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# CENTRAL BANK OF BELIZE



## Quarterly Review

### June 2010

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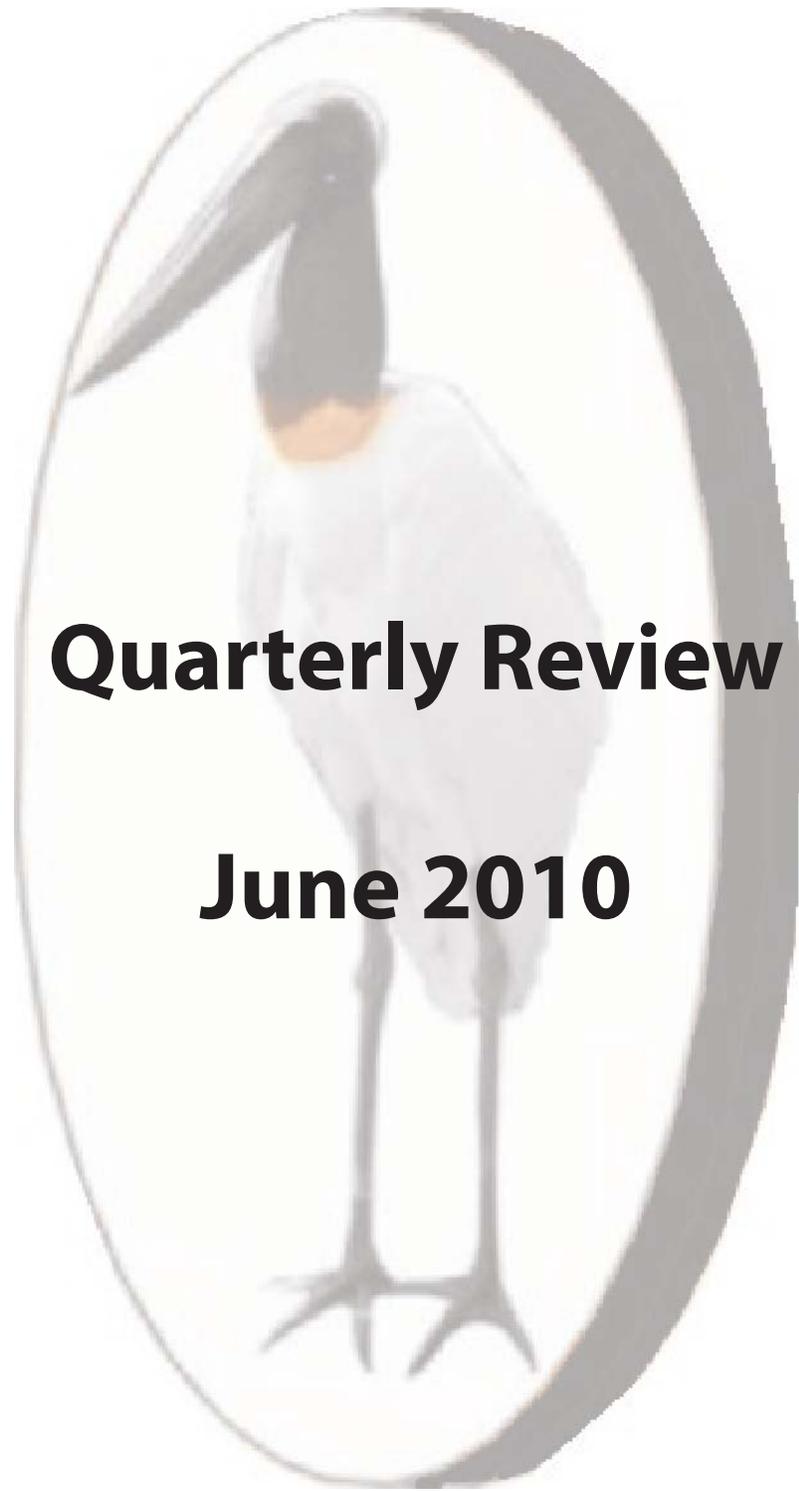
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# **Quarterly Review**

**June 2010**



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## Overview

The economy grew by 2.7% in the first half of the year buoyed by increased output in all sectors except 'Fishing', 'Manufacturing' and 'Electricity & Water'. Government services recorded the highest growth of 11.0% partly due to implementation of the 2010 Population and Housing Census while an increase in stay-over and cruise visitors underpinned a 7.0% expansion in 'Hotels and Restaurants' and contributed to the uptick in 'Transport and Communications' as well as a 5.3% increase in 'Wholesale and Retail trade'. The latter was also boosted by the pick-up in Commercial Free Zone (CFZ) activities. Other subsectors with increases were 'Construction, and 'Other Private services'. On the other hand, 'Fishing' contracted by 8.7% due mostly to marked declines in farmed shrimp production.

The Consumer Price Index (CPI) increased by 0.2% over the February-May quarter and by 1.8% over the 12 months from May 2009 to May 2010. The latter reflected higher prices for most categories of goods with the exception of 'Food, Beverages & Tobacco' and 'Household Goods'. The largest price increase was in 'Transport & Communication' due to higher fuel prices at the pump.

Higher inflows from domestic exports, tourism, other services and workers' remittances and a modest decline in imports engendered a swing in the

external current account from an \$81.6mn deficit to a surplus of \$4.5mn. The capital and financial account netted a surplus of \$5.1mn that was much lower than the \$92.1mn realized in the first half of 2009. Capital inflows declined due to lower donations and the ending of the UK debt relief programme in 2009, and in contrast to the surplus of the previous year, the financial account registered a \$2.3mn deficit, reflecting a significant decline in foreign direct investment and net loan repayments by the private sector and commercial banks. Gross international reserves stood at \$444.3mn at end of June, the equivalent of 4.4 months of merchandise imports.

The nascent economic recovery and government's April tax hikes underpinned a 10.6% increase in fiscal revenues, when compared to the first half of 2009. The bulk of this increase came from the General Sales Tax (GST), import duties and the petroleum industry. Notwithstanding a 2.4% rise in expenditure, Central Government's operations resulted in current and primary surpluses of \$40.8mn and \$41.6mn, respectively, and a reduction in the overall deficit from \$31.0mn in 2009 to \$2.6mn in 2010.

Increased revenues enabled a \$5.8mn decline in Central Government's domestic debt, and the public sector external debt also declined by \$1.8mn to \$2,029.4mn (72.5% of GDP) with loan disbursements and principal payments of \$37.3mn and \$32.1mn, respectively. Interest and other



payments amounted to \$36.1mn.

Broad money declined by 0.3% in the first six months as an expansion in net foreign assets was outweighed by a contraction in net domestic credit that reflected sizable reductions in private sector loan balances. The slowdown in private sector credit contributed to a 39.0% boost in statutory liquidity, which stood some 32.5% above the required level at the mid point of the year. In May, the Central Bank introduced a requirement for commercial banks to hold a minimum of 6.5% of their average deposit liabilities in Treasury bills and to facilitate this change in their liquid asset portfolio, the cash reserve requirement was simultaneously lowered from 10.0% to 8.5% of average deposit liabilities. In addition to the legal requirement, banks were holding a further \$33.5mn in securities at the end of June and their interest rate spread was 15 basis points higher reflecting declines in the weighted average lending and deposit rates of 10 basis points and 25 basis points, respectively.



## Monetary Developments

Broad money supply declined by 0.3%, a notable reversal of the 5.0% growth recorded in the first half of 2009. While net domestic credit contracted by \$78.6mn largely due to a sizeable reduction in a private sector group loan, net foreign assets rose by \$83.1mn, reflecting inflows

of its Monetary Policy Reform Project. As of that date, the commercial banks were to hold a minimum of 6.5% of their average deposit liabilities in Treasury bills while the cash reserve requirement was lowered from 10.0% to 8.5% to facilitate the implementation of the securities requirement across commercial banks. At the end of June, commercial banks held \$159.5mn in Treasury bills, of which

**Table 1.1: Factors Responsible For Money Supply Movements**

BZ\$m

	Position as at June 2010	Changes during	
		Dec 2009 to June 2010	Dec 2008 to June 2009
<b>Net Foreign Assets</b>	<b>647.5</b>	<b>83.1</b>	<b>59.3</b>
Central Bank	451.0	16.4	23.0
Commercial Bank	196.5	66.7	36.3
<b>Net Domestic Credit</b>	<b>1,923.9</b>	<b>-78.6</b>	<b>23.8</b>
Central Government (Net)	185.9	-6.8	6.0
Other Public Sector	8.2	-2.0	-3.2
Private Sector	1,729.8	-69.8	21.0
<b>Central Bank Foreign Liabilities(Long-term)</b>	<b>66.8</b>	<b>-4.0</b>	<b>13.9</b>
<b>Other Items (net)</b>	<b>418.5</b>	<b>15.5</b>	<b>-28.7</b>
<b>Money Supply M2</b>	<b>2,086.1</b>	<b>-7.0</b>	<b>97.9</b>

from exports and a \$20.0mn Republic of China (ROC) loan for budget support in the latter part of the second quarter.

With liquidity climbing to unprecedented levels and interest rate spreads remaining largely unresponsive, the Central Bank introduced a securities requirement that became effective on May 1, 2010, as part

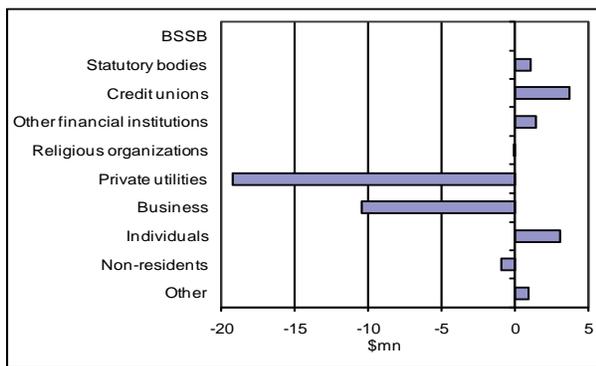
the required portion totalled \$128.3mn.

Contrasting with an average growth of \$49.1mn in the comparable period of the previous five years, narrow money contracted by \$14.1mn, as reductions in demand deposits and currency with the public of \$17.3mn and \$6.6mn, respectively, were partly offset by a



\$9.8mn expansion in savings/checking deposits. The latter mostly reflected increased holdings by Belize Social Security Board (BSSB), the Development Finance Corporation (DFC), businesses, and individuals. The fall in demand deposits was attributable to withdrawals by private utilities and businesses in the second quarter to cover fuel, electricity and Belize Telemedia Limited (BTL) dividend payments, amongst others.

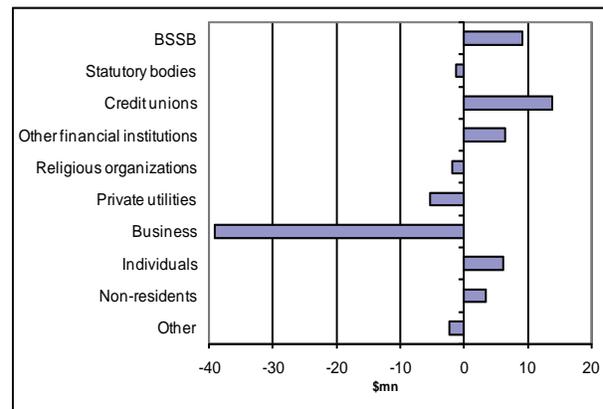
**Chart 1.1: Changes in Demand Deposits by Sector January - June 2010**



Quasi-money rose by \$7.1mn compared to an average of \$64.3mn in the comparable period of the previous five years. Savings deposits rose by \$9.5mn with individuals accounting for most of the increase, while time deposits recorded a \$2.4mn reduction that reflected a \$43.1mn contraction in March when deposit balances were used to significantly pay down a private sector group loan.

The 14.7% expansion in the net foreign assets of the banking system reflected improvements of \$66.7mn and \$16.4mn, respectively, in the net foreign positions

**Chart 1.2: Changes in Time Deposits by Sector January - June 2010**



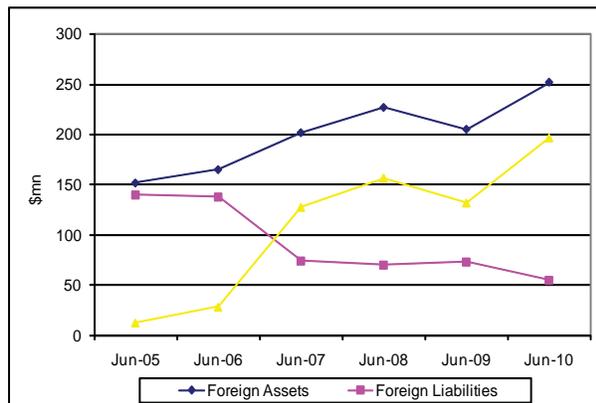
of the commercial banks and Central Bank.

Facilitated by a reduction in the external current account deficit, commercial banks increased their foreign assets by \$47.3mn and reduced foreign liabilities by \$19.4mn. Similarly, Central Bank's net foreign asset position improved with inflows of \$131.9mn exceeding outflows of \$115.5mn. Notable inflows consisted of BNE tax and royalty payments, loan disbursements which included a \$20.0mn ROC/Taiwan budget support loan in the latter part of the second quarter and sugar export receipts. Sales to Central Government amounted to \$83.3mn, of which external debt servicing, inclusive of the 'super bond' interest payment, accounted for 72.1%. An increase in deposits by foreign governments and financial institutions raised the Bank's short-term foreign liabilities by \$0.7mn during the period reviewed.

The 3.9% contraction in net domestic credit reflected a \$69.8mn fall in



**Chart 1.3: Commercial Banks' Net Foreign Asset Position**



private sector credit and decreases in net credit to Central Government and credit to statutory bodies of \$6.8mn and \$2.0mn, respectively. Net credit to Central Government from the Central Bank contracted by \$77.3mn, while net

surplus cash into the May Treasury bill primary issue. At the end of June, they were holding \$159.5mn, representing an 85.4% year on year increase. The proceeds of the newly issued Treasury bills and improvements in government revenues facilitated a reduction in the Government's overdraft balance at the Central Bank from \$124.8mn to \$44.1mn and a \$2.4mn increase in its Central Bank deposits. Statutory bodies paid down \$2.3mn on loan balances owed to commercial banks, while local government entities borrowed \$0.3mn. Commercial bank loans and advances fell by 4.0% with broad based contractions except for a \$7.2mn increase in disbursements to the primary sector

**Table 1.2: Net Foreign Assets of the Banking System**

BZ\$m

	Position as at June 2010	Changes during	
		Dec 2009 to June 2010	Dec 2008 to June 2009
<b>Net Foreign Assets of Banking System</b>	<b>647.5</b>	<b>83.1</b>	<b>59.3</b>
<b>Net Foreign Assets of Central Bank</b>	<b>451.0</b>	<b>16.4</b>	<b>23.0</b>
Central Bank Foreign Assets	452.8	17.1	21.2
Central Bank Foreign Liabilities(Demand)	1.8	0.7	-1.8
<b>Net Foreign Assets of Commercial Banks</b>	<b>196.5</b>	<b>66.7</b>	<b>36.3</b>
Commercial Bank Foreign Assets	251.2	47.3	-30.8
Commercial Bank Foreign Liab. (Short-Term)	54.7	-19.4	-67.1

credit from commercial banks rose by \$70.5mn due to the increase in their holdings of government securities. After adjusting their portfolios to meet the new security requirement, the commercial banks invested an additional \$13.1mn of

that principally targeted marine, citrus and banana production. The secondary sector saw the largest fall with a marked decline in construction loans attributable to a single repayment of \$55.1mn in March. The decline in tertiary sector credit



reflected repayments by entities involved in transportation, real estate, financial institutions, professional services and government services that overshadowed new loans for distribution and tourism. Personal loans were also down by 2.7%.

After surging in the first quarter, excess statutory liquidity declined temporarily in April and May as the Central Bank required commercial banks to adjust their portfolios in line with the new securities and cash requirements. Excess cash holdings contracted, notwithstanding a reduction in requirements from 10% to 8.5% of deposit liabilities as the banks invested aggressively in Treasury bills in an environment of dampened credit demand. Consequently, total excess statutory liquidity at the end of June was up by 37.0% year on year with holdings of approved liquid assets up by \$43.1mn relative to a \$2.2mn increase in the required level. Portfolio changes included increases in Treasury bills and foreign balances of \$61.8mn and \$46.4mn, respectively, while balances held with the Central Bank, vault cash and holdings of other approved assets contracted by a total of \$65.1mn.

Movements in interest rates continued to reflect the rather tepid economic conditions. The weighted average interest rate spread of the banks widened by 15 basis points to 8.01% over the six-month review period, as deposit rates fell faster than lending rates. Weighted average

lending and deposit rates fell by 10 basis points to 13.88% and by 25 basis points to 5.87%, respectively. Since December 2008, declines of 22 and 48 basis points have been recorded in weighted average lending and deposit rates.



## Domestic Production and Prices

During the first half of 2010, economic activity rebounded by 2.7%, compared to the same period of 2009 when output had contracted by 1.5% due to the impact of floods and the global financial crisis. The modest growth turnaround was underpinned by a pick up in activities across services and agriculture as fishing, manufacturing, electricity and water output declined.

The largest boost came from an 11.0% expansion in "Government Services" which partly reflected the conduct of the 2010 Population and Housing Census. Increases in stay-over and cruise ship visitors underscored a 7.0% growth in "Hotels and Restaurants" and contributed to the 1.9% growth in "Transportation

and Communication". Distributive trade activity rose by 5.3% while "Construction" was up 3.9% with some major construction projects still ongoing. In the primary sector, "Agriculture, Hunting and Forestry" increased by 1.8%, as higher banana and sugarcane production more than compensated for a smaller citrus harvest. Marine output shrank by 8.7%, reflecting a marked fall in farmed shrimp production, and manufacturing contracted by 2.6% with downturns in citrus juice and sugar production.

### Sugar

Sugarcane deliveries fell by 5.6% to 866,732 long tons as teething problems associated with the new cogeneration plant slowed the factory's grinding capacity and daily intake of sugarcane. Unlike the previous crop year when the factory closed on 4 June, factory operations were extended past June to make up for the slow start. However, with harvesting extended longer into the rainy season there was a significant rise in mud content of deliveries. Longer queues caused by the factory problems led to an increase in the kill-to-mill time and also contributed to a 14.0% deterioration of the cane to sugar ratio. Sugar output consequently decreased by 18.0% to 75,787 long tons. Reflecting its inverse relationship to sugar production, molasses output increased by 38.7% to 38,432 long tons. The implementation of the final EU sugar price cut, higher freight costs and a lower cane to sugar

**Table 2.1: Real GDP Growth by Sector at Constant 2000 Prices**

	Growth (%)	
	Jan-Jun 09 Over Jan-Jun 08	Jan-Jun 10 Over Jan-Jun 09
	Agriculture, hunting & forestry	-11.2
Fishing	6.9	-8.7
Manufacturing (incl. mining & quarrying)	9.0	-2.6
Electricity & water	16.7	-0.6
Construction	24.8	3.9
Wholesale & Retail	-8.7	5.3
Hotels & Restaurants	-9.0	7.0
Transport & communication	-3.8	1.9
Other private services exc. FISIM	2.7	1.2
Producers of government services	2.3	11.0
All industries at basic prices	-0.2	2.5
Taxes on products	-9.8	4.6
<b>Change in GDP at constant prices</b>	<b>-1.5</b>	<b>2.7</b>
<b>GDP at basic prices (BZ\$mnn)</b>	<b>1,228.1</b>	<b>1,261.7</b>

Source: Statistical Institute of Belize (SIB)



**Table 2.2: Deliveries of Sugarcane and Production of Sugar and Molasses**

	Dec-June 2008/09	Dec-June 2009/10
<b>Deliveries of Sugarcane to BSI (long tons)</b>	917,728	866,732
<b>Sugar Processed by BSI (long tons)</b>	92,409	75,787
<b>Molasses processed by BSI (long tons)</b>	27,707	38,432
<b>Performance</b>		
Factory Time Efficiency (%)	93.27	93.17
Cane Purity (%)	84.81	80.89
Cane/Sugar	9.93	11.32

Source: Belize Sugar Industries

ratio pushed down the final price paid to farmers for this year's crop by 31.2% to \$46.15 per long ton.

### Citrus

Notwithstanding a rebound in grapefruit production, citrus deliveries for the 2009/2010 crop fell by 21.1% to 5.2mn boxes due to a 30.2% decrease in orange deliveries. Due to the cyclical nature of the Valencia fruit type and to a cutback in the use of costly field inputs by farmers during the growing season, orange production fell to 3.8mn boxes, well below the industry's forecast of 4.6mn boxes. In contrast, deliveries of grapefruit rose by 23.6% to 1.4mn boxes, exceeding the industry's upbeat forecast as higher prices encouraged farmers to harvest more fruits.

In tandem, citrus juice production contracted by 27.1% to 27.7mn pound solids (ps), with the decline occurring in the output of orange concentrate juice that fell by 34.3%. In contrast, outputs of grapefruit concentrate and not-from-concentrate juices rose by 12.8% and

135.8%, respectively. In order to push the sale of more value added products from its Tetra plant operations, the processor ramped up NFC production to 0.9mn ps with a sizeable increase in the grapefruit product. Citrus oils and pulp production declined by 26.8% and 53.3%, respectively, in response to the lower processing volumes.

Declining US grapefruit juice stocks and a smaller Florida harvest boosted grapefruit export prices, so the price paid to local farmers for grapefruit increased by 29.5% to \$1.22 per ps. Similarly, smaller

**Table 2.3: Output of Citrus Products**

	Nov-June 2008/2009	Nov-June 2009/2010
<b>Deliveries (boxes)</b>		
Orange	5,518,509	3,850,133
Grapefruit	<u>1,124,249</u>	<u>1,389,726</u>
<b>Total</b>	6,642,758	5,239,859
<b>Concentrate Produced (ps)</b>		
Orange	33,221,789	21,833,119
Grapefruit	<u>4,452,685</u>	<u>5,023,326</u>
<b>Total</b>	37,674,474	26,856,445
<b>Not from Concentrate (ps)</b>		
Orange	331,412	285,339
Grapefruit	<u>38,378</u>	<u>586,630</u>
<b>Total</b>	369,790	871,969
<b>Pulp (pounds)</b>		
Orange	2,404,350	1,405,740
Grapefruit	<u>607,592</u>	<u>0</u>
<b>Total</b>	3,011,942	1,405,740
<b>Oil Produced (pounds)</b>		
Orange	2,119,400	1,451,600
Grapefruit	<u>164,600</u>	<u>220,000</u>
<b>Total</b>	2,284,000	1,671,600

Sources: Citrus Products of Belize Ltd. and Belize Citrus Growers Association

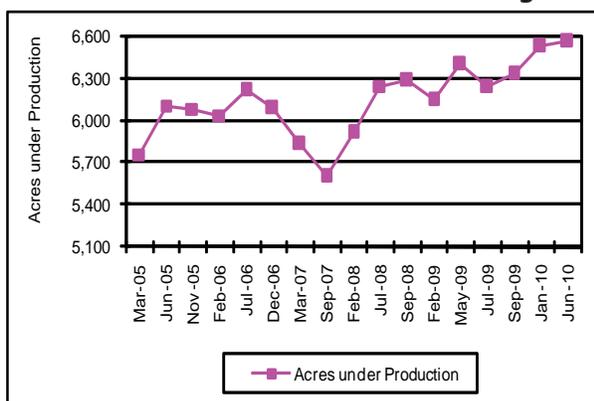


orange crops in Florida and Brazil pushed up orange prices internationally, so the price received by farmers increased by 46.4% to \$1.55 per ps.

### Banana

Banana production amounted to 2.1mn boxes, a year on year increase of 7.0%. While meristem investments boosted first quarter production by 15.9%, production gains slowed to 1.3% in the second quarter mostly due to unfavourable weather that hindered fruit maturation. The negative agronomic conditions prompted farmers to increase the banana acreage under rehabilitation, and this also contributed to the output decline. The initial production forecast of 4.5mn boxes for 2010 was consequently revised downward to 4.2mn boxes. Total productive acreage stood at 6,775 at the end of June, compared to 6,885 in January. The area under plantilla (young trees) fell from 350 acres to 211 acres, while the area under rehabilitation increased to 159 acres compared to 12 at the start of the year.

**Chart 2.1: Banana Production Acreage**



Source: Banana Growers Association

### Petroleum

Oil production in the first quarter grew by a robust 21.3%, reflecting output from ten wells compared to the seven that were in operation for the comparable period in 2009. Reversing trend, second quarter production fell by 11.6%, due to the downtime experienced by two wells in June and the natural decline in the wells' extraction rate over their lifespan. This resulted in an overall first semester production increase of 2.2% to 776,920 barrels. With the drilling of an eleventh well already underway to counter the declining trend, the Department of Geology's production forecast of 1.3mn barrels for this year is still likely to be met.

The daily extraction rate averaged 4,292 barrels compared to the 4,200 barrels averaged in the first half of 2009. From 2005 through to June 2010, some 5.5mn barrels or 36.4% of estimated reserves have been extracted.

### Tourism

The slowly improving global economy and events such as the FIFA World Cup underpinned a 7.0% increase in world tourist arrivals with higher growth occurring in emerging markets (8.0%) than in advanced economies (5.0%). In the Western hemisphere, all regions experienced positive growth with Central America and North America leading the way with increases of 8.0% and 7.0%, respectively. Nearer to home, tourist



**Table 2.4: Bona Fide Tourist Arrivals**

	Jan-June 2009	Jan-June 2010
<b>Stay-over Arrivals</b>		
Air	99,499	100,146
Land	21,921	23,093
Sea	5,406	5,144
<b>Total</b>	<b>126,826</b>	<b>128,382</b>
<b>Cruise Ship</b>	<b>329,001</b>	<b>395,361</b>

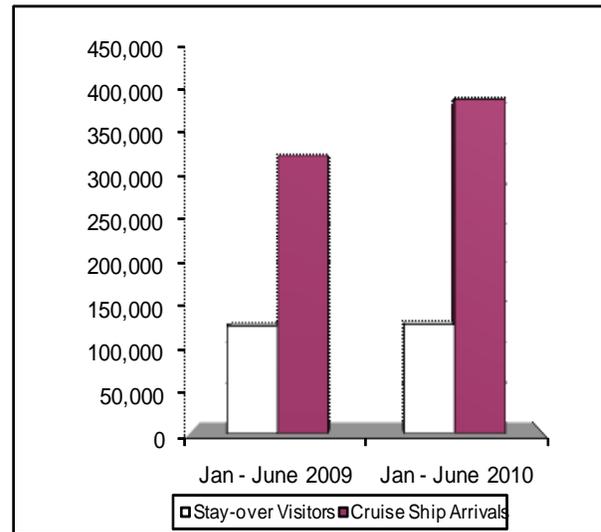
Sources: Belize Tourism Board, Immigration Department and Central Bank of Belize

arrivals in the Caribbean rose by 4.5%, reflecting increased activity from the US, the major market for Belize.

During the first half of the year, stay-over visitors to Belize rose by 1.2% to 128,382 as arrivals through the international airport and land borders increased by 0.7% and 5.3%, respectively, while visitors through the sea ports declined by 4.8%. With the EU recovering more slowly from the economic downturn, tourist arrivals declined by 7.4% from that region, while visitors from the US and other countries increased by 1.2% and 6.2%, respectively. The United States and EU accounted for 67.0% and 11.0% of tourist arrivals for the first half of the year.

The arrival of nine additional ships with increased carrying capacity boosted cruise visitors by 20.2% to 395,361 during the review period. This resilience was attributable to concerted marketing efforts by the main cruise lines (Norwegian, Royal Caribbean, Carnival) to promote economy packaged deals and

**Chart 2.2: Tourist Arrivals**



Source: Belize Tourism Board

short haul trips.

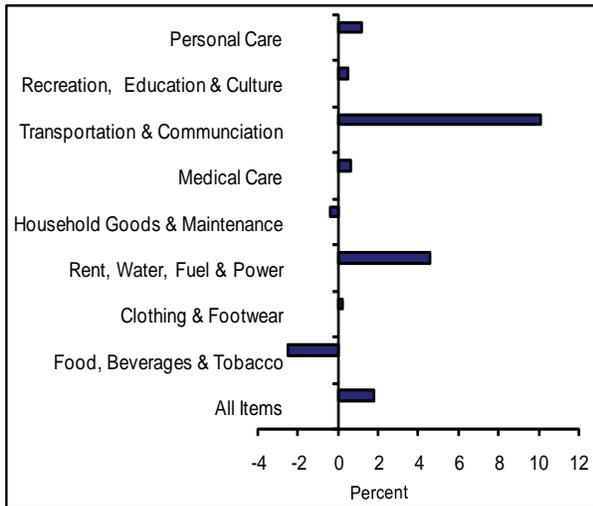
### Consumer Price Index

The Consumer Price Index (CPI) rose by 0.2% between February and May and by 1.8% between May 2009 and May 2010. Upward price pressures during the year came from higher fuel prices, an increase in the price of imports as indicated by the 4.6% increase in the US export price index and a 25.0% increase in the general sale tax (GST) that was implemented on 1 April. The zero rating of basic food items and other essential goods that accompanied the hike in the GST dampened its inflationary impact, however.

'Transportation & Communication' saw the largest annual price increase of 10.1% due to a steep hike in fuel prices at the pump, and double digit increases in the prices of butane and kerosene



**Chart 2.3: Annual Percentage Change in Consumer Price Index**



Source: Statistical Institute of Belize

were largely responsible for a 4.6% rise in 'Rent, Water, Fuel & Power". 'Personal Care' and 'Clothing and Footwear' categories were up marginally by 1.2% and 0.2%, respectively. Meanwhile, a 2.5% reduction in prices of 'Food, Beverages and Tobacco' was attributable to lower prices of locally produced staples, such as rice, red kidney beans and whole chicken as well as the zero rating of other basic food items.



## International Trade and Payments

For the first time in three years, the external current account balance recorded a surplus at the half year point as it moved from a \$81.6mn deficit in the previous year to a surplus of \$4.5mn. This performance was largely attributable to a notable improvement in the trade deficit as higher profit outflows by the petroleum and tourism industries exceeded the increase in tourism earnings, remittance receipts and inflows to embassies and regional organizations. Meanwhile, the capital and financial account surplus contracted significantly from \$92.1mn in 2009 to \$5.1mn due to a reduction in foreign direct investment and lower net loan disbursements to the public sector. The gross international reserves nonetheless increased by \$17.0mn to \$444.3mn at the end of June, the equivalent of 4.4 months of merchandise imports.

The trade deficit contracted by 39.3% to \$146.8mn with exports up by 25.6% and imports down by 0.3% to \$604.0mn. The latter reflected an \$11.6mn decline in domestic demand as lower outlays on machinery, transport equipment, food, live animals and chemical products more than offset higher expenditures on minerals, fuels and lubricants. In contrast, imports into the Commercial Free Zone (CFZ) rose by 13.8% due to a heightening in cross border trade activity.

**Table 3.1: Balance of Payments Summary**

BZ\$mn

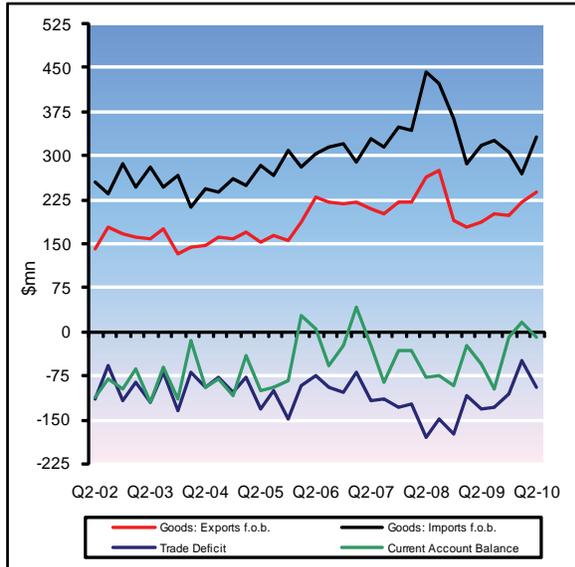
	Jan-June 2009 <sup>P</sup>	Jan-June 2010 <sup>P</sup>
<b>A. CURRENT ACCOUNT</b>		
<b>(I+II+III+IV)</b>	<b>-81.6</b>	<b>4.5</b>
<b>I. Goods (Trade Balance)</b>	<b>-242.0</b>	<b>-146.8</b>
Exports, f.o.b.	364.0	457.2
Domestic Exports	247.7	300.9
CFZ Gross Sales	109.4	129.7
Re-exports	7.0	26.6
Imports, f.o.b.	606.1	604.0
Domestic Imports	536.9	525.4
CFZ Imports	69.1	78.6
<b>II. Services</b>	<b>221.6</b>	<b>256.2</b>
Transportation	-33.0	-29.3
Travel	252.4	267.9
Other Services	2.2	17.7
<b>III. Income</b>	<b>-132.7</b>	<b>-193.9</b>
Compensation of Employees	-4.9	-4.7
Investment Income	-127.8	-189.3
<b>IV. Current Transfers</b>	<b>71.4</b>	<b>89.0</b>
Government	-0.8	-3.5
Private	72.2	92.5
<b>B. CAPITAL &amp; FINANCIAL ACCOUNT</b>		
<b>(I+II)</b>	<b>92.1</b>	<b>5.1</b>
<b>I. Capital Account</b>	<b>25.7</b>	<b>7.5</b>
<b>II. Financial Account (1+2+3+4)</b>	<b>66.4</b>	<b>-2.3</b>
1. Direct Investment in Belize	115.2	86.0
2. Portfolio Investment	-5.4	-2.9
Monetary Authorities	0.0	0.0
General Government	-5.0	-2.7
Banks	0.0	0.0
Other Sectors	-0.3	-0.1
3. Financial Derivatives	0.0	0.0
4. Other Investments	-43.5	-85.5
Monetary Authorities	12.1	0.6
General Government	9.1	3.4
Banks	-36.2	-66.7
Other Sectors	-28.5	-22.8
<b>C. NET ERRORS &amp; OMISSIONS</b>	<b>10.7</b>	<b>7.4</b>
<b>D. OVERALL BALANCE</b>	<b>21.1</b>	<b>17.0</b>
<b>E. RESERVE ASSETS<sup>(1)</sup></b>	<b>-21.1</b>	<b>-17.0</b>

P- indicates Provisional, R- indicates Revised

(1) Minus = increase



**Chart 3.1: Current Account vs. Trade Deficit**



Source: Central Bank of Belize

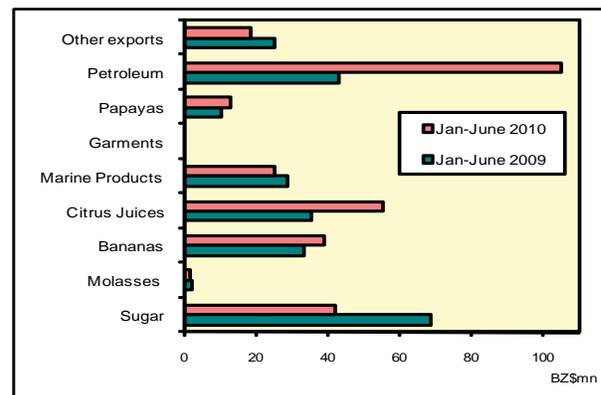
Exports increased by \$93.1mn to \$457.2mn with domestic exports, CFZ sales and re-exports up by \$53.2mn, \$20.3mn and \$19.6, respectively. The recovery in crude oil prices boosted petroleum earnings and this accounted for much of the rally in domestic exports. Price improvements underpinned increased receipts from citrus, bananas and papayas, while smaller volumes and price declines accounted for lower earnings from sugar, molasses, marine products and other miscellaneous exports.

During the first half of the year, the reduction in sugar production kept export volume down by 12.6% when compared to the same period of 2009. Receipts were down even more sharply by 38.2% to \$42.4mn as the final scheduled EU price cut (from €448.8 to €335.14 per metric ton) took effect in October 2009.

The supply shortfall once again drove the industry to direct virtually all sales (except for 60 long tons that went to Canada) to the EU, which, even with the price cut, remained the favored and more stable market.

Exports of citrus juices rose by 29.9% to 22.8mn ps, while revenues jumped by 56.7% to \$55.5mn, aided by price rallies in key markets. Sales of orange concentrate grew by 29.6% to 19.8mn ps while revenues increased by 57.0% as prices rose with the market's expectation of tighter orange juice supplies owing to a smaller Florida orange crop and low beginning stocks in Brazil. An improvement in the average unit price drove up sales to the European market significantly. In contrast, sales volume to the Caribbean fell by 20.6%, while revenues declined by 19.4% due to a marginal improvement in the average unit price. Revenues from the Japanese market shrank by 17.0% with contractions in sales volume and the average unit price. Spurred by stronger prices, sales of grapefruit juices also

**Chart 3.2: Domestic Exports**



Source: Central Bank of Belize and SIB

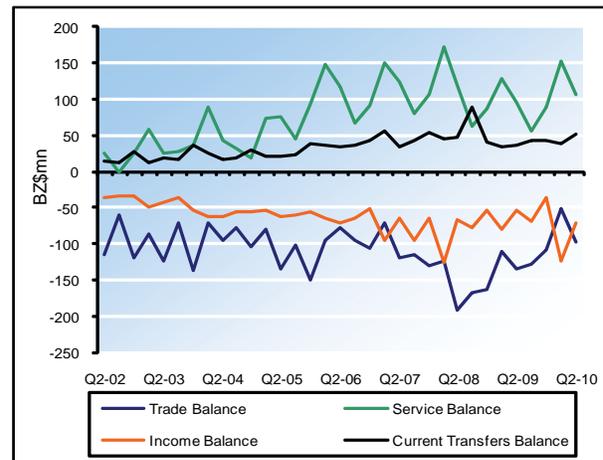


increased 32.0% in volume to 3.0mn ps and 54.8% in value to \$7.8mn. Europe and Japan accounted for 82.8% of sales with the remainder shared almost equally between the Caribbean and the US.

A general decline, conch being the exception, caused a 22.1% drop in marine export volume and receipts contracted by 12.9% to \$25.3mn. The tight cash position of shrimp farmers put a squeeze on production, so the volume sold fell by 23.6% while the fall in earnings was softened to 15.2% with a price increase of \$0.34 per pound. With its reproductive cycle in a downturn, the export volume of lobster decreased, and earnings sank even further as the price per pound declined by 5.9%. Hampered by financial problems at a large farm, fin fish sale volume plummeted and revenues followed suit. Contrarily, conch receipts improved with an increase in volume and modest price improvement.

In line with production and price improvements, banana export volume rose by 7.7% and receipts increased by 13.4% to \$39.0mn. The volume of petroleum exports increased by 26.8% to 776,920 barrels, while earnings more than doubled to \$105.1mn as a pick up in global demand for crude oil coupled with the concerted efforts of OPEC to limit output pushed the average f.o.b. price per barrel from US\$35.14 to US\$67.63. Revenues from papaya were up by 24.9% to \$13.2mn as export volume rose by a substantial 31.1%. Receipts from other

**Chart 3.3: Service, Income and Current Transfers Balances**



Source: Central Bank of Belize

miscellaneous exports fell by 27.6% to \$18.4mn due to lower sales of non-traditional exports such as citrus oils, fresh oranges and black eye peas.

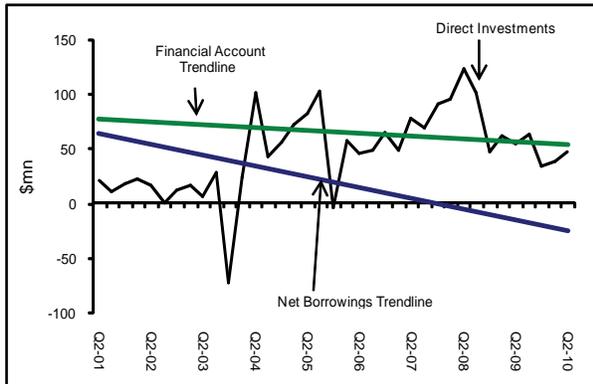
Higher inflows from tourism and other services, as well as lower outflows on transportation, underpinned a 15.6% growth in the surplus on the services account, which stood at \$256.2mn. Travel receipts rose by 6.1% to \$267.9mn with the uptick in tourist arrivals, while a \$15.4mn hike in receipts for other services was linked to telecommunication services, embassies and other regional organizations. On the other hand, the smaller net outlays on transportation services reflected lower freight charges and higher earnings by cruise ship port agents.

Following a decline in the first half of 2009, net outflows on the income account expanded by 46.2% to \$193.9mn, reflecting increased profit repatriation



**Chart 3.4: Main Components of the Financial Account**

abroad by some \$30.5mn.



Source: Central Bank of Belize

by the tourism and petroleum industries. Net inflows from current transfers rose by \$17.6mn to \$89.0mn, aided in part by a \$7.1mn increase in workers remittances.

The capital and financial account netted a surplus of \$5.1mn, much lower than the \$92.1mn surplus realized during the first half of 2009. Capital inflows were scaled down considerably with the termination of the UK debt relief programme in 2009 and the non-recurrence of disaster relief grants received in the previous year for flood rehabilitation.

For the first time in three years, the financial account recorded a deficit, albeit modest, of \$2.3mn. In the wake of persistent uncertainties in the international business climate, foreign direct investment declined by a further 25.3%, while the private sector and commercial banks made net repayments on credits received earlier. At the same time, the commercial banks were able to build up their foreign exchange holdings

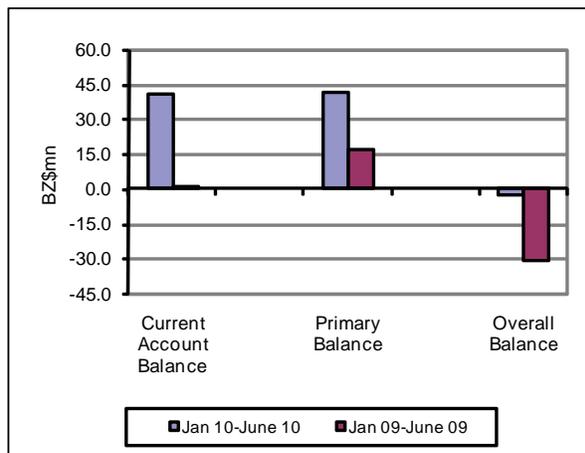


## Government Operations and Public Debt

The nascent economic recovery and government’s April tax hikes underpinned a 10.6% year-on-year increase in tax revenues for January through June. Concurrently, expenditures rose by 2.4% reflecting increases of 2.5% and 1.8%, respectively, in current and capital spending. The net results were current and primary surpluses of \$40.8mn and \$41.6mn, respectively, and a contraction in the overall deficit from \$31.0mn in 2009 to \$2.6mn. The latter was financed from external sources .

increase in the GST rate effected in April. Import duties also rose by 12.0% as the April 2009 increase in the tax rate on fuel and the rise in fuel imports boosted inflows for the first half of the year. Other notable revenue inflows that included BTL dividend payments and transfers from the Public Utility Commission (PUC), the International Financial Services Commission (IFSC), and the Central Bank of Belize helped to offset a \$19.7mn reduction in grant receipts. The latter amounted to \$6.4mn, of which \$5.0mn came from the US Government for the development of the National Coast Guard.

**Chart 4.1: GOB Fiscal Operations**



Source: Ministry of Finance

The revenue boost came mostly from three sources. Receipts from the domestic oil industry (comprised of income tax, royalty payments and working interest) increased by \$32.6mn and accounted for 9.7% of total revenues. General Sales Tax (GST) collections expanded by 31.6%, reflecting the recovery in consumption since January as well as the 25.0%

Current outlays rose by \$8.3mn year-on-year with increases in all categories, except interest payments. Wages and salaries accounted for 68.7% of the increase, while goods and services ranked second with higher outlays on operating costs, public utilities, contracts and consultancies. Pensions and transfer payments to educational institutions and the Karl Heusner Memorial Hospital also increased. In contrast, interest payments contracted by 7.5% due to the lowering of the overdraft balance at the Central Bank as well as decreases in LIBOR the interest rate on Caribbean Development Bank (CDB) loans.

Of the \$50.4mn that was recorded in capital outlays, 20.9% was expended on roads, culverts, causeways, completion of the Southern Highway, Belize City southside infrastructure and



**Table 4.1: Central Government's Revenue & Expenditure**

BZ\$mn

	Jan-10 June-10	Jan-09 June-09	Apr-10 June10	Apr-09 June-09
<b>Total Revenue &amp; Grants</b>	393.5	355.8	193.3	191.9
<i>of which: Current Revenue</i>	374.9	327.0	189.0	169.7
<i>of which: Grants</i>	6.4	26.1	1.1	20.2
<b>Total Expenditure</b>	396.1	386.7	168.0	161.2
Current Expenditure	334.1	325.8	145.0	143.9
Capital Expenditure	62.0	60.9	23.1	17.3
<b>Current Balance</b>	40.8	1.1	44.0	25.8
<b>Primary Balance</b>	41.6	16.8	33.2	41.0
<b>Overall Balance</b>	-2.6	-31.0	25.2	30.7

the upgrading of the Placencia Road. Roughly 16.0% was devoted to social projects such as the population census and Basic Needs Trust Fund and National Security was allotted 12.0% that included a US Government grant to construct a headquarters, build a base on Calabash Caye and purchase state-of-the-art equipment for the National Coast Guard. Housing projects accounted for

13.0% and 9.2% was used for land acquisition and management programs, the solid waste management project and transfers to environmental NGOs. Other allocations were for youth, sports and culture (4.3%), health (3.4%), education (1.6%) and contributions to international agencies.

**Table 4.2: Summary of Central Government's Revenue**

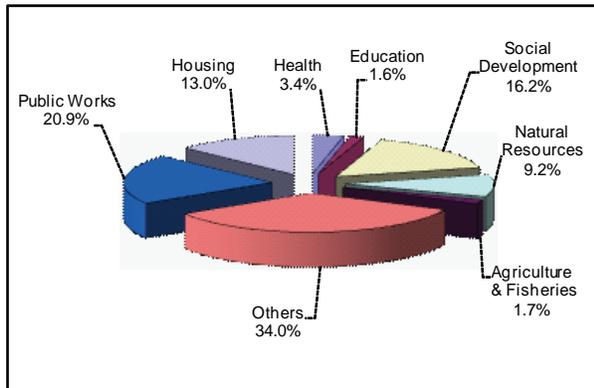
BZ\$mn

	Jan-10 June-10	Jan-09 June-09	Apr-10 June-10	Apr-09 June-09
<b>Current revenue</b>	374.9	327.0	189.0	169.7
<b>Tax revenue</b>	316.6	286.0	161.4	155.0
Income and profits	113.2	107.3	53.6	58.4
Taxes on property	2.9	3.7	1.4	2.3
Taxes on goods & services	120.3	101.3	65.8	53.3
Int'l trade and transactions	80.3	73.7	40.6	41.0
<b>Non-Tax Revenue</b>	58.3	41.0	27.6	14.7
Property income	17.7	10.4	6.7	0.4
Licenses	7.6	7.6	4.2	3.2
Other	32.9	23.0	16.6	11.2
<b>Capital revenue</b>	12.2	2.7	3.2	2.0
<b>Grants</b>	6.4	26.1	1.1	20.2



At 23.8% of the approved budget for the first quarter of fiscal year/2011, revenues were up slightly compared to the same period of the previous fiscal year due

**Chart 4.2: Development Expenditure  
January to June 2010**



Source: Ministry of Finance

to higher receipts from the domestic oil industry and the GST. Other notable inflows during this period included BTL dividend payments of \$3.6mn. Expenditure likewise increased by 4.3%, as Government hiked developmental expenditures by one-third and held the

growth in current outlays to 0.7% with savings on interest, pension and transfer expenses. At the end of the first fiscal quarter, Central Government's operations yielded current, primary and overall surpluses of \$44.0mn, \$33.2mn and \$25.2mn, respectively. The overall surplus and net external financing facilitated a reduction in domestic financing that included a \$34.2mn buildup in deposits at the Central Bank.

### Central Government's Domestic Debt

At the end of June, Central Government's domestic debt stood at \$311.3mn, down by 1.8% since December 2009 as repayments were facilitated by tax and profit sharing receipts from Belize Natural Energy (BNE), profit transfers from Central Bank and other miscellaneous transfers from BPEL, IFSC and PUC. These receipts combined with the \$75.0mn netted from

**Table 4.3: Central Government's Expenditure**

	BZ\$m			
	Jan-10 June-10	Jan-09 June-09	Apr-10 June-10	Apr-09 June-09
<b>Current Expenditure</b>	334.1	325.8	145.0	143.9
Wages & Salaries	135.1	129.3	65.2	65.0
Pensions	23.4	23.0	10.8	11.8
Goods & Services	86.0	82.1	38.7	33.5
Interest Payments	44.2	47.8	8.0	10.3
of which: External	34.4	36.1	4.4	5.1
Subsidies & current transfers	45.5	43.6	22.3	23.4
<b>Capital Expenditure</b>	62.0	60.9	23.1	17.3
Capital II	36.2	43.0	18.8	11.2
Capital III	14.2	16.3	3.5	5.3
Net lending	1.6	1.6	0.8	0.8
Unidentified Expenditure	10.0	0.0	0.0	0.0



two new Treasury bill issues resulted in an \$80.7mn reduction in its Central Bank overdraft balance. Amortization payments also included \$1.1mn to BSSB and the Debt for Nature swap. Of the \$9.8mn in interest payments, \$6.4mn was paid to the Central Bank in respect of the overdraft balance and its holdings of government securities. Commercial banks received \$2.0mn on Treasury bills and Treasury notes, and the balance went to non-bank entities with \$1.1mn representing the interest on government securities and \$0.3mn being paid on outstanding loans. In the secondary market, the commercial banks sold \$6.9mn worth of Treasury bills to the Central Bank and non-bank entities. The Central Bank also acquired \$1.0mn worth of Treasury notes that was surrendered by an international bank and sold \$9.0mn worth of notes to the commercial banks.

At the end of June, commercial banks held \$178.4mn (57.3%) of the government's domestic debt as they took up most of the new Treasury bills to meet the new securities' requirements of 1 May and to invest surplus liquidity. The Central Bank held 30.6%, of which the short and long-term portions were \$58.0mn and \$37.1mn, respectively. The remainder was held by non-bank entities, mostly in the form of government securities.

#### Public Sector External Debt

During the first semester, the public sector external debt fell by \$1.8mn to

**Table 4.4: Central Government's Domestic Debt**

BZ\$m

	Dec 2009	June 2010	Changes in Stock
Overdraft	124.8	44.1	-80.7
Loans	11.4	10.4	-1.0
Treasury Bills	100.0	175.0	75.0
Treasury Notes	70.8	71.8	1.0
Defence Bonds	10.0	10.0	0.0
<b>Total</b>	<b>317.0</b>	<b>311.3</b>	<b>-5.7</b>

\$2,029.4mn, as amortization payments and downward valuation adjustments outweighed disbursements. New borrowings of \$37.4mn came from bilateral and multilateral sources, of which \$20.0mn was from ROC/Taiwan for budget support and \$13.9mn from the CDB for the Health Reform Program, the Social Investment Fund, Technical & Vocational Training, the Placencia Road upgrading project, the Development Finance Corporation (DFC) seed fund and infrastructure rehabilitation.

Amortization payments amounted to \$32.1mn with Central Government accounting for \$26.9mn. Multilateral creditors were paid \$13.3mn, including \$4.3mn to the Inter-American Development Bank (IDB), \$4.2mn to Caribbean Development Bank (CDB) and \$3.7mn to IBRD. Of the \$12.6mn that went to bilateral lenders, the most notable payment was \$10.3mn to ROC/Taiwan, while Heritage International Bank & Trust surrendered \$1.0mn worth of Treasury notes. The Development Finance Corporation (DFC) repaid \$2.7mn to the



Belize Mortgage Company for the North

American securitization and \$0.8mn to CDB. The non-financial public sector amortized \$1.6mn, of which \$1.1mn went to CDB.

Of the \$35.8mn in interest and other payments, Central Government paid \$23.4mn on the 'super bond', \$4.7mn to bilateral creditors and \$6.2mn to multilateral entities. The financial public sector also paid \$0.9mn that included \$0.7mn to the Belize Mortgage Company and \$0.2mn to multilateral creditors, while the non-financial public sector paid

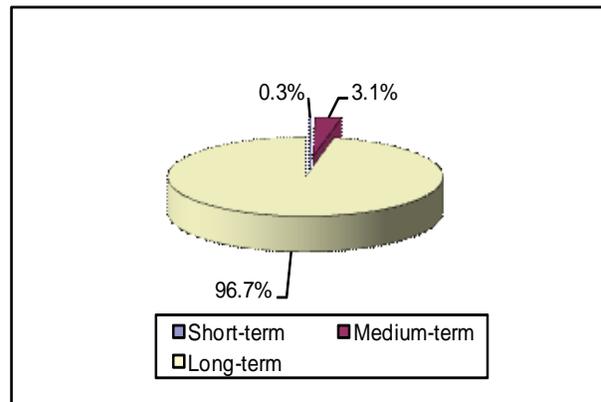
**Table 4.5: Public Sector's External Debt**

	DOD at: 31/12/09	DOD at: 31/06/10	Change in Debt Stock
<b>Central Government</b>	<b>1,882.4</b>	<b>1,890.0</b>	<b>7.6</b>
Bilateral	349.1	356.4	7.3
Multilateral	438.8	440.1	1.3
Bonds	1,093.5	1,093.5	0.0
Commercial Banks	1.0	0.0	
Export Credit	0.0	0.0	0.0
<b>Rest of NFPS</b>	<b>32.4</b>	<b>30.7</b>	<b>-1.7</b>
Bilateral	5.2	4.8	-0.4
Multilateral	26.7	25.6	-1.1
Commercial Banks	0.5	0.3	-0.2
Export Credit	0.0	0.0	0.0
<b>Financial Public Sector</b>	<b>116.3</b>	<b>108.6</b>	<b>-7.7</b>
Bilateral	0.9	0.9	0.0
Multilateral	85.4	80.4	-5.0
Bonds	30.0	27.3	-2.7
Export Credit	0.0	0.0	0.0
<b>Grand Total</b>	<b>2,031.2</b>	<b>2,029.4</b>	<b>-1.8</b>

\$0.6mn to multilateral creditors.

In other developments, the value of the outstanding debt fell by \$7.0mn as the US dollar appreciated against the SDR, Euro and Kuwait dinar, causing downward

**Chart 4.3: Public Sector External Debt by Remaining Maturity**



Source: Ministry of Finance

valuation in loans denominated in these currencies.

Some 96.7% of the public sector external debt was in long-term credit, 3.1% was in medium-term loans and only 0.3% was short-term. Central Government held 93.1% of the external debt, of which 57.9% was in the form of bonds, 23.2% was held by multilateral entities and 18.9% was held by bilateral lenders.



# **ANNEX I**



**Table 5.1: Money Supply**

BZ\$mn

	Position as at June 2010	Changes during	
		Dec 2009 to June 2010	Dec 2008 to June 2009
<b>Money Supply (M2)</b>	<b>2,086.1</b>	<b>-7.0</b>	<b>97.9</b>
<b>Money Supply (M1)</b>	<b>699.2</b>	<b>-14.1</b>	<b>23.2</b>
Currency with the Public	147.9	-6.6	-5.9
Demand Deposits	359.4	-17.3	20.6
Savings/Cheque Deposits	191.9	9.8	8.5
<b>Quasi-Money</b>	<b>1,386.9</b>	<b>7.1</b>	<b>74.7</b>
Savings Deposits	190.9	9.5	8.7
Time Deposits	1,196.0	-2.4	66.0



**Table 5.2: Net Domestic Credit**

BZ\$mn

	Position as at June 2010	Changes during	
		Dec 2009 to June 2010	Dec 2008 to June 2009
<b>Total Credit to Central Government</b>	<b>273.7</b>	<b>-4.9</b>	<b>-31.6</b>
<b>From Central Bank</b>	<b>95.2</b>	<b>-74.9</b>	<b>-37.8</b>
Loans and Advances	44.1	-80.7	-15.8
Gov't Securities <sup>(1)</sup>	51.1	5.8	-22.0
<b>From Commercial Banks</b>	<b>178.5</b>	<b>70.0</b>	<b>6.2</b>
Loans and Advances	0.0	0.0	-6.2
Gov't Securities	178.5	70.0	12.4
(of which) Treasury Bills	159.5	61.0	-2.6
Treasury Notes	19.0	9.0	15.0
Other	0.0	0.0	0.0
<b>Less Central Government Deposits</b>	<b>87.8</b>	<b>1.9</b>	<b>-37.6</b>
With Central Bank	71.4	2.4	-47.2
With Commercial Banks	16.4	-0.5	9.6
<b>Net Credit to Central Government</b>	<b>185.9</b>	<b>-6.8</b>	<b>6.0</b>
<b>Credit to Other Public Sector</b>	<b>8.2</b>	<b>-2.0</b>	<b>-3.2</b>
From Central Bank	0.0	0.0	0.0
From Commercial Banks	8.2	-2.0	-3.2
(of which) Local Government	6.5	0.3	-0.7
Public Financial Institutions	0.0	0.0	-1.3
Public Utilities	0.0	0.0	0.0
Other Statutory Bodies	1.7	-2.3	-1.2
Securities	0.0	0.0	0.0
<b>Plus Credit to the Private Sector</b>	<b>1,729.8</b>	<b>-69.8</b>	<b>21.0</b>
Loans and Advances	1,728.5	-69.8	23.7
Securities	1.3	0.0	-2.7
<b>Net Domestic Credit of the Banking System<sup>(2)</sup></b>	<b>1,923.9</b>	<b>-78.6</b>	<b>23.8</b>

(1) Includes Gov't T-Bills, T-Notes & Debentures from Central Bank

(2) Differences due to rounding



**Table 5.3: Sectoral Composition of Commercial Banks' Loans and Advances**

BZ\$m

	Position as at June 2010	Changes during	
		Dec 2009 to June 2010	Dec 2008 to June 2009
<b>PRIMARY SECTOR</b>	<b>200.4</b>	<b>7.2</b>	<b>-3.6</b>
Agriculture	135.8	1.7	-6.2
Sugar	16.0	-1.8	-1.2
Citrus	19.2	2.3	-2.1
Bananas	78.5	1.5	-1.4
Other	22.1	-0.3	-1.5
Marine Products	38.8	5.1	3.7
Forestry	2.7	0.3	0.2
Mining & Exploration	23.1	0.1	-1.3
<b>SECONDARY SECTOR</b>	<b>507.2</b>	<b>-43.1</b>	<b>55.7</b>
Manufacturing	46.4	-3.2	6.7
Building & Construction	437.1	-40.3	42.4
Utilities	23.7	0.4	6.6
<b>TERTIARY SECTOR</b>	<b>661.7</b>	<b>-25.8</b>	<b>-29.0</b>
Transport	56.4	-19.5	3.4
Tourism	131.9	2.1	-8.4
Distribution	226.3	3.7	-7.8
Other <sup>(1)</sup>	247.1	-12.1	-16.2
<b>Personal Loans</b>	<b>364.3</b>	<b>-10.1</b>	<b>-9.3</b>
<b>TOTAL</b>	<b>1,733.6</b>	<b>-71.8</b>	<b>13.8</b>

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



**Table 5.4: Commercial Bank's Liquidity Position and Cash Reserves**

BZ\$m

	Position as at June 2010	Dec 2009 to June 2010	Dec 2008 to June 2009
<b>Holdings of Approved Liquid Assets</b>	<b>594.4</b>	<b>43.1</b>	<b>66.1</b>
Notes and Coins	47.6	-3.0	0.7
Balances with Central Bank	187.9	-42.4	39.6
Money at Call and Foreign Balances (due 90 days)	181.1	46.4	16.1
Treasury Bills maturing in not more than 90 days	159.8	61.8	6.6
Other Approved assets	18.0	-19.7	3.1
of which: Treasury Notes	0.0	-21.2	0.0
<b>Required Liquid Assets</b>	<b>448.5</b>	<b>2.2</b>	<b>37.5</b>
<b>Excess/(Deficiency) Liquid Assets</b>	<b>145.9</b>	<b>40.9</b>	<b>28.6</b>
Daily Average holdings of Cash Reserves	190.0	-44.1	43.3
Required Cash Reserves	165.8	-28.3	16.3
<b>Excess/(Deficiency) Cash Reserves</b>	<b>24.2</b>	<b>-15.8</b>	<b>27.0</b>
Actual Securities Balances	161.8	161.8	0.0
Required Securities Balances	128.3	128.3	0.0
<b>Excess/(Deficiency) Securities</b>	<b>33.5</b>	<b>33.5</b>	<b>0.0</b>

**Table 5.5: Commercial Bank's Weighted Average Interest Rates**

Percentages

	Position as at June 2010	Changes during	
		Dec 2009 to June 2010	Dec 2008 to June 2009
<b>Weighted Lending Rates</b>			
Personal Loans	15.77	0.49	-0.40
Commercial Loans	13.46	-0.06	-0.01
Residential Construction	12.67	-0.59	0.04
Other	13.44	2.15	0.04
<b>Weighted Average</b>	<b>13.88</b>	<b>-0.10</b>	<b>-0.02</b>
<b>Weighted Deposit Rates</b>			
Demand	0.63	-0.09	-0.16
Savings/ Cheque	4.98	-0.02	0.02
Savings	5.25	0.01	0.02
Time	7.72	-0.45	-0.19
<b>Weighted Average</b>	<b>5.87</b>	<b>-0.25</b>	<b>-0.15</b>
<b>Weighted Average Spread</b>	<b>8.01</b>	<b>0.15</b>	<b>0.13</b>



**Table 5.6: GDP by Activity at Constant 2000 Prices**

\$BZmn

	2009		2010	
	Quarter 1	Quarter 2	Quarter 1	Quarter 2
Agriculture, hunting & forestry	65.5	64.5	66.7	65.6
Fishing	14.8	13.8	11.1	15.0
Manufacturing (incl. mining & quarrying)	74.0	89.1	82.9	75.9
Electricity & water	15.9	24.9	16.6	24.0
Construction	27.3	28.2	28.9	28.8
Wholesale & Retail	77.0	84.8	78.6	91.8
Hotels & Restaurants	27.3	21.3	29.8	22.2
Transport & communication	68.0	65.6	68.4	67.7
Other private services exc. FISIM	99.6	100.1	100.7	101.4
Producers of government services	56.7	51.4	60.3	59.7
All industries at basic prices	526.0	543.8	543.9	552.2
Taxes on products	75.4	82.8	76.4	89.2
<b>GDP at market prices</b>	<b>601.5</b>	<b>626.6</b>	<b>620.3</b>	<b>641.4</b>

Source: Statistical Institute of Belize

**Table 5.7: GDP by Activity at Constant 2000 Prices**

	Quarter-on-quarter growth (%)					
	Q1-08	Q2-08	Q1-09	Q2-09	Q1-10	Q2-10
	Over Q1-07	Over Q2-07	Over Q1-08	Over Q2-08	Over Q1-09	Over Q2-09
Agriculture, hunting & forestry	-2.5	-1.4	-11.3	-11.6	1.9	2.8
Fishing	-18.7	177.5	4.2	9.8	-25.0	9.2
Manufacturing (incl. mining & quarrying)	-10.2	7.4	4.1	13.6	12.0	-14.8
Electricity & water	-27.3	-5.2	2.7	28.1	4.1	-3.8
Construction	32.5	44.4	28.8	21.2	5.8	2.2
Wholesale & Retail	4.3	9.5	-8.6	-8.8	2.0	8.2
Hotels & Restaurants	-5.6	-7.4	-11.1	-6.3	9.3	4.2
Transport & communication	5.0	2.2	-2.9	-4.7	0.5	3.3
Other private services exc. FISIM	3.9	4.5	2.9	2.5	1.0	1.2
Producers of government services	6.0	3.2	6.7	-2.1	6.4	16.1
All industries at basic prices	-0.4	6.3	-0.9	0.5	3.4	1.5
Taxes on products	3.2	5.0	-10.1	-9.4	1.3	7.7
<b>GDP at market prices</b>	<b>0.1</b>	<b>6.1</b>	<b>-2.5</b>	<b>-1.3</b>	<b>3.1</b>	<b>2.4</b>

Source: Statistical Institute of Belize



**Table 5.8: Percent Variation in Consumer Price Index (CPI) Commodity Group**

Major Commodity Group	Weight	Quarterly Change					Annual Change
		May-09	Aug-09	Nov-09	Feb-10	May-10	
Food, Beverage & Tobacco	346.6	-3.7	-0.7	-0.6	-0.1	-1.2	-2.5
Clothing & Footwear	92	0.2	0.4	-0.5	0.4	-0.1	0.2
Rent, Water, Fuel, & Power	167.6	-0.8	2.0	1.4	1.4	-0.2	4.6
Household goods & maintenance	85.3	-0.2	0.3	0	0	-0.8	-0.4
Medical care	20.1	-0.1	0.1	0.9	-0.7	0.2	0.6
Transport & Communication	170.1	8.8	3.5	2.6	-0.3	4	10.1
Recreation, Education & Culture	80.4	0	0.1	0.2	0.1	0.1	0.5
Personal care	37.9	0.5	0.1	0.2	-0.3	1.2	1.2
<b>ALL ITEMS</b>	<b>1,000.0</b>	<b>-0.1</b>	<b>0.8</b>	<b>0.5</b>	<b>0.2</b>	<b>0.2</b>	<b>1.8</b>

Source: Statistical Institute of Belize

**Table 5.9: Gross Imports (CIF) by SITC**

BZ\$'000

SITC Section	Jan-June 2009	Jan-June 2010
0. Food and Live Animals	83,749	75,413
1. Beverages and Tobacco	10,579	9,374
2. Crude Materials	6,518	7,089
3. Minerals, Fuels and Lubricants	99,722	140,112
<i>of which electricity</i>	22,736	29,614
4. Oils and Fats	2,917	3,093
5. Chemical Products	64,970	58,894
6. Manufactured Goods	92,957	90,930
7. Machinery and Transport Equipment	145,440	120,561
8. Other Manufactures	46,970	42,847
9. Commodities N.E.S	1	-
10. Export Processing Zones	40,845	33,293
11. Commercial Free Zone	75,944	86,406
12. Personal Goods	973	1,410
<b>Total</b>	<b>671,584</b>	<b>669,422</b>

Sources: Statistical Institute of Belize and Central Bank of Belize



**Table 5.10: Balance of Payments**

	BZ\$mn	
	Jan-June 2009 <sup>R</sup>	Jan-June 2010 <sup>P</sup>
<b>CURRENT ACCOUNT</b>	<b>-81.6</b>	<b>4.5</b>
Goods: Exports f.o.b.	364.0	457.2
Goods: Imports f.o.b.	-606.1	-604.0
<b>Trade Balance</b>	<b>-242.0</b>	<b>-146.8</b>
Services: Credit	377.0	415.0
Transportation	20.2	23.6
Travel	288.6	300.4
Other Goods & Services	42.8	59.8
Gov't Goods & Services	25.4	31.2
Services: Debit	-155.3	-158.8
Transportation	-53.1	-53.0
Travel	-36.2	-32.5
Other Goods & Services	-57.4	-65.0
Gov't Goods & Services	-8.6	-8.3
<b>Balance on Goods &amp; Services</b>	<b>-20.4</b>	<b>109.4</b>
Income: Credit	4.5	4.5
Compensation of Employees	2.4	2.4
Investment Income	2.1	2.1
Income: Debit	-137.1	-198.4
Compensation of Employees	-7.2	-7.0
Investment Income	-129.9	-191.4
<b>Balance on Goods, Services &amp; Income</b>	<b>-153.0</b>	<b>-84.5</b>
Current Transfers: Credit	95.3	111.7
Current Transfers: Debit	-23.9	-22.7
<b>CAPITAL ACCOUNT</b>	<b>25.7</b>	<b>7.5</b>
Capital Account: Credit	26.0	9.0
Capital Account: Debit	-0.3	-1.5
<b>FINANCIAL ACCOUNT</b>	<b>66.4</b>	<b>-2.3</b>
Direct Investment Abroad	-0.3	-1.3
Direct Investment in Reporting Economy	115.5	87.3
Portfolio Investment Assets	-0.3	-0.1
Portfolio Investment Liabilities	-5.0	-2.7
Financial Derivatives	0.0	0.0
Other Investment Assets	28.5	-51.6
Other Investment Liabilities	-71.9	-33.9
<b>NET ERRORS &amp; OMISSIONS</b>	<b>10.7</b>	<b>7.4</b>
<b>OVERALL BALANCE</b>	<b>21.1</b>	<b>17.0</b>
<b>RESERVE ASSETS<sup>(1)</sup></b>	<b>-21.1</b>	<b>-17.0</b>

(1) Minus = Increase

P - Indicates Provisional

R - Indicates Revised



**Table 5.11: Private Sector External Debt by Economic Sector <sup>(1,2)</sup>**

BZ\$'000

Economic Sectors	DOD at 31/12/09	Transactions (January-June 2010)			DOD as at 30/06/10
		Disbursements	Principal Payments	Interest Payments	
Agricultural Production	6,635	0	1,214	59	5,420
Air Transport	60,425	0	4,940	1,386	55,259
Banana	915	0	0	0	915
Citrus	56,296	0	2,557	871	53,739
Construction	59,943	0	65	2,241	59,878
Education & Training	264	0	10	10	254
Energy (Electricity)	121,236	0	5,468	983	115,767
Ground Transport	2,158	0	129	51	2,029
Real Estate	364	0	0	0	364
Marine Products	133,711	3,600	5,137	2,793	132,174
Maritime Transport	2,036	0	214	34	1,822
Telecommunications	45,502	0	0	0	45,502
Hotel & Restaurant	47,444	187	2,180	1,065	45,450
Other	5,223	0	120	52	5,113
<b>Total</b>	<b>542,150</b>	<b>3,787</b>	<b>22,036</b>	<b>9,546</b>	<b>523,687</b>

(1) The loans only cover that portion of the private sector debt that is reported to the Central Bank of Belize.

(2) At the time of reporting not all companies had submitted their balance sheets to the Central Bank of Belize.



**Table 5.12: Central Government's Revenue and Expenditure**

BZ\$'000

	Approved Budget 2010/2011	Jan-10 to June-10	Jan 09 to June-09	Apr-10 to June-10	Apr 09 to June-09	Actual YTD as % of Budget
<b>TOTAL REVENUE &amp; GRANTS (1+2+3)</b>	<b>811,589</b>	<b>393,520</b>	<b>355,751</b>	<b>193,285</b>	<b>191,896</b>	<b>23.8%</b>
1). Current revenue	784,268	374,896	326,964	188,985	169,687	24.1%
Tax revenue	703,493	316,604	285,972	161,399	155,010	22.9%
Income and profits	247,549	113,189	107,333	53,606	58,381	21.7%
Taxes on property	7,003	2,867	3,671	1,405	2,322	20.1%
Taxes on goods and services	273,105	120,268	101,251	65,837	53,301	24.1%
Int'l trade and transactions	175,836	80,280	73,718	40,550	41,006	23.1%
Non-Tax Revenue	80,775	58,292	40,992	27,586	14,677	34.2%
Property income	6,930	17,728	10,371	6,707	365	96.8%
Licenses	11,780	7,621	7,642	4,245	3,162	36.0%
Other	62,064	32,943	22,979	16,635	11,150	26.8%
2). Capital revenue	4,800	12,237	2,682	3,219	2,027	67.1%
3). Grants	22,521	6,387	26,104	1,080	20,182	4.8%
<b>TOTAL EXPENDITURE (1+2)</b>	<b>876,326</b>	<b>396,124</b>	<b>386,726</b>	<b>168,039</b>	<b>161,168</b>	<b>19.2%</b>
1). Current Expenditure	721,591	334,125	325,838	144,952	143,895	20.1%
Wages and Salaries	291,227	135,064	129,323	65,204	64,965	22.4%
Pensions	50,416	23,359	22,983	10,783	11,835	21.4%
Goods and Services	166,141	85,986	82,148	38,657	33,468	23.3%
Interest Payments on Public Debt	118,778	44,222	47,803	7,964	10,275	6.7%
Subsidies & current transfers	95,029	45,495	43,581	22,344	23,353	23.5%
2). Capital Expenditure	154,735	61,999	60,889	23,087	17,274	14.9%
Capital II (local sources)	65,230	36,237	43,001	18,755	11,158	28.8%
Capital III (foreign sources)	83,046	14,159	16,284	3,530	5,314	4.3%
Capital Transfer & Net Lending	6,459	1,603	1,603	802	802	12.4%
Unidentified Expenditure		10,000	-	-	-	
<b>CURRENT BALANCE</b>	<b>62,677</b>	<b>40,771</b>	<b>1,127</b>	<b>44,032</b>	<b>25,792</b>	<b>70.3%</b>
<b>Primary Balance</b>	<b>54,042</b>	<b>41,617</b>	<b>16,828</b>	<b>33,210</b>	<b>41,003</b>	<b>61.5%</b>
<b>OVERALL BALANCE</b>	<b>(64,736)</b>	<b>(2,604)</b>	<b>(30,975)</b>	<b>25,246</b>	<b>30,728</b>	<b>-39.0%</b>
<b>PB less Grants</b>	<b>31,521</b>	<b>35,230</b>	<b>(9,277)</b>	<b>32,129</b>	<b>20,820</b>	<b>101.9%</b>
<b>OB less Grants</b>	<b>(87,257)</b>	<b>(8,992)</b>	<b>(57,080)</b>	<b>24,165</b>	<b>10,546</b>	<b>-27.7%</b>
<b>FINANCING</b>		2,604	30,975	(25,246)	(30,728)	
<b>Domestic Financing</b>		(6,493)	8,494	(40,190)	(28,296)	
Central Bank		(77,272)	9,433	(110,821)	(22,260)	
Net Borrowing		(74,900)	(37,715)	(76,589)	(9,089)	
Change in Deposits		(2,371)	47,148	(34,232)	(13,171)	
Commercial Banks		70,537	(3,424)	70,798	(11,635)	
Net Borrowing		70,045	6,140	69,993	(12,622)	
Change in Deposits		492	(9,564)	805	987	
Other Domestic Financing		242	2,485	(167)	5,599	
<b>Financing Abroad</b>		10,475	19,360	18,673	(737)	
Disbursements		37,345	54,329	29,518	18,643	
Amortization		(26,871)	(34,969)	(10,844)	(19,380)	
Other		(1,377)	3,121	(3,729)	(1,695)	

Sources: Ministry of Finance and Central Bank of Belize



(1)  
**Table 5.13: Central Government's Domestic Debt by Creditor**

\$'000

	Disbursed Outstanding Debt 31/12/09	Transactions (January to June 2010)				Disbursed Outstanding Debt 31/06/10
		Disbursements/ New Issue of Securities	Amortization/ Reduction in Securities	Interest	Net Change in Overdraft/ Securities	
<b>Overdraft / Loans</b>	<b>124,769</b>	<b>0</b>	<b>0</b>	<b>4,867</b>	<b>-80,718</b>	<b>44,051</b>
Central Bank	124,769	0	0	4,867	-80,718	44,051
Commercial Banks	0	0	0	0	0	0
<b>Treasury Bills</b>	<b>100,000</b>	<b>93,992</b>	<b>18,992</b>	<b>1,536</b>	<b>0</b>	<b>175,000</b>
Central Bank	158	7,015	0	63	6,802	13,975
Commercial Banks	98,420	86,500	18,515	1,440	-6,940	159,465
Other	1,422	477	477	33	138	1,560
<b>Treasury Notes</b>	<b>70,800</b>	<b>0</b>	<b>0</b>	<b>2,723</b>	<b>1,000</b>	<b>71,800</b>
Central Bank	35,096	0	0	1,065	-8,000	27,096
Commercial Banks	10,000	0	0	570	9,000	19,000
Other	25,704	0	0	1,088	0	25,704
<b>Defence Bonds</b>	<b>10,000</b>	<b>0</b>	<b>0</b>	<b>400</b>	<b>0</b>	<b>10,000</b>
Central Bank	10,000	0	0	400	0	10,000
Commercial Banks	0	0	0	0	0	0
Other	0	0	0	0	0	0
<b>BSSB Loan<sup>(2)</sup></b>	<b>5,377</b>	<b>0</b>	<b>396</b>	<b>198</b>	<b>0</b>	<b>4,981</b>
<b>GOB (debt for Nature Swap)</b>	<b>5,103</b>	<b>0</b>	<b>673</b>	<b>65</b>	<b>0</b>	<b>4,430</b>
<b>Guardian Life Bze</b>	<b>1,000</b>	<b>0</b>	<b>0</b>	<b>45</b>	<b>0</b>	<b>1,000</b>
<b>Total</b>	<b>317,048</b>	<b>93,992</b>	<b>20,061</b>	<b>9,834</b>	<b>-79,718</b>	<b>311,262</b>

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

(2) GOB has outstanding loans with BSSB consisting of (1) Hopeville Housing Project and (2) loan purchased from DFC (as of Jan 30th 2007).



**Table 5.14: Public Sector External Debt by Creditor** <sup>(1)</sup>

BZ\$'000

	DOD at: 31/12/2009	Transaction (January to June 2010)				DOD at: 31/06/2010
		Disburse- ments	Principal Payments	Interest & Other Payments	Parity Change	
<b>CENTRAL GOVERNMENT</b>	<b>1,882,444</b>	<b>37,345</b>	<b>26,871</b>	<b>34,617</b>	<b>-2,880</b>	<b>1,890,038</b>
Banco Nacional de Comercio Exterior	5,844	0	373	181	0	5,470
Government of the United States <sup>(2)</sup>	1,733	0	352	40	0	1,381
Government of Trinidad and Tobago	4	0	4	0	0	0
Government of Venezuela	39,527	57	72	75	0	39,512
Kuwait Fund for Arab Economic Dev	18,293	0	583	240	-242	17,469
Republic of China	281,148	20,000	10,324	4,079	0	290,824
Caribbean Development Bank	171,237	13,872	4,231	2,846	0	180,878
European Economic Community	16,917	0	248	38	-2,565	14,104
European Investment Bank	196	0	0	0	-30	166
Inter-American Development Bank	204,526	2,410	4,296	2,957	0	202,641
International Fund for Agric. Dev.	877	0	68	12	-44	765
Intl. Bank for Reconstruction & Dev.	30,502	26	3,688	241	0	26,840
Opec Fund for Int'l. Development	14,514	0	767	337	0	13,747
Central American Bank for Econ. Integ.	0	980	0	29	0	980
Manufacturers & Traders Trust Co.	2,595	0	865	73	0	1,730
Heritage International Bank & Trust <sup>(3)</sup>	1,000	0	1,000	45	0	0
Bear Stearns & Co.	5,916	0	0	0	0	5,916
Bank of New York (New Bond Issue)	1,087,613	0	0	23,424	0	1,087,613
<b>NON-FINANCIAL PUBLIC SECTOR</b>	<b>32,444</b>	<b>0</b>	<b>1,648</b>	<b>592</b>	<b>-72</b>	<b>30,724</b>
Kuwait Fund for Arab Economic Dev	5,228	0	344	96	-72	4,813
Deutsche Bank	471	0	173	23	0	297
Caribbean Development Bank <sup>(4)</sup>	26,744	0	1,131	472	0	25,614
<b>FINANCIAL PUBLIC SECTOR</b>	<b>116,265</b>	<b>0</b>	<b>3,563</b>	<b>851</b>	<b>-4,087</b>	<b>108,615</b>
Caribbean Development Bank	13,695	0	833	149	0	12,863
European Economic Community	501	0	18	2	-75	408
European Investment Bank	332	0	0	0	0	332
Paine Webber Real Estate Securities Inc.	900	0	0	0	0	900
Belize Mortgage Company	29,995	0	2,712	666	0	27,283
International Monetary Fund <sup>(5)</sup>	70,842	0	0	34	-4,012	66,829
<b>GRAND TOTAL</b>	<b>2,031,152</b>	<b>37,345</b>	<b>32,082</b>	<b>36,060</b>	<b>-7,040</b>	<b>2,029,376</b>

(1) Guaranteed Outstanding external debt of private entities remain a contingent liability of Central Government and are not reported on this table.

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

(3) As of the 4th of January 2010, Provident Bank & Trust of Belize is known as Heritage International Bank & Trust.

(4) Loans for the Water Company were re-classified as part of the non-financial public sector after the GOB bought the majority shares in the company on 3rd October 2005.

(5) IMF/SDR Allocation of SDR\$17.9mn is included as part of financial public debt stock of external debt obligation.