

CENTRAL BANK OF BELIZE

Tenth Annual Report and Accounts 1991



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Abbreviations:

BNS	Bank of Nova Scotia
BTL	Belize Telecommunications Limited
CARICOM	Caribbean Community
CDB	Caribbean Development Bank
CDC	Commonwealth Development Corporation
CET	Common External Tariff
DFC	Development Finance Corporation
EAI	Enterprise for the Americas Initiative
EEC	European Economic Community
EIB	European Investment Bank
FFE	Fondo de Financiera de las Exportaciones de Venezuela
FIVE	Fondo de Inversiones de Venezuela
FY	Fiscal Year
GDP	Gross Domestic Product
GOC	Government of China
IBRD	International Bank for Reconstruction & Development
ICLE	Instituto Nazionale di Credito
IDB	Inter-American Development Bank
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
OPEC	Organization for Petroleum Exporting Countries
PEMEX	Petroleos Mexicanos
PWRS	Paine Webber Real Estate Securities Inc.
RBC	Royal Bank of Canada
ROC	The Republic of China (Taiwan)
T&T	Trinidad & Tobago
USA	United States of America
US	United States
UK	United Kingdom

\$ refers to the Belize dollar unless otherwise stated.

mn = million

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



CENTRAL BANK OF BELIZE

April 29, 1992

The Rt. Hon. George Price
Prime Minister and
Minister of Finance, Home Affairs and Defence
Prime Minister's Office
Belmopan
Belize

Dear Prime Minister,

In accordance with Section 56 of the Central Bank of Belize Act, 1982 (No.15 of 1982), I have the honour to submit to you, in your capacity as Minister of Finance, the Report on the Central Bank of Belize's operations for the period January 1 to December 31, 1991, together with a copy of the Bank's Statement of Accounts, as certified by the External Auditors.

I am,
Yours faithfully,

Keith Arnold
Governor

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Table 1: Major Economic Indicators

	1987	1988	1989	1990	1991 ^P
POPULATION (Thousands)	175.2	179.8	183.2	184.3	194.3
PER CAPITA GDP (BZ\$, Current Prices)	2,522	2,702	3,084	3,308	3,442
GDP AT CURRENT MARKET PRICES (BZ \$mn)	509.7	577.1	672.8	733.2	791.2
Real GDP Growth (%)	12.5	6.6	14.7	8.9	4.2
Sectoral Distribution of Constant GDP (%)					
Agriculture	21.7	20.0	18.8	19.3	18.4
Mining	0.5	0.5	0.6	0.7	0.9
Manufacturing	14.4	13.5	13.0	12.5	11.4
Utilities	2.6	2.7	2.6	2.5	2.6
Construction	6.7	7.6	9.2	9.7	10.6
Trade, Restaurant & Hotels	14.1	15.6	16.8	16.6	16.8
Transport and Communication	10.0	11.3	12.7	13.2	14.0
Public Administration	11.8	10.9	10.1	9.8	9.7
Other Services	22.3	22.2	20.2	19.3	19.2
Less Imputed Bank Charges	4.1	4.3	4.0	3.6	3.6
MONEY AND PRICES (BZ \$mn)					
Inflation (Annual percentage rate)	2.0	3.2	2.1	3.0	5.6
Currency and Demand deposits (M1)	68.0	79.2	97.8	105.5	121.4
Quasi-Money (Savings and Time deposits)	172.1	199.3	225.2	269.2	306.4
Money Supply (M2)	240.1	278.5	322.9	374.7	427.8
CREDIT (BZ \$mn)					
Commercial Bank Loans and Advances	204.2	245.5	255.8	299.4	345.4
Public sector	56.3	45.8	22.5	28.9	14.3
Private sector	147.9	199.7	233.3	270.5	331.1
INTEREST RATES (%)					
Weighted Average Lending Rate	13.8	13.3	14.0	14.3	14.3
Weighted Average Deposit Rate	7.2	5.7	6.0	6.3	6.4
CENTRAL GOVERNMENT FINANCES (BZ \$mn, FY)					
Current Revenue	136.1	159.5	184.2	210.9	197.4
Current Expenditure	112.5	114.9	127.0	137.8	138.7
Current Account Surplus/(Deficit)	23.6	44.6	57.2	73.1	58.7
Capital Expenditure	17.8	34.7	69.0	85.8	108.5
Overall Surplus/(Deficit)	13.0	53.9	1.6	1.7	(16.2)
Domestic Financing	-5.5	-48.5	-12.1	-7.4	-4.6
External Financing	-7.5	-5.4	10.5	5.7	20.3
BALANCE OF PAYMENTS (US \$mn)					
Merchandise Exports	102.9	116.5	124.8	129.2	119.8
Merchandise Imports	127.4	161.3	192.6	188.4	223.6
Trade Balance	-24.6	-44.9	-67.8	-59.2	-103.8
Current Account Balance	18.0	-4.6	-19.0	15.2	-49.3
Capital Flows	6.5	29.2	27.2	25.1	14.8
Net Change in Official International Reserves					
note: minus = increase	-9.5	-18.5	-11.7	-12.5	21.1
Net International Reserves	21.3	38.3	55.6	72.6	52.8
EXTERNAL PUBLIC DEBT (US \$mn)					
Disbursed Debt Outstanding	107.4	116.0	130.6	133.0	143.7
Debt Service Payments	10.8	11.1	14.6	17.3	15.0
Debt Service Ratio	7.5	6.4	6.6	7.2	6.3
EXCHANGE RATE (2BZ\$:1US\$)	2.00	2.00	2.00	2.00	2.00

Sources: Central Statistical Office
Ministry of Finance
Central Bank of Belize

^P: Provisional
Note: FY = Fiscal Year



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ECONOMIC REVIEW

Overview

Belize's real output grew at a more sustainable 4.2 percent in 1991 after three years of growth at an average annual rate of about 10.1 percent. While international developments had a negative effect on export earnings, local weather conditions adversely affected agricultural output, particularly citrus and bananas. In these industries, output was down from the previous year while sugar production and exports remained relatively stable. In the case of citrus and to a lesser extent sugar, lower world market prices compounded the impact of low production levels on export earnings. The decline in the citrus and banana industries was tempered by improvements in the rest of the primary sector. Exports of marine products grew by 17.9 percent, sawn wood by 29.3 percent and garments by 8.6 percent. Recession in the industrial world was reflected in the decline of tourist arrivals from North America.

An expansion of \$60.6 mn in private sector credit underpinned activity in the banking sector. Approximately 33.8 percent or \$19.7 mn of this expansion in credit was for consumer oriented activities which was a major contributor to the trade deficit. As credit expanded, excess liquidity contracted by \$28.7 mn and money supply (M2) grew by 14.7 percent. After less than one year of operations, Banca Serfin closed its Belize offices with little effect on the monetary system.

During the Fiscal Year (FY) 1991/92, increased collections of taxes on income and imports contributed to a surplus on Central Government's current account while acceleration of investment in infrastructure development was reflected in a deficit on the capital account. With much of this investment being funded by external sources, Belize's

external debt grew by \$21.2 mn to a total of \$287.3 mn. Repayments of principal and interest amounted to \$30.1 mn, down \$3.9 mn from 1990.

The balance of payments deficit amounted to US\$21.1 mn in 1991. The decline in citrus and banana receipts, a fall-off in tourist arrivals and an increase in imports led to a US\$49.3 mn deficit on the current account. It is estimated that 36.1 percent of the increase in imports was in intermediate and capital goods indicating a shift towards investment activity which promotes sustainable medium to long term economic growth prospects.

Prospects for the Belizean economy in 1992 hinge on recovery in industrialized countries. With recession in the United States of America (USA) anticipated to extend well into 1992, Belize may experience slow recovery of its external position because of sluggish growth in tourist arrivals and foreign direct investment. However, agricultural export earnings are likely to recover as a result of increased production and better prices. While the acceleration in Government's investment programme may have offset the fall in private investment in 1991, this is not sustainable in the medium to long term.



International Economic Developments

World economic performance in 1991 was sluggish with lower growth and capacity utilization as consumer confidence remained low in most G7 countries. The global trend towards free trade suffered a moderate setback as the Uruguay Round of talks on General Agreement on Tariffs and Trade was stalled by disagreements between the USA and the European Community over farm trade and agricultural subsidies. However, much progress was made towards the economic and monetary unification of Europe, and the establishment of the North American Free Trade Agreement among the USA, Canada and Mexico. Cognizant of the implications of these developments on the global economy, developing countries in Latin America, the Caribbean and South Asia have stepped-up talks on regional economic integration.

The wave of democracy that swept across Eastern Europe and the Soviet Union is expected to precipitate a west-to-east flow of investment capital and financial aid to fund the restructuring of previously centrally planned economies. This development may well mark the shift in focus of concessional financing away from traditional areas to Eastern Europe.

Against the backdrop of this changing global environment, major industrial countries, particularly the United States (US) and the United Kingdom (UK), were in recession for much longer than anticipated. In the USA, economic recovery stalled in the fourth quarter because of weak growth in consumer spending and low employment gains. In an attempt to ease credit and stimulate sagging domestic demand, the Federal Reserve implemented a series of cuts in the discount rate from 6.5 percent at the end of 1990 to 3.5 percent at the end of 1991, the lowest since 1964. Despite these measures, the US economy remained lethargic and preliminary data indicate that Gross Domestic Product (GDP) contracted by 0.7 percent in 1991. Capacity utilization, the

operating rate of factories, remained well below levels at which inflationary pressures emerge. Factoring out volatile energy and food prices, the rate of inflation fell by almost one percentage point in 1991, to 4.4 percent from 5.2 percent in 1990. In Europe and Japan, economic performance was mixed. In the UK, real output contracted by 2.4 percent in 1991, after growth of 0.5 percent in 1990. Manufacturing took the brunt of the economic decline in 1991 as both producer and consumer confidence waned. Unemployment in October was 8.7 percent, up from 8.3 percent in July. Although inflation declined overall in 1991, it edged up in the fourth quarter.

In contrast, the economies of Germany and Japan grew in 1991, albeit at slower rates than in 1990. Germany is expected to record growth of 3.2 percent for 1991, down from 4.7 percent in 1990. In its effort to combat rising inflation brought about by the halting of rent subsidies in the East and higher wages and prices in the West, German monetary policy has taken a divergent path from the expansionary stance of the other major industrial countries. In a tightening measure the Bundesbank raised its discount rate to 8.0 percent in December, the highest level in recent times, one day before the US Federal Reserve cut its discount rate to 3.5 percent.

In the first quarter of 1991, the annual growth rate in Japan was 11.0 percent the highest among G7 countries, and preliminary data indicate that overall growth for 1991 will be 4.2 percent. The economic slowdown after the first quarter was attributed to inflationary pressures brought on by low unemployment (2.2 percent per annum) and high capacity utilization. Once again, Japan posted strong gains on its trade account as exports rose 15.0 percent and imports fell 12.7 percent for the twelve months to November. The trade surplus rose from US\$46.7 bn in 1990 to US\$68.3 bn during the year. The Bank of Japan pursued a moderately tight monetary policy for most of 1991. Late in December it yielded to domestic pressures and eased its discount rate from 5.0 percent to 4.5 percent. Talks of pushing



the yen towards 120/US\$ were welcomed by the US who anticipate an improvement in its trade balance with Japan as a result.

Regional Economic Developments

Recession in the world economy was also seen in Latin America and the Caribbean sub-region as most countries experienced some deterioration in their balance of payments due to contraction in export earnings. In the Caribbean Community (CARICOM) countries overall economic performance deteriorated during 1991. The fragile tourist industry of the region felt the impact of the recession in declining visitor arrivals and tourist earnings. Prospects for tourism recovery in the Caribbean are linked to the performance of the industrial countries; and the announcement by the USA that it will cut its sugar quota by 35 percent for 1991/92 due to surplus domestic production is expected to further delay the recovery of the sugar producing countries in the region.

In Jamaica, exchange control liberalization in late September failed to halt the slide of the Jamaican dollar from US\$1: J\$12.98 to US\$1: J\$20.27 by the end of the year. This changed the framework of the existing International Monetary Fund (IMF) programme and Jamaica opted to negotiate a new arrangement with the Fund. A general consumption tax, to replace

several existing taxes, was implemented after much delay and is expected to raise tax yields.

Barbados negotiated an 18-month structural adjustment programme with the IMF and undertook to reduce its fiscal deficit by decreasing the size of the public service by 2,000 officers and implementing wage cuts of 8 percent. Barbados became the fourth country in the Caribbean region to be on an IMF programme in 1991, joining Jamaica, Guyana and the Dominican Republic.

In 1991, CARICOM made significant progress towards full implementation of the Common External Tariff (CET). The CET, seen as a first step towards the creation of a single market, suffered a setback as five countries hedged on implementation. In August, CARICOM countries joined a list of Latin American countries and signed the Enterprise for the Americas Initiative (EAI), a trade co-operation agreement with the USA intended to create a hemispheric free-trade zone. The EAI proposal, besides providing greater access to the USA market, also promises external debt relief and investment funds through an Inter-American Development Bank (IDB) mechanism. The USA and Japan have both pledged US\$500 mn towards this end. In turn, the USA hopes to tap new sources of energy and reduce its reliance on Middle East oil.



Production, Exports and Prices

Overview

Preliminary estimates indicate that real GDP grew by 4.2 percent in 1991 following average annual real growth of 10.1 percent over the previous three years. Sharp increases in

investment boosted the growth rate in the mid 1980's but since 1989 there has been a notable decrease in growth towards more sustainable levels.

Table 2: Selected Growth Indicators
(Annual Percentage Change)

	1989	1990	1991 ^p
GDP at Current Market Prices	17.0	10.0	6.7
Real GDP (at 1984 prices)	14.7	8.9	4.2
Primary Activities	8.2	13.0	0.6
of which: Agriculture	8.5	16.7	-4.0
Secondary Activities	19.8	8.7	3.5
of which: Manufacturing	10.3	4.9	-5.0
Construction	40.3	14.7	13.4
Services	14.2	7.5	5.7
of which: Trade & Tourism	23.7	7.6	5.7
Consumer Price Index			
Average	2.1	3.0	5.6
End of Period	2.1	4.0	4.5

Source: Central Statistical Office
^p: Provisional

A 4.0 percent decline in agricultural activity, as a result of a substantial contraction in citrus and banana production, constrained growth in the primary sector to a marginal 0.6 percent. Forestry expanded by 4.7 percent as the extended dry period facilitated an increase in extraction of logs and fisheries increased by 14.3 percent as both volume and value of exports rose.

Growth in the secondary sector moderated to 3.5 percent as manufacturing activity fell by 5.0 percent, reflecting lower citrus concentrate production. Electricity and water services grew

by 7.6 percent as electricity generation reached record levels and water consumption increased due to new connections especially in the rural areas. Growth of 13.6 percent in the construction sector was facilitated by Government expenditure on the Bascule Bridge, the fire station, the new prison, the Belmopan office complex, and the Belize City market.

In the services sector, transport and communications grew by 10.1 percent due to an expansion in telecommunications activities while retail trade, restaurants and hotels increased by 5.7 percent over last year. Public Administration



grew by 3.5 percent as a result of an increase in Government expenditure on salaries and wages and maintenance. The consumer price index (CPI) rose from an average of 3.0 percent in 1990 to 5.6 percent in 1991. The main contributors to this increase were household items which increased from 2.9 percent in 1990 to 6.1 percent in 1991 and fresh food which increased from 2.1 percent in 1990 to 6.1 percent in 1991. The increase in the CPI was more pronounced in the Belize and Cayo

districts where the CPI rose by 6.1 percent and 8.7 percent, respectively.

After peaking in 1990, earnings from the major agricultural exports fell by 13.0 percent to \$145.0 mn reflecting declining production and lower international prices, primarily in citrus and bananas. Earnings from non-traditional exports such as mangoes, cucumbers, red kidney beans, honey, and beef fell from \$13.6 mn to \$10.0 mn.

Table 3: Domestic Exports

	\$mn		
	1989	1990	1991 ^P
Sugar	68.1	85.6	83.4
Citrus	38.9	43.1	21.6
Bananas	23.1	16.9	14.0
Marine	17.6	17.5	20.1
Other [†]	36.5	32.4	41.5
Non-traditional	3.8	13.6	10.0
Total	188.0	209.1	190.6

Source: Central Statistical Office

[†] Includes Garment Exports

^P: Provisional



Sectoral Review

Sugar

The 1990/91 crop year produced 1.1 mn long tons of sugarcane, approximately the same as last year. Sugarcane deliveries to the Belize Sugar Industries Ltd. (BSI) were reduced by 0.4 percent to 964,505 long tons and the remainder of the crop was delivered to PETROJAM Belize Limited where it was used to produce high test molasses for the production of ethanol. Notwithstanding the small decline in cane deliveries to BSI, sugar production increased by 1.6 percent to 101,914 long tons as a result of a better cane/purity ratio. The average price received by farmers was \$55.26 per ton of cane, \$0.26 more than was received in the previous crop year.

During 1991, 91,886 long tons of sugar were exported valued at \$83.4 mn with the share going to preferential markets rising from 62.5 percent in 1990 to 72.3 percent in 1991. With the re-allocation to Belize of Guyana's shortfall on its quota, shipments to the European

Economic Community (EEC) grew by 8.4 percent to 45,224 long tons while the value increased by 6.8 percent reflecting slightly lower prices. Following an increase in the 1990/91 USA quota, shipments to the USA preferential market rose by 31.9 percent in 1991. The remaining 27.7 percent of sugar exports were sold on the world market at a significantly lower average price than received in 1990. It is estimated that the average price per pound fell from US\$0.15 per pound in 1990 to US\$0.08 per pound in 1991.

The production of molasses by BSI remained virtually unchanged while PETROJAM's production of high test molasses increased to 22,253 long tons from 17,467 long tons last year. PETROJAM is forecasting a 26.3 percent decline in the production of high test molasses for the 1991/92 crop year due to a projected fall in sugar production. It is expected that production in the 1991/92 crop year will be 10 to 15 percent lower because of unfavourable weather conditions at the time of planting and at the beginning of harvesting.

Table 4: Sugar Production 1988/89 - 1990/91¹

	1988/89	1989/90	1990/91
Production of Sugarcane (long tons)	776,559	1,089,715	1,113,961
Sugarcane deliveries to BSI	776,559	968,459	964,505
Sugarcane deliveries to Petrojam ²	-	121,256	149,456
Sugar Processed (long tons)	81,747	100,297	101,914
Molasses processed by BSI	23,138	29,406	31,660
High test molasses processed by Petrojam	-	17,467	22,253
Performance			
Overall factory efficiency (%)	90.79	91.64	90.66
Cane purity (%)	86.80	84.92	85.41
Cane/sugar	9.50	9.66	9.46

Source: Belize Sugar Board

¹ Crop years - December to June

² Petrojam began operations in June 1989



	1989		1990		1991	
	Volume	Value	Volume	Value	Volume	Value
Sugar (long tons)	75,929	68.1	92,454	85.6	91,886	83.4
E.E.C. (Quota)	40,161	37.4	41,726	48.7	45,224	52.0
USA (Quota)	22,235	23.8	16,090	15.2	21,215	20.3
Other (World)	13,533	6.9	34,638	21.7	25,447	11.1

Sources: Central Statistical Office
Central Bank of Belize

Citrus

Citrus production during the 1990/91 crop year declined by 28.8 percent to 2.0 mn boxes, largely as a result of unfavourable weather conditions. This was reflected in a deduction of 36.3 percent in citrus concentrate production. With international prices falling because of an excess supply of citrus concentrate from Brazil and Florida, the contraction in production was accompanied by a more than proportionate

decline in earnings from citrus exports. Earnings declined from \$43.1 mn in 1990 to \$21.6 mn in 1991. Prices edged upwards in October following an announcement that there would be a shortfall in Florida's production for the 1991/92 crop year. However, since production had just begun, Belize could not benefit from this increase in prices because of unavailable stocks of citrus concentrate for export.

	1989	1990	1991
Deliveries ('000 boxes)	2,337	2,784	1,981
Oranges	1,448	1,681	1,189
Grapefruit	889	1,103	792
Concentrate Exported ('000 gals)	1,785	1,781	1,134
Orange	1,171	1,270	791
Grapefruit	614	511	343
Value (\$mn)	38.9	43.1	21.6
Orange	28.5	33.5	16.0
Grapefruit	10.4	9.6	5.6

Source: Central Statistical Office

¹ Crop years - October to June

² Calendar year



Projections for the 1991/92 crop year are for strong recovery. The Citrus Growers Association projects that 3.0 mn boxes of fruit will be delivered this year as new groves come into production and existing groves recover from last year's low yield.

Bananas

After peaking in 1989, banana production declined in 1991 for the second consecutive year. Banana exports totalled 44.2 mn pounds and earned \$14.0 mn. The contraction experienced in the banana industry during the

past two years is attributable to three factors.

Firstly, the Black Sigatoka disease (which causes the fruit to ripen prematurely) has been affecting the industry. This disease re-surges during the rainy season and, to be controlled, requires the timely spraying of fungicide. Secondly, the lack of irrigation systems on some farms makes them vulnerable to extremely dry weather which has occurred several times since 1988. Finally, the decline in production and exports since 1990 has interrupted the cash flow to finance necessary inputs such as fertilizer and nematocide.

Table 7: Exports of Bananas 1989 - 1991

	1989	1990	1991
Volume ('000 lbs)	69,124	51,218	44,185
40-lb net boxes	1,163,024	804,817	659,727
28-lb net boxes	807,363	679,476	635,566
Value (\$mn)	23.1	16.9	14.0

Sources: Banana Control Board
Banana Growers Association

The increased involvement of Fyffes Ltd. in the industry during the year, including production, financing and technical assistance for the control of Sigatoka, is expected to have a positive effect on future production. The Banana Growers Association projects that exports should recover to the 1989 level in 1992. However, like other African, Caribbean and Pacific banana producing countries, Belize is concerned that the preferential access it now enjoys, could be adversely affected by the unification of the European market at the end of 1992.

Marine Products

Earnings from the export of marine products rose by 15.6 percent as a result of exports of

lobster tails which benefitted from an increase in price. Earnings from shrimp were approximately the same as in 1990 reflecting lower prices. Although the production of shrimp increased, it fell well below expectations reflecting financial and managerial difficulties in some fresh water shrimp farms. Shrimp farms in the south experienced higher transportation costs because the irregularity of calls at the Big Creek port meant that they had to ship from the Belize City port.

In a new development, Belize began exporting whole cooked lobster to Europe in September with the expectation of exporting to Taiwan early in 1992. It is also expected that mullett, a high volume, low value product will also be exported by the middle of 1992 to Taiwan.



In January, the International Centre for Ocean Development and CARICOM signed an agreement to establish the CA\$17.0 mn Caribbean Fisheries Resources Assessment and Management Programme with its central coordinating office in Belize and implementation units in Jamaica, Trinidad and

the OECS. This eight year project is designed to assess the fisheries resources of CARICOM member countries and provide technical assistance and training in the area of Fisheries Resource Management.

Table 8: Exports of Marine Products 1989 - 1991

	1989		1990		1991 ^p	
	Volume ('000lbs)	Value (\$'000)	Volume ('000lbs)	Value (\$'000)	Volume ('000lbs)	Value (\$'000)
Lobster Tail	601	11,539	409	9,650	474	12,037
Lobster Head	2	9	8	51	58	35
Whole Cooked Lobster	-	-	-	-	56	394
Shrimp	391	3,714	441	4,172	509	4,150
Conch	189	1,373	371	2,762	343	2,454
Whole Fish	455	905	390	760	372	945
Other	10	76	14	89	33	112
TOTAL	1,648	17,616	1,633	17,484	1,845	20,127

Source: Central Statistical Office

^p: Provisional

Other Exports

Preliminary indications are that during 1991, 3.8 mn pieces of garments valued at \$35.1 mn were exported representing increases in volume and value of 8.6 percent and 22.7 percent,

respectively over the corresponding period last year. This large increase in value can be attributed to the production of higher valued goods such as overalls and coveralls.

Table 9: Garments Exports 1989 - 1991

	1989	1990	1991
Volume (mn pcs.)	3.3	3.5	3.8
Value (\$mn)	31.6	28.6	35.1

Source: Central Statistical Office



During the year, 3.8 mn board feet of sawn wood were exported valued at \$5.9 mn. The significant increase in volume is attributable to the prolonged dry season which facilitated the extraction of wood while the smaller increase in value reflects a 6.1 percent fall in the average price received per board foot.

The Government is advocating the export of higher value added items such as processed

wood and/or furniture. If this policy is successful, there would be a gradual reduction in the proportion of sawn wood in total forestry exports. Already, some companies have begun producing wood veneers for export to Mexico and the USA and are investigating the possibility of exporting to Europe.

	1989	1990	1991
Volume ('000 bd.ft.)	3,573	2,287	3,780
Value (\$'000)	4,922	3,776	5,855
Average Price (\$/bd.ft.)	1.58	1.65	1.55

Source: Central Statistical Office

Tourism

Preliminary indications are that tourist arrivals declined by 0.5 percent to 212,978 in 1991 after a 11.8 percent increase in 1990 reflecting the impact of continued recession in the USA and strong competition from other destinations. Air arrivals declined by 21.6 percent, while overland arrivals increased by 13.7 percent. The majority of these overland tourists are from neighbouring Mexico and Guatemala on short-stays - less than two nights. North Americans continue to dominate the extra regional market, accounting for 35.8 percent of arrivals in 1991 down from the 38.4 percent share in 1990. The number of visitors from Continental Europe rose 32.0 percent to 15,361 after growth of 9.0 percent in 1990.

The number of rooms available increased by 702 to total 3,076 at the end of the year. The increase was somewhat concentrated in the

Belize District and in San Pedro. Among the new facilities in the Belize District were the Ramada Royal Reef Hotel and Marina with 118 rooms, and the Belize Biltmore Plaza Hotel with 90 rooms both of which were opened at mid-year. The increase in room capacity attests to the confidence in the industry following the strong growth in visitor arrivals over the last five years.

During the year, the authorities and the private sector made efforts to increase Belize's visibility overseas through promotional campaigns and participation in travel shows. The Belize Tourist Board opened branch offices in Cancun, Mexico and in Hamburg, West Germany.

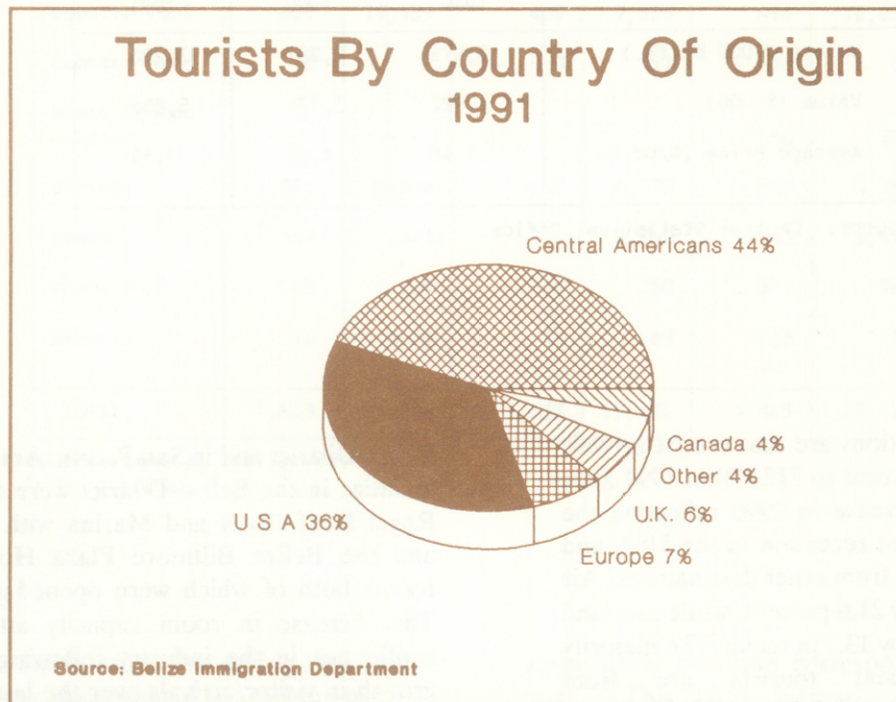
Belize increased its focus on eco-tourism - a concept which promotes environmentally friendly visits to relatively undisturbed areas. This concept received a boost in 1991 when the First



Caribbean Conference on Eco-tourism, sponsored by the Government of Belize and the Caribbean Tourism Organization, was held in Belize City in July. The aims of the conference were to examine the potential for this type of tourism development; to increase awareness of the opportunities for the development of eco-tourism in the region; and to examine appropriate approaches for the successful development of eco-tourism.

Also in July, Belize hosted the El Mundo Maya conference, involving private sector representatives from Belize, El Salvador, Guatemala, Honduras and Mexico. El Mundo Maya is an organization founded to promote, preserve and protect the Mayan heritage shared by these countries through the promotion of eco-tourism.

Chart A





Monetary and Financial Developments

In the monetary sector, the impact of the decline in export receipts was offset by an expansion in net domestic credit which financed private and public sector consumption and investment. During the year, the Central Bank reduced the reserve requirements of the commercial banks and broadened the tender system for Treasury bills as a first step toward the development of a securities market.

Money and Credit

Money supply (M2) rose by \$53.1 mn to \$427.8 mn, a 14.2 percent increase compared with 16.0 percent growth during 1990. The slight reduction in monetary expansion was linked to

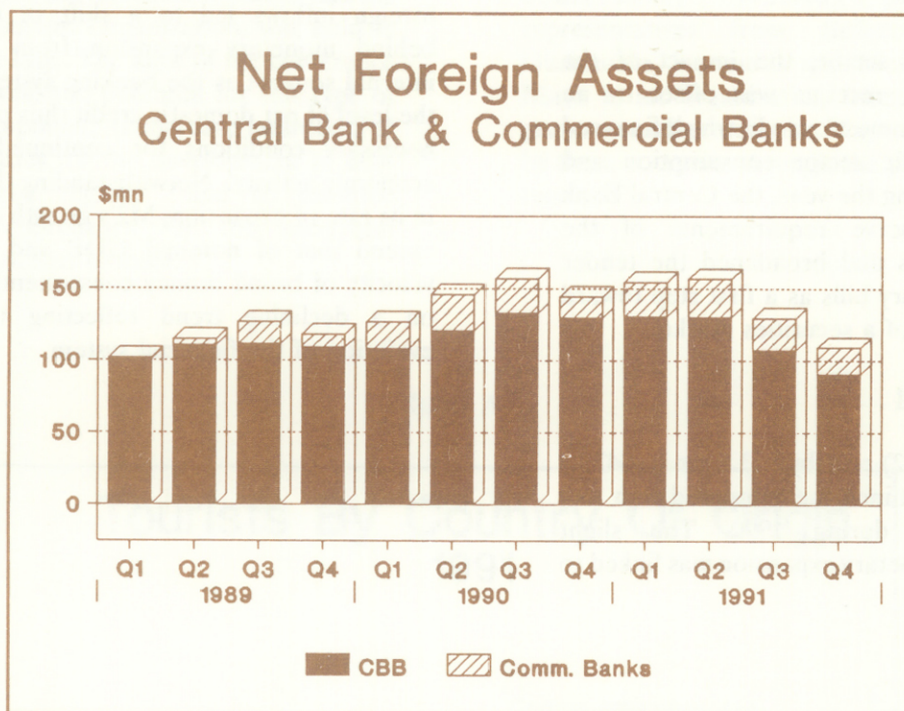
the deceleration in the growth of income resulting from the fall in export earnings. The reduction in foreign inflows led to a shift in the impetus behind monetary expansion from external to internal sources as the banking system increased the level of net domestic credit thus providing the necessary conditions for continued growth in economic activity. Notwithstanding the reduction in its rate of expansion, M2's growth continued to exceed that of nominal GDP and the income velocity of broad money consequently continued on a declining trend reflecting the ongoing evolution of the financial system.

Table 11: Monetary Aggregates of the Banking System

	1989	1990	1991	Change 1990-1991
				\$mn
Net Foreign Assets	119.1	145.2	105.6	-39.6
Central Bank	111.0	133.2	90.0	-43.2
Commercial Banks	8.1	12.0	15.6	3.6
Net Domestic Credit	246.6	269.3	365.9	96.6
Central Government (net)	10.1	-8.5	21.3	29.8
Other Public Sector	5.4	7.3	13.5	6.2
Private Sector	231.1	270.5	331.1	60.6
Other Items Net	-42.7	-39.8	-43.7	-3.9
Money Supply (M2)	323.0	374.7	427.8	53.1
Money Supply (M1)	97.8	105.5	121.4	15.9
Quasi Money	225.2	269.2	306.4	37.2



Chart B



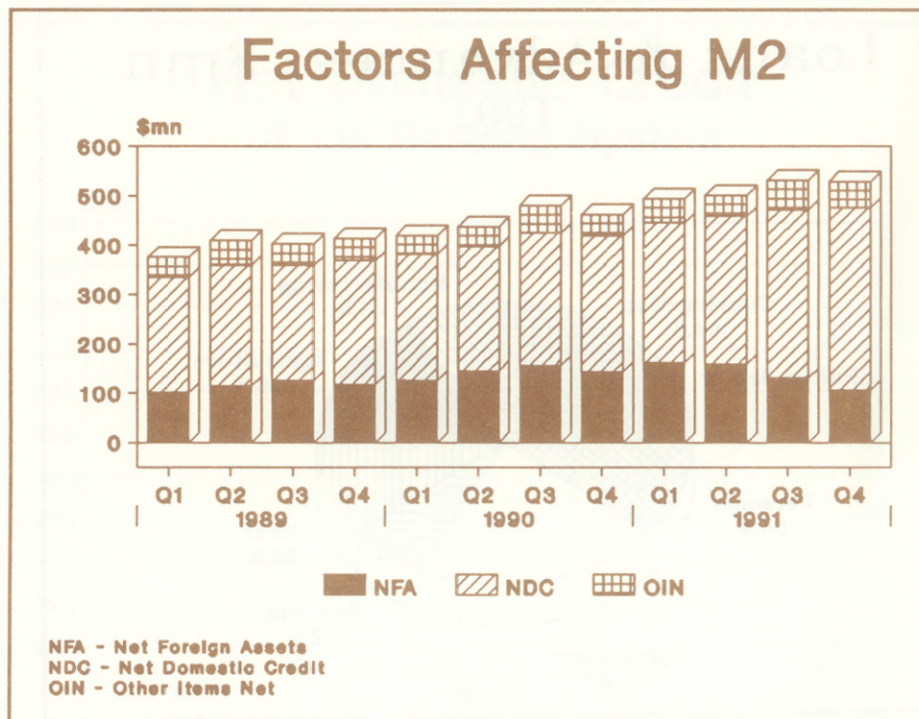
The slowdown in M2 was mostly expressed as a deceleration in the rate of growth of savings and time deposits from 19.5 percent in 1990 to 13.8 percent in 1991 as both public and private sector deposit growth slowed during the year. While public sector deposit growth slowed only marginally from 13.3 percent to 12.1 percent, there was a marked decline in the rate of growth of private sector savings and time deposits which fell from 18.6 percent in 1990 to 11.8 percent in 1991.

While broad money lost momentum, the rate of growth of M1 increased from 7.9 percent in 1990 to 15.1 percent in 1991. Demand deposits rose at a faster pace than currency with the public due to the escalation in private sector credit and the expansion in Government capital expenditures during the year which facilitated a transfer of deposits from the public sector to the private sector.

With the Central Bank's net foreign assets falling by \$43.2 mn and those of the commercial banks increasing by \$3.6 mn, the net foreign assets of the banking system fell by \$39.6 mn to \$105.6 mn during 1991. This is largely the result of the decline in export earnings and the increase in imports during the year. The Central Bank made net foreign exchange sales of \$30.1 mn to the commercial banks primarily to finance imports and loan payments to foreign affiliates. Meanwhile, the acceleration of Central Government's expenditure on infrastructural development led to a \$14.9 mn increase in net sales of foreign exchange to Government by the Central Bank. Commercial banks' net foreign assets increased by \$3.6 mn as foreign liabilities contracted by a greater amount than foreign assets. The banks' foreign liabilities (comprised primarily of amounts owed to Head Office and/or affiliates abroad) fell by \$9.7 mn while foreign assets fell by \$6.1 mn.



Chart C

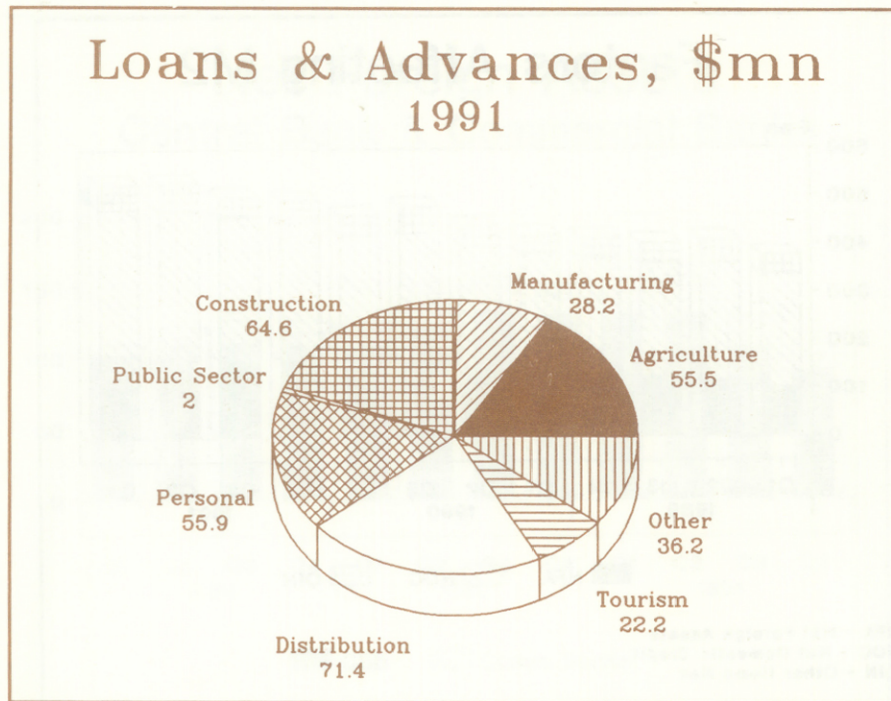


Net domestic credit increased by 35.9 percent compared with 9.2 percent during 1990. This was dominated by the increase in credit to the private sector although net credit to the public sector also rose. The private sector received additional commercial bank loans and advances of \$60.6 mn during the year compared with \$39.4 mn in 1990. The private sector borrowed for the purchase of consumer durables and materials for home improvements pushing the personal loans category upward by \$19.7 mn as against an increase of \$5.3 mn in the previous year. The tourism and construction sectors received additional loans of \$11.5 mn and \$5.8

mn respectively, while loans for the manufacturing sector rose by \$11.0 mn largely due to the provision of bridge financing to citrus factories and increased investment in beverage production. While an increased share of loans and advances went to manufacturing, tourism and personal consumption, agricultural loans rose only marginally and primarily reflected the usual credit line advanced to sugar producers to facilitate preparations for the next crop year. Consequently, the share of the agricultural sector in total loans and advances declined from 19.0 percent to 16.5 percent.



Chart D

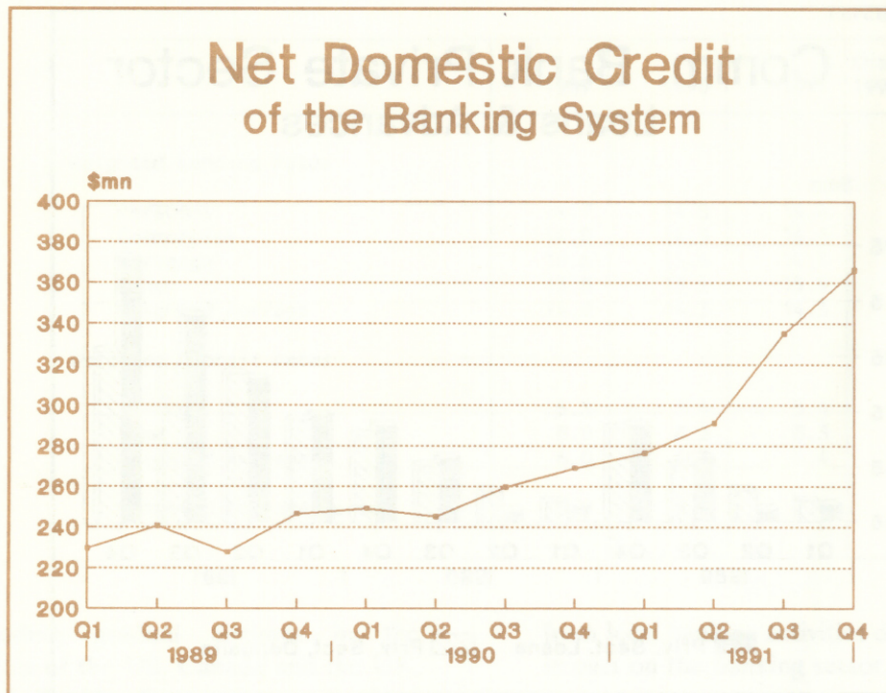


The acceleration in Government's investment programme was facilitated by a reduction in deposits of \$19.1 mn. This, together with the shift to the banking system of Social Security Board holdings of Government securities, led to an increase of \$29.8 mn in net credit to Central Government. Increased credit to the rest of the public sector resulted largely from the Central Bank's on-lending \$8.6 mn of the Taiwan Housing loan funds to the Reconstruction and Development Corporation.

Continuing the trend observed over the last four years, credit to the private sector expanded at a faster rate than private sector deposit liabilities indicating that an increasing portion of private commercial banks investment is being funded by public sector savings. Since 1988, the level of public sector deposits in the commercial banks has risen from \$46.9 mn to \$114.4 mn, increasing from 18.9 percent to 27.7 percent of total deposits.



Chart E



Interest Rates and Liquidity

The increase in commercial bank loans and advances was accompanied by a tightening in bank liquidity. Excess statutory liquidity fell from \$28.7 mn at the beginning of the year to \$12.0 mn at year end reflecting lower holdings of foreign balances, Treasury bills and balances with the Central Bank. Similarly, excess primary liquidity or cash reserves of the banks were halved during the year from \$2.6 mn to \$1.3 mn. At year end, commercial bank holdings of approved liquid assets and cash reserves stood at \$114.4 mn and \$25.9 mn, respectively.

To pre-empt the development of a liquidity shortage, the Central Bank reduced the cash and liquid asset reserve requirements of the banks on September 1 from 7.0 percent to 6.0 percent and from 28.0 percent to 25.0 percent

respectively, easing the statutory liquidity requirements as the system shifted from external to internal sources of money.

During the year, the Central Bank took steps to encourage the development of securities trading by encouraging competitive tenders for Treasury bills from the general public. The Bank also reserved \$1.5 mn worth of Treasury bills for sale to the public at the average price established in the market and a window was opened each Tuesday for such trading. By the second quarter, competitive bidding brought the yield rate on Treasury bills down from 7.5 percent to 5.91 percent. However, lower Treasury bill rates had the effect of reducing the public interest in these securities since higher rates were being offered on commercial bank time deposits.



Chart F

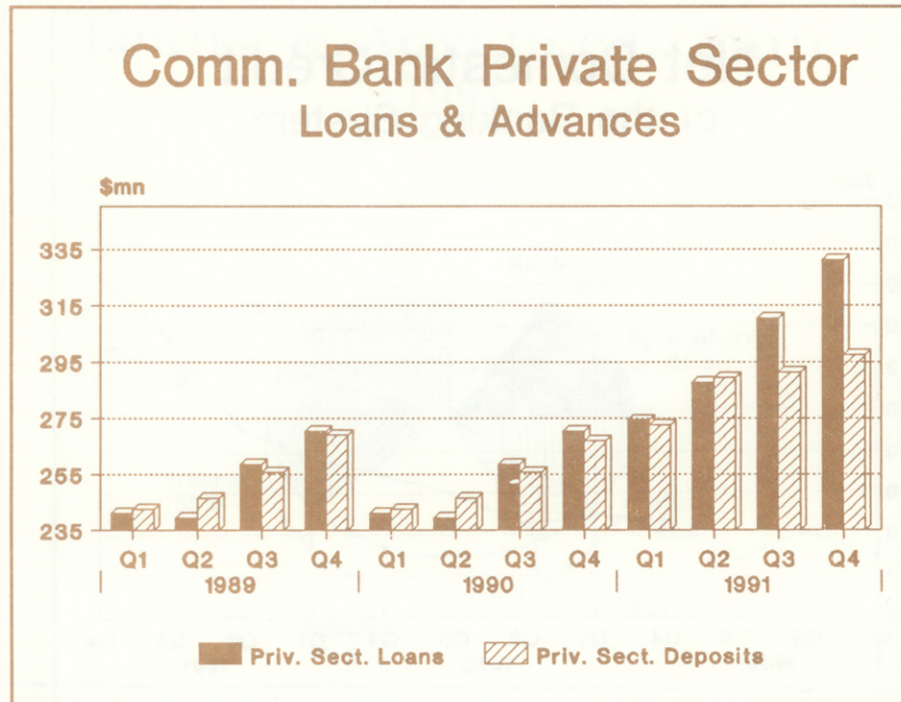


Table 12: Commercial Bank Liquidity

	\$mn			
	1989	1990	1991	Change 1990-1991
Approved Liquid Assets	102.8	128.6	114.4	-14.2
Vault Cash	6.2	6.3	7.0	+0.7
Balances with Central Bank	22.6	28.5	26.0	-2.5
Treasury Bills	39.9	52.9	50.3	-2.6
Other Local Holdings	2.9	3.1	3.0	-0.1
Foreign Holdings	30.3	37.2	27.7	-9.5
Other Approved Assets	0.9	0.6	0.4	-0.2
Required Liquid Assets	84.2	99.9	102.4	+2.5
Excess Liquid Assets	18.6	28.7	12.0	-16.7
Daily Average Cash Reserves	22.1	27.6	25.9	-1.7
Required Cash Reserves	21.1	25	24.6	-0.4
Excess Cash Reserves	1.0	2.6	1.3	-1.3



Table 13: Commercial Bank Weighted Average Interest Rates Percentages

	1989	1990	1991	Change 1990-1991
Weighted Lending Rates				
Personal	14.7	14.8	14.4	-0.4
Commercial	14.0	14.3	14.1	-0.2
Mortgage	12.6	13.6	14.4	+0.8
Other	13.8	13.5	15.9	+2.4
Weighted Average	14.0	14.3	14.3	0.0
Weighted Deposit Rates				
Savings	5.3	5.4	5.4	0.0
Time	8.0	8.3	8.3	0.0
Weighted Average	6.0	6.3	6.4	+0.1
Weighted Average Spread	8.0	8.0	7.9	-0.1

Notwithstanding gradual declines in the discount rates of the US, Canada and the UK, the Central Bank's discount rate remained unchanged at 12.0 percent during the year. The Bank also made no other adjustments in the structure of interest rates maintaining minimum rates on ordinary savings and premium savings accounts at 5 and 6 percent, respectively while the minimum lending rate of the commercial banks remained unchanged at 10.0 percent. With the exception of a rise in weighted average deposit rates of 10 basis points which narrowed the interest rate spread of the commercial banks from 8.0 to 7.9 percent, there was little change in commercial bank interest rates during the year.

Institutional Developments

On December 20, 1991, approximately ten months after it opened its doors, Banca Serfin closed its Belize operations as part of a global streamlining strategy pending privatization of the bank in Mexico. This reduces the number of active commercial banks in the country to four. However, since Banca Serfin's scale of operation in Belize was small, its withdrawal

from local banking activities did not have a major impact on the banking sector.

The programme to rehabilitate and strengthen the Development Finance Corporation (DFC) continued in 1991. In December 1991, an additional equity injection of \$1.5 mn was made by Central Government to broaden DFC's equity base and improve its debt/equity ratio. The funds were earmarked for additional lending to the banana industry and helped to moderate the continuing contraction in DFC's loan portfolio since 1989. It is anticipated that the increase in DFC's capital together with an acceleration of administrative and operational reforms will improve the prospects for DFC's profitability and speed the re-opening of foreign credit lines necessary for continued expansion.



Central Government Operations and the Public Debt

Central Government Operations

During the first eleven months of FY 1991/92, Central Government recorded a current surplus of \$58.7 mn, a decline of 5.4 percent when compared to the same period of FY 1990/91. The current balance, however, is expected to exceed budget projections by the end of the FY. Total expenditure increased \$55.6 mn as Central Government increased its spending on infrastructure development. Overall expenditure exceeded total revenue and grants by \$16.2 mn, approximately 2.0 percent of GDP.

Up to the end of February 1992, current revenue was \$11.2 mn more than for the same period in FY 1990/91 and mainly reflected increased revenue from taxes on income, profits and international trade. Increased revenue from personal income and corporate taxes reflect the increased efficiency of the Income Tax Department while continued expansion in imports prompted the \$6.7 mn rise in revenue from international trade. Receipts from properties and excise recorded marginal changes and taxes from "other" sources fell by \$2.2 mn. Non-tax revenue remained virtually unchanged.

Central Government's current expenditure was \$14.5 mn more than in the same period last FY. The wages and salaries bill increased by approximately \$5.0 mn, with the addition to the public service of over 200 more employees, including doctors, nurses, teachers and policemen. Expenditure for goods and services including public utilities, maintenance, grants and contributions rose by \$8.0 mn, while pension payments increased \$2.0 mn and interest payments on the public debt declined slightly.

The sale of Belize Telecommunication Limited (BTL) shares in January 1992 boosted capital

revenue collected during the first eleven months of FY 1991/92 to \$32.8 mn, surpassing budget projections. During the same period, as implementation of both locally and externally funded projects increased, capital expenditure was \$41.0 mn more than in the comparable period of FY 1990/91. Most of the expenditure was on infrastructure development, especially in the areas of housing, transportation and communication, electricity and natural resources. Increased capital transfers were used mainly to support the banana and beef/cattle industries.

As at February 1992, most revenue and expenditure categories were close to budget projections for FY 1991/92. Notable exceptions include property taxes which, at 61.0 percent, reflect problems inherent in property tax collection procedures. Locally funded (Capital II) expenditure at 105.0 percent is growing at a faster pace than originally anticipated while externally funded (Capital III) expenditure at 51.0 percent is below budget expectations.

Central Government's estimated overall deficit was mainly financed from external sources. Net foreign liabilities increased \$20.3 mn reflecting loan disbursements of \$23.3 mn and drawdowns from the Sinking Fund and the Joint Consolidated Fund of \$1.2 mn, while principal repayments of \$4.2 mn were made during the period. Liabilities to the Central Bank increased \$8.1 mn, as the Bank took up Treasury bills relinquished by the SSB and deposits in the banking system rose \$8.1 mn reflecting revenue from the sale of BTL shares in January.

On November 1 Belize implemented the CET which aims to protect goods produced in CARICOM member states against competing items produced outside the region. Under the CET, imported agricultural inputs are allowed to enter duty free in order to promote agricultural production in Belize, while a 45.0 percent rate is applied to non-basic items as well as competing goods imported from extra regional countries. The new tariff structure is not expected to adversely affect Central Government's revenue.

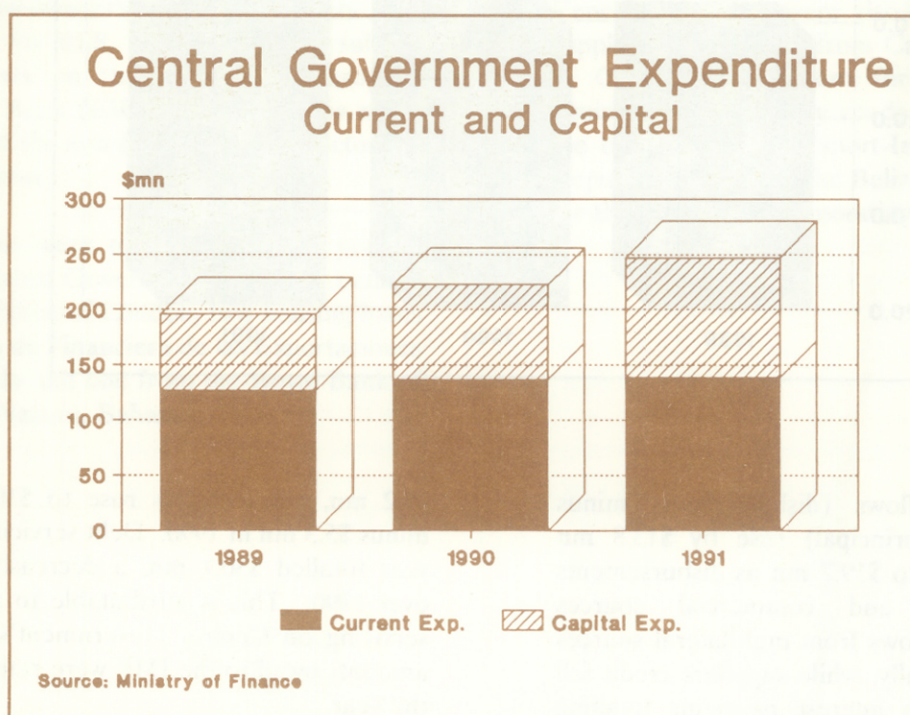


The rate changes are expected to increase the CPI as food items, largely imported from outside CARICOM, will become more expensive to the consumer.

Included in the new tariff structure was the elimination of the 12.0 percent stamp duty on motor vehicles with engine sizes of no more

than four cylinders and 2.5 liters capacity. This move is aimed at encouraging the purchase of fuel efficient vehicles so as to reduce the level of fuel consumption.

Chart G



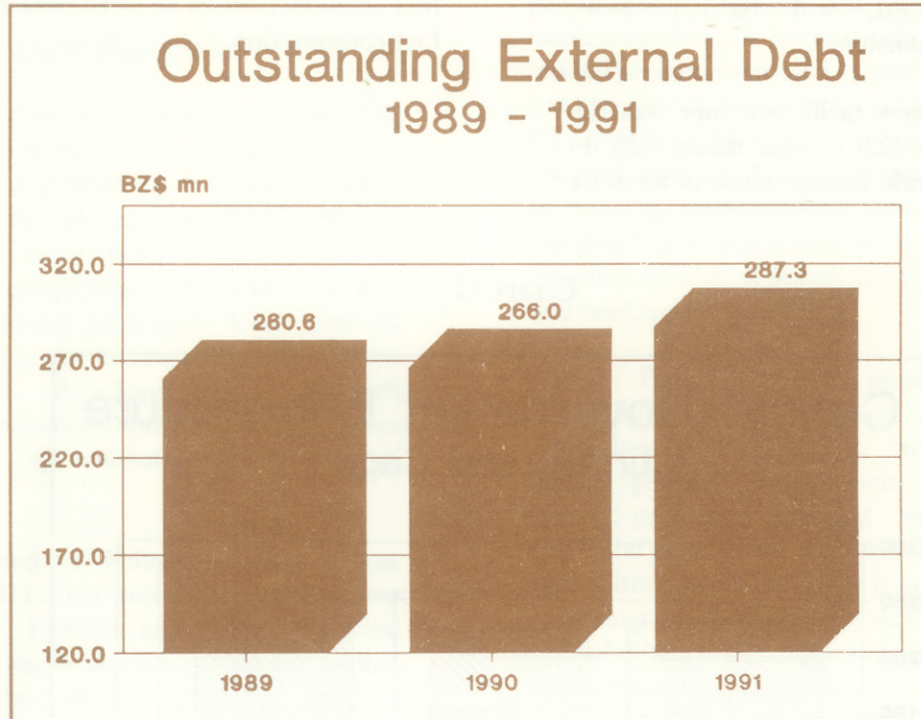
Public Debt

The external public debt at the end of 1991 was \$287.3 mn, an increase of \$21.3 mn (8.0 percent) during the year, as compared to the \$5.0 mn (1.9 percent) increase in 1990. This increase was largely the result of disbursements of \$9.5 mn on the Instituto Nazionale Di

Credito (ICLE) loan and \$12.0 mn on the three Taiwan loans (housing, Bascule Bridge and purchase of generating equipment). Central Government's external debt was \$177.4 mn, an \$19.4 mn increase over the previous year.



Chart H



Net financing flows (disbursements minus repayments of principal) rose by \$13.8 mn during the year to \$19.7 mn as disbursements from bilateral and commercial sources increased. Net flows from multilateral sources declined marginally, while suppliers credit fell by \$2.1 mn. With interest payments totalling

\$9.2 mn, net transfers rose to \$10.6 mn from minus \$5.3 mn in 1990. Debt servicing during the year totalled \$30.1 mn, a decrease of \$3.9 mn over 1990. This is attributable to reduced debt servicing on Central Government's debt as the amounts owed to the IMF were retired earlier in the year.

Table 14: Financing Flows and Net Transfers 1989 - 1991

	1989	1990	1991
			\$'000
Disbursements	39,358	28,728	40,652
Repayments	19,348	22,828	20,904
Net Financing Flows	20,010	5,900	19,748
Interest	9,878	11,194	9,179
Net Transfers	10,132	-5,294	10,569



At the end of 1991, bilateral creditors held the largest share of outstanding external debt (46.2 percent) with multilateral creditors holding 42.5 percent. Loans from the Republic of China increased from 1.1 percent of the outstanding debt at the end of 1990 to 5.2 percent at the end of 1991 resulting in a reduction in the shares of the four largest creditors: the United States Agency for International Development (USAID), the UK, Caribbean Development Bank (CDB) and the International Bank for Reconstruction and Development (IBRD). Central Government's share of the debt rose moderately to 61.8 percent as a result of disbursements on the ICLE and European Investment Bank (EIB) loans, while the share of the rest of the non-financial public sector fell to 20.9 percent.

Several loans were repaid during the year in review. Central Government retired a banana loan from Fyffes of London, two housing loans from Fondo de Financiera de las Exportaciones de Venezuela and one from the Royal Bank of Canada of Nassau, Bahamas.

In addition, the IMF Standby loan was repaid. Approximately 29.6 percent of the public sector debt is denominated in pound sterling which depreciated against the US dollar by 2.0 percent during the year and led to downward valuation adjustments of approximately \$1.1 mn on UK loans and portions of CDB and EEC/EIB loans which are denominated in pound sterling.

Disbursements began on two new loans during 1991; the Taiwan Bascule Bridge loan, and a housing loan from the Fondo de Inversiones de Venezuela. There were also drawdowns on two suppliers credits, one from Caterpillar Americas to Central Government for the purchase of equipment for forestry roads management, and the other from the Export-Import Bank of the Republic of China to the Belize Electricity Board for the purchase of generating equipment.





Foreign Trade and Payments

Belize recorded an overall deficit of US\$21.1 mn in 1991, with the deterioration in the current account and net capital inflows reflecting lower agricultural exports and tourism earnings and a reduction in foreign direct investment following the completion of several large projects.

Current Account

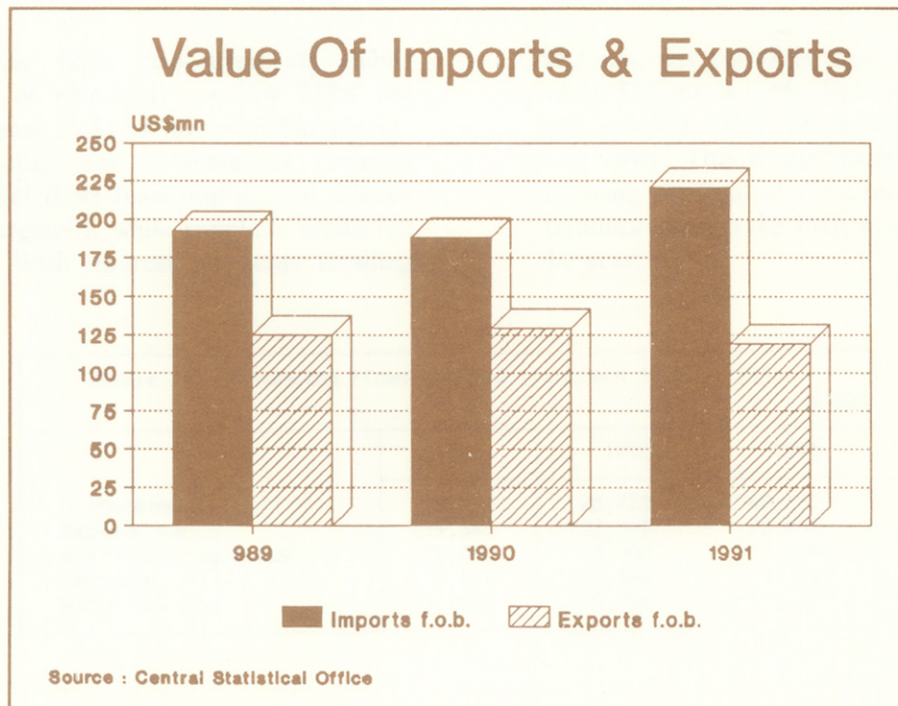
The current account deficit of US\$49.3 mn was largely the result of a US\$44.6 mn widening of the trade deficit and US\$17.0 mn decline in net inflows for services. Net unrequited transfers fell by US\$2.8 mn.

The merchandise trade deficit amounted to US\$103.8 mn, an increase of \$44.6 mn over the level reached in 1990. The value of exports fell

by 7.3 percent to US\$119.8 mn due to contraction in the citrus and banana industries, while the value of imports rose by 18.7 percent to US\$223.6 mn. Given the drop in export earnings, the growth in imports was facilitated by the expansion in net domestic credit and was propelled by Government's increased capital expenditure.

Based on available information, most of the categories of imports recorded increases over the same period of 1990. The importation of fuels and lubricants almost doubled to US\$12.2 mn. Machinery and transport equipment grew by US\$8.3 mn and manufactured goods by US\$7.2 mn.

Chart I





Belize's main trading partners remained the USA and the UK, which together accounted for 68.2 percent of the country's total merchandise trade for the first six months of 1991. The USA bought 48.6 percent of Belize's total exports and provided 59.2 percent of gross imports, while the UK accounted for 22.3 percent of total exports and 7.6 percent of gross imports. Trade with Mexico remained vibrant as that country was responsible for 49.9 percent of the re-export trade. There was a slow-down in trading activities between Belize and CARICOM during 1991. While there was a slight increase in the share of total exports going to the region, imports fell from a 6.2 percent share of gross imports in 1990 to 2.4 percent in the first half of 1991. The decline was more pronounced in trade with Jamaica reflecting the termination of the importation of diesel fuel from that country.

The services account recorded a net inflow of US\$28.0 mn in 1991, 37.8 percent less than the US\$45.0 mn recorded in 1990. Gross earnings from tourism fell by 15.1 percent to US\$32.4 mn, reflecting the effects of international recession. Sales of foreign exchange to Belizeans for travel abroad rose by 14.3 percent to US\$7.6 mn.

Outflows of investment income totalled US\$10.0 mn in 1991, an increase of US\$1.4 mn over 1990. Gross investment income received by the Central Bank and Central Government amounted to US\$4.5 mn compared with US\$5.8 mn in 1990. This decline mainly reflects reduced international interest rates and the contraction in official reserves during the year. Interest payments fell to US\$5.5 mn influenced mainly by the 17.9 percent decline in interest payments on the external public debt. Repatriation of profits and dividends rose to \$8.9 mn.

Payments for freight and merchandise insurance increased to US\$27.6 mn, as a result of the increase in imports while other transportation recorded net inflows of US\$2.9 mn. The other

goods and services account showed net inflows of US\$37.9 mn in 1991, a decline of 2.1 percent over the previous year. Net unrequited transfers for 1991 amounted to US\$26.6 mn, 9.5 percent lower than in 1990. Net official inflows fell by US\$1.8 mn to US\$11.3 mn and it may be that, based on the per capita income criteria, Belize has less access to grant funds. Net receipts by the private sector at US\$15.3 mn were lower by 6.7 percent. This is the result of the decline in remittances from abroad, and may reflect the continuing recession in the USA.

Capital Account

The capital account surplus declined by US\$10.3 mn or 41.0 percent in 1991 due to a sharp decline in net private capital inflows. The surplus on the capital account fell from US\$25.1 mn to US\$14.8 mn as a result of a decline in net private capital inflows and a marginal increase in net official flows. Over the year, official receipts increased by US\$1.7 mn to US\$18.2 mn but official payments rose by US\$1.6 mn to US\$10.3 mn. The decline in private capital inflows was influenced by a US\$4.4 mn fall off in net direct investment inflows as the large tourism construction projects undertaken between 1989 and 1991 were completed. Foreign direct investment inflows were estimated at US\$14.5 mn in 1991, compared with US\$19.0 mn in 1990. Other private capital moved from net inflows of US\$2.1 mn in 1990 to net outflows of US\$4.1 mn in 1991, mainly reflecting private sector loan repayments.

Official Reserves

At the end of 1991, the net official foreign reserves of the country stood at US\$47.9 mn, a decline of US\$21.1 mn during the year. Gross foreign reserves contracted as the Central Bank foreign assets fell by US\$19.0 mn due to increased sales of foreign exchange to the commercial banks and Central Government. The foreign holdings of Central Government increased by US\$0.8 mn to US\$3.0 mn. The increase in gross foreign liabilities was due to increased



disbursements to Central Bank under the Taiwan housing loan.

Table 15: Official International Reserves

US\$' 000

	1989	1990	1991
1 Gross Foreign Exchange Reserves	61,950	72,042	53,813
Central Bank of Belize	59,860	69,771	50,769
Holdings of SDRs	6	17	82
Reserve Position in the IMF	2,487	2,708	2,613
Other Central Bank of Belize	57,367	67,046	48,074
Central Government	2,090	2,271	3,044
2 Gross Foreign Liabilities	5,380	3,046	5,891
IMF Standby Facility	3,540	668	0
Caribbean Development Bank	39	132	105
CARICOM	109	62	108
Other	1,692	2,185	5,678
3 Net Foreign Reserves	56,570	68,996	47,922



Economic Prospects For 1992

Being small and open the economy of Belize is sensitive to external developments. The recession experienced by the USA and UK, Belize's major trading partners, affected economic performance in several ways during 1991. The most notable of these were the decline in tourist arrivals and the fall in the inflows of foreign direct investment which contributed to the balance of payments deficit. It is anticipated that economic recovery in industrial countries may not be seen before mid-1992. If the US economy recovers by mid-year, the tourism sector in Belize is likely to benefit later on in the year.

Economic growth in 1991 moderated to a more realistic and sustainable rate of 4.2 percent and growth in 1992 should continue at about the same rate. If the recession in the USA persists beyond mid-year though, there may be a further reduction in foreign direct investment flows. The decline in foreign direct investment in 1991 was offset by Government investment but this is not likely to continue in the medium to long run. However, Government investment expenditure on ongoing projects and consumer spending should provide the impetus for continued vibrancy in construction, utilities, commerce and services in 1992.

Prospects for the agricultural sector in 1992 are mixed because of the susceptibility of these industries to adverse climatic conditions and external developments. It is expected that the citrus industry will recover on the strength of new groves coming into production and the rehabilitation of old groves. World sugar prices are forecasted to be fairly stable in 1992, but due to excessive rains during the planting season Belize's sugar production is expected to fall. A smaller US quota will force Belize to sell more sugar at lower world market prices. Banana production may rebound in 1992 as progress is made in the fight against Black Sigatoka disease, one of the major causes of low production. Overall, it is expected that

earnings from traditional agricultural exports will rise and contribute to a strengthening of Belize external position.

Belize's prospects for 1992, therefore, are tied to the performance of the traditional agricultural export sector which is insulated in large measure from adverse economic conditions in the industrial countries by concessional trade agreements.



OPERATIONS

Central Bank Operations

Foreign Exchange Operations

After net purchases of \$7.7 mn in 1989 and \$3.5 mn in 1990, the Central Bank's foreign exchange operations resulted in net sales of \$38.0 mn in 1991. There were net sales of \$35.1 mn in US dollars, Canadian dollars and

Pound Sterling and \$2.9 mn in CARICOM currencies. Trading in CARICOM currencies in 1989 and 1990 resulted in a net purchase of \$3.6 mn and \$3.9 mn, respectively.

Trading in US Dollars, Canadian Dollars and Pound Sterling				Trading in CARICOM Currencies		
	Purchases	Sales	Net Purchases/ (Sales)	Purchases	Sales	Net Purchases/ (Sales)
January	4,935	6,598	(1,663)	0	600	(600)
February	6,667	11,001	(4,334)	346	598	(252)
March	10,140	8,393	1,747	1,014	652	362
April	11,879	11,033	846	580	704	(124)
May	8,100	8,200	(100)	202	797	(595)
June	7,960	8,647	(687)	767	308	459
July	9,726	12,537	(2,811)	15	783	(768)
August	7,646	7,735	(89)	953	960	(7)
September	9,410	24,788	(15,378)	575	283	292
October	5,738	13,040	(7,302)	451	1,760	(1,309)
November	8,843	11,043	(2,200)	1,024	1,186	(162)
December	14,433	17,514	(3,081)	365	580	(215)
Total	105,477	140,529	(35,052)	6,292	9,211	(2,919)

Month ¹	Notes	Coins	Total	Comm. Bank Vault Cash	Currency with Public
January	43,367	5,194	48,561	5,431	43,130
February	44,005	5,219	49,224	5,324	43,900
March	48,156	5,228	53,384	5,468	47,916
April	49,402	5,281	54,683	6,109	48,574
May	50,266	5,369	55,635	7,398	48,237
June	50,824	5,400	56,224	6,679	49,545
July	51,557	5,421	56,978	6,877	50,101
August	50,058	5,485	55,543	6,035	49,508
September	47,969	5,571	53,540	6,467	47,073
October	46,507	5,537	52,044	5,812	46,232
November	49,246	5,574	54,820	4,794	50,026
December	49,482	5,748	55,230	7,321	47,909

¹ Figures as at the last day of the month



Currency in circulation - currency with the public plus commercial banks' vault cash - rose by \$3.4 mn to \$55.2 mn at the end of 1991, an increase of 6.6 percent. The total value of notes in circulation increased by \$2.9 mn in 1991 as compared to \$4.3 mn in 1990, while the total value of coins in circulation rose by \$0.5 mn in 1991 as compared to \$0.7 mn in 1990.

Monthly clearings (morning sessions) averaged \$89,150 during 1991 which compares with \$80,690 during 1990. Special clearings are also conducted in the afternoons as a supplement to the morning sessions.

Table 18: Clearing House Operations 1991

Month	Morning Clearings
January	87,660
February	80,118
March	92,586
April	97,838
May	90,184
June	85,621
July	95,941
August	84,123
September	85,862
October	91,704
November	84,353
December	93,808
Total	1,069,798

Cash Balances and Liquid Assets

Commercial banks' required cash balances with the Central Bank was reduced from 7 percent to 6 percent on September 1, 1991. The excess cash reserves for 1991 ranged from a low of \$0.5 mn in October to a high of \$14.6 mn in June.

Commercial banks' required liquid asset holdings were also reduced from 28 percent to 25 percent of average deposit liabilities. Statutory excess liquid assets for 1991 ranged from a low of \$12.1 mn in December to a high of \$35.7 mn in April.



**Table 19: Commercial Bank Balances with Central Bank
Monthly Averages of Daily Balances 1991**
\$'000

Month	Average Deposit Liabilities	Required Balance	Actual Balance	Excess/ (Deficiency)
January	363,466	25,443	28,282	2,840
February	365,945	25,616	31,920	6,304
March	369,139	25,840	34,521	8,681
April	380,609	26,643	35,128	8,485
May	388,846	27,219	32,561	5,342
June	389,500	27,265	41,914	14,649
July	398,733	27,911	37,557	9,646
August	404,149	28,290	33,603	5,313
September	411,611	24,697	31,992	7,295
October	411,088	24,665	25,189	524
November	409,001	24,540	28,243	3,703
December	409,593	24,576	25,942	1,366

**Table 20: Commercial Banks Liquid Assets
Monthly Averages 1991**
\$'000

Month	Average Deposit Liabilities	Required Holdings	Actual Holdings	Excess/ (Deficiency)
January	363,466	101,770	128,120	26,350
February	365,945	102,465	134,113	31,648
March	369,139	103,359	133,802	30,443
April	380,609	106,571	142,233	35,662
May	388,846	108,877	135,372	26,495
June	389,500	109,060	137,633	28,573
July	398,733	111,645	134,773	23,128
August	404,149	113,162	133,238	20,076
September	411,611	102,903	126,151	23,248
October	411,088	102,772	116,993	14,221
November	409,001	102,250	115,258	13,008
December	409,593	102,399	114,515	12,116

External Assets Ratio

The Central Bank is required to maintain 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 exceeded this legal requirement throughout 1991 and the ratio reached as high as 115.7 percent at the end of August, compared with a high of 113.0 percent in 1990.



Table 21: External Assets Ratio 1987 - 1991

Month	1987	1988	1989	1990	1991
January	83.3	91.2	96.1	105.9	102.2
February	85.4	90.9	104.0	107.5	107.2
March	94.7	98.6	108.4	111.2	110.6
April	98.6	103.3	111.3	104.7	108.2
May	98.3	95.4	108.5	108.7	106.2
June	101.7	101.5	110.6	110.7	105.0
July	100.8	105.0	111.9	110.0	114.8
August	96.3	92.3	111.2	111.8	115.7
September	96.4	101.3	111.1	113.0	115.4
October	93.7	98.7	107.6	114.1	101.9
November	86.3	94.5	102.3	111.1	106.4
December	87.5	93.9	96.4	108.3	93.2
Average	93.6	97.2	106.6	109.8	107.2

Transactions with Central Government

Under the provisions of the Central Bank of Belize Act of 1982, the Bank can extend advances to Central Government up to a maximum of 15 percent of estimated current revenue for the current fiscal year and can

hold Government Securities up to a maximum of five times the Bank's paid-up capital and reserves. There were no advances to Government during 1991.

Table 22: Central Bank Credit to Government 1991

Month			\$'000
	Treasury Bills	Other Securities	(a)
January	10,623	6,170	0.97
February	4,453	6,170	0.61
March	1,486	3,170	0.27
April	1,473	3,170	0.27
May	1,493	5,670	0.41
June	1,537	7,670	0.53
July	330	7,670	0.46
August	170	7,670	0.45
September	5,198	7,670	0.74
October	14,322	7,670	1.27
November	5,551	10,706	0.94
December	15,992	10,670	1.35

(a) 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 reserves.



Actual holdings of Government securities by the Bank during 1991 were well below the legal limit with the highest level being 1.35 percent of the Bank's capital and reserves in December. Holdings of Government securities by the Bank are largely influenced by commercial banks' requirements which vary with their changing liquidity position.

Treasury bills operations are handled by the Bank on behalf of the Central Government. Throughout 1990 and up until March 1991, the Central Government accepted tenders at prices that gave a yield of 7.5 percent. Recognizing the liquidity in the system and with no

immediate need for short-term borrowing, the Government was prepared to accept tenders at prices to yield 7 percent. This was in effect for the months of April through June, 1991. As of July 1991, the Bank allowed the forces of demand and supply to determine the yield on Treasury bill issues which resulted in the yield declining to 5.91 percent.

Although there were no restrictions on participation in the Treasury bill market, the commercial banks continued to dominate the market and purchases by individuals remained insignificant.

Table 23: Government of Belize Treasury Bill Issues 1991

Issue No.	Tender (\$'000)	Allotment (\$'000)	Average Discount Rate (%)	Average Yield to Maturity (%)
1/1991	13400	13400 ✓	7.4	7.5
2/1991	13150	13150 ✓	7.4	7.5
3/1991	35608	35608 ✓	7.4	7.5
4/1991	30800	13400 ✓	6.9	7.0
5/1991	19350	13150	6.9	7.0
6/1991	45108	35608	6.9	7.0
7/1991	26000	13400	6.7	6.8
8/1991	15311	13150	5.9	5.9
9/1991	42608	35608	6.0	6.1
10/1991	13400	13400	5.9	5.9
11/1991	19850	13150	5.9	6.0
12/1991	37608	35608	5.9	5.9

Accounts

Income accruing to the Bank from operations during 1991 decreased by \$2.4 mn to \$10.0 mn. This decline was due mainly to lower interest rates in the US markets where the Bank holds the majority of its investments. Expenditure for the year totalled \$8.4 mn, as compared with \$10.2 for the previous year, of which \$1.6 mn represents interest paid to depositors and \$2.8 mn represents employment expenses.

Capital expenditure totalled \$0.3 mn. Net results from operations during the year showed a profit of \$1.7 mn, as compared with \$2.2 mn the previous year. The Balance Sheet of the Central Bank of Belize as at December 31, 1991 a Statement of Operations, the Auditors Certificate, and explanatory notes are annexed to this report.



Banking Supervision

The duties of the Banking Supervision Department involves the continuous oversight of the activities of financial institutions in Belize in order to ascertain whether they are maintaining sound and safe banking operations and to determine compliance with laws and regulations. To this end, the department performs on-site examinations and off-site surveillance activities. An on-site examination involves an inspection of the banks books and records and discussions with management. During 1991, four of the five commercial banks were examined. Off-site surveillance on the other hand, involves the analysis of bank returns submitted to the Central Bank.

The Banking Supervision Department also monitors credit concentrations through applications submitted by the commercial banks under Section 13(1)(a) of the Banking Act. These applications are submitted by commercial banks whenever they wish to grant credit facilities to any borrower or group of related borrowers which in aggregate exceed 25 percent of their equity. During 1991, 59 such applications were processed for which credit facilities approved amounted to a total of \$142 mn.

The Department continued to receive queries from parties interested in opening commercial banks in Belize. During 1991, no banking licenses were granted or revoked. In early 1990, a banking license was granted to Banca Serfin SNC, a Mexican bank. Banca Serfin started operations on 11 February 1991, however, by 20 December 1991 they had suspended operations to the public.

Administration

The Board of Directors

At December 31, 1991 the Board of Directors of the Central Bank consisted of the following:

Sir H.E.C. Cain - Governor/Chairman of the Board
Carla Barnett - Deputy Governor/Vice Chairman
Derek Courtenay - Director
Jose Coye - Director
Edmund Marshalleck - Director
Edmund Nisbet - Director
Keith Arnold - Financial Secretary/Director

Staffing

The Principal officers of the Bank at the end of 1991 were:

Sir H.E.C. Cain - Governor
Carla Barnett - Deputy Governor
Frank Garbutt - General Manager
Yvette Alvarez - Director, Research Department
Francis Arana - Ag. Director, Exchange Control Department
Dwain Davis - Director, Accounts & Budget Department
Barbara Locke - Director, Banking & Currency Department
Cecile Reyes - Director, Administration Department
Manuel Vasquez - Director, Banking Supervision Department

At the end of 1991, the total number of persons employed were 136. Seven staff members were on study leave pursuing first degrees in Economics, Management and Computer Science and three were pursuing graduate studies, two in Economics and one in Management.

The Board of Directors approved the establishment of a pension scheme for the Bank's staff with effect from March 1 1991. Existing staff members were given the opportunity to join the scheme with an option to include previous years of service. Staff employed after the pension scheme was instituted are required to participate. As at December 31 1991, 85 persons were counted as contributing to the pension scheme.



As part of its 10th anniversary celebrations, the Bank sponsored several cultural activities in collaboration with the National Arts Council and held a 10th anniversary banquet in December. Staff members with ten or more years of service were presented with awards. The Bank also hosted the XXIII Annual Conference of the Regional Programme of Monetary Studies in November in Belize City.

Following the identification of the Public Works Compound/Belize City Prison site as the location for the new Central Bank of Belize headquarters building, a Building Committee was appointed by the Board to coordinate the activities necessary for its construction. The Committee was comprised of the Governor, the General Manager, Director E. Nisbet, the Financial Secretary or his representative and the Chief Engineer of the Ministry of works. The Building Committee was assisted by the Bank of England's Premises Division which not only made itself available for discussions with the General Manager and Director Nisbet who travelled to London for that purpose, but also provided two of its specialist building advisors to conduct a feasibility study of the building site. The report arising from this study was submitted to the Bank in December 1991.

Overseas Meetings

Governor Cain attended the 52nd Meeting of Governors of Central Bank of Latin America and Spain held in Havana, Cuba in March, and in April, accompanied by the General Manager, attended the Caricom Central Banks Governors Meeting in St. Kitts and Nevis. The Governor, as alternate Governor for Belize, attended the Annual Board of Governors Meeting of the CDB held in Merida, Mexico in May.

In June, he participated in the Bank of England Meeting of Central Bank Governors held in London and the Annual General Meeting of the Bank for International Settlements in Basle, Switzerland. In October, he attended the CEMLA Central Bank Governors Meeting in

Chile and the IMF/World Bank Annual Meetings in Bangkok, Thailand. The Deputy Governor and the General Manager participated in the CARICOM Central Bank Governors Meeting in Nassau, Bahamas in October.

The Bank also sent representatives to: a Computer Information Specialists conference held in Trinidad & Tobago in May; the Association of Caribbean Economists Conference held in Santo Domingo in July; the 7th Meeting of Banking Supervisory Authorities of Latin America and the Caribbean held in Colombia in August; and the Mid-term Meeting of the Regional Programme of Monetary Studies held in Nassau in May.

Staff Training

During 1991, the Bank sent four staff members on attachments to the Central Bank of Bahamas, the Royal Mint, the Bank of Jamaica and the Central Bank of Barbados. Staff also participated in a Counterfeit Detection course at Thomas De La Rue in London, a Computer Programming training course held in Dallas, the 10th Regional Training Course for Bank Examiners held in Jamaica, an FDIC training course and a World Bank/Federal Reserve Seminar in Washington, D.C., a course in the use of Version 5.4 of the Commonwealth Secretariat debt Recording Management System (CS-DRMS) held in St. Kitts/Nevis and a Central Banking Seminar held at the Federal Reserve Bank in New York.

STATISTICAL APPENDIX

Table 1: Gross Domestic Product, by Industrial Origin, at Factor Cost

\$'000

	[CURRENT PRICES]										
	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991 ^a
GROSS DOMESTIC PRODUCT	308,667	290,722	303,495	339,371	335,380	359,314	435,904	478,636	559,981	615,714	656,766
PRIMARY ACTIVITIES	87,180	68,518	69,131	74,315	71,077	75,571	103,650	111,616	126,664	143,985	138,038
Agriculture	69,115	50,449	50,507	55,673	51,568	58,045	78,531	87,418	97,411	113,219	102,612
Forestry & Logging	6,583	7,304	6,317	7,419	6,782	4,650	10,071	9,264	13,269	14,257	15,353
Fishing	10,676	9,949	11,294	10,085	11,384	11,290	13,175	12,722	12,971	12,406	14,486
Mining	806	816	963	1,138	1,343	1,586	1,873	2,212	3,013	4,103	5,587
SECONDARY ACTIVITIES	70,931	60,018	59,506	78,798	72,465	77,012	103,482	116,930	135,173	142,304	148,487
Manufacturing	47,966	35,950	42,228	50,609	42,423	42,416	61,611	68,163	73,371	73,546	69,839
Electricity & Water	2,241	5,416	836	8,238	10,299	14,277	15,265	16,647	15,661	15,905	18,690
Construction	20,724	18,652	16,442	19,951	19,743	20,319	26,606	32,120	46,141	52,853	59,958
SERVICES	164,874	174,598	186,681	198,686	202,076	218,874	243,281	271,267	328,677	361,897	404,775
Trade, Restaurants, Hotels	50,985	45,070	44,101	48,072	47,110	52,818	61,675	73,105	92,903	107,805	119,118
Transportation & Communications	21,904	24,092	29,348	32,282	35,075	40,899	48,004	48,686	61,325	72,535	85,794
Finance & Insurance	20,110	18,062	17,978	18,972	20,230	17,970	17,480	22,857	33,916	31,692	33,987
Real Estate & Business Services	19,145	18,724	20,016	21,313	21,720	22,883	23,684	26,624	31,648	32,926	35,513
Public Administration	28,152	36,651	40,168	41,668	41,611	46,684	53,081	58,247	65,110	70,591	82,292
Commerce & Other Services	24,578	31,999	35,070	36,379	36,330	37,620	39,417	41,748	43,775	46,308	48,071
LESS:											
Imputed Bank Service Charges	14,318	12,412	11,823	12,428	10,238	12,143	14,509	21,177	30,533	32,472	34,534
Annual percent Change in GDP	1.55	-5.81	4.39	11.82	-1.18	7.14	21.32	9.80	17.00	9.55	6.67

Source: Central Statistical Office
^a Provisional

**Table 2: Sectoral Origin of Real Gross Domestic Product
(constant 1984 prices)**

	\$mn		
	1989	1990	1991 ^p
GDP at constant market prices	629.4	678.8	719.0
Primary Activities	92.6	104.7	105.3
Agriculture	65.0	75.4	72.4
Forestry	12.8	12.9	13.5
Fishing	12.1	12.6	14.4
Mining	2.7	3.8	5.0
Secondary Activities	119.0	129.4	134.0
Manufacturing	62.4	65.5	62.2
Electricity & Water Supply	12.3	13.2	14.2
Construction	44.3	50.7	57.6
Services	286.1	307.4	324.8
Trade & Tourism	80.5	86.6	91.5
Transport & Communication	60.7	69.0	76.0
Finance & Insurance	28.8	30.2	31.2
Real Estate	26.1	27.9	29.4
Public Administration	48.4	51.0	52.8
Other Services	41.6	42.7	43.9
Adjustments ¹⁾	131.7	137.3	154.9
GDP at constant factor cost	478.8	521.7	543.6
Per Capita GDP (Belize dollars)	2,637	2,803	2,849

Source: Central Statistical Office

^p: Provisional

¹⁾ Comprises imputed bank service charges and net indirect taxes. The Central Statistical Office does not produce GDP data by sectors at market prices.

Table 3: Net Foreign Assets of the Banking System

	\$mn			
	1989	1990	1991	Change 1990-1991
Net Foreign Assets of the Banking System	119.1	145.2	105.6	-39.6
Net Foreign Assets of the CBB	111.0	133.2	90.0	-43.2
Foreign Assets	119.7	139.3	101.8	-37.5
Foreign Liabilities	8.7	6.1	11.8	5.7
Net Foreign Assets of Comm Banks	8.1	12.0	15.6	3.6
Foreign Assets	24.7	36.7	30.6	-6.1
Foreign Liabilities	16.6	24.7	15.0	-9.7

Table 4: Central Bank Summary of Assets and Liabilities

\$mm

ASSETS	Dec. 1990	Dec. 1991	Absolute Change in Year	LIABILITIES	Dec. 1990	Dec. 1991	Absolute Change in Year
APPROVED FOREIGN ASSETS	139.5	105.6	-33.9	TOTAL DEMAND LIABILITIES	128.3	114.6	-13.7
CREDIT TO GOVERNMENT	4.7	22.0	+17.3	Currency	51.8	55.2	+3.4
Advances to Government	1.3	1.3	-	Deposits by Financial Institutions in Belize	28.8	30.1	+1.3
Treasury Bills	3.2	+16.0	+12.8	Deposits by Government and Rest of Public Sector	38.4	16.5	-21.9
Other Government Securities	0.2	4.7	+4.5	Deposits by Foreign Government and Financial Institutions abroad	8.3	11.8	+3.5
OTHER ASSETS	10.8	19.1	+8.3	Unredeemed Demonetized Issue	1.0	1.0	-
TOTAL ASSETS	155.0	146.7	-8.3	OTHER LIABILITIES	9.8	14.7	+4.9
				CAPITAL AND RESERVES	16.9	17.4	+0.5
				TOTAL LIABILITIES	155.0	146.7	-8.3

Central Bank External Assets Ratio: 31/12/91 108.3%
 31/12/90 93.2%

Table 5: Commercial Banks Summary of Assets and Liabilities

\$mn

ASSETS	Dec. 1990	Dec. 1991	Absolute Change in Year	LIABILITIES	Dec. 1990	Dec. 1991	Absolute Change in Year
LOANS AND ADVANCES	277.7	336.0	+58.3	DEPOSITS	361.2	412.3	+51.1
To: Central Government	-	-	-	Demand	63.6	76.8	+13.2
Other Public Sector	7.2	4.9	-2.3	Savings	83.4	90.1	+6.7
Private Sector	270.5	331.1	+60.6	Time	214.2	245.4	+31.2
GOVERNMENT SECURITIES	51.2	45.4	-5.8	BALANCES DUE	3.2	2.7	-0.5
Of which: Treasury Bills	46.1	45.4	-0.7	To: Central Bank	2.9	2.2	-0.7
CASH	8.3	7.3	-1.0	Other Local Financial Institutions	0.3	0.5	+0.2
BALANCES WITH CBB	29.6	30.0	+0.4	FOREIGN LIABILITIES	19.4	15.0	-4.4
BALANCES WITH OTHER LOCAL FINANCIAL INSTITUTIONS	4.2	0.4	-3.8	OTHER LIABILITIES	38.4	26.2	-12.2
FOREIGN ASSETS	36.7	30.6	-6.1	CAPITAL AND RESERVES	21.2	25.1	+3.9
OTHER ASSETS	35.7	31.6	-4.1	TOTAL LIABILITIES	443.4	481.3	+37.9
TOTAL ASSETS	443.4	481.3	+37.9				

**Table 6: Sectoral Distribution of Commercial Banks Loans and Advances
(Percentage of total)¹**

\$mn

SECTOR	1989	1990	1991	Change 1990-1991
AGRICULTURE	33.9 (14.2)	52.9 (19.0)	55.5 (16.7)	+2.6
Sugar	11 (4.6)	8 (2.9)	11.9 (3.5)	+3.9
Citrus	8.1 (3.4)	21.3 (7.7)	22.5 (6.6)	+0.2
Bananas	9.7 (4.1)	17.3 (6.2)	16.8 (5.0)	-0.5
Other	5.1 (2.1)	6.3 (2.3)	5.3 (1.6)	-1.0
MANUFACTURING	18.1 (7.6)	17.2 (6.2)	28.2 (8.2)	11.0
CONSTRUCTION	40.8 (17.1)	58.8 (21.2)	64.6 (19.2)	+5.8
PUBLIC SECTOR ²	6.4 (2.7)	2.7 (1.0)	2.0 (0.6)	-0.7
PERSONAL	30.9 12.9	36.2 (13.0)	55.9 (16.6)	+19.7
DISTRIBUTION	71.2 (29.8)	71.4 (25.7)	71.4 (21.3)	0.0
TOURISM	8.5 (3.6)	10.7 (3.9)	22.2 (6.6)	+11.5
OTHER ³	29.1 (12.2)	27.9 (10.0)	36.2 (10.8)	+8.3
TOTAL	238.9 (100.0)	277.8 (100.0)	336.0 (100.0)	+58.2

1. Numbers in brackets denote percentage of the total

2. Government services and utilities

3. Real Estate, financial institutions, transportation, professional service, entertainment, sundries, fishing, forestry and mining.

Table 7: GOVERNMENT OF BELIZE: Revenue & Expenditure

\$'000

	1988/89	1989/90	1990/91	Budget 1991/92	Apr-Feb 1991/92 ¹	Apr-Feb 1990/91	Actual to Date as % of Budget
TOTAL REVENUE AND GRANTS	203,401	197,565	225,330	247,589	230,980	200,316	93
Current Revenue	159,454	184,207	210,896	218,653	197,354	186,155	90
Tax revenue	140,093	155,886	172,180	176,610	162,043	151,144	92
Income and profits	33,087	35,772	41,248	40,500	40,458	33,344	100
Properties	1,548	1,512	1,480	1,700	1,044	1,319	61
International trade	84,479	94,047	101,429	109,357	99,335	92,590	91
Excise	11,625	12,903	15,501	15,643	13,105	13,636	84
Other	9,354	11,652	12,522	9,410	8,101	10,255	86
Non-tax revenue	19,361	28,321	38,716	42,043	35,311	35,011	84
Capital Revenue	42,079	12,399	11,277	4,500	32,800	11,276	729
Grants	1,868	959	3,157	24,436	826	2,885	3
TOTAL EXPENDITURE	149,505	196,007	223,594	295,773	247,136	191,550	84
Current Expenditure	114,855	127,031	137,832	159,141	138,663	124,114	87
Wages and salaries	62,627	71,099	78,096	90,107	75,702	70,697	84
Pensions	6,312	7,424	7,331	8,310	8,745	6,787	105
Goods and Services	32,504	35,229	42,197	48,885	45,334	37,320	93
Interest Payments on Public Debt	13,412	13,279	10,208	11,839	8,882	9,310	75
Capital Expenditure	34,650	68,976	85,762	136,632	108,473	67,436	79
Capital II (local sources)	27,384	43,823	56,124	58,928	62,321	42,877	106
Capital III (foreign sources)	4,185	20,958	24,587	73,149	37,178	20,408	51
Capital Transfers	3,081	4,195	5,051	4,555	8,974	4,151	197
CURRENT BALANCE	44,599	57,176	73,064	59,512	58,691	62,041	
OVERALL BALANCE	53,896	1,558	1,736	(48,184)	(16,156)	8,766	
FINANCING	(53,896)	(1,558)	(1,736)	48,184	16,156	(8,766)	
Domestic Financing	(48,507)	(12,089)	(7,439)	8,583	(4,177)	(15,664)	
Foreign Financing	(5,389)	10,531	5,703	39,601	20,333	6,898	

Sources: Ministry of Finance
Central Bank of Belize

[1] All figures are preliminary

Table 8: Balance of Payments 1989 - 1991

US\$mn

	1989	1990	1991 ^p
A. CURRENT ACCOUNT	-19.0	15.2	-49.3
i) Merchandise Trade	-67.8	-59.2	-103.8
Exports (f.o.b.)	124.8	129.2	119.8
Imports (f.o.b.)	192.6	188.4	223.6
ii) Services (net)	21.3	45.0	28.0
Travel	21.9	31.5	24.8
Investment Income	-9.7	-8.6	-10.0
Other	9.1	22.1	13.2
iii) Transfers (net)	27.6	29.4	26.6
Official	11.3	13.1	11.3
Private	16.4	16.4	15.3
B. CAPITAL ACCOUNT	27.2	25.1	14.8
i) Long Term Capital Flows (net)	40.0	29.3	22.5
Official	13.8	7.9	8.0
Private	26.3	21.4	14.6
ii) Short Term Capital Flows (net)	-12.8	-4.2	-7.7
C. NET ERRORS AND OMISSIONS	3.5	-27.8	13.4
D. CHANGE IN RESERVES (minus = increase)	-11.7	-12.5	21.1
Memo Items			
Current Account/GDP (%)	-5.6	4.1	-12.4
Import Cover (months)	3.4	4.1	2.6

^p: Provisional

**Table 9: Direction of Trade (c.i.f.)
1989 - 1991**

(Percentages)

	Gross Exports			Gross Imports		
	1989	1990	1991 Jan-June	1989	1990	1991 Jan-June
USA	47.2	49.3	51.8	57.0	57.6	59.2
UK	34.5	33.2	27.7	9.2	8.2	7.6
OTHER EEC	0.1	1.3	1.6	4.1	7.1	9.4
CANADA	3.7	5.3	7.0	2.2	2.3	2.1
MEXICO	1.6	1.8	2.7	6.9	6.8	8.1
CARICOM	8.8	8.0	8.5	4.7	6.2	2.4
OTHER	1.0	1.1	0.7	15.8	11.8	11.2
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0

Source: Central Statistical Office

**Table 10: External Public Debt
Borrower and Creditor Categories**

\$'000

	Disbursed Outstanding 31/12/90	Transactions during the year				Disbursed Outstanding 31/12/91
		Disbursement	Repayments of		Valuation Adjustment	
			Principal	Interest		
CENTRAL GOVERNMENT	158,024	26,699	7,448	3,563	133	177,407
CDB	16,448		296	354	204	16,356
EEC/EIB	9,132	5,858	214	102	340	15,116
IBRD	22,902	1,487	1,248	1,700	508	23,648
IFAD	1,408		376	68	115	1,147
UK	49,580	5,174	3,310	98	-1,115	50,329
T&T	100		4	2	0	96
USA	47,030			858	0	47,142
RBC	400		400	29	0	0
SUPPLIERS CREDIT	648	1,795	448	130	108	2,103
OPEC	2,128	273		118	-1	2,400
ICLE/ITALIAN	5,780	9,500		12		15,280
IMF	842		816	40	-26	0
FFE	336		336	22	0	0
GOC	1,290					1,290
TAIWAN	0	2,000		24	0	2,000
FIVE	0	500		6	0	500
REST OF NON-FINANCIAL PUBLIC SECTOR	62,999	5,890	10,497	3,461	1,567	59,959
CDB	26,294	129	1,940	850	-261	24,222
IBRD	12,127	2,371	1,189	915	303	13,612
BNS	2,658		664	202		1,994
BARCLAYS	15,996		2,904	1,149	-2	13,090
FYFFES	2,972		2,972	16	0	0
TAIWAN	0	3,000	0			3,000
CDC	2,952	390	828	329	527	4,041
FINANCIAL PUBLIC SECTOR	45,024	8,063	2,959	2,155	-240	49,888
CDB	19,636	80	1,557	808	326	18,485
EEC/EIB	6,734	983	542	311	-139	7,036
CDC	5,936		860	445	-427	4,649
PWRS	4,000		0	264		4,000
USA	5,718		0	114		5,718
TAIWAN	3,000	7,000	0	213		10,000
TOTAL	266,047	40,652	20,904	9,179	1,460	287,254

**Table 11: Gross Imports (c.i.f) by SITC Categories
1989 - 1991**

US\$mn

	1989	1990	1991 Jan-June
Food & Live Animals	45.5	43.6	24.1
Beverages & Tobacco	6.6	5.5	2.8
Crude Materials	0.8	1.2	1.0
Fuels & Lubricants	26.9	27.2	25.3
Animal & Vegetable Oil	0.3	0.5	0.2
Chemicals	18.3	20.3	10.6
Manufactured Goods	35.3	36.7	24.6
Machinery & Equipment	53.8	49.7	32.4
Misc. Manufactured Goods	27.3	25.5	13.8
Commodities n.i.e	1.2	1.3	0.6
Total	215.7	211.3	135.2

Source: Central Statistical Office

Table 12: Selected Tourism Statistics 1985 - 1991

	1985	1986	1987	1988	1989	1990	1991P
ARRIVALS	93,440	93,753	103,190	164,256	191,577	214,124	212,978
Air	31,985	52,048	56,855	57,132	65,915	75,810	59,461
Land	55,090	40,226	33,275	96,470	109,219	129,179	146,838
Sea	6,365	1,479	13,060	10,654	16,443	9,135	6,679
HOTEL CAPACITY							
No. of Hotels	146	157	163	183	201	222	279
No. of Rooms	1,441	1,523	1,653	1,891	2,403	2,481	3,191
No. of Beds	2,354	2,534	2,729	3,237	4,041	4,254	5,341

Sources: Belize Tourist Board
Belize Immigration Department
P: Preliminary

Price Waterhouse



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March 26, 1992

AUDITORS' REPORT
TO THE BOARD OF DIRECTORS OF
CENTRAL BANK OF BELIZE

In our opinion, the accompanying financial statements present fairly the financial position of Central Bank of Belize at December 31, 1991 and 1990, and the results of its operations for the years then ended, in conformity with International Accounting Standards consistently applied. Our examinations of these statements were made in accordance with International Auditing Guidelines and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse

CENTRAL BANK OF BELIZE

BALANCE SHEET

ASSETS	December 31,	
	1991	* 1990
APPROVED EXTERNAL ASSETS (Note 3)		
Balances and deposits with foreign bankers and the Crown Agents	\$75,666,830	\$112,300,828
Reserve Tranche and balances with the Int'l Monetary Fund (Note 4)	5,631,963	5,420,086
Marketable securities issued or guaranteed by foreign governments and international financial institutions	563,134	586,868
Other foreign credit instruments	19,059,994	20,679,998
Accrued interest and cash intransit (Note 2f)	857,152	357,136
	<u>101,779,073</u>	<u>139,344,916</u>
DEFERRED INCOME		
Revaluation account (Note 2d)	(2,645,480)	(2,874,210)
	<u>99,133,593</u>	<u>136,470,706</u>
DUE FROM THE BELIZE GOVERNMENT (Note 5)	1,289,595	1,289,595
BELIZE GOVERNMENT SECURITIES (Note 6)	20,704,136	3,330,118
LOANS TO PUBLIC SECTOR (Note 7)	8,600,000	-
INVESTMENT IN PUBLIC ENTITIES (Note 8)	6,000,000	6,000,000
BALANCES WITH LOCAL BANKERS AND CASH ON HAND	26,096	56,303
OTHER ASSETS (Note 9)	2,853,038	2,658,707
PROPERTY AND EQUIPMENT (Notes 2b and 10)	1,926,456	2,075,133
	<u>\$140,532,914</u>	<u>\$151,880,562</u>

* Reclassified to conform with 1991 classifications

The accompanying notes are an integral part of this statement.

CENTRAL BANK OF BELIZE

STATEMENT OF OPERATIONS

	For the year ended December 31,	
	<u>1991</u>	<u>1990</u>
INCOME		
Interest on investments	\$8,733,022	\$10,933,097
Discounts and other investment income	451,773	281,263
Realized gains from appreciation in market value of securities (Note 2e)	19,762	42,514
Commissions and other income	815,900	1,163,139
Total income	<u>10,020,457</u>	<u>12,420,013</u>
EXPENDITURE		
Printing of notes and minting of coins (Note 2g)	1,025,296	2,190,517
Salaries and wages, including superannuation contributions and gratuities	2,750,142	2,159,048
Interest expense	1,867,795	2,415,962
Other expenses, including depreciation	2,721,008	3,422,795
Total expenditure	<u>8,364,241</u>	<u>10,188,322</u>
NET PROFIT	1,656,216	2,231,691
Transfer to General Reserve Fund in accordance with Section 9 (1) of the Act (Note 17)	331,243	446,339
Balance credited to the Accountant General for the Consolidated Revenue Fund	<u>\$1,324,973</u>	<u>\$1,785,352</u>

The accompanying notes are an integral part of this statement.

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1991 AND 1990

1. ORGANIZATION

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

2. SUMMARY OF ACCOUNTING POLICIES

Following is a summary of the more significant accounting policies adopted by the Bank in preparing its financial statements which accord with International Accounting Standards:

- a. The financial statements are presented in Belize dollars.
- b. Property and equipment and depreciation -

Fixed assets are carried at cost, and are depreciated on a straight line basis over their estimated useful lives which, for the more important classes of assets, are as follows:

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

- c. Notes and coins in circulation -

At 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 1990 financial statements is an amount of \$1,161,059 recorded as a liability in respect of sales to that date. This amount remained unchanged during 1991 and since these coins are not issued for monetary purposes the directors are of the opinion that no liability will be realized with respect to these issues. Consequently, the amount of \$1,161,059 has been transferred to general reserve fund as of December 31, 1991. (Note 17)

Effective January 1, 1977 sales of special coins are included in income in the year of sale and no attaching liability is recorded.

- 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 exchange 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, 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 and minting expenses -

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

h. Pension -

The Bank, as of March 1, 1991, operates a pension scheme which is financially separate from the Bank. The scheme, which is a defined benefit plan, is funded by contributions from the Bank and employees. The bank's contributions are charged to income in the year they become payable.

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 December 31, 1991, total approved external assets approximated 102.6 percent (1990-112.5 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, 1991 and 1990, the Bank's subscription to the International Monetary Fund amounted 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 at the rate of BZ \$2.86 to SDR 1.0 at December 31, 1991 (1990 BZ \$2.85 to SDR 1.0).

5. DUE FROM THE BELIZE GOVERNMENT

Loan to the Belize Government is repayable in 10 equal annual instalments commencing July 1, 1997, in convertible currencies to be agreed at a later date. The loan is unsecured and does not bear interest (See Note 15)

6. BELIZE GOVERNMENT SECURITIES

	<u>1991</u>	<u>1990</u>
Belize Government securities consist of:		
Belize Government treasury bills	\$16,034,136	\$3,160,118
Belize Government debentures	4,670,000	170,000
	<u>\$20,704,136</u>	<u>\$3,330,118</u>

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, 1991 the Bank's aggregate holding of Belize Government Securities approximated 1.04 times (1990 - .19 times) the amount of paid up capital and general reserves of the Bank.

7. LOANS TO PUBLIC SECTOR

	<u>1991</u>	<u>1990</u>
Loans to public sector consist of:		
5% p.a. loan due in 16 consecutive semi-annual payments commencing July 10, 1993.	\$500,000	-
5% p.a. loan due in 16 consecutive semi-annual payments commencing July 10, 1993.	2,500,000	-
6% p.a. loan due in 16 consecutive semi-annual payments commencing December 22, 1992	5,600,000	-
	<u>\$8,600,000</u>	<u>-</u>

Loans to public sector are guaranteed by the Government of Belize.

8. 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.

9. OTHER ASSETS

At December 31 other assets are made up as follows:

	<u>1991</u>	<u>1990</u>
Prepayments	\$1,611,022	\$1,462,578
Accrued interest	131,556	7,113
Other	1,110,460	1,189,016
	<u>\$2,853,038</u>	<u>\$2,658,707</u>

10. PROPERTY AND EQUIPMENT

Property and equipment consist of:

	<u>1991</u>	<u>1990</u>
Buildings and improvements	\$552,809	\$538,067
Furniture	398,258	358,070
Equipment	2,382,429	2,138,705
Vehicles	241,473	176,726
	<u>3,574,969</u>	<u>3,211,568</u>
Less: accumulated depreciation	1,648,513	1,136,435
	<u>\$1,926,456</u>	<u>\$2,075,133</u>

The Bank, except for its Research, Banking Supervision, Exchange and Administration Departments, is housed in premises provided rent free by the government.

11. 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 6% (1990 - 7%) of its average deposit liabilities. Interest is not paid on these deposits.

12. UNREDEEMED DEMONETIZED 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, 1990, notes amounting to \$1,002,262, which the Bank is obliged to redeem at face value, had not been surrendered for redemption. In the opinion of the directors these notes are considered collectors' items or may have been destroyed, and as a result material liability will not arise in respect of them. Consequently, an amount of \$1,000,223 representing unredeemed notes at December 31, 1991, has been transferred to general reserve fund (Note 17). Future redemptions will be charged to income as they occur.

13. DEPOSITS BY INTERNATIONAL AGENCIES

The Central Bank of Belize is designated the monetary agency for Belize. At December 31 deposits by international agencies consist of deposits by:

	<u>1991</u>	<u>1990</u>
Commission for European Communities	\$1,662,716	\$983,235
International Monetary Fund	66,187	79,034
Caribbean Development Bank	210,392	262,646
International Bank for Reconstruction and Development	1,643,021	2,538,785
	<u>\$3,582,316</u>	<u>\$3,863,700</u>

14. 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 was reimbursed by USAID which had earmarked US \$5 million in loan funds up to June 30, 1987, to finance the facility. At December 31, 1991, outstanding loans discounted by commercial banks through the facility amounted to Bz \$2.2 million net of repayments (1990 - \$2.9 million) against a total drawdown of Bz \$5.8 million from USAID.

15. LOANS PAYABLE TO FOREIGN INSTITUTIONS

Loans payable to foreign institutions consist of:

	<u>1991</u>	<u>1990</u>
Due to a foreign financial institution repayable in 10 equal annual instalments commencing July 1, 1997, in convertible currencies or Belize exports to be agreed on at a later date. The loan which was negotiated through the Bank for onlending to the Belize Government, is unsecured and does not bear interest. (See Note 5)	\$1,289,595	\$1,289,595
Due to a foreign financial institution repayable in 16 equal semi-annual instalments commencing December 22, 1992. Interest at 5% per annum. The loan was negotiated for US \$5,000,000 for unlending to finance a housing construction project in Belize and is secured by a promissory note from the Central Bank of Belize.	10,000,000	3,000,000
	<u>\$11,289,595</u>	<u>\$4,289,595</u>

16. SAN JOSE ACCORD ACCOUNT

The balance of this account consists of credits made by the Ministry of Finance and Credit of Mexico with the Central Bank of Mexico in favor of the Government of Belize. The account was established on the admission of Belize as a beneficiary of the San Jose Accord in 1990, and is credited with amounts equivalent to 20% of the payments for petroleum purchased by Belize. Terms and conditions for the Accord are in the process of being established.

17. 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. Thereafter, 10 percent of net profit is to be paid into the Fund.

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

	<u>1991</u>	<u>1990</u>
At January 1	\$7,358,521	\$6,912,182
Transfer from net profit in accordance with Section 9(1) of the Act	331,243	446,339
Unredeemed demonitized issue (Note 12)	1,000,223	-
Collectors' coins issued prior to December 31, 1976 (Note 2c)	1,161,059	-
At December 31	<u>\$9,851,046</u>	<u>\$7,358,521</u>

18. COMMITMENTS AND CONTINGENT LIABILITIES

At December 31, 1991, the Bank is contingently liable to commercial banks under guarantees amounting to BZ \$1,848,767 (1990 - BZ \$1,367,516).

The Bank is also contingently liable to an international banking institution as guarantor of a facility made available to a public sector entity. At December 31, 1991, the principal outstanding under the facility was US \$6,544,758. 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, 1991, the amount pledged amounted to US \$1,500,000. The Bank is fully indemnified against losses by the public sector entity.

Outstanding letters of credit, not reflected in the accompanying financial statements, amount to BZ \$5,208,068 at December 31, 1991 (1990 - BZ \$867,566).

Pledges and other purchase commitments amount to BZ \$1,778,196 at December 31, 1991 (1990 - nil).

CENTRAL BANK OF BELIZE

Tenth Annual Report and Accounts 1991

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Central Bank of Belize
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