

CENTRAL BANK OF BELIZE



Third Annual Report and Accounts 1984

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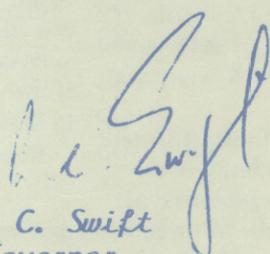
25th April, 1985

*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 1984, together with a copy of the annual statement of accounts of The Central Bank certified by the auditors.

Yours faithfully,


*R. C. Swift
Governor*



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Economic Review



I Overview

The prospects for the world economy now appear somewhat brighter than at end 1983. The rate of growth in several of the major industrialised and developing countries has increased and the recovery seems set to continue at a moderate pace. In the major industrial countries real GNP is estimated to have grown by between 4 and 5 percent in 1984. The continuing growth of world trade has benefited the smaller industrial and non-oil developing countries. The oil exporting countries, adversely affected by weak oil prices, have so far failed to share in the recovery, however. World commodity prices showed only a modest increase in 1984 and, with unit labour costs showing little real growth, world inflation continues to be contained.

Robust growth in the United States, together with a persistently strong US dollar, continues to swell the US current account deficit, which more than doubled to US\$100 billion in 1984. The widening trade gap in the US has been reflected in strong export performance in the major developed economies, with Japan, West Germany and Canada experiencing particularly marked export growth. The expanding US budget deficit has helped maintain real world interest rates at high levels, though nominal rates in the US fell slightly in 1984. High dollar interest rates have raised the cost of borrowed funds for developing countries and may have offset in part the benefits of expanding export markets.

In the domestic economy real GDP grew by 1.3 percent in 1984. The rate of increase in consumer prices at 5.9 percent was in line with rates experienced in the major industrialised countries. The growth of real output was unevenly spread with the manufacturing and construction sectors showing particularly strong growth, while output in the primary sector, which consists mainly of agriculture, forestry and fishing, fell by 3.4 percent.

The performance of particular commodities was mixed. Output of sugar, at 103,148 long tons, was 9.7 percent less than the 114,278 long tons produced in 1983. This was reflected in a fall in sugar export receipts from \$68.3 million in 1983 to \$65.0 million in 1984. This was despite a small improvement in average sugar export prices.

The fall in sugar export receipts was offset by a 58 percent increase in citrus production to 1.5 million boxes stimulated by increased demand and higher prices occasioned by the Florida frosts and duty free access to the US under the Caribbean Basin Initiative. The other industry which showed particularly strong growth in 1984 was garments, which increased production from 0.8 million garments in 1983 to 2.0 million garments in 1984.

The growth in real output, and an improvement of 6.0 percent in Belize's terms of trade with the rest of the world, was reflected in a slight narrowing of the visible trade deficit to \$69.8 million in 1984. This deficit was offset in part by a substantial surplus on invisible trade, the current account of the balance of payments posting a deficit of \$15.0 million. The capital account of the balance of payments recorded a slight surplus of \$0.2 million due to lower than expected levels of capital inflows. The net international reserves of the Central Bank fell \$14.4 million to negative \$4.3 million.

Preliminary estimates for fiscal year 1984/1985 indicate that the Central Government ran a deficit of \$20.6 million on its overall operations. This deficit was financed entirely by Central Bank credit. Commercial bank credit to the public sector fell by approximately \$11.0 million or 24 percent in 1984. Credit demand in the private sector remains strong, total private sector credit increasing from \$121 million in 1983 to \$137 million in 1984. In January 1984 the prime rate was reduced from 14 percent to 12 percent. However, the excess demand for bank credit, the wide interest rate spread earned by the banks, and higher interest rates on international markets, suggest that higher rates may be justified. At time of writing, the prime rate had been raised back (January, 1985) to 14 percent together with a general 3 percentage point increase in deposit rates.

Against the background of deteriorating international reserves and continuing high public sector deficits, the Government adopted a financial adjustment program in support of which it entered into a stand-by arrangement with the International Monetary Fund in the amount of SDR 7.125 million in December 1984. This program aims at strengthening the finances of the public sector and restoring the balance of payments to a sustainable position.



II International Developments

The world economy continued to expand in 1984 without any significant increase in the pace of inflation. Although high real interest rates may have had a dampening effect on economic activity, the associated strong growth of the US economy has led to exceptionally rapid world trade growth. This has led to a further widening of world payments imbalances on current account.

The economic recovery was sustained in 1984 if somewhat unevenly spread. Real GNP in the major industrialised countries is estimated to have grown by 4 to 5 percent in 1984. Strong growth in the industrial countries has benefited the rest of the world. Exports of the non-oil developing countries are estimated to have grown by about 8.0 percent in 1984. The OPEC countries, unfavourably affected by the still subdued demand for oil, have been slower to emerge from recession. Encouragingly, higher growth has not been associated with a resurgence of inflation. Consumer prices in the industrialised countries rose on average at an annual rate of 4.3 percent in 1984. With the exception of the US, growth has not been accompanied by significant falls in unemployment.

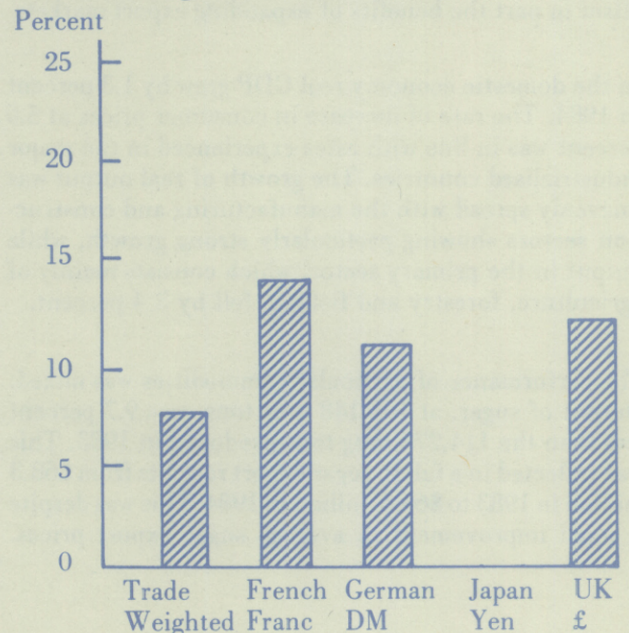
The expansion of world output has been dominated by the strong growth of the U.S. economy. The rate of increase of real GNP in the US rose from 3.6 percent in 1983 to 5.6 percent in 1984. Real growth rates have diverged significantly in the industrialised countries and this emphasises the fragile nature of the recovery. Japan and Canada have experienced strong output growth: in the first three quarters of the year, real industrial production was 8.4 and 4.2 percent higher, respectively, than in the same time interval in 1983. On the other hand, real output fell by 5.0 percent in the UK and by 5.6 percent in France during this period. The fall in industrial production in the UK is more than can be explained by the effects of the miners' action and the recovery there now seems more hesitant. In West Germany, real industrial output in the nine months to September 1984 was little changed from its 1983 level. After two years of contraction the Mexican economy

expanded by 3.5 percent in 1984 (price inflation fell from 80% in 1983 to 60% in 1984).

The rapid expansion of the North American market, and the competitive advantage given by the appreciation of the US dollar against the currencies of its major trading partners, has led to striking surges in the exports of the other major economies to the US. Japan's trade surplus with the US expanded to \$73.6 billion in 1984 from \$43.4 billion in 1983; Canada's trade surplus with the US increased from \$28.6 billion in 1983 to \$40.8 billion in 1984; while that of West Germany increased from \$9.0 billion to \$17.4 billion. The UK experienced a 23 percent growth of exports to the US. Increased exports to the US also contributed to the recovery of the Mexican economy. The Mexican trade deficit with the US contracted from \$15.4 billion in 1983 to \$12.0 billion in 1984.

This trading pattern is reflected in major imbalance in the current account position of the principal trading nations. The US merchandise trade deficit widened to US\$107.6 billion in 1984 compared with US\$61.1 billion in 1983. In contrast, Japan recorded a visible trade surplus of \$70 billion in 1984, while West Germany and Canada recorded trade surpluses of \$29.7 billion and

Chart A / US Dollar's Percentage Rise Against Major Currencies, 1984 Compared with 1983¹



¹Period Average.



\$23.0 billion, respectively, in the first three quarters of 1984. The UK trade balance, on the other hand, deteriorated from \$2.9 billion in 1983 to \$11.0 billion in 1984. A substantial part of this fall, however, is attributed to the miners' strike, which pushed up imports of oil and coal.

The continued growth of the US economy and its ability to continue financing the Federal deficit, which reached US\$223 billion in fiscal 1984, depends crucially on whether or not the very large US payment imbalances can be sustained. The US current account deficit soared from US\$10.0 billion in 1982 to US\$100 billion in 1984. The huge deterioration in the US current account has so far been financed not by an inflow of foreign capital to the US, but by a reduction in US investment abroad. Recorded foreign inflows into the US have slowed from US\$113 billion in 1982 to US\$93 billion in 1983 and to an annual rate of US\$83 billion in the first 9 months of 1984. In the same period US investment and lending abroad collapsed from US\$121 billion in 1982 to US\$5 billion in the first nine months of 1984. This is despite the increased overseas investment opportunities afforded by the strong dollar. Should foreign investors increase withdrawals of dollar assets the dollar exchange rate may fall rapidly with adverse implications for the inflation rate (and interest rates) and growth.

The moderation of inflation in the industrial countries was reflected in an improvement of the terms of trade

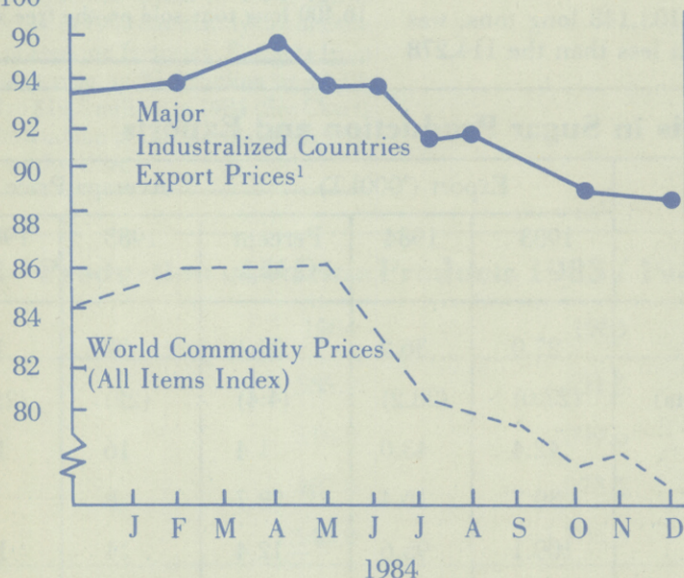
of the developing countries in 1984 compared with 1983. World commodity prices increased on average by 2.5 percent. This compares with a 2.7 percent fall in the export prices of industrialised countries in the same interval. The improvement in relative prices, however, was experienced in the first half of 1984 and, in the last six months of the year, the earlier gains were eroded somewhat by a rapid decline in commodity prices (in particular of foodstuffs and metals) which more than offset further declines in the prices of industrial country exports.

The free market price of sugar fell to an average of US4.22 cents a lb. in the second half of 1984 compared with US9.37 cents in the second half of 1983. The price of sugar on the preferential EEC market fell 10.0 percent to US15.42 cents a lb. and the US quota price fell by 1.2 percent to US21.75 cents. World stocks of sugar increased as a percentage of world consumption to 42 percent.

In the citrus market three damaging frosts in the last 5 years have so reduced the Florida groves that orange production in Florida has fallen by 44 percent in this period to 116.7 million 40 pound boxes in the last crop year. Although Brazil has compensated for recent Florida crop losses by stepping up shipments of concentrates to the US, it is uncertain whether it has the capacity to export sufficient quantities to fill the present supply shortfall.

Chart B / World Commodity Prices

Index 1980 = 100



¹Trade weighted average of export prices of USA, UK, Japan, Canada, West Germany and France.



III Domestic Developments

Production:

Real GDP (at factor cost) is estimated to have grown by 1.3 percent in 1984 compared with 0.7 percent in 1983. The strongest increases were in the manufacturing and construction sectors which grew by 7.5 percent and 9.0 percent, respectively, in real terms. The services sector also made a positive contribution to real GDP growth, expanding by 1.4 percent during 1984. On the other hand, real output in the primary sector fell by 3.4 percent in 1984 with agriculture and fishing showing the sharpest declines.

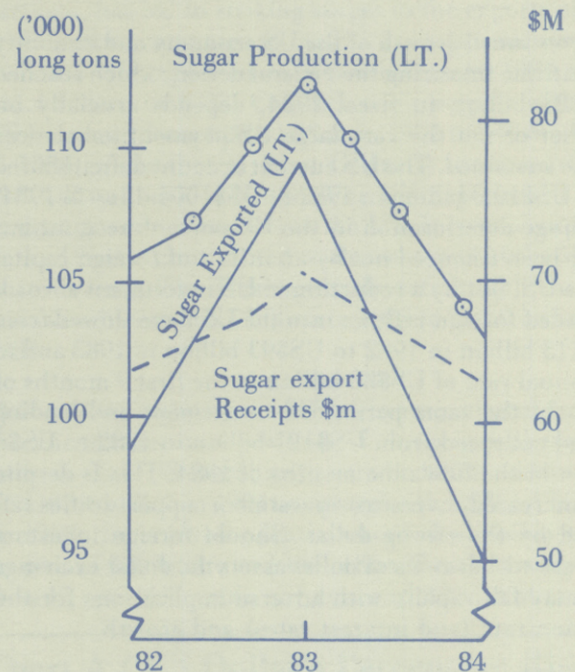
The overall growth of industrial production masks an uneven performance for particular commodities. The outturn for the main commodities is discussed below.

Sugar:

Sugar production for 1984 at 103,148 long tons, was 11,130 long tons or 9.7 percent less than the 114,278

long tons produced in 1983. Domestic household use amounted to about 5000 tons while industrial use was 1000 tons.

Chart C



Sugar export in 1984 was 95,576 long tons. This is 13,534 long tons, or 12.4 percent less than the 109,110 long tons exported during 1983 (chart). Of total exports in 1984, 36,181 long tons were exported to the USA, 42,995 long tons to the EEC and 16,400 long tons sold on the free world market.

Table 1 / Trends in Sugar Production and Exports

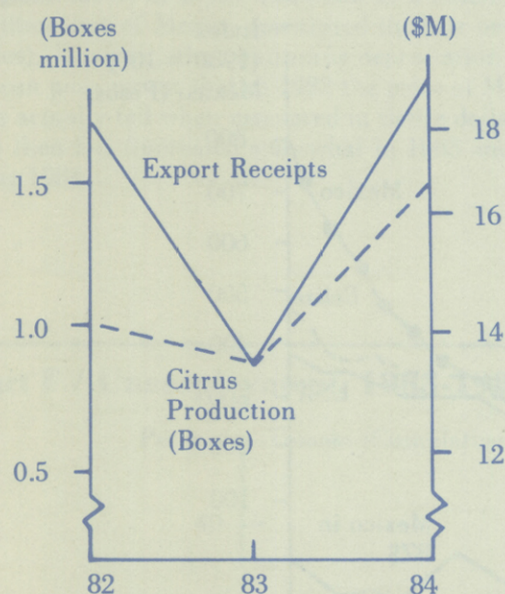
Export Market	Export ('000LT)			Average Price (US¢ per lb.)		
	1983	1984	Percent Change	1983	1984	Percent Change
U.S.A.	27.0	36.2	34.1	22	18	-18.2
(Of which U.S. Quota)	(27.0)	(28.2)	(4.4)	(22)	(22)	—
E.E.C.	42.4	43.0	1.4	16	15	-6.2
Rest of World	39.7	16.4	-58.7	8	8	—
Total Exports	109.1	95.6	-12.4	14	15	7.1



The average unit price of exported sugar increased from US¢14 a lb. in 1983 to US¢15 a lb. in 1984. Total export receipts were \$65 million; this was \$3.3 million, or 4.8 percent less than in 1983. A smaller percentage reduction in export receipts than in export volume reflects increased exports under the US preferential quota (Table 1).

Citrus:

Chart D



Citrus Production rose by 540,000 boxes or 58.2% from 928,000 boxes in 1983 to 1,468,000 boxes in 1984. Citrus production was abnormally low in 1983 due mainly to a dispute between the growers and processing factories. Receipts from export of citrus concentrates rose by \$5.8 million or 42.3% from \$13.7 million in 1983 to \$19.5 million in 1984 (See Chart) Canker disease and frost destruction of the Florida citrus crop increased import demand in the USA.

Marine Production:

Between 1983 and 1984 output of marine products for export decreased by 9.2 percent from 1.7 million pounds to 1.5 million pounds. Revenue contracted over the same period by \$2.2 million or 15 percent from \$14.0 million to \$11.8 million.

The production of lobster, the largest component of fish exports, declined over the year by 66,500 pounds or 10.5 percent to 565,000 pounds. The decrease in lobster production and exports was due mainly to a fall in export demand (Table 2).

Export of conch, on the other hand, increased sharply by 116,400 pounds from 399,600 pounds in 1983 to 516,000 pounds in 1984. The increase was due mainly to increased demand in Belize's export markets which was partly stimulated by a \$0.25 fall in the average export price of conch to \$4.00 per pound. There was a sharp reduction in exports of other fish over the year by 206,500 pounds to 467,000 pounds.

Garments:

Garment products showed a dramatic increase of 1.2 million garments from 0.8 million in 1983 to 2.0 million garments in 1984. Receipts from exports of garments over the same period expanded by \$12.8 million from \$16.8 million in 1983 to \$29.6 million in 1984.

Table 2 / Production of Marine Products 1983 / 1984 ('000 LBS)

	1984	1983	Change
Lobster	565.0	631.5	-66.5
Conch	516.0	399.6	116.4
Other	467.0	673.5	-206.5
Total	1,548.0	1,704.6	-156.6



Prices:

Consumer prices rose by 5.6 percent over the year. This was despite the appreciation of the Belize dollar against European currencies and the Mexican Peso which has tended to make imports to Belize from these countries less expensive.

The C.P.I. for Belize showed an increase of 5.6% over the year to the fourth quarter of 1984. Food prices contributed 1.6 percentage points to the change in the overall CPI. A substantial increase in the apparel price index contributed 1.5 percentage points to the growth in the consumer prices. The price of miscellaneous services also increased sharply, accounting for 2.5 percentage points of the rise in the CPI. The price of house-hold goods showed no significant change.

Chart E / Consumer Prices

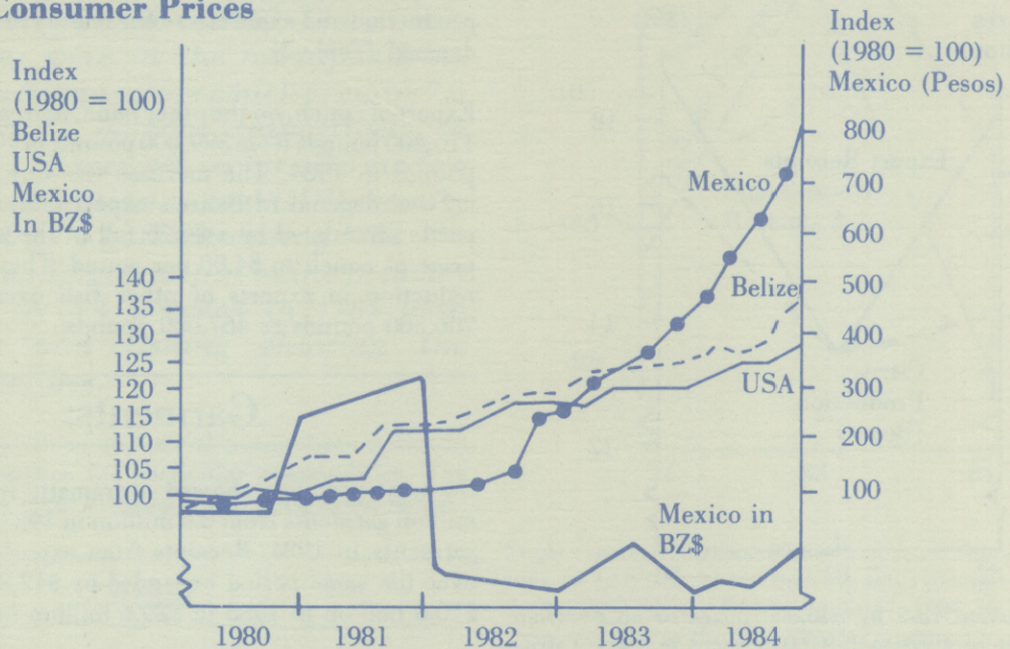


Table 3 / Belize Consumer Price Index (CPI)

	Weight	1983 Q4	1984 Q4	Percent Change	Contribution to Change In All Items Index (Percentage Points)
All Items	1.0	136.9	144.6	5.6	5.6
Food	0.43	126.6	131.4	3.8	1.6
Apparel	0.13	139.6	155.8	11.6	1.5
House-hold	0.19	143.4	142.6	-0.6	-0.1
Miscellaneous Services	0.25	148.3	163.1	10.0	2.5

Source: Central Statistics Office.



The increase in inflation in Belize over the year is explained partly by a rapid increase in demand financed by credit expansion. This inflationary impact has been offset in part by lower prices for imported consumer and capital goods due to the appreciation of the Belize dollar against the currencies of its non-US dollar trading partners and Mexico. The movement in the Belize C.P.I. has tended to follow closely movements of that of the U.S.A. However, in 1984 consumer prices in Belize fell slightly at first then rose rapidly. Consumer prices in the U.S.A. increased at a fairly steady rate. On the other hand, the C.P.I. of Belize has risen at a much slower rate than that of Mexico (measured in their own currencies). However, the continuing depreciation of the Mexican peso meant that in 1982 the price of Mexican goods actually fell when measured in Belize dollars and since then has fluctuated somewhat in 1983 and risen during 1984.

Employment:

This section looks at some preliminary results of a survey of the labour force completed January 1984 with technical assistance from the International Labour Organization (ILO) and published August 1984, and compares these results with information on employment and unemployment taken from the 1980 Census of Belize.*

The total labour force of Belize during 1983-84 was estimated to be 47,325 with males comprising 31,965 and females 15,360. This is an increase in the total labour

*Belize Labour Force Survey 1983-84: Preliminary report, CSO, May, 1984.

Chart F / Unemployment, 1983-1984

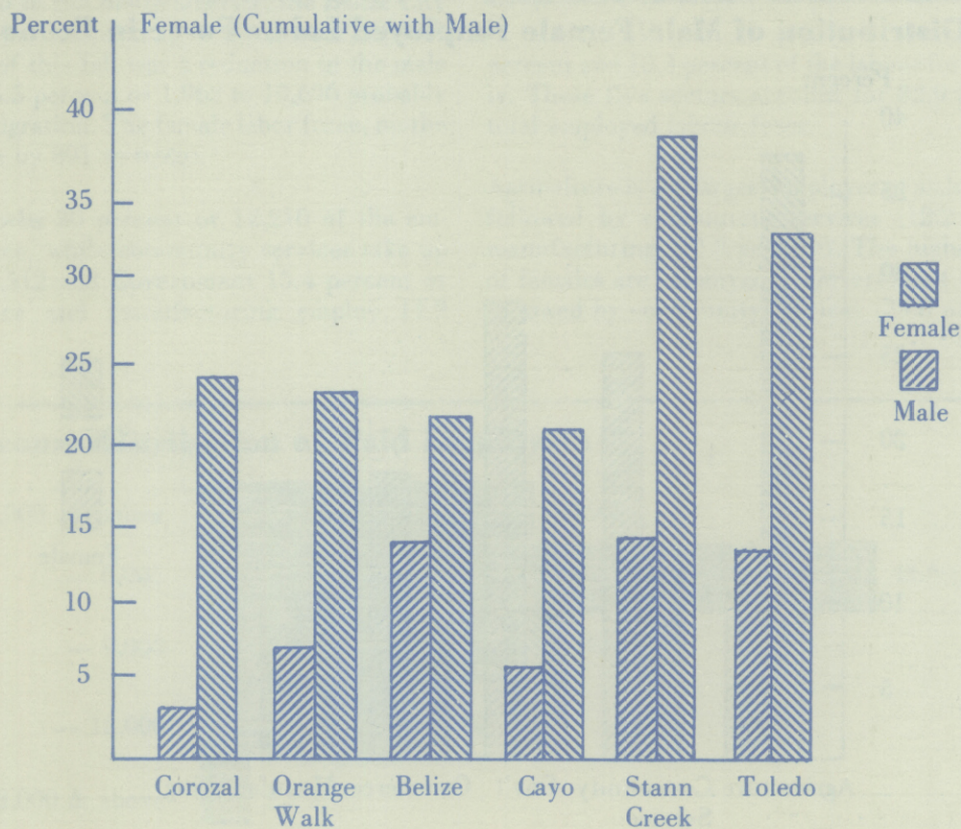




Chart G / Total Labor Force 1983-84

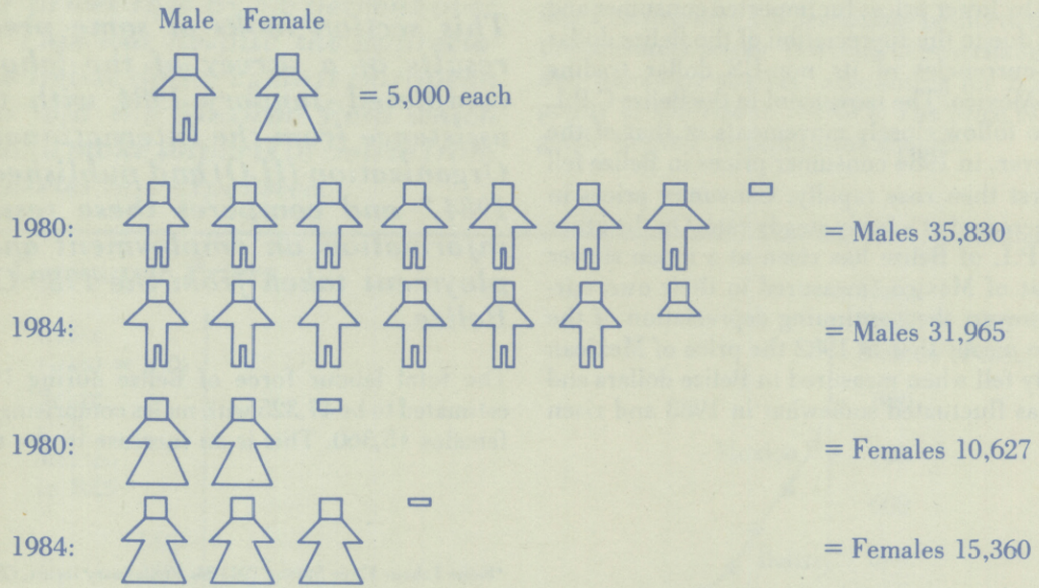
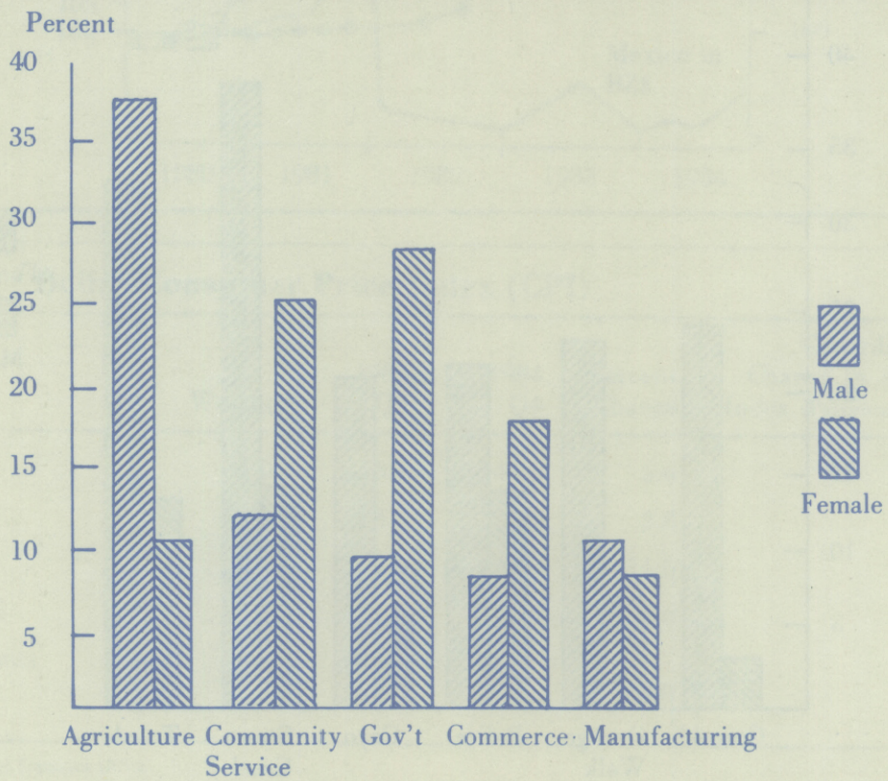


Chart H / Distribution of Male/Female Employed Labor Force in Economy





force of 1.9 percent or 868 compared with the 1980 census. The male labour force between 1980 and 1984 fell by 10.8 percent or 3,865. This may be due largely to an increase in migration abroad. On the other hand, the female labour force expanded over the same period, by 44.5 percent or 4,733 most likely due to an increase in the female participation rate in the economy.

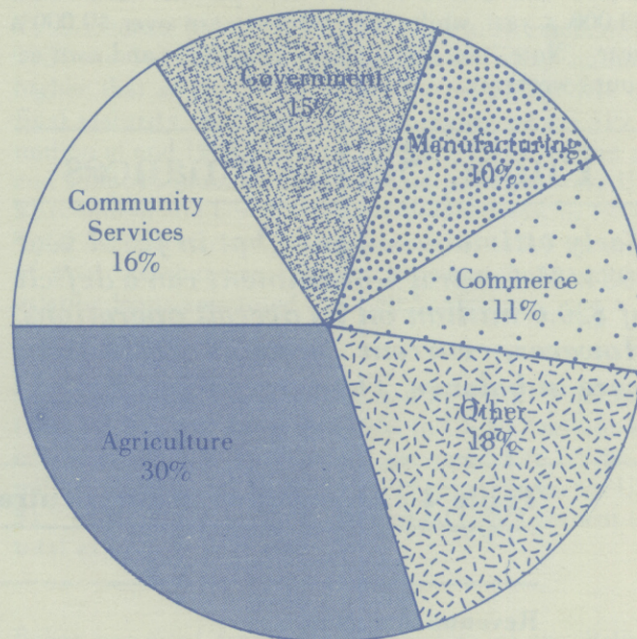
The total employed labour force in Belize stood at 40,700. Of this total, 71.4 percent or 29,045 were males and 28.6 percent or 11,655 were females. By comparison, the 1980 census showed 885 less people employed. However, while male employment fell 2,736 according to the 1983-84 survey, female employment increased by 3,621.

Total unemployment stood at 14.0 percent compared with 14.3 percent recorded in 1980. The number of unemployed males fell as a percentage of the total male labour force from 11.3 to 9.1 percent, while female unemployment fell only slightly from 24.4 to 24.1 percent.

A comparison of the 1980 census and the 1984 labor force survey shows that the reduction of the labor force was concentrated in the Belize District; the Belize City labor force fell by 5.7 percent or 1,071 to 17,623. A principal cause of this fall was a reduction in the male labor force of 15.5 percent or 1,962 to 10,696 probably due mainly to migration. The female labor force, on the other hand, rose by 891 to 6,926.

Agriculture absorbs 30 percent or 12,210 of the employed labor force, while community services take up 16 percent or 6,512 and Government 15.4 percent or 6,261. Commerce and manufacturing employ 11.2

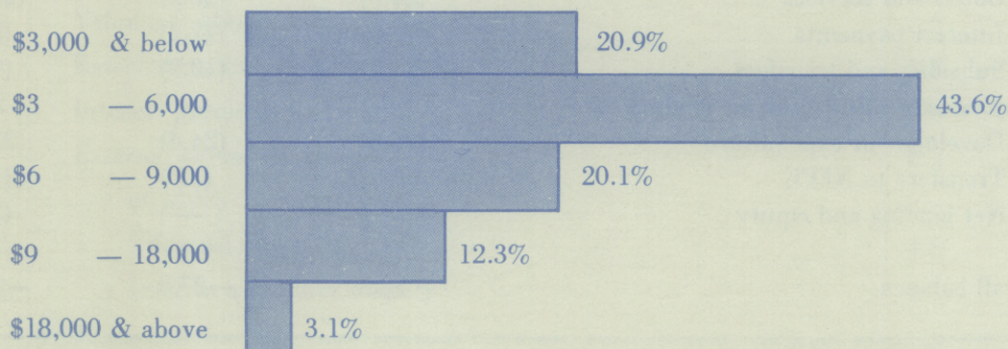
Chart I / Sector Distribution of Employed Labor Force



percent and 10.3 percent of the labour force, respectively. These five sectors account for 82.9 percent of the total employed labour force.

Agriculture is the largest employer of males (38 percent) followed by community services (12.2 percent) and manufacturing (10.8 percent). The highest percentage of females are employed in Government (28.9 percent) followed by community services (25.8 percent).

Chart J / Income Distribution of Paid Employees





The 1983 — 1984 survey shows that paid employees in Belize earn an average annual income of \$6,000. The majority of the employed (63.7 percent) earn between \$3,000 and \$9,000 a year; 20.9 percent earn below \$3,000 a year while 15.4 percent earn over \$9,000 a year. (Note, not included are employers and own account workers).

Public Sector Finances

Early estimates suggest that in fiscal year 1984/85 Central Government ran a deficit of \$20.6 million on its overall operations. However, current account operations were in balance. The external public debt

grew by \$1.1 million to the equivalent of US \$69.4 million at end 1984. External payments arrears had accumulated to US \$6.2 million by year-end.

Preliminary estimates for 1984/85 fiscal year indicate an overall budget deficit of \$20.6 million compared with a deficit of \$27.3 million in fiscal 1983/84. The current account is estimated to be in balance. This figure compares with a deficit of \$12.7 million in 1983/84.

Current revenues are estimated to have increased 17.3 percent from \$77.5 million in 1983/84 to \$90.9 million in 1984/85. This sharp increase was offset in part by a fall of \$7.5 million in receipts from grants. Income tax revenues have shown particularly strong growth due

Table 4 / Operations of the Central Government \$M

	1982/83	1983/84	1984/85 ¹
Revenue and grants	91.7	90.9	98.0
Current revenue	78.6	77.5	90.9
Income Tax	(18.6)	(15.2)	(20.5)
Taxes on goods and services	(8.2)	(8.5)	(11.7)
Taxes on international trade and transactions	(38.2)	(41.8)	(47.6)
Other tax revenue	(2.3)	(2.3)	(2.0)
Non-tax revenue	(11.3)	(9.7)	(9.1)
Capital Revenue	0.3	0.3	1.5
Grants	12.8	13.1	5.6
Total expenditure	124.0	118.2	118.6
Current expenditure	87.3	90.5	90.9
Wages and salaries	(41.8)	(43.2)	(43.4)
Pensions	(4.1)	(4.0)	(4.3)
Goods and services	(24.5)	(25.2)	(25.5)
Interest payments	(5.6)	(7.2)	(8.4)
Subsidies and transfers	(11.3)	(10.9)	(9.3)
Capital expenditure and net lending	36.7	27.7	27.7
Development expenditure	(27.5)	(24.4)	(23.1)
Transfers to NFPE	(9.2)	(3.3)	(1.0)
Net lending and equity	(—)	(—)	(3.6)
Overall balance	-32.3	-27.3	-20.6

¹Estimates



partly to collection of arrears. Revenues from taxes on goods and services have risen by \$3.2 million to \$11.7 million. This rise was due largely to the introduction of an excise tax in June on soft drinks. A 10 cent increase on the tax on beer in April followed by a further 30 cent increase in June also contributed. Beer prices were eventually decontrolled in November. After these changes, retail prices rose significantly and sales were retarded. The increase in the revenues from beer have not been as high as expected. The estimated increase in revenues from taxes on international trade and transactions reflects mostly an estimated additional \$2.7 million from a new stamp duty of 1.25 percent on foreign currency sales introduced in March, 1984 and \$1.8 million increase in receipts from stamp duties (customs).

Total expenditures are estimated to have increased only slightly in 1984/85 compared with 1983/84. On current expenditures a \$1.2 million estimated increase in interest payments (domestic interest payments increased \$1.6 million and external interest payments fell \$0.4 million) is offset partly by a fall in subsidies and current transfers. Development expenditure fell from \$24.4 million to \$23.1 million while transfers fell \$2.3 million to \$1.0 million. These decreases were balanced by an increase of net lending and equity of \$3.6 million. This is made up of central government purchase of equity in Belize Sugar Industries (BZ \$2.5 million) and an equity contribution to Development Finance Corporation (BZ \$1.1 million).

External Public Debt

Total external public debt outstanding at December 31, 1984 stood at US \$69.4 million. This is US \$1.1 million higher than at end 1983. Total external public debt of final maturity of 12 years or less registered US \$19.6 million at end 1984 compared with US \$18.8 million at end 1983. Payments of interest and principal were US \$2.8 million and US \$2.2 million, respectively, in 1984. Total debt services payments were equal to 2.7 percent of total merchandise exports. Drawings on new and existing loans amounted to US\$8.3 million.

Official external arrears increased by US \$1.2 million from US \$5.0 million at end 1983 to US \$6.2 million at end 1984. Arrears of principal were equal to US \$4.5 million and arrears of interest and other payments US \$1.7 million. Total arrears were equal to 3.2 percent of total exports at year end.

Belize benefited from the appreciation of the Belize dollar with the US dollar in 1984. This reduced the value of outstanding debt for which the currency of liability was other than US dollars. This valuation adjustment is estimated to have reduced the value of Belize's outstanding debt by \$5.0 million during 1984.

**Table 5 / External Public Debt
Equivalent of US \$ Millions**

External public debt at end 1983	68.3
Drawings in 1984	8.3
Amortization in 1984	2.2
Valuation adjustments	-5.0
External public debt at end 1984	69.4
Interest payments in 1984	2.8
External payments arrears	6.2
of which	
Principal arrears	4.5
Interest and other arrears	1.7



IV Financial Developments

Domestic credit from the banking system increased by some 14 percent in 1984. A sharp increase in credit to the public sector was financed entirely by the Central Bank. Commercial bank credit to the public sector fell by \$11.5 million. Private sector credit demand remains strong. This may have been stimulated by a fall in the prime rate of 2 percentage points to 12.0 percent in January 1984.

Domestic Credit:

Total domestic credit (net) from the banking system expanded by \$26.9 million to \$221.4 million during the

year. Net credit to the non-financial public sector increased by \$15.3 million to \$90.9 million. Credit to the private sector increased by \$11.6 million to \$130.5 million (Table 6).

The **public sector's** share of total credit increased from 38.9 percent in 1983 to 41.1 percent in 1984. Credit from the Central Bank to the non-financial public sector increased by \$26.7 million to \$63.7 million. This increase reflects largely an expansion by \$24.1 million of Central Bank holdings of Government of Belize Treasury bills and other securities to \$42.8 million. Central Bank loans and advances to the public sector increased by \$2.6 million to \$20.9 million.

In contrast, borrowings of the public sector from the commercial banks declined by \$11.5 million to \$27.1 million. Commercial bank loans and advances outstanding to the public sector year-end (\$22.4 million) were little different from those at December, 1983. During the year, however, this monetary aggregate has followed an erratic path. On the other hand, commercial bank holdings of Treasury bills contracted by \$11.2 million to \$5.4 million.

Table 6 / Domestic Credit Outstanding of the Banking System \$M

	1983	1984	Percent Change
A. By Source	194.5	221.4	13.8
1. Central Bank	37.0	63.7	72.2
Loans and Advances	*18.3	*20.9	14.2
Domestic Securities of Gov't.	18.7	42.8	128.9
Less: Government of Belize deposits	—	—	—
2. Commercial Bank	157.5	157.7	0.1
Loans and Advances	141.4	153.0	8.2
Domestic Securities of Govt.	16.6	5.4	-67.5
Less: Government of Belize deposits	0.5	0.7	40.0
B. By End-User	194.5	221.4	13.8
Public Sector	75.6	90.9	20.2
Private Sector	118.9	130.5	9.8

*See footnotes ¹on page 37 and ²at page 47



Total holdings of Treasury bills and other securities of the banking system rose by 36.5 percent to \$48.2 million during the year. This reflected the heavy funding requirements of the Central Government. The distribution of these holdings changed rapidly. The Central Bank now holds 88.8 percent of outstanding domestic securities of the Government compared with 53.0 percent at December 31, 1983.

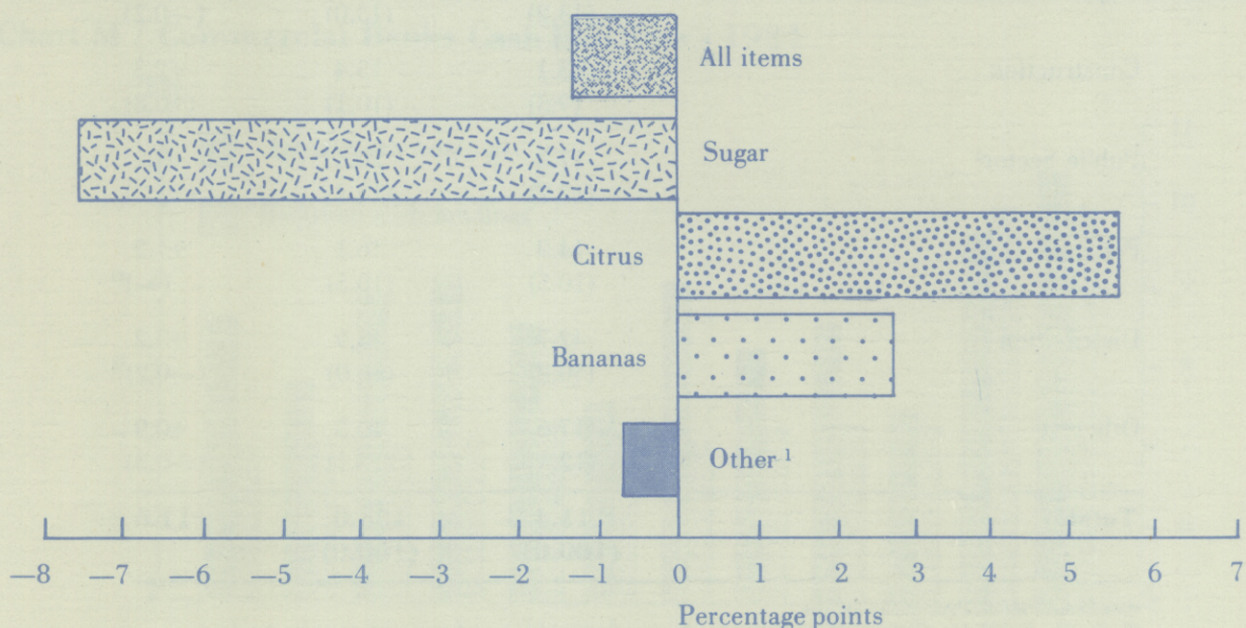
Credit to the **private sector** from the commercial banks increased by \$11.6 million to \$130.5 million during the year. The sector distribution of loans has not changed significantly. Credit to the distributive sector increased by \$3.2 million to \$45.9 million. Credit to the construction industry expanded by \$2.3 million to \$15.4 million. Credit to manufacturing increased by \$1.3 million to \$19.9 million. Credit to agriculture declined by \$0.5 million to \$16.7 million. In keeping with the trend observed since 1981, the share of total bank credit to agriculture dropped 1.3 percentage points to 10.9 percent (Chart K). Credit to sugar registered the largest decline: a fall of \$1.5 million to \$6.6 million.

Money Supply:

Money supply had a modest expansion in 1984. Based upon the broad indicator, (M-2), the supply increased \$9.3 million, a 5.8 percent annual expansion. This contrasts with a sharp increase of 18.4 percent in 1983. The most dynamic component of the expansion was demand deposits which increased \$10.9 million, a striking 45.8 percent. This attributed to increased activity stimulated partly by a strong increase in domestic credit of the commercial banks to both the public and private sectors of the economy. One effect of this increase of credit was a contraction of the net foreign assets of the financial system.

The supply of quasi money fell slightly by \$3.0 million. Within this category, savings deposits increased 4.9 percent, up \$1.5 million; and time deposits decreased 5.3 percent, down \$4.5 million.

**Chart K / Share of Domestic Credit to Agriculture:
Percentage Points Change in Year (1984/1983)**



¹Rice, cattle and dairy products, poultry and eggs, honey production, land clearing and preparation, general and miscellaneous.



**Table 7 / Sectoral Distribution of Commercial Bank
Loans and Advances, 1983-1984 \$M (Shares of Totals)**

Sector	Loans outstanding at end of period		Change in year 1984/1983
	1983	1984	
Agriculture	17.2 (12.2)	16.7 (10.9)	-0.5 (-1.3)
Sugar	8.1 (47.1)	6.6 (39.5)	-1.5 (-7.6)
Citrus	4.4 (25.6)	5.2 (31.1)	+0.8 (5.5)
Bananas	1.4 (8.1)	1.8 (10.8)	+0.4 (2.7)
Other	3.3 (19.2)	3.1 (18.6)	-0.2 (-0.6)
Manufacturing	18.6 (13.2)	19.9 (13.0)	+1.3 (-0.2)
Construction	13.1 (9.3)	15.4 (10.1)	+2.3 (+0.8)
Public Sector ¹	17.3 (12.2)	20.5 (13.4)	+3.2 (+1.2)
Personal	14.9 (10.5)	16.1 (10.5)	+1.2 (-)
Distribution	42.7 (30.2)	45.9 (30.0)	+3.2 (-0.2)
Other ²	17.6 (12.4)	18.5 (12.1)	+0.9 (-0.3)
Total	141.4 (100.0)	153.0 (100.0)	+11.6

¹Government services and public utilities.

²Real estate, financial institutions, transportation, tourism, professional services, entertainment and sundries, fishing, forestry and mining.



Chart L / Money Supply Percent Change 1984

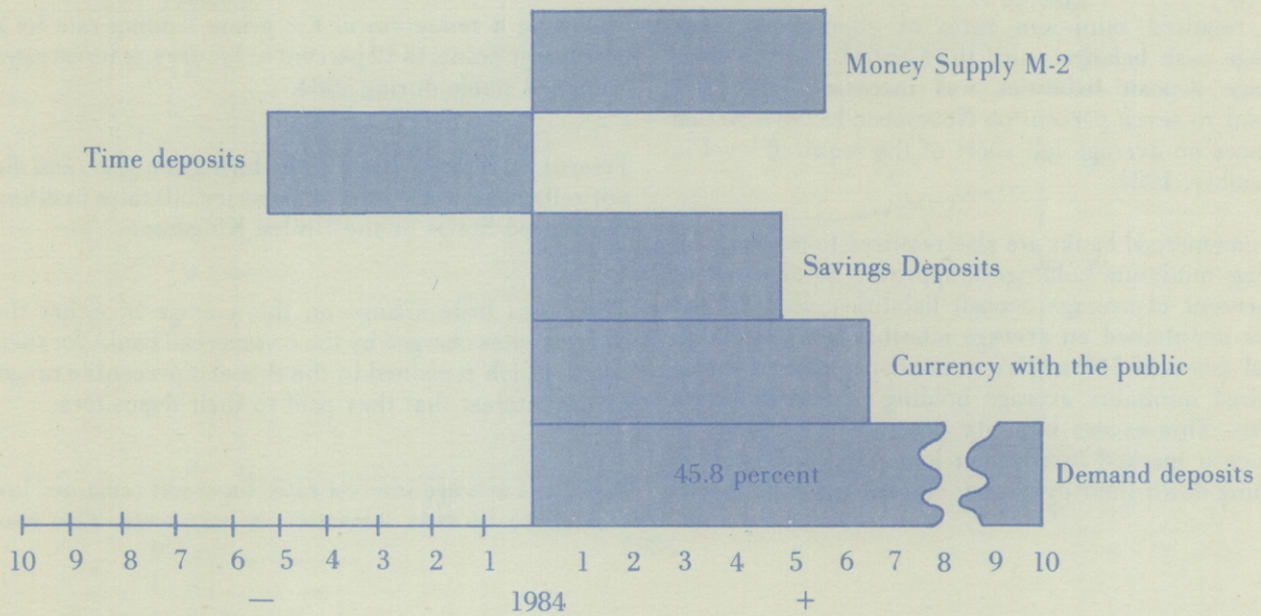
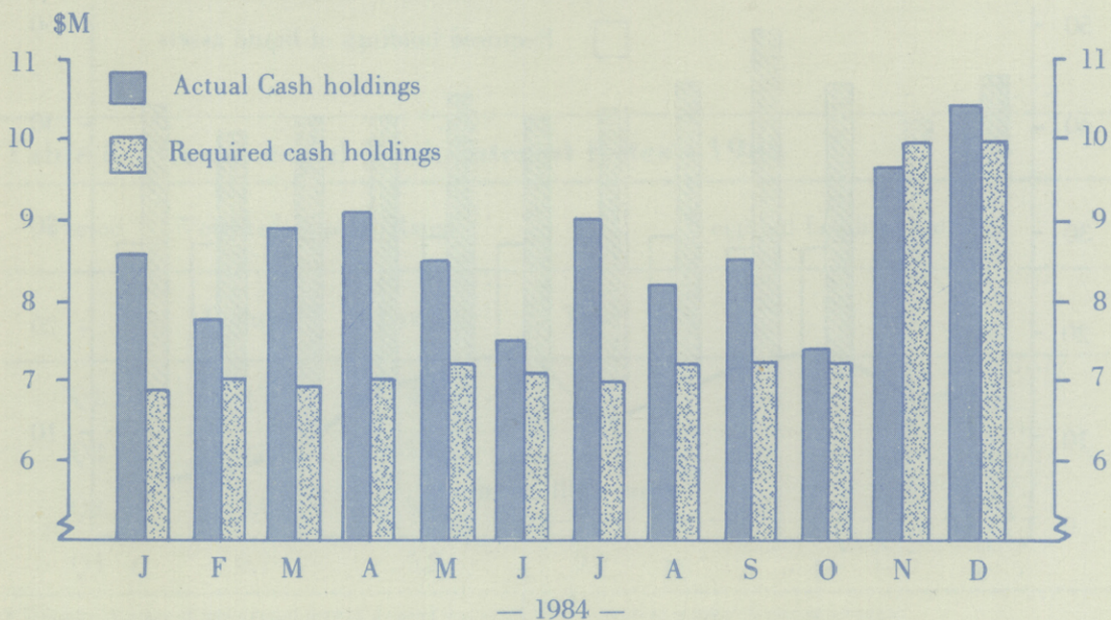


Chart M / Commercial Banks Cash Balances - 1984





Liquidity:

The required minimum ratio of commercial bank average cash balances with the Central Bank to their average deposit liabilities was increased from five percent to seven percent on November 1, 1984. Actual balances on average fell short of the required level in November, 1984.

The commercial banks are also required to maintain on average minimum holdings of approved liquid assets of 20 percent of average deposit liabilities. In 1984 the banks maintained an average monthly level of excess liquid assets of \$14 million a month, compared with a required minimum average holding of \$28 million a month. This excess liquidity permitted the banks to finance a marked increase in loans and advances by running down their inventory of Treasury bills (Chart N).

Interest Rates:

Following a reduction of the prime lending rate by 2 percentage points to 12 percent in January, interest rates remained stable during 1984.

Treasury bill rates varied little during the year, and did not reflect the variations of Treasury bill rates in either the United States or the United Kingdom.

There was little change on the average in either the interest rates charged by the commercial banks for their loans, which remained in the thirteen percentile range, or the interest that they paid to their depositors.

Weighted average interest rates on credit remained low enough to be very attractive to borrowers. This con-

Chart N / Commercial Bank Holdings of Liquid Assets and Treasury Bills

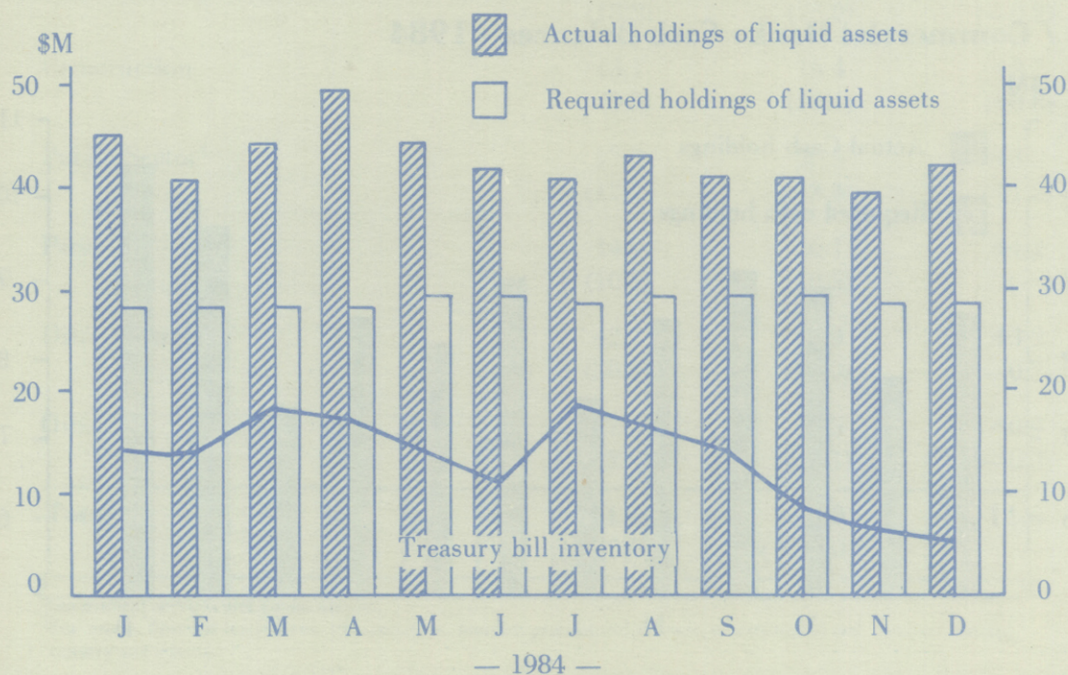
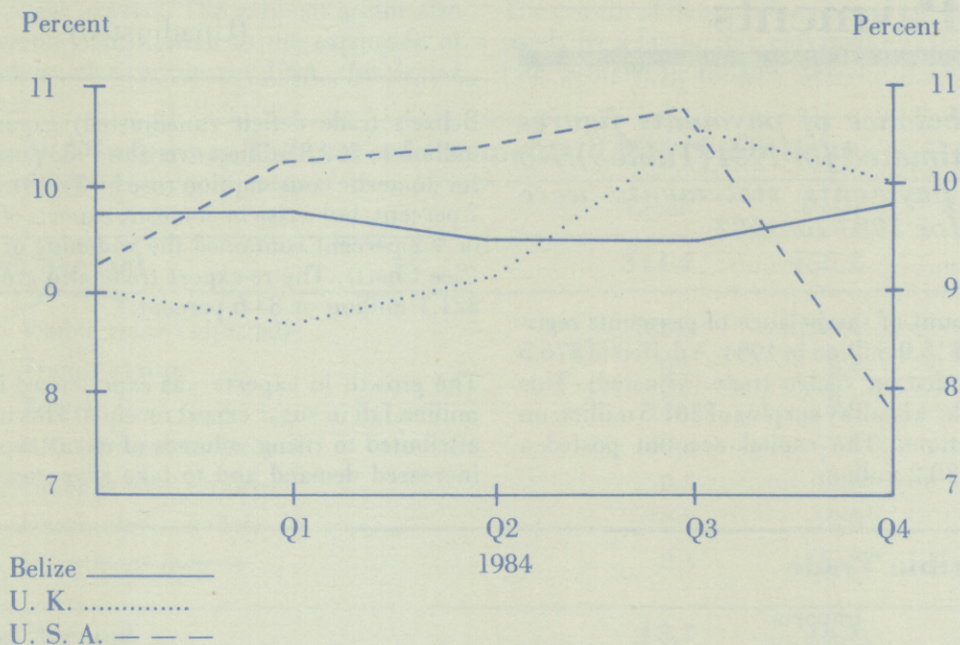




Chart O / Comparative Treasury Bill Rates



tributed to a dramatic increase in loans by the commercial banks. During 1984 loans and advances increased from \$141.4 million to \$153.0 million, an \$11.6 million or 8.2 percent increase. The interest rates paid

to depositors by the commercial banks were positioned very conservatively. This partly explains the very small growth of \$0.6 million of total interest-bearing deposits in 1984.

Table 8 / Commercial Bank Interest Rates - 1984

Period	Weighted Deposit Rates			Weighted Lending Rates
	Demand ¹	Savings	Time	
Q1	0.7	4.9	9.2	13.7
Q2	0.8	5.0	9.1	13.8
Q3	0.8	5.1	9.0	13.8
Q4	0.7	5.2	9.0	13.5

¹ Weighted Average of non-interest bearing demand deposits & interest bearing savings/chequing accounts.



V Balance of Payments

Provisional balance of payments figures have been estimated for 1984 (Table 9). No balance of payments statements were constructed for 1983 or 1982.

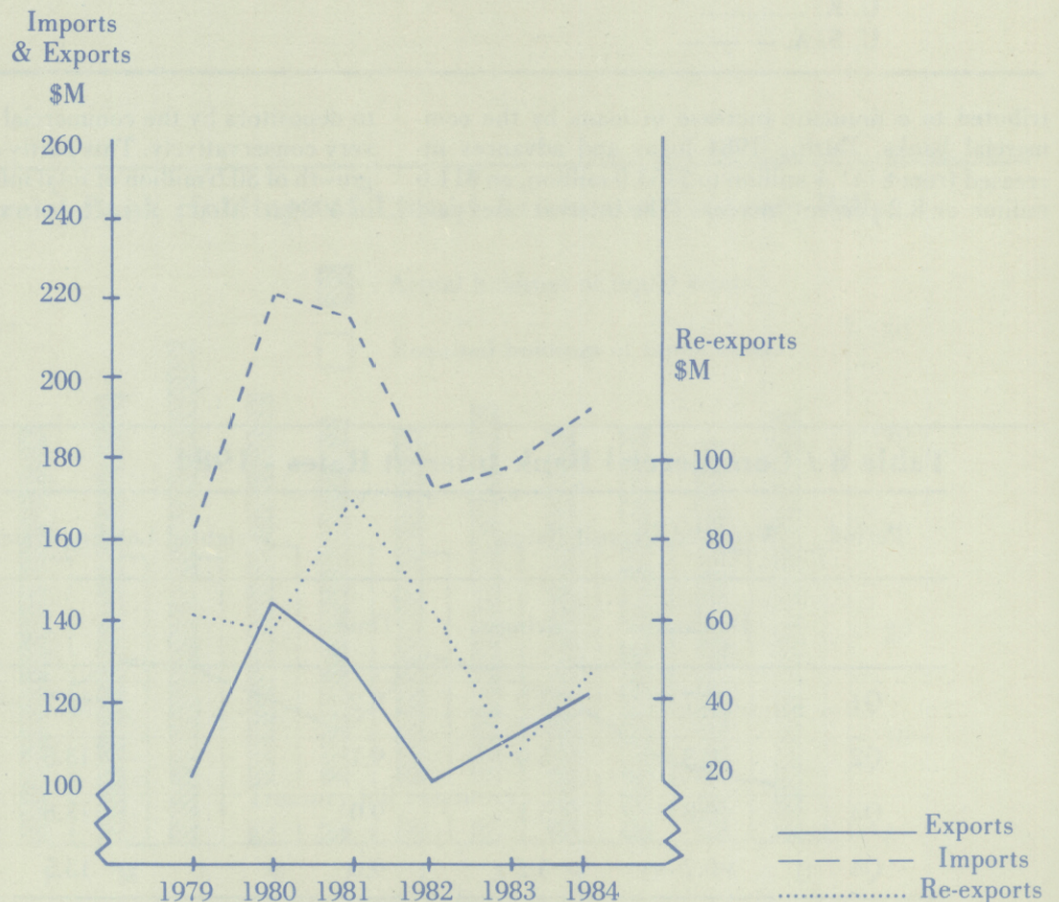
The current account of the balance of payments registered a deficit of \$15.0 million in 1984. A deficit of \$76.5 million was recorded on visible trade (adjusted). This was offset partly by a healthy surplus of \$61.5 million on invisible transactions. The capital account posted a small surplus of \$0.2 million.

Visible Trade (Unadjusted)

Belize's trade deficit (unadjusted) expanded by \$1.7 million to \$69.8 million over the 1983 position. Imports for domestic consumption rose by \$13.8 million or some 7 percent, but a rise in domestic exports of \$12.0 million or 9.2 percent contained the widening of the trade gap (See Chart). The re-export trade also grew in value by \$21.1 million or 83.6 percent.

The growth in exports was experienced despite a \$3.3 million fall in sugar export receipts. This increase can be attributed to rising volumes of citrus exports to match increased demand and to take advantage of improved

Chart P / Visible Trade





prices occasioned by the Florida frosts and duty-free access to US markets afforded under the CBI.¹ Citrus export receipts rose by \$5.8 million, more than offsetting the fall in sugar exports. The garment sector also made a considerable contribution to the expansion of exports. With demand rising in the USA, this sector

increased exports from Belize by some 75 percent during 1984.

The growth of Belizean re-exports to Mexico is explained partly by a favourable movement of the real exchange rate between Belize and Mexico (in 1984, Belize's real

¹Caribbean Basin Initiative

Table 9 / Summary Balance of Payments, 1984¹ \$ Millions

	Credit	Debit	Balance
Current Account	311.2	326.2	-15.0
1. Visible trade (adjusted) ²	183.4	259.9	-76.5
2. Transportation	9.6	5.4	4.2
3. Travel	15.0	9.6	5.4
4. Official services (n.i.e.)*	40.8	2.0	38.8
5. Other private services	0.5	9.6	-9.1
6. Unrequited transfers	59.6	18.9	40.7
7. Investment income	2.3	20.8	-18.5
Capital Account	18.7	18.5	0.2
8. Official capital flows	16.6	5.8	10.8
9. Private capital flows	2.1	12.7	-10.6
Commercial banks	(0.5)	(6.7)	(-6.2)
Other	(1.6)	(6.0)	(-4.4)
Total Before Financing	329.9	344.7	-14.8
Financing items ³			
10. Gross foreign liabilities	8.6	—	8.6
11. Gross foreign assets	5.9	1.4	4.5
11.1. Central Bank	5.9	—	5.9
11.2. Central Government	—	1.4	-1.4
Sinking funds	—	(1.3)	(-1.3)
Joint consolidated fund	—	(0.1)	(-0.1)
Savings bank	—	—	—
Total After Financing	344.4	346.1	-1.7
Net errors and omissions	—	—	1.7

¹Provisional data.

²Includes imports not recorded in CSO trade figures and freight and insurance on merchandise trade.

Excludes bunkering recorded in transportation account.

³Flows recorded on a transactions basis (exclude valuation adjustments).

*n.i.e. = not included elsewhere.



exchange rate against Mexico depreciated by about 10 percent compared with 1983) and partly by a resurgence of growth in the Mexican economy (preliminary estimates show a 3.5 percent GDP increase for 1984).

Imports grew by approximately 7 percent over the year. The main stimulus to import was a 1.3 percent increase in real GDP. The prices of Belize's main trading partners' exports increased by a modest 1.1 percent. This was reflected in a 6 percent improvement in Belize's terms of trade.

Invisibles and Capital Account

The invisibles account recorded a surplus of \$61.5 million. Services registered a surplus of \$39.3 million. The official services account contributed \$38.8 million of this surplus, of which \$35.2 million was due to receipts through the British forces garrison paymaster. The transportation and travel accounts recorded surpluses of \$4.2 million and \$5.4 million, respectively. The Central Bank estimated expenditure by visitors at \$15.0 million. This compares with payments by Belizeans of about \$9.6 million. Other private transactions (net) were negative \$9.1 million.

Outward transfers of \$18.9 million reflect in large part emigration and repatriation of funds. Inward transfers of some \$60 million consisted of official transfers of \$15 million and private transfers of approximately \$45.0 million (of which individual remittances made a substantial contribution).

A deficit of \$18.5 million was recorded for investment income (net). Direct investment income (net) posted a deficit of \$10.6 million. Official interest payments were \$3.7 million (net) with net private interest payments at \$4.5 million. Of the latter, interest payments by the commercial banks constituted \$3.7 million.

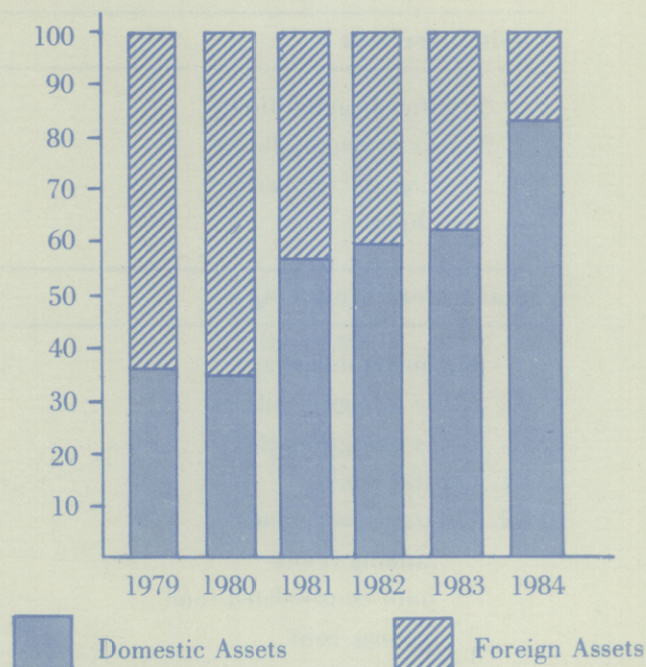
The capital account was in near balance in 1984. Net private capital outflows were \$10.6 million. Commercial bank net foreign liabilities fell by \$6.7 million. Net official indebtedness increased by \$10.8 million.

Reserve Transactions

The net official reserves at \$0.5 million deteriorated by \$13.3 million from the \$13.8 million level at the end of 1983. Central Bank net reserves fell from \$10.1 million at the end of 1983 to negative \$4.3 million at the end of 1984. By contrast, Central Government net foreign assets increased by \$1.1 million to \$4.8 million.

Central Bank foreign assets fell by \$6.4 million to \$12.2 million. The external liabilities¹ of the Central Bank increased by \$8.0 million to \$16.5 million. The fall in foreign assets reflects increased funding of the Central Government by the Central Bank. At end 1983 domestic assets comprised 62.3 percent of the Central Bank's total assets. At the end of 1984 the share of domestic assets had increased to 83.6 percent (Chart Q).

Chart Q / Central Bank of Belize
Percentage Distribution of Assets



¹External liabilities include liabilities ascribed to the monetary authorities but which do not appear on the balance sheet of the Central Bank i.e. drawings on the compensatory financing facility of the IMF, drawings under the IMF standby arrangement, balance of payments support loan by local commercial banks.

Exchange Control



Total sales of foreign exchange through authorised dealers were \$249.7 million in 1984. This is \$38.3 million or 18.1 percent, higher than the 1983 figure of \$211.4 million. Inflows of foreign exchange through the commercial banking system were \$207.0 million, \$20.3 million or 10.9 percent, higher than in 1983.

A stamp duty of 1.25 percent was introduced in March 1984 on sales of foreign exchange.



Table 19 / Sales of Foreign Exchange by Authorized Dealers - 1984¹ \$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	42332	—	47056	—	45110	—	45187	—	179685	—
Freight Charges	1171	—	940	—	894	—	1243	—	4248	—
Port Disbursements	199	—	35	—	40	—	85	—	359	—
Travel	1037	240	1438	318	2003	277	900	324	5378	1159
Business	(285)	(19)	(279)	(39)	(380)	(19)	(247)	(25)	(1191)	(102)
Medical	(43)	(3)	(73)	(1)	(59)	(1)	(40)	(8)	(215)	(13)
Vacation	(163)	(38)	(474)	(54)	(1254)	(61)	(364)	(92)	(2255)	(245)
Other	(546)	(180)	(612)	(224)	(310)	(196)	(249)	(199)	(1717)	(799)
Travel Fares	596	—	1271	—	2072	—	1080	—	5019	—
Family Maintenance	238	123	293	121	423	90	336	100	1290	434
Education	393	—	272	—	505	—	242	—	1412	—
Medical Bills	339	—	320	—	431	—	254	—	1344	—
Head Office Expenses	299	—	75	—	225	—	192	—	791	—
Management Fees	18	—	9	—	24	—	9	—	60	—
Professional Services	415	—	168	—	206	—	192	—	981	—
Insurance/Reinsurance	997	—	1148	—	1163	—	1124	—	4432	—
Royalty Payments	67	—	34	—	157	—	67	—	325	—
Commissions	43	—	74	—	274	—	35	—	426	—
Profits	3767	—	1389	—	1259	—	562	—	6977	—
Interest Payments	266	—	281	—	312	—	694	—	1553	—
Subscriptions	84	—	71	—	49	—	154	—	358	—
Sundries	58	—	50	—	28	—	26	—	162	—
Other Current Account	217	24	227	31	104	34	73	22	621	111
TOTAL CURRENT ACCOUNT	52536	387	55151	470	55279	401	52455	446	215421	1704
Emigration	628	—	878	—	783	—	867	—	3156	—
Dividends	1	—	—	—	466	—	137	—	604	—
Repatriation of Funds	—	1690	—	3545	—	4250	—	4310	—	13795
Loan Payments	1965	—	2570	—	3570	—	969	—	9074	—
Private Sector	(1367)	—	(403)	—	(3509)	—	(767)	—	(6046)	—
Public Sector	(598)	—	(2167)	—	(61)	—	(202)	—	(3028)	—
Gifts	21	—	20	—	12	—	43	—	96	—
Investments	—	—	—	—	—	—	—	—	—	—
Other Capital Account	3657	—	1144	—	594	—	492	—	5887	—
TOTAL CAPITAL ACCOUNT	6272	1690	4612	3545	5425	4250	2508	4310	18817	13795
TOTAL	58808	2077	59763	4015	60704	4651	64963	4756	234238	15499
GRAN TOTAL	60885		63778		65355		59719		249737	

¹The definitions of current account and capital account used differ from those adopted for the balance of payments.

Administration



The Board of Directors

The Board of Directors of the Central Bank of Belize during 1984 consisted of:

R. C. Swift — Governor and Chairman
F. J. Garbutt — Deputy Governor and Vice Chairman
D. B. Courtenay Esq.
H. A. Escalante Esq.
E. G. N. Gegg Esq., O.B.E., J.P.

Mr. F. J. Garbutt who formerly held the post of Operations Manager was appointed as Deputy Governor with effect from 1 August 1984.

The Bank held eleven (11) meetings during the year.

Staff

The principal officers of the Central Bank at the end of 1984 were:

R. C. Swift — Governor
F. J. Garbutt — Deputy Governor
C. E. Reyes — Secretary to the Board and Head of Administration
B. Vaughan — Ag. Foreign Exchange Controller
G. Justice — Research Director
H. Premaratne — Inspector of Banks and Financial Institutions.

The secondment of Mr. H. Premaratne, Advisor on Bank Supervision from the IMF was extended for a second year. The assignment of Dr. D. R. Khatkhate also on secondment from the IMF for Research and Exchange Control was discontinued early in 1984. In October Mr. F. A. R. Mullings joined the Bank as the new IMF Advisor in Research on secondment from the Caribbean Development Bank.

Total number of staff employed by the Central Bank at the end of 1984 was 52 (43 at the end of 1983) of which 3 were on secondment from the Civil Service.

Overseas Visits

In March 1984 Governor Swift, accompanied by Bank Secretary Miss Reyes, attended the XXI Meeting of Governors of Central Banks of the American Continent and the XXXVIII Meeting of Governors of Central Banks of Latin America and Spain which were held in Port of Spain, Trinidad.

In May the Governor attended the 14th Annual Meeting of the Board of Governors of the Caribbean Development Bank which was held in Kingston, Jamaica.

The Governor was in Rome, Italy in September attending a Conference of Banking Supervisors. This conference was hosted by the Bank of Italy in association with the Committee on Banking Regulations and Supervisory Practices of the Bank for International Settlements. Thereafter, he travelled to Santo Domingo, Dominican Republic to attend the XXXIX Meeting of Governors of Central Banks of Latin America and Spain.

Also in September, Governor Swift attended the Joint Annual Meetings of the IMF and World Bank in Washington, D.C.

Others representing the Bank on overseas visits were Mr. Garbutt who attended the 10th Anniversary celebrations of the Central Bank of Bahamas, Miss Maydia Luben who was at the 16th Annual Conference of the Regional Programme of Monetary Studies (accompanied by Sydney Campbell) held in Kingston, Jamaica in October and the 21st Annual Meeting of Central Bank Technicians of the American Continent in Montevideo Uruguay also in October. Miss Luben presented at these conferences, a paper entitled "Interrelations of the Fiscal Deficits and Balance of Payments in Belize: 1979 — 1983".

Mr. Manuel Vasquez attended with Mr. Garbutt the Second Meeting of Bank Inspectors of the English Speaking Caribbean held in St. Kitts in June.



Training

In an effort to properly prepare the newly established Banking Supervision Department for its functions, Mr. Manuel Vasquez, Deputy Inspector of Banks and Financial Institutions travelled to Quito, Ecuador in March 1984 to attend a 5-week Seminar on Internal Audit in Central Banks. Mr. Vasquez also attended a Senior Training Programme for Bank Inspectors of the Caribbean Region held in Barbados in November 1984.

Ms. Maydia Luben was on a one-week attachment to the Research Department of the Bank of Jamaica in October.

Miss Cecile Reyes, Bank Secretary, attended a one-week seminar on Management and Operations at the Federal Reserve Bank of New York in November.



Currency

The expansion of currency in circulation during 1984 followed the same seasonal pattern observed in 1983 (Table 10). Currency in circulation, which consists of cash in bank vaults and currency with the public, rose fairly steadily to a peak of \$27.5 million in July, then declined until the last two months of the year when it increased again, with the opening of the Christmas season, to end the year at \$27.1 million. Cash in banks showed the strongest seasonal variation, whilst currency with the public fluctuated between \$20.7 million and \$23.9 million.

Relations With Commercial Banks

a. Reserve and liquidity requirements

The commercial banks are required to maintain cash balances with the Central Bank which, on average, must be at the least 5 percent of their average deposit lia-

bilities. This reserve requirement was raised to 7 percent on November 1, 1984. The commercial banks had difficulty adjusting to the higher requirement and, in November, the actual balances of the banks fell below the minimum required balance by \$0.3 million. The average monthly excess balance was \$1.1 million in 1984 compared with \$2.6 million in 1983 (Table 11).

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. Their portfolio remained comfortably above the minimum liquidity requirement for the whole year, although there was a sharp fall in excess holdings in the second half of the year. The monthly average of excess holdings of liquid assets was \$14.4 million compared with \$21.6 million in 1983 (Table 12).

b. Clearing House Operations

The clearing house agreement of October 1978 between the Central Bank and the commercial banks remains in operation. As in previous years cheque clearings rose to a peak in July, then fell back, before increasing again in November and December. Average monthly clearings increased from \$29.2 million in 1983 to \$35.8 million in 1984 (Table 13).

Table 10 / Currency in Circulation, 1984-\$000

Month	Currency in Circulation		Total	Cash in Banks	Currency with the Public
	Notes	Coins			
January	20,808	3,399	24,207	3,474	20,733
February	21,031	3,403	24,434	2,974	21,460
March	22,189	3,409	25,598	2,904	22,694
April	23,192	3,420	26,612	3,830	22,782
May	23,369	3,444	26,813	3,240	23,573
June	23,109	3,464	26,573	2,793	23,780
July	23,995	3,479	27,474	4,750	22,724
August	23,942	3,501	27,443	3,502	23,941
September	22,962	3,525	26,487	3,694	22,793
October	22,003	3,538	25,541	3,217	22,324
November	22,809	3,540	26,349	2,752	23,597
December	23,545	3,547	27,092	4,327	22,765



Table 11 / Commercial Bank Deposits with Central Bank of Belize, 1984 (Average of Daily Balances)-\$000

Month	Average Deposit Liabilities	Minimum Required Balance	Actual Balances Held	Excess/Deficiency (—)
January	138,448	6,922	8,588	1,666
February	140,587	7,029	7,804	775
March	138,513	6,926	8,912	1,986
April	139,876	6,994	9,133	2,139
May	143,814	7,191	8,528	1,337
June	142,269	7,113	7,512	399
July	140,996	7,050	8,974	1,924
August	143,421	7,171	8,182	1,011
September	144,101	7,205	8,533	1,328
October	144,289	7,214	7,397	183
November*	141,687	9,918	9,650	—268
December	140,922	9,865	10,389	524

*Minimum Required Balance — Changed from 5 percent to 7 percent of average deposit liabilities.

Table 12 / Commercial Bank Holdings of Approved Liquid Assets, 1984 (Average of Liquid Balances) (\$000)

Month	Average Deposit Liabilities	Required Holdings	Actual Holdings	Excess
January	138,448	27,690	44,946	17,256
February	140,587	28,117	41,317	13,200
March	138,513	27,703	44,374	16,671
April	139,876	27,975	49,184	21,209
May	143,814	28,763	44,021	15,258
June	142,269	28,454	42,197	13,743
July	140,996	28,199	41,028	12,829
August	143,421	28,684	42,853	14,169
September	144,101	28,820	41,151	12,331
October	144,289	28,858	40,888	12,030
November	141,687	28,337	39,072	10,735
December	140,922	28,184	41,937	13,753



Table 13 / Cheque Clearings 1984-\$000

Month	Amount Cleared
January	30,064
February	32,464
March	36,014
April	32,380
May	36,513
June	38,564
July	39,540
August	35,421
September	32,121
October	34,160
November	39,401
December	43,008

Transactions with Government

The Central Bank of Belize Act (Section 34) allows for temporary advances to the Central Government, not exceeding 15 percent of the Government's estimated current revenues for the financial year. Advances to Central Government fell sharply from a monthly average of \$14.2 million in the first half of 1984 to an average of \$8.0 million in the second half of the year. This reflects the deposit in the advances account of the domestic currency proceeds of a US \$3.0 million balance of payments support loan from the commercial banks.

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 1984 this maximum was not exceeded

Table 14 / Central Bank Advances and Holdings of Belize Government Securities, 1984- \$000

Month	Advances	(a)	Treasury Bills	Other Securities	(b)
January	14,105	14.30	18,182	2,908	1.40
February	14,618	14.82	18,185	2,908	1.52
March	13,265	13.45	15,639	2,908	1.51
April	14,297	15.05	16,417	2,908	1.58
May	14,526	15.29	19,330	3,648	1.89
June	14,095	14.83	22,790	4,126	2.22
July	8,409	8.85	19,532	4,379	1.99
August	7,966	8.38	21,507	4,379	2.17
September	7,358	7.74	24,677	4,379	2.45
October	7,487	7.88	30,221	4,798	2.98
November	8,125	8.55	33,278	4,797	3.24
December	8,629*	9.08	38,023	4,797	3.65

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 1983/84 and the subsequent months on Estimated Revenue for Fiscal 1984/85.

(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.

*Before payment of profits of the Bank to the Government of Belize effected in March 1985 and therefore differs from advances to Government shown in the Bank's audited balance sheet at December 1984 at \$5.6 million.



Table 15 / Government of Belize Treasury Bill Issues, 1984-\$000

Issue Number	Amount Tendered	Amount Allotted	Additional Allotment	Total Allotted	Average Discount Rate	Average Yield to Maturity
5/84	10,700	10,700	—	10,700	9.04	9.25
6/84	8,550	8,550	—	8,550	9.04	9.25
7/84	—	—	3,075	3,075	9.76	10.00
8/84	—	—	927	927	11.65	12.08
9/84	—	—	578	578	9.76	10.00
10/84	13,800	13,800	—	13,800	9.52	9.75
11/84	—	—	300	300	10.32	10.50
12/84	—	—	300	300	10.23	10.50
13/84	—	—	300	300	10.23	10.50
14/84	—	—	600	600	10.23	10.50
15/84	10,700	10,700	—	10,700	9.52	9.75
16/84	8,550	8,550	—	8,550	9.52	9.75
17/84	13,800	13,800	—	13,800	9.76	10.00
18/84	—	—	3,075	3,075	9.76	10.00
19/84	—	—	927	927	11.65	12.00
20/84	—	—	578	578	9.75	10.00
21/84	—	—	300	300	10.23	10.50
23/84	—	—	300	300	10.23	10.50
24/84	—	—	600	600	10.23	10.50
25/84	10,700	10,700	—	10,700	9.52	9.75
28/84	—	—	2,000	2,000	13.18	13.48
29/84	8,550	8,550	—	8,550	9.52	9.75
32/84	13,800	13,800	—	13,800	9.52	9.75
33/84	—	—	3,075	3,075	9.75	10.00
34/84	—	—	2,000	2,000	13.19	14.32
35/84	—	—	927	927	11.65	12.00
36/84	—	—	578	578	9.76	10.00
37/84	—	—	300	300	10.23	10.50
39/84	—	—	300	300	10.24	10.50
40/84	—	—	600	600	10.24	10.50
41/84	—	—	534	534	11.41	11.75
43/84	—	—	500	500	11.42	11.25
44/84	—	—	124	124	11.42	11.75
45/84	10,700	10,700	—	10,700	9.52	9.75
46/84	—	—	461	461	11.42	11.75
47/84	—	—	339	339	11.42	11.75
48/84	—	—	550	550	11.42	11.75
49/84	—	—	186	186	11.42	11.75
50/84	—	—	270	270	11.42	11.75
51/84	—	—	180	180	11.42	11.75
52/84	8,550	8,550	—	8,550	9.76	10.00
53/84	—	—	211	211	11.42	11.75
54/84	—	—	176	176	11.42	11.75
55/84	—	—	46	46	11.65	12.00
56/84	—	—	161	161	11.65	12.00
57/84	13,800	13,800	—	13,800	9.76	10.00
58/84	—	—	3,075	3,075	9.76	10.00
59/84	—	—	927	927	11.65	12.00
60/84	—	—	578	578	11.65	12.00
61/84	—	—	300	300	10.23	10.50
62/84	—	—	300	300	10.23	10.50
63/84	—	—	600	600	10.23	10.50



with holdings of Government securities reaching a maximum of 3.7 times capital and reserves. However, 'Total' outstanding Treasury Bills of the Government cannot legally exceed 15 percent of Government's estimated total revenue. Total Treasury bill holdings of the Central Bank alone at the end of 1984 at \$38.0 million more than doubled from \$15.8 million at end 1983 and compares with a legally stipulated maximum of \$27.0 million for all bills outstanding (Table 14).

The yield on normal Treasury bill issues increased from 9.25 percent to 10.0 percent in 1984 (Table 15). Special Treasury bill issues have, however, been made with yields as high as 14.32 percent.

Central Bank External Assets Ratio

By law, the Central Bank is required at all times to maintain a reserve of approved 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 [2], Central Bank of Belize Act). This ratio fluctuated somewhat in the first eight months of the year

reaching a high of 50 percent in August, then fell shortly to 21.5 percent at the close of 1984. This fall was reflected in an increase in the Central Bank's holdings of domestic assets and a fall in its holdings of foreign assets (Table 16).

Foreign Exchange Operations

The Central Bank buys and sells certain stipulated currencies from authorised dealers at given rates and for authorised transactions. These currencies are:

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

During 1984, net sales of United States dollars, sterling and Canadian dollars totalled \$9.3 million compared with \$17.0 million in 1983 (Table 17). The net result of the Bank's dealings in CARICOM currencies is shown in Table 18. Net Purchases were \$10.9 million in 1984 compared with \$8.0 million in 1983.

Table 16 / Central Bank External Assets Ratio \$000

Month	(a)	(b)	(a) as % of (b)
	External Assets	Demand Liabilities ¹	
January	12,594	35,870	35.11
February	9,692	35,271	27.48
March	16,692	37,680	44.30
April	17,126	40,888	41.89
May	13,297	38,755	34.31
June	8,689	37,259	23.32
July	16,698	38,192	43.72
August	19,693	39,005	50.49
September	16,511	37,804	43.68
October	11,220	42,216	26.58
November	9,730	43,647	22.29
December	11,136	51,703	21.54

¹Demand 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 17 / Central Bank Dealings in Foreign Exchange with Financial Institutions in Belize Trading in US Dollar, Canadian Dollar and Pound Sterling, 1984-\$000

Month	Purchases	Sales	Net Purchases
January	8,162	10,260	-2,098
February	7,317	9,899	-2,582
March	13,936	8,034	5,902
April	7,425	7,326	99
May	6,294	11,021	-4,727
June	5,158	8,593	-3,435
July	12,309	6,275	6,034
August	7,614	4,820	2,794
September	5,880	9,056	-3,176
October	1,339	6,477	-5,138
November	2,837	4,916	-2,079
December	1,230	2,104	-874
Total	79,501	88,781	-9,280

Table 18 / Central Bank Dealings in Foreign Exchange with Financial Institutions in Belize (Trade in Caricom Currencies) 1984 BZ\$000

Month	Purchases	Sales	Net Purchases
January	1,367	391	976
February	2,432	626	1,806
March	522	247	275
April	715	356	359
May	1,997	380	1,617
June	297	342	(45)
July	2,698	321	2,377
August	2,467	346	2,121
September	2,541	269	2,272
October	106	386	(280)
November	606	367	239
December	72	907	(835)
Total	15,820	4,938	10,882

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 1984, certified by the auditor, is attached to this Report.

The net profit from the operations of the Bank during 1984 amounted to \$3,733,665 compared with \$3,651,998 in 1983. Total assets, which were \$49,260,897 in 1983 increased by 43.84 percent to \$70,859,051. Approved foreign assets as a proportion of total assets fell from 35.6 percent at the beginning of the year to 15.7 percent at the end of 1984.

Income and Expenditure

Net investment income during 1984 totalled \$4,836,602 (\$4,773,263 in 1983) and represented a yield of approximately 9.1 percent (9.5 in 1983) on average assets.

The Bank's holdings of Government of Belize Treasury Bills increased from \$15.8 million at the end of 1983 to \$38.0 million at the end of 1984. The average yield on these bills rose from 9.25 percent in January 1984 to

9.75 percent in March 1984 and finally to 10.00 percent in November 1984.

Average holdings of assets were \$53,244,000 compared with \$50,145,000 in 1983.

Total operating expenses, including the cost of printing currency notes and minting coins was \$1,177,814 (\$1,500,548 in 1983), representing 21.5 percent (27.3 percent in 1983) of total income. Excluding the cost of printing notes and minting coins, other operating expenses represented 20.5 percent of total income compared with 16.5 percent in 1983.

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 \$2,955,304 reflecting an increase of \$746,733 or the legally-required twenty percent of the net profit for the year 1984.

Auditors' Report and Financial Statements

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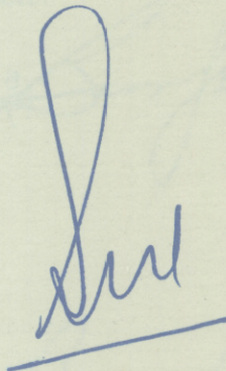
in association with
Coopers & Lybrand (international)

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

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

As discussed in Note 3 to the financial statements, the outcome of a
prolonged material deficiency in the Bank's reserve of external assets
is not presently determinable. Management believes the eventual
resolution of this matter will not have a material effect on the
financial position of the Bank.

In our opinion, subject to the effects of such adjustment, if any, to the
financial statements had the outcome of the uncertainty referred to in
the preceding paragraph been known, the financial statements mentioned
above give a true and fair view of the state of affairs of Central Bank of
Belize at 31 December 1984 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
31 December 1984**

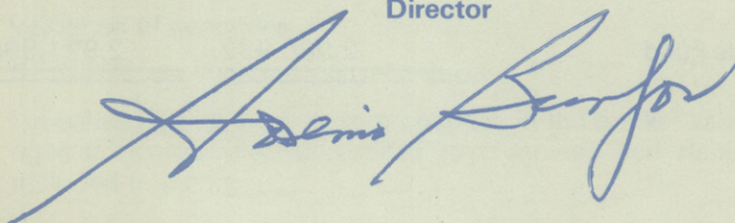
	Note	1984 \$	1983 \$
Assets			
Approved External Assets			
Balances and deposits with foreign bankers and the Crown Agents maturing within 180 days	3	2,244,810	7,894,306
Reserve Tranche and balances with the International Monetary Fund	4	3,726,568	4,002,293
Marketable securities issued or guaranteed by foreign governments and international financial institutions		4,987,811	1,787,547
Other foreign credit instruments maturing within 180 days		—	3,799,998
Accrued interest and cash intransit		198,948	149,689
		<u>11,158,137</u>	<u>17,633,833</u>
Deferred Income			
Unrealized gain from appreciation in value of investments	2(d)	(322,780)	(86,237)
		<u>10,835,357</u>	<u>17,547,596</u>
Caricom Multilateral Clearing Facility		1,010,129	1,009,231
Advances to Belize Government		5,641,164	10,472,382
Belize Government Debentures, at face value		5,078,025	2,908,025
Belize Government Treasury Bills	5	38,023,321	15,827,723
Balances with Local Bankers and Cash on hand		43,991	12,098
Other Assets	6	9,718,998	1,006,043
Fixed Assets	7	508,066	477,799
		<u>70,859,051</u>	<u>49,260,897</u>

Notes on pages 5 to 8 form part of, and should be read in conjunction with, these financial statements.

Central Bank of Belize
Balance Sheet
31 December 1984 (continued)

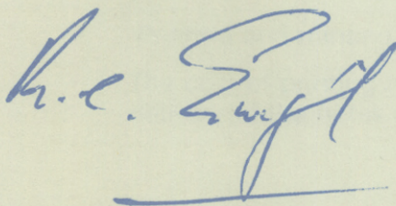
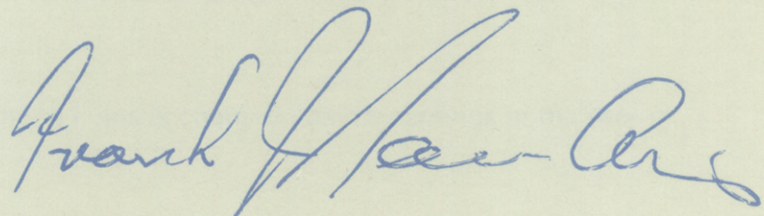
	Note	1984 \$	1983 \$
Liabilities, Capital and Reserves			
Demand Liabilities			
Notes and coins in circulation		27,092,148	25,351,921
Deposits by licensed financial institutions	8	15,479,935	9,596,831
Deposits by Public Sector Entities in Belize		4,565,312	38,824
Unredeemed demonitized issue	9	1,024,532	1,035,331
Deposits by international agencies	10	2,704,455	950,207
		<u>50,866,382</u>	<u>36,973,114</u>
Balances due to Caricom Central Banks		829,578	7,284
Other Liabilities		<u>6,207,787</u>	<u>71,928</u>
Total Liabilities		57,903,747	37,052,326
Capital Account			
Paid up Capital (Authorized Capital \$10,000,000)		10,000,000	10,000,000
General Reserve Fund	11	<u>2,955,304</u>	<u>2,208,571</u>
		<u>70,859,051</u>	<u>49,260,897</u>

Director



Governor

Deputy Governor

Notes on pages 5 to 8 form part of, and should be read in conjunction with, these financial statements.

Central Bank of Belize
Statement of Operations
Year ended 31 December 1984

	Note	1984 \$	1983 \$
Income			
Net interest on investments		1,002,580	2,264,266
Discounts and other investment income		3,834,022	2,508,997
Net realized gains from appreciation in market value of securities		—	36,440
Commissions and other income		645,855	688,444
Total Income		<u>5,482,457</u>	<u>5,498,147</u>
Expenditure			
Printing of notes and minting of coins		52,468	591,356
Salaries and wages, including super- annuation contributions, and gratuities		598,139	454,240
Other expenses, including depreciation		527,207	454,952
Total expenditure		<u>1,177,814</u>	<u>1,500,548</u>
		4,304,643	3,997,599
Transfer to cover the loss on Revaluation Account in accordance with Section 49 of the Act	2(c)	<u>570,978</u>	<u>345,601</u>
Net Profit		3,733,665	3,651,998
Transfer to General Reserve Fund in accordance with Section 9 (1) of the Act		<u>746,733</u>	<u>730,400</u>
Balance credited to the Accountant General for the Consolidated Revenue Fund		<u><u>2,986,932</u></u>	<u><u>2,921,598</u></u>

Notes on pages 5 to 8 form part of, and should be read in conjunction with, these financial statements.

Central Bank of Belize
Notes to Financial Statements
31 December 1984

3. Approved External Assets

Section 25(2) of the Act states that the Bank shall maintain at all times a reserve of external assets of not less than 40 percent of the aggregate amount of notes and coins in circulation and of the Bank's liabilities to customers in respect of its sight and time deposits.

At 31 December 1984 the Bank's external assets approximated 21.94 percent (1983-47.69%) of such liabilities, reflecting a significant deficiency in the reserve of external assets. The deficiency continued into 1985, but recorded an improvement of 7.63 percentage points at 23 March when the ratio was 29.57%.

In view of the depressed state of the economy and its impact on the Bank's external assets, the following measures were instituted under the provisions of section 46 of the Act, with effect from 28 January 1985.

- (a) an increase of 2 percentage points on the Minimum Lending Rate from 12 percent to 14 percent.
- (b) an increase of 3 percentage points on existing minimum deposit rates for saving and time deposits.

Under the provisions of Section 42 of the Act, the Cash Reserve Ratio was increased from 7 percent to 9 percent as of 1 March, 1985.

In addition, two increases in the Liquid Assets Ratio of the commercial banks were approved under the provision of Section 43 of the Act. The first increase of 5 percent came into effect on 1 March, 1985 and a further increase of 5 percent takes effect 1 April, 1985. This has resulted in the Liquid Assets Ratio increasing from 20 percent to 25 percent in the first instance and from 25 percent to 30 percent with effect from April 1, 1985.

These monetary measures are aimed at improving the economic performance of the country, and in particular, to restrict excess demand for credit. Similar restraint on demand for credit by the public sector should help to dampen import demand and curtail expenditure, leading to an improvement in the reserve position of the Bank.

The outcome of a prolonged deficiency in the external assets ratio, significantly below the mandated percentage, is not presently determinable. Management believes that the eventual resolution of this matter will not have a material effect on the financial position of the Bank.

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 1984 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.

Central Bank of Belize
Notes to Financial Statements
31 December 1984

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 1984 the Bank's aggregate holding of Belize Government Treasury Bills and Securities approximated 3.32 times (1983 — 1.53 times) the amount of paid up capital and general reserves of the Bank.

	1984	1983
	\$	\$
6. Other Assets		
Loan to Commercial Banks	7,800,000	—
Note receivable	—	750,000
Accrued interest and cash intransit	1,183,070	85,901
Other	735,928	170,142
	<u>9,718,998</u>	<u>1,006,043</u>

	1984	1983
	\$	\$
7. Fixed Assets		
Building and premises	304,982	304,982
Building improvements	49,254	40,400
Furniture	65,326	52,824
Equipment	187,439	157,205
Vehicle	56,471	21,438
	<u>663,472</u>	<u>576,849</u>
Less: accumulated depreciation	<u>155,406</u>	<u>99,050</u>
	<u>508,066</u>	<u>477,799</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.

Central Bank of Belize
Notes to Financial Statements
31 December 1984

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 1984 notes amounting to \$1,024,532, 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 \$2,704,455 shown under this heading is an amount of \$2,064,791 deposited in Belize currency by the International Monetary Fund. The balance represents deposits by the Commission for European Communities and The World Bank.

11. 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:

	1984 \$	1983 \$
At 1 January	2,208,571	1,478,171
Transfer from net profit in accordance with Section 9(1) of the Act	746,733	730,400
At 31 December	2,955,304	2,208,571

12. Contingent Liabilities

Letters of credit in favor of Government of Belize

	1984 \$	1983 \$
Letters of credit in favor of Government of Belize	208,659	53,742