

CENTRAL BANK OF BELIZE



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First Annual Report and Accounts 1982


CENTRAL BANK OF BELIZE

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*The Honourable
The Minister of Finance*

7th April, 1983

CENTRAL BANK OF BELIZE

*In accordance with the provisions of section 56 of The
Central Bank of Belize Act 1982 (No. 15 of 1982), I have the honour
to transmit herewith on behalf of the Board of Directors,
the report of the operations of the Central Bank for the period
1st January to 31st December 1982, together with a copy
of the annual statement of accounts of The Central Bank certified
by the auditors.*

Yours faithfully,



H.E.C. Cole
Governor

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7th April, 1983

*The Honourable
The Minister of Finance
Ministry of Finance
BELMOPAN*

Dear Minister,

In accordance with the provisions of section 56 of The Central Bank of Belize Act 1982 (No. 15 of 1982), I have the honour to transmit herewith on behalf of the Board of Directors, the report of the operations of the Central Bank for the period 1st. January to 31st. December 1982, together with a copy of the annual statement of accounts of The Central Bank certified by the auditors.

Yours faithfully,

H.E.C. Cain
Governor

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International Developments

The broad thrust of economic policies in 1982 continued to focus on inflation and inflationary expectations and creating a climate for sustained recovery. There was a noticeable shift in the emphasis placed on tight money policies in the second half of 1982 as the rate of inflation responded favorably. However, expectations of the recession bottoming out by mid-year were revised.

With the continuance of tight monetary policies, interest rates, both nominal and real, remained high throughout the industrial world in the first half of 1982. By mid-year, a definite easing of monetary policies emerged and rates, particularly short-term rates, began to decline. The move was led by the United States whose adoption of a restrictive stance since 1979 was instrumental in reducing inflation. The Federal Reserve adopted a more accommodative stance to money supply growth and interest rates declined precipitously in response. In the third quarter alone, short-term rates declined by an average of three to four percentage points. In 1981, Britain had switched from targetting money supply to using the exchange rate as its primary target and policy indicator.

In the foreign exchange market, the United States dollar remained strong despite the more flexible stance adopted. Interest rates in Europe were allowed to decline, although at a slower rate than in the United States. With European countries being less successful than the United States in reducing inflation, interest rates were maintained at relatively high levels in their anti-inflation bid.

Despite successes on the inflation front, economic performance worldwide was extremely poor. In the United States, the recession was deeper than originally anticipated with high real interest rates having a negative impact on spending and investment. In both Europe and Japan growth was sluggish. Preliminary estimates of real Gross National Product for Japan indicate a decline of 3.3 percent which is comparable to 1981's. In West Germany, GNP declined by 1.5 percent in real terms in contrast to a rise of 0.2 percent in 1981. The United Kingdom showed hesitant signs of economic recovery in the first quarter of 1982. However, by summer these signs had vanished and output growth was estimated to be about 0.5 percent above 1981's.

The international oil market remained highly volatile although conflicts among oil producers led to a softening of the market. OPEC members in 1982 found it increasingly difficult to reach agreement on price and output limits and it was not until December that it was finally agreed to raise production limits from 17.5 million barrels per day to 18.5 million barrels per day and to freeze the price of crude oil at US\$34 per barrel. However, OPEC ministers failed to agree on quotas, a factor which could contribute to a further weakening of oil prices in 1983; failure to resolve this problem of allocation already caused overproduction in 1982. In addition to overproduction, oil consumption declined by up to 18.0 percent in the major industrial countries as a result of energy-saving practices and increased use of alternative sources of energy. Declining prices, overproduction and falling demand for oil reduced the combined current account surplus of oil producing countries from over US\$70.0 billion in 1981 to an estimated US\$25.0 billion in 1982. With the continued search for new alternative sources of energy and conservation practices, it is projected that even if the world economy were to significantly reflate in 1983, there would be no parallel increase in the demand for petroleum.

Falling export prices and world economic recession continue to exert pressures on the economies of Latin America and the Caribbean. Liquidity constraints brought on by reduced foreign exchange inflows and excessive foreign debt were widespread. The economies of Latin America recorded their poorest results in four decades. GNP declined by 1.0 percent while inflation averaged about 80.0 percent. Although the trade balance rose sharply from a surplus of US\$60.0 million in 1981 to US\$8.8 billion in 1982, a substantial portion was used to finance net payments of profits and interest. Latin America's foreign debt rose by 7.0 percent to US\$247.0 billion and the balance of payments shifted from a surplus of about US\$4.0 billion in 1981 to a deficit of US\$14.0 billion in 1982.

Mexico became the focus of the world financial markets in 1982. After expanding foreign borrowing tremendously on the basis of potentially lucrative oil revenues in recent years, Mexico was faced by mid-1982 with debt servicing difficulties. As one of the world's largest debtors, Mexico owed at the end

of December an estimated US\$80.0 billion. In its attempt to curtail the outflow of hard currency, the Mexican government devalued the peso three times in 1982, instituted a two-tiered system of exchange rates, introduced a number of restrictions on foreign exchange and trade and nationalized private commercial banks. Mexico also entered into negotiations with creditors to reschedule its debts. In late 1982, Mexico reached an agreement with the International Monetary Fund for the use of Fund resources totalling SDR 3611.25 million, of which SDR 200.625 million was made available immediately for a purchase in the first credit tranche and up to SDR 3410.625 million to be drawn over the next three years under an extended arrangement.

Violence in Central America continued to ravage the already weak economies of the region. Honduras was strongly affected by the decline in sugar and copper prices and the liquidity crisis facing that country increased in severity. El Salvador received a significant boost to its sagging economy this year in the form of substantial credit from the International Monetary Fund. In the third quarter alone, a total of more than SDR 75.0 million was extended under the Compensatory Financing Facility and standby arrangements.

Within the Caribbean, both the MDC's and the LDC's were faced with declining export earnings and rising import costs which increased balance of payments difficulties while declining production, rising inflation and unemployment reached very high proportions.

In Jamaica, while the official rate of inflation declined to 7.2 percent by the end of June, a significant number of factories were closed, increasing the level of unemployment. The lowering of capacity usage by the bauxite companies in response to declining world demand intensified Jamaica's problems. To compensate for the fall in export earnings brought about by the world recession and the subsequent impact on the industrial countries' demand for bauxite and alumina, Jamaica received IMF assistance of SDR 19.4 million under the Compensatory Financing Facility. While the government succeeded in reducing its expenditures for fiscal 1982, the foreign debt burden of Jamaica is significant (approximately 74.0 percent of Gross National Product at the end of 1981) while international reserves at the end of the third quarter of 1982 were US\$18.5 million below the March 1982 position.

Although the inflation rate was slowing in Trinidad and Tobago early this year, the rate had risen slightly by mid-year. Falling oil revenues together with rising import costs resulted in a trade deficit in the first three quarters of 1982. In addition, international reserves declined by US\$324.0 million up to the end of the third quarter.

Tourism earnings continued to decline in Barbados as world economic recession impacted on the economy. Output in the sugar industry also fell and unemployment reached 14.8 percent of the labour force in September. In response to the deteriorating economic conditions, Barbados arranged a 20-month credit facility for SDR 31.8 million and a CFF loan of SDR 12.6 million with the IMF.

In the LDC's pressures from declining sugar prices and tourist arrivals continued throughout 1982. Grenada completed negotiations for financing its new international airport which is expected to significantly increase hard currency inflows. Only Antigua saw increased inflows of tourists this year. With the upgrading to Central Bank status of the Monetary Authority of Belize, the Eastern Caribbean Currency Authority (ECCA) remained the only monetary authority in the region. Plans are underway to upgrade ECCA to a central bank in 1983.

In 1982, the United States of America provided, under the Caribbean Basin Initiative (CBI) for the use of US\$350 million in soft loan funding to the region. In addition, the CBI provided for a trade and investment incentives promotion package to aid in the development of the area. While the financial portion was passed by the United States Congress and funds are being disbursed, there were delays in the passage of the trade and incentives portion.

The inability of the developing countries to service their debts was of paramount concern in both the developing and developed worlds and lenders in general became more cautious. In view of the difficulties major borrowers experienced in meeting payments on interest and principal, some creditor countries set informal guidelines on foreign lending in a bid to reduce concentration of risks. In addition, banks found it increasingly difficult to attract new capital to fund growing loans as confidence in the banking system was eroded. The developing world in particular became more vulnerable to the high levels of interest rates as many of the new credits negotiated in 1982 were on a non-concessionary basis and at very short maturities. Despite the 18.1

percent rise in total disbursed debt of developing countries to US\$626.0 billion, there was a marked slow-down in the rate of growth in credit to these countries. The oil exporters provided additional competition for credit as they sought funding to offset shortfalls in their oil revenues.

The prospects for economic improvement in developing countries remain dependent on economic recovery in the major industrial countries. Optimists are looking towards an expansion in consumer demand to spur investment and lead to the turnaround. The OECD projects, however, that whereas a pick-up in the United States should produce growth at a real annual rate of 4.0 percent in the second half of 1983, economic activity in Europe will continue to be sluggish.

Domestic Developments Overview

The economy of Belize experienced a series of setbacks which belied the earlier expectations of a higher growth rate in 1982. The falling international prices of primary commodities, especially of sugar, the deepening of recession in the industrialized countries, some of which are Belize's major trading partners, and the economic instability in the region adversely affected the country's growth prospects. This was further accentuated by internal factors which, though owing to lack of reliable statistics could not be quantified, were discerned from trends witnessed in the economy during the year. Prices continued to rise, indicating the persistence of inflationary pressures. Inventory build-up, especially during the latter part of the year, in the manufacturing and trading sectors manifested recessionary pockets in the economy. Declining aggregate demand for goods and services reflected contraction in the purchasing power in the hands of the general public.

For the second year in succession, economic expansion in Belize slowed. Real output, after rising by 4.3 percent in 1980, dropped to 1.5 percent in 1981 and at best for 1982 is not expected to vary significantly from the 1981 level. Sugar production

rose by 8.4 percent this year to 105,980 tons but remained some 7,574 tons or 6.7 percent below 1978's peak level. This year's sugarcane was also of an inferior quality to last year's, with the sugar factory using on average 10.33 tons of cane to produce a ton of sugar (compared with a ratio of 9.92 in 1981). Meanwhile, production in the citrus industry suffered severe setbacks from the failure of processors and growers to resolve a dispute over prices for the second consecutive year. The dispute resulted, particularly this year, in production and export of the 1982/83 crop not commencing until December. Total production for 1982 was estimated at 1,537 thousand boxes compared with 1,813 thousand boxes in 1981. Oranges delivered to the factories rose from 1,011 thousand boxes to 1,058 thousand boxes, but grapefruit deliveries dropped from 802 thousand boxes to 479 thousand boxes.

In addition to the domestic difficulties faced by the major industries, exporters had to contend with continued declines in market prices for these products as the recession in Belize's major markets intensified. Even more devastating for exporters were the unexpected developments resulting from the successive devaluations of the Mexican peso and the subsequent imposition of restrictions on capital flows by the Mexican authorities. These measures had crippling effects on Belize's previously booming re-export trade with its neighbor and also affected Government's revenues through reduced customs duties collections.

The trend in the level of foreign assets of the domestic system was one of general decline. The overall change over the year, however, showed a rise of 18.7 percent to \$28.0 million. Foreign assets received a boost at year end following the completion of negotiations between the Belize and United States' Governments for the receipt of US\$4.6 million under the Caribbean Basin Initiative Scheme for balance of payments support.

The build-up of pressure on the financial system worsened in 1982. An early signal was sent out when the Central Bank, for the first time, suspended its dealings in the treasury bills market. Whilst the Central Bank refrained from buying bills from holders for only one month, the other market participants became very cautious and did not trade amongst themselves.

The commercial banks held relatively low levels of treasury bills for most of 1982. On the other hand, their direct credit to the public sector rose strongly as Central Government negotiated a number of large loans with the commercial banks, the largest being one for US\$4.0 million to meet payments for diesel oil supplied by Mexico. The commercial banks, unlike in 1981, became the major source of new credit to the public sector; bank credit to the public sector rose by 67.8 percent in 1982 whilst the Central Bank's fell by about 30.8 percent.

Credit to the private sector was also influenced by several large loans by commercial banks, primarily to the manufacturing sector. Private sector borrowing totalled \$108.3 million compared with \$95.9 million in 1981. A relatively new phenomenon emerged in 1982. Most of the large loans made by the commercial banks were foreign currency loans at rates of interest linked to the London Interbank Rate (LIBOR). This practice insulated the banks from both exchange rate and interest rate risks.

Given the instability in international interest rates in 1982, and the high degree of uncertainty in the market even when rates began to fall in mid-year, the Central Bank's policy on interest rates was very cautious. The commercial banks were encouraged to maintain the existing levels of interest rates which had been set in 1980. By year end, it became increasingly clear that international interest rates were definitely on the decline. In December, therefore, the Central Bank announced that effective January 1, 1983, the prime lending rate would decline two percentage points to 16 percent and deposit rates by two to three percentage points.

Central Government embarked on a programme to restrain spending in the second half of 1982 in view of its declining revenues and consequent cash flow difficulties. Up to September, Central Government's operations resulted in a deficit of \$1.6 million. The domestic banking system was a major source of support funding for these operations.

During the year under review when the economy was under heavy pressures, originating both internally and externally, monetary policy designed to contain the situation, achieved a fair degree of success in its three-fold objectives, namely, control over money supply, smooth-working of interest rates and exchange rate stability.

While monetary inflation was a common spectacle in many countries, especially in Latin America, money supply was kept under control in Belize. M1 remained stable in 1982 as against a decline of 2.1 percent in 1981, while M2 expanded by about 9.7 percent in 1982 as compared to 11.2 percent in 1981.

During the year interest rates were volatile and fluctuated widely even in the developed economies like the U.S.A., thereby upsetting the expectations of the savers and the investors. However, in Belize rates on deposits, loans and advances remained firm throughout the year.

The Central Bank of Belize maintained throughout the year the statutory ratio between its external assets and demand liabilities, thereby assuring the stability of the currency. At a time when currencies, after heavy depreciations, collapsed in many countries, the exchange rate remained stable at BZ\$1.00 = US\$0.50.

The Central Bank Act

The Central Bank of Belize Act 1982, made retroactive to January 1, 1982, replaced the Monetary Authority of Belize with the Central Bank of Belize.

The Central Bank's major objectives are to foster monetary stability and promote economic growth within the context of the Government's economic policy. It took over all the functions of its predecessor, including managing the currency and the foreign exchange reserves and performing banking services to the public sector, the commercial banks and other financial institutions. One of the more noteworthy differences between the Central Bank and the Monetary Authority is that the former is entrusted with the power to determine limits on domestic rates of interest.

A number of operational differences set the two institutions apart. The Central Bank, for example, is required to hold a reserve of external assets equal to not less than 40.0 percent of its currency in circulation and demand liabilities; the Authority's limit was 50.0 percent. The Central Bank cannot hold Belize Government treasury bills and securities exceeding at any time five times the paid-up

capital and reserves of the Bank. The Monetary Authority Ordinance 1976 allowed the Authority to hold up to seven times its capital and reserves.

Financial Developments

The growth in money supply measures slowed in 1982, indicating the continued decline in domestic activity in the last two years. Domestic credit by the banking system, despite signs of a decline in the growth rate, increased sharply. At the Development Finance Corporation, lending also showed an upward trend. The net foreign assets of the domestic system, on the other hand, declined for most of the year, recovering only in the closing month of 1982 in response to official capital flows.

A. Money Supply

Following a 2.1 percent decline in 1981, M1 remained fairly stable. Money Supply M1 stood at \$41.9 million in 1982. The public's desire to hold currency showed a strong upward growth but the expansion was offset by a decline in demand deposits.

Currency demand was generally unpredictable this year, not following the trends of the past years. Except for the month of December, the currency holdings of the public were always below corresponding levels in 1981. In December, of the total currency in circulation, \$20.6 million was held by the public, compared with \$19.0 million a year earlier. The growth in currency demand was partially offset by the decline in demand deposits. The trend of decline in these deposits which emerged in early 1981 continued for most of 1982 and by year end, demand deposits had returned to its level of almost three years earlier. Demand deposits totalled \$21.3 million at year end, down 6.9 percent from the position in December 1981.

There was also a decline in the rate of growth in M2 money supply. Following a rise of about 11.2 percent in 1981, M2 rose by about 9.7 percent in 1982. M2 in 1982 amounted to \$135.5 million. As in 1981, M2 growth was primarily influenced by the strong upward pull in time deposits. Unlike other types of deposits, time deposits rose sharply, climbing some 25 percent in 1982. At year end, time deposits had risen to \$67 million, compared with \$53.8 million at the end of 1981. In contrast, savings deposits fell more than 4.5 percent, albeit at a

Table I
Monetary Survey
BZ \$000

	1978	1979	1980	1981	1982
Foreign Assets	28,813	17,916	27,882	23,642	28,059
Domestic Credit (Net)	77,213	97,223	110,312	133,977	163,592
(Government)	(12,217)	(12,628)	(20,216)	(29,234)	(45,458)
(Other Public Sector)	(6,249)	(8,126)	(7,404)	(8,797)	(9,796)
(Private Sector)	(58,747)	(76,469)	(82,692)	(95,946)	(108,338)
Money Supply (M1)	37,263	38,271	42,789	41,903	41,919
(Currency with Public)	(16,724)	(16,675)	(17,506)	(19,009)	(20,605)
(Demand Deposits)*	(20,539)	(21,596)	(25,283)	(22,894)	(21,314)
Quasi-money*	57,625	60,068	68,274	81,622	93,577
Money Supply (M2)	94,888	98,339	111,063	123,525	135,496

*Adjusted for interbank deposits

Figure 1
Money Supply 1980 - 1982

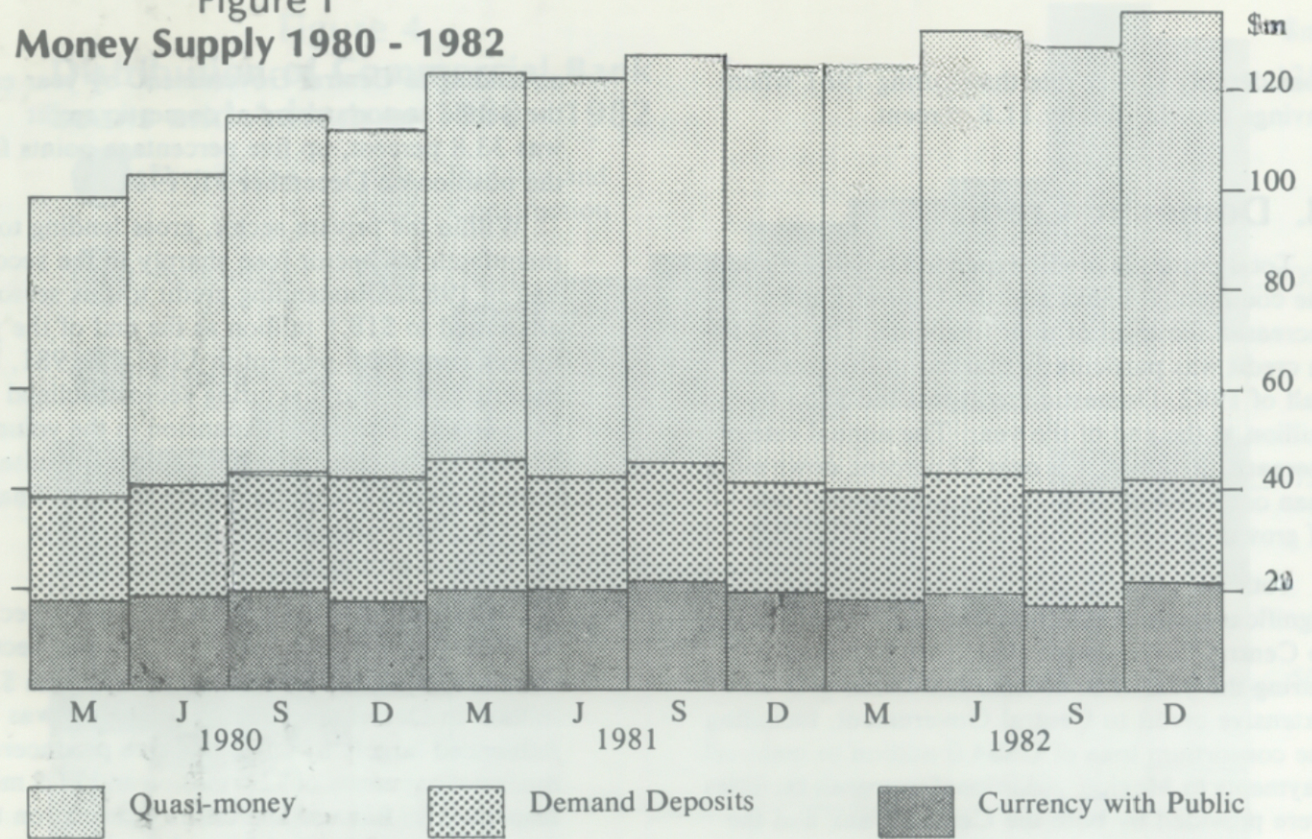
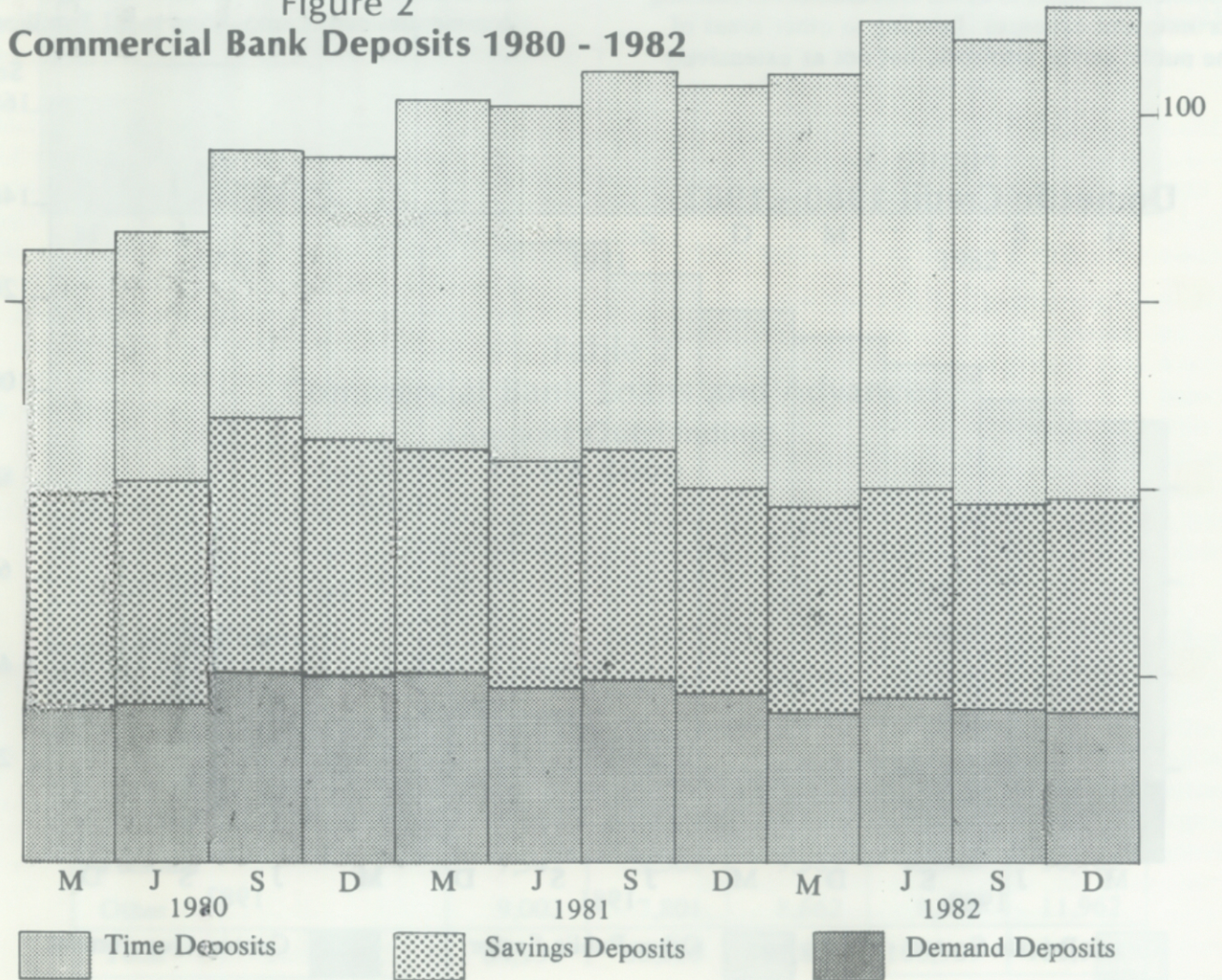


Figure 2
Commercial Bank Deposits 1980 - 1982



considerably slower rate than during 1981 when savings deposits fell by 11.8 percent.

B. Domestic Credit

Total domestic credit expanded in 1982 as both the commercial banks and the Central Bank increased the level of their financing. The growth in credit was particularly marked in the second half of 1982. Domestic credit totalled \$163.6 million at the end of the year. The annual rate of increase, therefore, was over 22 percent, down more than one percentage point from the annual rate of growth in 1981.

Both the public and private sectors played significant roles in the credit expansion. Net lending to Central Government alone rose \$16.2 million during the year. The commercial banks provided extensive credit to Central Government, including the consortium loan of US\$4.0 million to make oil payments to Mexico. Additional overdraft facilities were provided by both the Central Bank and the commercial banks to assist Government in meeting its recurrent expenses. Lending to other areas of the public sector also rose, but not as extensively

as lending to Central Government. by year end, the public sector's share of domestic credit was 33.8 percent, up five percentage points from the position on December 31, 1981.

Within the private sector, gross lending to the manufacturing sector rose sharply in the second half of 1982. Outstanding credit to this sector amounted to \$18.1 million at the end of the year, having risen 52.8 percent in 1982. In 1981, bank lending to the manufacturing sector declined by 5.1 percent. The sharp expansion in the volume of lending to the manufacturing industry resulted primarily from the increased demand for financing by companies engaged in the processing of agricultural products.

Total lending to the agricultural sector declined in 1982. At year end, bank credit to this sector amounted to \$22.7 million, compared with \$24.1 million in December 1981. The decline was influenced largely by sugar and rice producers who made net payments of \$2.6 million and \$1.9 million, respectively. Banana and citrus growers, on the other hand, received additional funding from the commercial banks amounting to \$2.3 million.

Figure 3
Domestic Credit 1980 - 1982

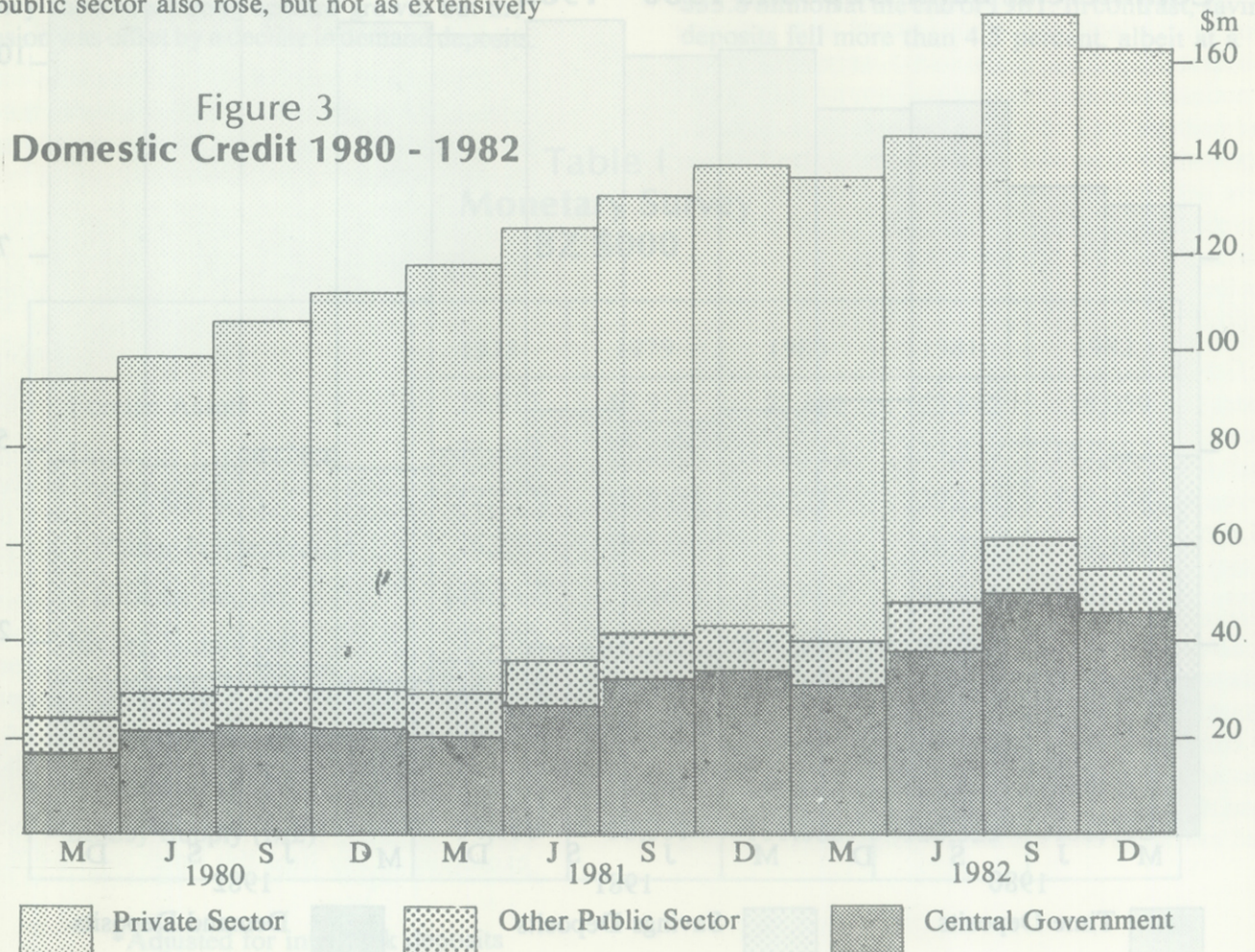


Figure 4
**Distribution of Commercial Bank
 Loans and Advances 1980 - 1982**

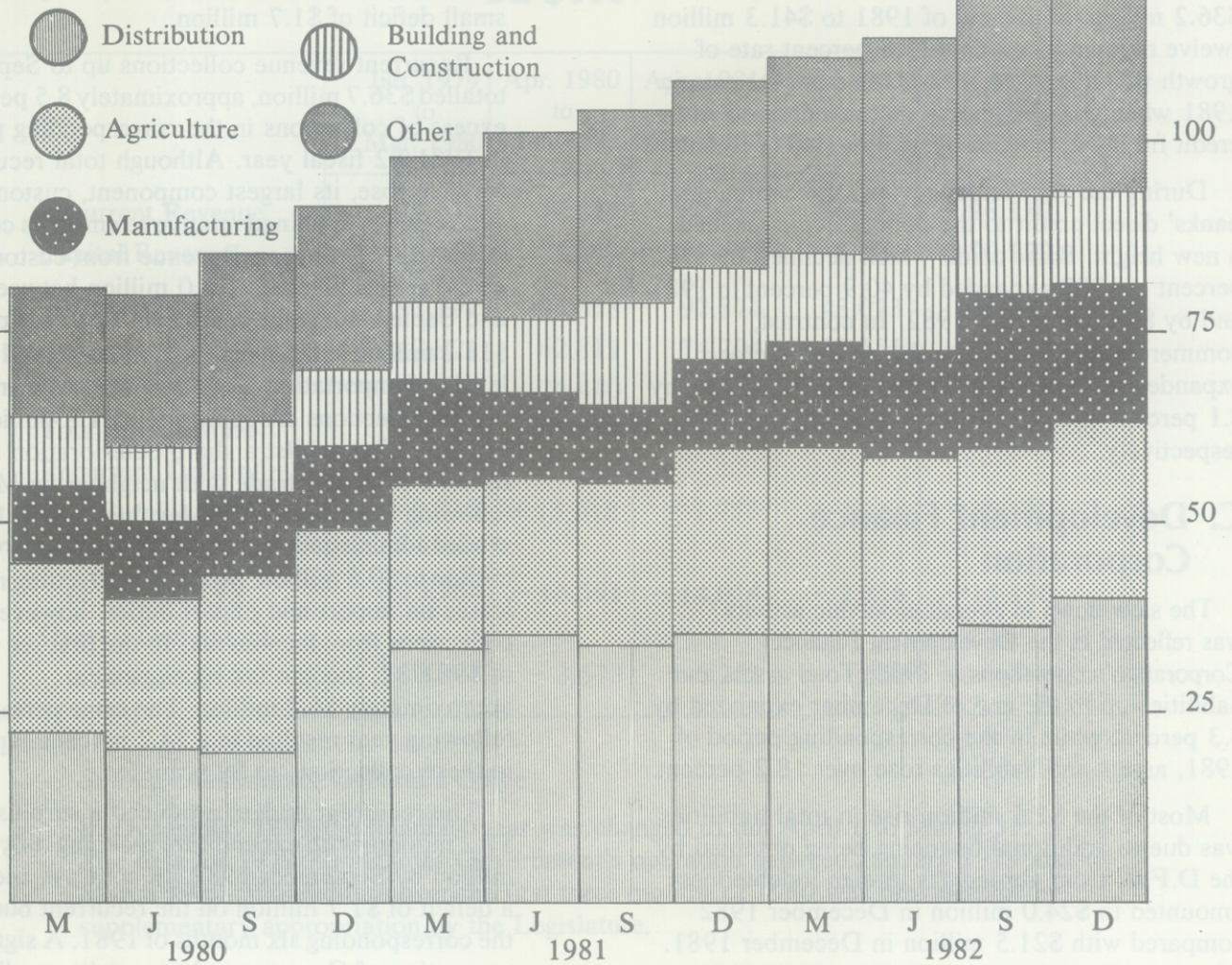


Table 2
Commercial Bank Loans and Advances
 (Amount Outstanding)
 BZ \$000

Sector	1978	1979	1980	1981	1982
Government Services	5	1,955	2,457	4,171	14,426
Public Utilities	1,010	775	218	826	583
Agriculture	18,139	23,444	24,059	24,086	22,702
Manufacturing	7,191	10,272	12,494	11,854	18,119
Building & Construction	7,228	9,379	9,242	11,879	12,585
Distribution	14,879	23,563	25,173	36,259	41,264
Personal	7,541	9,361	9,587	10,945	10,703
Other	9,003	7,801	8,662	8,889	11,962
Total	64,996	86,550	91,892	108,909	132,344

The commercial banks' largest debtor, the distributive trade, increased its borrowing from \$36.2 million at the end of 1981 to \$41.3 million twelve months later. This 13.8 percent rate of growth was a marked slow-down from the rate in 1981 when the distributive sector increased its credit from the banking system by 44.0 percent.

During the year under review, the commercial banks' direct credit to the public sector reached a new height. Bank credit which declined by 8.7 percent in 1982 expanded by 40.9 percent in 1981 and by 85.2 percent in 1982. In contrast, commercial bank credit to the private sector expanded only by 12.9 percent in 1982; it rose by 8.1 percent and 16.0 percent in 1980 and 1981, respectively.

C. Development Finance Corporation

The slow-down in overall economic activity was reflected in the Development Finance Corporation's operations in 1982. Total assets and liabilities up to the end of December expanded by 8.3 percent while in the corresponding period of 1981, assets and liabilities rose over 18.2 percent.

Most of the \$2.5 million rise in total liabilities was due to additional financing being obtained by the D.F.C. from abroad. Its foreign indebtedness amounted to \$24.0 million in December 1982 compared with \$21.5 million in December 1981.

On the assets side of D.F.C.'s balance sheet, loans and advances rose \$1.7 million in 1982. The Corporation's lending to business enterprises declined 27.8 percent to \$4.2 million, however, the reduction was more than offset by increases in loans to co-operatives and individuals. Loans to the former jumped from \$1.1 million to \$3.3 million whilst personal loans rose 10.1 percent to \$16.7 million.

Public Sector

Proposals for the 1982/83 fiscal year are projected to result in a balanced budget this year with the deficit on the capital account being financed by Central Government's current account savings of \$15.1 million. Measures taken to expand Government's local revenues included increases in customs duties, stamp duties on imports, and revenue replacement duties. These measures are expected to contribute about \$3.0 million to revenue.

Central Government's operations in the first six months of the 1982/83 fiscal year produced a small deficit of \$1.7 million.

Recurrent revenue collections up to September totalled \$36.7 million, approximately 8.5 percent in excess of collections in the corresponding period in 1981/82 fiscal year. Although total recurrent revenue rose, its largest component, customs and excise duties, declined relative to amounts collected in the preceding year. Revenue from customs and excise duties reached \$16.0 million between April and September 1982 compared with receipts of \$18.2 million in the same six months of 1981. Lower levels of importation was associated with import duties collections dropping some \$1.8 million to \$12.8 million, whilst a sharp deterioration in Belize's re-export trade with neighboring Mexico following three successive devaluations in 1982 eroded administration charges on re-exports from \$1.3 million to \$0.8 million. More than offsetting revenue losses on import and export duties, however, were collections from income tax. In the first six months of 1981/82, income tax receipts were approximately \$6.2 million. The same period of the following year resulted in a 54.2 percent expansion in these collections to \$9.6 million.

The recurrent budget produced a surplus of \$1.2 million, with expenditure reaching only \$35.6 million by September 1982. In contrast, there was a deficit of \$1.7 million on the recurrent budget in the corresponding six months of 1981. A significant proportion of Government's expenditure allowed for the servicing of the increased public debt. Between April and September 1982, service payments on Government's debts, domestic and foreign, amounted to \$2.2 million compared with \$1.2 million twelve months earlier.

Spending on the capital account exceeded receipts by \$2.8 million in the first six months of fiscal 1982/83. Capital outlays in this period amounted to \$9.1 million compared with \$11.1 million between April and September 1981.

Financing for the budget deficit was provided primarily by the domestic banking system. There was, however, a sizeable difference between the deficit and the rise in domestic credit to the public sector.

Table 3
Central Government Operations
BZ \$000

	Jan. 1979 to Mar. 1980	Apr. 1980 to Mar. 1981	Apr. 1981 to Mar. 1982	Apr. 1982 to Sep. 1982	Estimated 1982/82
Recurrent Revenue	77,737	77,829	82,457	36,719	96,510
Capital Revenue	15,455	7,849	10,417	6,304	90,179
Total Revenue	93,192	85,678	92,874	43,023	186,689
Recurrent Expenditure	67,921	62,811	74,704	35,551	81,380
Capital Expenditure	29,219	26,440	24,431	9,140	105,309
Total Expenditure	97,140	89,251	99,135	44,691	186,689
Recurrent Deficit (-) or Surplus (+)	+9,816	+15,018	+7,753	+1,168	+15,130
Capital Deficit (-) or Surplus (+)	-13,764	-18,591	-14,014	-2,836	-15,130
Overall Deficit (-) or Surplus (+)	-3,948	-3,573	-6,261	-1,668	-

Source: Accountant General's Office

In December, 1979 the financial year was changed to run April 1 to March 31. The data for 1979/80 includes Government's operation between January 1979 and March 1980. Expenditure over the first three months of 1980 was provided for by supplementary appropriation by the Legislature.

Table 4
Credit to Central Government
BZ \$000

Year	Treasury* Bills	Other Securities	Direct Advances (Net) From Central Bank	Direct Advances (Net) From Commercial Banks	Total
1978	12,100	1,819	(492)	5,160	18,587
1979	7,700	1,688	2,963	8,672	21,023
1980	15,000	1,604	2,306	8,633	27,543
1981	16,885	1,659	7,292	12,761	38,597
1982	19,000	3,119	10,187	23,512	55,818

*Face Value

Following a 40.1 percent increase in 1981, net credit to the public sector rose by 44.6 percent in 1982. Credit to public sector amounted to \$55.8 million, a net increase of \$17.2 million since 1981. Most types of credit showed increases. The level of Government securities held by the Central Bank and the commercial banks rose by \$3.6 million following a \$2.1 million expansion in outstanding treasury bills and a debenture issue, \$1.5 million of which was taken up by the Bank. In addition, direct lending to Government rose 53.0 percent as a result of increased accommodation by the commercial banks. Several large loans were made by the banks in 1982, the largest of which was a consortium loan of US\$4.0 million to meet Belize Electricity Board's payments for imports of diesel from Mexico. Towards the end of 1982, however, the rapid growth in domestic credit was dampened following the conclusion of negotiations on a loan to the public sector under the Caribbean Basin Initiative and the receipt of funds under this scheme. A portion of these funds was used immediately to meet overdue payments on a number of public sector loans, both foreign and local.

In relatively small and open economies which largely depend on imports for their consumption and capital needs, public sector borrowings during a year from the banking sector (Central Bank and commercial banks) have a direct impact on their foreign exchange reserves and on their balance of payments. If the banking system incurs short-term foreign debt to meet Government's recurrent expenditure, to that extent the country's foreign reserves will be depleted immediately.

If the borrowings are in local currency, their impact would be felt on the foreign reserves with a time lag. Since in these economies savings-income and investment-savings ratios are low, a significant proportion of the additional local currency that comes into circulation is used for imports which have to be met with in foreign exchange. Thus in the ultimate analysis, there is a close relationship between fiscal performance and the balance of payments.

Since the rate of public borrowings and issue of import licences are determined by the fiscal authority, and the monetary authorities only facilitate these transactions, the influence of the latter in these relatively small and open economies on the conservation of foreign exchange is minimal. Under these circumstances a Government has two choices. It may trim its current expenditure to match

its resources. Alternatively, it may raise its resources through various measures, including new and/or additional taxes, and better revenue collections, though it is doubtful whether small economies with a limited range of economic activity could offer much scope for raising additional resources to meet with the growing expenditure needs of the Government. In either case, the import policy has to be geared to the developmental needs of the country without unduly restricting the consumption levels of the community.

Balance of Trade

Preliminary figures for Belize's trade with the rest of the world show a trade deficit of \$75.5 million for 1982, almost \$10 million less than the deficit in 1981. Generally weak commodity prices on the international market and a lower level of domestic activity were linked to the decline.

The sugar industry was hardest hit by the fall in international prices. Despite a sharp increase of more than 8.5 percent in the volume of exports this year, earnings fell for the second consecutive year. The rate of decline sharpened from 11.9 percent in 1981 to 27.7 percent in 1982 and at \$63.5 million, earnings were at their lowest level since 1979. Equally devastating for the Belize sugar industry was the announcement in September by the U.S.A. of a new quota which was set at 28,000 long tons for Belize for fiscal 1983. As a result, total exports of sugar to the United States fell by 22 percent. The gap was filled by Canada which purchased 18,950 tons or 19 percent of total exports this year - at very depressed prices. A third factor influencing the level of earnings was the depreciation of sterling at a time when the United Kingdom reduced the level of its sugar imports from Belize by 16 percent.

Most of the other major export industries suffered from both a decline in export volumes and poor prices. Banana exports, continuing on a downward trend of the past few years, fell more than 5 percent to 523 thousand boxes; earnings declined 2.5 percent to \$4.2 million. Like sugar, the industry was affected by the poor performance of sterling on the foreign exchange market. In addition to a decline in the volume of marine exports, lobster prices weakened, averaging \$16.50 this year compared with a range of \$14.00 - \$18.00 in 1981. The value of these exports dropped an estimated 12.5

percent to \$12.6 million. Meanwhile, in the citrus industry, the level of production dropped by approximately 18 percent. Despite this sharp decline, however, exports of citrus concentrate is estimated to have risen by 6.9 percent to \$13.9 million.

Given the general decline in earnings from major exports, total exports for 1982 are estimated at \$119.6 million, down 20 percent from 1981. Poor prices in particular reduced earnings to the lowest level in more than three years. The decline in

imports was even sharper than the reduction in the export level and, consequently the trade gap narrowed. Imports, declining for the second consecutive year, dropped more than \$40.3 million in 1982, responding to the slow-down in domestic economic activity that was brought about by the general decline in international demand and consumption and the resultant shortfall in Belize's export earnings.

Table 5
Major Domestic Exports

Year	Sugar		Citrus Concentrate		Bananas		Fish	
	Volume Long-Tons	Value* BZ \$000	Volume '000 Gallons	Value BZ \$000	Volume 42 Lb Boxes	Value BZ \$000	Volume '000 Lbs	Value BZ \$000
1979	19,643	63,005	634	8,912	842	6,748	1,189	8,771
1980	97,152	99,741	912	12,738	785	6,987	1,075	8,138
1981	90,424	87,890	1,170	13,004	551	4,311	1,468	14,443
1982 ^P	98,146	63,555	1,375	13,904	523	4,205	1,437	12,641

Sources: Belize Sugar Industries, Central Planning Unit

P: Provisional

*Net Stripped Value

Table 6
Balance of Visible Trade
BZ \$000

Year	Retained Imports	Domestic Exports	Re-Exports	Trade Gap
1978	163,218	109,792	49,773	53,426
1979	203,434	121,456	60,320	81,978
1980	241,934	164,120	57,575	77,814
1981	235,392	149,472	88,542	85,920
1982 ^P	195,076	119,573	67,866	75,503

Source: Central Planning Unit

P: Provisional

In addition to the poor performance of the domestic export sector, Belize's re-export trade suffered from the weakening of the Mexican peso. The level of re-exports fell by approximately 23.3 percent. In the previous four years, Belize's re-export trade with neighbouring Mexico had grown rapidly, expanding by more than 77.9 percent between 1978 and 1981.

Operations Transactions with Government

Section 34 of the Central Bank of Belize Act, 1982, permits temporary advances to Central Government not exceeding fifteen per centum of the Government's estimated current revenues for the financial year. A similar provision existed under the Monetary Authority of Belize Ordinance, 1976 (Section 23).

Throughout 1982, the Government resorted to temporary borrowing from the Central Bank. At the beginning of the year, Central Bank advances amounted to almost \$9.0 million. Increasing usage of this facility raised advances to \$14.4 million by September. At the end of the year, after funds received through the Caribbean Basin Initiative and from the Central Bank's profits were credited to its account, the level of Government's advances from the Central Bank dropped to \$10.2 million.

The ratio of advances to estimated revenue rose steadily throughout 1982 and by September was very close to the 15.0 percent limit. For the first five months of 1981, the Monetary Authority's advances to Government were kept at relatively low levels, averaging just over 4.0 percent of estimated recurrent revenues. A sharp growth in this credit over the remaining months of the year resulted in the facility being used up to the limit.

Section 35(2) of the Central Bank of Belize Act, 1982 stipulates that the Bank can hold Government securities to a maximum of five times the former's capital and reserves. In contrast, the Monetary Authority of Belize Ordinance, 1976 (Section 24) permitted the Authority to hold these securities up to seven times its capital and reserves. Throughout its existence, the Authority's holdings of Government securities were well within the legal

limit. Similarly in 1982, the Central Bank's holdings of treasury bills and debentures were comfortably within the legal boundary. At the end of 1982, the Central Bank held a total of \$19.5 million in these securities, compared with a limit of \$52.3 million.

The Central Bank acts as agent for the Government in making arrangement for the issue of treasury bills. Bills are issued at monthly intervals for maturities of 91 days.

For most of the year, treasury bills were issued on a roll-over basis. However, additional allotments in issues numbers 8 and 10 of \$1.5 million and \$2.5 million, respectively, raised the total amount of bills outstanding to as high as \$21.5 million. Issue Number 10/1982 matured on December 31, 1982. The first issue for 1983 was made on that same day, however, with the new issue total bills outstanding dropped to \$19.0 million or 17 percent above the amount outstanding at the end of 1981. Meanwhile the discount rate on treasury bills rose to 12.36 percent early in 1982 and remained there for the first half of 1982. Thereafter, it began to descend and at year end averaged 11.65 percent.

Table 7
Central Bank Advances and Holdings
of Belize Government Securities
(BZ \$000)

1982	Advances	(a)	Treasury Bills	Other Securities	(b)
Jan	8,955	10.3	13,387	1,408	1.4
Feb	9,147	10.5	14,775	1,408	1.5
Mar	9,280	10.7	14,198	1,408	1.5
Apr	10,213	10.6	12,073	1,408	1.3
May	10,092	10.4	10,412	1,408	1.1
Jun	13,158	13.6	10,050	1,408	1.1
Jul	13,122	13.6	10,915	1,408	1.2
Aug	13,660	14.1	12,858	2,908	1.5
Sep	14,363	14.9	11,916	2,908	1.4
Oct	13,581	14.1	12,451	2,908	1.5
Nov	14,387	14.9	13,286	2,908	1.5
Dec	10,187	10.5	16,682	2,908	1.7

Note (a) Outstanding advances as a percentage of the Government's Estimated Current Revenue. The period January through March is based on Estimated Revenue for fiscal 1981/82 and the subsequent months on Estimated Revenue for fiscal 1982/83.

(b) Total holdings of treasury bills and other securities issued by the Government of Belize as a multiple of the Central Bank's paid-up capital and reserves.

Table 8
Government of Belize Treasury Bill Issues
(BZ \$000)

Issue Number	Amount Tendered	Amount Allotted	Additional Allotment	Total Allotted	Average Discount Rate	Average Yield To Maturity
1/1982	10,500	10,500	-	10,500	12.12	12.50
2/1982	3,185	3,185	-	3,185	12.36	12.75
3/1982	3,200	3,200	-	3,200	12.36	12.75
4/1982	10,500	10,500	-	10,500	12.36	12.75
5/1982	3,185	3,185	-	3,185	12.36	12.75
6/1982	3,200	3,200	-	3,200	12.12	12.50
7/1982	10,500	10,500	-	10,500	12.12	12.50
8/1982	3,185	3,185	1,500	4,685	12.12	12.50
9/1982	3,200	3,200	-	3,200	11.65	12.00
10/1982	10,500	10,500	2,500	13,000	11.65	12.00
11/1982	5,000	5,000	-	5,000	11.65	12.00
12/1982	3,500	3,500	-	3,500	11.65	12.00

Relations with Commercial Banks

Statutory Liquidity:

Section 17(1) of the Banking Ordinance 1976 requires every licensed financial institution to maintain on an account with the Central Bank a minimum balance which, on average, shall be equivalent to at least five per centum of its average deposit liabilities. Throughout the year, the banks maintained balances with the Central Bank in excess of the statutory requirement. Towards the end of the year, however, the account of some banks went into overdraft, all of which were converted into short-term loans from the Central Bank repayable at 14.0 percent per annum.

Throughout the first half of 1982, (with the exception of March) the commercial banks held

balances with the Central Bank comfortably above the legal requirement. During that period, commercial bank balances averaged a little over 7 percent of average deposit liabilities. In the second half of 1982, there were wide variations in the excess balances the commercial banks held each month. From a low of \$0.5 million in November, deposits built up rapidly and at year end excess balances totalled \$1.8 million.

Section 18 of the Banking Ordinance 1976 requires every licensed financial institution to maintain a minimum aggregate holding of approved liquid assets amounting, on average, to twenty per centum of average deposit liabilities. The required minimum level (which may be increased to a maximum of thirty-five per centum) remained unchanged throughout the year.

Table 9
**Commercial Bank Deposits with Central Bank
of Belize**
(Average of Daily Balances)
(BZ \$000)

1982	Minimum Required Balance	Actual Balance Held	Excess Balance
Jan	5,264	6,713	1,499
Feb	5,304	7,143	1,839
Mar	5,340	5,826	486
Apr	5,336	8,875	3,539
May	5,575	8,889	3,314
Jun	5,615	8,145	2,530
Jul	5,705	6,480	775
Aug	5,680	7,195	1,515
Sept	5,672	7,823	2,151
Oct	5,666	6,624	958
Nov	5,609	6,111	502
Dec	5,663	7,513	1,850

The high level of liquid assets held by the commercial banks declined rapidly after April, 1982. From a peak of 32.7 percent of average deposit liabilities, the ratio dropped to as low as 22.9 percent in October before recovering at year end when excess holdings of liquid assets leapt back to \$10.9 million. The wide fluctuations that occurred in the second half of 1982 reflected primarily the expansion in borrowings by the commercial banks from their Head Offices and the redesignation of a number of these loans as long-term loans, that is, loans that are not callable within 90 days, and, therefore, excluded from the computation of the required liquidity.

Table 10
Commercial Bank Holdings of Approved
Liquid Assets
(Average of Liquidity Balances)
(BZ \$000)

1982	Required Holdings	Actual Holdings	Excess Holdings
Jan	21,202	29,130	7,928
Feb	21,215	26,455	5,240
Mar	21,359	27,648	6,289
Apr	21,342	34,903	13,561
May	22,303	34,877	12,574
Jun	22,461	34,511	12,050
Jul	22,820	32,171	9,351
Aug	22,720	30,293	7,573
Sep	22,686	26,200	3,514
Oct	22,663	25,995	3,332
Nov	22,436	25,906	3,470
Dec	22,653	33,517	10,864

Table 11
Cheque Clearings
(BZ \$000)

1982		Cheques Cleared	
Jan	27,987	Jul	34,532
Feb	29,457	Aug	26,847
Mar	31,612	Sep	24,259
Apr	31,962	Oct	23,580
May	26,076	Nov	25,815
Jun	29,657	Dec	34,008

Clearing House Operations

The clearing house agreement of October, 1978 between the Monetary Authority and the commercial banks continues in operation. Cheque clearing activity rose over the year, amounting to \$345.8 million in 1982. This was approximately \$5.6 million or 1.6 percent above the amount cleared in 1981.

The amount of cheques cleared through the Central Bank peaked in July at a total of \$34.5 million. Similarly, in 1981, clearing activity peaked in July, although at a higher level. Whilst in the first half of 1982 cheque clearing activity was generally above 1981's, the situation was reversed in the remaining months of 1982 when activity, relative to 1981 was somewhat subdued.

Table 12
Currency in Circulation
(BZ \$000)

1982	Notes	Coins	Total
Jan	18,051	3,287	21,338
Feb	18,509	3,262	21,771
Mar	18,507	3,271	21,778
Apr	20,241	3,252	23,493
May	19,888	3,266	23,154
Jun	19,229	3,273	22,502
Jul	17,838	3,282	21,120
Aug	17,527	3,287	20,814
Sep	16,723	3,294	20,017
Oct	16,861	3,300	20,161
Nov	17,941	3,279	21,220
Dec	21,176	3,276	24,452

Currency

The Central Bank is vested with the sole right of issuing, re-issuing and redeeming Belize currency notes and coins and of determining, with the approval of the Minister of Finance, the designs and other specifications of legal tender notes and coins.

The currency unit of Belize is the Belize dollar which since May, 1976, has been pegged to the United States dollar at the rate of BZ\$1.00 = US\$0.50.

For most of the year total currency in circulation fell below levels in the corresponding periods in 1981, somewhat reflective of the dampening of economic activity in the twelve months under review. The declining trend in the currency issue emerged in September of 1981. By January of the following year the issue totalled \$21.3 million. Recovering significantly in the following months, currency being circulated reached a high of \$23.5 million in April. Thereafter, it began to decline until December when increased demand by the

public brought the level of currency up to \$24.4 million, the highest level for 1982.

Currency expansion since the beginning of the year was approximately 16.0 percent compared with 8.0 percent in 1981. All of the expansion was in the note issue. Coins being circulated remained stable at \$3.3 million whilst notes jumped from \$18.0 million to \$21.2 million, a 17.0 percent increase.

Currency held by the commercial banks rose from \$2.4 million in January to \$3.8 million in December, an expansion of almost 59 percent and the public's holdings were raised from \$18.9 million to \$20.6 million (9.0 percent). In 1981, vault cash rose by 44.6 percent whilst the public's holdings rose by little over 3 percent.

External Assets

Section 25(1) of the Central Bank of Belize Act requires the Bank to hold at all times a reserve of external assets of not less than forty percent of notes and coins in circulation and the Bank's liabilities in respect of its sight and time deposits.

The Central Bank at all times throughout 1982 maintained the required ratio between external assets and demand liabilities. However, there were wide fluctuations. In the first five months of the year, the external assets ratio rose to as high as 71.4 percent in response to a rapid build-up in the level foreign assets. Thereafter, reductions in these assets at a much faster pace than the fall in demand liabilities pushed the ratio down to a low

of 43.9 percent in November. Influenced strongly by the deposit of US\$4.6 million with the Central Bank under the Caribbean Basin Initiative, the ratio recovered in December, ending the year at 49.1 percent.

Under the Monetary Authority of Belize Ordinance, 1976, the Authority maintained external assets at all times equal to not less than fifty per centum of deposit liabilities. For most of 1981 the ratio was maintained comfortably above the requirement, peaking at 115.7 percent in April. A declining trend emerged after July and by year end, the ratio hovered very close to the limit; in December, 1981, the external assets ratio stood at 53.8 percent.

Table 13
Central Bank External Assets Ratio

1982	(A) External Assets Bz \$000	(B) Demand Liabilities Bz \$000	(A) ÷ (B) (%)
Jan	13,760	26,945	51.1
Feb	13,293	27,846	47.7
Mar	14,534	28,438	51.1
Apr	22,797	34,567	65.9
May	23,840	33,380	71.4
Jun	20,160	32,043	62.9
Jul	17,555	29,828	58.8
Aug	15,989	31,804	50.3
Sep	13,325	28,540	46.7
Oct	13,132	27,851	47.1
Nov	12,452	28,362	43.9
Dec	18,965	38,587	49.1

Note

Demand Liabilities comprise notes and coins in circulation, including unredeemed demonitised notes, indebtedness to the CARICOM Multilateral Clearing Facility and the Bank's liabilities to customers in respect of its sight and time deposits.

Foreign Exchange Operations

The Central Bank of Belize undertakes to buy from and sell to authorised dealers the following stipulated currencies by way of cover for authorised transactions at prescribed rates: -

- a) United States Dollar
- b) Canadian Dollar
- c) Pound Sterling
- d) Currencies of member countries of the Caribbean Community (CARICOM).

During 1982, net sales of Sterling, Canadian dollars and United States dollars amounted to \$5.5 million. Of this amount, \$2.9 million was in connection with the purchase of SDR 1.3 million upon Belize becoming a subscribed member of the International Monetary Fund. Net sales in 1981 amounted to \$7.3 million.

The assumption of SDR's to a place within the Central Bank's portfolio of foreign asset holdings this year resulted in a shift in the percentage distribution of foreign assets among the major currencies held. United States dollars declined from 87.4 percent of total foreign assets to 70.7 percent, sterling rose from 11.0 percent to 13.0 percent of total while SDR's amounted to 14.0 percent of total at the end of the year.

The net result of the Central Bank's dealings in currencies of the Caricom countries is reflected in Table 15. Net purchases of \$0.8 million were made. Transactions with Caricom currencies are effected through the Caricom Multilateral Clearing Facility.

Table 14
**Central Bank Dealings in Foreign Exchange
 With Financial Institutions in Belize
 Tradings in the US Dollar, Canadian
 Dollar and Pound Sterling
 (BZ \$000)**

1982	Purchases	Sales	Net Purchases
Jan	4,065	11,171	(7,106)
Feb	8,134	8,763	(629)
Mar	8,463	7,385	1,078
Apr	15,345	7,264	8,081
May	8,590	8,130	460
Jun	6,102	9,895	(3,793)
Jul	3,391	6,494	(3,103)
Aug	4,281	6,050	(1,769)
Sept	11,348	17,274	(5,926)
Oct	4,909	6,071	(1,162)
Nov	4,672	5,692	(1,020)
Dec	17,068	7,731	9,337
Total	96,368	101,920	(5,552)

Table 15
**Central Bank Dealings in Foreign Exchange
 With Financial Institutions in Belize
 Trading in Caricom Currencies
 (BZ \$000)**

1982	Purchases	Sales	Net Purchases
Jan	483	334	149
Feb	561	429	132
Mar	142	422	(280)
Apr	181	642	(461)
May	750	253	497
Jun	326	403	(77)
Jul	130	342	(212)
Aug	240	459	(219)
Sep	711	237	474
Oct	1,044	353	691
Nov	263	452	(189)
Dec	790	414	376
Grand Total	5,621	4,740	881

Exchange Control

A dramatic decline in foreign exchange sales reduced total outflows to the lowest level in three years. The steep fall was symptomatic of a shift in the direction of trade following the three devaluations in Mexico during 1982, a decline in domestic export earnings impacting on economic activity and the imposition of controls on imports towards the end of the year.

The sales of foreign exchange declined sharply in 1982. Compared with a reduction of 1.0 percent in 1981, total sales dropped more than 22.0 percent to \$239.8 million during 1982. Sales declined throughout 1982 and foreign payments in each quarter was always lower than payments in the corresponding months of 1981. Dealings in foreign exchange were particularly low in the final quarter of the year when sales by authorised dealers amounted to only \$48.3 million or 20.0 percent of the total; in the first quarter, foreign currency purchases by the public reached \$70.5 million or over 29.0 percent of total purchases.

Reductions in foreign exchange sales by authorised dealers were mirrored in a reduction in import payments. Declines in the four quarters averaged about 12.0 percent. Total sales to meet import payments amounted to \$192.7 million, down \$61.6 million or 24.0 percent from sales during 1981. The reduction in import payments were particularly evident in the final quarter when import restrictions imposed in mid-November may have been an influential factor. The devaluations in Mexico this year may also have been a contributing factor in the decline in import payments as consumers are believed to have shifted their foreign purchases to Mexico to take advantage of the decline in Mexican prices expressed in Belize dollars. While trade between Belize and Mexico picked up appreciably in 1982, the impact may not have been fully reflected in the merchandise account due to the buoyant illegal trade in foreign exchange that developed along the border between Mexico and Belize.

Most other types of foreign exchange sales for current account transactions were either stable or below the level achieved in 1981. Travel allowances dropped almost 34.0 percent to \$6.5 million. Allowances for family maintenance, on the other hand, dropped minimally from \$1.6 million to \$1.5 million. Total current account transactions amounted to \$225.2 million in 1982.

Transactions in foreign exchange on the capital account totalled \$14.6 million. Almost 55.0 percent of these outflows were funds repatriated by non-residents. Another 19.0 percent was allotted to Belizean residents who had migrated.

The general decline in the level of payments abroad reflected the fall in domestic economic activity in the past two years. With commodity prices responding downward to the recession in Belize's major trading partners, the level of earnings from international trade was sharply eroded, thereby restricting the level of imports that could be sustained on these earnings.

Classification	1982		1981	
	Resident	Non-Resident	Resident	Non-Resident
Imports	28,034	21,367	28,034	21,367
Freight Charges	-	691	-	691
Port Disbursements	-	80	-	80
Travel	937	1,112	1,112	437
Business	(279)	(64)	(279)	(43)
Miscellaneous	(159)	(15)	(159)	(14)
Vacation	(234)	(138)	(234)	(97)
Other	(283)	(283)	(283)	(283)
Family Maintenance	141	178	178	260
Education	420	274	420	274
Medical	132	181	132	181
From Other Expenditures	503	108	503	108
Investment	104	104	104	104
Other Current Account	348	128	348	128
Total Current Account	66,108	771	66,108	771
Exports	104	104	104	104
Imports	437	830	437	830
Profits	814	846	814	846
Interest Payments	110	130	110	130
Family Payments	59	59	59	59
Interest Receipts	630	630	630	630
Investment	361	361	361	361
From Other Expenditures	108	108	108	108
Other Current Account	128	128	128	128
Total Current Account	1,362,316	237	1,362,316	237
Capital Account	1,362,316	237	1,362,316	237
Public Sector	(133)	(133)	(133)	(133)
Private Sector	(940)	(940)	(940)	(940)
Other	63	63	63	63
Investments	3	3	3	3
Other Capital Account	249	132	249	132
Total Capital Account	2,045	1,388	2,045	1,388
Total	88,153	2,359	88,153	2,359
Grand Total	70,213	62,800	70,213	62,800

NOTE - In the First Quarter

1. Amounts for freight charges are included under Travel.
 2. Amounts for dividends are included under Miscellaneous.
 3. Amounts for Port Disbursements and Compensation are included under Other Current Transactions.

Table 15
Table 16
Sales of Foreign Exchange by Authorized Dealers
BZ \$000

Classification	First Quarter		Second Quarter		Third Quarter		Fourth Quarter		Total	
	Resident	Non-Resident	Resident	Non-Resident	Resident	Non-Resident	Resident	Non-Resident	Resident	Non-Resident
Imports	58 034	-	51 367	-	45 337	-	37 956	-	192 694	-
Freight Charges ¹	..	-	691	-	575	-	653	-	1 919	-
Port Disbursements ³	..	-	80	-	73	-	91	-	244	-
Travel	937	593	1 113	437	1 644	456	944	341	4 638	1 827
Business	(279)	(64)	(318)	(43)	(301)	(29)	(266)	(22)	(1 164)	(158)
Medical	(139)	(16)	(118)	(14)	(148)	(12)	(104)	(11)	(509)	(53)
Vacation	(234)	(128)	(388)	(97)	(681)	(105)	(266)	(65)	(1 569)	(395)
Other	(285)	(385)	(289)	(283)	(514)	(310)	(308)	(243)	(1 396)	(1 221)
Travel Fares	2 201	-	1 064	-	1 739	-	649	-	5 653	-
Family Maintenance	241	178	269	120	261	98	234	95	1 005	491
Education	400	-	274	-	505	-	318	-	1 497	-
Medical Bills	132	-	181	-	185	-	178	-	676	-
Head Office Expenses	562	-	108	-	99	-	594	-	1 363	-
Management Fees	111	-	-	-	-	-	11	-	122	-
Professional Services	422	-	361	-	452	-	749	-	1 984	-
Insurance/Reinsurance	1 078	-	650	-	1 115	-	1 104	-	3 947	-
Royalty Payments	110	-	59	-	92	-	71	-	332	-
Commissions ³	-	-	120	-	78	-	108	-	306	-
Profits	914	-	846	-	508	-	228	-	2 496	-
Interest Payments	457	-	830	-	1 158	-	106	-	2 551	-
Subscriptions	105	-	104	-	53	-	95	-	357	-
Sundries	58	-	76	-	130	-	121	-	385	-
Other Current Account	346	-	128	-	149	-	123	-	746	-
Total Current Account	66,108	771	58 321	557	54 153	554	44 333	436	222 915	2 318
Emigration	555	-	775	-	909	-	596	-	2 835	-
Dividends ²	-	-	3	-	465	-	51	-	519	-
Repatriation of Funds	-	1 588	-	1 942	-	2,194	-	2,273	-	7 997
Loan Payments	1 173	-	531	-	189	-	463	-	2 356	-
(Public Sector)	(940)	-	(311)	-	(189)	-	(172)	-	(1 612)	-
(Public Sector)	(233)	-	(220)	-	(-)	-	(291)	-	(744)	-
Gifts	65	-	26	-	30	-	56	-	177	-
Investments	3	-	-	-	-	-	-	-	3	-
Other Capital Account	249	-	125	-	234	-	107	-	715	-
Total Capital Account	2 045	1 588	1 460	1 942	1 827	2 194	1 273	2 273	6 605	7 997
Total	68 153	2 359	59 781	2 499	55 980	2 748	45 606	2 709	229 520	10 315
Grand Total	70 512		62 280		58 728		48 315		239 835	

NOTE- In the First Quarter:

- ¹ Amounts for freight charges are included under Travel Fares
- ² Amounts for dividends are included under Profits
- ³ Amounts for Port Disbursements and Commissions are included under Other Current Transactions

Accounts

The authorised and paid-up capital of the Central Bank of Belize is \$10,000,000.

The annual statement of accounts of the Central Bank for 1982 certified by the auditor, is attached to this Report.

The net profit from the operations of the Bank during 1982 amounted to \$5,089,771 compared with \$6,247,445 in 1981. Total assets which were \$43,645,946 in 1981 rose by 15.17 percent to \$50,567,657. Foreign assets as a proportion of total assets fell from 47.32 percent at the beginning of the year to 37.73 percent at the end of 1982.

Income and Expenditure

Net investment income during 1982 totalled \$5,252,615 (\$6,259,972 in 1981) and represented a yield of approximately 12.25 percent (14.68 in 1981) on average assets. The drop in yield was due almost entirely to the steep decline in interest rates abroad, particularly during the second half of 1982 when overnight rates in the United States fell from an average of 13.73 percent during June to an average of 9.22 percent during December. Average asset holdings was \$42,867,000 compared with \$42,638,000 in 1981.

Total operating expenses, including the cost of printing currency notes and minting coins, was \$880,444 (\$637,804 in 1981), representing 14.02 percent (9.26 percent in 1981) of total income. Excluding the cost of printing notes and minting coins, other operating expenses represented 11 percent of total income compared with 8.48 percent in 1981.

General Reserve Fund

Section 9 of the Central Bank of Belize Act provides for the establishment and maintenance of a General Reserve Fund which shall be credited with twenty per cent of the net profit made by the Bank during each financial year until the Fund is equal to or exceeds the amount of the paid up capital of the Bank. After this, ten per cent of the net profit shall be paid into the Fund.

A sum of \$1,017,954 representing twenty per cent of the net profit was credited to the Fund, which

stood at \$460,217 before the transfer of net profit to it.

Administration

The Board Of Directors

The Board of Directors of the Central Bank of Belize during the year consisted of -

H.E.C. Cain, Esq., O.B.E., Chairman

D.B. Courtenay, Esq., Attorney-at-Law

H. Escalante, Esq.

E.G.N. Gegg, Esq., O.B.E., J.P.

R.C. Swift, Esq., Financial Secretary's Representative

When the Monetary Authority of Belize was replaced by The Central Bank of Belize, the Directors of the former were appointed to serve on the Central Bank's Board for a period of one year. Mr. H.E.C. Cain, appointed to serve as Governor, replaced Mr. E.A. Marshalleck as Chairman of the Board. Mr. Marshalleck had served as Chairman of the Board of the Monetary Authority for four years.

The Board held eleven meetings during the year.

Staff

The principal officers of the Central Bank at the end of 1982 were -

H.E.C. Cain, O.B.E., F.C.C.A., Governor

S.R.K. Rao, Ph. D., Advisor

F.J. Garbutt, Manager, Operations

D.E. Humes, M.Sc. (Econ.), Director of Research

D.L. Leslie, B.B.A. (Econ). Foreign Exchange Controller

C.E. Reyes, B.A. (Library Studies), Secretary

Dr. Rao continued on secondment from the IMF as Advisor on Research and Exchange Control. Dr. Rao previously served as Chief Research Officer in the Monetary Authority for a period of two years.

Ms. Dorla Humes was appointed to the post of Director of Research in January. Ms. Humes joined the Monetary Authority in 1979.

Total staff employed by the Central Bank was thirty-one at the end of 1982 (twenty-nine at the end of 1981) of which three were on secondment from the Government Service.

Overseas Visits

In May 1982 the Governor, Mr. H.E.C. Cain, travelled to Vienna, Austria to attend a meeting of the Euromarket Institute. The theme of the meeting was "Politics in Banking". In May he attended the Tenth Anniversary Celebrations of the Central Bank of Barbados where he was a participant in the Bank's seminar on Central Banking in the Caribbean.

In June Mr. Cain was also a participant in the Fifth Annual International Banking Operations Seminar sponsored by the First National Bank of Boston in Boston, Massachusetts. This seminar explored the subject of advanced technology in banking operations as applied to international transactions. Following this, the Governor attended the Annual General Meeting of the Bank for International Settlements in Basle, Switzerland.

Mr. Cain attended the Second Meeting of the Commission of Latin American and Caribbean Bank Supervisory Authorities held in Lima, Peru in August. Following from this meeting, the Central Bank of Belize became a founding member of the Commission.

In September, Belize attended the Annual Meeting of the IMF and World Bank for the first time since becoming a member of the IMF in March 1982. The meeting was held in Toronto, Canada, and the Governor attended as part of the Belize delegation.

Other meetings attended by the Governor were the Twelfth and Thirteenth Meetings of the Board of Governors of the Caricom Multilateral Clearing Facility held in Kingston, Jamaica and Georgetown, Guyana respectively in March and November 1982, and the Fourteenth Regional Monetary Studies Conference also held in Guyana in November. Accompanying Mr. Cain to the Fourteenth Regional Monetary Studies Conference were Dorla Humes, Director of Research, and Carla Barnett, Research Officer, who

both presented papers. Ms. Humes' paper was on "Recent Development in Belize and the Implications for the Exchange Rate" and Ms. Barnett's paper was entitled "Commercial Banking in Belize 1960 - 1980."

Ms. Humes presented a paper entitled "The Efficacy of Monetary Policy in Belize" in Viña del Mar, Chile in November when she participated in the Nineteenth Meeting of Technicians of Central Banks sponsored by CEMLA and hosted by the Central Bank of Chile.

Frank Garbutt, Manager of Operations, represented the Central Bank of Belize at the Meetings of Technicians of CMCF which preceded the Governors' Meetings. He was accompanied by Dorla Leslie, Foreign Exchange Controller at the Technicians Meeting in Jamaica. In May, Mr. Garbutt was the Bank's delegate to the Annual General Meeting of the Caribbean Development Bank held in St. Lucia.

Barbara Locke, Supervisor of Currency, travelled to Jamaica in March for a two-week attachment at the Bank of Jamaica where she observed currency operations.

Ms. Leslie attended a meeting of Exchange Control Officers hosted by the Bank of Jamaica from March 10 - 12, 1982. She presented a paper on "Exchange Control - The Belize Experience."

Training

The Bank continued its efforts in 1982 to train staff members. Dorla Humes attended a six week course on Balance of Payments Methodology sponsored by the International Monetary Fund in Washington from April to June. Dorla Leslie attended the first course for Bank Inspectors of the English speaking Caribbean in Port-of-Spain, Trinidad, from October to November 1982. Frank Garbutt attended a seminar in Management and Operations at the Federal Reserve Bank of New York in October.

Also in 1982, the Bank granted two scholarships to staff members. Sydney Campbell was awarded a three year scholarship to pursue a Bachelor of Science degree in Economics at the University of the West Indies in Barbados and Dwain Davis, Accountant, was awarded a scholarship to pursue a degree course in Accountancy at Biscayne College in Miami, Florida.

Note 1982 1981
 \$ \$

Assets

Approved External Assets

Balances and deposits with foreign
 bankers and the Crown Agents
 maturing within 180 days

Reserve Monetary Fund

Marketable securities issued or
 guaranteed by foreign governments
 and international financial
 institutions

Auditors' report

Balance sheet

Statement of operations

Notes to financial statements

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Caricom Multilateral Clearing Facility

Advances to Belize Government

Belize Government Debentures

Belize Government Treasury Bills

Balances with Local Bankers and Cash on Hand

Other Assets

Fixed Assets

Total Assets

745,138	
10,187,205	7,290,755
2,908,025	1,408,025
18,682,799	14,055,851
17,822	25,894
358,964	76,908
402,202	118,612
<u>50,267,657</u>	<u>43,645,846</u>

4 March 1983

The notes on pages 5 to 9 form an integral part of the financial statements

SJP Ermeav Sr chartered accountant

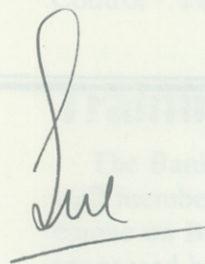
49 North Front Street
PO Box 756
Belize City Belize
telephone 44929

in association with
Coopers & Lybrand (International)

Auditors' Report to the Board of Directors of Central Bank of Belize

We have audited the financial statements on pages 2 to 9 in accordance with Approved Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the Bank at 31 December 1982 and of the results of its operations for the year ended on that date.



S.J.P. Ermeav Sr
Chartered Accountant

4 March, 1983.

**Central Bank of Belize
Balance Sheet
31 December 1982**

Central Bank of Belize
Balance Sheet
31 December 1982

	Note	1982 \$	1981 \$
Assets			
■ Approved External Assets	4		
Balances and deposits with foreign bankers and the Crown Agents maturing within 180 days		8,004,452	13,018,184
Reserve Tranche with International Monetary Fund	5	2,913,534	
Marketable securities issued or guaranteed by foreign governments and international financial institutions		1,987,689	3,496,732
Other foreign credit instruments maturing within 180 days		5,999,996	4,000,000
Accrued interest and cash intransit		135,679	150,916
		<u>19,041,350</u>	<u>20,665,832</u>
■ Deferred Income			
Unrealized gain from appreciation in value of external assets	2(d)	(76,868)	(2,021)
Unrealized gain from changes in foreign exchange rates	3	-	(10,060)
		<u>18,964,482</u>	<u>20,653,751</u>
■ Caricom Multilateral Clearing Facility		745,138	-
■ Advances to Belize Government		10,187,205	7,290,755
■ Belize Government Debentures, at cost		2,908,025	1,408,025
■ Belize Government Treasury Bills	6	16,682,799	14,059,861
■ Balances with Local Bankers and Cash on Hand		17,822	25,934
■ Other Assets	7	359,984	76,908
■ Fixed Assets	8	402,202	130,612
Total Assets		<u><u>50,267,657</u></u>	<u><u>43,645,846</u></u>

The notes on pages 5 to 9 form an integral part of the financial statements

**Central Bank of Belize
Balance Sheet
31 December 1982**

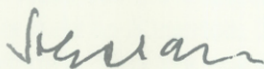
49 North Front Street
PO Box 756
Belize City, Belize
Telephone 40244

Central Bank of Belize
Balance Sheet
31 December 1982

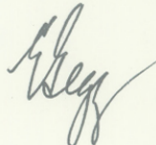
**Liabilities, Capital
and Reserves**

	Note	1982 \$	1981 \$
■ Demand Liabilities			
Notes and coins in circulation		24,452,029	22,279,662
Deposits by licensed financial institutions	9	12,672,702	9,264,397
Deposits by Belize Government and Public Sector Entities in Belize	10	25,000	33,607
Unredeemed demonitized issue	11	1,053,375	1,103,344
Deposits by international agencies	12	383,830	
		<u>38,586,936</u>	<u>32,681,010</u>
■ Caricom Multilateral Clearing Facility			387,104
■ Other Liabilities		202,550	117,515
Total Liabilities		<u>38,789,486</u>	<u>33,185,629</u>
■ Capital Account			
Paid up Capital (Authorized Capital \$10,000,000)	13	10,000,000	4,000,000
■ General Reserve Fund	14	1,478,171	4,960,217
■ Building Fund	13		1,500,000
Total Liabilities and Capital		<u>50,267,657</u>	<u>43,645,846</u>


Governor



Director



Manager Operations



The notes on pages 5 to 9 form an integral part of the financial statements.

**Central Bank of Belize
Statement of Operations
Year ended 31 December 1982**

Central Bank of Belize
Notes to Financial Statements
31 December 1982

	1982 \$	1981 \$
■ Income		
Net interest on investments	2,085,555	4,208,352
Discounts and other investment income	3,167,060	2,051,620
Net realized gains (losses) from appreciation in value of securities (1981 includes net loss of \$163,017 from changes in foreign exchange rates)	311,894	(146,774)
Commissions and other income	715,762	772,051
Total Income	<u>6,280,271</u>	<u>6,885,249</u>
■ Expenditure		
Printing of notes and minting of coins	163,191	54,061
Salaries and wages, including superannuation contributions, and gratuities	382,302	320,083
Other expenses, including depreciation	334,951	263,660
Total Expenditure	<u>880,444</u>	<u>637,804</u>
	5,399,827	6,247,445
Transfer to cover the loss on Revaluation Account in accordance with Section 49 of the Act	310,056	-
■ Net Profit	<u>5,089,771</u>	<u>6,247,445</u>
Transfer to General Reserve Fund in accordance with Section 9(1) of the Act	1,017,954	908,860
Balance credited to the Accountant General for the Consolidated Revenue Fund	<u>4,071,817</u>	<u>5,338,585</u>

The notes on pages 5 to 9 form an integral part of the financial statements.

Central Bank of Belize
Notes to Financial Statements
31 December 1982

1. The Central Bank of Belize was established by the Central Bank of Belize Act 1982 (the Act).

The assets and liabilities at 31 December 1981 as reflected in the financial statements represent the assets and liabilities transferred to the Bank on 1 January 1982 in accordance with Section 60 of the Act.

2. **Accounting Policies**

- a. Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated using the straight line method over the estimated life of the asset.

- b. Notes and coins in circulation

Up to 31 December 1976 when the Belize Board of Commissioners of Currency was wound up and its assets transferred to the Authority, liability was recorded in respect of the sale of coins specially minted or packaged as collectors' items. Included in the financial statements is a liability of \$1,161,059 recorded in respect of sales to that date.

As of 1 January 1977, no further liability is recognised in connection with the sale of special coins, and sale proceeds are included in income in the year of sale. The coins are not issued for monetary purposes and in the opinion of the directors no liability will arise in respect of them.

- c. Translation of foreign currencies

Foreign currency balances at 31 December 1982 are translated at the rates of exchange ruling at that date. Income and expenses in foreign currencies are translated at the rate of exchange ruling on the date of the transaction.

- d. Valuation of securities

Securities are stated at market. Realised security gains are included in income while unrealised gains are deferred. Security losses, whether or not realised, are charged against income.

- e. Accrued interest and cash in transit

Accrued interest and cash in transit in respect of foreign assets are shown as part of External Assets.

- f. Printing and minting expenses

The cost of printing notes and minting coins is charged against earnings in the year of delivery of the notes and coins.

3 Change in Accounting for Foreign Exchange Gains and Losses

The accounting for foreign exchange gains and losses has been changed to conform to Section 49 of the Act. As of 1 January 1982, all foreign exchange gains and losses are excluded from the computation of net profit and carried to a special account called Revaluation Account, with the proviso that if Revaluation Account shows a net loss for the year, such loss is to be charged against earnings. Formerly, exchange losses, whether or not realised, were charged against earnings while unrealised exchange gains were deferred.

The effect of this accounting change on 1982 net profit was an increase of \$60,097. The results for 1981, when restated, showed an increase in net profit of \$10,060.

The make-up of the Revaluation Account is shown in note 15.

4 Approved External Assets

Assets shown under the heading are those defined as such by Section 25(3) of the Act.

Section 25(2) requires that the Bank shall at all times hold approved external assets of an aggregate market value equivalent to at least 40 per cent of the aggregate amount of notes and coins in circulation and of Bank liabilities to customers in respect of its sight and time deposits.

At 31 December 1982, total approved external assets approximated 49.15 per cent (1981 - 53.78) of such liabilities.

5 International Monetary Fund

The Government of Belize entered membership of The International Monetary Fund (IMF) in 1982 with a subscription of 7,200,000 Special Drawing Rights (SDR). SDR 1,320,600 was paid in foreign currency (the reserve tranche) and the remainder in Belize dollars in currency and non-interest bearing promissory notes. In 1982, the reserve tranche was purchased by the Central Bank from the Government of Belize. The tranche which earns interest is shown as part of Approved External Assets in the financial statements.

6 Belize Government Treasury Bills

Section 35(2) of the Act stipulates that the Bank shall not at any time hold Belize Government Treasury Bills or Securities in an aggregate amount exceeding 5 times the aggregate amount at that time of the paid up capital and general reserves of the Bank. At 31 December 1982 the Bank's aggregate holding of Belize Government Treasury Bills and Securities approximated 1.71 times (1981 - 1.73 times) the amount of paid up capital and general reserves of the Bank.

Central Bank of Belize
Notes to Financial Statements
31 December 1982

7 Other Assets	1982	1981
	\$	\$
Other assets include:		
Accrued interest and		
Cash in transit	292,207	12,269
Other	67,777	64,639
	<u>359,984</u>	<u>76,908</u>
8 Fixed Assets	1982	1981
	\$	\$
Building and premises	240,349	-
Building improvements	24,320	17,064
Furniture	35,346	30,004
Equipment	127,675	87,629
Vehicle	21,438	21,438
	<u>449,128</u>	<u>156,135</u>
Less: accumulated depreciation	46,926	25,523
	<u>402,202</u>	<u>130,612</u>

The Bank is housed in premises provided rent free by the Government.

9 Deposits by Licensed Financial Institutions

The total under this heading consists of balances maintained with the Bank by licensed financial institutions each of which under the provisions of Section 17 of the Banking Ordinance 1976 is required to keep on deposit an amount equivalent to at least 5% of its average deposit liabilities. No interest is paid on these deposits.

10 Deposits by Belize Government and Public Sector Entities

The total under this heading includes:	1982	1981
	\$	\$
Public Sector Entities	25,000	33,607

11 Unredeemed Demonetised Issue

With effect from 1 January 1981 currency notes which had been issued by the Belize Commissioners of Currency ceased to be legal tender in Belize. As at 31 December 1982, notes amounting to \$1,053,375 had not been surrendered for redemption. The Bank is obliged to redeem at face value.

**Central Bank of Belize
Notes to Financial Statements
31 December 1982**

Central Bank of Belize
Notes to Financial Statements
31 December 1982

12 Deposits by International Agencies

The Central Bank of Belize is designated the fiscal agency for Belize and \$47,507 of the \$383,830 shown in this account represents deposits in the currency of Belize by the International Monetary Fund. The remainder represents deposits by the commission for European Communities.

13 Capital Account

The paid up capital is made up as follows:

	1982 \$	1981 \$
At 1 January	4,000,000	4,000,000
Transfer from General Reserve Account in accordance with Section 8(2) of the Act	4,500,000	-
Transfer from Building Fund	1,500,000	-
At 31 December	<u>10,000,000</u>	<u>4,000,000</u>

14 General Reserve Fund

Section 9(1) provides for the establishment of a General Reserve Fund into which shall be paid 20 percent of the net profit of the Bank in each financial year until the fund is equal to the amount of paid up capital of the Bank, thereafter, 10 percent of the net profit will be paid into the fund.

The balance of the General Reserve
Fund is made up as follows:

	1982 \$	1981 \$
At 1 January	4,960,217	4,051,357
Transfer to paid up capital of the Bank in accordance with Section 8(2) of the Act	4,500,000	-
	460,217	4,051,357
Transfer from net profit in accordance with Section 9(1) of the Act	1,017,954	908,860
At 31 December	<u>1,478,171</u>	<u>4,960,217</u>

Central Bank of Belize
Notes to Financial Statements
31 December 1982

15. Revaluation Account (see note 3)

	1982
Net loss from changes in foreign exchange rates	370,152
Unrealized gains from changes in foreign exchange rates	60,096
Net loss	<u>310,056</u>
Transferred against net profit in accordance with Section 49 of the Act	<u>310,056</u>
Balance	<u>NIL</u>

16 Contingent Liabilities

There are contingent liabilities in respect of a guarantee of \$68,204 for letters of credit in favour of the Government of Belize

	<u>10,000,000</u>	<u>4,000,000</u>
	<u>10,000,000</u>	<u>4,000,000</u>

Public Sector Entities

Transfer from net profit in accordance with Section 9(f) of the Act

At 31 December 1982, the amount of \$1,053,375 had not been surrendered for redemption. The Bank is obliged to redeem at face value.