



Economic Review (September 2006)



Overview

The non-oil sector of the economy grew by 2.9% during the first nine months of 2006 driven mainly by higher production of sugarcane, banana, papaya, sugar, garments, and electricity along with expansions in communications and other services. These increases outweighed contractions in farmed shrimp, construction and services provided by the government and restaurants. The consumer price index rose by 2.3% over the quarter (May 2006 to August 2006) and by 4.9% from August 2005 to August 2006 largely due to higher fuel acquisition costs.

There was a marked improvement in the balance of payments with the current account deficit declining from -\$235.7mn to -\$58.4mn. The improvement reflected a smaller trade deficit, higher earnings from services (particularly tourism) and an expansion in inward remittances that overshadowed an increase in commercial bank retained profits. The capital and financial accounts yielded a small surplus that contributed to an \$8.2mn increase in the gross official international reserves which, at \$151.7mn, was equivalent to 1.6 months of merchandise imports.

Following a build-up in the first two quarters of the year that was largely

facilitated by foreign exchange inflows, bank liquidity declined in the third quarter in response to a further 1.0% increase in statutory reserve requirements and a spurt in lending. Even with the third quarter contraction however, excess secondary liquidity was 25.2% higher than the position at the start of the year and excess cash reserves were also up by 36.9%

Both broad and narrow measures of money supply registered robust growth with deposits being boosted by foreign exchange inflows and increases in net domestic credit. Broad money (M2) grew by 9.4% as compared to a 4.9% increase over the first three quarters of 2005. The 11.5% growth in net credit featured a 65.9% expansion in net credit to Central Government part of which was due to a new Treasury Note issue valued at \$31.5mn. The proceeds from the latter were used to repay government guaranteed loans by the Central Bank to DFC and the NDFB. Loans to the private sector rose by 8.8% with the largest increases being for personal loans and activity in the tertiary sector involving retail trade, tourism and real estate.

Government transactions during the first half of the 2006/2007 fiscal year yielded an



overall deficit of -\$39.8mn and a primary surplus of \$39.1mn. The outturn represented a 32.8% reduction in the overall deficit and a more than doubling of the primary surplus when compared to the first half of the previous fiscal year. While revenues rose by 8.3%, expenditure increased by only 0.8% as an increase in current outlays slightly outweighed a decline in capital spending. The fiscal deficit was financed by the Central Bank through increases in the overdraft balance and deposit withdrawals.

In the nine-month period (January to September), Central Government's domestic debt rose by \$68.1mn to \$347.5mn due to an increase in the overdraft balance with the Central Bank and the new Treasury note issue in August. External loan disbursements to the public sector declined to \$92.0mn as compared to \$388.1mn in the comparable period of 2005. Principal and interest payments also fell from \$309.6mn to \$208.4mn. At \$1859.2mn, the external public sector debt was some \$12.9mn below the amount owed at the end of 2005.



Domestic Production And Prices

Led by electricity, agriculture and trade, the non-oil sector of the economy grew by 2.9% during the first three quarters of 2006, compared to 3.4% during the comparable period of 2005.

In the primary sector, production gains in sugarcane, banana and papaya overshadowed a drop in citrus yields to deliver growth of 8.8% in agriculture/hunting/forestry. On the other hand, a decline in farmed shrimp production, caused a 22.3% contraction in fishing.

With the Chalillo hydroelectric plant boosting local electricity production, output of the electricity and water sub-sector was up by 33.0%. However, manufacturing contracted by 1.3% as a significant drop in citrus processing outweighed higher output of sugar, molasses and garments. Construction also declined by 4.5% due to delays in the start-up of several large projects.

Services such as wholesale and retail trade expanded by 7.6% as import activity strengthened, while investments in telecommunications drove up transport and communications by 6.4%. A decline in cruise ship arrivals caused a dip in restaurant activity and Government

services also fell by 7.1% as fiscal outlays tightened.

In other developments, unemployment declined from 11.0% to 9.4% as the employed labour force grew by 3.7% to 102,233 individuals. A quarterly (May to August) increase of 2.3% was recorded in the Consumer Price Index. Over the year (August 2005 to August 2006) the CPI increase was 4.9% as prices rose across all major commodity groups.

Sugar

After a 2004/2005 crop that was decimated by drought, sugarcane rebounded to normal levels with output increasing by 26.3% to 1,173,469 long tons. However, while wetter weather resulted in improved yields, it also decreased the crop's sugar content (pol) from 12.9% to 11.6% and raised mud levels, causing a 3.4% reduction in factory time efficiency and a 2.2% decline in cane purity. With the cane/sugar ratio falling by 13.8%, total sugar production increased by 10.9% to 111,394 long tons. The higher processing volume pushed up molasses production by 11.1% to 41,179 long tons.

The final sugarcane price for the 2005/2006 crop was \$60.73 per long ton, a 12.1% increase over the price for the



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

| | Nov-Sept 2005/06 | Nov-Sept 2004/05 |
|---|---------------------|---------------------|
| Deliveries of Sugarcane to BSI (long tons) | 1,173,469 | 929,393 |
| Sugar Processed by BSI (long tons) | 111,394 | 100,435 |
| Molasses processed by BSI (long tons) | 41,179 | 37,074 |
| Performance | | |
| Factory Time Efficiency (%) | 91.34 | 94.57 |
| Cane Purity (%) | 83.95 | 85.83 |
| Cane/Sugar | 10.53 | 9.25 |

Source: Belize Sugar Industries

previous crop. This was partly due to an 11.3% improvement in the Euro to US dollar exchange rate for sales that had been negotiated on the futures market, an increase in quota sales to the US and European Union, lower per unit freight charges during the first half of the year (since prices are quoted on a cif basis) and an increase in the world market price for raw sugar. The latter averaged US\$0.17 per pound due to the diversion of Brazilian sugarcane into ethanol production and reduced prospects for European sugar exports.

Citrus

After the previous year's bumper crop, citrus yields for the 2005/2006 crop returned to normal levels with deliveries down by 15.1% to 6.6mn boxes. Orange

deliveries fell by 21.3% to 4.9mn boxes and grapefruit deliveries increased by 10.4% to 1.7mn boxes.

The fall-off in deliveries was exacerbated by declines in the yield of pound solids per box of orange and grapefruit. Juice production consequently declined by 19.5% to 35.6mn pound solids (ps), consisting of 35.2mn ps of concentrates and 0.4mn ps of not-from-concentrate (NFC). The uneven crop performance saw the output of orange pound solids decline by 23.4%, while that of grapefruit increase by 4.8%. Output of by-products was also mixed as pulp production increased by 0.8% to 2.5mn pounds, while oil production fell by 2.8% to 1.8mn pounds.

Notwithstanding a 4.0% forecasted increase in world citrus output, the low levels of U.S. citrus juice stocks and expectations of stable output in the U.S. in the short-term kept Belize's export prices high. The final price for orange this year is estimated at \$1.53 per pound solid (pps), compared to \$0.95 pps for the 2004/2005 crop, while that for grapefruit is down from \$2.24 pps to \$2.33 pps.

Banana

After a sluggish start in the first half of the year due to unfavourable growing conditions and a temporary lull in



Table 1.2: Citrus Fruit Deliveries and Output of Citrus Products

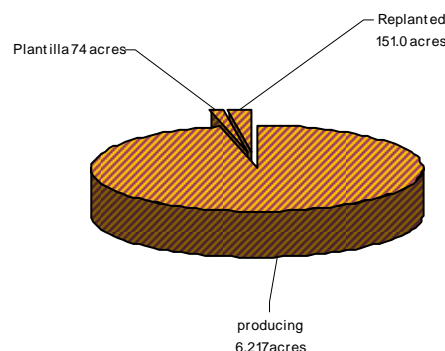
| | Oct-Sept 2005/06 | Oct-Sept 2004/05 |
|----------------------------------|---------------------|---------------------|
| Deliveries (boxes) | | |
| Orange | 4,930,907 | 6,264,847 |
| Grapefruit | <u>1,687,502</u> | <u>1,527,802</u> |
| Total | 6,618,409 | 7,792,649 |
| Concentrate Produced (ps) | | |
| Orange | 29,105.69 | 37,688.89 |
| Grapefruit | <u>6,075.862</u> | <u>5,846.097</u> |
| Total | 35,181.55 | 43,534.99 |
| Not from concentrate (ps) | | |
| Orange | 43,738 | 359,979 |
| Grapefruit | <u>391,050</u> | <u>326,452</u> |
| Total | 434,788 | 686,431 |
| Pulp (pounds) | | |
| Orange | 1,935,984 | 1,807,936 |
| Grapefruit | <u>572,832</u> | <u>682,080</u> |
| Total | 2,508,816 | 2,490,016 |
| Oil Produced (pounds) | | |
| Orange | 1,605,153 | 1,727,630 |
| Grapefruit | <u>235,000</u> | <u>164,870</u> |
| Total | 1,840,153 | 1,892,500 |

Sources: Citrus Products of Belize, Citrus Growers Association

investments because of uncertainties regarding the impact of the new EU import regime, banana yields improved in the third quarter, bringing output up to 3.1mn boxes for the year to date. This is 1.4% higher than the same period of 2005. Given the small increase, it seems unlikely that the industry will achieve its forecasted output of 4.2 million boxes for 2006.

Acreage under harvestable trees in June stood at 6,216.9 acres, compared to 6,080.3 acres in December 2005. Consequently, acres under plantilla (young, non-bearing

Chart 1.1: Banana Acreage



trees) declined from 171.2 acres in December 2005 to only 74 acres. Furthermore, the area that is ready to be planted increased from 42 acres at the end of the previous year to 151 acres in June 2006.

Temporary production shortfalls in other ACP countries boosted the average annual price by U.S. \$0.35 to U.S. \$6.55 per box. A deadfreight penalty remains on weekly shipping volumes below 76,500 boxes, and any out-of-quota tariff charged on Belizean bananas under the new EU import regime will not be known until the 2006 marketing year review.

Tourism

World tourism continued to grow in the first eight months of 2006 with global tourist arrivals up 25 million to a total of



578 million. While tourist arrivals in Mexico fell by 3.8% in the aftermath of hurricane damage to its major tourist destinations in the Yucatan peninsula, tourist arrivals in the Caribbean grew by 5.1% and Central America saw arrivals increase by 8.7%.

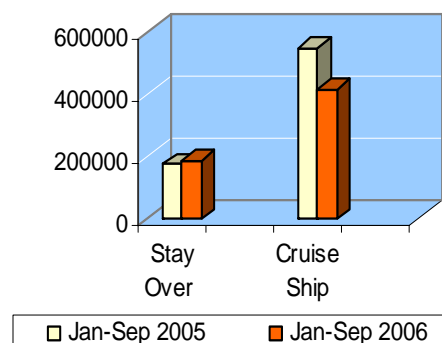
In Belize, stay-over visitors (excluding arrivals through the Dangriga seaport) increased by 5.7% to 186,395 during the first three quarters of the year. The United States and Europe remained the largest markets and accounted for 65.5% and 13.7% of stay-over tourists, respectively. Tourist arrivals from the United States went up by 5.7% to 122,038 and those from the EU increased by 3.9% to 25,458. Arrivals from other countries also increased by 7.0% to 38,899. Those who traveled by air increased by 3.8% while visitors by way of the land borders and seaports were up by 11.8% and 17.4%, respectively.

**Table 1.4: Bona Fide Tourist Arrivals
Year to Date**

| | 2006 Jan-Sep | 2005 Jan-Sep |
|---------------------------|-----------------|-----------------|
| Stay-over Arrivals | | |
| Air | 142,308 | 137,152 |
| Land | 37,613 | 33,651 |
| Sea | 6,474 | 5,583 |
| Total | 186,395 | 176,386 |
| Cruise Ship | 415,408 | 544,704 |

Source: Immigration Department

Chart 1.1: Tourist Arrivals: Jan - Sept



In contrast, cruise ship disembarkations declined by 18.8% to 442,150 with the reassignment elsewhere of a cruise ship that used to make weekly port calls to Belize. The number of port calls consequently fell from 279 during the first three quarters of 2005 to 201 in the comparable period of 2006.

Consumer Price Index

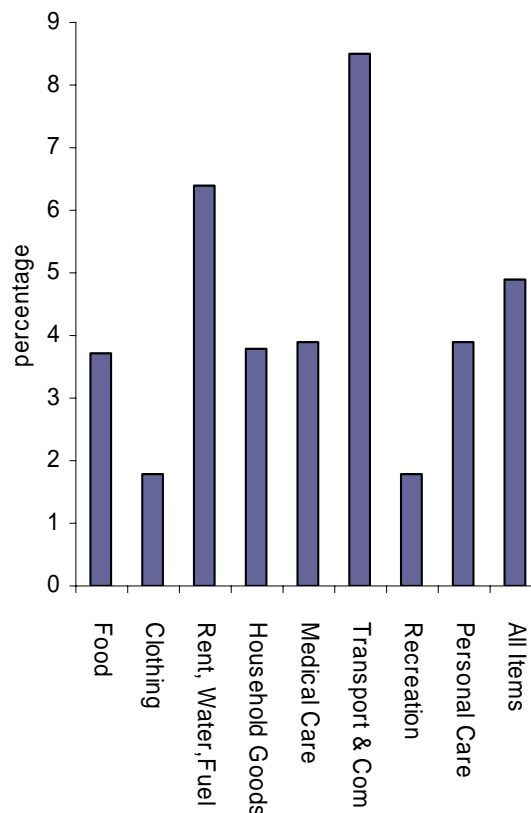
Continuing the yearly upward trend in prices and reflecting the impact of the new general sales tax implemented in July, the CPI rose by 2.3% over the quarter (May to August) and by 4.9% over the year (August 2005 to August 2006). Prices were higher in all categories of goods and services. Higher fuel acquisition costs, particularly gasoline prices that increased by 14.4%, drove up transport and communication prices by 8.5%. Increases in electricity rates and the



cost of butane pushed up rent, water, fuel & power prices by 6.4%, while prices of food, beverage and tobacco increased by 3.7%.

Categories with a high import content, such as personal care, household goods & maintenance and clothing & footwear experienced increases of 3.9%, 3.8% and 1.8%, respectively. Medical care and recreation et. al increased by 3.9% and 1.8%, respectively, partly due to the hike in business tax on professional services.

Chart 1.2: Annual Percentage Change in Consumer Price Index August 2005– August 2006





International Trade and Payments

The external current account position improved markedly relative to the previous year with the deficit declining from \$235.7mn to \$58.4mn. The improvement reflected a smaller trade deficit, higher earnings from services and an expansion in inward remittances that overshadowed an increase in commercial bank retained profits. Although the capital and financial accounts yielded a smaller surplus due to the combination of a deceleration in government's external borrowing and higher loan repayments, the gross international reserves nevertheless increased by \$8.2mn to \$151.7mn, equivalent to 1.6 months of imports.

The 16.3% decline in the trade deficit was due to strong export growth since imports increased by 12.2%. Summing to \$899.3mn, the latter was partially due to sizeable investments into aquaculture and higher payments for fuel, construction materials, transportation equipment, chemical products, poultry feed, and durum wheat.

Total exports rose by 30.5% largely due to a \$116.4mn increase in domestic exports and, to a lesser extent, by CFZ sales and re-exports. Petroleum accounted for roughly half of the increase in export earnings. Citrus juices and sugar accounted for virtually all of the remainder. In other

Table 2.1: Balance of Payments Summary

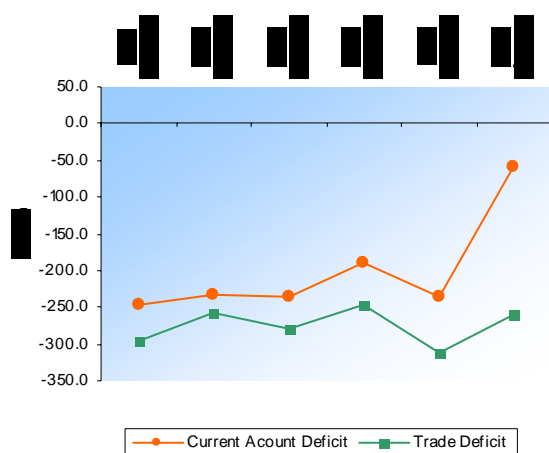
| | (BZ\$mn) | |
|---|-------------------------------|-------------------------------|
| | 2006 ^P Jan-Sept | 2005 ^R Jan-Sept |
| A. CURRENT ACCOUNT | | |
| (I+II+III+IV) | -58.4 | -235.7 |
| I. Goods (Trade Balance) | -261.5 | -312.5 |
| Exports, f.o.b. | 637.8 | 488.8 |
| Domestic Exports | 438.0 | 321.6 |
| CFZ Gross Sales | 175.9 | 148.8 |
| Re-exports | 23.8 | 18.4 |
| Imports, f.o.b. | 899.3 | 801.3 |
| Domestic Imports | 777.8 | 681.2 |
| CFZ Imports | 121.5 | 120.2 |
| II. Services | 290.9 | 189.2 |
| Transportation | -38.4 | -26.5 |
| Travel | 294.8 | 238.2 |
| Other Services | 34.2 | -22.5 |
| III. Income | -187.6 | -168.8 |
| Compensation of Employees | 0.1 | -4.5 |
| Investment Income | -187.7 | -164.4 |
| IV. Current Transfers | 99.8 | 56.5 |
| Government | 0.2 | -12.2 |
| Private | 99.6 | 68.7 |
| B. CAPITAL & FINANCIAL ACCOUNT | | |
| (I+II) | 6.4 | 418.6 |
| I. Capital Account | 12.9 | 4.0 |
| II. Financial Account (1+2+3+4) | -6.5 | 414.6 |
| 1. Direct Investment in Belize | 114.8 | 255.7 |
| 2. Portfolio Investment | -51.8 | 105.3 |
| Monetary Authorities | 0.0 | 0.0 |
| General Government | -51.4 | 105.6 |
| Banks | 0.0 | 0.0 |
| Other Sectors | -0.4 | -0.3 |
| 3. Financial Derivatives | 0.0 | -10.6 |
| 4. Other Investments | -69.5 | 64.3 |
| Monetary Authorities | 0.4 | -2.8 |
| General Government | 15.3 | 62.2 |
| Banks | -76.1 | 16.7 |
| Other Sectors | -9.0 | -11.9 |
| C. NET ERRORS & OMISSIONS | 60.2 | -31.6 |
| D. OVERALL BALANCE | 8.2 | 151.4 |
| E. RESERVE ASSETS* | -8.2 | -151.4 |

P- indicates Provisional, R- indicates Revised

* Minus = increase



Chart 2.1: Current Account Deficit vs. Trade Deficit

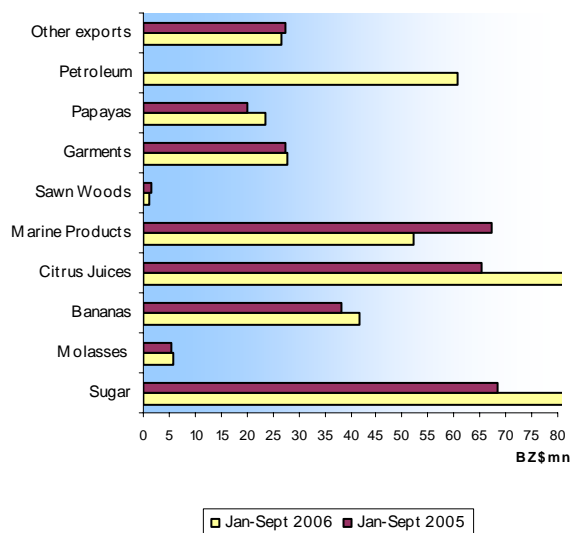


developments, higher earnings from banana, papaya, garments and molasses were offset by lower receipts from marine and non-traditional exports.

Benefiting from stronger prices and a 10.3% increase in volume, sugar export receipts rose by 44.3% to \$98.6mn. In this, the last quota year before the scheduled price cuts, earnings from the EU market rose by 54.1% to \$65.3mn, as Belize supplied about 15,000 long tons of additional SPS sugar which other CARICOM countries were unable to meet. In addition, receipts from the U.S. more than doubled with a temporary increase in preferential sales due to shortfalls in U.S. sugar production. As a result of the temporary increase in sales to the preferential markets, the volume of residual sugar sales to CARICOM almost halved.

Citrus exports also benefited from the

Chart 2.2: Domestic Exports



strengthening of prices across most markets and a 21.0% increase in volume that was facilitated by the draw down of previously existing stocks. Earnings consequently rose by 52.9% to a record high of \$99.7mn. Orange concentrate receipts rose by 77.9% to \$75.9mn, as sales to Europe revived and the average price per pound solid on the U.S. market rose by \$1.02. Sales of grapefruit concentrate also increased by 10.2% to \$23.9mn with European sale volume almost doubling, in contrast to declines in sales to the US and Caribbean of 41.8% and 24.4%, respectively.

An 8.7% increase in earnings from banana exports to \$41.8mn reflected a small increase in volume, a 5.7% increase in the average box price and the fact that no second class banana was included in the export mix.

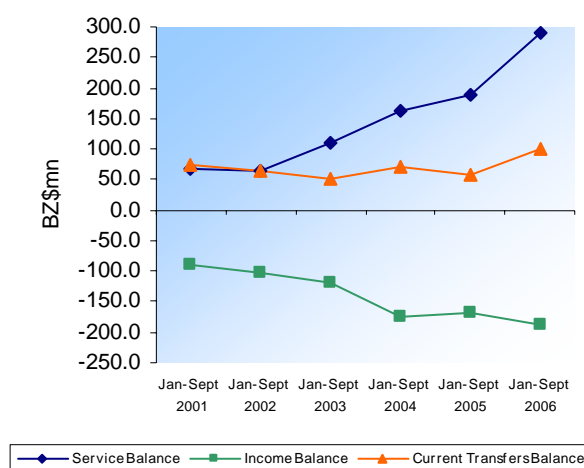


Marine export volume fell by 22.0% to 11.1mn pounds as declines in farmed shrimp, lobster and other fish overshadowed an increase in conch. With a \$5.07 per pound improvement in the average price of lobster being offset by weaker prices for shrimp and conch, receipts also experienced a 22.1% decline to \$52.3mn. It should be noted, however, that tilapia sales to Mexico are not presently being recorded under marine exports, and shrimp revenue may be underestimated where sales to Mexico are concerned.

Exports of papaya increased by 17.5% to 56.1mn pounds while revenue rose by 15.4% to \$23.4mn. Receipts from other miscellaneous domestic exports declined by 5.3% to \$27.7mn as lower sales of veneer sheets/plywood, fresh oranges, beans and grapefruit oil outweighed higher earnings from pepper sauce, orange oil and other non-traditional exports.

Strong growth in earnings from tourism due to increases in the number of overnight visitors as well as in their average expenditure accounted for much of the 53.8% rise in net earnings from services during the period reviewed. These inflows outweighed higher payments for transportation payments in view of the increase in trade volumes and lower receipts by shipping agents as the number of cruise ship port calls declined. Since the

Chart 2.3: Service, Income and Current Transfers Balances



insurance and financial fees that bumped up outlays in the previous year were not repeated, and earnings by professionals were up by 75.0%, net receipts from other services also swung from a deficit in 2005 to a surplus.

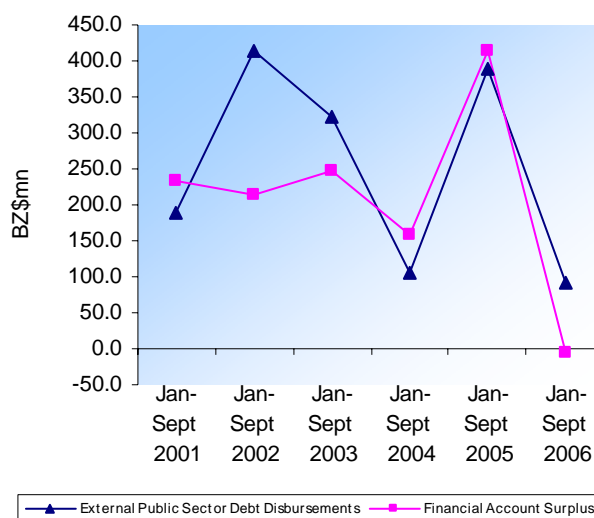
Net outflows on the income account were up by 11.1% to \$187.6mn mostly due to increases in commercial bank retained profits, the repatriation of profits/dividends, and interest payments on public and private sector debt. On a positive note, earnings by resident workers mostly connected with the construction of the US Embassy outweighed payments made to non-resident workers. In other developments, net inflows from current transfers rose by 76.5% to \$99.8mn as inward remittances to individuals increased by 69.6% and inflows to regional/international organizations, religious and



non-profit organizations, credit unions and insurance companies also rose.

Capital and financial transactions yielded a small surplus of \$6.4mn, substantially lower than the \$418.6mn realized during the first nine months of 2005. The reduced surplus reflected inflows from foreign direct investment (mostly in electricity, tourism and real estate), debt relief from the UK and loan disbursements that were offset by higher loan repayments of government, private sector companies and commercial banks, and the removal of IBC deposits from commercial banks long term foreign liabilities.

Chart 2.4: Public Sector Debt Disbursements and Financial Account Surplus





Monetary Developments

A combination of earnings from exports and tourism, and buoyant credit growth pushed the broad money supply upward by 9.4% over the first three quarters of the year. While net foreign assets and net domestic credit registered robust increases, net non-monetary liabilities of the banking system also rose significantly largely due to increases in commercial banks' retained earnings and the sterilization of the Social Security Board's monthly receipts with the Central Bank. The BSSB's deposit of its monthly surplus with the Central Bank was one of the measures implemented over the past 18 months to reduce the rate of expansion in bank liquidity and credit. Other measures included progressive increases in commercial bank statutory reserve requirements in May 2005, January 2006 and September 2006.

Contrasting with a 2.4% decline in the first three quarters of 2005, narrow money expanded by 14.0% with demand deposits, savings/chequing deposits, and public currency holdings rising by \$45.3mn, \$14.4mn, and \$12.6mn, respectively. A single private utility accounted for more than half of the growth in demand deposits, the balance being mainly due to other organizations such as cooperatives, credit unions, statutory bodies and religious

Table 3.1: Factors Responsible for Money Supply Movements

| | Position as at Sep 2006 | Changes during | |
|---|-------------------------|----------------------|----------------------|
| | | Dec 2005 to Sep 2006 | Dec 2004 to Sep 2005 |
| Net Foreign Assets | 189.3 | 56.1 | 151.0 |
| Central Bank | 147.2 | 7.4 | 151.2 |
| Commercial Bank | 42.1 | 48.7 | -0.2 |
| Net Domestic Credit | 1,573.3 | 162.9 | -74.5 |
| Central Government (Net) | 242.1 | 96.2 | -134.1 |
| Other Public Sector | 23.3 | -37.9 | -7.4 |
| Private Sector | 1,307.9 | 104.6 | 67.0 |
| Central Bank Foreign Liabilities (Long-term) | 0.0 | 0.0 | -2.5 |
| Other Items (net) | 307.0 | 93.4 | 17.9 |
| Money Supply M2 | 1,455.6 | 125.6 | 61.1 |

groups. Quasi money increased by 6.5%, reflecting increases of \$14.6mn in savings and \$38.7mn in time deposits. The rise in the latter occurred notwithstanding the shift of some \$36.4mn in non-resident foreign currency time deposits to offshore affiliates and was largely traced to credit unions and business enterprises which recorded a combined increase of \$59.0mn.

Reflecting the improvement in the external balance of payments, the net foreign assets of the banking system increased by 42.1%. The Central Bank's net foreign asset holdings rose by \$7.4mn with foreign



Table 3.2: Net Foreign Assets of the Banking System

| \$mn | | | |
|--|-------------------------------|-------------------------|-------------------------|
| | Position as at Sep 2006 | Changes during | |
| | | Dec 2005 to Sep 2006 | Dec 2004 to Sep 2005 |
| Net Foreign Assets of Banking System | 189.3 | 56.1 | 151.0 |
| Net Foreign Assets of Central Bank | 147.2 | 7.4 | 151.2 |
| Central Bank Foreign Assets | 150.3 | 7.8 | 150.9 |
| Central Bank Foreign Liabilities (Demand) | 3.1 | 0.4 | -0.3 |
| Net Foreign Assets of Commercial Banks | 42.1 | 48.7 | -0.2 |
| Commercial Bank Foreign Assets | 159.7 | 12.1 | 0.9 |
| Commercial Bank Foreign Liab. (Short-Term) | 117.6 | -36.6 | 1.1 |

exchange inflows of \$248.4mn that included purchases from the commercial banks (38.4%), foreign loan disbursements (34.8%), and BSI export earnings (21.9%). Foreign exchange outflows amounted to \$240.7mn with 86.5% going to facilitate external debt payments by the public sector. Notwithstanding higher net sales to the Central Bank, loan repayments and outflows for fuel and other imports, the commercial banks recorded a \$12.1mn increase in foreign assets. Their short term foreign liabilities declined by \$36.6mn reflecting repayments to head offices and affiliates.

Credit growth was led by Central Government, which, while reducing its use

Chart 3.1: Sources of Foreign Exchange Inflows to the Central Bank January 06– September 06

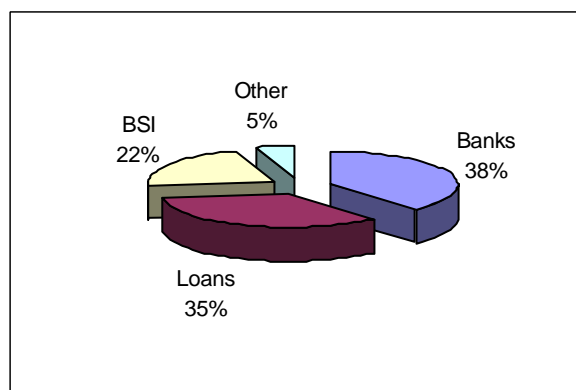
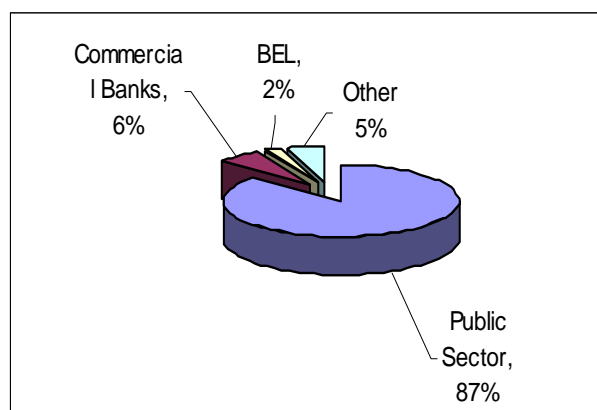


Chart 3.2: Central Bank Foreign Exchange Sales January 06 - September 06



of commercial bank financing, accessed \$102.0mn in funds from the Central Bank. The latter included a \$45.0mn increase in overdraft financing, net deposit withdrawals of \$28.2mn and the bulk of the proceeds from the new Treasury Notes that were issued in August. Proceeds from the latter were used to repay Central Bank loans to the DFC and the NDFB that were guaranteed by the government. When coupled with the shifting of BWSL loans from the commercial banks to the BSSB,



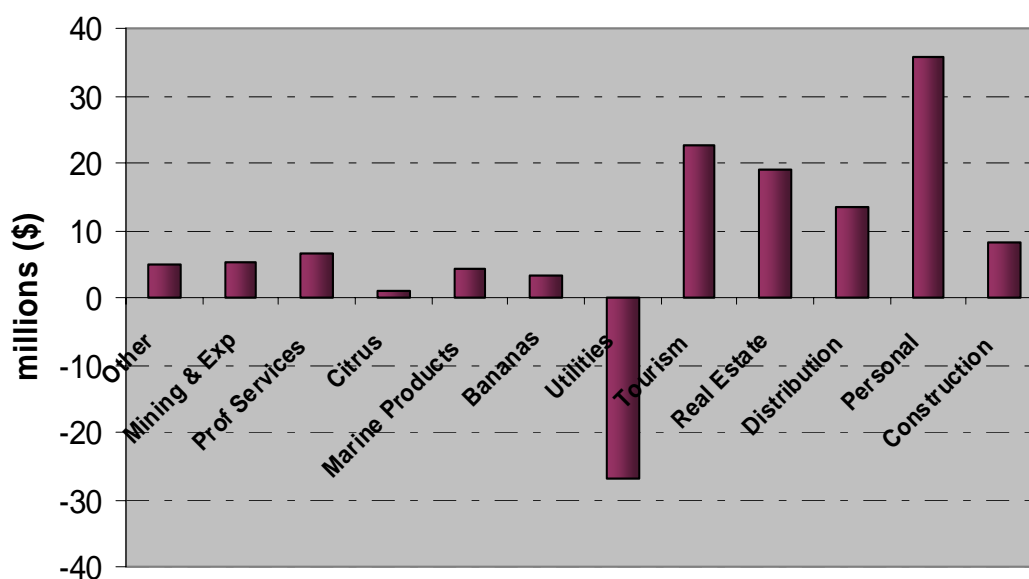
these transactions resulted in a \$37.9mn contraction in credit to statutory bodies. The net result of activity in the secondary market was a \$4.0mn increase in commercial bank holdings of Treasury Bills during the nine-month period. Supported by foreign inflows, the banks had undertaken a build-up in holdings during the first half of the year but this was largely reversed in August and September as lending to the private sector accelerated.

During the January to September period, loans to the private sector increased by 8.8% (\$104.8mn) with personal loans accounting for \$35.8mn and some \$56.4mn being allocated to the services sector mostly

for tourism, real estate and retail trade. The bulk of the \$13.0mn disbursed for the primary sector went to 'mining and exploration', marine producers and banana growers. Loans to the secondary sector declined by \$18.0mn, partly due to reclassifications from construction to the real estate category, and partly due to transactions between the utilities (BEL and BWSL) and the Social Security Board.

Although there was a decline in the third quarter, bank liquidity experienced an overall increase during the review period largely due to the rise in foreign inflows. At the end of the third quarter, excess secondary liquidity was 25.2% above the

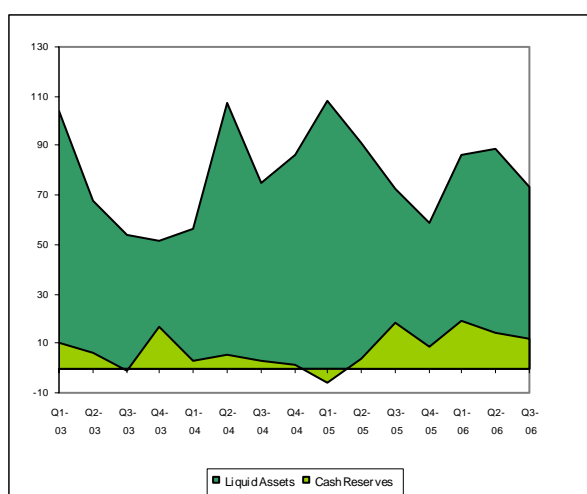
**Chart 3.3: Change in Commercial Banks' Loans and Advances by Sub-Sectors
December 2005 - September 2006**





position at the end of December and excess cash reserves were up by 36.9%. In addition to the increase in lending, the deceleration in the third quarter was partly due to the Central Bank's implementation of a 1.0% increase in reserve requirements

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



that took effect on September 1. Over the nine-month period, holdings of approved liquid assets rose by \$49.9mn, relative to a \$35.2mn increase in the required level. The largest portfolio change was a \$39.9mn increase in balances held with the Central Bank part of which was due to the rise in

cash reserve requirements. Short term foreign balances also rose by \$9.6mn. Excess primary liquidity grew by \$3.2mn to \$11.9mn, with daily average holdings rising by \$33.1mn, relative to a \$29.9mn increase in the requirement.

The weighted average interest rate spread narrowed by 50 basis points to 8.4% reflecting a 10 basis points decline in the weighed average lending rate to 14.2%, and a 40 basis points increase in the weighted average deposit rate to 5.8%.



Government Operations

At the end of the second quarter of the fiscal year, an 8.3% (\$22.1mn) increase in revenues eclipsed a 0.8% (\$2.6mn) increase in expenditure. The current deficit consequently declined from -\$15.7mn in the first half of FY 2005/2006 to -\$0.9mn while the overall deficit fell from -\$59.3mn to -\$39.8mn, and the primary surplus doubled to \$39.1mn.

Revenue growth was mostly due to a \$16.5mn increase in tax collections from goods and services, the bulk of which came from stamp duties paid to the Registry which is back under government control and receipts from the sales tax/general sales tax. Capital revenue increased by \$1.6mn due to the sale of crown land and property, while grants receipts (mainly from the CDB and ROC) were up by \$1.0mn.

Current expenditure recorded a \$4.7mn

Table 4.1: Central Government's Revenue and Expenditure

| | \$mn | |
|-----------------------------|----------------|----------------|
| | Apr - Sep 2006 | Apr - Sep 2005 |
| Total Revenue & Grants | 287.2 | 265.1 |
| of which: Current Revenue | 279.1 | 259.5 |
| of which: Grants | 2.3 | 1.3 |
| Total Expenditure | 327.0 | 324.4 |
| Current Expenditure | 280.0 | 275.3 |
| of which: Interest Payments | 78.9 | 77.9 |
| Capital Expenditure | 47.0 | 49.1 |
| Current Balance | -0.9 | -15.7 |
| Primary Balance | 39.1 | 18.6 |
| Overall Balance | -39.8 | -59.3 |

Table 4.2: Summary of Government's Revenues

| | \$mn | |
|------------------------------|----------------|----------------|
| | Apr - Sep 2006 | Apr - Sep 2005 |
| Current revenue | 279.1 | 259.5 |
| Tax revenue | 254.8 | 235.3 |
| Income and profits | 65.3 | 63.3 |
| Taxes on property | 2.8 | 3.7 |
| Taxes on goods & services | 106.9 | 90.4 |
| Int'l trade and transactions | 79.8 | 77.9 |
| Non-Tax Revenue | 24.3 | 24.2 |
| Property income | 1.1 | 3.3 |
| Licenses | 5.2 | 4.9 |
| Other | 18.0 | 16.0 |
| Capital revenue | 5.8 | 4.2 |
| Grants | 2.3 | 1.3 |

(1.7%) increase mostly due to higher spending on goods & services and interest payments on the domestic debt. A \$5.4mn (4.8%) fall in wages/salaries was largely due to the reclassification of Karl Heusner Memorial Hospital personnel emoluments under subsidies/current transfers, which subsequently rose by 39.5%.

Table 4.3: Summary of Government's Expenditure

| | \$mn | |
|-------------------------------|----------------|----------------|
| | Apr - Sep 2006 | Apr - Sep 2005 |
| Current Expenditure | 280.0 | 275.3 |
| Wages & Salaries | 107.4 | 112.8 |
| Pensions | 19.7 | 21.0 |
| Goods & Services | 49.0 | 45.6 |
| Interest Payments | 78.9 | 77.9 |
| of which: External | 67.7 | 67.9 |
| Subsidies & current transfers | 24.9 | 17.9 |
| Capital Expenditure | 47.0 | 49.1 |
| Capital II | 30.6 | 27.9 |
| Capital III | 14.8 | 14.8 |
| Net lending | 1.6 | 6.5 |



Capital expenditure and net lending fell by 4.3% to \$47.0mn. Outlays included \$30.6mn for capital II projects, \$14.8mn for capital III projects and net lending of \$1.6mn that consisted of interest paid on DFC's behalf for the North American Securitization.

Education dominated outlays with some \$11.5mn being allocated for technical and vocational training, UB, tertiary level scholarships and upgrading of school buildings. The Ministry of National Development used \$10.2mn, partly funded from the Commonwealth debt relief and channelled through organizations such as SIF, BNTF, and NICH, to alleviate poverty and enhance rural development. Expenditures under the Ministry of Finance (\$8.7mn) were for printing services, contribution to NHI and the debt for nature swap. Other notable outlays went on infrastructure projects that included the roads to Mussel Creek and Willows Bank, the Orange Walk By-Pass, the resealing of the Western Highway, and general maintenance of highways, streets and drains. Some \$2.7mn was assigned for the Land Management Project.

The fiscal deficit was financed by the Central Bank through increases in the overdraft and deposit withdrawals. Financing from commercial banks declined, and external financing also declined as

amortization payments of \$61.2mn exceeded disbursements of \$58.9mn.

Government's Domestic Debt

Increased reliance on Central Bank financing contributed to a 24.4% (\$68.1mn) increase in Central Government's domestic debt. Suspense account transactions to reduce the overdraft balance with the Central Bank at the end of 2005 which were subsequently reversed in January also accounted for a portion of the increase. The overdraft balance with the Central Bank consequently recorded a 50.2% increase to \$134.6mn (equivalent to 25.4% of current revenues of the 2005/2006 fiscal year). In addition, some \$31.5mn in a new issue of Treasury Notes was taken up by the Central Bank. The Government used the funds raised from this to repay loans that the Central Bank had extended to DFC (\$29.9mn) and the NDFB (\$1.6mn) under Government guarantee, shifting the creditor status from Central Bank to Central Government.

Table 4.4: Summary of Central Government's Domestic Debt

\$mn

| | Dec 31, 2005 | Sep 30, 2006 | Changes in Stock |
|----------------|-----------------|-----------------|---------------------|
| Overdraft | 96.3 | 136.2 | 39.9 |
| Loans | 44.1 | 40.5 | -3.6 |
| Treasury Bills | 100.0 | 100.0 | 0.0 |
| Treasury Notes | 24.0 | 55.8 | 31.8 |
| Defence Bonds | 15.0 | 15.0 | 0.0 |
| Total | 279.5 | 347.5 | 68.1 |



Principal repayments totaled \$3.8mn, of which \$1.5mn and \$1.2mn went to the Belize Bank and the debt for nature swap. The remaining payments were shared among the DFC, Atlantic Bank, Recondev, the BSSB and the Belize Tourist Village.

Year to date interest payments summed to \$14.6mn and included payments of \$9.4mn on the overdraft balance with the Central Bank, \$2.1mn to holders of Treasury Bills and \$0.2mn each to holders of Treasury Notes and Defence Bonds. The Belize Bank also received \$1.5mn and the DFC was paid \$0.4mn. Other smaller payments went to the debt for nature swap, Recondev, Guardian Life Insurance, Atlantic Bank and BSSB.

Public Sector External Debt

At the end of September, the public sector's external debt stood at \$1,859.2mn, down 0.7% compared to December 2005, as amortization payments of \$107.6mn exceeded disbursements of \$92.0mn and upward valuation adjustments of \$2.6mn. Interest and other payments totalled \$100.8mn.

The largest disbursements to Central Government consisted of \$50.0mn from Venezuela and \$30.0mn from ROC/Taiwan. Some \$1.8mn in interest payments to TIBoM was capitalized. Other sizeable disbursements came from CDB (\$6.5mn),

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

| | DOD at: 31/12/05 | DOD at: 30/09/06 | Change in Debt Stock |
|--------------------------------|---------------------|---------------------|-------------------------------|
| Central Government | 1,770.7 | 1,765.1 | -5.6 |
| Bilateral | 310.6 | 370.6 | 60.0 |
| Multilateral | 330.1 | 326.3 | -3.8 |
| Bonds | 978.5 | 940.3 | -38.2 |
| Commercial Banks | 150.1 | 127.6 | -22.5 |
| Export Credit | 1.4 | 0.4 | -1.0 |
| Rest of NFPS | 46.4 | 42.7 | -3.7 |
| Bilateral | 7.5 | 6.9 | -0.6 |
| Multilateral | 34.5 | 33.3 | -1.2 |
| Commercial Banks | 2.3 | 1.0 | -1.3 |
| Export Credit | 2.1 | 1.5 | -0.6 |
| Financial Public Sector | 55.0 | 51.3 | -3.7 |
| Bilateral | 1.7 | 1.5 | -0.2 |
| Multilateral | 50.0 | 47.1 | -2.9 |
| Commercial Banks | 1.6 | 1.5 | -0.1 |
| Export Credit | 1.7 | 1.1 | -0.6 |
| Grand Total | 1,872.1 | 1,859.2 | -12.9 |

IDB (\$2.0mn) and Manufacturers & Traders Trust (\$1.6mn).

Central Government made principal repayments of \$99.6mn to bondholders (\$38.3mn), commercial banks (\$24.2mn), bilateral lenders (\$22.3mn), multilateral institutions (\$13.7mn) and commercial suppliers (\$1.0mn). The financial public sector repaid \$4.2mn, of which \$3.4mn went to multilateral creditors. Of the \$3.8mn paid by the non-financial public sector, \$1.4mn went to CIBC Bank & Trust, \$1.2mn to CDB, \$0.7mn to the Government of Kuwait and \$0.5mn to



Amtrade International.

The \$97.8mn in interest paid by Central Government was shared among bondholders (\$64.0mn), bilateral creditors (\$13.3mn), commercial banks (\$10.4mn), multilateral lenders (\$10.0mn) and commercial suppliers (\$0.1mn). The financial public sector paid \$1.6mn with \$1.5mn going to multilateral creditors and the remainder shared between commercial creditors and bilateral lenders. The non-financial public sector paid \$1.4mn to CDB (\$0.8mn), Government of Kuwait (\$0.3mn) and CIBC Bank & Trust (\$0.2mn).

Euro, pound sterling and Kuwait dinar denominated loans were adjusted upwards. by \$1.7mn, \$0.6mn and \$0.3mn, respectively.



Annex

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

| Major Commodity Group | Weights | Quarterly Change | | | | Annual Change |
|---------------------------------|-------------|------------------|------------|------------|------------|---------------|
| | | Nov-05 | Feb-06 | May-06 | Aug-06 | |
| Food, Beverage & Tobacco | 346.6 | -0.4 | 0.7 | 0.1 | 3.4 | 3.7 |
| Clothing & Footwear | 92.0 | -0.9 | 0.7 | 0.8 | 1.0 | 1.8 |
| Rent, Water, Fuel, & Power | 167.6 | 2.2 | 1.8 | 1.2 | 1.1 | 6.4 |
| Household Goods & Maintenance | 85.3 | 0.5 | -0.1 | 0.2 | 3.2 | 3.8 |
| Medical Care | 20.1 | 1.1 | -0.4 | 0.3 | 2.9 | 3.9 |
| Transport & Communication | 170.1 | 0.6 | 1.7 | 4.1 | 2.0 | 8.5 |
| Recreation, Education & Culture | 80.4 | 0.0 | 0.2 | 0.0 | 1.5 | 1.8 |
| Personal Care | 37.9 | -0.9 | 1.4 | 0.0 | 3.5 | 3.9 |
| ALL ITEMS | 1000 | 0.3 | 1.0 | 1.2 | 2.3 | 4.9 |

Source: Central Statistical Office

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

| SITC Section | Jan- Sept 2006 | Jan- Sept 2005 |
|-------------------------------------|--------------------|--------------------|
| 0 Food and Live Animals | 85,132,590 | 78,988,039 |
| 1 Beverages and Tobacco | 18,121,640 | 7,956,125 |
| 2 Crude Materials | 7,050,875 | 7,577,178 |
| 3 Minerals, Fuels and Lubricants | 197,337,534 | 178,562,445 |
| of which electricity | 24,907,165 | 32,235,395 |
| 4 Oils and Fats | 2,955,730 | 2,390,012 |
| 5 Chemical Products | 68,988,826 | 62,814,396 |
| 6 Manufactured Goods | 116,581,764 | 103,189,088 |
| 7 Machinery and Transport Equipment | 154,145,634 | 148,925,479 |
| 8 Other Manufactures | 74,758,864 | 68,865,178 |
| 9 Commodities N.E.S | 861.38 | 16,337 |
| Export Processing Zones | 132,487,444 | 90,220,136 |
| Commercial Free Zone | 133,488,989 | 132,044,678 |
| Personal Goods | 2,828,767 | 1,664,949 |
| Total | 993,879,519 | 883,214,040 |

Sources: Central Statistical Office, Central Bank of Belize



Table 5.3: Value of Main Domestic Exports

| | BZ\$mn | |
|--------------------------|--------------------------|--------------------------|
| | 2006 Jan-Sept | 2005 Jan-Sept |
| Sugar | 98.6 | 68.4 |
| Molasses ¹ | 5.8 | 5.3 |
| Bananas | 41.8 | 38.4 |
| Citrus ¹ | 99.7 | 65.3 |
| Marine Products | 52.3 | 67.2 |
| Sawn Woods | 1.0 | 1.6 |
| Garments | 28.0 | 27.6 |
| Papayas | 23.4 | 20.2 |
| Petroleum ² | 60.7 | 0.0 |
| Other exports | 26.7 | 27.6 |
| Total³ | 438.0 | 321.6 |

Source: Central Statistical Office

1 = Value of sales

2 = Value adjusted for quality differential and transportation

3 = Total may not equal sum of components due to rounding.



Table 5.4: Balance of Payments Summary

| | \$mn | |
|--|-------------------------------|-------------------------------|
| | 2006 ^P Jan-Sept | 2005 ^R Jan-Sept |
| CURRENT ACCOUNT | -58.4 | -235.7 |
| Goods: Exports f.o.b. | 637.8 | 488.8 |
| Goods: Imports f.o.b. | -899.3 | -801.3 |
| <i>Trade Balance</i> | -261.5 | -312.5 |
| Services: Credit | 512.7 | 425.1 |
| Transportation | 43.1 | 45.4 |
| Travel | 358.1 | 302.1 |
| Other Goods & Services | 87.9 | 53.8 |
| Gov't Goods & Services | 23.6 | 23.8 |
| Services: Debit | -221.8 | -236.0 |
| Transportation | -81.2 | -72.0 |
| Travel | -63.3 | -63.9 |
| Other Goods & Services | -69.6 | -91.8 |
| Gov't Goods & Services | -7.6 | -8.4 |
| <i>Balance on Goods & Services</i> | 29.4 | -123.3 |
| Income: Credit | 14.6 | 9.4 |
| Compensation of Employees | 9.6 | 5.0 |
| Investment Income | 4.9 | 4.4 |
| Income: Debit | -202.1 | -178.2 |
| Compensation of Employees | -9.5 | -9.4 |
| Investment Income | -192.6 | -168.8 |
| <i>Balance on Goods, Services & Income</i> | -158.2 | -292.2 |
| Current Transfers: Credit | 134.0 | 92.4 |
| Current Transfers: Debit | 122.6 | 90.6 |
| CAPITAL ACCOUNT | 12.9 | 4.0 |
| Capital Account: Credit | 14.7 | 5.8 |
| Capital Account: Debit | 1.8 | -1.8 |
| FINANCIAL ACCOUNT | -6.5 | 414.6 |
| Direct Investment Abroad | -0.4 | 0.0 |
| Direct Investment in Reporting Economy | 115.2 | 255.7 |
| Portfolio Investment Assets | -0.4 | -0.3 |
| Portfolio Investment Liabilities | -51.4 | 105.6 |
| Financial Derivatives | 0.0 | -10.6 |
| Other Investment Assets | -11.1 | 0.0 |
| Other Investment Liabilities | -58.4 | 64.2 |
| NET ERRORS & OMISSIONS | 60.2 | -31.6 |
| OVERALL BALANCE | 8.2 | 151.4 |
| RESERVE ASSETS* | -8.2 | -151.4 |

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



Table 5.5: Central Government's Revenue and Expenditure

BZ \$'000

| | Approved Budget 2006/2007 | Sep-2006 | April 06 to Sep- 06 | April 05 to Sep-05 | Actual to date as % of Budget |
|---|------------------------------|----------------|---------------------------|--------------------------|----------------------------------|
| TOTAL REVENUE & GRANTS (1+2+3) | 598,048 | 43,543 | 287,159 | 265,110 | 48.0% |
| 1). Current revenue | 562,345 | 42,198 | 279,089 | 259,538 | 49.6% |
| Tax revenue | 513,902 | 39,485 | 254,797 | 235,290 | 49.6% |
| Income and profits | 135,067 | 8,392 | 65,253 | 63,278 | 48.3% |
| Taxes on property | 6,115 | 348 | 2,783 | 3,727 | 45.5% |
| Taxes on goods and services | 202,292 | 18,648 | 106,929 | 90,422 | 52.9% |
| Int'l trade and transactions | 170,428 | 12,097 | 79,832 | 77,863 | 46.8% |
| Non-Tax Revenue | 48,443 | 2,713 | 24,292 | 24,248 | 50.1% |
| Property income | 4,500 | 0 | 1,106 | 3,338 | 24.6% |
| Licenses | 11,180 | 595 | 5,158 | 4,908 | 46.1% |
| Other(1) | 32,764 | 2,118 | 18,028 | 16,001 | 55.0% |
| 2). Capital revenue | 7,173 | 413 | 5,816 | 4,226 | 81.1% |
| 3). Grants | 28,531 | 932 | 2,254 | 1,346 | 7.9% |
| TOTAL EXPENDITURE (1+2) | 667,943 | 55,959 | 326,969 | 324,404 | 49.0% |
| 1). Current Expenditure | 561,685 | 46,844 | 279,965 | 275,255 | 49.8% |
| Wages and Salaries | 223,565 | 18,066 | 107,412 | 112,841 | 48.0% |
| Pensions | 39,802 | 2,955 | 19,725 | 21,008 | 49.6% |
| Goods and Services | 103,120 | 9,017 | 49,014 | 45,627 | 47.5% |
| Interest Payments on Public Debt | 145,572 | 12,381 | 78,883 | 77,908 | 54.2% |
| Subsidies & current transfers | 49,626 | 4,426 | 24,931 | 17,872 | 50.2% |
| 2). Capital Expenditure & Net Lending | 106,258 | 9,115 | 47,004 | 49,148 | 44.2% |
| Capital II (local sources) | 54,199 | 7,695 | 30,644 | 27,917 | 56.5% |
| Capital III (foreign sources) | 48,851 | 1,419 | 14,756 | 14,762 | 30.2% |
| Capital Transfer & Net Lending | 3,208 | 0 | 1,604 | 6,470 | 50.0% |
| Unidentified Expenditures | 0 | 0 | 0 | 0 | |
| CURRENT BALANCE | 660 | -4,647 | -876 | -15,717 | -132.9% |
| PRIMARY BALANCE | 75,677 | -36 | 39,074 | 18,614 | 51.6% |
| OVERALL BALANCE | -69,895 | -12,417 | -39,810 | -59,294 | 57.0% |
| FINANCING | 69,895 | 12,417 | 39,810 | 59,294 | |
| Domestic Financing | | 31,093 | 40,718 | 183,827 | |
| Central Bank | | 47,820 | 88,197 | 147,044 | |
| Net Borrowing | | 26,980 | 62,078 | -18,902 | |
| Change in Deposits | | 20,840 | 26,119 | 165,946 | |
| Commercial Banks | | -16,713 | -14,260 | 38,633 | |
| Net Borrowing | | -11,941 | -7,711 | 12,742 | |
| Change in Deposits | | -4,772 | -6,549 | 25,891 | |
| Other Domestic Financing | | -14 | -1,752 | -1,850 | |
| Transaction with DFC debt | | 0 | -31467 | 0 | |
| Financing Abroad | | -18,252 | -2,313 | -190,909 | |
| Disbursements | | 1,279 | 58,915 | 44,468 | |
| Amortization | | -19,531 | -61,228 | -200,377 | |
| Change in Foreign Assets | | 0 | -3 | -35,000 | |
| Privatization Proceeds | | 0 | 0 | 65,000 | |
| Nationalization Investment | | 0 | 0 | 0 | |
| Other | | -425 | 1,405 | 1,376 | |

Sources: Ministry of Finance and Central Bank of Belize



Table 5.6: Public Sector External Debt By Creditor

BZ\$'000

| | DOD at: 31/12/2005 | Transactions During January to September '06 | | | | DOD at: 31/09/2006 |
|--|-----------------------|---|-----------------------|------------------------------|------------------|-----------------------|
| | | Disbursements | Principal Payments | Interest & Other Payments | Parity Change | |
| CENTRAL GOVERNMENT | 1,770,712 | 91,995 | 99,560 | 97,789 | 1,995 | 1,765,143 |
| Banco Nacional de Comercio Exterior | 8,999 | 0 | 0 | 546 | 0 | 8,999 |
| Fondo de Financ. de las Exportaciones | 762 | 0 | 109 | 23 | 0 | 653 |
| Government of Great Britain | 7,772 | 0 | 1,739 | 0 | 579 | 6,611 |
| Government of Peoples Rep. of China | 58 | 0 | 58 | 0 | 0 | 0 |
| Government of the United States ⁽¹⁾ | 6,375 | 0 | 971 | 153 | 0 | 5,404 |
| Government of Trinidad and Tobago | 20 | 0 | 4 | 1 | 0 | 17 |
| Government of Venezuela | 0 | 50,000 | 0 | 0 | 0 | 50,000 |
| Kuwait Fund for Arab Economic Dev | 19,631 | 0 | 586 | 402 | 207 | 19,252 |
| Republic of China | 246,076 | 30,000 | 11,302 | 11,064 | 0 | 264,774 |
| Caribbean Development Bank | 99,814 | 6,499 | 1,797 | 2,638 | 0 | 104,515 |
| European Economic Community | 16,688 | 0 | 360 | 62 | 1,143 | 17,472 |
| European Investment Bank | 752 | 0 | 0 | 0 | 51 | 803 |
| Inter-American Development Bank | 142,013 | 2,041 | 5,373 | 5,168 | 0 | 138,680 |
| International Fund for Agric. Dev. | 2,003 | 20 | 193 | 44 | 15 | 1,845 |
| Intl. Bank for Reconstruction & Dev. | 61,679 | 58 | 5,624 | 1,863 | 0 | 56,114 |
| Opec Fund for Int'l. Development | 7,199 | 0 | 367 | 233 | 0 | 6,833 |
| AllFirst Bank of Maryland | 2,100 | 0 | 840 | 107 | 0 | 1,260 |
| Belize Bank Ltd. | 12,668 | 0 | 12,668 | 2,456 | 0 | 0 |
| Bear Stearns & C0. Inc. | 709,072 | 0 | 28,589 | 46,859 | 0 | 680,483 |
| BWS Finance Limited | 19,844 | 0 | 0 | 0 | 0 | 19,844 |
| Ruser Financial Ltd | 10,000 | 0 | 10,000 | 252 | 0 | 0 |
| Citibank, Trinidad & Tobago | 8,571 | 0 | 1,714 | 423 | 0 | 6,857 |
| Citicorp Merchant Bank Ltd. | 45,714 | 0 | 6,429 | 3,748 | 0 | 39,286 |
| International Bank of Miami | 101,737 | 1,783 | 0 | 7,369 | 0 | 103,520 |
| KBC Bank NV | 11,738 | 0 | 5,869 | 560 | 0 | 5,869 |
| Manufacturers & Traders Trust Co. | 7,056 | 1,594 | 865 | 104 | 0 | 7,786 |
| Provident Bank & Trust of Belize | 117 | 0 | 117 | 6 | 0 | 0 |
| Royal Merchant Bank | 220,891 | 0 | 2,977 | 13,267 | 0 | 217,914 |
| Belize Estate and Co. Ltd. | 326 | 0 | 326 | 78 | 0 | 0 |
| Caterpillar Financial Services Corp. | 850 | 0 | 497 | 39 | 0 | 353 |
| Export Import Bank of the United States | 187 | 0 | 187 | 10 | 0 | 0 |
| NON-FINANCIAL PUBLIC SECTOR | 46,387 | 0 | 3,755 | 1,364 | 103 | 42,734 |
| Kuwait Fund for Arab Economic Dev | 7,532 | 0 | 695 | 296 | 79 | 6,916 |
| CIBC Bank & Trust Company | 2,338 | 0 | 1,363 | 163 | 0 | 975 |
| Amtrade International Bank of Georgia ⁽²⁾ | 2,060 | 0 | 526 | 57 | 0 | 1,534 |
| Caribbean Development Bank ⁽²⁾ | 34,457 | 0 | 1,172 | 846 | 24 | 33,309 |
| FINANCIAL PUBLIC SECTOR | 55,005 | 0 | 4,235 | 1,617 | 530 | 51,300 |
| Caribbean Development Bank | 39,681 | 0 | 2,722 | 1,173 | 7 | 36,966 |
| European Economic Community | 535 | 0 | 17 | 3 | 36 | 552 |
| European Investment Bank | 9,757 | 0 | 625 | 314 | 487 | 9,618 |
| Paine Webber Real Estate Securities Inc. | 1,600 | 0 | 100 | 42 | 0 | 1,500 |
| N.V. De Smet S.A. Engineers | 1,695 | 0 | 565 | 59 | 0 | 1,130 |
| Government of the United States | 1,737 | 0 | 206 | 26 | 0 | 1,531 |
| GRAND TOTAL | 1,872,105 | 91,995 | 107,551 | 100,770 | 2,628 | 1,859,177 |

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

⁽²⁾ Loans for the 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.



Table 5.7: Central Government's Domestic Debt By Creditor

BZ \$'000

| | Disbursed Outstanding Debt 31/12/05R | Transactions Between January to September 2006 | | | | Disbursed Outstanding Debt 30/09/06 P |
|---|--|--|---|---------------|---|---|
| | | Disbursement/ New Issue of Securities | Amortization/ Reduction in Securities | Interest | Net Change in Overdraft/ Securities | |
| Overdraft / Loans | 96,317 | 0 | 0 | 9,433 | 39,865 | 136,182 |
| Central Bank | 89,642 | 0 | 0 | 9,433 | 44,990 | 134,632 |
| Commercial Banks | 6,675 | 0 | 0 | 0 | -5,125 | 1,550 |
| Treasury Bills | 100,000 | 0 | 0 | 2,098 | 0 | 100,000 |
| Central Bank | 73,185 | 0 | 0 | 1,076 | -2,657 | 70,528 |
| Commercial Banks | 23,840 | 0 | 0 | 910 | 4,031 | 27,871 |
| Other | 2,975 | 0 | 0 | 112 | -1,374 | 1,601 |
| Treasury Notes | 24,000 | 31,800 | 0 | 225 | 31,800 | 55,800 |
| Central Bank | 9,000 | 31,500 | 0 | 84 | 31,500 | 40,500 |
| Commercial Banks | 14,269 | 0 | 0 | 131 | 0 | 14,269 |
| Other | 731 | 300 | 0 | 10 | 300 | 1,031 |
| Defence Bonds | 15,000 | 0 | 0 | 225 | 0 | 15,000 |
| Central Bank | 10,000 | 0 | 0 | 0 | 0 | 10,000 |
| Commercial Banks | 100 | 0 | 0 | 45 | 0 | 100 |
| BSSB | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | 4,900 | 0 | 0 | 180 | 0 | 4,900 |
| DFC Loan (Debt Restructuring) | 7,398 | 0 | 429 | 408 | 0 | 6,969 |
| BSSB Housing Loan | 662 | 0 | 13 | 39 | 0 | 649 |
| GOB (debt for Nature Swap) | 10,140 | 0 | 1,203 | 273 | 0 | 8,937 |
| Cohune Walk Loan | 2,403 | 0 | 254 | 261 | 0 | 2,149 |
| Infrastructure Dev. Loan Belize Bank | 21,845 | 0 | 1,528 | 1,534 | 0 | 20,317 |
| Guardian Life Belize \$1mn Loan | 1,000 | 0 | 0 | 90 | 0 | 1,000 |
| Atlantic Bank Airstrip Loan | 699 | 0 | 303 | 43 | 0 | 396 |
| Belize Harbour Dredging ** | 0 | 225 | 108 | 0 | 0 | 117 |
| Total | 279,464 | 32,025 | 3,838 | 14,629 | 71,665 | 347,516 |

⁽ⁱ⁾ Belize Harbor Dredging Loan is Interest Free



Table 5.8: Commercial Banks' Weighted Average Interest Rates

Percentages

| | Position as at Sep 2006 | Changes during | | |
|--------------------------------|-------------------------------|----------------------------|----------------------------|-------------------------------|
| | | Dec 2005 to Sep 2006 | Dec 2004 to Sep 2005 | Position as at Dec 2004 |
| Weighted Lending Rates | | | | |
| Personal Loans | 16.1 | 0.1 | 0.6 | 15.5 |
| Commercial Loans | 13.8 | -0.3 | 0.4 | 14.0 |
| Residential Construction | 12.9 | -0.3 | 0.5 | 12.6 |
| Other | 13.4 | 1.2 | 1.9 | 10.1 |
| Weighted Average | 14.2 | -0.1 | 0.3 | 14.0 |
| Weighted Deposit Rates | | | | |
| Demand | 0.8 | 0.1 | -0.1 | 0.5 |
| Savings/ Cheque | 5.3 | 0.0 | 0.0 | 5.1 |
| Savings | 5.2 | 0.1 | 0.0 | 5.1 |
| Time | 8.1 | 0.3 | 0.1 | 7.6 |
| Weighted Average | 5.8 | 0.4 | 0.2 | 5.2 |
| Weighted Average Spread | 8.4 | -0.5 | 0.1 | 8.8 |

Table 5.9: Commercial Banks Liquidity Position and Cash Reserves (\$mn)

| | Position as at Sep 2006 | Changes during | |
|--|-------------------------------|----------------------------|----------------------------|
| | | Dec 2005 to Sep 2006 | Dec 2004 to Sep 2005 |
| Holdings of Approved Liquid Assets | 379.9 | 49.9 | 19.3 |
| Notes and Coins | 35.4 | -0.2 | -2.0 |
| Balances with Central Bank | 151.7 | 39.9 | 38.3 |
| Money at Call and Foreign Balances (due 90 days) | 129.6 | 9.6 | 12.1 |
| Treasury Bills maturing in not more than 90 days | 24.1 | 1.3 | 3.8 |
| Other Approved assets | 39.1 | -0.7 | -32.9 |
| of which: Treasury Notes | 14.3 | -1.3 | -4.0 |
| Required Liquid Assets | 306.8 | 35.2 | 33.1 |
| Excess/(Deficiency) Liquid Assets | 73.1 | 14.7 | -13.8 |
| Daily Average holdings of Cash Reserves | 145.3 | 33.1 | 36.9 |
| Required Cash Reserves | 133.4 | 29.9 | 20.0 |
| Excess/(Deficiency) Cash Reserves | 11.9 | 3.2 | 16.9 |



**Table 5.10: Sectoral Composition of
Commercial Banks' Loans and Advances**

\$mn

| | Position as at Sep 2006 | Changes during | |
|-------------------------|-------------------------------|----------------------------|----------------------------|
| | | Dec 2005 to Sep 2006 | Dec 2004 to Sep 2005 |
| PRIMARY SECTOR | 154.7 | 13.0 | -1.1 |
| Agriculture | 99.6 | 3.7 | 0.1 |
| Sugar | 10.4 | 0.9 | -0.3 |
| Citrus | 17.1 | 1.1 | -3.5 |
| Bananas | 61.2 | 3.2 | 5.9 |
| Other | 10.9 | -1.5 | -2.0 |
| Marine Products | 23.7 | 4.1 | -3.8 |
| Forestry | 1.8 | 0.1 | 0.1 |
| Mining & Exploration | 29.6 | 5.1 | 2.5 |
| SECONDARY SECTOR | 363.6 | -18.0 | 24.1 |
| Manufacturing | 20.0 | 0.8 | 3.5 |
| Building & Construction | 308.9 | 8.1 | 19.5 |
| Utilities | 34.7 | -26.9 | 1.1 |
| TERTIARY SECTOR | 528.8 | 56.4 | -1.3 |
| Transport | 38.1 | 4.8 | -4.1 |
| Tourism | 94.2 | 22.7 | -14.3 |
| Distribution | 171.2 | 13.6 | 3.6 |
| Other* | 225.3 | 15.3 | 13.5 |
| Personal Loans | 294.8 | 35.8 | 31.9 |
| TOTAL | 1,341.9 | 87.2 | 53.6 |

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



Table 5.11: Net Domestic Credit (\$mn)

| | Position as at Sep 2006 | Changes during | |
|--|-------------------------------|----------------------------|----------------------------|
| | | Dec 2005 to Sep 2006 | Dec 2004 to Sep 2005 |
| Total Credit to Central Government | 320.2 | 70.8 | -10.2 |
| From Central Bank | 255.6 | 73.8 | -22.6 |
| Loans and Advances | 134.6 | 45.0 | -8.2 |
| Gov't Securities | 121.0 | 28.8 | -14.4 |
| From Commercial Banks | 64.6 | -3.0 | 12.4 |
| Loans and Advances | 22.3 | -7.0 | -1.5 |
| Gov't Securities | 42.3 | 4.0 | 13.9 |
| (of which) Treasury Bills | 27.9 | 4.0 | 17.9 |
| Treasury Notes | 14.3 | 0.0 | -4.0 |
| Other | 0.1 | 0.0 | 0.0 |
| Less Central Government Deposits | 78.1 | -25.4 | 123.9 |
| With Central Bank | 55.8 | -28.2 | 119.5 |
| With Commercial Banks | 22.3 | 2.8 | 4.4 |
| Net Credit to Central Government | 242.1 | 96.2 | -134.1 |
| Credit to Other Public Sector | 23.3 | -37.9 | -7.4 |
| From Central Bank | 0.0 | -27.5 | -5.0 |
| From Commercial Banks | 23.3 | -10.4 | -2.4 |
| (of which) Local Government | 4.2 | -0.2 | -0.2 |
| Public Financial Institutions | 2.3 | -0.2 | 0.0 |
| Public Utilities | 12.0 | -10.0 | -0.7 |
| Other Statutory Bodies | 4.9 | 0.0 | -1.5 |
| Securities | 0.0 | 0.0 | 0.0 |
| Plus Credit to the Private Sector | 1,307.9 | 104.6 | 67.0 |
| Loans and Advances* | 1,297.1 | 104.8 | 57.0 |
| Securities | 10.8 | -0.2 | 10.0 |
| Net Domestic Credit of the Banking System | 1,573.3 | 162.9 | -74.5 |

* Includes CBB Advances to Staff

Table 5.12: Money Supply (\$mn)

| | Position as at Sep-t 06 | Changes during | |
|--------------------------|-------------------------------|--------------------------|--------------------------|
| | | Dec-05 to Sept- 06 | Dec-04 to Sep t 05 |
| Money Supply (M2) | 1,455.60 | 125.6 | 61.1 |
| Money Supply (M1) | 588.3 | 72.3 | -0.3 |
| Currency with the Public | 130.1 | 12.6 | -4.8 |
| Demand Deposits | 299.8 | 45.3 | -6.3 |
| Savings/Cheque Deposits | 158.4 | 14.4 | 10.8 |
| Quasi-Money | 867.3 | 53.3 | 61.4 |
| Savings Deposits | 130.3 | 14.6 | 3.9 |
| Time Deposits | 737 | 38.7 | 57.5 |