Review of Economic and Financial Developments

Overview

Production of export commodities generally expanded in the first quarter, as increases, some modest and others quite substantial, in sugar, grapefruit, shrimp and papaya outweighed declines in banana, orange and garments. Although lower than expected due to unfavourable weather, orange and banana yields are expected to recover as the year progresses. Meanwhile, the boom in tourism continued for the second consecutive year with stay-over and cruise ship visitors growing by 14.1% to 66,586 and 71.2% to 231,370, respectively.

During the four-month period from November 2003 to February 2004, the Consumer Price Index (CPI) rose by 0.9% as higher world fuel prices pushed up energy costs. Higher fuel prices was also the main impetus for the 2.6% rise in the CPI over the February 2003 to February 2004 period.

With international prices for citrus juices plunging to historically low levels and growth in receipts from papaya and shrimp also being constrained by falling prices, earnings from domestic exports saw an overall decline of 3.9%. Gross sales in the CFZ were also down 27.1% while interest payments on foreign loans rose by nearly 15%. A marked improvement in the balance of payments was nevertheless recorded with the current account deficit declining (quarter on quarter) by 69.9% to $21.0mn and the overall deficit falling from $65.7mn to $4.7mn. The improvement in the current account was attributable to a 13.7% decrease in gross imports, a substantial surge in tourism receipts and an increase in grants received by the government. The current account deficit was financed by government borrowing and a $4.7mn reduction in official reserves.

During the quarter, broad money (M2) grew by 0.8% as increases in net foreign assets and net domestic credit were almost fully offset by growth in other liabilities of the banking system, particularly in commercial banks' profits. Net domestic credit rose marginally as Central Government's shift to external sources of financing largely offset increased domestic credit to the private sector and statutory bodies during the period. Commercial bank loans rose by 1.2%, of which more than half was directed to the tertiary sector into areas such as real estate and professional services.

Liquidity conditions in the commercial banks remained tight with a $5.5mn increase in excess statutory liquidity representing a slight reversal of the $52.7mn decline that had occurred in the previous nine months. Holdings of excess cash reserves contracted sharply by \$14.2mn to \$2.6mn. The general tightness in liquidity helped to push weighted average deposit rates upward by ten basis points to 5.0%, while heightened competition drove down lending rates by twenty basis points to 14.0%. The weighted average spread of the commercial banks consequently declined to 9.0%.

During the quarter, Central Government's fiscal operations yielded an overall deficit of \$26.1mn that was financed by external loan disbursements. While tax revenues rose in response to the tax measures instituted in January, a fall-off in receipts classified as repayments of old loans reduced the quarter on quarter increase in current revenues to 1.9% while current expenditure rose by 8.2%. Total revenue rose by 29.2% buoyed by grant inflows and the temporary liquidation of the Government's investment into the Galeria Maya project. Total expenditure declined by 11.0% largely reflecting the reduction in capital outlays over the period reviewed.

Central Government's domestic debt rose by 1.0% to \$261.3mn with a \$5.0mn loan disbursement overshadowing a reduction in the overdraft balances held with commercial banks and amortisation payments. Interest payments totalled to \$3.6mn.

The public sector's external debt increased by 4.4% to \$1.6bn, as disbursements of \$74.1mn outweighed amortisation payments of \$8.3mn and downward valuation adjustments of \$0.3mn. The largest disbursement came from the International Bank of Miami (\$56.7mn), followed by the Republic of China/Taiwan with \$10.0mn. Interest payments totaled \$26.9mn, approximately half of which went to holders of bonds issued by Bear Stearns and Salomon Smith Barney.

Domestic Production And Prices

Sugar and Molasses

Sugarcane crop yields rebounded modestly with 2003/2004 sugarcane deliveries cumulative to March, which is more than half way through the harvest, up 4.1% to 706,867 long tons.

Boosting deliveries were favourable weather, faster milling rates and a slight increase in factory time efficiency. At 13.6%, sugar production realized a proportionately larger increase to 71,697 long tons, as higher sucrose content (pol) in the sugarcane and improvements in factory operations increased the rate of sugar extraction and minimised losses to molasses and waste by-products. Together with lower fiber content in the sugarcane, this led to a 7.0% improvement in the cane/sugar ratio. Molasses production also expanded by 10.6% to 23,220 long tons.

The average price for sugarcane declined by 5.8% to an estimated $41.53 per long ton, as the effects of high global sugar inventories and positive harvest growth were only partially tempered by stronger prices in the EU and expansion of the more lucrative regional sales.

Table 1.1: Deliveries of Sugarcane and Production of Sugar and Molasses

	Nov-Mar 2003/04	Nov-Mar 2002/03
Deliveries of Sugarcane (long tons)	**706,867**	**679,273**
Sugar Processed (long tons)	**71,697**	**63,090**
Molasses processed (long tons)	**23,220**	**21,001**
Performance		
Factory Time Efficiency (%)	93.00	92.86
Cane Purity (%)	85.22	85.85
Cane/Sugar	9.76	10.49

Source: Belize Sugar Industries

Citrus Products

After opening to a sluggish start on 29th October 2003 with heavy rains and cool temperatures delaying fruit maturation and slowing deliveries, the pace of citrus deliveries began to increase. By the end of March, five months into the crop year, deliveries were up 2.6% to 3.9mn boxes relative to the same period of the previous crop year.

The increase was largely due to a 10.4% expansion in grapefruit deliveries, which more than outweighed a 0.5% decline in those of orange. The larger grapefruit crop reflected the gradual improvement in weather conditions as well as successful efforts to control the Mexican Fruit Fly that causes fruit drop in the field.

Notwithstanding the modest rise in deliveries, production of citrus juices declined by 7.4% to 20.3mn pound solids (ps) as juice out-turn per box of fruit fell. The larger decline of 9.1% occurred in orange juices, while grapefruit fell by a marginal 0.3%.

This year virtually all fruit went into the processing of concentrates, which remained almost static at 20.3mn ps. Only 0.01mn ps of orange NFC was produced, compared to 1.5mn ps in the previous year. In line with the company's focus on maximizing the value added from by-products, pulp and oil production increased by 58.6% and 36.8%, respectively.

Table 1.2: Output of Citrus Products

	2003/04 Oct– Mar	2002/03 Oct–Mar
Deliveries (boxes)		
Orange	2,715,948	2,730,506
Grapefruit	1,190,559	1,077,968
Total	**3,906,507**	**3,808,474**
Concentrate (ps)		
Orange	15,502,890	15,783,690
Grapefruit	4,259,224	3,695,676
Total	19,762,114	19,479,366
NFC (ps)		
Orange	10,095	1,007,490
Grapefruit	0	544,824
Total	10,095	1,552,314
Pulp (pounds)		
Orange	580,032	307,400
Grapefruit	0	58,320
Total	58,032	365,720
Oil (pounds)		
Orange	522,600	402,000
Grapefruit	90,400	46,000
Total	613,000	468,000

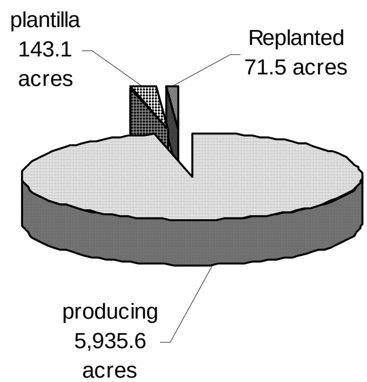
World orange prices continued to slide due to the record orange crop in Florida, higher production from Brazil and weak demand for orange juices. However, the effect on the price received by local growers was ameliorated by the industry's strategy to expand into the more lucrative Caricom market. Consequently, the estimated price for orange will hover around $0.97 per ps, 5.1% lower than the 2002/03 price. The price of grapefruit is also expected to fall by 12.7% to $4.00 per box with weak processor demand for grapefruit being caused by a shift in international preferences from the juice to the fresh fruit.

Banana

Banana yields were adversely affected by heavy rains and low temperatures and production fell slightly to 1.0mn boxes, compared to the 1.1mn boxes achieved in the first quarter of 2003. The slowdown was unanticipated, since the industry had targeted its larger volume of output for the first half of the year in order to benefit from the higher price during this period. At current yields, the industry therefore lags slightly behind its annual forecast of 4.2mn boxes.

As of March 2004, some 5,935.6 acres had harvestable trees, while 143.1 acres were under young plants (plantilla) and 71.5 acres were being replanted. This compares

Chart 1.1: Banana Acreage at March 2004



favourably to January 2004 when approximately 5,728.7 acres had harvestable trees, 393.4 acres were under plantilla, 10 acres were ready to plant and 26 acres were ready for expansion.

Under the new marketing agreement negotiated with Fyffes for 2004, the average of the industry's weekly exports for the first 22 weeks will set the level of weekly shipments for the remaining 30 weeks. Box prices should range from US$6.93 for the first half of the year and US$5.45 for the remainder of the year. The guaranteed average minimum industry price for the year is US$6.20 per box, down by US$0.30 relative to 2003. The 'dead freight' penalty will be incurred only if shipments fall below 70,000 boxes per week, but this can be waived if Fyffes is notified promptly of the anticipated shortfall so it can fill the vacant cargo space with production from Costa Rica, Honduras or Guatemala. During the first quarter of the year, the industry was able to avoid this penalty.

Tourism

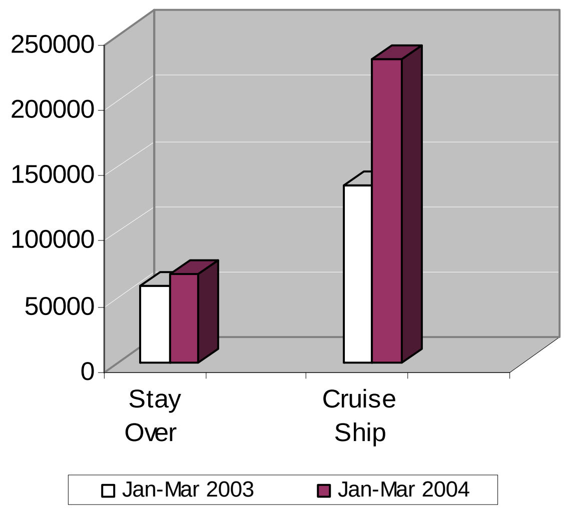
The boom in tourism continued for a second consecutive year with stay-over and cruise ship arrivals growing by 14.1% to 66,586 and 71.2% to 231,370, respectively.

The United States (US) and Europe largely accounted for the growth in stay-over tourists. US arrivals surged by 14.7% to 45,651 visitors, reflecting the positive growth momentum of the US economy as well as the continued high profile marketing of Belize. The strong economic performance of certain key European countries (the United Kingdom in particular) and the considerable appreciation of the Euro against the US dollar continue to positively influence European arrivals.

Air travelers increased by 10.5% to 51,706 and visitors entering through the land borders and seaports were up by 30.5% and 19.2%, respectively.

Activities in the cruise ship sub-sector were quite buoyant as larger ships began making port calls. Growth could be stoked even further if the ongoing discussions on proposals for the construction of another cruise ship terminal to accommodate the Carnival line of ships are successful.

Chart 1.2: Bona Fide Tourist Arrivals Jan-Mar 2003 and 2004



Consumer Prices

The Consumer Price Index (CPI), increased by 0.9% between November 2003 and February 2004, as price levels rose in nearly all categories of goods and services. The only exceptions were "*Medical Care*" and "*Personal Care*".

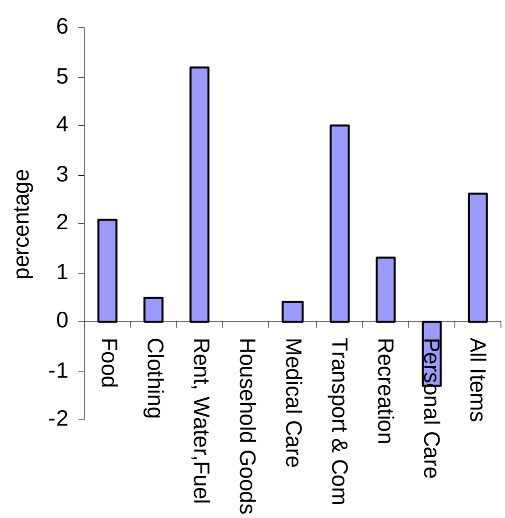
Over the twelve-month period (February 2003 to February 2004), inflation grew by 2.6% with across the board increases in all categories of goods and services except for "*Personal Care*". High energy costs were the main impetus as '*Rent, Water, Fuel and Power*' registered the largest increase of 5.2% in response to higher prices for butane gas and the shift from water meters based on imperial gallons to meters based on US gallons. '*Transport and Communication*' experienced the next largest growth (4.0%) as higher fuel prices at the pump pushed up the cost of public and private transportation. The cost of '*Food, Beverage and Tobacco*' rose by 2.1% reflecting a general increase in the price of basic foodstuffs. Boosting prices further upward was a 2.5% increase in import costs as proxied by the US export price index (up to February, 2004).

International Trade and Payments

Balance of Payments Overview

A sharp reduction in the current account deficit coupled with a markedly larger surplus on the financial account held the overall deficit on the balance of payments

Chart 1.3: Annual Percentage Change in Consumer Price Index



to a very modest $4.7mn, down substantially from the $65.7mn deficit realized for the comparative quarter of 2003.

Net outflows on the current account fell by 69.9% to $21.0mn, as higher interest payments were more than offset by a lower trade deficit, a surge in tourism receipts and the more than doubling in current transfers. Net earnings from services rose by 47.6% to $90.2mn, as a 20.6% surge in tourism receipts, higher revenues accruing to the port and shipping agencies from the cruise industry, larger inflows from professional services and military units were coupled with a modest decline in expenditure by residents travelling abroad. And while, on the one hand, increased interest payments on bonds and loans caused net outflows on the income account to rise by $8.4mn, net inflows from current transfers rose by $14.3mn as grants to the government went up by a substantial $10.9mn and inflows to the private sector rose by $3.4mn. The latter reflected increases in Western Union net settlements, funding for religious and non-profit organisations and family remittances.

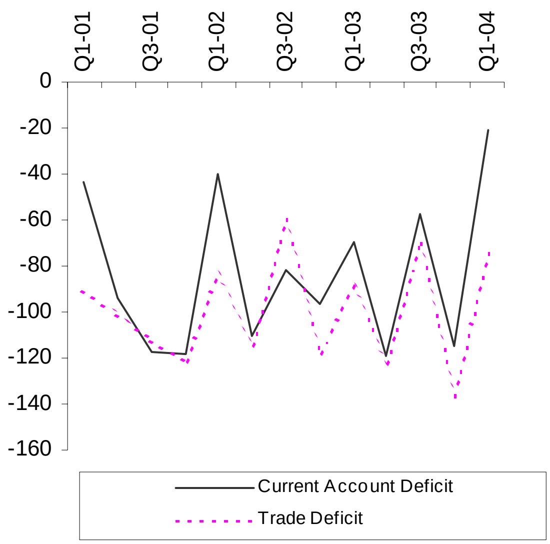
The trade deficit recorded a quarter-on-quarter reduction of 15.6% to $75.1mn. After lumpy investments in 2003 on network equipment for Intelco and the temporary importation of several electric

Table 2.1: Balance of Payments Summary

	2004^{P} Jan-Mar	2003 Jan-Mar
A. CURRENT ACCOUNT (I+II+III+IV)	**-21.0**	**-69.8**
I. Goods (Trade Balance)	**-75.1**	**-89.0**
Exports, f.o.b.	140.8	161.2
Domestic Exports	94.3	98.1
CFZ Gross Sales	41.5	56.9
Re-exports	5.0	6.2
Imports, f.o.b.	215.9	250.2
Domestic Imports	183.3	207.6
CFZ Imports	32.6	42.6
II. Services	**90.2**	**61.1**
Transportation	-2.3	-7.0
Travel	93.0	71.7
Other Services	-0.6	-3.6
III. Income	**-63.0**	**-54.6**
Compensation of Employees	-7.8	-7.8
Investment Income	-55.2	-46.8
IV. Current Transfers	**27.0**	**12.7**
Government	11.8	0.9
Private	15.2	11.8
B. CAPITAL & FINANCIAL ACCOUNT (I+II)	**32.9**	**3.1**
I. Capital Account	**-3.1**	**1.4**
II. Financial Account (1+2+3)	**36.0**	**1.7**
1. Direct Investment in Belize	19.9	16.7
2. Portfolio Investment	-10.6	-3.0
Monetary Authorities	0.0	-3.0
General Government	-10.5	0.0
Banks	0.0	0.0
Other Sectors	-0.1	0.0
3. Other Investments	26.6	-12.0
Monetary Authorities	-2.1	-4.2
General Government	59.9	0.6
Banks	-27.0	-36.3
Other Sectors	-4.1	27.9
C. NET ERRORS & OMISSIONS	**-16.5**	**1.0**
D. OVERALL BALANCE	**-4.7**	**-65.7**
E. RESERVE ASSETS	**4.7**	**65.7**

P indicates Provisional

Chart 2.1: Current Account Deficit vs Trade Deficit

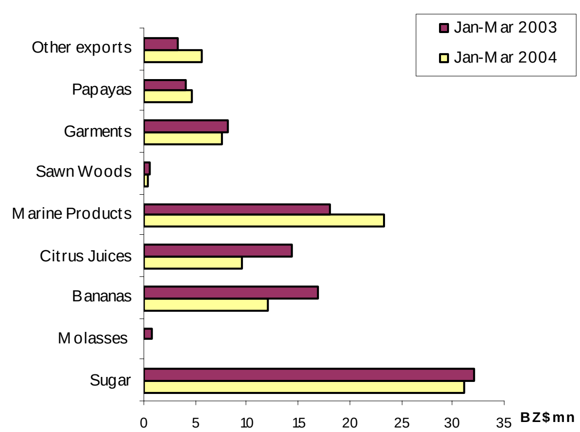


generators, imports contracted by 13.7% to $215.9mn in 2004. Further adding to the import decline was the reduction in Commercial Free Zone (CFZ) imports, as cross border trade slowed in response to the tightening of Mexican customs procedures and competitive prices of gasoline in Chetumal.

With merchandise and fuel sales in the CFZ down by 27.1% and domestic export earnings, under pressure mostly from lower international prices and higher freight rates, also contracting by 3.9%, this led to a decline of 12.6% in total exports to $140.8mn.

Except for marine products, papaya and citrus oils, revenues from all domestic exports were down. Notwithstanding an 8.9% increase in volume, earnings from sugar declined by 2.7% due to lower EU tonnage and weaker prices in the US and CARICOM markets. A change in shipping schedule led to a temporary 12.8% reduction in EU volume, however, a US$0.01 increase (arising from a 5.1% improvement in the euro to US dollar exchange rate) in the average price per pound slightly ameliorated the revenue loss in this market. The US quota remained virtually stable at 10,917 long tons, while tonnage sold to CARICOM almost doubled to 13,591 long tons, in line with plans to sell one-third of this year's exports to CARICOM and other regional markets. High global stocks pressured prices downwards in most markets and caused US prices to fall by US$0.03 to US$0.17 per pound, while that for CARICOM declined by 12.8% to US$0.11. On the brighter side,

Chart 2.2: Domestic Exports



sales of bagged sugar into niche markets in Canada and the region benefitted from a 9.8% price improvement.

With banana production down, exports fell by 24.8% to 16,142 metric tons. Some 7.0% of banana shipped was second grade fruit selling at US$2.50 per box, versus US$6.93 for the first grade fruit, so revenues declined more steeply by 29.3% to $12.1mn.

High global stocks and good harvests in the major producing countries destablised the processed juice markets and prices, especially for orange juices, plummeted sharply. Consequently, while sale volume saw a slight decline of 1.5%, revenues plunged by 33.2% to $9.6mn. In the US market, orange juice consumption remained weak and this, along with the bearish fundamentals, drove down the average price for orange concentrate from $1.95 to $1.20 per ps. Hence, even with a 15% rise in sale volume, earnings declined by 28.8% to $5.9mn. The slowing down of sales to the higher priced CARICOM market and the cutback in export sales of NFC juices also depressed earnings.

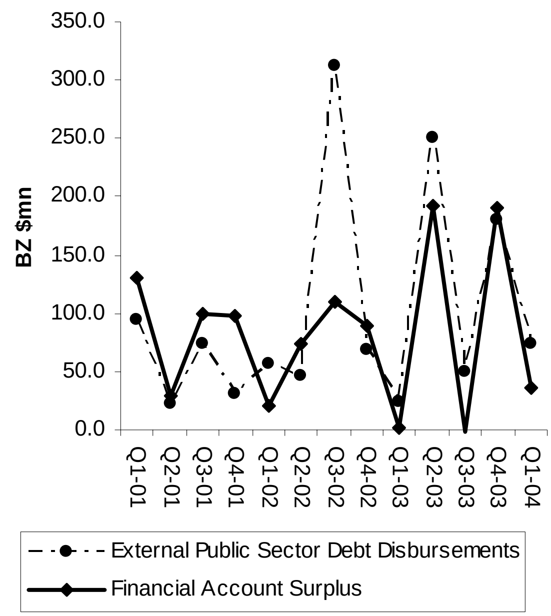
Revenues from sawn woods and garments also declined by 50.2% and 6.5%, respectively. The former was due to the slowdown in exports of mahogany as a result of its placement on the endangered species list of the Convention on International Trade in Endangered Species (CITES).

Led by robust growth in farmed shrimp production, marine exports rose by 64.0% while receipts grew by a more modest 29.2% to $23.3mn, as a flood of low cost shrimps from Brazil, China and Vietnam drove down shrimp prices by a substantial $1.23 to $4.38 per pound. So far, the 66.8% increase in shrimp output arising from an expansion in active pond acreage and good shrimp survival rates have compensated for price declines and even boosted earnings. Lobster and conch receipts were also up, with prices rising in in response to increased lobster demand in the US dining out market and a US moratorium on the importation of conch from Honduras, the Dominican Republic, and Haiti.

While papaya exports rose by 54.3% to 12.3mn pounds, competition from Brazil and Mexico pushed down the average price by 35.1% to $0.37 per pound, and revenues consequently rose by a less than proportionate 16.1% to $4.6mn. Other miscellaneous exports rose by 73.2% to $5.7mn largely reflecting increased sales of citrus oils and beans.

Financial transactions yielded net inflows of $32.9mn, compared to the $3.1mn recorded in the first quarter of 2003. Much of this was due to a marked increase in government's foreign borrowings that was supplemented by foreign direct investment. This boosted the surplus on the financial account from $1.7mn to $36.0mn. External debt disbursements to the public sector amounted to $74.5mn during the quarter, compared to $20.7mn in the previous period. Meanwhile, foreign direct investment rose from $16.7mn to $19.9mn due to an expansion in the hotel sector. These inflows were offset by a near quadrupling of portfolio investment outflows due mostly to $10.5mn in mortgage securitisation payments by DFC, a sharp slowdown in loans (from $27.9mn to $0.6mn) to CFZ and EPZ companies from offshore banks in Belize and an increase in private sector debt repayments.

Chart 2.3: Public Sector Debt Disbursements and Financial Account Surplus



A deficit of $3.1mn was recorded on the capital account largely due to the $10.0mn premium paid by government to the Carlisle group for its majority position in the incumbent telecommunication company.

Monetary Developments

During the quarter, broad money rose by 0.8% with increases of $24.2mn in net foreign assets and $4.5mn in net domestic credit being largely offset by a $20.4mn expansion in other net liabilities, nearly three-quarters of which was due to profits earned by commercial banks.

M1 (narrow money) grew by 5.3%, largely reflecting the reclassification of some $17.0mn from savings to demand deposits. The latter contributed to a 1.5% contraction in quasi-money that contrasted with the 5.3% growth experienced during the first quarter of 2003. Time deposits posted a modest $4.0mn increase, as a $21.2mn increase in holdings (mainly by individuals and financial institutions) eclipsed withdrawals by business enterprises and the utilities.

Growth in net domestic credit slowed relative to the first quarter of 2003, with net credit to Central Government declining by $15.4mn while loans to the private sector and statutory bodies rose by $11.4mn and $8.5mn, respectively. The contraction in net credit to the Central Government reflected the latter's shift from domestic to external financing over the period reviewed.

Table 3.1: Money Supply

$mn

	Position as at Mar 2004	Changes during Dec '03 to Mar '04	Changes during Dec'02 to Mar '03
Money Supply (M2)	**1,109.6**	**8.3**	**61.2**
Money Supply (M1)	**380.5**	**19.3**	**24.1**
Currency with the Public	102.5	-0.8	-1.9
Demand Deposits	278.0	20.1	26.0
Savings/Cheque Deposits	0.0	0.0	0.0
Quasi-Money	**729.1**	**-11.0**	**37.1**
Savings Deposits	190.6	-15.0	10.6
* Time Deposits	538.5	4.0	26.5

***Includes Non-Residents Foreign Currency Time Deposits of $33.6mn.**

In particular, loan inflows from the International Bank of Miami (IBoM) and the Republic of China (ROC/Taiwan) enabled Central Government to increase its deposit holdings with the Central Bank and the commercial banks by $20.8mn. On the other hand, overdraft balances held with the Central Bank and the commercial banks rose by $0.4mn and $2.6mn, respectively. In secondary trading, the commercial banks and an insurance company surrendered $4.8mn in Treasury Bills to the Central Bank.

Loans to statutory bodies rose by $8.5mn, as an increase of $10.5mn in Central Bank lending to DFC was partially offset by repayments to the commercial banks by the Belize Marketing Board and local government entities.

At 1.1% ($11.4mn), growth in private sector credit was slightly below that of the

Chart 3.1: Quarterly Change in Net Domestic Credit (%)

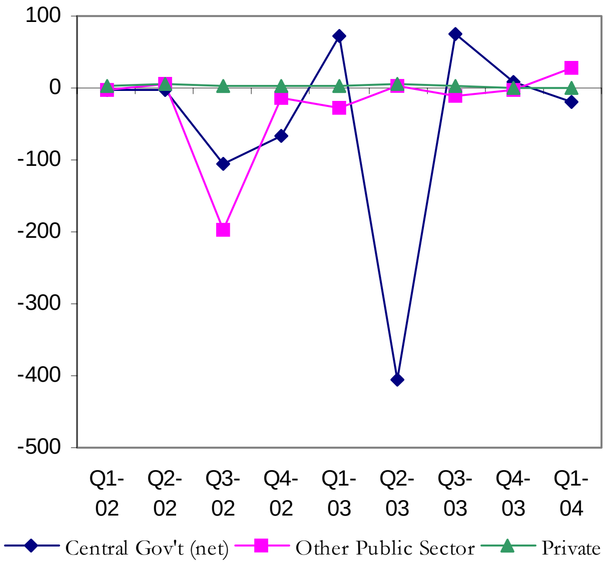


Table 3.2: Sectoral Composition of Commercial Banks' Loans and Advances

$mn

	Position as at Mar 2004	Changes during Dec 2003 to Mar 2004	Changes during Dec 2002 to Mar 2003
PRIMARY SECTOR	**138.0**	**2.3**	**-1.2**
Agriculture	88.3	0.6	-2.2
Sugar	7.1	-1.7	-1.6
Citrus	21.8	-0.3	5.6
Bananas	45.7	0.5	-4.8
Other	13.7	2.1	-1.4
Marine Products	28.7	2.2	-1.7
Forestry	2.5	-1.2	0.1
Mining & Exploration	18.5	0.7	2.6
SECONDARY SECTOR	**281.3**	**3.6**	**14.7**
Manufacturing	10.9	-1.7	-1.5
Building & Construction	235.7	3.2	5.6
Utilities	34.7	2.1	10.6
TERTIARY SECTOR	**427.3**	**7.4**	**22.6**
Transport	37.3	-1.1	10.4
Tourism	72.6	-0.5	-0.7
Distribution	159.3	-3.1	-1.2
Other*	158.1	12.1	14.1
Personal Loans	**208.0**	**-0.4**	**-12.7**
TOTAL	**1,054.6**	**12.9**	**23.4**

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

comparable period in 2003. Real estate and professional services attracted most of the new financing issued during the period. In the secondary sector, loan disbursements were for construction and private utilities, while most of the financing provided to the primary sector was allocated to marine products. Mining & exploration, banana and other agricultural production also benefited from increased funding.

Boosted by foreign loan disbursements the net foreign assets of the banking system rose by 18.2% ($24.2mn) to $157.5mn during the period reviewed.

While commercial banks recorded a $26.8mn increase, the net holdings of the Central Bank declined by $2.6mn. Inflows to the Central Bank totaled $111.3mn, of which, more than 65% represented loan disbursements from the International Bank of Miami and financing from ROC/ Taiwan. Another 20.0% came from sugar receipts. Foreign exchange outflows totaled $116.0mn and mostly consisted of sales to the public sector (56.9%), the commercial banks and BEL.

The improvement in the net position of the commercial banks was heavily dependent on the $36.8mn received in net foreign exchange purchases from the Central Bank. Together with other inflows from abroad, these outweighed sales to the private sector for imports of goods and services, leading to a $15.8mn improvement in their foreign assets holdings. At the same time, foreign liabilities fell by $11.0mn as a result of IBC outflows and loan repayments to foreign affiliates and financial institutions. With foreign liabilities outstripping assets, the net foreign assets of the commercial banks stood at -$3.3mn at the end of the period.

Table 3.3: Net Foreign Assets of the Banking System

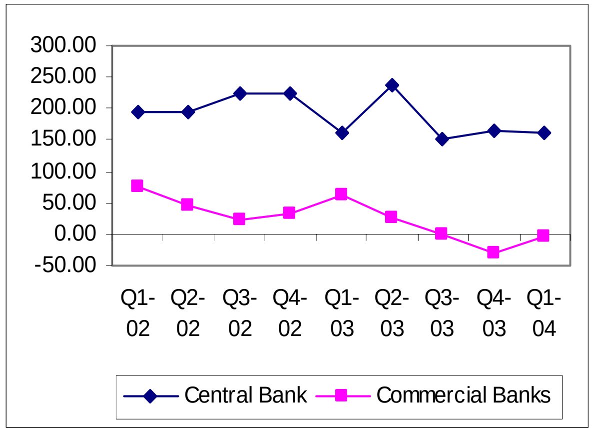
$mn

		Changes during	
	Position as at Mar 2004	Dec '03 to Mar '04	Dec'02 to Mar '03
Net Foreign Assets of Banking System	**157.5**	**24.2**	**-32.3**
Net Foreign Assets of Central Bank	**160.8**	**-2.6**	**-61.5**
Central Bank Foreign Assets	164.5	-4.7	-65.7
*Central Bank Foreign Liabilities (Demand)	3.7	-2.1	-4.2
Net Foreign Assets of Commercial Banks	**(3.3)**	**26.8**	**29.2**
Commercial Bank Foreign Assets	134.5	15.8	28.8
#Commercial Bank Foreign Liabilities (Short-Term)	137.8	-11.0	-0.4

*Does not include Central Bank Long-term Foreign Liabilities of $7.5mn
#Does not include Non-residents Foreign Currency Time Deposits of $33.6mn held with the Commercial Banks

Excess statutory liquidity rose by $5.5mn with holdings of approved liquid assets and required holdings increasing by $11.5mn and $6.0mn, respectively. In contrast to the sharp increases in excess liquidity usually experienced in the first quarter of previous years, this modest growth was symptomatic of the slower growth in deposits that has resulted from the shift to offshore banking

Chart 3.2: Net Foreign Asset Holdings of the Central Bank and Commercial Banks



by EPZ's. The commercial banks shifted the composition of their liquid portfolio from domestic to foreign assets as holdings of Treasury Bills and deposits with the Central Bank contracted by a combined $24.9mn while short-term foreign balances were built up by $24.8mn. The latter was facilitated by foreign exchange purchases from the Central Bank. Other approved assets (consisting mainly of loans to the public sector) also rose by $11.3mn. Excess

Chart 3.3: Commercial Banks' Excess Statutory Liquidity & Excess Cash Reserves

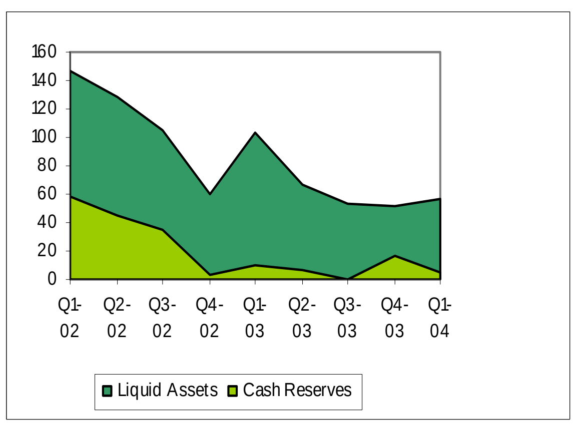


Chart 3.4: Commercial Banks' Loans to Deposits Ratio

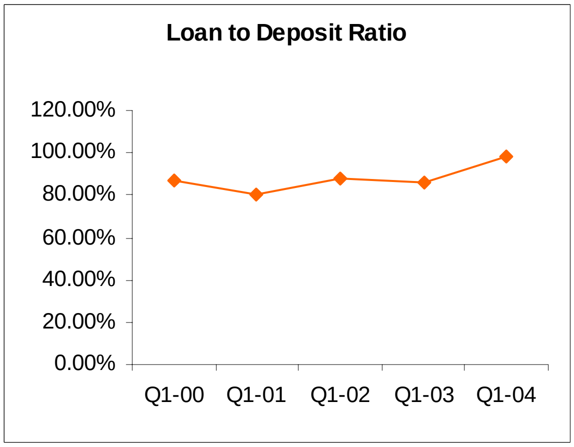
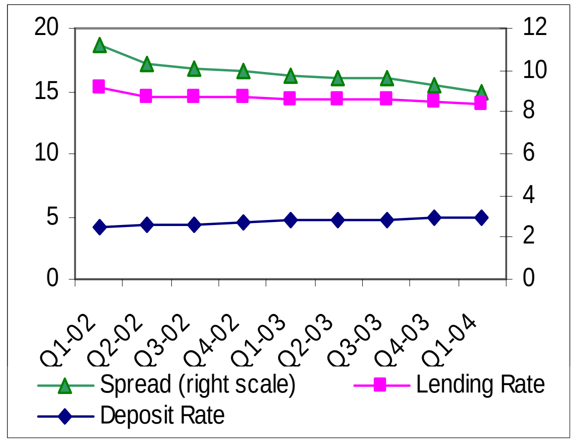


Chart 3.5: Commercial Banks' Weighted Average Interest Rates and Spread



cash reserves contracted sharply by $14.2mn to $2.6mn with a $12.7mn fall in daily average holdings of cash reserves relative to a $1.5mn increase in required cash reserves.

With liquidity remaining relatively tight and banks operating in a more competitive environment, the weighted average interest rate spread declined by 30 basis points with an increase of 10 basis points in the weighted average deposit rate relative to a decline of 20 basis points in the weighted average lending rate. Weighted average lending rates applied to personal, commercial and other loans showed a general downward trend while that on residential loans increased by 10 basis points to 12.5%. Demand and time deposit rates rose by 20 and 10 basis points, respectively.

Government Operations

Fiscal Operations: January to March 2004

During the January to March period, a tight rein on capital outlays contributed to an 11.0% reduction in total expenditure to $175.4mn, while an increase in capital revenue and grants boosted revenue by 29.2% to $149.3mn. Quarter on quarter, the overall deficit therefore contracted by almost two-thirds to $26.1mn. The fiscal gap was financed wholly from external sources with $74.0mn in loan disbursements eclipsing $27.0mn in partial payment for BTL shares, loan amortization and sinking fund deposits.

Table 4.1: Summary of Central Government's Revenue & Expenditure

$mn

	Jan-Mar 2003	Jan-Mar 2004
Total Revenue & Grants	115.5	149.3
of which: Current Revenue	90.4	113.9
of which: Grants	0.5	17.8
Total Expenditure	196.9	175.4
Current Expenditure	97.4	105.4
Capital Expenditure	99.5	70.0
Current Balance	14.3	8.5
Overall Balance	(81.4)	(26.1)

Notwithstanding a $7.5mn fall in non-tax revenues, current revenues increased due to a $9.5mn rise in tax revenues. The former reflected a steep reduction in receipts classified under repayment of old loans. With current expenditure rising by some 8.2%, the result was a smaller surplus on Central Government's current account, ($8.5mn compared to $14.3mn). Capital revenue rose by $14.3mn due to the receipt of $9.0m from the temporary liquidation of shares in the Galleria Maya project and $4.9mn from the sale of equity/property. Grant receipts amounted to $17.8mn, with the bulk, some $10.0mn, coming from ROC/Taiwan.

Across the board increases (except in goods and services), pushed up current expenditure to $105.4mn. Some 70.4% of the increase was attributable to interest payments and wages/salaries, which at approximately $0.23 and $0.43, respectively, out of every $1 collected in current revenue, also constituted the largest items of expenditure in the current account. Capital expenditure, on the other hand, was down 29.6% to $70.0mn. The $20.0mn in outlays under Capital II were for a medley of projects such as land administration, the Southern Highway, streets and drainage, with the largest individual project costing $1.7mn. Approximately 39.0% of Capital III allocations went on road maintenance and construction work on the La Union road, the Marine Parade Boulevard and the Orange Walk bypass. Smaller payments went on a multiplicity of other projects such as UB, scholarships, payments to public officers who have opted for early retirement and the Kolbe Foundation that manages the prison. In addition to the two traditional capital expense categories, there were outlays of some $21.0mn for unspecified projects.

<u>Fiscal Operations: April 2003 to March 2004</u>

During the 2003/04 fiscal year, Central Government recorded a current surplus of $23.3mn and an overall deficit of $158.3mn (8.0% of GDP), as a 2.2% decline in total revenue and grants was exacerbated by a 9.6% increase in total expenditure.

Current revenue rose by $12.6mn to $424.3mn as a 5.5% expansion in tax

Table 4.2: Summary of Central Government's FY Revenue & Expenditure

	Apr-02 Mar-03	Apr-03 Mar-04
Total Revenue & Grants	498.1	487.2
of which: Current Revenue	411.7	424.3
Total Expenditure	588.8	645.4
of which: Current Expenditur	352.2	401.0
Current Balance	59.4	(23.3)
Overall Balance	(90.7)	(158.3)

Table 4.3: Central Government's FY Revenue

	Apr-02 Mar-03	Apr-03 Mar-04
Current revenue	411.7	424.3
Tax revenue	360.0	379.8
Income and profits	78.9	89.1
Taxes on property	2.5	6.1
Taxes on goods & services	113.5	120.0
Int'l trade and transactions	165.0	164.5
Non-Tax Revenue	51.7	44.5
Property income	3.3	3.3
Transfers from NFPE's	0.5	-
Other	38.8	31.2
Capital revenue	67.4	39.1
Grants	19.0	23.7

receipts outweighed a 13.9% contraction in non-tax revenues. The heated pace of economic activities during the year coupled with the 1.0% increase in sales tax and other tax measures implemented at the end of January boosted tax collections across all categories except international trade and transactions. The latter remained relatively stable due to duty exemptions on capital goods destined for CFZ or EPZ companies. The most significant growth was in income tax receipts from the business tax ($5.0mn) and PAYE tax ($5.9mn). Revenues from goods and services also rose by 5.7%. Meanwhile, non-tax revenue was lower this year because receipts classified as the repayment of old loans declined significantly.

Unlike the previous fiscal year when capital revenue was flush with receipts from the privatisation of the port, receipts this year were much more modest at $39.1mn with the largest inflows coming from the sale of land under the Marine Parade Boulevard project ($10.5mn), La Galleria Maya ($9.0mn) and land in San Pedro ($1.0mn). Grants increased by $4.7mn to $23.7mn, with the most significant donor being the Republic of China.

At $401.0mn, current expenditure was 13.9% higher than the previous fiscal year with across the board increases in all line items. The largest increases were in interest payments and wages and salaries. The former included one time penalty and other charges associated with the loan-refinancing programme. The wage increase granted to civil servants pushed up wages and salaries by 10.3% ($17.8mn), while outlays on goods and services went up by $10.0mn.

A 3.3% expansion in capital outlays also contributed to the increase in total expenditure. Capital II outlays included disbursements for infrastructure projects

Table 4.4: Central Government's FY Expenditure

	Apr-02 Mar-03	Apr-03 Mar-04
Current Expenditure	***352.2***	***401.0***
Wages & salaries	172.9	190.7
Pensions	26.3	26.7
Goods & services	63.4	73.4
Interest payments	63.9	81.3
of which: External	52.6	65.5
Subsidies & current transfers	25.8	28.9
Capital Expenditure	***236.5***	***244.4***
Capital II	94.7	72.3
Capital III	125.2	95.3
Net Lending	16.7	53.8
Unidentified Expenditure	-	23.0

($5.1mn), land development/acquisition ($2.8mn), and counterpart funding for the southern highway ($7.7mn). Other disbursements were for streets and drains, roads and municipal drainage project, feeder roads, printing services and tertiary level scholarships. Notable capital III expenditures were related to hurricane preparedness ($11.6mn), the University of Belize ($8.1mn), museum projects ($7.9mn), Marine Parade Boulevard ($7.0mn), payments to early retirees ($5.9mn), roads maintenance ($5.7mn) and prison custodial services ($5.0mn). Lending to the DFC more than doubled to $53.8mn. Additionally, some $23.0mn was expended on unspecified projects included in a separate line item.

The overall deficit was financed from external sources as foreign loan disbursements of ($552.8.mn) outweighed outflows for amortisation ($100.0mn), payment for BTL shares ($114.0mn) and deposits into a sinking fund ($18.5mn). Net financing from the domestic system amounted to a negative $161.2mn, with financing from the Central Bank, commercial banks, and other domestic sources contracting by $9.4mn, $20.8mn and $131.0mn, respectively. The latter included government assistance of $119.1mn to DFC for its debt refinancing.

Central Government's Domestic Debt

During the first quarter, Central Government's domestic debt rose by 0.9% to $261.0mn as a disbursement of $5.0mn for infra-structural development was offset by a decline in overdraft balances ($2.0mn) and amortisation payments of $0.8mn, the largest of which was for the debt for nature swap. In secondary trading, the Central Bank purchased $4.8mn worth of Treasury Bills sold by commercial banks and other individuals and entities.

Interest payments amounted to $3.7mn, of

Table 4.5: Central Government's Domestic Debt

	Jan-Mar 2003	Jan-Mar 2004
Loans and Advances	93.9	122.0
Treasury Bill	100.0	100.0
Treasury Notes	24.0	24.0
Defence Bonds	15.0	15.0
Total	**232.9**	**261.0**

Chart 4.1: Sources of Central Government's Domestic Debt

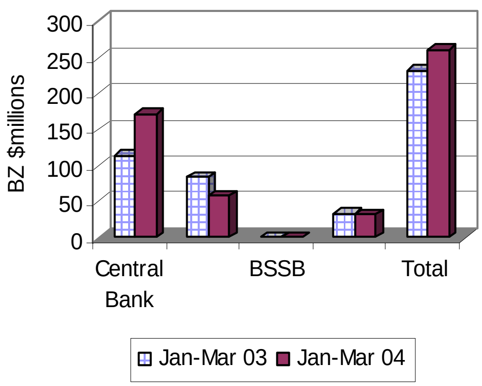


Table 4.6: Financial Flows on Public Sector External Debt

	Jan-Mar 2003	Jan-Mar 2004
CENTRAL GOVERNMENT		
Disbursements	20.7	73.9
Amortizations	7.8	6.9
Interest & Other Payments	19.1	26.3
REST OF NON-FINANCIAL PUBLIC SECTOR		
Disbursements	-	-
Amortizations	0.3	0.4
Interest & Other Payments	0.2	0.2
FINANCIAL PUBLIC SECTOR		
Disbursements	2.6	0.2
Amortizations	6.6	1.1
Interest & Other Payments	1.4	0.5

which $2.1mn were on overdraft balances, while holders of Treasury bills and notes each received $0.6mn and $0.2mn, respectively. Payments on a medley of other loans including items such as housing, debt restructuring and the debt for nature swap summed to $0.8mn.

Public Sector External Debt

The public sector's external debt rose by 4.4% to $1.6bn as disbursements of $74.1mn outweighed principal repayments of $8.3mn and downward valuation adjustments of $0.3mn. Interest and other payments amounted to $26.9mn. Central Government accounted for 94.6% of the external debt. The financial and non-financial public sector held the remaining 4.5% and 0.9%, respectively.

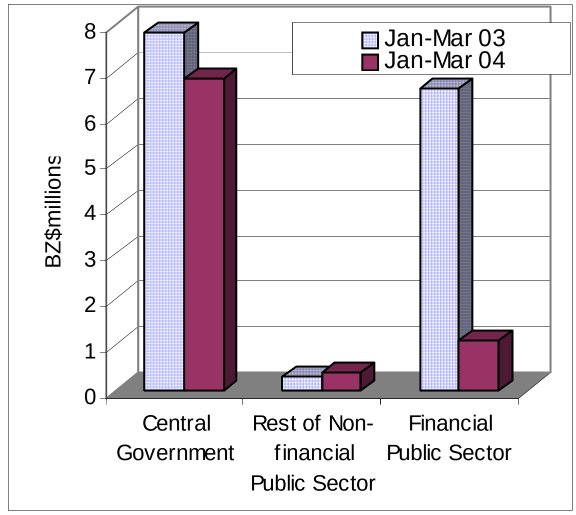
Of the $73.9mn disbursed to Central Government, bilateral and multilateral agencies provided 14.3% and 9.0%, respectively. The balance ($56.7mn) came from the International Bank of Miami (IBoM). Disbursements from the multilateral creditors financed projects such as tourism development, Hurricane Keith reconstruction, health sector reform, the Southern Highway rehabilitation, disaster management, the Orange Walk bypass and rehabilitation of the Bliss Institute. The financial public sector also received $0.2mn from the CDB.

Central Government made amortisation payments of $6.9mn, with more than half going to multi-lateral creditors and the remaining 32.1% and 10.0% going to commercial banks/suppliers and bilateral entities. The most notable payment ($2.4mn) was to the IBRD for the Belize City infrastructure project and road maintenance. In the financial public sector, payments to CDB and the EEC totalled $0.8mn and $0.3mn, respectively, while a single payment of $0.4mn was made by the non-financial public sector to the CIBC Bank.

Approximately 97.5% ($26.3mn) of total interest and other payments came from Central Government. The bulk ($15.0mn) went to international bondholders with Bear Stearns receiving $11.9mn and the balance divided almost evenly between Citicorp and Salomon Smith Barney. Other notable payments were to IBoM ($4.8mn), Taiwan ($2.9mn) and IBRD ($1.2mn). Interest on CDB and EEC loans to the financial public sector totalled $0.5mn. The non-financial public sector made a single payment of $0.2mn to CIBC Bank and Trust Company.

The external debt was adjusted downward

Chart 4.2: External Loan Amortisation Payments by Sector



by $0.3mn as the depreciation of the euro overshadowed the appreciation of the pound sterling against the US dollar. Sterling denominated loans were correspondingly adjusted upward by $0.5mn, while euro denominated loans were adjusted downwards by $0.8mn.

ANNEX 5

Table 5.1: Percent Variation in Consumer Price Index (CPI) by Commodity Group

Major Commodity Group	Weights	Quarterly Change				Annual Change
		May-03	Aug-03	Nov-03	Feb-04	
Food, Beverage & Tobacco	346.6	0.5	0.9	0.0	0.8	2.1
Clothing & Footwear	92.0	0.1	-0.2	-0.5	1.1	0.5
Rent, Water, Fuel, & Power	167.6	-0.6	0.0	4.0	1.7	5.2
Household goods & maintenance	85.3	0.0	0.2	-0.4	0.2	0.0
Medical care	20.1	0.6	0.0	0.2	-0.4	0.4
Transport & Communication	170.1	0.7	1.7	0.4	1.2	4.0
Recreation, Education & Culture	80.4	0.2	0.0	0.7	0.4	1.3
Personal care	37.9	-0.4	0.1	-0.6	-0.5	-1.3
ALL ITEMS	**1000.0**	**0.2**	**0.6**	**0.8**	**0.9**	**2.6**

Source: Central Statistical Office

Table 5.2: Gross Imports (CIF) by SITC

Sitc Classification	Jan- Mar 2003	Jan- Mar 2004
0 Food and Live Animals	27,837,965	23,171,960
1 Beverages and Tobacco	2,211,286	2,296,983
2 Crude Materials	2,144,960	1,698,429
3 Minerals, Fuels and Lubricants	45,774,881	43,343,289
of which electricity	8,660,856	7,239,980
4 Oils and Fats	518,525	589,551
5 Chemical Products	19,988,403	16,500,738
6 Manufactured Goods	27,907,345	28,027,170
7 Machinery and Transport Equipment	54,936,423	40,177,204
8 Other Manufactures	16,645,709	17,639,011
9 Commodities N.E.S	24,388	31,954
Export Processing Zones	27,616,176	28,197,687
Commercial Free Zone	42,592,661	32,598,162
Personal Goods	942,045	431,113
Total	**269,140,767**	**234,703,251**

Source: Central Statistical Office, Central Bank of Belize

Table 5.3: Balance of Payments Summary

$mn

	2004P Jan-Mar	2003 Jan-Mar
CURRENT ACCOUNT	**-21.0**	**-69.8**
Goods: Exports f.o.b.	140.8	161.2
Goods: Imports f.o.b.	-215.9	-250.2
Trade Balance	-75.1	-89.0
Services: Credit	145.8	119.2
Transportation	16.4	11.6
Travel	109.1	90.5
Other Goods & Services	11.8	10.7
Gov't Goods & Services	8.4	6.4
Services: Debit	-55.7	-58.1
Transportation	-18.7	-18.5
Travel	-16.2	-18.8
Other Goods & Services	-18.1	-18.2
Gov't Goods & Services	-2.6	-2.5
Balance on Goods & Services	15.1	-27.9
Income: Credit	2.0	2.0
Compensation of Employees	1.2	1.2
Investment Income	0.7	0.7
Income: Debit	-65.0	-56.6
Compensation of Employees	-9.0	-9.0
Investment Income	-56.0	-47.5
Balance on Goods, Services & Income	-47.9	-82.4
Current Transfers: Credit	28.1	14.0
Current Transfers: Debit	-1.2	-1.4
CAPITAL ACCOUNT	**-3.1**	**1.4**
Capital Account: Credit	7.1	1.7
Capital Account: Debit	-10.2	-0.3
FINANCIAL ACCOUNT	**36.0**	**1.7**
Direct Investment Abroad	0.1	0.0
Direct Investment in Reporting Economy	20.0	16.8
Portfolio Investment Assets	-0.1	9.1
Portfolio Investment Liabilities	-10.5	-12.2
Financial Derivatives	0.3	0.4
Other Investment Assets	-10.5	-24.4
Other Investment Liabilities	36.9	12.0
NET ERRORS & OMISSIONS	**-16.5**	**1.0**
OVERALL BALANCE	**-4.7**	**-65.7**
RESERVE ASSETS*	**4.7**	**65.7**

*(Minus = Increase)
Source: Central Bank of Belize
P: Indicates Provisional

Table 5.4: Central Government's Revenue and Expenditure

	Estimated Budget 2003/2004	Actual 2003/2004	Jan 2004 to Mar 2004	Jan 2003 to Mar 2003	4th Quarter as % of Actual Budget
TOTAL REVENUE & GRANTS (1+2+3)	480,511	487,163	149,300	115,541	30.6%
1). Current revenue	433,304	424,301	113,883	111,771	26.8%
Tax revenue	391,357	379,795	99,941	90,377	26.3%
Income and profits	91,017	89,113	24,125	21,293	27.1%
Taxes on property	5,645	6,142	4,463	745	72.7%
Taxes on goods and services	122,995	120,033	30,368	28,992	25.3%
Int'l trade and transactions	171,700	164,507	40,985	39,347	22.9%
Non-Tax Revenue	41,947	44,505	13,942	21,394	31.3%
Property income	4,800	3,274	1,000	-	30.5%
Contributions to pension fund	522	0	-	-	0.0%
Other	36,626	31,247	12,756	21,394	40.8%
2). Capital revenue	38,650	39,149	17,638	3,318	45.1%
3). Grants	8,557	23,713	17,778	452	75.0%
(of which non-project grants are:)			-	-	
TOTAL EXPENDITURE (1+2)	512,119	645,425	175,375	196,941	27.2%
1). Current Expenditure	370,130	401,033	105,407	97,421	26.3%
Wages and Salaries	187,542	190,726	48,379	44,326	25.4%
Pensions	23,534	26,665	7,084	7,101	26.6%
Goods and Services	65,603	73,437	17,365	18,333	23.6%
Interest Payments on Public Debt	64,362	81,336	25,751	21,818	31.7%
Subsidies & current transfers	29,089	28,869	6,828	5,845	23.7%
2). Capital Expenditure & Net Lending	141,989	244,392	69,969	99,520	28.6%
Capital II (local sources)	60,980	72,337	19,988	37,277	27.6%
Capital III (foreign sources)	77,328	95,275	24,376	28,242	25.6%
Capital Transfer & Net Lending	3,681	53,780	4,605	0	8.6%
Unidentified Expenditure		23,000	21,000	34,000	91.3%
CURRENT BALANCE	63,174	23,267	8,476	14,349	36.4%
OVERALL BALANCE	(31,608)	(158,262)	(26,076)	(81,401)	16.5%
FINANCING	31,608	158,262	26,076	81,401	
Domestic Financing	(80,624)	(161,224)	(19,067)	79,761	
Central Bank		(9,431)	(13,482)	72,239	
Net Borrowing		56,897	5,190	50,032	
Change in Deposits		(66,328)	(18,672)	(22,207)	
Commercial Banks		(20,833)	(3,014)	16,220	
Net Borrowing		(25,746)	190	17,934	
Change in Deposits		4,913	(3,204)	(1,714)	
Other Domestic Financing	0	(130,960)	(2,571)	(8,698)	
Financing Abroad	112,232	320,217	57,009	3,504	
Disbursements	66,616	552,836	74,007	20,659	
Amortization	36,503	(100,041)	(6,998)	(7,833)	
Sinking Fund & JCF	9,113	(18,578)	(10,000)	(9,322)	
Partial payment for Carlisle shares in BTL		(114,000)	(10,000)	-	
Other		(732)	(1,866)	(1,864)	

Table 5.5: Central Government's Domestic Debt

$'000

	Disbursed Outstanding Debt 31/12/03R	Transactions To March 2004				Disbursed Out-standing Debt 31/03/04P
		Disbursement/ New Issue of Securities	Amortization/ Reduction in Securities	Interest	Net Change in Overdraft/ Securities	
Overdraft	**76,937**			**2,132**	**(1,988)**	**74,949**
Central Bank	74,121			2,132	396	74,517
Commercial Banks	2,816			0	(2,384)	432
Treasury Bills	**100,000**	**0**	**0**	**620**	0	**100,000**
Central Bank	81,413		0	518	4,794	86,207
Commercial Banks	13,896		0	80	(2,426)	11,470
Other	4,691		0	22	(2,368)	2,323
Treasury Notes	**24,000**	**0**	**0**	**225**	**0**	**24,000**
Central Bank	0		0		0	0
Commercial Banks	23,269		0	220	0	23,269
Other	731		0	5	0	731
Defence Bonds	**15,000**	**0**	**0**	**0**	**0**	**15,000**
Central Bank	10,000		0		0	10,000
Commercial Banks	100		0		0	100
BSSB	0		0		0	0
Other	4,900		0		0	4,900
DFC Loan (Debt Restructuring)	**8,431**		**121**	**158**	**0**	**8,310**
BSSB Housing Loan	**691**		**1**	14	**0**	**690**
GOB(Debt For Nature Swapp)	**14,747**		**563**	**176**	**0**	**14,184**
Cohune Walk Loan Bze. Bank	**2,978**		**81**	**145**	**0**	**2,897**
Infrastructure Dev. Ln Bze. Bank	**15,000**	**5,000**	**0**	**114**	**0**	**20,000**
Guardian Life Bze $ 1mn Loan	**1,000**	**0**	**0**	**135**	**0**	**1,000**
Total	**258,784**	**5,000**	**766**	**3,719**	**(1,988)**	**261,030**

Table 5.6: Public Sector External Debt By Creditor

$'000

	Disbursed Outstanding Debt 31/12/2003	*TRANSACTIONS DURING 1st Quarter 2004*				Disbursed Outstanding Debt 31/03/2004
		Disbursement	Amortization	Interest & Other Charges	Valuation Adjustments	
CENTRAL GOVERNMENT	**1,415,099**	**73,946**	**6,880**	**26,268**	**(155)**	**1,482,007**
Caribbean Development Bank*	60,930	1,811	504	410	0	62,237
European Economic Community	20,428	0	193	27	(632)	19,603
Inter-American Development Bank	127,805	4,136	909	870	0	131,032
Int'l Bank for Reconstruction Dev.	71,074	518	2,379	1,247	0	69,213
Int'l Fund for Agricultural Dev.	2,317	96	0	0	(17)	2,396
OPEC Fund for International Dev.	7,866	110	0	72	0	7,976
Banco Nacional De Comercio	8,454	545	0	276	0	8,999
Fondo de Inversiones de Venezuela	1,198	0	0	0	0	1,198
Government of China	174	0	0	0	0	174
Government of Kuwait	18,445	0	0	230	0	18,445
Gov't of Trinidad and Tobago	28	0	0	0	0	28
Gov't of United Kingdom	16,558	0	0	0	492	17,050
Gov't of United States of America*	9,164	0	60	13	0	9,104
Republic of China	176,642	10,000	626	2,903	2	186,018
Bear Stearns & Co. Inc	450,000	0	0	11,875	0	450,000
Citibank of Trinidad & Tobago	15,430	0	0	0	0	15,430
Citicorp Merchant Bank Ltd.	51,429	0	0	1,790	0	51,429
Royal Merchant Bank	77,750	0	0	0	0	77,750
Salomon Smith Barney***	52,030	0	0	1,346	0	52,030
All First Bank of Maryland	3,780	0	420	110	0	3,360
International Bank Of Miami	228,506	56,730	0	4,758	0	285,235
KBC Bank	7,477	0	935	203	0	6,542
Provident Bank & Trust	2,798	0	435	40	0	2,363
Suppliers Credit	4,816	0	419	98	0	4,398
REST OF NON-FINANCIAL PUBLIC SECTOR	**14,274**	**0**	**352**	**157**	**0**	**13,922**
CIBC Bank & Trust Co.	5,454	0	352	157	0	5,102
Government of Kuwait	8,820	0	0	0	0	8,820
FINANCIAL PUBLIC SECTOR	**71,606**	**189**	**1,084**	**522**	**(154)**	**70,557**
Caribbean Development Bank	46,084	189	789	460	(5)	45,479
European Economic Community	9,536	0	295	62	(149)	9,092
Gov't of United States of America	2,531	0	0	0	0	2,531
Citibank Trinidad & Tobago	3,750	0	0	0	0	3,750
Citicorp Merchant Bank Ltd.	3,750	0	0	0	0	3,750
Paine Webber Real Estate Securities Inc.	2,000	0	0	0	0	2,000
Commerz Bank of Belgium	3,955	0	0	0	0	3,955
TOTAL	**1,500,979**	**74,135**	**8,316**	**26,947**	**(309)**	**1,566,487**

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

****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 private entities remained as a contingent liability of Central Government.**

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

*****Solomon Smith Barney Bond of US$29.1 mn payable in 2005 was net of US$20 mn sinking fund established in 2002.**

Table 5.7: Commercial Banks' Weighted Average Interest Rates

Percentages

	Position as at Mar 04	Changes during		
		Dec 03 to Mar 04	Dec 02 to Mar 03	Mar 03 to Mar 04
Weighted Lending Rates				
Personal Loans	15.5	-0.3	0.1	-0.5
Commercial Loans	13.8	-0.1	-0.1	-0.4
Residential Construction	12.5	0.1	-0.1	-0.7
Other	9.9	-0.7	-0.1	-0.1
Weighted Average	**14.0**	**-0.2**	**-0.1**	**-0.4**
Weighted Deposit Rates				
Demand	0.6	0.2	0.1	0.1
Savings/ Cheque	5.1	0.0	0.0	-0.1
Savings	5.1	0.0	0.0	0.0
Time	7.3	0.1	0.3	0.5
Weighted Average	**5.0**	**0.1**	**0.2**	**0.3**
Weighted Average Spread	**9.0**	**-0.3**	**-0.3**	**-0.7**

Table 5.8: Commercial Bank Liquidity Position and Cash Reserves

$mn

	Position as at Mar 2004	Changes during	
		Dec 2003 to Mar 2004	Mar 2003 to Mar 2004
Holdings of Approved Liquid Assets	**314.8**	**11.5**	**-44.0**
Notes and Coins	30.1	0.3	0.7
Balances with Central Bank	67.8	-11.8	-5.0
Money at Call and Foreign Balances (due 90 days)	98.8	24.8	-14.2
Treasury Bills maturing in not more than 90 days	6.7	-13.1	-40.0
Other Approved assets	111.4	11.3	14.5
of which: Treasury Notes	23.3	0.0	0.0
Loans for New Residential Construction	50.3	0.9	7.7
Loans for Non-Traditional Exports	0.0	0.0	-0.7
Required Liquid Assets	**258.2**	**6.0**	**3.2**
Excess/(Deficiency) Liquid Assets	**56.6**	**5.5**	**-47.2**
Daily Average holdings of Cash Reserves	67.1	-12.7	-6.7
Required Cash Reserves	64.5	1.5	0.8
Excess/(Deficiency) Cash Reserves	**2.6**	**-14.2**	**-7.5**

Table 5.9: Net Domestic Credit

$mn

	Position as at Mar 2004	Changes during Dec 2003 to Mar 2004	Changes during Mar 2003 to Mar 2004
Total Credit to Central Government	**225.8**	**5.4**	**31.2**
From Central Bank	**170.7**	**5.2**	**56.9**
Loans and Advances	74.5	0.4	16.5
Gov't Securities	96.2	4.8	40.4
From Commercial Banks	**55.1**	**0.2**	**-25.7**
Loans and Advances	20.4	2.6	12.5
Gov't Securities	34.7	-2.4	-38.2
Less Central Government Deposits	**150.5**	**20.8**	**65.4**
With Central Bank	141.7	18.7	71.3
With Commercial Banks	8.8	2.1	-5.9
Net Credit to Central Government	**75.3**	**-15.4**	**-34.2**
Credit to Other Public Sector	**29.7**	**8.5**	**6.4**
From Central Bank	20.5	10.5	8.0
From Commercial Banks	9.2	-2.0	-1.6
Plus Credit to the Private Sector	**1,029.4**	**11.4**	**115.0**
Loans and Advances	1,026.9	11.4	115.0
Securities	2.5	0.0	0.0
Net Domestic Credit of the Banking System	**1,134.4**	**4.5**	**87.2**

Table 5.10: Factors Responsible for Money Supply

$mn

	Position as at Mar 2004	Changes during Dec 2003 to Mar 2004	Changes during Mar 2003 to Mar 2004
Net Foreign Assets	**157.5**	**24.2**	**-66.5**
Central Bank	160.8	-2.6	-1.0
Commercial Bank	(3.3)	26.8	-65.5
Net Domestic Credit	**1,134.4**	**4.5**	**87.2**
Central Government (Net)	75.3	-15.4	-34.2
Other Public Sector	29.7	8.5	6.4
Private Sector	1,029.4	11.4	115.0
Central Bank Foreign Liabilities(Long-term)	**7.5**	**0.0**	**-8.0**
Other Items (net)	**174.8**	**20.4**	**43.9**
Money Supply M2	**1,109.6**	**8.3**	**-15.2**