



# **Review of Economic and Financial Developments**

**March 2007**



## Overview

In the first quarter, higher production of petroleum, citrus and papaya was partly offset by lower outputs of sugar, marine products, banana and garments. Notwithstanding this mixed performance, domestic export earnings remained buoyant with volume and price increases pushing up receipts from petroleum, sugar, citrus juices and papaya. In addition to the rise in merchandise exports, higher inflows from tourism, family remittances and official grants contributed to a current account surplus of \$34.2mn. This was however eclipsed by net capital and financial outflows as loan repayments by government, commercial banks and the private sector exceeded inflows from foreign direct investment and loan disbursements. The gross international reserves consequently declined to \$144.6mn, equivalent to 1.6 months of imports.

The domestic price level rose with the Consumer Price Index registering increases of 0.7% over the quarter (November–February) and 2.7% over the year (February 2006 - February 2007) largely as a result of higher prices for basic food items and household goods.

First quarter growth in broad money was a robust 6.3% that was largely

driven by a 7.0% increase in net domestic credit. The latter featured a 50.0% expansion in net credit to Central Government, almost all of which was provided by the Central Bank through the overdraft facility and deposit withdrawals. These funds were mostly used to facilitate transactions involved in the restructuring of the public sector's external commercial debt. Private sector loans rose by 2.3% with construction, the retail sector, marine products and tourism receiving the largest increases. Meanwhile, credit to statutory bodies fell due to the shift of Belize Water Services Limited loan liabilities from the commercial banks to the Belize Social Security Board.

Bank liquidity received a seasonal boost as foreign inflows from tourism and exports strengthened. Excess statutory liquidity expanded by 52.1% with excess cash reserves also rising by 34.9%. While the weighted average interest rate on deposits was unchanged, the weighted average rate on loans rose by 10 basis points over the review period.

The January-March period represented the last quarter of the government's 2006/2007 fiscal year and during this period, payments made in the



restructuring of the public sector's external commercial debt contributed substantially to current and overall deficits of \$50.9mn and \$62.9mn, respectively. For the 2006/2007 fiscal year, the government's current and overall deficits measured \$33.9mn and \$96.5mn (4.0% of GDP), respectively, and notwithstanding the ad hoc debt restructuring costs, a primary surplus approximating to 3.0% of GDP was achieved.

With external debt servicing transactions causing Central

Government to raise its overdraft balance with the Central Bank by \$57.9mn during the first quarter, its domestic debt was pushed up by 18.8%. On the other hand, the public sector's external debt declined by 2.4% as amortization payments of \$1,142.6mn outweighed disbursements of \$1,095.0mn. The largest disbursement was by way of the new 'super bond' valued at \$1,072.5mn, which was exchanged for some \$1,124.8mn in various external commercial bonds and loans in the restructuring programme.



## Domestic Production And Prices

First quarter production increases occurred for citrus, papaya and petroleum while output of sugar, molasses, banana, marine products, garments and sawn wood declined. Tourism continued to perform well with cruise ship arrivals growing by 10.2% to 249,143 and stay-over visitors that entered through the international airport and the Santa Elena Border increasing by 3.0% to 64,349. Although inflationary pressures were somewhat eased by lower acquisition costs for diesel and gasoline and a decline in property rental charges, higher consumer prices for basic food items and household goods helped to push the Consumer Price Index upward by 2.7% over the year (February 2006 to February 2007).

### Sugar

During the first four months of the **crop year**, a slow start to the sugarcane harvest due to unusually rainy weather, pest infestation, and an increase in factory down time caused a 6.2% fall in deliveries. The situation was exacerbated by continued problems with cane purity and an associated worsening of the cane/sugar ratio. As a result, sugar production contracted by 19.0% to 49,571 long

**Table 1.1: Production of Main Domestic Exports**

|                              | 2006<br>Jan-Mar  | 2007<br>Jan-Mar  |
|------------------------------|------------------|------------------|
| Sugar Deliveries (long tons) | 536,954          | 498,672          |
| Sugar (Long tons)            | 51,143           | 40,348           |
| Molasses (long tons)         | 16,567           | 16,401           |
| Bananas (metric tons)        | 15,438           | 10,294           |
| Citrus Deliveries (boxes)    | 3,456,620        | 3,723,665        |
| Citrus Juices (ps)           | 19,175,832       | 20,852,028       |
| Marine Products (lbs)        | 3,793,588        | 1,815,208        |
| <i>of which shrimp (lbs)</i> | <i>3,188,756</i> | <i>1,448,418</i> |
| Sawn Woods (bd ft)           | 57,581           | 12,220           |
| Garments (lbs)               | 1,127,371        | 652,505          |
| Papayas (lbs)                | 14,815,200       | 23,904,040       |
| Petroleum (Barrels)          | 122,914          | 214,346          |

Sources: SIB, BSI, CPBL, Geology Department

tons and output of molasses fell by 4.1% to 20,243 long tons.

Quarter on quarter, the world raw sugar price declined by 35.5% to US\$0.11 per pound. After steady increases since 2002 that peaked at \$60.73 per long ton, the price of sugarcane for the 2006/2007 crop is projected to fall by 16.4% to \$50.76 per long ton. There is a slight possibility for improvement during the year mainly due to potential increases in the EU sugar quota. However this would be counterbalanced by programmed price cuts for EU sugar, a fall in the world raw sugar price (which mostly affects US and Caribbean market prices) and higher freight



costs.

## Citrus

By the end of March, the citrus crop had exceeded expectations with grapefruit deliveries declining by 3.9% while those of orange increased by 14.7%. The net result was an 8.2% year on year increase in deliveries to 4.8mn boxes since the start of the 2006/2007 crop year. Fruit deliveries had been forecasted to decline by 9.3% with orange and grapefruit yields contracting by 9.5% and 9.9%, respectively.

In line with deliveries, juice production was up by 8.1% including a 5.5% increase in output of concentrates to 24.7mn ps and a more than eight-fold increase in not-from-concentrate (NFC) to 0.7mn ps. Pulp production increased by 15.1% to 1.6mn pounds, while that of oil fell by 9.0% to 1.0mn pounds.

**Table 1.2 : Deliveries of Sugarcane and Production of Sugar and Molasses**

|   | Nov-Mar<br>2005/06 | Nov-Mar<br>2006/07 |
|---|--------------------|--------------------|
| <b>Deliveries of Sugarcane to BSI (long tons)</b> | <b>687,185</b>     | <b>644,821</b>     |
| <b>Sugar Processed by BSI (long tons)</b>         | <b>61,183</b>      | <b>49,571</b>      |
| <b>Molasses processed by BSI (long tons)</b>      | <b>21,112</b>      | <b>20,243</b>      |
| <b>Performance</b>                                |                    |                    |
| Factory Time Efficiency (%)                       | 92.59              | 91.43              |
| Cane Purity (%)                                   | 84.11              | 80.54              |
| Cane/Sugar  | 11.05              | 12.69              |

Source: Belize Sugar Industries

**Table 1.3 : Output of Citrus Products**

|                                  | Oct-Mar<br>2005/06 | Oct-Mar<br>2006/07 |
|----------------------------------|--------------------|--------------------|
| <b>Deliveries (boxes)</b>        |                    |                    |
| Orange                           | 2,888,723          | 3,313,407          |
| Grapefruit                       | <u>1,546,216</u>   | <u>1,485,351</u>   |
| <b>Total</b>                     | <b>4,434,939</b>   | <b>4,798,758</b>   |
| <b>Concentrate Produced (ps)</b> |                    |                    |
| Orange                           | 17,501,474         | 19,290,324         |
| Grapefruit                       | <u>5,888,600</u>   | <u>5,392,048</u>   |
| <b>Total</b>                     | <b>23,390,074</b>  | <b>24,682,372</b>  |
| <b>Not from concentrate (ps)</b> |                    |                    |
| Orange                           | 14,606             | 6,817              |
| Grapefruit                       | <u>69,610</u>      | <u>688,179</u>     |
| <b>Total</b>                     | <b>84,216</b>      | <b>694,996</b>     |
| <b>Pulp (pounds)</b>             |                    |                    |
| Orange                           | 817,472            | 1,537,874          |
| Grapefruit                       | <u>558,432</u>     | <u>46,216</u>      |
| <b>Total</b>                     | <b>1,375,904</b>   | <b>1,584,090</b>   |
| <b>Oil Produced (pounds)</b>     |                    |                    |
| Orange                           | 847,785            | 833,200            |
| Grapefruit                       | <u>213,000</u>     | <u>131,720</u>     |
| <b>Total</b>                     | <b>1,060,785</b>   | <b>964,920</b>     |

Sources: Citrus Products of Belize, Citrus Growers Association

Export sales continued to be influenced by developments in the United States, particularly Florida. This year's US orange crop is expected to be the smallest since 1990/1991 due to a frost in California in the latter part of 2006, a decline in bearing acreage and the residual effects of back-to-back hurricanes in Florida. This should push average prices upwards and encourage more imports of orange juice (FCOJ) to cover shortfalls in US production. On the other hand, the US grapefruit crop is projected to be the largest in three years and consequently should result in lower grapefruit juice imports and prices.



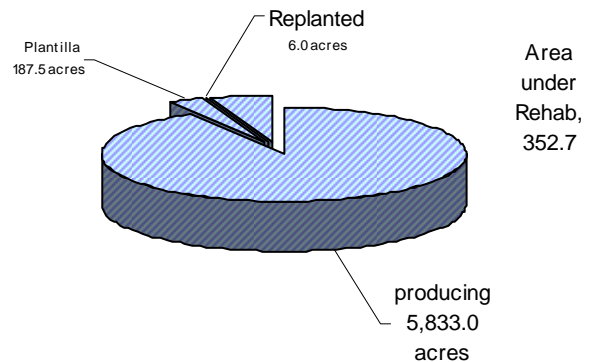
Resulting from this, the estimated final price to be paid to local growers for the current crop of orange is \$2.06 per pound solid (pps) compared to \$1.68 pps for the previous crop while the price for grapefruit should fall from \$9.23 to \$5.89 per box.

### **Banana**

First quarter banana production fell by 24.8% due to a combination of Sigatoka disease and inclement weather. The industry is however still in a position to reach its annual forecast of 3.6mn boxes if production gradually increases over the course of the year. Growers have begun to rehabilitate the groves affected by Sigatoka and partly due to this, the acreage under harvestable trees fell from 6,089.2 acres in December to 5,833 acres in March. 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. Fyffes and the Banana Growers Association (BGA) have agreed to share any out-of-quota tariff (176 euros per tonne) applicable to Belizean banana and deductions will be made on

Chart 1.1: Banana Acreage at



a per box basis in 2007 for tariffs incurred in 2006. This should be approximately US\$0.25 per box. As usual, the 2007 marketing agreement encourages more production during the first half of the year by offering a higher price. Export volume during the second half of the year will be restricted to 72,000 boxes per week.

### **Tourism**

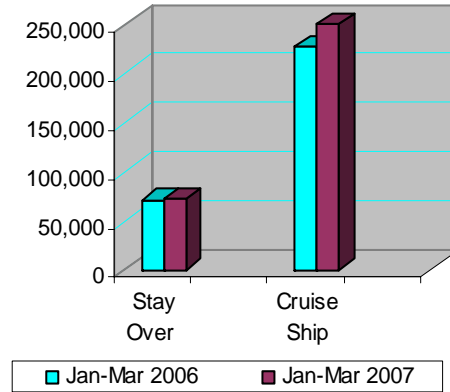
Stay-over visitors increased by 2.3% during the first quarter with air travellers and arrivals through the Santa Elena border up 2.6% and 0.9%, respectively. Visitors from the United States (the major market for Belize) increased by 2.4% to 49,801, while visitors from the EU, the second largest market, fell by 2.2% to 8,071. Those from other countries registered a combined increase of 4.8% to 14,581.



Contrasting with earlier predictions of a decline, cruise ship disembarkations grew by 10.2% to 249,143 as the number of port calls increased from 123 to 130.

In 2007, growth in world tourism is projected to decelerate slightly to approximately 4.0%. Africa is expected to experience the highest growth of around 9.0%, followed by Asia and the Pacific at 8.0%. Arrivals in the Middle East are forecasted to continue growing at around 4.0%, while in Europe the growth rate should slow to 3.0%. In the Americas, the good performance of southern destinations will be more than offset by a slowing in North America, causing overall growth in the region to be around 2.0%, well below the world average. Arrivals from North America will be affected by fuel prices and the impact of the Western Hemisphere Travel Initiative (WHTI), which requires, since 23 January 2007, that all American citizens traveling by air to Canada, Mexico, Bermuda and the Caribbean must have a passport in

Chart 1.2: Tourist Arrivals



order to re-enter the country.

### Consumer Price Index

The **Consumer Price Index** rose by 0.7% during the quarter (November 2006 to February 2007) with the majority of goods and services being affected. The exceptions were '*Rent, Water, Fuel & Power*' and '*Transport and Communication*'. Over the twelve months spanning February 2006 to February 2007 higher costs for foodstuff, household goods, recreation, education, culture and personal care eclipsed marginal price declines in clothing, rent, water, fuel, power, medical care and transportation resulting in a 2.7% increase in the general price level.

Table 1.4: Bona Fide Tourist Arrivals

|                                       | 2006<br>Jan-Mar | 2007<br>Jan-Mar |
|---------------------------------------|-----------------|-----------------|
| <b>Stay-over Arrivals<sup>1</sup></b> |                 |                 |
| Air                                   | 57,809          | 59,334          |
| Land                                  | 13,002          | 13,119          |
| <b>Total</b>                          | <b>70,811</b>   | <b>72,453</b>   |
| <b>Cruise Ship</b>                    | <b>226,149</b>  | <b>249,143</b>  |

Source: Immigration Department

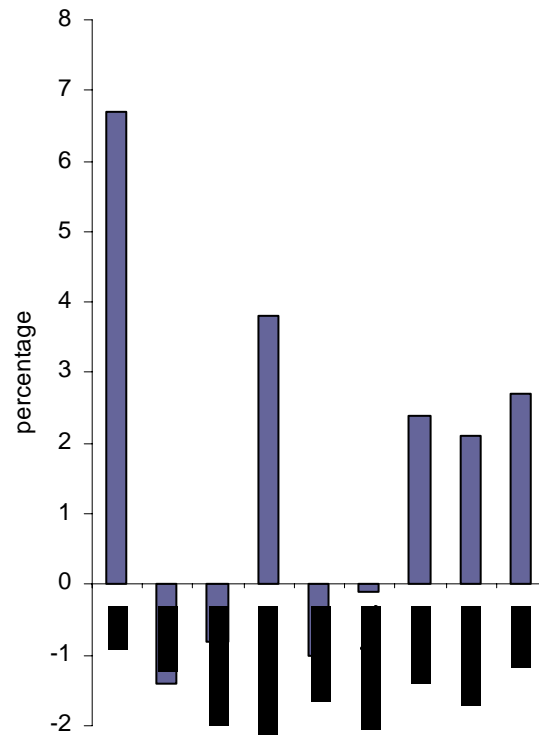
<sup>1</sup> Stay-over visitor includes arrivals through PGIA, Santa Elena and the Belize Western Border.



The largest increase (6.7%) was in *'Food, Beverage and Tobacco'* and this was due in part to higher prices particularly for onions, red kidney beans and chicken. The latter was attributable to the unusual and expensive importation of corn (after many years of self-sufficiency in this commodity) for chicken feed. A 4.8% rise in import prices (as indicated by the US export price index) helped to push up costs for *'Household Goods & Maintenance'* and *'Personal Care'* by 3.8% and 2.1%, respectively.

In contrast to previous years, lower acquisition costs for diesel and gasoline led to modest declines in categories such as *'Rent, Water, Fuel & Power'* and *'Transport and Communication'*. *'Medical Care'* and *'Clothing and Footwear'* also had respective declines of 1.0% and 1.4%.

Chart 1.3: Annual Percentage Change in Consumer Price Index







## International Trade and Payments

The current account registered a further improvement as receipts from exports, tourism, family remittances and official grants increased relative to the first quarter of 2006. An overall balance of payments deficit of \$26.9mn was nevertheless recorded mainly due to one-off large principal repayments, interest charges, finance fees and insurance costs linked to external debt restructuring transactions. The gross official international reserves therefore declined to \$144.6mn, the equivalent of 1.6 months of merchandise imports.

The trade deficit contracted by 21.4% as a 15.8% growth in exports offset a 3.3% rise in imports. The latter was driven by activity in the Commercial Free Zone (CFZ) since imports for domestic consumption were virtually stable with lower purchases of fuel, jewelry, clothing and goods for Export Processing Zones (EPZ) offsetting higher outlays on machinery, transportation equipment, bitumen, wood, fertilizers, insecticides, tires, corn and animal feed.

The boost in exports reflected a 17.6% increase in domestic exports and a 15.0% rise in CFZ sales. In a notable development, receipts from sugar exports rose by 53.4% with the E.U. accounting for the bulk of a 32.2%

Table 2.1: Balance of Payments Summary

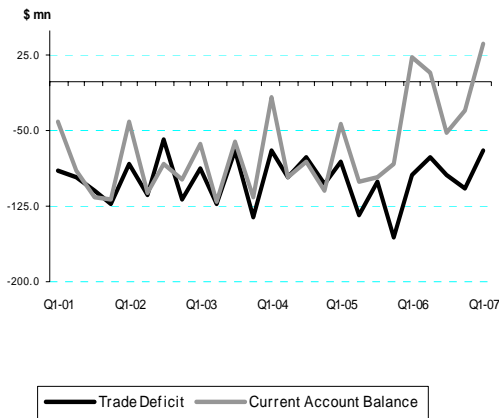
|   | (BZ\$mn)          |                   |
|---|-------------------|-------------------|
|   | 2006 <sup>R</sup> | 2007 <sup>P</sup> |
|   | Jan-Mar           | Jan-Mar           |
| <b>A. CURRENT ACCOUNT</b>                 |                   |                   |
| <b>(I+II+III+IV)</b>                      | <b>24.5</b>       | <b>34.2</b>       |
| <b>I. Goods (Trade Balance)</b>           | <b>-94.1</b>      | <b>-74.0</b>      |
| Exports, f.o.b.                           | 186.8             | 216.4             |
| Domestic Exports                          | 126.5             | 148.8             |
| CFZ Gross Sales                           | 51.2              | 58.9              |
| Re-exports                                | 9.1               | 8.6               |
| Imports, f.o.b.                           | 280.9             | 290.3             |
| Domestic Imports                          | 238.4             | 238.3             |
| CFZ Imports                               | 42.5              | 52.0              |
| <b>II. Services</b>                       | <b>143.0</b>      | <b>135.3</b>      |
| Transportation                            | -8.1              | -5.0              |
| Travel                                    | 142.7             | 148.6             |
| Other Services                            | 8.4               | -8.3              |
| <b>III. Income</b>                        | <b>-61.1</b>      | <b>-83.0</b>      |
| Compensation of Employees                 | -0.4              | -2.3              |
| Investment Income                         | -60.6             | -80.7             |
| <b>IV. Current Transfers</b>              | <b>36.8</b>       | <b>55.9</b>       |
| Government                                | 4.7               | 18.3              |
| Private                                   | 32.1              | 37.6              |
| <b>B. CAPITAL &amp; FINANCIAL ACCOUNT</b> |                   |                   |
| <b>(I+II)</b>                             | <b>0.2</b>        | <b>-33.4</b>      |
| <b>I. Capital Account</b>                 | <b>12.2</b>       | <b>0.1</b>        |
| <b>II. Financial Account (1+2+3+4)</b>    | <b>-12.0</b>      | <b>-33.6</b>      |
| 1. Direct Investment in Belize            | 51.4              | 28.5              |
| 2. Portfolio Investment                   | -18.8             | -36.6             |
| Monetary Authorities                      | 0.0               | 0.0               |
| General Government                        | -18.7             | -36.5             |
| Banks                                     | 0.0               | 0.0               |
| Other Sectors                             | -0.1              | -0.2              |
| 3. Financial Derivatives                  | 0.0               | 0.0               |
| 4. Other Investments                      | -44.5             | -25.4             |
| Monetary Authorities                      | 1.3               | 37.3              |
| General Government                        | 7.7               | 20.0              |
| Banks                                     | -46.8             | -73.7             |
| Other Sectors                             | -6.8              | -9.0              |
| <b>C. NET ERRORS &amp; OMISSIONS</b>      | <b>-8.0</b>       | <b>-27.7</b>      |
| <b>D. OVERALL BALANCE</b>                 | <b>16.8</b>       | <b>-26.9</b>      |
| <b>E. RESERVE ASSETS*</b>                 | <b>-16.8</b>      | <b>26.9</b>       |

P- indicates Provisional, R- indicates Revised

\* Minus = increase



Chart 2.1: Current Account vs. Trade Deficit



increase in sugar export volume. Under the EU Complimentary Quota program, Belize received an additional allocation of approximately 22,900 long tons of sugar. This caused a tripling of sales to the EU and the latter consequently accounted for 97.0% of the first quarter's export volume in contrast with the previous year when only 42.8% of sales were to the E.U..

Citrus exports benefited from stronger prices with revenues rising by 29.1% although the volume of total citrus concentrate exports fell by 0.2%. Influenced by a projected fall in Florida's orange crop, prices for orange concentrates strengthened across all markets. Orange sales were up 11.6% and 63.3% in volume and value, respectively. Exports to the US surged by 27.6% in volume and almost doubled in value with a \$1.22 increase in the average price per pound solid.

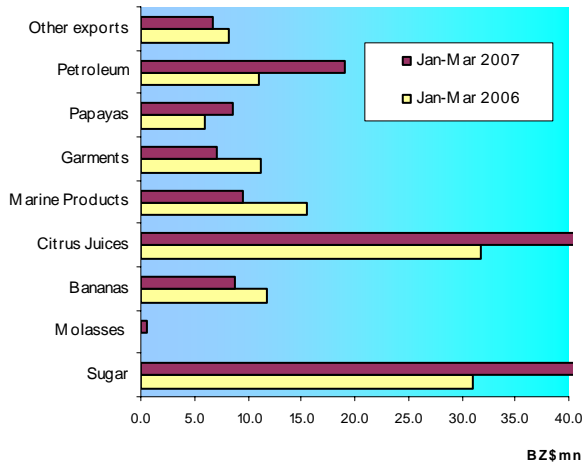
Caribbean sales also more than doubled and a \$0.70 increase in the unit price brought about a tripling of receipts. In contrast, exports to Europe were negligible as the industry encountered difficulties in obtaining shipping space. No orange freeze concentrate was sold to Japan during the period.

The grapefruit market was not as bouyant with export volume of grapefruit concentrate down by 38.7% and weaker prices in the E.U. (the main market) helping to push revenues down even further by 47.2% to \$5.2mn. Shipping difficulties partly accounted for a 40.3% drop in the volume of sales to the E.U. while prices were negatively affected by a projected increase in Florida's grapefruit crop and lower US per capita consumption of grapefruit juices. Caribbean sales and freeze concentrate sales to Japan decelerated somewhat while US sales were miniscule.

Sigatoka disease and inclement weather at the start of the year pushed banana export volume down by 24.8% to 11,475 metric tons while earnings fell by 27.6% to \$8.5mn as the average box price declined slightly and U.S. \$0.24 per box of fruit was deducted to cover out-of-quota tariff charges incurred in 2006. Marine exports declined by 50.1% and receipts



Chart 2.2: Domestic Exports



shrank by 38.5% to \$9.5mn due to a contraction in farmed shrimp. With Nova (the largest shrimp farm) in receivership and out of production, shrimp exports fell by 54.6% to 1.4mn pounds, while receipts decreased even further by 56.4% to \$4.3mn as a result of a \$0.12 drop in the average price per pound. After hitting a cyclical peak in 2006, the conch catch declined with sale volume down by 49.8% and earnings slipping by 62.0% following a 24.3% decline in the average price per pound. On the other hand, revenues from lobster more than doubled as export volume rose by 63.9% and the average price per pound improved by \$7.41.

Petroleum exports were up by 87.8% (quarter on quarter) to 190,506 barrels valued at \$19.1mn. A lower than anticipated drop in world inventories of crude oil and other petroleum products

along with a reduction in socio-political tensions in some of the major oil producers eased market concerns and caused WTI crude oil prices to fall from US\$62.90 c.i.f. per barrel in March 2006 to US \$60.44 c.i.f. in March 2007. For Belize, this translated into an average f.o.b. price of US \$50.09 per barrel, as compared to the US\$54.12 received in 2006.

Lower exports of garments and other miscellaneous products such as veneer sheets/plywood and fresh orange fruit reduced the value of other miscellaneous exports by 11.6% to \$22.6mn. The down sizing of the Williamson garment factory as its US head office shifted contracts to lower cost producers in Asia and Central America depressed garment export volume by 42.1% and garment revenue by 36.4% to \$7.1mn. In contrast, papaya export volume was up 61.3%, which pushed up earnings by 42.8% even with a \$0.04 per pound price fall.

In the first quarter, the external current account position benefited from a net surplus of \$135.3mn from the trade in services. This was however 5.4% below the first quarter outturn of 2006 as higher outlays for insurance and financial fees associated with the debt restructuring eclipsed modest increases in transportation and travel



receipts, earnings from business services and expenditures by foreign embassies and military units in Belize.

Net outflows on the income account increased significantly (by 36.0% to \$83.0mn) mostly due to the payment of accrued interest on the restructured debt and, to a lesser extent, higher profit remittances. Net outflows for compensation of employees also increased as the wrap up of construction work on the US embassy caused a reduction in earnings by local workers while payments to non-resident workers held steady. On the other hand, inflows from current transfers increased by 51.9% to \$55.9mn as family remittances rose by 17.1% and the Government received a budgetary support grant of \$20.0mn from Taiwan.

After surpluses in the three previous quarters, a \$33.4mn deficit was recorded in capital and financial transactions with the scales being tipped as a result of government loan repayments (part of which was for restructured debts), payments by commercial banks on short term debt even as they built up foreign balances abroad and other loan repayments by the private sector. The preceding far outweighed foreign investment inflows and loan disbursements to the private and public sectors.

Chart 2.3: Service, Income and Current Transfers Balances

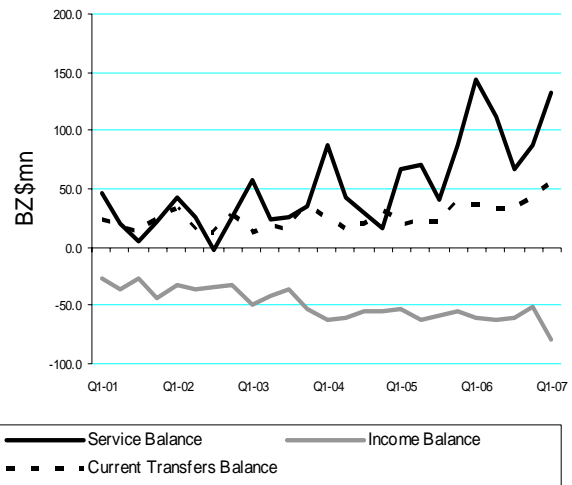
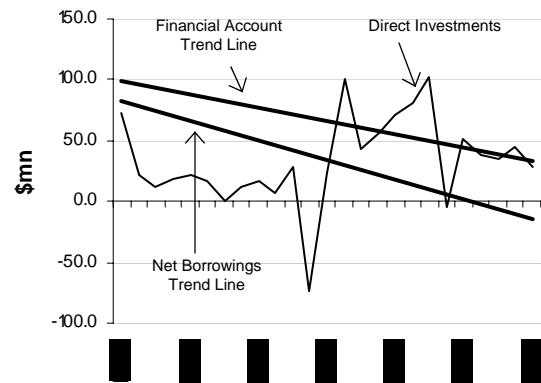


Chart 2.4: Main Components of The Financial Account





## Monetary Developments

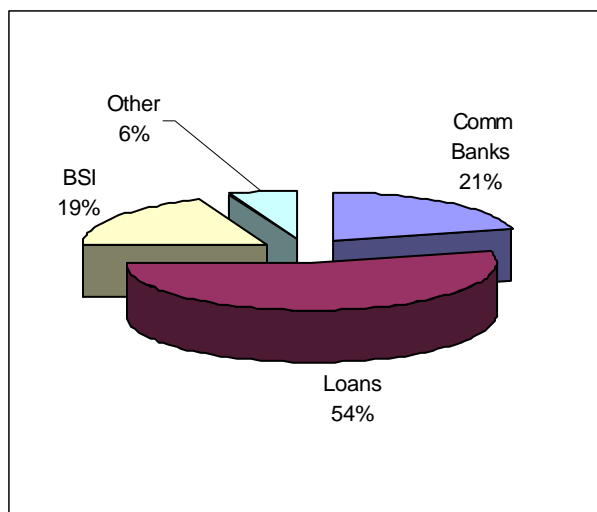
M2 (broad money) increased by 6.3%, underpinned by growth in credit, and to a lesser extent, foreign inflows to the private sector in the first quarter. The bulk of the credit expansion was accounted for by transactions linked to the restructuring of the public sector's external commercial debt as payments to external creditors were facilitated by Central Government's deposit withdrawals and use of Central Bank overdraft financing. As a result of the spike in payments, the official foreign reserves suffered a 44.9% contraction that was fortuitously offset by strong inflows from exports and tourism to the commercial banks.

Narrow money expanded by a robust 8.2% mostly reflecting a build-up in

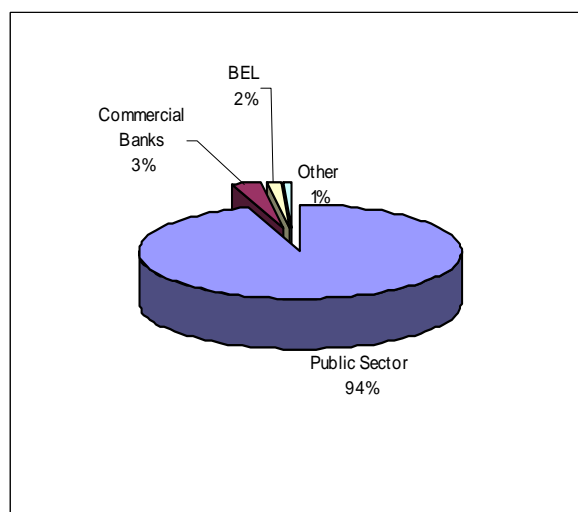
demand deposits by businesses and private utilities. Quasi-money also grew strongly by 4.9%, an increase that was driven by growth in time deposit holdings of individuals and financial institutions, and to a lesser extent, by business enterprises, the BSSB and credit unions.

As highlighted elsewhere, the external current account position improved during the quarter and this contributed to a modest growth in the net foreign assets of the banking system. As external inflows became more buoyant, commercial banks were able to increase their foreign currency holdings by \$35.1mn while reducing foreign liabilities by \$38.6mn. The \$73.7mn improvement in their net position more

**Chart 3.1: Sources of Foreign Exchange Inflows to the Central Bank Jan- Mar 07**



**Chart 3.2: Central Bank Foreign Exchange Sales Jan - Mar 07**





than offset a \$64.0mn deterioration in that of the Central Bank. The latter recorded inflows of \$88.8mn (comprised mainly of grants, loans, and purchases from commercial banks and BSI). Outflows totaled \$152.4mn and included foreign payments on behalf of the public sector that summed to \$140.3mn. A substantial portion of the latter was used to make loan payments that had been suspended after the launch of the external debt restructuring effort.

Notwithstanding a contraction in credit to statutory bodies due to the shift of some \$12.0mn in BWSL loan obligations from the commercial banks to the Belize Social Security Board, there was an overall 7.0% increase in

net domestic credit. This was dominated by a \$79.5mn increase in net Central Bank financing to the government, which withdrew some \$33.5mn from deposits held in an escrow account set up under the terms of the 2005 Bear Stearns bond issue, and increased their usage of the Central Bank overdraft by \$57.9mn.

Credit to the private sector was up by 2.3% mainly due to financing for construction and loans for activity in the services sector such as distribution and tourism. The primary sector also saw a net increase in loans mainly in the form of funds for marine products, bananas and mining & exploration.

Boosted by foreign inflows, excess

Chart 3.3: Changes in Loans and Advances by Sub-Sectors Jan - Mar 07

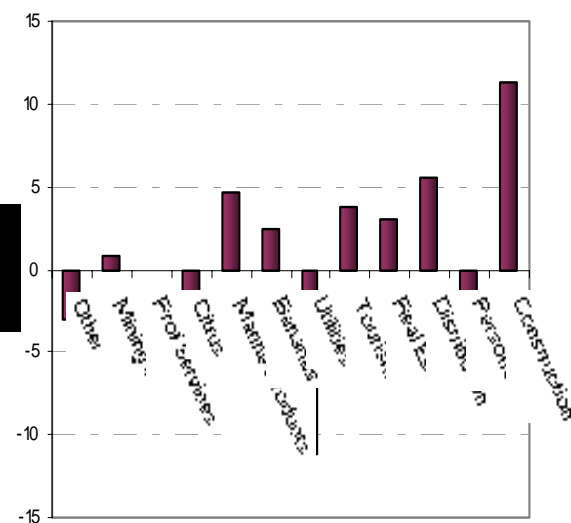
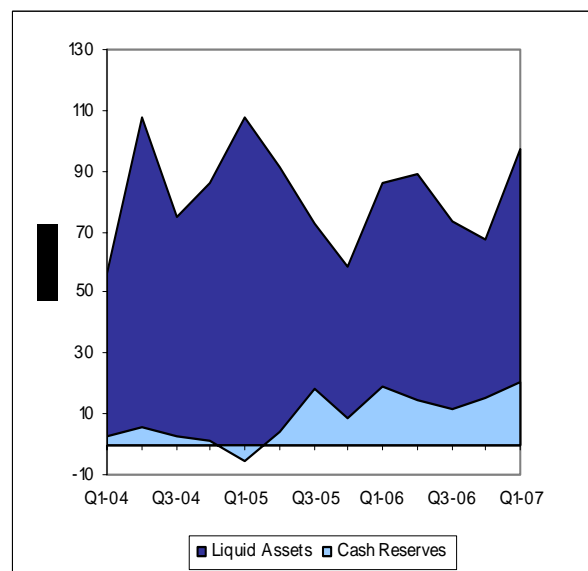


Chart 3.4: Commercial Banks' Excess Statutory Liquidity & Excess Cash Reserves





statutory liquidity expanded by 52.1% to \$103.0mn with commercial banks holdings of liquid assets and required holdings up by \$49.1mn and \$13.8mn, respectively. The expansion was across the board with all banks experiencing the rise in liquidity. Portfolio changes included a \$31.0mn rise in short-term foreign balances and \$16.7mn increase in Treasury bill holdings. Excess cash also rose by \$5.3mn as an \$11.3mn rise in daily average holdings outweighed a \$6.0mn rise in required

reserves.

There was little movement in interest rates during the period as the weighted average deposit rate remained unchanged while the weighted average lending rate rose by 10 basis points to 14.3%. The increase reflected higher rates on commercial and other types of loans. The weighted average interest rate spread of the commercial banks consequently rose by 10 basis points to 8.6%.



## Government Operations and Public Debt

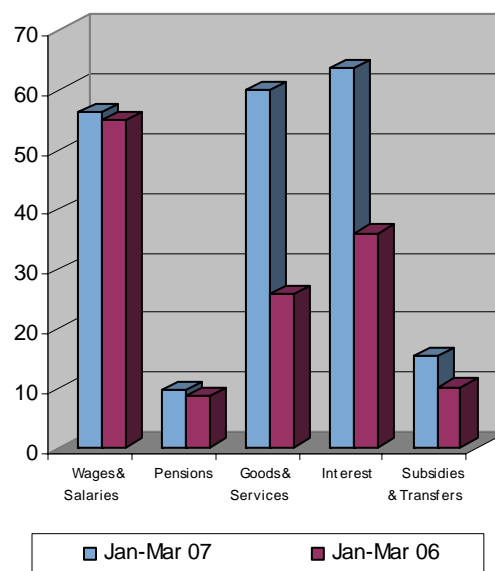
### Government Operations

Payments made in the restructuring of the public sector's external commercial debt contributed to current and overall deficits of \$50.9mn and \$62.9mn, respectively, during the January-March review period (the fourth quarter of the government's 2006/2007 fiscal year). The primary surplus also shrank to a marginal \$0.7mn.

In addition to grants from ROC/Taiwan and the Government of Venezuela, revenues were boosted upward by the high yielding general sales tax (GST) on goods and services. The latter accounted for nearly 40.0% of tax revenue during the quarter followed by revenues from international trade (32.9%) and income & profits (26.6%). At \$138.8mn, fourth quarter tax revenue represented 26.2% of the total outturn for FY 2006/07. Non-tax revenue of \$14.7mn came mostly from other government departments (\$5.8mn), rent and royalties (\$5.1mn) and licenses (\$3.4mn). Capital revenue included sale of crown land and telecom equipment that summed to \$3.1mn.

Inflated by debt restructuring costs, fourth quarter outlays were 33.2% of the total for the 2006/07 fiscal year

Chart 4.1: Fourth Quarter Comparison of Current Expenditure in \$mn



and 52.9% higher than that of the comparable period of the previous fiscal year. Interest payments rose by 82.8% to \$63.6mn due to the accrued interest on restructured loans while the amount expended on goods and services more than doubled to \$59.8mn as a result of financial fees and insurance payments also connected to debt restructuring. Expenditure on wages, salaries and pensions were up by 3.8% and subsidies/transfers rose to \$15.3mn, an increase of 53.0% relative to the same period last year.

Development expenditures amounted to \$37.5mn, including \$28.1mn for Capital II and \$9.6mn for Capital III





projects. Some 26.0% of these outlays were for infrastructural projects and included the Mahogany Heights land purchase, rural electrification and maintenance of streets, drains, feeder roads, bridges, ferries, buildings and highways. Education projects were allotted \$9.3mn, which mostly went on tertiary level scholarships (35%) and the upgrading of school buildings (34.4%), the University of Belize (UB) and technical/vocational training. Sums allocated for social development, the environment and health summed to \$8.9mn.

The overall deficit was financed from domestic sources with a total of \$91.4mn coming from Central Bank overdraft financing and deposit withdrawals from an escrow account. External borrowing contracted by \$43.8mn as amortization payments of \$1,138.1mn exceeded disbursements of \$1,094.3mn.

During the **2006/2007 fiscal year**, although revenues exceeded budget expectations by 5.7%, expenditures were pumped up by debt restructuring costs and Central Government consequently generated current and overall deficits of \$33.9mn and \$96.5mn (4.0% of GDP), respectively. The current deficit almost doubled compared to the previous fiscal year, while the overall deficit increased by 28.0%. However, even with the lumpy

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

|                           | \$mn             |                  |
|---------------------------|------------------|------------------|
|                           | Apr-05<br>Mar-06 | Apr-06<br>Mar-07 |
| Total Revenue & Grants    | 559.9            | 631.9            |
| of which: Current Revenue | 529.8            | 583.5            |
| of which: Grants          | 22.9             | 37.1             |
| Total Expenditure         | 635.5            | 728.5            |
| Current Expenditure       | 548.4            | 617.4            |
| Capital Expenditure       | 86.9             | 111.0            |
| Current Balance           | -18.6            | -33.9            |
| Overall Balance           | -75.4            | -96.5            |

payments for restructuring, a primary surplus of \$72.9mn (3.0% of GDP) was recorded.

Revenues were up by 12.9% and included increases in current and capital revenue, and grants of \$53.7mn, \$4.2mn and \$14.2mn, respectively. Proceeds from taxes on goods and services increased by \$35.1mn, of which \$27.5mn was comprised of a combination of receipts from the sales tax (discontinued in July) and GST (initiated in July). Buoyancy in import demand drove up taxes on international trade and transactions by \$12.9mn, while taxes on income and profits grew by \$8.7mn. The \$5.8mn increase in capital revenue was mostly due to the sale of telecommunication equipment to BTL while the prepayment of grants from ROC/Taiwan accounted for 66.9% of the increase in this line item.

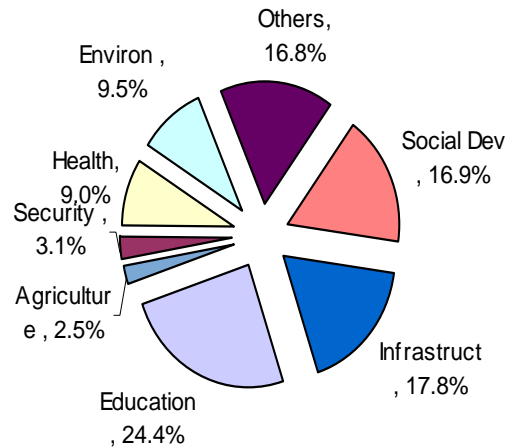


Total expenditures rose by 14.7% with current expenditures accounting for 74.0% of the increase. Outlays on goods and services went up by 42.6% (\$41.1mn) and included some \$26.1mn in insurance premiums and financial fees related to the restructuring of the Bear Stearns bonds. The balance went on medical supplies, operating costs and public utilities. Interest payments were also \$16.0mn higher, much of this due to the payment of accrued interest to participating creditors in the new super bond. Also of note was a \$15.4mn increase in subsidies and transfers that was partly due to the re-classification of wages paid to KMHM staff.

At \$111.0mn, capital expenditure was up 27.7%, an increase that principally reflected a \$26.0mn rise in Capital II (locally funded) outlays. Capital III (externally funded) expenditures increased by \$2.8mn and net lending declined by \$4.6mn.

Some 24.4% of capital outlays were devoted to educational projects such as the University of Belize, tertiary level scholarships and technical/vocational training. Infrastructural investments in rural electrification, the Silver Creek Bridge, the road from Mussel Creek to Willows Bank and the maintenance of highways, streets and drains accounted for 17.8% while funds for social

Chart 4.2: Development Expenditures for FY 2006/2007



development channeled through SIF, the Basic Needs Trust Fund, NICH and the Commonwealth Debt Initiative made up some 16.9%. Amounts were also expended for land development and conservation (9.6%), health (9.0%), security (3.1%), and agriculture (2.5%). Other outlays included contributions to international agencies, purchases of vehicles and parts, and printing services.

The overall deficit was principally financed from domestic sources with funds from the Central Bank including deposit withdrawals that totaled \$46.2mn, a \$33.4mn rise in the overdraft and \$31.5mn in purchases of new Treasury Notes. The latter was used to pay down government guaranteed loans extended by the



Central Bank. External disbursements of \$1,230.2mn (which included the super bond) more than offset amortization payments of \$1,220.4mn (which included restructured debts) and \$0.7mn from changes in foreign assets to contribute \$9.1mn in net financing inflows.

### Central Government's Domestic Debt

A \$57.8mn rise in the overdraft with the Central Bank pushed Central Government's domestic debt up by 18.8% (\$56.4mn) **during the first quarter**. Activity in the secondary market resulted in Central Bank sales of \$11.9mn in Treasury bills to commercial banks and other entities.

Of the \$8.1mn in principal repayments, \$0.6mn went to the GOB debt for nature swap, \$0.5mn to commercial banks, and \$6.7mn was the result of a shift in creditor status from the DFC to the BSSB. Other smaller payments went to RECONDEV and the Tourist Village for dredging the Belize Harbour.

Interest payments summed to \$6.4mn and included \$2.5mn on the Central Bank overdraft balance and \$2.8mn to holders of Treasury notes, Treasury bills and Defence Bonds. Commercial banks also received \$0.7mn, and \$0.1mn each were paid to the GOB debt for nature swap and the DFC.

**Table 4.2: Central Government's Domestic Debt**

\$mn

|                | March 2006   | March 2007   |
|----------------|--------------|--------------|
| Overdraft      | 113.5        | 146.9        |
| Loans          | 42.8         | 38.5         |
| Treasury Bills | 100.0        | 100.0        |
| Treasury Notes | 24.0         | 55.8         |
| Defence Bonds  | 15.0         | 15.0         |
| <b>Total</b>   | <b>295.3</b> | <b>356.2</b> |

Smaller amounts went to RECONDEV, Guardian Life and the BSSB.

### Public Sector External Debt

The successful restructuring of the external debt was the most notable activity in the first quarter of the year. In February, various commercial debt instruments owed to private creditors were exchanged for a single 'super bond' valued at \$1,072.5mn with an extended maturity up to 2029 and a step-up coupon structure that enables a significant drop in debt servicing costs in the short and medium terms. The decline in payments will average approximately \$96.0mn annually over the first nine years for a cumulative total of \$862.0mn.

As at the end of March, the public sector's external debt stood at \$1,928.2mn, a decline of 2.4% (\$47.2mn) that reflected amortization



payments of \$1,142.6mn while disbursements totaled \$1,095.0mn. The latter included the 'super bond' and funds from ROC (\$20.0mn), IDB (\$2.1mn) and CDB (\$0.4mn). The outstanding debt was also subjected to an upward valuation adjustment of \$0.4mn as an appreciation of loans denominated in Euros and pound sterling outweighed the depreciation of loans denominated in the Kuwait dinar. Interest and other payments summed to \$59.5mn during the review period.

Principal repayments by Central Government amounted to \$1,138.1mn of which \$1,124.8mn was the value of commercial debt paid down and replaced by the 'super bond'. The remaining \$13.3mn was paid to bilateral lenders, multilateral creditors and commercial suppliers. The financial public sector made repayments of \$2.1mn to bondholders and \$1.2mn to multilateral lenders. Of the \$1.2mn paid by the non-financial public sector, the Belize Water Services Ltd (BWSL) repaid \$0.8mn to CDB and Amtrade International, while the Belize Airport Authority amortized \$0.5mn to CIBC Bank.

Central Government's interest payments summed to \$57.6mn, which included \$47.4mn in accrued interest on restructured commercial debts. Of the remaining \$10.2mn, 76.7% went to bilateral creditors, 23.0% to

**Table 4.3: Sources of Public Sector's External Debt**

\$mn

|                                | DOD at:<br>31/03/06 | DOD at:<br>31/03/07 | Change in<br>Debt Stock |
|--------------------------------|---------------------|---------------------|-------------------------|
| <b>Central Government</b>      | <b>1,764.7</b>      | <b>1,778.2</b>      | <b>13.5</b>             |
| Bilateral                      | 334.2               | 326.2               | -8.0                    |
| Multilateral                   | 327.7               | 342.5               | 14.8                    |
| Bonds                          | 966.7               | 1,093.6             | 126.9                   |
| Commercial Banks               | 135.3               | 15.9                | -119.4                  |
| Export Credit                  | 0.8                 | 0                   | -0.8                    |
| <b>Rest of NFPS</b>            | <b>45.3</b>         | <b>39.8</b>         | <b>-5.5</b>             |
| Bilateral                      | 9.1                 | 7.4                 | -1.7                    |
| Multilateral                   | 34.3                | 32.4                | -1.9                    |
| Commercial Banks               | 1.9                 | 0                   | -1.9                    |
| Export Credit                  | 0                   | 0                   | 0                       |
| <b>Financial Public Sector</b> | <b>118.2</b>        | <b>104.9</b>        | <b>-13.3</b>            |
| Bilateral                      | 5.0                 | 3.3                 | -1.7                    |
| Multilateral                   | 48.9                | 45.4                | -3.5                    |
| Commercial Banks               | 64.3                | 56.2                | -8.1                    |
| Export Credit                  | 0                   | 0                   | 0                       |
| <b>Grand Total</b>             | <b>1,928.2</b>      | <b>1,922.9</b>      | <b>-5.3</b>             |

multilateral lenders and 0.3% to commercial banks. Almost all of the \$1.7mn paid by the financial public sector went to bondholders. Minimal payments of \$0.2mn by the non-financial public sector were shared among multilateral lenders, Amtrade International and the CIBC Bank.



## **ANNEX**



## ANNEX

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

| Major Commodity Group           | Weights       | Quarterly Change |            |             |            | Annual Change |
|---------------------------------|---------------|------------------|------------|-------------|------------|---------------|
|                                 |               | May-06           | Aug-06     | Nov-06      | Feb-07     |               |
| Food, Beverage & Tobacco        | 346.6         | 0.1              | 3.4        | 0.8         | 2.2        | 6.7           |
| Clothing & Footwear             | 92.0          | 0.8              | 1.0        | -3.3        | 0.1        | -1.4          |
| Rent, Water, Fuel, & Power      | 167.6         | 1.2              | 1.1        | -2.9        | -0.2       | -0.8          |
| Household goods & maintenance   | 85.3          | 0.2              | 3.2        | 0.2         | 0.2        | 3.8           |
| Medical care                    | 20.1          | 0.3              | 2.9        | -4.1        | 0.0        | -1.0          |
| Transport & Communication       | 170.1         | 4.1              | 2.0        | -5.1        | -0.8       | -0.1          |
| Recreation, Education & Culture | 80.4          | 0.0              | 1.5        | 0.6         | 0.3        | 2.4           |
| Personal care                   | 37.9          | 0.0              | 3.5        | -1.8        | 0.4        | 2.1           |
| <b>ALL ITEMS</b>                | <b>1000.0</b> | <b>1.2</b>       | <b>2.3</b> | <b>-1.5</b> | <b>0.7</b> | <b>2.7</b>    |

Source: Central Statistical Office

**Table 5.2: Gross Imports (CIF) by SITC**

| SITC Section                        | BZ \$mn            |                    |
|-------------------------------------|--------------------|--------------------|
|                                     | Jan- Mar 2006      | Jan- Mar 2007      |
| 0 Food and Live Animals             | 29,171,498         | 32,967,484         |
| 1 Beverages and Tobacco             | 2,416,012          | 3,078,587          |
| 2 Crude Materials                   | 1,042,842          | 3,340,933          |
| 3 Minerals, Fuels and Lubricants    | 61,805,441         | 51,815,793         |
| <i>of which electricity</i>         | 9,205,670          | 9,304,867          |
| 4 Oils and Fats                     | 1,041,231          | 958,586            |
| 5 Chemical Products                 | 21,370,491         | 26,026,677         |
| 6 Manufactured Goods                | 36,088,910         | 37,316,352         |
| 7 Machinery and Transport Equipment | 49,103,116         | 56,996,492         |
| 8 Other Manufactures                | 29,308,950         | 20,323,697         |
| 9 Commodities N.E.S                 | 627                | -                  |
| Export Processing Zones             | 31,503,655         | 29,379,111         |
| Commercial Free Zone                | 46,673,705         | 57,164,257         |
| Personal Goods                      | 883,282            | 410,257            |
| <b>Total</b>                        | <b>310,409,759</b> | <b>319,778,225</b> |

Sources: Central Statistical Office, Central Bank of Belize



**Table 5.3: Balance of Payments**

|  | BZ \$mn                      |                              |
|--|------------------------------|------------------------------|
|  | 2006 <sup>R</sup><br>Jan-Mar | 2007 <sup>P</sup><br>Jan-Mar |
| <b>CURRENT ACCOUNT</b>                         | <b>24.5</b>                  | <b>34.2</b>                  |
| Goods: Exports f.o.b.                          | 186.8                        | 216.4                        |
| Goods: Imports f.o.b.                          | -280.9                       | -290.3                       |
| <b>Trade Balance</b>                           | <b>-94.1</b>                 | <b>-74.0</b>                 |
| Services: Credit                               | 212.7                        | 232.2                        |
| Transportation                                 | 16.8                         | 21.1                         |
| Travel   | 159.7                        | 166.3                        |
| Other Goods & Services                         | 24.3                         | 30.0                         |
| Gov't Goods & Services                         | 11.9                         | 14.9                         |
| Services: Debit                                | -69.7                        | -96.9                        |
| Transportation                                 | -24.8                        | -26.1                        |
| Travel   | -17.1                        | -17.7                        |
| Other Goods & Services                         | -23.6                        | -48.2                        |
| Gov't Goods & Services                         | -4.2                         | -4.9                         |
| <b>Balance on Goods &amp; Services</b>         | <b>48.8</b>                  | <b>61.3</b>                  |
| Income: Credit                                 | 4.7                          | 4.1                          |
| Compensation of Employees                      | 3.5                          | 1.2                          |
| Investment Income                              | 1.3                          | 2.9                          |
| Income: Debit                                  | -65.8                        | -87.2                        |
| Compensation of Employees                      | -3.9                         | -3.5                         |
| Investment Income                              | -61.9                        | -83.7                        |
| <b>Balance on Goods, Services &amp; Income</b> | <b>-12.2</b>                 | <b>-21.7</b>                 |
| Current Transfers: Credit                      | 45.1                         | 68.7                         |
| Current Transfers: Debit                       | -8.3                         | -12.8                        |
| <b>CAPITAL ACCOUNT</b>                         | <b>12.2</b>                  | <b>0.1</b>                   |
| Capital Account: Credit                        | 12.6                         | 0.6                          |
| Capital Account: Debit                         | -0.4                         | -0.4                         |
| <b>FINANCIAL ACCOUNT</b>                       | <b>-12.0</b>                 | <b>-33.6</b>                 |
| Direct Investment Abroad                       | -0.4                         | -1.7                         |
| Direct Investment in Reporting Economy         | 51.8                         | 30.2                         |
| Portfolio Investment Assets                    | -0.1                         | -0.2                         |
| Portfolio Investment Liabilities               | -18.7                        | -36.5                        |
| Financial Derivatives                          | 0.0                          | 0.0                          |
| Other Investment Assets                        | 10.7                         | 3.0                          |
| Other Investment Liabilities                   | -55.2                        | -28.4                        |
| <b>NET ERRORS &amp; OMISSIONS</b>              | <b>-8.0</b>                  | <b>-27.7</b>                 |
| <b>OVERALL BALANCE</b>                         | <b>16.8</b>                  | <b>-26.9</b>                 |
| <b>RESERVE ASSETS*</b>                         | <b>-16.8</b>                 | <b>26.9</b>                  |

\*(Minus = Increase)  
Source: Central Bank of Belize  
P: Indicates Provisional  
R: Indicated Revised



Table 5.4: Factors Responsible for Money Supply Movements

\$mn

|   | Position<br>as at<br>Mar 2007 | Dec 2006<br>to<br>Mar 2007 | Dec 2005<br>to<br>Mar 2006 |
|---|-------------------------------|----------------------------|----------------------------|
| <b>Net Foreign Assets</b>                               | <b>270.8</b>                  | <b>9.7</b>                 | <b>16.0</b>                |
| Central Bank  | 142.5                         | -64.0                      | 5.4                        |
| Commercial Bank   | 128.3                         | 73.7                       | 10.6                       |
| <b>Net Domestic Credit</b>                              | <b>1,675.2</b>                | <b>109.7</b>               | <b>36.0</b>                |
| Central Government (Net)                                | 274.9                         | 91.6                       | 24.7                       |
| Other Public Sector                                     | 15.3                          | -12.5                      | -5.0                       |
| Private Sector  | 1,385.0                       | 30.6                       | 16.3                       |
| <b>Central Bank Foreign Liabilities<br/>(Long-term)</b> | <b>0.0</b>                    | <b>0.0</b>                 | <b>0.0</b>                 |
| <b>Other Items (net)</b>                                | <b>347.2</b>                  | <b>25.3</b>                | <b>35.1</b>                |
| <b>Money Supply M2</b>                                  | <b>1,598.8</b>                | <b>94.1</b>                | <b>16.9</b>                |

Table 5.5: Money Supply

BZ \$mn

|                          | Position<br>as at<br>Mar 2007 | Changes during             |                            |
|--------------------------|-------------------------------|----------------------------|----------------------------|
|                          |                               | Dec 2006<br>to<br>Mar 2007 | Dec 2005<br>to<br>Mar 2006 |
| <b>Money Supply (M2)</b> | <b>1,598.8</b>                | <b>94.1</b>                | <b>16.9</b>                |
| <b>Money Supply (M1)</b> | <b>668.1</b>                  | <b>50.4</b>                | <b>18.0</b>                |
| Currency with the Public | 137.7                         | 0.9                        | 1.8                        |
| Demand Deposits          | 371.3                         | 45.1                       | 13.5                       |
| Savings/Cheque Deposits  | 159.1                         | 4.4                        | 2.7                        |
| <b>Quasi-Money</b>       | <b>930.7</b>                  | <b>43.7</b>                | <b>-1.1</b>                |
| Savings Deposits         | 141.4                         | 5.6                        | 8.2                        |
| Time Deposits            | 789.3                         | 38.1                       | -9.3                       |





**Table 5.6: Net Foreign Assets of Banking System**

|   | Position<br>as at<br>Mar 2007 | Changes during             |                            |
|---|-------------------------------|----------------------------|----------------------------|
|   |                               | Dec 2006<br>to<br>Mar 2007 | Dec 2005<br>to<br>Mar 2006 |
|   |                               | \$mn                       |                            |
| <b>Net Foreign Assets of Banking System</b> | <b>270.8</b>                  | <b>9.7</b>                 | <b>16.0</b>                |
| <b>Central Bank</b>                         | <b>142.5</b>                  | <b>-64.0</b>               | <b>5.4</b>                 |
| Foreign Assets*                             | 145.2                         | -63.6                      | 5.2                        |
| Foreign Liabilities(Demand)                 | 2.7                           | 0.4                        | -0.2                       |
| <b>Commercial Banks</b>                     | <b>128.3</b>                  | <b>73.7</b>                | <b>10.6</b>                |
| Foreign Assets                              | 215.5                         | 35.1                       | 0.9                        |
| Foreign Liab. (Short-Term)                  | 87.2                          | -38.6                      | -9.7                       |

\*Useable International Reserves \$144.6mn

**Table 5.7: Net Domestic Credit**

|  | Position<br>as at<br>Mar 2007 | Changes during             |                            |
|--|-------------------------------|----------------------------|----------------------------|
|  |                               | Dec 2006<br>to<br>Mar 2007 | Dec 2005<br>to<br>Mar 2006 |
|  |                               | BZ \$mn                    |                            |
| <b>Total Credit to Central Government</b>        | <b>328.8</b>                  | <b>57.4</b>                | <b>16.7</b>                |
| <b>From Central Bank</b>                         | <b>274.8</b>                  | <b>46.0</b>                | <b>11.8</b>                |
| Loans and Advances                               | 146.7                         | 57.9                       | 23.7                       |
| Gov't Securities                                 | 128.1                         | -11.9                      | -11.9                      |
| <b>From Commercial Banks</b>                     | <b>54.0</b>                   | <b>11.4</b>                | <b>4.9</b>                 |
| Loans and Advances                               | 20.1                          | -0.5                       | -7.0                       |
| Gov't Securities                                 | 33.9                          | 11.9                       | 11.9                       |
| (of which) Treasury Bills                        | 23.8                          | 11.9                       | 11.9                       |
| Treasury Notes                                   | 10.0                          | 0.0                        | 0.0                        |
| Other  | 0.1                           | 0.0                        | 0.0                        |
| <b>Less Central Government Deposits</b>          | <b>53.9</b>                   | <b>-34.2</b>               | <b>-8.0</b>                |
| With Central Bank                                | 34.5                          | -33.5                      | -3.9                       |
| With Commercial Banks                            | 19.2                          | -0.7                       | -4.1                       |
| <b>Net Credit to Central Government</b>          | <b>274.9</b>                  | <b>91.6</b>                | <b>24.7</b>                |
| <b>Credit to Other Public Sector</b>             | <b>15.3</b>                   | <b>-12.5</b>               | <b>-5.0</b>                |
| From Central Bank                                | 0.0                           | 0.0                        | 0.0                        |
| From Commercial Banks                            | 15.3                          | -12.6                      | -5.0                       |
| (of which) Local Government                      | 5.5                           | -0.3                       | 0.4                        |
| Public Financial Institutions                    | 2.1                           | -0.4                       | -0.1                       |
| Public Utilities                                 | 0.0                           | -12.0                      | -5.0                       |
| Other Statutory Bodies                           | 7.7                           | 0.1                        | -0.3                       |
| Securities                                       | 0.0                           | 0.0                        | 0.0                        |
| <b>Plus Credit to the Private Sector</b>         | <b>1,385.0</b>                | <b>30.6</b>                | <b>16.3</b>                |
| Loans and Advances <sup>1</sup>                  | 1,370.8                       | 28.1                       | 16.5                       |
| Securities                                       | 14.2                          | 2.5                        | -0.2                       |
| <b>Net Domestic Credit of the Banking System</b> | <b>1,675.2</b>                | <b>109.7</b>               | <b>36.0</b>                |

<sup>1</sup> Includes CBB Advances to Staff



Table 5.8: Sectoral Composition of Commercial Bank's Loans and Advances

Bz \$mn

|                         | Position<br>as at<br>Mar 2007 | Changes during             |                            |
|-------------------------|-------------------------------|----------------------------|----------------------------|
|                         |                               | Dec 2006<br>To<br>Mar 2007 | Dec 2005<br>to<br>Mar 2006 |
| <b>PRIMARY SECTOR</b>   | <b>161.4</b>                  | <b>5.6</b>                 | <b>4.7</b>                 |
| Agriculture             | 106.8                         | 0.3                        | 3.2                        |
| Sugar                   | 10.6                          | -0.9                       | -1.5                       |
| Citrus                  | 17.0                          | -2.4                       | 2.9                        |
| Bananas                 | 66.9                          | 2.5                        | 2.6                        |
| Other                   | 12.3                          | 1.1                        | -0.8                       |
| Marine Products         | 19.9                          | 4.7                        | 0.3                        |
| Forestry                | 1.8                           | -0.2                       | 0.0                        |
| Mining & Exploration    | 32.9                          | 0.8                        | 1.2                        |
| <b>SECONDARY SECTOR</b> | <b>375.2</b>                  | <b>2.0</b>                 | <b>-30.1</b>               |
| Manufacturing           | 26.5                          | 1.9                        | -1.7                       |
| Building & Construction | 327.8                         | 11.3                       | -16.4                      |
| Utilities               | 20.9                          | -11.2                      | -12.0                      |
| <b>TERTIARY SECTOR</b>  | <b>552.6</b>                  | <b>13.3</b>                | <b>24.8</b>                |
| Transport               | 46.8                          | 1.0                        | -0.8                       |
| Tourism                 | 83.0                          | 3.7                        | 12.5                       |
| Distribution            | 179.3                         | 5.5                        | 8.1                        |
| Other*                  | 243.5                         | 3.1                        | 5.0                        |
| <b>Personal Loans</b>   | <b>319.7</b>                  | <b>-2.5</b>                | <b>5.0</b>                 |
| <b>TOTAL</b>            | <b>1,408.9</b>                | <b>18.4</b>                | <b>4.4</b>                 |

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



**Table 5.9: Commercial Banks Liquidity Position and Cash Reserves**

BZ\$mn

|  | Position<br>as at<br>Mar 2007 | Changes during             |                            |
|--|-------------------------------|----------------------------|----------------------------|
|  |                               | Dec 2006<br>to<br>Mar 2007 | Dec 2005<br>to<br>Mar 2006 |
| <b>Holdings of Approved Liquid Assets</b>        | <b>426.8</b>                  | <b>49.1</b>                | <b>21.5</b>                |
| Notes and Coins                                  | 40.3                          | -0.6                       | 0.1                        |
| Balances with Central Bank                       | 158.9                         | 6.8                        | 16.3                       |
| Money at Call and Foreign Balances (due 90 days) | 162.4                         | 31.0                       | 0.8                        |
| Treasury Bills maturing in not more than 90 days | 28.7                          | 16.7                       | 6.0                        |
| Other Approved assets                            | 30.7                          | -4.8                       | -1.7                       |
| of which: Treasury Notes                         | 10.0                          | 0.0                        | -1.3                       |
| <b>Required Liquid Assets</b>                    | <b>323.8</b>                  | <b>13.8</b>                | <b>-6.2</b>                |
| <b>Excess/(Deficiency) Liquid Assets</b>         | <b>103.0</b>                  | <b>35.3</b>                | <b>27.7</b>                |
| Daily Average holdings of Cash Reserves          | 161.3                         | 11.3                       | 15.5                       |
| Required Cash Reserves                           | 140.8                         | 6.0                        | 5.1                        |
| <b>Excess/(Deficiency) Cash Reserves</b>         | <b>20.5</b>                   | <b>5.3</b>                 | <b>10.4</b>                |

**Table 5.10: Commercial Banks' Weighted Average Interest Rates**

Percentages

|                                | Position<br>as at<br>Mar 2007 | Changes during             |                            |
|--------------------------------|-------------------------------|----------------------------|----------------------------|
|                                |                               | Dec 2006<br>to<br>Mar 2007 | Dec 2005<br>to<br>Mar 2006 |
| <b>Weighted Lending Rates</b>  |                               |                            |                            |
| Personal Loans                 | 16.3                          | -0.1                       | -0.1                       |
| Commercial Loans               | 13.9                          | 0.1                        | -0.2                       |
| Residential Construction       | 12.9                          | -0.3                       | -0.1                       |
| Other                          | 13.5                          | 1.1                        | 0.7                        |
| <b>Weighted Average</b>        | <b>14.3</b>                   | <b>0.1</b>                 | <b>-0.1</b>                |
| <b>Weighted Deposit Rates</b>  |                               |                            |                            |
| Demand                         | 0.7                           | 0.1                        | 0.0                        |
| Savings/ Cheque                | 5.2                           | 0.0                        | 0.0                        |
| Savings                        | 5.3                           | 0.0                        | 0.0                        |
| Time                           | 8.3                           | 0.1                        | 0.3                        |
| <b>Weighted Average</b>        | <b>5.7</b>                    | <b>0.0</b>                 | <b>0.4</b>                 |
| <b>Weighted Average Spread</b> | <b>8.6</b>                    | <b>0.1</b>                 | <b>-0.5</b>                |



**Table 5.11: Central Government's Revenue and Expenditure**

|   | BZ \$'000                    |                           |                       |                       |                              |
|---|------------------------------|---------------------------|-----------------------|-----------------------|------------------------------|
|   | Approved Budget<br>2006/2007 | January 07 to<br>March 07 | April 06 to<br>Mar-07 | April 05 to<br>Mar-06 | Actual YTD as<br>% of Budget |
| <b>TOTAL REVENUE &amp; GRANTS (1+2+3)</b> | <b>598,048</b>               | <b>178,988</b>            | <b>631,939</b>        | <b>559,906</b>        | <b>105.7%</b>                |
| 1). Current revenue                       | 562,345                      | 153,432                   | 583,508               | 529,838               | 103.8%                       |
| Tax revenue                               | 513,902                      | 138,780                   | 530,270               | 474,746               | 103.2%                       |
| Income and profits                        | 135,067                      | 36,933                    | 138,204               | 129,458               | 102.3%                       |
| Taxes on property                         | 6,115                        | 978                       | 4,297                 | 5,519                 | 70.3%                        |
| Taxes on goods and services               | 202,292                      | 55,173                    | 216,925               | 181,834               | 107.2%                       |
| Int'l trade and transactions              | 170,428                      | 45,696                    | 170,844               | 157,935               | 100.2%                       |
| Non-Tax Revenue                           | 48,443                       | 14,652                    | 53,239                | 55,092                | 109.9%                       |
| Property income                           | 4,500                        | 359                       | 1,465                 | 8,588                 | 32.6%                        |
| Licenses                                  | 11,180                       | 3,370                     | 10,928                | 10,247                | 97.8%                        |
| Other                                     | 32,764                       | 10,923                    | 40,846                | 36,257                | 124.7%                       |
| 2). Capital revenue                       | 7,173                        | 3,143                     | 11,328                | 7,150                 | 157.9%                       |
| 3). Grants                                | 28,531                       | 22,412                    | 37,103                | 22,917                | 130.0%                       |
| <b>TOTAL EXPENDITURE (1+2)</b>            | <b>667,943</b>               | <b>241,891</b>            | <b>728,450</b>        | <b>635,328</b>        | <b>109.1%</b>                |
| 1). Current Expenditure                   | 561,685                      | 204,356                   | 617,410               | 548,431               | 109.9%                       |
| Wages and Salaries                        | 223,565                      | 56,108                    | 219,464               | 222,884               | 98.2%                        |
| Pensions                                  | 39,802                       | 9,599                     | 39,992                | 40,102                | 100.5%                       |
| Goods and Services <sup>(1)</sup>         | 103,120                      | 59,759                    | 136,138               | 95,048                | 132.0%                       |
| Interest Payments on Public Debt          | 145,572                      | 63,554                    | 169,444               | 153,448               | 116.4%                       |
| Subsidies & current transfers             | 49,626                       | 15,336                    | 52,372                | 36,949                | 105.5%                       |
| 2). Capital Expenditure                   | 106,258                      | 37,535                    | 111,040               | 86,897                | 104.5%                       |
| Capital II (local sources)                | 54,199                       | 28,120                    | 80,495                | 54,472                | 148.5%                       |
| Capital III (foreign sources)             | 48,851                       | 9,586                     | 30,544                | 27,765                | 62.5%                        |
| Capital Transfer & Net Lending            | 3,208                        | -171                      | 2                     | 4,660                 | 0.0%                         |
| <b>CURRENT BALANCE</b>                    | <b>660</b>                   | <b>(50,924)</b>           | <b>(33,901)</b>       | <b>(18,593)</b>       | <b>-5139.9%</b>              |
| <b>Primary Balance <sup>(2)</sup></b>     | <b>75,677</b>                | <b>651</b>                | <b>72,933</b>         | <b>78,026</b>         | <b>96.4%</b>                 |
| <b>OVERALL BALANCE</b>                    | <b>(69,895)</b>              | <b>(62,903)</b>           | <b>(96,510)</b>       | <b>(75,422)</b>       | <b>138.1%</b>                |
| <b>FINANCING</b>                          | 69,895                       | 62,903                    | 96,510                | 75,422                |                              |
| Domestic Financing                        |                              | 91,331                    | 75,516                | 269,418               |                              |
| Central Bank                              |                              | 79,567                    | 131,791               | 249,724               |                              |
| Net Borrowing                             |                              | 45,926                    | 81,174                | 32,074                |                              |
| Change in Deposits                        |                              | 33,641                    | 50,617                | 217,650               |                              |
| Commercial Banks                          |                              | 12,012                    | (23,942)              | 20,023                |                              |
| Net Borrowing                             |                              | 11,323                    | (18,242)              | (8,189)               |                              |
| Change in Deposits                        |                              | 689                       | (5,700)               | 28,212                |                              |
| Other Domestic Financing                  |                              | (248)                     | (866)                 | (329)                 |                              |
| Transactions with Guaranteed Debts        |                              | 0                         | (31,467)              | 0                     |                              |
| Financing Abroad                          |                              | (43,777)                  | 9,119                 | (209,934)             |                              |
| Disbursements                             |                              | 1,094,274                 | 1,230,218             | 118,454               |                              |
| Amortization                              |                              | (1,138,051)               | (1,220,402)           | (327,852)             |                              |
| Change in Foreign Assets                  |                              | 0                         | (697)                 | (535)                 |                              |
| Privatization Proceeds                    |                              | 0                         | 0                     | 65,000                |                              |
| Nationalization Investment                |                              | 0                         | 0                     | (49,609)              |                              |
| Other                                     |                              | 15,350                    | 11,875                | 546                   |                              |

Source: Ministry of Finance and Central Bank of Belize

<sup>(1)</sup> Goods and Service line item includes other financial charges, which for FY 2006/07 included insurance premium of \$19.4mn and financial fees of \$6.7mn related to the external debt restructuring.

<sup>(2)</sup> The Primary Balance (in accordance with GFS Manual) is inclusive of overall balance plus interest payments only, excluding other financial charges.



**Table 5.12: Public Sector Domestic Debt By Creditor**

BZ\$'000

|   | Disbursed<br>Outstanding<br>Debt<br>31/12/06R | Transactions (January to March 2007)           |   |          |  | Disbursed<br>Outstanding<br>Debt<br>31/03/07 |
|---|---|--|---|----------|--|--|
|   |   | Disbursement<br>/New Issue<br>of<br>Securities | Amortization<br>/<br>Reduction in<br>Securities | Interest | Net Change<br>in<br>Overdraft/<br>Securities |  |
| <b>Overdraft / Loans</b>                    | 89,096  | 0  | 0   | 2,453    | 57,861                                       | 146,957                                      |
| Central Bank                                | 88,851  | 0  | 0   | 2,453    | 57,850                                       | 146,701                                      |
| Commercial Banks                            | 245   | 0  | 0   | 0        | 11   | 256  |
| <b>Treasury Bills</b>                       | 100,000                                       | 0  | 0   | 843      | 0  | 100,000                                      |
| Central Bank                                | 85,737  | 0  | 0   | 564      | -11,925                                      | 73,812                                       |
| Commercial Banks                            | 11,964  | 0  | 0   | 243      | 11,860                                       | 23,824                                       |
| Other                                       | 2,299   | 0  | 0   | 36       | 65   | 2,364  |
| <b>Treasury Notes</b>                       | 55,800  | 0  | 0   | 1,643    | 0  | 55,800                                       |
| Central Bank                                | 44,243  | 0  | 0   | 1,535    | 0  | 44,243                                       |
| Commercial Banks                            | 10,000  | 0  | 0   | 93       | 0  | 10,000                                       |
| Other                                       | 1,557   | 0  | 0   | 15       | 0  | 1,557  |
| <b>Defence Bonds</b>                        | 15,000  | 0  | 0   | 400      | 0  | 15,000                                       |
| Central Bank                                | 10,000  | 0  | 0   | 400      | 0  | 10,000                                       |
| Commercial Banks                            | 100   | 0  | 0   | 0        | 0  | 100  |
| Other                                       | 4,900   | 0  | 0   | 0        | 0  | 4,900  |
| <b>DFC Loan (Debt Restructuring)</b>        | 6,821   | 0  | 6,821   | 128      | 0  | 0  |
| <b>BSSB Housing Loan</b>                    | 644   | 0  | 5   | 13       | 0  | 639  |
| <b>BSSB Loan (Debt Restructuring)</b>       | 0   | 6,670  | 0   | 0        | 0  | 6,670  |
| <b>GOB (Debt For Nature Swap)</b>           | 8,937   | 0  | 615   | 123      | 0  | 8,322  |
| <b>Cohune Walk Loan</b>                     | 2,059   | 0  | 94  | 77       | 0  | 1,965  |
| <b>Infrastructure Dev. Loan Belize Bank</b> | 20,153  | 0  | 442   | 654      | 0  | 19,711                                       |
| <b>Guardian Life Belize \$1mn Loan</b>      | 1,000   | 0  | 0   | 45       | 0  | 1,000  |
| <b>Atlantic Bank Airstrip Loan</b>          | 287   | 0  | 106   | 6        | 0  | 181  |
| <b>Belize Harbour Dredging</b>              | 63  | 0  | 63  | 0        | 0  | 0  |
| <b>Total</b>                                | 299,860                                       | 6,670  | 8,146   | 6,385    | 57,861                                       | 356,245                                      |

*P: Indicates Provisional*

*R: Indicates Revised*



**Table 5.13: Public Sector External Debt By Creditor**

BZ \$'000

|  | DOD at:<br>31/12/2006 | Transaction (January to March '07) |                    |                           |               | DOD at:<br>31/03/2007 |
|--|-----------------------|------------------------------------|--------------------|---------------------------|---------------|-----------------------|
|  |                       | Disbursements                      | Principal Payments | Interest & Other Payments | Parity Change |                       |
| <b>CENTRAL GOVERNMENT</b>                            | <b>1,820,969</b>      | <b>1,095,007</b>                   | <b>1,138,051</b>   | <b>57,605</b>             | <b>272</b>    | <b>1,778,195</b>      |
| Banco Nacional de Comercio Exterior                  | 8,999                 | 0                                  | 529                | 276                       | 0             | 8,469                 |
| Fondo de Financ. de las Exportaciones                | 544                   | 0                                  | 0                  | 0                         | 0             | 544                   |
| Government of Great Britain                          | 5,054                 | 0                                  | 0                  | 0                         | 8             | 5,062                 |
| Government of the United States <sup>(1)</sup>       | 4,908                 | 0                                  | 248                | 28                        | 0             | 4,660                 |
| Government of Trinidad and Tobago                    | 16                    | 0                                  | 0                  | 0                         | 0             | 16                    |
| Government of Venezuela                              | 101,123               | 0                                  | 100,000            | 2,076                     | 0             | 1,123                 |
| Kuwait Fund for Arab Economic Dev                    | 18,213                | 0                                  | 0                  | 0                         | -19           | 18,194                |
| Republic of China                                    | 261,388               | 20,000                             | 3,958              | 5,006                     | 0             | 277,430               |
| Caribbean Development Bank                           | 103,931               | 410                                | 164                | 152                       | 0             | 104,177               |
| European Economic Community                          | 17,729                | 0                                  | 0                  | 0                         | 273           | 18,002                |
| European Investment Bank                             | 646                   | 0                                  | 0                  | 0                         | 10            | 656                   |
| Inter-American Development Bank                      | 159,102               | 2,147                              | 1,841              | 1,774                     | 0             | 159,408               |
| International Fund for Agric. Dev.                   | 1,704                 | 0                                  | 0                  | 0                         | 0             | 1,704                 |
| Intl. Bank for Reconstruction & Dev.                 | 54,225                | 0                                  | 2170               | 354                       | 0             | 52,055                |
| Opec Fund for Int'l. Development                     | 6,466                 | 0                                  | 0                  | 49                        | 0             | 6,466                 |
| Allfirst Bank of Maryland                            | 1,260                 | 0                                  | 420                | 37                        | 0             | 840                   |
| Belize Bank Ltd.                                     | 0                     | 0                                  | 0                  | 0                         | 0             | 0                     |
| Bear Stearns & CO. Inc.                              | 680,483               | 0                                  | 659,303            | 29,993                    | 0             | 21,180                |
| BWS Finance Limited                                  | 14,883                | 0                                  | 0                  | 0                         | 0             | 14,883                |
| Russer Financial Ltd                                 | 0                     | 0                                  | 0                  | 0                         | 0             | 0                     |
| 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                     | 1,000                 | 0                                  | 0                  | 45                        | 0             | 1,000                 |
| Royal Merchant Bank                                  | 217,205               | 0                                  | 217,205            | 12814                     | 0             | 0                     |
| Bank of New York (New Bond Issue)                    | 0                     | 1,072,450                          | 0                  | 0                         | 0             | 1,072,450             |
| Belize Estate and Co. Ltd.                           | 0                     | 0                                  | 0                  | 78                        | 0             | 0                     |
| Caterpillar Financial Services Corp.                 | 188                   | 0                                  | 166                | 4                         | 0             | 22                    |
| Export Import Bank of the United States              | 0                     | 0                                  | 0                  | 0                         | 0             | 0                     |
| <b>NON-FINANCIAL PUBLIC SECTOR</b>                   | <b>41,059</b>         | <b>0</b>                           | <b>1,245</b>       | <b>150</b>                | <b>-6</b>     | <b>39,808</b>         |
| Kuwait Fund for Arab Economic Dev                    | 6,916                 | 0                                  | 0                  | 0                         | -7            | 6,909                 |
| CIBC Bank & Trust Company                            | 494                   | 0                                  | 494                | 14                        | 0             | 0                     |
| Amtrade International Bank of Georgia <sup>(2)</sup> | 1,009                 | 0                                  | 526                | 35                        | 0             | 483                   |
| Caribbean Development Bank <sup>(2)</sup>            | 32,640                | 0                                  | 225                | 101                       | 1             | 32,416                |
| <b>FINANCIAL PUBLIC SECTOR</b>                       | <b>108,087</b>        | <b>0</b>                           | <b>3,278</b>       | <b>1,698</b>              | <b>131</b>    | <b>104,940</b>        |
| Caribbean Development Bank                           | 36,052                | 0                                  | 870                | 372                       | 1             | 35,183                |
| European Economic Community                          | 557                   | 0                                  | 0                  | 0                         | 9             | 566                   |
| European Investment Bank                             | 9,892                 | 0                                  | 323                | 32                        | 121           | 9,691                 |
| Paine Webber Real Estate Securities Inc.             | 1,400                 | 0                                  | 0                  | 0                         | 0             | 1,400                 |
| N.V. De Smet S.A. Engineers                          | 565                   | 0                                  | 0                  | 0                         | 0             | 565                   |
| Belize Mortgage Company                              | 58,298                | 0                                  | 2,085              | 1,293                     | 0             | 56,213                |
| Government of the United States                      | 1,322                 | 0                                  | 0                  | 0                         | 0             | 1,322                 |
| <b>GRAND TOTAL</b>                                   | <b>1,970,112</b>      | <b>1,095,007</b>                   | <b>1,142,574</b>   | <b>59,453</b>             | <b>397</b>    | <b>1,922,942</b>      |

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

<sup>(2)</sup> Loans for the Water Company were re-classified as part of the non-financial public sector after the GOB bought the majority shares in the company on 3rd October 2005.