,790. Therefore, a transfer from the net profit of 10% was made as shown below. The remainder was transferred to the paid up capital of the Bank in accordance with the Central Bank of Belize Amendment Act No. 19 of 2016 (See also note 20).

| | **2016** | 2015 |
|---|---|---|
| Balance at beginning of year | **$21,204,102** | $20,328,862 |
| Transfer from net profit | **1,089,977** | 875,240 |
| Balance at end of year | **$22,294,079** | $21,204,102 |

## 23. INTEREST ON APPROVED EXTERNAL ASSETS

| | 2016 | 2015 |
|---|---|---|
| Interest earned on overnight deposits | **$ 393,759** | $ 130,504 |
| Interest earned on marketable securities | **1,566,781** | 3,801,296 |
| Interest earned on balances and deposits with foreign bankers | **5,412,056** | 3,409,265 |
| | **$7,372,596** | $7,341,065 |

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

Expense recognized for employee benefits is analyzed below:

| | 2016 | 2015 |
|---|---|---|
| Current service cost | **$ 720,746** | $ - |
| Net interest defined benefit plan | **119,782** | - |
| Pensions contributions | **424,788** | 717,016 |
| Salaries and wages | **10,099,494** | 9,668,749 |
| Social security costs | **147,782** | 142,996 |
| Employee benefits expense | **$11,512,592** | $10,528,761 |

## 25. ADMINISTRATIVE AND GENERAL EXPENSES

| | 2016 | 2015 |
|---|---|---|
| Advertising | **$ 49,587** | $ 76,691 |
| Audit fees | **65,000** | 65,250 |
| Amortization and impairment of other assets | **12,704** | 3,399 |
| Bank charges | **134,378** | 111,308 |
| Bank publications | **43,813** | 32,946 |
| Books and publication | **16,074** | 21,988 |
| Building repairs and maintenance | **452,082** | 443,772 |
| Cash shipment | **3,832** | 3,979 |
| Computer software license | **294,929** | 197,287 |
| Directors' fees | **92,429** | 91,774 |
| Donations | **49,530** | 57,407 |
| Entertainment | **10,872** | 9,485 |
| Equipment maintenance | **55,050** | 24,438 |
| Firearm license and ammunition | **5,399** | 9,914 |
| Freight charges | **39,173** | 37,095 |
| Hurricane preparedness | **13,184** | 22,358 |
| Insurance expense | **106,452** | 107,407 |
| Legal fees | **199,879** | 34,950 |
| Membership fees | **142,122** | 83,544 |
| Motor vehicle | **69,203** | 63,115 |
| Other miscellaneous expense | **193,858** | 254,238 |
| Overseas meeting and conferences | **220,554** | 283,405 |
| Professional services and technical support | **1,265,183** | 542,812 |
| Small equipment purchases | **13,334** | 28,397 |
| Subscriptions | **82,302** | 49,080 |
| Supplies | **312,278** | 212,113 |
| Surveys | **223,366** | 243,457 |
| Travel (local) | **34,075** | 38,024 |
| Utilities expense | **778,794** | 847,751 |
| | **$4,979,436** | $3,997,384 |

## 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. DEFINED BENEFIT PLAN NET OBLIGATIONS

The Bank operates a defined benefit pension scheme which receives contributions from the Bank and its eligible employees. The scheme is financially separate from the Bank and is managed by a Board of Trustees. Under the plan, the employees are entitled to annual retirement benefits capped at a maximum of 66 percent of final pensionable salary on attainment of the retirement age of 60. In addition, the Bank provides an optional post-retirement medical benefit.

During the year under review, the Bank contributed $424,788 (2015: $717,016) 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 unrecognized remeasurements 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. Remeasurements 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. Remeasurements arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the employees' expected average remaining working lives.

| **Significant actuarial assumptions used in the valuation were:** | **2014** | **2015** |
|---|---|---|
| I. Discount rate at the end of year (pa) | 5.0% | 5.0% |
| II. Future salary increases (pa) | 3.5% | 3.5% |
| III. Future pension increases (pa) | 0.0% | 0.0% |

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

| **Reconciliation of actuarial losses as at December 31, 2014:** | |
|---|---|
| Surplus as at December 31, 2012 | $ 3,341,174 |
| Fair value of the plan assets | 18,113,646 |
| Present value of defined benefit obligation | (19,542,000) |
| Non-current pension liability as at December 31, 2014 | (1,428,354) |
| Actuarial losses as at December 31, 2014 | **(4,769,528)** |
| **Presentation of Actuarial losses as at December 31, 2014:** | |
| Amounts to recognize in Statement of Financial Position: | |
| Non-current pension liability as at December 31, 2014 | (1,428,354) |
| Amounts to recognize in Statement of Other Comprehensive Income: | |
| Remeasurement losses | (4,769,528) |

## 27. DEFINED BENEFIT PLAN NET OBLIGATIONS (Continued)

| | |
|---|---|
| **Reconciliation of actuarial losses as at December 31, 2015:** | |
| Present value of the obligation at start of year | $19,542,000 |
| Interest cost | 1,023,470 |
| Current service cost | 1,213,834 |
| Benefits paid | (572,872) |
| Remeasurement gain on obligation through OCI | (1,339,432) |
| Present value of the obligation at end of year | 19,867,000 |
| | |
| Fair value of the plan assets at start of year | 18,113,646 |
| Interest income on plan assets | 903,688 |
| Contributions | 493,088 |
| Benefits paid | (572,872) |
| Remeasurement gain on assets through OCI | 51,595 |
| Fair value of the plan assets at end of year | 18,989,145 |
| | |
| Net change in non-current pension liability for year ended December 31, 2015 | **877,855** |
| | |
| Non-current pension liability January 1, 2015 | 1,428,354 |
| Net interest cost | 119,782 |
| Current service cost | 1,101,762 |
| Contributions to the pension as per actuarial report | (381,016) |
| Remeasurement gain on obligation through OCI | (1,339,432) |
| Remeasurement gain on assets through OCI | (51,595) |
| **Non-current pension liability December 31, 2015** | **877,855** |
| | |
| **Reconciliation of pension reserve:** | |
| Reserve as at December 31, 2012 | 3,341,174 |
| | |
| Actuarial losses December 31, 2014 | (4,769,528) |
| Remeasurement gain on obligation through OCI | 1,339,432 |
| Remeasurement gain on assets through OCI | 51,595 |
| | (3,378,501) |
| | |
| **Reserve as at December 31, 2015** | **$ (37,327)** |

## 27. DEFINED BENEFIT PLAN NET OBLIGATIONS (Continued)

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

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

## 28. RELATED PARTY TRANSACTIONS

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). At December 31, the number of key management personnel was 18 (2015: 18).

Transactions with key management personnel:

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

Benefits

| | **2016** | 2015 |
|---|---|---|
| Short-term benefits | **$2,319,501** | $2,091,247 |
| Post-employment benefits | **51,390** | 39,668 |
| Termination benefits | **478,511** | 456,269 |
| | **$2,849,402** | $2,587,184 |

b. Loans and advances to directors and key management:

Loans and advances
As at December 31 an amount of $640,857 (2015: $542,952) was receivable from key management personnel as approved advances made by the Bank. No impairment has been recognized in respect of loans given to related parties. The Bank has a residential mortgage loan program for qualifying permanent staff. This facility is available for a maximum period of 15 years with a variable interest rate initially set at 4.5%.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
**YEARS ENDED DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)**

## 28. RELATED PARTY TRANSACTIONS (Continued)

Transactions with the Government 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 the Government during the year are quantified below:

| | Social Security Board | Development Finance Corporation | SSB Mortgage Securitization Proceeds | DFC Mortgage Securitization Proceeds | Financial Intelligence Unit | Belize Tourism Board | Belize Electricity Ltd. | National Bank of Belize Ltd. | BCC Sinking Fund Account | SSB Deposit Account | International Financial Services Commission | Government Current Account |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Opening Balances | $ (149) | $ (781,520) | $(428,771) | $(5,447) | $ (5,189) | $ (297,496) | $(24,917) | $ (9,318,275) | $(1,683,247) | $(1,118) | $ - | $ 55,881,774 |
| Disbursements | 53,000 | 8,760,597 | 458,809 | - | 1,914,333 | 6,924,084 | - | 34,880,606 | 6,723,953 | - | - | 1,592,735,845 |
| Deposits | (70,554) | (8,481,150) | (30,405) | - | (2,109,801) | (7,139,779) | - | (36,164,417) | (5,734,844) | - | (13,996,372) | (1,600,397,050) |
| Closing Balances | **$(17,703)** | **$ (502,073)** | **$ (367)** | **$(5,447)** | **$ (200,657)** | **$ (513,191)** | **$(24,917)** | **$(10,602,086)** | **$ (694,138)** | **$(1,118)** | **$(13,996,372)** | **$ 48,220,569** |

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

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

| **At December 31, 2016** | Financial assets at fair value through profit or loss | Financial assets at amortized costs | Financial assets at fair value through other comprehensive income | Total |
|---|---|---|---|---|
| **Assets:** | | | | |
| Balances and deposits with foreign bankers (undiscounted) | $ - | $ - | $ 8,995,178 | $ 8,995,178 |
| Reserve Tranche and balances with the International Monetary Fund (undiscounted) | - | - | 70,493,178 | 70,493,178 |
| Other foreign credit instruments (undiscounted) | - | 598,098,673 | - | 598,098,673 |
| Accrued interest and cash transit (undiscounted) | - | 4,031,512 | - | 4,031,512 |
| Marketable securities issued or guaranteed by foreign government and international institutions | | 59,428,571 | - | 59,428,571 |
| Balances with local bankers and cash on hand (undiscounted) | - | 262,849 | - | 262,849 |
| Government of Belize securities | | 322,269,225 | - | 322,269,225 |
| Equity instruments (undiscounted) | 20,000,000 | - | - | 20,000,000 |
| Government Current Account (undiscounted) | - | 48,220,569 | - | 48,220,569 |
| Accrued interest and cash-in-transit | - | 4,031,512 | - | 4,031,512 |
| Other assets (undiscounted) | - | 7,343,614 | - | 7,343,614 |
| **Total financial assets** | $20,000,000 | $1,043,686,525 | $79,488,356 | $1,143,174,881 |

**CENTRAL BANK OF BELIZE**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
**YEARS ENDED DECEMBER 31, 2016 AND 2015 (IN BELIZE DOLLARS)**

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

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

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

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

| **At December 31, 2015** | Financial assets at fair value through profit or loss | Financial assets at amortized costs | Financial assets at fair value through other comprehensive income | Total |
|---|---|---|---|---|
| **Assets:** | | | | |
| Balances and deposits with foreign bankers (undiscounted) | $ - | $ - | $ 7,464,307 | $ 7,464,307 |
| Reserve Tranche and balances with the International Monetary Fund (undiscounted) | - | - | 67,181,865 | 67,181,865 |
| Other foreign credit instruments (undiscounted) | | 645,725,851 | - | 645,725,851 |
| Accrued interest and cash transit (undiscounted) | - | 3,448,767 | - | 3,448,767 |
| Marketable securities issued or guaranteed by foreign government and international institutions | - | 140,571,429 | - | 140,571,429 |
| Balances with local bankers and cash on hand (undiscounted) | - | 197,666 | - | 197,666 |
| Government of Belize securities | - | 182,022,473 | - | 182,022,473 |
| Equity instruments (undiscounted) | 20,000,000 | - | - | 20,000,000 |
| Government Current Account (undiscounted) | - | 55,881,774 | - | 55,881,774 |
| Defined benefit plan net asset | - | - | 3,341,174 | 3,341,174 |
| Accrued interest and cash-in-transit | - | 3,448,767 | | 3,448,767 |
| Other assets (undiscounted) | - | 6,367,237 | - | 6,367,237 |
| **Total financial assets** | **$20,000,000** | **$1,037,663,964** | **$77,987,346** | **$1,135,651,310** |

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

| **At December 31, 2015** | Financial liabilities at amortized costs | Financial liabilities at fair value through other comprehensive income | Total |
|---|---|---|---|
| **Liabilities:** | | | |
| Notes and coins in circulation (undiscounted) | $ 345,080,494 | $ - | $345,080,494 |
| Deposits by licensed financial institutions (undiscounted) | 662,481,324 | - | 662,481,324 |
| Deposits by and balances due to Government and public sector entities in Belize (undiscounted) | 47,897,458 | - | 47,897,458 |
| Deposits by international agencies (undiscounted) | 1,475,227 | - | 1,475,227 |
| Balances due to CARICOM central banks (undiscounted) | 426,188 | - | 426,188 |
| Other liabilities (undiscounted) | 27,166,978 | - | 27,166,978 |
| IMF SDR allocations (undiscounted) | - | 49,597,346 | 49,597,346 |
| Commercial bank discount fund (undiscounted) | 761,016 | - | 761,016 |
| **Total financial liabilities** | **$1,085,288,685** | **$49,597,346** | **$1,134,886,031** |

## 30. FINANCIAL RISK MANAGEMENT (Continued)

Schedule B
Outline of other Local and Foreign Investments

| **Securities** | **Local** | **Foreign** | | | |
|---|---|---|---|---|---|
| | **GOB** | **Barbados** | **Dominica** | **IBRD/SEK** | **US** |
| Treasury Bills | $ 51,792,075 | $ - | $ - | $ - | $ - |
| Treasury Notes | 270,477,150 | - | - | - | 44,000,000 |
| Bonds | - | 3,428,571 | - | - | - |
| Debentures | - | - | 2,000,000 | 10,000,000 | - |
| **Total Exposure** | **$322,269,225** | **$3,428,571** | **$2,000,000** | **$10,000,000** | **$44,000,000** |

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

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

These disclosures have been reflected as follows for staff loans amounting to $4,188,139.

| **Loan type** | **Principal outstanding December 31, 2016** | **Collateral** | |
|---|---|---|---|
| | | **Appraised value** | **Stamped value** |
| Mortgage loans | $2,972,556 | $6,705,556 | $4,084,180 |
| Consumer loans | 1,215,583 | 107,000 | 88,167 |
| | **$4,188,139** | **$6,812,556** | **$4,172,347** |

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

Market and interest rate risk

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

## 30. 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** |
|---|---|---|
| | **2016** | 2015 |
| Depository Accounts & Money at Call | 3.83% | 0.08% |
| Overnight Deposits | 0.18% | 0.07% |
| Fixed Deposits | 1.16% | 0.67% |
| Notes/Bonds | 3.18% | 2.06% |
| Debentures | 3.50% | 3.50% |

Currency risk

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

The table below indicates the different fund allocations as of December 31, 2016:

| | **FOREIGN CURRENCY** | **YEAR-END RATE** | **BELIZE DOLLAR VALUE** |
|---|---|---|---|
| Euro Fund | $ (231,074) | $2.11000 | $ (487,058) |
| Canadian Fund | (89,580) | 1.48660 | (133,170) |
| SDR Fund | (44,189,799) | 2.68866 | (118,811,344) |
| USD Fund | (337,813,580) | 2.00000 | (675,627,160) |
| Sterling Fund | (530,267) | 2.46980 | (1,309,653) |
| BZ$ Fund | 795,597,606 | 1.00000 | 795,597,606 |
| **Current Year Revaluation Loss** | | | **$ (770,779)** |

| | **BELIZE DOLLAR VALUE** |
|---|---|
| **Revaluation balance, January 1** | **$1,738,817** |
| **Decrease in revaluation** | **(770,779)** |
| **Revaluation balance, December 31** | **$ 968,038** |

## 30. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk

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

| Asset Type | 1 Month<br>$ | 1-3 Months<br>$ | 3-6 Months<br>$ | 6-12 Months<br>$ | 1-5 Years<br>$ | Over 5 Years<br>$ |
|---|---|---|---|---|---|---|
| Balances with local bankers and cash on hand | 262,849 | - | - | - | - | - |
| Depository Accounts & Money at Call | 8,995,178 | - | - | - | - | - |
| Fixed Deposits | 100,651,958 | 163,510,613 | - | 257,266,876 | - | - |
| Overnight Deposits | 76,669,225 | - | - | - | - | - |
| Treasury Bills | 20,000,000 | 31,800,000 | - | - | - | - |
| Treasury Notes | - | - | - | 36,293,225 | 72,277,000 | 161,899,000 |
| Bonds | - | - | - | - | 3,428,571 | 54,000,000 |
| Debentures | - | - | - | - | - | 2,000,000 |
| Equity instruments | - | - | - | - | - | 20,000,000 |
| | **206,579,210** | **195,310,613** | **-** | **293,560,101** | **75,705,571** | **237,899,000** |

## 30. FINANCIAL RISK MANAGEMENT (Continued)

| Liability Type | 1 Month<br>$ | 1-3 Months<br>$ | 3-6 Months<br>$ | 6-12 Months<br>$ | 1-5 Years<br>$ | Over 5 Years<br>$ |
|---|---|---|---|---|---|---|
| Deposits by licensed financial institutions | - | - | - | 624,817,243 | - | - |
| Deposits by and balances due to Government and public sector entities in Belize | - | 68,608,100 | - | - | - | - |
| Deposits by international agencies | | 1,585,403 | - | - | - | - |
| Balances due to CARICOM Central Banks | 9,056 | - | - | - | - | - |
| Commercial Bank discount fund | - | - | - | - | - | 923,383 |
| Other liabilities | - | 28,914,879 | - | - | - | - |
| IMF SDR Allocations | - | - | - | - | - | 48,128,947 |
| | **9,056** | **99,108,382** | **-** | **624,817,243** | **-** | **49,052,330** |
| | **206,570,154** | **96,202,231** | **-** | **(331,257,142)** | **75,705,571** | **188,846,670** |

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.

## 31. SUBSEQUENT EVENTS

On March 31, 2017, the Government of Belize passed an amendment to section 35(2) of the Central Bank of Belize Act Chapter 262 to raise the amount of local treasury notes or securities that the Bank can hold at any one time from 20 times the aggregate amount of the paid up capital and general reserves to 30 times. The new amendment has no current impact on the financial statements of the Bank.

* * * * * *