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CENTRAL BANK OF BELIZE

Fifth Annual Report and Accounts 1989

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C O N T E N T S

Abbreviations:

CBB	Central Bank of Barbados
CDB	Caribbean Development Bank
CDC	Commonwealth Development Corporation
CIDA	Canadian International Development Agency
ECCB	Eastern Caribbean Central Bank
EEC	European Economic Community
EDB	European Development Bank
EIB	European Investment Bank
FFE	Fondo de Financiamiento de las Exportaciones
IBRD	International Bank for Reconstruction and Development (also known as the World Bank)
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
lb	pound (avoirdupois)
PEMEX	Petreleos Mexicanos
PWRS	Paine Webber Real Estate Securities Inc.
RBC	Royal Bank of Canada
SITC	Standard International Trade Classification
T & T	Trinidad and Tobago
TT	Trinidad and Tobago
UK	United Kingdom
US	United States of America
USA	United States of America
USAID	United States Agency for International Development

$ refers to Belize dollar unless otherwise stated.

Since May 1976 the Belize dollar has been tied to the US dollar at the rate of US$1.00 = BZ$2.00

Central Government's fiscal year:1 April to 31 March.

OVERVIEW

Introduction

The Belizean economy underwent a third successive year of robust economic growth in 1989, with GDP provisionally forecast to have expanded by 8.3 percent. Despite a small decline in domestic exports and a widening of the merchandise trade deficit, a $22.7 million balance of payments surplus was accumulated during the year, mainly because of substantial net capital inflows. There were increases in Central Government current revenues and expenditures and a major expansion of capital expenditure during the 1989/90 fiscal year. The current fiscal surplus was projected at $18.1 million. In the financial sector the growth in private sector borrowing continued but at a slower pace than in 1988. Both the public and private sectors expanded their deposit holdings in the banking system. International developments included a deceleration of economic growth in many of the industrialised countries.

International Developments

The growth of world output and trade continued in 1989 although at a slower pace than in the previous year. Capacity constraints combined with a more restrictive monetary stance in many of the industrialised countries contributed to the slowdown in the rate of economic of growth. World output is estimated to have expanded by 3 percent in 1989 and world trade by 7 percent compared with the 4 percent and 9 percent respectively, recorded in the previous year.

In the United States - the major trading partner of Belize - GNP increased by 2.9 percent in 1989 following the rise of 4.4 percent in the previous year. Despite the slowdown in the economy - which is expected to continue into 1990 - consumer price inflation increased from 4.4 percent in 1988 to 4.6 percent in 1989. Growth in the United Kingdom economy also decelerated markedly during the year as a result of the impact of high interest rates on domestic demand. The U.K. government began raising interest rates in 1988 in an attempt to reduce the country's trade deficit and the inflation rate.

The developing economies of Latin America and the Caribbean experienced another difficult year characterised by low rates of economic growth, inadequate levels of investment, high inflation and onerous debt servicing requirements. There was however a modest improvement in the Mexican economy with output growth rising to 3 percent and inflation falling to 20 percent. During the year the Mexican Government reached agreement with its commercial bank creditors on the implementation of proposals under the Brady Plan to reduce the level of the country's external debt and debt servicing requirements.

Domestic Developments

Production and Exports

The Belizean economy experienced vigorous growth for the third successive year in 1989. On the basis of preliminary data, GDP is estimated to have expanded by 8.3 percent in 1989 folowing increases of 13.3 percent and 7.9 percent in 1987 and 1988 respectively. The major stimulus to economic growth in 1989 was provided by Central Government capital expenditure, which contributed to a substantial increase in construction activity, and by higher output of the major export crops - sugar, citrus and bananas. There were however significant declines in livestock production. Manufacturing production expanded strongly during 1989, boosted by higher output of sugar, citrus concentrate, flour, beer and soft drinks.

Domestic exports declined by 2.5 percent in 1989 to $185.6 million. Declines in the value of sugar, garment, marine product and sawn wood exports served to offset rises in the value of citrus concentrate and banana exports during the year. Export earnings in 1989 were affected by lower production volumes in some industries (in particular the garment and sawn wood industries), a decline in average unit prices on world markets for citrus and marine products and by the timing of shipments of sugar.

Production of sugarcane in the 1988/89 crop season rose by 19.1 percent to 924,801 long tons, the highest level since the 1984/85 crop season. The revival in cane production was due mainly to the efforts of the cane farmers, supported by the Sugarcane Extension and Technical Support Service of Belize Sugar Industries (BSI) to replant fields with smut resistant cane varieties and to generally improve cultivation practices. Higher cane prices paid to the farmers in recent years also provided an incentive for renewed investment in the industry.

Of the total cane harvested during the 1988/89 crop season 867,267 long tons were delivered to the BSI factory at Tower Hill. Raw sugar produced by BSI amounted to 90,934 long tons - an 11.3 percent increase over the previous crop year - while output of molasses amounted to 28,440 long tons. A further 57,534 long tons of sugarcane were delivered to the Petrojam plant at Libertad for processing into liquid molasses. This was exported to Jamaica for use in the ethanol industry.

Exports of raw sugar during 1989 amounted to 78,750 long tons valued at $ 68.1 million. Both the volume and value exported were slightly below the levels exported in 1988.[10]

The volume of citrus fruit harvested increased by 7 percent in the 1988/89 crop season to 89,925 long tons. Production of oranges rose by 8.2 percent and that of grapefruit by 5.7 percent. Overall production however was still 8.9 percent below the record level achieved during the 1986/87 crop year. Exports of citrus concentrate during 1989 increased in volume by 23.0 percent to 1.9 million gallons and in value by 12.4 percent to $38.9 million. The increase in export earnings was limited by a decline in average world market unit prices of both orange and grapefruit concentrate.

Despite a series of weather and disease related problems during the year production and exports of bananas rose by 9.3 percent to 25,716 long tons. Export earnings in 1989 increased by 7.8 percent to $19.3 million. Banana production has grown rapidly over the last few years due to a major expansion of the acreage under cultivation and to investment in irrigation facilities. The cold weather at the end of 1989 however seriously damaged the banana crop and will cause substantial production losses in the current year.

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[1] The discrepancy between the 11.3 percent increase in raw sugar production in the 1988/89 crop season and the 0.6 percent decline in raw sugar exports in 1989 is due to the timing of shipments. The first shipment of the 1988/89 crop was made in December 1988 whereas the first shipment of the 1989/90 crop season was not made until January 1990.

The fishing industry experienced mixed fortunes in 1989. In volume terms exports of both lobster and shrimp rose while exports of conch and fresh/salted fish fell sharply. There is concern in the industry over the possible depletion of fish stocks because of overfishing. A major decline in the world market prices of lobster and shrimp contributed to a fall of 17.5 percent to $13.3 million in the fishing industry's export earnings during 1989.

Garment exports declined by 7 percent in value terms to $34.7 million in 1989. Heavy rain at the beginning of the year delayed the onset of the logging season with the result that exports of sawn wood fell by 14.5 percent to $4.7 million.

International Trade

Total exports amounted to $248.1 million in 1989. There was a fall in domestic exports referred to above but re-exports increased by $14.0 million to $62.0 million. The re-export trade (largely with Mexico has experienced a revival since 1987. Retained imports recorded on a c.i.f. basis expanded by $9.8 million to $343.2 million. The merchandise trade deficit (domestic exports minus retained imports) therefore widened to $157.5 million.

The Balance of Payments

A balance of payments surplus of $22.7 million was accumulated in 1989 despite the widening trade deficit which contributed to a deficit on the current account of $43.2 million. Net capital inflows amounting to $50.0 million ensured that the balance of payments remained in surplus for the fifth successive year.

An estimated deficit of $43.2 million was recorded on the current account of the balance of payments. Gross imports (calculated for balance of payments purposes on a f.o.b. basis) of $374.5 million exceeded total exports of $248.1 million by $126.4 million, but this was partially offset by a surplus of $20.6 million from invisible trade (services including factor payments) and a net inflow from development grants and remittances of $62.4 million. Services income was boosted by the $12.8 million increase in tourism earnings to $57.0 million and by the rise of $7.9 million to $41.6 million in foreign exchange receipts from the British Army garrison. There was a notable rise in remittances from Belizeans living abroad.

An estimated capital account surplus of $50.0 million was recorded in 1989. A major contribution to this surplus was made by the substantial increase in direct foreign investment to $47.3 million and the continuation of official capital inflows to finance the public sector investment program.

Central Government Fiscal Operations

Central Government fiscal operations in the 1988/89 fiscal year realised an overall surplus of $40.0 million. Total revenues, which amounted to $203.4 million, were boosted by a 17.2 percent increase in tax revenues to $140.1 million and capital revenue of 42.1 million. The latter was mainly attributable to the receipt of proceeds fronm the sale of equity in Belize Telecommunications Limited. Total expenditure amounted to $163.4 million of which $131.8 million was accounted for by current expenditure and $31.6 million by capital expenditure. The current surplus was $27.7 million.

Provisional estimates for the 1989/90 fiscal year indicate that total current revenue amounted to $167.8 million, an increase of 5.2 percent over the level in the previous fiscal year. Current revenues were boosted by a 3.5 percent rise in revenue from taxes on international trade and transactions. Current expenditure is projected to have risen by 13.6 percent to $149.7 million and the current surplus is estimated at $18.1 million. Capital expenditure is estimated to have risen to $69.6 million of which $43.2 million was funded from local sources and $26.4 million from external sources. The budget for fiscal 1990/91 projects current revenues of $174.8 million and capital revenues and grants of $19.8 million. Total expenditure is estimated at $260.9 million comprising current expenditures of $153.9 million and capital expenditures of $107.0 million. Of the projected capital expenditure, $68.4 million is expected to be funded from foreign sources. The budget projections indicate a current surplus of $20.9 million in fiscal 1990/91.

External Public and Publicly Guaranteed Debt

Public and publicly guaranteed disbursed and outstanding external debt increased by US$6.2 million during 1989 to US$129.4 million. Total disbursements during the year amounted to US$16.9 million. Principal repayments of US$9.1 million and interest payments of US$4.8 million were made during the year. Total debt service payments therefore amounted to US$13.9 million or 15.0 percent of the value of merchandise exports in 1989. The major external creditors of Belize at the end of the year were the Caribbean Development Bank, USAID, the United Kingdom and the World Bank.

Monetary and Financial Developments

Substantial net inflows of foreign exchange during 1989 led to a rise in the net foreign assets of the banking system. Private sector credit expanded during the year but at a significantly slower pace than in 1988, while the public sector continued to reduce its net credit from the banking system, primarily through the accumulation of deposits. Large increases in currency and demand deposits held by the private sector contributed to the strong growth of the money supply.

The net foreign assets of the banking system increased by $40.7 million to $112.6 million during 1989. This was the fifth successive year in which net foreign assets have increased. The net foreign assets of the Central Bank rose by $22.7 million to $109.0 million while those of the commercial banks increased by $18.0 million to $3.6 million, the latter having a net foreign liability of $14.4 million at the beginning of the year. During the year the commercial banks accumulated an increasing volume of liquidity, a substantial proportion of which was held in the form of short term foreign assets.

Credit to the private sector increased by $32.5 million or 15.3 percent to $245.0 million in 1989. An increase of $56.3 millon was recorded in the previous year. The slowdown in the rate of private sector credit growth in 1989 occurred despite a strong rise in the supply of loanable funds with the commercial banks. The rise in private borrowing in 1989 was concentrated in the distribution, construction and agricultural sectors and in personal loans.

Net credit to the public sector was reduced by $30.3 million to negative $40.9 million during 1989 largely as a result of the accumulation of deposits by the Central Government, the Social Security Board and other statutory bodies. This was partly a reflection of the substantial current surpluses accumulated by the public sector in 1989. Net credit to the Central Government fell by $18.7 million to $10.1 million while net credit to the other public sector entities decreased by $11.6 million to negative 51.0 million.

The broad measure of the money supply (M2) increased by $41.8 million or 14.7 percent to $327.1 million during 1989, a more rapid rate of growth than the 9.9 percent recorded in the previous year. Narrow money (M1) which consists of non-interset bearing demand deposits and currency with the public increased by $15.9 million or 18.5 percent during the year, an increase which reflected a particularly large rise in private sector holdings of demand deposits. The increase in M1 is indicative of the vigorous rate of economic expansion during the year. Interest bearing deposits - time and savings deposits - increased by $25.9 million or 13.0 percent to $225.2 million.

Growth of $56.4 million in the deposit liabilities of the commercial banks occurred during the year as a result of both the overall increase in deposits in the banking system and a transfer of public sector deposits from the Central Bank to the commercial banks. With commercial bank lending having risen by only $28.7 million during the year their monthly average holdings of approved liquid assets expanded by $20.6 million to $102.7 million, while excess liquid assets increased by $9.6 million to $18.5 million.

Despite the rise in excess liquidity the weighted average lending rate of interest charged by the commercial banks increased by 0.7 percentage point to 14.0 percent per annum during 1989. Weighted average deposit rates meanwhile rose by 0.4 percentage point to 6.0 percent per annum.

Table 1/Key Economic Indicators

	1981	1982	1983	1984	1985	1986	1987	1988	1989
GDP real growth %	2.9	.05	-1.4	2.8	2.5	2.6	13.3	7.9	8.3 F
Domestic Merchandise Exports $Millions	149.5	121.4	130.3	145.7	128.9	148.9	173.8	190.3	195.6
Retained Imports $Millions	235.4	193.6	199.0	225.5	215.9	220.4	256.6	312.6	343.2
Balance of Payments $Millions	-4.0	-1.0	-19.4	-17.4	20.0	21.6	19.6	37.6	22.7
Consumer Price Index (November)	n.a	n.a	137.0	145.0	144.1	147.6	150.6	155.5	156.6
M2 ($Millions)	129.8	135.5	161.2	170.2	184.4	215.7	259.7	285.3	327.1
GDP Factor Cost current prices $Millions	309.4	291.6	302.4	339.0	335.2	354.3	425.3	480.4	n.a
Gross Fixed Capital Formation current prices $Millions	95.9	81.0	71.3	85.0	71.6	80.0	119.2	158.6	198.9 F

Sources: Central Statistical Office, IMF, Central Bank

F: Forecast

n.a: not available

INTERNATIONAL DEVELOPMENTS

World economic output as well as world trade continued to expand in 1989 although at a slower pace than in the previous year. The volume of merchandise trade is estimated to have expanded by 7 percent in 1989 (as against 9 percent in 1988), partly stimulated by the 3 percent growth in world output. The growth in trade was also underpinned by technological innovations, and capital investments.

Restrictive monetary policies were pursued by the major developed countries in an effort to restrain the rising inflationary pressures which had built up in 1988. These policies resulted in a sharp rise in interest rates in these countries. There was a significant slowdown in the process of reducing the trade imbalances among the major developed countries which gave rise to increased protectionist pressures particulary in the U.S. as well as increased exchange rate uncertainty. Despite their efforts to boost exports, many developing countries continued to experience worsening economic conditions, increased unemployment and further deterioration in the debt service burden.

Growth in the major developed countries slowed in 1989 mainly reflecting the impact of the tight monetary policies pursued. After the 4.1 percent growth recorded in 1988, growth in the OECD countries slowed to 3.5 percent in 1989 and further slow down is expected in 1990.

Output in the United States expanded by 2.9 percent in 1989, the lowest growth rate since the 1982 recession. In 1988 output had increased by 4.4 percent.

Concerns about inflation remained high although the U.S. Federal Reserve tightened credit conditions during the first half of the year, effectively reducing domestic demand. U.S. consumer price inflation rose to 4.6 percent in 1989 from 4.4 percent in 1988. With growth of about 2 percent expected in the U.S. in 1990 inflation is forecasted to improve marginally.

The continued strength of the export sector contributed to the 4 percent growth in the West German economy in 1989. Despite a more restrictive monetary policy pursued by the West German Bundesbank, economic expansion, the periodic weakness of the deutschemark, and the growth in money supply served to place upward pressure on prices. Inflation rose to 2.8 percent in 1989 from 1.3 percent in 1988. Concern over inflation increased further in the latter part of the year as major political events unfolded in Eastern Europe. A moderate slowing of growth is likely in 1990 with output projected to expand by 3.5 percent. The economy is likely to be driven by domestic demand due to higher disposable income and the possible effects of spending by East German immigrants. Inflation is expected to fall slightly to 2.5 percent.

Canada's output expanded by 2.6 percent in 1989, down considerably from the 4.4 percent rate of growth of 1988. Despite the slowdown in growth, inflation was higher at 5 percent as compared to 4 percent in 1988. Economic growth is expected to slow significantly in 1990.

After expanding at a hectic 4.3 percent pace in 1988, the U.K. economy slowed rapidly in 1989 with the rate of growth declining to 2.4 percent. Projections are for output to grow by less than 1 percent in 1990. The slowdown in growth was due primarily to the policy of high interest rates. The base rate was raised to 15 percent in 1989. Inflation reached 7.7 percent in 1989 from 6.6 percent in 1988 but is expected to decline to 5.5 percent in 1990.

The tightening of monetary policy by most of the developed countries, a process initiated in March 1988, led to a general rise in both long-term and short-term interest rates. Given the strength of economic activity, high levels of capacity utilisation, and the tight markets that existed in most of the developed countries at the beginning of the year, the policy was aimed primarily at curbing domestic demand and consequently the build-up of inflationary pressures. Although growth moderated in some of these economies -the U.S., U.K., and France in particular - only in the U.S. was there an easing of monetary policy as the other countries attempted to use monetary measures to prevent depreciation of their domestic currencies.

The U.S. dollar appreciated, on a trade-weighted basis, by 1.5 percent in 1989 after appreciating by 3.5 percent in 1988. Interest rate differentials favouring dollar-denominated assets, political uncertainties in Europe and Japan, and political turmoil in China and Panama contributed to a sharp rise in the dollar. The persistent strength of the dollar forced central banks in the major developed countries to carry out repeated and co-ordinated interventions in the exchange markets to help reduce the value of the dollar. Also contributing to a sharp decline of the dollar in the second half of the year was the narrowing of interest rate differentials as the U.S. Federal Reserve eased its policy following indications of a slowdown in economic activity. Political developments in Eastern Europe in the latter part of the year served to strengthen the West German mark, contributing to the bearish sentiments towards the dollar.

Many of the economies of Latin America and the Caribbean witnessed a continuation of the economic problems which began in 1980. Despite the continued buoyancy of the export sector, many of these economies stagnated or even declined. The region registered a GDP growth rate of 1.1 percent in 1989, marginally higher than the 0.6 percent recorded in 1988. Average per capita GDP declined for the second consecutive year as population growth continued to outpace output growth. There were significant declines in the output of a number of the region's larger economies such as Argentina (-5.5 percent), Venezuela (-8.5 percent) and Peru (-10 percent), as well as in some smaller economies like Trinidad and Tobago (-3.5 percent) and Nicaragua (-3 percent). However, Mexico and Brazil, which together account for one-third of the region's total output, experienced 3 percent real output growth, causing the slight improvement in the region's overall growth rate for 1989. The economic decline has been accompanied by higher unemployment and an upsurge in inflation in many countries. In Mexico however, inflation was reduced from 52 percent in 1988 to 20 percent in 1989 as a result of the economic reforms carried out under the Government's Pact for Economic Solidarity.

The heightening inflation in developing countries was mainly the consequence of the increasing difficulties faced by the public sector in these economies in implementing policies aimed at addressing macro-economic imbalances. As the region continued to grapple with debt servicing problems, 1989 saw an increase in the number of countries in arrears with their debt commitments, including three of the region's four largest debtors - Argentina, Brazil and Venezuela. Notwithstanding the various attempts by the economies of the region to implement structural adjustment programmes and to diversify their exports, most of the economies ended the decade of the 1980s with low rates of growth, high inflation, rising unemployment, serious balance of payments deficits and a build-up of external debt arrears.

With growing evidence that the external debt repayment burdens faced by developing countries were causing increasing social and political instabilities and hindering growth, it became more urgent for viable solutions to be found for the debt problem. The proposals put forward in March 1989 by the U.S. Secretary of Treasury, Nicholas Brady, sought to reduce, by some 20 percent, the $400 billion owed to commercial banks by the major debtor countries. The proposals were welcomed as they sought to strengthen existing debt strategy to include debt and debt service reduction in addition to providing new money for countries pursuing "sound" growth oriented policies. When Mexico entered into negotiations with its creditor banks, the Brady plan was regarded as a means of relief for other debt-ridden economies because of its possible potential for reversing capital flight, and encouraging significant private capital flows. It has been generally agreed however, that the debt reduction proposals will yield rather limited benefits as banks opt to make new loans rather than take capital losses on existing loans. As a result, the international financial institutions have been advocating the implementation of appropriate macro-economic and structural adjustment policies to complement the flow of new funds into these economies.

In December 1989, the E.C. and the 66 ACP countries signed the new Lome IV Convention which spans a 10-year period, from March 1990, rather than a 5-year period as in the past. The new Convention consolidates Lome III as well as improves and develops instruments of co-operation. ACP countries are allowed under this Convention, to export slightly increased volumes of agricultural products to the E.C. The rules of origin for manufactured goods have been made more favourable as value added in concerned countries has been specified at a lower level of 45 percent from the previous 60 percent. Regarding the rum and banana protocols and the E.C. single market of 1992, ACP banana producers have been assured that they will be no worse off in the post-1992 period. However, individual rum quotas will be lifted with the complete removal of rum quotas by 1995. There is also the inclusion in Lome IV of a structural adjustment fund, an attempt at dealing with macro-economic changes in ACP countries. There have been mixed reactions from ACP countries towards Lome IV. Given the economic problems facing these countries the ECU 10.7 billion in aid and trade related arrangements under the convention has been regarded as too little and a number of the trade measures are considered to be of minor importance. Despite the assurances given by the E.C. it is strongly felt that ACP countries stand to benefit very little from the European single market after 1992. The range of exports from ACP countries is very narrow limiting their ability to take advantage of the single market potentials. The share of ACP countries in total exports to the E.C. have fallen from 8.8 percent in 1962 to 4.5 percent in 1988 with the sharpest decline occurring in the exports of manufactured goods.

The rate of economic growth in the developed countries is expected to moderate further in 1990 and will likely be reflected in slower growth in world trade.

The slowdown in output growth will partly reflect the anti-inflationary monetary and fiscal policies likely to be pursued by most of the developed countries. For developing countries, particularly those in Latin America and Africa, 1990 is expected to see zero to negative growth in per capita incomes with a further rise in inflation. The need to restore growth in these debt-ridden economies has become even more urgent. The structural deficiencies and openness of these economies make them very vulnerable to external developments. As such, the possibility of further slowing in the developed countries carries with it negative implications for the developing countries. Recent developments in Eastern Europe are also likely to impact negatively on investments in, and trade with, developing countries. At the same time, the ability of developing countries to improve their debt-servicing capacity, through expansion of exports, continues to be constrained by increasing protectionist measures.

THE DOMESTIC ECONOMY

1. PRODUCTION AND EXPORTS

Sugar and Molasses

The 1988/89 crop year closed with sugarcane production rising by 19 percent to a record high of 924,801 long tons from 776,559 long tons during the 1987/88 crop year. Of this record total 867,267 long tons were milled at the Tower Hill sugar factory to yield 90,934 long tons of raw sugar and 28,440 long tons of molasses. The remaining 57,534 long tons were utilised at the Petrojam plant to yield 9,000 tons of liquid molasses. Sugar production during the 1988-89 crop year was 11 percent higher than in 1987/88 while molasses production was 23 percent higher. The performance of the sugar sector over recent years is presented in Table 2.

Table 2/Sugar Production 1985/86 to 1989/90 ('000 long tons)

	1985/86	1986/87	1987/88	1988/89	1989/90 e/
Sugar Cane Production	853.6	788.9	776.6	924.8	~~n.a.~~ 965.0
Sugarcane milled by BSI	853.6	788.9	776.6	867.3	850.0
Raw sugar	93.3	82.3	81.7	90.9	87.5
Molasses	29.5	24.3	23.1	28.4	25.5
Extraction Ratio	9.15	9.58	9.50	9.54	9.71

Source: Belize Sugar Board
e/: Estimates

The improvement in sugarcane production was achieved through the contribution of the revitalised Research Department of the Belize Sugar Industries and the programmes of its Sugar Extension and Technical Support Service (SETSS). The renewed activities of SETTS, which had been discontinued in 1985 due to the cutbacks in the industry, provided guidance and encouragement to farmers to increase cane production, and to present cleaner cane to the factory. SETSS also introduced new smut resistant varieties of cane, which were planted over 1988 and 1989. The impact of the latter program will also be seen in the 1989/90 crop year when smut resistant varieties should cover at least 7,500 acres producing 175,000 tons of sugarcane. As a result 20 percent of production will consist of higher quality and better milling varieties of cane.

Total export volume of sugar declined by a marginal 0.6 percent to 78,750 long tons in 1989 compared to 1988. Export earnings also declined but by 2.7 percent to $68.1 million. During 1989, Belize continued to enjoy preferential arrangements for shipments to the E.E.C. and U.S. markets. Some 43,352 long tons were sold to the E.E.C. under quota arrangements, slightly above last year's sales, while exports under the U.S. quota arrangements declined by 32 percent to 10,840 long tons. The average realisation from U.S. quota exports for 1989 was 22.76 US cents/pound. E.E.C quota prices, which along with US quota prices are stable, averaged 22.61 US cents/pound in 1989.

Shipments to the world market increased by 6 percent over 1988. However, due to the significant rise in world market prices, earnings from shipments to that market rose by 40 percent or some $4.0 million. Average world market prices rose from 10.19 US cents per pound in 1988 to 12.82 U.S. cents per pound in 1989.

The U.S. and E.E.C. quota arrangements for the export of sugar provide a considerable degree of stability to the earnings from sugar exports. Over the years, world market prices of sugar have fluctuated widely. Prices rose from 3.69 U.S. cents per pound in 1970 to 29.70 U.S. cents per pound in 1974. They plummeted from that point all the way down to 7.84 U.S. cents per pound in 1979 and then rose sharply to 28.59 U.S. cents per pound in 1980. From 1980 prices slid until they reached a 1980's low of 4.05 U.S. cents per pound in 1985 and the future of Belize's sugar was in jeopardy. Reduced world demand for sugar along with the reduction of the U.S. quota allocations for Belize, all served to severely hurt the local industry. However, with the continued operation of one factory, quota sales at guaranteed prices to the E.E.C. and U.S. markets and the almost tripling of world market prices since 1985, the sugar industry has basically survived the trauma of the mid-1980's. Presently sugar exports at world market prices account for 31 percent of the total volume of sugar exports.

There were two adjustments in the global U.S. sugar quota allocations during the course of 1989. In September of 1989, the quota period was extended to 21 months and Belize was allocated 20,815 metric tons (20,485 long tons). This had the effect of accommodating countries, which due to one problem or another failed to meet their quota allocations within the stipulated 12 month period. In November, the global quota was increased and Belize was alloted an additional 2,805 metric tons (2,761 long tons). This brought total quota allotments to 23,620 metric tons (23,245 long tons). With an additional allocation of 3,026 metric tons in January, 1990, the total U.S. quota for Belize stands at 26,646 metric tons for the 21-month period ending September 1990. Belize's E.E.C. quota was increased from 41,000 long tons to 43,000 long tons due to the reallocation of Guyana's shortfall on its E.E.C. shipments.

Table 3/Sugar Exports 1985 to 1989					('000 long tons)
	1985	1986	1987	1988	1989
USA	12.1	52.0	15.8	19.3	21.9
(of which U.S. quota)	(12.1)	(16.2)	(8.5)	(14.3)	(10.8)
EEC (United Kingdom)	53.8	41.2	48.9	48.6	43.4
Rest of the World	23.4	5.3	14.3	11.8	13.4
	93.3	82.3	81.7	90.9	87.5
Total Volume	89.3	98.5	79.0	79.7	78.7
	4.0	-16.2	2.7	11.2	8.8
Total Value ($'000)	45,857	62,908	62,622	70,028	68,128

Source: Belize Sugar Industries
Central Statistical Office

e/: Estimates

Exports of molasses increased by 24 percent in 1989 compared to 1988. Some 26,836 metric tons were exported to the U.S. valued at $1.2 million. Earnings rose by about 20 percent from the $0.96 million earned in 1988.

Projections for the 1989-90 crop year show that 965,000 long tons of cane are likely to be harvested. This would represent an increase of some four percent over 1988/89 production. The Tower Hill factory's crushing capacity is 850,000 tons which should yield 87,500 tons of sugar and 25,500 tons of molasses. The remainder is expected to be utilised by the Petrojam plant. Petrojam which commenced operations in April 1989 is a subsidiary of the Petroleum Company of Jamaica which leased the old Libertad

Sugar Factory in Corozal and refurbished it in order to produce liquid molasses for the ethanol industry in Jamaica. The Company bought cane from Belizean farmers for between $27 and $28 per ton during the 1988/89 crop year.

During the 1988/89 crop year farmers received a final payment of $48.43 per ton of sugarcane, down slightly from the $51.25 per ton received in 1988. Preliminary estimates indicate that farmers will receive $45.30 per ton in the 1989/90 crop year, with the acreage under cultivation for the new crop year remaining the same at 55,000 acres.

If present trends continue, Belize is assured of selling at least 70 percent of its sugar under preferential arrangements. Earnings from shipments to the world market increased significantly from $9.3 million or 14.7 percent of sugar export earnings in 1987/88 to $13.5 million or 20 percent of sugar export earnings in 1988/89. The earnings from these non-quota exports are crucially influenced by world market price fluctuations, which over the years have been quite severe as mentioned earlier. However, a world sugar deficit for the 1989/90 (September to August) world sugar season is being projected. With Brazil's cane production falling short of projections and with priority given to its ethanol production, Brazilian sugar exports are expected to fall short of earlier estimates, thereby contributing to the deficit. In light of these factors world market prices may be expected to rise during 1990.

Bananas

Despite a few setbacks during 1989, some 25,716 long tons of bananas were exported, an increase of 9.3 percent over 1988's shipments. Exports of 40-lb boxes increased by

2.6 percent to 969,227 boxes, while those of 28-lb boxes rose by 19.5 percent to 672,673 boxes.

Exports of bananas increased by almost 30 percent over the last two years with export earnings rising by 36.9 percent. The faster growth in earnings compared to the rise in volume was on account of an upward revision in prices in April 1988. Export earnings for the 1989 calendar year amounted to $19.3 million, a 7.8 percent increase over 1988, in line with the increase in export volume.

Table 4/Banana Exports

	1987	1988	1989
Volume (long tons)	19,985	23,901	25,716
40-lb boxes (net)	858,921	944,404	969,227
28-lb boxes (net)	371,787	562,894	672,673
Value ($Millions)	14.1	17.9	19.3

Source: Banana Control Board

Chiefly responsible for the net increase in production was the substantial increase in acreage under production. Since privatisation of the Banana Control Board in 1985, acreage under production has more than doubled from 1,700 acres to 4,300 acres at the end of 1989. For 1990 new acreage under production is projected at over 1,300 acres. Banana production was adversely affected several times in 1989, and production fell well below projected levels. Black sigatoka disease hit the banana crop in late 1988 and cut the season short with its adverse effect being carried over to 1989.

Nevertheless, production recovered adequately as 6.2 million pounds of fruit were shipped in January 1989. However, at the end of February and in early March a chill hit the banana crop causing a significant loss of production. There was a steep decline in banana exports from 4.1 million pounds in February to a 1989 low of 1.2 million pounds in April. This led to the second quarter's production being the 1989 low, as 10.8 million pounds were shipped compared to the first quarter's total of 13.0 million pounds.

With the arrival of warmer weather and the rainy season, production accelerated to record levels during the third quarter as 17.0 million pounds of fruit were exported. From September onwards the black sigatoka disease was once again out of control. However, production remained basically on par with the third quarter level as exports of 6.8 million pounds were achieved in the fourth quarter. Despite all these setbacks, increased acreage allowed for an increase of some $1.4 million in earnings. Another chill during the Christmas holidays hit the industry severely as temperatures dipped to as low as 47 F, in the banana belt, destroying the crop. In excess of 900,000 bunches were exposed to the low temperatures and suffered damage. According to a banana expert, fruit exposed to temperatures of 55 F or lower suffer damage to cells in the skin which gives rise to a grey-brown rather than the bright yellow colouration upon ripening. The chill did not affect exports in December but the damage has been estimated to be equivalent to two and one-half months to three months of production, or about $8 million. Therefore no shipments of bananas are expected until March of 1990.

The end of year chill has dampened prospects for 1990. With production being set back nearly three months, it is not certain what 1990 production levels would be, barring any future disasters. A new deep water port is under construction in the Big Creek area. It will significantly reduce shipping time and costs and farmers should benefit by an average of $1.50 per box at current rates. Presently the fruit is barged to Honduras, where it is unloaded to larger carriers to be shipped directly to the U.K. Belize continues to enjoy preferential arrangements for the sale of banana exports to the U.K. market at prices higher than those currently prevailing on world markets. Belize sells fruit to the Fyffes Group in England at contract prices of $13.40 per 40-lb box and $9.41 per 28-lb box. The contract price has remained the same since April 1988. Re-negotiations on the prices are expected in April 1990.

With banana production in the Caribbean being projected to increase into the 1990's, there is worry concerning whether the market will still be protected after 1992 when a single E.E.C. market is expected to come into being.

Citrus

Production of oranges and grapefruit rose by seven percent during the 1988/89 crop year compared to the 1987/88 season as 89,925 long tons of fruit were produced (1.4 million boxes of oranges and 0.9 million boxes of grapefruit). Tonnage of harvested fruit was nevertheless 8.9 percent below 1986/87's bumper crop of 98,736 long tons. Orange production increased by 8.2 percent over 1987/88, while grapefruit production rose, by 5.7 percent. Acreage of bearing trees during the 1988/89 crop year was almost 13,500 acres out of about 17,000 acres planted.

Table 5/Citrus Production and Exports 1987-1989				
	1987	1988	1989	Increase in 1989 over 1988 (%)
Production (long tons)	98,736	83,776	89,925	7.3
Oranges ('000 90-lb boxes)	1,672	1,338	1,448	8.2
Grapefruit ('000 80-lb boxes)	883	841	889	5.7
Exports (concentrate, '000 gallons)	1,929	1,524	1,874	23.0
Orange	1,592	1,017	1,231	21.0
Grapefruit	337	507	643	26.8
Value ($'000)	32,008	34,582	38,936	12.6
Orange	25,603	24,640	28,525	15.8
Grapefruit	6,405	9,942	10,411	4.7

Sources: Central Statistical Office
Citrus Growers' Association

During the calendar year 1989 exports of citrus concentrate rose by 23.0 percent to 1.9 million gallons from 1.5 million gallons shipped in 1988. Shipments of grapefruit concentrates attained an increase of 26.8 percent to 0.6 million gallons. However, due to lower average prices realised, earnings from citrus concentrate exports rose by only 12.4 percent to $38.9 million, compared to $34.6 million earned a year ago. Earnings from exports of orange concentrate increased by 15.8 percent, while those from exports of grapefruit concentrate rose only by 4.7 percent over 1988. Average prices for exports of grapefruit concentrate declined by about 15 percent from the almost $20 per gallon realised in 1988. Average earnings from orange concentrate at

$23.17 per gallon were more than a dollar less than the price realised in 1988. Prices received on the international market fell from $1.70 per pound in 1987/88 crop year to $1.31 per pound for the 1988/89 crop year, a 23 percent decline. This was due mainly to a glut in the market caused by larger supplies from Brazil. During the 1988/89 crop year farmers received an average price of $12.35 per box of oranges and $6.46 per box of grapefruit. For the 1989/90 crop year, final payments to growers are expected to average $12.05/box for oranges and $6.78 per box for grapefruit.

During the 1988/89 crop year, the presence of a few Mediterranean fruit flies was noticed and this naturally caused a scare in the industry. However, with the excellent response of the Research Unit of the Citrus Growers' Association and other concerned agencies, the situation was quickly brought under control and production was not affected.

The Citrus Growers' Association has estimated that citrus production for the 1989/90 crop year will significantly surpass that of the previous crop year and even that of the record crop year of 1986/87. Due to new acreage coming into bearing, total production is estimated to be two million boxes of oranges and one million boxes of grapefruit. Belize is expected to gain substantially from exports of concentrate due to the higher prices following a severe chill which hit the citrus belt in Florida a few days before Christmas causing significant damage to the citrus crop in Florida. This freeze, the third in ten years, destroyed 25 percent of the orange crop. By the end of the 1989 orange juice prices had soared from a pre-freeze level of U.S. $1.37 per pound to U.S. $1.50 per pound. By year's end, Brazil, the world's largest producer was expected to supply juice in price range of US$1.50 to U.S. $1.55 per pound. Increased production, due to new harvested acreage, coupled with higher export prices are likely to ensure a bright future for citrus exports from Belize over the short term.

Marine Products

Output of marine products increased marginally in 1989. However, due to depressed prices in the U.S. as a result of reduced demand, there was a substantial decline in export earnings from $16.1 million in 1988 to $13.3 million in 1989. Total export volume for 1989 was 1.67 million pounds, virtually the same as in 1988. Compared to 1987, export volume increased by only 4.4 percent raising once again the issue of whether the country may be approaching capacity exploitation rates. Export volume of lobster rose by 22 percent to 602,000 pounds during the year despite the reduced prices on the international market. There was a 47.5 percent increase in shrimp exports to 391,000 pounds. The latter occurred chiefly as a result of an increase in the number of shrimpers (shrimp boats) from six to nine. These increases were offset by a steep decline of 41 percent in conch exports and a significant decline in shipments of fresh/salted fish. The export prices of these products also fell sharply in 1989.

Presently production of lobster, shrimp and conch account for 70 percent of export volume and over 90 percent of earnings, with lobster accounting for about 35 percent of total volume and 65 percent of total value.

Table 6/Exports of Marine Products*						
	1987		1988		1989	
	Volume	Value	Volume	Value	Volume	Value
Lobster	489	11,489	495	9,899	602	9,584
Conch	262	1,842	320	2,334	189	757
Shrimp	186	1,766	265	2,623	391	2,356
Crabs	7	59	5	58	5	15
Fresh/Salted fish	655	1,700	574	1,216	464	549
Other	-	-	-	-	19	41
TOTAL	1,599	16,856	1,659	16,130	1,670	13,302

Source: Central Statistical Office
Department of Fisheries.

Volume = '000 lb
Value = $'000
* Exclusing aquarium fish

Despite the increase in exports of lobster and shrimp, earnings declined by 3.2 and 10.2 percent, respectively, due to lower prices on the market. Lobster prices declined on the average from $20 per lb to about $14 per lb while those of shrimp fell from about $10 per lb to $6 per lb. Lower average prices for conch and fresh salted fish further depressed earnings, which fell by 68 and 55 percent, respectively. Earnings from exports of aquarium fish amounted to $83,000 in 1989 compared to $28,000 in 1988 and $14,000 in 1987.

The fall in prices for Belize's seafood exports has occurred as a result of the reaction of consumers in the U.S., the main destination for exports of marine products from Belize. High seafood prices have apparently dampened demand in the U.S. The chief concern among consumers is the fact that seafood prices are way above those of chicken, which is consumed five times as much. In order to promote demand, several organisations in the U.S. are trying to promote lesser known and less expensive species, e.g. dogfish. A decline in demand for the higher-priced seafood products may seriously jeopardise Belize's seafood industry. Accordingly, studies geared toward exploring other markets outside of the U.S. seem to be necessary. The market for the lower-priced fish has always been good. There is a need for improved methods of catching fish in order to increase production. The market for scale fish has been good and exports of stone crab is a new venture and the market for it is fairly new.

There has been some concern that the fishing industry is experiencing over-exploitation. An example of this occurred when the shrimp season (August 15 - April 15) was temporarily closed in December because smaller-than-normal sized shrimp were being caught.

There were four joint ventures between Belizean fishing co-operatives and foreign companies for the purpose of deep sea fishing, an area which needs to be tapped to realise any substantial increase in production in view of the likelihood of reaching capacity exploitation rates in the inshore areas.

Garments

Export volume of garments suffered a 5.4 percent decline in 1989 as 3.5 million pieces were shipped valued at $34.7 million. Despite a significant increase in exports from the smaller garment manufacturers over 1988, a 15 percent decline in exports of the largest manufacturer (which is responsible for over 65 percent of shipment volume) resulted in a fall in export volume. Due to the fact that average prices realised fell by 2 percent, total earnings declined by 7.0 percent over 1988.

According to the largest manufacturer, their exports of the high-priced coveralls increased substantially, while there was a significant decline in shipments of the low-priced casual slacks and of jeans (also low-priced). The latter two whose export volume are much larger than the former, may have contributed to the decline.

Table 7/Garment Exports 1987 to 1989

	1987	1988	1989
Volume (million pieces)	2.6	3.7	3.5
Value ($'000)	31,238	37,271	34,673

Sources: Central Statistical Office

Sawn Wood

Exports of sawn wood fell substantially during 1989. Export volume fell by 16.8 percent to 2.945 million board feet while earnings declined by 14.5 percent to $4.7 million. Compared to 1987 however, export earnings and volume remained significantly higher.

Due to rains at the beginning of 1989 adversely affecting road conditions, the trees could not be cut and transported. The dry season began relatively late in 1989. Therefore, no lumber was available until late March and domestic demand was first filled. The volume of exports was relatively low at $1.5 million during the first half of the year compared to $3.1 million earned during the same period in 1988.

However, production accelerated during the second half of the year and export earnings amounted to $3.2 million, significantly higher than the $2.3 million earned during the same period in 1988. It could be speculated that the significant growth in the construction sector during 1989 may have stimulated domestic demand, thereby reducing the amount of sawn wood exports. Exporters need to obtain permits but this seems to be granted where there is assurance that domestic demand has been filled first.

Table 8/Sawn Wood Exports 1987-1989

	1987	1988	1989p/
Volume ('000 bd. ft.)	2,687	3,540	2,945
Value ($'000)	4,228	5,447	4,659
Average unit price ($/bd. ft.)	1.57	1.54	1.58

Source: Central Statistical Office
p/: Provisional

2. FISCAL OPERATIONS

Fiscal 1988/89

There was an improvement in Government's fiscal position from fiscal 1987/88 to fiscal 1988/89 as evidenced by an improvement in the current surplus from $9.0 million to $27.7 million. This improvement was a result of higher revenue receipts, and in particular, tax revenue from international trade and transactions which rose by 21 percent to $96.1 million.

Current expenditure grew by $4.7 million to $131.8 million in 1988/89 with expenditure on wages and salaries showing an increase of $6.0 million. There was a $1.5 million fall in expenditure on goods and services during the same period, and minor increases in expenditure on pensions and public debt servicing.

Excluding receipts of $34.4 million from the sale of BTL shares by Government, capital revenue amounted to $7.7 million in 1988/89 as compared with $1.3 million in the previous fiscal year.

At $31.6 million, development expenditure for 1988/89 was 77.5 percent higher as compared with the previous fiscal year. Capital II expenditure (financed by domestic resources) was $27.4 million compared to $9.3 million for 1987/88. On the other hand, Capital III expenditure (financed by external resources) at $4.2 million for 1988/89, was about a half of what it was in the previous fiscal year.

Table 9/Government of Belize: Revenue and Expenditure			$'000
	1987/88	1988/89	April - December 1989/90 [1]
TOTAL REVENUE	143,225	203,401	140,396
Current Revenue	136,057	159,454	127,921
Tax Revenue	117,524	140,093	107,887
Income and profits	28,302	33,087	21,437
Properties	1,425	1,548	1,121
International trade and transactions	79,439	96,104	77,381
Goods and services	8,358	9,354	7,948
Non-tax Revenue	18,533	19,361	20,034
Capital Revenue	1,299	42,079	11,517
Grants	5,869	1,868	958
TOTAL EXPENDITURE	144,855	163,370	140,863
Current Expenditure	127,070	131,801	102,350
Wages and Salaries	56,652	62,627	52,239
Pensions	5,886	6,312	4,958
Goods and Services	34,359	32,504	22,318
Public Debt Servicing	30,173	30,358	22,835
Interest	15,563	13,412	8,954
Loan repayments	14,397	16,946	13,731
Sinking fund	213	0	150
Capital Expenditure and Net Lending	17,785	31,569	38,513
Development Expenditure	17,785	31,569	38,513
Capital II (local sources)	9,325	27,384	28,974
Capital III (foreign sources)	8,460	4,185	9,539
Net lending	0	0	0
CURRENT BALANCE	8,987	27,653	25,571
DOMESTIC BALANCE [2]	-338	269	-3,403
OVERALL BALANCE	-1,630	40,031	-467
FINANCING			
Banking System	-16,927	-49,206	-8,442
Central Bank	-6,264	-36,775	15,256
Commercial Bank	-10,663	-12,431	-23,698
Domestic Non-Banking Sector	3,075	1,937	-559
External Resources Utilised	15,776	9,076	19,698
TOTAL FINANCING	1,924	-38,193	10,697
ERRORS AND OMISSIONS	-294	-1,838	-10,230

Sources: Ministry of Finance
Central Bank of Belize

[1]: Preliminary data

Fiscal 1989/90 (April - December)

According to the latest available information, the fiscal operations of Central Government for the first three quarters of fiscal 1989/90 resulted in a small overall deficit of $0.5 million, with total revenue and expenditure amounting to $140.4 million and $140.9 million, respectively. During this period, Government has been ble to accumulate a current surplus of $25.6 million.

Current revenue for the review period amounted to $127.9 million with non-tax revenue, at $20.0 million, already slightly higher than that for all of fiscal 1988/89.

Government incurred $102.3 million in current expenditures for the nine-month period of 1989/90, 51.0 percent of which went towards the payment of salaries and wages and 22.3 percent for public debt servicing.

At $38.5 million for the first three quarters of 1989/90, development expenditure had already exceeded the fiscal 1988/89 level by $6.9 million. Capital II expenditure amounted to $29 million and Capital III expenditure was $9.5 million.

Expected Out-turn for Fiscal 1989/90

According to the projections made in the Budget for 1990/91 the current balance for fiscal 1989/90 resulting from Central Government's fiscal operations is $18.1 million, $9.6 million lower than in 1988/89. The reduction in the current surplus resulted from a significantly higher rate of increase in current expenditures than in current revenue. While current revenue at $167.8 million in 1989/90 was 5.2 percent higher than in the previous year, current expenditure was 13.6 percent higher at $149.7 million. Capital revenue is estimated at $12.4 million for 1989/90 as against $7.7 million (excluding the receipts from the sale of BTL shares by Government) in 1988/89.

Capital expenditure during 1989/90 was estimated at $69.6 million representing an crease of $38 million over the previous year. Capital II expenditure (financed by domestic resources) was expected to be higher by $15.8 million at $43.2 million. Capital III expenditure (financed by external resources) was estimated to be $22.2 million higher at $26.4 million.

With higher current expenditure and substantially higher level of capital expenditure, the total expenditure during 1989/90 rose by 34.2 percent in fiscal 1989/90 to $219.3 million.

Proposed Budget for Fiscal 1990/91

In the Budget for 1990/91 current revenue and current expenditure during fiscal 1990/91 have been projected at $174.8 million and $153.9 million respectively, giving rise to a current surplus of $20.9 million. As compared to the expected out-turn for 1989/90, projected current revenue and current expenditure are 4.2 percent and 2.8 percent higher.

Capital revenue and grants are projected at $5.0 million and $14.8 million, respectively for fiscal 1990/91. Total capital expenditure is projected at

$107 million, an increase of $37.4 million as compared to fiscal 1989/90. Capital II expenditures of $38.6 million will be $4.6 million lower than in 1989/90 while Capital III expenditure will be $42.0 million higher.

Table 10/Government of Belize: Revenue and Expenditure $Millions

	Expected Out-turn for 1989/90	Budget 1990/91
Current Revenue	167.8	174.8
Capital Revenue	12.4	5.0
Grants		14.8
Total Expenditure	219.3	260.9
Current Expenditure	149.7	153.9
Capital Expenditure	69.6	107.0
Capital II (local sources)	43.2	38.6
Capital III (foreign sources)	26.4	68.4
Current Balance	18.1	20.9

Source: Budget Speech (March 8, 1990)

As a result of the modest increase in current expenditure and the substantial increase in capital expenditure, total expenditure is projected to grow by 19 percent in fiscal 1990/91 as compared to an increase of 34.2 percent in fiscal 1989/90.

3. MONETARY AND FINANCIAL DEVELOPMENTS

Notable developments in the monetary system during 1989 included continued strong growth in the net foreign assets of the banking system and a marginal increase in net domestic credit . There was a further reduction in net credit extended to the Public Sector. Throughout the year, both the Central Government and the Other Public Sector consistently accumulated deposits and reduced outstanding credit from the domestic banking system.

Growth in commercial bank lending was considerably less than the unprecendented rise experienced in 1988, owing to an apparent saturation of credit demand from the private sector. There was little overall change in the distribution of loans and advances to the private sector with the agriculture, construction, distribution and personal sectors together retaining over 70 percent of the total funds on loan.

During the year broad money (M2) rose by 14.7 percent, to $327.1 million. Total deposit liabilities of the commercial banks increased by 23 percent ($56.4 million), half of which was accounted for by increases in the deposits of the Central Government and the Social Security Board (SSB). The rise in deposits coupled with the slowdown in lending resulted in a considerable expansion of the commercial banks' excess liquid assets. A part of the increase, however, was attributable to the lowering of the liquidity requirement, effective February 1, 1989, from 30 percent to 28 percent of average deposit liabilities (See table 11).

Monetary Survey

The considerable growth in holdings of foreign exchange assets together with a decline in foreign liabilities led to a rise of $40.7 million or 56.6 percent in the net

Table 11/Monetary Aggregates of the Banking System							$Millions
	Position as at the end of			Absolute Changes During		Percentage Changes During	
	1987 December	1988 December	1989 December	1988	1989	1988	1989
NET FOREIGN ASSETS	37.5	71.9	112.6	34.4	40.7	91.7	56.6
NET DOMESTIC CREDIT	202.1	201.9	204.1	-0.2	2.2	-0.1	1.1
To Public Sector (Net)	45.9	-10.6	-40.9	-56.5	-30.3	-123.1	285.8
Central Government (Net)	82.7	28.8	10.1	-53.9	-18.7	-65.2	-64.9
Other Public Sector (Net)	-36.8	-39.4	-51.0	-2.6	-11.6	7.1	29.4
To Private Sector	156.2	212.5	245.0	56.3	32.5	36.0	15.3
OTHER ITEMS (NET)	20.1	11.5	10.4	-8.6	-1.1	-42.8	-9.6
MONEY SUPPLY (M2)	259.7	285.3	327.1	25.6	41.8	9.9	14.7
MONEY SUPPLY (M1)	87.6	86.0	101.9	-1.6	15.9	-1.8	18.5
Currency with the Public	29.6	34.1	40.4	4.5	6.3	15.2	18.5
Demand Deposits	58.0	51.9	61.5	-6.1	9.6	-10.5	18.5
QUASI-MONEY	172.1	199.3	225.2	27.2	25.9	15.8	13.0
Savings Deposits	46.0	62.6	69.3	16.6	6.7	36.1	10.7
Time Deposits	126.1	136.7	155.9	10.6	19.2	8.4	14.0

foreign assets of the banking system during the year. The increase reflects the balance of payments surplus of $22.7 million (the net increase in the Bank's foreign asset position) and the significant improvement in the net foreign asset position of the commercial banks. The upward movement in the net foreign assets of the banking system began in 1985 as a result of measures taken under the IMF supported stabilisation program. The growth has been particularly strong since 1986 partly as a result of increased exports, tourism receipts, external grants and remittances, and public and private sector capital inflows.

Faced with the considerable expansion in deposit liabilities and the slowdown in lending, the commercial banks increased their holdings of foreign assets - mostly short term deposits abroad which serve also as approved liquid assets - because of their relatively high yield. (The interest rate paid on three month time deposits in the United States ranged between 9.6 and 8.5 per annum percent during the year). The banks' holdings of foreign assets peaked at $33.0 million at the end of November, $19.2 million above the level recorded at the beginning of the year, but was reduced to facilitate a large increase in lending during December. Over the year the foreign assets of the banks increased by $10.9 million while their foreign liabilities fell $7.1 million. The banks which began the year with a net foreign liability of $14.4 million reached a net foreign assets position of $3.6 million by the end of the year.

Net credit from the domestic banking system increased only marginally during the year as increases in lending to the private sector just exceeded decreases in net credit to the public sector. Net credit to both the Central Government and the Other Public Sector fell markedly during the year, as a result of continuing improvement in the finances of the Central Government and the Other Public Sector.

Net credit extended by the banking system to the Central Government, after having fallen by $53.9 million in 1988, fell further by $18.7 million in 1989 as the Central Government's deposits increased by $12.0 million and outstanding credit from the domestic banking system was reduced by $6.7 million. Similarly, net credit to the Other Public Sector fell by $11.6 million during the year, after falling $2.6 million in 1988. The decrease in net credit to Other Public Sector largely reflected increases in the deposits of the Social Security Board which, because of the age distribution of the working population among other factors, continues to accumulate funds.

Commercial bank credit to the Central Government as at the end of 1989 consisted of holdings of Government Securities ($35.0 million) and loans and advances ($2.3 million).

Credit to the private sector increased by $32.5 million or 15.3 percent during the year, compared to $56.3 million or 36.1 percent in 1988. Increases in commercial bank lending to the private sector began in 1987 after a build-up in excess liquid assets in the previous year provoked more aggressive loan marketing by the banks. The rate of growth of private sector borrowing appears to have peaked in 1988 and returned to a more sustainable level in 1989 (See table 11).

The broad measure of money supply (M2) increased by 14.7 percent to $327.1 million in 1989 largely as a result of the increase in net foreign assets and the strong growth in economic activity during the year. During 1988, M2 had risen by $25.6 million or 9.9 percent.

M1 (narrow money) increased by $15.9 million in 1989 as demand deposits and currency with the public each rose by 18.5 percent to $61.5 million and $40.4 million, respectively. There was a sharp increase of 24.6 percent in private sector holdings of non-interest bearing assets - currency and private sector demand deposits - during the year. These assets are held primarily for transactions purposes and the rapid increase in 1989 reflects strong growth in economic activity during the year.

Quasi-money, (savings and time deposits), increased by $25.9 million to $225.2 million largely as a result of a $19.2 million rise in time deposits. The rate of growth of these deposits is influenced among other factors by decisions to transfer the deposits of public enterprises or Social Security Board from the Central Bank (where they are treated as demand deposits) to the commercial banks as time deposits. Private sector holdings of time and savings deposits expanded by $17.3 million or 11.0 percent to $174.8 million. A substantial part of this increase can be attributable simply to the accumulation of the interest paid on these deposits.

Commercial Bank Operations

The deposit liabilities of the commercial banks increased by $56.4 million or 23 percent during the year following increases of 15.8 percent in 1988, and 22 percent in 1987. Of the increase, demand deposits accounted for $11.6 million, savings deposits for $6.7 million and time deposits for $38.1 million. The large expansion in deposits partly reflected substantial increases in the deposits of both Central Government and the Social Security Board which together accounted for $26.6 million or 47 percent of the overall rise in deposits (See table 12).

Table 12/Commercial Banks Summary of Assets and Liabilities $Millions

ASSETS	1988 December	1989 December	Absolute Change in Year	Percentage Change in Year	LIABILITIES	1988 December	1989 December	Absolute Change in Year	Percentage Change in Year
LOANS AND ADVANCES	210.2	238.9	28.7	13.7	DEPOSITS	246.3	302.7	56.4	22.9
To: Central Government	4.2	2.3	-1.9	-45.2	Demand	46.7	58.4	11.7	25.1
Other Public Sector	7.3	5.5	-1.8	-24.7	Savings	62.6	69.3	6.7	10.7
Private Sector	198.7	231.1	32.4	16.3	Time	137.0	175.0	38.0	27.7
GOVERNMENT SECURITIES	35.6	35.0	-0.6	-1.7	BALANCES DUE	4.9	4.0	-0.9	-18.4
of which: Treasury Bills	35.6	29.8	-5.8	-16.3					
					To: Central Bank	4.8	3.6	-1.2	-25.0
CASH	5.8	6.3	0.5	8.6	Other Local Financial Institutions	0.1	0.4	0.3	300.0
BALANCES WITH CBB	23.6	36.0	12.4	52.5	FOREIGN LIABILITIES	28.2	21.1	-7.1	-25.2
BALANCES WITH OTHER LOCAL					Short Term	28.1	21.0	-7.1	-25.3
FINANCIAL INSTITUTIONS	1.1	0.3	-0.8	-72.7	Long Term	0.1	0.1	0.0	0.0
FOREIGN ASSETS	13.8	24.7	10.9	79.0	OTHER LIABILITIES	19.9	37.9	18.0	90.5
OTHER ASSETS	26.3	43.5	17.2	65.4	CAPITAL AND RESERVES	17.1	19.0	1.9	11.1
TOTAL	316.4	384.7	68.3	21.6	TOTAL	316.4	384.7	68.3	21.6

Table 13/Sectoral Composition of Loans and Advances						$Millions
	1988	1989	Absolute Change in year		Percentage Change in year	
	December	December	1989	1988	1989	1988
Government Services	4.3	2.3	-2.0	-3.9	-46.5	-47.6
Public Utilities	5.8	4.1	-1.7	-0.5	-29.3	-7.9
Agriculture	28.8	33.9	5.1	7.3	17.7	34.0
Commercial Fishing	2.6	3.5	0.9	1.0	34.6	62.5
Forestry	0.6	1.0	0.4	-1.2	66.7	-66.7
Manufacturing	17.5	18.1	0.6	3.3	3.4	23.2
Tourism	5.9	8.5	2.6	1.8	44.1	43.9
Building and Construction	33.9	40.8	6.9	10.5	20.4	44.9
Real Estate	7.7	8.3	0.6	3.5	7.8	83.3
Financial Institutions	2.0	1.2	-0.8	-0.2	-40.0	-9.1
Distribution	61.5	71.2	9.7	10.5	15.8	20.6
Professional Services	2.1	2.3	0.2	0.4	9.5	23.5
Transport	7.5	7.3	-0.2	3.3	-2.7	78.6
Entertainment	1.0	1.2	0.2	0.2	20.0	25.0
Mining and Exploration	5.8	6.5	0.7	1.1	12.1	23.4
Personal Loans	24.9	30.9	6.0	9.6	24.1	62.7
Sundries	-1.7	-2.2	-0.5	-0.4	29.4	30.8
TOTAL	210.2	238.9	28.7	46.3	13.7	28.2
Loans To Residents	210.1	238.9	28.8	46.3	13.7	28.3
Loans To Non-residents	0.1	0.0	-0.1	0.0	-100.0	0.0

The growth in private sector deposits in 1989, at $29.8 million, was more than one and a half times the increase experienced in 1988. Private sector demand, savings and time deposits increased by $12.4 million, $8.8 million and $8.6 million, respectively, as compared to an increase of $6.0 million and $16.2 million in demand and savings deposits respectively, and a decline of $4.1 million in time deposits in 1988.

Commercial bank lending increased by $28.7 million or 13.7 percent to $238.9 million during 1989 following increases of $46.3 million or 28.3 percent in 1988 and $28.9 million or 21.4 percent in 1987. Loans and advances to the private sector increased by only $32.4 million during the year as compared with $51.7 million in 1988. Commercial bank loans and advances to the Central Government and the Other Public Sector were reduced by $1.9 million and $1.8 million, respectively, over the year.

The sectoral distribution of loans and advances is given on table 13. The increase in lending, as in 1988, was concentrated mainly in the agriculture, construction, distribution and personal sectors. At the end of the year, these sectors together accounted for 97 percent of the increase in lending during the year, and commanded 74 percent of the total funds on loan. In 1988, the same sectors received 82 percent of the increase in lending and accounted for 71 percent of the total funds on loan.

It is not immediately clear why the rate of growth of private sector borrowing from the commercial banks slowed markedly during the year especially given the continued bouyancy of real sector activity. Certainly credit demand was not constrained by an inadequate supply of loanable funds in the banking system. It may be that the more rapid growth rates of borrowing recorded in 1987 and 1988 were to some extent untypically high, caused partly by a temporary upward adjustment in the private sector's stock of physical capital and consumer durables following the austerity and economic

Table 14/Commercial Banks' Approved Liquid Asset Holdings (Monthly Averages)				$'000
			Absolute Changes	Percentage Changes
	Monthly Average December 1988	Monthly Average December 1989	Monthly Average December 1988 - December 1989	Monthly Average December 1988 - December 1989
Cash	5893	6196	303	5.14
Balances with CBB	24157	22644	-1513	-6.26
Treasury Bills	34179	39869	5690	16.65
Other Local Holdings	3066	2873	-193	-6.29
Foreign Holdings	12066	30255	18189	150.75
Other Approved Assets	2735	864	-1871	-68.41
Total Approved Liquid Assets	82096	102701	20605	25.10
Average Deposit Liabilities	244168	300749	56581	23.17
Total Approved Liquid Assets as percent of Average Deposit Liabilities	33.6	34.1	0.5	1.49
Required Minimum Liquidity	73250	84210	10960	14.96
Excess Liquidity	8846	18491	9645	109.03
Loans from Central Bank	4764	3600	-1164	-24.43
Net Liquidity	4082	14891	10809	264.80

uncertainty of the first half of the decade. The 16.3 percent growth rate recorded in 1989 may represent a more sustainable level of private credit expansion given that the opportunities for investment by local entrepreneurs are somewhat limited by the size of the domestic market and the difficulties involved in penetrating new export markets.

With stronger growth in bank deposits than in loans, the commercial banks' holdings of approved liquid assets increased substantially resulting in the growth of excess liquid assets. Monthly average holdings of approved liquid assets increased by $20.6 million or 25.1 percent to $102.7 million during the year while the required holdings of approved liquid assets increased from $73.3 million to $84.2 million. The monthly average excess liquid assets thereby increased by $9.6 million to $18.5 million during the year (See table 14).

Interest Rates

The Central Bank is empowered, under section 44 of the Central Bank of Belize Act 1982, to determine the minimum interest rate the commercial banks charge on loans as well as the minimum interest rates to be paid on various categories of deposit accounts.

The Bank, in light of the balance of payments surplus in 1987 and improvement in the Central Government finances, lowered the minimum lending rate in August 1988 to 10 percent per annum in an effort to stimulate private sector investment. The same rate remained in effect througthout 1989 (See table 15).

Table 15/Minimum Interest Rates (percent per annum)

	1985	1986	1988	1989
	January 28	December 12	August 1	April 1
COMMERCIAL BANK INTEREST RATES (1)				
MINIMUM LENDING RATE	14.0	12.0	10.0	10.0
DEPOSIT RATES				
Ordinary Passbook Savings	7.0	5.0	4.5	5.0
Premium Savings	9.0	8.0	6.0	6.0
One Month Fixed Deposits	10.0	8.0		
Up to Three Months			7.0	7.0
Three Months Fixed Deposits		10.0		
Three Months to Six Months	12.0			
Over Three Months And up to Six Months			8.0	8.0
Over Six Months and up to One Year			8.5	8.5
One Year Fixed Deposits	12.5	11.0		
Two Year Fixed Deposits		12.0		
CENTRAL BANK INTEREST RATES				
Discount Rate (2)	20.0	12.0	10.0	12.0
Deposit Rate (3)	10.0	8.0	6.0	6.0

(1) These rates are minimum rates set by the Central Bank of Belize under Section 44 of the CBB ACT 1982.

(2) This is the rate Central Bank charges on loans to qualifying borrowers.

(3) This is the rate Central bank pays on qualifying deposits.

Along with the lowering of the minimum lending rate the deposit interest rates were also lowered in August 1988. These rates continued to remain in effect in 1989 with the exception of the interest rate payable on ordinary passbook savings.

With a slowdown in the growth of private sector deposits in the latter part of 1988, the Bank became anxious to maintain incentives for savers, and in particular for lower income savers whose options in savings instruments are restricted because of the minimum amounts required for time deposits. The Bank consequently revised the minimum rate paid on ordinary passbook savings from 4.5 percent per annum to 5.0 percent per annum effective April 1, 1989.

The weighted average commercial bank deposit rate increased by 0.4 percentage point to 6.0 percent per annum during the year. The weighted average lending rate, however, rose by 0.7 percentage point to 14.0 percent during the year thereby increasing the interest rate spread by 0.3 percent to 8.0 percent. It is noteworthy that even with the marked slowdown in private sector credit demand and the consequent build up of excess liquid assets, the banks chose to increase their weighted average lending rates and, by extension, their interest rate spread, rather than attempt to stimulate credit demand by reducing the cost of borrowing. This suggests that the scope for extending further credit to borrowers deemed to be creditworthy was rather limited.

Table 16/Weighted Average Interest Rates			(percent per annum)
	December 1988	July 1989	December 1989
COMMERCIAL BANK DEPOSIT RATES			
Demand	-	-	-
Weighted Average Savings	4.9	5.4	5.3
Weighted Average Time	7.6	7.8	8.0
Weighted Average of ALL Deposits	5.7	6.0	6.0
COMMERCIAL BANK LENDING RATES			
Weighted Average Personal	13.9	14.2	14.7
Weighted Average Commercial	13.4	14.1	14.0
Weighted Average Mortgage	12.4	12.0	12.6
Weighted Average Other	12.8	13.2	13.8
Weighted Average of all Loans	13.3	13.8	14.0
Spread between Weighted Average Deposit and Weighted Average Lending Rates	7.6	7.8	8.0
Treasury Bill Rate	7.36	7.36	7.36

CREDIT UNIONS

Credit unions provide saving and lending facilities to the public, and in particular to the less affluent members of society. They are able to attract savings mainly because they offer credit facilities to savers who would normally experience difficulty in obtaining loans from the commercial banks. Savers buy shares in the credit unions which yield an annual dividend and can be used as collateral for loans. Members who borrow from the credit unions are charged a monthly interest rate of one percent on the declining balance of their loan. In effect the credit unions recycle money between their members to facilitate expenditure on house building and repair, education, investment in small businesses and consumer durables. Surplus funds are invested in the commercial banks.

The credit unions are supervised by the Department of Cooperatives and Credit Unions, which collects regular data on their assets and liabilities. A consolidated balance sheet comprising data from five of the largest credit unions is presented in table 17.

Over the first nine months of 1989 members' shares in these five credit unions increased by $4.3 million to $27.8 million. Loans to members meanwhile rose by $3.9 million to $33.4 million.

Table 17/ Summary of Assets and Liabilities of Five Major Credit Unions $'000

	1988 December	1989 September	Absolute Change
ASSETS			
Loans to Members	28,824	32,764	3,940
HILP Loans	677	623	-54
Current Account	48	362	314
Fixed Deposits	2,669	2,773	104
Other Assets	1,095	1,032	-63
TOTAL ASSETS	33,313	37,554	4,241
LIABILITIES			
Members' Shares	23,505	27,846	4,341
Reserve Funds	2,720	5,525	2,805
Other Liabilities	7,088	4,183	-2,905
TOTAL LIABILITIES	33,313	37,554	4,241

Sources: Department of Co-operatives and Credit Unions
Holy Redeemer Credit Union

PUBLIC AND PUBLICLY GUARANTEED EXTERNAL DEBT

At the end of December 1989, the Public and Publicly Guaranteed disbursed and outstanding external debt, including valuation adjustments, was US$129.4 million, an increase of US$6.2 million on the US$123.2 million at the end of December 1988. With the addition of two loans which had previously been signed, the changing of one loan to a grant and the combination of two loans into one by Caribbean Development Bank, this debt now involves 100 loans. Central government has 44 loans, including the IMF andby loan, the Rest of the Non-Financial Sector has 19 loans and the Financial Sector 37 loans, 35 of which are for the Development Finance Corporation. Of the total loans, 14 are in the process of disbursement, two are dormant in that there had been disbursements on them prior to this year but none in 1989 and there are four loans on which disbursements had been due to start but on which there is still no activity. There are no recorded new loans in 1989. The debt was distributed as follows:

Table 18/Total External Public Debt Outstanding (December 31, 1989)

	US$ million	percent of total
Central Government	69.4	53.7
Non-Financial Public Sector	38.0	29.3
Financial Public Sector	22.0	17.0
TOTAL	129.4	100.0

Since the beginning of 1984 the Public and Publicly Guaranteed external debt has increased by US$19.1 million as a result of valuation adjustments which reflect the variations in the exchange rates of the US dollar against other major currencies in which the debt is denominated. This year the valuation adjustment was negative as the dollar continued to move upward against those currencies.

Total disbursements for the year were US$16.9 million, almost identical to the US$17.1 million disbursed in 1988. Central Government received US$11.5 million, almost exclusively used for major infrastructural projects including the International airport and road projects. The Non-Financial Public Sector received US$4.6 million for the improvement and extension of the telephone and electricity systems. The Development Finance Corporation received US$0.8 million which represents the total disbursements for the Financial Public Sector.

Principal repayments during the year totalled US$9.1 million, with Central Government repaying US$5.8 million, including US$4.2 million to the IMF; payments by or on behalf of the Non-Financial Public Sector were US$1.8 million and the Financial Public Sector repaid US$1.6 million.

Interest payments totalled US$4.8 million, with Central Government paying US$2.0 million on its own loans; interest payments on Non-Financial Public Sector loans were US$1.6 million and the Financial Public Sector paid US$1.2 million.

Public and Publicly Guaranteed external debt servicing during 1989 amounted to 15 percent of the value of the country's domestic exports.

Classified according to creditor, the debt was as follows:

Table 19/Composition of Total External Public Debt
(December 31, 1989)

	US$ million	percent of total
Bilateral	60.1	46.4
Multilateral	55.3	42.7
Commercial Banks	11.5	8.9
Suppliers' Credit	2.5	2.0
Total	129.4	100.0

At the end of the year the four major creditors were the Caribbean Development Bank with 23.8 percent of total outstanding debt, USAID with 19.9 percent, the United Kingdom with 15 percent and the World Bank with 10.6 percent (see Table 19).

During the calendar year, three loans were fully repaid - one from the Caribbean Development Bank and the other two from the UK government. The majority of the Ashworth loans to the Belize Electricity Board have been retired.

Projected debt servicing for 1990 is US$14.8 million with US$10.5 million for principal payments and US$4.3 million for interest and other payments.

Table 20/Belize External Debt Operations US$'000

	Disbursed Outstanding Debt 31/12/88	Disbursement	Amortisation	Interest	Valuation Adjustments	Disbursed Outstanding Debt 31/12/89
I CENTRAL GOVERNMENT (excludes IMF)	57,284	11,525	1,570	1,578	-1,148	66,091
CDB	3,077	4,227	272	181	1,595	8,627
EDF	3,542	-	-	40	41	3,583
IBRD	7,520	2,468	505	587	-235	9,248
IFAD	441	117	-	8	-4	554
T & T	54	-	2	1	0	52
UK	20,110	1,877	149	65	-2,489	19,349
USA	19,455	1,465	-	388	0	20,920
RBC	600	-	200	65	0	400
PEMEX	717	-	239	92	0	478
FFE	503	-	84	24	0	419
ECCB & CBB DEBENTURES	700	-	-	80	0	700
SUPPLIERS' CREDIT	565	645	119	40	-56	1,035
OPEC	-	726	-	7	0	726
II REST OF NON-FINANCIAL PUBLIC SECTOR	35,038	4,643	1,751	1,613	+17	37,947
CDB	12,130	501	618	388	-69	11,944
IBRD	1,670	2,843	-	340	0	4,513
CIDA	7,791	-	216	-	+228	7,803
CDC	1,139	253	172	63	-134	1,086
BNS	2,159	-	498	165	0	1,661
BARCLAYS	8,529	1,046	121	650	0	9,454
SUPPLIERS' CREDIT	1,620	-	126	7	-8	1,486
III FINANCIAL PUBLIC SECTOR	23,018	756	1,563	1,245	-190	22,021
CDB TO DFC	9,938	556	613	347	+321	10,202
NON CDB TO DFC	10,221	200	950	898	0	8,760
EDF	469	-	-	4	+6	475
EEC/EIB	2,125	-	215	192	-48	1,862
CDC	4,340	-	693	490	-511	3,136
PWRS	1,775	200	-	183	0	1,975
CIDA	1,512	-	42	-	42	1,512
OTHER FINANCIAL PUBLIC SECTOR	2,859	-	-	29	0	2,859
I + II + III	115,340	16,924	4,884	4,436	-1,321	126,059
IV IMF	7,877	-	4,181	404	-365	3,331
TOTAL	123,217 R	16,924	9,065	4,840	-1,686	129,390

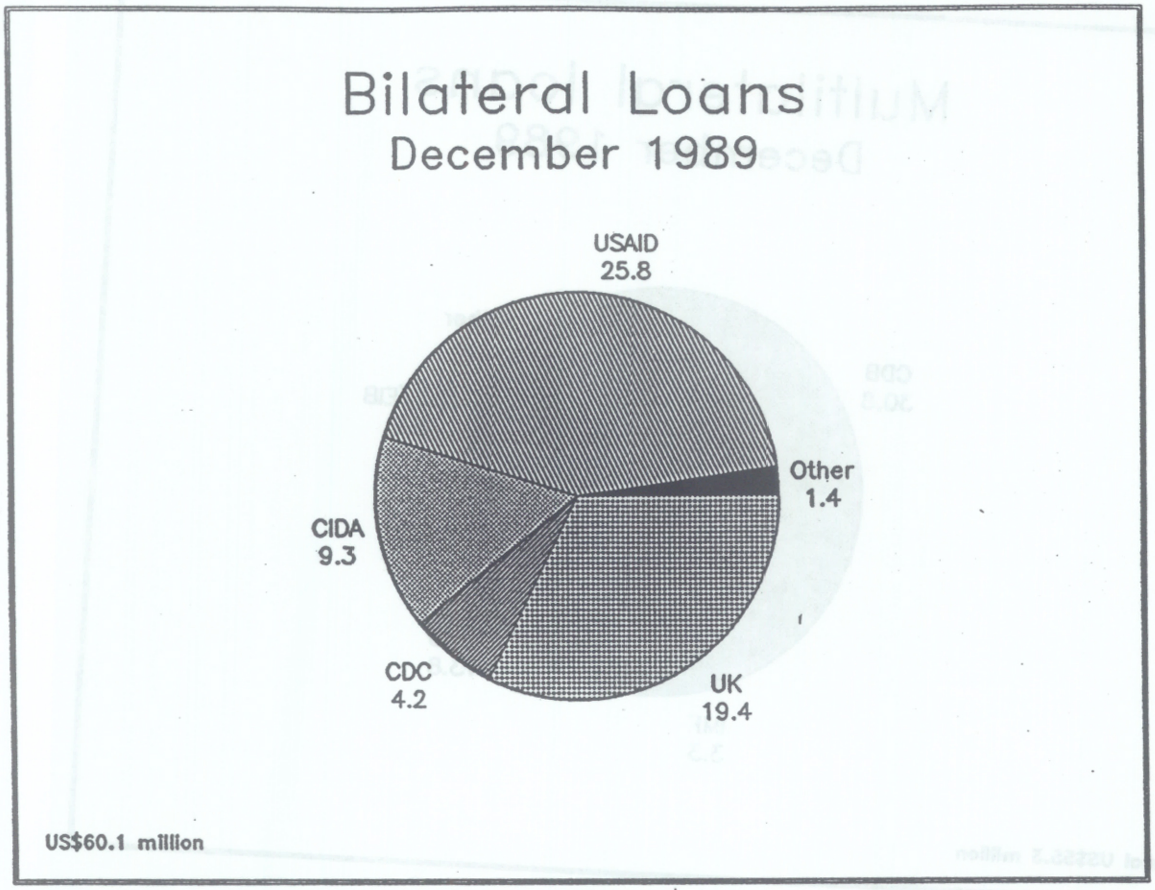
CBB - Central Bank of Barbados
ECCB - Eastern Caribbean Central Bank
R: Revised to exclude private sector debt that is not guaranteed

Table 21/Annual Transactions by Creditor US$'000

	Disbursed Outstanding Debt 31/12/88	Disbursement	Principal	Interest	Valuation	Disbursed Outstanding Debt 31/12/89
MULTILATERAL	48,989 R	11,438	6,402	2,520	+1,239	55,265
CDB	25,145 R	5,284	1,500	916	+1,844	30,773
IMF	7,877	-	4,181	404	-365	3,331
IBRD	9,190	5,311	505	927	-235	13,761
EEC/EIB/EDF	6,136	-	215	236	-1	5,920
OTHER	641	843	-	37	-4	1,480
BILATERAL	60,755	3,795	1,597	1,393	-2,864	60,089
USAID	24,089	1,665	-	600	0	25,754
CIDA	9,303	-	258	-	+270	9,315
UK	20,110	1,877	149	65	-2,489	19,349
CDC	5,479	253	865	553	-645	4,222
OTHER	1,774	-	325	175	0	1,449
SUPPLIERS CREDIT	2,185	645	245	47	-64	2,521
COMMERCIAL BANKS	11,288	1,046	819	880	0	11,515
TOTAL	123,217 R	16,924	9,063	4,840	-1,689	129,390

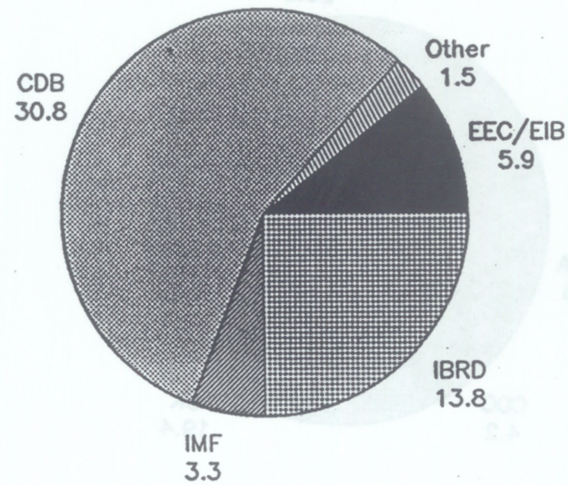
Note: 1. Bilateral-Other = CBB + Pemex + FFE
2. Multilateral-Other = ECCB + IFAD

R: Revised to exclude private sector debt that was not guaranteed

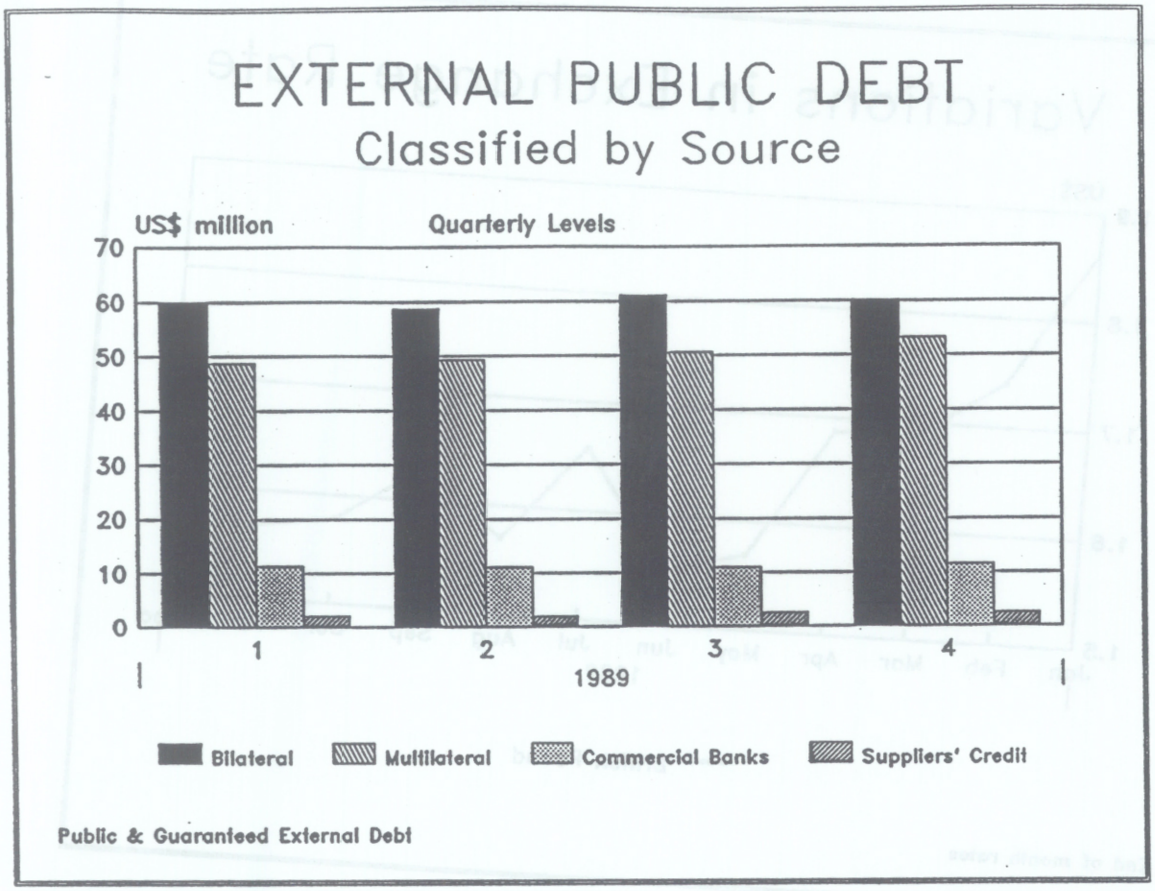


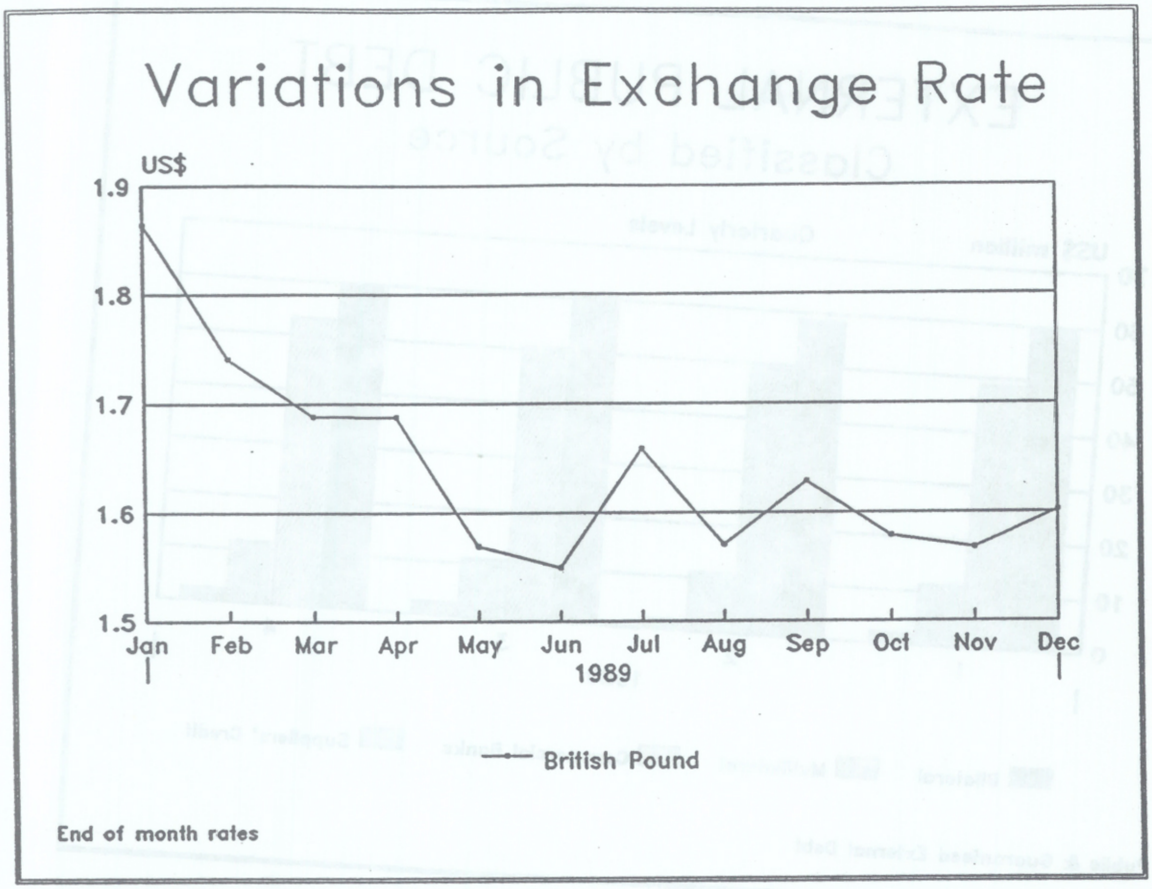
Bilateral Loans
December 1989
USAID
25.8
Other
1.4
CIDA
9.3
CDC
4.2
UK
19.4
US$60.1 million

Multilateral loans
December 1989



Total US$55.3 million


EXTERNAL PUBLIC DEBT
Classified by Source
US$ million
Quarterly Levels
70
60
50
40
30
20
10
0
1
2
3
4
1989
Bilateral
Multilateral
Commercial Banks
Suppliers' Credit
Public & Guaranteed External Debt


Variations in Exchange Rate
US$
1.9
1.8
1.7
1.6
1.5
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
1989
British Pound
End of month rates

International Trade

The merchandise trade deficit widened significantly in 1989 to $157.5 million. This represented an increase of 28.9 percent over the deficit of $122.2 million recorded for 1988. A 9.8 percent rise in retained imports, coupled with a 2.5 percent decline in domestic exports, were responsible for the widening of this deficit.

During the year retained imports amounted to $342.2 million compared to import costs of $312.6 million a year ago. Domestic exports for 1989 totalled $185.6 million, down from 1988's total of $190.3 million. There was a significant increase in re-export trading, from which earnings amounted to $62.0 million compared to the 1988 total of $48.0 million.

An examination of the composition of trade for the first half of 1989, showed exports of food and live animals comprising the bulk of domestic export earnings with 88.3 percent. In the retained imports sector, imports of machinery and transport equipment accounted for 29.2 percent of imports, while imports of manufactured goods, and fuels and lubricants amounted to 18.4 and 11.3 percent of imports, respectively. Imports of food and live animals amounted to 18.7 percent of retained imports. The composition of imports during the first half of 1989 was very similar to that in 1988 (See table 22).

During the first half of the review year, 78.1 percent of domestic exports were shared between the United States (40.8 percent) and the United Kingdom (37.3 percent). Exports to CARICOM during the first half of 1989 amounted to 10.6 percent of domestic exports and exceeded their level in 1988. Belize continued to maintain consistent trading links with CARICOM, with Jamaica as the major regional trading partner.

able 22/Retained Imports and Domestic Exports by S.I.T.C. 1988 (January - June, 1989)

	1988				January - June, 1989			
	Domestic Exports	Percentage Share	Retained Imports	Percentage Share	Domestic Exports	Percentage Share	Retained Imports	Percentage Share
ood and Live Animals	144,473	75.9	57,376	18.4	95,143	88.3	33,414	18.7
Beverages and Tobacco	3	-	4,194	1.3	-	-	2,358	1.3
Crude Materials	7,208	3.8	747	0.2	1,852	1.7	653	0.4
Fuel and Lubricant	-	-	31,845	10.2	-	-	20,120	11.3
Animals and Vegetable Oils	-	-	770	0.3	-	-	379	0.2
Chemicals	1,019	0.5	29,730	9.5	366	0.4	17,353	9.7
Manufactured Goods	222	0.1	53,839	17.2	44	-	32,895	18.4
Machinery and Transport Equipment	-	-	84,727	27.1	2	-	52,107	29.2
Miscellaneous Manufactured Goods	37,416	19.7	47,935	15.3	10,296	9.6	18,255	10.2
Commodities N.E.C.	-	-	1,420	0.5	-	-	967	0.6
	190,341	100.0	312,583	100.0	107,703	100.0	178,501	100.0

Shipments to Canada accounted for 3.4 percent of export earnings. Data available for the first half of 1989 indicate that the share of Mexico in re-exports was 54.3 percent and of the U.S. 41.7 percent, the latter representing a notable increase over the share of U.S. in re-exports during the first half of 1988.

Table 23/External Trade $'000

	1987	1988	1989	Change over 1988	Change over 1988 (%)
EXPORTS	205,725	238,341	247,654	-9,313	3.9
Domestic Exports (a)	173,843	190,342	185,633	-4,709	-2.5
Re-exports	31,882	47,999	62,021	14,022	29.2
GROSS IMPORTS	285,885	361,948	420,523	58,575	16.2
Retained Imports (b)	256,631	312,582	343,173	30,591	9.8
Balance of Trade (a - b)	-82,788	-122,240	-157,540	-35,300	-28.9

ble 24/Direction of Trade

	1988				January - June, 1989			
	Domestic Exports	Percentage Share	Retained Imports	Percentage Share	Domestic Exports	Percentage Share	Retained Imports	Percentage Share
nit Kingdom	70,088	36.8	26,605	8.5	40,117	37.3	17,664	9.9
nited States	85,802	45.1	179,820	57.5	43,987	40.8	102,159	57.2
anada	6,883	3.6	14,364	4.6	6,943	6.4	4,376	2.5
exico	4,946	2.6	23,803	7.6	1,174	1.1	14,669	8.2
aricom	16,400	8.6	15,410	5.0	11,369	10.6	9,103	5.1
Netherlands	-	-	232	0.1	14	-	4,028	2.3
Other EEC	4,759	2.5	17,277	5.5	3,682	3.4	6,119	3.4
Other	1,464	0.8	35,072	11.2	417	0.4	20,383	11.4
	190,342	100.0	312,583	100.0	107,703	100.0	178,501	100.0

Table 25/Balance of Payments						BZ$Millions
	1988			1989		
	Credit	Debit	Net	Credit	Debit	Net
CURRENT ACCOUNT	456.9	467.9	-11.0	500.6	543.8	-43.2
VISIBLE TRADE	238.8	322.6	-83.8	248.1	374.5	-126.4
INVISIBLE TRADE	159.3	138.2	21.1	183.5	162.7	20.6
Freight and Merchandise Insurance	–	40.6	-40.6	–	47.1	-47.1
Other Transportation	20.3	12.2	8.1	25.1	15.2	9.9
Travel	44.2	13.1	31.1	57.0	15.1	41.9
Investment Income	7.9	20.4	-12.5	10.4	27.7	-17.3
- Public	7.7	8.5	-0.8	10.3	12.1	-1.8
- Private	0.2	11.9	-11.7	0.1	15.4	-15.5
Other Goods, Services and Income	86.9	51.9	35.0	91.0	57.6	33.4
Official n.i.e.	47.7	24.0	23.7	50.4	24.8	25.6
Private	39.2	27.9	11.3	40.6	32.8	7.8
UNREQUITED TRANSFERS	58.8	7.1	51.7	69.0	6.6	62.4
Official	23.1	1.9	21.2	22.8	2.0	20.8
Private	35.7	5.2	30.5	46.2	4.6	41.6
CAPITAL ACCOUNT	114.5	62.2	52.3	114.2	64.2	50.0
Direct Investment	28.0	2.3	25.7	47.3	2.1	45.2
Other	86.5	59.9	26.6	66.9	62.1	-4.8
Official	34.5	15.3	19.2	33.8	11.3	22.5
Private	52.0	44.6	7.4	33.1	50.8	-17.7
- Commercial Banks	3.2	–	3.2	–	18.0	-18.0
- Other	48.8	44.6	4.2	33.1	32.8	0.3
ERRORS AND OMISSIONS			-3.7			15.9
OVERALL BALANCE			37.6			22.7
NET CHANGE IN RESERVES (Minus = Increase)	–	37.6	-37.6		22.7	-22.7

R: Revised
P: Provisional

RECENT DEVELOPMENTS IN THE BELIZEAN ECONOMY: Macro-Economic Trends

There has been a marked improvement in the Belizean economy over the last few years after the serious difficulties experienced in the first half of the 1980s. Those difficulties - caused mainly by adverse movements in the country's terms of trade[2]- included low real GDP growth rates combined with balance of payments and public sector deficits. During the last three years however real GDP growth has accelerated markedly, averaging 9.8 percent per annum compared to the average of 1.6 percent per annum in the preceding six years. Moreover the expansion of output - which has entailed a significant increase in imports of both investment and consumption goods- has occurred without as yet jeopardising the improvement in the balance of payments begun during the stabilisation program of 1984 to 1986. Balance of payments surpluses amounting to nearly $80 million have in fact been accumulated over the last three years. In this section the recent macro economic trends in Belize are examined in an effort to identify the factors underlying the growth of the economy and the continued accumulation of external surpluses.

onomic Growth and Investment

Table 26: Real GDP Growth[3]

	1985	1986	1987	1988	1989
Real GDP Growth %	2.5	2.6	13.3	7.9	8.3

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[2] World market prices of sugar - Belize's major export earner - fell precipitously at the start of the 1980s while at the same time prices of imported manufactures and fuel rose sharply.

[3] Source: CSO

The expansion of output over the last three years has encompassed most of the major sectors of the economy, although those experiencing the most rapid growth have been in the secondary and services sectors. The construction industry has expanded by an average of 24 percent per annum since the end of 1986, the trade, restaurants and hotels sector by 15 percent, the public utilities by 10 percent, manufacturing by 9 percent, transport and communications by 7 percent, fishing by 6 percent and agriculture by 5 percent.

Most of the growth in GDP has occurred as a result of a substantial increase in gross fixed investment, which rose from an estimated $80 million in 1986 to an estimated $159 million in 1988, and further to a forecast $199 million in 1989 (see table B below). As a percentage of GDP (at market prices) gross fixed investment increased from 19 percent in 1986 to 29 percent in 1988. Although a comprehensive breakdown of investment by sector is not available it is possible to draw some tentative inferences from available data as to the nature and sources of the investment and its possible consequences for the economy.

Table 27: Gross Fixed Investment ($ millions)[4]

	1985	1986	1987	1988	1989
Gross Fixed Investment	71.6	80.0	119.2	158.6	198.9
Public Sector	37.0	42.4	41.0	68.8	95.7
Private Sector	34.6	37.6	78.2	89.8	103.2

[4] Sources: CSO, Central Bank, IMF. Public sector investment refers to expenditures undertaken in the fiscal year, eg the figure given for 1986 refers to the 1986/87 fiscal year. The 1989 estimates are forecasts based on preliminary data.

The increased investment expenditure in recent years has been undertaken by both the public and private sectors. Public investment rose from an estimated $42 million in fiscal year 1986/87 to $69 million in 1988/89 and to a forecast $96 million in 1989/90. It has been concentrated in the transport infrastructure, the public utilities and telecommunications and about half of this investment has been funded by external sources of financing. External loan disbursements for public sector capital projects over the last four years have amounted to approximately $99 million ($51 million for Central Government, $9 million for the Development Finance Corporation, $14 million for the Belize Electricity Board and $25 million for Belize Telecommunications Ltd), with a further $14 million in external grants for the Water and Sewerage Authority's capital expenditure. In addition there was a large rise in locally funded Central Government capital expenditure on infrastructure and social projects during 1989. This brought total locally funded Central Government capital expenditure during the last four fiscal years to nearly $89 million.

The increase in public investment has already had a significant impact on GDP growth, firstly by providing a major boost to the construction industry and secondly by enabling the public utilities to expand the output of their services. However, because the returns on large scale public investment projects are often realised over long periods of time it is likely that the major benefits to the economy of much of this investment lie in the future, as private industries are established and expand to take advantage of the opportunities provided by improvements in the public infrastructure.

Private investment increased from an estimated $38 million in 1986 to an estimated $90 million in 1988 and to a forecast $103 million in 1989. From the limited information available it appears that this investment has been divided fairly evenly between sectors supplying external markets and those supplying the domestic market. An estimate of the larger investments in the traded goods sector can be obtained from the development concessions records. Estimated investment over the three year period from 1986 to 1989 by companies operating under development concessions (and supplying mainly but not exclusively export markets) amounted to $107 million, with agriculture accounting for $62 million of this total, agro-processing and light industry for $24 million, and hotels and tourism related services for $20 million.[5] Approximately $70 million of this investment was undertaken by foreign companies and will have been financed largely from external sources.

There are likely to be a number of reasons for the increase in private investment in the traded goods sector in recent years. Prominent among these is the improvement in the external environment. The unit prices of many of Belize's major primary export commodities have risen significantly since 1985 and this, combined with the benefits gained from the country's preferential access to the U.S. and E.C. markets, will have provided an important incentive to expand capacity in the export industries. Investment may have also been boosted by the restoration of macroeconomic stability in the mid 1980s and by the fiscal incentives offered under the development concessions program. Given the gestation periods of several years for investments in some of these export industries it is likely that, as with the public investment, the major impact in terms of increased output has yet to occur.

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[5] Source: MED. This figure understates total private investment in the traded goods sector because many of the smaller farms and companies in the sugar, citrus and tourism industries are not eligible for development concessions.

The second major component of private sector capital formation has been investment for the domestic market, including light industries, a range of services and, in particular, residential construction. The latter has probably been stimulated by the overall rise in GDP and therefore personal incomes over the last three years and the greater availability of mortgage finance from the commercial banks. Outstanding mortgage loans from the banks rose from $15.4 million in 1986 to $26.6 million in 1989. The credit unions have also significantly increased their lending for house building and repair in recent years.

The Balance of Payments

Belize has accumulated overall balance of payments surpluses in each of the last five years (see table 28 below). The surpluses in 1985 and 1986 were brought about largely by demand restraint induced by the stabilisation program, combined with a substantial infusion of external capital to the public sector. Over the last three years however the balance of payments has remained in surplus despite the strong growth in domestic demand which has led to a rise of 56 percent in retained imports and a substantial widening of the merchandise trade deficit. This is a reflection of several important developments in the economy in recent years which are worthy of further elaboration.

Table 28: Balance of Payments ($ millions)[6]

	1985	1986	1987	1988	1989
Balance of Payments Surplus	20.0	21.6	19.6	37.6	22.7

[6] Source: Central Bank

Retained imports increased from $220.4 million in 1986 to $343.2 million in 1988, a $122.8 million increase. Fifty six percent of this increase is accounted for by the rise in imported capital goods as a consequence of the increase in investment discussed above. Retained capital goods imports rose from $40.4 million in 1986 to $108.7 million in 1989 (from 18.3 percent to 31.7 percent of total retained imports).

Domestic exports have expanded by $36.7 million from $148.9 million in 1986 to $185.6 million in 1989, a much slower rate of increase than that of retained imports in both absolute and percentage terms. The rise in exports has been brought about largely by increased volumes of citrus concentrate and bananas combined with higher unit prices for orange concentrate and sugar.

In volume terms banana exports - which benefit from guaranteed prices in the UK market - have been the most rapidly expanding of the country's major exports, with output increasing by 116 percent between 1986 and 1989. Exports of citrus concentrate rose by 18 percent in volume terms in this period while prices of orange concentrate on world markets increased by 82 percent after their slump in the mid 1980s. The average price per ton of sugar exported increased by 29 percent between 1986 and 1989 and this more than offset the 20 percent fall in volume exported which followed the closure of the Libertad factory by BSI in 1985.

The merchandise trade balance, as a consequence of the trends described above, widened from $71.4 million in 1986 to $157.5 million in 1989. The overall trade deficit (which includes all trade in goods and non factor services) however was limited to less than half the size of the merchandise trade deficit over this period (see table 29 below).

Tourism receipts and foreign exchange inflows by the British Army Garrison (which averaged $45.7 million and $35.1 million respectively over the last three years) served to offset a substantial part of the merchandise trade deficit. The overall trade deficit has however widened over the last three years - from an estimated $11.8 million in 1986 to an estimated $74.9 million in 1989 - because increases in net earnings from services have not been sufficient to keep pace with the growing deficit in merchandise trade.

Table 29: Net Exports of Goods and Non Factor Services ($ millions)[7]

	1985	1986	1987	1988	1989
Net Exports	-53.6	-11.8	-28.7	-44.7	-74.9

The increase in the overall trade balance since 1986 has been constrained by a rise in gross domestic saving, which has limited the rise in domestic demand brought about by the increased investment expenditures. Gross domestic saving increased from an estimated $72 million in 1986 to an estimated $120 million in 1988 and to a forecast .130 million in 19889(see table E below). As a percent of GDP gross domestic savings rose from about 17 percent in 1986 to 22 percent in 1988.

A large part of the rise in savings was due to the improvement in Central Government finances combined with the rise in the current surpluses achieved by several public sector enterprises, i.e. it was due to an increase in public saving. The current balance of the Central Government moved from a $6.2 million deficit in fiscal year

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[7] Source: Central Bank

1986/87 to a $27.7 million surplus in fiscal year 1988/89 mainly due to a 48.9 percent rise in tax revenues which in turn have been boosted by the growth of output and trade.[8] The current surplus of the non financial public enterprises rose from an estimated $18.2 million in 1986/87 to $27.0 million in 1988/89. This has occurred largely because the expansion in services by some of the public enterprises has led to a substantial rise in their operating revenues. There was also a small increase in private saving during this period.

Table 30: Gross Domestic Saving ($ millions)[9]

	1985	1986	1987	1988	1989
Gross Domestic Saving	26.0	72.2	96.5	119.9	130.0
Current Surpluses of: Central Government	-16.4	-6.2	9.0	27.7	18.1
Non Financial Public Enterprises	9.9	18.2	20.2	27.0	n.a

The increase in domestic saving ensured that domestically generated resources were sufficient to cover approximately 70 percent of gross investment over the three year

[8] the tax system - which is heavily dependent upon import taxes - has acted as an automatic stabiliser in recent years. The strong growth of imports raised tax revenue and - given that current expenditure increases have been relatively restrained - the current surplus. This increase in Government saving has in turn limited the overall growth in domestic demand and thereby the rise in the adverse trade balance.

[9] Sources: Ministry of Finance, Central Bank, World Bank. Gross domestic savings are defined as gross fixed investment plus change in inventories minus the overall trade deficit. 1989 figures are forecasts based on preliminary data.

period from 1986 to 1989. The remainder equalled the overall trade balance which averaged $49 million annually over this period. The overall trade balance plus the country's deficit in net factor service payments (interest payments, profit remittances, wages of migrant workers etc - which averaged about $21 million annually over this period) had to be covered by net capital inflows and other externally generated resources (ie official development grants and private remittances) if balance of payments deficits were to be avoided.

Net capital inflows have averaged $36 million annually over the last three years. These surpluses, along with the net inflows from official unrequited transfers which averaged almost $25 million annually, are largely a reflection of the increase in external resources to directly finance much of the investment in the public and private sectors. Additional net inflows averaging $34 million since 1986 have been accumulated from private unrequited transfers, mainly attributable to remittances from Belizeans living abroad. Externally generated resources have therefore been more than sufficient to cover the deficits in the overall trade balance and net factor payments eferred to above with the result that the balance of payments has remained in surplus.

6. CENTRAL BANK OPERATIONS

The Central Bank of Belize performs a number of functions apart from regulating the domestic banking system, issuing currency and acting as lender of last resort to other financial institutions. These include operating a clearing house for the banking system, and performing limited banking business for Central Government, a number of statutory bodies, and some foreign institutions. The bank also assists the Government in the monitoring of external public and publicly guaranteed debt, and acts as an intermediary fostering the flow of financial assistance (loans and grants) from foreign institutions to various local ones.

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Table 31/Central Bank Dealings in Foreign Exchange/1989
Trading in U.S. Dollars, Canadian Dollars, and Pound Sterling — $'000

	PURCHASES	SALES	NET PURCHASES
January	8,884	7,118	1,766
February	5,609	4,032	1,577
March	11,730	4,622	7,108
April	10,073	5,546	4,527
May	8,667	7,374	1,293
June	10,398	11,519	-1,121
July	11,430	15,568	-4,138
August	6,696	9,591	-2,895
September	5,159	6,609	-1,450
October	5,333	9,900	-4,567
November	7,842	12,531	-4,689
December	14,163	7,500	6,663
TOTAL	105,984	101,910	4,074

Foreign Exchange Operations

The Central Bank trading in U.S. dollars, Pound Sterling, and Canadian dollars resulted in a net purchase, for Belize dollars, of the equivalent of $4.1 million during 1989. Similar trading during 1988 had resulted in a net purchase of $16.4 million (See table 31).

The Bank's trade in CARICOM currencies resulted in a net purchase of $3.6 million during 1989. Trading in these currencies in both 1987 and 1988 had resulted in net purchases of $6.4 million. It is noteworthy that the total value of Central Bank's dealings (total sales + total purchases) in both CARICOM and non-CARICOM currencies

Table 32/Central Bank Dealings in Foreign Exchange/1989
Caricom Currencies $'000

	PURCHASES	SALES	NET PURCHASES
January	227	584	-357
February	607	1,247	-640
March	731	847	-116
April	1,803	763	1,040
May	1,809	599	1,210
June	1,444	711	733
July	683	660	23
August	1,675	928	747
September	2,953	1,057	1,896
October	203	866	-663
November	536	1,040	-504
December	1,151	934	217
TOTAL	13,822	10,236	3,586

has increased by 22.7 percent since 1984. Also, Central Bank dealings in these currencies has resulted in net purchases in each year since 1984, with the net purchase of $22.8 million in 1988 being the largest during the period (See table 32A).

Table 32A/Total Value of all Central Bank Dealings in Foreign Exchange (Caricom and Non-Caricom Currencies) $'000

	1984	1985	1986	1987	1988	1989
Purchases	95,321	77,939	82,330	107,968	126,786	119,806
Sales	93,719	73,973	70,652	102,301	103,978	112,146
TOTAL	189,040	151,912	152,982	210,269	230,764	231,952
NET	1,602	3,966	11,678	5,667	22,808	7,660

External Assets Ratio

The Bank is required by law to maintain at all times a reserve of approved external assets equal to not less than 40 percent of its domestic demand liabilities (notes and coins in circulation plus sight and time deposit liabilities). The Bank met this legal requirement at all times during 1989. The month-end external assets ratio never fell below 96.1 percent during the year. The Bank's reserve of approved external assets reached as high as 111.9 percent of domestic demand liabilities at the end of July. During 1988, the month-end external assets ratio ranged from 90.88 percent to 104.98 percent.

Table 33/External Assets Ratio: 1989 Month End Levels

	ASSETS (a) $'000	LIABILITIES (b) $'000	RATIO %
January	104,308	108,534	96.11
February	106,753	102,691	103.96
March	114,812	105,896	108.42
April	119,969	107,840	111.25
May	122,686	113,120	108.46
June	121,944	110,222	110.63
July	121,280	108,350	111.93
August	120,530	108,365	111.23
September	119,895	107,936	111.08
October	114,156	106,144	107.55
November	111,081	108,632	102.25
December*	118,344	122,754	96.41

*Provisional

Note: (a) Approved external assets
(b) Currency in circulation plus deposit liabilities

Table 33A/External Assets Ratio: 1984-89: Month-End Levels

Month	1984	1985	1986	1987	1988	1989
January	35.1	19.2	56.6	83.3	91.2	96.1
February	27.5	28.9	58.3	85.4	90.9	104.0
March	44.3	26.1	70.1	94.7	98.6	108.4
April	41.9	31.8	75.4	98.6	103.3	111.3
May	34.3	33.3	81.6	98.3	95.4	108.5
June	23.3	36.1	81.4	101.7	101.5	110.6
July	43.7	44.2	82.9	100.8	105.0	111.9
August	50.5	44.7	81.7	96.3	92.3	111.2
September	43.7	43.2	73.4	96.4	101.3	111.1
October	26.6	47.5	69.6	93.7	98.7	107.6
November	22.3	42.2	61.5	86.3	94.5	102.3
December	21.5	47.5	72.0	87.5	93.9	96.4
AVERAGE	34.6	37.1	72.0	93.6	97.2	106.6

Currency Issue

The monthly values of currency in circulation - currency with the public plus vault cash in commercial banks - ranged between $31.0 million and $40.4 million during the year. The average monthly value was $41.0 million in 1989 as compared with $36.5 million in 1988 and $31.6 million in 1987. The total value of notes in circulation increased during 1989 by 18.3 percent as against 19.2 percent in 1988. The total value of coins in circulation similarly rose by 6.9 percent in 1989 as compared to 6.0 percent in 1988. The value of notes and coins in circulation has risen by 79.4 percent and 26.9 percent respectively, during the period December 1984 - December 1989.

Table 34/Currency in Circulation 1989 $'000

MONTH	NOTES	COINS	TOTAL	CASH IN BANK	CURRENCY WITH PUBLIC
January	31,553	4,222	35,775	4,738	31,037
February	32,407	4,234	36,641	5,055	31,586
March	34,493	4,275	38,768	5,016	33,752
April	36,446	4,300	40,746	5,222	35,524
May	36,494	4,335	40,829	4,516	36,313
June	37,169	4,347	41,516	3,864	37,652
July	38,537	4,369	42,906	5,489	37,417
August	37,862	4,423	42,285	5,164	37,121
September	36,415	4,454	40,869	4,943	35,926
October	36,814	4,451	41,265	4,560	36,705
November	39,181	4,459	43,640	4,802	38,838
December	42,239	4,500	46,739	6,300	40,439

Table 34A/Total Notes and Coins in Circulation 1984-89						$'000
	1984	1985	1986	1987	1988	1989
January	24,207	25,852	26,456	29,794	32,303	35,775
February	24,434	26,409	28,193	30,336	33,966	36,647
March	25,598	26,790	29,726	30,897	36,185	38,768
April	26,612	26,298	29,247	33,696	37,553	40,746
May	26,813	26,925	30,856	32,784	37,736	40,829
June	26,573	26,549	21,033	31,844	39,383	41,516
July	27,474	24,626	30,501	31,407	38,281	42,906
August	27,443	24,271	28,488	31,013	37,153	42,285
September	26,487	23,900	27,441	30,201	35,232	40,869
October	25,541	24,201	27,181	30,958	34,704	41,265
November	26,349	24,822	27,965	32,010	35,919	43,640
December	27,092	27,007	31,015	33,924	39,908	46,739
AVERAGE	26,219	25,638	28,175	31,572	36,527	40,999

Clearing House Operations

The clearing house agreement of 1978 between the Bank and the commercial banks remained in operation throughout 1989. It is noteworthy that the total value of morning clearings alone have increased by 90.9 percent since 1984. The table below shows the monthly value of cheque clearing operations cleared under both the morning clearing sessions and the special afternoon clearings conducted during 1989.

Table 35/Clearing House Operations 1989 $'000

MONTH	MORNING CLEARING	SPECIAL CLEARING	TOTAL
January	59,422	26,284	85,706
February	61,012	25,092	86,104
March	66,872	31,768	98,640
April	64,558	27,251	91,809
May	73,524	29,501	103,025
June	68,580	29,716	98,296
July	78,507	55,785	134,292
August	79,495	36,722	116,217
September	61,332	28,053	89,385
October	69,921	28,857	98,778
November	70,276	28,105	98,381
December	66,861	25,859	92,720

Cash Balances and Liquid Assets

The commercial banks are required to keep 7 percent of average total deposit liabilities as cash balances with the Central Bank. The excess cash reserves ranged from a low of $0.3 million recorded in August to $6.4 million in April. The required minimum balances held declined by 4.2 percent during the year. The lower balances were the result of a revision of the cash reserve requirement from 9 percent to 7 percent of average deposit liabilities effective February 1, 1989 (See table 36).

The banks are also required to keep a percentage of their average deposit liabilities as approved liquid assets. This requirement was also revised, effective February 1, 1989, from 30 percent to 28 percent of average deposit liabilities. The excess liquid assets ranged from a low of $6.5 million in January to a high of $33.8 million in June.

Table 36/Commercial Bank Deposits with Central Bank
Monthly Averages of Daily Balances 1989 $'000

	AVERAGE DEPOSIT LIABILITIES	REQUIRED BALANCE	ACTUAL BALANCE	EXCESS (DEFICIENCY)
January	249,237	22,431	24,505	2,073
February	248,481	17,394	22,642	5,248
March	251,646	17,615	21,447	3,832
April	265,119	18,558	24,914	6,356
May	271,570	19,010	22,437	3,427
June	276,879	19,382	25,987	6,605
July	284,093	19,887	23,059	3,172
August	289,689	20,278	20,593	315
September	290,258	20,318	22,331	2,013
October	291,010	20,371	22,189	1,818
November	295,146	20,660	21,344	684
December	300,749	21,052	22,111	1,059

Table 37/Commercial Banks' Liquid Assets
Monthly Averages 1989 $'000

MONTH	AVERAGE DEPOSIT LIABILITIES	REQUIRED HOLDINGS	ACTUAL HOLDINGS	EXCESS (DEFICIENCY)
January	249,237	74,771	81,255	6,484
February	248,481	69,575	84,005	14,430
March	251,646	70,461	95,781	25,320
April	265,119	74,233	104,099	29,866
May	271,570	76,040	104,359	28,319
June	276,879	77,526	111,304	33,778
July	284,093	79,546	112,057	32,511
August	289,689	81,113	109,216	28,103
September	290,258	81,272	107,614	26,342
October	291,010	81,483	113,375	31,892
November	295,146	82,641	107,804	25,163
December	300,749	84,210	102,701	18,491

Transactions with Central Government

Under the provisions of the Central Bank of Belize Act 1982 the Bank can extend advances to the Central Government up to a maximum of 15 percent of estimated current revenues for the current fiscal year. The advances outstanding at the end of 1988 were cleared in January 1989 and no ~~fresh~~ new advances were made during 1989 (See table 38). The Central Bank of Belize Act 1982 provides for the holding of Government securities up to a maximum of five times the Bank's paid-up capital and reserves.

Table 38/Central Bank Credit to Government 1989 ('000)

MONTH	ADVANCES	(a) %	TREASURY BILLS	OTHER SECURITIES	(b)%
January	--	--	11,800	5,300	1.07
February	--	--	3,940	5,300	.58
March	--	--	--	5,300	0.33
April	--	--	--	69	-
May	--	--	2,992	69	-
June	--	--	--	1,300	0.08
July	--	--	--	482	0.03
August	--	--	1,486	482	0.12
September	--	--	3,141	482	0.23
October	--	--	3,635	482	0.26
November	--	--	12,033	170	0.76
December*	--	--	19,388	170	1.22

* Provisional

(a) Outstanding advances as a percentage of Central Government's estimated current revenue. The period through March is based on estimated current revenue for 1988-89, with the subsequent months being based on 1989-90. The estimates used are the Estimates of Revenue and Expenditure as approved by the Legislature.

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

Actual holdings of Government securities by the Bank during 1989 were well below this limit, the highest value of the ratio being 1.22 reached in December. Holdings of government securities by the Bank are largely influenced by the requirements of the commercial banks which vary according to their changing excess liquidity position.

Table 39/Government of Belize Treasury Bill Issues 1989

ISSUE NO.	TENDER ($'000)	ALLOTTMENT ($'000)	AVERAGE DISCOUNT RATE (%)	AVERAGE YIELD TO MATURITY (%)
1/1989	16,400	13,400	7.36233	7.5
2/1989	19,650	13,150	7.36233	7.5
3/1989	36,608	35,608	7.36233	7.5
4/1989	24,000	13,400	7.36233	7.5
5/1989	13,150	13,150	7.36233	7.5
6/1989	35,608	35,608	7.36233	7.5
7/1989	13,400	13,400	7.36233	7.5
8/1989	13,149	13,150	7.36233	7.5
9/1989	35,608	35,608	7.36233	7.5
10/1989	14,900	13,400	7.36233	7.5
11/1989	13,158	13,150	7.36233	7.5
12/1989	35,608	35,608	7.36233	7.5

Treasury Bill operations, which are handled by the Bank on behalf of the Central Government, are shown in Table 39. The Bank holds securities that are not demanded by the commercial banks or any other institution. Purchases of government securities by individuals is, however, relatively small.

EXCHANGE CONTROL

The Central Bank operates exchange control on behalf of the Minister of Finance. The exchange control system is being used to monitor inflows and outflows and to encourage compliance with customs and taxation requirements. Restrictions were in force only against foreign investment during 1989. Tables 40 and 41 show estimates of inflows and outflows of foreign exchange during 1985 to 1989.

Table 40/Inflows of Foreign Exchange 1985-1989 $'000

CLASSIFICATION	1985	1986	1987	1988	1989
1. Central Government	1892	2024	1872	2031	1865
2. Co-operative Societies	12540	9716	7176	6034	10956
3. Statutory Bodies	58	62	71	9636	8068
4. Religious Organizations	1931	2942	2892	2551	2122
5. Financial Institutions	510	2467	4963	4705	11902
6. Incorporated Businesses	116051	125344	156655	175377	202626
7. Shipping Agencies	1405	1250	876	874	2538
8. Insurance Companies	212	136	139	210	236
9. Travel Agencies	988	1247	2114	3732	3330
10. Local Government	117	213	0	36	183
11. Embassies	0	4269	9618	13796	16141
12. Hotels	3431	3476	4014	5484	7581
13. Individuals	60293	56681	60737	72656	86389
14. Garrison Paymaster	24700	23255	29975	33651	41597
15. Int'l Organizations	0	0	0	0	2501
16. Post Office	0	0	4113	3911	4077
17. Other	10183	10422	9469	3797	397
TOTAL	234311	243504	294684	338481	402509

Table 41/Outflows of Foreign Exchange 1985-1989 $'000

CLASSIFICATION	1985	1986	1987	1988	1989
CURRENT TRANSACTIONS					
TRAVEL - VACATION	2720	4720	5178	4393	5165
- BUSINESS	1402	1854	2375	4963	4740
- MEDICAL	192	343	421	279	244
- OTHER	2223	2188	1922	3389	4932
FAMILY MAINTENANCE - RESIDENT	1348	1625	1023	809	985
NON RESIDENT	269	227	271	301	432
EDUCATION	1173	1041	2023	2302	2982
INSURANCE	1130	1278	1192	1078	1426
RE-INSURANCE	2969	2839	3107	3779	4337
TRAVEL FARES	4736	4943	5690	5380	8084
FREIGHT CHARGES	3921	3606	4284	4484	7056
MEDICAL BILLS	739	1265	1019	980	885
HEAD OFFICE EXPENSES	1105	621	504	849	377
ROYALTY PAYMENTS	352	118	100	73	80
COMMUNICATIONS	0	20	78	868	1251
PROFESSIONAL SERVICES	1895	1701	2187	2792	4405
MANAGEMENT FEES	39	26	236	84	35
SUBSCRIPTIONS	359	296	453	516	566
PORT DISBURSEMENTS	270	109	82	102	112
COMMISSIONS	288	224	428	353	406
SUNDRIES	180	81	0	0	0
EMBASSY TRANSFERS	94	99	108	139	156
PROFITS	2718	3606	2895	4418	6563
RENTAL OF EQUIPMENT	0	0	400	324	569
DIVIDENDS	734	774	1799	2401	4565
INTEREST PAYMENTS - PRIVATE	2147	1549	1276	1479	3552
PUBLIC	586	836	268	769	886
OTHER CURRENT - PRIVATE	253	92	874	2094	1724
PUBLIC	0	319	14	95	37
IMPORTS - PREPAYMENT	15708	18783	27946	32611	43422
OIL & OIL PRODUCTS	34738	23017	25509	19382	26965
OTHERS	132340	128664	145372	180386	219342
NON-RESIDENT TRANSACTIONS	0	0	0	496	0
TOTAL CURRENT ACCOUNT	216628	206864	239034	282368	356281
CAPITAL TRANSACTIONS					
EMIGRATION	2206	3968	3354	4011	3279
REPATRIATION OF FUNDS	12066	10076	12275	2286	2140
LOAN PAYMENTS - PRIV.LONG TERM	3088	3568	2077	8016	13032
PUB.LONG TERM	4921	2576	1827	1435	1032
PRIV.SHORT TERM	0	82	85	111	126
PUB.SHORT TERM	0	0	0	2	25
GIFTS	159	121	150	275	272
INVESTMENTS	11	0	0	100	0
OTHER CAPITAL ACCOUNTS	329	1293	18266	33393	15804
TOTAL CAPITAL ACCOUNTS	22780	21684	38034	49629	35710
GRAND TOTAL	239408	228548	277068	331997	391991

290
102

547
64
611
424
187

BANKING SUPERVISION

The Banking Supervision Department was established in 1983. Its primary function is to maintain a general surveillance over the operations of financial institutions in Belize as defined in the Banking Act. This broad responsibility is exercised in a number of ways, including the following:

1. Control of entry into the banking system - the licensing process;
2. The supervision of operating banks through:
   - on-site examinations
   - off-site examinations through the review and analysis of prudential and statistical returns.

While off-site surveillance is a continuous process, the Banking Supervision Department has been severely constrained in its ability to conduct on-site examinations due to the lack of human resources, particularly the high-skilled manpower that the inspection function demands. During 1989, two commercial banks were examined.

Applications by Commercial Banks Under Section 13(1)(a) of the Banking Act

In addition to the bank examination function, the Banking Supervision Department is also charged with monitoring and controlling large credit exposures in the banking system. The Banking Act provides a cap on the discretionary lending limits of banks which, at the moment, is equal to 25 percent of its equity capital in respect of loans to a single borrower or group of connected borrowers. Institutions desiring to lend in excess of this benchmark are required to apply to the Minister of Finance for permission to do so. During 1989, 52 such applications were processed by the Banking

Supervision Department for a total in credit of $135.5 million. This was up from up from $96.3 million the previous year when 51 applications were processed. The following table shows the level of activity in this area of operations:

Year	No. of Applications	Total Credit Facilities Approved
1986	36	$83.8 million
1987	38	85.5 million
1988	51	96.3 million
1989	52	135.5 million

Internal Audit

The Central Bank has not been able to recruit a suitable person to fill the post of Internal Auditor. Consequently, Banking Supervision staff continues to review a limited number of the Central Bank's accounting records.

Other Activities

In April 1989, the Central Bank of Belize hosted the Seventh Annual Conference of Caribbean Banking Supervisors. The conference dealt with several issues of interest to regional bank supervisors such as:

i) The Role of the Board of Directors in Bank Supervision;

ii) The Role of External Auditors in Bank Supervision; and

iii) Capital adequacy.

ADMINISTRATION

The Board of Directors

During the period 1st January 1989 to 30th September 1989 the Board of Directors of the Central Bank consisted of the following persons:

Alan Slusher	Governor and Chairman of the Board
Frank J. Garbutt	Deputy Governor and Vice Chairman
Mario Arguelles	Director
Kathlyn Tillett	Director
Nestor Vasquez	Director
Keith Arnold	Financial Secretary/Director

(Legislation in August 1989 changed the status of the Financial Secretary from being a representative of the Ministry of Finance to be a full voting Director on the Board.)

During the period October to December there was one resignation from, and two appointments, to the Board and the reconstituted board at 31st December 1989 was:

Alan Slusher	Governor and Chairman of the Board
Frank J. Garbutt	Deputy Governor and Vice Chairman
Mario Arguelles	Director
Deryck Courtenay	Director (with effect from 4 October 1989)
Edmund Marshalleck	Director (with effect from 7 December 1989)
Kathlyn Tillett	Director
Keith Arnold	Financial Secretary/Director

Staffing

The principal officers of the Bank at the end of 1989 were:

Alan Slusher	Governor
Frank J. Garbutt	Deputy Governor
Sydney Campbell	Director, Exchange Control Department
Dwain Davis	Director, Accounts and Budget Department
Barbara Locke	Director, Banking and Currency Department
Dr. J. C. Rao	Director/Advisor, Research Department
Cecile Reyes	Director, Administration Department/ Bank Secretary
Manuel Vasquez	Director, Banking Supervision Department

The Bank records with deep regret the death of Adrian Bryan, Advisor, Banking Supervision which occurred on the 28th January 1989. Mr. Bryan had been assigned to the Central Bank of Belize from the IMF since 24th August 1987.

The total number of persons employed by the Bank at the end of 1989 were 109, three of whom were on study leave. In comparison at the end of 1988 the Bank had 93 employees.

CENTRAL BANK OF BELIZE

BALANCE SHEET

	December 31	
	1989	1988
ASSETS		
APPROVED EXTERNAL ASSETS (Note 3)		
Balances and deposits with foreign bankers and the Crown agent	101,484,813	87,976,647
Reserve Tranche and balances with the International Monetary Fund (Note 4)	4,974,358	5,145,982
Marketable securities issues or guaranteed by foreign governments and international financial institutions	1,595,446	1,767,179
Other foreign credit instrument	10,099,992	7,799,998
Pound Sterling Treasury Bills	--	--
Accrued interest and cash intransit	308,2365	385,045
	118,462,844	103,074,851
DEFERRED INCOME		
Revaluation account (Note 2d)	(2,170,829)	(2,318,101)
Unrealized gain from appreciation in value of investments (Note 2e)	--	--
Interest income from CMCF (Note 15)	(309,231)	(309,231)
	115,982,784	100,447,519
DEFERRED COSTS (Note 14)	691,325	477,412
CARICOM MULTITERAL CLEARING FACILITY (Note 15)	1,273,258	1,273,258
LOANS TO THE BELIZE GOVERNMENT	1,289,595	--
ADVANCES TO BELIZE GOVERNMENT	--	94,194

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CENTRAL BANK OF BELIZE

BALANCE SHEET (CONTINUED)

	December 31, 1989	1988
BELIZE GOVERNMENT SECURITIES (Note 5)	19,558,053	18,250,892
INVESTMENT IN PUBLIC ENTITIES (Note 6)	6,000,000	6,000,000
BALANCES WITH LOCAL BANKERS AND CASH ON HAND	15,707	19,281
OTHER ASSETS	1,794,059	2,928,315
PROPERTY AND EQUIPMENT (Note 7)	1,257,423	1,217,695
	147,862,204	130,708,566
LIABILITIES, CAPITAL AND RESERVES		
DEMAND LIABILITIES		
Notes and coins in circulation	46,738,902	39,907,929
Deposits by licensed financial institutions (Note 8)	35,956,791	23,644,940
Deposits by Government and Public Sector Entities in Belize	40,586,022	46,130,045
Unredeemed demonetized issue (Note 9)	1,003,153	1,004,693
Deposits by international agencies (Note 10)	3,525,671	1,074,627
	127,810,539	111,762,234
BALANCES DUE FROM CARICOM CENTRAL BANKS	(216,864)	39,402
OTHER LIABILITIES	288,672	1,202,521

CENTRAL BANK OF BELIZE

BALANCE SHEET (CONTINUED)

	December 31, 1989	December 31, 1988
COMMERCIAL BANK DISCOUNT FUND (Note 12)	2,876,538	1,715,130
TOTAL LIABILITIES	130,758,885	114,719,287
CAPITAL ACCOUNT		
Paid up capital (Authorized capital $10,000,000)	10,000,000	10,000,000
GENERAL RESERVE FUND (Note 13)	7,103,319	5,989,279
	147,862,204	130,708,566

______________________) GOVERNOR

______________________) DIRECTOR

______________________) DEPUTY GOVERNOR

CENTRAL BANK OF BELIZE
STATEMENT OF OPERATIONS

For the year ended December 31,

	1989	1988
INCOME		
Interest on investments	10,615,859	7,660,604
Discounts and other investment income	410,009	1,101,981
Net realized gains from appreciation in market value of securities	608,268	--
Commissions and other income	771,929	892,317
TOTAL INCOME	12,406,065	9,654,902
EXPENDITURE		
Printing of notes and minting of coins	663,971	608,646
Salaries and wages, including superannuation contributions and gratuities	1,825,660	1,437,665
Interest expense	2,502,418	2,744,457
Other expenses, including depreciation	1,821,953	2,291,520
Unrealized loss from depreciation in value on investment (note 2e)	21,857	79,860
TOTAL EXPENDITURE	6,835,859	7,162,148
NET PROFIT	5,570,206	2,492,754
Transfer to General Reserve Fund in accordance with Section 9 (1) of the Act	1,114,039	498,551
Balance credited to the Accountant General for the condolidated Revenue Fund	4,456,167	1,994,203

1. Organization

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

2. Summary of Accounting Policies

A summary of the more significant accounting policies adopted by the Bank in preparing its financial statement, in accordance with accounting principles generally accepted in Belize, follows:-

a. The accounts are presented in Belize dollars.

b. Property and equipment - Fixed assets are carried at cost and, except in the case of land, are depreciated on a straight line basis over their estimated useful lives which, for the more important classes of assets, are as follows:

Buildings	5%
Office furniture	10%
Equipment	20%
Vehicles	20%

c. Notes and coins in circulation - Up to December 31, 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, liability is no longer recognised in relation to 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.

d. Foreign currency translation and exchange gains and losses - Foreign currency balances at year end 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 exchanges rates are excluded from the computation of net profit and carried to a Revaluation Account, with the provision 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.

e. Valuation of securities - Securities are stated at market value.

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

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

g. Printing amd minting expenses - The cost of printing notes and minting coins is charged against earnings in the year of delivery of the notes and coins.

3. 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 1989, total approved external assets approximated 96.41 percent (1988 - 93.89 percent) 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 December 31, 1987 the Bank's subscription to the International Monetary Fund increased to SDR 9,500,000 and the Reserve Tranche amounted to SDR 1,892,600. The Tranche which earns interest is included in Approved External Assets in the financial statements.

5. Belize Government Securities

Belize Government securities consist of:

	1989	1988
Belize Government Treasury Bills	$19,388,053	$12,950,892
Belize Government Debentures	170,000	5,300,000
	$19,558,053	$18,250,892

Section 35(2) of the Act stipulates that the Bank shall not at any time hold Belize Government 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 December 31, 1989 the Bank's aggregate holding of Belize Government Securities approximated 1.22 times (1988 - 1.14 times) the amount of paid up capital and general reserves of the Bank.

6. INVESTMENT IN PUBLIC ENTITIES

Investment in public entities consists of 3,000,000 shares in Belize Telecommunications Limited at cost, which in the opinion of the Directors is not in excess of market.

7. Other Assets

At December 31, 1989 other assets are made up as follows:

	1989	1988
Prepayments	708,367	504,862
Accrued Interest	11,190	198,211
Other	1,074,502	2,225,242
	1,794,059	2,928,315

8. Property and Equipment at Cost

	1989	1988
Building and improvements	528,988	510,527
Furniture	319,949	263,170
Equipment	933,934	731,589
Vehicles	137,925	137,925
	1,920,796	1,643,211
Less: accumulated depreciation	663,373	425,516
	1,257,423	1,217,695

The Bank, except for the Research Department, the Foreign Exchange Department, the Banking Supervision and the Administration Departments, is housed in premises provided rent-free by the Government.

9. Deposits by Licensed Financial Institutions

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

10. Unredeemed Demonetised Issue

With effect from January 1, 1981, currency notes which had been issued by the Belize Commissioners of Currency ceased to be legal tender in Belize. At December 31, 1988 notes amounting to $1,004,693 which the Bank is obliged to redeem at face value, had not yet been surrendered for redemption.

11. Deposits by International Agencies

The Central Bank of Belize is designated the fiscal agency for Belize. Deposits by international agencies include a deposit of $1,041,211 in Belize dollars made by the International Bank for Reconstruction and Development and other deposits by the Commission for European Communities, International Monetary Fund and the Caribbean Development Bank.

12. Commercial Bank Discount Fund

Commercial Bank Discount Fund is a facility which was established by an Agreement signed in March 1983 by the Governments of Belize and the United States of America, providing for a discount fund, to be operated through the Central Bank of Belize. The facility enables commercial banks in Belize to discount with the Central Bank up to 100% of loans made to sub-borrowers for projects approved by the Central Bank and the US Government acting through United States Agency for International Development (USAID). The Central Bank in turn is reimbursed by USAID which earmarked US$5 million in loan funds up to December 31, 1987, to finance the facility. At December 31, 1989, the outstanding total loans discounted by commercial banks through the facility amounted to BZ$3.5 million (1988 - $4.5 million) against a total drawdown of BZ$5.8 million from USAID.

13. 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:

	1989	1988
At January 1,	5,989,279	5,490,728
Transfer from net profit in accordance with Section 9(1) of the Act	1,114,039	498,551
At December 31,	$7,103,319	$5,989,279

14. Deffered Costs

Deferred costs represent the design and implementation cost of computerizing the Bank's operations as of December 31, 1988 (1987 214,030) and will be amortized over a reasonable period to be determined on completion of the Project.

15. Caricom Multilateral Clearing Facility

The CARICOM Multilateral Clearing Facility (CMCF) grew out of the previously existing bilateral clearing systems and was formally established by Caribbean Heads of Government in March 1977 as a vehicle for settling trade obligations on a multilateral basis between participating CARICOM countries through their central banks. Initially, settlements on net amounts due were required in US dollars on a quarterly basis; this arrangement was modified in February 1978 to provide an option to settle 50% of net amounts due, subject to ceilings for individual countries. The arrangements provided for interest to be paid to net creditor countries. In 1983 the CMCF ceased to function as a clearing mechanism as a result of difficulties experienced by one participating country in meeting settlement commitments, and the amount due to the Bank dates back to that period. Efforts are currently underway to stimulate activity and trade in the CARICOM region in such a way as to contribute to the liquidation of the clearing debt. Intra-CARICOM trade currently involves bilateral settlement arrangements, with net obligations being cleared fully in US dollars on a monthly basis.

In the opinion of the Bank's management, there is uncertainty over when the outstanding obligation will be settled, and the balance of payments circumstances of the particular CMCF participant currently precludes any attempt to establish repayment schedule. No interest is being accrued on the obligation, and interest accrued but not collected up to the end of fiscal year 1985 was reversed against income for fiscal year 1986. The Bank's management remains convinced, however, that the obligation will be honoured because of the sovereign nature of the debt.

16. COMMITMENTS AND CONTINGENT LIABILITIES

The Bank is contingently liable to an international banking institution as guarantor of a facility made available to a public sector entity. At December 31, 1989, the facility was drawn to the extent of US$9,565,684.

Under the guarantee, the Bank is required to pledge with the international institution a cash deposit equal to the amount of principal and interest due on the drawdown for each subsequent six-month period. At December 31, 1989, the amount pledged amounted to US$1,500,000. The Bank is fully indenmified against losses by the public sector entity.

1. Organization

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

2. Summary of Accounting Policies

A summary of the more significant accounting policies adopted by the Bank in preparing its financial statement, in accordance with accounting principles generally accepted in Belize, follows:-

a. The accounts are presented in Belize dollars.

b. Property and equipment - Fixed assets are carried at cost and, except in the case of land, are depreciated on a straight line basis over their estimated useful lives which, for the more important classes of assets, are as follows:

Buildings	5%
Office furniture	10%
Equipment	20%
Vehicles	20%

c. Notes and coins in circulation - Up to December 31, 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, liability is no longer recognised in relation to 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.

d. Foreign currency translation and exchange gains and losses - Foreign currency balances at year end 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 exchanges rates are excluded from the computation of net profit and carried to a Revaluation Account, with the provision 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.

e. Valuation of securities - Securities are stated at market value.

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

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

g. Printing amd minting expenses - The cost of printing notes and minting coins is charged against earnings in the year of delivery of the notes and coins.

3. 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 1989, total approved external assets approximated 96.41 percent (1988 - 93.89 percent) 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 December 31, 1987 the Bank's subscription to the International Monetary Fund increased to SDR 9,500,000 and the Reserve Tranche amounted to SDR 1,892,600. The Tranche which earns interest is included in Approved External Assets in the financial statements.

5. Belize Government Securities

Belize Government securities consist of:

	1989	1988
Belize Government Treasury Bills	$19,388,053	$12,950,892
Belize Government Debentures	170,000	5,300,000
	$19,558,053	$18,250,892

Section 35(2) of the Act stipulates that the Bank shall not at any time hold Belize Government 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 December 31, 1989 the Bank's aggregate holding of Belize Government Securities approximated 1.22 times (1988 - 1.14 times) the amount of paid up capital and general reserves of the Bank.

6. INVESTMENT IN PUBLIC ENTITIES

Investment in public entities consists of 3,000,000 shares in Belize Telecommunications Limited at cost, which in the opinion of the Directors is not in excess of market.

7. Other Assets

At December 31, 1989 other assets are made up as follows:

	1989	1988
Prepayments	708,367	504,862
Accrued Interest	11,190	198,211
Other	1,074,502	2,225,242
	1,794,059	2,928,315

8. Property and Equipment at Cost

	1989	1988
Building and improvements	528,988	510,527
Furniture	319,949	263,170
Equipment	933,934	731,589
Vehicles	137,925	137,925
	1,920,796	1,643,211
Less: accumulated depreciation	663,373	425,516
	1,257,423	1,217,695

The Bank, except for the Research Department, the Foreign Exchange Department, the Banking Supervision and the Administration Departments, is housed in premises provided rent-free by the Government.

9. Deposits by Licensed Financial Institutions

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

10. Unredeemed Demonetised Issue

With effect from January 1, 1981, currency notes which had been issued by the Belize Commissioners of Currency ceased to be legal tender in Belize. At December 31, 1988 notes amounting to $1,004,693 which the Bank is obliged to redeem at face value, had not yet been surrendered for redemption.

11. Deposits by International Agencies

The Central Bank of Belize is designated the fiscal agency for Belize. Deposits by international agencies include a deposit of $1,041,211 in Belize dollars made by the International Bank for Reconstruction and Development and other deposits by the Commission for European Communities, International Monetary Fund and the Caribbean Development Bank.

12. Commercial Bank Discount Fund

Commercial Bank Discount Fund is a facility which was established by an Agreement signed in March 1983 by the Governments of Belize and the United States of America, providing for a discount fund, to be operated through the Central Bank of Belize. The facility enables commercial banks in Belize to discount with the Central Bank up to 100% of loans made to sub-borrowers for projects approved by the Central Bank and the US Government acting through United States Agency for International Development (USAID). The Central Bank in turn is reimbursed by USAID which earmarked US$5 million in loan funds up to December 31, 1987, to finance the facility. At December 31, 1989, the outstanding total loans discounted by commercial banks through the facility amounted to BZ$3.5 million (1988 - $4.5 million) against a total drawdown of BZ$5.8 million from USAID.

13. 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:

	1989	1988
At January 1,	5,989,279	5,490,728
Transfer from net profit in accordance with Section 9(1) of the Act	1,114,039	498,551
At December 31,	$7,103,319	$5,989,279

14. Deffered Costs

Deferred costs represent the design and implementation cost of computerizing the Bank's operations as of December 31, 1988 (1987 214,030) and will be amortized over a reasonable period to be determined on completion of the Project.

15. Caricom Multilateral Clearing Facility

The CARICOM Multilateral Clearing Facility (CMCF) grew out of the previously existing bilateral clearing systems and was formally established by Caribbean Heads of Government in March 1977 as a vehicle for settling trade obligations on a multilateral basis between participating CARICOM countries through their central banks. Initially, settlements on net amounts due were required in US dollars on a quarterly basis; this arrangement was modified in February 1978 to provide an option to settle 50% of net amounts due, subject to ceilings for individual countries. The arrangements provided for interest to be paid to net creditor countries. In 1983 the CMCF ceased to function as a clearing mechanism as a result of difficulties experienced by one participating country in meeting settlement commitments, and the amount due to the Bank dates back to that period. Efforts are currently underway to stimulate activity and trade in the CARICOM region in such a way as to contribute to the liquidation of the clearing debt. Intra-CARICOM trade currently involves bilateral settlement arrangements, with net obligations being cleared fully in US dollars on a monthly basis.

In the opinion of the Bank's management, there is uncertainty over when the outstanding obligation will be settled, and the balance of payments circumstances of the particular CMCF participant currently precludes any attempt to establish repayment schedule. No interest is being accrued on the obligation, and interest accrued but not collected up to the end of fiscal year 1985 was reversed against income for fiscal year 1986. The Bank's management remains convinced, however, that the obligation will be honoured because of the sovereign nature of the debt.

16. COMMITMENTS AND CONTINGENT LIABILITIES

The Bank is contingently liable to an international banking institution as guarantor of a facility made available to a public sector entity. At December 31, 1989, the facility was drawn to the extent of US$9,565,684.

Under the guarantee, the Bank is required to pledge with the international institution a cash deposit equal to the amount of principal and interest due on the drawdown for each subsequent six-month period. At December 31, 1989, the amount pledged amounted to US$1,500,000. The Bank is fully indenmified against losses by the public sector entity.