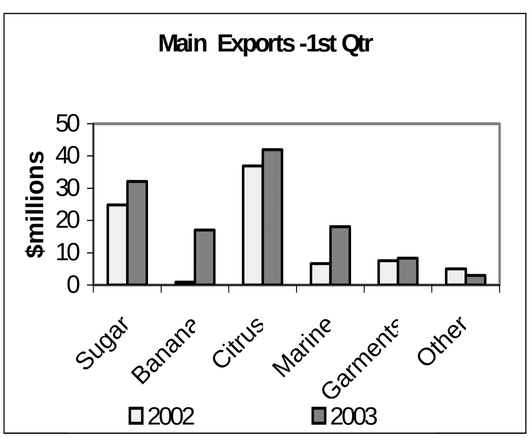
Review of Economic and Financial Developments

OVERVIEW

Economic activity was vibrant in the first quarter with output of all major export products rising in comparison with the first quarter of 2002. In the more notable developments, banana output rose from a miniscule 0.1mn boxes to 1.1mn boxes and farmed shrimp experienced a five-fold increase. Output of other major products such as sugar, citrus and garments were also up and contributed to an overall increase of 48.2% in the value of domestic export shipments over the period.

The tourism sector saw a 9.0% increase in stay-over arrivals and a tripling in cruise ship visitors to 135,160. Notwithstanding the surge in economic activity, the quarterly inflation rate remained modest at 0.6%.



In fiscal operations, Central Government recorded a current account surplus of $14.3mn and an overall deficit of $80.2mn that was financed mostly from domestic sources (principally from the Central Bank). External financing was held to a modest $1.6mn as foreign disbursements were almost entirely offset by amortisation payments and contributions to various funds.

Heightened government outlays and the general buzz of pre-election activity strongly influenced monetary developments over the period. Broad money grew by 5.8%, fueled by a 10.1% expansion in net domestic credit most of which was used to cover the government's financing gap. In addition to the $79.2mn increase in net credit to Central Government, some $23.2mn was advanced to the private sector primarily for commercial real estate, domestic air transportation, utilities and construction.

Although supported by a surge in export receipts, higher domestic spending led to a $31.3mn (12.2%) contraction in net foreign assets of the banking system. The latter featured a $61.4mn decrease in the

Central Bank's position while net holdings of the commercial banks rose by $30.1mn in consonance with the rise in export earnings.

Strong deposit growth (partly stimulated by higher interest rates and export inflows) contributed to an 18.0% increase in commercial bank holdings of approved liquid assets. This outstripped a 4.8% rise in required liquid assets and resulted in a 71.0% expansion in excess statutory liquidity. Holdings of excess cash reserves rose by $6.6mn to $10.2mn, a build-up that followed the sharp contraction in the previous quarter after the cash reserves requirement was raised from 3% and 5% to an average of 6%.

A 20 basis points increase in the weighted average deposit rate occurred as banks sought to build up holdings of liquid assets in anticipation of the implementation of the recently amended International Banking Act. With the weighted average lending rate moving down 10 basis points to 14.4%, the commercial banks weighted average interest rate spread tightened to 9.7%.

In the external sector, a healthy 14.3% increase in payments received for exports of goods was outweighed by a 15.7% increase in gross imports that reflected rising fuel prices and expanded domestic activity. The trade gap consequently widened 18.2%, and combined with larger outflows for interest payments, was mostly responsible for more than doubling the current account deficit to $72.8mn. The deficit was mainly financed by the $65.7mn draw-down of reserves and a small surplus on the capital and financial accounts as net government borrowings slowed.

Central Government's domestic debt rose by 33.7% over the quarter, mainly due to an increase in its Central Bank overdraft. Amortisation and interest payments amounted to $0.7mn and $3.8mn, respectively. In contrast, the external public sector debt increased by a marginal 0.8% to $1.2bn as disbursements of $23.3mn were partly offset by amortisation of $14.8mn and upward valuation adjustments of $1.0mn. Interest payments totalled $20.7mn.

DOMESTIC PRODUCTION AND PRICES

Production

Sugar and Molasses

An eleven day head-start on the sugarcane harvest enabled an 11.8% rise in sugarcane deliveries for the first four months of the 2002/2003-crop year to 679,273 long tons.

At $40.28 per ton, the average price per ton of sugarcane was $2.26 higher than the final price paid on the previous crop, though still below the 2000/2001 price of $41.13 per ton. Supporting the price increase was an appreciation of the Euro against the US dollar, as well as increased sales to the Caribbean, particularly to Jamaica, Trinidad and Curacao. The latter was influenced by the closure of several factories in the region which widened the window of opportunity for Belize to meet the sugar shortages in the CARICOM market. A further price boost may materialize as Cuba, one of the region's largest sugar producers, is experiencing its lowest level of production in almost 90 years and has closed several factories as result.

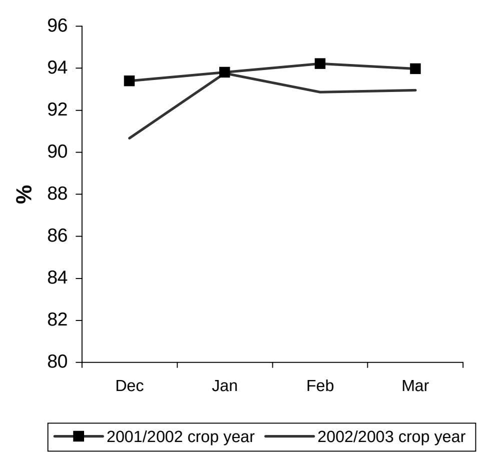
Paralleling the increase in deliveries, sugar production rose by 8.1% to 63,090 long tons. However, high mud levels in the first two months of the crop year and a marginal

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

	Nov-Mar 2002/03	Nov-Mar 2001/02
Deliveries of Sugarcane (long tons)	**679,273**	**607,694**
Sugar Processed (long tons)	**63,090**	**58,371**
Molasses processed (long tons)	**21,001**	**18,130**
Performance		
Factory Time Efficiency (%)	92.96	93.97
Cane Purity (%)	85.85	85.90
Cane/Sugar	10.49	10.35

Source: Belize Sugar Industries

Chart 1.1: Factory Time Efficiency by Crop Year



decline in cane purity (85.9% to 85.85%) hampered processing efficiency and factory time efficiency consequently declined by 1.1% to 92.96%. The net result was a deterioration in the cane/sugar ratio (from 10.35 to 10.49), which meant that 1.4% more sugarcane was needed to produce a given unit of sugar. On the other hand, molasses production expanded by 15.8% to 21,001 long tons as a relatively lower sugar out-turn boosted output of this product.

Citrus Products

Deliveries for the 2002/2003-crop year began on October 30, 2002, one month later than usual due to unfavorable weather that delayed fruit maturity. Nonetheless, citrus deliveries for the first 5 months of the crop rose by 2.8% to 3.8mn boxes when compared to the same period of the 2001/2002-crop year. Driving the increase was a 7.9% surge in orange deliveries which was only partly offset by an 8.0% decline in grapefruit deliveries. Orange deliveries eventually slowed however, as extremely high temperatures in March coupled with drought prevailing since the beginning of the year resulted in heat burn that led to the loss of approximately 25,000 boxes of fruit.

In line with deliveries, production of concentrates increased by 15.1% to 20.4mn pound solids (ps), with orange concentrate up

Chart 1.2: Cane/Sugar Ratio by crop year

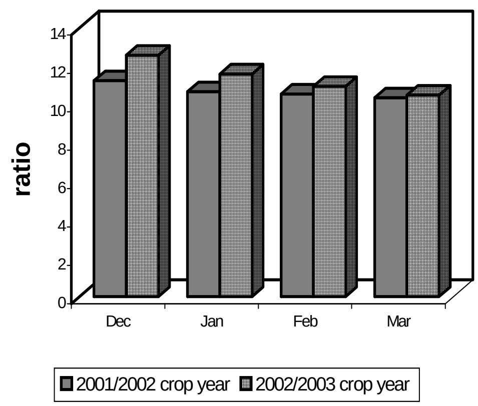


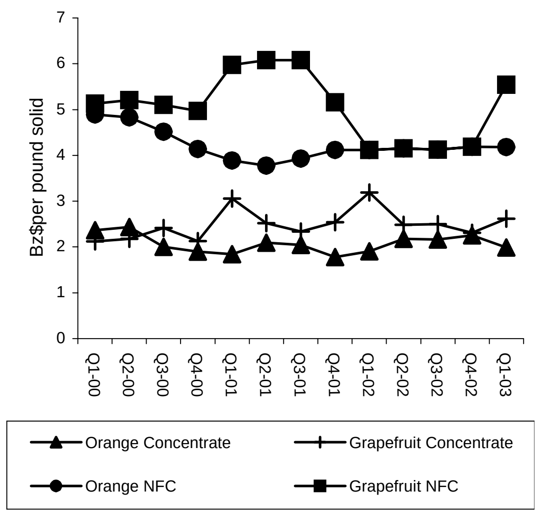
Table 1.2: Output of Citrus Products

	2002/03 Oct– Mar	2001/02 Oct–Mar
Deliveries (boxes)		
Orange	2,730,506	2,531,665
Grapefruit	1,077,968	1,172,083
Total	3,808,474	3,703,748
Concentrate (ps)		
Orange	16,655,762	13,565,499
Grapefruit	3,728,410	4,143,963
Total	20,384,172	17,709,462
NFC(gals)		
Orange	1,007,490	405,865
Grapefruit	544,824	221,550
Total	1,552,314	627,415
Pulp (pounds)		
Orange	307,400	458,592
Grapefruit	58,320	0
Total	365,720	458,592
Oil (pounds)		
Orange	402,000	327,280
Grapefruit	46,000	47,200
Total	448,000	374,480

Sources: Del Oro (Belize), Citrus Growers Association by 22.8% and grapefruit concentrate down 10.0%. The out-turn of ps was disproportionately higher than the increase in orange deliveries, indicating that the average ps per box of fruit is better than the previous crop's. This appears to validate the decision to shift to payment by pound solid per box of fruit. As regards grapefruit, a reduction in deliveries as well as an increase in the share of fruit going into the production of NFC accounted for a decline in output of grapefruit concentrate.

Production of NFC more than doubled to 1.6mn ps with orange and grapefruit NFC accounting for 65.0% and 35.0%, respectively. On the other hand, pulp production declined by 20.0% to 0.4mn pounds with demand for this product continuing to be depressed because of quality problems experienced in 2001. Production of grapefruit pulp restarted on a very small scale in an attempt to re-enter the market. Oil production amounted to 0.4mn pounds, of which the majority came from orange.

Chart 1.3: Average Price Pound Solid of Citrus Products



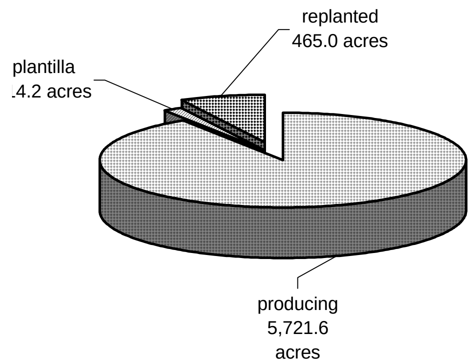
Banana

Production of banana amounted to 1.1mn boxes, nearly doubling the average level of output in the first quarter of the previous five years. At current production levels, and assuming the weather remains favourable, the industry is on track to meeting its goal of 4.1mn boxes in 2003. In addition to investments aimed at improving field productivity, the production surge is linked to efforts to bring harvest cycles in line with market dynamics and a strategic adjustment in the marketing agreement for 2003.

As an incentive to keep shipments steady at 75,000 boxes per week, the present marketing agreement levies a "dead freight fee" penalty on unused cargo space. So far, the weekly target has been surpassed with production being coordinated to generate the greatest yields at the time when markets prices are highest. Previously, most of the harvest occurred in the middle and latter part of the year when prices were at their lowest.

As an illustration, some 5,721.6 acres had harvestable trees in the first quarter as compared to only 1,517 acres in the first quarter of 2002, admittedly a period when the industry was still recovering from hurricane devastation. Acreage under young plants (plantilla) shrank from 3,416 acres to 114.2 acres and acreage awaiting planting from 1,213 acres to 465.0 acres.

Chart 1.4: Banana Acreage



Tourism

While the lull in stay-over tourist arrivals continued in the region, Belize experienced a record 8.3% increase in bona-fide stay over tourist arrivals during the first quarter as a 17.2% increase in tourist arrivals at the Phillip Goldson International Airport (PGIA) more than offset declines in land border and seaport arrivals. Arrivals at the PGIA were boosted by an aggressive marketing strategy and increased airline capacity with the addition of two new airlines (US Airways and Air Jamaica) that commenced operations late last year, as well as additions of extra flights by American and Continental Airlines.

Visitors from the US and Europe accounted for 68.2% and 11.1%, respectively, of total arrivals through the international airport and the land borders.

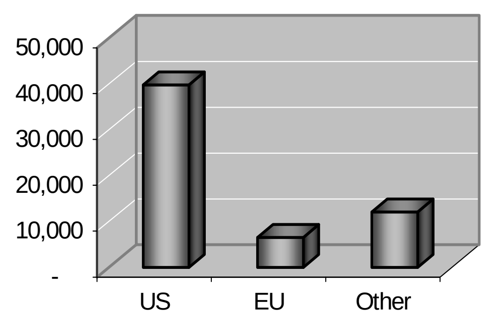
Arrivals of cruise ship passengers more than tripled to 135,160, when compared to the first quarter of 2002. The large increase was due to the commencement of year-round port calls by cruise liners as well as an increase in the number of cruise lines coming to the country.

Table 1.3: Bona Fide Tourist Arrivals

	2003 Jan-Mar	2002 Jan-Mar
Stay-over Arrivals		
Air	46,784	39,909
Land	9,417	11,600
Sea	2,172	2,408
Total	**58,373**	**53,917**
Cruise Ship	**135,160**	**50,427**

Source: Immigration Department

Chart 1.5: Stay-Over Visitors by Country of Origin



Consumer Prices

Consumer prices, as measured by the Consumer Price Index (CPI), rose by 0.6% between November 2002 and February 2003, with price levels rising across all categories of goods and services except "Recreation, Education and Culture".

Over the year (February 2002 to February 2003) the general price level rose by 3.5% reflecting across the board increases in all categories of goods and services. The sharpest increase (8.8%) was in Transport and Communication as basic telephone service costs were raised as a result of a tariff rebalancing by the telecommunications company and transport costs were impacted by bus fare increases and higher fuel prices at the pump.

The domestic price level was also impacted by a 1.9% rise in the US export price index (up to February 2003) since Belize obtains approximately 50% of its imports from the United States.

Chart 1.6: Quarterly Percentage Change in the Consumer Price Index

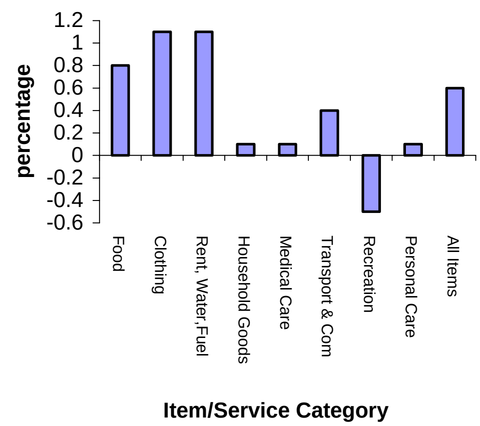
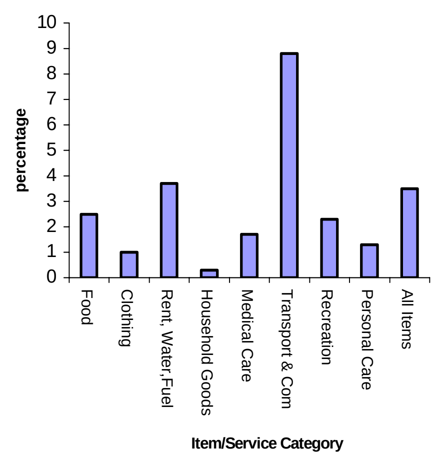


Chart 1.7: Annual Percentage Change in Consumer Price Index



FOREIGN TRADE AND PAYMENTS 2

Balance of Payments Summary

Transactions between Belize and the rest of the world again generated net outflows during the first quarter with the current account shortfall being partly financed by a $65.7mn drawdown on gross international reserves.

In comparison with the first quarter of 2002, the current account deficit rose to $69.9mn as a surge in receipts from tourism was more than offset by increased import demand, higher interest payments and smaller inflows from government grants and insurance claims.

The financial account produced a small surplus as government's external borrowings slowed during the period.

Merchandise Trade

The visible trade deficit widened by 7.0% to $89.2mn with a healthy 21.5% increase in exports being overshadowed by a 15.8% growth in imports to satisfy increased demand associated with higher public outlays.

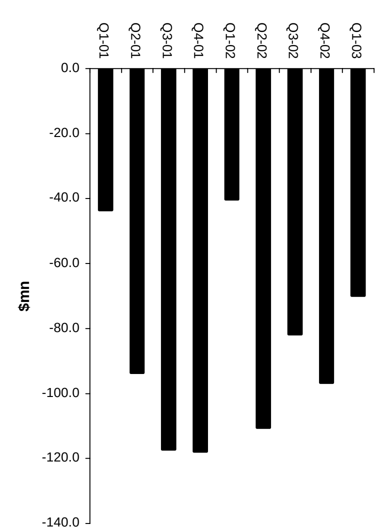
Table 2.1: Balance of Payments Summary

$mn

	Jan-Mar 2003	Jan-Mar 2002
CURRENT ACCOUNT	**-69.9**	**-40.2**
Visible Trade	-89.2	-83.4
Invisible Trade	6.6	8.5
Services	61.1	48.1
Factor Income	-54.5	-39.6
Current Transfers	12.7	34.8
CAPITAL ACCOUNT	**1.0**	**0.9**
FINANCIAL ACCOUNT	**2.0**	**19.8**
NET ERRORS & OMISSIONS	1.3	-24.4
OVERALL BALANCE	-1.3	24.4
RESERVE ASSETS*	65.7	43.9

*(-=increase)

Chart 2.1: Current Account Deficit



Disaster recovery efforts and investments to improve productivity during the previous year underpinned growth in domestic exports, which more than compensated for a $4.3mn drop in gross sales in the Commercial Free Zone (CFZ). Retail sales in the latter slowed as the Mexican authorities tightened vigilance on the duty free allowances permitted to Mexicans that shop in the zone. In addition, the reduction of Mexican fuel taxes also enabled Mexican sellers to undercut fuel prices in the CFZ, effectively reducing the incentive to buy CFZ fuel.

The increased import bill reflected higher purchases of food, fuels, machinery and transport equipment and expanded production by export processing zones that drove up demand for imported production inputs. Direct imports merchandise fell by $1.9mn due to slower sales in the Commercial Free Zone.

Domestic Exports

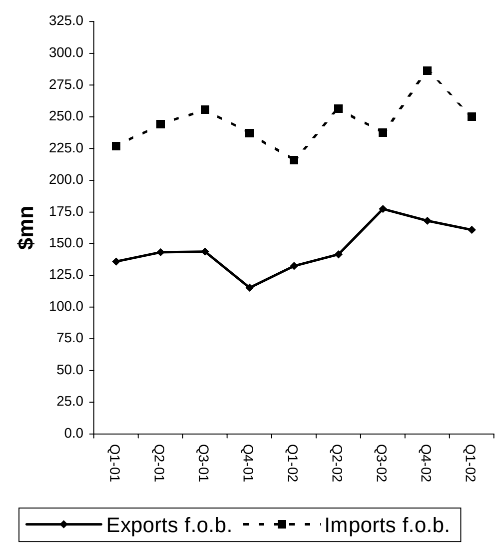
Fair weather, higher prices for some commodities and investments to boost productivity resulted in a 48.2% increase in domestic exports to $125.7mn during the period reviewed. Export revenues for all categories grew, with sugar, banana and marine products showing the most notable increases.

Table 2.2: Visible Trade Balance 2003 & 2002

$mn

	2003 Jan-Mar	2002 Jan-Mar
Goods: Exports f.o.b.	160.8	132.4
Goods: Imports f.o.b.	-250.0	-215.9
Visible Trade Balance	**-89.2**	**-83.4**

Chart 2.2: Quarterly Visible Trade Balance



Sugar and Molasses

In comparison with the first quarter of 2002, sugar revenues rose by $7.6mn to $32.4mn, a 30.6% expansion that reflected a larger share of shipments going to the preferential EU market, price improvements and a modest 2.1% volume increase to 37,611 long tons.

Due to changes in shipping schedules, sales to the EU rose by 51.6% to 18,208 long tons during the period. Meanwhile the average unit price rose by US$0.01 to US$0.21 per pound as the Euro appreciated by 6.7% against the US dollar. The net result was a 64.7% expansion in revenues to $17.4mn.

Sales to the US market fell by 1.1% to 10,888 long tons. Even so, revenues expanded by 4.7% to $9.9mn due to a 5.4% increase in the average unit price.

Notwithstanding a 38.3% contraction in sugar exports to the rest of the world, receipts rose by 6.8% to $5.1mn since these sales mostly consisted of bagged sugar, a product that commands higher prices than bulk sugar, to the Caricom market. This shift towards a more regional focus significantly raised the average unit price from US$0.08 to US$0.13 per pound in the residual market and is in line with the decision to diversify

Table 2.3: Main Domestic Exports

$mn

	2003 Jan-Mar	2002 Jan-Mar
Sugar	32.1	24.8
Molasses	0.7	0.5
Bananas	17.0	0.9
Citrus:*	42.0	37.0
Marine Products	18.1	6.6
Sawn Woods	0.5	0.4
Garments	8.4	7.5
Papayas	3.9	2.1
Other	3.0	5.0
Total**	**125.7**	**84.8**

Source: Central Statistical Office
** = Value of export shipments, not sales*
**=Total may not equal sum of components due to rounding.

Table 2.4: Exports of Sugar and Molasses

	2003 Jan-Mar		2002 Jan-Mar	
	Volume Long tons	Value $'000	Volume Long tons	Value $'000
Sugar	**37,611**	**32,409**	**36,820**	**24,810**
E.U.	18,208	17,388	12,007	10,555
USA	10,888	9,926	11,014	9,483
Other	8,515	5,095	13,799	4,772
Molasses	**9,728**	**978**	**8,228**	**710**

Sources: Central Statistical Office, BSI export markets.

Molasses sales amounted to 9,728 long tons ($1.0mn), an 18.2% increase in volume and a 42.9% increase in value over the comparable period of 2002. Boosting revenues was a $14.24 increase in the average price per long ton caused by higher prices for grain substitutes.

Citrus Products

Sales of citrus juices totalled 6.6mn pound solids (ps) valued at $14.3mn as compared to 9.4mn ps ($19.4mn) for the same period of 2002. The sales slump reflected sluggish sales to the US and was also partly accounted for by a shortage of containerised shipping that delayed exports to the Caribbean and Japan.

A reduction in orange concentrate sales pushed overall sales of concentrate down to 6.5mn ps ($13.4mn), declines of 30.2% in volume and 27.9% in value. In contrast, revenues from sales of grapefruit concentrate rose by 4.6% with volume rising by 27.4% to 0.9mn ps. Not from concentrate (NFC) exports also increased by 40.9% to 0.2mn ps ($0.9mn), with grapefruit accounting for the majority of sales.

The US continued to be the principal market

Chart 2.3: EU Average Sugar Price

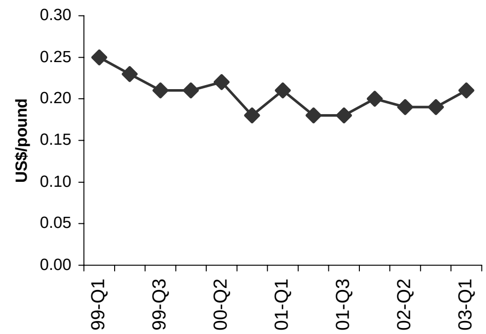


Chart 2.4: World Market Average Sugar Price

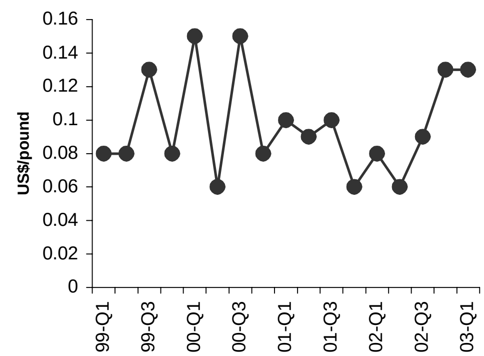
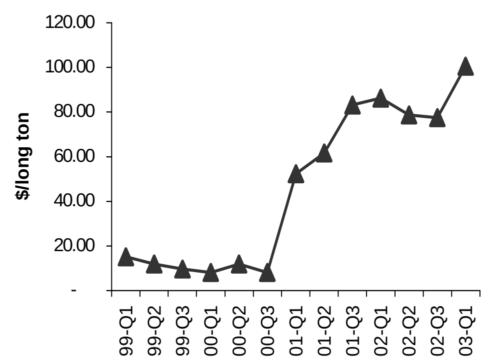


Chart 2.5: Average Price of Molasses



for orange concentrate followed by the Caribbean. With a forecasted decline of 9.0% in the 2002/2003 US citrus crop, the average unit price in the US market rose modestly by 4.8% to US$0.98 per pound solid for orange concentrate. However, this price gain was neutralized by a 44.8% decline in sale volume that caused revenues to fall by 42.4% to $8.4mn. It is anticipated that Brazil, with ample supplies from their bountiful 2001/2002 crop, will capture the lion's share of any increase in the US import demand. An increased regional focus boosted Caribbean exports by more than 50%, although revenues grew by a more restrained 43.6% to $2.5mn due to a US$0.11 drop in the average unit price. There were no sales to the EU during this period.

After enjoying high prices over the past two years, grapefruit juices in general saw prices fall during 2003 due to consumer apathy as well as the greater variety of high quality tropical fruits in the market. Health conscious consumers in Europe bought most of the grapefruit concentrate, albeit at a US $0.10 less per pound solid. Most of the rest was sold to the Caribbean where the average unit price rose by US$0.07 per pound solid.

Higher sales notwithstanding, NFC exports represented only a small proportion of total citrus sales. Sales of orange and grapefruit

Table 2.5: Export Sales of Citrus Products*

	2003		2002	
	Jan-Mar		Jan-Mar	
	Volume (ps'000)	Value ($'000)	Volume (ps'000)	Value ($'000)
Citrus Concentrates				
U.S.A.				
Orange	4,294.3	8,355	7,783.6	14,514
Grapefruit	0.0	0.0	0.0	0.0
Caribbean				
Orange	1,152.5	2,473	725.4	1,722
Grapefruit	295.1	885	102.8	295
Europe				
Orange	0.0	0.0	0.0	0.0
Grapefruit	639.1	1,563	354.4	939
Other				
Orange	69.1	124	0.0	0.0
Grapefruit	0.0	0.0	276.3	1,107
Sub-Total**	**6,450.1**	**13,400**	**9,242.5**	**18,577**
Orange	5,515.9	10,952	8,509.0	16,236
Grapefruit	934.2	2,448	733.5	2,341
Not-From-Concentrate				
Sub-Total*	**189.8**	**942**	**134.7**	**773**
Orange	80.4	336	51.5	212
Grapefruit	109.4	606	83.2	561
Total Citrus Juices**	**6,640**	**14,342**	**9,377.2**	**19,350**
Pulp (pounds '000)				
Sub-Total**	**68.9**	**25**	**339.2**	**220**
Orange	25.7	12	134.4	122
Grapefruit	43.2	23	204.8	98

**=Reflects actual sales in contrast with the figures reported by the CSO that reflect the value of export shipments, the bulk of which goes into inventory abroad for sale at a later date.*
***=Totals may not equal sum of components due to rounding.*

pulp plunged from 0.3mn pounds ($0.2mn) to 0.07mn pounds ($0.03mn). The average price for grapefruit pulp fell by $0.44 to $0.47 per pound while that of orange pulp increased by $0.05 to $0.53.

Marine Products

An upward surge in farmed shrimp contributed to a quadrupling in volume of marine exports to 2.9mn pounds with earnings almost tripling to $18.0mn. Shrimp production benefited from timely stocking of ponds and use of Taura resistant shrimp that doubled survival rates to between 60% and 70%. As a result, shrimp exports expanded almost fivefold in volume to 2.7mn pounds and more than quadrupled in value to $15.4mn. On the other hand, with both catches fluctuating cyclically in line with natural environmental factors, conch exports fell by 40.9% in volume and 38.2% in value when compared to 2002, while lobster exports fell by 3.7% to 0.08mn pounds valued at $2.0mn.

Banana

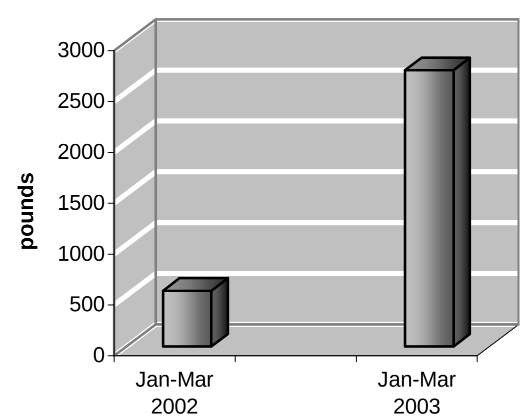
Investments aimed at improving field productivity and evening out harvest yields, along with a respite from hurricanes in 2002, led to record high sales during the first quarter of 2003.

Table 2.6: Exports of Marine Products

	2003 Jan-Mar		2002 Jan-Mar	
	Volume ('000 lbs)	Value ($'000)	Volume ('000 lbs)	Value ($'000)
Lobster Tail	75.2	1,992	67.7	1,919
Lobster Meat	5.7	49.0	16.3	126
Whole Lobster	0.0	0.0	0.0	0
Shrimp	2,715.6	15,355	547.6	3,563
Conch	84.6	614	143.2	994
Other	17.6	26	10.5	19
Total	**2,898.7**	**18,036**	**785.3**	**6,621**

Source: Central Statistical Office
** = Totals may not equal sum of components due to rounding.*

Chart 2.6: Shrimp Exports for Jan–Mar, 2002 and 2003



At the end of March, total banana exports, all of which went to the EU traditional market, amounted to 21,517 metric tons valued at $17.0mn compared with the paltry 1,334 metric tons valued at $1.0mn realised for the same period of 2002.

The new marketing agreement between the growers and Fyffes has resulted in a $1.49 decline in the average price to $13.00 for 2003. Over the first six months of the year, the average box price will be $14.42 and this will drop to $11.50 over the second half of the year. At the end of the year, adjustments will be made to ensure that the average price received overall works out at a minimum of $13.00. This two tier pricing system acts as an incentive to get the largest production volumes during the first half of the year when international prices are most favourable. A new penalty payable on unused cargo space once shipments fall below 75,000 boxes per week is another incentive to keep production volumes high.

<u>Other Domestic Exports</u>

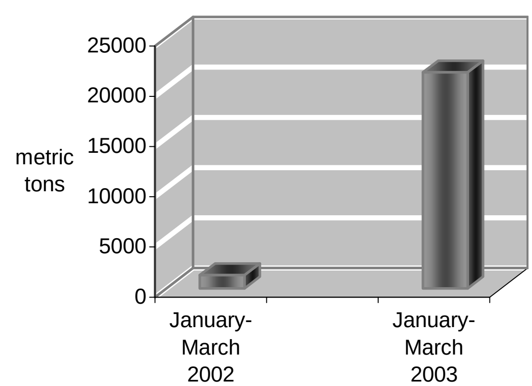
Other miscellaneous domestic exports for the quarter amounted to $15.9mn, a slight improvement over the first quarter of 2002. Growth was driven by increases in both garment and papaya export value. Garment

Table 2.7: Exports of Banana

	2003 Jan-Mar	2002 Jan-Mar
Volume (metric tons)	**21,517**	**1,334**
Of which:		
Traditional Market	21,517	1,334
Non-Traditional Market		0
Other EU	*0*	*0*
Transit	*0*	*0*
Value ($'000)	**17,049**	**1,014**

Source: Central Statistical Office

Chart 2.7: Banana Exports for Jan–Mar, 2002 and 2003



export value rose to $8.4mn due to a larger exported volume and a 5.5% rise in the average unit price. Papaya revenues almost doubled to $3.9mn due to doubling of export volume since the unit price decreased by 20.0%. Sawn wood exports fell to 0.1mn board feet valued at $0.5mn.

Re-exports

Re-exports rose by $1.7mn to $5.8mn, mostly reflecting revenue increases from the sale of fuels to ships and aircrafts, CFZ goods re-exported through the seaport, machinery and transport equipment and EPZ goods. In addition to specialised construction equipment, machinery and transport equipment included consumer items such as washing and kneading machines.

Gross Imports

Imports of goods (fob) rose by 15.8% driven entirely by domestic demand as CFZ imports were down by 4.3% during the first quarter. The export processing zones accounted for 10.6% of import growth as a surge in production (citrus juices, garments, farmed shrimp) ratcheted up demand for inputs. The next largest increase was in fuels and lubricants, of which, most were diesel oils. Whereas the overall volume of

Table 2.8: Other Domestic Exports

	2003 Jan-Mar	2002 Jan-Mar
Other Misc. ($'000) of which:	**15,882**	**15,005**
Garments		
Volume ('000 lbs)	861.7	815.1
Value ($'000)	8,376	7,507
Sawn Wood		
Volume ('000 bd ft.)	136.1	271.2
Value ($'000)	547	358
Papayas		
Volume ('000 lbs)	7,623.5	3,252.6
Value ($'000)	3,936	2,126

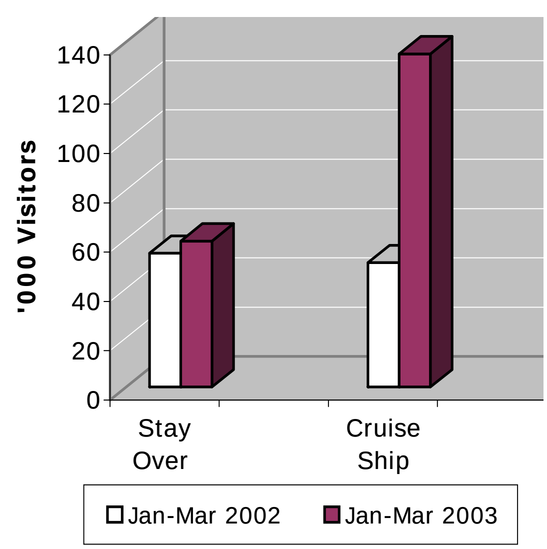
Source: Central Statistical Office

fuel imports fell by 9.1%, acquisition costs rose substantially in response to the US-Iraq war. The cost of diesel, for example, rose from $1.59 to $2.41 per gallon, while that of gasoline rose from $1.65 to $2.42 per gallon. The food import bill also grew by some $5.8mn due to increased imports of powdered cream and milk, durum wheat and animal feed, the latter being linked to the surge in production of farmed shrimp and tilapia. Imports of machinery and transport equipment also rose by $6.5mn mostly because of the temporary importation of electrical generators rented by BEL to meet electricity demand during the dry season when power supplies from Mexico and the Mollejon plant decrease. Imports of boxes and cartons also rose substantially to accommodate, among other things, the increase in papaya and banana exports.

Invisible Trade

An 8.3% increase in stay-over visitors, together with a near tripling in cruise ship arrivals, caused net receipts from services to rise by a healthy 27.0% during the quarter. However, this only partly offset a 37.6% increase in net outflows to non-residents for labour and capital and the invisible trade surplus consequently declined in comparison to the first quarter of 2002 by $1.9mn to $6.6mn.

Chart 2.8: Stay-over and Cruise Ship Visitor Arrivals



Net outflows for transportation services declined marginally as increased fees from cruise lines outweighed the hike in freight costs connected with the expansion in international trade. Larger payments for freight insurance and reinsurance also pushed up net outflows for other goods and services. Meanwhile, net inflows for government goods and services tripled to $4.0mn as expenditures by foreign military units and agencies in Belize increased, while government spending on overseas offices declined.

Although the surge in agricultural production contributed to a small increase in the wage bill for seasonal foreign farm labourers, the main causes of the $14.8mn increase in net outflows on the factor income account were larger profit remittances and higher interest payments on government and private sector external debt. The deterioration in this account was also reinforced by a reduction in interest earned on external deposits/reserves during the period.

Receipts in the form of current transfers were down sharply by $22.1mn to $12.7mn, with equal declines in inflows to the public and private sectors. While a reduction in one-time grants from foreign governments

Table 2.9 : Balance of Payments—Invisible Trade

$mn

	Jan-Mar 2003	Jan-Mar 2002
INVISIBLE TRADE	**6.6**	**8.5**
Services	**61.1**	**48.1**
Transportation	-7.0	-7.9
Travel	71.7	60.6
Other Goods and Services	-7.5	-6.0
Govt. Goods and Services, N.I.E.	4.0	1.3
Factor Income	**-54.5**	**-39.6**
Labour Income	-7.8	-7.6
Investment Income	-46.7	-31.9
CURRENT TRANSFERS	**12.7**	**34.8**
Government	0.9	10.9
Private	11.8	23.9
Invisible Trade and Current	**19.3**	**43.3**

Note: Numbers in the table may not add up exactly because accounted for the fall in official transfers, transfers to the private sector contracted largely because of a drop in receipts from insurance companies and, to a lesser extent, from religious and other non-profit organizations. Insurance receipts had been pushed upward in 2002 due to claims for hurricane and storm damages in late 2001.

Capital and Financial Account

A reduction in goods being brought in by migrants resulted in a marginal decline in the capital account surplus to $1.0mn during the quarter.

Meanwhile, a surplus of $2.0mn was recorded on the financial account in contrast to the first quarter of 2002 when inflows had totaled $19.8mn. The small out-turn was mainly due to the public sector, since net inflows to the private sector rose as a result of higher foreign loan disbursements. While inflows to the general government fell, its payments abroad rose for mortgage securitisation, various loan repayments and redemption of Central Bank building bonds. On the other hand, portfolio investment assets held by the government fell by $9.1mn following the sale of Central Government shares in the Galería Maya project. Gains from the US$/Yen swap declined marginally with the appreciation of the yen against the

Chart 2.9: Net Investment Income

Table 2.10: Balance of Payments—Capital and Financial Accounts

$mn

	Jan-Mar 2003	Jan-Mar 2002
CAPITAL ACCOUNT	**1.0**	**0.9**
Capital Transfers	1.3	1.1
FINANCIAL ACCOUNT	**2.0**	**19.8**
Direct Investment Abroad	0.0	0.0
Direct Investments	16.8	21.2
Portfolio Investments Assets	9.1	0.0
Portfolio Investments Liabilities	-12.2	-9.0
Financial Derivatives	0.4	0.5
Other Investment Assets	-24.4	-27.3
Monetary Authorities	0.0	0.0
General Government	-2.0	0.0
Banks	-28.8	-29.9
Other Sectors	4.4	2.6
Other Investment Liabilities	12.3	34.5
Monetary Authorities	-4.2	0.1
General Government	0.5	22.8
Banks	-7.5	8.1
Other Sectors	23.4	3.5
CHANGES IN RESERVES*	**65.7**	**43.9**

*(Minus = Increase)

dollar during the period reviewed.

Official International Reserves

Gross official international reserves declined by $65.7mn to $163.7mn as the $74.7mn fall in Central Bank's foreign asset holdings overshadowed the $9.1mn rise in that of Central Government. After deducting demand foreign liabilities of $1.8mn, the net official international reserves amounted to $162.1mn.

Table 2.11: Official International Reserves

$mn

	Position at		Changes During Jan-Mar
	Dec-02	Mar-03	
Gross Official International Reserves	**229.3**	**163.7**	**-65.7**
Central Bank of Belize	**212.5**	**137.8**	**-74.7**
Holdings of SDRs	4.0	4.1	0.1
IMF Reserve Tranche	11.4	11.6	0.2
Other	197.1	122.1	-75.0
Central Government	**16.8**	**25.9**	**9.1**
Foreign Liabilities	**6.0**	**1.8**	**-4.2**
Caricom	1.5	0.2	-1.3
Other	4.5	1.6	-2.9
Net Official International Reserves	**223.3**	**162.1**	**-61.2**

MONETARY SECTOR DEVELOPMENTS 3

The broad money supply rose by 5.8% during the first quarter driven by a sharp increase in Central Government's use of overdraft financing from the Central Bank and, to a lesser extent, by commercial bank loans to the private sector. With the expansion in credit coinciding with increased payments on the external debt, the net foreign assets of the banking system experienced a $32.3mn contraction despite a marked improvement in export receipts during the period.

Money Supply

Narrow money rose by 6.7% with demand deposits posting a $26.0mn increase. Fuelled by the increased activity leading up to the national elections and export receipts, transaction balances held by business enterprises rose by 12.6%. Robust growth also occurred in holdings of individuals and private utilities. Quasi-money rose by 5.3%, in comparison with the 1.0% growth in the first quarter of 2002. The increase was dominated by a $26.5mn expansion in time deposits that seemed linked to higher interest rates being offered to support a build-up in liquidity prior to the anticipated implementation of the recently amended International Banking Act. Business

Table 3.1: Factors Responsible for Money Supply Movements

$mn

	Position as at Mar 2003	Changes during Dec '02 to Mar '03	Changes during Dec '01 to Mar '02
Net Foreign Assets	**224.1**	**-32.3**	**-25.9**
Central Bank	161.9	-61.5	-44.0
Commercial Bank	62.2	29.2	18.1
Net Domestic Credit	**1,047.4**	**96.2**	**15.6**
Central Govt. (Net)	109.6	79.2	-0.9
Other Public Sector	23.3	-6.2	-3.6
Private Sector	914.5	23.2	20.1
Central Bank Foreign Liabilities(Long-term)	**15.5**	**-3.0**	**-3.0**
Other Items (net)	**131.4**	**5.7**	**-37.5**
Money Supply M2	**1,124.6**	**61.2**	**30.2**

Table 3.2: Money Supply

$mn

	Position as at Mar 2003	Changes during Dec '02 to Mar '03	Changes during Dec '01 to Mar '02
Money Supply (M2)	**1,124.6**	**61.2**	**30.2**
Money Supply (M1)	**382.1**	**24.1**	**23.9**
Currency with the Public	104.9	-1.9	2.4
Demand Deposits	277.2	26.0	21.5
Quasi-Money	**742.5**	**37.1**	**6.3**
Savings Deposits	227.5	10.6	-1.7
Time Deposits*	515.0	26.5	8.0

*Includes Non-Residents Foreign Currency Time Deposits of **$35.3** mn enterprises, individuals and financial institutions accounted for most of the increase. Meanwhile, led by individuals and statutory bodies, saving deposits also posted a healthy increase of 4.9% as compared to the 0.8% decline recorded during the same period of 2002.

Net Domestic Credit

The heightened activity in the period being reviewed was the platform for a 10.1% rise in net domestic credit, an increase that was 8.5% above that of the 2002 January to March period. Net credit to Central Government and loans to the private sector rose by $79.2mn and $23.2mn, respectively, while a $6.2mn reduction in loans to statutory bodies was recorded.

Most of Central Government's financing requirements were met by the Central Bank as evidenced by a $58.1mn rise in the overdraft balance and deposit withdrawals of $13.1mn. In comparison, the commercial bank overdraft balance increased by $1.4mn and deposits held with the banks rose by $2.0mn. In secondary trading, the Central Bank sold Treasury Bills valued at $16.6mn to the commercial banks and purchased $8.6mn worth from non-bank private sector entities.

Table 3.3: Net Domestic Credit

$mn

	Position as at Mar 2003	Changes during	
		Dec '02 to Mar '03	Dec '01 to Mar '02
Total Credit to Central Govt.	**194.8**	**68.1**	**13.1**
From Central Bank	**113.9**	**50.1**	**14.4**
Loans and Advances	58.1	58.1	-11.7
Gov't Securities	55.8	-8.0	-2.7
From Commercial Banks	**80.9**	**18.0**	**1.3**
Loans and Advances	8.0	1.4	1.2
Gov't Securities	72.9	16.6	0.1
Less Deposits	**85.9**	**-11.1**	**-12.2**
With Central Bank	70.5	-13.1	-9.7
With Commercial Banks	14.7	2.0	-2.5
Net Credit to Central Govt.	**109.6**	**79.2**	**-0.9**
Credit to Other Public Sector	**23.3**	**-6.2**	**-3.6**
From Central Bank	12.5	-2.5	-2.5
From Commercial Banks	10.8	-3.7	-1.1
Credit to the Private Sector	**914.5**	**23.2**	**20.1**
Loans and Advances	912.0	23.2	20.1
Securities	2.5	0.0	0.0
Net Domestic Credit of the Banking System	**1,047.4**	**96.2**	**15.6**

Keeping pace with the growth experienced in the first quarter of 2002, credit to the private sector rose by 2.6% led by advances for the secondary and tertiary sectors. The latter included $13.0mn for investment into commercial real estate and $10.4mn for domestic air transportation. Of the $14.7mn loaned to the secondary sector, the private utilities (telephone, electricity and water) absorbed $10.6mn and $5.6mn went to the building & construction sub-sector. Loan reclassifications led to a reported decline in personal loans of $12.7mn over the period reviewed. Credit to the primary sector also declined by $1.2mn as repayments from growers of banana, sugarcane and other agricultural products as well as marine producers exceeded disbursements that were largely for citrus farming and 'mining & exploration'.

The contraction in credit to statutory bodies consisted of equal reductions in balances owed by DFC to the Central Bank and to commercial banks that summed to $5.0mn together with smaller repayments to the commercial banks by the Marketing Board, local government entities and the Port Authority.

Table 3.4: Sectoral Distribution of Commercial Banks' Loans and Advances, Jan-Mar 2003

$mn

	Position as at Mar 2003	Changes during	
		Dec '02 to Mar '03	Dec '01 to Mar '02
PRIMARY SECTOR	**115.5**	**-1.2**	**9.0**
Agriculture	75.3	-2.2	-0.1
Sugar	9.6	-1.6	-2.3
Citrus	24.4	5.6	-0.7
Bananas	31.8	-4.8	2.5
Other	9.5	-1.4	0.4
Marine Products	23.9	-1.7	6.4
Forestry	1.8	0.1	0.7
Mining & Exploration	14.5	2.6	2.0
SECONDARY SECTOR	**268.3**	**31.9**	**6.6**
Manufacturing	21.5	-1.5	-3.2
Building & Construction	207.3	22.8	3.5
Utilities	39.5	10.6	6.3
TERTIARY SECTOR	**365.3**	**5.4**	**10.2**
Transport	37.6	10.4	-3.2
Tourism	51.1	-0.7	0.5
Distribution	149.3	-1.2	6.2
Other*	127.3	-3.1	6.7
Personal Loans	**178.8**	**-12.7**	**-5.6**
TOTAL	**927.9**	**23.4**	**20.2**

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

Net Foreign Assets

With net domestic credit on the upswing, the banking system experienced a $32.3mn contraction in net foreign assets during the quarter as a $65.7mn reduction in the Central Bank's net holdings was only partly offset by a $29.2mn improvement in the net position of the commercial banks.

Central Bank foreign exchange transactions generated inflows of $49.8mn, which fell short of the $115.5mn in sales and bilateral payments abroad. Export receipts from BSI accounted for approximately 40.0% or $20.0mn with loan disbursements contributing another $16.6mn. The remainder came from sales of equity (proceeds of which were held by the Government with an offshore bank), revaluation gains, interest earnings and US dollars transferred by commercial banks under the special agreement with the Central Bank. Outflows were dominated by foreign exchange sales of $63.0mn to the public sector, roughly 56.0% of which was used to service the external debt. Commercial banks were facilitated with $31.6mn and BEL received $19.1mn to satisfy its foreign creditors. The balance consisted of bilateral payments abroad.

Table 3.5: Net Foreign Assets of the Banking System

$mn

	Position as at Mar 2003	Changes during	
		Dec '02 to Mar '03	Dec '01 to Mar '02
Banking System	**224.1**	**-32.3**	**-25.9**
Central Bank	**161.9**	**-61.5**	**-44.0**
Foreign Assets	163.7	-65.7	-43.9
Foreign Liabilities (Demand)*	1.8	-4.2	0.1
Commercial Banks	**62.2**	**29.2**	**18.1**
Foreign Assets	142.3	28.8	29.9
Foreign Liab. (Short-Term)#	80.1	-0.4	11.8

** Does not include Central Bank Long-term Foreign Liabilities of **$15.5**mn*
*# Does not include Non-residents Foreign Currency Time Deposits of **$35.3**mn held with Commercial Banks.*

Table 3.6: Foreign Exchange Flows of the Central Bank, Jan-Mar 2003

Inflows	2002	Percentage Share
BSI	$ 20.0	40.2%
Loan Disbursements & Securitization	$ 16.6	33.3%
CD held w/ OFFSHORE BANK	$ 9.2	18.5%
Grants	$ 0.7	1.4%
Revaluation Gains	$ 0.4	0.8%
Other	$ 2.9	5.8%
Total	**$ 49.8**	**100%**
Outflows		
GOB	$ 42.0	36.4%
Commercial Banks	$ 31.6	27.4%
Statutory Bodies	$ 20.9	18.1%
BEL	$ 19.1	16.6%
Bilateral Payments	$ 1.8	1.6%
Total	**$ 115.4**	**100%**

Short-term foreign liabilities of the Bank declined by $4.2mn due to withdrawals from the EU Banana Support Programme Account and a decline in the CARICOM Bilateral Clearings Balance.

While Central Bank foreign assets contracted, commercial bank holdings rose by $28.8mn led by inflows from the commercial free zone, export earnings and net purchases from the Central Bank. Outflows consisted of payments abroad for imports of goods and services as well as an $8.4mn combined reduction in demand and time deposits held by non-residents. The banks' short-term foreign liabilities registered a small decline of $1.3mn reflecting reductions in IBC demand deposits and balances owed to financial institutions abroad of $1.3mn each while foreign bank drafts outstanding rose by an equal amount.

Liquidity

Strong growth in deposits contributed to a 71.0% expansion in excess statutory liquidity, an upward surge that was experienced by all of the banks. Holdings of approved liquid assets increased by a total of $54.7mn against an $11.6mn rise in the required level of liquid assets. Among the more notable portfolio developments was a 23.4% growth in short-term foreign balances and increased holdings

Chart 3.1: Quarterly Change in Net Domestic Credit and Net Foreign Assets, Jan—Mar 2003

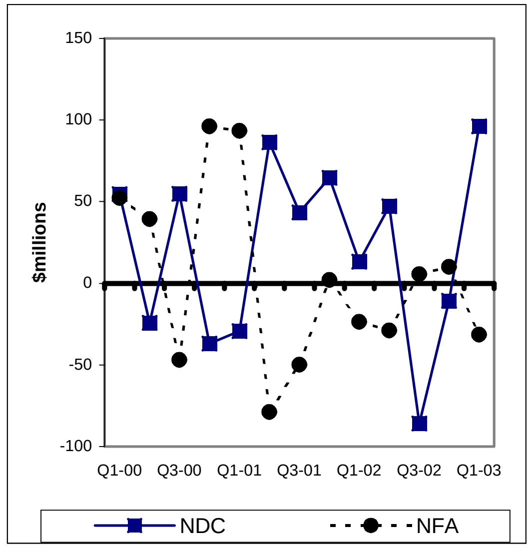


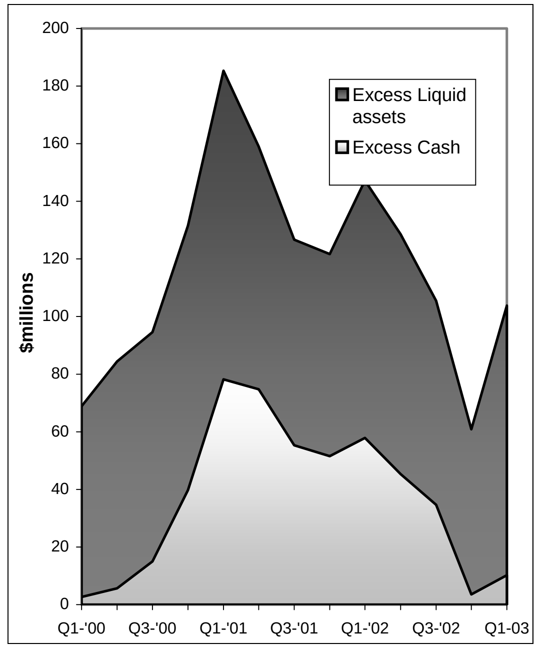
Table 3.7: Statutory Liquid Assets—Actual Versus Required Holdings

$mn

	Position as at Mar '03	Changes during Dec '02 to Mar '03	Changes during Dec '01 to Mar '02
Approved Liquid Asset Holdings	**358.8**	**54.7**	**33.2**
Notes and Coins	29.4	2.0	1.9
Balances with Central Bank	72.8	8.0	1.6
Foreign Balances (short-term)	113.0	21.4	25.6
Treasury Bills (maturing in 90 days)	46.7	13.6	0.1
Other Approved assets	96.9	9.7	4.0
of which: Treasury Notes	23.3	0.0	0.0
Loans for New Residential Const.	42.7	2.4	4.6
Loans for Non-Traditional Exports	0.7	-0.1	0.0
Required Liquid Assets	**255.0**	**11.6**	**7.6**
Excess/(Deficiency) Liquid Assets	**103.8**	**43.1**	**25.6**
Daily Average holdings of Cash	73.9	9.5	7.5
Required Cash Reserves	63.7	2.9	1.2
Excess/(Deficiency) Cash Reserves	**10.2**	**6.6**	**6.3**

of Treasury Bills and balances with the Central Bank. Meanwhile, after three successive quarters of decline and an overall contraction of $47.9mn in 2002, excess cash reserves rose by $6.6mn with the daily average holdings of cash reserves up $9.5mn relative to a $2.9mn increase in the required level. Even with the increase, total excess cash reserves were significantly below the amount existing at the end of the comparable period in 2002, the decline being due not only to the payment of balances owing to overseas creditors but also to the increase in the cash reserve requirement in late 2002.

Chart 3:2: Commercial Banks' Excess Statutory Liquidity & Excess Cash Reserves



Weighted Average Interest Rates

During the period reviewed, anticipated adjustments that would be required after the passage of the International Banking Act set the stage for active solicitation of new time deposit contracts. As a result, the weighted average deposit rate rose by 20 basis points to 4.7% while the weighted average lending rate continued to drift downward by 10 basis points to 14.4%. The weighted average interest rate spread of the commercial banks consequently narrowed by 30 basis points to 9.7% during the quarter.

Table 3.8: Commercial Banks' Weighted Average Interest Rates

Percentages

	Position as at Mar '03	Changes during	
		Dec '02 to Mar '03	Dec '01 to Mar '02
Weighted Lending Rates			
Personal Loans	16.0	0.1	-0.1
Commercial Loans	14.2	-0.1	0.0
Residential Construction	13.2	-0.1	0.0
Other	10.0	-0.1	-0.1
Weighted Average	**14.4**	**-0.1**	**-0.1**
Weighted Deposit Rates			
Demand	0.5	0.1	-0.1
Savings/ Cheque	5.2	0.0	5.2
Savings	5.1	0.0	-0.3
Time	6.8	0.3	0.1
Weighted Average	**4.7**	**0.2**	**-0.2**
Weighted Average Spread	**9.7**	**-0.3**	**0.1**

FISCAL SECTOR DEVELOPMENTS 4

Fiscal Operations: January to March 2003

Central Government's fiscal operations generated a current surplus of $14.3mn and an overall deficit of $80.2mn during the first quarter. Total revenue and expenditure amounted to $114.0mn and $194.2mn, respectively.

Current revenue was 11.2% below that of the first quarter of 2002, as a $5.9mn increase in tax revenue (mostly from international trade) was overshadowed by a $20.0mn decline in non-tax revenue. The latter had been ratcheted upward in 2002 through a DFC loan repayment of $25.0mn. Capital revenue was almost halved to $1.8mn, while grant receipts shrank from $13.1mn to $0.5mn.

A slight rolling back of subsidies and current transfers was outweighed by increased outlays for pensions, wages/salaries, goods, services and interest payments. Current expenditure consequently rose by 23.9% relative to the January to March period of 2002.

Capital expenditure rose by $7.5mn to $96.8mn with a $28.7mn increase in Capital II expenditure offsetting a $21.3mn fall in Capital III outlays. Among the notable disbursements under Capital II were $5.4mn for

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

$mn

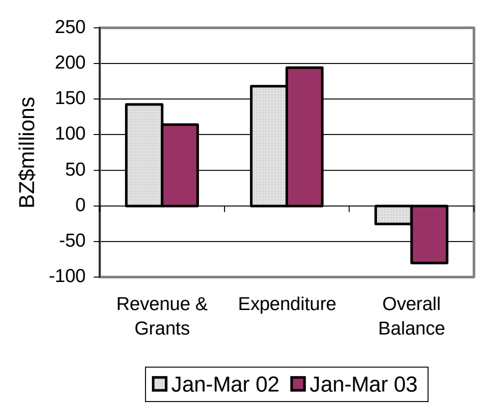
	Jan-Mar 2003	Jan-Mar 2002
Total Revenue & Grants	114.0	142.4
of which: Current Revenue	111.8	125.9
Total Expenditure	194.2	167.9
of which: Current Expenditure	97.4	78.6
Current Balance	14.3	47.2
Overall Balance	(80.2)	(25.5)

Table 4.2: Central Government's Revenue

$mn

	Jan-Mar 2003	Jan-Mar 2002
Current revenue	111.7	125.9
Tax revenue	90.4	84.5
Income and profits	21.3	20.4
Taxes on property	0.7	0.9
Taxes on goods & services	29.0	26.9
Int'l trade and transactions	39.3	36.2
Non-Tax Revenue	21.4	41.4
Property income	0.0	0.0
Transfers from NFPE's	0.0	0.0
Other	21.4	41.4
Capital revenue	1.8	3.4
Grants	0.5	13.1

Chart 4.1: Central Government's Operation



infrastructure projects, $3.2mn for the land administration project, $2.7mn in counter part funding for the Southern Highway project and $1.2mn each for streets and drains and the road and municipal drainage project. Capital III outlays were dominated by allocations for housing ($3.8mn), UB ($2.4mn), product development and marketing initiative ($2.2mn), urban development ($1.3mn) and early retirement of public officers ($1.0mn)

The overall deficit was financed mostly from domestic sources, with the Central Bank and commercial banks providing $72.2mn and $16.3mn, respectively, while net financing from other domestic institutions contracted by $8.7mn. A modest $1.6mn came from external sources, as disbursements were almost fully outweighed by amortisation payments and contributions to various funds.

Fiscal operations: April 2002 to March 2003

During FY 2002/2003, Central Government operations generated a current account surplus of $59.4mn and an overall deficit of $130.9mn (7.1% of GDP). Revenue and grants rose by 12.8% to $498.1mn with current revenue rising by 2.3% and capital revenue more than tripling due to the privatization of the Port. Total expenditure grew by approximately 1.0% to $629.0mn.

Table 4.3: Central Government's Expenditure

$mn

	Jan-Mar 2003	Jan-Mar 2002
Current Expenditure	97.4	78.6
Wages & salaries	44.3	39.0
Pensions	7.1	5.9
Goods & services	18.3	16.6
Interest payments	21.8	9.7
of which: External	19.1	7.2
Subsidies & current transfers	5.8	7.5
Capital Expenditure	96.8	89.3
Capital II	80.1	51.4
Capital III	16.6	37.9
of which ERF	0.0	11.8

Table 4.4: Financing of Central Government's Operations

$mn

	Jan-Mar 2003	Jan-Mar 2002
FINANCING	80.2	25.5
Domestic Financing	79.9	(2.7)
Central Bank	72.2	(6.8)
Commercial banks	16.3	4.0
Non-bank	(8.7)	0.1
Financing Abroad	1.6	37.2
Disbursements	18.4	53.2
Amortization	(7.7)	(15.9)
Sinking fund & JCF	(9.1)	(0.1)
Other	(1.2)	(8.9)

Current revenue rose by 2.3% to $411.7mn with a $33.9mn expansion in tax revenue outweighing a $24.6mn contraction in non-tax revenue. Except for taxes on property, increases were recorded in all major categories of tax revenue. The most significant growth was in tax receipts from international trade & transactions, which, buoyed by upward surges in import and revenue replacement duties, rose by a total of 19.2%. Tax revenues from goods and services also rose by 5.2%. In contrast, non-tax revenue contracted to normal levels as compared to the previous FY when DFC had made an extra-ordinary $25.0mn repayment on loans received from Central Government.

Capital revenue more than tripled to $67.4mn, due to proceeds from the sale of the port. Grants increased marginally to $19.0mn.

At $352.2mn, current expenditure was 4.2% higher than the previous fiscal year as declines in subsidies/current transfers and purchases of goods/services were overshadowed by increases in interest payments, wages/salaries and pensions.

Notwithstanding the increase in total expenditure, this expansion was held to a minimum with the contraction in capital outlays. Capital II outlays included disbursements for infrastructure projects ($13.0mn), land development/acquisition

Table 4.5: Summary of Central Government's FY Revenue & Expenditure

$mn

	Apr-02 Mar-03	Apr-01 Mar-02
Total Revenue & Grants	498.1	441.7
of which: Current Revenue	411.7	402.4
Total Expenditure	629.0	622.6
of which: Current Expenditure	352.2	338.1
Current Balance	59.4	64.3
Overall Balance	(130.9)	(180.9)

Table 4.6: Central Government's FY Revenue

$mn

	Apr-02 Mar-03	Apr-01 Mar-02
Current revenue	411.7	402.4
Tax revenue	360.0	326.1
Income and profits	78.9	77.0
Taxes on property	2.5	2.8
Taxes on goods & services	113.5	107.9
Int'l trade and transactions	165.0	138.4
Non-Tax Revenue	51.7	76.3
Property income	3.3	1.8
Transfers from NFPE's	0.5	0.3
Other	47.9	74.2
Capital revenue	64.7	21.1
Grants	15.8	18.2

($9.3mn), and counterpart funding for the southern highway ($9.2mn). Other disbursements were for streets and drains, roads and municipal drainage project, feeder roads, printing services and tertiary level scholarships. Notable capital III expenditures undertaken during the period were related to the University of Belize ($17.1mn), the Southern Highway ($10.1mn), housing ($8.7mn), miscellaneous projects ($8.2mn), roads and municipal drainage ($5.0mn) and early retirement ($4.8mn).

The overall fiscal deficit of $130.9mn was principally financed from external sources. Net financing from the domestic system was negative as a $53.3mn increase in funding from the Central Bank was more than offset by a reduction in commercial bank financing and transactions relating to DFC debt. Foreign financing amounted to $242.6mn as loan disbursements of $440.5mn exceeded amortisation payments of $145.8mn, deposits into a sinking fund ($48.5mn) and interest and penalties prepayments ($3.7mn).

Central Government Domestic Debt

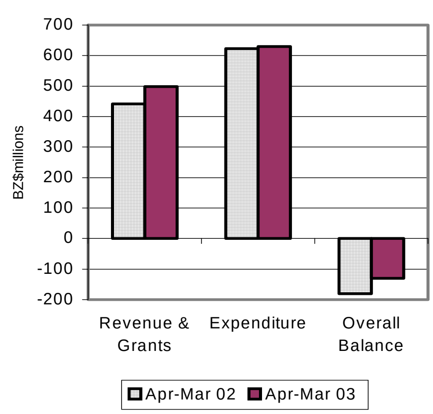
During the first quarter, Central Government's domestic debt rose by 33.7% largely due to a significant increase in the overdraft balance from $1.6mn to $61.0mn. Amortization payments of $0.7mn were shared between the

Table 4.7: Central Government's FY Expenditure

$mn

	Apr-02 Mar-03	Apr-01 Mar-02
Current Expenditure	352.2	338.1
Wages & salaries	172.9	163.6
Pensions	26.3	25.0
Goods & services	63.4	66.9
Interest payments	63.9	53.6
of which: External	52.6	42.0
Subsidies & current transfers	25.8	29.0
Capital Expenditure	276.8	284.5
Capital II	92.3	122.2
Capital III	167.7	125.3
Net lending	16.7	37.0

Chart 4.2: Central Government's FY Operations



DFC for a debt restructuring loan and the debt for nature swap programme.

In secondary trading, the Central Bank and other private sector entities sold $8.0mn and $8.5mn worth of Treasury Bills, respectively, to the commercial banks.

Interest payments totalled $3.8mn with approximately $0.6mn being paid to the Central Bank for overdraft financing. Holders of Treasury Bills and Treasury notes accounted for a further $0.5mn and $2.2mn, respectively. Other interest payments were made on loans from the DFC, the Belize Bank and the BSSB. Some $0.2mn was also paid on the debt for nature swap programme.

Public Sector External Debt

In the first quarter of 2003, the public sector's disbursed outstanding external debt increased by $9.6mn to $1.2bn, as disbursements of $23.3mn and an upward valuation adjustment of $1.0mn overshadowed principal repayments of $14.8mn. Interest and other payments totalled $20.7mn.

Disbursements were mostly to Central Government and included $6.8mn from the CDB for disaster management and the Orange Walk bypass, $6.4mn from the IDB for the Southern Highway rehabilitation, tourism

Table 4.8: Financing of Central Government's FY Operations

$mn

	Apr-02 Mar-03	Apr-01 Mar-02
FINANCING	130.9	180.9
Domestic Financing	(111.3)	100.3
Central Bank	53.3	98.3
Commercial banks	(16.9)	0.4
Non-bank	(2.7)	1.7
Transactions with DFC debt	(145.0)	0.0
Financing Abroad	242.6	80.6
Disbursements	440.5	158.2
Amortization	(145.8)	(63.6)
Interest & Penalties	(3.7)	0.0
Sinking fund & JCF	(48.5)	(14.0)
Other	(0.3)	(0.03)

Table 4.9: Central Government's Domestic Debt

$mn

	Jan-Mar 2003	Jan-Mar 2002
Loans and Advances	93.9	85.4
Treasury Bill	100.0	70.0
Treasury Notes	24.0	24.0
Defence Bonds	15.0	15.0
Total	**232.9**	**194.4**

development, Hurricane Keith reconstruction and health sector reform, $3.9mn from commercial suppliers for police vehicles, $2.7mn from Bancomex for rehabilitation of the Bliss Institute and $0.4mn from OPEC. The financial public sector received disbursements of $0.6mn from the CDB for a line of credit and $2.1mn from the EEC.

Principal repayments by Central Government totalled $7.8mn, of which $2.7mn went to commercial suppliers of vehicles for the police department and $2.4mn to the IBRD for the Belize City infrastructure project and road maintenance. Other significant payments were to the KBC Bank, Deutsche Bank of Germany, Provident Bank, CDB, the US Government and Fondo de Inversiones de Venezuela and the IDB. Payments by the financial public sector went to Citibank Trinidad & Tobago and the Deutsche Bank of Germany, which received $3.0mn and $2.2mn, respectively. Other recipients included CDB, Provident Bank and CSSL/New Holland of Brazil. A single payment of $0.3mn was made by the non-financial public sector to the CIBC Bank.

Of the $19.1mn in interest payments by Central Government, approximately 60.4% was in respect of the Bear Stearns $250mn bond issue. Other notable sums (accounting for 28% of the total) went to the IBRD,

Chart 4.3: Sources of Central Government's Domestic Debt

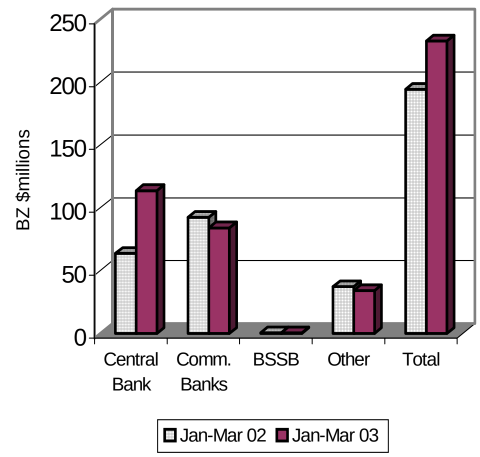


Table 4.10: Financial Flows on Public Sector's External Debt

$mn

	Jan-Mar 2003	Jan-Mar 2002
CENTRAL GOVERNMENT		
Disbursements	20.7	48.3
Amortizations	7.8	16.8
Interest & Other Payments	19.1	7.2
REST OF NON-FINANCIAL PUBLIC SECTOR		
Disbursements	-	3.3
Amortizations	0.3	0.6
Interest & Other Payments	0.2	0.3
FINANCIAL PUBLIC SECTOR		
Disbursements	2.7	1.1
Amortizations	6.6	7.2
Interest & Other Payments	1.4	3.2

ROC/Taiwan and Salomon Smith Barney. The balance went to IBoM, commercial suppliers, KBC Bank, IDB, the Government of Kuwait and Allfirst Bank. Payments by the financial public sector included $0.5mn to the Deutsche Bank of Germany and $0.4mn each to the CDB and Citibank Trinidad & Tobago. The non-financial public sector made interest payments of $0.2mn to CIBC

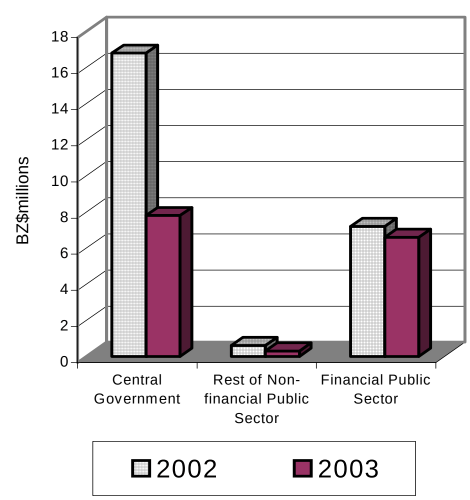
The external debt was subjected to upward valuation as the depreciation of the Kuwait dinar and pound sterling were more than offset by an appreciation of the euro against the US dollar. Sterling and Kuwait dinar denominated loans declined by $0.3mn and $0.2mn, respectively, while euro denominated loans were adjusted upwards by $1.5mn.

Table 4.11: Public Sector's External Debt by Source

$mn

	Jan-Mar 2003	Jan-Mar 2002
BILATERAL	249.2	223.6
MULTILATERAL	310.3	254.4
COMMERCIAL BANKS	575.0	461.8
SUPPLIERS CREDIT	23.6	36.7

Chart 4.4: Amortization Payments by Sector



ANNEX 5

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

Major Commodity Group	Weights	Quarterly Change				Annual Change
		May-02	Aug-02	Nov-02	Feb-03	
Food, Beverage & Tobacco	346.6	0.3	0.8	0.5	0.8	2.5
Clothing & Footwear	92.0	0.4	-0.3	-0.3	1.1	1.0
Rent, Water, Fuel, & Power	167.6	0.7	0.8	1.0	1.1	3.7
Household goods & maintenance	85.3	0.5	-0.3	0.1	0.1	0.3
Medical care	20.1	1.9	0.5	-0.8	0.1	1.7
Transport & Communication	170.1	5.9	0.0	2.3	0.4	8.8
Recreation, Education & Culture	80.4	1.0	1.3	0.4	-0.5	2.3
Personal care	37.9	0.1	1.1	0.0	0.1	1.3
ALL ITEMS	**1000.0**	**1.5**	**0.5**	**0.8**	**0.6**	**3.5**

Source: Central Statistical Office

Table 5.2: Gross Imports (CIF) by SITC

Sitc Section	Jan- Mar 2002	Jan- Mar 2003
0 Food and Live Animals	22,049,417	27,841,329
1 Beverages and Tobacco	2,254,070	2,212,535
2 Crude Materials	1,072,937	2,145,061
3 Fuels and Lubricants	32,618,124	45,775,175
Of which electricity	5,396,092	8,660,855
4 Animals and Vegetable Oils	466,786	518,607
5 Chemicals	18,361,446	19,952,110
6 Manufactured Goods	26,412,073	27,746,910
7 Machinery and Transport Equipment	48,424,821	54,857,699
8 Misc. Manufactured Goods	15,916,790	16,651,454
9 Commodities NIE	64,894,656	71,221,454
Of which CFZ Direct Imports	44,455,098	42,603,613
Of which EPZ Imports	19,503,148	27,675,778
Of which household/personal effects	710,393	942,063
Total	232,471,120	268,922,334

Source: Central Statistical Office, Central Bank of Belize

Table 5.3: Balance of Payments Summary

$mn

	Jan-Mar 2003	Jan-Mar 2002
CURRENT ACCOUNT	**-69.9**	**-40.2**
Goods: Exports f.o.b.	160.8	132.4
Goods: Imports f.o.b.	-250.0	-215.9
Trade Balance	***-89.2***	***-83.4***
Services: Credit	119.2	100.3
Transportation	11.6	9.1
Travel	90.5	77.7
Other Goods & Services	10.7	7.2
Gov't Goods & Services	6.5	6.7
Services: Debit	-58.1	-52.2
Transportation	-18.5	-17.1
Travel	-18.8	-16.6
Other Goods & Services	-18.2	-13.2
Gov't Goods & Services	-2.5	-5.4
Balance on Goods & Services	***-28.1***	***-35.4***
Income: Credit	2.0	2.4
Compensation of Employees	1.2	0.9
Investment Income	0.7	1.5
Income: Debit	-56.5	-42.0
Compensation of Employees	-9.0	-8.6
Investment Income	-47.4	-33.4
Balance on Goods, Services & Income	***-82.6***	***-74.9***
Current Transfers: Credit	14.0	35.8
Current Transfers: Debit	-1.4	-1.1
CAPITAL ACCOUNT	**1.0**	**0.9**
Capital Account: Credit	1.3	1.1
Capital Account: Debit	-0.3	-0.2
FINANCIAL ACCOUNT	**-2.0**	**19.8**
Direct Investment Abroad	0.0	0.0
Direct Investment in Reporting Economy	16.8	21.2
Portfolio Investment Assets	9.1	0
Portfolio Investment Liabilities	-12.2	-9.0
Financial Derivatives	0.4	0.5
Other Investment Assets	-24.4	-27.3
Other Investment Liabilities	12.3	34.5
NET ERRORS & OMISSIONS	**1.3**	**-24.4**
OVERALL BALANCE	**-65.7**	**-43.9**
RESERVE ASSETS*	**65.7**	**43.9**

*(Minus = Increase)

Table 5.4: Central Government's Revenue and Expenditure

$'000

	Estimated Budget 2002/2003	Jan 2003 to Mar 2003	Jan 2002 to Mar 2002	Apr 2002 to Mar 2003	Apr 2001 to Mar 2002
TOTAL REVENUE & GRANTS (1+2+3)	446,142	113,974	142,389	498,083	441,690
1). Current revenue	390,035	111,770	125,860	411,668	402,375
Tax revenue	352,610	90,377	84,451	359,961	326,110
Income and profits	85,325	21,293	20,371	78,947	76,986
Taxes on property	5,401	745	937	2,531	2,764
Taxes on goods and services	117,357	28,992	26,913	113,526	107,947
Int'l trade and transactions	144,528	39,347	36,229	164,957	138,413
Non-Tax Revenue	37,425	21,394	41,409	51,707	76,265
Property income	4,000	0	0	3,323	1,777
Contributions to pension fund	515	0	0	0	0
Transfers from NFPE's	500	0	0	500	250
Other	32,410	21,394	41,409	47,884	74,238
2). Capital revenue	41,650	1,751	3,410	67,431	21,102
3). Grants	14,457	452	13,120	18,983	18,212
(of which non-project grants are:)		0	0	0	0
TOTAL EXPENDITURE (1+2)	491,596	194,172	167,934	629,023	622,608
1). Current Expenditure	331,491	97,421	78,632	352,235	338,080
Wages and Salaries	168,859	44,326	38,988	172,856	163,577
Pensions	22,393	7,101	5,929	26,287	24,994
Goods and Services	60,131	18,333	16,580	63,350	66,852
Interest Payments on Public Debt	54,538	21,818	9,659	63,916	53,634
Subsidies & current transfers	25,570	5,845	7,476	25,826	29,024
2). Capital Expenditure	160,105	96,751	89,302	276,789	284,528
Capital II (local sources)	63,295	80,108	51,399	92,343	122,200
Capital III (foreign sources)	94,231	16,643	37,903	167,746	125,311
Capital Transfer & Net Lending	2,579	0	0	16,700	37,017
CURRENT BALANCE	58,544	14,349	47,228	59,434	64,296
OVERALL BALANCE	(45,454)	(80,199)	(25,544)	(130,941)	(180,918)
FINANCING	45,454	80,199	25,544	130,941	180,918
Domestic Financing	(2,434)	79,853	(2,718)	(111,306)	100,339
Central Bank		72,239	(6,817)	53,328	98,280
Net Borrowing		50,032	(14,356)	50,028	6,128
Change in Deposits		22,207	7,539	3,300	92,152
Commercial Banks		16,312	4,007	(16,890)	390
Net Borrowing		17,934	1,294	(8,251)	(3,157)
Change in Deposits		(1,622)	2,713	(8,639)	3,547
Other Domestic Financing		(8,698)	92	(2,744)	1,669
Transactions with DFC debt				(145,000)	0
Financing Abroad	47,888	1,593	37,178	242,574	80,613
Disbursements	75,295	18,371	53,182	440,468	158,180
Amortization	(33,651)	(7,697)	(15,887)	(145,754)	(63,594)
Interest & Penalties Prepayment		0	0	(3,654)	0
Sinking Fund & JCF	6,244	(9,081)	(117)	(48,486)	(13,973)
Other		(1,247)	(8,916)	(327)	(34)

Table 5.5: Central Government's Domestic Debt

$'000

	Disbursed Outstanding Debt 31/12/02R	Transactions to- March 2003				
		Disburse-ment/ New Issues of Securities	Amortiza-tion/ Re-duction in Securities	InterestP	Net Change in Over-draft/ Secu-rities	Disbursed Outstanding Debt 31/03/03
Overdraft	1,590			632	59,436	61,026
Central Bank	0			632	58,053	58,053
Commercial Banks	1,590			0	1,383	2,973
Treasury Bills	100,000	0	0	509	0	100,000
Central Bank	53,795		0	251	-8,021	45,774
Commercial Banks	33,124		0	212	16,551	49,675
Other	13,081		0	46	-8,530	4,551
Treasury Notes *	24,000	0	0	2,159	0	24,000
Central Bank	0		0	0	0	0
Commercial Banks	23,269		0	2,094	0	23,269
Other	731		0	65	0	731
Defence Bonds	15,000	0	0	0	0	15,000
Central Bank	10,000		0	0	0	10,000
Commercial Banks	100		0	0	0	100
BSSB	0		0	0	0	0
Other	4,900		0	0	0	4,900
DFC Loan (Debt Restructuring)	8,893	0	112	167	0	8,781
BSSB Housing Loan	708	0	3	14	0	705
GOB (Debt for Nature Swapp)	15,848	0	546	192	0	15,302
Cohune Walk Loan Belize Bank	3,181	0	53	119	0	3,128
Infrastructure Dev. Loan Belize Bank	5000	0	0	0	0	5,000
TOTAL	174,220	0	714	3,792	59,436	232,942

R = Revised
P = Provisional
* Since October of 1998 Treasury Notes are being subscribed to in $U.S. Therefore they are now considered part of Foreign Liabilities. However interest is still paid in local currency.

Table 5.6: Public Sector External Debt By Creditor

BZ$'000

	Disbursed Outstanding Debt 31/12/2002	Transactions during 1st Quarter 2003				Disbursed Outstanding Debt 31/03/2003
		Disburse-ment	Amortiza-tion	Interest & Other Charges	Valuation Adjust-ments	
CENTRAL GOVERNMENT	**1,008,802**	**20,659**	**7,834**	**19,107**	**66**	**1,021,693**
Caribbean Development Bank*	45,248	6,796	214	100	3	51,833
European Economic Community	17,546	0	0	0	557	18,103
Int. Bank for Reconstruction Dev.	73,355	257	2,379	1,376	(66)	71,167
Int. Fund for Agricultural Dev.	1,958	160	0	0	0	2,118
Government of the UK	19,644	0	0	0	(324)	19,320
Government of Trinidad & Tobago	32	0	0	0	0	32
Government of the USA*	10,490	0	220	56	0	10,271
Suppliers Credit	22,414	3,907	2,679	363	0	23,642
OPEC Fund for International Dev.	6,971	403	0	76	0	7,374
Government of China	232	0	0	0	0	232
Republic of China	183,666	0	0	2,365	0	183,666
Deutsche Bank of Germany	3,915	0	653	51	0	3,262
Fondo de Inv. de Venezuela	2,560	0	234	81	0	2,326
Inter-American Development Bank	97,201	6,436	125	184	0	103,512
Government of Spain	328	0	0	0	10	338
Government of Kuwait	18,314	0	0	195	(115)	18,199
Citicorp Merchant Bank Ltd.	14,286	0	0	0	0	14,286
Citibank of Trinidad	18,857	0	0	0	0	18,857
Provident Bank & Trust	4,470	0	395	79	0	4,075
Solomon Smith Barney	52,030	0	0	1,346	0	52,030
Royal Merchant Bank	83,704	0	0	0	0	83,704
All First Bank of Maryland	4,200	0	0	122	0	4,200
KBC Bank	9,346	0	935	258	0	8,411
Bear Stearns & Co. Inc	250,000	0	0	11,545	0	250,000
International Bank of Miami	68,035	0	0	910	0	68,035
Banco Nacional De Comercio	0	2,700	0	0	0	2,700
REST OF NON-FINANCIAL PUBLIC SECTOR	**16,163**	**0**	**314**	**195**	**(58)**	**15,791**
CIBC Bank & Trust Co.	6,765	0	314	195	0	6,451
Government of Kuwait	9,398	0	0	0	(58)	9,340
FINANCIAL PUBLIC SECTOR	**123,553**	**2,689**	**6,621**	**1,381**	**999**	**120,620**
Caribbean Development Bank	46,850	569	633	420	8	46,794
European Economic Community	7,092	2,120	0	0	154	9,366
Paine Webber Real Estate Sec. Inc.	2,200	0	0	0	0	2,200
Government of the USA	2,911	0	0	0	0	2,912
Citicorp Merchant Bank Ltd.	6,250	0	0	0	0	6,250
Citibank Trinidad & Tobago	12,250	0	3,000	360	0	9,250
Private Export Funding Corporation	12,041	0	0	0	0	12,041
Deutsche Bank of Germany	25,006	0	2,189	537	836	23,653
Provident Bank & Trust	541	0	541	28	0	0
Commerz Bank of Belgium	5,085	0	0	0	0	5,085
CSSL/New Holland of Brazil	3,327	0	258	36	0	3,069
TOTAL	**1,148,518**	**23,348**	**14,769**	**20,683**	**1,007**	**1,158,104**

*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.