

THE MONETARY AUTHORITY OF BELIZE



ANNUAL REPORT

AND

ACCOUNTS 1979

L
728
5a
9

THE MONETARY AUTHORITY OF BELIZE

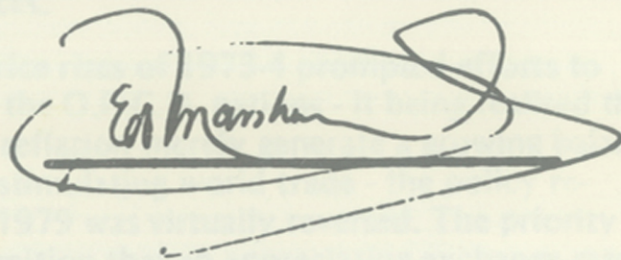
April, 1980

The Honourable
The Minister of Finance
Ministry of Finance
BELMOPAN.

Dear Minister,

In accordance with the provisions of section 38 (1) of The Monetary Authority of Belize Ordinance, 1976 (No. 9 of 1976), I have the honour to transmit herewith on behalf of the Board of Directors the report of the operations of the Authority for the period 1st January to 31st December 1979, together with a copy of the annual statement of accounts of the Authority certified by the auditors.

Yours faithfully,

A handwritten signature in black ink, appearing to read "E. A. Marshall", is written over a horizontal line. The signature is stylized and enclosed within a large, loopy flourish that extends to the right and then loops back under the line.

(E. A. MARSHALLECK)
Chairman

LIBRARY
CENTRAL BANK OF BELIZE

MONETARY AUTHORITY OF BELIZE

**Third
ANNUAL REPORT
AND ACCOUNTS
1979**

ANNUAL REPORT

- I ECONOMIC REVIEW**
- II THE AUTHORITY**
- III OPERATIONS**
- IV ACCOUNTS**
- V EXCHANGE CONTROL**
- VI ADMINISTRATION**

“\$” means Belize Dollars unless otherwise stated.

“the Ordinance” means the Monetary Authority of Belize Ordinance, 1976.

“Minister” means the Minister of Government responsible for finance.

I ECONOMIC REVIEW

INTERNATIONAL

Abrupt oil price increases of a magnitude not experienced since 1973-4 were undoubtedly the dominant influence on the world economy in 1979.

Initially oil prices rose strongly in the spot market following the cutback in Iranian supplies equivalent to some 15% of total O.P.E.C. production. Whilst demand for petroleum products remained high, O.P.E.C. members reacted in April by implementing price increases originally scheduled for the end of the year. Although nations in the International Energy Agency sought to restrain oil consumption, the desire to replenish stocks, and so preclude a recurrence of shortages in the short term, served to maintain demand. By the close of the year the price of 'marker' crude had risen some 90 percent but throughout the year the O.P.E.C. pricing system disintegrated with some nations charging significantly above the agreed range.

As in 1973-4 the higher petroleum costs had a deflationary impact on oil consuming nations. The diversion of expenditure to meet higher oil payments was only partially offset by increased absorption by oil producing nations of exports from the rest of the world. Even optimistic forecasters estimated that only 50% of increased O.P.E.C. oil revenues would be translated into greater demand for exports within a year. Thus the combined O.P.E.C. current account surplus rose from a mere US\$6 billion in 1978 to approximately US\$50 billion in 1979.

Whilst the rise in petroleum prices over the year was proportionately much smaller than in 1973-4 when oil prices quadrupled, it was potentially more damaging. In 1973 when major economies experienced a synchronised cyclical peak in economic activity, inflation averaged 8½ per cent in the O.E.C.D. nations. Five years later with unemployment at an historically high average of 5½ percent in the O.E.C.D. area and the US economy slowing down, inflation had not abated. Governments, regarding the control of inflation as their economic priority, felt unable in 1979 to take stimulatory action to offset the deflationary impact of higher oil prices.

Whereas the O.P.E.C. price rises of 1973-4 prompted efforts to co-ordinate expansionary policies in the O.E.C.D. nations - it being realised that alone any single economy would by reflation merely generate a growing balance of payments deficit without greatly stimulating world trade - the policy response to higher petroleum costs in 1979 was virtually reversed. The priority given to reducing inflation and recognition that an appreciating exchange rate serves to insulate a nation from rising import prices, encouraged an element of 'competitive revaluation' via upward movements in interest rates to attract capital inflows and restrain monetary growth. Although feasible for individual nations, this approach is globally inconsistent: by definition not all currencies can appreciate simultaneously. The restrictive monetary and fiscal policies required to achieve currency appreciation exacerbated deflationary pressures.

Foreign exchange markets were characterised by considerable instability. Initially the US dollar recovered from its low level of November 1978 when the United States Treasury and Federal Reserve system had announced support arrangements for the dollar and a tightening of monetary policy. A major factor in the dollar's appreciation was a slowing down in the US economy at a time when trading partners, notably Japan and Germany were still ex-

panding. This reversal in growth rate differentials reduced US import demand whilst allowing expansion in US exports. Over the year the US current account, including oil payments, was in small surplus compared with a US\$14 billion deficit in 1978. Japan and Germany experienced sharp reversals in their current account balances. Japan's 1978 surplus of US\$16.5 billion in 1979 became a deficit of US\$8.5 billion whilst Germany moved from a US\$9 billion surplus to a US\$4 billion deficit. The United States' improved trade performance also reflected the lagged effect of the substantial depreciation of the dollar in 1978 on trade competitiveness.

Appreciation in the US dollar to the end of May also stemmed from substantial private capital inflows, induced by the differential between US and other interest rates together with a belief in the US authorities' commitment to support the dollar. Although partly reflecting the placement of increased O.P.E.C. revenues, capital inflows to the US were largely mirrored by outflows from Germany, Switzerland and Japan.

The renewed strength and stability of the dollar was welcomed as a return to a more orderly international monetary system. But nations previously enjoying shelter from international inflation rates afforded by appreciating currencies had seen their currencies decline as the dollar appreciated. In March the Bundesbank responded by raising discount rate by 1 percent; the Bank of Japan raised its discount rate by $\frac{3}{4}$ percent in April. Thereafter interest rates worldwide continued on an upward trend.

CENTRAL BANK DISCOUNT RATES (PER CENT)

	Dec. 78	Mar. 79	June 79	Sept. 79	Dec. 79
United States	9.5	9.5	9.5	11.0	12.0
Canada	10.75	11.25	11.25	12.25	14.0
Japan	3.5	3.5	4.25	5.25	6.25
United Kingdom	12.5	13.0	14.0	14.0	17.0
France	9.5	9.5	9.5	9.5	9.5
Germany	3.0	4.0	4.0	5.0	6.0
Switzerland	1.0	1.0	1.0	1.0	2.0
Belize	7.75	7.50	7.25	7.25	10.00

COMMERCIAL BANK PRIME LENDING RATES (PER CENT)

	Dec. 78	Mar. 79	June 79	Sept. 79	Dec. 79
United States	11.75	11.75	11.5	13.5	15.25
Canada	11.5	12.0	12.0	13.0	15.0
Japan	4.5	4.45	4.87	5.68	6.31
United Kingdom	13.5	15.0	15.0	15.0	18.0
France	10.95	10.95	11.6	12.5	13.65
Germany	5.5	5.5	7.5	8.25	9.75
Switzerland	5.0	5.0	5.0	5.0	5.0
Belize	9.5	9.5	9.5	9.5	9.5 *

*Bank prime lending rate was raised to 11.5% in Belize on 1st January 1980.

As interest rate differentials were narrowed, private capital outflows from the US resumed and continued until October. By the end of September the dollar's effective exchange rate was only marginally above the level prevailing at the end of 1978. Confidence in the dollar was adversely affected by increasing inflation, faster monetary growth and a temporary deterioration in the US trade position. In the first two quarters the US growth rate slowed, becoming negative in the second quarter; the third quarter saw a temporary and unpredicted surge in activity to the detriment of the US trade balance.

The Federal Reserve Board, under the new Chairmanship of Mr. Volcker, responded dramatically, raising the discount rate to a record 12 percent and ordering an unprecedented increase in banks' reserve requirements. Perhaps more significantly the thrust of monetary policy was shifted from regulating the cost of credit to controlling reserve levels to achieve a desired monetary growth and allowing interest rates to adjust accordingly. Commercial bank prime lending rates rose almost immediately and in November peaked at a record 15.5 percent.

Whilst these measures succeeded in restoring the dollar's external value, central banks in the majority of O.E.C.D. countries again responded by raising discount rates as their currencies came under pressure. This was most pronounced in the case of sterling: the UK Government's abolition of exchange controls, designed to allow a depreciation of the pound from the high rate produced by the UK's near self sufficiency in oil, coincided with the sharp rise in US interest rates. By early November the pound had fallen by over 11% percent against the dollar from its peak in late June. In mid November the Bank of England announced a 3% rise in minimum lending rate to a record 17 percent.

By the end of the year interest rates had risen worldwide and inflation rates accelerated to an average of approximately 11 percent in the world's major economies. Growth slowed most markedly in the United States, falling from 4.4 percent in 1978 to 2.3 percent in 1979. The long predicted US downturn was slow to take effect but prospects for 1980 were severely hit by higher petroleum costs and Governments' policy responses.

The slowdown in activity was manifested in reduced growth in world trade: it was predicted that recession would halt the growth of imports into the O.E.C.D. area between mid - 1979 and mid - 1980. The resulting reduction in demand will have markedly adverse effects on primary producing nations. In addition high oil prices have further intensified the external financing difficulties of non-oil developing nations whose payments deficits have widened further.

Yet in the short term there is some cause for optimism, among some primary producers. Typically commodity price movements have been closely correlated with the cycle of economic activity in the world economy. However, despite the slowdown in world growth rates, commodity prices rose strongly in the latter part of 1979. This was particularly pronounced for gold, this rise being widely attributed to the uncertain outlook for the major world currencies and intensified by events in Iran and Afghanistan. Metal prices generally rose as did some other commodity prices. Although partly reflecting predicted supply shortages, rather than the general movement into commodities, the world sugar price virtually doubled over the year.

DOMESTIC

Despite damage caused by hurricane GRETA in September 1978, the performance of the domestic economy in 1979 was comparable with 1978.

The sugar industry which dominates the economy - accounting for approximately seventy-five percent of agricultural exports - suffered a decline in output of some 14 percent but improved world market prices produced a modest growth in the value of exports. Although not inflicting an immediate serious loss of output, the gravity and prevalence of cane smut disease became increasingly apparent throughout the year. Some eighty percent of the total acreage requires replanting with smut resistant strains; funds obtained from the Caribbean Development Bank have made an initial contribution to the costs of accelerated replanting.

Elsewhere performance was varied. Exports of marine products, the second largest foreign exchange earner, again reached record levels with the value of lobster exports rising by over a third. Whilst the banana industry recovered well from the devastation of GRETA, citrus output fell. Banana exports rose by some 40 percent; combined with a higher price this gave a two-thirds increase in the value of banana exports. In contrast, citrus production was some 20 percent down on 1978. Production of cereals for the domestic market, namely rice and corn, was reduced by hurricane damage. Exceptionally heavy rains in December 1979 inflicted further and potentially more serious losses upon cereal and livestock production in the Belize River Valley. Initial estimates of the rehabilitation costs to agriculture were put at \$10 to \$12 million.

Central Government's 1979 Budget planned for an expansion of over thirty percent in total expenditure with capital expenditure from overseas sources accounting for the bulk of this rise. Again recurrent revenues were estimated to exceed recurrent expenditures and contribute to the financing of capital projects. Although the timing of Government's revenue receipts necessitated a temporary expansion in domestic borrowing - approximately a third of recurrent revenue coming in the fourth quarter of 1979 - the outturn reflected a virtual balance thereby avoiding increased local borrowing: upon receipt of the proceeds of US dollar denominated debentures issued by the Government to facilitate capital expenditures by public utilities, these public sector entities were able to repay to Central Government funds previously lent to cover initial expenditures. Actual recurrent revenues in 1979 were some 12 per cent above 1978 levels: income tax receipts were down but stamp duties increased sharply and revenues from import duties were up by almost 20 percent. Direct taxation thus accounted for a smaller proportion of total recurrent revenues: 24 percent in 1979 as against 29 percent of 1978.

Infrastructure projects financed from domestic and overseas sources in 1979 included the completion of the first section of the Northern Highway, commencement of the realignment of the second section of the Northern Highway, improvements to other major and cane feeder roads and the completion of the first phase of the Belize City Water and Sewerage project. The Belize City deep water pier, designed to expedite cargo handling was officially dedicated in 1979 and grain storage facilities were installed in Belmopan and Toledo.

Substantial inflows of insurance funds following GRETA had major repercussions on the domestic monetary system during 1979. In 1978 the record earnings of the sugar industry and the receipt of insurance compensation had more than doubled reserves of foreign exchange; bank liquidity rose to correspondingly high levels with the advances/deposits ratio falling below 74% in October 1978. Consequently in 1979 the seasonal pattern of monetary flows associated with activities in the sugar industry, was modified by the gradual depletion of insurance

balances. In addition the exceptionally high liquidity levels resulting from insurance payments both enabled and encouraged the banks to increase their lending commitments.

In the first seven months of 1979 foreign exchange earnings, including initial payments for sugar exports, were more than offset by a surge in imports financed, in particular, by a running down of insurance balances and a rapid growth in lending to the private sector. The first half of 1979 saw payments for imports some 40 percent higher than in the corresponding 1978 period, in part reflecting the replenishment of stocks damaged in hurricane GRETA, together with the rising cost of fuel imports. Before cane farmers received the bulk of payments in late August, reserves of foreign exchange had fallen by a third as compared with a proportionately similar increase in the first seven months of 1978. At the end of July reserves had, in real terms - measured against the value of imports and in relation to the level of domestic credit - returned to the level of twelve months previously. Bank liquidity was similarly close to the level prevailing a year earlier.

Sugar payments in August which approximated in nominal terms to those received in 1978, restored bank liquidity and facilitated some loan repayment by cane farmers. But thereafter commercial bank lending continued to rise: between August and November direct credit jumped by over 14 per cent with the expansion in October being exceptionally rapid. This surge in credit coincided with a widening in the differential between local interest rates and those offered externally, most notably in the United States and United Kingdom. Much of the credit growth reflected drawings by importers upon facilities previously committed by the banks: of the total expansion in bank credit over the year some 40 percent was directed to the distributive sector.

In the latter part of 1979, this unprecedented and largely unpredicted growth in credit was associated with an intensification of the normal seasonal declines in bank liquidity and reserves of foreign exchange. As liquidity declined precipitately, the banks increasingly sought accommodation from the Monetary Authority. After first increasing lending rate to the banks to 10 percent, the Monetary Authority issued a directive requiring that by the end of March 1980 the banks reduce total loans and advances by 5 percent of their value as at December 22, 1979. For their part the banks, after consultation with the Monetary Authority, raised their prime lending rate by 2 percent to 11.5 percent and increased time deposit rates by up to 2 percent.

II THE AUTHORITY

The Authority was established by the Monetary Authority of Belize Ordinance 1976(No. 9 of 1976), the main provisions of which were brought into operation on 1st November 1976 by Statutory Instrument No. 60 of 1976. The remaining provisions — sections 12 and 13 — were brought into operation on the 1st January 1977 by Statutory Instrument No. 67 of 1976.

The Authority replaces the Board of Commissioners of Currency established by the Currency Ordinance, 1965, the principal function of which was "to provide, issue and reissue currency notes and coins of the Country". The Currency Ordinance was repealed on the coming into operation of section 12 of the Monetary Authority of Belize Ordinance.

The objectives of the Authority are:

- (a) to manage the currency of Belize;
- (b) to perform banking services for the Government, for the banks and other financial institutions operating in Belize, and for foreign central banks and international organizations and financial institutions;
- (c) to assure monetary stability in Belize and to promote monetary conditions which are conducive to the balanced growth of the economy of Belize and which are compatible with the policy of the Government;
- (d) to maximise and mobilise savings and to optimise the distribution of credit in Belize;
- (e) to ensure that the foreign exchange reserves of Belize are administered in the interest of the economy and in accordance with the economic policy of the Government;
- (f) to ensure that the business of the banks and other financial institutions operating in Belize is conducted in the interest of their customers and of the general public and consistently with the economic policy of the Government.

III OPERATIONS

The Authority is empowered to act as bank to the Government and to any public sector entity, as well as to financial institutions.

Banking Four commercial banks - one locally incorporated and three foreign banks - are licensed to carry on banking business in Belize in accordance with the provisions of the Banking Ordinance, 1976 (No. 13 of 1976).

Section 17(1) of the Banking Ordinance, 1976, requires every licensed financial institution to maintain on an account in its name with the Authority a minimum balance which on average shall be equivalent to at least five per centum of its average deposit liabilities. The following table shows how the requirement was met during the year -

MINIMUM BALANCE (BZE\$000)			
1979	REQUIRED	ACTUAL	EXCESS/DEFICIT
JAN.	4086	4543	457
FEB.	4125	5412	1287
MAR.	4160	5337	1177
APR.	4277	5257	980
MAY	4257	6893	2636
JUN.	4292	4981	689
JUL.	4325	4943	618
AUG.	4269	5504	1235
SEP.	4359	6668	2309

OCT.	4515	4991	476
NOV.	4429	4932	503
DEC.	4359	4838	479

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 at twenty per centum throughout the year.

The Authority with the approval of the Minister and in accordance with the provisions of section 18(3) (j) of the Banking Ordinance, 1976, declared in November, 1979, that with effect from 1 January 1980, approved liquid assets for the purposes of the section would include loans and advances outstanding from time to time from the Banana Control Board and the Reconstruction and Development Corporation. This declaration replaced that made in June 1978 under the terms of which all loans and advances to government and other public sector entities were declared to be approved liquid assets for the purposes of the section.

The following table shows the position during 1979.

**LICENSED FINANCIAL INSTITUTIONS
HOLDINGS OF APPROVED LIQUID ASSETS
(BZE\$000)**

1979	REQUIRED HOLDING	ACTUAL	EXCESS/(DEFICIT)
JAN.	16343	26778	10435
FEB.	16507	27864	11357
MAR.	16642	31118	14536
APR.	17121	27444	10323
MAY	17028	25689	8661
JUN.	17182	25535	8353
JUL.	17297	24218	6921
AUG.	17079	26211	9132
SEP.	17435	28145	10710
OCT.	18060	24096	6036
NOV.	17718	22862	5144
DEC.	17434	21948	4514

Outstanding loans and advances to government and other public sector entities averaged \$7.7 million during the year.

A noteworthy feature of the Authority's operation during 1979 was the increasing recourse by licensed financial institutions to the loan facility provided by the Authority under the provisions of section 26 of the Monetary Authority of Belize Ordinance, 1976 (No. 9 of 1976). This became necessary as bank liquidity tightened after June as a result of a combination of factors including -

- a) withdrawal of most of the substantial sums received in October 1978 from insurance claims following hurricane GRETA. These sums were deposited with the banks who proceeded to lend them without full appreciation of the short term nature of the deposits;
- b) the unusually high level of interest rates prevailing abroad particularly in North America and the United Kingdom making it reasonable to suspect that the rate of movement of funds between Belize and these areas was adjusted so as to retain more funds abroad and less in Belize;
- c) the increasing cost of petroleum and petroleum products estimated to have cost Belize an additional \$10 million in 1979;
- d) public sector loans totalling \$2 million which it was believed would have been provided from borrowing overseas, whereas in the event local deposit resources were reallocated for the purpose;
- e) the annual heavy seasonal demand to finance Christmas expenditures. It is possible that in the face of inflationary pressures there may have been some overstocking of inventories by traders, further increasing the demand for credit.

As a result of the foregoing the banks were obliged to borrow sometimes heavily from the Authority in order to meet the legal reserve and liquidity requirements. The external reserve position of the Authority began to give cause for concern and at its December meeting the Board of Directors, in accordance with the provisions of section 33 of the Ordinance and with the approval of the Minister, directed all banks in Belize to reduce by five per centum the aggregate outstanding amount of loans and advances which each bank had extended to customers in Belize on December 22, 1979. The direction stipulated March 31, 1980, as the date by which the direction was to be implemented.

The following table shows the extent of borrowing by the banks during 1979. All loans were repaid by the end of the year.

AUTHORITY LENDING TO COMMERCIAL BANKS
(monthly averages compiled from Wednesday banking statistics)
BZE\$000

JAN. TO SEP.	—
OCT.	1,920
NOV.	5,300
DEC.	7,375

The Board at the same time also agreed to recommend that Government not object to increases in the level of the interest rates proposed by the Banks. The banks accordingly increased their prime lending rate by two per centum.

to 11 1/2 per centum. Rates offered to some depositors were also increased - large time deposits would earn up to 9 per centum.

The Authority received and dealt with sixty-four applications for permission of the Minister under section 13(a) of the Banking Ordinance 1976, for the applicant financial institution to lend to a single borrower more than twenty-five per centum of its (assigned) capital and reserves. The Authority made recommendations to the Minister based on its findings in the light of the following considerations viz.,

- a) the nature and operation of the borrower's business;
- b) the number of persons employed by the borrower;
- c) the use to which the proposed credit would be put and the adequacy of the security offered;
- d) whether the business generated or saved, or had the potential to generate or save, foreign exchange for Belize;
- e) any other benefits which were expected to accrue to the Belize economy as a result of the proposed credit.

The Authority fixes and notifies daily to licensed financial institutions (in their capacity as Authorized Dealers) the rate at which stipulated currencies may be traded with the public - a minimum rate for buying and a maximum rate for selling; and the rates so notified are posted on public notice boards at all banking premises including the offices of the Authority.

The Authority undertakes to buy from and sell to Authorised Dealers the stipulated currencies by way of cover for authorised transactions at prescribed rates, which rates take into account the absence of risk of exchange loss by the banks as well as provide them with a reasonable margin of profit.

The stipulated currencies are -

- a) the United States dollar;
- b) the Canadian dollar;
- c) the pound sterling; and
- d) the currencies of member countries of the Caribbean Community (CARICOM).

The Authority is a signatory to the Agreement establishing the CARICOM Multilateral Clearing Facility, the aims of which are to facilitate settlement on a multilateral basis of payments for eligible transactions, to promote the use of participants' currencies in settling eligible transactions thereby effecting economies in the use of foreign exchange reserves, and to promote monetary cooperation among participants and closer relations among the banking systems with a view to expansion of trade and economic activity in the region. At the end of the year the Authority was debtor to the Facility to the extent of \$906,000. (\$2,158,000 at the end of 1978).

The following table shows the extent of dealings in foreign exchange during 1979 -

**AUTHORITY DEALINGS IN FOREIGN EXCHANGE
WITH FINANCIAL INSTITUTIONS IN BELIZE**

Tradings in the US dollar, Canadian dollar, Pound sterling

BZE\$000

1979	Purchases	Sales	Net Purchases
JAN	5,056,697	7,530,445	(2,473,748)
FEB	6,538,898	5,847,876	691,022
MAR	6,704,268	7,881,338	(1,177,070)
APR	4,297,520	6,897,139	(2,599,619)
MAY	5,830,187	9,477,075	(3,646,888)
JUN	6,312,078	8,757,183	(2,445,105)
JUL	4,327,896	8,134,973	(3,807,077)
AUG	17,257,222	9,199,953	8,057,269
SEP	4,799,409	9,706,231	(4,906,822)
OCT	4,963,951	11,219,254	(6,255,303)
NOV	3,709,381	9,724,071	(6,014,690)
DEC	14,095,990	6,653,173	7,442,817
			(17,135,214)

CARICOM TRADINGS

BZE\$000

1979	Purchases	Sales	Net Purchases
JAN	547,555	489,545	58,000
FEB	157,959	219,121	(61,162)
MAR	134,676	436,852	(302,176)
APR	22,786	300,214	(277,428)
MAY	300,742	486,492	(185,750)
JUN	410,205	369,278	40,927
JUL	237,208	522,082	(284,874)
AUG	30,545	361,421	(330,876)
SEP	826,362	480,276	346,086
OCT	11,911	572,830	(560,919)
NOV	356,645	231,210	125,435
DEC	546,337	491,237	55,100
			(1,377,627)

The arrangement set up by the Authority in October 1978 to facilitate the exchange by a correspondent Mexican bank for Belize dollars of Mexican pesos received by Belizean traders selling merchandise (mainly by way of re-export) to buyers in Ciudad Chetumal and other parts of the United States of Mexico failed to achieve the desired objective and was discontinued in March 1979.

The foreign exchange holdings of the Authority stood at \$20,250,000 at the end of 1979 compared with \$25,898,000 at the end of 1978. United States dollar holdings represented 80.6 per cent of the total whereas holdings of sterling were 16.2 per cent and Canadian dollars 3.2 per cent. The proportions at the end of 1978 were 81.2 per cent, 17.4 per cent and 1.4 per cent respectively.

The clearing house agreement between the Authority and the four commercial banks set up in October, 1978 operated throughout the year. Representatives of each bank meet every business day except Monday to deliver cheques drawn on others and to receive cheques drawn on itself. The Agreement also provides for ad hoc clearings between two banks.

The table below shows the level of business transacted in this way since 1st January, 1979.

COMMERCIAL BANK CLEARINGS

1979

	BZE\$000
JAN	18,128
FEB	20,251
MAR	23,092
APR	21,617
MAY	23,870
JUN	23,208
JUL	19,500
AUG	29,613
SEP	21,401
OCT	20,060
NOV	21,412
DEC	22,052

Currency The Authority is vested with the sole right of issuing, reissuing and redeeming Belize currency notes and coins, and of determining with the approval of the Minister the designs and other specifications of legal tender currency notes and coins.

The currency unit in Belize is the Belize dollar which since May 1976 is equivalent to fifty cents in United States of America currency.

The designs and other specifications of Belize coins in circulation as legal tender at the time of the establishment of the Authority have been adopted as its own by the Authority. Work is currently in progress on new currency notes to be issued by the Authority during the third quarter of 1980. Meanwhile notes issued by the Board of Commissioners of Currency superseded by the Authority, are deemed, in accordance with the provisions of the Ordinance, to have been issued by the Authority.

Currency notes in circulation increased from a total value of \$16,387,670 at the end of 1978 to \$16,899,795 at the end of 1979 an increase of 3.1 per cent. The value of coins increased from \$2,814,571 to \$3,031,445 — by 7.2 per cent.

The following table gives a breakdown of currency in circulation during 1979 —

BELIZE CURRENCY CIRCULATION

BZE\$000

END OF PERIOD	NOTES	COINS	TOTAL
1979			
JAN.	15152	2818	17970
FEB.	15643	2820	18463
MAR.	15216	2833	18049
APR.	15913	2849	18762
MAY	16260	2873	19133
JUN.	15624	2890	18514
JUL.	15392	2924	18316
AUG.	17200	2967	20167
SEP.	16466	2971	19437
OCT.	15860	2991	18851
NOV.	16327	3020	19347
DEC.	16900	3031	19931

Relations with Government Section 23 of the Ordinance permits temporary advances to Government not exceeding fifteen per centum of estimated current revenues for the financial year. As a result of the inflow towards the end of 1978 of funds representing proceeds of insurance claims arising out of hurricane GRETA Government did not need to resort to temporary borrowing from the Authority until May. The balance of \$2,963,338 at the end of December was

completely repaid during January 1980 well within the period of three months required by the Ordinance.

The Authority acts as agent for the Government in arrangements for the issue of Treasury Bills. Bills are issued with maturities of 91 days, since May 1978 at monthly intervals with a view to providing a wider range of maturities within the 91 day period. Bills to a total value of \$7,700,000 were outstanding at December 31, 1979 of which \$7,180,000 (Book value \$7,131,148) was held by the Authority. These holdings by the Authority together with \$1,352,225 held in Belize Government debentures were within the limit of \$33,172,174 (7 times the Authority's paid up capital and reserves) imposed by section 24 of the Ordinance. The Authority's holding of Treasury Bills and Government debentures totalled \$6,784,425 at the end of 1978.

In order to regulate trading in Treasury Bills with the Authority a scale of charges ranging from 1/16 per cent to 3/16 per cent has been prescribed by which the current average tender discount rate is adjusted in order to determine the transaction price during the period to maturity of a bill. The objective is to encourage early purchase of bills and to discourage redemption of bills before maturity by progressively increasing the charge imposed on the applicable discount rate during the period to maturity.

The following illustrates the arrangement:

For Treasury Bill with a maturity of	Buying Rate	Selling Rate
30 days or less	ATR plus 0.0625	ATR - 0.1867
31 days to 60 days	ATR plus 0.125	ATR - 0.125
61 days to 90 days	ATR plus 0.1875	ATR - 0.0625

N.B. ATR = average treasury bill rate.

The table below gives particulars of Treasury Bills issued during 1979.

GOVERNMENT OF BELIZE TREASURY BILLS

Issue Number	BZE\$000		PER CENT	
	Amount Tendered	Amount Allotted	Average Disc. Rate	Average Yield to Maturity
1/1979	3,800	2,100	6.15	6.25
2/1979	7,400	7,400	6.15	6.25
3/1979	2,700	2,700	6.396	6.50
4/1979	2,100	1,600	6.15	6.25
5/1979	10,150	7,400	6.15	6.25
6/1979	3,500	2,700	6.18	6.28
7/1979	2,600	2,600	6.26	6.35

8/1979	8,000	7,400	6.26	6.35
9/1979	6,000	2,700	6.15	6.25
10/1979	2,500	2,000	6.15	6.25
11/1979	3,000	3,000	7.4	7.5
12/1979	2,700	2,700	7.4	7.5

THE MONETARY AUTHORITY OF BELIZE

Advances to Government and holdings by the Authority of Belize
Government securities and Treasury Bills during 1979.

1979

Month End	Advances	(a)	Treasury Bills	Other Securities	(b)
JAN.	—	(—)	6138	623	(1.4)
FEB.	—	(—)	5542	623	(1.3)
MAR.	—	(—)	3761	623	(0.9)
APR.	—	(—)	5351	623	(1.3)
MAY	—	(—)	6392	1423	(1.7)
JUN.	833	(1.3)	5630	1352	(1.5)
JUL.	295	(0.5)	8710	1352	(2.1)
AUG.	137	(0.2)	7775	1352	(1.9)
SEP.	—	(—)	8007	1352	(2.0)
OCT.	—	(—)	11382	1352	(2.7)
NOV.	3677	(5.9)	6861	1352	(1.7)
DEC. *	2963	(4.7)	7131	1352	(1.8)

NOTES: (a) Outstanding Advances as a percentage of estimated Government current revenues for 1979.

(b) Total holding of Treasury Bills and other securities as a multiple of the Authority's paid-up capital and reserves.

*Provisional

IV ACCOUNTS

The authorised and paid up capital of the Authority is four million dollars.

The annual statement of accounts of the Authority for 1979, certified by the auditor, is attached to this Report.

The net profit from the operations of the Authority during 1979 amounted to \$3,237,309 compared with \$2,703,014 during 1978. Total assets reached \$41,394,200 at the end of October 1979 but declined to \$31,832,571 at the end of the year compared with \$32,856,105 at the end of 1978. Foreign assets as a proportion of total assets fell from 78.8% at the beginning of the year to 44.9% at the end of November (having previously risen to 86.1% by the end of March) before recovering to 63.7% at the end of December.

Income and Expenditure Net investment income during 1979 totalled \$3,039,087 (\$1,955,160 in 1978) and represented a yield of approximately 9 per cent (7 per cent in 1978) on average assets. 76.74 per cent (57.60 per cent in 1978) of total income of \$3,960,598 (\$3,394,450) was derived from this source.

Total operating expenses including the costs of printing currency notes and minting coins was \$723,289 (\$691,436) representing 18.26 per cent (20.37 per cent) of total income.

General Reserve Account

In accordance with the provisions of section 13(4) as the balance on the General Reserve account amounted to "less than ten per centum of the aggregate gross demand liabilities of the Authority, including notes and coins issued by the Authority" the whole of the net profit of \$3,237,308 was transferred to the General Reserve Account. Gross demand liabilities of the Authority at the end of the year amounted to \$23,825,030 and the General Reserve Account before transfer of the net profit stood at \$738,882.

V EXCHANGE CONTROL

The Authority is charged with ensuring "that the foreign exchange reserves of Belize are administered in the interest of the economy and in accordance with the economic policy of the Government".

The Authority was appointed Controller under the provisions of section 5 of the Foreign Exchange Regulations Ordinance, 1972 (No. 24 of 1972) and is therefore responsible for the administration of exchange control in Belize.

The Exchange Control Regulations, 1976, were made by the Minister in exercise of powers conferred upon him by section 3 of the Foreign Exchange Regulations Ordinance, 1972, and both the parent and subsidiary legislation were brought into force on May 11, 1976. The regulations cover every aspect of foreign exchange dealing and derive from legislation enacted during the Second World War. Current policy aims at building up administrative machinery capable of coping with any possible future emergency situation while at the same time causing as little inconvenience as possible to members of the public. The commercial banks have accordingly been appointed Authorised Dealers with delegated authority to deal with a wide range of routine applications. It is only in the more unusual circumstances and where the amounts are substantial that reference needs to be

made to the Authority. The application forms completed by persons applying to Authorised Dealers for foreign exchange are regularly forwarded to the Authority for audit and tabulation of the data.

The table which follows provides a breakdown of the purposes for which foreign exchange was used during 1979 and the relevant amounts according to processed application forms —

Month	Category	Amount
JAN		6136
FEB		—
MAR		—
APR		—
MAY		—
JUN		—
JUL		—
AUG		—
SEP		—
OCT		—
NOV		—
DEC		—

SALES OF FOREIGN EXCHANGE BY AUTHORISED DEALERS

BZE \$000

	1ST QUARTER		2ND QUARTER		3RD QUARTER		4TH QUARTER		TOTAL	
	RESIDENT	NON-RESIDENT	RESIDENT	NON-RESIDENT	RESIDENT	NON-RESIDENT	RESIDENT	NON-RESIDENT	RESIDENT	NON-RESIDENT
IMPORTS	64446		57423		57073		59786		238728	
TRAVEL	1681	849	1818	755	2225	1140	1513	764	7237	3509
Business	(618)	(63)	(765)	(83)	(675)	(195)	(506)	(51)	(2564)	(392)
Medical	(402)	(25)	(317)	(3)	(258)	(1)	(180)	(24)	(1157)	(53)
Vacation	(562)	(468)	(685)	(439)	(1071)	(480)	(664)	(456)	(2982)	(1843)
Other	(99)	(293)	(51)	(230)	(221)	(464)	(163)	(233)	(534)	(1220)
FAMILY MAINTENANCE	231	144	176	122	256	117	254	180	917	563
EDUCATION	521		206		556		371		1654	
INSURANCE/REINSURANCE	619		351		919		475		2364	
TRAVEL FARES AND FREIGHT CHARGES	1645		757		1980		2110		6492	
MEDICAL BILLS	57		34		141		137		369	
HEAD OFFICE EXPENSES	572		659		701		158		2090	
ROYALTY PAYMENTS	206		102		183		74		565	
MANAGEMENT FEES	79		122		76		469		746	
SUBSCRIPTIONS	55		33		58		45		191	
SUNDRIES	138		172		179		83		572	
PROFESSIONAL SERVICE	216		369		363		70		1018	
OTHER CURRENT ACCOUNT	376		127		508		378		1389	
TOTAL CURRENT ACCOUNT	70842	993	62349	877	65218	1257	65923	944	264332	4071
EMIGRATION	515		330		435		692		1972	
PROFITS/DIVIDENDS	713				10		371		1094	
REPATRIATION OF FUNDS		1841		201		585		763		3390
LOAN/INTEREST PAYMENTS	555		257		315		130		1257	
GIFT	113		34		43		53		243	
INVESTMENT	55								55	
CAPITAL	1		56		139		1		197	
TOTAL CAPITAL ACCOUNT	1952	1841	677	201	942	585	1247	763	4818	3390
TOTAL	72794	2834	63026	1078	66160	1842	67170	1707	269150	7461

VI ADMINISTRATION

Subject to the provisions of the Ordinance the policies of the Authority are determined by and its administration is the responsibility of a Board of six directors.

The Board The Board of Directors of the Authority during the year consisted of —

E.A. Marshalleck Esq., Chairman
 H.E.C. Cain Esq., O.B.E., Managing Director
 A.E. Cattouse Esq., J.P.
 D.B. Courtenay Esq.
 E.G.N. Gegg Esq., O.B.E., J.P.
 H.I. Jex Esq.

The Managing Director and Mr. A.E. Cattouse were each re-appointed for a further term of three years commencing on 1st November 1979.

The Board held eleven ordinary meetings during the year and Directors were excused attendance at meetings as follows —

1 Director	three meetings
1 Director	two meetings
3 Directors	one meeting

A special meeting of the Board was called on 6th December 1979 to meet Mr. Paul Mayes, Adviser in the Overseas Department of the Bank of England who visited Belize to hold discussions with officials of the Authority on matters of mutual interest including proposals for amending the Banking Ordinance with a view to permitting the issue of licenses for offshore banking operations based in Belize.

The Managing Director was on vacation leave from mid July to the end of August.

Staff The principal officers of the Authority at the end of 1979 were —

Mr. H.E.C. Cain, O.B.E., F.C.C.A., Managing Director
 Mr. D.J. Andrews, B.A., Acting Chief Research Officer
 Mr. F.J. Garbutt, Chief Accountant
 Miss R.M. Vernon, Secretary.

Mr. Alan Slusher who joined the Authority as Chief Research Officer on its establishment in November, 1976, resigned at the end of October 1979. The Authority owes a debt of gratitude to Mr. Slusher for his significant contribution to its development since its establishment.

The Research Department is the intelligence arm of the Authority dedicated to the collection, compilation and analysis of economic data to facilitate its advisory function and otherwise for use in furtherance of the objectives of the Authority. The department also administers exchange control.

The Operations Department is responsible for the banking and other financial relations of the Authority with Government and financial institutions in Belize and abroad, as well as for the issue, exchange and redemption of Belize currency notes and coins, and for the Authority's book keeping and accounting.

The Secretariat services the meetings of the Board of Directors and looks after the general administrative needs of the Authority.

Total staff employed by the Authority was 22 at the end of 1979 (1978 - 28) of which 5 were on secondment from Government Service.

The Board of Directors have authorised the establishment of a non contributory Pension Scheme particulars of which have been submitted for approval of the Minister.

Overseas visits The Managing Director attended the International Conference of Banking Supervisory Authorities convened by the Bank of England in London in July. Advantage was taken of the opportunity provided by his presence in England to arrange visits to the Crown Agents and to the security printers Thomas De La Rue Co. Ltd., for discussions on progress with the issue of new Belize currency notes.

The Managing Director also attended the fifth and sixth meetings of the Board of Governors of the CARICOM Multilateral Clearing Facility held in Bridgetown, Barbados in April and in Basseterre, St. Kitts in November. Both meetings were preceded by meetings of technicians at which the Chief Accountant represented the Authority.

The Authority promotes the training of its personnel in economics and other related subjects e.g. banking, statistics, accounting. During the year 4 members of staff undertook courses of study with financial assistance from the Authority.

A Research Officer attended the 11th annual Monetary Studies Conference sponsored by the Institute of Social and Economic Research of the University of the West Indies which was held during October in Basseterre, St. Kitts.

Scholarship Scheme The Authority offers scholarships to enable qualified nationals to read for a Bachelor's degree in Economics, the scholar undertaking to serve the Authority for an agreed number of years. No qualified candidate applied during 1979 and although conditional offers of awards were authorised, the conditions (which required the candidates to secure GCE Ordinary level passes in mathematics) were not met and the offers lapsed. The scholarships will be advertised again in 1980.

THE MONETARY AUTHORITY OF BELIZE

31 DECEMBER 1979

CONTENTS

	PAGE
Auditors' report	1
Balance sheet	2-3
Statement of operations	4
Notes to the accounts	5-8

**AUDITOR'S REPORT
TO THE BOARD OF DIRECTORS OF
THE MONETARY AUTHORITY OF BELIZE**

We have examined the accounts on pages 2 to 8 with the books of the Authority and have obtained all the information and explanations which we considered necessary.

In our opinion, these accounts give a true and fair view of the state of affairs of the Authority at 31 December 1979 and of the results of its operations for the year ended on that date.


**S.J.P. KEREAV SR.
Chartered Accountant**

Belize City, Belize
28 February 1980

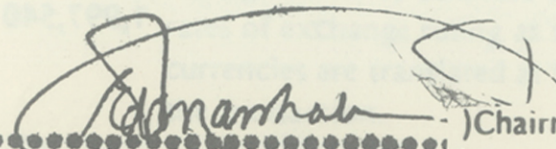
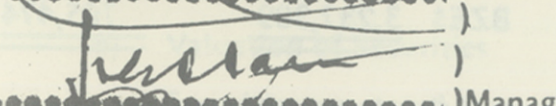
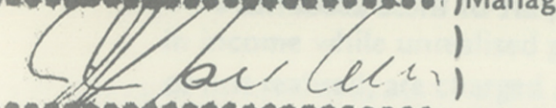
THE MONETARY AUTHORITY OF BELIZE
BALANCE SHEET
31 DECEMBER 1979

<u>ASSETS</u>	Note	1979 \$	1978 \$
APPROVED EXTERNAL ASSETS	3		
Balances and deposits with foreign bankers and the Crown Agents maturing within 180 days		13,180,019	15,682,010
Marketable Securities issued or guaranteed by foreign governments and international financial institutions		3,883,411	4,440,818
Other foreign credit instruments maturing within 180 days		3,199,997	2,599,998
Accrued interest and cash intransit		399,759	489,681
		<u>20,663,186</u>	<u>23,212,507</u>
OTHER EXTERNAL ASSETS			
Deposits with foreign bankers and the Crown Agents with maturities exceeding 180 days		—	3,000,000
ADVANCES TO BELIZE GOVERNMENT		2,963,338	—
BELIZE GOVERNMENT DEBENTURES, at cost		1,352,225	623,100
BELIZE GOVERNMENT TREASURY BILLS	4	7,131,148	6,161,325
BALANCES WITH LOCAL BANKERS AND CASH ON HAND		23,272	10,664
OTHER ASSETS	5	68,035	120,769
FIXED ASSETS	6	44,729	42,082
DEFERRED INCOME			
Unrealized gain from appreciation in value of external assets		(27,889)	(21,738)
Unrealized gain from changes in foreign exchange rates		<u>(385,473)</u>	<u>(292,604)</u>
Total Assets	BZE\$	<u>31,832,571</u>	<u>32,856,105</u>

The notes on pages 5 to 8 form an integral part of these accounts.

THE MONETARY AUTHORITY OF BELIZE
BALANCE SHEET
31 DECEMBER 1979
 (Continued)

	Note	1979 \$	1978 \$
LIABILITIES, CAPITAL AND RESERVES			
DEMAND LIABILITIES			
Notes and coins in circulation		19,931,240	19,202,241
Deposits by licensed financial institutions	7	2,962,715	6,221,913
Deposits by Belize Government and Public Sector Entities in Belize	8	25,175	517,200
		<u>22,919,130</u>	<u>25,941,354</u>
CARICOM MULTILATERAL CLEARING FACILITY		905,900	2,157,679
OTHER LIABILITIES		<u>22,798</u>	<u>18,190</u>
Total Liabilities		23,847,828	28,117,223
CAPITAL ACCOUNT			
Paid Up Capital (Authorized Capital \$4,000,000)		4,000,000	4,000,000
GENERAL RESERVE ACCOUNT	9	<u>3,984,743</u>	<u>738,882</u>
Total Liabilities and Capital	BZE\$	<u>31,832,571</u>	<u>32,856,105</u>


) Chairman

) Managing Director

) Chief Accountant

The notes on pages 5 to 8 form an integral part of these accounts.

**THE MONETARY AUTHORITY OF BELIZE
STATEMENT OF OPERATIONS
YEAR ENDED 31 DECEMBER 1979**

	1979	1978
	\$	\$
INCOME		
Net interest on investments	2,464,356	1,429,077
Discounts and other investment income	574,731	526,083
Net realized gains from changes in foreign exchange rates and appreciation in value of securities	42,733	484,490
Commissions and other income	<u>878,778</u>	<u>954,800</u>
Total Income	<u>3,960,598</u>	<u>3,394,45</u>
EXPENDITURE		
Printing of notes and minting of coins	368,127	418,017
Salaries and wages, including super- annuation contributions, and gratuities	208,009	155,879
Other expenses, including depreciation	<u>147,153</u>	<u>117,540</u>
Total Expenditure	<u>723,289</u>	<u>691,436</u>
NET PROFIT	3,237,309	2,703,014
Less:- Amount transferred to Capital Account in accordance with Section 13 of the Ordinance	—	1,997,540
Balance transferred to General Reserve Account in accordance with Section 13(4) (a) of the Ordinance	BZE\$ <u>3,237,309</u>	<u>705,474</u>

The notes on pages 5 to 8 form an integral part of these accounts.

**THE MONETARY AUTHORITY OF BELIZE
NOTES TO THE ACCOUNTS
31 DECEMBER 1979**

1. The Monetary Authority of Belize was established by the Monetary Authority of Belize Ordinance 1976 (the Ordinance).

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) 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 recognized in the accounts in respect of coins specially minted or packaged and issued as collector's items. Included in the accounts for the year under review is a liability of \$1,161,059 in respect of the sale of such coins up to that date.

However, as of that date, no further liability is recognized in connection with the sale of special coins, and proceeds from such sales 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 1979 are translated at the rates of exchange ruling at that date. Income and expenses in foreign currencies are translated at the rates of exchange ruling on the date of the transaction.

- d) Valuation of Securities

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

**THE MONETARY AUTHORITY OF BELIZE
NOTES TO THE ACCOUNTS
31 DECEMBER 1979**

2. ACCOUNTING POLICIES (Continued)

e) Foreign exchange gains and losses

Realised gains from changes on foreign exchange rates are included in income while unrealised gains are deferred. Losses, whether or not realised are charged against income.

f) Accrued interest and cash intransit

Accrued interest and cash intransit in respect of foreign assets which in prior years were included under Other Assets are now shown as part of External Assets.

g) Printing and Minting expenses

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

3. APPROVED EXTERNAL ASSETS

Assets shown under the heading are those defined as such by Section 28(2) of this Ordinance.

Section 28(1) requires that the Authority shall at all times hold approved external assets of an aggregate market value equivalent to at least 50 per cent of the aggregate amount of notes and coins in circulation and of the Authority's liabilities to customers in respect of its sight and time deposits.

At 31 December 1979, total approved external assets approximated 90.16 per cent (1978 — 89.48) of such liabilities.

4. BELIZE GOVERNMENT TREASURY BILLS

Section 24(2) of the Ordinance stipulates that the Authority shall not at any time hold Belize Government Treasury Bills and Securities in an aggregate amount exceeding 7 times the aggregate amount at that time of the paid up capital and general reserves of the Authority. At 31 December 1978 the Authority's aggregate holding of Belize Government Treasury Bills and Securities approximated 1.79 times (1978 — 3.39 times) the amount of paid up capital and general reserves of the Authority.

**THE MONETARY AUTHORITY OF BELIZE
NOTES TO THE ACCOUNTS
31 DECEMBER 1979**

8. DEPOSITS BY BELIZE GOVERNMENT AND PUBLIC SECTOR ENTITIES

The total under this heading includes:-

	1979	1978
	\$	\$
Belize Government	—	492,200
Public Sector Entities	<u>25,175</u>	<u>25,000</u>
	<u>25,175</u>	<u>517,200</u>

9. GENERAL RESERVE ACCOUNT

Section 13 of the Ordinance provides for the establishment and maintenance of a General Reserve Account which shall be credited with any net profit after the Capital Account is fully paid and until the balance on the General Reserve Account reaches 10 per cent of the aggregate demand liabilities of the Authority including notes, and coins issued by the Authority. The balance in the General Reserve Account is made up as follows.

	1979	1978
	\$	\$
Balance 1 January	738,882	—
Transfer from net profit	3,237,309	705,474
Prior year credit	8,552	33,408
	<u>3,984,743</u>	<u>738,882</u>

10. CONTINGENT LIABILITIES

There are contingent liabilities in respect of:-

- a) a guarantee of \$103,000 for letters of credit in favour of the Government of Belize and
- b) a contract for the design and manufacture of Belize Currency notes currently valued at 300,000 pounds sterling approximately. (Equivalent to BZE\$1,331,400 at year end rate of 4.4380)
Treasury Stock, nominal value 505,032.54 pounds sterling, 7³/₄% 1985/88, the market value of which was 368,674 pounds sterling at 31 December 1979 has been earmarked to meet this debt.

Central Bank of Belize
Annual Report.
SRL HG2728 C45a 1979 1



CBB19790145

Printed By The Belize Printing Co. Ltd.