



Economic Review (June 2007)



Overview

GDP grew by an estimated 4.4% in the first half of the year, buoyed by higher output of petroleum and electricity, expansion in telecommunication, a surge of Corozal Free Zone trade activity and modest growth in tourism.

While oil production increased, real sector developments also featured contractions in agriculture, forestry and fishing, as higher output of citrus and papaya was eclipsed by declines in sugarcane, banana, sawn lumber and farmed shrimp. Increased output from the Hydro-Maya hydroelectric facility contributed to a 14.8% rise in the electricity and water sub-sector and tourism maintained its positive growth trend with year on year increases of 1.2% in stay-over visitors during the first four months of the year and 5.7% in cruise ship disembarkations for the first half of the year.

The unemployment rate (measured annually in April) fell from 9.4% in 2006 to 8.5%. Meanwhile, higher prices for basic food items and household goods were key factors behind a 2.5% rise in the Consumer Price Index over the twelve months extending from May 2006 to May 2007.

Notwithstanding payments made to

foreign creditors as part of the external debt restructuring process, the external current account yielded a small surplus mostly due to higher receipts from merchandise exports, tourism, remittances and grants. The capital and financial accounts also recorded a modest surplus as private sector borrowings and foreign direct investment inflows exceeded the downward shift in government borrowings. The gross international reserves consequently increased by \$9.2mn to \$180.7mn, the equivalent of 1.9 months of imports.

Growth in net domestic credit as well as increased inflows from tourism and merchandise exports pushed the broad money supply upward by 9.8% with robust growth occurring in narrow and quasi-money. While Central Government relied on its Central Bank overdraft to assist it in meeting payments to external creditors, commercial bank loan disbursements to the private sector mostly targeted tourism, distributive trade, marine and banana producers and personal loans. Commercial bank liquidity rose during the review period but did not elicit an immediate change in the policy framework. After a strong seasonal upward boost in the first quarter,



excess statutory liquidity declined in the second quarter as the pace of bank lending quickened. At the end of June excess statutory liquidity was still some 41.8% higher than at the start of the year and 2.6% above the position at the end of June last year.

Amortization payments totaled \$1,171.2mn of which \$1,132.3mn consisted of debt instruments that were exchanged for a new super bond valued at \$1,080.0mn, which had a step up coupon structure and an extended maturity to 2029.

On the fiscal front, a combination of buoyant revenues and lower current expenditure made possible by the successful debt restructuring effort enabled Central Government to realize current, primary and overall fiscal surpluses of \$50.5mn, \$46.3mn and \$31.3mn, respectively, during the first quarter of its 2007/2008 fiscal year. The overall surplus was used to reduce its overdraft balance with the Central Bank that had peaked at \$146.7mn at the end of March.

The Government's domestic debt was up by \$28.3mn over the first half of the year largely due to the spike in its first quarter borrowing from the Central Bank to cover the costs of the debt restructuring. This was somewhat moderated with fiscal surpluses realized between April and June helping to bring the overdraft balance down to \$118.0mn at the end of June. During the six-month review period, the public sector's external debt contracted by 3.2% to \$1.9 billion as amortization payments eclipsed loan disbursements and upward valuation adjustments.



Domestic Production And Prices

Boosted by higher production of petroleum and electricity as well as a surge in Corozal Free Zone trade activity, the Gross Domestic Product (GDP) grew by 4.4% during the first half of this year as compared to 1.1% in the comparable period of 2006.

Strong growth of 41.2% in petroleum was juxtaposed with a 9.0% contraction in agriculture/hunting/forestry as higher output of citrus and papaya was eclipsed by lower production of sugarcane, banana and sawn lumber. Fishing suffered a 60.2% contraction due to disease losses and the closure of a major shrimp farm. Construction activities fell by 5.7% and manufacturing was down due to lower output of sugar and garments. On the other hand the operational launching of the Hydro-Maya facility in March boosted growth in the "Electricity and Water" sub-sector by 14.8%.

Wholesale and Retail Trade grew by 12.1% spurred mostly by increased activity in the Commercial Free Zone. Heightened tourism activity contributed to increases in "Hotels and Restaurants" and in "Transport and Communication" the latter of which also benefited from major upgrades and expansion in cellular service,

installation of a new wireless system and growth in internet capacity.

There was an easing of inflationary pressures in the review period due to lower acquisition costs for diesel and gasoline. Over the twelve-month period (May 2006 to May 2007), the Consumer Price Index rose by 2.5%, the largest cost push coming from higher prices for basic food items (such as corn) and household goods. The unemployment rate, which is measured in April, fell from 9.4% to 8.5% as the employed labour force grew by 9.8% to 112,230 individuals.

Sugar

A slow start to the harvest coupled with rainy weather that sparked a severe froghopper outbreak reduced sugarcane deliveries by 3.8% to 1,129,137 long tons during the crop year. Sugar production declined by 17.2% to 92,208 long tons as the cane/sugar ratio worsened by 15.0% in response to losses in factory efficiency, lower cane purity and the lower sugar content of the crop. Reflecting its inverse relationship to sugar output, molasses production rose by 4.3% to a seven year high of 42,950 long tons.

The latest price estimate for the 2006/2007 crop was \$51.86 per long



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

	Nov-Jun 2005/06	Nov-Jun 2006/07
Deliveries of Sugarcane (long tons)	1,173,469	1,129,137
Sugar Processed (long tons)	111,394	92,208
Molasses processed (long tons)	41,179	42,950
Performance		
Factory Time Efficiency (%)	91.34	90.93
Cane Purity (%)	83.95	80.61
Cane/Sugar	10.53	12.11

Source: Belize Sugar Industries

ton, down 14.6% from the \$60.73 received for the 2005/2006 crop. The decline reflected the crop's lower sugar out-turn, the programmed price cut for sugar sold to the EU, higher freight costs and a \$0.06 fall in the average world raw sugar price (which mostly affects prices received in the US and Caribbean markets) relative to the first half of 2006.

Citrus

In contrast to forecasts of a 9.6% fall, citrus deliveries for the 2006/2007 crop year increased by 2.4% to 6.7mn boxes as a 6.9% rise in orange deliveries outweighed a 10.8% decline in that of grapefruit.

A decline in the average juice out-turn

per box of fruit caused citrus juice production to rise by a less than proportionate 1.4% to 36.1mn pound solids (ps). Output of not-from-concentrate (NFC) increased more than ten-fold to 1.2mn ps and compensated for a 1.8% fall in concentrate production to 34.8mn ps. Quality control issues in the production of grapefruit pulp led to a 17.1% fall in output and citrus oil production also contracted by 16.5%.

During the first half of the year, prices for orange juice exports strengthened as US juice stocks fell to the lowest level in a decade and the Florida orange crop turned out to be the smallest since 1989/1990. In contrast, grapefruit juice export prices fell on the expectation of the largest US grapefruit crop in three years. The final price for orange to local growers was consequently estimated at \$2.21 per ps, up \$0.53 over the 2005/2006 price, while that for grapefruit was estimated to fall from \$9.23 to \$6.15 per box.

Banana

Banana production fell by 19.5% to 1.6mn boxes during the first half of the year due to a combination of Sigatoka disease and inclement weather. The industry may however still attain its annual forecast of 3.6mn boxes if yields can be boosted sufficiently by the ongoing rehabilitation of the



Table 1.2: Citrus Fruit Deliveries and Output of Citrus Products

	Oct-Jun 2005/06	Oct-Jun 2006/07
Deliveries (boxes)		
Orange	4,882,383	5,221,204
Grapefruit	<u>1,687,502</u>	<u>1,504,894</u>
Total	6,569,885	6,726,098
Concentrate Produced (ps)		
Orange	29,105,514	29,413,743
Grapefruit	<u>6,328,439</u>	<u>5,392,048</u>
Total	35,433,953	34,805,791
Not from concentrate (ps)		
Orange	43,739	560,432
Grapefruit	<u>73,685</u>	<u>688,179</u>
Total	117,424	1,248,611
Pulp (pounds)		
Orange	1,935,984	2,032,798
Grapefruit	<u>572,832</u>	<u>46,216</u>
Total	2,508,816	2,079,014
Oil Produced (pounds)		
Orange	1,611,553	1,405,200
Grapefruit	<u>228,600</u>	<u>131,720</u>
Total	1,840,153	1,536,920

Sources: Citrus Products of Belize, Citrus Growers Association

Sigatoka affected groves during the second half of the year.

Acreage under harvestable trees in March 2007 stood at 5,833 acres compared to 6,089.2 acres in December 2006. The acreage under plantilla (trees too young for harvesting) also fell from 297.3 acres to 187.5 acres. At the end of March, approximately 353 acres were under rehabilitation.

Given the still evolving dynamics and uncertainties of the EU market, the average box price for 2007 is projected to edge down by 0.6% to US\$6.38. As Fyffes and the Banana Growers Association (BGA) had agreed to equally share any out-of-quota tariff (176 euros per tonne) applicable to Belizean banana, deductions of approximately US\$0.24 per box are being made on the 2007 shipments for tariffs incurred in 2006. In other developments, the 2007 marketing agreement continues the policy of encouraging more production during the first half of the year by offering a higher price while restricting export volume during the second half of the year to 72,000 boxes per week.

Tourism

World tourist arrivals went up by 6.3% during the first four months of the year as disposable incomes in key Asian and European economies increased and travel costs declined. Infrastructural investments and national promotional efforts also contributed to the expansion. In the region, visitors to Central America were up by 7.0%, while those to the Caribbean declined by 2.0% mostly due to lower arrivals from the USA.

Stay-over visitors to Belize that entered through the Santa Elena Border, the Benque Viejo Western



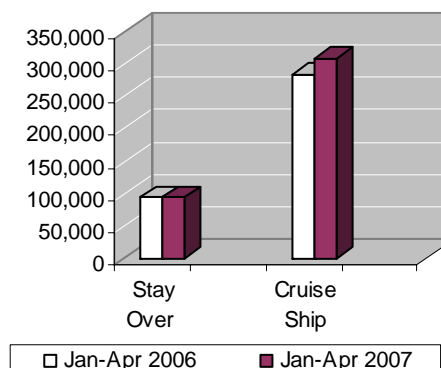
Table 1.3: Bona Fide Tourist Arrivals

	2006 Jan-Apr	2007 Jan-Apr
Stay-over Arrivals¹		
Air	76,193	76,993
Land	16,936	17,279
Total	93,129	94,272
Cruise Ship		
	282,308	306,814

Source: Immigration Department, Central Bank of Belize

¹ Reflects actual numbers for the PGIA, Santa Elena and Belize Western Borders. For 2007, figures for the Dangriga and Punta Gorda sea ports were not available.

Chart 1.1: Tourist Arrivals: Jan - April



Border and the Phillip Goldson International Airport increased by 1.2% to 94,272 visitors. Air travellers were up 1.1% to 76,993 visitors while arrivals through the land borders increased by 2.0% to 17,279. The major market for Belize continued to be the United States, which accounted for 64,409 visitors for an increase of 0.5%. Arrivals from the EU, the second largest market fell, albeit minimally, by 0.2% to 10,813. On the other hand, visitors from other countries rose by 4.7% to 19,050.

Contrary to earlier predictions of a decline, cruise ship disembarkations up to April were up by 8.7% to 306,814 as the number of port calls increased from 148 to 156. By the end of June, disembarkations had risen to 358,047, a 5.7% increase compared to the first half of 2006.

Consumer Price Index

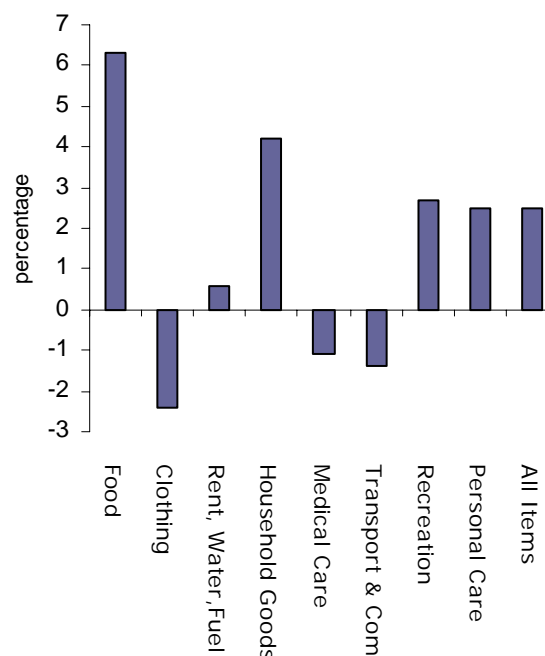
The Consumer Price Index rose by 1.0% over the quarter (February 2007 to May 2007) as higher price levels were recorded for a variety of goods and services, 'Food, Beverage & Tobacco' and 'Clothing & Footwear' being the exceptions. Over the twelve-month period (May 2006 to May 2007) the increase in the CPI was 2.5% as price increases for foodstuffs, household goods, recreation, education, culture, personal care, rent and water eclipsed marginal declines in the cost of clothing, transportation and medical care.

The sharpest increase was in the 'Food, Beverage and Tobacco' category, which rose by 6.3% particularly due to increases for onions, coffee, lard, powdered milk, red kidney beans and



chicken. The latter was attributable to higher costs for feed as corn imports became necessary after many years of self-sufficiency in this commodity. A 4.7% rise in the US export price index (up to May 2007) contributed to an upward move in prices for *'Household Goods & Maintenance'* and *'Personal Care'* which includes many imported items. The price level in the *'Recreation, Education & Culture'* category also rose and the cost of *'Rent, Water, Fuel & Power'* went up as a result of a sharp increase in the price of butane. On the other hand, lower acquisition costs for diesel and gasoline led to a modest 1.4% fall in prices within *'Transport and Communication'*. The cost of *"Clothing and Footwear"* and *"Medical Care"* also declined moderately.

Chart 1.2: Annual Percentage Change in Consumer Price Index 2007





International Trade and Payments

Higher receipts from merchandise exports, tourism, remittances and grants outweighed increased outlays on imports and costs associated with freight and external debt restructuring. The external current account of the balance of payments consequently yielded a surplus of \$9.9mn. The capital and financial accounts also realized a modest surplus as loan disbursements to the private sector more than offset government amortization payments to external creditors. At the end of June the gross official reserves amounted to \$180.7mn, the equivalent of 1.9 months of merchandise imports.

The trade deficit widened by 15.1% as Commercial Free Zone (CFZ) purchases, and outlays for electricity, fuel, machinery, transport equipment, chemical products, corn and other food items helped to push imports upward by 5.5% to \$617.9mn. Total exports grew by 1.6% to \$423.9mn as a \$20.8mn increase in CFZ sales more than offset a \$13.8mn decline in domestic exports. The latter's decline reflected a fall in earnings from sugar, marine products, banana, garments and other miscellaneous commodities that eclipsed higher revenues from citrus, papaya and petroleum.

Table 2.1: Balance of Payments Summary

	2006 ^R Jan- Jun	2007 ^P Jan- Jun
(BZ\$mn)		
A. CURRENT ACCOUNT		
(I+II+III+IV)	33.0	9.9
I. Goods (Trade Balance)	-168.6	-194.0
Exports, f.o.b.	417.1	423.9
Domestic Exports	288.7	274.9
CFZ Gross Sales	110.5	131.3
Re-exports	17.9	17.7
Imports, f.o.b.	585.7	617.9
Domestic Imports	501.8	510.7
CFZ Imports	84.0	107.1
II. Services	255.7	246.9
Transportation	-21.2	-18.0
Travel	252.5	262.3
Other Services	24.4	2.7
III. Income	-124.4	-133.9
Compensation of Employees	-0.9	-4.5
Investment Income	-123.4	-129.4
IV. Current Transfers	70.3	90.9
Government	4.9	15.7
Private	65.4	75.2
B. CAPITAL & FINANCIAL ACCOUNT		
(I+II)	3.6	13.9
I. Capital Account	14.1	0.8
II. Financial Account (1+2+3+4)	-10.5	13.2
1. Direct Investment in Belize	106.2	89.3
2. Portfolio Investment	-27.0	-43.0
Monetary Authorities	0.0	0.0
General Government	-26.8	-42.7
Banks	0.0	0.0
Other Sectors	-0.2	-0.3
3. Financial Derivatives	0.0	0.0
4. Other Investments	-89.7	-33.1
Monetary Authorities	0.7	36.8
General Government	-10.4	-8.2
Banks	-70.6	-72.7
Other Sectors	-9.4	11.0
C. NET ERRORS & OMISSIONS	-17.2	-14.7
D. OVERALL BALANCE	19.4	9.2
E. RESERVE ASSETS*	-19.4	-9.2

P- indicates Provisional, R- indicates Revised

* Minus = increase



Chart 2.1: Current Account Balance vs. Trade Balance

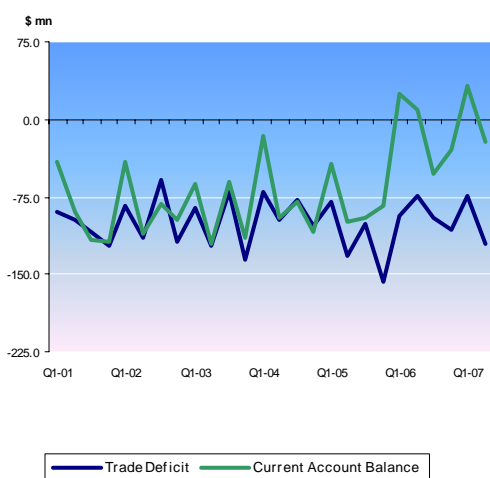
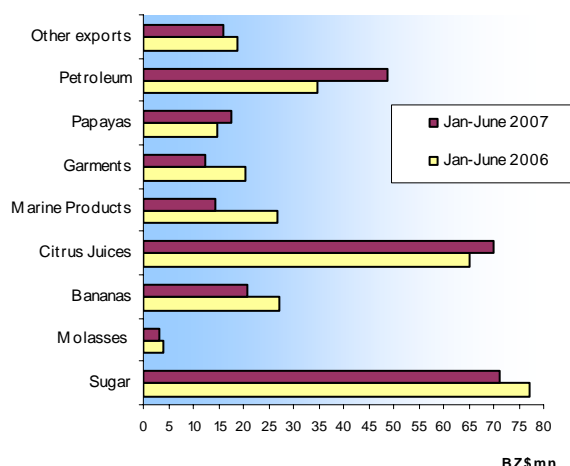


Chart 2.2: Domestic Exports



As a result of a production down-turn, sugar export volume fell by 11.4% but the revenue decline was mitigated to 7.3% as a larger share of tonnage went to preferential markets. This included a 33% rise in exports to the EU, which accounted for 87.0% (\$62.1mn) of total receipts. The heightening of sales to the EU was due to the allocation of approximately 32,488 long tons under the new, three-year EU Complimentary Quota (CQ) Program (some 21,488 long tons of which were due to production shortfalls in other ACP countries) and the temporary reallocation of 3,400 long tons of Protocol Sugar. The diversion of sugar to the EU sharply reduced sale volumes to CARICOM and small niche markets. Deliveries to the US market reverted to 9,321 long tons, half of the amount sold in 2006, as there were no

temporary quota reallocations this year.

Although the volume of citrus juice exports fell by 11.9%, receipts increased by 6.8% to \$69.8mn, as stronger prices for orange concentrate across all markets outweighed declining prices for grapefruit. While the export volume of orange concentrate was down by 2.1%, receipts were up by 33.0% to \$60.7mn. Grapefruit did not do as well with a 46.8% contraction in export volume and a 54.0% fall in earnings to \$9.1mn.

Sigatoka disease and inclement weather at the start of the year caused a 20.4% fall in banana export volume while earnings fell by 23.0% to \$20.9mn. The latter reflected a marginal decline in the average box

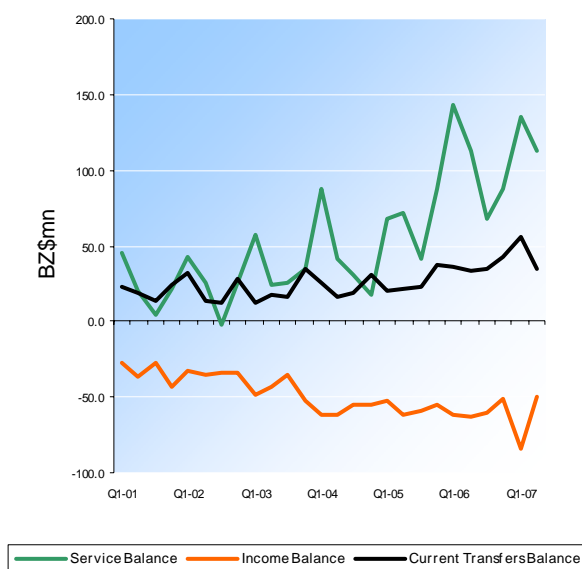


price and a deduction of US\$0.24 per 40lb box on 2007 sales to cover out-of-quota tariff charges incurred in 2006.

Continuing the trend of the previous year, marine exports declined by a further 60.8% in volume and 46.4% in value to \$14.3mn as a modest increase in lobster volume and revenue was eclipsed by declines in those of shrimp, conch and tilapia. The sharpest fall was in shrimp whose export volume plummeted by 65.5% due to disease losses and the closure of the largest shrimp farm that had accounted for nearly half of total production.

With production now in full swing, petroleum exports for the first half of the year were up by 42.7% to 429,920 barrels valued at \$48.8mn. Papaya export volume increased by 40.2% while earnings rose by 20.4% to \$17.7mn. On the other hand, the volume of garment exports declined by 44.4% and earnings fell by 38.0% to \$12.5mn, as Williamson Garment Factory lost production contracts to lower cost producers in Asia and Central America. Receipts from other miscellaneous domestic exports declined by 14.4% to \$16.1mn due to lower sales of sawn wood, pepper sauce, veneer sheets/plywood, black eye peas and grapefruit oil.

Chart 2.3: Service, Income and Current Transfers Balances



After covering all payments to foreign service providers and meeting one-off debt restructuring costs, the services account recorded substantial net inflows of \$246.9mn. This was however 3.4% lower than the comparable period of 2006 as a modest increase in tourism earnings and higher payments by cruise ships to local agents only partly offset larger outlays on insurance and financial fees associated with the restructuring of two insured bonds.

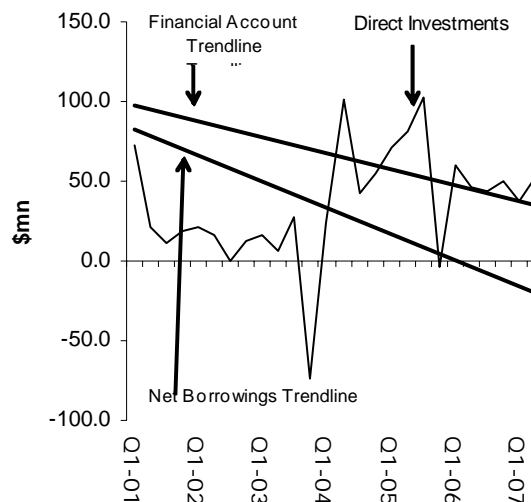
The income account registered net outflows of \$133.9m, a 7.6% increase that was due to the payment of accrued interest on the restructured commercial debt and an increase in profit repatriation by the oil industry.



On the other hand, net receipts from current transfers stood at \$90.9mn, a 29.3% increase over the comparable period of 2006. Remittances to individuals accounted for approximately half of this net gain and grant inflows to Government, which included \$20.0mn from ROC/Taiwan, made up the remainder.

The surplus on the capital and financial accounts amounted to \$13.9mn, more than triple the \$3.6mn recorded for the first half of 2006. The improvement reflected buoyancy in inflows from foreign investments (primarily in tourism, real estate and electricity), higher loan disbursements to the private sector and the build-up of commercial banks' foreign balances abroad. The major outlays included the pay down of principal on some of the government's restructured debts, higher repayments by the commercial banks on short-term debts and the use of escrow accounts held by the Central Bank to finance part of the debt restructuring costs.

Chart 2.4: Main Components of the Financial Account





Monetary Developments

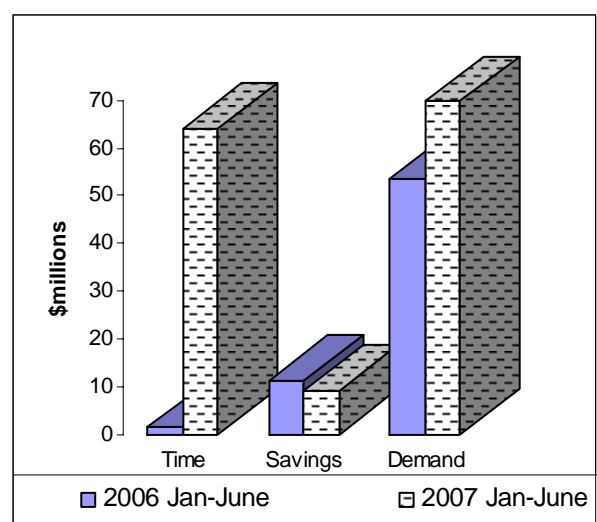
M2 (the broad measure of money supply) rose by 9.8%, driven by growth in net domestic credit as well as increased inflows from tourism and merchandise exports. As in the similar period of 2006, M1 (narrow money) grew by a robust 12.0% with business enterprises and private utilities accounting for 58.8% of the increase, individuals for 24.7%, and miscellaneous other resident entities for the remainder. Quasi-money was ratcheted upward by a \$64.2mn build-up in time deposits that featured increases of \$29.6mn in holdings of individuals, \$12.8mn by the BSSB and \$12.2 for other financial institutions.

The heightening of inflows, particularly to tourism service providers helped to push the net foreign assets of the banking system up by 17.2%. The commercial banks' net position improved by \$72.7mn with foreign asset holdings rising by 9.3% while short-term foreign liabilities were reduced by 41.1%. On the other hand, the Central Bank experienced a net decline principally due to outlays connected with the external debt restructuring programme. In the first semester, the Bank recorded inflows of \$166.6mn with purchases from the commercial banks, loans and grants,

Table 3.1: Factors Responsible for Money Supply Movements

\$mn			
	Position as at June 2007	Changes during	
		Dec 2005 to June 2006	Dec 2006 to June 2007
Net Foreign Assets	306.1	43.2	44.9
Central Bank	178.8	8.7	-27.8
Commercial Bank	127.3	34.5	72.7
Net Domestic Credit	1,699.9	83.4	134.1
Central Government (Net)	245.5	52.7	62.1
Other Public Sector	17.8	-10.8	-10.1
Private Sector	1,436.6	41.5	82.1
Other Items (net)	353.6	50.5	31.5
Money Supply M2	1,652.4	76.1	147.5

Chart 3.1: Growth in Commercial Bank Deposit Liabilities



sugar export earnings and oil company payments accounting for 32.1%, 30.0%, 20.7% and 6.6%, respectively. Foreign exchange outflows summed to



Table 3.2: Net Foreign Assets of the Banking System

\$mn			
	Position as at June 2007	Changes during	
		Dec 2005 to June 2006	Dec 2006 to June 2007
Net Foreign Assets	306.1	43.2	44.9
Central Bank	178.8	8.7	-27.8
Foreign Assets	181.3	8.4	-27.6
Foreign Liabilities (Demand)	2.5	-0.3	0.2
Commercial Banks	127.3	34.5	72.7
Foreign Assets	201.3	17.2	20.9
Foreign Liabilities (Short-Term)	74.0	-17.3	-51.8

\$193.9mn with sales to the public sector up 22.9% to \$167.9mn. Sales to commercial banks amounted to \$9.1mn, marginally below the level of sales in the first half of 2006.

Credit growth accelerated with commercial bank loans to the private sector increasing by 6.1%, as compared to 3.5% in the first half of 2006. Disbursements were principally for tourism, construction, distributive trade, marine products, personal loans and banana. Net credit to Central Government also expanded by 33.9% (\$62.1mn), almost all of which was provided by the Central Bank by way of overdraft disbursements and deposit withdrawals. These funds were largely used to execute payments required in the restructuring of the external commercial debt. Credit to the rest of the public sector contracted by

Chart 3.2: Sources of Foreign Exchange Inflows to the Central Bank Jan—Jun

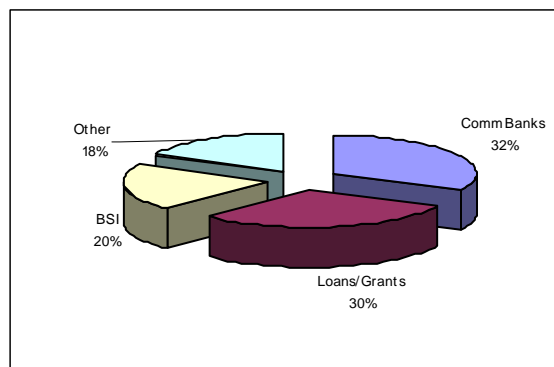
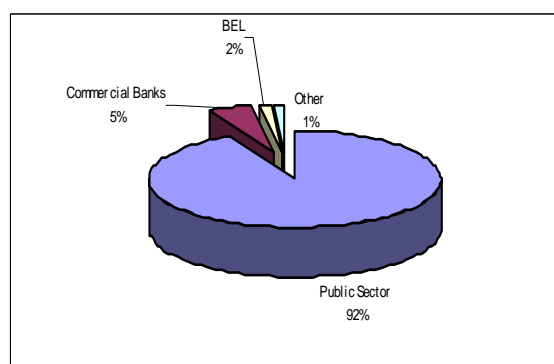


Chart 3.3: Central Bank Foreign Exchange Sales Jan-Jun



\$10.1mn largely due to a \$12.0mn shift in the indebtedness of BWSL from a commercial bank to the BSSB.

After receiving a strong seasonal boost from foreign inflows and rising by 52.1% in the first quarter to peak at \$102.9mn, commercial bank excess statutory liquidity declined by 11.4% in the second quarter as the pace of lending quickened. At the end of June, banks were holding a total of \$438.0 in approved liquid assets, which exceeded the statutory requirement by \$91.1mn



Table 3.3: Sectoral Composition of Commercial Banks' Loans and Advances

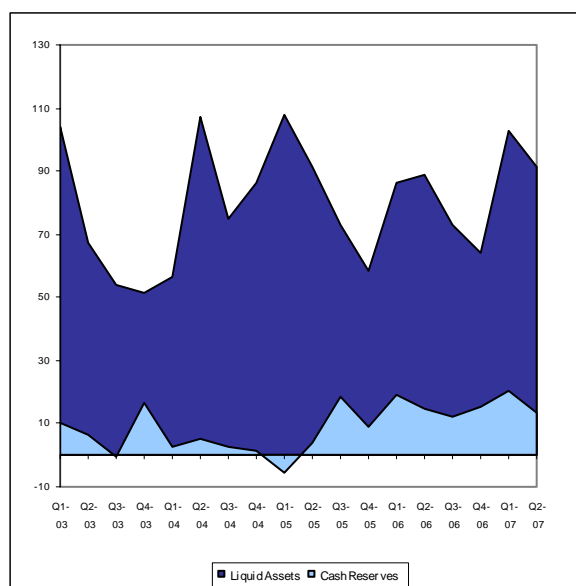
\$mn			
	Position as at June 2007	Changes during	
		Dec 2005 to June 2006	Dec 2006 to June 2007
PRIMARY SECTOR	163.6	9.8	7.8
Agriculture	106.5	2.1	0.0
Sugar	9.4	-2.5	-2.1
Citrus	13.3	0.9	-6.1
Bananas	71.1	4.7	6.7
Other	12.7	-1.0	1.5
Marine Products	25.8	5.2	10.6
Forestry	2.2	0.1	0.2
Mining & Exploration	29.1	2.4	-3.0
SECONDARY SEC- TOR	395.9	-30.7	22.7
Manufacturing	27.9	-0.7	3.3
Building & Construction	346.6	-2.3	30.1
Utilities	21.4	-27.7	-10.7
TERTIARY SECTOR	568.3	31.3	29.0
Transport	51.1	2.9	5.3
Tourism	115.4	17.8	36.1
Distribution	189.5	1.3	15.7
Other	212.3	9.3	-28.1
Personal Loans	332.1	10.4	9.9
TOTAL	1,459.9	20.8	69.4

and remained some 41.8% higher than the position at the start of the year. The liquidity build-up facilitated increases in holdings of short term foreign balances and Treasury Bills as well as cash balances held with the Central Bank. Daily average holdings of the latter rose by \$14.0mn relative to a \$16.0mn increase in required cash reserves resulting in a \$2.0mn decline in the consolidated excess cash

reserves position.

The weighted average lending rate of the banks registered consecutive increases of 10 basis points in the first and second quarters with commercial loans bearing the brunt of the increases. Unchanged in the first quarter, the weighted average deposit rate edged up by 10 basis points in the second. The net result was an increase of 10 basis points in the spread accruing to the banks, which widened to 8.7%.

Chart 3.4: Commercial Banks' Excess Statutory Liquidity & Excess Cash Reserves





Central Government Operations and Public Debt

Central Government Operations

During the first quarter of its 2007/08 fiscal year, Central Government achieved current and overall surpluses of \$50.5mn and \$31.3mn, respectively, that were in sharp contrast to the deficits recorded in the first quarter of the previous fiscal year. The primary surplus more than doubled from \$20.7mn to \$46.3mn as a 29.4% increase in revenues and grants coincided with a 5.4% fall in expenditure. The latter was principally due to the lowering of interest payments stemming from the restructuring of the external debt in February. The overall surplus enabled a reduction in domestic borrowing, (particularly from the Central Bank where the overdraft was reduced by \$28.7mn) as well as payments on the

Table 4.1: Central Government's Revenue and Expenditure

	\$mn	
	Apr - Jun 2007	Apr - Jun 2006
Total Revenue & Grants	184.4	142.4
<i>of which: Current Revenue</i>	<i>180.4</i>	<i>138.4</i>
<i>of which: Grants</i>	<i>1.2</i>	<i>0.7</i>
Total Expenditure	153.1	161.8
Current Expenditure	130.0	140.9
<i>of which: Interest Payments</i>	<i>15.0</i>	<i>40.0</i>
Capital Expenditure	23.1	20.9
Current Balance	50.5	-2.5
Primary Balance	46.3	20.7
Overall Balance	31.3	-19.4

Table 4.2: Summary of Government's Revenue

	\$mn	
	Apr - Jun 2007	Apr - Jun 2006
Current revenue	180.4	138.4
Tax revenue	154.0	126.9
Income and profits	50.9	35.0
Taxes on property	2.6	1.6
Taxes on goods & services	56.3	49.5
Int'l trade and transactions	44.1	40.8
Non-Tax Revenue	26.5	11.5
Property income	11.9	1.1
Licenses	3.0	3.0
Other	11.5	7.4
Capital revenue	2.8	3.3
Grants	1.2	0.7

external debt.

Current revenue was 30.4% higher with increases in tax and non-tax revenues of \$27.0mn and \$15.0mn, respectively. While all categories of tax collections rose, the largest increase was in income and profits, which included the oil company's income tax payment of \$10.7mn. The hike in non-tax revenues was partly due to the timing of the statutory transfer of Central Bank profits, petroleum royalties and higher charges for services provided by various government departments. Grant receipts stood at \$1.2mn, while capital revenue declined by \$0.5mn due to a slowdown in the sale of lands. Although total revenues exceeded quarterly expectations, coming in at 27.2% of budget, tax revenues from



Table 4.3: Summary of Government's Expenditure

\$mn

	Apr - Jun 2007	Apr - Jun 2006
Current Expenditure	137.5	140.9
Wages & Salaries	57.0	53.6
Pensions	9.7	9.8
Goods & Services	29.1	24.2
Interest Payments	15.0	40.0
of which: External	9.2	34.0
Subsidies & current transfers	19.2	13.3
Capital Expenditure	23.1	20.9
Capital II	11.1	13.5
Capital III	10.8	7.1
Net lending	1.2	0.3

goods and services were slightly below forecast (23.7% of budget) because of a fall in stamp duty collections.

Current expenditure fell by 7.8%, largely due to a 62.6% (\$25.0mn) reduction in interest expenses. The latter offset higher outlays on other categories such as subsidies and transfers, which rose by \$5.9mn as a result of the conversion of the Central Statistical Office into a statutory body and the reclassification of several items that had been previously listed as capital expenditure.

Capital expenditures rose by \$2.2mn to \$23.1mn due to an increase in externally funded projects. Social development programmes and

infrastructure projects accounted for 28.1% and 26.8% of development outlays, respectively. Major projects under the former included the Social Investment Fund with \$3.9mn and poverty alleviation under the supervision of the Ministry of Works with \$1.9mn. Of the \$3.8mn allotted to health, the Health Sector Reform project received \$3.6mn. Environmental and education projects accounted for \$1.4mn and \$1.0mn, respectively.

Central Government's Domestic Debt

During the first half of the year, extensive use of its Central Bank overdraft facility led to a 9.4% (\$28.3mn) increase in Central Government's domestic debt. In addition to a \$30.3mn increase in the overdraft balance, there was a private sector disbursement of \$0.4mn to cover the cost of dredging the Belize Harbour. Amortization payments totaled \$8.9mn, with a book entry shifting creditor status from the DFC to the BSSB accounting for \$6.7mn. The remainder consisted of payments to the Belize Bank (\$0.9mn), the government's debt for nature swap (\$0.6mn), the Atlantic Bank, BSSB, RECONDEV and the Belize Tourist Village.



Table 4.4: Central Government's Domestic Debt

\$mn

	Dec 31, 2006	June 30, 2007	Changes in Stock
Overdraft	89.1	119.4	30.3
Loans	40.0	38.0	-2.0
Treasury Bills	100.0	100.0	0
Treasury Notes	55.8	55.8	0
Defence Bonds	15.0	15.0	0
Total	299.9	328.2	28.3

Interest payments amounted to \$12.3mn. The largest amount (some \$5.6mn) went to the Central Bank as the cost of financing provided through the overdraft facility. Payments to holders of Treasury Notes, Treasury Bills and Defence Bonds summed to \$4.7mn. The Belize Bank received \$1.3mn and the balance was shared among BSSB, RECONDEV, the debt for nature swap, DFC, Guardian Life and Atlantic Bank.

In secondary trading, the Central Bank sold \$18.6mn in Treasury Bills to the commercial banks and \$0.8mn in Treasury Notes to other private entities

Public Sector External Debt

The external debt contracted by 3.2% over the six month period as amortization payments of \$1,171.2mn eclipsed loan disbursements of

\$1,107.3mn and upward valuation adjustments of \$1.5mn.

All loan disbursements were to Central Government, which successfully completed the restructuring of the public sector's external commercial debt in the first quarter by exchanging various bonds and loans for a new 'super bond' valued at \$1,080.0mn with a step up coupon structure and an extended maturity to 2029. Apart from the debt exchange, actual cash disbursements of \$20.0mn came from ROC/Taiwan and multilateral lenders also disbursed \$7.2mn.

Central Government's principal repayments totaled \$1,159.5mn that included \$1,132.3mn in respect of debt instruments that were replaced by the super bond, \$15.9mn to bilateral creditors and \$11.1mn to multilateral creditors. The financial public sector paid \$9.3mn with multilateral creditors and bondholders each receiving \$4.2mn and \$0.6mn going to commercial suppliers. The non-financial public sector paid off its remaining debt with CIBC and also made payments to Amtrade International, CDB and the Government of Kuwait that totaled \$2.3mn.

Interest and other payments summed to \$71.3mn, with approximately 93.8% being paid by Central Government.



Table 4.5: Financial Flows on Public Sector's External Debt

\$mn

	DOD at: 31/12/06	DOD at: 30/06/07	Change in Debt Stock
Central Govern- ment	1,821.0	1,769.9	-51.1
Bilateral	415.2	319.7	-95.5
Multilateral	343.8	340.6	-3.2
Bonds	940.7	1,093.7	153.0
Commercial Banks	121.1	15.9	-105.2
Export Credit	0.2	0	-0.2
Rest of NFPS	41.1	38.8	-2.3
Bilateral	6.9	6.7	-0.2
Multilateral	32.6	31.6	-1.0
Commercial Banks	0.5	0	-0.5
Export Credit	1.0	0.5	-0.5
Financial Public Sector	108.1	99.0	-9.1
Bilateral	3.2	2.4	-0.8
Multilateral	46.5	42.5	-4.0
Bonds	58.3	54.1	-4.2
Grand Total	1,970.1	1,907.7	-62.5

against the US dollar, the values of the loans denominated in these currencies were adjusted upward by \$0.1mn, \$0.5mn and \$0.7mn, respectively.

The latter included some \$49.7mn in accrued interest paid as a participation fee under the debt restructuring. The Government also paid \$8.2mn to bilateral creditors and \$8.5mn to multilateral creditors. Interest payments by the financial public sector equaled \$3.5mn, most of which went to bondholders (\$2.5mn), while the non-financial public sector paid \$0.9mn principally to CDB.

With the appreciation of the pound sterling, Kuwait dinar and the euro



Annex

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

Major Commodity Group	Weights	Quarterly Change				Annual Change
		Aug-06	Nov-06	Feb-07	May-07	
Food, Beverage & Tobacco	346.6	3.4	0.8	2.2	-0.3	6.3
Clothing & Footwear	92.0	1.0	-3.3	0.1	-0.2	-2.4
Rent, Water, Fuel, & Power	167.6	1.1	-2.9	-0.2	2.7	0.6
Household goods & maintenance	85.3	3.2	0.2	0.2	0.6	4.2
Medical care	20.1	2.9	-4.1	0.0	0.2	-1.1
Transport & Communication	170.1	2.0	-5.1	-0.8	2.7	-1.4
Recreation, Education & Culture	80.4	1.5	0.6	0.3	0.2	2.7
Personal care	37.9	3.5	-1.8	0.4	0.4	2.5
ALL ITEMS	1000.0	2.3	-1.5	0.7	1.0	2.5

Source: Statistical Institute of Belize

Table 5.2: Value of Gross Imports (CIF) by SITC

\$ mn

Section	Jan-June 2006	Jan-June 2007
Food and Live Animals	56,849,261	65,417,367
Beverages and Tobacco	5,378,149	5,988,498
Crude Materials	3,247,004	5,730,924
Mineral Fuels & Lubricants	117,880,915	140,537,550
<i>of which: Electricity</i>	<i>18,566,948</i>	<i>24,020,771</i>
Oils and Fats	1,885,042	1,998,117
Chemical Products	43,097,084	52,171,239
Manufactured goods	76,630,656	75,176,216
Machinery. & Transport Equipment	103,441,166	118,101,332
Other Manufactures	49,997,762	42,640,551
Commodities n.e.s	627	7734
Export Processing Zones	95,716,670	55,524,984
Commercial Free Zone	92,254,957	117,721,431
Personal Goods	1,750,990	937,067
Total	648,130,283	681,953,009

Source: Statistical Institute of Belize



Table 5.3: Balance of Payments Summary

	\$mn	
	2006 ^R Jan-Jun	2007 ^P Jan-Jun
CURRENT ACCOUNT	33.0	9.9
Goods: Exports f.o.b.	417.1	423.9
Goods: Imports f.o.b.	-585.7	-617.9
Trade Balance	-168.6	-194.0
Services: Credit	399.3	419.1
Transportation	30.9	36.7
Travel	289.1	299.6
Other Goods & Services	55.0	52.4
Government Goods & Services	24.3	30.3
Services: Debit	-143.6	-172.2
Transportation	-52.1	-54.8
Travel	-36.6	-37.4
Other Goods & Services	-45.9	-71.2
Government Goods & Services	-9.0	-8.9
Balance on Goods & Services	87.0	52.9
Income: Credit	9.9	7.1
Compensation of Employees	6.6	2.3
Investment Income	3.3	4.8
Income: Debit	-134.2	-141.0
Compensation of Employees	-7.5	-6.8
Investment Income	-126.7	-134.2
Balance on Goods, Services & Income	-37.3	-81.0
Current Transfers: Credit	87.7	116.0
Current Transfers: Debit	-17.4	-25.1
CAPITAL ACCOUNT	14.1	0.8
Capital Account: Credit	14.9	1.8
Capital Account: Debit	-0.9	-1.0
FINANCIAL ACCOUNT	-10.5	13.2
Direct Investment Abroad	-0.4	-1.7
Direct Investment in Reporting Economy	106.7	91.0
Portfolio Investment Assets	-0.2	-0.3
Portfolio Investment Liabilities	-26.8	-42.7
Financial Derivatives	0.0	0.0
Other Investment Assets	-16.3	18.3
Other Investment Liabilities	-73.4	-51.4
NET ERRORS & OMISSIONS	-17.2	-14.7
OVERALL BALANCE	19.4	9.2
RESERVE ASSETS*	-19.4	-9.2

*(Minus = Increase)

Source: Central Bank of Belize

P: Indicates Provisional

R: Indicated Revised



Table 5.4: Money Supply

\$mn

	Position as at June 2007	Changes during	
		Dec 2005 to June 2006	Dec 2006 to June 2007
Money Supply (M2)	1,652.4	76.1	147.5
Money Supply (M1)	691.9	63.4	74.1
Currency with the Public	141.2	9.8	4.3
Demand Deposits	377.7	41.7	51.5
Savings/Cheque Deposits	173.0	11.9	18.3
Quasi-Money	960.5	12.7	73.4
Savings Deposits	145.1	11.3	9.2
Time Deposits	815.4	1.4	64.2

Table 5.5: Net Domestic Credit

\$mn

	Position as at June 2007	Changes during	
		Dec 2005 to June 2006	Dec 2006 to June 2007
Total Credit to Central Government	300.2	48.0	28.6
From Central Bank	238.6	30.8	9.8
Loans and Advances	118.0	55.6	29.2
Government Securities	120.6	-24.8	-19.4
From Commercial Banks	61.6	17.2	18.8
Loans and Advances	20.7	-7.6	0.0
Government Securities	40.9	24.8	18.8
(of which) Treasury Bills	30.8	24.8	18.8
Treasury Notes	10.0	0.0	0.0
Other	0.1	0.0	0.0
Less Central Government Deposits	54.7	-4.7	-33.5
With Central Bank	36.3	-4.0	-32.0
With Commercial Banks	18.4	-0.7	-1.5
Net Credit to Central Government	245.5	52.7	62.1
Credit to Other Public Sector	17.8	-10.8	-10.1
From Central Bank	0.0	0.0	0.0
From Commercial Banks	17.8	-10.8	-10.1
(of which) Local Government	7.1	0.6	1.3
Public Financial Institutions	2.0	-0.2	-0.4
Public Utilities	0.0	-10.0	-12.0
Other Statutory Bodies	8.6	-1.2	1.0
Securities	0.0	0.0	0.0
Plus Credit to the Private Sector	1,436.6	41.5	82.1
Loans and Advances ¹	1,422.3	41.7	79.5
Securities	14.3	-0.2	2.6
Net Domestic Credit of the Banking System	1,699.9	83.4	134.1

¹ Includes CBB Advances to Staff



Table 5.6: Commercial Banks' Liquidity Position and Cash Reserves

\$mn

	Position as at June 2007	Changes during	
		Dec 2005 to June 2006	Dec 2006 to June 2007
Holdings of Approved Liquid Assets	438.1	38.1	63.7
Notes and Coins	39.6	-0.3	0.0
Balances with Central Bank	163.6	15.9	14.5
Money at Call and Foreign Balances (due 90 days)	150.8	4.2	19.7
Treasury Bills maturing in not more than 90 days	36.5	20.2	18.4
Other Approved assets	47.6	-1.9	11.1
of which: Treasury Notes	10.0	-1.3	-1.1
Required Liquid Assets	346.9	7.5	36.8
Excess/(Deficiency) Liquid Assets	91.2	30.6	26.9
Daily Average holdings of Cash Reserves	164.0	16.6	14.0
Required Cash Reserves	150.8	10.7	16.0
Excess/(Deficiency) Cash Reserves	13.2	5.9	-2.0

Table 5.7: Commercial Banks' Weighted Average Interest Rates

Percentages

	Position as at June 2007	Changes during	
		Dec 2005 to June 2006	Dec 2006 to June 2007
Weighted Lending Rates			
Personal Loans	16.3	0.1	0.0
Commercial Loans	13.9	-0.4	0.1
Residential Construction	13.2	0.1	0.0
Other	13.5	0.9	1.1
Weighted Average	14.4	-0.1	0.2
Weighted Deposit Rates			
Demand	0.6	-0.1	-0.1
Savings/ Cheque	5.3	0.0	0.0
Savings	5.3	0.0	0.0
Time	8.3	0.4	0.1
Weighted Average	5.7	0.3	0.1
Weighted Average Spread	8.7	-0.4	0.1

**Discrepancies may be due to rounding*



Table 5.8: Central Government's Revenue and Expenditure

\$'000

	Approved Budget 2007/2008	Actual June 07	Apr 07 to June 07	Apr 06 to June 06	Actual YTD as % of Budget
TOTAL REVENUE & GRANTS (1+2+3)	678,523	53,184	184,367	142,448	27.2%
1.) Current revenue	650,921	52,158	180,430	138,436	27.7%
Tax revenue	593,923	46,902	153,961	126,927	25.9%
Income and profits	170,256	11,917	50,925	34,995	29.9%
Taxes on property	5,618	903	2,588	1,605	46.1%
Taxes on goods and services	237,910	19,748	56,330	49,518	23.7%
Int'l trade and transactions	180,139	14,335	44,098	40,808	24.5%
Non-Tax Revenue	56,998	5,256	26,469	11,510	46.4%
Property income	7,700	40	11,947	1,105	155.2%
Licenses	10,423	780	3,004	2,970	28.8%
Other	38,875	4,437	11,517	7,435	29.6%
2.) Capital revenue	10,126	619	2,759	3,307	27.2%
3.) Grants	17,475	408	1,179	705	6.7%
TOTAL EXPENDITURE (1+2)	703,236	56,253	153,087	161,823	21.8%
1.) Current Expenditure	585,236	46,365	129,961	140,923	22.2%
Wages and Salaries	235,313	19,062	57,028	53,583	24.2%
Pensions	39,019	3,748	9,667	9,757	24.8%
Goods and Services	129,309	11,095	29,092	24,249	22.5%
Interest Payments on Public Debt	107,938	5,803	14,988	40,032	13.9%
Subsidies & current transfers	73,657	6,658	19,186	13,302	26.0%
2.) Capital Expenditure	117,999	9,888	23,126	20,900	19.6%
Capital II (local sources)	49,956	5,636	11,132	13,498	22.3%
Capital III (foreign sources)	64,835	4,449	10,804	7,074	16.7%
Capital Transfer & Net Lending	3,208	(197)	1,190	328	37.1%
CURRENT BALANCE	65,685	5,793	50,470	(2,487)	76.8%
Primary Balance	83,225	2,734	46,268	20,657	55.6%
OVERALL BALANCE	(24,713)	(3,069)	31,281	(19,375)	-126.6%
FINANCING	24,713	3,069	(31,281)	19,375	
A.) Domestic Financing		3,971	(27,645)	29,776	
Central Bank		10,777	(36,188)	20,895	
Net Borrowing		10,835	(36,130)	19,016	
Change in Deposits		(58)	(58)	1,879	
Commercial Banks		(7,168)	8,303	8,992	
Net Borrowing		(9,299)	7,452	12,395	
Change in Deposits		2,131	851	(3,403)	
Other Domestic Financing		362	240	(111)	
B.) Financing Abroad		(3,241)	(9,177)	(12,602.8)	
Disbursements		4,677	12,256	5,948	
Amortization		(7,917)	(21,458)	(18,530)	
Change in Foreign Assets		(1)	25	(21)	
Other		2,339	5,541	2,202	

Sources: Ministry of Finance and Central Bank of Belize



Table 5.9: Central Government's Domestic Debt By Creditor

\$mn

	Disbursed Outstanding Debt 31/12/06	Transactions Between January 2006 to June 2007				Disbursed Outstanding Debt 30/06/07
		Disbursement/ New Issue of Securities	Amortization/ Reduction in Securities	Interest	Net Change in Overdraft/ Securities	
Overdraft / Loans	89,096	0	0	5,665	30,276	119,372
Central Bank	88,851	0	0	5,665	29,188	118,039
Commercial Banks	245	0	0	0	1,088	1,333
Treasury Bills	100,000	0	0	1,599	0	100,000
Central Bank	85,737	0	0	1,060	-18,593	67,144
Commercial Banks	11,964	0	0	486	18,788	30,752
Other	2,299	0	0	53	-195	2,104
Treasury Notes	55,800	0	0	2,543	0	55,800
Central Bank	44,243	0	0	1,895	-800	43,443
Commercial Banks	10,000	0	0	543	0	10,000
Other	1,557	0	0	105	800	2,357
Defence Bonds	15,000	0	0	0	0	15,000
Central Bank	10,000	0	0	0	0	10,000
Commercial Banks	100	0	0	0	0	100
Other	4,900	0	0	0	0	4,900
DFC Loan (Debt Restructuring)	6,821	0	6,821	128	0	0
BSSB Housing Loan	644	0	10	26	0	634
BSSB Loan (Debt Restructuring)	0	6,670	154	125	0	6,516
GOB (debt for Nature Swap)	8,937	0	615	123	0	8,322
Cohune Walk Loan	2,059	0	191	151	0	1,868
Infrastructure Dev. Loan Belize Bank	20,153	0	884	1,308	0	19,269
Guardian Life Belize \$1mn Loan	1,000	0	0	45	0	1,000
Atlantic Bank Airstrip Loan	287	0	217	10	0	70
Belize Harbour Dredging ¹	63	394	129	0	0	328
Total	299,860	7,064	9,021	12,348	30,276	328,179

¹Belize Harbor Dredging Loan is Interest Free



Table 5.10: Public Sector External Debt By Creditor

\$'000

	DOD at: 31/12/2006	Transactions - January to June 2007				DOD at: 30/06/2007
		Disbursements	Principal Payments	Interest & Other Payments	Parity Change	
CENTRAL GOVERNMENT	1,820,969	1,107,262	1,159,509	66,907	1,163	1,769,884
Banco Nacional de Comercio Exterior	8,999	0	529	276	0	8,469
Fondo de Finanzas de las Exportaciones	544	0	109	16	0	436
Government of Great Britain	5,054	0	1,903	0	99	3,249
Government of the United States ¹	4,908	0	751	97	0	4,157
Government of Trinidad and Tobago	16	0	4	0	0	12
Government of Venezuela	101,123	0	100,000	2076	0	1,123
Kuwait Fund for Arab Economic Dev	18,213	0	1,061	372	378	17,530
Republic of China	261,388	20,000	7,344	7,274	0	274,044
Caribbean Development Bank	103,931	519	2,444	2,600	0	102,007
European Economic Community	17,729	0	386	64	429	17,772
European Investment Bank	646	0	0	0	16	662
Inter-American Development Bank	159,102	5,522	3,830	4,465	0	160,794
International Fund for Agric. Dev.	1,704	0	200	44	241	1,745
Intl. Bank for Reconstruction & Dev.	54,225	0	3891	1,301	0	50,334
Opec Fund for Int'l. Development	6,466	1,200	367	160	0	7,299
Allfirst Bank of Maryland	1,260	0	420	37	0	840
Bear Stearns & CO. Inc.	680,483	0	666,831	30,258	0	13,652
BWS Finance Limited	14,883	0	0	0	0	14,883
Citibank, Trinidad & Tobago	5,143	0	5,143	157	0	0
Citicorp Merchant Bank Ltd.	37,857	0	37,857	1,896	0	0
International Bank of Miami	105,246	0	105,246	2,561	0	0
KBC Bank NV	5,869	0	2,935	161	0	2,935
Manufacturers & Traders Trust Co.	7,786	0	865	222	0	6,921
Provident Bank & Trust of Belize (Treasury Note)	1,000	0	0	45	0	1,000
Royal Merchant Bank	217,205	0	217,205	12,814	0	0
Bank of New York (New Bond Issue)	0	1,080,022	0	7	0	1,080,022
Caterpillar Financial Services Corp.	188	0	188	4	0	0
NON-FINANCIAL PUBLIC SECTOR	41,059	0	2,332	913	96	38,824
Kuwait Fund for Arab Economic Dev	6,916	0	345	138	136	6,706
CIBC Bank & Trust Company	494	0	494	22	0	0
Amtrade International Bank of Georgia ²	1,009	0	526	35	0	483
Caribbean Development Bank ²	32,640	0	966	718	-40	31,634
FINANCIAL PUBLIC SECTOR	108,087	0	9,339	3,476	213	98,960
Caribbean Development Bank	36,052	0	3,905	819	4	32,152
European Economic Community	557	0	18	3	19	559
European Investment Bank	9,892	0	323	32	189	9,758
Paine Webber Real Estate Securities Inc.	1,400	0	100	43	0	1,300
N.V. De Smet S.A. Engineers	565	0	565	20	0	0
Belize Mortgage Company ³	58,298	0	4,216	2,540	0	54,082
Government of the United States	1,322	0	212	20	0	1,110
GRAND TOTAL	1,970,115	1,107,262	1,171,180	71,295	1,471	1,907,668

¹ USAID Debt for Nature Swap Agreement as at 2nd August, 2001 was implemented on 30th November, 2001 for BZ \$17,168.

² Loans for the Belize Water Service Limited 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. Guaranteed Outstanding external debt of private entities remained as a contingent liability of Central Government but not reported on this table.

³ BMC is the issuer of DFC/NA Securitization Loan thru the Bank of New York and was recorded as a contingent liability of GOB. However, in accordance of the GDDS guidelines, it is now included as part of the FPS stock of external debt.