Central Bank of Belize

Annual Report and Accounts, 2002

Abbreviations and Conventions used in this Report

Abbreviations:

ACP	African, Caribbean and Pacific
APR	Annual Percentage Rate
BEL	Belize Electricity Limited
BFIA	Banks and Financial Institutions Acts, 1995
BGA	Banana Growers Association
BIS	Bank for International Settlements
BSI	Belize Sugar Industries Limited
BSSB	Belize Social Security Board
BTB	Belize Tourism Board
BTL	Belize Telecommunications Ltd.
BWSL	Belize Water Services Limited
CARICOM	Caribbean Community and Common Market
CABEI	Central American Bank for Economic Integration
CCMS	Caribbean Centre for Monetary Studies
CDB	Caribbean Development Bank
CET	Common External Tariff
CFATF	Caribbean Financial Action Task Force
CFZ	Commercial Free Zone
CGA	Citrus Growers Association
CIF	Cost Insurance and Freight
CPI	Consumer Price Index
CSO	Central Statistical Office
DFC	Development Finance Corporation
ECCB	Eastern Caribbean Central Bank
ECLAC	Economic Commission for Latin America and the Caribbean
ECU	European Currency Unit
EDF	European Development Fund
EIB	European Investment Bank
EU/EEC	European Union
FY	Fiscal Year
GDP	Gross Domestic Product
GOB	Government of Belize
IBC	International Business Company
IBM	International Bank of Miami
IBRD	International Bank for Reconstruction and Development
IDB	Inter-American Development Bank
IFS	International Financial Statistics
IMF	International Monetary Fund
NFC	Not from concentrate
OECD	Organisation for Economic Cooperation and Development
OECS	Organisation of Eastern Caribbean States
PAYE	Pay As You Earn
PGIA	Phillip Goldson International Airport
ps	Pound solid
RECONDEV	Reconstruction and Development Corporation
RMB	Royal Merchant Bank
ROC	Republic of China, Taiwan
SIF	Social Investment Fund
UK	United Kingdom
US/USA	United States
WTO	World Trade Organisation
WASA	Water and Sewerage Authority

Notes and Conventions:

--$ refers to the Belize dollar unless otherwise stated

--mn denotes million

--bn denotes billion

--The figures for 2002 in this report are provisional, and the figures for 2001 have been revised.

--Since May of 1976 the Belize dollar has been tied to the US dollar at the rate of US$1.00 = Bz$2.00.

--Totals in tables do not always equal the sum of their components due to rounding.

April 30, 2003

Hon. Ralph Fonseca
Minister of Finance and Home Affairs
New Administration Building
Belmopan
BELIZE

Dear Minister Fonseca:

In accordance with Section 58 of the Central Bank of Belize Act,1982, I have the honour of submitting to you , in your capacity as Minister of Finance, the Report on the Central Bank of Belize's operations for the period January 1 to December 31, 2002, together with a copy of the Bank's Statement of Accounts, as certified by the External Auditors.

Yours sincerely,

Jorge M. Auil
Governor

DIRECTORS AND PRINCIPALS

At December 31, 2002

BOARD OF DIRECTORS

JORGE M. AUIL
Chairman

YVETTE ALVAREZ
Vice Chairman

JAIME BRICEÑO

DEREK COURTENAY

FRANCIS FONSECA

ROBERT SWIFT

JOSEPH WAIGHT
Financial Secretary

PRINCIPAL OFFICERS

JORGE M. AUIL
Governor

YVETTE ALVAREZ
Deputy Governor - Operations

SYDNEY CAMPBELL
Deputy Governor - Economic Intelligence

CAROL HYDE
Manager, Human Resources & Administration

DWAIN DAVIS
Manager, Finance Department

MARILYN GARDINER
Manager, Banking and Currency Department

CHRISTINE VELLOS
Manager, Research Department

NERI MATUS
Deputy Manager, Financial Sector Supervision Department

KENT HAYLOCK
Chief of Security

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OVERVIEW OF THE BANK

Mission, Goals and Objectives

The Central Bank of Belize's objectives are stated in the Central Bank of Belize Act, 1982.

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

In light of these objectives, the Bank has the following Mission:

> "***to foster the development of an economic and financial environment in Belize that will facilitate economic growth.***"

In the pursuit of its mission, the Bank sets a number of goals and operating objectives. These are listed below. Emphasis is added in the first section to indicate the respective **client(s)** to which each of the Bank's goals is geared.

Goals

√ Provide prompt and well-considered macroeconomic advice to the **Government**, the **business sector** and the **general public**.

√ Provide efficient banking services to the **commercial banks**, the **government** and various **public sector bodies** and **regional and international organisations** that hold accounts at the Bank.

√ Provide guidelines to the **banking community** on matters such as money supply, interest rates, credit and exchange rates.

√ Set high standards of efficiency and organisation so as to encourage higher levels of attainment in the Bank.

Objectives

√ Promote monetary stability.

√ Regulate the issue and availability of money and its international exchange.

√ Regulate and monitor the financial environment.

√ Foster credit and exchange conditions.

√ Foster the development of money and capital markets in Belize.

Organization And Functions

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

Office of the Governor

- Managing the operations of the Bank.
- Co-ordinating the various functions of the Bank's Departments.
- Formulating, developing and reviewing the Bank's policy prescriptions.
- Maintaining security operations within the Bank.
- Streamlining and monitoring systems and procedures to ensure appropriate internal controls.
- Ensuring that all communications necessary for the deliberations of the directors are prepared and submitted.

Administration

- As secretariat to the Board, ensuring that the decisions and relevant directives of the Board are communicated to all parties concerned.
- Procuring supplies, and conducting stock keeping and inventory exercises.
- Managing the Bank's records management system.
- Disseminating information produced by the Bank, particularly economic reports and bulletins, research papers, relevant acts and regulations and related guidelines.
- Managing the Bank's numismatic operations.

Human Resources

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

Finance

- Preparing the Bank's budget and monitoring and controlling the Bank's financial activities.
- Performing fiscal agent functions on behalf of the Central Government and other public sector entities for the trading of securities.

Banking and Currency

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

Financial Sector Supervision

- Screening and processing applications for domestic and offshore bank licenses.
- Conducting on-site examination and off-site surveillance of commercial banks and offshore banks.
- Processing of applications for large credit exposures under section 21(2) of the Banks and Financial Institutions Act.
- Promoting and conducting anti money-laundering surveillance.

Research

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

Office of Deputy Governor (Operations)

- Monitoring and maintaining the Bank's information technologies.
- Oversight of Internal Audit programme.
- Maintaining the Bank's plant and equipment.

Table I.1: Major Economic Indicators

	1997	1998	1999	2000	2001	2002
POPULATION AND EMPLOYMENT						
Population (Thousands)	230.0	238.0	243.0	249.8	255.3	262.7
Employed Labour Force (Thousands)	70.7	73.3	77.8	83.7	85.9	84.7
Unemployment Rate (%)	12.7	14.3	12.8	11.1	9.1	10.0
INCOME						
GDP at Current Market Prices ($mn)	1,312.9	1,382.9	1,468.8	1,665.6	1,738.1	1,856.6
Per Capita GDP ($, Current Mkt. Prices)	5,708	5,811	6,044	6,668	6,808	7,067
Real GDP Growth (%)	3.6	3.7	8.7	12.1	4.9	4.3
Sectoral Distribution of Constant 2000 GDP (%)						
Primary Activities	15.6	15.4	15.7	15.6	14.9	14.5
Secondary Activities	17.1	16.1	16.1	17.9	16.9	16.5
Services	67.3	68.5	68.2	66.5	68.1	69.0
MONEY AND PRICES ($mn)						
Inflation (Annual average percentage change)	1.0	(0.8)	(1.2)	0.6	1.1	2.3
Currency and Demand deposits (M1)	186.0	206.1	255.1	310.2	364.8	358.1
Quasi-Money (Savings and Time deposits)	524.1	561.3	585.1	655.7	676.0	705.4
Money Supply (M2)	710.1	767.4	840.2	965.9	1,040.8	1,063.5
Ratio of M2 to GDP (%)	54.1	55.5	57.2	58.0	59.9	57.3
CREDIT ($mn)						
Commercial Bank Loans and Advances	547.3	625.6	654.5	695.4	788.5	904.5
Public Sector	5.2	18.9	8.4	11.1	12.9	15.9
Private Sector	542.1	606.8	646.1	684.3	775.6	888.6
INTEREST RATE (%)						
Weighted Average Lending Rate (WALR)	16.6	16.3	16.3	15.8	15.4	14.5
Effective 3-year APR	28.5	28.0	28.0	27.1	26.4	24.9
Weighted Average Deposit Rate	6.7	6.0	5.7	5.0	4.3	4.5
CENTRAL GOVERNMENT FINANCES ($mn)						
Current Revenue	282.9	294.5	327.1	349.8	372.1	425.8
Current Expenditure	252.2	260.0	278.8	308.4	333.7	334.4
Current Account Surplus(+)/Deficit(-)	30.7	34.5	48.3	41.4	38.4	91.4
Capital Expenditure	81.8	93.6	165.3	247.5	267.4	260.3
Overall Surplus(+)/Deficit(-)	(25.3)	(28.6)	(29.1)	(139.9)	(142.4)	(69.8)
Ratio of Budget Deficit to GDP at mkt. Prices (%)	(2.0)	(2.1)	(2.0)	(8.4)	(8.2)	(3.8)
Domestic Financing (Net)	19.5	27.6	(8.6)	(74.0)	72.6	(213.8)
External Financing (Net)	5.8	14.2	38.5	213.5	69.8	284.4
BALANCE OF PAYMENTS (US $mn)						
Merchandise Exports (f.o.b.)+	200.0	194.4	261.5	281.8	269.1	309.7
Merchandise Imports (f.o.b.)++	280.8	294.1	379.9	484.4	480.8	497.9
Trade Balance	(80.9)	(99.7)	(118.4)	(202.6)	(211.7)	(188.2)
Remittances (Inflows)	27.8	31.2	33.5	52.6	41.8	37.7
Tourism (inflows)	101.5	105.4	105.6	117.1	119.2	129.3
Services (Net)	52.1	49.5	46.7	34.2	52.5	52.9
Current Account Balance	(16.6)	(40.9)	(73.9)	(165.5)	(185.0)	(164.3)
Capital and Financial Flows	23.2	17.1	99.7	206.7	179.1	156.1
Gross Change in Official International Reserves *	(1.0)	15.4	(27.2)	(51.6)	2.7	5.4
Gross Official International Reserves	59.3	43.9	71.1	122.8	120.1	114.7
Import Cover of Reserves (in months)	2.5	1.6	2.1	3.2	3.2	3.2
PUBLIC SECTOR DEBT						
Disbursed Outstanding External Debt (US $mn)	240.7	260.7	252.5	433.7	486.6	574.5
Ratio of Outstanding Debt to GDP at Mkt. Prices (%)	36.7	37.7	34.4	52.1	56.0	61.9
External Debt Service Payments (US $mn)	30.7	33.2	33.7	43.1	68.0	75.2
External Debt Service Ratio (%)	9.0	9.8	8.1	9.8	15.3	15.2
Disbursed Outstanding Domestic Debt ($ mn)	171.9	180.0	171.5	176.0	210.8	174.2
Domestic Debt Service Payments ($ mn)	18.4	15.7	12.2	22.6	17.7	19.2

Sources: Ministry of Finance
Central Statistical Office
Central Bank of Belize

*Minus = increase
n.a – not available

+ = 1999 to 2001 includes CFZ gross sales
++ = 1999 to 2001 includes CFZ direct imports

ECONOMIC REVIEW

Overview

Real GDP expanded by 4.3% in 2002, notwithstanding lower citrus, banana and farmed shrimp output, a slowdown in the stay-over tourism sub-sector over much of the year and a programmed reduction in Central Government's expenditure. While growth in the secondary and primary sectors was quite modest as the economy recovered from disasters in 2001, the services sector grew by 6.8% in response to a surge of activity in the cruise ship and offshore financial sectors.

With several sectors operating below capacity following the storms, the unemployment rate, which is determined by an annual survey in April, rose from 9.1% in 2001 to 10.0% in 2002. The consumer price index (CPI) also rose by 2.3%, with the largest cost increase driven by the *'Transport and Communication'* category. The latter reflected a telecommunication tariff rebalancing that raised certain basic telephone charges.

Growth in M2 (broad money) slowed to 2.2% as cambio operations commenced and EPZ's shifted part of their portfolio to offshore banks. Narrow money (M1) contracted by 1.8%, a decline that followed sixteen years of uninterrupted expansion. While the public's currency holdings rose by $1.6mn, demand deposits were down by $8.3mn as overdue payments were made to foreign creditors in the latter part of the year. On the other hand, quasi-money grew by 4.3% as commercial banks began to seek out new time deposits to accommodate expanded lending to private sector.

The latter, combined with higher external debt payments and earnings repatriation, led to an overall decline of $37.9mn in the net foreign assets of the banking system. While foreign exchange inflows to the Central Bank rose with increased loan disbursements and mortgage securitization, outflows grew even more strongly to cover external obligations of the public sector and continued strong demand by the private sector. The result was a slight deterioration in the Central Bank's net foreign asset position. Commercial banks also saw a second year in which outflows exceeded inflows with net foreign asset holdings declining by $23.9mn.

Net domestic credit declined by 3.6% as additional funding from external sources enabled the public sector to significantly reduce its use of domestic financing. As well as clearing its Central Bank overdraft, the Government added $41.3mn to its domestic deposit holdings. Credit to the rest of the public sector also declined sharply as Central Government assisted DFC to reduce its indebtedness to the Central Bank by $69.0mn as part of its debt restructuring effort. On the other hand, commercial bank loans to the private sector surged by 14.5% with incremental funding being provided for a wide cross section of activity excepting only for manufacturing and transportation. The tertiary sector received the largest increase as activity began to pick up particularly in the real estate sub-sector. In the primary and secondary sectors, marine products and the privatized utilities attracted most of the additional financing over the period reviewed.

Through much of the year, monetary policy remained unchanged. As the third quarter drew to a close, however, the Central Bank took steps to reduce a lingering liquidity overhang by raising commercial banks' cash reserves requirements from 3.0% to 5.0% in the case of savings and time deposits and from 5.0% to 7.0% for demand deposits. At the end of October, reserve requirements for all deposit categories were harmonized at 6.0%. Coupled with an 8.9% increase in the banks' loan/deposit ratio, this helped to bring about a 50.0% reduction in excess statutory liquidity by year-end. From a total of $51.5mn at the end of 2001, excess cash reserves subsided to $3.6mn.

Weighted average lending rates maintained a downward trend reflecting a slight increase in competitive behaviour following the entry of a new commercial bank. At year-end, the weighted average lending rate had fallen by 90 basis points to 14.5% and rates on new loan were generally lower than the rates applied at the end of December 2001. In contrast, the average deposit rate rose by 20 basis points to 4.5% as a surge in lending forced banks to seek out new deposits. The spread accruing to the commercial banks consequently fell from 11.1% to 10.0%.

Pursuing a commitment to tighten its fiscal stance, Central Government lowered the overall deficit from 8.2% of GDP to 3.8% of GDP during the year. Total expenditure declined by approximately 1.1% with current expenditure rising only marginally while capital expenditure was rolled back by 2.7% The revenue side was buoyant with total revenues up 14.5% bolstered by strong growth in current revenues and other receipts from the sale of the Port and grants. The rising current surplus (from $38.4mn to $91.4mn) not only reflected the healthy growth in revenues, but also the downsizing of Central Government partly achieved through the creation of new statutory bodies in the previous year. Financing for the overall deficit came principally from external sources with loan disbursements significantly exceeding amortization payments.

Increased inflows from abroad enabled a lowering of Central Government's domestic debt from 12.1% of GDP to 9.4% of GDP. Transactions included a $58.9mn net decline in overdraft balances, retirement of $6.2mn in debentures and amortization payments of $1.4mn. These were partly offset by the issue of an additional $30.0mn in new Treasury Bills and loan disbursements of $5.0mn. During the same period, the public sector's disbursed outstanding external debt grew by approximately $175.8mn to $1,149.0mn (61.9% of GDP). Disbursements and positive valuation adjustments totaled $482.2mn and $10.5mn, respectively. Amortization, which included payments made under a debt refinancing programme, amounted to $293.1mn.

The year was notable for improvements in the external trade and current account positions following five consecutive years of expanding deficits. From a $370.0mn gap in 2001 the current account deficit on the balance of payments declined to a still substantial $328.5mn (17.7% of GDP). The narrowing was mostly due to a $47.0mn reduction in the visible trade deficit as export sales (particularly in the Commercial Free Zone) rose faster than the growth in imports. Domestic exports were stable while import growth was mainly linked to transactions in the CFZ. The current account deficit was principally financed by additional external borrowings undertaken by the public and private sectors, foreign direct investment inflows and, to a lesser extent, by drawing down on the international reserves. At year-end the latter stood at $229.3mn, the equivalent of 3.2 months of imports.

International and Regional Developments

The global economy recovered somewhat more slowly than originally expected, with total output increasing by 2.8%. Growth occurred mainly in the first part of the year and was driven by consumer demand and a broad turnaround in manufacturing activity. The latter was particularly evident in North America and the Asian economies. Except for the Euro area, where prices remained high, central banks undertook a general easing of monetary policy to encourage economic activity. In the second part of the year, economies showed signs of slowing down as consumer and business confidence were negatively affected by rising oil prices, weak equity markets and the uncertainty associated with the impending war against Iraq. Latin America was no exception to the downward trend as several countries, particularly Argentina, Brazil, and Uruguay faced serious threats to stability.

Developments in Select OECD and Newly Industrialized Countries

The **US** economy grew by 2.4% mostly during the first half of the year driven mainly by increased government and consumer spending. After declining in the previous year, industrial production expanded by 2.1% while inflation fell from 2.8% to 2.4%. The effects of the terrorist attacks in 2001 nevertheless continued to negatively affect the economy. Substantial job losses in the airline industry as well as in other sectors led to a 1.2% rise in the unemployment rate to 6.0%. Further difficulties were presented by the shake-up on Wall Street as a result of several high profile corporate scandals and the looming threat of conflict with Iraq. As a result, business and consumer confidence eventually began to decline leading to fears that the economy could fall into yet another recession.

Table II.1: Selected Indicators for Some OECD and Newly Industrialized Countries

Country	GDP Growth Rate (%)		Industrial Production (%)		Inflation Rate (%)		Unemployment Rate (%)	
	2001	2002	2001	2002	2001	2002	2001	2002
United States	1.0	2.4	(3.5)	2.1	2.8	2.4	4.8	6.0
Canada	1.5	3.9	(6.0)	5.6	2.5	3.9	7.5	7.4
Taiwan	(2.2)	4.1	(7.5)	10.5	(0.1)	1.2	5.1	5.0
United Kingdom	2.0	2.1	(4.6)	(1.3)	2.3	2.9	3.2	3.1
Japan	1.0	2.2	(7.5)	5.5	(0.7)	(0.3)	5.0	5.5

Sources: Economist, Bloomberg, International Financial Statistics

Preliminary figures indicate that the **UK** economy grew by 2.1% as private consumption remained relatively robust supported by firm labor markets and increased household borrowing. However, the services and manufacturing sectors performed poorly during the year and financial markets were weak. Industrial production declined, though at a decreased pace of 1.3% as opposed to the 4.6% contraction in 2001. Unemployment remained low, falling by one percentage point to 3.1%, which helped to sustain consumer confidence and reinforced the Bank of England's decision to hold interest rates steady even in the face of a slight increase in inflationary pressure due to the rising oil prices and strong consumer demand.

Economic growth in **Japan** accelerated to 2.2% in 2002, defying expectations of continued recession. Growth was externally driven as the weak yen contributed to a large increase in exports. It was also underpinned by a significant turnaround in industrial production and modest rise in private consumption. Deflation nevertheless continued to grip the economy as prices fell by 0.3% with interest rates being close to zero. The country's financial system remained unstable in light of yet unresolved problems in the financial system, and with the increasingly uncertain prospects surrounding the external environment, it was unclear whether the recent gains would be consolidated and sustained.

After rapid expansion in the first half of 2002, the **Canadian** economy slowed, but still achieved an annual growth rate of 3.9%. This was a considerably better outturn than any of its fellow G-8 countries over the same period. While industrial production grew by 5.6% during the year, inflation also jumped from 2.5% to 3.9% largely due to increased demand in the economy and rising crude oil prices. Meanwhile, the unemployment rate fell by 0.1% to 7.4% with the number of people looking for work registering a small decline. Initially stimulative, monetary policy was tightened as the year progressed with the Bank of Canada enacting interest rate increases. The spate of monetary tightening is expected to continue as the authorities seek to balance the current strong domestic demand against global political and economic uncertainties.

After experiencing its worst annual slump on record in 2001, the **Taiwanese** economy rebounded with a 4.1% expansion in 2002. Growth was driven by a 10.5% rise in industrial production and a surge in exports to key Asian and North American markets. Imports grew marginally, leaving the trade balance with a surplus of $18.0bn, a $2.5bn increase over 2001. Low interest rates helped to sustain activity and keep the unemployment level stable during the year. However, rising domestic demand contributed to an increase in the price level, which rose from -0.1% in 2001 to a still relatively low 1.2% in 2002.

Development in Selected Regional Economies

The Caribbean

The **Barbadian** economy contracted for the second year in a row, with GDP declining by 0.4% . Exports of sugar fell by 10% and the tourism sector experienced a 3% decline with lower arrivals of both long-stay and cruise ship visitors. On the other hand, manufacturing rebounded modestly as the negative impact of trade liberalization in 2001 was countered by the introduction of new import tariffs and the continuation of a 'buy local campaign'. The fiscal deficit grew to 4.1% of GDP as the government increased spending to stimulate economic activity while unemployment edged upward to 10.5%. The worsening of the current account and fall-off in public and private sector capital and financial inflows contributed to an $83.1mn decline in net international reserves. The Central Bank nevertheless ended the year with $1.3bn in foreign assets, representing nearly 8 months of import coverage.

Strong growth in the energy sector along with recoveries in the agriculture and service sectors contributed to a 2.9% increase in **Trinidad & Tobago's** GDP for 2002. The government achieved a fiscal surplus of TT $69mn due to lower than expected expenditures during the year. With increased capital inflows, net international reserves were boosted upward by US $72mn to US $1969mn (roughly equivalent to 8 months of imports). This contributed to an appreciation of the exchange rate and consequent decline in inflation from 5.7% to 3.9%. During the latter part of the year, monetary policy began to target interest rates with a view to stimulating growth. However, while the objective of lower interest rates was achieved, credit and aggregate demand remained sluggish with private sector confidence seeming to respond more to the uncertainties of the international environment than to the domestic policy shift.

A moderate recovery in agriculture (particularly sugar), as well as forestry and mining contributed to an estimated 2.0% growth in **Guyana's** GDP during 2002. The current account strengthened, due to improvement in the country's terms of trade and higher trade volumes. While a marginal improvement in Central Government's fiscal deficit reflected a conservative fiscal stance, monetary policy was more expansive with a view to stimulating domestic activity. However, with the cost of utilities (electricity and telecommunications) rising, the accommodative monetary policy helped to push inflation upwards from 2.6% in 2001 to 4.9% over the first nine months of the year.

Although still shaky, the **Jamaican** economy grew by 2.0% in 2002 led by high consumer demand and increased activity in the construction sector.

Table II.2: Selected Indicators for Some Caribbean Countries

Country	GDP Growth Rate (%)		Inflation Rate (%)		Unemployment Rate (%)		Deficit/GDP Ratio (%)	
	2001	2002	2001	2002	2001	2002	2001	2002
Barbados	(2.7)	(0.4)	2.8	2.1	9.9	10.5	(3.6)	(4.1)
Jamaica	1.7	2.0	8.7	7.0	15.5	15.0	(6.3)	(6.0)
Trinidad	3.3	2.9	5.7	3.9	10.8	11.0	n.a	n.a

Source: ECLAC
n.a: not available

However, unemployment remained at around 15% reflecting the still relatively slow pace of job creation. After a quick start, expansion eventually slowed as flood rains hindered growth in the agricultural and manufacturing sectors and tourism continued to struggle from the effects of September 11. Tight monetary policy and Central Bank interventions in the foreign exchange market helped to support the exchange rate and thereby reduce inflation by 1.7% to 7% at year's end. Meanwhile, Central Government's fiscal deficit remained at around 6% of GDP due to increased government outlays to rebuild the country's infrastructure.

OECS

Economic growth continued to falter in the Eastern Caribbean States as tourism, the economic mainstay of the region, contracted by 20% over the first nine months of 2002. Agriculture and manufacturing remain weak contributing to an overall decline of 1.5% in GDP for the region. Fiscal positions of central governments also worsened due to the combined effects of lower tax revenue and increased expenditures. Antigua and Barbuda, St. Kitts/Nevis and Dominica recorded their largest deficits during the year. While the overall rate of inflation has declined in the region (averaging 2.2%), unemployment is expected to increase due to the poor performance of the tourism industry and overall slowdown in economic growth.

Mexico

After its 0.1% decline in 2001, the Mexican economy rebounded with GDP rising by 1.9%. Growth was export-led and benefited from the US economic recovery. Industrial production rose by 1.7% during the year, helping to keep the unemployment rate low at 2.8%. During the second semester, increased liquidity and a moderate currency depreciation exerted upward pressure on the level of inflation in the economy prompting the Central Bank to tighten its monetary policy. These efforts paid off with core inflation falling by 1.68% to 3.7% at year's end. The turnaround in the economy reflected the Government's commitment to strict fiscal discipline and domestic demand management. This combination, along with a bouyant export sector led to a 20% reduction in the trade deficit to US$8.2bn as the year drew to a close.

Central America

Economies in the region continued to struggle in light of the weak global economy with GDP growth averaging 1.6% in 2002 as compared to 2.0% in 2001. Natural disasters in Guatemala, Nicaragua and Honduras, the continued negative effects of September 11 on the tourism industry, and sluggish international demand depressed the performance of the external sector. Total exports consequently declined (except in Costa Rica) by US $282mn reflecting lower export commodity prices as well as volumes. Meanwhile, monetary policies were generally conservative, helping inflation to decline moderately to an average of 5.3%. With weaker growth, the average rate of unemployment increased by 1.5% to 8.1% during the year.

The **Nicaraguan** economy lossed momentum registering an estimated growth of 0.5% in 2002. Total exports grew by less than 3% over the first six months of the year. On the other hand, the slowdown in economic activity led to a significant decline in imports, which helped to reduce the current account deficit from 39% to 33% of GDP. During the year, the government implemented significant structural reforms aimed at increasing revenues and reducing the fiscal deficit. Partly as a result, the public debt fell from 11.5% to 9.0% of GDP. A tight monetary policy helped to keep the inflation rate stable despite higher real wages and a weakened currency. On the down side, unemployment increased as growth faltered, moving upward by 2.2% and ending the year at 12.9%.

El Salvador's economy remained sluggish with GDP increasing by 2.0%, a modest improvement over the previous year. While construction and industrial output rose, the agricultural sector contracted by 0.5% due in large part to the troubled coffee industry. As a result, unemployment edged upwards to 7.1%. Notwithstanding higher inflows from family remittances, the current account deficit widened further due to an increased trade gap. However, the Government's fiscal deficit narrowed from 3.7% of GDP to 2.7% GDP in 2002 as higher investment expenditures were offset by increased tax revenue and reduced consumption spending . Notably, since adopting the dollar as its official currency in 2001, interest rates in El Salvador have remained relatively low, while the level of inflation declined further to 2.8% at the end of the year.

Boosted by strong growth in the manufacturing sector, the **Costa Rican** economy posted a 2.8% increase in GDP in 2002. Total exports rose by 10% to US$5.2bn led by a resurgence in demand for Intel's microprocessors. This not only helped to reduce the trade and current account deficits but also boosted the net international reserves position. While core inflation showed signs of declining in 2002, rising international oil prices are expected to exert some upward pressure. Meanwhile, central government's spending rose by 19.5% over the first

Table II.3: Selected Indicators for Mexico and Central America

Country	GDP Growth Rate (%)		Inflation Rate (%)		Unemployment Rate (%)		Deficit/GDP Ratio (%)		Trade Balance US $bn	
	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002
Costa Rica	1.0	2.8	11.0	10.0	5.8	6.8	(2.9)	(4.3)	(0.2)	n.a
Mexico	(0.1)	1.9	5.4	3.7	2.5	2.8	(0.7)	(1.3)	(13.3)	(8.2)
El Salvador	1.9	2.0	3.0	2.8	7.0	7.1	(3.7)	(2.7)	(2.2)	n.a
Honduras	2.7	2.0	8.8	8.0	5.9	6.2	(5.5)	(5.2)	(1.0)	(1.1)
Guatemala	2.4	1.0	8.9	6.3	n.a	n.a	(2.5)	(1.5)	(1.6)	n.a
Nicaragua	3.0	0.5	4.7	4.2	10.7	12.9	(11.5)	(9.0)	(1.1)	n.a
Panama	0.5	1.5	0.7	0.7	16.9	16.0	(2.0)	n.a	(0.1)	n.a

Sources: ECLAC, Business Monitor International
n.a: not available

ten months of the year leading to a projected rise in the fiscal deficit from 2.9% to around 4.3% of GDP at year's end.

Growth in the **Honduran** economy decelerated to 2.0% in 2002 as a substantial increase in oil prices coincided with declining revenues from coffee and shrimp exports. The latter was affected by weak demand worldwide and depressed prices. The past two years have seen the economy slow down as terms of trade have worsened while unemployment has risen sharply from 3.5% in 2000 to 6.2% in 2002. The reduction in export inflows led to a slight worsening of the external trade deficit which stood at US $1.1bn. The fiscal deficit also rose, doubling to US$1.2bn at year's end, due to increased government spending and numerous tax exemptions. Although inflation remained stable (actually declining by 0.8 percentage point to 8.0%), the depreciating currency and growing instability of prices increase the likelihood of a future upward surge in domestic price levels.

GDP growth in **Guatemala** slowed to 1.0%, its lowest level in almost ten years. Traditional exports continued to be affected by low prices, while preliminary data showed non-traditional exports declining by 13% over the first half of the year due to high labour costs and reduced competitiveness. The problem was compounded by weak consumer and investor confidence due to continuous political and social disturbances. Persistently high inflation led the Central Bank to tighten monetary policy during the last quarter after maintaining a more relaxed stance in the first part of the year. The weakened economy and fall-off in revenues also forced the government to take major steps to reduce its deficit and strengthen public finances. These efforts were supported by the terms of Guatemala's stand-by programme with the IMF that carried over from the previous year. The tightening of fiscal and monetary policy contributed to a decline in the rate of inflation to 6.3% at the end of the year.

Panama's economy grew modestly by 1.5% with major economic sectors continuing to experience difficulty. During the first nine months of the year, exports declined by 8.7% with low world demand and depressed prices for agricultural exports such as sugar and coffee being major factors. Prices for these two products plunged by as much as 63.4% and 23.0%, respectively. Foreign investment fell by over 30%, reflecting a lower level of confidence in the government, increased uncertainty and a perceived deterioration in the investment climate. Inflation was both low and stable during the period while the unemployment level remained high at 16.0%.

Domestic Production, Prices and Employment

Production

Notwithstanding hurricane damage to citrus, banana and farmed shrimp, a slowdown in the stay-over tourist sub-sector and tightened fiscal controls, GDP grew by 4.3% in 2002. Growth was led by the services sector and bolstered by modest improvements in primary and secondary sector activities as a storm free 2002 saw a recovery in agriculture, forestry and construction.

With the recovery in agriculture and forestry offsetting a fall in fishing, the primary sector achieved an overall expansion of 1.0%. Sugarcane production, a surge in papaya yields and extensive rehabilitation works in banana plantations were all contributing factors. On the other hand, after experiencing significant growth in the past, the fishing sub-sector contracted by 5.7% as farmed shrimp production suffered from the late stocking of ponds caused by hurricane damage and low shrimp survival rates (around 30%) due to the Taura virus. While farmers were eventually able to identify a more virus resistant shrimp strain with survival rates of 60% to 70%, its dissemination was too late in the season to impact on 2002's production. Meanwhile, large-scale operations to salvage pine trees affected by the pine bark beetle and trees flattened by the hurricane in late 2001 before their decay led to stellar growth in the forestry sub-sector.

The secondary sector grew by 1.8% as hightened

Table III.1: Annual Percent Change in Selected Indicators

	2000	2001	2002
GDP at Current Market Prices	13.4	4.4	6.8
Real GDP (2000 prices)	12.1	4.9	4.3
Primary Activities	11.6	0.4	1.0
of which: Agriculture	9.8	(2.4)	2.9
Fishing	24.5	5.8	(5.7)
Forestry	(27.5)	16.6	17.7
Secondary Activities	24.7	(0.9)	1.8
of which: Construction	39.0	(1.7)	5.2
Manufacturing	24.0	(0.9)	(0.2)
Services	10.3	8.0	6.8
of which: Restaurant & Hotel	10.6	13.5	2.5
Trade	12.1	7.5	4.1
Public Administration	6.4	5.8	2.7
Transport and Communication	12.6	11.8	11.2
Financial intermediation	35.9	6.5	17.3
Consumer Price Index			
Average	0.6	1.1	2.3
End of period	1.0	0.9	3.2

Source: Central Statistical Office

activities in construction and utilities more than offset a small contraction in manufacturing. The sluggish performance of the latter was mostly linked to the sharp reduction in citrus juice production, precipitated by the harvest losses from Hurricane Iris.

Services grew by a robust 6.8% as the exponential increase in cruise ship arrivals spurred strong growth in transportation while financial intermediation expanded substantially with the growth of the offshore sector. A minimal increase in stay-over tourists translated into a 2.5% expansion in the hotel and restaurant sub-sector. and Government services rose by 2.7% as expenditure was reined in to reduce the fiscal deficit, a primary objective of the Government during the year.

With several sectors operating below capacity following the storms, the unemployment rate, which is determined by an annual survey in April, rose from 9.1% in 2001 to 10.0% in 2002. The most siginificant job losses occurred in *'Agriculture, Forestry & Fishing', 'Trade, Restaurants & Hotels'* and *'Community, Social and Personal Services'*. Meanwhile, an upswing in the cost of transportation and communication services helped push inflation up to 2.3%. This upward pressure was somewhat offset by reductions in the prices of butane gas and other selected imports. The latter was largely held in check by a 1.0% reduction in import costs as measured by the US export price index.

Agriculture

Sugarcane

Good weather conditions, marred only by Tropical Storm Chantal in August 2001, boosted sugarcane production so that deliveries for the 2001/2002 crop rose by 12.4% to 1.2mn long tons. Included in deliveries were 7,770 long tons harvested from 439 acres of the BSI cane growing project, where some 2,253 acres were cultivated to boost production and demonstrate to farmers the financial benefits of good agricultural practices. To accommodate the larger harvest, the factory extended its operations by twenty-two days.

While a sugarcane maturity analysis done at the start of the crop indicated that it was of above average quality, the final cane purity (the ratio of sugars to solids in the juice) fell from the previous crop year's average of 85.65% to 85.08% due to uncontrolled

Table III.2: Sugarcane Deliveries

	1999/00	2000/01	2001/02
Deliveries to BSI (long tons)	1,098,771	1,023,440	1,150,657

Source: Belize Sugar Industries Ltd.

burning, long delivery times and high mud levels in the sugarcane arising from the increasingly pervasive use of mechanical harvesters.

Meanwhile, a global production surplus and higher than anticipated international sugar inventories pushed world market prices downward. The local sugarcane price consequently continued the declining trend of previous years with the average price per long ton of sugarcane slipping from $41.13 in 2000/2001 to $38.08 in 2001/2002. To offer some relief to debt burdened farmers, Government paid out $1.0mn from the Sugarcane Stabilisation Fund,

Box 1: Sugar Industry Update

The sugar industry continued the phased implementation of the new Sugar Industry Act of 2001, which provides the framework for the future development and survival of the industry under less preferential trading relationships.

New developments included the reconstitution in December 2001 of the Sugar Industry Control Board, which assumed responsibility for promoting increased productivity and competitiveness. The Sugar Cane Production Committee (SCPC), which was charged with responsibility for ascertaining cane production and matching production with factory deliveries also became effective. Farmers were allowed to deliver as much sugarcane as they could produce, effectively deterring the practice of selling surplus production to other quota holders. A survey revealed that only 4,398 of the 9,036 quota holders were actually sugarcane farmers. The census also identified the need to rationalize the harvesting system and assist farmers to improve field yields.

While the Sugar Industry Development Fund was set up, the Sugarcane Quality Control Authority and the Sugar Industry Research and Development Institute did not start to function due to lack of capital. The restructuring aims at facilitating migration to a payment system based on sugarcane quality to encourage farmers to improve their field management. Another area under consideration is the possibility of obtaining professional management for a consolidated Cane Farmers' Association that would better defend farmers' interests.

The sugar processor has continued to lower operational costs, while seeking to diversify its markets and revenue generating options. It has streamlined its factory workforce and closed its European marketing office while actively pursuing an expanded market within CARICOM and Central America. The establishment of a co-generation plant also remains a high priority.

Despite the year's accomplishments, the pace of reforms needs to be quickened and must be forged on a unified and committed front by all industry partners to ensure their long-term survival.

providing farmers with $0.87 more per long ton. Farmers also received assistance from the Sugarcane Industry Development Fund that enabled a further payment of $0.40 per long ton, bringing relief payments to a total of $1.27 per long ton for the 2001/2002 crop.

Citrus

The annual progressive growth in citrus production as young groves reached maturity came to an abrupt halt during the 2001/2002 crop year with deliveries falling by 25.6% to 5.4mn boxes. This performance was linked to the loss of more than half a million boxes of fruit due to the impact of hurricane at the start of the harvest and low input usage by farmers that have been squeezed by consecutive years of low prices.

The orange crop experienced the largest decline with deliveries down by 28.3% to 4.1mn boxes. Grapefruit fell by a more modest 15.7% to 1.2mn boxes. A strengthening in prices for orange juices on the international markets contributed to a $1.51 rise in the box price for orange to $5.88, the highest level for the past six years. Grapefruit also fared well, with a $0.69 increase to $4.74 per box.

During the year, the industry began the testing of pound solids (ps) per box of orange fruit. The objectives were to familiarize farmers with the testing process and address any problems before the official implementation in 2002/2003 of payment based on pound solids per box of orange. Pound solid measurements were taken of each fruit delivery and notified to the farmer. The results showed an industry average of 5.6ps per box of orange.

Banana

In late 2001, Hurricane Iris devastated most of the banana plantations, destroying the majority of plants at harvest maturity. Rapid field rehabilitation that involved replanting as well as cleaning out dead mother plants so that young plants could survive was immediately undertaken. These efforts paid off with a trickle of production in January and

Table III.3: Citrus Fruit Deliveries

	1999/00	2000/01	2001/02
Deliveries ('000 boxes)	6,981	7,195	5,354
Oranges	5,590	5,734	4,123
Grapefruits	1,391	1,461	1,231

Source: Citrus Growers Association

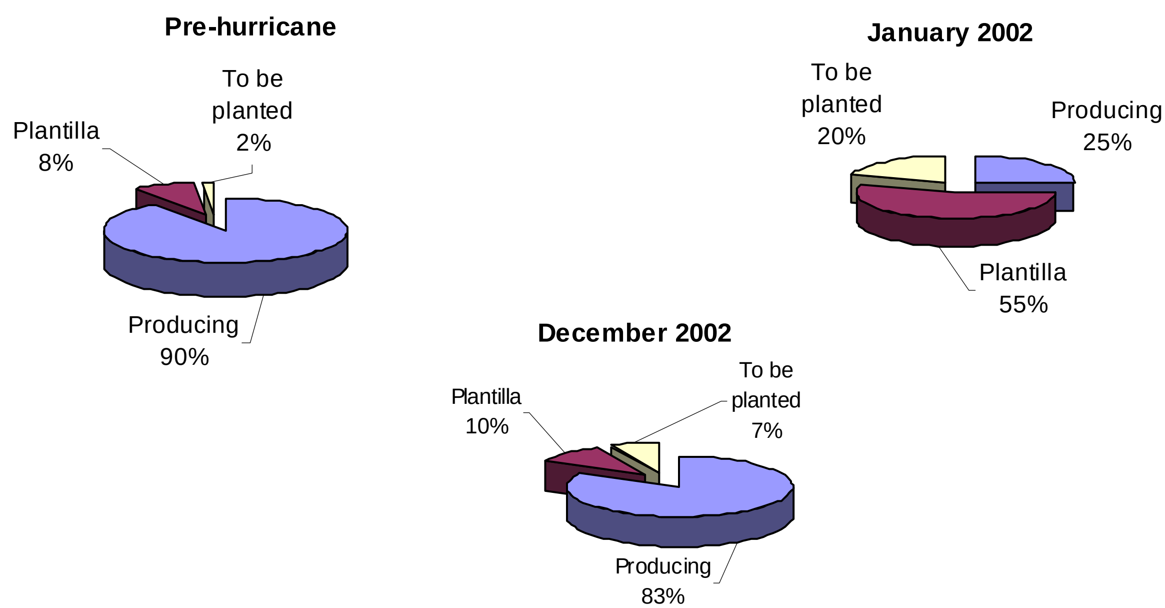
gradual increases until pre-hurricane levels were reached in mid 2002. Given the nine-month growing period required for a plant to reach harvest maturity, total annual production amounted to 2.7mn boxes, compared to the 3.1mn boxes realised after 40 weeks of production in 2001.

Before the hurricane, the acreage under banana cultivation stood at 6,017 acres, of which 5,512 were producing and only 505 were plantilla (having trees too young to produce fruit). Another 93 acres were ready for planting. In January 2002, the ratio of producing to non-producing acreage was reversed with 3,416 acres having non-producing plants and 1,517 acres having harvestable plants. Some 1,214 acres were ready for planting. By the end of December 2002, the cultivated acreage was approximately back to pre-hurricane levels, with some 5,292 acres under harvestable plants and only 641 acres under immature plants. Counting in another 451 acres ready for planting, total industry acreage measured 6,384, a 6.1% expansion over pre-hurricane levels.

Papaya

Approximately 1,022 acres were under papaya cultivation during 2002 with 642 acres having harvestable trees and 380 acres containing young non-producing trees. Papaya cultivation was concentrated in the Corozal District but was also carried out on a very minimal scale in the Orange Walk, Cayo and Stann Creek districts. Viral damage

Chart III.1: Banana Acreage – Pre and Post Hurricane Iris



and rodent infestation were major reasons why cultivation was greatly minimised in the other districts.

Small papayas accounted for 39.9% of total acreage as compared to 49.0% in the previous year. The other 60.1% of acreage was devoted to cultivation of the big varieties. The distribution of acreage between the two varieties was consistent with the objective of shifting cultivation towards the more virus resistant large cultivar. This shift influenced the export mix and accounted in part for the significant increase in export volume.

Other Agricultural Production

Except for sorghum and soybean, production of most major grains fell in 2002.

Given the inverse relationship between sorghum and corn, (they are substitutes in animal feed), sorghum production was ratcheted upwards from 18.5mn pounds in 2001 to a record high of 26.7mn pounds in 2002 while corn yields were down by 9.2% to 84.7mn pounds. The continuation of the government funded soybean project in the Orange Walk district, coupled with an assured local market and some price support for this grain, caused production to almost double to 2.1mn pounds. By year-end, the acreage under cultivation had increased from 730 acres to 3,045 acres.

On the down side, rice paddy production fell by 9.7% to 24.1mn pounds as fears of flooding caused farmers to delay and reduce field cultivation. Some farmers even shifted their sowing period from the traditional June-October period to January.

Although production of other bean varieties was up, the Red Kidney bean harvest plunged by 60.9% to 5.7mn pounds. Partly accounting for this were very sluggish export sales, where 2001 production was still being sold off in the first seven months of 2002, and bad weather that negatively impacted yields.

Livestock production expanded for the second consecutive year. Cattle dressed weights rose by 25.8% to 4.1mn pounds while that of poultry grew by 12.0%. Milk output amounted to 7.8mn pounds, consisting of production from large and small producers. Honey production also improved modestly as flora recovered from the damages inflicted by the storms of the previous year. The only laggards were egg and pork production that fell by 25.3% and 10.6%, respectively.

Marine Products

The marine sub-sector continued on the path of recovery from various setbacks with total production falling by 7.5% to 10.9mn pounds when compared to 2001.

This decline was traced to farmed shrimp, whole fish and conch production. Hurricane damage to shrimp farms delayed the stocking of ponds and reduced the harvest by 3.9% to 9.4mn pounds of whole shrimp. On the brighter side, a hardy strain was identified that was more resistant to the Taura virus. This strain had survival rates of between 60.0% to 70.0%, effectively doubling the then existing rate of around 30.0%. However, the use of this strain became widespread towards the end of the harvest, which was too late to impact the 2002 production.

Box 2: The Timber Industry

Belize started as a settlement of logwood cutters with the timber industry being the mainstay of the economy for many years. For much of its early history, inhabitants were not allowed to engage in settled agriculture, which could draw scarce labour away from the timber industry. This didn't change until the arrival of refugees from the Caste Wars in the Yucatan Peninsula in the late 1800's. After the near depletion of logwood stocks, harvesting focused on the highly valued mahogany trees.

Indiscriminate cutting with little attention to sustainable forestry management coupled with illegal poaching eventually took its toll, driving the industry into decline. For example, over the past 11 years, exports have declined by 71.5% to 0.97mn board feet. The Forestry Department estimates that mahogany, the export wood in greatest demand, is being cut at three times more than the recommended rate. However, given its limited resources, the department is severely tasked to adequately police these resources and effectively address the many faceted developmental dimensions of this industry. Further adding to the problem is the national overcapacity of saw mills (both legal and illegal) and their obsolescence. Many of these saw mills are inefficient, produce poor quality lumber and create much wastage.

In more recent events, the 'Convention of International Trade for Endangered Species', of which Belize is a signatory, listed mahogany as an endangered species. Effective November 2003, Belize will only export mahogany from forests that are certified as managed in a sustainable, 'green', manner. Fortunately, exports of other types of wood will be unaffected since they are not listed as endangered species.

The future for this industry still remains highly positive, if managed properly. Large private tracts of land are now under conservation-oriented management. To encourage the national adoption of sustainable management principles for the natural forest, several steps can be taken. The industry needs modern legislation that covers saw mills and a comprehensive land use policy that dictates the optimal allocation of land between competing uses. Areas for timber operations should be consolidated with logging licenses given for an adequate time horizon as this will discourage the rapacious harvest of trees by small operators trying to make a living from logging areas that are too small and fragmented. The implementation of a timber grading system would do much to improve wood quality, while the initiation of community based forestry could encourage more long term management practices and create needed employment opportunities. Further, exports of wooden products that have a high value added will increase foreign exchange earnings. In short, this valuable natural resource can still yield handsome dividends to the country and make a substantive contribution to further economic growth, particularly if existing stakeholders are brought on-board with properly targeted incentives.

Conch and whole fish catches fell by 28.8% and 80.0%, respectively - declines that were precipitated by severe disturbance to their habitat caused by the hurricane and storm in late 2001. On the other hand, despite some damage to their fishing grounds, lobster production grew by 32.7% to 0.6mn pounds in 2002.

Forestry, Mining and Construction

For the second consecutive year, forestry and logging activities expanded, registering a 17.7% growth during 2002. Driving this growth were several salvage operations to retrieve logs from trees damaged by the pine bark beetle and Hurricane Iris before their decay and consequent loss of market value. The unusual surge in forestry performance can therefore be considered transitory in nature. A major occurrence in the year with far-reaching future implications for the industry was the placing of mahogany on the endangered species list in the 'International Convention on Endangered Species of Wild Flora and Fauna'. This move places an international obligation on the country to export mahogany products only from forests that have been certified as managed in a sustainable manner.

As the year progressed, construction rebounded from a 1.7% contraction in 2001, expanding by 5.2% due to the continued bouyancy of housing construction. Mining, on the other hand, declined by 5.7% with royalties from mining and quarrying operations down.

Manufacturing

Sugar and Molasses

Factory operations commenced on 12 December, 2001, and closed on July 13, 2002, after some 220 days of operation compared to 198 days of operation for the 2000/2001 year. The longer grinding season accommodated the 12.4% surge in sugarcane deliveries as well as a late request for special bagged sugar from CARICOM.

Sugar production consequently rose by 7.2% to 111,313 long tons. The smaller than expected increase was due to a 0.7% decline in cane purity

Table III.4: Sugar and Molasses Production

	1999/00	2000/01	2001/02
Sugar Processed (long tons)	120,,275	103,813	111,313
Molasses Processed (long tons)	35,633	34,460	40,947
Performance			
Overall Factory Efficiency	91.08	88.6	93.28
Cane Purity (%)	86.23	85.65	85.08
Cane/Sugar Ratio	9.14	9.85	10.33

Source: Belize Sugar Industries Ltd.

and inefficiencies in the chemical sugar extraction processes that outweighed a 5.3% improvement in the factory time efficiency.

The factory faced a major problem due to the high mud content of the sugarcane caused by the extensive use of mechanical harvesters. Mud levels reached a record high of 6.06%, ratcheting up costs associated with mud disposal, slowing down the sugar production process and causing a higher loss of sugar. Combined with long waiting times in the delivery queues, this adversely affected the cane/ sugar ratio to the point where 4.9% more sugarcane was required to produce a given unit of sugar.

Molasses production also expanded by 18.8% to 40,947 long tons in response to higher processing volumes as well as inefficiencies in the sugar extraction process.

Citrus Juices and Pulp

With fruit volumes down 25.6% as a result of hurricane damage and lower field productivity, juice production contracted by 28.9% to 4.8mn gallons. The largest decline was in not-from-concentrate juices (NFC), which fell by 36.4% to 0.7mn gallons. This was closely followed by concentrate juices with a 27.6% reduction to 4.1mn gallons.

Consistent with the strategy of emphasizing concentrate juices as the industry's mainstay, the bulk of fruits went into the production of orange and grapefruit concentrates, which enjoy a wider and more stable market than the NFC. Even so, output of orange and grapefruit concentrates declined by 31.0% to 3.4mn gallons and 5.9% to 0.7mn gallons, respectively.

Production of NFC juices also fell by 36.4% to 0.7mn gallons, consisting of 0.4mn gallons of orange and 0.3mn gallons of grapefruit. With Brazil and Spain very competitively positioned and dominating this niche market, output of NFC juices was held to a minimum to retain just a small market presence.

Table III.5: Production of Citrus Juices and Pulp

	1999/00	2000/01	2001/02
Production ('000 gals)	8,960	6,735	4,787
Orange Concentrate	4,345	4,925	3,398
Grapefruit Concentrate	716	778	732
Not-from-concentrate (NFC)	3,899	1,032	657
Production (pounds)			
Pulp	1,983	2,427	459

Sources: Belize Food Products; Citrus Company of Belize.

At 0.5mn pounds, pulp production, all of which was orange, was slightly less than one-fifth the previous year's output. Grapefruit pulp production was suspended until adequate quality controls at the field and factory levels were implemented.

Other Manufacturing Production

The performance of the rest of the manufacturing sector was largely mixed. Output of flour and cigarettes fell by 0.2% and 4.5%, respectively. Battery production also continued its declining trend since 2000 with one battery producer closing down entirely during the year. On the other hand, output of fertilizer, soft drinks and beer were all higher. Building on the expansion in brewery capacity effected in the previous two years, beer production rose by 0.1%. Fertilizer production rose by 17.0% to 27,775 metric tons in response to, among other things, high fertiliser demand for the replanting of banana plantations and citrus grove rehabilitation efforts after the hurricane. Continuing the steady growth of the past 5 years, soft drink production also increased by 56.8% to 3.7mn cases.

Tourism

The events of September 11, 2001 in the United States and the ensuing war against terrorism reverberated throughout the tourism industry worldwide. Within the CARICOM/Caribbean region, most countries saw stay-over tourist arrivals decline. In contrast, Belize's tourist sector, specifically the cruise ship sub-sector, was quite dynamic, and a surge in arrivals of stay-over bona fide tourists at the end of 2002 counterbalanced the downward trend exhibited earlier in the year, leading to overall growth of 0.8% to 177,514 visitors. Approximately 71.7%, came through the Phillip Goldson International Airport (PGIA) with the land and sea borders accounting for the remaining 23.5% and 4.7% of arrivals, respectively. Air travel, which was hit hardest by the terrorist events, contracted by 1.3% for the first time in many years, while sea arrivals also fell by 17.0%. Offsetting these decreases was a healthy 13.2% surge in land arrivals.

In a positive development, two new airlines (US Airways and Air Jamaica) inaugurated flights to the

Table III.6: Bonafide Tourism Arrivals

	2000	2001	2002
Stayover Arrivals			
Air	127,838	128,975	127,305
Land	35,137	36,914	41,793
Sea	9,475	10,144	8,416
Total stayovers	172,451	176,033	177,514
Cruise Ship Arrivals	49,411	40,899	271,737

Sources: Immigration Department, Belize Tourism Board, Central Bank of Belize country during the last two months of the year. Along with the addition of a new flight by American Airlines, this positively boosted air arrivals at the end of the year, although it was not enough to counterbalance the previous months of lower traffic.

The main markets continued to be the United States

Box 3: Tourism Developments and Prospects

Developments in 2002

Despite a worldwide contraction in tourist activities after September 11th, 2001, tourism performed relatively well during 2002. An intensification of marketing efforts in the major market, the United States, was rewarded by a 0.9% rise in total arrivals of stay-over tourists, while the cruise ship sub-sector grew exponentially as new cruise lines added Belize to their port calls. The year also saw new investments in tourism infrastructure, enhancement of tourist sites and the training of personnel.

A major accomplishment was the construction of new immigration and customs facilities at the northern and western land borders. Also, the southern highway rehabilitation project was almost completed, paving the way for the promotion of tourism in the south.

To cope with the dramatic surge in cruise ship arrivals, the Belize Tourism Village, as the principal entry port, was expanded to three terminals and is now equipped to manage six ships daily. The enhancement of archaeological sites across the country was almost completed in 2002. The first phase of this project involved refurbishing of the Mayan temples and plans to construct amenities such as restaurants and souvenir shops on site.

Through its Tourism Training Unit, the Belize Tourism Board provided training to approximately 2,500 individuals during the year in areas such as tour guide operations and various aspects of service provision.

During the last quarter of the year, another major development was the inauguration of flights by US Airways and Air Jamaica to Charlotte, North Carolina, and to Montego Bay, Jamaica, respectively. American Airlines also added a second flight to Miami, while Continental Airlines started a weekly flight to Newark, New Jersey.

Prospects:

During 2003, the tourism industry should accomplish the following:

- The construction of a fourth terminal at the Belize Tourism Village.
- The construction of the initial phases of a Tourism Village in the Toledo District.
- Completion of the archaeological sites enhancement project.
- Commencement of the marine parade extension project to ease the traffic congestion presently caused by buses servicing the tourism village.

and Europe, with Americans accounting for 59.2% and Europeans for 13.8% of all arrivals. An intensive marketing campaign in the US was a significant factor in keeping visitor volumes up during this very difficult year for global tourism.

The number of cruise ship visitors climbed spectacularly from 40,898 in the previous year to 271,737 in 2002. The growth was the result of highly successful efforts at attracting several new cruise lines to Belize and the addition of more port calls by existing lines. For the first time since its inception, cruise ship calls were year-round, so tourist activity continued throughout the once dormant May to October months.

Prices

Price pressures increased, leading to an annual inflation rate as measured by the Consumer Price Index (CPI) of 2.3%. Average prices of all categories of goods and services rose except for '*Clothing and Footwear*' and '*Rent, Water, Fuel and Power*'. The largest increase (10.4%) was in '*Transport and Communication*' and resulted from a tariff rebalancing by the telecommunication company, which raised the cost of certain basic telephone services albeit while lowering certain call charges, increased national bus fares and higher fuel prices at the pump.

The next largest increases were in '*Medical Care*' (2.6%), '*Recreation, Education & Culture*' (1.8%) and '*Food, Beverage and Tobacco*' (1.2%). More modest increases were experienced in '*Personal Care*' and '*Household Goods and Maintenance*', which rose by 0.8% and 0.4%, respectively.

On the other hand, the general price levels for '*Clothing and Footwear*' and '*Rent, Water, Fuel and Power*' declined by 1.1% and 0.6%, respectively, the latter benefitting from lower butane gas prices in the early months of 2002.

The relatively low to negative price changes in those

Table III.7: Quarterly Percentage Change in CPI Components by Major Commodity Group

Major Commodity	Weights	2-Feb	2-May	2-Aug	2-Nov	Inflation Rate
Food, Beverage and Tobacco	346.6	0.8	0.8	1.1	1.9	1.2
Clothing and Footwear	92	-2.5	-0.5	-0.2	-0.5	-1.1
Rent, Water, Fuel and Power	167	-1.9	-1.1	-0.4	1.5	-0.6
Household goods & Maintenance	85.3	-0.1	0.5	0.6	0.7	0.4
Medical Care	20.1	1.2	3.1	3.4	2.2	2.6
Transport and Communication	170.1	7	9.3	12.1	10.5	10.4
Recreation , Education, Culture	80.4	-0.3	1.6	2.9	3.6	1.8
Personal Care	37.9	1.1	0	0.9	1.3	0.8
All items	1000	1	1.9	2.8	3.2	2.3

Source: Central Statistical Office

CPI categories of goods that have a high import content reflected the 1.0% decline in the US export price index, since approximately half of the country's imports are sourced from the United States.

Employment

With several sectors of the economy operating below capacity following the storms, the unemployment rate (measured by annual surveys in the month of April) rose from 9.1% in 2001 to 10.0% in 2002. The labour force decreased by 0.3% to approximately 94,172 individuals and the the total employed labour force fell by 1.3% to 84,720 persons. Partially contributing to the rise in unemployment was a contraction in the fishing (the introduction of Taura resistant shrimp was too late to affect production) and manufacturing sub-sectors. The progressive shift within the sugar industry towards mechanization of the harvest also had an impact. In the tertiary sector, the largest job losses occurred in 'Trade, Restaurants & Hotels' and 'Community, Social and Personal' services. The primary and tertiary sector activities accounted for the largest share of the employed population. '*Agriculture, Forestry and Fishing*' led the job market with 22.6% of the employed labour force, while '*Trade, Restaurants and Hotels*' activities accounted for 27.0%. Secondary activities such as Construction and Manufacturing accounted for 8.4% and 7.5% of the employed labour force, respectively.

Table III.8: Employed Labour Force by Industrial Group

Industrial Group	2000	2001	2002
Agriculture, Forestry & Fishing	22,712	19,391	19,131
Mining and Quarrying	302	346	342
Manufacturing	7,880	6,471	6,385
Electricity & Water	1,090	749	739
Construction	4,860	7,194	7,098
Trade,Restaurants & Hotels	19,275	23,182	22,872
Transport and Communication	4,509	3,173	3,131
Financing, Real Estate & Business Services	3,166	3,164	3,122
Community, Social & Personal Services	19,634	20,296	20,024
Commercial Free Zone	N.A	1,613	1,591
Activities not classified elsewhere	237	290	286
Total, All Sectors	83,665	85,869	84,720

source: Central Statistical Office

Monetary and Financial Developments

Money Supply

Monetary growth decelerated from 7.8% in 2001 to 2.2% in 2002, a development which may be partly explained by legislative changes that cleared the way for cambio operations and EPZ use of offshore bank services. While private sector credit expanded by 14.5% and was further supplemented by DFC's lending of funds withdrawn from the Central Bank, net domestic credit to Central Government and loans to statutory bodies plunged in view of the reduced fiscal deficit and additional recourse to external financing in August and December. A significant portion of these borrowed funds was used to refinance Central Government's external debt portfolio and simultaneously reduce DFC's liabilities to the Central Bank and the latter's long-term external liabilities. Even so, the net foreign asset component of the money supply declined by 12.9% due to higher outflows for imports, dividend and profit repatriation, and external debt payments.

Contrasting sharply with its 17.6% increase in the previous year, M1 declined by 1.8%, the first such contraction since 1985. Currency holdings of the public rose by $1.6mn, but demand deposits were $8.3mn lower with importers making overdue payments to foreign creditors using foreign exchange advanced by commercial banks during the latter half of the year.

Building further on its 3.1% increase in 2001, quasi-money rose by 4.3%, the growth primarily reflecting a $29.4mn increase in time deposits that reversed the latter's $12.1mn decline in 2001. Most of this occurred during the first two quarters of the year as commercial banks actively pursued new time deposits contracts in order to accommodate the robust expansion in loans. Individuals and a private utility were the main contributors to the expansion.

Table IV.1: Factors Responsible for Money Supply Movements

$mn

	Position as at			Changes During 2002
	Dec 2000	Dec 2001	Dec 2002	
Net Foreign Assets	**325.8**	**294.2**	**256.3**	**-37.9**
Central Bank	243.9	237.3	223.3	-14.0
Commercial Bank	81.9	56.9	33.0	-23.9
Net Domestic Credit	**822.5**	**986.3**	**951.2**	**-35.1**
Central Government (Net)	41.9	110.9	30.4	-80.5
Other Public Sector	94.5	97.0	29.5	-67.5
Private Sector	686.1	778.4	891.3	112.9
Central Bank Foreign Liabilities(Long-term)	**102.0**	**93.5**	**18.5**	**-75.0**
Other Items (net)	**80.4**	**146.1**	**125.6**	**-20.6**
Money Supply M2	**965.9**	**1,040.8**	**1,063.4**	**22.6**

Table IV.2: Money Supply

$mn

	Position as at			Changes During 2002
	Dec 2000	Dec 2001	Dec 2002	
Money Supply (M2)	**965.9**	**1,040.8**	**1,063.4**	**22.6**
Money Supply (M1)	**310.2**	**364.8**	**358.1**	**-6.7**
Currency with the Public	96.0	105.2	106.8	1.6
Demand Deposits	214.2	259.6	251.3	-8.3
Quasi-Money	**655.7**	**676.0**	**705.3**	**29.3**
Savings Deposits	184.5	216.9	216.8	-0.1
* Time Deposits	471.2	459.1	488.5	29.4

*Includes Non-Residents Foreign Currency Time Deposits of $42.4mn

Holdings by private financial institutions and statutory bodies also rose with an almost equal amount being withdrawn by non-residents, other organizations, cooperatives and credit unions.

Net Foreign Assets

The acceleration in loans to the private sector plus higher external debt payments caused a $37.9mn (12.9%) contraction in the banking system's net foreign asset holdings with declines in Central Bank and commercial banks' net foreign assets of $14.0mn and $23.9mn, respectively.

The Central Bank's foreign asset holdings dipped by $10.9mn with outflows of $684.3mn and inflows of $673.4mn. Approximately 84.0% ($565.6mn) of the latter came from loan disbursements to the public sector (including

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

$mn

	Position as at			Changes During 2002
	Dec 2000	Dec 2001	Dec 2002	
Net Foreign Assets of Banking System	**325.8**	**294.2**	**256.3**	**-37.9**
Net Foreign Assets of Central Bank	**243.9**	**237.3**	**223.3**	**-14.0**
Central Bank Foreign Assets	245.6	240.2	229.3	-10.9
*Central Bank Foreign Liabilities(Demand)	1.7	2.9	6.0	3.1
Net Foreign Assets of Commercial Banks	**81.9**	**56.9**	**33.0**	**-23.9**
Commercial Bank Foreign Assets	138.7	133.7	113.5	-20.2
#Commercial Bank Foreign Liab. (Short-Term)	56.8	76.8	80.5	3.7

* Does not include Central Bank Long-term Foreign Liabilities of $18.5mn
# Does not include Non-residents Foreign Currency Time Deposits of $42.4mn held w ith Commercial Banks.

$238.5mn from the Bear Stearns bond issue for debt refinancing) and mortgage securitization proceeds. Purchases from BSI contributed another $62.5mn (9.3%). The remainder consisted of grants, purchases from a commercial bank, revaluation gains and interest earnings. Outflows were dominated by sales of $493.9mn to Central Government and statutory bodies with the external debt refinancing programme accounting for much of the 107.5% increase. Although sales to cover BEL imports of fuel and debt servicing rose by 81.1%, sales to the commercial banks declined by 16.2% to $128.1mn as banks were able to fund some transactions with US dollars received via the citrus industry's shift from domestic to offshore financing.

A $3.1mn increase in the Central Bank's short-term foreign liabilities reflected increases in the EU 'Banana Support Programme' deposits and the

Box 4: Casa de Cambios

Exchange Control Regulations that allowed the licensing and operation of Cambios – businesses that can buy and sell foreign exchange – became effective in January 2002.

After successful lobbying to amend certain conditions in the Cambio legislation, eleven companies were issued licenses in April. Another two companies were licensed in August, bringing the total number of Cambios to thirteen during 2002.

The legislation calls for applicants to satisfy certain fit and proper criteria before qualifying for a license. Included among these conditions are the need for proper business and financial competence, honesty and proof that the business is financially sound and has capitalized a minimum of BZ$150,000 in unencumbered equity.

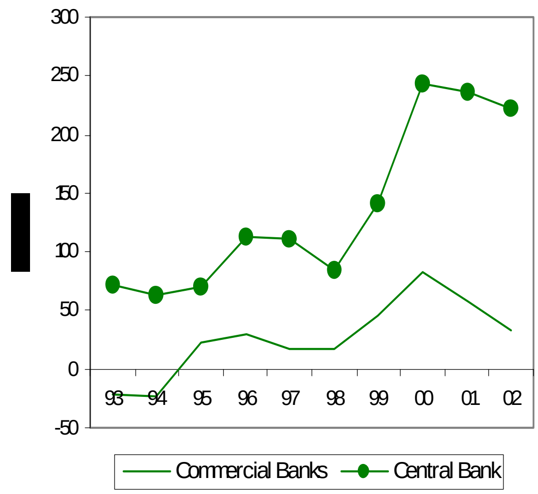
The license authorizes the Cambio to buy and sell foreign exchange (up to certain limits) but prohibits the purchase of foreign currency arising from the sale of the country's major export commodities, namely, sugar, citrus, banana and shrimp. All purchases of foreign currency must be at the official exchange rate, although a maximum service fee of 6.25% is allowed on sales. The licensee is also required to sell 5.0% of its gross hard currency purchases to the Central Bank at the official exchange rate. Reporting requirements are similar to those required from the commercial banks.

During the first nine months of operation, Cambios reported foreign currency purchases of $12.6mn from the public and sales of $11.9mn. The data provided by the Cambios show that purchases and sales amounts to 1.6% and 1.3%, respectively, of the national total.

CARICOM Bilateral Clearings Balance that outweighed withdrawals from CDB's 'Ordinary Capital Resources' account.

Commercial banks' net foreign assets also declined for the second consecutive year with gross foreign assets being drawn down by $20.2mn as payment obligations for imports, loan servicing and earnings repatriation coincided with lower inflows from citrus and banana. Short-term foreign liabilities rose slightly with increases in IBC demand deposits and foreign cheques outstanding being only partly offset by a decline in amounts owed to foreign affiliates.

Chart IV.1: Annual Change in Net Foreign Assets of The Central Bank & Commercial Banks



Net Domestic Credit

Increased access to foreign financing and a reduced fiscal deficit enabled a 3.6% contraction in net domestic credit. This followed the rather robust 19.9% expansion in 2001 and average increases of 14.0% over the previous five years. While private sector loans rose by 14.5%, credit to statutory bodies and net credit to Central Government declined.

December inflows in the form of loans, grants and the privatization of the Port were largely instrumental in bringing about an $80.5mn reduction in net domestic credit to Central Government. Apart from clearing its Central Bank overdraft, the Government was also able to add $41.3mn to its total deposit holdings. Other transactions led to a $6.6mn increase in access to commercial bank overdraft financing.

Table IV.4: Net Domestic Credit - Summary

$mn

	Position as at			Changes During 2002
	Dec 2000	Dec 2001	Dec 2002	
Total Credit to Central Government	**149.8**	**166.0**	**126.8**	**-39.2**
From Central Bank	62.7	78.2	63.8	-14.4
From Commercial Banks	87.1	87.8	63.0	-24.8
Less Central Government Deposits	107.9	55.1	96.4	41.3
Net Credit to Central Government	**41.9**	**110.9**	**30.4**	**-80.5**
Plus Credit to Other Public Sector	**94.5**	**97.0**	**29.5**	**-67.5**
Plus Credit to the Private Sector	**686.1**	**778.4**	**891.3**	**112.9**
Net Domestic Credit of the Banking System	**822.5**	**986.3**	**951.2**	**-35.1**

In secondary market trade, commercial banks sold $31.5mn in Treasury Bills particularly after the Central Bank raised the cash reserve requirement by 2.0% around the beginning of the fourth quarter. The private sector purchased $8.2mn and the Central Bank took up the balance. The Bank also took up an extra $30.0mn worth of new Bills in October as Central Government increased the total brought to the market from $70.0mn to $100.0mn at around the same time that the commercial banks were reducing their existing holdings. In related developments, Central Government's 10.0% debentures valued at $2.2mn matured and were not reissued.

As one component of the debt restructuring effort, Central Government assisted DFC to reduce its outstanding Central Bank loan balance by $69.0mn, which largely accounted for the $67.1mn decline in credit to statutory bodies over the period reviewed. Commercial bank lending to the sector rose by $1.5mn as one bank's purchase of $5.0mn in DFC bonds, together with advances to the Belize Marketing Board and local government entities, exceeded loan payments by DFC, the Belize Port Authority and RECONDEV.

With activity by non-bank institutions such as the DFC easing up, commercial banks took the opportunity to increase the pace of lending to the private sector for the third consecutive year. This was led by a $49.9mn increase in loans for the tertiary sector, the bulk of which underwrote an upsurge in real estate transactions. While personal loans and funding for distributive trade accelerated, lending for tourism related activity slowed somewhat. In the secondary sector, substantial increases in funding for the private utilities and

Table IV.5: Sectoral Composition of Commercial Banks' Loans and Advances

$mn

	Position as at			Changes During 2002
	Dec 2000	Dec 2001	Dec 2002	
Primary Sector	**77.3**	**96.2**	**116.7**	**20.5**
Agriculture	65.5	73.8	77.5	3.7
Marine Products	10.1	16.4	25.6	9.2
Forestry	0.8	1.3	1.7	0.4
Mining & Exploration	0.9	4.7	11.9	7.2
Secondary Sector	**198.3**	**226.5**	**253.6**	**27.1**
Manufacturing	44.5	44.3	23.0	-21.3
Building & Construction	153.3	177.7	201.7	24.0
Utilities	0.5	4.5	28.9	24.4
Tertiary Sector	**252.3**	**292.8**	**342.7**	**49.9**
Transport	32.9	40.1	27.2	-12.9
Tourism	25.8	44.0	51.8	7.8
Distribution	133.0	136.3	150.5	14.2
Other*	60.6	72.4	113.2	40.8
Personal Loans	**167.5**	**173.0**	**191.5**	**18.5**
TOTAL	**695.4**	**788.5**	**904.5**	**116.0**

* Includes government services, real estate, financial institutions, professional services & entertainment.

commercial construction coincided with net repayments from manufacturers that principally reflected the shift from domestic to offshore financing of the citrus industry. Financing for the primary sector facilitated expansion of marine products (mainly shrimp and tilapia farming), "mining & exploration" as well as recovery in the hurricane affected banana industry.

Liquidity

As the fourth quarter approached, the Central Bank took steps to address the liquidity overhang that had been developing in the banking system since the latter part of 1998. Cash reserve requirements were raised from 3.0% to 5.0% for average savings and time deposit liabilities, and from 5.0% to 7.0% for average demand deposit liabilities effective September 28th, 2002. A month later, the cash reserve requirements on average demand, savings and time deposit liabilities were harmonized at 6.0%. This tightening of monetary policy coupled with an 8.9% increase in the loans/deposits ratio of the commercial banks drove excess statutory liquidity of the commercial banks down by approximately 50.0% to $60.8mn. Holdings of approved liquid assets fell by $50.0mn against a $10.9mn increase in the required level of liquid assets. The contraction was shown mostly in a $31.5mn reduction in holdings of Treasury bills and a $22.3mn decline in balances held with the Central Bank.

Excess cash reserves (the immediate target of the policy change) subsided from $51.5mn at the end of 2001 to $3.6mn with daily average holdings falling by $22.2mn while the required level of cash reserves rose by $25.7mn. After increasing by $6.3mn in the first quarter, declines of $12.5mn and $10.6mn in the second and third quarters occurred in consonance with the upswing in lending. The tightening of policy in late September and

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

$mn

	Position as at			Changes During 2002
	Dec 2000	Dec 2001	Dec 2002	
Holdings of Approved Liquid Assets	**348.4**	**354.3**	**304.2**	**-50.0**
Notes and Coins	22.1	22.9	27.4	4.5
Balances with Central Bank	71.0	87.2	64.8	-22.3
Money at Call and Foreign Balances (due 90 days	121.4	97.2	91.7	-5.5
Treasury Bills maturing in not more than 90 days	65.1	64.6	33.1	-31.5
Other Approved assets	68.8	82.4	87.2	4.8
Required Liquid Assets	**216.8**	**232.5**	**243.4**	**10.9**
Excess/(Deficiency) Liquid Assets	**131.6**	**121.8**	**60.8**	**-60.9**
Daily Average holdings of Cash Reserves	72.2	86.6	64.4	-22.2
Required Cash Reserves	32.4	35.1	60.8	25.7
Excess/(Deficiency) Cash Reserves	**39.8**	**51.5**	**3.6**	**-47.9**

Chart IV.2 : Excess Liquid Assets

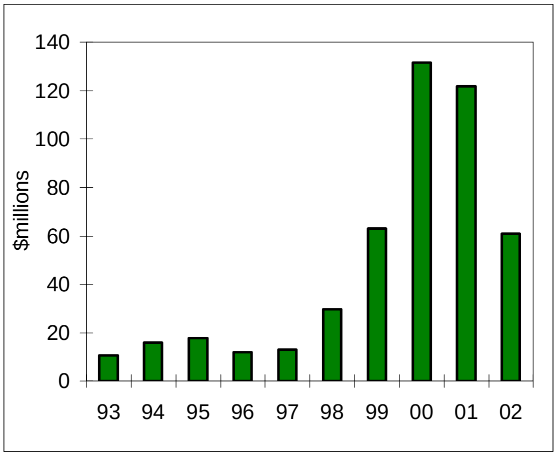
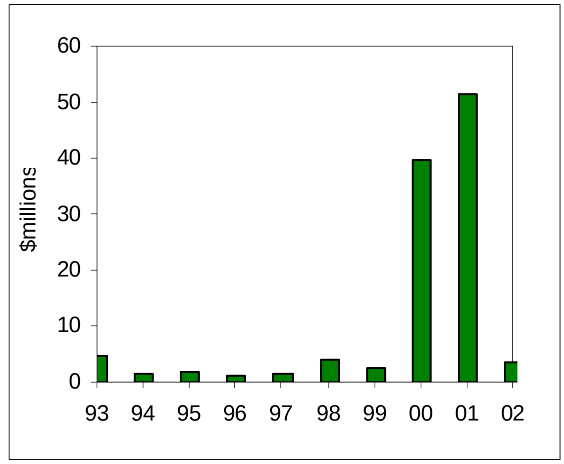


Chart IV.3 : Excess Cash Reserves



clearing of certain pending external obligations contributed to an additional $31.1mn decline during the fourth quarter.

Interest Rates

Prior to the shift in monetary policy, the weighted average lending rate of the commercial banks showed a tendency to move downward as the commercial banks appeared to be engaging in more competitive behaviour in response to the recent addition to their number. Declines were across the board with weighted average rates on existing portfolios of personal, commercial, residential construction and other loans all decreasing. At the end of the year, weighted average interest rates on new loans were generally lower than rates applied to such loans a year earlier. While the weighted average deposit rate remained relatively flat during the first half of the year, the increase in cash reserve requirements and the further surge in lending forced commercial banks to actively seek new deposits,

Chart IV.4 : Quarterly Change in Excess Liquidity

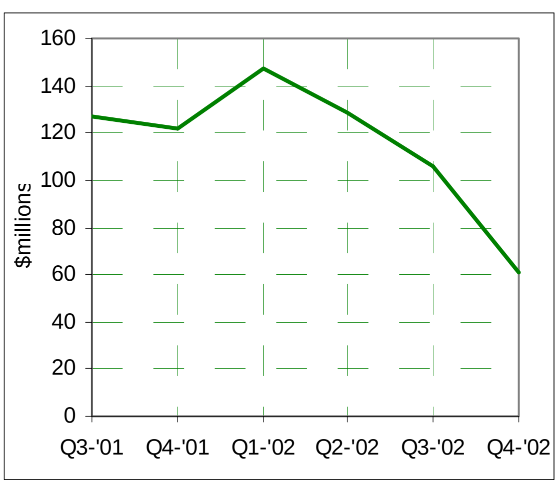


Chart IV.5 : Quarterly Change in Excess Cash Reserves

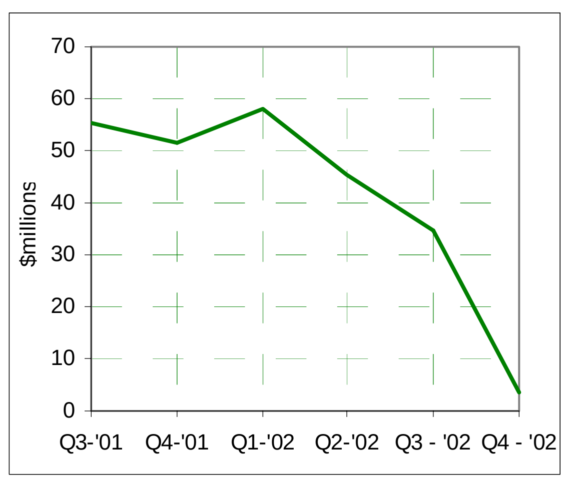


Table IV.7: Commercial Banks' Weighted Average Interest Rates

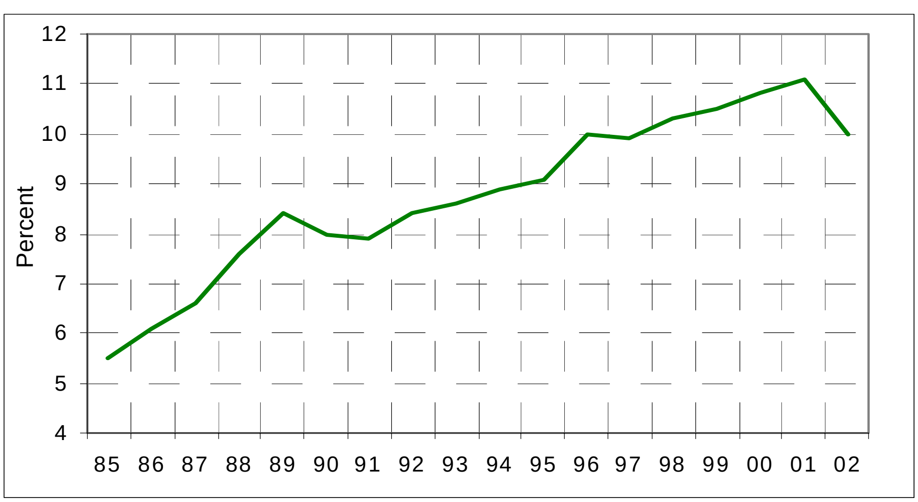
Percentages

	Position as at			Changes Dec 2001 to Dec 2002
	Dec 2000	Dec 2001	Dec 2002	Dec 2001 to Dec 2002
Weighted Lending Rates				
Personal Loans	16.5	16.8	15.9	-0.9
Commercial Loans	15.5	14.8	14.3	-0.5
Residential Construction	14.7	14.0	13.3	-0.7
Other	14.5	12.6	10.1	-2.5
Weighted Average	**15.8**	**15.4**	**14.5**	**-0.9**
Weighted Deposit Rates				
Demand	n.a.	0.2	0.4	0.2
Savings/ Cheque	n.a.	n.a.	5.2	5.2
Savings	5.4	5.4	5.1	-0.3
Time	7.2	6.1	6.5	0.4
Weighted Average	**5.0**	**4.3**	**4.5**	**0.2**
Weighted Average Spread	**10.8**	**11.1**	**10.0**	**-1.1**

n.a. - not available

which helped to push the weighted average deposit rate up by 20 basis points to 4.5%. With the weighted average lending rate having fallen by 90 basis points to 14.5%, the spread accruing to the commercial banks narrowed from 11.1% to 10.0%.

Chart IV.6 : Commercial Banks' Weighted Average Interest Rate Spread



Central Government Operations and Public Debt

Central Government Operations

Strong revenue growth and reduced outlays enabled a $72.7mn improvement in the overall fiscal deficit (from 8.2% of GDP to 3.8% of GDP) during the year. Current transactions yielded a surplus of $91.4mn (4.9% of GDP) as a marginal increase in current expenditures was eclipsed by a 14.4% expansion in current revenues.

The $53.7mn growth in the latter reflected healthy increases of $31.8mn in tax and $21.9mn in non-tax revenue receipts over the period reviewed. Most of the increase in tax revenue was due to a 20.2% rise in revenues from international trade & transactions. Revenues from goods & services, income and property taxes rose moderately. The $21.9mn rise in non-tax revenue reflected higher receipts from the repayment of old loans (principally by DFC), dividends from privatised enterprises and collections by other government departments.

At $67.5mn, capital revenue was 8.5% below the amounts received in the previous year with the privatization of the Port accounting for $40.0mn or 59.2% of these inflows. Grant receipts more than doubled to $31.7mn due to the early arrival of funds that were originally programmed for receipt in 2003.

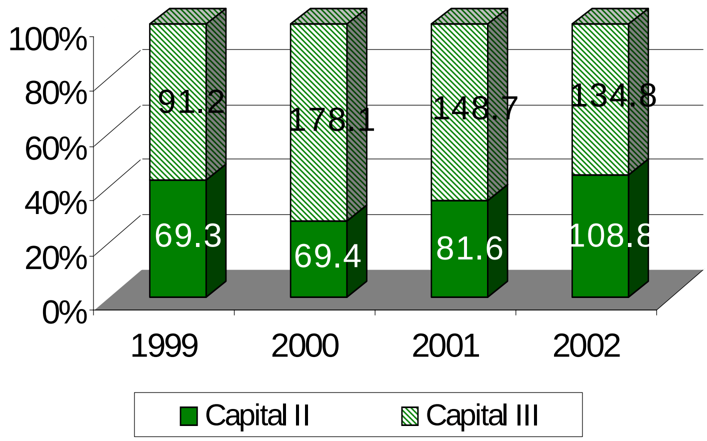
Table V.1: Government of Belize-Revenue and Expenditure

$mn

	Jan-Dec 2000	Jan-Dec 2001	Jan-Dec 2002	Change during 2002
Current Revenue	349.8	372.1	425.8	53.7
Tax Revenue	286.6	322.3	354.0	31.8
Non-Tax Revenue	63.2	49.8	71.7	21.9
Current Expenditure	308.4	333.7	334.4	0.7
CURRENT BALANCE	**41.4**	**38.4**	**91.4**	**53.0**
Capital Revenue	49.2	73.8	67.5	(6.3)
Capital Expenditure (Capital II local sources)	69.4	81.6	108.8	27.1
OPERATING SURPLUS	**21.2**	**30.6**	**50.1**	**19.6**
Total Grants	17.0	12.8	31.7	18.9
(of which non-project)	-	-	-	-
Total Revenue and Grants	416.0	458.7	524.9	66.3
Total Capital Expenditure	247.5	267.4	260.3	(7.1)
of which Hurricane Reconstruction	20.3	57.8	7.8	(50.0)
Total Expenditure	555.8	601.1	594.7	(6.4)
OVERALL BALANCE	**(139.9)**	**(142.4)**	**(69.8)**	**72.7**
balance excluding Hurricane ERF	(119.6)	(84.6)	(61.9)	22.7
FINANCING	139.9	142.4	69.8	(72.6)
Domestic Financing	(74.0)	72.7	(213.8)	(286.5)
Financing Abroad	213.5	69.8	284.4	214.6
Other	0.3	(0.1)	(0.8)	(0.7)
Ratio of Overall Balance to GDP (%)	**(8.4)**	**(8.2)**	**(3.8)**	**4.4**

Sources: Central Bank of Belize; Ministry of Finance

Chart V.1: Central Government's Development Expenditure



Current expenditure rose by 0.2% to $334.4mn, a considerable deceleration from the 8.2% increase recorded in 2001. Except for wages, salaries and pensions, which rose by a total of 14.5%, all categories of current outlays contracted. The reduced rate of expansion was partly accounted for by the downsizing of the Ministries of Education and Agriculture through the creation of new statutory bodies (University of Belize and Belize Agricultural Health Authority) in the previous year.. The expenditures for these new statutory bodies were futher recorded under the developmental expenditure categorie.

After rising by 8.1% in 2001, capital expenditure recorded a decrease of 2.7% to a total of $260.3mn as a $27.1mn expansion in Capital II expenditure was offset by declines in Capital III expenditure and capital transfers of $13.9mn and $20.3mn, respectively. The larger outlays under Capital II were for projects such as land development & acquisitions, general infrastructure and counterpart funding for the southern highway which together accounted for 18.2% ($23.4mn) of the amount budgeted. The balance of $105.1mn covered a multiplicity of small projects ranging from tertiary level scholarships to hurricane preparedness.

A substantial portion of Capital III outlays (approximately $76.0mn) was also used to fund a wide cross-section of small projects. The remaining balance of $56.2mn was devoted to rehabilitation works on the Southern Highway, 'programmed development projects', infrastructure projects, housing projects, municipal roads and drainage, and the Social Investment Fund (SIF).

The overall deficit of $69.8mn was financed mainly from external sources with foreign loan disbursements of $475.3mn outweighing amortization payments of $153.7mn, and a $37.2mn sinking fund deposit. Net financing from the Central Bank and commercial banks was negative as government increased its deposits while reducing overdraft balances. Government also made prepayments on loans for the DFC amounting to $137.9mn. Financing received from non-bank entities totaled $6.0mn.

Central Government's Domestic Debt

The Government's domestic debt declined by $36.6mn during the year as a $63.9mn net contraction in overdraft balances, amortization payments of $1.4mn and retirement of $6.2mn worth of debentures were only partly offset by a new Treasury Bill issue valued at $30.0mn and a loan disbursement of $5.0mn from the Belize Bank. These transactions resulted in a domestic debt to GDP ratio of 9.4% as compared to 12.1% in 2001. After starting the year at $65.5mn, the government's overdraft with the Central Bank was completely cleared by the end of December as receipts from the sale of the Port and and the new Treasury Bill issue were posted to the account.

The largest amortization payment of $6.2mn went to holders of debentures that matured during the year. Other smaller payments went to the Belize Bank Limited for the Cohune Walk Housing project loan, the DFC for a debt-restructuring loan and the GOB debt for nature swap account.

As a result of activity in the primary and secondary markets, the Central Bank raised its holdings of Treasury Bills by a total of $53.3mn during the year. Treasury Bills valued at $23.3mn were purchased from the commercial banks in secondary market transactions and the Bank also subscribed to the entire new Treasury Bill issue of $30.0mn that was brought to the market by the government. Non-bank institutions and individuals also purchased a total of $8.2mn worth in secondary trade as the commercial banks further reduced their holdings to accommodate a surge in lending.

Chart V.2: Sources of Central Government's Domestic Debt

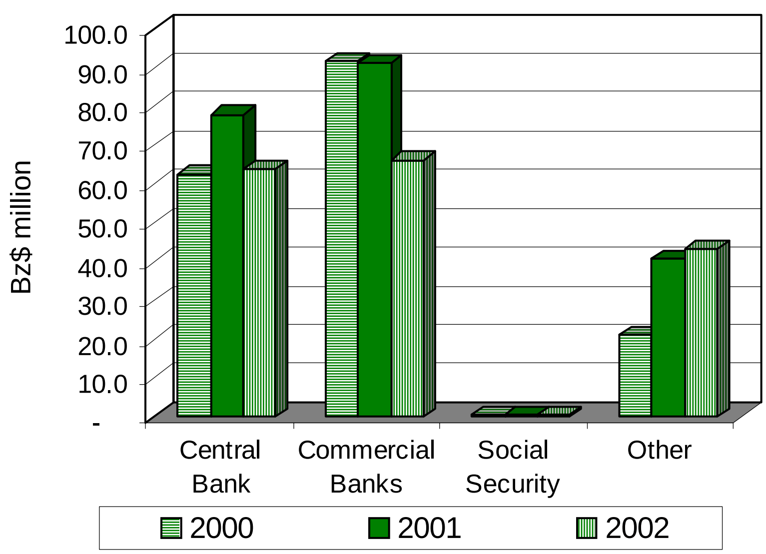


Table V.2: Central Government's Domestic Debt

$mn

Instrument	2000	2001	2002
Loans & Advances	60.8	95.6	35.2
Treasury Bills	70.0	70.0	100.0
Treasury Notes	24.0	24.0	24.0
Defence Bonds	15.0	15.0	15.0
Debentures	6.2	6.2	-
Total	**176.0**	**210.8**	**174.2**

Sources: Ministry of Finance, Central Bank of Belize

Interest payments totaled $11.5mn, of which approximately 48.7% ($5.6mn) was paid on Central Government's overdraft balance with the Central Bank. Another $4.3mn went to holders of government securities and debentures. The latter included $2.6mn to Treasury Bill holders, most of which (approximately 80.8%) went to the commercial banks. Holders of Treasury Notes received $1.0mn and another $0.4mn was paid to Defence Bond holders. Interest payments on loans totalled $1.6mn and was shared among the DFC, the Belize Bank and the GOB debt for nature swap.

External Public Debt

The disbursed outstanding external debt of the public sector rose by 18.1% to $1,149.0mn, raising the debt to GDP ratio from 56.0% in 2001 to 61.9% in 2002. Central Government's share of the debt stood at $1,009.3mn, which represented 54.4% of GDP compared to a ratio of 39.2% in 2001. While Central Government's share rose to 87.8% of the total debt, the share for the financial and non-financial public sector fell from 25.8% to 10.8% and 4.1% to 1.4%, respectively. The decline in the former was due to the privatisation of the Port, which caused some $23.8mn to be re-classified as private sector debt although it remains a contingent liability of the government. The repayment of loans for DFC under the debt refinancing programme accounted for the reduction in the external indebtedness of the financial public sector. The share of the debt from bilateral and multilateral sources remained steady at approximately 21.0% and 26.0%, respectively. On the other hand, the share from commercial banks rose from 46.7% to 48.9%, while debt contracted from commercial suppliers fell from 6.0% to 3.8%.

Disbursements and upward valuation adjustments totalled $482.2mn and $10.5mn, respectively. Amortization payments totalled $293.1mn with

Table V.3: Financial Flows on Public Sector External Debt

$mn

	2000	2001	2002
Disbursements	409.5	219.9	482.2
Repayments	69.4	70.3	293.1
Net Financing Flows	340.1	149.6	189.2
Interest Payments	39.1	60.1	55.7
Net Transfers	301.1	89.5	133.5

Box 5: External Debt Restructuring, 2002

During August, the Central Government successfully concluded a public offering of US$125.0mn on the US market through its underwriter, Bear, Stearns and Company Inc. The notes, which were offered at 9.5% are due in 2012, and were earmarked for the refinancing of the public sector external debt. To this end, the net proceeds (US$119.2mn) from the offering were used to prepay certain public sector external debts and to establish a sinking fund to repay a central government bond that matures in 2005. The prepayments included US$74.4mn worth of debt which related to the DFC. This refinancing reduced short-term foreign liabilities by US$72.5mn and will result in debt service savings of US$52.7mn over a ten-year period.

Table V.4: Use of Proceeds from Bond Issue

(US$ '000)

Loan and Creditor Category	Payments Made
SUPPLIERS CREDIT AND COMMERCIAL LOANS:	**99,200**
Amtrade-Gefco Purchase of Well Drilling	813
(BBPL) Barclays Bank P. L. C.	4,261
(CASL) Crown Agents Services Ltd.	1,713
(ABM) Allfirst Bank of Maryland	2,917
(CFSC) Caterpillar Financial Services	1,656
Provident Bank & Trust of Belize	10,206
International Bank of Miami	75,607
Royal Merchant Bank, Trinidad	1,474
Deutche Bank of Germany - La Democracia	553
SINKING FUND:	**20,000**
Salomon Smith Barney	20,000
TOTAL	**119,200**

prepayments under the debt refinancing programme of 2002 accounting for some $198.4mn (see Box 5). These prepayments were excluded from calculations in which the debt service ratio of 15.2% was derived.

Approximately 98.6% of total disbursements during the year went to Central Government. Commercial creditors provided $368.3mn, including $250.0mn from Bear Stearns & Co, and $89.4mn from the International Bank of Miami (IBoM) to fund various investments in the country. Another $52.7mn came from multilateral creditors such as the IDB, which disbursed $28.5mn for projects such as the construction of the Southern Highway, tourism development, and hurricane rehabilitation among others. Bilateral creditors (principally the Republic of China/Taiwan) supplied $54.2mn, of which $47.8mn was used for various housing projects.

New Holland of Brazil and the CDB made disbursements of $1.3mn and $2.4mn, respectively to DFC. The non-financial public sector (namely the Port prior to privatization) also received a single disbursement of $3.3mn.

Table V.4: Public Sector External Debt by Source

$mn

	Disbursed Outstanding Debt 31/12/2001	Transactions During 2002 Disbursement	Amortization	Interest & Other Charges	Valuation Adjustments	Disbursed Outstanding Debt 12/31/2002
Bilateral	206.7	54.2	16.3	8.5	3.0	247.6
Multilateral*	253.4	55.2	11.7	11.0	3.2	296.2
Commercial Banks*	454.9	359.7	236.9	32.8	4.2	561.9
Suppliers Credit	58.3	13.2	28.1	3.4	-	43.4
Total	**973.2**	**482.2**	**293.1**	**55.7**	**10.5**	**1,149.0**

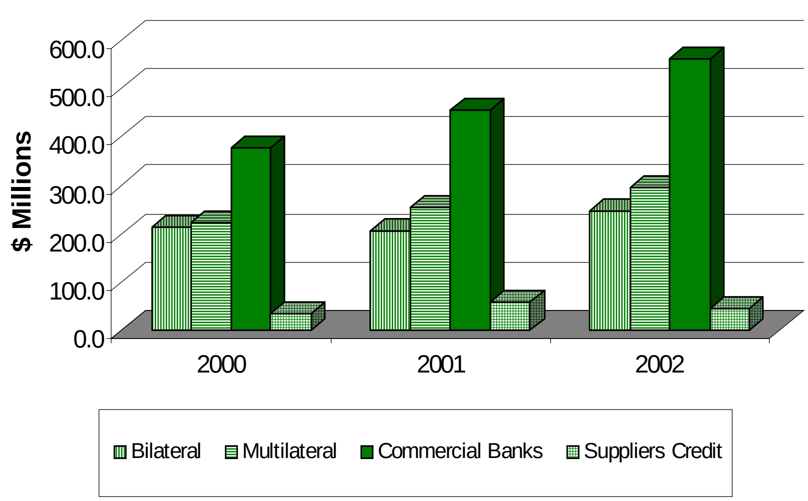
* Effective 31/12/02 the Port Authority loans were classified as private sector debt following its full privatization.

As a consequence of the debt refinancing programme, Central Government amortization payments increased to $153.7mn. Approximately $131.3mn went to commercial creditors, the largest of these payments being $65.4mn to the International Bank of Miami and $23.1mn to commercial suppliers. Payments on bilateral loans amounted to $15.2mn, including $6.7mn to the ROC, $4.4mn to the UK Government and $1.3mn to the Government of the United States. Multilateral agencies such as IBRD, CDB and the OPEC Fund received a combined total of $7.1mn.

Amortization payments by the financial public sector amounted to $136.2mn, of which $132.7mn was paid to commercial creditors, $3.1mn to multilateral agents and $0.4mn to bilateral agents. At $104.0mn, loan repayments to the IBoM accounted for 78.3% of payments to commercial creditors during the year. Amortization payments by the non-financial public sector totaled $3.2mn, of which, 43.8% went to multilateral creditors, 37.5% to commercial banks and 18.7% to bilateral creditors.

Interest and other payments fell by 7.3% to $55.7mn in 2002. Central Government accounted for approximately 74.5% ($41.5mn) of these outflows

Chart V.3: Sources of Public Sector External Debt



with sizeable payments going to commercial creditors such as the Royal Merchant Bank, Salomon Smith Barney, Citibank of Trinidad and IBoM. Other Central Government payments to multilateral and bilateral creditors totalled $8.5mn and $8.0mn, respectively. Interest payments by the financial public sector amounted to $11.8mn, including $9.5mn to commercial creditors and the balance to multilateral agents and bilateral lenders. Approximately 73.1% of the interest paid by the non-financial public sector went to commercial creditors, while the remaining 12.2% and 14.7% went to bilateral and multilateral creditors, respectively.

The appreciation of the Euro, Sterling and Dinar against the US dollar led to upward valuation adjustments on loans denominated in these currencies during the year. The upward adjustment of euro, sterling and dinar-denominated loans totaled $7.5mn, $2.1mn, and $0.9mn, respectively.

Foreign Trade and Payments

During 2002, economic transactions in the external sector resulted in net outflows of $10.9mn. Gross international official reserves consequently declined from $240.2mn to $229.3mn, the equivalent of 3.2 months of imports.

The year was notable for improvements in the external trade and current account positions after the previous five consecutive years of expanding deficits. The current account deficit declined by $41.5mn to $328.5mn (17.7% of GDP) with the narrowing being mostly due to a contraction in the visible trade gap. The latter benefited from activity in the Commercial Free Zone (CFZ) where export sales rose substantially faster than the growth in imports. A marginal rise in invisible trade outflows was recorded while current transfer receipts dipped due to a fall-off in remittances from abroad.

The current account deficit was mostly financed by additional external borrowings undertaken by the public and private sectors and, to a lesser extent, by foreign direct investment inflows.

Merchandise Trade

International trade volume expanded as exports (f.o.b.) and imports (fob) grew by 14.2% and 3.6%, respectively. The visible trade deficit consequently contracted by 11.1% to $376.5mn.

Activities in the CFZ featured prominently in the trade sector as an $81.3mn rise in total exports was solely due to the estimated $99.3mn increase in CFZ sales. On the other hand, the value of domestic exports remained stable. Gross imports rose by $34.3mn to $995.9mn as a 67.7% increase in imports

Table VI.1: Balance of Payments - Summary and Financing Flows

$mn

	2000 Net	2001 Net	2002 Net
CURRENT ACCOUNT	**-330.9**	**-370.0**	**-328.5**
Visible Trade	-405.2	-423.5	-376.5
Invisible Trade	-45.2	-44.8	-45.3
Services	68.3	105.0	105.6
Factor Income	-113.5	-149.8	-150.9
Current Transfers	119.4	98.4	93.3
CAPITAL ACCOUNT	**-4.5**	**2.3**	**22.9**
FINANCIAL ACCOUNT	**417.8**	**355.8**	**289.4**
NET ERRORS & OMMISSIONS	20.9	4.9	5.4
OVERALL BALANCE	103.3	-5.5	-10.9
FINANCING	-103.3	5.5	10.9
Memo Items			
Import cover in months	**3.2**	**3.2**	**3.2**
Current Account/GDP Ratio (%)	**(19.9)**	**(21.3)**	**(17.7)**

Table VI.2: Balance of Payments - MerchandiseTrade

$mn

	2000	2001	2002
Goods Exports, f.o.b.	563.6	538.1	619.4
Goods Imports, f.o.b.	968.8	961.6	995.9
Visible Trade Balance	-405.2	-423.5	-376.5

into the CFZ overshadowed a 6.1% decrease in imports into the customs territory.

Domestic Exports

Notwithstanding the dampening of agricultural and marine production as a result of storm damage in late 2001, the value of domestic exports was stable, declining only marginally by $0.2mn to $322.3mn. This resiliency was due to a 25.0% increase in non-traditional exports that offset a 2.4% contraction in traditional exports.

Except for citrus, banana and garments, the value of all domestic exports increased. Sugar export value rose in response to larger sale volume, unlike the previous year when production and sales had been negatively affected by hurricane. Molasses benefited from increases in both sale volume and price. Despite a fall in export volume, earnings from marine products and sawn woods rose in response to price improvements. In the marine sub-sector, farmed shrimp production declined due to the late stocking of ponds and the effects of the Taura virus, while the conch catch fell due to the disruption of this species' habitat by the hurricane and storm in

Table VI.3: Domestic Exports

$mn

	2000	2001	2002
Traditional Exports	371.1	295.3	288.3
Sugar*	74.2	59.4	65.9
Citrus Juices**	118.7	95.1	78.9
Citrus Concentrate	*94.5*	*88.6*	*64.0*
Not-from-Concentrate	*24.2*	*6.5*	*14.9*
Molasses	0.3	1.6	2.7
Bananas	65.8	42.8	41.0
Marine**	67.6	63.7	67.7
Garments	39.8	30.4	29.5
Sawn Wood	4.7	2.3	2.6
Non-traditional Exports	28.9	27.2	34.0
Total	**400.0**	**322.5**	**322.3**

Source: Central Statistical Office

* Based on estimates and not sales

** Value of export shipment and not sales.

late 2001. Exports of non-traditional products, including papaya, rose mostly due to larger sale volumes. On the other hand, supply constraints arising from the combination of low input usage on farms and hurricane losses pushed citrus exports lower. Despite rapid replanting and rehabilitation efforts after the 2001 hurricane, banana export volume fell with the corresponding revenue decline being exacerbated by a $1.43 reduction in the average box price. In a bid to ameliorate the progressive reduction in prices, the industry made efforts to diversify markets and increase value added by varying its packaging of the product.

Sugar and Molasses

Sugar exports rebounded in 2002 after declining in each of the previous two years. Although the average price per pound slipped from $0.15 in 2001 to $0.14 in 2002, revenues rose by 11.2% due to a 13.8% rise in volume to 102,545 long tons.

Even with this improvement, the processor reported its third consecutive year of loss, although not as large as that suffered in the previous years. The loss not only reflected the reduction in world sugar prices, but also a weaker Euro/US dollar exchange rate, and lower cane quality (due to high mud levels) that caused the tons cane to tons sugar ratio to move from 9.86 to 10.34.

Exports to the EU totaled 48,929 long tons ($43.7mn), as compared to 44,633 long tons ($37.7mn) in 2001. Unlike the previous year when a downward adjustment compensated for the pre-shipment of part of that year's quota in 2000, the EU Protocol Sugar was back to its usual quota level. On the other hand, the sale of Special Preferential Sugar (SPS) contracted as no additional allocation was received, unlike the previous year when other suppliers had failed to fill their quotas. Gradual reductions in SPS exports are expected with the implementation of the "Everything But

Table VI.4: Exports of Sugar* and Molasses

($mn)

	2000		2001		2002	
	Volume	Value	Volume	Value	Volume	Value
Sugar (long tons)	107,597	74.2	90,128	60.5	102,545	67.3
E.U. (Quota long tons)	54,855	51.5	44,633	37.7	48,929	43.7
USA (Quota long tons)	11,015	8.3	10,858	8.8	11,014	9.6
Other (World, long tons)	41,727	14.4	34,637	14.0	42,602	14.0
Molasses	33,424	0.4	31,228	1.6	36,482	2.8

Sources: Belize Sugar Industries, Central Statistical Office

* Reflects actual sales value as reported by the processor and not an estimate of exports value as reported by the CSO.

Arms" (EBA) program, which started in 2001 and will be fully implemented by 2009. (The EBA program grants immediate duty and quota-free access to all products, including sugar but excluding arms and ammunition, coming from the world's 48 least-developed countries (LDC's)). On the compensatory side, the SPS sugar price rose by 12.2%, which, along with lower freight rates, caused the average price to improve by 3.7% to US$0.20 per pound.

The US quota was 11,014 long tons, an increase of 156 long tons over the previous year. Although this quota is fixed annually, small variations around the amount are allowed, once compensatory adjustments in deliveries are made in the subsequent quota year. The small volume increase coupled with a US$0.01 per pound price improvement resulted in an 8.7% rise in export value to $9.6mn.

Residual sales to the world market expanded by 23.0% to 42,602 long tons. However, revenues declined by 0.4% to $14.0mn as the average price per pound fell from US$0.09 to US $0.07 in response to positive harvest growth and burgeoning global inventories. To improve margins, the processor courted the CARICOM market, promoting sales of bagged brown sugar and initiating sales of plantation white sugar, products that both command higher prices. With the closure of several sugar factories in CARICOM and sugar shortages occurring in countries like Trinidad & Tobago and Jamaica, the growth outlook in this market appears rather favourable.

Exports of molasses rose by 16.8% to 36,482 long tons with earnings rising by 72.8% to $2.8mn. The latter reflected a substantial recovery in prices (from $52.81 to $78.09 per long ton) due to the upward climb in prices for grain substitutes in animal feed during 2002.

Citrus Products

With citrus deliveries and production of concentrates and juices both declining, export sales of citrus products experienced reductions of 47.7% in volume and 33.8% in value. The revenue loss was however partly ameliorated by an overall strengthening in orange juice prices during the year.

Exports of concentrate juices amounted to 3.7mn gallons valued at $54.3mn, down 2.1mn gallons and $21.7mn from the previous year. Orange concentrate accounted for the largest revenue decline ($17.1mn), particularly the freeze concentrate product where sales were sharply cut back in response to sluggish demand in the Japanese market. For the second consecutive year, the bulk of orange concentrate juices went to the USA, where prices improved from $11.88 to $13.79 per gallon. Sales to Europe, a market dominated by the Brazilian competition, revived somewhat with a $4.22 per

Table VI.5: Export Sales of Citrus Products*

	2000	2001	2002
Concentrate ('000 gals)	3,432	5,799	3,718
Orange	2,707	5,008	3,210
Grapefruit	725	791	508
Concentrate value ($mn)	50.8	76.0	54.3
Orange	39.5	63.3	46.2
Grapefruit	11.3	12.7	8.1
Not-from-concentrate Exports ('000gals)	2,024	2,650	704
Orange	1,231	2,024	266
Grapefruit	793	626	438
Not-from-concentrate Value ($mn)	9.6	11.0	3.3
Orange	5.6	7.9	1.1
Grapefruit	4	3.1	2.2
Pulp Export ('000 pounds)	1524	2,074	0.7
Pulp Value ($mn)	1.0	1.4	0.4

Source: Del Oro (Belize) Limited

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

gallon price increase, while revenues from the Caribbean rose by 9.8% as a 2.0% decrease in volume was more than offset by a $1.85 increase in the unit price. Revenues from grapefruit concentrate also declined by $4.6mn due to supply constraints. Most of this concentrate went to Europe under a new marketing agreement that resulted in shipments being diverted from the USA. The renewed focus on the regional market also saw Caribbean sales rise by more than half to $1.6mn. Like the orange product, the cooling of Japanese demand caused sales of grapefruit freeze concentrate to shrink by some $1.1mn.

Not-from-concentrate (NFC) sales were minimal and aimed solely at retaining some presence in this niche market where Brazil and Spain have the competitive advantage. NFC exports therefore declined by 73.4% in volume and 69.7% in value as compared to 2001 when aggressive marketing succeeded in selling off a costly inventory overhang from the previous year.

With its reputation still impugned by the quality problems of the previous year, pulp sales declined to 0.7mn pounds ($0.4mn), compared with 2.1mn pounds ($1.4mn) in 2001. Orange pulp sales were just one-third the previous year's volume while that of grapefruit was slightly under one half.

Banana

After Hurricane Iris abruptly halted exports in October of 2001, banana sales recommenced on a very small scale in January and steadily increased until pre-hurricane levels were achieved in June. Subsequent poor weather conditions restricted production so that exports contracted to 42,970 metric tons ($41.0mn), down from 48,185 metric tons ($42.8mn) for the 40 weeks of 2001. Also influencing the revenue decline was a $1.43 reduction in the average box price to $14.49 as compared to $15.92 received in the previous year.

In preparation for a more open market in 2006, the marketer (Fyffes) has been reducing the average box price by approximately $1.50 each year since 2000. In an attempt to increase the value added as well as establish a market identity in the UK, the industry initiated two specially wrapped packages for direct use by end consumers in the UK – a large package for institutional use and a small one for retail in supermarkets.

Box 6: CGA Acquisition of Del Oro (Belize) Limited

In October 2002, the Belize Citrus Growers Association Investment Company Limited (BCGAICL), a subsidiary of the Citrus Growers Association (CGA), acquired Del Oro (Belize) Ltd. from the UK's Commonwealth Development Corporation (CDC) Capital Partner. The acquisition included the two citrus processing facilities, groves and other holdings. Del Oro Belize Ltd, renamed Citrus Products of Belize (CPB) is now 99.0% owned by citrus growers. In this vertical integration, BCGAICL is the buffer between the growers and the processing unit, allowing each to function as separate cost centres.

While the purchase was a major achievement for the growers, the industry must now utilise the advantages arising from this consolidation to meet its challenges. Of major importance is reduction in production costs. Consequently, there is a move to combine the two factories into one unit or have both factories operating, though specialising in different products. The consolidation of the two factories would cost between US$4.0mn to US$5.0mn and engender annual savings of US$1.0mn.

Another strategic move is to maximise the industry's value added by improving processing efficiency and more aggressively marketing by-products such as oils, essences and pulp. To achieve this, additional investments will be made in a new evaporator, oil recovery equipment and a new pulp wash system. This US$1.2mn investment should increase factory yields by 4.0% to 5.0%, garnering additional revenues of some US$1.6mn per year. Furthermore, CPB is seeking strategic alliances with companies such as Jumex, Grace Kennedy or Nestle to package their citrus juices. The company also intends to sell more on the future options market where they can secure better prices. The industry is also exploring market and product diversification, looking at Central American markets and the revival of pineapple, passion fruit and lime concentrate juice production.

With challenging times ahead, the industry must become more nimble and explore all avenues for regaining a sound financial footing.

Table VI.6: Exports of Bananas

	2000	2001	2002
Volume (metric tons)	64,912	48,125	42,970
Of which: (metric tons)			
Traditional Quota Market	64,912	48,125	40,122
Non-traditional Markets	-	-	2,848
Other EU Market	-	-	*2,025*
Transit Market	-	-	*823*
Value ($mn)	65.8	42.8	41.0

Sources: Central Statistical Office, Banana Growers Association

To accommodate a larger export volume, Fyffes agreed to accept all produce above the guaranteed 75,000 boxes weekly and to sell the surplus on a consignment basis to other EU markets and to the 'Transit' market (eastern European countries formerly in the Communist bloc). Some 6.6% (or 2,848 metric tons) of annual shipments went to these non-traditional markets, of which 2,025 metric tons were sold to other EU countries, fetching an average price of $6.54 per box. The remaining tonnage (823mt) was sold to the Transit market at an average price of only $1.35 per box. While prices in these new markets were highly volatile, the revenues helped to minimize losses when compared to the alternative of abandoning the surplus production in the field altogether.

Marine Products

Marine exports declined by 3.4% to 7.2mn pounds, mainly reflecting lower shrimp and conch volumes. Overall revenues nonetheless expanded by 6.3% to $67.7mn when compared to the previous year.

Table VI.7: Exports of Marine Products

	2000		2001		2002	
	Volume ('000 lbs)	Value ($'000)	Volume ('000 lbs)	Value ($'000)	Volume ('000 lbs)	Value ($'000)
Lobster Tail	573	16,760	433	12,198	582	13,687
Lobster Head	49	289	28	241	45	275
Shrimp*	4,897	46,418	6,381	46,665	6,120	50,305
Conch	564	3,950	622	4,596	438	3,311
Whole Fish	97	143	11	14	38	125
Other	4	42	0	0	0	0
Total	**6,184**	**67,603**	**7,475**	**63,714**	**7,223**	**67,703**

Source: Central Statistical Office
* Reflects value of export shipments, not sales.

Box 7: Tilapia Fish Farming

Belize's aquaculture industry has been dominated by shrimp farming for several years. However, recent diversification initiatives have resulted in several tilapia fish farm projects with the largest being a multi-million dollar investment by Fresh Catch Belize Limited.

A fully owned Belizean company, Fresh Catch Belize Ltd. commenced operations in late 2002. The tilapia farm is located near La Democracia off the Coastal Highway and occupies 400 acres of land. Once fully operational, the project should cost BZ$16.0mn and is expected to yield a total of 4,000 tons of fresh fish per year, providing employment for about 380 persons at the completion of the three-phase project.

The commencement of phase one in 2002 saw 80 acres of ponds constructed and the setup of the initial brood stock. By the end of 2003, the production line, processing plant and other auxiliary systems should be in place. Due to the 10 to 12 month growth cycle for tilapia, the harvest will not be commencing in any significant levels until early 2004. The company is targeting the fresh fish market and should eventually be shipping fillet on a daily basis to the US. A company formed by a consortium of Central American companies, including Belize, will do all marketing. Phases two and three will replicate phase one, increasing fish ponds by another 160 acres. Anticipated foreign exchange earnings are in the region of US$9.0mn per year. Should all go well with this investment, the industry should be able to build on its success by expanding through satellite farms.

Exports of lobster rebounded with volume increasing by 23.6% to 0.6mn pounds. Although the average price per pound fell by $4.71 to $22.27 due to sluggish demand in the dining-out market, this was offset by the volume increase and export revenue consequently rose by 12.2% to $14.0mn.

Meanwhile, higher mortality rates arising from the presence of the Taura virus and the late stocking of ponds after the hurricane caused farmed shrimp export volume to decline by 4.1%to 6.1mn pounds. At $50.3mn, value received was 7.8% above that of 2001.

Conch exports also contracted by 29.6% to 0.4mn pounds while earnings declined by $1.2mn to $3.3mn. The smaller catch was partly due to hurricane and storm damage to their habitat in the previous year. On the up side, rising demand in the United States contributed to a slow recovery in the average price per pound of conch by some $0.17 to $7.56.

Motivated by a substantial price improvement (from $0.78 to $3.29 per pound), exports of whole fish revived somewhat, rising from 0.01mn pounds ($0.01mn) in 2001 to 0.04mn pounds ($0.1mn), in 2002.

Other Major Exports

Garment exports totalled 3.8mn pieces valued at $29.5mn, an increase of 90% in volume but a reduction of 3.0% in value when compared to 2001.

While the volume of garments almost doubled, the marginal decline in revenue reflected an export mix consisting of more low valued pieces.

Sawn wood exports declined further to 0.97mn board feet valued at $2.6mn. While volume fell by 5.7%, revenues rose by 13.0% as an overall improvement in quality, a by-product of improved forest management, led to an increase in the average price per board foot from $2.25 to $2.63. In other developments, already dwindling supplies of mahogany, the main export lumber, were further affected by the forest destruction caused by Hurricane Iris in late 2001. The Government also began to implement its policy of gradually overseeing the phasing out of lumber exports in an attempt to encourage exports of more value added wooden products such as doors, plywood and furniture, which command higher export prices.

Papaya exports did exceptionally well during the year with export volume surging upward by 74.7% (from 14.2mn pounds to 24.7mn pounds). Similarly, export revenue increased by 54.4% from $10.3mn to $15.9mn. The larger export volume reflected an increase in acreage and more large papayas in the export mix. The higher proportion of large papaya also caused the average export price to decline from $0.73 to $0.64 per pound, since prices for big papayas were about 30% lower than that for the smaller variety.

Non-traditional Exports

Non-traditional exports expanded by 6.4% to $18.6mn, mostly due to increased exports of pepper sauces, veneer sheet/plywood, citrus oils, and other miscellaneous products. Favorable export prices and more aggressive marketing saw exports of orange and grapefruit oil doubling to $1.0mn. Likewise, export revenues from veneer sheets/plywood quadrupled to $0.4mn, as timber exporters geared up their value-added production. Exports of beans (red kidney and black eye) did not fare so well with revenues plunging by 25.6%

Table VI.8: Other Major Exports

	2000	2001	2002
Garments			
Volume (mn pieces)	2.6	2.0	3.8
Value ($mn)	39.8	30.4	29.5
Sawn Wood			
Volume ('000 bd ft.)	2,393	1,030	971
Value ($mn)	4.7	2.3	2.6
Papayas			
Volume ('000 lbs)	12,307	14,153	24,727
Value ($mn)	12.8	10.3	15.9

Source: Central Statistical Office

(from $6.0mn in 2001 to $4.5mn in 2002) due to a 60.1% contraction in export volume as demand slowed in CARICOM.

Re-exports

Re-exports rose by 51.1% to an estimated $319.0mn in 2002, largely reflecting activities in the CFZ where estimated gross sales rose by an impressive 49.8% to $298.6mn. While falling fuel prices in Mexico at the start of the year dampened CFZ fuel sales to Mexicans, the zone was successful in attracting duty free shoppers for non-fuel merchandise such as clothing, electronics and other goods. For much of the year, CFZ sale activities were brisk, except for a temporary lull during September and October caused by the Mexican government's decision to lower its duty free allowances from US$1,000 to US$50 per persons resident inside the border state of Quintana Roo and US$150 for Mexicans living in the other states.

Re-exports from the customs territory also increased from $11.8mn to $20.4mn, mostly due to a $9.4mn increase in re-exports of '*Machinery and Transport Equipment*'. This was partly offset by a $2.5mn reduction in fuel re-exports that was due to the halting of diesel fuel re-exports to Guatemala.

Gross Imports

Gross imports (f.o.b.) of goods and electricity as recorded in the Balance of Payments (BOP) rose by 3.3% to $1.0bn as a sharp increase in CFZ imports offset a modest contraction in imports into the customs territory.

Most imports fell, as 'Fuel and Lubricants', 'Food and Live Animals' and 'Manufactured Goods' contracted by 12.8%, 9.3% and 5.9%, respectively. The 'Fuels and Lubricants' category fell due to a halt in diesel sales to Guatemala. Additionally, imports by export processing zones also declined as citrus juice and farmed shrimp production contracted.

Direction of Visible Trade

The United Kingdom (UK) and the United States continued to be Belize's major trading partners in 2002, accounting for more than three-quarters of total exports. The share of exports to Europe (including the UK) rose from 23.4% to 30.1% in 2002 as a result of increased sugar and citrus juice exports. On the other hand, the US export share declined slightly due to lower sales of citrus juices, caused by supply constraints resulting from hurricane damage. A surge in re-exports was the main cause

Table VI.9: Direction of Visible Trade

Percentage

	Exports*			Imports		
	2000	2001	2002	2000	2001	2002
United Kingdom	14.3	16.2	21.6	2.1	2.2	2.0
Other EU	8.1	7.2	8.5	4.3	3.1	3.8
United States	51.5	58.3	56.3	54.3	56.9	60.9
Mexico	1.3	0.9	1.6	7.3	7.7	7.1
CARICOM	3.6	6.3	6.5	2.7	3.0	2.9
Other Countries	21.2	11.1	5.5	29.2	27.1	23.2
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Central Statistical Office
* excludes CFZ sales

of the increase in Mexico's export share and the slight increase in CARICOM's share was explained by additional sales of sugar and citrus juice to the region. In contrast, the export share of other miscellaneous countries halved from 11.1% in 2001 to 5.5% in 2002 due to the sharp contraction in citrus freeze concentrate sales to Japan.

The US remained the primary source of imports, supplying 60.9% of the total. Other EU imports rose from 3.1% in 2001 to 3.8% in 2002, reflecting imports of agricultural machinery from Belgium and Spain. Mexico's share of imports declined from 7.7% to 7.1% primarily due to a decrease in the importation of dairy products.

Invisible Trade

Net outflows on the invisible trade account rose by \$0.5mn to \$45.3mn as a \$0.6mn improvement in net earnings from services was overshadowed by a \$1.1mn increase in factor income payments. Receipts from services rose to \$105.6mn, as robust growth in revenues from cruise ship tourism outweighed increased expenditure for other goods and services and a fall-off in inflows to embassies, military agencies and other non-governmental organizations.

Services

With the number of cruise ship port calls leaping from 48 in 2001 to 200 in 2002, revenues earned by the domestic agents servicing these ships more than doubled, pushing inflows for transportation services up by \$12.5mn. Travel receipts also rose by \$20.2mn reflecting increased spending by cruise ship tourists and, to a much lesser extent, by stay-over visitors. On the other hand, payments for international transportation and freight, and expenses related to health, education and non-business travel abroad by residents rose by a combined \$3.7mn. Outflows for financial services and reinsurance premiums also increased, with the latter being affected by the higher perceived risks of hurricanes and terrorism. Meanwhile, net official inflows to embassies and other government agencies fell by \$16.9mn to \$12.4mn.

Table VI.10: Balance of Payments - Invisible Trade

$mn

	2000			2001			2002		
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net
INVISIBLE TRADE	**332.0**	**377.2**	**(45.2)**	**363.9**	**408.7**	**(44.8)**	**374.6**	**419.9**	**(45.3)**
Services	**318.2**	**249.9**	**68.3**	**347.3**	**242.3**	**105.0**	**366.7**	**261.1**	**105.6**
Transportation	21.6	74.6	(53.0)	23.7	72.2	(48.5)	36.2	75.0	(38.8)
Travel	234.1	81.0	153.1	238.5	81.5	157.0	258.7	85.1	173.6
Other Goods and Services	26.8	76.7	(49.9)	38.9	71.8	(32.9)	41.6	83.2	(41.6)
Govt. Goods and Services, N.I.E	35.6	17.6	18.0	46.2	16.9	29.3	30.2	17.8	12.4
Factor Income	**13.8**	**127.3**	**(113.5)**	**16.6**	**166.4**	**(149.8)**	**7.9**	**158.8**	**(150.9)**
Labour income	4.1	18.9	(14.8)	4.0	25.4	(21.4)	3.8	21.5	(17.7)
Investment Income	9.7	108.5	(98.8)	12.6	141.1	(128.5)	4.1	137.3	(133.2)
Current Transfers	**122.1**	**2.7**	**119.4**	**102.1**	**3.7**	**98.4**	**97.4**	**4.1**	**93.3**
Government	17.0	0.6	16.4	18.4	0.5	17.9	21.9	0.4	21.5
Private	105.1	2.1	103.0	83.6	3.2	80.4	75.4	3.7	71.7
Invisible Trade and Current Transfers	454.1	379.9	74.2	466.0	412.4	53.6	472.0	424.0	48.0

Income

Net income outflows rose modestly to $150.9mn as a contraction in wages for seasonal and border workers almost overshadowed a net increase in payments for interest, profits and dividends over the year. In the early part of the year, wages paid to non-resident citrus and banana workers declined as the agricultural sector reeled from damages inflicted by the October 2001 hurricane. On the other hand, a $7.8mn drop in the Central Bank's interest earnings on foreign deposit holdings more than offset a $3.8mn decline in interest payments (from $141.1mn to $137.3mn) that resulted from the restructuring of the public sector's external debt during the year. The latter was facilitated by the Bear Stearns international bond issue in August.

Current Transfers

Notwithstanding a $3.6mn increase in grants to the government, net current transfers declined by $5.1mn to $93.3mn reflecting reduced Western Union net settlements, lower inflows to religious and non-profit organisations and credit unions and a drop in overseas remittances.

Capital and Financial Accounts

A surplus of $22.9mn was recorded on the capital account (up from $2.3mn in 2001) as a result of debt forgiveness to the government and private sector. In addition to the reinstatement of the United Kingdom debt forgiveness programme in 2002, a loan of $16.0mn was written off for the citrus industry by a direct foreign investor as part of its sell-out package.

Table VI.11: Balance of Payments - Capital and Financial Accounts

$mn

	2000 Net	2001 Net	2002 Net
CAPITAL ACCOUNT	**-4.5**	**2.3**	**22.9**
General Government	0.6	0.6	5.9
Other Sectors	-5.1	1.8	17.0
FINANCIAL ACCOUNT	**417.8**	**355.8**	**289.4**
Direct Investment Abroad	0.0	0.0	0.0
Direct Investment in Belize	46.7	119.8	49.6
Portfolio Investment Assets	0.0	0.0	0.0
Portfolio Investment Liabilities	226.3	-29.7	253.2
Financial Derivatives Assets	0.0	0.0	1.7
Financial Derivatives Liabilities	0.0	0.0	0.0
Other Investment Assets	-93.5	7.8	14.3
Monetary Authorities	0.0	0.0	0.0
General Government	-22.1	-6.1	-8.0
Banks	-52.4	5.0	18.5
Other Sectors	-19.0	9.0	3.8
Other Investment Liabilities	238.4	257.9	-29.4
Monetary Authorities	83.6	-1.2	-66.0
General Government	113.6	245.2	-22.2
Banks	31.0	23.3	-2.8
Other Sectors	10.2	-9.3	61.6
CHANGES IN RESERVES	**-103.3**	**5.5**	**10.9**
(Minus = increase)			

Net inflows on the financial account totalled $289.4mn, compared to $355.8mn in 2001. The smaller surplus was due to a decline in direct foreign investment, the acceleration of payments abroad to holders of mortgage securities and loan prepayments by central government as part of the debt restructuring programme.

At $49.6mn, foreign direct investment was substantially below the $119.8mn realised in the previous year. Unlike 2001 when the privatization of the water and sewerage company attracted $49.6mn in foreign capital, no similar foreign investment occurred with the privatization of the port in 2002. In addition, lower levels of hotel investments and reinvested earnings (arising from larger payouts of profits and dividends) were reported.

Transactions involving portfolio investment liabilities swung from net outflows of $29.7mn in 2001 to net inflows of $253.2mn as repayments of $6.0mn on the Central Bank building bonds and $54.9mn on mortgage securities were set against inflows of $250mn (from the Bear Stearns bond issue) and $66.2mn from new mortgage securitization proceeds. Meanwhile, financial derivatives consisting of the US Dollar to Yen swap, yielded savings of $1.7mn.

Foreign investment holdings by general government rose by $8.0mn (largely due to the establishment of a sinking fund for the Salomon Smith Barney US$29.0mn bond that matures in 2005). However, a $22.3mn decline in the foreign holdings of commercial banks and other sectors during the year, generated a net outflow of $14.3mn under the 'other investment assets' account.

External loans declined by $29.4mn with incoming funds from loan disbursements to the private sector being largely offset by loan prepayments and regular amortization. Under its debt restructuring programme, the government prepaid loans amounting to $64.0mn and $133.2mn for the Central Bank and general government, respectively.

Official International Reserves

Gross official reserves fell by $10.9mn to $229.3mn during the year as reserves were drawn down to partially finance the current account deficit. Central Bank's holdings of foreign assets rose by $4.1mn,while central government's position decreased by $15.0mn. With foreign liabilities of $6.0mn, the net international reserves stood at $223.3mn, the equivalent of 3.2 months of imports.

Table VI.12: Official International Reserves

$mn

	Position as at			Changes during 2002
	Dec-00	Dec-01	Dec-02	
Gross Official International Reserves	**245.6**	**240.2**	**229.3**	**-10.9**
Central Bank of Belize	**229.4**	**208.4**	**212.5**	**4.1**
Holdings of SDRs	3.1	3.4	4.0	0.6
IMF Reserve Tranche	11	10.6	11.4	0.8
Other	215.3	194.4	197.1	2.7
Central Government	**16.3**	**31.8**	**16.8**	**-15.0**
Foreign Liabilities	**1.7**	**2.9**	**6.0**	**3.1**
CARICOM	0.2	0.6	1.5	0.9
Other	1.4	2.3	4.5	2.2
Net Official International Reserves	**243.9**	**237.3**	**223.3**	**-14.0**

Economic Prospects

The year 2003 should prove to be very challenging as the country copes with the global effects of the US-Iraq war and targeted fiscal and monetary controls aimed at positioning the economy for sustained and balanced growth.

Following a much needed respite from tropical storms and hurricanes, most industries, particularly in the agricultural sector, used 2002 to effect improvements and rehabilitations to boost performance in 2003.

While sugarcane deliveries should remain stable at 1.2mn long tons, sugar production is forecasted to increase by 3.2% to 115,000 long tons due to an anticipated improvement in the cane/sugar ratio from 10.33 to 10.00. Molasses output should consequently fall by 11.9% to 36,000 long tons, given its inverse relationship to sugar.

Facilitated by a larger export volume, greater penetration of the CARICOM market and possible appreciation of the Euro against the US dollar, sugar export revenues are forecasted to rise by 7.3% to $70.8mn. After enjoying an upswing in 2002, the price for molasses is expected to decline moderately in 2003, and along with a reduction in export volume, should cause export revenues to fall by 25.9% to $2.0m.

With yields still recovering from the residual effects of Hurricane Iris and productivity depressed by low input usage, citrus deliveries for the crop year are forecasted to expand modestly from the 5.3mn boxes realized in 2001/2002 to 5.8mn boxes in 2002/2003, consisting of 4.5mn boxes of oranges and 1.3mn boxes of grapefruit. Production of citrus juices should grow by 13.5% to 31.2mn pounds solid, assuming that farmers respond to the new payment incentives by achieving a higher yield of pound solid per box of fruit . Concentrates remain the flagship products, while NFC output, particularly for orange, should remain at 2002 levels. Production of freeze concentrate juices will be down slightly because of lower Asian demand.

With production up and some reorganization of sales and marketing efforts under the processor's new management team, citrus exports are forecasted to rise by 43.6% in volume to 37.2mn pound solids, matched by a 44.1% increase in value to $83.7mn.

Rapid field rehabilitation coupled with some replanting after the hurricane devastation has brought banana acreage to slightly over the 6,000 level and positioned the industry for a near doubling of production and exports. Export volume is anticipated to rise by 75.1% to 74,386 metric tons, an all time historic high, while export value, because of a $1.50 fall in the average box price, should grow by 31.6% to $53.3mn.

With a switch to emphasis on the large variety, papaya production and export volume should increase by 45.6% to 36.0mn pounds, while export value will almost double, moving from $15.9mn in

2002 to $28.7mn in 2003. It is expected that the large papaya will make up more than three-quarters of all shipments.

The marine sub-sector is also poised for substantial growth during 2003, with production more than doubling to 18.0mn pounds and export revenues almost doubling to $133.6mn from the $67.7mn realized in 2002. While exports of all marine products are expected to increase, farmed shrimp is the principal commodity driving the tremendous expansion. Exports of farmed shrimp are projected to reach 16.7mn pounds (more than doubling 2002's outturn) because of pond expansions and the extensive use of a Taura resistant shrimp. The latter should raise survival rates from an average of 30.0% to 60.0% or 70.0%. Export revenues should consequently increase from $50.3mn to a substantial $110.6mn, a much needed revenue recovery after the financial losses suffered in the recent past from hurricanes and disease. Finally, investments into Tilapia fish farming during 2002 should begin to bear fruit during 2003, as Tilapia output is expected to equal 1,300 tonnes with a value of $6.0mn. The Tilapia output is mostly for the export market.

Modest growth should occur in the secondary sector with manufacturing activity benefiting from the resurgence in sugar and citrus juice production. On the other hand, construction activity should slow with the wrap up of major construction projects from 2002 and a shift of emphasis to low cost housing projects by the government. With the construction of the Challilo Dam and the generating plant at Mile 8 on the Western Highway and on-going improvements by the water company, should result in modest growth in the electricity and water sub-sectors.

Growth in the services sector should be quite modest because of mixed performance in different activities. While the doubling of cruise ship arrivals should impact positively on transportation and trade services, the US-Iraq war and fears of terrorist reprisals may keep arrivals of stay-over tourists down and thereby restrain growth in the hotel and restaurant sub-sectors. The continuation of tightened fiscal controls should hold growth in government services down, as well. On the positive side, competition in the telecommunications market may increase the market size if prices improve and new customers are captured.

Inflation is expected to stay at approximately the same level as 2002 (between 2% to 3%) since rising fuel prices caused by the US-Iraq war are expected to keep overall prices high. The rate of unemployment will remain stable if the expansion in job opportunities keeps pace with growth in the work force.

In the monetary sector, the move to separate offshore deposits from onshore deposits should help to control credit and consumption growth. Consumption should also slow further as fiscal policy tightens in view of the government's committment to bring its deficit to within 3% of GDP.

Administration

The Board of Directors

The Board of Directors held 10 meetings in 2002 and considered 80 submissions.

Overseas Meetings

The Governor, Deputy Governors and other staff represented the country and the Bank at various meetings during the course of 2002, some of which are shown in Box 8.

Finance

The Central Bank's financial statements for the year ended December 31, 2002 along with comparative figures for the previous year are annexed to this report. During the year, the total assets of the Bank decreased by 19.8% to $325.3mn with external assets rising by 2.0% to $212.5mn, whilst domestic assets shrank by 41.6% to $112.7mn.

At year's end, the net operating surplus amounted to $3.1mn as compared to $4.7mn in 2001. Gross earnings totaled $17.7mn and consisted of $15.4mn in interest income and $2.3mn in commissions and other income. Current expenditure totaled $14.6mn with staff costs, interest payments and other operating costs accounting for 30.5 %, 40.0%, 29.5%, respectively.

Approximately $0.3mn or 10% of the net operating surplus will be paid into the Central Bank's General Reserve Fund in accordance with Section 9(1) of the Central Bank Act. The remaining balance of $2.8mn will be transferred to the Accountant General for the Government of Belize's Consolidated Revenue Fund.

Internal Audit Activities

In view of the recent high profile international financial scandals that were linked to lax accounting and auditing standards, the Central Bank enhanced its own internal audit system by providing specialized training in fraud detection, auditing in a modern banking environment and sound practices for the management and supervision of operational risk.

In addition to the annual programmed audit of internal processes and systems to ensure adequate internal controls, assistance was provided to the Central Bank's Staff Club and Pension Fund Board of Trustees. In the former case, assistance was given to the Staff Club in re-defining the roles and functions of executive officers, while in the latter case, assistance was provided in the implementation of the Pension Deeds and Rules.

The Audit Committee reviewed proposals for amendment to the Abandoned Property Legislation along with other Central Bank operational guidelines. The suggested amendments were vetted by the Bank's legal counsel and subsequently submitted to the Board of Directors for its decision. Other

Box 8: Meetings Attended by the Governor and Deputy Governors during 2002

Name of Meeting/Conference	Month	Place
Annual Meeting of Central Bank Governors	February	Barbados
CDB Board of Directors Meeting	March	Barbados
Annual Meeting of Board of Governors IDB and IIC	March	Fortaleza, Brazil
International Conference of Financing for Development	March	Monterrey, Mexico
Regional Course on Governance Arrangements and Communication Policies for Central Banks	April	Jamaica
XVI Meeting of IDB Governors of the Countries of the Central American Isthmus and the Dominican Republic	April	San Salvador
CDB Board of Governors Meeting	May	Grand Cayman
CEMLA Annual Governors' Meeting	May	Netherlands Antilles
32nd Annual Meeting of the Board of Governors of CDB	May	Grand Cayman
CARICOM Central Bank Governors Meetings	May	Nassau,Bahamas
2nd Annual Seminar for The World Bank/IMF/Federal Reserve System	June	Washington, D.C.
XI Cycle of Economic Lectures	June	Guatemala City
Bank of England's Central Bank Governors' Symposium, Bank for International Settlement's Annual General Meeting, and Commonwealth Secretaries Conference	July	London and Basel
CDB Board of Directors Meeting	July	Barbados
IMF/World Bank Annual Meeting	September	Washington, D.C.
CARTAC Steering Committee Meeting and 6th Meeting of the Council for Finance and Planning	September	St. Kitts & Dominica
CDB Board of Directors Meeting	October	Barbados
42nd Annual Governors Meeting of CABEI	October	Honduras
Bimonthly Meeting of Central Bank Governors	November	Mexico City
CARICOM Central Bank Governor's Meetings	November	Freeport, Bahamas
CDB Board of Directors Meeting	December	Barbados

matters of dispute that were long pending were also reviewed and submitted to the Board for decision.

Human Resources

In 2002, the Human Resources Department (HRD) sought to enhance operational efficiency by providing additional avenues for training, development and deployment of the Bank's staff. A key objective was to foster development of "*career central bankers*" with a view to raising overall performance and efficiency levels.

Staff Development & Training

Overseas training initiatives focused mainly on strengthening the Bank's economic intelligence arm. Seventeen staff members attended a total of twenty-four courses/workshops regionally and in the United States. Sixty-three members of staff had the opportunity to develop their grammar, writing, and administrative skills through both local and in-house training. Staff members were also trained in the use of a customized attendance system.

Subsequent to the Board of Directors' approval, measures were taken to restructure and strengthen the management and professional levels of the Bank in July. The structural changes resulted in the Deputy Governor (Operations) assuming additional responsibilities for human resources and security functions, the Deputy Governor (Economic Research) assuming responsibilities for financial sector supervision and receiving a change of title to Economic Intelligence to reflect the broadened responsibilities, the appointment of a Chief Economist/Manager for the Research Department, the amalgamation of the Human Resources and Administration Departments, and the establishment of a new post at the management level in the Financial Sector Supervision Department.

As part of the organizational strengthening, four newly created positions of Bank Examiners at the grade IV level were filled through the promotion of existing staff in other departments of the Bank.

Staffing

As at 31 December 2002, the Bank's staff complement was 136, comprising 98 permanent employees, 34 contract staff and 4 temporary persons. Total established positions rose from 120 in January (of which 113 positions were staffed) to 132 at 31 December 2002. This 10% increase was mainly the result of the structural changes to strengthen the management and professional levels of the Financial Sector Supervision and Research Departments.

A 4% improvement in staff turnover was recorded, with the ratio declining from 11% in 2001 to 7% in 2002. Nine separations occurred and 28 persons were hired over the year.

One notable separation occurred on 31 March 2002 when Mr. Keith Arnold completed his contractual term of office as Governor. Mr Arnold held the governorship for ten years and three months beginning in January 1992. His replacement was Mr. J. Meliton Auil who took office as the new Governor of the Central Bank on 1 April 2002.

In another notable occurrence, Ms. Cecile Reyes became the Central Bank's first retiree effective 31 October 2002. Ms. Reyes had been with the Bank for twenty years and retired as Manager of the Administration Department.

Staff Club

In keeping with its mandate, the Staff Club's executive committee organized several social functions during the year. These included a number of informal staff mixers to foster improved staff relations and cohesiveness, the annual *Family Day,* which was held in the southern part of Belize for the first time and a formal Christmas party.

Community Service

In 2002, the Bank continued its *Summer Employment Programme*, which is aimed at developing the skills of Belizean youths at the secondary and tertiary levels of education while affording some economic benefits. Eight students had the opportunity to perform work/study and get first hand experience of certain aspects of central banking over an average of three weeks. The Bank also participated in the University of Belize's Internship programme by permitting a senior student from the University to work at the Bank for credits towards a baccalaureate.

Last, though not least, the Central Bank sustained its tradition of active concern for less privileged Belizeans with staff members and the Bank making generous contributions to the *Salvation Army's Annual Christmas Appeal* as the year drew to a close.

OPERATIONS

Foreign Exchange Operations

Trade in US and Canadian dollars, and the British Pound Sterling netted $3.0mn for the Central Bank in 2002. Foreign currency purchases exceeded sales in four of the twelve months, (specifically, January, April, August and December) when inflows from mortgage securitization and loan disbursements were at their highest. During the remaining months, sales exceeded purchases by an average of $25.0mn. Trade in CARICOM currencies (largely in Barbados and Eastern Caribbean dollars) resulted in net outflows in each month with net sales totaling $3.19mn by the end of the year.

External Assets Ratio

Under section 25(2) of the Central Bank of Belize Act 1982, the Bank is required to maintain external asset reserves of not less than 40.0% of the aggregate amount of notes and coins in circulation and the Bank's liabilities to customers for sight and time deposits. The external assets were comprised of foreign notes, deposits with foreign central banks and correspondents banks abroad, securities of foreign governments and holdings of Special Drawing Rights at the International Monetary Fund. Supported by asset securitization inflows in December 2001, the external asset ratio started the year at 89.3% but declined thereafter to a low of 59.1% in August as outflows for external debt servicing and other public and private sector commitments exceeded inflows. Subsequent increases were facilitated by inflows from foreign bonds and commercial bank loan disbursements, which pushed the ratio to a high of 92.1% at the end of the year.

Table IX.1: Central Bank Dealings in Foreign Exchange 2002

$mn

Month	US & Canadian $ and UK £			CARICOM Currencies		
	Purchases	Sales	Net	Purchases	Sales	Net
January	49.6	25.3	24.3	0.10	0.44	(0.34)
February	11.7	50.6	(38.9)	0.12	0.38	(0.26)
March	15.1	42.1	(27.0)	0.01	0.36	(0.35)
April	83.7	39.2	44.4	0.01	0.33	(0.32)
May	33.2	55.8	(22.5)	0.07	0.25	(0.19)
June	22.9	58.5	(35.6)	0.01	0.36	(0.35)
July	12.2	28.9	(16.7)	0.05	0.20	(0.15)
August	258.3	192.3	66.0	0.01	0.19	(0.19)
September	53.6	61.3	(7.7)	0.20	0.18	0.02
October	9.6	49.1	(39.5)	0.00	0.32	(0.31)
November	10.3	22.6	(12.2)	0.01	0.02	(0.01)
December	130.5	62.0	68.5	0.01	0.76	(0.75)
Total	**690.7**	**687.7**	**3.0**	**0.59**	**3.78**	**(3.19)**

Table IX.2: External Assets Ratio 2002

Month	Assets $mn	Liabilities $mn	External Assets Ratio (%)
January	231.5	259.2	89.3
February	192.7	224.1	86.0
March	165.7	218.8	75.7
April	210.4	260.2	80.9
May	188.1	234.8	80.1
June	153.0	216.5	70.7
July	136.2	211.4	64.4
August	202.3	342.4	59.1
September	194.5	269.5	72.2
October	155.0	201.1	77.1
November	142.8	189.7	75.3
December	211.7	229.8	92.1

Relations with Commercial Banks

Cash Balances

Responding to a substantial liquidity overhang in the banking system, the Central Bank raised the cash reserve requirement of the commercial banks from 3% to 5% for average savings and time deposits, and from 5% to 7% for average demand deposit liabilities with effect from 26 September 2002. A further increase in the cash reserve requirement was effected on 26 October 2002, when the cash reserve requirements on average demand, savings and time deposit liabilities were harmonized at 6%. As expected, these measures contributed to a marked contraction in excess liquidity over the last four months of 2002.

Currency in circulation rose by $7.3mn to $132.7mn as, after fluctuating monthly and reaching a somewhat unusual low in October, the year ended with the expected peak in December. Of the total

Table IX.3: Commercial Bank Balances with the Central Bank

$mn

Month	Average Deposit Liabilities	Required Cash Reserves	Actual Cash Holdings	Excess
January	985.5	35.9	94.7	58.9
February	993.8	36.1	90.1	54.0
March	1,000.1	36.3	94.2	57.9
April	1,008.2	36.7	97.8	61.1
May	1,023.3	37.4	92.8	55.5
June	1,037.2	37.7	83.0	45.3
July	1,037.4	37.6	81.5	43.9
August	1,044.2	37.9	80.3	42.4
September	1,070.8	60.6	73.9	13.3
October	1,054.6	63.3	68.5	5.2
November	1,025.0	61.5	72.1	10.6
December	1,015.2	60.9	64.4	3.5

Table IX.4: Currency in Circulation 2002

$mn

Month	Notes	Coins	Total	Commercial Bank Vault Cash	Currency with the Public
January	103.9	11.2	115.1	17.0	98.1
February	105.9	11.2	117.1	18.8	98.3
March	111.6	11.3	122.9	15.4	107.5
April	107.0	11.4	118.4	10.1	101.3
May	107.5	11.4	118.9	14.7	104.2
June	105.7	11.5	117.2	14.4	102.8
July	104.4	11.5	115.9	18.7	97.2
August	105.7	11.6	117.3	15.9	101.4
September	104.5	11.7	116.2	16.9	99.3
October	103.2	11.7	114.9	19.4	95.5
November	107.4	11.7	119.1	16.9	102.2
December	120.7	11.9	132.6	25.8	106.8

increase, some $5.8mn was in the form of vault cash holdings, the remaining $1.6mn being added to holdings by the public, which rose to $106.8mn.

Total notes and coins in circulation at the end of the year stood at $120.7mn and $11.9mn, respectively.

Transactions with Central Government

Under Section 34 of the Central Bank of Belize Act, 1982 as amended in 1993, the Bank may extend advances to Government up to a maximum of 20% of current revenue collected during the preceding financial year or a sum of $50.0 million, whichever is greater.

Table IX.5: Central Bank Credit to Central Government

$mn

Month	Treasury Bills	Treasury Notes	Defence Bonds	Overdraft Facility	A	B
January	0.0	0.02	10.0	26.1	0.45	7.71
February	0.0	0.02	10.0	31.1	0.45	9.20
March	0.0	0.02	10.0	54.0	0.45	15.95
April	0.0	0.02	10.0	52.1	0.45	12.87
May	0.0	0.02	10.0	45.4	0.45	11.22
June	0.0	0.02	10.0	62.7	0.45	15.50
July	0.0	0.02	10.0	71.1	0.45	17.56
August	0.0	0.02	10.0	66.7	0.45	16.47
September	1.5	0.02	10.0	70.5	0.45	17.42
October	49.9	0.02	10.0	42.2	0.45	10.43
November	44.1	0.02	10.0	42.3	0.45	10.46
December	54.1	0.00	10.0	0.0	2.89	0.00

A: Central Bank Holdings of Government Securities as a multiple of Central Bank's paid up Capital and Reserves.

B: Adavnce to Government as a percentage of Government's estimated recurrent revenue of the previous fiscal year.
Estimated for FY 2001/2002 $369.7mn (Revised) Estimated for FY 2002/2003 $404.8mn

Table IX.6: Government of Belize Treasury Bill Issues

Issue Number	Issue Date	Subscription $mn	Allotment $mn	Average Discount (%)	Average Yield (%)	Maturity Date
1/2002	03/01/02	34.3	15.4	4.41	4.46	04/04/02
2/2002	31/01/02	30.1	13.2	4.42	4.47	02/05/02
3/2002	14/02/02	13.4	5.8	4.24	4.28	16/05/02
4/2002	13/03/02	67.6	35.6	3.72	3.75	12/06/02
5/2002	04/04/02	38.7	15.4	3.47	3.50	04/07/02
6/2002	02/05/02	35.6	13.2	3.47	3.50	01/08/02
7/2002	16/05/02	13.4	5.8	3.47	3.50	15/08/02
8/2002	12/06/02	46.4	35.6	3.47	3.50	11/09/02
9/2002	04/07/02	40.9	15.4	3.25	3.28	03/10/02
10/2002	01/08/02	25.0	13.2	3.25	3.28	31/10/02
11/2002	15/08/02	14.4	5.8	3.25	3.28	14/11/02
12/2002	11/09/02	56.6	35.6	3.25	3.28	11/12/02
13/2002	03/10/02	45.4	45.4	2.98	3.00	02/01/03
14/2002	31/10/02	13.2	13.2	2.98	3.00	30/01/03
15/2002	14/11/02	5.8	5.8	3.22	3.25	13/02/03
16/2002	11/12/02	35.6	35.6	3.22	3.25	12/03/02

In this case, twenty percent of the preceding year's current revenue mounted to $80.95 million, which formed the upper threshold of Central Bank advances to the Government for 2002. These advances peaked at $71.1 million during the month of July but declined in the latter part of the year following the issuance of an additional $30.0mn in Treasury Bills and other inflows from the privatization of the Port and external loans. As a result, the Government was able to reduce its overdraft balance with the Central Bank to zero by year-end.

Treasury Bills

The Central Bank carried out Treasury bill operations on the Government's behalf in a market that continued to be dominated by the commercial banks in 2002. Subsequent to the reinstatement of the bidding process in December 2001, the average discount rate exhibited a generally downward trend, bottoming out at 2.98% in October before beginning to move upward again. In October, the statutory limit on the Treasury bill issue was raised by $30.0mn to $100.0mn and total bills outstanding at 31 December 2002 stood at the legal maximum.

Treasury Notes

Under the 1993 amendment to the Treasury Bill Act, the Government of Belize may issue up to $25.0 million in Treasury Notes. These notes have a one-year maturity period and carry a 9% interest rate. At the end of 2002 total Treasury Notes outstanding amounted to $25.0 million, all of which were held by private sector institutions and individuals.

Supervision of the Financial Sector

Three unrestricted "A" Class International Banking Licenses were issued in 2002, bringing the total number of offshore banks licensed in Belize to seven. Of these, six operate under "A" class licenses and are Provident Bank and Trust of Belize Ltd, Investment & Commerce Bank Ltd, Oxxy Bank Ltd, Handels Bank and Trust Company Ltd, Atlantic International Bank Ltd and Elca International Bank and Trust Ltd. Market Street Bank Ltd carried out offshore business as well, but under a restricted "B" class license. The Central Bank also issued a domestic banking license to FirstCaribbean International Bank (Barbados) Limited, which took over the operations of Barclays Bank PLC's branches in Belize.

As in previous years, general supervision of the banks entailed both on and off-site surveillance. In 2002, the former consisted of three full scope examinations and one limited scope examination. These examinations used the standard CAMEL analytical framework that focuses on the capital adequacy, asset quality, management, earnings and liquidity of the banks with a view to ensuring their continued soundness and compliance with the provisions of the Banks and Financial Institutions Act (BFIA) and the International Banking Act (IBA). Off-site surveillance methods involved the analysis on a continuous basis of the weekly and quarterly returns submitted by the domestic and international banks. Trends and changes in the financial environment were also monitored and assessed to determine their actual or potential impact on the financial sector.

On several occasions during the year, commercial banks sought Central Bank permission to grant specific loans since they are prohibited from extending total credit facilities that exceed 25% of paid-up or assigned capital and reserves to a single borrower without Central Bank approval. In response to such applications, the Central Bank granted six approvals for large credit exposures that totaled $231.5mn, some 154.7% above the level approved in 2001.

In other developments, the Offshore Banking Act (OBA) was amended effective October 5, 2002 with a view to increasing its conformity with BASLE core principles. In addition to changing its name to the International Banking Act (IBA), and replacing the term "Offshore Banks" with "International Banks", a new clause was inserted which mandates these banks to seek Central Bank permission where loans in excess of 25% of their fully paid-up and unimpaired capital and reserves are concerned. The Central Bank subsequently approved four applications for large credit exposures totalling US$37.0mn during the period October to December 2002. Section 3(4)a of the Act was also amended to expand the clientele of the international banks, (hitherto restricted to non-residents), to include domestic companies with EPZ status though any loan to the latter in excess of US$1.0 mn will require Central Bank approval.

In other efforts to maintain the health of the financial system, the Central Bank conducted its first ever inspection of a building society in 2002. In doing so, the Bank was exercising the authority granted under Statutory Instrument (SI) No. 50 of 2000, which specifically places building societies within the regulatory scope of the Central Bank, requiring these institutions to file financial statements (and other returns if requested) with the Central Bank and empowering the Bank to periodically examine their books and records.

Another notable development occurred on September 16 when the Financial Intelligence Unit Act 2002 came into force, a piece of legislation that set the stage for the establishment of the Financial Intelligence Unit. As a new statutory body, the FIU assumed the role of supervisory authority under the Money Laundering (Prevention) Act and took over responsibilities and functions that had been previously assigned to the Central Bank.

Information Systems Developments

During 2002, the IS Unit continued and completed the testing process for the Fixed Assets module of the Prophecy Open financial application enabling its full implementation to take place in June. The Unit also oversaw the acquisition of a disaster/ recovery license for the Prophecy Open database, which was subsequently installed on a back-up server. In addition, work was done to upgrade all computer workstations to the Windows 2000 operating system and update anti-virus software on all workstations and servers.

In-house development of two new systems was successfully undertaken in response to the needs of the Bank's Research Department. These included a system to capture and analyze information on purchases and sales of foreign exchange by Casas de Cambio and one that facilitates the recording of foreign exchange receipts, utilization and sales data that are submitted by the tourism sector. Software was also developed to assist the Human Resources Dept. in monitoring employee attendance with a view to identifying the personnel that qualify for the perfect attendance bonus.

After the Bank's pre-existing dial-up internet connection was replaced by a dedicated line, the Unit oversaw the installation of third party proxy software to share the dedicated Internet connection and protect the computers that are connected to the internet. A firewall was also installed to protect the Bank's e-mail server and internet servers as well as the corporate network.

As part of its ongoing work to facilitate the development of a web site for the Central Bank, the Unit ensured that the domain name "centralbank.org.bz" was registered in the first part of the year and put in place an interim website with the address www.centralbank.org.bz.

STATISTICAL APPENDIX

Table 1: Gross Domestic Product (GDP) by Industrial Origin

$mn

	1998	1999	2000	2001	2002
Primary Industries	**205.8**	**230.8**	**259.8**	**241.0**	**249.0**
Agriculture & forestry	160.2	173.2	188.5	170.6	174.0
Fishing	39.0	50.4	62.2	60.9	65.9
Mining	6.7	7.2	9.0	9.4	9.0
Secondary Industries	**232.7**	**237.6**	**298.7**	**297.9**	**304.9**
Manufacturing	130.6	131.8	159.2	155.4	155.2
Electricity & Water	51.4	46.6	56.7	60.4	62.1
Construction	50.7	59.2	82.8	82.1	87.6
Tertiary Industries	**775.1**	**850.5**	**944.0**	**1,017.5**	**1,101.4**
Wholesale & retail trade	213.3	236.8	272.2	289.2	302.8
Hotels & restaurants	47.1	52.1	58.5	66.8	68.4
Transport & Communications	114.8	127.3	141.1	158.9	187.0
Finance intermediation	68.7	84.9	108.3	110.0	122.8
Real estate & business services	90.5	100.0	98.2	112.0	124.8
Community, social & other services	93.7	96.8	100.7	105.4	109.4
General government services	147.0	152.5	165.0	175.2	186.1
Less: Financial Services Indirectly Measured	**33.1**	**37.7**	**45.5**	**55.2**	**62.3**
All Industries at basic prices	**1,180.6**	**1,281.2**	**1,457.1**	**1,501.2**	**1,592.9**
Taxes less subsidies on products	202.4	187.6	208.6	236.9	263.7
GDP at market prices	**1,382.9**	**1,468.9**	**1,665.6**	**1,738.1**	**1,856.6**

Source: Central Statistical Office

Table 2: Percentage Share Of GDP By Industrial Sector at Current Prices *

	1998	1999	2000	2001	2002
Primary Industries	**14.9**	**15.7**	**15.6**	**13.9**	**13.4**
Agriculture & forestry	11.6	11.8	11.3	9.8	9.4
Fishing	2.8	3.4	3.7	3.5	3.5
Mining	0.5	0.5	0.5	0.5	0.5
Secondary Industries	**16.8**	**16.2**	**17.9**	**17.1**	**16.4**
Manufacturing	9.4	9.0	9.6	8.9	8.4
Electricity & Water	3.7	3.2	3.4	3.5	3.3
Construction	3.7	4.0	5.0	4.7	4.7
Tertiary Industries	**56.0**	**57.9**	**56.7**	**58.5**	**59.3**
Wholesale & retail trade	15.4	16.1	16.3	16.6	16.3
Hotels & restaurants	3.4	3.5	3.5	3.8	3.7
Transport & Communications	8.3	8.7	8.5	9.1	10.1
Finance intermediation	5.0	5.8	6.5	6.3	6.6
Real estate & business services	6.5	6.8	5.9	6.4	6.7
Community, social & other services	6.8	6.6	6.0	6.1	5.9
General government services	10.6	10.4	9.9	10.1	10.0
Less: Financial Services Indirectly	**2.4**	**2.6**	**2.7**	**3.2**	**3.4**
All Industries at basic prices	**85.4**	**87.2**	**87.5**	**86.4**	**85.8**
Taxes less subsidies on products	14.6	12.8	12.5	13.6	14.2
GDP at market prices	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Central Statistical Office

* Figures in Table 1 may not reflect these percentages due to rounding

Table 3: Real Gross Domestic Product by Industrial Origin at Factor Cost (2000=100)

$mn

	1998	1999	2000	2001	2002
Primary Industries	**210.6**	**232.7**	**259.8**	**260.8**	**263.3**
Agriculture & forestry	165.1	175.4	188.5	185.6	192.4
Fishing	38.6	50.0	62.2	65.8	62.1
Mining	6.8	7.3	9.0	9.3	8.8
Secondary Industries	**219.5**	**239.5**	**298.7**	**296.0**	**301.3**
Manufacturing	120.6	128.4	159.2	157.8	157.5
Electricity & Water	47.7	51.6	56.7	56.9	58.2
Construction	51.1	59.6	82.8	81.4	85.6
Tertiary Industries	**793.0**	**856.0**	**944.1**	**1,019.7**	**1,089.0**
Wholesale & retail trade	222.5	242.9	272.2	292.6	304.6
Hotels & restaurants	47.2	52.9	58.5	66.4	68.0
Transport & Communications	112.0	125.3	141.1	157.7	175.4
Finance intermediation	68.3	79.7	108.3	115.4	135.4
Real estate & business services	91.7	101.1	98.2	110.8	121.5
Community, social & other services	97.1	99.1	100.7	102.2	104.9
General government services	154.2	155.0	165.0	174.6	179.3
Less: Financial Services Indirectly Measured	**33.8**	**36.2**	**45.5**	**57.2**	**68.1**
All Industries at basic prices	**1,189.2**	**1,292.0**	**1,457.1**	**1,519.4**	**1,585.6**
Taxes less subsidies on products	177.5	194.2	208.6	228.3	236.5
GDP at market prices	**1,366.7**	**1,486.2**	**1,665.6**	**1,747.8**	**1,822.0**

Source: Central Statistical Office

Table 4: Annual Percent Change In GDP By Sector at Constant 2000 Prices *

	1998	1999	2000	2001	2002
Primary Industries	**2.3**	**10.5**	**11.6**	**0.4**	**1.0**
Agriculture & forestry	(1.8)	6.2	7.5	(1.5)	3.7
Fishing	24.6	29.3	24.4	5.8	(5.6)
Mining	3.5	7.4	23.3	3.3	(5.4)
Secondary Industries	**(2.4)**	**9.1**	**24.7**	**(0.9)**	**1.8**
Manufacturing	(3.8)	6.5	24.0	(0.9)	(0.2)
Electricity & Water	1.2	8.2	9.9	0.4	2.3
Construction	(2.3)	16.6	38.9	(1.7)	5.2
Tertiary Industries	**5.5**	**7.9**	**10.3**	**8.0**	**6.8**
Wholesale & retail trade	7.1	9.2	12.1	7.5	4.1
Hotels & restaurants	16.8	12.1	10.6	13.5	2.4
Transport & Communications	5.3	11.9	12.6	11.8	11.2
Finance intermediation	11.6	16.7	35.9	6.6	17.3
Real estate & business services	(1.4)	10.3	(2.9)	12.8	9.7
Community, social & other services	1.8	2.1	1.6	1.5	2.6
General government services	4.6	0.5	6.5	5.8	2.7
Less: Financial Services Indirectly Measured	**12.1**	**7.1**	**25.7**	**25.7**	**19.1**
All Industries at basic prices	**3.2**	**8.6**	**12.8**	**4.3**	**4.4**
Taxes less subsidies on products	7.2	9.4	7.4	9.4	3.6
GDP at market prices	**3.7**	**8.1**	**12.1**	**4.9**	**4.3**

Source: Central Statistical Office

* Figures in Table 3 may not reflect these percentages due to rounding

Table 5: GDP by Expenditure in Current Prices

	1998	1999	2000	2001	2002
GDP in $mn					
Govt. final consumption expenditure	197.5	197.9	215.3	229.3	250.4
Private final consumption expenditure	1,074.3	1,139.8	1,252.1	1,362.4	1,470.5
Gross capital formation	259.0	360.4	477.0	436.9	420.6
Changes in inventories including discrepancy	3.8	(0.1)	55.9	(6.2)	23.0
Gross Domestic Expenditure	**1,534.5**	**1,698.1**	**2,000.3**	**2,022.5**	**2,164.6**
Exports: goods & services	724.6	806.8	865.8	881.3	974.2
Imports: goods & services	784.5	987.1	1,226.0	1,204.9	1,233.4
Net Exports	(59.9)	(180.3)	(360.2)	(323.6)	(259.2)
Discrepancy	(91.7)	(49.1)	25.6	39.1	(48.9)
GDP market prices	**1,382.9**	**1,468.8**	**1,665.6**	**1,738.1**	**1,856.6**
Percent Distribution of GDP					
Govt. final consumption expenditure	14.3	13.5	12.9	13.2	13.5
Private final consumption expenditure	77.7	77.6	75.2	78.4	79.2
Gross capital formation	18.7	24.5	28.6	25.1	22.7
Exports: goods & services	52.4	54.9	52.0	50.7	52.5
Imports: goods & services	56.7	67.2	73.6	69.3	66.4
Net Exports	(4.3)	(12.3)	(21.6)	(18.6)	(14.0)
GDP market prices	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Table 6: GDP by Expenditure in Constant 2000 Prices

	1998	1999	2000	2001	2002
GDP in $mn					
Govt. final consumption expenditure	205.7	200.7	215.3	228.2	241.6
Private final consumption expenditure	1,070.8	1,161.7	1,252.1	1,377.1	1,466.7
Gross capital formation	266.2	364.4	477.0	439.7	419.1
Changes in inventories including discrepancy	3.9	(0.7)	55.9	(5.3)	24.0
Gross domestic expenditure	**1,546.6**	**1,726.1**	**2,000.3**	**2,039.7**	**2,151.4**
Exports: goods & services	717.8	811.0	865.8	923.2	1,006.8
Imports: goods & services	819.3	1,020.9	1,226.0	1,228.6	1,275.2
Net Exports	(101.5)	(209.9)	(360.2)	(305.4)	(268.4)
Discrepancy	(78.3)	(30.0)	25.6	13.5	(61.0)
GDP market prices	**1,366.7**	**1,486.2**	**1,665.6**	**1,747.7**	**1,822.0**
Percent Distribution of GDP					
Govt. final consumption expenditure	15.1	13.5	12.9	13.1	13.3
Private final consumption expenditure	78.3	78.2	75.2	78.8	80.5
Gross capital formation	19.5	24.5	28.6	25.2	23.0
Exports: goods & services	52.5	54.6	52.0	52.8	55.3
Imports: goods & services	59.9	68.7	73.6	70.3	70.0
Net Exports	(7.4)	(14.1)	(21.6)	(17.5)	(14.7)
GDP market prices	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Central Statistical Office

Table 7: Net Domestic Credit

$mn

	Position as at			Changes During 2002
	Dec 2000	Dec 2001	Dec 2002	
Total Credit to Central Government	**149.8**	**166.0**	**126.8**	**-39.2**
From Central Bank	**62.7**	**78.2**	**63.8**	**-14.4**
Loans and Advances	45.0	65.5	0.0	-65.5
Gov't Securities	17.7	12.7	63.8	51.1
From Commercial Banks	**87.1**	**87.8**	**63.0**	**-24.9**
Loans and Advances	1.0	0.0	6.6	6.6
Gov't Securities	86.1	87.8	56.4	-31.4
Less Central Government Deposits	**107.9**	**55.1**	**96.4**	**41.3**
With Central Bank	91.9	47.0	83.6	36.6
With Commercial Banks	16.0	8.1	12.8	4.7
Net Credit to Central Government	**41.9**	**110.9**	**30.4**	**-80.5**
Credit to Other Public Sector	**94.5**	**97.0**	**29.5**	**-67.5**
From Central Bank	84.2	84.0	15.0	-69.0
From Commercial Banks	10.3	13.0	14.5	1.5
Plus Credit to the Private Sector	**686.1**	**778.4**	**891.3**	**112.9**
Loans and Advances	684.6	775.9	888.8	112.9
Securities	1.5	2.5	2.5	0.0
Net Domestic Credit of the Banking System	**822.5**	**986.3**	**951.2**	**-35.1**

Table 8: Gross Imports (CIF) by SITC Categories

$mn

	1998	1999	2000.0	2001.0	2002
Food and Live Animals	99.3	107.1	106.3	118.8	107.80
Beverages and Tobacco	9.8	11.0	7.5	7.7	8.30
Crude Materials	3.8	5.4	8.0	11.6	7.50
Fuels and Lubricants	70.5	125.9	170.1	159.7	139.3
of which electricity	2.4	7.2	15.0	16.9	23.80
Animal and Vegetable Oils	3.6	3.8	4.0	3.2	3.10
Chemicals and Related Products	63.3	73.1	84.8	71.7	85.00
Manufactured Goods	113.5	113.1	143.8	136.2	128.20
Machinery and Transport Equipment	152.2	200.4	237.1	230.5	208.50
Miscellaneous Manufactured Goods	75.1	86.5	64.5	75.9	80.50
Commodities & Transactions N.E.C	3.9	20.2	104.1	91.7	83.40
Total	**595.0**	**746.5**	**930.2**	**907.0**	**851.6**
Commercial Free Zone	N.A	N.A	114.5	132.0	221.3
Grand Total	**595.0**	**746.5**	**1,044.7**	**1,039.0**	**1,072.9**

Table9: Balance Of Payments Summary

$mn

	2000	2001	2002
CURRENT ACCOUNT	**-330.9**	**-370.0**	**-328.5**
Goods: Exports f.o.b.	563.6	538.1	619.4
Goods: Imports f.o.b.	-968.8	-961.6	-995.9
Trade Balance	-405.2	-423.5	-376.5
Services: Credit	318.2	347.3	366.7
Transportation	21.6	23.7	36.2
Travel	234.1	238.5	258.7
Other Goods & Services	26.8	38.9	41.6
Gov't Goods & Services	35.6	46.2	30.2
Services: Debit	-249.9	-242.3	-261.1
Transportation	-74.6	-72.2	-75.0
Travel	-81.0	-81.5	-85.1
Other Goods & Services	-76.7	-71.8	-83.2
Gov't Goods & Services	-17.6	-16.9	-17.8
Balance on Goods & Services	-336.9	-318.5	-270.8
Income: Credit	13.8	16.6	7.9
Compensation of Employees	4.1	4.0	3.8
Investment Income	9.7	12.6	4.1
Income: Debit	-127.3	-166.4	-158.8
Compensation of Employees	-18.9	-25.4	-21.5
Investment Income	-108.5	-141.1	-137.3
Balances on Goods, Services & Income	-450.4	-468.3	-421.8
Current Transfers: Credit	122.1	102.1	97.4
Current Transfers: Debit	-2.7	-3.7	-4.1
CAPITAL ACCOUNT	**-4.5**	**2.3**	**22.9**
Capital Account: Credit	3.7	4.9	25.1
Capital Account: Debit	-8.2	-2.5	-2.2
FINANCIAL ACCOUNT	**417.8**	**355.8**	**289.4**
Direct Investment Abroad	0.0	0.0	0.0
Direct Investment in Belize	46.7	119.8	49.6
Portfolio Investment Assets	0.0	0.0	0
Portfolio Investment Liabilities	226.3	-29.7	253.2
Financial Derivatives Assets	0.0	0.0	1.7
Financial Derivatives Liabilities	0.0	0.0	0.0
Other Investment Assets	-93.5	7.8	14.3
Other Investment Liabilities	238.4	257.9	-29.4
NET ERRORS & OMISSIONS	**20.9**	**6.4**	**5.4**
OVERALL BALANCE	**103.3**	**-5.5**	**-10.9**
RESERVE ASSETS	**-103.3**	**5.5**	**-10.9**
(Minus = increase)			

Table 10: Government of Belize - Revenue and Expenditure

$'000

	Fiscal Year 2001/2002	Estimated Budget 2002/2003	Jan-Dec 2000	Jan-Dec 2001	Jan-Dec 2002
TOTAL REVENUE & GRANTS (1+2+3)	**441,689**	**446,143**	**415,973**	**458,653**	**524,933**
1).Current revenue	402,376	390,036	349,796	372,057	425,759
Tax revenue	326,111	352,611	286,576	322,253	354,036
Income and profits	76,987	85,325	74,149	77,626	78,025
Taxes on property	2,764	5,401	2,036	2,641	2,724
Taxes on goods and services	107,947	117,357	99,863	107,397	111,447
Int'l trade and transactions	138,413	144,528	110,528	134,589	161,840
Non-Tax Revenue	76,265	37,425	63,220	49,804	71,723
Property income	1,777	4,000	2,039	1,777	3,323
Contributions to pension fund	0	515	411	0	0
Transfers from NFPE's	250	500	5,411	500	500
Repayment of old loans	40,028	3,635	13,739	11,409	31,927
Other	34,210	28,775	41,620	36,118	35,973
2). Capital revenue	21,101	41,650	49,167	73,833	67,523
3). Grants	18,212	14,457	17,010	12,763	31,651
TOTAL EXPENDITURE (1+2)	**622,608**	**491,596**	**555,838**	**601,071**	**594,685**
1). Current Expenditure	338,080	331,491	308,367	333,669	334,374
Wages and Salaries	163,577	168,859	152,510	162,196	167,519
Pensions	24,994	22,393	20,731	22,594	25,115
Goods and Services	66,851	60,131	72,698	66,839	61,597
Interest Payments on Public Debt	53,634	54,538	36,403	53,875	52,687
Subsidies & current transfers	29,024	25,570	26,025	28,165	27,456
2). Capital Expenditure	284,528	160,105	247,471	267,402	260,311
Capital II (local sources)	122,200	63,295	69,420	81,640	108,771
Capital III (foreign sources)	125,311	94,231	178,051	148,745	134,840
of which Hurricane ERF	36,965		20,272	57,776	7,821
Capital Transfer & Net Lending	37,017	2,579	0	37,017	16,700
CURRENT BALANCE	**64,296**	**58,545**	**41,429**	**38,388**	**91,385**
OVERALL BALANCE	**(180,919)**	**(45,453)**	**(139,865)**	**(142,418)**	**(69,752)**
balance excluding Hurricane ERF	(143,954)	(45,453)	(119,593)	(84,642)	(61,931)
FINANCING	**180,919**	**45,453**	**139,865**	**142,418**	**69,752**
Domestic Financing	100,339	(2,434)	(73,955)	72,691	(213,788)
Central Bank	98,280		(68,606)	61,868	(52,728)
Net Borrowing	6,128		(5,060)	15,470	(14,360)
Change in Deposits	92,152		(63,546)	46,398	(38,368)
Commercial Banks	390		(4,415)	8,927	(29,195)
Net Borrowing	(3,157)		7,004	756	(24,891)
Change in Deposits	3,547		(11,419)	8,171	(4,304)
Transaction with DFC (debt)					(137,911)

Table 11: Central Government's Domestic Debt

$'000

	Disbursed Outstanding Debt 31/12/2001	Transactions During 2002: Disbursement/ New Issues of Securities	Amortization/ Reduction in Securities	Interest Payment	Net Change in Overdraft/ Securities	Disbursed Outstanding Debt 31/12/2002
Overdraft	**65,503**	**-**	**-**	**5,596**	**(63,913)**	**1,590**
Central Bank	65,473	-	-	5,596	(65,473)	-
Commercial Banks	30	-	-	-	1,560	1,590
Treasury Bills	**70,000**	**30,000**	**-**	**2,621**	**30,000**	**100,000**
Central Bank	495	30,000	-	136	53,300	53,795
Commercial Banks	64,575	-	-	2,124	(31,451)	33,124
Other	4,930	-	-	361	8,151	13,081
Treasury Notes *	**24,000**	**-**	**-**	**959**	**-**	**24,000**
Commercial Banks	23,269	-	-	930	-	23,269
Other	731	-	-	29	-	731
Defence Bonds	**15,000**	**-**	**-**	**429**	**-**	**15,000**
Central Bank	10,000	-	-	425	-	10,000
Commercial Banks	100	-	-	4	-	100
Other	4,900	-	-	-	-	4,900
Debentures	**6,200**	**-**	**6,200**	**310**	**(6,200)**	**-**
Central Bank	2,170	-	2,170	109	(2,170)	-
Other	4,030	-	4,030	201	(4,030)	-
Loans	**30,077**	**5,000**	**1,447**	**1,605**	**-**	**33,630**
DFC (Debt Restructuring)	9,322	-	429	688	-	8,893
BSSB (Housing)	721	-	13	71	-	708
BBL (Cohune Walk)	3,387	-	206	537	-	3,181
GOB/US Debt Swap	16,647	-	799	309	-	15,848
BBL (Infrastructure dev.)	-	5,000	-	-	-	5,000
TOTAL	**210,780**	**35,000**	**7,647**	**11,520**	**(40,113)**	**174,220**

R = Revised
P = Provisional
* Since October of 1998 Treasury Notes are being subscribed to in $US.
They are now , therefore, considered part of Foreign Liabilities. How ever interest is still paid in local currency.

Table 12: Public Sector External Debt by Creditors

($'000)

	Disbursed Outstanding Debt 31/12/01	TRANSACTIONS DURING 2002 Disbursement	Amortization	Interest & Other Charges	Valuation Adjustments	Disbursed Outstanding Debt 31/12/02
CENTRAL GOVERNMENT	**682,151**	**475,251**	**153,670**	**41,474**	**5,554**	**1,009,286**
Caribbean Development Bank*	36,295	9,659	727	1,528	22	45,249
European Economic Community	15,316	-	542	129	2,772	17,546
Int'l Bank for Reconstruction Dev.	67,593	10,970	5,208	3,963	-	73,355
Int'l Fund for Agricultural Dev.	2,121	81	241	104	(3)	1,958
Gov't of United Kingdom	21,998	-	4,445	-	2,091	19,644
Gov't of Trinidad and Tobago	35	-	4	1	1	32
Gov't of United States of America**	11,772	-	1,283	414	-	10,489
Suppliers Credit	34,182	11,855	23,138	2,246	-	22,899
OPEC Fund for International Dev.	3,909	3,595	533	291	-	6,971
Government of China	290	-	58	-	-	232
Republic of China	142,620	47,774	6,729	6,922	-	183,665
Deutsche Bank of Germany	5,220	-	1,305	179	-	3,915
Fondo de Inversiones de Venezuela	3,580	-	1,019	115	-	2,561
Inter-American Development Bank	68,682	28,518	-	2,518	-	97,200
Government of Spain	830	-	611	12	109	328
Government of Kuwait	12,484	6,382	1,114	568	562	18,314
Citicorp Merchant Bank Ltd.	17,143	-	2,857	1,553	-	14,286
Citibank of Trinidad	22,286	-	3,429	2,118	-	18,857
Provident Bank & Trust	21,667	3,437	20,634	1,354	-	4,470
Solomon Smith Barney	52,030	-	-	5,384	-	52,030
Royal Merchant Bank	91,711	-	8,006	9,319	-	83,705
All First Bank of Maryland	6,387	4,200	6,387	204	-	4,200
International Bank Of Miami	44,000	89,434	65,400	1,953	-	68,034
KBC Bank	-	9,346	-	452	-	9,346
Bear, Stearns & Co. Inc	-	250,000	-	147	-	250,000
REST OF NON-FINANCIAL PUBLIC SECTOR	**39,598**	**3,294**	**3,187**	**2,463**	**281**	**16,164**
Caribbean Development Bank*	5,170	-	1,360	280	12	-
CIBC Bank & Trust Co.	7,937	-	1,171	877	-	6,766
Government of Kuwait	9,785	-	656	381	269	9,398
KBC Bank ***	16,706	3,294	-	925	-	-
FINANCIAL PUBLIC SECTOR	**251,430**	**3,691**	**136,198**	**11,757**	**4,630**	**123,553**
Caribbean Development Bank	47,017	2,356	2,542	1,952	19	46,850
European Economic Community	7,258	-	584	223	418	7,092
Paine Webber Real Estate Securities Inc	2,500	-	300	118	-	2,200
Gov't of United States of America	3,279	-	368	96	-	2,911
Citicorp Merchant Bank Ltd.	8,750	-	2,500	383	-	6,250
Citibank Trinidad & Tobago	20,750	-	8,500	1,635	-	12,250
International Bank of Miami	104,000		104,000	4,481	-	-
Deutsche Bank of Germany	25,782	-	4,969	1,192	4,193	25,006
Provident Bank & Trust	8,000	-	7,459	573	-	541
Private Export Funding Corporation	16,055	-	4,014	609	-	12,041
Commerz Bank of Belgium	5,650	-	565	387	-	5,085
CSSL/New Holland of Brazil	2,389	1,335	397	108	-	3,327
TOTAL	**973,179**	**482,236**	**293,055**	**55,694**	**10,465**	**1,149,003**

*Effective 31st March 2001, WASA loans were re-classified as private sector debt as a result of its full privatization.

** USAID Debt for Nature Swap Agreement as at 2nd August, 2001 was implemented on 30th November, 2001 for BZ $17,168

***Effective 31st December, 2002 BPA Loans of Bz $23.8 mn were re-classified as private sector debt as a result of its full privatization.

Outstanding external debt of privatized enterprises and Securitization proceeds remained as contingent liability of Central Government.

^^ Proceeds of the Bear Stearns bond (US$125 million) also assisted in the setting up of a US$20 million sinking fund the settle the Salomon Smith Barney bond in 2005.

AUDITOR'S REPORT

CENTRAL BANK OF BELIZE

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AUDITORS' REPORT
TO THE BOARD OF DIRECTORS OF
CENTRAL BANK OF BELIZE

We have audited the accompanying balance sheet of Central Bank of Belize as of 31 December 2002 and the related statements of income, and cash flows for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing as promulgated by the International Federation of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position of Central Bank of Belize as of 31 December 2002, and of the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards adopted by the International Accounting Standards Board.

KPMG

28 March 2003

CENTRAL BANK OF BELIZE
BALANCE SHEET AT 31 DECEMBER 2002 (CONT'D)

In Belize dollars.

LIABILITIES, CAPITAL AND RESERVES	**NOTES**	**2002**	**2001**
DEMAND LIABILITIES			
Notes and coins in circulation		132,673,605	125,280,374
Deposits by licensed financial institutions	12	57,007,542	80,718,126
Deposits by and balances due to Government and Public Sector Entities in Belize		34,944,093	64,942,478
Deposits by international agencies	13	4,464,131	2,315,732
		229,089,371	273,256,710
BALANCES DUE TO CARICOM CENTRAL BANKS		1,499,704	622,197
OTHER LIABILITIES	14	3,131,614	3,989,105
COMMERCIAL BANK DISCOUNT FUND	15	1,959,445	1,945,946
GOVERNMENT SINKING FUND	16	40,170,058	-
BELIZE CREDIT FACILITY	17	7,227,477	6,427,720
LOANS PAYABLE TO FOREIGN INSTITUTIONS	18	12,500,000	81,500,000
CONSTRUCTION BONDS	19	6,000,000	12,000,000
TOTAL LIABILITIES		301,577,669	379,741,678
REVALUATION ACCOUNT	2(c), 20	1,188,317	-
CAPITAL ACCOUNT			
Paid up capital (Authorized capital $10,000,000)		10,000,000	10,000,000
GENERAL RESERVE FUND	21	12,493,003	12,184,831
TOTAL LIABILITIES, CAPITAL AND RESERVES		325,258,989	401,926,509

______________) GOVERNOR
)
______________) DIRECTOR
)
______________) DEPUTY GOVERNOR OPERATIONS

The accompanying notes form an integral part of these financial statements.

CENTRAL BANK OF BELIZE
STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2002

In Belize dollars.

	NOTES	*2002*	*2001*
INCOME			
Interest			
Approved external assets		4,104,824	12,496,037
Advances to government		5,667,937	6,390,797
Local securities	2d	*801,527*	*1,019,755*
Loans to statutory bodies		4,408,738	5,949,401
		14,983,026	*25,855,990*
Discounts on local securities		350,654	7,474
Commission and other income		2,329,141	1,769,522
TOTAL INCOME		17,662,821	27,632,986
LESS: Interest expense		(5,826,802)	(14,471,156)
Income from operations		11,836,019	13,161,830
EXPENDITURE			
Printing of notes and minting of coins	2b	(1,017,542)	(1,008,735)
Salaries and wages, *including superannuation* contributions and gratuities	22	(4,315,727)	(4,032,096)
Depreciation		(813,121)	(796,090)
Administrative and general		(2,607,913)	(2,084,717)
Total expenditure		(8,754,303)	(7,921,638)
NET PROFIT		3,081,716	5,240,192
Transfer to revaluation account in accordance with section 49 of the Act		-	*(575,882)*
NET PROFIT TRANSFERABLE TO THE GENERAL RESERVE FUND AND CONSOLIDATED FUND		3,081,716	4,664,310
Transfer to general reserve fund in accordance with Section 9(1) of the Act	21	(308,172)	(466,431)
Balance credited to the accountant general for the consolidated revenue fund		2,773,544	4,197,879

The accompanying notes form an integral part of these financial statements.

CENTRAL BANK OF BELIZE
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2002

In Belize dollars.

CASH FLOWS FROM OPERATING ACTIVITIES:	**2002**	**2001**
Net profit transferred to the general reserve and consolidated fund	308,172	466,431
Adjustments to reconcile net profit to net cash provided by operating activities:		
Depreciation	813,121	796,090
Changes in assets and liabilities that provided (used) cash:		
Other assets	1,405,517	(444,582)
Other liabilities	(857,491)	(263,919)
Revaluation account	1,188,317	-
Loss/(gain) on disposal	-	(1,198)
Net cash provided by operating activities	2,857,636	552,822
CASH FLOWS FROM INVESTING ACTIVITIES:		
Belize Government current account	61,274,654	(18,051,304)
Loans to public sector	69,000,000	-
Repayment of loans by public sector	-	187,500
Acquisition of property and equipment	(518,262)	(692,132)
Reserve Tranche in the IMF	(836,606)	398,901
Construction bonds	(6,000,000)	(6,000,000)
Belize Government securities	2,188,000	(18,000)
Net cash (used in) investing activities	125,107,786	(24,175,035)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Notes and coins in circulation	7,393,231	10,105,207
Deposits by licensed financial institutions	(23,710,584)	4,376,868
Deposits by and balances due to Government and Public Sector Entities	(29,998,385)	(16,075,525)
Government Sinking Fund	40,170,058	-
Deposits by International Agencies	2,148,399	866,039
Balances due to Caricom Central Banks	877,507	398,132
Commercial Bank Discount Fund	13,497	200,978
Belize Credit Facility	799,757	818,295
Loan repayments made to foreign institutions	(69,000,000)	(2,500,000)
Net cash (used in) provided by financing activities	(71,306,520)	(1,810,006)

The accompanying notes form an integral part of these financial statements.

CENTRAL BANK OF BELIZE
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2002 (CONT'D)

In Belize dollars.

	2002	2001
NET INCREASE IN CASH AND CASH EQUIVALENTS	56,658,902	(25,432,219)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	197,436,320	222,868,539
CASH AND CASH EQUIVALENTS, END OF YEAR	254,095,222	197,436,320
CASH AND CASH EQUIVALENTS COMPRISE THE FOLLOWING:		
EXTERNAL ASSETS:		
Balances and deposits with foreign bankers and Crown Agents	95,399,943	160,592,042
Other foreign credit instruments	70,260,000	31,940,000
Accrued interest and cash intransit	30,600,564	859,022
Balance with the International Monetary Fund	4,003,295	3,440,560
	200,263,802	196,831,624
LOCAL ASSETS:		
Cash and bank balances	36,548	109,677
Government of Belize Treasury Bills	53,794,872	495,019
	254,095,222	197,436,320

The accompanying notes form an integral part of these financial statements.

In Belize dollars.

1. ORGANIZATION

The Central Bank of Belize, (the "Bank"), was established by the Central Bank of Belize Act 1982 (the Act).

The principal activity of the Bank is to foster monetary stability especially in regard to the exchange rate, and to promote banking, credit and exchange conditions conducive to the growth of the economy of Belize.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Following is a summary of the more significant accounting policies adopted by the Bank in preparing its financial statements which accord with International Accounting Standards adopted by the International Accounting Standards Board and with the Central Bank of Belize Act.

a. Property, plant and equipment, depreciation and amortization -

Fixed assets are carried at cost, and are depreciated on a straight line basis over their estimated useful lives. Land is not depreciated.

Depreciation is charged at the following rates:

Building and improvements	1%, 5%
Office furniture	10%, 20%
Equipment	10%, 20%
Vehicles	20%

b. Sale of special coins -

Special coins, which are minted or packaged as collector items, are legal tender. However, no liability is recorded in respect of these coins since they are not expected to be placed in circulation as currency. Minting cost is charged against income in the year incurred. Income is recognized when sales are made.

c. Foreign currency translation and exchange gains and losses -

i. Assets and liabilities

Foreign currency balances at the balance sheet date are translated at the rates of exchange ruling at that date.

In Belize dollars.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

c. Foreign currency translation and exchange gains and losses –

ii. Income and expenses

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

iii. Revaluation

Section 49 of the 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. All such gains or losses shall be credited in a special account called Revaluation Account. However, no profits shall first be carried to the General Reserve Fund or paid to the Government under Section 9 (see Note 21) whenever the Revaluation Account shows a net loss. Such profits shall first be credited to the Revaluation Account in an amount sufficient to cover the loss.

d. Valuation of securities -

Securities are stated at the lower of cost or market value. Unrealized losses arising from changes in the market value of securities are charged against income while unrealized gains are deferred. Realized gains and losses are included in income.

e. Accrued interest and cash intransit -

Accrued interest and cash intransit in respect of foreign assets are shown as part of external assets.

f. Pension -

The pension scheme, a defined benefit plan, is funded by contributions from the Bank and employees. It is financially separate from the Bank and is managed by a Board of Trustees.

In Belize dollars.

g. Taxation -

In accordance with Article 51 of the Act, the Bank is exempt from the provisions of any law relating to income tax or customs duties and from the payment of stamp duty.

3. INTEREST ON CENTRAL BANK BUILDING CONSTRUCTION BONDS

Interest is payable semi-annually on the Bank's Construction Bonds, and is charged against the annual earnings of the Bank. (See Note 19).

4. CENTRAL BANK OF BELIZE ACT SECTION 5 COMPLIANCE

Section 5 of the Act stipulates that:

a. 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; and

b. 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 of its sight and time deposits.

c. At 31 December 2002 and 2001 total approved external assets approximated 92 percent and 76 percent of such liabilities respectively.

5. INTERNATIONAL MONETARY FUND - RESERVE TRANCHE

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 (The 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 31 December 2002, Belize's subscriptions to the International Monetary Fund amounted to SDR 18,800,000 and the Bank's Reserve Tranche amounted to SDR 4,238,690. The Reserve Tranche which earns interest is included in approved external assets in the financial statements at the exchange rate of BZ$2.7096 to SDR 1.0 at 31 December 2002 (2001 - BZ$2.51124 to SDR 1.0).

In Belize dollars.

6. ACCRUED INTEREST AND CASH INTRANSIT

Accrued interest and cash intransit consist of:

Accrued interest	263,414	544,632
Cash intransit	30,337,150	314,390
	30,600,564	859,022

7. BELIZE GOVERNMENT SECURITIES

Belize Government securities consist of:	2002	2001
Treasury Bills	53,794,873	495,019
Debentures	-	2,170,000
Treasury Notes	-	18,000
Belize Defense Bonds	10,000,000	10,000,000
	63,794,873	12,683,019

Section 35(2) of the 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. At 31 December 2002 and 2001 the Bank's aggregate holding of Belize Government securities approximated 2.84 times and .57 times, respectively, the amount of paid up capital and general reserves of the Bank.

8. BELIZE GOVERNMENT CURRENT ACCOUNT

In accordance with Section 34 of the Act, the Bank may make direct advances to the Government provided that at any one time the total outstanding amount of direct advances shall not exceed twenty percent of the current revenues of the Government collected during the preceding financial year or the sum of fifty million dollars, whichever is greater. At 31 December 2002 and 2001, advances to Government represent approximately zero percent and 90 percent of the authorized limit respectively.

In Belize dollars.

9. LOANS TO THE PUBLIC SECTOR

		2001
4% p.a. loan with quarterly payment of interest commencing 24 March 2000 and a bullet payment of principal at maturity on 24 March 2007. The loan was refinanced in 2002.	-	50,000,000
11% p.a. loan with semi-annual payment of interest, and payment of first installment of principal 18 months after 16 August 2000 and every 6 months thereafter until maturity on 1 November 2005.	15,000,000	20,000,000
Loan to Development Finance Corporation to finance infrastructure projects required due to damage caused by Hurricane Keith:		
11.9% p.a. loan with semi-annual payment of interest commencing 1 May 2001 and a bullet payment of principal at maturity on 1 November 2012. The loan was refinanced in 2002.	-	14,000,000
	15,000,000	84,000,000

These loans are guaranteed by the Government of Belize.

10. OTHER ASSETS

Other assets consist of:

	2002	2001
Inventory - notes and coins	1,245,158	1,631,559
Prepayments and accrued interest	1,451,780	2,232,293
Accounts receivable	1,116,236	1,322,681
Other	82,974	115,132
	3,896,148	5,301,665

In Belize dollars.

11. PROPERTY AND EQUIPMENT

Property and equipment consist of:

	2002	2001
Property	29,170,058	29,170,058
Furniture	1,022,669	865,518
Equipment	4,210,684	3,970,013
Vehicles	365,924	253,568
	34,769,335	34,259,157
Less: accumulated depreciation	3,929,727	3,124,693
	30,839,608	31,134,464

12. DEPOSITS BY LICENSED FINANCIAL INSTITUTIONS

Effective November 2002, the cash reserve requirement on demand, savings and time deposits was revised from 3% to 6% of average deposit liabilities.

Under the revised provisions of Section 13 of the Banks and Financial Institutions Act 1995, licensed financial institutions are required to keep on deposit with the Bank an amount equivalent to at least 6% of their average deposit liabilities. These deposits are interest free.

13. DEPOSITS BY INTERNATIONAL AGENCIES

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

	2002	2001
Commission of the European Communities	75,148	148,707
International Monetary Fund	129,877	120,369
Caribbean Development Bank	67,041	1,056,035
Inter-American Development Bank	294,199	247,756
International Bank for Reconstruction and Development	716,450	716,450
European Union	3,181,416	26,415
	4,464,131	2,315,732

In Belize dollars.

14. OTHER LIABILITIES

	2002	2001
Interest payable (including construction bonds)	545,760	1,293,226
Severance and gratuities	586,955	555,568
Abandoned property	929,651	832,975
Retention payable	24,730	182,820
Other	1,044,518	1,124,516
	3,131,614	3,989,105

15. COMMERCIAL BANK DISCOUNT FUND

Commercial Bank Discount 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 30 June 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. 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 is repayable within 25 years with a grace period of 9-1/2 years and 31 equal semi-annual principal payments for 15-1/2 years.

At 31 December 2002, outstanding loans discounted by commercial banks through the facility amounted to $.2 million (2001 - $.4 million) net of repayments, against a total drawdown of $5.7 million (2001 - $5.7 million) from USAID. On that date the amount drawn down by the Foundation was $1.4 million (2001 - $1.4 million) net of repayments and the amount drawn down by DFC was $1.2 million (2001 - $1.5) net of repayments.

In Belize dollars.

16. GOVERNMENT SINKING FUND

Government Sinking Fund consists of US$20,000,000 invested by the Bank on behalf of the government in a sinking fund for a bond issue maturing in 2005.

17. BELIZE CREDIT FACILITY

Under a World Bank Agricultural Credit and Export Development Project Loan Agreement signed between the Government of Belize and the International Bank for Reconstruction and Development on 19 July 1988, the Bank acting as agent for the Government of Belize assists the Government in operating the Belize Credit Facility through which loans are made available to the Development Finance Corporation for specific development projects.

The Bank's responsibility to assist the borrower is set out in an agreement signed between the Government and the Bank on 13 March 1989.

18. LOANS PAYABLE TO FOREIGN INSTITUTIONS

Loans payable to foreign institutions consist of:

	2002	**2001**
Due to a foreign institution repayable in 8 installments commencing 4 November 2002 and every 6 months thereafter. Interest accrues at 2.82% per annum above LIBOR for the first 2 years and thereafter at 2% per annum above LIBOR. The loan was negotiated for US$5,000,000 for project financing and is secured by a first-priority charge lien or security interest on a deposit of US$4,000,000 placed by the borrower with the foreign institution.	6,250,000	8,750,000
Due to a foreign institution repayable in 8 installments commencing 4 November 2002 and every 6 months thereafter. Interest accrues at 2.82% per annum above LIBOR for the first 2 years and thereafter at 2% per annum above LIBOR. The loan was negotiated for project financing and is secured by a first-priority charge, lien or security interest on a deposit of US$4,000,000 placed by the borrower with the foreign institution.	6,250,000	8,750,000

In Belize dollars.

18. LOANS PAYABLE TO FOREIGN INSTITUTIONS (CONT'D)

	2002	2001
Due to a foreign institution repayable in a bullet payment 7 years after 3 March 2001. Interest accrues on a quarterly basis at the interest rate earned on Certificates of Deposits which aggregate US$25,000,000 plus 3% per annum (9.72% at 31 December 2001). The loan was negotiated for US$25,000,000 for on-lending to the Development Finance Corporation to finance specific projects and is secured by Certificates of Deposits totaling US$ 25,000,000 plus all interest accruing thereon held with the foreign institution. The loan was refinanced in 2002.	-	50,000,000
Due to a foreign institution repayable in a bullet payment 12 years after 31 October 2001. Interest accrues at 11.9% and is due and payable each May 1, and November 1 during the term of the loan. The loan was negotiated for US$7,000,000 to invest in infrastructure and capital improvement projects within Belize and is secured by a promissory note signed by the Bank. The loan was refinanced in 2002.	-	14,000,000
	12,500,000	81,500,000

These loans are guaranteed by the Government of Belize.

19. CONSTRUCTION BONDS

	2002	2001
$24,000,000 construction bonds secured by a guarantee from the Belize Government. Interest at 11.75% per annum is payable semi-annually. Principal repayable by 8 semi annual installments of US$1,500,000 beginning 15 January 2001.	6,000,000	12,000,000

In Belize dollars.

20. REVALUATION ACCOUNT

Under Section 49 of the Act, no profits shall be credited to the General Reserve Fund or paid to the Consolidated Revenue Fund whenever the Revaluation Account shows a net loss. Such profits shall first be credited to the Revaluation Account in an amount sufficient to cover the loss.

	2002	2001
Balance at beginning of year	-	-
Net gain (loss) on revaluation of Reserve Tranche in the International Monetary Fund	836,603	(398,900)
Net gain (loss) on revaluations during the year	351,714	(176,982)
Transfer (to)/from profits	-	575,882
Balance at end of year (Note 2c. iii)	1,188,317	-

21. GENERAL RESERVE FUND

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

	2002	2001
Balance at beginning of year	12,184,831	11,718,400
Transfer from profits at 10%	308,172	466,431
Balance at end of year	12,493,003	12,184,831

22. PENSION SCHEME

The pension scheme, a defined benefit plan, receives contributions from the Bank and its eligible employees. During the year under review the Bank contributed $135,000 (2001 - $121,548) to the scheme. The scheme is financially separate from the Bank and is managed by a Board of Trustees. The cost of plan benefits is determined using an accrued benefit valuation method.

In Belize dollars.

22. PENSION SCHEME (CONT'D)

The last actuarial valuation at 31 December 2001 reported the present value of past service liabilities and plan assets at assessed value to be $2,916,000 and $4,599,000, respectively.

Significant actuarial assumptions used in the valuation were:

I. A valuation rate of interest of 7% p.a.

II. A rate of escalation of pensionable salaries of 5% p.a.

III. Allowance for pensions is not to be increased in the course of payments.

23. FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents, and other short-term instruments and obligations at the balance sheet date represent best estimates of 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.

24. CONTINGENCIES

a) The Bank has also pledged, on behalf of the Government of Belize, deposits of US$2,301,915 with Citibank (Trinidad and Tobago) Limited to guarantee performance or payment to third parties under outstanding letters of credit, in accordance with specified terms and conditions, amounting to US$2,339,242 and EUR288,000 as of 31 December 2002.

b) The Bank is contingently liable as cosigner of promissory notes totaling US$34 million in respect of loans of equal amount made by International Bank of Miami to Government of Belize.