

CENTRAL BANK OF BELIZE

Eleventh Annual Report and Accounts 1992



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CONTENTS

MESSAGE FROM THE GOVERNOR

Introduction 1

Monetary and Financial Developments 2

Exchange Rate, Inflation and Prices 3

Money and Financial Intermediation 4

Central Bank Operations and the Public Debt 5

Foreign Trade and Payments 6

Exchange Reserves 7

OPERATIONS AND ADMINISTRATION

Financial Performance 8

Appendix: Accounts and Financial Statements

Appendix 1: Statement of Assets and Liabilities 9

Appendix 2: Statement of Income and Expenses 10

Appendix 3: Statement of Financial Position 11

Appendix 4: Statement of Cash Flows 12

Abbreviations:

ACP	African, Caribbean & Pacific Countries
BEB	Belize Electricity Board
BSI	Belize Sugar Industry
BTL	Belize Telecommunication Limited
CARICOM	Caribbean Community and Common Market
CET	Common External Tariff
CPI	Consumer Price Index
EC	European Community
EMS	European Monetary System
GATT	General Agreement on Trade and Tariff
GDP	Gross Domestic Product
NAFTA	North America Free Trade Agreement
OECS	Organization of Eastern Caribbean States
PETROJAM	Petrojam Belize Limited
SSB	Social Security Board
US	United States of America
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

CONTENTS

ECONOMIC REVIEW

Overview	1
International Economic Developments	2
Domestic Production, Exports and Prices	5
Monetary and Financial Developments	13
Central Government Operations and the Public Debt	19
Foreign Trade and Payments	22
Economic Prospects	25

OPERATIONS AND ADMINISTRATION	26
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STATISTICAL APPENDIX	33
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Auditors' Certificate and Financial Statements



CENTRAL BANK OF BELIZE

Keith A. Arnold
Governor

P.O. BOX 852
BELIZE CITY, BELIZE

April 30, 1993

The Rt. Hon. George Price
Prime Minister and Minister of
Finance, Home Affairs and Defence
Office of the Prime Minister
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, 1992, together with a copy of the Bank's Statement of Accounts, as certified by the External Auditors.

I am,
Yours faithfully,

Keith Arnold
Governor



Table 1: Major Economic Indicators

	1988	1989	1990	1991	1992 ^P
POPULATION (Thousands)	179.8	183.2	184.3	189.4	199.0
PER CAPITA GDP (BZ\$, Current Prices)	2,946	3,306	3,532	3,631	3,850
GDP AT CURRENT MARKET PRICES (BZ \$mn)	528.8	609.4	668.3	705.5	768.0
Real GDP Growth (%)	6.4	13.1	9.4	4.1	5.3
Sectoral Distribution of Constant GDP (%)					
Agriculture, Forestry & Fishing	19.6	18.6	19.2	19.2	20.1
Mining	0.5	0.6	0.7	0.9	0.9
Manufacturing	13.5	13.0	12.5	11.4	15.5
Utilities	2.7	2.6	2.5	2.6	2.2
Construction	7.6	9.2	9.7	10.6	7.4
Trade, Restaurant & Hotels	15.6	16.8	16.6	16.8	17.7
Transport and Communication	11.3	12.7	13.2	14.0	13.8
Finance, Insurance, Real Estate & Business Services	11.0	10.1	9.8	9.9	10.0
Public Administration	10.9	10.1	9.8	9.7	8.7
Other Services	22.2	20.2	19.3	19.2	23.1
Less Imputed Bank Charges	4.3	4.0	3.6	3.6	3.5
MONEY AND PRICES (BZ \$mn)					
Inflation (Annual percentage rate)	3.2	2.1	3.0	5.6	2.8
Currency and Demand deposits (M1)	80.9	99.0	107.9	122.8	143.8
Quasi-Money (Savings and Time deposits)	199.2	225.1	269.2	306.4	325.4
Money Supply (M2)	280.1	324.1	377.1	429.2	469.2
CREDIT (BZ \$mn)					
Commercial Bank Loans and Advances	211.9	241.0	280.0	336.0	373.2
Public sector	92.2	7.7	7.3	4.9	1.2
Private sector	199.7	233.3	273.7	331.1	372.0
INTEREST RATES (%)					
Weighted Average Lending Rate	13.3	14.0	14.3	14.3	14.4
Weighted Average Deposit Rate	5.7	6.0	6.3	6.4	6.0
CENTRAL GOVERNMENT FINANCES (BZ \$mn, FY)					
Current Revenue	159.5	184.2	210.9	197.4	185.6
Current Expenditure	114.9	127.0	137.8	138.7	134.7
Current Account Surplus/(Deficit)	44.6	57.2	73.1	58.7	40.1
Capital Expenditure	34.7	69.0	85.8	108.5	101.5
Overall Surplus/(Deficit)	53.9	1.6	1.7	(16.2)	(50.6)
Domestic Financing	-48.5	-12.1	-7.4	-4.6	40.7
External Financing	-5.4	10.5	5.7	20.3	9.9
BALANCE OF PAYMENTS (US \$mn)					
Merchandise Exports	116.5	124.8	129.2	124.1	140.6
Merchandise Imports	161.3	192.6	188.4	223.6	243.1
Trade Balance	-44.9	-67.8	-59.2	-99.5	-102.5
Current Account Balance	-4.6	-19.0	15.2	-27.2	-36.3
Capital Flows	29.2	27.2	25.1	14.9	15.0
Net Change in Official International Reserves					
note: minus = increase	-18.6	-12.0	-12.5	20.8	-1.4
Net International Reserves	43.5	62.1	77.3	57.9	46.5
Import Cover of Reserves (in months)	3.7	4.5	4.9	3.2	3.0
EXTERNAL PUBLIC DEBT (US \$mn)					
Disbursed Debt Outstanding	116.0	130.6	133.0	150.6	145.6
Debt Service Payments	11.1	14.6	17.3	15.0	13.4
Debt Service Ratio	6.4	6.6	6.8	5.8	4.6

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

^P: Provisional
Note: FY = Fiscal Year



ECONOMIC REVIEW

Overview

During 1992, activity in the world economy remained weak as low domestic demand, low industrial production, and high interest rates combined to produce sluggish growth in the major industrial countries. In the Caribbean Community and Common Market (CARICOM) region, most countries continued to pursue tight macroeconomic policies and the economies began to recover boosted by improvements in agriculture and tourism. During the year, the United States of America (US), Canada and Mexico signed the North American Free Trade Agreement (NAFTA), while in September CARICOM leaders agreed to reduce the rates of the Common External Tariff (CET).

Belize recorded real growth in Gross Domestic Product (GDP) of 5.3 percent in 1992. Export earnings grew significantly largely as a result of strong performance of agriculture, particularly citrus and bananas. In both industries, output and earnings reached record high levels reflecting favourable weather conditions, cyclical upturn, the maturation of new acreages, and improvements in the organization of production. Although sugar production remained relatively stable, export earnings fell as a reduction in the US quota increased the share sold on the world market at significantly lower prices. Earnings from marine exports and tourism grew significantly as shrimp farms matured and tourist arrivals increased. In transport and telecommunications, Belize Telecommunications Limited (BTL) expanded its operations significantly. Growth in the secondary sector was a moderate 2.9 percent as construction activity increased only marginally following the completion of major private sector projects.

While banking activity was dominated by growth in credit to the private sector of \$49.3 mn or 14.8 percent, the rate of expansion was the lowest since 1986. This reflects improved earnings from the agriculture and marine sectors and the resulting decline in demand for credit from the private sector. The majority of private sector credit was

absorbed by the construction sector. The net foreign assets of the banking system fell by \$14.0 mn largely reflecting a doubling of commercial banks' foreign liabilities as they increased their borrowings from abroad to boost liquidity and to extend new loans to the private sector. Cash and liquid asset requirements were raised from 25 percent to 27 percent and from 6 to 7 percent, respectively. Money supply (M2) rose by \$40.0 mn.

During the 1992 calendar year, Central Government recorded an increase in overall expenditure of \$52.9 mn and in total revenue and grants of \$48.2 mn. This pushed Government's overall deficit to \$50.2 mn which was 6.5 percent of GDP as compared to 6.0 percent in 1991. On the current account, Government recorded a surplus of \$56.9 mn while capital expenditure increased by \$30.2 mn reflecting Government's investment in infrastructure projects. The external public debt fell by \$15.3 mn or 5.1 percent reflecting the reclassification of BTL as a private institution and downward valuation adjustments as a result of the depreciation of the Pound Sterling. Belize's balance of payments recorded an overall surplus of US\$1.4 mn. The current account deficit widened to US\$36.4 mn and net capital inflows of US\$15.0 mn were recorded.

Belize's economy performed better in 1992 than in 1991 but a cyclical downturn is expected in 1993. Sugar and citrus, which together amount for approximately 60.0 percent of domestic export earnings, are expected to experience lower production and price levels. Bananas and fisheries are expected to continue to improve but not sufficiently to offset the decline in sugar and citrus earnings. While activity in the construction and services sectors was heavily stimulated by Government spending in 1992, this is expected to slowdown in 1993. The tourism sector is expected to continue to improve in 1993 as industrial economies come out of recession and Belize continues to capitalise on its status as a prime eco-tourism destination.



International Economic Developments

Economic recovery continued to elude the industrialized world in 1992. The US, United Kingdom (UK) and Canada struggled to recover while Japan, Germany, France and Italy continued to slowdown. This sluggish performance contributed to a slackening of world trade and a steady decline in commodity prices. The establishment of regional trading blocs around the world gained momentum during the year. Notwithstanding the turmoil in the European Monetary System (EMS) which resulted in the indefinite withdrawal of the pound sterling and the Italian lira, the single European market came into effect at the end of 1992. The US, Canada and Mexico signed NAFTA in August.

The crisis in the EMS came to a head in September. Up to that time, other European countries, notably the UK, followed the German stance of defending the value of their currencies by raising interest rates to unprecedented heights. However, this policy contributed to continued weakness in these economies and put tremendous pressure on the ability of these countries to maintain currency parities. The speculation in the currency market forced the UK to intervene repeatedly in support of the pound sterling but this was unsuccessful and unsustainable so that sterling was eventually withdrawn from the EMS. The US dollar was under pressure during the year, except during the breakdown of the Exchange Rate Mechanism of the EMS and its weakness reflected the wide differential between interest rates in the US and Germany, and a stagnating US economy.

In November, the longstanding dispute between the European Community (EC) and the US over farm subsidies was settled, paving the way for the resumption of the stalled Uruguay round of talks on the General Agreement on Tariffs and Trade (GATT). The conclusion and implementation of this round of trade talks has become even more important in the wake of growing protectionism.

Despite the poor performance in industrialized countries, economic activity in developing countries continued to strengthen. This is attributed to the successful implementation of macroeconomic stabilization and structural adjustment policies of many of these countries, the positive impact of

lower international interest rates and the reduction in debt servicing costs following debt restructuring agreements.

Industrialized Countries

The recession in the US may have ended but the pace of recovery was very slow. Real GDP grew by 3.2 percent and continued weakness in consumer demand was reflected in poor performance of the manufacturing sector. There is some concern that economic recovery would continue to by-pass the sector as a result of NAFTA since manufacturing jobs are expected to move south and be replaced by jobs in the services sector. In the face of a stalling recovery, the Federal Reserve reduced interest rates to record lows in several unsuccessful attempts to revive consumer demand. Consumer prices rose 2.9 percent while unemployment increased to 7.3 percent.

The Japanese economy slowed sharply during the year as private consumption declined and the economy suffered from a series of crises in government. Industrial production declined by about 8 percent, consumer price inflation rose by 1.2 percent and unemployment edged up to 2.4 percent from 2.1 percent a year earlier. In an attempt to stimulate economic activity, interest rates were eased, and in August the Japanese government announced a US\$87 bn fiscal package aimed at stimulating investment. Meanwhile, Japan's trade surplus with the rest of the world widened to US\$107.1 bn in 1992 which was attributable more to a decline in imports, as domestic demand stagnated, than to a rise in exports.

The high cost of German re-unification resulted in a rapid expansion in the budget deficit. In response, the Bundesbank tightened monetary policy by raising interest rates which contributed to an appreciation of the D-Mark, rising domestic costs, reduced competitiveness and stagnation in many of Germany's major export markets. Real GDP fell by 0.2 percent, consumer prices rose by 3.8 percent and unemployment increased by 7.4 percent.

In the UK, GDP fell by 0.1 percent, the second consecutive year of decline. The country's trade



deficit widened to US\$22.7 bn in November as imports continued to grow. As a result of the government's commitment to keeping inflation low, monetary policy was tight throughout the year. However, notwithstanding the relatively low inflation rate of 2.6 percent over the year, high interest rates served to reduce confidence in the pound sterling. That, coupled with weak economic performance kept sterling under pressure in the EMS, until it was withdrawn in September. Unemployment grew from 9.0 percent in 1991 to 10.5 percent in 1992.

Regional Developments

A gradual recovery in economic activity was realized in some CARICOM countries. The improvement was attributable to favourable weather conditions which facilitated an expansion in agricultural production, the steady recovery in tourism and continued tight macro-economic policies pursued by many of the countries. Significant growth was reported in Guyana and Belize, while modest growth was observed in Jamaica, Bahamas and the Organization of Eastern Caribbean States (OECS). Barbados continued to grapple with weak economic performance and Trinidad and Tobago's economy slowed. The combination of reduced domestic demand and increased agricultural exports contributed to improvements in the balance of payments of most countries in the region. However, the region continued to face very high unemployment levels and rising inflation.

Despite the effects of the sharp depreciation of the pound sterling on export earnings and the slow growth in incomes in its major trading partners, the OECS reported growth in GDP of 3.5 percent in 1992 compared with 2.6 percent in 1991. This improvement reflects the recovery in agriculture, continued expansion in tourism and increased activity in the construction sector as public sector investment increased. There was an improvement in the balance of payments which, during the first nine months of 1992, recorded an overall surplus of US\$51.9 mn as compared with US\$12.2 mn during the corresponding period in 1991. Over the year to September, consumer prices rose by 3.8 percent as compared to 4.7 percent during the previous year.

Guyana recorded real GDP growth of 7.0 percent during 1992 after growth of 6.0 percent in 1991. The improvement is associated with the revival of the agriculture and mining sectors, the successful implementation of stabilisation policies and the positive effects of privatisation. Increased efficiency in revenue collection and expenditure restraint contributed to an improvement in government finances and higher levels of capital inflows have resulted in a significant improvement in the balance of payments.

Real GDP growth in Jamaica is estimated to have slowed to 0.5 percent during 1992. During the year, tight fiscal and monetary policies were implemented to reduce the fiscal deficit, stabilise the exchange rate and curb rising inflation. Despite weak performance by the export sector, declining imports and an increase in tourist earnings contributed to a narrowing of the current account deficit of the balance of payments from negative US\$198.0 mn in 1991 to negative US\$20.0 mn in 1992.

Preliminary indications are that the Bahamian economy began to recover during 1992 as activity in the tourism sector increased. Low domestic demand resulted in a reduction in pressure on the foreign reserves.

Barbados experienced a second year of 4.0 percent decline in real GDP which reflects the tight monetary and fiscal policies associated with the IMF stabilisation programme. The decline in economic activity impacted on fiscal operations as government revenue fell reflecting lower taxes on international trade. Although export earnings were down, the decline in imports contributed to a significant improvement in the balance of trade.

Economic activity weakened in Trinidad & Tobago during the year with real GDP falling by 0.6 percent after an increase of 2.7 percent in 1991. Factors contributing to this performance include a lower level of activity in the petroleum sector, falling international oil prices and tight monetary and fiscal policies.

In September, an agreement was reached in CARICOM for a reduction in CET rates. All states are committed to reducing the top level of the CET from 45 percent to 30 - 35 percent



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In September, an agreement was reached in CARICOM for a reduction in CET rates. All states are committed to reducing the top level of the CET from 45 percent to 30 - 35 percent



between January 1 and June 30, 1993. There will be a further reduction of the top rate to 25 - 30 percent by 1995, with the rate falling to 20 - 25 percent by 1997. Belize, which had only implemented the CET in November 1991, wanted a more gradual approach arguing that any sudden change in the rates would impact heavily on the economy. As a result, it was agreed that Belize would implement the rate structure with a two year lag.



Domestic Production, Exports and Prices

Overview

Preliminary estimates indicate that real GDP growth accelerated to 5.3 percent in 1992 from 4.1 percent in 1991. While substantial increases in public and private investment had boosted real

growth to unusually high levels in the late 1980's, the growth rate is currently moving towards more sustainable levels.

Table 2: Selected Growth Indicators
(Annual Percentage Change)

	1990	1991	1992 ^P
GDP at Current Market Prices	9.7	5.6	8.9
Real GDP (at 1984 prices)	9.4	4.1	5.3
Primary Activities	13.3	5.7	10.2
of which: Agriculture	16.6	-1.5	12.5
Secondary Activities	6.8	4.5	2.9
of which: Manufacturing	4.9	-0.3	2.1
Construction	10.2	12.1	1.5
Services	8.9	3.3	4.6
of which: Trade & Tourism	13.3	-1.7	2.1
Consumer Price Index			
Average	3.0	5.6	2.8
End of Period	4.0	4.5	2.4

Source: Central Statistical Office
P: Provisional

Activity in the primary sector expanded by 10.2 percent reflecting substantial increases in citrus and banana production. After the poor performance in 1991, the citrus industry experienced a bumper crop in 1992. Banana production benefitted from increased financial and technical assistance from Fyffes and a reorganization of the industry to increase efficiency. Forestry expanded by 5.0 percent while fisheries increased by 5.5 percent as production on shrimp farms increased.

Although sugar production declined only marginally, the reduction in the US quota in 1992 forced a greater portion of sugar exports on to the world market at lower prices. Citrus earnings at

\$54.1 mn reached a record level in 1992 after declining by more than 50.0 percent in 1991. This recovery reflected strong growth in production as well as higher prices. Banana exports also recovered after the devastation caused by the black sigatoka disease in 1990 and 1991. The increased contribution of farmed shrimp to marine exports was reflected in rising earnings from fisheries.

Growth in the secondary sector moderated to 2.9 percent from 4.5 percent in 1991. Construction activity slowed significantly as major private sector projects were completed. This was outweighed by a 14.8 percent expansion in electricity and water services which reflect the increase in capital expenditure as the Belize Electricity Board (BEB)



upgraded plant and equipment in anticipation of privatisation late in the year and new areas being connected to the public water supply system.

	\$mn		
	1990	1991	1992 ^P
Traditional			
Sugar	85.6	83.4	75.2
Citrus	43.1	21.6	54.1
Bananas	16.9	14.0	20.5
Marine	17.5	20.1	24.1
Other ¹	32.4	41.5	37.4
Non-traditional ²	13.6	10.0	6.0
Total	209.1	190.6	217.3

Source: Central Statistical Office

¹ Garments and sawn wood

² First three quarters only

^P : Provisional

The services sector grew by 4.4 percent largely reflecting growth of 9.3 percent in transport and communication and 7.3 percent in real estate and business services. Trade, restaurants and hotels also contributed to the growth in this sector as tourist arrivals increased.

The Consumer Price Index (CPI) fell from 4.5 percent in 1991 to 2.4 percent in 1992. The main contributors to this fall were food, household goods and groceries. The decrease in the CPI was more pronounced in the Belize, Cayo, Orange Walk and Toledo districts where the CPI fell by 2.9 percent, 3.9 percent, 4.2 percent and 0.5 percent, respectively.

Sectoral Review

Sugar

During the 1991/92 crop year, 1.1 mn long tons of sugarcane were produced. This was approximately the same as last year, contrary to earlier projections of a 10.0 percent decline in production. Favourable weather conditions and an extension of the cane cutting season for one month contributed to this performance. Sugarcane deliveries to

Belize Sugar Industries Ltd. (BSI) were increased by 1.4 percent to 978,317 long tons while deliveries to Petrojam Belize Limited (PETROJAM) for the production of molasses were reduced by 16.1 percent. Sugar production was marginally less than last year as a result of a decline in overall factory efficiency and a worsening of the cane/sugar ratio. During the year, PETROJAM introduced the production of cane juice molasses and cut back on its manufacture of high test molasses. Cane juice molasses is edible molasses which is used primarily as a food flavouring and the market destination is usually the United States while high test molasses is exported to Jamaica for the production of ethanol.

During 1992, 89,934 long tons of sugar were exported with the share going to preferential markets falling from 72.3 percent in 1991 to 62.2 percent reflecting the cut in the US quota. This resulted in the value of exports falling from \$83.4 mn to \$75.2 mn and the average price declining slightly.

BSI has taken steps to improve the cane purity and cane/sugar ratios by implementing a control delivery system which is designed to increase the delivery of fresh cane which has a higher sucrose content than stale cane. Under this system, which became operative at the beginning of the 1992/93 crop year, BSI agreed to pay an additional 1 percent to the Belize Cane Farmers Association for the delivery of fresh cane. The Sugar Board will monitor this System until the agreement ends in 1999 when the contract will have to be renegotiated.



Table 4: Sugar Production¹

	1989/90	1990/91	1991/92
Production of Sugarcane (long tons)	1,089,715	1,113,961	1,103,700
Sugarcane deliveries to BSI	968,459	964,505	978,318
Sugarcane deliveries to Petrojam	121,256	149,456	125,382
Sugar Processed (long tons)	100,297	101,914	100,528
Molasses processed by BSI	29,406	31,660	29,921
High test molasses processed by Petrojam	17,467	22,253	5,957
Cane juice molasses processed by Petrojam	-	-	9,697
Performance			
Overall Factory Efficiency (%)	91.64	90.66	90.53
Cane Purity (%)	84.92	85.41	86.72
Cane/Sugar	9.66	9.46	9.73

Source: Belize Sugar Board

¹ Crop year - December to June

² Exportation of cane juice molasses began in April

The Belize Cane Farmers Association projects a crop of at least 1.2 mn long tons of sugarcane for the 1992/93 sugarcane season, slightly more than last year's. This estimate is based on favourable weather conditions, farmers dedication and application of adequate fertilizers and BSI's rehabilitation programme which offers technical assistance to cane farmers.

The US again reduced import quotas for all CARICOM sugar producers except St. Kitts. This means that Belize's sugar quota to the US will be 12,500 long tons for the 1992/93 period.

Table 5: Sugar Exports

	\$mn					
	1990		1991		1992	
	Volume	Value	Volume	Value	Volume	Value
Sugar (long tons)	92,454	85.6	91,886	83.4	89,934	75.2
E.E.C. (Quota)	41,726	48.7	45,224	52.0	42,102	48.9
USA (Quota)	16,090	15.2	21,215	20.3	13,822	12.5
Other (World)	34,638	21.7	25,447	11.1	34,010	13.9

Source: Central Statistical Office



Citrus

Citrus production during the 1991/92 crop year increased by 46.9 percent to a record high 3.6 mn boxes. This resulted from an upward swing in the production cycle, favourable weather conditions and new groves (especially in the Cayo district) coming into production. International prices for orange concentrate increased early in the season then declined from February onwards. Even with falling international prices, however, export earnings more than doubled to a record high \$54.1 mn.

It is estimated that in the 1992/93 crop year citrus production will decline by approximately 17 percent as a lean year usually follows a bumper crop year. Prices are expected to fall below US\$1.00 per pound solid and remain low because Florida, Brazil and Mexico expect to have large crops. In addition, there is a significant stock overhang from the 1991/92 season.

	1990	1991	1992
Deliveries ('000 boxes)	2,337	2,454	3,606
Oranges	1,448	1,314	2,413
Grapefruit	889	1,140	1,192
Concentrate Exported ('000 gals)	1,785	1,569	2,621
Orange	1,171	981	1,917
Grapefruit	614	588	704
Value (\$mn)	38.9	21.6	54.2
Orange	28.5	16.0	41.2
Grapefruit	10.4	5.6	13.0

Source: Central Statistical Office

While the future price of citrus concentrate remains uncertain, the production of citrus in the medium term seems optimistic. In the past, citrus was grown largely in the south. However, citrus has now been planted in the west and deliveries from this area have already begun. Earlier in the year, it was announced that the tristeza virus could cause considerable problems for the industry in Belize. However, experts believe that tristeza does not pose an immediate threat to the industry since producers have taken the decision to switch to tristeza resistant root stock.

Bananas

Banana production during 1992 increased by 38.5 percent to 61.9 mn pounds with record high receipts of \$20.5 mn. This expansion follows the privatization of the industry and the increased involvement of Fyffes in the provision of financial and technical assistance to aid in the control of black sigatoka. Estimated production for the banana industry in 1993 is 88.0 mn pounds.



	1990	1991	1992
Volume ('000 lbs)	51,218	45,613	61,944
40-lb net boxes	804,817	688,880	999,220
28-lb net boxes	679,476	644,928	784,818
Value (\$mn)	16.9	14.9	20.5

Sources: Banana Control Board
Banana Growers Association

Following prolonged negotiations, the European Community decided to extend the preferential treatment to African, Caribbean and Pacific (ACP) countries, including Belize, on a limited basis. ACP countries can export bananas tariff free to the EC in an amount equivalent to their highest shipment up to and including 1990. Beginning on July 1, 1993 a quota of 2 mn tonnes will be placed on all non-ACP countries and a tariff of 20 percent will be attached to the first 2 mn tonnes of bananas. Imports in excess of the 2 mn tonnes will be subject to a tariff of 170 percent.

Marine Products

Exports of marine products expanded by 29.2 percent in 1992 boosted by increased exports of

farmed shrimp and conch. Notwithstanding a decline in lobster tail exports, that commodity continued to be the most important contributor to marine export earnings bringing in \$10.8 mn in 1992. The increase in shrimp exportation is attributable mainly to the maturation of fresh water shrimp farms. During the year, Jamaica placed restrictions on the import of shrimp from Belize because of the threat of cholera in the Central American region. As a result, shrimp exports were diverted to the US market at lower prices. However, exports to the US increased significantly resulting in a doubling of earnings to \$8.3 mn

	1990		1991		1992 ^P	
	Volume ('000lbs)	Value (\$'000)	Volume ('000lbs)	Value (\$'000)	Volume ('000lbs)	Value (\$'000)
Lobster Tail	409	9,650	467	11,655	433	10,818
Lobster Head	8	51	6	36	34	86
Whole Cooked Lobster	-	-	56	789	76	1,069
Shrimp	441	4,172	509	4,194	925	8,328
Conch	371	2,762	343	2,294	432	2,980
Whole Fish	390	760	377	743	366	723
Other	14	89	16	90	25	138
TOTAL	1,633	17,484	1,774	19,801	2,291	24,142

Source: Central Statistical Office
^P: Provisional



Other Exports

Garments

Preliminary indications are that during 1992, 3.8 mn pieces of garments were exported, the same as last year. However, the value fell by \$2.5 mn to

\$32.6 mn reflecting the exportation of lower valued goods such as T-shirts, polo shirts and short pants during most of the year.

	1990	1991	1992
Volume (mn pcs.)	3.5	3.8	3.8
Value (\$mn)	28.6	35.1	32.6

Source: Central Statistical Office

Wood Products

While at 3.4 mn board feet exports of sawn lumber were virtually the same as last year, the value declined by \$0.6 mn to \$4.8 mn because of a shift towards lower priced woods. The Government has implemented a policy to increase value added in the use of exotic woods such as zericote and mahogany and to promote the

production and export of wood veneer and finished articles. Since October, 1992 there has been a ban on the export of zericote and rosewood lumber and a gradual phase out in the export of mahogany lumber is expected to be completed by early 1993.

	1990	1991	1992
Volume ('000 bd.ft.)	2,287	3,442	3,446
Value (\$'000)	3,776	5,416	4,821
Average Price (\$/bd.ft.)	1.65	1.57	1.40

Source: Central Statistical Office



Non-traditional

Efforts at diversification have resulted in the increased exportation of non-traditional exports such as papayas, peanuts and dolomite. Presently, there are 120 acres of papayas under cultivation of which 48 acres are already being harvested. It is hoped that another 80 acres could be added by the end of 1993. Approximately 1.5 mn pounds were exported at a value of \$1.1 mn. The average price per box ranges between \$5.00 and \$9.00 depending on the market. The papaya industry has a guaranteed market of 20,000 boxes weekly which would translate into annual earnings of \$7.6 mn. This would require another 300 to 500 acres of papayas to be in production.

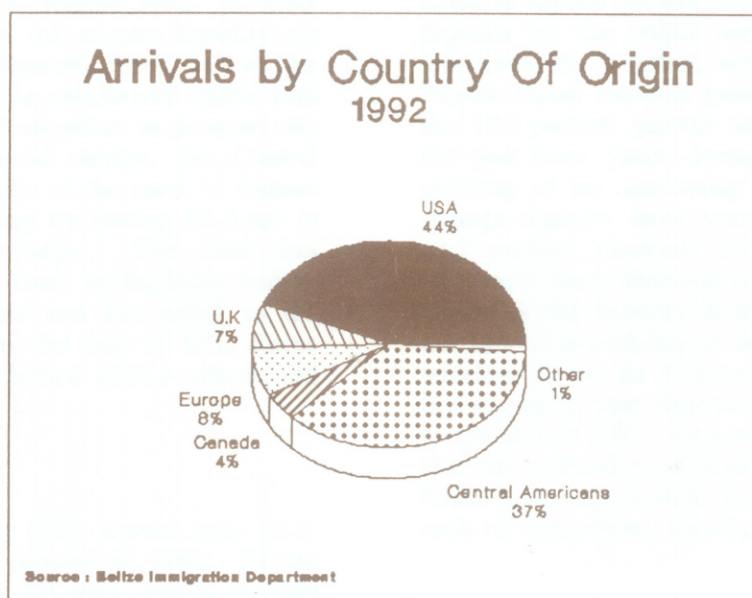
There are 50 acres of peanuts planted and in June of 1993, 250 additional acres will be planted. Peanuts are exported to Barbados for the manufacture of peanut butter and other related products. Dolomite, a magnesium fertilizer which restores the soil to proper PH balance, is presently being mined in the Toledo district. It is used by citrus and banana farmers as well as the shrimp

farms and while it has not been exported yet, there are plans in the immediate future to export this product to Costa Rica, the Windward Islands and Dominica.

Tourism

Preliminary indications are that tourist arrivals through the Philip Goldson International Airport and across the Santa Elena Border increased by 11.4 percent to 149,894. This follows a 5.2 percent decrease in tourist arrivals through these two entry-points during 1991. Arrivals from the US increased by 3.4 percent, while arrivals from the UK increased by 5.1 percent. There were also a significant number of tourists originating in Canada. This increase reflects the improvement in the US, UK and Canadian economies and the increased awareness of Belize as an eco-tourism centre. By the end of October, the number of rooms available had increased to 2,913 from 2,555 in 1991. The increase was most notable in the Southern and Western Districts which are the centres of eco-tourism.

Chart A





In 1992, Belize continued to focus on the development of eco-tourism. During the year, it hosted the First World Congress on Tourism and the Environment which focussed on the costs and benefits of tourism with regard to the environment. Belize also hosted an El Mundo Maya conference which is part of an ongoing project which aims to link the Maya trail of five countries in the region - Belize, El Salvador Guatemala, Mexico and Honduras -so as to better market them as eco-tourism destinations.

There were infrastructure improvements during the year which are expected to benefit the industry. Work was begun on the extension of the apron at the Philip Goldson International Airport to accommodate more aircraft. There were also renovations made to the Municipal Airstrip in Belize City. Two new carriers began regular service to the country. Aviateca, flies twice weekly from Guatemala City to Belize via Flores Peten and a charter service originating in Canada, comes to Belize weekly.

The first ever San Pedro International Air and Sea Festival was organized by the San Pedro Branch of the Chamber of Commerce and Industry and was aimed at promoting the island during the slow summer months. Most of the participating artists were from the neighbouring Central American countries.



Monetary and Financial Developments

As in 1991, net foreign assets declined and money supply was fueled by expansion in net domestic credit. However, with the improved performance

in the real sector, domestic credit grew at a slower pace than in 1991.

Table 11: Monetary Aggregates of the Banking System

	Position as at Dec 90	Position as at Dec 91	Position as at Dec 92	\$mn
				Change Dec 91 to Dec 92
Net Foreign Assets	154.6	115.8	93.1	-22.7
Central Bank	140.2	98.7	101.4	2.7
Commercial Bank	14.4	17.1	-8.3	-25.4
Net Domestic Credit	270.9	363.2	426.9	63.7
Central Government (Net)	-18.6	9.2	34.5	25.3
Other Public Sector	15.3	22.5	11.6	-10.9
Private Sector	274.2	331.5	380.8	49.3
Other Items (net)	48.4	49.8	50.8	1.0
Money Supply M2	377.1	429.2	469.2	40.0

After reaching a low of \$12.0 mn at the end of 1991, statutory excess liquidity increased steadily to \$28.0 mn at the end of August 1992. In order to reduce the pressure of excess liquidity on foreign reserves, the Central Bank raised the reserve requirements of the commercial banks with effect from October. In an effort to promote the development of a financial market, the Central Bank took the opportunity of the need to finance its proposed new building by issuing \$5.0 mn in Building Construction Bonds. The Bank has established a Securities Desk to facilitate trading in Government securities and has acted as the financial intermediary for the sale of BTL shares and Belize Electricity Limited (BEL) shares and debentures.

Money and Credit

Growth in money supply (M2) slowed from 13.8 percent in 1991 to 9.3 percent in 1992. Of the \$40.0 mn growth in M2, \$21.0 mn was in M1 and \$19.0 mn was in quasi-money.

Total deposits grew by 7.7 percent during the year after growth of 13.7 percent in 1991. The slow down in deposit growth reflects the draw down on deposits by the public sector for investment in infrastructure, housing, agriculture and tourism. Private sector deposits grew by 19.2 percent after the 12.9 percent growth recorded in 1991. Over the past three years, demand deposits have been growing at an increasing rate while time and savings deposits have been slowing down. The 13.2 percent decrease in time deposit growth represents the withdrawal of funds from the system by the Social Security Board (SSB). Because of the limited availability of financial instruments in which to invest, the SSB had 64 percent of its total investment in time deposits in the banking system at the end of 1991. However, by the end of 1992, this was reduced to 40.0 percent as SSB withdrew funds from the system to invest in other areas such as agriculture, housing and tourism.

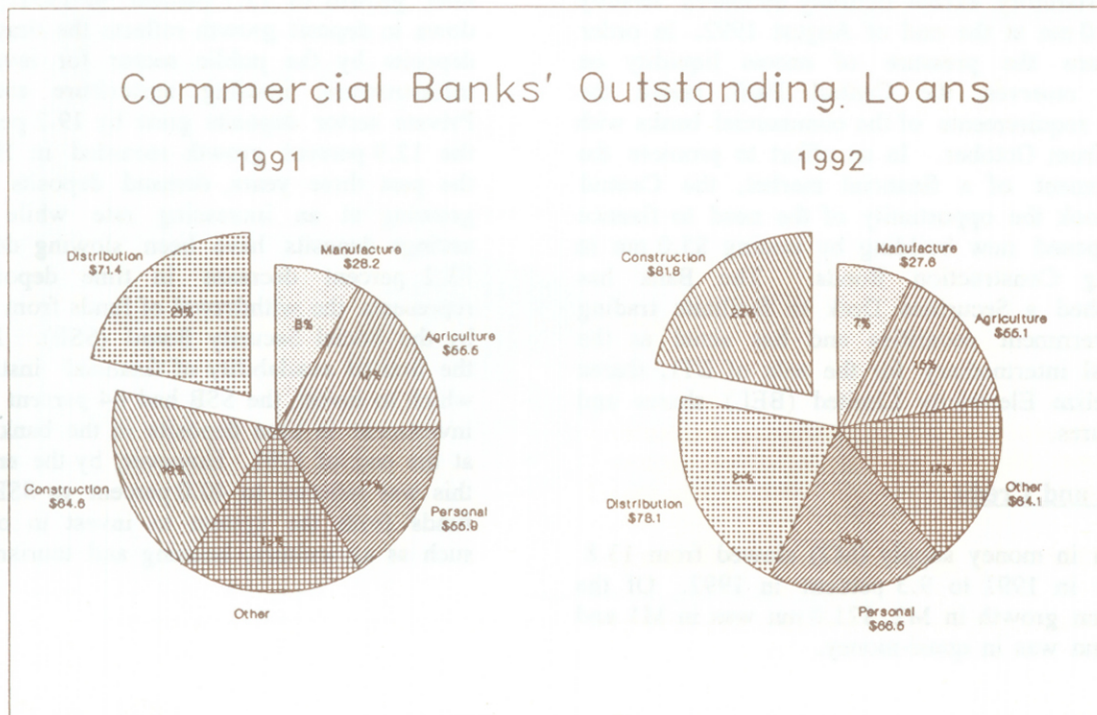


	Position as at Dec 90	Position as at Dec 91	Position as at Dec 92	Change
				Dec 91 to Dec 92
Money Supply (M2)	377.1	429.2	469.2	40.0
Money Supply (M1)	107.9	122.8	143.8	21.0
Currency with the Public	43.5	47.9	51.0	3.1
Demand Deposits	64.4	74.9	92.8	17.9
Quasi-Money	269.2	306.4	325.4	19.0
Savings Deposits	83.4	90.1	102.2	12.1
Time Deposits	185.8	216.3	223.2	6.9

During the year, net domestic credit expanded by 15.0 percent to \$441.4 mn, a significant slowdown in comparison with the 33.5 percent growth in 1991. This slowdown in growth reflects the reduction in outstanding credit resulting from the improved performance of the citrus, banana and

marine industries. While in 1991, the agriculture sector on a net basis increased its borrowings from the commercial banks for bridge financing, in 1992 this sector was a net provider of funds to the system.

Chart B





Net credit to Central Government increased by \$27.7 mn to \$49.0 mn. This resulted from several factors. First, commercial banks increased their holdings of Treasury bills by \$15.3 mn. Second, Government utilized overdraft facilities in the Central Bank by \$9.4 mn and reduced deposits in the system by \$3.0 mn. During the year, the Treasury bill issue was increased by \$2.0 mn which was absorbed by the commercial banks.

Credit to the rest of the public sector decreased as a result of the reclassification of BTL as a private sector entity when Government sold its remaining share holdings to the public. Credit to the private sector grew by 14.8 percent to \$380.8 mn. This growth rate was the lowest since 1986 and reflected the availability of money resulting from the increase in export receipts. Loans for construction, distribution, personal uses and other purposes accounted for 71.5 percent of commercial banks outstanding loans and advances and were the sectors which benefitted from increased loans during the year. Loans for construction were for both residential and commercial purposes.

The net foreign assets of the banking system fell from \$103.7 mn at the end of 1991 to \$80.0 mn at the end of 1992. While the net foreign position of the Central Bank improved by \$1.7 mn that of the commercial banks deteriorated by \$25.4 mn. The foreign assets of the Central Bank increased by \$4.3 mn while foreign liabilities rose by \$2.6 mn. The increase in foreign assets reflected inflows of foreign exchange for the purchase of BTL shares and BEB shares and debentures and from export earnings. During the year, the Bank made net foreign exchange purchases of \$23.0 mn from the commercial banks as opposed to a net sale of \$21.9 mn in 1991. The increased pace of Central Government's expenditure on infrastructure development was reflected in a net sale of \$28.4 mn in foreign exchange to Government as compared to a net sale of \$24.7 mn in 1991. The Bank also made a net sale of foreign exchange of \$9.5 mn to statutory bodies, an increase of \$5.9 mn over last year.

The net foreign assets of the commercial banks fell from \$17.1 mn at the end of 1991 to negative \$8.3 mn at the end of 1992. Commercial banks' foreign assets fell by \$7.3 mn and foreign liabilities rose by \$18.1 mn. A major part of the increase in

foreign liabilities occurred during the latter part of the year when commercial banks responded to the increases in reserve requirements by borrowing from their head offices and affiliates abroad.

Interest Rates and Liquidity

At the end of 1992, commercial banks' holdings of approved liquid assets was \$5.1 mn more than the required level. Over the year, average deposit liabilities increased by \$41.5 mn to \$451.1 mn. In order to reduce the pressure of excess liquidity on foreign reserves, the Central Bank raised the reserve requirement of the commercial banks with effect from October. The cash requirement was increased from six percent to seven percent and the liquidity requirement was increased from twenty five percent to twenty seven percent of average deposit liabilities.

The increase in deposit liabilities coupled with the increase in the rates of the approved liquid assets, caused the level of required liquidity to increase by \$19.4 mn. As a result, although all the components of approved liquid assets increased by a combined total of \$12.5 mn, it was not enough to offset the increase in required liquidity. Excess statutory liquidity therefore, fell from \$12.0 mn at the beginning of the year to \$5.1 mn at the end of the year. Excess primary liquidity increased by \$3.0 mn to \$4.3 mn.



Table 13: Commercial Bank Liquidity Position and Cash Reserves

				\$mn
				Change
	Position as at Dec 90	Position as at Dec 91	Position as at Dec 92	Dec 91 to Dec 92
Holdings of Approved Liquid Assets	128.6	114.4	126.9	12.5
Vault Cash	6.3	7.0	7.4	0.4
Balances with Central Bank	28.5	26.0	34.6	8.6
Money at Call and Foreign Balances (due within 90 days)	36.1	26.7	28.3	1.6
Treasury Bills maturing in not more than 90 days	52.9	50.3	50.6	0.3
Other Approved assets	4.8	4.4	6.0	1.6
Required Liquid Assets	99.9	102.4	121.8	19.4
Excess/(Deficiency) Liquid Assets	28.7	12.0	5.1	-6.9
Daily Average holdings of Cash Reserves	28.4	25.9	35.9	10.0
Required Cash Reserves	25.0	24.6	31.6	7.0
Excess/(Deficiency) Cash Reserves	3.4	1.3	4.3	3.0

The Central Bank made no adjustments to the interest rate structure during the year. The Central Bank's discount rate remained unchanged for the third consecutive year at 12.0 percent, the minimum rate payable on ordinary and premium savings remained at 5 and 6 percent, respectively and the minimum lending rate remained at 10.0

percent. The weighted average deposit rate fell by 40 basis points influenced by the 20 basis points decrease in the time deposit rate. Meanwhile, the weighted average lending rate increased by 10 basis points as a 50 basis point increase in personal loans was offset by the 60 basis points decrease in mortgage and other lending rates.



	1990	1991	1992	1991-1992
Weighted Lending Rates				
Personal	14.8	14.4	14.9	0.5
Commercial	14.3	14.1	14.1	0
Mortgage	13.6	14.4	14.0	-0.4
Other	13.5	15.9	15.7	-0.2
Weighted Average	14.4	14.3	14.4	0.1
Weighted Deposit Rates				
Savings	5.4	5.4	5.4	0
Time	8.3	8.3	8.1	-0.2
Weighted Average	6.3	6.4	6.0	-0.4
Weighted Average Spread	8.0	7.9	8.4	0.5

Institutional Developments

During 1992, Government divested itself of its remaining shareholdings in BTL. That company is now fully privatized. The process of privatization of BEB was begun with the establishment of Belize Electricity Limited (BEL) toward the end of the year, and the offer for sale of 49 percent of Government's equity in the new company. Central Government set aside \$5.0 mn from the proceeds of its sale of BTL shares for the establishment of a Small Farmers Bank and injected \$3.5 mn in equity into the Development Finance Corporation (DFC). The latter showed an improvement in its financial position following the restructuring exercise started in 1990. As a result, certain credit lines were re-opened and loans approved increased to a record high \$15.0 mn. The sectors which benefitted from the increase in loans were agriculture and construction.

The Development of the Offshore Business in Belize

The Government of Belize in an attempt to expand the country's services sector has enacted new legislation which provides an extensive legal framework for offshore business activities. The International Business Companies Act, 1990 (IBC

Act) is a member of this family of legislation. The IBC Act makes provision for the creation and regulation of international business companies (IBCs). An IBC is a company registered in Belize but which may neither carry on business nor own an interest in real property in Belize. IBCs do not pay any form of local taxes. The IBC Act also makes provision for the creation of public investment companies (PICs). PICs are IBCs with additional rights and benefits. The legal requirement to obtain PIC status, however, are more stringent than those of an IBC. So far, only two companies have qualified to obtain PIC status.

In the area of shipping business, the Registration of Merchant Ships Act enacted in 1989, provides for ship owners and operators to register their vessels under the Belizean flag. The International Merchant Marine Registry of Belize (IMMARBE) provides facilities for registration of vessels and is represented in most of the major off-shore centers.

The Trust Act enacted in May 1992 is the newest piece of legislation and is aimed at expanding the service sector by providing for the creation of trusts. The Act applies to all trusts including offshore trusts and has been described as one of the most modern trust legislation throughout the



world. Under the new law, the trustee is regarded as non-resident in Belize for purposes of exchange control.

Recognizing the country's potential for becoming a premier international financial service centre, the Government of Belize is also looking at the possibilities of off-shore banking services. Several queries have been received over the past year from parties interested in setting up off-shore banks. However, the regulatory framework necessary to regulate such an industry needs to be enacted before off-shore banking licenses are granted.

Securities Market

In Belize, sustainable growth is being pursued through economic restructuring involving privatization. The establishment of the Securities Desk at the Central Bank in March was a landmark for the development of a securities market in Belize. In the privatization of Belize Telecommunications Limited (BTL) and Belize Electricity Limited (BEL), the Central Bank acted as the sole financial intermediary for Government through its Securities Desk. In August, the Central Bank Building Construction Bonds were offered to the public to facilitate the construction of a new Central Bank building to house all its departments.

The establishment of a securities market is seen as critical to stimulating further economic growth in Belize. As the Central Bank of Belize continues to spearhead the development of a securities market, companies will have new and cheaper sources for financing their capital expansion programs through the offering of shares and debentures. This will also provide investors with the opportunity to select alternative investments with higher yields, as compared to the traditional bank deposit. With the active participation of the private sector, it will be possible to introduce securities trading in 1993. So far, the Central Bank has successfully carried out the functions of a subscription, transfer, and registrar agent for BTL and BEL. As Belize moves forward into the 21st century, the acceleration of the development of a securities market will play a crucial role in the economy.



Central Government Operations and the Public Debt

Central Government Operations

On a calendar year basis, the current operations of the Central Government recorded a surplus of \$56.9 mn during 1992, a decline of 23.0 percent when compared to 1991. Total revenue and grants increased by \$45.2 mn largely reflecting increased tax and capital revenues which were partially offset by a decline in non-tax receipts. Total expenditure rose by \$52.9 mn as expenditure on wages and salaries, pensions, goods and services and capital increased. Total expenditure exceeded total revenue and grants by \$50.2 mn. This was \$7.7 mn more than the overall deficit recorded during 1991. The overall deficit for 1992 period was 6.5 percent of GDP as compared to 6.0 percent in 1991.

Current revenue was \$5.7 mn more in 1992 and reflected increased revenue from income and profits, properties and other tax revenue. This was partially offset by a decline in non-tax revenue. The increase in tax revenue is a reflection of the improved efficiency of the Income Tax department in the collection of taxes, an increase in wages and salaries to civil servants and growth in the economy. Receipts from international trade taxes increased by \$2.7 mn while excise taxes declined by \$0.2 mn. The increase in taxes from international trade represented an increase in collection of revenue replacement duty as collections from import duties fell despite the 14.9 percent increase in imports during the first three quarters of the year as compared to the same period in 1991. The implementation of the CET in November 1991 resulted in a lowering of import duties and could explain the fall in import duty receipts. Revenue from foreign currency transactions and stamp duties increased. Non-tax revenue fell by \$6.2 mn as contributions from the Central Bank and the Belize Airport Authority declined. Dividend receipts from the Belize Sugar Industries also fell.

Current expenditure was \$22.7 mn more than in 1991. Wages and salaries rose by \$17.6 mn largely reflecting the effects of increased payments to civil servants following the implementation of salary increases. The ratio of wages and salaries to

current expenditure subsequently increased from 54.5 percent in 1991 to 57.6 percent in 1992. Expenditure on goods and services rose by \$3.0 mn and is attributable to increases in expenditure on utilities, transfers and subsidies. Pension payments increased by \$2.4 mn and interest payments on the public debt fell by \$0.3 mn.

Capital revenue rose to \$40.4 mn during 1992 from \$0.2 mn in 1991 reflecting Government's sale of equity in BTL and Big Falls Ranch as well as the sale of land. Capital expenditure rose by \$30.2 mn with the \$28.1 mn increase in Capital II (locally funded) expenditure arising from investment in infrastructure, housing, transportation and communication, rural electrification and increased equity in the DFC. Capital III (foreign funded) expenditure increased by only \$2.9 mn as the rate of project implementation slowed down. Capital transfers fell by \$0.8 mn.

Central Government's overall deficit was financed mainly from domestic sources as Government increased its local liabilities by \$33.2 mn and increased deposits in the banking system by \$1.4 mn. External financing resulted in net inflows of \$15.7 mn brought about by loan draw downs of \$25.8 mn which were partially offset by amortisation of \$9.7 mn and withdrawals from the Sinking Fund and Joint Consolidated Fund accounts of \$0.5 mn.

Public Debt

The external public debt at the end of 1992 was \$294.8 mn, a reduction of \$6.3 mn (2.1 percent) during the year, as compared to the \$35.2 mn (13.2 percent) increase in 1991. This reduction largely reflects the reclassification of BTL debt as private external debt and downward valuation adjustments of \$15.7 mn. The large valuation adjustment is explained by the 18.9 percent depreciation of the pound sterling during 1992 which has impacted favourably on the stock of debt since 67 percent of the non-US dollar debt is denominated in pound sterling.

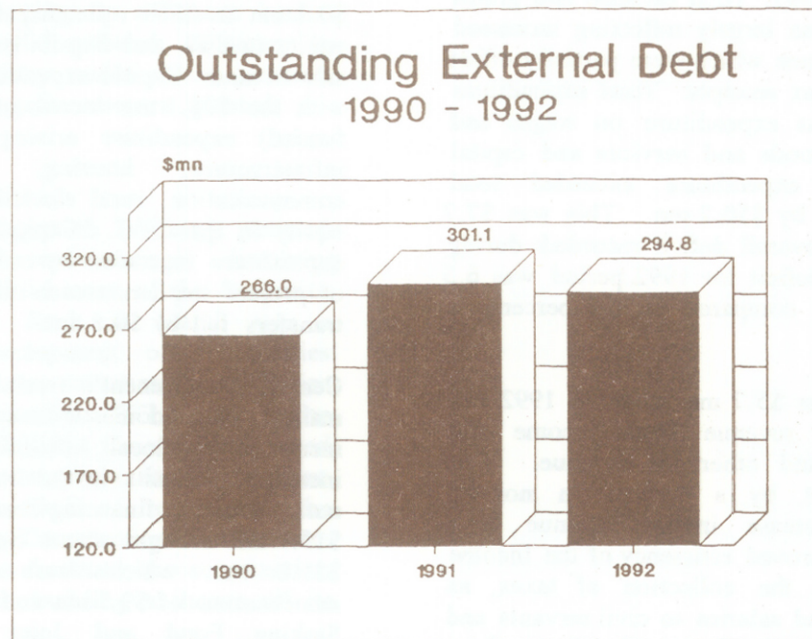
Central Government's external debt amounted to \$204.5 mn, a \$20.2 mn increase over 1991 reflecting net financing inflows (disbursements minus repayments of principal) to Government of \$31.7 mn for the financing of Capital III projects.



The external debt of the rest of the non-financial public sector fell from \$66.9 mn at the end of 1991 to \$45.5 mn at the end of 1992. The exclusion of BTL debt (\$14.9 mn), net financing

outflows of \$5.6 mn and downward valuation adjustments of \$1.1 mn explain this reduction. The external debt of the financial public sector declined by \$5.0 mn to \$44.7 mn.

Chart C



Net financing inflows during the year fell from \$36.0 mn in 1991 to \$22.7 mn in 1992 as disbursements from bilateral agencies and suppliers credit decreased by a substantial \$20.2 mn. Major disbursements were effected on the following loans: ICLE/Italian (\$9.2 mn), 1989 UK/Belize (\$7.2 mn), housing from FINEXPO of Venezuela

(\$4.0 mn), Crown Agents Caterpillar Equipment Suppliers Credit (\$3.1 mn) and Taiwan Swing Bridge (\$2.0 mn). With interest payments totalling \$9.7 mn, net transfers fell by \$18.2 mn to \$9.1 mn. Debt servicing fell from \$9.6 mn in 1991 to \$9.7 mn in 1992.

Table 16: Financing Flows and Net Transfers
\$'000

	1990	1991	1992
Disbursements	28,728	57,059	41,467
Repayments	22,828	21,056	18,794
Net Financing Flows	5,900	36,003	22,673
Interest Payments	11,194	9,554	9,742
Net transfers	(5,294)	26,449	9,052



At the end of 1992, multilateral creditors held the largest share of public external debt (42.8 percent) with bilateral creditors holding 36.7 percent. While the debt to bilateral creditors fell marginally by \$1.1 mn, that to multilateral creditors decreased by \$9.5 mn. This reflects reductions in the share of debt held by the Caribbean Development Bank (CDB) and the European Economic Community (EEC) because of repayments of principal.

Several loans were repaid during 1992. Central Government retired the fourth 1961 hurricane loan from the UK, a CDC banana loan, two suppliers credits from Solventes Exclusivos of Costa Rica and Cartonera Centroamericana of El Salvador; and DFC retired the first small industry credit loan from CDB.

Disbursements were commenced on three new loans to Central Government: the FINEXPO Housing loan, the World Bank Primary Education loan and the CDB Feasibility Study loan (for improving the infrastructure for transporting market goods from remote areas).



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Foreign Trade and Payments

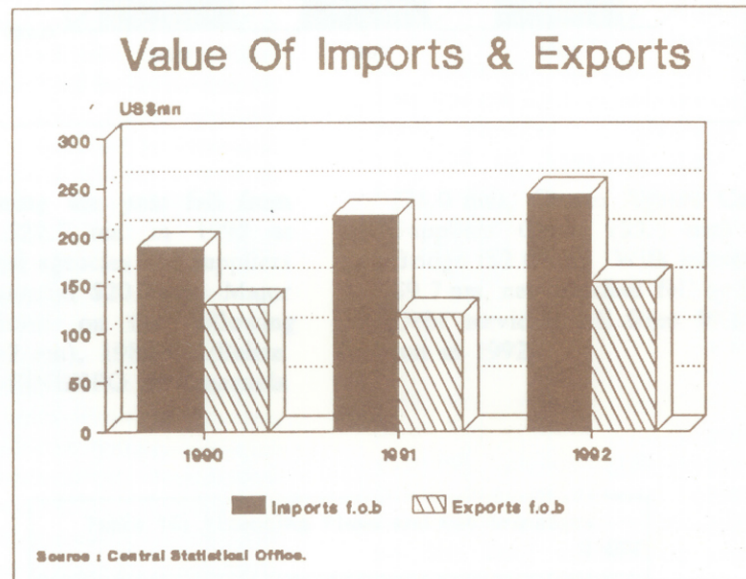
Belize's balance of payments recorded an overall surplus of US\$1.4 mn during 1992. The current account deficit widened to US\$36.4 mn and is attributable to a deterioration of both visible and invisible trade. Net capital inflows of US\$15.0 mn were recorded reflecting a decline in net long term flows and an increase in net short term flows.

Current Account

The current account deficit expanded to US\$36.4 mn as the trade deficit widened by US\$3.0 mn and net flows on the services account fell by US\$9.6 mn. Total exports increased by US\$15.5 mn in 1992 and was outweighed by a US\$19.5 mn increase in imports.

Available information on trade by SITC categories indicate that during the first half of 1992 there was a decline in imports of fuels and lubricants from US\$25.3 mn in the comparable period of 1991 to US\$17.7 mn, reflecting the lower cost of purchasing fuel from Mexico rather than the US. There were increases in imports of machinery and equipment and chemicals. Imports of miscellaneous manufactured goods, which include such items as pre-fabricated buildings, lighting fixtures and furniture rose during the six month period by US\$5.3 mn to US\$19.1 mn.

Chart D



Belize's major trading partners remained the US and the UK, which together accounted for 64.9 percent of gross imports and 80.8 percent of

exports. There was a shift in the share of imports during the six month period as a larger proportion of total imports originated from North America -



the US, Canada and Mexico - while the share of imports from the UK and other EC countries declined. While the volume of exports to the UK was higher than in 1991, the share of total exports going to that country declined from 27.7 percent to 25.1 percent. On the other hand, the share of exports to other EC countries increased to 4.7 percent from 1.6 percent.

The volume of Belize's trade with Mexico increased during the first half of the year. The share of gross imports from and re-exports to that country rose from 8.1 percent and 49.9 percent, respectively to 9.2 percent and 52.9 percent, respectively. For the second consecutive year, there was a decline in the volume of trade with CARICOM countries. The share of Belize's combined exports and re-exports to the CARICOM region fell from 10.7 percent to 6.7 percent, while the share of imports increased from 2.4 percent to 3.9 percent.

The services account recorded a net inflow of US\$35.4 mn, down from the US\$45.0 mn recorded in 1991. There was an increase in tourist arrivals which resulted in a rise in tourism receipts from US\$49.2 mn to US\$54.7 mn. However, there was an increase in sales of foreign exchange for travel abroad by residents of Belize from US\$7.6 mn in 1991 to US\$11.9 mn.

Net payments for investment income rose from US\$9.8 mn in 1991 to US\$15.2 mn in 1992. Outflows of direct investment income increased from US\$8.9 mn to US\$9.4 mn. A US\$3.8 mn decline in receipts of interest income was recorded and is attributable to a reduction in interest earnings by both the Central Bank and the Central Government as international interest rates fell during the year.

Due to the increase in the volume of imports, payments for freight and merchandise insurance rose from US\$27.6 mn to US\$30.0 mn, while other transportation recorded net inflows of US\$4.7 mn. Net inflows from goods and services not included elsewhere fell from US\$37.3 mn to US\$33.0 mn as there were increases in net receipts from both the public and private sectors.

Capital Accounts

Belize's capital account recorded net inflows of US\$15.0 mn in 1992 virtually the same as in 1991. Net official capital flows declined from US\$8.0 mn to US\$4.9 mn as disbursements of public sector debt fell by US\$1.5 mn to US\$16.7 mn and loan repayments rose by US\$1.7 mn to US\$11.9 mn. Payments for capital subscription to international organizations, which was marginal during the previous year, rose to US\$3.1 mn during 1992 reflecting Belize's admission to the Inter - American Development Bank as well as additional subscriptions to other organizations to which the country already held membership.

Official Reserves

The net official foreign reserves stood at US\$50.6 mn at the end of 1992, due to an improvement in the net foreign position of the Central Bank and an increase in Central Government's holdings abroad. Government foreign asset holdings increased from US\$6.0 mn to US\$6.5 mn. The improvement in the Central Bank position was a result of an increase in the Bank's foreign asset holdings abroad to US\$52.9 mn and an increase in foreign liabilities to US\$8.9 mn. The import coverage of reserves amounted to 3.0 months while coverage at the end of 1991 was 3.2 months.



the US, Canada and Mexico - while the share of imports from the UK and other EC countries declined. While the volume of exports to the UK was higher than in 1991, the share of total exports going to that country declined from 27.7 percent to 25.1 percent. On the other hand, the share of exports to other EC countries increased to 4.7 percent from 1.6 percent.

The volume of Belize's trade with Mexico increased during the first half of the year. The share of gross imports from and re-exports to that country rose from 8.1 percent and 49.9 percent, respectively to 9.2 percent and 52.9 percent, respectively. For the second consecutive year, there was a decline in the volume of trade with CARICOM countries. The share of Belize's combined exports and re-exports to the CARICOM region fell from 10.7 percent to 6.7 percent, while the share of imports increased from 2.4 percent to 3.9 percent.

The services account recorded a net inflow of US\$35.4 mn, down from the US\$45.0 mn recorded in 1991. There was an increase in tourist arrivals which resulted in a rise in tourism receipts from US\$49.2 mn to US\$54.7 mn. However, there was an increase in sales of foreign exchange for travel abroad by residents of Belize from US\$7.6 mn in 1991 to US\$11.9 mn.

Net payments for investment income rose from US\$9.8 mn in 1991 to US\$15.2 mn in 1992. Outflows of direct investment income increased from US\$8.9 mn to US\$9.4 mn. A US\$3.8 mn decline in receipts of interest income was recorded and is attributable to a reduction in interest earnings by both the Central Bank and the Central Government as international interest rates fell during the year.

Due to the increase in the volume of imports, payments for freight and merchandise insurance rose from US\$27.6 mn to US\$30.0 mn, while other transportation recorded net inflows of US\$4.7 mn. Net inflows from goods and services not included elsewhere fell from US\$37.3 mn to US\$33.0 mn as there were increases in net receipts from both the public and private sectors.

Capital Accounts

Belize's capital account recorded net inflows of US\$15.0 mn in 1992 virtually the same as in 1991. Net official capital flows declined from US\$8.0 mn to US\$4.9 mn as disbursements of public sector debt fell by US\$1.5 mn to US\$16.7 mn and loan repayments rose by US\$1.7 mn to US\$11.9 mn. Payments for capital subscription to international organizations, which was marginal during the previous year, rose to US\$3.1 mn during 1992 reflecting Belize's admission to the Inter - American Development Bank as well as additional subscriptions to other organizations to which the country already held membership.

Official Reserves

The net official foreign reserves stood at US\$50.6 mn at the end of 1992, due to an improvement in the net foreign position of the Central Bank and an increase in Central Government's holdings abroad. Government foreign asset holdings increased from US\$6.0 mn to US\$6.5 mn. The improvement in the Central Bank position was a result of an increase in the Bank's foreign asset holdings abroad to US\$52.9 mn and an increase in foreign liabilities to US\$8.9 mn. The import coverage of reserves amounted to 3.0 months while coverage at the end of 1991 was 3.2 months.



Table 17: Official International Reserves

US\$'000

	1990	1991	1992
1 Gross Foreign Exchange Reserves	74,890	56,835	59,409
Central Bank of Belize	69,771	50,786	52,943
Holdings of SDRs	17	82	1,611
Reserve Position in the IMF	2,708	2,613	2,610
Other Central Bank of Belize	67,046	48,091	48,722
Central Government	5,119	6,049	6,466
2 Gross Foreign Liabilities	4,768	7,505	8,788
IMF Stand by Facility	668	0	0
Caribbean Development Bank	132	105	310
Caricom	62	108	(57)
Other	3,907	7,293	8,478
3 Net Foreign Reserves	70,122	49,330	50,621



Economic Prospects

Economic activity during 1992, reflected the improved performance of the agricultural sector. With slow recovery in the industrialized economies, international prices for Belize's exports remained low but activity in the tourist industry increased. While total exports increased in 1992, earnings were affected by the low international prices and by a reduction in the US sugar quota which resulted in more sugar being sold to the world market at lower prices.

Economic activity is expected to moderate somewhat in 1993. While the tourist industry should benefit from the modest growth forecasted for the US and Canada, increased international attraction of Belize as an eco-tourism destination, and the likely boost to economic activity in Europe from the easing of monetary policy, the agricultural sector is expected to see a reduction in production and export earnings. Sugar production is not expected to surpass the 1991/92 level and earnings are expected to decline given the 11 percent cut in Belize's 1992/93 US quota. The citrus industry faces a cyclical downturn in production and lower international prices.

Belize has benefitted for some years now from access to preferential export markets for its major commodities and, to a large extent, receives some protection from adverse external conditions. However, with the current trend towards trade and financial liberalization, the future of our major exports is threatened by the removal and/or reduction of these preferential arrangements. In order to survive, Belize will have to continue to implement policies that will facilitate an increase in productivity and efficiency in the traditional sectors as well as further diversification of the export base.



OPERATIONS AND ADMINISTRATION

Central Bank Operations

Foreign Exchange Operations

During the year, trading in US dollars, Canadian dollars and Pound Sterling resulted in a net purchase of \$5.6 mn as compared to a net sale of \$3.5 mn in 1991 while trading in CARICOM

currencies resulted in a net sale of \$2.2 mn. Compared to 1991, there was an increase in purchases of \$1.5 mn in CARICOM currencies, while sales increased \$0.9 mn.

Table 18: Central Bank Dealings in Foreign Exchange 1992

\$'000						
Trading in S Dollars, Canadian Dollars and Pound Sterling				Trading in CARICOM Currencies		
Month	Purchases	Sales	Net Purchases/ (Sales)	Purchases	Sales	Net Purchases/ (Sales)
January	16,435	10,536	5,899	173	430	(257)
February	21,777	7,236	14,541	23	1,341	1,318
March	8,815	6,258	2,557	199	648	(449)
April	11,344	9,030	2,314	2,659	724	1,935
May	10,412	10,070	342	214	825	(611)
June	9,928	7,287	2,641	1,220	961	259
July	10,020	20,197	(10,177)	829	1,144	(315)
August	9,283	10,806	(1,523)	670	1,366	(696)
September	6,538	11,123	(4,585)	433	723	(290)
October	7,338	17,214	(9,876)	431	652	(221)
November	3,459	11,607	(8,148)	274	658	(384)
December	32,427	20,855	11,572	717	607	110
Total	147,776	142,219	5,557	7,842	10,079	(2,237)

While, it may be premature to determine the impact of the CET on trading among CARICOM Countries, it may foster increased trading activity among member countries. Under the Bilateral payments arrangement, the central banks in the CARICOM region act as intermediaries in settling

CARICOM trade. Importers and exporters receive and make payments in the currencies of their countries through the central banks and subsequently, net outstanding balances held with each other are settled between all central banks in US dollars at the end of each month.



Table 19: Currency in Circulation 1992

					\$'000
Month	Notes	Coins	Total	Comm. Bank Vault Cash	Currency with Public
January	46,961	5,688	52,649	6,209	46,440
February	47,487	5,757	53,244	4,192	49,052
March	47,360	5,891	53,251	5,769	47,482
April	49,787	4,856	54,643	4,511	50,132
May	50,969	4,869	55,838	4,433	51,405
June	50,670	4,893	55,563	6,666	48,897
July	51,070	4,928	55,998	4,384	51,405
August	52,821	4,998	57,819	6,905	50,914
September	50,295	5,011	55,306	6,653	48,465
October	50,809	5,007	55,816	3,826	50,664
November	52,223	5,012	57,235	6,168	51,067
December	51,706	5,101	56,807	7,414	49,393

Currency in circulation - currency with the public plus commercial banks' vault cash - rose by \$1.6 mn to \$56.8 mn at the end of 1992, an increase of 2.9 percent. The total value of notes in circulation increased by \$2.2 mn in 1992 as compared to \$2.9 mn in 1991, while the total value of coins in circulation decreased by \$0.6 mn in 1992, as compared to an increase of \$0.5 mn in 1991.

The currency in circulation at the end of December did not reflect the seasonal upswing during the Christmas period. The increase in November and subsequent decline in December may be attributed to the increase in reserve and

approved liquid assets requirements implemented in October and which reduced excess liquidity by the end of the year.

Cash Balances

Until September 1992, commercial banks were required to keep cash balances with the Central Bank equivalent to at least 6 percent of average deposit liabilities. From January to September 1992 excess cash reserves averaged just over \$6.0 mn. Effective October 1992, the Central Bank, increased the reserve requirement to 7 percent of average deposit liabilities.

Table 20: Commercial Bank Balances with Central Bank
Monthly Averages of Daily Balances 1992

				\$'000
Month	Average Deposit Liabilities	Required Balance	Actual Balance	Excess/ (Deficiency)
January	411,362	24,682	26,321	1,639
February	412,448	24,747	28,141	3,394
March	412,698	24,762	30,757	5,995
April	415,211	24,913	31,735	6,822
May	429,866	25,792	31,686	5,894
June	437,687	26,261	34,292	8,031
July	443,245	26,595	34,878	8,283
August	450,853	27,051	29,615	2,564
September	451,701	27,102	32,686	5,584
October	448,836	31,419	32,973	1,555
November	450,159	31,511	32,982	1,471
December	451,073	31,575	35,942	4,367



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 1992 and the ratio reached as high as 109.5 percent at the end of August, compared with a high of 115.7 percent in 1991.

Table 21: External Assets Ratio 1990 - 1992

Month	1990	1991	1992
January	105.9	102.2	95.1
February	107.5	107.2	93.2
March	111.2	110.6	104.7
April	104.7	108.2	104.9
May	108.7	106.2	105.0
June	110.7	105.0	107.3
July	110.0	114.8	109.2
August	111.8	115.7	109.5
September	113.0	115.4	108.5
October	114.1	101.9	101.2
November	111.1	106.4	86.0
December	108.3	93.2	94.5
Average	109.8	102.9	83.0

Transactions with Central Government

Under the Central Bank of Belize Act 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. During 1992, advances to Central Government reached a high of \$23.8 mn in December which

was 10.1 percent of estimated current revenue for the current fiscal year.

During 1992, advances to Central Government reached a high of \$20.7 mn in December which was 8.5 percent of estimated current revenue for the current fiscal year.



Table 22: Central Bank Credit to Government 1992

Month	Treasury Bills	Other Securities	Advances to Government	a	b
January	12,922	10,670	1,331	1.19	0.61
February	15,419	10,670	1,696	1.31	0.78
March	396	10,670	1,491	0.56	0.68
April	998	10,670	1,290	0.59	0.55
May	-	8,500	1,290	0.43	0.55
June	-	6,000	1,290	0.30	0.55
July	-	6,000	1,290	0.30	0.55
August	3,986	8,170	2,306	0.61	0.98
September	1	10,670	5,581	0.54	2.37
October	6,442	10,670	9,584	0.86	4.07
November	17,849	10,670	17,997	1.44	7.64
December	2,928	10,670	20,660	0.79	8.46

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

(b) Advances to Government as a percentage of Government's estimated recurrent revenue for the period 1991/92 and 1992/93.

Estimated recurrent revenue 1991/92 - \$218,653

Estimated recurrent revenue 1992/93 - \$244,088

Treasury Bill Operations

Treasury bill operations are handled by the Bank on behalf of the Central Government. Even though public participation has been encouraged, the Treasury bill market is still dominated by the commercial banks and purchases by individuals remained insignificant. During 1992, the Bank allowed a bidding process to determine the yield on Treasury bill issues. The excess liquidity in the financial system created an increased demand for Treasury bills as commercial banks bid

competitively. As a result, the yield on Treasury bills declined steadily from a high of 5.9 percent in February to a low of 4.9 percent in December.

In an effort to alleviate the liquidity problem in July 1992, Government increased one of its issues by \$2.0 mn. Presently, the total amount of Treasury bills outstanding is \$64,158,200.



Table 23: Government of Belize Treasury Bills Issues 1992

Issue No.	Tender (\$'000)	Allotment (\$'000)	Average Discount Rate (%)	Average Yield to Maturity (%)
1/1992	13,400	13,400	5.8	5.9
2/1992	13,150	13,150	5.8	5.9
3/1992	35,608	35,608	5.8	5.9
4/1992	20,300	13,400	5.7	5.7
5/1992	18,050	13,150	5.6	5.6
6/1992	46,608	35,608	5.5	5.5
7/1992	23,300	15,400	5.3	5.4
8/1992	20,000	13,150	5.2	5.2
9/1992	66,572	35,608	5.0	5.1
10/1992	15,400	15,400	4.9	5.0
11/1992	22,150	13,150	5.0	5.1
12/1992	43,108	35,608	4.9	5.0

Accounts

Income accruing to the Bank from operations during 1992 decreased by \$1.8 mn to \$8.2 mn. The decline was due mainly to the continued low rates of interest in the U.S. markets where the Bank holds the majority of its investment as well as a decline in total assets available for investment. Expenditure for the year totalled \$8.0 mn as compared with \$8.4 mn for the previous year, of which \$0.6 mn represented interest paid to depositors, \$0.1 mn was paid in interest on Building Construction Bonds and \$3.0 mn represented employment expenses.

Capital expenditure totalled \$2.4 mn of which \$2.0 mn represented expenditure on the new Central Bank of Belize Building project. Net results from operations during the year showed a profit of \$0.3 mn as compared with \$1.7 mn the previous year. Overall net results for 1992 show a deficit of \$2.7 mn. This is a result of the revaluation account showing a deficit of \$3.0 mn which is placed against net profit from operations in accordance with the Central Bank of Belize Act part XI section 49. The Balance Sheet of the Central Bank of Belize as at December 31, 1992, a Statement of Operations, the Auditing Certificate and explanatory notes are annexed to this report.

Banking Supervision

As the regulator of the financial institutions in Belize with responsibility for promoting and maintaining the safety, soundness and confidence in the financial system, the Central Bank of Belize through the Banking Supervision Department performed on-site examinations of three of the four commercial banks in Belize during 1992. Complimenting the on-site examinations, the department continued to monitor the operations of commercial banks through its off-site surveillance system. The data submitted by the banks was used to monitor their adherence to the various legal requirements.

No new banking licenses were granted nor revoked in 1992. The Bank continued to receive queries from parties interested in establishing banking operations in Belize. In particular, a substantial increase in requests for information connected to the grant of international licenses in accordance with Section 4 (3)(b) of the Banking Act was noted. The increased interest in this area is directly related to the development of the off-shore sector in Belize.



Management Information Systems (MIS) in 1992 was of strategic importance as a major decision was taken to standardize UNIX as the primary computer operating system for the Bank. This means that the IBM System/36 (S/36), which is operating at full capacity, will be replaced with a new operating environment resulting in a reduction of maintenance costs, the development of a disaster/recovery plan, and the opportunity for expansion.

To preserve the Bank's investment in three major custom applications running on the S/36, UNIBOL software was evaluated and acquired to migrate the applications to the UNIX environment. Two of the three applications have been migrated successfully and will be fully implemented in the Research Department by February 1993 where the UNIX multi-user system has been installed. Terminals in all offices provide access to the software application packages used throughout the Bank.

A supplies inventory system was developed in-house and will be implemented in early 1993. The MIS Unit also provided a computerized facility for processing the sale of Central Bank of Belize Construction Bonds and Belize Electricity Limited shares and debentures. A preliminary analysis was conducted for the development of a self-contained application for handling all aspects related to the Central Bank of Belize Building Construction Bonds.

Administration

The Board of Directors

At December 31, 1992 the Board of Directors of the Central Bank of Belize consisted of the following:

Keith Arnold - Governor/Chairman of the Board
Carla Barnett - Deputy Governor/Vice Chairman
Derek Courtenay - Director
Jose Coye - Director
Edmund Marshalleck - Director
Edmund Nisbet - Director
David Gibson - Financial Secretary/Director

The appointments of Directors Courtenay and Marshalleck were extended for a further three year period.

Staffing

The principal officers of the Bank at the end of 1992 were:

Keith Arnold - Governor
Carla Barnett - Deputy Governor
Frank Garbutt - General Manager
Yvette Alvarez - Senior Manager, Research Department
Cecile Reyes - Manager, Administration Department/Bank Secretary
Barbara Locke - Manager, Banking & Currency Department
Dwain Davis - Manager, Accounts & Budget Department
Ricardo Pelayo - Acting Manager, Banking Supervision Department

At the end of 1992, the total number of persons employed were 125. Four staff members were on study leave pursuing first degrees in economics and computer science and three were pursuing graduate studies, two in economics and one in finance.

Overseas Meetings

The Governor attended the Thirty-Third Annual Meeting of the Board of Governors of the Inter-American Development Bank and the Seventh Annual Meeting of the Board of Governors of the Inter-American Investment Corporation held in Santo Domingo in April. Accompanied by the General Manager, he attended a CARICOM Central Bank Governors Meeting held in Barbados that month. He also attended the XXIX American Continent Central Bank Governors Meeting and the LIV Latin American and Spain Central Bank Governors Meeting held in El Salvador in May.

In June, the Governor and the Deputy Governor attended a special meeting of CARICOM Central Bank Governors held in Trinidad & Tobago and the Governor participated in the Bank of England Central Bank Governors Meeting held in England in June.



In September, the Governor attended the IMF/World Bank Annual Board of Governors Meeting in Washington, D.C. and in October, he attended a Citibank sponsored conference for Latin American and Caribbean Central Banks in New York.

The Deputy Governor and the Senior Manager, Research Department represented the Bank at IMF/World Bank Constituency Meeting held in St. Lucia in September. That month also, the General Manager attended the LV Meeting of Governors of Central Banks of Latin America and Spain held in Curacao, Netherlands Antilles. The Deputy Governor visited the Securities Exchange of Barbados in December.

The Bank also sent representatives to: the 8th International Conference on Currency Counterfeiting held in Canada in April; the 10th Meeting of Inspectors of Banks of the Caribbean Region held in Trinidad and Tobago in May; the Mid-term Meeting of the Regional Programme of Monetary Studies held in Barbados in May; the 3rd Conference of Regional Central Banks' Information Specialists held in Jamaica in June; the 21st West Indies Agricultural Economics Conference held in Belize in July; the XXIV Regional Programme of Monetary Studies Annual Conference held in Bahamas in October; the Planning Session for the 1993 Information Specialist Conference held in Barbados in October; the CEMLA XXIX Meeting of Technicians of Central Banks of the American Continent; and the 1st Meeting on the Action Plan for the strengthening and improvement of the Regional Central American Information System for Trade and Investment held in Nicaragua.

In November, the Bank hosted CEMLAC's Annual Policy Seminar the theme of which was "Aspects of Central Bank Management" which was attended by participants from most of the Caribbean Central Banks. Also in November, the Bank hosted CARICOM Central Bank Governors Meeting at which topical issues affecting the regions' economies were addressed.

Staff Training

Overseas training for staff members during 1992 included an attachment to the Central Bank of Bahamas; participation in a Money and Banking Statistics Course at the IMF Institute in Washington, D.C.; update training in the Commonwealth Secretariat Debt Recording and Management System (CS-DRMS) at the Secretariat in London; banking examination at the FDIC in Arlington, Virginia, U.S.A.; a CEMLA course in Economic Aspects of Central Banking in St. Kitts, and Capital Market Development in Emerging Economies in Washington, D.C.

Staff Reorganization

In April 1992, the Bank restructured the organization of its staff in an effort to rationalize job positions and functions to achieve greater efficiency. In September, the Exchange Control and Research Departments were merged in another phase of the restructuring process. In this process, the Exchange Control function was revised to emphasize the monitoring of financial flows and to de-emphasize the aspect of control. In that process, the delegated authority of the authorised dealers was increased to include most categories of transactions. A Project Administration Unit was created to perform the duties of the Bank arising from externally funded projects.

Central Bank Building

The Bank made further progress towards the construction of its headquarters building when it acquired title to the site of the Public Works compound in Belize City. Also, the Denver based firm of Lewis & Mellin and Hinojosa Architectural Services of Belize were selected to design the building.

STATISTICAL APPENDIX

Table 1: Net Foreign Assets of the Banking System

	Position as at Dec 90	Position as at Dec 91	Position as at Dec 92	Change
				Dec 91 to Dec 92
Net Foreign Assets of Banking System	154.6	115.8	93.1	-22.7
Net Foreign Assets of Central Bank	140.2	98.7	101.4	2.7
Central Bank Foreign Assets	149.8	113.7	119.0	5.3
Central Bank Foreign Liabilities	9.6	15.0	17.6	2.6
Net Foreign Assets of Commercial Banks	14.4	17.1	-8.3	-25.4
Commercial Bank Foreign Assets	36.7	30.6	23.3	-7.3
Commercial Bank Foreign Liabilities	22.3	13.5	31.6	18.1

Table 2: Net Domestic Credit

	Position as at Dec 90	Position as at Dec 91	Position as at Dec 92	Change
				Dec 91 to Dec 92
Total Credit to Central Government	56.8	67.4	92.1	24.7
From Central Bank	5.6	22.0	31.4	9.4
From Commercial Banks	51.2	45.4	60.7	15.3
Less Deposits	75.4	58.2	57.6	-0.6
With Central Bank	45.5	22.2	26.4	4.2
With Commercial Banks	29.9	36.0	31.2	-4.8
Net Credit to Central Government	-18.6	9.2	34.5	25.3
Credit to Other Public Sector	15.3	22.5	11.6	-10.9
From Central Bank	6.0	14.6	10.0	-4.6
From Commercial Banks	9.3	7.9	1.6	-6.3
Plus Credit to the Private Sector	274.2	331.5	380.8	49.3
Net Domestic Credit of the Banking System	270.9	363.2	426.9	63.7

**Table 3: Sectoral Distribution of Commercial Banks Loans and Advances
(Percentage of total)¹**

	1990	1991	1992	Changes 1991-1992
AGRICULTURE	52.9 19.0%	55.5 16.5%	55.1 14.8%	-0.4
Sugar	8.0 2.9%	11.9 3.5%	12.0 3.2%	0.1
Citrus	21.3 7.7%	21.5 6.4%	22.5 6.0%	1.0
Bananas	17.3 6.2%	16.8 5.0%	14.2 3.8%	-2.6
Other	6.3 2.3%	5.3 1.6%	6.4 1.7%	1.1
MANUFACTURING	17.2 6.2%	28.2 8.4%	27.6 7.4%	-0.6
CONSTRUCTION	58.8 21.2%	64.6 19.2%	81.8 21.9%	17.2
PUBLIC SECTOR²	2.7 1.0%	2.0 0.6%	1.7 0.5%	-0.3
PERSONAL	36.2 13.0%	55.9 16.6%	66.5 17.8%	10.6
DISTRIBUTION	71.4 25.7%	71.4 21.3%	78.1 20.9%	6.7
TOURISM	10.7 3.9%	22.2 6.6%	21.7 5.8%	-0.5
OTHER³	27.9 10.0%	36.2 10.8%	40.7 10.9%	4.5
TOTAL	277.8 100.0%	336 100.0%	373.2 100.0%	37.2

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 4: GOVERNMENT OF BELIZE: Revenue & Expenditure

\$'000

	1989/90	1990/91	1991/92	Budget 1992/93	Jan-Dec 1992 ¹	Jan-Dec 1991
TOTAL REVENUE AND GRANTS	197,565	225,330	249,407	270,142	217,567	226,385
Current Revenue	184,207	210,896	217,660	235,414	230,067	224,363
Tax revenue	155,886	172,180	179,226	192,539	194,551	182,642
Income and profits	35,772	41,248	46,073	49,100	54,723	45,537
Properties	1,512	1,480	1,217	1,800	2,447	1,387
International trade	94,047	101,429	108,496	114,571	111,138	108,436
Excise	12,903	15,501	14,970	17,018	15,649	15,855
Other	11,652	12,522	8,470	10,050	10,594	11,427
Non-tax revenue	28,321	38,716	38,434	42,875	34,516	41,721
Capital Revenue	12,399	11,277	30,420	6,900	40,372	523
Grants	959	3,157	1,327	27,828	1,128	1,499
TOTAL EXPENDITURE	196,007	223,594	286,302	326,672	321,800	268,913
Current Expenditure	127,031	137,832	151,740	168,750	173,180	150,524
Wages and salaries	71,099	78,096	83,462	97,622	99,688	82,091
Pensions	7,424	7,331	9,661	9,043	11,119	8,738
Goods and Services	35,229	42,197	49,694	50,947	52,557	49,584
Interest Payments on Public Debt	13,279	10,208	8,923	11,138	9,816	10,111
Capital Expenditure	68,976	85,762	134,562	157,922	148,620	118,389
Capital II (local sources)	43,823	56,124	81,628	57,523	101,042	72,901
Capital III (foreign sources)	20,958	24,587	43,424	93,085	39,985	37,100
Capital Transfer	4,195	5,051	9,510	7,314	7,593	8,388
CURRENT BALANCE	57,176	73,064	65,920	66,664	56,887	73,839
OVERALL BALANCE	1,558	1,736	(36,895)	(56,530)	(50,233)	(42,528)
FINANCING	(1,558)	(1,736)	36,895	56,530	50,233	42,528
Domestic Financing	(12,089)	(7,439)	12,199	(1,671)	34,570	24,676
Financing Abroad	10,531	5,703	24,696	58,201	15,663	17,852

Sources: Ministry of Finance
Central Bank of Belize

¹ All figures are preliminary

Table 5: Balance of Payments 1990 - 1992

US\$mn

	1990	1991	1992
A. CURRENT ACCOUNT	15.2	-27.2	-36.3
i) Merchandise Trade	-59.2	-99.5	-102.5
Exports (f.o.b.)	129.2	124.1	140.6
Imports (f.o.b.)	188.4	223.6	243.1
ii) Services (net)	45.0	45.0	35.4
Travel	31.5	41.6	42.9
Investment Income	-8.6	-9.4	-15.2
Other	22.1	12.8	7.7
iii) Transfers (net)	29.4	27.3	30.8
Official	13.1	12.0	12.9
Private	16.4	15.3	17.9
B. CAPITAL ACCOUNT	25.1	14.9	15.0
i) Long Term Capital Flows (net)	29.3	22.6	17.0
Official	7.9	8.0	4.9
Private	21.4	14.6	12.1
ii) Short Term Capital Flows (net)	-4.2	-7.7	-2.0
C. NET ERRORS AND OMISSIONS	-27.8	-8.5	22.7
D. CHANGE IN RESERVES (minus = increase)	-12.5	20.8	-1.4
Memo Items			
Current Account/GDP (%)	4.5	-7.7	-9.4
Import Cover (months)	4.1	2.9	2.6

**Table 6: Direction of Trade (c.i.f)
1990 - 1992**

(percentages)

	Gross Exports			Gross Imports		
	1990	1991 Jan-Sept	1992 Jan-June	1990	1991 Jan-Sept	1992 Jan-June
USA	49.3	45.8	51.8	57.6	58.9	54.9
UK	33.2	26.0	21.2	8.2	7.5	10.0
OTHER EEC	1.3	2.0	4.0	7.1	9.1	8.0
CANADA	5.3	4.0	6.1	2.3	2.2	1.8
MEXICO	1.8	12.1	10.5	6.8	8.5	9.2
CARICOM	8.1	6.0	5.5	6.2	2.4	4.0
OTHER	1.0	4.1	0.9	11.8	11.4	12.1
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0

Source: Central Statistical Office

**Table 7: External Public Debt
Borrower and Creditor Categories**

\$'000

	Disbursed Outstanding 31/12/91 ^R	Disbursement	Amortization	Interest	Valuation Adjustments	Disbursed Outstanding 31/12/92
CENTRAL GOVERNMENT	184,311	39,958	8,297	4,025	(12,732)	204,552
Caribbean Development Bank	16,356	379	344	306	73	16,464
European Economic Community	15,116	1,876	261	170	(1,891)	14,840
Int'l Bank for Reconstruction Dev.	23,648	3,734	1,735	1,315	(599)	25,048
Int'l Fund for Agricultural Dev.	1,147		398	98	(40)	709
Gov't of United Kingdom	50,329	7,225	3,278	0	(10,084)	44,192
Gov't of Trinidad and Tobago	96		4	2	0	92
Gov't of United States of America	47,240	17	235	944	0	47,022
Suppliers Credit	4,832	14,127	2,000	655	(191)	16,768
OPEC Fund for International Dev.	2,400		0	125	0	2,400
Instituto Nazionale di Credito	19,357	9,200	0	6	0	29,869
Government of China	1,290		0	0	0	1,290
Export/Import Bank of Taiwan	2,000	2,000	0	136	0	4,000
Fondo de Inversiones de Venezuela	500	1,400	42	268	0	1,858
REST OF NON-FINANCIAL PUBLIC SECTOR	66,902	786	6,429	3,147	(1,133)	45,526
Caribbean Development Bank	24,222	132	1,990	885	396	22,760
Intl. Bank for Reconstruction Dev.	13,612	654	1,193	986	(331)	12,742
Commonwealth Development Corporation	4,041		823	285	(695)	2,523
Export/Import Bank of Taiwan	3,000		0	0	0	3,000
Suppliers Credit	6,943	0	1,939	852	(503)	4,501
Bank of Nova Scotia ¹	1,994		0	0		0
Barclays Bank Ltd.	13,090		484	139		0
FINANCIAL PUBLIC SECTOR	49,919	723	4,068	2,570	(1,864)	44,710
Caribbean Development Bank	18,516	723	1,859	852	(534)	16,846
European Economic Community	7,036		757	336	(522)	5,757
Commonwealth Development Corporation	4,649		827	355	(808)	3,014
Paine Webber Real Estate Securities Inc.	4,000			179	0	4,000
Gov't of United States of America	5,718			114	0	5,718
Export/Import Bank of Taiwan	10,000		625	734	0	9,375
TOTAL	301,132	41,467	18,794	9,742	(15,729)	294,788

R Revised

P Preliminary

¹ Excludes BTL debt at the end of 1992 since the private sector now holds majority shares in the company.

**Table 8: Gross Imports (c.i.f) by SITC Categories
1990 - 1992**

US\$mn

	1990	1991 Jan-Sept	1992 Jan-Sept
Food & Live Animals	43.6	35.5	23.9
Beverages & Tobacco	5.5	4.4	2.8
Crude Materials	1.2	1.4	0.9
Fuels & Lubricants	27.2	30.7	17.7
Animal & Vegetable Oil	0.5	0.4	1.0
Chemicals	20.3	16.4	12.4
Manufactured Goods	36.7	37.0	21.2
Machinery & Equipment	49.7	45.8	33.5
Misc. Manufactured Goods	25.5	21.9	19.1
Commodities n.i.e	1.3	1.4	0.0
Total	211.5	194.9	132.5

Source: Central Statistical Office

Table 9: Selected Tourism Statistics 1986 - 1992

	1986	1987	1988	1989	1990	1991	1992*
ARRIVALS	93,753	103,190	164,256	191,577	214,124	212,978	184,109
Air	52,048	56,855	57,132	65,915	75,810	59,461	74,520
Land	40,226	33,275	96,470	109,219	129,179	146,838	109,589
Sea	1,479	13,060	10,654	16,443	9,135	6,679	
HOTEL CAPACITY							
No. of Hotels	157	163	183	201	210	248	270
No. of Rooms	1,523	1,653	1,891	2,403	2,165	2,784	2,913
No. of Beds	2,534	2,729	3,237	4,041	3,451	4,742	4,991

Sources : Belize Tourist Board
Belize Immigration Department

* Border data only to July for Benque

CENTRAL BANK OF BELIZE
FINANCIAL STATEMENTS 1992

CONTENTS

	PAGE
Auditors' report	1
Balance sheet	2 - 3
Statement of operations	4
Notes to financial statements	5 - 11

Price Waterhouse



Page 1

March 26, 1993

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, 1992 and 1991, 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 Standards on Auditing 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

<u>ASSETS</u>	<u>NOTES</u>	<u>December 31,</u>	
		<u>1992</u>	<u>1991</u>
APPROVED EXTERNAL ASSETS	3		
Balances and deposits with foreign bankers and the Crown Agents		\$14,011,218	\$75,666,830
Reserve Tranche and balances with the Int'l Monetary Fund	4	8,366,600	5,631,963
Marketable securities issued or guaranteed by foreign governments and international financial institutions		12,739,218	563,134
Other foreign credit instruments		65,779,997	19,059,994
Accrued interest and cash intransit	2f	391,460	857,152
Gold		407,550	339,717
		<u>101,696,043</u>	<u>102,118,790</u>
REVALUATION ACCOUNT	2d	-	(2,645,480)
		<u>101,696,043</u>	<u>99,473,310</u>
DUE FROM THE BELIZE GOVERNMENT	5	1,289,595	1,289,595
BALANCES DUE FROM CARICOM CENTRAL BANK		113,684	-
BELIZE GOVERNMENT SECURITIES	6	7,597,867	20,704,136
BELIZE GOVERNMENT CURRENT ACCOUNT		20,659,727	-
LOANS TO PUBLIC SECTOR	7	9,562,500	8,600,000
LOANS TO LICENSED FINANCIAL INSTITUTIONS	8	6,000,000	-
INVESTMENT IN PUBLIC ENTITIES	9	6,000,000	6,000,000
BALANCES WITH LOCAL BANKERS AND CASH ON HAND		46,025	26,096
OTHER ASSETS	10	3,753,211	2,513,321
PROPERTY AND EQUIPMENT	2b, 11	3,760,253	1,926,456
		<u>\$160,478,905</u>	<u>\$140,532,914</u>

The accompanying notes are an integral part of this statement.

CENTRAL BANK OF BELIZE
BALANCE SHEET (Continued)

<u>LIABILITIES, CAPITAL AND RESERVES</u>	<u>NOTES</u>	<u>December 31,</u>	
		<u>1992</u>	<u>1991</u>
DEMAND LIABILITIES			
Notes and coins in circulation		\$56,806,409	\$54,069,292
Deposits by licensed financial institutions	12	45,580,545	27,256,470
Deposits by and balance due to Government and Public Sector Entities in Belize		12,834,220	14,313,972
Deposits by international agencies	13	7,332,874	3,582,316
		<u>122,554,048</u>	<u>99,222,050</u>
BALANCES DUE TO CARICOM CENTRAL BANKS		-	214,728
OTHER LIABILITIES		551,491	439,517
DUE TO THE BELIZE GOVERNMENT		-	3,510,247
COMMERCIAL BANK DISCOUNT FUND	14	4,531,668	4,298,514
LOANS PAYABLE TO FOREIGN INSTITUTIONS	15	10,664,595	11,289,595
CONSTRUCTION BONDS	16	5,000,000	-
SAN JOSE ACCORD ACCOUNT	17	-	1,707,217
Total liabilities		<u>143,301,802</u>	<u>120,681,868</u>
CAPITAL ACCOUNT			
Paid up capital (Authorized capital \$10,000,000)		10,000,000	10,000,000
GENERAL RESERVE FUND	18	7,177,103	9,851,046
		<u>\$160,478,905</u>	<u>\$140,532,914</u>

)	GOVERNOR
)	
)	DIRECTOR
)	
)	GENERAL MANAGER

The accompanying notes are an integral part of this statement.

CENTRAL BANK OF BELIZE

STATEMENT OF OPERATIONS

	NOTES	For the year ended December 31,	
		1992	1991
INCOME			
Interest on investments		\$5,380,419	\$8,733,022
Discounts and other investment income		1,655,061	451,773
Realized gains from appreciation in market value of securities	2e	27,205	19,762
Commissions and other income		1,156,685	815,900
Total income		8,219,370	10,020,457
EXPENDITURE			
Printing of notes and minting of coins	2g	974,250	1,025,296
Salaries and wages, including superannuation contributions and gratuities		2,952,196	2,811,514
Interest expense		1,211,137	1,867,795
Other expenses, including depreciation		2,819,530	2,659,636
Total expenditure		7,957,113	8,364,241
NET PROFIT		262,257	1,656,216
Transfer to Revaluation Account in accordance with Section 49 of the Act.	2d	262,257	-
Transfer to General Reserve Fund in accordance with Section 9 (1) of the Act	18	-	331,243
Balance credited to the Accountant General for the Consolidated Revenue Fund		\$ -	\$1,324,973

The accompanying notes are an integral part of this statement.

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1992 AND 1991

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 -

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.

Profits or losses from any revaluation of the Bank's net assets or liabilities in gold, special drawing rights, foreign exchange or foreign securities as a result of any change in the par value of the Belize dollar, or of any change in the par value of the currency unit of any other country shall be excluded from the computation of the annual profits and losses of the Bank. All such profits or losses shall be carried in a special account called Revaluation Account; provided that no profits shall be credited to the General Reserve Fund or paid to the Government under section 9 of the Act, whenever the Revaluation Account shows a net loss. Such profits shall be credited to the Revaluation Account in an amount sufficient to cover the loss.

e. Valuation of securities -

Securities are stated at market value. Unrealized losses arising from changes in the market value of securities are charged against income while unrealized gains are deferred. Realized 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, 1992, total approved external assets approximated 83.0 percent (1991-103.0 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, 1992, the Bank's subscription to the International Monetary Fund amounted to SDR 13,500,000, and the Reserve Tranche amounted to SDR 2,892,600 (1991 - SDR 9,500,000 and SDR 1,892,600 respectively). The Tranche which earns interest is included in Approved External Assets in the financial statements at the rate of BZ \$2.75 to SDR 1.0 at December 31, 1992 (1991 BZ \$2.86 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

Belize Government securities consist of:	<u>1992</u>	<u>1991</u>
Belize Government treasury bills	\$2,927,867	\$16,034,136
Belize Government debentures	4,670,000	4,670,000
	<u>\$7,597,867</u>	<u>\$20,704,136</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, 1992 the Bank's aggregate holding of Belize Government Securities approximated .44 times (1991 - 1.04 times) the amount of paid up capital and general reserves of the Bank.

7. LOANS TO PUBLIC SECTOR

Loans to public sector consist of:	<u>1992</u>	<u>1991</u>
5% p.a. loan due in 16 consecutive semi-annual payments commencing July 10, 1993.	\$500,000	\$500,000
5% p.a. loan due in 16 consecutive semi-annual payments commencing July 10, 1993.	2,500,000	2,500,000
6% p.a. loan due in 16 consecutive semi-annual payments commencing December 22, 1992	6,562,500	5,600,000
	<u>\$9,562,500</u>	<u>\$8,600,000</u>

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

8. LOANS TO LICENSED FINANCIAL INSTITUTION

	<u>1992</u>	<u>1991</u>
Loan to a licensed financial institution due March 24, 1993. Interest at 9% per annum - secured by hypothecation of Government of Belize's Treasury Bills	\$3,000,000	\$ -
Loan to a licensed financial institution due January 14, 1993. Interest at 9 1/2% per annum - secured by hypothecation of Government of Belize's Treasury Bills.	3,000,000	-
	<u>\$6,000,000</u>	<u>\$ -</u>

9. 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.

10. OTHER ASSETS

At December 31 other assets are made up as follows:

	<u>1992</u>	<u>1991</u>
Prepayments	\$2,624,777	\$1,271,305
Accrued interest	211,165	131,556
Other	917,269	1,110,460
	<u>\$3,753,211</u>	<u>\$2,513,321</u>

11. PROPERTY AND EQUIPMENT

Property and equipment consist of:

	<u>1992</u>	<u>1991</u>
Properties and improvements	\$2,791,351	\$552,809
Furniture	443,216	398,258
Equipment	2,483,547	2,382,429
Vehicles	241,473	241,473
	<u>5,959,587</u>	<u>3,574,969</u>
Less: accumulated depreciation	2,199,334	1,648,513
	<u>\$3,760,253</u>	<u>\$1,926,456</u>

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

12. 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% of its average deposit liabilities. Interest is not paid on these deposits.

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>1992</u>	<u>1991</u>
Commission for European Communities	\$3,191,983	\$1,662,716
International Monetary Fund	95,011	66,187
Caribbean Development Bank	619,276	210,392
International Bank for Reconstruction and Development	3,426,604	1,643,021
	<u>\$7,332,874</u>	<u>\$3,582,316</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, 1992, outstanding loans discounted by commercial banks through the facility amounted to Bz \$2.0 million net of repayments (1991 - \$2.2 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>1992</u>	<u>1991</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 onlending to Reconstruction and Development Corporation to finance a housing construction project in Belize and is secured by a promissory note from the Central Bank of Belize.	9,375,000	10,000,000
	<u>\$10,664,595</u>	<u>\$11,289,595</u>

16. CONSTRUCTION BONDS

	<u>1992</u>	<u>1991</u>
BZ \$5,000,000 construction bonds maturing on September 30, 1997. Interest at 9% per annum payable semi-annually. Secured by guarantee from the Belize Government.	\$5,000,000	\$ -
	<u>\$5,000,000</u>	<u>\$ -</u>

17. SAN JOSE ACCORD ACCOUNT

The account was established on the admission of Belize as a beneficiary of the San Jose Accord in 1990, and comprise allocations under the San Jose Accord Fund Facility provided to the Government of Belize by the Government of Mexico for the funding of mutually agreed capital projects. Allocations to the facility by the Government of Mexico will in future be recognized when drawn down by the Government of Belize and will be recorded as a loan to the Belize Government.

18. 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>1992</u>	<u>1991</u>
At January 1	\$9,851,046	\$7,358,521
Transfer from net profit in Accordance with Section 9(1) of the Act	-	331,243
Unredeemed demonitized issue (a)	-	1,000,223
Collectors' coins issued prior to December 31, 1976 (b)	-	1,161,059
Transfer to Revaluation Account (Note 2d)	(2,673,943)	-
At December 31	<u>\$7,177,103</u>	<u>\$9,851,046</u>

- (a) 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. In the opinion of the directors, these notes have become 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. Future redemptions will be charged to income as they occur.
- (b) 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 especially minted or packaged as collector's items. Since these coins were not issued for monetary purposes the directors are of the opinion that no liability will arise with respect to these issues. Consequently, the liability amounting to \$1,161,059 has been transferred to general reserve fund as of December 31, 1991.

19. COMMITMENTS AND CONTINGENT LIABILITIES

At December 31, 1992, the Bank is contingently liable to commercial banks under guarantees amounting to BZ \$363,246 (1991 - BZ \$1,848,767).

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, 1992, the principal outstanding under the facility was US \$5,090,366. 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, 1992, 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 \$8,252,062 at December 31, 1992 (1991 -BZ \$5,208,068).

Pledges and other purchase commitments amount to NIL at December 31, 1992 (1991 - \$1,778,196).

CENTRAL BANK OF BELIZE

Eleventh Annual Report and Accounts 1992

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