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Second Annual Report and Accounts
1983



CENTRAL BANK OF BELIZE

Second Annual Report and Accounts 1983

30th April, 1984

The Hon. Minister of Finance
Ministry of Finance
Belmopan

Dear Sir,

In accordance with the provisions of section 55 of the Central Bank of Belize Act 1982 (No. 15 of 1982), I have the honour to transmit herewith on behalf of the Board of Directors, the report of the operations of the Central Bank for the period 1st January to 31st December 1983, together with a copy of the annual statement of accounts of The Central Bank certified by the Auditor.

Yours faithfully,

R. L. Sault
Governor



CENTRAL BANK OF BELIZE

CENTRAL BANK OF BELIZE

Second Annual Report and Accounts

1983

CENTRAL BANK OF BELIZE
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P.O. BOX 852
BELIZE CITY

30th April, 1984

*The Rt. Hon. Minister of Finance
Ministry of Finance
Belmopan*

Dear Sir,

In accordance with the provisions of section 56 of the Central Bank of Belize Act 1982 (No. 15 of 1982), I have the honour to transmit herewith on behalf of the Board of Directors, the report of the operations of the Central Bank for the period 1st January to 31st December 1983, together with a copy of the annual statement of accounts of The Central Bank certified by the auditors.

Yours faithfully,

**R. C. Swift
Governor**

Contents

International Developments	5
Domestic Developments	7
Overview	7
Financial Developments	10
Money Supply	11
Domestic Credit	12
Public Sector	16
External Sector	17
Operations	19
Currency	19
Relations with Commercial Banks	21
Transactions with Government	22
Central Bank External Assets Ratio	23
Foreign Exchange Operations	24
Exchange Control	27
Accounts	28
Income and Expenditure	28
General Reserve Fund	28
Administration	29
The Board of Directors	29
Staff	29
Overseas Visits	29
Training	30
Auditors' Report and Financial Statements	32

International Developments



International economic trends in 1983 were characterized by a slow recovery in the economic activity of the industrialized countries. Growth performance diverged widely among OECD countries and has so far failed to have any major effect on the economies of a majority of the developing countries, which continue to suffer from weaknesses in their export markets, unfavourable terms of trade and increased protectionist measures in overseas markets. Faced with external adjustment problems, these countries have had to use restrictive domestic policies and have not yet benefited significantly from the world recovery.

In the United States, after a relatively subdued first quarter of 1983, when GNP advanced at a 2.5 percent annual rate, real (annualized) growth rates increased to 10 percent and 8 percent in subsequent quarters, but slowed down to an estimated 4.5 percent increase in the last quarter. This expansion in economic activity was attained despite a relatively high real interest rate and was accompanied by a marked reduction in the inflation rate, which was approximately 3.0 percent by the end of the year. The high interest rates were partly responsible for the strong performance of the U.S. dollar vis-a-vis other major currencies; despite a growing U.S. trade deficit.

In the United Kingdom, although GDP grew at an annual rate of about 3 percent in the first half of 1983, it failed to sustain this growth in the second half of the year and the overall increase was estimated by the OECD as being slightly above 2 percent. While inflation dropped significantly, unemployment remained high, and the trade balance has deteriorated markedly, despite an increase in competitiveness arising from a sterling depreciation vis-a-vis the U.S. dollar.

Recovery in economic activity in Canada has followed a pattern similar to that of the United States. Employment has expanded in recent months, and the unemployment rate dropped to 11.1 percent in October 1983, after reaching 12.7 percent in November 1982. The inflation rate has fallen significantly in 1983, being estimated at 6 percent compared with 11 percent in 1982. The domestic recovery spurred an increase in the imports of manufactured goods but, helped by an improvement in the terms of trade and increased United States domestic demand for Canadian exports, the trade

account surplus for the first three quarters of 1983 has matched the equivalent 1982 record figure.

The resumption of economic activity in Japan lagged substantially behind that of the United States. Activity weakened appreciably in the first half of 1983, with real GNP growth decelerating to 1.7 percent from 4.3 percent in the latter half of 1982. However, industrial production expanded rapidly in the second-half of 1983 in response to a recovery in foreign demand. As a result, real GNP growth is estimated to have reached 4 percent in the same period. The slow recovery of domestic demand associated with a strong export expansion and a marked contraction in import prices were the key factors behind a large increase in the trade surplus.

Economic activity has also shown significant improvement in Germany but was less strong in the Netherlands, France and Italy.

The external debt problem continues to place a heavy burden on the Latin-American economies. Despite the relative success of its stabilization program, Mexico has not yet been able to regain the levels of economic activity prevailing before the 1982 crisis. While the external sector has improved considerably, aided by the United States recovery and by a marked reduction in domestic imports, the overall picture remains gloomy, and real GDP is estimated to have fallen by 2.3 percent in 1983. During the same period the Mexican peso declined by as much as 49 percent vis-a-vis the U.S. dollar.

The Caribbean countries have also faced hard times in 1983. In Jamaica, a combination of contractionary economic policies and a continued slump in the world demand for alumina, bauxite, and sugar has seriously affected economic activity. The trade deficit expanded further in 1983 forcing the Jamaican authorities to resort to exchange rate changes three times during the year. Firstly, in January there was the institution of a two-tier exchange rate, an official and a parallel rate. In June, a larger share of Jamaican imports was placed on the parallel market rate. Finally in November, the exchange rate was unified again at the rate of J\$3.15 to the U.S. dollar, representing a 76.9 percent devaluation of the official rate and a 6.4 percent devaluation of the parallel rate.

In Trinidad and Tobago, while the trade gap was reduced somewhat in the first half of 1983 as



compared with the same period in 1982, this was mostly due to a sharp contraction in imports, as oil and sugar exports have continued to fall. As a result, international reserves have declined by almost 30 percent in the first 11 months of 1983. Perhaps the only hopeful news in the Caribbean region is the encouraging recovery of tourism after a two-year slump. Tourist arrivals have been on the rise in several Caribbean islands including the Bahamas, Barbados and Jamaica. This improvement seems to be related to reduced airfares between the Caribbean and the United States.

After some price cuts in the beginning of the year, oil prices remained basically stable for the rest of 1983. Production levels, after declining somewhat earlier in the year, have again picked up considerably as foreign exchange reserves of several oil exporting countries continue to dwindle. World oil consumption showed a moderate reduction in 1983. OECD projections call for continued oil price stability in 1984.

Sugar prices, after showing an upward trend up to mid-year, receded again in the second half. They still remain, as a whole, at depressed levels. Prospects for

increases in 1984 will depend on the results of the present negotiations regarding a new International Sugar Agreement.

Prospects of growth for the developing countries in the years ahead will depend basically on whether a sustained recovery in the industrialized countries is translated into an improvement of the terms of trade for the LDCs. OECD forecasts for 1984 provide the usual mix of good and bad news. In North America a significant slowing down in the rate of GDP growth is expected in 1984, although unemployment is projected to fall somewhat. The rise in output in the rest of the OECD area is predicted to proceed at a fairly modest pace which will probably be insufficient to stop unemployment from rising in most of these countries. A slight rise in inflation is expected for the United States and Japan, whereas a further deceleration is projected for Europe. Non-oil commodity prices are expected to increase somewhat, restoring a more normal relation between prices and costs of production for a number of commodities. In general, the terms of trade of the non-oil developing countries are now projected to improve throughout the next two years.

Domestic Developments



Overview

After declining slightly in 1982, Belize's economy showed a modest recovery in 1983. Real GNP, which had declined by 0.8 percent in 1982, increased by 0.7 percent in 1983. The low price of sugar on the world market, the failure of the industrial economies' recovery to trickle down into Belize and the extensive effects of the Mexican devaluation on Belize's re-export trade were the major factors behind the disappointing performance of the economy in the last two years. There are, however, signs that the re-export trade is returning to normalcy as the pace of devaluation in Mexico is not keeping up with inflation, reducing the price gap between Belize and Mexico. If this recovery, noted specially in the last quarter of 1983, carries on into 1984, it should improve the financial situation of the Central Government which has substantially deteriorated as a result of the 1982 recession.

Sugar production in 1983 attained a record figure of 114,378 tons, despite a reduction in the cane to sugar

ratio. Low sugar prices on the world markets, United States quota limitations, and the weakness of the pound vis-a-vis the U.S. dollar — which had a negative on EEC sales — all contributed to nullify the gains resulting from the increase in production. The citrus industry also did poorly in 1983 as production fell to the lowest level recorded in 25 years. The fishing industry, however, had a very good year, mostly because of high prices for lobster, although conch and fish production also increased somewhat. Banana production showed a slight increase but the industry is still suffering from inadequate shipping and marketing arrangements and remains quite depressed in relation to past performance. Production of staples and other agricultural products for domestic consumption, though contracting in 1983, was adequate enough to avoid imports of beans, corn and rice. As a whole, the agricultural sector grew by 1.8 percent in real terms in 1983.

Table I / Gross Domestic Product, 1979-83 / BZ \$M; 1973 Prices

	1979	1980	1981	1982	1983
Gross domestic product at factor cost	123.5	129.1	130.8	129.7	130.6
Agriculture ^{1/}	28.3	28.6	30.7	33.3	33.9
Manufacturing	11.4	13.1	12.9	12.3	12.6
Construction	11.7	12.9	11.5	9.2	9.5
Commerce	20.3	21.9	21.7	19.5	19.0
Transport	12.2	12.7	13.9	14.2	14.5
Public administration	13.9	13.7	14.1	14.0	14.0
Other	25.7	26.2	26.0	27.2	27.1

Source: Central Statistical Office, Ministry of Finance.

^{1/} Including forestry and fishing.



Except for commerce, which has not yet recuperated completely from the negative effects of the Mexican devaluation, all other major sectors showed small increases in 1983. The garment industry increased production by 35.2 percent in 1983 as export demand resumed its growth in response to increased economic activity in the industrialized countries.

Given the openness of the Belizean economy, domestic price developments reflect largely foreign inflation. According to a newly calculated price index, consumer prices in Belize are estimated to have increased by 1.6 percent in 1983, reflecting the slowing down of inflation abroad, the continuous strength of the U.S. dollar and the large devaluations of the Mexican peso which reduced the price in Belize dollar of imports from that country. The only group of products showing a significant price increase in 1983 was clothing and footwear.

The slow recovery in economic activity has been

reflected in the performance of the public sector finances. Judging from available information for the 1983/84 fiscal year, Central Government revenues have again declined, mostly as a reflection of a further contraction of total imports and because of reduced income taxes as a result of losses reported by many enterprises in previous years. Although the Central Government has made an effort to contain expenditures, the overall government deficit is expected to increase markedly in 1983/84. Given the Government's inability to attract a large inflow of external loans, the Central Government overall deficit is being financed basically by the domestic financial system. These developments have placed special pressure on the Central Bank which had to sell foreign assets in order to increase its holdings of Treasury bills. As a result, the net foreign assets of the Central Bank declined by 8.8 percent in 1983 and the statutory external assets ratio has declined from 49.1 percent at the end of 1982 to 47.4 percent at the end of 1983.

Table II / Consumer Price Index, 1980-83

	Weight	February	July	November	February	July	November
		1980	1980	1980	1983	1983	1983
Total	1,000	100.0	104.4	109.2	134.4	135.4	136.0
Foods	426	100.0	108.8	111.3	124.9	124.9	124.0
Of which: Groceries	(274)	(100.0)	(108.6)	(114.2)	(130.2)	(128.3)	(126.7)
Clothing and footwear	131	100.0	109.3	114.7	139.7	142.1	142.7
Housing, household goods and fuels	195	100.0	103.3	108.3	138.3	138.5	138.4
Miscellaneous items ^{1/}	248	100.0	105.0	110.0	118.6	122.6	122.0

Source: Central Statistical Office, Ministry of Finance.

^{1/} Medical, personal and leisure.

The overall balance of payments deficit deteriorated further in 1983 despite a substantial improvement both in the trade balance and in the current account deficit. A slowdown in capital inflows as well as a likely increase in unrecorded imports seem to have been the main factors behind the weakening of the external situation. During 1983 Belize drew resources from the International Monetary Fund for the first time. These resources, drawn under the Compensatory Financing Facility, amounted to SDR 3.6 million, or approximately US\$3.8 million, and were provided to compensate Belize for a shortfall in its exports during the twelve-month period ending in March 1983. The exchange rate remained stable throughout 1983 at BZ\$1.00 = US\$0.50.

Prospects for 1984 will depend heavily on a continued recovery in the industrialized countries and on an improvement in Belize's terms of trade.

Developments in Mexico, especially the behavior of the Mexican peso vis-a-vis the Belize dollar, will also be crucial to the economic activity in Belize during next year. In the case of sugar, there is hope that the International Sugar Agreement currently being renegotiated will yield either higher quotas or higher average prices for Belize. As regards to citrus, there is anticipation that the 12,000 acres presently under cultivation will be expanded in 1984 in response to better prices resulting from the Florida frost of late 1983. Hope for the citrus industry also arises from the December purchase of majority shares in the Citrus Company of Belize by the Citrus Growers' Association of Trinidad and Tobago which should make it easier to place Belizean citrus concentrates in that country. The fishing industry is also expected to soar with the introduction of shrimp farming scheduled to start production in 1984.

Financial Developments

Table III / Monetary Survey, 1979-83 / BZ \$M.

	1979	1980	1981	1982	1983
Foreign assets	45.7	51.8	48.8	35.3	37.2
Domestic credit	91.5	104.9	126.7	157.3	180.1
Credit to Government (net)	12.7	20.2	27.1	39.8	55.8
Credit to Other public sectors	8.1	7.4	8.8	9.8	7.1
Credit to private sector	70.7	77.3	90.8	107.7	117.2
Other assets (net)	4.4	4.0	-0.6	0.2	-0.7
Money	36.9	41.5	39.5	39.4	42.3
Currency with the public	16.7	17.5	19.0	20.6	21.5
Demand deposits	20.2	24.0	20.5	18.8	20.8
Quasi-money	59.0	66.5	78.2	85.7	105.8
Savings deposits	29.0	30.2	26.9	25.4	29.7
Time deposits	29.4	35.5	50.8	59.4	75.5
Foreign currency deposits	0.6	0.8	0.5	0.9	0.6
Foreign liabilities	30.5	35.5	38.5	47.8	47.1
Capital and reserves	15.2	17.2	18.7	19.9	21.4

Financial trends in 1983 were dominated by an increase in bank liquidity as the growth rate of the money supply (M2) exceeded the increase in domestic credit expansion. This permitted a \$2.6 million improvement in the net foreign assets position of the banking system.

By the end of the year, early signs of a recovery in economic activity were already present and private sector credit, which increased by 8.8 percent only in 1983, was beginning to expand at a rate more in line with the growth of the liabilities of the banking system.

The growth in net credit to Government slowed down somewhat in 1983, from 46.9 percent in 1982 to 40.2 percent, but remained the main factor behind the expansion of credit to the economy. Despite this moderation in growth, net credit to Government still expanded more rapidly than credit to other sectors and its share of total domestic credit increased to

31.0 percent, compared with 25.3 percent in 1982 and to 13.9 percent only in 1979.

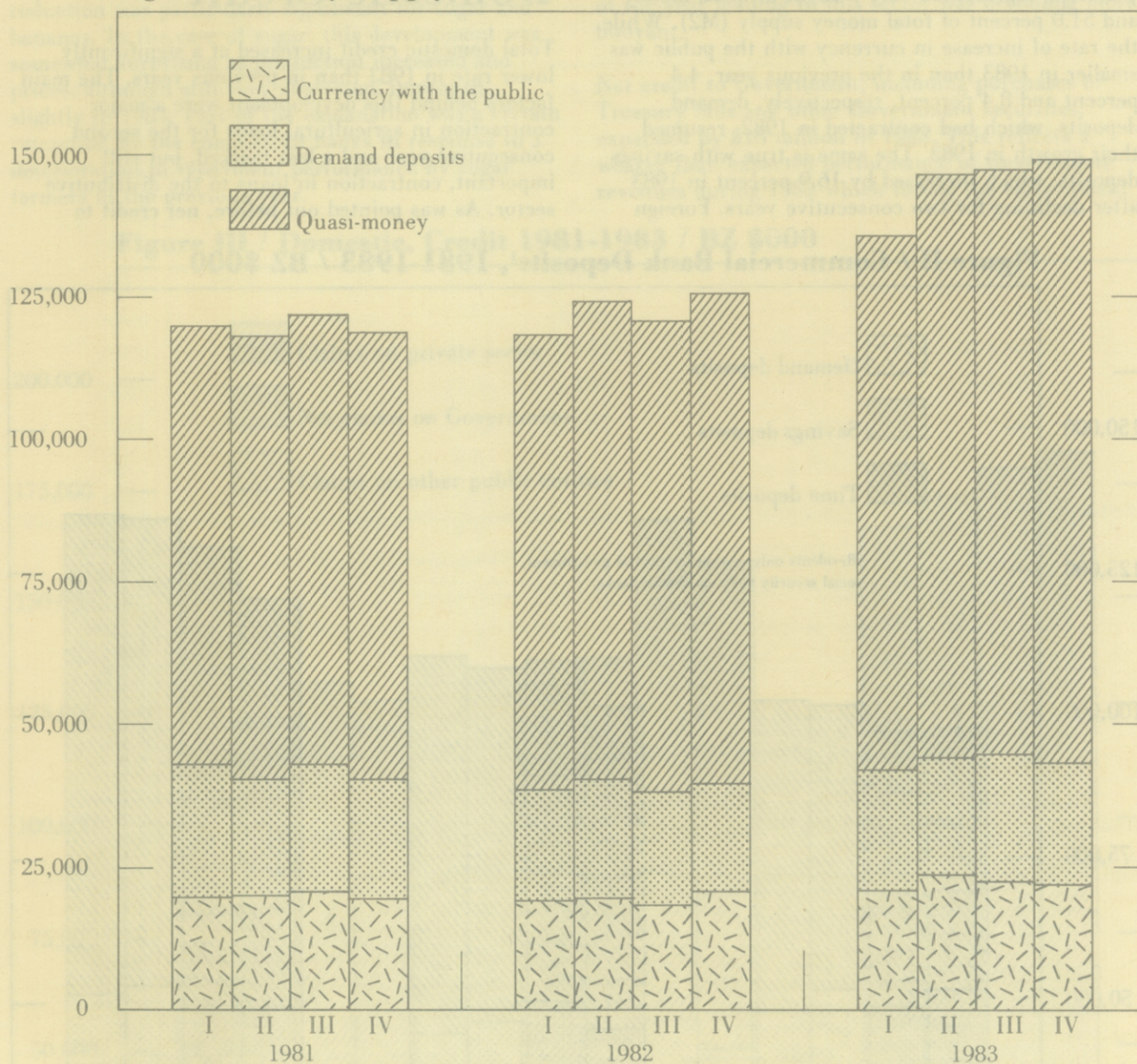
During 1983, the Central Bank of Belize continued to implement a flexible interest rate policy with domestic rates closely following developments in the international markets, but adjusted to take into account business activity and liquidity conditions in Belize.

During the year, interest rates were reduced twice to stimulate domestic activity and reduce bank liquidity. A further decrease took place in January 1984. Thus, the prime lending rate plummeted from 16 percent in January 1983 to 12 percent in January 1984.

Minimum rates on three-to six-month time deposits were similarly adjusted from 12 percent to 9 percent in the same period. Average spread between borrowing and lending rates of commercial banks increased to 7.4 percentage points in December 1983, compared with 7.0 percentage points in the same period of 1982.



Figure I / Money Supply, 1981-1983 / BZ \$000



¹ Residents only; except for central government, social security and commercial banks.

Money Supply

Money supply (M2) increased by 18.4 percent in 1983 in response to a revival of economic activity in Belize, in sharp contrast to an increase of 6.3 percent in 1982.

As in the last three years, the growth of quasi-money exceeded substantially the growth of money supply (M1). Bank customers seem to be quite sensitive to interest rates and have continued to prefer high-



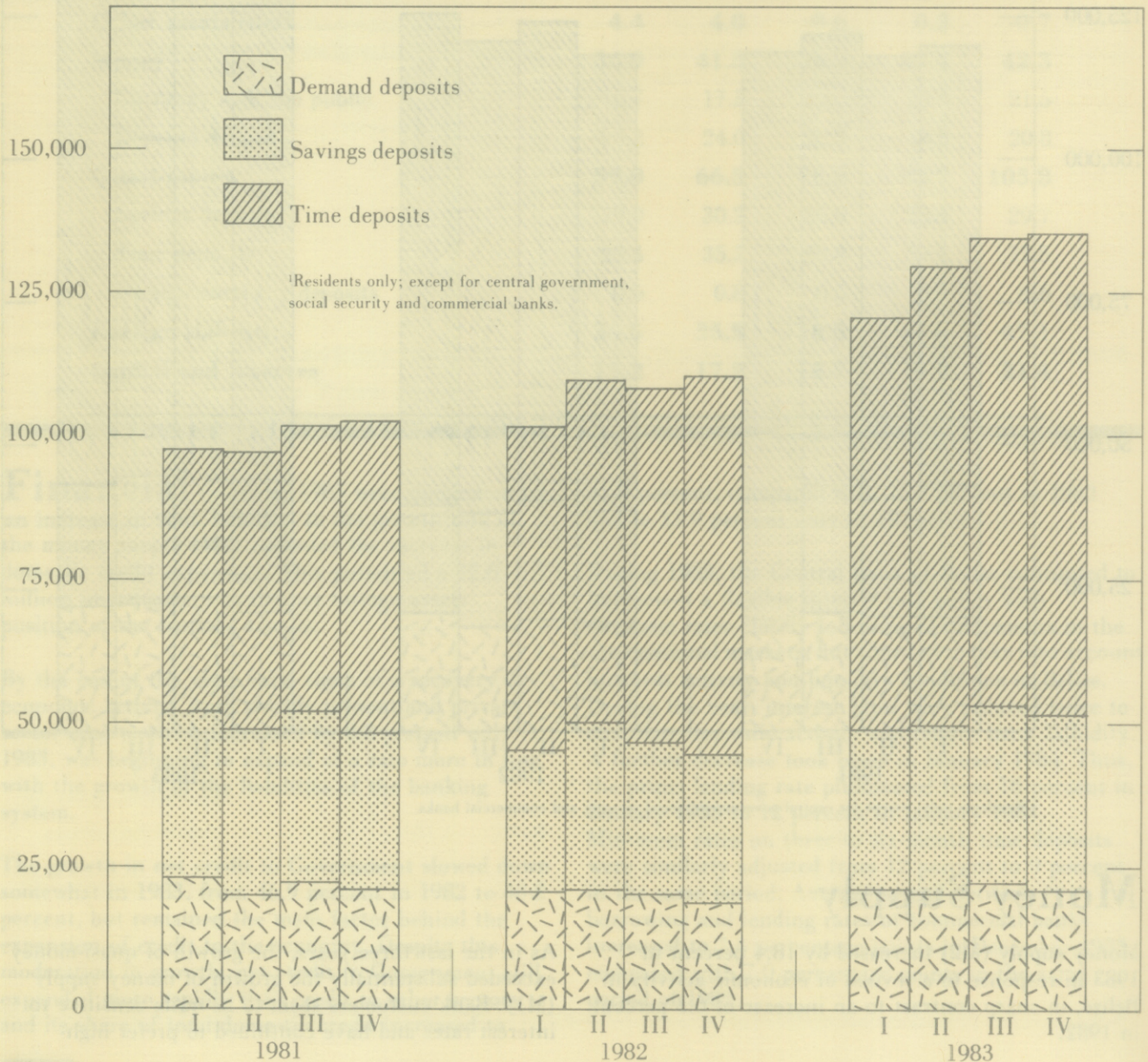
yielding time deposits to any other form of financial savings. As a result, in 1983 the most dynamic component of the money supply remained time deposits, which grew by 27.1 percent and, at year-end, represented 71.4 percent of quasi-money and 51.0 percent of total money supply (M2). While the rate of increase in currency with the public was smaller in 1983 than in the previous year, 4.4 percent and 8.4 percent, respectively, demand deposits, which had contracted in 1982, resumed their growth in 1983. The same is true with savings deposits, which increased by 16.9 percent in 1983 after declining for two consecutive years. Foreign

currency deposits declined by \$0.3 million in 1983, remaining a minor portion of quasi-money.

Domestic Credit

Total domestic credit increased at a significantly lower rate in 1983 than in previous years. The main factors behind this development were a major contraction in agricultural loans for the second consecutive year and a less marked, but still important, contraction in loans to the distributive sector. As was pointed out before, net credit to

Figure II / Commercial Bank Deposits¹, 1981-1983 / BZ \$000





Government also increased in 1983 at a lower rate than in 1982.

In the agricultural sector, except for citrus, loans extended to all subsectors contracted in 1983. This reduction was particularly significant for sugar and bananas. In the case of sugar, this development was somewhat surprising as production increased and prices, although still very depressed, improved slightly in 1983. Part of the explanation was a certain retraction by the commercial banks in response to a deterioration in repayment performance by sugar farmers in the previous year.

The decline in loans to the distributive sector is explained by the serious negative effects of the Mexican devaluation on the re-export trade and on domestic imports. There are, however, signs that this impact has now been absorbed, since in the last part of the year lending to this sector was becoming more buoyant.

Net credit to Government, including purchases of Treasury bills and other Government securities, expanded by \$16 million in 1983. This reflects a weaker than expected performance of Government revenues during 1983 which forced the Government

Figure III / Domestic, Credit 1981-1983 / BZ \$000

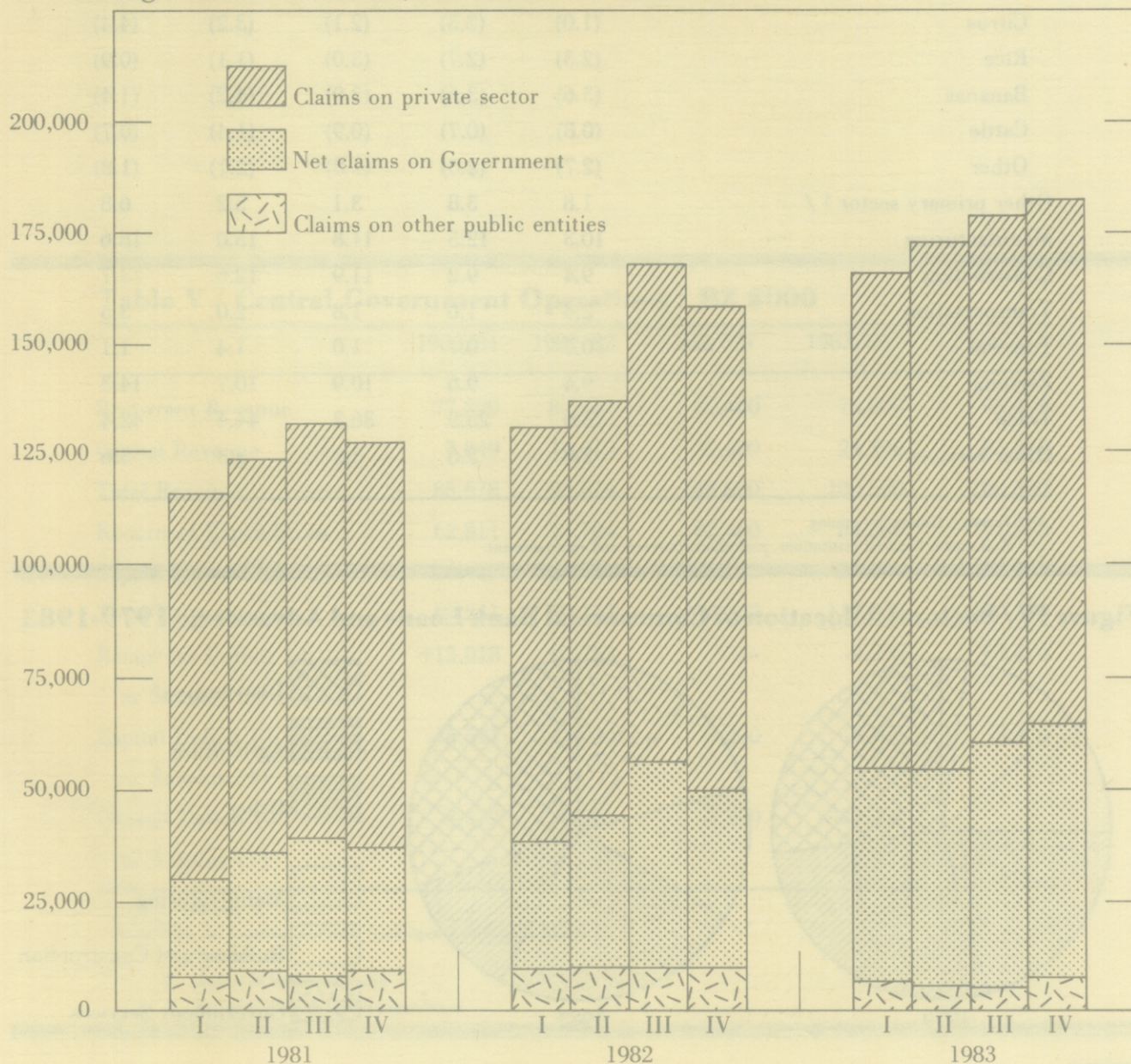




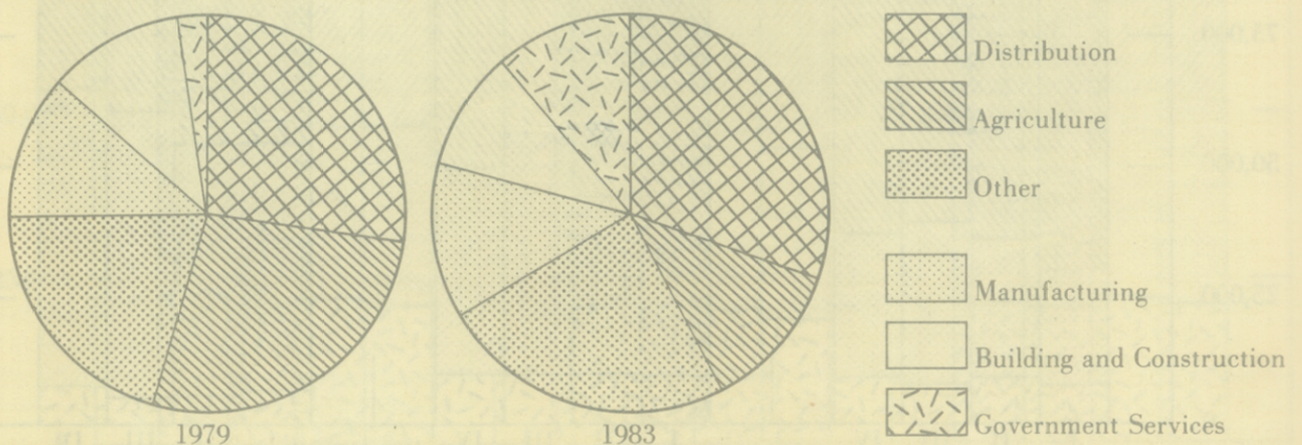
Table IV / Commercial Banks' Loans and Advances, 1979-83 / BZ \$M.

	1979	1980	1981	1982	1983
Total	86.6	91.9	108.9	132.3	140.6
Government services	2.0	2.5	4.2	14.4	15.1
Public utilities	0.8	0.2	0.9	0.6	2.2
Agriculture	23.4	24.1	24.1	22.7	17.2
Sugar	(13.0)	(12.6)	(13.3)	(10.7)	(8.0)
Citrus	(1.0)	(2.5)	(2.1)	(3.2)	(4.4)
Rice	(2.3)	(2.7)	(3.0)	(1.1)	(0.9)
Bananas	(3.6)	(3.6)	(3.0)	(4.2)	(1.4)
Cattle	(0.8)	(0.7)	(0.9)	(1.4)	(0.7)
Other	(2.7)	(2.0)	(1.8)	(2.1)	(1.8)
Other primary sector ¹ /	1.8	3.8	3.1	5.2	6.8
Manufacturing	10.3	12.5	11.8	15.0	18.6
Construction	9.4	9.2	11.9	12.6	13.7
Transportation	2.4	1.6	1.8	2.0	3.5
Tourism	0.7	0.7	1.0	1.4	1.1
Personal	9.4	9.6	10.9	10.7	14.3
Trade	23.6	25.2	36.3	44.4	42.4
Other services ² /	2.8	2.6	3.0	3.3	5.6

¹ / Forestry, fishing and mining.

² / Real estate, financial institutions, professional services and entertainment.

Figure IV / Sectoral Allocation of Commercial Bank Loans and Advances, 1979-1983





to resort extensively to domestic financing in addition to the foreign financing of capital expenditures. Net credit to Government by the banking system at year-end amounted to \$55.8 million, of which the Central Bank of Belize accounted for 57.5 percent, while commercial loans accounted for the remaining 42.5 percent. This represents a continuation of recent trends whereby the commercial banks have continued to increase their share of Government domestic financing, while the share of the Central Bank has declined as a result of statutory limitations on its lending to Government.

Lending to other public sector entities declined by

\$2.7 million in 1983, although this is somewhat misleading as several loans to public enterprises, which were guaranteed by the Government, have now been officially taken over by the Government.

Loans and advances to all other sectors, except tourism, increased in 1983, albeit in most cases at a lower rate than in the previous year. Personal loans, however, increased by \$3.6 million or 33.6 percent, compared with a small decline in 1982. Loans to the manufacturing sector, after declining somewhat in 1981, have increased continuously at rates in excess of those for total loans and commercial banks.

Table V / Central Government Operations / BZ \$000

	1980/81	1981/82	1982/83 ^P	1983/84 ^P	1984/85 ^E
Recurrent Revenue	77,829	82,457	82,400	75,800	95,020
Capital Revenue	7,849	10,417	20,400	24,700	85,310
Total Revenue	85,678	92,874	102,800	100,500	180,330
Recurrent Expenditure	62,811	74,704	82,400	84,800	91,550
Capital Expenditure ^{1/}	26,440	24,431	23,600	27,000	88,780
Total Expenditure	89,251	99,135	106,000	111,800	180,330
Recurrent Deficit (-) or Surplus (+)	+15,018	+7,753	—	-9,000	+3,470
Capital Deficit (-) or Surplus (+)	-18,591	-14,014	-3,200	-2,300	-3,470
Overall Deficit (-) or Surplus (+)	-3,573	-6,261	-3,200	-11,300	

Source: Ministry of Finance

As of 1980, the financial year runs from April 1 through to March 31.

P: Provisional

E: Approved budget estimates

^{1/} Excludes offshore capital expenditure

Public Sector

Provisional figures for 1983/84 indicate substantial divergences from the budget estimates. Current revenues, which were projected to attain \$98.7 million, amounted to \$75.8 million. This represents an 8.0 percent decline as compared with the 1982/83 figure of \$82.4 million. Current expenditures were also a little below expectations, totalling \$84.8 million instead of the budgeted \$86.3 million. Compared with the previous fiscal year this represented a 2.9 percent increase. In the end, the current account deficit reached \$9.0 million instead of the projected surplus of \$12.4 million. A very large shortfall was also noted on capital expenditures which approximated \$27.0 million for the year 1983/84, a figure well below the projected total of \$108.3 million. This outcome reflects efforts to curtail expenditures in view of the non-existence of surplus funds in the current account, and difficulties in obtaining foreign financing and grants to support development projects.

During 1983/84, domestic financing of the Central Government increased by \$18.6 million, as compared to an increase of \$22.1 million in 1982/83. Of the increased domestic financing in 1983/84, the Central Bank accounted for 36.6 percent, the commercial

banks for 37.1 percent, and other (mostly Social Security) for the remaining 26.3 percent. The \$6.8 million increase in commercial bank holdings of Treasury bills in 1983/84 can be explained by their highly liquid position during most of the year, which made them quite interested in purchasing Treasury bills as a means to invest available funds.

Domestic financing is expected to become substantially more difficult in 1984/85 for two reasons: firstly, with the beginning of the economic recovery the liquidity situation of the commercial banks is expected to become much tighter in 1984/85 than in 1983/84, making the commercial banks less anxious to purchase Government securities; secondly, statutory limitations are increasingly becoming an obstacle to any expansion of Central Bank financing to the Central Government. Under these conditions, the Social Security Board will be the only institution with significant available resources for budget financing during 1984/85. This makes it essential that the Central Government undertake a major adjustment effort in 1984 to ensure that the budget outcome is compatible with the availability of domestic and foreign financing.

Table VI / Domestic Financing of the Central Government, March 1979 — March 1984 / BZ \$000

Year	Treasury Bills ¹ /	Other Securities ¹ /	Net Credit		Total
			Central Bank	Commercial banks	
Mar 1979	12,200	4,743	—	-1,042	15,901
Dec 1979	7,700	7,524	2,963	546	18,733
Mar 1980	6,000	7,493	3,482	1,173	18,148
Dec 1980	15,000	7,379	2,306	1,637	26,322
Mar 1981	9,700	7,651	4,379	1,231	22,901
Dec 1981	16,885	7,624	7,292	3,964	35,765
Mar 1982	16,885	7,626	9,280	4,418	38,209
Dec 1982	19,000	9,084	10,187	13,716	51,987
Mar 1983	21,500	9,086	14,093	15,613	60,292
Dec 1983	37,630	9,014	13,394	14,983	75,021
Mar 1984	39,130	9,085	13,265	17,400	78,880

Sources: Accountant General's Office and Central Bank of Belize. ¹ / Including holdings of the private sector.

External Sector



According to preliminary estimates for 1983, Belize's trade deficit with the rest of the world has been reduced to \$70.3 million, as against \$74.4 million in 1982. The improvement in the country's trade position is a direct result of an increase in exports of sugar, fish, and garments in excess of the rise in official retained imports which remained depressed as a result of the relatively low level of economic activity during most of 1983. Domestic exports increased by 8.8 percent to \$130.1 million, while retained imports increased by 3.4 percent only to \$200.4 million. Both total exports and imports declined in 1983 as the re-export trade has continued to suffer from the effects of the Mexican devaluations, having plummeted from \$62.4 million in 1982 to \$25.4 million in 1983.

Despite this improvement in the trade balance, the overall balance of payments is estimated to have deteriorated markedly from a deficit of \$0.3 million in 1982 to a deficit of \$8.5 million in 1983.

The main cause for the deterioration of the balance of payments was a sharp contraction in capital

inflows and an increase in unrecorded imports from Mexico. This last factor was, however, tapering off by the end of the year when a return to traditional sources of imports was noted by the business community.

Sugar continued to be the largest money earner in 1983, accounting for 52.5 percent of domestic export earnings. While the volume of sugar exports increased by 10,964 long tons over 1982, average export prices declined by 6.9 percent in 1983. As a result, sugar export earnings only increased by 3.9 percent despite a record crop.

Citrus exports declined in 1983 despite an improvement in the prices of orange concentrates. Export values reached \$13.7 million, compared with \$14.1 million in the previous year. Two factors explain this outcome: firstly, production declined as a number of orange orchards are approaching the end of their economic life; secondly, prices of grapefruits remained depressed as a result of an international glut of grapefruit concentrates.

Table VII / Exports By Major Commodities, 1979-83 / BZ \$M.

	1979	1980	1981	1982	1983
Total exports	181.8	221.7	238.0	182.0	155.5
Re-exports	60.3	57.6	88.5	62.4	25.4
Total domestic exports	121.5	164.1	149.5	119.6	130.1
Sugar	(62.9)	(95.4)	(85.3)	(65.7)	(68.3)
Citrus products	(8.9)	(12.7)	(13.0)	(14.1)	(13.7)
Fish products	(8.8)	(8.1)	(14.5)	(12.6)	(14.4)
Bananas	(6.7)	(7.0)	(4.3)	(4.2)	(4.8)
Molasses	(3.9)	(4.4)	(2.4)	(1.8)	(1.8)
Sawn wood	(3.2)	(2.1)	(2.4)	(3.6)	(2.7)
Garments	(21.7)	(28.9)	(22.1)	(12.7)	(16.5)
Other	(5.4)	(5.5)	(5.5)	(4.9)	(7.9)

Source: Central Statistical Office, Ministry of Finance.



Exports of fish and fish products expanded by 15.7 percent in 1983 as high prices provided adequate incentives to expand the catch. There was an increase in the volume of lobster as a result of the Red Tide phenomenon of 1981, which reduced the population of lobster predators. Shrimp production was low but prices were relatively high and there were guaranteed markets in the United States, France and the Caribbean. Returns from the high production of scale fish were negatively affected by the devaluations in Jamaica where demand fell sharply. Total volume of fish exports attained 1.7 million pounds, an increase of 15.7 percent, compared with 1982.

Exports of bananas increased by 14.3 percent to \$4.8 million despite continued problems in the industry. There were excessive rains, in mid-year and poor drainage caused plants to rot. Also, inadequate shipping arrangements led to delays in exporting the product and a consequent fall in quality.

Export earnings from garments increased by almost 30 percent in 1983 as foreign demand picked up markedly in response to expanded economic activity

in the industrialized countries. Ninety percent of the garment production was exported to the United States and the rest to the United Kingdom. In 1983, garment exports regained their position as the second major source of export earnings which had been lost in 1982 to citrus products.

Exports of molasses were kept constant, while earnings from sawn wood declined from \$3.6 million in 1982 to \$2.7 million in 1983. There were no exports of rice in 1983, as total rice production plummeted from 17.8 million pounds in 1982 to 8.0 million pounds in 1983.

Total value of imports for 1983, including re-exports, is estimated at \$225.8 million, a fall of \$30.2 million against 1982 figures. Most of this reduction can be attributed to lower imports of machinery and manufactured goods (including miscellaneous manufactured goods), but imports were reduced in all SITC product categories. Food imports represented 24.6 percent of total imports, while fuels, the second largest SITC product category, accounted for 19.8 percent.

Table VIII / Imports by SITC Product Category, 1979-83 / BZ \$M.

	1979	1980	1981	1982	1983
Total imports	263.8	299.5	323.9	256.0	225.8
Food	64.6	65.6	79.8	58.8	55.5
Beverages and tobacco	6.6	6.4	7.1	5.7	5.5
Crude materials	2.1	2.4	4.9	3.2	2.1
Fuels	33.1	54.5	51.3	45.6	44.8
Oils and fats	0.7	1.4	1.0	0.6	0.5
Chemicals	20.7	19.5	22.9	22.5	19.4
Manufactured goods	38.9	41.6	39.5	33.1	31.7
Machinery	56.8	57.9	57.5	48.9	38.8
Miscellaneous manufactured goods	39.2	48.0	58.3	35.4	25.9
Miscellaneous	1.1	2.2	1.6	2.2	1.6

Source: Central Statistical Office, Ministry of Finance.



Operations

Currency

THE expansion of currency in circulation during 1983 followed the same basic pattern observed in 1982. Currency in circulation increased steadily

during the first quarter and reached a maximum for the year at \$27.6 million in April. It then broadly declined, except for July, until the last quarter when

Table IX / Currency in Circulation, 1983 / BZ \$000

Month	Currency in Circulation			Cash in Banks	Currency with the Public
	Notes	Coins	Total		
January	20,240	3,289	23,529	3,166	20,363
February	21,480	3,292	24,772	3,441	21,331
March	22,803	3,275	26,078	3,016	23,062
April	24,373	3,270	27,643	2,919	24,724
May	23,754	3,296	27,050	3,825	23,225
June	23,441	3,330	26,771	3,822	22,949
July	24,185	3,342	27,527	3,406	24,121
August	22,682	3,360	26,042	4,191	21,851
September	21,570	3,383	24,953	2,800	22,153
October	20,847	3,400	24,247	2,921	21,326
November	20,876	3,392	24,268	3,446	20,822
December	21,937	3,415	25,352	3,826	21,526

Table X / Commercial Bank Deposits With Central Bank of Belize, 1983 (Average of daily balances) / BZ \$000

Month	Minimum Required Balance	Actual Balance Held	Excess Balance
January	5,821	8,253	2,432
February	5,850	8,465	2,615
March	6,049	8,638	2,589
April	6,147	9,843	3,696
May	6,290	10,879	4,589
June	6,521	10,075	3,554
July	6,650	10,823	4,173
August	6,841	9,778	2,937
September	6,891	8,760	1,869
October	6,935	8,020	1,085
November	6,984	7,839	855
December	6,993	7,701	708

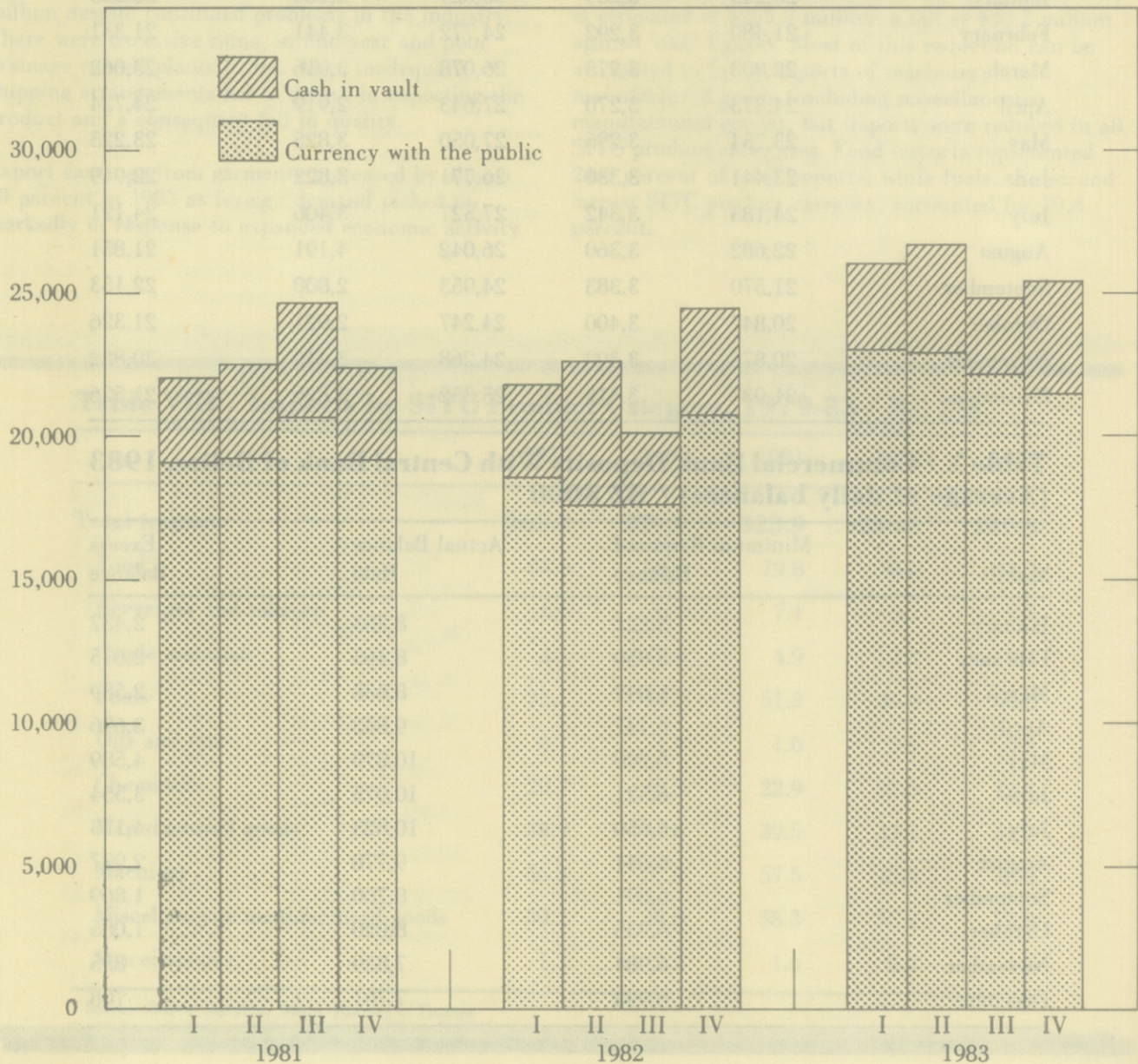


it increased again, closing the year at \$25.4 million or 3.7 percent above its level in December 1982. Most of the increase in currency in circulation was explained by rising note issues as coins in circulation increased by \$0.1 million only during 1983.

Cash in banks oscillated between a minimum of \$2.8 million in September and a maximum of \$4.2 million in August.

As in 1982, currency with the public reached its maximum in April, and declined during the rest of the year to a minimum of \$20.8 million in November. It increased again in December reaching \$21.5 million at the end of the year. This represents an increase of \$0.9 million or 4.5 percent over the level attained in the same period of 1982.

Figure V / Currency in Circulation, 1981-1983 / BZ \$000





**Table XI / Commercial Bank Holdings of Approved Liquid Assets, 1983
(Average of liquidity balances) / BZ \$000**

Month	Required Holdings	Actual Holdings	Excess Holdings
January	23,285	35,312	12,027
February	23,401	38,277	14,876
March	24,201	41,162	16,961
April	24,684	45,508	20,824
May	25,238	49,621	24,383
June	26,082	48,932	22,850
July	26,599	56,005	29,406
August	27,362	55,136	27,774
September	27,564	53,892	26,328
October	27,736	51,899	24,163
November	27,933	49,214	21,281
December	27,976	46,337	18,361

Relations with Commercial Banks

a. Reserve and liquidity requirements

Present reserve requirements require commercial banks to maintain deposits with the Central Bank which, on average, must be at least 5 percent of their average deposit liabilities. Throughout the year, the banks maintained balances with the Central Bank in excess of the statutory requirements. Monthly average of excess balances was \$2.6 million in 1983, compared with \$1.7 million in 1982.

The commercial banks are also required to maintain minimum holdings of approved liquid assets amounting, on average, to at least 20 percent of average deposit liabilities. Because of their increased

holdings of Treasury bills, the commercial banks remained comfortably above the minimum liquidity requirements for the whole period, although there was a clear trend toward declining excess holdings of liquid assets in the second half of the year. The monthly average of excess holdings of liquid assets by the commercial banks reached \$21.6 million in 1983, compared with \$8.0 million in 1982. The reduction in the excess holdings of liquid assets in the last part of 1983 seems to be indicative of a tendency toward tighter liquidity as loan demand resumed a more normal growth in late 1983.



Table XII / Cheque Clearings, 1983 / BZ \$000

Month	Number of Cheques Cleared
January	24,830
February	28,671
March	34,830
April	30,381
May	26,602
June	30,106
July	33,737
August	27,602
September	26,756
October	27,040
November	28,359
December	31,970

b. Clearing house operations

The clearing house agreement of October 1978 between the Monetary Authority and the commercial banks continues in operation. Cheque-clearing activity increased slightly over the previous year. Average monthly clearings increased from \$28.8 million in 1982 to \$29.2 million in 1983.

As in previous years, the amount of cheques cleared through the Central Bank peaked in July. The overall pattern, however, was less clear than in the previous year. Only three months in the first half of the year showed amounts in excess of last year's figures. As a whole, the monthly average of cheques cleared in the first half of 1983 was slightly below the monthly average for 1982. In the second half, however, monthly figures for the amount of cheques cleared in 1983 exceeded those for 1982 in four out of six months, reversing the tendency of the previous half. It is very difficult to infer trends in economic activity from the amount of cheques cleared through the Central Bank as the latter is strongly influenced by inflation rates and existing habits regarding cheque usage.

Transactions with Government

The Central Bank of Belize Act (Section 24) allows for temporary advances to the Central Government not exceeding 15 percent of the Government's estimated current revenues for the financial year.

Government's use of this facility in 1983 was continuous and high. Monthly average of end of month figures for advances to Government was \$14.3 million as compared with \$11.7 million in 1982. This means that Central Bank advances to Government were maintained close to the maximum legal amount of \$14.8 million during most of the year.

Constrained by the limits on direct advances from the Central Bank, and with the Bank's holdings of debentures remaining constant at \$2.9 million throughout the year, the Government resorted to Treasury bills as its main source of short-term financing.



In accordance with the Central Bank of Belize Act (Section 35(2)) the Bank can hold up to five times the capital and reserves of the Bank in Government securities. Throughout 1983, this maximum was comfortably maintained with Government securities never exceeding two times capital and reserves. Nevertheless, Treasury bills outstanding cannot legally exceed 15 percent of Government's estimated total revenue. Total Treasury bills outstanding at the close of 1983 were \$37.6 million as against a legally-stipulated maximum of \$29.2 million. The Central Bank was holding \$15.8 million of these Treasury bills at the end of the year, or 42 percent of total Treasury bills outstanding.

The practice of issuing Treasury bills with 91 day maturities on a simple roll-over basis seems to have undergone some changes in 1983 when additional allotments in issue numbers were made in seven months of the year. On the 30th of December, 1983, Issue No. 10 matured and the first 1984 issue was made on that same day. On December 20, 1983,

additional allotments (Issues No. 2, 3 and 4 for 1984) of \$4.6 million were taken up by the Social Security Board. Thus, at the end of 1983 Treasury bills outstanding had increased by about 98 percent over last year's figures.

The discount rate on Treasury bills underwent a continuous decline in 1983, from 11.2 percent at the beginning of the year to 9.8 percent at the end of the year.

Central Bank External Assets Ratio

By law, the Central Bank is required at all times to maintain a reserve of external assets equal to not less than 40 percent of notes and coins in circulation and its liabilities with respect to sight and time deposits (Section 25(1), Central Bank of Belize Act).

Table XIII / Central Bank Advances and Holdings of Belize Government Securities, 1983 / BZ \$000

Month	Advances	(a)	Treasury Bills	Other Securities	(b)
January	14,400	14.92	9,058	2,908	1.04
February	14,400	14.92	9,702	2,908	1.10
March	14,093	14.60	8,332	2,908	0.98
April	14,275	14.47	5,126	2,908	0.70
May	14,304	14.50	4,735	2,908	0.67
June	13,993	14.18	3,119	2,908	0.53
July	14,422	14.64	1,951	2,908	0.42
August	14,528	14.73	1,880	2,908	0.42
September	14,785	14.99	6,955	2,908	0.86
October	14,646	14.85	6,772	2,908	0.84
November	14,743	14.94	10,380	2,908	1.16
December	13,394	13.58	15,828	2,908	1.54

Note: (a) Outstanding advances as a percentage of the Government's Estimated Current Revenue. The period January through March is based on Estimated Revenue for Fiscal 1982/83 and the subsequent months on Estimated Revenue for fiscal 1983/84.

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



In 1983 (Table 15), the Bank maintained the required ratio at all times. The ratio rose to as high as 83.2 percent in July and the lowest value was 47.4 percent in December. In the first seven months of the year, foreign assets increased fairly rapidly reaching their highest level in July as a result of sugar payments and the receipt of IMF resources under the Compensatory Financing Facility; thereafter there was a sharp decline in these assets. Although demand liabilities followed this same general trend, the fall in the last five months was slower than that in external assets, hence by November the ratio was 52.0 percent. December saw a further decrease in the ratio, as foreign assets were sold to increase holdings of Government of Belize Treasury bills.

In 1982, the Central Bank maintained the required ratio between external assets and demand liabilities at all times. The ratio peaked in May of that year, falling slowly to a low of 43.9 percent in November

and recovering somewhat to close the year at 49.1 percent.

Foreign Exchange Operations

The Central Bank of Belize buys and sell certain stipulated currencies from authorized dealers at given rates and for authorized transactions. These currencies are:

- a. United States dollar
- b. Pound Sterling
- c. Canadian dollar
- d. Currencies of CARICOM member countries.

Table XIV / Government of Belize Treasury Bill Issues / BZ \$000

Issue number	Amount tendered	Amount allotted	Additional allotment	Total allotted	Average discount rate	Average yield to maturity
2/1983	5,000	5,000	—	5,000	11.18	11.50
3/1983	3,500	3,500	1,300	4,800	11.18	11.50
4/1983	13,000	13,000	—	13,000	10.70	11.00
5/1983	5,000	5,000	5,000	10,000	11.18	11.50
6/1983	4,800	4,800	3,600	8,400	10.94	11.25
7/1983	13,000	13,000	—	13,000	10.94	11.25
8/1983	8,000	8,000	2,700	10,700	10.23	10.50
9/1983	6,350	6,350	2,200	8,550	10.23	10.50
10/1983	13,000	13,000	800	13,800	9.76	10.00
11/1983	10,700	10,700	—	10,700	9.76	10.00
12/1983	8,550	8,550	—	8,550	9.76	10.00
1/1984	13,800	13,800	—	13,800	9.28	9.50
2/1984	—	—	3,075	3,075	9.76	10.00
3/1984	—	—	927	927	9.71	12.00
4/1984	—	—	578	578	9.76	10.00



Exchange Control

During 1983, net sales in United States dollars, sterling and Canadian dollars totalled \$17.0 million, as compared with \$5.5 million in 1982.

The net result of the Bank's dealings in CARICOM currencies is shown in Table 17. Net purchases were \$8.0 million in 1983 as against \$0.8 million in 1982.

Up until March these transactions were made through the CARICOM Multilateral Clearing Facility (CMCF). Thereafter transactions between Belize and the CARICOM countries were settled directly through the central banks. As a result, settlements speeded up considerably, explaining to a great extent the increase in net purchases of these currencies.

Table XV / Central Bank External Assets Ratio, 1983 / BZ \$000

Month	(A) External assets	(B) Demand liabilities ¹ /	A ÷ B (%)
January	19,344	34,079	56.76
February	21,187	35,976	58.90
March	23,126	38,069	60.75
April	31,978	43,536	73.45
May	29,589	40,244	73.52
June	34,042	42,560	79.99
July	36,490	43,882	83.15
August	31,337	39,075	80.20
September	24,580	37,229	66.02
October	23,304	35,258	66.10
November	16,689	32,077	52.03
December	17,511	36,980	47.35

¹ / Demand liabilities comprise notes and coins in circulation, including unredeemed demonetised notes and the Bank's liabilities to customers in respect of its sight and time deposits.



Table XVI / Central Bank Dealings in Foreign Exchange With Financial Institutions in Belize (Tradings in the U.S. Dollar, Canadian Dollar and Pound Sterling), 1983 / BZ \$000

Month	Purchases	Sales	Net Purchases
January	6,172	9,116	-2,944
February	7,550	5,943	1,607
March	10,703	7,491	3,212
April	14,468	5,653	8,815
May	2,751	6,333	-3,582
June	6,625	7,712	-1,087
July	9,403	9,940	-537
August	5,637	10,535	-4,898
September	2,995	9,981	-6,986
October	3,199	7,046	-3,847
November	5,850	9,091	-3,241
December	5,391	8,952	-3,561
Total	80,744	97,793	-17,049

Table XVII / Central Bank Dealings in Foreign Exchange With Financial Institutions in Belize (Trading in CARICOM Currencies), 1983 / BZ \$000

	Purchases	Sales	Net Purchases
January	707	388	319
February	732	417	315
March	353	289	64
April	225	279	-54
May	658	269	389
June	486	216	270
July	1,048	324	724
August	604	460	144
September	873	318	555
October	2,915	365	2,550
November	85	463	-378
December	3,326	202	3,124
Total	12,012	3,990	8,022

Exchange Control



Total sales of foreign exchange by authorized dealers was \$211.0 million in 1983, a 12 percent fall over 1982 figures. The decline in sales reflects, to a large extent, changes in import payments. The Mexican devaluations of 1983 resulted in a decrease of official outflows and an increase in unrecorded trade across the Mexican border. Inflows of foreign exchange through the commercial banking system were \$49.7 million; \$19.0 million less than in 1982. The decrease in foreign exchange inflows should be partly attributed to the declining performance of re-exports.

Total current account transactions amounted to \$190.0 million in 1983; in 1982 they were \$225.2 million. Except for imports, there were really no significant changes in the amounts corresponding to any particular current account transaction. Increases ranged from \$0.7 million for travel to \$0.2 million for education.

Transactions in foreign exchange on the capital account totalled \$21.4 million, an increase of \$6.8 million over 1982 figures. Of this total some 55 percent were repatriations by non-residents.

General Reserve Fund

The General Reserve Fund was established in 1981. Its purpose is to provide a source of funds for the Central Bank to meet its obligations to the Government and to the public. The fund is financed by the sale of government securities and by contributions from the Government. The fund is managed by the Central Bank and is subject to the supervision of the Board of Directors. The fund is a key element in the Central Bank's financial strategy and is used to provide liquidity to the banking system. The fund is also used to provide a source of funds for the Central Bank to meet its obligations to the Government and to the public. The fund is a key element in the Central Bank's financial strategy and is used to provide liquidity to the banking system. The fund is also used to provide a source of funds for the Central Bank to meet its obligations to the Government and to the public.

Income and Expenditure

The Central Bank's income and expenditure for 1983 are shown in the following table. The table shows that the Central Bank's income was \$190.0 million in 1983, compared with \$225.2 million in 1982. The main source of income was interest on government securities, which accounted for 45 percent of total income. Expenditure on government securities was \$150.0 million in 1983, compared with \$180.0 million in 1982. The Central Bank's net income was \$40.0 million in 1983, compared with \$45.2 million in 1982. The Central Bank's net income is used to provide a source of funds for the Central Bank to meet its obligations to the Government and to the public. The net income is also used to provide a source of funds for the Central Bank to meet its obligations to the Government and to the public.

Accounts

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

The annual statement of accounts of the Central Bank for 1983, certified by the auditor, is attached to this Report.

The net profit from the operations of the Bank during 1983 amounted to \$3,651,998 compared with \$5,089,771 in 1982. Total assets which were \$50,267,657 in 1982 decreased by 2.0 percent to \$49,260,897. Foreign assets as a proportion of total assets fell from 37.7 percent at the beginning of the year to 35.6 percent at the end of 1983.

Income and Expenditure

Net investment income during 1983 totalled \$4,773,263 (\$5,252,615 in 1982) and represented a yield of approximately 9.5 percent (12.25 in 1982) on average assets. The drop in yield was due to:

1. a decline in interest rates abroad, particularly during the first half of 1983 when overnight rates in the United States fell from an average of 9.2 percent during December 1982 to an average of 8.5 percent during May 1983; and
2. a change in the makeup of the investment portfolio of the bank resulting in the Bank holding as low as \$1.9 million in Government of Belize Treasury Bills at the

end of August 1983 (\$16.7 million at the end of December 1982). The average yield on Treasury Bills issued during the period January 1983 to August 1983 ranged 11.5 percent and 10.5 percent. Average asset holdings was \$50,145,000 compared with \$42,867,000 in 1982.

Total operating expenses, including the cost of printing currency notes and minting coins was \$1,500,548 (\$880,444 in 1982), representing 27.3 percent (14.0 percent in 1982) of total income. Excluding the cost of printing notes and minting coins, other operating expenses represented 16.5 percent of total income compared with 11.0 percent in 1982.

General Reserve Fund

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

The General Reserve Fund now has a balance of \$2,208,571, reflecting an increase of \$730,400 or the legally-required twenty percent of the net profit for the year 1983.

Administration



The Board of Directors

The Board of Directors of the Central Bank of Belize during 1983 consisted of:

H.E.C. Cain Esq., OBE, Governor and Chairman

R.C. Swift Esq., Deputy Governor and Ministry of Finance Representative

D.B. Courtenay Esq.

H. Escalante Esq.

E.G.N. Gegg Esq., OBE, JP

With effect from 1st November, 1983, with the posting of Mr. Cain as Belize's Ambassador to the United States of America, Mr. Swift was appointed as Governor of the Bank and Chairman of the Board of Directors. All other Directors were re-appointed to serve for a period of two years.

The Board held eleven meetings during the year.

Staff

The principal officers of the Central Bank at the end of 1983 were:

R.C. Swift, Governor

F.J. Garbutt, Operations Manager

C.E. Reyes, Secretary to the Board and Head of Administration

C.N. Barnett, Ag. Foreign Exchange Controller

On secondment from the IMF were Mr. H. Premaratne, Advisor on Bank Supervision and Dr. D.R. Khatkhate, Advisor on Research and Exchange Control.

Total staff employed by the Central Bank was 43 at the end of 1983 (31 at the end of 1982) of which three were on secondment from the Government service.

The Bank lost the services of Research Director, Dorla Humes, toward the end of 1983. Also, at the end of 1983, the Bank Supervision Department was in the process of being structured and staffed.

Overseas Visits

In May 1983 Governor Cain visited Boston, Massachusetts to attend the XX Meeting of Governors of Central Banks of the American Continent and the XXXVI Meeting of Governors of Central Banks of Latin America and Spain. This meeting was sponsored by the Board of Governors of the Federal Reserve system.

Also in May, Governor Cain attended the XIII Annual General Meeting of the Caribbean Development Bank held in Cartagena, Columbia.

In June, Governor Cain participated in the Annual Meeting of Commonwealth Central Bank Governors, which was hosted by the Bank of England, after which he travelled to Basle, Switzerland to attend the Annual General Meeting of the Bank for International Settlements.

In September, Governor Cain attended the Annual Meeting of the International Monetary Fund (IMF) and World Bank which were held in Washington, D.C. Earlier on that month he travelled to Caracas, Venezuela for the Annual Meeting of the Assembly of the Centro de Estudios Monetarios de Latino America (CEMLA) of which the Central Bank of Belize is an associate member.

Governor Cain also attended three meetings of the Board of Governors of the Caricom Multilateral Clearing Facility (CMCF) held in Barbados, St. Kitts, and again in Barbados in February, April and June, respectively. Deputy Governor Swift attended a fourth meeting of the Governors which was held in Jamaica in October.

Frank Garbutt accompanied Governor Cain on his visits to Boston and to the CMCF meetings. In addition, he and Dorla Humes attended a special Meeting of Caricom Central Bank Technicians held in Barbados in January to discuss economic problems in the region. This meeting, which was coordinated by the Caricom Secretariat, was intended to draft proposals to be presented to the Standing Committee of Finance Ministers, meeting in Barbados in June. Mr. Garbutt also attended this session as a member of the Belize delegation.

In November, Carla Barnett attended the XX Meeting of Technicians of Latin American and Caribbean Central Banks sponsored by CEMLA and hosted by the Central Bank of Bolivia in La Paz. She presented



a paper entitled "The Impact of the Mexican Devaluation on Belize." In August, Ms. Barnett also attended an IMF-sponsored seminar on Monetary Policy in Barbados. In April, Dorla Humes took part in another IMF seminar on the Role of the Fund held in Washington D.C.

Cecile Reyes travelled in July for one-week observation tours of administrative structures at the Bank of Jamaica and the Central Bank of Bahamas, respectively.

Maydia Luben, Research Officer, was the Bank's delegate to the Fifteenth Annual Conference of the Regional Program of Monetary Studies held in Barbados in October. She presented a paper entitled "The Financial System in Belize: 1965—1982."

Training

Continuing its policy of training staff members, the Bank in 1983 granted a scholarship to Barbara Locke,

Currency Supervisor, to pursue a degree course in Business Management at Biscayne College in Miami, Florida. This brings to three the number of scholarship holders out at the end of 1983.

Luisa Marin, Banking Supervisor, attended a summer course in Banking and Financial Management at the City University Business School in London, England in July. Allison Gillett, Bank Examiner/Analyst attended the second course for Bank Inspectors of the English-speaking Caribbean held in Kingston, Jamaica in October.

Maydia Luben, who was awarded a scholarship from the Central Bank, has returned to take up a post as Research Officer after completing a first degree course in Economics at the University of West Indies.



Table XVIII / Sales of Foreign Exchange by Authorized Dealers / 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	38,668	—	34,056	—	39,968	—	44,402	—	157,094	—
Freight charges	554	—	563	—	750	—	856	—	2,723	—
Port disbursements	147	—	106	—	130	—	36	—	419	—
Travel	1,086	423	1,137	356	2,253	337	1,345	270	5,821	1,396
Business	(255)	(30)	(199)	(26)	(316)	(18)	(333)	(20)	(1,103)	(94)
Redical	(63)	(1)	(40)	(1)	(99)	(4)	(51)	(14)	(253)	(20)
Vacation	(250)	(51)	(297)	(48)	(743)	(59)	(346)	(72)	(1,636)	(230)
Other	(518)	(341)	(601)	(281)	(1,095)	(256)	(615)	(164)	(2,829)	(1,042)
Travel fares	676	—	793	—	1,651	—	1,309	—	4,429	—
Family maintenance	220	135	213	106	285	93	253	110	971	444
Education	446	—	240	—	658	—	377	—	1,721	—
Medical bills	296	—	274	—	333	—	259	—	1,162	—
Head office expenses	57	—	130	—	461	—	235	—	883	—
Management fees	2	—	5	—	39	—	92	—	138	—
Professional services	523	—	410	—	488	—	448	—	1,869	—
Insurance / reinsurance	981	—	1,237	—	1,287	—	1,138	—	4,643	—
Royalty payments	50	—	44	—	56	—	40	—	190	—
Commissions	48	—	68	—	79	—	48	—	243	—
Profits	671	—	289	—	418	—	415	—	1,793	—
Interest payments	499	—	529	—	859	—	223	—	2,110	—
Subscriptions	100	—	43	—	68	—	85	—	296	—
Sundries	88	—	63	—	115	—	72	—	339	—
Other current account	117	11	135	9	402	81	544	14	1,198	115
Total current account	45,229	569	40,335	471	50,301	511	52,177	394	188,042	1,945
Emigration	738	—	795	—	796	—	725	—	3,054	—
Dividends	3	—	16	—	550	—	233	—	802	—
Repatriation of funds	—	2,821	—	2,571	—	2,655	—	3,677	—	11,724
Loan Payments	2,032	—	455	—	1,753	—	869	—	5,109	—
Private sector	(2,015)	(—)	(291)	(—)	(465)	(—)	(550)	(—)	(3,321)	(—)
Public sector	(17)	(—)	(164)	(—)	(1,288)	(—)	(319)	(—)	(1,788)	(—)
Gifts	21	—	28	—	18	—	48	—	115	—
Investments	—	—	10	—	—	—	—	—	10	—
Other capital account	43	—	20	—	383	—	118	—	964	—
Total capital account	2,837	2,821	1,324	2,571	3,500	2,655	1,993	3,677	9,654	11,724
Total	48,066	3,390	41,659	3,042	53,801	3,166	54,170	4,071	197,696	13,669
Grand Total	51,456		44,701		56,967		58,241		211,365	

Auditors' Report and Financial Statements

	Page
Auditors' report	1
Balance sheet	2 - 3
Statement of operations	4
Notes to financial statements	5 - 8

SJP Ermeav Sr

Chartered accountant

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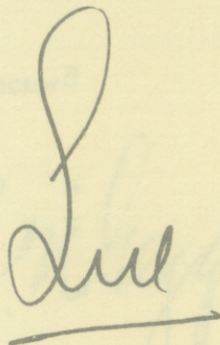
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in association with
Coopers & Lybrand (International)

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

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

In our opinion the financial statements give a true and fair view of the state of affairs of the Bank at 31 December 1983 and of the results of its operations for the year then ended.



S.J.P. Ermeav Sr
Chartered Accountant

**Central Bank of Belize
Balance Sheet
December 31, 1983**

	Note	1983 \$	1982 \$
Assets			
Approved External Assets			
Balances and deposits with foreign bankers and the Crown Agents maturing within 180 days	3	7,894,306	8,004,452
Reserve Tranche and balances with the International Monetary Fund	4	4,002,293	2,913,534
Marketable securities issued or guaranteed by foreign governments and international financial institutions		1,787,547	1,987,689
Other foreign credit instruments maturing within 180 days		3,799,998	5,999,996
Accrued interest and cash intransit		<u>149,689</u>	<u>135,679</u>
		17,633,833	19,041,350
Deferred Income			
Unrealized gain from appreciation in value of external assets	2(d)	<u>(86,237)</u>	<u>(76,868)</u>
		17,547,596	18,964,482
Caricom Multilateral Clearing Facility		1,009,231	745,138
Advances to Belize Government		10,472,382	10,187,205
Belize Government Debentures, at cost		2,908,025	2,908,025
Belize Government Treasury Bills	5	15,827,723	16,682,799
Balances with Local Bankers and Cash on hand		12,098	17,822
Others Assets	6	1,006,043	359,984
Fixed Assets	7	<u>477,799</u>	<u>402,202</u>
Total Assets		<u><u>49,260,897</u></u>	<u><u>50,267,657</u></u>

The notes on pages 5 to 8 form an integral part of the financial statements.

Central Bank of Belize
Balance Sheet
December 31, 1983 / (continued)

	Note	1983 \$	1982 \$
Liabilities, Capital and Reserves			
Demand Liabilities			
Notes and coins in circulation		25,351,921	24,452,029
Deposits by licensed financial institutions	8	9,596,831	12,672,702
Deposits by Public Sector			
Entities in Belize		38,824	25,000
Unredeemed demonetized issue	9	1,035,331	1,053,375
Deposits by international agencies	10	950,207	383,830
		<u>36,973,114</u>	<u>38,586,936</u>
Balances due to Caricom Central Banks		7,284	—
Other Liabilities		<u>71,928</u>	<u>202,550</u>
Total Liabilities		<u>37,052,326</u>	<u>38,789,486</u>
Capital Account			
Paid up Capital			
(Authorized Capital \$10,000,000)	11	10,000,000	10,000,000
General Reserve Fund	12	<u>2,208,571</u>	<u>1,478,171</u>
Total Liabilities and Capital		<u><u>49,260,897</u></u>	<u><u>50,267,657</u></u>

Governor

Director

Manager Operations

M. C. Swift *G. M. ...* *[Signature]*

**Central Bank of Belize
Statement of Operations
Year ended December 31, 1983**

	Note	1983 \$	1982 \$
Income			
Net interest on investments		2,264,266	2,085,555
Discounts and other investment income		2,508,997	3,167,060
Net realized gains from appreciation in market value of securities		36,440	311,894
Commissions and other income		<u>688,444</u>	<u>715,762</u>
Total Income		<u>5,498,147</u>	<u>6,280,271</u>
Expenditure			
Printing of notes and minting of coins		591,356	163,191
Salaries and wages, including supper- annuation contributions, and gratuities		454,240	382,302
Other expenses, including depreciation		<u>454,952</u>	<u>334,951</u>
Total expenditure		<u>1,500,548</u>	<u>880,444</u>
		3,997,599	5,399,827
Transfer to cover the loss on Revaluation Account in accordance with Section 49 of the Act	2(c)	<u>345,601</u>	<u>310,056</u>
Net Profit		3,651,998	5,089,771
Transfer to General Reserve Fund in accordance with Section 9(1) of the Act		<u>730,400</u>	<u>1,017,954</u>
Balance credited to the Accountant General for the Consolidated Revenue Fund		<u><u>2,921,598</u></u>	<u><u>4,071,817</u></u>

The notes on pages 5 to 8 form an integral part of the financial statements.

Central Bank of Belize
Notes to Financial Statements
December 31, 1983

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

2 Accounting Policies

a. Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Depreciation is based on the anticipated useful life of the asset using the straight line method.

b. Notes and coins in circulation

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

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

c. Foreign currency translation and exchange gains and losses

Foreign currency balances at 31 December 1983 are translated at the rates of exchange ruling at that date. Income and expenses in foreign currencies are translated at the rate of exchange ruling on the transaction date.

In accordance with Section 49 of the Act, gains and losses arising from changes in foreign exchange rates are excluded from the computation of net profit and carried to a Revaluation Account, with the proviso that if the Revaluation Account shows a net loss for the year, profits are credited to the Revaluation Account in an amount sufficient to cover the loss.

d. Valuation of securities

Securities are stated at market value.

Unrealised losses arising from changes in the market value of securities are charged against income whilst unrealised gains are deferred. Realised gains and losses are included in income.

e. Accrued interest and cash in transit

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

f. Printing and minting expenses

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

Central Bank of Belize
Notes to Financial Statements
December 31, 1983

3 Approved External Assets

Assets included under this heading are as defined by Section 25(3) of the Act.

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

At 31 December 1983, total approved external assets approximated 47.69 per cent (1982 — 49.15) of such liabilities.

4 International Monetary Fund

The Government of Belize became a member of the International Monetary Fund in 1982 with a subscription of SDR 7,200,000 of which SDR 1,320,600 was paid in foreign currency (the Reserve Tranche) and the remainder in Belize dollars made up of currency and non-interest bearing promissory notes. In 1982, the Reserve Tranche was purchased by the Central Bank from the Government of Belize. At 31 December 1983 the Bank's subscription to the International Monetary Fund increased to SDR 9,500,000, and the Reserve Tranche amounted to SDR 1,895,600. The Tranche which earns interest is included in Approved External Assets in the financial statements.

5 Belize Government Treasury Bills

Section 35(2) of the Act stipulates that the Bank shall not at any time hold Belize Government Treasury Bills or Securities in an aggregate amount exceeding 5 times the aggregate amount at that time of the paid up capital and general reserves of the Bank. At 31 December 1983 the Bank's aggregate holding of Belize Government Treasury Bills and Securities approximated 1.53 times (1982 — 1.71 times) the amount of paid up capital and general reserves of the Bank.

	1983	1982
	\$	\$
6 Other Assets		
Note receivable	750,000	
Accrued interest and cash intransit	85,901	292,207
Other	<u>170,142</u>	<u>67,777</u>
	<u>1,006,043</u>	<u>359,984</u>

Central Bank of Belize
Notes to Financial Statements
December 31, 1983

	1983 \$	1982 \$
7 Fixed Assets		
Building and premises	304,982	240,349
Building improvements	40,400	24,320
Furniture	52,824	35,346
Equipment	157,205	127,675
Vehicle	<u>21,438</u>	<u>21,438</u>
	576,849	449,128
Less: accumulated depreciation	<u>99,050</u>	<u>46,926</u>
	<u><u>477,799</u></u>	<u><u>402,202</u></u>

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

8 Deposits by Licensed Financial Institutions

The total under this heading consists of balances maintained with the Bank by licensed financial institutions each of which under the provisions of Section 17 of the Banking Ordinance 1976 is required to keep on deposit an amount equivalent to at least 5% of its average deposit liabilities. Interest is not paid on these deposits.

9 Unredeemed Demonetised Issue

With effect from 1 January 1981 currency notes which had been issued by the Belize Commissioners of Currency ceased to be legal tender in Belize. At 31 December 1983, notes amounting to \$1,035,331, which the Bank is obliged to redeem at face value, had not yet been surrendered for redemption.

10 Deposits by International Agencies

The Central Bank of Belize is designated the fiscal agency for Belize and included in \$950,207 shown under this heading is an amount of \$57,867 deposited in Belize currency by the International Monetary Fund. The balance represents deposits by the Commission for European Communities and The World Bank.

11 Capital Account

The paid up capital is made up as follows:

	1983 \$	1982 \$
At 1 January	10,000,000	4,000,000
Transfer from General Reserve Account in accordance with Section 8(2) of the Act		4,500,000
Transfer from Building Fund		<u>1,500,000</u>
At 31 December	<u><u>10,000,000</u></u>	<u><u>10,000,000</u></u>

Central Bank of Belize
Notes to Financial Statements
December 31, 1983

12 General Reserve Fund

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

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

	1983	1982
	\$	\$
At 1 January	1,478,171	4,960,217
Transfer to paid up capital of the Bank in accordance with Section 8(2) of the Act	<u>—</u>	<u>4,500,000</u>
	1,478,171	460,217
Transfer from net profit in accordance with Section 9(1) of the Act	<u>730,400</u>	<u>1,017,954</u>
At 31 December	<u><u>2,208,571</u></u>	<u><u>1,478,171</u></u>
	1983	1982
	\$	\$

13 Contingent Liabilities

Letters of credit in favor of Government of Belize

	<u>53,742</u>	<u>68,204</u>
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