

THE MONETARY AUTHORITY OF BELIZE



ANNUAL REPORT

AND

ACCOUNTS 1980



The Monetary Authority of Belize

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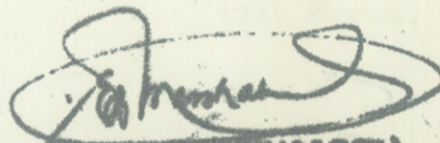
12th March, 1981

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 1980, together with a copy of the annual statement of accounts of the Authority certified by the auditors.

Yours faithfully,


(E. A. MARSHALLECK)
Chairman

I ECONOMIC REVIEW
MONETARY AUTHORITY OF BELIZE

Developments in the world economy in 1980 were marked by deceleration in the growth of real output, acceleration in the rate of inflation, rising unemployment, deepening recessionary pressures in the industrial economies of the West, and enlarged deficits in the current account of the balance of payments of non-oil producing countries. Iran's holding of the U.S. hostages and the Iraq-Iran conflict also created uncertainties in international markets.

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In the United States ANNUAL REPORT, the economy witnessed the emergence of recessionary trends in the first two quarters of the year but these turned around in the third quarter. The revised data indicate that there had been an upward revision in real GNP for the third quarter, from a sharp decline of 9.9 per cent in the second quarter it rose by 2.4 per cent per annum in the third quarter and to a further estimated rise of 4 per cent per annum in the fourth quarter of the year (all figures seasonally adjusted). For 1980 as a whole, real GNP declined marginally by 0.1 per cent as compared with a rise of 3.2 per cent in 1979 and 4.8 per cent in 1978. As recessionary pressures deepened, unemployment levels rose and reached 7.4 per cent in December, 1980. Widening budgetary deficits, expansion in money supply combined with a fall

"\$" 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.

During the year the U.S. dollar displayed considerable resilience

I. ECONOMIC REVIEW

INTERNATIONAL:

Developments in the world economy in 1980 were marked by deceleration in the growth of real output, acceleration in the rate of inflation, rising unemployment, deepening recessionary pressures in the industrial economies of the West, and enlarged deficits in the current account of the balance of payments of non-oil producing countries. Iran's holding of the U.S. hostages and the Iraq-Iran conflict also created uncertainties in international markets.

In the United States of America, the economy witnessed the emergence of recessionary trends in the first two quarters of the year but these turned around in the third quarter. The revised data indicate that there had been an upward revision in real GNP for the third quarter; from a sharp decline of 9.9 per cent in the second quarter it rose by 2.4 per cent per annum in the third quarter and to a further estimated rise of 4 per cent per annum in the fourth quarter of the year (all figures seasonally adjusted). For 1980 as a whole, real GNP declined marginally by 0.1 per cent as compared with a rise of 3.2 per cent in 1979 and 4.8 per cent in 1978. As recessionary pressures deepened, unemployment levels rose and reached 7.4 per cent in December, 1980. Widening budgetary deficits, expansion in money supply combined with a fall in real investment and rising wages, resulted in a high rate of inflation in the economy over the year and the consumer price index rose by 12.4 per cent in December 1980. The upsurge was mainly accounted for by the rise in the costs of energy, food and housing.

During the year the U.S. dollar displayed considerable resilience

in spite of increased pressures brought about by the hikes in oil prices. The trade account improved as the import bill declined consequent on the slackening in the pace of the economy and curtailment in oil consumption as a result of high oil prices. For the eleven months ending November 1980, imports exceeded exports by US\$18.4 billion compared with a US\$21.8 billion shortfall in the corresponding period of 1979. It is estimated that for 1980 as a whole the trade deficit would be about US\$19.5 billion compared with US\$29.7 billion in 1979. This, coupled with a large surplus on invisible transactions, accounted for the satisfactory performance of the current account in 1980.

Another factor that greatly assisted the position of the US dollar was the differential in the interest rates obtained in the U.S. and other money markets of the major industrial countries. These differentials which favoured dollar - denominated assets were exceptionally large in the early part of the year when, in a renewed bid to control monetary aggregates, the Federal Reserve introduced a credit restraint programme. Except for a short period following credit liberalization measures in March, interest rates, by and large, remained high, crossing 20 per cent. The dollar strengthened against other currencies, barring the Pound Sterling and the Yen. However, in view of the large growth in monetary aggregates and bank credit, the Federal Reserve raised the discount rate in November to 12 per cent and imposed a 2 per cent surcharge on large banks who were frequent borrowers. The discount rate was further raised to 13 per cent on the 4th December, taking it back to its level of March, 1980.

The economy of the United Kingdom in 1980 suffered from the severest

recession since the 1930's. Total output, as measured by real GDP, is estimated to have declined by 3 per cent as compared with 1979. The main pressure was on manufacturing industry where output was expected to have dropped by 10 per cent, reflecting a sharp run-down in the levels of stocks, raw materials and finished goods. Retail price inflation continued to show an upward trend, reaching the peak of 20.9 per cent in May but started declining towards the end of the year; by December 1980, it showed an increase of 15 per cent over December 1979. It is argued that the slowing down of prices was partly due to recessionary forces and the strong pound which restrained prices, though higher charges by nationalised industries remained an inflationary influence. It is also contended that the recessionary pressures were further aggravated by transitional costs consequent on a tight policy to squeeze out inflation. The fall in real investment and in the country's share in world exports, to a large extent resulted in a spate of redundancies in many units, especially in the manufacturing sector; over the year unemployment rose by 7.5 per cent.

The monetary and credit policies in the U.K. were geared primarily to curbing the growth of inflation and keeping in check the monetary aggregates. While the rate of rise in consumer prices showed a decline by the year end, expansion in Sterling M3 overran the targeted 7 - 10 per cent per annum set for the period between February 1980 and April 1981. According to the new set of money supply figures released recently by the Bank of England, Sterling M3 rose at an annual rate of 20 per cent since February 1980, and only a small portion of the increase could be attributed to the effects of the removal of the "corset" in the summer of 1980. However, in response to strong pleas from business and industry and as a measure of readjustment of interest

rate structure to the developments in the economy, the minimum lending rate (MLR) was reduced by 2 per cent to 14 per cent in November 1980.

The remarkable strength displayed by Sterling during the year under review was largely due to the country's rising level of oil production and a comfortable foreign reserves position. While exports rose by only 2 per cent, imports dropped by 5 per cent, the large reductions being in the import of food, fuels, and basic materials. Consequently, the current account of the balance of payments showed a significant surplus of £2410 million. The strong position of Sterling vis-a-vis other currencies and high rates of interest in the country attracted large flows of external funds, including petro-dollars, into the United Kingdom.

Since late 1977, the Government has adhered to a policy of allowing market forces to determine the Sterling rate of exchange. In 1979, exchange control regulations were dismantled with a view to freeing the currency from official constraints.

OECD countries which coped with the 1978-1979 oil price hikes better than they did the 1973-74 "oil shock", on the whole, fared badly during the year under review. Recession severely affected their economies. According to official estimates, gross national product which showed a rise of 1 per cent in the first half of the year declined at an annual rate of 0.75 per cent in the second half of the year. Inflation peaked at 12 per cent in the first half but declined to 10.5 per cent in the second half, while unemployment crossed 23 million. The combined deficit on current account of the balance

of payments of these countries in 1980 is estimated at US\$75 billion.

Recession and oil price hikes were the twin factors which to a large extent aggravated the crisis during the year in the economy of West Germany. In 1980, West Germany experienced massive deficits in the current account of its balance of payments to the tune of DM28 billion, and a rapid deterioration in the external value of its currency, especially as interest rates in the U.S. soared to 20.5 per cent. Unemployment crossed one million. Interest rates (9 - 9.50 per cent) and the rate of inflation (5.5 per cent) in the country rose to levels considered very high by West German standards. The Bundesbank raised its discount rate to 7.5 per cent and imposed controls over foreign lending of Deutschemarks.

Japan was one of the countries worst hit by the oil price hikes. Largely due to this factor, its current account deficit widened from US\$8.5 billion in 1979 to US\$14 billion in 1980. Wholesale prices rose by 17.8 per cent while the unemployment rate increased from 1.9 per cent in 1979 to an estimated 2.2 per cent in 1980. With a view to narrowing the deficit on current account of the balance of payments and encouraging capital inflows, Japan initiated a variety of measures. Conservation of energy brought about a decline of 8.6 per cent in crude oil imports. Further, it allowed the foreign exchange banks to bring into the country funds acquired on the Euro-yen markets and suspended interest rates ceilings on free yen deposits for official institutions. Consequently, Japan became an attractive area for investment of petrocurrencies.

Within the Caribbean, rising oil prices, the increase in the overall level of imports, coupled with a decline in the major crop exports, exacerbated the balance of payments imbalances. Bad weather and disease adversely affected the sugar crop; estimates indicate that total production in 1980 would be at least 50,000 tons below the level of 1979. Hurricane Allen destroyed the banana crop and a large part of the banana plantations was severely damaged.

Trinidad and Tobago, largely due to its oil and natural gas resources, was not adversely affected by the oil price hikes. In 1979, it had an overall surplus of TT\$1,200 million in the current account of its balance of payments. It set up a TT\$500 million foundation to provide a loan facility to its neighbours. As a part of a wider system of cooperation between itself and the rest of the Caribbean, Trinidad and Tobago agreed to sell oil on concessionary terms to CARICOM members.

During the year the economy of Barbados showed satisfactory progress. Exports rose from BDS\$162 million in 1979 to an estimated BDS\$214 million in 1980 and the country ended the year with an overall balance of payments surplus of BDS\$28 million. Real GDP is reported to have grown by 3.5 per cent.

Jamaica remained one of the countries in the region with an acute balance of payments position. At the end of October, gross national debt stood at JA\$4 billion. Following the general elections in that country, the new government reopened negotiations with the International Monetary Fund for a loan to bridge the gap in its balance of payments. An aid package from

the U.S.A. and commercial bank loans were also contemplated as measures to rejuvenate the economy, and efforts were made to obtain concessional oil facilities from Mexico and Venezuela.

Any assessment of the performance of the economy of Belize during 1960 should be made against the background of these regional and international developments.

ECONOMY OF BELIZE

Although no final estimates of gross domestic product are available, quick estimates (which are highly provisional) indicate that GDP (at factor costs) increased by 14.7 per cent in 1979 over 1978 as compared with 13.2 per cent in 1978 and 16.7 per cent in 1977. However, the increase in GDP in real terms in 1979 was only 1.3 per cent. The restricted rise in GDP in real terms is attributed to the shortfalls in production and exports of sugar and a decline in construction activity, compared to the peak level of 1978. In 1980, agriculture, especially sugar and citrus, maintained steady progress. According to the latest estimates from the Belize Sugar Board, sugar cane production during the year was 103,276 tons valued at \$102.4 million as compared with 98,599 tons in 1979 valued at \$69.6 million. Sugar Cane farmers collected approximately \$63.4 million which was \$20 million more than in the previous year. Citrus production far exceeded the previous year's level. By the end of November 1980, deliveries of grapefruit and oranges totalled 608 thousand and 994 thousand boxes, respectively as compared with 186 thousand and 611 thousand boxes, respectively in 1979. The Development Finance Corporation (DFC) agreed to lend \$100,000 to the Citrus Growers Association to increase the acreage of Citrus orchards from 10,000 acres to 15,000 acres over the next five years and to rehabilitate the land already under cultivation. The Commonwealth Development Corporation (CDC) has also indicated that it is prepared to provide more funds to citrus growers for this purpose.

Sugar being the major industry of Belize, any developments in this sector would have their repercussions on the entire economy. Strong demand accompanied by rise in prices on the world market, favoured the Belizean sugar

industry in 1980.

During the year under review efforts were continued at infrastructural developments in the economy. A task force was set up to examine the energy position and, among other things, to find out alternative sources of energy. It was decided to set up two more plants in the next two years to improve the supply of electricity in the country. A scheme was finalised to upgrade and expand the electrification system in the towns of Corozal, Orange Walk and Dangriga. Under this scheme the Belize Electricity Board would construct additional power stations in these towns and install new generators, and an agreement was entered into with the manufacturers for the supply of spares and parts and the training of the Belizeans to operate the new generators.

Work relating to the water treatment plant at Double Run was completed in 1980. The plant is expected to supply 800 gallons of water per minute to Belize City. The Canadian International Development Agency (CIDA) is providing \$20 million for a modern water and sewerage system for Belize City.

The rising prices of oil and international inflation had their impact on the economy of Belize. Although it is difficult to identify and quantify the cascading effects of the hikes in oil prices on the economy, a broad idea can be had from the country's increased expenditure in terms of scarce foreign exchange on oil imports, in spite of the reductions effected in the volume of oil consumption. In 1980, oil consumption in Belize declined by 22 per cent to 17.7 million US gallons from 22.7 million US gallons in 1979.

However, the value of oil imports rose by 28 per cent from \$31.0 million to \$39.7 million during the same period. About 14 per cent of the total import bill was accounted for by oil. The oil bill which was 23 per cent of domestic export earnings (excluding re-exports) in 1979 was about 26 per cent in 1980. International inflation also adversely affected the economy of Belize. No official indices for wholesale, retail or consumer prices are available, but it is estimated that the rate of inflation (1973=100) rose from 13 per cent in 1978 to 17 per cent in 1979 and to over 18 per cent in 1980.

Foreign trade reflects a country's external economic position.

The Economic Survey 1978-79 estimated that in 1979 total imports were \$266 million, while domestic exports and re-exports amounted to \$134 million and \$50 million respectively. In his recent Budget Speech (1981-82), the Minister of Finance indicated that while imports rose by 8 per cent in 1980, exports and re-exports increased by 14 per cent and 50 per cent, respectively. On this basis, it is estimated that in 1980, imports were of the order of \$287 million, while domestic exports were \$153 million and re-exports amounted to \$75 million.

The rise in the value of imports among others, was influenced by high oil prices. The increase in the value of exports, to an extent was due to high prices of sugar in the international commodity markets.

PUBLIC FINANCE:

Central Government, with effect from 1980, changed the fiscal year to run from April to March, instead of January to December. Consequently, expenditures by Government during the first quarter of 1980 were provided for by supplementary appropriation by the Legislature.

The Budget for the fiscal year 1980-81 estimated Government's total expenditure at \$138.7 million; of this \$58.6 million was allocated for the Recurrent Budget and \$4.6 million was provided to meet the public debt charges. The Capital Budget included provisions for projects estimated at \$80.1 million; these projects were to be financed by the U.K. , the European Development Fund and the Caribbean Development Bank in addition to local resources. In order to finance the enlarged expenditures, new proposals which included increases in Customs and Excise duties and stamp duties were made in the budget. The Government also amended the Income Tax Ordinance to exempt from income tax payment persons earning less than \$3,000 per annum. Further, levels of personal and dependent allowances were raised. Interest on savings and Government debentures were exempted from income taxation. Income tax was exempted on mortgage interest for owner-occupied premises and on amounts of up to \$500 spent during a year on repairs to owner-occupied premises. Amounts donated to the National Sport Council were also made non-taxable under the amended Ordinance.

The first half of the new fiscal year (for which official data are available) revealed a deficit on Central Government operations of about \$8.5 million. Revenue collections during this period was \$38.2 million while

total expenditure was \$46.7 million. This was in sharp contrast to a surplus of \$2.9 million witnessed during the corresponding period of 1979. There was considerable delay in reimbursement of expenditure on projects funded by foreign governments and institutions. Capital receipts during this period were only 7.2 per cent of the anticipated collections for the year.

Financing of the overall deficit was made possible largely through increased borrowings from the domestic system. Public Sector's local borrowings rose throughout the year and accounted for nearly 56 per cent of the total expansion in gross domestic credit of about \$13.8 million. Direct (net) borrowings of Government from the commercial banks progressively increased from \$4.0 million in 1977 to \$5.2 million in 1978 and to \$8.7 million in 1979; in 1980 it showed a slight decline to \$8.6 million. Thus, over a period of four years (1977-1980) direct (net) borrowings of Government from the commercial banks rose by over 117 per cent. The table below gives Government's domestic borrowings from different sources:

TABLE 1

CREDIT TO GOVERNMENT

BZE\$000

YEAR	TREASURY BILLS*	OTHER SECURITIES	DIRECT ADVANCES (NET) FROM AUTHORITY	DIRECT ADVANCES (NET) FROM COMMERCIAL BANKS	TOTAL	% CHANGE OVER THE PREVIOUS YEAR				
						Treasury Bills	Other Securities	Direct Adv. from Authority	Direct Adv. from Comm. Banks.	TOTAL
1977	3650**	1918	2639	3972	12179	100.0	65.2	46.7	-15.4	60.2
1978	12100	1819	(492)	5160	18587	231.5	-5.2	-118.2	20.9	52.6
1979	7700	1688	2963	8672	21023	-36.4	-7.2	702.2	68.1	13.1
1980	15000	1598	4240	8633	29471	94.8	-5.3	43.1	-0.5	40.2

* Face Value

** In 1977 Treasury Bills were issued on a TAP and TENDER basis. Figures quoted are total outstanding to the commercial banks and to the Monetary Authority of Belize.

MONEY & BANKING During the year, currency with the public expanded by about 5 per cent as compared with a decline of 0.3 per cent in 1979. Money Supply M_1 (defined as Currency with the public plus demand deposits less Central Government deposits) rose by 11.7 per cent from \$38.4 million in 1979 to \$42.9 million in 1980. During the same period, Money Supply, M_2 (defined as M_1 plus Savings and Time Deposits) increased by 12.8 per cent from \$98.7 million to \$111.3 million; M_1 and M_2 rose by 3.1 per cent and 4.0 per cent, respectively in 1979 over the previous year.

Reference was made in last year's report to the acute liquidity position experienced during October - December 1979 and the directive issued by the Authority on 22nd December, 1979 requesting the banks to reduce their outstanding loans and advances by five per cent from the level obtaining on the date of the directive. The banks were required to achieve the reduction by March 31, 1980. As a result of this directive, total loans outstanding were reduced to \$81 million by the end of March 1981, or by 6.5 per cent over the quarter, a reduction largely confined to private sector borrowings. Each bank achieved the specified reduction in its lending in pursuance of the Authority's directive.

Significant changes were witnessed during the year in the existing interest rate structure. Interest rates which had been held firm since

1976 when the Authority commenced its operations, were allowed to rise on January 1, 1980 to buttress the credit restrictions imposed on the commercial banks. Consequently the prime lending rate rose from 9.5 per cent to 11.5 per cent. Another round of interest rates hike took place in March, the prime rate rising to 15 per cent following the very slow build-up in liquidity, and deposit rates were increased to as high as 13 per cent. Interest rates remained at that level until December when both lending and three-month time deposit rates rose further by another 2 per cent.

An analysis of the trends in credit expansion reveals that loans to the private sector declined from \$76.5 million to \$71.5 million in the first quarter of 1980, a trend which continued until August. However, there was a reversal of this trend in the last four months of the year reflecting the seasonal build-up in loan demand by sugar cane farmers to finance replanting for the 1981 crop and by the business community to finance inventories for the approaching Christmas season. Over the year commercial bank advances rose by \$5.3 million or 6.2 per cent as compared with 33.2 per cent bank credit expansion in 1979. The largest proportion of credit expansion in 1980 was accounted for by the manufacturing sector - credit to this sector rose from \$10.9 million to \$12.5 million. This was followed by Forestry (+\$1.6 million).

During the period immediately following the credit restraint directive implementation, there was a perceptible decline in the deposit growth. This was probably due to withdrawals by the public to finance its requirements in the absence of ready availability of bank credit. However, by the end of the first quarter deposits showed an upward trend. As larger amounts

of foreign exchange flowed into the system for the 1980 sugar crop, deposits rose rapidly. At \$94.1 million on December 31, 1980, deposit growth over the year was 13.0 per cent as compared with 5.0 per cent in 1979. An analysis of the composition of the increase in deposits shows that time deposits dominated the growth pattern with its 21.3 per cent rise. Demand deposits increased by 11.5 per cent while savings deposits rose by 5.8 per cent. The slow growth in savings deposits could have been due to the attractive rates offered by the banks on short-term deposits.

As a result of the policy of credit restraint pursued by the Authority there had been a gradual, though slow, recovery in the liquidity position of commercial banks. As the first payment for the 1980 sugar crop was made, external reserves of Belize rose slowly during the first six months of the year. However, with the second payment, reflecting the significant rise in sugar prices, foreign reserves reached the peak level of \$32.5 million towards the end of August. Thereafter, as liquidity underwent its seasonal downturn and as commercial banks increasingly resorted to borrowings from their head offices to meet liquidity requirements, foreign reserves tended to decline. Net foreign assets amounted to \$13.9 million on December 31, 1980 as compared with \$11.8 at the end of 1979.

The credit policy adopted at the end of 1979 signalled the first move by the Monetary Authority to influence the direction of growth of monetary aggregates in Belize. While it sought to curb excessive credit expansion, it was not restrictive, in that it did not hamper growth and development in the economy. The efficiency of the measure was reflected in the quick recovery

in the liquidity position of the banks. This was further enhanced by the large payments for sugar exports in 1980 consequent on high sugar prices in world markets. Largely as a result of the policy pursued by the Authority while bank credit expanded over the year it was not associated with an intensification of the seasonal decline in bank liquidity witnessed in earlier years. An analysis of the expansion of bank credit, between public and private sectors in 1980, as compared with 1979 (shown in brackets), reveals the following: Commercial bank advances, both to public and private sectors, in 1980 increased by 6.2 per cent (+33.2 per cent in 1979). However, while credit to the private sector rose by only 8.1 per cent (+30.2 per cent in 1979) the increase in public sector credit was 56.9 per cent (-19.2 per cent in 1979).

II THE AUTHORITY

The Monetary Authority of Belize 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 replaced 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, 1976.

The objectives of the Authority are:

- (a) to manage the currency of Belize;
- (b) to perform banking service 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.

Thus the Authority, besides issuing currency, is also controller of bank credit, banker to Government and banker to banks. It performs both regulatory and developmental functions in the economy of Belize.

Subject to the provisions of the Ordinance, the policies of the Authority are determined by a Board, comprising six Directors. The Governor of Belize, after consultation with the Minister, appoints one of the Directors to be Chairman of the Board and another to be Managing Director. The Managing Director is responsible to the Board for the day-to-day administration and operation of the Authority.

During the year the liquidity position of the commercial banks was constantly kept under watch and the Monetary Authority pressed the bank rate mechanism into service as the situation warranted from time to time. The discount rate which stood at 10 per cent at the end of December 1979 was raised to 10.75 per cent in January 1980 and further to 12.50 per cent in March. In response to the tendency of the banking system to excessively borrow from the Authority, the discount rate was once again raised successively to 12.75 per cent in May, 13.50 per cent in June and 14.0 per cent in July. However, in view of the changed trends witnessed in the economy, it was lowered to 13.0 per cent in August. But, in the context of rising interest rates both abroad and in Belize, the discount rate was raised once again to 14.0 per cent in December, 1980.

TABLE 2

CENTRAL BANK DISCOUNT RATE
AND COMMERCIAL BANK PRIME
LENDING RATE (PER CENT)

Countries	DECEMBER 1979		DECEMBER 1980	
	Central Bank Discount Rate	Commercial Bank Prime Lending Rate	Central Bank Discount Rate	Commercial Bank Prime Lending Rate
United States	12.00	10.25	13.00	21.50
Japan	6.25	6.51	7.25	8.55
United Kingdom	17.00	18.00	14.00	15.00
Germany	6.00	9.75	7.50	11.50
Belize	10.00	9.50	14.00	15.00-17.00

Concomitant to changes in the discount rate, the commercial bank prime lending rate also fluctuated during the year under review. The prime lending rate which was 9.5 per cent in December 1979, rose to 11.5 per cent in January 1980 and stood at 15.0 per cent by the end of December (one bank raised it to 17 per cent).

III OPERATIONS

The Authority is empowered to act as banker to the Government and to any public sector entity, as well as to financial institutions. A brief resumé of its operations during the year 1980 is given below:

BANKING:

Four commercial banks are licensed to carry on banking business in Belize in accordance with the provisions of the Banking Ordinance, 1976. Of these, one is locally incorporated and the other three are branches of foreign banks.

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. Banks not only conformed to this statutory stipulation but also maintained excess balances with the Authority throughout the year. However, it appears that during January - March and in July and October 1980 banks met their minimum balance requirement only by augmenting their funds with borrowings from the Authority. The following table shows the balances maintained by banks with the Authority in 1980:

TABLE 3

MINIMUM BALANCE OF COMMERCIAL BANKS WITH THE AUTHORITY

(AVERAGE OF DAILY BALANCES)

(BZE\$000)

Months Of 1980	Minimum Required Balance	Actual Balance Held	Excess Balance Held with Authority
JAN	4,189	4,654	465
FEB	4,131	4,599	468
MAR	4,058	5,131	1,073
APR	4,088	5,356	1,268
MAY	4,161	6,042	1,881
JUN	4,160	5,630	1,470
JUL	4,325	4,628	303
AUG	4,476	5,028	552
SEP	4,672	5,130	458
OCT	4,861	5,169	308
NOV	4,658	5,713	1,055
DEC	4,478	5,612	1,134

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.

Under the declaration of June 1978 all outstanding loans made to Government and public sector entities were to be treated as approved liquid assets for purposes of section 18 of the Banking Ordinance, 1976. However, 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 other approved liquid assets, for the purposes of the section, would include only those outstanding loans and advances extended to the Banana Control Board and the Reconstruction and Development Corporation.

Throughout 1980 the commercial banks held approved liquid assets in excess of the required ratio. However, during the period November 1979 - February 1980, owing to the tight liquidity position the banks resorted to borrowing from the Authority.

The following table shows the position of approved liquid assets of commercial banks in 1980.

TABLE 4
HOLDINGS OF APPROVED LIQUID ASSETS IN 1980
(AVERAGES OF LIQUIDITY BALANCES)

BZE\$000

MONTH	REQUIRED HOLDING	ACTUAL HOLDING	EXCESS HOLDING
JAN	16,755	17,814	1,059
FEB	16,524	18,061	1,537
MAR	16,231	18,930	2,699
APR	16,356	20,061	3,705
MAY	16,646	22,510	5,864
JUN	16,643	24,653	8,010
JUL	17,303	29,523	12,220
AUG	17,904	33,316	15,412
SEP	18,683	31,704	13,021
OCT	19,445	26,168	6,723
NOV	18,631	22,422	3,791
DEC	17,911	25,945	8,034

AUTHORITY'S LENDING TO COMMERCIAL BANKS:

Under the provisions of Section 26 of the Monetary Authority of Belize Ordinance 1976 (No.9 of 1976) the Authority provides loans to licensed financial institutions. As mentioned in last year's Annual Report, owing to a variety of factors, the liquidity position of the commercial banks became acute and the banks increasingly resorted to the Authority's loan facility during October-December 1979. In 1980, consequent on the Authority's

directive dated 22 December, 1979, the level of bank borrowing fell from the peak level of December 1979. From an average of \$3.5 million in January and \$4.1 million in February, the Authority's lending showed a secular trend of decline; by September it reached the lowest level of \$0.2 million.

The following table shows the Authority's lending to commercial banks during 1980:

TABLE 5
AUTHORITY'S LENDING TO COMMERCIAL BANKS

(Monthly averages compiled from Wednesday banking statistics)

BZE\$000

MONTH (1980)	AMOUNT	MONTH (1980)	AMOUNT
JAN	3,560	JUL	500
FEB	4,100	AUG	-
MAR	1,125	SEP	150
APR	700	OCT	880
MAY	700	NOV	500
JUN	500	DEC	480

BANKING DEVELOPMENT: As at the end of 1979 there were fourteen commercial banking offices serving the rural and urban areas in Belize. Population per bank office of approximately 10,000 compares favourably with Brazil (10,790), India (25,040), and China (26,250), though it lags behind developed countries such as Switzerland (1,300), West Germany (1,385), Canada (3,075), U.K. (4,000), U.S.A. (6,025) and Japan (6,820). No commercial banking office was opened in 1980.

PROCESSING OF LOAN APPLICATIONS:

The Authority received and dealt with sixty-five applications (sixty-four in 1979) 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 in Belize. During the year, 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.

FOREIGN EXCHANGE OPERATIONS:

The Authority fixes and notifies daily to licensed financial institutions (in their capacity as Authorised Dealers) the rate at which stipulated currencies may be traded with the public - a minimum rate for buying and a maximum rate for selling; 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; these 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
- 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, thereby effecting economies in the use of foreign exchange reserves, and to promote monetary co-operation among participants and closer relations among the banking system with a view to the 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 \$900,148 as compared with \$905,900 at the end of 1979.

In keeping with the CARICOM Multilateral Clearing Facility's policy of conserving the region's foreign exchange reserves, CARICOM travellers cheques were introduced throughout the region on August 1, 1980. The travellers cheques are denominated in Trinidad and Tobago dollars and are readily convertible into local currency in any CARICOM country.

TABLE 6

AUTHORITY DEALINGS IN FOREIGN EXCHANGE
WITH FINANCIAL INSTITUTIONS IN BELIZE.
TRADINGS IN THE US DOLLAR, CANADIAN
DOLLAR AND POUND STERLING.

BZE\$000

<u>1980</u>	<u>PURCHASES</u>	<u>SALES</u>	<u>NET PURCHASES</u>
JAN	6,628	5,744	884
FEB	7,256	7,171	85
MAR	5,275	7,156	(1,881)
APR	9,613	10,196	(583)
MAY	7,416	5,629	1,787
JUN	7,389	9,936	(2,547)
JUL	19,177	974	18,203
AUG	14,772	11,185	3,587
SEPT	3,544	10,802	(7,258)
OCT	8,599	10,544	(1,945)
NOV	2,650	8,497	(58,847)
DEC	15,659	10,744	4,915
			<hr/>
			9,400
			<hr/>

TABLE 7

AUTHORITY DEALINGS IN FOREIGN EXCHANGE
WITH FINANCIAL INSTITUTIONS IN BELIZE.
TRADINGS IN CARICOM COUNTRIES

BZE\$000

<u>1980</u>	<u>PURCHASES</u>	<u>SALES</u>	<u>NET PURCHASES</u>
JAN	62	374	(312)
FEB	67	476	(409)
MAR	947	352	595
APR	116	279	(163)
MAY	51	449	(398)
JUN	134	373	(239)
JUL	36	413	(377)
AUG	174	346	(172)
SEPT	93	432	(339)
OCT	267	432	(165)
NOV	370	320	50
DEC	415	286	129
			<u>(1,800)</u>

The foreign exchange holdings of the Authority amounted to \$24,771 million at the end of 1980 as compared with \$20,250 million at the end of 1979. An analysis of the composition of the foreign exchange holdings revealed that the US dollar constituted 87.7 per cent in 1980 as compared with 80.6 per cent in 1979. Pound Sterling and Canadian Dollar accounted for 11.1 per cent and 0.9 per cent respectively; in 1979 they accounted for 16.2 per cent and 3.2 per cent, respectively of total foreign exchange holdings. The remaining 0.3 per cent was held in Trinidad and Tobago dollars (nil in 1979).

CHEQUE CLEARINGS:

The clearing house agreement of October 1978 between the Authority and the four commercial banks operated throughout the year. Under this agreement, representatives of each bank meet every business day except on Monday, to deliver cheques drawn on others and to receive cheques drawn on itself. The agreement also provides "ad hoc" clearing between two banks.

Changes in the volume and value of cheque clearings are an important indicator of the tempo of economic activity in the country. It also reflects the spread of cheque habit, and the shift from cash to credit instruments for transactions in the economy. Lastly, the increasing inter-relationship among the banks themselves and between the Authority and the banks is underscored by increased cheque clearing activity. Total cheque clearings which amounted to \$264.2 million in 1979 rose by 18 per cent to \$311.9 million in 1980; except in June, throughout the year the amount of cheques cleared each month was higher than that in the corresponding month of the previous year.

The table below shows business transacted through the clearing house in 1980.

TABLE 8
COMMERCIAL BANK CHEQUE CLEARINGS IN 1980
(BZE\$000)

MONTH	CHEQUES CLEARED (AMOUNT)	MONTH	CHEQUES CLEARED (AMOUNT)	MONTH	CHEQUES CLEARED (AMOUNT)
JAN	23,265	MAY	26,188	SEPT	21,605
FEB	23,259	JUN	22,969	OCT	21,999
MAR	25,429	JUL	42,101	NOV	22,204
APR	22,827	AUG	30,153	DEC	29,876

CURRENCY:

The Authority is vested with the sole right of issuing, reissuing and redeeming Belize currency notes 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.

On July 1, 1980 new currency notes were issued by the Authority. These replaced the notes issued earlier by the Commissioners of Currency (which were superseded by the Authority) and which had been deemed, in

accordance with the provisions of the Ordinance, to have been issued by the Authority. The new notes are issued in the denominations of \$1.00, \$5.00, \$10.00, \$20.00 and \$100.00; old notes ceased to be legal tender after December 31, 1980.

The new currency notes were delivered to the commercial banks before the official issue date on a consignment basis in order to minimise any possible effect on the banks' statutory minimum balances with the Authority and their holdings of liquid assets during the transition period. A total of \$2.1 million was issued to the banks on this basis for a period of two weeks by which time each bank was required to have returned to the Authority old notes equal in value to the initial issue of the new notes or have its account debited or credited with the difference. Commercial banks later confirmed that the transition from the old to the new currency notes was smooth and posed no problem either to themselves or to the public. Even after the old notes cease to be legal tender on 31st December 1980, members of the public who hold old notes have recourse to the Authority, under the certain conditions, to exchange them for new notes.

Currency notes and coins in circulation rose by 6.6 per cent from a total of \$19,931,240 at the end of 1979 to \$21,242,330 at the end of 1980. In 1979 currency in circulation increased by 3.8 per cent.

The following table shows currency in circulation in Belize during 1980.

TABLE 9
CURRENCY IN CIRCULATION DURING 1980
(BZE\$000)

END OF THE MONTH	NOTES	COINS	TOTAL
JAN	14,939	3,038	17,977
FEB	16,095	3,023	19,118
MAR	16,872	3,017	19,889
APR	17,585	3,026	20,611
MAY	17,602	3,047	20,649
JUN	17,171	3,064	20,235
JUL	18,732	3,086	21,818
AUG	19,076	3,097	22,173
SEPT	17,764	3,109	20,873
OCT	16,877	3,121	19,998
NOV	16,819	3,148	19,967
DEC	18,070	3,172	21,242

RELATIONS WITH GOVERNMENT

Section 23 of the Monetary Authority of Belize Ordinance, 1976 permits temporary advances to Government not exceeding fifteen per centum of estimated current revenues for the financial year. Government resorted to temporary borrowing from the Authority for most of the year. The balance at the end of December was \$3,828,906.

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 these bills are issued at monthly intervals with a view to providing a wider range of maturities within the 91 day-period. Bills to a total of \$15,000,000 were outstanding at December 31, 1980 of which \$7,430,000 (Book value \$7,353,023) was held by the Authority. These holdings by the Authority, together with \$1,308,025 held in Belize Government debentures, were well within the limit of \$55,893,201 (seven 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 \$8,483,373 at the end of 1979.

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 tender 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:

<u>For Treasury Bill with a maturity of</u>	<u>Buying Rate</u>	<u>Selling Rate</u>
30 days or less	ATR plus 0.0625	ATR minus 0.1875
31 days to 60 days	ATR plus 0.125	ATR minus 0.125
61 days to 90 days	ATR plus 0.1875	ATR minus 0.0625

N.B. ATR = average treasury bill rate.

TABLE 10
GOVERNMENT OF BELIZE TREASURY BILLS
BZE\$000

<u>Issue Number</u>	<u>Amount Tendered</u>	<u>Amount Allotted</u>	<u>Additional Allotment</u>	<u>Total Allotted</u>	<u>Average Discount Rate</u>	<u>Average Yield to Maturity</u>
1/1980	4,000	4,000	-	4,000	8.4	8.6
2/1980	3,000	3,000	-	3,000	8.4	8.6
3/1980	2,700	2,700	-	2,700	8.4	8.6
4/1980	6,000	6,000	-	6,000	10.0	10.3
5/1980	3,000	3,000	-	3,000	10.5	10.78
6/1980	2,700	2,700	-	2,700	11.0	11.3
7/1980	6,000	6,000	3,000	9,000	11.6	11.95
8/1980	3,185	3,185	-	3,185	10.943	11.3
9/1980	2,815	2,815	-	2,815	10.9	11.2
10/1980	9,000	9,000	-	9,000	10.9	11.2
11/1980	3,185	3,185	-	3,185	10.9	11.2
12/1980	2,815	2,815	-	2,815	11.5	11.8

Table 10 gives particulars of Treasury Bills issued during 1980.

A reference was made earlier to the borrowings of Government from commercial banks and the Monetary Authority. The following table shows the level of advances to Government by the Authority and holdings of Government securities and Treasury Bills during 1980:

TABLE 11

ADVANCES TO GOVERNMENT AND HOLDINGS
OF TREASURY BILLS AND OTHER SECURITIES
BY THE MONETARY AUTHORITY OF BELIZE
(BZE\$000)

1980

<u>Month</u> <u>End</u>	<u>Advances</u>	(a)	<u>Treasury</u> <u>Bills</u>	<u>Other</u> <u>Securities</u>	(b)
JAN	-	-	8,683	1,352	1.3
FEB	639	(0.9)	9,263	1,352	1.3
MAR	3,482	(4.8)	8,783	1,352	1.3
APR	2,557	(3.5)	10,528	1,352	1.5
MAY	3,709	(5.1)	9,898	1,352	1.4
JUN	5,857	(8.0)	8,399	1,325	1.2
JUL	3,736	(5.1)	2,657	1,325	0.5
AUG	3,607	(4.9)	2,276	1,325	0.5
SEP	3,907	(5.3)	4,629	1,325	0.7
OCT	2,851	(3.9)	8,834	1,325	1.3
NOV	3,634	(5.0)	12,847	1,325	1.8
DEC	3,832	(5.2)	7,353	1,308	1.1

NOTES: (a) Outstanding Advances as a Percentage of Estimated Government Current Revenue for 1980/81.

(b) Total Holding of Treasury Bills and Other Securities as a Multiple of the Authority's Paid-up Capital and Reserves.

IV ACCOUNTS

The authorised and paid-up Capital of the Monetary Authority of Belize is four million dollars.

The annual statement of accounts of the Authority for 1980, certified by the Auditor, is attached to this Report.

The net profit from the operations of the Authority during 1980 amounted to \$3,089,259 compared with \$3,237,309 in 1979. Total assets which were \$31,832,571 at the end of 1979 rose by 20.2 per cent to \$38,274,034 at the end of 1980. Foreign assets as a proportion of total assets increased from 63.3 per cent at the beginning of the year to 64.7 per cent at the end of December.

Income and Expenditure

Net investment income during 1980 totalled \$4,252,638 (\$3,039,087 in 1979) and represented a yield of approximately 11.84 per cent (9.0 percent in 1979) on average assets. 76.0 per cent (76.7 per cent in 1979) of total income of \$5,593,370 (\$3,960,598 in 1979) was derived from this source.

Total operating expenses including the cost of printing currency notes and minting coins was \$2,504,111 (\$723,289 in 1979), representing 44.7 (18.26 per cent) of total income and net profit of the Authority was \$3,089,259 in 1980 as compared with \$3,237,309 in 1979. Excluding the cost of printing currency notes and minting coins, other operating expenses repre-

sented 7.51 per cent of total income compared with 8.97 per cent in 1979.

General Reserve Account:

In accordance with the provisions of Section 13(4), as the balance on the General Reserve Account exceeded ten but did not exceed fifteen per centum of gross demand liabilities, a sum of \$66,614 from the net profit was credited to the General Reserve Account. Gross demand liabilities of the Authority at the end of year 1980 amounted to \$27,009,045 and the General Reserve Account before transfer of the net profit stood at \$3,984,743.

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 controls 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 legislations 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 data.

As reflected in exchange control permissions granted, total imports rose by 10.8 per cent from \$238.7 million in 1979 to \$264.5 million in 1980. "Profits/Dividends" increased more than threefolds from \$1.1 million to \$3.6 million, while "Emigration" funds rose by about 30.9 per cent from \$2.0 million to \$2.6 million during the same period. The following table provides a breakdown of the purposes for which foreign exchange was used during 1980 and the relevant amounts according to processed application forms.

TABLE 1.
SALES OF FOREIGN EXCHANGE BY AUTHORISED DEALERS IN 1980

BZ\$000

	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	57,733		67,848		65,090		73,836		264,507	
TRAVEL	1,640	1,387	1,747	1,032	2,859	965	1,678	965	7,924	4,369
BUSINESS	237	130	478	59	825	159	525	226	2,065	574
MEDICAL	162	27	185	40	466	5	253	10	1,066	82
VACATION	695	506	630	478	1,294	313	633	331	3,252	1,628
OTHER	546	724	454	455	274	488	267	418	1,541	2,085
FAMILY MAINTENANCE	155	191	137	104	220	108	245	110	757	513
EDUCATION	381		181		672		344		1,578	
INSURANCE/REINSURANCE	839		532		986		652		3,009	
TRAVEL VARES AND FREIGHT CHARGES	2,639		1,640		1,982		2,345		8,606	
MEDICAL BILLS	229		78		844		252		1,403	
HEAD OFFICES EXPENSES	90		-		86		598		774	
PROFESSIONAL SERVICES	484		72		412		187		1,155	
ROYALTY PAYMENTS	88		111		113		116		428	
MANAGEMENT FEES	224		9		15		175		423	
SUBSCRIPTIONS	96		35		108		66		305	
SUNDRIES	114		123		158		151		546	
OTHER CURRENT ACCOUNT	279		282		585		385		1,531	
TOTAL CURRENT ACCOUNT	64,991	1,578	72,795	1,136	74,130	1,073	81,030	1,095	292,946	4,682
EMIGRATION	960		486		481		654		2,581	
PROFITS/DIVIDENDS	1,019		377		1,085		1,129		3,610	
REPAIATION OF FUNDS		1,289		447		1,135		996		3,867
LOAN AND INTEREST	433		372		1,392		739		2,936	
PAYMENTS										
GIFTS	42		39		86		105		272	
INVESTMENTS	249		-		66		62		377	
OTHER CAPITAL ACCOUNT	138		1		15		1,510		1,667	
TOTAL CAPITAL ACCOUNT	2,841	1,289	1,278	447	3,125	1,135	4,199	996	111,443	3,867
TOTAL	67,832	2,867	74,073	1,583	77,255	2,208	85,229	2,091	304,389	8,749

VI ADMINISTRATION

Subject to the provisions of the Ordinance, the policies of the Monetary 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.
H. Escalante Esq. with effect from 1st November
E.G.N. Gegg Esq., O.B.E., J.P.

Mr. H.I. Jex completed his second consecutive two-year appointment on 31st October, 1980. Mr. Escalante was appointed in his place for a period of two years.

The Board held eleven ordinary meetings during the year.

Staff

The principal officers of the Authority at the end of 1980 were-
Mr. H.E.C. Cain O.B.E., F.C.C.A., Managing Director
Dr. S.R.K. Rao, Chief Research Officer

Mr. F.J. Garbutt, Chief Accountant

Miss R.M. Vernon, Secretary

Mr. David Andrews who acted as Chief Research Officer until August completed his contract with the Authority under the fellowship scheme sponsored by the Overseas Development Institute in the United Kingdom. Under the scheme, young British economics graduates are recruited to work, usually for public sector bodies in developing countries for two years. The Authority is grateful to Mr. Andrews for his contribution to its development.

Dr. S.R.K. Rao joined the staff of the Authority on 4th September, 1980, as Chief Research Officer on secondment from the Reserve Bank of India, initially for a period of one year. The services of Dr. Rao were made available, at the request of the Authority through the U.K. Government, by the Central Banking Department of the International Monetary Fund under its technical assistance programme. Dr. Rao will advise on the reorganisation of research activities in the Authority and assist in on-the-job training of research staff.

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 institu-

tions in Belize and abroad, as well as for the issue, exchange and redemption of Belize currency notes and coins, and for the Authority's bookkeeping 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 twenty-five at the end of 1980 (1979 - twenty-two) of which five were on secondment from Government Service.

OVERSEAS VISITS

The Managing Director, in March, 1980 visited the Franklin Mint to witness the destruction of dies used in the minting of the 1979 coins under the agreement with the Mint. He also took the opportunity to discuss various aspects of the current numismatic coin programme.

The Managing Director attended, as an observer, the Tenth Annual Meeting of the Board of Governors of the Caribbean Development Bank held in Nassau in the Commonwealth of the Bahamas in May, 1980.

In November 1980, the Managing Director attended the Third Meeting of the Co-ordination Committee on Multilateral Payments Arrangements and

Monetary Co-operation among developing countries. This meeting was held in Abu Dhabi, United Arab Emirates, and the Managing Director was a member of the delegation from the CARICOM Multilateral Clearing Facility. local and international institutions.

Both the Managing Director and the Chief Accountant attended a conference on Developments in International Banking Technology in October. The Conference was sponsored by American Express International Banking Corporation and was held in Miami, Florida.

The Managing Director attended the seventh and eighth meetings of the Board of Governors of the CARICOM Multilateral Clearing Facility held in Georgetown, Guyana in March and in Kingston, Jamaica in May. Both meetings were preceded by meetings of technicians at which the Chief Accountant represented the Authority.

The merchant bankers, Solomon Brothers, sponsored a special two-day seminar on Euro-debt Instruments for Central Banks in Contadora, Panama in February. The Chief Accountant attended this seminar.

CONFERENCES:

The Monetary Authority hosted the Ninth meeting of the Board of Governors and the Tenth meeting of Technicians of the CARICOM Multilateral Clearing Facility in Belize from 1st - 5th September, 1980.

The Authority also hosted the Twelfth Annual Conference of the Regional Programme of Monetary Studies in Belize from 29th - 31st October, 1980. The Conference was declared open by the Hon. Said Musa, Ambassador to

AUDITORS' REPORT
TO THE BOARD OF DIRECTORS OF
THE MONETARY AUTHORITY OF BELIZE

We have audited the accounts on pages 2 to 8 in accordance with Approved Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the Authority at 31 December 1980 and of the results of its operations For the year ended on that date.

(signed) S.J.P. ERMEAV SR
Chartered Accountant

Belize City, Belize
2 March 1981

THE MONETARY AUTHORITY OF BELIZE
BALANCE SHEET
31 December 1980

	Note	1980 \$	1979 \$
<u>ASSETS</u>			
APPROVED EXTERNAL ASSETS	3		
Balances and deposits with foreign bankers and the Crown Agents maturing within 180 days		16,951,981	13,180,019
Marketable Securities issued or guaranteed by foreign governments and international financial institutions		4,029,818	3,883,411
Other foreign credit instruments. maturing within 180 days		3,300,000	3,199,997
Accrued interest and cash intransit		1,020,696	399,759
		<u>25,302,495</u>	<u>20,663,186</u>
ADVANCES TO BELIZE GOVERNMENT		3,828,906	2,963,338
BELIZE GOVERNMENT DEBENTURES, at cost		1,308,025	1,352,225
BELIZE GOVERNMENT TREASURY BILLS	4	7,353,023	7,131,148
BALANCES WITH LOCAL BANKERS AND CASH ON HAND		34,541	23,272
OTHER ASSETS	5	866,916	68,035
FIXED ASSETS	6	111,565	44,729
DEFERRED INCOME			
Unrealised gain from appreciation in value of external assets		(2,247)	(27,889)
Unrealized gain from changes in foreign exchange rates		<u>(529,190)</u>	<u>(385,473)</u>
Total Assets		<u>38,274,034</u>	<u>31,832,571</u>

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

THE MONETARY AUTHORITY OF BELIZE
BALANCE SHEET
31 December 1980
(Continued)

	Note	1980 \$	1979 \$
<u>LIABILITIES, CAPITAL AND RESERVES</u>			
DEMAND LIABILITIES			
Notes and coins in circulation		21,242,330	19,931,240
Deposits by licensed financial institutions	7	4,755,601	2,962,715
Deposits by Belize Government and Public Sector Entities in Belize	8	1,633,611	25,175
		<u>27,631,542</u>	<u>22,919,130</u>
CARICOM MULTILATERAL CLEARING FACILITY		900,148	905,900
OTHER LIABILITIES		190,987	22,798
		<u>28,722,677</u>	<u>23,847,828</u>
CAPITAL ACCOUNT			
Paid Up Capital (Authorized Capital \$4,000,000)		4,000,000	4,000,000
GENERAL RESERVE ACCOUNT	9	4,051,357	3,984,743
BUILDING FUND		1,500,000	-
		<u>38,274,034</u>	<u>31,832,571</u>

(Signed) E.A. MARSHALLECK) Chairman
 -----)
)
)
 (Signed) H.E.C. CAIN)
 -----) Managing Director
)
)
 (Signed) F.J. GARBUTT)
 -----) 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 1980

	1980 \$	1979 \$
INCOME		
Net interest on investments	3,018,877	2,464,356
Discounts and other investment income	1,233,761	574,731
Net realized gains from changes in foreign exchange rates and appreciation in value of securities	353,246	42,733
Commissions and other income	987,486	878,778
Total Income	<u>5,593,370</u>	<u>3,960,598</u>
EXPENDITURE		
Printing of notes and minting of coins	2,084,275	368,127
Salaries and wages, including super- annuation contributions, and gratuities	234,885	208,009
Other expenses, including depreciation	184,951	147,153
Total Expenditure	<u>2,504,111</u>	<u>723,289</u>
NET PROFIT	3,089,259	3,237,309
Less:- Amount transferred to General Reserve in accordance with Section 13(4) (b) of the Ordinance	66,614	<u>3,237,309</u>
Balance due to Government of Belize	3,022,645	
Less:- Amount retained in a Building Fund with the approval of the Minister	1,500,000	
Balance credited to deposit account in the name of Government of Belize	<u>1,522,645</u>	

THE MONETARY AUTHORITY OF BELIZE
NOTES TO THE ACCOUNTS
31 December 1980

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. Notes and coins in circulation

(i) On 31 December 1980 currency notes to a total value of \$1,878,245 which had been issued by the Belize Commissioners of Currency ceased to be legal tender in Belize. These had not been surrendered for redemption as of that date and are included in the figure for notes in circulation.

(ii) 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 recognised in the accounts in respect of coins specially minted or packaged and issued as collectors' 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.

As of that date, however, no further liability is recognised 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 1980 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 1980

2. ACCOUNTING POLICIES (Continued)

e. Foreign exchange gains and losses

Realised gains from changes in 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 are shown as part of External Assets.

g. Printing and minting expenses

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

(ii) Included in the expense of \$2,084,275 for printing of notes and minting of coins is an amount of \$1,653,004 which represents the cost of printing new design currency notes to replace old currency notes which ceased to be legal tender as of 31 December 1980.

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 1980, total approved external assets approximated 86.82 per cent (1979 - 90.16) 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 1980 the Authority's aggregate holding of Belize Government Treasury Bills and Securities approximated 1.08 times (1979 - 1.79 times) the amount of paid up capital and general reserves of the Authority.

THE MONETARY AUTHORITY OF BELIZE
 NOTES TO THE ACCOUNTS
 31 December 1980

5. OTHER ASSETS

Other assets include:	1980 \$	1979 \$
Accrued Interest	10,857	11,185
Other	856,059	56,850
	<u>866,916</u>	<u>68,035</u>

6. FIXED ASSETS

	1980 \$	1979 \$
Building improvements	17,064	14,751
Furniture	28,937	17,582
Equipment	79,642	22,427
	<u>125,643</u>	<u>54,760</u>
Less: accumulated depreciation	14,078	10,031
	<u>111,565</u>	<u>44,729</u>

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

7. DEPOSITS BY LICENSED FINANCIAL INSTITUTIONS

The total under this heading consists of balances maintained with the Authority 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.

THE MONETARY AUTHORITY OF BELIZE
 NOTES TO THE ACCOUNTS
 31 December 1980

8. DEPOSITS BY BELIZE GOVERNMENT AND PUBLIC SECTOR ENTITIES

The total under this heading includes:-

	1980 \$	1979 \$
Belize Government	1,522,645	-
Public Sector Entities	<u>110,966</u>	<u>25,175</u>
	<u>1,633,611</u>	<u>25,175</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 15 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:

	1980 \$	1979 \$
Balance 1 January	3,984,743	738,882
Transfer from net profit	66,614	3,237,309
Prior year credit	-	8,552
	<u>4,051,357</u>	<u>3,984,743</u>

10. CONTINGENT LIABILITIES

There are contingent liabilities in respect of:-

- a. a guarantee of \$852,605 for letters of credit in favour of the Government of Belize and public sector entities.